OPEC

Monthly Oil Market Report

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Feature article:

Development in crude price spreads

Organization of the Petroleum Exporting Countries

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Oil market highlights

Crude Oil Price Movements

The OPEC Reference Basket fell by $2.28 to $105.61/b in July amid easing worries about supply disruptions and weaker-than-expected refinery crude demand in Asia and Europe. Speculators also sharply reduced net long positions. Nymex WTI in July lost $2.75 to stand at $102.39/b and ICE Brent slipped $3.78 to $108.19/b. The Brent/WTI spread narrowed further by almost $1.00 to stand at $5.80/b, comparable to September 2013 levels.

World Economy

World economic growth for 2014 and 2015 remains unchanged at 3.1% and 3.4% respectively. The better-than-expected first half GDP numbers in the US led to an upward revision to this year's US GDP growth forecast to 2.0% from 1.6%. This also lifted the OECD forecast for 2014 to 1.8% from 1.7%, while the 2015 OECD growth forecast remains at 2.0%. The positive developments in the OECD have been counterbalanced by downward revisions mainly for Latin American economies, while the growth forecasts for China and India remain unchanged.

World Oil Demand

The forecast for world oil demand growth in 2014 has been revised down slightly to 1.10 mb/d, following the lower-than-expected performance of the OECD in 2Q14. For 2015, demand growth is expected to be around 1.21 mb/d, in line with the previous report.

World Oil Supply

Non-OPEC oil supply growth is forecast to increase by 1.50 mb/d in 2014, representing a minor upward revision from the previous report as most 2Q14 data has become available. Non-OPEC oil supply growth in 2015 has been revised lower to 1.27 mb/d. OPEC NGLs and non-conventional liquids are expected to grow by 0.2 mb/d to average 6.01 mb/d in 2015. In July 2014, OPEC crude oil production increased by 167 tb/d to average 29.91 mb/d, according to secondary sources.

Product Markets and Refining Operations

The summer season has lent support to the gasoline market in the Atlantic Basin; however, increasing inventories and higher refinery runs have started to exert pressure in the US market. European margins have shown a temporary recovery on the back of falling Brent crude prices. In Asia, strong light distillate demand offset increasing supplies of the product with several refineries back from maintenance, preventing a further decline in margins.

Tanker Market

The dirty tanker market experienced a general rising trend across all classes on the back of increased activities, ports delays, and prompt replacements. Clean tanker spot freight rates declined compared to the previous month as market activities remained limited in both east and west of Suez versus the supply of tonnage.

Stock Movements

OECD commercial stocks fell in June to stand 81 mb below the five-year average. Crude showed a slight surplus of around 2 mb, while products indicated a deficit of 83 mb. In terms of forward cover, OECD commercial stocks stood at 57.2 days. Preliminary data for July shows that US total commercial oil stocks rose by around 2.1 mb, which is 3.0 mb above the latest five-year average. US crude commercial stocks represent a surplus of 8.6 mb, while product stocks indicated a deficit of 5.6 mb.

Balance of Supply and Demand

Demand for OPEC crude in 2014 was revised down by 0.1 mb/d from the previous report to stand at 29.6 mb/d. In 2015, the forecast for required OPEC crude remains unchanged at 29.4 mb/d.

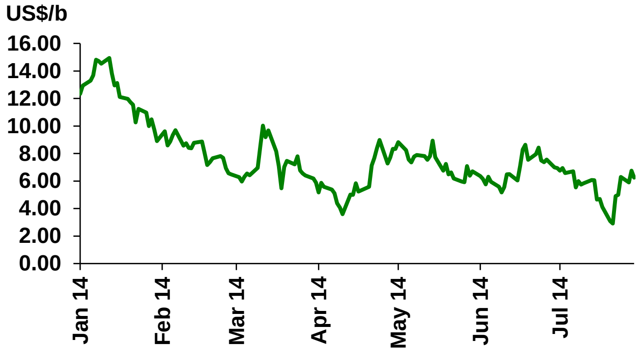
Developments in crude price spreads

Since the start of 2014, crude futures prices on the two sides of the Atlantic Basin have performed differently. While the price of Nymex WTI surged by around $5.2/b during the first seven months of the year, compared to the same period a year earlier, ICE Brent gained only 91¢ during the same period, narrowing the spread between the two benchmarks.

The Brent-WTI spread reduced significantly during the first half of the year due to bullish US market fundamentals supporting WTI. This was in addition to ongoing massive volumes of crude being redirected to the US Gulf Coast (USGC) from the midcontinent via newly constructed/reversed pipelines. Simultaneously, the Brent market remained under pressure amid ample crude supplies and lacklustre European buying due to weak global demand for middle distillates *(see **Graph 1**).*

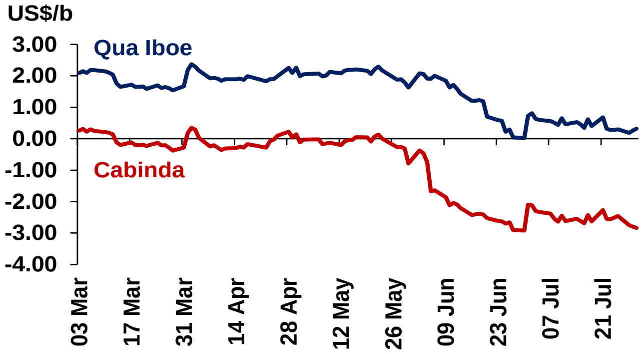
The overheated US market was triggered by strong gasoline demand, allowing gasoline prices to increase more than $5/b during the second quarter of the year. As a result, refinery margins for WTI crude on the USGC showed a sharp increase, thus encouraging refineries to ramp up run rates. US refinery throughputs struck their highest level since 1990 at 16.6 mb/d. Running refineries flat out led to several significant draws of even up to 7.5 mb in crude stocks in some weeks and helped bring Cushing levels down to a fresh 5½-year low. The high seasonal run rates amid robust USGC refining margins and diminishing stocks have underpinned the strength of WTI, thereby narrowing the Brent-WTI spread. Firm seasonal refinery demand has also resulted in a stronger sweet crude market on the USGC, pushing prices near their highest levels of the year. LLS, the benchmark for USGC sweet crudes, has recently risen to a premium of close to $2.50/b to Dated Brent, compared to the minus $4/b averaged over the first half of the year. Therefore Dated Brent price-related sweet crudes looked more attractive to US refiners on a prompt basis, particularly West African grades.

Graph 1: Brent-WTI spread



Sources: CME Group and Intercontinental Exchange, Inc.

Graph 2: West African-Brent spread



Source: Platts.

The Brent market and all Brent price-related sweet crude values have been undermined by low European and Asian demand caused by poor refining margins, narrow product crack spreads and ongoing steady supplies, despite serious geopolitical tension in several regions, which has spread rapidly to all West African and other sweet crudes available at the Mediterranean. The West African crude premiums/differentials have deteriorated, with some near multi-year lows *(see **Graph 2**)*. North Sea light sweet crude values saw the same trend on the partial return and prospect of higher supplies of Libyan crudes to the market after being disrupted for almost a year.

Meanwhile, Brent's premium to Dubai fell to its lowest in eight months as the Brent price softened. By mid-July, Brent-Dubai was valued at $3.10/b, the narrowest since 8 November. The drop has helped narrowing the gap to Dubai after it hit a nine-month high of $4.96/b on 13 June. A narrower spread makes Brent-linked grades more attractive than those priced to Dubai and encourages the flow of Brent-linked crude, particularly West African grades, from the eastern Atlantic Basin to Asia.

Looking forward, reaching the end of the driving season together with upcoming refinery maintenance, demand for crude is expected to ease, which should impact refinery margins in the US. In the meantime, increased availability of crude in Europe and Asia could support regional refinery margins in the second half of the year.

Crude Oil Price Movements

The OPEC Reference Basket (ORB) fell in July by $2.28 to $105.61/b after reaching its highest value for the year a month earlier, as the market put aside its worries over supply disruptions. The Basket's year-to-date value stood at $105.35/b. Crude oil futures were down sharply for the month as slow demand and weak refining margins offset renewed supply concerns. The Nymex WTI front-month contract lost $2.75 to average $102.39/b in July. Y-t-d, the WTI futures contract's value rose $5.24 to $101.07/b. The ICE Brent front-month contract decreased by $3.78 to $108.19/b. Year-to-date, ICE Brent was higher by 91¢ at $108.72/b. As prices tumbled, speculators' net long positions retreated sharply in July by a hefty 121,506 contracts to 120,695 lots. Speculators also cut net long positions in WTI to 276,741 contracts. The Brent/WTI spread narrowed further by almost $1.00 to $5.80/b — the closest alignment since September 2013. The narrowing is justified given the weak east Atlantic Basin market and high US refinery run rates.

OPEC Reference Basket

The OPEC Reference Basket lost all the gains earned over the previous month as the crude oil market has become complacent about the risk of supply disruptions, while a supply overhang and lacklustre refinery demand in Asia and Europe drove prices lower. The Basket lost about $2.30 over the month on average. Ample supply amid low refinery demand due to poor refining margins — particularly in Europe and Asia — contributed greatly to weakness in outright crude oil prices, which in turn was reflected in the Basket value.

On a monthly basis, the OPEC Reference Basket slipped to an average of $105.61/b in July, down by $2.28, or 2.11% below the previous month. Y-t-d, the Basket was 36¢ higher compared with the same period one year earlier, standing at $105.35/b compared with an average of $104.99/b a year ago.

Graph 1.1: Crude oil price movement, 2014

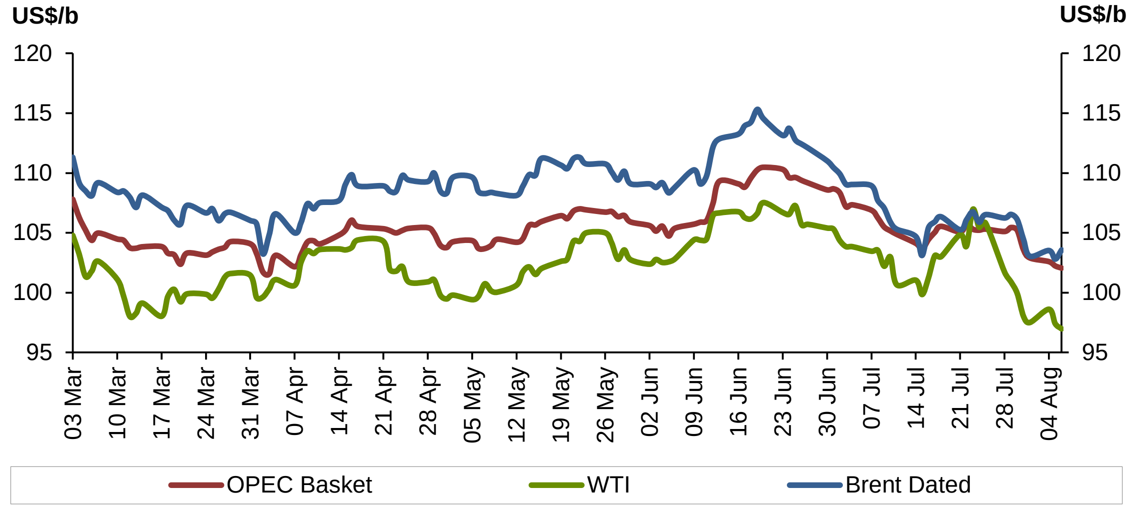


Table 1.1: OPEC Reference Basket and selected crudes, US$/b

	Jun 14	Jul 14	Change Jul/Jun	Year-to-date 2013	Year-to-date 2014
OPEC Reference Basket	**107.89**	**105.61**	**-2.28**	**104.99**	**105.35**
Arab Light	108.61	107.15	-1.46	105.83	106.19
Basrah Light	105.80	103.83	-1.97	102.88	103.30
Bonny Light	114.36	109.19	-5.17	110.19	110.91
Es Sider	111.31	106.19	-5.12	107.55	108.23
Girassol	111.23	107.02	-4.21	108.07	109.03
Iran Heavy	107.45	106.21	-1.24	104.16	105.33
Kuwait Export	106.56	105.50	-1.06	103.99	104.36
Marine	107.85	105.96	-1.89	104.13	105.25
Merey	98.71	95.06	-3.65	96.52	94.97
Murban	110.74	108.87	-1.87	106.80	108.52
Oriente	98.75	95.21	-3.54	98.97	95.68
Saharan Blend	112.66	106.74	-5.92	107.84	109.57
Other Crudes					
Brent	111.66	106.64	-5.02	107.51	108.59
Dubai	108.03	106.13	-1.90	104.28	105.40
Isthmus	106.47	102.20	-4.27	107.65	101.17
LLS	108.22	106.41	-1.81	109.32	105.18
Mars	103.49	102.18	-1.31	104.23	100.98
Minas	112.13	105.06	-7.07	107.35	109.67
Urals	109.44	106.23	-3.21	106.86	107.25
WTI	105.24	102.87	-2.37	95.78	101.18
Differentials					
Brent/WTI	6.42	3.77	-2.65	11.74	7.41
Brent/LLS	3.44	0.23	-3.21	-1.81	3.41
Brent/Dubai	3.63	0.51	-3.12	3.23	3.20

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.

Brent-related Basket components from West and North Africa lost a significant share of their value in July, as each dropped over $4 from the previous month. This retreat was mainly attributed to poor refining economics for light products, which translated into modest light sweet crude oil demand from refiners in Europe as well as in Asia. An overhang of supply also affected the market. A month-long overhang in West African barrels amid rising Libyan crude supply additionally depressed prices for similar grades in Europe and Africa.

Brent-related Basket components Saharan Blend, Es Sider, Girassol and Bonny Light dropped $5.11 or 4.5%, on average. Latin American Basket components Merey and Oriente slipped in line with the drop in outright prices on the WTI market and weak heavy oil cracks relative to light crude, losing almost 3.7% over the month on average. Oriente and Merey decreased by $3.54 and $3.65 in July, respectively. Middle Eastern spot prices also suffered from weak Asian refining margins and lower refinery runs, though not as much as in Europe. Middle Eastern spot components and multi-destination grades fell by around $1.90 and $1.45, respectively.

On 7 August, the OPEC Reference Basket stood at $102.23/b, $3.38 under the July average.

The oil futures market

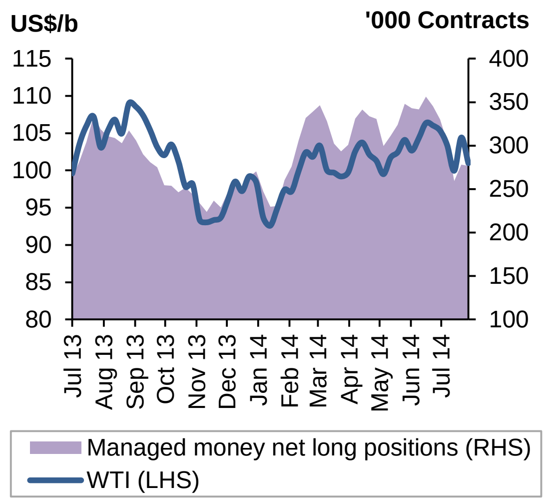
Crude oil futures were down sharply over the month as slow demand and weak refining margins offset renewed supply concerns. Crude prices also tumbled as apprehension over the security of Iraqi supply eased and Libyan exports appeared ready to resume. ICE Brent fell by $3.78 to $108.19/b in July while Nymex WTI dropped by $2.75 to $102.39/b. Subdued demand weighed on crude prices in the Atlantic Basin, outweighing fears that sanctions on Russia following events in the Ukraine could curtail supplies. Slim demand and abundant alternative West African supply offset tight crude supply in Northwestern Europe, where pipeline and field maintenance cut the export of North Sea crudes to 755 tb/d from 870 tb/d. Over 30 mb of West African oil were available, helping to depress many light sweet crude premiums to their lowest rate in five years. Libyan production rose past 500 tb/d for the first time since January, adding to regional supplies and causing prices to slide further. US WTI fared better than markets elsewhere, as higher refinery utilization on the US Gulf Coast (USGC) bolstered crude demand.

Nymex WTI front-month dropped by $2.75 over the month to average $102.39/b in July. Compared with the same period in 2013, WTI's value was higher by $5.24 or 5.5% at $101.07/b. In the ICE exchange, Brent front-month slumped $3.38 to average $108.19/b. Year-to-date, ICE Brent was higher in value than the same period one year ago. Its value strengthened by 91¢ or 0.8% to $108.72/b from $107.81/b.

On 7 August, ICE Brent stood at $105.44/b and Nymex WTI at $97.34/b.

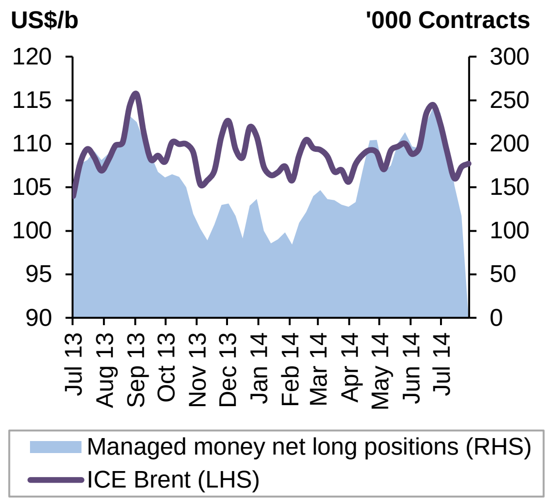
Prices tumbled after speculators' net bets on rising Brent crude oil prices hit a record high in June before retreating sharply in July, an indication that the geopolitical risk premium has ebbed a little. Money managers decreased their net long futures and options positions in ICE Brent by a hefty 121,506 contracts to 120,695 lots at the end of July from the highest-ever amount recorded by the exchange at the end of June, as figures from the ICE show.

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.

Data from the US Commodity Futures Trading Commission (CFTC) showed that hedge funds 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 as prices decreased. The speculator group cut its combined futures and options positions in

US crude oil contracts to 276,741 contracts from 345,283 lots. Moreover, total futures and options open interest volume in the two markets decreased sharply in July by 497,202 contracts to 3.87 million contracts.

The daily average traded volume during July for Nymex WTI contracts increased by 56,239 lots to average 598,720 contracts. ICE Brent daily traded volume also rose, by 78,853 lots to 747,917 contracts. The daily aggregate traded volume in both crude oil futures markets increased by 135,092 contracts in July to around 1.35 million futures contracts, equivalent to around 1.35 billion b/d. The total traded volume in Nymex WTI and ICE Brent contracts was 13.2 and 17.2 million, respectively, over the month.

The futures market structure

Backwardation in the Brent market structure flipped into contango for the first time in over three years amid a crude supply surplus. In Europe, where refiners have been outcompeted by the US and other regions, sharp run cuts have left an overhang of crude in the east Atlantic Basin, particularly in West Africa. This surplus kept the front end of the Brent curve in contango, with prompt prices depressed below the level of forward deliveries. The first-month premium over the second month flipped from around 60¢/b in June to a discount of almost 30¢/b in July, weakening by more than 90¢ over the month. On the other hand, the Nymex WTI front-month stretched its premium over the second month by almost 30¢ to 95¢/b as stocks levels in Cushing further depleted. Firm demand from US refiners drew crude out of storage to feed record throughputs, pushing prompt crude markets far above forward prices after nearly five years of prompt discount. Access to cheaper crude, as well as cheaper gas for power and hydrogen production has given US coastal refiners a huge cost advantage over competitors elsewhere in the world. US throughputs jumped to 16.6 mb/d in the first half of the month, the highest recorded by the US Energy Information Administration (EIA). This high run rate and the ability to move crude to USGC refineries are rapidly exhausting crude stocks in the midcontinent. Inventories at Cushing have fallen to less than 19 mb at the end of July, leaving crude tanks just 28% full, the emptiest since 2005. In the US physical crude oil market, prompt WTI traded at nearly $4/b above the second month, the highest since the immediate aftermath of the financial crisis six years ago.

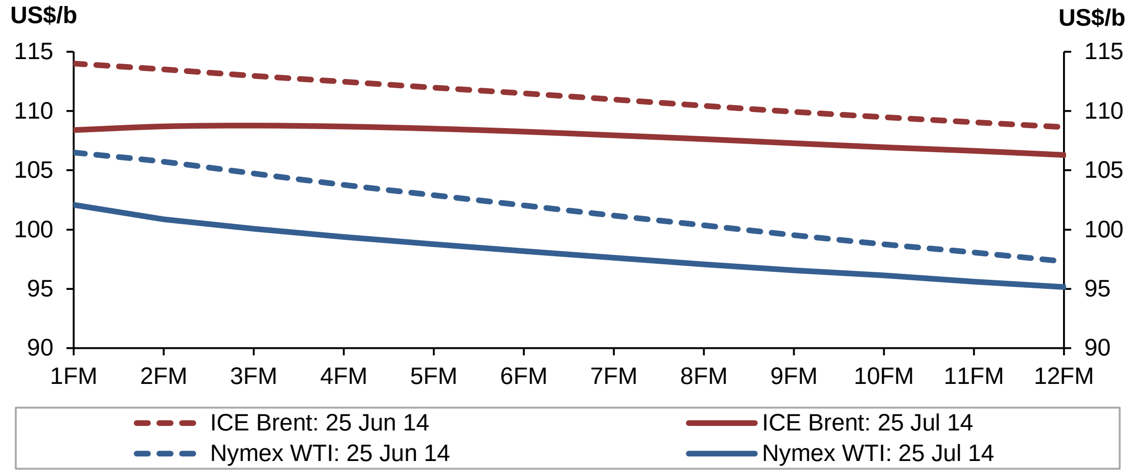
Table 1.2: Nymex WTI and ICE Brent forward curves, US$/b

	1st FM	2nd FM	3rd FM	6th FM	12th FM
Nymex WTI					
25 Jun 14	106.50	105.72	104.73	102.04	97.31
25 Jul 14	102.09	100.87	100.07	98.17	95.15
ICE Brent					
25 Jun 14	114.00	113.51	112.96	111.49	108.64
25 Jul 14	108.39	108.70	108.77	108.26	106.29

FM = future month.

The spread between the two benchmarks narrowed further by almost $1.00 to $5.80/b, the tightest gap since September 2013. The narrowing is fundamentally justified given the weak east Atlantic Basin market and high US refinery throughput rates. High run rates and depleting stocks have supported the strength of WTI Cushing, thereby narrowing the Brent/WTI spread. Brent was under pressure given ample Atlantic Basin crude supplies and lackluster European buying. The prompt Brent/WTI spread ended the month narrower at an average of around $5.79/b, after settling at $6.82/b the previous month.

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



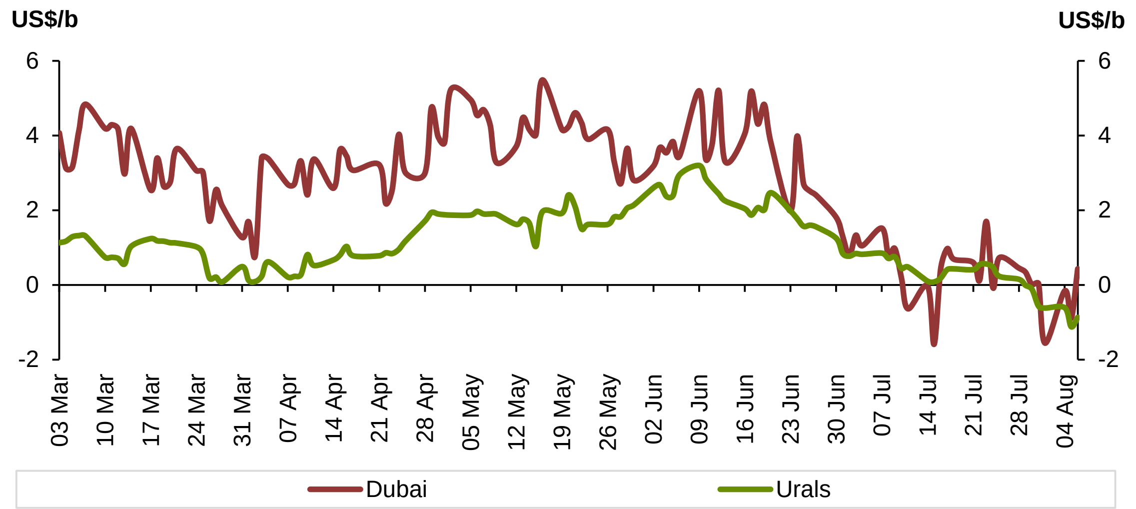
FM = future month.

The light sweet/medium sour crude spread

Global sweet/sour differentials narrowed in all regions, and sharply in Europe, as sour grades bounced back while sweet grades continued to weaken.

In **Asia**, the Tapis premium dropped significantly over Dubai in July. The prospect of an influx of arbitrage supplies weighed on light crude grades in Asia, particularly light sweet grades in Asia Pacific. Weaker light product refining margins caused light sweet crude values to slip over the month. Meanwhile, firm naphtha cracks amid strong downstream petrochemical margins provided some support to light sour grades in the Middle East. The Tapis/Dubai spread narrowed by $1.15 to $5.90/b in July.

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



In **Europe**, the discount of Russian medium sour Urals in the Mediterranean to North Sea Dated narrowed sharply over the month to where it was one year ago. After falling to 15-month lows, Urals recovered in July amid supply tightness with loading programmes showing Urals exports at their lowest in six years. The region also ran out of other sour crude supplies. Iraqi Kirkuk has not flowed to the Turkish port of Ceyhan since mid-March after attacks on the Iraqi section of the export pipeline. Firmer fuel oil margins also boosted the value of Urals. Meanwhile, light sweet crude remained under pressure for the entire month amid slim demand, poor refining margins and plentiful alternative supplies. Crude runs in Europe fell by over 400 tb/d to an eight-month low of 9.3 mb/d. Some light sweet North Sea crude differentials fell to a seven-year low during the month. On average, the Dated Brent/Urals spread in July narrowed by a hefty $1.80 to 40¢/b.

In the **US**, the Light Louisiana Sweet (LLS) premium narrowed slightly by 50¢ to $4.25/b over medium sour Mars. US Gulf crude oil price differentials for both sweet and sour crudes were healthy as strong seasonal demand pushed prices near their highest level for the year. Refinery runs on the USGC reached 94.4% of capacity according to the most recent EIA data, while Midwest refiners were operating above 100% capacity. Crudes produced on the USGC are commonly shipped to the Midwest through Enbridge's 215 tb/d Ozark pipeline, which runs from Cushing, Oklahoma, to Wood River, Illinois. The cash market for Mars, the USGC sour crude benchmark, traded at a premium to Nymex WTI mid-month for the first time in four months.

Commodity Markets

Decreases in average energy commodity prices in July were mainly driven by falling oil and natural gas prices. In non-energy prices, agriculture prices continued to decline on the expectation of ample supplies, while base metals were supported by continuing manufacturing expansion in China and the US and supply disruptions among key suppliers. Average gold prices remained stable, but experienced significant volatility during the month due to uncertainty over the future path of interest rates in the US.

Trends in selected commodity markets

Specific commodity group developments continued to drive average prices in July. Receding supply concerns were behind broad-based retreats in energy and food prices over the month. At the same time, bullish Purchasing Managers' Index (PMI) and gross domestic product (GDP) readings in China and the US provided support for base metal prices. However, improvement in US economic conditions fuelled expectations for an earlier increase in interest rates by the US Federal Reserve (Fed), thereby pushing down gold prices during the last two weeks of the month, in spite of renewed geopolitical tensions.

Energy prices were down on average, but saw larger declines during the month after receding fears of supply disruption pushed down crude oil prices during July, reversing gains achieved in June. Natural gas prices also declined during the month in both the US and Europe, as Russian supplies continued to flow in spite of potential sanctions and the Ukraine conflict. Natural gas inventories in the European Union were at 80% according to Gas Infrastructure Europe (GIE). Meanwhile, cooler-than-expected weather in the US pushed down natural gas prices significantly.

Agricultural prices continued their downward trend, more than reversing gains obtained during the first quarter on the expectation of negative impacts from "El Niño" weather phenomena and the Ukraine conflict. Warmer-than-normal temperatures in Europe have led to larger-than-expected crops. In addition, geopolitical tensions have not significantly impacted the production of grains in the Black Sea region. Meanwhile, the US Department of Agriculture continued to report better-than-expected crop conditions — possibly a prelude to a bumper crop — fuelling large price declines in corn and soybeans. Wheat prices continued to decline, despite the potential negative impact of torrential rain throughout Western Europe close to harvest.

Improving industrial production prospects in China and the US provided support for **base metal prices**, in addition to the continuation of supply disruptions from key supplier Indonesia. However, the country's new government has reached an agreement with Freeport-McMoRan Inc. — one of the two largest copper producers in the country — to restart copper exports. It has yet to be seen whether Newmont Mining Corp. — the other large copper producer — can also reach a negotiated agreement after filing for arbitration in regard to an export ban on ores. Aluminium prices continued their recovery, which started during the second quarter, as large producers continued reducing idle capacity.

It will be important to closely watch the impact of the reduction in the **asset purchase programme** run by the **US Federal Reserve** on the currencies of emerging economies - which could put pressure on commodity imports in those markets. Negotiations between the new Indonesian government and the mining companies with regard to the export ban on ores may impact base metals, while geopolitical developments in Ukraine and the Middle East may influence energy prices.

Table 2.1: Commodity price data, 2014

Commodity	Unit	Monthly averages			% Change		
		May 14	Jun 14	Jul 14	May/Apr	Jun/May	Jul/Jun
World Bank commodity price indices for low and middle income countries (2010 = 100)							
Energy		129.0	131.4	126.9	0.4	1.9	-3.5
Coal, Australia	$/mt	73.7	71.5	68.8	1.2	-3.0	-3.8
Crude oil, average	$/bbl	105.7	108.4	105.2	0.8	2.5	-2.9
Natural gas, US	$/mmbtu	4.6	4.6	4.0	-1.5	0.1	-12.2
Non Energy		99.8	98.2	98.2	-0.1	-1.6	0.1
Agriculture		107.3	105.0	103.1	0.0	-2.1	-1.8
Food		112.6	109.6	106.5	0.4	-2.7	-2.8
Soybean meal	$/mt	578.8	553.0	502.0	2.3	-4.4	-9.2
Soybean oil	$/mt	965.3	936.0	888.0	-3.4	-3.0	-5.1
Soybeans	$/mt	521.3	516.0	480.0	1.0	-1.0	-7.0
Grains		112.9	106.7	101.0	-0.2	-5.5	-5.4
Maize	$/mt	217.3	202.4	182.7	-2.3	-6.9	-9.7
Wheat, US, HRW	$/mt	334.7	306.5	280.4	3.0	-8.4	-8.5
Sugar, world	$/kg	0.4	0.4	0.4	2.9	-0.5	0.5
Base Metal		88.5	89.2	93.4	1.7	0.7	4.7
Aluminum	$/mt	1,751.1	1,839.0	1,948.3	-3.3	5.0	5.9
Copper	$/mt	6,891.1	6,821.1	7,113.4	3.3	-1.0	4.3
Iron ore, cfr spot	$/dmtu	100.6	92.7	96.1	-12.2	-7.8	3.6
Lead	$/mt	2,097.3	2,106.9	2,193.2	0.5	0.5	4.1
Nickel	$/mt	19,401.1	18,628.8	19,117.7	11.7	-4.0	2.6
Tin	$/mt	23,271.3	22,762.0	22,424.0	-0.6	-2.2	-1.5
Zinc	$/mt	2,059.0	2,128.1	2,310.6	1.6	3.4	8.6
Precious Metals							
Gold	$/toz	1,288.7	1,279.1	1,310.6	-0.7	-0.7	2.5
Silver	$/toz	19.3	19.9	20.9	-2.0	2.8	5.2

Source: World Bank, Commodity price data.

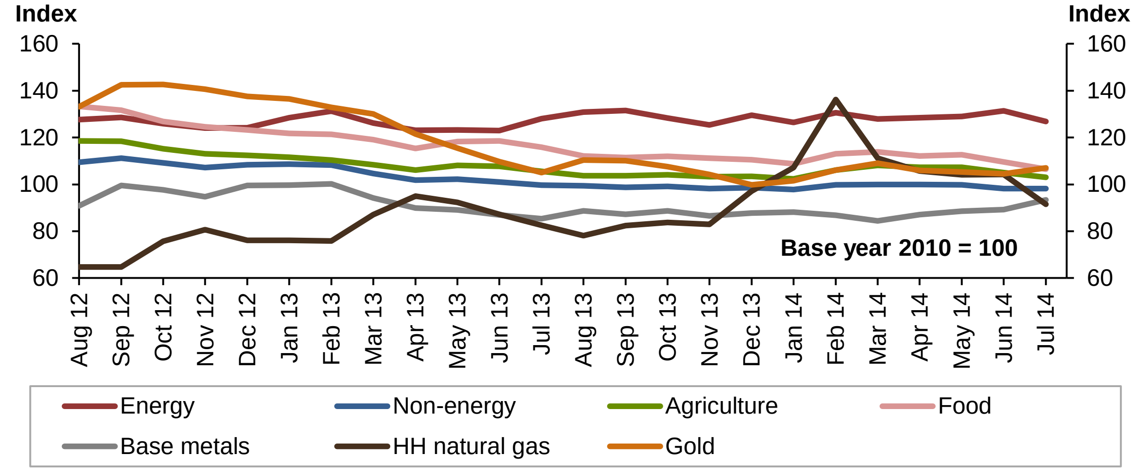
Average **energy prices** decreased by 3.5% m-o-m in July, mainly driven by a 2.9% decrease m-o-m in crude oil due to receding supply concerns, while natural gas prices decreased significantly by 12.2% m-o-m on lower summer cooling demand.

Agricultural prices declined by 1.8%, continuing the trend observed during the second quarter, following a significant drop in grain prices of 5.4% on the expectation of bumper maize and wheat crops in the US and Europe, which propelled price declines of 9.7% and 8.5%, respectively. Moreover, the soybean complex registered its largest decline in 2014 on reports of better-than-expected crop conditions, with soybeans, soybean oil and soybean meal declining by 7.0%, 5.1% and 9.2% m-o-m, respectively.

Base metals increased by 4.7% m-o-m, the largest increase in 2014, supported by a broad-based increase across almost all metals. Aluminium and copper increased by 5.9% and 4.3% m-o-m on continuing manufacturing expansion in China and the US and continuing supply disruptions in Indonesia.

Within **precious metals,** average gold prices increased by 2.5% m-o-m following an upward trend that started in the second half of the previous month and continued into July. However, prices retreated after positive economic data from the US fuelled expectations of an earlier rate hike by the Fed. Meanwhile, silver prices increased by 5.2%.

Graph 2.1: Major commodity price indices, 2012-2014

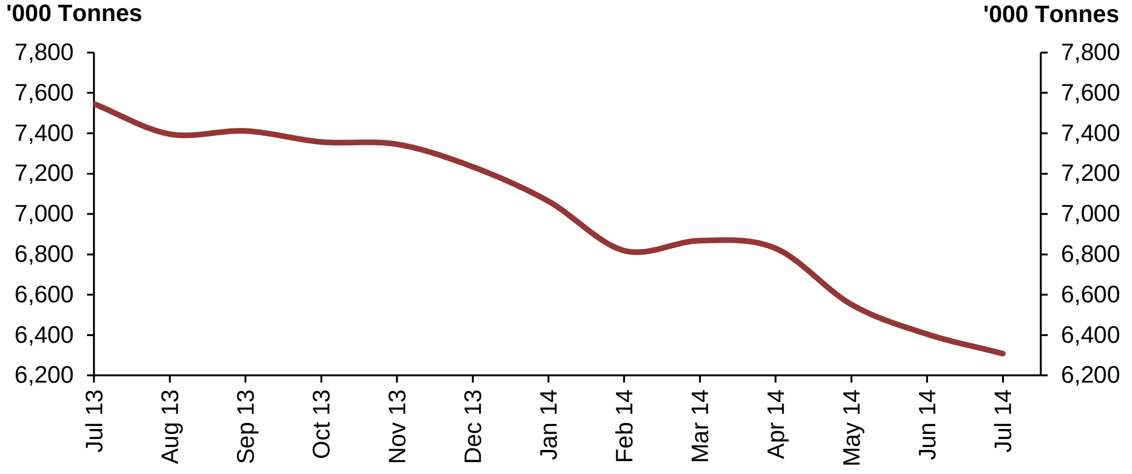


Source: World Bank, Commodity price data.

In July, the **Henry Hub (HH) natural gas price** declined slightly on better-than-expected inventories. The average price declined by 56¢, or 12.2%, to $4.0 per million British thermal units (mmbtu), after trading at an average of $4.6/mmbtu the previous month.

The US Energy Information Administration (EIA) said utilities put 88 billion cubic feet (Bcf) of natural gas in storage during the week ending 25 July, 6 Bcf below the market expectation of a 93 Bcf increase. Gas in storage stands at 2,307 Bcf, which is 21.7% below the previous five-year average. The EIA expects end of October working inventory levels of 3,431 Bcf, requiring average weekly injections of 80 Bcf. However, it was also reported that temperatures during the week ending 25 June were lower than average, which could provide support for an inventory build-up.

Graph 2.2: Inventories at the LME, 2013-2014

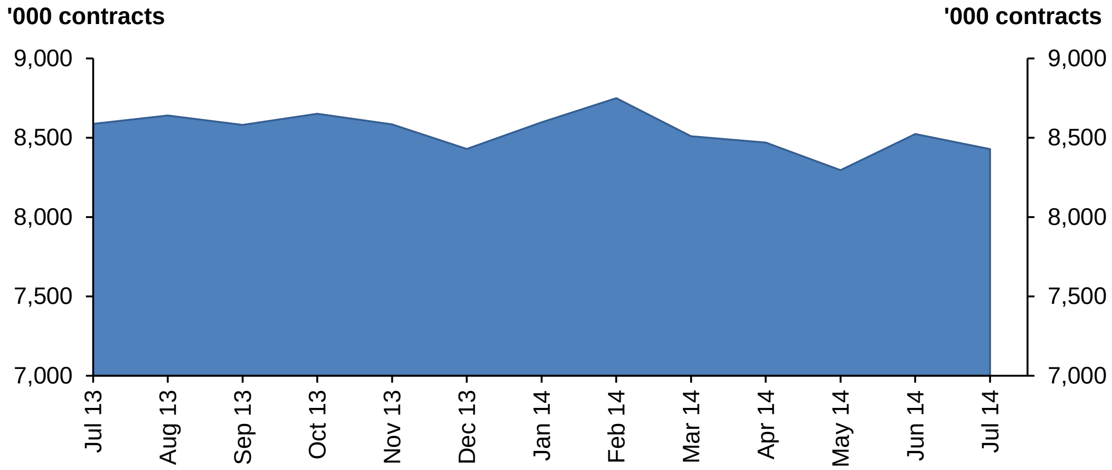


Sources: London Metal Exchange and Haver Analytics.

Investment flows into commodities

Total open interest volume (OIV) in major US commodity markets decreased by 1.1% m-o-m to 8.6 million contracts in July, with OIV declining in agriculture and natural gas, slightly increasing in crude oil, and significantly increasing in copper and gold.

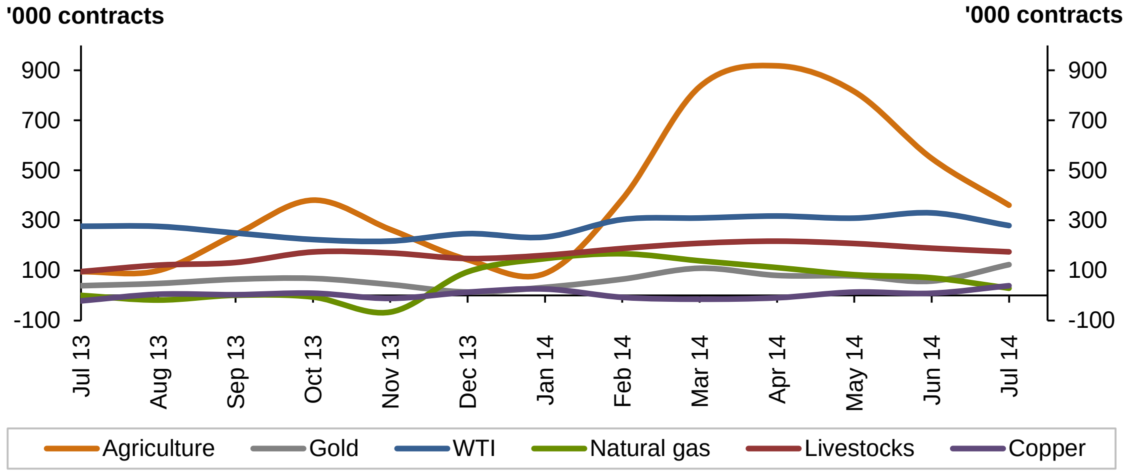
Graph 2.3: Total open interest volume



Source: US Commodity Futures Trading Commission.

Total net length speculative positions in commodities decreased by 13.3% m-o-m to 1,048,450 contracts in June, due to declines in the managed money net length of crude oil, natural gas, and agriculture. Meanwhile, money managers' activities increased sharply in gold and copper.

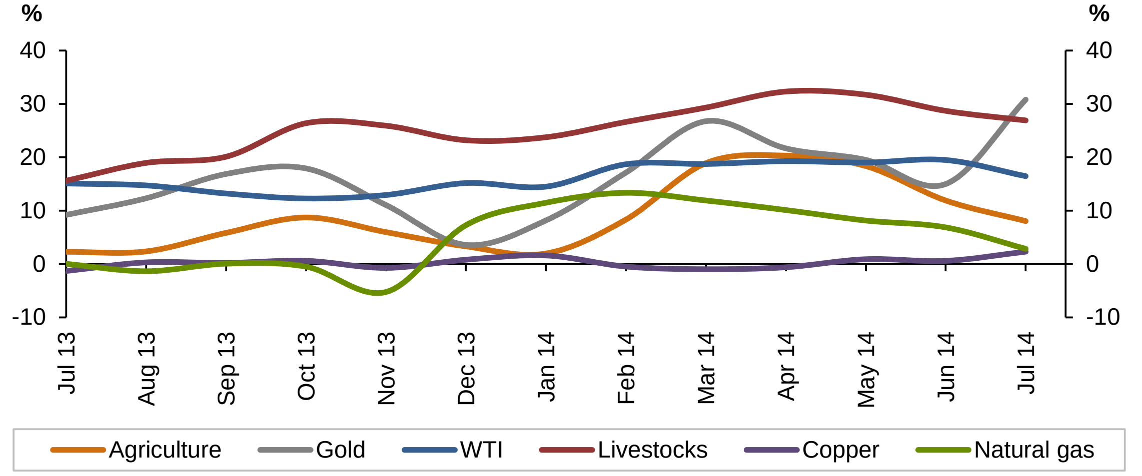
Graph 2.4: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

Agricultural OIV was down 2.5% m-o-m to 4,492,439 contracts in July. Meanwhile, money managers' net long positions in agriculture continued reversing the build-up achieved during the first quarter of 2014, leading to a decline of 34.1% to 361,065 lots, as the expectation of bumper crops substituted previous supply concerns.

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



Source: US Commodity Futures Trading Commission.

Henry Hub's natural gas OIV decreased by 0.9% m-o-m to 1,018,835 contracts in July. Money managers cut their net long positions strongly by 58.9% to 28.983 lots on cooler than expected summer temperatures producing above average gas injections.

Copper's OIV increased by 13.6% m-o-m to 168,440 contracts in July. Money Managers bullish stance increased sharply by 345.3% from 8,741 lots in June to 38,925 lots in July on the expectation that expansion in the US and Chinese economies will increase physical demand.

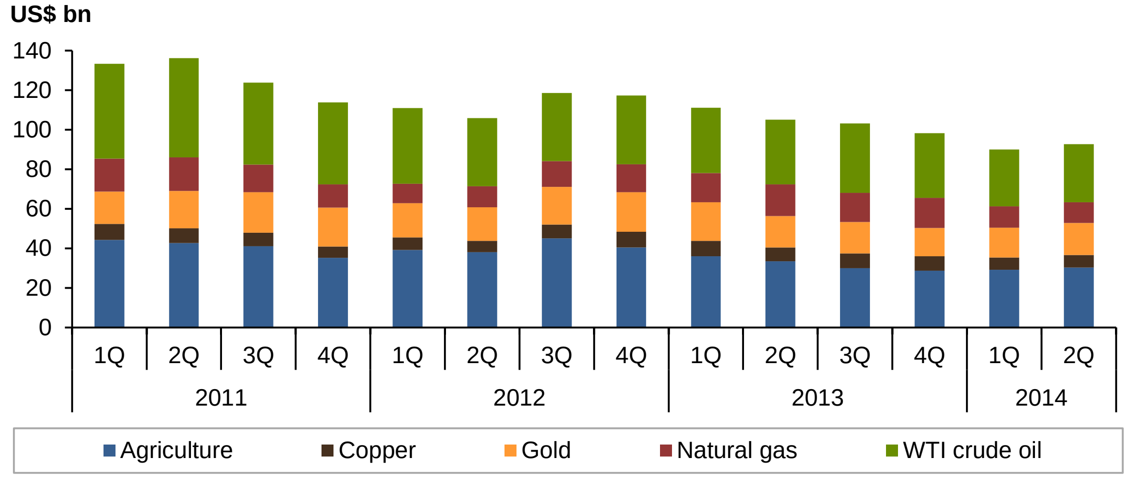
Table 2.2: CFTC data on non-commercial positions, '000 contracts

	Open interest		*Net length*			
	Jun 14	**Jul 14**	**Jun 14**	**% OIV**	**Jul 14**	**% OIV**
Crude oil	1,696	1,699	330	19	279	16
Natural gas	1,028	1,019	71	7	29	3
Agriculture	4,609	4,492	548	12	361	8
Precious metals	545	561	62	11	166	30
Copper	148	168	9	6	39	23
Livestock	659	649	189	29	174	27
Total	**8,684**	**8,588**	**1,209**	**14**	**1,048**	**12**

Source: US Commodity Futures Trading Commission.

Gold's OIV increased by 4.4% m-o-m to 400,251 contracts in July. However, money managers increased their bullish bets in gold by 215% to 123.234 lots, on the commitment of fed authorities to lower longer term interest rates expressed at the end of June and ratified at the beginning of July, however some reversal in money managers' position was observed at the end of the month.

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



Source: US Commodity Futures Trading Commission.

World Economy

The slow and uneven global recovery continues, leaving the GDP growth forecast unchanged at 3.1% for 2014 and 3.4% for 2015. A significantly positive revision of the US 1Q14 GDP decline and the announcement of strong growth in 2Q14 of 4.0%, led to an upward revision for US 2014 growth from 1.6% to 2.0%, while the forecast for 2015 remains unchanged at 2.6%. In Japan 2014 growth has been revised down from 1.5% to 1.4%, given a larger-than-expected drag from the April's sales tax increase. Taking this into consideration, the OECD forecast for 2014 was revised up from 1.7% to 1.8%. In emerging markets, mainly Latin American economies have been revised down, with Brazil's forecast now standing at 1.5% for 2014, compared to 1.6% in the past month. The current growth forecast accommodates continued fragility in the global growth development, given some uncertainty about the dynamic of US growth, ongoing fragility in the Euro-zone, Japan aiming for fiscal tightening and also the near-term development in EMs as well as geo-political developments, will all need close monitoring.

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**	**2.0**	**1.4**	**0.9**	**7.4**	**5.5**	**1.5**	**0.5**
Change from previous month	0.0	0.1	0.4	-0.1	0.0	0.0	0.0	-0.1	0.0
2015F*	**3.4**	**2.0**	**2.6**	**1.2**	**1.1**	**7.2**	**5.8**	**1.8**	**1.2**
Change from previous month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

** F = forecast.*

OECD

OECD Americas

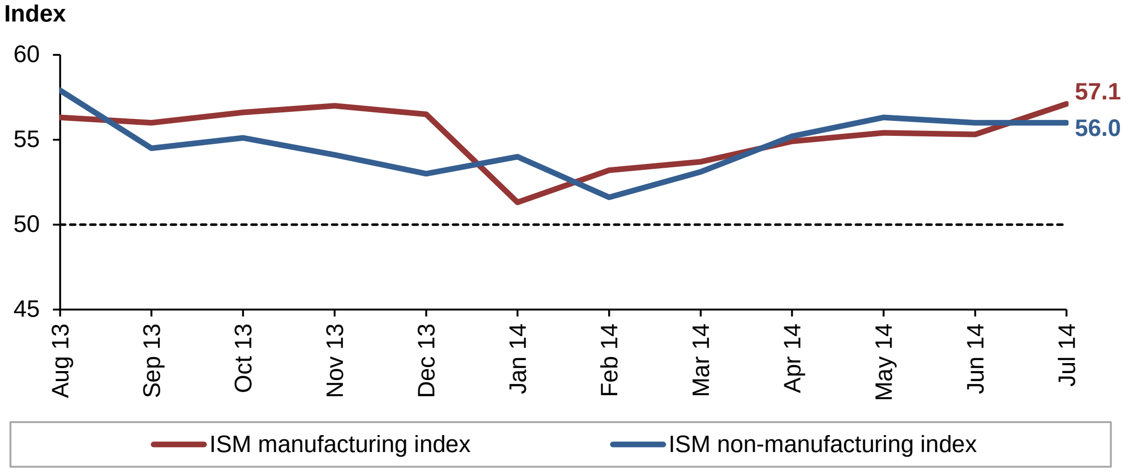
US

While the announcement last month of a major decline in GDP growth during the 1Q14 came as a major negative surprise, **this month's revisions of US GDP data were positively surprising**. The 1Q decline was revised to 2.1% from a 2.8% q-o-q seasonally adjusted annualised rate (SAAR). Moreover, the first estimate of the 2Q GDP number was also better than expected at 4.0% q-o-q SAAR. While the 1Q was substantially impacted negatively by the unusually cold weather, a relatively volatile pattern in quarterly growth could also be observed in past years and both quarters might prove to have produced extremes on both ends. Interestingly, total GDP development is not entirely reflected in crude oil demand, which saw a strong development in the 1Q and a weaker trend in the 2Q, which will need more analysis. However, the GDP growth trend of the second half of the year is currently expected to be less volatile and at a more moderate rate of slightly below 2.5%. This 2H14 forecast takes into consideration the fact that while the economy is gaining strength, some uncertainty remains regarding the depth of the recovery, given the experiences of past quarters and the still not fully recovered labour market.

While the **labour market** has significantly improved over the past months, the latest batch of data was mixed, particularly with regard to the unemployment rate moving up again from 6.1% to 6.2%. Non-farm payroll additions in July grew by a healthy 209,000, which is slightly below expectations, after a positively revised 298,000 in June. The share of long-term unemployed remained almost unchanged at 32.9% in July, substantially below this year's peak level of 37.0% in February. The participation rate remained at only 62.9%, while it has slightly improved from June.

Given the relatively positive development in the labour market and in household income, **consumer confidence** recently stood at solid levels. The Conference Board's consumer confidence index rose to 90.9 in July, the highest level since December 2007. The PMI for the manufacturing sector, as provided by the Institute of Supply Management (ISM), has also registered a robust trend once again. It was 57.1 in July, compared to 55.3 in June. In addition, the ISM for the services sector increased to 58.7, versus a June level of 56.0.

Graph 3.1: Manufacturing and non-manufacturing ISM indices



Sources: Institute for Supply Management and Thomson Reuters.

Given the now better-than-initially-estimated 1Q14 GDP growth and the healthy 2Q14 GDP growth number, the **GDP growth forecast for 2014 has been revised up** to 2.0% from 1.6%. The current moderate level of expansion is taking GDP growth to 2.6% in 2015, unchanged from the previous month.

Canada

In Canada, improvements continue as well. While the GDP growth rate in the 1Q14 stood at only 1.2% q-o-q SAAR, impacted by the decline in the US, the remainder of the year is forecast to grow at a higher level. This is also visible in the latest industrial production numbers, which grew by 4.7% y-o-y in May and 3.5% y-o-y in April. The PMI for manufacturing rose to 54.2 in July from 53.5 in June. The GDP growth forecast remains unchanged at 2.1% for both 2014 and 2015.

OECD Asia-Pacific

Japan

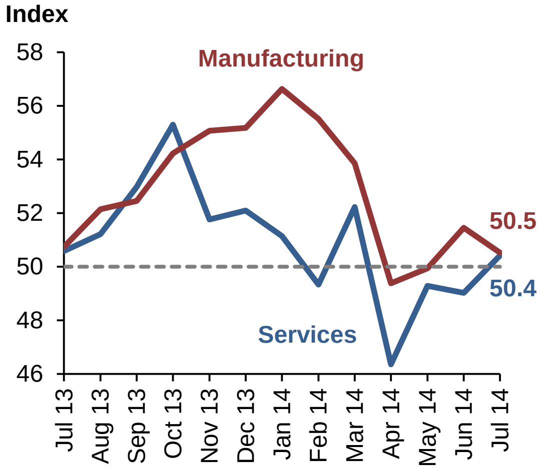
Japan's embattled economy continues to face the impact of the recent increase in the sales tax, plus an ongoing decline in exports, amid an ongoing sluggish growth trend in its most important trading partners, mainly China. This comes after the Japanese economy had improved tremendously during the 1Q of the current year. Moreover, inflation remains at an elevated level, amid the sales tax increase. It stood again at 3.7% y-o-y on a monthly comparison in June, the same level as in May and far beyond the 2% y-o-y target at which the government had aimed. This price increase is, however, not being counterbalanced by an increase in income at least for now, but the extremely low unemployment rate of 3.7% in June may lead to rising wages. But given the most recent dynamic, the current quarterly growth rate is expected to decline by a significant 5.0% q-o-q SAAR, after the **strong 1Q14 GDP growth** of 6.7% q-o-q SAAR.

Another aspect to consider in future developments will be **inflation**. After the sales tax increase in April from 5% to 8%, the CPI remains at 3.7% y-o-y in June, after it stood at the same level in May and at 3.4% y-o-y in April. Excluding the tax increase, it would now stand at around 1.4% in June and May. However, given the general price increase, the Bank of Japan (BoJ) has signalled that it does not see a need to increase its current monetary stimulus programme.

Japanese exports have been affected by the slowdown in emerging market trading partners. The faltering trend continued in June, when exports declined by 2.0% y-o-y. This was slightly less than in May, when exports fell by 2.7% y-o-y. Quarterly growth in the 1Q stood at -3.7%. Industrial production has also been sluggish recently, with it falling by 3.5% q-o-q in the 2Q14.

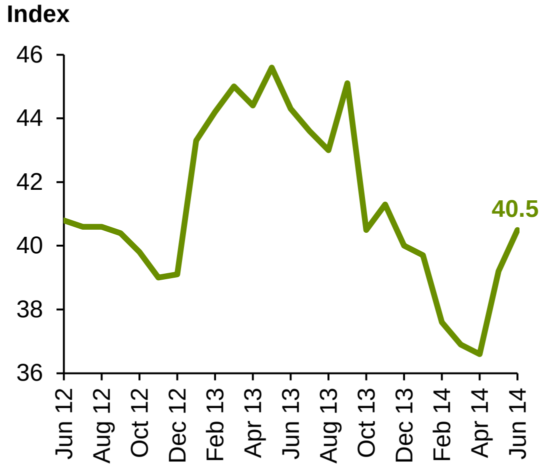
Domestic demand increased significantly in the first three months of the year, ahead of the sales tax increase in April. On a yearly base, retail trade in the 1Q14 rose by 6.6%, with the highest number in March at 11.0% y-o-y. This was the largest increase by far in the last decade. However, in the 2Q14 it declined by 1.8% y-o-y, with the lowest number in April, when it declined by 4.3% y-o-y.

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.

Sentiment is holding up relatively well. The **PMI numbers** provided by Markit show that the manufacturing PMI in July fell to 50.5, compared to a June level of 51.5. The domestically important services sector indicated a slight improvement, rising to 50.4 in July from 49.0 in June. Consumer confidence, however, rose significantly from its bottom level of 36.5 in March to stand at 39.9 in June.

Given the solid, but slightly weakening output in the 1H14, the **GDP growth estimate** for 2014 has been revised down from 1.5% to 1.4%. Developments in domestic demand particularly will need close monitoring in the coming weeks to gain further insights into the near term development of the economy. With the 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 remains unchanged from the previous month at 1.2%.

Australia

Australia's economy continues to expand at solid rates but should be expected to slow down somewhat after an impressive 1Q14 GDP growth of 4.5% SAAR. Exports have been a major driver of this significant performance. This support, however, has vanished recently with exports clearly declining in the 2Q, when they fell by 7.2% q-o-q. Also, retail trade grew by only 0.1% q-o-q in the 2Q14. Therefore, the 2014 growth forecast remains unchanged at 2.9% for 2014 and at 2.4% for 2015.

OECD Europe

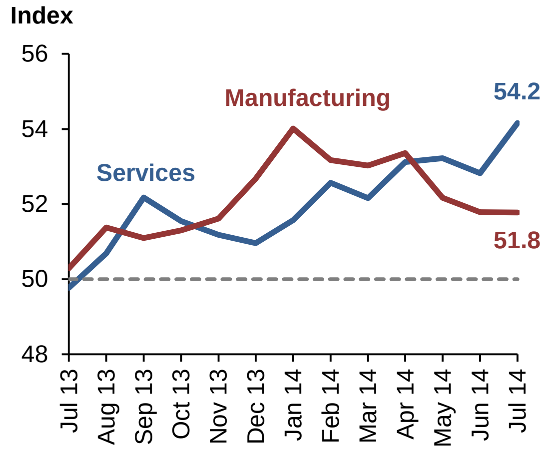
Euro-zone

The situation of the **Euro-zone remains fragile**. The ongoing challenges it faces include the latest low inflation numbers, ongoing problems in the banking system (as witnessed lately in Portugal) and an ongoing recession in its third largest economy (Italy), in combination with a decline in manufacturing orders from the economic powerhouse of Germany. Inflation has remained low at 0.4% in July, lower than the 0.5% y-o-y from June, and the unemployment rate in June remains at a high level of 11.5% but has improved slightly from 11.6% in May. While there is clearly a positive development in economic performance, when compared to last year, the recovery remains sluggish.

Data in general remains mixed. While **Germany** is doing better than most other economies, its situation has continued to weaken slightly. Industrial production has declined from March to May, with May having witnessed a large decline of 1.8% m-o-m. This trend is currently expected to continue with manufacturing orders also having been in decline in May and in June -- by 1.6% m-o-m and 3.2% m-o-m, respectively. Also, in **France** industrial production declined in May by 1.7% m-o-m, indicating a still weak situation. Finally, **Italy's GDP** has declined for two consecutive quarters, leading the economy into recession. Contrary to the weakening situation in the Euro-zone's three largest economies, the smaller peripheral economies are improving slightly, albeit coming from very low activity levels. Spain in particular is improving with GDP growth of 0.4% q-o-q in the 1Q and 0.6% q-o-q in the 2Q.

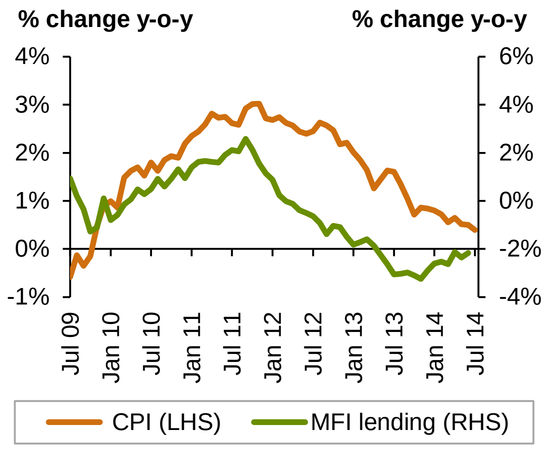
The ECB is forecast to continue supporting the Euro-zone's economy as inflation has tracked back again and **lending of financial intermediaries** to private households is still falling. Lending fell by 2.2% y-o-y in June, compared to May's -2.4% y-o-y.

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.

While in general, the situation remains fragile, the **recent PMI numbers** point to some potential upside for the second half. The latest PMI for manufacturing stood again at 51.8 in July, the same level as in June. It reached 52.4 in Germany but remained below the growth indicating level of 50 in France, where it fell for the fourth consecutive month and stood at 47.8. In Italy, it reached 51.9.

While the recovery in the Euro-zone has gained some traction lately, the low 1Q14 number and the once again weakening output indicators in some economies have highlighted the fact that the development of the Euro-zone economy remains fragile. The **GDP growth forecast** has accommodated such a scenario and has therefore remained unchanged at 0.9% for 2014. In 2015 GDP growth remained at 1.1%, only slightly higher than in the current year.

UK

The United Kingdom has displayed remarkable performance. While the latest UK manufacturing data has highlighted that the economy might not be immune to the global challenges in the first half of the current year, some lead indicators point to a continued strong momentum. While manufacturing output dropped by 1.4% m-o-m in May, the 3Q14 utilisation rates are estimated at 84.4%, much higher than the 80.7% in the 2Q. The PMI for manufacturing remained at a high level of 55.4, slightly below the 57.2 from June. Considering the trend from the beginning of the year, the 2014 GDP growth forecast remains at 2.8%. The forecast for 2015 remains at 2.3% in anticipation of some moderation of the current momentum.

Emerging and Developing Economies

The Central Bank of **Brazil** trimmed its GDP growth forecast for 2014 from 2.0% to 1.6% in July. Monthly GDP data regularly released by the Central Bank do not suggest a faster y-o-y growth in 2Q14 compared to the 1Q. This is mainly due to the base effect of a growth rate of almost 6% during February 2014. While acknowledging the widespread swings of slowing economic growth, recent developments related to liquidity and credit boosting measures by the Central Bank, along with improving exports and expectations of better performance by the manufacturing sector, have balanced the risks to GDP forecasts. This month's forecasts for 2014 and 2015 have not changed, and are pegged at 1.5% and 1.8%, respectively.

Geopolitical tensions had already impacted the **Russian** economy even before the latest financial sanctions by the US and the EU. It remains to be seen whether and how this new round of sanctions will affect the economy, especially as market sources estimate that $74 billion in debt will be coming due over the next 12 months, of which $41 billion has been borrowed by non-financial Russian state companies (the rest by state banks). Early signs suggest that Asian banks are a possible alternative, especially in Hong Kong and Singapore. Public investment might be sacrificed for the sake of aiding targeted state banks and big enterprises, as well as taming inflation. With the GDP falling almost 18% q-o-q in 1Q14, the risk of recession is mounting alongside the weakening currency, rising inflation, continuing capital outflows and slower lending growth. However, Russia's substantial foreign exchange reserves, as well as its healthy fiscal position, low unemployment rate and substantial revenues from oil and gas exports provide the country with reasonable means to manage the economy. Russia's GDP forecast remains intact this month at 0.5% and 1.2% for 2014 and 2015, respectively.

In **India**, the BJP government announced its 2014 Budget on 10 July. It lacked 'big bang' reforms but, instead, consisted of a long list of small policy measures. Also, after a weak 1Q14, nominal goods exports rebounded in the 2Q. The pick-up in exports demand since the beginning of the year also supported the recovery of the manufacturing sector. This is likely to continue improving in the coming months. Meanwhile, the government's efforts to expedite the clearance of stalled infrastructure projects, as well as its strong focus on infrastructure investments, will further boost core sector output. The overall impact is expected to accelerate India's stalled industrial production growth.

China's GDP expanded by 7.5% on the year in the 2Q14, with the quarterly pace of growth accelerating to a seasonally adjusted 2%, the biggest gain since 3Q13. The latest data for July signalled a second successive monthly improvement in overall operating conditions by Chinese manufacturers. Despite this, there are still considerable downside risks; indeed, they have probably increased in recent months.

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	1.5	1.8	6.6	6.3	-83.1	-87.3	-3.8	-3.8	58.8	60.6
Russia	0.5	1.2	6.7	5.3	40.5	29.3	-0.6	-0.6	8.5	8.9
India	5.5	5.8	8.4	7.7	-60.6	-77.7	-5.2	-4.9	51.4	50.6
China	7.4	7.2	2.4	3.1	220.6	154.1	-3.0	-2.7	16.8	18.2

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

Brazil

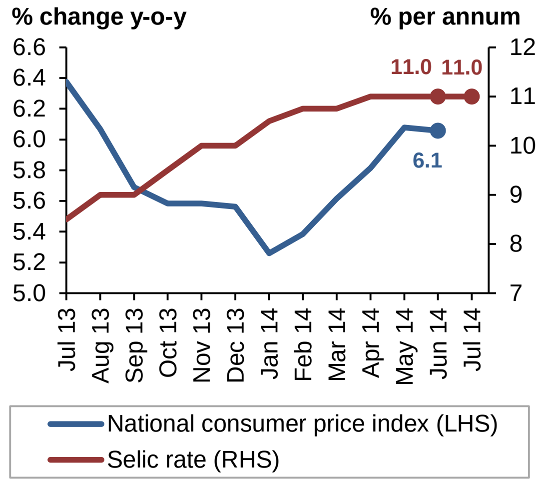
With the country's economic growth showing consistent signs of a slowdown and elections approaching in October, more aggressive attempts to revive the economy have started to materialize. Aiming at increasing the cash available to banks for lending, the Central Bank of Brazil announced a series of **liquidity and credit boosting measures** that would inject nearly R$30 billion (around $13.63 billion) into the economy. This could lower interest rates and reduce spending by companies and households, leaving more for investment and consumption. Compulsory bank reserves in Brazil had risen from R$194 billion (around $88.2 billion) at the end of 2009 to R$405 billion (around $184.1 billion) currently, according to the Central Bank. Releasing some of that money might be significant to accelerate growth. To increase lending amounts the central bank is relying on three measures:

- Increasing the number of banks allowed to use up to 20% of their reserve requirements on loans to finance investments in capital goods.
- Easing minimum capital requirements for loans.
- Allowing financial institutions to use up to 50% of their reserve requirements on term deposits to either make new loans or acquire loan portfolios from other banks.

The Brazilian **real** (R$) has been under pressure recently with the US dollar become more attractive to investors on speculations that the US Fed will continue paring back its monetary stimulus. In addition, Argentina's selective default on its debt has added further pressure on the real. The real has also been affected by polls about October's presidential elections. The exchange rate between the real and the US dollar ended July almost 3% lower than the end of June. This signals the lowest exchange rate since February.

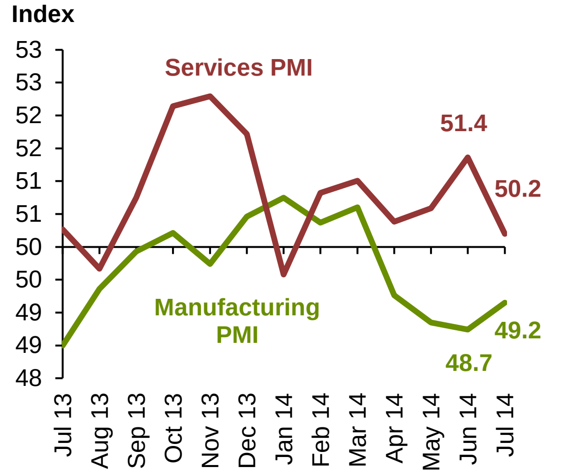
The Central Bank plans to keep offering $200 million in currency swaps each business day until at least the end of this year to support the real and limit import price inflation. The Central Bank has also kept its benchmark **interest rate** unchanged during July at 11.0% amid increasing inflation. In May, **inflation** breached 6% for the first time since August 2013 and registered 6.1% in June. This suggests that the Central Bank has preferred to wait and assess the impact of the World Cup on inflation rather than raising the rate which would have affect an already slowing economic growth. Last month the Central Bank revised its 2014 inflation forecast upwards to 6.4% from 6.1%.

Graph 3.6: Brazilian inflation vs. interest rate



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

Graph 3.7: Brazilian manufacturing and services PMIs



Sources: HSBC, Markit and Haver Analytics.

Following four consecutive months of falling exports, Brazilian **exports** grew by 10.7% y-o-y last month, signalling the fastest pace since November 2011. In 2Q14, however, exports fell an average of 4.2% y-o-y. The **consumer confidence index** stayed largely unchanged in July at around its lowest reading since April 2009. The index posted

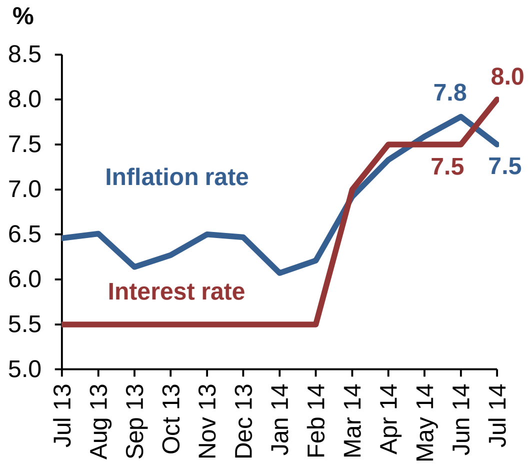
103.3 in last month, compared to 101.5 in June. The **manufacturing sector** showed worsening operating conditions for the fourth month in a row in July. The manufacturing PMI posted 49.1 last month, up from 48.7 in June. The index was dragged down by output decline, as well as marginal reductions in overall new orders and new export orders. Employment, however, returned to growth for the first time since March.

The **Central Bank of Brazil** trimmed its **GDP** growth forecast for 2014 from 2.0% to 1.6% in July. Monthly GDP data regularly released by the Central Bank do not suggest a faster y-o-y growth in 2Q14 compared to the 1Q. This is mainly due to the base effect of a growth rate of almost 6% during February 2014. While acknowledging the widespread swings of slowing economic growth, recent developments related to liquidity and credit boosting measures by the Central Bank, along with improving exports and expectations of better performance by the manufacturing sector, have balanced the risks to GDP forecasts. This month's forecasts for 2014 and 2015 have not changed, and are pegged at 1.5% and 1.8%, respectively.

Russia

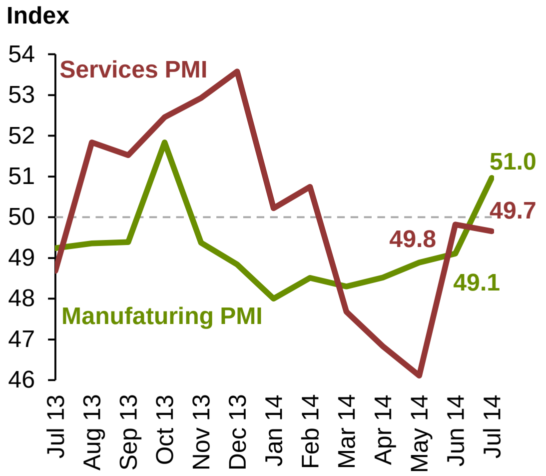
Russia's Central Bank estimated **net capital outflows** at $25.8 billion in 2Q14. This is five times more than outflows during 2Q13. It follows $48.8 billion which exited the economy in 1Q14. For the third time this year, Russia's Central Bank raised the **interest rate** late last month to 8.0% from 7.5%. According to the Central Bank, the decision aimed at slowing the CPI to a 4% target in the medium-term. This is also seen as a move to support the Russian rouble following new US financial sanctions. Annual consumer **inflation** declined to 7.5% in July 2014 from 7.8% in the previous month, driven mostly by the lower cost of electricity, gas and other fuels. After new EU sanctions blocked Russia's biggest banks from the bond markets, the **rouble** depreciated 6.25% against the US dollar by the end of July from the end of August, while Russia's stock market price index lost more than 10% over the same period.

Graph 3.8: Russian inflation vs. interest rate



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

Graph 3.9: Russian manufacturing and services PMIs



Sources: HSBC, Markit and Haver Analytics.

The **manufacturing sector** showed notable signs of improvement in July with its PMI in the expansion territory for the first time since October 2013. The index was supported by higher production and new orders. While new export orders contracted at the fastest pace since April 2009, job creation in the sector continued to decline. The PMI inflation index improved last month and eased to its 2H13 trend which should be reflected in softened inflation in Russia in the coming months. **Retail sales** growth decelerated in June to its lowest since December 2009. It increased by just 0.7% y-o-y, down from 2.1% a month earlier. In June of 2014, Russia's **unemployment** rate was recorded at 4.9%, unchanged from the previous month. A year earlier, unemployment was recorded at 5.4%. The number of unemployed people decreased slightly to 3.68 million in June from 3.7 million in May. Unemployment fell 9.8% y-o-y.

Geopolitical tensions had already impacted the Russian economy even before the latest financial sanctions by the US and the EU. It remains to be seen whether and how this new round of sanctions will affect the economy, especially as market sources estimate that $74 billion in debt will be coming due over the next 12 months, of which $41 billion has been borrowed by non-financial Russian state companies (the rest by state banks). Early signs suggest that Asian banks are a possible alternative, especially in Hong Kong and Singapore. Public investment might be sacrificed for the sake of aiding targeted state banks and big enterprises, as well as taming inflation. With the GDP falling almost 18% q-o-q in 1Q14, the risk of recession is mounting alongside the weakening currency, rising inflation, continuing capital outflows and slower lending growth. However, Russia's substantial foreign exchange reserves, as well as its healthy fiscal position, low unemployment rate and substantial revenues from oil and gas exports provide the country with reasonable means to manage the economy. Russia's GDP forecast remains intact this month at 0.5% and 1.2% for 2014 and 2015, respectively.

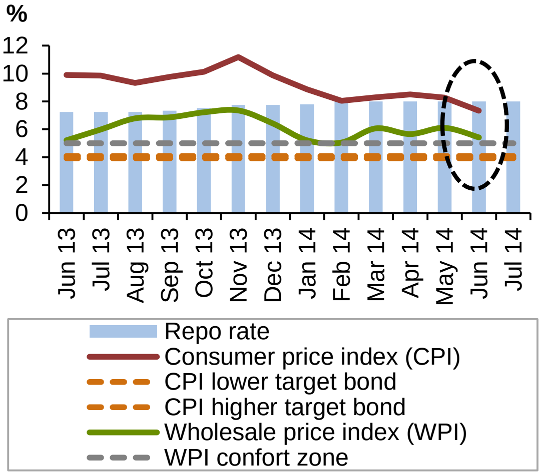
India

The Bharatiya Janata Party (BJP) government announced its **2014 budget** on 10 July, its first since coming to power. It was lacking in 'big bang' reforms; instead it consisted of a long list of small policy measures, which even when taken together are unlikely to move the economy to a higher growth path. There were measures designed to improve the investment environment such as: raising the cap on FDI in the insurance and defence sectors from 26% to 49%; injecting INR2.5 trillion in public sector banks by 2018; and providing an investment allowance for small businesses. However, food inflation is one of the biggest problems plaguing the Indian population, but there were no clear policies targeted towards addressing this issue. The Reserve Bank of India (RBI) is seen as likely maintaining its anti-inflationary stance in order to ensure that wage pressures remain contained and that expectations remain anchored. Meanwhile, the implementation of the Goods and Services Tax plan, which has been on hold for the past two years and has the potential to raise government revenue significantly, was mentioned; but no roadmap of its actual execution was outlined.

Similarly, India's Finance Minister recently talked about the need to overhaul the **subsidy regime**, but details on the changes were missing. The BJP government is likely to continue to support its right to maintain food subsidies in spite of pressure to accede to the WTO regime.

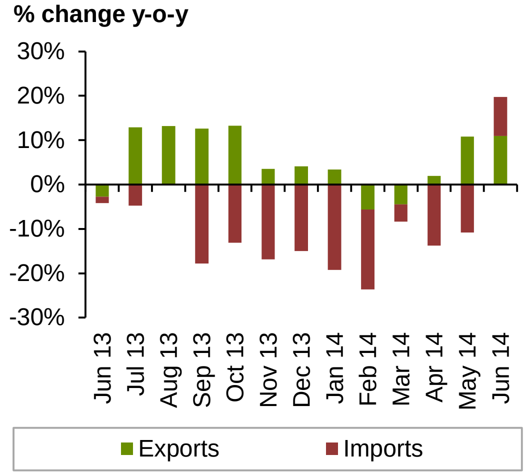
Inflation on both the WPI and CPI measures eased in June. In other words, it seems that inflation risks in India have abated over the last month, which is encouraging. Inflation is still much higher than the RBI would like, so it has maintained the repo rate at 8% in June. Since interest rates are unlikely to be cut before early 2015, tight monetary policy will be a drag on domestic demand, while high corporate indebtedness and a weak banking sector will continue to hold back investment. In addition, there is little room to manoeuvre in fiscal policy.

Graph 3.10: Indian inflation vs. repo rate



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

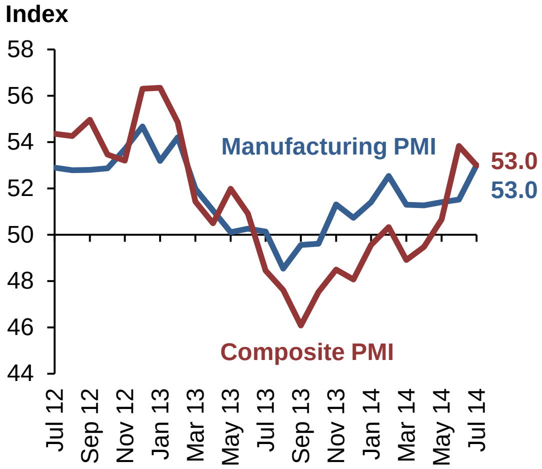
Graph 3.11: Indian imports vs. exports



Sources: Reserve Bank of India and Haver Analytics.

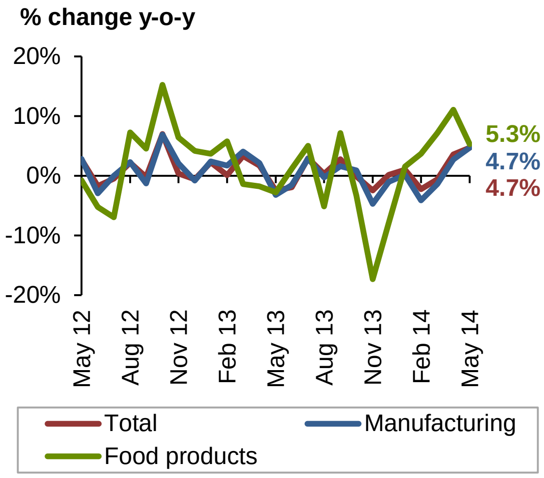
India's **merchandise trade deficit** widened 4.3% y-o-y in June to $11.8 billion, also up from May's $11.2 billion, data released by the commerce and industry ministry showed. After having contracted for 11 months, merchandise imports raised 8.3% y-o-y to $38.2 billion, likely reversing the negative imports growth trend. Non-oil imports accelerated 7.0% y-o-y in June, largely reflecting a surge in gold imports. Gold imports jumped 65% in June after the RBI allowed more banks and traders to buy bullion overseas. The government had originally put restrictions on gold purchases from abroad in June 2013. But with some of these restrictions removed this June, and with the base effects coming into play, gold imports grew 65.1% y-o-y to $3.12 billion during the month. Meanwhile, oil imports also accelerated, rising 10.9% y-o-y in June, reflecting rising global oil prices. Merchandise exports growth also remained in double digits in June, with exports rising 10.9% y-o-y to $26.5 billion.

Graph 3.12: Indian purchasing managers' indices (PMIs)



Sources: HSBC, Markit and Haver Analytics.

Graph 3.13: Indian industrial production breakdown

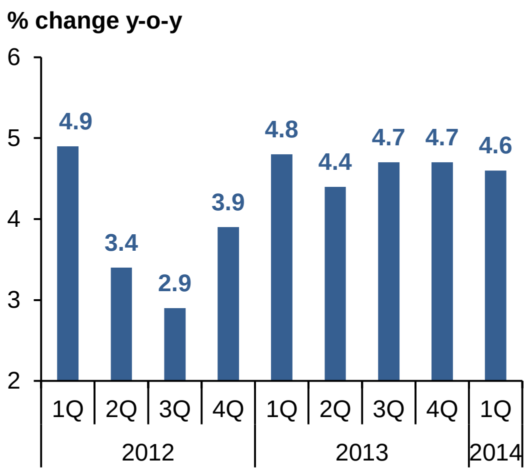


Sources: Central Statistical Organisation of India and Haver Analytics.

Finally, the **manufacturing sector** is starting to pick up steam. A flood of new orders from both domestic and external sources has led to a surge in activity, pushing the manufacturing PMI to a 17-month high. Details within the survey show that all monitored categories witnessed a rise in output and order flows. However, the speed of the recovery has also lifted price pressures, with input prices rising steeply. Business conditions in the Indian manufacturing sector improved for a ninth consecutive month in July, as companies scaled up production in response to robust levels of demand. But employment deteriorated, while inflationary pressures continued to emerge, particularly on the supply side. The manufacturing PMI reached a 17-month peak of 53.0 in July, up from 51.5 in June. The reading signalled a solid improvement in business conditions. A significant improvement could also be seen in industrial production with the exception of food products.

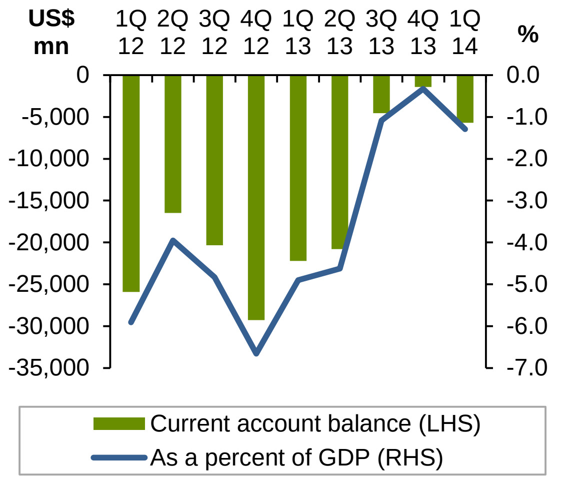
India's **economic situation** deteriorated significantly between 2011 and 2013, making the country more vulnerable to domestic and external shocks. GDP growth has slowed and the government's current account balance deficits have only recently narrowed from unsustainable levels after drastic actions by the government, including policies to curb gold imports and sharp cuts to capital spending. And although the economy is now more stable, sluggish growth and unfavourable domestic conditions (including high inflation, tight monetary policy and a poor investment environment) mean that much still needs to be done before the country is on a more secure footing.

Graph 3.14: Indian GDP growth



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

Graph 3.15: Indian current account balance



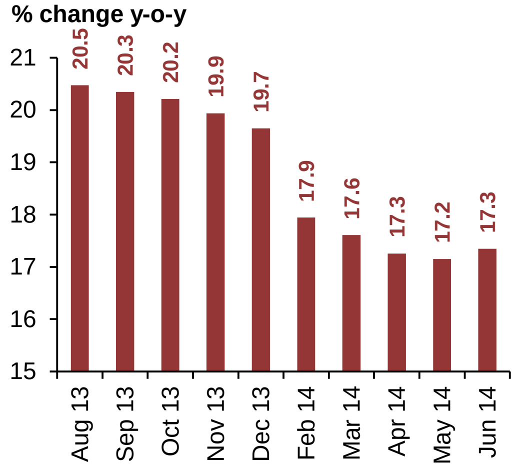
Sources: Reserve Bank of India and Haver Analytics.

The inflation, industrial production and exports quantities were all slightly better than expected in the 2Q. But growth expectations remain unchanged at 5.5% in 2014 and 5.8% in 2015 because the underlying problems facing the domestic economy will continue to restrict India's GDP growth.

China

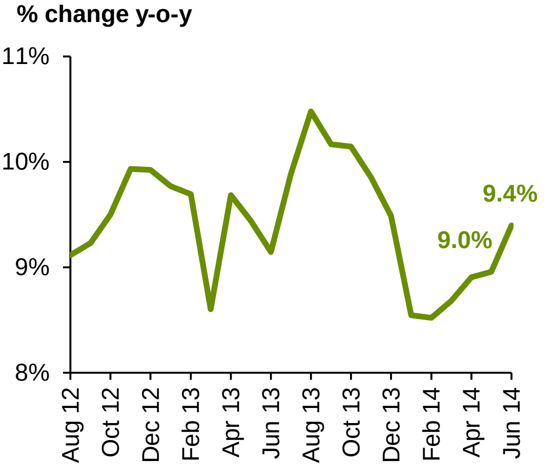
GDP expanded by 7.5% on the year in 2Q, with the quarterly pace of growth accelerating to a seasonally adjusted 2%, the biggest gain since the 3Q13. Estimated retail sales volumes were 10.9% higher than a year earlier, the same pace as in the 1Q, while industrial production grew by 9.2% on the year in June, the largest increase so far in 2014. The growth of fixed urban investment also appears to have stabilised at 17.4%. However, the stronger performance in 2Q was helped by a sharp improvement in the trade balance and while this partly reflected a rebound in exports after a poor 1Q, it was also heavily influenced by imports, which remained sluggish and which raises concerns about the underlying strength of domestic demand. At the same time, the real estate sector is looking increasingly fragile, with investment growth in the sector slowing and house prices falling for two consecutive months for the first time in two years.

Graph 3.16: Chinese investment in fixed assets, urban area



Sources: China National Bureau of Statistics and Haver Analytics.

Graph 3.17: Chinese industrial production



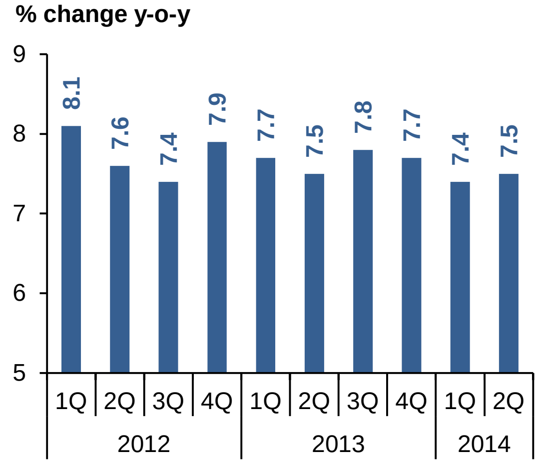
Sources: China National Bureau of Statistics and Haver Analytics.

In the last couple of months the **People's Bank of China** (PBC) has moved to ease funding conditions for banks and increase credit availability to the economy in a relatively targeted way. The reserve requirement for banks that support agriculture, small and medium-sized enterprises, and consumers has been lowered and, more recently, the calculation of the loans-to-deposit ratio, which acts as a lid on lending, has been amended. In addition, the PBC has injected liquidity into the system for nine consecutive weeks, the longest uninterrupted period in two years. Against this less restrictive background, credit and money growth is expected to strengthen, which will support overall GDP growth.

As part of efforts to support the economy this year, the Chinese government has stepped up **railway investment**. The government has pledged that all cities with a population of more than 200,000 will be served by a regular rail transport system by 2020. In addition, as part of China's urban development plan, the government is committed to continued large increases in public spending on other infrastructure, affordable housing and support for small businesses. In addition, exports (in US dollar terms) bounced back in the 2Q after their first annual fall in the 1Q since 2009.

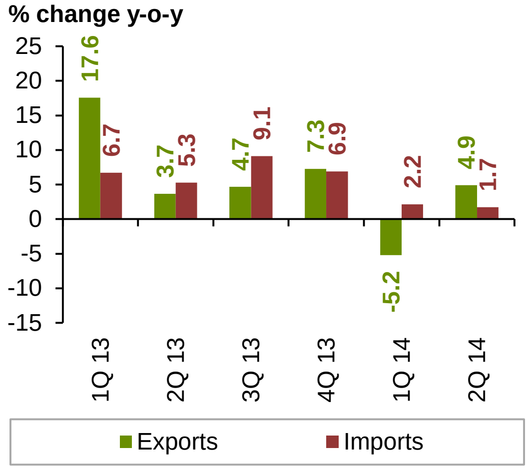
The latest data for July signalled a second successive monthly improvement in overall operating conditions for **Chinese manufacturers**. Output and total new orders both rose at their strongest rates since March 2013, while new exports increased at the second fastest pace in over three-and-a-half years. In response to stronger inflows of new jobs, purchasing activity rose solidly while job shedding eased slightly for the second successive month. Meanwhile, input price inflation accelerated to its strongest level since last November. After adjusting for seasonal factors, the PMI in the manufacturing sector posted 51.95 in July, the highest reading since early 2013, down slightly from the earlier flash reading and up from 50.8 in June. This signalled a further improvement in the health of China's manufacturing sector. Furthermore, it was the strongest rate of improvement in a year-and-a-half and Chinese manufacturers signalled a second consecutive monthly rise in production during July. Nevertheless, the economy is improving sequentially and has registered across-the-board improvement compared to June. Policymakers are continuing with targeted easing in recent weeks and the cumulative impact of these measures is expected to filter through in the next few months and help consolidate the recovery.

Graph 3.18: Chinese GDP growth



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

Graph 3.19: Chinese imports vs. exports



Sources: China Customs and Haver Analytics.

Two **separate trends** seem to underlie Chinese growth. On the positive side, there is positive growth of the global economy in 2H14, export growth for the recent yuan depreciation, infrastructure investment (including railway investment, affordable housing, and spending on environmental protection and clean energy) and domestic demand encouragement by the government. All these factors will support the Chinese economy in 2H14 and in 2015.

However, despite the upgrade to growth, there are still considerable downside risks. Indeed, they have probably increased in recent months. There are serious concerns about the real estate sector, as well as the indebtedness of the corporate sector and the financial strength of the shadow banking institutions. The authorities are very keen to slow shadow bank lending, but they also appear determined to avoid financial conditions that risk pushing shadow banks into a crisis with wider repercussions.

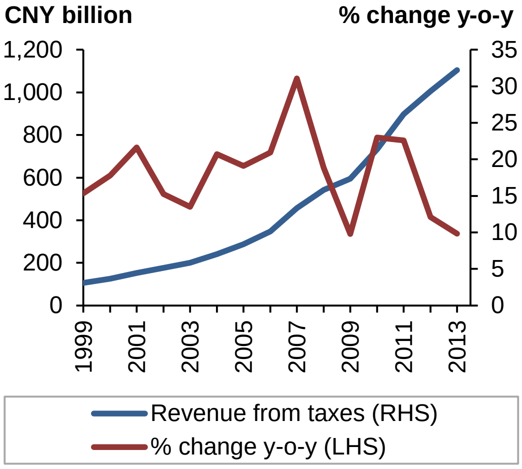
Expected GDP growth for 2014 remains unchanged at 7.4% and the expectation for 2015 is 7.2%.

China's financial policy and GDP growth improvement in the mid-term

Taxes provide the most important source of revenue for the government of the People's Republic of China. As such, taxes are a key economic player in the macro-economy, and they greatly affect China's economic and social development. With the changes made since the 1994 tax reform, China has preliminarily set up a streamlined tax system geared to their socialist market economy. China's tax revenue was CN¥11.04 trillion (about $1.61 trillion) in 2013, up 9.8% from 2012.

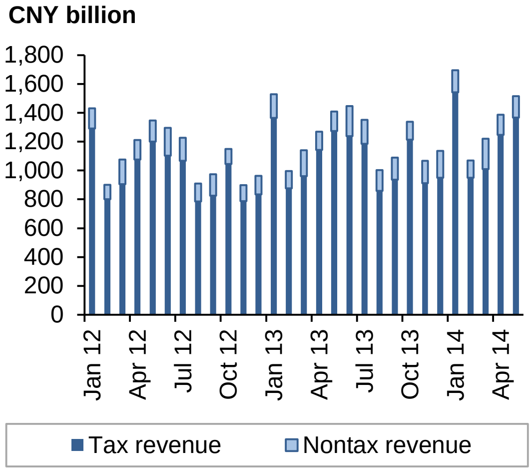
The government agency in charge of tax policy is the Ministry of Finance, and the State Administration of Taxation is responsible for tax collection. As part of $586 billion economic stimulus package of November 2008, the government plans to reform the VAT which could cut corporate taxes by CN¥120 billion in a year.

Graph 3.20: China's government revenue from taxes



Sources: China National Bureau of Statistics and Haver Analytics.

Graph 3.21: General government revenues of China



Sources: China National Bureau of Statistics and Haver Analytics.

Based on econometric studies, government revenue has a long-run relation with tax and non-tax variables. At least three co-integrated vectors could be identified based on a Johansen system co-integration test. Tax revenue elasticity is also about 0.84% which means a 1% positive change of tax revenue will increase government revenue about 0.84%. The above-mentioned effect is positive on China's economic growth in the mid- and long-term. Linear modelling approaches, according to Box-Jenkins, show that a 10% government tax revenue could increase the GDP growth rate by almost 0.7%. It seems these could help China to compensate for any domestic consumption and investment weaknesses in the mid-term.

China's State Council recently agreed to a timetable for fiscal and tax reforms, including a 2016 deadline for the establishment of "main points" in the reform process, and a 2020 deadline for the implementation of a modern fiscal and tax system. According to a summary posted on the Chinese central government's web portal, on 30 June 2014, leaders agreed to the timeline and agreed that the following three main categories of changes should be included:

1. Changes to the budgeting system, such as increasing restrictions, normalising areas of government activity, monitoring and enhancement of budgeting

practices, and increasing transparency.

2. Tax reform should include optimising the structure and sources of tax revenue, stabilising the tax burden, improving fairness in taxation and adjusting the distribution of tax revenues.
3. Central-local government transfer system, which should include rationalising the central-local revenue-sharing system.

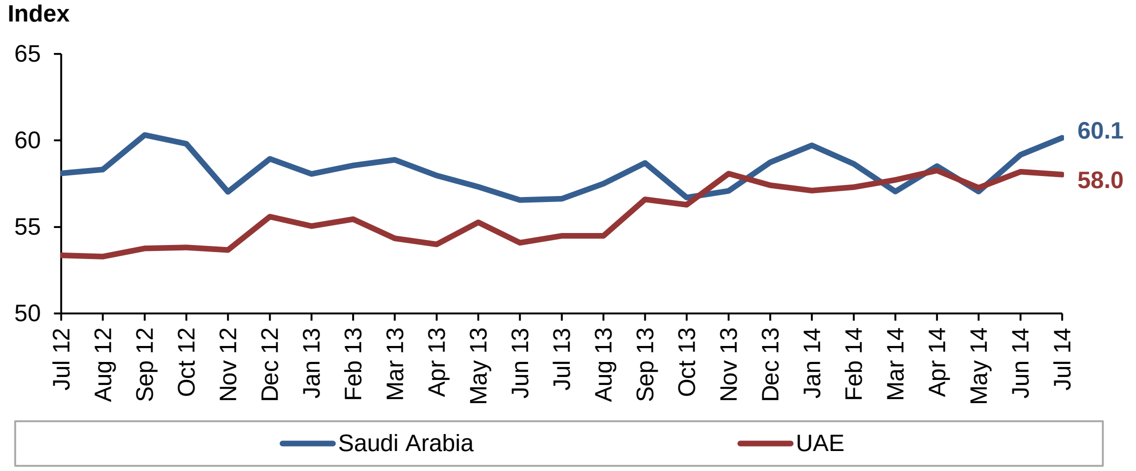
OPEC Member Countries

Activity in the non-oil producing private sector of **Saudi Arabia** in July grew to its highest level since September 2012. The SABB HSBC PMI posted 60.1 last month, up from 59.2 in June. The index was supported by strong production and an increase in new orders. The production index increased to its highest level since February 2012, while new orders posted their strongest figure since September 2013. While as a result, job creation continued last month, input price inflation also quickened at the same time.

Iran has announced a short-term policy package which aims to improve economic performance. The policy identified four challenges currently facing the Iranian economy, including financial shortages, low domestic demand and a lack of efficiency. It also revealed that the government will use a set of monetary, financial and foreign exchange policies in order to stabilize the economy. Some positive development was also visible in the consumer price development. The Statistical Center of Iran announced a 2.2% decrease in the inflation rate as of late July when compared to the previous month.

In the **United Arab Emirates**, the headline PMI of July highlighted a further strong improvement in the operating conditions of the country's non-oil producing private sector. The index registered 58.0 in July, slightly lower than June's 58.2. The index was largely supported by rising production, higher demand and solid job creation. The survey showed that the competition has led firms to reduce prices for the fourth month in a row in July.

Graph 3.22: Saudi Arabia and UAE: manufacturing PMIs



Sources: SAAB, HSBC, Markit and Haver Analytics.

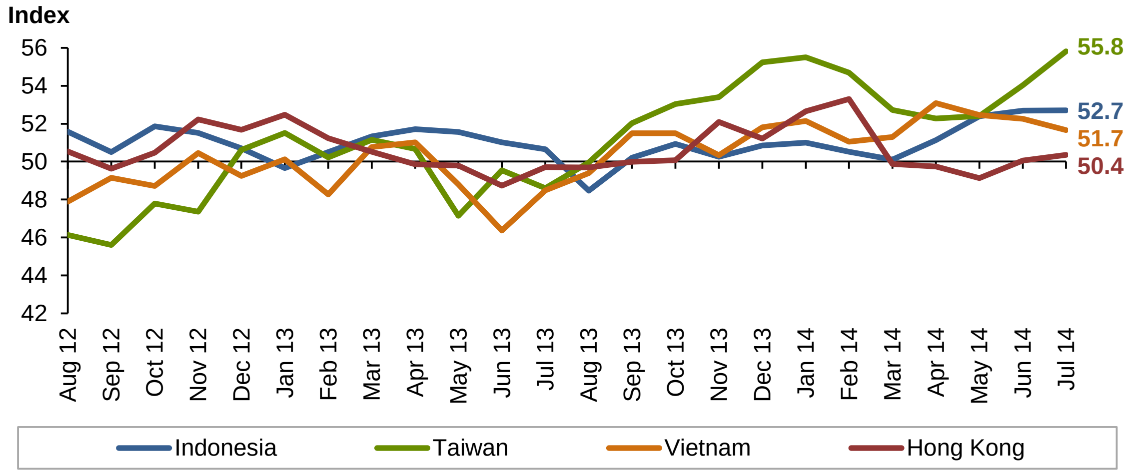
Other Asia

In the **Philippines**, GDP in 1Q14 grew at its slowest pace since 2011, registering 5.7% y-o-y. The government is eager to accelerate growth to 7.5% this year by boosting infrastructure investment by around $20 billion. Food prices jumped 7.4% y-o-y in June, doubling inflation in less than a year to 4.4% in June. The Central Bank raised its key rate last month from a record low of 3.5% to 3.75%. This marks the first interest rate increase since May 2011. The goods-producing sector in Indonesia continued to improve at a record pace in July. According to the latest manufacturing PMI, strong domestic demand led the index to a peak of 52.7 in July. This matches June's reading. The survey also highlighted record expansion in production alongside solid growth in new orders and a 12-month high in job creation.

Operating conditions in **Taiwan**'s manufacturing sector improved in July by the fastest pace in the past three years according to the manufacturing PMI. The index registered 55.8 in July, up from 54.0 in June. The survey also highlighted the highest rate of growth in total new orders and export orders since the beginning of 2011, and indicated a sharp increase in production together with input price inflation.

The manufacturing economy in **Vietnam** started to exhibit signs of easing growth last month as both output and new orders increased at a slower pace in July than a month earlier. The manufacturing PMI fell from 52.3 in June to 51.7 in July. This signals the slowest growth in four months, stemming from a weak rise in output and sharp inflation in input costs. The survey showed an increase in stocks of finished goods for the first time in three months.

Graph 3.23: Manufacturing PMIs in Other Asia



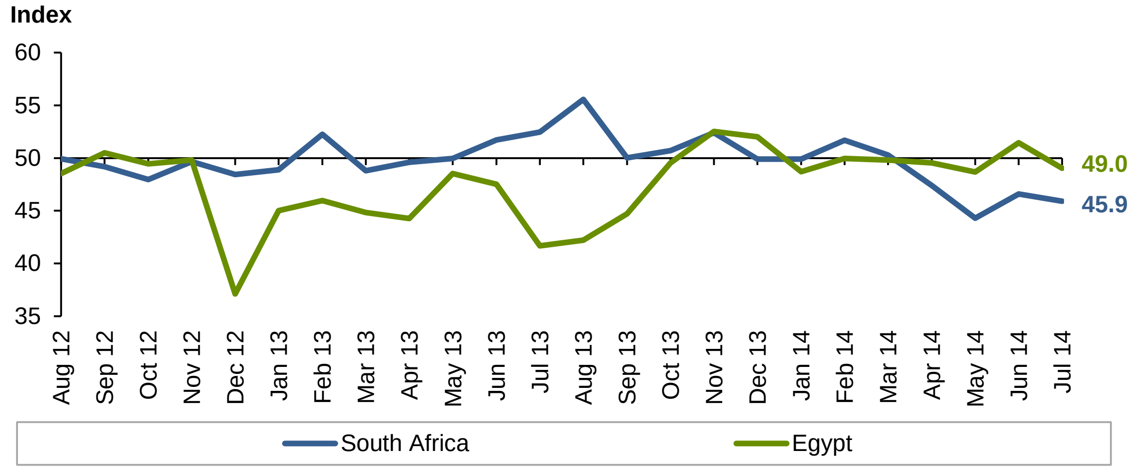
Sources: HSBC, Markit and Haver Analytics.

Africa

Labour market issues continued last month in **South Africa**. Market sources estimated that the country had more than 330 strikes and protests in the first half of 2014, causing a significant negative impact to the economy. Following a five-month strike by platinum mineworkers, the country's biggest labour union of around 220,000 workers, started again a strike at the beginning of July, costing the metal industry around $29 million a day. This strike is impacting an estimated 12,000 companies in the country. The consequent lack of certain components due to this strike has forced car makers to halt production at their South Africa units. As a result, South Africa's PMI of July dropped to 45.9 from 46.6 in June. Such labour market turbulence has hurt demand, resulting in notable drops in output and new orders.

In **Egypt**, last month's reduction in energy subsidies caused prices to go up and affect demand. The HSBC PMI of July showed worsening operating conditions, posting 49.0, down from a six-month high of 51.5 in June.

Graph 3.24: Manufacturing PMI in South Africa and Egypt



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

Latin America

Subsequent to passing the deadline of 30 July without reaching an accord with its creditors, **Argentina** was seen by Standard & Poor's, Moody's and Fitch ratings agencies as having defaulted on its debt of around $13 billion. The country is officially in recession after GDP contracted 0.8% q-o-q in the 1Q14. This followed the 0.5% q-o-q contraction in the 4Q13.

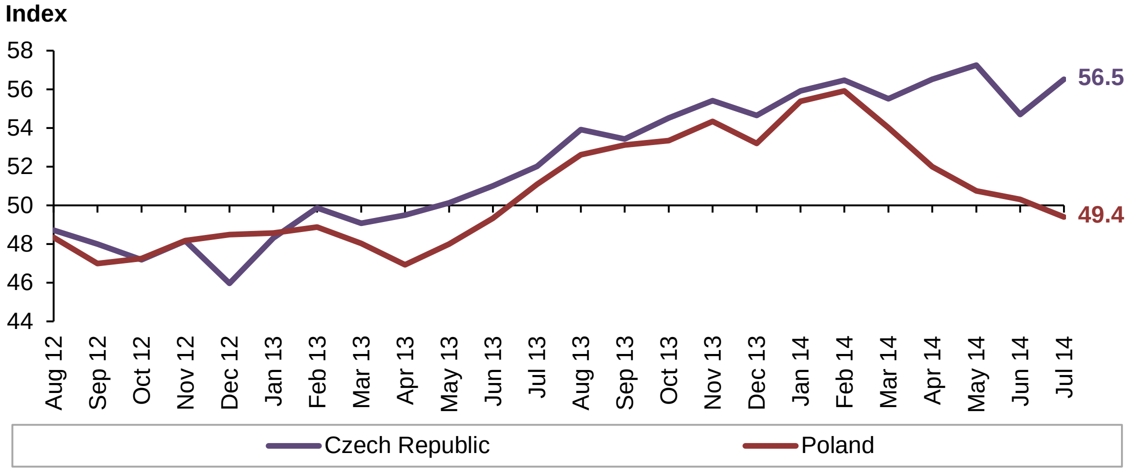
Inflation in **Chile** eased in June to 4.3% from 4.7% in May, while the economic growth rate stood at 2.3% in May. The government last month trimmed its forecast for this year's GDP growth to 3.2% from the previous figure of 4.9%. The unemployment rate climbed to 6.3% in the March through May period from 5.7% at the end of 2013. Investments dropped 5% in the 1Q14. Meanwhile, slower growth and tamer inflation have encouraged the Central Bank to resume interest rate cuts after a three-month pause. The benchmark interest rate was reduced last month by a quarter point to 3.75%.

Transition region

In the **Czech Republic**, the Central Bank has raised its forecast for this year's GDP growth to 2.9% from the previous 2.6%. The forecast for 2015 was cut from 3.3% to 3.0%. The manufacturing sector registered a strong performance at the start of the second half of the year. The PMI registered above 50.0 for the fifteenth successive month in July, indicating an overall improvement in business conditions in the goods-producing sector. The manufacturing PMI posted 56.5 in July, up from 54.7 in June. Output, new orders, exports, employment, backlogs and purchasing all rose at faster rates. The survey also indicated weak inflationary pressures. The Central Bank left the benchmark interest rate unchanged last month at 0.05% for the 14th consecutive month. Inflation in the Czech Republic fell to zero in June from 0.4% a month earlier. The Central Bank is targeting inflation to be at 2% or ±1 pp.

In **Poland**, activity in the manufacturing sector contracted in July for the first time in 13 months. The manufacturing PMI fell to 49.4 last month from 50.3 in the previous month. The survey marked the strongest decline in new export orders since October 2012 while production grew marginally.

Graph 3.25: Manufacturing PMIs in transition region



Sources: HSBC, Markit and Haver Analytics.

Oil prices, US dollar and inflation

On a monthly average, the **US dollar remained relatively resilient** in July compared to its major currency counterparts but, particularly since the end of July, continued rising versus the euro. Compared to the euro, the US dollar rose by 0.4% in July and stood at a monthly average of $1.3536/€ in July, compared to $1.3592/€ in June. In August the US dollar continued increasing to a level below $1.34/€. Versus the Japanese yen, the US dollar fell by 0.3% to reach ¥101.701/$. Compared to the pound sterling, it fell by 1.0%, its fifth consecutive month of decline, while compared to the Swiss franc, it increased by 0.1%. With the ongoing recovery in the US, the tapering of the US Fed, continued monetary stimulus from the ECB and the ongoing efforts by the BoJ to stimulate the economy, and given the current slowdown in emerging markets, the US dollar should be expected to appreciate in the coming months.

In nominal terms, the price of the OPEC Reference Basket (ORB) declined by a monthly average of $2.28, or 2.1%, from $107.89/b in June to $105.61/b in July. In real terms, after accounting for inflation and currency fluctuations, the ORB fell by 2.0%, or $1.31, to $63.00/b from $64.31/b (base June 2001=100). Over the same period, the US dollar remained flat against the import-weighted modified Geneva I + US dollar basket* while inflation fell by 0.1%.

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

World Oil Demand

The forecast for 2014 world oil demand was fairly unchanged from last month's report. Global oil demand growth for 2014 now stands at 1.10 mb/d after a marginal downward revision of 25 tb/d due to a lower-than-expected performance in 2Q14 from OECD Americas, mainly Canada and Mexico, as well as from OECD Europe and Asia Pacific. In 2015, world oil demand is projected to grow by 1.21 mb/d, unchanged from the previous report.

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

							Change 2014/13	
	2013	1Q14	2Q14	3Q14	4Q14	2014	Growth	%
Americas	23.96	23.90	23.90	24.38	24.35	24.13	0.17	0.73
of which US	*19.20*	*19.20*	*19.07*	*19.56*	*19.57*	*19.35*	*0.15*	*0.78*
Europe	13.59	13.04	13.48	13.74	13.37	13.41	-0.18	-1.33
Asia Pacific	8.36	8.88	7.68	7.92	8.47	8.23	-0.13	-1.51
Total OECD	**45.91**	**45.82**	**45.05**	**46.04**	**46.18**	**45.77**	**-0.13**	**-0.29**
Other Asia	11.06	11.10	11.31	11.37	11.39	11.29	0.23	2.11
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	6.99	6.79	6.73	0.23	3.51
Middle East	7.81	8.07	7.98	8.48	7.95	8.12	0.31	3.92
Africa	3.55	3.68	3.68	3.53	3.68	3.64	0.09	2.51
Total DCs	**28.92**	**29.27**	**29.66**	**30.37**	**29.81**	**29.78**	**0.86**	**2.96**
FSU	4.48	4.39	4.23	4.63	4.87	4.53	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"	**15.18**	**15.08**	**15.34**	**15.52**	**16.29**	**15.56**	**0.38**	**2.49**
Total world	**90.01**	**90.17**	**90.06**	**91.92**	**92.27**	**91.11**	**1.10**	**1.23**
Previous estimate	90.01	90.15	90.16	91.92	92.27	91.13	1.13	1.25
Revision	0.00	0.02	-0.11	0.00	0.01	-0.02	-0.03	-0.03

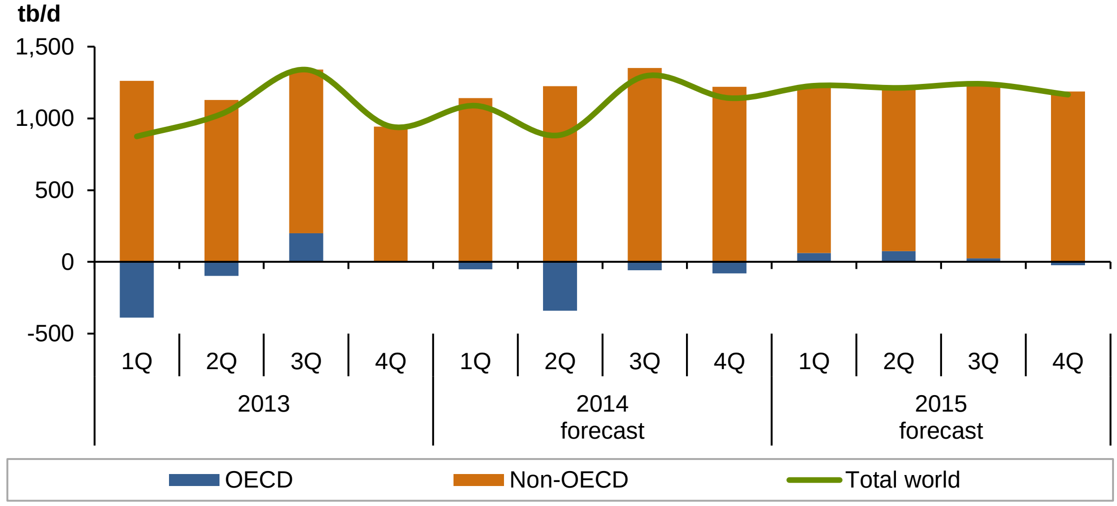
Totals may not add up due to independent rounding.

Table 4.2: World oil demand in 2015, mb/d

							Change 2015/14	
	2014	1Q15	2Q15	3Q15	4Q15	2015	Growth	%
Americas	24.13	24.11	24.09	24.60	24.55	24.34	0.21	0.85
of which US	*19.35*	*19.38*	*19.22*	*19.75*	*19.76*	*19.53*	*0.18*	*0.91*
Europe	13.41	12.98	13.43	13.65	13.29	13.34	-0.07	-0.52
Asia Pacific	8.23	8.79	7.61	7.81	8.32	8.13	-0.10	-1.22
Total OECD	**45.77**	**45.89**	**45.13**	**46.06**	**46.16**	**45.81**	**0.03**	**0.08**
Other Asia	11.29	11.32	11.53	11.61	11.60	11.52	0.22	1.97
of which India	*3.80*	*3.94*	*3.89*	*3.78*	*3.96*	*3.89*	*0.10*	*2.50*
Latin America	6.73	6.64	6.90	7.21	7.05	6.95	0.23	3.34
Middle East	8.12	8.36	8.25	8.79	8.24	8.41	0.30	3.63
Africa	3.64	3.75	3.75	3.59	3.75	3.71	0.07	1.92
Total DCs	**29.78**	**30.07**	**30.43**	**31.20**	**30.64**	**30.59**	**0.81**	**2.73**
FSU	4.53	4.44	4.28	4.68	4.93	4.58	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"	**15.56**	**15.44**	**15.71**	**15.90**	**16.64**	**15.93**	**0.36**	**2.34**
Total world	**91.11**	**91.40**	**91.27**	**93.16**	**93.44**	**92.32**	**1.21**	**1.33**
Previous estimate	91.13	91.38	91.38	93.16	93.43	92.35	1.21	1.33
Revision	-0.02	0.02	-0.11	0.00	0.00	-0.02	0.00	0.00

Totals may not add up due to independent rounding.

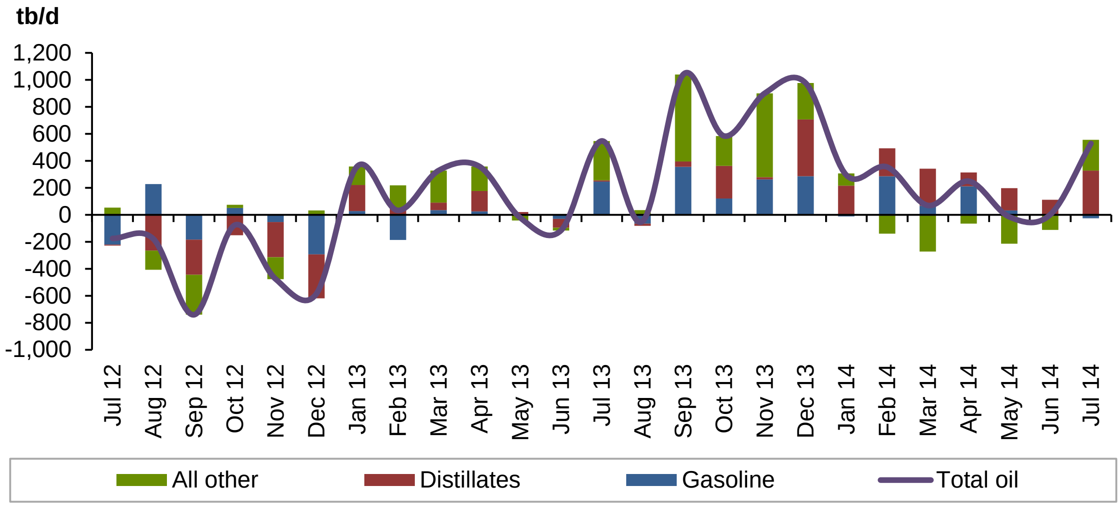
Graph 4.1: Quarterly world oil demand



OECD Americas

Following increasing oil requirements for several months, May 2014 US monthly oil demand data switched to a negative downward trend for the first month since August 2013. US oil demand in May 2014 fell by 0.8% compared to the same month in 2013 with a contradicting picture as far as the different product categories are concerned. Distillate demand continued its upward trend resulting from growing industrial production, but this was more than offset by the declining use of propane/propylene due to fuel substitution. Moreover, May 2014 gasoline demand remained stagnant as compared to the same month last year as a result of weak mileage and improving fuel efficiencies.

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



Five months in 2014 show US oil demand higher by around 0.19 mb/d as compared to the same period last year. Within products, distillate fuel and gasoline usage saw growth in the first five months of the year, while propane/propylene and residual fuel oil requirements declined. These developments are in line with rising industrial production and the strengthening of some economic indicators, such as the auto markets.

Preliminary weekly data for June 2014 shows rising distillate fuel requirements being offset by declining propane/propylene and residual fuel oil demand in addition to stagnating gasoline usage, leading to more or less flat total oil demand compared to the same month last year. July 2014 figures, also based on preliminary weekly data, show an increase of around 1.7% y-o-y, with distillate fuel oil and jet fuel requirements rising, but being partly offset by disappointing gasoline, residual fuel oil and propane/propylene demand.

2014 **US oil demand** remains strongly dependent on the development of the US economy, however the risk is skewed to the downside compared to the previous month. Nevertheless, the US is still considered to be the main contributor to OECD oil demand during 2014. 2015 US oil demand projections remained unchanged since last month and indicated a slightly higher growth rate than in 2014.

In **Mexico**, June 2014 was marked by falling residual fuel oil demand mainly as a result of fuel substitution. Consequently, Mexican oil demand in June 2014 decreased by almost 8% y-o-y, with the only product category on the positive being jet fuel. 2014 Mexican oil demand is expected to decline by 1.9% y-o-y, while 2015 oil demand is projected to remain at almost the same level as in 2014 – both projections remaining unchanged since last month, however risks are skewed more to the downside. Decreasing manufacturing activity and less demand for transportation fuels led to an overall 6.7% decrease in Canadian oil requirements for May 2014, following a stronger period from January to April of 2014. Projections for 2014 Canadian oil demand, however, remain unchanged from those of the previous month, leaving oil requirements during 2014 at nearly the same level of 2013. For 2015, growth in Canadian oil requirements is projected to slightly exceed 2014 growth levels.

In 2014, **OECD Americas' oil demand** is projected to grow by 0.17 mb/d compared to 2013. 2015 OECD Americas' oil demand is forecast to increase by 0.21 mb/d as compared to 2014.

OECD Europe

European oil demand contracted in June 2014 y-o-y for another month. The decrease was larger than in previous quarters, stemming from the continuing economic concerns in some parts of the region as well as some baseline effects from the second quarter of last year. Early indications for June 2014 showed losses of approximately 0.2 mb/d in the European Big Four, with industrial and transportation fuels accounting for the bulk of the decreases. Nevertheless, the positive momentum in auto sales continued for the tenth month in June 2014 in almost all European major markets, one of the few positive indications for the region's oil demand.

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

	Jun 14	Jun 13	Change form Jun 13	Change form Jun 13, %
LPG	361	417	-56	-13.4
Gasoline	1,087	1,137	-49	-4.3
Jet/Kerosene	811	760	51	6.7
Gas/Diesel oil	3,101	3,214	-113	-3.5
Fuel oil	296	309	-12	-4.0
Other products	1,036	1,055	-20	-1.9
Total	**6,693**	**6,893**	**-199**	**-2.9**

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

Oil demand also contracted in countries that are undergoing stringent austerity measures, aiming to reduce public debts. The general expectations for the region's oil consumption during 2014 seem to have worsened since last month's projections.

Moreover, high taxation polices in relation to oil use and fuel substitution are some additional negative factors for oil demand. Expected improvements in the economies of some countries during 2015 have led to a lower forecast oil demand contraction than in 2014, however with downside risks continuing to exist and worsening since last month.

European oil demand is projected to decrease in 2014 by 0.18 mb/d. In 2015, the contraction in the region's oil demand would be at 0.07 mb/d.

OECD Asia Pacific

Japanese oil demand contracted by 0.19 mb/d in June 2014 y-o-y, with a negative picture for most of the main product categories. 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 relatively cooler temperatures and fuel substitution with natural gas and coal. Demand for gasoline and naphtha also decreased to compound the drop, which was partly offset by rising gas/diesel oil demand. The status of the Japanese nuclear power plants, however, indicates the probable restart of some nuclear reactors in 4Q14, affecting direct burning of crude and fuel oil, as well as liquefied natural gas.

The outlook for 2014 **Japanese oil demand** has been lowered from last month's forecasts with risks being skewed more towards the downside due to indications of some nuclear reactors restarting in addition to factors such as fuel substitution and improving fuel efficiencies.

Oil demand projections for 2015, nevertheless, remain unchanged since last month and assume a real probability that a number of nuclear plants will re-join operations.

Table 4.4: Japanese domestic sales, tb/d

	Jun 14	Change from Jun 13	Change from Jun 13, %
LPG	436	11	2.6
Gasoline	910	-12	-1.3
Naphtha	582	-121	-17.2
Jet fuel	112	24	27.8
Kerosene	111	5	4.3
Gasoil	576	15	2.6
Fuel oil	458	-33	-6.6
Other products	48	-10	-16.7
Direct crude burning	131	-71	-35.3
Total	**3,365**	**-192**	**-5.4**

In **South Korea**, June 2014 saw a decrease by 1.7% y-o-y. Gains in the petrochemical industry, which called for increasing LPG requirements and gasoline, have been more than offset by declining requirements in fuel oil as a result of less bunker demand. However, the outlook for South Korean oil consumption during 2014 and 2015 remained unchanged as compared to last month's projections.

OECD Asia Pacific oil consumption is projected to fall by 0.13 mb/d in 2014 and is expected to continue to decrease in 2015, but to a lesser extent, dropping by 0.10 mb/d y-o-y.

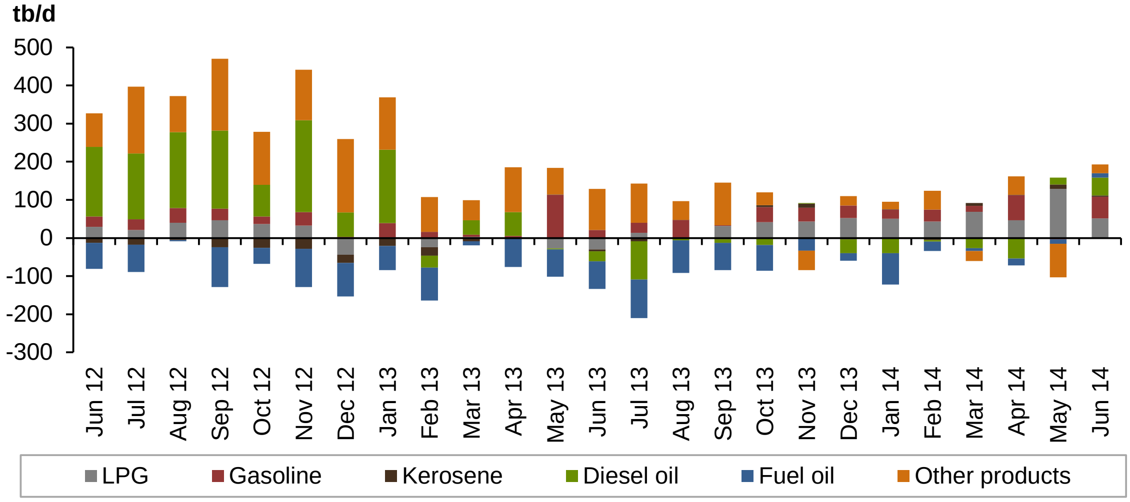
Other Asia

In **India**, demand for oil in June 2014 was rather solid as compared to June 2013 levels. Increases were constant across all the main product categories. Gasoline requirements grew sharply, advancing by more than 57 tb/d or 14% y-o-y, mainly as a result of expansion in the auto industry, especially the sector of two-wheel vehicles, with sales of around 1.3 million in June 2014, which amounts to growth of around 13% y-o-y.

Increases in gasoline demand could also be attributed to the extension of the holiday season and less rain, permitting more vehicles on the road. The picture in the Indian automobile industry has shown some improvement during June 2014 with both two wheelers and passenger cars in positive growth territory, while commercial vehicles sales continued to decline. June 2014 demand for diesel grew slightly y-o-y, increasing by around 3%, mainly as a result of improvements in the power generation sector and improvement in the overall economic activities.

Additionally, strong expansion in the petrochemical industry, the removal of some logistical constraints and a low baseline have resulted in more LPG consumption. Also, residual fuel increased despite its year-to-date downward trend in 2014 as a result of substitution with natural gas in the agricultural sector.

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



The overall forecast for 2014 **Indian oil demand** has improved slightly as a result of the 2Q performance with total demand growth in the country expected to be just below 0.1 mb/d in 2014. 2015 Indian oil demand projections have remained unchanged since last month and indicate almost matching levels to 2014's oil demand growth.

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

	Jun 14	Jun 13	Change	Change, %
LPG	506	454	52	11.4
Gasoline	468	411	57	13.8
Kerosene	262	259	3	1.2
Diesel oil	1,534	1,487	47	3.2
Fuel oil	270	259	11	4.2
Other products	807	784	23	2.9
Total oil demand	**3,846**	**3,653**	**193**	**5.3**

In **Indonesia**, the latest May 2014 data shows a slight increase of around 1.3% y-o-y. Rising requirements for LPG and residual fuel oil have been offset by declining demand for gasoline and gas/diesel oil.

In **Thailand**, oil demand in May 2014 grew by more than 3% y-o-y with industrial fuels taking the bulk of these increases while transportation fuels ranged from slight growth to marginal decreases.

In **Taiwan**, oil demand grew by more than 2% y-o-y in May 2014 with transportation fuels, notably jet/kerosene, gasoline and diesel oil taking the bulk of the increase. The risks for the development of 2014 oil demand in the region are balanced between the upside and downside subject to the levels of development in the economies as well as subsidy reduction programmes.

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 0.22 mb/d.

Latin America

In **Brazil**, total oil demand for May 2014 continued to be healthy and in line with the year-to-date average of around 0.12 mb/d with all product categories demonstrating good performances, particularly transportation fuels. Firm demand for gasoline and ethanol during May 2014 supported growth of more than 8% and 15%, respectively, as compared to May 2013. Jet/kerosene and diesel oil also recorded gains of around 4% and 3%, respectively. The risks for 2014 oil demand in the region are skewed rather to the upside and relate, partially, to the evolution of the Brazilian oil demand, especially in consideration of the world sport activities taking place in the country during 2014.

Table 4.6: Brazilian inland deliveries, tb/d

	May 14	May 13	Change	Change, %
LPG	236	229	7	3.0
Gasoline	755	711	45	6.3
Jet/Kerosene	125	122	4	3.1
Diesel	1,036	998	38	3.8
Fuel oil	102	95	7	7.4
Alcohol	199	177	22	12.6
Total	**2,454**	**2,332**	**122**	**5.2**

In **Argentina**, oil demand started to wane after positive 1Q growth with May 2014 oil demand growth marginally in the positive as slower economic activities started to impact oil demand. May 2014 oil demand growth was around 1% higher y-o-y with LPG, diesel oil and fuel oil showing positive growth at different magnitudes while gasoline and jet/kerosene declined. For 2015, oil demand projections in Latin America remain unchanged from last month's expectations and indicate slightly higher growth levels compared to 2014.

Latin American oil demand is expected to grow in 2014 by 0.23 mb/d. During 2015 Latin American oil demand is forecast to increase by almost the same amount.

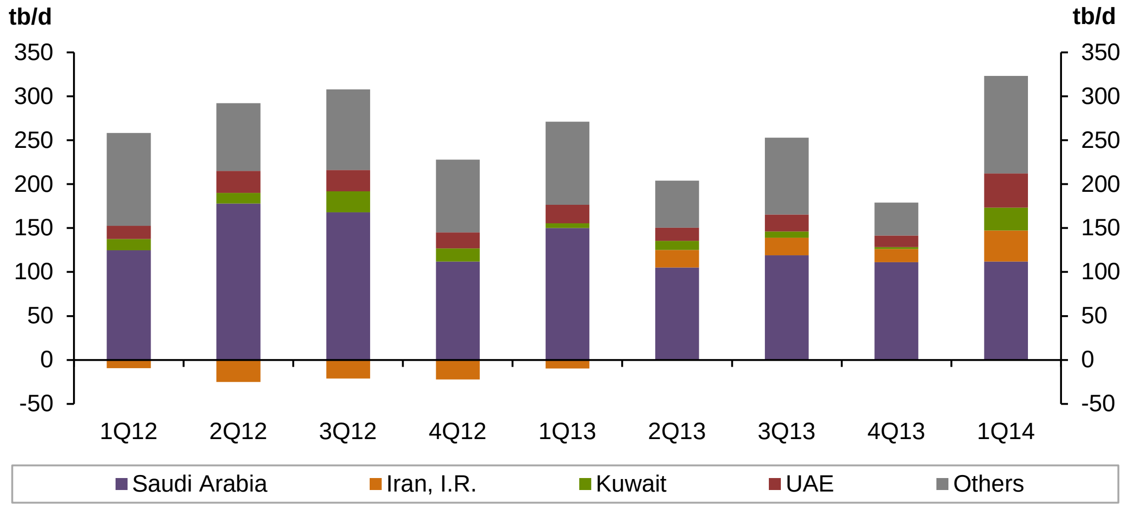
Middle East

In **Saudi Arabia**, June 2014 oil demand was characterized by continued healthy growth. All product categories increased during the month with the exception of jet/kerosene and fuel oil. Robust increases were recorded in crude oil for direct burning, diesel oil, LPG and gasoline, matching the development and expansion in the petrochemical sector as well as the road transportation sector. Growth in the road transportation sector was also supported by gains in auto sales and the seasonal pickup in demand during the holy month of Ramadan, while increases in crude oil for direct burning were recorded as a result of new mega projects in the country in addition to increased usage of air conditioning during the summer months.

Oil demand also grew at a robust pace in **Kuwait** during June 2014 as a result of healthy increases in transportation fuels, namely gasoline and jet/kerosene, which increased by more than 30% as compared to June 2013. Overall oil demand increased by more than 10% in June 2014 as compared to June 2013.

In **Iraq**, oil demand requirements in June decreased for the first time since November 2013, down by almost 12% y-o-y, with all product categories registering declines.

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



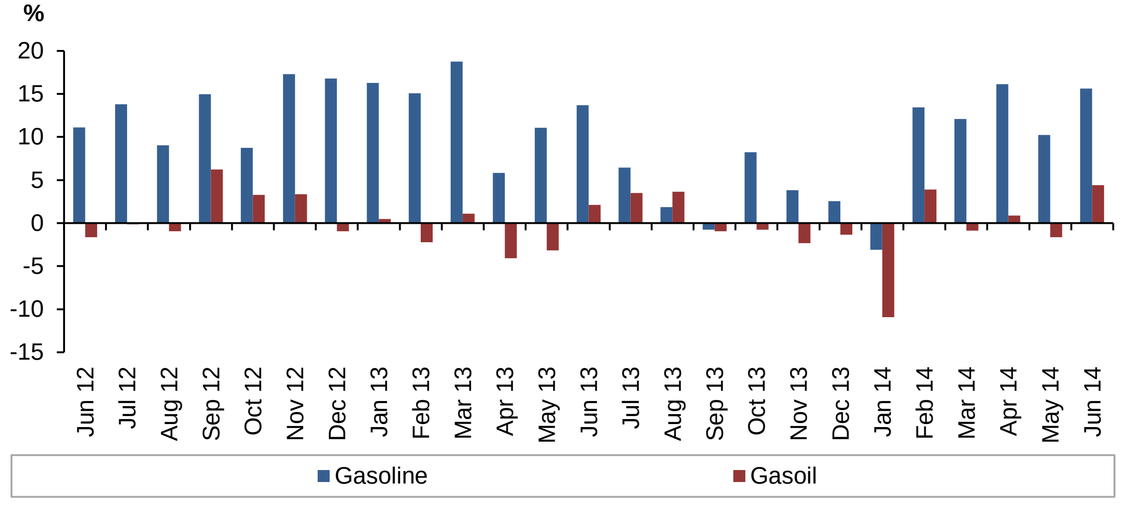
The outlook for 2014 Middle East oil demand remained unchanged since last month's projections with risks being equally distributed both to the upside and downside. For 2014, **Middle East oil demand** is expected to grow by 0.31 mb/d, while oil demand in 2015 is projected to increase by 0.30 mb/d.

China

Following below-average growth in May 2014, Chinese oil demand was stronger than initially expected in June 2014 with 5.6% growth y-o-y, up from the average oil demand growth in 2013 of around 0.33 mb/d. Oil demand in June was mostly determined by increasing LPG usage in the petrochemical industry and gasoline in the transportation sector with both growing by more than 11% and 16% y-o-y, respectively. Additionally, jet fuel/kerosene experienced substantial growth above 24% compared to last year, hinting towards increasing activity in the aviation sector.

Gas/diesel oil also grew, although at a slower pace, increasing by around 4% y-o-y. Year-to-date, diesel oil growth is flat-to-slightly declining compared to the same period last year, indicating a weaker overall consumption pattern in line with the slower performance of the general economy.

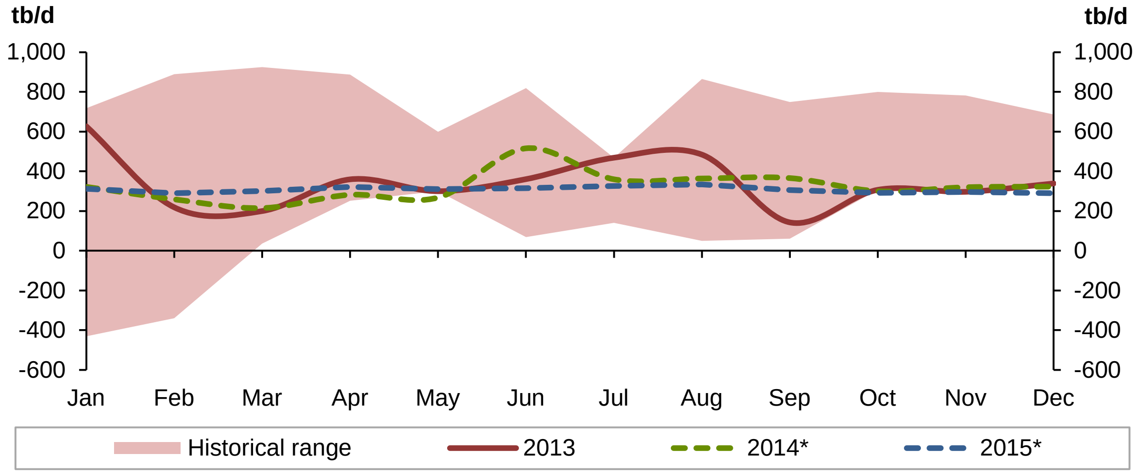
Graph 4.5: Chinese gasoil and gasoline demand growth, y-o-y



Fuel oil demand declined compared to the same month in 2013, decreasing by more than 16%. The overall development in China's PMI, industrial production and overall operating conditions are in line with the general progress of the oil demand pattern.

Furthermore, continuing on the previous trend, car sales continued to increase in 2014 according to statistics and analysis from the China Association of Automobile Manufacturers (CAAM). China's automobile sales were about 1.86 million units in June 2014 as compared to 1.75 mn units in June 2013, an increase of around 6%, strongly supporting increasing transportation fuel requirements.

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



** Forecast.*

The overall 2014/15 outlooks continue quite unchanged from last month with the same risks. The negative factors are related to the economic slowdown and implementation of measures to decrease transportation fuel demand and at the same time reduce emissions, especially in big cities.

For both 2014 and 2015, **China's oil demand** is anticipated to grow by around 0.3 mb/d, similar to the expectations highlighted in last month's MOMR.

World Oil Supply

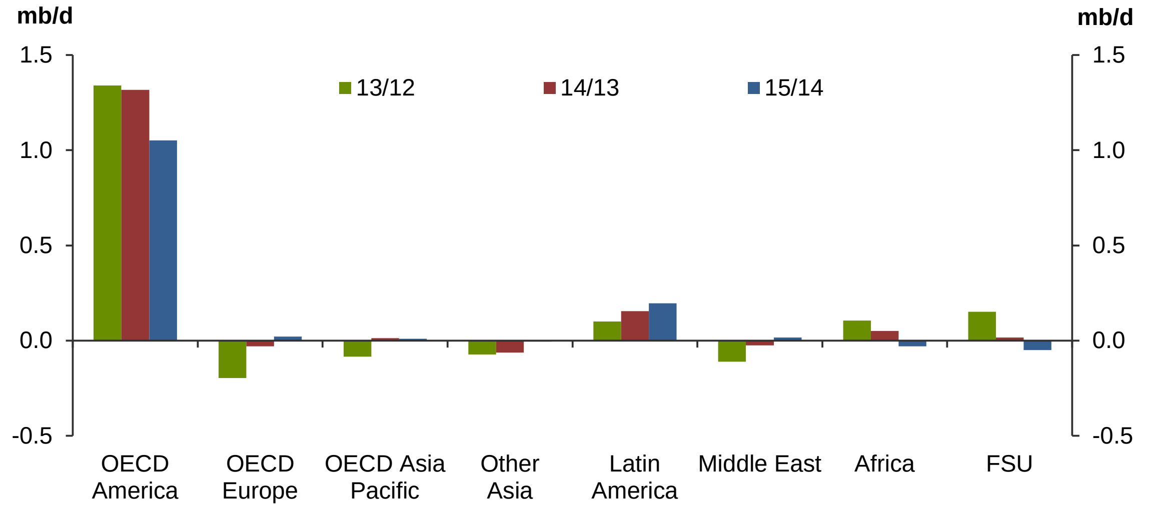
Non-OPEC oil supply is estimated to have averaged 55.69 mb/d in 2014, an increase of 1.50 mb/d over one year earlier, indicating an upward revision of 30 tb/d from the previous *Monthly Oil Market Report (MOMR).* OECD Americas was expected to be the main driver for growth in 2014. Non-OPEC oil supply is projected to grow by 1.27 mb/d in 2015 — down by 50 tb/d from the previous assessment — to average 56.96 mb/d, as the base changed. OPEC NGLs and non-conventional liquids grew by 150 tb/d to average 5.81 mb/d in 2014 and are forecast to grow by 0.2 mb/d to average 6.01 mb/d in 2015. In July 2014, OPEC crude oil production increased by 167 tb/d to average 29.91 mb/d, according to secondary sources. As a result, preliminary data indicates that world oil supply increased by 0.08 mb/d in July to average 90.98 mb/d.

Non-OPEC supply

Forecast for 2014

Non-OPEC oil production is estimated to average 53.52 mb/d in 2014, bringing total **non-OPEC oil supply** to 55.69 mb/d with the addition of 2.15 mb/d in processing gains for the year, indicating an increase of 1.50 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 growth is OECD Americas, which is expected to have lower growth by 20 tb/d at 1.32 mb/d in 2014 compared with the previous year. Anticipated growth in 2014 saw an upward adjustment of 30 tb/d compared with one month ago. A few upward and downward revisions were introduced this month to supply expectations, mainly to updated production data, as well as to the supply profile of individual countries. Among non-OPEC suppliers, OECD supply will grow by 1.30 mb/d in 2014 over the previous year. This is supported by an estimated increase of 1.32 mb/d in OECD Americas' oil supply, the greatest among all non-OPEC regions. Oil supply from the US and Canada is expected to grow by 1.12 mb/d and 0.25 mb/d, respectively, in 2014.

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



The oil supply forecast for the first half of 2014 (1H14) saw an upward revision, while 3Q14 and 4Q14 supply projections indicate a minor downward revision. Despite this, 4Q14 oil supply is projected to rebound from maintenance in 3Q14. On a regional basis, OECD Americas received the most revision from one month ago, followed by Other Asia, former Soviet Union (FSU) and Latin America, which experienced a minor upward movement. Outside OECD Americas, regional growth in 2014 is expected from Latin America, Africa, China, FSU and OECD Asia Pacific, but this is thought to be relatively low compared with the output increase realized from OECD Americas. Other regions — including OECD Europe, Other Asia and the Middle East — have experienced supply declines in 2014, while Other Europe's production has remained steady.

On a quarterly basis, non-OPEC supply for 2014 is estimated to average 55.62 mb/d, 55.58 mb/d, 55.49 mb/d and 56.07 mb/d, respectively.

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

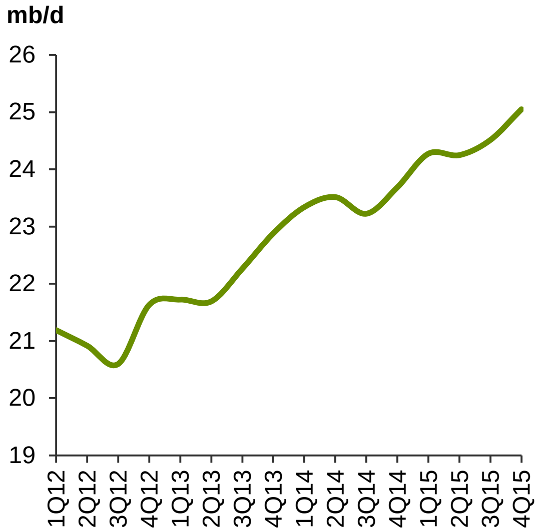
	2013	1Q14	2Q14	3Q14	4Q14	2014	*Change* 14/13
Americas	18.09	19.10	19.53	19.36	19.63	19.40	1.32
of which US	*11.18*	*11.94*	*12.50*	*12.29*	*12.45*	*12.30*	*1.12*
Europe	3.58	3.75	3.50	3.37	3.58	3.55	-0.03
Asia Pacific	0.48	0.50	0.49	0.50	0.48	0.49	0.01
Total OECD	**22.14**	**23.34**	**23.51**	**23.22**	**23.69**	**23.44**	**1.30**
Other Asia	3.58	3.55	3.50	3.51	3.50	3.52	-0.06
Latin America	4.78	4.84	4.87	4.97	5.05	4.93	0.16
Middle East	1.36	1.35	1.32	1.33	1.34	1.33	-0.02
Africa	2.42	2.51	2.47	2.45	2.44	2.47	0.05
Total DCs	**12.13**	**12.25**	**12.16**	**12.26**	**12.33**	**12.25**	**0.12**
FSU	13.41	13.48	13.36	13.42	13.42	13.42	0.02
of which Russia	*10.51*	*10.59*	*10.55*	*10.55*	*10.55*	*10.56*	*0.05*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.23	4.24	4.23	4.27	4.33	4.27	0.03
Total "Other regions"	**17.78**	**17.86**	**17.73**	**17.84**	**17.89**	**17.83**	**0.05**
Total Non-OPEC production	**52.06**	**53.46**	**53.41**	**53.32**	**53.91**	**53.52**	**1.47**
Processing gains	2.13	2.16	2.16	2.16	2.16	2.16	0.03
Total Non-OPEC supply	**54.19**	**55.62**	**55.58**	**55.49**	**56.07**	**55.69**	**1.50**
Previous estimate	54.18	55.61	55.40	55.50	56.08	55.65	1.47
Revision	0.01	0.01	0.17	-0.01	0.00	0.04	0.03

OECD

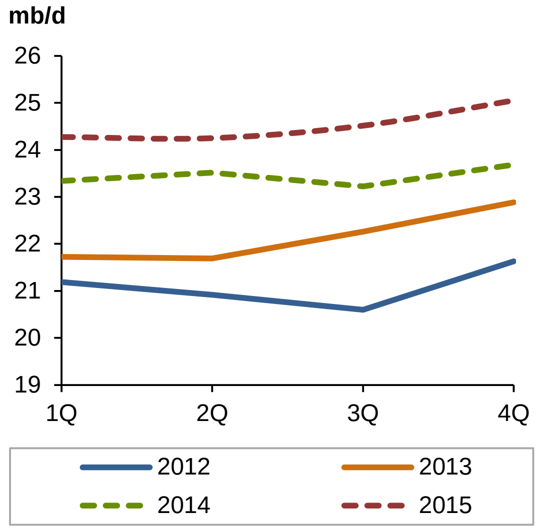
Total OECD oil supply is forecast to increase by 1.30 mb/d in 2014 to average 23.44 mb/d, constituting an upward revision of 40 tb/d from the previous month. OECD Americas remains the main region within the OECD with expected supply growth in 2014 as well as OECD Asia Pacific with minor growth, while supplies from OECD Europe are expected to decline. Tight oil and oil sands developments will drive growth in 2014 as they did one year ago in OECD Americas.

On a quarterly basis, OECD's oil supply is seen to average 23.34 mb/d, 23.51 mb/d, 23.22 mb/d and 23.69 mb/d, respectively.

Graph 5.2: OECD's quarterly production



Graph 5.3: OECD's quarterly production, annual comparison



OECD Americas

The estimated annual growth in OECD Americas' supply by 1.34 mb/d in 2013 is the highest on record until now, with the second-highest growth recorded in 2012 at 1.21 mb/d. OECD Americas' total liquids production in 2014 is expected to increase by 1.32 mb/d to average 19.40 mb/d. This represents an upward revision of 50 tb/d from the previous *MOMR*, and stems from the US. Canada's 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 preliminary data, the region's supply averaged 19.32 mb/d during 1H14, a significant 1.7 mb/d higher than the same period in 2013.

On a quarterly basis, OECD Americas' oil supply in 2014 is estimated to stand at 19.10 mb/d, 19.53 mb/d, 19.36 mb/d and 19.63 mb/d, respectively.

US

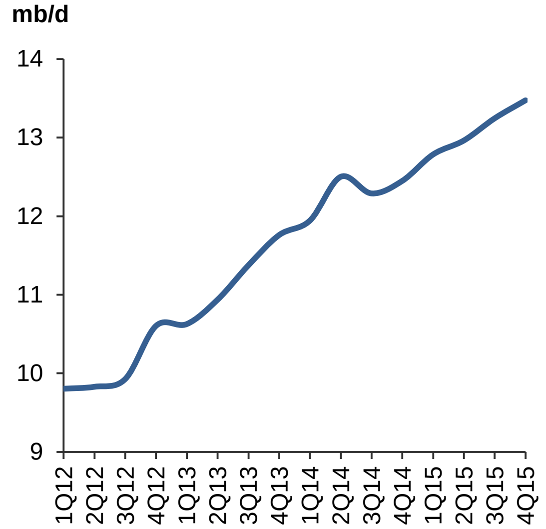
US production is forecast to average 12.30 mb/d in 2014, indicating growth of 1.12 mb/d over the previous year, the highest among all non-OPEC countries, with an upward revision of 40 tb/d from the previous *MOMR*. This revision was incorporated to adjust for updated production data from 1H14. The preliminary four-week average of July's oil production indicates that crude oil output has already passed 8.5 mb/d. This upward revision is mainly supported by strong tight oil output. North Dakota and Texas crude oil production achieved a new record high in May as output reached 1,040 tb/d and 3,016 tb/d, respectively.

Nevertheless, US **crude oil production** and **total liquids supply saw a decline** in May from the previous month by 36 tb/d and 124 tb/d, to average 8.36 mb/d and 12.44 mb/d, respectively, mainly from the Gulf of Mexico (GOM). Moreover, the total share of crude from Texas and North Dakota (mostly tight oil) reached 48% of total US crude production in May 2014, but the annual share of growth decreased from 7% in 2011 to 4% in 2013, dropping to only 1% in 1H14. According to released EIA data, US crude oil exports reached 0.29 mb/d in May, the highest levels seen since April 1999. More than 91% of this volume was exported to Canada. The US does not allow export of its own oil with few exceptions, such as barrels heading to Canada and the re-export of foreign oil.

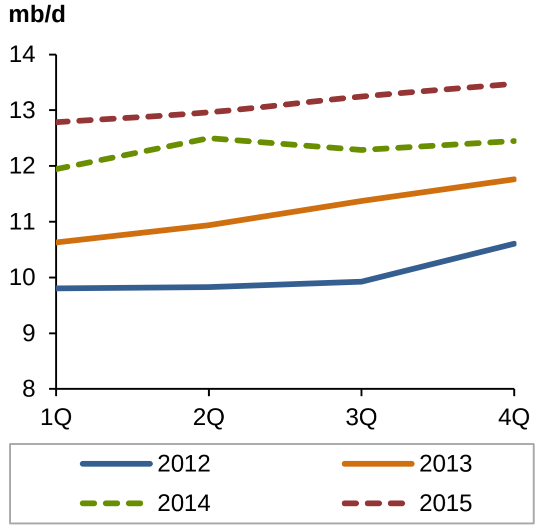
In the GOM, a number of oil fields including Jack/St. Malo, Mars B, Lucius, Tubular Bells, Cardamom and Julia with a total production capacity of 0.38 mb/d, were under development until July 2014, but production has not started yet. Oil production in Alaska continued to decline in 2014 to average 0.52 mb/d and it is expected to decline steadily in near term, while new oil from GOM projects under development will compensate for this reduction.

On a quarterly basis, US oil supply is seen to average 11.94 mb/d, 12.50 mb/d, 12.29 mb/d and 12.45 mb/d, respectively.

Graph 5.4: US quarterly production



Graph 5.5: US quarterly production, annual comparison



Canada and Mexico

Canada's oil production forecast is unchanged from the previous month. It is predicted to grow by 0.25 mb/d to average 4.25 mb/d in 2014. Steady production growth is coming mainly from oil sands developments, particularly from the Kearl project — which is ramping up to a peak capacity of 110 tb/d by the end of 2014 — and from the Christina Lake project. Canada's supply forecast indicates a decline in 2Q14 output, as maintenance will impact oil sands 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, 4.17 mb/d, 4.22 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 50 tb/d from one year ago, unchanged from the previous month's prediction. According to actual production data, Mexico's oil supply averaged 2.86 mb/d during 1H14, constituting a decline of 35 tb/d from the same period in 2013. According to field data, Cantarell field output continued to slowly decline in 2014; this has been offset by production growth from the Ku-Maloob-Zaap oil field. Moreover, lowering of the 2014 production target by national operators is in line with Mexico's forecast. Mexico seems to be weighing key financial measures to ensure Pemex's competitiveness when the country's upstream is opened to international companies.

On a quarterly basis, Mexico's oil supply is expected to average 2.87 mb/d, 2.85 mb/d, 2.84 mb/d and 2.82 mb/d, respectively.

OECD Europe

Total **OECD Europe's** oil supply is forecast to decrease by 30 tb/d in 2014 to average 3.55 mb/d, stagnant from the previous *MOMR*. Oil supply from Denmark and other OECD Europe countries is seen to decline in 2014, while Norwegian oil production is expected to remain unchanged from the previous year and minor growth is forecast for the UK.

On a quarterly basis, OECD Europe's supply is expected to stand at 3.75 mb/d, 3.50 mb/d, 3.37 mb/d and 3.58 mb/d, respectively. According to preliminary data, OECD Europe's supply averaged 3.63 mb/d during the first half of 2014, an increase of 15 tb/d from the same period in 2013.

Norway's oil supply is predicted to be steady, averaging 1.84 mb/d in 2014, unchanged from the previous *MOMR*. Despite the steady state of the previous month, Norway's oil production — consisting of crude oil, condensate and NGLs — increased by 100 tb/d in June 2014 to average 1.74 mb/d, 6% more than in May 2014. Nevertheless, total liquids production in June was 5% less than Norway's forecast, but still registered 1.5% higher than the previous year.

Oil production restarted in Njord A in the middle of July; the platform had been shut down since July 2013. Oil output from Snøhvit, Skuld, Trym, Visund, Vigdis and Grane fields was reduced in June due to scheduled maintenance or unexpected technical failures, but based on updated data in July 2014, production continued in the Snorre, Vigdis, Statfjord, Sygna, Alvheim, Boa, Kameleon and Vilje fields in Norway. Thirteen new discoveries have been made in 1H14, mostly in the Norwegian Sea and the Barents Sea.

On a quarterly basis, Norway's oil supply is expected to average 1.95 mb/d, 1.78 mb/d, 1.74 mb/d and 1.89 mb/d, respectively.

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's production will see an increase for the first time after heavy declines in previous years. There were no offshore field startups in 1Q14, except for two gas fields — Juliet and Kew. Based on the UK's 2014 field development plan, the Flydre, Cawdor, Burgman, Catcher and Varadero oil fields were approved for drilling in May and June 2014. Strong declines in brown fields are expected to be partially offset by new production coming from these developments.

Normally some of the 169 active offshore oil fields and 33 offshore condensate fields in production in the UK have planned maintenance starting in July. Hence, output will drop in August and even September. The shutdowns of some fields on technical grounds were already anticipated in the previous forecast and thus do not lead to further revisions. The UK's oil supply is expected to decline in 3Q14 compared with 2Q14, as upcoming maintenance at its two main oil fields in August — Forties and Buzzard — as well as other fields, is seen to limit production. According to preliminary data, the UK's oil supply increased by 20 tb/d during 1H14, compared with the same period in 2013.

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 0.49 mb/d in 2014, an increase of 10 tb/d compared with one year earlier and unchanged from the previous *MOMR*. On a quarterly basis, OECD Asia Pacific's oil output is estimated to average 0.50 mb/d, 0.49 mb/d, 0.50 mb/d and 0.48 mb/d, respectively.

Australia's oil supply is expected to increase by 20 tb/d in 2014 to average 0.42 mb/d, unchanged from the previous month's assessment. During 1H13, the country's oil supply averaged 0.41 mb/d, an increase of 15 tb/d compared with the same period one year earlier. Production is predicted to increase as usual in 3Q14 and 4Q14 as it returns on stream after the end of maintenance.

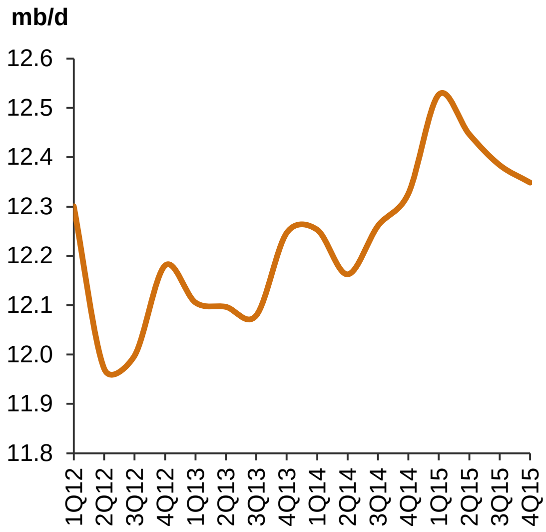
On a quarterly basis, Australia's oil supply is seen to stand at 0.41 mb/d, 0.41 mb/d, 0.44 mb/d and 0.42 mb/d, respectively.

Developing countries

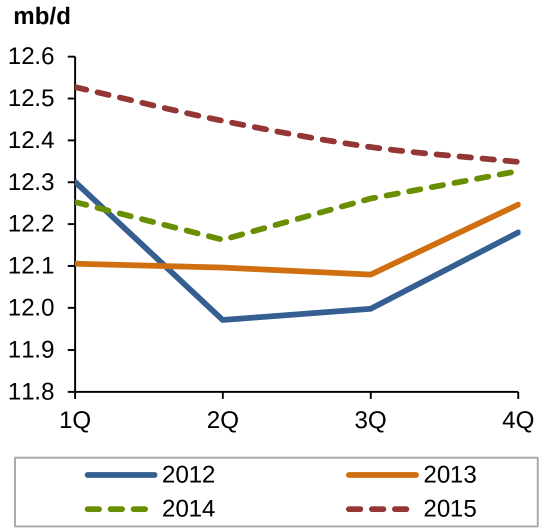
Total oil supply in **developing countries** (DCs) is forecast to average 12.25 mb/d in 2014, representing an increase of 0.12 mb/d over 2013, an upward revision of 10 tb/d from the previous month. Latin America and Africa are the only two regions forecasting supply growth, while production from the Middle East and Other Asia is expected to see a decline in 2014. The upward revision to DCs' supply forecast stems from Latin America and the Middle East, while Other Asia and Africa indicated downward revisions from the previous *MOMR*. 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 12.25 mb/d, 12.16 mb/d, 12.26 mb/d and 12.33 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 5.6: Developing Countries' quarterly production



Graph 5.7: 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 3.52 mb/d, 10 tb/d less than the decline 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 Other 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, 3.50 mb/d, 3.51 mb/d and 3.50 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 the first half of 2014 compared with the same period one year earlier. Weak production indicates that India — the world's fourth-largest energy consumer — will remain a strong oil importer. The Oil and Natural Gas Corporation of India is trying to implement several enhanced oil recovery (EOR) projects in mature fields. Moreover, India could potentially increase its oil output with the ramp-up of the onshore Rajasthan oil field and boosting of production at Bombay High in the medium term, although liquids may come from unconventional shale resources in the longer term.

On a quarterly basis, India's oil supply is seen to stand at 0.88 mb/d, 0.86 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. Gross production is expected to average 8 tb/d for the first 12 months of operation.

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. Ramp-up of production at the Gumusut field is expected to drive growth in 2014.

A development project at the Manora offshore oil field in the northern Gulf of **Thailand** is expected to start up in the third quarter of 2014. It is forecast that Thailand's oil production will decline by 10 tb/d to average 0.35 mb/d in 2014, remaining unchanged.

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 increase by 0.16 mb/d over 2013 to average 4.93 mb/d in 2014, an upward revision of 20 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 more or less 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, 4.87 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 more or less stable despite a lack of new production, as per preliminary data.

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 1.0 mb/d during 1H14, a minor decline of 20 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.

According to official Petrobras news: "Production growth was mainly due to the volume increase produced by platform P-62, which started operation in May at Roncador field (Campos Basin) and the start-up of a new well connected to platform P-48, at Caratinga field, which has been producing at the pre-salt layer of the Campos Basin since the end of May, and which also contributed to the rise in production. The return of platform P-51 at Marlim Sul field in the same basin — after scheduled maintenance stoppage and the startup of the FPSO-Dynamic Producer Extended Well Test (EWT) at Iara Oeste, in Santos Basin — also contributed to this growth". Based on the company's news, "In total, eight new offshore wells in the Santos and Campos Basins started production in June. Alongside them, 30 new subsea wells started operation in the first half of the year, twice the amount that started production in the same period last year. With the start of operation Polar Onyx, a PLSV (Pipe Laying Support Vessel) vessel type, on June 24, and the arrival of six more units by the end of 2014, the company's capacity to interconnect new wells in the second half will be even greater."

Petrobras announced that oil production in the fields it operates in the Santos and Campos Basins pre-salt areas exceeded 500 tb/d – reaching 520 tb/d on 24 June — a new daily production record. Of this volume, 78% (406 tb/d) corresponds to Petrobras' share, while the remainder comes from partner companies in various areas of production in the pre-salt layer. The production of 520 tb/d was thus achieved eight years after the first pre-salt oil discovery took place in 2006. Petrobras reached this historic landmark with only 25 production wells. The magnitude of this achievement can be better analysed by comparing the company's own production record.

On a quarterly basis, Brazil's oil supply is seen to stand at 2.71 mb/d, 2.79 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 minor upward revision of 10 tb/d from the previous month. Within the Middle East, supplies from Oman and Bahrain are expected to grow in 2014, while output in Yemen and Syria is likely to decline. 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 1.35 mb/d, 1.32 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 also forecast to grow by 10 tb/d to average 0.23 mb/d in 2014, unchanged from the previous *MOMR.*

Yemen's oil supply is seen to average 0.11 mb/d in 2014, a decline of 20 tb/d from the previous year and an upward revision of 10 tb/d from one month earlier. This upward revision came on the back of previous upward production revisions in 1Q14 and 2Q14.

Syria's oil production is estimated to average 20 tb/d in 2014, a decline of 30 tb/d compared to the previous year and unchanged from one *MOMR* ago.

Africa

Africa's oil production is anticipated to increase by 50 tb/d in 2014 to 2.47 mb/d, unchanged in volume from the previous *MOMR,* but growth was revised down by 10 tb/d, assuming figure rounding*.* In Africa, oil production from South Sudan and Sudan, Chad and Equatorial Guinea is expected to experience annual growth, 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 2.51 mb/d, 2.47 mb/d, 2.45 mb/d and 2.44 mb/d, respectively.

Equatorial Guinea's oil supply is estimated to grow by 10 tb/d in 2014 and 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 revision adjusts for updated production data, while the ongoing situation between the two nations is creating the need to adopt a wait-and-see approach regarding their forecast. Accordingly, 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 drop by 30 tb/d in 2014, averaging 0.69 mb/d, 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***.**

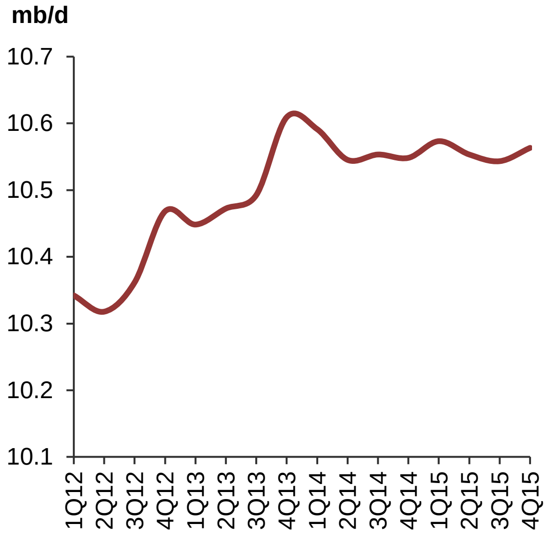
On a quarterly basis, FSU's supply is expected to stand at 13.48 mb/d, 13.36 mb/d, 13.42 mb/d and 13.42 mb/d, respectively.

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

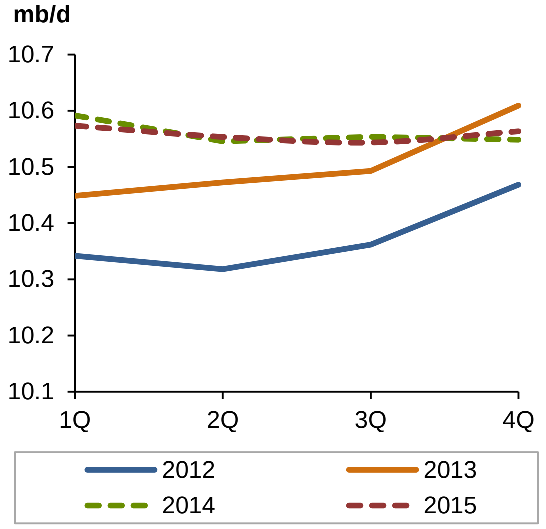
Russia

Russia's oil production is forecast to increase by 50 tb/d to average 10.56 mb/d in 2014, unchanged from the previous *MOMR*. Expected growth in 2014 is at its lowest since 2008. Preliminary data indicates that Russia's supply averaged 10.41 mb/d in July, lower by 160 tb/d from record June production. The risk to the forecast remains high, especially on price, decline rates, and technical and taxation developments. According to preliminary data, Russia's supply averaged 10.57 mb/d during 1H14, indicating an increase of 110 tb/d compared with the same period of one year ago.

Graph 5.8: Russia's quarterly production



Graph 5.9: Russia's quarterly production, annual comparison



On 29 July 2014, the EU agreed to ban Russian access to EU financial markets, investment and oil industry technology for shale oil, deep water and Arctic projects. Rosneft was going to start exploratory drilling in one offshore area with ExxonMobil in August, but may have to delay some projects due to the new sanctions. Rosneft dominates Arctic exploration in Russia as well as tight oil projects. EU and US sanctions on Russian oil industries don't seem to be affecting short-term oil supply. However, they are expected to create a big challenge for offshore deep water, Arctic and tight oil projects in the longer term.

On a quarterly basis, Russia's oil production is seen to average 10.59 mb/d, 10.55 mb/d, 10.55 mb/d and 10.55 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, representing a minor downward revision of 10 tb/d from the previous *MOMR*. This downward revision came on the back of a previous downward revision in 1Q14, hence annual growth was negatively affected. Kazakhstan's officials recently stated that the Kashagan field startup will take place "no earlier" than 1H16, but even this could be an optimistic scenario.

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 compared with the previous month's predictions. Stable production is credited to good performance at the ACG field complex, particularly at the Chirag project, which came on stream in early 2014. This could partly compensate for the heavy annual decline in Azerbaijani's offshore fields. Nevertheless, Azerbaijan's oil production averaged 0.86 mb/d during 1H14, indicating a decline of 25 tb/d compared with the same period one year earlier.

On a quarterly basis, Azerbaijan's supply is forecast to stand 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 a growth of 30 tb/d, compared with the previous year, unchanged from the previous *MOMR*. China's oil supply averaged 4.24 mb/d in 1H14, 10 tb/d less than the same period one year ago, but it is predicted that production will grow in 2H14 to average 4.30 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 1.27 mb/d to average 56.96 mb/d, a downward revision of 50 tb/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 1.05 mb/d, followed by Latin America at 0.20 mb/d, China at 0.05 mb/d, then the Middle East and OECD Europe, both at 0.02 mb/d. Finally, OECD Asia Pacific will grow by 0.01 mb/d in 2015, while it is predicted that the Other Asia region, FSU and Africa will decline.

On a quarterly basis, non-OPEC supply in 2015 is expected to average 56.87 mb/d, 56.65 mb/d, 56.84 mb/d and 57.45 mb/d, respectively.

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

	2014	1Q15	2Q15	3Q15	4Q15	2015	*Change* 15/14
Americas	19.40	20.09	20.20	20.58	20.93	20.46	1.05
of which US	*12.30*	*12.79*	*12.96*	*13.25*	*13.47*	*13.12*	*0.82*
Europe	3.55	3.68	3.53	3.42	3.64	3.57	0.02
Asia Pacific	0.49	0.51	0.52	0.51	0.47	0.50	0.01
Total OECD	**23.44**	**24.27**	**24.25**	**24.51**	**25.05**	**24.52**	**1.08**
Other Asia	3.52	3.56	3.53	3.49	3.45	3.51	-0.01
Latin America	4.93	5.11	5.11	5.13	5.17	5.13	0.20
Middle East	1.33	1.36	1.35	1.34	1.33	1.35	0.02
Africa	2.47	2.48	2.44	2.42	2.40	2.44	-0.03
Total DCs	**12.25**	**12.53**	**12.45**	**12.38**	**12.35**	**12.43**	**0.17**
FSU	13.42	13.44	13.35	13.32	13.37	13.37	-0.05
of which Russia	*10.56*	*10.57*	*10.55*	*10.54*	*10.56*	*10.56*	*0.00*
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"	**17.83**	**17.89**	**17.78**	**17.77**	**17.88**	**17.83**	**0.00**
Total Non-OPEC production	**53.52**	**54.69**	**54.48**	**54.67**	**55.28**	**54.78**	**1.26**
Processing gains	2.16	2.17	2.17	2.17	2.17	2.17	0.01
Total Non-OPEC supply	**55.69**	**56.87**	**56.65**	**56.84**	**57.45**	**56.96**	**1.27**
Previous estimate	55.65	56.87	56.66	56.85	57.46	56.96	1.31
Revision	0.04	0.00	0.00	0.00	0.00	0.00	-0.05

Revisions to the 2015 forecast

Oil supply forecasts for the US, Brazil, Yemen and FSU Others have seen some downward revision for 2015. Oman's supply projection has also been revised down. These revisions are due to changes to 2013 estimates, as well as changes to the 2014 forecast which are 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 0.15 mb/d over the previous year to 5.81 mb/d. In 2015, OPEC NGLs and non-conventional oils are forecast to grow by 0.20 mb/d to 6.01 mb/d.

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

	2012	2013	*Change* 13/12	1Q14	2Q14	3Q14	4Q14	2014	*Change* 14/13	2015	*Change* 15/14
Total OPEC	**5.57**	**5.66**	0.09	5.71	5.77	5.84	5.91	**5.81**	0.15	**6.01**	0.20

OPEC crude oil production

Total OPEC crude oil production averaged 29.91 mb/d in July, according to secondary sources, up 0.17 mb/d from the previous month. Crude oil output mainly from Iraq and Angola fell, while production increased from Libya and Saudi Arabia. According to secondary sources, OPEC crude oil production, not including Iraq, stood at 26.85 mb/d in July, up 0.24 mb/d over the previous month.

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

	2012	2013	4Q13	1Q14	2Q14	May 14	Jun 14	Jul 14	*Jul/Jun*
Algeria	1,210	1,159	1,144	1,131	1,146	1,148	1,143	1,143	*0.0*
Angola	1,738	1,738	1,719	1,599	1,649	1,646	1,691	1,617	*-74.2*
Ecuador	499	516	530	537	539	539	541	546	*5.0*
Iran, I.R.	2,977	2,673	2,686	2,772	2,765	2,753	2,772	2,762	*-9.8*
Iraq	2,979	3,037	3,019	3,217	3,250	3,341	3,133	3,058	*-75.0*
Kuwait	2,793	2,822	2,821	2,797	2,785	2,780	2,766	2,771	*4.9*
Libya	1,393	928	332	371	222	213	232	438	*206.4*
Nigeria	2,073	1,912	1,870	1,888	1,881	1,868	1,905	1,910	*4.9*
Qatar	753	732	731	733	727	726	730	725	*-5.1*
Saudi Arabia	9,737	9,584	9,721	9,702	9,675	9,672	9,728	9,813	*84.7*
UAE	2,624	2,741	2,743	2,745	2,745	2,769	2,765	2,785	*20.1*
Venezuela	2,359	2,356	2,359	2,341	2,337	2,341	2,334	2,339	*4.9*
Total OPEC	**31,135**	**30,196**	**29,675**	**29,832**	**29,720**	**29,798**	**29,741**	**29,907**	***166.9***
OPEC excl. Iraq	**28,155**	**27,159**	**26,657**	**26,614**	**26,470**	**26,456**	**26,607**	**26,849**	***241.9***

Totals may not add up due to independent rounding.

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

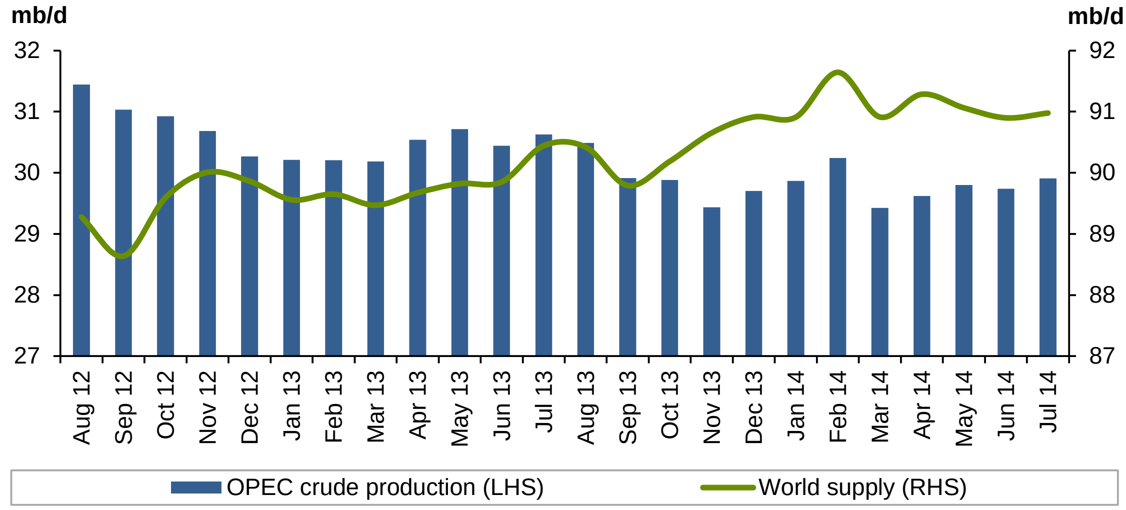
	2012	2013	4Q13	1Q14	2Q14	May 14	Jun 14	Jul 14	*Jul/Jun*
Algeria	1,203	1,203	1,208	1,202	1,190	1,190	1,190	1,203	*13.0*
Angola	1,704	1,701	1,625	1,553	1,616	1,605	1,645	1,714	*69.0*
Ecuador	504	526	544	553	557	554	555	558	*3.0*
Iran, I.R.	3,740	3,576	3,239	3,270	3,194	3,230	3,100	3,000	*-100.0*
Iraq	2,944	2,980	2,915	3,106	3,118	3,177	3,111	3,015	*-96.0*
Kuwait	2,977	2,922	2,912	2,898	2,885	2,927	2,800	2,850	*50.0*
Libya	1,450	993	332	384	228	217	243	415	*171.8*
Nigeria	1,954	1,754	1,706	1,869	1,821	1,828	1,811	1,746	*-65.2*
Qatar	734	724	725	725	710	701	729	734	*4.8*
Saudi Arabia	9,763	9,637	9,773	9,723	9,715	9,705	9,780	10,005	*224.9*
UAE	2,652	2,797	2,714	2,733	2,770	2,847	2,855	2,893	*37.4*
Venezuela	2,804	2,786	2,851	2,870	2,826	2,832	2,808	..	*..*
Total OPEC	**32,429**	**31,599**	**30,543**	**30,886**	**30,629**	**30,813**	**30,629**	**..**	***..***
OPEC excl. Iraq	**29,485**	**28,619**	**27,628**	**27,781**	**27,511**	**27,636**	**27,518**	**..**	***..***

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

World oil supply

Preliminary figures indicate that the global oil supply increased by 0.08 mb/d in July to average 90.98 mb/d. Non-OPEC supply saw decline of 0.09 mb/d, while OPEC crude production increased by 0.17 mb/d. The share of OPEC crude oil in global production compare to June increased to 32.9%. 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.

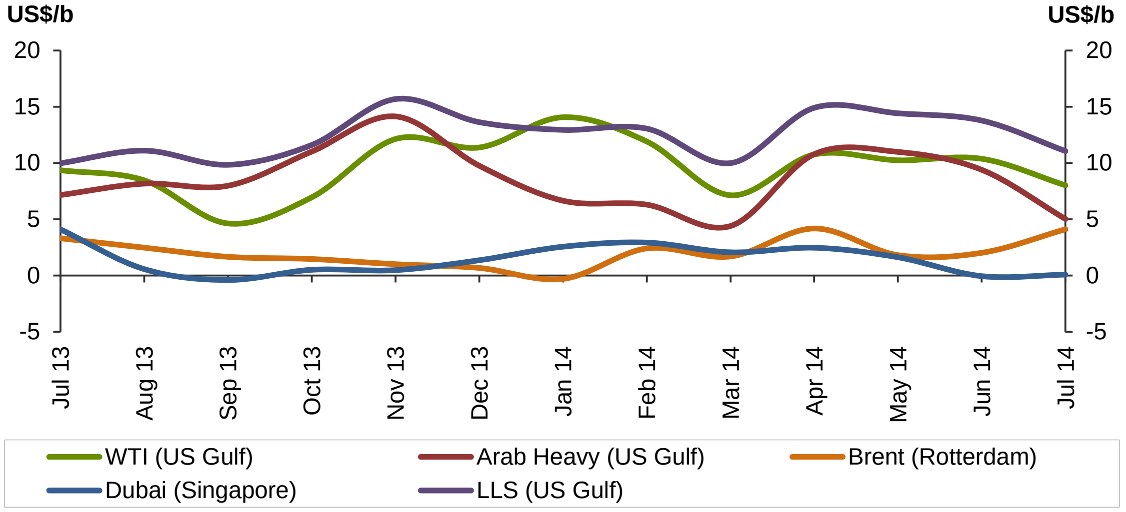
Graph 5.10: OPEC and world oil supply



Product Markets and Refinery Operations

Product markets in the Atlantic Basin continued receiving support from strong US gasoline demand, however higher refinery runs amid increasing gasoline and middle distillate inventories started to exert pressure on the US market, while European margins showed a temporary recovery on the back of falling Brent crude prices. In Asia, strong light distillate demand offset increasing supplies with several refineries back from maintenance, preventing margins from decreasing further.

Graph 6.1: Refinery margins, 2013-2014



US product markets weakened during July as gasoline market fundamentals softened during the last weeks with inventories rising on the back of higher refinery run rates, which started to exert some pressure on crack spreads, along with less support from export opportunities.

The refinery margin for WTI crude on the US Gulf Coast (USGC) showed a loss of more than $2 to average $8/b in July. Meanwhile, the margin for Light Louisiana Sweet (LLS) crude on the USGC averaged $11/b during July, exhibiting a loss of almost $3.

European refining margins exhibited a sharp recovery during July as the crack spreads were boosted by falling Brent crude prices amid some support coming from the supply side due to lower runs and lower inflows to the region, while product fundamentals remained weak due to poor regional demand. The refinery margin for Brent crude in Northwest Europe showed a sharp gain of more than $2 to average $4.0/b in July.

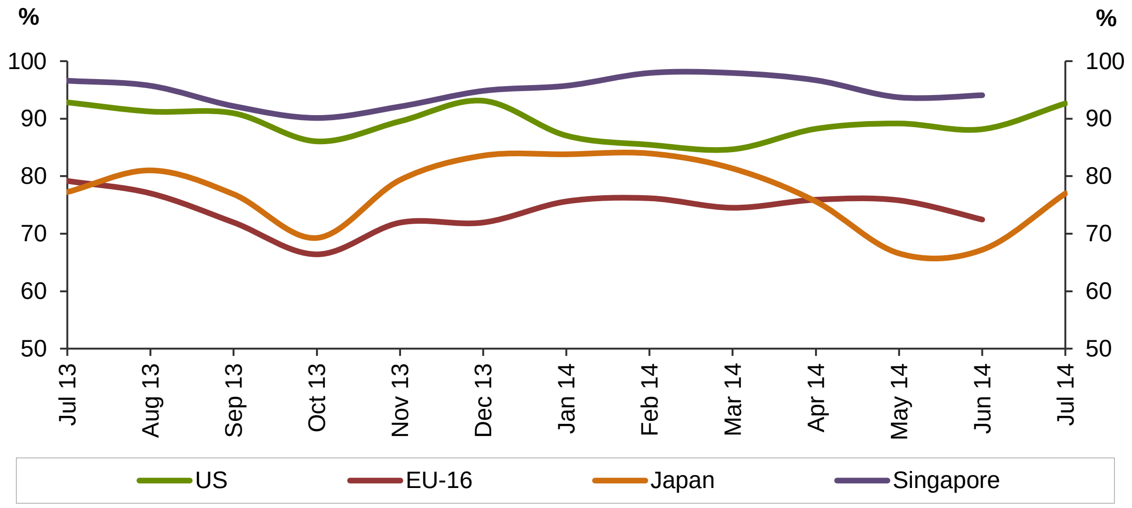
Asian refining margins continued weak during July as increasing supplies generated by several refineries coming back from maintenance exerted pressure on the market, however the positive performance in the top of the barrel on the back of strong gasoline and naphtha demand in the region prevented margins from falling further. Refinery margins in Singapore remained at the low level seen last month, although they showed a slight gain of 14 cents to average 7¢/b in July.

Refinery operations

Refinery utilization rates in the **US** exhibited a sharp rise during July when US refinery utilization averaged 92.7%, an increase of 4.5 percentage points (pp) versus the previous month, with PADD-2 exhibiting the highest levels in the country.

The healthy margins encouraged refineries to increase runs in the last months, however the upward trend in gasoline and middle distillate inventories has started to pressure margins, and this situation could be worse with the end of the driving season and could cause refineries to moderate runs in the coming months.

Graph 6.2: Refinery utilisation rates, 2013-2014



European refinery runs averaged around 73% in June, corresponding to a throughput of 9.3 mb/d, which is 400 tb/d lower than the previous month despite the end of the maintenance season. Refinery runs remained at low levels as European refiners continued to feel pressure from increased competition and weak domestic demand.

Poor refining margins in the region have been weighing on European refiners, causing not only run cuts but also additional closures.

In **Asia**, slower demand growth amid increasing inventories has been moderating refinery runs in several countries, mainly in China and South Korea, while in India, unplanned shutdowns have cut refinery throughputs. However, with some refineries returning from maintenance, there is a potential uptick in crude intake, mainly in Taiwan.

Chinese refinery levels averaged 9.5 mb/d in June, about 100 tb/d lower than in April. Refinery runs in Singapore for June averaged around 94%, a level similar to the previous month. Japanese throughputs averaged 77% of capacity in July, 9 pp higher than in June, with several refineries returning from maintenance.

US market

US gasoline demand stood at around 9.0 mb/d in July, broadly unchanged from the previous month and around 100 tb/d lower than the same month a year earlier.

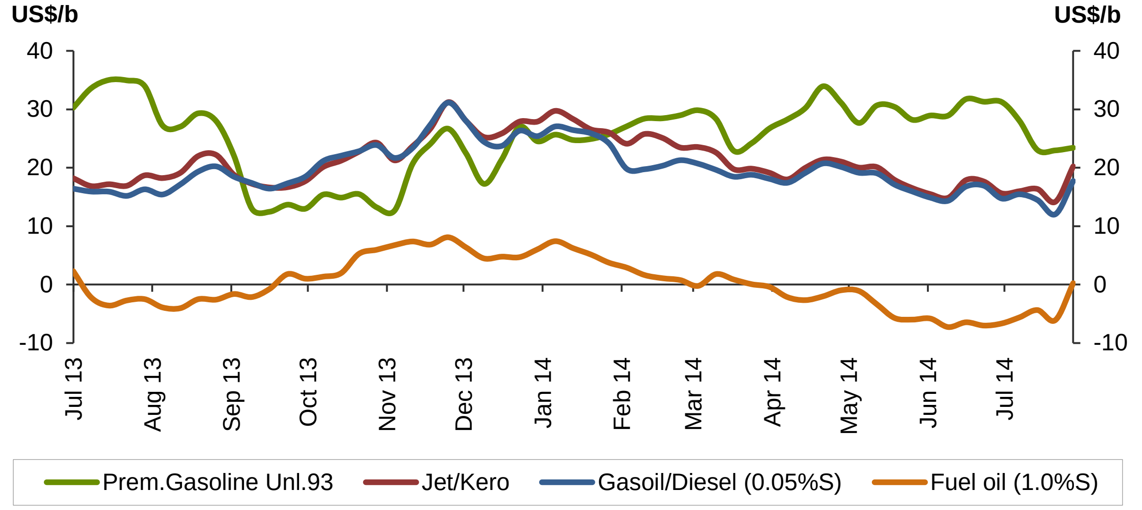
The gasoline crack weakened last month in the US Gulf Coast due to the market being pressured by the supply side with production in the US continuing to be elevated due to higher refinery run rates. The latest EIA inventory report showed that inventories increased during July to reach the typical average level.

Additional pressure came from the restarting of the San Francisco refinery after an outage in June amid temporary limitations in the volumes that could be sent from the USGC to PADD-2 due to maintenance in the transfer system.

As a reaction to weakening fundamentals in Nymex RBOB futures, money managers cut 34,000 lots in their long positions since the beginning of July, and the RBOB price fell from $3/gal to $2.8/g during the last week of July.

The gasoline crack spread exhibited a sharp drop of $5 to average $25/b in July.

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



Middle distillate demand stood at around 3.9 mb/d in July, about 80 tb/d higher than the previous month and close to 300 tb/d above the same month a year earlier.

The middle distillate market continued under pressure this month with distillate inventories on the rise amid weaker domestic demand, causing the gasoil crack spreads to fall during July.

Higher crude intake has contributed to the continued rising trend in middle distillate inventories during the last months, climbing above the last two years' levels, thus exerting additional pressure on the gasoil market.

In addition, there has been less support from the export levels to South America and Europe.

The USGC gasoil crack lost $1 versus the previous month's level to average around $14.7/b in July.

At the **bottom of the barrel**, the fuel oil crack continued weakening as a higher availability of VGO due to hydrocracker outages exerted pressure on the LSFO market.

Additional pressure came from rebounding imports amid weak arbitrage to Asia due to lower bunker and power generation demand.

The fuel oil crack in the USGC saw a loss of almost $2 to average minus $8.4/b during July.

European market

Product markets in Europe saw a recovery last month on the back of crack spreads being supported by the supply side due to lower runs in the region and mainly due to the falling prices in Brent crude.

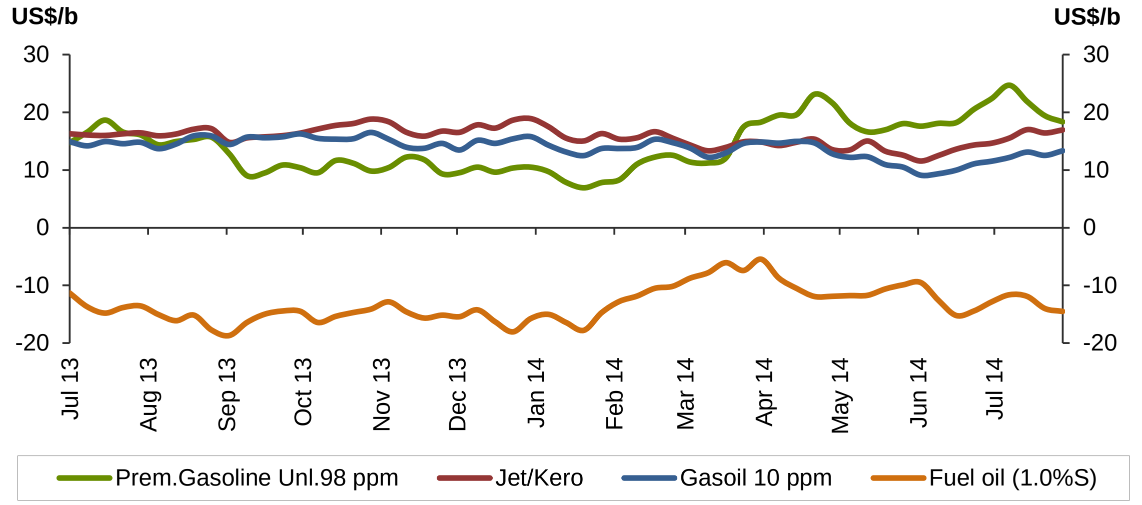
The gasoline crack continued its recovery in July, getting some support from volumes headed to West Africa and some opportunities to the US East Coast (USEC).

On the other hand, some support has emerged from the run cuts seen in the European refinery system during the last months, which supported the market from the supply side, despite weak regional demand.

The gasoline crack spread against Brent saw a recovery of $3 to average $21.4/b in July.

The light distillate naphtha crack recovered some ground on the back of support coming from the reopened arbitrage window to Asia.

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



Middle distillate cracks showed a recovery during July on the back of a tightening market boosted by lower inflows to the region amid falling crude prices.

The ULSD crack in Northwest Europe recovered during July on the back of a tightening market with lower refinery runs in Europe amid lower ULSD inflows from Russia to the region due to lower exports out of Primorsk. This was the result of higher domestic consumption in Russia as a result of the harvest season and also due to the ongoing maintenance at two large Russian hydrocrackers.

The gasoil crack spread against Brent crude at Rotterdam gained $3 versus the previous month's level to average around $13/b in July.

At the **bottom of the barrel**, fuel oil cracks continued to weaken over the reporting month due to subdued regional demand and limited arbitrage to Asia, however tight market sentiment due to lower runs in the region prevented the cracks from further decreases.

The Northwest European fuel oil crack remained almost the same as the previous month's average level of approximately minus $13/b in July.

Asian market

The Asian market continued to be relatively weak during July as the increasing supplies generated by several refineries coming back from maintenance exerted pressure on the market. However, the positive performance in the top of the barrel amid crude price developments prevented further margin decreases.

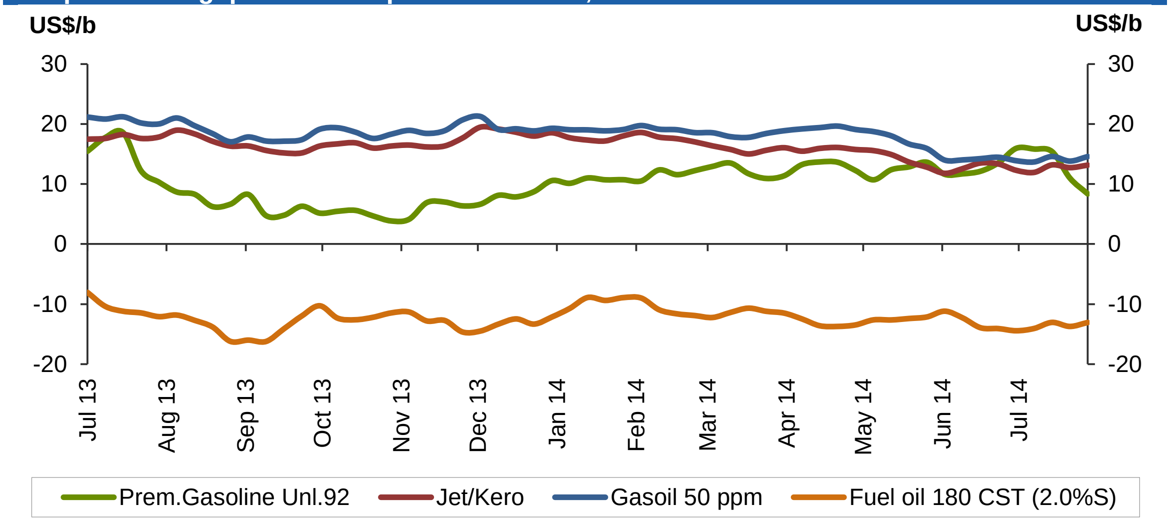
The Singapore **gasoline crack** posted an uptick, supported by positive demand developments in the region, mainly seen in Japan and Malaysia.

In addition, the gasoline market was supported by an unplanned refinery shutdown in India, cutting exports. However, the uptick was somehow limited by the bearish sentiment resulting from several large exporting refineries returning from maintenance.

The gasoline crack spread against Dubai crude in Singapore rose more than $1 to average $13.7/b in July.

The Singapore naphtha crack recovered during July as the market tightened amid stronger demand from the petrochemical sector, with cracker units in Japan and South Korean running at maximum capacity levels.

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



At the **middle of the barrel**, cracks continued to weaken, although some demand support and crude price performances prevented further losses.

The supply side exerted pressure on the back of higher exports from Japan and South Korea following the countries' maintenance seasons.

Some support arose from the demand side in some countries, such as Thailand, and from limited production in India due to refinery outages, while expectations of higher demand from China amid decreasing crude prices prevented further losses in the crack spreads.

The gasoil crack spread in Singapore against Dubai retained the same level of the previous month at around $14/b in July.

The **fuel oil crack continued to weaken** in Singapore on the back of bearish sentiment fuelled by lower bunker demand amid lower Chinese imports of fuel oil as feedstock for the teapot refiners as these refineries continued to produce rising volumes of crude.

On the other hand, fuel oil demand for power generation continued to decline in the region due to fuel substitution.

The fuel oil crack spread in Singapore against Dubai lost 80¢ to average minus $13.70/b in July.

Table 6.1: Refined product prices, US$/b

		May 14	Jun 14	Jul 14	*Change* Jul/Jun
US Gulf (Cargoes FOB):					
Naphtha		112.47	115.72	111.07	-4.65
Premium gasoline	*(unleaded 93)*	131.25	135.44	128.21	-7.23
Regular gasoline	*(unleaded 87)*	120.77	125.95	119.96	-5.99
Jet/Kerosene		120.93	121.66	119.18	-2.48
Gasoil	*(0.2% S)*	120.09	120.89	117.60	-3.29
Fuel oil	*(1.0% S)*	98.40	99.26	94.48	-4.78
Fuel oil	*(3.0% S)*	91.77	93.10	89.01	-4.09
Rotterdam (Barges FoB):					
Naphtha		103.76	105.38	103.50	-1.88
Premium gasoline	*(unleaded 98)*	127.36	130.41	128.08	-2.33
Jet/Kerosene		123.29	124.73	122.77	-1.96
Gasoil/Diesel	*(10 ppm)*	121.29	121.59	119.20	-2.39
Fuel oil	*(1.0% S)*	98.66	98.71	93.75	-4.96
Fuel oil	*(3.5% S)*	91.19	93.20	90.81	-2.39
Mediterranean (Cargoes FOB):					
Naphtha		101.83	103.30	101.50	-1.80
Premium gasoline*		121.92	126.37	122.91	-3.45
Jet/Kerosene		120.61	121.52	120.19	-1.33
Gasoil/Diesel*		122.22	122.79	119.77	-3.02
Fuel oil	*(1.0% S)*	99.73	100.17	94.49	-5.68
Fuel oil	*(3.5% S)*	91.55	92.20	91.00	-1.20
Singapore (Cargoes FOB):					
Naphtha		105.31	106.17	106.34	0.17
Premium gasoline	*(unleaded 95)*	121.43	123.74	121.99	-1.75
Regular gasoline	*(unleaded 92)*	117.96	120.46	119.78	-0.68
Jet/Kerosene		119.88	120.80	118.79	-2.01
Gasoil/Diesel	*(50 ppm)*	123.01	122.18	120.24	-1.94
Fuel oil	*(180 cst 2.0% S)*	95.08	97.24	94.51	-2.73
Fuel oil	*(380 cst 3.5% S)*	92.86	95.13	93.35	-1.78

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

Table 6.2: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				*Refinery utilization, %*			
	May 14	Jun 14	Jul 14	*Change* Jul/Jun	May 14	Jun 14	Jul 14	*Change* Jul/Jun
US	15.89	15.71	16.51	0.80	89.17	88.17	92.65	4.48
France	0.99	1.02	-	-	65.57	67.75	-	-
Germany	1.75	1.59	-	-	78.05	70.93	-	-
Italy	1.10	1.06	-	-	51.76	50.05	-	-
UK	1.08	0.97	-	-	71.04	63.83	-	-
Euro-16	9.70	9.28	-	-	75.80	72.46	-	-
Japan	2.95	2.66	3.04	0.39	66.58	67.20	77.00	9.80

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

Tanker Market

The dirty tanker market experienced a generally positive trend in July, with dirty tankers in all classes showing gains on both a monthly and an annual basis. VLCC spot freight rates reported a healthy gain of 19%, while both Suezmax and Aframax rates experienced even higher gains of 26% and 28%, respectively. Several factors were behind the increase in dirty tanker rates over the previous month, including delays in eastern and western ports combined with prompt replacements, ullage problems and increased lighterage operations. Clean spot freight rates were weak in July, declining on the back of limited arbitrage and low market activity in both East and West of Suez.

Spot fixtures

Preliminary data for July shows that OPEC spot fixtures increased by 5.7% compared with last month to average 12.59 mb/d. Global spot fixtures increased by 5.7% in July compared with the previous month to average 17.94 mb/d. Fixtures on the Middle East-to-East and the Middle East-to-West routes increased by 0.6 mb/d and 0.10 mb/d in July, respectively. However, OPEC fixtures were down by 12% compared with the same month one year ago. In addition, global chartering activity was reported to be 6.8% lower in July 2014 from the same month one year earlier.

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

	May 14	Jun 14	Jul 14	*Change* Jul 14/Jun 14
Spot Chartering				
All areas	16.75	17.32	17.94	0.62
OPEC	11.52	11.91	12.59	0.68
Middle East/East	5.55	5.32	5.92	0.60
Middle East/West	2.51	2.35	2.45	0.10
Outside Middle East	3.46	4.25	4.23	-0.03
Sailings				
OPEC	23.46	23.24	23.55	0.32
Middle East	17.12	16.92	17.21	0.29
Arrivals				
North America	9.29	9.34	8.60	-0.74
Europe	12.56	12.60	12.40	-0.20
Far East	8.64	8.65	8.37	-0.28
West Asia	4.35	4.38	4.57	0.19

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

Sailings and arrivals

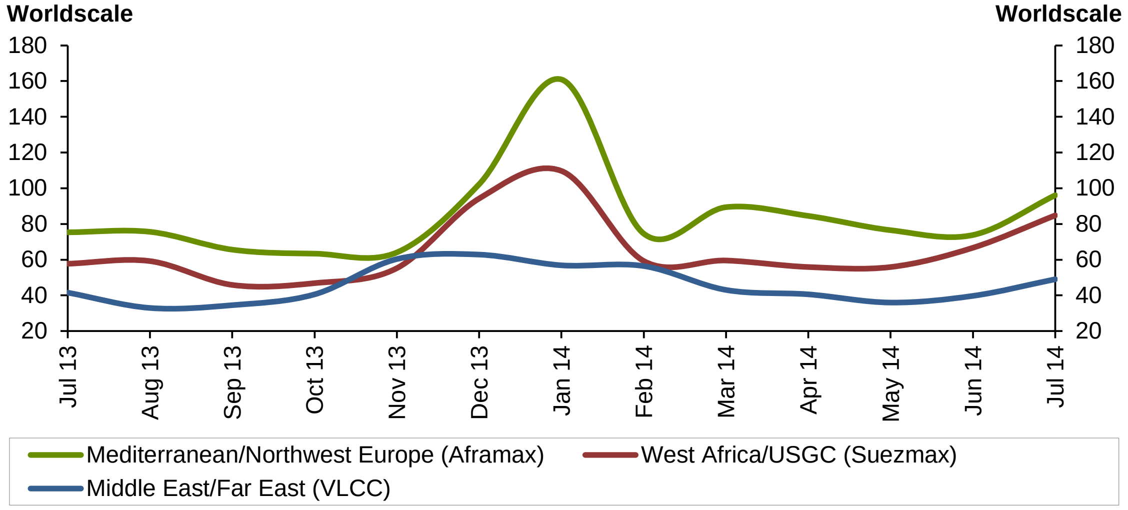
OPEC sailings, as per preliminary data, reported an increase of 1.4% in July from one month earlier to average 23.55 mb/d. However, compared with the same month one year ago, they were lower by 3.3%. Arrivals in North America, Europe and the Far East were down by 8%, 1.5% and 3.3%, respectively from the previous month, while West Asia arrivals reported an increase of 4.3% from one month ago to average 4.57 mb/d in July.

Spot freight rates

VLCC

VLCC spot freight rates for Middle East-to-East destinations showed the highest increase among all reported routes in July. Spot freight rates for Middle East-to-East lifting increased as tonnage demand was higher in the third decade of the month. The firming trend continued for August loadings, with vessel owners displaying a strong resistance to falling rates, even during quiet periods when the market stabilized. Fixtures for August requirements were supported mainly by lower tonnage availability, which managed to hold them at high prevailing levels.

Graph 7.1: Monthly averages of crude oil spot freight rates



Thus, VLCC freight rates for tankers operating on Middle East-to-East routes saw an increase of 23% over the previous month to average WS49 points in July, mainly as a result of weather delays in China resulting in slow discharge operations at ports. Rates for eastbound tankers increased despite a decline in South Korean tonnage requirements. Meanwhile, VLCC spot freight rates for Middle East-to-West destinations averaged WS30 points in July, up by 10% from the previous month.

The transatlantic market fluctuated during the course of the month, remaining mostly firm in the Caribbean and exhibiting several gains and losses before stabilizing in West Africa. Tanker spot freight rates for West Africa-to-East routes averaged WS51 points in July — a worthy gain of 20% from one month before.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	**May 14**	**Jun 14**	**Jul 14**	***Change* Jul/Jun**
Crude					
Middle East/East	230-280	36	40	49	9
Middle East/West	270-285	26	27	30	3
West Africa/East	260	39	42	51	9
West Africa/US Gulf Coast	130-135	56	67	85	18
Northwest Europe/US Gulf Coast	130-135	52	59	74	15
Indonesia/East	80-85	89	96	101	5
Caribbean/US East Coast	80-85	116	107	158	51
Mediterranean/Mediterranean	80-85	82	82	103	22
Mediterranean/Northwest Europe	80-85	77	74	96	22

Sources: Galbraith's tanker market report and Platts.

In addition to monthly gains, VLCC spot freight rates on all selected routes showed an increase over the previous year, rising on average by 18%. VLCCs were sometimes considered a viable alternative, when Suezmax rates firmed at certain times during the month.

Suezmax

Suezmax spot freight rates exhibited a healthy increase in July from the previous month, despite experiencing a slow start with soft rates — mainly in West Africa — before stabilizing then firming again as a result of stronger market activity combined with some prompt replacements and holidays in the US. The tonnage list appeared thinner because activities in the Mediterranean and Black Sea increased as both crude oil and fuel oil shipments to eastern destinations rose. Similarly, tonnage availability for West Africa loading appeared tight, particularly for the first decade of August.

Freight rates for Suezmax in the Baltics and the North Sea remained strong as a result of sudden replacements due to port delays in Rotterdam, while in the Middle East, Indian charterers were mostly active by the end of the month. Suezmax spot freight rates on Northwest Europe-to-US routes edged up by 26% in July, compared with the previous month to stand at WS74 points, while West Africa-to-US rates gained 27% to average WS85 points.

On an annual basis, Suezmax spot freight rates increased by a remarkable 51% in July, compared with the same period one year ago. The Suezmax market was supported by an active VLCC market and firming Aframax market in July.

Aframax

Aframax spot freight rates exhibited the strongest gains in July among all dirty tanker classes. Spot freight rates registered increases on all selected routes over the previous month with no exception. Aframax spot freight rates in Northwest Europe increased as tonnage lists tightened and prompt replacements rose, leading to growth of 30% in spot freight rates for tankers trading on the Mediterranean-to-Northwest Europe routes compared with the previous month. Delays in Trieste and Port of Lavera supported freight rates to some degree. Mediterranean-to-Mediterranean Aframax spot freight rates increased by 27% in July.

While freight rates in the Caribbean were constantly firming against US rates, they experienced their largest increase in July, rising by 48% from one month earlier to stand at WS158 points. This was mainly supported by delays in the Caribbean and Mexico and a notable shortage in tonnage supply, as well as a lack of ullage and increased lighterage activity. Indonesia-to-East rates experienced a relatively small increase of 5% to stand at WS101 points.

Clean spot freight rates

Contrary to the dirty tanker market, clean tanker market sentiments were bearish in July on all reported routes. In West of Suez, medium-range tankers suffered from tonnage build up versus limited cargo flow. Spot freight rates for Northwest Europe-to-US routes showed the highest loss, dropping by 11% over one month ago, while both Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe clean spot freight rates decreased by 3% each to stand at WS120 points and WS130 points, respectively. The clean tanker market in East of Suez also suffered from a declining trend as spot freight rates reported drops on several routes.

Clean spot freight rates on Middle East-to-East destinations declined by 4% on the back of lower product trade. The tanker market was uneventful, particularly for medium-range tankers; occasional freight rate gains in Middle East loadings were short-lived. Clean spot freight rates from the Middle East-to-East declined by 5% to average WS104 points, while Singapore-to-East spot freight rates stood at WS108 points, down by 3% from a month ago. Average freight rates in the east dropped despite tight vessel availability at the beginning of the month as tonnage started to build up while activity levels dropped. In July, eastbound activity was subdued as arbitrage was limited.

Graph 7.2: Monthly average of clean spot freight rates

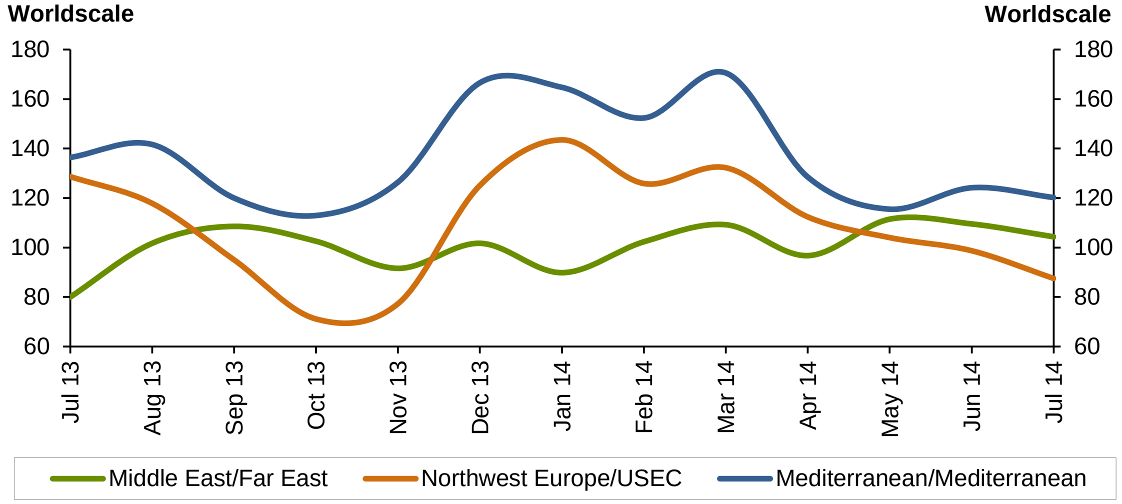


Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	May 14	Jun 14	Jul 14	*Change* Jul/Jun
Products					
Middle East/East	30-35	111	110	104	-5
Singapore/East	30-35	111	111	108	-3
Northwest Europe/US East Coast	33-37	104	99	88	-11
Mediterranean/Mediterranean	30-35	116	124	120	-4
Mediterranean/Northwest Europe	30-35	126	134	130	-4

Sources: Galbraith's tanker market report and Platts.

Oil Trade

Preliminary data for July shows that US crude oil imports rose to average 7.48 mb/d, up by 241 tb/d from the previous month. However, this represented a drop of 584 tb/d, or 7%, from a year ago. US product imports stayed nearly stable m-o-m at 1.7 mb/d, while y-o-y, they lost 445 tb/d or 20%. Y-t-d, product imports declined by 11%.

Japan's crude oil imports in June reached a low not seen in several years, dropping for a second month in a row by 257 tb/d, or 8%, to average 3 mb/d. Y-o-y, Japan's crude imports declined as well in June by 272 tb/d or 8%. Product imports also dropped in June by 21 tb/d to average 566 tb/d, reflecting a loss of 4% m-o-m, while showing a gain of 11% from the previous year.

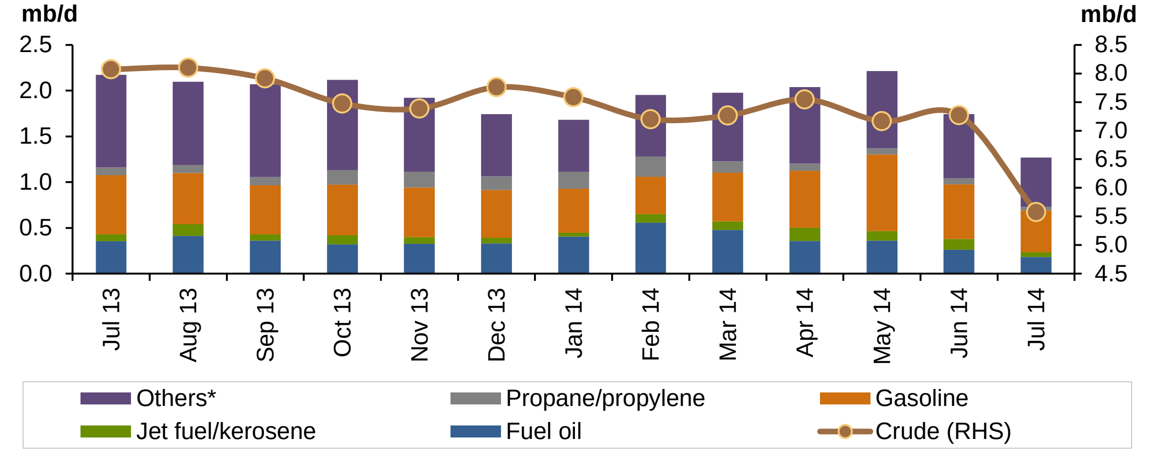
China's crude imports dropped in June for the second consecutive month by 479 tb/d, or 8%, to average 5.7 mb/d, after having reached a record high level in April. Y-o-y, China's crude imports were up by 271 tb/d or 5%. China's product imports increased by 47 tb/d from a month ago, however they stood 206 tb/d below the previous year. China's product imports averaged 956 tb/d.

India's crude imports in June increased by 358 tb/d, or 10%, from last month to average 3.9 mb/d. Y-o-y, India's crude imports were 430 tb/d, or 12%, higher. Product imports in June dropped by 10 tb/d from a month ago to average 419 tb/d, while y-o-y they went up by 112 tb/d.

US

In July preliminary data shows that US crude oil imports increased to average 7.48mb/d, up by 241 tb/d from last month while showing a drop from last year by 584 tb/d or 7%. Y-t-d, US crude imports in July were 350 tb/d lower.

Graph 8.1: US imports of crude and petroleum products

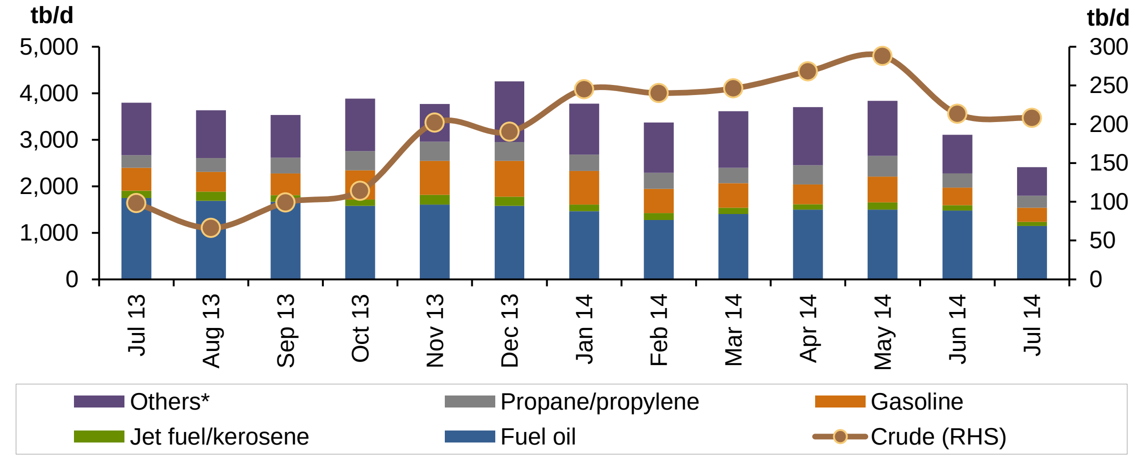


**Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene.*

Monthly US product imports stayed almost stable at last month's level of 1.7 mb/d, while y-o-y they dropped by 445 tb/d or 20%. Y-t-d, product imports declined by 11%. US product exports in June were 130 tb/d higher than seen a month ago, averaging 3.2 mb/d.

Y-o-y, product exports were 565 tb/d, or 15%, lower than a year ago. As a result, **US total net imports increased slightly in July to average 5.7 mb/d.** This, however, remains 644 tb/d, or 10%.6, below last year's level.

Graph 8.2: US exports of crude and petroleum products



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

In May, the top first and second crude suppliers to the US maintained the same ranking as seen last month. Canada remained the premier crude supplier to the US accounting for 38% of total US crude imports despite a drop of 30 tb/d in its monthly volumes from a month ago. Saudi Arabia remained its second largest supplier, though it also saw a drop in exports to the US by 335 tb/d. Mexico was the third top supplier accounting for 11% of total US crude imports. Its exports to the US increased by 64 tb/d, or 9%, from a month before.

Crude imports from OPEC Member Countries fell in May compared to last month, dropping by 336 tb/d or 10%. This accounted for 43% of total US crude imports. On the other hand, US product imports from OPEC Member Countries were 19 tb/d, or 8%, lower than last month and 58 tb/d, or 22%, lower than last year.

As to the product supplier share, Canada and Russia maintained their position as first and second suppliers to the US, accounting for 24% and 15% of imports, respectively. Yet while Canada's product exports to the US in May were higher by 128 tb/d, Russia's volumes were 76 tb/d less than a month ago. The United Kingdom was in third place as supplier to the US, though with a marginal 8 tb/d reduction in volume over last month.

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

	May 14	Jun 14	Jul 14	*Change Jul/Jun*
Crude oil	6,877	7,059	5,371	30
Total products	-1,618	-1,364	-1,142	-517
Total crude and products	**5,259**	**5,695**	**4,228**	**-488**

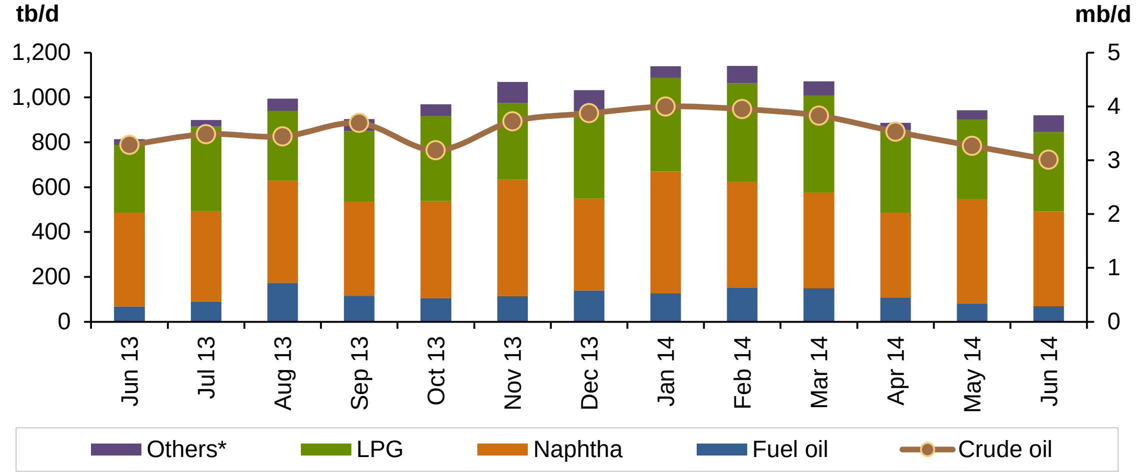
As to US crude imports by region in May, North America was the top region supplying an average of 2.7 mb/d to the US. This was followed by Latin America with 2 mb/d, while the Middle East came in as the third region with an average of 1.9 mb/d. Imports from Africa were up 37 tb/d from last month to stand at 357 tb/d, while imports from Asia were stable at last month's level of 45 tb/d.

Looking at crude imports by PADD regions, in PADD 1 the highest crude imports to the East Coast were sourced from North America and Africa, which stood at 298 tb/d and 227 tb/d, respectively. Crude imports from both these regions in May were 10% and 11% higher, respectively, than in the previous month. Crude imports from Latin America to PADD 1 also increased by 76% to average 90 tb/d. Imports from PADD 2 were mostly sourced from North America, which stood at 1.8 mb/d, down by 37 tb/d from the previous month. PADD 2 imported a small quantity from the Middle East to averaged 38 tb/d, which is similar to the volume seen last year. PADD 3 sourced their imports from Latin America and the Middle East. However, both sources exported 36 tb/d and 342 tb/d less crude to the US, respectively, than a month earlier to average 1.7 mb/d and 1.3 mb/d. Only PADD 4 covered its requirements from North America, averaging 249 tb/d in May with volumes increasing by 17 tb/d over last month. In the West Coast, the largest imports in May originated from the Middle East which exported 492 tb/d to PADD 5, followed by Latin America and North America, which exported 256 tb/d and 221 tb/d, respectively, down by 10% and 16% from a month earlier.

Japan

Japan's crude oil imports saw a drop of 257 tb/d, or 8%, in June for the second consecutive month, to average 3 mb/d. This is the lowest level of crude imports that Japan had seen in several years. Y-o-y, crude imports also declined in June by 272 tb/d or 8%. As to the share of suppliers, Saudi Arabia, UAE and Qatar were still the top suppliers to Japan.

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

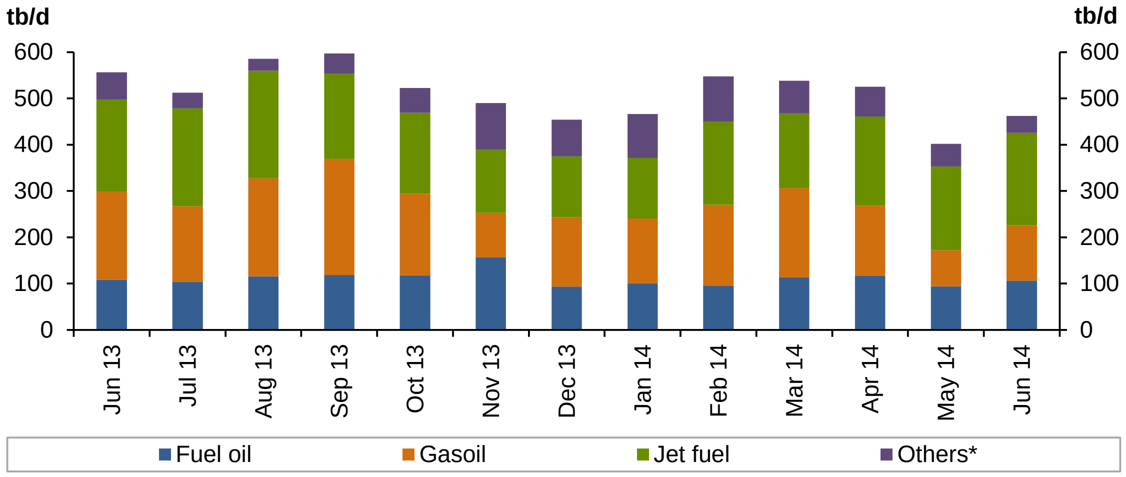


**Others: Contains gasoline, jet fuel, kerosene, gasoil, asphalt and paraffin wax.*

As in the previous month, Saudi Arabia came in as the first crude supplier to Japan with a 31% share of total crude exports to the country. The UAE was the second largest supplier with a 25% share of total crude exports, while Qatar held the third position with an 8% share. Although volumes imported from Saudi Arabia and Qatar were 15% and 33% lower than last month, imports from the UAE were up by a slight 2% from a month earlier.

Similarly, product imports dropped by 21 tb/d in June to average 566 tb/d. This reflected a loss of 4% m-o-m while showing an increase of 11% over last year. As in the previous month, Japan 's oil product sales fell 4.2% in June from a year earlier. In terms of product exports, Japanese exports in June went up by 62 tb/d, or 15%, to average 462 tb/d.

Graph 8.4: Japan's exports of petroleum products



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

On a y-o-y basis, the figure shows a drop of 94 tb/d or 17%. Accordingly, **Japan's net imports dropped in June by 339 tb/d to average 3.1 mb/d, reflecting a monthly drop of 10% and an annual loss of 4%.**

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

	Apr 14	May 14	Jun 14	*Change* Jun/May
Crude oil	3,530	3,267	3,011	-262
Total products	-7	185	103	192
Total crude and products	**3,523**	**3,453**	**3,114**	**-71**

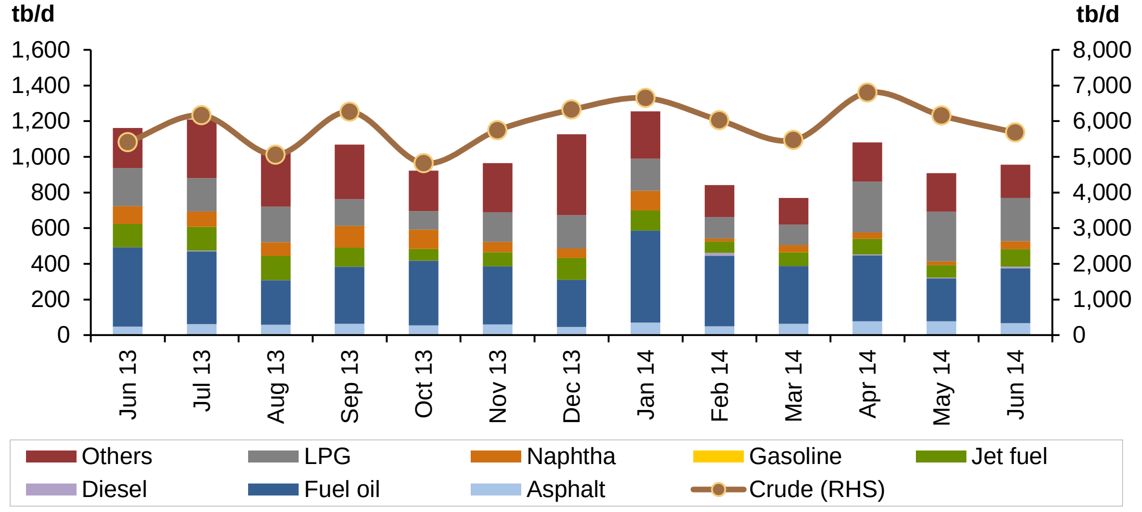
China

China's crude imports dropped in June for the second consecutive month after reaching a record high level in April. They dropped by 479 tb/d, or 8%, in June to average 5.7 mb/d, the result of planned refinery maintenance.

Y-o-y, China's crude imports are still 271 tb/d, or 5%, higher than seen a year before. Y-t-d, the figures reflect a major increase of 546 tb/d or 10%. Looking into the crude oil supplier share, Saudi Arabia, Oman and Angola were the top suppliers to China in June, accounting for 17%, 12% and 12%, respectively.

Crude imports from Saudi Arabia were 74 tb/d, or 8.5%, higher than the previous month while imports from Oman increased by 150 tb/d or 29%. Imports from Angola were 142 tb/d, or 18%, less than a month earlier. Crude volumes imported from Russia, the fourth largest supplier to China, dropped by 16% in June. China's product imports went up by 47 tb/d from a month ago. However, this is still 206 tb/d below last year's level. Finally, China's product imports averaged 956 tb/d in June.

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



In June, as in the previous four months, China did not export any crude. China's product exports, however, were 22 tb/d higher than in the previous month, averaging 658 tb/d y-o-y. This reflects an increase of 78 tb/d or 13%. As a result, **China's net oil imports decreased by 453 tb/d from the previous month. This is a slight 6 tb/d drop from a year ago.**

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

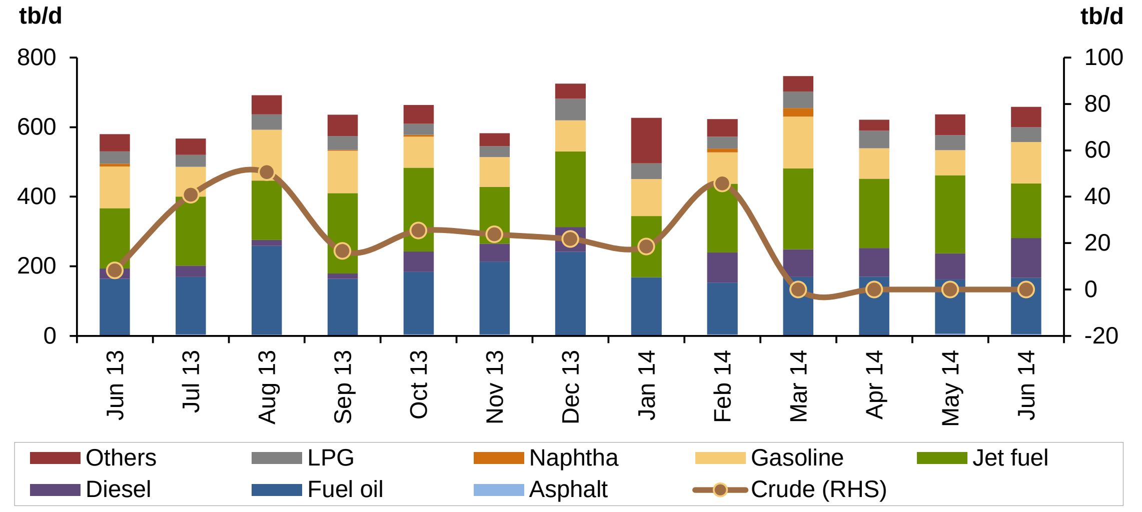


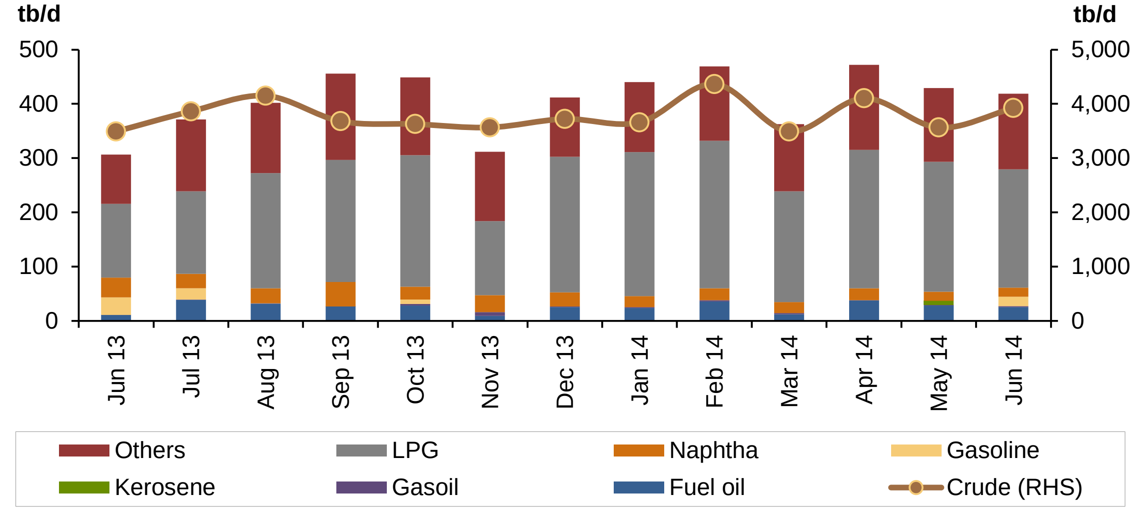
Table 8.3: China's crude and product net imports, tb/d

	Apr 14	May 14	Jun 14	*Change* Jun/May
Crude oil	6,802	6,159	5,680	-643
Total products	459	272	297	-187
Total crude and products	**7,261**	**6,431**	**5,977**	**-830**

India

In June India's crude imports increased by 358 tb/d, or 10%, from the previous month to average 3.9 mb/d. Furthermore, crude imports reflected an annual gain of 430 tb/d or 12%. While product imports in June dropped by 10 tb/d from the previous month to average 419 tb/d, on a y-o-y basis, they went up by 112 tb/d. Monthly product imports were lower in both LPG and fuel oil, while no imports of kerosene were registered.

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



India's product exports were higher in June by 21 tb/d, or 2%, to average 1.2 mb/d. On a y-o-y basis, product exports were 108 tb/d, or 8%, lower than last year. India's monthly product exports in June were higher in diesel, petrol and naphtha while they were lower in kerosene and fuel oil.

Consequently, **India's net imports declined by 327 tb/d to average 3 mb/d, reflecting an increase of 12% m-o-m and 27% y-o-y.**

Graph 8.8: India's exports of petroleum products

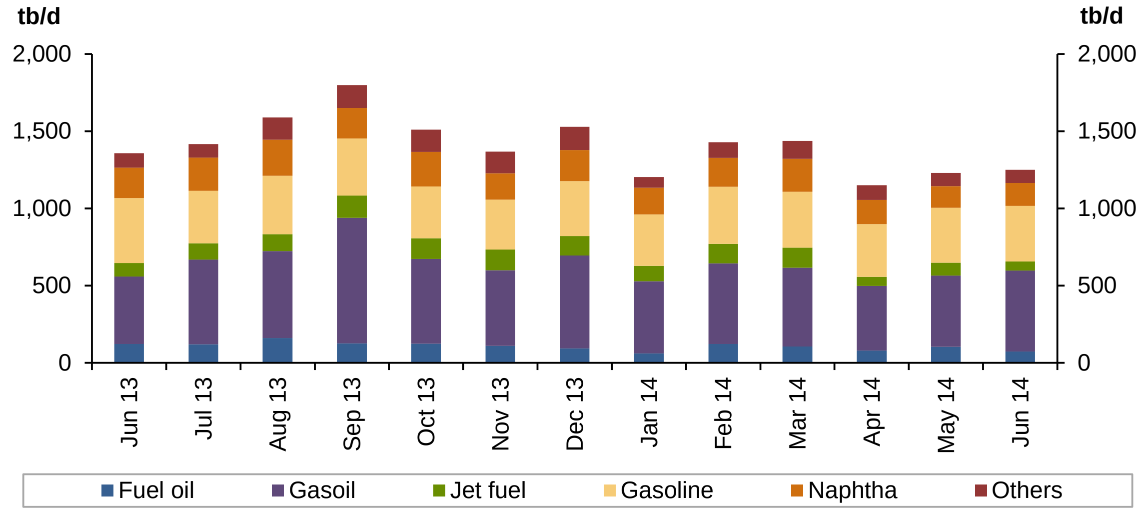


Table 8.4: India's crude and product net imports, tb/d

	Apr 14	May 14	Jun 14	*Change* Jun/May
Crude oil	4,102	3,564	3,922	-493
Total products	-678	-800	-831	-96
Total crude and products	**3,425**	**2,764**	**3,091**	**-589**

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

FSU

In June, total crude oil exports from the Former Soviet Union dropped by 92 tb/d, or 2%, to average 5.89 mb/d. Crude exports through the Russian pipelines declined as well, by 288 tb/d or 7.3%, to average 3.6 mb/d.

Total shipments from the Black Sea dropped by 52 tb/d, or 7%, to average 637 tb/d. This drop came as shipments from Novorossiysk dropped by 52 tb/d from a month before. Total Baltic Sea exports dropped by 183 tb/d in June as shipments from both Primorsk and Ust-Luga port terminals dropped by 65 tb/d and 119 tb/d, respectively.

Total shipments through the Druzhba pipeline declined by 54 tb/d to average 932 tb/d while Kozmino shipments declined slightly by 9 tb/d, or 2%, to average 471 tb/d. Exports through the Lukoil system increased from the previous month, while both in the Barents Sea, where the Varandey offshore platform is located, and in the Baltic Sea, where the Kalinigrad port terminal is located, exports dropped by 7 tb/d and 4 tb/d, respectively.

Most other routes showed a gain in June from a month before. Generally, total Russian Far East exports were up by 50 tb/d, or 19%, from the previous month as volumes of both Aniva Bay and De Kastri port terminals went up 23 tb/d and 27 tb/d from May to average 307 tb/d. Central Asia's total exports stood at 236 tb/d, up by 5 tb/d through the Kenkiyak-Alashankou pipeline.

Total Baltic Sea exports went up by 54 tb/d, with all ports showing an increase except Kulevi port terminal which showed a 20 tb/d drop in exports over the previous month. They didn't have any exports in June. All other ports in the Baltics showed higher volumes, with the Novorossiysk, Batumi and Supsa port terminals all showing increased exports of 25 tb/d, 23 tb/s and 27 tb/d, respectively, from May.

In the Mediterranean Sea, BTC supplies showed an increase of 110 tb/d, or 20%, from the previous month to average 640 tb/d. While looking into product exports, total FSU product exports dropped by 126 tb/d, or 4%, from last month to average 3.5 mb/d. This drop in product exports came as a result of a decline seen in all products with the exception of gasoil which exported 11 tb/d more than last month. Exports of gasoline, naphtha, jet fuel, fuel oil and VGO all dropped in June from last month by volumes ranging between 89 tb/d and 2 tb/d.

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

			2012	2013	2Q 14	May 14	Jun 14
Transneft system							
	Europe	**Black Sea total**	**843**	**739**	**672**	**688**	**637**
		Novorossiysk port terminal - total	843	739	672	688	637
		of which: Russian oil	573	535	494	513	455
		Others	271	204	178	175	182
		Baltic Sea total	**1,690**	**1,546**	**1,433**	**1,475**	**1,291**
		Primorsk port terminal - total	1,356	1,083	942	938	873
		of which: Russian oil	1,277	1,007	942	938	873
		Others	79	76	0	0	0
		Ust-Luga port terminal - total	334	463	490	537	418
		of which: Russian oil	273	342	295	304	242
		Others	61	121	196	233	176
		Druzhba pipeline total	**1,079**	**1,032**	**998**	**986**	**932**
		of which: Russian oil	1,027	1,000	966	954	899
		Others	52	32	32	32	33
	Asia	**Pacific ocean total**	**331**	**434**	**474**	**480**	**471**
		Kozmino port terminal - total	331	434	474	480	471
		China (via ESPO Pipeline) total	**306**	**321**	**304**	**294**	**304**
		China Amur	306	321	304	294	304
	Total Russian crude exports		**4,249**	**4,071**	**3,881**	**3,923**	**3,635**
Lukoil system			**2012**	**2013**	**2Q 14**	**May 14**	**Jun 14**
	Europe and North America	**Barents Sea Total**	**66**	**111**	**116**	**113**	**120**
		Varandey offshore platform	66	111	116	113	120
	Europe	**Baltic Sea Total**	**10**	**19**	**12**	**8**	**12**
		Kalinigrad port terminal	10	19	12	8	12
Other routes			**2012**	**2013**	**2Q 14**	**May 14**	**Jun 14**
	Asia	**Russian Far East total**	**259**	**259**	**289**	**258**	**307**
		Aniva bay port terminal	114	114	116	94	117
		De Kastri port terminal	145	145	173	164	191
		Central Asia total	**210**	**239**	**233**	**232**	**236**
		Kenkiyak-Alashankou	210	239	233	232	236
	Europe	**Baltic sea total**	**829**	**853**	**943**	**857**	**911**
		Novorossiysk port terminal (CPC)	656	704	818	759	784
		Supsa port terminal	72	76	70	60	87
		Batumi port terminal	82	53	42	18	40
		Kulevi port terminal	19	20	14	20	0
		Mediterranean sea total	**654**	**641**	**594**	**530**	**640**
		BTC	654	641	594	530	640
Russian rail			**2012**	**2013**	**2Q 14**	**May 14**	**Jun 14**
		Russian rail	**107**	**198**	**46**	**61**	**28**
		of which: Russian oil	*10*	*9*	*9*	*8*	*10*
		Others	97	189	38	53	18
	Total FSU crude exports		**6,382**	**6,392**	**6,116**	**5,981**	**5,889**
Products			**2012**	**2013**	**2Q 14**	**May 14**	**Jun 14**
		Gasoline	130	122	129	102	99
		Naphtha	311	390	515	582	493
		Jet	7	11	11	23	7
		Gasoil	784	857	1,005	1,029	1,040
		Fuel oil	1,336	1,415	1,522	1,608	1,581
		VGO	242	263	259	288	286
	Total FSU product exports		**2,810**	**3,058**	**3,441**	**3,632**	**3,506**
Total FSU oil exports			**9,192**	**9,450**	**9,557**	**9,613**	**9,395**

Sources: Argus Nefte Transport and Argus Global Markets.

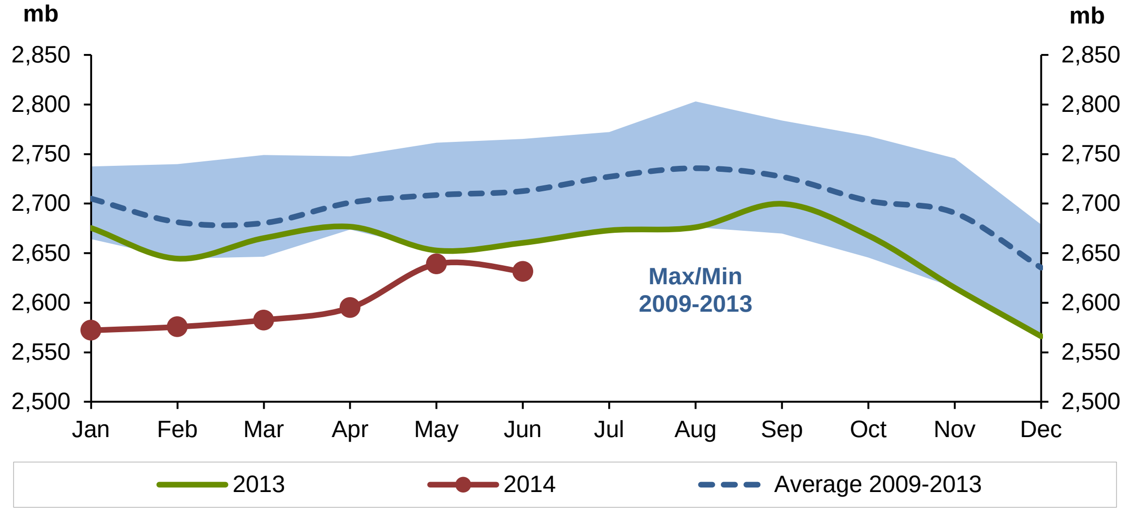
Stock Movements

OECD commercial oil stocks fell in June by 7.7 mb to stand at 2,631 mb. At this level, they are 81 mb less than the latest five-year average. Crude inventories indicated a surplus of 1.7 mb, while product stocks remained 83 mb below the last five-year average. In terms of days of forward cover, OECD commercial stocks fell slightly by 0.2 days in June from the previous month to stand at 57.2 days. This was around 1.2 days lower than the latest five-year average. Preliminary data for July shows that total commercial oil stocks in the US rose for the sixth consecutive month, increasing by 2.1 mb to stand at 1,118.5 mb, the highest level since September 2013. Since February 2014, total US commercial stocks have accumulated a build of 74 mb, putting them 3.0 mb above their five-year average at the end of July. Within the components, product stocks saw a build of 21.5 mb, while crude witnessed a stock-draw of 19.3 mb. The latest information for June showed total oil commercial inventories in China falling by 4.9 mb to stand at 402.2 mb, but they were 23.1 mb above last year at the same time. Within the components, commercial crude fell by 5.8 mb, while product stocks rose by 0.9 mb.

OECD

Preliminary data for June shows that **total OECD commercial oil stocks** fell by 7.7 mb, reversing the build seen since the beginning of this year. At 2,631 mb, inventories were around 29 mb lower than the same time a year ago, and they are 81 mb less than the latest five-year average.

Graph 9.1: OECD's commercial oil stocks



Within the components, crude commercial stocks were down slightly in June by 0.6 mb, while product inventories fell by 7.1 mb. At 1,302 mb, OECD crude commercial stocks were 18.2 mb above the same time a year earlier and 1.7 mb higher than the latest five-year average. Ongoing robust non-OPEC supply and relatively weaker demand contributed to a comfortable level of crude commercial stocks in OECD countries. However, the situation remains tighter in the case of product stocks. Lower runs amid weak margins, especially in Europe and Japan, have led to product stock draws. At 1,329 mb, OECD product stocks showed a deficit of 83.0 mb with the seasonal norm and 47.3 mb below the same time a year ago. Middle distillates accounted for the bulk 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 fell slightly by 0.2 days in June from the previous month to stand at 57.2 days. This is around 1.2 days lower than the latest five-year average and 0.6 days less than the same month a year earlier. OECD Americas was 0.6 days above the historical average at 56.1 days in June and OECD Europe stood at 2.7 days below the seasonal average to finish the month at 62.8 days. Meanwhile, OECD Asia Pacific indicated a deficit of 0.2 days, averaging 50.6 days.

Table 9.1: OECD's commercial stocks, mb

	Apr 14	May 14	Jun 14	*Change* Jun 14/May 14	Jun 13
Crude oil	1,289	1,303	1,302	-0.6	1,284
Products	1,306	1,336	1,329	-7.1	1,376
Total	**2,595**	**2,639**	**2,631**	**-7.7**	**2,660**
Days of forward cover	**57.0**	**57.4**	**57.2**	**-0.2**	**57.7**

In June, **commercial stocks** in **OECD Americas** rose by 0.3 mb, following a build of 22 mb in May and finishing the month at 1,368 mb. At this level, inventories were around 6.3 mb above the seasonal norm but stood 9.4 mb below the same time one year ago. Within the components, the total build came from products as crude witnessed draws.

At the end of June, **crude commercial oil stocks** in **OECD Americas** fell by 9.1 mb to stand at 675 mb but still represented a surplus of 8.8 mb above the latest five-year average. However, they remained 3.4 mb lower than the same time a year ago. The fall in crude commercial stocks came mainly from higher US crude oil refinery inputs averaging almost 16.0 mb/d.

In contrast, **OECD Americas' product stocks** rose by 9.4 mb in June following a build of over 29 mb in May to stand at 693 mb. Despite this build, OECD Americas' product stocks represented a deficit of 2.5 mb below the seasonal norm and were 6.0 mb below the same time one year ago. The build in product stocks came mainly from high US refinery outputs combined with relatively lower demand. However, higher exports limited a further build in OECD America's product stocks.

In June **OECD Europe's commercial stocks** fell by 11.3 mb, reversing the build of last month to stand at 863 mb. At this level, OECD Europe's commercial stocks stood at 81 mb below the seasonal norm and around 11 mb below one year ago at the same time. Within the components, crude rose by 0.3 mb while products fell by 11.6 mb. At 386 mb, **OECD Europe's commercial crude stocks** stood at 11.2 mb below the five-year average, but indicated a surplus of 20.5 mb with the same period a year ago. The build in crude oil inventories came mainly from lower crude runs.

In contrast, **OECD Europe's commercial product stocks** fell by 11.6 mb in June following a drop of 3.9 mb in May. At 479 mb, OECD Europe's commercial product inventories showed a deficit of 70 mb below the seasonal norm and stood 31 mb lower than the same time a year ago.

OECD Asia Pacific commercial stocks rose by 3.3 mb in June to stand at 401 mb. Despite this build, they were 8.9 mb below the same period a year ago and 6.4 mb lower than the latest five-year average. Within the components, crude stocks rose by

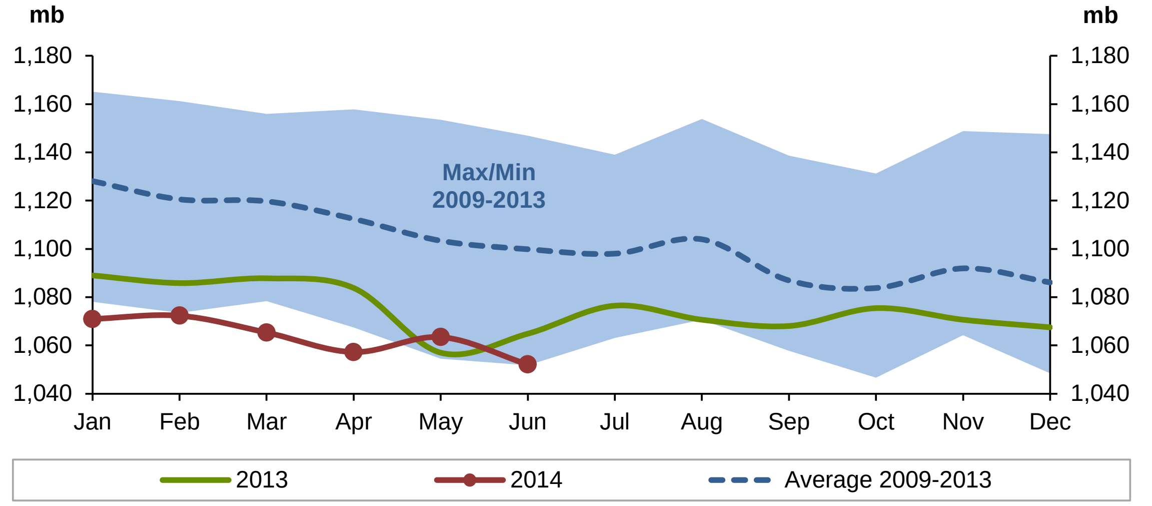
8.2 mb, while product stocks fell by 4.9 mb. **Crude inventories** ended the month of June at 243 mb, and stood 1.2 mb above a year ago and 4.1 mb higher than the seasonal norm. **OECD Asia Pacific's total product inventories** ended June at 157 mb and indicated a deficit of 10.1 mb compared with a year ago. They are 10.5 mb below the seasonal norm.

EU plus Norway

Preliminary data for June shows that **European stocks** fell by 11.3 mb, reversing the build of last month to stand at 1052.1 mb. At this level, they stood at 12.7 mb or 1.2% lower than the same time a year ago, and they are 47.7 mb or 4.3% below the latest five-year average. The total stock-draw came mainly from products as they declined by 11.6 mb while crude rose by 0.3 mb.

European crude inventories rose slightly in June for the fifth consecutive month to stand at 473.8 mb. With this stock build, crude inventories stood at 14.5 mb, or 3.2%, above the same period last year and are 3.8 mb, or 0.8%, above the latest five-year average. The build in crude oil inventories came mainly from lower crude runs as they declined by 430,000 b/d from the previous month to stand at 9.28 mb/d. At this level, crude throughputs were nearly 1.2 mb/d lower than the same period last year. In June, refiners utilization rates were around 73%, 8 percentage point lower than during the same month a year earlier.

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



In contrast, **OECD Europe's product stocks** fell by 11.6 mb in June following a slight build of last month. At 578.4 mb, European stocks were 27 mb, or 4.5%, below a year ago at the same time and 52 mb, or 8.2%, below the seasonal norm. With the exception of naphtha, all other products experienced a drop.

Gasoline stocks fell by 0.5 mb and ended June at 105.7 mb. At this level, gasoline stocks showed a deficit of 3.8 mb, or 3.4%, below a year ago and 3.9 mb, or 3.5%, less than the seasonal norm. The drop in gasoline stocks mainly reflects reduced refinery output combined with higher gasoline exports to West Africa.

Distillate stocks also fell by 9.4 mb in June to stand at 379.1 mb. At this level, distillate stocks indicated a small deficit of 1.8 mb, or 0.5%, and they are 10.5 mb, or 1.7%, below the five-year average. The draw came mainly from lower refinery output as maintenance at upgrading plants capped distillate production. High seasonal demand also contributed to the build in middle distillate inventories.

Residual fuel oil stocks fell by 3.1 mb in June to end the month at 68.8 mb. At this level, they were 17.0 mb, or 19.8%, below the same time a year ago and 29.9 mb, or 30.3%, less than the seasonal average. The fall in residual fuel oil is attributed to reduced outputs as higher imports from FSU limited a further drop in residual fuel stocks. In contrast, **naphtha stocks** rose by 1.3 mb in June to stand at 24.6 mb showing a deficit of 4.8 mb, or 16.2%, with a year ago and 7.3 mb, or 22.8 %, below the latest five-year average.

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

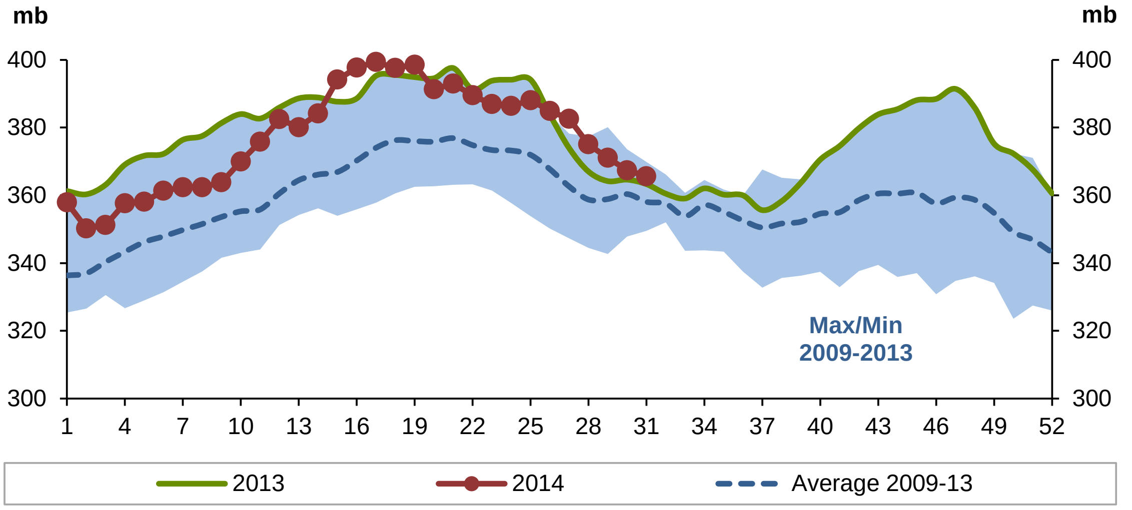
	Apr 14	May 14	Jun 14	*Change* Jun 14/May 14	Jun 13
Crude oil	**467.8**	**473.5**	**473.8**	**0.3**	**459.2**
Gasoline	106.9	106.3	105.7	-0.5	109.5
Naphtha	22.8	23.3	24.6	1.3	29.4
Middle distillates	388.5	388.5	379.1	-9.4	380.9
Fuel oils	71.4	71.9	68.8	-3.1	85.8
Total products	589.5	590.0	578.4	-11.6	605.6
Total	**1,057.3**	**1,063.4**	**1,052.1**	**-11.3**	**1,064.9**

Sources: Argus and Euroilstock.

US

Preliminary data for July shows that **total commercial oil stocks** rose by 2.1 mb for the sixth consecutive month to stand at 1,118.5 mb, the highest level since September 2013. Since February 2014, total commercial stocks have accumulated to a build of around 74 mb, leaving them 3.0 mb, or 0.3 %, above their five-year average at the end of July. However, they are still 0.9 mb, or 0.1%, below levels seen in the same period a year ago. Within components, product stocks saw a build of 21.5 mb, while crude witnessed a stock-draw of 19.3 mb.

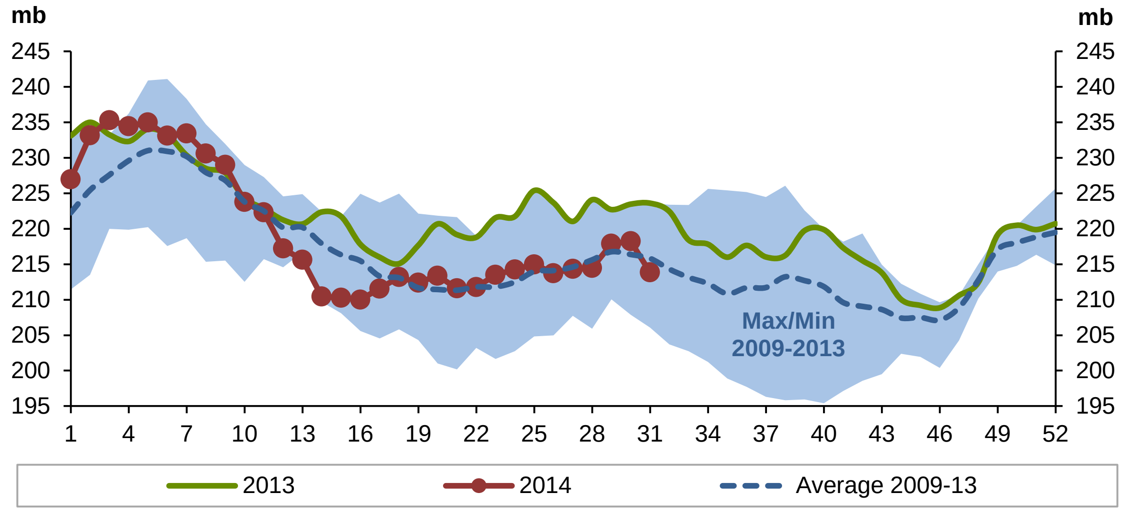
Graph 9.3: US weekly commercial crude oil stocks



US commercial crude stocks fell in July for the second consecutive month to stand at 365.6 mb. Despite this stock-draw, crude oil commercial stocks finished the month of July at 8.6 mb, or 2.4%, above their five-year average but are 0.9 mb, or 0.3%, lower than the same time a year ago. The fall in crude stocks was mainly driven by robust US crude oil refinery inputs averaging more than 16.5 mb/d, around 650,000 b/d more than the previous month. Refineries operated at around 92.7% of operable capacity during the month of July. Relatively higher crude imports in July over the previous month limited a further drop in US crude commercial stocks. Inventories at **Cushing, Oklahoma,** also dropped, falling more than 2.0 mb to end the month of July at around 20 mb. At this level, they are down more than 50% when compared to the same period last year.

In contrast, **total product stocks** continued to rise for the fourth consecutive month, indicating a build of 21.5 mb to end July at 755.1 mb. At this level, US product stocks are in line with levels seen at the same time a year ago but show a deficit of 5.6 mb, or 0.7%, below the seasonal norm. Within products, the picture was mixed.

Graph 9.4: US weekly gasoline stocks



Gasoline stocks rose slightly by 0.1 mb in July, reversing last month's drop, to stand at 213.8 mb. At this level, gasoline stocks were 9.1 mb, or 4.1%, lower than the same period a year ago and 2.5 mb, or 1.2%, less than the latest five-year average. The build in US gasoline stocks came mainly from higher production reaching almost 9.4 mb/d. However, higher gasoline demand during this driving season limited a further build in gasoline stocks.

Distillate stocks also rose by 3.4 mb in July to stand at 124.9 mb. Despite this build, distillate stocks were 23.7 mb, or 16.0%, below the five-year average and are 1.5 mb, or 1.2%, less than the same period a year ago. The build in middle distillate stocks reflected higher output, which increased by around 200,000 b/d to stand at more than 5.0 mb/d. The increase in apparent demand for distillates limited a further build in distillate stocks.

Residual fuel oil stocks fell by 1.9 mb to end July at 35.1 mb, which is 2.4 mb, or 6.3%, lower than both a year ago and the seasonal norm. **Jet fuel** stocks also fell by 2.8 mb to stand at 34.2 mb. At this level, jet fuel stocks stood at 5.0 mb, or 12.7%, less than the same month a year ago and 9.3 mb, or 21.4%, below the latest five-year average.

Table 9.3: US onland commercial petroleum stocks, mb

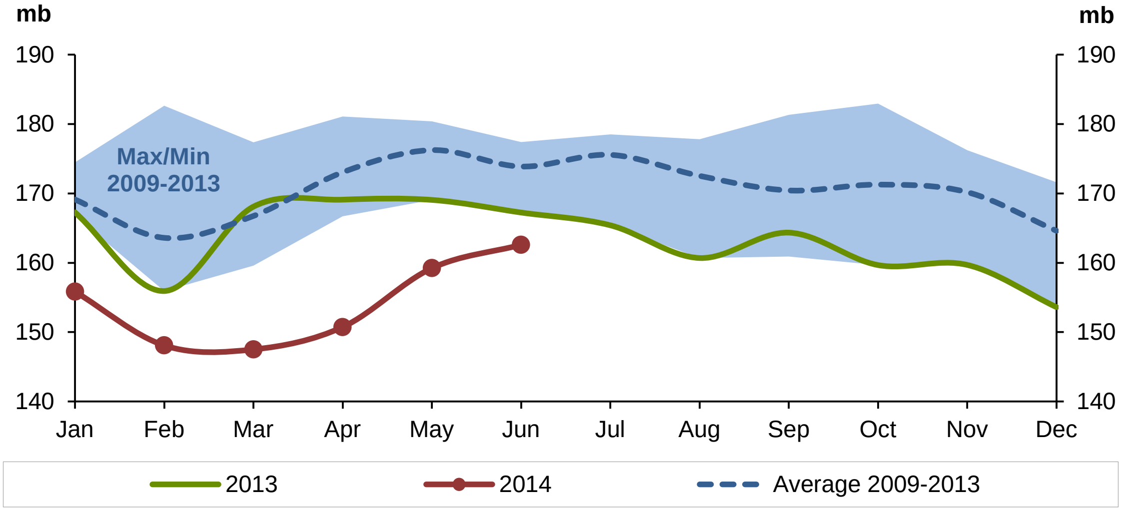
	May 14	Jun 14	Jul 14	*Change* Jul 14/Jun 14	Jul 13
Crude oil	394.1	384.9	365.6	-19.3	366.5
Gasoline	217.7	213.7	213.8	0.1	222.9
Distillate fuel	121.8	121.5	124.9	3.4	126.4
Residual fuel oil	38.3	37.0	35.1	-1.9	37.5
Jet fuel	38.8	37.1	34.2	-2.8	39.2
Total	**1,118.2**	**1,118.5**	**1,120.7**	**2.1**	**1,121.5**
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** rose by 3.4 mb in June for the third consecutive month to stand at 162.6 mb. Despite this build, Japanese oil inventories are 4.7 mb, or 2.8%, below a year ago and 11.3 mb, or 6.5%, lower than the five-year average. Within components, crude rose by 8.2 mb, while product stocks fell by 4.9 mb.

Graph 9.5: Japan's commercial oil stocks



Japanese commercial **crude oil stocks** rose in June for the third consecutive month to stand at 104.5 mb, the highest level since July 2012. With this build, they were 1.0 mb above the seasonal norm, but they still remained 5.1 mb, or 5%, below the same time a year ago. The stock build in crude oil was driven by lower crude runs, which fell by around 336,000 tb/d, or 11.3%, to average nearly 2.6 mb/d. At this level, it was nearly 17% lower than the previous year at the same time. Lower crude oil imports limited a further build in crude oil stocks. Indeed, crude oil imports fell by 257,000 b/d, or 7.9%, to average 3.0 mb/d. At this level, they were also 8.3% less than the same period last year. Direct crude burning in power plants declined by nearly 7.4% in June compared with the previous month, averaging 127 tb/d and showing a decline of 34% over the same period a year ago.

In contrast, Japan's **total product inventories** fell by 4.9 mb in June, reversing the build of last two months. At 58.1 mb, product stocks showed a deficit of 9.7 mb, or 14.3%, compared with the same time a year ago and remained below the five-year average by a deficit of 12.3 mb or 17.5%. The fall of refinery output was behind the drop in product inventories. Indeed, Japanese refinery output fell by almost 170,000 b/d to average 2.5 mb/d in June and stood at 13.5% below a year earlier at the same period. Lower product sales, which fell by 0.6% in June, limited a further drop in product stocks. All other products witnessed a stock draw with the exception of naphtha.

Gasoline stocks fell by 1.5 mb in June for the second consecutive month to stand at 10.8 mb, which is 2.4 mb, or 18.2%, less than the same time the previous year and 2.8 mb, or 20.3.%, below the five-year average. Lower gasoline output, which declined by 9.8%, was behind the drop in gasoline stocks. Domestic sales, which remained almost at the same level in June, limited a further drop in gasoline inventories.

Distillate stocks also fell by 2.7 mb in June reversing the build of the last two months. At 23.6 mb, distillate stocks were 5.2 mb, or 18.0%, below the same period a year ago and 6.4 mb, or 21.3%, lower than the seasonal average. All distillate components experienced a drop in June. Jet fuel inventories fell by 15.6% on the back of higher domestic sales, which increased by almost 36% in June, when compared to the previous month. Driven by lower output, kerosene stocks fell by 9.2%, declining by nearly 25%. Gasoil inventories went down by 10.5% on the back of a decline of 6.5% in production as domestic sales remained almost unchanged.

Total residual **fuel oil stocks** fell by 0.8 mb to end the month of June to stand at 14.7 mb, which is 0.3 mb, or 2.0%, above a year ago, but they remained 1.2 mb, or 7.8%, lower than the five-year average. Within fuel oil components, fuel oil A stocks fell by 9.2%, while fuel oil B.C stocks dropped by 3.0%. The fall in residual oil was driven by lower output as the decline in domestic sales limited further drop in residual fuel oil inventories. In contrast, **naphtha** stocks rose by 0.2 mb, finishing the month of June at 8.9 mb, still indicating a deficit of 2.4 mb, or 21.3%, compared with a year ago. They remained 2.0 mb, or 17.9%, below the seasonal norm. The stock build came from lower domestic sales which fell by nearly 15%.

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

	Apr 14	May 14	Jun 14	*Change* Jun 14/May 14	Jun 13
Crude oil	**90.7**	**96.3**	**104.5**	**8.2**	**99.5**
Gasoline	12.8	12.3	10.8	-1.5	13.2
Naphtha	8.0	8.8	8.9	0.2	11.4
Middle distillates	24.0	26.3	23.6	-2.7	28.8
Residual fuel oil	15.2	15.5	14.7	-0.8	14.4
Total products	**60.0**	**62.9**	**58.1**	**-4.9**	**67.8**
Total**	**150.7**	**159.2**	**162.6**	**3.4**	**167.2**

* *At end of month.*

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

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

China

The latest information for June showed **Chinese total oil commercial inventories** fell by 4.9 mb reversing the build of last month. At 402.2 mb, Chinese inventories were 23.1 mb above last year at the same time. Within the components, commercial crude inventories fell by 5.8 mb, while product stocks rose by 0.9 mb. At 246.0 mb, crude commercial stocks represent a surplus of 20.5 mb when compared to the same period a year earlier. The fall in **crude commercial stocks** came mainly from lower crude imports which declined by 8% to stand at 5.7 mb/d. Lower crude production by 1.4% also contributed to the fall in crude commercial stocks.

In contrast, total **product stocks** in China went up by 0.9 mb in June to stand at 156.2 mb, reversing the drop of the last three months. At this level, Chinese product stocks were 2.7 mb above a year ago at the same time. The build in product stocks could be attributed to higher refinery throughputs. Within products, the picture was mixed: gasoline inventories rose by 1.9 mb to stand at 69.9 mb; kerosene stocks also rose by 0.7 mb reaching 15.9 mb; and diesel inventories indicated a drop of 3.9 mb to end the month of June at 70.3 mb.

Table 9.5: China's commercial oil stocks, mb

	Apr 14	May 14	Jun 14	*Change* Jun 14/May 14	Jun 13
Crude oil	**242.1**	**251.8**	**246.0**	**-5.8**	**228.1**
Gasoline	67.5	68.1	69.9	1.9	64.4
Diesel	81.2	71.9	70.3	-1.6	77.9
Jet kerosene	15.3	15.3	15.9	0.7	13.5
Total products	**163.9**	**155.3**	**156.2**	**0.9**	**155.8**
Total	**406.1**	**407.1**	**402.2**	**-4.9**	**383.9**

Source: OPEC Secretariat analysis.

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of June, **product stocks in Singapore** fell by 0.4 mb, reversing the build of last two months to stand at 46.4 mb. At this level, product stocks in Singapore represented a surplus of 8.4 mb, or 22.2%, over the same period the previous year. Within products, light distillate stocks fell while middle distillates and residual fuel oil experienced a build.

Light distillate stocks fell by 1.2 mb in June for the second consecutive month to stand at 10.6 mb. At this level, light distillate stocks still remained 1.5 mb, or 16.5% above the same time a year ago. In contrast, middle distillates stocks rose by 0.4 mb for the third consecutive month ending June at 12.9 mb and remained 4.9 mb, or 60.3%, above a year ago in the same period. Residual fuel oil stocks also rose by 0.4 mb in June to stand 22.8 mb. At this level, residual fuel oil stocks stood at 2.0 mb, or 9.8%, above the same period last year.

Product stocks in Amsterdam-Rotterdam-Antwerp (ARA) rose by 4.1 mb in June following similar build in May. At 37.2 mb, product stocks in ARA stood at 7.7 mb, or 26.0%, above a year ago at the same time. Within products, the picture was mixed as naphtha, gasoil and fuel oil experienced builds, while gasoline and jet fuel oil saw a drop.

Gasoil stocks rose by 2.9 mb to end the month of June at 18.4 mb, which is 4.4 mb, or 31.3%, higher than the same period last year. This stock build was driven by higher imports from the Baltic States. naphtha stocks also rose by 0.3 mb in June after increasing by 0.8 mb in May. At 1.8 mb, Naphtha stocks are 0.2 mb, or nearly 14%, higher than the same time last year. Residual fuel oil rose by 1.7 mb to stand at 6.5 mb, mainly due to weak bunker demand. At this level, they are 1.5 mb, or 29.5%, higher than the same time last year.

In contrast, gasoline stocks fell by 0.8 mb to end June at 7.5 mb. At this level, gasoline stocks stood at 1.4 mb, or 23.0%, higher than the same time a year ago. Jet fuel stocks also fell by 0.1 mb to stand at 2.9 mb, and they are 0.2 mb, or 6.5%, higher than the same period a year ago. The fall came mainly from higher jet fuel demand during this period of the year.

Balance of Supply and Demand

Demand for OPEC crude in 2014 was revised down by 0.1 mb/d from the previous report to stand at 29.6 mb/d. In 2015, demand for OPEC crude is expected to remain unchanged to average 29.4 mb/d.

Forecast for 2014

Demand for OPEC crude in 2014 was revised down by 0.1 mb/d from the previous report, reflecting the upward adjustment of non-OPEC supply as well as the downward revision in global demand. The 3Q saw the greatest revisions, with the new demand reflecting a downward adjustment of 0.3 mb/d. All other quarters of 2014 remained unchanged from the previous assessment, with total demand for OPEC crude in 2014 estimated at 29.6 mb/d. The 1Q and 2Q are both estimated to show a decline of 0.9 mb/d and 1.2 mb/d, respectively, versus the same period last year. The 3Q is expected to show a decline of 0.2 mb/d while the 4Q is forecast to increase by 0.1 mb/d, compared with 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	**90.01**	**90.17**	**90.06**	**91.92**	**92.27**	**91.11**
Non-OPEC supply	54.19	55.62	55.58	55.49	56.07	55.69
OPEC NGLs and non-conventionals	5.66	5.71	5.77	5.84	5.91	5.81
(b) Total supply excluding OPEC crude	**59.84**	**61.33**	**61.35**	**61.32**	**61.98**	**61.50**
Difference (a-b)	**30.17**	**28.84**	**28.71**	**30.60**	**30.29**	**29.61**
OPEC crude oil production	30.20	29.83	29.72			
Balance	0.03	1.00	1.01			

Totals may not add up due to independent rounding.

Forecast for 2015

Expected demand for OPEC crude in 2015 remains unchanged from the previous month. Within the quarters, the 2Q15 was revised down by 0.1 mb/d, while all other quarters remained unchanged. Demand for OPEC crude is projected to be 29.4 mb/d. The 1Q15 is expected to decline by 0.2 mb/d compared with the same period of 2014, while the 2Q is forecast to remain unchanged. The 3Q and the 4Q are projected to see negative growth of 0.3 mb/d and 0.5 mb/d, respectively.

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

	2014	1Q15	2Q15	3Q15	4Q15	2015
(a) World oil demand	**91.11**	**91.40**	**91.27**	**93.16**	**93.44**	**92.32**
Non-OPEC supply	55.69	56.87	56.65	56.84	57.45	56.96
OPEC NGLs and non-conventionals	5.81	5.87	5.96	6.06	6.16	6.01
(b) Total supply excluding OPEC crude	**61.50**	**62.74**	**62.61**	**62.90**	**63.61**	**62.97**
Difference (a-b)	**29.61**	**28.66**	**28.66**	**30.26**	**29.83**	**29.36**

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

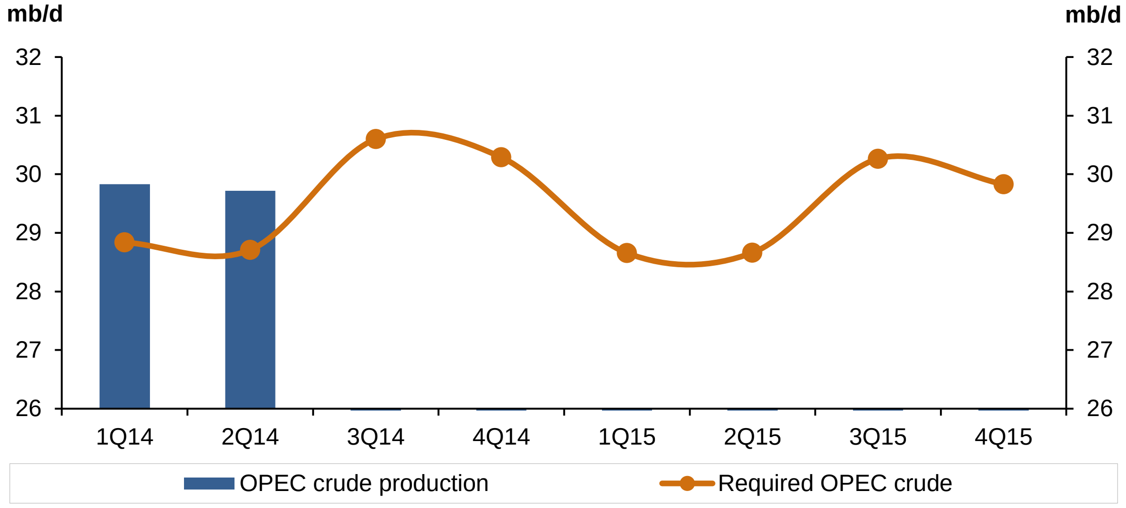


Table 10.3: World oil demand and supply balance, mb/d

	2011	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
World demand													
OECD	46.5	46.0	45.9	45.8	45.1	46.0	46.2	45.8	45.9	45.1	46.1	46.2	45.8
Americas	24.0	23.6	24.0	23.9	23.9	24.4	24.3	24.1	24.1	24.1	24.6	24.5	24.3
Europe	14.3	13.8	13.6	13.0	13.5	13.7	13.4	13.4	13.0	13.4	13.6	13.3	13.3
Asia Pacific	8.2	8.6	8.4	8.9	7.7	7.9	8.5	8.2	8.8	7.6	7.8	8.3	8.1
DCs	27.3	28.2	28.9	29.3	29.7	30.4	29.8	29.8	30.1	30.4	31.2	30.6	30.6
FSU	4.3	4.4	4.5	4.4	4.2	4.6	4.9	4.5	4.4	4.3	4.7	4.9	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**	**90.0**	**90.2**	**90.1**	**91.9**	**92.3**	**91.1**	**91.4**	**91.3**	**93.2**	**93.4**	**92.3**
Non-OPEC supply													
OECD	20.2	21.1	22.1	23.3	23.5	23.2	23.7	23.4	24.3	24.2	24.5	25.1	24.5
Americas	15.5	16.7	18.1	19.1	19.5	19.4	19.6	19.4	20.1	20.2	20.6	20.9	20.5
Europe	4.1	3.8	3.6	3.7	3.5	3.4	3.6	3.5	3.7	3.5	3.4	3.6	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	12.3	12.2	12.3	12.3	12.3	12.5	12.4	12.4	12.3	12.4
FSU	13.2	13.3	13.4	13.5	13.4	13.4	13.4	13.4	13.4	13.4	13.3	13.4	13.4
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	4.2	4.3	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	55.6	55.5	56.1	55.7	56.9	56.7	56.8	57.5	57.0
OPEC NGLs + non-conventional oils	5.4	5.6	5.7	5.7	5.8	5.8	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**	**59.8**	**61.3**	**61.3**	**61.3**	**62.0**	**61.5**	**62.7**	**62.6**	**62.9**	**63.6**	**63.0**
OPEC crude oil production (secondary sources)	29.8	31.1	30.2	29.8	29.7								
Total supply	87.6	89.6	90.0	91.2	91.1								
Balance (stock change and miscellaneous)	-0.5	0.6	0.0	1.0	1.0								
OECD closing stock levels (mb)													
Commercial	2,606	2,663	2,566	2,582	2,631								
SPR	1,536	1,547	1,584	1,586	1,582								
Total	4,142	4,211	4,150	4,168	4,213								
Oil-on-water	825	879	909	954	914								
Days of forward consumption in OECD													
Commercial onland stocks	57	58	56	57	57								
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	8.8	8.5	8.9	9.0	9.1	8.6	8.4	8.8
(a) - (b)	**30.3**	**30.5**	**30.2**	**28.8**	**28.7**	**30.6**	**30.3**	**29.6**	**28.7**	**28.7**	**30.3**	**29.8**	**29.4**

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

* *This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the July 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**	**2,631**
Americas	1,308	1,365	1,315	1,362	1,385	1,365	1,349	1,377	1,402	1,315	1,311	1,368
Europe	905	901	869	913	917	901	904	873	885	869	873	863
Asia Pacific	392	397	382	413	428	397	413	409	413	382	399	401
OECD SPR	**1,536**	**1,547**	**1,584**	**1,539**	**1,542**	**1,547**	**1,581**	**1,577**	**1,582**	**1,584**	**1,586**	**1,582**
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	471
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**	**4,213**
Oil-on-water	**825**	**879**	**909**	**812**	**844**	**879**	**942**	**931**	**878**	**909**	**954**	**914**
Days of forward consumption in OECD												
OECD onland commercial	**57**	**58**	**56**	**59**	**59**	**58**	**59**	**58**	**58**	**56**	**57**	**57**
Americas	55	57	55	57	58	58	57	57	58	55	55	56
Europe	66	66	65	66	67	68	65	63	66	67	65	63
Asia Pacific	46	47	46	50	49	44	53	51	48	43	52	51
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	48	50	51	50	47	46	53	51	48	47	54	53
OECD total	**90**	**92**	**91**	**92**	**92**	**92**	**94**	**92**	**93**	**91**	**92**	**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	12.3	12.4	12.3	1.1	12.8	13.0	13.2	13.5	13.1	0.8
Canada	3.5	3.8	4.0	4.2	4.3	4.3	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	0.0	2.8	2.8	2.8	2.8	2.8	-0.1
OECD Americas*	**15.5**	**16.7**	**18.1**	**19.4**	**19.6**	**19.4**	**1.3**	**20.1**	**20.2**	**20.6**	**20.9**	**20.5**	**1.1**
Norway	2.0	1.9	1.8	1.7	1.9	1.8	0.0	1.9	1.8	1.8	1.9	1.9	0.0
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**	**3.5**	**0.0**	**3.7**	**3.5**	**3.4**	**3.6**	**3.6**	**0.0**
Australia	0.5	0.5	0.4	0.4	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**	**22.1**	**23.2**	**23.7**	**23.4**	**1.3**	**24.3**	**24.2**	**24.5**	**25.1**	**24.5**	**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	0.6	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**	**3.5**	**3.5**	**3.4**	**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**	**1.3**	**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**	**2.5**	**0.1**	**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**	**12.4**	**12.4**	**12.3**	**12.4**	**0.2**
FSU	**13.2**	**13.3**	**13.4**	**13.4**	**13.4**	**13.4**	**0.0**	**13.4**	**13.4**	**13.3**	**13.4**	**13.4**	**-0.1**
Russia	10.3	10.4	10.5	10.6	10.5	10.6	0.1	10.6	10.6	10.5	10.6	10.6	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	4.3	4.3	4.3	0.0	4.3	4.3	4.3	4.4	4.3	0.1
Non-OPEC production	**50.3**	**50.7**	**52.1**	**53.3**	**53.9**	**53.5**	**1.5**	**54.7**	**54.5**	**54.7**	**55.3**	**54.8**	**1.3**
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**	**55.5**	**56.1**	**55.7**	**1.5**	**56.9**	**56.7**	**56.8**	**57.5**	**57.0**	**1.3**
OPEC NGL	5.2	5.4	5.4	5.6	5.6	5.6	0.1	5.6	5.7	5.8	5.9	5.7	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**	**5.7**	**5.8**	**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**	**59.8**	**61.3**	**62.0**	**61.5**	**1.7**	**62.7**	**62.6**	**62.9**	**63.6**	**63.0**	**1.5**

** 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	Jun 14	Jul 14	*Change* Jul/Jun
US	1,541	1,881	1,919	1,761	-158	1,769	1,758	1,780	1,852	1,861	1,876	15
Canada	347	423	366	354	-12	348	379	526	202	240	350	110
Mexico	97	94	106	106	0	100	101	93	87	88	86	-2
Americas	1,985	2,398	2,391	2,221	-170	2,217	2,238	2,400	2,140	2,189	2,312	123
Norway	18	17	17	20	2	21	18	17	18	16	17	1
UK	19	16	18	17	-1	16	14	15	17	13	15	2
Europe	94	118	119	135	16	140	133	135	146	147	153	6
Asia Pacific	21	17	24	27	3	24	25	28	27	29	25	-4
Total OECD	2,100	2,532	2,534	2,383	-151	2,382	2,396	2,563	2,314	2,365	2,490	125
Other Asia	248	239	217	219	2	216	219	230	221	222	228	6
Latin America	205	195	180	166	-14	159	168	164	176	175	176	1
Middle East	156	104	110	76	-33	69	86	84	85	85	84	-1
Africa	19	2	7	16	9	15	24	27	30	28	26	-2
Total DCs	628	540	513	477	-36	459	497	504	512	510	514	4
Non-OPEC rig count	**2,727**	**3,072**	**3,047**	**2,860**	**-187**	**2,841**	**2,894**	**3,067**	**2,826**	**2,875**	**3,004**	**129**
Algeria	25	31	36	47	11	48	47	49	46	42	48	6
Angola	9	10	9	11	2	12	14	16	16	14	15	1
Ecuador	11	12	20	26	6	27	26	25	25	22	26	4
Iran**	52	54	54	54	0	54	54	54	54	54	54	0
Iraq**	36	36	58	83	25	93	92	89	93	96	94	-2
Kuwait**	20	57	57	58	1	58	57	60	60	61	66	5
Libya**	16	8	12	15	3	14	14	15	10	11	14	3
Nigeria	15	36	36	37	1	34	36	35	31	28	34	6
Qatar	9	8	8	9	1	10	8	11	11	11	12	1
Saudi Arabia	67	100	112	114	3	111	115	125	132	135	136	1
UAE	13	21	24	28	4	28	30	30	33	35	38	3
Venezuela	70	122	117	121	3	121	121	121	114	113	119	6
OPEC rig count	**342**	**494**	**542**	**602**	**60**	**611**	**614**	**629**	**624**	**622**	**656**	**34**
Worldwide rig count*	**3,069**	**3,566**	**3,589**	**3,462**	**-127**	**3,452**	**3,508**	**3,696**	**3,450**	**3,497**	**3,660**	**163**
of which:												
Oil	1,701	2,257	2,654	2,611	-43	2,595	2,631	2,819	2,687	2,740	2,848	108
Gas	1,325	1,262	886	746	-140	747	769	780	671	666	720	54
Others	43	49	52	109	57	114	110	99	95	93	94	1

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

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

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OPEC Basket average price *US$/b*

down 2.28 in July	July 2014	105.61
	June 2014	107.89
	Year to date	**105.35**

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

up 0.17 in July	July 2014	29.91
	June 2014	29.74

Economic growth rate *per cent*

	World	OECD	US	Japan	Euro-zone	China	India
2014	3.1	1.8	2.0	1.4	0.9	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	91.1	1.1	World demand	92.3	1.2
Non-OPEC supply	55.7	1.5	Non-OPEC supply	57.0	1.3
OPEC NGLs	5.8	0.2	OPEC NGLs	6.0	0.2
Difference	**29.6**	**–0.6**	**Difference**	**29.4**	**–0.3**

OECD commercial stocks *mb*

	Apr 14	May 14	Jun 14	Jun 14/May 14	Jun 13
Crude oil	1,289	1,303	1,302	–0.6	1,284
Products	1,306	1,336	1,329	–7.1	1,376
Total	**2,595**	**2,639**	**2,631**	**–7.7**	**2,660**
Days of forward cover	57.0	57.4	57.2	–0.2	57.7

Next report to be issued on 10 September 2014.