

OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

October 2010

Feature Article:
Continued oil price stability in current market conditions

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Oil Market Highlights

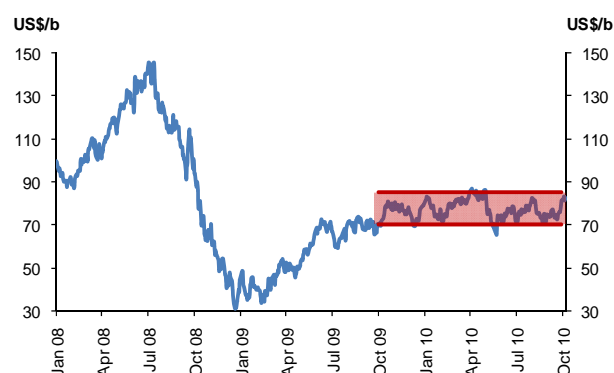
- The **OPEC Reference Basket** increased a further 48¢ in September to average \$74.63/b, the highest since April. The futures market saw mixed patterns. Nymex WTI front month averaged \$75.55/b, down \$1.12 from August, while ICE Brent rose for the second month in a row, gaining \$1.30 to \$78.42/b. In early October, improvement in macroeconomic data and the weaker dollar supported the market, pushing the OPEC Basket above \$81/b for the first time since early May. WTI recovered to move beyond \$83/b and ICE Brent reached more than \$85/b. On 11 October, the Basket stood at \$80.44/b.
- The **world economy** continues to expand at below-average levels. The global growth forecasts remain unchanged at 3.9% for 2010 and 3.6% for 2011. The US forecast stands at 2.6% in 2010 and 2.3% in 2011, in line with the previous report. Japan's forecast was revised up 0.3 points to 2.8% in 2010, but remained unchanged at 1.3% in 2011. The Euro-zone is forecast to grow at 1.2% in 2010 and 1.0% in 2011, unchanged from the previous month. China and India are expected to continue their growth. So far, China has been successful in cooling down its economy with growth expectations at 9.5% in 2010 and 8.6% in 2011. India is forecast to grow by 8.2% in 2010 and 7.7% in 2011.
- **World oil demand** growth in 2010 now stands at 1.1 mb/d, following an upward revision of 0.1 mb/d from the previous report, driven by the stronger-than-expected, stimulus-led economic growth in the first half of the year. Despite some turbulence and setbacks, the global economic recovery continues to provide support for oil consumption. While oil demand in the third quarter has been supported by warm summer weather along with the driving season, however, it is not expected to be as strong as in the previous two quarters. The recovery in industrial activities has positively affected industrial fuel demand across the globe. In 2011, global oil demand is forecast to grow by 1.0 mb/d, unchanged from the last month, with demand growth anticipated to be stronger in the second half of the year.
- **Non-OPEC** oil supply is forecast to increase by 1.0 mb/d in 2010, following an upward revision of 0.1 mb/d from the previous month, mainly due to higher-than-expected supply from Canada, Mexico and China. In 2011, non-OPEC oil supply is expected to grow 360 tb/d, supported by anticipated growth in Brazil, Canada, Azerbaijan, and Kazakhstan. OPEC NGLs and non-conventional oils are forecast to increase by 0.5 mb/d in 2011, following growth of 0.4 mb/d this year. In September, total OPEC crude oil production averaged 29.08 mb/d according to secondary sources, representing a slight decline of 30 tb/d over the previous month.
- Strong distillate demand across the globe ahead of the winter season has provided some support for **product markets**, although this has been partially offset by weak gasoline demand and oversupply in the Asian fuel oil market. High stocks for light distillates amid refinery maintenance, combined with the oversupply in fuel oil, will keep product market sentiment bearish and continue to weigh on refinery margins over the coming months.
- The **tanker market** has experienced declining rates on all routes in September. High tonnage availability combined with seasonally lower oil demand has resulted in reduced freight rates. In the crude freight market, VLCC spot rates declined 8.7%, Suezmax rates decreased 18.8% and Aframax freight rates fell by 13.7% m-o-m. Product spot freights also saw a negative performance in September. East of Suez spot rates slumped by 9.4%, while West of Suez routes declined 12.1%.
- **US commercial stocks** reversed the upward trend seen over the last five months to decline by 4.4 mb in September. However, the surplus with the five-year average remained very high at 118 mb. The bulk of this draw came from products which fell by 3.7 mb, while crude stocks dropped slightly by 0.8 mb. The most recent monthly data for August shows that commercial oil stocks in Japan fell by 6.7 mb to stand around 11 mb below the seasonal norm. Preliminary indications show Japanese total commercial oil stocks declined a further 1 mb at the end of September.
- **Demand for OPEC crude** in 2010 is estimated at 28.6 mb/d, around 0.1 mb/d lower than in the previous report. This represents a decline of 0.3 mb/d from the demand for OPEC crude in 2009. In 2011, the demand for OPEC crude is expected to average 28.8 mb/d, unchanged from the previous assessment and an increase of around 0.2 mb/d over the previous year.

Continued oil price stability in current market conditions

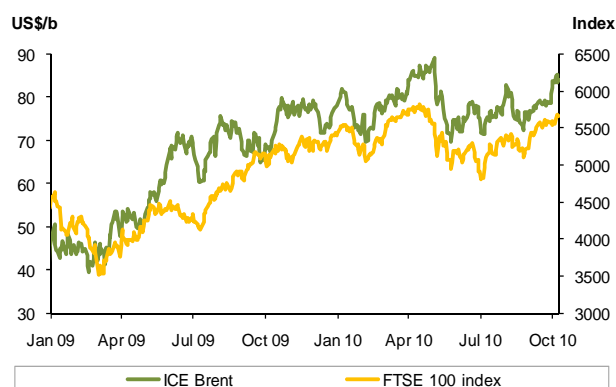
US crude oil prices have remained within a fairly established range so far in 2010, in contrast to the strong movements seen over the past two years (**Graph 1**). A look at the frequency distribution of WTI prices demonstrates the stability over this period, with almost 95% of the values within a trading range of \$70-85/b. Prices have averaged around \$77/b with a standard deviation of about \$4.16, implying stabilization around a mean of \$75/b. It should be noted that the stable price range began in the third quarter of 2009, coinciding with the start of the economic recovery.

Within this range, crude oil prices have fluctuated due to a variety of factors. Among these are mixed macroeconomic data and the uneven pace of the global economic recovery, which has led to ongoing swings in market sentiment. Among the continuing challenges to economic growth are the sovereign debt situation in the Euro-zone; persistent high unemployment and housing sector reversals in the US, as well as efforts to prevent overheating in China. This has resulted in uncertainty about oil demand growth across the various regions, which has kept oil prices alternating between gains and losses. Speculative activity in the crude futures markets has also continued to play an important role in shaping crude oil price developments.

Graph 1: WTI crude oil price, US\$/b



Graph 2: Benchmark crude vs. equities



With the onset of the global economic crisis, oil price movements have been closely correlated with equities, thus highlighting the continuing impact of the wider financial markets on crude oil prices. This strong relationship is not limited to the US market, but can also be seen between ICE Brent and FTSE 100 (**Graph 2**). This relationship exists despite the recent unusual Brent premium to WTI, which is due to the increase in Brent volume traded on the ICE exchange, maintenance in the North Sea, and higher inventories in Cushing, Oklahoma, which have put pressure on WTI. Since the start of the year, equity markets have traded within a 15-20% range, almost the same range as the oil price. Based on the consensus earnings estimate index, this could be considered a relative fair valuation and thus constitutes a supportive factor for the current trading range for oil prices.

There is now a broad consensus in the market that crude oil prices around the current range have been accommodative in promoting adequate investment while at the same time supporting the economic recovery. However, the uncertain pace of global growth, as well as weak conditions in oil market fundamentals could pressure prices. While fiscal stimulus is coming to an end in almost all economies, monetary easing is expected to continue. However, the effectiveness of further quantitative easing is uncertain. With respect to the US\$/euro exchange rate, continued increases in US money supply could further weaken the dollar, although revived concerns about Euro-zone sovereign debt would likely have a similar affect on the euro.

Regarding oil market fundamentals, the prevailing ample supply in the market has been reflected in higher stocks for both crude and products. Indeed, product market sentiment remains bearish as new expansions have increased idle capacity, weighing on margins and encouraging refiners to cut utilization rates. As a result, product markets are not likely to provide support for crude prices.

Although prices have remained within a fairly stable range, there is still a need for continued caution, especially in light of the uncertainties influencing the market. As always, OPEC stands ready to take the necessary decisions to support oil market stability.

Crude Oil Price Movements

OPEC Basket strengthened further in September to average \$74.63/b

OPEC Reference Basket

The OPEC Reference Basket strengthened in September to move within a \$72-\$78/b range, supported by improving global macroeconomic sentiment.

The Basket generally followed an upward trend in September, moving from \$72.49/b on the first day to \$77.48/b on the last day, the highest level since the first week of August.

Consequently, the upward trend lifted the Basket's monthly average by 48¢ to hit a five-month high of \$74.63/b in September. So far this year, the OPEC Reference Basket has averaged \$75.25/b during the first three quarters compared with \$56.60/b for the same period a year ago.

All Basket components increased further in September with the exception of Meray, which retreated 28¢. The gains were led by the Ecuadorean crude Oriente, followed by the African crudes, Murban and Qatar Marine.

African grades were supported by bullish sentiment in Europe on the back of tight supply due to oil field maintenance in the North Sea. In addition, concerns over tighter Iraqi supplies amid Kirkuk-Ceyhan pipeline problems have also contributed to the strengthening of African grades. Moreover, continued healthy appetite from Asian buyers for West African crudes, particularly China and India, and weak freight rates added more support to African crudes. Es Sider showed the largest gain of 88¢ or 1.2% over the previous month to average \$77.15/b, followed by Bonny Light which gained 83¢. The Algerian crude Saharan Blend rose 73¢ but stood at the top of all Basket components with a monthly average of \$78.95/b. Angolan crude Girassol showed the lowest gain of 70¢, pressured by relatively higher supply.

Middle East crude market sentiment remained strong in September, supported in the first week by the increase in Saudi Arabia official selling price formula for its crude to Asia for October, followed by a tightness in Iraqi crude supplies to Asian term buyers and Abu Dhabi Murban crude for November loading sold at a premium. Middle Eastern crudes were supported by growing demand from Asian buyers, particularly for medium heavy grades for utilities. In addition, a strong distillate crack also contributed to the bullish sentiment of the Middle East crude oil market. Murban and Qatar Marine rose by around 80¢ and Kuwait Export by 50¢ while Arab Light, Basrah Light and Iran Heavy gained less than 40¢ each.

Latin American crudes showed a mixed pattern with Oriente rising \$1.42 to move above \$70/b, whereas Meray fell 28¢ to average less than \$67/b.

Driven by bullish sentiment in the oil market, the OPEC Reference Basket increased further in early October to move above \$80/b for the first time since May.

Graph 1: Crude oil price movement

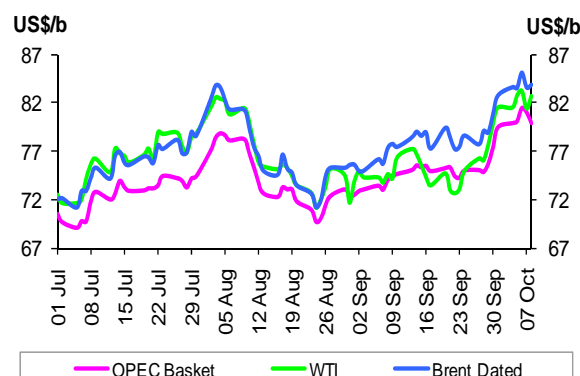


Table 1: OPEC Reference Basket and selected crudes, US\$/b

	<u>Aug 10</u>	<u>Sep 10</u>	<u>Change</u> <u>Sep/Aug</u>	<u>2009</u>	<u>2010</u>
OPEC Reference Basket	74.15	74.63	0.48	56.60	75.25
Arab Light	74.21	74.55	0.34	56.88	75.60
Basrah Light	73.39	73.70	0.31	56.05	74.55
Bonny Light	78.82	79.65	0.83	58.96	78.62
Es Sider	76.27	77.15	0.88	57.05	76.67
Girassol	76.55	77.25	0.70	57.45	77.08
Iran Heavy	73.20	73.58	0.38	55.95	74.55
Kuwait Export	72.42	72.92	0.50	56.09	74.22
Marine	74.48	75.26	0.78	57.94	76.06
Merey	67.19	66.91	-0.28	51.65	68.25
Murban	76.12	76.93	0.81	59.35	77.75
Oriente	69.27	70.69	1.42	51.35	70.69
Saharan Blend	78.22	78.95	0.73	58.04	77.85
Other Crudes					
Minas	77.93	79.47	1.54	60.32	80.23
Dubai	74.28	75.13	0.85	57.27	75.91
Isthmus	75.50	74.16	-1.34	56.44	75.97
T.J. Light	74.07	72.60	-1.47	55.29	74.43
Brent	77.07	77.80	0.73	57.35	77.18
W Texas Intermediate	76.62	75.14	-1.48	57.13	77.47
Urals	75.45	77.39	1.94	56.83	75.97
Differentials					
WTI/Brent	-0.45	-2.66	-2.21	-0.22	0.28
Brent/Dubai	2.79	2.67	-0.12	0.08	1.27

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

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

The oil futures market

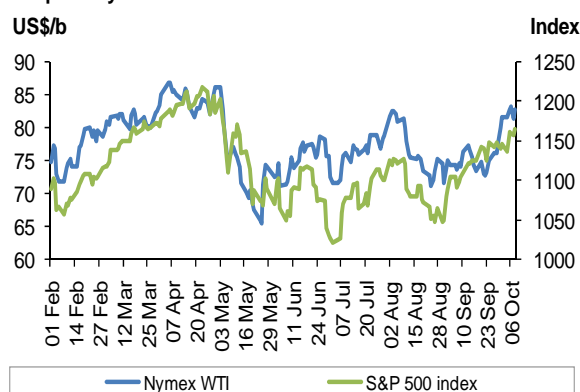
Crude oil futures experienced mixed patterns with Nymex WTI weakening at first, but moving above \$82/b in early October. ICE Brent increased further.

Crude oil futures prices continued to move in September in line with changes in macroeconomic sentiment according to major economic indicators in the main consuming countries, particularly the US, China and Europe. However, while both Nymex WTI and ICE Brent moved within a narrow range of +/- \$6, Brent increased further, while WTI fell.

US crude oil futures moved within a range of \$74-80/b in September, rising from nearly \$72/b on the last

day of August to \$77.19/b on 13 September. The upward trend, which was in line with the strength in equity markets, was essentially driven by encouraging macroeconomic data from China, the US and Europe, followed by a shutdown of the Enbridge pipeline from Canada to the US Midwest, causing a supply disruption. Market sentiment was lifted by better-than-expected industrial production data from China as well as positive data on US pending home sales, retail sales and jobless claims. Diminishing concerns about European debt problems, which eased after news that Portugal successfully released a bond issue, also added more bullishness to market sentiment. Prices were further supported by a weaker US dollar, which encouraged the purchase of crude oil for holders of other currencies. The surge of the Nymex WTI front month to \$77.19/b on 13 September, the highest level in more than four weeks, was attributed mainly to the shutdown of the Enbridge 670,000-b/d Line 6A on 9 September, the largest of the

Graph 2: Nymex WTI and S&P 500



company's major three pipelines, after a leak was discovered near Romeoville, Illinois. The pipeline accounts for almost 8% of total US crude imports and supplies Midwest refineries and the key storage hub in Cushing, Oklahoma. The WTI front month gained almost \$3 in the two trading days between 9 and 13 September. However, the surge above \$77/b was short-lived, as fears of a prolonged outage eased, following news that the restart of the damaged pipeline would be quicker after Enbridge said it completed repairs.

Diminishing concerns about lack of supply from the Enbridge pipeline along with disappointing macroeconomic data on Germany's business confidence, as well as a contraction in factory activity in the US mid-Atlantic region started to weigh again on crude oil futures in the third week. The Nymex WTI front-month fell over four consecutive days to settle at \$73.66/b on 17 September, the lowest level in September. The sharp decline in futures came on the back of bearish data showing US crude oil inventories defying expectations and increasing further. However, futures recovered on the following trading day, lifted by the S&P 500 Index, after closing at a four-month high amid positive corporate news. Prices were also supported by a weaker US dollar.

The Nymex WTI front month followed an upward trend in the last 7 trading days of September to approach \$80/b on the last day, after surging by more than \$6.3 over the period. At \$79.97/b, the WTI front month was at its highest level since 10 August when it closed for the last time above \$80/b. However, despite this recovery, the WTI front month averaged \$75.55/b in September, down \$1.12 from August. That was the first decline on a monthly basis since the strong loss of more than \$10 of May. The weakness of September compared with August was attributed to the fact that the WTI front month was hovering above \$80/b in the first ten days of August, driven by positive macroeconomic data, a weaker US dollar and a sharp recovery in equity markets on the back of strong second-quarter earnings. During that period, WTI moved even above \$82/b.

The WTI front month rose further in early October to settle at \$82.82/b on 5 October, the highest level since the first week of May. The strong upward movement was supported by a weaker US dollar against the euro, which declined to an eight-month low. During the same day, the S&P 500 Index returned to mid-May highs. Futures were also lifted by a strike in the French port of Fos-Lavera.

ICE Brent continued to trade above the WTI front month in September and moved within a \$76-82/b range. With the exception of 5 days, ICE Brent witnessed an upward trend in September to move from \$76.35/b – the lowest of the range – on the first trading day, to \$82.31/b on the last day, resulting in a monthly average of \$78.42/b, up \$1.30 from August, the highest monthly average since April and the third highest so far this year. ICE Brent gained more than \$3.60 in the last trading days of September following a port workers' strike at France's Fos-Lavera oil hub, blocking the unloading of products and four crude oil tankers. The momentum continued in early October with the ICE Brent front month closing at a five-month high of \$85.06/b on 6 October, as the strike continued at Fos-Lavera port.

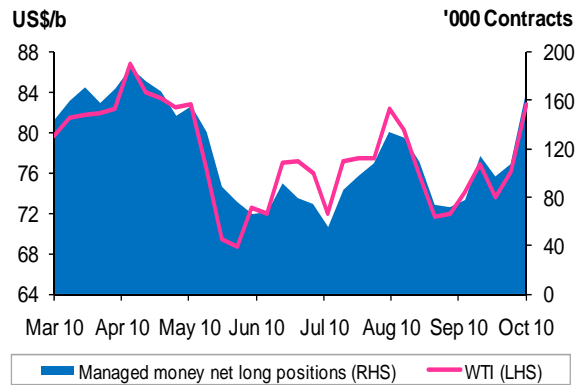
WTI's discount to Brent widened in September

The mixed pattern between WTI and Brent caused the Brent premium to WTI to widen a further \$1.30 to average \$2.87/b. The premium moved to almost \$5 in the third week, the highest since mid-May when WTI traded at a discount of up to \$5.7/b on 13 May as crude oil stocks at Cushing, Oklahoma, the delivery point for Nymex, hit an all-time high of almost 38 mb. WTI continued to be weak relative to Brent, as inventories at Cushing remained high and commercial crude oil stocks continue to increase, moving well beyond the seasonal average.

The emergence of oil as an asset class continued to encourage investors. The number of traded contracts on the exchange continued to increase on both Nymex and ICE. Total trading volume of the Nymex WTI front month climbed to 8 mb in September, the highest ever. ICE Brent trading volume, however, edged down slightly in September to 3.24 mb from 3.28 mb a month earlier. The ICE Brent trading volume record was hit last May, when it reached almost 3.5 mb.

Total open interest of Nymex WTI contracts increased further in September to almost 1,349,000 lots, the highest since last May when open interest topped to more than 1,430,000 contracts. Similarly, open interest of ICE Brent rose in September, but at a higher pace to stand at around 769,000 contracts, compared with less than 754,000 lots in the previous month, the highest since the 857,000 contracts of April.

Graph 3: Nymex WTI price vs. Speculative activity



Speculator activity on futures markets and in oil prices continued to move in tandem in September. Money managers increased net long crude oil positions on the Nymex over three weeks in September and the WTI front month increased in the same three weeks. Money managers cut net long crude oil positions during the week ending 21 September, the same week when the WTI front month fell. However, money managers increased their net long positions sharply through the week to 28 September to more than 107,000 contracts, the highest since mid August. At the same time, the WTI front month ended the same week at \$78.16/b, the highest since mid August.

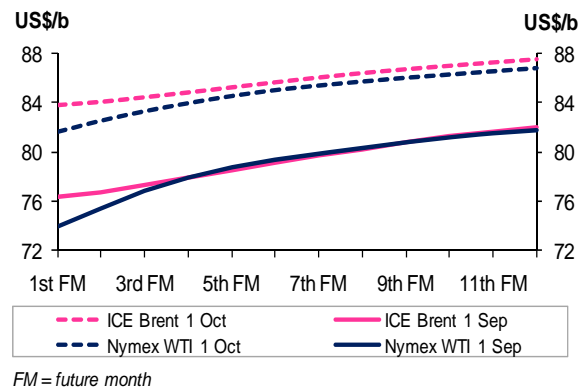
Money Managers sharply increased their net long positions to 165,000 contracts in the week ending 5 October, the highest since the first week of April. At the same time, the WTI front month rose to nearly \$83/b, the highest since mid-April.

The contango widened further to \$1.27/b in September

The futures market structure

Oil futures remained in contango in September, but the spreads widened further on Nymex and narrowed on ICE. On Nymex, the first month traded on average at \$1.27/b below the second month compared with 59¢/b the previous month and 43¢/b a month earlier. The same phenomena were observed with the forward months where the spread between the sixth month and the first month rose \$4.90/b compared with \$3.18/b in August.

Graph 4: Nymex WTI and ICE Brent forward curve, 2010



The widening spread resulted from the weakness of the prompt month due to ample supply of commercial crude and, in particular, crude oil at Cushing, Oklahoma. A wide contango will likely support more crude oil to move to floating storage again.

In contrast to Nymex WTI, the ICE Brent contango narrowed to an average of 24¢/b between the second and the first month, down 43% from the previous month, the lowest since ICE Brent shifted to contango in May 2008. The narrowing of the ICE Brent contango came as a result of the strengthening of the ICE prompt month following recent oil field maintenance.

Table 2: Nymex WTI and ICE Brent forward price, US\$/b

Nymex WTI		<u>1st FM</u>	<u>2nd FM</u>	<u>3rd FM</u>	<u>6th FM</u>	<u>12th FM</u>
1 Oct 2010		73.91	75.36	76.86	79.37	81.80
1 Sep 2010		81.58	82.50	83.28	85.03	86.85
ICE Brent		<u>1st FM</u>	<u>2nd FM</u>	<u>3rd FM</u>	<u>6th FM</u>	<u>12th FM</u>
1 Oct 2010		76.60	76.99	77.62	79.35	82.22
1 Sep 2010		78.18	78.48	79.05	80.75	83.39

FM = future month

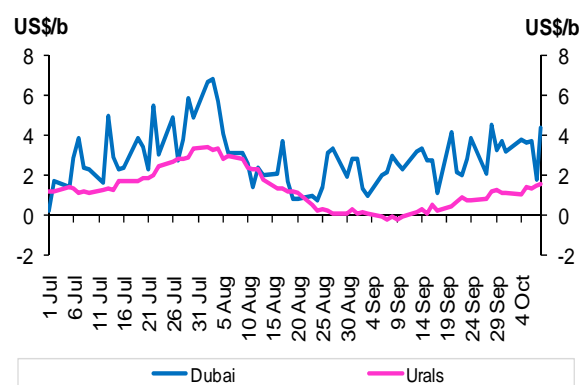
The sour/sweet crude spread

Heavy sour grades strengthened relative to light sweet crudes in September on the back of healthier demand.

Mars sour crude started trading higher than WTI in mid-September. The strength of Mars was attributed essentially to the lack of supply, because of the Enbridge Inc Line 6A outage and a lack of arbitrage opportunities due to the strong Brent. The outage of the pipeline triggered increased demand for Gulf Coast grades. Mars sour grade traded higher than WTI until 24 September, when it reached a premium of up to \$1.20/b, a period during which the Enbridge pipeline remained affected. WTI cash crude regained its premium over Mars in the following days to reach 80¢ in the first week of October after Enbridge restarted its 190,000b/d Line 6B pipeline nine weeks after it ruptured and spilled oil in a Michigan waterway. The restart of the line allowed more Canadian crude to flow to the region, in turn reducing demand for some heavy sour grades. For the whole month of September, WTI cash stood 14¢ below Mars sour, the first time WTI traded below Mars since May, when WTI prices were depressed.

Urals continued to strengthen relative to Dated Brent. The Dated Brent premium to Urals narrowed to up to 7¢/b in the first few days of September before it turned negative on 12 January. The strengthening of Urals against Brent continued resulting in a Brent discount of 24¢/b on 8 September, the highest since July 2009. On a monthly basis, the Dated Brent premium to Urals narrowed to 41¢/b in September compared with \$1.62/b in August. At 41¢/b, the Brent premium was the second lowest so far this year after the 10¢/b of January. Urals strength was driven by tight supply from Russia and a strong official selling price of Kirkuk crude; higher than Brent for the first time in many years.

The Brent-Dubai differential narrowed further in September to average \$2.67/b compared with almost \$2.80/b in August and \$3.15/b in July. The narrowing differential reflected the bullish sentiment in Middle Eastern crudes on the back of stronger demand ahead of the winter season and strong distillate cracks.



The light-heavy spread narrowed in September

Commodity Markets

Commodity price growth eased amid volatility and mixed macro-economic data

Trends in selected commodity markets

The World Bank energy commodity price index growth eased by 3.9% m-o-m in September compared to 4.7% m-o-m in August. Non-energy commodities also increased at a slower pace of 3.9% m-o-m in September compared to 4.6% in the previous month. There was an increase in gold and grain prices; however, this was partly offset by the more modest growth the base metal complex.

Table 3: Commodity price data, 2010

Commodity	Unit	Monthly averages			% Change		
		Jul	Aug	Sep	Jul/ Jun	Aug/ Jul	Sep/ Aug
World Bank commodity price indices for low and middle income countries (2000 = 100)							
Energy		257.4	260.1	262.2	-0.2	1.0	0.8
Coal, Australia	\$/mt	96.0	89.8	94.9	-2.2	-6.5	5.7
Crude oil, average	\$/bbl	74.6	75.8	76.1	-0.2	1.7	0.4
Crude oil, Brent	\$/bbl	74.7	76.7	77.8	-0.1	2.6	1.4
Crude oil, WTI	\$/bbl	76.4	76.6	75.3	1.3	0.3	-1.7
Natural gas index	2000=100	157.3	157.8	161.0	1.5	0.3	2.0
Natural gas, US	\$/mmbtu	4.6	4.3	3.9	-3.5	-7.0	-9.3
Non Energy		262.3	274.6	285.2	5.6	4.7	3.9
Agriculture		219.5	228.6	237.5	2.4	4.1	3.9
Beverages		261.7	260.4	256.6	3.2	-0.5	-1.5
Food		209.4	222.2	233.4	5.1	6.1	5.0
Soybean meal	\$/mt	356.0	382.8	393.0	5.3	7.5	2.7
Soybean oil	\$/mt	907.0	1002.3	1033.0	5.6	10.5	3.1
Soybeans	\$/mt	429.0	456.8	466.0	5.1	6.5	2.0
Grains		192.3	210.8	234.4	8.0	9.6	11.2
Maize	\$/mt	163.8	175.6	205.9	7.2	7.2	17.3
Sorghum	\$/mt	132.4	143.4	184.9	1.1	8.3	28.9
Wheat, Canada	\$/mt	287.5	326.0	365.0	10.0	13.4	12.0
Wheat, US, HRW	\$/mt	195.8	246.2	271.7	24.2	25.8	10.3
Wheat, US, SRW	\$/mt	222.3	261.6	276.3	21.7	17.7	5.6
Sugar EU	¢/kg	42.8	43.2	43.9	4.6	1.0	1.6
Sugar US	¢/kg	73.3	77.2	84.2	1.2	5.3	9.0
Sugar, world	¢/kg	38.5	40.7	49.6	9.9	5.8	21.9
Raw Materials		222.5	227.8	237.7	-3.6	2.4	4.4
Fertilizers		259.4	276.4	300.8	4.2	6.5	8.8
Metals and Minerals		350.4	368.7	381.2	10.1	5.2	3.4
Aluminum	\$/mt	1988.3	2118.1	2162.3	2.9	6.5	2.1
Copper	\$/mt	6735.3	7284.0	7709.3	3.6	8.1	5.8
Gold	\$/toz	1193.0	1215.8	1271.0	-3.2	1.9	4.5
Iron ore	¢/dmtu	205.0	205.0	205.0	22.8	0.0	0.0
Lead	¢/kg	183.7	207.5	218.4	7.8	13.0	5.3
Nickel	\$/mt	19517.5	21413.3	22643.4	0.7	9.7	5.7
Silver	¢/toz	1794.0	1849.3	2061.1	-3.2	3.1	11.5
Steel products index	2000=100	231.8	230.4	235.0	-4.2	-0.6	2.0
Tin	¢/kg	1819.1	2075.5	2270.1	5.0	14.1	9.4
Zinc	¢/kg	184.4	204.5	215.1	5.8	10.9	5.2

\$ = US dollar

dmtu = dry metric ton unit

mt = metric ton

n.a. = not available

¢ = US cent

kg = kilogram

toz = troy oz

n.q. = no quotation

bbl = barrel

mmbtu = million British thermal units

SGP = Singapore

Source: World Bank, Commodity price data

Commodity prices in the third quarter showed a strong performance in agricultural markets followed by growth in base and precious metals. Grain prices remained at high levels in September, but there were some corrections in these markets related to the more bearish view from the supply side for some grains like wheat. The rally in corn continued in September as US and global corn stocks remained tight and the surge in China's corn imports has been supportive.

The growth in industrial metals prices improved in September, while conditions in these markets are still very dependent on the expectations of growth in the US and China.

As in August, commodity market performance was diverse and has been affected by macro-economic data releases and associated sentiment. Although there was some positive macro-economic news in September, some fears remain with regard to the pace of recovery.

The **World Bank energy commodity index** (crude oil, natural gas and coal) eased by 0.8% m-o-m in September compared to 1.1% m-o-m in August. The slowing in the current month was due to the disappointing performance of WTI and HH natural gas, which outpaced the positive turn in coal prices.

Henry Hub (HH) dropped further by 9.3% m-o-m in September compared to a 7% fall in August m-o-m, the third fall in a row which, as stated before, reflected poor fundamentals on both the supply and demand sides.

The **World Bank non-fuel commodity price index** rose 3.9% m-o-m in September, moderating compared to 4.6% in August and 5.6% in July, essentially on the back of a correction in grain and industrial metals, but whose prices level remain still high.

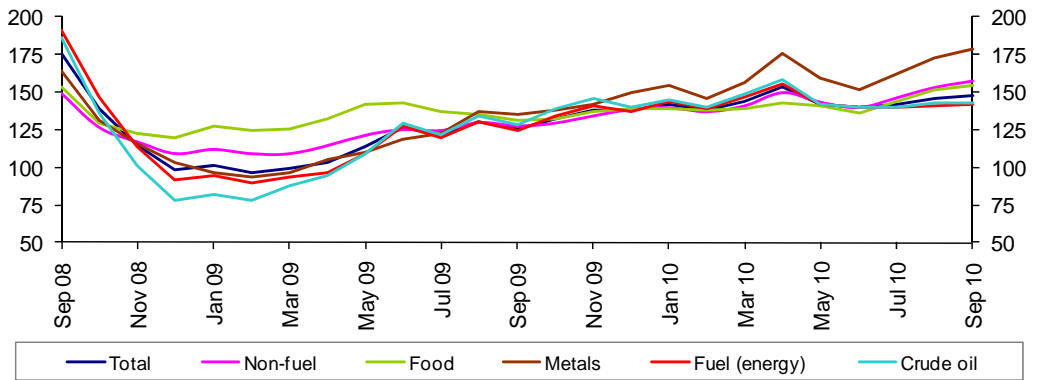
The **World Bank industrial metal price index** increased by 5.3% m-o-m in September, lower than the 8.5% growth reported in last August and down from highs in earlier months. It seems that base metal price movements have been mixed through September as moderate macro headwinds have muffled potential gains for all except those metals with the strongest fundamentals. Copper and tin were the two metals with better performance. Nevertheless, it must be noted that given the stream of new favourable news from the macro front, it seems that such moderation in prices is only a temporary phenomenon.

Further positive data from the Chinese economy was released in September, with China's NBS manufacturing PMI climbing again in September to 53.8, following a reading of 51.7 in August and 51.2 in July and remaining over the expansion limit of 50. This suggests that the slowing in final demand is coming to an end. In addition, stronger than-expected demand from the OECD markets, despite the typical summer slowdown, points to robust demand for base metals.

In sum, the outlook for industrial metal markets relies upon the performance of the Chinese economy and the improvement in global growth prospects with those metals with the strongest fundamentals, such as copper and tin, being in better positions.

Industrial metal prices grew at a slower pace in September

Graph 6: Major commodity price indexes, 2008-2010



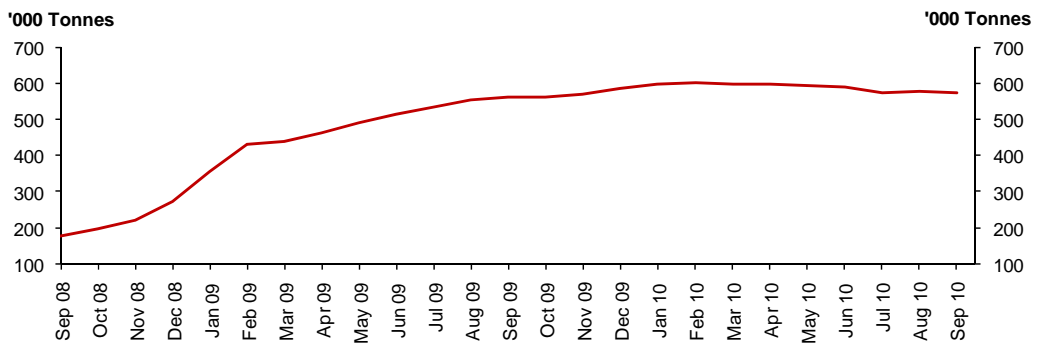
Commodity price index, 2005 = 100

- Total: Includes both fuel and non-fuel
- Non-fuel: Includes food and beverages and industrial inputs
- Food: Includes cereal, vegetable oils, meat, seafood, sugar, bananas and oranges
- Metals: Includes copper, aluminum, iron ore, tin, nickel, zinc, lead and uranium
- Fuel (energy): Includes crude oil (petroleum), natural gas and coal
- Crude oil: Is the simple average of three spot prices: Dated Brent, West Texas Intermediate and Dubai Fateh

Source: IMF

Gold prices kept growing in September by 4.5% m-o-m, driven by medium-term concern on the pace and strength of the global recovery and inflation rather than by a short-term concerns about an economic downturn.

Graph 7: Inventories at the London Metal Exchange (LME)



Source: LME

Investment flow into commodities

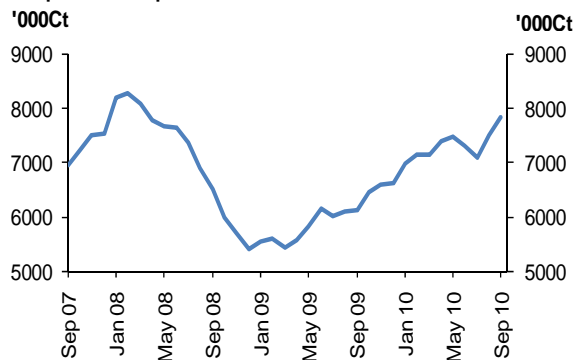
Open interest increased slightly, but at a lower rate from August

Open interest volume (OIV) for major US commodity markets rose by 5% m-o-m to 7,984,636 contracts in September compared to 5.8% m-o-m in August (see **Graph 8**). Precious metals and WTI were the major gainers.

Slower paced growth in speculative investment took place in September as non-commercial net length in major US commodity markets grew by only 5% m-o-m to 2,748,954 contracts which compared unfavourable with a 20.5% jump reported in the previous month.

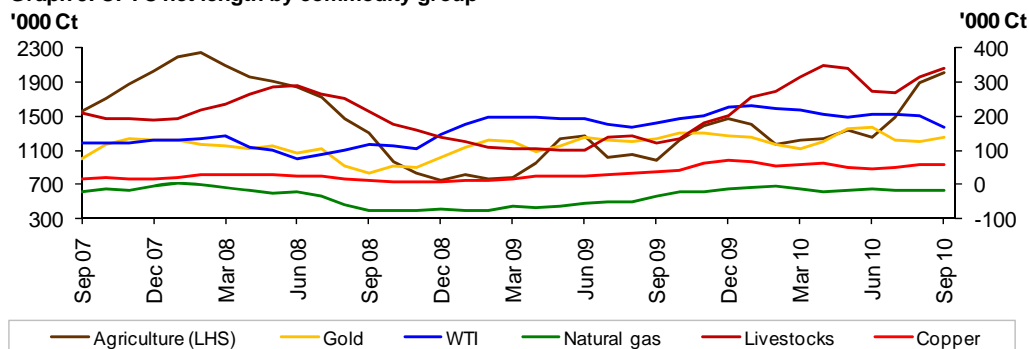
A slightly greater increase in non-commercial shorts than in long positions left the net-length as percentage of OIV at 34.4% in September. Following the impressive gains in August by many commodity groups, only precious metals reported important gains in net lengths m-o-m in September while other items slowed gains or reported losses. It must be noted that strategic investment as measured by net length was lower in 1H10 compared to 2H09, but some increase was seen in 3Q10, especially in August.

Graph 8: Total open interest volume



Source: CFTC

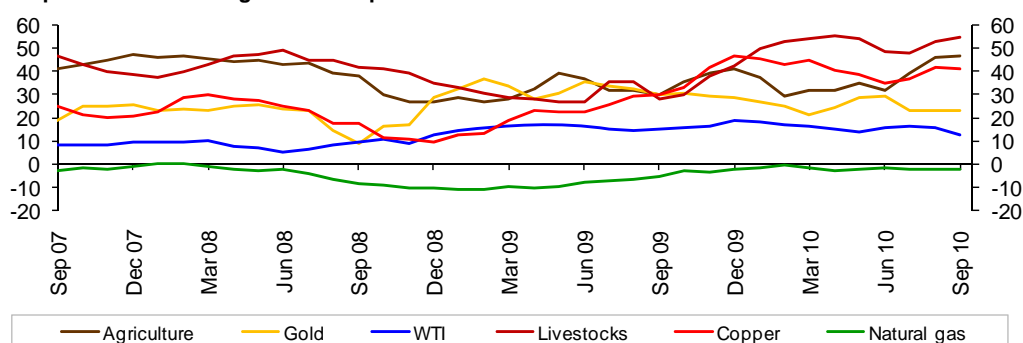
Graph 9: CFTC net length by commodity group



Source: CFTC

Agricultural OIV slowed to 4.9% m-o-m to 4,331,177 contracts in September compared to 8.8% in the previous month. Non-commercial net length rose by 6.5% m-o-m to 2,013,707 contracts in September, compared to 26.6% a month earlier. Long positions rose 5% m-o-m to 2,592,720 contracts in September, compared to 14.9% a month ago, while shorts reversed the negative trend in August, expanding by 1.5% m-o-m to 579,013 contracts in September. This left net length as percentage of OIV at 46.5% in September. The lower strategic investment in agricultural market in September followed the strong activity in the previous month as a result of the the extraordinary price boom in the grain complex.

Graph 10: CFTC net length as % of open interest



Source: CFTC

OIV for **precious metals** rebounded by 11.3% m-o-m to 745,482 contracts in September after a 2.1% loss in the earlier month. Non-commercial longs jumped by 15.4% m-o-m to 458,513 contracts in September compared to a 1.7% rise in August, while shorts also increased by 6% m-o-m to 272,309 contracts, so the net length as a percentage of open interest volume rose 1 point to 25% in September from the previous month. Gold prices were boosted in September by persisting concerns about the global economic recovery (see **Graphs 9 and 10**).

Nymex natural gas futures open interest volume declined 1.1% m-o-m to 810,124 contracts in September compared to an expansion of 4.5% in the previous month. A similar increase in both shorts and longs caused net length as a percentage of OIV to remain at minus 2% in September.

Copper OIV declined 2.1% m-o-m to 142,202 contracts in September, reversing the gain of 5.8% m-o-m a month earlier. Non-commercial longs rose at a slower pace of 2.7% m-o-m which, combined with a 4.9% gain in shorts, resulted in net length as percentage of OIV remaining at almost the same level as in August at 41.2%.

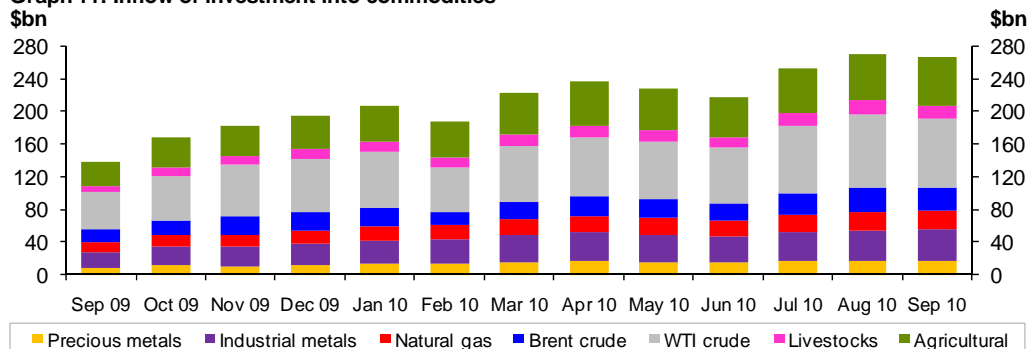
Table 4: CFTC data on non-commercial positions, '000 contracts

	Net length									
	Open interest	Swap positions		Money positions		Other positions		Non-commercials		
	<u>Sep 10</u>	<u>Sep</u>	<u>%OIV</u>	<u>Sep</u>	<u>%OIV</u>	<u>Sep</u>	<u>%OIV</u>	<u>Sep</u>	<u>%OIV</u>	
Crude Oil	1335	128	10	99	7	-58	-4	169	13	
Natural Gas	810	161	20	-135	-17	-45	-6	-19	-2	
Agriculture	4331	952	22	899	21	163	4	2,014	46	
Precious Metals	745	-109	-15	263	35	32	4	186	25	
Copper	142	41	29	25	18	-8	-5	59	41	
Livestock	621	181	29	188	30	-29	-5	340	55	
Total	7,985	1,354	17	1,339	17	56	1	2,749	34	

	Net length									
	Open interest	Swap positions		Money positions		Other positions		Non-commercials		
	<u>Aug 10</u>	<u>Aug</u>	<u>%OIV</u>	<u>Aug</u>	<u>%OIV</u>	<u>Aug</u>	<u>%OIV</u>	<u>Aug</u>	<u>%OIV</u>	
Crude Oil	1266	159	13	103	8	-60	-5	202	16	
Natural Gas	819	141	17	-118	-14	-41	-5	-17	-2	
Agriculture	4129	1016	25	768	19	107	3	1890	46	
Precious Metals	670	-83	-12	210	31	35	5	162	24	
Copper	139	44	32	18	13	-5	-4	58	41	
Livestock	600	188	31	169	28	-41	-7	316	53	
Total	7,624	1,465	19	1,151	15	-5	0	2,611	34	

Concerning the estimates of the dollar inflow of investment into the two major commodity indices, monthly growth increased in March but a slowing trend was seen from April to June. Some recovery took place in July, followed by a more moderate pace in August-September. The last month saw negative growth for investment inflows as a whole, with crude oil, agricultural and livestock being the most affected sectors.

Graph 11: Inflow of investment into commodities



Source: CFTC

World Economy

Economic growth rates 2010-2011,%

	World	OECD	USA	Japan	Euro-zone	China	India
2010	3.9	2.2	2.6	2.8	1.2	9.5	8.2
2011	3.6	1.9	2.3	1.3	1.0	8.6	7.7

Industrialised countries

USA

The US economy continues its steady expansion and, despite the recovery losing steam, the expansionary trend continues — at 1.7% in 2Q10 as just released in the third and final reading of the GDP numbers by the Bureau of Economic Analysis (BEA). Still, the economy remains at a critical stage at a time when growth is slowing down due to the fading fiscal amidst a still very challenging level of unemployment. More stimuli are in the pipeline, having been proposed by the administration recently, but would need confirmation by Congress. Those measures include a tax credit for research and development in the range of around \$100 billion over 10 years, an additional \$50 bn on infrastructure spending and tax breaks on capital investments of \$200 bn until the end of 2011.

While the 1.7% growth, released as the final 2Q10 growth number, was slightly better than the 1.6% published at the second release, it should be considered a low number, below the five-year average of 2.3% annual growth and the 20-year average of 2.8% annual growth. The final number was also far below the 2.4% of the first release. The current growth momentum is certainly at the lower end, but the most recent detailed economic indicators at least support these levels as they have not declined on average. Thus, this trend should be expected to continue in 2H10.

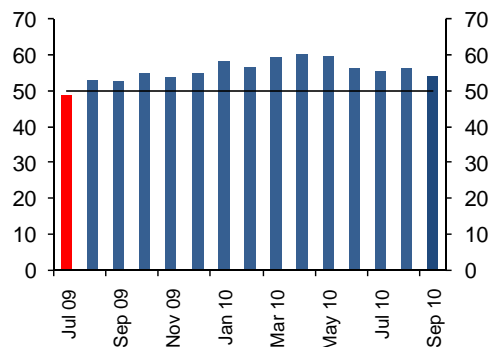
The economic structure of the US depends very much on private household consumption, which contributes around 70% to US GDP. To classify the recovery as sustainable, one would have to see consumption pick up over an extended period of time. Over the recent four quarters, consumption has been inflated by short-term stimulus measures such as the “cash-for-clunkers” scheme, support for the housing sector and others. So far – and to a certain extent still inflated by those fiscal and monetary stimulus measures – consumption is holding up well. It contributed 1.54 percentage points of the 1.7% growth in the 2Q10, a contribution level of 90%, up from the second GDP estimate of 86%. To put it into context again, this comes after a contribution level of only 36% in 1Q10 and only 14% in 4Q09. Retail sales levels somewhat support the low growth trend, growing by 0.4% m-o-m in August, compared to 0.3% growth m-o-m in July. Excluding auto sales, growth was at 0.6% m-o-m, up from 0.1% m-o-m in the previous month. Not surprisingly, the consumer price index (CPI) grew by only 0.3% m-o-m in August. Core CPI was even flat in August, after an increase of only 0.1% in July. These can be considered as dangerously low levels

Initial jobless claims, a very important indicator for the unemployment rate, have not improved significantly over the last weeks and remain at around 450,000 per week. This indicates that the level of unemployment, which remained at 9.6% in September, is not likely to improve significantly in the near future and that such elevated levels of unemployment are not very supportive to private consumption.

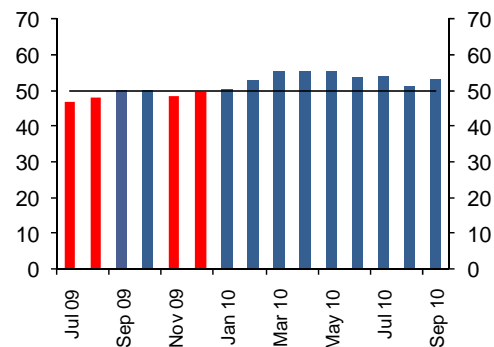
After picking up in August, activity in the manufacturing sector recorded a decline in September, according to the ISM index for manufacturing. After the August level hit a comfortable 56.3, the September level fell to 54.4, but was still comfortably in expansion mode. The slightly worrying decline of the ISM for the services sector in August, the sector that is responsible for around 80% of GDP, was reversed in September. From a level of 51.5 in August, and therefore only slightly above the 50-level, which marks an expansion, it rose again in September to 53.2, representing a significant rise.

The US economy continues to grow at below historical averages with final 2Q10 GDP growth recorded at 1.7%

Graph 12a: ISM manufacturing index



Graph 12b: ISM non-manufacturing index



Source: Institute for Supply Management

The crucial housing sector is still sending mixed messages. Pending home sales improved again in August by 4.3% m-o-m, the second monthly gain although the previous month's growth was revised down from 5.2% to 4.5%. This comes after a decline of 2.8% in June and a steep fall of 29.9% in May. This constitutes a small pick-up in demand from very low levels. Existing home sales improved, but continued their overall decline. After having fallen to a 15-year low in July dropping by 27.2% y-o-y, they continued to decline by 19.0% y-o-y in August, but rose encouragingly by a higher than expected 7.6% on a m-o-m basis to 4.13 mn, which still represents a very low absolute level. Home prices continue to decline. After rising only in November 2009 by 0.1%, prices have since remained in negative territory. House prices declined by 3.3% y-o-y in August, the biggest decline since February of this year, according to the house price index of the Federal Housing Finance Agency (FHFA).

The sovereign debt situation might as well have further implications as the US is running the highest level of public debt, measured as accumulated federal debt relative to national income, in the last 60 years. This, in combination with obligations to the pension and the health system, was highlighted as a major challenge by the Federal Reserve (Fed) chairman recently. The budget deficit is now running at 9.5%, compared to 2.0% for the fiscal years of 2005 to 2007. Any deceleration in the current recovery will most probably deteriorate the ratio even further and while the current economic condition provides little scope for reducing deficits, premature fiscal tightening could put the recovery at risk, according to the Fed chairman.

Considering the above challenges, the fiscal stimulus package coming to an end soon and the current limits the monetary support is experiencing in an economy that is being earmarked by deleveraging and fiscal constraints, the growth forecast for 2010 and 2011 remains unchanged at 2.6% for 2010 and at 2.3% for 2011.

Japan

2Q10 GDP growth in Japan at only 1.5%, higher than the first estimate of 0.4%, but still much below the 1Q10 growth of 5.0%. The weakening momentum in exports and domestic demand is expected to continue.

The economic situation has certainly improved from the lows of last year, but at a time when its main two pillars – exports and stimulus-induced domestic demand - are facing considerable head-winds, the second-half 2010 growth should be at lower levels than the first half and this deceleration can already be seen in the most recent GDP numbers.

While the most recent update of 2Q10 GDP numbers shows a slight improvement compared to the first estimate, the deceleration continues and the temporary spike in growth in the 1Q10 becomes more marked. Annualized growth in 2Q10 now stands at 1.5% q-o-q, after an increase of 5.0% in 1Q10. This compares to 4.4% in the 1Q10 and 0.4% in the 2Q10 in the first estimate. It remains to be seen how the 2H10 will finally develop, but expectations are relatively low, with exports on a decelerating trend and domestic demand mainly fuelled by short-term incentives for consumers. Expectations for 2H10 growth have been now widely lowered and the economy is expected to see some growth, but on only a minor scale.

The growth level of exports declined for a sixth consecutive month, corresponding to the strong increase of the yen to new record highs. The Ministry of Finance announced that its currency market intervention in the period from 30 August through 28 September amounted to ¥2.1 trillion. The effective yen exchange rate index, published by

Bloomberg, shows that the yen remains about 2% weaker, compared to the pre-intervention level of around 124, but it remains to be seen if these interventions will succeed.

Exports increased by 15.8% y-o-y, the lowest level since December of last year, according to the Finance Ministry. This translates into a monthly decline of 2.3% in August. Exports to China, Japan's biggest market, climbed 18.5% y-o-y in August, representing a decline from the 22.7% recorded in July. Exports to the US gained 8.8% y-o-y, a sharp drop from July's expansion of 25.9%. Shipments to Europe increased 13.7%, a small deceleration from the July level of 13.3% y-o-y.

The labour market continues almost stagnant, improving only slightly in line with the general economy. The unemployment rate improved again by 0.1 percentage points in August, as it has been the case already in July. The unemployment rate therefore now stands at 5.1%, but with the economy losing steam it is not expected to decline from that level any time soon. Corresponding to the weak labour market situation, a report by the Bank of Japan (BoJ) shows that sentiment among Japanese consumers worsened in September for the first time in six quarters and more people said they expect prices to decline in a year from now. However, Japan's household spending increased 0.7% m-o-m in August, probably still fuelled by front-loaded demand for cars, which might be a support for the last time as government stimulus on eco-friendly cars ends this month. The effective jobs-to-applicant ratio increased to 0.55 from 0.53 in July.

The nationwide consumer price index (CPI) for August continued to fall. The general CPI was minus 0.3% m-o-m on a seasonally adjusted basis and core CPI (excluding fresh food) declined by 0.1% m-o-m. The numbers confirm the CPI downtrend is still intact. On a yearly basis, the general CPI declined by 0.9% y-o-y, while the core CPI fell by 1.0%. The core CPI of minus 0.1% m-o-m also indicated that prices are still declining versus general expectations that the declining trend might come to a halt.

The BoJ's quarterly Tankan survey of business for September reveals a solid improvement in the present corporate sentiment but at the same time shows a potential turn for the worse in the forecast index for December. In this sense, the survey results offer a negative forecast for the economy. The -1 outlook diffusion index was coming in at nine points below existing sentiment. However, manufacturers raised their sales and recurring profit outlooks by 1.2% and 7.3% for the last quarter of the year, compared to June levels.

Based on the above, the coming quarters are still expected to post only little growth. Despite the expectation that the administration will implement further stimulus measures, the magnitude of which remains to be seen. Due to the increase in the 2Q10 GDP growth-number compared to the first estimate, the growth forecast for 2010 has been revised up to 2.8%, while the expectation of lower growth in the coming quarter remains intact. The 2011 growth forecast remains at 1.3%.

Euro-zone

The news on the economic development in the Euro-zone has been relatively more resilient in recent weeks compared to the previous months, when the sovereign debt worries and concerns about the banking system were overshadowing other important developments, notably a strong recovery in exports, primarily in Germany. The 2Q10 Euro-zone GDP numbers demonstrated a solid economic rebound, particularly bearing in mind that in the 2Q10 the troubles with Greece reached their peak and the European banking system faced considerable challenges in the capital market, which led to the stress test that then was undertaken and published at the end of July, showing that European banks are in relatively sound shape, an outcome that has encouraged capital markets and one important element that has led to a rebound of the Euro.

Now more signs of worries are re-emerging and while the mentioned improvement in economic growth came from a relatively low level and the Euro-zone as a whole therefore still remains at muted growth levels, the tender improvements are challenged by renewed sovereign debt worries, by the still-high level of unemployment, which might put a break on recovery in domestic demand and the again rising Euro, which might be a weakening factor for exports.

While the Euro-zone economy has improved in the 1H10, new signs of worries emerge with the sovereign debt issue and a record unemployment level putting some burden on the tender recovery.

The debt levels of the Euro-zone have been a major concern in the 1H, after the near-bankruptcy of Greece and worries that many of the southern-hemisphere members might follow. After the emergency support for Greece of €110 bn over three years was put in place, the EU and the IMF have announced a €750bn package, an emergency funding facility for the Euro-zone to avoid a spillover effect of the sovereign debt crisis to other Euro-zone countries. In this respect it is important to note the European Stability Financial System has just at the end of September received a triple-A rating by rating agencies. Moody's, Standard and Poor's and Fitch Ratings all assigned triple-A ratings to the vehicle at the end of September. The fund constitutes a €440bn facility and is the major part of the €750bn package. The fund's AAA ratings were not expected by all market participants. The EFSF is being designed to work as a European Monetary Fund, which means that any loan would come with stringent conditions. While the danger seems to have been contained, yield-spreads of some of weaker Euro-zone Member countries are starting to rise again, so while recent bond-auctions have been relatively successful, the yields investors were asking for have increased significantly from mid-term lows after the creation of the mentioned emergency facilities. In general, the countries that are again affected by this worsening development are mainly Greece, Ireland, Spain and Portugal. This has moved the European Central Bank (ECB) to step up its efforts to fight higher yields, when it revealed at the end of September that it had increased the amount of bonds that it has acquired under its emergency buying programme. This comes at the same time when the rating agency Moody's downgraded Spanish government debt from AAA and Ireland revealed that the cost of supporting its ailing banking system now add up to €50bn, an amount that might put considerable stress on the public household in the near future and a fact that might again put doubt on Ireland's ability to solve this challenge in the near term.

The still-high unemployment rate is another factor that puts a constraint on the growth momentum in the Euro-zone. The unemployment rate was recorded at 10.1% in August having remained at this elevated level since May 2010. The unemployment rate in Spain was again the highest of the four big Euro-zone economies. It reached a level of 20.5%, again a rise from the already high level of 20.3% in July. The Spanish unemployment rate now increased for all of the previous eight months. The current level also marks the third consecutive month of an unemployment rate of above 20%. The depressing levels of the youth unemployment in Spain have worsened again. This category grew for the fourth month in a row and now stands at a level of 41.6%. Again, Germany remained in a class of its own, when the unemployment rate fell to 6.5% from 6.9% in the previous month, while France recorded a level of 10.1%, an increase from the July rate of 10.0%. Euro-zone youth unemployment fell back to 19.8%, compared to 20.0% in July. It remains at a still significant level, but declined now for the third consecutive month, a slightly encouraging sign.

The rising Euro might challenge exports, and particularly the German economy with its broad export base. While the Euro was weakening for most of the 1H10 and therefore making exports from Europe very attractive, it now experienced a sharp increase since June, but particularly since the end of August. Factory orders in July have already declined considerably, probably as an effect of this situation. The industrial new order index in the Euro-zone declined by 2.4% m-o-m in July, after an increase of 2.4% in June and 4.2% in May. Considering that this is a lead indicator for manufacturing, this should translate into a slowing momentum on the manufacturing side in the coming months.

Furthermore, it remains to be seen how the announced and soon to be implemented steep cuts in spending by most of the Euro-zone countries will affect the already low domestic consumption levels. While the 1H10 developments have been encouraging, it remains to be seen if this dynamic can be extended into the 2H10. Therefore the growth outlook remains at 1.2% for 2010 and at 1.0% for 2011.

Recovery in Russia appears to be losing steam and economic growth remains fragile

Former Soviet Union

Economic growth in Russia remains fragile and the recovery trend uneven. Experts rightly fear that Russia's recovery this year from its worst recession in a decade in 2009 has been losing steam, weakened by the summer's heat wave which has slowed the pick-up in consumer demand. Economists expect a slower economic expansion in the second half of 2010 compared to the first.

With M2 money supply increasing 32.8% y-o-y in August, Russia's loose monetary policies appear to be contributing to inflationary pressures. As a result of these policies, as well as the effect of weather-related increase in food prices, high single-digit inflation is likely to be a feature of Russia's economic environment for the next couple of years. The change in the consumer price index, or CPI, accelerated to 0.8% m-o-m in September, faster than the 0.6% rise in the previous month, as food prices continued to surge and the cost of other goods rose as well. However, Russian policymakers' concerns over the domestic and global economic uncertainties are likely to trump worries about rising prices.

The country's central bank – the Bank of Russia – decided to leave the refinancing rate at the low 7.8% in September. The Ministry of Economic Development set estimates for the country's inflation at 7.5% to 8% for 2010 compared with last year's 8.8%, and the Bank of Russia's Chairman agreed that the inflation may reach 8%. The ruble weakened 2.3% in September 2010, the most in any month since January 2009.

In September, more details have become available about the Russian government's proposed privatization initiative that would begin next year and could raise up to \$50 bn, a revision from an earlier estimate of \$29 bn. The original plan for the sale of the government's stakes featured 11 state-controlled companies. Importantly, it included Russia's national oil firm Rosneft and the state oil pipeline operator Transneft. However, even after the planned partial privatization, both companies are expected to remain under government control. Proceeds from the privatizations are to help finance Russia's budget deficit which has deteriorated due to the recession. The government proposes to narrow the federal budget deficit from 5.4% of GDP expected in 2010 to 2.9% of GDP by 2013. The sales of companies' state-owned shares may require amending federal legislation on what were considered "strategic sectors" of the economy, which were meant to remain in government hands.

According to the Ministry of Finance, the Reserve Fund declined by \$0.5 bn in August to an estimated \$40.1 bn. The National Welfare Fund lost \$1.1 bn, contracting from \$88.2 bn to an estimated \$87.1 bn. The funds are expected to further decline by year-end. Both funds are successors of Russia's Stabilization Fund that was established in 2004 but split into two parts in 2008. The National Welfare Fund is the official sovereign wealth fund, while the Reserve Fund may be dipped into for budgetary support. In mid-September, the Finance Minister indicated that Russia's Reserve Fund will be completely exhausted in 2010 as it is used to finance the budget deficit and its replenishment may not begin until 2013.

Russia's Economic Development Ministry forecasts Russia's GDP growth this year at 4%, but assumes that the summer drought could lower these numbers to 3.5-3.7%. OPEC's GDP forecast for Russia remains at 4% in 2010 and 3.8% in 2011.

Developing Countries

China becoming an important export market for most developed countries across the globe

China's manufacturing sector picked up pace in September, easing some fears that the world's second largest economy might be slowing down its rate of expansion too fast. This was reflected in a higher score of the seasonally adjusted Purchasing Managers' Index (PMI) for the month of September.

The index stood at 52.9 in September, up from 51.9 in August, thus tangibly exceeding the 50.0 threshold in July 2009. The rise of purchasing activity in September reflects further gains in new business creation and an associated increase in production requirements, despite the observation that staff numbers rose only slightly and supplier delivery times increased to the greatest extent since April 2010.

It came to light this year more clearly that China is becoming an important export destination for most developed countries across the world. Chinese customs data shows that US exports to China rose by 35% y-o-y to \$64 bn in the first eight months of 2010. And although China gains advantage in the US market from Beijing's currency exchange policy, it is evident that US exporters are also profiting from trade with China. In the January-August period of 2010, EU exports to China have increased at about the same rate as those from the US, to stand at around \$110 bn. Japan also expanded its exports to China to \$112 bn – an increase of 41% y-o-y for the same period.

Other indicators continue pointing to the country's rapid economic expansion. China's electricity consumption was up 14.7% in August y-o-y, as reported by the National Energy Administration (NEA). Consumption was 2% higher than in July. The August data brought total power use in the first eight months of the year to more than 2.79 trillion kWh, up 19.3% compared with the same period last year. Industrial use of electricity was 287.8 kWh, up 14.9%, while household power consumption rose 12.8% from one year earlier to 51.7 bn kWh in August, according to NEA's statement.

The China Association of Automobile Manufacturers (CAAM) reported that the country's auto sales rebounded in August. China's domestic automakers' sales to auto dealers rebounded 6.29% m-o-m to 1.322 mn units in August after declines in the previous three months. According to CAAM, August auto sales at the wholesale level represented an increase of 16.14% y-o-y. CAAM noted that domestically-made auto output dipped 0.64% from July to 1.277 mn units in August, but still posted an increase of 12% from the same month last year. The Chinese auto industry grew nearly 50% last year after the government unleashed \$15 bn in auto incentives, about five times the size of the US auto industry's cash-for-clunkers programme.

Inflation moderately accelerated in August, too, with the consumer price index (CPI) up by 3.5% y-o-y, compared with 3.3% a month earlier. This is the fastest price increase since October 2008. The pick-up in consumer price inflation was largely the result of higher food prices, which rose by 7.5% y-o-y in August. Rising food prices have accounted for about 68% of the headline CPI inflation year-to-date.

By contrast, nonfood inflation seemed to be less of a problem. According to China's National Bureau of Statistics, the country's producer price index (PPI) increased by 4.3% in August y-o-y, while dropping down by 0.5% m-o-m. The recent easing in China's PPI mirrors the stabilising trend in global commodity prices and is underscored by the inventory correction in China's industrial sector in 2Q.

The property market had evidently started running out of steam over the summer, as the authorities' tightening measures began to bite. Overall national property prices rose 9.3% y-o-y in August – but flat on m-o-m basis – easing from the 10.3% y-o-y pace in July. On the demand side, the authorities have sought to curb speculation and investment demand through tighter mortgage policies and tax measures. On the supply side, the government has emphasized the construction of low-cost housing for the country's expanding urban population. More recently, the government has also looked to restrain loan expansion and fund-raising by property developers in the financial markets.

The moderation in the economy's overall pace of growth in 2Q was accompanied by slower fixed investment growth on the back of tightening measures aimed at the housing sector, and a restraint on local government investment projects. Nonetheless, absolute numbers point to the high speed of expansion this year. National sources reported that in the first eight months of 2010, urban fixed asset investment in China amounted to RMB 14,099.8 bn, up 24.8% y-o-y. Of this figure, state-owned and state-controlled investment accounted for RMB 5,845.2 bn, up 20.0%, while real estate investment accounted for RMB 2,835.5 bn, up 36.7% – both compared to the same period of 2009.

Overall, our 2010 growth estimate for China is unchanged from last month at 9.5%. For 2011, OPEC projects the country's growth at 8.6%.

In India, monsoon rains supported crop yields and food inflation slowed

Manufacturing in India slowed down somewhat in September, after being steady for the past two months as new orders and output registered relative decline. India's PMI for September decreased to 55.1 from 57.2 a month earlier. Capacity constraints may be partly responsible for this, in addition to the fading fiscal stimulus. While the PMI for September also showed a continued, albeit slow, decline in employment for three months, manufacturing in the country is defined by strong overall activity, with the all-time high car sales in the same time frame being the evidence of robust consumer demand.

India's wholesale price inflation has slowed from 9.8% in July, but remains high at 8.5%, while consumer prices for industrial workers eased to 10.1% from 11.3%. Lower numbers for inflation in August were largely attributable to lower food prices, as monsoon rains supported crop yields and food inflation slowed. On September 16th, the nation's central bank, the Reserve Bank of India (RBI), increased its repurchase rate to 6% from 5.75%, marking the fifth interest hike this year. RBI also increased the reverse repo rate by 50 basis points, to 5%. The higher-than-expected repurchase rate hike is part of an attempt to bring inflation under control and wind down an ultra-loose monetary policy adopted to cope with the financial crisis. Monetary tightening will likely be continued. Assuming that inflation continues to slow, real interest rates may turn positive in 2011. However, RBI is aware that higher interest rates could challenge the government's fiscal consolidation plan, encourage volatile capital inflows and exert upward pressure on the national currency.

While non-food inflation also decelerated to 7.7% in August from 8.4% in July, PMI analysts indicated that September data showed a marked rise in input costs faced by Indian manufacturers, a trend that has now been sustained for a year-and-a-half. The latest increase in costs was predominately driven by an increase in raw material prices, which was faster than in August. But output prices rose at a weaker rate in September, with strong competition for new business limiting the extent to which charges for end-products could be increased.

Our forecast for GDP growth this year remains unrevised, standing at 8.2%. GDP growth forecast for 2011 remains unchanged at 7.7%.

Brazil's economy is moving to a more moderate pace of growth amid continued expansion of domestic demand

After reporting considerable expansion in the first half of the year, Brazil's economy is moving to a more moderate pace of growth for the rest of 2010. Significant expansion in January-March period of 2010 and rising inflation prompted the authorities to take countercyclical measures. Already in April, the Central Bank began a tightening cycle by increasing interest rates. Earlier in the year, as signs of overheating became more apparent, the government announced measures explicitly aimed at reducing aggregate demand, cooling the economy.

The Brazilian government reported that the consumer price index went up 0.45% in September, a slight rise against the 0.04% posted one month earlier. Prices for food, beverage and housing were a major contributing factor in this dynamic. In September 2009 the same index posted an increase of a 0.24%.

Following a modest fall in August, September saw little change in the volume of incoming new work to the Brazilian manufacturing sector. Data and anecdotal evidence from HSBC's PMI survey panel suggested that a sharp contraction in new export sales was offset by an improved trend in domestic demand.

In the beginning of October, the government made further steps to stave off the appreciation of national currency to keep Brazil's trade competitiveness. The National Monetary Council introduced an additional set of rules on taxes for foreign investors, and effectively eliminated a loophole used by some investors to lessen their tax obligations. The IOF financial transactions tax on incoming fixed-income investments increased to 4% from the previous 2%. Under the new regulations, investors will have to pay an additional 2% IOF tax when migrating purchased stocks to fixed-income.

Employment in Saudi Arabia has been on the rise every month throughout 2010

Improvement in private sector growth in the UAE

The US-dollar continued to weaken by 1.4% against the euro, 1.7% versus the yen and 3.7% compared to the Swiss franc. The OPEC Reference Basket price rose by 0.6% in September.

OPEC Member Countries

In September, Saudi Arabia's robust economic activity was reflected in its PMI for the whole economy published by Markit Economics, which stayed above 55 for a 14th straight month. PMI survey participants commented on good market demand and favorable business conditions. However, expansions in both total new orders and new work from overseas slowed since August. The index fell to 58.4 in September from 59.1 in August. The services sector activity in the country expanded at a slower pace in September.

Saudi Arabia's National Commercial Bank estimates that despite the recent rise of prices of food and housing, inflation in the country would stand at 5.2% this year, compared with 5.1% in 2009.

PMI numbers for September indicate that production growth at UAE's private sector improved again in September, according to the PMI survey for the whole economy published by Markit Economics. A surge of business activity was the main factor supporting this increase. Total new order receipts increased solidly and at the sharpest rate for nine months, which PMI panelists linked to improving economic conditions. Surveyed companies stated that demand from the region's trading partners had improved, particularly from Saudi Arabia and Qatar.

IMF expects UAE's GDP to grow 2.4% in 2010, a notable change from the 2.5% decline in 2009.

Oil prices, US dollar and inflation

The US-dollar continued to weaken in September. On an average monthly base it fell 1.4% against the euro, declined by 3.7% versus the Swiss franc and 1.7% compared to the yen. Only against the pound sterling did it manage to rise slightly by 0.6%. Versus the euro, the US-dollar moved to \$1.3069/€ on an average monthly basis, but has lost again significantly since the end of September to reach levels of more than \$1.38/€ in October.

The recent move into the Euro was, to a certain extent, driven by higher yields in the Euro-zone. While worries remain whether some Euro-zone countries are able to manage their debt-levels, it remains to be seen whether this strengthening will continue and whether the Euro can surpass the \$1.40/€ level. On the other side, still weak economic indicators, in combination with the prospect of further quantitative easing, kept the US dollar under pressure. The safe haven status seems to still support both the yen and the Swiss-franc. While there has been some intervention by Japan in the currency market, the yen continues to strengthen to now stand at a level of around \$83.0/¥.

In September, the OPEC Reference Basket price increased by 48¢/b or 0.6% to \$74.63/b from \$74.15/b the previous month. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket price fell by 30¢/b or 0.1% to \$47.94/b from \$47.97/b. The dollar fell by 0.8%, as measured against the import-weighted modified Geneva I+US dollar basket, while inflation fell by 0.1%.*

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

World Oil Demand

World oil demand growth forecast revised up by 0.1 mb/d to settle at 1.1 mb/d or 1.3%

World oil demand in 2010

The world economy is on its way to recovery, despite serious turbulence and setbacks. Summer heat along with the driving season is preventing the third quarter oil consumption from a minor descent. However, the recovery is not expected to be as good as in the second quarter. Apart from the seasonality, recovery in industrial activities is positively affecting industrial fuel across the globe. The petrochemical industry is supporting naphtha consumption and is expected to do so for the rest of the year. The fourth quarter,

known for its high seasonality, is forecast to experience a normally cold winter. Heating and fuel oil demand are expected to take a normal consumption path following two years of slowdown. Furthermore, the world economic recovery will help stabilize total oil demand in the fourth quarter; however, not as well as in the first half of the year. Phasing out of government stimulus plans within OECD countries is the reason behind the easing in the oil demand growth in the second half of the year.

Graph 13: Forecasted y-o-y growth in 2010 world oil demand

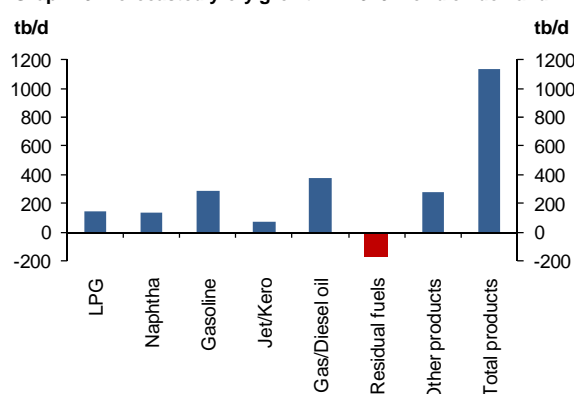


Table 5: World oil demand forecast for 2010, mb/d

	2009	1Q10	2Q10	3Q10	4Q10	2010	Change 2010/09	
							Volume	%
North America	23.30	23.59	23.66	23.67	23.79	23.68	0.38	1.63
Western Europe	14.52	14.17	14.10	14.31	14.27	14.21	-0.31	-2.10
OECD Pacific	7.66	8.19	7.31	7.21	7.94	7.66	0.00	0.06
Total OECD	45.47	45.94	45.07	45.19	46.00	45.55	0.08	0.17
Other Asia	9.83	9.95	10.13	9.94	10.15	10.04	0.21	2.18
Latin America	5.88	5.78	6.04	6.21	6.17	6.05	0.17	2.97
Middle East	7.09	7.18	7.15	7.48	7.24	7.26	0.18	2.50
Africa	3.25	3.30	3.28	3.17	3.32	3.27	0.02	0.64
Total DCs	26.04	26.21	26.60	26.80	26.88	26.62	0.59	2.26
FSU	3.97	3.95	3.77	4.18	4.22	4.03	0.06	1.43
Other Europe	0.73	0.69	0.64	0.66	0.72	0.68	-0.05	-6.58
China	8.25	8.23	8.82	9.04	8.73	8.71	0.45	5.51
Total "Other Regions"	12.95	12.87	13.24	13.89	13.66	13.42	0.46	3.58
Total world	84.46	85.02	84.91	85.87	86.55	85.59	1.13	1.34
Previous estimate	84.46	84.94	84.76	85.74	86.58	85.51	1.05	1.24
Revision	0.00	0.08	0.15	0.13	-0.03	0.08	0.08	0.10

Totals may not add due to independent rounding

The world economy received a rally of government aid in the first half of the year, helping world oil demand to grow by more than 1 mb/d. However, depletion of government funds will leave oil demand forecasts for the second half a little below previously anticipated growth, assuming no additional government support.

Almost all of the anticipated growth in oil demand this year is attributed to the non-OECD region. China's overheating economy has pushed the country's oil demand up by more than 5.6%, which is almost half of total world oil demand growth. The rest of the non-OECD regions are also pulling for more oil usage this year, exceeding 0.5 mb/d.

An upward risk exists, pending further government aid to OECD economies. Furthermore, should China fail somewhat in cooling its economy in the fourth quarter, then projected oil demand might exceed expectations.

Table 6: First and second quarter world oil demand comparison for 2010, mb/d

	Change 2010/09				Change 2010/09			
	<u>1Q09</u>	<u>1Q10</u>	<u>Volume</u>	<u>%</u>	<u>2Q09</u>	<u>2Q10</u>	<u>Volume</u>	<u>%</u>
North America	23.43	23.59	0.16	0.69	22.94	23.66	0.72	3.15
Western Europe	14.89	14.17	-0.72	-4.85	14.26	14.10	-0.16	-1.14
OECD Pacific	8.12	8.19	0.07	0.86	7.27	7.31	0.03	0.47
Total OECD	46.43	45.94	-0.49	-1.06	44.48	45.07	0.59	1.33
Other Asia	9.73	9.95	0.22	2.26	9.89	10.13	0.24	2.43
Latin America	5.63	5.78	0.15	2.72	5.83	6.04	0.21	3.59
Middle East	6.95	7.18	0.23	3.27	7.07	7.15	0.09	1.24
Africa	3.27	3.30	0.03	0.95	3.25	3.28	0.03	1.01
Total DCs	25.58	26.21	0.63	2.47	26.03	26.60	0.57	2.19
FSU	3.87	3.95	0.08	2.03	3.70	3.77	0.07	1.89
Other Europe	0.74	0.69	-0.05	-6.77	0.69	0.64	-0.05	-7.37
China	7.61	8.23	0.62	8.19	8.38	8.82	0.44	5.24
Total "Other Regions"	12.22	12.87	0.65	5.33	12.78	13.24	0.46	3.58
Total world	84.23	85.02	0.79	0.94	83.29	84.91	1.62	1.95

Totals may not add due to independent rounding

Due to the positive government support seen in the first half of the year, the forecast for world oil demand growth was revised up by 0.1 mb/d to 1.1 mb/d or 1.3%.

Table 7: Third and fourth quarter world oil demand comparison for 2010, mb/d

	Change 2010/09				Change 2010/09			
	<u>3Q09</u>	<u>3Q10</u>	<u>Volume</u>	<u>%</u>	<u>4Q09</u>	<u>4Q10</u>	<u>Volume</u>	<u>%</u>
North America	23.28	23.67	0.40	1.71	23.55	23.79	0.24	1.00
Western Europe	14.47	14.31	-0.16	-1.10	14.46	14.27	-0.19	-1.28
OECD Pacific	7.25	7.21	-0.04	-0.55	7.99	7.94	-0.04	-0.55
Total OECD	44.99	45.19	0.20	0.44	46.00	46.00	0.01	0.01
Other Asia	9.76	9.94	0.18	1.84	9.93	10.15	0.22	2.20
Latin America	6.03	6.21	0.18	2.98	6.02	6.17	0.16	2.61
Middle East	7.29	7.48	0.18	2.47	7.03	7.24	0.21	3.05
Africa	3.16	3.17	0.01	0.25	3.31	3.32	0.01	0.33
Total DCs	26.25	26.80	0.55	2.09	26.28	26.88	0.60	2.28
FSU	4.14	4.18	0.04	0.99	4.18	4.22	0.04	0.91
Other Europe	0.71	0.66	-0.05	-7.00	0.76	0.72	-0.04	-5.28
China	8.66	9.04	0.39	4.48	8.36	8.73	0.37	4.46
Total "Other Regions"	13.51	13.89	0.38	2.81	13.29	13.66	0.37	2.79
Total world	84.75	85.87	1.13	1.33	85.57	86.55	0.98	1.14

Totals may not add due to independent rounding

OECD - North America

Recent US September weekly data showed solid growth in the country's oil consumption across all product categories. The largest observed growth was in distillates, gasoline and jet/kerosene. However, the preliminary character of this data requires caution as to whether the indications will remain after monthly data is available. As for year-to-date, data for the past nine months shows US oil consumption with slight growth of only 2% or 0.3 mb/d compared to the same period last year, despite the low baseline from last year. For instance, gasoline has achieved growth of only 0.3%, increase in distillates is relatively weak, propane/propylene is shrinking, and residual fuel oil development is flat. Both of the main sectors of US oil consumption, transportation and industry, do not seem to show a normal recovery up to now. In August, new vehicle sales in the US decreased sharply after the expiration of the government incentives, while growth in industrial production has been on a declining trend since May 2010.

For the whole of 2010, North American oil demand is expected to grow by 0.4 mb/d

Mexican August oil demand followed July's negative trend, falling by 2.7% y-o-y. The country's energy use has been fluctuating as a result of economic instability. Following 4% growth in the country's second quarter oil demand, July and August oil demand dropped by 50 tb/d each. Although transport fuel showed some increase, declining industrial production affected the country's use of industrial fuel, decreasing by one third in August y-o-y. As a consequence of the recovering US economy, Mexican oil demand is neither expected to grow sharply or be in the red.

Canada's oil demand in July continued its high monthly growth trend of the year, in which transportation fuels denoted the strongest growth. Canadian oil demand growth has been on the upward move since November of last year. Economic factors, along with the low base of last year are the main reasons behind this continuous growth.

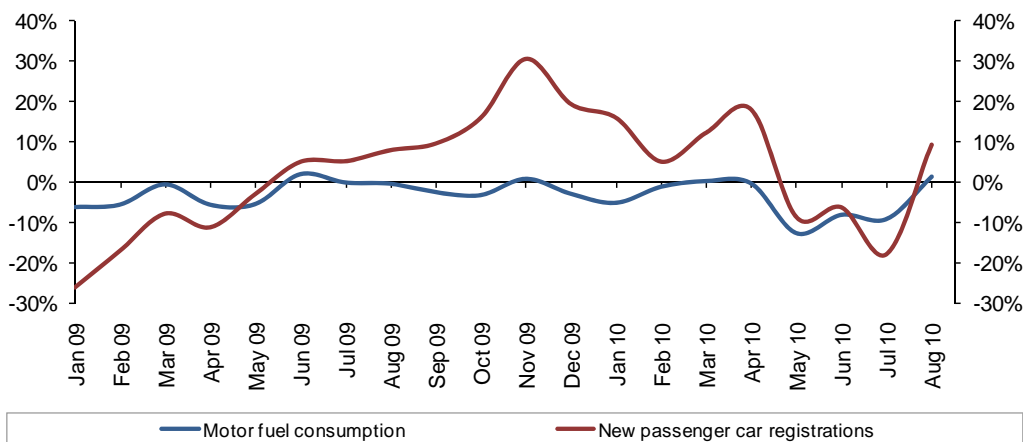
For the whole of 2010, North American oil demand is expected to grow by 0.4 mb/d, while fourth quarter growth is expected to be lower than in the previous quarters.

OECD - Europe

Total contraction in OECD Europe oil demand forecast at 0.3 mb/d for 2010

Europe's August petroleum data indicated the first growth in oil consumption for almost two years. Nevertheless, debts in several European economies and continued application of rigorous state tax policies on oil could impose additional future sharp declines in the continent's oil consumption. The European Big Four oil demand increased in August by 260 tb/d, as opposed to only 20 tb/d in June and July each. Stronger distillate demand in Germany, Italy and France, resulting from an increase in industrial production, were the main reasons behind this recovery. On the other hand, transportation fuels are still on the decline. In August, French oil consumption was up by 4%, while Italian oil consumption was up by 3%. In both countries, transportation fuel shrank and offset increases in industrial fuel.

Graph 14: European new passenger car registrations & motor fuel consumption, y-o-y % changes



Once again, despite the signs of setbacks in several European economies, the risk exists mostly in the upward trend. Should the Euro-zone governments intervene again and pour more funds into their economies, this would positively affect the continent's oil demand for the rest of the year.

The total contraction in OECD Europe oil demand is forecast at 0.3 mb/d for 2010.

Graph 8: German oil demand, tb/d

	Aug 10	Aug 09	Change from Aug 09	Change from Aug 09, %
Gasoline	477	481	-4	-0.8
Distillate	1,086	826	260	31.5
<i>Diesel</i>	666	631	35	5.5
<i>Heating oil</i>	420	195	225	115.4
Residual	97	101	-4	-4.0
Other products	643	622	21	3.4
Total products	2,303	2,030	273	13.4

Source: Argus fundamentals

OECD - Pacific

Given the unexpected increase in Japan's oil consumption, OECD Pacific oil demand is forecast to wipe out the earlier forecast decline in 2010

Japanese energy demand seems to be recovering well, reaching an increase of approximately 2% growth in the first eight months; if this growth materializes for the whole year it would be the first observed increase since 2005. Petrochemical industry fuel usage, especially naphtha, and transportation fuel usage are the main reasons for this yearly increase. Despite this positive performance, further development of Japanese oil consumption is heavily dependent upon the implementation of an additional economic stimulus plan, which is expected to take place in the remaining months of 2010. August data indicated growth of 3.5% y-o-y which resulted from higher demand for electricity as the summer heat intensified in August. Japan uses crude burning to satisfy sudden needs by power plants; hence, August direct crude burning increased by 38 tb/d y-o-y. Furthermore, the summer driving season, which is highest in August, led to higher demand for gasoline.

In South Korea, the second largest oil consuming country in the OECD Pacific region, oil demand increases were observed in the consumption of gasoline, distillates and jet/kerosene last July. This offset the decrease in the consumption of LPG and other products leading to almost flat consumption changes during the first seven months of 2010 y-o-y.

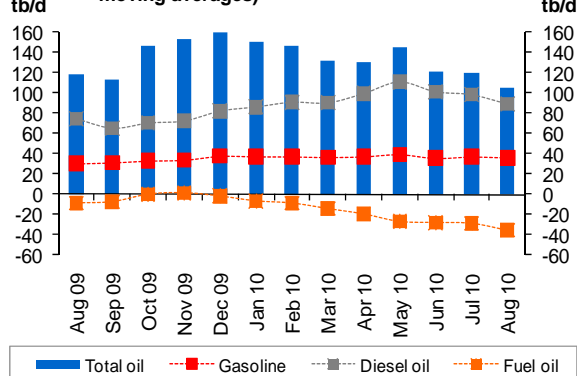
Given the unexpected increase in Japan's oil consumption, the OECD Pacific oil demand is forecast to wipe out the earlier forecast decline in 2010, averaging 7.7 mb/d.

Developing Countries

DC oil demand growth forecast at 0.6 mb/d y-o-y in 2010

Heavy seasonal flooding affected India's transport and agricultural sectors in August; consequently, the country's use of diesel showed the lowest growth since May 2009. Not only has the weather affected India's oil consumption, but also economic turbulence. Diesel is the most consumed petroleum product in India totaling 1.07 mb/d and is expected to grow strongly this year. Diesel is widely used by transport, agricultural, and industrial sectors. Diesel consumption within India has grown by more than 7.8% or 90 tb/d in the first eight months of this year.

Graph 15: Yearly changes in Indian oil demand (12 month moving averages)



Controlled gasoline prices along with a massive increase in new car registrations have made gasoline usage growth the highest in India so far this year. Although India's economy has been enjoying sturdy growth this year, the country's oil demand is lagging far behind. On another front, India launched its new fuel specification which reduce sulfur content to the Euro 3 level. These new specs increased production costs which, in general, should affect demand by end users.

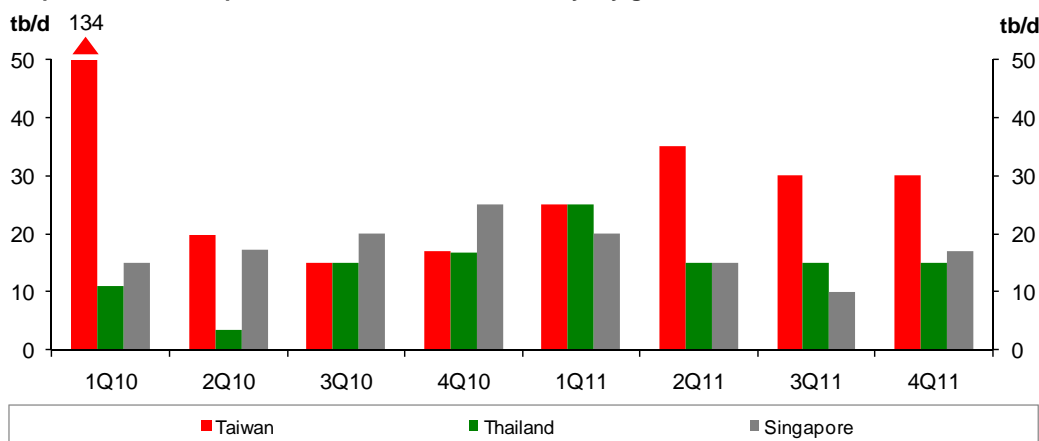
India's fourth quarter oil demand is expected to perform better than the third quarter as several economic drivers are pushing the economy forward.

Other Asia oil demand growth for 2010 forecast at 0.2 mb/d or 2.2%

Taiwanese oil demand has had an early strong start this year; however it has slowed down from May onwards. Not only have some economic drivers pushed oil demand further down, but also other alternatives in the transportation sector have reduced diesel and gasoline demand. Diesel alone, which is shared by transport and industrial sectors, declined by 13.5% in July y-o-y. Despite the negative performance in the second quarter, Taiwan's total oil demand recorded 7% growth in the first seven months of this year. Similarly, Hong Kong oil demand slipped by 17% in July y-o-y, resulting from weak diesel usage.

Given the strength in the continent's oil consumption, Other Asia oil demand growth for the total year is forecast at 0.2 mb/d or 2.2% y-o-y to average 10 mb/d.

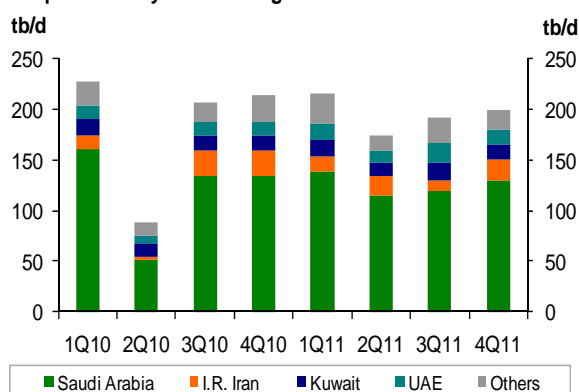
Graph 16: Oil consumption in selected Asian countries, y-o-y growth



Middle East oil demand was revised down by 40 tb/d to show y-o-y growth of 0.2 mb/d in 2010

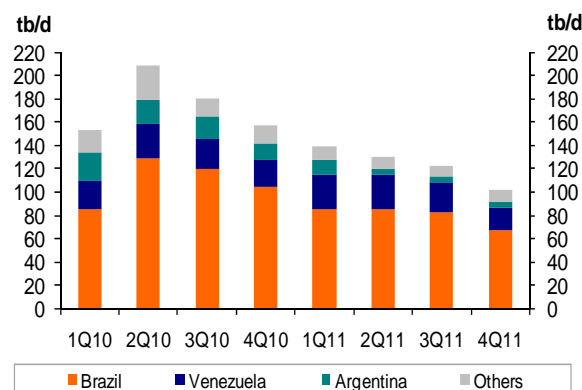
Saudi oil demand is fluctuating in its high seasonality. August data indicated a y-o-y growth of only 50 tb/d as opposed to 220 tb/d in July. Major products such as gasoline and transport diesel did not show a normal increase; in addition, the fuel switching among some power plants reduced the use of oil to 2.38 mb/d during August. Nevertheless, Saudi oil use is expected to grow this year exceeding the rate of the country's GDP growth. Iran's oil demand on the other hand continued its weakness which started early this year. The country's oil demand in the first half dipped by 26 tb/d; however, the second half is expected to perform better ending the year with a minor y-o-y decline. Given the weakness in both Saudi and Iranian oil consumption, the Middle East oil demand was revised down by 40 tb/d to show a y-o-y growth of 0.2 mb/d in 2010.

Graph 17: Yearly oil demand growth in the Middle East



High demand in transport fuel pushed Argentina's oil demand up by 6% in July y-o-y. The country's oil demand has been on an upward trend since September of 2009. Nevertheless, the accumulation of oil demand growth is weak and barely reached 1% in the first half of the year. Brazil oil demand, on the other hand, is highly active, achieving year-to-date growth of 5% and is expected to last until the year end. Economic activities, along with certain subsidies, are inching up the country's energy consumption.

Graph 18: Yearly oil demand growth in Latin America



Developing Countries' oil demand growth is forecast at 0.6 mb/d y-o-y in 2010 to average 26.6 mb/d.

Table 9: Taiwan oil demand, tb/d

	Jul 10	Jul 09	Change from Jul 09	Change from Jul 09, %
LPG	60	86	-26	-30.2
Gasoline	179	183	-4	-2.0
Jet/Kerosene	50	41	9	22.4
Gas/Diesel oil	98	114	-15	-13.5
Fuel oil	163	145	18	12.3
Other products	454	451	4	0.8
Total	1,005	1,019	-14	-1.4

Source: JODI

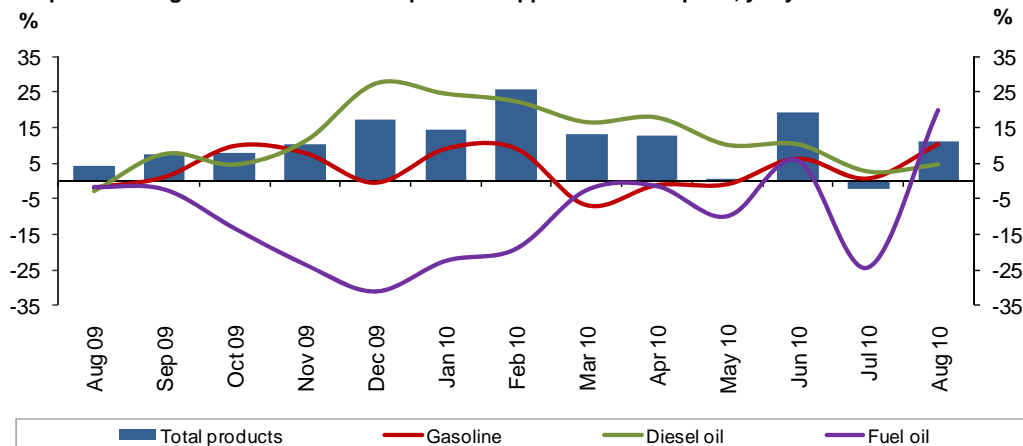
Other regions

China's oil demand growth is forecast at 0.46 mb/d in 2010, averaging 8.7 mb/d

China is gearing toward changing its pricing mechanism for retail petroleum products. The country is planning to reduce the grace period for price change to 10 days instead of 22 days. This price change flexibility will affect consumer demand if the prices go up. The first part of flexible pricing, which took effect in 2009, considers any international oil pricing fluctuation that exceeds 4% and has lasted more than 22 days.

Increased petrochemical activity hiked China's apparent naphtha demand for August by 30%, leading to stronger y-o-y growth for the country's total oil demand. However, not all the imports were meant for the demand, since some were deposited into the country's strategic and commercial stocks. Almost 6% of total August crude imports went directly to the country's stocks for future use. Demand for all other major products experienced growth as the country's GDP hit double digits. China's third quarter oil demand is subject to high seasonality by nature. Not only are normal industrial activities high, but also summer transportation and agricultural activities are at their annual peak. August oil demand grew by 7.2% or 0.6 mb/d y-o-y, averaging 8.9 mb/d. China's crude production increased in August by 160 tb/d y-o-y; in addition, crude imports shot up exceeding 15% y-o-y growth. Given the government's recent initiative to cool down the economy, the country's third quarter's oil demand, which shows the highest seasonality, is not expected to outperform the second quarter. Strong data for August petroleum demand has placed a question mark as to the government's ability to cool down the country's energy consumption.

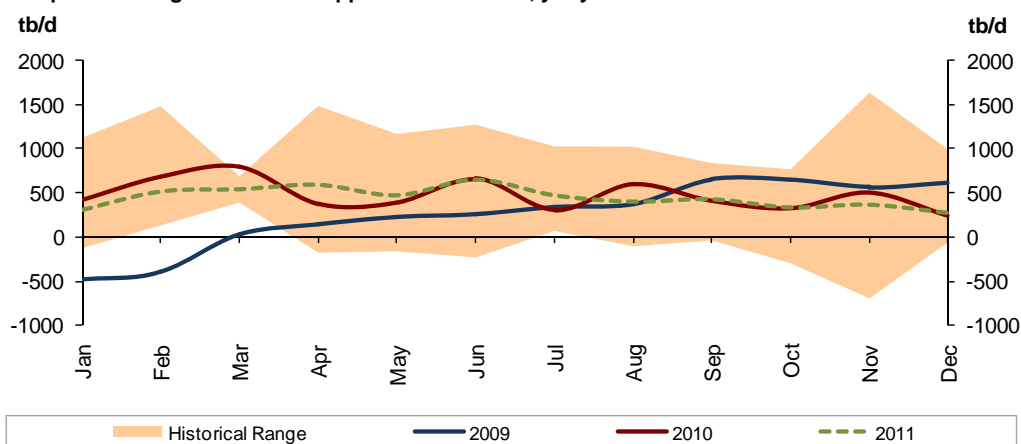
Graph 19: Changes in Chinese main oil products apparent consumption, y-o-y



Considering China's economic indicators, which are exceeding expectations, pushing not only the country's GDP to 9.5% growth but also the country's oil usage as well, China's oil demand growth is forecast at 0.46 mb/d in 2010 averaging 8.7 mb/d.

China's five-year energy usage reduction programme, which commenced in 2006 and was designed to increase efficiency, will expire at the end of this year quite off track. The country is taking drastic measures to meet its target by the end of the year. In some provinces, an intense plan to shut down electricity supply to homes and business has been undertaken in order to save energy. The shutdown of power plants is affecting the consumption of other fuels such as coal more than oil.

Graph 20: Changes in Chinese apparent oil demand, y-o-y



Car sales in China increased sharply in August by almost 90% y-o-y or 860 thousand units, according to the China Association of Automobile Manufacturers. Sales were supported by government subsidies and tax incentives. Growth is expected to continue in the next months as a result of incentives; however, it is not definite as to whether these stimulus plans will also continue in 2011.

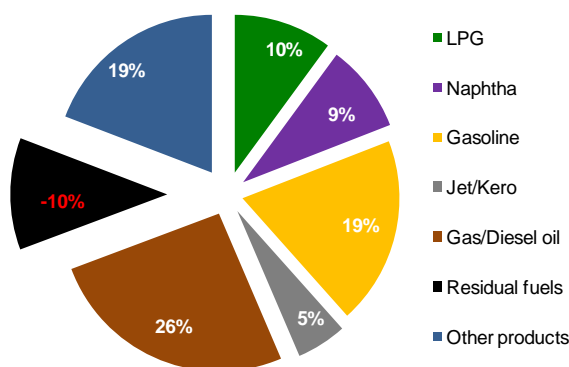
World oil demand is projected to continue increasing during the year, sustaining growth of 1.05 mb/d, unchanged from the previous month

World oil demand in 2011

World economic recovery has been slow in 2010 and has met with unexpected turbulence. Next year's oil demand will be affected mainly by the following:

- GDP, which is forecast to be lower than this year, resulting in lower expected energy use
- Oil demand will not enjoy the low base line seen in 2010. Therefore, the expected recorded growth won't be as high as this year
- Energy efficiency is increasing further next year
- Alternative fuel usage worldwide is in a growth mode.

Graph 21: Forecasted y-o-y growth in 2011 world oil demand,



Should there be no further government stimulus, then world oil demand next year is expected to be around 1.2% y-o-y to average 86.6 mb/d. This expected growth will materialize on normal seasonality over all four quarters. It is anticipated that the second half of the year will experience better economic activity leading to stronger oil usage.

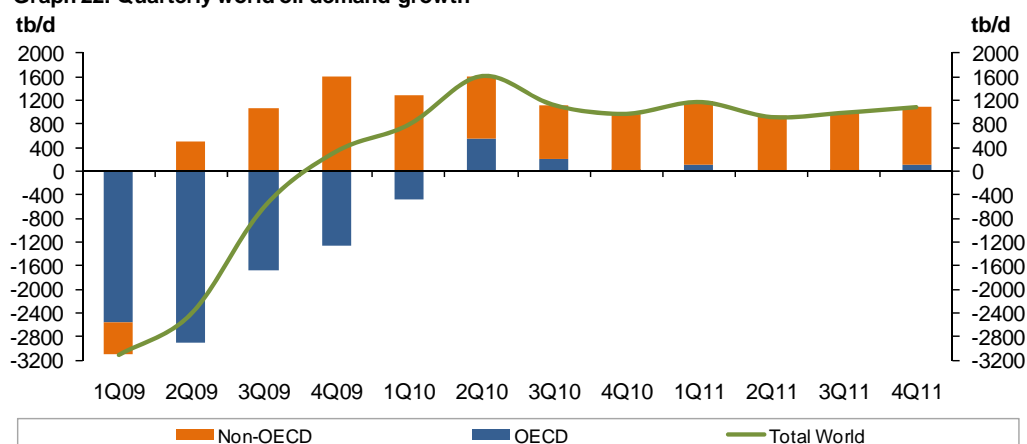
Table 10: World oil demand forecast for 2011, mb/d

	2010	1Q11	2Q11	3Q11	4Q11	2011	Change 2011/10	
							Volume	%
North America	23.68	23.89	23.83	23.85	24.01	23.89	0.21	0.91
Western Europe	14.21	14.07	13.97	14.17	14.19	14.10	-0.11	-0.79
OECD Pacific	7.66	8.10	7.27	7.19	7.92	7.62	-0.04	-0.58
Total OECD	45.55	46.06	45.06	45.20	46.12	45.61	0.06	0.13
Other Asia	10.04	10.13	10.33	10.13	10.34	10.23	0.19	1.91
Latin America	6.05	5.92	6.17	6.34	6.28	6.18	0.12	2.04
Middle East	7.26	7.40	7.33	7.67	7.44	7.46	0.20	2.69
Africa	3.27	3.34	3.31	3.21	3.35	3.30	0.04	1.11
Total DCs	26.62	26.79	27.14	27.34	27.41	27.17	0.55	2.05
FSU	4.03	4.02	3.80	4.21	4.26	4.07	0.04	1.06
Other Europe	0.68	0.67	0.61	0.64	0.68	0.65	-0.03	-4.22
China	8.71	8.65	9.22	9.49	9.17	9.13	0.43	4.90
Total "Other Regions"	13.42	13.35	13.63	14.33	14.11	13.86	0.44	3.28
Total world	85.59	86.20	85.83	86.87	87.64	86.64	1.05	1.22
Previous estimate	85.51	86.11	85.69	86.74	87.67	86.56	1.05	1.22
Revision	0.08	0.08	0.15	0.13	-0.03	0.08	0.00	0.00

Totals may not add due to independent rounding

Although US oil demand will remain the wild card, the bulk of next year's oil demand growth will take place in the non-OECD, mainly China, India, the Middle East and Latin America where almost 90% of the total expected growth in energy use will occur. The total world oil demand growth next year will be highly sensitive to China's energy policies. Should China emphasize its energy consumption policy, then this move will negatively affect world energy usage.

Graph 22: Quarterly world oil demand growth



On the product side, despite its low share, demand for industrial fuel will be strong as a result of the continuing economic recovery. Industrial fuel, mainly diesel and naphtha, will be the products growing the most in world oil demand in 2011. Furthermore, demand for transportation fuels and petrochemicals are also expected to be strong in world oil demand in 2011. Other factors that might play an important role in next year's oil demand are retail oil product prices, taxes, and removal of retail price subsidies worldwide which will lead to moderate oil demand recovery. World oil demand is projected to continue its growth during the year, sustaining growth of 1.05 mb/d y-o-y averaging 86.6 mb/d in 2011.

Table 11: First and second quarter world oil demand comparison for 2011, mb/d

	Change 2011/10				Change 2011/10			
	1Q10	1Q11	Volume	%	2Q10	2Q11	Volume	%
North America	23.59	23.89	0.30	1.27	23.66	23.83	0.17	0.71
Western Europe	14.17	14.07	-0.09	-0.65	14.10	13.97	-0.13	-0.95
OECD Pacific	8.19	8.10	-0.09	-1.13	7.31	7.27	-0.04	-0.57
Total OECD	45.94	46.06	0.12	0.25	45.07	45.06	-0.01	-0.02
Other Asia	9.95	10.13	0.19	1.90	10.13	10.33	0.20	1.94
Latin America	5.78	5.92	0.14	2.40	6.04	6.17	0.13	2.15
Middle East	7.18	7.40	0.22	2.99	7.15	7.33	0.17	2.43
Africa	3.30	3.34	0.04	1.22	3.28	3.31	0.03	1.04
Total DCs	26.21	26.79	0.58	2.22	26.60	27.14	0.53	2.01
FSU	3.95	4.02	0.08	1.90	3.77	3.80	0.03	0.80
Other Europe	0.69	0.67	-0.02	-2.18	0.64	0.61	-0.04	-5.46
China	8.23	8.65	0.42	5.09	8.82	9.22	0.40	4.55
Total "Other Regions"	12.87	13.35	0.48	3.72	13.24	13.63	0.40	2.99
Total world	85.02	86.20	1.18	1.38	84.91	85.83	0.92	1.09

Totals may not add due to independent rounding

Table 12: Third and fourth quarter world oil demand comparison for 2011, mb/d

	Change 2011/10				Change 2011/10			
	3Q10	3Q11	Volume	%	4Q10	4Q11	Volume	%
North America	23.67	23.85	0.17	0.74	23.79	24.01	0.22	0.92
Western Europe	14.31	14.17	-0.14	-0.97	14.27	14.19	-0.08	-0.58
OECD Pacific	7.21	7.19	-0.02	-0.29	7.94	7.92	-0.02	-0.28
Total OECD	45.19	45.20	0.01	0.03	46.00	46.12	0.12	0.25
Other Asia	9.94	10.13	0.19	1.88	10.15	10.34	0.19	1.91
Latin America	6.21	6.34	0.12	1.98	6.17	6.28	0.10	1.65
Middle East	7.48	7.67	0.19	2.57	7.24	7.44	0.20	2.76
Africa	3.17	3.21	0.04	1.14	3.32	3.35	0.04	1.06
Total DCs	26.80	27.34	0.54	2.01	26.88	27.41	0.53	1.98
FSU	4.18	4.21	0.03	0.60	4.22	4.26	0.04	0.98
Other Europe	0.66	0.64	-0.03	-3.76	0.72	0.68	-0.04	-5.44
China	9.04	9.49	0.44	4.90	8.73	9.17	0.44	5.06
Total "Other Regions"	13.89	14.33	0.44	3.19	13.66	14.11	0.44	3.25
Total world	85.87	86.87	1.00	1.16	86.55	87.64	1.09	1.26

Totals may not add due to independent rounding

World Oil Supply

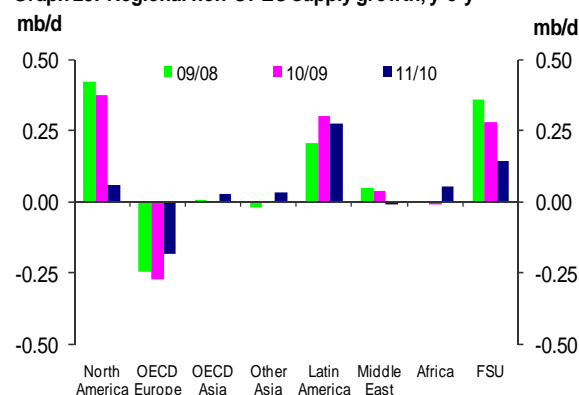
Non-OPEC supply is expected to increase by 1.01 mb/d in 2010, 0.1 mb/d higher than the previous month

Non-OPEC

Forecast for 2010

Non-OPEC oil supply is foreseen to grow by 1.01 mb/d in 2010, the highest growth level since 2002, to average 52.23 mb/d. The forecast increase represents an upward revision of 0.17 mb/d compared to the previous month. Historical revisions to the US supply in 2008 and 2009 affected the forecast of 2010. Additionally, various revisions were introduced to the forecast in 2010, with the majority affecting the second half.

Graph 23: Regional non-OPEC supply growth, y-o-y



Adjustments to updated actual production data in the first half have also affected the outlook, in addition to changes to different project schedules. The largest revision was experienced in North America, mainly on updated production data. All the quarters encountered upward revisions in 2010, despite the various downward revisions experienced in some countries' supply forecast as the upward revisions more than offset the downward ones. North America is now expected to have the highest growth among all non-OPEC regions in 2010, followed by Latin America and the FSU, while OECD Western Europe is projected to be the region with the biggest decline. OECD supply is expected to grow in 2010, as the growth in North America is seen to more than offset the decline in Western Europe. On a country basis, the US, China, Brazil, Russia, and Colombia are anticipated to be the main drivers of growth in 2010, while UK and Norway supply is seen to have the largest decline. On a quarterly basis, non-OPEC supply is seen to average 52.26 mb/d, 52.25 mb/d, 52.03 mb/d and 52.38 mb/d, respectively.

Table 13: Non-OPEC oil supply in 2010, mb/d

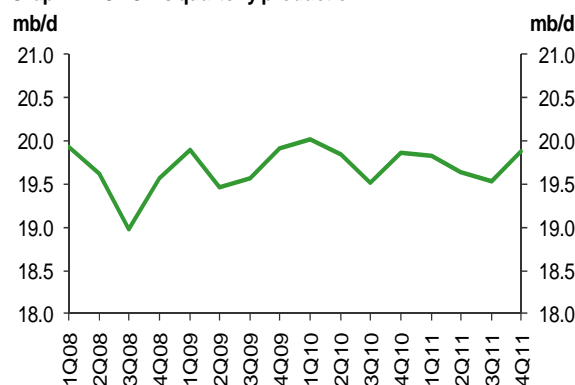
	2009	1Q10	2Q10	3Q10	4Q10	Change	
						2010	10/09
North America	14.36	14.72	14.86	14.68	14.69	14.74	0.38
Western Europe	4.71	4.69	4.39	4.19	4.49	4.44	-0.27
OECD Pacific	0.64	0.61	0.60	0.64	0.68	0.63	0.00
Total OECD	19.71	20.02	19.85	19.51	19.86	19.81	0.10
Other Asia	3.70	3.73	3.71	3.69	3.67	3.70	0.00
Latin America	4.41	4.64	4.71	4.71	4.78	4.71	0.30
Middle East	1.73	1.77	1.77	1.78	1.74	1.77	0.04
Africa	2.72	2.74	2.71	2.72	2.70	2.72	-0.01
Total DCs	12.57	12.88	12.91	12.90	12.90	12.90	0.33
FSU	12.96	13.12	13.18	13.27	13.37	13.24	0.28
Other Europe	0.14	0.14	0.14	0.15	0.14	0.14	0.00
China	3.85	4.02	4.09	4.13	4.04	4.07	0.22
Total "Other regions"	16.94	17.28	17.41	17.55	17.54	17.45	0.50
Total Non-OPEC production	49.22	50.18	50.17	49.96	50.30	50.15	0.93
Processing gains	2.00	2.08	2.08	2.08	2.08	2.08	0.08
Total Non-OPEC supply	51.22	52.26	52.25	52.03	52.38	52.23	1.01
Previous estimate	51.14	52.21	52.16	51.76	52.11	52.06	0.92
Revision	0.08	0.05	0.08	0.27	0.27	0.17	0.09

Increasing output from North America has pushed OECD supply growth to 0.1 mb/d

OECD

OECD total oil production is forecast to grow by 0.10 mb/d and average 19.81 mb/d in 2010, representing another significant upward adjustment, following last month's revision, of 0.09 mb/d over the previous month. All the quarters experienced upward revisions with the fourth quarter encountering the largest one. North America experienced a significant upward revision that more than offset the downward revision introduced to OECD Western Europe while OECD Pacific supply remained flat. Canada, Mexico, and Denmark supply forecasts encountered upward revisions that offset the downward adjustments in Norway and the UK. On a quarterly basis, OECD oil supply is expected to average 20.02 mb/d, 19.85 mb/d, 19.51 mb/d, and 19.86 mb/d respectively.

Graph 24: OECD's quarterly production



North America

North America oil supply is anticipated to increase by 0.38 mb/d in 2010 to average 14.74 mb/d, a significant upward revision of 0.12 mb/d compared to the previous month. The second half of 2010 experienced the largest upward revision, on updated production data in a few months as well as changes to a few project volumes and timetables. The upward revision is confirming North America as the region with the highest growth in 2010 among all non-OPEC regions. Healthy growth is now expected from the US and Canada, while Mexico supply is seen to encounter a moderate decline in 2010. On a quarterly basis, North America oil supply is seen to average 14.72 mb/d, 14.86 mb/d, 14.68 mb/d, and 14.69 mb/d respectively.

US supply to increase by 0.3 mb/d in 2010

US

A historical upward revision has altered the US oil supply growth forecast in 2010. Furthermore, updated production data in the second and third quarters has required adjustments as well as updates on project startups that affected the fourth quarter forecast. However, the various adjustments have offset each other and there was no revision of the annual figure. **US** oil supply is projected to grow by 0.30 mb/d in 2010 to average 8.44 mb/d. Growth is supported strongly by increases in non-conventional oil output including biofuels and NGL supply, in addition to conventional crude output. The increase in Alaskan production in September, by around 0.09 mb/d from the previous month after the summer maintenance, is supporting the forecast growth. However, the anticipated delay of the Cascade and Chinook project startup as well as the technical problems with the fourth producing well at the Droshky field, seen to reduce output, are anticipated to offset the Alaskan production increase. On a quarterly basis, US oil production is estimated to average 8.44 mb/d, 8.52 mb/d, 8.41 mb/d, and 8.40 mb/d respectively.

Canadian production to increase by 90 tb/d in 2010

Canada and Mexico

Updated production data required a significant upward revision to Canada supply forecast in 2010. Currently, oil production from Canada is forecast to increase by 90 tb/d in 2010 to average 3.34 mb/d, an upward revision of 70 tb/d compared to the previous assessment. The upward revision came mainly to adjust for updated production figures in the first half of 2010 as well as in July, where production registered the highest level in 2010, supported by improved non-conventional and NGL output. The startup of the Jackpine expansion further supports anticipated growth in 2010. Additionally, the completion of maintenance at the Horizon project, with the expectation that output will be at designed capacity, adds to the positive outlook of Canadian oil supply in 2010. According to the updated data, Canada oil supply increased by 0.10 mb/d in the first half of 2010, compared to the same period of 2009, mainly from the non-conventional output. On a quarterly basis, Canada's supply is expected to average 3.29 mb/d, 3.37 mb/d, 3.31 mb/d and 3.37 mb/d respectively.

Mexico output remained relatively steady during the first three quarters of 2010

Mexico oil output is estimated to decline by 0.02 mb/d in 2010 to average 2.96 mb/d, indicating an upward revision of 0.04 mb/d compared to the previous month. The continuing steady production level within the first three quarters of 2010 supports the upward revision. Actual production data in August indicated a minor decline of less than 1% compared to the previous month, however, the preliminary data for September showed a reversal of the trend despite the interruption of hurricane Karl. Thus, for 2010, data shows that Mexico oil production is stabilizing with an average of 2.97 mb/d. The steady supply in the first three quarters necessitated the applied upward revision, yet the risk remains with the fourth quarter output. On a quarterly basis, Mexico's oil supply is seen to stand at 2.99 mb/d, 2.97 mb/d, 2.96 mb/d, and 2.92 mb/d respectively.

Western Europe

OECD Western Europe total oil supply is expected to drop 0.27 mb/d in 2010 and average 4.44 mb/d, representing a downward revision of 0.03 mb/d compared to the previous month. The general trend of decline at all major producers in the region remains unchanged with revisions to the individual countries' supply profile. On a quarterly basis, oil output is estimated to average 4.69 mb/d, 4.39 mb/d, 4.19 mb/d and 4.49 mb/d respectively.

Norway output unexpectedly plunged in August due to maintenance

The unexpected decline in Norway oil production in August entailed the undertaken downward revision compared to the previous month. Preliminary data indicated that August production dropped 14% compared to a month earlier. After the 20-year low production level seen in June, Norwegian output was expected to moderate during the remainder of the maintenance season, however, the unforeseen drop in August necessitated a downward revision of 0.04 mb/d compared to the previous assessment. Norway oil supply is projected to decline by 0.18 mb/d in 2010 and average 2.17 mb/d. Production at Oseberg, Gullfaks, Ekofisk, Stafjord, and Troll is seen to have dropped in August. Additionally, the announced delay of the restart of the Yme projected further pressured the forecast. The Yme field was initially planned to restart in 2009, then moved to 2010, and now is planned to restart in 2011. It is expected that supply will rebound in September, following the completion of maintenance. On a quarterly basis, Norway's supply is seen to average 2.31 mb/d, 2.10 mb/d, 2.00 mb/d and 2.25 mb/d respectively.

UK supply seen to increase in 4Q10 as maintenance comes to an end

According to actual production data, UK oil output declined by 11% in the second quarter of 2010, compared to the same period a year earlier. The decline came on the back of heavy maintenance in June, despite the startup of new fields since the second quarter 2009. The loading programme indicates an increase in September compared to August as the maintenance season is coming to an end. UK production has been on a declining trend for the past years as new volumes are coming from small and satellite fields that fall short of offsetting the decline at mature producing areas. UK oil supply is foreseen to decline by 0.08 mb/d in 2010 to average 1.40 mb/d, representing a downward revision of 0.01 mb/d compared to the previous month. Supply is expected to pick up in the fourth quarter, when most streams have returned from maintenance. On a quarterly basis, UK oil supply is expected to average 1.51 mb/d, 1.40 mb/d, 1.31 mb/d and 1.39 mb/d respectively.

Improved production from Denmark, according to preliminary data, supported an upward revision from the previous month. Denmark oil supply is expected to decline by 0.02 mb/d in 2010 and average 0.25 mb/d, an upward revision of 0.01 mb/d compared to the previous month.

The improvement of Italy's output supported by the Val's Agri field, on the back of new wells, supported the incorporated upward revision from the previous month's forecast. Additionally, the Spanish decision to allow a higher blend percentage of biofuels in both gasoline and diesel is seen to improve biofuel outlook and further support the undertaken revision. Other OECD Western Europe supply is expected to remain flat in 2010 and average 0.62 mb/d, an upward revision of 0.01 mb/d from last month.

Asia Pacific

Total **OECD Pacific** oil supply is forecast to remain unchanged in 2010 and average 0.63 mb/d, flat from the previous month. The forecast of OECD Pacific supply indicates growth of 0.05 mb/d in the second half of 2010, compared to the first half. On a quarterly basis, total OECD Pacific supply is believed to average 0.61 mb/d, 0.60 mb/d, 0.64 mb/d, and 0.68 mb/d, respectively.

Australian oil production to remain flat in 2010

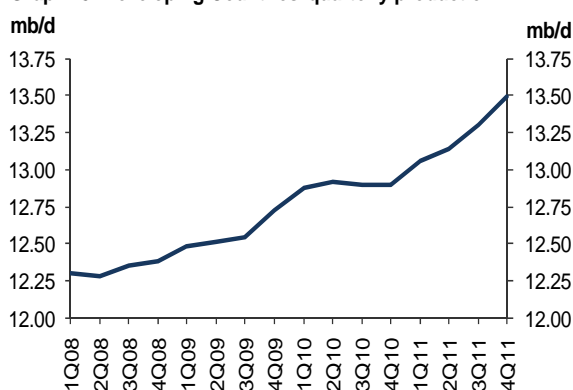
The startup of the Ravensworth field offshore Western Australia required a minor upward revision in the fourth quarter, yet the revision did not affect the annual supply forecast. Australia oil output is expected to remain flat in 2010, with a minor decline of 0.01 mb/d to average 0.53 mb/d, unchanged from the previous month. In the second half of 2010, Australia oil production is anticipated to improve on new volumes coming from Angel, Puffins Southwest, Pyrenees, Talbolt, and Van Gogh developments. On a quarterly basis, Australian oil supply is seen to average 0.51 mb/d, 0.50 mb/d, 0.54 mb/d and 0.58 mb/d respectively.

Developing Countries

DC supply forecast to grow by 0.33 mb/d in 2010

Developing Countries (DC) oil production is forecast to grow by 0.33 mb/d in 2010 to average 12.90 mb/d; indicating an upward revision of 0.03 mb/d from last month. The revisions were concentrated in the second half of 2010. Other Asia, Middle East, and Africa supply estimates in 2010 encountered upward revisions while Latin America supply profile remained steady compared to the previous month. The general supply trend among the DC's remains unchanged with Latin America,

Graph 25: Developing Countries' quarterly production



supported by Brazil and Colombia, driving growth, followed by relatively small growth from the Middle East, while projections for Other Asia and Africa remain flat in 2010 compared to a year earlier. DC anticipated supply growth in 2010 has a 33% share of non-OPEC supply growth. On a quarterly basis, DC oil output is expected to average 12.88 mb/d, 12.91 mb/d, 12.90 mb/d, and 12.90 mb/d respectively. According to preliminary data, DC's first half oil supply indicated growth of 0.41 mb/d compared to the same period a year ago.

Other Asia supply to remain flat in 2010 averaging 3.7 mb/d

Updated actual production data indicated slightly higher-than-expected output from India, Thailand, and Vietnam, while data from Malaysia showed a lower-than-expected output. Accordingly, the necessary adjustments were completed and Other Asia oil supply forecast experienced a minor upward revision of 0.01 mb/d, compared to the previous assessment. Indonesia oil supply forecast, the highest among the group, remained unchanged from the previous month, with supply projected to average 1.03 mb/d in 2010, flat from 2009. The steady state came despite the reduction of production from the Duri field that was affected by a gas leak. The majority of the upward revisions were experienced in the third quarter with preliminary data for India, Thailand, and Vietnam suggesting higher output than previously forecast. India oil supply is expected to increase by 0.06 mb/d in 2010 to average 0.85 mb/d, supported mainly by the Mangala oil project. Thailand and Vietnam supply forecasts each encountered an upward revision of 0.01 mb/d on higher output. Malaysia oil supply is foreseen to decline by 0.04 mb/d in 2010 to average 0.68 mb/d. The recent increase in feedstock prices have negatively affected biofuel production. On a quarterly basis, Other Asia oil supply is predicted to stand at 3.73 mb/d, 3.71 mb/d, 3.69 mb/d, and 3.67 mb/d respectively.

Latin America supply growth supported by Brazil and Colombia

Argentina and Brazil actual production data required minor revisions in the third quarter, yet these revisions did not affect the annual figures. Brazil and Colombia remain the drivers for growth in Latin America. Brazil oil supply forecast remained unchanged from the previous month with growth of 0.20 mb/d in 2010 to average 2.71 mb/d. So far in

2010, Brazil oil output registered quarter-to-quarter growth supported by a long list of new projects. The fourth quarter supply is anticipated to increase compared to the third quarter, supported by project ramp-ups as well as the startup on the Tupi project, which is expected in October. The first phase of the Tupi project is expected to peak at 0.10 mb/d at the end of 2011 or early 2012, as per the operator. Additionally, the record high production level experienced in August further supports the forecast growth. Furthermore, the faster-than-anticipated ramp-up of the Frade development is adding to the positive factors supporting the strong growth. Brazil oil production is expected to increase by 0.20 mb/d in 2010 to average 2.71 mb/d. Colombia oil supply is expected to increase by 0.11 mb/d to average 0.79 mb/d, unchanged from the previous month. The Quifa and Rubiales oil developments, the main drivers of growth, are expected to reach a combined production level of 0.23 mb/d by the end of 2010, according to the operator. Argentina oil supply is estimated to remain relatively steady in 2010 and drop by 0.01 mb/d to average 0.76 mb/d. The expected growth in biofuels as well as the restart of the Giacanello field are offsetting the decline from mature producing areas. **Latin American** oil supply is forecast to increase by 0.30 mb/d in 2010 to average 4.71 mb/d, unchanged from the previous month. On a quarterly basis, Latin America oil production is seen to average 4.64 mb/d, 4.71 mb/d, 4.71 mb/d, and 4.78 mb/d respectively.

Middle East supply to increase by 40 tb/d in 2010 and average 1.77 mb/d

Updated production data indicated higher-than-expected output for Oman, Syria, and Yemen, which has required a minor upward revision to the forecast. Middle East oil production is estimated to increase by 0.04 mb/d in 2010 to average 1.77 mb/d, indicating an upward revision 0.01 mb/d from the last month. Oman remains the only country in the Middle East with a supply growth projection in 2010. Syria oil output is expected to remain flat in 2010, while Yemen supply is seen to encounter a minor decline. On a quarterly basis, Middle East oil production is seen to average 1.77 mb/d, 1.77 mb/d, 1.78 mb/d, and 1.74 mb/d respectively.

Africa oil production to remain flat in 2010 and average 2.72 mb/d

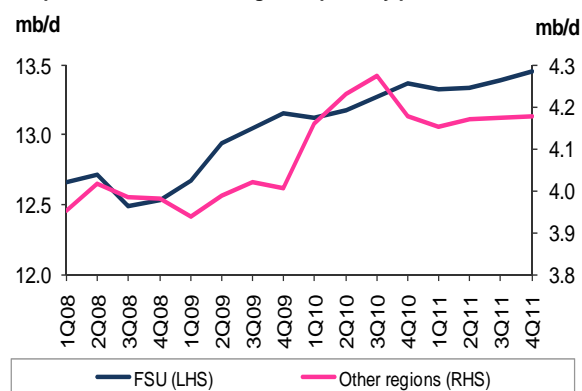
Egypt, Gabon, and South Africa production, according to preliminary data, indicated higher-than-previously expected output, hence requiring a minor upward revision. Africa oil supply is forecast to remain relatively flat in 2010 compared to the previous year with a minor decline of 0.01 mb/d, representing an upward revision of 0.01 mb/d, compared to the previous month's assessment. Congo, Egypt, and South Africa supply is now expected to experience increases in 2010, while output of Equatorial Guinea and Sudan is seen to decline. Sudan oil production is projected to drop by 0.02 mb/d in 2010 to average 0.46 mb/d. The drop is expected due to an accelerated decline and limited investment. According to production data, Nile Blend output declined by around 20% so far this year, while other streams partially offset the drop. On a quarterly basis, Africa oil supply is estimated to average 2.74 mb/d, 2.71 mb/d, 2.72 mb/d, and 2.70 mb/d respectively.

FSU, Other Regions

FSU supply to increase by 0.28 mb/d and average 13.24 mb/d in 2010

FSU total oil production is projected to increase by 0.28 mb/d in 2010 and average 13.24 mb/d, unchanged from the previous month. Despite the steady state, the forecast experienced a few upward and downward revisions on a quarterly basis that offset each other. The majority of the revisions took place in the third quarter as more production data became available. The general view of the FSU supply remains unchanged, with growth expected at all the major producers. Russia supply forecast is topping the list of FSU growth in 2010, followed by Kazakhstan and Azerbaijan. According to preliminary data, FSU oil supply increased by 0.30 mb/d during the first three quarters in 2010, compared to the same period a year earlier. On a quarterly basis, total oil production in the FSU is estimated to average 13.12 mb/d, 13.18 mb/d, 13.27 mb/d, and 13.37 mb/d respectively. China oil output is anticipated to

Graph 26: FSU and other region's quarterly production



increase by 0.22 mb/d in 2010 and average 4.07 mb/d. Other Europe supply is seen to remain flat from 2009 and average 0.14 mb/d in 2010.

Russia registered another record-high output in September

Russia

Oil production from Russia, according to preliminary data, registered a new record high in September with an increase of 0.10 mb/d over the previous month. The strong performance was supported by the end of maintenance that affected August production as well as by increased drilling. Russia oil supply is expected to increase by 0.18 mb/d in 2010 to average 10.10 mb/d, indicating a minor upward revision of 0.01 mb/d compared to the previous month. The upward revision came from the update introduced to the third quarter estimates as new data indicated higher output than previously expected. Additionally, the startup of the Odoptu field in the Sakhalin-1 area is further supporting growth. The Odoptu field is the second project in the Sakhalin-1 development, which is expected to help offset the decline in Chaivo production. Furthermore, the steady export programme of the fourth quarter is supporting the anticipated increase. Additionally, output from the Korchagin field in the Caspian Sea is seen to remain limited in 2010, as the operator is partially limiting production ahead of the approved reduced tax level that will start in 2011. On a quarterly basis, Russian oil supply is estimated to average 10.09 mb/d, 10.12 mb/d, 10.12 mb/d, and 10.06 mb/d, respectively. Russia oil production averaged 10.16 mb/d in September, higher by 0.10 mb/d from a month earlier.

Kazakh supply to increase in the fourth quarter as maintenance comes to an end

Caspian

Slightly higher-than-expected production in the early part of the third quarter required a minor upward revision to Kazakhstan supply. However, the minor upward revision in the third quarter did not affect the annual figure. **Kazakh** oil supply is foreseen to increase by 0.08 mb/d in 2010 to average 1.62 mb/d, unchanged from the previous month. The fourth quarter oil supply is expected to increase from the third quarter as maintenance in different fields comes to an end. Additionally, the October loading programme confirms the increase. On a quarterly basis, Kazakhstan oil supply is seen to average 1.61 mb/d, 1.56 mb/d, 1.62 mb/d, and 1.67 mb/d respectively.

Azeri output expected to experience healthy growth in the fourth quarter

The BTC loading program is indicating an increase of 0.04 mb/d in October compared to the previous month. The increase is supporting the anticipated Azeri supply growth in the fourth quarter compared to the third quarter. **Azeri** oil production is forecast to grow by 0.04 mb/d in 2010 to average 1.10 mb/d in 2010, unchanged from previous month's evaluation. During the first three quarters, according to the preliminary data, Azerbaijan supply remained relatively flat from the same period of last year. However, the foreseen growth in the fourth quarter is supporting the expected annual growth. On a quarterly basis, Azerbaijan oil output is seen to stand at 1.01 mb/d, 1.09 mb/d, 1.12 mb/d, and 1.19 mb/d, respectively.

China supply expected to increase by 0.22 mb/d to average 4.07 mb/d in 2010

China

Preliminary production data indicated that China oil output increased in August compared to the previous month, on the back of healthy offshore production levels, supporting an upward revision to the third quarter estimate. Additionally, increased production reported from the Nanpu developments is further supporting the upward revision. **China** oil production is expected to increase significantly by 0.22 mb/d in 2010 to average 4.07 mb/d, indicating an upward revision of 0.04 mb/d compared to the previous month. The healthy output of Shenhua CTL project is further supporting the anticipated growth in China. The fourth quarter supply is anticipated to experience a drop in the fourth quarter. On a quarterly basis, China oil supply is expected to average 4.02 mb/d, 4.09 mb/d, 4.13 mb/d, and 4.04 mb/d respectively.

Non-OPEC supply expected to increase by 0.36 mb/d in 2011

Forecast for 2011

Non-OPEC oil production is projected to increase by 0.36 mb/d in 2011 to average 52.59 mb/d, representing an upward revision of 0.17 mb/d over the previous month. The expected growth in 2011 remained unchanged from the previous month, despite the significant upward revision to total non-OPEC supply. Changes to the 2010 supply forecast were carried over to 2011, hence improving the total non-OPEC supply figure. Latin America remains the region with the highest expected growth among all non-OPEC regions supported by the foreseen growth in Brazil and Colombia. FSU is the next in terms of growth in 2011, with the projected supply increases from Azerbaijan and Kazakhstan seen to offset the minor decline expected in Russia supply. OECD Western Europe supply is expected to have the biggest decline in 2011 compared to other non-OPEC regions. On a quarterly basis, non-OPEC supply is expected to average 52.44 mb/d, 52.35 mb/d, 52.48 mb/d, and 53.08 mb/d respectively.

Table 14: Non-OPEC oil supply in 2011, mb/d

							Change	
	2010	1Q11	2Q11	3Q11	4Q11	2011	11/10	
North America	14.74	14.74	14.75	14.76	14.95	14.80	0.06	
Western Europe	4.44	4.43	4.21	4.10	4.27	4.25	-0.18	
OECD Pacific	0.63	0.66	0.67	0.67	0.66	0.66	0.03	
Total OECD	19.81	19.83	19.63	19.53	19.87	19.71	-0.09	
Other Asia	3.70	3.72	3.71	3.74	3.76	3.73	0.03	
Latin America	4.71	4.87	4.93	5.02	5.12	4.99	0.27	
Middle East	1.77	1.75	1.75	1.76	1.78	1.76	-0.01	
Africa	2.72	2.72	2.75	2.78	2.84	2.77	0.05	
Total DCs	12.90	13.06	13.14	13.30	13.49	13.25	0.35	
FSU	13.24	13.33	13.33	13.39	13.46	13.38	0.14	
Other Europe	0.14	0.14	0.14	0.14	0.15	0.14	0.00	
China	4.07	4.01	4.03	4.03	4.03	4.03	-0.05	
Total "Other regions"	17.45	17.48	17.50	17.57	17.63	17.55	0.10	
Total Non-OPEC production	50.15	50.36	50.27	50.40	51.00	50.51	0.36	
Processing gains	2.08	2.08	2.08	2.08	2.08	2.08	0.00	
Total Non-OPEC supply	52.23	52.44	52.35	52.48	53.08	52.59	0.36	
Previous estimate	52.06	52.31	52.19	52.27	52.91	52.42	0.36	
Revision	0.17	0.14	0.15	0.21	0.16	0.17	0.00	

Revisions to the 2011 forecast

The main changes in the non-OPEC supply forecast in 2011 were experienced by the US, Canada, Mexico, Russia, and China. US oil supply in 2011 is expected to average 8.48 mb/d, an increase of 0.04 mb/d. The change was driven mainly by updated historical figures. Canada oil production is projected to increase by 0.09 mb/d in 2011 to average 3.43 mb/d. Oil sand developments are expected to drive growth, while revisions to the base slightly altered the forecast in 2011. Mexico oil supply in 2011 is anticipated to decline by 0.07 mb/d, updated from the previous month on improvement in production stabilizations. Russia oil supply is projected to decline by a minor 0.03 mb/d in 2011 to average 10.07 mb/d, as new volumes are seen short of offsetting the decline in mature areas. China oil output is now forecast to decrease by 0.05 mb/d in 2011 to average 4.03 mb/d. The drop is expected as the new offshore output is seen to stagnate in 2011, while mature supply is seen to decline.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are forecast to increase by 0.44 mb/d over 2009 to average 4.79 mb/d in 2010. In 2011, OPEC NGLs and nonconventional oils are anticipated to grow by 0.45 mb/d over 2010 to average 5.24 mb/d.

Table 15: OPEC NGLs + non-conventional oils, 2008-2011

	Change							Change		Change	
	2008	2009	09/08	1Q10	2Q10	3Q10	4Q10	2010	10/09	2011	11/10
Total OPEC	4.14	4.35	0.21	4.60	4.77	4.81	4.98	4.79	0.44	5.24	0.45

OPEC crude oil production decreased 30 tb/d in September

OPEC crude oil production

Total OPEC crude oil production averaged 29.08 mb/d in September, according to secondary sources, down around 30 tb/d from the previous month. OPEC crude oil production, not including Iraq, averaged 26.67 mb/d in September, a decline of 0.14 mb/d from the previous month. Crude output of Algeria, Angola, Iran, Nigeria and Saudi Arabia experienced a decline of more than 20 tb/d in September, compared to the previous month, while crude production from Iraq and Venezuela showed an increase of more than 20 tb/d.

Table 16: OPEC crude oil production based on secondary sources, 1,000 b/d

	2009	4Q09	1Q10	2Q10	3Q10	Jul 10	Aug 10	Sep 10	Sep/Aug
Algeria	1,270	1,270	1,271	1,270	1,262	1,272	1,269	1,243	-25.8
Angola	1,786	1,873	1,912	1,850	1,738	1,752	1,783	1,676	-107.3
Ecuador	477	474	474	470	469	468	469	470	0.8
Iran, I.R.	3,725	3,728	3,743	3,730	3,682	3,700	3,694	3,650	-44.2
Iraq	2,422	2,459	2,463	2,361	2,357	2,353	2,304	2,417	113.0
Kuwait	2,263	2,275	2,288	2,301	2,316	2,316	2,312	2,320	7.8
Libya, S.P.A.J.	1,557	1,540	1,543	1,561	1,567	1,576	1,570	1,555	-15.0
Nigeria	1,812	1,942	1,987	1,971	2,078	2,083	2,092	2,059	-32.7
Qatar	781	795	803	801	801	806	804	793	-10.8
Saudi Arabia	8,055	8,122	8,127	8,139	8,211	8,215	8,221	8,195	-26.3
UAE	2,256	2,258	2,280	2,307	2,316	2,336	2,307	2,305	-1.7
Venezuela	2,309	2,284	2,291	2,294	2,324	2,287	2,288	2,400	111.7
Total OPEC	28,712	29,019	29,181	29,055	29,120	29,161	29,114	29,084	-30.5
OPEC excl. Iraq	26,290	26,560	26,719	26,694	26,763	26,809	26,810	26,667	-143.5

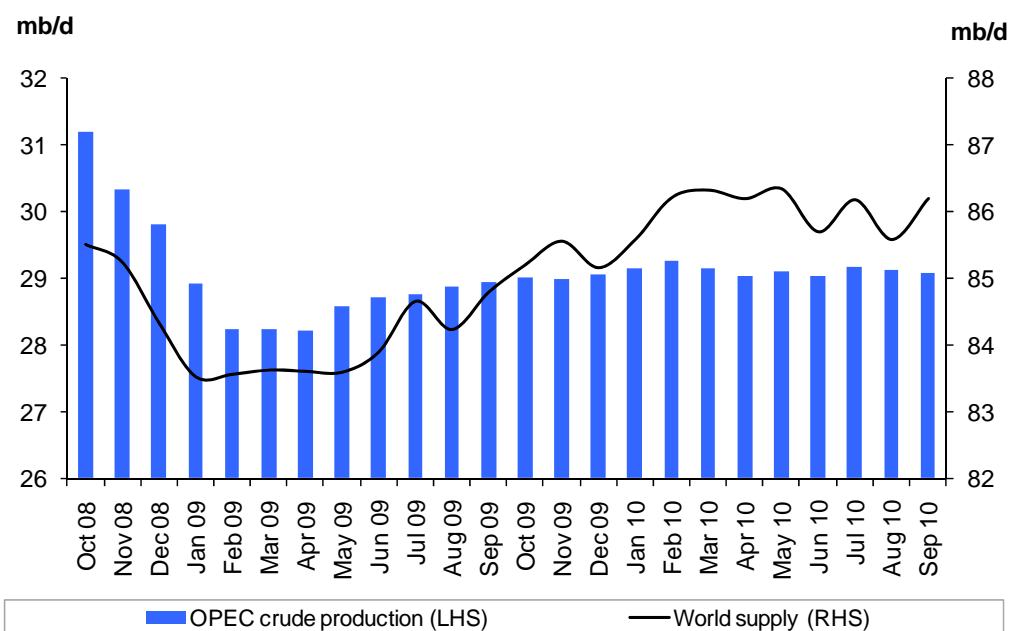
Totals may not add due to independent rounding

Global oil supply estimated at 86.2 mb/d in September, an increase of 0.62 mb/d

World Oil Supply

Preliminary figures show that global oil supply averaged 86.20 mb/d in September, a gain of 0.62 mb/d from the previous month, supported by estimated increases in non-OPEC supply. OPEC crude is estimated to have a 33.7% share in global supply, steady from the previous month. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production according to secondary sources.

Graph 27: OPEC and world oil supply



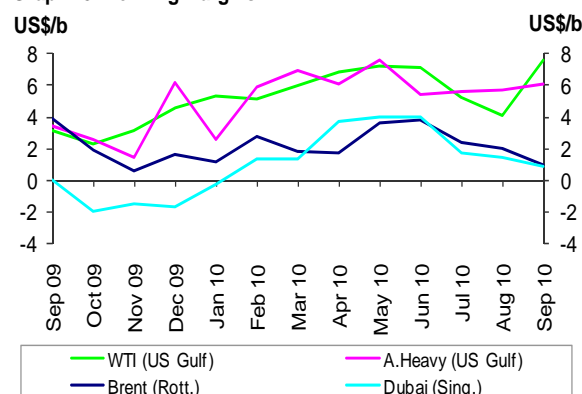
Product Markets and Refinery Operations

Refinery performance moved sideways, supported by strong distillates demand, while affected by the bearish fuel oil market and regional crude prices

Despite product stocks standing considerably above historical levels, the strong demand for distillates across the world improved market sentiment.

However, this has been partially offset by the weakness in the gasoline market and the oversupply in the fuel oil market. In the US, the drop in the WTI crude price has allowed refinery margins to recover in September, while, in Europe, high crude prices have pressured the margins by \$1/b.

Graph 28: Refining margins



High light distillate stocks amid refinery maintenance, combined with the oversupply in fuel oil, will keep product market sentiment bearish and continue to weigh on refinery margins over the coming months.

Refining margins for WTI crude oil at the US Gulf Coast recovered the ground lost over the last months and have shown a sharp increase from \$4/b in the last month to \$7.6/b in September. In Europe, the refining industry kept restraining product supply by moderating crude runs and maintenance works in an effort to protect margins, however the recovery in gasoline and distillate prices was outpace by the bearish fuel oil market amid expensive crude and caused the margin for Brent crude in Rotterdam to continue losing ground by \$1/b.

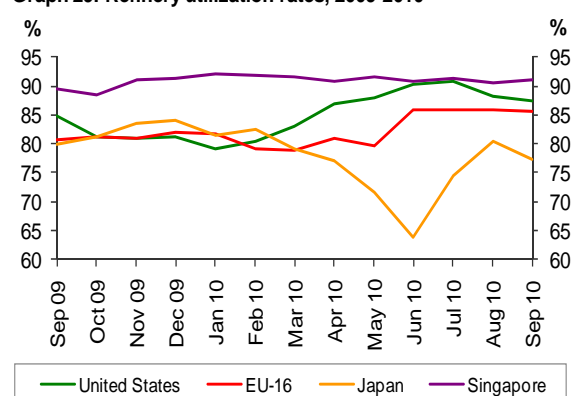
In Asia, the bearish fuel oil sentiment created by the oversupply and the continued weak naphtha, has also been pressured by low demand from the petrochemical sector, causing the margins to narrow further.

Refining margins for Dubai crude oil in Singapore fell slightly from \$1.4/b in August to 80¢/b in September.

Refinery operations

American refiners continued to moderate runs in an effort to recover margins lost since July and a combination of strong distillate demand and lower cost of crude oil has improved the economics in the US refining system in October. However, the weakness in gasoline and fuel oil have affected refinery margins in other areas. European refiners maintained moderate throughputs. With the fuel oil market oversupplied, Asian refiners have kept utilization rates at moderate levels despite the end of the maintenance period. Some operational limitations due to bad weather have also played a role.

Graph 29: Refinery utilization rates, 2009-2010



The **refinery utilization rate** in the US dropped to 87.4%, the lowest level in the last months, which has led to a slight drop in record-high stock levels, while European refiners have kept utilization rates moderated in a sustainable effort to protect the margins. According to preliminary data, the European refinery utilization rates have been set at a similar level as previous month, around 86%.

Refinery margins without enough product market support

In Asia, despite the end of the seasonal refinery maintenance, the refinery run levels have remained moderate at 77% in Japan and around 82% in China.

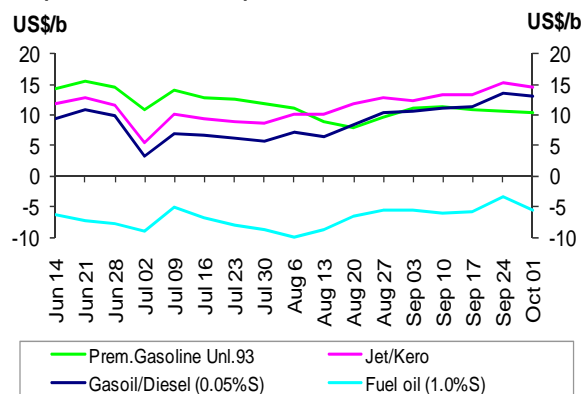
Looking ahead, the maintenance season for some refineries and run cuts could not offset the high refining spare capacity around the world and in an environment of an oversupplied fuel oil market and weak margins, operation levels are not expected to rise significantly over the coming months.

Gasoline demand fell and distillates strengthened, despite high stocks

US market

According to the EIA, US gasoline demand fell more than 200 tb/d in September. Despite the dropping demand, gasoline cracks gained some support from the positive sentiment generated by a reduction of inventories – which nonetheless remained 14% above the five-year average – and the temporary tightness created by the transition of refiners shifting to winter grades, limiting availability of summer grades.

Graph 30: US Gulf crack spread vs. WTI, 2010



The oversupply situation on the other side of the Atlantic basin has maintained pressure, which has been offset by some limited export opportunities to Latin America, mainly to Mexico, due to reduced gasoline production in this country on the back of the shutdown of some units at the Calderfya refinery.

These developments and the reduction in the WTI crude price, allowed the gasoline crack spread on the US Gulf Coast to slightly recover from the lowest level of \$9.4/b in August to reach \$10.6/b at the end of September.

With the peak driving season ending, a higher overhang in inventories will keep exerting pressure on the gasoline market.

Middle distillate demand increased in the US to 3,84 mb/d in September from 3,66 mb/d the previous month, mainly due to storage of heating oil for the winter season. In addition, export opportunities to Latin America, Africa and Europe have been increasing despite the higher stock levels, which dropped slightly during this month. The positive market sentiment has supported heating oil prices, which have ranged above the gasoline price since mid September.

The gasoil crack on the US Gulf Coast has been increasing up to \$13.6/b at the end of September, the highest value so far this year, representing a sharp improvement from the \$8/b average a month earlier.

Following these developments, on Nymex, heating oil managed money traders increased their net long positions to 32,824 lots in September from an average of 31,191 contracts in the previous month.

Fuel oil cracks received further support from higher export opportunities of around 400 tb/d to Singapore and Latin America, and a mild increase in regional demand.

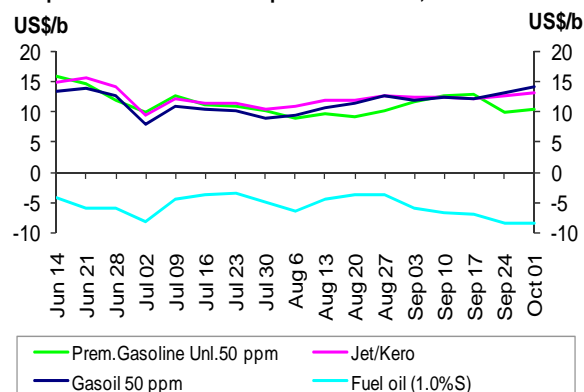
The US Gulf Coast crack gained approximately \$2/b in September.

Export opportunities lent temporary support to the weak gasoline market

European market

The gasoline market recovered part of the ground lost last month. The market moved sideways in September, amid limited arbitrage opportunities to the US, offset by supply tightening due to maintenance, moderated refinery runs, improved export opportunities to West Africa, increased Syrian imports, due to operational limitations in the reformer unit of Baniyas refinery, and buoyant demand from some Middle East importers, mainly Saudi Arabia.

Graph 31: Rotterdam crack spreads vs. Brent, 2010



The gasoline crack spread against Brent crude oil at Rotterdam rose up to an average of \$11/b in September from the \$ 9.5/b average in August. Considering that the driving season has ended and the lack of opportunities in the Atlantic basin, market sentiment in the coming months will be pressured by the European structural gasoline surplus.

The European naphtha market partially lost ground gained last month due to less demand from the petrochemical sector. However, a supply shortage during the Koch Naphtha splitter being out of operation and some export opportunities to the US and Asia-Pacific generated positive market sentiment at the end of the month.

Strong demand for middle distillates ahead of the winter season, amid tightening supply from European refiners, due to impending maintenance and run cuts, have kept the distillates market supported by offsetting the higher inflows coming from the US and Asia.

The gasoil crack spread against Brent crude at Rotterdam increased from \$11/b in August to \$12.6/b in September, despite the increase in the Brent crude price.

Despite the high stock levels, expectations of some refineries heading into maintenance and lower exports from Russia could maintain the positive momentum of the gasoil market.

The European high sulfur fuel oil market lost ground gained over the last months due to limited arbitrage opportunities, with only occasional flows to Asia-Pacific and the US, and with high discounts. In addition, the market was pressured by high stocks and Russian exports, which have been building up in Rotterdam.

Low sulphur fuel oil cracks have dropped due to reduced demand for power generation at the end of the summer season, along with abundant supply.

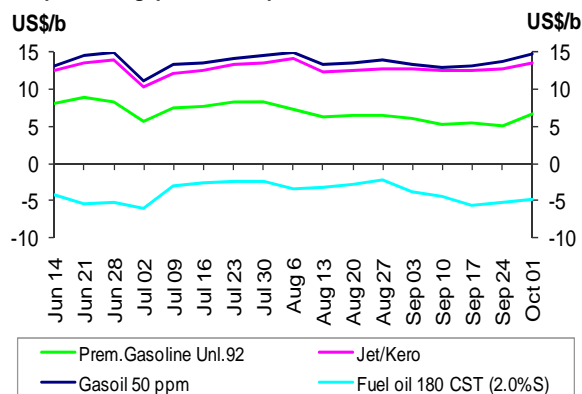
The low sulfur fuel oil crack spread against Brent dropped sharply from minus \$4/b in August to minus \$8/b at the end of September, the lowest value for five months. Additionally, Brent crude oil price developments have affected cracks over the last months.

Asian fuel oil market lost ground and turned bearish

Asian market

The Asian naphtha market sentiment continued bearish during September due to oversupply on the back of higher inflows from Indian and Middle Eastern producers amid weaker demand from the petrochemical sector in Korea and Taiwan where the adverse weather conditions forced the Kaohsiung's petrochemical complex and the main seaports of the country to suspend operations. The bearish sentiment could remain if there is no improvement in demand from the China petrochemical sector

Graph 32: Singapore crack spreads vs. Dubai, 2010



Asian gasoline market sentiment was depressed because the stronger demand in some countries like Indonesia and Sri Lanka was offset by the lack of arbitrage to the West , generating an environment of oversupply in the region, pushed by higher inflows coming from North Asia and some volumes from India, due to a lack of opportunities in Middle East. The gasoline crack spread against Dubai crude oil in Singapore dropped to \$5/b at the end of the month, the lowest value in this year.

The end of the driving season and additional Chinese refineries back on stream could keep the Asian gasoline market bearish.

The gasoil market turned slight bearish beginning of September due to limited regional demand because of the impact of the flood in Pakistan, weak demand in Indonesia, Vietnam and India and reduced arbitrage to Europe – freight prices increased starting September. However, over the last weeks, arbitrage to the West has begun to be more economically attractive and positive signs in regional demand in China – end of the fishing ban in the South China Sea and the beginning of the wheat planting season – have revived positive market sentiment.

The gasoil crack spread in Singapore against Dubai kept the previous month's gains on average in September at around \$14/b. The Asian gasoil market may keep part of its current strength for the start of the winter season, due to tight supplies in the area resulting from moderate refinery runs and the maintenance season in Europe.

The Asian fuel oil market in September lost ground gained over the last months because of a supply glut caused by shipping from the Middle East, Europe and the Caribbean, causing Singapore fuel oil stocks to increase by up to 30% above the 5-year average and pressuring the market. Additionally, the utilities fuel demand season is coming to an end in some Asian countries.

Following these developments, the high sulfur fuel oil crack spread in Singapore against Dubai crude fell sharply from minus \$2/b at the end of last month to around minus \$5/b at the end of September. Higher inflows from the West and high stocks in Singapore will continue to weigh on Asian fuel oil market sentiment.

Table 17: Refined product prices, US\$/b

		<u>Jul 10</u>	<u>Aug 10</u>	<u>Sep 10</u>	<u>Change Sep/Aug</u>
US Gulf (Cargoes):					
Naphtha		80.36	78.01	80.89	2.88
Premium gasoline	(unleaded 93)	89.01	86.20	85.64	-0.57
Regular gasoline	(unleaded 87)	85.44	83.76	82.98	-0.78
Jet/Kerosene		85.34	87.99	88.86	0.86
Gasoil	(0.05% S)	82.51	84.98	87.05	2.07
Fuel oil	(1.0% S)	68.97	69.15	69.80	0.65
Fuel oil	(3.0% S)	66.04	66.63	67.12	0.49
Rotterdam (Barges FoB):					
Naphtha		69.33	73.29	75.12	1.83
Premium gasoline	(unleaded 10 ppm)	86.93	86.77	89.26	2.49
Premium gasoline	(unleaded 95)	88.36	85.88	86.77	0.89
Jet/Kerosene		87.12	89.01	90.19	1.18
Gasoil/Diesel	(10 ppm)	85.74	88.21	90.47	2.25
Fuel oil	(1.0% S)	71.28	72.50	70.23	-2.27
Fuel oil	(3.5% S)	66.33	68.62	67.81	-0.80
Mediterranean (Cargoes):					
Naphtha		66.56	71.39	73.69	2.30
Premium gasoline	(50 ppm)	88.42	88.63	90.86	2.24
Jet/Kerosene		84.43	87.02	88.41	1.39
Gasoil/Diesel	(50 ppm)	85.74	88.26	90.47	2.20
Fuel oil	(1.0% S)	70.62	71.80	70.21	-1.59
Fuel oil	(3.5% S)	65.61	68.87	66.78	-2.10
Singapore (Cargoes):					
Naphtha		68.57	73.31	74.52	1.22
Premium gasoline	(unleaded 95)	82.42	82.52	82.55	0.04
Regular gasoline	(unleaded 92)	80.37	80.83	80.58	-0.25
Jet/Kerosene		85.32	87.15	87.81	0.66
Gasoil/Diesel	(50 ppm)	86.32	88.10	88.53	0.43
Fuel oil	(180 cst 2.0% S)	69.68	71.32	70.07	-1.25
Fuel oil	(380 cst 3.5% S)	68.46	69.58	68.92	-0.65

Table 18: Refinery operations in selected OECD countries

	Refinery throughput mb/d				Refinery utilization %			
	<u>Jul 10</u>	<u>Aug 10</u>	<u>Sep 10</u>	<u>Sep/Aug</u>	<u>Jul 10</u>	<u>Aug 10</u>	<u>Sep 10</u>	<u>Sep/Aug</u>
USA	15.45	15.00	14.91	-0.10	90.7	88.2	87.4	-0.85
France	1.44	1.48	1.47	-0.01	83.3	83.3	82.7	-0.56
German	1.94	1.99	1.97	-0.02	82.0	83.1	82.3	-0.84
Italy	1.70	1.67	1.65	-0.02	76.9	77.7	76.7	-1.02
UK	1.39	1.41	1.41	-0.01	78.1	78.7	78.6	-0.13
Euro16	11.23	11.25	11.23	-0.02	85.8	85.9	85.7	-0.15
Japan	3.46	3.73	3.59	-0.14	74.4	80.4	77.2	-3.20

Sources: OPEC statistics; Argus; Euroilstock Inventory Report; IEA; EIA/DoE; METI; PAJ

Tanker Market

OPEC spot fixtures experienced a seasonal decrease in September

Chartering activities decreased in September in almost all regions. **Total spot fixtures** decreased 8.4% reflecting a slowdown in worldwide oil trade. OPEC spot fixtures decreased 8.7%, the drop in exports in most of the oil producing countries having been offset by higher domestic demand.

Middle East eastbound experienced the most important decline by 19.6% m-o-m, showing the drop in imports in Asian oil importing countries, while Middle East westbound increased by 12.8%, mostly due to the low rates in the market.

Outside of the Middle East spot fixtures remained almost at the same levels from August, with only a 2.3% decline, whilst all other areas experienced a decline of 7.9%. The low freight rates in all regions could not offset the seasonal decline.

Sailings from OPEC averaged 23.24 mb/d, down 1% from the previous month and Middle East departures decreased by 1.3%. The fall in sailings is part of the normal seasonal cut in sailings mostly attributed to the beginning of refining maintenance.

On the other hand, arrivals to North America also experienced a small decline, in September around 1.3% less crude arrived in North America compared to the previous month. The decline was the result of a total decline in US crude imports. European arrivals experienced a seasonal decline of 5.2% and the Far East also showed negative performance on its arrivals, mostly due to the autumn holidays in the region which slowed down normal activities.

Table 19: Tanker chartering, sailings and arrivals, mb/d

	<u>Jul 10</u>	<u>Aug 10</u>	<u>Sep 10</u>	<u>Change Sep/Aug</u>
Spot Chartering				
All areas	17.89	18.97	17.46	-1.51
OPEC	12.79	13.64	12.45	-1.19
Middle East/East	6.20	6.25	5.03	-1.23
Middle East/West	1.13	1.37	1.54	0.18
Outside Middle East	5.45	6.02	5.89	-0.14
Sailings				
OPEC	23.71	23.47	23.24	-0.23
Middle East	17.57	17.37	17.15	-0.22
Arrivals				
North America	8.97	9.82	9.68	-0.13
Europe	12.25	12.00	11.37	-0.63
Far East	8.29	8.21	7.56	-0.65
West Asia	4.66	4.55	4.73	0.18

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

The tanker market reached the lowest spot freight levels of the year, showing similar rates to those in 2009. It experienced decreases on its freight rates on all routes. Dirty tanker freight rates fell 14.3% m-o-m to 67WS, while clean market rates dropped 11.2% on the month to 141WS on average. Over-tonnage on all routes was the reason for the rates to decline.

In the **dirty market**, **VLCC spot freight rates** came down 8.7% on the month to 45WS, the lowest since November 2009. Some VLCC owners were trying to resist low rates, while others remained available, causing negative sentiment among owners.

VLCC routes from the Middle East experienced an important decline on freight rates. Middle East to East rates declined 9.6% on the month to 47WS and Middle East to the West freight rates also declined 12.2% to 36WS. The situation persisted over the month since charterers had plenty of choice and always seemed able to find someone willing to offer the already low rates prevailing in the market, a situation that reflects that the route rates generate sufficient income to cover operational expenses.

Mid-autumn holidays in the Far East spread over the second and third week of the month, resulting in less activity in the region.

VLCC rates from West Africa to East declined 5.4% m-o-m to 53WS, the decline being impacted by the Suezmax market and by cheap ballast from the East.

Suezmax rates experienced the most important decline with 18.8% compared to August, reaching 63WS on average in September. The decline came despite an active market, as other vessels migrating to this route resulted in important declines.

The West Africa to US Gulf rate experienced a 16.9% decline on the month reaching 64WS. Nevertheless, owners experienced an average time charter equivalent to earnings (TCE) of more than \$9,000 per day in this route. Northwest Europe rates to the US Gulf dropped 20.8% m-o-m to 61 WS, but showed some improvement during the last week of the month.

Aframamax selected routes rates also declined by 13.7% on the month to 93WS. Over-tonnage impacted the market without any signs of a fast recovery. Indonesia to East rates showed the smallest drop in the Aframax market by 7.9% on the month as they reached 93WS, while inter-Mediterranean routes were highly impacted by a 19.4% decline, averaging 87WS.

Caribbean to US East Coast and Mediterranean to Northwest Europe rates also declined by 10.4% and 16.8% respectively, to 103WS and 89WS. Weather conditions in the Atlantic were acceptable, eliminating any owners' opportunity of achieving better rates. In the Mediterranean, strikes in a French port have made the situation even worse over the last week, stocking a considerable number of Aframax.

All routes to the US could decline more, but the halt of operations on the 6B line of the Enbridge pipeline due to an oil spill, avoided higher declines.

Graph 33: Monthly averages of crude oil spot freight rates

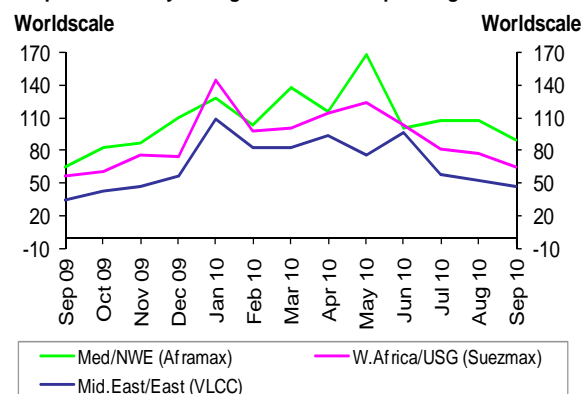


Table 20: Spot tanker crude freight rates, Worldscale

	Size 1,000 DWT	Jul 10	Aug 10	Sep 10	Change Sep/Aug
Crude					
Middle East/East	230-280	58	52	47	-5
Middle East/West	270-285	45	41	36	-5
West Africa/East	260	60	56	53	-3
West Africa/US Gulf Coast	130-135	81	77	64	-13
NW Europe/USEC-USGC	130-135	81	77	61	-16
Indonesia/US West Coast	80-85	111	101	93	-8
Caribbean/US East Coast	80-85	141	115	103	-12
Mediterranean/Mediterranean	80-85	110	108	87	-21
Mediterranean/North-West Europe	80-85	107	107	89	-18

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

Clean market spot freight rates

also showed weak performance, especially on the West of Suez routes, creating poor market conditions in the Atlantic. As a result, owners ballasted their vessels to the East, making the problem even worse. East of Suez route rates decreased 9.4% on the month to 139WS while West of Suez decreased 12.1% to 142WS.

Middle East to East rates decreased 13% to 141WS, further impacted by the mid-autumn holiday in the Far East. Singapore to East routes also dropped, but only by 5.5% to 137WS. The decrease in the clean tanker market reflects the end of the driving season as well as the beginning of the refining maintenance period.

Caribbean to US Gulf Coast and Northwest Europe to US freight rates decreased during the month by 3% and 6.1%, reflecting the end of the driving season in the US, as well as the beginning of refining maintenance season in Europe. Though intermittent arbitrage opportunities have given some small spikes in the Atlantic market during the month, nevertheless the trend has been weak, following modest demand and low refining margins.

The inter-Mediterranean and Mediterranean to Northwest Europe routes also experienced significant decreases of 20% and 18.8% respectively, reflecting the end of the summer season.

Graph 34: Monthly averages of clean spot freight rates

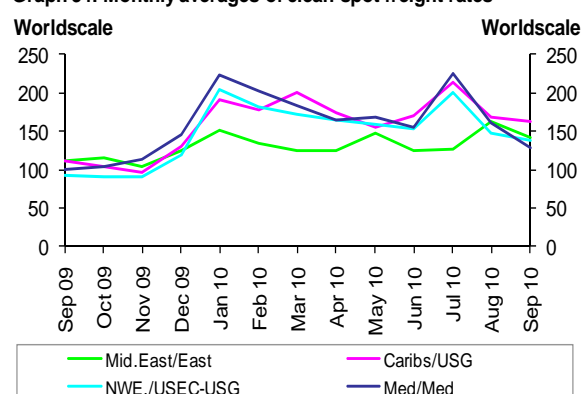


Table 21: Spot tanker product freight rates, Worldscale

	Size 1,000 DWT	Jul 10	Aug 10	Sep 10	Change Sep/Aug
Products					
Middle East/East	30-35	126	162	141	-21
Singapore/East	30-35	123	145	137	-8
Caribbean/US Gulf Coast	38-40	213	168	163	-5
NW Europe/USEC-USGC	33-37	200	148	139	-9
Mediterranean/Mediterranean	30-35	225	160	128	-32
Mediterranean/North-West Europe	30-35	235	170	138	-32

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

Oil Trade

US crude oil imports impacted by the Enbridge pipeline spill

USA

According to preliminary data, US crude oil imports dropped 6.1% m-o-m in September to around 9.0 mb/d, down 2.1% compared to same month last year. The decline was partly occasioned by the stop of operations on the 6A line of the Enbridge pipeline, due to a rupture in the section at Romeoville, Illinois.

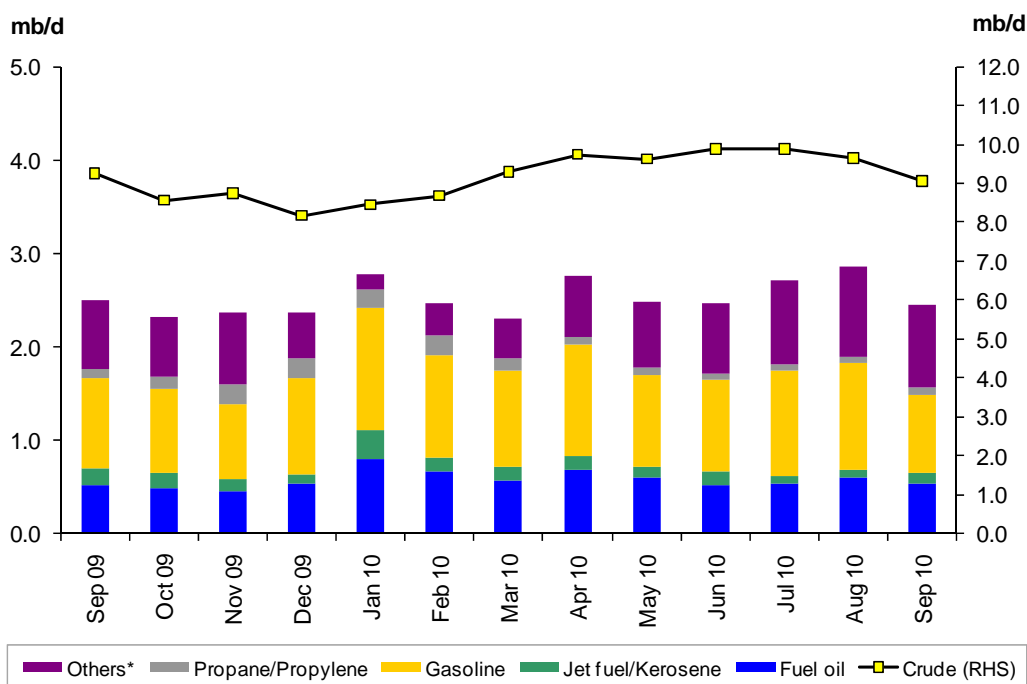
Two other smaller oil spills were also experienced in the pipeline system; the first one was located in Marshall, Michigan and has been out of service since the last days of July, and the stop of line 10, which connects Ontario with New York, with the rupture close to Buffalo, New York. The Enbridge pipeline is the backbone of US oil imports from Canada.

From January to September, US crude oil imports averaged 9.37 mb/d, up 1.9% from the same period last year. Crude oil imports in the US have experienced mixed patterns during 2010 with drops during the period January to March and also during September, resulting in an annual moderate increase which reflects a modest economic recovery.

US product imports slumped 14.1% on the month to 2.49 mb/d during September. Most of the decline is attributed to the significant drop in gasoline consumption during this month. Gasoline imports fell 306.6 tb/d to 847.7 tb/d or 26.6% on the month and dropped 12.1% compared to September a year earlier. The decline in gasoline imports is mostly attributed to the end of the driving season as well as weak demand resulting from a cut in working days due to hurricane Earl in areas like New England and the Central Atlantic region, as well as wildfires in Colorado.

Jet fuel imports increased to 113.4 tb/d or 46.3% during September compared to August; the increase is reflected in the stock build and reveals the lower refining activity due to lower crude oil imports from Canada. Fuel oil imports also decreased on the month by 12.4% to 528.8 tb/d, while propane imports increased 24.1% to 78.7 tb/d.

Graph 35: USA's 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

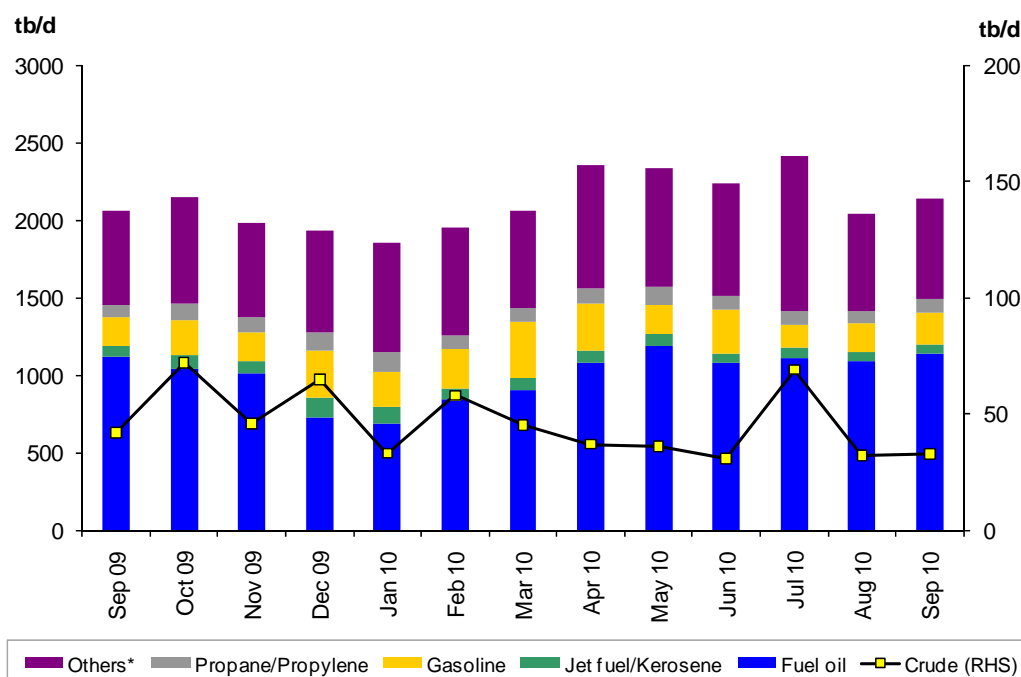
On the export side, US oil product exports increased 4.9% in September from the previous month to 2.14 mb/d. All product exports experienced some increase, but fuel oil was the most important. The increase comes after a drop a month earlier, reflecting some recovery, nevertheless the level of product exports is still down compared to spring and summer months.

Fuel oil exports during September jumped up 52.7 tb/d on the month to 1.14 mb/d, as well as gasoline exports, which continue increasing. Gasoline exports grew 10.6% m-o-m to 209 tb/d as a result of higher international demand as well as weak domestic consumption.

During the first nine months of the year, US product exports averaged 2.16 mb/d, up 9.6% from the same period last year, mostly on higher refining run rates as well as global oil demand recovery.

As a result, US crude oil and total net product imports averaged 9.3 mb/d during September, down 10.5% compared to the previous month. Net crude oil imports were 592 tb/d lower than August, averaging 9.02 mb/d, while net product imports reached 313 tb/d, or 61.7% less than the previous month.

Graph 36: USA's 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

According to the latest official data, during July, US crude oil imports from OPEC averaged 4.8 mb/d, down 3.3% from the previous month and 13.7% more than the same month a year earlier. Canada remained the top supplier of crude to the US during July, reaching 2.06 mb/d or 5.5% less than the previous month. Mexico's deliveries to the US overtook Saudi Arabia to become the second top supplier of crude to the US with 1.17 mb/d. US crude imports from Mexico increased 10.1% while Saudi Arabia's deliveries of crude to the US decreased 7.8%. Nigeria jumped to third place with 1.14 mb/d of crude deliveries to the US, or approximately 110 tb/d up from the 1.03 mb/d of crude exported from Saudi Arabia to the US.

Venezuela reached fifth place with 1.02 mb/d and Iraq exported 430 tb/d to the US. Angola, Algeria, Ecuador and Kuwait also are among the OPEC Members exporting important quantities of oil to the US in July. Angola delivered 374 tb/d, Algeria 353 tb/d, Ecuador 200 tb/d and Kuwait 189 tb/d. US crude imports from Libya reached only 62 tb/d.

Russian crude oil exports to the US reached 374 tb/d and resulted in ninth position among the top US crude suppliers.

OPEC product imports from the US reached 124 tb/d or just 5.2% of total product exports in July. Ecuador imported 96 tb/d of products from the US in July. On the other hand, US product imports from OPEC Members reached 344 tb/d or 12.7% compared to the total. Algeria was the top OPEC supplier of products to the US with 165 tb/d.

Table 22: USA crude and product net imports, tb/d

	<u>Jul 10</u>	<u>Aug 10</u>	<u>Sep 10</u>	Change Sep/Aug
Crude oil	9,821	9,616	9,009	-607
Total products	302	817	336	-481
Total crude and products	10,123	10,432	9,345	-1087

Japan

Japanese crude oil imports in August slightly up from July

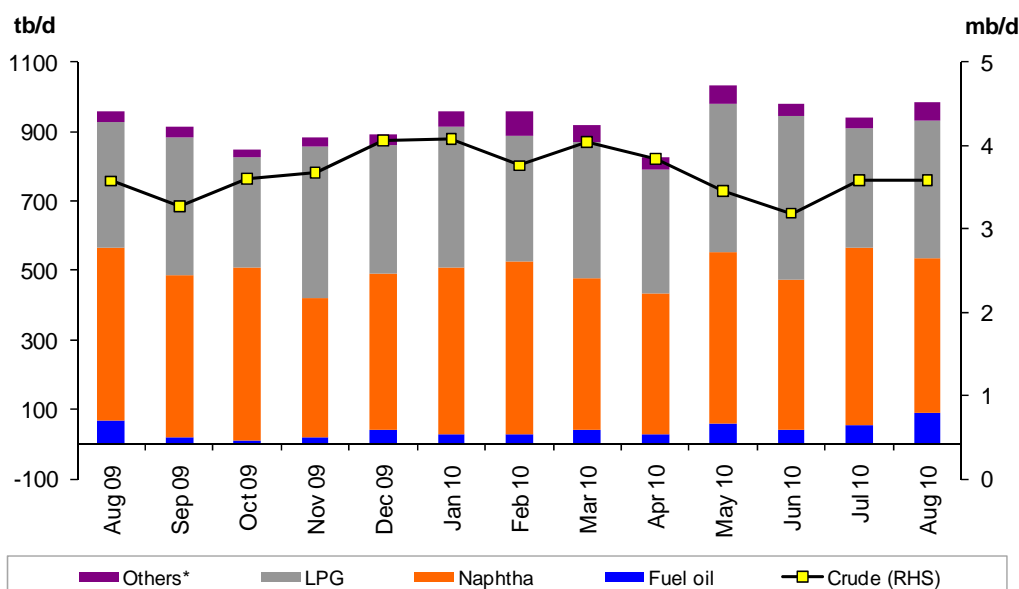
Japan's crude oil import in August averaged 3.59 mb/d, up a slight 0.2% from July and 0.3% higher compared to the same month last year, according to preliminary official data. The small increase is accredited to the strong domestic consumption as result of heat waves in August, the summer driving and peak power demand season. Higher refining runs were necessary to compensate the increase in domestic demand.

Year to date, Japanese crude oil imports averaged 3.69 mb/d, up 1.1% from the same period last year. Crude import cuts during February and June offset growth during the rest of the year.

OPEC crude oil deliveries to Japan decreased 3.74% in August compared to the same month last year to 2.97 mb/d. Most of the decrease was experienced in Iran which exported only 419 tb/d of crude oil to Japan, around 31.1% less than a year earlier. The United Arab Emirates also experienced some decline on its exports to Japan; the UAE exported 675 tb/d of crude oil or 12.5% less than the same month last year.

Saudi Arabia's oil supply to Japan was boosted by 5.2% from the same period last year to 1,05 tb/d, as well as Japanese crude imports from Qatar which also increased 8.1% to 675 tb/d in the same period. However, the increases in Saudi Arabian and Qatari deliveries to Japan were not enough to offset the Iranian supply decrease.

Graph 37: Japan's imports of crude and petroleum products

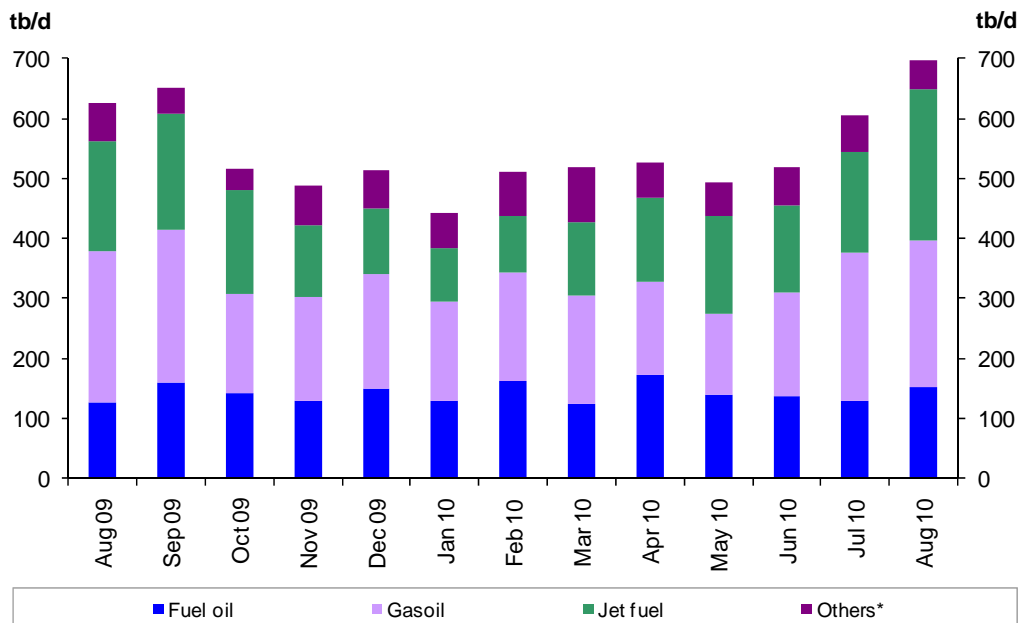


*Others: Contains gasoline, jet fuel, kerosene, gasoil, asphalt and paraffin wax

Kuwait and Iraq also showed an improved performance of their deliveries to Japan. Kuwait exported 289 tb/d to Japan or 1.3% more than the same month last year, while Iraq delivered 113 tb/d crude or 79.8% more than a year earlier. Imports from the neutral zone showed a negative performance, decreasing by 12.6% compared to the same month last year to 69 tb/d.

Russia is the only non-OPEC country among the first four top suppliers of oil for Japan with 326 tb/d, and as in previous months, Russia again saw large gains, due to a strong interest in its ESPO crude grade. Russian deliveries to Japan increased 93.3% from a year earlier. Indonesia took eight place among the Japanese top crude suppliers, exporting 86 tb/d of crude to Japan during August or 7.03% more than in the same month last year.

Graph 38: Japan's exports of petroleum products



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

Japan's product imports reached 983 tb/d in August, up 2.7% from the same month last year and 4.5% higher than the previous month. The monthly increase is attributed to the strong domestic demand during August due to heat-waves during the month. In the period January-August, Japanese product imports averaged 951 tb/d or up 12.8% from the same period last year.

Gasoline imports increased 14.3% m-o-m in August to 27 tb/d, as exports decreased 5.9% to 32 tb/d, reflecting the strong domestic demand. On the other hand, diesel imports decreased 22.3% m-o-m to 11 tb/d as exports also decreased 1.9% on the month. The decrease in imports reflects the increasing diesel output at refineries, while the cut in exports is attributed to strong domestic consumption.

Fuel oil imports increased 60.1% on the month to 89 tb/d, while exports also increased 18.8% to 152 tb/d, reflecting higher refining activity in the country. Naphtha imports decreased 11.2% to 446 tb/d, while the national production increased as well as the domestic refinery naphtha output. LPG imports increased 15.4% to 398 tb/d and exports increased from 4 tb/d in July to 5 tb/d, as a result of high refining activity.

Jet fuel exports reached 251 tb/d, the highest level registered. The increase in exports is attributed to the increasing demand in global markets.

Japan's oil product exports increased 15.4% m-o-m in August to 699 tb/d. The increase is attributed to higher refining activities which helped to offset the decline occasioned by the strong demand. Year-to-date, Japanese product exports averaged 540 tb/d, down 2.3% from the same period last year.

As a result, Japanese net oil and product imports in August stood at 3.87 mb/d, representing a decrease of 43 tb/d or 1.1% from July, and 39 tb/d or 0.9% less than the same period last year. Year-to-date, Japanese net oil imports averaged 4.1 mb/d or 4.1% higher than the same period last year.

Table 23: Japan's crude and product net imports, tb/d

	<u>Jun 10</u>	<u>Jul 10</u>	<u>Aug 10</u>	<u>Change Aug/Jul</u>
Crude oil	3,186	3,578	3,586	9
Total products	462	335	284	-51
Total crude and products	3,648	3,913	3,870	-43

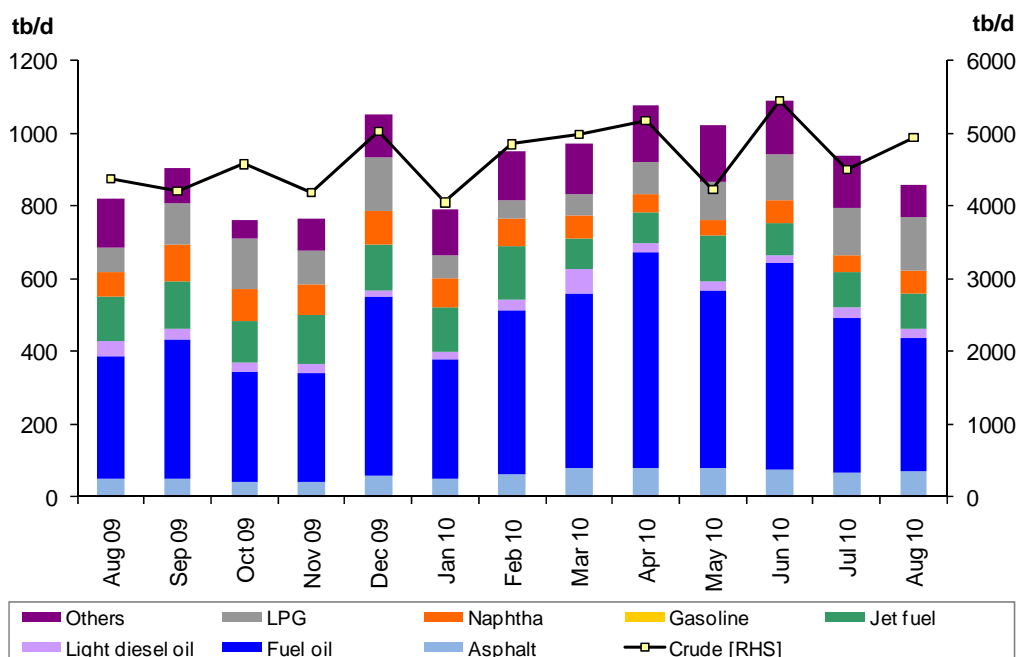
China

According to official data, China imported 4.94 mb/d of crude oil in August, up 10% from the previous month and up 13.2% compared to the same month last year. The yearly increase is attributed to the rise in refining runs, although refining runs decreased slightly compared to July. The monthly increase in crude imports is partly accredited to the climbing in commercial crude stocks as well as the start-up of Petro China's Qinzhou refinery.

There is some skepticism that imports will continue to grow at their current very high rates for the rest of the year as Beijing reins in the economy and boosts energy efficiency. Nevertheless, this skepticism is being offset by higher refining runs and increasing crude commercial stocks.

August crude imports were 3.78% higher than the average monthly imports during the first eight months of this year, which reached 4.76 mb/d or 22.5% higher than the same period last year. This increase is the result of strong demand which has been met with higher refining runs combined with the opening of new refineries in the country.

China's crude exports are insignificant compared to the crude imports, and most of them are delivered to South Korea, Indonesia and Japan, which are considered regional deliveries. China crude exports increased sharply by 40.7% m-o-m during August to 58 tb/d.

Graph 39: China's imports of crude and petroleum products

China imported 858 tb/d of oil products in August, down 8.4% from July and up 4.5% from a year earlier. Product exports in August amounted to 655 tb/d, down 5.1% from the previous month and up 3.6% from last year. For most of this year, China's products exports have risen.

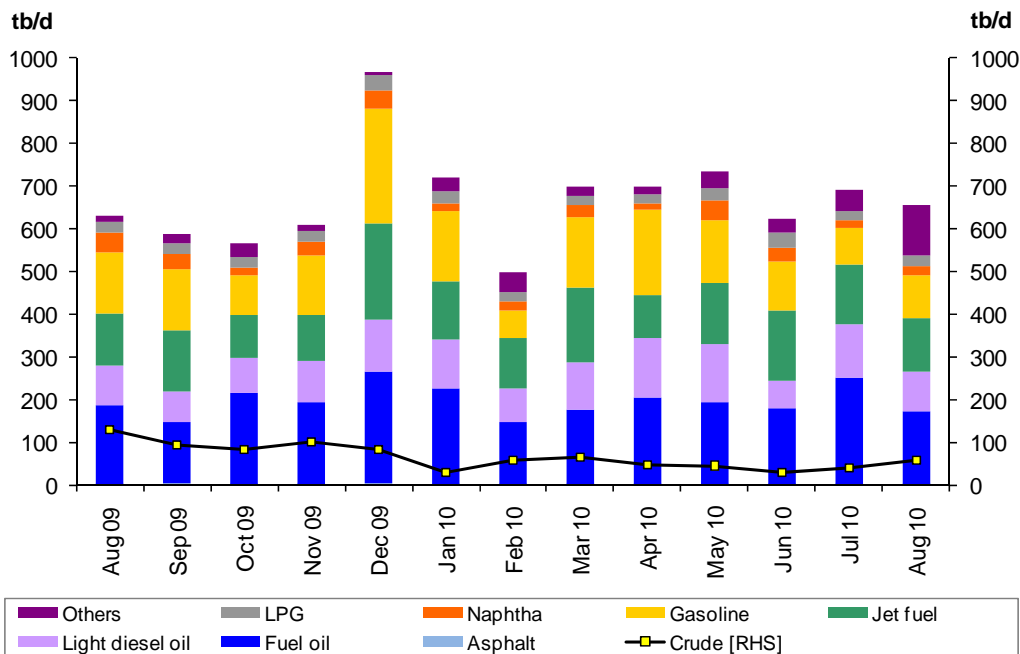
The decline in oil product purchases is consistent with the phenomenal growth in the country's domestic refining capacity, which is also manifesting itself in strong fuel

China crude oil imports increased 10% in August from July

exports, nevertheless the decline in product exports seen in August also reflects the government decision to retain a rising proportion of fuel for own consumption.

Fuel oil imports dropped significantly by 13.7% to 367.1 tb/d. Market players cancelled or postponed several cargoes of blended straight-run fuel oil cargoes, mostly due to concerns about price drops in the near future.

Graph 40: China's exports of crude and petroleum products



Gasoline exports increased 16.1% m-o-m during August, reaching 101 tb/d. The rise was mainly due to the year's highest gasoline output ratio and the hefty gasoline stocks of two major refiners. China's gasoline exports are expected to increase in the short-term future, due to the reduction of domestic demand in winter.

China exported 96 tb/d of gasoil in August 2010, a significant 23.6% down from July. The monthly decline was partly because refiners boosted gasoil exports sharply in the previous month to ease stockpile pressure, as well as domestic production falling amid maintenance. China reduced gasoil imports by 9.3% to 27.1 tb/d.

Jet fuel exports fell 11.9% from the previous month in August to 123 tb/d. The reduced exports are due to refinery maintenance, as well as strong demand in East China around the World Expo in Shanghai. Meanwhile, China imported 94 tb/d of jet fuel, down 2.2% on the month.

China recorded 64 tb/d of naphtha imports in August, up 34% compared to the previous month. The increase is attributed to improved demand from domestic ethylene producers. Naphtha exports also increased 39.7% m-o-m to 22 tb/d. The growth in exports reflects the low base of July, when naphtha exports touched the lowest level of this year.

Angola retook the top position as China's crude supplier, overtaking Saudi Arabia levels. Angola exported 944 tb/d to China during August, or 21% higher than the same month last year, accounting for 19% of China's total crude imports. The boost from Angola was more notable for its 76% increase from July.

Saudi Arabia came in a close second, supplying 936 tb/d, up 62.5% y-o-y, but down 3.1% from July. Saudi Arabia's supplies accounted for 18.9% of China's total imports. Supplies from Iran fell 0.5% y-o-y to 460 tb/d, but Iran remained China's third largest crude supplier and accounted for around 9.3% of total imports.

Imports from Oman, Brazil and Iraq also rose m-o-m by 98 tb/d, 81 tb/d and 74 tb/d respectively, while imports from Russia and Sudan showed double-digit declines.

OPEC deliveries to China amounted to 65.5% of total crude oil imports, reaching 3.2 mb/d. Chinese crude imports from OPEC Members increased 14.4% m-o-m during August.

China's net oil imports reached 5.1 mb/d in August, up 8.3% from the previous month and 15% higher than a year earlier. The average of net oil imports during the year has been 5.01 mb/d, 16.7% higher than the same period last year.

Table 24: China's crude and product net imports, tb/d

	<u>Jun 10</u>	<u>Jul 10</u>	<u>Aug 10</u>	<u>Change</u> <u>Aug/Jul</u>
Crude oil	5,411	4,452	4,884	432
Total products	464	246	203	-44
Total crude and products	5,875	4,698	5,087	389

India

According to preliminary data, India's crude oil imports dropped 14.3% y-o-y in August to 2.26 mb/d. On a monthly basis, Indian crude oil imports declined a record-high 27.4% or 856 tb/d. The impressive decline is accredited to maintenance shutdowns at many state-run refineries. Crude oil output in the country increased during August and was another reason for crude oil imports to drop.

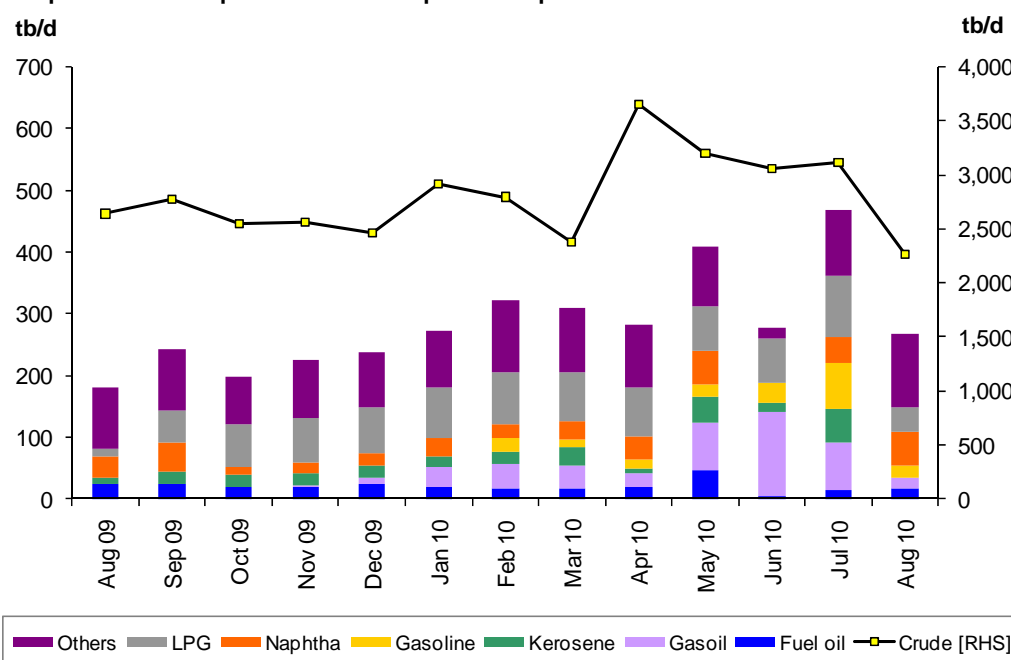
During the first eight months of the year, India's crude oil imports averaged 2.92 mb/d, up 8.7% from the same period last year. The increase is partly attributed to growing domestic refining activity, as well as to stronger internal product demand.

During August, oil product imports increased significantly by 38.7% from the same month last year to 250 tb/d, but experienced an important decrease of 46.7% compared to the previous month. On the other hand, product exports more than doubled to 1.09 mb/d compared to a year earlier, but decreased 7.1% from the previous month. The significant increase in imports during the year is attributed to the increase of the car fleet, while the impressive increase in exports reflects the poor base level of exports last year due to the fact that the domestic demand for diesel during August 2009 in major agriculture states was hit by the worst drought in 37 years.

During the first eight months of the year, product imports in India averaged 325 tb/d or 1.5% less than the same period last year, while product exports increased 46.6% to 280 tb/d to 879 tb/d. The increase in product exports and reduction in product imports are the result of higher refinery activities in the nation.

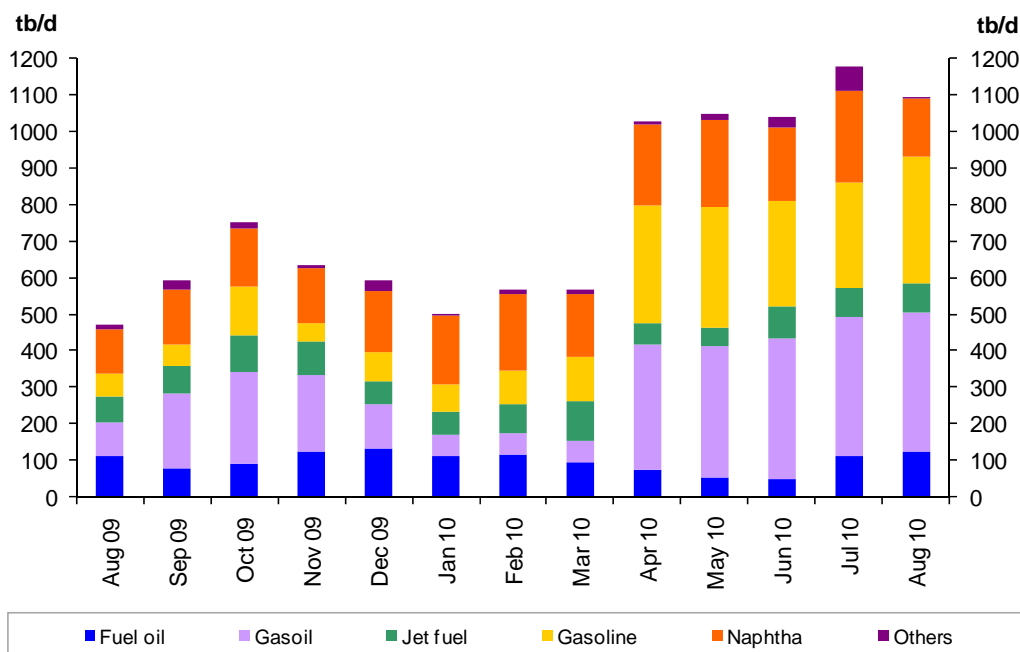
India's crude oil imports showed the highest registered drop during August

Graph 41: India's imports of crude and petroleum products



Diesel imports dropped 78.1% in August compared to the previous month, mostly due to fewer power outages and seasonal rainfall cutting demand for fuel from farms and industrial sectors; however, compared to the same month last year, diesel imports jumped from 2 tb/d to 17 tb/d. While diesel exports also declined on a monthly basis by 0.6% to 378 tb/d, yearly diesel exports increased 9.8%. The yearly increase is due to the very strong drought in 2009 in major agriculture states.

Graph 42: India's exports of petroleum products



Gasoline imports decreased on monthly basis from 75 tb/d to 22 tb/d, while exports increased by 18.9% to 34 tb/d. The increase in gasoline exports is attributed to high stocks. Compared to last year, imports increased almost by 100% and exports grew by more than 82%, reflecting the increasing car fleet on the roads.

LPG imports dropped 58.5% m-o-m to 41 tb/d, while naphtha imports increased 29.4% to 53 tb/d. Fuel oil imports also grew to 17 tb/d. On the export side, naphtha exports decreased 35.2% m-o-m to 161 tb/d and fuel oil exports increased 11.1% to 126 tb/d.

India's net oil imports reached 1.42 mb/d in August, down 41.1% from the previous month and 39.6% less than the same month a year earlier. The average of net oil imports during the year was 2.37 mb/d, just 2.1% less than over the same period last year.

Table 25: India's crude and product net imports, tb/d

	<u>Jun 10</u>	<u>Jul 10</u>	<u>Aug 10</u>	Change <u>Aug/Jul</u>
Crude oil	3,061	3,119	2,263	-856
Total products	-760	-708	-843	-135
Total crude and products	2,302	2,411	1,420	-991

FSU crude oil exports slipped in August

FSU

FSU crude oil exports slipped by just 2.3% on the month in August to 6.83 mb/d, but were 312 tb/d above the volume exported in the same month last year. The slight drop reflects reduced deliveries through the Russian Pipeline to the Black Sea (Novorossiysk Port) and through the Druzhba pipeline to Poland, as well as increasing domestic demand in Russian refineries.

Exports from the Ukrainian port of Pivdenne in the Black Sea jumped from 56 tb/d to 94 tb/d, impacting the small tanker market in the region. FSU crude oil exports along the Druzhba pipeline to Poland fell sharply after spiking in July. Most of the excess delivered to Poland during July was re-exported. An unusually low export duty had contributed to the jump in July deliveries.

Urals deliveries through Primorsk at the Baltic, which is the most attractive route for exporters, rose to 1.43 mb/d in August from 1.41 mb/d in July. Around 10% of the cargoes in this port were shipped to North America.

Exports of CPC Blend rose by 29 tb/d to 782 tb/d in August, while Tengizchevroil increased exports of Tengiz from Odessa (Russian rail exports at the Black Sea). The increase in CPC and Odessa shipments came despite Kazakh deliveries through Georgia.

Exports through the Caspian region remained almost at the same level, the decrease experienced in Batumi and Kulevi were offset by the strong increase in Supsa.

Russia's Far East crude exports also experienced an important decline of 64 tb/d to 157 tb/d. Exports of Sokol from De Kastri slumped to 46 tb/d from 113 tb/d in July, mostly due to field maintenance. Sakhalin Energy exports of Vityaz crude remained passive compared to July.

During the first eight months of the year, FSU crude oil exports averaged 6.80 mb/d, or 2.7% up from the same period last year. Most of the yearly increase is accredited to the rise in Vityaz exports from Russia's Far East Sakhalin Island, and the launch of ESPO Blend exports from the Pacific port of Kozomino.

Product exports from the FSU fell by 5.2% on the month to 2.82 mb/d, while on a yearly basis, FSU product exports increased 1.1%. The decrease was mostly produced for a slowdown in VGO and naphtha exports, which were highly impacted by weak imports from US refiners. Despite the growth in refining activity, strong domestic demand also contributed to slowing down FSU product exports.

Fuel oil exports rose 2.9% on the month to 1.38 mb/d. Most of the increase was seen at a number of Russian ports, including Murmansk on the Barents Sea and Vysotsk on the Gulf of Finland. Deliveries to Latvia's Riga and Estonia's Sillamae also rose.

Gasoil deliveries dropped 2.6% m-o-m to 850 tb/d. The decline was experienced at most main Baltic and northern outlets, even though deliveries from Arkhangelsk on the White Sea increased notably. Gasoil deliveries from the Black Sea rose slightly, mostly due to higher loadings at Kulevi in Georgia and at the Russian port of Kavkaz.

Gasoline exports experienced a significant decline, especially from the Baltic, where gasoline exports were down by around a quarter on the month, with reductions at all deliveries, apart from Riga. Naphtha exports were also down by 11.2% on the month to 277 tb/d. VGO deliveries from FSU region fell by 38.3% to 179 tb/d. The reduction was attributed to weak demand for the product by US refiners.

During the first eight months of the year, product exports from the FSU averaged 2.87 mb/d, a decrease of 0.9% compared to the same period last year. The small decline reflects the impact of the previous month on the yearly average.

Table 26: Recent FSU exports of crude and products by source, tb/d

	<u>2008</u>	<u>2009</u>	<u>4Q09</u>	<u>1Q10</u>	<u>2Q10</u>	<u>Jul 10</u>	<u>Aug 10*</u>
Crude							
Russian pipeline							
Black Sea	1,248	1,201	1,152	1,027	976	1,187	1,084
Baltic	1,559	1,577	1,613	1,526	1,629	1,548	1,593
Druzhba	1,077	1,112	1,130	1,123	1,091	1,194	1,087
Kozmino	n.a.	n.a.	n.a.	n.a.	323	332	307
Total	3,905	3,922	3,904	3,932	4,019	4,261	4,071
Other routes							
Russian rail	283	280	284	364	324	318	394
Russian-Far East	220	283	305	293	296	221	157
Kazakh rail	17	18	17	18	18	17	0
Vadandey	20	155	148	163	167	169	138
Kaliningrad	0	0	0	0	22	30	26
CPC	675	736	741	736	732	753	782
BTC	648	805	874	679	809	816	842
Kenkiyak-Alashankou	121	157	178	205	200	198	208
Caspian	185	281	303	296	271	204	205
Total crude exports	6,089	6,653	6,752	6,711	6,858	6,987	6,826
Products							
Gasoline	210	229	147	215	155	136	100
Naphtha	217	273	261	273	270	312	277
Jet	37	52	41	27	31	21	32
Gasoil	810	949	896	976	892	873	850
Fuel oil	1,069	1,114	1,135	1,060	1,312	1,343	1,382
VGO	196	233	228	238	287	290	179
Total	2,539	2,850	2,708	2,790	2,947	2,974	2,820
Total oil exports	8,628	9,503	9,460	9,493	9,805	9,944	9,642

* Preliminary

Totals may not add due to independent rounding

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

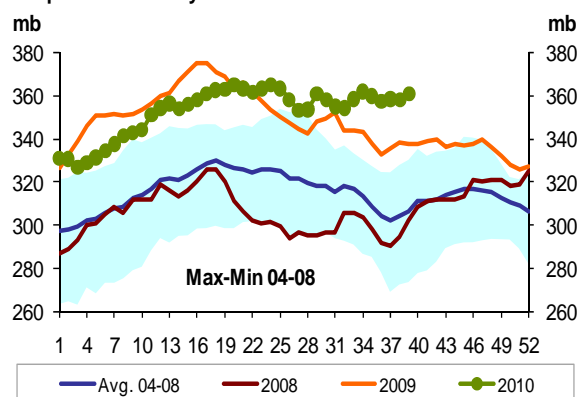
Stock Movements

US commercial oil stocks declined by 4.4 mb in September, but remain well above the five-year average

USA

US commercial oil inventories at the end of September reversed the upward trend of the last five months and declined by 4.4 mb. Despite this drop, inventories have risen 73 mb since April 2009. At 1139 mb, US commercial oil stocks remained at very high levels compared to the five-year average, indicating a surplus of almost 118 mb or 12%. The bulk of the draw came from total products which declined by 3.7 mb, while US commercial crude went down slightly by 0.8 mb. It should be highlighted that total commercial oil inventories reached a new record high during the week ending September 17.

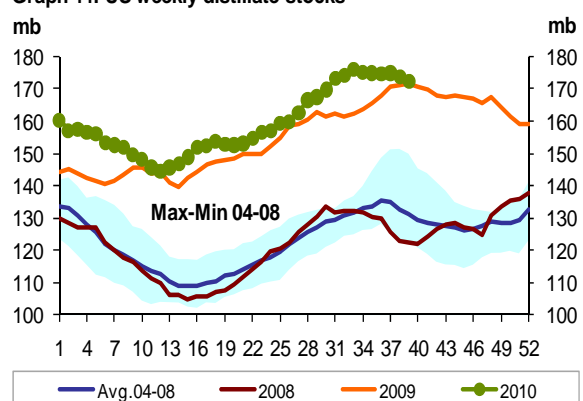
Graph 43: US weekly commercial crude oil inventories



Despite the drop in **crude oil stocks**, at 360.9 mb, they remained at 56 mb or 18.2% above the five-year average, and 26 mb or 7.8% above a year ago at the same period. The slight drop in US crude commercial stocks could be mainly attributed to the decline in crude imports, which decreased by almost 400 tb/d to average 9.0 mb/d. At the same time, US crude input to refineries averaged 14.15 mb/d, almost 850 tb/d below the previous month. This indicates that refiners are taking the initiative to reduce high product stocks. Refiners operated during the month of September at 83.1% of operable capacity, nearly 5% below a month earlier and the lowest since late March, in line with the seasonal pattern. It should be noted that on a weekly basis, US crude stocks showed a strong build on the week ending 1 October, as refiners enter the turnaround season, slashing throughputs by half million barrels per day from the previous week. Additionally, this was the first build in Cushing stocks in nine weeks and likely to cause the front of the futures curve to weaken.

On the product side, **US product stocks** declined 3.7 mb to nearly 778 mb, reversing the build of the last five months. Despite this draw, US product stocks remained at 62 mb or 8.7% above the five-year average, however they stood at 10 mb or 1.3% below last year at the same period. All products experienced a drop with the bulk coming from gasoline. In fact, gasoline stocks fell 5.5 mb after two consecutive months of a build, ending the month at 219.9 mb. This was driven by lower production, which declined by 300 tb/d, averaging 8.7 mb. Gasoline imports have also pulled back to just 700,000 b/d, putting pressure on gasoline inventories. The relatively strong gasoline value in Europe reduced arbitrage opportunities to US, limiting US gasoline imports. Since the beginning of September, imports have been declining steadily and now stand at almost 40% below the seasonal average. In contrast, low demand was a bearish influence on these bullish factors as they declined by more than 300 tb/d, averaging around 9.0 mb/d. Looking ahead, as refiners will remain in turnaround leading to lower production for summer grades, inventories are expected to fall further from their record highs.

Graph 44: US weekly distillate stocks



Distillates also saw a drop by 2.8 mb to 172.5 mb, reversing the four consecutive

months of increase, but remained at very comfortable levels, showing a surplus of 40 mb or 30% above the seasonal average. US distillate inventories remained in line with last year's level at the same time. This build could be solely attributed to the decline in distillate output which decreased by 150 tb/d to average 4.15 mb/d. Distillate demand remained almost unchanged at 3.7 mb/d versus the previous month, but much higher than in the same period last year. With distillate components, heating oil demand has started to move up, but will not be strong enough to completely offset falling transport, therefore supply is the only factor will keep bullish pressure on the distillates market. Jet fuel stocks fell by 1.1 mb to 47.2 mb, while residual fuel oil saw a small drop of 0.1 mb to 39.6 mb. Both products remained at healthy levels, indicating a surplus of 17.3 mb and 5.6 mb respectively.

Table 27: US onland commercial petroleum stocks, mb

	<u>Jul 10</u>	<u>Aug 10</u>	<u>Sep 10</u>	<u>Change</u> <u>Sep 10/Aug 10</u>	<u>Sep 09</u>
Crude oil	355.1	361.7	360.9	-0.8	335.0
Gasoline	220.2	225.4	219.9	-5.5	214.1
Distillate fuel	166.2	175.2	172.5	-2.7	172.7
Residual fuel oil	41.4	39.7	39.6	-0.1	35.2
Jet fuel	47.3	48.3	47.2	-1.1	46.3
Total	1125.9	1143.3	1138.9	-4.4	1123.3
SPR	726.6	726.6	726.4	-0.2	725.1

Source: US Department of Energy's Energy Information Administration

Japan

Commercial oil inventories in Japan dropped 6.7 mb in August, preliminary data shows a further decline in September

Commercial oil inventories in Japan reversed the increase observed last month and declined by 6.7 mb in August to end the month at 171.3 mb. This drop has widened the deficit with a year ago to 20% from 8% a month earlier. Similarly, the gap with the seasonal average also increased to 11% from 4.3 % a month ago. Crude and products moved in opposite directions as crude stocks saw a strong drop of 9.1 mb, while product inventories increased by 2.4 mb.

At 97.0 mb, **Japanese crude oil inventories** stood at their lowest levels since March 2010, reversing the upward trend of five consecutive months. This draw came as a result of a strong rise in crude throughput of about 8% or 300 tb/d to 3.7 mb/d. This corresponds to a refinery operation rate of 80.4%, 6% more than the previous month and 4.7% above a year ago. The fall in crude oil commercial stocks came despite Japanese crude oil imports remaining unchanged from the previous month, averaging 3.6 mb/d. With this draw, Japanese crude oil stocks stood at 3.7% below a year ago after two months of surplus. This draw has also widened the gap with the five-year average to 10.8% from 4.3%.

In contrast to the strong decline in crude, **Japanese product stocks** increased by 2.4 mb for the second consecutive month to reach 74.3 mb. This build could be attributed to the increase in throughputs, as domestic total product sales extended gains for the second month. Indeed, Japanese inland consumption increased by 4.5% over the previous month, but only by 2.4% above a year ago. This pace of growth has eased from 4.6% in July, suggesting that the boost in demand from the prolonged hot summer was fading and given the upcoming more moderate temperatures, the outlook for demand is gloomy. Additionally, they are signs that the export-led economy is being weighed down by a strong yen, with all these elements expected to push for a further build in product stocks. Despite the build in total product inventories, they remained at 6.7% below a year ago and 8.2% lower than the five-year average.

Within products, the picture is mixed. Distillates and gasoline rose, while naphtha and residual fuel oil experienced a build. Total distillates increased by 3.0 mb to 32.9 mb, the highest level since the end of last year. This build follows the seasonal pattern as Japan has begun stocking kerosene for the winter season demand, but stocks are rising at a much slower pace than the five-year average. Even though stocks increased in August, they remained below a year ago and the five-year average. Within distillate components, kerosene and gasoil inventories rose 16.7% and 12.7% respectively, while

jet fuel stocks saw a drop of 7.9%. Higher kerosene output combined with a substantial increase in imports ahead of the winter season was behind the increase in kerosene inventories. The build in gasoil was driven by a 2% increase in production as well as a 2% decline in domestic sales. Higher jet fuel domestic sales by 3.4% contributed to the drop in jet fuel inventories. Gasoline stocks rose by a slight 0.4 mb to end the month at 12.8 mb, representing a surplus of 2.2 mb with a year earlier, but

they remained in line with the five-year average. The build in gasoline is attributed to the rise of 11% in output as gasoline demand went up by 5.1%. Fuel oil stocks fell slightly 0.2 mb to 15.2 mb for the third consecutive month, widening the deficit with a year ago to 10.6% and to 25.7% with the seasonal average. The drop in fuel oil stocks was driven by the drop in the fuel oil B.C, while the other component, fuel oil A, saw an increase. The drop in fuel oil B.C was due to domestic sales rising by 7.9%, while the build in fuel oil A inventories came as domestic sales fell by 3%. Naphtha stocks reversed the upward trend occurred last month and declined by 0.8 mb to 13.4 mb, driven by higher inland consumption as they increased by almost 10%.

Graph 45: Japan's commercial oil stocks

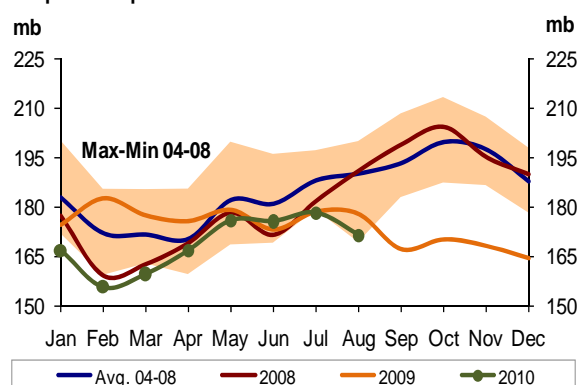


Table 28: Japan's commercial oil stocks*, mb

	Jun 10	Jul 10	Aug 10	Change Aug 10/Jul 10	Aug 09
Crude oil	104.6	106.1	97.0	-9.1	98.2
Gasoline	14.4	12.4	12.8	0.4	12.5
Naphtha	12.1	14.2	13.4	-0.8	12.3
Middle distillates	27.5	29.9	32.9	3.0	37.8
Residual fuel oil	16.8	15.5	15.2	-0.3	17.0
Total products	70.8	71.9	74.3	2.4	79.7
Total**	175.5	178.0	171.3	-6.7	177.8

* At end of month

** Includes crude oil and main products only

Source: METI, Japan

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

Product stocks in Singapore rose in August, but preliminary data shows them falling in September

At the end of August, **product stocks** held in Singapore reversed the draw observed last month and rose 1.19 mb to 48.11 mb, representing a gain of 3 mb or 6% above a year ago at the same time. The picture was mixed within products. Light distillates and fuel oil went up, while middle distillate inventories saw a drop. Light distillate inventories rose by 1.37 mb to end the month at 11.63 mb, the highest level in five months. This build could be attributed to higher gasoline imports to Singapore despite strong Indonesian demand; which was not enough to offset the export volume from China, India and Taiwan. The continued rise in gasoline stocks reflects the poor fundamentals of gasoline across the globe and concerns about slower economic recovery. At the end of August, Singapore gasoline stocks stood at 1.5 mb or 14% above a year ago at the same time. Fuel oil inventories also rose by 2.1 mb to 23.3 mb leaving them at 2.0 mb or 9.8% above a year earlier. In the same period, higher supply for Middle East amid steady demand was behind the build in fuel oil stocks. Fuel oil stocks are seen to decrease next month as most of the Western arbitrage cargoes in August were delayed to the first two weeks of September. In contrast, middle distillate stocks fell by 2.3 mb after two consecutive months of build, to remain at 13.2 mb, slightly below last year at the same time. This drop is mainly due to increasing activity in Asia's major hub. Indeed, Indonesia has increased its purchases for spot diesel and Pakistan has increased its imports of jet fuel oil. Stockpiling of kerosene ahead of winter heating demand by North Asia, such as Japan and South Korea, have also helped reduce inventories.

ARA stocks built in August, but preliminary information for September shows a drop

Preliminary data for the end of September, based on weekly information, showed that product inventories in Singapore fell by 1.5 mb to 46.6 mb, leaving them still at 2.7 mb or 6% above a year ago at the same period. All the products saw a drop with the bulk coming from fuel oil inventories, as they declined by 1.1 mb, following by light distillates and middle distillates as they declined slightly by 0.3 mb and 0.1 mb respectively. However, on a weekly basis, fuel oil stocks rose at the end of September to a three-week high as some cargoes used for exports were delayed. This has created a surge in volumes being stored in tanks.

Product stocks in ARA at the end of August reversed the trend observed the previous month and rose by almost 1.5 mb to 38.54 mb. With this build, product stocks in ARA remained a slight 2 mb or 5% above a year ago. With the exception of jet fuel, all other products went up. The bulk of this build came from gasoil as it increased by 1.9 mb to 20.76 mb, the highest since September, but remained 1.6 mb below the level experienced last year over the same period. Gasoil stocks are not expected to increase further as more cargoes will be shipped in preparation for winter heating demand. Fuel oil rose 0.5 mb to 5.57 mb, remaining around 2 mb above a year ago at the time. This build came as more fuel oil cargoes were imported to ARA mainly from Brazil, Canada and Russia. Gasoline stocks remained unchanged at the end of August to end the month at 7.0 mb and 1.2 mb higher compared to a year earlier. Gasoline stocks are expected to rise due to the transition from summer quality to winter quality products. In contrast, jet fuel went down by 1.0 mb to 5.57 mb, showing a surplus of 0.3 mb with a year earlier. This build was driven by higher imports, especially from India and South Korea

Preliminary data for the end of September based on weekly information shows product stocks in ARA reversed the trend observed last month and fell by 0.78 mb to 37.76 mb. With this draw, product stocks in ARA stood lower than the previous year over the same period, showing a deficit of 2 mb or 5.5%. The picture was mixed with gasoline, fuel oil and jet fuel seeing a build, while naphtha and gasoil indicated a draw. Gasoil stocks dropped the most by 3.21 mb to 17.55 mb as gasoil exports from ARA outpaced imports coming from Norway and Russia. Gasoil stocks showed a decline of 4.25 mb versus a year ago at the same time. Fuel oil rose 1.52 mb to 6.21 mb, standing at around 2 mb above a year ago over the same period. This build is attributed to the lack of exports and heavy imports.

Balance of Supply and Demand

Required OPEC crude for 2010 estimated at 28.6 mb/d, down 0.3 mb/d from 2009

Estimate for 2010

Demand for OPEC crude for 2010 is estimated at 28.6 mb/d, representing a downward revision of 0.1 mb/d, mainly due to adjustments in the third and fourth quarters. Demand for OPEC crude represents a decline of 0.3 mb/d from the previous year. The first quarter of the year is still showing a strong drop of 1.0 mb/d followed by a decline of 0.2 mb/d in the second, while 3Q10 is estimated to see positive growth of around 0.1 mb/d. The fourth quarter is projected at 0.1 mb/d below the same quarter last year.

Table 29: Summarized supply/demand balance for 2010, mb/d

	2009	1Q10	2Q10	3Q10	4Q10	2010
(a) World oil demand	84.46	85.02	84.91	85.87	86.55	85.59
Non-OPEC supply	51.22	52.26	52.25	52.03	52.38	52.23
OPEC NGLs and non-conventionals	4.35	4.60	4.77	4.81	4.98	4.79
(b) Total supply excluding OPEC crude	55.57	56.86	57.02	56.84	57.35	57.02
Difference (a-b)	28.89	28.16	27.89	29.03	29.19	28.57
OPEC crude oil production	28.71	29.18	29.06	29.12		
Balance	-0.18	1.02	1.16	0.09		

Totals may not add due to independent rounding

Forecast for 2011

Demand for OPEC crude for next year is projected to average 28.8 mb/d, unchanged from the previous assessment. Required OPEC crude is forecast to increase by about 0.2 mb/d, following three consecutive annual declines. The bulk of the growth is expected to be seen in the first half of the year, indicating an increase of 0.5 mb/d and 0.4 mb/d in the first and second quarters respectively. The second half is forecasted to remain unchanged compared to the same period last year.

Demand for OPEC crude in 2011 forecast at 28.8 mb/d, up 0.2 mb/d from the current year

Table 30: Summarized supply/demand balance for 2011, mb/d

	2010	1Q11	2Q11	3Q11	4Q11	2011
(a) World oil demand	85.59	86.20	85.83	86.87	87.64	86.64
Non-OPEC supply	52.23	52.44	52.35	52.48	53.08	52.59
OPEC NGLs and non-conventionals	4.79	5.07	5.21	5.32	5.37	5.24
(b) Total supply excluding OPEC crude	57.02	57.51	57.55	57.80	58.44	57.83
Difference (a-b)	28.57	28.69	28.28	29.07	29.19	28.81

Totals may not add due to independent rounding

Graph 46: Balance of supply and demand

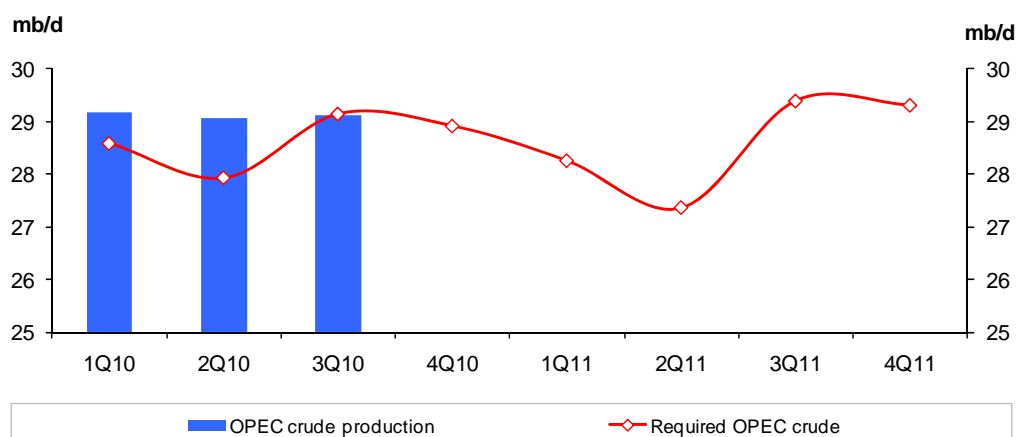


Table 31: World oil demand/supply balance, mb/d

	2005	2006	2007	2008	2009	10Q9	2010	3Q10	4Q10	2010	10Q11	2011	3Q11	4Q11	2011
World demand															
OECD	49.9	49.6	49.3	47.6	45.5	45.9	45.1	45.2	46.0	45.6	46.1	45.1	45.2	46.1	45.6
North America	25.6	25.4	25.5	24.2	23.3	23.6	23.7	23.7	23.8	23.7	23.9	23.8	23.8	24.0	23.9
Western Europe	15.7	15.7	15.5	15.4	14.5	14.2	14.1	14.3	14.3	14.2	14.1	14.0	14.2	14.2	14.1
Pacific	8.6	8.5	8.4	8.0	7.7	8.2	7.3	7.2	7.9	7.7	8.1	7.3	7.2	7.9	7.6
DCs	22.7	23.5	24.6	25.5	26.0	26.2	26.6	26.8	26.9	26.6	26.8	27.1	27.3	27.4	27.2
FSU	3.9	4.0	4.0	4.1	4.0	3.9	3.8	4.2	4.2	4.0	4.0	3.8	4.2	4.3	4.1
Other Europe	0.8	0.9	0.8	0.8	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.6	0.6	0.7	0.6
China	6.7	7.2	7.6	8.0	8.3	8.2	8.8	9.0	8.7	8.7	8.7	9.2	9.5	9.2	9.1
(a) Total world demand	84.1	85.2	86.4	85.9	84.5	85.0	84.9	85.9	86.5	85.6	86.2	85.8	86.9	87.6	86.6
Non-OPEC supply															
OECD	20.4	20.1	20.0	19.5	19.7	20.0	19.8	19.5	19.9	19.8	19.8	19.6	19.5	19.9	19.7
North America	14.1	14.2	14.3	13.9	14.4	14.7	14.9	14.7	14.7	14.7	14.7	14.7	14.8	14.9	14.8
Western Europe	5.7	5.3	5.2	5.0	4.7	4.7	4.4	4.2	4.5	4.4	4.4	4.2	4.1	4.3	4.3
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.7	0.7	0.7	0.7	0.7
DCs	11.9	12.0	12.0	12.3	12.6	12.9	12.9	12.9	12.9	12.9	13.1	13.1	13.3	13.5	13.2
FSU	11.5	12.0	12.5	12.6	13.0	13.1	13.2	13.3	13.4	13.2	13.3	13.3	13.4	13.5	13.4
Other Europe	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.6	3.7	3.8	3.8	3.9	4.0	4.1	4.1	4.0	4.1	4.0	4.0	4.0	4.0	4.0
Processing gains	1.9	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Total non-OPEC supply	49.6	50.0	50.5	50.4	51.2	52.3	52.2	52.0	52.4	52.2	52.4	52.3	52.5	53.1	52.6
OPEC NGLs + non-conventional oils	3.9	3.9	3.9	4.1	4.3	4.6	4.8	4.8	5.0	4.8	5.1	5.2	5.3	5.4	5.2
(b) Total non-OPEC supply and OPEC NGLs	53.5	53.9	54.4	54.5	55.6	56.9	57.0	56.8	57.4	57.0	57.5	57.6	57.8	58.4	57.8
OPEC crude oil production (secondary sources)	30.7	30.5	30.2	31.2	28.7	29.2	29.1								
Total supply	84.2	84.4	84.6	85.7	84.3	86.0	86.1								
Balance (stock change and miscellaneous)	0.1	-0.8	-1.8	-0.1	-0.2	1.0	1.2								
OECD closing stock levels (mb)															
Commercial	2587	2668	2572	2697	2665	2677	2766								
SPR	1487	1499	1524	1527	1564	1567	1563								
Total	4073	4167	4096	4223	4229	4243	4330								
Oil-on-water	954	919	948	969	906	873	876								
Days of forward consumption in OECD															
Commercial onland stocks	52	54	54	59	59	59	61								
SPR	30	30	32	34	34	35	35								
Total	82	84	86	93	93	94	96								
Memo items															
FSU net exports	7.7	8.0	8.5	8.5	9.0	9.2	9.4	9.1	9.1	9.2	9.3	9.5	9.2	9.2	9.3
(a) - (b)	30.5	31.3	32.0	31.4	28.9	28.2	27.9	29.0	29.2	28.6	28.7	28.3	29.1	29.2	28.8

Note: Totals may not add up due to independent rounding

Table 32: World oil demand/supply balance: changes from last month's table †, mb/d

	2005	2006	2007	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
World demand															
OECD	-	-	-	-	-	0.1	0.2	0.2	-	0.1	-	-	-	-	-
North America	-	-	-	-	-	0.1	0.1	0.1	-	0.1	-	-	-	-	-
Western Europe	-	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	0.1	0.1	0.1	-	0.1	0.1	0.1	0.1	-	0.1
World demand growth	-0.05	-	-	-	-	0.08	0.15	0.13	-0.03	0.08	-	-	-	-	-
Non-OPEC supply															
OECD	-	-	-	-	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.1	0.2
North America	-	-	-	-	0.1	-	0.1	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2
Western Europe	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	0.3	0.1	0.1	0.3	0.3	0.3	0.2	0.1	0.2	0.2	0.2	0.2
Total non-OPEC supply growth	-	-	-0.03	0.03	0.08	0.05	-0.03	0.11	0.23	0.09	0.08	0.07	-0.06	-0.10	-
OEPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-0.1
(b) Total non-OPEC supply and OEPEC NGLs	-	-	-	-	0.1	-	0.1	0.3	0.2	0.2	-	0.1	0.2	0.1	0.1
OEPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total supply	-	-	-	-	0.1	-	-	-	-	-	-	-	-	-	-
Balance (stock change and miscellaneous)	-	-	-	-	0.1	-	-	-	-	-	-	-	-	-	-
OECD closing stock levels (mb)															
Commercial	-	-	-	-	-	-5	5	-	-	-	-	-	-	-	-
SPR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-5	5	-	-	-	-	-	-	-	-
Oil-on-water	-	-	-	-	-	-	-69	-	-	-	-	-	-	-	-
Days of forward consumption in OECD															
Commercial onland stocks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SPR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-0.1	-	0.1	-0.1	-0.3	-0.1	-	-	-	-	-0.2

† This compares Table 31 in this issue of the MOMR with Table 31 in the September 2010 issue

This table shows only where changes have occurred

Table 33: OECD oil stocks and oil on water at the end of period

	2003	2004	2005	2006	2007	2008	2005	3005	4005	1006	2006	3006	4006	1007	2007	3007	4007	1008	2008	3008	4008	1009	2009	3009	4009	1010	2010
Closing stock levels mb																											
OECD onland commercial	2,511	2,538	2,587	2,668	2,572	2,697	2,612	2,627	2,587	2,586	2,649	2,761	2,668	2,601	2,661	2,646	2,572	2,572	2,602	2,664	2,697	2,751	2,759	2,778	2,665	2,677	2,766
North America	1,161	1,193	1,257	1,277	1,229	1,301	1,275	1,254	1,257	1,240	1,277	1,351	1,277	1,238	1,294	1,285	1,229	1,216	1,240	1,282	1,301	1,355	1,388	1,390	1,309	1,318	1,378
Western Europe	915	915	935	963	937	989	915	942	935	938	936	949	963	943	940	929	937	961	953	951	989	988	969	969	972	973	983
OECD Pacific	435	430	394	429	407	406	422	432	394	408	436	461	429	420	428	432	407	394	409	431	406	408	401	419	383	386	405
OECD SPR	1,411	1,450	1,487	1,499	1,524	1,527	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,507	1,506	1,520	1,524	1,529	1,526	1,522	1,527	1,547	1,561	1,564	1,564	1,567	1,563
North America	640	678	687	691	699	704	698	696	687	688	690	690	691	691	692	695	699	702	708	704	704	715	726	727	729	729	729
Western Europe	374	377	407	412	421	416	401	405	407	407	411	412	412	415	413	423	421	423	414	414	416	424	427	429	426	429	424
OECD Pacific	396	396	393	396	404	406	395	393	393	392	393	393	396	401	401	403	404	404	404	403	406	408	408	408	409	409	411
OECD total	3,922	3,988	4,073	4,167	4,096	4,223	4,106	4,121	4,073	4,074	4,142	4,256	4,167	4,108	4,168	4,166	4,096	4,101	4,128	4,186	4,223	4,298	4,320	4,342	4,229	4,243	4,330
Oil-on-water	882	905	954	919	948	969	932	925	954	962	975	974	919	916	891	917	948	935	925	885	969	899	899	869	906	873	876
Days of forward consumption in OECD																											
OECD onland commercial	51	51	52	54	54	59	53	52	51	53	54	55	54	54	54	53	52	54	56	56	58	62	61	60	58	59	61
North America	46	47	49	50	51	56	50	49	50	49	50	53	50	49	51	50	50	50	53	54	56	59	60	59	55	56	58
Western Europe	59	58	60	62	61	68	58	60	58	61	60	60	63	62	60	59	61	64	61	62	66	69	67	67	69	69	69
OECD Pacific	51	50	47	51	51	53	52	49	42	52	55	53	48	53	54	49	46	50	54	54	50	56	55	52	47	53	56
OECD SPR	28	29	30	30	32	34	30	30	29	31	30	30	30	31	31	30	31	32	33	32	33	35	35	34	34	35	35
North America	25	26	27	27	29	30	27	27	27	27	27	27	27	27	27	27	28	29	30	29	30	31	31	31	31	31	31
Western Europe	24	24	26	27	27	29	26	26	25	27	26	26	27	27	26	27	27	28	27	27	28	30	29	30	30	30	30
OECD Pacific	46	46	46	47	50	53	49	45	42	50	50	45	44	51	51	46	45	52	54	51	50	56	56	51	50	56	57
OECD total	79	80	82	84	86	93	83	82	80	84	84	85	84	85	85	83	84	87	88	89	91	97	96	94	92	94	96

n.a. not available

Table 34: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2005	2006	2007	2008	08/07	10/09	20/09	30/09	4Q/09	2009	09/08	10/10	2Q/10	3Q/10	4Q/10	2010	10/09	10/11	2Q/11	3Q/11	4Q/11	2011	11/10
USA	7.34	7.36	7.47	7.50	0.03	7.84	8.08	8.29	8.36	8.14	0.64	8.44	8.52	8.41	8.40	8.44	0.30	8.45	8.45	8.48	8.54	8.48	0.04
Canada	3.03	3.20	3.31	3.27	-0.04	3.32	3.13	3.23	3.27	3.24	-0.03	3.29	3.37	3.31	3.37	3.34	0.09	3.39	3.40	3.41	3.51	3.43	0.09
Mexico	3.77	3.69	3.49	3.17	-0.31	3.04	2.97	2.94	2.96	2.98	-0.19	2.99	2.97	2.96	2.92	2.96	-0.02	2.90	2.89	2.87	2.90	2.89	-0.07
North America	14.14	14.24	14.26	13.94	-0.33	14.21	14.18	14.46	14.59	14.36	0.42	14.72	14.86	14.68	14.69	14.74	0.38	14.74	14.75	14.76	14.95	14.80	0.06
Norway	2.97	2.78	2.56	2.45	-0.10	2.52	2.20	2.28	2.37	2.34	-0.11	2.31	2.10	2.00	2.25	2.17	-0.18	2.21	2.04	1.99	2.04	2.08	-0.09
UK	1.89	1.71	1.69	1.58	-0.11	1.63	1.57	1.27	1.46	1.48	-0.10	1.51	1.40	1.31	1.39	1.40	-0.08	1.36	1.32	1.29	1.34	1.33	-0.07
Denmark	0.38	0.34	0.31	0.28	-0.03	0.28	0.27	0.27	0.24	0.26	-0.02	0.25	0.25	0.25	0.24	0.25	-0.02	0.24	0.23	0.20	0.21	0.22	-0.03
Other Western Europe	0.49	0.51	0.62	0.64	0.03	0.62	0.62	0.64	0.63	0.63	-0.02	0.61	0.63	0.64	0.61	0.62	0.00	0.63	0.63	0.62	0.62	0.62	0.00
Western Europe	5.72	5.34	5.17	4.96	-0.21	5.05	4.65	4.45	4.70	4.71	-0.24	4.69	4.39	4.19	4.49	4.44	-0.27	4.43	4.21	4.10	4.27	4.25	-0.18
Australia	0.53	0.51	0.53	0.53	0.01	0.55	0.53	0.55	0.53	0.54	0.01	0.51	0.50	0.54	0.58	0.53	-0.01	0.57	0.58	0.59	0.59	0.58	0.05
Other Pacific	0.05	0.05	0.08	0.10	0.02	0.09	0.09	0.10	0.10	0.10	0.00	0.10	0.10	0.10	0.10	0.10	0.00	0.09	0.09	0.08	0.07	0.08	-0.02
OPEC Pacific	0.58	0.56	0.60	0.63	0.03	0.64	0.62	0.65	0.63	0.64	0.01	0.61	0.60	0.64	0.68	0.63	0.00	0.66	0.67	0.67	0.66	0.66	0.03
Total OPEC	20.44	20.14	20.04	19.52	-0.51	19.90	19.46	19.57	19.92	19.71	0.19	20.02	19.85	19.51	19.86	19.81	0.10	19.83	19.63	19.53	19.87	19.71	-0.09
Brunei	0.21	0.22	0.19	0.17	-0.01	0.17	0.15	0.16	0.19	0.17	0.00	0.18	0.16	0.16	0.17	0.17	0.00	0.17	0.17	0.16	0.16	0.16	0.00
India	0.76	0.78	0.80	0.80	0.00	0.77	0.78	0.79	0.80	0.79	-0.01	0.82	0.83	0.86	0.89	0.85	0.06	0.90	0.88	0.90	0.91	0.90	0.05
Indonesia	1.12	1.07	1.02	1.04	0.02	1.03	1.02	1.02	1.03	1.03	-0.01	1.03	1.04	1.03	1.01	1.03	0.00	1.02	1.01	1.00	0.99	1.01	-0.02
Malaysia	0.77	0.76	0.76	0.76	0.00	0.74	0.72	0.73	0.71	0.73	-0.03	0.73	0.70	0.66	0.64	0.68	-0.04	0.64	0.63	0.62	0.62	0.63	-0.06
Thailand	0.29	0.32	0.33	0.36	0.02	0.37	0.37	0.36	0.37	0.37	0.01	0.35	0.35	0.36	0.35	0.35	-0.02	0.35	0.35	0.35	0.35	0.35	0.00
Vietnam	0.39	0.37	0.35	0.33	-0.01	0.34	0.36	0.36	0.34	0.37	0.04	0.40	0.39	0.40	0.37	0.39	0.01	0.40	0.41	0.44	0.46	0.43	0.04
Asia others	0.26	0.26	0.26	0.26	0.00	0.25	0.26	0.25	0.25	0.25	-0.01	0.22	0.24	0.23	0.24	0.23	-0.02	0.24	0.25	0.26	0.26	0.25	0.02
Other Asia	3.79	3.78	3.70	3.72	0.02	3.68	3.68	3.69	3.76	3.70	-0.02	3.73	3.71	3.69	3.67	3.70	0.00	3.72	3.71	3.74	3.76	3.73	0.03
Argentina	0.78	0.77	0.77	0.78	0.01	0.78	0.77	0.74	0.76	0.76	-0.02	0.77	0.76	0.75	0.73	0.76	-0.01	0.73	0.73	0.73	0.73	0.73	-0.02
Brazil	1.98	2.11	2.22	2.38	0.16	2.47	2.49	2.51	2.55	2.51	0.12	2.64	2.70	2.71	2.78	2.71	0.20	2.85	2.88	2.94	3.00	2.92	0.21
Colombia	0.53	0.54	0.54	0.60	0.06	0.65	0.67	0.68	0.73	0.68	0.09	0.77	0.79	0.80	0.81	0.79	0.11	0.84	0.86	0.88	0.91	0.87	0.08
Trinidad & Tobago	0.18	0.18	0.16	0.16	0.00	0.16	0.16	0.15	0.16	0.16	0.00	0.16	0.16	0.15	0.15	0.15	0.00	0.14	0.14	0.14	0.14	0.14	-0.01
L. America others	0.30	0.26	0.28	0.28	0.01	0.31	0.30	0.30	0.30	0.30	0.02	0.30	0.31	0.31	0.31	0.31	0.00	0.31	0.32	0.33	0.34	0.33	0.02
Latin America	3.71	3.87	3.97	4.20	0.23	4.36	4.38	4.40	4.51	4.41	0.21	4.64	4.71	4.71	4.78	4.71	0.30	4.87	4.93	5.02	5.12	4.99	0.27
Bahrain	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00
Oman	0.78	0.75	0.71	0.76	0.05	0.79	0.80	0.83	0.83	0.81	0.06	0.86	0.86	0.88	0.87	0.87	0.05	0.89	0.91	0.92	0.94	0.91	0.05
Syria	0.45	0.44	0.42	0.41	0.00	0.41	0.41	0.41	0.41	0.41	0.00	0.42	0.43	0.42	0.40	0.41	0.00	0.39	0.38	0.38	0.37	0.38	-0.03
Yemen	1.41	1.37	1.33	1.30	-0.03	1.30	1.30	1.30	1.29	1.30	-0.01	1.29	1.29	1.29	1.29	1.29	-0.02	1.27	1.26	1.26	1.26	1.26	-0.02
Middle East	1.85	1.76	1.66	1.68	0.02	1.71	1.72	1.75	1.74	1.73	0.05	1.77	1.77	1.78	1.74	1.77	0.04	1.75	1.75	1.76	1.78	1.76	-0.01
Chad	0.18	0.15	0.15	0.15	0.00	0.14	0.14	0.14	0.14	0.14	-0.01	0.14	0.14	0.14	0.12	0.13	0.00	0.12	0.12	0.12	0.12	0.12	-0.01
Congo	0.24	0.25	0.24	0.26	0.02	0.27	0.27	0.27	0.29	0.27	0.02	0.30	0.30	0.30	0.30	0.30	0.02	0.30	0.31	0.31	0.32	0.31	0.01
Egypt	0.70	0.66	0.66	0.69	0.04	0.72	0.72	0.69	0.71	0.71	0.01	0.71	0.72	0.73	0.71	0.72	0.01	0.72	0.72	0.71	0.70	0.71	0.00
Equatorial Guinea	0.36	0.37	0.37	0.38	0.01	0.37	0.36	0.35	0.34	0.36	-0.02	0.33	0.33	0.32	0.32	0.32	-0.03	0.32	0.31	0.32	0.33	0.32	-0.01
Gabon	0.25	0.25	0.25	0.24	-0.01	0.26	0.26	0.27	0.28	0.26	0.02	0.28	0.28	0.28	0.28	0.27	0.00	0.26	0.27	0.27	0.27	0.27	0.00
South Africa	0.19	0.19	0.18	0.18	0.00	0.18	0.18	0.17	0.16	0.17	-0.01	0.18	0.18	0.18	0.18	0.18	0.01	0.18	0.18	0.18	0.18	0.18	0.00
Sudan	0.34	0.40	0.50	0.48	-0.02	0.47	0.48	0.48	0.48	0.48	0.00	0.47	0.46	0.46	0.46	0.46	-0.02	0.44	0.45	0.45	0.44	0.45	-0.01
Africa other	0.25	0.32	0.34	0.35	0.01	0.35	0.34	0.34	0.33	0.34	-0.01	0.34	0.34	0.33	0.37	0.34	0.00	0.38	0.40	0.42	0.48	0.42	0.08
Africa	2.52	2.58	2.68	2.73	0.05	2.74	2.73	2.71	2.71	2.72	0.00	2.74	2.71	2.72	2.70	2.72	-0.01	2.72	2.75	2.78	2.84	2.77	0.05
Total DCs	11.93	11.99	12.02	12.33	0.31	12.49	12.51	12.72	12.57	12.57	0.24	12.88	12.91	12.90	12.90	12.90	0.33	13.06	13.14	13.30	13.49	13.25	0.35
FSU	11.55	11.02	12.53	12.60	0.06	12.67	12.93	13.05	13.16	12.96	0.36	13.12	13.18	13.27	13.37	13.24	0.28	13.33	13.33	13.39	13.46	13.38	0.14
Russia	9.44	9.65	9.87	9.78	-0.08	9.78	9.87	9.97	10.07	9.92	0.14	10.09	10.12	10.12	10.06	10.10	0.18	10.05	10.05	10.06	10.11	10.07	-0.03
Kazakhstan	1.23	1.30	1.35	1.41	0.06	1.48	1.51	1.54	1.61	1.54	0.12	1.61	1.56	1.62	1.67	1.62	0.08	1.67	1.68	1.71	1.72	1.70	0.08
Azerbaijan	0.44	0.65	0.87	0.94	0.07	0.97	1.11	1.09	1.06	1.06	0.12	1.01	1.09	1.12	1.19	1.10	0.04	1.19	1.19	1.20	1.20	1.20	0.09
FSU others	0.44	0.42	0.44	0.46	0.01	0.45	0.44	0.44	0.42	0.44	-0.02	0.42	0.42	0.41	0.44	0.42	-0.02	0.42	0.42	0.42	0.42	0.42	0.00
Other Europe	0.16	0.15	0.15	0.15	-0.01	0.14	0.13	0.14	0.14	0.14	-0.01	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	3.64	3.69	3.77	3.84	0.07	3.80	3.86	3.88	3.87	3.85	0.01	4.02	4.09	4.									

Table 35: World Rig Count

	Change												Change												Change											
	2005	2006	06/05	2007	30/07	40/07	2007	07/06	10/08	2008	30/08	40/08	2008	08/07	10/09	2009	30/09	40/09	2009	09/08	10/10	2010	30/10	Aug10	Sep10	Sep/Aug										
USA	1,381	1,647	267	1,756	1,788	1,790	1,767	1,119	1,770	1,864	1,978	1,898	1,877	1,111	1,326	936	956	1,108	1,081	-796	1,345	1,508	1,622	1,638	1,655	17										
Canada	458	470	12	139	348	356	344	-126	507	169	432	408	379	35	328	91	177	277	218	-161	470	166	364	397	346	-51										
Mexico	107	83	-24	88	96	93	92	9	96	106	103	106	103	11	128	128	135	123	128	26	118	106	84	88	77	-11										
North America	1,945	2,200	255	1,983	2,231	2,240	2,202	2	2,373	2,139	2,513	2,411	2,359	157	1,782	1,154	1,267	1,508	1,428	-931	1,933	1,780	2,070	2,123	2,078	-45										
Norway	17	17	0	19	18	17	18	1	17	21	21	21	21	20	2	25	18	20	20	0	21	18	13	9	14	5										
UK	21	27	5	29	27	22	26	-1	19	21	24	24	22	-4	22	19	16	15	18	-4	15	20	21	18	22	4										
Western Europe	70	77	7	80	79	77	78	0	91	97	101	103	98	20	90	82	76	85	83	-15	87	96	92	84	94	10										
OECD Pacific	25	26	2	30	32	30	29	2	32	39	39	34	36	7	27	25	26	23	25	-11	22	18	23	23	24	1										
Total OECD	2,078	2,347	269	2,141	2,387	2,385	2,352	4	2,532	2,317	2,698	2,593	2,535	183	1,945	1,299	1,368	1,616	1,557	-978	2,042	1,893	2,185	2,230	2,196	-34										
Other Asia	200	202	2	213	212	216	212	10	213	220	218	212	216	4	212	212	213	233	217	1	235	249	253	252	257	5										
Latin America	129	149	19	177	171	179	175	27	187	184	195	197	191	16	164	147	149	169	157	-34	183	203	220	219	222	3										
Middle East	131	132	1	146	154	154	149	18	158	165	175	171	167	18	162	151	139	147	150	-18	152	150	163	162	165	3										
Africa	8	10	2	12	14	14	14	4	10	13	14	11	12	-2	8	11	9	12	10	-2	20	19	19	19	19	0										
Total DCS	468	493	25	549	550	563	551	58	569	583	602	591	586	36	546	520	510	561	534	-52	589	621	655	652	663	11										
Non-OPEC Rig Count	2,546	2,840	294	2,690	2,937	2,948	2,903	62	3,101	2,900	3,300	3,183	3,121	219	2,491	1,819	1,878	2,177	2,091	-1,030	2,632	2,514	2,840	2,882	2,859	-23										
Algeria	21	24	4	26	28	28	27	2	26	27	24	26	26	-1	24	30	27	27	27	1	23	28	24	24	24	0										
Angola	3	4	1	4	3	5	4	1	5	6	5	5	5	1	5	3	3	4	4	-1	10	8	9	10	10	0										
Ecuador	12	11	0	10	11	10	11	-1	7	9	12	13	10	-1	10	10	10	10	10	0	11	11	11	11	11	-1										
Iran	40	44	4	51	51	50	50	6	50	50	50	51	50	0	51	52	52	52	52	2	52	52	52	52	52	0										
Iraq	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0										
Kuwait	12	14	1	13	13	11	12	-1	12	11	12	12	12	0	12	11	14	13	13	0	19	18	21	20	21	1										
Libya	9	10	1	12	14	14	13	3	14	15	15	15	15	2	15	13	14	15	14	-1	17	17	14	14	14	0										
Nigeria	9	10	1	7	8	10	8	-1	9	8	6	6	7	-1	7	6	6	7	6	-1	11	13	18	17	21	4										
Qatar	12	11	-1	12	13	14	13	2	11	12	11	11	11	-1	9	9	9	9	9	-2	8	8	9	9	9	2										
Saudi Arabia	37	65	28	76	78	77	77	11	78	77	76	76	77	0	72	67	67	66	68	-9	68	67	67	69	68	-1										
UAE	16	16	0	15	15	14	15	-2	12	12	13	12	12	-2	13	12	13	12	12	0	13	13	13	13	13	0										
Venezuela	68	81	13	80	77	71	76	-5	82	81	77	81	80	4	69	64	54	54	60	-20	66	64	70	69	71	2										
OPEC Rig Count	238	290	51	305	311	302	305	16	336	337	330	336	335	29	315	307	295	298	304	-31	327	328	337	336	343	7										
Worldwide Rig Count*	2,785	3,130	345	2,995	3,249	3,250	3,208	78	3,438	3,237	3,630	3,519	3,456	248	2,806	2,126	2,173	2,476	2,395	-1,061	2,958	2,842	3,177	3,218	3,202	-16										
of which:																																				
Oil	980	1,124	144	1,167	1,254	1,285	1,242	119	1,408	1,351	1,479	1,490	1,432	190	1,276	1,062	1,175	1,349	1,215	-217	1,583	1,527	1,776	1,796	1,800	4										
Gas	1,746	1,947	201	1,764	1,931	1,904	1,903	-44	1,969	1,814	2,070	1,948	1,950	47	1,450	993	965	1,092	1,125	-825	1,333	1,276	1,356	1,371	1,357	-14										
Others	21	17	-4	17	20	25	20	4	26	32	36	37	33	12	35	35	34	37	35	3	43	40	42	41	45	4										

* Excludes China and FSU
na: Not available
Note: Totals may not add up due to independent rounding
Source: Baker Hughes International & Secretariats Estimates

Contributors to the *OPEC Monthly Oil Market Report*

Editor-in-Chief

Hasan M. Qabazard, Director, Research Division
email: hqabazard@opec.org

Editor

Hojatollah Ghanimi Fard, Head, Petroleum Studies Department
email: h.ghanimifard@opec.org

Analysts

Crude Oil Price Movements	Brahim Aklil email: baklil@opec.org
Commodity Markets	Odalís López-Gonzalez e-mail: olopez@opec.org
World Economy	Claude Clemenz email: cclenz@opec.org Joerg Spitzzy email: jspitzzy@opec.org Vahan Kotanjyan email: vkotanjyan@opec.org
World Oil Demand	Esam Al-Khalifa email: ekhalifa@opec.org
World Oil Supply	Haidar Khadadeh email: hkhadadeh@opec.org
Product Markets and Refinery Operations	Elio Rodriguez email: erodriguez@opec.org
Tanker Market <i>and</i> Oil Trade	Julio Arboleda email: jarboleda@opec.org
Stock Movements	Aziz Yahyai email: ayahyai@opec.org
Technical and editorial team	Aziz Yahyai email: ayahyai@opec.org Douglas Linton email: dlinton@opec.org

Data services

Fuad Al-Zayer, Head Data Services Department (fzayer@opec.org)
Puguh Irawan (pirawan@opec.org), Ramadan Janan (rjanan@opec.org)
Pantelis Christodoulides (World Oil Demand, Stock Movements), Hannes Windholz (Oil Trade, Product & Refinery), Mouhamad Moudassir (Tanker Market), Klaus Stoeger (World Oil Supply), Harvir Kalirai (Economics), Sheela Kriz (Crude Oil Prices)

Production, design and circulation

Viveca Hameder, Hataichanok Leimlehner, Evelyn Oduro-Kwateng, Andrea Birnbach

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OPEC Basket average price

US\$ per barrel

▲ up 48¢ in September	September 2010	74.63
	August 2010	74.15
	Year-to-date	75.25

September OPEC production

in million barrels per day, according to secondary sources

▼ down 0.3 in September	September 2010	29.08
	August 2010	29.11

World economy

The forecast for global growth in both 2010 and 2011 remains unchanged at 3.9% and 3.6% respectively. The OECD forecast stands at 2.2% for 2010 and 1.9% for 2011, unchanged from the previous report. Japan has been revised up for 2010 to 2.8% from 2.5%. China's growth level remains at 9.5% and 8.6% in 2010 and 2011, while India is expected to grow by 8.2% and 7.7% respectively.

Supply and demand

in million barrels per day

2010		2011	
World demand	85.6	World demand	86.6
Non-OPEC supply	52.2	Non-OPEC supply	52.6
OPEC NGLs	4.8	OPEC NGLs	5.2
Difference	28.6	Difference	28.8

Totals may not add due to independent rounding

Stocks

US commercial stocks reversed the upward trend seen over the last five months to decline by 4.4 mb in September. However, the surplus with the five-year average remained very high at 118 mb. The bulk of this draw came from products which fell by 3.7 mb, while crude stocks dropped slightly by 0.8 mb. Preliminary indications show Japanese total commercial oil stocks declined a further 1 mb at the end of September.