OPEC

Monthly Oil Market Report

10 September 2014

Feature article:

Review of developments in the world economy

Organization of the Petroleum Exporting Countries

Helferstorferstrasse 17, A-1010 Vienna, Austria

E-mail: prid@opec.org

Website: www.opec.org

Oil market highlights

Crude Oil Price Movements

The OPEC Reference Basket fell by $4.86 in August to stand at $100.75/b. Nymex WTI declined by $6.32 to $96.08/b and ICE Brent dropped $4.79 to $103.40/b. Speculators sharply cut net long positions amid ample supply and low demand. The Brent-WTI spread widened to around $7.30/b as stock draws at Cushing, Oklahoma, have finally stalled.

World Economy

World economic growth for 2014 and 2015 remains unchanged at 3.1% and 3.4% respectively. A better-than-expected US GDP in 2Q14 was offset by on-going challenges in the Euro-zone and a large decline in 2Q14 GDP growth in Japan. This kept the OECD GDP growth forecast at 1.8% in 2014 and 2.0% in 2015. Expectations for China and India remain unchanged, with China growing at 7.4% and 7.2%, and India at 5.5% and 5.8%. Brazil has been revised down to 0.7% in 2014 and 1.4% in 2015, and Russia's GDP growth forecast has also been lowered to 0.3% in 2014 and 1.1% in 2015.

World Oil Demand

World oil demand growth in 2014 is expected to reach 1.05 mb/d, following a downward revision of around 50 tb/d, mainly due to the weaker-than-expected performance of the OECD region. In 2015, world oil demand is forecast to increase by 1.19 mb/d, representing a marginal downward adjustment, as an upward revision in the non-OECD region was offset by slower OECD growth.

World Oil Supply

Non-OPEC oil supply growth is expected to increase by 1.68 mb/d in 2014, following an upward revision of 180 tb/d from last month. In 2015, non-OPEC oil supply is projected to grow by 1.24 mb/d, representing a downward adjustment of 30 tb/d from the previous forecast. OPEC NGLs and non-conventional liquids are forecast to grow by 0.2 mb/d in 2015 to average 6.03 mb/d. In August, OPEC crude oil production according to secondary sources increased by 231 tb/d to average 30.35 mb/d.

Product Markets and Refining Operations

Product markets in the Atlantic Basin saw support from strong US gasoline demand amid a tightening sentiment due to falling inventories. Steady middle distillate demand and lower inflows into the region prevented European margins from dropping while US margins were boosted by falling WTI prices. In Asia, the weaker light distillates market caused refinery margins to continue weakening.

Tanker Market

A general weak sentiment was seen in the dirty tanker market in August on the back of low tonnage demand and reduced activities. Clean tanker freight rates improved East of Suez but encountered a slight decline in the West. OPEC and Middle East sailings declined compared to the previous month, although arrivals in all regions were higher, except in the Far East.

Stock Movements

OECD commercial oil inventories rose in July, but remained 37 mb below the five-year average. Crude showed a surplus of around 22 mb, while products registered a deficit of 59 mb. In terms of forward cover, OECD commercial stocks stood at 58.2 days in July. Preliminary data for August shows that US total commercial oil stocks rose by around 3.7 mb, which is around 10.0 mb above the five-year average. Crude and product stocks showed surpluses of 7.0 mb and 3.0 mb, respectively.

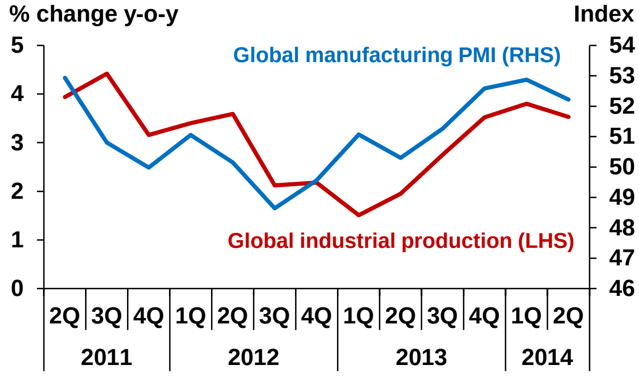
Balance of Supply and Demand

Demand for OPEC crude in 2014 was revised down by 0.2 mb/d from the previous month to stand at 29.5 mb/d. In 2015, required OPEC crude was also revised down by 0.2 mb/d to stand at 29.2 mb/d.

Review of developments in the world economy

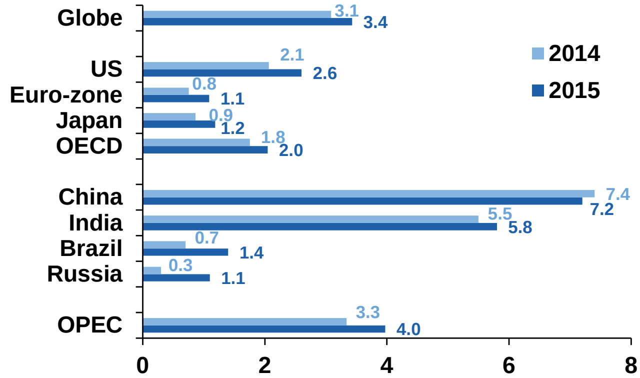
After a relatively weak start to the year, the global economy has gained traction again. However, the global growth trend remains slow and uneven. The US has performed better after a considerable decline in the first quarter, while Japan is facing headwinds after its sales tax-increase in April, the Euro-zone remains entangled in multiple concerns and growth in the emerging economies has continued to decelerate. This trend has also become visible in the most recent numbers for global industrial production (***Graph 1***). World GDP growth expectations therefore remain at a relatively modest level of 3.1% in 2014 and are expected to accelerate to 3.4% in 2015, based on 2005 purchasing power parity (ppp) weights (***Graph 2***).

Graph 1: Global manufacturing PMI vs. industrial production



Sources: CPB, JP Morgan, Markit and Haver Analytics.

Graph 2: Real GDP growth forecast, % (2005 ppp)



Source: OPEC.

The OECD group of economies is forecast to grow by 1.8% this year and by 2.0% in the coming year. After rebounding from a decline in the first quarter, the US is forecast to grow by 2.1% in 2014. For next year, slowing monetary stimulus in combination with small productivity gains and the possible re-emergence of previous governmental gridlock implies a limited upside, when growth is forecast to reach 2.6%. Japan currently is facing a larger-than-anticipated negative impact from its April's sales tax increase and a challenging environment for its exports. As a result, Japanese growth is forecast at only 0.9% in 2014. Given that the soft recovery might continue and along with the prospect of another sales tax increase in 2015, GDP growth in Japan is expected to reach 1.2% next year. Also in the Euro-zone, improvements remain halting with growth forecast at just 0.8% this year. Given challenges from the slow improvement in labour markets, the risk of deflation and recapitalisation needs of the banking sector, growth in 2015 is forecast to be only slightly higher at 1.1%.

In the developing and emerging economies, the sluggish pace of growth has continued into the current year. Except for India, the other major emerging economies are expected to grow at a lower rate in 2014 compared to last year. Recovering from low growth last year, India is expected to grow at 5.5% in 2014 and at 5.8% in 2015. Russia and Brazil are expected to experience only limited growth this year, before slightly improving in 2015. Coming from very high growth levels last year, China is forecast to grow by 7.4% in 2014 and 7.2% in 2015, as the economy continues maturing and the country is in the process of managing the imbalances in the economy.

Although only modest growth had been observed so far this year, much of this has already been taken into account in earlier estimates for the remainder of this year and for 2015. At the same time, on-going geopolitical issues could further impact growth negatively. A continued tapering or even ending of extraordinary monetary supply measures in the US, in combination with rising interest rates, could cause additional capital outflows from emerging economies to safer and/or higher yielding markets. Combined with continued sluggish growth in the global economy, this capital outflow would not support world oil demand growth at a time when overall crude inventories are at a comfortable level. Any economic improvement due a resolution of on-going geopolitical concerns will boost already troubled economies and improve consumer sentiment, leading to higher oil demand growth in the near future.

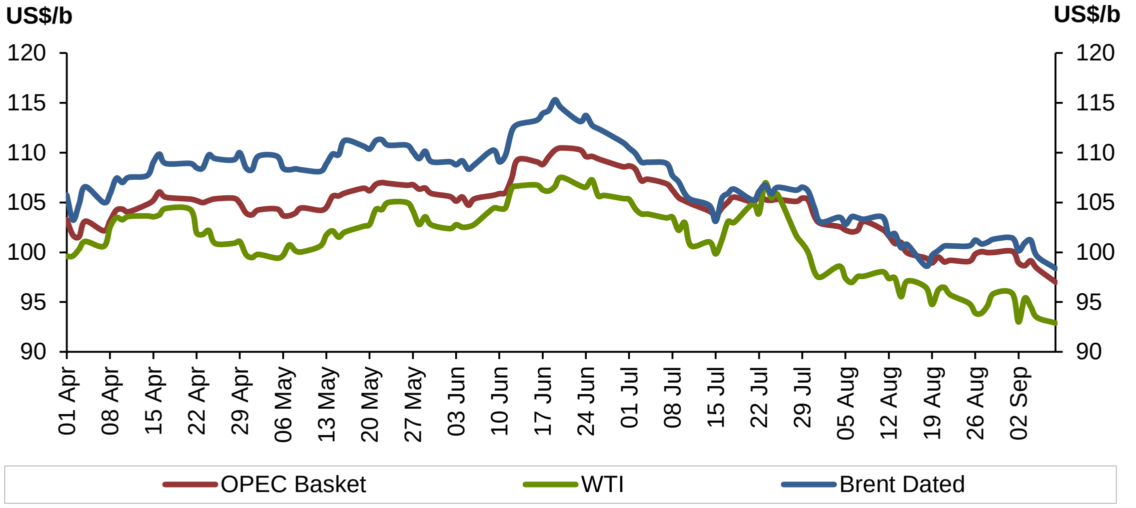
Crude Oil Price Movements

The OPEC Reference Basket (ORB) fell by a substantial $4.86 to $100.75/b as a downturn in oil prices continued for a second month, amid ample supplies and weak demand. The Basket year-to-date value stood at $104.78/b. Crude oil futures fell to their lowest levels of the year as weak underlying market fundamentals and intense speculative behaviour drove down prices. The Nymex WTI front-month contract lost $6.32 to stand at $96.08/b. Compared with the same period in 2013, WTI's value was still $3.31 higher at $100.44/b. The ICE Brent front-month contract dropped $4.79 in August, to end at $103.40/b. Year-to-date, ICE Brent was 26¢ lower at $108.07/b. Downward pressure on prices came largely from speculators, who in a two-month span reduced their net long positions in ICE Brent and Nymex WTI futures by nearly 75% and 45%, respectively. After touching a year low of about $5.80/b in July, the WTI/Brent spread bounced back to levels seen in the first half of this year at around $7.30/b, as stock draws at Cushing, Oklahoma, finally stalled.

OPEC Reference Basket

The ORB dipped further for the second month in a row to its lowest value in more than a year as the crude oil market perceived the risk of supply disruptions abating, while a supply overhang and lacklustre refinery demand drove prices down for two consecutive months. The Basket lost close to a hefty $5 over the month, the largest one-month drop in a year and a half. In two months, the Basket slipped more than $7, but remained above the $100/b mark, where it has been for more than two years.

Graph 1.1: Crude oil price movement, 2014



On a monthly basis, the OPEC Reference Basket dropped to an average of $100.75/b in August, down $4.86, or 4.60% below July. On a year-to-date basis, the Basket was lower compared with the same period one year earlier. The Basket year-to-date value stood at $104.78/b compared with an average of $105.40/b the previous year, 62¢ lower.

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

	Jul 14	Aug 14	Change Aug/Jul	Year-to-date 2013	Year-to-date 2014
OPEC Reference Basket	**105.61**	**100.75**	**-4.86**	**105.32**	**104.78**
Arab Light	107.15	102.24	-4.91	106.12	105.70
Basrah Light	103.83	99.20	-4.63	103.29	102.80
Bonny Light	109.19	102.26	-6.93	110.63	109.85
Es Sider	106.19	100.56	-5.63	108.00	107.29
Girassol	107.02	101.52	-5.50	108.42	108.11
Iran Heavy	106.21	101.42	-4.79	104.54	104.85
Kuwait Export	105.50	100.57	-4.93	104.30	103.89
Marine	105.96	101.52	-4.44	104.45	104.79
Merey	95.06	92.31	-2.75	96.72	94.65
Murban	108.87	104.33	-4.54	107.10	108.01
Oriente	95.21	89.53	-5.68	98.87	94.93
Saharan Blend	106.74	100.86	-5.88	108.35	108.50
Other Crudes					
Brent	106.64	101.56	-5.08	107.99	107.73
Dubai	106.13	101.73	-4.40	104.60	104.95
Isthmus	102.20	96.78	-5.42	107.84	100.63
LLS	106.41	100.13	-6.28	109.53	104.55
Mars	102.18	96.66	-5.52	104.40	100.43
Minas	105.06	99.94	-5.12	107.12	108.48
Urals	106.23	101.98	-4.25	107.36	106.61
WTI	102.87	96.38	-6.49	97.15	100.59
Differentials					
Brent/WTI	3.77	5.18	1.41	10.84	7.14
Brent/LLS	0.23	1.43	1.20	-1.54	3.18
Brent/Dubai	0.51	-0.17	-0.68	3.39	2.78

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

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

Once again, Brent-related Basket components from West and North Africa lost a significant share of their value in August, accumulating a decline in value of around $10 in two months. Ample supply and lackluster buying interest in Asia and Europe weighed on the market. West African crude differentials held at their lowest in around five years amid slack demand from Asia and weakness in competing grades. In the Mediterranean, sweet crude grades were also under pressure from rising Libyan supply despite uncertainty surrounding the return of Libyan oil.

Brent-related Basket components Saharan Blend, Es Sider, Girassol and Bonny Light dropped about a hefty $6 or 5.6%, on top of the previous month's $5 loses. Both Latin American Basket components — Merey and Oriente — slipped in line with the drop in outright WTI market prices, losing almost 4.4% over the month on average. Oriente and Merey decreased by $5.68 and $2.75 in August, respectively.

Middle Eastern spot prices also suffered as ample supply and weak demand in Asia continued to weigh on the market. Middle Eastern and Russian crudes priced on Dubai were under pressure as the spread between the Middle East marker and Brent dropped to its narrowest point in four years. The slim price difference has also opened the arbitrage window for competing supplies from Europe, Africa and Latin America to enter Asia. With low margins, Asian refiners are also processing less crude, cutting demand as increasing US shale oil output pushes excess oil from the Atlantic Basin and Latin America eastward. Middle Eastern spot components and multi-destination grades fell by about $4.50 and $4.80, respectively.

On 9 September, the OPEC Reference Basket weakened to $96.99/b, $3.76 under the August average.

The oil futures market

Crude oil futures fell to their lowest levels of the year in August as weak underlying fundamentals in the market and intense speculative behaviour drove prices lower for two consecutive months. ICE Brent fell by more than $4 to $103.40/b, its lowest value since June 2013. Nymex WTI dropped by over $6, ending up below the key $100/b marker at about $96/b, it lowest value in six months.

A further easing of supply concerns and softening demand combined to help slacken crude oil markets over the two months. An agreement to open some Libyan ports and resume exports of crude made additional barrels available on the global market and applied downward pressure on light sweet crude oil prices. Low refinery runs in Asia and Europe capped demand for crude oil and expectations for global economic growth were revised lower compared with the previous month, remaining below growth rates projected at the start of 2014.

Given this, key oil demand forecasting agencies have turned bearish and reduced global demand growth from earlier estimations. This significant drop in crude oil prices was not caused by weak fundamentals alone; much of it is due to stimulus trading by speculators, which sent prices to new highs three months ago. Hedge fund and other money managers trimmed their net long positions significantly during this period, US Commodity Futures Trading Commission (CFTC) and InterContinental Exchange (ICE) data shows.

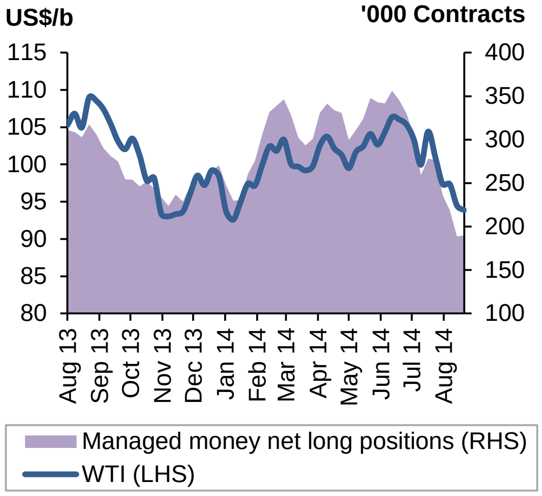
The **Nymex WTI front-month** plunged $6.32 over the month, to average $96.08/b in August. Compared with the same period in 2013, WTI's value is still higher by $3.78 or 3.9% at $100.44/b. On the ICE exchange, **Brent front-month** dropped $4.79 to an average of $103.40/b, below $105/b for the first time since June 2013. Year-to-date, ICE Brent was slightly lower in value compared with the same period one year ago. Its value weakened by 8¢ or 0.1% to $108.07/b from $108.15/b.

On 9 September, ICE Brent stood at $99.16/b and Nymex WTI at $92.75/b.

Speculators of the two main crude oil futures contracts reduced their **net long positions** by nearly 50%, exerting significant downward pressure on prices over the month. In a two-month span, as prices plunged by over $10, hedge fund and other money managers trimmed their net long positions by a hefty 73% and 45% in ICE Brent and Nymex WTI futures, respectively. These positions are now at their lowest in almost two years, according to data from ICE and the CFTC.

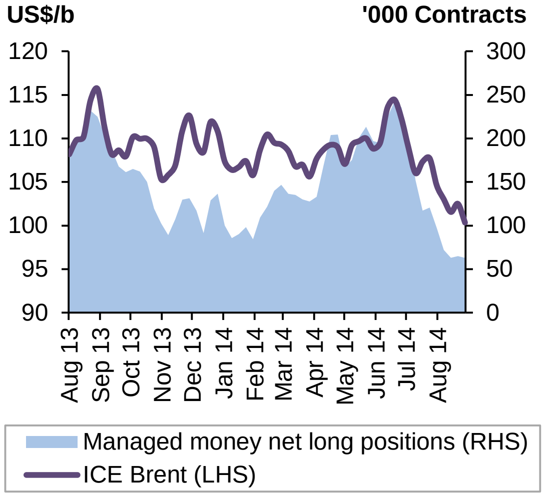
Money managers decreased their net long futures and options positions in ICE Brent by 55,697 contracts to 64,998 lots, the lowest since mid-July 2013. CFTC data shows that hedge fund and money managers also decreased their bullish bets in US crude oil futures by cutting their net long US crude futures and options positions during July and August as prices decreased. The speculator group cut its combined futures and options positions in US crude oil contracts to 189,753 lots from 276,741 contracts. Moreover, total futures and options open interest volume in the two markets decreased in August by 105,880 contracts to 3.76 million contracts.

Graph 1.2: Nymex WTI price vs. speculative activity, 2013-2014



Source: CFTC.

Graph 1.3: ICE Brent price vs. speculative activity, 2013-2014



Source: IntercontinentalExchange, Inc.

The **daily average traded volume** during August for Nymex WTI contracts decreased by 47,371 lots to average 525,318 contracts. ICE Brent daily traded volume fell sharply by 135,416 contracts to 612,502 lots. Daily aggregate traded volume in both crude oil futures markets decreased by 182,787 contracts in August to around 1.14 million future contracts, equivalent to around 1.14 billion b/d. The total traded volume in Nymex WTI and ICE Brent was 11.03 and 12.86 million contracts, respectively, over the month.

The futures market structure

Record refinery runs and pipeline delays continue to keep US **Nymex WTI forward crude curve** in steep backwardation. The Nymex WTI front-month premium over the second month is over $1. Strong demand from US refiners has been draining crude stocks in the US, putting a premium on immediately available supply relative to later deliveries. Nevertheless, by month's end, backwardation became less steep than it was in late July, though remaining at high levels.

US refiners have increased runs to record levels to take advantage of discounted domestic crudes, boosting product exports and pressuring European refinery margins. Utilization at US Gulf coast refineries has remained at around 95% since early July. Refineries in the midcontinent, with easy access to crude at the deepest discounts and fewer maintenance hiccups, have been running at rates of 95% or higher most of the time since early June. Delays to new pipeline projects have prevented restocking at the US Gulf coast, where crude stocks fell below 200 mb in early July. In August, the Nymex WTI front-month stretched its premium over the second month by about 10¢ to $1.05/b, on average.

On the other hand, **ICE Brent's market structure** is in sustained contango for the second month in a row. This appears to be in line with poor fundamentals at the moment, and the weakness in the physical market appears to be trumping concerns about supply shortages arising from numerous geopolitical situations. The first month's discount to the second month doubled in August to 65¢/b from almost 30¢/b in July.

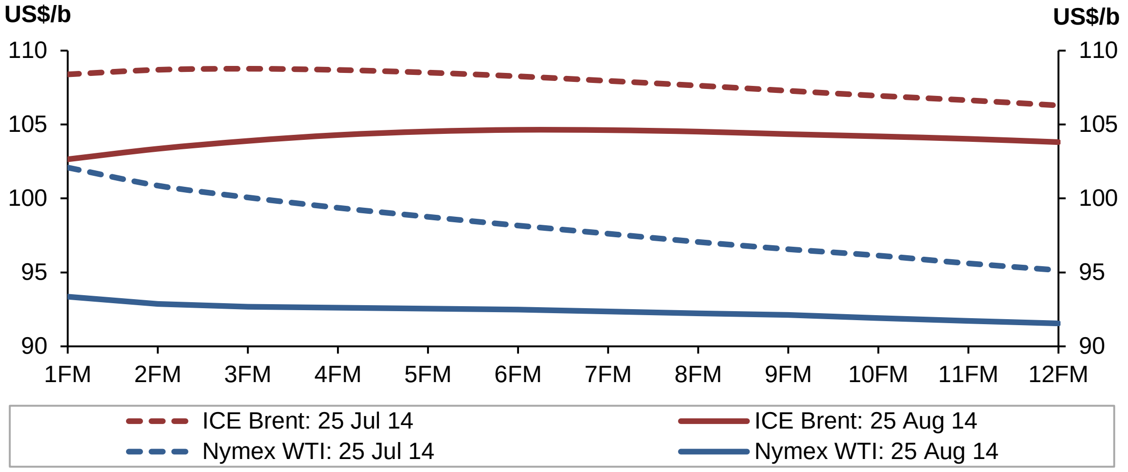
Table 1.2: Nymex WTI and ICE Brent forward curves, US$/b

Nymex WTI	1st FM	2nd FM	3rd FM	6th FM	12th FM
25 Jul 14	102.09	100.87	100.07	98.17	95.15
25 Aug 14	93.35	92.88	92.68	92.48	91.56
ICE Brent	1st FM	2nd FM	3rd FM	6th FM	12th FM
25 Jul 14	108.39	108.70	108.77	108.26	106.29
25 Aug 14	102.65	103.36	103.89	104.64	103.81

FM = future month.

After touching a year-low of about $5.80/b in July, the Brent/WTI spread bounced back to levels seen in the first half of this year as stockdraws at Cushing, Oklahoma, finally stalled. Brent has steadily remained well above the $100/b mark, even when WTI was weaker over the past couple of weeks, seeing prices below $93/b. WTI prices have been under pressure due to various factors, foremost of which is four continuous weeks of Cushing inventory build-up. Crude inventories at Cushing, the delivery point for WTI, rose 0.508 mb in the seven days ending 22 August to 20.66 mb, the Energy Information Administration (EIA) said in a report. Inventories at the hub have risen for three weeks after a fire shut down CVR Energy Inc.'s refinery in Coffeyville, Kansas on 29 July. The plant uses supplies from Cushing. The prompt Brent/WTI spread widened over the month to $7.32/b on average, after settling at $5.79/b the previous month, $1.53 wider.

Graph 1.4: Nymex WTI and ICE Brent forward curves, 2014



FM = future month.

The light sweet/medium sour crude spread

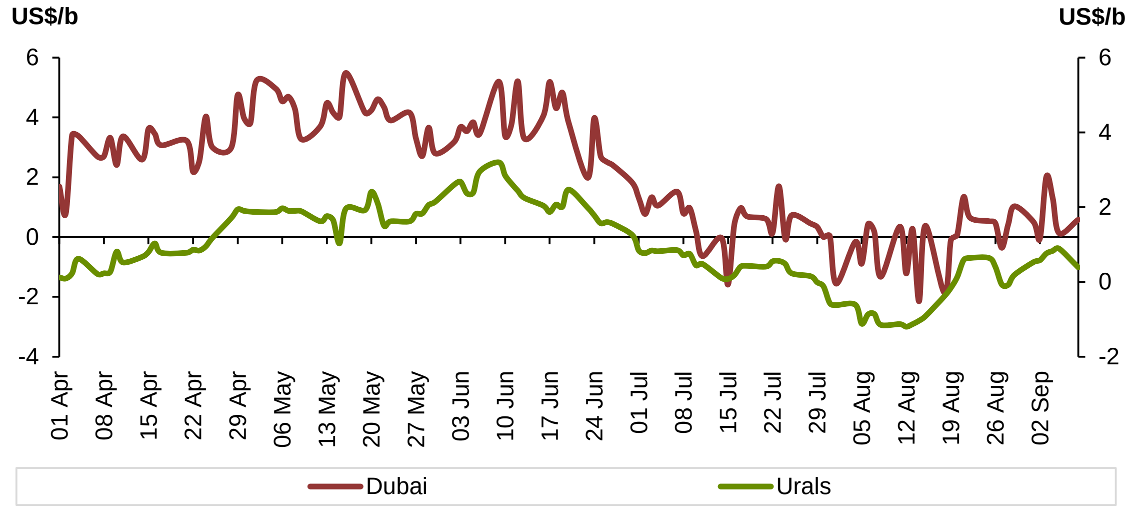
Global sweet/sour differentials narrowed further in August in all regions and sharply in Europe as sour grades were supported by healthy fuel oil cracks, while sweet grades weakened further.

In **Asia**, a fall in Brent's premium to Dubai to its lowest point since July 2010 kept the arbitrage window for North Sea and African crude to the region wide open. The Brent/Dubai spread in August drifted further into negative territory by about 50¢, to its lowest point in four years. Supply overhang and low refinery margins have weakened the Asian physical crude oil market, especially for light grades. Asian oil refineries are facing stiff competition from local and foreign refineries and are also pressured by subdued fuel demand as growth in most regional economies remains constrained. The Tapis/Dubai spread narrowed about 70¢ to $5.25/b in August.

In **Europe**, strong fuel oil margins, expensive Middle Eastern alternatives and a lengthy disruption in Iraqi Kirkuk loading have boosted demand for Russian medium sour Urals. Fuel oil margins firmed to their strongest levels in over a year, buoying demand for Urals. Low supplies of Urals in the Mediterranean on the back of higher Russian run rates and a lack of alternatives also lent support to the grade. On the other hand, increased supplies of light sweet crude exerted downward pressure on prices, already lower on weak European demand. On average, the Brent/Urals spread in August flipped to minus 40¢/b from a premium of 40¢/b the previous month, narrowing the differential by 80¢/b.

In the **US** Gulf Cost (USGC), stronger demand for medium sour crude among USGC refiners and ample light sweet crude supplies have narrowed the discount for USGC sour Mars crude to light Louisiana Sweet (LLS). Meanwhile, rising domestic light sweet crude production has kept the LLS premium to WTI constrained. The light sweet LLS premium over medium sour Mars narrowed by 76¢ to $3.47/b.

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



Commodity Markets

Average commodity prices declined in August, while energy prices experienced their largest drop of the year on a sharp decline in crude oil prices. The deterioration in non-energy commodity prices was mainly due to continuing weakness in agricultural prices, though base metals provided some support due to continuing strength in aluminium prices. Gold prices declined after strong positive data from the US economy fuelled the prospect of interest rate hikes.

Trends in selected commodity markets

The prospect of monetary policy normalization in the US, together with the actions of the European and Japanese central banks in support of their economies, has translated into a significant appreciation of the US dollar which reached its highest in a year during August – based on the import-weighted modified Geneva I + US dollar basket[1], adding pressure to commodity prices. Demand has been supported by strong US manufacturing data; the PMI was at 59.0 in August versus 57.1 in July. In contrast, manufacturing expansion in China appeared to slow during the month and the Euro-zone recovery has stalled, thereby reducing support for energy and base metal prices. Meanwhile, supply concerns appear to be receding, as geopolitical tension in Ukraine and the Middle East have not led to major supply disruptions of agricultural and energy commodities yet. Moreover, copper exports from Indonesia have restarted, reducing uncertainty for the base metal market.

Base metals showed different patterns, with both supply and demand commanding price changes. Aluminium prices were the main driver on the positive side, on the impact of lessening overcapacity. However, copper prices declined on reports of weakness in China´s residential property market, as new home prices declined by 0.9% in July according to the National Bureau of Statistics, and a lower-than-expected manufacturing PMI reading, which was 50.3 in August versus 51.9 in July. News of the restart of copper concentrate exports from Indonesia also had an effect; government and the mining companies reached agreement regarding tax disputes. Positive manufacturing data from the US prevented copper prices from falling further. In addition, the impact of a ban on nickel ore exports from Indonesia appears to be fully priced-in.

Agricultural prices declined on average, though at a lower rate than the previous two months, on a smaller decrease in food prices. Excellent weather conditions during this year — a mild winter in Europe and cool summer in the US — have led to abundant grain crops. The US Department of Agriculture (USDA) forecast record supplies of maize, wheat and soybeans, which have had their prices pressured to four-year lows. However, continued rain in western Europe has cast doubt on the quality of wheat crops in that region. In addition, the intensification of tensions between Ukraine and Russia, and the imposition of sanctions on the latter, threw some doubt on the availability of Black Sea grain supplies into the market.

Energy prices declined sharply over the month due to a steep drop in crude oil prices, as the perception of receding geopolitical risks, together with a softening in demand, put pressure on prices. Average natural gas prices declined slightly in the US due to a

[1] *The 'modified Geneva I+US dollar 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.*

cool summer, resulting in larger-than-expected injections into storage. Meanwhile, natural gas inventories in Europe — as reported by Gas Infrastructure Europe — increased to close to 88% of capacity in August, from 80% in July, driving down average import prices during the month, according to World Bank commodity price data. However, hub prices increased at the end the month on the escalation of geopolitical tensions between Ukraine and Russia.

Among developments that will require close monitoring for the rest of the year are the impact of US Federal Reserve decisions — including the end of the assets purchase programme and interest rate hikes — as well as special measures taken by the ECB aimed at easing credit conditions in the Euro-zone, which could potentially drive a further appreciation of the US dollar. Geopolitical tensions in Ukraine and the Middle East could provide support for current levels of natural gas and agricultural prices. Finally, it is also important to closely watch the impact of developments on the property market and the manufacturing sector in China on base metals demand.

Table 2.1: Commodity price data, 2014

Commodity	Unit	*Monthly averages*			*% Change*		
		Jun 14	Jul 14	Aug 14	Jun/May	Jul/Jun	Aug/Jul
World Bank commodity price indices for low and middle income countries (2010 = 100)							
Energy		131.5	126.9	121.2	2.0	-3.5	-4.5
Coal, Australia	$/mt	71.5	68.8	68.9	-3.0	-3.8	0.3
Crude oil, average	$/bbl	108.4	105.2	100.1	2.5	-2.9	-4.9
Natural gas, US	$/mmbtu	4.6	4.0	3.9	0.1	-12.2	-3.1
Non Energy		98.3	98.3	97.7	-1.5	-0.1	-0.6
Agriculture		105.2	103.1	102.1	-1.9	-2.0	-1.0
Food		109.8	106.5	105.7	-2.4	-3.0	-0.8
Soybean meal	$/mt	553.0	502.0	510.0	-4.4	-9.2	1.6
Soybean oil	$/mt	936.0	888.0	857.0	-3.0	-5.1	-3.5
Soybeans	$/mt	516.0	480.0	460.0	-1.0	-7.0	-4.2
Grains		106.7	101.0	99.1	-5.5	-5.4	-1.8
Maize	$/mt	202.4	182.7	176.4	-6.9	-9.7	-3.4
Wheat, US, HRW	$/mt	306.5	280.4	263.4	-8.4	-8.5	-6.0
Sugar, world	$/kg	0.4	0.4	0.4	-0.5	0.5	-5.7
Base Metal		89.2	93.4	93.7	0.7	4.7	0.4
Aluminum	$/mt	1,839.0	1,948.3	2,030.5	5.0	5.9	4.2
Copper	$/mt	6,821.1	7,113.4	7,001.8	-1.0	4.3	-1.6
Iron ore, cfr spot	$/dmtu	92.7	96.1	92.6	-7.8	3.6	-3.6
Lead	$/mt	2,106.9	2,193.2	2,236.8	0.5	4.1	2.0
Nickel	$/mt	18,628.8	19,117.7	18,600.2	-4.0	2.6	-2.7
Tin	$/mt	22,762.0	22,424.0	22,231.1	-2.2	-1.5	-0.9
Zinc	$/mt	2,128.1	2,310.6	2,327.0	3.4	8.6	0.7
Precious Metals							
Gold	$/toz	1,279.1	1,310.6	1,295.1	-0.7	2.5	-1.2
Silver	$/toz	19.9	20.9	19.7	2.8	5.2	-5.7

Source: World Bank, Commodity price data.

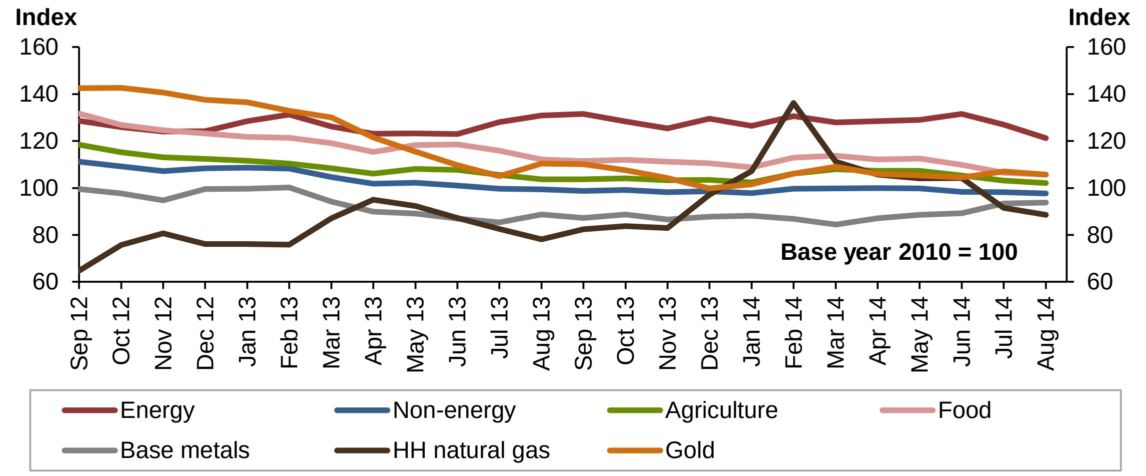
Average **energy prices** decreased by 4.5% m-o-m in August, mainly driven by a 4.9% decrease m-o-m in crude oil prices due to easing demand and the market perception of abating supply risks, while natural gas prices decreased on average in the US by 3.1% m-o-m as milder temperatures remained over summer, slowing power demand.

Agricultural prices were down by 1.0%, moderating the pace of decline of the previous two months. Grain prices stabilized in August, though declining on average by 1.8% m-o-m, in particular maize and wheat, which declined by 3.4% and 6.0% respectively. Moreover, fats and oilseeds continued to show weakness on the expectation of record soybean production, putting pressure on soybean and soybean oil prices, which, in turn, declined by 4.2% and 3.5%, respectively. Palm oil also saw a sharp drop, declining by 8.9% m-o-m.

Base metals increased by 0.4% m-o-m, with different trends among group components. Aluminium increased by 4.2% due to declining inventories resulting from excess capacity cuts. Copper decreased by 1.6% on weaker-than-expected manufacturing expansion and softness in the real estate market in China, as well as the restart of copper exports from Indonesia.

Within **precious metals,** average gold prices decreased by 1.2% m-o-m, after increasing in the first half of the month on geopolitical tensions in the Middle East. However, this trend was reversed after the release of strong positive data from the US economy, together with a Federal Reserve minutes assessment of labour market conditions that suggested increasing eagerness for rising interest rates. Meanwhile, silver prices declined by 5.7%, reversing the previous month's gains.

Graph 2.1: Major commodity price indices, 2012-2014

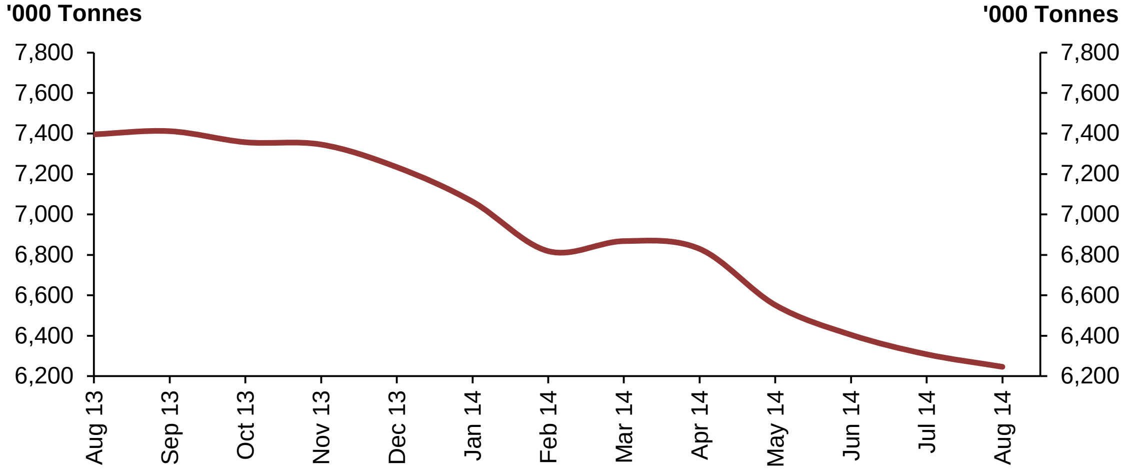


Source: World Bank, Commodity price data.

In August, the **Henry Hub (HH) natural gas price** declined on inventory increases, broadly in line with expectations. The index declined by 13¢, or 3.1%, to $3.9 per million British thermal units (mmbtu), after trading at an average of $4.0/mmbtu the previous month.

The US Energy Information Administration (EIA) said utilities put 79 billion cubic feet (Bcf) of gas into storage during the week ending 29 August, 5 Bcf above the market expectation of a 74 Bcf increase. Gas in storage stands at 2,709 Bcf, which is 15.4% below the past five-year average — last month it was 21.7% below that average. The EIA expects end-of-October working inventory levels of 3,463 Bcf, requiring average weekly injections of 84 Bcf. Although it was reported that temperatures during the week ending 29 August were warmer than average, but close to the year-ago average, the weather pattern observed during the summer has been of cooler than average temperatures.

Graph 2.2: Inventories at the LME, 2013-2014

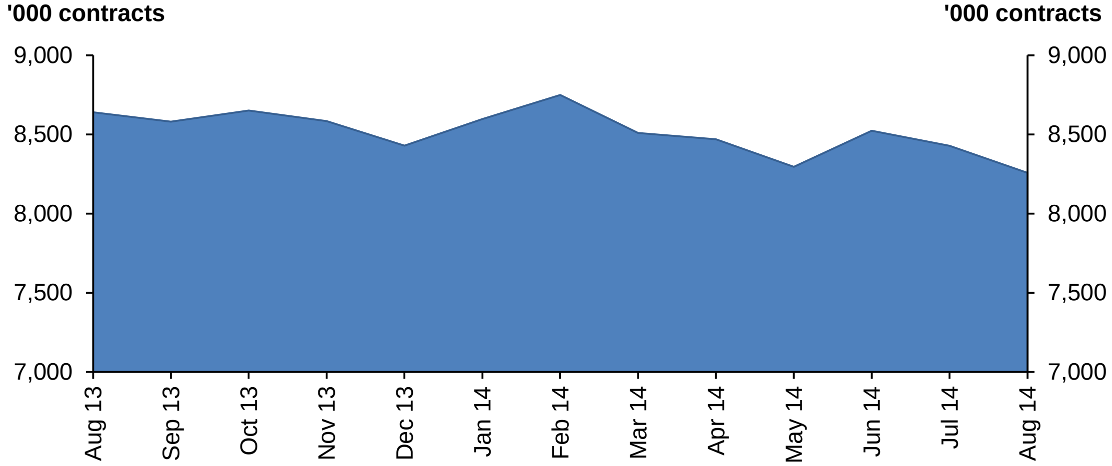


Sources: London Metal Exchange and Haver Analytics.

Investment flows into commodities

The total open interest volume (OIV) in major US commodity markets decreased by 2.0% m-o-m to 8.4 million contracts in August, with OIV declining for crude oil, natural gas, copper and precious metals by 7.8%, 5.8%, 7.5% and 6.2%, respectively, while agriculture OIV was the sole bright spot, increasing by 2.7%.

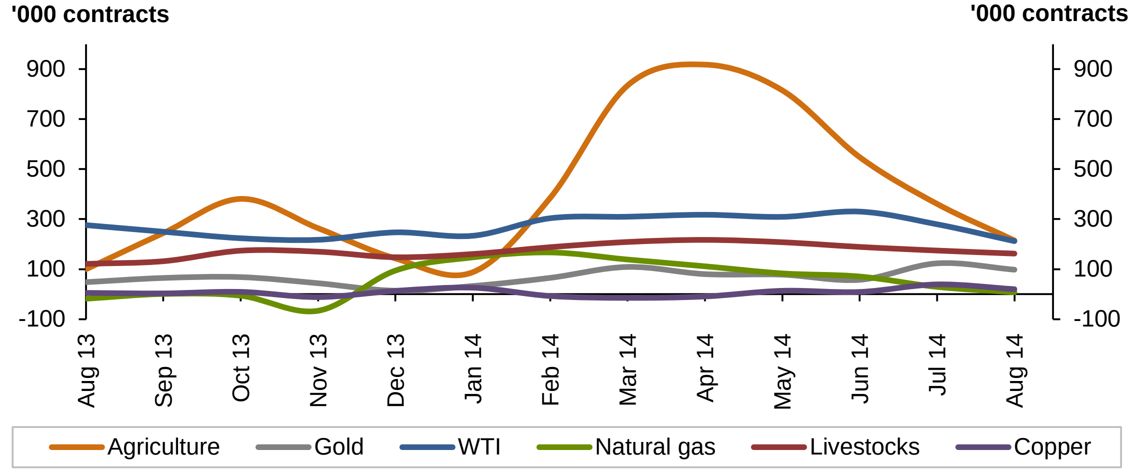
Graph 2.3: Total open interest volume



Source: US Commodity Futures Trading Commission.

Total net length speculative positions in selected commodities decreased by 30% m-o-m to 734,297 contracts in August, due to steep declines in the managed money net length across commodities. Declines were particularly sharp in natural gas.

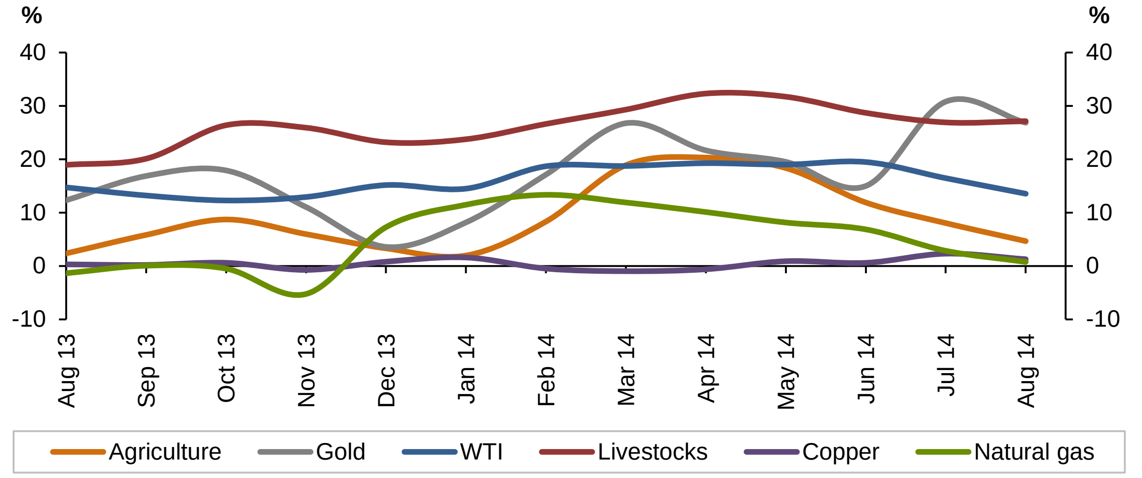
Graph 2.4: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

Agricultural OIV was up 2.0% m-o-m to 4,612,813 contracts in August. Meanwhile, money manager net long positions in agriculture by fell by 40.5% to 214,865 lots, as forecasts of ample supplies of grains, oilseeds and fats have propelled steep declines since the second quarter.

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



Source: US Commodity Futures Trading Commission.

Henry Hub Natural gas OIV decreased by 5.8% m-o-m to 959,588 contracts in August. Money managers cut their net long positions sharply by 74.6% to 7,369 lots, as working gas inventories are closing the gap with respect to the past five-year average.

Copper OIV decreased by 7.5% m-o-m to 155,883 contracts in August. Money managers cut bullish positions sharply by 49.2% to 19,784, on lower-than-expected real estate prices and manufacturing data from China, as well as continuing weakness in the Euro-zone.

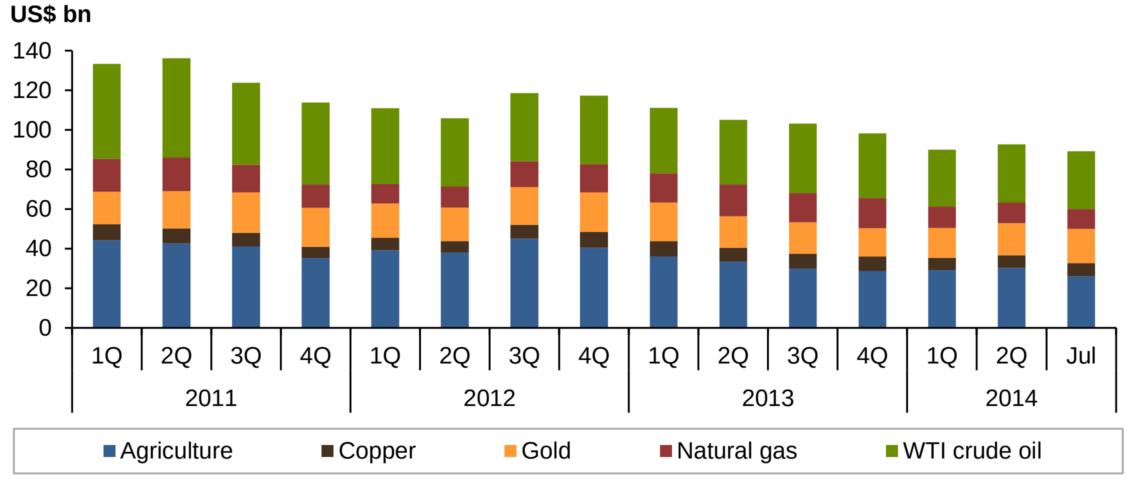
Table 2.2: CFTC data on non-commercial positions, '000 contracts

	Open interest		*Net length*			
	Jul 14	Aug 14	Jul 14	% OIV	Aug 14	% OIV
Crude oil	1,699	1,566	279	16	212	14
Natural gas	1,019	960	29	3	7	1
Agriculture	4,492	4,613	361	8	215	5
Precious metals	561	526	166	30	118	22
Copper	168	156	39	23	20	13
Livestock	649	598	174	27	162	27
Total	**8,588**	**8,418**	**1,048**	**12**	**734**	**9**

Source: US Commodity Futures Trading Commission.

Gold's OIV decreased by 8.9% m-o-m to 364,616 contracts in August. Money managers cut their bullish bets in gold by 20.5% to 97,983 lots, after positive economic readings from the US during the month fuelled prospects for interest rate increases, thereby reversing the impact of geopolitical tensions at the beginning of the month.

Graph 2.6: Inflow of investment into commodities, 2011-2014



Source: US Commodity Futures Trading Commission.

World Economy

Slight improvements in the US, counter-balanced by ongoing challenges in the Euro-zone and a negative impact from April's sales tax increase in Japan left OECD growth at 1.8% for this year and at 2.0% for 2015. Downward revisions were seen in the emerging and developing economies. Taking into account the mainly weak momentum from the first half of the year, GDP growth in Brazil has been revised down to 0.7% in 2014 and 1.4% in 2015. Russia's GDP growth forecast has also been lowered to 0.3% in 2014 and 1.1% in 2015. However, the forecasts for China and India remain unchanged. Growth in China is forecast at 7.4% in 2014 and 7.2% in 2015. India's forecast stands at 5.5% for this year and 5.8% for next year. As a result, the global growth forecasts remain unchanged at 3.1% for 2014 and 3.4% in 2015. The current growth forecast accommodates continued fragility in the global economic environment, given some uncertainties about the dynamism of US growth, ongoing fragility in the Euro-zone and the challenges of Japan's sales tax increase. Also, near-term events in emerging markets and geopolitical developments require close attention.

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

	World	OECD	US	Japan	Euro-zone	China	India	Brazil	Russia
2014F*	**3.1**	**1.8**	**2.1**	**0.9**	**0.8**	**7.4**	**5.5**	**0.7**	**0.3**
Change from previous month	0.0	0.0	0.1	-0.5	-0.1	0.0	0.0	-0.8	-0.2
2015F*	**3.4**	**2.0**	**2.6**	**1.2**	**1.1**	**7.2**	**5.8**	**1.4**	**1.1**
Change from previous month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	-0.1

** F = forecast.*

OECD

OECD Americas

US

Economic developments in the US have been mixed in the first half of 2014 and some uncertainties remain for the near-term forecast. While the 1Q decline remained at last month's 2.1% q-o-q seasonally adjusted annualised rate (saar), the latest revised number for the 2Q shows an increase of 4.2% q-o-q. The 1Q was significantly impacted by the extremely cold weather at the beginning of the year. But a decline in exports to China was also an important factor and needs to be taken into consideration. The 2Q showed growth not only because some spending had been delayed from the 1Q but also due to some improvements in the labour market. It is not clear yet at which pace this will continue in the 2H14, but it is expected to be at a lower level. Given the experience of the past year's political challenges over the budget and debt ceiling issues, some uncertainty for next year's growth figures may also come from the possible consequences of November's mid-term elections and the potential need for renewing the current debt ceiling in 2015.

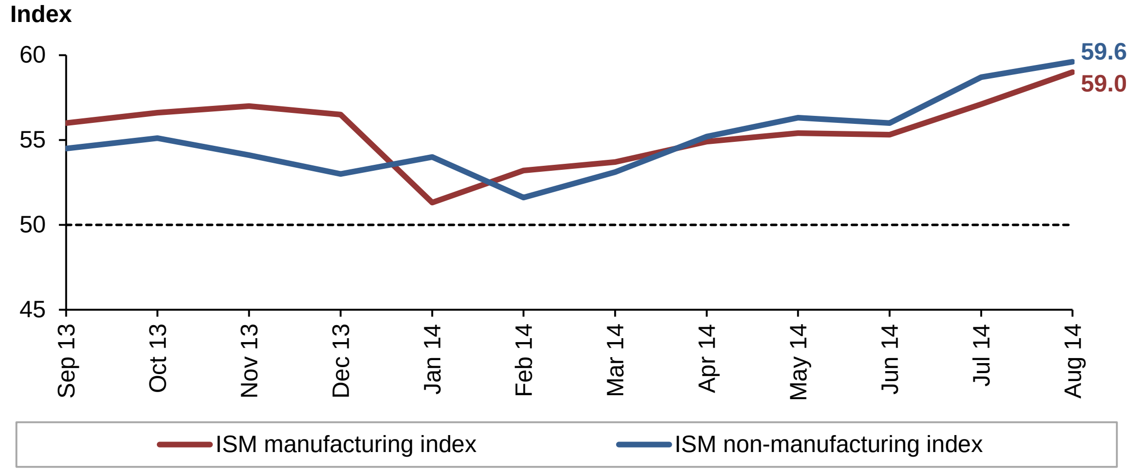
While the **labour market** has improved significantly over the past months, the latest batch of data has varied. The unemployment rate has remained generally flat over the past months, moving from 6.1% in June to 6.2% in July and then back to 6.1% in

August. Non-farm payrolls in August grew by a 142,000, which is the lowest number seen since the end of last year. On a positive note, the share of long-term unemployed fell again to 31.2% from the previous month's level of 32.9%. But this might be due to the fact that some job-seekers have just given up and are disappearing from statistical measurements. This is also indicated by the fact that the participation rate remained at a low level and is barely changed from the last month's 62.8%.

A factor that had a very positive impact on the recovery in the US was the **recovery of the housing market**, which constitutes one of the most important elements of private household wealth in the US. House prices have rebounded considerably and prices have continued rising in the past month, though at a clearly lower level. Since the middle of last year, when prices reached a peak level increase of more than 8% y-o-y, price rises have fallen. The latest available number stood at 5.1% y-o-y, as reported by the Federal Housing Finance Agency. Prices have, therefore, recovered slightly less than 20% since they bottomed out in 2011.

Supported by these broad improvements, **consumer confidence** has risen again. The Conference Board's consumer confidence index rose to 92.4 in August, the highest level since December 2007. The **purchasing manager's index** (PMI) for the manufacturing sector, as provided by the Institute of Supply Management (ISM), has also shown a robust upward trend once again. It was recorded at 59.0 in August, compared to 57.1 in July. In addition, the PMI for the services sector increased to 59.6, versus a July level of 58.7.

Graph 3.1: Manufacturing and non-manufacturing ISM indices



Sources: Institute for Supply Management and Thomson Reuters.

Given the now better-than-initially-estimated GDP growth figure for 2Q14 and the expectation of continued healthy growth in the 2H14, the **2014 GDP growth forecast has been revised up** from 2.0% to 2.1%. The growth expectation for 2015 remains unchanged at a moderate level of 2.6%, given remaining uncertainties about the pace of economic momentum.

Canada

In **Canada**, improvements continue as well, along with the US, which is the largest export market by far for the relatively much smaller economy, with more than two-thirds of exports being shipped to the US. Industrial production rose by 5.3% y-o-y in June, the largest increase since September 2011. The PMI for manufacturing rose to 54.8 in

August from 54.2 in July. The GDP growth forecast, therefore, has been raised by 0.1 percentage points for both 2014 and 2015, and now stands at 2.2% for both years.

OECD Asia-Pacific

Japan

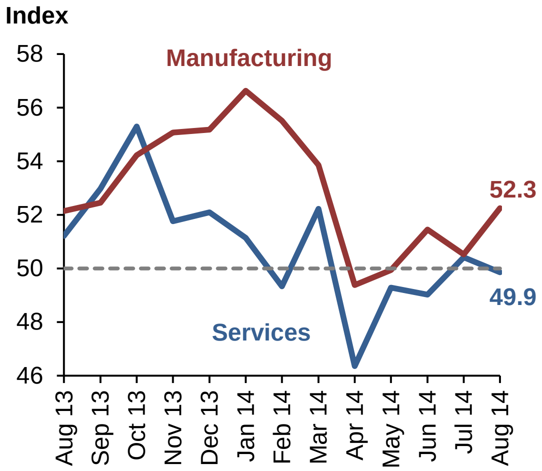
Japan reported a significant decline in the **2Q14** when **GDP** fell by a 6.8% q-o-q seasonally adjusted annualised rate (saar). The magnitude of this decline was even bigger than the strong increase of 6.1% q-o-q saar seen in the 1Q14. This was certainly mainly due to April's sales tax increase which caused domestic demand to slide. But in addition to these domestic issues, export markets were also weakening at the time. It now remains to be seen which actions will be undertaken by the government in combination with the Bank of Japan (BoJ). But, given the high public debt level and the extraordinary monetary supply measures that have been implemented already, there is not much room left to consider options. Greater attention will possibly be given to the third set of support measures: structural changes. In fact, reforms have already been announced and it now remains to be seen how rapidly they will be implemented and what the outcome will be.

Another aspect to consider will be the **development of inflation in combination with income levels**. After the sales tax was hiked in April from 5% to 8%, consumer price inflation has remained at a high level, registering 3.4% y-o-y in July after reaching 3.6% y-o-y in June and 3.7% in May. While it has been a key policy objective of the government to raise inflation to a level of around 2% (adjusted for the sales tax increase), the recent price increase has not been counter-balanced by a similar increase in income. Consumer price inflation stood at 3.6% y-o-y in the 2Q, while average monthly earnings rose only by 1.6% during the same period. Although this change in earnings is a sharp increase – and the highest appreciation since 2010 – the even higher rise in the consumer price level might lead to an enduring negative effect if not counter-balanced.

Japanese exports have also underperformed in the recent months but recovered in July when they rose by 3.9% y-o-y after two months of decline. Quarterly growth in the 2Q stood at 0.1%. Also, industrial production has been sluggish recently, falling by 0.9% y-o-y in August, the latest available number.

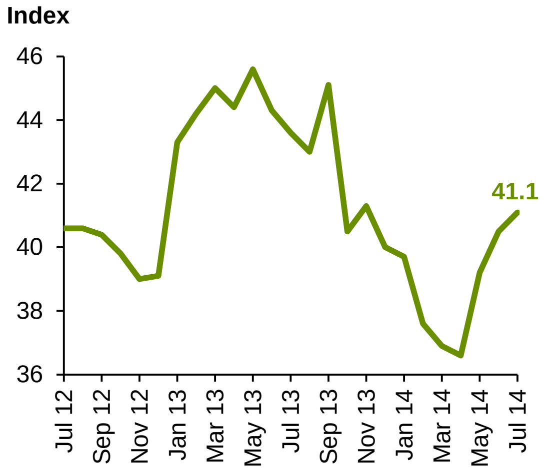
Consumer sentiment is holding up relatively well, with the manufacturing **PMI number**, as provided by Markit, showing an increase in August to 52.3 from 50.5 in July. The domestically very important services sector, however, has seemed to contract, with the PMI for the sector falling below the growth-indicating level of 50, standing at only 49.9 in August, after reaching 50.4 in July and 49.0 in June.

Graph 3.2: Japanese PMI indices



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

Graph 3.3: Japanese consumer confidence index, NSA



Sources: Cabinet Office of Japan and Haver Analytics.

Taking the weak 1H14 developments into account, the **GDP growth estimate** for 2014 has been revised down from 1.4% to 0.9%. Developments in domestic demand, in particular, will need close monitoring in the coming weeks to gain further insight into the near-term development of the economy. With next year expected to become challenging once again, and considering the expected sales tax increase from 8% to 10% in October, the forecast for 2015 has been changed from 1.2% in the previous month to 1.1%.

Australia

Australia's economy continues to expand at solid rates but has slowed down, as expected, in the 2Q14. After GDP growth of 4.5% q-o-q saar in the 1Q, growth slowed to a 2.0% q-o-q saar in the 2Q. On a positive note, quarterly industrial production stood at 4.9% y-o-y in the 2Q, only slightly below the 1Q level of 5.2% y-o-y. However, exports have slowed down significantly from double-digit growth in the 1Q to 2.4% y-o-y in August, the latest available number. Also, retail trade grew by only 0.1% q-o-q in the 2Q. Taking into consideration the strong growth in the 1Q, the 2014 growth forecast remains unchanged at 2.9% for 2014 and 2.4% for 2015.

OECD Europe

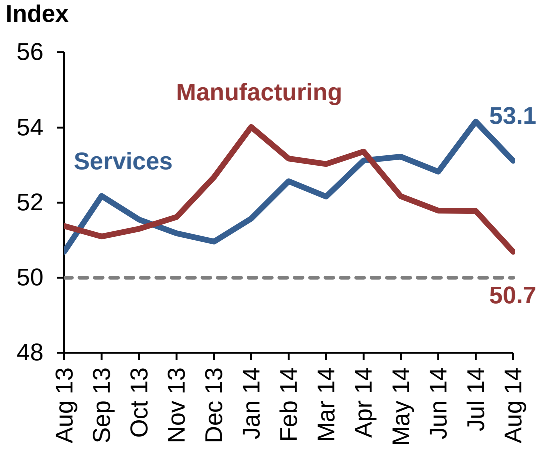
Euro-zone

The **Euro-zone's fragile situation** has not materially improved. Again, very low inflation numbers in August, ongoing problems in the banking system (as well as the need for the banking sector to recapitalise) and the ongoing recession in Italy, Europe's third largest economy, in combination with some weakness in Germany and France, its two largest economies, all point to ongoing challenges. Inflation has remained low, standing at 0.3% y-o-y in August, again lower than the 0.4% in July and the 0.5% y-o-y from June. However, the unemployment rate in July remains at a high level of 11.5%. While there are clearly positive developments in its economic performance, compared to last year, the Euro-zone's recovery remains sluggish.

The macroeconomic data in general remains mixed. While **Germany** is doing better than most other economies, its situation has also continued to weaken. GDP growth in the 2Q14 was even negative on a quarterly basis, falling by 0.2% q-o-q. Industrial production in Germany has remained stagnant since the beginning of the year based on a monthly comparison. **France**, too, has continued to weaken, and GDP growth in the 1H14 was flat. Industrial production has declined since the beginning of the year and fell again by 0.4% y-o-y in June. Finally, **Italy's GDP** has declined for two consecutive quarters, leading the economy straight into recession. Contrary to the weakening situation in the Euro-zone's three largest economies, the smaller peripheral economies are improving slightly, albeit starting from very low levels of economic activity. Spain, in particular, is improving with GDP growth in the 2Q14 of 0.6% q-o-q and 0.4% q-o-q in the 1Q14.

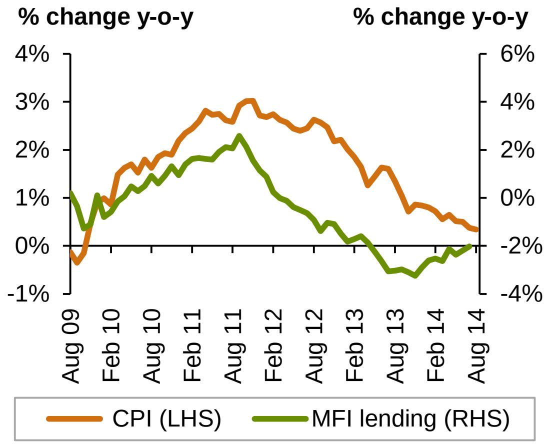
The European Central Bank (ECB) has announced that it will continue supporting the Euro-zone economy as inflation has dropped again and **lending of financial intermediaries** to private households is still falling. Lending fell by 2.0% y-o-y in July, hardly better than the decline of 2.2% y-o-y in June and the minus 2.4% y-o-y in May.

Graph 3.4: Euro-zone PMI indices



Sources: Markit and Haver Analytics.

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



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

The **ECB** has, therefore, announced that it will reduce its **key interest rate** from 0.2% to 0.05%. It also announced that it will charge lenders 0.2% for their deposits at the ECB, instead of the previous 0.1%. Most importantly, the ECB indicated (without providing specifics) that it will engage in large-scale buying of private sector bonds. The detailed modalities of these programmes will be announced after the Governing Council meeting in October.

While in general the situation of the Euro-zone remains fragile, **recent PMI numbers** point at a continuation of modest growth. The latest PMI for manufacturing stood at 50.7 in August compared to 51.8 in July. It fell by 1 index point in Germany and France to stand at 51.4 and 46.9, respectively. In Italy it also fell below 50 and stood at 49.8, the lowest level since June last year.

While the Euro-zone's indicators have improved compared to last year, the recent weakening of output indicators again in some economies has served as a reminder that the recovery remains fragile. The **GDP growth forecast** has, therefore, been lowered by 0.1 percentage point for 2014 and now stands at 0.8%. The growth forecast for 2015 remains at 1.1%, only slightly higher than in the current year.

UK

The **United Kingdom** has performed remarkably. While the latest UK manufacturing data has highlighted the fact that the economy might not be immune to the global challenges in the 1H14, some lead indicators point at a continued strong but slowing momentum. The manufacturing PMI remained at a high level of 52.5 but is now clearly below the 1H level of more than 55. Considering the trend from the beginning of the year, the 2014 GDP growth forecast has been revised to 2.9% from 2.8%. The forecast for 2015 remains at 2.3% in anticipation of some moderation of the current momentum.

Emerging and Developing Economies

The statistics of the 1H14 clearly point to considerable deterioration in **Brazil**'s economic growth. Structural bottlenecks and policy issues are both drags on investment and contributing to a rising inflation, as well as hurting domestic demand. The manufacturing sector decelerated in the four months to July, while August's improvement was mild and fragile. The services sector, on the other hand, has been expanding at a significant pace. That said, the forecast for 2014's GDP growth is pared back this month to 0.7% from 1.5% previously. For 2015, GDP is anticipated now to post 1.4%, down from the previous figure of 1.8%.

Economic growth in **Russia** over the first half of this year exhibited an obvious trend to the downside. Last month, some encouraging signs emerged from the manufacturing and services sectors. Yet these muted improvements do not provide a solid ground for a better economic outlook. Continued geopolitical uncertainty is increasingly limiting the prospects for economic growth, amid currency depreciation, high inflation and poor growth in retail sales. The expected second round of EU economic sanctions would make faster GDP growth even less likely. The forecast this month for Russia's 2014 GDP growth is revised down to 0.3% from 0.5%, while 2015 is now anticipated to see 1.1% growth, down from the previous forecast's 1.2%.

Table 3.2: Summary of macroeconomics performance of BRIC countries

	GDP growth rate		Consumer price index, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2014*	2015*	2014	2015	2014	2015	2014	2015	2014	2015
Brazil	0.7	1.4	6.2	6.5	-81.1	-84.1	-3.2	-3.8	56.7	58.9
Russia	0.3	1.1	6.8	8.0	32.8	60.3	-0.5	0.3	8.1	7.3
India	5.5	5.8	10.0	8.4	-49.2	-60.4	-4.5	-4.9	51.2	51.1
China	7.4	7.2	2.6	2.4	182.8	179.8	-1.9	-2.9	14.8	16.7

Sources: OPEC Secretariat, Concensus, Economic Intelligence Unit, Financial Times and Oxford.
** Forecast.*

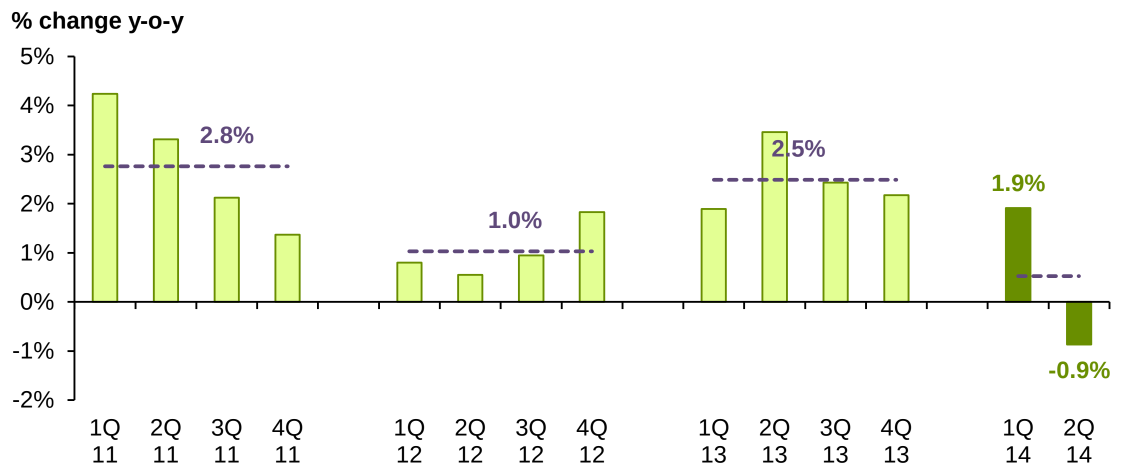
India experienced the fastest growth in more than two years in the 2Q14, growing 5.7%, the fastest rate in more than two years. Manufacturing and construction output recovered, with activity also supported by solid growth in services. The latest PMI data for August highlighted a tenth consecutive monthly improvement in operating conditions, as solid output growth was supported by strong expansions in total new orders and business from abroad. Manufacturing activity moderated following a spurt in the previous month. Despite making progress in cutting the twin deficits, the Indian economy remains vulnerable to capital outflows stemming from domestic or external shocks, such as tighter monetary policy in the US.

It seems improving net exports were a key factor behind **China**'s GDP growth picking up to 7.5% in the 2Q. But FDI weakness will have significant effect on GDP growth rate in the 2H. Manufacturing sentiments faltered in August, the latest sign that a stimulus-led rebound late in the 2Q is flagging as fiscal support eases. Weakening PMI readings are consistent with other indicators that show business activity softening after June. That change appears to be the result of fiscal spending easing after a two-month surge in May and June, which is consistent with government statements that the stimulus would be targeted and short-lived, similar to the stimulus in 2013.

Brazil

Data released late last month by Brazil's national statistics agency showed a 0.6% **GDP** contraction in the 2Q, following a downward revision for the 1Q to -0.2% from a previous 0.2%. These two consecutive downturns are the standard definition of a recession and, in fact, this deceleration is larger than the market estimate of -0.4% GDP growth. In addition, **gross fixed capital formation** deteriorated 5.3% in the 2Q from the previous quarter, signalling its fourth consecutive quarterly contraction. While **private consumption** was back to expansion, growing 0.25% from -0.2% a quarter earlier. This slow rate of growth is the third lowest positive rate since the 4Q08. GDP growth in the 2Q14 compared with the same period a year earlier was even worse, contracting 0.9%, while gross fixed capital formation collapsed 11.3% y-o-y.

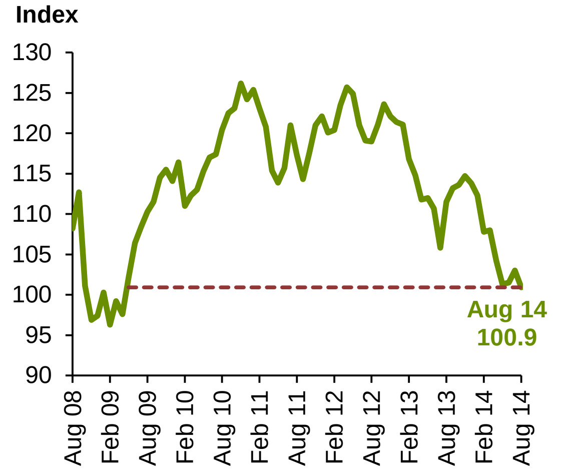
Graph 3.6: Brazilian quarterly GDP growth, NSA



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

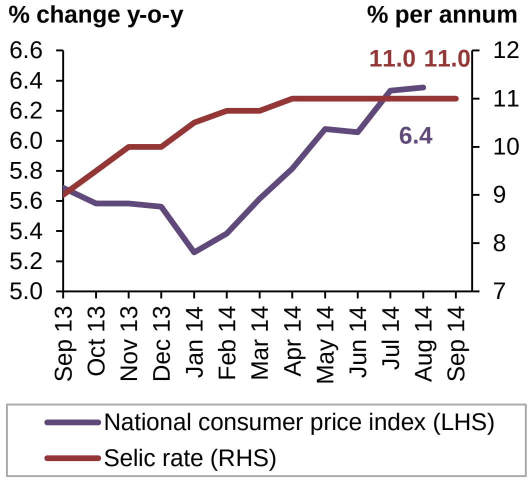
By easing the rules on reserve requirements, the Central Bank of Brazil has injected about R$10 billion into the banking system with the aim of increasing liquidity to banks for lending. This is the second round of freeing up cash following an injection of around R$45 billion three weeks earlier. The Ministry of Finance also announced the issuance of a new tax-exempt bond to boost the mortgage market. In July, the Central Bank held its benchmark **interest rate** unchanged at 11.0% for the fourth month in a row. **Inflation** posted 6.3% y-o-y increase in July, signalling the third consecutive month of a price increase higher than 6%. It is also well above the 4.5% yearly target. As a result, the **consumer confidence index** fell last month to its lowest level since April 2009 posting 100.9, while data from the Central Bank indicated the Brazilian public sector was running a **budget deficit** of more than R$32 billion in July. This represents the largest deficit since the financial crisis.

Graph 3.7: Brazilian consumer confidence



Sources: Fundação Getúlio Vargas and Haver Analytics.

Graph 3.8: Brazilian inflation vs. interest rate



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

Operating conditions in Brazil's **manufacturing sector** modestly improved in August. The manufacturing PMI registered 50.2 last month, up from 49.1 a month earlier. The last reading marks the first expansionary reading since March. This improvement could be attributed to resuming normal activities following the disruptions caused by the World Cup. The survey showed, however, that new business remained stable compared to July suggesting that the outlook for the manufacturing sector remains fragile.

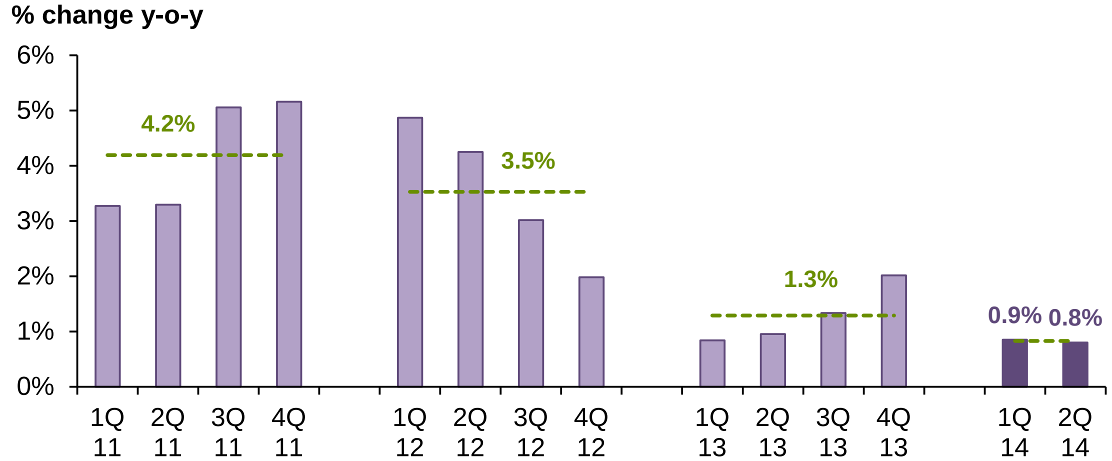
Statistics for the 1H clearly point to considerable deterioration in economic growth. Structural bottlenecks and policy issues are dragging investment, raising inflation and hurting domestic demand. The manufacturing sector decelerated in the four months to July, while August's improvement was mild and fragile. The services sector, on the other hand, is expanding at a significant pace. Nevertheless, the forecast for 2014's GDP growth is pared back this month to 0.7%, from a previous 1.5%. For 2015, GDP is anticipated now to post 1.4%, down from the previous figure of 1.8%.

Russia

Preliminary data from the country's Federal Statistics Service showed that Russia had a disappointing **GDP growth** in the 2Q of only 0.8% y-o-y compared to 0.9% in the 1Q. GDP growth has been slowing since the 1Q12 when it advanced 4.9%. Last month, Russia's Economic Ministry downgraded its forecast for 2014 GDP by half to 0.5% from 1.0% a month earlier. The Ministry also halved its 2015 figure from 2.0% to 1.0%.

Unfavourable market conditions led Russia to cancel its seventh **ruble-denominated bond auction** in a row last month (its fifteenth auction this year). Geopolitical tensions caused the government's borrowing costs to climb this year hovering above 9.8%, some more than 180 basis points above the Central Bank's key interest rate. Russia has raised RUB124 billion this year from selling the domestic bonds, though the initial plan was to raise RUB808 billion in 2014. Energy exports revenue and a depreciated ruble are seen as seen as giving the government a decent source of local currency to keep side-stepping higher borrowing costs.

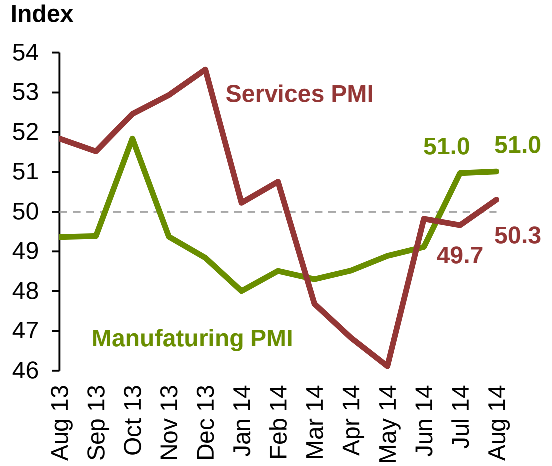
Graph 3.9: Russian quarterly GDP growth, NSA



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

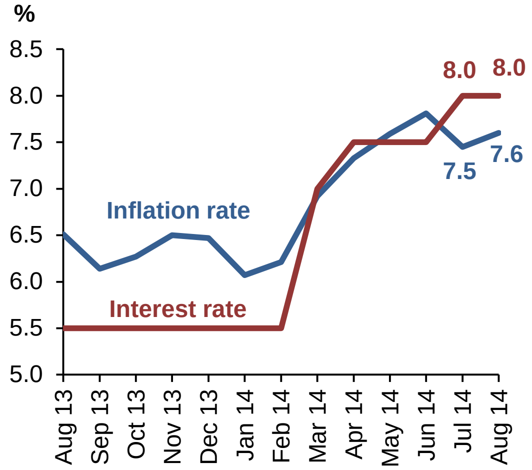
The **manufacturing sector** showed signs of slow expansion last month with the manufacturing PMI unchanged from the previous month at 51.0. The survey highlighted the fastest growth in new orders this year, though it remains muted, while output rose for the third month running, also at weaker rate. The rise in output is attributed to local demand as new export orders have been decreasing for the past 12 months. The sector could benefit from the import substitution policy which the government has made a priority. However, this might lead to faster inflation in prices which will eventually impact private consumption. Indeed, the survey showed that input price inflation accelerated for the first time since March as shortages were reported alongside a weaker ruble. Firms continued to cut staff in August, albeit at the slowest pace in the current 14-month period of job shedding. The **services sector** expanded moderately in August, with business rising to 50.3 from 49.7 in July. This improvement followed five straight months of decline.

Graph 3.10: Russian manufacturing and services PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.11: Russian inflation vs. interest rate



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

The Russian ruble depreciated 1.6% against the US dollar at the end of August compared to end of July. A weaker ruble helps exporters when most of their revenue is in foreign currencies, while their costs are in rubles. However, a weaker ruble has resulted in notably higher inflation of more than 7.0% in the four months to July.

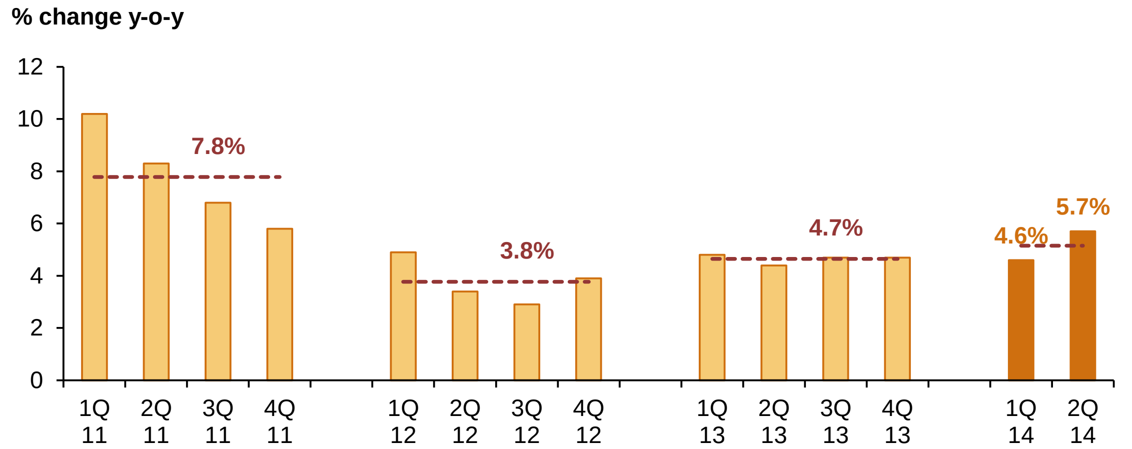
Inflation accelerated further to 7.5% in July. The Central Bank's inflation target is 5% for 2014 and 4.5% for 2015. Aiming at tempering inflation, the Central Bank continued its tightening policy in July, raising the benchmark interest rate by 50 basis points to 8%. **Retail sales** barely increased in July by 1.1% y-o-y, its second slowest rate since December 2009. The **unemployment rate** in Russia remained unchanged at 4.9% in July of 2014 from the previous month.

Economic growth over the first half of this year exhibited an obvious trend to the downside. Last month, some encouraging signs emerged from the manufacturing and services sectors. Yet these muted improvements do not provide a solid ground for a better economic outlook. Continued geopolitical uncertainty is increasingly limiting the prospects for economic growth, amid currency depreciation, high inflation and poor growth in retail sales. The expected second round of EU economic sanctions would make faster GDP growth even less likely. The forecast this month for Russia's 2014 GDP growth is revised down to 0.3% from 0.5%, while 2015 is now anticipated to see 1.1% growth, down from the previous forecast's 1.2%.

India

GDP growth accelerated to 5.7% y-o-y in the 2Q, the fastest growth in 10 quarters from 4.6% in the 1Q. This outcome was in line with expectations. The sustainability of the pick-up in growth depends on whether it was driven by business cycle dynamics, as reflected by industrial and private services growth, or strong agriculture and government spending growth, which is unlikely to be sustained.

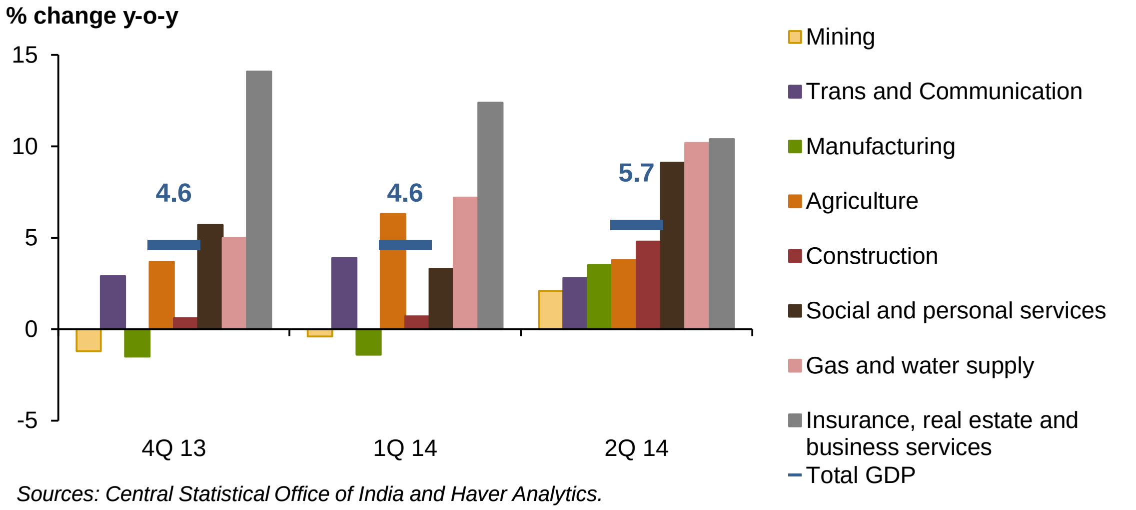
Graph 3.12: Indian quarterly GDP growth, NSA



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

Worth noting on the supply-side was a modest expansion in mining, which has also been in a prolonged recession, having contracted in nine of the previous 11 quarters. Insurance, real estate and business services recorded the 13th consecutive quarter of double-digit growth, clearly a pocket of strength. In fact, in an indication of how India's economy is changing, this sector now accounts for more than 18% of GDP, on a par with agriculture. On the demand-side, private consumption growth eased to 5.6% in April-June. Some mild deceleration in consumption had been anticipated given elevated inflation, so this deceleration is not entirely worrisome. It appears, in fact, to be a more sustainable pace – closer to typical levels – neither as buoyant as the 8.2% rate seen in January-March nor as lethargic as the 2.8% expansion of the previous two quarters. One positive side effect of weaker private consumption was that overall demand for imports remained weak, with real imports contracting on an annual basis for the third consecutive quarter. Against the 11.5% y-o-y expansion in real exports - its fourth consecutive double-digit gain - India's net trade position has improved considerably.

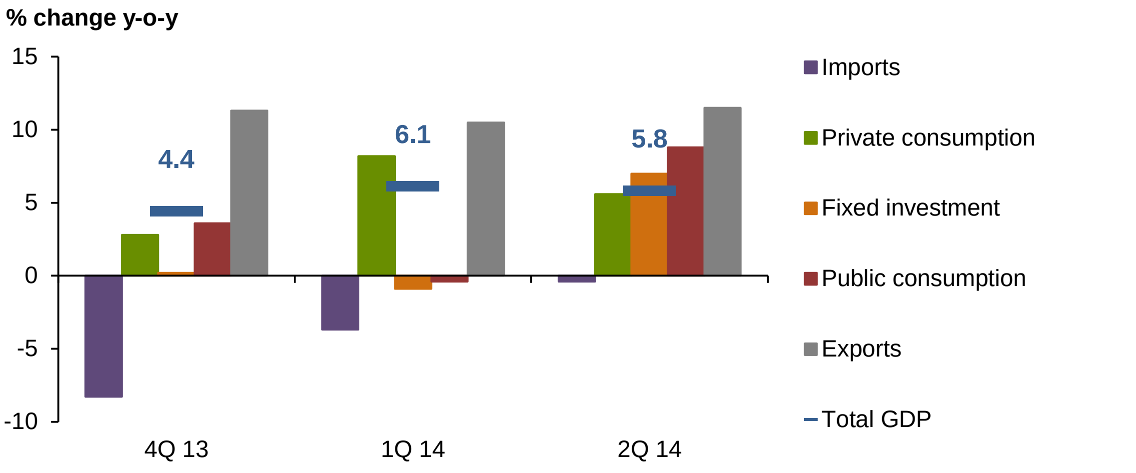
Graph 3.13: Indian real GDP components in supply side, non-seasonally adjusted



Sources: Central Statistical Office of India and Haver Analytics.

India's merchandise trade deficit (not seasonally adjusted) widened to $12.2 billion in July, up from June's $11.7 billion. This was still 2% below last year's reading, according to data released by the Commerce and Industry Ministry. Merchandise **exports** stood at $27.7 billion, with growth softening slightly to 7.3% y-o-y from double-digit figures seen in the previous two months. Merchandise **imports**, on the other hand, continued to recover and stood at $40 billion, up 4.3% y-o-y.

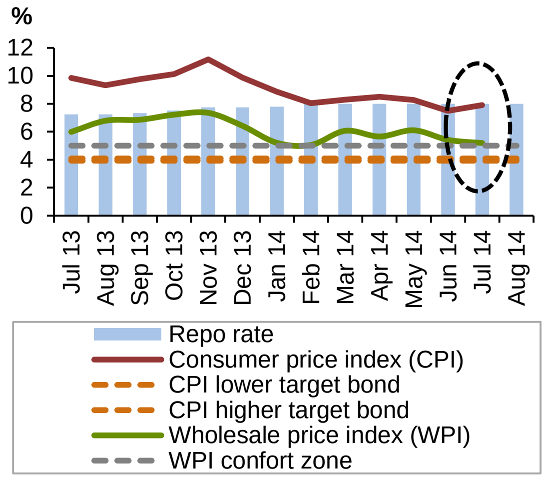
Graph 3.14: Indian real GDP components in market prices, non-seasonally adjusted



Sources: Central Statistical Office of India and Haver Analytics.

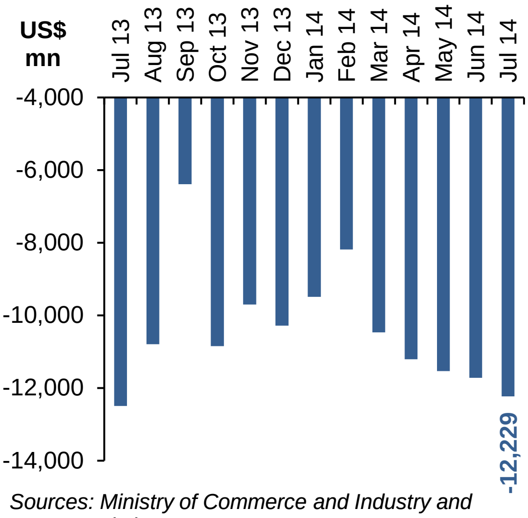
India's inflation rate remains the highest among Asia's major emerging markets. After having slowed sharply between April and June 2014, the rate of consumer price inflation accelerated to 7.9% y-o-y in July, dampening hopes that prices move to more reasonable levels. Until inflation moderates to more manageable and sustainable levels, economic growth in India is likely to remain below par owing to the distortions wrought by an unstable price environment. **India's wholesale price index** (WPI) inflation eased marginally in July, but the sharp rise in retail inflation released earlier this week suggests that the odds that the Reserve Bank of India (RBI) will cut benchmark interest rates in the coming months remain low. The headline WPI inflation stood at 5.2% y-o-y in July, down from 5.4% in the previous month. This was the lowest wholesale inflation reading in five months.

Graph 3.15: Indian inflation vs. repo rate



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

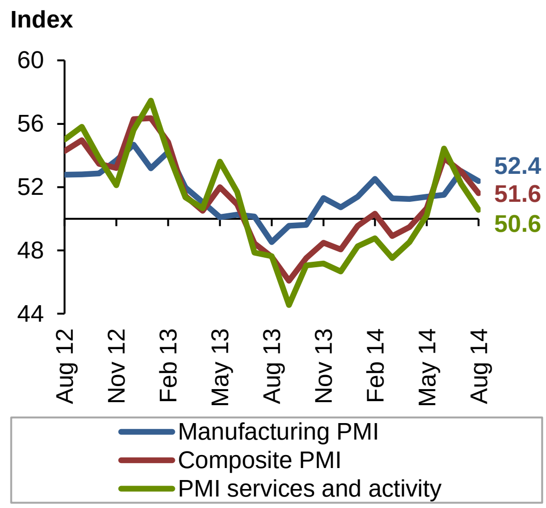
Graph 3.16: Indian trade balance



Sources: Ministry of Commerce and Industry and Haver Analytics.

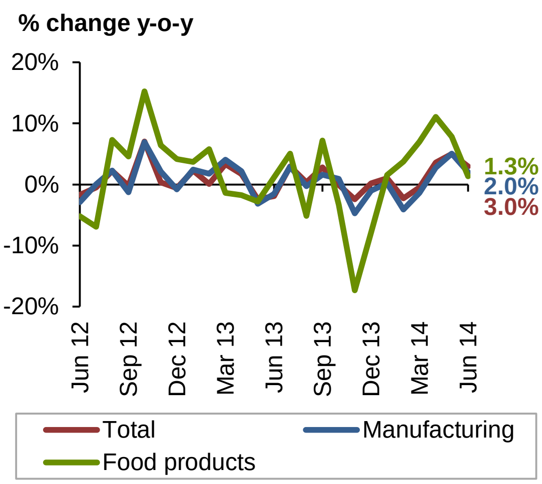
The seasonally adjusted **PMI** dipped slightly from July's 17-month high of 53.0 to 52.4 in August. Nonetheless, the reading was consistent with a solid improvement in operating conditions. Output and new orders slowed slightly in August but remained robust relative to their 12-month history. Among the monitored sub-sectors, the best performing was consumer goods, while business conditions deteriorated in the capital goods category.

Graph 3.17: Indian PMIs, seasonally adjusted



Sources: HSBC, Markit and Haver Analytics.

Graph 3.18: Indian merchandise imports and exports



Sources: Central Statistical Organisation of India and Haver Analytics.

Indian manufacturing activity grew at its quickest pace in 17 months in July as order books swelled. This marked the ninth consecutive month of expansion according to the PMI. India's manufacturing growth contracted 0.8% during the fiscal year ending March 2013. Reduced imports has helped correct current account imbalances in recent quarters, and there were tentative signs of recovery in manufacturing activity during the last three months. Going forward, even as import growth accelerates further, healthy exports should keep the current account deficit under 2.5% of GDP in both 2014 and 2015, and provide much-needed support to the overall economic recovery.

Growth expectations remain unchanged at 5.5% in 2014 and 5.8% in 2015. It also seems underlying problems in the domestic economy will continue to restrict India's GDP growth as the country continues to struggle with ongoing problems such as high inflation, relatively tight monetary policy, high corporate debt and non-flexible fiscal policy. Furthermore, despite making progress in cutting the twin deficits, the Indian economy remains vulnerable to capital outflows stemming from domestic and external shocks such as tighter monetary policy in the US.

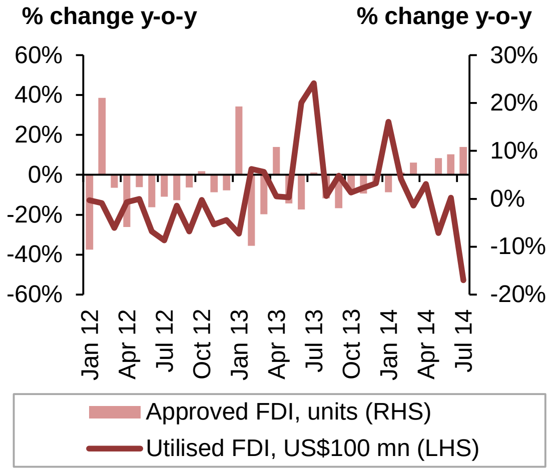
China

Improving net exports seemed to have been a key factor behind **GDP growth** picking up to 7.5% in the 2Q14. This pattern continued into July, with the monthly surplus reaching record levels. However, as well as reflecting a marked pick-up in exports after a weak 1Q, the continued sluggishness of imports has also driven the widening surplus, suggesting weak domestic demand. However, other monthly indicators – such as retail sales and industrial output – continue to show healthy growth, albeit slightly slower than in 2013.

The volume of **exports** is expected to grow at a solid pace. The export sector should support economic growth in the 2H14, benefiting from the acceleration in advanced economies and the lagging impact of the 1H14's renminbi depreciation. Targeted support of sectors such as infrastructure and affordable housing will continue, which is also positive. The softness in manufacturing and real estate investment is expected to remain a drag on China's economic growth, despite recent easing in local home purchase restrictions and mortgage support for first-home buyers.

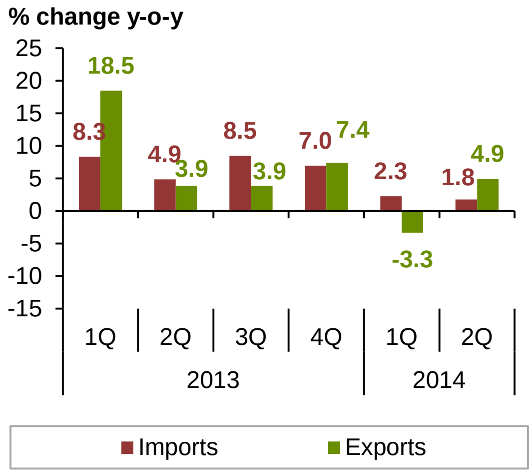
In mid-August, the Chinese Ministry of Commerce (MoC) stated that July's **foreign direct investment** (FDI) (which excludes investment in the financial sector) slumped 16.95% y-o-y to $7.81 billion, the lowest level since July 2012. Between January and July, China received $71.14 billion in FDI, down 0.35% y-o-y. China's authorities recently launched anti-monopoly investigations into foreign-funded companies. According to the MoC, the top overseas investors were France, Germany, Hong Kong, Japan, the Netherlands, Singapore, South Korea, Taiwan, the US and the UK, with a combined investment of $66.8 billion, accounting for 93.9% of total FDI. Investment from South Korea rose 34.6% to $2.92 billion and the UK's FDI soared 61.2% to $730 million in the first seven months. However, due to a series of territorial disputes, investment from Japan slumped 45% to $2.83 billion, the biggest decline among countries. FDI from Europe dropped 17.5% to $3.8 billion, while investment from the US fell 17.4% to $1.8 billion during the same period. While FDI in manufacturing fell 14.3% to $25.2 billion, investment in the services industry actually jumped 11.4% to $39.7 billion, which accounts for 55.8% of the total. Based on such data, the MoC attributes the weakness in FDI to excess capacity in the Chinese manufacturing sector and believes some fluctuation in FDI figures is normal as China speeds up economic restructuring.

Graph 3.19: Chinese approved foreign direct investment (FDI) vs. utilised FDI



Sources: China National Bureau of Statistics and Haver Analytics.

Graph 3.20: Chinese imports vs. exports



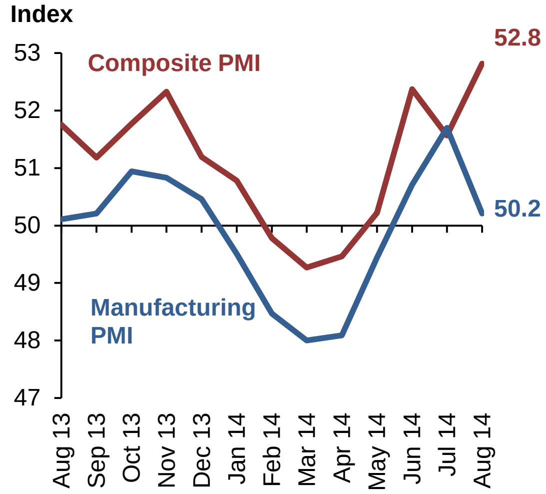
Sources: China Customs and Haver Analytics.

The **People's Bank of China** (PBC) will maintain continuity and stability of its monetary policy. Its monetary policy aims to keep the value of the renminbi stable and contribute to economic growth, while avoiding further easing in the near-term, according to 2Q monetary policy report. The PBC will continue to adopt prudent monetary policy and fine tune it in light of changes so that policy measures can stabilize growth, boost reforms, adjust structures, enhance people's welfare and prevent risks. When highlighting areas of potential concern, the report also describes financing growth in the 1H as "relatively fast" and monetary policy during that period as "relatively loose", although it also notes positive developments in the structure of loans and new financing flows. The M2 measure of money supply expanded by 14.7% during the 2Q, compared to 12% in the 1Q and an annual target of 13.5%, as conditions eased as the government moved at all levels to support growth.

It seems the real estate market will continue its adjustment process but at a more measured pace in the 2H. The stabilization of the housing market will depend on the stabilization of market expectations and market demand, as well as adjustments in market supply. From a macro perspective, the magnitude of the real estate investment slowdown remains a source of major uncertainty in the growth outlook for the 2H14 and 2015.

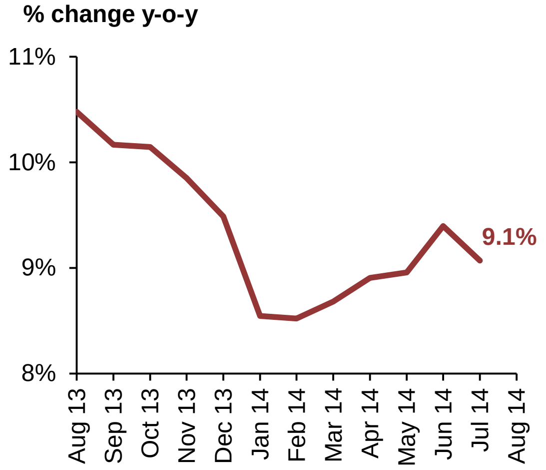
Chinese manufacturers saw a further improvement in overall operating conditions in August. After adjusting for seasonal factors, the manufacturing PMI posted 50.3 in August, down from July's 18-month high of 51.9. This signalled a pace of improvement that was the weakest in three months. The decline in the headline index partly reflected slower expansions of both output and total new business during August. The rates of production and new order growth were moderate overall, having eased from their 16-month highs in July. Data suggest that client demand softened both at home and abroad, as new export work also rose at a weaker pace in August. The revisions were mixed, with an upward revision to new export orders and output sub-indices but with downward revisions to the employment and input prices indices. Although external demand showed improvement, domestic demand looked more subdued. Overall, the manufacturing sector still expanded in August but at a slower pace compared to the previous months. The economy still faces considerable downside risks to growth in the 2H of the year, which warrants further policy easing to ensure a steady growth recovery.

Graph 3.21: Chinese PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.22: Chinese industrial production



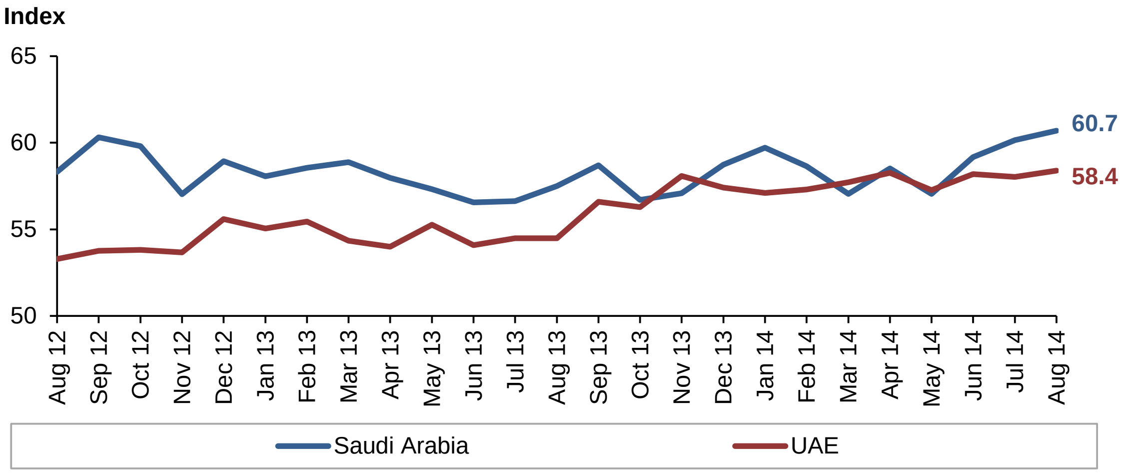
Sources: China National Bureau of Statistics and Haver Analytics.

The expected **GDP growth** for 2014 remains unchanged at 7.4% and for 2015 is pegged at 7.2%.

OPEC Member Countries

The non-oil producing private sector in **Saudi Arabia** reported a strong rate of increase in output, new business and employment in August. The PMI reading improved last month to a level of 60.7 from July's 60.1. The latest figure marks a 37-month high and shows that expansion has gained momentum. The survey highlighted strengthened market conditions and stronger demand, both domestic and from abroad. Data showed that output increased the most sharply since June 2011, while the rise in sales was the strongest in nearly two years. Net employment, in turn, increased further and at the strongest rate since March 2013.

Graph 3.23: Saudi Arabia and UAE: manufacturing PMIs



Sources: SAAB, HSBC, Markit and Haver Analytics.

In **Iran**, the government projects inflation will fall below 20% by the end March 2015, following its announcement that it intends to implement an anti-recession programme until a single-digit inflation rate is achieved. The National Development Fund (NDF) has allocated 70 trillion rials for the anti-recession plan. Part of the fund will be invested in water preservation and agricultural development projects over the course of three to four years.

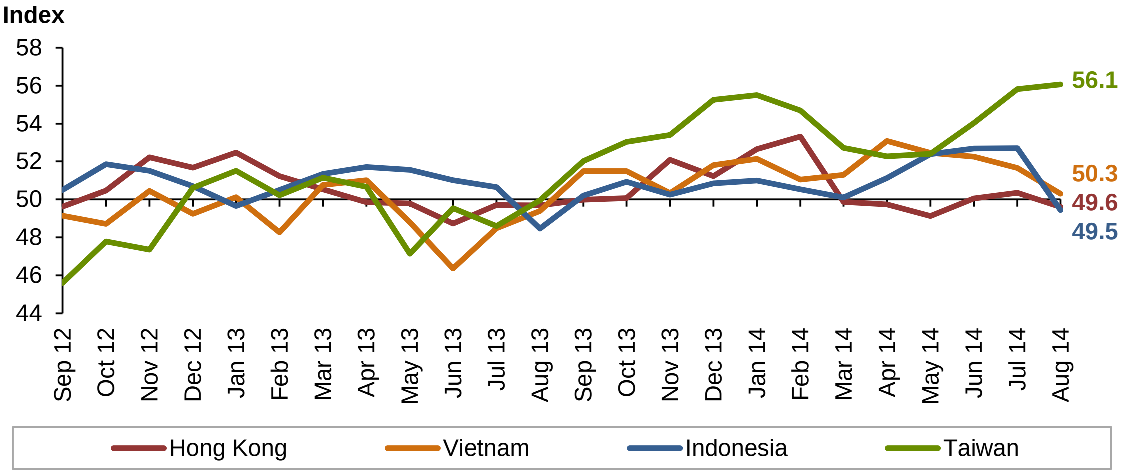
Business conditions in the **UAE**'s non-oil producing private sector strengthened markedly in August with the PMI hitting a record high. The index registered 58.4 last month, rising from 58.0 in July. The survey showed new orders and output rising at accelerated rates. The rate of new exports growth rose to a record high and new orders in August expanded at the second-fastest pace in the series' history. Increased new orders led to companies hiring additional staff in August at a solid rate.

Other Asia

Following disappointing GDP growth of 1.9% y-o-y in the 2Q14, operating conditions in **Hong Kong**'s private sector began to deteriorate again in August. This marks the first weakening in the private sector since May. Hong Kong's PMI posted below 50 points at 49.6 last month, down from July's 50.4, suggesting the economy is still in a cyclical slowdown. The survey showed a drop in new orders for the fourth consecutive month together with continued staff shedding.

Vietnam posted 5.2% y-o-y GDP growth in the 2Q14, up from 5.1% in the 1Q. The manufacturing sector showed a narrow loss of momentum last month with the manufacturing PMI remaining in the expansion territory. The index fell to 50.3 in August from 51.7 in July. The deceleration was triggered by a slower rise in output amid a drop in new orders that resulted in an accumulation of stocks of finished goods.

Graph 3.24: Manufacturing PMIs in Other Asia



Sources: HSBC, Markit and Haver Analytics.

GDP growth in **Indonesia** slowed to 5.1% in the 2Q14 from 5.2% in the 1Q, marking the weakest rate of growth since 3Q09. Despite the strong performance of the manufacturing sector in Indonesia in the three months to July, the sector registered a surprise last month with deteriorating business conditions. The HSBC manufacturing PMI registered 49.5 in August, down from 52.7 in July. The drivers behind that deterioration were the sharpest decline in output since August 2013 and the first fall in new orders in eleven months. As a result, staffing levels declined in August.

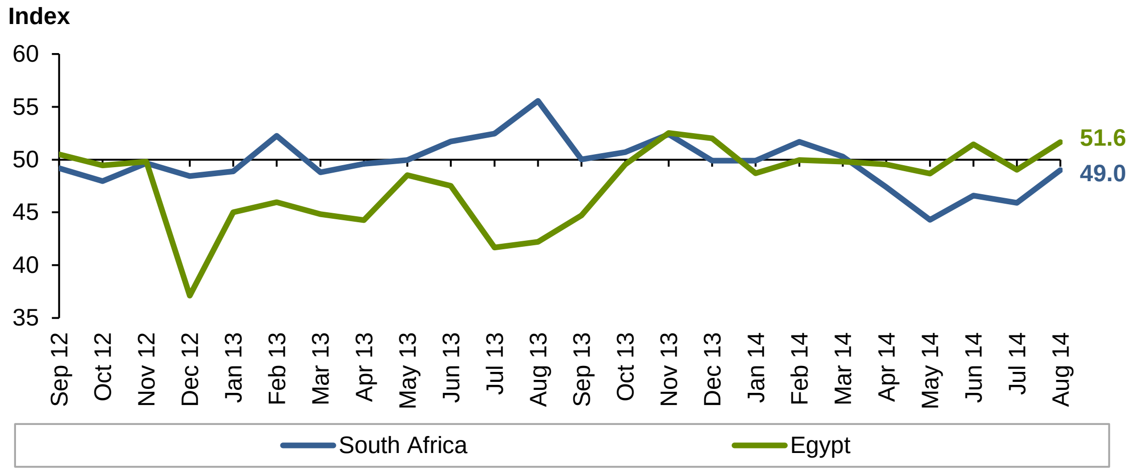
GDP growth in **Taiwan** maintained its 3.5% y-o-y rate in the 2Q14, unchanged from the 1Q. This highlights a notable improvement relative to last year's growth of 1.7% and 2.8% in the 1Q13 and the 2Q13, respectively. The manufacturing PMI in Taiwan increased to 56.10 in August from 55.80 in July. This marks the highest reading in more than three years. New orders in August increased at their fastest pace since the start of 2011. The increase in new orders supported the sharp rise in production. August's reading marks the twelfth month of continuous expansion in production.

Africa

South Africa's economy showed an overall GDP growth of 0.2% q-o-q in the 2Q14 compared to -0.2% in the 1Q, thus narrowly avoiding falling into its second recession since the 2Q09. On a yearly comparison, however, the economy accelerated 1.1% in the 2Q, down from 1.8% a quarter earlier. The country's private sector indicated renewed expansion in August, with the PMI registering 51.1, up from 46.4 in July. This came after four months of continuous contraction. Output, which had been trapped in a five-month period of deterioration, stabilized in August. Furthermore, new orders and job creation began expanding again last month.

The United Nations Food and Health and Agriculture Organization warned that Ebola in **West Africa** has made food more costly due to labour shortages prior to the upcoming harvests. This, in turn, could trigger trade disruptions in the region. Food transport and trade have been severely restricted by the movement controls and quarantine zones imposed to limit the spread of the virus. On the other hand, foreign investment is expected to be hampered by the disease.

Graph 3.25: Manufacturing PMI in Egypt



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

The economy of **Egypt** posted a GDP growth rate of 2.5% y-o-y in the 1Q14. Its highest since the 3Q12. Public sector expenditures quickened 9.1% y-o-y and private sector consumption increased 4.8% y-o-y. The country's private sector returned to growth in August, with the PMI posting 51.6, up from 49.0 in July. Last month's reading represents the index's highest score in eight months. A solid increase was reported in output alongside a rise in new business. The survey highlighted the sharpest increase in new export orders since November 2011.

Latin America

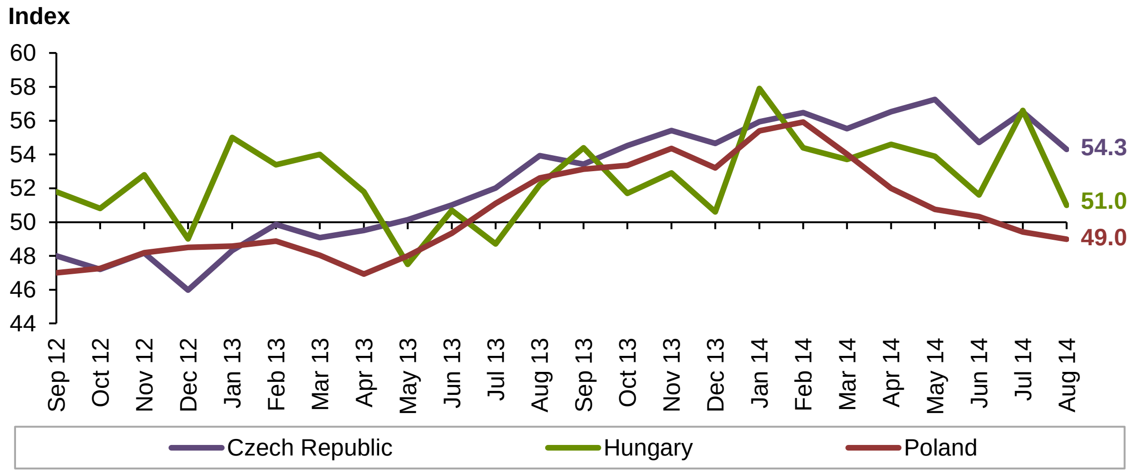
In **Argentina**, the peso fell by nearly 2% in August from the previous month, signalling the fastest pace of depreciation in seven months. This came on the back of an exports drop of around 9% m-o-m in July and a decline in foreign reserves of more than 21% y-o-y in July (0.9% m-o-m). These developments have led to increased demand for dollars from Argentines and resulted in a fall in the price of the peso. The economy of Argentina has been in recession since the 1Q14 after shrinking by 0.8% q-o-q from a 0.5% contraction in the 4Q13.

The Central Bank in **Peru** intervened in the currency market last month by buying dollars. Its aim was weaken the local currency in order to support exports. An attempt at a revival of exports came after they fell by nearly 5% y-o-y in the 2Q14, the first yearly contraction in five quarters. Quarterly changes, however, showed exports falling for the third consecutive period, falling 6.6% in the 2Q14 relative to the previous quarter. The Central Bank also kept borrowing costs unchanged last month, with the overnight rate remaining at 3.75%.

Transition regions

In the **Czech Republic**, GDP growth fell into the negative in the 2Q14, falling 0.02% q-o-q, the first negative figure since the 1Q13. On a yearly comparison, GDP grew 2.7% y-o-y in the 2Q14. Expansion in business activity in the goods-producing sector slowed in August. The manufacturing PMI fell to 54.3 in August from 56.6 in July. August's reading is the weakest since September 2013. The index remained in the expansion territory for the past sixteen months. Despite being less than in July, August's reading indicates a solid overall improvement in business conditions in the manufacturing sector. The survey continued to mark growth in total new orders, while export orders reported a rise at its slowest pace since June 2013. At the same time, manufacturers reported continuingly low inflationary pressures last month.

Graph 3.26: Manufacturing PMIs in transition regions



Sources: HALPIM, HSBC, Markit and Haver Analytics.

GDP growth in **Poland** registered 3.2% y-o-y in the 2Q14, compared to 3.4% y-o-y in the previous period. The manufacturing PMI of August showed the sector contracting for the second month in a row, with the index posting 49.0, compared to July's 49.4. Manufacturers reported the strongest fall in new orders since April 2013. Production also fell for the first time since mid-2013.

Oil prices, US dollar and inflation

On a monthly average, the **US dollar experienced a remarkable recovery in August** compared to its major currency counterparts, a trend which continued at the beginning of September. Compared to the euro, the US dollar rose by 1.6% in August and stood at a monthly average of $1.3316/€. In September the US dollar continued increasing to a level below $1.30/€. Versus the Japanese yen, the US dollar rose by 1.2% to reach ¥102.957/$. Compared to the pound sterling, the US dollar rose by 2.2%, after five consecutive months of decline, while compared to the Swiss franc, it increased by 1.4%. With the ongoing recovery in the US, the tapering of the US Fed, the continued monetary stimulus from the ECB and the ongoing efforts to stimulate the economy by the BoJ, and given the current slow-down in the emerging markets, the US dollar should be expected to continue appreciating in the coming months.

In nominal terms, the price of the OPEC Reference Basket (ORB) declined by a monthly average of $4.86/b, or 4.6%, from $105.61/b in July to $100.75/b in August. In real terms, after accounting for inflation and currency fluctuations, the ORB fell by 3.5%, or $2.19/b, to $60.81/b from $63.00/b (base June 2001=100). Over the same period, the US dollar gained 1.2% against the import-weighted modified Geneva I + US dollar basket* while inflation remained flat.

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

World Oil Demand

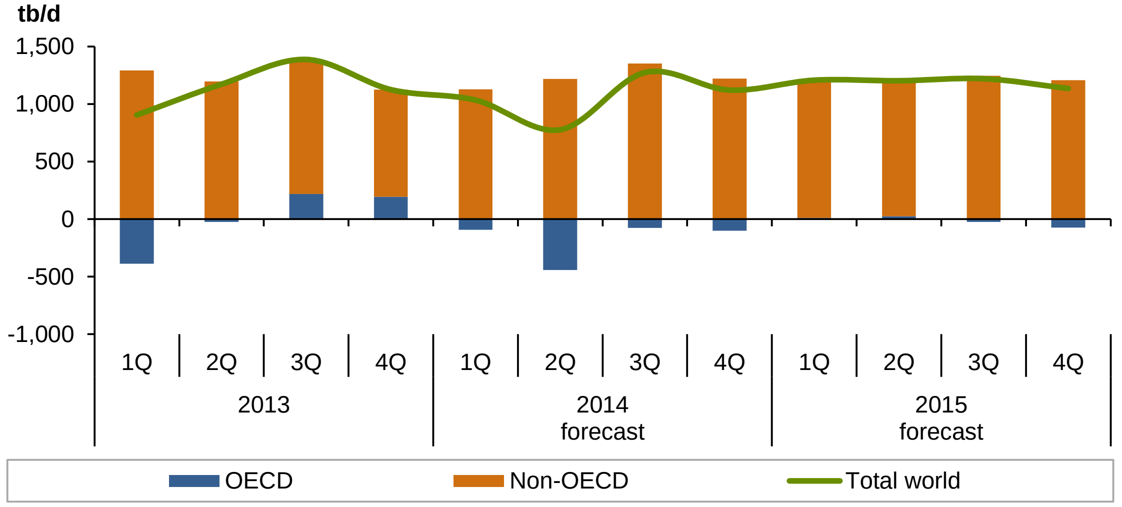
World oil demand growth in 2014 was revised down by 50 tb/d to now stand at 1.05 mb/d. The downward revision was largely the result of the weaker-than-expected performance of the OECD region in the 1H14. Other marginal downward revisions were also accounted for in Other Asia and Latin America. In 2015, world oil demand is projected to grow at a marginally slower pace of 1.19 mb/d, compared to the previous month's forecast. This is due to a downward adjustment of 50 tb/d in the OECD region, which was partially offset by an upward revision of 30 tb/d to Other Asia and Africa.

Table 4.1: World oil demand in 2014, mb/d

							Change 2014/13	
	2013	1Q14	2Q14	3Q14	4Q14	2014	Growth	%
Americas	24.05	23.88	23.91	24.42	24.55	24.19	0.15	0.60
of which US	*19.27*	*19.18*	*19.07*	*19.59*	*19.72*	*19.39*	*0.12*	*0.64*
Europe	13.61	13.02	13.49	13.76	13.38	13.41	-0.19	-1.43
Asia Pacific	8.29	8.85	7.58	7.84	8.40	8.16	-0.13	-1.55
Total OECD	**45.95**	**45.75**	**44.98**	**46.02**	**46.32**	**45.77**	**-0.18**	**-0.39**
Other Asia	11.06	11.08	11.37	11.37	11.35	11.29	0.23	2.10
of which India	*3.70*	*3.85*	*3.80*	*3.68*	*3.86*	*3.80*	*0.10*	*2.65*
Latin America	6.50	6.42	6.69	6.98	6.78	6.72	0.22	3.46
Middle East	7.81	8.07	7.98	8.47	7.95	8.12	0.31	3.92
Africa	3.63	3.75	3.75	3.61	3.76	3.72	0.09	2.46
Total DCs	**29.00**	**29.31**	**29.79**	**30.43**	**29.84**	**29.85**	**0.85**	**2.94**
FSU	4.49	4.39	4.23	4.63	4.93	4.55	0.06	1.25
Other Europe	0.64	0.63	0.57	0.62	0.72	0.63	0.00	-0.68
China	10.07	10.06	10.54	10.27	10.70	10.39	0.33	3.24
Total "Other regions"	**15.20**	**15.08**	**15.34**	**15.52**	**16.34**	**15.57**	**0.38**	**2.49**
Total world	**90.14**	**90.14**	**90.11**	**91.97**	**92.50**	**91.19**	**1.05**	**1.17**
Previous estimate	90.01	90.17	90.06	91.92	92.27	91.11	1.10	1.23
Revision	0.13	-0.02	0.06	0.05	0.23	0.08	-0.05	-0.06

Totals may not add up due to independent rounding.

Graph 4.1: Quarterly world oil demand growth



World oil demand in 2014 and 2015

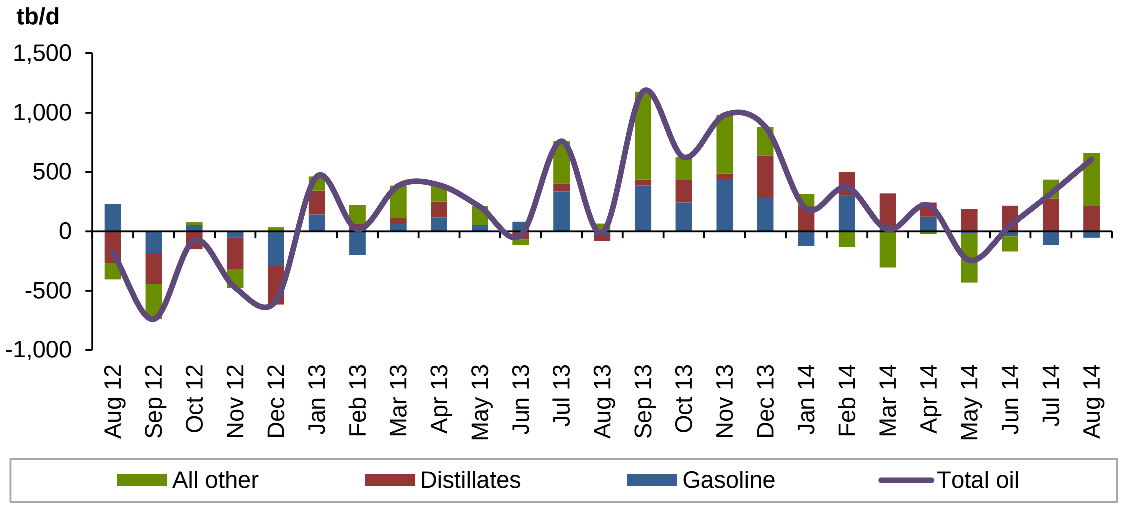
OECD Americas

Following upward revisions in historical 2013 data, and after increasing y-o-y oil requirements for the first four months in 2014, the trend in **US oil demand** switched to the downside during May and June 2014. May 2014 was once more revised downwards to mark a y-o-y contraction of 0.24 mb/d, or 1.3%, while the picture in June 2014 looks rather sluggish with stagnating oil requirements compared to the same month in 2013. US oil demand in June 2014 rose by just 50 tb/d, or 0.2%, with a diverse picture as far as the different product categories are concerned. Distillate demand continued its upward trend particularly due to growing usage in the industrial and transportation sectors but has been partly offset by declining use of propane/propylene and fuel oil as a result of fuel substitution. Gasoline demand declined slightly, by 40 tb/d or around 0.5%, as compared to the same month last year, and continued its poor performance in 2014.

The first six months of 2014 show US oil demand higher by around 0.10 mb/d as compared to the same period last year. The main characteristics of the 1H14 are strongly growing distillate fuel and falling propane/propylene and residual fuel oil requirements. Gasoline usage is growing, but at a smaller magnitude than in previous years. The figures for July 2014, which are based on preliminary weekly data, show an increase of around 0.32 mb/d, or 1.6% y-o-y, with distillate fuel oil and jet fuel requirements rising, but partly offset by disappointing gasoline, residual fuel oil and propane/propylene demand. Preliminary data for the main products in August 2014 indicate slightly falling US oil demand.

US oil demand in 2014 remains strongly dependent on developments in the US economy and the degree of fuel substitution with other commodities, with a balanced overall risk for future adjustments. Nevertheless, the US is projected to remain the only contributor to OECD oil demand during 2014 and 2015.

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



In **Mexico**, July 2014 was marked by sharply declining residual fuel oil and gasoline demand, partly offset by gains in other product categories. Consequently, Mexican oil demand in July 2014 decreased by almost 30 tb/d or 2% y-o-y. Mexican oil demand in 2014 remains unchanged since last month and is expected to decline by 1.9% y-o-y. For 2015, oil demand is projected to remain at almost the same level as in 2014 with risks skewed more to the downside.

Increasing manufacturing activity and more demand for transportation fuels have resulted in an overall 2.4% increase in **Canadian** oil requirements for June 2014. Projections for 2014 Canadian oil demand remain at the level of those in the previous month, leaving oil requirements during 2014 at the same level as in 2013. Depending on the development of the overall economy, the 2015 growth of Canada's oil requirements is projected to slightly exceed those of 2014, unchanged since last month.

In 2014, **OECD Americas' oil demand** is projected to grow by 0.15 mb/d as compared to 2013. 2015 oil demand in OECD Americas is forecast to be 0.16 mb/d larger compared to the previous year.

OECD Europe

It seems that the downward trend in **European oil demand** has no end. Oil demand in Europe contracted for another month in July 2014 y-o-y. The decrease was smaller than in previous quarters and coincides with continuing economic concerns in some parts of the region. Early indications for July showed losses of approximately 0.1 mb/d in Germany, France, Italy and the UK – the European 'Big 4' oil consumers – with industrial and transportation fuels, notably gasoline and distillates, accounting for the bulk of the decreases. However, the positive momentum in auto sales continued in July in almost all European major markets, particularly Germany, Italy, the UK and Spain, and is one of the few positive indicators for the region's oil demand.

Oil demand continued its contracting trend in most other countries, which struggle with the reduction of their public debt. Projected improvements in the economy of the region's main countries during 2015 anticipate lower oil demand contraction next year than in 2014. However, there may be increasing downside risks as a result of the overall development of the European economy and geopolitical concerns.

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

	Jul 14	Jul 13	Change form Jul 13	Change form Jul 13, %
LPG	380	397	-16	-4.2
Gasoline	1,137	1,176	-39	-3.3
Jet/Kerosene	805	770	35	4.5
Gas/Diesel oil	3,212	3,252	-40	-1.2
Fuel oil	314	314	0	0.0
Other products	1,082	1,133	-52	-4.6
Total	**6,929**	**7,042**	**-112**	**-1.6**

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

European oil demand is projected to decrease in 2014 by 0.19 mb/d. In 2015, the contraction in the region's oil demand is expected to be less at 0.07 mb/d.

OECD Asia Pacific

Japanese oil demand contracted by a huge 0.43 mb/d in July 2014 y-o-y, with a negative picture for all main product categories, notably gasoline, naphtha and LPG. Oil requirements in crude, and fuel oil for direct burning and electricity generation, fell for one more month y-o-y as a result of fuel substitution with natural gas and coal. Nevertheless, Japanese direct crude and fuel oil usage shrinkage is expected to improve in August as a result of an unexpected shutdown in one of the country's coal operating power generating units – in combination with hotter-than-normal temperatures in some parts of the country. New auto sales in August 2014, however, are far from promising, showing a 9% y-o-y decrease, the largest monthly decrease since July 2013. The status of Japan's nuclear power plants has remained unchanged since last month, which suggests the probable restart of some reactors during the 4Q. Overall, the 2014 outlook for Japanese oil demand has been slightly lowered from last month's forecasts with the risks being once more skewed towards the downside as a result of the country's weakening economy. Nevertheless, oil demand projections for 2015 remain unchanged since last month and assume a high likelihood that a number of nuclear plants will re-start operations.

Table 4.3: Japanese domestic sales, tb/d

	Jul 14	Change from Jul 13	Change from Jul 13, %
LPG	433	-23	-5.1
Gasoline	918	-97	-9.6
Naphtha	682	-87	-11.3
Jet fuel	108	-1	-1.3
Kerosene	92	-23	-20.1
Gasoil	572	-31	-5.1
Fuel oil	472	-123	-20.7
Other products	61	-1	-0.8
Direct crude burning	150	-44	-22.5
Total	**3,488**	**-430**	**-11.0**

In **South Korea**, oil demand in July 2014 decreased by approximately 1.3%, y-o-y. Gains in the petrochemical industry, which called for increasing LPG requirements and jet fuel, have been more than offset by sharply declining requirements in fuel oil as a result of sluggish bunker demand. However, the outlook for South Korean oil consumption during 2014 and 2015 remained unchanged compared to the previous month's projections.

OECD Asia Pacific oil consumption is projected to fall by 0.13 mb/d in 2014. This fall is expected to continue in 2014 by a slightly lesser extent of 0.10 mb/d y-o-y.

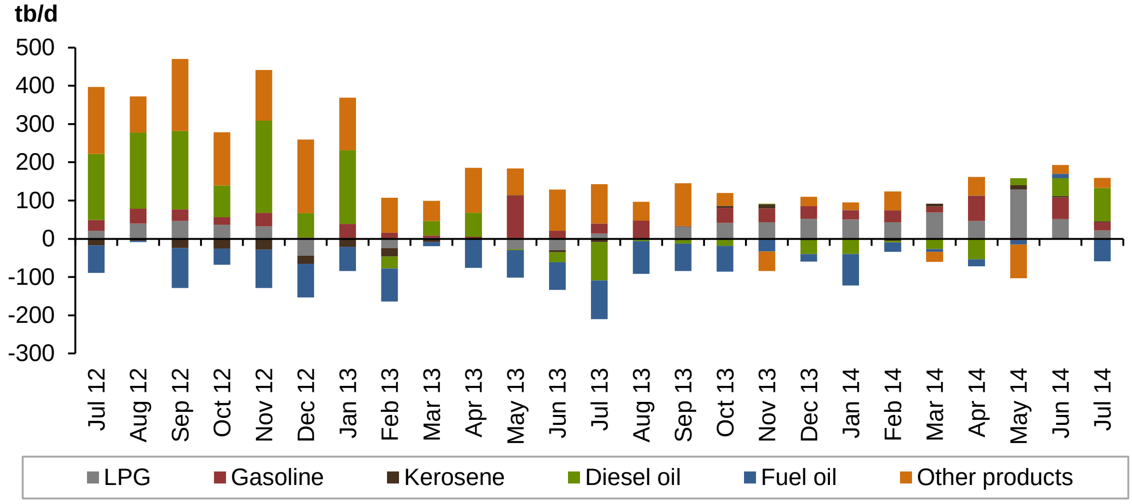
Other Asia

Indian oil demand growth remains within a normal range in 2014. Data for July suggests oil demand growth of 0.10 mb/d, or 2.9%, y-o-y with growth decelerating from June's remarkable 5.2% but remaining intact. Both LPG and gasoline demand grew by more than 21 tb/d y-o-y, or 4.7% and 5.4%, respectively. Together the petrochemical and residential sectors supported LPG consumption. Car sales rose for the third consecutive month, lending support to gasoline. Passenger car sales increased by 5% y-o-y, with 14% growth in the two-wheeler segment, the prime consumer for gasoline. Total vehicle sales improved by 12%.

In the middle of the barrel, jet fuel demand was firm at 3 tb/d, or 1%, y-o-y matching improvements in air travel. Diesel demand recorded its strongest gains since January 2013, growing for the third successive month. Diesel consumption was higher by 88 tb/d, or 6.3%, y-o-y mostly due to general improvements in the economy, as well as a rainfall shortage during the monsoon season and a coal shortage, which prompted higher diesel consumption.

At the bottom of the barrel, fuel oil demand weakened by around 60 tb/d y-o-y despite an increase in demand in the power sector in the southern region. Oil demand was well supported by a generally improved sentiment in India's economy, which grew at its fastest pace in two years in 2Q14. This was confirmed by encouraging macroeconomic indicators led by a GDP growth rate of 5.3% in the 1Q of the current fiscal year (April 2014 - March 2015), up from 4.6% in the 4Q of the previous fiscal year.

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



In 2015, expectations of **Indian oil demand** are firm at this stage with a general improvement in the overall economy expected to positively impact oil demand.

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

	Jul 14	Jul 13	Change	Change, %
LPG	498	475	22	4.7
Gasoline	413	392	21	5.3
Kerosene	260	257	3	1.0
Diesel oil	1,487	1,399	88	6.3
Fuel oil	206	265	-59	-22.2
Other products	754	728	26	3.5
Total oil demand	**3,617**	**3,517**	**100**	**2.9**

In **Indonesia**, the latest June 2014 data shows a steady increase of around 1.2% y-o-y, almost matching May's growth. Additionally, rising requirements for fuel oil and LPG were offset by declining demand from the middle distillates. The main concern for Indonesia and other countries in the region are budget deficits, which at some stage may curb subsidies for oil products.

Oil demand in **Thailand** recorded steady growth y-o-y in June 2014, while gains in fuel oil, gasoline, diesel and other products were met by decreases in LPG and jet/kerosene.

Taiwan's total oil demand grew for another month, almost by 2% y-o-y. The risks for 2014 oil demand in Other Asia are currently balanced with a slight trend to the upside as improvements in India's overall economy lend support to oil demand growth in the region.

Other Asia's oil demand is anticipated to grow by 0.23 mb/d y-o-y in 2014. As for 2015, oil demand is forecast to increase by around 0.23 mb/d, almost matching the growth in 2014.

Latin America

In **Brazil**, the pace of total oil demand growth slowed during the month of June 2014, easing from the high levels seen in the first five months of 2014. Product demand grew by just below 50 tb/d, or 2%, y-o-y. This was almost half of the year-to-date average of more than 0.10 mb/d, despite the country's economy sliding into recession in the 2Q14. The pace of transportation fuels consumption has slowed with gasoline and ethanol increasing by 5% and 4%, respectively. Year-to-date data for these two products highlighted significant increases of more than 8% for gasoline and more than 13% for ethanol. Diesel oil was almost flat y-o-y, also easing from the average growth levels seen in 2014 of more than 2%. This is in line with slower economic momentum. Jet/kerosene recorded gains of around 4% slowing from a higher average growth in 2014. The general slower pace of oil demand in Brazil can be attributed to overall weaker economic activities and to seasonal patterns.

Table 4.5: Brazilian inland deliveries, tb/d

	Jun 14	Jun 13	Change	Change, %
LPG	234	230	3	1.5
Gasoline	726	688	37	5.4
Jet/Kerosene	128	123	5	4.3
Diesel	982	985	-4	-0.4
Fuel oil	92	94	-2	-2.3
Alcohol	198	190	8	4.0
Total	**2,359**	**2,311**	**48**	**2.1**

The risks for the region's oil demand in 2014 are skewed a bit to the downside as economic indicators have started to show signs of a slowing pace. Expectations for oil demand growth in 2015, however, remain within the same levels anticipated last month.

In **Argentina**, oil demand picked up steam in June after moderate May 2014 data, despite dwindling economic growth. Oil demand growth in June was higher by 24 tb/d, or more than 3%, y-o-y with LPG, gasoline, diesel oil and fuel oil posting firm growth, while jet/kerosene was the only product in the product mix that saw a decline.

For 2015, the projection for oil demand in **Latin America** is unchanged from last month's expectations and indicates growth levels almost similar to 2014. Latin American oil demand is expected to grow in both 2014 and 2015 by around 0.23 mb/d.

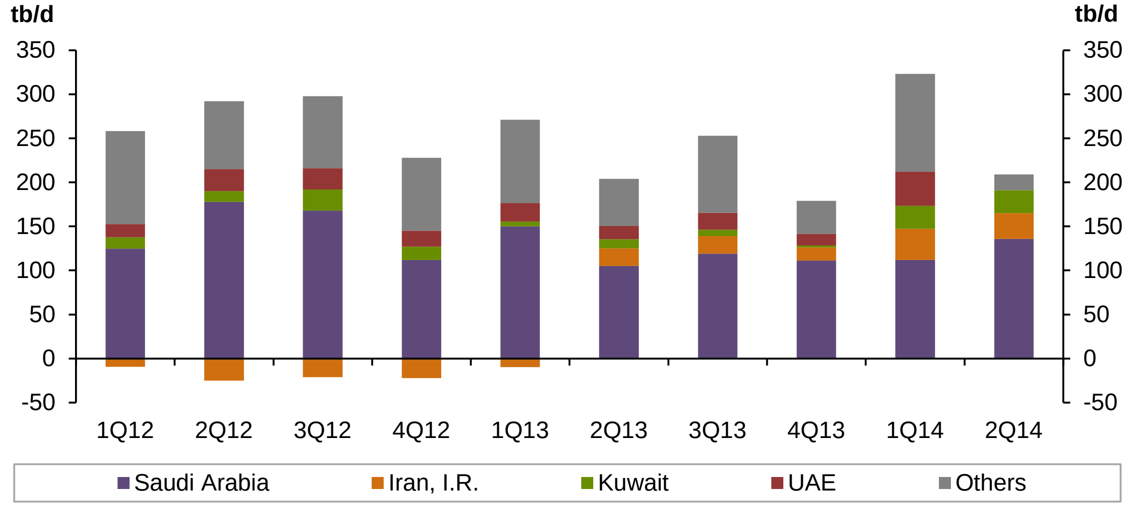
Middle East

In **Saudi Arabia**, products had a mix performance during the month of July 2014. While jet fuel, other products and direct crude oil for burning saw exceptional growth figures, LPG, gasoline, diesel oil and fuel oil registered declines. Direct crude oil for burning increased by around 0.14 mb/d, which translates into 18% y-o-y. Other products also followed suit, increasing by more than 23 tb/d, or 44%, y-o-y. Jet fuel was also rising, registering more than a 6% increase y-o-y, which was in line with the seasonal norm. The performance of transportation fuels, on the other hand, saw a decline, with both gasoline and gasoil decreasing by more than 22 tb/d y-o-y despite the usual higher summer demand.

Oil demand declined drastically in **Iraq** during July 2014 y-o-y. This marks the second successive month of decline in 2014. The magnitude of the decline was acute as total demand shrank by more than 0.16 mb/d, or more than 22%, y-o-y. Most products were in a decline with the exception of mainly jet fuel. Oil demand in Iraq is traditionally driven by diesel oil, used as transportation and industrial fuel, followed by fuel oil, used for power generation, and gasoline for road transportation. All of these have recorded a significant increase in volumes in 1H14. The impact of recent internal conflicts within Iraq have started affecting oil demand statistics since last month and may be the main reason behind the subsequent reduction in growth.

Projections for oil demand in 2014 and 2015 remain as highlighted in the previous monthly report. However, should a negative performance, due to geopolitical tensions, continue in certain countries, this will affect oil demand data significantly; and without an equal rise in demand from other countries in the region, this would skew projections downward.

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



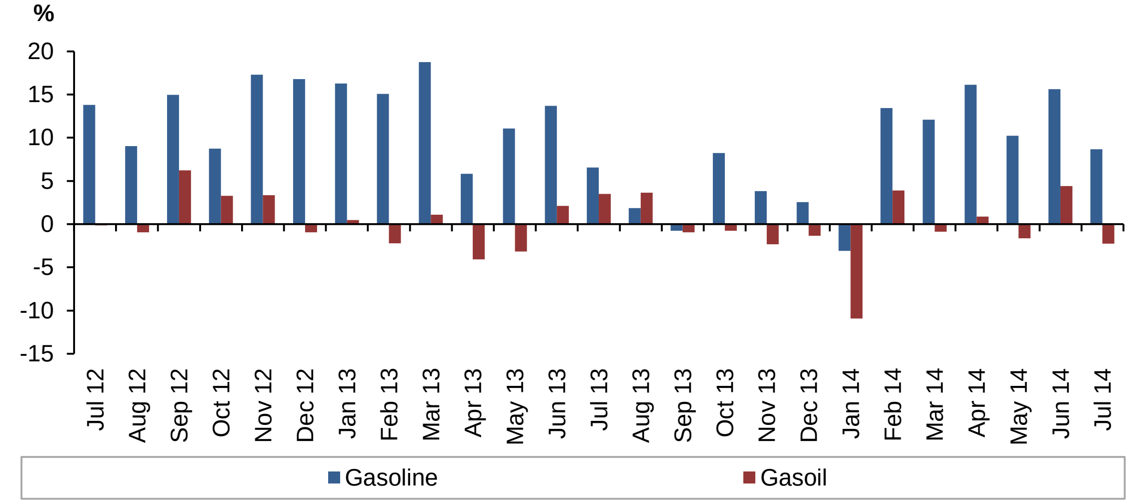
For 2014, **Middle East oil demand** is expected to grow by 0.31 mb/d, while oil demand in 2015 is projected to increase by 0.30 mb/d.

China

Chinese oil demand returned to a slower pace of growth, increasing by 0.27 mb/d, or 2.8%, during the month of July. Year-to-date average growth for China stands at slightly more the 0.30 mb/d or more than 3%. Oil demand growth continued to be determined by rising gasoline, LPG and jet fuel, while diesel fuel and fuel oil are slowing down. Gasoline demand moved in line with rising car sales in July.

According to statistics and analyses from the China Association of Automobile Manufacturers (CAAM), China's automobile sales were 1.36 million units, just below 10% growth y-o-y. Year-to-date figures, with data for the past seven months, also highlight a significant increase in car sales with total units sold reaching 11 million units, up by 11% compared to the same period in 2013. In July, gasoline consumption grew by more than 0.18 mb/d, or 8.6%, as compared to July 2013.

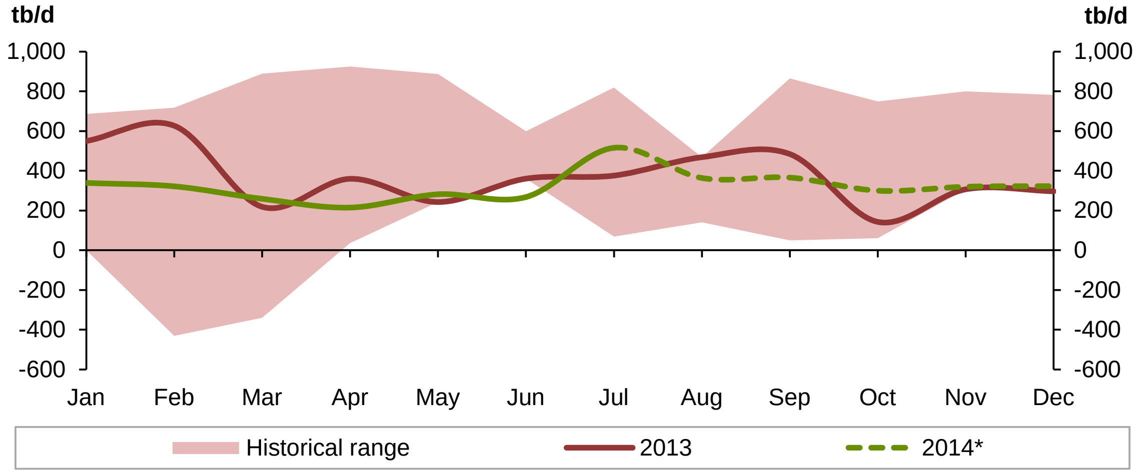
Graph 4.5: Chinese gasoil and gasoline demand growth, y-o-y



The increase in LPG requirements can be attributed to the country's expanding petrochemical industry. LPG grew by more than 85 tb/d, or more than 9%, y-o-y. Jet fuel rose by 35 tb/d, or more than 7%, as a result of growth in air traffic activities. On the other hand, diesel oil dipped by around 80 tb/d, or more than 2%, y-o-y continuing its sluggish performance in 2014. The slowdown of diesel performance in July was mainly due to heavy rains reducing construction and agricultural activities. Fuel oil also decreased during the month of July, losing around 0.19 mb/d, or more than 28%, from the level recorded in July 2013. This reduction in fuel oil consumption is largely attributed to maintenance programmes undertaken by China's 'teapot refineries', major consumers of fuel oil in China, who schedule their maintenance activities during July and August, thus resulting in slower demand for fuel oil.

The overall 2014 and 2015 outlooks remain fairly unchanged since a month ago with similar dynamics pointing to the downside. Expectations are mainly focused on a possible economic slowdown and the implementation of measures in order to limit transportation fuel consumption. The healthy petrochemical sector and expansions in refining capacity could, on the other hand, be considered as factors that could push 2014 oil demand estimates higher.

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



** Forecast.*

For 2014, **Chinese oil demand** is anticipated to grow by 0.33 mb/d, while oil demand in 2015 is projected to increase again by 0.31 mb/d.

Table 4.6: World oil demand in 2015, mb/d

							Change 2015/14	
	2014	1Q15	2Q15	3Q15	4Q15	2015	Growth	%
Americas	24.19	24.04	24.05	24.59	24.70	24.35	0.16	0.64
of which US	*19.39*	*19.31*	*19.17*	*19.73*	*19.85*	*19.52*	*0.13*	*0.65*
Europe	13.41	12.96	13.44	13.67	13.29	13.34	-0.07	-0.52
Asia Pacific	8.16	8.76	7.51	7.73	8.26	8.06	-0.10	-1.23
Total OECD	**45.77**	**45.76**	**45.00**	**45.99**	**46.25**	**45.75**	**-0.02**	**-0.03**
Other Asia	11.29	11.30	11.61	11.62	11.56	11.52	0.23	2.06
of which India	*3.80*	*3.94*	*3.89*	*3.78*	*3.96*	*3.89*	*0.10*	*2.50*
Latin America	6.72	6.64	6.90	7.20	7.04	6.95	0.23	3.35
Middle East	8.12	8.36	8.25	8.78	8.24	8.41	0.30	3.64
Africa	3.72	3.84	3.84	3.70	3.85	3.81	0.09	2.42
Total DCs	**29.85**	**30.15**	**30.60**	**31.30**	**30.69**	**30.69**	**0.84**	**2.82**
FSU	4.55	4.44	4.28	4.68	4.98	4.60	0.05	1.10
Other Europe	0.63	0.63	0.58	0.63	0.72	0.64	0.01	1.11
China	10.39	10.37	10.85	10.59	10.99	10.70	0.31	2.96
Total "Other regions"	**15.57**	**15.44**	**15.71**	**15.90**	**16.69**	**15.94**	**0.36**	**2.34**
Total world	**91.19**	**91.35**	**91.31**	**93.19**	**93.64**	**92.38**	**1.19**	**1.31**
Previous estimate	91.11	91.40	91.27	93.16	93.44	92.32	1.21	1.33
Revision	0.08	-0.04	0.05	0.03	0.20	0.06	-0.02	-0.02

Totals may not add up due to independent rounding.

World Oil Supply

Non-OPEC oil supply is estimated to have averaged 55.91 mb/d in 2014, an upward revision of 0.22 mb/d from the previous *Monthly Oil Market Report (MOMR).* This represents an increase of 1.68 mb/d over a year earlier, indicating. This is due to the upward revision of 50 tb/d for the base of 2013, as well as higher-than-expected US output. OECD Americas was expected to be the main driver for growth in 2014. Non-OPEC oil supply is projected to grow by 1.24 mb/d in 2015 — down by 30 tb/d from the previous assessment — to average 57.16 mb/d, mostly on the back of Russia's output reduction carried over to 2015. OPEC NGLs and non-conventional liquids grew by 180 tb/d to average 5.83 mb/d in 2014, indicating an upward revision of 20 tb/d based on the new data received directly from some Member Countries. OPEC NGLs are also forecast to grow by 0.2 mb/d to average 6.03 mb/d in 2015. In August 2014, OPEC crude oil production increased by 231 tb/d to average 30.35 mb/d, according to secondary sources. As a result, preliminary data indicates that world oil supply increased by 0.17 mb/d in August to average 92.03 mb/d.

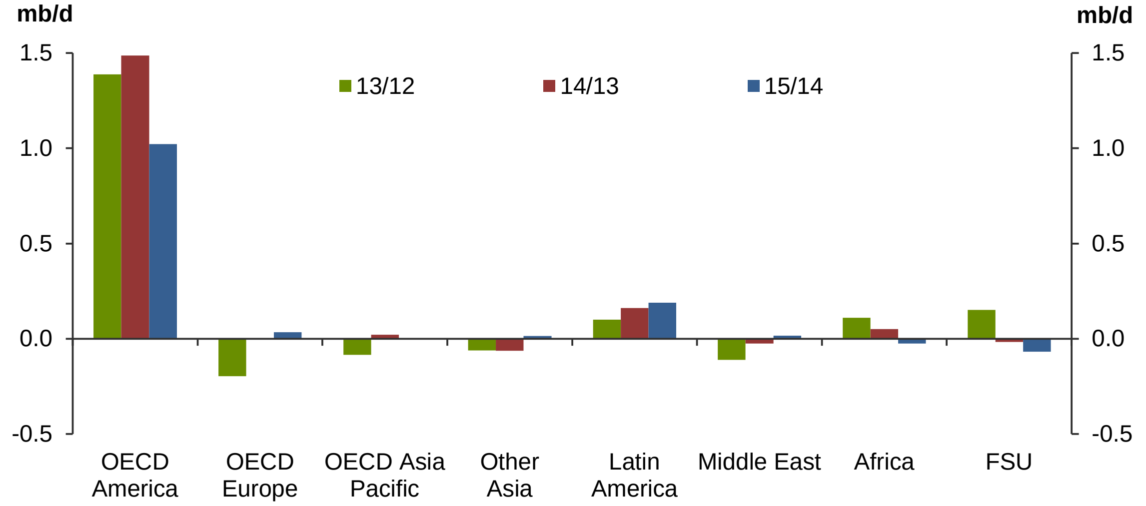
Forecast for 2014

Non-OPEC supply

Non-OPEC oil production is estimated to average 53.75 mb/d in 2014, bringing total **non-OPEC oil supply** to 55.91 mb/d with the addition of 2.16 mb/d in processing gains for the year, indicating an increase of 1.68 mb/d over the previous year.

Expected **non-OPEC supply growth** in 2014 is higher than the average experienced during the previous years. The main driver of output is OECD Americas, which is forecast to increase by 1.49 mb/d in 2014. Predicted growth in 2014 saw an upward adjustment of 0.18 mb/d compared with one month ago on the back of higher-than-expected US output in 2Q14. Moreover, the upward and downward revisions were introduced this month outside North America, with growth in Brazil largely offsetting declines elsewhere. Among non-OPEC suppliers, OECD supply will grow by 1.50 mb/d in 2014 over the previous year.

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



Non-OPEC oil supply forecast for 1H14 and 2H14 saw an upward revision at 0.08 mb/d and 0.36 mb/d, respectively. According to this new adjustment and updated data, it is also expected that 4Q will yield the highest supply at 56.42 mb/d and the highest q-o-q growth of 0.56 mb/d. On a regional basis, OECD Americas received the largest upward revision from the previous month, followed by OECD Europe, OECD Asia Pacific and China, while the Former Soviet Union (FSU) experienced a downward revision. Outside OECD Americas, regional growth in 2014 is expected from Latin America, Africa, China and OECD Asia Pacific, but this is thought to be relatively low compared with the output increase realized from OECD Americas. Other regions — including Other Asia and the Middle East — have experienced supply declines in 2014, while OECD Europe and Other Europe's production have remained steady.

On a quarterly basis, non-OPEC supply for 2014 is estimated to average 55.59 mb/d, 55.77 mb/d, 55.86 mb/d and 56.42 mb/d, respectively.

Table 5.1: Non-OPEC oil supply in 2014, mb/d

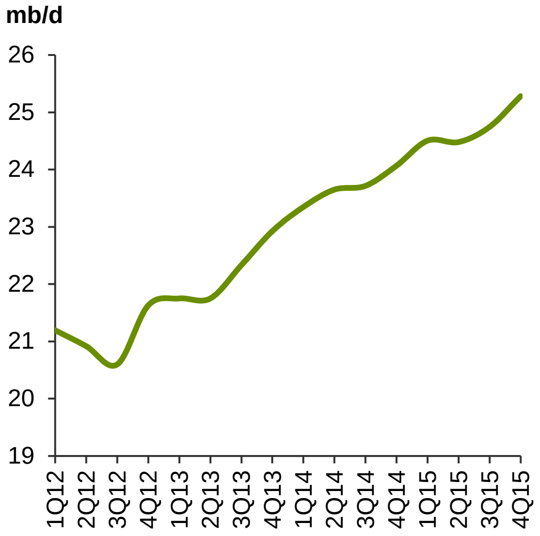
	2013	1Q14	2Q14	3Q14	4Q14	2014	*Change 14/13*
Americas	18.14	19.10	19.63	19.78	19.97	19.62	1.49
of which US	*11.23*	*11.95*	*12.64*	*12.73*	*12.79*	*12.53*	*1.30*
Europe	3.58	3.75	3.52	3.41	3.62	3.57	0.00
Asia Pacific	0.48	0.50	0.50	0.53	0.48	0.50	0.02
Total OECD	**22.19**	**23.35**	**23.65**	**23.72**	**24.07**	**23.70**	**1.50**
Other Asia	3.59	3.55	3.51	3.51	3.53	3.53	-0.06
Latin America	4.78	4.84	4.90	4.97	5.05	4.94	0.16
Middle East	1.36	1.34	1.33	1.33	1.34	1.33	-0.02
Africa	2.40	2.49	2.45	2.44	2.42	2.45	0.05
Total DCs	**12.13**	**12.22**	**12.18**	**12.25**	**12.35**	**12.25**	**0.12**
FSU	13.41	13.48	13.36	13.34	13.37	13.39	-0.02
of which Russia	*10.51*	*10.59*	*10.55*	*10.47*	*10.50*	*10.53*	*0.02*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.23	4.24	4.27	4.24	4.33	4.27	0.04
Total "Other regions"	**17.78**	**17.86**	**17.77**	**17.73**	**17.84**	**17.80**	**0.02**
Total Non-OPEC production	**52.10**	**53.43**	**53.60**	**53.69**	**54.26**	**53.75**	**1.65**
Processing gains	2.13	2.16	2.16	2.16	2.16	2.16	0.03
Total Non-OPEC supply	**54.23**	**55.59**	**55.77**	**55.86**	**56.42**	**55.91**	**1.68**
Previous estimate	54.19	55.62	55.58	55.49	56.07	55.69	1.50
Revision	0.05	-0.03	0.19	0.37	0.35	0.22	0.18

OECD

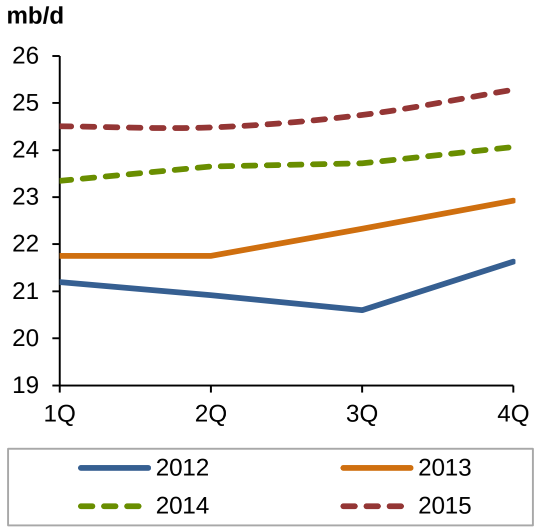
Total **OECD oil supply** is forecast to increase by 1.50 mb/d in 2014 to average 23.70 mb/d, constituting an upward revision of 0.26 mb/d from the previous month, which is partially due to the upward revision of 2013 supply data by 50 tb/d and changes to the base. OECD Americas remains the main region within the OECD with expected supply growth in 2014, while minor growth is forecast for OECD Asia Pacific. Supply from OECD Europe, with an upward revision of 30 tb/d from the last *MOMR,* are expected to remain steady this year. Tight oil and oil sand developments in the OECD are the key drivers for production growth in 2014 as they were one year ago in OECD Americas.

On a quarterly basis, OECD's oil supply is seen to average 23.35 mb/d, 23.65 mb/d, 23.72 mb/d and 24.07 mb/d, respectively.

Graph 5.2: OECD's quarterly production



Graph 5.3: OECD's quarterly production, annual comparison



OECD Americas

OECD Americas' total liquids production in 2014 is expected to increase by 1.49 mb/d to average 19.62 mb/d, representing an upward revision of 0.20 mb/d from the previous *MOMR*, and stems mainly from the US. Canada and Mexico's output remained unchanged from the previous month. OECD Americas' supply is expected to have the highest growth among all non-OPEC regions in 2014, supported by strong growth forecasts from the US and Canada. According to the countries' official data, the region's supply averaged 19.37 mb/d during 1H14, indicating significant growth of 1.71 mb/d, higher than the 0.54 mb/d level recorded during the same period in 2012 and 2013.

On a quarterly basis, OECD Americas' oil supply in 2014 is estimated to stand at 19.10 mb/d, 19.49 mb/d, 19.35 mb/d and 19.63 mb/d, respectively.

US

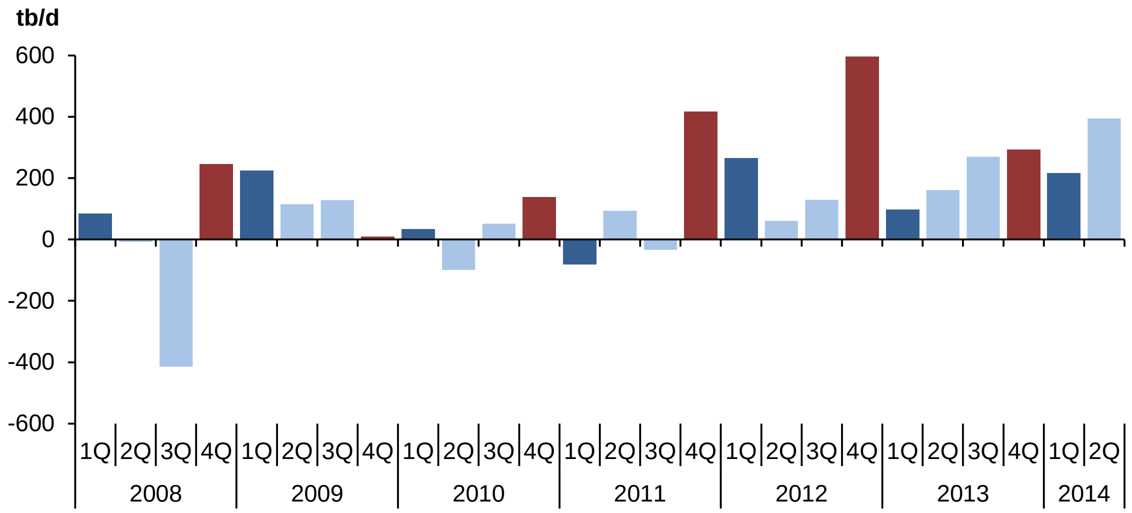
US oil supply is forecast to average 12.53 mb/d in 2014, indicating growth of 1.30 mb/d over the previous year, the highest among all non-OPEC countries, with an upward revision of 0.18 mb/d from the previous *MOMR*. This revision came from strong growth in June by 0.27 mb/d to average 12.81 mb/d. According to the EIA's data on June's production, crude oil production increased by 95 tb/d to average 8.53 mb/d, mainly from North Dakota, Texas, the Gulf of Mexico (GoM), Colorado and Wyoming. An increase in tight oil production offset the effects of maintenance at three Alaskan fields (McIntyre, Niakuk and Raven), which reduced the state's production by 46 tb/d compared to one month earlier to below 1.1 mb/d, the lowest level since August 2013. Tight oil production from unconventional resources in the US will increase dramatically in the three main plays of Eagle Ford and Permian in Texas and the Bakken formation in North Dakota, while others such as Niobrara, Uinta and Mississipian will show smooth growth in the future. Upon this upward revision, the preliminary average supply in 2Q14 is estimated at 12.64 mb/d.

Growth is expected to continue in 3Q and 4Q in line with this trend, but not as much as was seen in 2Q14. The upward revision is mainly supported by strong tight oil output. US total crude oil production increased by 95 tb/d in June compared to the previous month, mainly from tight oil produced in North Dakota and Texas, but the increased volume of NGLs in June was 164 tb/d compared to a month earlier to average 3.04 mb/d, which consisted of 0.41 mb/d of Pentanes plus and 2.63 mb/d of LPG. Production from Bakken in North Dakota, which has entered the development phase, grew by 50 tb/d m-o-m in June, the highest rate of growth on record, to reach 1.09 mb/d, up by 0.27 mb/d y-o-y. This acceleration in production is in line with the latest increase in activities at Bakken. Moreover, mild weather and use of the pad drilling technique could boost oil output through more than 10,720 producing wells. The EIA expects that, based on drilling rig data and estimates of changes in production from existing wells, US crude oil production (including condensate) from shale plays will increase in 3Q14 compared to the previous quarter. The main drivers are the Permian Basin in West Texas and New Mexico, Eagle Ford in southern Texas and, finally, the Bakken formation in North Dakota.

The latest challenging issue in North Dakota is related to the implementation of new flaring rules, which are scheduled to commence in October 2014 and are anticipated to affect production. The North Dakota State Department is aiming to capture 74% of the natural gas produced across the state, a target that rises to 90% by 2020. Any wells where less than 60% of associated gas is captured could be subject to a production cap of 200 b/d. State officials estimated that the total output may decrease by 50 tb/d. Moreover, in July, the US Department of Transport proposed new safety rules for crude-by-rail, which will raise tank car design standards, phase out old cars and introduce new speed limits. If implemented, this rule could raise the cost of crude-by-rail by 60-70¢/b.

In the GoM, the successful results of exploration and appraisal wells at the Big Bend, Troubadour, Katmai and Dantzler prospects along with the development of substantial projects, including Jack/St. Malo, Mars B, Lucius, Tubular Bells, Cardamom and Julia, with a total production capacity of 0.38 mb/d, suggested that production will be boosted in the coming months. Despite lower output from the Marco Polo platform in the GoM, production registered more than 1.4 mb/d, which is 100 tb/d higher than one year earlier. Another important issue related to future supply in the GoM is the hurricane season from June to November. It is expected that production will be minimally disrupted in 2014, according to the National Oceanic and Atmospheric Administration's forecast that the Atlantic Basin will likely experience near normal or below-normal tropical weather. The EIA's mean estimates of shut-in production are 12 mb of crude oil and 30 bcf of natural gas for this period of the current year.

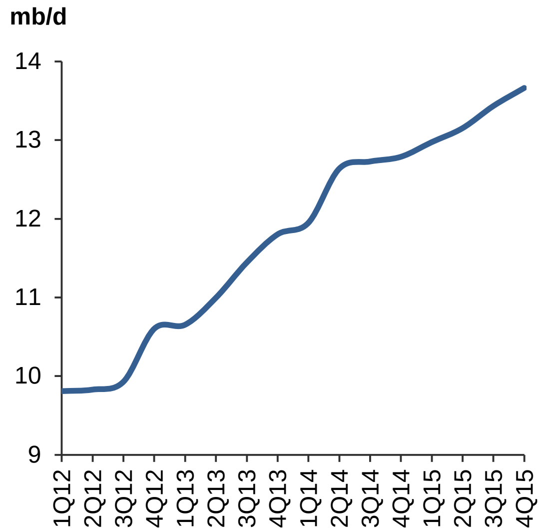
Graph 5.4: Impact of unfavourable climate on the US oil output, q-o-q changes



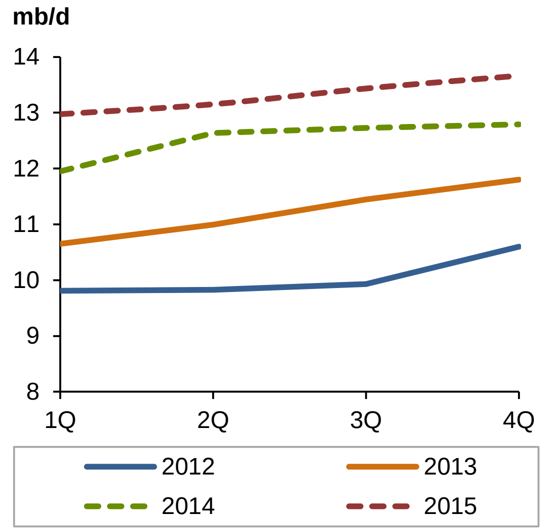
Although there are no established seasonality patterns for total US crude oil output, as can be seen in North Sea production, however, the first quarter's growth in US output each year is usually less than the growth of the previous year's fourth quarter, due to prevailing unfavourable climate conditions at the time.

On a quarterly basis, US oil supply is seen to average 11.94 mb/d, 12.64 mb/d, 12.73 mb/d and 12.79 mb/d, respectively.

Graph 5.5: US quarterly production



Graph 5.6: US quarterly production, annual comparison



Canada and Mexico

Canada's oil production forecast is unchanged from the previous month and is predicted to grow by 0.24 mb/d to average 4.25 mb/d in 2014. Steady production growth is coming mainly from oil sand developments. The outlook of the Canadian Association of Petroleum Producers (CAPP) in 2014 shows lower annual growth through 2030 at 175 tb/d per annum, indicating more uncertainty due to the investment and cost or break-even price related to major projects. The average output from oil sands in 2013 reached 1.9 mb/d, which is 0.4 mb/d more than the total output of conventional oil in Western and Eastern Canada. Canada's supply forecast indicates a decline in 2Q14 output as maintenance will impact oil sand production. During 1H14, preliminary estimates indicate that Canada's oil supply increased by 0.29 mb/d over the same period in 2013.

On a quarterly basis, **Canada's oil supply** is seen to average 4.27 mb/d, 4.14 mb/d, 4.24 mb/d and 4.35 mb/d, respectively.

Mexico's oil supply is projected to average 2.84 mb/d in 2014, a decline of 60 tb/d from one year ago, revised down by 10 tb/d from the previous month's prediction due to weak output in July and August. According to actual production data, Mexico's oil supply averaged 2.85 mb/d during 1H14, constituting a decline of 30 tb/d from the same period in 2013. Mexican oil production relies on mature fields located in shallow water for over 80% of its production. The startup of the KMZ fields (Ku, Maloob and Zaap fields) have offset declines at the Cantarell field in recent years, although declines have been recorded in the Ku, Maloob and even Chicontepec fields this year. The Mexican government approved an energy bill on 11 August 2014 to open up the energy sectors to international oil companies for the first time in 75 years. Pemex operations will continue in the shallow waters, while foreign activities will focus on deep-water and shale resources, although the first potential round of tenders has been delayed from early 2015 to late 2015.

On a quarterly basis, Mexico's oil supply is expected to average 2.87 mb/d, 2.85 mb/d, 2.81 mb/d and 2.82 mb/d, respectively.

OECD Europe

Total **OECD Europe's** oil supply is forecast to remain stagnant in 2014 to average 3.57 mb/d, revised up by 20 tb/d from the previous *MOMR*. Oil supply from Norway and other OECD Europe countries is seen to increase in 2014, while oil production in the UK and Denmark is expected to remain unchanged from the previous year.

On a quarterly basis, OECD Europe's supply is expected to stand at 3.75 mb/d, 3.52 mb/d, 3.41 mb/d and 3.62 mb/d, respectively. According to preliminary data, OECD Europe's supply averaged 3.64 mb/d during 1H14, an increase of 25 tb/d from the same period in 2013.

Norway's oil supply is predicted to increase by 20 tb/d to average 1.84 mb/d in 2014, indicating an upward revision of 20 tb/d from the previous *MOMR*. Norway's oil production — consisting of crude oil, condensate and NGLs — increased by 0.16 mb/d in July 2014 to average 1.94 mb/d, or about 8%, more than the previous month after returning from maintenance. The average daily liquid production in July registered at 1.52 mb/d of crude oil, 0.33 mb/d of NGL and 0.08 mb/d of condensate. Nevertheless, oil production at the Draugen, Skuld and Valhall fields dropped in July due to technical problems. Total average liquid production in the last seven months is about 1% more than Norway's forecast.

On a quarterly basis, Norway's oil supply is expected to average 1.95 mb/d, 1.79 mb/d, 1.78 mb/d and 1.93 mb/d, respectively.

The **UK's** oil supply is estimated to average 0.89 mb/d in 2014, indicating an increase of 10 tb/d compared with one year ago, unchanged from the previous *MOMR*. This assumes that UK production will see an increase for the first time after heavy declines in previous years. It is expected that more production will come on stream in 2H14 from the redevelopment of the Alma and Galia oil fields in the North Sea. The initial gross peak production from the Alma-Galia project is expected to reach about 20,000 boe/d. Alma, originally known as Argyll, was the first field to produce oil commercially off the UK during 1975-92. Strong declines in brown fields are expected to be partially offset by new production coming from these developments. Normally, some of the UK's 169 active offshore oil fields and 33 offshore condensate fields have planned maintenance starting in July, resulting in reduced output in August and even September. The UK's oil supply is expected to decline in 3Q14 by 90 tb/d compared with 2Q14.

On a quarterly basis, the UK's oil production stands at 0.97 mb/d, 0.90 mb/d, 0.81mb/d and 0.88 mb/d, respectively.

OECD Asia Pacific

Oil production in **OECD Asia Pacific** is forecast to average 0.50 mb/d in 2014, an increase of 20 tb/d compared with one year earlier, indicating an upward revision of 10 tb/d from the previous *MOMR*.

On a quarterly basis, OECD Asia Pacific's oil output is estimated to average 0.50 mb/d, 0.50 mb/d, 0.53 mb/d and 0.48 mb/d, respectively.

Australia's oil supply is expected to increase by 20 tb/d in 2014 to average 0.43 mb/d, indicating an upward revision by 10 tb/d in total supply from the previous month's assessment. Oil production increased during 1H14 by 5% compared to the same period of last year, reaching 0.42 mb/d, due to the start of the Montara project and higher output from the Cooper Basin. The new discovery at the Phoenix South-1 exploratory well in Australia's offshore Canning Basin with an estimated 300 mb of oil in place may boost future production at this field.

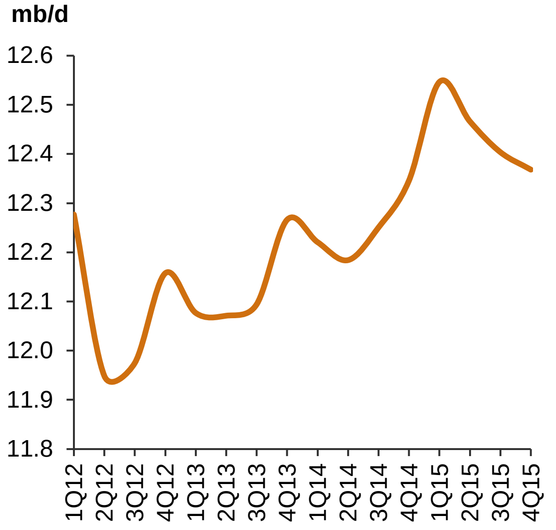
On a quarterly basis, Australia's oil supply is seen to stand at 0.41 mb/d, 0.42 mb/d, 0.46 mb/d and 0.42 mb/d, respectively.

Developing countries

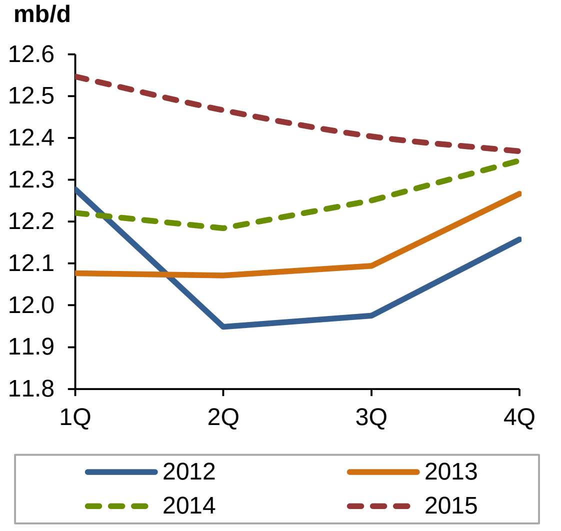
Total oil supply in **developing countries** (DCs) is forecast to average 12.25 mb/d in 2014, representing an increase of 0.12 mb/d over 2013, remaining stagnant from the previous month. Latin America and Africa are the only two regions forecasting supply growth, while production from the Middle East and Other Asia is expected to see a decline in 2014. Latin America is now forecast to experience the second largest increase among all non-OPEC regions, supported by Brazil.

On a quarterly basis, total supply in DCs is seen to average 12.22 mb/d, 12.18 mb/d, 12.25 mb/d and 12.35 mb/d, respectively. According to preliminary and estimated data, DCs' oil supply averaged 12.20 mb/d during 1H14, an increase of 10 tb/d compared with the same period one year earlier.

Graph 5.7: Developing countries' quarterly production



Graph 5.8: Developing countries' quarterly production, annual comparison



Other Asia

Other Asia's oil supply is expected to decline by 60 tb/d in 2014 to average 3.53 mb/d, the same decline that was registered in 2013. The 2014 forecast indicates that Malaysia's oil supply may grow, while oil production from Thailand, Vietnam, India and Indonesia are seen to decline. Oil production from Brunei and Asia Others will remain steady for the remainder of the year.

On a quarterly basis, total supply from Other Asia is seen to average 3.55 mb/d, 3.51 mb/d, 3.51 mb/d and 3.53 mb/d, respectively.

India's oil supply is seen to average 0.87 mb/d in 2014, a minor decline of 10 tb/d compared with one year ago and flat from the previous *MOMR*. India's crude oil production has been more or less flat at 0.87 mb/d in 1H14 compared with the same period one year earlier, but output is expected to decrease by 10 tb/d in 2H14. Weak production indicates that India — the world's fourth largest energy consumer — will remain a strong oil importer.

On a quarterly basis, India's oil supply is seen to stand at 0.88 mb/d, 0.87 mb/d, 0.86 mb/d and 0.86 mb/d, respectively.

Vietnam's supply is expected to decrease by 20 tb/d to average 0.36 mb/d in 2014, flat from the previous *MOMR*. Oil production at Block 12E in the offshore Dua field has recently started.

Malaysia's supply is seen to average 0.67 mb/d in 2014, an increase of 10 tb/d, unchanged from the previous month. This growth is the highest among the region's countries. First oil from Malaysia's deep-water Gumusut field offshore Sabah is now expected at the end of 3Q14.The start of production from Gumusut is expected to peak at 135 tb/d. Gumusut-Kakap is Malaysia's second deep-water development after the Kikeh oil field.

A development project at the Manora offshore oil field in the northern Gulf of **Thailand** is expected to start up in 3Q14. Thailand's oil production is expected to decline by 10 tb/d to average 0.35 mb/d in 2014, remaining unchanged from last month.
Indonesia is also anticipated to experience a decline this year by 20 tb/d to average 0.92 mb/d after a heavy decline the previous year. The country is also expected to begin importing fuel, such as LNG, within the next two to three years.

Latin America

Latin America's oil production is projected to average 4.94 mb/d in 2014, an increase of 0.16 mb/d over 2013 and an upward revision of 10 tb/d from the previous month. The revision made Latin America the second top non-OPEC producing region after North America. Brazil is expected to support this growth, while other main countries in this region are expected to decline in 2014, and Latin America Others will remain steady.

On a quarterly basis, total supply in Latin America is seen to average 4.84 mb/d, 4.90 mb/d, 4.97 mb/d and 5.05 mb/d, respectively.

Argentina's oil supply is expected to decline by 10 tb/d in 2014 to average 0.66 mb/d, steady from the previous *MOMR*. Argentina's supply continued to be stable despite a lack of new production as per preliminary data. After the signing of an agreement between Argentina and Petronas of Malaysia to jointly produce oil from the Vaca

Muerta shale formation in Argentina, a pilot programme is expected to start in 1Q15 and will involve the drilling of 30 wells. The agreement follows other high-profile international deals to develop the Vaca Muerta site, which has emerged as the most commercially advanced shale play outside of North America.

Colombia's supply is expected to average 1.0 mb/d in 2014, representing a decline of 30 tb/d, unchanged from the previous month. Preliminary data indicates that Colombia's oil supply averaged more than 1.0 mb/d during 1H14, a minor decline of 15 tb/d compared with the same period one year earlier, partly due to pipeline damage caused by security issues. Accordingly, the risk remains that the security situation could continue to impact supply in the coming period.

Brazil's liquids supply is forecast to grow by 0.2 mb/d in 2014 and average 2.84 mb/d, indicating a minor upward revision of 10 tb/d from the previous *MOMR*. The revision was introduced partly to adjust for updated production data in 2Q14, which turned out to be higher than expected. Brazil's oil supply increased by 0.14 mb/d in 1H14 compared with the same period one year ago, and output is expected to increase by more than 0.17 mb/d in 2H14.

The newly built Cidade de Mangaratiba floating production, storage, and offloading (FPSO) vessel from the BrasFels shipyard in Angra dos Reis, Brazil will be transported to the Iracema South area of the Lula field in the presalt layer of the Santos basin, connecting it to eight production and eight injection wells with a production capacity of 150 tb/d of oil. Oil production from the Cidade de Mangaratiba vessel is set to begin in 4Q14. Petrobras last year reported plans to increase net production from its offshore pre-salt formation in the Campos and Santos to more than 2 mb/d of oil by 2020.

On a quarterly basis, Brazil's oil supply is seen to stand at 2.71 mb/d, 2.82 mb/d, 2.90 mb/d and 2.95 mb/d, respectively.

Middle East

The Middle East's oil supply is expected to decrease by 20 tb/d from 2013 to average 1.33 mb/d in 2014, representing a steady state from the previous month. Within the Middle East, supplies from Oman are expected to grow in 2014, while output in Yemen and Syria is likely to decline and Bahrain supply should remain unchanged. The Middle East supply forecast remains associated with a high level of risk, mainly due to the unavailability of data and the political situation.

On a quarterly basis, the Middle East's oil supply is seen to stand at 1.34 mb/d, 1.33 mb/d, 1.33 mb/d and 1.34 mb/d, respectively.

Oman's oil production is forecast to average 0.96 mb/d in 2014, representing growth of 20 tb/d from the previous year and flat from the previous *MOMR*.

Bahrain's oil production is forecast to be stagnant at an average of 0.22 mb/d in 2014, indicating a downward revision of 10 tb/d from the previous *MOMR.*

Yemen's oil supply is seen to average 0.12 mb/d in 2014, a decline of 20 tb/d from the previous year, remaining unchanged from one month earlier.

Syria's oil production is estimated to average 30 tb/d in 2014, a decline of 30 tb/d compared to the previous year, indicating an upward revision of 10 tb/d from the last *MOMR*.

Africa

Africa's oil production is anticipated to increase by 50 tb/d in 2014 to 2.45 mb/d, indicating a downward revision of 20 tb/d in volume from the previous *MOMR,* but growth was not changed, assuming figure rounding*.* In Africa, oil production from South Sudan and Sudan, Chad and Equatorial Guinea is expected to experience the same annual growth as our last month's prediction, while supply from other countries is predicted either to remain flat or decline.

On a quarterly basis, Africa's oil supply is seen to stand at 2.49 mb/d, 2.45 mb/d, 2.44 mb/d and 2.42 mb/d, respectively.

Equatorial Guinea's oil supply is estimated to grow by 10 tb/d in 2014 to average 0.33 mb/d. Similarly, expected growth of 20 tb/d in **Chad** could achieve the oil production average of 0.14 mb/d in 2014.

South Sudan and **Sudan's** oil production is seen to average 0.29 mb/d in 2014, an increase of 50 tb/d from the previous year, unchanged from the previous *MOMR*. The coming period will be crucial for South Sudan and Sudan's oil supply forecast, and risk remains on the high side.

Egypt's oil production is expected to decrease by 20 tb/d in 2014, averaging 0.69 mb/d, indicating an upward revision of 10 tb/d in growth, the highest prediction of oil supply decline in the Africa region for 2014.

Production from **South Africa**, **Gabon** and **Congo** will remain steady, unchanged from the previous year.

FSU, other regions

Total FSU oil supply is estimated to increase by 0.02 mb/d in 2014 to average 13.42 mb/d, representing a downward revision of 10 tb/d from the previous month. This revision came from Kazakhstan and "FSU others", while the supply forecast for Russia and Azerbaijan remained steady from the previous *MOMR***.**

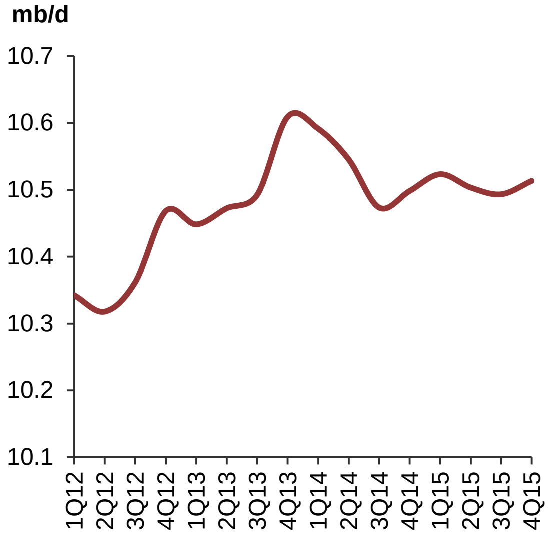
On a quarterly basis, FSU's oil supply is expected to stand at 13.48 mb/d, 13.36 mb/d, 13.42 mb/d and 13.42 mb/d, respectively.

Other Europe's supply is expected to remain unchanged in 2014 to average 0.14 mb/d.

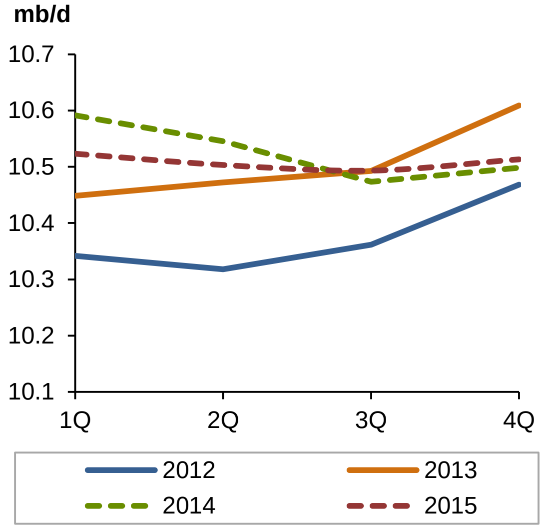
Russia

Russia's oil production is forecast to increase by only 20 tb/d to average 10.53 mb/d in 2014, indicating a downward revision of 30 tb/d from the previous *MOMR*. Revisions were applied to the 3Q and 4Q as output decreased in July and August compared to June by 160 tb/d and 30 tb/d, respectively. Expected growth in 2014 is at its lowest in recent years. Russian oil output in August recovered by 0.13 mb/d compared to the previous month when maintenance ended at two gas fields and the Surgut condensate plant with 93 tb/d of capacity production. Heavy declines in mature oil fields in Western Siberia need to be replaced by more than 1.3 mb/d every year. Russian crude oil exports have declined by a cumulative 49.3 mb, or 0.2 mb/d, during the last eight months of this year, according to data by Argus. Russia needs to focus more than before on their heavy brown oil fields' declines, where compensation for the annual declines and reserves replacement require a large amount of capital inflow and Western oil companies' technological cooperation.

Graph 5.9: Russia's quarterly production



Graph 5.10: Russia's quarterly production, annual comparison



On a quarterly basis, Russia's oil production is seen to average 10.59 mb/d, 10.55 mb/d, 10.47 mb/d and 10.50 mb/d, respectively.

Caspian

Kazakhstan's oil production is projected to decrease by 40 tb/d in 2014 and to average 1.61 mb/d, unchanged compared to the previous *MOMR*. Oil output increased in July by 0.11 mb/d as the Tengiz oil field returned from scheduled maintenance to average 1.64 mb/d with higher production at 0.55 mb/d, although annual output dropped by 22 tb/d compared to 2013.

On a quarterly basis, Kazakhstan's oil production is estimated to stand at 1.65 mb/d, 1.57 mb/d, 1.60 mb/d and 1.61 mb/d, respectively.

Azerbaijan's oil production is forecast to be stable in 2014, averaging 0.87 mb/d, unchanged from the previous month's predictions. Azerbaijan's output fell seasonally m-o-m by 10 tb/d to 0.85 mb/d, likely due to maintenance at the ACG fields. Stable production is credited for the good performance seen at the ACG field complex, particularly at the Chirag project, which came onstream in early 2014.

On a quarterly basis, Azerbaijan's supply is forecast to remain the same as last month at 0.85 mb/d, 0.87 mb/d, 0.88 mb/d and 0.87 mb/d, respectively.

China

China's oil supply is forecast to average 4.27 mb/d in 2014, indicating growth of 40 tb/d compared with the previous year and an upward revision of 10 tb/d from the previous *MOMR*. China's oil supply averaged 4.26 mb/d in 1H14, 5 tb/d higher than the same period a year ago, but production is expected to grow in 2H14 to an average of 4.29 mb/d.

On a quarterly basis, China's oil output is seen to stand at 4.24 mb/d, 4.23 mb/d, 4.27 mb/d and 4.33 mb/d, respectively.

Forecast for 2015

Non-OPEC supply

Non-OPEC oil supply in 2015 is expected to grow by 1.24 mb/d to average 57.16 mb/d, an upward revision of 0.20 mb/d, as historical revisions to 2013 and 2014 have been carried over to the 2015 supply forecast (changing the base).

On a regional basis, OECD Americas is expected to have the highest growth in 2015 by 1.02 mb/d, followed by Latin America at 0.19 mb/d, China at 0.05 mb/d, OECD Europe at 0.03 mb/d, Middle East at 0.02 mb/d, and Other Asia at 0.01 mb/d. Finally, OECD Asia Pacific will remain unchanged in 2015, while it is predicted that the FSU and Africa will decline by -0.07 mb/d and -0.02 mb/d, respectively.

On a quarterly basis, non-OPEC supply in 2015 is expected to average 57.07 mb/d, 56.85 mb/d, 57.04 mb/d and 57.65 mb/d, respectively.

Table 5.2: Non-OPEC oil supply in 2015, mb/d

	2014	1Q15	2Q15	3Q15	4Q15	2015	*Change* 15/14
Americas	19.62	20.28	20.40	20.78	21.12	20.65	1.02
of which US	*12.53*	*12.97*	*13.15*	*13.43*	*13.66*	*13.31*	*0.78*
Europe	3.57	3.72	3.57	3.46	3.68	3.61	0.03
Asia Pacific	0.50	0.51	0.52	0.51	0.47	0.50	0.00
Total OECD	**23.70**	**24.50**	**24.48**	**24.75**	**25.28**	**24.76**	**1.06**
Other Asia	3.53	3.60	3.57	3.53	3.48	3.54	0.01
Latin America	4.94	5.11	5.11	5.13	5.17	5.13	0.19
Middle East	1.33	1.37	1.36	1.34	1.33	1.35	0.02
Africa	2.45	2.47	2.43	2.41	2.39	2.42	-0.02
Total DCs	**12.25**	**12.55**	**12.47**	**12.40**	**12.37**	**12.45**	**0.19**
FSU	13.39	13.39	13.30	13.27	13.32	13.32	-0.07
of which Russia	*10.53*	*10.52*	*10.50*	*10.49*	*10.51*	*10.51*	*-0.02*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.27	4.31	4.29	4.31	4.37	4.32	0.05
Total "Other regions"	**17.80**	**17.84**	**17.73**	**17.72**	**17.83**	**17.78**	**-0.02**
Total Non-OPEC production	**53.75**	**54.89**	**54.68**	**54.87**	**55.48**	**54.98**	**1.23**
Processing gains	2.16	2.17	2.17	2.17	2.17	2.17	0.01
Total Non-OPEC supply	**55.91**	**57.07**	**56.85**	**57.04**	**57.65**	**57.16**	**1.24**
Previous estimate	55.69	56.87	56.65	56.84	57.45	56.96	1.27
Revision	0.22	0.20	0.20	0.20	0.20	0.20	-0.02

Revisions to the 2015 forecast

Oil supply forecasts for the US, Canada, Norway and Indonesia have seen some upward revision for 2015, while South Africa's output and Russia's supply projection have been revised down. These revisions are due to changes to 2013 estimates as well as changes to the 2014 forecast that are being carried over to 2015.

OPEC NGLs and non-conventional oils

Production of OPEC natural gas liquids (NGLs) and non-conventional oils in 2014 is expected to increase by 0.18 mb/d over the previous year to reach 5.83 mb/d, an upward revision of 30 tb/d. Updated information for 2H13, with the downward revision for 3Q and the upward revision for 4Q, has led to slightly lower NGL production for 2013. In 2015, OPEC NGLs and non-conventional oils are forecast to grow by 0.20 mb/d to 6.03 mb/d.

Table 5.3: OPEC NGLs + non-conventional oils, 2012-2015

			Change						*Change*		*Change*
	2012	**2013**	13/12	1Q14	2Q14	3Q14	4Q14	**2014**	14/13	**2015**	15/14
Total OPEC	**5.57**	**5.65**	0.08	5.73	5.79	5.86	5.93	**5.83**	0.18	**6.03**	0.20

OPEC crude oil production

Total OPEC crude oil production has risen in August from July, averaging 30.35 mb/d, according to secondary sources, up 0.23 mb/d from the previous month. Crude oil output mainly from Iraq and Saudi Arabia fell, while production from Libya, Angola and Nigeria increased. According to secondary sources, OPEC crude oil production, not including Iraq, stood at 27.34 mb/d in August, up 0.29 mb/d over the previous month.

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

	2012	**2013**	**4Q13**	**1Q14**	**2Q14**	**Jun 14**	**Jul 14**	**Aug 14**	***Aug/Jul***
Algeria	1,210	1,159	1,144	1,128	1,157	1,162	1,167	1,189	*22.5*
Angola	1,738	1,738	1,719	1,600	1,646	1,659	1,668	1,749	*80.9*
Ecuador	499	516	530	537	541	543	542	543	*0.8*
Iran, I.R.	2,977	2,673	2,686	2,772	2,765	2,762	2,754	2,769	*14.7*
Iraq	2,979	3,037	3,019	3,217	3,252	3,138	3,075	3,012	*-63.0*
Kuwait	2,793	2,822	2,821	2,797	2,786	2,766	2,780	2,792	*11.7*
Libya	1,393	928	332	371	222	232	425	538	*112.7*
Nigeria	2,073	1,912	1,870	1,886	1,889	1,945	1,933	2,008	*75.4*
Qatar	753	732	731	733	729	735	738	745	*6.8*
Saudi Arabia	9,737	9,584	9,721	9,702	9,675	9,728	9,912	9,857	*-55.2*
UAE	2,624	2,741	2,743	2,745	2,748	2,781	2,789	2,805	*16.8*
Venezuela	2,359	2,356	2,359	2,341	2,337	2,334	2,334	2,341	*6.7*
Total OPEC	**31,135**	**30,197**	**29,675**	**29,827**	**29,746**	**29,786**	**30,117**	**30,347**	***230.9***
OPEC excl. Iraq	**28,155**	**27,159**	**26,657**	**26,610**	**26,494**	**26,647**	**27,042**	**27,336**	***293.8***

Totals may not add up due to independent rounding.

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

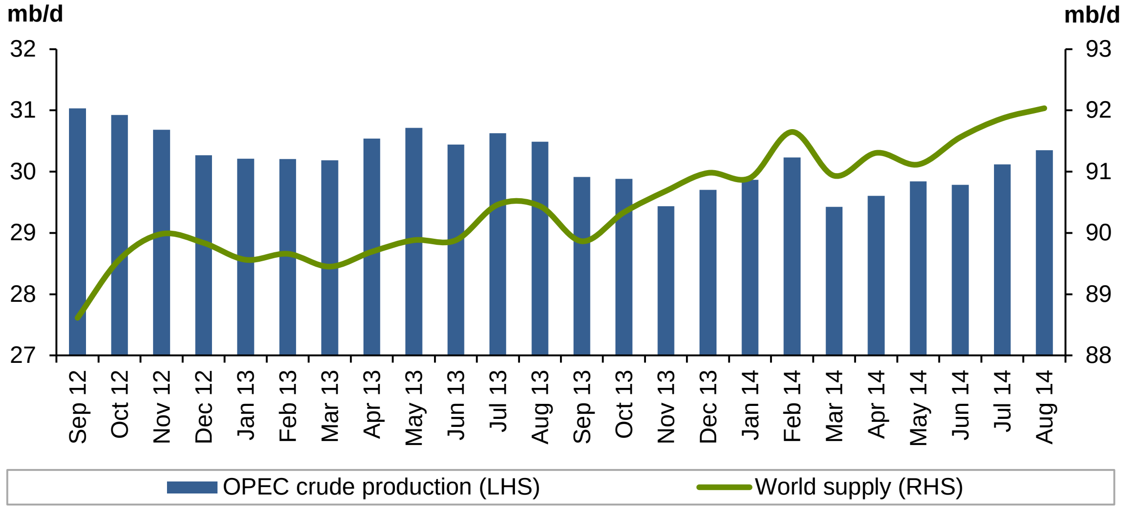
	2012	2013	4Q13	1Q14	2Q14	Jun 14	Jul 14	Aug 14	Aug/Jul
Algeria	1,203	1,203	1,208	1,202	1,190	1,190	1,203	1,202	*-1.0*
Angola	1,704	1,701	1,625	1,553	1,616	1,645	1,714	1,709	*-5.0*
Ecuador	504	526	544	553	557	555	558	561	*2.3*
Iran, I.R.	3,740	3,576	3,239	3,270	3,194	3,100	3,000	3,010	*10.0*
Iraq	2,944	2,980	2,915	3,106	3,118	3,111	3,012	3,024	*12.0*
Kuwait	2,977	2,922	2,912	2,898	2,885	2,800	2,850	2,880	*30.0*
Libya	1,450	993	332	384	228	243	415	391	*-23.8*
Nigeria	1,954	1,754	1,706	1,869	1,821	1,811	1,648	1,801	*152.7*
Qatar	734	724	725	725	710	729	734	734	*-0.4*
Saudi Arabia	9,763	9,637	9,773	9,723	9,715	9,780	10,005	9,597	*-408.3*
UAE	2,652	2,797	2,714	2,733	2,770	2,855	2,893	2,911	*18.5*
Venezuela	2,804	2,786	2,851	2,870	2,826	2,808	2,776	..	..
Total OPEC	**32,429**	**31,599**	**30,543**	**30,886**	**30,629**	**30,629**	**30,808**	**..**	**..**
OPEC excl. Iraq	**29,485**	**28,619**	**27,628**	**27,781**	**27,511**	**27,518**	**27,796**	**..**	**..**

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

World oil supply

Preliminary figures indicate that the global oil supply (crude oil, condensate, NGLs) increased by 0.17 mb/d in August to average 92.03 mb/d. Non-OPEC supply saw a decline of 0.06 mb/d, while OPEC crude production increased by 0.23 mb/d. The share of OPEC crude oil in global production compared to August increased to 33.0%. Estimates are based on preliminary data for non-OPEC supply, OPEC NGLs and non-conventional production, while estimates for OPEC crude production stem from secondary sources.

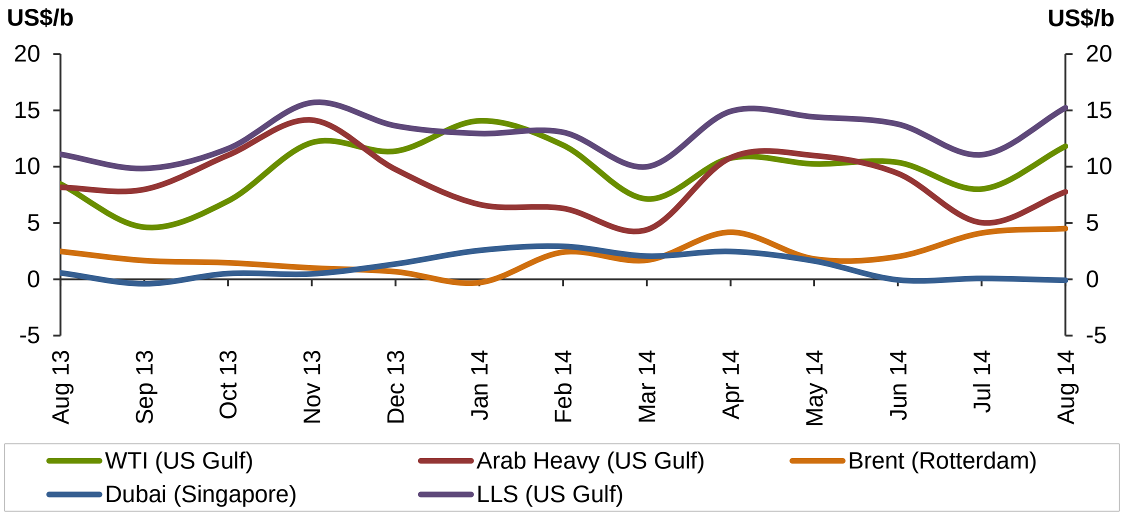
Graph 5.11: OPEC and world oil supply



Product Markets and Refinery Operations

Product markets in the Atlantic Basin were supported by relatively higher US gasoline demand amid tightening sentiment fuelled by outages of some fluid catalytic cracking (FCC) units, which caused inventories to drop. Steady middle distillate demand amid lower inflows to the region prevented European margins from dropping, while margins in the US were boosted by falling WTI prices. In Asia, weaker light distillate demand, amid increasing supplies with the restart of several FCCs, caused refinery margins to weaken further.

Graph 6.1: Refinery margins, 2013-2014



US product markets strengthened during August as gasoline market fundamentals got support from the tightening environment generated by some FCC outages amid falling inventories. The drop in WTI prices also played a role in boosting margins. The refinery margin for WTI crude on the US Gulf Coast (USGC) showed a sharp gain of more than $3 to average $11.8/b in August. Meanwhile, the margin for Light Louisiana Sweet (LLS) crude on the USGC averaged $15/b during August, exhibiting a gain of around $4.

European refining margins retained the recovery seen since last month as middle distillate crack spreads were supported by the supply side on the back of lower inflows to the region and steady demand. The refinery margin for Brent crude in Northwest Europe showed a gain of more 40¢ to average $4.5/b in August.

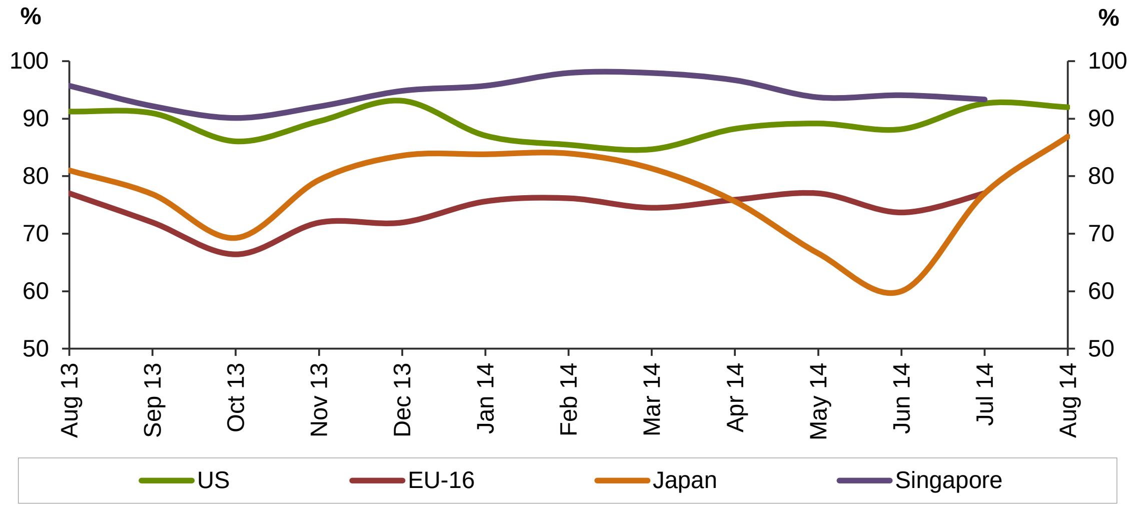
Asian refining margins continued to weaken during August as an increase in gasoline supplies with several FCC units restarting caused the gasoline crack spread to drop sharply, which, along with the weakening naphtha market, kept pressure on light distillate cracks, thus contributing to continued weakening of refinery margins in the region. Refinery margins in Singapore remained at the low level seen last month, falling 17¢ to average minus 10¢/b in August.

Refinery operations

Refinery utilization rates in the **US** continued at very high levels with refinery utilization averaging 92.0%, which is a slight drop of about 0.7 percentage points (pp) versus the previous month. This decline was due to some refinery outages, mainly in the PADD-3, which generated a temporarily tight environment.

Healthy margins encouraged increasing refinery runs over the last months, however the upward trend was affected during August by some unscheduled conversion unit shutdowns at several refineries.

Graph 6.2: Refinery utilisation rates, 2013-2014



European refinery runs averaged around 77% in July, corresponding to a throughput of 9.9 mb/d of refining capacity, 400 tb/d higher than the previous month due to some recovery seen in the margins since June. However, refinery runs remained at low levels as European refiners continued to feel pressure from increased competition and weak domestic demand.

In **Asia**, slower demand growth moderated refinery runs in several countries, mainly China and South Korea, while in India, unplanned shutdowns amid some conversion projects in the refineries have cut refinery throughputs. With several refineries being back from maintenance, an uptick in crude intake is expected within the Asia region in the coming months.

Chinese refinery levels averaged 9.7 mb/d in July, about 400 tb/d lower than in June. Refinery runs in Singapore for August averaged around 93%, falling 1 pp versus the previous month. Japanese throughputs averaged 87% of capacity in July, 9 pp higher than in July, with several refineries coming back from maintenance.

US market

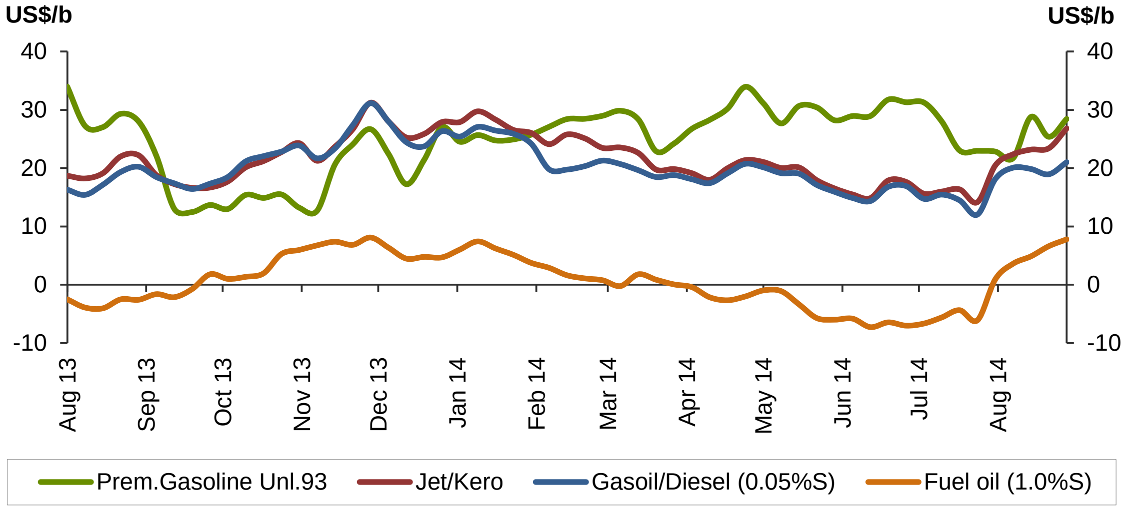
US gasoline demand stood at around 9.0 mb/d in August, about 40 tb/d higher than the previous month and around 50 tb/d lower than the same month a year earlier.

The gasoline crack showed a slight recovery from the downward trend seen in July on the back of a tightening environment and falling crude prices.

The market got support from the supply side with lower production as a result of several catalytic cracker units shutting down on the USGC, which tightened the gasoline market.

Falling inventories, mainly in PADD-3, also supported the market on the back of higher exports to Latin America amid USGC exporters sending more volumes to satisfy Midwestern requirements and gasoline players reducing inventories ahead of the switch to winter-grade gasoline quality in mid-September.
The gasoline crack spread saw a slight gain of 50¢ to average $25.8/b in August.

Graph 6.3: US Gulf crack spread vs. WTI, 2013-2014



Middle distillate demand stood at around 3.9 mb/d in August, broadly unchanged from the previous month and 200 tb/d above the same month a year earlier.

The middle distillate market exhibited a sharp recovery this month, and crack spreads strengthened, with support coming from the supply side amid a decline seen in distillate stocks starting in August. Other supporting factors were lower gasoil production in the US due to some refinery outages as well as lower distillate yields, which stayed below 30% during the last weeks.

Additional support came from the export side as demand from C&S America has drawn several ULSD cargoes from the USGC, mainly to Brazil. On the other hand, diesel volumes to Europe have been on the rise, in line with the improvement seen in the European market.

The USGC gasoil crack saw a sharp gain of more than $5 versus the previous month's level to average around $20/b in August.

At the **bottom of the barrel**, the fuel oil crack showed a vibrant recovery despite the higher availability of VGO due to some fluid cracker outages, which contributed to an increase in catalytic cracking margins.

Firm bunker fuel demand in the USGC along with an increase in contract deliveries to cruise ships in Seattle lent support to the markets.

The fuel oil crack in the USGC gained more than $6 versus the previous month's level.

European market

In August, product markets in Europe continued to recover from the previous month as crack spreads received support from the supply side with lower inflows to the region and moderated refinery runs.

The gasoline crack fell sharply during August due to a lack of export opportunities, pressuring the European market.

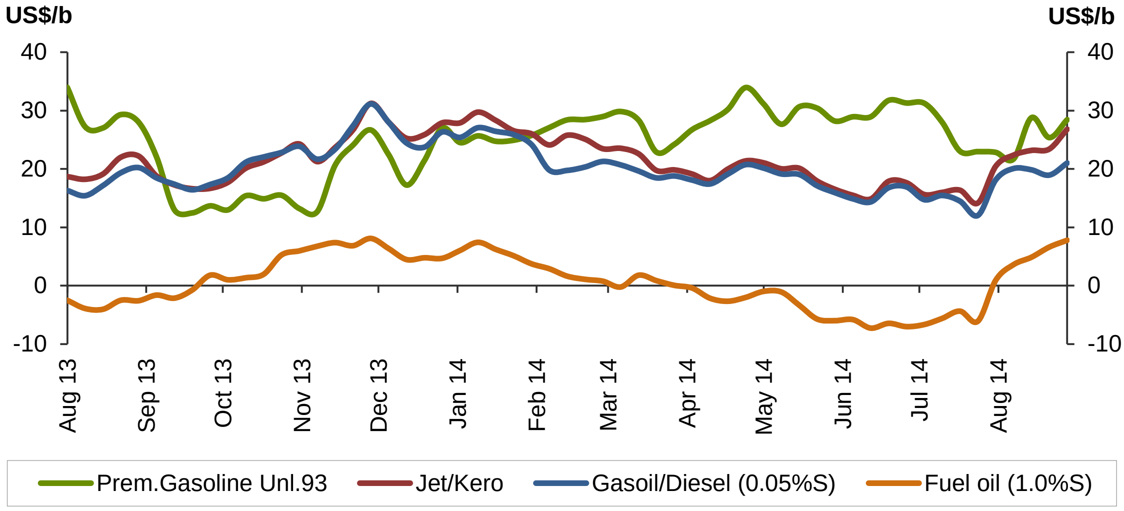
The gasoline market retreated in Europe since mid-August, despite the draw seen in US gasoline inventories, fuelling hopes of higher exports from Europe at the beginning of the month, however since mid-August, market support vanished as arbitrage from Europe to the US East Coast was seen as somehow limited with the US driving season demand approaching an end.

Additionally, weakening gasoline arbitrage to West Africa exerted further pressure on the market, as a result of excess volumes of European gasoline.

The gasoline crack spread against Brent showed a loss of $3 to average $18.3/b in August.

The light distillate naphtha crack lost the ground recovered last month due to the lack of an arbitrage window to Asia, as it has been partially suppressed by shipping availability and expectations of lower demand in Asia in coming weeks, fuelling bearish sentiment.

Graph 6.4: Rotterdam crack spreads vs. Brent, 2013-2014



Middle distillate cracks continued their recovery trend during August on the back of a tight market amid a continued decline in crude prices.

The ULSD crack in Northwest Europe continued recovering during August on the back of a tight environment fuelled by refinery outages in the region amid lower export volumes of ULSD from Russia. Exports out of Primorsk declined due to operational pipeline limitations.

Higher demand for diesel ahead of refinery shutdowns in Europe underpinned prices and boosted margins in the region, thus allowing the diesel crack spread to recover to a healthy level.

The gasoil crack spread against Brent crude at Rotterdam gained more than $2 versus the previous month's level to average around $15/b in August.

Looking forward, increasing inflows in the coming weeks to Europe are expected from the US, Russia and the Middle East as new refineries' ULSD volumes will be exerting pressure on the gasoil market in the region.

At the **bottom of the barrel**, fuel oil cracks continued to weaken over the reporting month despite some increases seen in bunker demand as higher sweet African crude inflows to the region kept pressure on the market. However, a tight sentiment in the market due to lower runs in the region amid expectations of higher arbitrage opportunities to Asia prevented the cracks from falling further.

The Northwest European fuel oil crack remained around the same as the previous month's average at around minus $13/b in August.

Asian market

The Asian market continued to be relatively weak during August as increasing gasoline supplies pressured the market and caused the gasoline crack to fall sharply, thus offsetting the recovery seen at the middle of the barrel and causing refinery margins to continue falling in the region.

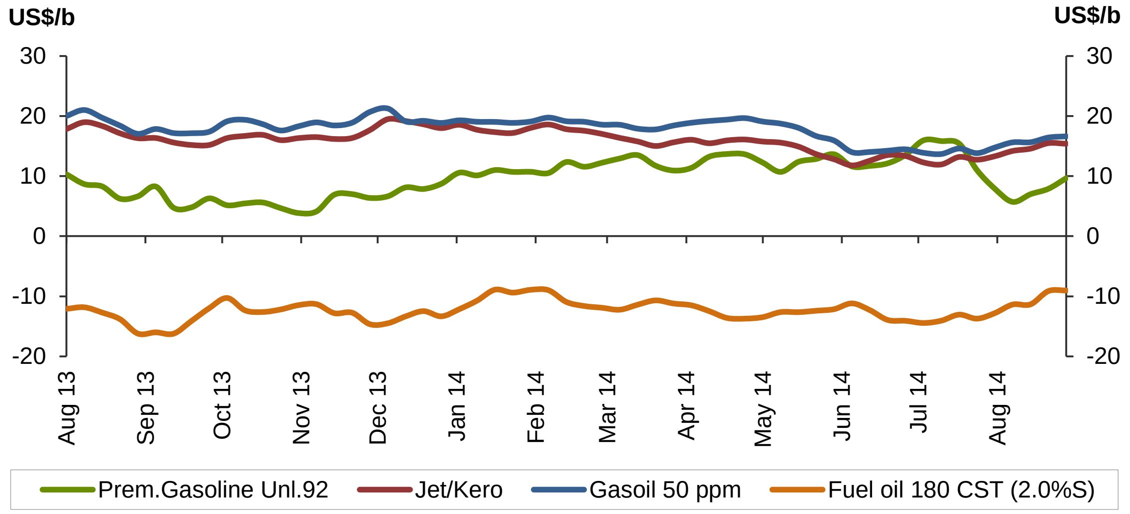
The Singapore **gasoline crack** suffered a sharp drop during August due to pressure from the supply side amid weakening demand in several countries in the region. Gasoline supply side exerted pressure on the back of increasing availability with several cargoes being offered from Taiwan´s refinery while an increase in Singapore light distillate stocks also fuelled bearish sentiment. Additionally, the bearish sentiment was boosted further with the expected increase in supplies as several FCC units restarted operation within the region.

On the other hand, the gasoline market lost support from the demand side with depressed demand in some countries such as Indonesia and Japan and diminishing demand from India, thus impacting the gasoline market in the region.

The gasoline crack spread against Dubai crude in Singapore showed a sharp drop of more than $6 to average $7.5/b in August.

The Singapore **naphtha crack** lost the ground it recovered last month as market sentiment became bearish due to expectations of oversupply with heavy arbitrage inflows and condensate splitters in the region staring up ahead of the upcoming ethylene cracker turnarounds in the region.

Graph 6.5: Singapore crack spread vs. Dubai, 2013-2014



At the **middle of the barrel**, cracks recovered some ground on the back of steady demand in some countries amid export opportunities.

The gasoil market was supported from higher export opportunities as buying interest emerged outside of the region, mainly from South Africa and the Middle East, following refinery maintenance. Additional support came from stronger demand in Australia and Malaysia.

The supply side was relatively balanced as expected higher exports from India, following improved monsoon rainfall, were offset by reduced exports out of China.

The gasoil crack spread in Singapore against Dubai gained $2 versus the level of the previous month to average around $16/b in August.

The **fuel oil crack** recovered in Singapore on the back of tightening sentiment despite weak bunker and power demand.

Fuel oil cracks ticked up over the month with the crack spread being supported by a temporary shortage in the availability of lower viscosity bunker fuel in Singapore. The tight environment was boosted by expectations of lower exports of 380 centistokes (cSt) fuel oil from the Middle East.

The fuel oil crack spread in Singapore against Dubai gained more than $3 to average minus $10.3/b in August.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				*Refinery utilization, %*			
	Jun 14	Jul 14	Aug 14	*Change* Aug/Jul	Jun 14	Jul 14	Aug 14	*Change* Aug/Jul
US	15.71	16.51	16.39	-0.12	88.17	92.65	92.00	-0.65
France	1.02	1.13	-	-	67.75	74.91	-	-
Germany	1.59	1.77	-	-	70.93	78.58	-	-
Italy	1.11	1.18	-	-	52.32	55.63	-	-
UK	1.00	1.04	-	-	65.47	67.96	-	-
Euro-16	9.43	9.86	-	-	73.69	77.03	-	-
Japan	2.66	3.04	3.27	0.23	60.00	77.00	86.90	9.90

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

Table 6.2: Refined product prices, US$/b

		Jun 14	Jul 14	Aug 14	*Change* Aug/Jul
US Gulf (Cargoes FOB):					
Naphtha		115.72	111.07	105.20	-5.87
Premium gasoline	*(unleaded 93)*	135.44	128.21	122.19	-6.02
Regular gasoline	*(unleaded 87)*	125.95	119.96	116.47	-3.49
Jet/Kerosene		121.66	119.18	120.21	1.03
Gasoil	*(0.2% S)*	120.89	117.60	116.34	-1.26
Fuel oil	*(1.0% S)*	99.26	94.48	94.22	-0.26
Fuel oil	*(3.0% S)*	93.10	89.01	87.64	-1.37
Rotterdam (Barges FoB):					
Naphtha		105.38	103.50	95.76	-7.74
Premium gasoline	*(unleaded 98)*	130.41	128.08	119.86	-8.22
Jet/Kerosene		124.73	122.77	120.02	-2.75
Gasoil/Diesel	*(10 ppm)*	121.59	119.20	116.65	-2.55
Fuel oil	*(1.0% S)*	98.71	93.75	88.64	-5.11
Fuel oil	*(3.5% S)*	93.20	90.81	89.16	-1.65
Mediterranean (Cargoes FOB):					
Naphtha		103.30	101.50	93.81	-7.69
Premium gasoline*		126.37	122.91	115.19	-7.72
Jet/Kerosene		121.52	120.19	117.47	-2.72
Gasoil/Diesel*		122.79	119.77	117.07	-2.70
Fuel oil	*(1.0% S)*	100.17	94.49	89.68	-4.81
Fuel oil	*(3.5% S)*	92.20	91.00	88.87	-2.13
Singapore (Cargoes FOB):					
Naphtha		106.17	106.34	98.87	-7.47
Premium gasoline	*(unleaded 95)*	123.74	121.99	111.35	-10.64
Regular gasoline	*(unleaded 92)*	120.46	119.78	109.26	-10.52
Jet/Kerosene		120.80	118.79	116.60	-2.19
Gasoil/Diesel	*(50 ppm)*	122.18	120.24	117.78	-2.46
Fuel oil	*(180 cst 2.0% S)*	97.24	94.51	93.50	-1.01
Fuel oil	*(380 cst 3.5% S)*	95.13	93.35	91.86	-1.49

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

Tanker Market

Weak sentiment continued to dominate the crude oil tanker market in August. Tanker freight rates registered a drop of 20% and 11%, respectively, for Suezmax and Aframax classes, while VLCC closed the month with freight rates at levels similar to those of the previous month. Dirty tankers suffered from a slow market and limited activities, amid ample tonnage supply. VLCC freight rates ended flat in August compared to the previous month, as all reported routes saw no change. Suezmax freight rates stayed under pressure, in part due to competition from VLCC carriers. In contrast, Aframax freight rates dropped on all selected routes with the exception of the Indonesia-to-East route. Rates in the Mediterranean fell on average, despite increased requirements and premiums. Clean tanker sentiment showed an improvement, particularly for long-range (LR) tankers trading in the East, while medium-range (MR) tanker rates experienced a mixed performance, improving for eastern fixtures while slightly dropping in the West.

Spot fixtures

Following the gains achieved a month earlier, OPEC spot fixtures dropped in August by 3.9%. The decline came mainly on the back of lower fixtures registered for both eastbound and westbound destinations, while global fixtures declined by 4.5% from one month earlier. Compared with one year ago, OPEC and spot global fixtures were down by 2.3% and 0.9%, respectively.

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

	Jun 14	Jul 14	Aug 14	*Change* Aug 14/Jul 14
Spot Chartering				
All areas	17.32	17.93	17.12	-0.81
OPEC	11.91	12.59	12.10	-0.49
Middle East/East	5.32	5.92	5.83	-0.09
Middle East/West	2.35	2.45	2.10	-0.35
Outside Middle East	4.25	4.23	4.17	-0.05
Sailings				
OPEC	23.24	23.55	23.40	-0.15
Middle East	16.92	17.21	17.07	-0.14
Arrivals				
North America	9.34	8.58	8.86	0.27
Europe	12.60	12.39	12.46	0.07
Far East	8.65	8.37	8.26	-0.11
West Asia	4.38	4.57	4.62	0.05

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

Sailings and arrivals

OPEC sailings were also lower in August, dropping from the previous month and a year earlier by 0.6% and 1.2%, respectively. According to preliminary data, arrivals at North America, Europe and West Asia increased by 3.2%, 0.5% and 1.1%, respectively, from July. The Far East was the only route which saw a decrease; it was down by 1.3% from the previous month’s arrivals.

Spot freight rates

VLCC

Crude oil tanker chartering activity had a slow start at the beginning of August. The tanker market remained weak, as charters had the upper hand and the number of offers was on the high side. Freight rates dropped in the Middle East and West Africa due to sluggish chartering activities in the first week before the trend reversed in both regions. Freight rates in the Middle East saw a gradual increase, achieving a few world scale (WS) point gains, while in the West the gains were smaller, despite the relatively limited tonnage supply. The Middle East market received further support as September requirements were placed. The same scenario was repeated in West Africa and rates remained close to those in the Middle East. Tonnage requirements were stable in the West African market, supported by a stronger Middle East market, as tonnage availability was thinning in both regions as well as in the Caribbean. The upward trend for the VLCC market was short-lived as freight rates dropped towards the third decade of the month, affected by a slower flow in tonnage requirements and tanker build-up. The number of VLCC fixtures was on the low side as some VLCC requirements were shifted to Suezmax vessels due to the weak Suezmax market.

On average, VLCC freight rates were higher by a slight WS1 point from the previous month as the Middle East-to-East route ended the month flat at WS49 points, while the Middle East-to-West route averaged WS30 points in August and the West Africa-to-East route averaged WS51 points. Generally speaking, most VLCC rates were at the same level as the previous month.

Graph 7.1: Monthly averages of crude oil spot freight rates

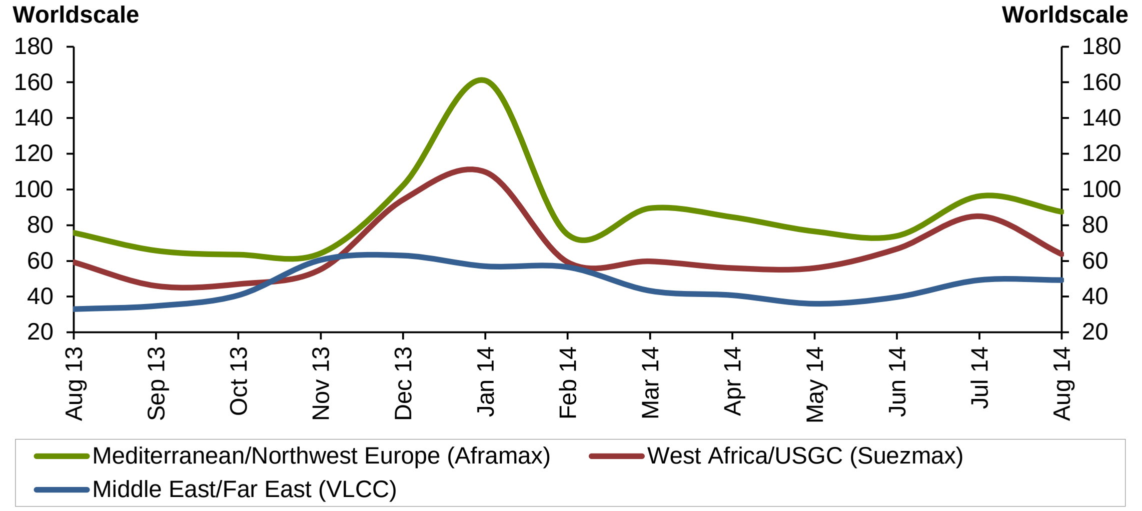


Table 7.2: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	**Jun 14**	**Jul 14**	**Aug 14**	***Change*** **Aug 14/Jul 14**
Crude					
Middle East/East	230-280	40	49	49	0
Middle East/West	270-285	28	30	30	0
West Africa/East	260	42	51	51	0
West Africa/US Gulf Coast	130-135	67	85	64	-21
Northwest Europe/US Gulf Coast	130-135	60	75	63	-12
Indonesia/East	80-85	96	101	111	10
Caribbean/US East Coast	80-85	107	158	113	-46
Mediterranean/Mediterranean	80-85	82	104	95	-9
Mediterranean/Northwest Europe	80-85	74	96	88	-9

Sources: Galbraith's tanker market report and Platts.

Suezmax

Suezmax experienced the highest freight rate drop in August among other dirty tanker classes, down by 19% from one month earlier. Freight rates were under pressure despite a suitable amount of activity at the beginning of the month, which was not enough to prevent rates from declining. On the other hand, tonnage demand was seen to be weak in different regions, including the Black Sea, the Middle East and West Africa, and tonnage build-up was increasing. As a result, Suezmax freight rates declined in August on both reported routes. Suezmax spot freight rates on the West Africa-to-US Gulf Coast (USGC) route decreased 25% to stand at WS64 points compared with the previous month, mainly due to an over-populated tonnage list as ballasters increased to West Africa, while the Northwest Europe-to-US East Coast (USEC)/USGC decreased by 15% from July.

Aframax

The **Aframax** sector followed the same pattern as Suezmax in August. On average, Aframax freight rates dropped by 11% from the previous month as all selected routes registered declines, except the Indonesia-to-East route, which increased by 10%. Aframax freight rates declined on average despite occasional jumps in freight rates in the North Sea and the Baltics as a result of tight availability on certain days in the second decade. Rates were soon corrected down once the congested dates passed. Caribbean-to-USEC spot freight rates registered the highest drop, averaging WS113 points, down by 29% from one month earlier. Movement in the Caribbean tanker market was slow, firm inquiries were limited and ships were available even for prompt requirements. Aframax rates in the Caribbean stabilized by end of the month following a continuous decline. Aframax market spot freight rates in the Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes experienced a similar drop, declining from the previous month's level by 8% and 9%, respectively, to stand at WS95 points and WS88 points. Aframax monthly average rates in the Mediterranean dropped in spite of increased activity and berthing delays at Trieste port.

However, compared with one year earlier, spot freight rates from the Caribbean-to-the US increased by 8% in August. In the Mediterranean market, spot freight rates from the Mediterranean-to-Mediterranean and from the Mediterranean-to-Northwest Europe routes increased by 15% each in August compared with the previous month.

Clean spot freight rates

Following several months of decline, clean market spot freights increased by 4% m-o-m in August, nevertheless experiencing mixed patterns. On average, East of Suez spot rates increased by 11% while West of Suez route rates declined by 1%. The LR class saw tight availability in August, which supported freight rates for the sector, particularly in the East, where the market was active. MR tanker freight rates for eastbound destinations showed gains from the previous month. Middle East-bound freights saw a rate increase of 20% and Singapore-bound tankers saw clean spot rates grow by 3%. Freight rates for tankers trading on the Northwest Europe-to-USEC increased by 4% to average WS91 points, despite the ships' list being well populated. Activity in the Mediterranean remained limited before picking up slightly by the end of the month, though there was no significant improvement in rates, as the Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes both experienced a decline of 3% m-o-m to stand at WS117 and WS127 points, respectively.

Graph 7.2: Monthly average of clean spot freight rates

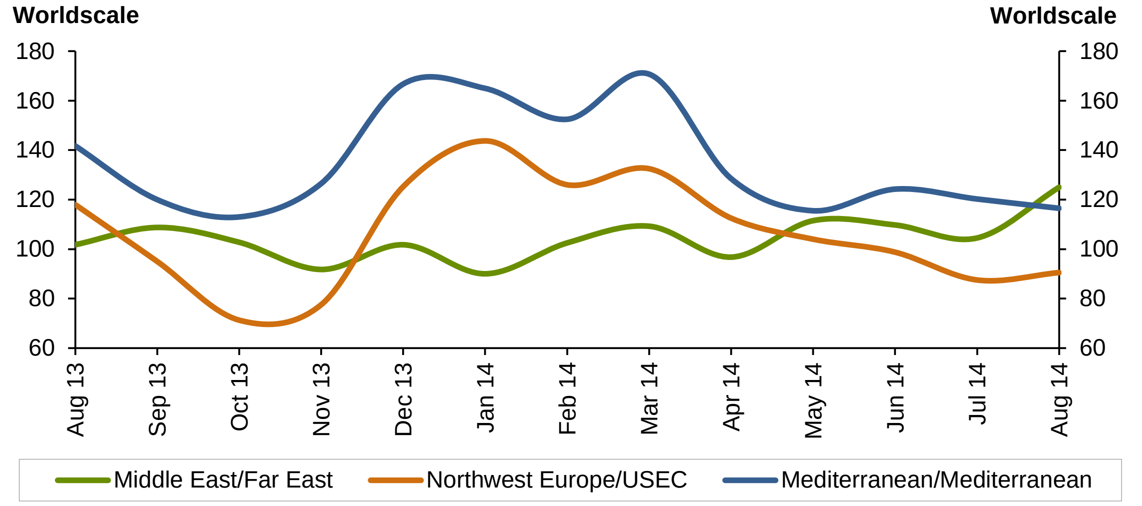


Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	Jun 14	Jul 14	Aug 14	*Change* Aug 14/Jul 14
Products					
Middle East/East	30-35	110	105	125	21
Singapore/East	30-35	111	108	111	3
Northwest Europe/US East Coast	33-37	99	88	91	3
Mediterranean/Mediterranean	30-35	124	120	117	-4
Mediterranean/Northwest Europe	30-35	134	130	127	-3

Sources: Galbraith's tanker market report and Platts.

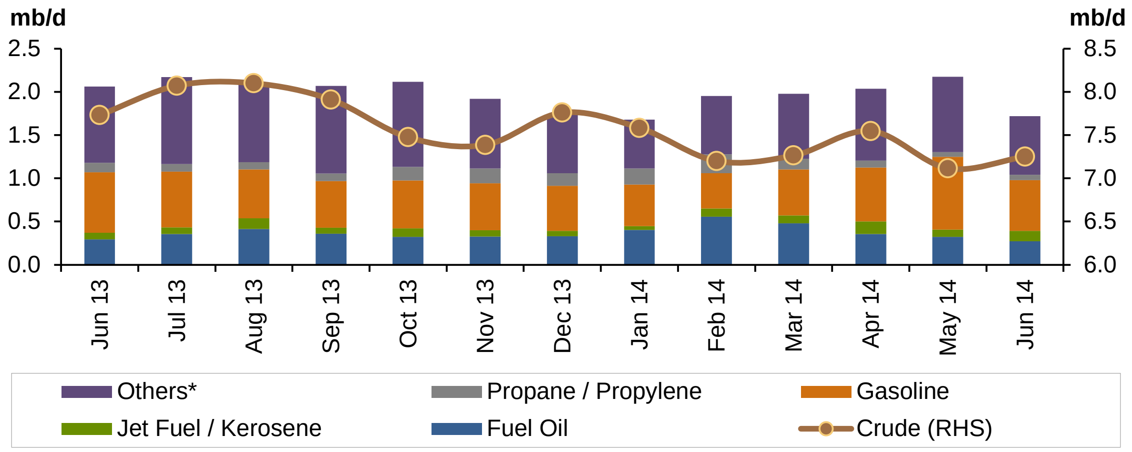
Oil Trade

US crude oil imports averaged 7.6 mb/d, an increase of 163 tb/d over the previous month, but showed a decline of 449 tb/d or 6% compared to a year ago. Japan crude oil imports increased in July by 87 tb/d or 3% to average 3.1 mb/d. Y-o-y, Japan's crude imports declined by 387 tb/d or 11%. Chinese crude oil imports declined for the third month in a row in July, dropping by 70 tb/d or 1% to average 5.6 mb/d. In July, Indian crude imports fell by 618 tb/d or 16% from the previous month to average 3.3 mb/d. The country's crude imports saw an annual drop of 537 tb/d or 14%. Total crude oil exports from the former Soviet Union increased by 193 tb/d or 3% to average 6.1 mb/d in July. Crude exports through the Russian pipelines increased as well, by a slight 25 tb/d or 0.7% to average 3.6 mb/d.

US

Preliminary data for August shows that US crude oil imports increased to average 7.6 mb/d, up by 163 tb/d from one month earlier, while still reflecting a drop from the previous year of 449 tb/d or 6%. On a year-to-date basis, US crude imports in August were 398 tb/d lower.

Graph 8.1: US imports of crude and petroleum products

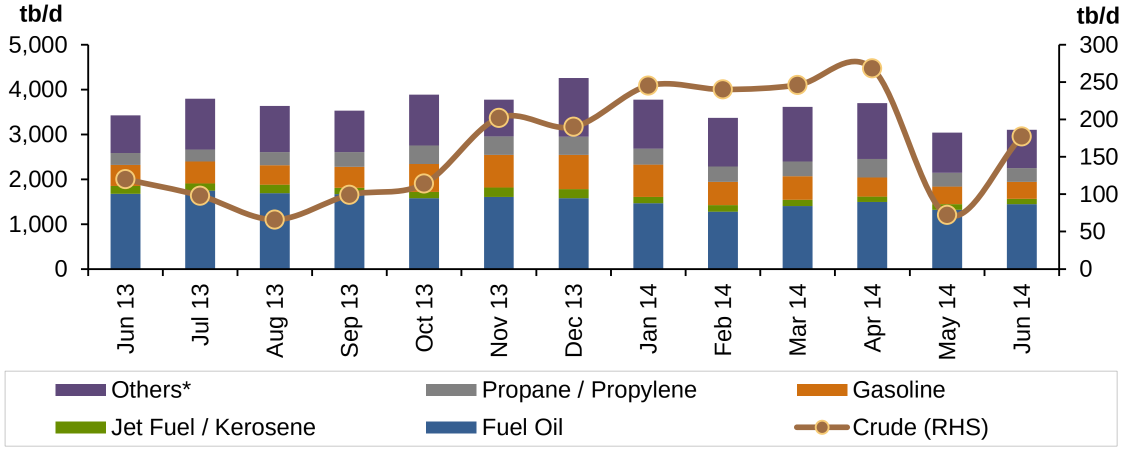


**Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene.*

US monthly product imports were higher in August by 108 tb/d, or 6%, to average 1.8 mb/d. On a year-to-date comparison, product imports declined by 13%. Meanwhile, US product exports in August totaled 3.4 mb/d, up by 198 tb/d from one month ago. In an annual comparison, the figures reflect a drop of 227 tb/d or 6%. Thus, **total US net imports were almost stable — as seen in the previous month — averaging 5.7 mb/d, though significantly lower than one year ago, down by 803 tb/d.**

In June, the first and second suppliers to the US maintained their places from the previous month. Canada remained the premier crude supplier to the US, accounting for 39% of total US crude imports, with monthly volumes increasing by a slight 13 tb/d from one month earlier. Saudi Arabia maintained its position as second largest supplier to the US in June, though it exported less over the previous month by 207 tb/d or 17%. Mexico was third top supplier, accounting for 10% of total US crude imports with lower exports than the previous month by 24 tb/d or 10%.

Graph 8.2: US exports of crude and petroleum products



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

Crude imports from OPEC Member Countries declined in June from one month before by 72 tb/d or 2%. Imports from OPEC Member Countries accounted for 43% of total US crude imports. Conversely, US product imports from OPEC Member Countries were up by 10 tb/d or 12% from one month before, though down by a slight 4 tb/d from the same month one year earlier. Canada and Russia maintained their positions as first and second product suppliers to the US, accounting for 28% and 14%, respectively. However, both countries exported less petroleum products to the US in July, lower by 8% and 26%, respectively. Algeria came in as the third supplier to the US, increasing its exports by 56 tb/d or 8% from the previous month.

Regionally, US crude imports from North America in June averaged 2.75 mb/d, exceeding imports from both Latin America and the Middle East, which came in second and third to stand at 1.96 mb/d and 1.94 mb/d, respectively. Imports from North America and the Middle East were higher than the same month one year earlier, while imports from Latin America declined compared with those of the previous June.

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

	Jun 14	Jul 14	Aug 14	*Change* Aug 14/Jul 14
Crude oil	6,658	7,208	7,312	30
Total products	-1,999	-1,502	-1,591	-517
Total crude and products	**4,659**	**5,706**	**5,720**	**-488**

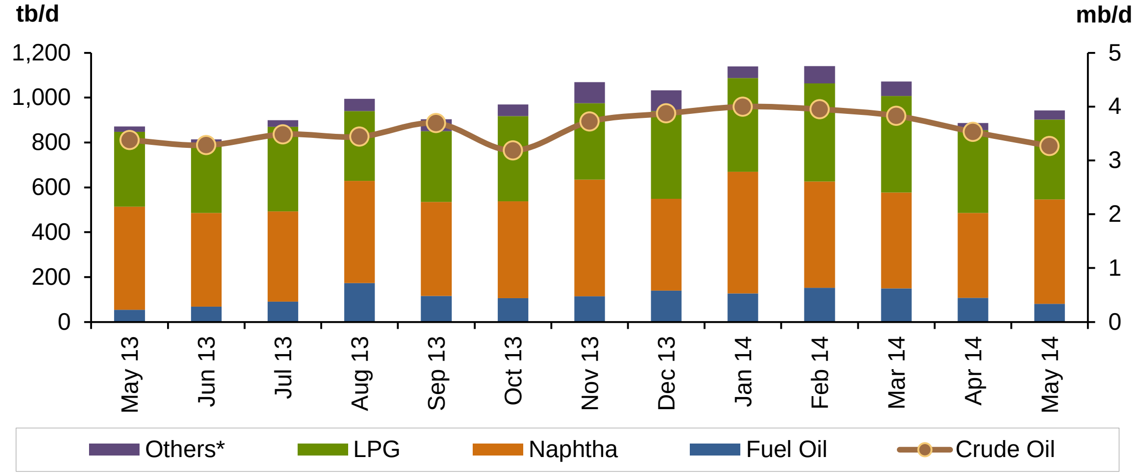
Looking at crude imports by PADD region, in PADD 1 the highest crude imports to the East Coast were sourced from Africa, standing at 261 tb/d, followed by North America, which averaged 248 tb/d. Crude imports from Africa were higher in June by 34 tb/d or 15% m-o-m, while imports from North America dropped by 50 tb/d. Imports by PADD 2 were mainly sourced from North America and averaged 2 mb/d, up by 194 tb/d from one month earlier. Additionally, the Middle East supplied a smaller quantity of 30 tb/d, down by a slight 8 tb/d from the previous month. PADD 3 mainly sourced its imports from Latin America and the Middle East, followed by North America, with small volumes also coming from Africa. Imports to the USGC were lower in June over the previous month from all suppliers. PADD 4 solely covered its requirements from North America, with an average of 195 tb/d in June, down 54 tb/d from a month earlier. On the US West Coast, imports from the Middle East rose by 48 tb/d to average 540 tb/d, allowing the region to maintain its position as the main source of crude imports to PADD 5.

Imports to PADD 5 from Latin America, North America and Asia were down, dropping by 17 tb/d, 41 tb/d and 22 tb/d, respectively.

Japan

Japan crude oil imports increased in July by 87 tb/d, or 3%, to average 3.1 mb/d. In a y-o-y comparison of crude imports, July saw a decline of 387 tb/d or 11%. Saudi Arabia, the UAE and Qatar were the top suppliers to Japan in July. Saudi Arabia was the number one crude supplier to Japan, as it had been the previous month, representing 34% of total crude exports to the country, while the UAE came in as second-largest supplier, with a 27% share. Qatar held the third position in July, with a share of 11%. Saudi Arabia, the UAE and Qatar saw reductions in volumes exported to Japan over the previous month by 12%, 7% and 48%, respectively.

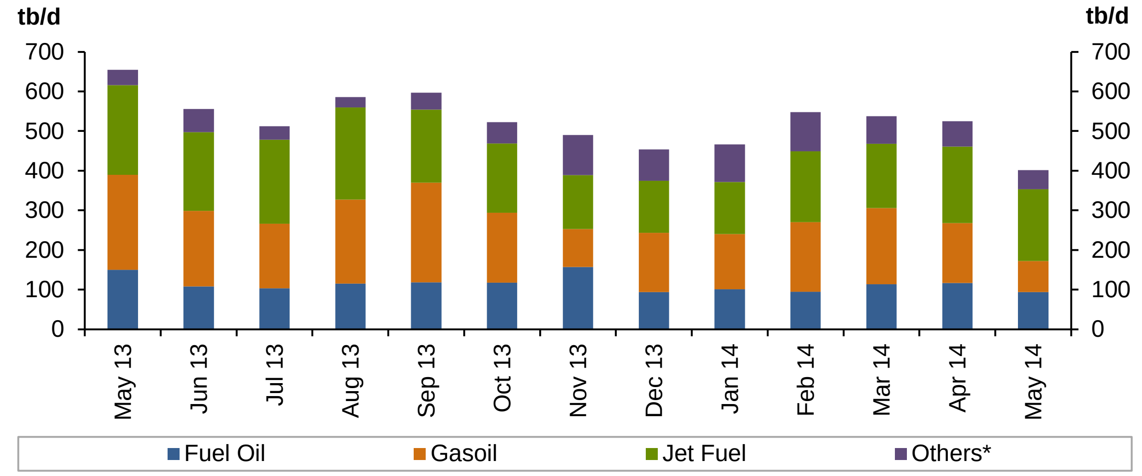
Graph 8.3: Japan's imports of crude and petroleum products



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

Product imports increased in July by 65 tb/d to average 631 tb/d, reflecting a gain of 12% m-o-m and 21% y-o-y. Product imports in July are considered to be the highest since March 2014, though product sales were lower by 11% over the previous year. The country's exports increased in July by 12 tb/d or 3% to average 475 tb/d, though in a y-o-y comparison they dropped by 37 tb/d or 7%.

Graph 8.4: Japan's exports of petroleum products



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

Accordingly, **Japanese net imports rose in July by 140 tb/d to average 3.2 mb/d, reflecting a monthly gain of 4%, but an annual drop of 7%.**

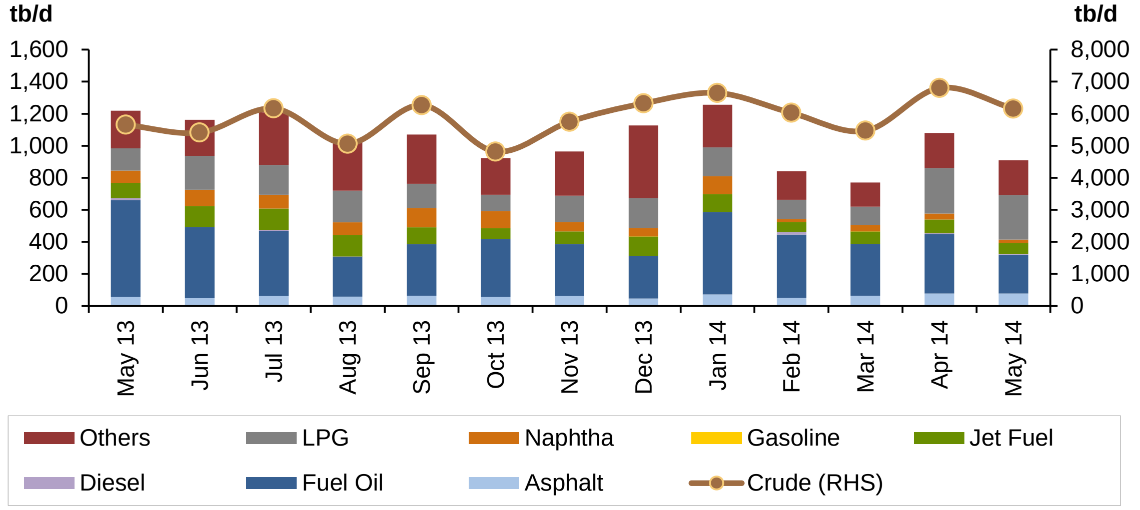
Table 8.2: Japan's crude and product net imports, tb/d

	May 14	Jun 14	Jul 14	*Change* Jul 14/Jun 14
Crude oil	3,267	3,011	3,097	-262
Total products	185	103	156	192
Total crude and products	**3,453**	**3,114**	**3,254**	**-71**

China

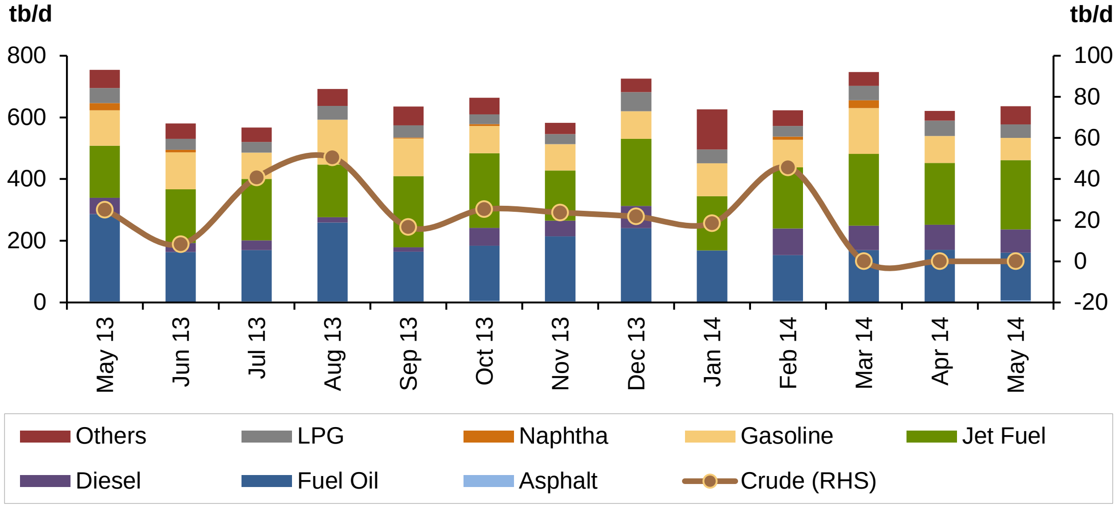
In July, China's crude oil imports declined for the third month in a row, falling by 70 tb/d or 1% to average 5.6 mb/d. The drop came mainly from lower crude runs, as refinery maintenance continued; the country reported low refinery throughput. On an annual basis, the country's crude imports were lower than the same period one year earlier by 554 tb/d or 9%. Year-to-date it saw a gain of 389 tb/d or 7%.

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



Saudi Arabia, Angola and Iraq were the country's top suppliers in July, accounting for 16%, 12% and 10%, respectively. Saudi Arabia exported less volume to China than a month earlier by 71 tb/d, while volumes from Angola and Iraq were higher than a month ago by 7 tb/d and 185 tb/d, respectively. Iran came in as the fourth-largest supplier to China in July, after increasing exports from the previous month by 27 tb/d.

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



As was the case for the previous five months, China did not export any crude in July.

Chinese product exports stood almost at the same level as one month ago, averaging 662 tb/d, up by a slight 3 tb/d from June. Y-o-y, this reflects an increase of 94 tb/d or 17%. **China's net oil imports decreased by 233 tb/d from the previous month and 1 mb/d from one year earlier.**

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

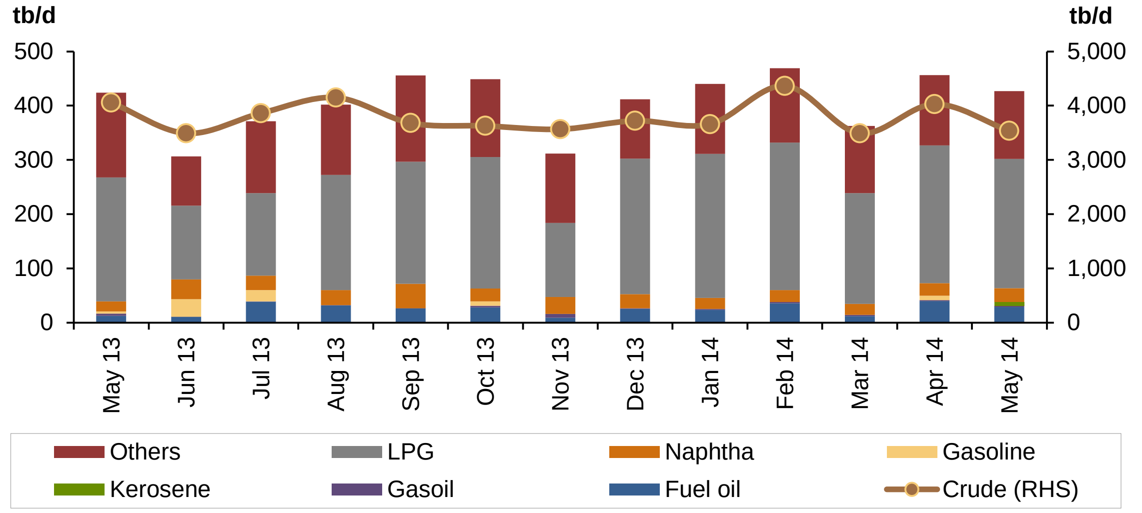
	May 14	Jun 14	Jul 14	*Change* Jul 14/Jun 14
Crude oil	6,159	5,680	5,610	-643
Total products	272	297	135	-187
Total crude and products	**6,431**	**5,977**	**5,745**	**-830**

India

In July, India's crude imports declined by 618 tb/d or 16% from previous month to average 3.3 mb/d, with crude imports showing an annual drop of 537 tb/d or 14%.

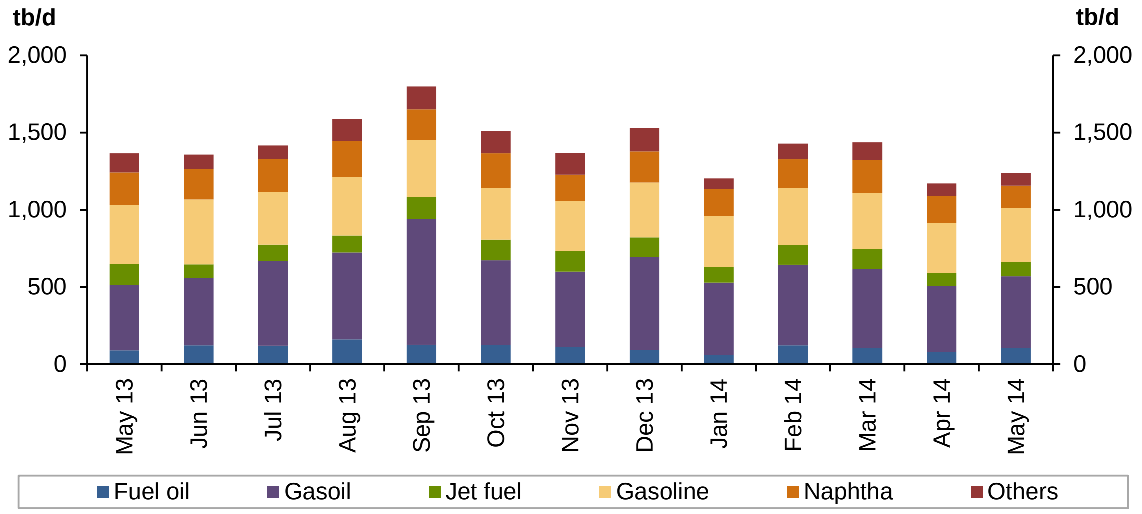
Meanwhile, the country's July products imports saw an increase of 67 tb/d or 17% m-o-m to average 465 tb/d, while gaining 94 tb/d y-o-y. At the same time, India's product sales were up by 2.9% in July from the previous month. The increase in monthly product imports came as a result of higher imported volumes of all products, with the exception of fuel oil, which showed a drop from the previous month of 14 tb/d or 54%. Imports of diesel and petrol saw the highest increase in July, rising by 9 tb/d and 22 tb/d, respectively, from the previous month. Too little rain and power outages spurred the need for product in the country.

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



India's product exports dropped in July by 105 tb/d or 8% to average 1.1 mb/d. Y-o-y product exports were down from one year earlier by 243 tb/d or 17%. The drop in monthly product exports came on the back of lower exported volumes of diesel and petrol, which fell 23% and 11% from one month earlier, respectively.

Graph 8.8: India's exports of petroleum products



As a result, **India's net imports declined by 446 tb/d to average 2.6 mb/d, reflecting a drop of 446 tb/d m-o-m and 200 tb/d y-o-y.**

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

	May 14	Jun 14	Jul 14	*Change* Jul 14/Jun 14
Crude oil	3,541	3,942	3,324	-493
Total products	-831	-879	-707	-96
Total crude and products	**2,710**	**3,062**	**2,617**	**-589**

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

FSU

In July, total crude oil exports from the former Soviet Union increased by 193 tb/d or 3% to average 6.1 mb/d. Crude exports through the Russian pipelines increased as well, by a slight 25 tb/d or 0.7%, to average 3.6 mb/d.

Total shipments from the Black Sea dropped by 27 tb/d or 2% to average 583 tb/d, mainly because shipments from Novorossiysk port terminal were lower than one month ago. Total Baltic Sea exports also dropped by 27 tb/d in July, mostly due to lower shipments from Primorsk port terminal, which fell by 53 tb/d. This was, however, counterbalanced by higher oil exports through Ust-Luga terminal, which increased by 226 tb/d from one month earlier. Total shipments through the Druzhba pipeline reached 980 tb/d in July, up by 48 tb/d from the previous month, while Kozmino port shipments increased by 36 tb/d or 8% to average 507 tb/d. Exports through the Lukoil system increased in July from the previous month. The Varandey offshore platform in the Barents Sea showed a gain of 15 tb/d, while total shipments from the Baltic Sea averaged 23 tb/d, though at Kalinigrad port terminal they dropped by 4 tb/d.

Other routes reported mixed movement. On the whole, Russian Far East total exports were lower by 101 tb/d or 33% from the previous month due to a decline in exports from both Aniva Bay and De Kastri port terminals, which saw losses of 24 tb/d and 77 tb/d from the previous month, respectively. Central Asia’s total exports through the Kenkiyak-Alashankou pipeline averaged 289 tb/d, up by 53 tb/d from June. Baltic Sea total exports increased by 91 tb/d, mainly on the back of increased volumes passing through the Novorossiyk port terminal (CPC), while Batumi and Supsa port terminals saw declines of 13 tb/d and 3 tb/d, respectively, from one month ago. In the Mediterranean Sea, BTC supplies gained 104 tb/d or 16% from the previous month to average 744 tb/d. FSU total product exports dropped by 132 tb/d or 4% from one month earlier to average 3.4 mb/d. Exports of gasoil, VGO, gasoline and naphtha all dropped from June, by 14 tb/d, 16 tb/d, 82 tb/d and 38 tb/d, respectively. In July, total FSU product exports averaged 3.37 mb/d.

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

Transneft system			2012	2013	2Q 14	Jun 14	Jul 14
	Europe	**Black Sea total**	**843**	**739**	**672**	**637**	**583**
		Novorossiysk port terminal - total	843	739	672	637	583
		of which: Russian oil	573	535	494	455	410
		Others	271	204	178	182	173
		Baltic Sea total	**1,690**	**1,546**	**1,433**	**1,291**	**1,264**
		Primorsk port terminal - total	1,356	1,083	942	873	820
		of which: Russian oil	1,277	1,007	942	873	820
		Others	79	76	0	0	0
		Ust-Luga port terminal - total	334	463	490	418	444
		of which: Russian oil	273	342	295	242	281
		Others	61	121	196	176	164
		Druzhba pipeline total	**1,079**	**1,032**	**998**	**932**	**980**
		of which: Russian oil	1,027	1,000	966	899	948
		Others	52	32	32	33	32
	Asia	**Pacific ocean total**	**331**	**434**	**474**	**471**	**507**
		Kozmino port terminal - total	331	434	474	471	507
		China (via ESPO Pipeline) total	**306**	**321**	**304**	**304**	**325**
		China Amur	306	321	304	304	325
	Total Russian crude exports		**4,249**	**4,071**	**3,881**	**3,635**	**3,660**
Lukoil system			**2012**	**2013**	**2Q 14**	**Jun 14**	**Jul 14**
	Europe and North America	**Barents Sea Total**	**66**	**111**	**116**	**120**	**135**
		Varandey offshore platform	66	111	116	120	135
	Europe	**Baltic Sea Total**	**10**	**19**	**12**	**12**	**23**
		Kalinigrad port terminal	10	19	12	12	8
Other routes			**2012**	**2013**	**2Q 14**	**Jun 14**	**Jul 14**
	Asia	**Russian Far East total**	**259**	**259**	**289**	**307**	**207**
		Aniva bay port terminal	114	114	116	117	93
		De Kastri port terminal	145	145	173	191	114
		Central Asia total	**210**	**239**	**233**	**236**	**289**
		Kenkiyak-Alashankou	210	239	233	236	289
	Europe	**Baltic sea total**	**829**	**853**	**943**	**911**	**1,002**
		Novorossiysk port terminal (CPC)	656	704	818	784	891
		Supsa port terminal	72	76	70	87	84
		Batumi port terminal	82	53	42	40	27
		Kulevi port terminal	19	20	14	0	0
		Mediterranean sea total	**654**	**641**	**594**	**640**	**744**
		BTC	654	641	594	640	744
Russian rail			**2012**	**2013**	**2Q 14**	**Jun 14**	**Jul 14**
		Russian rail	**107**	**198**	**46**	**28**	**37**
		of which: Russian oil	*10*	*9*	*9*	*10*	*8*
		Others	97	189	38	18	29
	Total FSU crude exports		**6,382**	**6,392**	**6,116**	**5,889**	**6,082**
Products			**2012**	**2013**	**2Q 14**	**Jun 14**	**Jul 14**
		Gasoline	130	122	129	99	85
		Naphtha	311	390	515	493	455
		Jet	7	11	11	7	7
		Gasoil	784	857	1,005	1,040	958
		Fuel oil	1,336	1,415	1,522	1,581	1,599
		VGO	242	263	259	286	270
	Total FSU product exports		**2,810**	**3,058**	**3,441**	**3,506**	**3,374**
Total FSU oil exports			**9,192**	**9,450**	**9,557**	**9,395**	**9,456**

Sources: Argus Nefte Transport and Argus Global Markets.

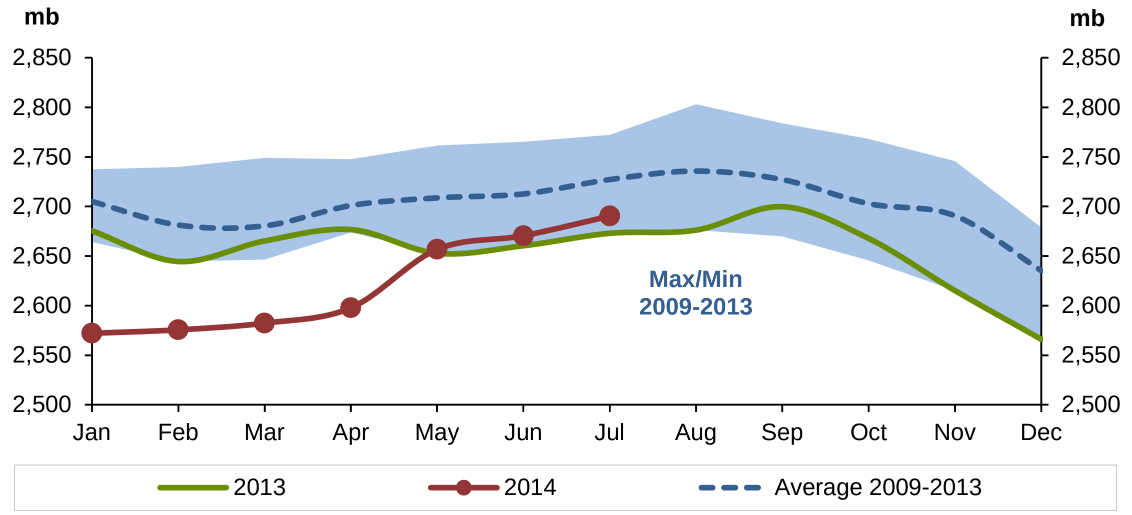
Stock Movements

OECD commercial oil stocks rose by around 20.0 mb to stand at 2,690 mb in July, but remained 37.0 mb below the five-year average. Crude indicated a surplus of 22.2 mb, while product stocks showed a deficit of 59 mb. In terms of days of forward cover, OECD commercial stocks rose slightly by 0.2 days in July, compared to the previous month, to stand at 58.2 days, some 0.5 days lower than the five-year average. Preliminary data for August show that US total commercial oil stocks increased by 3.7 mb, reversing the drop of last month to stand at 1,124.4 mb, the highest level since September 2013. At this level, inventories were 10.0 mb or 0.9% above the latest five-year average but remained in line with the same period a year ago. Within the components, product stocks saw a build of 9.8 mb, while crude witnessed a stock draw of 6.0 mb. The latest information for July showed that Chinese total oil commercial inventories rose by 11.7 mb to stand at 407.3 mb. Chinese inventories were 35 mb above this time last year. Within the components, commercial crude rose by 14.3 mb, while product inventories fell by 2.6 mb.

OECD

Preliminary data for July shows that **total OECD commercial oil stocks** rose by 19.8 mb, accumulating more than 124 mb since the beginning of this year. At 2,690 mb, inventories were around 17.4 mb higher than the same time a year ago and 37 mb less than the latest five-year average.

Graph 9.1: OECD's commercial oil stocks



Within the components, **crude commercial stocks** were down by 8.8 mb in July, while product inventories rose by 28.6 mb. At 1,312 mb, OECD crude commercial stocks were 36.3 mb above the same time a year earlier and 22.2 mb higher than the latest five-year average. Despite the stock draw in July, crude commercial stocks in the OECD remained comfortable due mainly to the ongoing rise in non-OPEC supply and relatively weaker demand in OECD countries.

On the product side, the build in July put OECD **product inventories** at 1,378 mb, driven by higher refinery outputs, especially in the US. At this level, OECD product stocks showed a deficit of 59.0 mb compared to the seasonal norm and 19.0 mb below the same time a year ago. Middle distillates accounted for the total of the deficit with the five-year average, standing nearly 60 mb below the seasonal norm.

In terms of **days of forward cover**, OECD commercial stocks rose slightly by 0.2 days in July from the previous month to stand at 58.2 days. This is around 0.5 days lower than the latest five-year average but indicated a surplus of 0.2 days over the same month a year earlier. OECD Americas' forward cover was 0.4 days less than the historical average at 57.0 days in July, and OECD Asia Pacific stood at 0.2 days below the seasonal average to finish the month at 49.7 days. Meanwhile, OECD Europe indicated a surplus of 0.5 days, averaging 65.8 days in July.

In July, **commercial stocks** in **OECD Americas** fell by 2.1 mb following a build over the last five months and finished July at 1,390 mb. At this level, inventories were around 17.1 mb above the seasonal norm and stood 11.8 mb above the same time one year ago. Within the components, the total build came from products as crude witnessed draws.

At the end of July, **crude commercial oil stocks** in **OECD Americas** fell by 18.3 mb to stand at 675 mb but still represented a surplus of 25.7 mb above the latest five-year average. However, they remained 1.5 mb lower than the same time a year ago. The drop in crude commercial stocks came mainly from a major increase in US crude runs, reaching 16.6 mb/d.

In contrast, **OECD Americas' product stocks** rose by 16.2 mb in July for the fourth consecutive month to stand at 714 mb, a surplus of 1.4 mb over the seasonal norm and 6.9 mb above the same time one year ago. The build in product stocks came mainly from high US refinery output combined with relatively lower demand, but a further build was limited by higher exports.

OECD Europe's commercial stocks rose by 21.9 mb, reversing the drop of last month to stand at 907 mb. At this level, OECD Europe's commercial stocks stood at 36.0 mb below the seasonal norm, but 19.2 mb above a year ago at the same time. Within the components, crude and product stocks rose by 14.3 mb and 7.6 mb, respectively.

At 405 mb, **OECD Europe's commercial crude stocks** stood at 14.2 mb above the five-year average and indicated a surplus of 33.0 mb over the same period a year ago. European crude stocks were at a comfortable level with crude inventories up by more than 30.0 mb since May as a result of higher supply. This upward trend also underlies the contango structure of ICE Brent, encouraging refiners to stock more crude oil.

OECD Europe's commercial product stocks also rose by 7.6 mb in July following a drop of 5.8 mb in June. At 501 mb. OECD Europe's commercial product inventories showed a deficit of 50.2 mb below the seasonal norm and stood 13.8 mb lower than the same time a year ago. Ongoing weaker demand in Europe contributed to the build in OECD Europe product stocks.

OECD Asia Pacific commercial stocks remained unchanged in July to stand at 394 mb, which was 13.7 mb below the same period a year ago and 18.0 mb lower than the latest five-year average. Within the components, crude commercial stocks fell by 4.8 mb, while product stocks rose by the same amount. **Crude inventories** ended the month of July at 232 mb and stood 1.6 mb below a year ago and 7.7 mb less than the seasonal norm. **OECD Asia Pacific's total product inventories** ended July at 162 mb, indicating a deficit of 12.1 mb compared with a year ago and 10.3 mb below the seasonal norm.

Table 9.1: OECD's commercial stocks, mb

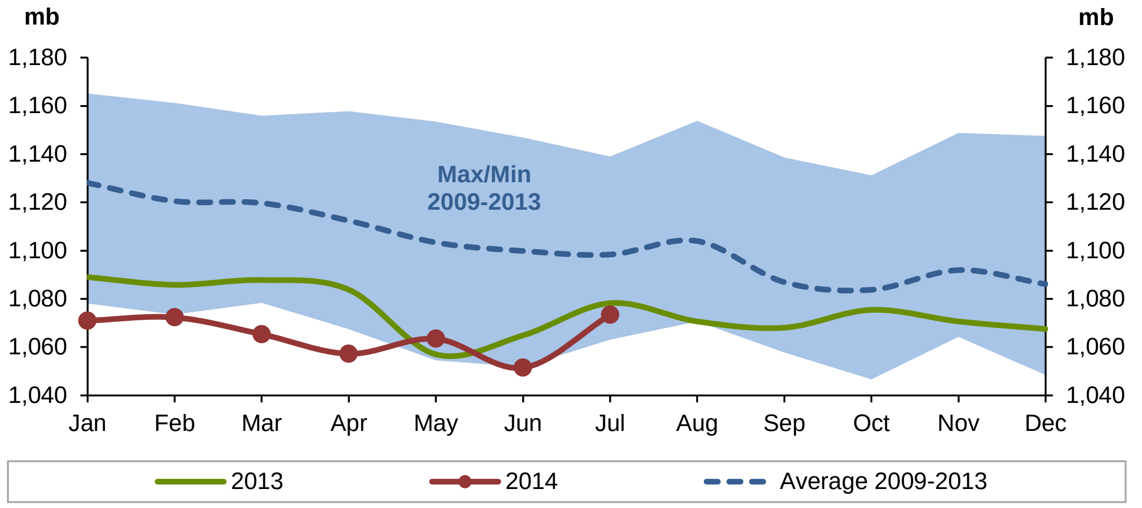
	May 14	Jun 14	Jul 14	*Change* Jul 14/Jun 14	Jul 13
Crude oil	1,319	1,321	1,312	-8.8	1,276
Products	1,337	1,350	1,378	28.6	1,397
Total	**2,657**	**2,671**	**2,690**	**19.8**	**2,673**
Days of forward cover	**58.0**	**58.0**	**58.2**	**0.2**	**58.0**

EU plus Norway

Preliminary data for July shows that **European stocks** rose by 21.9 mb, reversing the fall of last month to stand at 1073.4 mb. Despite this build, they stood at 4.8 mb or 0.4% lower than the same time a year ago and 25.0 mb or 2.3% below the latest five-year average. The total stock build came from both crude and products as they increased by 14.3 mb and 7.6 mb, respectively.

European crude inventories rose in July to end the month at 482.7 mb, leaving them at an almost four-year high. With this stock build, crude inventories stood at 16.6 mb or 3.6% above the same period last year and were 15.8 mb or 3.4% above the latest five-year average. The build came mainly from growing crude supplies in the Atlantic Basin as well as some improvement in exports from Libya. However, a further build was limited by higher crude runs, which rose by 430,000 b/d from the previous month to stand at 9.86 mb/d. At this level, crude throughputs were nearly 650,000 b/d lower than the same period last year. In July, refiners' utilization rates were around 77.0%, 3.0 percentage points (pp) lower than during the same month a year earlier.

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



OECD Europe's product stocks also rose by 7.6 mb in June, reversing a drop of the previous month. At 590.7 mb, European stocks were still 21.4 mb or 3.5% below a year ago at the same time and 40.8 mb or 6.5% below the seasonal norm. With the exception of naphtha, all other products saw a build.

Gasoline stocks rose by 2.0 mb and ended July at 108.0 mb. At this level, gasoline stocks showed a deficit of 1.3 mb or 1.2% below a year ago and 1.0 mb or 1.0% less than the seasonal norm. The build mainly reflects higher gasoline production combined with relatively weak demand in the region.

Distillate stocks also rose by 5.3 mb in July to stand at 384.8 mb. At this level, distillate stocks indicated a deficit of 6.9 mb or 1.3% compared to a year ago at the same period and 10.3 mb or 2.6% below the five-year average. The build came mainly from higher refinery output as a seasonal increase in diesel demand limited further builds in middle distillate stocks.

Residual fuel oil stocks rose by 1.3 mb in July to end the month at 74.2 mb, which was 11.8 mb or 13.8% below the same time a year ago and 22.4 mb, or 23.2%, less than the seasonal average. The build in residual fuel oil is attributed to higher output. In contrast, **naphtha** stocks fell by 0.9 mb in July to stand at 23.8 mb, representing a deficit of 1.3 mb, or 5.3%, compared with a year ago and 7.1 mb, or 22.9%, below the latest five-year average.

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

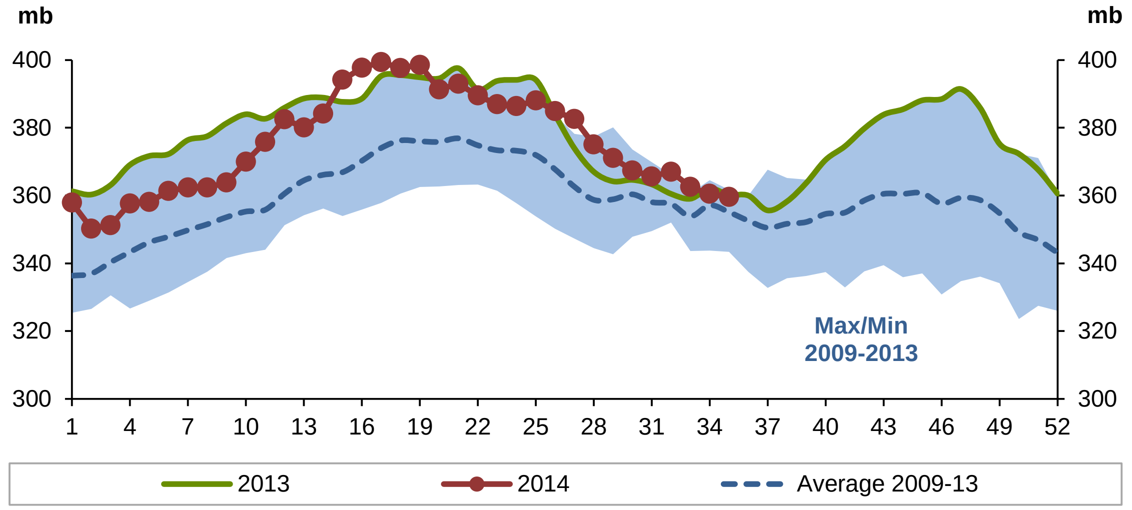
	May 14	Jun 14	Jul 14	*Change* Jul 14/Jun 14	Jul 13
Crude oil	**473.5**	**468.4**	**482.7**	**14.3**	**466.1**
Gasoline	106.3	106.1	108.0	2.0	109.4
Naphtha	23.3	24.6	23.8	-0.9	25.1
Middle distillates	388.5	379.5	384.8	5.3	391.7
Fuel oils	71.9	72.9	74.2	1.3	86.0
Total products	590.0	583.1	590.7	7.6	612.1
Total	**1,063.4**	**1,051.5**	**1,073.4**	**21.9**	**1,078.2**

Sources: Argus and Euroilstock.

US

Preliminary data for August shows that **total commercial oil stocks** rose by 3.7 mb, reversing the drop of last month, to stand at 1,124.4 mb, the highest level since September 2013. At this level, they were 10.0 mb, or 0.9%, above the latest five-year average but remained in line with the same period a year ago. Within the components, product stocks saw a build of 9.8 mb, while crude witnessed a stock draw of 6.0 mb.

Graph 9.3: US weekly commercial crude oil stocks



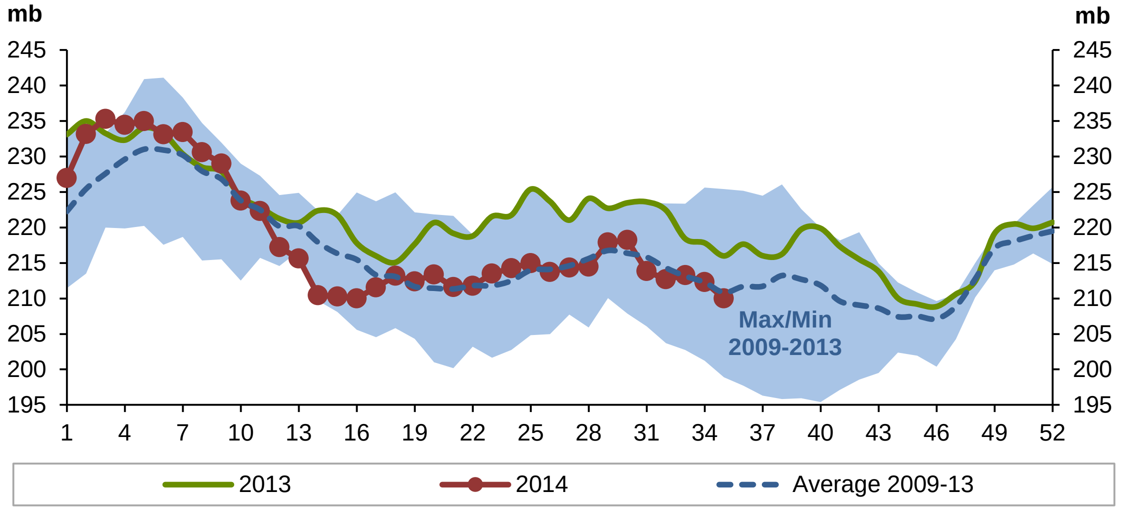
US commercial crude stocks fell in August for the third consecutive month to stand at 359.6 mb. Despite this stock draw, crude oil commercial stocks finished the month of August at 6.3 mb or 1.8% above the five-year average but stood 3.9 mb or 1.1% lower than the same time a year ago. The fall in crude stocks was mainly driven by robust

US crude oil refinery input, averaging more than 16.4 mb/d. Refineries operated at around 92% of operable capacity in August. A further drop in US crude commercial stocks was limited by a relative increase in crude imports during August compared to the previous month. Indeed, US crude imports rose by around 170,000 b/d to stand at 7.65 mb/d in August. In contrast to the drop in national inventories, stocks at Cushing, Oklahoma, rose by 2.3 mb to 20.3 mb, but they were down almost 15 mb from the same period last year.

Total product stocks continued to rise for the fifth consecutive month, indicating a build of 9.8 mb to end August at 764.8 mb. At this level, US product stocks were 3.8 mb or 0.5% above the levels seen at the same time a year ago and showed a surplus of 3.3 mb or 0.4% above the seasonal norm. Within products, the picture was mixed.

Gasoline stocks fell by 3.9 mb in August following a drop of 5.0 mb in July. At 210.0 mb, gasoline stocks were 7.4 mb or 3.4% lower than the same period a year ago and 1.8 mb or 0.9% less than the latest five-year average. The decline came mainly from healthy implied demand, which held above 9.0 mb/d. Higher gasoline output limited a further stock draw in gasoline.

Graph 9.4: US weekly gasoline stocks



Distillate stocks also fell by 1.5 mb in August, reversing the build of last month, to stand at 123.4 mb, which was 27.0 mb or 18.0% below the five-year average and 5.3 mb or 4.1% less than the same period a year ago. The fall in middle distillate stocks reflected a combination of higher demand and relatively lower distillate production.

In contrast, **residual fuel** oil stocks rose by 1.4 mb to end August at 36.5 mb, which is 1.3 mb or 3.7% higher than a year ago at the same period and 0.5 mb or 1.3% above the seasonal norm. **Jet fuel** stocks also rose by 0.4 mb to stand at 34.6 mb, which is 4.9 mb or 12.3% less than the same month a year ago and 9.2 mb or 21.0% below the latest five-year average.

Table 9.3: US onland commercial petroleum stocks, mb

	Jun 14	Jul 14	Aug 14	Change Aug 14/Jul 14	Aug 13
Crude oil	383.9	365.6	359.6	-6.0	365.7
Gasoline	218.8	213.8	210.0	-3.9	217.6
Distillate fuel	121.7	124.9	123.4	-1.5	129.1
Residual fuel oil	36.7	35.1	36.5	1.4	35.2
Jet fuel	36.3	34.2	34.6	0.4	39.5
Total	**1,122.7**	**1,120.7**	**1,124.4**	**3.7**	**1,126.8**
SPR	691.0	691.0	691.0	0.0	696.0

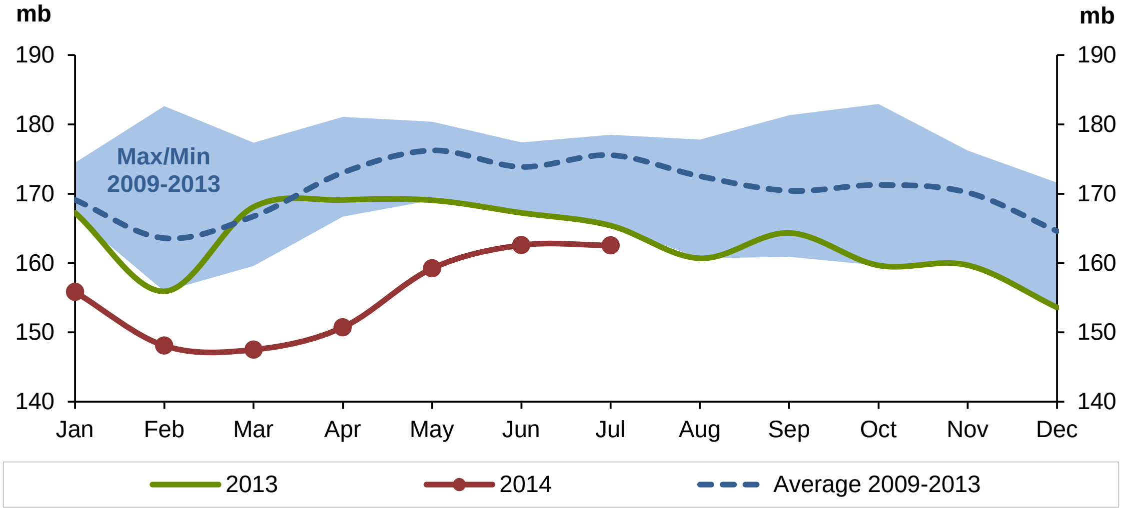
Source: US Department of Energy's Energy Information Administration.

Japan

In Japan, total **commercial oil stocks** remained unchanged in July following a build over the last three months. At 162.6 mb, Japanese oil inventories are 2.9 mb or 1.7% below a year ago and 13.0 mb or 7.4% lower than the five-year average. Within components, crude stocks rose by 4.8 mb, while product stocks fell by the same amount.

Japanese commercial **crude oil stocks** declined in July, reversing the build of the last four months, to stand at 99.7 mb. Despite this drop, they were 3.4 mb or 3.5% above a year ago at the same time, but they still remained 3.4 mb or 3.3% below the seasonal norm. The stock draw in crude oil was driven by higher crude runs, which rose by around 490,000 b/d, or 18.8%, to average 3.1 mb/d, nearly 9.0% lower than the previous year at the same time. Higher crude oil imports limited a further drop in crude oil stocks. Indeed, crude oil imports rose by around 90,000 b/d or 2.9% to average 3.1 mb/d but were 11.1% less than the same period last year. Direct crude burning in power plants rose by nearly 3.8% in July compared with the previous month, averaging 132 tb/d and showing a decline of 28% over the same period a year ago.

Graph 9.5: Japan's commercial oil stocks



In contrast, Japan's **total product inventories** rose by 4.8 mb in July, reversing the fall of last month. At 62.8 mb, product stocks showed a deficit of 6.2 mb or 9.0% compared with the same time a year ago and remained below the five-year average by a deficit of 9.6 mb or 13.3%. The build was driven by high refinery output, which increased by almost 318,000 b/d to average 2.8 mb/d in July, but still stood at 11.9% below a year earlier during the same period. Higher product sales, which increased by 3.4% in July, limited a further build in product stocks. However, Japan's total oil product sales in July fell 11.3% from a year earlier, making it the lowest monthly rate since 1986. All other products witnessed a stock build, with the bulk coming from distillates.

Distillate stocks also rose by 2.7 mb in July, reversing the drop of the last month. At 26.3 mb, distillate stocks were 4.8 mb or 15.5% below the same period a year ago and 5.7 mb or 17.9% lower than the seasonal average. All distillate components experienced a build in July. Jet fuel inventories rose by 14.6% on the back of higher production, which increased by almost 19% in July, compared to the previous month. Kerosene stocks increased by 14.6%, driven by higher output and lower kerosene sales. Gasoil inventories went up by 7.0% on the back of a 26% increase in production.

Gasoline stocks rose by 0.2 mb in July, reversing the fall of the last two months, to stand at 11.0 mb, which is 1.8 mb or 14% less than the same time the previous year and 2.0 mb or 15.6% below the five-year average. Higher gasoline output, which rose by 16%, was behind the drop in gasoline stocks. Higher domestic sales limited a further drop in gasoline inventories.

Total residual **fuel oil stocks** rose by 1.4 mb to end the month of July at 16.1 mb, which is 1.2 mb or 8.1% above a year ago and 0.2 mb or 1.3% higher than the five-year average. Within fuel oil components, fuel oil A stocks and fuel oil B.C stocks rose by 2.3% and 13.4%, respectively. The build in residual oil was mainly driven by higher output. Naphtha stocks rose by 0.4 mb, finishing the month of July at 9.4 mb, still indicating a deficit of 0.8 mb or 8.0% compared with a year ago and 2.1 mb or 18.2% below the seasonal norm. The stock build came from higher output, which increased by more than 31%.

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

	May 14	Jun 14	Jul 14	*Change* Jul 14/Jun 14	Jul 13
Crude oil	**96.3**	**104.5**	**99.7**	**-4.8**	**96.4**
Gasoline	12.3	10.8	11.0	0.2	12.8
Naphtha	8.8	8.9	9.4	0.4	10.2
Middle distillates	26.3	23.6	26.3	2.7	31.1
Residual fuel oil	15.5	14.7	16.1	1.4	14.9
Total products	**62.9**	**58.1**	**62.8**	**4.8**	**69.0**
Total**	**159.2**	**162.6**	**162.6**	**0.0**	**165.4**

* *At end of month.*

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

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

China

The latest information for July showed that **Chinese total oil commercial inventories** rose by 11.7 mb, reversing the drop of last month. At 407.3 mb, Chinese inventories were 35 mb above last year at the same time. Within the components, commercial crude rose by 14.3 mb, while product inventories fell by 2.6 mb. At 260.3 mb, **crude commercial stocks** represented a surplus of 18.0 mb when compared to the same period a year earlier. The build came mainly from lower crude runs, however, lower domestic crude production limited a further build in crude commercial stocks.

In contrast, total **product stocks** in China went down by 2.6 mb in July to stand at 147.0 mb, reversing the build of the last month. At this level, Chinese product stocks were 6.2 mb below a year ago at the same time. The fall could be attributed to lower refinery output. Within products, gasoline inventories fell by 0.7 mb to stand at 62.5 mb; kerosene stocks also fell by 1.1 mb, ending the month of July at 14.9 mb; and diesel inventories indicated a drop of 0.7 mb to stand at 69.6 mb.

Table 9.5: China's commercial oil stocks, mb

	May 14	Jun 14	Jul 14	*Change* Jul 14/Jun 14	Jul 13
Crude oil	**251.8**	**246.0**	**260.3**	**14.3**	**224.4**
Gasoline	61.6	63.2	62.5	-0.7	59.8
Diesel	71.9	70.3	69.6	-0.7	75.2
Jet kerosene	15.4	16.0	14.9	-1.1	13.0
Total products	**148.9**	**149.6**	**147.0**	**-2.6**	**148.0**
Total	**400.7**	**395.6**	**407.3**	**11.7**	**372.4**

Source: OPEC Secretariat analysis.

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of July, **product stocks in Singapore** fell by 6.1 mb for the second consecutive month to stand at 40.2 mb, representing a surplus of 3.4 mb or 9.3% over the same period last year. All products experienced a drop.

Light distillate stocks fell by 1.0 mb in July for the third consecutive month to stand at 9.6 mb, remaining 0.7 mb or 7.2% above the same time a year ago. Middle distillate stocks fell by 1.2 mb, reversing the build of the last three months and ending July at 11.7 mb, but remained 3.8 mb or 48.3% above a year ago during the same period. Residual fuel oil stocks also fell by 3.9 mb in July to stand 18.9 mb, which was 1.0 mb or 5.2% below the same period last year.

Product stocks in Amsterdam-Rotterdam-Antwerp (ARA) rose slightly by 0.1 mb in July to stand at 35.8 mb. Product stocks in ARA stood at 7.0 mb or 24.3% above a year ago at the same time. Within products, the picture was mixed as naphtha, gasoil and jet fuel oil experienced builds, while gasoline and fuel oil saw a drop.

Gasoline stocks fell by 2.9 mb to end the month of July at 6.3 mb, which is still 0.5 mb or 8.9% higher than the same period last year. Residual fuel oil fell by 0.5 mb to stand at 4.5 mb, mainly due to the relative improvement in bunker demand. In contrast, gasoil rose by 1.1 mb for the fourth consecutive month ending July at 19.5 mb, which is 5.1 mb or 35.4% higher than the same period last year. Both jet oil and naphtha stocks rose by 0.4 mb to stand at 3.3 mb and 2.2 mb, respectively. Both products were higher than a year ago at the same time.

Balance of Supply and Demand

Demand for OPEC crude in 2014 was revised down by 0.2 mb/d from the previous report to stand at 29.5 mb/d, which is 0.8 mb/d lower than the 2013 level. Demand for OPEC crude in 2015 was also revised down by 0.2 mb/d to average 29.2 mb/d, representing a decline of 0.3 mb/d from this year.

Forecast for 2014

Demand for OPEC crude for 2014 was revised down by 0.2 mb/d from the previous report, reflecting the upward adjustment of non-OPEC supply as well as the downward revision in global demand. 2Q14 and 3Q14 were revised down by 0.2 mb/ and 0.3 mb/d respectively. 4Q14 was also revised down by 0.1 mb/d, while 1Q14 remained unchanged.

The demand for OPEC crude is estimated at 29.5 mb/d in 2014, representing a decrease of 0.8 mb/d from last year level. 1Q14 and 2Q14 are estimated to show a decline of 0.9 mb/d and 1.5 mb/d respectively versus the same period last year. 3Q14 is expected to decline by 0.5 mb/d while 4Q14 is forecast to increase by 0.2 mb/d compared to the same quarter last year.

Table 10.1: Summarized supply/demand balance for 2014, mb/d

	2013	1Q14	2Q14	3Q14	4Q14	2014
(a) World oil demand	**90.14**	**90.14**	**90.11**	**91.97**	**92.50**	**91.19**
Non-OPEC supply	54.23	55.59	55.77	55.86	56.42	55.91
OPEC NGLs and non-conventionals	5.65	5.73	5.79	5.86	5.93	5.83
(b) Total supply excluding OPEC crude	**59.88**	**61.33**	**61.56**	**61.71**	**62.35**	**61.74**
Difference (a-b)	**30.26**	**28.82**	**28.55**	**30.26**	**30.15**	**29.45**
OPEC crude oil production	30.20	29.83	29.75			
Balance	-0.06	1.01	1.19			

Totals may not add up due to independent rounding.

Forecast for 2015

Demand for OPEC crude for 2015 was revised down by 0.2 mb/d from the previous month. Within the quarters, the 1Q15 was revised down by 0.3 mb/d. Both 2Q15 and 3Q15 were revised down by 0.2 mb/d, while 4Q15 remained unchanged from the previous assessment.

The demand for OPEC crude is projected at 29.2 mb/d, representing a decrease of 0.3 mb/d from estimated 2014 level. 1Q15 is expected to decline by 0.4 mb/d when compared to the same period last year, while 2Q15 is forecast to drop by 0.1 mb/d. 3Q15 and 4Q15 are projected to see negative growth of 0.2 mb/d and 0.3 mb/d, respectively, from the previous year at the same quarter.

Table 10.2: Summarized supply/demand balance for 2015, mb/d

	2014	1Q15	2Q15	3Q15	4Q15	2015
(a) World oil demand	**91.19**	**91.35**	**91.31**	**93.19**	**93.64**	**92.38**
Non-OPEC supply	55.91	57.07	56.85	57.04	57.65	57.16
OPEC NGLs and non-conventionals	5.83	5.89	5.98	6.08	6.18	6.03
(b) Total supply excluding OPEC crude	**61.74**	**62.96**	**62.83**	**63.12**	**63.83**	**63.19**
Difference (a-b)	**29.45**	**28.39**	**28.49**	**30.07**	**29.81**	**29.20**

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

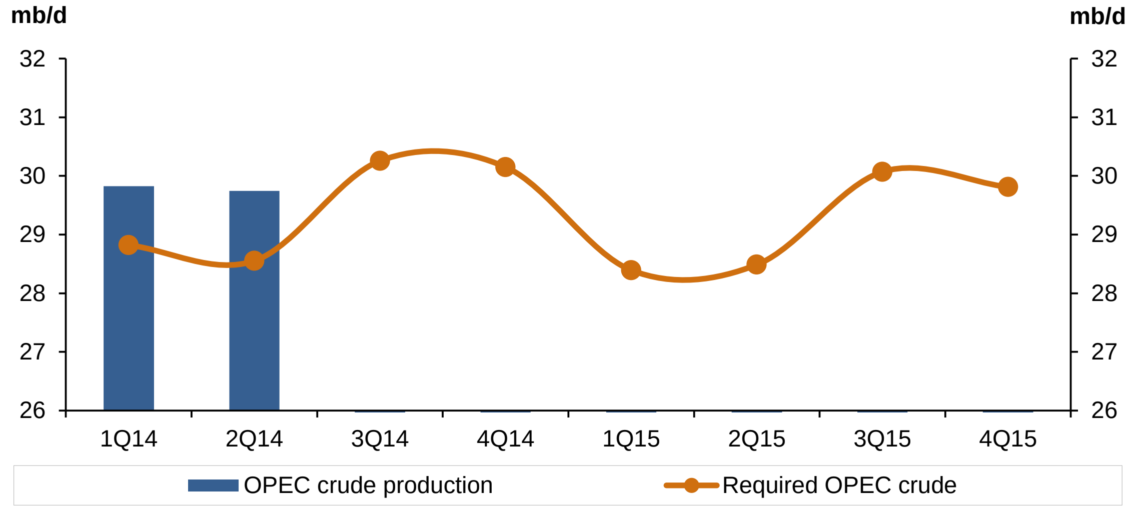


Table 10.3: World oil demand and supply balance, mb/d

	2011	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
World demand													
OECD	46.4	45.9	45.9	45.8	45.0	46.0	46.3	45.8	45.8	45.0	46.0	46.3	45.8
Americas	24.0	23.6	24.0	23.9	23.9	24.4	24.5	24.2	24.0	24.0	24.6	24.7	24.3
Europe	14.3	13.8	13.6	13.0	13.5	13.8	13.4	13.4	13.0	13.4	13.7	13.3	13.3
Asia Pacific	8.1	8.5	8.3	8.8	7.6	7.8	8.4	8.2	8.8	7.5	7.7	8.3	8.1
DCs	27.3	28.2	29.0	29.3	29.8	30.4	29.8	29.8	30.2	30.6	31.3	30.7	30.7
FSU	4.3	4.4	4.5	4.4	4.2	4.6	4.9	4.5	4.4	4.3	4.7	5.0	4.6
Other Europe	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.6
China	9.4	9.7	10.1	10.1	10.5	10.3	10.7	10.4	10.4	10.9	10.6	11.0	10.7
(a) Total world demand	**88.1**	**89.0**	**90.1**	**90.1**	**90.1**	**92.0**	**92.5**	**91.2**	**91.4**	**91.3**	**93.2**	**93.6**	**92.4**
Non-OPEC supply													
OECD	20.2	21.1	22.2	23.3	23.7	23.7	24.1	23.7	24.5	24.5	24.7	25.3	24.8
Americas	15.5	16.7	18.1	19.1	19.6	19.8	20.0	19.6	20.3	20.4	20.8	21.1	20.6
Europe	4.1	3.8	3.6	3.7	3.5	3.4	3.6	3.6	3.7	3.6	3.5	3.7	3.6
Asia Pacific	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
DCs	12.6	12.1	12.1	12.2	12.2	12.3	12.3	12.3	12.5	12.5	12.4	12.4	12.4
FSU	13.2	13.3	13.4	13.5	13.4	13.3	13.4	13.4	13.4	13.3	13.3	13.3	13.3
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	4.1	4.2	4.2	4.2	4.3	4.2	4.3	4.3	4.3	4.3	4.3	4.4	4.3
Processing gains	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	52.4	52.9	54.2	55.6	55.8	55.9	56.4	55.9	57.1	56.9	57.0	57.7	57.2
OPEC NGLs + non-conventional oils	5.4	5.6	5.6	5.7	5.8	5.9	5.9	5.8	5.9	6.0	6.1	6.2	6.0
(b) Total non-OPEC supply and OPEC NGLs	**57.8**	**58.4**	**59.9**	**61.3**	**61.6**	**61.7**	**62.4**	**61.7**	**63.0**	**62.8**	**63.1**	**63.8**	**63.2**
OPEC crude oil production (secondary sources)	29.8	31.1	30.2	29.8	29.7								
Total supply	87.6	89.6	90.1	91.2	91.3								
Balance (stock change and miscellaneous)	-0.5	0.6	-0.1	1.0	1.2								
OECD closing stock levels (mb)													
Commercial	2,606	2,663	2,566	2,582	2,671								
SPR	1,536	1,547	1,584	1,586	1,579								
Total	4,142	4,211	4,150	4,168	4,249								
Oil-on-water	825	879	909	954	914								
Days of forward consumption in OECD													
Commercial onland stocks	57	58	56	57	58								
SPR	33	34	35	35	34								
Total	90	92	91	93	92								
Memo items													
FSU net exports	8.9	8.8	8.9	9.1	9.1	8.7	8.4	8.8	9.0	9.0	8.6	8.3	8.7
(a) - (b)	**30.3**	**30.6**	**30.3**	**28.8**	**28.6**	**30.3**	**30.2**	**29.5**	**28.4**	**28.5**	**30.1**	**29.8**	**29.2**

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

	2011	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
World demand													
OECD	-0.1	-	-	-0.1	-0.1	-	0.1	-	-0.1	-0.1	-0.1	0.1	-
Americas	-	-	0.1	-	-	-	0.2	0.1	-0.1	-	-	0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-0.1	-0.1	-0.1	-	-0.1	-0.1	-0.1	-0.1	-	-0.1	-0.1	-0.1	-0.1
DCs	-	-	0.1	-	0.1	0.1	-	0.1	0.1	0.2	0.1	-	0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	0.1	-	-	-	0.2	0.1	-	-	-	0.2	0.1
World demand growth	-	-	0.1	-	-0.1	-	-	-	-	-	-	-	-
Non-OPEC supply													
OECD	-	-	-	-	0.1	0.5	0.4	0.3	0.2	0.2	0.2	0.2	0.2
Americas	-	-	-	-	0.1	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	0.2	0.4	0.4	0.2	0.2	0.2	0.2	0.2	0.2
Total non-OPEC supply growth	-	-	0.1	-	0.2	0.3	0.3	0.2	0.2	-	-0.2	-0.1	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	0.2	0.4	0.4	0.2	0.2	0.2	0.2	0.2	0.2
OPEC crude oil production (secondary sources)	-	-	-	-	-								
Total supply	-	-	-	-	0.2								
Balance (stock change and miscellaneous)	-	-	-0.1	-	0.2								
OECD closing stock levels (mb)													
Commercial	-	-	-	-	39								
SPR	-	-	-	-	-3								
Total	-	-	-	-	36								
Oil-on-water	-	-	-	-	-								
Days of forward consumption in OECD													
Commercial onland stocks	-	-	-	-	1								
SPR	-	-	-	-	-								
Total	-	-	-	-	1								
Memo items													
FSU net exports	-	-	-	-	-	-0.1	-0.1	-	-0.1	-	-0.1	-0.1	-0.1
(a) - (b)	-	-	0.1	-	-0.2	-0.3	-0.1	-0.2	-0.3	-0.2	-0.2	-	-0.2

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

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

	2011	2012	2013	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
Closing stock levels, mb												
OECD onland commercial	**2,606**	**2,663**	**2,566**	**2,688**	**2,730**	**2,663**	**2,665**	**2,660**	**2,700**	**2,566**	**2,582**	**2,671**
Americas	1,308	1,365	1,315	1,362	1,385	1,365	1,349	1,377	1,402	1,315	1,311	1,392
Europe	905	901	869	913	917	901	904	873	885	869	873	885
Asia Pacific	392	397	382	413	428	397	413	409	413	382	399	394
OECD SPR	**1,536**	**1,547**	**1,584**	**1,539**	**1,542**	**1,547**	**1,581**	**1,577**	**1,582**	**1,584**	**1,586**	**1,579**
Americas	697	696	697	697	696	696	697	697	697	697	697	692
Europe	426	436	470	429	433	436	472	471	472	470	470	468
Asia Pacific	414	415	417	413	414	415	413	409	413	417	418	418
OECD total	**4,142**	**4,211**	**4,150**	**4,227**	**4,272**	**4,211**	**4,247**	**4,237**	**4,282**	**4,150**	**4,168**	**4,249**
Oil-on-water	**825**	**879**	**909**	**812**	**844**	**879**	**942**	**871**	**878**	**909**	**954**	**914**
Days of forward consumption in OECD												
OECD onland commercial	**57**	**58**	**56**	**59**	**59**	**58**	**59**	**58**	**58**	**56**	**57**	**58**
Americas	55	57	55	57	58	58	57	57	58	55	55	57
Europe	66	66	65	66	67	68	65	63	65	67	65	64
Asia Pacific	46	48	46	50	49	45	53	51	48	43	52	50
OECD SPR	**33**	**34**	**35**	**34**	**33**	**34**	**35**	**34**	**34**	**35**	**35**	**34**
Americas	29	29	29	29	29	29	29	29	29	29	29	28
Europe	31	32	35	31	32	33	34	34	35	36	35	34
Asia Pacific	49	50	51	50	47	47	53	51	48	47	54	53
OECD total	**90**	**92**	**91**	**92**	**92**	**92**	**94**	**92**	**92**	**91**	**93**	**92**

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

	2011	2012	2013	3Q14	4Q14	2014	Change 14/13	1Q15	2Q15	3Q15	4Q15	2015	Change 15/14
US	9.0	10.0	11.2	12.7	12.8	12.5	1.3	13.0	13.2	13.4	13.7	13.3	0.8
Canada	3.5	3.8	4.0	4.2	4.4	4.2	0.2	4.5	4.5	4.5	4.7	4.5	0.3
Mexico	2.9	2.9	2.9	2.8	2.8	2.8	-0.1	2.8	2.8	2.8	2.8	2.8	0.0
OECD Americas*	**15.5**	**16.7**	**18.1**	**19.8**	**20.0**	**19.6**	**1.5**	**20.3**	**20.4**	**20.8**	**21.1**	**20.6**	**1.0**
Norway	2.0	1.9	1.8	1.8	1.9	1.9	0.0	2.0	1.9	1.8	2.0	1.9	0.1
UK	1.1	1.0	0.9	0.8	0.9	0.9	0.0	0.9	0.9	0.8	0.9	0.9	0.0
Denmark	0.2	0.2	0.2	0.2	0.1	0.2	0.0	0.2	0.1	0.1	0.1	0.1	0.0
Other OECD Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.6	0.7	0.0
OECD Europe	**4.1**	**3.8**	**3.6**	**3.4**	**3.6**	**3.6**	**0.0**	**3.7**	**3.6**	**3.5**	**3.7**	**3.6**	**0.0**
Australia	0.5	0.5	0.4	0.5	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
OECD Asia Pacific	**0.6**	**0.6**	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**
Total OECD	**20.2**	**21.1**	**22.2**	**23.7**	**24.1**	**23.7**	**1.5**	**24.5**	**24.5**	**24.7**	**25.3**	**24.8**	**1.1**
Brunei	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
India	0.9	0.9	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.8	0.9	0.0
Indonesia	1.0	1.0	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Malaysia	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.6	0.6	0.7	0.0
Thailand	0.3	0.4	0.4	0.3	0.3	0.4	0.0	0.4	0.4	0.4	0.3	0.3	0.0
Vietnam	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Asia others	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.3	0.3	0.3	0.3	0.0
Other Asia	**3.6**	**3.7**	**3.6**	**3.5**	**3.5**	**3.5**	**-0.1**	**3.6**	**3.6**	**3.5**	**3.5**	**3.5**	**0.0**
Argentina	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Brazil	2.6	2.6	2.6	2.9	3.0	2.8	0.2	3.0	3.0	3.1	3.1	3.0	0.2
Colombia	0.9	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	0.9	1.0	1.0	0.0
Trinidad & Tobago	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
L. America others	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Latin America	**4.7**	**4.7**	**4.8**	**5.0**	**5.1**	**4.9**	**0.2**	**5.1**	**5.1**	**5.1**	**5.2**	**5.1**	**0.2**
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Oman	0.9	0.9	0.9	1.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0	1.0	0.0
Syria	0.4	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yemen	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Middle East	**1.7**	**1.5**	**1.4**	**1.3**	**1.3**	**1.3**	**0.0**	**1.4**	**1.4**	**1.3**	**1.3**	**1.4**	**0.0**
Chad	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Congo	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Egypt	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.6	0.7	0.0
Equatorial Guinea	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Gabon	0.3	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
South Africa	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Sudans	0.4	0.1	0.2	0.3	0.3	0.3	0.1	0.3	0.3	0.3	0.3	0.3	0.0
Africa other	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.4	0.3	0.3	0.3	0.3	0.0
Africa	**2.6**	**2.3**	**2.4**	**2.4**	**2.4**	**2.4**	**0.0**	**2.5**	**2.4**	**2.4**	**2.4**	**2.4**	**0.0**
Total DCs	**12.6**	**12.1**	**12.1**	**12.3**	**12.3**	**12.3**	**0.1**	**12.5**	**12.5**	**12.4**	**12.4**	**12.4**	**0.2**
FSU	**13.2**	**13.3**	**13.4**	**13.3**	**13.4**	**13.4**	**0.0**	**13.4**	**13.3**	**13.3**	**13.3**	**13.3**	**-0.1**
Russia	10.3	10.4	10.5	10.5	10.5	10.5	0.0	10.5	10.5	10.5	10.5	10.5	0.0
Kazakhstan	1.6	1.6	1.6	1.6	1.6	1.6	0.0	1.6	1.6	1.6	1.6	1.6	0.0
Azerbaijan	1.0	0.9	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.8	0.9	0.9	0.0
FSU others	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
China	4.1	4.2	4.2	4.2	4.3	4.3	0.0	4.3	4.3	4.3	4.4	4.3	0.0
Non-OPEC production	**50.3**	**50.7**	**52.1**	**53.7**	**54.3**	**53.7**	**1.6**	**54.9**	**54.7**	**54.9**	**55.5**	**55.0**	**1.2**
Processing gains	2.1	2.1	2.1	2.2	2.2	2.2	0.0	2.2	2.2	2.2	2.2	2.2	0.0
Non-OPEC supply	**52.4**	**52.9**	**54.2**	**55.9**	**56.4**	**55.9**	**1.7**	**57.1**	**56.9**	**57.0**	**57.7**	**57.2**	**1.2**
OPEC NGL	5.2	5.4	5.4	5.6	5.7	5.6	0.2	5.6	5.7	5.8	5.9	5.8	0.2
OPEC non-conventional	0.1	0.2	0.2	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
OPEC (NGL+NCF)	**5.4**	**5.6**	**5.6**	**5.9**	**5.9**	**5.8**	**0.2**	**5.9**	**6.0**	**6.1**	**6.2**	**6.0**	**0.2**
Non-OPEC & OPEC (NGL+NCF)	**57.8**	**58.4**	**59.9**	**61.7**	**62.4**	**61.7**	**1.9**	**63.0**	**62.8**	**63.1**	**63.8**	**63.2**	**1.4**

** Chile has been included in OECD Americas.*
Note: Totals may not add up due to independent rounding.

Table 10.7: World Rig Count

	2010	2011	2012	2013	Change 13/12	3Q13	4Q13	1Q14	2Q14	Jul 14	Aug 14	Change Aug/Jul
US	1,541	1,881	1,919	1,761	-158	1,769	1,758	1,780	1,852	1,876	1,905	29
Canada	347	423	366	354	-12	348	379	526	202	350	399	49
Mexico	97	94	106	106	0	100	101	93	87	86	81	-5
Americas	1,985	2,398	2,391	2,221	-170	2,217	2,238	2,400	2,140	2,312	2,385	73
Norway	18	17	17	20	2	21	18	17	18	17	12	-5
UK	19	16	18	17	-1	16	14	15	17	15	16	1
Europe	94	118	119	135	16	140	133	135	146	153	143	-10
Asia Pacific	21	17	24	27	3	24	25	28	27	25	26	1
Total OECD	2,100	2,532	2,534	2,383	-151	2,382	2,396	2,563	2,314	2,490	2,554	64
Other Asia	248	239	217	219	2	216	219	230	221	228	229	1
Latin America	205	195	180	166	-14	159	168	164	176	176	177	1
Middle East	156	104	110	76	-33	69	86	84	85	84	79	-5
Africa	19	2	7	16	9	15	24	27	30	26	24	-2
Total DCs	628	540	513	477	-36	459	497	504	512	514	509	-5
Non-OPEC rig count	**2,727**	**3,072**	**3,047**	**2,860**	**-187**	**2,841**	**2,894**	**3,067**	**2,826**	**3,004**	**3,063**	**59**
Algeria	25	31	36	47	11	48	47	49	46	48	50	2
Angola	9	10	9	11	2	12	14	16	16	15	14	-1
Ecuador	11	12	20	26	6	27	26	25	25	26	27	1
Iran**	52	54	54	54	0	54	54	54	54	54	54	0
Iraq**	36	36	58	83	25	93	92	89	93	94	74	-20
Kuwait**	20	57	57	58	1	58	57	60	60	66	68	2
Libya**	16	8	12	15	3	14	14	15	10	14	4	-10
Nigeria	15	36	36	37	1	34	36	35	31	34	33	-1
Qatar	9	8	8	9	1	10	8	11	11	12	10	-2
Saudi Arabia	67	100	112	114	3	111	115	125	132	136	137	1
UAE	13	21	24	28	4	28	30	30	33	38	36	-2
Venezuela	70	122	117	121	3	121	121	121	114	119	125	6
OPEC rig count	**342**	**494**	**542**	**602**	**60**	**611**	**614**	**629**	**624**	**656**	**632**	**-24**
Worldwide rig count*	**3,069**	**3,566**	**3,589**	**3,462**	**-127**	**3,452**	**3,508**	**3,696**	**3,450**	**3,660**	**3,695**	**35**
of which:												
Oil	1,701	2,257	2,654	2,611	-43	2,595	2,631	2,819	2,687	2,848	2,852	4
Gas	1,325	1,262	886	746	-140	747	769	780	671	720	746	26
Others	43	49	52	109	57	114	110	99	95	94	99	5

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

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

Contributors to the OPEC Monthly Oil Market Report

Editor-in-Chief
Omar S. Abdul-Hamid, Director, Research Division
email: oabdul-hamid@opec.org

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

Analysts
Crude Oil Price Movements	Eissa Alzerma email: ealzerma@opec.org
Commodity Markets	Hector Hurtado email: hhurtado@opec.org
World Economy	Afshin Javan email: ajavan@opec.org Imad Alam Al-Deen email: ialamal-deen@opec.org Joerg Spitzy email: jspitzy@opec.org
World Oil Demand	Hassan Balfakeih email: hbalfakeih@opec.org
World Oil Supply	Mohammad Ali Danesh email: mdanesh@opec.org
Product Markets and Refinery Operations	Elio Rodriguez email: erodriguez@opec.org
Tanker Market *and* Oil Trade	Anisah Almadhayyan email: aalmadhayyan@opec.org
Stock Movements	Aziz Yahyai email: ayahyai@opec.org
Technical and editorial team	Aziz Yahyai email: ayahyai@opec.org Douglas Linton email: dlinton@opec.org

Data services
Adedapo Odulaja, Head, Data Services Department (aodulaja@opec.org),
Hossein Hassani, Statistical Systems Coordinator (hhassani@opec.org),
Pantelis Christodoulides (World Oil Demand *and* Stock Movements),
Klaus Stoeger (World Oil Supply), Harvir Kalirai (World Economy),
Mouhamad Moudassir (Product Markets and Refinery Operations),
Mohammad Sattar (Crude Oil Price Movements),
Anna Gredinger (Tanker Market *and* Oil Trade)

Editing, production, design and circulation
Alvino-Mario Fantini, Maureen MacNeill, Scott Laury, Viveca Hameder,
Hataichanok Leimlehner, Evelyn Oduro-Kwateng, Andrea Birnbach

Disclaimer

The data, analysis and any other information contained in the Monthly Oil Market Report (the "MOMR") is for informational purposes only and is not intended as a substitute for advice from your business, finance, investment consultant or other professional. The views expressed in the MOMR are those of the OPEC Secretariat and do not necessarily reflect the views of its Governing Bodies and/or individual OPEC Member Countries.

Whilst reasonable efforts have been made to ensure the accuracy of the MOMR's content, the OPEC Secretariat makes no warranties or representations as to its accuracy, currency reference or comprehensiveness, and assumes no liability or responsibility for any inaccuracy, error or omission, or for any loss or damage arising in connection with or attributable to any action or decision taken as a result of using or relying on the information in the MOMR.

OPEC Basket average price

US$/b

down 4.86 in August	August 2014	100.75
	July 2014	105.61
	Year to date	**104.78**

August OPEC crude production

mb/d, according to secondary sources

up 0.23 in August	August 2014	30.35
	July 2014	30.12

Economic growth rate

per cent

	World	OECD	US	Japan	Euro-zone	China	India
2014	3.1	1.8	2.1	0.9	0.8	7.4	5.5
2015	3.4	2.0	2.6	1.2	1.1	7.2	5.8

Supply and demand

mb/d

2014		**14/13**	**2015**		**15/14**
World demand	91.2	1.1	World demand	92.4	1.2
Non-OPEC supply	55.9	1.7	Non-OPEC supply	57.2	1.2
OPEC NGLs	5.8	0.2	OPEC NGLs	6.0	0.2
Difference	**29.5**	**–0.8**	**Difference**	**29.2**	**–0.3**

OECD commercial stocks

mb

	May 14	Jun 14	Jul 14	Jul 14/Jun 14	Jul 13
Crude oil	1,319	1,321	1,312	–8.8	1,276
Products	1,337	1,350	1,378	28.6	1,397
Total	**2,657**	**2,671**	**2,690**	**19.8**	**2,673**
Days of forward cover	58.0	58.0	58.2	0.2	58.0

Next report to be issued on 10 October 2014.