OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

October 2013

Feature Article:
Product markets ahead of winter

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Oil Market Highlights

- The **OPEC Reference Basket** rose for the fourth consecutive month in September, increasing by $1.21/b to average $108.73/b. Crude oil futures prices began the month with some upward momentum fuelled by supply outages and a spike in geopolitical tensions. However, with the easing of geopolitical concerns, oil prices on both sides of the Atlantic began to drop steadily, shedding some $8/b. An improvement in supply prospects from the MENA region and Sudan, along with assurances by major suppliers and international oil agencies that the market was well-supplied, also dampened the upward pressure on crude oil prices. As the rally in the crude futures market came to end, money managers sharply reduced their record-high net length positions at the end of September. On the Nymex, the front-month WTI contract fell 30¢ to $106.24 in September, while ICE Brent improved slightly to average $111.25/b.
- **World economic growth** for 2013 and 2014 remains unchanged at 2.9% and 3.5% respectively, although ongoing developments regarding the budget stand-off in the US requires close monitoring. US growth for 2013 has been revised down to 1.6% from 1.7%, while the 2014 forecast remains at 2.5%. The Euro-zone growth forecast for the current year has been revised up to -0.3% from -0.5% and to 0.7% from 0.6% for 2014. Japan's forecast for 2013 has been revised up to 1.9% from 1.7% and growth for 2014 has been revised to 1.5% from 1.4%. India has been impacted by capital outflows and its 2013 forecast has been lowered to 5.0% and its 2014 forecast reduced to 5.8%. China's growth expectations remain unchanged at 7.6% and 7.7% for 2013 and 2014, respectively.
- **World oil demand** is estimated to average 89.7 mb/d in 2013, representing growth of 0.8 mb/d compared to the previous year, and unchanged from the previous report. Upward revisions in OECD Americas and Europe were almost entirely offset by downward adjustments in OECD Asia Pacific, Other Asia and the FSU. For 2014, growth is expected to increase to around 1.0 mb/d to reach to 90.8 mb/d. Non-OECD countries are projected to lead oil demand growth with 1.2 mb/d, while OECD consumption is seen continuing to decline but at a lower rate of 0.2 mb/d.
- **Non-OPEC oil supply** is estimated at 54.1 mb/d, following an upward revision of 0.1 mb/d, representing growth of 1.1 mb/d. The upward adjustment was due mainly to higher-than-expected supply from the US, Brazil, Kazakhstan and South Sudan & Sudan. In 2014, non-OPEC oil supply is expected to increase by 1.2 mb/d, supported by anticipated growth in the US, Canada, Brazil, and South Sudan & Sudan. OPEC NGLs and nonconventional oils are expected to increase by 0.2 mb/d in 2013 and 0.1 mb/d in 2014. In September, total OPEC crude production averaged 30.05 mb/d, according to secondary sources, representing a drop of 390 tb/d from the previous month.
- **Product market** sentiment showed a mixed performance in September. Middle distillates remained relatively healthy on the back of tightening sentiment. In contrast, gasoline plummeted with the winding down of the driving season in the Atlantic basin, as well as declining seasonal demand in Asia countries. Combined with a weakening fuel oil market sentiment, this caused refinery margins to continue their worldwide downward trend.
- Bearish sentiment continued to dominate the crude oil **tanker market** in September, despite VLCCs registering only a slight rate increase from last month. Freight rates remain largely under pressure due mainly to high tonnage availability and limited demand. Suezmax and Aframax freight rates were lower in September due to a lack of tonnage demand. Clean tanker rates were mixed. In September, OPEC spot fixtures rose to average 13.21 mb/d, mainly due to increased Middle East-to-East fixtures.
- Total **OECD commercial oil stocks** fell by 10.0 mb in August to show a deficit of around 68 mb with the five-year average, divided between crude and products. In terms of forward cover, OECD commercial stocks stood at 58.6 days, a surplus of 0.1 days compared to the five-year average. Preliminary data for September shows US commercial oil stocks rose 4.5 mb – reversing the drop of last two months – to indicate a surplus of 33.0 mb with the five-year average. This gain was divided between crude and products, which indicated surpluses of 23.7 mb and 9.2 mb, respectively.
- **Demand for OPEC** crude in 2013 is estimated to average 29.9 mb/d, unchanged from the previous report, representing a decline of 0.5 mb/d from 2012. In 2014, demand for OPEC crude is expected at 29.6 mb/d, also in line with the previous report, representing a decline of 0.3 mb/d compared to the current year.

Product markets ahead of winter

A review of product market developments over the recent months shows a mixed performance. In the US, improving seasonal product demand hiked margins since the second quarter and encouraged refineries to increase runs. Refiners also benefited from competitively-priced regional crude supplies and robust export demand for refined products. However, the narrowing Brent-WTI spread has eroded some of the competitive advantage enjoyed by US refiners.

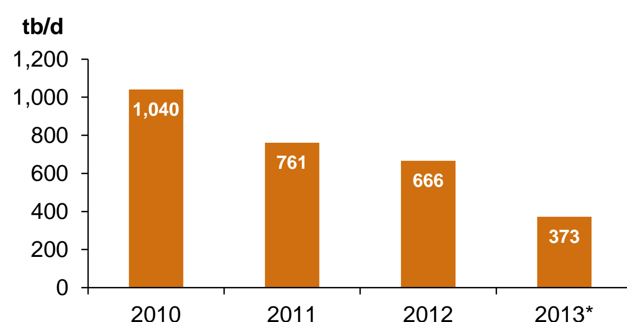
In contrast, product market sentiment in Europe has remained weak, affected by economic concerns in the region and limited export opportunities to the US. However, hopes for a recovery in product demand have emerged since July, despite margins having been squeezed by the increase in crude prices and ample supplies of light distillates, which have led to reduced refinery runs in the region.

In Asia, light and middle distillate cracks supported the market in the second quarter, amid healthy fundamentals due to higher seasonal requirements and a temporary tightness in middle distillate supply. This situation reversed over the summer during the lower-demand monsoon season, causing margins to fall into negative territory.

In terms of products, middle distillates have retained some strength on the back of tightening expectations ahead of the autumn maintenance season. Both the top and bottom of the barrel have weakened worldwide, due to lacklustre demand, amid rising supplies, and the end of the driving season in the Atlantic Basin. As a result, refinery margins have fallen across the globe, losing more than $3/b since July.

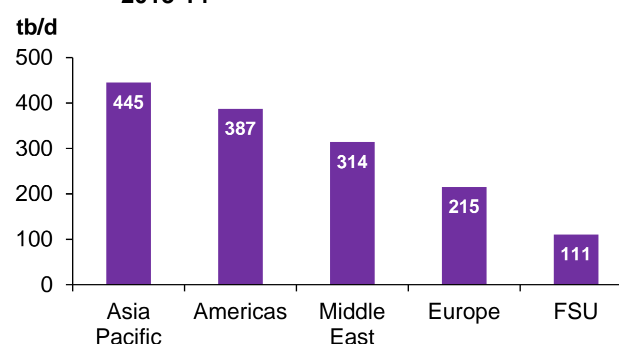
Global refinery throughput reached a seasonal peak of around 78 mb/d in July, to average 77.2 mb/d in the third quarter, a gain of 1.1 mb/d compared to the same quarter last year. However, throughput is expected to decline in the fourth quarter due to expectations of weaker margins and the onset of seasonal maintenance, which is estimated to take more than 2 mb/d of capacity off-line.

Graph 1: Non-OECD Asia demand, y-o-y change



*2013 data included 1Q and 2Q.
Source: OPEC Secretariat.

Graph 2: Hydrocracker capacity additions, by region, 2013-14



Source: Turner-Mason.

Turning to the outlook for the winter season, product market developments are expected to continue to vary between the regions. US diesel demand could show a further recovery on increasing rail and trucking activities, which have kept middle distillate demand at over 3.8 mb/d. In Europe, there have been signs of a slight recovery in economic activities, which may limit the expected decline in demand for transportation fuel. In addition, the seasonal rise in heating oil requirements should also add support over winter.

In contrast, Asia's contribution to growth in total product demand – one of the key drivers of the market in recent years – has begun to show signs of decelerating (***Graph 1***). In addition to typically low demand during the monsoon season, demand growth over the coming months is likely to be affected by the reduction in diesel subsidies in several countries, including Indonesia and Malaysia. Moreover, the increasing use of coal and natural gas as substitute fuels for power generation, particularly in Japan and South Korea, has also dented product consumption.

At the same time, global product markets are likely to see increasing supply due to additional export volumes, mainly from China and India, as well as Russia, the US, and Saudi Arabia. The middle distillate market in particular is expected to be negatively impacted given the new hydro-cracking capacity coming on line (***Graph 2***).

Despite the more positive outlook for the US and Europe, global product markets are expected to come under pressure over the winter season. The combination of sluggish demand and increasing product supplies are likely to dampen margins, leading to lower refinery runs over this period.

Crude Oil Price Movements

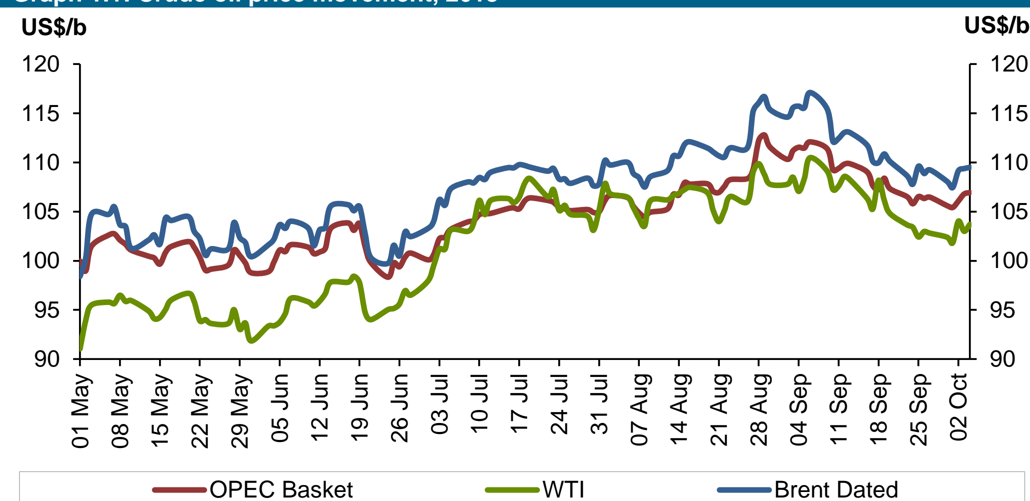
In September, the OPEC Reference Basket continued to strengthen further for the fourth month

OPEC Reference Basket

For the fourth consecutive month, the monthly average value of the **OPEC Reference Basket (ORB)** was higher in September, tracking the global oil market complex amid a continuation of supply tightness, geopolitical tensions and intense speculative activities during the first half of the month. Although the second half of the month witnessed a deflation in oil prices as the geopolitical strains and supply worries started to subside, on average, the Basket rose to levels seen earlier in the year, maintaining a value above $105/b throughout the month. Meanwhile, as the third quarter came to a close by the end of September, the Basket recovered from the hefty downturn in the previous quarter, to settle more than $5 above its value in 2Q13, which had recorded the weakest Basket quarterly value in more than two years. In addition to geopolitical tensions and supply disruptions, the improvement in the global economy and increasing managed money activities as a result of monetary stimulus programmes, particularly by the US Federal Reserve, played a big role in supporting crude oil outright prices in the third quarter.

The value of the Basket improved by $1.21, accumulating gains totaling around $8.10 in four months, to a monthly average of $108.73/b in September, the highest level since February. On a quarterly basis, the value of the Basket in the third quarter averaged close to $107/b, almost $6 above the second quarter. However, compared to the same period last year, the Basket year-to-date (y-t-d) value continues to trail by almost $4.50 to stand at $105.69/b. The Basket y-t-d value this time last year was at $110.18/b.

Graph 1.1: Crude oil price movement, 2013



The Middle Eastern and multi-destination **ORB components** showed a significant improvement over the month, particularly during the first half, as the market for sour crude shot through the roof with Dubai revealing the strongest backwardated market structure in over 12 years. This was due to the Libyan crisis as this has propped up the Brent complex resulting in a very wide Brent/Dubai spread, which in turn has crimped arbitrage opportunities of Brent-related crude into Asia and kept buying interest for Dubai-related grades enthusiastic. This bullish market sentiment was also associated with Chinese buying for restocking and Northern Asia winter stock building. The Middle Eastern grades, **Qatar Marine** and **Murban** crudes increased by an average of $1.72 over the month, while multi-destination grades **Iran Heavy**, **Basrah light**, **Kuwait Export** and **Arab Light** strengthened on average by around $1.40. Similar to the previous month, the light sweet components of the ORB continued to be supported by production outages in Libya, but to a much lower extent. Although Libya now appears to be producing significant volumes following the lifting of force majeure on the ports of Mellitah and Zawiya during the second half, the outage in Libyan crude production continued to affect the market more in terms of higher physical spot premiums for lighter grades and steeper backwardation on the Brent curve. On average, the prices

of Brent-related components of the Basket from North and West Africa, **Saharan Blend**, **Bonny Light**, **Girassol** and **Es Sider** edged up by 90¢. Ecuador's **Oriente**, which slipped the previous month, gained over $2.20 in September, while Venezuela's **Merey** crude edged down slightly by 20¢.

On 9 October, the OPEC Reference Basket stood at $106.94/b, a decrease of $1.79 compared to the September average.

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

			Change	Year-to-date	
	Aug 13	Sep 13	Sep/Aug	2012	2013
OPEC Reference Basket	**107.52**	**108.73**	**1.21**	**110.18**	**105.69**
Arab Light	108.09	109.48	1.39	110.75	106.48
Basrah Light	106.07	106.61	0.54	108.70	103.65
Bonny Light	113.62	114.30	0.68	114.28	111.03
Es Sider	111.07	111.60	0.53	112.50	108.39
Girassol	110.80	112.13	1.33	113.07	108.82
Iran Heavy	107.06	109.15	2.09	109.69	105.04
Kuwait Export	106.47	108.02	1.55	109.62	104.71
Marine	106.67	108.15	1.48	109.90	104.86
Merey	98.06	97.85	-0.21	102.01	96.84
Murban	109.18	111.14	1.96	112.34	107.54
Oriente	98.24	100.43	2.19	104.30	99.04
Saharan Blend	111.87	112.95	1.08	111.91	108.85
Other Crudes					
Brent	111.27	111.90	0.63	112.14	108.42
Dubai	106.81	108.28	1.47	109.59	105.00
Isthmus	109.09	106.80	-2.29	108.40	107.72
Mars	105.59	103.67	-1.92	107.87	104.33
Minas	105.55	114.38	8.83	118.95	107.91
Urals	110.75	110.92	0.17	111.01	107.75
WTI	106.55	106.26	-0.29	96.11	98.14
Differentials					
WTI/Brent	-4.72	-5.64	-0.92	-16.03	-10.27
Brent/Dubai	4.46	3.62	-0.84	2.55	3.41

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

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

The oil futures market

Oil futures started strong in September, but trending down by the end of the month

Crude oil futures started the month with an upbeat momentum fuelled by tighter global supplies and fears of oil supply disruptions in the broader Middle East. The disruption in Libya's oil exports squeezed supply as unrest shrank the country's exports to around 100,000 b/d, less than a tenth of capacity. This exacerbated an already tight market given reduced volumes from the MENA region, West Africa and South Sudan, as well as disappointing growth from Iraq and Brazil. This has led speculative traders to hike bullish bets on crude oil prices, taking them to record levels. Positive demand growth and economic data from the US and China also supported prices.

Subsequently, oil prices on both sides of the Atlantic began to drop steadily, as geopolitical tensions faded. A rebound in supplies from Libya, Iraq and South Sudan and an assurance by major suppliers and international oil agencies that the market is well-supplied also dampened the pressure on crude oil prices. Libya's production recovered following an agreement to reopen major western fields, while South Sudan production reached 240,000 b/d, its highest volume since oil production was shut down in January 2012. Oil prices also declined in the second half of September amid easing geopolitical tensions which boosted the supply outlook and cut further into the risk premium in the market.

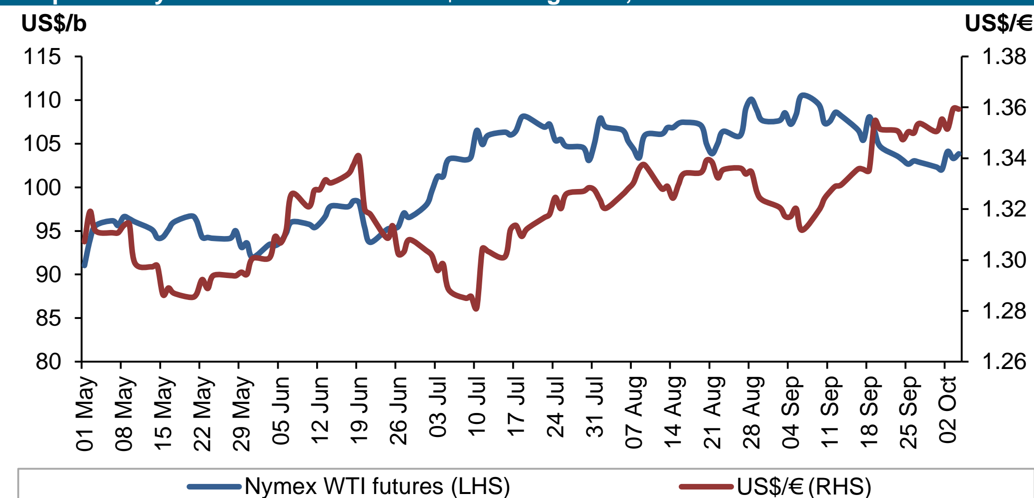
On the **Nymex**, the WTI front month ended the month 30¢ lower at an average of $106.24/b but remained above the $105 mark for the second month. Compared to the same period in last year, the WTI value is higher by $1.93 or 2% at $98.14/b. This is the second month in a row the y-t-d value of the Nymex WTI front-month is higher this year compared to the all-time high year of 2012.

Oil futures showed a diverging trend with ICE Brent rising, while WTI saw a decline

On the **ICE** exchange, the Brent front-month improved slightly by 81¢ to an average of $111.25/b, maintaining its value above the $110/b mark again. On the other hand, the ICE Brent front-month year-to-date value dropped $3.64 or 3.2% to $108.57/b from $112.21/b in 2012.

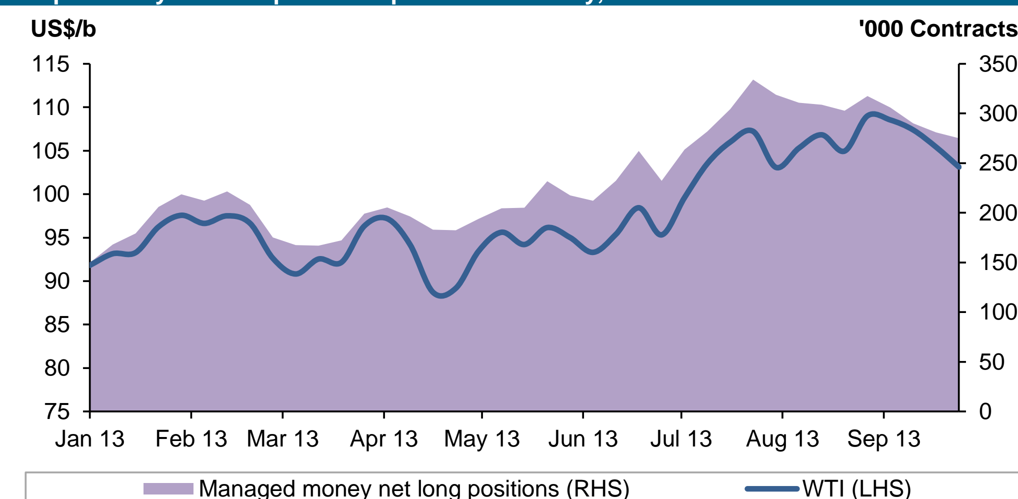
On 9 October, ICE Brent stood at $109.06/b and Nymex WTI at $101.61/b.

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



As the rally in future crude oil prices came to end, **money managers** cut their accumulated record net length positions sharply at the end of September. Over the month, Nymex WTI and ICE Brent front-month prices plunged about $5.80 each. Net length dropped, and overall exposures were reduced. Money managers lowered their net length holdings in Nymex WTI contracts by 42,424 lots to 275,098 lots, while reducing their overall exposure by 58,010 contracts to 329,794 contracts. In ICE Brent futures, investors dropped net length even more by 64,217 lots to 167,745 lots. Their exposure was also down by 39,193 lots to 285,769 lots. Meanwhile, the combined reduction in open interest for the two futures contracts during this period was 126,912 contracts to 4.45 mn lots from the 4.58 million held at the end of the previous month.

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



ICE Brent futures **daily traded volume** increased by 18,814 contracts to 641,290, while Nymex WTI volume dropped again by 27,133 to 556,895 lots. The daily aggregate traded volume in both crude oil futures markets decreased by almost 8,319 contracts in September to over 1.2 mn future contracts, equivalent to 1.2 bn b/d, more than ten times the world daily oil demand. The total traded volume in Nymex WTI and ICE Brent contracts in September was 11.34 and 13.47 mn contracts, respectively.

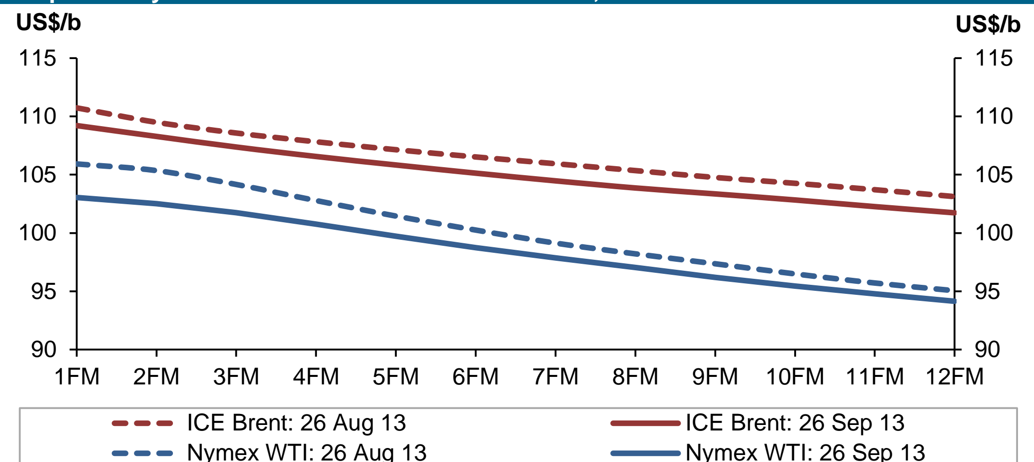
Easing tightness and return of supply outages softened backwardation

The futures market structure

The backwardation between first- and second-month **ICE Brent crude futures** has softened over the month as supply tightness and distribution threats eased. After around 3 mb/d of oil supply losses in the market last month, significant volumes started to come back during September. The most important of these developments was the partial return of Libyan crudes, estimated at around 600 tb/d, and the end of seasonal field maintenance in the North Sea. South Sudanese production is also back at 240 tb/d. A leaking pipeline in Iraq has been fixed, and production from the Majnoon field is expected to reach 175 tb/d. The super-giant Caspian Kashagan field has finally been brought on stream and could be producing 75 tb/d by October. The latest Bakken output figures show that production surged by almost 55 tb/d. With more direct exposure to events in Middle East, prompt Brent prices, relative to forward prices, also dropped as geopolitical tensions diminished over the month. In September, the spread between the second and the first month of the ICE Brent contract averaged around $1/b, easing close to 25¢ from the previous month's record steep level.

In the US, **Nymex WTI** backwardation remained almost unchanged for the third month in a row as stocks continued to be drawn from Cushing with more and more pipelines and rail takeaway capacity becoming available. Crude oil stocks in Cushing, Oklahoma, the delivery point for the US oil futures contract, fell for twelve consecutive weeks, but the pace of the drawdown slowed by the end of the month. Stocks at Cushing in the week to 27 September slipped to 32.8 mb, bringing the total fall since the end of June to 16.9 mb. Cushing has shed over a third of its crude stocks since the end of June as pipeline bottlenecks were cleared, allowing oil to move to refineries in the US Gulf Coast and the Midwest regions. The first month versus second month time spread remained at an average of around 50¢/b.

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



FM = future month.

After reaching levels of close to $8/b earlier in September, the **Brent-WTI differential** has narrowed back to close to $5/b as supply in the Brent market and geopolitical tension eased. It is interesting to note that the current level of the spread is close to the import parity level, which is defined by the cost of moving crude from Cushing to the US Gulf Coast. Due to the effective de-bottlenecking, the Brent-WTI can now be seen as a relatively good measure for geopolitical risk premiums. The recent collapse in the spread would indicate that market participants have largely removed the premiums that came on the back of the spike in geopolitical tensions at the end of August.

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

Nymex WTI	1st FM	2nd FM	3rd FM	6th FM	12th FM
26 Aug 13	105.92	105.35	104.16	100.25	95.05
26 Sep 13	103.03	102.52	101.74	98.73	94.15
ICE Brent	**1st FM**	**2nd FM**	**3rd FM**	**6th FM**	**12th FM**
26 Aug 13	110.73	109.49	108.57	106.52	103.12
26 Sep 13	109.21	108.28	107.37	105.13	101.73

FM = future month.

The light-sweet/heavy-sour crude spread

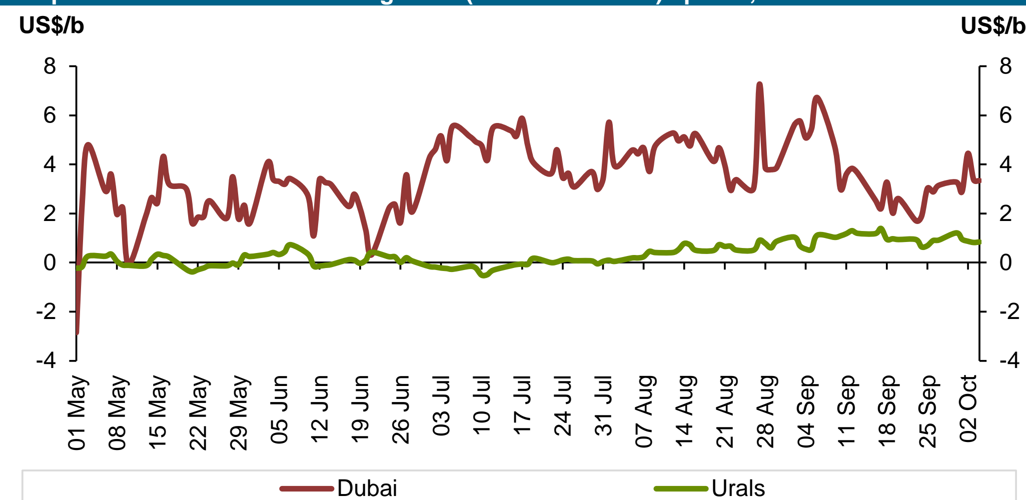
The light /sour spread narrowed, except in Europe

In September, global sweet/sour and light/heavy differentials narrowed, except in Europe, driven mainly by regional supply demand fundamentals.

In **Europe**, the Brent/Urals spread - or light/heavy spread - widened further, with Urals trading at a discount of close to $1/b, doubling the previous month's discount. Differentials for Russian medium sour Urals cargoes in the Mediterranean fell to a steeper discount to North Sea Dated, as supplies continue to rise just as the combination of weak refining margins and regional maintenance has weighed on demand. Weak refining margins continued to keep buying interest in the Mediterranean sluggish, despite limited sour supply in the Mediterranean amid ongoing delays of Iraq's Kirkuk. Persistently high flat prices and strong backwardation in the Brent complex weighed on refining margins. Refining margins have also come under additional pressure from weak product cracks despite the recent slide in crude differentials and weakening backwardation. Furthermore, ongoing refinery maintenance in Russia has kept the Urals supply volume high.

In **Asia**, the light sweet and heavy sour spread, represented by Tapis/Dubai narrowed as Asian buying interest turned to regional crudes amid tightly shut arbitrage flows to the region for most of September. The Libyan crude production outages caused the Brent/Dubai spread to widen significantly, curtailing arbitrage opportunities of Brent-related crude into Asia. This kept buying interest for Dubai-related grades very strong as Asian refiners snapped up Dubai-linked grades, shunning more expensive oil priced on Brent. Middle Eastern sours were also supported by high demand from Japan and South Korea for light sour crudes for stock building ahead of winter. Exports of these grades were also expected to fall due to planned maintenance. The strength of Dubai-related crudes impacted refiners negatively with cracking margins seen in negative territory. In September, on a monthly average basis, the Tapis/Dubai spread narrowed to $9.70 from $10.50 during the previous month.

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



Both **US** Gulf Coast sweet and sour crude oil benchmarks, LLS and Mars, respectively, weakened relative to WTI and Brent in September as autumn refinery maintenance began across the US Gulf Coast. Nevertheless, the light sweet/heavy sour spread or the LLS/Mars spread narrowed over the month. The light sweet LLS lost ground to medium sour Mars crude as pipeline reversals steadily cleared the Cushing clot, shifting some of the light sweet supply in the area to the US Gulf Coast. Heavier crudes are also benefiting from the refiners' need to blend down abundant US supplies of lighter grades. The shift from summer's gasoline-led demand to winter's focus on middle distillates also tilted refiners' crude requirements to medium sour crudes. The LLS/Mars spread narrowed further by almost 90¢ to $4.50/b to the advantage of Mars, on average.

Commodity Markets

Commodity prices have remained mostly unchanged in September, with metals mostly declining and natural gas recovering

Trends in selected commodity markets

Commodity prices have remained relatively flat over the last weeks, after volatile trading in the past months. Following a sharp decline in the first four months of the year, commodity prices have recovered by almost 10% on average from April to August, while in September prices have remained mostly unchanged for most commodities. It seems that currently commodity prices are range-bound amid some recovery in the developed economies, while emerging and developing economies have faced a slow-down in most of the first half of the year. China – as the most important marginal player in commodity demand – has shown signs of a moderate pick-up from its sub-potential growth. This should provide some support for current commodity price levels. However, the most recent uncertainty on US fiscal issues but also the ongoing weakness in some of the major emerging economies have highlighted that the undergoing economic recovery remains fragile.

The price behaviour in September among commodities has varied as has been the case in the past months. Particularly base metals have declined in September and gold showed some re-emerging weakness in the second half of the month, while agricultural products have been almost flat and energy prices slightly positive, on average. The once again increasing demand from China might turn out to be supportive for most of the major commodities.

Table 2.1: Commodity price data, 2013

Commodity	Unit	Monthly averages			% Change		
		Jul 13	Aug 13	Sep 13	Jul/Jun	Aug/Jul	Sep/Aug
World Bank commodity price indices for low and middle income countries (2005 = 100)							
Energy		186.5	191.0	192.1	4.4	2.4	0.6
Coal, Australia	$/mt	77.3	77.0	77.6	-6.6	-0.4	0.8
Crude oil, average	$/bbl	105.3	108.2	108.8	5.5	2.8	0.6
Natural gas, US	$/mmbtu	3.6	3.4	3.6	-5.4	-5.3	5.5
Non Energy		171.5	171.1	169.9	-1.4	-0.2	-0.7
Agriculture		176.4	172.8	172.5	-2.3	-2.0	-0.1
Food		194.5	187.6	186.5	-2.5	-3.6	-0.6
Soybean meal	$/mt	563.0	526.0	566.0	0.9	-6.6	7.6
Soybean oil	$/mt	995.0	999.0	1,026.0	-4.4	0.4	2.7
Soybeans	$/mt	509.0	516.0	557.0	-2.9	1.4	7.9
Grains		228.2	207.3	190.3	-4.8	-9.2	-8.2
Maize	$/mt	279.5	238.7	207.5	-6.3	-14.6	-13.1
Wheat, US, HRW	$/mt	304.6	305.3	307.5	-2.8	0.2	0.7
Sugar World	¢/kg	37.1	37.5	38.4	-1.5	1.2	2.2
Base Metal		147.0	153.1	151.4	-1.8	4.2	-1.2
Aluminum	$/mt	1,769.6	1,817.6	1,761.3	-2.5	2.7	-3.1
Copper	$/mt	6,906.6	7,192.9	7,159.3	-1.3	4.1	-0.5
Iron ore, cfr spot	¢/dmtu	127.2	136.7	134.2	10.8	7.5	-1.8
Lead	¢/kg	204.8	217.4	208.5	-2.5	6.2	-4.1
Nickel	$/mt	13,750.3	14,314.9	13,801.4	-3.7	4.1	-3.6
Tin	¢/kg	1,956.4	2,164.4	2,273.5	-3.5	10.6	5.0
Zinc	¢/kg	183.8	189.9	184.7	-0.1	3.3	-2.7
Precious Metals							
Gold	$/toz	1,285.5	1,351.7	1,348.6	-4.3	5.2	-0.2
Silver	¢/toz	1,971.0	2,189.4	2,256.4	-6.6	11.1	3.1

Source: World Bank, Commodity price data.

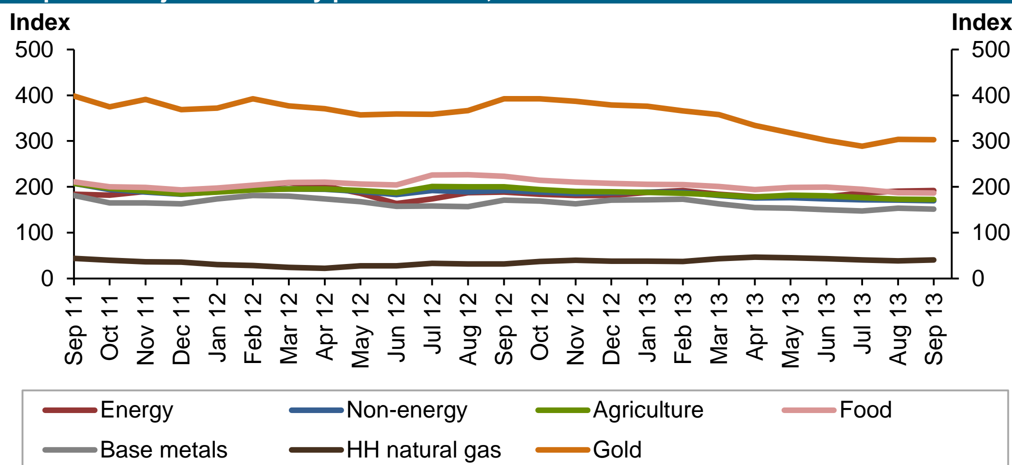
While the government shut-down in the US had only a limited impact on the price performance of commodities, the outcome on the discussion on the raising of the debt-ceiling might have a much larger effect. Moreover, this comes at a time, when the uncertainty about the Federal Reserve Board's (Fed) strategy on how to pursue its extraordinary monetary supply measure has increased. These US-centred decisions are of great importance for future commodity prices as cheap interest rates and ample availability of monetary supply from particularly the US, but also other major central banks of developed economies, have been a vital support factor for the commodity price development in the past years. Over the past months, the market has, to some extent, digested the possibility of a reduction of monetary stimulus in the US, however

any unforeseen development on raising the debt ceiling in the US and its spill-over into the financial markets could lead to a major repercussion on the commodity markets. Other topics to watch, that will influence the near-term price development, will be commodity supply growth and the economic development of the major emerging economies, mainly China.

Energy prices, which have risen by around 15% to August since the trough in mid-April, have hardly changed in the past weeks – with the exception of natural gas – after geo-political concerns are fading and temporary supply disruptions have been overcome recently. While precious metals have also recovered since the beginning of July, they started retreating at the end of September and the likelihood of a continued recovery in the US, plus rising interest rates, should make them less attractive in the coming months. In the very short term however, they could turn out as a safe haven investment and remain supported by the current uncertainty about raising the debt ceiling in the US.

While energy prices in September rose a marginal 0.6% for the third consecutive month, after 2.2% m-o-m in August and 4.4% m-o-m in July, the natural gas price has recovered significantly, following a decline for three consecutive months. Natural gas fell by more than 5.0% m-o-m in August and July, and rose by 5.5% in September. The agricultural sector declined only slightly by 0.1% in September, after falling by 2.2% the previous month. Base metal prices declined by 1.2%, after increasing by 4.2% m-o-m a month earlier. In precious metals, gold declined by 0.2%, while silver increased by 3.1%.

Graph 2.1: Major commodity price indexes, 2011-13

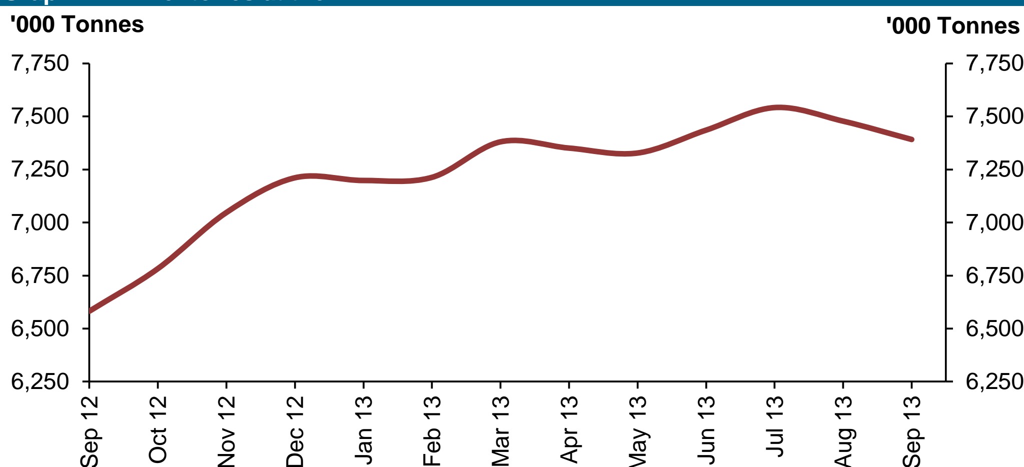


Source: World Bank, Commodity price data.

HH natural gas up for the first time in four months on nuclear plant outages

In September, the **Henry Hub (HH) natural gas price index** ended higher for the first time in four months by 5.5%, backed by rising nuclear plant outages and bullish inventory expectations. Prices have been underpinned earlier in the month by seasonal maintenance at some of the nuclear plants that have shifted demand to gas. Gas-fired units are typically used to make up any lost generation when nuclear plants shut. Nevertheless, late in the month, US natural gas futures front-month contract posted a five-week low amid a bearish weekly inventory report, mild weather outlook and no serious storm threats to Gulf of Mexico gas supplies. The contract also posted a fractional loss in the third quarter, but is still up a significant 45% so far this year, compared to the same period in the previous year.

Graph 2.2: Inventories at the LME



Sources: London Metal Exchange and Haver Analytics.

Investment flows into commodities

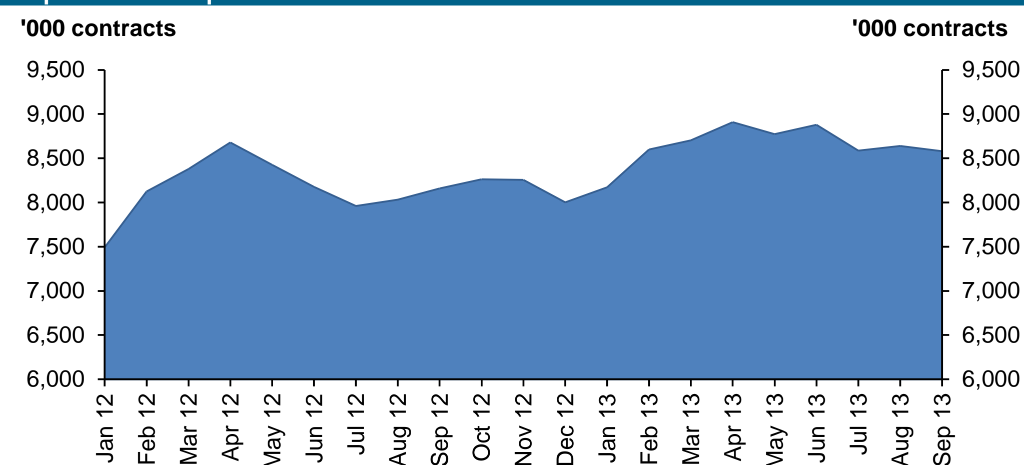
In September, total OIV dropped slightly by almost 1%

The total open interest volume (OIV) in major commodity markets in the US decreased slightly by almost 1% m-o-m to 8.7 million (mn) contracts in September. All major commodities' OIV dropped marginally, except that of livestock and crude oil, where the OIV increased by 0.8% and 2.5%, respectively. The remaining commodities' OIV decreased in the range of 0.7% to 7.38 mn lots over the month.

Total net length speculative positions in commodities increased sharply by almost 30% m-o-m to 707,865 contracts in September, adding to the previous month's 10% gains. This was mainly driven by significant bullish speculative sentiments in agriculture, natural gas, precious metals and gold. Money managers' activities in copper and crude oil reflected deep bearish sentiments in these markets, particularly towards the end of the month.

Agricultural OIV dropped slightly by 0.7% m-o-m to 4,189,171 contracts in September. However, money managers' net long positions in agriculture increased sharply by over 145% to 244,125 lots. The bullish move took place as futures markets rallied to record highs while the sugar harvest Brazil began its seasonal slow-down and was additionally hindered by rains. Crop weather and possible crop disease concern in the top cocoa grower raised production worries, causing some analysts to increase their global deficit forecasts for the 2013/14 crop year starting 1 October.

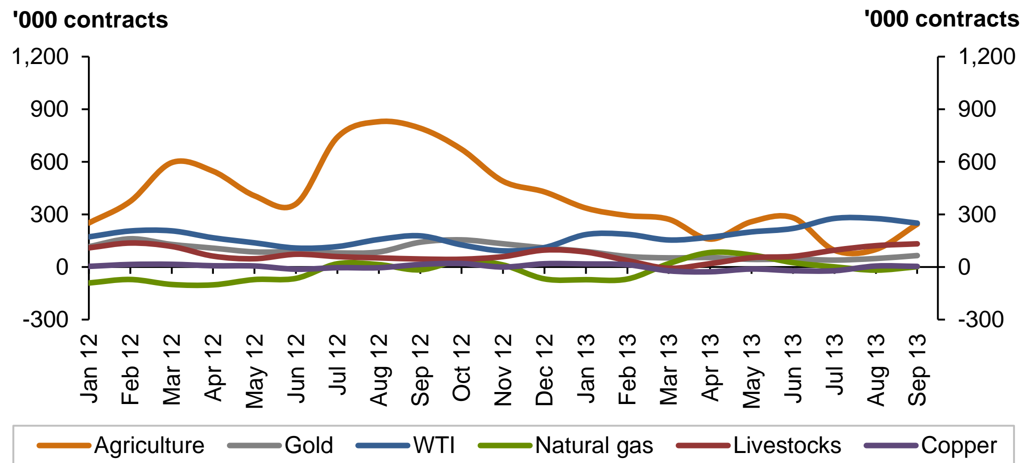
Graph 2.3: Total open interest volume



Source: US Commodity Futures Trading Commission.

Henry Hub natural gas' OIV decreased again by 3.4% m-o-m to 1,311,375 contracts in September. Money managers flipped their previous month's net short positions of 18,377 lots to stand at net longs of 786 lots, an increase of over 104% amid five consecutive weeks of bullish bets on higher natural gas prices. That was driven by increased demand due to seasonal maintenance at some nuclear plants.

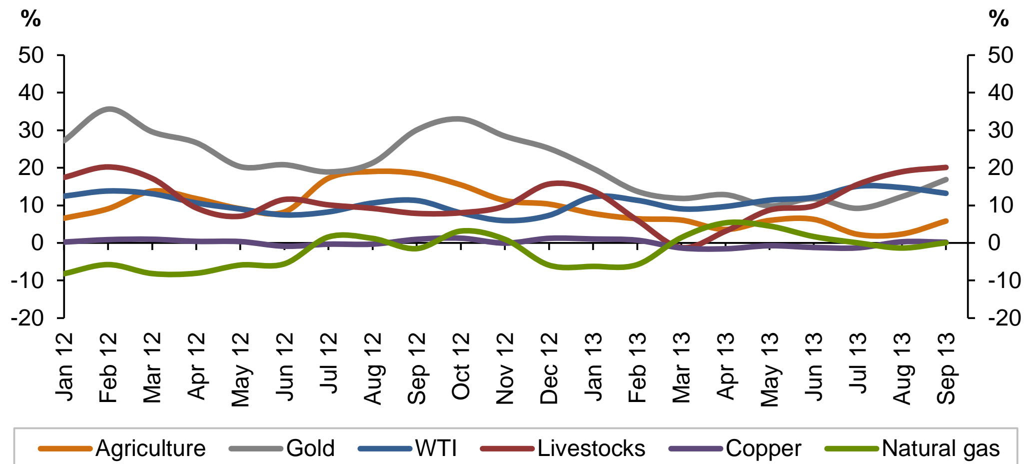
Graph 2.4: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

Copper's OIV decreased 7.4% m-o-m, for the third month in a row to 148,740 contracts in September. The group of investors reduced net long positions by 1,967 contracts to 2,928 lots, a hefty 40% drop. Speculators slashed net longs as consensus indicated that the Fed Open Market Committee could announce a plan to begin slashing its $85 billion monthly bond purchase programme.

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



Source: US Commodity Futures Trading Commission.

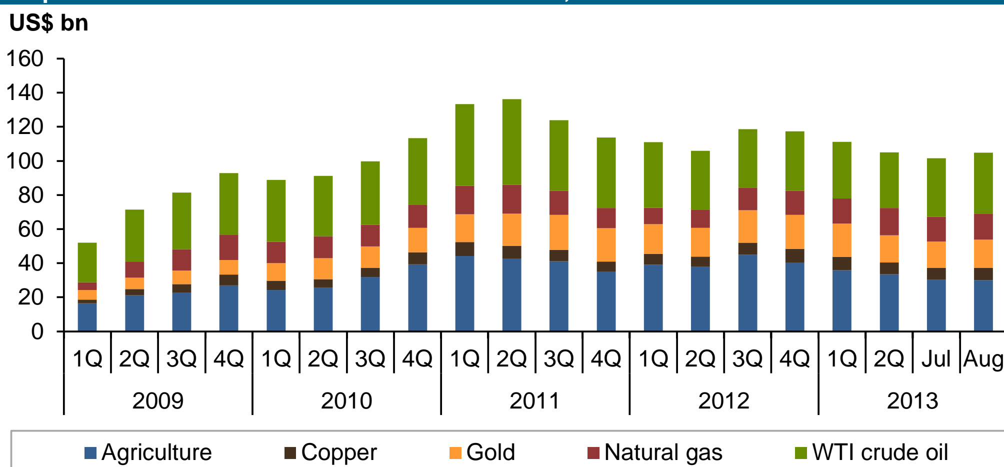
Gold's OIV decreased by 1.3% m-o-m to 383,889 contracts in September. However, hedge funds and money managers continue to raise bullish bets in US gold by 35% m-o-m to 64,743 lots, the highest level in several months, as a spike in geopolitical tensions triggered safe-haven buying. A possible US government shutdown also provided support.

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

	Open interest		*Net length*			
	Aug 13	Sep 13	Aug 13	% OIV	Sep 13	% OIV
Crude oil	1,876	1,891	276	15	250	13
Natural gas	1,357	1,311	-18	-1	1	0
Agriculture	4,217	4,189	99	2	244	6
Precious metals	519	497	60	11	79	16
Copper	161	149	5	3	3	2
Livestock	640	655	121	19	132	20
Total	**8,770**	**8,693**	**543**	**6**	**708**	**8**

Source: US Commodity Futures Trading Commission.

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



Source: US Commodity Futures Trading Commission.

World Economy

Table 3.1: Economic growth rate 2013-14, %	World	OECD	US	Japan	Euro-zone	China	India
2013	2.9	1.2	1.6	1.9	-0.3	7.6	5.0
2014	3.5	1.9	2.5	1.5	0.7	7.7	5.8

Industrialised countries

US

The re-emergence of fiscal uncertainty in the US has led to a revision of the 2013 growth forecast to 1.6% from 1.7%.

While the US economy has experienced a healthy momentum in the past months, the recent **budget impasse**, which has led to a government shutdown and threatens any agreement on raising the US debt ceiling, could hamper the US recovery and, if left unresolved, could potentially impact the global economy. In addition, there is the risk that even if the situation is resolved with an agreement to postpone the discussion for another few months — as has been done in the past two years — this prolonged uncertainty could create another drag on the still fragile recovery.

While this important issue that will need close monitoring in the upcoming days and weeks, the underlying economy has so far shown a positive trend, and the 2Q13 GDP number has been confirmed at a seasonally adjusted annualised rate (saar) of 2.5% q-o-q and the soon-to-be-released 3Q13 number should be at around the same level. However, 4Q13 will be impacted by the current development in Washington, but this is currently expected to be slight. So far, our forecast reflects a two-week period of the shutdown, lowering our annualised quarterly growth number by 0.2%. The impact is coming not only from the fact that federal spending is lowered to a minimum, but also from less spending due to increasing uncertainty, comparable to the findings of the shutdown of 1995/1996.

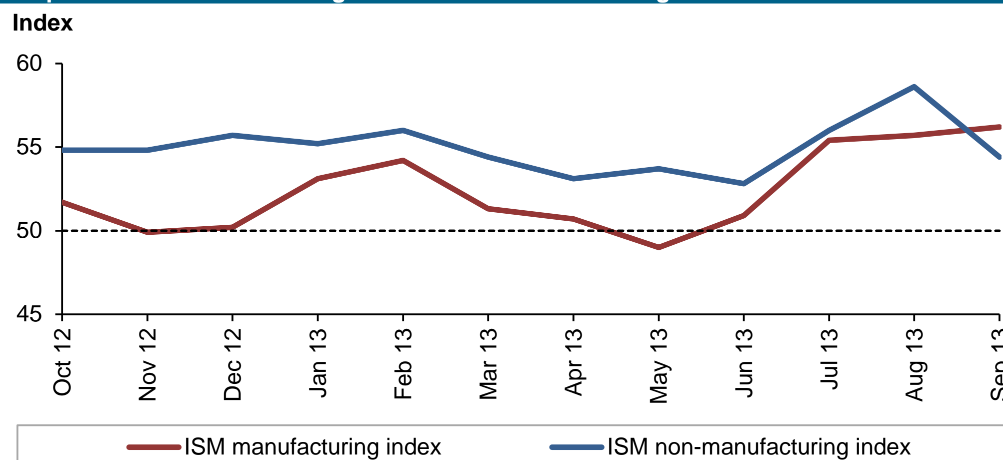
The major issue is certainly not so much a probably short-lived government shutdown, but the necessary increase of the debt ceiling in the second half of October. If an increase would not be implemented, this could ultimately lead the US to default on its sovereign debt, which could create a variety of implications not only for the US economy, but for the global economy, given the central role the US financial system plays within the world economy. The value of treasuries would decline, credit ratings would potentially be downgraded, yields would move higher, and banks and insurance companies would need to reflect this on their balance sheets, to name just a few affects. Given the US dollar's global status as the most liquid reserve currency and US treasury bonds being considered the most liquid safe haven, the global financial system could indeed be facing major turbulences.

Another important issue is the question "if, when and how" the Federal Reserve Board (Fed) will decide on reducing the extraordinary **monetary stimulus measures** it is momentarily engaged in. In its last meeting, it was decided that the tapering of the quantitative easing measures is to be postponed to a later date. With the current challenges in Washington – the falling inflation,which is at only 1.5%, and the unemployment rate at above 7% – the Fed should be expected to act more cautiously than it has indicated in the past months. The Fed's decision is of global importance as this impacts not only the local economy, but also has the potential of an unwanted effect on those economies that have so far largely benefited from US-dollar investments.

With the labour market data not having been provided for September, an important analytical input is missing, but by reviewing the data that has become available, it seems obvious that the economy has slightly softened, probably in 3Q13, but continues recovering. The **consumer confidence sentiment index** of the Conference Board fell slightly to 79.7 from 81.8 in August. The other very important consumer sentiment indicator of the University of Michigan fell to 77.5 from 82.1. On the other hand, the manufacturing sector continues improving. The **purchasing manager's index (PMI)** for the manufacturing sector, as provided by the Institute of Supply Management (ISM), increased to 56.2 in September from 55.7 in August. However, manufacturing order numbers have increased only by 1.1% y-o-y in July after 6.9% in June. Industrial production increased by a healthy 2.7% y-o-y in August. The ISM for the services sector, which constitutes more

than two-thirds of the economy, fell however to 54.4 in September, but from relatively elevated levels of 58.6 in August and 56.0 in July.

Graph 3.1: ISM manufacturing and non-ISM manufacturing indices



Source: Institute for Supply Management.

The very important **housing sector** provides mixed signals, probably having been negatively impacted by rising mortgage rates. Pending home sales fell again in August, declining by 1.6%, after a drop of 1.4% the previous month and minus 0.4% in June, according to the National Association of Realtors. Pending home sales are considered a leading indicator of progress in real estate because they track contract signings. On a positive note, the yearly change of the house pricing index of the federal housing finance agency (FHFA) has continued its rising trend at a monthly price rise of 8.8% y-o-y in June, the largest increase since March 2006.

While the momentum in the first quarter seems to have been significantly impacted by the **fiscal** drag, the second quarter's performance has pointed at some improvements that are forecast to continue in the second half, albeit at a slightly lower pace. However, the re-emergence of fiscal uncertainty has led to a revision of the 2013 growth forecast to 1.6% from 1.7%. The forecast for 2014 remains unchanged at 2.5%, but current developments regarding the undergoing budget and debt ceiling negotiations and also the Fed's approach on its quantitative easing programme will all need close monitoring.

Japan

Japan continues its expansion backed by ongoing momentum in exports and local stimulus measures.

The 2013 forecast has been revised from 1.7% to 1.9% on the latest release of actual 1H13 GDP numbers.

Japan continues its expansion backed by the ongoing momentum of the most important rising exports and local stimulus measures. This positive development of the economy has also been reflected in the most recent sentiment gauges and lead indicators point at a continuation of this development. To tackle the high debt burden, the government has recently confirmed plans to move ahead with the **sales tax** increase in April 2014 from currently 5% to 8%. As this event is being considered a potential threat to the still fragile recovery in Japan, a stimulus package of 5 trillion yen ($50 bn) has also been introduced. This should allow for short-term compensation of a potentially significant negative effect for the economy. The recent comments from the Bank of Japan (BoJ) have also been confident on moving ahead with a sales tax increase, and the BoJ has indicated that it might also accommodate its monetary policy further, if needed, in general, and also to compensate for potentially negative effects from a sales tax increase.

The necessity of **fiscal consolidation**, while at the same time striking the balance for additional stimulus, has been made clear by the government, which mentioned that Japan has no choice but to accomplish economic recovery and fiscal consolidation at the same time. The debt issue will need an increasing focus in the future, given the fact that not only has the public debt level risen significantly in the past years, but that since the newly elected government has – together with the BoJ – supported loose monetary policy, private household debt has also increased to a relatively high level of almost 110% to GDP, now around the same level as at the beginning of 2009, just

after the collapse of Lehman Brothers. While recently, and in line with the government's strategy, public spending has increased, it should not be expected to continue at the same pace, given the tight budgetary situation. So, the continued monetary stimulus and the third arrow of the government, to implement structural changes, should be expected to be the main domestic support factors for the economy in the future.

Industrial production has increased by 1.1% in August, after 0.4% y-o-y in July. This, to some extent, has been fuelled by rising exports, which increased by 14.6% y-o-y in August after a strong pick-up of 12.2% in July.

The second important factor has been improving **domestic demand**. Based on the 1H GDP numbers, the local momentum has been broad-based. Retail sales in August increased by 1.1% after a soft dip of 0.3% y-o-y in July. Sentiment is pointing at a continuation of the current growth momentum. The latest numbers from the purchasing manager's index (PMI), as provided by Markit, show an increase for the manufacturing sector from 52.2 to 52.5 and for the services sector a rise from 51.2 to 53.0. However, a lower consumer confidence index level in August, as provided by the Cabinet Office, now declining for three consecutive months to 42.5 compared to May's level of 45.5, indicates a somewhat softening trend in the domestic market at least in the very short term. **Inflation** has improved significantly, but remains much below the targeted level for next year of 2%. While it fell by 0.3% y-o-y in May, it rose by 0.2% in June, 0.7% in July and by 0.9% in August, the latest available number. The yen has performed relatively well in the past weeks, but has moved from almost ¥100/$ to around ¥97/$, a direction the BoJ and the current government will most likely try to reverse.

By taking into account the latest release of actual 1H13 **GDP** numbers, the 2013 forecast has been revised from 1.7% to 1.9%. While growth for the current year is relatively well established, the potential for the next year remains to be seen. The increase of the consumption tax is expected to largely impact the 2Q14 growth number, which is now expected to be flat, after a more significant rise in 1Q14 ahead of the tax rise. Taking into consideration this negative impact and its continued drag for the remainder of the year and also some slower underlying momentum in 2014 due to reduced public spending, the economy's growth forecast for 2014 stands at 1.5%, slightly higher than last month's forecast of 1.4%.

Euro-zone

Taking into consideration the better than expected second quarter GDP number and the ongoing trend, the forecast for 2013 has been lifted from -0.5% to -0.3%. The 2014 forecast has been lifted from 0.6% to 0.7%.

The Euro-zone continues to recover from a very low base, after having been in decline for six quarters. However, the main issues of the Euro-zone remain the same. They are growth, record unemployment and a still-impaired monetary transition channel. With the latest GDP release, the Euro-zone confirmed the solid momentum of the second quarter and with lead indicators pointing at a continuation of the momentum in the second half, the Euro-zone is expected to manage a gradual rebound in the next year, when it is expected to grow again for the first time in three years. The recent momentum has been relatively broad-based, with Germany picking up by 0.7% in 2Q13, France's GDP rising by 0.5% and even Italy's GDP declining only by 0.2% and Spain's GDP by 0.1%. There is also a very tender improvement in the labour market with revised unemployment numbers, which show an improvement for the first time in several years, albeit only very slightly. The number of unemployed, however, is still elevated and, consequently, retail sales remain sluggish, having been in decline now for more than two years on a yearly comparison (i.e. despite the low level that was reached in the meantime, particularly in the less advanced Euro-zone economies). The most recent political uncertainties in Italy have again pointed at the fragility that the Euro-zone is dealing with. With Italy constituting the third biggest sovereign debt market after the US and Japan, timing, as in Washington, could not be more sensitive.

Despite some improvement in the economy, **debt compared to GDP** is still increasing, with the exception of Germany, and the weakness of the banking system is adding weight to the ongoing challenges. An important issue here is a subject that has recently been highlighted by the president of the German Bundesbank: the reliance of major banks on sovereign debt as the preferred asset class on their balance sheets, which is an approach that should be reviewed, given the weakness of sovereign debt

in the past years. The ECB will start a close review of the soundness of the European Banks in 2014, and the assessment will help decide what strategy will be needed to improve the sector that is so vital for any economy. The European Banking Union could pose a solution to an important weakness of the Euro-zone banking system. In the meantime, the ECB has reiterated that it will support the banking sector to the best of its ability and that it may again introduce an exceptional funding facility. Additional measures might be necessary with the 3-month inter-banking facility of the Euribor having increased significantly from its low of 0.185% in December 2012 to an average of 0.223% in September. Further reflecting the impaired channel of the monetary financial intermediaries to the private sector, private sector borrowing-to-GDP was at a record low again in August. The latest available data for August shows a record decline of 3.4% y-o-y after July's fall of 3.3%. Rising market interest rates are therefore a very unwelcome development. The ECB has made it clear again in its latest meeting at the beginning of October that it would not tolerate rising interest rates as this could easily dent the still fragile recovery. After its latest meeting, it kept the key policy rate unchanged at 0.5%. Moreover, the inflation target of the ECB of close to, but below, 2% has been constantly undershot over the past months and stood at 1.1% in September. Furthermore, the president of the ECB highlighted that the central bank considers the current recovery weak, fragile and uneven.

So, some uncertainties prevail, and it might be too early to change the assumption of a slow and gradual move out of the recession. In general, there has been some improvement during the past weeks in the underlying economy, but the strength of the momentum remains unclear. After **industrial production** for the Euro-zone improved by 1.2% q-o-q in 2Q13, and increased by 0.2% q-o-q in 1Q13, it declined again in the month of July by 2.7% y-o-y. Some of the most recent lead indicators are positive, although the dynamic of the current improvement seems to be slower when compared with 2Q13. The latest purchasing manager's index (PMI) for manufacturing, as provided by Markit, stood at 51.1 in September, after 51.4 in August and 50.3 in July. The services' sector index improved again to 52.2, to stand above the 50 level for the second time in September, after an August level of 50.7.

The lagging indicators of the **labour market** have improved tenderly, however they are still pointing to the challenges the economy is dealing with. The revised unemployment rate in August stood at 12.0%, the same level as in July and lower than the peak level of 12.1% in June. By looking into the two largest economies of the Euro-zone – Germany and France – the picture remains mixed. While industrial production in Germany fell by 2.3% y-o-y in July, manufacturing orders, as a lead-indicator for future production, pointed at some improvement, increasing by 1.1% y-o-y in July and 4.7% in June. This positive trend is also being confirmed by the Ifo business climate index, a reasonable lead-indicator for German business activity, which rose again in September to 107.7 from August's level of 107.5. In France, industrial production fell by 1.8% y-o-y in July, while the Insee business climate index indicated that this decline might be temporary. It rose to a level of 95 in September from 91 in August, the highest level in more than a year.

Taking into consideration the better-than-expected second quarter GDP number and the ongoing trend, the **forecast** for 2013 has been lifted from -0.5% to -0.3%. The 2014 forecast has been lifted from 0.6% to 0.7%. It remains to be seen to what extent the economy will manage to rebound in the coming months as many uncertainties prevail, but it will certainly need the larger economies of Germany and France to improve further, with the other peripheral economies, also supporting growth.

Emerging markets

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

Considering **Brazil**'s first-half real GDP growth figure and the available economic indicators on the third quarter of the year, the forecast of 2.5% for 2013 remains intact. It should be mentioned here that Brazil's central bank cut its 2013 estimate last month to 2.5% from 2.7%. The forecast for 2014 GDP remains unchanged as well at 2.8%.

Given that **Russia**'s economy grew at a disappointing rate of only 1.4% in the first half of 2013 and that the available data on the first two months of the second half of the year was mixed and certainly does not support an expectation of a strong pick-up of

the economy during the coming few months, the forecasts for both 2013 and 2014 have been revised down. The forecast for Russia's GDP growth in 2013 now stands at 2.0%, significantly lower than last month's expectation of 2.6%. As for 2014, we are now projecting the Russian economy to grow at a rate of 2.8%, slightly less than the 3.0% forecast of last month.

A slowdown in **India**'s growth has been driven by two main factors: higher interest rates caused by the need to counter inflationary pressures and a steep decline in private investment. The slowing trend in the economy has led to a GDP revision for both 2013 and 2014. The GDP growth rate was revised down to 5.0% for 2013, from 5.3% in the previous month, and to 5.8% for 2014 from 6.0% a month earlier.

China's real GDP growth expectation remained unchanged at 7.6% for 2013 and 7.7% for 2014 as the major economic indicators such as industrial production, exports and investment all showed accelerated growth in September.

Among **Other Asian** economies, the GDP performances in the first half of this year differed along with mixed economic signals over the latest two months. Having largely accommodated the current development, no revision was made for the region, despite some economies seeing changes in their individual performance.

Overall, **Africa**'s economies have been slightly revised up to 3.9% this month, from 3.8%, mainly due to positive and unexpected momentum noticed in Egypt and Morocco, whereas **Latin America**'s GDP forecast stood this month at 3.0% and 3.2% for 2013 and 2014, respectively, unchanged from last month's report. With signs of economic improvement, the risk to our forecast for **OPEC economies** is more to the upside this month, though not changed from the September report, awaiting to see the emerging trend.

Table 3.2: Summary of macroeconomic performance of BRIC countries

	GDP growth rate		CPI, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Brazil	2.5	2.8	6.4	5.9	-74.5	-83.5	-3.1	-3.3	60.0	61.6
Russia	2.0	2.8	6.4	5.5	52.1	39.6	-0.6	-0.4	8.1	8.2
India	5.0	5.8	9.6	9.0	-90.8	-86.0	-5.1	-4.9	51.4	50.6
China	7.6	7.7	2.6	3.4	183.9	161.4	-2.1	-2.0	16.4	17.0

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

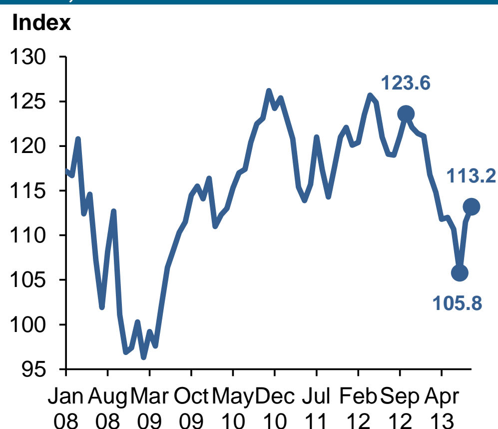
Brazil

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

Brazil recorded an approximate 5% y-o-y rise in its **exports** in September, signalling the third acceleration of exports since the beginning of the year. This improvement followed the 4.3% y-o-y drop in exports a month earlier. On the other hand, **imports** perked up about 8.1%. The Brazilian central bank maintained the key "Selic" **interest rate** unchanged at 9.0%, as **inflation** eased once again in the previous month to 6.1%, down from July's 6.4%.

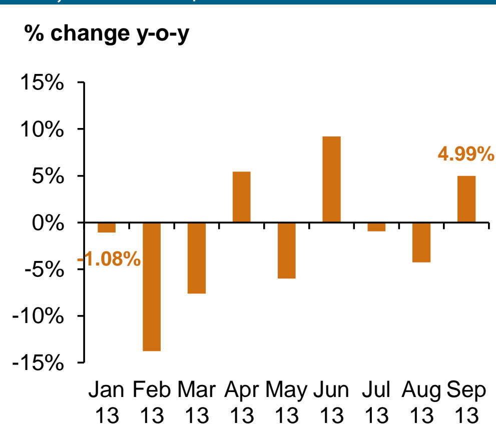
The **unemployment rate** slid further to 5.3% in August, to its lowest since December 2012, after having fallen in July to 5.6% from 6.0% the month before. As a result of tamed inflation and low unemployment rates, **consumer confidence** in Brazil improved to 113.2, reaching its pre-protests level. This sentiment, if continued, would provide positive momentum critical to the domestically-driven side of the economy, which accounts for more than 60% of the country's GDP. It should be noted, however, that Brazil's central bank increased its 2014 inflation forecast to 5.7%, partially on the back of the depreciated currency that undermines the big interest rate increases totalling 175 basis points since April, assuming that the central bank raises the benchmark interest rate to 9.75% by November. Last June, it was foreseen that inflation will accelerate by 5.2%. If these forecasts materialise, this will be the fifth consecutive year where inflation breaches the 4.5% target.

Graph 3.2: Brazilian consumer confidence index, NSA



Sources: Fundação Getúlio Vargas and Haver Analytics.

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



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

The latest data showed that **lending** by Brazilian public banks has increased six times faster than **credit** by private banks this year, highlighting the government efforts to stimulate the economy. With gross debt rising, however, it is clear now that this policy might not be sustainable in the next year at the same pace. It remains to be seen whether private investment is going to fill in this gap to finance the $90 billion logistics programme designed to remove bottlenecks and boost growth. In its attempts to tame inflation and stabilise the real, the central bank of Brazil continued sending signals about its intention to continue its $60 billion currency intervention programme. The real tended to appreciate since the central bank announced its intervention programme. Furthermore, the latest no-tapering decision by the US Federal Reserve removed a temporarily significant source of pressure on the currencies of emerging and developing economies.

The **HSBC Brazil Purchasing Managers' Index** (PMI) increased from 49.4 in August to 49.9 in September, suggesting that the operating conditions across the country's manufacturing economy were broadly unchanged. It should be noted, however, that the PMI average for the third quarter of the year was the lowest since 3Q12. The survey showed a contraction in new orders and export work, though at marginal and slower rates compared to August, while production increased for the first time in three months along with the input price which experienced its strongest increase in almost five years.

Considering the figure of the first-half real **GDP growth** and the available economic indicators for the third quarter of the year, the 2013 forecast remains at 2.5%. It should be mentioned here that Brazil's central bank cut its 2013 estimate last month to 2.5% from 2.7%. The forecast for 2014's GDP remained unchanged as well at 2.8%.

Russia

Russia's GDP forecast revised down to 2.0% and 2.8% for 2013 and 2014, respectively

Retail sales growth in Russia showed a slight deceleration in August, when it increased 4.0% y-o-y from 4.3% a month earlier. This came despite the labour market picture improving a bit as the **unemployment rate** stood at 5.2% y-o-y in August, down from 5.3% a month earlier. This suggests that the economy is running at nearly full-manpower capacity. The central bank of Russia seems to now be focusing on enhancing its anti-inflation credentials and has signalled increased attention on reaching mid-term inflation targets. Recent available data showed apparently tamed **inflation rates**, which accelerated by 6.5% y-o-y in each of August and July, the lowest since the beginning of the year. Inflation readings remained at sub 7.0% since June. Nevertheless, the encouraging momentum in the labour market and consumer prices has not been reflected in terms of improved domestic retail sales due mainly to two factors. One is the increase of disposable income found to be slower than inflation. On average, **disposable income** grew by 3.2% in July and August compared to a 6.5% inflation rise over the same period. The other factor impacting consumer spending in Russia is the humble economic outlook that is mainly driven by

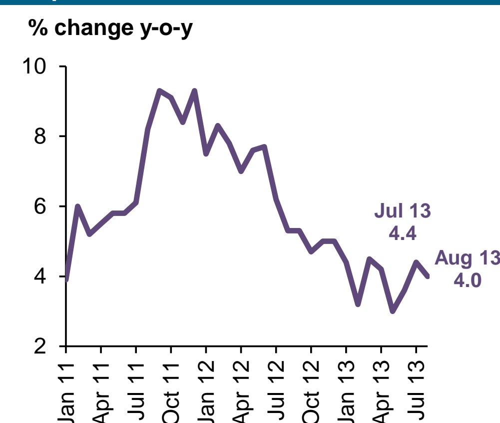
externalities affecting directions of investment flows together with a high dependency on commodity prices. This sentiment encouraged consumers to stay on the sidelines and discouraged banks from lending for small- to medium-sized projects. Due to the uncertainty over the short-term economic outlook, banks charged high **interest rates** on non-financial corporations' loans, creating a price disadvantage to Russian manufacturers relative to several emerging and developing economies. The negative sentiment among domestic consumers, if deepened, could pose a serious threat to the whole economy as household spending accounts for about half of Russia's economy.

On the supply side, the **HSBC manufacturing PMI** showed an ongoing deterioration of the manufacturing business conditions in Russia for the third month. The index stood at its same sub-50 level in September as was the case in August, at 49.4. For the first time in five months, the survey signalled a new drop in export contracts, which led to slower growth in new businesses. Moreover, a decline in exports has taken place in September at the fastest rate since December 2012. The readings of the latest three PMI reports of Russia suggest that the underlying momentum is likely to remain weak until the end of 2013.

Graph 3.4: Russian GDP growth, NSA

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

Graph 3.5: Russian retail trade/sales, NSA



Sources: Federal State Statistics Service and Haver Analytics.

Given that Russia's economy grew at a disappointing rate of only 1.4% in the first half of 2013 and that the available data on the first two months of the second half was mixed and certainly does not support an expectation of a strong pick-up of the economy during the coming few months, our forecast for Russia's GDP growth is revised down to 2.0% for 2013, significantly lower than last month's expectation of 2.6%. For 2014, the picture is vaguer for the Russian economy. Prospects for notable economic improvement remain in place as Russia could be one of the countries that will benefit considerably from a recovery in Europe along with stabilisation in China. However, the flow of investment into Russia remains a critical factor to its economic growth while its **population growth** does not provide strong support for GDP growth. Russia's population grew by just 0.03% on average over the last five years, a much slower rate when compared to nearly 0.7% in the 1990s. Moreover, Russia's economy is now forecast to grow at a rate of 2.8% in 2014, slightly less than the 3.0% forecast of last month.

India

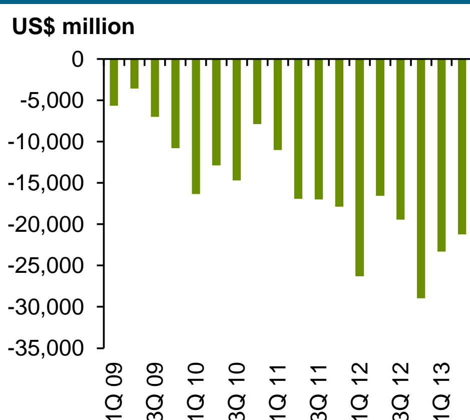
India's slowdown has been driven by two main factors: higher interest rates caused by the need to counter inflationary pressures and a steep decline in private investment

India is one of many emerging market economies suffering from the withdrawal of foreign capital in anticipation of a tighter US monetary policy in the recent months. The initial calculation of fund investors was that dollar-denominated assets would become relatively more attractive as US interest rates began to rise from historic lows. Once emerging market currencies began to register sharp declines, the focus narrowed to countries with substantial current account deficits.

A partial recovery in investor confidence and a rebound of the currency in the last two weeks suggest that the worst may be over for the Indian economy. But the near-term outlook is still weak. Rising inflation and a tighter monetary policy are likely to dent domestic demand.

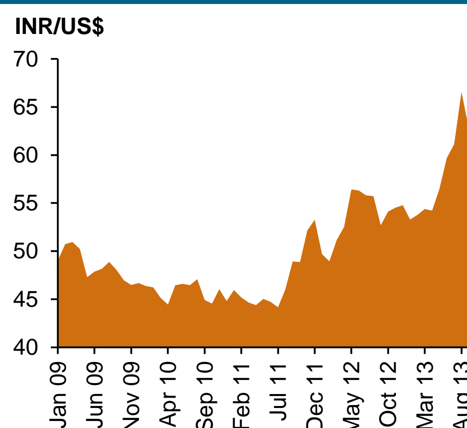
It seems that the slide in the Indian rupee is likely to dampen growth in the short term due to a high inflation rate, tighter credit conditions and a loss of monetary policy support. Falling sentiment related to recent weakness in financial markets has created a deep sense of gloom about India's economic prospects, impacting business and consumer confidence.

Graph 3.6: Indian current account balance



Source: Reserve Bank of India and Haver Analytics.

Graph 3.7: Indian rupee/US dollar exchange rate



Source: Reserve Bank of India and Haver Analytics.

An unfavourable **investment climate** in India is also related to the policy paralysis stemming from the coalition government. This sometimes restricts the government from implementing pro-growth policies such as cutting subsidies or liberalising foreign direct investment (FDI).

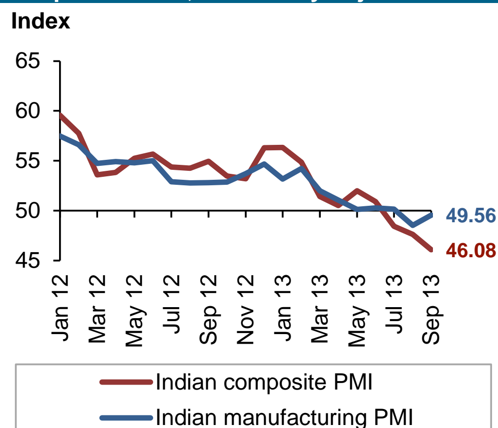
FDI into India stood at $22.4 billion in FY 2012, slowing considerably from $35.1 billion during the previous year. The share of fixed investment to GDP has fallen to 29% in FY 2012, down from a peak of 33% in FY 2007, with almost half of it taking place in the less productive household sector, but it seems FDI is normalising in sectors such as retail, telecom and aviation. FDI limits have been increased in several sectors, and restrictions in the banking sector have been eased in 2013. In June−July 2013, the government renewed its efforts to revive FDI, announcing that it would raise the limits on FDI in a range of sectors, including telecommunications, insurance and defence, and would speed up the approvals process.

The visible **trade deficit** narrowed to $10.9 bn in August from $12.3 bn in July, as nominal good exports jumped by 13% and imports fell by 0.7%. Meanwhile, industrial production increased by 3.1% y-o- y in July after falling in both May and June.

India's deep **fiscal imbalances** are another structural vulnerability that will also not be resolved soon. A high recurring fiscal deficit exaggerated by the complex system of distorting food, fertiliser and fuel subsidies is complicating fiscal and monetary management by limiting essential development spending and crowding out private sector credit and investment. The government will endeavour to meet the budgetary

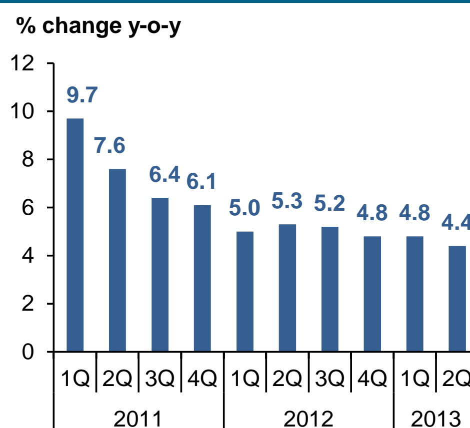
fiscal deficit target of 4.8% of GDP (now it is about 5%). For the current fiscal year, the current account deficit target is 3.7% of GDP or $70 billion.

Graph 3.8: Indian manufacturing and composite PMIs, seasonally adjusted



Sources: HSBC, Markit and Haver Analytics.

Graph 3.9: India's GDP growth (SAAR)



Source: Central Statistical Office of India and Haver Analytics.

It seems the slowdown in India's **growth** has been driven by two main factors: higher interest rates caused by the need to counter inflationary pressures and a steep decline in private investment. The economy is therefore expected to grow by just 5.0% this year and 5.8% in 2014, but there are some positive signs that will perhaps have positive effects on the Indian GDP growth rate in the next year such as strong economic fundamentals, high saving and investment rates, rapid workforce growth, a quickly expanding middle class, and the start of a shift from low-productivity agriculture to high-productivity manufacturing.

The revised **forecast** is dominated by a number of downside risks. Despite the recent rebound in the rupee, a further weakening cannot be ruled out, which might prompt the Reserve Bank of India (RBI) to tighten monetary policy more than we expect. Furthermore, the Standard & Poor's credit rating agency has indicated that India's sovereign credit rating, just one notch above junk status, could be downgraded too. This would further undermine investor confidence and add to the pressures on the economy.

China

Stimulus measures will provide some support for investment growth in China, but the credit bubble is still not fully deflated

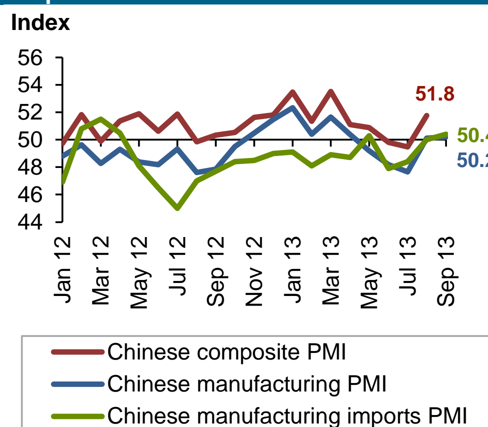
The recent recovery in China's economy is driven by a few factors. First, domestic demand has picked up, in part due to the lagging effect of credit expansion in 1Q13 and in part due to the recent shift in policy, which is now more explicit on steps to stabilise economic growth. Second, as shown in the latest trade data, external demand has also benefited from the recovery in the global economy, especially in advanced economies.

The recovery is expected to be modest and temporary. Economic reform and restructuring, which are high-priority tasks for the new leadership, will benefit China's long-term growth but may slow growth in the near term. In particular, overcapacity and low investment efficiency in a number of sectors, as well as credit imbalances and rising leverage in the past four to five years, remain the major challenges to be addressed by the new leadership in the coming years. Based on these assumptions the real GDP growth expectation remains unchanged at 7.6% for 2013 and 7.7% for 2014.

The credit bubble still not fully deflated and the real estate market's froth not fully under control, the **Peoples' Bank of China** (PBoC) is unlikely to assume an easier monetary policy stance. On the other hand, the renewed economic weakness and a lack of inflationary pressure also prevent the PBoC from tightening monetary policy. As a result, the Chinese central bank is forced to perform a delicate balancing act of a conservative yet accommodative monetary policy.

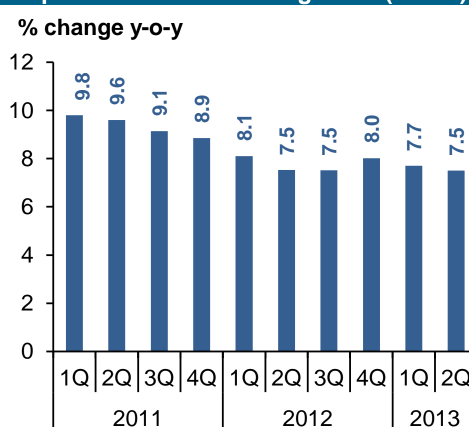
Fiscal stimulus will provide some support for investment growth in China. Since the second quarter downturn, the central government has turned more aggressive in adopting stimulus policies by announcing a flurry of wide-ranging growth support measures. The investment growth slowdown was first induced by the government pulling back on stimulus injection in response to increased inflationary pressure, particularly in the real estate market, where the price surge had approached bubble levels.

Graph 3.10: Chinese PMI



Source: HSBC, Markit and Haver Analytics.

Graph 3.11: Chinese GDP growth (SAAR)

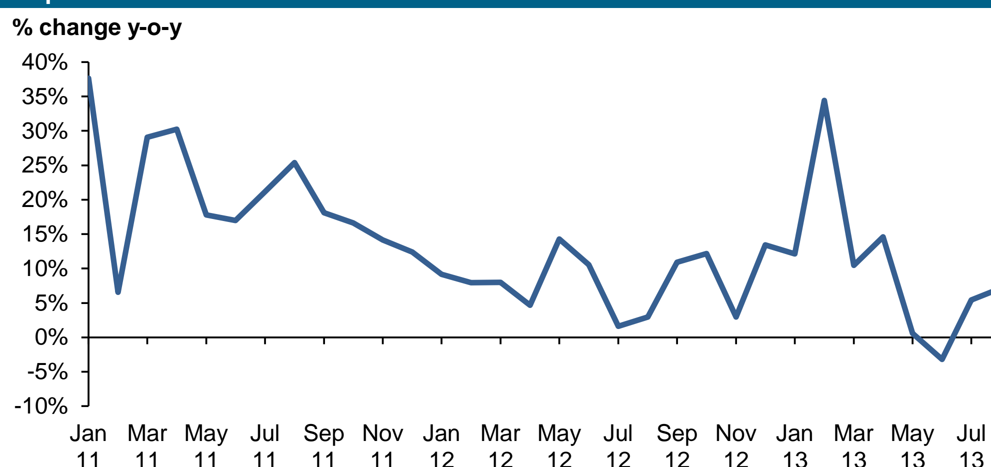


Source: China's National Bureau of Statistics and Haver Analytics.

Inflationary pressure remains low in the near term. Inflation should only pick up mildly in the coming quarters, owing to moderately faster liquidity growth and modest improvement in demand. It seems that a sharp consumer demand takeoff is unlikely in the short term. Consumer demand should remain relatively stable, and the stability of consumer demand stems from the Chinese public's high saving rate.

Industrial production grew by 0.74 percentage points in August, ending at 10.6%. The government has announced additional infrastructure investment projects, which will provide a boost to industrial output and stimulate the economy. The purchasing manager survey's export orders index has progressed in September to 50.7 compared to August's level of 50.2, but generally it is still weak, while economic recoveries in the US and EU will probably remain tepid. A sharp rebound in investment is not likely, but we can see about 66% growth in approved foreign investment contracts in July 2013, as the fiscal stimulus policies are moderate in size, and liquidity conditions remained constrained by the past credit splurge.

Graph 3.12: Chinese latest trade data



Source: Haver Analytics.

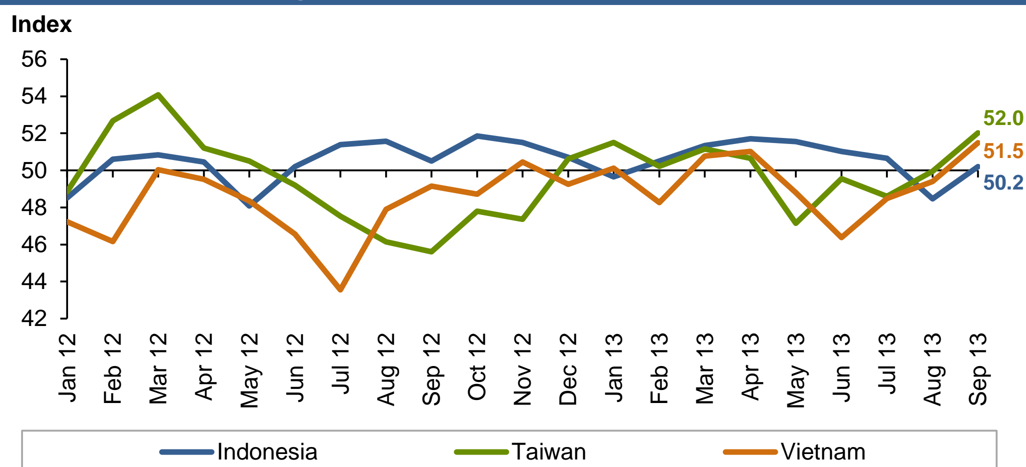
In addition, **exports** excluding Hong Kong rose 7.3% y-o-y in August, similar to the overall export growth rate. Exports to Asia, particularly to the Association of Southeast Asian Nations (ASEAN) market, were the key driver in the August uptick — exports to ASEAN rose by 30.8% y-o-y in August, up from 21.3% y-o-y in July — which is remarkable considering the shocks these financial markets underwent. Exports to the European Union in August, on the other hand, only grew by 2.5% y-o-y, down from 2.8% in July.

Other Asia

Different directions of GDP performance in the region during the first half with mixed economic signals over the last two months; overall GDP forecasts are unchanged

Inflation in **Indonesia** eased in September from a year earlier to grow at 8.4%, slower than 8.8% in August. The Central Bank of the Republic of Indonesia (BI) decided last month to raise the BI Rate for the fourth time this year by 25 basis points to 7.25% after having raised it by 50 basis points later in August. The central bank is attempting to stabilise the rupiah and to control the inflation rate and the current account. The manufacturing PMI in Indonesia returned to an expansionary reading in September as it rose to 50.2, up from 48.5 a month earlier. This reflects renewed growth of production volumes where output in the Indonesian manufacturing sector rose for the first time in three months during September. The survey showed, however, a slower growth in export volume.

Graph 3.13: Manufacturing PMIs in Other Asia



Source: Markit and Haver Analytics.

The latest data from **Vietnam** showed the economy's improving growth in the third quarter. GDP grew at a rate of 5.54% y-o-y in 3Q13 according to data released by the General Statistics Office. The economy grew 5% in the second quarter of the year. Overseas demand is helping support the economy that is hurt by faltering credit growth with the percentage of the banks' bad debt estimated to be one of the highest in Southeast Asia. Vietnam's exports increased by around 16% over the first nine months of the year from the same period a year earlier on sales of electronic items, while foreign direct investment rose by nearly 20% in the first eight months of this year as government data showed.

Taiwan's manufacturing PMI in September reflected moderate improvement in operating conditions of its manufacturing sector. This marked the first improvement since April. The index went from 50-no change line in August to 52.0 in September. The survey outcomes suggest stabilisation in Taiwan's manufacturing sector in the third quarter. It also signalled renewed expansion of order books in September as well as its quickest increase in payroll growth in over two years.

The **Philippine**'s GDP rose by 7.5% y-o-y in the second quarter, matching China's pace. The government is now preparing precautionary policy measures to deal with capital outflows stemming from the possible tapering of the Federal Reserve's stimulus in the coming months. These measures include boosting dollar and peso liquidity, careful surveillance of risk, tapping currency-swap agreements, in addition to a possible tightening of monetary policy. In September, the Philippines' annual inflation rate rose to 2.7% from 2.1% in August. The increase was mainly due to higher prices

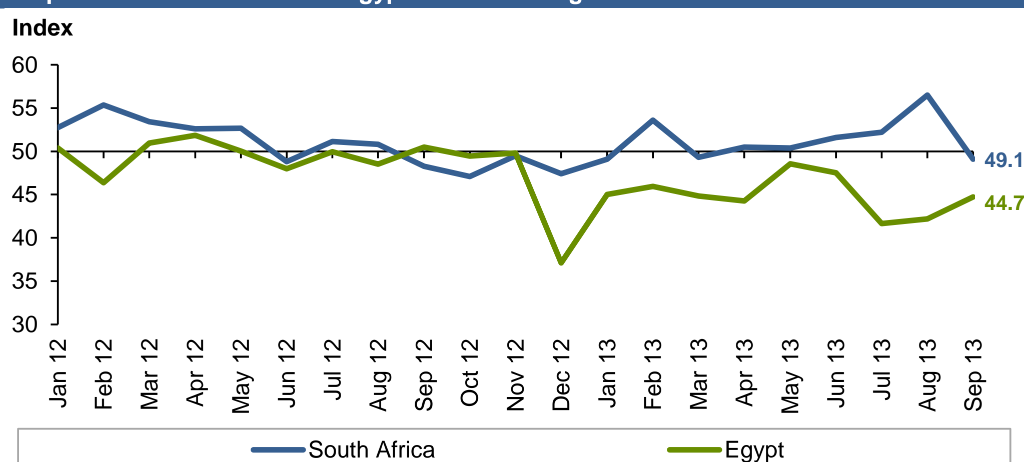
of food, non-alcoholic beverages and utilities.

Africa

Africa's GDP growth was revised up to 3.9% this month (from 3.8%) mainly due to positive momentum noticed in Egypt and Morocco in the first half

In August, **South Africa**'s exports slid nearly 6.3% y-o-y due to the rand depreciation. This marks the sixth monthly drop in exports since the beginning of the year. The rand depreciated more than 15% in August compared to the exchange rate against the US dollar in January. Its dollar price, however, rebounded in September by around 2% after the US Federal Reserve refrained from scaling back its $85 billion monetary stimulus programme. Moreover, strikes in its mining industry are reducing South Africa's exports and revenues. To accommodate smaller revenues, the government is lowering spending for the next three years and aiming to lower this year's fiscal deficit from around 5.2% of GDP last year to 4.6% through March 2014. The downward pressure on the rand contributed to rising domestic prices in South Africa via pushing up fuel and food prices. Inflation accelerated 6.4% y-o-y in August, its fastest pace since July 2009, breaching the central bank's 3%−6% range target for the second month running. Because of increasing inflation, the reserve bank has little room to use monetary policy as an economic revival tool. As such, the reserve bank held its benchmark repurchase rate last month at 5% for the seventh consecutive month as it faces conflicting policy choices with slowing economic growth and inflation breaking the targeted range.

Graph 3.14: South Africa and Egypt manufacturing PMIs



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

Egypt reported a better than expected GDP growth rate of around 2.9% in the second quarter. This marks the quickest pace of economic growth since the second quarter of 2012. The purchasing managers' index of September showed that Egypt's output and new orders fell sharply. The index remained in the contraction territory registering 44.7 in September, up from 42.2 in the previous month. The survey reflected an increase in input cost with 27% of companies reporting higher cost burdens. Staff costs had a factional rise, whereas purchase prices accounted for most of the acceleration in input costs. So, while slightly improving, the Egyptian economy continues face serious challenges.

In **Ghana**, the central bank left its benchmark interest rate unchanged last month for the second month running in order to counter sluggish growth and a weaker currency. The policy rate was kept at 16%. The economy shrank 3.1% q-o-q in the first quarter this year as industry output contracted amid frequent power outages. Ghana is forecast by the government to grow by 8% this year from 7.9% in 2012.

Morocco's GDP showed a notable growth rate over the second quarter that exceeded 5% y-o-y. The economy was mainly supported by the agricultural sector, which grew by nearly 23% y-o-y.

This month's forecasts for Latin America stood at 3.0% and 3.2% for 2013 and 2014, respectively, unchanged from last month's report

Latin America without Brazil

Speculation on when the US Federal Reserve will begin to slow its pace of monetary stimulus and concern over whether US lawmakers will reach agreements on the budget and debt limit have been causing currency swings in many emerging and developing economies.

In **Argentina**, the consumer confidence index fell in September from its only reading above 50 points since March 2012, reflecting less optimism on the outlook of the economy. The index stood at 48.7, down from 50.5 in August. Inflation continued its over 10% monthly acceleration in August for the twelfth consecutive month. For the first time in five months, prices of food and beverages breached the 7% rate of increase. As a result, retail sales increased at a slower rate in August. Retail sales growth slowed from 3.4% m-o-m to 1.3% in August. On a yearly basis, the pace was slower as well, where it grew by 20.1% y-o-y in August compared to 22.7% last year. The slowdown in capacity utilisation quickened in August, when it decelerated 1% y-o-y, following a slowdown at rates of 0.5% and 0.2% in the previous two months.

In **Mexico**, the manufacturing sector sent signals of stagnation in September as the PMI manufacturing stood at the 50 no-change threshold. The headline index was at its second-lowest since data collection began in April 2011, dropping from 50.8 in August. The survey showed no change in output, while new orders exhibited a slight increase. Furthermore, employment in Mexico's manufacturing sector marginally slowed last month. With the deceleration of its economy, the growth forecast for 2013 has been revised down to 1.8% from 2.7% previously. The 2014 forecast has been changed to 3.1%, compared to 3.5% in the past month.

Transition region

Central banks in Eastern Europe are adopting different policies as their economies show varying degrees of recovery. **Hungary**'s central bank cut its benchmark interest rate to a record low 3.6% late last month. **Poland** kept its main rate at a record low of 2.5% in early September. In the **Czech Republic**, policy makers kept the benchmark rate at what they call a 'technical zero' of 0.05% for the seventh month in September.

In **Poland**, the economic slowdown curbed tax revenue and prompted a 40% jump in this year's planned budget deficit. The central bank cut borrowing costs by 225 basis points between November 2012 and July 2013. After the euro area emerged from a record-long recession registering growth of 0.2% in the first quarter, Poland's GDP rose 0.4% q-o-q in the second quarter. The euro area buys more than 50% of Polish exports. The central bank in Poland pledged last month to hold rates steady until at least year-end as the economy emerges from the slowest growth since 2009 amid positive economic signals. Manufacturing expanded at the fastest pace in more than two years in September whereas inflation lagged behind the central bank's 2.5% goal for nine months. Poland's HSBC PMI manufacturing signalled a sharp and continued rise in output. The headline figure rose to 53.1, from 52.6, the highest since April 2011. The survey also showed that employment grew at its fastest pace in more than six years, and that the growth in new orders was broad-based across domestic and export markets.

OPEC Member Countries

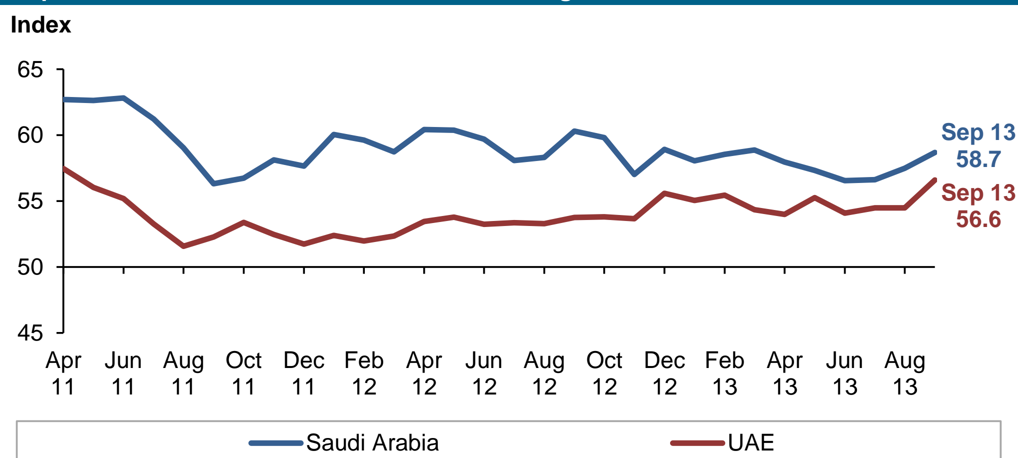
With signs of economic improvement, the risk to our forecast for OPEC economies is more to the upside this month

The SABB HSBC **Saudi Arabia** PMI for September exhibited the quickest acceleration in output growth over the previous five months. The headline PMI registered 58.7, up from 57.5, following a trend of improvement in operating conditions of Saudi Arabia's non-oil producing private sector throughout the 50-month survey history. The index reflected an increase in new export work, which is at the fastest pace in survey history as client demand from foreign markets strengthened substantially in September. Moreover, the current sequence of job creation was extended in September to 24 months as employment showed further improvement last month.

The **United Arab Emirates**' (UAE) non-oil producing private sector companies reported a solid rise in activity in September with the pace of expansion the highest in over two years. PMI rose in September to its highest since April 2011. The index stood at 56.6 last month, up from 54.5 in August. The survey showed output growth

accelerated as new orders rose at the fastest pace in survey history. Furthermore, the index reflected a sharp increase in export business. In response to increased workloads, non-oil private sector companies in the UAE hired additional workers in September, when employment levels increased at the fastest pace in three months.

Graph 3.15: Saudi Arabia and UAE: manufacturing PMIs



Source: SAAB, HSBC, Markit and Haver Analytics.

Oil prices, the US dollar and inflation

The US dollar depreciated versus the euro and the yen in September.

In real terms, after accounting for inflation and currency fluctuations, the Basket price rose by 0.9% or $0.61/b to $66.54/b from $65.93/b.

After the most recent uncertainty about the US fiscal situation, the US dollar started to depreciate against, most importantly, the euro and the yen. It declined compared to the euro in September, falling from $1.32/€ at the beginning of the month to almost $1.36/€ at the beginning of October. Also versus the yen, it declined from around ¥100.00/$ at the beginning of September to almost ¥97.00/$ € at the beginning of October. Given that the near-term development remains unclear to some extent, the weakness is expected to continue. On a monthly average, the US dollar depreciated in September by 0.3% compared to the euro and the Swiss franc, 2.4% compared to the pound sterling, but appreciated by 1.4% versus the Japanese yen. The average September level to the euro stood at $1.3353/€. The average September level to the yen stood at ¥99.279/$.

This recent weakness comes after the US dollar had regained strength after better than expected second quarter GDP numbers, and the underlying economy has started to again recover from a very low 1Q13 growth level. However, the current situation is expected to be temporary, and a rebound is likely in the coming months. With the US economy forecast to improve in the second half and the Fed potentially to size-down its extraordinary supply measures, the US dollar could trade again back to around the $1.30/€ level, but this is largely dependent on the current fiscal negotiations in the US Congress. For the time being, the range of $1.30/€ to $1.40/€ is holding up well. The exchange rate is certainly also dependent on the Euro-zone's recovery and the ECB's monetary actions. Compared to the yen, it is expected to move back to a level of around ¥100.0/$.

In **nominal terms**, the price of the OPEC Reference Basket increased on a monthly average in September. It rose by $1.21/b or 1.1% from $107.52/b in August to $108.73/b in September. In real terms, after accounting for inflation and currency fluctuations, the Basket price rose by 0.9% or $0.61/b to $66.54/b from $65.93/b (base June 2001=100). Over the same period, the US dollar declined by 0.4% against the import-weighted modified Geneva I + US dollar basket* while inflation remained relatively flat.

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

World Oil Demand

World demand is seen growing 0.8 mb/d in 2013 and 1.0 mb/d in 2014, unchanged from the previous report

World oil demand

World oil demand is estimated to average around 89.74 mb/d in 2013, representing an increase of 0.82 mb/d, or around 1.0%, compared with the previous year. This is broadly unchanged from the previous report, despite various adjustments to regional demand growth figures. For 2014, growth is expected to increase by around 1.0 mb/d, or 1.2%, over the current year to reach 90.78 mb/d.

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

							Change 2013/12	
	2012	1Q13	2Q13	3Q13	4Q13	2013	Growth	%
Americas	23.69	23.73	23.78	23.90	23.83	23.81	0.12	0.50
Europe	13.74	13.16	13.70	13.61	13.38	13.46	-0.27	-1.99
Asia Pacific	8.59	8.92	7.88	8.25	8.74	8.45	-0.14	-1.68
Total OECD	**46.02**	**45.81**	**45.36**	**45.76**	**45.96**	**45.72**	**-0.30**	**-0.65**
Other Asia	10.83	10.88	11.02	11.09	11.12	11.03	0.20	1.85
Latin America	6.26	6.21	6.47	6.70	6.59	6.49	0.23	3.68
Middle East	7.58	7.79	7.75	8.18	7.75	7.87	0.29	3.80
Africa	3.43	3.42	3.42	3.38	3.52	3.44	0.01	0.25
Total DCs	**28.10**	**28.30**	**28.66**	**29.34**	**28.99**	**28.83**	**0.73**	**2.59**
FSU	4.41	4.33	4.18	4.58	4.83	4.48	0.07	1.52
Other Europe	0.64	0.63	0.59	0.63	0.71	0.64	-0.01	-0.80
China	9.74	9.79	10.19	9.91	10.41	10.07	0.33	3.43
Total "Other regions"	**14.80**	**14.75**	**14.95**	**15.11**	**15.95**	**15.19**	**0.40**	**2.68**
Total world	**88.92**	**88.86**	**88.96**	**90.22**	**90.89**	**89.74**	**0.82**	**0.93**
Previous estimate	88.92	88.86	88.93	90.20	90.92	89.74	0.82	0.92
Revision	0.00	0.00	0.04	0.02	-0.03	0.01	0.01	0.01

Totals may not add up due to independent rounding.

As in the previous report, most revisions to the 2013 figures were carried out in the **OECD regions**, namely OECD Americas (up by 16 tb/d); OECD Europe (up by 40 tb/d); and OECD Asia Pacific (down by39 tb/d). These changes reflect the most recent updates to actual data in these regions and mirror the improvement in macroeconomic indicators, as well as the switch to coal and LNG as a substitution for fossil fuels in the case of OECD Asia Pacific. Downward revisions also occurred in the non-OECD regions, namely Other Asia (down by 11 tb/d), as a result of lacklustre economic signals, in addition to the impact of reduced subsidies in a number of countries of the region. On a quarterly basis, the second and third quarters were revised higher by 36 tb/d and 20 tb/d, respectively, with the majority of the adjustment attributed to OECD Europe. Conversely, the fourth quarter was adjusted lower by 30 tb/d, due to the effect of economic concerns and subsidy cuts in Other Asia and the FSU.

In **OECD Americas**, particularly the US, strong July actual oil demand figures and flat-to-strong preliminary figures for August and September draw positive expectations for third quarter oil demand results. Healthy car sale statistics, relatively high consumer confidence, an improvement in unemployment figures and expanding manufacturing indicators (PMI) provide support for these expectations. On the other hand, the on-going budgetary stand-off and the effects of sequester cuts could hamper the positive momentum in the US economy, with some impact on the world economy as well.

In **OECD Europe**, aviation sector fuels supported overall oil demand in the 'Big Four' economies of the region. The cumulative oil demand figures for these economies over the first eight months of the year are currently flat with jet fuel, diesel oil and LPG recording positive growth, while fuel oil, gasoline and other products remain either flat or declining. Overall, oil demand growth continues to shrink relative to the previous year; however, at a slower pace than in previous months, hinting at some improvement in the economy, particularly as the region is now officially out of recession.

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

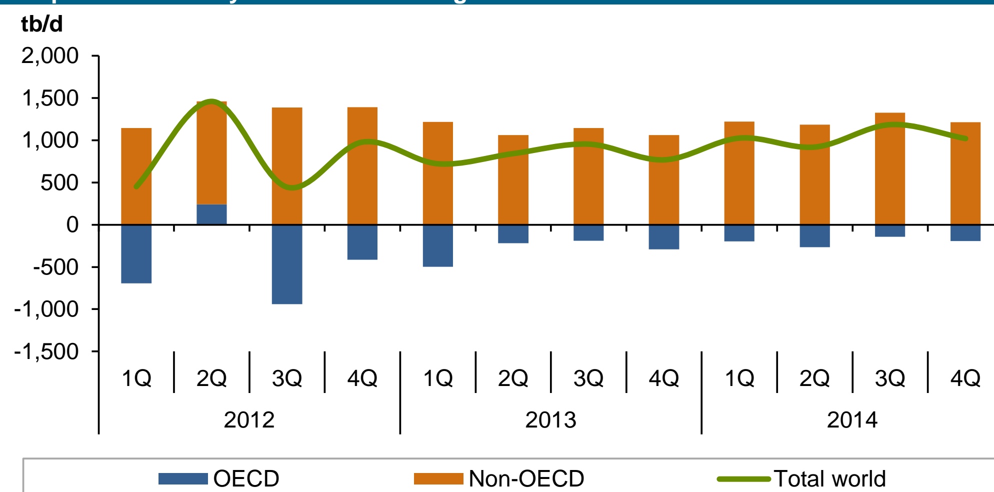
	2013	1Q14	2Q14	3Q14	4Q14	2014	Change 2014/13 Growth	%
Americas	23.81	23.85	23.86	24.02	23.94	23.92	0.10	0.44
Europe	13.46	12.98	13.42	13.48	13.27	13.29	-0.17	-1.29
Asia Pacific	8.45	8.79	7.81	8.12	8.55	8.32	-0.13	-1.53
Total OECD	**45.72**	**45.61**	**45.09**	**45.62**	**45.76**	**45.52**	**-0.20**	**-0.44**
Other Asia	11.03	11.13	11.22	11.35	11.38	11.27	0.24	2.19
Latin America	6.49	6.44	6.70	6.95	6.83	6.73	0.24	3.65
Middle East	7.87	8.11	8.04	8.52	8.03	8.17	0.31	3.89
Africa	3.44	3.46	3.45	3.41	3.56	3.47	0.03	0.96
Total DCs	**28.83**	**29.13**	**29.42**	**30.22**	**29.80**	**29.64**	**0.82**	**2.83**
FSU	4.48	4.41	4.25	4.66	4.92	4.56	0.08	1.79
Other Europe	0.64	0.64	0.58	0.64	0.72	0.64	0.01	0.82
China	10.07	10.09	10.54	10.27	10.72	10.41	0.33	3.32
Total "Other regions"	**15.19**	**15.14**	**15.37**	**15.57**	**16.35**	**15.61**	**0.42**	**2.76**
Total world	**89.74**	**89.89**	**89.88**	**91.40**	**91.91**	**90.78**	**1.04**	**1.16**
Previous estimate	89.74	89.89	89.85	91.38	91.94	90.77	1.04	1.16
Revision	0.01	0.00	0.04	0.02	-0.03	0.01	0.00	0.00

Totals may not add up due to independent rounding.

In **OECD Asia Pacific**, the impact of coal substitution for fossil fuels in power generation is now largely visible in the oil demand statistics. Japan continues to make efforts to minimise the use of fuel and crude oil in its power plants, pushing the coal consumption to high figures.

In the **Other Asia** region, flat-to-falling oil demand growth is mainly attributed to the weakening economies evolving from the depreciation of currencies in India, Indonesia, Malaysia and others. Other positive oil demand signs are coming from countries such as Taiwan, Thailand, and Hong Kong, which are experiencing increased industrial activities and transportation fuel consumption relative to the previous year.

Graph 4.1: Quarterly world oil demand growth



OECD Americas

In 2013, oil demand in OECD Americas is expected to grow 0.12 mb/d and increase by 0.11 mb/d in 2014

The latest **US** monthly data for July 2013 showed a significant y-o-y rise in oil demand of 0.55 mb/d or around 3%. This marks the strongest monthly gain so far in 2013 in y-o-y terms. All main products rose, with the exception of residual fuel oil, which fell sharply.

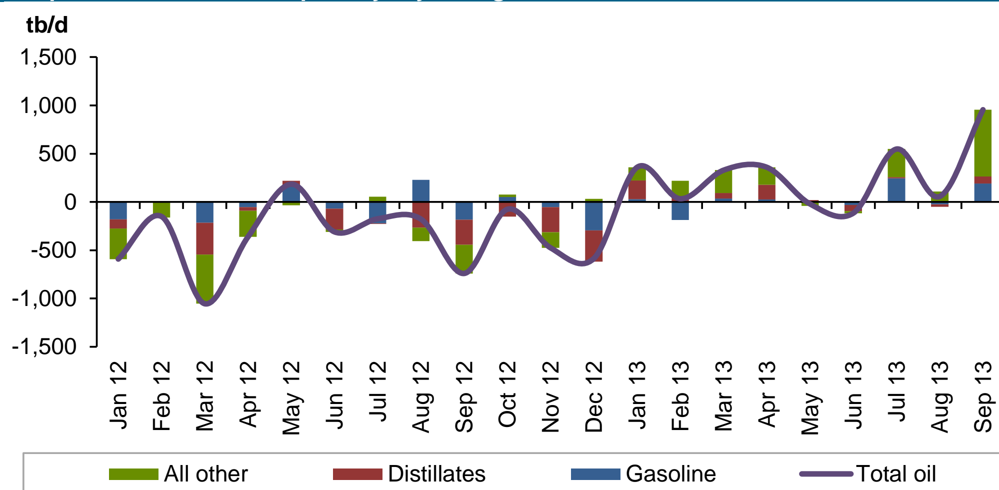
The most notable development was in motor gasoline, which surged by 0.25 mb/d similar to the growth levels registered back in August 2012. This comes on the back of recent positive data for passenger car sales coupled with the peak summer driving season, which traditionally starts at the end of May and ends with the US Labor Day holiday at the beginning of September. US light passenger vehicle sales rose by around 17% in August to stand around 1.5 million vehicles, the twenty-seventh

consecutive y-o-y increase. Year-to-date, passenger car sales reached approximately 10.5 million vehicles, up by almost 10% from last year's levels.

Preliminary weekly data for August 2013 shows flat growth y-o-y, with kerosene and propane/propylene registering gains while motor gasoline and distillate fuel oil marginally declined, and distillate fuel oil dropped deep into negative territory. On the other hand, September 2013 preliminary data shows a very strong upsurge in oil demand, growing by around 6% to average 19.45 mb/d with all product categories exhibiting significant growth, with the exception of residual fuel oil. Relatively high consumer confidence, the tick down in unemployment figures, the increase in construction activities, the increasing manufacturing indicator (PMI) and encouraging passenger car sales figures all provide reasoning to such preliminary figures.

Going forward, the down risk potential could stem from pending fiscal issues and the effects of budget cuts in the overall economy. These issues will remain of public concern and could dampen consumer confidence in the short term, thus potentially having an adverse impact on overall oil consumption.

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



In **Canada**, total oil demand consumption in July 2013 fell below the 2 mb/d level. Contrary to the previous month's oil demand growth figures, July data showed a decline of 0.16 mb/d or more than 7%, as all main product categories witnessed a decline, with the exception of LPG. The fuel oil performance was rather poor, with the largest decrease at about 50%, largely as a result of switching programmes due to environmental regulations. The effect of such programmes can be seen in the LPG numbers, which were almost 70% higher than the same period last year.

In **Mexico**, overall oil demand data for August was relatively flat. The negative changes for LPG, gasoline, diesel oil and other products were almost offset by matching rises in jet fuel and fuel oil. Gasoline, the dominant product in the country, accounting for around 40% of oil consumption, dropped during the month of August 2013 despite encouraging car sales figures. The drop was modest compared with last year, at around 10 tb/d which translates to 1.2%, on the other hand, car sales kept a growing momentum since late last year. In the month of August, the car market in Mexico grew by around 6% y-o-y with year-to-date sales also higher by around 9%.

In 2013, **oil demand in OECD Americas** is expected to grow 0.12 mb/d over the previous year. In 2014, oil demand in the region is projected to increase by 0.11 mb/d compared to the current year.

OECD – Europe

For 2013, European oil demand is projected to shrink by 0.27 mb/d, and contract by 0.17 mb/d in 2014

Oil consumption in the Europe 'Big Four' during August remained positive. Demand in Germany, France, Italy and the UK grew by a combined 0.15 mb/d to stand at 6.8 mb/d, with the UK and Germany leading the group.

In particular, jet fuel consumption was notable, rising in the Europe Big 4 by more than 11% in August as flight operations expanded strongly during the month. Business confidence and tourist air travel have been gaining steam as improving economic conditions in Europe showed signs of stabilisation. Additionally, the low baseline in 2012 provided a greater gap between the yearly variance.

In the **UK**, overall oil demand was up by more than 15% y-o-y due to higher demand for transportation fuels, mainly jet fuel/kerosene and gasoline, which increased by almost 30% and 6%, respectively, and power generation fuels, namely fuel oil. The UK automobile market still outpaced most of the other European markets with a performance comparable to before the 2008 crisis. In August, the car market in the UK hit the 18th y-o-y consecutive rise, increasing by almost 11% y-o-y. Year-to-date sales were up to around 1.4 million vehicles, 10% higher than a year ago.

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

	Aug 13	Aug 12	Change from Aug 12	Change from Aug 12, %
LPG	378	369	9	2.4
Gasoline	1,171	1,163	8	0.7
Jet/Kerosene	866	776	89	11.5
Gas/Diesel oil	3,014	2,955	59	2.0
Fuel oil	363	385	-22	-5.7
Other products	1,037	1,035	2	0.2
Total	**6,828**	**6,683**	**145**	**2.2**

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

Oil consumption in **Germany** also grew, however to a lesser extent. Oil demand in the country increased by more than 2% during August to stand at 2.2 mb/d. Comparable to consumption in the UK, most of the rise came from transportation and power generation fuels, implying improvement in the economic momentum of the country.

In **France** and **Italy**, the picture was quite the reverse – both nations experienced dips in oil consumption in August, with France shrinking by more than 3% and Italy around 6% compared to the previous year. Targets to limit fossil fuel consumption in France were recently announced by the French President. The aim is to reduce energy consumption by 50% by 2050 and fossil fuel consumption by 30% by 2030. The emphasis will be on the development of a new generation of electrical hybrid cars, the improvement in home efficiency and the reduction of emissions through tax incentives. Some plans might come as early as 2017. France consumed about 1.5 mb/d during the month of August, with the bulk of consumption coming from diesel oil, which is widely used as a transportation fuel in the country.

For 2013, **European oil demand** is now projected to shrink by 0.27 mb/d, while oil demand in 2014 remains at the levels projected in the previous *MOMR*, namely a contraction of 0.17 mb/d from the current year.

OECD – Asia Pacific

OECD Asia Pacific oil consumption expected to fall by 0.14 mb/d in 2013 and forecast to continue declining, by 0.13 mb/d in 2014

Fuel substitution in favor of coal pushed total **Japanese oil consumption** lower on a yearly basis. The use of fuel oil and crude as burning fuels for power generation plants has been shrinking steeply as the switch to coal and LNG picks up pace.

Fuel oil consumption dropped by a dramatic 0.15 mb/d or 21% in August. The consumption of coal surged to almost 6 million tonnes, according to the latest data. The consumption of kerosene used for heating purposes also dipped by more than 23% as the country experienced warmer weather conditions. However, jet aviation fuel consumption showed a different picture during the month as demand for the product registered steep growth compared to the same period last year, increasing by more than 48% due to increased air transport propelled by positive economic activities, as

well as the low base of comparison.

Oil demand in Japan shrank by almost 5% y-o-y in August to leave the total oil consumption at 4.0 mb/d, representing a decline of 0.21 mb/d compared to a year ago.

Table 4.4: Japanese domestic sales, tb/d

	Aug 13	Change from Aug 12	Change from Aug 12, %
LPG	422	-6	-1.5
Gasoline	1,099	-3	-0.3
Naphtha	780	11	1.4
Jet fuel	108	35	48.3
Kerosene	112	-34	-23.3
Gas oil	574	-9	-1.5
Fuel oil	566	-156	-21.6
Other products	58	-11	-16.0
Direct crude burning	241	-33	-12.2
Total	**3,959**	**-206**	**-5.0**

In **South Korea**, oil consumption increased by 50 tb/d or more than 2% y-o-y in August. Gasoil, gasoline and jet kerosene all recorded positive gains, while LPG and bunker fuel consumption contracted. Gasoline demand stepped up during the month as the product registered a 12% gain y-o-y, reflecting the positive vehicle sales figures in the country. The South Korean vehicle market continued its encouraging 2013 performance, growing y-o-y sales in August, mainly as a result of low sales in the past year. However, cumulative sales from the beginning of the year were up by almost 2.5%. In August, the domestic market improved from a year ago, surging to more than 124,000 vehicles and an improvement of almost 30% from the same time last year. Cumulative statistics for the year are also encouraging with y-t-d sales recording more than 1 million vehicles or up by 2.5% y-o-y. The forecast for South Korean oil demand during 2013 and 2014 remained unchanged as compared to last month's projections. However, oil demand for the OECD Asia region has been adjusted 39 tb/d lower in 2013. The downward revisions have been distributed between the first three quarters of the year – down 30 tb/d, 93 tb/d and 40 tb/d, respectively – mainly as a reflection of the latest actual data.

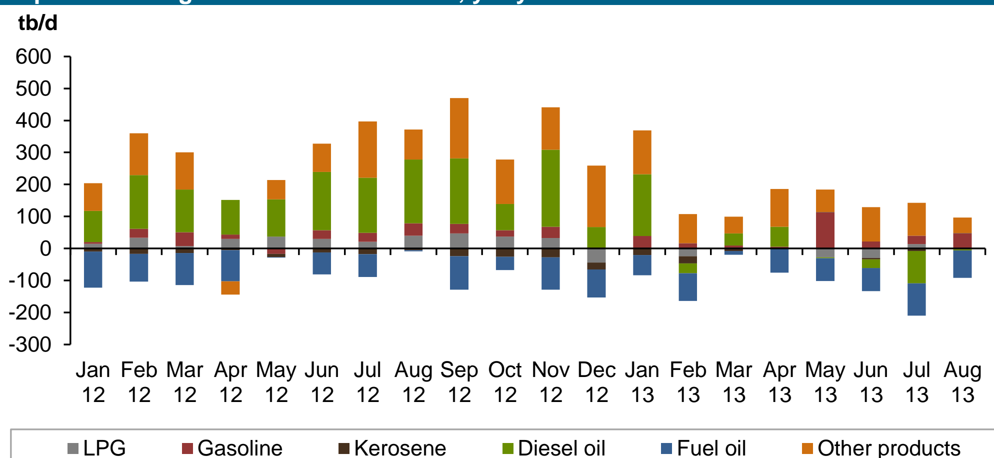
After the latest revisions, **OECD Asia Pacific oil consumption** is now expected to fall by 0.14 mb/d. In 2014, demand is forecast to continue declining, but by a lesser extent of 0.13 mb/d.

Other Asia

Other Asia's oil demand expected to grow at 0.20 mb/d in 2013. And to increase by 0.24 mb/d in 2014

In **India**, the declining trend in oil demand continued in August due to the weakening economy evolving with the depreciation of the rupee. Oil demand remained flat y-o-y in August. Strong demand in gasoline, jet fuel and other products, notably bitumen, have been roughly offset by shrinking requirements for distillates, fuel oil, naphtha and LPG.

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



Despite a turbulent economic situation and resulting from a low base last year, passenger vehicle sales in August 2013 increased by 4% y-o-y. This helped push gasoline usage up by a remarkable 7% compared to the same period last year. Nevertheless, the short-term outlook for the Indian automobile market remains rather gloomy with high interest rates and fuel prices. A decline in distillate demand was caused by a combination of less consumption in the power sector, increasing fuel substitution with natural gas in the industry sector, as well as heavy rainfalls, implying lower activities in the agricultural sector. Decreasing fuel subsidies for LPG and less utilisation of naphtha in power generation also led to declines in both products. Fuel oil usage in the agricultural sector has, again this month, been heavily substituted with natural gas. Positive developments, however, were registered in the aviation sector and with jet fuel requirements, which increased due to more holidays during August and lower airline fares. Bitumen recorded a solid growth of 11% y-o-y due to a number of new road projects beginning in the same month.

The overall forecast for **Indian oil demand** in 2013 and 2014 has worsened substantially compared to last month's projections as a result of the country's growing fiscal deficit, which would inevitably imply, among others, a lower subsidy for petroleum usage.

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

				Difference to	
	Aug 13	Jul 13	Jan-Aug 13	Jan-Jul 12	%
LPG	500	475	487	-7	-1.5
Motor gasoline	415	392	405	34	9.1
Jet Kero	265	257	279	-11	-3.9
Gas diesel oil	1,331	1,399	1,471	-1	-0.1
Residual fuel oil	270	265	282	-70	-20.0
Other products	576	728	759	71	10.3
Total oil demand	**3,356**	**3,517**	**3,683**	**15**	**0.4**

In **Indonesia**, increasing fuel oil and LPG requirements have been outpaced by shrinking demand for all other product categories, the most prominent being distillates. The declines in distillates are due to sharply contracting industrial activity – a fifteen month low – due to weaker domestic demand. Indonesian oil demand, particularly for transportation fuels, is also greatly subjected to possible changes in the current domestic subsidy policy in order to limit the country's fiscal deficit. Currently, in Indonesia, 88 RON gasoline, gasoil and kerosene are subsidised. Moreover, a possible new blending mandate could allow for an increase in biofuel blending shares in all sectors and would aim at reducing gas/diesel oil imports.

Subsidy reductions also took place in **Malaysia** and apply to 95 RON gasoline and diesel, whose prices raised by 11% in an effort to curb the fiscal deficit.

In **Thailand**, oil requirements fell by 3% y-o-y in July 2013, the bulk of these volumes originating in distillates and fuel oil, mostly driven by slower industrial activities.

Taiwan's flourishing petrochemical industry increased the country's oil demand by 8% y-o-y in July 2013.

Other Asia's oil demand is expected to grow at 0.20 mb/d y-o-y in 2013. As for 2014, oil demand is forecast to grow once more at 0.24 mb/d.

Latin America

Latin American oil demand is estimated to grow by 0.23 mb/d in 2013 and by 0.24 mb/d in 2014

In **Brazil**, deceleration of manufacturing output for the first time since 2012 implied flat fuel oil requirements during July 2013 y-o-y. Nevertheless, solid demand for transportation fuels more than offset these declines, leading to an overall oil demand growth of 6% y-o-y. The latest information shows also that ethanol production and domestic sales increased strongly in July 2013.

In **Argentina**, oil demand in July 2013 grew strongly by 8% y-o-y; fuel oil, LPG and gasoline have been the most demanded product categories.

The latest **Ecuadorian** data for August show an increase of 3% y-o-y in oil requirements. Gasoline and diesel requirements rose substantially, while fuel oil demand shrank slightly and jet/kerosene requirements remained flat.

Latin American oil demand is projected to grow in 2013 by 0.23 mb/d and in 2014 by 0.24 mb/d.

Table 4.6: Brazilian inland deliveries, tb/d

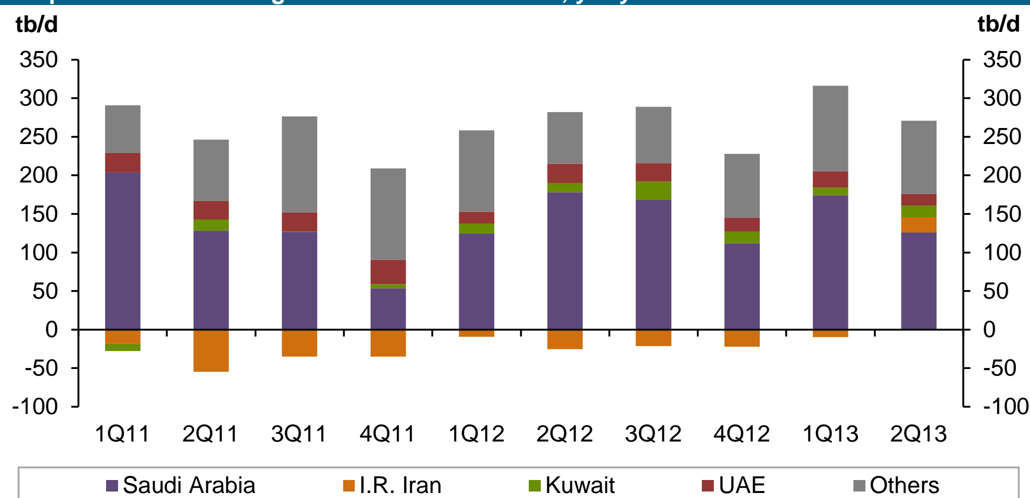
	Jan-Jul 13	Jan-Jul 12	Change	Change, %
LPG	226	221	5	2.0
Gasoline	692	661	31	4.7
Jet/Kerosene	124	127	-3	-2.5
Diesel	981	921	61	6.6
Fuel oil	92	59	33	55.6
Alcohol	171	163	9	5.3
Total	**2,286**	**2,152**	**134**	**6.2**

Middle East

Middle East oil demand in 2013 to grow by 0.29 mb/d. and projected to increase by 0.31 mb/d in 2014

In **Saudi Arabia**, the first eight months of 2013 indicated a 2.2% y-o-y growth in oil requirements. The main factors behind the growth were increasing requirements for industrial and transportation fuels, and fuels for electricity generation, crude and fuel oil. Similarly, strong oil demand during the first eight months of 2013 has been observed in **Qatar** (20%), the bulk of which originated in the aviation and road transportation sectors, as well as in **Iraq** (7%) and **Kuwait** (1%).

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



The outlook for **Middle East oil demand** in 2013 remained unchanged since last month's projections, with growth of 0.29 mb/d. In 2014, oil demand is projected to increase by 0.31 mb/d.

China

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

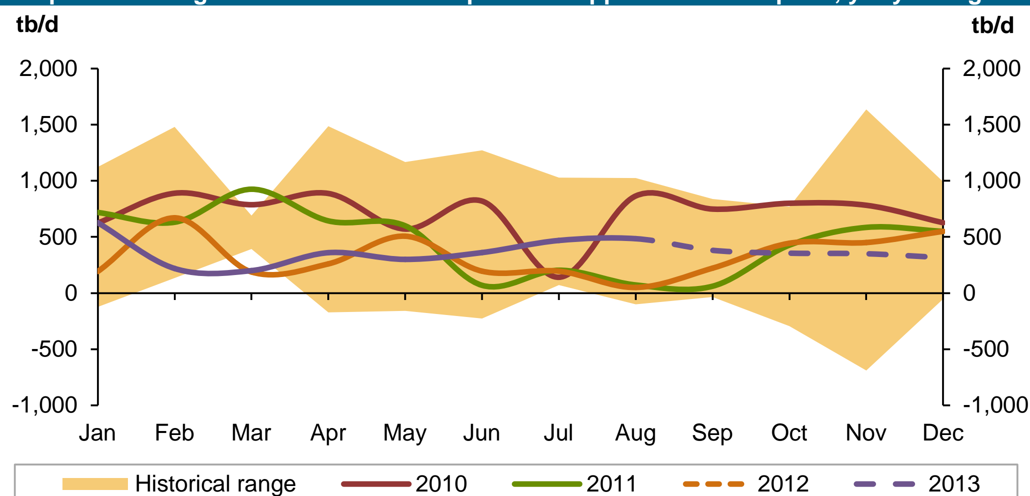
China's oil demand came in strong during August with 5% growth y-o-y, similar to the growth in July 2013 and roughly at the average historical levels of the previous five years.

Increasing **LPG** requirements for the petrochemical industry in combination with rising jet fuel demand accounted for the bulk of these gains. Moreover, gasoline demand rose as a result of growth in auto sales, which advanced by 11% y-o-y. During the same month, distillate requirements rose in line with the improvements in industrial production.

Fuel oil requirements fell notably in August 2013 y-o-y. This decrease was implied by the switching of some independent refineries to crude as feedstock rather than fuel oil, thus utilising domestic resources. Recently, a number of measures towards higher quality of transportation fuels have been announced with the task to lower air pollution in big cities. These include the promotion of natural gas in transportation, the continuation of controls in new car registrations, and the improvement in the quality of fuels. The latter would imply increasing retail prices, which would be carried out, to a certain extent, by the consumers and may negatively influence consumption.

The overall 2013 and 2014 outlook remains rather skewed to the downside, mainly due to risks for an economic slowdown and the implementation of some of the above measures against air pollution in cities, in which case the transportation demand would slow down. In 2013, **Chinese oil demand** is expected to grow 0.33 mb/d, while oil demand in 2014 is projected to increase again by the same volume of 0.33 mb/d.

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



World Oil Supply

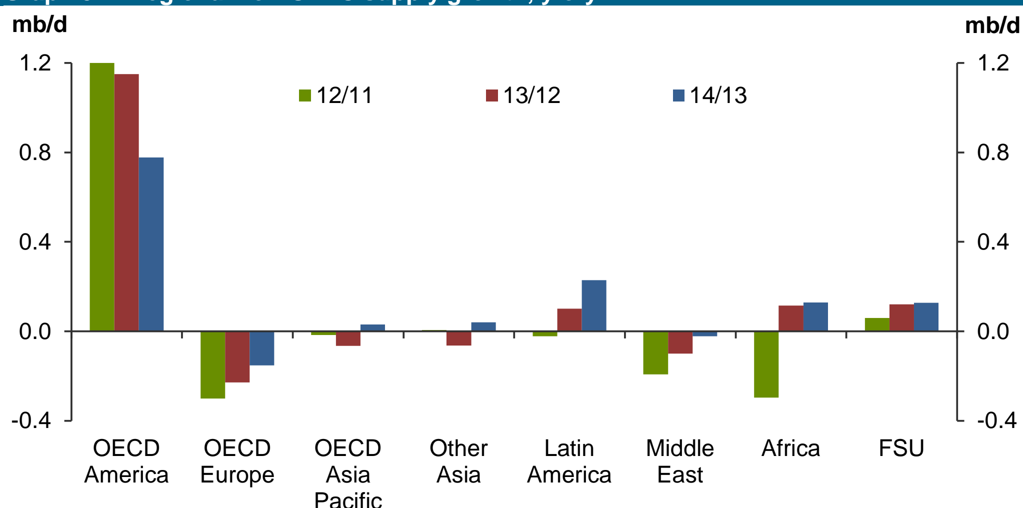
Non-OPEC

Estimate for 2013

Non-OPEC supply is expected to increase by 1.14 mb/d in 2013

Non-OPEC oil supply is expected to increase by 1.14 mb/d in 2013 to average 54.06 mb/d. This represents an upward revision of 60 tb/d from the previous MOMR. Historical revisions were introduced in addition to many adjustments applied to the forecast in 2013, with more weight on the second half. Revisions to updated actual production data in the first half and part of the third quarter affected the outlook along with various other changes in the second half. The largest revision was applied to OECD Americas supply figures, mainly on updated production data. All 2013 quarters were revised up, as the various upward revisions seen in some countries' supply forecasts offset the downward adjustments.

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



OECD Americas is expected to have the highest growth among all non-OPEC regions in 2013, followed by the FSU, Africa and Latin America, while OECD Europe and Middle East are projected to be the regions with the biggest supply declines.

OECD supply is forecast to rise in 2013, as growth in OECD Americas is seen to more than offset the declines in OECD Europe and OECD Asia Pacific. The US, Canada, South Sudan and Sudan, Russia, and Colombia are expected to be the main drivers of supply growth in 2013, while Syria, the UK, Norway and Australia are seen as having the largest declines.

On a quarterly basis, non-OPEC supply is seen to average 53.85 mb/d, 53.76 mb/d, 54.07 mb/d and 54.55 mb/d, respectively. According to preliminary and estimated data, non-OPEC oil supply averaged 53.89 mb/d during the first three quarters of 2013, indicating growth of 1.24 mb/d, compared with the same period of 2012.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013	Change 13/12
Americas	16.74	17.63	17.63	18.11	18.18	17.89	1.15
Europe	3.77	3.63	3.57	3.42	3.55	3.54	-0.23
Asia Pacific	0.56	0.45	0.49	0.53	0.51	0.49	-0.07
Total OECD	**21.07**	**21.70**	**21.69**	**22.06**	**22.24**	**21.93**	**0.86**
Other Asia	3.65	3.66	3.58	3.51	3.58	3.58	-0.06
Latin America	4.67	4.71	4.73	4.78	4.87	4.77	0.10
Middle East	1.50	1.48	1.35	1.41	1.36	1.40	-0.10
Africa	2.30	2.30	2.42	2.45	2.51	2.42	0.12
Total DCs	**12.12**	**12.15**	**12.08**	**12.15**	**12.32**	**12.18**	**0.05**
FSU	13.30	13.45	13.39	13.41	13.45	13.42	0.12
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.17	4.24	4.27	4.14	4.21	4.21	0.05
Total "Other regions"	**17.61**	**17.82**	**17.80**	**17.68**	**17.80**	**17.78**	**0.16**
Total Non-OPEC production	**50.80**	**51.67**	**51.57**	**51.89**	**52.37**	**51.88**	**1.07**
Processing gains	2.12	2.18	2.18	2.18	2.18	2.18	0.06
Total Non-OPEC supply	**52.92**	**53.85**	**53.76**	**54.07**	**54.55**	**54.06**	**1.14**
Previous estimate	52.92	53.82	53.73	54.09	54.35	54.00	1.08
Revision	0.01	0.03	0.02	-0.01	0.20	0.06	0.06

Forecast for 2014

Non-OPEC supply to grow by 1.21 mb/d in 2014 and average 55.27 mb/d

Non-OPEC oil supply is forecast to increase by 1.21 mb/d in 2014 to average 55.27 mb/d, representing an upward revision of 50 tb/d from the previous month. Despite this upward adjustment, the growth in non-OPEC supply was revised down by 10 tb/d from the previous *MOMR*. Changes to the 2013 supply estimate were carried over to 2014, hence affecting the total non-OPEC supply figure.

OECD Americas continues to be the area with the highest expected growth among all non-OPEC regions, supported by forecasted increases in the US and Canada. Latin America is next in terms of growth due to projected supply increases from Brazil and Colombia. OECD Western Europe's supply is expected to experience the biggest decline in 2014 compared with other non-OPEC regions.

On a quarterly basis, non-OPEC supply in 2014 is expected to average 54.83 mb/d, 54.75 mb/d, 55.18 mb/d and 56.29 mb/d, respectively.

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

	2013	1Q14	2Q14	3Q14	4Q14	2014	Change 14/13
Americas	17.89	18.32	18.41	18.74	19.20	18.67	0.78
Europe	3.54	3.51	3.34	3.23	3.47	3.39	-0.15
Asia Pacific	0.49	0.51	0.53	0.54	0.52	0.53	0.03
Total OECD	**21.93**	**22.34**	**22.28**	**22.50**	**23.19**	**22.58**	**0.65**
Other Asia	3.58	3.61	3.63	3.63	3.62	3.62	0.04
Latin America	4.77	4.91	4.95	5.01	5.14	5.00	0.23
Middle East	1.40	1.37	1.38	1.38	1.39	1.38	-0.02
Africa	2.42	2.55	2.55	2.55	2.55	2.55	0.13
Total DCs	**12.18**	**12.43**	**12.50**	**12.58**	**12.69**	**12.55**	**0.38**
FSU	13.42	13.48	13.41	13.53	13.78	13.55	0.13
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.21	4.23	4.21	4.23	4.28	4.24	0.03
Total "Other regions"	**17.78**	**17.85**	**17.76**	**17.89**	**18.20**	**17.93**	**0.15**
Total Non-OPEC production	**51.88**	**52.63**	**52.55**	**52.97**	**54.09**	**53.06**	**1.18**
Processing gains	2.18	2.21	2.21	2.21	2.21	2.21	0.02
Total Non-OPEC supply	**54.06**	**54.83**	**54.75**	**55.18**	**56.29**	**55.27**	**1.21**
Previous estimate	54.00	54.78	54.70	55.12	56.24	55.21	1.22
Revision	0.06	0.05	0.05	0.05	0.05	0.05	-0.01

Revisions to the 2014 forecast

The main changes to the non-OPEC supply forecast in 2014 were experienced by the US, the UK and China. US oil supply in 2014 is expected to average 11.64 mb/d, an increase of 0.64 mb/d from 2013, indicating an upward revision of 175 tb/d from the previous MOMR. The change was driven mainly by updated actual and forecasted data for 2013. The outlooks for production from the UK and China in 2014 were revised down on the back of updated data in 2013, which provided an insight into the expectations for 2014. The US remains the country with the highest expected growth in 2014, followed by Canada, Brazil, and South Sudan and Sudan, while the UK, Norway and Syria are seen to experience the largest declines in 2014 among all non-OPEC countries.

OECD

Total OECD oil supply is expected to increase by 0.86 mb/d to average 21.93 mb/d in 2013, an upward revision of 90 tb/d from the previous month. There were a few upward and downward revisions to regional and national oil supply outlooks in 2013, with the upward revisions more than offsetting the downward ones. All quarters, except the first quarter, experienced revisions, with the third and fourth quarters having the largest. An upward revision in OECD Americas more than offset the downward revisions to OECD Europe, while the OECD Asia Pacific supply forecast remained unchanged from the previous MOMR. The US supply forecast had an upward revision that more than offset the downward adjustments in Canada and the UK.

On a quarterly basis, OECD oil supply is expected to average 21.70 mb/d, 21.69 mb/d, 22.06 mb/d and 22.24 mb/d, respectively.

Graph 5.2: OECD's quarterly production

OECD Americas

Oil supply from **OECD Americas** is forecast to increase by 1.15 mb/d in 2013 to average 17.89 mb/d, an upward revision of 115 tb/d from the previous month. The main upward revisions to OECD Americas oil supply came in the second half of 2013, in addition to historical revisions, on the back on updated production figures in the third quarter that were carried over to the rest of the period. The upward revision confirms OECD Americas as the region with the highest growth among all the non-OPEC regions in 2013. Strong supply growth is now expected from the US and Canada, while Mexico's supply is seen to decline slightly in 2013 compared with the previous year.

On a quarterly basis, OECD Americas oil supply is believed to average 17.63 mb/d, 17.63 mb/d, 18.11 mb/d and 18.18 mb/d, respectively.

US

North Dakota output reaches a new record high in July

US oil supply is expected to grow by 0.96 mb/d in 2013, the highest growth level among all non-OPEC countries, to average 11.00 mb/d, the highest annual level since 1973. The US annual supply forecast represents an upward revision of 120 tb/d compared to the previous MOMR. In addition to historical changes, updated production figures in the second and third quarters required the undertaken revision, which was partially carried over to the rest of the year.

North Dakota oil production averaged 875 tb/d in July, an increase of 50 tb/d compared to the previous month and growth of 200 tb/d compared to the same month a year earlier. During the first seven months of 2013, North Dakota crude production averaged 800 tb/d, an increase of 190 tb/d compared to the same period a year earlier, or 31%. The growth, however, so far in 2013 is lower in terms of volume and percentage compared to the annual growth of the same period a year earlier.

Texas crude oil production averaged 2.63 mb/d in July, a monthly and annual increase for the same period. The July monthly crude production figure is the highest in at least 32 years. The output increase in Texas was supported mainly by the strong growth achieved till July, as per actual data, from the Eagle Ford area, while the Permian area oil supply seemed to be on a steady or declining trend.

Alaska oil production averaged 490 tb/d in July. During the first seven months, Alaska crude production averaged 520 tb/d, the lowest level for the period since 1977. The output drop is seen at limited new developments and a decline in mature producing areas. The flood in Colorado forced the shutdown of many wells, yet with a minor impact on total US production.

Gulf of Mexico oil production increased in July compared to previous months as maintenance-impacted facilities resumed production and output is assumed to have increased in the rest of the third quarter. However, weather conditions might cause some interruptions in Gulf of Mexico output over the final days of the hurricane season as recent weather conditions have required some shutdowns. Biodiesel production supported the undertaken upward revision on higher output. During the first seven months of 2013, US oil supply increased by 1.05 mb/d compared with the same period of 2012.

On a quarterly basis, US oil production is estimated to average 10.62 mb/d, 10.97 mb/d, 11.20 mb/d and 11.20 mb/d, respectively.

Canada and Mexico

Canada oil to increase by 0.23 mb/d in 2013

Oil production from **Canada** is forecast to increase by 0.23 mb/d in 2013 to average 4.00 mb/d, a downward revision of 10 tb/d from the previous assessment. The second quarter was revised down on the back of updated production data compared to the previous MOMR. Preliminary data in the early part of the third quarter indicated a healthy supply increase from the previous quarter for crude, oil sand and NGL output. Facility maintenance impacted the output in the second quarter, and the return of production is supporting the assumed increase in the third quarter. Furthermore, the announced extension of supply from oil sand facilities is seen to support Canada's output in the forecast period and the future.

On a quarterly basis, Canada's supply is seen to average 4.08 mb/d, 3.78 mb/d, 4.02 mb/d and 4.11 mb/d, respectively. During the first half of 2013, Canada's oil supply increased by 0.20 mb/d compared with the same period in 2012.

KMZ output returned to normal level after the drop in July

Mexico's oil output is forecast to decline by 40 tb/d in 2013 to average 2.88 mb/d, unchanged from the previous *MOMR*. Despite the decline in Mexico's oil production in July, reaching the lowest level in at least the past two years, August oil production came in healthy. The decline in July came from the drop of output from the Ku-Maloob-Zaap (KMZ) fields, compared with the previous month. According to preliminary data, Mexico's oil supply averaged 2.89 mb/d during the first three quarters of 2013, down 40 tb/d from the same period of 2012.

On a quarterly basis, Mexico's supply is seen to stand at 2.91 mb/d, 2.87 mb/d, 2.88 mb/d and 2.86 mb/d, respectively.

OECD Europe

Total OECD Europe oil supply is forecast to drop 0.23 mb/d in 2013 and average 3.54 mb/d, representing a downward revision of 25 tb/d from the previous month. The ongoing output decline in North Sea production is expected to continue in 2013.

On a quarterly basis, oil output is estimated to average 3.63 mb/d, 3.57 mb/d, 3.42 mb/d and 3.55 mb/d, respectively.

Norway's output decreased in August

Norway's oil supply is projected to decline by 80 tb/d in 2013 and average 1.84 mb/d, unchanged from the previous *MOMR*. The expected average supply in 2013 is at the lowest level since 1990, as the declining output trend that started in 2002 continues. The healthy production level in July from Norway, on steady output from major fields, was offset by the decline in August production due to the drop in output from Statfjord and other offshore fields. The decrease in Norway oil production in August came despite the increases experienced from Ekofisk and Gullfaks on return from maintenance. The North Sea loading programme is showing a decline in October, which could further impact the forecast. Additionally, the delay of the Njord field restart to 2014 from the third quarter further impacted the projection. Moreover, the shutdown of the Ekofisk field in September for repairs could impact the projection in the coming period. During the first three quarters, Norway's supply is seen to have averaged 1.83 mb/d, a decline of 110 tb/d from the same period a year earlier.

On a quarterly basis, Norway production is expected to average 1.84 mb/d, 1.84 mb/d, 1.82 mb/d and 1.85 mb/d, respectively.

UK oil supply to drop 0.10 mb/d in 2013 and average 0.86 mb/d

The **UK's** oil production is forecast to decline by 0.10 mb/d in 2013 to average 0.86 mb/d, representing a downward revision of 30 tb/d from the previous month. The expected annual production level from the UK in 2013 is the lowest annual average level since 1977. According to actual production data, UK monthly oil output indicated an annual decline in all the months up to July, with an average decline of 0.15 mb/d. The impact of maintenance and natural decline were the main factors behind the drop. Furthermore, the shutdown of the Causeway and Cormorant East facilities further supported the downward revision.

On a quarterly basis, the UK oil supply is seen to average 0.92 mb/d, 0.89 mb/d, 0.77 mb/d and 0.85 mb/d, respectively. According to preliminary data, the UK oil supply averaged 0.86 mb/d during the first three quarters of 2013, a decline of 120 tb/d compared to the same period a year earlier.

OECD Asia Pacific

Total **OECD Asia Pacific** oil supply is forecast to decline by 70 tb/d and average 0.49 mb/d in 2013, representing a steady state from the previous month. The expected annual figure is the lowest level since 1982.

On a quarterly basis, total OECD Asia Pacific supply is seen to average 0.45 mb/d, 0.49 mb/d, 0.53 mb/d and 0.51 mb/d, respectively.

Australian supply to decline by 60 tb/d in 2013

Australia's oil supply is expected to average 0.42 mb/d in 2013, a decline of 60 tb/d, flat from the previous MOMR. The expected annual average is the lowest level since 1972. Limited new developments and natural decline remain the major characteristics of Australia's oil supply. According to preliminary data, Australia's oil supply averaged 0.41 mb/d, a decline of 80 tb/d compared to the same period a year earlier. Australia's monthly oil supply indicated an annual decline in all the months during the first three quarters with an average decline of of 70 tb/d.

On a quarterly basis, Australia's oil supply is seen to average 0.37 mb/d, 0.41 mb/d, 0.45 mb/d and 0.44 mb/d, respectively.

Developing countries

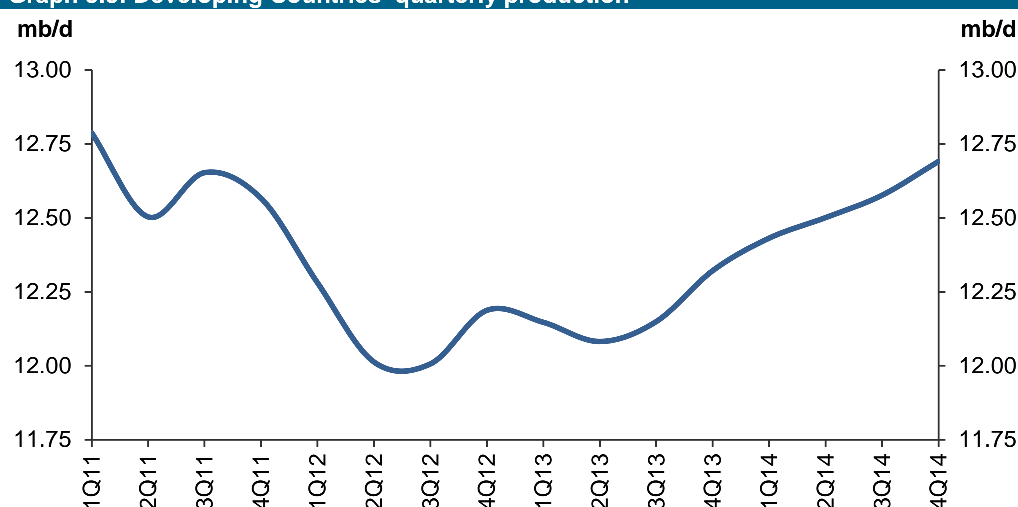
DC supply to increase by 50 tb/d in 2013 and average 12.18 mb/d

Total **developing countries**' (DCs) oil supply is estimated to increase by 50 tb/d in 2013 to average 12.18 mb/d, unchanged from last month. The steady state came as a result of upward and downward revisions that offset each other. All quarters experienced revisions from different regions of the DC group on historical and updated production data as well as changes to individual countries' supply profiles.

Latin America's and the Middle East's supply projections experienced upward revisions, while Other Asia was revised up and Africa remained flat, compared with the previous month. Africa's and Latin America's supply is expected to achieve growth, while the Middle East and Other Asia are seen to decline in 2013. South Sudan and Sudan, and Colombia are expected to achieve the highest growth among all DCs, while Syria and Indonesia are expecting the largest declines.

On a quarterly basis, DC oil output is seen to stand at 12.15 mb/d, 12.08 mb/d, 12.15 mb/d and 12.32 mb/d, respectively. According to preliminary data, DCs' first-half supply averaged 12.11 mb/d, a decline of 40 tb/d from the same period a year earlier.

Graph 5.3: Developing Countries' quarterly production



Other Asia supply to receive support from EOR projects

Oil supply from **Other Asia** is expected to average 3.58 mb/d in 2013, a decline of 60 tb/d from the previous year. Updated production data indicated lower-than-expected output from Indonesia and Thailand. Accordingly, the necessary adjustments were completed, and the Other Asia oil supply forecast experienced a downward revision of 25 tb/d, compared with the previous assessment. **India's** oil production is seen to average 0.87 mb/d in 2013, a minor decline of 10 tb/d compared to the previous year. The operator of the Rajasthan fields is planning to improve the fields' output with the introduction of enhanced oil recovery (EOR). **Malaysia** oil supply is expected to average 0.66 mb/d in 2013, steady from the previous MOMR. Malaysia oil supply is seen to increase in the fourth quarter on a ramp-up of projects. EOR projects in Malaysia are expected to support output in the coming period.

On a quarterly basis, Other Asia's oil supply is seen to stand at 3.66 mb/d, 3.58 mb/d, 3.51 mb/d and 3.58 mb/d, respectively.

Indonesia's oil supply is forecast to decline by 50 tb/d in 2013 to average 0.93 mb/d, indicating a downward revision of 10 tb/d compared to the previous month. The downward revision came on the back of updated production figures in the third quarter that showed lower output than previously expected. Similarly, **Thailand's** oil supply encountered a downward revision on the back of updated production data. Thailand's oil supply is expected to average 0.36 mb/d in 2013, steady from the previous year. Oil production from Brunei and Vietnam are expected to remain flat in 2013 compared to the previous year.

Latin America supply to average 4.77 mb/d in 2013, growth of 0.10 mb/d

Latin America's oil supply is projected to increase by 0.10 mb/d in 2013 to average 4.77 mb/d, indicating an upward revision of 15 tb/d from the previous MOMR.

Argentina's oil supply forecast remained steady compared to previous month and is seen to average 0.66 mb/d, a decline of 30 tb/d compared to previous year. Activity level is gaining base in the shale formation. Argentina biodiesel output is experiencing healthy growth and seen to offset the decline of other supply elements. **Colombia's** supply is anticipated to increase 70 tb/d in 2013, the largest growth in the region, to average 1.03 mb/d, unchanged from the previous MOMR. Colombia's oil supply remained healthy so far in 2013 with continues gains despite the security situation. New EOR project at the Quifa oil field is seen to further support the growth. During the first half of 2013, Latin America's oil supply averaged 4.72 mb/d, an increase of 30 tb/d from the same period a year earlier.

On a quarterly basis, production is seen to stand at 4.71 mb/d, 4.73 mb/d, 4.78 mb/d and 4.87 mb/d respectively.

Brazil's biofuel output indicates a healthy increase

Brazil's oil supply is expected to increase by 30 tb/d in 2013 to average 2.63 mb/d, indicating an upward revision of 20 tb/d from the previous month. This revision affected all quarters in 2013. A major revision was introduced to Brazil's biofuel production on the back of healthy production levels. However, maintenance and declines at mature fields in the Campos basin sharply influenced output in July as well as delays in bringing in new production. The expected worker strike in October is seen to have a minimal impact on production so far. For the first seven months of 2013, Brazil's oil production indicated an annual average decline of 40 tb/d on a monthly basis due to declines in the first fourth months of the year. The startup of the second phase of the BC-10 Parque das Conchas supported the upward revision. According to preliminary and estimated data, Brazil's oil supply averaged 2.60 mb/d in the first three quarters of 2013, steady from the same period a year earlier.

On a quarterly basis, Brazil's oil production is seen to average 2.57 mb/d, 2.61 mb/d, 2.63 mb/d and 2.71 mb/d, respectively.

Middle East supply to decline by 0.10 mb/d in 2013 to average 1.40 mb/d

Middle East oil production is estimated to decline by 0.10 mb/d in 2013 to average 1.40 mb/d, an upward revision of 15 tb/d from the last month. Bahrain's supply experienced a minor upward revision, while Oman, Syria and Yemen forecasts remained steady compared to MOMR. **Bahrain's** supply outlook was revised up by 15 tb/d on historical changes to average 0.21 mb/d in 2013, an increase of 20 tb/d compared to the previous year. **Oman's** oil supply is forecast to increase by 20 tb/d to average 0.94 mb/d in 2013. More EOR investment is seen to support output in the future. The Rima EOR project is expected to support output soon. **Yemen's** oil supply is expected to average 0.16 mb/d in 2013, a decline of 20 tb/d compared to the previous year. New attacks on the main pipeline were experienced in September. **Syria's** oil supply is estimated to average 90 tb/d in 2013, a decline of 120 tb/d compared to the previous year. Data availability for Syria's actual oil production is limited, which is creating difficulties in estimating the supply and checking the data. A high level of risk remains associated with the Middle East supply forecast mainly on political and data issues.

On a quarterly basis, Middle East oil production is seen to stand at 1.48 mb/d, 1.35 mb/d, 1.41 mb/d and 1.36 mb/d, respectively.

South Sudan ramping up output

African oil supply is forecast to increase by 0.12 mb/d in 2013 to average 2.42 mb/d, unchanged from the previous *MOMR*. Despite this steady state, there were a few upward and downward revisions to individual countries' oil supply forecasts that offset each other. **Congo's** supply forecast was revised down slightly on historical production data. **South Sudan's** and **Sudan's** oil supply is expected to average 0.24 mb/d in 2013, an increase of 0.12 mb/d compared to the previous year, indicating an upward revision of 20 tb/d from the previous *MOMR*. The upward revision is introduced on reports of more fields coming back online from South Sudan. The El Tor in the Unity state was reported to have restarted as well as other fields. Moreover, more wells came back online, and output is expected to increase toward pre-shutdown levels. On a quarterly basis, Africa's supply is estimated to average 2.30 mb/d, 2.42 mb/d, 2.45 mb/d and 2.51 mb/d, respectively.

FSU, Other regions

FSU production to increase by 0.12 mb/d in 2013 and average 13.42 mb/d

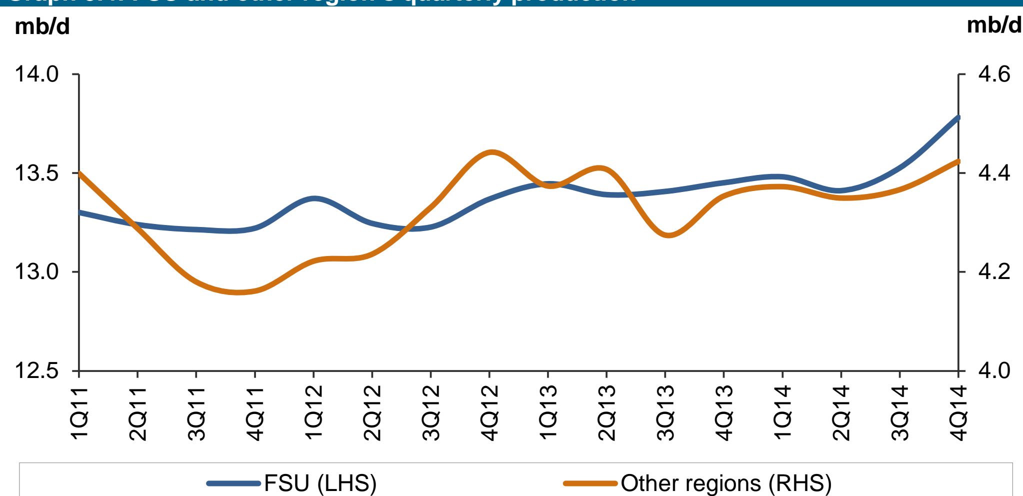
Total FSU oil production is projected to increase by 0.12 tbm/d in 2013 and average 13.42 mb/d, unchanged from the previous month. The forecast experienced upward and downward revisions on an annual basis for Kazakhstan, Azerbaijan and FSU Others, which offset each other. The revisions took place mainly in the third and fourth quarters as updated production data became available. The FSU's supply growth is supported mainly by Russia and Kazakhstan, while Azerbaijan production is expected to decline in 2013. The FSU supply remains the second largest on a regional basis after OECD Americas. According to preliminary data, FSU supply averaged 13.41 mb/d during the first three quarters of 2013, an increase of 0.13 mb/d compared with the same period a year earlier.

On a quarterly basis, total FSU production is estimated to average 13.45 mb/d, 13.39 mb/d, 13.41 mb/d and 13.45 mb/d, respectively.

China's oil output is expected to increase by 50 tb/d in 2013 and average 4.21 mb/d.

Other Europe's supply is seen to remain flat from 2012 and average 0.14 mb/d in 2013.

Graph 5.4: FSU and other region's quarterly production



Russia

Russian supply reached a record high of 10.53 mb/d in September

Russia's oil supply is expected to increase by 0.10 mb/d in 2013 to average 10.47 mb/d, indicating an upward revision of 10 tb/d compared to the previous month. The minor upward revision was introduced to adjust for updated production data.

East Siberian fields are supporting the Russian output strongly as well as stabilising West Siberian fields. The government is moving forward in tax breaks for large offshore projects, which will support future output. A government agency is forecasting that Russia's oil supply will remain relatively steady in the short term as well as in the future. Russia's production, according to preliminary data, reached a record high in September with a minor increase over the previous month. The healthy figure was supported by steady production from West Siberian fields such as Komi and Perm as well as new volumes from green fields. Production is expected to remain at the current level in the fourth quarter. During the first three quarters of 2013, Russian supply averaged 10.47 mb/d, indicating growth of 0.13 mb/d from the same period in 2012. Third-quarter supply increased by 0.13 mb/d compared with the same period of 2012.

On a quarterly basis, Russian supply is estimated to average 10.45 mb/d, 10.47 mb/d, 10.49 mb/d and 10.46 mb/d, respectively. Russian oil production averaged 10.53 mb/d in September, up 10 tb/d from a month earlier.

Gas leak halts Kashagan output

Caspian

The **Kazakh** oil supply is forecast to increase by 50 tb/d in 2013 to average 1.64 mb/d, indicating an upward revision of 10 tb/d from the previous MOMR. The upward revision was introduced to adjust for updated preliminary production data in the third quarter.

The startup of the Kashagan field is supporting Kazakhstan's oil supply by offsetting declines from other areas and adding to expected growth. The field's initial production was estimated at 40 tb/d, moving to 90 tb/d and then to 180 tb/d before reaching the first phase target of 370 tb/d. However, the recent gas leak that led to a production halt casted some uncertainty on the field's ramp-up volume and time frame. Kashagan's first cargo is expected to load by the end of October. The increase from the Tengiz oil field after maintenance supported the upward revision.

On a quarterly basis, Kazakhstan's oil supply is seen to stand at 1.68 mb/d, 1.60 mb/d, 1.63 mb/d and 1.66 mb/d, respectively.

Azeri oil production to average 0.86 mb/d in 2013, a decline of 40 tb/d

Azeri oil supply is forecast to drop 40 tb/d in 2013 to average 0.86 mb/d, which is a downward revision of 15 tb/d from the previous MOMR. This revision was introduced to the second half supply estimates.

Updated production data for the early parts of the third quarter showed that output remained below expectations, which necessitated the downward revision in the third quarter. The weak production data is due to maintenance and natural decline. The loading programme is indicating some improvement in October from the previous month, which is seen to support fourth quarter output.

On a quarterly basis, Azerbaijan's output is seen to stand at 0.87 mb/d, 0.87 mb/d, 0.85 mb/d and 0.85 mb/d, respectively.

China

China's output expected to rise by 50 tb/d in 2013 to average 4.21 mb/d

China's oil supply is anticipated to increase by 50 tb/d in 2013 to average 4.21 mb/d, a downward revision of 30 tb/d from the previous month. This revision was to adjust for updated production data in the third quarter that was partially carried over to the rest of the year.

Preliminary production data indicated that China's output increased in August from the previous month, supported by an increase in offshore production. The flood impacted third quarter output from the Daqing field and caused a delay for the restart of many wells to the fourth quarter. According to preliminary and estimated data, China's supply averaged 4.21 mb/d during the first three quarters, an increase of 90 tb/d from the same period a year earlier.

On a quarterly basis, China's oil production is expected to average 4.24 mb/d, 4.27 mb/d, 4.14 mb/d and 4.21 mb/d, respectively.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are forecast to increase by 0.24 mb/d in 2013 to average 5.80 mb/d, and in 2014, they are expected to grow by 0.15 mb/d to average 5.95 mb/d.

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

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

OPEC crude oil production

OPEC crude oil production decreased 390 tb/d in September

Total OPEC crude oil production averaged 30.05 mb/d in September, according to secondary sources, down by 390 tb/d from the previous month. OPEC crude oil production, not including Iraq, averaged 27.24 mb/d in September, a decline of 19 tb/d from the previous month. Crude output of Nigeria, Algeria, and Angola experienced some increase in September, compared to the previous month, while crude production from Iraq, Libya, Saudi Arabia and Venezuela declined.

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

	2011	2012	1Q13	2Q13	3Q13	Jul 13	Aug 13	Sep 13	Sep/Aug
Algeria	1,240	1,210	1,169	1,166	1,161	1,160	1,151	1,172	*20.9*
Angola	1,667	1,738	1,754	1,752	1,699	1,710	1,684	1,704	*20.0*
Ecuador	490	499	502	511	518	519	518	519	*1.6*
Iran, I.R.	3,628	2,973	2,709	2,678	2,689	2,674	2,694	2,700	*6.4*
Iraq	2,665	2,979	3,031	3,101	2,998	3,004	3,178	2,807	*-370.3*
Kuwait	2,538	2,793	2,787	2,837	2,840	2,834	2,834	2,852	*17.6*
Libya	462	1,393	1,399	1,342	694	1,024	553	501	*-52.3*
Nigeria	2,111	2,073	1,992	1,890	1,895	1,905	1,877	1,903	*26.6*
Qatar	794	753	736	729	731	731	730	732	*1.9*
Saudi Arabia	9,296	9,737	9,105	9,482	10,031	9,924	10,110	10,061	*-49.5*
UAE	2,516	2,624	2,690	2,728	2,767	2,768	2,760	2,772	*11.2*
Venezuela	2,380	2,359	2,348	2,349	2,340	2,346	2,348	2,325	*-23.8*
Total OPEC	**29,788**	**31,132**	**30,221**	**30,565**	**30,364**	**30,598**	**30,436**	**30,047**	***-389.7***
OPEC excl. Iraq	**27,122**	**28,152**	**27,190**	**27,464**	**27,365**	**27,594**	**27,259**	**27,240**	***-19.5***

Totals may not add up due to independent rounding.

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

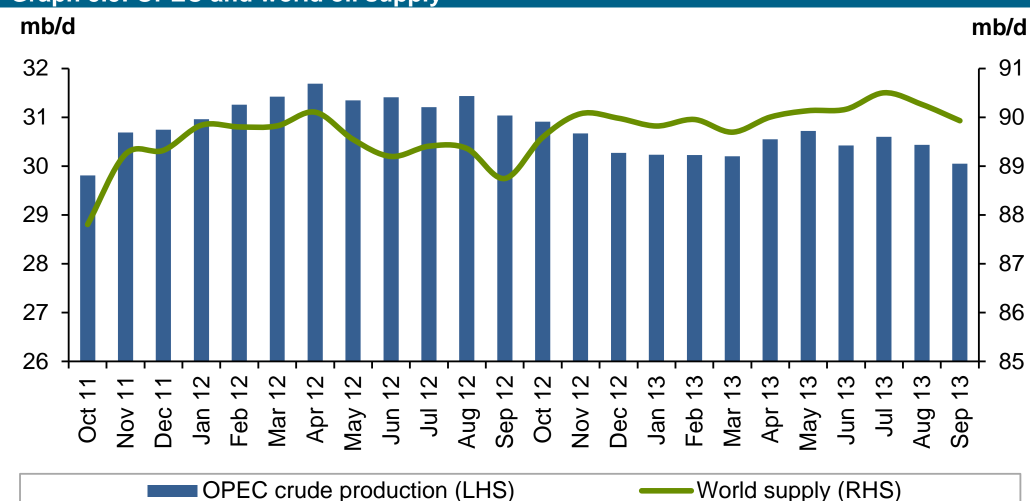
	2011	2012	1Q13	2Q13	3Q13	Jul 13	Aug 13	Sep 13	Sep/Aug
Algeria	1,173	1,203	1,199	1,202	1,202	1,210	1,198	1,198	*0.0*
Angola	1,618	1,704	1,734	1,730	..	1,713	1,678	..	..
Ecuador	500	504	506	520	534	530	537	535	*-1.6*
Iran, I.R.	3,576	3,740	3,704	3,711	3,653	3,721	3,718	3,517	*-201.0*
Iraq	2,653	2,944	2,957	3,042	3,006	2,972	3,207	2,833	*-374.0*
Kuwait	2,660	2,977	2,813	2,970	2,990	3,011	2,995	2,964	*-31.4*
Libya	462	1,450	1,489	1,415	752	1,242	597	407	*-190.2*
Nigeria	1,896	1,954	1,820	1,649	1,800	1,783	1,880	1,736	*-144.2*
Qatar	734	734	728	724	..	722	714	..	..
Saudi Arabia	9,311	9,763	9,111	9,538	10,115	10,034	10,190	10,123	*-67.1*
UAE	2,565	2,652	2,823	2,792	2,859	2,877	2,812	2,888	*75.7*
Venezuela	2,795	2,804	2,743	2,762	2,773	2,754	2,773	2,794	*20.5*
Total OPEC	**29,942**	**32,429**	**31,626**	**32,055**	**..**	**32,569**	**32,299**	**..**	**..**
OPEC excl. Iraq	**27,290**	**29,485**	**28,669**	**29,013**	**..**	**29,597**	**29,092**	**..**	**..**

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

World Oil Supply

Preliminary figures show that global oil supply averaged 89.93 mb/d in September, a drop of 0.33 mb/d from the previous month, mainly due to the decline of OPEC crude oil production, while non-OPEC supply experienced some increase compared with the previous month. OPEC crude is estimated to have a 33.4% share in global supply. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production according to secondary sources.

Graph 5.5: OPEC and world oil supply

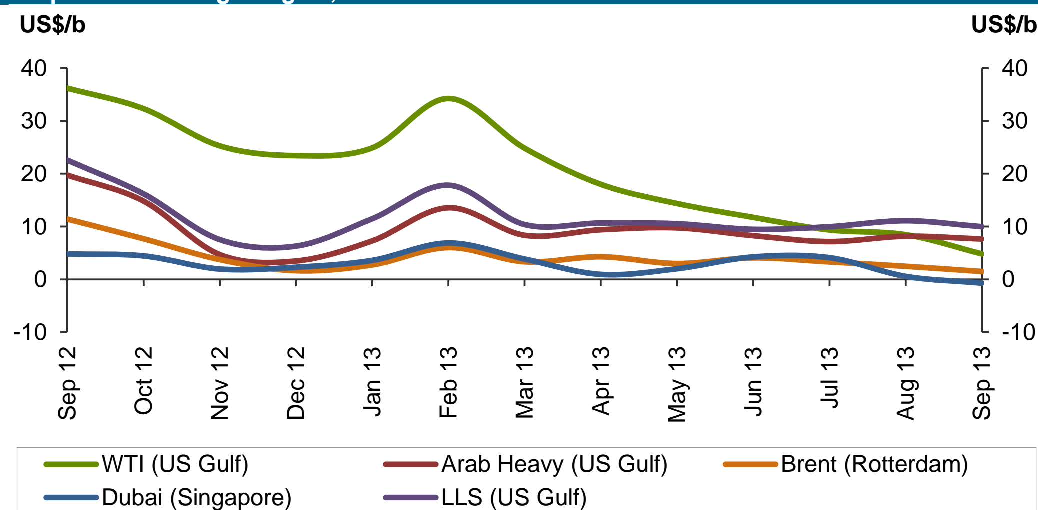


Product Markets and Refinery Operations

Refinery margins continued falling worldwide due to weaker demand

Product market sentiment showed a mixed performance during the last month with middle distillates remaining relatively healthy on the back of tightening sentiment, while gasoline plummeted after the end of the driving season in the Atlantic Basin and declining seasonal demand in Asia countries. This, along with weakened fuel oil caused refinery margins to continue their worldwide downward trend.

Graph 6.1: Refining margins, 2012-13



US product markets were mixed, with support for intermediate refinery products and fuel oil, but pressure building on light transport fuels. Gasoline fell sharply, reflecting an expected seasonal drop in demand, causing the gasoline crack to lose around $15/b during September.

US refining margins continued to weaken in September as gains in fuel oil and the middle of the barrel were not enough to counteract the collapse suffered by the gasoline crack.

The sharp losses seen at the top of the barrel caused the margin for WTI to continue to fall during September, dropping almost $4 to average around $4.6/b, while the margin for LLS crudes on the US Gulf Coast (USGC) showed a drop of $1 to average $10/b.

European product markets saw a mixed performance, with middle distillates strengthening on the back of tightening sentiment, fuelled by the maintenance season affecting some refineries in Europe and Russia; however, the losses suffered by the top and bottom of the barrel caused refinery margins to continue the downward trend in the region.

Gasoline cracks weakened sharply as prices fell on expectations of the usual seasonal drop in demand, weighing heavily on the margins. Additionally, the high run rates at domestic refineries have contributed to persistently high US gasoline stocks over the summer, and largely shut off the flow of cargoes from Europe.

European refining margins continued to deteriorate, pressured by weakness in the top and bottom of the barrel, with the refinery margin for Brent crude in Northwest Europe losing 80¢, to average $1.7/b in September.

Asian refining margins plummeted during August, and continued falling during September, hit by the fall across all parts of the barrel, with the cracking margins weakening on pressure from relatively high levels of supply and seasonal falling demand.

The gasoil and fuel oil cracks fell on reduced domestic demand due to the monsoon season, leading to a rise in India's gasoil exports, while the Chinese will be allowed to increase product exports in the coming weeks.

Refinery margins in Asia continued the downward trend, losing $1.00/b and sinking into negative territory, to average minus 40¢/b, the lowest level seen in the last 3 years.

Refinery operations

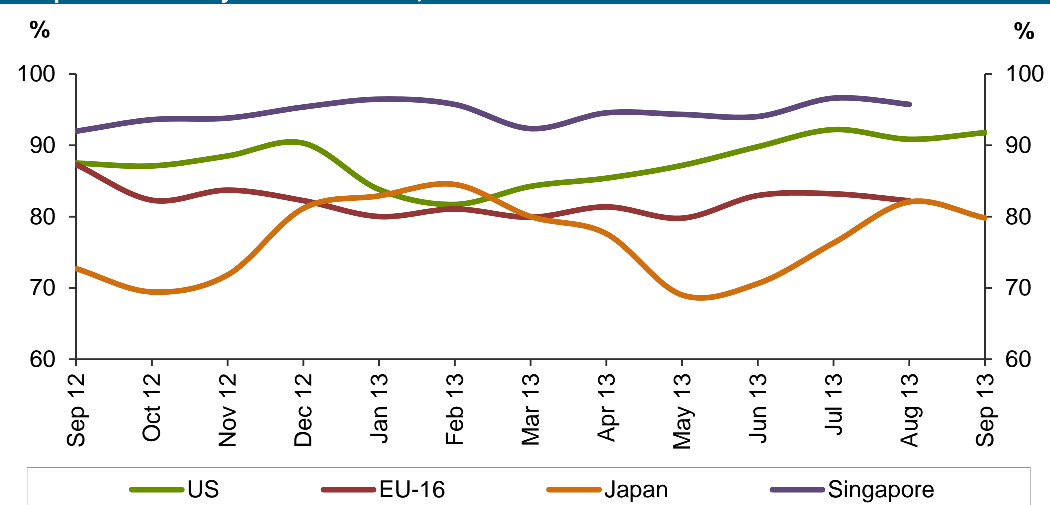
Higher refinery runs under pressure from low margins

Refinery throughputs continued on the rise worldwide during the last month, mainly in Asia and the US, while European refiners retained moderated levels; however the continued downward trend in worldwide refinery margins with the end of the driving season in the Atlantic Basin and demand waning in Asia could cause refiners to cut runs in the upcoming winter season.

Refining utilization rates increased 1 percentage point (pp) versus the previous month to average 91.8% during September in the **US**, due to higher runs on the US Gulf Coast, after some operational problems were resolved in several units, thus contributing to the rise in runs.

US refining margins weakened due to the collapse of the gasoline crack after the end of the driving season and inventories standing above the five-year average fuelled bearish sentiment.

Graph 6.2: Refinery utilization rates, 2012-13



In **Europe**, the refinery utilisation rate averaged around 82% in August, 4 pp lower than a year ago at the same time and is expected to continue at moderated levels, given the current market environment. However, rates could fall further during the autumn maintenance season.

In **Asia**, Chinese and Indian refinery runs continued on the rise to average around 90% in August. In Singapore, refinery runs during August continued at a high level of 96%, similar to the previous month, while Japanese throughputs averaged 79.5% of capacity in September, falling 3 pp.

US market

US gasoline crack plummeted after the end of the driving season

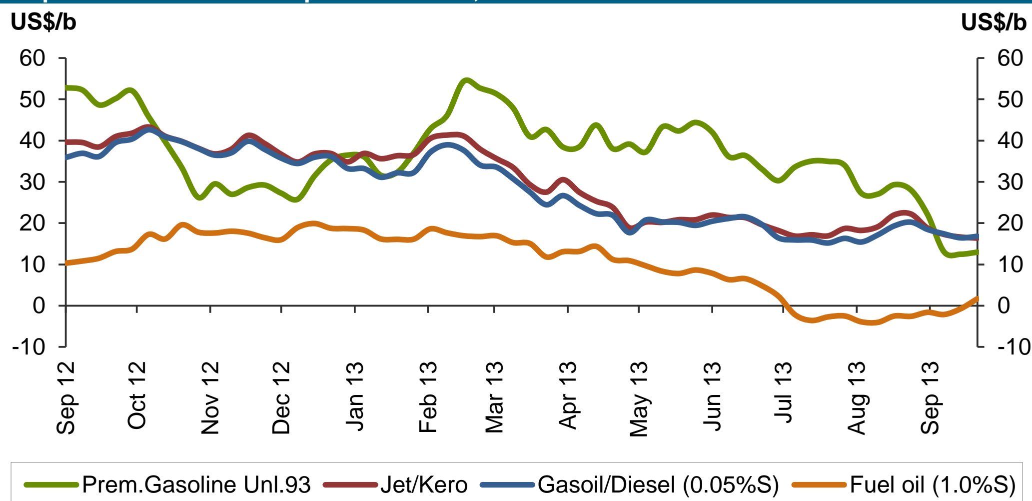
US gasoline demand stood at around 8.8 mb/d in September, around 350 tb/d lower than in the previous month, and up by around 260 tb/d from the same month a year earlier.

The gasoline crack continued losing ground in September, despite the improvement seen in the implied demand, which remains above the previous year's level. The crack declined sharply to the lowest levels seen this year on the back of pressure from the supply side, as most refiners and distributors were clearing tanks of summer gasoline grades and the market moved its attention towards the upcoming switch to winter-grade

gasoline. The seasonal switch to winter-grade in the US takes place on 15 September, with Europe following two weeks later.

Despite operational limitations in several fluid catalytic cracking (FCC) units – Valero´s Benicia, ExxonMobil´s Torrence and Tesoro refineries – gasoline inventories remained above the five-year average level. The continued stock-build during September contributed to the bearish sentiment in the market, further fuelled by seasonal developments such as declining post-summer demand and the switch to winter-grades. Those factors continued to weigh on the gasoline market and caused the gasoline crack to remain under pressure, plummeting since the mid of the month to average $15/b in September and resulting in a sharp loss of more than $14 versus the previous month's level.

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



Middle distillate demand stood at around 3.7 mb/d in September, the same level as the previous month and around 40 tb/d above the same month a year earlier.

Middle distillate cracks ticked slightly lower, but remained at relatively healthy levels on the back of a balanced market and a draw-down in inventories.

The introduction of tighter specifications in New York State has impacted the lower stock levels as the high sulphur heating oil stocks in PADD 1 are being replaced by 10ppm heating oil, while other US states will implement reductions in sulphur content starting 2014.

US diesel demand has shown signs of recovery on the back of improving economic signs, with trucking demand on the rise, a key component of diesel demand in the US. The ATA trucking tonnage index continued to grow by nearly 7% y-o-y in August, the largest y-o-y jump since December 2011.

Additionally, middle distillates saw some support from diesel, as strengthening European cracks – with the refinery maintenance season reducing supplies – helped to support the US market, by increasing diesel exports to the region. In addition, exports to Latin America continued to support the market by keeping in check inventories which continue to be relatively low compared to the five-year average. This outweighed the supply pressure, limiting further losses and allowing the USGC gasoil crack to remain healthy despite a slightly loss of 30¢ to stand at around $17.4/b in September.

At the **bottom of the barrel**, fuel oil cracks recovered ground as some support came from the supply side with the reduction in output due to lower yields. The latest EIA data showed fuel oil yields at around 0.8 percentage points (pp) lower y-o-y. Another supply-side issue was declining imports, contributing to the tightening environment, despite US bunker fuel demand remaining subdued.

The fuel oil crack recovered more than $2 to average minus 70¢/b in September, however remaining in negative territory after being on the positive side for more than 24 months.

A tight US Gulf Coast fuel oil market is scheduled to receive fresh imports in October as several cargoes were booked for delivery to the region, loading from the Baltic Sea, the Black Sea and the Mediterranean.

European market

Middle distillate cracks continued healthy on the back of tight sentiment

Product markets in Europe were dominated by ongoing weakness in gasoline due to falling US demand, given the passing of the peak summer driving season on Labour Day. Lower gasoline exports led to a stock build and depressed gasoline crack spreads, causing the margins to continue to drop in Europe, despite middle distillates remaining healthy.

In **light distillates**, the gasoline crack continue losing ground and dropped sharply in September to hit the lowest level so far this year, with low demand hitting both sides of the Atlantic amid an unexpected rise in already-high US stocks, contributing to bearish sentiment after the US peak summer driving season came to an end.

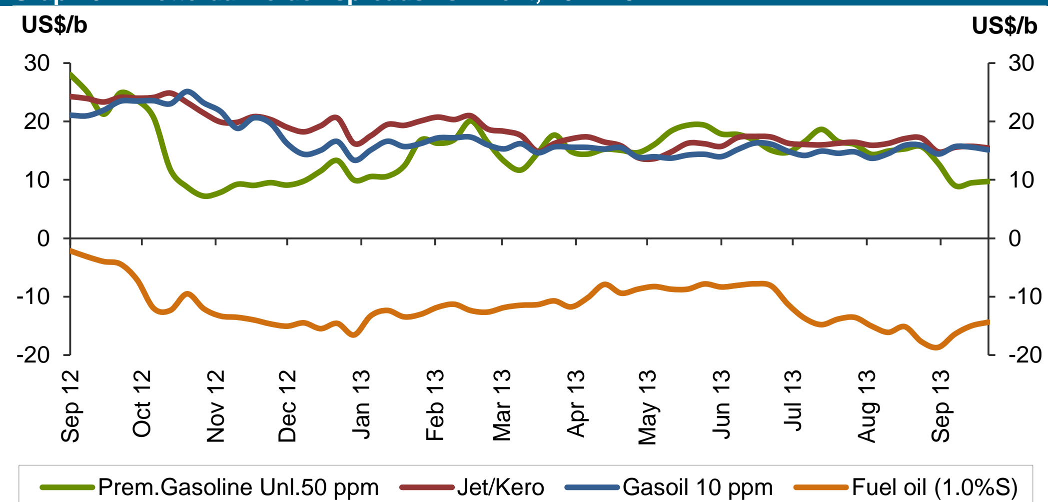
With the demand side remaining dull both in Europe and across the Atlantic, in line with seasonality, maintenance-related issues and lower production were not able to protect European gasoline cracks. Opportunities to ship cargoes to the US remained scarce as on the USGC, higher utilization rates have kept supply relatively elevated during last months and gasoline stocks in the ARA hub were on the rise.

The gasoline crack spread against Brent crude exhibited a sharp loss of around $5 to average $10/b in September.

European naphtha demand for the petrochemical sector remained lacklustre as several crackers began maintenance and the arbitrage to Asia remained limited, amid cheaper propane – being more attractive as a petrochemical feedstock – putting additional pressure on the naphtha market.

Additionally, the demand for naphtha in the gasoline pool seasonally decreases as refiners and blenders typically increase the use of butane in the gasoline blend during winter months, being typically cheap and having a high octane number.

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



The **middle of the barrel** remained relatively balanced, and the cracks remained healthy and stable as demand steadied and fears of tight supply continued to support cracks.

Diesel margins rose on tight prompt supply as the market remains supported by refinery maintenance. Additionally, low water levels on the Rhine impacted some flows from the

ARA hub into Central Europe, thus potentially also adding to the perceived tightness in the region. The supply side lent additional support on the back of lower exports from Russia, limited by maintenance at key refineries.

The gasoil crack spread against Brent crude at Rotterdam widened by around 50¢ from the previous month to average $15.4/b in September.

Looking ahead, increasing volumes arriving from India and the US are expected in the coming weeks, which could pressure the market from the supply side.

At the **bottom of the barrel**, fuel oil cracks continued their downward trend seen since the end of June, due to pressure exerted by the lacklustre demand for bunker fuel and fewer requirements from utilities.

High-sulphur fuel oil continued to fall against crude on weak demand in Europe and Asia-Pacific, with opportunities to send cargoes to Asia still relatively scarce as the Asian market seems sufficiently supplied, with stock levels in Singapore having risen substantially over the past weeks.

Despite weak arbitrage to Asia, losses were limited on the supply side with maintenance going on in the ARA region and Russia, along with lower runs at simple refineries, which helped support fuel oil. Low sulphur fuel oil (LSFO) saw some support on the back of buying interest from Shell due to maintenance at some secondary units at its Pernis refinery in Rotterdam.

The Northwest European fuel oil crack spread against Brent exhibited a loss of 60¢ in September to stand at minus $16.1/b.

Asian market

Asian gasoline cracks continued the downward trend on lower seasonal demand

The Asian market continued weakening during September as crack spreads continued falling across all parts of the barrel, due to declining seasonal demand amid increasing supplies.

The **gasoline crack** continued its downward trend, hitting the lowest value seen in almost two years on the back of plentiful supplies and thin regional demand.

The demand pressure likely stemmed from expectations of lower imports of gasoline from Asia´s first and second largest importers, Indonesia and Vietnam, while demand from Sri Lanka and Pakistan remained weak.

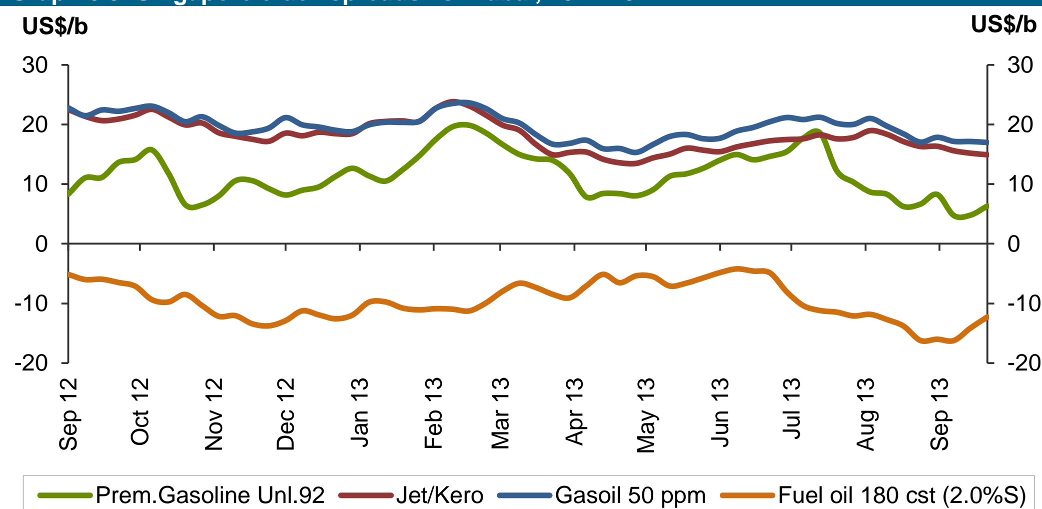
Meanwhile, in China, the National Development and Reform Commission set to increase the national retail price for gasoline by approximately 1% of the price, which will keep Chinese exports to Singapore on the rise.

The gasoline crack spread against Dubai crude in Singapore lost $2 to average $6/b in September.

The Asian naphtha market continues to be weak, and the crack showed little movement over the month, as growing supplies and cracker maintenance weighed on the naphtha market.

The naphtha market continued oversupplied as the higher availabilities from refineries in India and the Mideast Gulf outweighed the limited inflows from Europe due to the impending start of refinery turnarounds.

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



At the **middle of the barrel**, the gasoil crack continued relatively healthy in September, however it lost some ground last month as the market continued to be pressured by the passing of peak demand season, ample regional supplies and growing Indian exports.

The gasoil crack fell slightly, despite additional demand from the Philippines, Vietnam and Taiwan, where import requirements are on the rise due to refinery problems in CPC and Formosa facilities.

In addition, the supply side will continue to exert pressure with seasonally higher exports from India and China´s decision to grant an increased export quota to Sinopec, allowing it to potentially raise exports up to 100,000 b/d in 4Q13. Another bearish factor was the weakening demand environment with the expected seasonal decline mainly in Indonesian and Malaysian consumption, given the passing of summer.

The gasoil crack spread in Singapore against Dubai lost almost $2 to average around $17/b in September.

Looking ahead, with additional refining capacity expected to come online in China and initial cargoes from the new Saudi Jubail refinery likely to hit the market in October, any substantial upside to gasoil/diesel cracks should be limited in the coming months.

At the **bottom of the barrel**, cracks continued to be pressured as the region suffers from weak power and bunker demand, despite falling fuel oil prices, while residual stocks in Singapore kept rising on ample supplies.

Bunker sales in Singapore declined 7% in August amid a 4% decline in bunkering, while buying from utilities in northeast Asia has thinned out following the end of peak summer demand.

The fuel oil crack spread in Singapore against Dubai continued to show a loss of more than $1 to average minus $15/b in September.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d			*Refinery utilization, %*		
	Aug 13	Sep 13	Sep/Aug	Aug 13	Sep 13	Sep/Aug
US	15.81	15.87	0.05	90.84	91.80	0.96
France	1.19	-	-	68.04	-	-
Germany	1.90	-	-	84.37	-	-
Italy	1.31	-	-	59.54	-	-
UK	1.27	-	-	71.98	-	-
Euro-16	10.36	-	-	82.20	-	-
Japan	3.65	3.45	-0.20	82.45	79.50	-2.95

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

Table 6.2: Refined product prices, US$/b

		Jul 13	Aug 13	Sep 13	*Change* Sep/Aug
US Gulf (Cargoes FOB):					
Naphtha		109.63	109.07	107.84	-1.23
Premium gasoline	*(unleaded 93)*	138.57	134.80	121.06	-13.73
Regular gasoline	*(unleaded 87)*	124.75	123.64	110.93	-12.70
Jet/Kerosene		122.16	126.76	123.31	-3.45
Gasoil	*(0.05% S)*	120.61	124.40	123.51	-0.89
Fuel oil	*(1.0% S)*	96.90	98.76	101.61	2.85
Fuel oil	*(3.0% S)*	91.24	93.10	94.59	1.49
Rotterdam (Barges FOB):					
Naphtha		96.98	101.10	102.87	1.77
Premium gasoline	*(unleaded 98)*	124.48	126.26	122.50	-3.76
Jet/Kerosene		124.14	127.64	127.45	-0.19
Gasoil/Diesel	*(10 ppm)*	122.60	126.03	127.30	1.27
Fuel oil	*(1.0% S)*	94.57	95.36	95.88	0.52
Fuel oil	*(3.5% S)*	94.55	94.95	93.88	-1.07
Mediterranean (Cargoes CIF):					
Naphtha		97.31	101.40	103.39	2.00
Premium gasoline	*(50 ppm)*	121.89	124.28	119.30	-4.97
Jet/Kerosene*		121.10	124.43	124.76	0.34
Gasoil/Diesel	*(50 ppm)*	122.76	125.75	126.39	0.64
Fuel oil	*(1.0% S)*	97.90	99.33	99.03	-0.30
Fuel oil	*(3.5% S)*	92.50	92.94	91.88	-1.06
Singapore (Cargoes FOB):					
Naphtha		97.70	101.01	102.76	1.75
Premium gasoline	*(unleaded 95)*	121.73	117.11	117.31	0.20
Regular gasoline	*(unleaded 92)*	118.79	114.67	114.28	-0.39
Jet/Kerosene		121.18	124.73	123.87	-0.86
Gasoil/Diesel	*(50 ppm)*	124.19	126.08	125.71	-0.36
Fuel oil	*(180 cst 2.0% S)*	95.23	97.82	96.30	-1.52
Fuel oil	*(380 cst 3.5% S)*	93.15	94.46	94.48	0.02

**Free on Board (FOB).*

Source: Platts and Argus Media.

Tanker Market

In September, OPEC spot fixtures rose by 0.82 mb/d to stand at 13.21 mb/d

According to preliminary data, **OPEC spot fixtures** rose by 0.82 mb/d to stand at 13.21 mb/d in September, following a decline in the previous month. The gain in fixtures registered this month is mainly driven by the increase in Middle East-to-East fixtures, which were higher than the previous month by 0.62 mb/d, to stand at 5.99 mb/d. In contrast, Middle East-to-West fixtures declined by 0.21 mb/d to stand at 2.54 mb/d. Global fixtures increased by 9% or 1.54 mb/d compared to a month earlier, to stand at 18.82 mb/d. Compared to a year ago, global fixtures were up by 15%.

According to preliminary data, **OPEC sailings** gained 110 tb/d to stand at 23.81 mb/d in September, mainly driven by Middle East sailings. Compared to the same month last year, OPEC sailings were 0.2% lower. Arrivals in Europe and the Far East declined to average 12.06 mb/d and 8.17 mb/d, respectively, while arrivals at North American ports and into West Asia were higher.

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

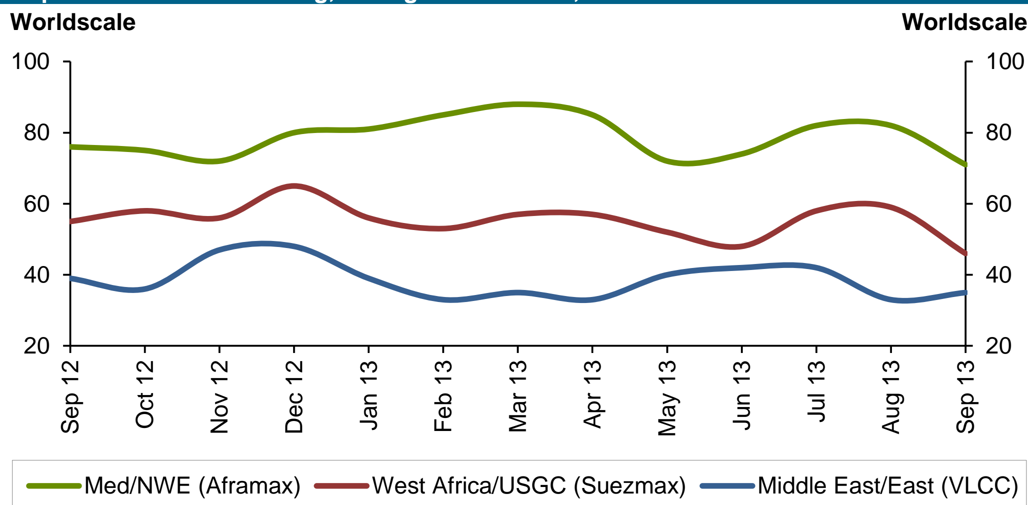
	Jul 13	Aug 13	Sep 13	*Change Sep/Aug*
Spot Chartering				
All areas	19.26	17.28	18.82	1.54
OPEC	14.35	12.38	13.21	0.82
Middle East/East	6.29	5.36	5.99	0.62
Middle East/West	3.54	2.75	2.54	-0.21
Outside Middle East	4.53	4.26	4.68	0.41
Sailings				
OPEC	24.34	23.70	23.81	0.11
Middle East	17.99	17.37	17.45	0.08
Arrivals				
North America	9.78	8.76	9.10	0.34
Europe	12.42	12.23	12.06	-0.17
Far East	8.73	8.60	8.17	-0.43
West Asia	4.27	4.30	4.67	0.37

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

In September, the weak sentiment continued to dominate both the crude oil and product tanker markets. The only exception was seen in the VLCC sector, which experienced a slight gain of 7% compared to the previous month. Suezmax and Aframax lost 20% and 7%, respectively, during the same period. Tonnage surplus and limited tonnage demand were the main factors preventing the market from reaching its balance. Clean market rates also experienced a drop, losing 9% on average in September compared to a month earlier, due mainly to a 16% decline in West of Suez fixtures in August. East of Suez clean spot freight rates increased mainly on the back of steady shipments to Japan.

September started with a stable amount of fixtures concluded mostly for **VLCCs** loading in the Middle East region; however, freight rates did not achieve any gains at that point despite the resistance to the prevailing freight rates shown by ship owners. September Middle East loadings registered a marginal increase for eastern and western destinations despite it being an active month during which total fixtures concluded higher than usual. It was only at the end of the month that relatively higher freight rates were registered for VLCCs as the October requirement came along. VLCC spot freight rates for tankers operating on Middle East-to-East and Middle East-to-West routes increased by 6% and 13%, respectively, in September, compared to a month earlier. VLCC spot freight rates for West Africa loading were almost stable despite higher rates seen in the beginning of the month as tight windows appeared for China discharge. On a monthly average, spot freight rates for West Africa-to-East increased, yet at a smaller scale, by 3%, mainly following the increasing trend in the Middle East. All increases in freight rates remained marginal as the tanker supply situation remains unchanged.

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



Suezmax freight rates continued to be under pressure in September. Freight rates for Suezmax in West Africa were no better than VLCC rates in that area, while freight rates for tankers operating on the West Africa-to-US Gulf Coast (USGC) route dropped by 22% from last month to average 46 WS points, mainly as a result of lower demand on tonnage in addition to tonnage accumulation in the Atlantic and severe competition from Indian balasters; all factors together supported the freight rate drop, which was found to be the lowest in 2013 so far. West Africa's relatively active market at the beginning of the month did not prevent freight rates from falling on average. On the other hand, tanker supply in the Mediterranean and Black Sea remains more than sufficient even for prompt requirements and freight rates, often reported stable, were at low levels. While in the west, freight rates in the Northwest Europe (NWE)-to-USGC route declined by 17% to average 45 WS points, expectations of freight rate increases on the back of storms and bad weather in the US Gulf did not materialise.

Aframax freight rates dropped on all reported routes in September with the exception of freight rates for vessels operating on the Caribbean-to-US East Coast (USEC) route. On average, Aframax freight rates were 7% lower than a month ago. The Mediterranean market witnessed a lack of cargoes and a decline in activity, however the activity level did increase by the second half of the month, yet remains below what is needed to alleviate the tonnage built up and to lift the freight rates. Therefore, freight rates for tankers trading on the Mediterranean-to-Mediterranean route and from the Mediterranean to Northwest Europe both declined by 13% in September compared to the previous month to stand at 71 WS points and 66 WS points, respectively, a multi-month low, which reflects a lack of tonnage demand and inquiry in that area. Freight rates in the Indonesia-to-East route dropped 5% to average 76 WS points. Activity in NWE was limited as the market was quiet during different stages of the month, with freight rates reported stable, at best. The Aframax market in the Caribbean was quiet, lacking activity and adequate cargo as seen with other routes. However, lighterage activity helped marginally to increase the monthly freight rate average by 2 WS points from last month to stand at 106 WS points in September.

Table 7.2: Spot tanker crude freight rates, Worldscale

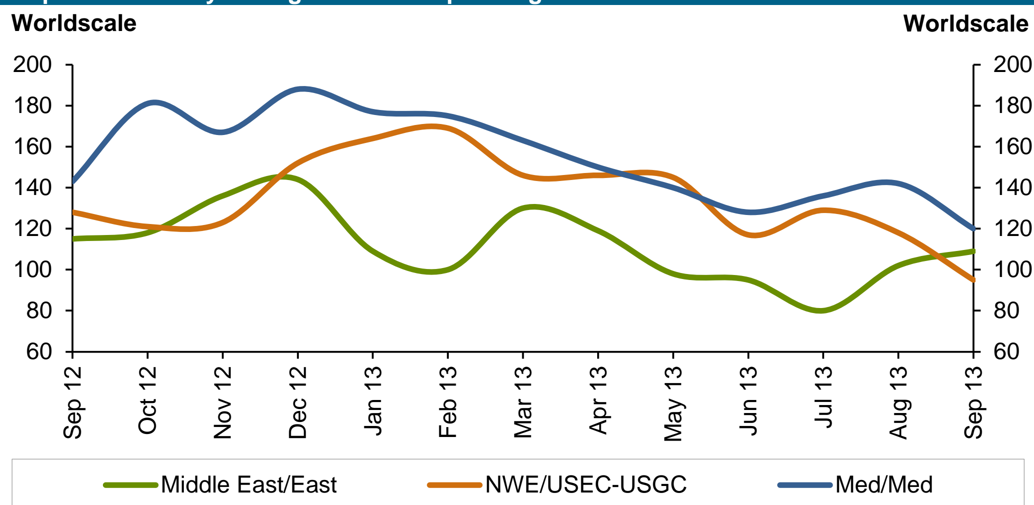
	Size *1,000 DWT*	Jul 13	Aug 13	Sep 13	*Change* Sep/Aug
Crude					
Middle East/East	230-280	42	33	35	2
Middle East/West	270-285	27	22	25	3
West Africa/East	260	41	35	36	1
West Africa/US Gulf Coast	130-135	58	59	46	-13
NW Europe/USEC-USGC	130-135	48	54	45	-9
Indonesia/US West Coast	80-85	83	80	76	-4
Caribbean/US East Coast	80-85	90	104	106	2
Mediterranean/Mediterranean	80-85	82	82	71	-11
Mediterranean/North-West Europe	80-85	75	76	66	-10

Source: Galbraith's tanker market report and Platts.

Clean sport freight rates declined on average by 9% from a month ago

Clean tanker market sentiment was mixed in September as East of Suez rates gained 6% while West of Suez edged down by 16%, compared to last month. However, on average, clean spot freight rates declined by 9% from a month ago and 12% from a year earlier. In September, the clean tanker market was quiet, the general sentiment was weak and rates often remained flat.

Graph 7.2: Monthly averages of clean spot freight rates



East of Suez fixtures continued the gain they saw last month with the Middle East-to-East route registering a 6% increase from a month ago to average 109 WS points. Additionally, freight rates for tankers operating on the Singapore-to-East route increased by 5% from August, mainly on the back of steady naphtha shipments. The higher activity on both routes supported medium-range tanker owners' demands for higher freight rates. Westbound fixtures reported a decline on all selected routes as activity thinned, partially due to holidays in the west and few gasoline shipments from NWE to the US and the market remains oversupplied with tankers. The US Gulf had an active market occasionally during the month, however the positive trend flattened shortly as freight rates declined. Freight rates on the NWE-to-US, Mediterranean-to-Mediterranean and Mediterranean-to-NWE routes declined by 20%, 16% and 15%, respectively, in September. The negative trend in tanker demand, which was initially seen in long-range vessels, spilled over to medium-range vessels as well.

Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	**Jul 13**	**Aug 13**	**Sep 13**	***Change*** **Sep/Aug**
Products					
Middle East/East	30-35	80	102	109	7
Singapore/East	30-35	109	113	119	6
NW Europe/USEC-USGC	33-37	129	118	95	-23
Mediterranean/Mediterranean	30-35	136	142	120	-22
Mediterranean/North-West Europe	30-35	147	152	130	-22

Source: Galbraith's tanker market report and Platts.

Oil Trade

In September, US crude oil imports averaged 7.97 mb/d, down by 141 tb/d, according to preliminary data

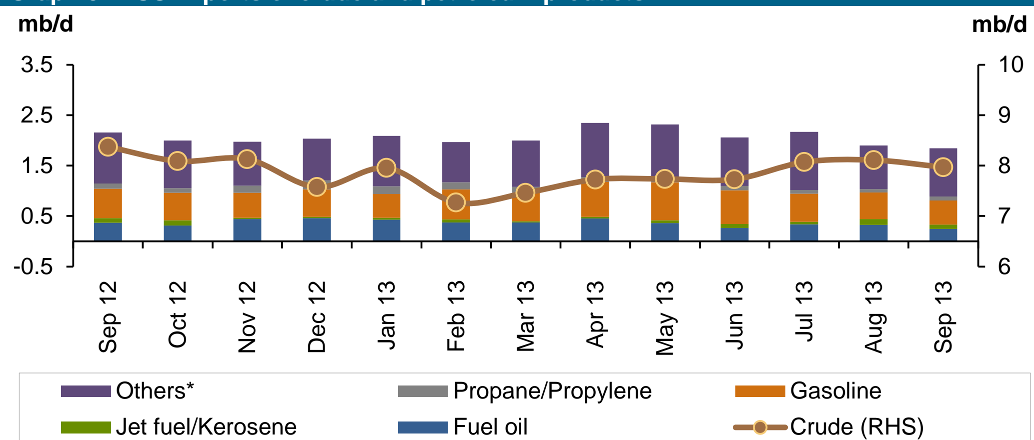
US

According to preliminary data, US **crude oil imports** averaged 7.97 mb/d in September, down by 141 tb/d or 1.7% from August and 405 tb/d or 5% from the same month last year. Year-to-date, US crude oil imports averaged 7.7 mb/d, reflecting a decline of 10% from the same period last year.

US **product imports** decreased as well by 52 tb/d or 3% from last month, while the decrease is higher on an annual basis as it averaged 312 tb/d or 14% from last year. On the other hand, US **product exports** increased by 121 tb/d or 4% m-o-m and 133 tb/d or 4% y-o-y.

Consequentially, **US net imports decreased in September to average 6.5 mb/d**, reflecting a decrease both monthly and annually by 4% and 11%, respectively.

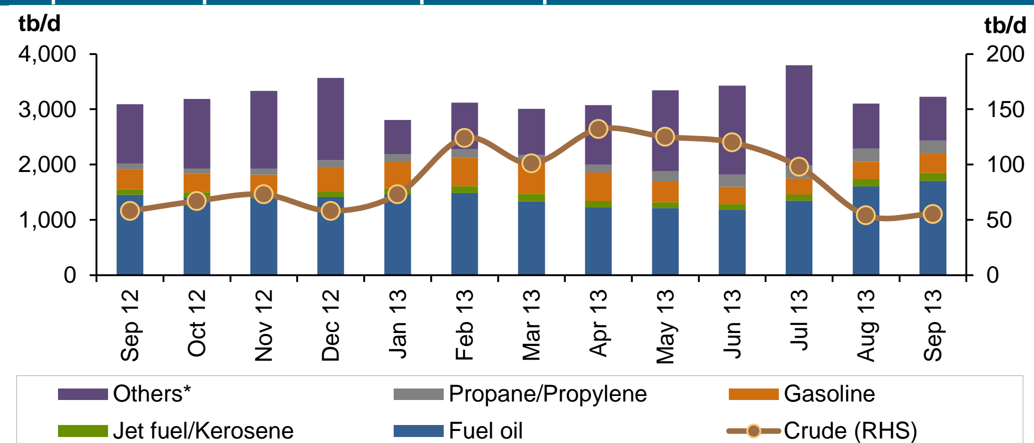
Graph 8.1: US imports of crude and petroleum products



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

As per the latest monthly government release, crude oil imports in July increased by 341 tb/d from the previous month to average 8,071 tb/d. July crude imports were the highest since November 2012. However, crude imports were 535 tb/d lower than the same month a year ago.

Graph 8.2: US exports of crude and petroleum products



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

Canada continued to be the top supplier of crude to the US during July, averaging 2.5 mb/d, an increase of 171 tb/d or 7% from the previous month. Canada accounted for 31% of US total crude imports. Imports from Saudi Arabia, the second largest supplier to the US, were lower than last month's level by 171 tb/d, accounting for 16% of total US crude imports. The monthly imports of Saudi crude in were also 10% lower y-o-y. Venezuela increased its exports to the US by 33 tb/d or 4% from the previous month, to stand as the third crude supplier in July and accounting for 11% of total US crude imports in that month. Mexico came in as the fourth supplier to average 852 tb/d, which is 7% higher m-o-m yet 11% lower y-o-y.

Crude imports from **OPEC Member Countries** (MCs) declined by 52 tb/d or 1% in July to average 3,568 tb/d. OPEC MCs accounted for 44% of total crude imports. US product imports from OPEC MCs decreased slightly by 27 tb/d or 5% from the previous month to average 472 tb/d. OPEC MCs accounted for 22% of total US product imports.

As for the product supplier share, Canada and Russia maintained their position as top suppliers to the US, holding a share of 20% and 10%, respectively. However, while Canada slightly decreased its exports to the US from the previous month by 15 tb/d, Russia saw a gain in their exports to the US on a monthly comparison by 21 tb/d. The UK came in as the third largest product supplier to the US in July.

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

	Jul 13	Aug 13	Sep 13	*Change* Sep/Aug
Crude oil	7,973	8,056	7,914	-142
Total products	-1,622	-1,207	-1,381	-174
Total crude and products	**6,351**	**6,849**	**6,533**	**-316**

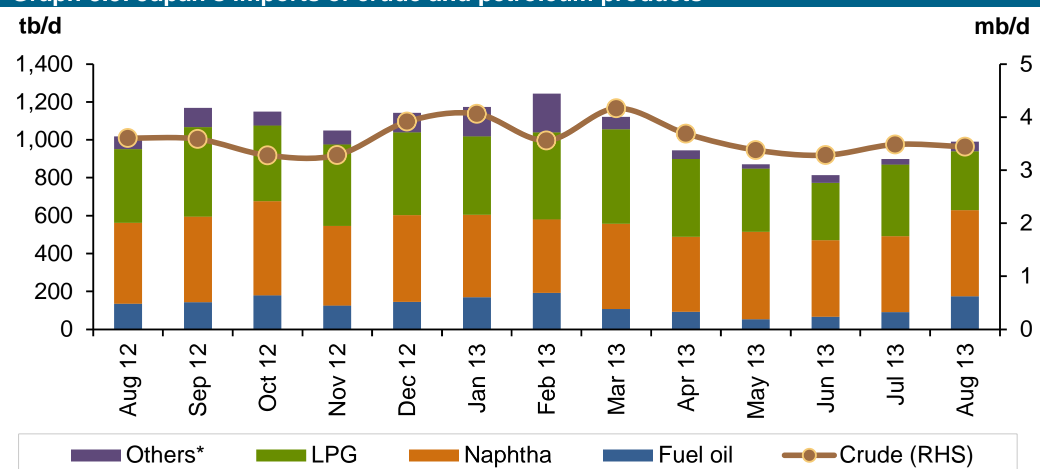
Japan

In August, Japan's crude imports dropped slightly by 43 tb/d to average 3.4 mb/d

In August, Japan saw a decline from the previous month in its **crude oil imports** by 43 tb/d or 1.2% to average 3.4 mb/d. On an annual comparison, crude imports dropped by 164 tb/d or 4.5%. As for the crude supplier share, Saudi Arabia and the United Arab Emirates (UAE) maintained their positions as top crude suppliers to Japan, accounting for 34% and 18%, respectively. However, while Saudi Arabia increased its monthly exported volume to Japan by 5% from last month, the UAE had a decline in its volumes of 104 tb/d or 12%. Qatar came in third position, holding a share of 13%, down by 88 tb/d or 16% from July. On the other hand, Kuwait raised its exports to Japan by 128 tb/d or 57%, to come in as the fourth supplier.

Product imports increased in August by 158 tb/d or 30% m-o-m, reaching the highest level seen since February 2013, while y-o-y, this reflected a gain of 51 tb/d or 8%. On a year-to-date comparison, product imports were down by 21 tb/d.

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

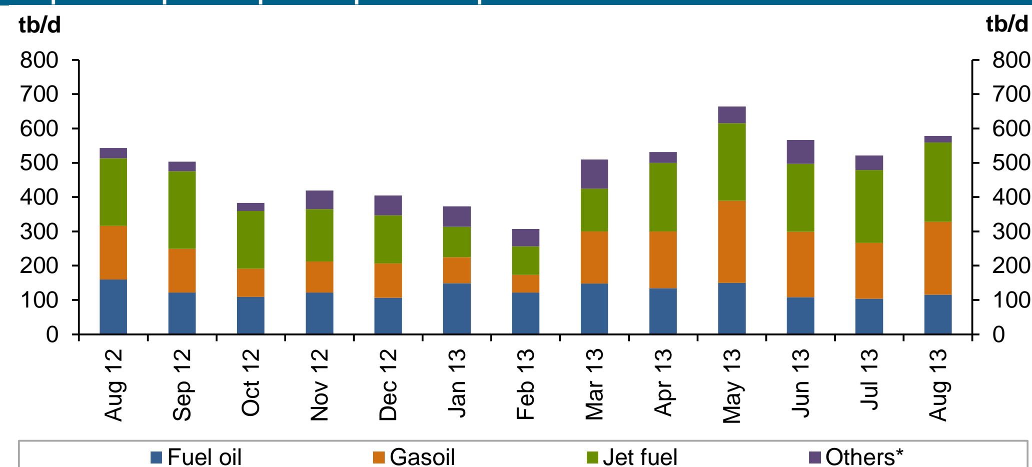


*Others: Contains gasoline, jet fuel, kerosene, gasoil, asphalt and paraffin wax.

Product exports gained 56 tb/d in August to average 568 tb/d — this is 11% higher m-o-m and 6% y-o-y.

As a result, **Japan net trade imports increased by 58 tb/d in August to average 35.5 mb/d**, which is 1.7% higher than in July and is considered the highest net import rate since April 2013. However, this reflects a drop of 4% on an annual basis.

Graph 8.4: Japan's exports of petroleum products



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

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

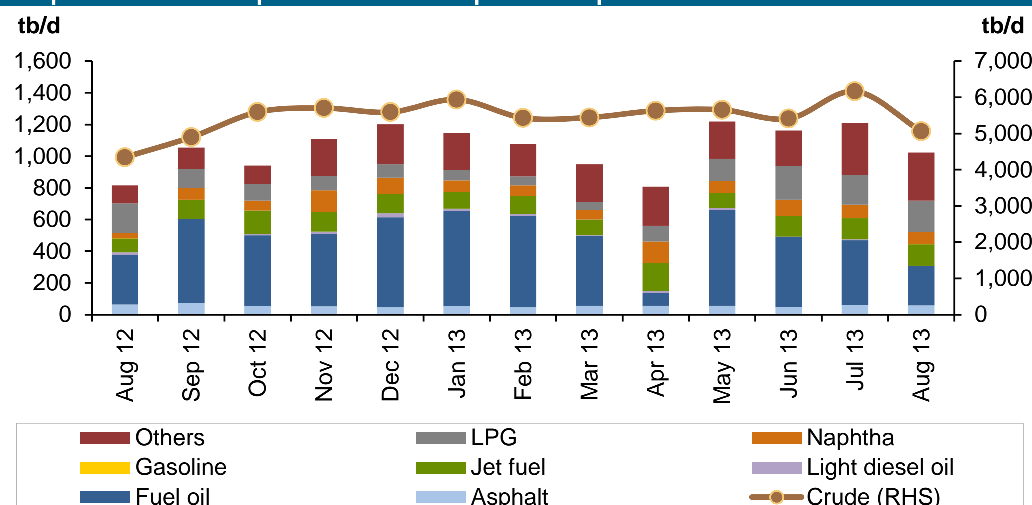
	Jun 13	Jul 13	Aug 13	Change Aug/Jul
Crude oil	3,283	3,485	3,442	-43
Total products	-45	10	112	102
Total crude and products	**3,238**	**3,495**	**3,554**	**59**

China

China's crude oil imports dropped in August to average 5.06 mb/d, down by 1.1 mb/d

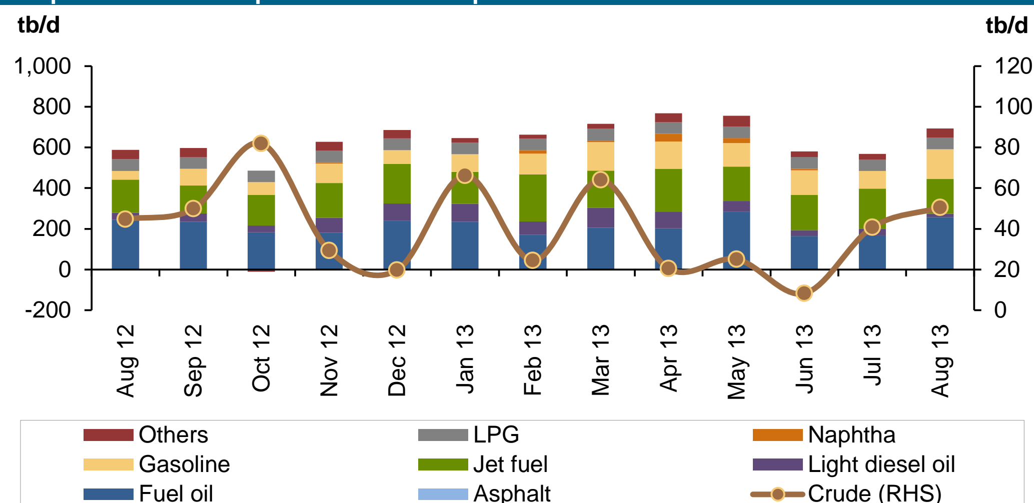
China's **crude oil imports** dropped in August after the remarkable increase seen in the previous month to average 5.06 mb/d, down by 1.1 mb/d or 18% from last month and 716 tb/d or 17% from the same month last year. China's crude imports in August were found to be the lowest since September 2012. The decline in China's crude imports came as a rebound closer to the level seen before last month's increase. On a year-to-date basis, the numbers show an increase of 180 tb/d or 3%.

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



Regarding crude import origins, in August, all top suppliers to China reduced their crude exports. Saudi Arabia, Angola and Russia came in as the first, second and third suppliers to China, accounting for 18%, 14% and 10% of total Chinese imports, respectively. All three top suppliers reduced their monthly exported volumes to China in August by 28%, 11% and 6%, respectively. Iraq and IR Iran came in as the fourth and fifth suppliers to China after both increased their exports to China by 9% from a month earlier. On the other hand, Oman had a substantial decline of 440 tb/d or 57% in its crude exports to China.

Graph 8.6: China's exports of crude and products



China's **product imports** dropped as well from the previous month to average 917 tb/d, a decrease of 242 tb/d or 21%. Annually, however, they showed an increase of 118 tb/d or 15%.

China's **crude exports** declined slightly in August by 5 tb/d or 12% from the previous month and dropped by 9 tb/d, or 20%, y-o-y. On the other hand, **product exports** saw a monthly gain of 127 tb/d or 22% and by 106 tb/d or 18% from a year ago. Accordingly, **China's net oil trade saw a drop of 1,468 tb/d**, totaling 22% on a monthly basis and 16% on an annual basis.

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

	Jun 13	Jul 13	Aug 13	*Change* Aug/Jul
Crude oil	5,401	6,123	5,024	-1,099
Total products	525	592	223	-369
Total crude and products	**5,926**	**6,715**	**5,247**	**-1,468**

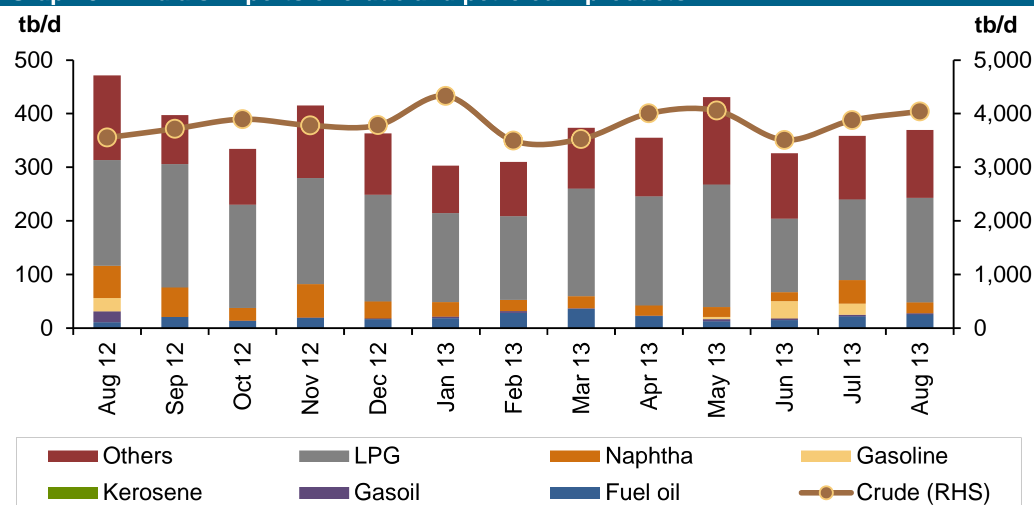
India

India's crude oil imports increased in August by 166 tb/d to average 4.04 mb/d

India's **crude oil imports** increased in August both on a monthly and annual basis. The m-o-m increase was 166 tb/d or 4%, while y-o-y, there was an increase of 14% to average 4.04 mb/d.

India's **product imports** also increased slightly in August by 10 tb/d or 3% to average 369 tb/d, while on an annual comparison, they dropped by 102 tb/d or 22%. The increase in product imports came on the back of higher imports of LPG and fuel oil, as both products' imports increased in August by 30% and 15%, respectively. While no imports of petrol were registered with regards to Indian product exports, the figure reflects an increase on both a monthly and an annual basis by 190 tb/d from last month and 406 tb/d from a year ago.

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



The monthly gain in **product exports** resulted from higher exported volumes of petrol, LPG, diesel and fuel oil. Therefore, India's net oil trade in August slightly declined by 14 tb/d to average 2,804 tb/d.

Graph 8.8: India's exports of petroleum products

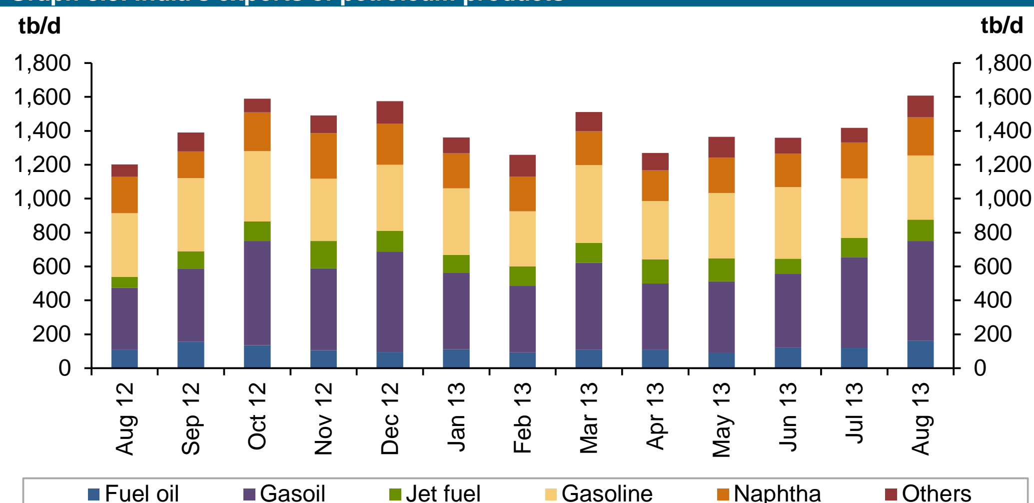


Table 8.4: India's crude and product net imports, tb/d

	Jun 13	Jul 13	Aug 13	*Change* Aug/Jul
Crude oil	3,508	3,876	4,042	166
Total products	-1,033	-1,059	-1,238	-179
Total crude and products	**2,475**	**2,817**	**2,804**	**-13**

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

In August, total crude oil exports from the FSU decreased by 202 tb/d to average 6.09 mb/d

FSU

In August, total crude oil exports from the FSU decreased by 202 tb/d or 3% to average 6.09 mb/d. Crude exports through Russian pipelines decreased as well by 136 tb/d or 3.5% to average 3.78 mb/d. This decline came mainly as a result of a decline in all reported Russian pipelines, yet largely in the Dzurba and Kozmino lines, which dropped by 40 tb/d and 48 tb/d, respectively, from last month. Flows from Russian rail and Kazakh rail both declined by 25% from July. On a similar pattern, Caspian supply declined by 24% from a month earlier, while all other routes saw no major changes from last month.

Total **product exports** dropped in August by 195 tb/d or 6% to average 3.1 mb/d. Declines came mainly from fuel oil, which dropped by 117 tb/d, while gasoline and gasoil declined by 55 tb/d and 52 tb/d, respectively, from a month ago.

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

	2011	2012	4Q12	1Q13	2Q13	Jul 13	Aug 13*
Crude							
Russian pipeline							
Black Sea	918	858	774	769	752	715	709
Baltic	1,511	1,747	1,665	1,574	1,543	1,320	1,289
Druzhba	1,170	1,079	980	991	1,033	1,080	1,040
Kozmino	309	331	380	438	437	456	408
Total	**4,224**	**4,322**	**4,100**	**4,086**	**4,060**	**3,912**	**3,776**
Other routes							
Russian rail	173	107	195	196	165	233	176
Russian-Far East	283	258	242	243	260	234	259
Kazakh rail	158	97	165	183	156	224	167
Vadandey	82	66	104	103	105	117	119
Kaliningrad	23	20	17	18	21	19	20
CPC	685	656	614	672	706	737	735
BTC	695	654	590	601	726	697	691
Kenkiyak-Alashankou	222	210	252	240	229	213	215
Caspian	170	173	166	189	127	128	97
Total crude exports	**6,558**	**6,466**	**6,280**	**6,347**	**6,557**	**6,290**	**6,088**
Products							
Gasoline	162	130	124	141	123	151	99
Naphtha	259	313	345	339	355	420	450
Jet	10	9	10	14	16	7	14
Gasoil	773	791	787	977	875	883	828
Fuel oil	1,305	1,416	1,314	1,339	1,557	1,570	1,453
VGO	211	250	234	219	288	326	319
Total	**2,721**	**2,909**	**2,814**	**3,028**	**3,214**	**3,357**	**3,162**
Total oil exports	**9,279**	**9,375**	**9,095**	**9,375**	**9,771**	**9,647**	**9,250**

* *Preliminary*

Totals may not add due to independent rounding.

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

Stock Movements

Preliminary data for August shows total OECD commercial oil stocks fell by 10.4 mb, reversing the build of the last month

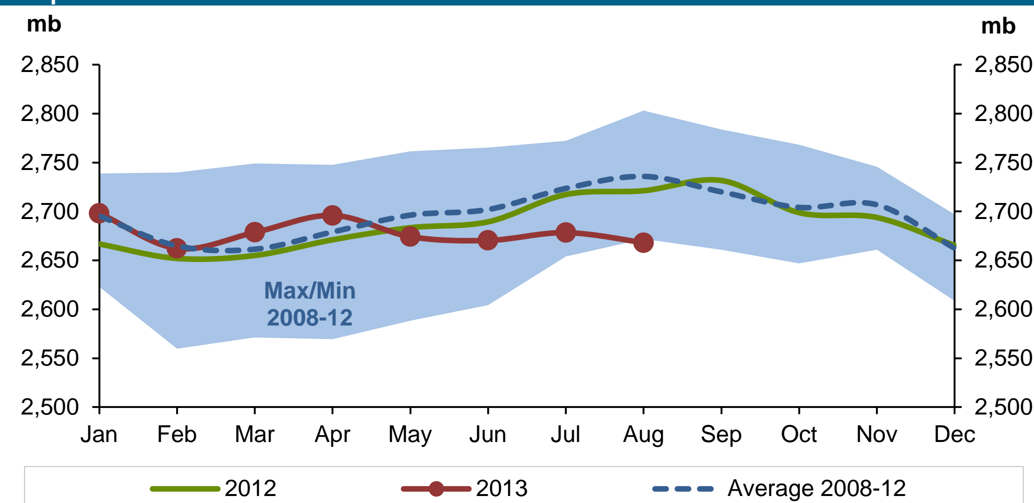
OECD

Preliminary data for August shows **total OECD commercial oil stocks** fell by 10.4 mb, reversing the build of the last month and ending August at 2,668 mb. At this level, inventories were around 68 mb below the five-year average and showed a deficit of 53 mb compared with the same period a year ago. Within the components, supply disruptions combined with high refinery crude runs led to a further decline in OECD commercial crude inventories, dropping by nearly 20 mb. In contrast, product stocks continued to show a steady increase by 9.5 mb on the back of a seasonal rise in refinery throughputs. On a regional basis, the picture was mixed; OECD Asia-Pacific saw a build of 4.3 mb, while OECD Europe experienced a drop of 14.4 mb compared with the previous month. OECD Americas' inventories remained almost unchanged versus the previous month.

In terms of **days of forward cover**, OECD commercial stocks fell slightly by 0.1 day in August to stand at 58.6 days. This represents around 0.1 days above the five-year average, some 0.5 days lower than in the same month last year. OECD Americas was 1.1 days above the historical average and stood at 57.5 days, while Europe and Asia-Pacific indicated deficits of 0.5 and 0.6 days, averaging 65.2 and 50.9 days, respectively.

At 1,246 mb, **OECD crude commercial stocks** in August stood at 51.7 mb below the same period one year earlier and 28.8 mb below the five-year average. **Product stocks** ended the month at 1,422 mb, showing a deficit of 39.1 mb with the seasonal average and a slight deficit of 1.5 mb compared with the previous year.

Graph 9.1: OECD's commercial oil stocks



OECD Americas' inventories fell slightly by 0.3 mb for the second consecutive month to end August at 1,360 mb. Despite this stock-draw, inventories in OECD Americas are at comfortable levels, indicating a surplus of 16.3 mb over the seasonal norm, but they showed a slight deficit of 1.5 mb with the same time last year. The total surplus with the five-year average is concentrated in products as crude inventories are in line with the historical average. OECD Americas' crude inventories fell by 6.3 mb for the third consecutive month, driven by lower US crude imports as well as higher crude runs. In contrast, products continued their build to increase by 6.0 mb, accumulating a nearly 55-mb stock-build since last April. This build is mainly due to higher US refinery throughput as the utilisation rate reached 92%.

OECD Europe's inventories fell by 14.4 mb in August, reversing the build of a month earlier to stand at 889 mb. With this draw, the deficit from the previous month has widened to stand at 51.2 mb below last year and 85.0 mb lower than the seasonal norm. This shortage is attributed to both crude and products, which indicated a deficit

of 27.5 mb and 57.5 mb, respectively. Crude commercial stocks in OECD Europe fell by 7.0 mb, driven mainly by limited crude exports as well as summer maintenance in some North Sea fields. Product stocks also fell by 7.4 mb on the back of a lower refinery utilisation rate.

Commercial inventories in **OECD Asia-Pacific** rose by 4.3 mb in August, following a build in the last two months, and stood at 419 mb. At this level, they were almost in line with the same period a year ago and the five-year average. Within the components, the total build came from products, which rose by 10.9 mb, while crude saw a drop of 6.6 mb. Crude inventories stood at 3.9 mb below a year ago but are in line with the five-year average. OECD Asia-Pacific's total product inventories indicate a surplus of 3.3 mb over a year ago and 1.5 mb over the seasonal norm.

Table 9.1: OECD commercial stocks, mb

	Jun 13	Jul 13	Aug 13	Change Aug 13/Jul 13	Aug 12
Crude oil	1,281	1,265	1,246	-19.9	1,297
Products	1,390	1,413	1,422	9.5	1,424
Total	**2,670**	**2,678**	**2,668**	**-10.4**	**2,721**
Days of forward cover	**58.4**	**58.7**	**58.6**	**-0.1**	**59.1**

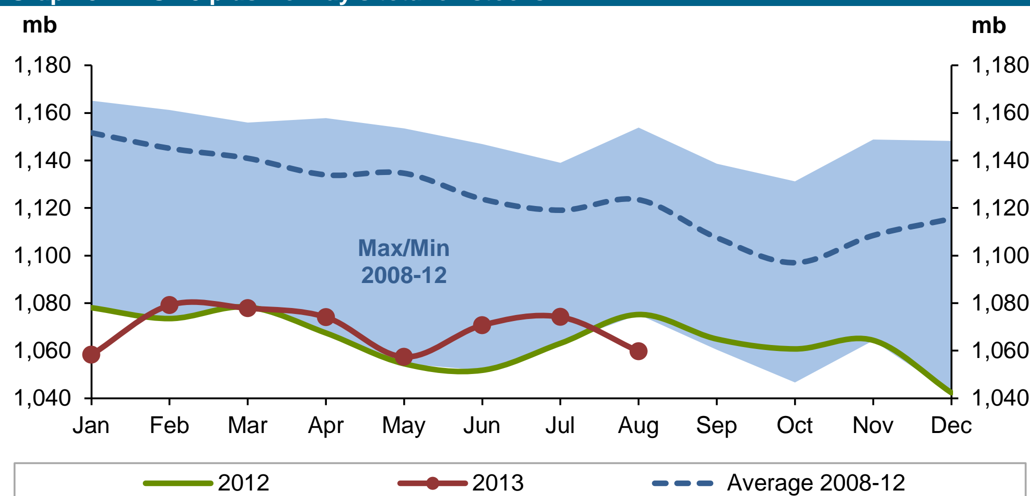
EU plus Norway

Preliminary data for August shows that European stocks fell by 14.4 mb, reversing the build of the previous month

Preliminary data for August shows that **European stocks** fell by 14.4 mb, reversing the build of the previous month to stand at 1,059.7 mb. At this level, they are 15.5 mb or 1.4% below the same period a year ago, and 54.7 mb or 4.9% below the latest five-year average. Both crude and products experienced a stock-draw, declining by 7.0 mb and 7.4 mb, respectively.

European **crude inventories** fell in August, reversing the build of last month, to stand at 455.2 mb. At this level, European crude oil stocks were 2.5 mb or 1.2% below the same period last year and represent a deficit of 10.8 mb or 2.3% compared with the latest five-year average. Supply outages, combined with summer maintenance in Forties, have limited crude supply in the European market and led to the fall in crude oil stocks. Lower refinery crude runs limited a further drop in crude oil inventories. Indeed, refiners have decreased crude runs by around 125,000 b/d from the previous month. At 10.3 mb/d, runs were about 823,000 b/d lower than a year earlier. This corresponds to utilisation rates of just under 82% compared with 86% in August a year earlier. European crude inventories are expected to rise in September, driven by lower crude runs amid refinery maintenance.

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



Product stocks in Europe also saw a decline of 7.4 mb in August, following the slight stock-draw of the last month. At 604.5 mb, European product stocks represented a deficit of 3.9 mb or 0.6% over the same period last year and remained some 43.9 mb

or 6.8% below the latest five-year average. Within products, with the exception of gasoline, all other products experienced a drop.
Gasoline stocks rose by 1.3 mb, reversing the fall of the previous month and ending August at 109.3 mb. At this level, they represent a surplus of 5.3 mb or 5.1% over a year ago, but they are 2.3 mb or 2.1% less than the five-year average. Lower demand on both sides of the Atlantic was behind the build in gasoline stocks. However, lower gasoline production has limited a further build in gasoline inventories.

In contrast, **distillate stocks** fell by 7.1 mb in August, reversing the build of nearly 13 mb during the last two months, to stand at 381.4 mb. Despite this build, they still represented a deficit of 8.1 mb or 2.1% with the previous year, and they are 20.3 mb or 5.1% below the seasonal norm. The stock-draw mainly reflected lower distillate output as demand remained weaker in the region.

Residual fuel oil stocks fell slightly by 0.3 mb, following last month's stock-draw, ending August at 86.5 mb. Despite this stock-draw, they were 2.0 mb or 2.4% above the same time last year, but remained 17.6 mb or 16.9% below the seasonal average. Lower residual fuel output contributed to the fall in residual fuel stocks, while weaker demand in the region and higher stocks in Singapore limiting export opportunities has prevented further residual fuel stock-draws.

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

	Jun 13	Jul 13	Aug 13	Change Aug 13/Jul 13	Aug 12
Crude oil	**458.4**	**462.2**	**455.2**	**-7.0**	**466.9**
Gasoline	112.0	108.0	109.3	1.3	104.0
Naphtha	29.0	28.6	27.3	-1.3	30.3
Middle distillates	382.9	388.5	381.4	-7.1	389.5
Fuel oils	88.4	86.8	86.5	-0.3	84.5
Total products	612.3	611.9	604.5	-7.4	608.4
Total	**1,070.7**	**1,074.2**	**1,059.7**	**-14.4**	**1,075.2**

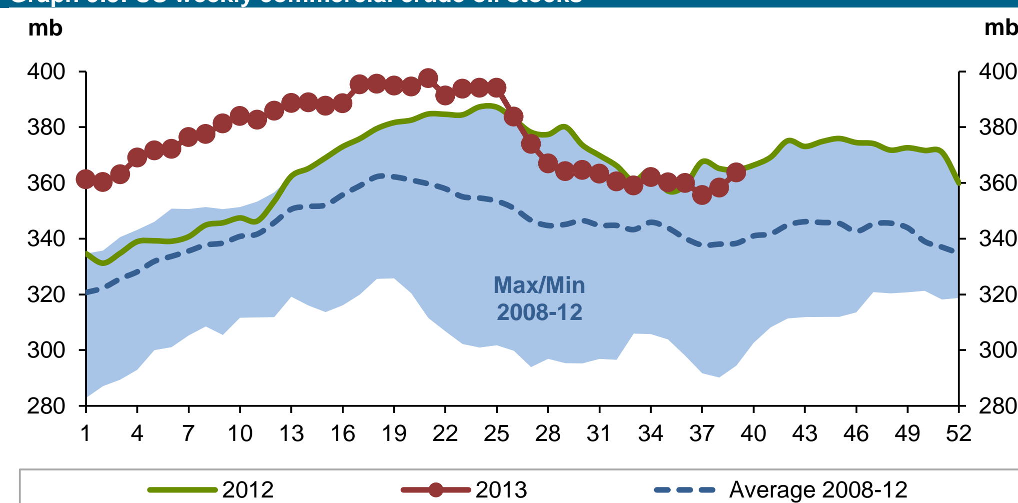
Source: Argus and Euroilstock.

US

Preliminary data for September shows that US total commercial oil stocks rose by 4.5 mb, reversing the drop of the last two months

Preliminary data for September shows that **US total commercial oil stocks** rose by 4.5 mb, reversing the drop of the last two months, to stand at 1,125.8 mb. At this level, inventories stood at 2.4 mb, or 0.2%, above last year at the same time and indicated a gain of 33.0 mb, or 3.0%, over the five-year average. The stock-build was attributed to crude and products, which increased by 3.5 mb or 1.0 mb, respectively. During the week ending 4 October, US commercial crude stocks jumped by 6.8 mb amid a sharp cut in US refinery runs.

Graph 9.3: US weekly commercial crude oil stocks

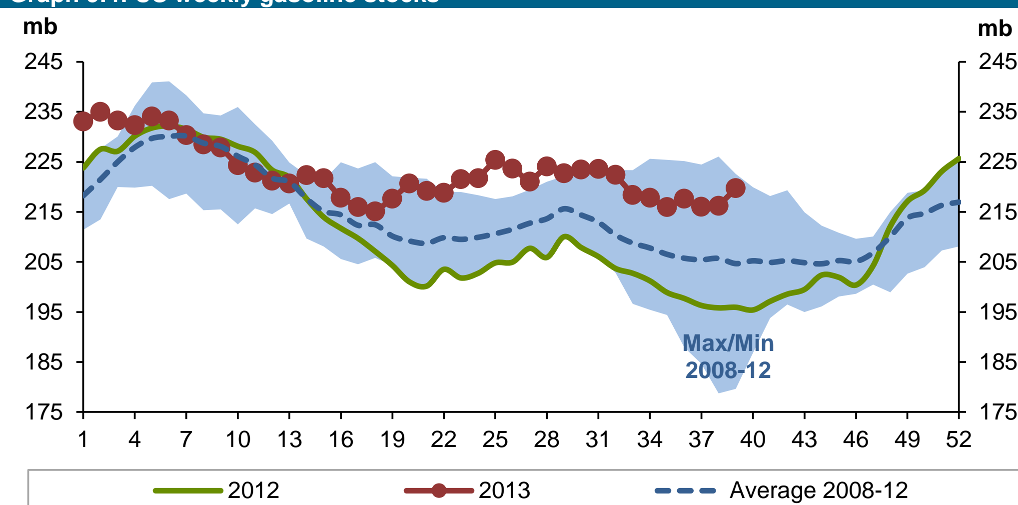


US commercial crude stocks rose by 3.5 mb, reversing the build of the last four months to end September at 363.7 mb. With this build, US crude oil commercial stocks finished the month at 23.7 mb or 7.0% above the five-year average, while they were 5.3 mb or 1.4% lower than a year ago at the same time.

The bulk of the stock-build came during the last week of September, driven by lower crude runs, which fell by 146,000 b/d to 15.5 mb due to large planned and unplanned maintenance. The US refinery utilisation rate fell by 1.3 percentage points (pp) to 89% of capacity during the last week of September. For the whole month, the refinery utilisation rate average 91.8%, 3.8% higher than last year at the same time. The increase in crude oil imports during the last week of September also contributed to the build in US commercial crude oil stocks. Indeed, US crude oil imports rose by 438,000 b/d to stand at 8.4 mb/d.

Inventories in **Cushing** continued to decline, dropping by nearly 4 mb in September from a month earlier to stand at 32.8 mb. This is the 13th consecutive weekly drawdown in Cushing, falling by nearly 20 mb since the week ending 24 May.

Graph 9.4: US weekly gasoline stocks



Total US product stocks rose in September to 762.0 mb

Total product stocks rose in September for the sixth consecutive month to stand at 762.0 mb, which is the highest level since September 2010. Since last April, US product inventories accumulated more than 52 mb on the back of higher refinery throughput. However, the build in September is much lower than the ones observed during the previous months as refineries are entering the turnaround period. US commercial product stocks stood at 7.6 mb or 1.0% higher than a year ago and 9.2 mb or 1.2% above the seasonal norm. Within products, the picture was mixed; gasoline, jet fuel oil and propylene saw a stock-build, while residual fuel oil, distillates and unfinished products witnessed drops.

Gasoline stocks rose by 3.7 mb, reversing the fall of the last two months and ending September at 219.7 mb. With this build, they widened the surplus with a year earlier to 9.4% from 7.6 % the previous month. This build also helped to increase the gain with the five-year average to 5.6% from 4.1% a month ago. A decline of around 350,000 b/d in apparent demand contributed to the build in gasoline stocks. Higher gasoline output, which increased by about 250,000 b/d, also supported the build in stocks.

In contrast, **distillate stocks** fell slightly, by 0.4 mb, in September, reversing the build of the last four months, to stand at 216.0 mb. At this level, distillate stocks stood at 1.7 mb or 1.4% above a year ago but remained 20.5 mb or 13.7% lower than the seasonal average. The last week of the month saw a drop of 1.7 mb compared to the previous week, driven by higher demand as the rise in output was offset by the cut in imports. The four-week average apparent demand stood at around 3.7 mb/d, holding at the same level as last year, before peaking in winter.

Residual fuel oil stocks also fell by 2.0 mb to finish the month of September at

34.2 mb. At this level, they were 1.3 mb or 3.7% lower than a year ago but indicated a deficit of 2.6 mb or 7.1% over the seasonal norm. In contrast, jet fuel stocks rose by 0.2 mb in September to stand at 39.8 mb, remaining 4.1 mb or 9.4% lower than the same month a year ago and 4.4 mb or 9.9% below the latest five-year average.

Table 9.3: US onland commercial petroleum stocks, mb

	Jul 13	Aug 13	Sep 13	Change Sep 13/Aug 13	Sep 12
Crude oil	366.5	360.2	363.7	3.5	370.0
Gasoline	222.9	216.0	219.7	3.7	200.9
Distillate fuel	126.4	129.6	129.2	-0.4	127.4
Residual fuel oil	37.5	36.2	34.2	-2.0	35.5
Jet fuel	39.2	39.6	39.8	0.2	44.0
Total	**1,121.5**	**1,121.2**	**1,125.8**	**4.5**	**1,124.5**
SPR	696.0	696.0	696.0	0.0	695.0

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

Japan

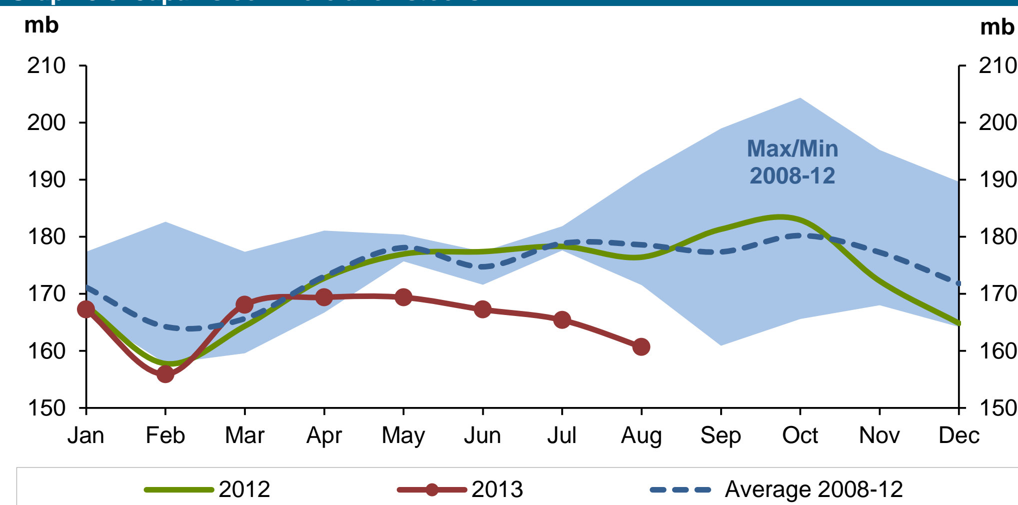
In August, total commercial oil stocks in Japan declined by 4.7 mb for the third consecutive month

In August, total **commercial oil stocks** in Japan declined by 4.7 mb for the third consecutive month to stand at 160.7 mb. As this level, oil inventories are 15.7 mb or 8.9% below a year ago and 17.9 mb or 10.0% lower than the five-year average. Within components, crude saw a stock-draw of 11.6 mb, while products increased by 6.9 mb.

Japanese commercial **crude oil stocks** saw a drop of 11.6 mb in August, following a fall in the last two months, to stand at 84.8 mb. At this level, they were 16.6 mb or 16.4% below a year ago at the same time and 14.1 mb or 14.3% below the five-year average. The drop in crude oil stocks was driven by higher crude throughput, which rose by around 168,000 b/d or 4.9%, averaging 3.6 mb/d. At this level, they were also 4.0% higher than the same month a year ago. Japanese refiners were running at 82.6%, around 6.3 pp higher than in the previous month and 5.7 pp more than in the same period last year.

Lower crude imports in August also contributed to the decline in crude oil stocks. Indeed, crude oil imports fell by 45,000 b/d or 1.2% to average 3.4 mb/d. At this level, they were also 4.5% lower than the same period last year. Direct crude burning in power plants saw a significant increase of 25.5% compared to the previous month, but were 10.1% lower than during the same period last year.

Graph 9.5: Japan's commercial oil stocks



On the product side, Japan's **total product inventories** saw a build of 6.9 mb in August, following an increase of 1.3 mb a month earlier, and stood at 75.9 mb, the highest level since October 2012. With this build, they switched the deficit of the previous month to a surplus of 0.9 mb or 1.2%, but remained below the latest five-year average, indicating a deficit of 3.8 mb or 4.7%. Higher refinery output, which increased

by 3.6% from the previous month, was behind the build in product inventories. At 3.3 mb/d, Japanese refinery output was 0.4% above the same period last year. A significant rise in product imports of 30% also contributed to the build in Japanese product stocks. However, the increase of total domestic sales of oil products by 0.5% from a month ago to an average of 3.2 mb/d limited a further build in product stocks. All the products witnessed builds, with the bulk coming from distillate stocks.

Distillate stocks rose by 4.9 mb in August for the third consecutive month, ending the month at 36.0 mb. At this level, they were 1.5 mb or 4.5% above a year ago, but were still 1.1 mb or 3.1% above the seasonal average. Within distillate components, gasoil and kerosene stocks rose, while jet fuel stocks dropped. Kerosene inventories increased by 24.6%, driven by higher output and a decline in domestic sales. Gasoil also increased by 17.5% on the back of higher imports combined with healthy output. In contrast, jet fuel stocks fell by 7.6% on the back of lower production and higher exports.

Total residual **fuel oil stocks** went up by 0.9 mb to end the month of August at 15.8 mb. Despite this build, they are still 1.4 mb or 8.3% less than a year ago and 1.8 mb or 10.1% lower than the five-year average. Within the fuel oil components, fuel oil A and fuel oil B.C stocks rose by 2.3% and 7.8%, respectively.

Gasoline stocks also rose by 0.6 mb in August, ending the month at 13.4 mb. At this level, they are 0.5 mb or 3.7% less than the same time last year, but they are in line with the five-year average. A rise of 6.8% in gasoline output combined with an increase in imports were behind this stock-build, while higher domestic sales limited a further build in gasoline stocks.

Naphtha stocks rose by 0.5 mb in August, reversing the fall of 1.2 mb in July. At 10.7 mb, they represent a surplus of 1.3 mb or 13.5% compared with a year ago, but they still showed a deficit of 0.9 mb or 7.4% with the seasonal norm. The build in naphtha stocks came from higher production, which rose by 2.3%. The increase of 13.4% in imports also contributed to the build in naphtha gasoline stocks.

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

	Jun 13	Jul 13	Aug 13	Change Aug 13/Jul 13	Aug 12
Crude oil	**99.5**	**96.4**	**84.8**	**-11.6**	**101.4**
Gasoline	13.2	12.8	13.4	0.6	13.9
Naphtha	11.4	10.2	10.7	0.5	9.4
Middle distillates	28.8	31.1	36.0	4.9	34.5
Residual fuel oil	14.4	14.9	15.8	0.9	17.2
Total products	**67.8**	**69.0**	**75.9**	**6.9**	**75.1**
Total**	**167.2**	**165.4**	**160.7**	**-4.7**	**176.4**

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

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of August, product stocks in Singapore rose by 5.9 mb, reversing the fall of the last two months

Product stocks in Singapore rose by 5.9 mb, reversing the fall of the last two months and ending August at 42.8 mb, which is the highest level since March 2012. With this stock-build, product stocks in Singapore represent a surplus of 7.1 mb or almost 20% higher than last year at the same period. All products saw a build, with the bulk of the build coming from fuel oil.

Light distillate stocks rose by 1.6 mb, reversing the fall of the last four months, ending August at 10.6 mb. With this stock-build, light distillate stocks stood at 1.9 mb or 22.5% higher than a year ago at the same period. Weaker demand from Indonesia was behind this increase. Higher shipments from China, India and South Korea also contributed to the build in Singapore.

Middle distillate stocks also saw a build of 1.6 mb, reversing the fall of the last three months and finishing the month of August at 9.4 mb. At this level, middle distillate

stocks are in line with the level observed over the same period last year. Higher imports of automotive diesel from Japan combined with lower demand from Indonesia contributed to this build in middle distillate stocks.

Residual fuel oil saw the largest build, which increased by 2.8 mb in August, ending the month at 22.8 mb. With this build, fuel oil stocks represented a surplus of 5.1 mb or 29% over the previous year at the same time. This stock-build was driven by higher imports from the west combined with lower demand in the region, keeping inventories in the Singapore hub at a higher level.

Product stocks in Amsterdam-Rotterdam-Antwerp (ARA) rose by 1.3 mb in August, reversing the fall of the last four months

Product stocks in **Amsterdam-Rotterdam-Antwerp (ARA)** rose by 1.3 mb in August, reversing the fall of the last four months to stand at 30.1 mb. Despite this stock-build, product stocks in ARA remained at 1.9 mb or 5.9% below a year ago. All products experienced a build with the exception of naphtha.

Gasoline stocks rose by 0.3 mb, reversing the fall of the last three months and ending August at 6.1 mb. At this level, gasoline stocks remained at 0.8 mb or 15.8% higher than the same period last year. The build in gasoline stocks mainly reflects the arrival of several cargoes in ARA from the Baltics. **Gasoil** also rose in August by 1.1 mb, following the build of 0.4 mb in July and ending the month at 15.5 mb. Despite this build, inventories remained at 2.4 mb or 13.5% below a year ago at the same time. The build in gasoil stocks was limited by reduced barge traffic due to very low water levels on the Rhine river.

Jet fuel stocks saw a build of 0.4 mb to end the month of August at 3.3 mb and remained at 0.2 mb or 7.8 % above a year ago during the same period. This build was driven by higher imports from Asia and South Africa. In contrast, **naphtha** stocks fell by 0.5 mb to finish the month of August at 0.5 mb, standing almost 50% lower than the level seen at the same time last year.

Residual fuel oil stocks saw a build of 0.2 mb, reversing the drop of the last month and ending August at 4.7 mb. At this level, ARA fuel oil stocks stood slightly higher than a year ago, representing a surplus of 0.4%. Lower exports were the main driver behind the build in fuel oil stocks.

Balance of Supply and Demand

Forecast for 2013

Required OPEC crude for 2013 estimated at 29.9 mb/d, down 0.5 mb/d from 2012

Demand for OPEC crude for 2013 remained unchanged from the previous report as world oil demand and non-OPEC supply saw only a minor adjustment. The first three quarters remained unchanged, while 4Q13 saw a downward revision of around 0.2 mb/d. The demand for OPEC crude stood at 29.9 mb/d in 2013, a drop of 0.5 mb/d from a year ago.

The first quarter is estimated to fall by 0.3 mb/d versus the same quarter last year; while 2Q13 and 3Q13 are expected to see negative growth of 0.6 mb/d and 1.0 mb/d, respectively. The fourth quarter is forecast to drop by 0.4 mb/d versus the same quarter last year.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013
(a) World oil demand	**88.92**	**88.86**	**88.96**	**90.22**	**90.89**	**89.74**
Non-OPEC supply	52.92	53.85	53.76	54.07	54.55	54.06
OPEC NGLs and non-conventionals	5.57	5.76	5.78	5.81	5.85	5.80
(b) Total supply excluding OPEC crude	**58.49**	**59.62**	**59.54**	**59.89**	**60.40**	**59.86**
Difference (a-b)	**30.43**	**29.25**	**29.43**	**30.33**	**30.49**	**29.88**
OPEC crude oil production	31.13	30.22	30.56	30.36		
Balance	0.70	0.97	1.14	0.03		

Totals may not add up due to independent rounding.

Forecast for 2014

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

Demand for OPEC crude for 2014 remained unchanged from the previous report to stand at 29.6 mb/d. This represents negative growth of 0.3 mb/d, compared to the current year. 4Q14 was revised down by 0.1 mb/d from the previous assessment, while all other quarters remained unchanged.

The first and second quarters are estimated to show a decline of 0.1 mb/d and 0.2 mb/d, respectively, versus the same period last year. The third is expected to see negative growth of 0.1 mb/d, while 4Q14 is forecast to drop much higher by 0.9 mb/d versus the same quarter of the previous year.

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

	2013	1Q14	2Q14	3Q14	4Q14	2014
(a) World oil demand	**89.74**	**89.89**	**89.88**	**91.40**	**91.91**	**90.78**
Non-OPEC supply	54.06	54.83	54.75	55.18	56.29	55.27
OPEC NGLs and non-conventionals	5.80	5.88	5.93	5.97	6.01	5.95
(b) Total supply excluding OPEC crude	**59.86**	**60.71**	**60.68**	**61.15**	**62.31**	**61.22**
Difference (a-b)	**29.88**	**29.17**	**29.20**	**30.26**	**29.61**	**29.56**

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

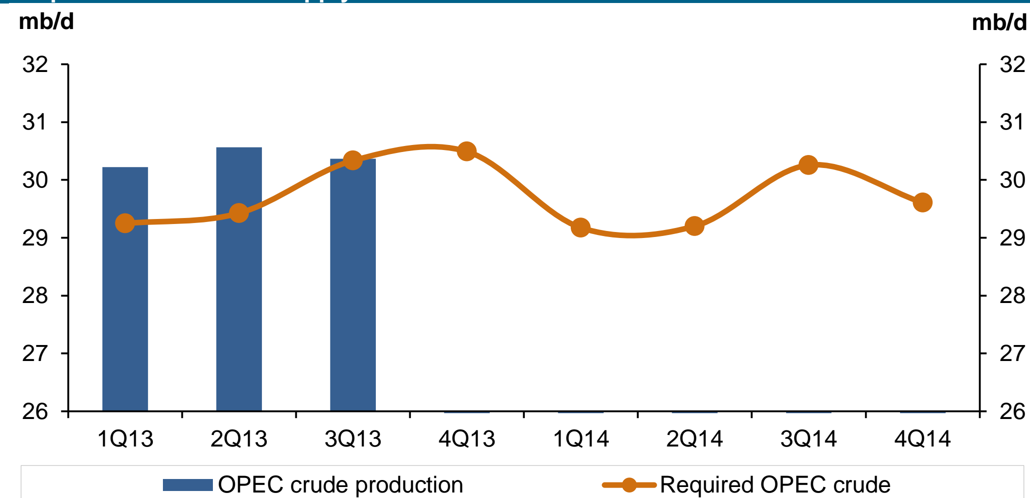


Table 10.3: World oil demand/supply balance, mb/d

	2008	2009	2010	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
World demand															
OECD	48.4	46.4	47.0	46.5	46.0	45.8	45.4	45.8	46.0	45.7	45.6	45.1	45.6	45.8	45.5
Americas	24.5	23.7	24.1	24.0	23.7	23.7	23.8	23.9	23.8	23.8	23.8	23.9	24.0	23.9	23.9
Europe	15.5	14.7	14.7	14.3	13.7	13.2	13.7	13.6	13.4	13.5	13.0	13.4	13.5	13.3	13.3
Asia Pacific	8.4	8.0	8.2	8.2	8.6	8.9	7.9	8.3	8.7	8.4	8.8	7.8	8.1	8.6	8.3
DCs	25.0	25.5	26.5	27.3	28.1	28.3	28.7	29.3	29.0	28.8	29.1	29.4	30.2	29.8	29.6
FSU	4.1	4.0	4.2	4.3	4.4	4.3	4.2	4.6	4.8	4.5	4.4	4.3	4.7	4.9	4.6
Other Europe	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.6
China	8.0	8.3	9.0	9.4	9.7	9.8	10.2	9.9	10.4	10.1	10.1	10.5	10.3	10.7	10.4
(a) Total world demand	86.1	84.8	87.3	88.1	88.9	88.9	89.0	90.2	90.9	89.7	89.9	89.9	91.4	91.9	90.8
Non-OPEC supply															
OECD	19.6	19.8	20.0	20.2	21.1	21.7	21.7	22.1	22.2	21.9	22.3	22.3	22.5	23.2	22.6
Americas	14.0	14.4	15.0	15.5	16.7	17.6	17.6	18.1	18.2	17.9	18.3	18.4	18.7	19.2	18.7
Europe	4.9	4.7	4.4	4.1	3.8	3.6	3.6	3.4	3.6	3.5	3.5	3.3	3.2	3.5	3.4
Asia Pacific	0.6	0.6	0.7	0.6	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
DCs	12.2	12.4	12.7	12.6	12.1	12.1	12.1	12.1	12.3	12.2	12.4	12.5	12.6	12.7	12.6
FSU	12.6	13.0	13.2	13.2	13.3	13.4	13.4	13.4	13.5	13.4	13.5	13.4	13.5	13.8	13.6
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.8	4.1	4.1	4.2	4.2	4.3	4.1	4.2	4.2	4.2	4.2	4.2	4.3	4.2
Processing gains	2.0	2.0	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	50.4	51.1	52.3	52.4	52.9	53.9	53.8	54.1	54.5	54.1	54.8	54.8	55.2	56.3	55.3
OPEC NGLs + non-conventional oils	4.1	4.3	5.0	5.4	5.6	5.8	5.8	5.8	5.9	5.8	5.9	5.9	6.0	6.0	5.9
(b) Total non-OPEC supply and OPEC NGLs	54.5	55.4	57.3	57.8	58.5	59.6	59.5	59.9	60.4	59.9	60.7	60.7	61.1	62.3	61.2
OPEC crude oil production (secondary sources)	31.3	28.8	29.2	29.8	31.1	30.2	30.6	30.4							
Total supply	85.8	84.2	86.5	87.6	89.6	89.8	90.1	90.3							
Balance (stock change and miscellaneous)	-0.4	-0.6	-0.7	-0.5	0.7	1.0	1.1	0.0							
Commercial	2,697	2,662	2,679	2,608	2,665	2,679	2,670								
SPR	1,530	1,568	1,565	1,536	1,547	1,558	1,555								
Total	4,227	4,231	4,244	4,145	4,212	4,237	4,225								
Oil-on-water	969	919	871	825	801	895	871								
Days of forward consumption in OECD															
Commercial onland stocks	58	57	58	57	58	59	58								
SPR	33	33	34	33	34	34	34								
Total	91	90	91	90	92	93	92								
Memo items															
FSU net exports	8.5	9.0	9.1	9.0	8.9	9.1	9.2	8.8	8.6	8.9	9.1	9.2	8.9	8.9	9.0
(a) - (b)	31.6	29.4	30.0	30.3	30.4	29.2	29.4	30.3	30.5	29.9	29.2	29.2	30.3	29.6	29.6

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

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

	2008	2009	2010	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
World demand															
OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-	-
Asia Pacific	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
World demand growth	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-OPEC supply															
OECD	-	-	-	-	-	-	-	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Americas	-	-	-	-	-	-	-	0.2	0.3	0.1	0.2	0.2	0.2	0.2	0.2
Europe	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-0.1	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.1
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	0.2	0.1	-	-	-	-	-
Total non-OPEC supply growth	-	-	-	-	-	-	-	-	0.18	0.06	-	-	0.07	-0.15	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	0.2	0.1	-	-	-	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-							
Total supply	-	-	-	-	-	-	-	-							
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-	-							
OECD closing stock levels (mb)															
Commercial	-	-	-	-	-	22	8								
SPR	-	-	-	-	-	-20	-21								
Total	-	-	-	-	-	2	-13								
Oil-on-water	-	-	-	-	-	-	-7								
Days of forward consumption in OECD															
Commercial onland stocks	-	-	-	-	-	-	-								
SPR	-	-	-	-	-	-	-								
Total	-	-	-	-	-	-	-								
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	-	-	-	-0.2	-0.1	-	-	-	-0.1	-

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

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

	2008	2009	2010	2011	2012	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13
Closing stock levels, mb																						
OECD onland commercial	2,697	2,662	2,679	2,608	2,665	2,765	2,784	2,662	2,684	2,765	2,753	2,679	2,648	2,686	2,671	2,608	2,655	2,689	2,732	2,665	2,679	2,670
Americas	1,278	1,285	1,329	1,308	1,363	1,364	1,369	1,285	1,312	1,367	1,396	1,329	1,298	1,338	1,341	1,308	1,330	1,360	1,384	1,363	1,342	1,367
Europe	1,012	995	959	908	905	1,000	996	995	986	994	957	959	962	941	916	908	946	916	920	905	924	894
Asia Pacific	406	383	391	392	397	401	419	383	386	404	400	391	388	407	415	392	379	413	428	397	413	409
OECD SPR	1,530	1,568	1,565	1,536	1,547	1,565	1,568	1,568	1,571	1,566	1,553	1,565	1,562	1,565	1,529	1,536	1,536	1,539	1,542	1,547	1,558	1,555
Americas	704	729	729	697	696	726	727	729	729	729	728	729	727	727	696	697	697	697	696	696	697	697
Europe	420	431	427	426	437	430	433	431	433	426	423	427	424	427	424	426	426	429	433	437	451	451
Asia Pacific	406	409	410	414	414	408	408	409	409	411	402	410	411	411	409	414	414	413	414	414	411	407
OECD total	**4,227**	**4,231**	**4,244**	**4,145**	**4,212**	**4,330**	**4,352**	**4,231**	**4,255**	**4,330**	**4,306**	**4,244**	**4,210**	**4,251**	**4,201**	**4,145**	**4,191**	**4,228**	**4,274**	**4,212**	**4,237**	**4,225**
Oil-on-water	969	919	871	825	801	904	869	919	919	897	926	871	891	853	835	825	787	812	797	801	895	871
Days of forward consumption in OECD																						
OECD onland commercial	58	57	58	57	58	60	59	57	58	58	58	57	58	57	57	56	58	59	59	58	59	58
Americas	54	53	55	55	57	58	57	54	54	56	58	55	55	55	56	56	56	57	58	57	56	57
Europe	69	68	67	66	67	68	68	69	69	66	64	67	68	64	65	66	69	66	67	69	68	66
Asia Pacific	51	47	47	46	47	53	50	44	50	51	48	45	52	50	48	43	47	50	49	44	52	49
OECD SPR	33	33	34	33	34	34	33	33	34	33	33	33	34	33	33	33	34	33	33	34	34	34
Americas	30	30	30	29	29	31	30	31	30	30	30	30	31	30	29	30	29	29	29	29	29	29
Europe	29	29	30	31	32	29	30	30	30	28	28	30	30	29	30	31	31	31	32	33	33	33
Asia Pacific	51	50	50	48	49	54	49	47	53	51	48	47	55	51	47	45	51	50	47	46	52	49
OECD total	**91**	**90**	**91**	**90**	**92**	**94**	**93**	**90**	**92**	**91**	**91**	**90**	**93**	**91**	**90**	**90**	**92**	**92**	**92**	**92**	**94**	**94**

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

	2008	2009	2010	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11	1Q13	2Q13	3Q13	4Q13	2013	Change 13/12	1Q14	2Q14	3Q14	4Q14	2014	Change 14/13
US	7.57	8.17	8.63	9.04	0.40	9.78	9.82	9.93	10.61	10.04	1.00	10.62	10.97	11.20	11.20	11.00	0.96	11.33	11.46	11.70	12.06	11.64	0.64
Canada	3.25	3.23	3.36	3.54	0.19	3.81	3.65	3.67	3.96	3.77	0.23	4.08	3.78	4.02	4.11	4.00	0.23	4.14	4.13	4.19	4.30	4.19	0.19
Mexico	3.17	2.98	2.96	2.95	-0.02	2.92	2.94	2.93	2.90	2.92	-0.02	2.91	2.87	2.88	2.86	2.88	-0.04	2.85	2.82	2.84	2.83	2.83	-0.05
OECD Americas*	**14.01**	**14.39**	**14.97**	**15.54**	**0.57**	**16.53**	**16.41**	**16.53**	**17.48**	**16.74**	**1.20**	**17.63**	**17.63**	**18.11**	**18.18**	**17.89**	**1.15**	**18.32**	**18.41**	**18.74**	**19.20**	**18.67**	**0.78**
Norway	2.47	2.35	2.14	2.04	-0.10	2.08	1.98	1.75	1.85	1.91	-0.13	1.84	1.84	1.82	1.85	1.84	-0.08	1.84	1.73	1.67	1.82	1.77	-0.07
UK	1.57	1.48	1.37	1.12	-0.24	1.09	1.02	0.83	0.89	0.96	-0.17	0.92	0.89	0.77	0.85	0.86	-0.10	0.82	0.75	0.71	0.81	0.77	-0.09
Denmark	0.28	0.26	0.25	0.22	-0.02	0.21	0.21	0.19	0.20	0.20	-0.02	0.19	0.18	0.17	0.17	0.18	-0.02	0.17	0.16	0.16	0.15	0.16	-0.02
Other OECD Europe	0.62	0.63	0.64	0.69	0.04	0.69	0.70	0.70	0.69	0.70	0.01	0.67	0.66	0.66	0.68	0.67	-0.03	0.69	0.69	0.69	0.69	0.69	0.02
OECD Europe	**4.94**	**4.73**	**4.39**	**4.07**	**-0.32**	**4.07**	**3.92**	**3.47**	**3.63**	**3.77**	**-0.30**	**3.63**	**3.57**	**3.42**	**3.55**	**3.54**	**-0.23**	**3.51**	**3.34**	**3.23**	**3.47**	**3.39**	**-0.15**
Australia	0.53	0.54	0.56	0.49	-0.07	0.47	0.49	0.50	0.45	0.48	-0.01	0.37	0.41	0.45	0.44	0.42	-0.06	0.44	0.46	0.47	0.45	0.46	0.04
Other Asia Pacific	0.10	0.10	0.10	0.09	-0.01	0.09	0.09	0.08	0.08	0.08	0.00	0.08	0.08	0.08	0.07	0.08	-0.01	0.07	0.07	0.07	0.07	0.07	-0.01
OECD Asia Pacific	**0.63**	**0.64**	**0.66**	**0.58**	**-0.08**	**0.55**	**0.57**	**0.59**	**0.52**	**0.56**	**-0.02**	**0.45**	**0.49**	**0.53**	**0.51**	**0.49**	**-0.07**	**0.51**	**0.53**	**0.54**	**0.52**	**0.53**	**0.03**
Total OECD	**19.58**	**19.76**	**20.01**	**20.19**	**0.17**	**21.16**	**20.90**	**20.60**	**21.63**	**21.07**	**0.89**	**21.70**	**21.69**	**22.06**	**22.24**	**21.93**	**0.86**	**22.34**	**22.28**	**22.50**	**23.19**	**22.58**	**0.65**
Brunei	0.17	0.16	0.17	0.17	0.00	0.17	0.15	0.16	0.18	0.16	-0.01	0.18	0.16	0.15	0.16	0.16	0.00	0.16	0.16	0.16	0.16	0.16	0.00
India	0.80	0.78	0.86	0.89	0.03	0.88	0.88	0.88	0.88	0.88	-0.01	0.87	0.87	0.87	0.86	0.87	-0.01	0.86	0.87	0.87	0.87	0.87	0.00
Indonesia	1.05	1.03	1.04	1.02	-0.02	1.01	0.99	0.97	0.96	0.98	-0.04	0.96	0.95	0.92	0.91	0.93	-0.05	0.93	0.96	0.96	0.95	0.95	0.02
Malaysia	0.76	0.73	0.70	0.64	-0.06	0.69	0.63	0.63	0.69	0.66	0.02	0.68	0.64	0.64	0.68	0.66	0.00	0.70	0.70	0.69	0.68	0.69	0.03
Thailand	0.36	0.37	0.34	0.33	-0.01	0.35	0.35	0.36	0.36	0.35	0.02	0.37	0.36	0.35	0.35	0.36	0.00	0.35	0.35	0.35	0.35	0.35	-0.01
Vietnam	0.33	0.37	0.35	0.35	0.00	0.37	0.37	0.39	0.39	0.38	0.03	0.39	0.39	0.37	0.39	0.38	0.00	0.38	0.38	0.39	0.39	0.39	0.00
Asia others	0.26	0.25	0.23	0.23	0.00	0.22	0.22	0.22	0.22	0.22	-0.01	0.21	0.21	0.21	0.22	0.21	-0.01	0.22	0.22	0.22	0.22	0.22	0.00
Other Asia	**3.73**	**3.69**	**3.71**	**3.64**	**-0.07**	**3.69**	**3.60**	**3.62**	**3.68**	**3.65**	**0.01**	**3.66**	**3.58**	**3.51**	**3.58**	**3.58**	**-0.06**	**3.61**	**3.63**	**3.63**	**3.62**	**3.62**	**0.04**
Argentina	0.78	0.73	0.72	0.69	-0.03	0.70	0.69	0.69	0.68	0.69	0.00	0.66	0.66	0.67	0.65	0.66	-0.03	0.66	0.66	0.66	0.67	0.66	0.00
Brazil	2.38	2.51	2.66	2.64	-0.03	2.71	2.57	2.53	2.60	2.60	-0.03	2.57	2.61	2.63	2.71	2.63	0.03	2.72	2.74	2.84	2.90	2.80	0.17
Colombia	0.60	0.68	0.80	0.93	0.13	0.93	0.96	0.95	0.99	0.96	0.03	1.02	1.02	1.04	1.05	1.03	0.07	1.07	1.08	1.05	1.12	1.08	0.05
Trinidad & Tobago	0.16	0.15	0.15	0.14	-0.01	0.12	0.12	0.12	0.11	0.12	-0.02	0.12	0.11	0.12	0.10	0.11	0.00	0.10	0.10	0.09	0.09	0.09	-0.02
L. America others	0.28	0.30	0.31	0.30	-0.01	0.30	0.30	0.31	0.33	0.31	0.01	0.34	0.33	0.33	0.35	0.34	0.03	0.36	0.37	0.37	0.36	0.36	0.03
Latin America	**4.20**	**4.36**	**4.64**	**4.69**	**0.06**	**4.75**	**4.63**	**4.60**	**4.71**	**4.67**	**-0.02**	**4.71**	**4.73**	**4.78**	**4.87**	**4.77**	**0.10**	**4.91**	**4.95**	**5.01**	**5.14**	**5.00**	**0.23**
Bahrain	0.21	0.21	0.20	0.21	0.01	0.20	0.18	0.20	0.21	0.20	-0.02	0.21	0.21	0.22	0.22	0.21	0.02	0.22	0.22	0.22	0.22	0.22	0.01
Oman	0.76	0.81	0.86	0.89	0.02	0.89	0.92	0.93	0.94	0.92	0.03	0.94	0.93	0.95	0.94	0.94	0.02	0.95	0.96	0.96	0.97	0.96	0.02
Syria	0.41	0.41	0.42	0.37	-0.05	0.22	0.24	0.19	0.18	0.21	-0.16	0.16	0.09	0.08	0.04	0.09	-0.12	0.04	0.04	0.04	0.04	0.04	-0.05
Yemen	0.30	0.30	0.29	0.23	-0.06	0.14	0.18	0.21	0.19	0.18	-0.05	0.18	0.12	0.17	0.16	0.16	-0.02	0.16	0.16	0.16	0.16	0.16	0.01
Middle East	**1.68**	**1.73**	**1.78**	**1.69**	**-0.09**	**1.44**	**1.51**	**1.53**	**1.52**	**1.50**	**-0.19**	**1.48**	**1.35**	**1.41**	**1.36**	**1.40**	**-0.10**	**1.37**	**1.38**	**1.38**	**1.39**	**1.38**	**-0.02**
Chad	0.15	0.14	0.15	0.14	0.00	0.14	0.14	0.13	0.13	0.13	-0.01	0.13	0.13	0.14	0.13	0.13	0.00	0.13	0.13	0.12	0.12	0.13	-0.01
Congo	0.26	0.27	0.30	0.30	0.00	0.29	0.28	0.27	0.26	0.28	-0.02	0.27	0.27	0.27	0.25	0.26	-0.01	0.25	0.24	0.24	0.23	0.24	-0.02
Egypt	0.69	0.69	0.71	0.70	-0.01	0.71	0.71	0.71	0.71	0.71	0.01	0.71	0.72	0.71	0.69	0.71	0.00	0.69	0.68	0.68	0.67	0.68	-0.03
Equatorial Guinea	0.38	0.36	0.32	0.30	-0.02	0.32	0.31	0.31	0.31	0.32	0.01	0.32	0.32	0.32	0.31	0.32	0.00	0.32	0.33	0.33	0.32	0.32	0.01
Gabon	0.24	0.24	0.25	0.25	0.00	0.25	0.24	0.24	0.24	0.24	-0.01	0.23	0.23	0.24	0.23	0.23	-0.01	0.24	0.24	0.24	0.24	0.24	0.01
South Africa	0.18	0.17	0.18	0.18	0.00	0.19	0.19	0.19	0.19	0.19	0.01	0.19	0.19	0.18	0.18	0.19	-0.01	0.19	0.18	0.18	0.18	0.18	0.00
Sudans	0.46	0.48	0.46	0.43	-0.03	0.19	0.09	0.10	0.10	0.12	-0.31	0.11	0.22	0.27	0.36	0.24	0.12	0.36	0.37	0.38	0.39	0.38	0.14
Africa other	0.27	0.26	0.24	0.30	0.06	0.31	0.31	0.31	0.33	0.31	0.01	0.34	0.34	0.34	0.36	0.34	0.03	0.37	0.37	0.38	0.39	0.38	0.03
Africa	**2.62**	**2.60**	**2.61**	**2.60**	**-0.01**	**2.40**	**2.27**	**2.27**	**2.28**	**2.30**	**-0.30**	**2.30**	**2.42**	**2.45**	**2.51**	**2.42**	**0.12**	**2.55**	**2.55**	**2.55**	**2.55**	**2.55**	**0.13**
Total DCs	**12.22**	**12.39**	**12.73**	**12.63**	**-0.10**	**12.28**	**12.01**	**12.01**	**12.19**	**12.12**	**-0.51**	**12.15**	**12.08**	**12.15**	**12.32**	**12.18**	**0.05**	**12.43**	**12.50**	**12.58**	**12.69**	**12.55**	**0.38**
FSU	**12.60**	**12.95**	**13.21**	**13.24**	**0.03**	**13.37**	**13.25**	**13.23**	**13.37**	**13.30**	**0.06**	**13.45**	**13.39**	**13.41**	**13.45**	**13.42**	**0.12**	**13.48**	**13.41**	**13.53**	**13.78**	**13.55**	**0.13**
Russia	9.78	9.92	10.14	10.27	0.12	10.34	10.32	10.36	10.47	10.37	0.11	10.45	10.47	10.49	10.46	10.47	0.10	10.49	10.42	10.48	10.62	10.50	0.03
Kazakhstan	1.41	1.54	1.60	1.60	0.01	1.62	1.57	1.52	1.63	1.59	-0.02	1.68	1.60	1.63	1.66	1.64	0.05	1.64	1.64	1.70	1.78	1.69	0.05
Azerbaijan	0.94	1.06	1.07	0.95	-0.12	0.96	0.91	0.91	0.82	0.90	-0.05	0.87	0.87	0.85	0.85	0.86	-0.04	0.87	0.86	0.87	0.90	0.88	0.01
FSU others	0.46	0.44	0.41	0.42	0.02	0.45	0.44	0.44	0.44	0.44	0.02	0.45	0.45	0.44	0.48	0.45	0.01	0.48	0.49	0.48	0.48	0.48	0.03
Other Europe	0.15	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00
China	3.84	3.84	4.12	4.11	-0.01	4.08	4.09	4.19	4.30	4.17	0.06	4.24	4.27	4.14	4.21	4.21	0.05	4.23	4.21	4.23	4.28	4.24	0.03
Non-OPEC production	**48.38**	**49.08**	**50.22**	**50.31**	**0.09**	**51.03**	**50.40**	**50.16**	**51.63**	**50.80**	**0.49**	**51.67**	**51.57**	**51.89**	**52.37**	**51.88**	**1.07**	**52.63**	**52.55**	**52.97**	**54.09**	**53.06**	**1.18**
Processing gains	1.97	2.00	2.11	2.11	0.00	2.12	2.12	2.12	2.12	2.12	0.01	2.18	2.18	2.18	2.18	2.18	0.06	2.21	2.21	2.21	2.21	2.21	0.02
Non-OPEC supply	**50.35**	**51.08**	**52.33**	**52.42**	**0.09**	**53.15**	**52.52**	**52.28**	**53.75**	**52.92**	**0.50**	**53.85**	**53.76**	**54.07**	**54.55**	**54.06**	**1.14**	**54.83**	**54.75**	**55.18**	**56.29**	**55.27**	**1.21**
OPEC NGL	4.04	4.24	4.87	5.23	0.36	5.27	5.43	5.48	5.29	5.37	0.13	5.52	5.54	5.56	5.58	5.55	0.19	5.60	5.64	5.68	5.72	5.66	0.11
OPEC Non-conventional	0.11	0.11	0.11	0.13	0.02	0.19	0.20	0.19	0.23	0.20	0.07	0.24	0.24	0.25	0.27	0.25	0.05	0.28	0.29	0.29	0.29	0.29	0.04
OPEC (NGL+NCF)	**4.14**	**4.35**	**4.98**	**5.37**	**0.39**	**5.46**	**5.62**	**5.67**	**5.52**	**5.57**	**0.20**	**5.76**	**5.78**	**5.81**	**5.85**	**5.80**	**0.24**	**5.88**	**5.93**	**5.97**	**6.01**	**5.95**	**0.15**
Non-OPEC & OPEC (NGL+NCF)	**54.49**	**55.43**	**57.31**	**57.79**	**0.48**	**58.61**	**58.14**	**57.95**	**59.27**	**58.49**	**0.70**	**59.62**	**59.54**	**59.89**	**60.40**	**59.86**	**1.37**	**60.71**	**60.68**	**61.15**	**62.31**	**61.22**	**1.35**

* Chile has been included in OECD Americas.

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

Table 10.7: World Rig Count

	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11	1Q13	2Q13	3Q13	Jul 13	Aug 13	Change Aug/Jul
US	1,622	1,687	1,541	459	1,717	1,829	1,945	2,031	1,881	340	1,990	1,971	1,906	1,809	1,919	39	1,757	1,761	1,769	1,781	1,760	-21
Canada	364	389	347	129	587	188	443	474	423	76	599	172	326	367	366	-57	536	154	348	367	387	20
Mexico	84	80	97	-31	83	87	103	104	94	-3	98	110	108	108	106	12	114	107	100	103	97	-6
Americas	2,070	2,156	1,985	557	2,386	2,104	2,492	2,609	2,398	413	2,688	2,253	2,340	2,285	2,391	-6	2,407	2,023	2,217	2,251	2,244	-7
Norway	13	20	18	-2	21	17	16	16	17	-1	17	18	14	20	17	0	21	19	21	22	25	3
UK	21	21	19	1	18	17	15	15	16	-3	14	19	18	21	18	2	21	17	16	20	12	-8
Europe	92	100	94	11	118	112	123	119	118	24	112	117	117	129	119	1	134	133	140	143	139	-4
Asia Pacific	23	22	21	-4	17	17	17	18	17	-4	19	25	25	27	24	7	30	28	24	24	24	0
Total OECD	2,185	2,278	2,100	543	2,521	2,232	2,632	2,745	2,532	433	2,819	2,395	2,483	2,441	2,534	2	2,571	2,184	2,382	2,418	2,407	-11
Other Asia	253	255	248	31	257	234	232	233	239	-9	231	216	205	215	217	-22	215	224	216	214	219	5
Latin America	220	213	205	48	191	192	196	201	195	-10	191	190	172	165	180	-15	167	170	159	157	158	1
Middle East	163	159	156	6	101	107	102	107	104	-52	116	112	110	100	110	6	72	78	69	57	76	19
Africa	19	18	19	9	1	2	0	5	2	-17	3	3	9	11	7	5	9	15	15	16	14	-2
Total DCs	655	645	628	93	549	535	530	546	540	-88	542	522	496	491	513	-27	463	487	459	444	467	23
Non-OPEC rig count	2,840	2,924	2,727	636	3,070	2,768	3,161	3,291	3,072	345	3,361	2,916	2,979	2,931	3,047	-26	3,034	2,670	2,841	2,862	2,874	12
Algeria	24	24	25	-2	29	33	30	33	31	6	31	31	44	38	36	5	44	48	48	49	46	-3
Angola	9	9	9	5	11	11	11	8	10	1	10	12	7	7	9	-1	9	10	12	12	13	1
Ecuador	11	11	11	1	11	11	11	15	12	1	17	17	22	25	20	8	25	26	27	25	26	1
Iran**	52	52	52	0	54	54	54	54	54	2	54	54	36	54	54	0	54	54	54	54	54	0
Iraq**	36	36	36	0	36	36	36	36	36	0	36	50	76	69	58	22	66	80	93	93	93	0
Kuwait**	21	23	20	8	56	56	57	60	57	37	56	56	58	58	57	0	59	58	58	60	55	-5
Libya**	14	15	16	1	10	3	8	9	8	-8	12	11	11	14	12	4	16	15	14	15	12	-3
Nigeria	18	17	15	8	35	35	36	36	36	21	37	35	37	33	36	0	36	40	34	33	34	1
Qatar	9	9	9	0	10	8	7	7	8	-1	8	7	8	7	8	0	9	8	10	10	9	-1
Saudi Arabia	67	65	67	-1	98	98	98	105	100	33	106	114	111	115	112	12	116	114	111	111	111	0
UAE	13	13	13	1	17	21	24	22	21	8	22	24	23	26	24	3	28	27	28	27	31	4
Venezuela	70	80	70	10	125	125	125	113	122	52	126	122	112	110	117	-5	119	122	121	114	123	9
OPEC rig count	344	355	342	31	493	490	495	498	494	152	515	534	546	556	542	48	582	601	611	603	607	4
Worldwide rig count*	3,184	3,278	3,069	667	3,563	3,258	3,656	3,789	3,566	497	3,876	3,451	3,524	3,487	3,589	23	3,616	3,271	3,452	3,465	3,481	16
of which:																						
Oil	1,783	1,896	1,701	479	2,197	2,023	2,354	2,453	2,257	556	2,709	2,528	2,677	2,682	2,654	397	2,781	2,544	2,649	2,656	2,644	-12
Gas	1,356	1,337	1,325	200	1,319	1,187	1,257	1,286	1,262	-63	1,116	879	799	749	886	-376	795	672	747	754	781	27
Others	42	46	43	8	48	49	47	52	49	6	54	46	51	59	52	3	44	58	60	59	60	1

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

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

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Data Summary October 2013

OPEC Basket average price

US$ per barrel

↑ *up 1.21 in September*

September 2013	***108.73***
August 2013	***107.52***
Year-to-date	***105.69***

September OPEC crude production

in million barrels per day, according to secondary sources

↓ *down 0.39 in September*

September 2013	***30.05***
August 2013	*30.44*

World economy

Global growth expectations remain at 2.9% for 2013 and 3.5% for 2014. OECD economies are forecast to rebound to 1.9% in 2014, after low growth of 1.2% in 2013. Growth expectations for China remain at 7.6% for this year and 7.7% for 2014, while India's forecasts have been lowered to 5.0% for 2013 and 5.8% for next year.

Supply and demand

in million barrels per day

2013		*12/13*
World demand	*89.7*	***0.8***
Non-OPEC supply	*54.1*	***1.1***
OPEC NGLs	*5.8*	***0.2***
Difference	***29.9***	***–0.5***

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

Totals may not add due to independent rounding.

Stocks

Total OECD commercial oil stocks fell by 10.0 mb in August to show a deficit of around 68 mb with the five-year average, divided between crude and products. In terms of days of forward cover, OECD commercial stocks stood at 58.6 days, 0.1 days above the five-year average. Preliminary data for September shows that total US commercial oil stocks rose 4.5 mb, reversing the drop of the last two months. As a result, inventories show a surplus of 33.0 mb with the five-year average, with the gain divided between crude and products, indicating surpluses of 23.7 mb and 9.2 mb, respectively.

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Next report to be issued on 12 November 2013

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