Organization of the Petroleum Exporting Countries

OPEC Monthly Oil Market Report

12 August 2021

Feature article:
Crude and product price movements

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Oil Market Highlights

Crude Oil Price Movements

Crude oil spot prices rose in July, m-o-m, as physical market fundamentals and declining oil inventories continued to support oil prices. The OPEC Reference Basket (ORB) averaged $73.53/b in July, representing an increase of $1.64, or 2.3%, m-o-m, the highest level since October 2018. Year-to-date, the ORB was up $25.43, or 63.8%, compared with the same period last year, to average $65.27/b. Crude oil futures prices also extended gains in July, buoyed by the outlook for strong oil market fundamentals. The ICE Brent front month increased by 88¢, or 1.2%, m-o-m to average $74.29/b in July, while NYMEX WTI gained $1.08, or 1.5%, m-o-m to average $72.43/b. Consequently, the Brent/WTI futures spread narrowed further in July by 20¢ to $1.86/b, its narrowest since October 2020. The market structure of all three major oil benchmarks remained in steep backwardation in July, as the oil market outlook remained robust and the market rebalancing process continued, amid a further decline in OECD oil stocks. However, hedge funds and other money managers sharply reduced their net long positions in July, particularly in WTI, after a selloff was seen in US equity markets and concerns heightened about the rapid spread of the Delta variant.

World Economy

Global economic growth forecasts for both 2021 and 2022 were revised up by 0.1 pp, and hence growth for 2021 now stands at 5.6%, while growth in 2022 is now expected at 4.2%. However, the forecast for global growth continues to be impacted by uncertainties, including the spread of COVID-19 variants and the pace of the vaccine rollout worldwide. In addition, sovereign debt levels in many regions, together with inflationary pressures and central bank responses, remain key factors that require close monitoring. After lower-than-expected 2Q21 GDP growth, US economic growth for 2021 is revised down to 6.1% from 6.4% previously, while growth for 2022 is revised up to 4.1% from 3.6%. Euro-zone economic growth in 2021 is revised up to 4.7% from 4.1%, while growth for 2022 is revised up to 3.8% from 3%. Japan's economic growth forecast remains at 2.8% for 2021, followed by growth of 2.0% in 2022. Meanwhile, China's economic growth forecast for 2022 is revised down to 6% from 6.3%, following growth of 8.5% in 2021, unchanged from the previous month's assessment. India's 2021 growth forecast is revised down to 9.3%, followed by growth of 6.8% in 2022. Brazil's growth forecast for 2021 is revised up to 4.2% from 3.2%, followed by growth of 2.5% in 2022. Russia's forecast for both 2021 and 2022 is revised up by 0.2 pp to stand at 3.2% and 2.5%, respectively.

World Oil Demand

World oil demand growth expectations for 2021 remained unchanged from the previous month's assessment. This is despite the above slight upward revision to economic growth, as the upwardly revised increment of the economic recovery is projected to be mainly in non-oil-intensive sectors. Oil demand is still estimated to increase by around 6.0 mb/d to average 96.6 mb/d. However, some revisions were taken into account in 1Q21 due to slower-than-anticipated demand in OECD Americas, offset by better-than-expected data from non-OECD countries in 2Q21. For 2022, world oil demand is still projected to increase by 3.3 mb/d y-o-y, unchanged from last month's assessment. Total world oil demand is projected to surpass the 100 mb/d threshold in 2H22 and reach 99.9 mb/d on average for the whole of 2022. Economic activities are still projected to gain traction, supported by massive stimulus packages. Additionally, the COVID-19 pandemic is anticipated to be controlled by vaccination programmes and improved treatment, resulting in a further recovery in economic activity and a steady rise in oil demand in both the OECD and non-OECD.

World Oil Supply

Non-OPEC liquids supply growth forecasts in 2021 and 2022 have been revised up by 0.27 mb/d and 0.84 mb/d, respectively. These revisions are mainly due to the incorporation of the latest production adjustment decision of the non-OPEC countries participating in the Declaration of Cooperation (DoC), which are now considered, following the successful conclusion of the 19th OPEC and non-OPEC Ministerial Meeting on 18 July 2021. In addition, supply from the US and Canada is also subject to revisions this month. Non-OPEC liquids are now expected to grow by 1.1 mb/d in 2021 to average 64.0 mb/d. The main drivers for 2021 supply growth are anticipated to be Canada, Russia, China, the US, Norway and Brazil, with the US now expected to see y-o-y growth of 0.12 mb/d. For 2022, liquids supply is now expected to grow by 2.9 mb/d following new incremental production adjustments by the DoC's non-OPEC members, led by Russia with 1.0 mb/d. The US, with y-o-y growth of 0.8 mb/d, together with Brazil, Norway, Canada and Guyana, will be the other key drivers.

OPEC NGLs are forecast to grow by 0.1 mb/d y-o-y in both 2021 and 2022 to average 5.2 mb/d and 5.3 mb/d, respectively. OPEC crude oil production in July increased by 0.64 mb/d m-o-m, to average 26.66 mb/d, according to available secondary sources.

Product Markets and Refining Operations

Global refinery margins trended upwards in July, supported by seasonal strength in transport fuels, with robust performance registered at the top of the barrel. In the US, a counter-seasonal decline in refinery utilization rates and subsequent downward pressure on product inventories lifted product markets. In Europe, refining margins benefitted from a reduction in utilization rates within the region registered in late June, as well as a tighter balance in major product markets due to limited product arrivals. This took place amid sustained road transport fuel consumption linked to softer mobility restrictions. Meanwhile, healthy regional fuel consumption levels in Asia, as well as robust petrochemical feedstock demand led to gains for clean products.

Tanker Market

Market developments in the month of July provided little momentum to the languishing tanker market, with dirty freight rates remaining at subdued levels. While the demand for tankers is expected to pick up in 2H21, reducing some of the excess in tonnage availability amid increased scrapping, the rapid spread of the Delta variant has added some uncertainty regarding demand for products and crude, potentially pushing the tanker market recovery further into 2022.

Crude and Refined Products Trade

US crude imports were broadly flat in July at near 18-month highs, averaging 6.5 mb/d, while crude exports dropped back to 2.7 mb/d, amid reduced flows to India. Japan's crude imports plunged almost 20% m-o-m in June to average 1.9 mb/d, undermined by renewed lockdown measures and reduced expectations for a boost in consumption due to the Olympic Games in Tokyo. Meanwhile, China's crude imports rose m-o-m in June, but remained at lower levels, averaging 9.8 mb/d, as government efforts to rein-in teapot refineries and crackdown on import quotas and tax irregularities dampened inflows. China's crude imports are expected to be capped close to current levels over the coming months as refiners continue to destock within increased government oversight. India's crude imports fell further in June, reaching an eight-month low of 3.9 mb/d, affected by refinery maintenance and ongoing Delta variant impacts. In contrast, India's product imports rebounded by 20% m-o-m to average 0.9 mb/d, led by a strong jump in LPG and naphtha inflows, as economic activity returned.

Commercial Stock Movements

Preliminary data for June sees total OECD commercial oil stocks down by 23.0 mb m-o-m. At 2,922 mb, inventories are 289.4 mb lower than the same month a year ago, 90.4 mb lower than the latest five-year average and 25.2 mb below the 2015–2019 average. Within components, crude stocks fell by 38.3 mb m-o-m and product stocks were up by 15.3 mb. At 1,416 mb, OECD crude stocks stood 96.2 mb below the latest five-year average and 70.5 mb below the 2015–2019 average. Measuring 1,507 mb, OECD product stocks exhibited a gain of 5.8 mb above the latest five-year average, and were 45.3 mb above the 2015–2019 average. In terms of days of forward cover, OECD commercial stocks fell m-o-m by 0.9 days in June to stand at 63.6 days. This is 12.4 days below June 2020 levels, 1.0 day below the latest five-year average, but 2.0 days above the 2015–2019 average.

Balance of Supply and Demand

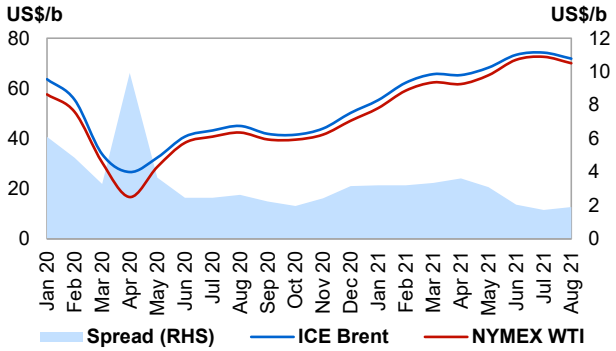
Demand for OPEC crude in 2021 was revised down by 0.2 mb/d from the previous month assessment to stand at 27.4 mb/d, around 4.7 mb/d higher than in 2020. Demand for OPEC crude in 2022 was revised down by 1.1 mb/d from the previous month's assessment to stand at 27.6 mb/d, around 0.2 mb/d higher than in 2021.

Feature Article

Crude and product price movements

The global oil market has seen a significant improvement in its fundamentals this year, translating into lower crude oil price volatility compared with 2020. The pick-up in oil demand, coupled with a large drop in oil inventories and reduced uncertainty in the market, has caused crude and oil product prices to rebound strongly, surpassing levels reached before the onset of the COVID-19 pandemic. The ICE Brent and NYMEX WTI futures contracts rose steadily over the past several months, up by $24.1 and $25.4, or 48% and 54%, respectively, between December 2020 and July 2021. Oil prices were supported by much improved economic conditions, with firm equity markets and large economic stimulus packages, as well as a gradual rise in oil demand and the anticipation of a further recovery amid optimism about accelerated vaccination rollouts in most major economies. Market confidence has also improved as OPEC and participating non-OPEC countries in the Declaration of Cooperation (DoC) maintained strong conformity levels in their voluntary production adjustments. However, the most current resurgence of new COVID-19 variants in several regions has impacted oil prices in recent days.

Graph 1: Transatlantic spread between Brent and WTI



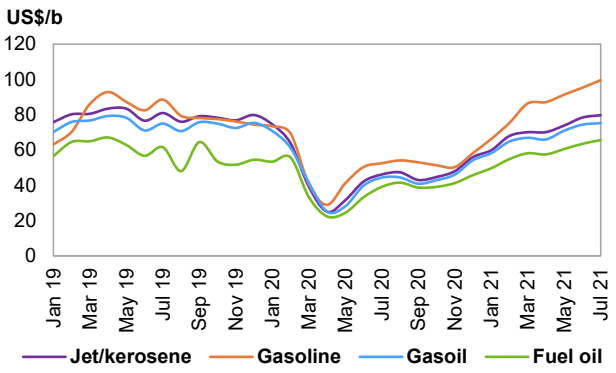
Note: Aug 21 = Month-to-date.
Sources: ICE, CME Group and Thomson Reuters.

In terms of market structure, the backwardation of major crude benchmarks had strengthened since early 2021, mirroring stronger market fundamentals. The ICE Brent and NYMEX WTI M1-M3 spread both widened again in July to a backwardation of about $1.5/b, on expectations of a market deficit in 2H21.

The transatlantic spread between ICE Brent and NYMEX WTI tightened in 2Q21 and continued to narrow in July, to settle at $1.86/b. WTI futures performed better than ICE Brent, as the rebalancing process in the US accelerated, amid robust oil demand and strong economic growth in that country, slow growth in oil supply and a large decline in crude stocks.

On the product side, fuel prices showed a substantial recovery this year in response to stronger crude prices. Moreover, the lifting of restrictions and subsequent improvement in fuel consumption levels helped ease the product surplus seen in 2020. In addition, the seasonal uptick in personal transport mobility activity in summer provided further support.

Graph 2: Refined product prices in the USGC



Sources: Argus and OPEC.

At the top of the barrel, gasoline production in the US in 1H21 was affected by the arctic freeze, the Colonial pipeline shutdown, spring floods and the turnaround season. As a result, US gasoline supplies suffered a considerable contraction, which led to sharp downward pressure on inventory levels and pushed gasoline prices to skyrocket back to pre-COVID levels (***Graph 2***). This gasoline shortage in the US opened up export opportunities and helped gasoline prices, to a more limited extent, in other regions as well. At the middle of the barrel, global gasoil prices remained sustained, supported by healthy economic activity, although jet/kerosene prices in Asia and in Europe lagged, due to the weak recovery in international and business air travel. High sulphur fuel oil (HSFO) prices in all regions rose, although volume availability surged in the US and Asia amid weak demand. In July, stronger LNG prices, robust power demand and hot weather all point to a boost in HSFO consumption and crack spreads.

Looking forward, refined product prices in 2H21 are likely to continue benefiting from a seasonal strength in transport fuels, although current high refinery run rates could dampen some of the upside in the immediate near term. Moreover, changes in crude prices, as well as a potential decline in fuel output over the peak autumn maintenance season, particularly around September, could lead to additional product price volatility. Meanwhile, unplanned outages, especially weather-related supply disruptions due to a forecast heavy hurricane season in the US, and concerns over possible renewed lockdowns, may also add to the volatility. Amid this precarious outlook, the vigilance and determined efforts by the countries participating in the DoC will remain ever more important in striving to maintain a stable and balanced market.

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Crude Oil Price Movements

Crude oil spot prices averaged higher in July amid a volatile futures market, as solid physical market fundamentals, an easing inventory overhang, including in the Atlantic Basin, supported oil prices. The increase in buying interest from refiners in July compared with previous months also supported spot prices. In July, North Sea Dated rose the most by $2.03, or 2.8% m-o-m, to an average of $74.99/b. The WTI and Dubai's first month increased respectively by $1.20 and $1.33, or 1.7% m-o-m and 1.9%, to settle at $72.58/b and $72.83/b.

The ORB gained $1.64 on average in July, an increase of 2.3% m-o-m, to settle at $73.53/b, its highest level since October 2018. ORB component values rose on higher related crude oil benchmarks, and a higher monthly change in their respective official selling price differentials for most components, particularly to the European market.

Crude oil futures prices ICE Brent and NYMEX WTI first-month contracts ended July about 1.2% and 1.5% higher m-o-m in a relatively volatile month. Crude oil futures prices remained buoyed by strong oil market fundamentals, primarily driven by robust market fundamentals, which points to a significant oil market deficit in 2H21. However, the fast spread of the COVID-19 Delta variant raised concerns over the short-term demand outlook and limited oil price gains. The ICE Brent front-month increased by 88¢ m-o-m, or 1.2%, in July to average $74.29/b, and NYMEX WTI rose by $1.08 m-o-m, or 1.5%, to average $72.43/b. ICE Brent was $24.30, or 57.5%, higher y-t-d at $66.57/b, while NYMEX WTI was $26.29, or 70.3% higher, at $63.70/b, compared with the same period a year earlier. DME Oman crude oil futures prices rose in July by 99¢ m-o-m, or 1.4%, to settle at $72.73/b. Y-t-d, DME Oman was higher by $23.02 m-o-m, or 54.6%, at $65.17/b.

Hedge funds and other money managers sharply reduced their net long positions in July, particularly in NYMEX WTI, after a selloff took place in US equity markets, given the concerns about the rapid spread of the new Delta variant in several major economies, in addition to expectations of increasing global oil supply.

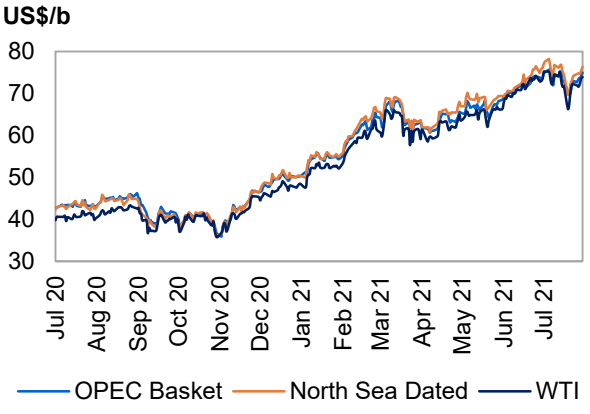
The market structure of all three major oil benchmarks remained in steep backwardation in July, as oil market fundamentals remained solid, while the market rebalancing process continued amid a further decline in OECD oil stocks.

The premium of light sweet to medium sour crudes widened in July in all regions due to stronger light distillate margins compared with heavier distillates, and as outright prices of light sweet Brent improved markedly compared with sour grades. The expectation of a gradual increase of sour crude supply also contributed to widening sweet-sour crude differentials.

Crude spot prices

Crude oil spot prices averaged higher in July, amid a volatile futures market, as solid physical market fundamentals and an easing inventory overhang, including in the Atlantic Basin, supported prices. In July, North Sea Dated rose the most by $2.03 m-o-m, or 2.8%, to an average of $74.99/b, supported by firm demand in the Atlantic Basin, particularly in the US and Europe. WTI and Dubai's first months increased respectively by $1.20 and $1.33 m-o-m, or 1.7% and 1.9%, to settle at $72.58/b and $72.83/b. Earlier in the month, spot prices were buoyed by the robust oil demand recovery, particularly in the US and Europe, which suggests that refiners will increase their runs, in addition to healthy crude demand from Asia Pacific refiners, along with the return of Indian refiners, which absorbed crude volumes from the market.

Graph 1 - 1: Crude oil price movement



Sources: Argus, OPEC and Platts.

Refiners in several large consuming countries increased their crude runs in recent months. In the US, the refinery net input of crude oil rose to about 16.2 mb/d in June, according to EIA weekly data and remained above 16 mb/d on average in July, while utilization of refinery operable capacity averaged about 91.6%. In China, crude refinery throughput continued to increase and, according to the National Bureau of Statistics, crude oil processing rose in June to 60.82 million tons, compared with 60.5 million tons in May.

However, in the second decade of July, spot prices dropped amid a strong decline in futures markets, fuelled by the quick spread of the Delta variant in several major consuming countries, including the US, China, Japan and part of Europe, in addition to other South Asian and African countries, raising concerns about a potential drag on oil demand.

Spot crude prices corrected higher over the last week of July on supportive oil market fundamentals. Nonetheless, the uptrend was capped by lingering concerns regarding the rise of COVID-19 infections in several countries and potential further tightening of mobility restrictions that could curb oil demand.

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

			Change		Year-to-date	
OPEC Reference Basket (ORB)	Jun 21	Jul 21	Jul/Jun	%	2020	2021
ORB	**71.89**	**73.53**	**1.64**	**2.3**	**39.85**	**65.27**
Arab Light	72.76	74.15	1.39	1.9	40.42	65.94
Basrah Light	71.79	73.40	1.61	2.2	39.53	65.47
Bonny Light	72.21	75.37	3.16	4.4	40.15	66.22
Djeno	65.51	67.54	2.03	3.1	35.54	58.95
Es Sider	71.01	73.64	2.63	3.7	38.83	64.54
Girassol	73.47	75.45	1.98	2.7	41.20	66.79
Iran Heavy	71.68	72.98	1.30	1.8	38.54	65.01
Kuwait Export	72.54	73.80	1.26	1.7	39.69	65.71
Merey	53.52	54.49	0.97	1.8	26.87	47.33
Murban	72.34	73.64	1.30	1.8	42.11	65.39
Rabi Light	72.50	74.53	2.03	2.8	38.43	65.94
Sahara Blend	72.31	75.34	3.03	4.2	40.92	66.30
Zafiro	73.50	75.66	2.16	2.9	39.82	66.77
Other Crudes						
North Sea Dated	72.96	74.99	2.03	2.8	40.33	66.41
Dubai	71.50	72.83	1.33	1.9	41.21	65.00
Isthmus	68.61	69.61	1.00	1.5	33.54	62.53
LLS	72.89	73.15	0.26	0.4	39.74	65.49
Mars	70.56	70.58	0.02	0.0	38.21	63.54
Minas	71.12	72.24	1.12	1.6	40.25	64.30
Urals	71.57	73.09	1.52	2.1	40.31	65.27
WTI	71.38	72.58	1.20	1.7	37.56	63.70
Differentials						
North Sea Dated/WTI	1.58	2.41	0.83	-	2.77	2.71
North Sea Dated/LLS	0.07	1.84	1.77	-	0.59	0.92
North Sea Dated/Dubai	1.46	2.16	0.70	-	-0.88	1.41

Sources: Argus, Direct Communication, OPEC and Platts.

Crude oil differentials were mixed in July, specifically for light sweet crude, as a strong North Sea Dated and steep backwardation weighed on crude differentials. Crude differentials in the West African, Mediterranean and Caspian markets diverged but, monthly averages were little changed. A strong Brent value compared with Dubai made Brent-related crudes less attractive for Asian refiners and limited west-to-east arbitrage. Higher competitiveness from US crudes in Europe also added downward pressure. Bonny Light, Forcados and Qua Iboe crude differentials fell in July against the Brent benchmark by a monthly average of 3¢, 21¢ and 19¢, respectively, to premiums of 31¢/b, 38¢/b and 35¢/b. The Caspian CPC Blend differential also eased in July by 3¢ to a discount of $1.46/b on average, rising by 93¢/b m-o-m, while Saharan Blend crude differentials averaged a discount of 5¢/b, rising by 12¢/b m-o-m. The crude differential of medium-heavy sweet Cabinda fell in July by 7¢ m-o-m to settle at a premium of 34¢/b. However, light sweet crude differentials in Northwest Europe strengthened in July, supported by firm demand from European refiners and healthy refining margins, driven up

by higher gasoline and naphtha margins. Forties and Ekofisk crude differentials rose by 89¢ and 67¢, respectively, on a monthly average in July to settle at a premium of $1.09/b and $1.25/b.

In the US, a narrow Brent-WTI spread weighed on waterborne crude differentials in the Gulf Coast (USGC), limiting export arbitrage opportunities. Light Louisiana Sweet (LLS) and Mars crude differentials deepened further in July, falling by 94¢ and $1.18, respectively, on a monthly average, to a premium of 57¢/b and a discount of $2.01/b. However, in the Middle East, the value of most Dubai-related crudes on the spot market rose on robust demand from Asia Pacific refiners, especially from China and India, in addition to widening Brent-Dubai differentials that limited west-to-east arbitrage opportunities. The value of the Oman crude differential rose by 47¢ m-o-m in July to a premium of $2.45/b.

OPEC Reference Basket (ORB)

The **ORB value** gained $1.64 on average in July, an increase of 2.3% m-o-m, to settle at $73.53/b, its highest point since October 2018. ORB component values rose on higher related crude oil benchmarks, and a higher monthly change in their respective official selling price differentials for most components, particularly to the European market. Compared with the previous year, the year-to-date ORB was up by $25.43, or 63.8%, from $39.85/b in 2020 to an average of $65.27/b so far this year. All ORB component values rose in July, with West and North African Basket components – Bonny Light, Djeno, Es Sider, Girassol, Rabi Light, Sahara Blend, and Zafiro – increasing $2.43, or 3.4%, m-o-m on average, to $73.93/b. Multiple region destination grades – Arab Light, Basrah Light, Iran Heavy, and Kuwait Export – rose by $1.39, or 1.9%, m-o-m on average to settle at $73.58/b. Murban crude rose by $1.30, or 1.8%, m-o-m on average, to settle at $73.64/b. The Merey component also increased by 97¢, or 1.8%, m-o-m on average to settle at $54.49/b.

The oil futures market

Crude oil futures ICE Brent and NYMEX WTI first-month contracts ended July respectively 1.2% and 1.5% higher m-o-m over a relatively volatile month. Crude oil futures prices started the month generally higher, extending the previous months' gains, as the market continued to be supported by strong oil market fundamentals, primarily driven by robust oil demand growth outlooks and expectations of slow global oil supply growth, which point to a significant oil supply/demand deficit in 2H21. A strong driving season in the US, improved road transportation fuels in Europe, firmed demand in China, and a steady oil demand recovery in India after the easing of COVID-19-related mobility restrictions bolstered global oil demand outlooks. Moreover, improving refinery intakes in major refining centres, and encouraging global economic data, particularly in the US, China, and Europe, added optimism to market sentiment. Uncertainty about the global oil supply also pushed oil prices higher.

However, futures markets entered a turbulent zone in the second decade of July with heightening volatility, triggered by rising concerns about the rapid spread of the new COVID-19 Delta variant in several major economies and a broad selloff in US equity markets. Additionally, speculation about a supply overhang after OPEC and non-OPEC producers in the DoC decided to voluntarily adjust their production gradually higher as from August played a role. These factors combined contributed to the ICE Brent and NYMEX WTI prompt month falling by 6.8% and 7.5%, respectively, in one session on 19 July. Surging Delta infections in major economies, including the US, China, Japan, the UK, and parts of Europe, along with other regions, and the reinstatement of lockdowns and mobility restriction measures in several South Asian countries, weighed on market sentiment.

Table 1 - 2: Crude oil futures, US$/b

			Change		Year-to-date	
Crude oil futures	Jun 21	Jul 21	Jul/Jun	%	2020	2021
NYMEX WTI	71.35	72.43	1.08	1.5	37.41	63.70
ICE Brent	73.41	74.29	0.88	1.2	42.27	66.57
DME Oman	71.75	72.73	0.98	1.4	42.15	65.17
Spread						
ICE Brent-NYMEX WTI	2.06	1.86	-0.20	-9.7	4.86	2.87

Note: Totals may not add up due to independent rounding. Sources: CME, DME, ICE and OPEC.

Crude futures prices recovered slightly in the third decade of July and rose further towards the end of the month after investors turned more optimistic on the global oil demand recovery amid expectations that higher vaccination rates in major economies would mitigate the negative impact of a resurgence of COVID-19 infections. Furthermore, the global oil supply/demand balance continued to show a deficit in 2H21, despite the

announced OPEC and non-OPEC upward output adjustments. Oil prices were also buoyed by declining OECD oil stocks, particularly in the US, in a sign of a continuing rebalancing process.

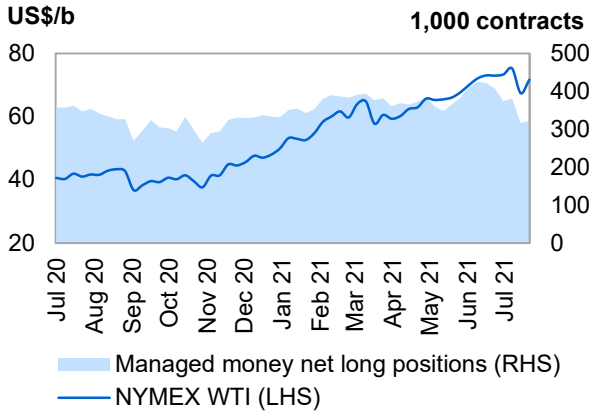
The **ICE Brent** front-month increased by 88¢ m-o-m, or 1.2%, in July to average $74.29/b, and **NYMEX WTI** rose by $1.08 m-o-m, or 1.5%, to average $72.43/b. ICE Brent was $24.30 higher y-t-d, or 57.5%, at $66.57/b, while NYMEX WTI was $26.29 higher, or 70.3%, at $63.70/b, compared with the same period a year earlier. **DME Oman** crude oil futures prices rose in July by 99¢ m-o-m, or 1.4%, to settle at $72.73/b. Y-t-d, DME Oman was higher by $23.02, or 54.6%, at $65.17/b.

On 11 August, ICE Brent stood at $71.44/b and NYMEX WTI at $69.25/b.

The NYMEX WTI crude front-month discount to the same ICE Brent futures month narrowed further in July by 20¢ to $1.86/b, its lowest point since October 2020, making US crude for export less attractive for arbitrage into both Europe and Asia. The NYMEX WTI benchmark continued to perform better than ICE Brent in July, as the US market showed signs of accelerating the rebalancing process. Strong oil demand in the US in the driving season and rising refinery throughput, along with slow shale production growth and low imports, tightened the US market and contributed to a sharp decline in US crude and oil product stocks, which firmly supported the US benchmark. US crude oil stocks declined by nearly 44 mb between the week of 28 May and 23 July, to their lowest level since late January. However, the North Sea Dated premium to WTI Houston widened in July by $1.09 m-o-m, to average $2.11/b, due to firm North Sea crude values that were supported in July by low availability and strong demand from European refiners. In the meantime, crude values in the USGC came under pressure amid a strong NYMEX WTI-related benchmark and lower arbitrage opportunities. According to weekly US Energy Information Administration (EIA) data, US crude exports fell below 2.5 mb/d in the weeks to 16 and 23 July.

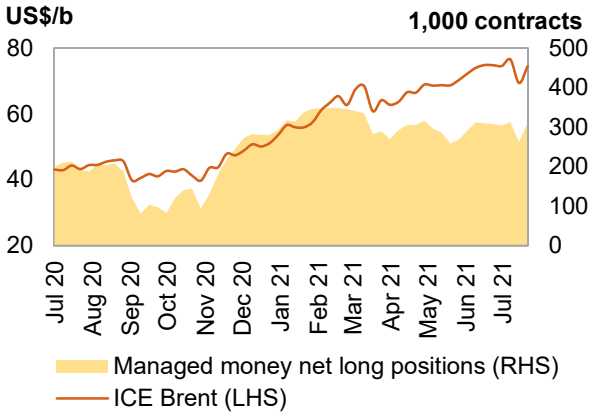
Hedge funds and other money managers massively reduced their net long positions in July, particularly in NYMEX WTI, after a selloff in US equity markets took place and heightening concerns were seen regarding the rapid spread of the new COVID-19 Delta variant in several major economies, including in the US and China. Additionally, global oil supply was expected to increase. Large sales in July probably contributed to pushing oil futures prices lower. Nonetheless, speculators recovered part of their net long positions in the week to 27 July after oil prices rose from the previous week's low levels. In the week to 27 July, combined futures and options net long positions linked to ICE Brent and NYMEX WTI were 11.6%, or 83,063, contracts lower compared with the level in the week to 29 June at 715,957 contracts. Between the week of 29 June and the week ending 27 July, money managers were net sellers of about 83 mb of both ICE Brent and NYMEX WTI.

Graph 1 - 2: NYMEX WTI vs. Managed Money net long positions



Sources: CFTC, CME and OPEC.

Graph 1 - 3: ICE Brent vs. Managed Money net long positions



Sources: ICE and OPEC.

Despite sharp selling in the week to 20 July, money managers recovered most of their net long positions in Brent the following week, as speculators closed more short positions. Compared with the week to 29 June, combined futures and options net long positions in Brent increased slightly by 3,258 contracts, or 1.1%, to reach 311,659 lots in the week to 27 July, according to the ICE Exchange. In the week ending 27 July, gross short positions fell by 31,465 lots, or 28.3%, to 79,616 contracts, while gross long positions declined by 28,207 lots, or 6.7%, to 391,275 contracts during the same period.

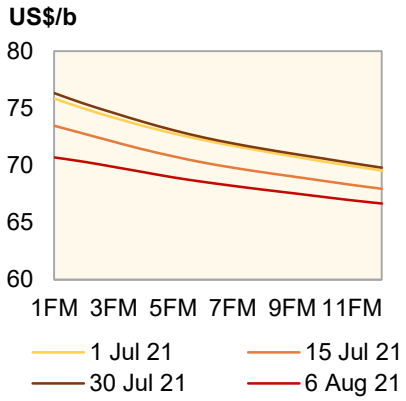
However, money managers turned less optimistic about crude prices and sharply cut their optimistic positions on WTI in July, as the spread of the Delta variant, including in the US, and its potential negative impact on oil demand, seemed to weigh on speculator sentiment.

Combined WTI futures and options net long positions decreased by 86,321 contracts, or 21.2%, to 321,235 lots in the week to 27 July. This was due to a rise in short positions by 20,601 lots, or 78.9%, to 46,718 contracts, while long positions fell by 65,720 contracts, or 15.2%, to 367,953 contracts, according to the US Commodity Futures Trading Commission (CFTC).

The futures market structure

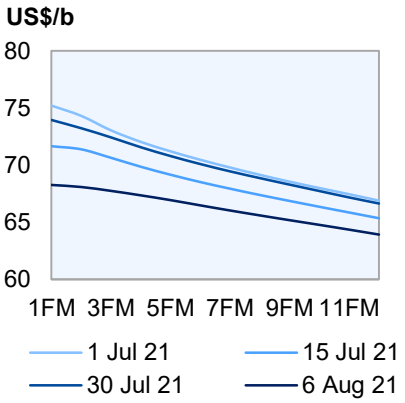
Despite a volatile market and the Delta variant resurgence weighing on sentiment, the market structure of all three major oil benchmarks remained in steep backwardation in July, as oil market fundamentals stayed solid and the market rebalancing process continued amid a further decline in OECD oil stocks. Forecasts continue to point to a significant supply/demand deficit in 2H21. The prospect of slow non-OPEC oil supply growth and a gradual adjustment to crude production from DoC countries also contributed to maintaining market backwardation.

Graph 1 - 4: ICE Brent forward curves



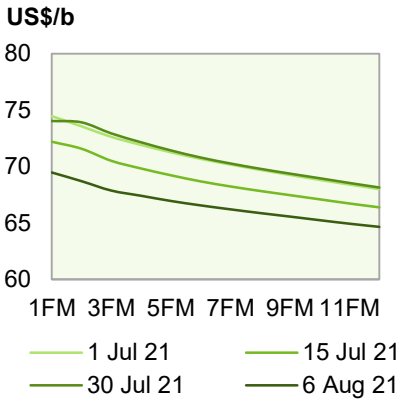
Sources: ICE and OPEC.

Graph 1 - 5: NYMEX WTI forward curves



Sources: CME and OPEC.

Graph 1 - 6: DME Oman forward curves



Sources: DME and OPEC.

The Brent forward curve remained in sustained backwardation in July and steepened further in the front, where the ICE Brent first-to-third month spread widened by 26¢ to $1.55/b on average, compared with $1.29/b in June. Firm demand in Europe, an easing supply overhang in the Atlantic Basin, and the prospect of a gradual supply increase from DoC producers supported prompt prices. ICE Brent's first-to-sixth month also moved into deeper backwardation last month to settle at $3.54/b on average, compared with a backwardation of $3.04/b one month earlier. The ICE Brent forward curve remained in backwardation in the back end of the curve.

In the US, the backwardation structure of NYMEX WTI also strengthened last month and the forward curve steepened on the front on improving market fundamentals in the driving season and the prospect of tightening US oil market supply/demand fundamentals in the short term. The high vaccination rate in the US lent some optimism for the oil demand recovery, despite the spread of the Delta variant. Strengthening oil demand and recovering US refinery throughput, along with a sharp decline in US crude stocks, including in Cushing, Oklahoma, supported near-month contracts. Crude oil stocks in Cushing fell by about 10 mb, or about 22%, between the weeks of 4 June and 23 July, according to EIA weekly data. The NYMEX WTI first-to-third month spread widened by 41¢ to a backwardation of $1.48/b on average in July, compared with a backwardation of $1.07/b one month earlier.

Despite prospects of gradually rising crude supply in the Middle East from August under the DoC decision, the forward structure of DME Oman and Dubai remained in steep backwardation as prompt prices endured, supported by firm Asian demand and lower arbitrage opportunities from the Atlantic Basin amid a wide Brent-Dubai spread. On a monthly average, the DME Oman M1/M3 spread widened by 43¢ to a backwardation of $1.79/b in July.

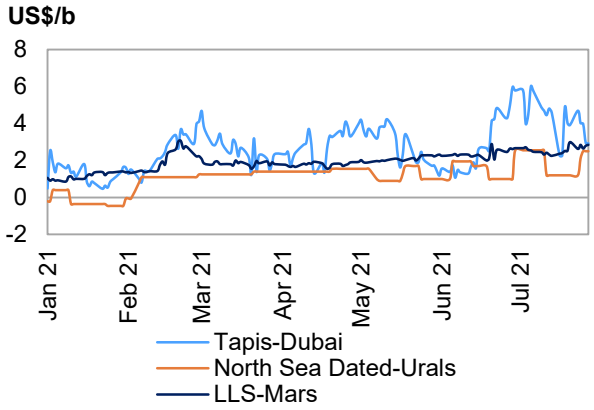
Regarding the **M1/M3 structure**, the North Sea Brent M1/M3 spread widened in July on a monthly average by 23¢ to a backwardation of $1.55/b, compared with $1.31/b in June. In the US, the WTI M1/M3 backwardation also widened in July by 44¢ to $1.41/b, compared with a backwardation of 98¢b in June. The Dubai M1/M3 backwardation widened on average in July by 53¢ to a backwardation of $2.34/b.

Crude spreads

The premium of **light sweet to medium sour crudes** widened in July in all regions, particularly Asia, due to stronger light distillate margins compared with heavier distillates, and as outright prices from light sweet Brent improved markedly compared with sour grades. An easing supply overhang of light sweet crude in the Atlantic Basin and the expectation of a gradual increase of sour crude supply in line with the DoC decision also contributed to widening sweet-sour crude differentials.

In **Europe**, the spread between North Sea Dated and Urals widened again in July by 51¢ to average $1.90/b. The sour grade value weakened against the North Sea Dated benchmark due to the availability of unsold cargoes for August loading amid subdued European demand and unfavorable arbitrage to the Asian market as the Brent-Dubai exchange of futures for swaps contract (EFS) widened, making flow to the east difficult. Expectations of higher sour crude supply from August and weak fuel oil margins also put downward pressure on Urals. In the meantime, light sweet crude in Northwest Europe strengthened on robust buying interest, including from Europe, amid rising European oil demand and higher light distillate margins, particularly for gasoline and naphtha. Crack naphtha in Northwest Europe rose to a premium in July.

Graph 1 - 7: Differential in Asia, Europe and USGC



Sources: Argus, OPEC and Platts.

In the **USGC**, the LLS premium over medium sour Mars also increased in July by 24¢ on average to $2.57/b, as it continued to be supported by higher refining margins in the region compared with medium sour crude. Furthermore, the value of sour crude Mars came under greater pressure on difficult arbitrage to Asia, while the value of light sweet crude in the USGC remained underpinned by strong light sweet crudes in the Atlantic Basin.

Similarly, in **Asia**, the Tapis premium over Dubai widened last month on better performance of light product margins, particularly naphtha, compared with heavier margins, and as light sweet crudes in Asia became more competitive due to a wide Brent-Dubai spread, which makes the flow of west to east arbitrage for Atlantic Basin crudes unfordable. The Brent-Dubai front-month exchange of futures for swaps (EFS Dubai) rose by 32¢ in July on average to $3.95/b. The expectation of a higher supply of sour crude in the Middle East from August also contributed to widening sweet-sour crude differentials. The Tapis-Dubai spread widened by $1.96 m-o-m in July, to average $4.41/b.

Commodity Markets

Energy commodities rose in July, led by a jump in natural gas and coal prices. Strong demand for power generation amid localized heatwaves, robust industrial activity and some supply restrictions lifted natural gas and coal prices across all regions. Crude oil prices rose, supported by strong oil market fundamentals outlook.

Base metals weakened at the beginning of the month of July, as the pace of expansion in global manufacturing eased for a second consecutive month, but prices recovered on supply concerns and some easing in the value of the dollar at the end of the month. Gold prices declined as in the previous month on expectations of a faster-than-anticipated interest rate increase in the US.

Trends in selected commodity markets

The **energy price index** rose m-o-m by 4.8% in July. As in the previous two months, crude oil, natural gas and coal rose across all regions. The average index level was up by 67% in the period January-July 2021 compared with the same period of 2020.

The **non-energy index** declined slightly by 0.2% m-o-m, with the base metals index advancing slightly while agricultural commodities eased. The non-energy index was up by 36.8% in the January-July period compared to the same period of 2020.

Table 2 - 1: Commodity prices

Commodity	Unit	*Monthly averages*			*% Change*	*Year-to-date*	
		May 21	Jun 21	Jul 21	Jul 21/Jun 21	2020	2021
Energy*	Index	**85.1**	**93.1**	**97.7**	**4.8**	**49.9**	**83.4**
Coal, Australia	US$/mt	107.0	130.0	152.0	16.9	59.8	107.1
Crude oil, average	US$/b	66.4	71.8	73.3	2.1	40.0	64.6
Natural gas, US	US$/mbtu	2.9	3.2	3.8	17.7	1.8	3.3
Natural gas, Europe	US$/mbtu	8.9	10.3	12.5	21.4	2.4	8.3
Non-energy*	Index	**115.6**	**113.9**	**113.7**	**-0.2**	**79.7**	**109.0**
Base metal*	Index	**121.9**	**119.0**	**119.3**	**0.3**	**74.0**	**112.5**
Precious metals*	Index	**145.8**	**144.2**	**141.2**	**-2.1**	**124.3**	**141.9**

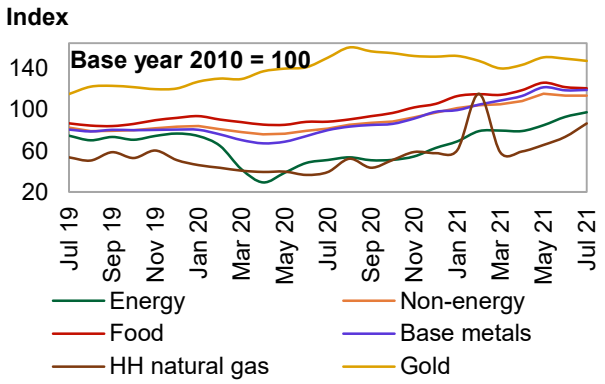
*Note: * World Bank commodity price indices (2010 = 100).*
Sources: World Bank and OPEC.

In July, the **Henry Hub natural gas price** rose by around 17.7% m-o-m to $3.8/mmbtu. Prices strengthened as warmer-than-average weather supported consumption, while, at the same time, supplies were roughly flat during the month, resulting in limited storage builds and a widening deficit vs the five-year average. According to the Energy Information Administration, utilities added 13 bcf to working gas underground storage during the week ending 30 July 2021. This build left total working gas in underground storage at 2.727 bcf, around 6.4% below the latest five-year average. At the end of June, stocks were 5.3% below the five-year average.

Natural gas prices in Europe continued their ascending path in July, with the average **Title Transfer Facility price** up by around 21% m-o-m to $12.5/mmbtu. Average prices in the January-July period are 3.5 times higher than during the same period last year. As in previous months, prices were supported by low inventory levels, concerns about restricted supplies from Russia and continuing strong prices of carbon emission credits, which favour natural gas usage versus coal, which is also at a decades-long high. Strong demand from Asia has supported LNG differentials versus Europe, favouring exports to that region. EU inventories ended July around 57% full vs 47.5% full at the end of June, according to Gas Infrastructure Europe. Inventories were approximately 85% full at the end of July last year.

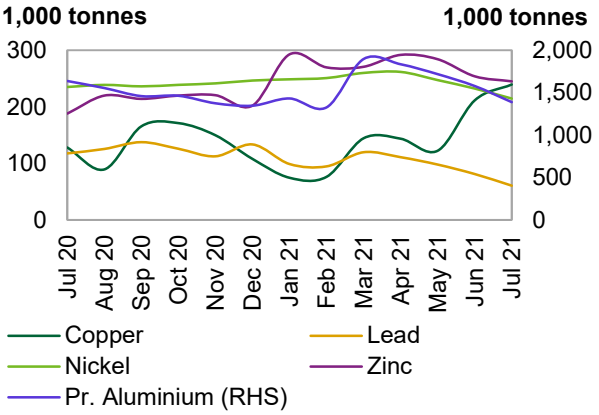
Australian thermal coal prices rose m-o-m by 16.9% in July to $152.0/mt, its highest since mid-2008. In the January-July period, prices have been around 79% higher than the same period last year. Prices continued to be supported by warmer-than-average weather in Northeast Asia, growth in industrial activities, while some supply limitations also played a part. In main consumer China, thermal power demand rose by 10% y-o-y in June, while, at the same time, coal output declined by 5.0% y-o-y in June. According to the latest Chinese trade data, coal imports rose by 6% m-o-m in July to reach their highest level this year at 30.2 million mt. As mentioned in the previous MOMR, some restricted output across major exporters during the last few months due to extreme weather and rising prices of natural gas also contributed to a tightening of the market.

Graph 2 - 1: Major commodity price indices



Sources: World Bank, S&P Goldman Sachs, Haver Analytics and OPEC.

Graph 2 - 2: Inventories at the LME



Sources: LME, Thomson Reuters and OPEC.

The **base metal price index** rose m-o-m by 0.3% in July amid mixed performances of group components. Base metals weakened at the beginning of the month as the pace of expansion of global manufacturing eased slightly for the second consecutive month, while a stronger dollar also added pressure. However, the trend reversed in the second half of the month on concerns about restricted base metal supplies from China amid severe weather and localized power cuts, while the value of the US dollar eased towards the end of the month.

Average monthly **copper prices** declined m-o-m in July by 1.9% to average $9,450.8/mt. Average prices in the January-July period were 62.7% higher than in the same period of 2020. On the physical side, stock levels at the London Metal Exchange (LME) rose by 13% to 239,650 tonnes at the end of July from 211,525 tones at the end of June, suggesting a loosening of market conditions. Moreover, according to the International Copper Study Group (ICGS), the refined copper balance (adjusted for unreported Chinese inventories) in the first four months of the year 2021 showed a surplus of 100,000 tonnes – albeit smaller than the previous estimation for the January-March period, which showed a 150,000-tonne surplus.

Iron ore prices were little changed m-o-m at a monthly average of $ 214.1/mt. Average prices in the January-July period were twice the amount of those observed during the same period last year. Steel making activity rose at a global level by 11.6% in June 2021 compared to the same month last year, and by 14.4% in the January-June period, compared to the same period last year. Growth in Chinese output slowed to 1.5% y-o-y in June versus growth of 6.6% y-o-y in May. Iron ore imports in China declined in July by 1% and by 1.5% in the January-July period compared to the same period last year.

In the group of **precious metals**, gold prices declined on average by 1.5% m-o-m in July amid expectations of rising real interest rates in the US. Meanwhile, silver and platinum prices declined by 4.9% and 3.3%, respectively.

Investment flows into commodities

Money managers' net length positions increased in natural gas and copper but declined in crude oil and gold during the month. Despite this, investors continue to hold net long positions in the selected commodities.

Table 2 - 2: CFTC data on non-commercial positions, 1,000 contracts

Selected commodity	*Open interest*		*Net length*			
	Jun 21	Jul 21	Jun 21	%OI	Jul 21	%OI
Crude oil	3,125	3,043	409	13	348	11
Natural gas	1,319	1,465	60	5	91	6
Gold	653	645	104	16	103	16
Copper	236	218	24	10	35	16

Note: Data on this table is based on monthly average.

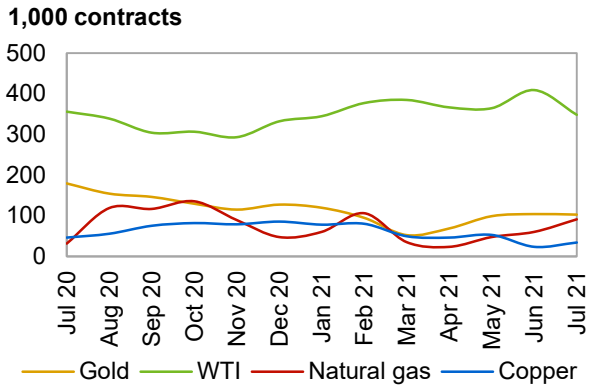
Sources: CFTC and OPEC.

Henry Hub's natural gas OI rose m-o-m by 11.1% in July. Money managers' net long position rose by 51.2% to 91,121 contracts from 60,246 contracts the previous month supported by localized heatwaves and flat supplies.

Copper's OI decreased by 7.8% in July. Money managers' increased their net length by 44.6% m-o-m to 34,565 contracts from 23,908 contracts the previous month.

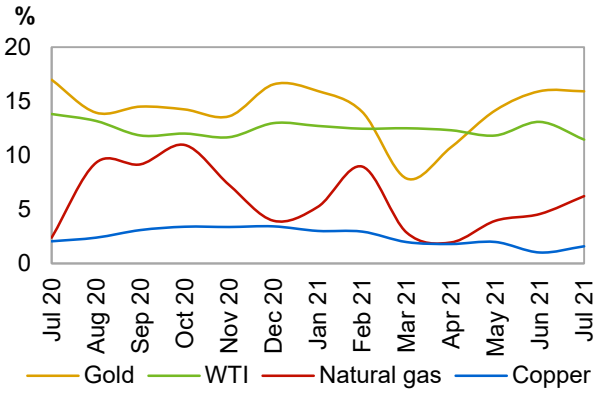
Gold OI decreased by 1.2% in July. Money managers' net length dropped by 1.3% to 102,665 contracts from 104,008 contracts the previous month amid expectations of tighter monetary policy in the US.

Graph 2 - 3: Money managers' activity in key commodities, net length



Note: Data on this graph is based on monthly average.
Sources: CFTC and OPEC.

Graph 2 - 4: Money managers' activity in key commodities, as % of open interest



Note: Data on this graph is based on monthly average.
Sources: CFTC and OPEC.

World Economy

The global economy continues to recover, and the notion of cautious optimism, as reflected in growth numbers for both 2021 and 2022, remains a valid reference. However, numerous challenges remain that could easily dampen this momentum. In particular, COVID-19-related developments will need close monitoring over the coming months, especially when considering the usual colder weather in the northern hemisphere towards the end of the year. And while global growth levels were upgraded slightly this month, growth dynamics have become increasingly unbalanced among economies, with a large divide between OECD and non-OECD economies, except China. Those economies that have been able to gradually contain the pandemic, thanks to vaccination campaigns and other successful containment strategies, and which also have the financial capability to provide economic stimulus measures are rebounding quickly. In contrast, economies that have less access to vaccinations, apply less successful containment strategies and have only limited financial resources for fiscal and monetary stimulus are not doing as well. Recent efforts by the US administration to provide further fiscal stimulus to its economy are the latest sign of this development.

Better-than-expected 2Q21 performance in the Euro-zone further lifted 2H21 momentum. The expectation of additional fiscal stimulus measures in the US – affecting 2H21 growth in and beyond the US via spill-over lifting global growth – in combination with ongoing accommodative monetary policies in major economies, are all factors that have pushed up the growth forecast for both 2021 and 2022. However, lower-than-expected US 2Q21 GDP growth led to a downward revision for the country's annual GDP growth forecast. Incorporating these changes, the 2021 global economic growth forecast was revised up to 5.6% from 5.5%. World GDP growth for 2022 was revised up to 4.2% from 4.1%.

The underlying assumptions for world economic growth in 2021 and 2022 are largely unchanged. This includes, in particular, the assumption that COVID-19 remains well contained in the advanced economies in the sense that it will not dampen the recovery beyond current levels and that the pandemic will also not pose a major obstacle to major emerging economies.

There are, however, some significant uncertainties. The path of the COVID-19 pandemic will be the overarching factor impacting the near-term pace of the recovery, with the potential emergence of new COVID-19 variants and/or mutations posing a particular risk. Moreover, sovereign debt in most economies has risen to levels at which a lift in interest rates could cause severe fiscal strain. While key interest rates are assumed to stay at a very accommodative level in the near term, and although inflation scares have abated to some extent very recently, rising inflation could lead to an earlier-than-expected rise in key interest rates, an area that will also need to be closely watched.

Table 3 - 1: Economic growth rate and revision, 2021–2022*, %

	World	OECD	US	Euro-zone	UK	Japan	China	India	Brazil	Russia
2021	**5.6**	**5.0**	**6.1**	**4.7**	**6.2**	**2.8**	**8.5**	**9.3**	**4.2**	**3.2**
Change from previous month	0.1	0.1	-0.3	0.6	0.4	0.0	0.0	-0.2	1.0	0.2
2022	**4.2**	**3.6**	**4.1**	**3.8**	**3.9**	**2.0**	**6.0**	**6.8**	**2.5**	**2.5**
Change from previous month	0.1	0.4	0.5	0.8	0.6	0.0	-0.3	0.0	0.0	0.2

*Note: * 2021-2022 = Forecast. The GDP numbers have been adjusted to reflect 2017 ppp.*

Source: OPEC.

Update on latest global developments

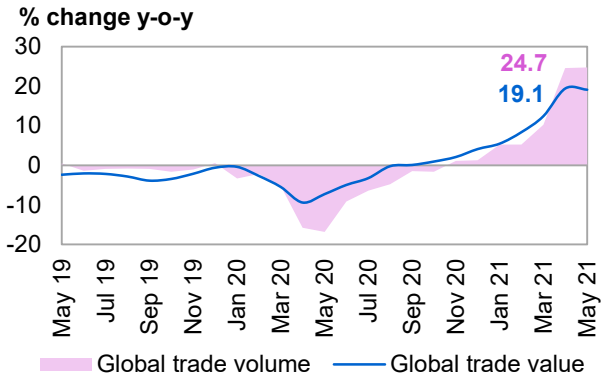
The **global economic growth momentum is continuing its dynamic**, however, at differing speeds and depths regionally, leading to a variety of growth level changes this month, after 2Q21 GDP growth figures were released for the US, the Euro-zone, China and numerous other economies. Furthermore, the likelihood of further significant fiscal stimulus in the US, accompanied by ongoing monetary stimulus by the G4 central banks and a relatively more successful vaccination drive in western economies, is likely to further widen the recovery dynamic gap between OECD and non-OECD economies. China is an exception, having provided significant support to its economy and managed the pandemic's containment well to date. This is, interestingly, in contrast to last year's economic developments, when Asian economies were leading the recovery momentum. The rise in inflation has become another potential obstacle to the recovery over the past months. While the G4 central banks are enjoying more flexibility in responding to rising inflation, it has kept central

banks in Brazil and Russia busy lifting key interest rates. This move will make it more challenging for these two economies to fully benefit from the global rebound in the near term. Thus, the current rising tide is lifting all boats, but at a much differing pace. Those economies that are able to gradually contain the pandemic, thanks to vaccination campaigns and other successful containment strategies, and that also have the financial capabilities to provide economic stimulus measures are rebounding relatively quicker. This is in contrast to those economies that have less access to vaccinations, apply less successful containment strategies and have only limited financial resources for fiscal and monetary stimulus. Importantly, with the further easing of lockdown measures across the world, a gradual shift from manufacturing and non-contact intensive services to contact-intensive services has continued. This applies primarily to the sectors of travel and tourism, hospitality and leisure.

Inflation has risen across the world over the past months for manifold reasons. There is some likelihood that the rise may be temporary, as major drivers seem to have come via re-opening effects in 1H21 and temporary supply shocks. In particular, US inflation, which is very important, was very much driven by automotive-related price rises, which were affected by a combination of two events — reopening and supply chain disruptions. It will be seen whether temporary supply shocks will be quickly overcome, as expected for semiconductors. Another uncertainty is the ongoing labour supply shortage, especially in the US, as rising wages could have a sustained effect on inflation. However, the latest numbers point to some easing of the situation. Moreover, a strong annual rise in energy and food prices drove inflation higher on an annual basis. Considering that US crude oil benchmarks turned negative in April 2020, price rises are forecast to moderate in the short term.

As a very important driver, **global trade** continued its considerable rebound. In May, world trade volumes rose by 24.7% y-o-y, after a rise of 24.6% y-o-y was seen in April, based on the CPB World Trade Index provided by the CPB Netherlands Bureau for Economic Policy Analysis. Trade improved in value terms as well, rising by 19.1% in May compared with 19.4% y-o-y in April.

Graph 3 - 1: Global trade



Sources: Netherlands Bureau for Economic Policy Analysis, Haver Analytics and OPEC.

Near-term global expectations

The **2H21 growth dynamic is forecast to pick up further** globally, consequently carrying over into 2022. The ongoing recovery in the services sector, along with replenishing inventory, particularly in the US, are forecast to further lift growth towards the end of the year. Moreover, the dynamic remains well supported by the ongoing accommodative monetary policies of the G4 central banks, fiscal stimulus measures – especially in key OECD economies – and ongoing pent-up demand. The expectation of further US fiscal stimulus, in particular, is estimated at around 3 trillion USD over 10 years, which is forecast to further support US – and hence global growth – towards the end of the year. The OECD economies and China are forecast to provide the strongest support to this 2H21 growth momentum, with the contact-intensive sector contributing the most significant share to further economic improvements.

The **underlying assumption** for short-term growth is that COVID-19 will be largely contained in 2H21 in the sense that it will not dampen the recovery beyond current levels and that the pandemic will also not pose a major obstacle for major emerging economies. However, the appearance of new COVID-19 variants, along with much lower vaccination rates in emerging and developing economies, may also lead to a challenging situation going forward.

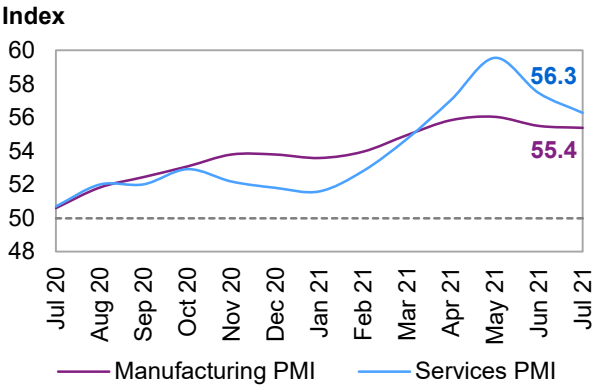
The key assumptions for **inflation** have not changed from last month. Inflation in the OECD economies is forecast to remain well-anchored in the sense that in 2021 it will not significantly exceed the 2% OECD average on an annual basis and will stand at around 4% in the US. For 2022, these levels are forecast to stand at slightly below 2% for OECD economies on average and at around 2.5% for the US. These levels would imply no unexpected interest rate hikes by G4 central banks prior to 2H23.

The 2021 and 2022 forecasts have seen **selective adjustments in the OECD**, including a significant upward GDP growth revision for the Eurozone and the UK, but a slight downward revision for the US, all mainly due to the consideration of 2Q21 output numbers in the forecast. These revisions lifted the 2021 OECD growth forecast to 5%, compared with 4.9% the previous month. In the emerging and developing economies, the growth forecasts for Brazil and Russia were revised up, while India's growth forecast was revised down slightly. China's growth was unchanged. These revisions lifted the 2021 non-OECD growth forecast to 6.1% compared with 6% the previous month. For 2022, OECD growth was lifted to 3.6% from 3.2%, significantly supported by expected US fiscal stimulus and the ongoing post-COVID-19 recovery. Contrary to this development, in the relatively more advanced economies, non-OECD growth remained at 4.8%.

With these base assumptions, 1Q21 global GDP growth is forecast to stand at 1.8% q-o-q and decelerate to 0.8% q-o-q in 2Q21. Some acceleration is then forecast to materialize in 2H21, with the 3Q21 growth forecast at 1.1% q-o-q and 4Q21 growth at 1.0% q-o-q. The growth pattern in 2022 is forecast to be relatively equally spread and in line with average historical patterns.

Global purchasing managers' indices (PMIs) for both the manufacturing and services sectors retracted slightly in July, with high levels in both sectors indicating an ongoing expansion. The forecast of a gradual sector rotation from manufacturing to services remains well supported, but with an ongoing labour shortage in some key economies in combination with ongoing COVID-19-related uncertainties that may affect the contact-intensive services sector, this is certainly an area that will need to be closely monitored. The global manufacturing PMI stood at 55.4 in July, compared with 55.5 in June and 56 in May. The global services sector PMI retracted slightly to stand at 56.3 in July, compared with 57.5 in June and 59.5 in May.

Graph 3 - 2: Global PMI



Sources: JP Morgan, IHS Markit, Haver Analytics and OPEC.

The acceleration of improvements in 2Q21 in OECD economies and some strengthening of the rebound in emerging and developing economies is anticipated to lift 2021 **GDP growth** to 5.6%, compared with 5.5% the previous month. While growth in 2022 is forecast to normalise to lower levels, it is forecast to benefit the 2H21 recovery, also due to additional US fiscal stimulus. These factors are forecast to lift 2022 growth to 4.2%, compared with 4.1% in 2021. This implies that COVID-19-related challenges will not derail the recovery.

Table 3 - 2: World economic growth rate and revision, 2021–2022*, %

	World
2021	**5.6**
Change from previous month	0.1
2022	**4.2**
Change from previous month	0.1

*Note: * 2021-2022 = Forecast.*

Source: OPEC.

In addition to COVID-19, numerous other challenges remain and require close monitoring in the coming months. In particular, inflationary developments will need to be followed, as the danger of rising interest rates, especially in the US, and consequent repercussions for the global economy, could potentially derail the ongoing strong recovery.

OECD

OECD Americas

US

Update on the latest developments

US growth has continued with a strong dynamic in 2Q21, albeit at around 2 percentage points (pp) below consensus. Preliminary 2Q21 GDP growth stood at 6.5% q-o-q seasonally adjusted annualised rate (SAAR), according to the Bureau of Economic Analysis (BEA). An important dampening factor came from inventory drawdowns, a factor that is, however, expected to lift 2H21 growth, given ongoing strong underlying demand. GDP growth for 1Q21 was seen to be very slightly lower as well, standing at 6.3% q-o-q SAAR, compared with

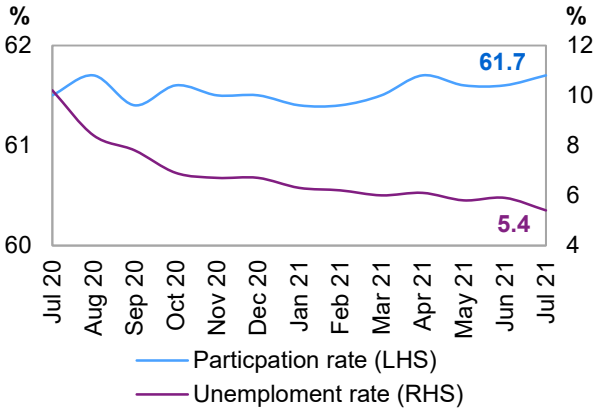
the previous estimate of 6.4% q-o-q SAAR. Alongside this short-term growth dynamic, consumer confidence developed well, as labour markets continued improving and tightness in the labour market started easing. **Consumer confidence** rose to 129.1 in July, compared with 128.9 in June and 120 in May, based on the index provided by the Conference Board.

Importantly, it is expected that the government will provide **further fiscal stimulus** via various support measures at a magnitude of possibly up to $3 trillion over a period of 8 to 10 years. Considering the latest budget resolution efforts, the amount could be even more. This is expected to consist of more than $500 billion additional spending from a bipartisan infrastructure bill and an additional around $2.5 trillion from a budget reconciliation bill. In line with experience regarding past spending bills of this type, most of the money is expected to be spent in years three to eight, though the effect in the coming year is already forecast to be significant and through channel effects will also have a positive impact on global growth. Moreover, the US Federal Reserve (the Fed) also continued providing strong support, pointing to a continuation in its accommodative monetary policy. However, the topic of overheating and inflation in the US economy was recently widely discussed, as the possibility of rising interest rates to avoid overheating the economy could dampen ongoing growth. US CPI inflation stood at 5.3% y-o-y in June. However, the strongest appreciation came from the sub-sector of transportation, likely a transitory effect after the reopening of the economy and supply restrictions in the semiconductor sector. Prices in the transportation sector rose by 21.3% y-o-y. Also, the 2020 base was greatly distorted by the effects of pandemic-induced lockdowns. Last year's April and May inflation index levels declined due to the pandemic. Moreover, with the volatile components of energy and food excluded, inflation would have stood at 4.5% y-o-y in June.

The labour market regained strength again in July. The **unemployment rate** fell to 5.4%, after rising slightly to 5.9% in June.

Non-farm payroll additions increased by 943,000 in July, another strong lift after being upwardly revised to 938,000 in June. In general, it seems the past month's labour market tightness is easing, but wage developments will also need closed monitoring as they could materially lift inflation. Hourly earnings rose by 3.9% y-o-y in July, above pre-COVID-19 yearly growth of between 2% to 3%, though it is too early to see this as an established trend given volatile patterns over the last months.

Graph 3 - 3: US monthly labour market



Sources: Bureau of Labor Statistics and Haver Analytics.

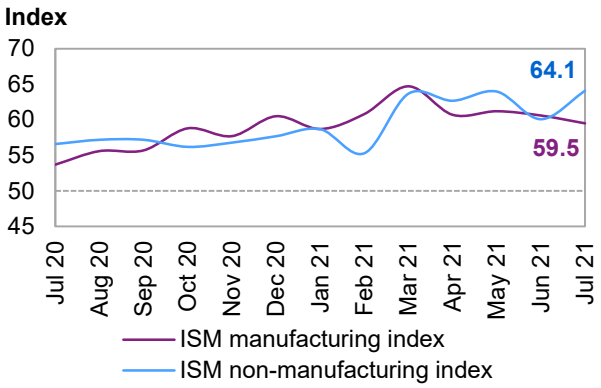
Near-term expectations

After somewhat weaker-than-expected 2Q21 US GDP growth, **2H21 expectations were lifted**. A significant reason behind less-than-strong growth levels in 2Q21 came from a significant inventory draw-down. Given the considerable underlying momentum in the US economy, inventories will very likely be replenished in 2H21. Supply chains will need to be monitored regarding the semi-conductor shortage impacting vehicle production in 2Q21, among others. This played a role in the dynamic of inventory draw-down and if it continues, a further dampening of 2H21 growth may be possible. The labour market supply shortage, however, is expected to abate as social benefits, among other factors that may have kept potential employees from entering the labour market, have started running out. This will be supportive for the contact-intensive services sector. Expected ongoing fiscal support in 2H21 and beyond will be another supportive factor for the ongoing US recovery.

In terms of **quarterly growth** developments, the previous 1Q21 GDP growth estimate of 6.4% q-o-q SAAR was lowered to 6.3% q-o-q SAAR, based on BEA numbers. Moreover and importantly, 2Q21 growth was reported at the lower-than-expected level of 6.5% q-o-q SAAR, compared with the Secretariat's forecast of 9%. With the expectation of inventory restocking in 2H21 and stimulus measures of around $3 trillion to be paid out over the coming 10 years, growth levels for 2H21 and 2022 have been lifted. Assuming a ten-year period on the investment plan as indicated and an acceleration in spending towards the middle of the time-span, and by applying a multiplier of around 0.7 as a reasonable degree, a positive GDP growth impact, in addition to the US baseline forecast, would amount to 0.5 percentage points in 2022. Growth in 3Q21 is forecast to reach 8.5% q-o-q SAAR, compared with the previous estimate of 6.8% q-o-q SAAR. Growth in 4Q21 is forecast to reach 4.8% q-o-q SAAR, compared with last month's estimate of 2.8% q-o-q SAAR in 4Q21. This could imply, however, ongoing support for inflation, despite most factors being considered temporary. Quarterly growth in 2022 is forecast to be relatively equally distributed.

The economy's recovery continues to be reflected in **July's PMI** levels as provided by the Institute for Supply Management (ISM). The index level for the services sector, representing around 70% of the US economy, saw a significant rise, benefitting from the increase in labour supply, after it seemed over the last months that the labour shortage could continue dampening the sector's ability to grow. The services sector index level rose to 64.1 in July, compared with 60.1 in June and 64 in May. The manufacturing PMI fell slightly to stand at 59.5 in July, compared with 60.6 in June and 61.2 in May.

Graph 3 - 4: US-ISM manufacturing and non-manufacturing indices



Sources: Institute for Supply Management and Haver Analytics.

The **current forecast** anticipates that COVID-19 will be widely contained in 2H21 and 2022. A strong rise in consumption and investment is forecast to provide the two main pillars for a solid recovery. This will be accompanied not only by accommodative monetary policy, but also by further fiscal stimulus and inventory restocking. However, lower-than-expected 1H21 growth is leading annual growth down in 2021, despite a significant pick-up in 2H21. US GDP growth is forecast at 6.1%, compared with 6.4% the previous month.

Table 3 - 3: US economic growth rate and revision, 2021–2022*, %

	US
2021	**6.1**
Change from previous month	-0.3
2022	**4.1**
Change from previous month	0.5

*Note: * 2021-2022 = Forecast.*

Source: OPEC.

Growth in **2022** is forecast to normalise, but will continue to be very well supported by fiscal stimulus, as well as ongoing accommodative monetary policies. These supporting factors and ongoing momentum are forecast to lift growth to a level of 4.1%, compared with 3.6% the previous month. Major uncertainties, mainly associated with the pandemic, remain. Another important concern is that inflation will rise at such a pace that market rates will carry an unexpected dynamic, impairing the ongoing recovery.

OECD Europe

Euro-zone

Update on the latest developments

The Euro-zone's growth dynamic has surprised to the upside so far this year, particularly **in 2Q21, when growth** was stronger than expected. The recovery in contact-intensive sectors was especially strong according to a preliminary estimate by Eurostat, the EU's statistical office. Total GDP growth was revised up for 1Q21 to stand at -1.3% q-o-q SAAR, compared to Eurostat's previous estimate of -2.5% q-o-q SAAR. Growth in 2Q21 was reported at 8.3% – above consensus expectations and comparing with the Secretariat's forecast of 4.5% q-o-q SAAR – with Italy and Spain especially driving the outperformance. Spain reported 2Q21 GDP growth of 11.5% q-o-q SAAR, while Italy's 2Q21 GDP growth stood at 11.1% q-o-q SAAR. These positive developments have led to further improvements in the labour market and consumption, a trend that is forecast to continue into 2H21, albeit at a lower rate than in 2Q21. Moreover, the latest COVID-19 infection numbers in some key economies highlight the fragility of the Euro-zone's recovery, which is very much impacted by the travel and tourism, leisure and hospitality sectors.

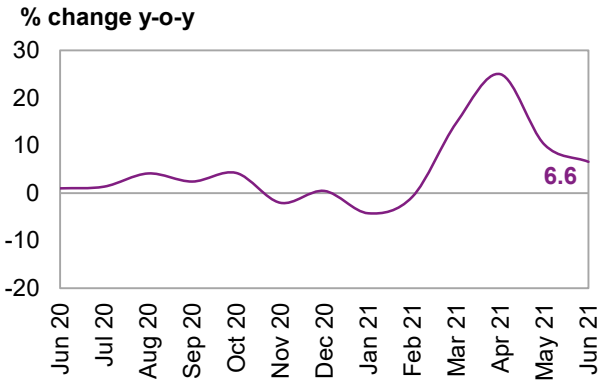
The European Central Bank (ECB) has continued its **accommodative monetary policies** as inflation in the Euro-zone reached 2.4% y-o-y in July compared with 2% y-o-y in June and 1.9% y-o-y in May. When excluding the volatile items of food and energy, inflation stood at only 1.1% y-o-y in July. Positively, lending to the private sector by monetary financial institutions recovered slightly as well, rising to 2.5% y-o-y in June, from 2.2% y-o-y in May. However, almost one-third of lending activity ends up in the real estate sector, while lending to non-financial corporations rose by just 0.6% y-o-y in both June and May, a strong slowdown from 1.8% y-o-y in April.

The **labour market** has continued to improve according to the latest numbers from Eurostat — the unemployment rate stood at 7.7% y-o-y in June, down from 8% in May and 8.1% in April.

Retail sales in value terms have risen and remained high, with growth of 6.6% y-o-y in June, after rising 10.2% y-o-y in May, both on a seasonally adjusted basis. This translates into a monthly increase of 1.9% y-o-y in June, following a rise of 4.3% in May.

Industrial production (IP) rose considerably as well, up by 20.6% y-o-y in May, compared with 38.9% y-o-y in April and 11.3% y-o-y in March.

Graph 3 - 5: Euro-zone retail sales



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

Near-term expectations

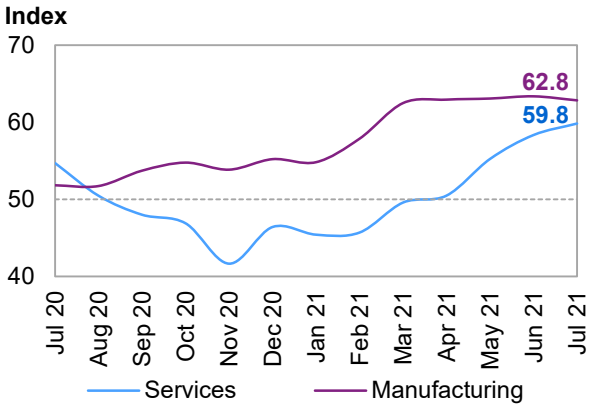
Following **strong growth in 1H21** that was driven by pent-up demand after the end of lockdown measures and an apparent recovery in contact-intensive sectors, growth in 2H21 will remain well supported, but at a slightly lower average level. This forecast, for both 2021 and 2022, is also based on the assumption that COVID-19 containment in 2H21 will support the recovery and not derail the economy. However, recent rises in infections in some parts of the Euro-zone have highlighted the ongoing challenges connected to the pandemic. It remains to be seen whether vaccination rates will achieve sufficient levels towards the autumn and winter to prevent the further spread of the new – and apparently more contagious – variants. As a result, significant uncertainty prevails. Fiscal stimulus and the ongoing accommodative monetary policy by the ECB are counterbalancing the negative impact of the COVID-19 situation.

GDP growth in 2H21 is forecast to slow down on a quarterly basis after reported growth of 1.3% q-o-q SAAR in 1Q21 and 8.3% in 2Q21. GDP growth in 3Q21 is anticipated to reach 7.8% q-o-q SAAR. While this is slightly below the 2Q21 level, it compares with a forecast of 10.8% q-o-q SAAR in the previous month. In 4Q21, growth is forecast at 3.2% q-o-q SAAR, compared with a growth forecast of 5.7% q-o-q SAAR in the previous month. Consequently, quarterly growth could peak in 2Q21.

The July **PMI** for the Euro-zone economy pointed to an ongoing improvement in the manufacturing and services sectors. Momentum in the services sector is forecast to gain significant pace in the coming months, if the COVID-19 situation does not worsen. The PMI for services, the largest sector in the Euro-zone, rose to 59.8 in July from 58.3 in June and 55.2 in May. The manufacturing PMI retracted only slightly to 62.8 in July, compared with 63.4 in June and 63.1 in May.

After the easing of lockdown measures led to a strong recovery in 1H21, the pace is expected to continue and **2021 GDP growth** is forecast at 4.7%, compared with 4.1% in the previous month.

Graph 3 - 6: Euro-zone PMIs



Sources: IHS Markit and Haver Analytics.

GDP growth in **2022** is forecast to slow, similar to other OECD economies, and reach 3.8% compared with a forecast of 3% in the previous month. Hence, the momentum is forecast to remain solid, driven by strong underlying demand in the Euro-zone and a generally improving global economy.

Table 3 - 4: Euro-zone economic growth rate and revision, 2021–2022*, %

	Euro-zone
2021	**4.7**
Change from previous month	0.6
2022	**3.8**
Change from previous month	0.8

*Note: * 2021-2022 = Forecast.*

Source: OPEC.

OECD Asia Pacific

Japan

Update on latest developments

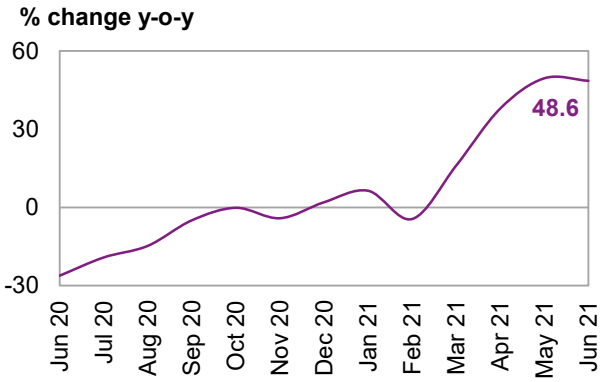
Japan's economy continues to be supported by government-led stimulus in general and external trade. However, domestic demand remains a weak spot amid the numerous lockdown measures that have been implemented since the beginning of the year. Reported COVID-19 infections have risen significantly in recent weeks, with a majority of the newly infected in the younger population. Amid the considerable rise in hospitalisation rates, the government had to tighten conditions for COVID-19 hospitalisation. With relatively unchanged mobility trends, it remains to be seen how the COVID-19 situation will develop, but there is certainly some possibility that it could worsen. The rise in infections comes despite all the newly implemented or extended emergency measures announced by the government. These state of emergency declarations are mostly voluntary, and cover 37% of the population, according to Reuters. While mobility is holding up well, the services sector remains largely impacted by social-distancing measures as reflected in the most recent business and consumer indices. Manufacturing is performing relatively better, supported by external trade. While indicators point to an ongoing improvement in the economy, supported mainly by the industrial sector, the pandemic is preventing the country's full growth potential from unfolding.

Growth in **industrial production (IP)** was very positive again in June on a yearly basis, while the numbers continue to be distorted by the sharp decline last year. June's growth stood at 21.2% y-o-y, compared with 19.8% y-o-y in May and 14.6% y-o-y in April. On a monthly basis, IP increased by 6.1% in June on a seasonally adjusted basis.

Growth in **exports** continued to stage a strong recovery as well, rising by 48.6% y-o-y, after reaching 49.6% y-o-y in May and 38% y-o-y in April on a non-seasonally adjusted basis. However, **retail sales** were significantly impacted by lockdown measures, expanding by only 0.1% y-o-y in June, compared with 8.3% y-o-y in May and 11.9% y-o-y in April. The Summer Olympics are expected to have lifted this low level in July and August, counterbalancing the otherwise low domestic momentum.

Consumer confidence remained almost unchanged, as reported by the Cabinet Office. It stood at 37.4 in July, compared with 37.6 in June and 34.3 in May. This comes despite the newly implemented emergency measures in Tokyo and other major areas.

Graph 3 - 7: Japan's exports



Sources: Ministry of Finance, Japan Tariff Association and Haver Analytics.

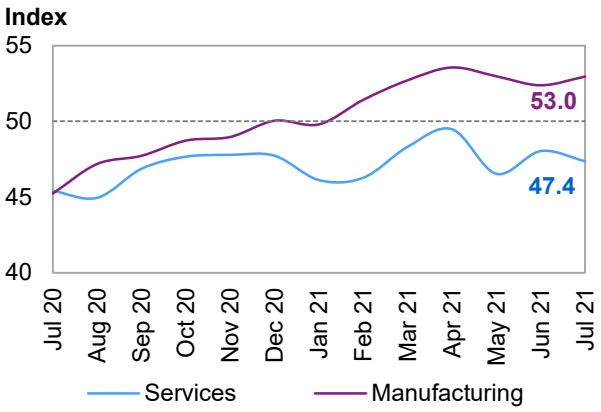
Near-term expectations

Japan's economy remains very much impacted by COVID-19-related developments. While the industrial sector of the economy is doing well, very much supported by exports, domestic demand could provide further upside, if picking up in the coming months. In this respect it remains to be seen how COVID-19 will develop in the country and also how some of the political uncertainties, with likely upcoming elections in autumn, will turn out.

With these somewhat unclear signals, the GDP growth forecasts for both 2021 and 2022 remain unchanged and the economic situation will be monitored closely over the coming weeks to see which direction the GDP growth dynamic will take. As reported by Japan's statistical office 1Q21 GDP declined by 3.9% q-o-q SAAR. Given the ongoing lockdown measures in 2Q21, however, growth is forecast at only 0.4% q-o-q SAAR in this quarter. Quarterly growth in 3Q21 and 4Q21 should then pick up, with the global economy's recovery gaining pace and domestic demand in Japan expected to rise further. Hence, growth is forecast at 7% q-o-q SAAR in 3Q21 before slowing somewhat to reach 5% in 4Q21. However, pandemic-related uncertainties loom large.

The impact of the ongoing lockdowns is also reflected in the latest **PMIs** from July, especially in the services sector, which remains below the growth-indicating level of 50. The PMI for the services sector, which constitutes around two-thirds of the Japanese economy, retracted to 47.4, after rising to 48 in June from 46.5 in May. All PMIs since January were below 50. The manufacturing PMI rose slightly to 53 in July from 52.4 in June and stood at 53 in May.

Graph 3 - 8: Japan's PMIs



Sources: IHS Markit, Nikkei and Haver Analytics.

Additional to the recovery in external trade, GDP growth is expected to remain impacted in the near term by COVID-19-related developments. Stimulus measures are expected to support a recovery in private household consumption, and investment will materialise later in the year and especially once emergency measures are lifted. **GDP growth in 2021** remains unchanged and is forecast at 2.8%. This assumes that COVID-19 will be contained in 2H21.

Table 3 - 5: Japan's economic growth rate and revision, 2021–2022*, %

	Japan
2021	**2.8**
Change from previous month	0.0
2022	**2.0**
Change from previous month	0.0

*Note: * 2021-2022 = Forecast.*

Source: OPEC.

Some of the 2H21 momentum is forecast to carry over into 2022, when GDP growth is anticipated to normalise towards pre-pandemic levels. GDP growth in **2022** is forecast to slow to 2%, supported by ongoing global growth momentum and stabilising domestic demand. This is also unchanged from the previous month.

Non-OECD

China

Update on the latest developments

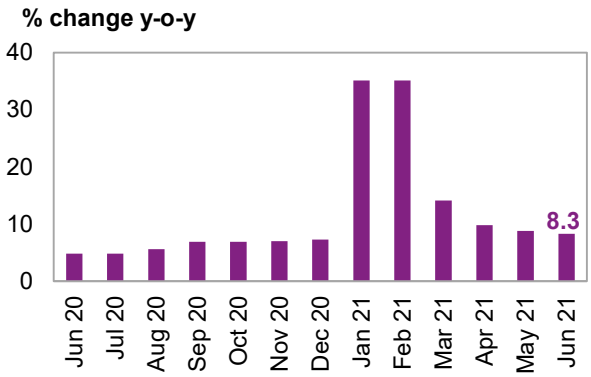
China's real GDP grew by 7.9% y-o-y in 2Q21, down from record growth of 18.3% in 1Q21. The slowdown in recovery momentum was mainly caused by a slowdown in factory activity, higher costs for raw materials, along with COVID-19 outbreaks in some regions.

In 1H21, China's economy expanded by 12.7% amid a low base effect from last year's coronavirus-triggered slump. Recent **major economic indicators** continued to grow at a slow pace amid the newest COVID-19 outbreak and extreme weather conditions.

Retail trade grew by 12.1% y-o-y in June 2021, following a 12.4% gain the previous month, reflecting domestic demand weakness despite an increase in consumer confidence, which rose to 122.80 points in June from 121.80 in May.

Industrial production posted a stable recovery, but on a softer growth rate, recording the lowest growth rate in six months of 8.3% y-o-y in June following expansion of 8.8% y-o-y in May. For 1H21, China's industrial output advanced about 16% y-o-y.

Graph 3 - 9: China's industrial production



Sources: China National Bureau of Statistics and Haver Analytics.

On external demand, China's **trade surplus** expanded to $56.6 billion in July, compared with a surplus of $60.5 billion in July the previous year. This was the largest trade surplus since January 2021 amid the recovery in global demand and high commodity prices.

Exports rose by 19.3% y-o-y to $282.7 billion, while **imports** jumped 28.1% y-o-y to $226.1 billion. However, the unforeseen growth in external demand might slow if global consumption moves primarily towards service demand. The country's **trade surplus with the US** increased to $35.4 billion in July from $32.6 billion in June.

China's annual **inflation rate** dropped slightly to 1.0% y-o-y in July from 1.1% y-o-y in the previous month, amid a steeper decline in food costs. Meanwhile, **producer prices** rose to 9.0% y-o-y in July, after seeing a 8.8% y-o-y gain in June.

On the policy front, the People's Bank of China (PBoC) cut the amount of cash most banks must hold in reserve in order to boost lending, as economic growth began to falter. The PBoC trimmed the **reserve requirement ratio** by 0.5 pp for most banks, freeing up about 1 trillion yuan ($155 billion) of long-term liquidity for the economy.

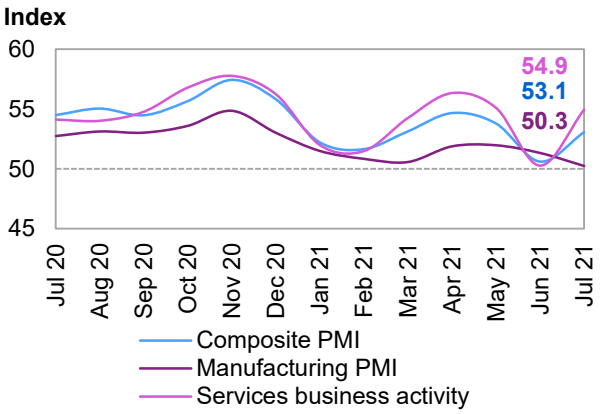
Near-term expectations

GDP growth in 2Q21 of 7.9% y-o-y indicates a solid increase of 2.4% q-o-q. These figures confirm the stable economic recovery for China and the ease at which the country will achieve its official 6% growth target for 2021. However, China has recently been hit by a renewed COVID-19 variant outbreak, combined with extreme weather conditions, which may weigh on economic activities, particularly from the supply side.

Indeed, the impact of these downside growth factors has been reflected in China's **manufacturing PMI**, which fell to 50.3 in July, from 51.3 in June. This was the lowest reading since April 2020, due to the Delta variant outbreak in Nanjing, higher commodity costs and extreme weather.

In contrast, the **services PMI** edged up to 54.9 in July from a 14-month low of 50.3 in June. This indeed points to a sharp and accelerated expansion in the services sector, driven by increased growth in new export business. Looking ahead, according to IHS survey, business sentiment might continue to pick up, though it remained softer than seen on average over the PMI's series history.

Graph 3 - 10: China's PMI



Sources: Caixin, IHS Markit and Haver Analytics.

Considering recent economic developments, **China's real GDP growth for 2021** remains unchanged from the previous month at 8.5% y-o-y.

The **2022** forecast is revised down to 6.0% from 6.8% the previous month, considering the slower growth rate in most economics activities. Most important is to address concerns around the newest virus outbreak, the uncertain pandemic path at the global level, along with the ability of China's economy to expand above the average target of 6%.

Table 3 - 6: China's economic growth rate and revision, 2021–2022*, %

	China
2021	**8.5**
Change from previous month	0.0
2022	**6.0**
Change from previous month	-0.3

*Note: * 2021-2022 = Forecast.*

Source: OPEC.

Other Asia

India

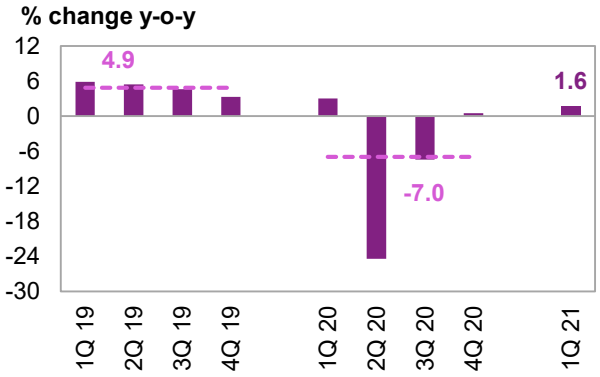
Update on the latest developments

India's mobility and economic indicators continued to record a sustained recovery amid a pick-up in the pace of vaccination. Yet, the recovery stalled in July, as the lingering risk of the Delta variant weighed on economic activity, especially at the state level due to localized surges of the infection.

Labour market pressure continued to ease as the jobless rate dropped to 7.0% in July from 9.2% in June. Nevertheless, unemployment remains high compared with pre-pandemic levels.

Passenger vehicle sales reported a significant expansion in July, rising on a seasonally adjusted monthly base by 105%, with car sales rising by 115%; two-wheelers by 153%; and tractor sales by 57%.

Graph 3 - 11: India's GDP quarterly growth



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

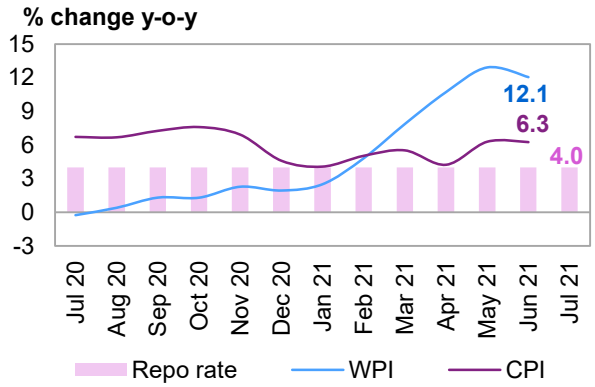
However, the latest-available **consumer confidence** indictor dropped to 48.50 points in May from 53.10 in March.

A build in inflationary pressures in India continued to stress that country's economic outlook. **Consumer prices** surged by 6.3% y-o-y in June, suppressing the upper limit of the Reserve Bank of India (RBI)'s medium-term inflation target range of 2-6%.

The **wholesale price index (WPI)** reached 12.1% amid supply bottlenecks that have emerged because of local restrictions introduced to manage India's new wave of COVID-19.

The RBI left the **repo rate** at 4% and the reverse repo rate at 3.4%, maintaining an accommodative monetary policy stance aimed at supporting the economic recovery and helping to mitigate the negative impacts of COVID-19. Meanwhile, the RBI announced that it would buy INR1.2 trillion worth of bonds in 3Q21, along with the current quantitative easing programme called G-SAP 1.0.

Graph 3 - 12: Repo rate and inflation in India

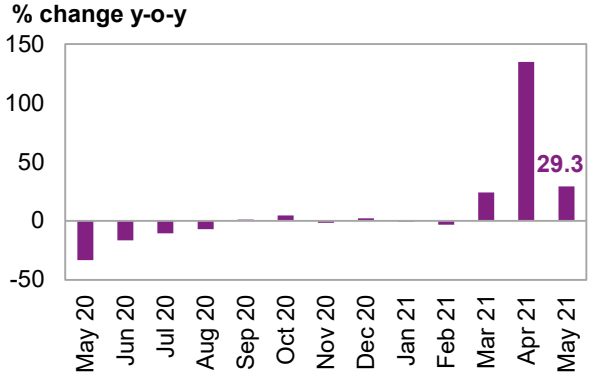


Sources: Ministry of Commerce and Industry, Reserve Bank of India and Haver Analytics.

Industrial production increased by 29.3% y-o-y in May, following a jump of 134.6% y-o-y in April.

Based on the impact of the low comparison year, it is clear that regional lockdowns to contain the new Delta variant of COVID-19 have slowed industrial activity.

Graph 3 - 13: India's industrial production

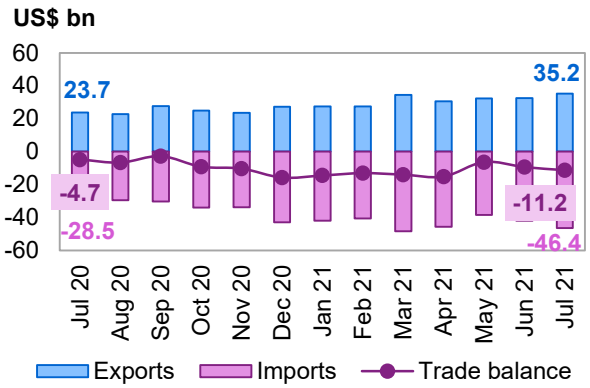


Sources: Ministry of Statistics and Program Implementation of India and Haver Analytics.

With regard to external demand, July preliminary estimates showed a surge in merchandise flows, marking a robust recovery in external and domestic demand. However, the trade deficit widened substantially, as growth in imports outpaced that of exports.

India's **trade deficit** stood at $11.2 billion in June. **Exports** increased to $35.2 billion, while **imports** increased to $46.4 billion.

Graph 3 - 14: India's trade balance



Sources: Ministry of Commerce and Industry and Haver Analytics.

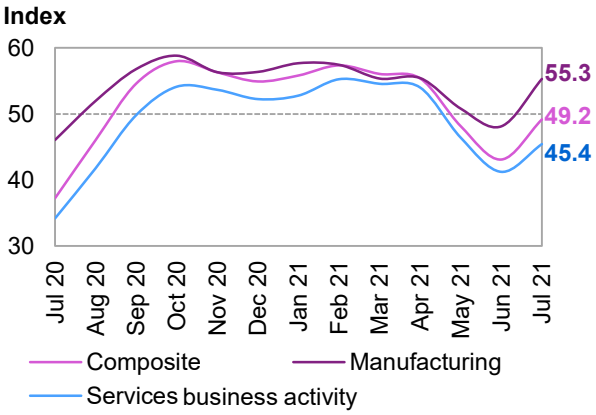
Near-term expectations

The spread of the Delta variant and quick rate of vaccination are the main two factors determining the short-term outlook for the economic recovery in India. An uptick in new regional infections has definitely undermined confidence, as it threatens to bring with it ongoing partial restrictions, suggesting that the resections may last until the end of 3Q21. Moreover, despite the faster rollout of vaccinations, more than half the population in the most populous and economically important states have yet to receive their first dose.

For the time being, PMI indices support a soft, stable recovery, as the **manufacturing PMI** jumped to 55.3 in July, from 48.1 in June. The current reading is driven by growth in manufacturing output, new orders, exports, quantity of purchases and input stocks, which all returned to expansion territory.

Similarly, the **services PMI** increased to 45.4 in July from 41.2 in June, though the reading marked the third-straight month of contraction in the sector.

Graph 3 - 15: India's PMIs



Sources: IHS Markit and Haver Analytics.

Looking ahead, the economic atmosphere and sentiment may tend to become more pessimistic amid concerns over inflation, financial stress and pandemic development at both the local and global levels. Addressing those concerns and recent macroeconomic developments, **India's 2021 GDP growth** was revised down to 9.3% from 9.5% in June's MOMR.

The forecast for **2022** real GDP growth was kept unchanged at 6.8%.

Table 3 - 7: India's economic growth rate and revision, 2021–2022*, %

	India
2021	**9.3**
Change from previous month	-0.2
2022	**6.8**
Change from previous month	0.0

*Note: * 2021-2022 = Forecast.*

Source: OPEC.

Latin America

Brazil

Update on latest developments

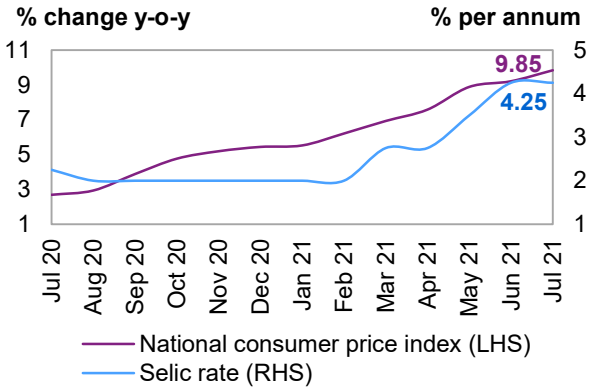
Brazil's major economic activities headed towards recovery despite concerns over the recent pandemic wave. Indeed, current indicators suggest that 2Q21 real GDP might have returned to pre-pandemic levels faster than the rest of Latin America. Moreover, the vaccination rate keeps increasing, which has noticeably helped in tempering the latest wave of COVID-19 fatalities.

Industrial production rose 12% y-o-y in the month of June compared with 24% y-o-y the previous month. The **consumer confidence index** jumped to 80.3% in June from 76.5% in May. Similarly, **retail sales** rose 16% in May over the same month in 2020.

Pressure on the labour market continued to marginally decline. The most recent available unemployment data for May show that the **jobless rate** was 14.6%, 0.1 pp less than April's rate. However, the three-month moving average in March–May hit a record high of 14.6% compared with the three-month moving average from January–April. High unemployment rates caused by the re-imposition of lockdowns across the country and the cancellation of Carnival amid the resurgence of COVID-19 infections affected 1H21.

One of the major concerning indictors is the **inflation rate**, which has been climbing, threating the short-term recovery. The consumer price index peaked at 9.85% in July from 9.22% in June. This was the highest inflation rate since September 2016 and also marked the 14th consecutive month of CPI acceleration amid the effects of COVID-19.

Graph 3 - 16: Brazil's inflation vs. interest rate



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

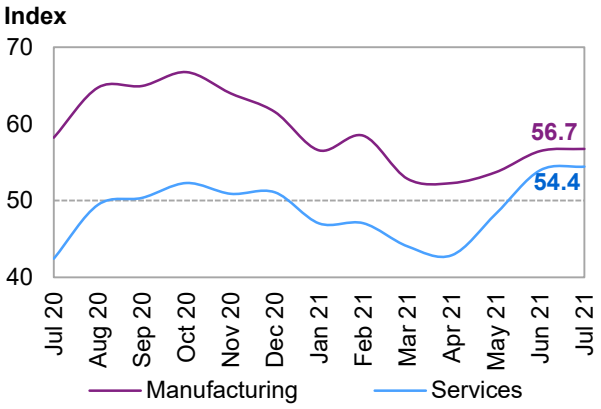
In response to inflationary concerns, Brazilian central bank continued with policy rate normalization and raised the **Selic rate** by an additional 100 bps to 5.25% in August from 4.25% in July. This marked the fifth consecutive increase since the central bank began tightening its monetary policy in late March. Most likely the BCB will tighten more sharply if the inflation trend continues to deteriorate. Earlier, the government approved a new round of support known as the "corona voucher", which should contribute to the economic recovery. However, fiscal policy is anticipated to be highly contractionary in the short and medium term to offset massive spending in 2020.

Near-term expectations

In 1H21, the economy of Brazil appeared to be back to pre-pandemic levels, becoming more resilient than expected, despite the recent rise in COVID-19 infections. Increasing vaccination rates should support the reopening of the economy more fully.

The recent PMI reading mirrored this boost in economic activity. The **manufacturing PMI** rose to 56.7 in July from 56.4 in June, with the slight pick-up in the reading marking the sharpest growth in the sector since February and bringing it above the long-term average recorded by IHS Markit.

Graph 3 - 17: Brazil's PMIs



Sources: IHS Markit and Haver Analytics.

Likewise, the **services PMI** reading for July rose to 54.4 from 53.9 in June, recording the second month of expansion in the sector amid improvements in demand conditions driven by the quick accumulation of service business volumes.

Nevertheless, the inflation risk might elevate, even in the services sector. To date, services inflation has been muted, but considering the pickup in services demand, services inflation might rise as well, adding additional pressure to soaring overall price levels.

Moreover, fiscal risks might return to the fore in the near future, as the new round of "corona vouchers" will end this year. Additionally, the government might consider boosting its social spending to support the current administration in the upcoming October 2022 presidential election. The end of the voucher might impact household short-term spending, while boosting social spending might weakening the Brazilian real, negatively affecting the economy.

Overall, the near-term outlook for Brazil's economy is quite positive, supported by hopes of greater vaccine availability and the potential retreat of COVID-19.

In response to recent developments, **2021** real GDP growth forecast was revised up to 4.2% from 3.2% in the last MOMR.

In **2022**, the GDP is forecast to advance 2.5%, with more risk to the downside considering inflationary pressures, fiscal concerns and political uncertainties over the next year, along with the development of the pandemic both domestically and globally.

Table 3 - 8: Brazil's economic growth rate and revision, 2021–2022*, %

	Brazil
2021	**4.2**
Change from previous month	1.0
2022	**2.5**
Change from previous month	0.0

*Note: * 2021-2022 = Forecast.*

Source: OPEC.

Africa

South Africa

Update on the latest developments

In **South Africa,** external demand has been noticeably booming. According to provisional data from the South African Revenue Service, 2Q21 exports climbed by 81.3% y-o-y to R487bn (US$34.4bn), while imports surged by 34.7% to R328bn. The trade balance stands at a quarterly surplus of R159bn, which is an all-time high record. Aside from the external demand surge, the riots and looting that took place in KwaZulu-Natal and Gauteng, along with the fourth COVID-19 wave, may threaten the country's positive economic recovery. Currently, there is a gradual easing of strict containment measures, which were imposed for four weeks. The impact on the recovery has been highly pronounced in both the labour market and overall price levels.

Recent labour market data suggest that unemployment rose to 32.6% in 1Q21, the highest rate since comparable data started to be released in 2008. The expanded definition of unemployment rose to 43.2% in 1Q21, up from 42.6% in 4Q20. Moreover, the unemployment rate among job-seekers between 15 and 24 years hit a record high of 63.3%.

Recent consumer price levels slightly eased to 5% in June from 5.2% y-o-y in May, though this is still above the 4.5% midpoint of the South African Reserve Bank's monetary policy target range of 3-6%. Part of the higher price pressure is due to last year's low base. However, the core inflation rate, which excludes volatile items, surged to 3.2% in June, the highest rate since January 2021.

Near-term expectations

The impact of the last containment measures to manage COVID-19 cases and the political tension following recent riots might erase the positive economic gains accumulated in 1H21. However, the gradual lifting of restrictions, along with the external demand boom, may keep the recovery on track. At present, the RMB/BER business confidence index increased in 2Q21 to well above pre-pandemic levels to 50 from 35 in 1Q21, as confidence rebounded sharply in manufacturing, the retail trade and the motor industry. In contrast, South Africa's Absa manufacturing PMI dropped sharply to 43.5 in July from 57.4 in June, marking the sharpest deterioration in business conditions since May of 2020.

For **2021**, addressing the additional boost in external demand, South Africa's 2021 GDP forecast was revised slightly up to 3.5% from 3.3% last month, which already took into account the impact of the new four-week restrictions.

The economy is forecast to advance 2.5% in **2022**, unchanged from the last MOMR. The potential upsides for the forecast include post-pandemic plan priorities investment, job creation and power supply. Downside risks include the acceleration of political tension and a fast-spreading of the current wave of COVID-19, leading to additional lockdowns.

Table 3 - 9: South Africa's economic growth rate and revision, 2021–2022*, %

	South Africa
2021	**3.5**
Change from previous month	0.2
2022	**2.5**
Change from previous month	0.0

*Note: * 2021-2022 = Forecast.*

Source: OPEC.

Russia and Central Asia

Russia

Update on the latest developments

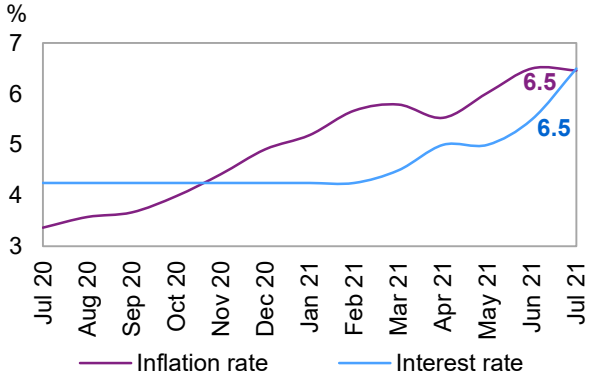
Despite the current wave of COVID-19 infections, Russia's economic indicators continued to expand, though at a softer rate, partially due to the diminishing of low comparison base year impacts. Industrial production advanced for the fourth month in a row in June to 10.4% y-o-y following a revised figure of 12.3% y-o-y in May. Retail sales grew as well, by 10.9% y-o-y, following a 27.2% jump the previous month. Additionally, car sales edged up 29% y-o-y in June.

Inflationary pressures continued to weigh on the recovery, despite that fact that July's **inflation rate** stood at 6.5%, unchanged from last month. Indeed the inflation rate was still well above Russia's central bank target of 4%, according to data released by Rosstat.

In response to soaring inflation rates, the Central Bank of the Russian Federation (CBR) raised the **policy rate** by another 100 basis points to 6.5% in July and anticipates an upcoming increase if inflation pressures continue at the same level.

Meanwhile, the central bank increased its annual inflation forecasts to 5.7-6.2% in 2021 and 4.0-4.5% in 2022. The CBR noted that the global economy was recovering faster than anticipated, driving demand for many key goods to outpace supply.

Graph 3 - 18: Russia's inflation vs. interest rate



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

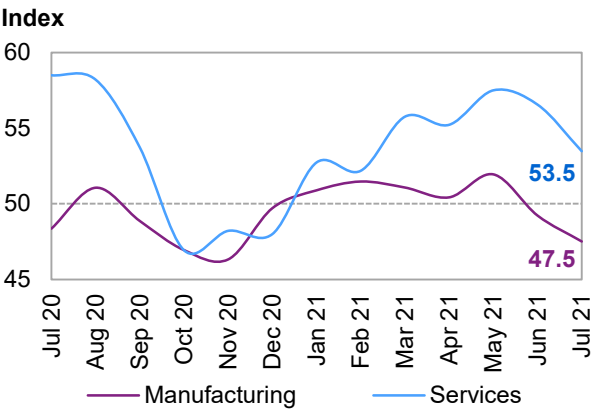
Near-term expectations

Russia's economic recovery received support from higher oil prices and appeared to mainly back to pre-pandemic levels. Yet, the ongoing COVID-19 wave leaves uncertainties high and weighs on progress in economic activities.

In July, PMI indices kept rolling back amid slower growth in both manufacturing and services output. The **manufacturing PMI** dropped to 47.5 in July from 49.2 the previous month.

Similarly, the **services PMI** fell to 53.5 from 56.5 in June; however this reading marked the seventh-straight month of services output holding above the 50-point threshold level.

Graph 3 - 19: Russia's PMI



Sources: IHS Markit and Haver Analytics.

Considering recent developments related to macroeconomic indicators, along with ongoing increases in oil prices, **Russia's GDP forecast in 2021** was revised up to 3.2% from last month 3%. The economy is most likely on a recovery track to pre-pandemic levels, supported by improving oil prices.

Moreover, in **2022** the real GDP is forecast to expand by 2.5%, an upward revision from last month's forecast of 2.3%.

Table 3 - 10: Russia's economic growth rate and revision, 2021–2022*, %

	Russia
2021	**3.2**
Change from previous month	0.2
2022	**2.5**
Change from previous month	0.2

*Note: * 2021-2022 = Forecast.*

Source: OPEC.

Elevated inflationary pressure and a significant rise in the number of new COVID-19 cases would create downward pressure on the current forecast. But for now, vaccination programmes are gaining momentum amid increased governmental pressure on the population to get vaccinated, adding further growth potential for the Russian economy.

OPEC Member Countries

Saudi Arabia

Saudi Arabia's real GDP expanded by 1.5% y-o-y in 2Q21, following a 3% contraction in 1Q21. This was the first economic expansion since 2Q19. Non-oil economic activities advanced by 10.1% y-o-y. On a seasonally adjusted quarterly basis, the economy advanced by 1.1%. In July, the non-oil manufacturing PMI dropped to 55.8 from 56.4 in June, recording the lowest index since April 2021 amid concerns over the path of the global pandemic. Nevertheless, it still points to a good growth in the manufacturing sector over the short term.

Nigeria

July PMI readings continued to be above the threshold level of 50 points for the second month in a row in Nigeria, pointing to an improvement in business conditions and a recovery in non-oil activities. In July, the Stanbic IBTC Bank of Nigeria PMI rose to 55.4, up from 53.6 in June. This was the strongest reading since January 2020, amid faster growth in non-oil output, new orders, purchases and higher employment. The average reading for 2Q21 also came in at 53.6, which is higher than the 1Q21 average of 51.9. Although there is optimism about output prospects going forward, uncertainties remain high due to the Delta variant. Additionally, price pressures increased as the CPI reached 17.8% y-o-y in July, though it has slightly eased from the 17.9% y-o-y seen in June. CPI edged up on a monthly basis by 1.1%, following 1.0% the previous month.

The United Arab Emirates (UAE)

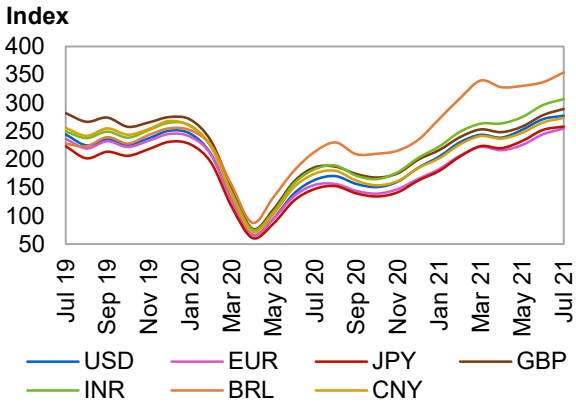
The IHS Markit United Arab Emirates PMI edged up to 54 in July from 52.2 in June, marking the highest reading since July 2019. The current PMI increase reflected the ongoing demand rebound from the COVID-19 pandemic. Indeed, business conditions in the United Arab Emirates improved most since 2019 as pandemic restrictions eased. Nevertheless, lockdown measures in other parts of the world impacted external demand in July, as firms turned to local clients for support. However, the growth outlook remained high, as the postponed Expo 2020 should strengthen economic conditions in the short term.

The impact of the US dollar (USD) and inflation on oil prices

The **US dollar (USD)** continued its ascending trend **against the major currencies** in July with the prospect of a relatively tighter monetary policy stance by the US Federal Reserve in view of a faster economic recovery in the US, including above-target inflation readings vis a vis major counterparts. The dollar rose on average by 1.9% against the euro m-o-m, by 1.0% against the Swiss franc and by 1.6% against the pound sterling. However, it was relatively flat against the yen.

The dollar also strengthened **against emerging market currencies**. It rose by 0.8% against the Chinese yuan, and by 1.3% against the Indian rupee. Meanwhile, it rose by 1.9% against the Russian ruble and by 2.5% against the Brazilian real, despite some recent hikes by both countries' central banks. Against the Mexican peso, the dollar lost 0.3%.

Graph 3 - 20: ORB crude oil price index compared with different currencies (base January 2016 = 100)



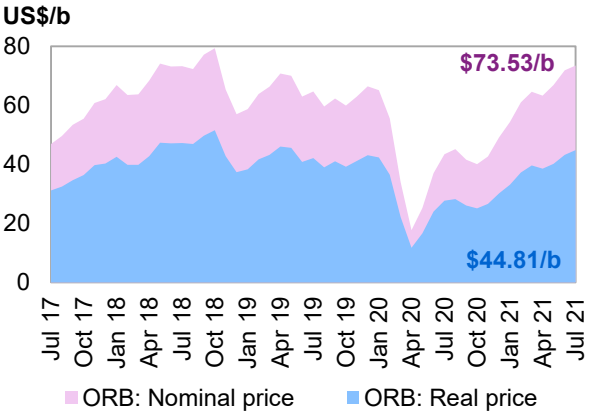
Sources: IMF and OPEC.

In **nominal terms**, the price of the ORB increased by $1.64, or 2.3%, from $71.89/b in June to reach $73.53/b in July.

In **real terms**, after accounting for inflation and currency fluctuations, the ORB increased to $44.81/b in July from a revised $43.24/b (base June 2001=100) the previous month.

Over the same period, the **USD** increased by 1.2% against the import-weighted modified Geneva I + USD basket, while inflation was relatively stable m-o-m.

Graph 3 - 21: Impact of inflation and currency fluctuations on the spot ORB price (base June 2001 = 100)



Source: OPEC.

World Oil Demand

World oil demand growth in 2021 remains unchanged from last month's report. This is despite the upward revision to GDP growth, as the rising economic recovery is projected to take place mainly in non-oil-intensive sectors. Total global oil demand is estimated to increase by around 6.0 mb/d to 96.6 mb/d. However, some revisions were taken into account in 1Q21 due to slower-than-anticipated demand in OECD Americas and offset by better-than-expected data from non-OECD countries in 2Q21.

In the OECD, oil demand is expected to increase by 2.6 mb/d, around 0.1 mb/d lower than last month's estimation, and reach 44.6 mb/d. Weaker-than-anticipated demand for gasoline due to mobility limitations in 1Q21 affected overall demand negatively. Similarly, a slower recovery in a number of countries in OECD Asia Pacific due to COVID-19 containment measures reduced demand for transportation fuels. In the non-OECD, oil demand is expected to increase by 3.4 mb/d, some 0.1 mb/d higher than last month's report, to reach 51.9 mb/d. Better-than-expected 2Q21 data from the Middle East and Africa supported by recovery in industrial fuels encouraged this upward revision. On the other hand, sluggish mobility data in India necessitated some downward revision to 2Q21 figures, slightly counterbalancing the upward revisions in the other regions.

In 2022, world oil demand is projected to increase by 3.3 mb/d y-o-y, also unchanged from last month's expectations, as the upward revision to 2022 GDP is assumed to take place mostly in non-oil intensive sectors. Total world oil demand is projected to surpass 100 mb/d in 2H22 and reach 99.9 mb/d on average for 2022. Economic growth is forecast to pick up on the back of massive stimulus packages. Additionally, the COVID-19 pandemic is anticipated to be under control, supported by vaccination programmes and improved treatment, allowing for steadily rising oil demand in both the OECD and non-OECD.

In the OECD, oil demand for next year is estimated to increase by 1.5 mb/d, led by OECD Americas, while OECD Europe and Asia Pacific are projected to rise but remain below 2019 consumption levels. Gasoline, diesel and light distillates are expected to lead oil demand growth in 2022 as miles travelled gradually recover, the industrial sector picks up steam, and amid the ramping up and commissioning of ethane crackers. In the non-OECD, oil demand is anticipated to grow by 1.8 mb/d, led by China, Other Asia and India. However, demand in China and India are projected to outstrip pre-COVID-19 levels, supported by a healthy rise in demand for transportation and industrial fuels. Demand in Other Asia, Latin America and the Middle East is anticipated to be strong, especially in Other Asia, supported by increases in mobility and progressing industrial sector.

Table 4 - 1: World oil demand in 2021*, mb/d

							Change 2021/20	
World oil demand	**2020**	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**2021**	**Growth**	**%**
Americas	22.56	22.89	24.73	24.84	24.75	24.31	1.75	7.77
of which US	*18.44*	*18.79*	*20.11*	*20.34*	*20.45*	*19.93*	*1.49*	*8.06*
Europe	12.43	11.89	12.72	13.61	13.70	12.99	0.56	4.51
Asia Pacific	7.07	7.61	7.07	7.16	7.51	7.34	0.27	3.81
Total OECD	**42.06**	**42.38**	**44.52**	**45.61**	**45.97**	**44.64**	**2.58**	**6.14**
China	13.19	12.95	14.27	14.93	15.05	14.30	1.11	8.43
India	4.51	4.94	4.42	4.91	5.61	4.97	0.46	10.27
Other Asia	8.13	8.36	8.98	8.54	8.59	8.62	0.49	5.99
Latin America	6.01	6.15	6.16	6.46	6.40	6.29	0.28	4.68
Middle East	7.55	7.95	7.77	8.24	7.97	7.99	0.44	5.84
Africa	4.08	4.39	4.06	4.16	4.48	4.27	0.19	4.64
Russia	3.37	3.57	3.42	3.57	3.74	3.57	0.21	6.14
Other Eurasia	1.07	1.18	1.24	1.14	1.28	1.21	0.14	12.59
Other Europe	0.65	0.73	0.67	0.68	0.74	0.70	0.06	8.89
Total Non-OECD	**48.56**	**50.23**	**50.99**	**52.62**	**53.85**	**51.93**	**3.37**	**6.94**
Total World	**90.62**	**92.61**	**95.51**	**98.23**	**99.82**	**96.57**	**5.95**	**6.57**
Previous Estimate	90.62	92.81	95.31	98.23	99.82	96.58	5.96	6.57
Revision	0.00	-0.20	0.20	0.00	0.00	0.00	0.00	0.00

*Note: * 2021 = Forecast. Totals may not add up due to independent rounding. Source: OPEC.*

Table 4 - 2: World oil demand in 2022*, mb/d

World oil demand	2021	1Q22	2Q22	3Q22	4Q22	2022	Change 2022/21 Growth	Change 2022/21 %
Americas	24.31	24.12	25.64	25.72	25.55	25.27	0.95	3.93
of which US	*19.93*	*19.85*	*20.89*	*21.11*	*21.17*	*20.76*	*0.83*	*4.17*
Europe	12.99	12.38	13.14	14.01	14.03	13.40	0.41	3.17
Asia Pacific	7.34	7.85	7.26	7.29	7.62	7.51	0.17	2.28
Total OECD	**44.64**	**44.36**	**46.03**	**47.02**	**47.21**	**46.17**	**1.53**	**3.43**
China	14.30	13.50	14.75	15.32	15.44	14.76	0.45	3.16
India	4.97	5.28	4.65	5.14	5.88	5.24	0.27	5.35
Other Asia	8.62	8.78	9.29	8.82	8.86	8.94	0.32	3.71
Latin America	6.29	6.39	6.34	6.61	6.56	6.48	0.18	2.89
Middle East	7.99	8.29	8.01	8.49	8.20	8.25	0.26	3.31
Africa	4.27	4.57	4.19	4.28	4.61	4.41	0.14	3.27
Russia	3.57	3.67	3.47	3.62	3.79	3.64	0.07	1.83
Other Eurasia	1.21	1.25	1.28	1.17	1.32	1.25	0.05	3.72
Other Europe	0.70	0.75	0.68	0.69	0.76	0.72	0.02	2.34
Total Non-OECD	**51.93**	**52.48**	**52.67**	**54.15**	**55.41**	**53.68**	**1.75**	**3.37**
Total World	**96.57**	**96.83**	**98.71**	**101.17**	**102.62**	**99.86**	**3.28**	**3.40**
Previous Estimate	96.58	97.03	98.52	101.17	102.62	99.86	3.28	3.40
Revision	0.00	-0.20	0.19	0.00	0.00	0.00	0.00	0.00

*Note: * 2021-2022 = Forecast. Totals may not add up due to independent rounding. Source: OPEC.*

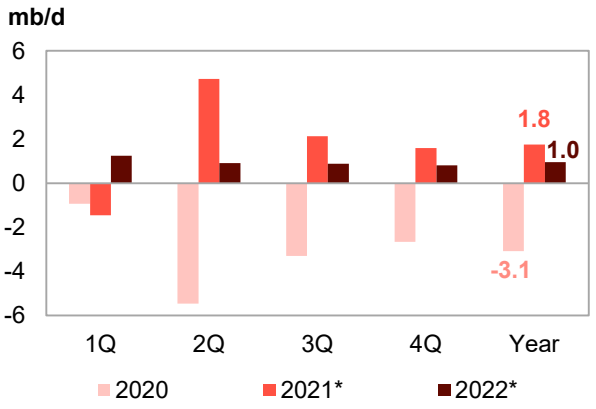
OECD

OECD Americas

Update on the latest developments

The latest available oil demand data in **OECD Americas** implies an increase of 3.4 mb/d y-o-y in **May**, following an increase of 5.3 mb/d y-o-y in April. More than 65% of this increase stems from a rebound in demand for road transportation fuels, particularly gasoline, while jet fuel demand continued to rise and grew by 0.8 mb/d y-o-y, yet remained approximately 30% lower than pre-COVID-19 levels. Gasoline demand posted substantial gains of 2.2 mb/d y-o-y for the third month in a row and in line with a rebound in travel following a historic drop in May 2020. Demand for transportation fuels, as well as total petroleum product demand, remained below May 2019 levels by almost 2.0 mb/d. On top of the low May 2020 baseline, all countries in the region posted solid gains as demand rebounded the most in the US, followed by Canada, Mexico and Chile.

Graph 4 - 1: OECD Americas oil demand, y-o-y change



*Note: * 2021-2022 = Forecast. Source: OPEC.*

The latest available **US** monthly data for **May** implies US oil demand rose by approximately 4.0 mb/d y-o-y, making up 93% of the losses incurred during the historic drop in May 2020, but remained almost 1.4 mb/d lower than May 2019. Gasoline and jet kerosene requirements contributed the most to the increase, with gasoline gaining 1.9 mb/d y-o-y and jet/kerosene rising by 0.7 mb/d y-o-y in May 2021. Both fuels fell sharply in May 2020, by 2.3 mb/d and 1.2 mb/d y-o-y, respectively. According to the Federal Highway Administration (FHA), vehicle miles of travel in the US increased by 28.7% y-o-y in May this year after rising by 54.9% y-o-y in April. In May 2020, the indicator fell by more than 25% y-o-y. Light vehicle retail sales, as reported by Autodata and Haver Analytics, were at 17.2 million units according to seasonally adjusted annual rates (SAAR), compared with 18.8 million units in April. Historical figures show total sales of 12.1 million units in May 2020 and 17.4 million units in April 2019. Industrial production, a leading indicator for industrial fuel demand, rose by 16.2% y-o-y in May after increasing by 17.6% y-o-y in April. The indicator remained flat in May 2019, according to Federal Reserve Board data. Diesel demand was higher by 0.3 mb/d y-o-y in May 2021 following

an increase of 0.5 mb/d in April. Preliminary data for June, based on weekly input, indicates the continuation of a recovery in transportation fuel performance, with both gasoline and jet kerosene increasing by more than 1.6 mb/d y-o-y collectively. Diesel is foreseen to increase by 0.4 mb/d y-o-y in June 2021.

Table 4 - 3: US oil demand, mb/d

By product	May 20	May 21	Change May 21/May 20 Growth	%
LPG	2.75	3.24	0.49	17.9
Naphtha	0.16	0.21	0.05	33.8
Gasoline	7.19	9.14	1.95	27.1
Jet/kerosene	0.60	1.32	0.72	121.3
Diesel	3.53	3.87	0.34	9.7
Fuel oil	0.08	0.26	0.18	219.8
Other products	2.09	2.34	0.25	12.2
Total	**16.39**	**20.38**	**3.99**	**24.3**

Note: Totals may not add up due to independent rounding. Sources: EIA and OPEC.

Near-term expectations

Careful optimism dominates the short-term future demand in the region. The vaccination rollout and the overall management of the COVID-19 pandemic underlie the optimism, together with massive stimulus programmes, high household savings, improvements in employment rates and a reduction or complete withdrawal of COVID-19 measures. These factors support a positive outlook for oil demand during the **2H21**. At the same time, the outlook could remain challenged by COVID-19 developments, particularly during the emergence of colder weather in the 4Q21, and the appearance of new variants and possible government countermeasures. Transportation fuel demand correlates strongly with the overall economy and in particular with unemployment rates and fuel retail prices. While 3Q21 appears to be promising in terms of travel activities, risks from the impact of COVID-19 on consumer behaviour, as well as the effectiveness of vaccination programmes, are to be monitored closely going forward.

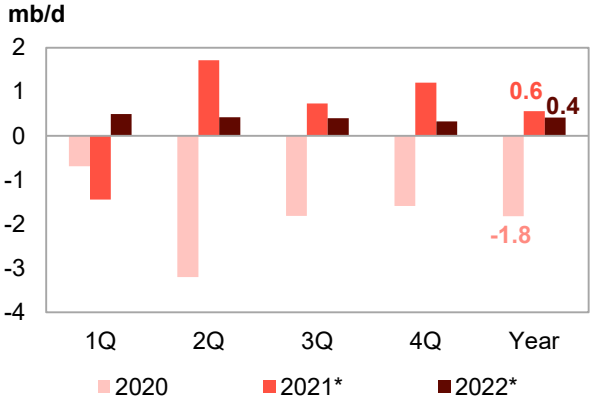
In **2022**, OECD Americas oil demand is forecasted to increase by around 1.0 mb/d y-o-y with US oil demand accounting for more than 0.8 mb/d y-o-y. Forecasted demand growth is supported by solid economic performance. The petrochemical and transportation sectors will require more oil during 2022. Gasoline demand will be backed by improved employment rates and increases in vehicle sales, despite the continuous penetration of alternative fuel vehicles. Expansion in the petrochemical industry and consequently healthy petrochemical margins will provide support to light distillates in 2022. On the other hand, challenges remain, such as reduced business travel, a continuation in fuel substitution programmes, and fuel efficiency gains.

OECD Europe

Update on the latest developments

OECD Europe oil demand rose by a strong 1.8 mb/d y-o-y in **May**, following an increase of more than 1.9 mb/d y-o-y in April. Demand for most petroleum product categories posted large y-o-y gains, as a result of the low historical baseline and the removal of restrictions in almost all countries in the region amid increasing vaccination rates and falling COVID-19 infection cases. The strongest gains were for gasoline, diesel, jet/kerosene and light distillates. Demand for naphtha remained higher y-o-y, and recorded healthy growth of more than 0.1 mb/d, since the 4Q20. The regions' petrochemical industry has experienced a rebound during the COVID-19 pandemic, in line with sharply increasing usage of sanitary plastics. Demand for transportation fuels returned with diesel, gasoline and jet/kerosene registering solid gains amid huge travel demand demand following an 18-month slowdown. Lower numbers of COVID-19 cases, in combination with substantial improvements in vaccine rollouts, led governments to remove strict containment measures and policies that hindered business and leisure travel.

Graph 4 - 2: OECD Europe's oil demand, y-o-y change



*Note: * 2021-2022 = Forecast. Source: OPEC.*

Table 4 - 4: Europe's Big 4* oil demand, mb/d

By product	May 20	May 21	Change May 21/May 20 Growth	%
LPG	0.33	0.45	0.12	35.4
Naphtha	0.51	0.54	0.03	6.7
Gasoline	0.75	1.09	0.34	44.9
Jet/kerosene	0.26	0.33	0.07	26.3
Diesel	2.65	2.80	0.15	5.8
Fuel oil	0.14	0.19	0.06	41.2
Other products	0.39	0.48	0.09	23.9
Total	**5.02**	**5.88**	**0.86**	**17.1**

*Note: * Germany, France, Italy and the UK. Totals may not add up due to independent rounding.*

Sources: JODI, UK Department for Business, Energy & Industrial Strategy, Unione Petrolifera and OPEC.

Demand in the **UK** grew the most, by 0.5 mb/d, followed by **Italy**, 0.3 mb/d, and **France**, 0.2 mb/d, y-o-y. In **Germany**, as many COVID-19 measures remained in place during May 2021, oil demand fell by almost 0.2 mb/d y-o-y. Substantial oil demand gains were also observed in all other regional countries, coupled with decreasing stringency indexes. Travelling across borders and within the region became less restrictive both on the road as well as in the air, sharply increasing leisure activities. The industrial production index, which excludes construction, rose sharply as compared to the same month in 2020, as reported by Eurostat and Haver Analytics. New passenger car registrations rose almost 53% y-o-y, following a huge 264% y-o-y increase in April. Unemployment rates fell m-o-m, yet rose y-o-y.

Near-term expectations

The outlook for **2021** remains resilient, despite COVID-19-related containment efforts during the first four months of the year and as challenges in vaccination rollouts inevitably implied the re-introduction of stringent measures. However, vaccination rates have improved rapidly and warmer weather has favoured efforts to control the pandemic. These developments and the improved coordination among the region's countries support careful optimism in the region's 2021 oil demand outlook, resulting from growing economic activity and a successful COVID-19 containment effort. The current outlook assumes that herd immunity will most likely be achieved during 4Q21. Fuel efficiency gains, reduced international travel, teleworking enhancements and limitations in petroleum product demand will partly remain and cap oil demand going forward.

In **2022**, OECD Europe oil demand is expected to rise by around 0.4 mb/d. Developments in the economy, along with containment of COVID-19, are the main assumptions for OECD Europe oil demand growth in 2022. These are supported by improvements in mobility as well as positive developments in the industrial and construction sectors. Downside risks are mostly related to the appearance of resilient COVID-19 variants, economic uncertainty, high debt levels and budgetary constraints, as well as stringent policies capping oil usage. OECD Europe oil demand will remain therefore below 2019 levels.

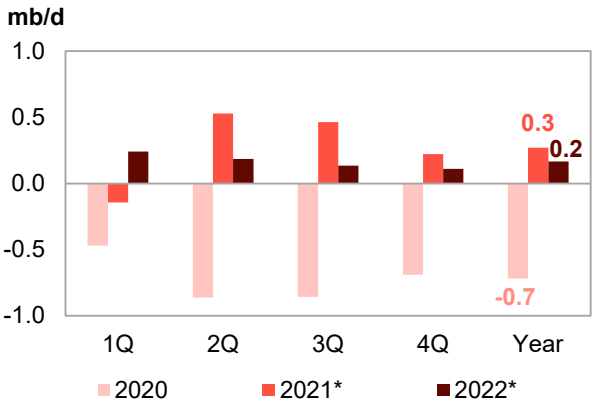
OECD Asia Pacific

Update on the latest developments

OECD Asia Pacific oil demand continued to improve and grew by 0.3 mb/d y-o-y in **May**, through this was less than the corresponding increase recorded in April at 0.6 mb/d. Gains were largely attributed to rising light distillate requirements in South Korea and Japan, as well as gasoline and diesel demand in Australia, South Korea and Japan.

With the COVID-19 pandemic relatively under control in some countries of the region, oil demand recovery seems likely to continue in 3Q21. Oil demand has gained an additional push to the upside due to the 2020 Summer Olympics in Japan despite the lack of spectators. Demand for light distillates in the Asia Pacific in May grew by more than 0.1 mb/d, y-o-y, after increasing by roughly the same volumes in April.

Graph 4 - 3: OECD Asia Pacific oil demand, y-o-y change



*Note: * 2021-2022 = Forecast. Source: OPEC.*

Transportation fuel demand rose by 0.1 mb/d y-o-y in May, following April's gains of 0.2 mb/d y-o-y. Oil demand in **Japan** grew by 0.2 mb/d y-o-y, while **South Korea**'s oil demand fell by almost 0.1 mb/d y-o-y. Preliminary data from by Japan's Ministry of Economy, Trade and Industry (METI) indicates a y-o-y increase of 0.1 mb/d in June 2021.

Table 4 - 5: Japan's oil demand, mb/d

By product	Jun 20	Jun 21	Change Jun 21/Jun 20 Growth	%
LPG	0.26	0.32	0.05	20.3
Naphtha	0.61	0.64	0.03	4.8
Gasoline	0.78	0.76	-0.01	-1.8
Jet/kerosene	0.17	0.20	0.03	18.3
Diesel	0.68	0.70	0.02	3.4
Fuel oil	0.19	0.20	0.01	6.1
Other products	0.17	0.12	-0.05	-29.3
Total	**2.86**	**2.95**	**0.09**	**3.0**

Note: Totals may not add up due to independent rounding. Sources: JODI, METI and OPEC.

Near-term expectations

Efficient containment measures in South Korea seemed to have curbed a further increase in COVID-19 cases. Consequently, transportation fuel demand going further into **2021** is expected to recover, as are requirements for industrial fuels and petrochemical feedstock. Overall demand in 2021 is projected to rebound in the region, mainly in 2H21, on the back of a recovery in economic activities. Petrochemical feedstock consumption remains one of the main contributors to oil demand growth in 2021 while jet/kerosene demand is projected to continue lagging 2019 levels as international business and leisure travel are anticipated to remain under pressure.

In **2022**, OECD Asia Pacific oil demand is expected to increase by 0.2 mb/d, under assumptions of expanding GDP and low impact from COVID-19-related challenges on transportation fuel demand. Herd immunity is anticipated to reach desired targets in 2022 amid vaccination efforts. Gasoline will be the petroleum product category to increase the most, followed by industrial diesel, as well as light distillate petrochemical feedstock.

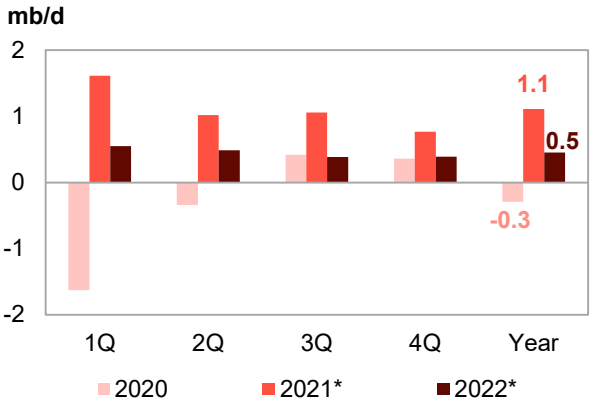
Non-OECD

China

Update on the latest developments

China's oil demand data for **June** shows growth of more than 0.4 mb/d y-o-y compared to around 1.0 mb/d y-o-y in May. Gasoline and jet fuel grew the most, adding around 0.6 mb/d y-o-y in May, showing a continuation of the solid performance of the previous months. LPG also posted respectable gains on the back of higher utilization rates for PDH (propane dehydrogenation) plants and lower maintenance activities. Gasoline demand increased by around 0.5 mb/d y-o-y following an increase of around 0.6 mb/d y-o-y in May on higher driving during the Dragon Boat Festival holidays and despite falling motor vehicle sales.

Graph 4 - 4: China's oil demand, y-o-y change



*Note: * 2021-2022 = Forecast. Source: OPEC.*

According to the China Passenger Car Association (CPCA), vehicle sales fell by 14.0% y-o-y in June following a drop of around 3.0% y-o-y in May. Jet fuel demand also posted gains of 0.1 mb/d y-o-y following an increase in air travel volume. Diesel fell by around 0.3 mb/d y-o-y in June after dropping by 0.1 mb/d y-o-y in May. Slower industrial sector demand and a falling manufacturing PMI contributed to this drop. The IHS Markit

manufacturing PMI fell for a third consecutive month to its lowest level since February and was at 51.3 in June, from 52.0 in May.

Table 4 - 6: China's oil demand*, mb/d

By product	Jun 20	Jun 21	Change Jun 21/Jun 20 Growth	%
LPG	2.02	2.18	0.15	7.6
Naphtha	1.38	1.43	0.05	3.4
Gasoline	3.10	3.60	0.50	16.1
Jet/kerosene	0.54	0.64	0.10	18.4
Diesel	3.59	3.36	-0.23	-6.4
Fuel oil	0.77	0.75	-0.02	-2.6
Other products	1.67	1.54	-0.13	-7.8
Total	**13.07**	**13.49**	**0.42**	**3.2**

*Note: * Apparent oil demand. Totals may not add up due to independent rounding.*

Sources: Argus Global Markets, China OGP (Xnhua News Agency), Facts Global Energy, JODI, National Bureau of Statistics China and OPEC.

Near-term expectations

Going forward, oil demand is expected to grow solidly in **2021**, mainly driven by steady economic activity and a low baseline. Economic sectors are expected to show healthy performance for the remainder of the current year, led by the transportation, petrochemical and industrial sectors. Gasoline demand is projected to continue growing but might face some challenges amid sluggish vehicle sales and slower mobility due to the lack of national breaks. Diesel consumption is projected to grow in the reminder of the year on the back of steady improvements in the industrial, construction and agricultural sectors. LPG and naphtha will record positive gains going forward due to healthy petrochemical margins and recent capacity development.

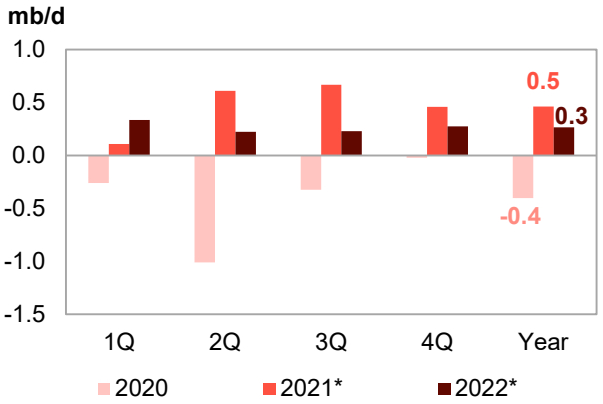
In **2022**, China's oil demand is expected to rise by 0.5 mb/d with total demand to surpass 2019 levels on the basis of economic growth forecasts. Oil demand for the transportation and industrial sectors is expected to grow, buoyed by a firm increase in mobility, rising passenger car sales and a healthy industrial sector. Gasoline is anticipated to rise the most then diesel. Petrochemical end-use consumption is similarly estimated to support demand for light distillates.

India

Update on the latest developments

India's oil demand increased marginally in **June**, with data showing a rise of around 0.1 mb/d y-o-y after marginally dropping in May due to the prevalence of the COVID-19 Delta variant.

Graph 4 - 5: India's oil demand, y-o-y change



*Note: * 2021-2022 = Forecast. Source: OPEC.*

Oil demand declined by 0.2 mb/d when compared to June 2019, largely resulting from weaknesses in diesel and transportation fuels. The performance of products was mixed in June, with LPG and gasoline consumption rising y-o-y while demand for jet/kerosene and fuel oil was flat. Demand for diesel and naphtha declined when compared to the same period in 2020. LPG was supported by an increase in home cooking demand on the back on of stay-home policies due to the increase in COVID-19 cases, while demand for gasoline was supported by a distorted base line and increased m-o-m mobility.

According to Google maps and Apple's mobility index, mobility picked up pace in June and reached 71% of pre-pandemic levels, compared with 52% during the month of May. Looking at diesel, slower construction and trucking activities together with a drop in India's manufacturing PMI, which fell into the contraction zone for the first time since July 2020, weighed on diesel demand in June. Diesel demand was marginally lower in June compared with some growth in May, although consumption remained largely below pre-COVID-19 levels by around 0.3 mb/d compared to June 2019. Jet/kerosene demand continued to be impacted by fewer international flights, thus reducing jet fuel demand, as well as the substitution with LPG for kerosene in the

residential sector. Jet/kerosene increased only marginally in June despite the significant decline in the baseline and when compared to June 2019, jet/kerosene demand was lower by more than 0.1 mb/d.

Table 4 - 7: India's oil demand, mb/d

By product	Jun 20	Jun 21	Change Jun 21/Jun 20 Growth	%
LPG	0.87	0.95	0.08	8.9
Naphtha	0.36	0.35	-0.01	-3.1
Gasoline	0.75	0.79	0.04	4.8
Jet/kerosene	0.10	0.11	0.00	2.9
Diesel	1.62	1.59	-0.03	-1.8
Fuel oil	0.25	0.25	0.00	1.1
Other products	0.28	0.26	-0.02	-5.5
Total	**4.24**	**4.30**	**0.06**	**1.5**

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

Sources: JODI, Petroleum Planning and Analysis Cell of India and OPEC.

Near-term expectations

Going forward, economic activity is projected to continue to recover in **2H21** and as such demand for petroleum products is expected to improve. However, uncertainty remains high mainly due to the COVID-19 pandemic and the pace of vaccination efforts across the country. Additionally, high retail prices add to the uncertainties going forward. Oil consumption is projected to pick up pace over the short term, supported by the low baseline and uptick in diesel demand in a number of sectors, including construction and agriculture. The recovery in transportation fuels is anticipated to depend on pandemic developments and the government's countermeasures. Together with the 2020 baseline decline, oil demand is projected to show healthy growth in 2021. Demand for transportation fuel will lead product demand, followed by middle distillates with most of the gains appearing in 2H21.

In **2022**, similar to last month's expectations, oil demand is anticipated to increase by around 0.3 mb/d with total volumes expected to exceed pre-pandemic levels on an annualized basis. COVID-19 containment measures are projected be aided by the acceleration in vaccination efforts, natural immunity and better treatments for COVID-19. The economic outlook remains as highlighted last month, showing an increase in GDP of around 6.8%. From the products side, gasoline is projected to lead oil demand growth in 2022, supported by increasing mobility, a pickup in two-wheeler sales compared to the current year, and overall economic developments. Diesel is assumed to be supported by healthy industrial, construction and agricultural activities in 2022.

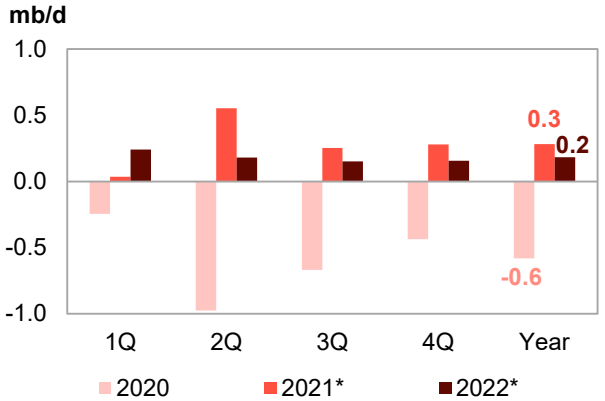
Latin America

Update on the latest developments

May's oil demand in **Latin America** increased by around 0.5 mb/d y-o-y, compared to an increase of 0.7 mb/d in April.

Demand remained lower by nearly 0.3 mb/d compared with pre-COVID-19 levels in May 2019. Most of the petroleum product increases occurred in Brazil followed by Argentina, rising by around 0.3 mb/d and 0.1 mb/d y-o-y, respectively. Diesel and gasoline grew the most in the region with diesel even exceeding May 2019 levels, supported by a pickup in industrial activities, increased trucking movement as well as the low baseline of May 2020.

Graph 4 - 6: Latin America's oil demand, y-o-y change



*Note: * 2021-2022 = Forecast. Source: OPEC.*

Improvements in industrial activity are illustrated in the Brazilian PMI, which reflected improvements in economic activity in the region's largest economy. The IHS Markit Brazil manufacturing PMI was in the expansion zone at 53.7 in May compared with 52.3 in April. The index surged further in June, lending support to manufacturing activity and industrial fuels data in June.

Table 4 - 8: Brazil's oil demand*, mb/d

By product	Jun 20	Jun 21	Change Jun 21/Jun 20 Growth	%
LPG	0.24	0.25	0.01	2.2
Naphtha	0.15	0.14	0.00	-2.0
Gasoline	0.57	0.67	0.10	17.4
Jet/kerosene	0.03	0.06	0.03	122.8
Diesel	0.98	1.07	0.09	8.9
Fuel oil	0.08	0.12	0.04	59.1
Other products	0.37	0.36	-0.01	-3.3
Total	**2.42**	**2.67**	**0.25**	**10.5**

*Note: * = Inland deliveries. Totals may not add up due to independent rounding.*

Sources: JODI, Agencia Nacional do Petroleo, Gas Natural e Biocombustiveis and OPEC.

Positive developments in the transportation sector in Latin America supported fuel consumption, particularly gasoline, which increased by around 0.2 mb/d y-o-y in May following similar growth in April. However, gasoline demand was 0.1 mb/d lower than May 2019. The mobility indicator showed a respectable rise in May at 90% when compared to pre-COVID-19 levels. That is higher than the 83% recoded in April. On the other hand, the aviation sector in Latin America remained around 50% below pre-crisis levels, thus weighing on jet fuel recovery. Jet fuel demand increased marginally in May following a small increase in April.

Near-term expectations

Positive PMI data for Brazil and further improvements in mobility support encouraging prospects for oil demand in June. Going forward, the oil demand forecast for **2H21** remains supported by the low baseline and positive economic outlook. However, risks remain linked to COVID-19 and the subsequent containment measures. Latin America's 2021 oil demand outlook remains the same as last month's MOMR, with no major revisions in 2021 or 2022 oil demand projections. Risks appear to be slightly tilted to the downside in light of developments on the COVID-19 front and vaccinations efforts. On the other hand, further positive economic developments resulting from fiscal stimulus programmes is anticipated to offset many of the negative risks.

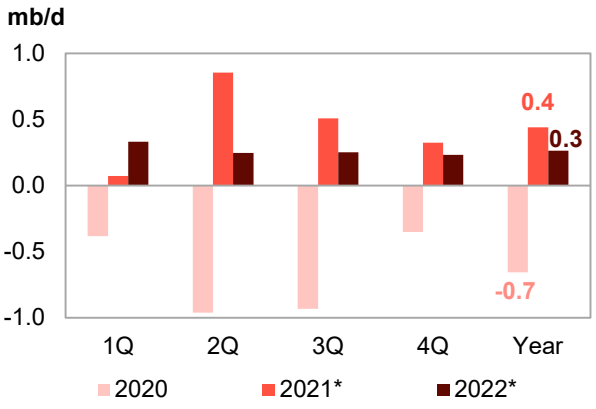
In **2022**, Latin America's oil demand is anticipated to rise by 0.2 mb/d but will still be below 2019 levels. The rise in oil demand will be largely linked to positive economic outlook, which will support industrial fuel demand led by diesel. The outlook for growth sees Brazil taking the lead, followed by Argentina. In terms of fuel, transportation fuels are expected to grow the most in 2022, supported by the continued recovery in the transportation sector as containment measures for COVID-19 are relaxed and as the overall economy gains momentum. Moreover, construction and industrial fuels are also anticipated to gain pace in 2022.

Middle East

Update on the latest developments

Following strong oil demand growth in April, **Middle East** oil demand posted gains of 1.1 mb/d y-o-y in **May**, making up all the losses incurred in May 2020 and were on par with pre-COVID-19 levels. Transportation fuel led the recovery and posted solid y-o-y gains, but remained below pre-COVID-19 levels. Heavy distillates performed steadily both y-o-y and also when compared to pre-COVID-19 levels. Fuel oil and the "other product' category, which also includes crude oil for power generation, increased by nearly 0.1 mb/d y-o-y and were more than 0.2 mb/d above May 2019. Those gains were concentrated in Saudi Arabia, where demand increased by 0.3 mb/d y-o-y, followed by Kuwait, the United Arab Emirates (UAE) and Iraq, which saw y-o-y increases of around 0.2 mb/d each.

Graph 4 - 7: Middle East's oil demand, y-o-y change



*Note: * 2021-2022 = Forecast. Source: OPEC.*

In June, oil demand in **Saudi Arabia** continued to increase compared to the same last year, adding 0.2 mb/d to average 2.3 mb/d, supported by gasoline, which increased by 0.1 mb/d y-o-y. While diesel and fuel oil decreased y-o-y by 0.01 mb/d and 0.03 mb/d, respectively. The industrial production index, as reported by the General Authority for Statistics and Haver Analytics, rose to 110.2 in June (reference 2010=100) from 106.3 in May.

Table 4 - 9: Saudi Arabia's oil demand, mb/d

By product	Jun 20	Jun 21	Change Growth	Jun 21/Jun 20 %
LPG	0.04	0.04	0.00	6.0
Gasoline	0.42	0.48	0.06	15.0
Jet/kerosene	0.03	0.05	0.01	45.3
Diesel	0.54	0.52	-0.01	-2.7
Fuel oil	0.57	0.55	-0.03	-4.5
Other products	0.55	0.67	0.11	20.7
Total	**2.16**	**2.32**	**0.16**	**7.6**

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

Sources: JODI and OPEC.

Near-term expectations

Going forward, oil demand is anticipated to continue to recover and show steady gains during **2H21**. This will depend to a certain degree on further developments in COVID-19 containment measures, which are assumed to be very limited and any risks of increases in COVID-19 cases are muted and well controlled due to the high vaccination rate in certain region. The continued improvement in mobility supported by the summer driving season and holiday trips are projected to support the gasoline recovery process in 3Q21 with a limited contribution from the Hajj season in Saudi Arabia. The resumption of international flights in most countries in the region is assumed to support jet fuel demand through the end of 2021, but jet fuel demand is projected to remain well below pre-COVID-19 levels.

In **2022**, oil demand in the Middle East is projected to increase by 0.3 mb/d, supported by the steady economic outlook. Transportation fuel, led by gasoline and on road diesel, as well as light distillates for petrochemical usage and construction fuels are projected to lead oil demand growth in 2022. Saudi Arabia is expected to lead the oil demand increase in the region due to steady economic expectations, controlled COVID-19 cases and its healthy petrochemical sector.

World Oil Supply

Non-OPEC liquids supply growth in 2021 (including processing gains) was revised up by 0.27 mb/d from the previous assessment. The revisions are mainly due to the incorporation of the latest production adjustment decisions of the non-OPEC countries participating in the DoC, which have now been considered, following the successful conclusion of the 19th OPEC and non-OPEC Ministerial Meeting on 18 July 2021. Annual growth is now forecast at 1.1 mb/d y-o-y, to reach 64.0 mb/d, but still far from the highest level of non-OPEC supply of 66.9 mb/d in 1Q20 – before the oil market turmoil due to the COVID-19 outbreak. In the US, operators have remained highly disciplined in 2020-2021. Nevertheless, rig count continue to rise, more wells are being fracked and more frac crews are deployed, as firms are again flush with free cash flow. The US liquids supply forecast has been revised up by 65 tb/d, owing to higher-than-anticipated production in April and May of 2Q21, and is forecast to grow by 0.12 mb/d y-o-y. Moreover, top European energy companies signalled confidence in a lasting recovery from the pandemic by drawing on higher oil prices to boost shareholder returns and reassure investors as they roll out risky climate strategies. The 2021 oil supply forecast primarily sees growth in Canada, Russia, China, the US, Norway and Brazil, while output is projected to decline in the UK, Colombia, Indonesia and Egypt.

The non-OPEC supply forecast for 2022 has been revised up by 0.84 mb/d, also reflecting the latest DoC production adjustment decision, and is now expected to grow by 2.9 mb/d to average 66.9 mb/d (including a recovery of 0.11 mb/d in processing gains). Including the expected growth of OPEC NGLs, liquids supply is forecast to grow by 3.1 mb/d. The main drivers of liquids supply growth are Russia (1.0 mb/d) and the US (0.78 mb/d), followed by Brazil, Norway, Canada, Kazakhstan, Guyana and other countries in the DoC. Nevertheless, uncertainty regarding the financial and operational aspects of US production remains high.

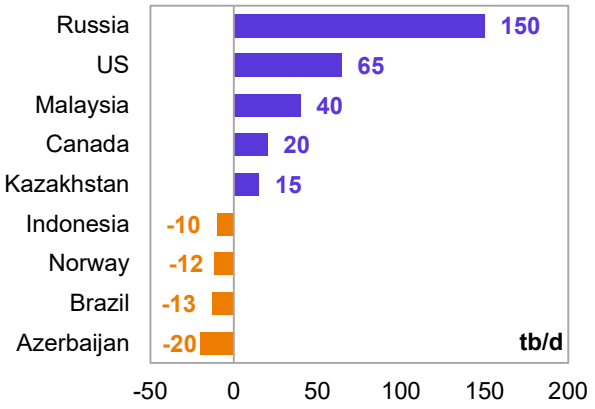
OPEC NGLs and non-conventional liquids production in 2021 is estimated to grow by 0.12 mb/d to average 5.17 mb/d. For 2022, it is forecast to grow by 0.13 mb/d to average 5.29 mb/d. OPEC-13 crude oil production in July increased by 0.64 mb/d m-o-m to average 26.66 mb/d, according to secondary sources.

Preliminary non-OPEC liquids production in July, including OPEC NGLs, is estimated to have increased by 0.33 mb/d m-o-m to average 69.0 mb/d, up by 2.45 mb/d y-o-y. As a result, preliminary data indicates that global oil supply increased by 0.97 mb/d m-o-m to average 95.69 mb/d, up by 5.79 mb/d y-o-y.

Non-OPEC liquids production growth in 2021 was revised up by 273 tb/d, owing to the revisions in annual supply growth of DoC participating countries, following the incorporation of the decision of the 19th OPEC and non-OPEC Ministerial Meeting on 18 July, as well as revisions to historical production in the US and Qatar. Forecast supply of the non-OPEC-10 group was revised up by 0.21 mb/d, and is now expected to grow by 0.3 mb/d y-o-y to average 17.5 mb/d.

Moreover, the supply forecast in 2Q21 was revised up by 150 tb/d, led by the US at 160 tb/d and Canada at 81 tb/d, which partially offset downward revisions mainly in Brazil, Norway and Australia. On an annual basis, Russia, the US and Malaysia had the main upward revisions.

Graph 5 - 1: Revisions to annual supply change forecast in 2021*, August MOMR/July MOMR



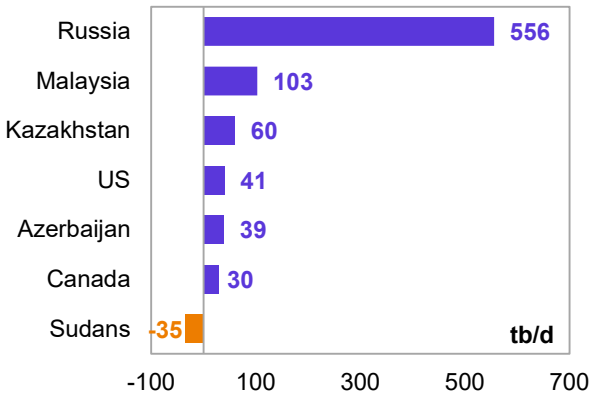
*Note: * 2021 = Forecast. Source: OPEC.*

Non-OPEC liquids production growth in 2022 was also revised up by 844 tb/d, again mainly due to the incorporation of the decision of the 19th OPEC and non-OPEC Ministerial Meeting on 18 July.

Forecast supply of the non-OPEC-10 group in 2022 was revised up by 0.77 mb/d, and is now expected to grow by 1.4 mb/d y-o-y to average 18.8 mb/d.

Moreover, reassessment of the supply forecast of the US, Canada and Mexico led to an upward revision of their supply in 2022.

Graph 5 - 2: Revisions to annual supply change forecast in 2022*, August MOMR/July MOMR

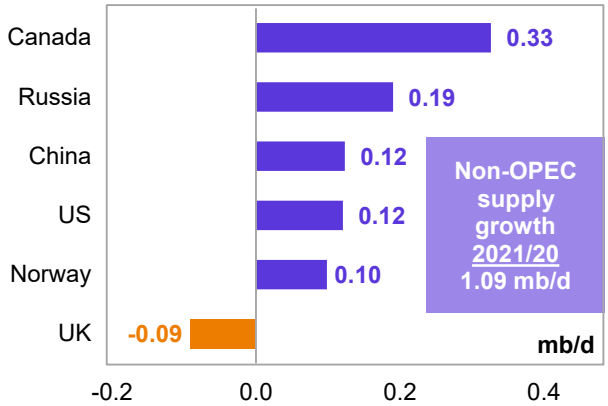


*Note: * 2022 = Forecast. Source: OPEC.*

Key drivers of growth and decline

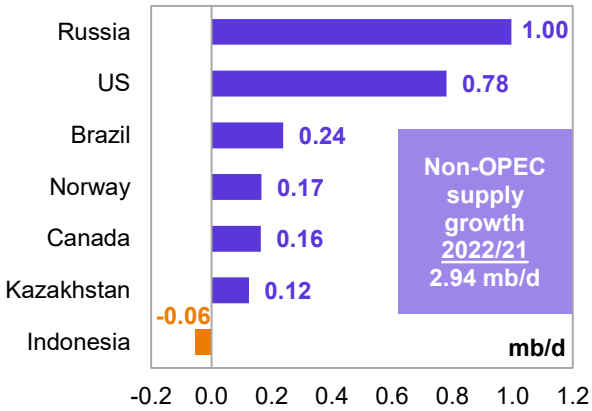
The **key drivers of non-OPEC liquids supply growth in 2021** are projected to be Canada, Russia, China, the US, Norway, Brazil, Guyana, Qatar, Oman, Kazakhstan and Ecuador. Oil production is expected to decline mainly in the UK, Indonesia, Colombia and Egypt.

Graph 5 - 3: Annual liquids production changes for selected countries in 2021*



*Note: * 2021 = Forecast. Source: OPEC.*

Graph 5 - 4: Annual liquids production changes for selected countries in 2022*



*Note: * 2022 = Forecast. Source: OPEC.*

For **2022**, the key drivers of non-OPEC supply growth are forecast to be Russia, the US, Brazil, Norway, Canada, Kazakhstan, Guyana, Malaysia and Azerbaijan, Oman, India, China, Qatar, the UK, Other OECD Europe, Australia, and Latin America others, while oil production will decline mainly in Indonesia, Egypt, and Thailand.

Non-OPEC liquids production in 2021 and 2022

Table 5 - 1: Non-OPEC liquids production in 2021*, mb/d

Non-OPEC liquids production	2020	1Q21	2Q21	3Q21	4Q21	2021	Change 2021/20 Growth	Change 2021/20 %
Americas	24.68	24.10	25.08	25.55	25.86	25.15	0.47	1.90
of which US	*17.59*	*16.63*	*17.82*	*18.09*	*18.29*	*17.71*	*0.12*	*0.69*
Europe	3.90	3.95	3.61	4.03	4.10	3.92	0.02	0.59
Asia Pacific	0.53	0.51	0.51	0.55	0.55	0.53	0.00	-0.22
Total OECD	**29.12**	**28.56**	**29.20**	**30.13**	**30.51**	**29.61**	**0.49**	**1.68**
China	4.12	4.25	4.28	4.23	4.20	4.24	0.12	2.99
India	0.77	0.76	0.75	0.75	0.74	0.75	-0.01	-1.78
Other Asia	2.51	2.51	2.44	2.53	2.56	2.51	0.00	0.16
Latin America	6.04	5.94	5.98	6.30	6.50	6.18	0.14	2.31
Middle East	3.18	3.19	3.21	3.24	3.28	3.23	0.06	1.73
Africa	1.41	1.38	1.37	1.34	1.33	1.35	-0.06	-4.30
Russia	10.59	10.47	10.74	10.80	11.11	10.78	0.19	1.80
Other Eurasia	2.91	2.96	2.89	2.95	3.01	2.95	0.04	1.28
Other Europe	0.11	0.11	0.11	0.10	0.10	0.11	-0.01	-6.58
Total Non-OECD	**31.64**	**31.57**	**31.77**	**32.25**	**32.84**	**32.11**	**0.47**	**1.48**
Total Non-OPEC production	60.76	60.13	60.97	62.38	63.35	61.72	0.96	1.58
Processing gains	2.15	2.28	2.28	2.28	2.28	2.28	0.13	6.03
Total Non-OPEC liquids production	**62.91**	**62.41**	**63.25**	**64.66**	**65.63**	**64.00**	**1.09**	**1.73**
Previous estimate	62.94	62.38	63.10	64.49	65.01	63.76	0.81	1.29
Revision	-0.03	0.02	0.15	0.16	0.62	0.24	0.27	0.43

*Note: * 2021 = Forecast. Totals may not add up due to independent rounding. Source: OPEC.*

Table 5 - 2: Non-OPEC liquids production in 2022*, mb/d

Non-OPEC liquids production	2021	1Q22	2Q22	3Q22	4Q22	2022	Change 2022/21 Growth	Change 2022/21 %
Americas	25.15	25.88	26.00	26.09	26.50	26.12	0.97	3.85
of which US	*17.71*	*18.23*	*18.56*	*18.42*	*18.76*	*18.49*	*0.78*	*4.41*
Europe	3.92	4.12	4.01	4.07	4.39	4.15	0.23	5.81
Asia Pacific	0.53	0.57	0.57	0.56	0.56	0.57	0.03	6.50
Total OECD	**29.61**	**30.57**	**30.58**	**30.73**	**31.46**	**30.84**	**1.23**	**4.16**
China	4.24	4.24	4.24	4.28	4.36	4.28	0.04	1.02
India	0.75	0.77	0.79	0.82	0.84	0.81	0.05	6.90
Other Asia	2.51	2.56	2.51	2.48	2.46	2.50	-0.01	-0.41
Latin America	6.18	6.54	6.48	6.42	6.63	6.52	0.33	5.41
Middle East	3.23	3.31	3.32	3.33	3.33	3.32	0.09	2.80
Africa	1.35	1.30	1.28	1.25	1.22	1.26	-0.09	-6.69
Russia	10.78	11.51	11.83	11.88	11.88	11.78	1.00	9.24
Other Eurasia	2.95	3.09	3.11	3.15	3.22	3.14	0.19	6.44
Other Europe	0.11	0.10	0.10	0.10	0.09	0.10	-0.01	-7.35
Total Non-OECD	**32.11**	**33.42**	**33.65**	**33.71**	**34.04**	**33.71**	**1.60**	**4.98**
Total Non-OPEC production	61.72	64.00	64.24	64.44	65.50	64.55	2.83	4.59
Processing gains	2.28	2.39	2.39	2.39	2.39	2.39	0.11	4.91
Total Non-OPEC liquids production	**64.00**	**66.39**	**66.63**	**66.83**	**67.89**	**66.94**	**2.94**	**4.60**
Previous estimate	63.76	65.37	65.35	65.67	67.00	65.85	2.10	3.29
Revision	0.24	1.02	1.28	1.16	0.89	1.09	0.84	1.31

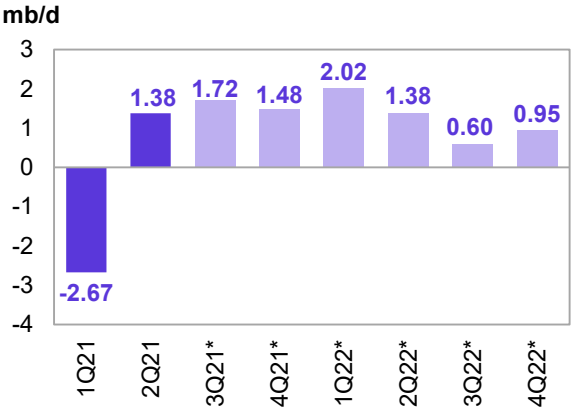
*Note: * 2021-2022 = Forecast. Totals may not add up due to independent rounding. Source: OPEC.*

OECD

OECD liquids production in 2021 is forecast to increase by 0.49 mb/d to average 29.61 mb/d, revised up by 76 tb/d m-o-m owing to an upward revision of 89 tb/d in the production forecast for OECD Americas, which is now projected to grow by 0.47 mb/d to average 25.15 mb/d. OECD Europe was revised down by 6 tb/d m-o-m and is now forecast to grow by 0.02 mb/d, with an average supply of 3.92 mb/d. Oil production in OECD Asia Pacific was revised down by 7 tb/d m-o-m and is now forecast to remain flat y-o-y at 0.53 mb/d.

For **2022**, oil production in the OECD is likely to grow by 1.23 mb/d to average 30.84 mb/d, with growth from OECD Americas of 0.97 mb/d to average 26.12 mb/d. Oil production in OECD Europe and OECD Asia Pacific is anticipated to grow respectively by 0.23 mb/d and 0.03 mb/d y-o-y to average 4.15 mb/d and 0.57 mb/d.

Graph 5 - 5: OECD quarterly liquids supply, y-o-y changes



*Note: * 3Q21-4Q22 = Forecast. Source: OPEC.*

OECD Americas

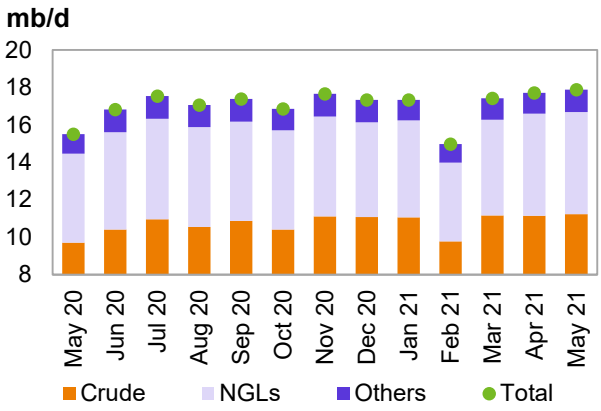
US

US liquids production in May 2021 was up by 0.18 mb/d m-o-m to average 17.89 mb/d, higher by 2.4 mb/d compared with May 2020, when US oil production suffered a drastic drop due to shut-in wells.

Crude oil production increased in May 2021 by 80 tb/d m-o-m to average 11.23 mb/d, up by 1.52 mb/d y-o-y. Meanwhile, production of non-conventional liquids (mainly ethanol) increased by 81 tb/d m-o-m to average 1.2 mb/d, according to the Department of Energy (DOE), and NGLs were up by 18 tb/d, to average 5.46 mb/d.

The production of crude oil, including field condensates, increased on the US Gulf Coast and in the Midwest in May m-o-m, while production in the other three PADDs decreased.

Graph 5 - 6: US monthly liquids output by key component



Source: OPEC.

Crude oil output on the US Gulf Coast grew by 55 tb/d to 7.91 mb/d in May, despite a 22 tb/d production decline in Texas, which was offset by higher output in New Mexico and the Gulf of Mexico (GoM) of 49 tb/d and 29 tb/d, respectively. Oil output from the GoM inched up to 1.79 mb/d, showing a recovery of 230 tb/d from May 2020.

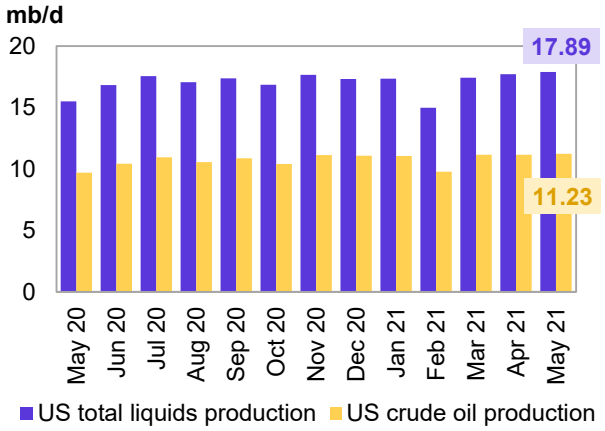
In the US Midwest, production in North Dakota increased for three consecutive months, up by 26 tb/d, while output in Oklahoma remained flat at 400 tb/d in May. Output in Colorado's Niobrara shale inched up by a slight 3 tb/d to average 0.41 mb/d following a 34 tb/d jump in April. On the West Coast, production in Alaska declined for the sixth consecutive month by 3 tb/d m-o-m to average 0.44 mb/d.

Table 5 - 3: US crude oil production by selected state and region, tb/d

State	Apr 21	May 21	Change May 21/Apr 21
Oklahoma	400	400	*0*
Colorado	405	408	*3*
Alaska	446	443	*-3*
North Dakota	1,035	1,061	*26*
New Mexico	1,173	1,222	*49*
Gulf of Mexico (GoM)	1,762	1,791	*29*
Texas	4,763	4,741	*-22*
Total	**11,151**	**11,231**	***80***

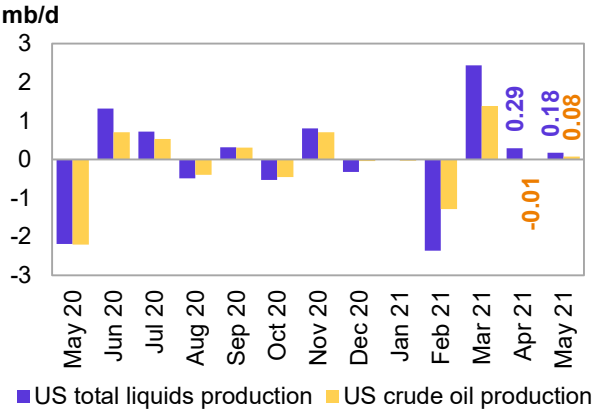
Sources: EIA and OPEC.

Graph 5 - 7: US monthly crude oil and total liquids supply



Sources: EIA and OPEC.

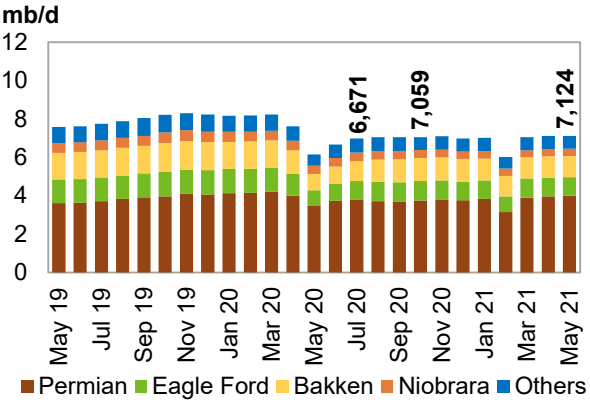
Graph 5 - 8: US monthly crude oil and total liquids supply, m-o-m changes



Sources: EIA and OPEC.

US tight crude output in May increased by only 2 tb/d m-o-m to average 7.12 mb/d, 967 tb/d higher than in the same month a year earlier, according to Energy Information Administration (EIA) estimates. The only m-o-m increase from shale and tight formations through horizontal wells came from the Permian, rising by 37 tb/d to average 4.0 mb/d. This came mainly from the section located in New Mexico – Wolfcamp – which added 21 tb/d m-o-m, and the rest came from Spraberry and Bonespring. In the Williston Basin, production in Bakken shale declined by 6 tb/d, m-o-m to average 1.1 mb/d. Tight crude output at Eagle Ford and Niobrara-Codell in Colorado and Wyoming declined by 15 tb/d and 6 tb/d, respectively, to average 0.96 mb/d and 0.39 mb/d.

Graph 5 - 9: US tight crude output breakdown

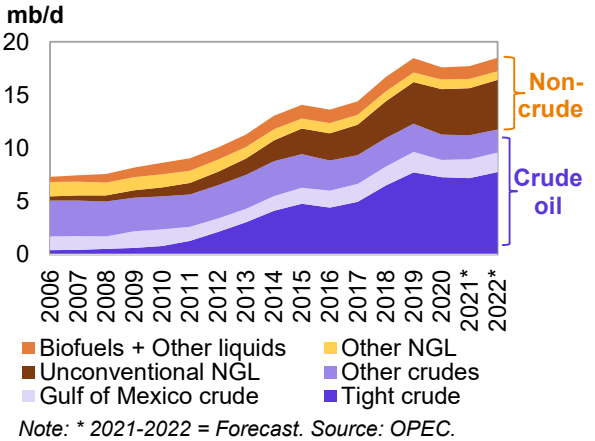


Sources: EIA, Rystad Energy and OPEC.

The **US liquids production growth forecast for 2021** was revised up by 65 tb/d, mainly due to the higher-than-expected recovery in crude oil and biofuels in 2Q21 so far, and now is forecast to grow by 0.12 mb/d y-o-y to average 17.71 mb/d. Nevertheless, this is still 0.76 mb/d below the average supply seen in 2019.

US liquids production in **2022**, excluding processing gains, is anticipated to grow by 0.78 mb/d y-o-y to average 18.49 mb/d. This is almost the same level of average liquids supply in 2019, assuming the current pace of drilling and well completion in oil fields up to 3Q22, with possible higher spending in the prolific Permian Basin, Eagle Ford and Bakken shale sites. Operational activities in 4Q22 are likely to improve compared to the first three quarters.

Graph 5 - 10: US liquids supply developments by component, including forecast for 2021 and 2022



*Note: * 2021-2022 = Forecast. Source: OPEC.*

It is worth noting that the EIA has revised up its historical oil supply in 2019 by 41 tb/d, but revised down the supply data for 2020 by 31 tb/d. Hence, US liquids supply growth in 2019 and 2020 is now revised to 1.78 mb/d and -0.87 mb/d, respectively.

US crude oil production in 2021 is expected to decline by 0.07 mb/d to average 11.21 mb/d. However, output in the GoM is expected to grow by 0.11 mb/d to average 1.77 mb/d, revised down by 0.04 mb/d m-o-m due to possible production outages during the hurricane season in 3Q21. Recent forecasts by the National Oceanic and Atmospheric Administration (NOAA) see a 60% chance of another active Atlantic hurricane season in 2021. At the same time, US tight crude and conventional crude oil is forecast to see a contraction of 0.08 mb/d and 0.12 mb/d to average 7.20 mb/d and 2.24 mb/d, respectively.

Table 5 - 4: US liquids production breakdown, mb/d

US liquids	2020	Change 2020/19	2021*	Change 2021/20	2022*	Change 2022/21
Tight crude	7.27	-0.47	7.20	-0.08	7.76	0.56
Gulf of Mexico crude	1.64	-0.25	1.77	0.11	1.84	0.07
Conventional crude oil	2.37	-0.28	2.24	-0.12	2.17	-0.07
Total crude	11.28	-1.01	11.21	-0.07	11.77	0.56
Unconventional NGLs	4.26	0.33	4.45	0.19	4.65	0.20
Conventional NGLs	0.90	0.00	0.86	-0.05	0.81	-0.05
Total NGLs	5.16	0.34	5.30	0.14	5.46	0.15
Biofuels + Other liquids	1.15	-0.20	1.20	0.05	1.27	0.07
US total supply	**17.59**	**-0.87**	**17.71**	**0.12**	**18.49**	**0.78**

*Note: * 2021-2022 = Forecast. Sources: EIA, OPEC and Rystad Energy.*

For the next year, crude oil production is forecast to grow by 0.56 mb/d. Indeed, tight crude production alone is forecast to grow by 0.56 mb/d to average 11.77 mb/d, while output in the GoM is expected to be fully offset by a drop in conventional crude production. Five projects, including Argos (Mad Dog Phase 2) with expected peak production of 120 tb/d, Power Nap, Manuel, Samurai and Khaleesi are projected to produce a total of around 45 tb/d in 2022, the first year of production. The US crude oil production exit rate in 2022 is expected to be not less than 12.1 mb/d.

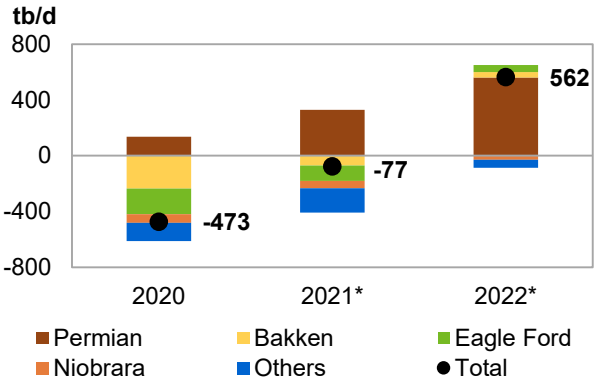
In contrast, **US NGLs production** is expected to grow by a slight 0.14 mb/d in 2021 compared with the remarkable growth of 0.34 mb/d in 2020, to average 5.3 mb/d. NGLs production, mainly from unconventional sources (around 85%), is forecast to grow to 5.46 mb/d in 2022, with the expectation of ethane rejection in gas plants remaining at almost the same level as in 2021.

US biofuels and other non-conventional liquids production is forecast to recover by 0.05 mb/d in 2021 to average 1.20 mb/d and see further recovery in 2022, rising by 0.07 mb/d to average 1.27 mb/d.

Regarding oil transportation, the disputed Keystone XL pipeline from Canada to Nebraska was cancelled after the Biden administration revoked the previous administration's approval. Other pipelines designed to bring Canadian and/or tight oil from the Bakken in North Dakota south to refining hubs, notably including the Line 3 and Dakota Access pipelines, also remain uncertain.

US tight crude production in 2021 and 2022 is expected to show continuous y-o-y growth in the Permian Basin to average 4.18 mb/d and 4.74 mb/d, respectively. Bakken shale production fell by 0.23 mb/d in 2020 and is expected to contract by 70 tb/d in 2021, while for 2022, output is expected to grow by 40 tb/d to average 1.15 mb/d. Eagle Ford in New Mexico is also a prolific shale region that is expected to decline this year, but will grow next year by 50 tb/d to average 0.99 mb/d. Production in other shale plays is not expected to grow in 2021 or 2022, given current drilling and completion activities. US tight crude saw a contraction of 473 tb/d in 2020 and is expected to see a y-o-y decline of 77 tb/d this year, but is forecast to grow by 0.56 mb/d in 2022 to average 7.76 mb/d.

Graph 5 - 11: US tight crude output by shale play, y-o-y changes



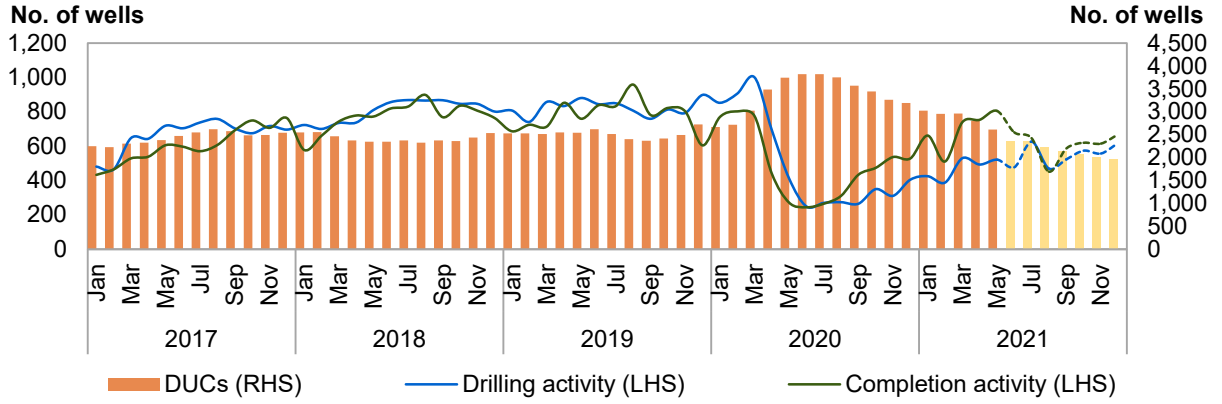
*Note: * 2021-2022 = Forecast.*
Sources: EIA, Rystad Energy and OPEC.

Relationship between drilling & completion activities and DUCs

Drilling activity has increased modestly and the US oil rig count rose by 180 rigs y-o-y to 385 in the last week of July, of which 124 were added in the Permian Basin to total 243, and the rest were added in other key regions. Completions experienced stronger growth, which led to a further drawdown in the drilled but uncompleted (DUC) inventory since June 2020. Unconventional horizontal completion activity in the US onshore increased by 11% in 2Q21 q-o-q, up by 81% y-o-y. Completed lateral footage trends in horizontal wells in 2Q21 also show an increase of 14% q-o-q, which is higher by 84% y-o-y. In May, US tight oil production increased in the Permian by 37 tb/d, while production in other shale plays declined, which led to flat output of 7.12 mb/d compared with April. Given the current drilling activity trend, it is expected that the DUCs inventories will decline by year's end. As a result, shale operators will need to finish another 617 uncompleted wells to

compensate for the base decline and move forward with mild growth, according to a Rystad Energy analysis in July 2021.

Graph 5 - 12: Horizontal drilling and completion activities in tight oil wells vs. cumulative DUC inventories



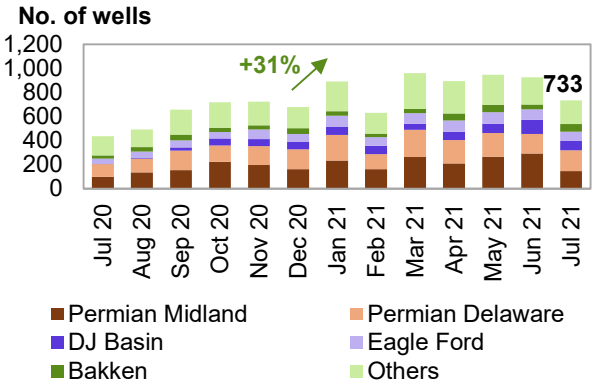
Note: Jul 21 - Dec 21 = Forecast. Sources: Rystad Energy and OPEC.

US rig count, spudded, completed, DUC wells and fracking activity

Regarding identified **US oil and gas fracking operations** by region, Rystad Energy reported that following 947 fracked wells in May and 926 wells in June, 733 wells started fracking in July. This preliminary number is based almost exclusively on analysis of high-frequency satellite data.

The number of frac starts in January reached 891, a jump of 31% from December. The total then plunged by 29% in February as freezing weather conditions halted operations across much of Texas and parts of New Mexico. March saw a 52% m-o-m surge with 961 frac jobs, the highest level since the same month a year earlier (before wells shut-ins) at 965 starts.

Graph 5 - 13: Fracked wells count per month



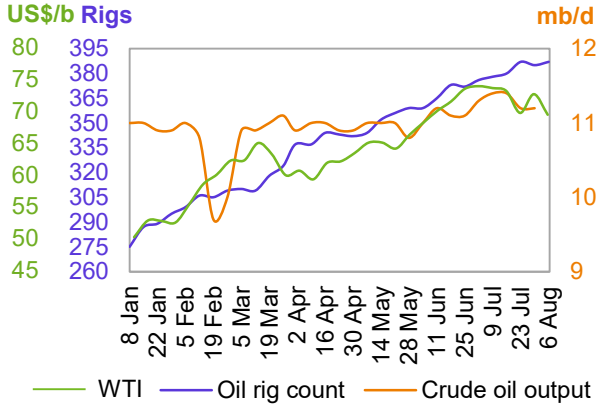
Note: July 2021 = Preliminary data.
Sources: Rystad Energy Shale Well Cube and OPEC.

Total **US active drilling rigs** rose by three units w-o-w to 491 rigs, according to the Baker Hughes' weekly survey on 6 August. This includes 476 active onshore rigs, 14 offshore rigs and one rig in inland waters.

The **US oil rig count** decreased by 19 units since the last MOMR, to 387 rigs in the week ending 6 August, higher by 176 rigs y-o-y.

The **gas rig count** reached 103 rigs, higher by 2 units m-o-m and up by 69 units compared with a year ago. Rigs targeting oil in the Permian Basin rose by 122 units y-o-y to 243 rigs. The total rig count is 99% higher than this time last year and up more than 100% since falling to a record low of 244 rigs in August 2020.

Graph 5 - 14: US weekly rig count vs US crude oil output and WTI price

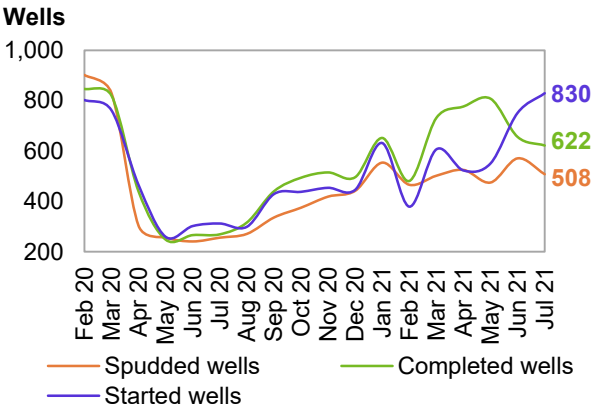


Sources: Baker Hughes, EIA and OPEC.

With regard to **drilling and completion (D&C) activities for spudded, completed and started wells** in all US shale plays, 508 horizontal wells were spudded in July, almost double the number in June 2020.

In July, preliminary data indicates a lower number of completed wells at 622, but a higher number of started wells at 830. In the first seven months of the year, while the total number of spudded wells was 3,601, completed wells rose by 1,127 units to 4,728 wells. This can be explained by withdrawals of DUCs from inventories. Rystad Energy also reported that 4,724 wells had started production in the same period.

Graph 5 - 15: Spudded, completed and started wells in US shale plays



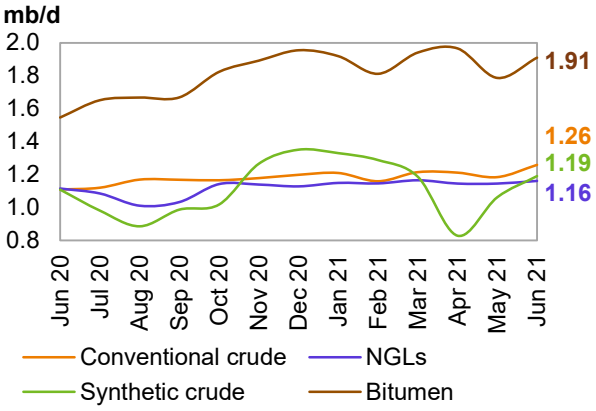
Sources: Rystad Energy and OPEC.

Canada

Canada's liquids production in June rose by 0.34 mb/d m-o-m to 5.56 mb/d following maintenance operations in April and May. This was less than the planned curtailed levels assumed in the forecast. In June, all production components increased m-o-m. Crude bitumen and synthetic crude increased respectively by 123 tb/d and 128 tb/d, to average 1.91 mb/d and 1.19 mb/d.

At the same time, conventional crude and NGLs increased by 74 tb/d and 16 tb/d, respectively, to average 1.26 mb/d and 1.16 mb/d. Hence, the forecast was revised up by 81 tb/d for 2Q21, leading to an overall upward revision of 20 tb/d in Canadian liquids output in 2021. This is now expected to grow by 0.33 mb/d y-o-y, which would make Canada the leader in non-OPEC supply growth for the current year.

Graph 5 - 16: Canada's monthly liquids production development by type

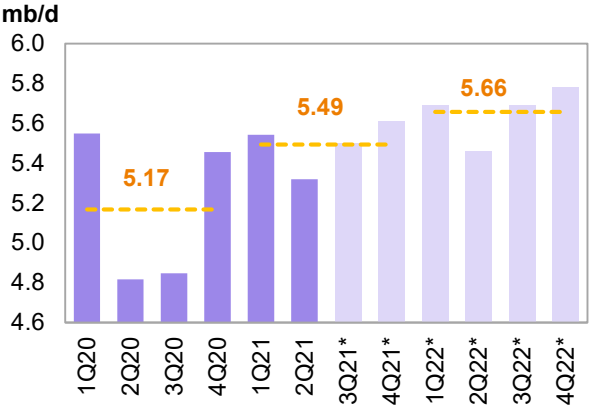


Sources: National Energy Board and OPEC.

According to the Alberta Energy Regulator (AER), out of 3.59 mb/d of total liquids production in the province, 3.1 mb/d was oil sands including upgraded and non-upgraded crude. The rest consisted of 346 tb/d of conventional crude (light to heavy), around 73 tb/d of extra (ultra) heavy, and 74 tb/d of condensate in June 2021.

For **2022**, Canadian production is forecast to increase at slower pace compared with the current year, rising by 164 tb/d to average 5.66 mb/d.

Graph 5 - 17: Canada's quarterly liquids production and forecast

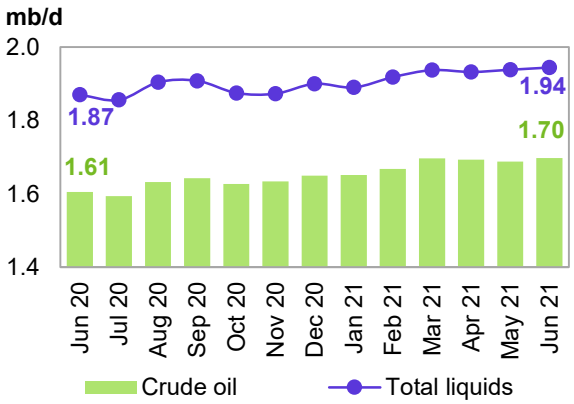


*Note: * 3Q21-4Q22 = Forecast. Source: OPEC.*

Mexico

Mexico's liquids output in 2Q21 averaged 1.94 mb/d, up by 0.02 mb/d q-o-q and higher by 0.03 mb/d y-o-y. The improvement indicates that Mexican production from new projects such as Ichalkil-Pokoch and Hokchi – as well as production ramp-ups from Integral Ek-Balam, Ixtal-Manik, Crudo Ligero Marino, Litoral De Tabasco, Chalabi and Mulach – could offset the severe natural decline in mature fields. In June, liquids output remained unchanged at 1.94 mb/d, despite increased crude oil output of 10 tb/d m-o-m to an average 1.7 mb/d.

Graph 5 - 18: Mexico's monthly liquids and crude production development



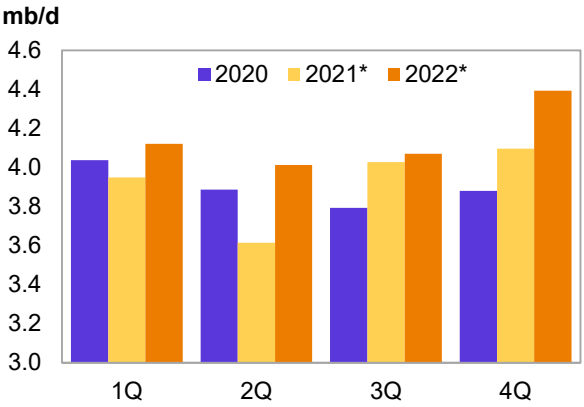
Sources: PEMEX and OPEC.

For **2021**, liquids production in Mexico is forecast to grow by 0.02 mb/d to average 1.94 mb/d. For **2022**, national oil company Pemex is scheduled to bring on stream a string of smaller developments, but is suffering some delays resulting from pandemic-related financial and operational hurdles. Nevertheless, by ramping up crude production from the new projects into the next year as well as the new start-ups of another two new projects, Amoca FFD (Miamte) and Mizton FFD, liquids production is forecast to grow by another 0.02 mb/d to average 1.96 mb/d.

OECD Europe

OECD Europe's liquids production in 2021 is revised down by 0.01 mb/d from the last assessment. Output is now projected to grow by only 0.02 mb/d to average 3.92 mb/d, due to a contraction in UK output of 0.09 mb/d and a slowdown in Norway's production growth compared with remarkable growth of 0.26 mb/d in 2020. Oil production in Denmark will see a slight decline of 0.01 mb/d, while other OECD Europe will see growth of 0.02 mb/d. The early summer turnaround at the Troll and the Forties pipeline systems resulted in a seasonally large drop in North Sea volumes in May and June, with production averaging 2.83 mb/d in 2Q21, lower by 0.37 mb/d q-o-q, almost the same level of 2Q20.

Graph 5 - 19: OECD Europe quarterly liquids production and forecast



*Note: * 2021-2022 = Forecast. Source: OPEC.*

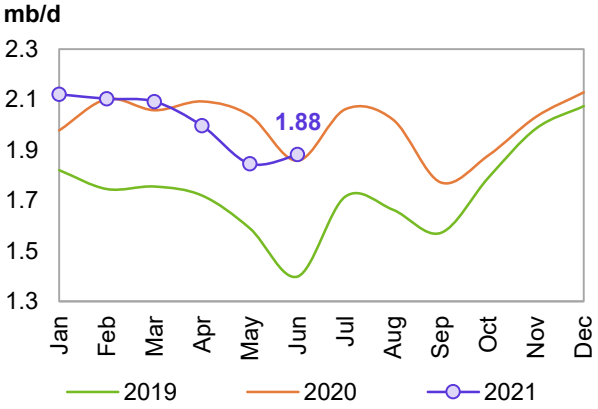
For **2022**, production is expected to grow by 0.23 mb/d and surge to 4.15 mb/d, through continued production ramp-ups in Norway and the UK.

Norway

Norwegian crude production in June grew by 12 tb/d m-o-m to 1.67 mb/d, up by 131 tb/d y-o-y. Production of NGLs and condensate also rose by 24 tb/d m-o-m to average 0.21 mb/d. As a result, total liquids increased by 0.04 mb/d m-o-m to average 1.88 mb/d, and output is projected return in July to April levels, before seasonal maintenance.

According to the Norwegian Petroleum Directorate (NPD), during 1H21, 94 development wells were drilled across the Norwegian shelf, up from 86 for the same period in 2020. Plenty of projects are expected to start up in 2022, with potentially 50 projects facing investment decisions by the end of 2022, with estimated total investments of around NOK380 billion ($42.8 billion).

Graph 5 - 20: Norway's monthly liquids production development



Sources: NPD and OPEC.

For **2021**, Norway's growth forecast has been revised down by 12 tb/d m-o-m due to lower output in 2Q21. Production is now expected to average 2.10 mb/d, with growth of 0.10 mb/d y-o-y. However, production from Johan Sverdrup phase-1, Equinor's flagship 2.7 billion barrel project, where capacity reached 535 tb/d in May following upgrades to water injection facilities, is expected to remain steady by the end of the year. Moreover, production is expected to reach 53 tb/d at a new project for 2021, Martin Linge. Production from the Yme field is also expected to come on stream during 2H21.

For **2022**, Norwegian liquids production is expected to grow by 0.17 mb/d to average 2.27 mb/d, through start-ups of new offshore projects such as Nova, Hod (redevelopment), Njord Future, Bauge and Fenja-phase 1 is anticipated. Moreover, Johan Sverdrup phase-2 is expected to come on stream in late 2022, and will lift Norwegian crude oil production to more than 2 mb/d. It is worth noting that Norway's tax incentives initiated last year in response to the pandemic have led to increased investment in oil and gas projects.

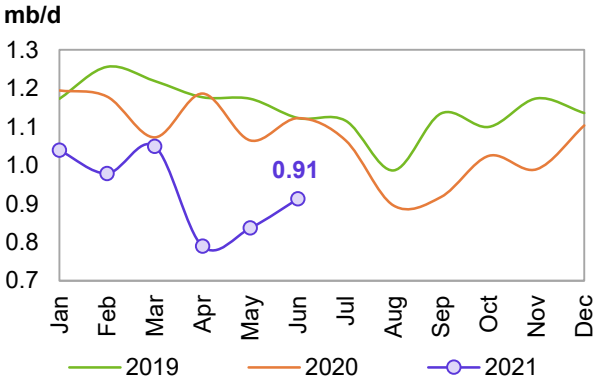
UK

UK liquids production in June was up by 0.07 mb/d m-o-m to average 0.91 mb/d. Crude oil output rose by 73 tb/d to average 0.83 mb/d, but was 0.16 mb/d lower y-o-y. NGLs output was almost flat at 0.07 mb/d m-o-m, and lower by 38 tb/d y-o-y.

Average liquids output in 2Q21 was 0.85 mb/d, indicating a decline of 0.17 mb/d q-o-q, due to the relatively high levels of maintenance. The oil production decline was even deeper, with output down by 23%, or 226 tb/d, from a year ago, to average 0.76 mb/d in 2Q21, mainly due to the three-week shutdown of the major (300 tb/d) Forties Pipeline System.

For **2021**, UK oil production is forecast to contract by 0.09 mb/d to average 0.98 mb/d, due to several outages on top of maintenance during 1H21.

Graph 5 - 21: UK monthly liquids production development



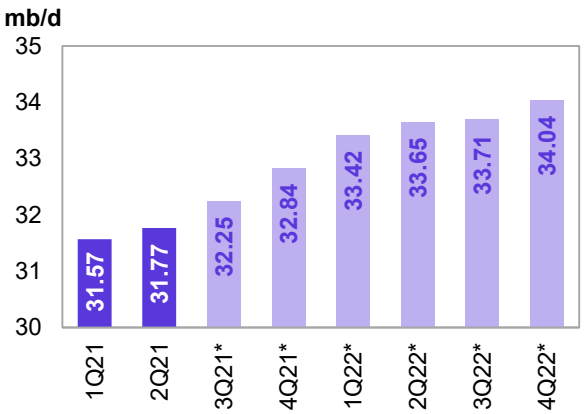
Sources: Department of Energy & Climate Change and OPEC.

For **2022**, UK liquids production is forecast to grow by 0.03 mb/d to average 1.01 mb/d following two consecutive years of decline. Production ramp-ups will take place in some small fields and the Penguins oil field (Redevelop) and Buzzard Phase 2 (20/06-3), each with a peak capacity of 30 tb/d, are due to start up.

Non-OECD

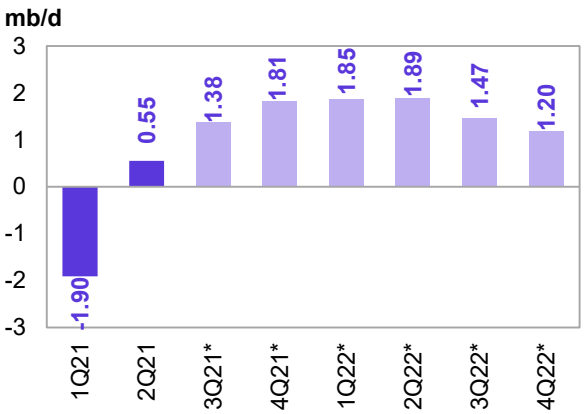
Non-OECD liquids production for 2021 was revised up by 0.2 mb/d this month, on the back of the new incremental production adjustments for countries participating in the DoC, and is now forecast to grow by 0.47 mb/d to average 32.11 mb/d. The key driver will be Russia, with y-o-y forecast growth of 0.19 mb/d to average 10.78 mb/d, followed by Latin America, which is expected to see growth of 0.14 mb/d to average 6.18 mb/d.

Graph 5 - 22: Non-OECD quarterly liquids production and forecast



*Note: * 3Q21-4Q22 = Forecast. Source: OPEC.*

Graph 5 - 23: Non-OECD quarterly liquids supply, y-o-y changes



*Note: * 3Q21-4Q22 = Forecast. Source: OPEC.*

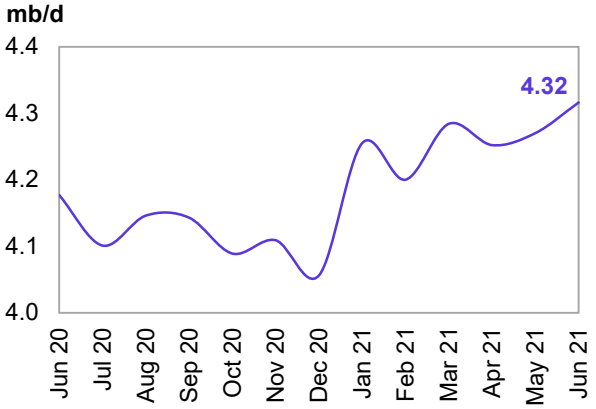
Production in China is expected to grow by 0.12 mb/d to average 4.24 mb/d. Oil production is forecast to increase in the Middle East by 0.06 mb/d to average 3.23 mb/d, while production is expected to decline in Africa by 0.06 mb/d, to average 1.35 mb/d. Other Asia is projected to remain flat at 2.51 mb/d in 2021. Oil production in Other Eurasia is projected to return to positive territory, with minor growth of 0.04 mb/d to average 2.95 mb/d, while Other Europe is anticipated to decline by 0.01 mb/d to average 0.11 mb/d in 2021.

For **2022**, liquids production in non-OECD countries is forecast to grow by 1.60 mb/d to average 33.71 mb/d. The key drivers will again be Russia with growth of 1.0 mb/d to average 11.78 mb/d, followed by Latin America with 0.33 mb/d, Other Eurasia at 0.19 mb/d and the Middle East at 0.09 mb/d. China and India are expected to grow by 0.04 mb/d and 0.05 mb/d, respectively.

China

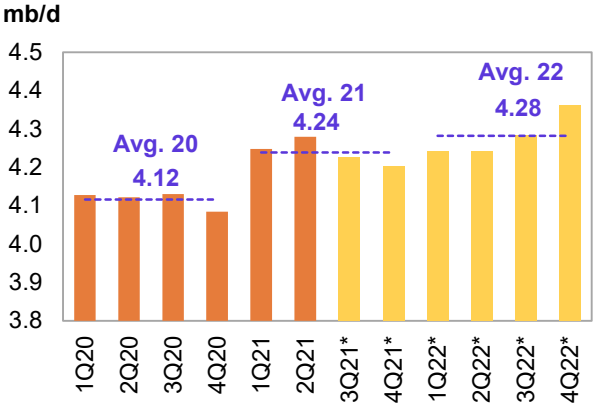
China's **liquids production** in **June** was up by 0.05 mb/d m-o-m to average 4.32 mb/d, higher by 0.14 mb/d y-o-y, according to official data. Crude oil output in June increased by 46 tb/d to average 4.06 mb/d, up by more than 100 tb/d y-o-y. Overall production in 1Q21 and 2Q21 increased by 0.12 mb/d and 0.16 mb/d y-o-y, respectively, indicating that Chinese companies have increased their investment following the planned strategy for raising domestic oil production.

Graph 5 - 24: China's monthly liquids production development



Sources: CNPC and OPEC.

Graph 5 - 25: China's quarterly liquids production and forecast



*Note: * 3Q21-4Q22 = Forecast. Sources: CNPC and OPEC.*

For **2021**, China's liquids supply is projected to see growth of 0.12 mb/d to average 4.24 mb/d. According to a list of new projects for the current year, three (namely Liuhua 16-2, Luda 21-2 and Caofeidian 6-4, all offshore) should start production in 2021.

For **2022**, y-o-y growth of 0.04 mb/d is anticipated to average 4.28 m/d. For the next year, two other offshore projects of CNNOC Ltd – Wushi 17-2, with peak capacity of 24 tb/d, and Lufeng 14-4/14-8, with 23 tb/d at peak capacity – are planned to come on stream.

Latin America

Latin America's total liquids supply in June remained unchanged m-o-m to average 5.97 mb/d. Oil output increases in Colombia and Guyana were offset by a decline in Brazilian production. Liquids output was down by 0.12 mb/d y-o-y.

For **2021**, liquids production has been revised down by 11 tb/d m-o-m and is projected to grow by 0.14 mb/d y-o-y to average 6.18 mb/d. Oil production in Brazil, Guyana, Ecuador, Argentina and Peru is forecast to increase, while declines are expected in Colombia and other countries in the region.

Production in Ecuador is projected to recover from outages experienced in 2020 and grow by 0.03 mb/d to average 0.52 mb/d.

Following a national strike and protests across Colombia, crude oil production was affected through May and June that led to a lower production in 2Q21 by 0.02 mb/d compared with 1Q21 to average 0.75 mb/d. Preliminary production data in July indicates that output has returned to the April level. Oil production is likely to decline in Colombia by 0.03 mb/d, which has been revised down by 0.05 mb/d m-o-m.

Oil production in the Liza Phase 1 in Guyana through the FPSO vessel Liza Destiny is currently about 120 tb/d, and is expected to average 0.12 mb/d in 2021, with y-o-y growth of 0.04 mb/d.

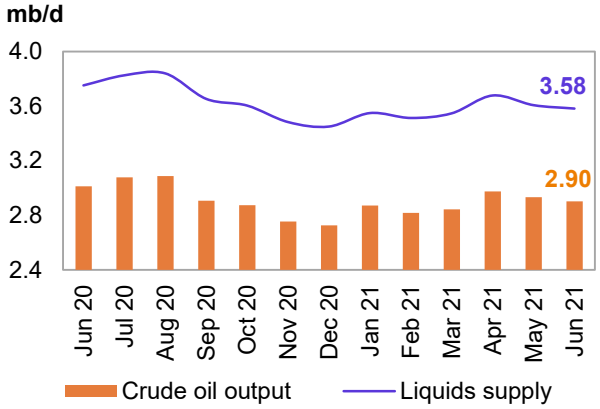
In Argentina, oil production is forecast to grow by 0.02 mb/d to average 0.68 mb/d. This should come mainly in the form of tight crude from Vaca Muerta, which is expected to grow by 29 tb/d in 2021 to average 137 tb/d. However, possible higher natural declines in mature fields may impact anticipated overall growth for the year.

For **2022**, Latin America's total liquids supply forecast is projected to grow by 0.33 mb/d y-o-y to average 6.52 mb/d. One of the key drivers is Brazil, with expected growth of 0.24 mb/d, including biofuels, to average 3.99 mb/d. Guyana would be the second country in the region experiencing growth next year, with output rising by 0.09 mb/d, through the start-up of Liza Phase 2, which remains on target for early 2022. The FPSO Liza Unity, with a production capacity of about 220 tb/d of oil, is expected to sail from Singapore to Guyana in late August 2021. Oil production in other countries in the region will decline or see only minor growth.

Brazil

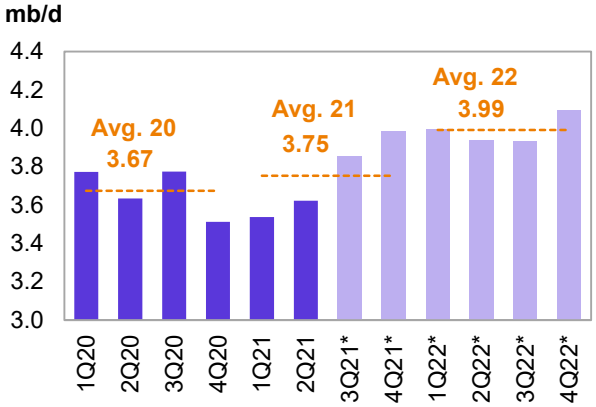
Following a decline of 0.04 mb/d in May m-o-m, **Brazil's crude oil output in June** fell by 0.03 mb/d m-o-m to average 2.90 mb/d on the back of outages at the Jubarte, Tartaruga Verde and Atlanta fields. Crude oil output averaged 2.89 mb/d in 1Q21, down 0.08 mb/d y-o-y. In June, total liquids production was pegged at an average of 3.58 mb/d, including biofuels and NGLs, down by 0.17 mb/d y-o-y.

Graph 5 - 26: Brazil's monthly liquids production development by type



Sources: ANP, Petrobras and OPEC.

Graph 5 - 27: Brazil's quarterly liquids production and forecast



*Note: * 3Q21-4Q22 = Forecast. Sources: ANP and OPEC.*

Brazilian liquids supply in **2021**, including biofuels, is forecast to grow by 0.08 mb/d y-o-y, to an average 3.75 mb/d. This performance is due to weaker-than-expected output in 1H21 as a result of stoppages and COVID-19-induced project delays that curtailed 130 tb/d of oil output. It is estimated that liquids output in July grew by 0.09 mb/d m-o-m to reach 3.67 mb/d as unplanned outages eased. According to the production ramp-ups in Búzios and Atapu, higher production of 0.34 mb/d, to an average of 3.9 mb/d, is anticipated in 2H21. Moreover, the start-up of the 0.18 mb/d FPSO Carioca in Sépia field (formerly Northeast Tupi), which is located in the Santos Basin's pre-salt horizon, is expected in August.

For **2022**, Brazil's liquids supply forecast, including biofuels, is set to increase by 0.24 mb/d y-o-y to average 3.99 mb/d. Crude oil production is expected to rise through two new project start-ups: Mero-1 (Guanabara), which was initially planned to start up in 2021; and Peregrino-Phase 2 . The second phase involves the Peregrino south-west area, which is not accessible by the existing A and B platforms. Its development plan involves increasing the number of production wells by the addition of a third fixed platform to the field, Peregrino C, which has already been installed. This will increase the project's productive life by at least 20 years and will add 250-300 million barrels in recoverable reserves, with the first oil expected in the first half of 2022, according to Equinor.

Russia

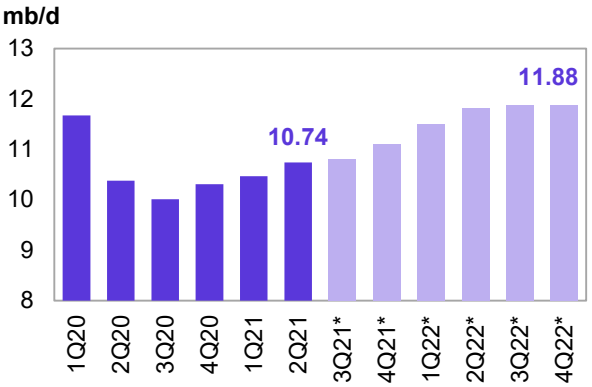
Preliminary data for **Russia's liquids production in July** shows an increase of 0.04 mb/d m-o-m to an average of 10.75 mb/d, higher by 1.1 mb/d y-o-y.

Total condensate and NGLs output from gas condensate fields was pegged at 1.21 mb/d in 1H21, up by 0.09 tb/d y-o-y, while crude oil production declined by 0.5 mb/d in 1H21, y-o-y to average 9.4 mb/d.

Annual liquids production in **2021** is forecast to increase by 0.19 mb/d y-o-y to average 10.78 mb/d, revised up by 0.15 mb/d in accordance with the new DoC production adjustments from August 2021 onwards.

For **2022**, and given the new production adjustments, Russia liquids output is expected to increase by 1.0 mb/d to average 11.78 mb/d, with 3Q22 and 4Q22 both expected to reach 11.88 mb/d.

Graph 5 - 28: Russia's quarterly liquids production and forecast



*Note: * 3Q21-4Q22 = Forecast.*
Sources: Nefte Compass and OPEC.

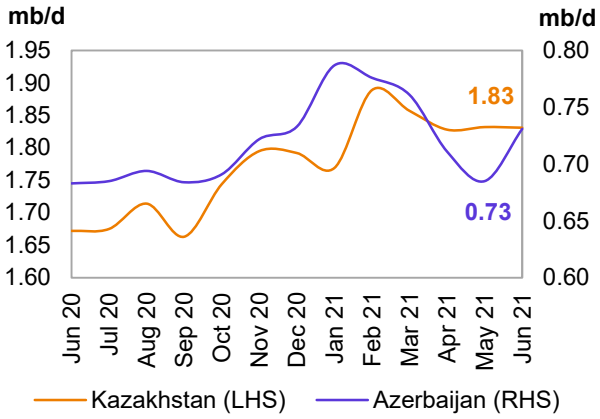
Caspian

Kazakhstan & Azerbaijan

Liquids production in **Kazakhstan** was flat in **June** at 1.83 mb/d, similar to April and May. NGLs output was up by the same rate to average 358 tb/d in June. The Kazakhstan liquids supply forecast, based on the new DoC production adjustments as of August, is revised up by 15 tb/d to grow by 0.03 mb/d and average 1.86 mb/d in 2021. In 2022, liquids supply was revised up by 60 tb/d, and is now forecast to grow by 0.12 mb/d to average 1.98 mb/d.

Azerbaijan's liquids production in **June** rose by 0.04 mb/d to average 0.73 mb/d, up by 0.05 mb/d y-o-y. NGLs production increased by 11 tb/d m-o-m to average 122 tb/d. Azerbaijan's NGLs output in 1H21 was up by 32 tb/d compared with 1H20 to average 154 tb/d. In the same period, crude oil output decreased by 0.05 mb/d to 0.59 mb/d.

Graph 5 - 29: Caspian monthly liquids production development by selected country



Sources: Nefte Compass and OPEC.

In **2021**, Azerbaijan's liquids supply is revised down by 20 tb/d, due to lower-than-expected NGLs output in 2H21, and is expected to show growth of 0.02 mb/d for the year to average 0.75 mb/d.

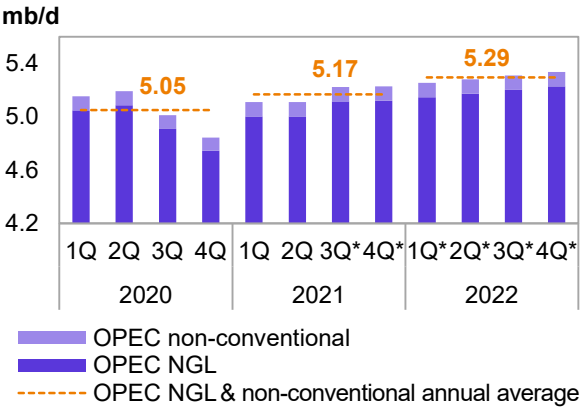
In **2022**, Azerbaijan's liquids supply forecast was revised up by 39 tb/d on the back of the incremental production adjustments in the recent DoC decision, and is projected grow by 0.07 mb/d to average 0.82 mb/d.

OPEC NGLs and non-conventional oils

OPEC NGLs and non-conventional liquids are estimated to grow by 0.12 mb/d in **2021,** following a decline of 0.17 mb/d in 2020, to average 5.17 mb/d, revised down from last month's assessment by 24 tb/d.

The preliminary **2022** forecast indicates growth of 0.13 mb/d to average 5.29 mb/d. NGLs production is expected to grow by 0.13 mb/d to average 5.19 mb/d, while non-conventional liquids will remain unchanged at 0.11 mb/d.

Graph 5 - 30: OPEC NGLs and non-conventional liquids quarterly production and forecast



*Note: * 3Q21-4Q22 = Forecast. Source: OPEC.*

Table 5 - 5: OPEC NGL + non-conventional oils, mb/d

OPEC NGL and non-coventional oils	2020	Change 20/19	2021	Change 21/20	1Q22	2Q22	3Q22	4Q22	2022	Change 22/21
OPEC NGL	**4.94**	*-0.18*	**5.06**	*0.11*	5.15	5.17	5.20	5.23	**5.19**	*0.13*
OPEC non-conventional	**0.10**	*0.01*	**0.11**	*0.00*	0.11	0.11	0.11	0.11	**0.11**	*0.00*
Total	**5.05**	***-0.17***	**5.17**	***0.12***	**5.25**	**5.28**	**5.31**	**5.33**	**5.29**	***0.13***

Note: 2021-2022 = Forecast. Source: OPEC.

OPEC crude oil production

According to secondary sources, total **OPEC-13 crude oil production** averaged 26.66 mb/d in July 2021, higher by 0.64 mb/d m-o-m. Crude oil output increased mainly in Saudi Arabia, Iraq and Nigeria, while production decreased primarily in Angola and Venezuela.

Table 5 - 6: OPEC crude oil production based on *secondary sources*, tb/d

Secondary sources	2019	2020	4Q20	1Q21	2Q21	May 21	Jun 21	Jul 21	*Change* Jul/Jun
Algeria	1,022	897	857	870	887	887	904	910	*6*
Angola	1,401	1,248	1,164	1,135	1,112	1,084	1,115	1,078	*-38*
Congo	324	288	273	271	264	260	265	263	*-3*
Equatorial Guinea	117	115	112	107	111	109	110	103	*-8*
Gabon	208	195	191	185	182	178	173	178	*5*
IR Iran	2,356	1,988	2,003	2,214	2,443	2,437	2,470	2,485	*15*
Iraq	4,678	4,049	3,817	3,881	3,939	3,948	3,921	3,978	*56*
Kuwait	2,687	2,432	2,293	2,328	2,356	2,358	2,383	2,426	*42*
Libya	1,097	367	911	1,175	1,151	1,155	1,163	1,165	*2*
Nigeria	1,786	1,579	1,434	1,410	1,419	1,410	1,392	1,437	*45*
Saudi Arabia	9,794	9,182	8,962	8,445	8,503	8,481	8,906	9,403	*497*
UAE	3,094	2,802	2,515	2,610	2,644	2,640	2,681	2,723	*42*
Venezuela	796	500	408	517	509	509	537	512	*-26*
Total OPEC	**29,361**	**25,642**	**24,940**	**25,148**	**25,520**	**25,454**	**26,020**	**26,657**	***637***

Notes: Totals may not add up due to independent rounding, given available secondary sources to date. Source: OPEC.

Table 5 - 7: OPEC crude oil production based on *direct communication*, tb/d

Direct communication	2019	2020	4Q20	1Q21	2Q21	May 21	Jun 21	Jul 21	*Change* Jul/Jun
Algeria	1,023	899	862	874	886	891	901	915	*14*
Angola	1,373	1,271	1,186	1,136	1,125	1,125	1,073	1,103	*30*
Congo	329	300	285	275	264	266	262	250	*-13*
Equatorial Guinea	110	114	106	104	99	99	100	100	*-1*
Gabon	218	207	178	183	179	171	183	184	*0*
IR Iran	..	..	..	..	..	..	..	..	..
Iraq	4,576	3,997	3,796	3,846	3,890	3,879	3,862	3,886	*24*
Kuwait	2,678	2,438	2,293	2,327	2,355	2,355	2,384	2,423	*39*
Libya	..	389	972	1,214	1,213	1,227	1,243	1,273	*30*
Nigeria	1,737	1,493	1,301	1,404	1,343	1,344	1,313	1,323	*10*
Saudi Arabia	9,808	9,213	8,975	8,473	8,535	8,544	8,928	9,474	*547*
UAE	3,058	2,779	2,501	2,610	2,645	2,641	2,681	2,722	*41*
Venezuela	1,013	569	463	533	556	582	633	614	*-19*
Total OPEC	**..**	**..**	**..**	**..**	**..**	**..**	**..**	**..**	***..***

Notes: .. Not available. Totals may not add up due to independent rounding. Source: OPEC.

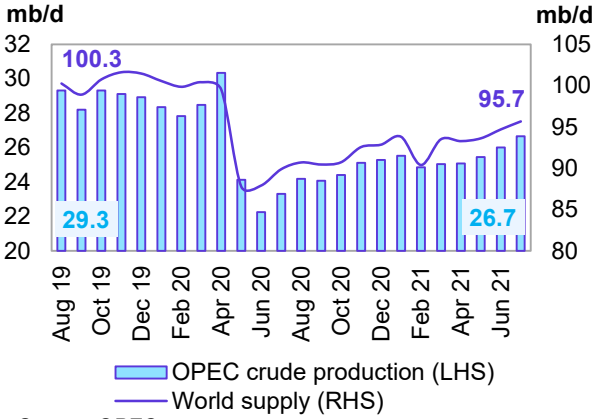
World oil supply

Preliminary data indicates that **global liquids production in July** increased by 0.97 mb/d to average 95.69 mb/d compared with the previous month.

Non-OPEC liquids production (including OPEC NGLs) increased in July by 0.33 mb/d compared with the previous month to average 69.03 mb/d, higher by 2.45 mb/d y-o-y. Preliminary increases in production in July were mainly driven by the OECD, where output rose by 0.25 mb/d m-o-m compared with an increase of only 0.08 mb/d in non-OECD countries, including participants in the DoC, as production had already been adjusted in July.

The **share of OPEC crude oil in total global production** increased by 0.4 pp to 27.9% in July compared with the previous month. Estimates are based on preliminary data from direct communication for non-OPEC supply, OPEC NGLs and non-conventional oil, while estimates for OPEC crude production are based on secondary sources.

Graph 5 - 31: OPEC crude production and world oil supply development



Source: OPEC.

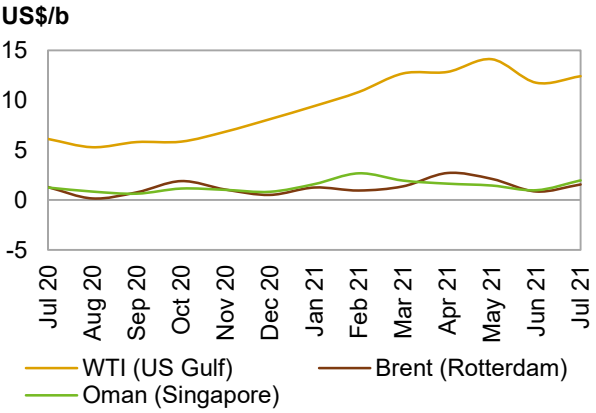
Product Markets and Refinery Operations

Refinery margins globally reversed course and moved upwards in July, supported by the seasonal strength of transport fuels, with robust performance registered at the top section of the barrel. In the US, a counter-seasonal decline in refinery utilization rates and the subsequent downward pressure on product inventories, as well as strong exports to South America, lifted product markets in the country. Refining margins in Europe benefitted from a reduction in utilization rates within the region in late June, and a tighter key product balance due to limited product arrivals amid sustained road transport fuel consumption linked to an easing of mobility restrictions. In Asia, healthy regional fuel consumption, robust petrochemical feedstock demand and strong conversion margins all led to gains for clean products.

Refinery margins

USGC refining margins improved, backed by a surge in product exports to South America, due to massive refinery outages there. This provided an outlet for product flows from the US, and prevented inventory builds that could have adversely affected refining economics in the country. Moreover, US refinery intakes in July decreased by an estimated 0.2 mb/d, which further helped give way to inventory drawdowns. Furthermore, the summer season support owed to a rise in transport fuel and contributed to the positive performance witnessed over the month. In the near term, run rates are expected to trend higher, to allow product stock-up ahead of the hurricane and peak autumn maintenance seasons. US refinery margins for WTI averaged $12.40/b in July, up by 66¢ m-o-m and by $6.28 y-o-y.

Graph 6 - 1: Refining margins



Sources: Argus and OPEC.

Refinery margins in **Europe** strengthened as refinery run rates declined at the end of July, putting refining economics at the start of July on higher ground. These gains were sustained and further extended throughout the month as the relaxation of mobility restrictions in Europe provided significant backing for fuel markets linked to the top section of the barrel. In addition, strong exports – driven by firm fuel requirements from Africa and a tighter product market in the US – further contributed to the upside.

However, an estimated rise of 590 tb/d in European refinery intakes, according to preliminary reports, and the subsequent rise in product output, led to stronger product availability, which translated into weakness of products derived from the middle sections of the barrel. Refinery margins for Brent in Europe averaged $1.57/b in July, up by 71¢ compared with a month earlier and up by 27¢ y-o-y.

In **Asia**, margins showed the strongest gains relative to the other regions in July, supported by the healthy recovery in India's fuel sales, which rebounded from the previous month's declines associated with the spread of the COVID-19 Delta variant in the country. At the same time, a shortage in Chinese fuel export quotas, which kept product supplies from China to the rest of Asia very limited, contributed to a tighter product balance in the region. This ultimately supported crack spreads at the top and bottom sections of the barrel. Going forward, the release of the next batch of export quotas to the country's refiners could boost product outflows from China and therefore weigh on fuel crack spreads in the region.

Devastating floods in China and typhoon In-Fa, which made landfall in Zhejiang in late July, affected one of the countries' largest oil hubs. Meanwhile, Southeast Asia continued to face COVID-19 outbreaks with reinforcement of lockdown measures exerting pressure on local consumption levels, which likely hindered stronger gains in regional refining economics. Refinery margins for Oman in Asia gained 98¢ m-o-m to average $1.97/b in July, which was higher by 72¢ y-o-y.

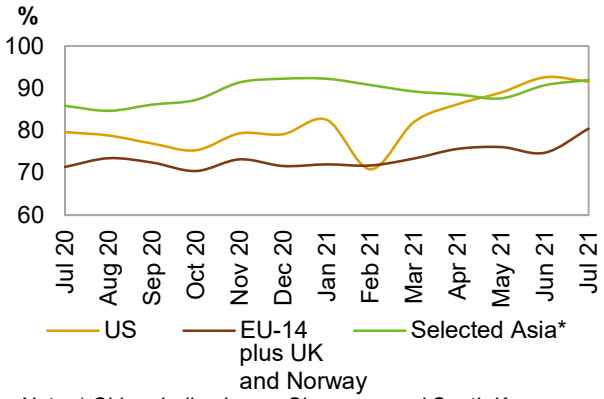
Refinery operations

US refinery utilization rates decreased in July to average 91.53%, which corresponds to a throughput of 16.59 mb/d. This represented a drop of 1.1 pp and 160 tb/d, respectively, compared with the previous month. Y-o-y, the July refinery utilization rate was up by 11.9 pp, with throughputs showing a rise of 1.8 mb/d.

European refinery utilization averaged 80.46%, corresponding to a throughput of 9.59 mb/d. This is a m-o-m rise of 5.7 pp, or 590 tb/d. On a y-o-y basis, utilization rates increased by 9.1 pp, while throughput was up by 737 tb/d.

In **selected Asia** – comprising Japan, China, India, Singapore and South Korea – refinery utilization rates rose, averaging 91.92% in July, corresponding to a throughput of 26.33 mb/d. Compared with the previous month, throughputs were up by 1.2 pp and by 180 tb/d. Meanwhile, y-o-y, they were up by 6.1 pp and by 1.7 mb/d.

Graph 6 - 2: Refinery utilization rates



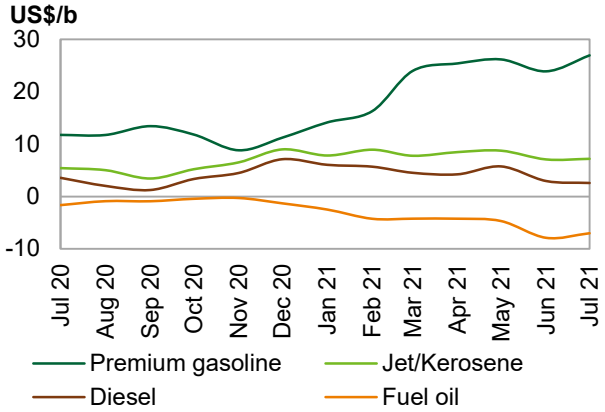
*Note: * China, India, Japan, Singapore and South Korea.*
Sources: Argus, EIA, Euroilstock, PAJ and OPEC.

Product markets

US market

US gasoline crack spreads recovered from the previous month's slump and resumed the upward trend witnessed from November 2020 to June 2021. Support came from a decline in gasoline output levels in line with reports of lower refinery runs in July. At the same time, strong exports to South America – particularly Brazil due to massive refinery outages – contributed to sharp declines in US gasoline inventories and further supported US gasoline margins. US gasoline prices continued to rise, and reached a multi-year record of $99.52/b in July. Ongoing support from strong mobility activity associated with the summer season provided further support. The US gasoline crack spreads gained $3.05 m-o-m to average $26.94 in July, up by $15.18/b y-o-y.

Graph 6 - 3: US Gulf crack spread vs. WTI



Sources: Argus and OPEC.

USGC **jet/kerosene crack spreads** moved up slightly as the lower jet fuel production rates slowed inventory growth. The recovery in domestic flight activity is set to continue trending upward, although the international travel segment appears to remain under pressure and the situation is exacerbated by the spread of the COVID-19 Delta variant. The US jet/kerosene crack spread against WTI averaged $7.20/b, up by 12¢ m-o-m, and up by $1.78 y-o-y.

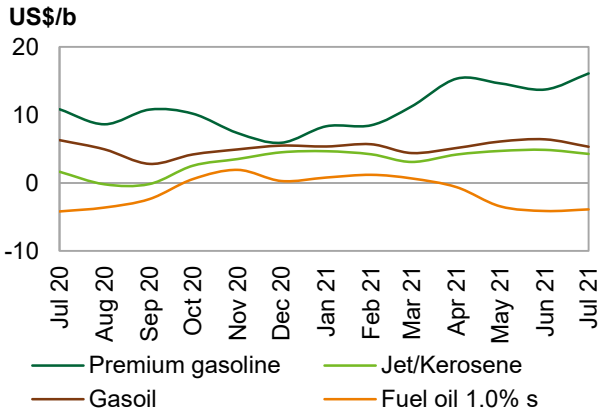
US **gasoil crack spreads** against WTI came under pressure due to weaker fundamentals, although the shift to higher light-end yields by US refiners helped lessen the downside impact in US diesel markets. Over the first three weeks of July, gasoil inventories showed strong weekly builds and settled above the June levels in the last week of the month, which triggered bearish market sentiment. The easing of lockdown restrictions in European markets may attract additional export volumes out of the US and provide support to US gasoil markets in the near term. The US gasoil crack spread against WTI averaged $2.60/b, down by 37¢ m-o-m and by 98¢ y-o-y.

US **fuel oil crack spreads** against WTI firmed up, sustained by favourable conversion economics, which encouraged refiners to maximize fuel oil processing rates in secondary units given supportive coker margins. Going forward, the weakness in fuel oil markets could trigger additional fuel oil buying interest as secondary feedstock, given the current strong gasoline pricing signals, as well as the transport fuel optimism linked to the summer season. This should limit the fuel oil downturn in the near term. In July, the US fuel oil crack spread against WTI averaged minus $7.02/b, higher m-o-m, but was down by $5.39 y-o-y.

European market

Gasoline crack spreads rebounded from the previous month's losses, supported by deep stock draws in the Amsterdam-Rotterdam-Antwerp storage hub, which was indicative of a relatively tighter gasoline market in July. Moreover, healthy domestic consumption levels as well as solid exports added to the upside in European gasoline markets. The gasoline crack spread against Brent averaged $16.11/b in July, up by $2.37 m-o-m and by $5.27 y-o-y.

Graph 6 - 4: Rotterdam crack spreads vs. Brent



Sources: Argus and OPEC.

Jet/kerosene crack spreads against Brent weakened slightly and were affected by a downturn in fundamentals. Rising supplies due to stronger refinery run rates led to a longer balance within the region. Although the easing of travel restrictions amid a strong vaccination rollout in Europe allowed regional flight numbers to almost double in mid-July from their May levels, jet fuel consumption was still overall supressed due to low international and business air travel. Rotterdam jet/kerosene crack spread against Brent averaged $4.28/b, down by 59¢ m-o-m but up by $2.62 y-o-y.

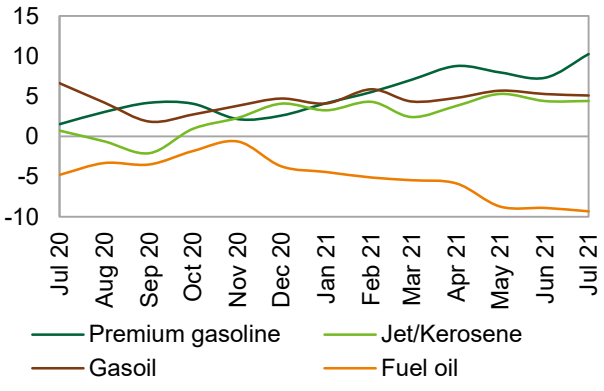
Gasoil crack spreads trended downwards as European inland stocks remained high over the month in response to the rise in refinery intakes registered in July. European gasoil prices reached the highest mark since December 2019 and averaged $80.29/b in July, amid strong crude oil prices and rapid COVID-19 vaccine rollouts. The gasoil crack spread against Brent averaged $5.30/b, which was lower by $1.08 m-o-m and also lower by 97¢ y-o-y.

At the bottom of the barrel, **fuel oil 1.0% crack spreads** reversed trend and showed gains, in line with robust exports to outside the region, despite firm inflows from Russia. The current strength in gasoline cracks has helped conversion margins move higher, which further encourages refiners to convert fuel oil in secondary units. At the same time, expectations of a pick-up in fuel oil exports to fulfil higher power generation requirements going forward, should lead to lower fuel oil availability and should lend support to fuel oil markets in the near term. In Europe, fuel oil cracks averaged minus $3.88/b in July, having gained 24¢ m-o-m and 30¢ y-o-y.

Asian market

The **Asian gasoline 92 crack spread** rose as India's daily gasoline consumption exceeded pre-pandemic levels in July in response to relaxed COVID-19-related lockdowns, according to preliminary reports. Gasoline sales on a daily basis rose to 76,500 tonnes in July, up nearly 3.6% over the same 2019 period and 5.7% over June this year. India's gasoline sales had recovered to pre-pandemic levels in October 2020 before a second deadly wave of infections began hitting the fuel's demand in April. In addition, the shortage in China's refined oil export quotas has limited Chinese refiners' exports, which contributed to a tighter regional gasoline balance and supported cracks. The Singapore gasoline crack spread against Oman in July averaged $10.25/b, up by $2.94 m-o-m and by $8.70 y-o-y.

Graph 6 - 5: Singapore crack spreads vs. Dubai



Sources: Argus and OPEC.

Asia **naphtha crack spreads** reversed course and rose sharply, reflecting the strong positive performance in the gasoline segment amid strong petrochemical feedstock requirements. The end of the steam cracker season led to a sharp reduction in offline cracker capacity within the region and prompted stronger petrochemical feedstock requirements, thus supporting petrochemical margins. In addition, a rise in LPG prices, including those of propane and butadiene as alternative petrochemical feedstock, shifted more buying interest towards naphtha and further contributed to the boost in naphtha markets. The Singapore naphtha crack spread against Oman averaged $2.74/b, having increased by $3.60 m-o-m, and by $2.33 y-o-y.

In the middle of the barrel, the **jet/kerosene crack spreads** in Asia gained some ground, supported by lower supplies from China, amid firm regional requirements for domestic air travel, mainly in China. The majority of international flights remain suspended due to prolonged border restrictions amid outbreaks of the COVID-19 Delta variant in many parts of Asia, while business travel is still being avoided as much as possible. This likely kept gains in jet/kerosene margins capped. In the near term, the high number of Delta cases in Asia could lead to continued international border restrictions, pointing to downside risks in regional jet fuel crack spreads in the coming month. However, firmer demand from the faster recovering aviation sector in the West could provide some support to the regional jet fuel market, amid expected improvement towards the end of the year as the vaccinated share of the population grows and seasonal heating demand for kerosene picks up. The Singapore jet/kerosene crack spread against Oman averaged minus $4.42/b, marginally up by just 1¢ m-o-m, but up by $3.69 y-o-y.

The Singapore **gasoil crack spread** moved lower on weaker industrial demand, while the rise in Delta variant infection rates showed a clear negative impact on the fuel's consumption levels linked to the region's transportation sector. Over the month of July, Thailand reported a record number of coronavirus cases, while Malaysia reached more than 1 million infections, as the virulent Delta variant turned Southeast Asia into the global epicentre of the virus in July. Meanwhile, China has also reported its highest number of cases since the end of January amid a surge of local infections in the eastern city of Nanjing. Moreover, robust gasoil supplies from India, where the peak monsoon season weighed on domestic consumption, resulted in a rise of gasoil availability for exports. India's western state of Maharashtra in July was hit by the heaviest rain in four decades, with downpours lasting several days and severely affecting hundreds of thousands of people. This weighed heavily on regional gasoil margins. The restrictions on gasoil exports from China due to the shortage in fuel export quotas, if sustained, could provide some support to the market in the near term. The Singapore gasoil crack spread against Oman averaged $5.10/b, down by 18¢/b m-o-m and by $1.53 y-o-y.

The Singapore **fuel oil 3.5% crack spread** extended the consecutive y-t-d downward trend deeper into negative territory, affected by strong fuel oil availability in the region. Meanwhile, China's recent decision to impose consumption taxes on light cycle oil, mixed aromatics and diluted bitumen, as well as a regulatory push from the government to reduce crude import quotas for independent refiners, will likely be supportive of domestic fuel oil markets going forward. In addition, a seasonal uptick in requirements from the power generation sector in the coming months should add to the support in the near term. Singapore fuel oil cracks against Oman averaged minus $9.30/b, down by 42¢ m-o-m and by $4.54 y-o-y.

Table 6 - 1: Short-term prospects for product markets and refinery operations

Event	Time frame	Asia	Europe	US	Observations
Reinforcement of mobility restrictions	4Q21	↓ Negative impact on product markets	↓ Negative impact on product markets	↓ Negative impact on product markets	Concerns over the spread of new COVID-19 variants could exert pressure on fuel consumption levels and lead to product surplus in the near term.
Autumn refinery maintenance	Sep 21	↑ Positive impact on product markets	↑ Positive impact on product markets	↑ Positive impact on product markets	A lift in refining economics is expected once refinery go into maintenance and product outputs contract.
COVID-19 vaccine	Summer 2021	↑ Positive impact on product markets	↑ Positive impact on product markets	↑ Positive impact on product markets	Product markets are expected to show y-o-y improvement in product cracks, mainly during the 2021 driving season.
Pick-up in fuel oil markets	2H21	↑ Positive impact on fuel oil markets	↑ Positive impact on fuel oil markets	↑ Positive impact on fuel oil markets	Stronger seasonal demand for power generation, and a potentially tighter balance, should provide support to fuel oil markets in the current and coming month, mainly in Asia.

Source: OPEC.

Table 6 - 2: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				*Refinery utilization, %*			
	May 21	Jun 21	Jul 21	Change Jul/Jun	May 21	Jun 21	Jul 21	Change Jul/Jun
US	**16.13**	**16.75**	**16.59**	**-0.16**	**89.00**	**92.59**	**91.53**	**-1.1 pp**
Euro-14, plus UK and Norway	**9.15**	**8.99**	**9.59**	**0.59**	**76.10**	**74.77**	**80.46**	**5.7 pp**
France	0.62	0.62	0.71	0.09	53.96	53.61	61.58	8.0 pp
Germany	1.66	1.62	1.70	0.08	81.01	78.92	82.74	3.8 pp
Italy	1.20	1.17	1.28	0.11	63.26	61.47	67.13	5.7 pp
UK	0.94	0.88	0.92	0.04	80.39	74.68	78.37	3.7 pp
Selected Asia*	**25.26**	**26.15**	**26.33**	**0.18**	**87.62**	**90.70**	**91.92**	**1.2 pp**

*Note: * Includes Japan, China, India, Singapore and South Korea.*

Sources: Argus Media, EIA, Euroilstock, NBS, PAJ and OPEC.

Table 6 - 3: Refinery crude throughput, mb/d

Refinery crude throughput	2018	2019	2020	3Q20	4Q20	1Q21	2Q21	3Q21
OECD Americas	**19.31**	**18.96**	**16.54**	**16.35**	**16.24**	**16.29**	**17.62**	**18.70**
of which US	*17.31*	*16.99*	*14.72*	*14.55*	*14.32*	*14.20*	*16.17*	*16.79*
OECD Europe	**12.17**	**12.13**	**10.64**	**10.65**	**10.39**	**10.17**	**10.73**	**11.13**
of which:								
France	*1.10*	*1.00*	*0.67*	*0.76*	*0.71*	*0.58*	*0.62*	*0.69*
Germany	*1.80*	*1.78*	*1.72*	*1.72*	*1.67*	*1.58*	*1.67*	*1.68*
Italy	*1.35*	*1.35*	*1.11*	*1.15*	*1.08*	*1.06*	*1.20*	*1.23*
UK	*1.06*	*1.08*	*0.92*	*0.87*	*0.89*	*0.75*	*0.91*	*0.88*
OECD Asia Pacific	**6.98**	**6.79**	**5.89**	**5.50**	**5.88**	**5.82**	**6.10**	**6.28**
of which Japan	*3.11*	*3.02*	*2.48*	*2.25*	*2.51*	*2.56*	*2.30*	*2.46*
Total OECD	**38.46**	**37.88**	**33.08**	**32.49**	**32.52**	**32.28**	**34.45**	**36.11**
Latin America	**4.31**	**4.09**	**3.27**	**3.19**	**3.37**	**3.49**	**3.59**	**3.69**
Middle East	**6.97**	**6.83**	**6.02**	**6.24**	**6.37**	**6.46**	**6.70**	**6.88**
Africa	**2.16**	**2.16**	**2.04**	**1.94**	**2.07**	**2.15**	**2.20**	**2.23**
India	**4.89**	**5.04**	**4.42**	**4.00**	**4.73**	**4.93**	**4.59**	**4.86**
China	**12.03**	**13.02**	**13.48**	**14.00**	**14.14**	**14.12**	**14.38**	**14.36**
Other Asia	**5.18**	**4.95**	**4.54**	**4.11**	**4.47**	**4.47**	**4.67**	**4.91**
Russia	**5.72**	**5.70**	**5.39**	**5.28**	**5.29**	**5.55**	**5.52**	**5.55**
Other Eurasia	**1.32**	**1.30**	**1.14**	**1.12**	**1.26**	**1.14**	**1.15**	**1.19**
Other Europe	**0.63**	**0.62**	**0.49**	**0.46**	**0.50**	**0.46**	**0.49**	**0.52**
Total Non-OECD	**43.22**	**43.71**	**40.78**	**40.35**	**42.20**	**42.75**	**43.30**	**44.20**
Total world	**81.68**	**81.59**	**73.86**	**72.84**	**74.72**	**75.03**	**77.75**	**80.30**

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

Sources: AFREC, APEC, EIA, IEA, Euroilstock, PAJ, Ministry data, including Ministry of Energy of the Russian Federation, Ministry of Petroleum and Natural Gas of India, OPEC and JODI.

Table 6 - 4: Refined product prices, US$/b

		Jun 21	Jul 21	Change Jul/Jun	Annual avg. 2020	Year-to-date 2021
US Gulf (Cargoes FOB)						
Naphtha*		69.70	74.56	4.86	38.31	65.32
Premium gasoline	(unleaded 93)	95.27	99.52	4.25	51.89	85.88
Regular gasoline	(unleaded 87)	89.48	92.92	3.44	47.72	81.41
Jet/Kerosene		78.46	79.78	1.32	46.83	71.49
Gasoil	(0.2% S)	74.35	75.18	0.83	44.92	68.04
Fuel oil	(3.0% S)	60.55	61.00	0.45	34.72	55.63
Rotterdam (Barges FoB)						
Naphtha		70.13	74.43	4.30	39.00	64.54
Premium gasoline	(unleaded 98)	86.70	91.10	4.40	51.34	78.76
Jet/Kerosene		77.83	79.27	1.44	45.72	70.49
Gasoil/Diesel	(10 ppm)	79.34	80.29	0.95	49.17	71.66
Fuel oil	(1.0% S)	68.84	71.11	2.27	40.87	64.85
Fuel oil	(3.5% S)	62.43	63.13	0.70	37.71	58.01
Mediterranean (Cargoes FOB)						
Naphtha		69.56	74.03	4.47	37.58	63.79
Premium gasoline**		81.41	86.88	5.47	45.41	74.25
Jet/Kerosene		75.73	77.48	1.75	43.06	68.35
Diesel		78.78	80.12	1.34	48.55	71.15
Fuel oil	(1.0% S)	69.97	72.11	2.14	43.54	66.02
Fuel oil	(3.5% S)	59.94	60.93	0.99	33.31	55.42
Singapore (Cargoes FOB)						
Naphtha		70.64	75.57	4.93	40.66	65.32
Premium gasoline	(unleaded 95)	80.31	85.14	4.83	46.59	73.83
Regular gasoline	(unleaded 92)	78.81	83.08	4.27	44.99	72.10
Jet/Kerosene		75.91	77.25	1.34	44.75	68.80
Gasoil/Diesel	(50 ppm)	78.53	79.58	1.05	49.19	71.08
Fuel oil	(180 cst)	76.61	77.72	1.11	47.86	69.61
Fuel oil	(380 cst 3.5% S)	62.62	63.53	0.91	36.75	58.00

*Note: * Barges. ** Cost, insurance and freight (CIF).*

Sources: Argus and OPEC.

Tanker Market

Events in July provided little momentum to the languishing tanker market, with dirty freight rates remaining at subdued levels. As soon as positive signs appear on the horizon, offsetting darker clouds seem to emerge as well. Demand for tankers is expected to pick up in 2H21, easing the imbalance versus tonnage availability, further helped by increased scrapping and low new deliveries. However, the rapid spread of the Delta variant has provided some uncertainty to the outlook, potentially pushing off the tanker market recovery into 2022.

Spot fixtures

Global spot fixtures declined m-o-m in July, falling by 1.7 mb/d, or around 11%, to average 13.8 mb/d. Declines came as Asian and European buying remained muted. Compared to the previous year, spot fixtures were slightly lower, falling by less than 1%. It should be noted that rates began the current low phase already in June 2020, coming down sharply from the exceptionally high levels seen earlier in 2Q21.

Table 7 - 1: Spot fixtures, mb/d

Spot fixtures	May 21	Jun 21	Jul 21	Change Jul 21/Jun 21
All areas	15.66	15.45	13.77	-1.68
OPEC	10.42	9.42	9.96	0.54
Middle East/East	6.11	5.22	5.93	0.71
Middle East/West	0.99	1.07	0.87	-0.20
Outside Middle East	3.32	3.13	3.16	0.03

Sources: Oil Movements and OPEC.

OPEC spot fixtures rose m-o-m in July, increasing by 0.5 mb/d, or almost 6%, to average just under 10 mb/d, amid a scheduled easing of production adjustments. Compared with the same month last year, OPEC spot fixtures were about 14% higher, rising by just under 1.0 mb/d.

Fixtures from the **Middle East-to-East** averaged 5.9 mb/d in July, representing a gain of 0.5 mb/d, or 6% m-o-m, amid increased flows from the region to the Far East. Y-o-y, the route saw an increase of 0.7 mb/d, or over 14%.

Middle East-to-West fixtures declined by almost 19%, or around 0.2 mb/d m-o-m, to average 870 tb/d, amid lower flows to Northwest Europe (NWE) and the Mediterranean. This was around 0.2 mb/d, or almost 32%, higher than in the same month last year.

Outside the **Middle East** fixtures edged up 30 tb/d, or 1% m-o-m, to average 3.2 mb/d. Y-o-y, fixtures were around 6%, or around 0.2 mb/d higher.

Sailings and arrivals

OPEC sailings continued to rise m-o-m in July, gaining 0.7 mb/d, or over 3%, to average around 22.2 mb/d. Y-o-y, OPEC sailings were 2.1 mb/d, or 11%, higher than the very low levels seen in July 2020.

Middle East sailings continued to show m-o-m gains in July, edging up by 0.3 mb/d, or close to 2%, to average 15.6 mb/d. Y-o-y, sailings from the region rose 1.8 mb/d, or 13%, compared with the same month last year.

Crude arrivals in July were higher m-o-m on all routes with the exception of Europe. Arrivals in North America averaged 9.0 mb/d, representing a gain of 0.1 mb/d m-o-m, or around 2%, and a 1.2 mb/d, or over 15% increase y-o-y. Arrivals in the Far East averaged 15.0 mb/d in July, an increase of 1.6 mb/d, or 12% m-o-m, and a massive 5.8 mb/d, or over 63%, higher than the same month last year. In West Asia, arrivals more than recovered from the previous month's losses, rising by 0.8 mb/d, or over 13%, to average 6.9 mb/d. Y-o-y, West Asia arrivals were 2.3 mb/d, or just over 50%, higher. European arrivals were relatively stable in July at 12.8 mb/d, marginally lower than in the previous month and a massive 3.9 mb/d, or 44%, higher than the same period last year.

Table 7 - 2: Tanker sailings and arrivals, mb/d

Sailings	May 21	Jun 21	Jul 21	Change Jul 21/Jun 21
OPEC	20.82	21.46	22.15	0.69
Middle East	15.20	15.34	15.62	0.28
Arrivals				
North America	8.50	8.88	9.01	0.13
Europe	12.00	12.84	12.83	-0.01
Far East	12.56	13.43	15.04	1.61
West Asia	6.26	6.08	6.89	0.81

Sources: Oil Movements and OPEC.

Dirty tanker freight rates

Very large crude carriers (VLCCs)

VLCC spot rates edged higher m-o-m in July, rising by 4%. However, VLCC rates declined 17% compared with the same month last year when rates were still coming down from very high levels.

Rates on the **Middle East-to-East** route dropped by 3% m-o-m to average WS31 points as flows to Singapore declined. Y-o-y, rates were 21% lower.

In contrast, rates on the **Middle East-to-West** route rose m-o-m by 5% in July to stand at WS22 points as gains in France and Italy offset declines in the Netherlands. However, y-o-y, rates were 12% lower.

The **West Africa-to-East** route also increased by 3% m-o-m in July to average WS34 as insufficient import quotas constricted buying by Chinese independents. However, rates were 21% lower compared with July 2020.

Table 7 - 3: Dirty VLCC spot tanker freight rates, Worldscale (WS)

VLCC	Size 1,000 DWT	May 21	Jun 21	Jul 21	Change Jul 21/Jun 21
Middle East/East	230-280	34	32	31	-1
Middle East/West	270-285	22	21	22	1
West Africa/East	260	36	33	34	1

Sources: Argus and OPEC.

Suezmax

Suezmax rates were down by 2% m-o-m in July amid lower demand for flows to the Far East as well as Europe. Rates were 7% lower compared to the same month last year.

On the **West Africa-to-USGC** route, rates averaged WS46, a gain of 2% compared to the month before. Y-o-y, rates were 7% higher than in July 2020.

Meanwhile, spot freight rates on the **USGC-to-Europe** route declined 5% m-o-m to average WS37 points. This was 20% lower compared with the same month last year.

Table 7 - 4: Dirty Suezmax spot tanker freight rates, WS

Suezmax	Size 1,000 DWT	May 21	Jun 21	Jul 21	Change Jul 21/Jun 21
West Africa/US Gulf Coast	130-135	46	45	46	1
US Gulf Coast/ Europe	150	39	39	37	-2

Sources: Argus and OPEC.

Aframax

Aframax rates fell further in July, dropping by 2% m-o-m as tonnage demand for the class in the Far East and Europe eroded. Minor declines were seen on all monitored routes. Y-o-y, rates were 28% higher.

The **Indonesia-to-East** route saw a 1% decline m-o-m to average WS81, but was still 25% higher y-o-y. The **Caribbean-to-USEC** route fell 2% m-o-m to average WS79 in July, while rates were 11% higher y-o-y.

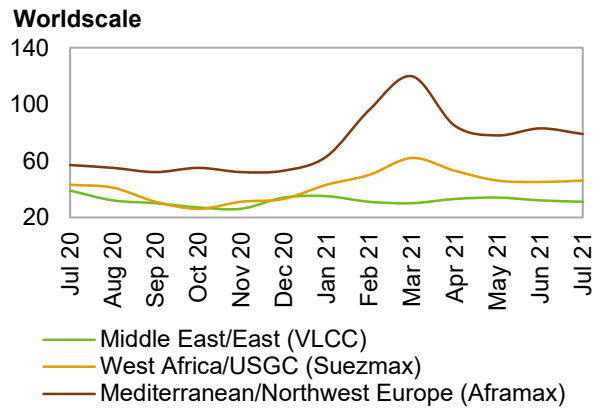
Table 7 - 5: Dirty Aframax spot tanker freight rates, WS

Aframax	Size 1,000 DWT	May 21	Jun 21	Jul 21	Change Jul 21/Jun 21
Indonesia/East	80-85	84	82	81	-1
Caribbean/US East Coast	80-85	103	81	79	-2
Mediterranean/Mediterranean	80-85	87	91	89	-2
Mediterranean/Northwest Europe	80-85	78	83	79	-4

Sources: Argus and OPEC.

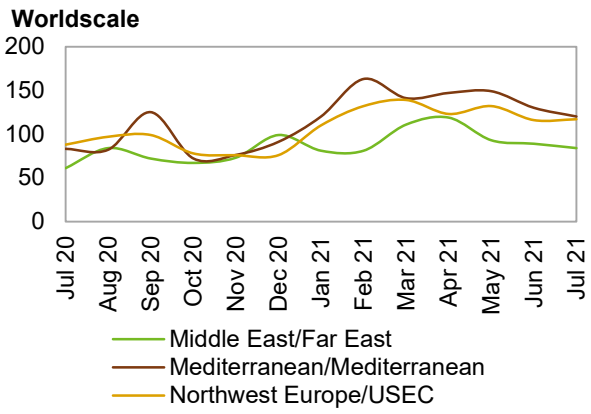
Med routes also fell m-o-m in July. The **Cross-Med** route averaged WS89 in July, representing a drop of 2% compared with the previous month. Y-o-y, however, rates were 41% higher. On the **Mediterranean-to-NWE** route, rates fell by 5% m-o-m in July to average WS79. Compared with the same month last year, rates on the route were 39% higher.

Graph 7 - 1: Crude oil spot tanker freight rates, monthly average



Sources: Argus and OPEC.

Graph 7 - 2: Products spot tanker freight rates, monthly average



Sources: Argus and OPEC.

Clean tanker freight rates

Clean spot freight rates declined for the third month in a row in July, down by 8% m-o-m, with losses seen on most routes. East of Suez rates declined by 15% m-o-m on average, while rates to the west fell by 5% m-o-m. Compared to the same month last year, East of Suez rates were 25% higher, while West of Suez rates rose 39%.

Table 7 - 6: Clean spot tanker freight rates, WS

East of Suez	Size 1,000 DWT	May 21	Jun 21	Jul 21	Change Jul 21/Jun 21
Middle East/East	30-35	93	89	84	-5
Singapore/East	30-35	146	133	105	-28
West of Suez					
Northwest Europe/US East Coast	33-37	132	116	117	1
Mediterranean/Mediterranean	30-35	149	130	120	-10
Mediterranean/Northwest Europe	30-35	159	140	130	-10

Sources: Argus and OPEC.

In the East of Suez, the **Middle East-to-East** route dropped by 6% to average WS84, representing a 38% increase compared with the same month last year. Meanwhile, freight rates on the **Singapore-to-East** route fell by 21% in July compared with the previous month to average WS105. Rates were 18% higher compared with July 2020.

In the West of Suez market, rates on the **NWE-to-USEC** route enjoyed the only gain versus the previous month, rising by 1% to average WS117 points. Rates were 33% higher compared with the same month last year.

Rates on the **Cross-Med** and **Med-to-NWE** routes declined by around 8% each to average WS120 and WS130 points, respectively. Y-o-y, rates were 45% higher on the Cross-Med route and up by 40% on the Med-to-NWE route.

Crude and Refined Products Trade

US crude imports were broadly flat in July, averaging 6.5 mb/d, near 18-month highs, while crude exports dropped back to 2.7 mb/d amid reduced flows to India. US product imports drifted lower m-o-m, although remaining at a still high 2.6 mb/d. Product exports picked up m-o-m in July, averaging 5.6 mb/d, representing an 8% increase over pre-COVID July 2019 levels.

Japan's crude imports plunged almost 20% m-o-m in June to average 1.9 mb/d, undermined by renewed lockdown measures. Amid lockdown measures and no spectators, the Tokyo Olympics are likely to have a net negative effect on domestic demand, weighing on crude and product imports.

China's crude imports rose m-o-m in June, but remained at lower levels, averaging 9.8 mb/d amid government efforts to rein in teapot refineries and crack down on import quota and tax irregularities. China's crude imports are expected to be capped close to current levels as refiners continue to destock and amid increased government oversight. Product exports could fall back as domestic demand has been healthy, although the spread of the Delta variant inland adds some overall uncertainty.

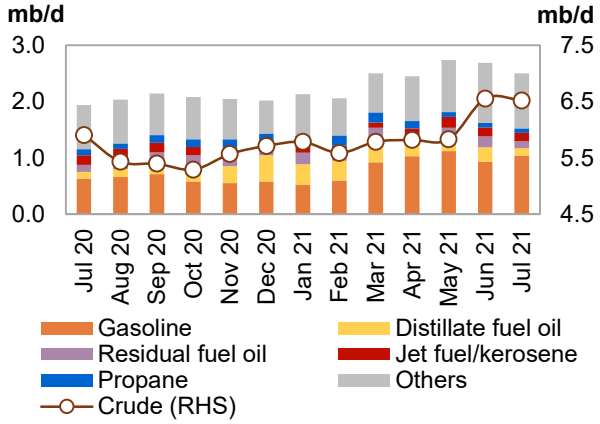
India's crude imports continued to fall in June, reaching an eight-month low of 3.9 mb/d, affected by refinery maintenance and the ongoing impact of the Delta variant. In contrast, product imports rebounded by 20% m-o-m to average 1.0 mb/d, led by a strong jump in LPG and naphtha inflows, as the economy restarts. With a sharp drop in new COVID-19 infections, refiners have begun to lift run rates, which could strengthen crude inflows, particularly later this year.

OECD Europe crude imports hit a four-month high in April, averaging 7.9 mb/d. More recent data show crude imports have fluctuated, as demand has not picked up as strongly as previously expected. Tanker data show crude exports falling in June, amid seasonal maintenance and reduced flows to China.

US

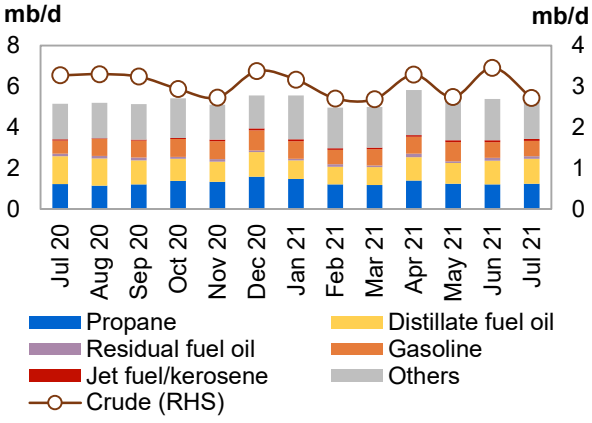
Preliminary data shows **US crude imports** were broadly flat in July, edging down less than 1% to average 6.5 mb/d, near 18-month highs, with higher flows from Libya providing support. Compared with the same month last year, crude imports were 0.6 mb/d, or just over 10%, higher.

Graph 8 - 1: US imports of crude and products



Sources: EIA and OPEC.

Graph 8 - 2: US exports of crude and products



Sources: EIA and OPEC.

After a strong showing in June, **US crude exports** dropped back to the prior month's levels, averaging 2.7 mb/d in July, declining by over 0.7 mb/d or 21% m-o-m, due in part to reduced flows to India. Compared with the same month last year, crude exports were around 0.5 mb/d lower, representing a decline of 17%.

The latest monthly data for **US crude exports by destination** for May show a decline in flows to key regional transhipment points, such as the Netherlands and Singapore, by 0.2 mb/d and 0.1 mb/d respectively, as well as Canada, which fell by around 80 tb/d. In contrast, flows to China rose by 0.1 mb/d.

US net crude imports averaged 3.8 mb/d in July, compared with 3.1 mb/d the month before and 2.6 mb/d in the same month last year.

On the product side, preliminary data show **US product imports** declined m-o-m, falling by almost 7%, or around 186 tb/d. However, the July average was still high at 2.5 mb/d, with lower flows from Russia offset by increased imports from Mexico. Compared with the same month last year, product inflows were close to 0.6 mb/d, or 29%, higher.

US product exports picked up m-o-m in July, averaging 5.5 mb/d, representing a m-o-m increase of 0.1 mb/d or around 3%. Y-o-y, product exports were 0.4 mb/d, or 7%, higher.

As a result, **US net product exports** averaged almost 3.0 mb/d in July, compared with 2.7 mb/d the previous month and 3.2 mb/d in July 2020.

Table 8 - 1: US crude and product net imports, mb/d

US	May 21	Jun 21	Jul 21	Change Jul 21/Jun 21
Crude oil	3.09	3.10	3.80	0.71
Total products	-2.79	-2.70	-3.02	-0.32
Total crude and products	**0.30**	**0.40**	**0.78**	**0.38**

Note: Totals may not add up due to independent rounding.
Sources: EIA and OPEC.

Preliminary data indicates that the US remained a **net crude and product importer** in July, with net inflows of almost 0.8 mb/d. This compares with net imports of 0.4 mb/d the month before and net exports of 0.6 mb/d in July 2020.

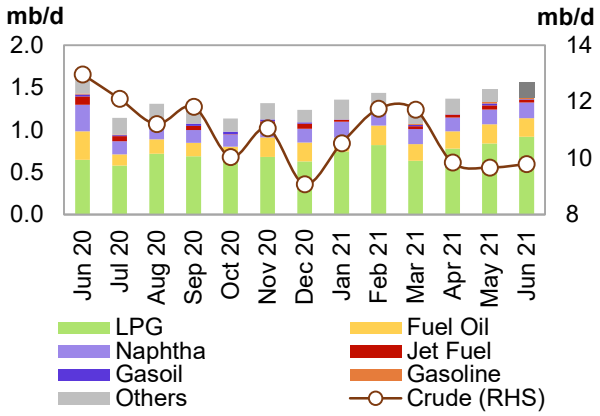
Looking ahead, the escalating spread of the Delta variant adds uncertainty to crude imports in 3Q21, although recent progress on the $1 trillion infrastructure bill could eventually lead to higher demand for imports. The still narrow Brent/WTI spread is likely to weigh on Asia-bound crude exports in 3Q21, although a recovery in Indian demand is likely to support flows.

China

China's crude imports rose m-o-m in June, but remained at lower levels, averaging 9.8 mb/d amid government efforts to rein in teapot refineries and crack down on import quotas and tax irregularities. Preliminary data for July reports the country's crude imports at 9.75 mb/d. Compared with the same month last year, crude imports in June were a massive 3.2 mb/d, or almost 25%, lower than the all-time record high seen in the same month last year.

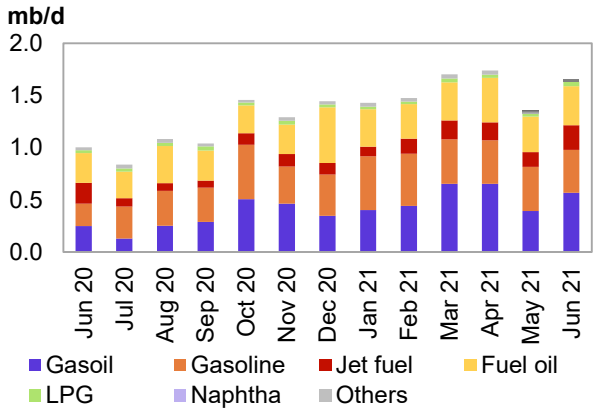
In terms of **crude imports by source**, Saudi Arabia remained in the top position in June, with a share of close to 18%. Russia came in second with almost 17%, followed by Oman and Angola with close to 10% and 9%, respectively.

Graph 8 - 3: China's import of crude and total products



Sources: China, Oil and Gas Petrochemicals and OPEC.

Graph 8 - 4: China's export of total products



Sources: China, Oil and Gas Petrochemicals and OPEC.

Product imports rose by 6% m-o-m to 1.6 mb/d in June, driven by gains in LPG and to a lesser extent gasoline, offsetting declines in other major products. Compared with the same month last year, product imports in June declined by 83 tb/d, or 5%.

China's product exports recovered most of the previous month's losses, rising 22% m-o-m to average 1.7 mb/d in June, with increases across most major products. Y-o-y, product exports showed even higher growth of 0.7 mb/d, or 65%.

Table 8 - 2: China's crude and product net imports, mb/d

China	Apr 21	May 21	Jun 21	Change Jun 21/May 21
Crude oil	9.85	9.67	9.75	0.08
Total products	-0.37	0.12	-0.09	-0.21
Total crude and products	**9.48**	**9.79**	**9.66**	**-0.14**

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

Sources: China, Oil and Gas Petrochemicals and OPEC.

As a result, China returned again to being a **net product exporter** in June. Net product exports averaged just under 0.1 mb/d, compared with net imports of 0.1 mb/d the month before and 0.6 mb/d in the same month last year.

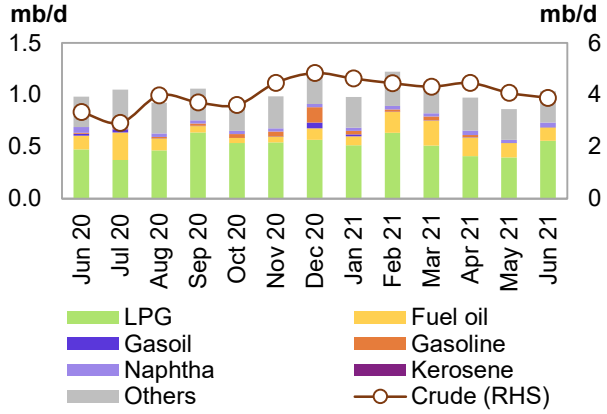
Looking ahead, China's crude imports are expected to be capped close to current levels in 3Q21 as refiners continue to destock amid increased government oversight and a policy to somewhat rein in the refining sector. Product exports could fall back as domestic demand has been healthy, although the spread of the Delta variant inland adds some overall uncertainty.

India

India's crude imports continued to fall in June, reaching an eight-month low of 3.9 mb/d, affected by the impact of the persisting Delta variant and refinery maintenance. Crude inflows declined by 0.2 mb/d, or almost 5%, compared with the previous month. Y-o-y, crude imports rose by 0.5 mb/d, or more than 16%.

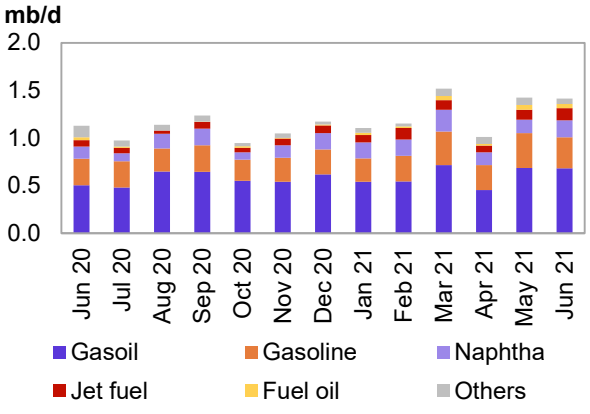
In terms of **crude imports by source**, the latest data for April show Iraq remaining in the top position for the second month in a row, with a share of close to 29%. Saudi Arabia was second with around 15%, followed by Nigeria and the UAE with 10% and 8%, respectively.

Graph 8 - 5: India's imports of crude and products



Sources: PPAC and OPEC.

Graph 8 - 6: India's exports of products



Sources: PPAC and OPEC.

Product imports rebounded by 20%, or 0.2 mb/d m-o-m in June to average 1.0 mb/d, led by a strong jump in LPG and naphtha inflows, as the economy restarted. Y-o-y, product imports were 54 tb/d, or almost 6%, higher.

Product exports remained broadly steady m-o-m in June at 1.4 mb/d, with gains led by jet fuel and naphtha. Y-o-y, product exports increased by 0.3 mb/d, or over 25%.

Table 8 - 3: India's crude and product net imports, mb/d

India	Apr 21	May 21	Jun 21	Change Jun 21/May 21
Crude oil	4.45	4.08	3.88	-0.19
Total products	-0.04	-0.56	-0.38	0.18
Total crude and products	**4.42**	**3.51**	**3.50**	**-0.01**

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

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

Sources: PPAC and OPEC.

As a result, **net product exports** averaged 380 tb/d in June, compared with 562 tb/d in net exports the month before, when they reached the highest in 13 months. In June 2020, net product exports averaged 148 tb/d.

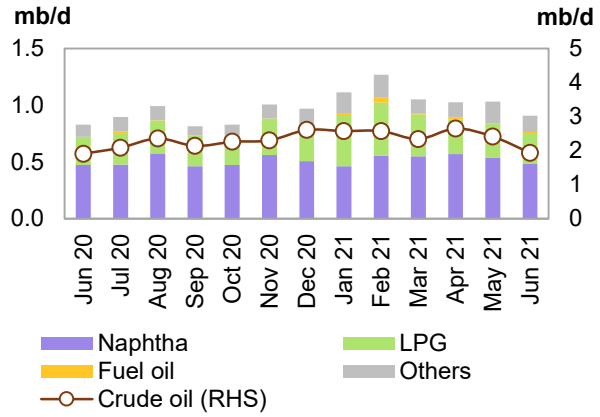
With the steady drop in new COVID-19 infections, refiners have begun to lift run rates, which could strengthen crude inflows, particularly later this year. Signs that driving activity is picking up could continue to support product imports and dampen outflows in the coming months.

Japan

Japan's crude imports plunged almost 20% m-o-m in June to average 1.9 mb/d, undermined by renewed lockdown measures. Compared with the same month last year, crude imports rose slightly, up by just over 1%.

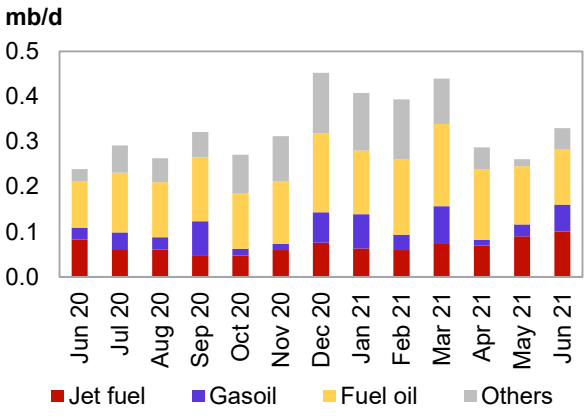
Shares of **crude imports by source** exhibited some shifts in June; Saudi Arabia held the top spot with a share of almost 37%. The UAE came second, with a share of close to 33%, followed by Qatar and Kuwait, with around 11% each.

Graph 8 - 7: Japan's imports of crude and products



Sources: METI and OPEC.

Graph 8 - 8: Japan's exports of products



Sources: METI and OPEC.

Product imports, including LPG, fell to eight-month lows, down by 0.1 mb/d, or 12%, to average 0.9 mb/d. Losses were seen across all major products except fuel oil, which saw a marginal volume gain. Compared with the same month last year, product imports rose by 78 tb/d, or more than 9%.

By contrast, product exports, including LPG, jumped by 26%, or 69 tb/d m-o-m, to average 0.3 mb/d, with strong performance seen by gasoil, along with increased outflows of jet fuel amid limited domestic demand. Compared with the previous year, product exports increased by 91 tb/d, or 38%.

Table 8 - 4: Japan's crude and product net imports, mb/d

Japan	Apr 21	May 21	Jun 21	*Change* Jun 21/May 21
Crude oil	2.65	2.42	1.94	-0.48
Total products	0.74	0.77	0.58	-0.19
Total crude and products	**3.39**	**3.19**	**2.52**	**-0.67**

Note: Totals may not add up due to independent rounding.
Sources: METI and OPEC.

As a consequence, Japan's **net product imports** averaged 0.6 mb/d in June, compared with 0.8 mb/d the previous month and 0.6 mb/d in June 2020.

Amid lockdown measures and no spectators, the Tokyo Olympics are likely to have a net negative effect on domestic demand, weighing on crude and product imports, before picking up again later in August.

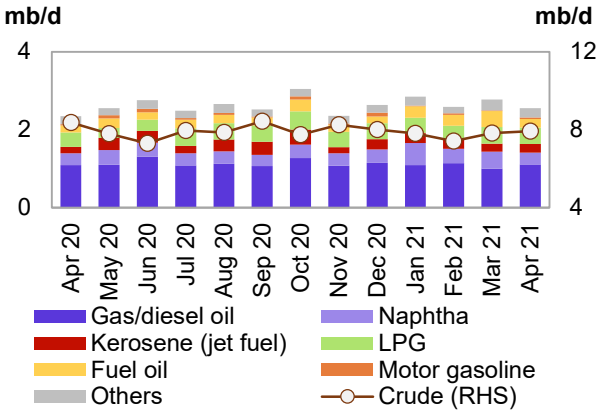
OECD Europe

The most recent official data show **OECD Europe** crude imports hit a four-month high in April, averaging 7.9 mb/d. This represents a marginal 1% increase m-o-m. Gains were driven by expectations of a recovery in consumption with the easing of lockdown measures. Y-o-y, crude inflows declined by 0.5 mb/d, or close to 6%.

Crude exports continued to contract in April, falling by 0.1 mb/d, or 17% m-o-m, to average 0.5 mb/d on decreased flows from Norway, particularly to China, where crude imports have turned sharply lower in 2Q21. Compared with the same period last year, crude exports were also around 0.1 mb/d, or 16%, lower.

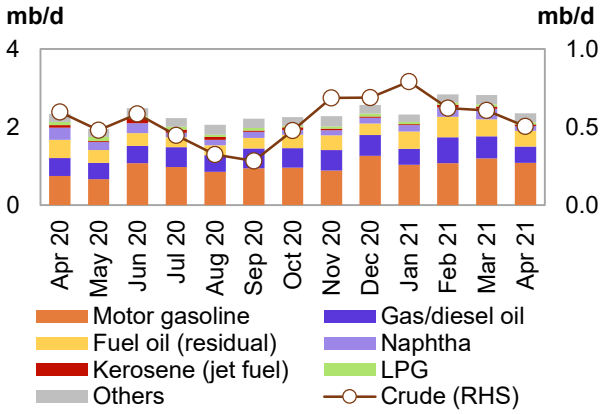
As a result, **net crude imports** averaged 7.4 mb/d in April, up from 7.2 mb/d the month before, but lower than the 7.8 mb/d recorded in the same month of 2020.

Graph 8 - 9: OECD Europe imports of crude and products



Sources: IEA and OPEC.

Graph 8 - 10: OECD Europe exports of crude and products



Sources: IEA and OPEC.

On the **product** side, **imports** remained volatile, averaging 2.5 mb/d, a drop of 0.2 mb/d, or 8% m-o-m. Declines were driven by fuel oil and naphtha, while diesel and gasoline saw gains. Compared with the same month last year, product inflows were 0.2 mb/d, or 8%, lower. Y-o-y, product imports into OECD Europe were 0.2 mb/d, or close to 9%, higher.

Meanwhile, **product exports** fell for the second consecutive month, averaging 2.3 mb/d, with declines across all major products. Outflows were around 17%, or 0.5 mb/d, lower m-o-m. Y-o-y, product exports edged up by less than 1%.

As a result, the region was a **net product importer** in April, registering net inflows of 0.2 mb/d, compared with marginal net exports of 50 tb/d the month before and just 13 tb/d in April 2020.

Table 8 - 5: OECD Europe's crude and product net imports, mb/d

OECD Europe	Feb 21	Mar 21	Apr 21	Change Apr 21/Mar 21
Crude oil	6.79	7.22	7.41	0.19
Total products	-0.25	-0.05	0.20	0.25
Total crude and products	**6.53**	**7.17**	**7.61**	**0.44**

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

Sources: IEA and OPEC.

Combined, **net crude and product imports** averaged 7.6 mb/d in April, up from 7.2 mb/d the month before and 7.8 mb/d in April 2020.

Looking ahead, recent tanker tracking data from Vortexa shows waterborne crude imports continuing to fluctuate as demand is seen to underperform expectations. Crude exports are seen retreating in June, amid seasonal maintenance and reduced flows to China.

Eurasia

Total crude oil exports from Russia and Central Asia dropped by 0.1 mb/d, or 1.7% m-o-m, to average 6.2 mb/d in June. Y-o-y, total crude exports from the region were 0.2 mb/d, or 3%, higher.

Crude exports through the **Transneft system** also saw m-o-m gains, increasing by 84 tb/d, or 2%, to average 3.8 mb/d. Compared with the same month last year, exports were 163 tb/d, or 5%, higher.

Within the system, total shipments from the Black Sea jumped by 146 tb/d m-o-m, or more than 34%, to average 572 tb/d. Baltic Sea exports saw a robust gain of 94 tb/d m-o-m, or 8%, to average 1.3 mb/d, driven by shipments from Ust-Luga, which rose by 21% to 529 tb/d, while Primorsk exports were flat at 735 tb/d. Meanwhile, shipments via the Druzhba pipeline fell by 77 tb/d m-o-m, or around 10%, to average 679 tb/d. Kozmino shipments were broadly flat m-o-m at 0.7 mb/d. Exports to China via the ESPO pipeline declined 74 tb/d m-o-m to average below 0.6 mb/d in June.

In the **Lukoil system**, exports via the Barents Sea rose by 11% m-o-m to average 92 tb/d in June, while those from the Baltic Sea edged higher.

On other routes, **Russia's Far East** exports gained almost 15% m-o-m in June to average 0.3 mb/d. This was around 19% lower compared with the same month last year.

Central Asia's total exports averaged almost 0.2 mb/d in June, representing a decline of about 26% compared with the month before and around 7% y-o-y.

Black Sea total exports edged lower to remain close to 1.4 mb/d in June on mixed movement, with Novorossiyk declining and Supsa increasing by 21 tb/d. Y-o-y, Black Sea flows were 0.2 mb/d, or 15%, higher. Meanwhile, exports via the **Baku-Tbilisi-Ceyhan (BTC) pipeline** declined by more than 11% m-o-m to 449 tb/d, representing a drop of 11% y-o-y.

Total product exports from Russia and Central Asia declined by 6% m-o-m to average 2.9 mb/d in June. M-o-m declines were seen in all major products, except fuel oil. Y-o-y, total product exports increased by 7% in June, with gains led by naphtha and gasoil, while jet fuel exhibited a slight decline.

Commercial Stock Movements

Preliminary June data sees total OECD commercial oil stocks down by 23.0 mb m-o-m. At 2,922 mb, they were 289.4 mb lower than the same time one year ago, 90.4 mb lower than the latest five-year average and 25.2 mb below the 2015-2019 average. Within components, crude stocks fell by 38.3 mb m-o-m, while product stocks were up by 15.3 mb.

At 1,416 mb, OECD crude stocks stood 96.2 mb below the latest five-year average and 70.5 mb below the 2015–2019 average. At 1,507 mb, OECD product stocks exhibited a surplus of 5.8 mb above the latest five-year average, and were 45.3 mb above the 2015–2019 average.

In terms of days of forward cover, OECD commercial stocks fell m-o-m by 0.9 days in June to stand at 63.6 days. This is 12.4 days below June 2020 levels and 1.0 days below the latest five-year average, but 2.0 days above the 2015–2019 average.

Preliminary data for July shows that total US commercial oil stocks fell slightly m-o-m by 0.7 mb to stand at 1,268 mb. This is 183.3 mb, or 12.6%, lower than the same month a year ago, and 64.0 mb, or 4.8%, below the latest five-year average. Crude stocks fell by 6.3 mb, while product stocks rose by 5.5 mb, m-o-m.

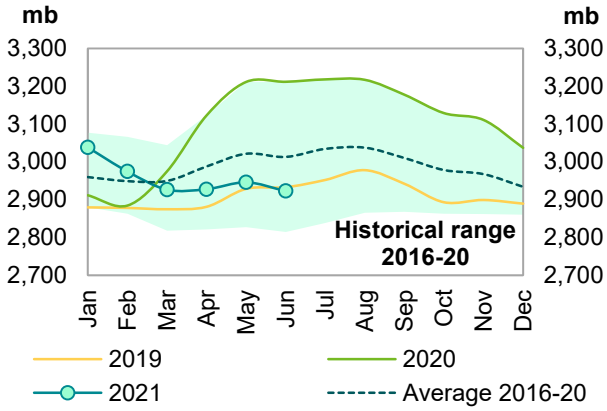
OECD

Preliminary June data sees **total OECD commercial oil stocks** down by 23.0 mb m-o-m. At 2,922 mb, they were 289.4 mb lower than the same time one year ago and 90.4 mb lower than the latest five-year average.

Within the components, crude stocks fell by 38.3 mb m-o-m, while product stocks were up by 15.3 mb. Total commercial oil stocks in June fell in all three OECD regions.

OECD **commercial crude stocks** fell m-o-m in June by 38.3 mb to stand at 1,416 mb. This is 168.8 mb lower than the same time a year ago and 96.2 mb below the latest five-year average. Compared with the previous month, OECD Americas and OECD Asia Pacific registered stock draws of 31.1 mb and 5.0 mb, respectively, and OECD Europe saw a stock draw of 2.2 mb.

Graph 9 - 1: OECD commercial oil stocks



Sources: Argus, EIA, Euroilstock, IEA, METI and OPEC.

In contrast, **total product inventories** rose by 15.3 mb m-o-m in June to stand at 1,507 mb. This is 120.6 mb less than the same time a year ago, but 5.8 mb higher than the latest five-year average. Within the OECD, product stocks in OECD Americas rose by 22.5 mb, while OECD Europe and OECD Asia Pacific fell by 5.1 mb and 2.1 mb, m-o-m, respectively.

Table 9 - 1: OECD's commercial stocks, mb

OECD stocks	Jun 20	Apr 21	May 21	Jun 21	Change Jun 21/May 21
Crude oil	1,584	1,462	1,454	1,416	*-38.3*
Products	1,627	1,465	1,491	1,507	*15.3*
Total	**3,212**	**2,927**	**2,945**	**2,922**	***-23.0***
Days of forward cover	**76.0**	**65.1**	**64.5**	**63.6**	***-0.9***

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

Sources: Argus, EIA, Euroilstock, IEA, METI and OPEC.

In terms of **days of forward cover**, OECD commercial stocks fell m-o-m by 0.9 days in June to stand at 63.6 days. This is 12.4 days below June 2020 levels, and 1.0 day below the latest five-year average. OECD Americas and OECD Asia Pacific were below the latest five-year average: the Americas by 1.2 days at 62.6 days and Asia Pacific by 4.5 days at 49.9 days. OECD Europe, however, showed a surplus of 1.2 days above the latest five-year average, at 72.4 days.

OECD Americas

OECD Americas total commercial stocks fell m-o-m by 8.6 mb in June to settle at 1,563 mb. This is 150.7 mb less than the same month last year and 27.9 mb lower than the latest five-year average.

Commercial crude oil stocks in OECD Americas fell m-o-m by 31.1 mb in June to stand at 806 mb, which is 88.1 mb lower than in June 2020, and 25.4 mb less than the latest five-year average. The stock draw came on the back of higher crude runs in June.

In contrast, **total product stocks** in OECD Americas rose m-o-m by 22.5 mb in June to stand at 757 mb. This was 62.6 mb lower than the same month one year ago and 2.5 mb below the latest five-year average. Lower total consumption in the region was behind the stock build.

OECD Europe

OECD Europe total commercial stocks fell m-o-m by 7.3 mb in June to settle at 1,002 mb. This is 96.8 mb less than the same month last year, and 12.3 mb below the latest five-year average.

OECD Europe's **commercial crude stocks** in June fell m-o-m by 2.2 mb to end the month at 423 mb, which is 44.1 mb lower than one year ago and 21.7 mb below the latest five-year average. The drop in crude oil inventories came despite lower m-o-m refinery throughputs in the EU-14 plus the UK and Norway, which decreased by around 160 tb/d to 8.99 mb/d in June.

OECD Europe's **commercial product stocks** also fell m-o-m by 5.1 mb to end June at 579 mb. This is 52.7 mb lower than a year ago, but 9.3 mb above the latest five-year average.

OECD Asia Pacific

OECD Asia Pacific's total commercial oil stocks fell m-o-m by 7.1 mb in June to stand at 358 mb. This is 41.9 mb lower than a year ago, and 50.2 mb below the latest five-year average.

OECD Asia Pacific's **crude inventories** fell by 5.0 mb m-o-m to end June at 187 mb, which is 36.6 mb lower than one year ago, and 49.1 mb below the latest five-year average.

OECD Asia Pacific's **total product inventories** also fell, by 2.1 mb m-o-m, to end June at 171 mb. This is 5.3 mb lower than the same time a year ago, and 1.1 mb less than the latest five-year average.

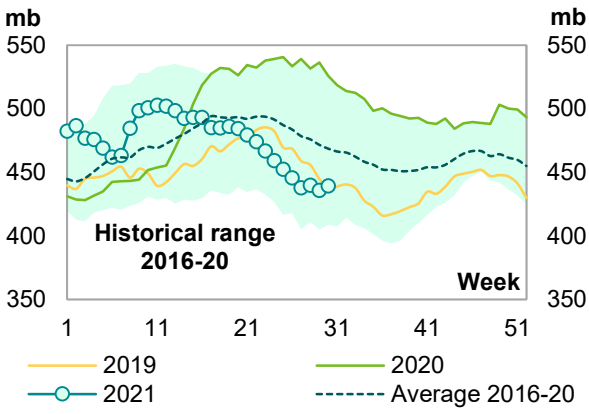
US

Preliminary data for July showed that **total US commercial oil stocks** fell slightly m-o-m by 0.7 mb to stand at 1,268 mb. This is 183.3 mb, or 12.6%, lower than the same month a year ago and 64.0 mb, or 4.8%, below the latest five-year average. Crude stocks fell by 6.3 mb, while product stocks rose by 5.5 mb, m-o-m.

US **commercial crude stocks** in July fell m-o-m by 6.3 mb to stand at 439.2 mb. This is 80.1 mb, or 15.4%, lower than the same month last year, and 30.3 mb, or 6.4%, below the latest five-year average. The stock draw came on the back of lower crude imports.

In contrast, **total product stocks** in July rose m-o-m by 5.5 mb to stand at 828.4 mb. This is 103.3 mb, or 11.1%, below July 2020 levels, and 33.7 mb, or 3.9%, lower than the latest five-year average. The build was mainly driven by slightly lower consumption.

Graph 9 - 2: US weekly commercial crude oil inventories



Sources: EIA and OPEC.

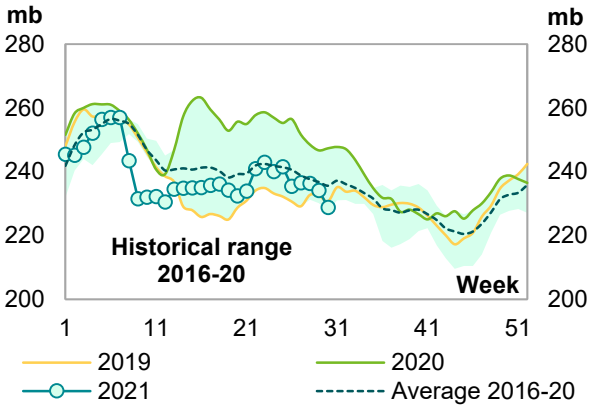
Gasoline stocks in July fell m-o-m by 6.6 mb to settle at 228.9 mb. This is 20.4 mb, or 8.2%, below the same month last year, and 9.7 mb, or 4.1%, lower than the latest five-year average. The monthly stock draw came mainly on the back of higher gasoline consumption.

Jet fuel also fell m-o-m by 1.8 mb, ending July at 43.3 mb. This is 2.3 mb, or 5.6%, higher than the same month last year, and 1.6 mb, or 4.0%, above the latest five-year average.

Residual fuel oil stocks fell m-o-m in July, decreasing by 2.5 mb. At 29.1 mb, this was 7.2 mb, or 19.8%, lower than a year ago, and 4.1 mb, or 12.3%, below the latest five-year average.

In contrast, **distillate stocks** rose m-o-m by 0.1 mb in July to stand at 138.7 mb. This is 38.8 mb, or 21.9%, lower than a year ago, and 11.3 mb, or 7.6%, lower than the latest five-year average. The build in distillate stocks can be attributed to higher distillate production.

Graph 9 - 3: US weekly gasoline inventories



Sources: EIA and OPEC.

Table 9 - 2: US commercial petroleum stocks, mb

US stocks	Jul 20	May 21	Jun 21	Jul 21	*Change* Jul 21/Jun 21
Crude oil	**519.3**	**476.6**	**445.5**	**439.2**	***-6.3***
Gasoline	249.3	239.9	235.5	228.9	*-6.6*
Distillate fuel	177.6	140.0	138.7	138.7	*0.1*
Residual fuel oil	36.3	31.7	31.6	29.1	*-2.5*
Jet fuel	41.0	43.4	45.1	43.3	*-1.8*
Total products	**931.7**	**817.1**	**822.9**	**828.4**	***5.5***
Total	**1,451.0**	**1,293.7**	**1,268.4**	**1,267.7**	***-0.7***
SPR	**656.1**	**627.6**	**621.3**	**621.3**	***0.0***

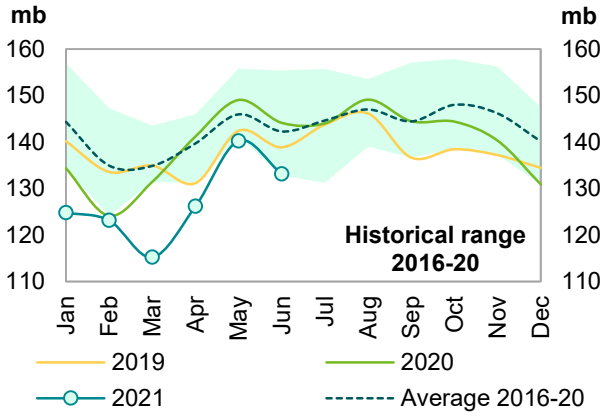
Sources: EIA and OPEC.

Japan

In **Japan**, **total commercial oil stocks** in June fell m-o-m by 7.1 mb to settle at 133.2 mb. This is 11.0 mb, or 7.6%, lower than the same month last year, and 9.1 mb, or 6.4%, below the latest five-year average. Crude and products stocks fell m-o-m by 5.0 mb and 2.1 mb, respectively.

Japanese **commercial crude oil stocks** fell in June to stand at 70.6 mb. This is 12.9 mb, or 15.4%, below the same month a year ago, and 13.5 mb, or 16.1%, lower than the latest five-year average. The fall came on the back of lower crude imports, which declined by 478 tb/d, or 19.8%, m-o-m to stand at 1.94 mb/d. Lower crude throughput, which decreased by 29 tb/d, or 1.4%, to 2.11 mb/d limited a further drop in crude stocks.

Graph 9 - 4: Japan's commercial oil stocks



Sources: METI and OPEC.

Japan's **total product inventories** also fell m-o-m by 2.1 mb to end June at 62.6 mb. This is 1.9 mb, or 3.1%, higher than the same month last year, and 4.4 mb, or 7.6%, above the latest five-year average.

Gasoline stocks fell m-o-m by 0.5 mb to stand at 14.4 mb. This was 2.8 mb, or 24.4%, higher than a year ago, and 3.8 mb, or 35.3%, above the latest five-year average. Higher domestic gasoline sales, which rose by 3.4%, were behind the fall in gasoline stocks.

Distillate stocks also fell by 0.4 mb m-o-m to end June at 27.1 mb. This is 0.2 mb, or 0.8%, lower than the same month a year ago, but 1.7 mb, or 6.8%, above the latest five-year average. Within distillate components, **jet fuel and gasoil stocks** fell m-o-m by 1.6% and 6.9%, respectively, while kerosene stocks were up by 5.2%.

Total residual fuel oil stocks fell m-o-m by 1.0 mb in June to stand at 11.8 mb. This is 0.7 mb, or 5.4%, lower than the same month last year, and 1.2 mb, or 9.3%, below the latest five-year average. Within components, fuel oil A and fuel oil B.C stocks fell by 6.9% and 8.3%, respectively.

Table 9 - 3: Japan's commercial oil stocks*, mb

Japan's stocks	Jun 20	Apr 21	May 21	Jun 21	Change Jun 21/May 21
Crude oil	**83.5**	**66.6**	**75.6**	**70.6**	***-5.0***
Gasoline	11.6	13.0	14.9	14.4	*-0.5*
Naphtha	9.4	9.8	9.5	9.3	*-0.2*
Middle distillates	27.3	24.6	27.5	27.1	*-0.4*
Residual fuel oil	12.4	12.2	12.8	11.8	*-1.0*
Total products	**60.7**	**59.6**	**64.7**	**62.6**	***-2.1***
Total**	**144.2**	**126.2**	**140.3**	**133.2**	***-7.1***

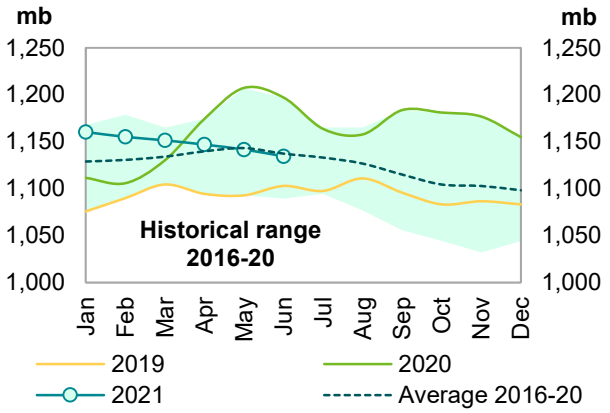
*Note: * At the end of the month. ** Includes crude oil and main products only.*
Sources: METI and OPEC.

EU-14 plus UK and Norway

Preliminary data for June showed that **total European commercial oil stocks** fell m-o-m by 7.3 mb to stand at 1,134 mb. At this level, they were 62.6 mb, or 5.2%, below the same month a year ago, and 2.9 mb, or 0.3%, lower than the latest five-year average. Crude and product stocks went down by 2.2 mb, and 5.1 mb, respectively.

European **crude inventories** fell in June to stand at 468.3 mb. This is 35.7 mb, or 7.1%, lower than the same month a year ago and 26.9 mb, or 5.4%, lower the latest five-year average. The drop in crude oil inventories came despite lower m-o-m refinery throughputs in the EU-14 plus the UK and Norway, which decreased by around 160 tb/d to 8.99 mb/d in June.

Graph 9 - 5: EU-14 plus UK and Norway's total oil stocks



Sources: Argus, Euroilstock and OPEC.

Total European product stocks also fell m-o-m by 5.1 mb to end June at 666.1 mb. This is 26.9 mb, or 3.9%, lower than the same month a year ago, but 24.0 mb, or 3.7%, above the latest five-year average.

Gasoline stocks fell m-o-m by 1.4 mb in June to stand at 114.3 mb. This is 6.5 mb, or 5.4%, lower than the level registered the same time a year ago and 0.5 mb/d, or 0.4%, below the latest five-year average.

Distillate stocks also fell m-o-m by 3.8 mb in June to stand at 452.4 mb. This is 13.6 mb or 2.9% below the same month last year, but 22.3 mb, or 5.2%, above the latest five-year average.

Naphtha stocks fell by 1.1 mb m-o-m in June, ending the month at 30.5 mb. This is 1.5 mb, or 4.7%, below June 2020 levels, but 2.5 mb, or 8.8%, higher than the latest five-year average.

In contrast, **residual fuel stocks** rose m-o-m by 1.2 mb in June to 68.9 mb. This is 5.4 mb, or 7.2%, lower than the same month one year ago and 0.2 mb, or 0.3%, below the latest five-year average.

Table 9 - 4: EU-14 plus UK and Norway's total oil stocks, mb

EU stocks	Jun 20	Apr 21	May 21	Jun 21	Change Jun 21/May 21
Crude oil	**504.0**	**471.1**	**470.5**	**468.3**	***-2.2***
Gasoline	120.8	118.2	115.7	114.3	*-1.4*
Naphtha	32.0	30.9	31.6	30.5	*-1.1*
Middle distillates	466.0	457.0	456.2	452.4	*-3.8*
Fuel oils	74.3	69.8	67.7	68.9	*1.2*
Total products	**693.0**	**675.8**	**671.2**	**666.1**	***-5.1***
Total	**1,197.0**	**1,146.9**	**1,141.7**	**1,134.4**	***-7.3***

Sources: Argus, Euroilstock and OPEC.

Singapore, Amsterdam-Rotterdam-Antwerp (ARA) and Fujairah

Singapore

In June, **total product stocks in Singapore** rose m-o-m by 0.6 mb to 50.5 mb. This is 3.4 mb, or 6.3%, lower than the same month a year ago.

Light distillate stocks fell m-o-m by 0.5 mb in June to stand at 12.8 mb. This is 2.3 mb, or 15.2%, lower than the same month one year ago.

Residual fuel oil stocks also fell by 0.9 mb, ending June at 23.9 mb, which is 1.4 mb, or 5.7%, lower than in June 2020.

In contrast, **middle distillate stocks** rose by 2.1 mb in June to stand at 13.8 mb. This is 0.3 mb, or 2.3%, higher than a year ago.

ARA

Total product stocks in ARA fell for the fourth consecutive month in June and were down by 0.3 mb to 46.5 mb. This is 6.2 mb, or 11.7%, lower than the same month a year ago.

Gasoline stocks in June fell m-o-m by 1.4 mb to stand at 8.7 mb, which is 2.3 mb, or 20.7%, lower than the same month one year ago.

Jet oil stocks also fell m-o-m by 0.5 mb to end June at 8.6 mb. This is 1.2 mb, or 16.5%, higher than the level seen one year ago.

In contrast, **gasoil stocks** rose m-o-m by 0.7 mb in June to stand at 17.6 mb, which is 2.2 mb, or 11.2%, lower than in June 2020.

Residual fuel stocks also rose m-o-m by 1.0 mb to end June at 9.4 mb. This is 0.4 mb, or 4.4%, less than the level registered one year ago.

Fujairah

During the week ending 26 July 2021, **total oil product stocks in Fujairah** fell by 0.81 mb w-o-w to stand at 20.95 mb, according to data from Fed Com and S&P Global Platts. At this level, total oil stocks were 4.77 mb lower than the same time a year ago. While light distillates witnessed a stock build w-o-w, middle and heavy distillate stocks showed a stock draw.

Light distillate stocks rose by 0.45 mb w-o-w to stand at 7.08 mb, which is 0.31 higher than the same period a year ago. In contrast, **middle distillate stocks** fell by 0.71 mb to stand at 2.66 mb, which is 1.73 mb lower than a year ago. **Heavy distillate stocks** also fell by 0.55 mb to stand at 11.21 mb, which is 3.35 mb lower than the same time last year.

Balance of Supply and Demand

Demand for OPEC crude in 2021 was revised down by 0.2 b/d from the previous month's assessment to stand at 27.4 mb/d, around 4.7 mb/d higher than in 2020.

According to secondary sources, OPEC crude production averaged 25.1 mb/d in 1Q21, about 0.1 mb/d higher than demand for OPEC crude in the same period. In 2Q21, OPEC crude production averaged 25.5 mb/d, 1.6 mb/d lower than demand.

Demand for OPEC crude in 2022 was revised down by 1.1 mb/d from the previous month's assessment to stand at 27.6 mb/d, around 0.2 mb/d higher than in 2021.

Balance of supply and demand in 2021

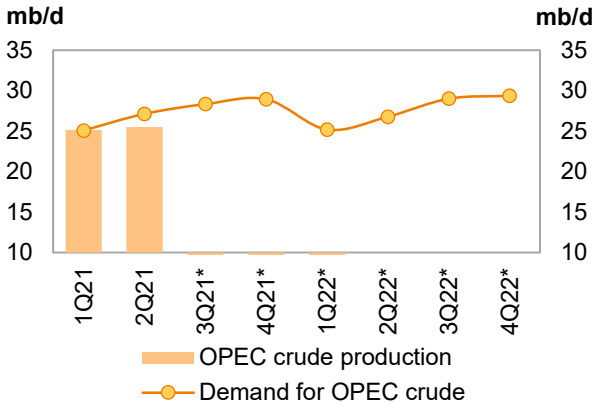
Demand for OPEC crude in 2021 was revised down by 0.2 b/d from the previous month to stand at 27.4 mb/d, around 4.7 mb/d higher than in 2020.

Both 1Q21 and 3Q21 were revised down by 0.2 mb/d, while 4Q21 was revised down by 0.6 mb/d compared with the previous assessment. The 2Q21 assessment remained unchanged.

When compared with the same quarters in 2020, demand for OPEC crude in 1Q21 and 2Q21 is estimated to be 3.7 mb/d and 10.0 mb/d higher, respectively. In 3Q21 and 4Q21, there is an expected rise of 3.4 mb/d and 1.8 mb/d, respectively, compared with the same quarters a year earlier.

According to secondary sources, OPEC crude production averaged 25.1 mb/d in 1Q21, about 0.1 mb/d above demand for OPEC crude in the same period. In 2Q21, OPEC crude production averaged 25.5 mb/d, 1.6 mb/d lower than demand.

Graph 10 - 1: Balance of supply and demand, 2021–2022*



*Note: * 3Q21-4Q22 = Forecast. Source: OPEC.*

Table 10 - 1: Supply/demand balance for 2021*, mb/d

	2020	1Q21	2Q21	3Q21	4Q21	2021	Change 2021/20
(a) World oil demand	**90.62**	**92.61**	**95.51**	**98.23**	**99.82**	**96.57**	***5.95***
Non-OPEC liquids production	62.91	62.41	63.25	64.66	65.63	64.00	*1.09*
OPEC NGL and non-conventionals	5.05	5.11	5.11	5.22	5.23	5.17	*0.12*
(b) Total non-OPEC liquids production and OPEC NGLs	**67.96**	**67.51**	**68.36**	**69.88**	**70.86**	**69.16**	***1.21***
Difference (a-b)	**22.66**	**25.10**	**27.15**	**28.36**	**28.96**	**27.41**	***4.75***
OPEC crude oil production	**25.64**	**25.15**	**25.52**				
Balance	**2.98**	**0.05**	**-1.63**				

*Note: * 2021 = Forecast. Totals may not add up due to independent rounding. Source: OPEC.*

Balance of supply and demand in 2022

Demand for OPEC crude in 2022 was revised down by 1.1 mb/d from the previous month to stand at 27.6 mb/d, around 0.2 mb/d higher than in 2021.

Both 1Q22 and 3Q22 were revised down by 1.2 mb/d, while 2Q22 and 4Q22 were revised down by 1.1 mb/d and 0.9 mb/d, respectively, compared with the previous assessment.

Compared with the same quarters in 2021, demand for OPEC crude in 2Q22 is forecast to be 0.4 mb/d lower. Meanwhile, 1Q22, 3Q22 and 4Q22 are projected to show an increase of 0.1 mb/d, 0.7 mb/d and 0.4 mb/d, respectively.

Table 10 - 2: Supply/demand balance for 2022*, mb/d

	2021	1Q22	2Q22	3Q22	4Q22	2022	*Change* 2022/21
(a) World oil demand	**96.57**	**96.83**	**98.71**	**101.17**	**102.62**	**99.86**	***3.28***
Non-OPEC liquids production	64.00	66.39	66.63	66.83	67.89	66.94	*2.94*
OPEC NGL and non-conventionals	5.17	5.25	5.28	5.31	5.33	5.29	*0.13*
(b) Total non-OPEC liquids production and OPEC NGLs	**69.16**	**71.64**	**71.91**	**72.14**	**73.23**	**72.23**	***3.07***
Difference (a-b)	**27.41**	**25.19**	**26.80**	**29.03**	**29.39**	**27.63**	***0.22***

*Note: * 2021-2022 = Forecast. Totals may not add up due to independent rounding. Source: OPEC.*

Appendix

Table 11 - 1: World oil demand and supply balance, mb/d

World oil demand and supply balance	2018	2019	2020	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22	4Q22	2022
World demand													
Americas	25.73	25.65	22.56	22.89	24.73	24.84	24.75	24.31	24.12	25.64	25.72	25.55	25.27
of which US	*20.82*	*20.86*	*18.44*	*18.79*	*20.11*	*20.34*	*20.45*	*19.93*	*19.85*	*20.89*	*21.11*	*21.17*	*20.76*
Europe	14.32	14.25	12.43	11.89	12.72	13.61	13.70	12.99	12.38	13.14	14.01	14.03	13.40
Asia Pacific	7.95	7.79	7.07	7.61	7.07	7.16	7.51	7.34	7.85	7.26	7.29	7.62	7.51
Total OECD	**47.99**	**47.69**	**42.06**	**42.38**	**44.52**	**45.61**	**45.97**	**44.64**	**44.36**	**46.03**	**47.02**	**47.21**	**46.17**
China	13.01	13.48	13.19	12.95	14.27	14.93	15.05	14.30	13.50	14.75	15.32	15.44	14.76
India	4.73	4.91	4.51	4.94	4.42	4.91	5.61	4.97	5.28	4.65	5.14	5.88	5.24
Other Asia	8.91	9.04	8.13	8.36	8.98	8.54	8.59	8.62	8.78	9.29	8.82	8.86	8.94
Latin America	6.53	6.59	6.01	6.15	6.16	6.46	6.40	6.29	6.39	6.34	6.61	6.56	6.48
Middle East	8.13	8.20	7.55	7.95	7.77	8.24	7.97	7.99	8.29	8.01	8.49	8.20	8.25
Africa	4.33	4.43	4.08	4.39	4.06	4.16	4.48	4.27	4.57	4.19	4.28	4.61	4.41
Russia	3.55	3.61	3.37	3.57	3.42	3.57	3.74	3.57	3.67	3.47	3.62	3.79	3.64
Other Eurasia	1.21	1.24	1.07	1.18	1.24	1.14	1.28	1.21	1.25	1.28	1.17	1.32	1.25
Other Europe	0.74	0.76	0.65	0.73	0.67	0.68	0.74	0.70	0.75	0.68	0.69	0.76	0.72
Total Non-OECD	**51.14**	**52.27**	**48.56**	**50.23**	**50.99**	**52.62**	**53.85**	**51.93**	**52.48**	**52.67**	**54.15**	**55.41**	**53.68**
(a) Total world demand	**99.13**	**99.97**	**90.62**	**92.61**	**95.51**	**98.23**	**99.82**	**96.57**	**96.83**	**98.71**	**101.17**	**102.62**	**99.86**
Y-o-y change	***1.46***	***0.84***	***-9.35***	***-0.87***	***12.25***	***6.80***	***5.55***	***5.95***	***4.22***	***3.20***	***2.93***	***2.80***	***3.28***
Non-OPEC liquids production													
Americas	24.05	25.81	24.68	24.10	25.08	25.55	25.86	25.15	25.88	26.00	26.09	26.50	26.12
of which US	*16.69*	*18.47*	*17.59*	*16.63*	*17.82*	*18.09*	*18.29*	*17.71*	*18.23*	*18.56*	*18.42*	*18.76*	*18.49*
Europe	3.84	3.71	3.90	3.95	3.61	4.03	4.10	3.92	4.12	4.01	4.07	4.39	4.15
Asia Pacific	0.41	0.52	0.53	0.51	0.51	0.55	0.55	0.53	0.57	0.57	0.56	0.56	0.57
Total OECD	**28.30**	**30.05**	**29.12**	**28.56**	**29.20**	**30.13**	**30.51**	**29.61**	**30.57**	**30.58**	**30.73**	**31.46**	**30.84**
China	3.98	4.04	4.12	4.25	4.28	4.23	4.20	4.24	4.24	4.24	4.28	4.36	4.28
India	0.86	0.82	0.77	0.76	0.75	0.75	0.74	0.75	0.77	0.79	0.82	0.84	0.81
Other Asia	2.72	2.69	2.51	2.51	2.44	2.53	2.56	2.51	2.56	2.51	2.48	2.46	2.50
Latin America	5.79	6.09	6.04	5.94	5.98	6.30	6.50	6.18	6.54	6.48	6.42	6.63	6.52
Middle East	3.21	3.18	3.18	3.19	3.21	3.24	3.28	3.23	3.31	3.32	3.33	3.33	3.32
Africa	1.51	1.51	1.41	1.38	1.37	1.34	1.33	1.35	1.30	1.28	1.25	1.22	1.26
Russia	11.52	11.61	10.59	10.47	10.74	10.80	11.11	10.78	11.51	11.83	11.88	11.88	11.78
Other Eurasia	3.08	3.07	2.91	2.96	2.89	2.95	3.01	2.95	3.09	3.11	3.15	3.22	3.14
Other Europe	0.12	0.12	0.11	0.11	0.11	0.10	0.10	0.11	0.10	0.10	0.10	0.09	0.10
Total Non-OECD	**32.79**	**33.13**	**31.64**	**31.57**	**31.77**	**32.25**	**32.84**	**32.11**	**33.42**	**33.65**	**33.71**	**34.04**	**33.71**
Total Non-OPEC production	61.09	63.18	60.76	60.13	60.97	62.38	63.35	61.72	64.00	64.24	64.44	65.50	64.55
Processing gains	2.34	2.36	2.15	2.28	2.28	2.28	2.28	2.28	2.39	2.39	2.39	2.39	2.39
Total Non-OPEC liquids production	**63.43**	**65.54**	**62.91**	**62.41**	**63.25**	**64.66**	**65.63**	**64.00**	**66.39**	**66.63**	**66.83**	**67.89**	**66.94**
OPEC NGL + non-conventional oils	5.29	5.22	5.05	5.11	5.11	5.22	5.23	5.17	5.25	5.28	5.31	5.33	5.29
(b) Total non-OPEC liquids production and OPEC NGLs	**68.72**	**70.76**	**67.96**	**67.51**	**68.36**	**69.88**	**70.86**	**69.16**	**71.64**	**71.91**	**72.14**	**73.23**	**72.23**
Y-o-y change	***3.07***	***2.04***	***-2.80***	***-4.56***	***2.21***	***3.37***	***3.73***	***1.21***	***4.13***	***3.55***	***2.26***	***2.37***	***3.07***
OPEC crude oil production (secondary sources)	31.34	29.36	25.64	25.15	25.52								
Total liquids production	100.07	100.12	93.60	92.66	93.88								
Balance (stock change and miscellaneous)	0.94	0.15	2.98	0.05	-1.63								
OECD closing stock levels, *mb*													
Commercial	2,875	2,889	3,037	2,926	2,922								
SPR	1,552	1,535	1,541	1,546	1,526								
Total	**4,427**	**4,425**	**4,578**	**4,472**	**4,448**								
Oil-on-water	1,058	1,033	1,148	1,138	1,138								
Days of forward consumption in OECD, *days*													
Commercial onland stocks	60	69	68	66	64								
SPR	33	37	35	35	33								
Total	**93**	**105**	**103**	**100**	**98**								
Memo items													
(a) - (b)	**30.41**	**29.21**	**22.66**	**25.10**	**27.15**	**28.36**	**28.96**	**27.41**	**25.19**	**26.80**	**29.03**	**29.39**	**27.63**

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

Source: OPEC.

Table 11 - 2: World oil demand and supply balance: changes from last month's table*, mb/d

World oil demand and supply balance	2018	2019	2020	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22	4Q22	2022
World demand													
Americas	-	-	-	-0.20	-	-	-	-0.05	-0.20	-	-	-	-0.05
of which US	-	-	-	*-0.20*	-	-	-	*-0.05*	*-0.20*	-	-	-	*-0.05*
Europe	-	-	-	-	-	-	-	-	-	-0.01	-	-	-
Asia Pacific	-	-	-	-	-0.10	-	-	-0.02	-	-0.10	-	-	-0.02
Total OECD	**-**	**-**	**-**	**-0.20**	**-0.10**	**-**	**-**	**-0.08**	**-0.20**	**-0.11**	**-**	**-**	**-0.08**
China	-	-	-	-	-	-	-	-	-	-	-	-	-
India	-	-	-	-	-0.10	-	-	-0.02	-	-0.10	-	-	-0.02
Other Asia	-	-	-	-	0.05	-	-	0.01	-	0.05	-	-	0.01
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	0.10	-	-	0.02	-	0.10	-	-	0.02
Africa	-	-	-	-	0.10	-	-	0.02	-	0.10	-	-	0.02
Russia	-	-	-	-	0.05	-	-	0.01	-	0.05	-	-	0.01
Other Eurasia	-	-	-	-	0.05	-	-	0.01	-	0.05	-	-	0.01
Other Europe	-	-	-	-	0.05	-	-	0.01	-	0.05	-	-	0.01
Total Non-OECD	**-**	**-**	**-**	**-**	**0.30**	**-**	**-**	**0.07**	**-**	**0.30**	**-**	**-**	**0.07**
(a) Total world demand	**-**	**-**	**-**	**-0.20**	**0.20**	**-**	**-**	**-**	**-0.20**	**0.19**	**-**	**-**	**-**
Y-o-y change	***-***	***-***	***-***	***-0.20***	***0.20***	***-***	***-***	***-***	***-***	***-0.01***	***-***	***-***	***-***
Non-OPEC liquids production													
Americas	-	0.04	-0.03	-0.01	0.25	-	-	0.06	-0.12	0.22	0.20	0.25	0.14
of which US	-	*0.04*	*-0.03*	*-0.01*	*0.16*	*-0.01*	*-0.01*	*0.03*	*-0.16*	*0.12*	*0.13*	*0.21*	*0.07*
Europe	-	-	-	-	-0.02	-	-	-0.01	-	-	-	-	-
Asia Pacific	-	-	-	-	-0.03	-	-	-0.01	-	-	-	-	-
Total OECD	**-**	**0.04**	**-0.03**	**-0.01**	**0.20**	**-**	**-**	**0.05**	**-0.12**	**0.22**	**0.20**	**0.25**	**0.14**
China	-	-	-	-	0.01	-	-	-	-	-	-	-	-
India	-	-	-	-	-0.01	-	-	-	-	-	-	-	-
Other Asia	-	-	-	0.02	-0.02	0.06	0.10	0.04	0.14	0.14	0.15	0.18	0.15
Latin America	-	-	-	-	-0.04	-	-	-0.01	-	-	-	-	-
Middle East	-	-0.02	-	0.01	0.01	0.01	0.04	0.01	0.06	0.04	0.01	0.01	0.03
Africa	-	-	-	-	0.01	-	0.01	0.01	0.01	-0.05	-0.04	-0.04	-0.03
Russia	-	-	-	-	-	0.14	0.46	0.15	0.81	0.86	0.70	0.46	0.71
Other Eurasia	-	-	-	-	-0.02	-0.04	0.03	-0.01	0.11	0.08	0.15	0.04	0.09
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	**-**	**-0.02**	**-**	**0.03**	**-0.05**	**0.17**	**0.63**	**0.20**	**1.13**	**1.07**	**0.96**	**0.64**	**0.95**
Total Non-OPEC production	-	0.02	-0.03	0.02	0.15	0.16	0.62	0.24	1.02	1.28	1.16	0.89	1.09
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC liquids production	**-**	**0.02**	**-0.03**	**0.02**	**0.15**	**0.16**	**0.62**	**0.24**	**1.02**	**1.28**	**1.16**	**0.89**	**1.09**
OPEC NGL + non-conventional oils	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC liquids production and OPEC NGLs	**-**	**0.02**	**-0.03**	**0.02**	**0.15**	**0.16**	**0.62**	**0.24**	**1.02**	**1.28**	**1.16**	**0.89**	**1.09**
Y-o-y change	***-***	***0.02***	***-0.05***	***-0.04***	***0.29***	***0.18***	***0.65***	***0.27***	***0.99***	***1.13***	***1.00***	***0.26***	***0.84***
OPEC crude oil production (secondary sources)	-	-	-	-	-								
Total liquids production	-	0.02	-0.03	0.02	0.15								
Balance (stock change and miscellaneous)	-	0.02	-0.03	0.22	-0.05								
OECD closing stock levels, *mb*													
Commercial	-	-	-	-									
SPR	-	-	-	-									
Total	**-**	**-**	**-**	**-**									
Oil-on-water	-	21	-	-									
Days of forward consumption in OECD, *days*													
Commercial onland stocks	-	-	-	-									
SPR	-	-	-	-									
Total	**-**	**-**	**-**	**-**									
Memo items													
(a) - (b)	**-**	**-0.02**	**0.03**	**-0.22**	**0.05**	**-0.16**	**-0.62**	**-0.24**	**-1.21**	**-1.09**	**-1.16**	**-0.89**	**-1.09**

*Note: * This compares Table 11 - 1 in this issue of the MOMR with Table 11 - 1 in the July 2021 issue.*
This table shows only where changes have occurred.
Source: OPEC.

Table 11 - 3: OECD oil stocks and oil on water at the end of period

OECD oil stocks and oil on water	2018	2019	2020	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Closing stock levels, mb												
OECD onland commercial	**2,875**	**2,889**	**3,037**	**2,932**	**2,942**	**2,889**	**2,974**	**3,212**	**3,177**	**3,037**	**2,926**	**2,922**
Americas	1,544	1,518	1,613	1,559	1,553	1,518	1,575	1,713	1,687	1,613	1,573	1,563
Europe	930	978	1,044	983	988	978	1,033	1,099	1,079	1,044	1,007	1,002
Asia Pacific	402	394	380	391	401	394	366	400	411	380	346	358
OECD SPR	**1,552**	**1,535**	**1,541**	**1,549**	**1,544**	**1,535**	**1,537**	**1,561**	**1,551**	**1,541**	**1,546**	**1,526**
Americas	651	637	640	647	647	637	637	658	644	640	640	623
Europe	481	482	488	485	482	482	484	487	490	488	493	490
Asia Pacific	420	416	414	417	416	416	416	416	417	414	413	413
OECD total	**4,427**	**4,425**	**4,578**	**4,481**	**4,486**	**4,425**	**4,511**	**4,773**	**4,729**	**4,578**	**4,472**	**4,448**
Oil-on-water	**1,058**	**1,033**	**1,148**	**995**	**1,012**	**1,033**	**1,187**	**1,329**	**1,174**	**1,148**	**1,138**	**1,138**
Days of forward consumption in OECD, days												
OECD onland commercial	**60**	**69**	**68**	**61**	**61**	**64**	**79**	**76**	**74**	**72**	**66**	**64**
Americas	60	67	66	60	60	62	79	75	73	70	64	63
Europe	65	79	80	67	70	73	94	85	86	88	79	74
Asia Pacific	52	56	52	52	50	51	56	60	56	50	49	50
OECD SPR	**33**	**37**	**35**	**32**	**32**	**34**	**41**	**37**	**36**	**36**	**35**	**33**
Americas	26	30	27	25	25	26	32	29	28	28	26	25
Europe	34	39	38	33	34	36	44	38	39	41	39	36
Asia Pacific	54	60	57	55	52	54	64	62	57	54	58	58
OECD total	**94**	**107**	**104**	**93**	**94**	**97**	**120**	**113**	**110**	**108**	**100**	**98**

Sources: Argus, EIA, Euroilstock, IEA, JODI, METI and OPEC.

Table 11 - 4: Non-OPEC liquids production and OPEC natural gas liquids, mb/d*

Non-OPEC liquids production and OPEC NGLs	2018	2019	2020	3Q21	4Q21	2021	Change 21/20	1Q22	2Q22	3Q22	4Q22	2022	Change 22/21
US	16.7	18.5	17.6	18.1	18.3	17.7	0.1	18.2	18.6	18.4	18.8	18.5	0.8
Canada	5.3	5.4	5.2	5.5	5.6	5.5	0.3	5.7	5.5	5.7	5.8	5.7	0.2
Mexico	2.1	1.9	1.9	1.9	1.9	1.9	0.0	2.0	2.0	2.0	2.0	2.0	0.0
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OECD Americas	**24.0**	**25.8**	**24.7**	**25.5**	**25.9**	**25.2**	**0.5**	**25.9**	**26.0**	**26.1**	**26.5**	**26.1**	**1.0**
Norway	1.9	1.7	2.0	2.2	2.2	2.1	0.1	2.2	2.2	2.2	2.4	2.3	0.2
UK	1.1	1.1	1.1	1.0	1.0	1.0	-0.1	1.0	1.0	1.0	1.1	1.0	0.0
Denmark	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
Other OECD	0.7	0.7	0.8	0.8	0.8	0.8	0.0	0.8	0.8	0.8	0.8	0.8	0.0
OECD Europe	**3.8**	**3.7**	**3.9**	**4.0**	**4.1**	**3.9**	**0.0**	**4.1**	**4.0**	**4.1**	**4.4**	**4.1**	**0.2**
Australia	0.3	0.5	0.5	0.5	0.5	0.5	0.0	0.5	0.5	0.5	0.5	0.5	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	**0.4**	**0.5**	**0.5**	**0.6**	**0.6**	**0.5**	**0.0**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.0**
Total OECD	**28.3**	**30.0**	**29.1**	**30.1**	**30.5**	**29.6**	**0.5**	**30.6**	**30.6**	**30.7**	**31.5**	**30.8**	**1.2**
China	**4.0**	**4.0**	**4.1**	**4.2**	**4.2**	**4.2**	**0.1**	**4.2**	**4.2**	**4.3**	**4.4**	**4.3**	**0.0**
India	**0.9**	**0.8**	**0.8**	**0.8**	**0.7**	**0.8**	**0.0**	**0.8**	**0.8**	**0.8**	**0.8**	**0.8**	**0.1**
Brunei	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
Indonesia	0.9	0.9	0.9	0.8	0.8	0.8	0.0	0.8	0.8	0.8	0.8	0.8	-0.1
Malaysia	0.7	0.7	0.6	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.1
Thailand	0.5	0.5	0.5	0.5	0.5	0.5	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Vietnam	0.3	0.3	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Asia others	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
Other Asia	**2.7**	**2.7**	**2.5**	**2.5**	**2.6**	**2.5**	**0.0**	**2.6**	**2.5**	**2.5**	**2.5**	**2.5**	**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	3.3	3.6	3.7	3.9	4.0	3.8	0.1	4.0	3.9	3.9	4.1	4.0	0.2
Colombia	0.9	0.9	0.8	0.8	0.8	0.8	0.0	0.8	0.8	0.7	0.7	0.8	0.0
Ecuador	0.5	0.5	0.5	0.5	0.5	0.5	0.0	0.5	0.5	0.5	0.5	0.5	0.0
Guyana	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.2	0.2	0.2	0.3	0.2	0.1
Latin America	0.4	0.4	0.3	0.4	0.4	0.3	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Latin America	**5.8**	**6.1**	**6.0**	**6.3**	**6.5**	**6.2**	**0.1**	**6.5**	**6.5**	**6.4**	**6.6**	**6.5**	**0.3**
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	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.1	1.0	1.0	0.1
Qatar	1.9	1.9	1.9	2.0	2.0	2.0	0.0	2.0	2.0	2.0	2.0	2.0	0.0
Syria	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yemen	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.0	0.1	0.0
Middle East	**3.2**	**3.2**	**3.2**	**3.2**	**3.3**	**3.2**	**0.1**	**3.3**	**3.3**	**3.3**	**3.3**	**3.3**	**0.1**
Cameroon	0.1	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	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
Egypt	0.7	0.7	0.6	0.6	0.6	0.6	0.0	0.6	0.6	0.5	0.5	0.5	0.0
Ghana	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
South Africa	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
Sudans	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
Africa other	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
Africa	**1.5**	**1.5**	**1.4**	**1.3**	**1.3**	**1.4**	**-0.1**	**1.3**	**1.3**	**1.2**	**1.2**	**1.3**	**-0.1**
Russia	**11.5**	**11.6**	**10.6**	**10.8**	**11.1**	**10.8**	**0.2**	**11.5**	**11.8**	**11.9**	**11.9**	**11.8**	**1.0**
Kazakhstan	1.9	1.9	1.8	1.9	1.9	1.9	0.0	1.9	2.0	2.0	2.0	2.0	0.1
Azerbaijan	0.8	0.8	0.7	0.8	0.8	0.8	0.0	0.8	0.8	0.8	0.8	0.8	0.1
Eurasia others	0.4	0.4	0.4	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Other Eurasia	**3.1**	**3.1**	**2.9**	**2.9**	**3.0**	**3.0**	**0.0**	**3.1**	**3.1**	**3.2**	**3.2**	**3.1**	**0.2**
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**
Total Non-OECD	**32.8**	**33.1**	**31.6**	**32.2**	**32.8**	**32.1**	**0.5**	**33.4**	**33.7**	**33.7**	**34.0**	**33.7**	**1.6**
Non-OPEC	61.1	63.2	60.8	62.4	63.4	61.7	1.0	64.0	64.2	64.4	65.5	64.5	2.8
Processing gains	2.3	2.4	2.2	2.3	2.3	2.3	0.1	2.4	2.4	2.4	2.4	2.4	0.1
Non-OPEC liquids production	**63.4**	**65.5**	**62.9**	**64.7**	**65.6**	**64.0**	**1.1**	**66.4**	**66.6**	**66.8**	**67.9**	**66.9**	**2.9**
OPEC NGL	5.2	5.1	4.9	5.1	5.1	5.1	0.1	5.1	5.2	5.2	5.2	5.2	0.1
OPEC Non-conventional	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
OPEC (NGL+NCF)	**5.3**	**5.2**	**5.0**	**5.2**	**5.2**	**5.2**	**0.1**	**5.3**	**5.3**	**5.3**	**5.3**	**5.3**	**0.1**
Non-OPEC & OPEC (NGL+NCF)	**68.7**	**70.8**	**68.0**	**69.9**	**70.9**	**69.2**	**1.2**	**71.6**	**71.9**	**72.1**	**73.2**	**72.2**	**3.1**

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

Table 11 - 5: World rig count, units

World rig count	2018	2019	2020	Change 2020/19	3Q20	4Q20	1Q21	2Q21	Jun 21	Jul 21	Change Jul/Jun
US	1,031	944	436	-508	254	311	393	452	464	483	19
Canada	191	134	90	-44	49	89	145	73	104	145	41
Mexico	27	37	41	4	36	38	46	42	45	43	-2
OECD Americas	**1,251**	**1,116**	**567**	**-549**	**339**	**438**	**585**	**568**	**614**	**673**	**59**
Norway	15	17	16	-1	16	17	16	18	20	16	-4
UK	7	15	6	-9	5	7	8	8	8	6	-2
OECD Europe	**62**	**74**	**59**	**-15**	**56**	**55**	**54**	**59**	**62**	**56**	**-6**
OECD Asia Pacific	**21**	**29**	**22**	**-7**	**17**	**18**	**16**	**21**	**23**	**24**	**1**
Total OECD	**1,334**	**1,219**	**648**	**-571**	**412**	**511**	**656**	**648**	**699**	**753**	**54**
Other Asia*	222	221	187	-34	184	160	161	170	175	179	4
Latin America	129	128	58	-70	40	60	76	89	97	89	-8
Middle East	64	68	57	-11	50	48	57	56	56	55	-1
Africa	46	55	43	-12	35	32	33	39	44	46	2
Other Europe	13	14	12	-2	12	12	12	7	8	8	0
Total Non-OECD	**474**	**486**	**357**	**-129**	**321**	**312**	**338**	**362**	**380**	**377**	**-3**
Non-OPEC rig count	**1,808**	**1,705**	**1,005**	**-700**	**733**	**823**	**994**	**1,010**	**1,079**	**1,130**	**51**
Algeria	50	45	31	-14	27	25	22	27	25	21	-4
Angola	4	4	3	-1	1	3	4	4	4	4	0
Congo	3	3	1	-2	0	0	0	0	0	0	0
Equatorial Guinea**	0	1	0	-1	0	0	0	0	0	0	0
Gabon	3	7	3	-4	0	0	1	1	2	3	1
Iran**	157	117	117	0	117	117	117	117	117	117	0
Iraq	59	74	47	-27	30	28	32	36	38	41	3
Kuwait	51	46	45	-1	44	29	28	23	22	24	2
Libya	5	14	12	-2	11	10	12	12	12	14	2
Nigeria	13	16	11	-5	8	7	6	5	5	7	2
Saudi Arabia	117	115	93	-22	87	63	62	62	59	57	-2
UAE	55	62	54	-8	50	40	43	44	45	43	-2
Venezuela	32	25	24	-1	25	25	25	25	25	25	0
OPEC rig count	**549**	**529**	**441**	**-88**	**400**	**347**	**352**	**356**	**354**	**356**	**2**
World rig count* **	**2,357**	**2,234**	**1,446**	**-788**	**1,133**	**1,170**	**1,346**	**1,366**	**1,433**	**1,486**	**53**
of which:											
Oil	1,876	1,788	1,125	-663	866	896	1,044	1,076	1,140	1,182	42
Gas	448	415	275	-140	232	238	269	257	260	271	11
Others	33	31	46	15	35	36	33	33	33	33	0

*Note: * Other Asia includes India and offshore rigs for China.*

*** Estimated data when Baker Hughes Incorporated did not reported the data.*

**** Data excludes onshore China as well as Russia and other Eurasia.*

Totals may not add up due to independent rounding.

Sources: Baker Hughes and OPEC.

Glossary of Terms

Abbreviations

b	barrels
b/d	barrels per day
bp	basis points
bb	billion barrels
bcf	billion cubic feet
cu m	cubic metres
mb	million barrels
mb/d	million barrels per day
mmbtu	million British thermal units
mn	million
m-o-m	month-on-month
mt	metric tonnes
q-o-q	quarter-on-quarter
pp	percentage points
tb/d	thousand barrels per day
tcf	trillion cubic feet
y-o-y	year-on-year
y-t-d	year-to-date

Acronyms

ARA	Amsterdam-Rotterdam-Antwerp
BoE	Bank of England
BoJ	Bank of Japan
BOP	Balance of payments
BRIC	Brazil, Russia, India and China
CAPEX	capital expenditures
CCI	Consumer Confidence Index
CFTC	Commodity Futures Trading Commission
CIF	cost, insurance and freight
CPI	consumer price index
DoC	Declaration of Cooperation
DCs	developing countries
DUC	drilled, but uncompleted (oil well)
ECB	European Central Bank
EIA	US Energy Information Administration
Emirates NBD	Emirates National Bank of Dubai
EMs	emerging markets
EV	electric vehicle

FAI	fixed asset investment
FCC	fluid catalytic cracking
FDI	foreign direct investment
Fed	US Federal Reserve
FID	final investment decision
FOB	free on board
FPSO	floating production storage and offloading
FSU	Former Soviet Union
FX	Foreign Exchange
FY	fiscal year
GDP	gross domestic product
GFCF	gross fixed capital formation
GoM	Gulf of Mexico
GTLs	gas-to-liquids
HH	Henry Hub
HSFO	high-sulphur fuel oil
ICE	Intercontinental Exchange
IEA	International Energy Agency
IMF	International Monetary Fund
IOCs	international oil companies
IP	industrial production
ISM	Institute of Supply Management
JODI	Joint Organisations Data Initiative
LIBOR	London inter-bank offered rate
LLS	Light Louisiana Sweet
LNG	liquefied natural gas
LPG	liquefied petroleum gas
LR	long-range (vessel)
LSFO	low-sulphur fuel oil
MCs	(OPEC) Member Countries
MED	Mediterranean
MENA	Middle East/North Africa
MOMR	(OPEC) Monthly Oil Market Report
MPV	multi-purpose vehicle
MR	medium-range or mid-range (vessel)
NBS	National Bureau of Statistics
NGLs	natural gas liquids
NPC	National People's Congress (China)
NWE	Northwest Europe
NYMEX	New York Mercantile Exchange
OECD	Organisation for Economic Co-operation and Development
OPEX	operational expenditures
OIV	total open interest volume
ORB	OPEC Reference Basket
OSP	Official Selling Price
PADD	Petroleum Administration for Defense Districts
PBoC	People's Bank of China
PMI	purchasing managers' index
PPI	producer price index

RBI	Reserve Bank of India
REER	real effective exchange rate
ROI	return on investment
SAAR	seasonally-adjusted annualized rate
SIAM	Society of Indian Automobile Manufacturers
SRFO	straight-run fuel oil
SUV	sports utility vehicle
ULCC	ultra-large crude carrier
ULSD	ultra-low sulphur diesel
USEC	US East Coast
USGC	US Gulf Coast
USWC	US West Coast
VGO	vacuum gasoil
VLCC	very large crude carriers
WPI	wholesale price index
WS	Worldscale
WTI	West Texas Intermediate
WTS	West Texas Sour

OPEC Basket average price

US$/b

up 1.64 in July

July 2021	73.53
June 2021	71.89
Year-to-date	**65.27**

July OPEC crude production

mb/d, according to secondary sources

up 0.64 in July

July 2021	26.66
June 2021	26.02

Economic growth rate

per cent

	World	OECD	US	Euro–zone	Japan	China	India
2021	5.6	5.0	6.1	4.7	2.8	8.5	9.3
2022	4.2	3.6	4.1	3.8	2.0	6.0	6.8

Supply and demand

mb/d

2021		**21/20**	**2022**		**22/21**
World demand	96.6	6.0	World demand	99.9	3.3
Non-OPEC liquids production	64.0	1.1	Non-OPEC liquids production	66.9	2.9
OPEC NGLs	5.2	0.1	OPEC NGLs	5.3	0.1
Difference	**27.4**	**4.7**	**Difference**	**27.6**	**0.2**

OECD commercial stocks

mb

	Jun 20	Apr 21	May 21	Jun 21	Jun 21/May 21
Crude oil	1,584	1,462	1,454	1,416	–38.3
Products	1,627	1,465	1,491	1,507	15.3
Total	**3,212**	**2,927**	**2,945**	**2,922**	**–23.0**
Days of forward cover	76	65	64	64	–0.9

Next report to be issued on 13 September 2021.