OPEC

Organization of the Petroleum Exporting Countries

# Monthly Oil Market Report

## *October 2009*

*Feature Article:*
***Oil market tests pace of economic recovery***


| | |
|---|---|
| *Oil market highlights* | *1* |
| *Feature article* | *3* |
| *Crude oil price movements* | *5* |
| *Commodity markets* | *9* |
| *Highlights of the world economy* | *14* |
| *World oil demand* | *20* |
| *World oil supply* | *28* |
| *Product markets and refinery operations* | *35* |
| *The tanker market* | *39* |
| *Oil trade* | *42* |
| *Stock movements* | *51* |
| *Balance of supply and demand* | *54* |



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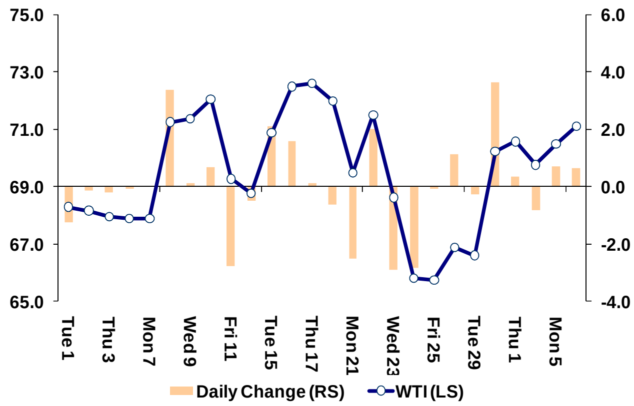
# Oil Market Highlights

- The **OPEC Reference Basket** fell by $4.18 or 5.9% in September to reach $67.17/b. Bearish developments in equity markets in early September exerted downward pressure on crude prices across the world, reinforced by product stock builds. However, US dollar depreciation, increasing equity prices and improving demand projections due to the economic recovery have turned market sentiment and lifted crude prices. These factors continued to strengthen the market into October with the Basket rising to $67.63/b in the week ended 9 October from $65.75/b the week before. Positive reports about US corporate earnings for 3Q09 may provide further support for market sentiment and prices in the weeks ahead.
- Supported by fiscal and monetary policy, the **world economy** is showing signs of recovery. However, private spending remains muted, particularly in the advanced countries. The growth forecast for 2010 was increased by 0.2 percentage points to 2.7%, while the 2009 forecast remained at the level of minus 1.2%. The major adjustment was made in the forecast for Chinese GDP growth which is now projected to grow by 8.0% in 2009 and by 8.5% in 2010. This underlines the relative high dependency of the 2010 forecast on non-OECD countries, which could constitute an additional challenge going forward. Non-OECD countries are now expected to make up 2.2 percentage points of world economic growth in 2010 with OECD contributing only 0.5%.
- With the US oil demand bouncing back from a steep historical decline, the forecast for 2009 **world oil demand** growth has been revised up by 0.2 mb/d to now show a contraction of 1.4 mb/d. Global oil demand growth in 2010 has been revised up by 0.2 mb/d to 0.7 mb/d to take into account the gradual improvement in the world economy. The bulk of next year's demand growth will take place in the non-OECD, mainly China, the Middle East, India, and Latin America. Most of this demand will be as a result of industrial, transport and petrochemical sectors.
- **Non-OPEC oil supply** is forecast to increase by 410 tb/d in 2009, following an upward revision mainly due to higher-than-expected supply from the US, Russia and Caspian region. In 2010, non-OPEC oil supply is expected to grow 350 tb/d, supported by anticipated growth in Brazil, Azerbaijan, Canada and Kazakhstan. OPEC NGLs and non-conventional oils are forecast to increase by 0.5 mb/d in 2010 to average 5.3 mb/d. In September, total OPEC crude oil production averaged 28.9 mb/d according to secondary sources, representing a slight increase of 43 tb/d over the previous month.
- **Product markets** lost further ground in September due to a narrowing of the gasoline crack spread and continuation of distillate stockbuilding across the globe. Despite bullish reports about the economic recovery and the positive implications for demand growth, product markets remain weak, forcing refiners to trim operation levels. An early cold snap in the Atlantic Basin may provide some support for products and crude prices in the future, but ample distillate stocks could cap these positive developments.
- OPEC spot fixtures in September rose by 12% compared to the previous month. Sailings from OPEC were relatively steady. Freight rates in the crude oil **tanker market** increased by a margin of 5% in September with the VLCC sector falling 7% and Suezmax increasing by 16%. Storing crude oil on tankers declined by about 10 mb with the narrowing of the contango structure in crude oil futures, but middle distillates increased by about 15 mb. Clean spot freight rates increased by 5% on average with a much firmer East of Suez market.
- US **commercial oil stocks** resumed their upward trend, increasing 10.4 mb in September to stand at 1,109 mb, implying an overhang of nearly 90 mb. The build was attributed to products, particularly distillates, while crude oil stocks dropped for the fifth consecutive month but remained 32 mb above the five-year average. In Europe, total oil stocks dropped nearly 5 mb but remained within the upper half of the five-year range. Japan's commercial oil stocks fell slightly in August but then recovered in September, according to preliminary data.
- The **demand for OPEC crude** in 2009 is estimated to average 28.6 mb/d, around 0.1 mb/d higher from the previous report. This still represents a considerable decline of 2.3 mb/d compared to the previous year. In 2010, the demand for OPEC crude is expected to average 28.4 mb/d, an upward revision of 0.3 mb/d from the previous assessment and a decline of 0.2 mb/d from a year earlier.

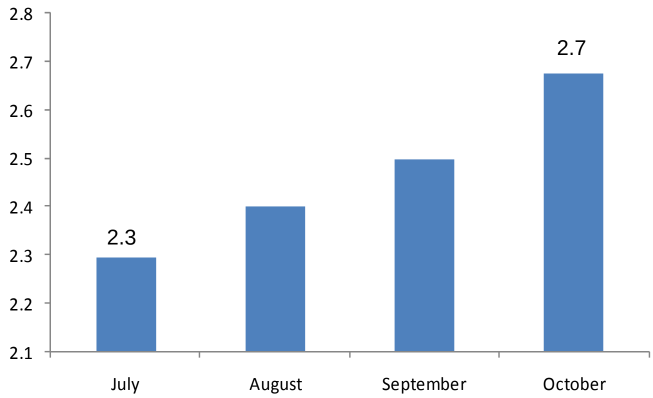
# Oil market tests pace of economic recovery

- Since the beginning of September, crude price behaviour has alternated between periods of sharp upward movements followed by large corrections. At times, this has led to daily changes of more than $3/b (*see **Graph 1***). This volatility reflects some nervousness as the market is searching for direction. One of the key uncertainties driving this volatility is the outlook for the world economy and the impact this will have on world oil demand. Therefore, to have a better understanding of oil market developments over the coming months, a careful assessment of the outlook for the world economy is essential.
- The world economy now appears to be entering into a new phase, moving from a period of containing the crisis to one of economic recovery. Over the course of this year, financial markets have stabilized and the outlook for the world economy has greatly improved. The second quarter is now seen to mark the bottom of the recession, a view that has been reflected in comments by world leaders and policy-makers at the G-20 summit in Pittsburgh, as well as at the annual meeting of the IMF/World Bank in Istanbul. As a result of the improving economic conditions, forecasts for world GDP have been revised higher. While global GDP is still expected to decline by 1.2% this year, the forecast for 2010 now shows positive growth of 2.7%, up from an initial forecast of 2.3% in July (*see **Graph 2***).

**Graph 1: WTI crude oil price Sept-Oct 2009 (US$/b)**




**Graph 2: Revisions to 2010 world economic growth forecast (%)**




- Although there is widespread consensus that there is a turnaround in the global economy, the pace and strength of the recovery is still not clear. This is due to the fact that so far the improvements have been primarily driven by government stimulus along with inventory rebuilding. However, the current level of fiscal stimulus will be difficult to sustain as government spending is creating large deficits, particularly in the advanced economies. With regard to inventories, the rebuilding has occurred to compensate for the sharp reduction in manufacturing output that took place earlier in the crisis. As much of this job is done, the impact is expected to diminish.
- Going forward, the strength and sustainability of the recovery will depend on achieving a re-balancing in two areas. The first is a shift from public to private consumption. For that, it is recognized that exit strategies should be carefully planned and coordinated to ensure that they do not take place too early — which would undermine the economic recovery — or too late which could result in a fiscal crisis as debt to GDP ratios rise dramatically. Moreover, reviving consumer demand poses a big challenge given the high and rising unemployment rates which now stand at close to 10% in the US and Euro-zone. Consumer indebtedness along with tight credit conditions will also dampen demand. Thus, growth is not expected to pick up sufficiently in the developed countries without further stimulus.
- Therefore, global recovery would require a second re-balancing, which would involve a shift in global demand and trade patterns. Specifically, this would be a shift from domestic to external demand in industrialized countries, especially the US, and the complementary shift in Asia, particularly China. The international nature of these challenges highlights the need for continued multilateral consultations and coordination, a fact that has been clearly recognised during the recent G-20 meeting as well as the annual meeting of the IMF/World Bank in Istanbul.
- Given the current economic environment and the difficulties ahead, the world is more likely to experience slower growth rather than the sharp rebound that has generally characterized previous economic recoveries. The recovery in the US will certainly play an important role in determining the pace and strength of the global upturn. If US private and foreign demand do not pickup sufficiently as the fiscal stimulus fades, then this could create a further challenge for the world recovery.
- Until there is a clearer picture about the pace of the global recovery, the outlook for oil and other commodities will continue to be highly dependent on economic signals. Given weak oil market fundamentals as reflected in high global inventories and large OPEC spare capacity, there is a need for continued close monitoring of both economic conditions and developments in the oil market.

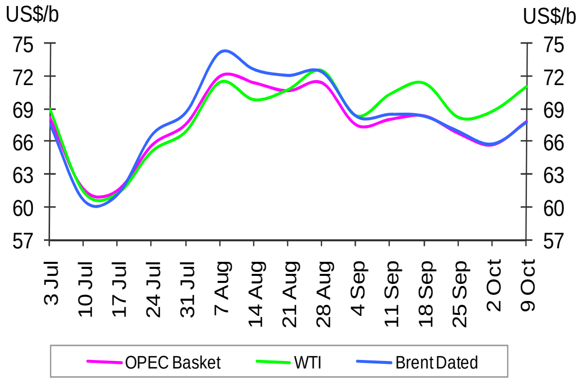
# Crude Oil Price Movements

*Crude oil market sentiment weakened in early September before improving in the latter part of the month*

## OPEC Reference Basket

**A sharp fall in Chinese equity markets along with bearish reports on increasing supply have triggered technical sell-offs in the futures markets and exerted pressure on crude prices in early September. Appreciation of the US dollar resulting from worries over potential bank failures have also contributed to the downward price movement.**

Graph 1: Crude oil price movement




Following these developments, the **OPEC Basket** fell to $67.56/b in the week ended 4 September from $71.42/b in the previous week. Over the same period, **WTI** and **Dated Brent** crude prices also slipped to $68.36/b and $68.33/b respectively from $72.48/b and $72.39/b *(see **Graph 1**).* **Dubai** crude plunged to $68.29/b from $71.44/b.

**Market circumstances improved later on, amid mixed reports on US jobless claims and unemployment rates, increasing demand projection by the IEA, US dollar depreciation and surging equity prices. A pledge by G-20 leaders to keep stimulus measures in place for longer as well as draft rules from China which would allow more foreign portfolio investments have also provided support for crude prices.**

**OPEC Reference Basket** later on rose by 84¢ and reached $70.27/b on 17 September from $66.03/b on 4 September. **WTI** and **Brent** crude also soared to $72.59/b and $70.77/b respectively from $67.88/b and $65.65/b early September. Similarly, **Dubai** crude increased to $70.55/b from $67.00/b on 4 September.

**In the latter part of September, crude oil prices fell again amid stock building in the US and concerns about demand growth. Equity markets also lost some of the previous gains, prompting investors to trim their riskier portfolio assets.**

These developments have caused the **OPEC Reference Basket** to slide to $64/b on 28 September from above $70/b on the 17$^{th}$ of the same month. **WTI** and **Dated Brent** crude prices also slipped $66.86/b and $65.19/b respectively from $72.59/b and $70.77/b during the same period. **Dubai** benchmark crude fell to over $63.92/b from $70.55/b on 17 September.

**Market sentiment improved significantly in early October following an upward revision by the IMF to world economic growth for 2010 and projected increase in demand for the latter part of 2009 and 2010. A sharp depreciation of the US dollar against other major currencies and crude stockdraws also underpinned persisting market sentiment and lifted crude prices. In the first week of October, WTI crude prices surged to over $70/b.**

**With growing optimism on economic growth and the positive impact on demand, the recent market strength is expected to consolidate further. However, it is worth noting that ample current distillate stocks across the world may cap any sharp upward movement in crude prices.**

In the spot market, US crude differentials for both light sweet and medium sour grades were weak in September. This was attributed to stockdraws at Cushing, Oklahoma, which led to higher prices for WTI futures and slowing demand from refiners due to low refining margins and seasonal maintenance. Light Louisiana Sweet crude differentials which typically used to be sold at $3/b above the WTI futures contract, fell to below $1/b in September. Mars sour crude, which was trading at close to parity to WTI in recent months, weakened in September and the differentials fell to minus $4/b versus WTI crude.

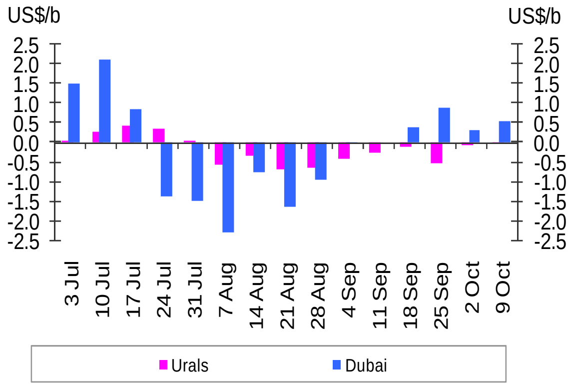
Furthermore, following the stockdraws at Cushing, the spread between WTI and Brent crude widened in favour of WTI crude. The premium reached over $4/b in late September *(see **Graph 1**).* Following these developments, the US refiners switched their attention to the other side of the Atlantic, trying to bring in further arbitrage barrels from Europe.

Market sentiment for West African crude, especially from Nigeria, was also relatively weak in September due to ample supplies and less interest from American refiners. Differentials for Nigerian benchmark Qua Iboe crude against Dated BFOE dropped from around $1.90/b in the latter part of August to about $1.20/b in September.

Middle East crude was trading at a discount in the first decade of September. However, differentials improved from 10 September onward after Saudi Arabia kept its supply curb to Asia for October. Similarly, Middle East crude received support from Taiwan's CPC which favoured Iraqi Basrah Light crude oil for November loading over Russian Urals. Additionally, Abu Dhabi's announcement to keep November supplies at 15% below term contract volume has also given support to Middle East crude differentials in the latter part of September.

## The sour/sweet crude spread

**Graph 2: Sour grades (Urals and Dubai) spread vs. Brent Dated**




Upon the completion of the North Sea field maintenance and increasing supply as well as refinery run cuts by European refiners, Brent crude market sentiment eased compared to the previous month and differentials widened in the spot market. Despite these bearish developments, Brent crude spread against Urals remained around 30¢ in third week of September and narrowed again in early October (*see **Graph 2***). Urals crude is especially strong in the Northwest Europe market, selling at almost parity to Dated BFOE. Urals crude continues to see better than typical performance, as the grade has benefited from a lower level of Middle east crude to the region.

Looking ahead, the market for Urals is likely to remain strong amid tight supplies of medium-sour crude.

Bearish developments for Brent crude have also narrowed the Dubai and Brent crude oil spread in early September. The spread between Dubai and Brent crude gradually rose from minus 4¢ in early September to over 80¢/b in favour of Dubai crude oil. The persisting spread between a physical barrel of Dubai and Brent crude along with the narrowing spread of the Brent/Dubai swaps market (EFS) would encourage traders to continue to export western barrels to Asia. This situation would exert pressure on Middle East crude differentials in the future and could also increase the risk of further arbitrage cargoes from West Africa to Asia.

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

| | Aug 09 | Sep 09 | Change Sep/Aug | Year-to-Date 2008 | Year-to-Date 2009 |
|---|---|---|---|---|---|
| **OPEC Reference Basket** | **71.35** | **67.17** | **-4.18** | **108.10** | **56.60** |
| Arab Light | 71.42 | 67.64 | -3.78 | 108.99 | 56.88 |
| Basrah Light | 70.73 | 67.30 | -3.43 | 105.30 | 56.05 |
| Bonny Light | 73.84 | 68.74 | -5.10 | 114.50 | 58.96 |
| Es Sider | 72.89 | 67.44 | -5.45 | 110.45 | 57.05 |
| Girassol | 72.66 | 67.69 | -4.97 | 109.11 | 57.45 |
| Iran Heavy | 71.53 | 66.43 | -5.10 | 104.92 | 55.95 |
| Kuwait Export | 70.97 | 66.45 | -4.52 | 104.61 | 56.26 |
| Marine | 72.02 | 68.44 | -3.58 | 108.30 | 57.94 |
| Merey | 65.78 | 62.88 | -2.90 | - | 51.65 |
| Murban | 73.51 | 69.79 | -3.72 | 113.08 | 59.35 |
| Oriente | 65.26 | 63.67 | -1.59 | 99.16 | 51.35 |
| Saharan Blend | 72.94 | 67.84 | -5.10 | 112.93 | 58.04 |
| **Other Crudes** | | | | | |
| Minas | 75.88 | 70.25 | -5.63 | 114.41 | 60.32 |
| Dubai | 71.36 | 67.74 | -3.62 | 107.25 | 57.27 |
| Isthmus | 71.04 | 67.16 | -3.88 | 108.93 | 56.44 |
| T.J. Light | 69.83 | 66.22 | -3.61 | 105.73 | 55.29 |
| Brent | 72.84 | 67.39 | -5.45 | 111.19 | 57.35 |
| W Texas Intermediate | 71.05 | 69.34 | -1.71 | 113.53 | 57.13 |
| Urals | 72.27 | 67.09 | -5.18 | 108.14 | 56.83 |
| **Differentials** | | | | | |
| WTI/Brent | -1.79 | 1.95 | 3.74 | 2.34 | -0.22 |
| Brent/Dubai | 1.48 | -0.35 | -1.83 | 3.94 | 0.08 |

Note: As per the request of Venezuela and as approved by the 111th ECB, the Venezuelan crude BCF-17 has been replaced by Merey as of 2009. ORB has been revised as of this date.

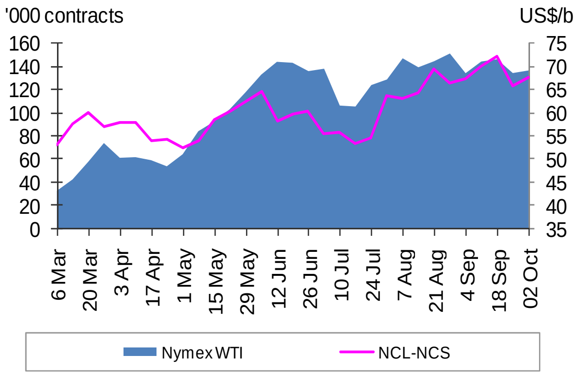
*Source: Platt's, Direct Communication and Secretariat's assessments.*

## The oil futures market

*Futures market sentiment remained volatile in September*

Bearish developments in equity markets, rising Russian crude exports, appreciation of the US dollar and rising worries from potential bank failures have led to technical sell-offs in the futures market early September and put downward pressure on prices. Following these developments net-long positions of non-commercial players on the Nymex plummeted from over 138,000 contracts on 25 August to 129,000 contracts on 8 September (*see* ***Graph 3***).

**Graph 3: Nymex non-commercial futures and options, net-long (short) positions, 2009**

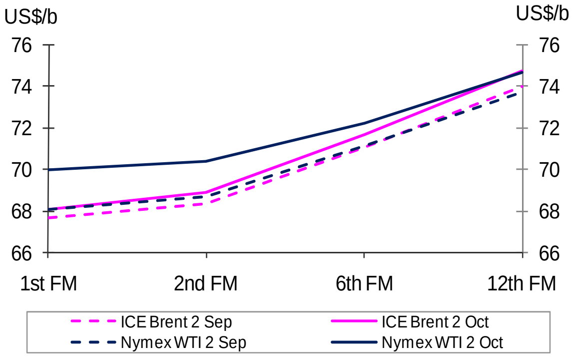



Market circumstances improved later on, heightening the bullish perception of market participants. This situation encouraged traders to buy further futures contracts. Non-commercial net-long positions rose by 20,000 to near 149,000 contracts on the week ended 22 September.

In the last week of September, bearish developments in US equities encouraged market participants to reduce their long positions and exerted pressure on prices. However, market sentiment improved significantly in early October following the IMF's upward revision to 2010 world economic growth. Increasing demand projections for 2010 would possibly pursue traders to increase long positions and to provide support for crude prices in the future.

Market developments also affected both absolute prices of WTI and Brent crude, as well as inter-month and inter-crude spreads on both sides of Atlantic Basin. The absolute price level of the first month on Nymex rose to $69.95/b on 2 October from $68.05/b on the same date in September. The inter-month spread between the front month WTI contract versus the 12th month also narrowed to $4.70/b in early October from about $5.65/b in early September (*see **Graph 4***).

**Graph 4: Nymex WTI and ICE Brent forward curve, 2009**




FM = future month

The European futures market also followed a similar trend and the absolute price level of the first month on ICE soared to $74.68/b on 2 October from $67.66/b on 2 September. However, the inter-month spread between the Brent front-month versus Brent 12th month widened to $6.61/b in early October from about $6.30/b in early September.

Meanwhile, as **Graph 4** shows, the contango level especially for WTI crude in nearby months has narrowed significantly in recent weeks, which is likely to reduce incentives for further crude stockbuilding.

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

| | 1st FM | 2nd FM | 3rd FM | 6th FM | 12th FM |
|---|---|---|---|---|---|
| **Nymex WTI** | | | | | |
| 2 Sep 2009 | 68.05 | 68.68 | 69.33 | 71.12 | 73.70 |
| 2 Oct 2009 | 69.95 | 70.33 | 70.78 | 72.17 | 74.65 |
| **ICE Brent** | | | | | |
| 2 Sep 2009 | 67.66 | 68.37 | 69.10 | 71.04 | 73.96 |
| 2 Oct 2009 | 68.07 | 68.86 | 69.57 | 71.62 | 74.68 |

FM = future month

# Commodity Markets

## Trends in selected commodity markets

*Commodity prices declined in September*

The **IMF commodity price index** declined 3.4% m-o-m in September on the back of a drop in both energy and non-fuel commodity prices due to negative fundamental factors, primarily weak demand and ample supply.

The risk appetite for commodities declined in September in the middle of a mixed stream of macroeconomic data which pointed to a recovery in the long term but remained discouraging about the short term. As already highlighted in our previous report, investors in commodities are waiting for new and more convincing signs of an economic recovery, especially in the OECD region, as other positive aspects have already been factored into commodity prices. It must be noted that the long-anticipated slowdown in Chinese industrial metal demand materialized in August, which amid expected seasonal inventory builds undermined market sentiment. The IMF stated that the recession appears to be over but highlighted that a full recovery will depend on easing of unemployment levels, which will likely take longer.

**Table 3: Monthly changes in selected commodity prices, 2008-2009**

| | July/June | % Change Aug/July | Sep/Aug | % Change Sep 09/Sep 08 |
|---|---|---|---|---|
| Commodity | -4.2 | 7.1 | -3.4 | -28.6 |
| Non-Energy | -0.4 | 4.4 | -1.8 | -14.6 |
| Energy | -6.4 | 8.8 | -4.3 | -35.0 |
| Crude | -6.5 | 10.8 | -4.5 | -31.1 |
| US Natural Gas | -10.8 | -7.4 | -4.9 | -60.8 |
| Food | -4.2 | -1.3 | -3.1 | -14.8 |
| Corn | -15.1 | 0.2 | -0.9 | -35.6 |
| Wheat | -11.2 | -6.5 | -9.2 | -35.3 |
| Soybean Oil | -9.7 | 7.9 | -7.4 | -28.1 |
| Soybeans | -12.7 | 3.0 | -13.9 | -5.9 |
| Sugar | 0.3 | 0.8 | -0.7 | -9.0 |
| Industrial Metals | 3.1 | 12.4 | -1.8 | -17.8 |
| Aluminium | 5.5 | 15.1 | -4.8 | -27.3 |
| Copper | 4.5 | 17.9 | 0.3 | -11.2 |
| Nickel | 7.1 | 20.9 | -10.2 | -2.1 |
| Zinc | 1.8 | 14.9 | 3.4 | 7.7 |
| Gold* | -1.2 | 1.6 | 5.0 | na |

*na Not available*

*Sources: IMF; Estimations based on data provided by the IMF.*

** World Bank Index*

*The IMF energy price index fell 4.3% in September*

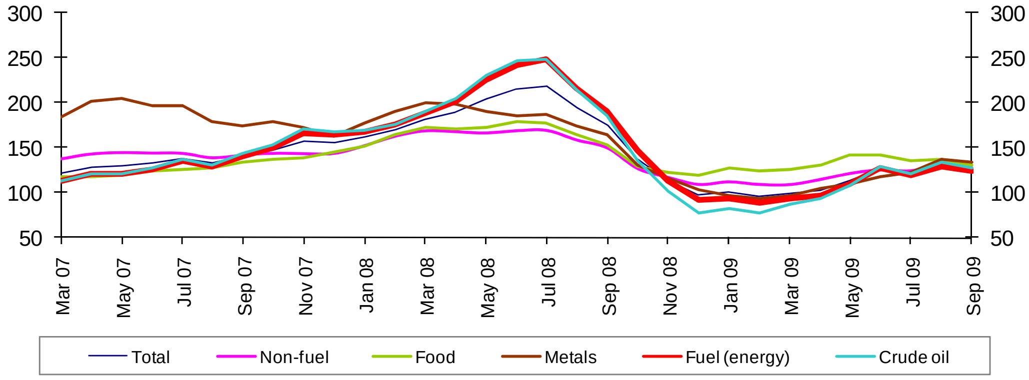
The **IMF energy price commodity index** (crude oil, natural gas and coal) fell 4.3% m-o-m in September compared to 8.8% positive growth in the previous month. **Crude oil** prices fell 4.3% in September. Meanwhile, **HH gas price** declined 4.9% m-o-m, as the same negative factors affecting the previous months continued to impact the market: weak industrial demand, strong production and large inventories that approach capacity.

*The IMF non-fuel commodity price index declined in September*

**Non-energy commodity prices** decreased 1.8% m-o-m in September compared to a 5.8% growth m-o-m in August. The prices for all main groups declined, even industrial metals.

The **industrial metal price index fell** 1.8% m-o-m in September with only lead and zinc recording gains. Prices for this commodity group were dropping since the second half of the month as a result of growing inventories on still weak demand. Concerns focused on slower Chinese imports of industrial metals in 2H09 due to the high growth in the first half. Total industrial metals inventories at the **London Metal Exchange** (LME) continued to increase in September. Despite the fact that prospects for the recovery of the US and the OECD economies have improved, strong negative factors remain such as increasing unemployment in US in September. It seems that as far as the industrial metals markets are concerned, the market appears to have priced-in a recovery in developed economies whereas data for September was disappointing for employment and investment.

**Graph 5: Major commodity price indexes, 2007-2009**




**Commodity Price Index, 2005 = 100**

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

**Aluminium** prices fell 4.8% m-o-m in September compared to 15% a month earlier driven by increasing stocks and aggressive re-starts of idle production in China. The role of China in boosting industrial metal prices was weakened. A record amount of primary aluminum production of 1.12 million tonnes was reported to be expected in China due to rising prices. As a result, a decrease in Chinese imports of unwrought and semi-finished aluminium of 17% m-o-m to 190,000 tonnes took place in August, and a drop in aluminum scrap imports, which also fell back by 17.6% m-o-m, was also reported. Since global demand remained weak this was a blow to prices which also experienced high volatility. Stocks at the LME remain at a very high level of 4.6 million tonnes.

**Chinese aluminium production** rose by 6% to 1.2 million tonnes in August from 1.1 million tonnes in July, according to the International Aluminium Institute (IAI) data. Global aluminium output outside of China reached almost 2 million tonnes last month, up by just 0.3% m-o-m, but down by 10% y-o-y.

**Copper prices increased** 0.3% m-o-m in September compared to 17.9% m-o-m in August. Despite some positive industrial news, copper prices received the negative impact of unfavourable fundamentals. Chinese imports of refined copper tumbled 25% in August m-o-m to 220,000 tonnes following the narrowing of the gap between Shanghai and LME prices. Outside China, demand for copper remains weak and the International Copper Institute reported that world usage of copper fell 0.6% y-o-y in the first six months of the year, with a 47% rise in Chinese apparent usage counterbalancing the severe decrease in other countries.

Copper inventories at the LME rose a further 11% to 332,000 tonnes in September which added to the bearish factors in this market.

**Nickel prices** also plunged 11% m-o-m in September compared to 20.9% the previous month. This negative performance was mainly ascribed to a fall in Chinese imports, rising nickel pig iron production and perceived overstocking of stainless steel. LME stocks are still at 14-year record highs of around 117,000 tonnes at the end of

September. According to the National Statistics Bureau, Chinese production in August rose 8% m-o-m and 21% y-o-y to 18,800 tonnes due to rising pig iron production. From January to August, China also produced 137,000 tonnes of the metal, up by 12% y-o-y. Thus, following the surge experienced in the first seven months of the year, Chinese imports might have stumbled by 50% in August. This trend is expected to last, as the Jinchuan Group, China's largest nickel producer, is expected to produce 150,000 tonnes of nickel in 2010, 20,000 tonnes more than this year.

It must be noted that other factors outside China helped to prevent a sharper decline in nickel prices, such as the production contraction in Canada.

According to the World Bureau of Metal Statistics, globally nickel has been in surplus of 1,700 tonnes from January to July 2009. Global demand has remained anemic and although European demand was supposed to restart with the end of the summer period, this did not materialize. With the market in surplus, prices are expected to continue to decline in October.

**Lead prices increased further by 16.5%** m-o-m compared to 14% in August on supportive supply constraints in China where several lead smelters were shut down by authorities for safety reasons.

The **IMF food price index** declined a further 3.1% m-o-m in September with major losers being grains, fats and oils. The grain markets remained bearish amid supply news from the US Department of Agriculture (DOA) and record crops in a number of countries.

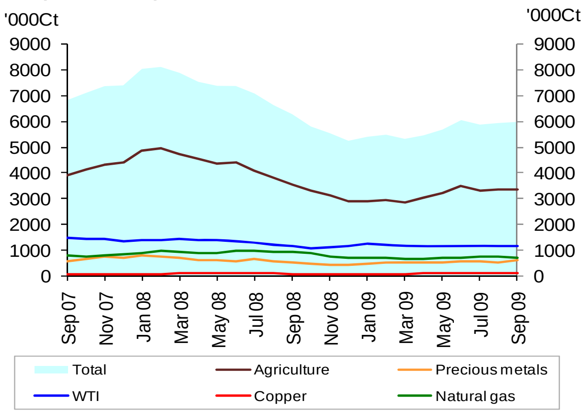
**Gold prices** rose 5% m-o-m in September compared to 1.6% m-o-m in August, driven by strong investment demand, a weak dollar and inflation concerns.

## Investment flow into commodities

*Open interest volume in major US commodities rose in September at the same pace as in the previous month*

The **open interest volume** (OIV) in major commodity markets in the US rose by 2.2% m-o-m in September to reach **6,385,000** contracts. Precious metals, livestocks and soybeans saw the biggest increases. The rest of the agricultural complex, crude oil and natural gas reported losses.

**Graph 6: Total open interest volume**



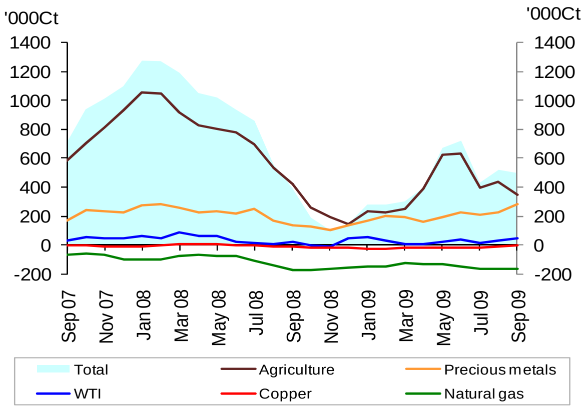

Source: CFTC

**Table 4: CFTC positions, '000 contracts**

| | Net Positions | | Long Positions | | Short positions | | Open Interest | |
|---|---|---|---|---|---|---|---|---|
| | Sep 09 | Change Sep/Aug | Sep 09 | Change Sep/Aug | Sep 09 | Change Sep/Aug | Sep 09 | Change Sep/Aug |
| Crude Oil | 42 | 11 | 222 | 5 | 180 | -6 | 1169 | -8 |
| Natural Gas | -164 | 2 | 88 | -2 | 253 | -5 | 714 | -18 |
| Agriculture | 343 | -93 | 874 | -7 | 531 | 86 | 3361 | -12 |
| Corn | 38 | -17 | 221 | 5 | 183 | 23 | 851 | -14 |
| Wheat | -70 | -18 | 150 | 0 | 220 | 18 | 640 | -13 |
| Soybean Oil | -8 | -14 | 41 | 1 | 49 | 14 | 219 | -21 |
| Soybeans | 43 | -35 | 103 | -13 | 60 | 22 | 428 | 26 |
| Sugar | 180 | -1 | 217 | -4 | 37 | -3 | 825 | -7 |
| Precious Metals | 282 | 55 | 318 | 58 | 36 | 3 | 594 | 84 |
| Copper | -4 | 2 | 26 | -2 | 29 | -4 | 117 | -1 |
| Livestocks | -18 | -24 | 116 | 2 | 133 | 25 | 430 | 34 |
| **Total** | **482** | **-45** | **1644** | **54** | **1162** | **99** | **6385** | **78** |

**Slower fund-buying activity was reported in September.** Non-commercial long positions on the whole rose at a slower pace of 3.4% m-o-m compared to 5.0% last August. An important 9% rise in shorts led to a decline of 8.5% in net length

Graph 7: CFTC net length by commodity group

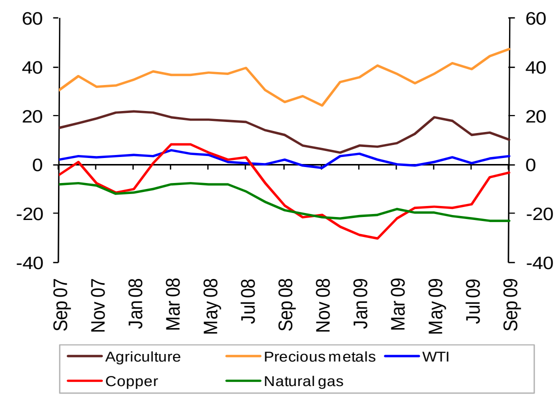



Source: CFTC

**Agriculture OIV dropped** 0.4% in September to 3,361,000 contracts, with soybean oil and wheat experiencing the major contraction in OIV. A hefty 19.3% m-o-m increase of non- commercial shorts in September for agriculture together with a drop of 0.8% in longs caused the net length as percentage of OIV to decline to 10.2% in September from 12% the previous month.

**Precious metals** OIV went up by 16.5% m-o-m to 594,000 contracts in September. Non-commercial long positions jumped by 22.3% in September which amid a 9% rise in shorts led the net length as percentage of OIV in 47.5% up from **44.4% in August** (*see **Graphs 12** and **13***). The interest for gold mainly reflected the upward trend in prices due to the dollar devaluation and economic uncertainty.

Graph 8: CFTC net length as % of open interest



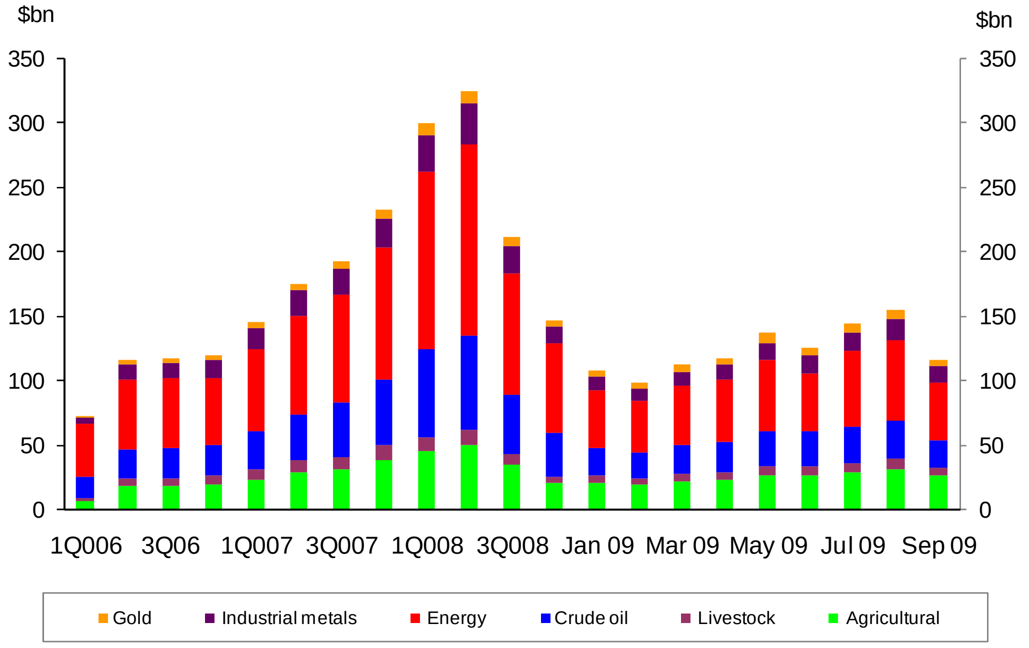

Source: CFTC

**Nymex natural gas futures** open interest volume **dropped further by** 2.5% m-o-m to **714,000 contracts in September**, the third decline since July. A stronger decline in non-commercial short positions of 2.5% in September combined with a 1.8% drop in longs resulted in a decline in non-commercial activity as a percentage of OIV, which stood at minus 23%.

**Copper open interest volumes** fell by 1.1% m-o-m in September, reversing the positive trend in the previous month. The pick-up in investor activity in August gave way to a contraction of 6.9% in September but with shorts declining 12.5%, the net length as a percentage of open interest increased from minus 4.9% in August to 3.1% in September.

**Dollar investment** inflows declined sharply by 20% in September m-o-m which may be related to economic uncertainty about the pace of the economic recovery outside China as well as slowing imports. All the sectors seem to have been affected.

**Graph 9: Investments in two principal commodity instruments (S&P GSCI and DJ-AIG)**



# Highlights of the World Economy

| Economic growth rates 2009-2010,% | World | OECD | USA | Japan | Euro-zone | China | India |
|---|---|---|---|---|---|---|---|
| 2009 | -1.2 | -3.9 | -2.7 | -5.6 | -4.1 | 8.0 | 5.6 |
| 2010 | 2.7 | 1.0 | 1.3 | 1.3 | 0.0 | 8.5 | 6.5 |

## Industrialised countries

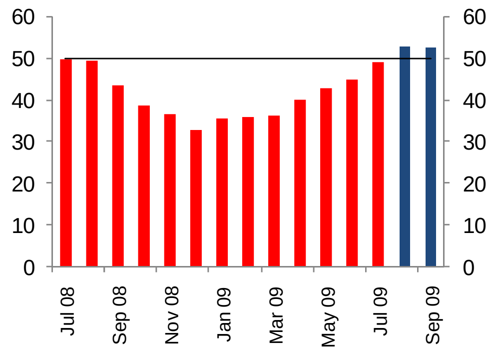
### *United States of America*

*The US economy is showing the first signs of a turnaround, but remains dependent on governmental support*

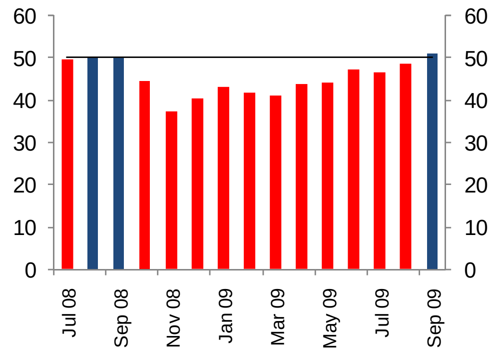
The economy of the United States is showing the first signs of a potential turnaround. Important business and consumer indicators are pointing to improving developments, with output and sentiment numbers alike have advanced over the last weeks. It seems that the huge fiscal and monetary stimulus has provided a starting point for potential recovery. While this is encouraging, it seems that this improving trend still depends on the support of the government. Government spending increased by 6.7% q-o-q in 2Q09, while personal consumption expenditures were down by 0.9% q-o-q. This skewed spending pattern has to return to normal to provide the conditions for a broad-based recovery. Private consumption expenditures usually constitute the core-engine of the economy as they account for  around 70% of GDP and government-led support at the present level cannot be sustained indefinitely.

US businesses are still positive about a recovery. The ISM indices continue to forecast an improvement. While the September number of 52.6 was slightly below the August number of 52.9, the ISM manufacturing remains above the threshold expansion level of 50 for the second consecutive month. The non-manufacturing ISM jumped above 50 in September for the first time in a year, recording 50.9 compared to 48.4 the month before.

Graph 10a: ISM Manufacturing Index




Graph 10b: ISM Non-Manufacturing Index




*Source: Institute for Supply Management*

Consumer confidence, on the other hand, did not improve in its latest reading, according to the Conference Board index. It fell back from the August level of 54.1 to 53.1 in September, indicating that consumers are still cautious about their spending prospects. This level can be considered as still very low since the index was historically at average levels of 72.0 in previous recessions, according to Gluskin Sheff + Associates Inc. This low consumer confidence should not come as a surprise given to an unemployment rate of 9.8% in September. Moreover, the average duration of unemployment stood at 26.2 months in September, compared to 24.9 months in August. This situation certainly is far from encouraging for the US consumer. Considering that the US economy needs around 2% – 3% growth per annum to absorb both the efficiency gains and the increase in the employment force to keep the unemployment rate at even levels, there is a strong likelihood that the unemployment rate will continue to grow, potentially reaching around 10.5% – 11.0% in 2010.

The decline in consumer credit slowed to a level of minus $12.0 bn in August compared to a record minus $19.0 bn in July, the largest decline on record. The biggest previous recorded declines so far were in January 1998 at a level of minus $4.7 bn and in December 1990 at minus $5.4 bn, leaving the current August numbers still very high compared to these historic figures.

Encouragingly, retail sales increased in August, but that might have been mainly due to the incentives the government had issued for buying new cars within its so-called “Cash for Clunkers” programme. Retail sales numbers, including cars, were up by 2.7% m-o-m in August; excluding motor vehicle sales, retail numbers were up only 1.1% m-o-m. Without the cash injections the numbers are currently forecast to turn negative for September. Meanwhile, factory orders in September declined by 0.8% m-o-m, which was far below consensus expectations of 1.0% growth. This weaker number compares to an increase of 1.4% m-o-m in July.

House prices remain sluggish. The S&P/Case-Shiller home-price index is still in decline on a yearly basis. Home prices, according to the index, were still declining by 13.3% y-o-y in July, compared to a fall of 15.4% in June, while on a monthly basis the development is pointing to an improvement as prices were up 1.7%, the third consecutive month of positive growth.

The slight improvement in the economy is still very much dependent on governmental aid, and it is still too early to categorize the current upturn as a broad-based recovery. The 2Q GDP revision from a decline of minus 1.0% q-o-q seasonally adjusted annualized rate (saar) to minus 0.7% q-o-q saar, is an indication of those improvements. Nevertheless, the forecast for 2009 and 2010 was kept unchanged at the levels of minus 2.7% and positive 1.3%, respectively.

***Japan***

*While the Japanese economy continues to recover, concerns remain about excess capacity, low investment and deepening deflation*

The Japanese economy is continuing to improve, but concerns remain about the potential depth of the turnaround. The positive development in the economy has been – as in other OECD regions – very much supported by the government. This can be expected to continue under the newly-elected government, but is seems obvious that with the debt/GDP ratio being among the highest in the OECD, this policy has obvious limitations.

Until now the stimulus that was put in place by the former Japanese government has managed to turn the economy around after the unprecedented fall in 1Q GDP of minus 12.4% q-o-q saar. Industrial production gained for the sixth consecutive month. Japanese factory output increased by1.8% m-o-m in August after a 2.1% m-o-m rise in July, according to the Trade Ministry. Companies said they plan to increase output by 1.1% in September and by 2.2% in October. While this indicates a positive trend, the August numbers are still far below last year’s levels at minus 18.7% y-o-y.

Japan’s coincident index, which is being considered the broadest indicator of economic health rose for a fifth consecutive month in August as global stimulus spending seems to have helped the country emerge from its worst postwar recession. The index — a composite of 11 indicators including factory production and retail sales — climbed to 91.4 in August, the highest since November 2008. This compares with a revised number of 89.8 a month earlier. The three-month moving-average of the coincident index, which the government uses to make its monthly evaluation of the economy, rose to 89.9 in August, the fourth monthly increase. The government left its assessment of the index unchanged, saying it is showing signs of bottoming out.

The unemployment rate also supported the other positive developments. The unemployment rate in August fell unexpectedly to 5.5% retreating from a record-level of 5.7% a month earlier. The number of employed rose by 290,000 from July, the first increase since January. A separate report showed that the job-to-applicant ratio, a leading indicator of employment trends, also stopped worsening for the first time since January 2008. However, the ratio stayed at a record low of 0.42, with only 42 positions for every 100 candidates. The partly positive employment trend comes together with an improvement in household spending, which rose 2.6% from a year earlier, its biggest jump in 19 months. While this recent data is encouraging, the economy remains burdened with excess capacity and an expected decrease in capital spending. This, together with deepening deflation could constitute a threat to future profits.

The Japanese machinery orders barely increased in August, rising a mere 0.5% m-o-m, a reflection of the cautionary approach of companies to capital spending. However, they were an improvement to the record-low number of minus 9.3% m-o-m in July. This was the lowest level since the government began this survey in 1987. Those concerns were also being reflected in the latest September "Tankan" survey, the business confidence survey of the Bank of Japan (BoJ).

While total business confidence has improved, the outlook for spending and for profitability remains weak. The overall index of the "Tankan" survey increased for the second consecutive quarter from minus 48 to minus 33, after having reached record lows at the end of March. While there are obviously some positive developments being recognized by the Japanese companies, this current improvement still very much depends on the government-led stimulus that was being put in place last year and at the end of the 1Q09 and the beginning of 2Q09. While this has managed to halt a bigger drop of the economy, the large manufacturers in Japan still remain prudent when considering capital spending. The survey reveals that capital spending may fall by 10.8% in the current fiscal year ending March 2010. This constitutes a further decline of 1.4% compared to the previous survey from end of June, when companies already announced spending cuts of 9.4%.

While improving, exports are still significantly in negative territory. They declined by 36.0% y-o-y in August compared to 36.5% y-o-y a month earlier as shown by the latest data revealed by the Finance Ministry. Exports to the US declined by 34.4% from a year earlier, the biggest decline since November 2008 and shipments to China, Japan's biggest export-market, fell 27.6% y-o-y, slightly worse than the July numbers of minus 26.5% y-o-y. Sales to Europe slid by 45.9 % y-o-y, slightly below the July number of minus 45.8% y-o-y.

Considering the improvements in the Japanese economy, together with the relatively large dependence on government-led support to continue the current positive momentum, the forecast for 2009 was decreased slightly by 0.3% to minus 5.6%, while the forecast for 2010 was increased by 0.1% to 1.3%.

***Euro-zone***

*The Euro-zone recovery continues, but the momentum is slowing*

The recovery in the Euro-zone continues, but at the same time it seems to lose some of its momentum. The Euro-zone GDP figures for the 2Q were revised down to show a 0.2% contraction, compared with the 0.1% fall originally reported by Eurostat. Germany and France were reported to have turned positive at a 0.3% q-o-q increase, unchanged from the first estimate. This is certainly a positive development, but it remains to be seen if this was not very much influenced by non-recurring measures by governments, with the most prominent one being the German car-scrapping premium initiative. Worst performer among the bigger countries of the Euro-zone is still Spain with minus 1.1% q-o-q and Italy with minus 0.5% q-o-q growth.

Despite the turnaround of the Euro-zone economy gaining pace, there are many challenges facing the economy. The unemployment rate hit a new high of 9.6% in August, again higher than the 9.5% recorded in July. While Germany, compared to its peer-countries, recorded a relatively modest level of 7.7%, France's unemployment rate stood at 9.9% and Spain again recorded the highest rate of 18.9%. Youth unemployment, the rate of the unemployment of under 25-year olds, edged higher in August to reach 19.7%, up 0.1% from 19.6% in July. Countries with high youth unemployment numbers were France at 24.4%, Ireland at 26.4% and Spain at 39.2%.

The Euro-zone retail trade number was in decline again as well in August. It fell by 0.2% m-o-m, the same level of decline as in July. On a yearly comparison, this number is even lower by 2.6%. Germany posted the highest decline of the major Euro-zone countries at a level of minus 1.5% m-o-m.

Germany, the growth engine of the Euro-zone, is continuing the turnaround, but the recovery is losing its recent strength. Industrial orders moved up 1.4% m-o-m in August, but the improvement was lower than in July, when it increased by 3.1% m-o-m. The closely watched business confidence Ifo-Index grew from 90.5 in July to 91.3 in August, but that was less than expected and the rate of increase slowed markedly in September as most companies still regard the current business conditions as poor.

This weaker-than-expected reading of the German business climate corresponds to the Euro-zone purchasing manager's indices (PMI), issued by Markit. The Euro-zone PMI was reported at a level of 50.8 for September, compared to 50.3 in August. While the current level is the highest over the last 18 months and numbers of the two most recent months were above the important 50-level that signals an expanding economy, both numbers are still low and were below expectations. Surprisingly, France pushed the index higher, while the German reading did the opposite. The level of the September PMI in France moved up to the highest level over the last 18 months to 53.9, compared to 51.3 in August, while the PMI of Germany dropped from 54.0 in August to 52.2 in September.

The current development raises concerns over the depth of the Euro-zone recovery. As expected the latest key interest rate decision of the European Central Bank (ECB) left the core lending rate unchanged at the record low of 1.0%. The president of the ECB pointed out that he sees the current level of interest rates still appropriate as the ECB is expecting inflation to turn positive at the end of 2009. In September, consumer price inflation was still at minus 0.3% y-o-y. Furthermore, the ECB highlighted remaining uncertainties surrounding the current economic recovery, which were also being considered, when deciding not to change the current key lending rate.

Another concern for the ongoing recovery is the still tight credit market in the Euro-zone, as pointed out by the ECB. The issuance of bank loans to the non-financial private sector remained muted in August. The annual growth for loans to the private sector declined further to historically low rate of 0.1% in August, according to the ECB. In the case of non-financial corporations, the flow of loans was again slightly positive in August, following a few months of negative flows. In general, by looking through the volatility in monthly data, "loan growth continues to be very subdued", according to the president of the ECB.

Considering the slight improvements in the economy supported mainly by monetary and fiscal support and taking the easing momentum of the turnaround into consideration, the estimate for the 2009 GDP growth in the Euro-zone remained unchanged at an expected decline of 4.1%, while the forecast for 2010 was revised up slightly to 0% from minus 0.1% the previous month.

## Former Soviet Union

*Budget deficit in Russia expected to reach 6.8% of GDP in 2010; oil price assumed to average $58/bbl*

Monthly GDP indicators continued to signal a contraction of the Russian economy on an annual basis in September, however the rate of decline eased to 2.1%, the smallest since last December. During the third quarter, the GDP indicator suggested that the economy contracted by an average of 4.1% y-o-y. This represents a better outcome than the record 9.2% fall posted during the second quarter. The GDP indicator has spent ten months in negative territory, a longer sequence than the previous seven-month spell from September 1998 to March 1999. The Russian government ratified a draft budget for 2010 with an expected deficit of 6.8% of its gross domestic product (GDP). The government will allocate 1.832 trillion rubles ($60.6 billion) from the Reserve Fund and 413.5 billion rubles ($13.7 billion) from the National Prosperity Fund to finance the budget deficit in 2010. The budget uses a baseline prediction of Russian Siberian Urals oil trading on the global market at $58/b in 2010, $59/b in 2011 and $60/b in 2012.

The CIS Statistical Committee reported that during January-August 2009, 5% GDP growth was registered in Azerbaijan followed by Kyrgyzstan 3.8% (our forecast 1.9%) and Tajikistan 1.8% (our forecast 2.0%). GDP was down in the following countries: Belarus minus 0.5%; Kazakhstan minus 4.1%; Russia minus 12.5% and Armenia minus 18.4%. The industrial output was down in all CIS member states: Armenia minus 11.9%; Belarus minus 4.6%; Kazakhstan minus 1.5%; Kyrgyzstan minus 12.7%; Moldova minus 24.6%; Russia minus 14%; Tajikistan minus 11.4%; Ukraine minus 29.6%. In Azerbaijan, the industrial output was up 0.1%. With regard to retail turnover, Tajikistan registered the highest increase of 10%, followed by Azerbaijan with 8.4%, Belarus 2.7%, Kyrgyzstan 2.1% and Armenia 0.3%. Retail turnover was down in the following countries: Russia minus 4.7%; Kazakhstan minus 11.2%; Moldova minus 4.9% and the Ukraine minus 15.9%.

## Developing Countries

*Monetary easing in China to continue*

*China's government to curb overcapacity in industry*

The monetary policy committee of China's central bank said the government will continue the moderately easy monetary policy while highlighting the role of domestic consumption to push the economy. The People's Bank of China (PBC), the central bank, will try to maintain both the sustainability and stability of the policy. The PBC would guide reasonable growth in money and credit and maintain sufficient liquidity in the banking system. Meanwhile, loans to high energy-consuming and environment-polluting industries would be strictly controlled. Chinese banks issued roughly the same level of loans in September as in each of the previous two months showing that lending has stabilised at a slower pace after a record surge in the first half of this year, according to the country's banking regulator. Chinese manufacturing expanded for a sixth consecutive month in September on government stimulus spending and record bank lending in the first half of the year, according to a purchasing managers' index. China's government has laid out detailed plans to curb overcapacity in industries such as steel, aluminum, cement and wind power, warning that the country's economic recovery could otherwise be hampered.

*Rising inflation in India and Brazil hinders further cut in interest rates*

India's wholesale prices rose for a fourth week, making it harder for the Reserve Bank of India (RBI), the Indian central bank, to keep interest rates low to boost economic growth without causing inflation. Price pressures are resurfacing across Asia due to a surge in commodity prices, forcing policy makers to start thinking about increasing interest rates after bringing them to record lows to counter the global recession. India continues to suffer from too little rainfall, about 20% less than normal in the worst drought for 37 years. India's GDP is likely to grow by 5.6% during the current fiscal year, due to the impact of lower farm output.

Brazil will register an inflation rate of 4.2% in 2009, according to a report released by the country's central bank. Brazil's inflation rate will climb to 4.4% in 2010 and 4.5% in 2011, due to the fiscal stimulus expected for the second half of 2009 and the first half of 2010. Brazil's Selic annual interest rate is expected to remain at 8.75% in 2009 and rise to 9.08% by the end of 2010.

## OPEC Member Countries

*Inflation eases in Saudi Arabia and Kuwait*

The inflation rate in Saudi Arabia eased to 4.1% in August, the lowest rate in more than two years. The Saudi Arabian central bank expects inflation to continue to dip in the third quarter as steel, cement, food fall. Also, a stronger US dollar coupled with lower food prices and waning domestic demand has reversed years of a steady rise in inflation in Saudi Arabia but the rate is not expected to fall further this year.

Lending conditions in the United Arab Emirates were improving, but economic conditions remain fragile according to the UAE central bank. The gap between loans and deposits is narrowing because liquidity is steadily improving despite the economic situation in the UAE and other countries continuing to be fragile.

## Oil prices, the US dollar and inflation

*The US-dollar continues to decline as concerns mount regarding its status as the main reserve currency*

The US dollar continued its decline against the major currencies. It declined against the euro, the yen and the Swiss franc, but managed a minor increase against the pound sterling. For the fourth month in a row it closed above the $1.40/€ level in September, when it declined further by 2.1% to stand at $1.4560/€, compared to the August level of $1.4267/€. Against the yen it declined by 3.5% and against the Swiss franc it fell by 2.6%. Only against the pound sterling it gained 1.3%, but the recent relatively stable ratios come after a sharp decline between April and June, when the US dollar lost almost 15% against the pound sterling over three months.

The continuing decline of the US dollar seems to be fuelled by concerns that foreign lenders might switch to alternative foreign exchange reserves due to the weakening of the US financial situation. Furthermore, investors continued their move out of the US dollar into higher-yielding non US-dollar denominated assets.

In September, the OPEC Reference Basket declined by $4.18 or 5.9% to $67.17/b from $71.35/b in August. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket price fell by $3.29 or 7.3% to $41.75/b from $45.03/b. The dollar declined by 1.3%, as measured against the import-weighted modified Geneva I+US dollar basket, while inflation remained almost flat with a rise of 0.2%.*

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

# World Oil Demand

*World oil demand in 2009 revised higher to show a contraction of 1.4 mb/d*

## World oil demand in 2009

With US consumption rebounding from a steep historical decline, the world oil demand forecast for this year is not as bad as previously expected. This has resulted in an upward revision of 0.2 mb/d to total world oil demand growth to currently stand at 1.4 mb/d.

As a result of better performance of industrial production, industrial fuel consumption is increasing in the OECD, China and India. Transport fuel has also shown a mild increase this summer mainly due to lower prices. Given the improvement in US oil consumption, September world oil demand showed positive growth of 0.6% y-o-y due to not only better economic activities worldwide, but also the low base of last year. OECD September oil demand reduced the decline by more than 600 tb/d from last August. Non-OECD oil demand in September, which is part of the summer high demand season in most of these countries, performed similarly to the month before. Despite the large improvement in US oil demand, world oil demand is still negative in the third quarter, contracting by 520 tb/d y-o-y.

**Table 5: World oil demand forecast for 2009, mb/d**

| | | | | | | | Change 2009/08 | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 | Volume | % |
| North America | 24.18 | 23.52 | 22.95 | 23.33 | 23.99 | 23.45 | -0.73 | -3.01 |
| Western Europe | 15.33 | 14.92 | 14.36 | 14.78 | 15.08 | 14.79 | -0.55 | -3.57 |
| OECD Pacific | 8.07 | 8.14 | 7.30 | 7.33 | 7.83 | 7.65 | -0.42 | -5.18 |
| **Total OECD** | **47.58** | **46.58** | **44.61** | **45.44** | **46.90** | **45.88** | **-1.69** | **-3.56** |
| Other Asia | 9.33 | 9.27 | 9.67 | 9.30 | 9.39 | 9.41 | 0.08 | 0.84 |
| Latin America | 5.80 | 5.61 | 5.81 | 5.99 | 5.84 | 5.81 | 0.02 | 0.31 |
| Middle East | 6.89 | 6.96 | 7.07 | 7.30 | 7.06 | 7.09 | 0.20 | 2.90 |
| Africa | 3.18 | 3.26 | 3.23 | 3.16 | 3.25 | 3.22 | 0.04 | 1.26 |
| **Total DCs** | **25.20** | **25.10** | **25.77** | **25.74** | **25.54** | **25.54** | **0.34** | **1.34** |
| FSU | 4.11 | 3.85 | 3.70 | 4.14 | 4.18 | 3.97 | -0.14 | -3.33 |
| Other Europe | 0.79 | 0.77 | 0.73 | 0.77 | 0.76 | 0.76 | -0.03 | -4.18 |
| China | 7.97 | 7.61 | 8.34 | 8.43 | 7.98 | 8.09 | 0.12 | 1.47 |
| **Total "Other Regions"** | **12.87** | **12.23** | **12.77** | **13.33** | **12.92** | **12.82** | **-0.05** | **-0.41** |
| **Total world** | **85.65** | **83.91** | **83.16** | **84.51** | **85.36** | **84.24** | **-1.41** | **-1.65** |
| Previous estimate | 85.62 | 83.90 | 83.17 | 84.13 | 85.00 | 84.05 | -1.56 | -1.83 |
| Revision | 0.03 | 0.01 | -0.02 | 0.38 | 0.36 | 0.18 | 0.15 | 0.18 |

*Totals may not add due to independent rounding.*

**Table 6: First and second quarter world oil demand comparison for 2009, mb/d**

| | | | Change 2009/08 | | | | Change 2009/08 | |
|---|---|---|---|---|---|---|---|---|
| | 1Q08 | 1Q09 | Volume | % | 2Q08 | 2Q09 | Volume | % |
| North America | 24.77 | 23.52 | -1.25 | -5.05 | 24.42 | 22.95 | -1.47 | -6.00 |
| Western Europe | 15.34 | 14.92 | -0.42 | -2.73 | 15.12 | 14.36 | -0.76 | -5.05 |
| OECD Pacific | 8.91 | 8.14 | -0.77 | -8.61 | 7.86 | 7.30 | -0.56 | -7.15 |
| **Total OECD** | **49.02** | **46.58** | **-2.44** | **-4.97** | **47.40** | **44.61** | **-2.79** | **-5.89** |
| Other Asia | 9.37 | 9.27 | -0.10 | -1.04 | 9.55 | 9.67 | 0.13 | 1.31 |
| Latin America | 5.60 | 5.61 | 0.01 | 0.17 | 5.82 | 5.81 | -0.02 | -0.33 |
| Middle East | 6.77 | 6.96 | 0.19 | 2.80 | 6.87 | 7.07 | 0.20 | 2.92 |
| Africa | 3.22 | 3.26 | 0.04 | 1.10 | 3.19 | 3.23 | 0.04 | 1.33 |
| **Total DCs** | **24.96** | **25.10** | **0.14** | **0.55** | **25.43** | **25.77** | **0.35** | **1.37** |
| FSU | 4.17 | 3.85 | -0.32 | -7.66 | 3.79 | 3.70 | -0.09 | -2.27 |
| Other Europe | 0.83 | 0.77 | -0.06 | -6.98 | 0.76 | 0.73 | -0.03 | -3.68 |
| China | 7.97 | 7.61 | -0.37 | -4.58 | 8.17 | 8.34 | 0.17 | 2.11 |
| **Total "Other Regions"** | **12.98** | **12.23** | **-0.74** | **-5.72** | **12.72** | **12.77** | **0.06** | **0.46** |
| **Total world** | **86.95** | **83.91** | **-3.04** | **-3.50** | **85.54** | **83.16** | **-2.38** | **-2.79** |

*Totals may not add due to independent rounding.*

**Table 7: Third and fourth quarter world oil demand comparison for 2009, mb/d**

| | | | Change 2009/08 | | | | Change 2009/08 | |
|---|---|---|---|---|---|---|---|---|
| | 3Q08 | 3Q09 | Volume | % | 4Q08 | 4Q09 | Volume | % |
| North America | 23.60 | 23.33 | -0.27 | -1.17 | 23.93 | 23.99 | 0.06 | 0.25 |
| Western Europe | 15.44 | 14.78 | -0.65 | -4.24 | 15.44 | 15.08 | -0.36 | -2.30 |
| OECD Pacific | 7.54 | 7.33 | -0.21 | -2.73 | 7.97 | 7.83 | -0.14 | -1.81 |
| **Total OECD** | **46.57** | **45.44** | **-1.14** | **-2.44** | **47.34** | **46.90** | **-0.44** | **-0.93** |
| Other Asia | 9.17 | 9.30 | 0.12 | 1.35 | 9.23 | 9.39 | 0.16 | 1.73 |
| Latin America | 5.96 | 5.99 | 0.03 | 0.50 | 5.79 | 5.84 | 0.05 | 0.86 |
| Middle East | 7.09 | 7.30 | 0.21 | 2.96 | 6.86 | 7.06 | 0.20 | 2.92 |
| Africa | 3.11 | 3.16 | 0.04 | 1.35 | 3.21 | 3.25 | 0.04 | 1.28 |
| **Total DCs** | **25.33** | **25.74** | **0.41** | **1.60** | **25.09** | **25.54** | **0.45** | **1.80** |
| FSU | 4.22 | 4.14 | -0.09 | -2.01 | 4.24 | 4.18 | -0.06 | -1.41 |
| Other Europe | 0.79 | 0.77 | -0.03 | -3.40 | 0.78 | 0.76 | -0.02 | -2.56 |
| China | 8.10 | 8.43 | 0.32 | 3.99 | 7.65 | 7.98 | 0.33 | 4.32 |
| **Total "Other Regions"** | **13.12** | **13.33** | **0.21** | **1.61** | **12.67** | **12.92** | **0.25** | **1.97** |
| **Total world** | **85.02** | **84.51** | **-0.52** | **-0.61** | **85.10** | **85.36** | **0.26** | **0.31** |

*Totals may not add due to independent rounding.*

World oil demand in 2009 was revised up by 0.2 mb/d to show a total decline of 1.4 mb/d to average 84.2 mb/d.

The risks to the forecast are seen on the upside. Should the US continue to show healthier oil demand levels, then world oil demand could increase by another 0.2 mb/d before year's end.

### Alternative fuel

Strong governmental subsidies for biofuels are expected to increase Canadian biofuel production by 35% next year. This move came despite the call of many international organizations urging countries to reduce such subsidies. Biofuel subsidies came under fire by many organizations because they are thought to not only increase food prices but are also less "green" than previously considered.

The financial crisis is also hurting investment in renewables in developed countries. Investments are down by one third this year and are not expected to bounce back until 2011.

## OECD – North America

*North America oil demand higher in the third quarter resulting in a yearly decline of 0.7 mb/d*

Conflicting signs are coming from the US economy, although there are noticeable improvements across the board. Some indicators are showing the country's industrial production is on the road to a slow recovery; however, diesel demand is still very weak. Industrial production increased by 0.8% in August m-o-m; however, on a yearly basis, it is still showing a decline of approximately 10%. Low gasoline prices of as much as minus 35% resulted in strong growth in US gasoline consumption in September reaching an increase of 6.5%. Recent data shows that California's gasoline demand grew for the first time since 2006. The strong growth in September US oil demand of 1.0 mb/d was the first substantial growth since May 2007. Although oil demand for the same month last year was very low, it is an indicator of enhanced oil demand within the US. The country's third quarter oil demand is showing positive growth of 0.1 mb/d or 0.5% y-o-y. Should this performance hold for the rest of the year, then US oil demand will cut down its annual y-o-y loss to only 0.5 mb/d. There is a downward risk factor aside from the economy, which is the weather. Should the weather become warmer in the fourth quarter, then reduced heating oil demand would impact the forecast.

Mexican oil demand is still suffering from the downturn in economic activity. Industrial fuel is suffering the most as a result of the collapsing economy. Also, the swine flu epidemic is still affecting travel activities, pushing jet fuel demand down by 14.7% in

August y-o-y. August domestic sales of refined products declined by 2% y-o-y. The picture is worse when looking at cumulative oil demand for the first eight months.

Canada is in no better shape. Economic turmoil has highly affected the country's oil demand. August oil demand declined by 4.6% y-o-y. Most of the decline was seen in industrial fuel, mainly residual and diesel fuel oil. Both products plunged by 50 tb/d reducing the country's total oil demand to 1.7 mb/d.

As a result of the better-than-expected oil consumption in the US, North America oil demand in the third quarter was revised up again by 0.35 mb/d leading to the forecast for a yearly decline of 0.7 mb/d in 2009 to average 23.5 mb/d.

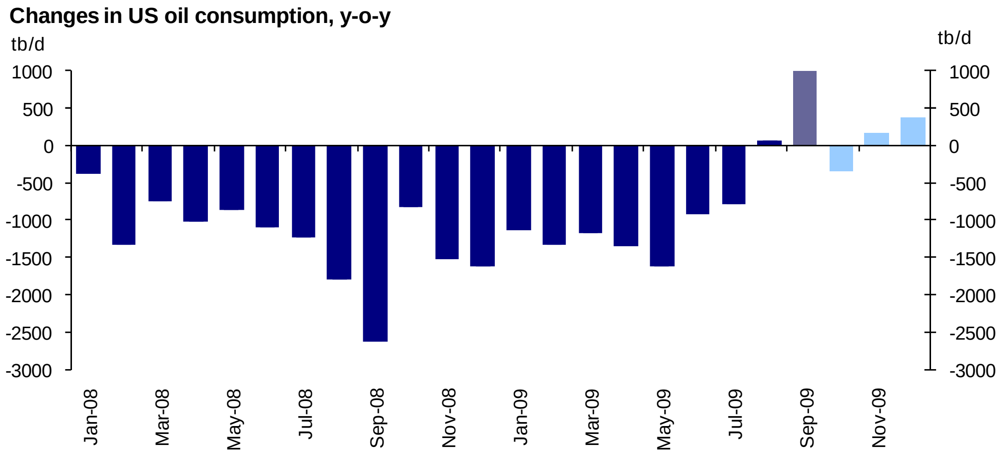



**Table 8: Canadian sales of refined petroleum products, tb/d**

| | Aug 09 | Aug 08 | Change from Aug 08 | Change from Aug 08 (%) |
|---|---|---|---|---|
| Motor Gasoline | 786 | 740 | 46 | 6.3 |
| Aviation Fuels | 129 | 132 | -3 | -2.5 |
| Diesel Fuel Oil | 448 | 494 | -46 | -9.2 |
| Residual Fuel Oil | 81 | 130 | -50 | -38.1 |
| Other Products | 261 | 290 | -29 | -10.1 |
| **Total Products** | **1705** | **1786** | **-81** | **-4.6** |

## OECD - Europe

*OECD Europe oil demand revised lower to show a total decline of 0.55 mb/d*

Summer new car sales increased in Europe as a result of various stimulus plans. According to recent data, new car sales in the twenty-seven EU countries were up by almost 3% this summer. This has been the first increase for the past twelve months. However, new car registrations for the first eight months of the year are still down by 8.2% y-o-y reducing the expected region's vehicle pool by 9.5 million units.

European energy consumption has been hit badly by the economic turmoil resulting in total oil consumption decline of 0.55 mb/d this year. Most of the decline occurred in the big four economies. The sharp oil demand decline resulted from not only low industrial production but also from a drop in new car sales across Europe of 6.6%. Italian oil demand sunk by 8.1% in August y-o-y. Residual fuel oil alone declined by 18%, dragging the total country's oil demand to average 1.3 mb/d in August. France experienced the same decline as well. Although the agricultural season inched diesel demand up by 5% in August, residual oil plunged by a major 43% in the same month. The rest of OECD Europe is in the same situation, dragging the region's total August oil demand down by 0.65 mb/d y-o-y.

Given the dim outlook for the European economy, OECD Europe oil demand growth was revised down by another 0.1 mb/d to show a total decline of 0.55 mb/d y-o-y in 2009.

## OECD - Pacific

*OECD Pacific third quarter oil demand was revised up but still shows a decline of 0.2 mb/d*

Japan oil demand has been on the decline for a few years and is estimated to continue the same trend throughout 2010. However, on a monthly basis, due to lower oil prices, consumers are hiking demand, mainly for middle distillates, leading to the first monthly increase of 1.3% y-o-y in August. The big chunk of this growth came from gasoline, which increased by almost 17%, adding 159 tb/d to the demand pool. Japanese gasoline demand has been hit hard during the past two years. There are several factors that affected gasoline in the past three years such as higher gasoline prices, the big movement toward smaller car usage and an aging population. Another factor pushing oil demand down is the decreasing usage of crude by power plants as damaged nuclear plants come back into operation. It is anticipated that Japan's total oil use will contract by 10% for 2009.

Contrary to Japan, South Korea's oil demand has bounced back very quickly after a few months of contraction. The country's use of petroleum products grew by a strong 5.5% in July y-o-y. Apart from fuel oil, all other products grew dramatically, led by gasoline. Gasoline demand in South Korea has been on the rise since the year began achieving 6.6% in the first half of the year. Recent indicators point toward more oil usage in South Korea. Oil imports in August increased by 3.5% as the country is aiming to raise its oil stocks in anticipation of an increase in demand. Although South Korea's GDP shrunk by 1.5% this year, oil demand is anticipated to grow by 33 tb/d.

Demand in the OECD Pacific's third-largest consuming country is expected to remain flat with the previous year. Australian oil demand in 2009 will be broadly unchanged at 0.95 mb/d.

As a result of an unanticipated growth in Japan's August oil demand, OECD Pacific oil demand in the third quarter was revised up by 150 tb/d. However, in annual terms, the region's oil demand is forecast to decline by 0.4 mb/d to average 7.6 mb/d.

**Graph 9: Australian oil demand, tb/d**

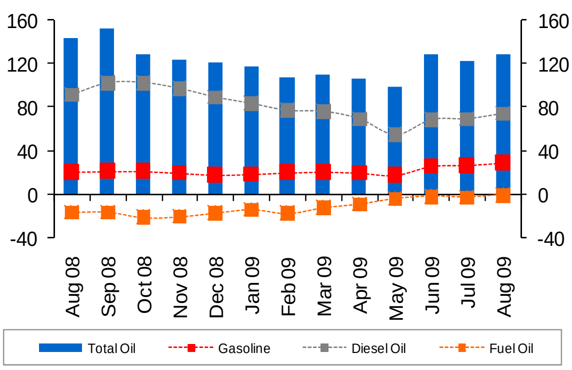
| | Jul 09 | Jul 08 | Change from Jul 08 | Change from Jul 08 (%) |
|---|---|---|---|---|
| LPG | 69 | 71 | -2 | -2.9 |
| Gasoline | 332 | 324 | 8 | 2.4 |
| Jet/Kerosene | 113 | 110 | 3 | 2.7 |
| Gas/Diesel Oil | 321 | 327 | -6 | -1.9 |
| Fuel Oil | 24 | 24 | 0 | 0.0 |
| Other Products | 25 | 25 | 0 | 0.0 |
| **Total** | **884** | **881** | **3** | **0.3** |

*Source: JODI*

## Developing Countries

*DC oil demand to grow by only 0.3 mb/d in 2009*

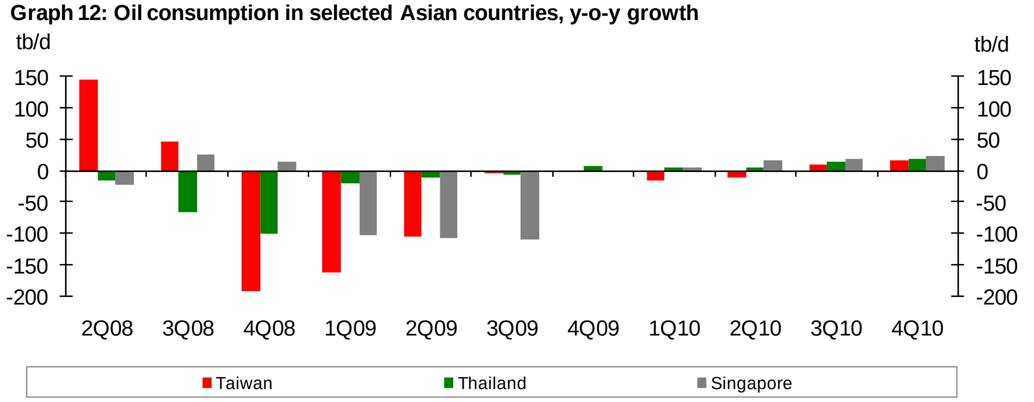
**Graph 11: Yearly changes in Indian oil demand (12 month moving averages)**



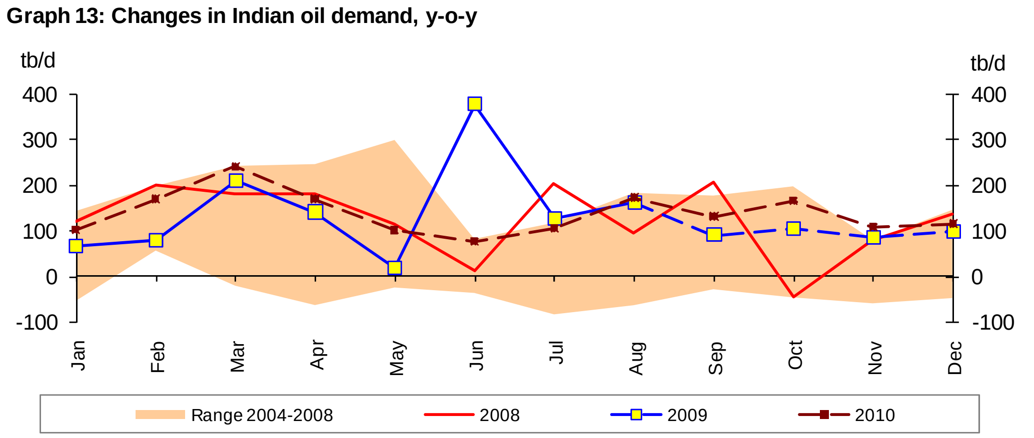

Strong oil demand in India led to an increase in the country's oil imports, up 7.1% in August y-o-y and more than 11% above the previous month. Although the third largest oil importer in Asia, India exports some of its refined products. Indian economic activities, along with the agricultural season, pushed gasoil demand up by 15% in August y-o-y leading to overall oil product demand growth of 6.2%. India has been introducing stimulus packages to enhance its economy this year which have resulted in improved new car sales and higher gasoline consumption.

Stimulus plans in India pushed up new passenger car registration by double digits in the third quarter of this year. This has led to a steep hike in the country's year-to-date gasoline consumption, exceeding 14% y-o-y. Diesel demand from the industrial and transport sectors has been on the rise since January and is exceeding growth of 7.4% year-to-date.

Indian oil demand is forecast to grow by 140 tb/d in 2009 to average 3.0 mb/d.




*Indian oil demand forecast to grow by 140 tb/d in 2009*

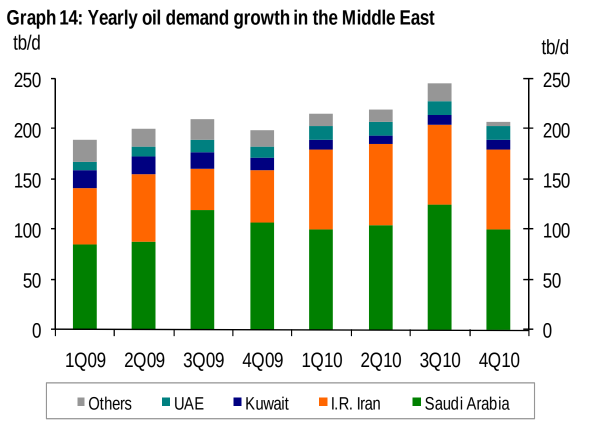



Thailand oil demand is stabilizing after a steep decline in the first half of the year. July demand declined by only 0.9%; however, year-to-date the decline reached 25% compared to the same period last year. Thailand is projected to use more oil in the fourth quarter y-o-y totaling 10 tb/d.

Due to better economic performance in Other Asia, the region's oil demand was revised up 30 tb/d in 2009.

*Middle East oil demand estimated to show growth of around 3% or 0.2 mb/d*

Despite a slight slowdown in Iran's oil consumption in the third quarter, the Middle East kept its oil demand on the positive side this year, not only because of the region's massive energy intensive projects, but also because of subsidized transportation fuel. However, due to the global economic turmoil, Middle East oil demand is estimated to show growth of around 3% or 0.2 mb/d y-o-y in 2009, which is almost half of what was seen in the previous year.



Oil demand in the developing countries is suffering from the current downturn in economic activities; hence, oil demand growth is forecast at 0.3 mb/d in 2009, averaging 25.5 mb/d.

As in other countries in the region, Argentina's oil demand not only stopped its continuous decline but achieved growth of 2.2% or 13tb/d in August y-o-y. Argentina's oil consumption is forecast to slowly stabilize and turn positive starting 2010 which counteracts the negative performance seen in 2Q09.

**Graph 15: Yearly oil demand growth in Latin America**

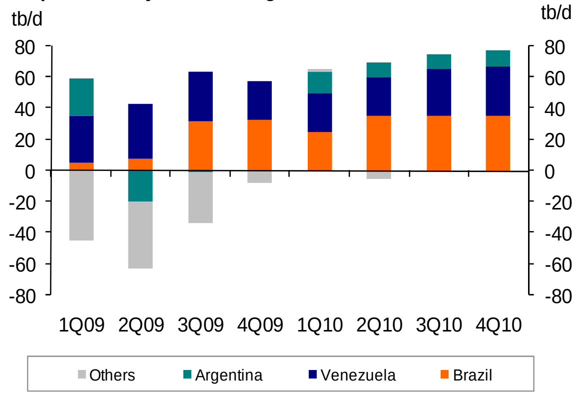



**Table 10: Brazilian inland deliveries, mb/d**

| | Aug 09 | Aug 08 | Change (mb/d) | Change (%) |
|---|---|---|---|---|
| LPG | 217 | 213 | 3 | 1.6 |
| Gasoline | 411 | 426 | -16 | -3.7 |
| Jet/Kerosene | 95 | 89 | 6 | 6.3 |
| Diesel | 778 | 788 | -11 | -1.4 |
| Fuel Oil | 90 | 91 | -1 | -1.5 |
| Alcohol | 278 | 229 | 50 | 21.8 |
| **Total** | **1868** | **1837** | **31** | **1.7** |

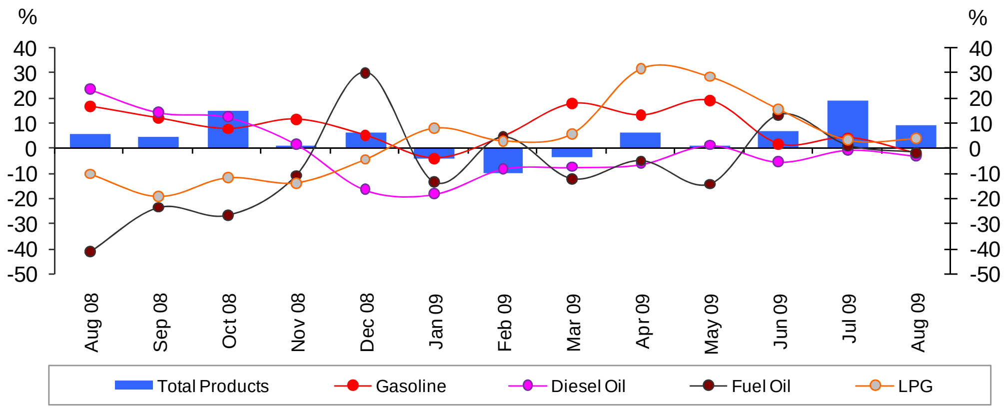
## Other regions

*China's oil demand forecast to grow by 0.1 mb/d in 2009*

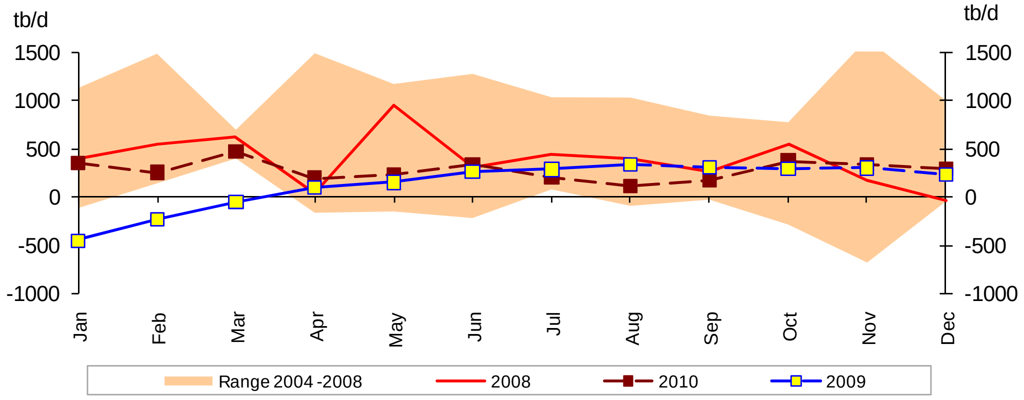
Growth of 12% in industrial activity in China has led to increased oil consumption in August. The "cash-for-clunkers" programme has almost doubled new auto registrations in China in August y-o-y. As a result, China's oil demand grew by 4.2% in August y-o-y adding 0.3 mb/d. Furthermore, the country's oil imports grew by 6.3%; however, this is much lower than July's massive import growth of 27%.

Growth in oil demand in the second half of the year is expected to more than offset the sharp decline seen in the first quarter. China's oil demand is forecast to grow by 0.1 mb/d in 2009.

**Graph 16: Changes in Chinese main oil products apparent consumption, y-o-y**



**Graph 17: Changes in Chinese apparent oil demand, y-o-y**




## World oil demand in 2010

*World oil demand to grow by 0.7 mb/d in 2010*

As mentioned in the last report, the world economic picture is getting slightly better than anticipated. However, as the economic recovery next year will be slow and weak, world oil demand growth is expected at 0.7 mb/d. Given the recent improvement in the economic performance of OECD and China, oil demand is expected to be better than earlier forecast. Therefore, world oil demand growth for next year was revised up by 0.2 mb/d. This upward revision is mainly for the first half of the year.

The bulk of the growth in next year's oil demand will take place in non-OECD, mainly China, the Middle East, India and Latin America. Furthermore, most of this demand will come as a result of industrial, transport and petrochemical sectors. In addition to the world economy, the main factors that might play an important role in next year's oil demand are oil prices, taxes and the removal of price subsidies.

World oil demand is anticipated to halt its decline and register growth of 0.7 mb/d in 2010 to average 84.9 mb/d.

**Table 11: World oil demand forecast for 2010, mb/d**

| | | | | | | | Change 2010/09 | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2010 | Volume | % |
| North America | 23.45 | 23.67 | 23.09 | 23.61 | 24.27 | 23.66 | 0.21 | 0.90 |
| Western Europe | 14.79 | 14.64 | 14.17 | 14.62 | 14.96 | 14.60 | -0.19 | -1.25 |
| OECD Pacific | 7.65 | 7.94 | 7.10 | 7.16 | 7.72 | 7.48 | -0.17 | -2.26 |
| **Total OECD** | **45.88** | **46.24** | **44.37** | **45.38** | **46.94** | **45.73** | **-0.15** | **-0.32** |
| Other Asia | 9.41 | 9.41 | 9.82 | 9.48 | 9.58 | 9.57 | 0.16 | 1.74 |
| Latin America | 5.81 | 5.68 | 5.87 | 6.06 | 5.92 | 5.88 | 0.07 | 1.21 |
| Middle East | 7.09 | 7.17 | 7.29 | 7.54 | 7.26 | 7.32 | 0.22 | 3.13 |
| Africa | 3.22 | 3.31 | 3.29 | 3.22 | 3.30 | 3.28 | 0.05 | 1.67 |
| **Total DCs** | **25.54** | **25.56** | **26.27** | **26.31** | **26.06** | **26.05** | **0.51** | **2.00** |
| FSU | 3.97 | 3.88 | 3.72 | 4.17 | 4.22 | 4.00 | 0.03 | 0.70 |
| Other Europe | 0.76 | 0.75 | 0.73 | 0.77 | 0.78 | 0.76 | 0.00 | 0.02 |
| China | 8.09 | 7.93 | 8.61 | 8.73 | 8.29 | 8.39 | 0.30 | 3.75 |
| **Total "Other Regions"** | **12.82** | **12.56** | **13.06** | **13.67** | **13.29** | **13.15** | **0.33** | **2.59** |
| **Total world** | **84.24** | **84.36** | **83.69** | **85.36** | **86.29** | **84.93** | **0.70** | **0.83** |
| Previous estimate | 84.05 | 84.06 | 83.44 | 84.86 | 85.84 | 84.56 | 0.50 | 0.60 |
| Revision | 0.18 | 0.30 | 0.26 | 0.50 | 0.45 | 0.38 | 0.19 | 0.23 |

*Totals may not add due to independent rounding.*

**Table 12: First and second quarter world oil demand comparison for 2010, mb/d**

| | | | Change 2010/09 | | | | Change 2010/09 | |
|---|---|---|---|---|---|---|---|---|
| | 1Q09 | 1Q10 | Volume | % | 2Q09 | 2Q10 | Volume | % |
| North America | 23.52 | 23.67 | 0.15 | 0.62 | 22.95 | 23.09 | 0.14 | 0.62 |
| Western Europe | 14.92 | 14.64 | -0.28 | -1.88 | 14.36 | 14.17 | -0.18 | -1.27 |
| OECD Pacific | 8.14 | 7.94 | -0.21 | -2.53 | 7.30 | 7.10 | -0.20 | -2.70 |
| **Total OECD** | **46.58** | **46.24** | **-0.34** | **-0.73** | **44.61** | **44.37** | **-0.24** | **-0.53** |
| Other Asia | 9.27 | 9.41 | 0.13 | 1.44 | 9.67 | 9.82 | 0.15 | 1.52 |
| Latin America | 5.61 | 5.68 | 0.07 | 1.16 | 5.81 | 5.87 | 0.07 | 1.12 |
| Middle East | 6.96 | 7.17 | 0.21 | 3.09 | 7.07 | 7.29 | 0.22 | 3.11 |
| Africa | 3.26 | 3.31 | 0.05 | 1.50 | 3.23 | 3.29 | 0.06 | 1.83 |
| **Total DCs** | **25.10** | **25.56** | **0.46** | **1.84** | **25.77** | **26.27** | **0.49** | **1.90** |
| FSU | 3.85 | 3.88 | 0.02 | 0.62 | 3.70 | 3.72 | 0.02 | 0.51 |
| Other Europe | 0.77 | 0.75 | -0.02 | -2.59 | 0.73 | 0.73 | -0.01 | -0.68 |
| China | 7.61 | 7.93 | 0.33 | 4.27 | 8.34 | 8.61 | 0.27 | 3.27 |
| **Total "Other Regions"** | **12.23** | **12.56** | **0.33** | **2.69** | **12.77** | **13.06** | **0.29** | **2.24** |
| **Total world** | **83.91** | **84.36** | **0.45** | **0.54** | **83.16** | **83.69** | **0.54** | **0.65** |

*Totals may not add due to independent rounding.*

**Table 13: Third and fourth quarter world oil demand comparison for 2010, mb/d**

| | | | Change 2010/09 | | | | Change 2010/09 | |
|---|---|---|---|---|---|---|---|---|
| | 3Q09 | 3Q10 | Volume | % | 4Q09 | 4Q10 | Volume | % |
| North America | 23.33 | 23.61 | 0.28 | 1.20 | 23.99 | 24.27 | 0.27 | 1.14 |
| Western Europe | 14.78 | 14.62 | -0.16 | -1.08 | 15.08 | 14.96 | -0.12 | -0.80 |
| OECD Pacific | 7.33 | 7.16 | -0.17 | -2.37 | 7.83 | 7.72 | -0.11 | -1.46 |
| **Total OECD** | **45.44** | **45.38** | **-0.05** | **-0.12** | **46.90** | **46.94** | **0.04** | **0.08** |
| Other Asia | 9.30 | 9.48 | 0.19 | 2.00 | 9.39 | 9.58 | 0.19 | 2.00 |
| Latin America | 5.99 | 6.06 | 0.08 | 1.25 | 5.84 | 5.92 | 0.08 | 1.32 |
| Middle East | 7.30 | 7.54 | 0.25 | 3.38 | 7.06 | 7.26 | 0.21 | 2.95 |
| Africa | 3.16 | 3.22 | 0.06 | 1.93 | 3.25 | 3.30 | 0.05 | 1.41 |
| **Total DCs** | **25.74** | **26.31** | **0.57** | **2.21** | **25.54** | **26.06** | **0.52** | **2.03** |
| FSU | 4.14 | 4.17 | 0.03 | 0.75 | 4.18 | 4.22 | 0.04 | 0.91 |
| Other Europe | 0.77 | 0.77 | 0.01 | 0.65 | 0.76 | 0.78 | 0.02 | 2.62 |
| China | 8.43 | 8.73 | 0.31 | 3.62 | 7.98 | 8.29 | 0.31 | 3.92 |
| **Total "Other Regions"** | **13.33** | **13.67** | **0.34** | **2.56** | **12.92** | **13.29** | **0.37** | **2.87** |
| **Total world** | **84.51** | **85.36** | **0.86** | **1.01** | **85.36** | **86.29** | **0.93** | **1.09** |

*Totals may not add due to independent rounding.*

# World Oil Supply

*Non-OPEC supply to increase by 0.4 mb/d in 2009*

## Non-OPEC

### Forecast for 2009

**Non-OPEC supply is forecast to average 50.86 mb/d in 2009, representing growth of 0.41 mb/d over the previous year and an upward revision of 50 tb/d.** A minor downward revision of 20 tb/d was introduced to 2008 historical data to reflect revised figures, which positively influenced the estimate for 2009. In addition, there were relatively more downward revisions to individual countries' supply predictions than upward revisions in this month's report; however, the positive revisions outweighed the negative ones in terms of volume. Healthy production levels in different countries supported the upward revisions, although concerns regarding the durability of such supply levels raised the uncertainty in the forecast. On a quarterly basis, non-OPEC supply in 2009 stands at 50.95 mb/d, 50.57 mb/d, 50.83 mb/d and 51.09 mb/d, respectively.

**Graph 18: Regional Non-OPEC supply growth, y-o-y**

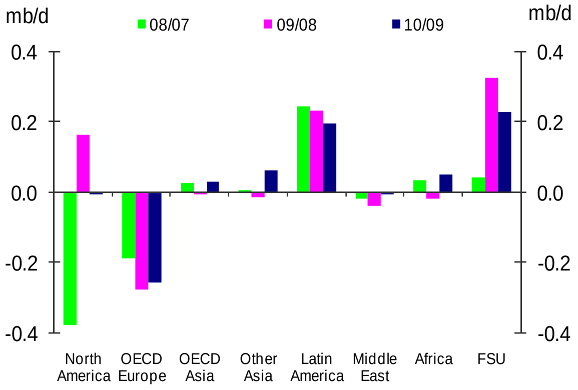


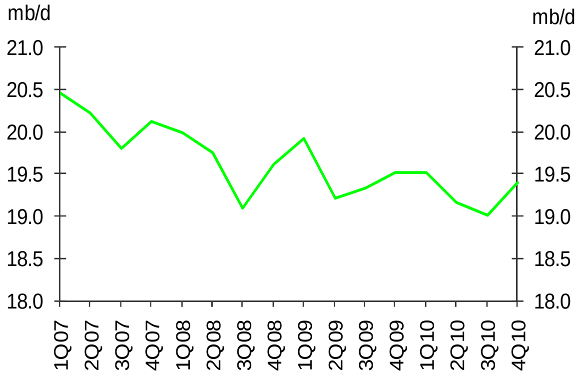

**Table 14: Non-OPEC oil supply in 2009, mb/d**

| | 2008 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 | Change 09/08 |
|---|---|---|---|---|---|---|---|
| North America | 13.92 | 14.16 | 13.89 | 14.12 | 14.18 | 14.09 | 0.16 |
| Western Europe | 5.05 | 5.11 | 4.70 | 4.58 | 4.71 | 4.77 | -0.28 |
| OECD Pacific | 0.63 | 0.64 | 0.61 | 0.63 | 0.63 | 0.63 | 0.00 |
| **Total OECD** | **19.60** | **19.91** | **19.21** | **19.33** | **19.51** | **19.49** | **-0.12** |
| Other Asia | 3.75 | 3.71 | 3.71 | 3.75 | 3.76 | 3.73 | -0.02 |
| Latin America | 4.20 | 4.41 | 4.44 | 4.45 | 4.42 | 4.43 | 0.23 |
| Middle East | 1.65 | 1.63 | 1.61 | 1.59 | 1.63 | 1.61 | -0.04 |
| Africa | 2.74 | 2.73 | 2.73 | 2.74 | 2.71 | 2.73 | -0.02 |
| **Total DCs** | **12.34** | **12.48** | **12.49** | **12.52** | **12.53** | **12.50** | **0.16** |
| FSU | 12.56 | 12.63 | 12.90 | 12.97 | 13.05 | 12.89 | 0.33 |
| Other Europe | 0.15 | 0.14 | 0.13 | 0.13 | 0.13 | 0.13 | -0.01 |
| China | 3.85 | 3.80 | 3.86 | 3.91 | 3.89 | 3.87 | 0.02 |
| **Total "Other regions"** | **16.56** | **16.58** | **16.89** | **17.00** | **17.07** | **16.89** | **0.33** |
| **Total Non-OPEC production** | **48.50** | **48.96** | **48.58** | **48.84** | **49.11** | **48.88** | **0.38** |
| Processing gains | 1.95 | 1.98 | 1.98 | 1.98 | 1.98 | 1.98 | 0.03 |
| **Total Non-OPEC supply** | **50.45** | **50.95** | **50.57** | **50.83** | **51.09** | **50.86** | **0.41** |
| Previous estimate | 50.47 | 51.00 | 50.55 | 50.74 | 50.93 | 50.81 | 0.34 |
| Revision | -0.02 | -0.06 | 0.01 | 0.09 | 0.17 | 0.05 | 0.07 |

## OECD

**OECD total oil supply is estimated to decline by 0.12 mb/d over the previous year to average 19.49 mb/d in 2009, indicating a minor upward revision of 15 tb/d from last month.** North America oil supply forecast encountered an upward revision of 54 tb/d from the previous month, with growth currently standing at 0.16 mb/d over a year earlier to average 14.09 mb/d in 2009. OECD Western Europe supply encountered a downward revision of 38 tb/d from the last assessment and is expected to drop by 0.28 mb/d in 2009 to average 4.77 mb/d. OECD Pacific supply is anticipated to remain flat, unchanged from the last review. Despite the revisions, the forecast supply decline in OECD Western Europe is seen to more than offset the growth in North America in 2009. On a quarterly basis, OECD supply stands at 19.91 mb/d, 19.21 mb/d, 19.33 mb/d and 19.51 mb/d, respectively

**Graph 19: OECD's quarterly production**




### *USA*

*US supply to grow by 0.4 mb/d in 2009*

US oil production is expected to average 7.94 mb/d in 2009, representing growth of 0.44 mb/d over the previous year, indicating an upward revision of 91 tb/d from a month earlier. The strong production levels experienced in previous months necessitated the upward revision. The healthy levels of production were supported by fast ramp-ups of new production facilities such as the Shenzi field, which started production in March 2009, where production is reported to be sustained at 120 tb/d, exceeding the nominal capacity of 100 tb/d. Similarly, the Tahiti project, started up in May 2009, is reported to be producing 125 tb/d. Moreover, encouraging economics for ethanol-blending supported higher production. Additionally, the low level of natural gas prices prompted producers to direct production of more wet gas flows to take advantage of higher liquid production. The US supply growth forecast remains the highest among all non-OPEC countries in 2009, due to the low base of last year's supply, influenced by the hurricane-related shutdowns in production in the Gulf of Mexico, raising anticipated growth in 2009. Preliminary data for September shows US total supply standing at 8.05 mb/d, slightly higher than the previous month's supply figure.

### *Canada and Mexico*

*Canada foreseen to average 3.2 mb/d in 2009*

**Canada** oil supply is forecast to decline by 0.06 mb/d over the previous year to average 3.19 mb/d in 2009, a downward revision of 31 tb/d from the previous month. The downward revisions were incorporated in the second and third quarters as weaker production data further pressured the forecast. The downward trend in Canada oil production is driven mainly by the anticipated decline in conventional crude oil production as well as slower-than-expected improvement in oil sand supply. The Canada oil sand production in 2009 faced various hurdles mainly due to the lower price environment and the financial crisis which limited capital.

*Mexico to decline by 0.2 mb/d in 2009*

Oil production from **Mexico** is seen to average 2.95 mb/d in 2009, a decrease of 0.22 mb/d from a year ago and a minor downward revision of 6 tb/d from the previous assessment. An adjustment was introduced to third quarter supply to cater for actual production data. Additionally, new developments surrounding the Chicontepec field raise the risk associated with the forecast, mainly in the coming year.

### *Western Europe*

**OECD Western Europe** oil supply is expected to decline by 0.28 mb/d over the previous year to average 4.77 mb/d in 2009, indicating a downward revision of around 38 tb/d from last month. A historical downward revision was introduced in the previous year due to an update in actual production data which has affected the supply forecast of 2009. OECD Western Europe supply is seen to have quarterly figures of 5.11 mb/d, 4.70 mb/d, 4.58 mb/d and 4.71 mb/d respectively.

*Norway Volund starts up in September*

**Norwegian** oil production is predicted to drop by 0.10 mb/d over a year ago to average 2.35 mb/d in 2009, representing a minor upward revision of 9 tb/d from the previous month. The revision was introduced to the third quarter supply to adjust for actual production figures which were slightly higher than expected in the peak of the summer maintenance period. Additionally, the startup of the Volund field in September, expected to peak at 25 tb/d, slightly supported the upward revisions. Norway oil supply is expected to increase in the fourth quarter as streams return from maintenance.

*UK supply to average 1.5 mb/d in 2009*

Oil supply from the **UK** is anticipated to decline by 90 tb/d over a year earlier to average 1.48 mb/d in 2009. The annual decline remains relatively unchanged from the previous month, however, cumulative production indicates a downward revision of 27 tb/d compared to last month. A historical revision was incorporated for supply 2008 which carried over to 2009, hence reducing the decline. However, a heavier-than-expected decline in production levels during the summer maintenance season negatively affected growth, which in turn, reduced the annual decline to the same level of the previous month. Oil production is expected to increase in the coming quarter as the fields return from maintenance, such as the Buzzard field which has resumed supply after reported six weeks of maintenance.

**Other Western Europe** supply is foreseen to decline by 0.07 mb/d in 2009 to average 0.67 mb/d, representing a downward revision of around 20 tb/d from the previous month to adjust for actual production data.

## Asia Pacific

The **OECD Asia Pacific** region oil supply is expected to remain unchanged over a year ago to average 0.63 mb/d in 2009, flat from last month. On a quarterly basis, total oil supply is estimated to average 0.64 mb/d, 0.61 mb/d, 0.63 mb/d and 0.63 mb/d, respectively.

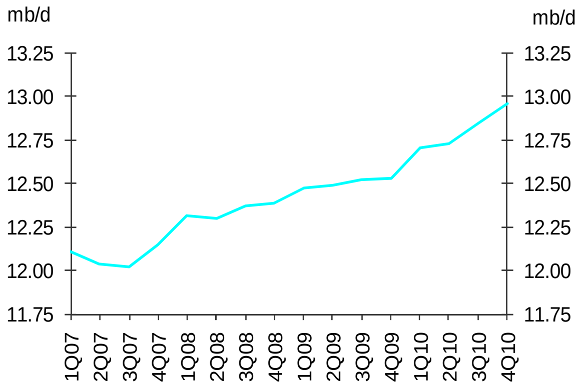
*Australia to remain flat at 0.54 mb/d in 2009*

**Australian** oil supply is forecast to remain flat from a year ago and average 0.54 mb/d in 2009, relatively unchanged from the previous month. The decline in mature producing fields as well as maintenance is seen to cap expected growth in new developments in the coming period, a new report from the Australian government showed.

## Developing Countries

Oil supply from **Developing Countries (DCs)** is estimated to grow by 0.16 mb/d over the previous year to average 12.50 mb/d in 2009, representing a downward revision of around 50 tb/d from last month. The expected growth is seen coming only from Latin America, while Other Asia, Middle East and Africa supply is estimated to decline in 2009. On a quarterly basis, total oil supply in DCs is seen to average 12.48 mb/d, 12.49 mb/d, 12.52 mb/d and 12.53 mb/d respectively.

**Graph 20: Developing Countries' quarterly production**



*Indonesia Cepu production on the increase*

Oil production from **Other Asia** is foreseen to decline slightly from a year ago to average 3.73 mb/d in 2009, indicating a minor downward revision of 13 tb/d from last month. Annual supply forecasts for Brunei and Indonesia were revised up slightly by 5 tb/d and 8 tb/d respectively, mainly in the third quarter to adjust for updated production data. Additionally, Indonesia supply forecast encountered an upward revision in the fourth quarter amid reports of expected production increase at the Cepu field. On the other hand, oil production estimates for India and Malaysia experienced downward revisions on the back of adjustments to new production data in the third quarter. In addition, a minor downward revision was introduced to India supply estimate in the fourth quarter to adjust for the weaker-than-expected ramp-up of the Mangala oil project. On a quarterly basis, Other Asia supply is expected to average 3.71 mb/d, 3.71 mb/d, 3.75 mb/d and 3.76 mb/d respectively.

*Latin America region remains with the highest expected non-OPEC supply growth*

Oil supply from **Latin America** is anticipated to increase by 0.23 mb/d over last year to average 4.43 mb/d in 2009, indicating a minor upward revision of 12 tb/d from the previous month. The positive revisions were introduced to Brazil and Colombia annual figures, while there were minor downward and upward revisions to other countries quarterly supply figures that did not change the annual estimates. Brazil oil supply forecast was revised slightly up on the back of minor historical revision in 2008 supply figure as well as output improvement from the Tupi field pilot. Colombia oil supply experienced an upward revision to cater for the expected increase of supply from the Rubiales developments supported by the start-up of the new pipeline that will allow for more volume to be transferred. On a quarterly basis, Latin America supply stands at 4.41 mb/d, 4.44 mb/d, 4.45 mb/d and 4.42 mb/d, respectively.

Oil supply from the **Middle East** is expected decrease by 40 tb/d compared to the previous year to average 1.61 mb/d in 2009, representing a downward revision of 23 tb/d from previous assessment. The downward revisions were experienced in Oman and Syria supply forecast to adjust for actual production figures, mainly in the third quarter. On a quarterly basis Middle East supply is seen to average 1.63 mb/d, 1.61 mb/d, 1.59 mb/d and 1.63 mb/d, respectively.

*Africa forecast to decline by 0.02 mb/d in 2009*

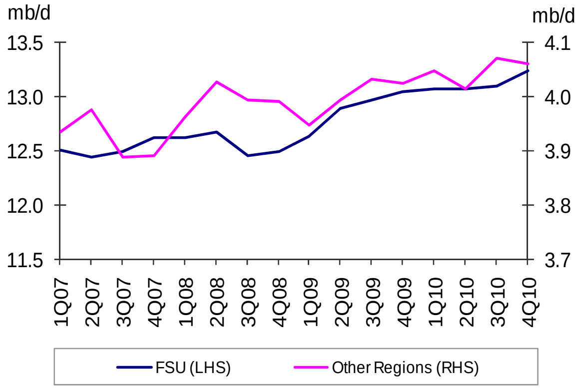
**Africa** oil production is forecast to decline by a minor 40 tb/d to average 2.73 mb/d in 2009, a downward revision of 25 tb/d from previous month's level. The downward revisions were introduced to Congo, Egypt, Equatorial Guinea and other African countries, mainly in the third quarter to adjust for updated production figures. Minor upward revisions were introduced to the Gabon oil forecast following new production data. The quarterly distribution average now stands at 2.73 mb/d, 2.73 mb/d, 2.74 mb/d and 2.71 mb/d, respectively.

## FSU, Other Regions

*FSU supply revised up on strong production*

Oil supply from the **FSU** is projected to increase by 0.33 mb/d over the previous year to average 12.89 mb/d in 2009, showing an upward revision of 92 tb/d from last month. The supply forecasts for all major producing countries experienced upward revisions reflecting the strong supply figures seen in recent months. However, the supply forecast for other FSU countries was revised down on the back of an adjustment to actual production data in the third quarter. On a quarterly basis, total oil supply in the FSU is expected to average 12.63 mb/d, 12.90 mb/d, 12.97 mb/d and 13.05 mb/d, respectively. **China** oil supply is estimated to grow by a minor 20 tb/d in 2009 to average 3.87 mb/d. **Other Europe** supply is estimated to decline slightly by 10 tb/d to average 0.13 mb/d in 2009, indicating a downward revision of 7 tb/d from last month's appraisal on the back of an adjustment to actual production data.

**Graph 21: FSU and other region's quarterly production**



### *Russia*

*Russia supply revised up on healthy September figures*

**Russian** oil production is anticipated to grow by 0.10 mb/d to average 9.89 mb/d in 2009, representing an upward revision of 53 tb/d from last month's level. The production increase reported in the preliminary data for September — marking a new post-Soviet high — precipitated the upward revision. The increase in supply came from the start-up of new fields such as the Vankor developments, where production is reported to be around 150 tb/d. The improvement in oil prices coupled with the devaluation of the Russian ruble have supported operators. Additionally, the recently introduced tax breaks by the government on selected fields have positively influenced production. However, the durability of the experienced robust production level remains a major uncertainty for the coming period. Preliminary figures indicate that Russia oil production stood at 10.01 mb/d in September, higher by 40 tb/d than the previous month.

### *Caspian*

*Kazakh production to average 1.52 mb/d in 2009 for growth of 0.1 mb/d*

Oil supply from **Kazakhstan** is estimated to average 1.52 mb/d in 2009, an increase by 0.10 mb/d over 2008 level, and indicating an upward revision of 24 tb/d from last month's estimates. Higher than expected production figures in the third quarter supported the upward revision. Supply is anticipated to increase in the fourth quarter, compared to the third quarter, as some volume will return from maintenance. Additionally, the experienced production problem in the third quarter at the Tengiz field is expected to be resolved by the fourth quarter hence supporting the supply.

**Azerbaijan** oil production is forecast to average 1.04 mb/d in 2009, a growth of 0.14 mb/d over the 2008 figure. The current supply forecast represents an upward revision of 28 tb/d from previous month assessment. The upward revision came amid strong actual production data, mainly from the Azeri-Chirag-Guneshli (ACG) field. Further upward revisions to the supply forecast is expected in coming months as the possibility of increased production from Guneshli field subsists.

## China

Oil supply from **China** is seen to grow by a marginal 20 tb/d over the previous year to average 3.87 mb/d in 2009, flat from last assessment. While the typhoon has shutdown some production, increases from other producing area have offset the drop so far. The quarterly figures are expected to stand at 3.80 mb/d, 3.86 mb/d, 3.91 mb/d and 3.89 mb/d, respectively.

## Forecast for 2010

*Non-OPEC supply to grow by 0.35 mb/d in 2010*

**Non-OPEC supply is expected to increase by 0.35 mb/d over the current year to average 51.21 mb/d in 2010**, indicating a minor downward revision of 13 tb/d from previous month's level. On a quarterly basis, non-OPEC supply is expected to average 51.30 mb/d, 50.93 mb/d, 50.99 mb/d and 51.61 mb/d, respectively. Total Non-OPEC growth in 2010 was adjusted marginally lower by 70 tb/d from last month's figure, mainly on the back of historical changes to the 2009 base as well as minor adjustments for 2010.

**Table 15: Non-OPEC oil supply in 2010, mb/d**

| | 2009 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2010 | Change 10/09 |
|---|---|---|---|---|---|---|---|
| North America | 14.09 | 14.18 | 13.99 | 13.97 | 14.18 | 14.08 | -0.01 |
| Western Europe | 4.77 | 4.69 | 4.53 | 4.35 | 4.51 | 4.52 | -0.25 |
| OECD Pacific | 0.63 | 0.63 | 0.63 | 0.68 | 0.69 | 0.66 | 0.03 |
| **Total OECD** | **19.49** | **19.50** | **19.15** | **19.00** | **19.38** | **19.26** | **-0.23** |
| Other Asia | 3.73 | 3.79 | 3.81 | 3.78 | 3.79 | 3.79 | 0.06 |
| Latin America | 4.43 | 4.53 | 4.54 | 4.66 | 4.76 | 4.62 | 0.19 |
| Middle East | 1.61 | 1.63 | 1.62 | 1.61 | 1.60 | 1.61 | 0.00 |
| Africa | 2.73 | 2.75 | 2.76 | 2.79 | 2.81 | 2.78 | 0.05 |
| **Total DCs** | **12.50** | **12.70** | **12.72** | **12.84** | **12.96** | **12.81** | **0.30** |
| FSU | 12.89 | 13.07 | 13.06 | 13.09 | 13.23 | 13.12 | 0.23 |
| Other Europe | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 | 0.00 |
| China | 3.87 | 3.91 | 3.88 | 3.94 | 3.93 | 3.92 | 0.05 |
| **Total "Other regions"** | **16.89** | **17.12** | **17.08** | **17.16** | **17.29** | **17.16** | **0.28** |
| **Total Non-OPEC production** | **48.88** | **49.32** | **48.95** | **49.00** | **49.63** | **49.23** | **0.35** |
| Processing gains | 1.98 | 1.98 | 1.98 | 1.98 | 1.98 | 1.98 | 0.00 |
| **Total Non-OPEC supply** | **50.86** | **51.30** | **50.93** | **50.99** | **51.61** | **51.21** | **0.35** |
| Previous estimate | 50.81 | 51.31 | 50.93 | 51.02 | 51.63 | 51.22 | 0.42 |
| Revision | 0.05 | -0.01 | 0.00 | -0.03 | -0.02 | -0.01 | -0.07 |

### Revisions to the 2010 forecast

Oil supply forecast for the US, Australia, Colombia and Russia experienced some upward revisions in 2010. While downward revision was introduced to India oil supply forecast, US and Australia production forecasts were revised up to account for some adjustments in project start-ups and ramp-ups. Colombia oil supply encountered a positive revision on the back of expectation of higher production levels as a new pipeline started operations. Russia oil production forecast was revised higher on the back of increased capital expenditures announced by a number of operators. India oil production was revised down following the redistribution of project ramp-ups.

## OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are expected to average 4.78 mb/d in 2009, an increase of 0.46 mb/d over the previous year. In 2010, OPEC NGLs is forecast to average 5.33 mb/d, representing growth of 0.54 mb/d over the current year.

**Table 16: OPEC NGLs + non-conventional oils, 2007-2010**

| | 2007 | 2008 | Change 08/07 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 | Change 09/08 | 2010 | Change 10/09 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total OPEC | **4.03** | **4.32** | 0.29 | 4.59 | 4.63 | 4.88 | 5.02 | **4.78** | 0.46 | **5.33** | 0.55 |

## OPEC crude oil production

*OPEC crude output averaged 28.83 mb/d in September*

Total OPEC crude oil production averaged 28.90 mb/d in September, according to secondary sources, up 43 tb/d from the previous month. Crude oil output experienced a considerable increase from Nigeria followed by Angola, while production fell in Venezuela and Saudi Arabia. According to secondary sources, OPEC crude production, not including Iraq, stood at 26.42 mb/d in September, an increase of 73 tb/d over the previous month.

**Table 17: OPEC crude oil production based on *secondary sources*, 1,000 b/d**

| | 2008 | 4Q08 | 1Q09 | 2Q09 | 3Q09 | Jul 09 | Aug 09 | Sep 09 | *Sep/Aug* |
|---|---|---|---|---|---|---|---|---|---|
| Algeria | 1,382 | 1,354 | 1,266 | 1,266 | 1,277 | 1,271 | 1,275 | 1,285 | *10.0* |
| Angola | 1,871 | 1,870 | 1,700 | 1,743 | 1,827 | 1,811 | 1,812 | 1,859 | *46.8* |
| Ecuador | 503 | 501 | 482 | 479 | 473 | 475 | 471 | 473 | *2.2* |
| Iran, I.R. | 3,892 | 3,831 | 3,692 | 3,730 | 3,752 | 3,758 | 3,762 | 3,736 | *-26.0* |
| Iraq | 2,341 | 2,336 | 2,325 | 2,406 | 2,505 | 2,519 | 2,513 | 2,483 | *-30.3* |
| Kuwait | 2,554 | 2,500 | 2,276 | 2,247 | 2,249 | 2,241 | 2,251 | 2,255 | *4.6* |
| Libya, S.P.A.J. | 1,718 | 1,697 | 1,577 | 1,556 | 1,573 | 1,563 | 1,576 | 1,581 | *5.2* |
| Nigeria | 1,947 | 1,931 | 1,818 | 1,748 | 1,733 | 1,666 | 1,701 | 1,836 | *134.6* |
| Qatar | 840 | 810 | 762 | 769 | 782 | 774 | 780 | 791 | *11.0* |
| Saudi Arabia | 9,113 | 8,760 | 7,964 | 8,009 | 8,114 | 8,125 | 8,140 | 8,075 | *-64.1* |
| UAE | 2,557 | 2,431 | 2,268 | 2,244 | 2,254 | 2,251 | 2,250 | 2,262 | *12.0* |
| Venezuela | 2,487 | 2,432 | 2,302 | 2,284 | 2,296 | 2,290 | 2,330 | 2,267 | *-63.2* |
| **Total OPEC** | **31,206** | **30,454** | **28,431** | **28,481** | **28,834** | **28,741** | **28,860** | **28,903** | ***42.8*** |
| **OPEC excl. Iraq** | **28,865** | **28,118** | **26,106** | **26,074** | **26,329** | **26,223** | **26,348** | **26,421** | ***73.1*** |

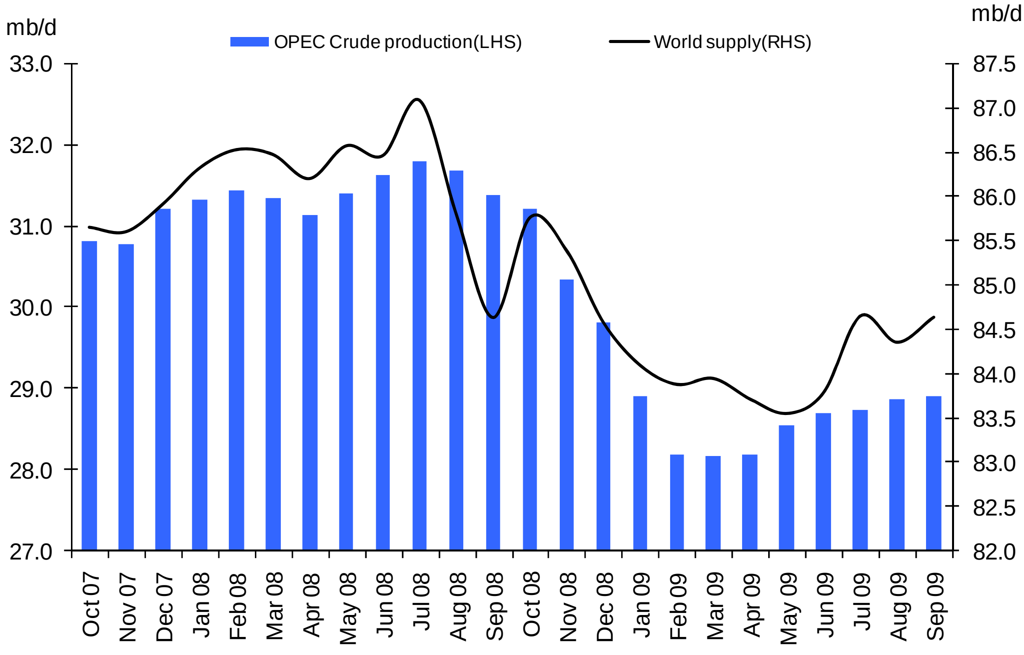
*Totals may not add due to independent rounding.*

## World Oil Supply

*Global supply estimated at 84.69 mb/d in September*

Preliminary figures indicate that global oil supply increased 0.28 mb/d in September to average 84.63 mb/d. Non-OPEC supply experienced growth of 0.24 mb/d while OPEC crude production increased by 0.04 mb/d. The share of OPEC crude oil in global production remained steady at 34.2% in September. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

**Graph 22: OPEC and World oil supply**

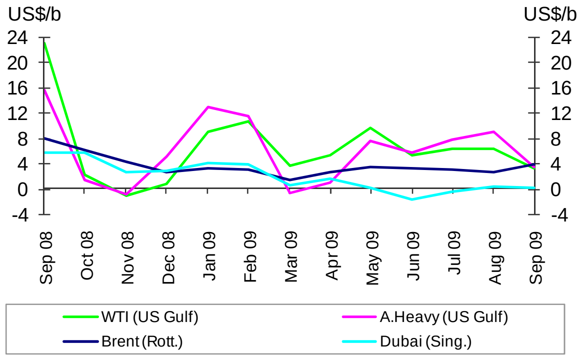


# Product Markets and Refinery Operations

*Refining margins fell in the US and Asia in September*

**Product markets have lost further ground in September due to a narrowing gasoline crack spread and continuation of distillate stockbuilding across the globe. Despite bullish reports about the economic recovery and its positive impact on market perception and demand growth, product markets still remained lackluster forcing refiners to trim operation levels. An early cold snap in the Atlantic Basin may provide support for product and crude prices in the future, but ample distillate stocks are likely to cap any upward trend.**

**Graph 23: Refining margins**




As **Graph 23** shows, refining margins for WTI crude at the US Gulf Coast plummeted by $3.14 to $3.12/b in September from $6.26/b in the previous month. It was mainly due to the narrowing gasoline crack spread. European refinery performance improved amid cautionary run cuts by refiners. Refining margins for Brent crude at Rotterdam soared by $1.27 to $3.92/b in September from $2.65/b in August.

Dubai crude oil margins in Singapore fell by 29¢ to reach 5¢/b in September from 34¢ in the previous month. Low margins in Asia may undermine refinery projects in the region and encourage Northeast Asian refiners to seek further rationalization or to close down unprofitable units.

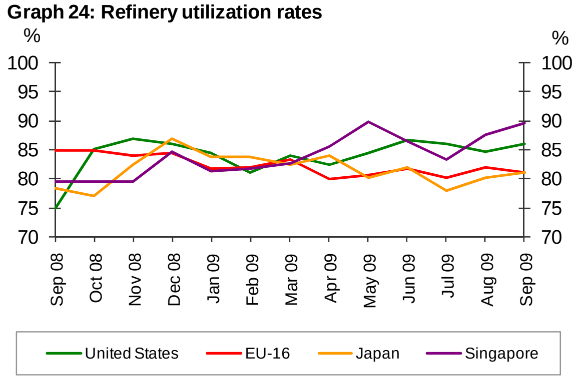
Looking forward, amid recent positive developments in the world economy the persisting bearish sentiment in the product markets is expected to improve in the next months. However, due to an overhang of middle distillates both on- and off-shore, as well as ample idle refining capacity, product markets are not expected to be able to lift crude prices significantly in the future.

## Refinery operations

*Refinery throughputs were relatively steady in September*

Refinery throughputs usually increase during the driving season and then fall sharply from the middle of September because of the shoulder season and the beginning of autumn maintenance. This year, it appears that there were not many changes between refinery operation levels during the peak driving season and the start of the shoulder season amid persisting economic downturn and its negative impact on product demand. Slowing product demand has encouraged refiners to adopt a more cautious operational approach rather than simply following the typical seasonal pattern.

**Graph 24: Refinery utilization rates**




**As Graph 24 reveals, the refinery utilization rate in the US improved by 1.2% compared with last month, reaching 85.9% in September from 84.7% a month earlier. In Europe, refinery utilization rates were estimated to fall by 1.2% and reached 80.6% from 81.8% in August. In Asia, refinery throughputs in China are still high, but remained muted in other countries. Refinery utilization rates in Japan were steady at around 80% in September.**

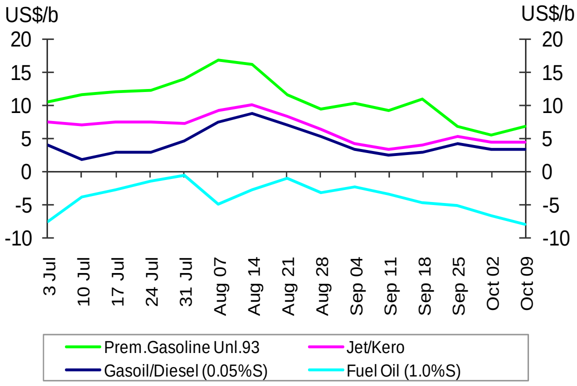
Looking ahead, amid a continuation of the autumn maintenance season and huge stocks of middle distillates across the world, refinery utilization rates are not expected to increase significantly over the coming months.

*US product market sentiment was relatively volatile*

***US market***

**The switching in gasoline output from summer to winter grades, the start of seasonal refinery maintenance, volatility in imported volumes from Europe and improving gasoline demand in September over the same month last year have led to fluctuations on US gasoline inventories and prices in recent weeks. Despite these fluctuations, the gasoline market lost part of the previous seasonal strength. As Graph 25 shows, the gasoline crack spread on the US Gulf Coast fell to nearly $7/b in early October from around $10/b in late August. Due to seasonal factors, gasoline market sentiment is not expected to gain significantly in the near future**.

**Graph 25: US Gulf crack spread vs. WTI, 2009**




The middle distillates market in the US remained lackluster, as in other parts of the world. Further stockbuilds in the last weeks also exerted more pressure on distillate prices and the crack spread. US distillate stocks now have reached over 171 mb, almost 50 mb more than in the same period last year. This is the highest level since the early 1980s and is quickly approaching maximum tank capacity in primary infrastructure. The recent positive developments in the economy and future potential cold snap may lend some support to the distillate market, but it is too soon to say that the persisting bearish sentiment in the distillates market would change significantly in the near future. The gasoil crack spread on the US Gulf Coast remained at $3/b *(see **Graph 25**).*

Jet fuel prices also slowed by the end of the holiday season and demand is not expected to lift prior to the new year holiday season to provide support for the jet fuel market.

The US fuel oil market also lost part of its earlier strength in September amid lower regional demand and bearish activity on the Gulf Coast which widened the fuel oil discount against crude oil. The low sulfur fuel oil crack spread against WTI crude on the US Gulf Coast plunged to minus $6.50/b in late September from about minus $2/b in late August (*see **Graph 25***). Recent export opportunities to Asia-Pacific and Latin America should lend support to fuel oil market sentiment, but due to increasing regional refinery throughputs and outputs, fuel oil market fundamentals in the US are not expected to change significantly in the future.

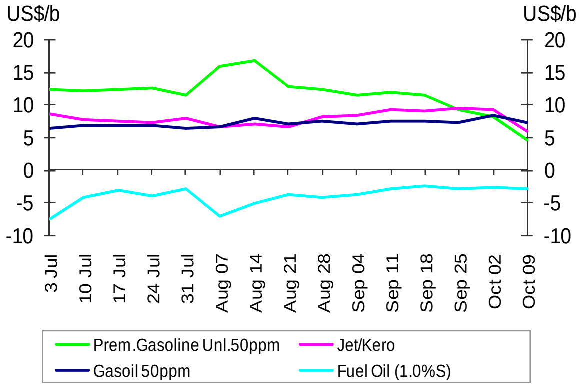
*European product market sentiment improved slightly*

***European market***

**Cautious operational approaches and refiners trimming refinery runs have removed part of the pressure from the European product market, resulting from limited arbitrage opportunities to the US and increasing gasoline stocks in Rotterdam. Additionally, Nigerian gasoline demand has given some support to the European market. However, it is worth noting that due to seasonal factors, the gasoline market in Europe has lost part of its previous strength. The gasoline spread against Brent crude oil at Rotterdam fell to nearly $9/b in the latter part of September from above $11/b in the last month *(see Graph 26)*.**

Refinery run cuts also lent support to the European naphtha market in the first half of September, but naphtha prices fell late September on the back of weak buying interest. The naphtha swaps market in Europe flipped into contango for the first time since July. Due to limited arbitrage opportunities to Asia, the European naphtha market may face further pressure in the future.

**Graph 26: Rotterdam crack spreads vs. Brent, 2009**




The European distillate market was also positively affected by refinery run cuts, a strike at the Eni's refinery in Livorno, Italy, and a shutdown of Total's Dunkirk refinery in September. But the arrival of ample arbitrage cargoes from Asia has capped the bullish sentiment in the distillate market. The gasoil crack spread versus Brent crude oil remained steady around $7/b in September *(see **Graph 26**)*. Considering the bulk of distillate stocks, even at tertiary storage, European distillate prices are not expected to lift significantly in the future.

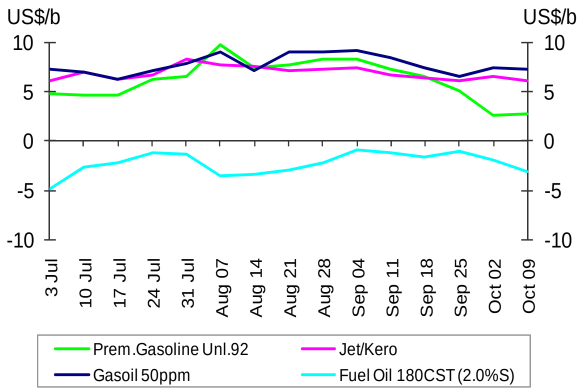
The European fuel oil market was strong in September amid lower regional supplies and export opportunities to Asia. Both low and high sulfur spreads versus crude oil narrowed in September. As **Graph 26** shows, the low sulfur fuel oil crack spread versus Brent crude narrowed sharply to minus $2.5/b in September from around minus $8/b early in the third quarter. Fuel oil stock levels in Rotterdam rose in early October which may exert pressure on the fuel oil market if combined with higher regional supply.

### *Asian market*

*Asian naphtha market lost ground in recent weeks*

**Sluggish demand from cracker units and ample supplies from the Middle East and India have overwhelmed the bullish impact of a lack of arbitrage cargoes from the West and exerted pressure on the naphtha market in Asia. Following these developments, the naphtha price in the swaps market flipped from backwardation to contango. Considering the weakening of ethylene prices, the naphtha market is expected to lose ground further in the next month.**

**Graph 27: Singapore crack spreads vs. Dubai, 2009**




Asian gasoline market sentiment also deteriorated further in September amid rising supplies from China and India and sluggish demand from Indonesia. The recent demand from Vietnam and steady imports from Saudi Arabia failed to provide enough support for the Asian gasoline market. The gasoline crack spread against Dubai crude oil in Singapore plunged to about $3/b in the first week of October from around $8/b in August *(see **Graph 27**)*.

The middle distillates market in Asia remained subdued and there are no signs that the prompt market has improved while winter demand has yet to kick in. The overhang ni distillate barrels have forced traders to float surplus cargoes westward. The Asian market is also burdened by rising exports from China, as new refining capacities in the country are outpacing domestic consumption. The start of a new condensate splitter in Qatar, which is capable of producing a total of about 76,000 b/d of jet fuel and diesel will only add to stockpiles. The gasoil crack spread versus Dubai crude remained around $7/b in September *(see **Graph 27**).* Asia's jet fuel also weakened in September as regional supplies outpaced demand.

With regard to fuel oil, Asian market experience very good performance because of tight regional supplies resulting from refinery run cuts, increasing bunker demand and fewer exports, especially from the Middle East. The fuel oil market in Asia still remained in backwardation and the crack spread versus Dubai crude narrowed to nearly minus $2/b in September.

**Table 18: Refined product prices, US$/b**

| | | Jul 09 | Aug-09 | Sep-09 | Change Sep/Aug |
|---|---|---|---|---|---|
| **US Gulf (Cargoes):** | | | | | |
| Naphtha | | 67.07 | 75.27 | 65.84 | -9.43 |
| Premium gasoline | *(unleaded 93)* | 73.90 | 84.27 | 74.56 | -9.70 |
| Regular gasoline | *(unleaded 87)* | 71.23 | 81.79 | 69.94 | -11.85 |
| Jet/Kerosene | | 69.13 | 79.40 | 70.30 | -9.10 |
| Gasoil | *(0.05% S)* | 65.23 | 78.09 | 69.27 | -8.83 |
| Fuel oil | *(1.0% S)* | 58.96 | 68.06 | 62.03 | -6.04 |
| Fuel oil | *(3.0% S)* | 57.24 | 66.21 | 61.18 | -5.03 |
| **Rotterdam (Barges FoB):** | | | | | |
| Naphtha | | 61.36 | 67.48 | 65.82 | -1.66 |
| Premium gasoline | *(unleaded 10 ppm)* | 76.95 | 83.11 | 78.34 | -4.76 |
| Premium gasoline | *(unleaded 95)* | 71.23 | 76.93 | 72.52 | -4.41 |
| Jet/Kerosene | | 72.27 | 76.08 | 76.57 | 0.48 |
| Gasoil/Diesel | *(10 ppm)* | 71.44 | 76.18 | 74.77 | -1.41 |
| Fuel oil | *(1.0% S)* | 59.72 | 64.55 | 64.52 | -0.04 |
| Fuel oil | *(3.5% S)* | 59.52 | 63.06 | 62.96 | -0.09 |
| **Mediterranean (Cargoes):** | | | | | |
| Naphtha | | 59.86 | 66.02 | 56.09 | -9.92 |
| Premium gasoline | *(50 ppm)* | 55.55 | 58.40 | 58.20 | -0.21 |
| Jet/Kerosene | | 71.62 | 75.02 | 75.38 | 0.36 |
| Gasoil/Diesel | *(50 ppm)* | 71.62 | 75.30 | 75.03 | -0.27 |
| Fuel oil | *(1.0% S)* | 61.01 | 64.80 | 64.92 | 0.12 |
| Fuel oil | *(3.5% S)* | 59.82 | 63.68 | 63.10 | -0.57 |
| **Singapore (Cargoes):** | | | | | |
| Naphtha | | 62.92 | 67.02 | 63.76 | -3.25 |
| Premium gasoline | *(unleaded 95)* | 72.83 | 78.22 | 72.20 | -6.02 |
| Regular gasoline | *(unleaded 92)* | 70.84 | 76.31 | 70.48 | -5.83 |
| Jet/Kerosene | | 72.39 | 74.93 | 71.19 | -3.73 |
| Gasoil/Diesel | *(50 ppm)* | 72.50 | 76.51 | 72.35 | -4.16 |
| Fuel oil | *(180 cst 2.0% S)* | 62.74 | 64.98 | 63.34 | -1.64 |
| Fuel oil | *(380 cst 3.5% S)* | 62.64 | 64.79 | 63.29 | -1.50 |

**Table 19: Refinery operations in selected OECD countries**

| | Refinery throughput *mb/d* | | | | Refinery utilization *%* | | | |
|---|---|---|---|---|---|---|---|---|
| | Jul 09 | Aug 09 | Sep 09 | Sep/Aug | Jul 09 | Aug 09 | Sep 09 | Sep/Aug |
| **USA** | 14.98 | 14.58 | 14.82 | 0.24 | 85.9 | 84.7 | 85.9 | 1.2 |
| **France** | 1.53 | 1.55 | 1.54 | -0.01 | 78.0 | 81.7 | 80.1 | -1.6 |
| **Germany** | 2.04 | 2.06 | 2.02 | -0.04 | 84.5 | 85.3 | 84.2 | -1.1 |
| **Italy** | 1.73 | 1.73 | 1.70 | -0.03 | 73.9 | 76.5 | 75.1 | -1.4 |
| **UK** | 1.38 | 1.39 | 1.41 | 0.02 | 74.4 | 75.8 | 76.0 | 0.2 |
| **Euro16** | 10.84 | 10.88 | 10.75 | -0.13 | 80.0 | 81.8 | 80.6 | -1.2 |
| **Japan** | 3.64 | 3.63 | 3.31 | -0.32 | 77.9 | 80.2 | 80.0 | -0.1 |

Sources: *OPEC statistics; Argus; Euroilstock Inventory Report; IEA.*

# The Tanker Market

*OPEC spot fixtures increased in September by 12%. OPEC and Middle East sailings were relatively steady*

According to preliminary data, OPEC spot fixtures increased in September by 12%, to average about 12.08 mb/d, up from 10.82 mb/d in August. The increase is attributed to higher fixtures from outside the Middle East which increased by 1.55 mb/d, while fixtures from the Middle East to West declined by 0.5 mb/d to average 0.6 mb/d and fixtures from the Middle East to East increased to 5.08 mb/d, up by 0.21 mb/d compared to August. On a y-o-y basis, OPEC spot fixtures in September were steady compared to a year ago. Global spot fixtures in September increased by 2.62 mb/d or 15% compared to the previous month to stand at 19.71 mb/d compared to 17.09 mb/d a month earlier and about 6% higher than in the same month a year ago.

Sailings from OPEC were relatively steady in September at 22.38 mb/d, compared to 22.59 mb/d in the previous month, but 8% lower than a year earlier. Middle East sailings were 16.23 mb/d compared to 16.43 mb/d the previous month and 7% lower than a year earlier. Crude oil arrivals in North America in September were 8.52 mb/d compared to 8.85 mb/d the previous month. Crude oil arrivals in Europe and the Far East averaged 12.08 mb/d and 8.04 mb/d respectively, both steady compared to a month earlier.

**Table 20: Tanker chartering, sailings and arrivals, mb/d**

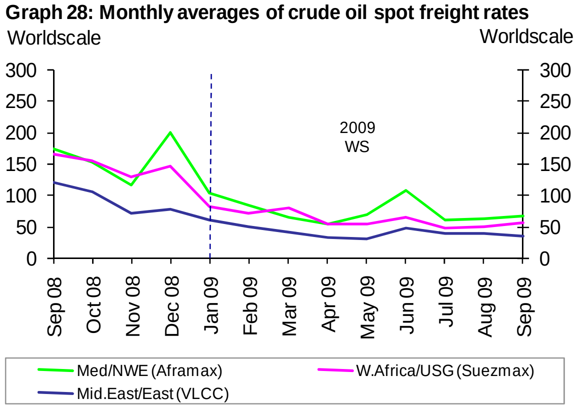
| | Jul 09 | Aug 09 | Sep 09 | Change Sep/Aug |
|---|---|---|---|---|
| **Spot Chartering** | | | | |
| All Areas | 17.98 | 17.09 | 19.71 | 2.62 |
| OPEC | 10.61 | 10.82 | 12.08 | 1.26 |
| Middle East/ East | 5.06 | 4.87 | 5.08 | 0.21 |
| Middle East/ West | 0.90 | 1.10 | 0.60 | -0.50 |
| Outside Midlle East | 4.65 | 4.85 | 6.40 | 1.55 |
| **Sailings** | | | | |
| OPEC | 22.68 | 22.59 | 22.38 | -0.21 |
| Middle East | 16.55 | 16.43 | 16.23 | -0.20 |
| **Arrivals** | | | | |
| Noth America | 8.47 | 8.85 | 8.52 | -0.33 |
| Europe | 12.34 | 12.29 | 12.08 | -0.21 |
| Far East | 8.11 | 8.15 | 8.04 | -0.11 |
| West Asia | 4.69 | 4.78 | 4.74 | -0.04 |

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

For the second consecutive month, the tanker market witnessed a steady month in September with minor gains for both crude oil and product tanker freight rates. Once again, this steadiness is in comparison to a very weak month and therefore freight rates on most routes were still at levels below breakeven costs. The product tanker market performance was much better to the East of Suez compared to the West of Suez and in September, in contrast to most months this year; the Middle East to East route backed the market. The VLCC sector, being the most affected by lower OPEC production and a high rate of fleet expansion, lost 7% on average in September compared to the previous month. The number of VLCCs engaged in crude oil storage operations declined in September as a result of the narrowing of the contango structure in crude oil futures and estimates put the volume of crude oil stored on VLCCs by the end of the month at 35 mb compared to 45 mb at the end of August. On the other hand, reports also indicated that there were about 6 VLCCs tied up in middle distillate storage operations by the end of September together with a similar number tied up in fuel oil storing in Far East Asia. Middle distillates stored on tankers continued to increase in September, reaching about 65 mb compared to about 50 mb at the end of August. By the end of September, more than 60% of crude in floating storage was on the US Gulf Coast and Northwest Europe and more than two thirds of middle distillates were stored on tankers in Northwest Europe. Suezmax freight rates gained an average of 16% in September, the highest monthly gain compared to other vessel segments, and Aframax freight rates were 4% higher on average.

Taking the top three vessel sizes into consideration, average spot freight rates for crude oil tankers were 5% higher in September compared to the previous month, but 54% lower compared to the same month a year earlier, taking into consideration the changes in Worldscale (WS) flat rates as of January 2009. On average, the VLCC segment lost WS2 in September compared to a month earlier, while the Suezmax segment gained WS8 and Aframax gained WS2.

**Graph 28: Monthly averages of crude oil spot freight rates**




The VLCC tanker market was once again very weak in September with spot freight rates declining by an average 7% compared to the previous month and by 55% compared to a year ago. This segment of oil tankers continued to suffer from the weak demand-side of the market coupled with an oversupply of vessels as a result of a higher-than-average expansion rate in the global VLCC fleet thus far in 2009. Despite the decline in the number of vessels engaged in crude oil storage operations at the end of September compared to the beginning of the month, this was offset by more VLCCS used to store products, mainly middle distillates. Estimates put the volume of crude oil stored on tankers by the end of September at about 35 mb, down from about 45 mb by the end of August. Estimates also indicated that about 6 VLCCs are currently engaged in storing petroleum products. VLCC freight rates on the Middle East Gulf to East were as low as WS31 during the first three weeks of the month before rebounding during the fourth week to as high as WS40, ending the month at a monthly average of WS34 compared to WS38 a month earlier. Freight rates for the Middle East to West were also very weak throughout the month, starting at WS27 and reaching as low as WS24 in the third week and ending the month at WS28, indicating an about 4% monthly decline.

On the other hand, VLCC freight rates in West Africa followed a similar trend in September compared to other tanker segments. Freight rates for the West Africa to East route started the month at just below WS50 and ended at WS43 with a monthly average of WS41, indicating a monthly drop of 7% compared to August.

For the second month in a row, the Suezmax segment performed relatively better in September than other segments in the tanker market. That was mainly due to a good second half of the month for both Suezmax routes to the US from West Africa and Northwest Europe. From West Africa, freight rates had a slow first week followed by a stagnant week and started firming for the remainder of the month, reaching WS65 from as low as WS52 at the end of the first week. Freight rates on this route ended the month at a 12% gain compared to the previous month. On the Northwest Europe (NWE) to the US Suezmax route, freight rates gained a higher percentage of 21% in September compared to August as a result of good performance during the second half of the month. Despite the two successive monthly gains, average Suezmax freight rates in September were 52% lower compared to a year earlier, this is compared to 56% lower for Aframax and 55% lower for VLCCs.

The Aframax market was relatively steady throughout September, but a tightening was noted towards the end of the month in all West of Suez markets. To the East of Suez, Aframax freight gained a monthly margin of 2% in September compared to the previous month, while in the Mediterranean market, Aframax freight rates gained 5% on average for both the cross-Mediterranean and the Mediterranean to NWE routes. Freight rates on the Aframax Caribbean market ended the month achieving a 6% gain compared to the previous month fluctuating between WS65 and WS78 with a monthly average of WS71 compared to WS67 in August.

Average freight rates in the product tanker market also increased by 5% in September compared to August. This was the second month in a row that product spot freight rates indicated a monthly gain. In contrast to the crude tanker market, the support for product freight rates in September came from the much firmer East of Suez market, especially from the Middle East to East route where freight rates increased by 17% backed by the continued good demand for naphtha in the Far East and many vessels leaving the market for storage operations. An overall tightening in Far East Asian tonnage situation has backed rates in the Singapore to East route where freight rates increased by 12% compared to August. As a result, product spot freight rates to the East of Suez were 15% higher in September compared to the previous month and yet 59% lower compared to the same month last year.

**Table 21: Spot tanker crude freight rates, Worldscale**

| | Size *1,000 DWT* | Jul 09 | Aug 09 | Sep 09 | Change Sep/Aug |
|---|---|---|---|---|---|
| ***Crude*** | | | | | |
| Middle East/east | 230-280 | 37 | 38 | 34 | -4 |
| Middle East/west | 270-285 | 28 | 27 | 26 | -1 |
| West Africa/east | 260 | 40 | 44 | 41 | -3 |
| West Africa/US Gulf Coast | 130-135 | 48 | 51 | 57 | 6 |
| NW Europe/USEC - USGC | 130-135 | 46 | 47 | 57 | 10 |
| Indonesia/US West Coast | 80-85 | 67 | 62 | 63 | 1 |
| Caribbean/US East Coast | 80-85 | 67 | 67 | 71 | 4 |
| Mediterranean/Mediterranean | 80-85 | 64 | 67 | 70 | 3 |
| Mediterranean/North-West Europe | 80-85 | 59 | 62 | 65 | 3 |

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

To the West of Suez, the market was generally steady in September compared to August with marginal monthly gains in the Mediterranean and the Caribbean markets nearly offset by losses in the transatlantic product route. Lower demand for gasoline in the US with the end of the driving season together with high European distillate stocks depressed freight rates on this route throughout September, which ended with a 3% monthly drop. Product freight rates increased in the Caribbean market by 3% and by 2% in the Mediterranean market. On average, product spot freight rates were 1% higher in September.

**Graph 29: Monthly averages of clean spot freight rates**

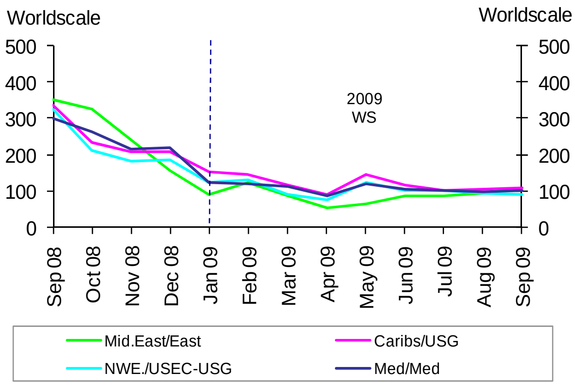



**Table 22: Spot tanker product freight rates, Worldscale**

| | Size *1,000 DWT* | Jul 09 | Aug 09 | Sep 09 | Change Sep/Aug |
|---|---|---|---|---|---|
| ***Products*** | | | | | |
| Middle East/east | 30-35 | 86 | 95 | 111 | 16 |
| Singapore/east | 30-35 | 74 | 81 | 91 | 10 |
| Caribbean/US Gulf Coast | 38-40 | 103 | 108 | 111 | 3 |
| NW Europe/USEC - USGC | 33-37 | 100 | 95 | 92 | -3 |
| Mediterranean/Mediterranean | 30-35 | 101 | 99 | 101 | 2 |
| Mediterranean/North-West Europe | 30-35 | 111 | 109 | 111 | 2 |

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

# Oil Trade

*US net oil imports were 5% higher in September on higher net crude and product imports*

## USA

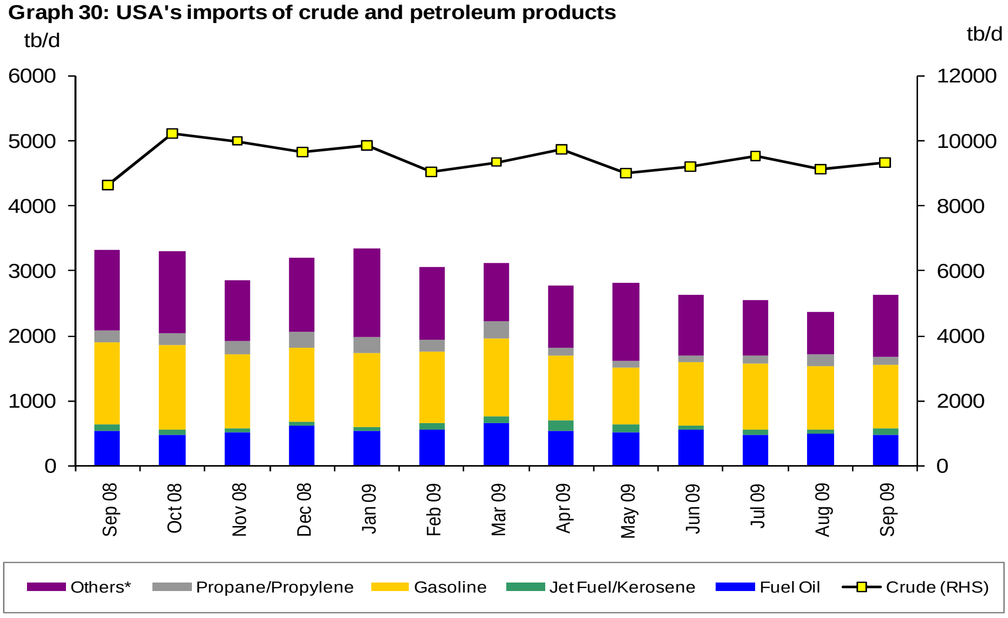
According to latest official data, US crude oil imports rebounded in September to average 9.32 mb/d, an increase of about 2% or 220,000 b/d compared to the previous month and about 10% or 0.87 mb/d higher than the same month last year. September crude imports bring US average imports for the first three quarters of 2009 to about 9.34 mb/d, about 4% or 0.4 mb/d lower compared to the same period a year earlier.

US product imports also increased in September by 11% or 260,000 b/d compared to the previous month to average 2.62 mb/d, about 16% lower than at the same month last year. Finished motor gasoline imports were 171,000 b/d, a decline of 42% from the previous month and 32% lower compared to the same month last year. Average gasoline imports during the first three quarters of 2009 were 0.24 mb/d, representing a decline of 31% compared to the same period a year earlier. Distillate fuel oil imports in September were 179,000 b/d compared to 167,000 b/d in August. This level of imports indicates an 8% decline compared to the same month last year. Average distillate fuel oil imports during the first three quarters of 2009 were 10% higher compared to the same period in 2008. Residual fuel oil imports in September were 283,000 b/d compared to 266,000 b/d in the previous month and 289,000 b/d in the same month last year. Average residual fuel oil imports during the first three quarters of 2009 were steady compared to the same period last year at 253,000 b/d. Jet fuel imports in September averaged 103,000 b/d, up from 89,000 b/d in the previous month and 15,000 b/d higher compared to the same period a year earlier.

On the export side, US product exports were 2% higher in September compared to the previous month, averaging 1.86 mb/d. On a y-o-y basis, this volume of product exports is about 43% or 560,000 b/d higher compared to a year earlier. US product exports during the first three quarters of 2009 averaged 1.74 mb/d, a decline of 5% from the same period a year earlier.

As a result, US net oil imports in September were 5% or about 444,000 b/d higher compared to the previous month to average about 10.04 mb/d. The 221,000 b/d increase in net crude oil imports in September was accompanied by a 223,000 b/d increase in net product imports, both compared to the previous month. September net oil imports were 2% lower compared to at a year earlier and average net oil imports during the first three quarters of 2009 were 10.36 mb/d, representing a decline of 6% from the same period last year.

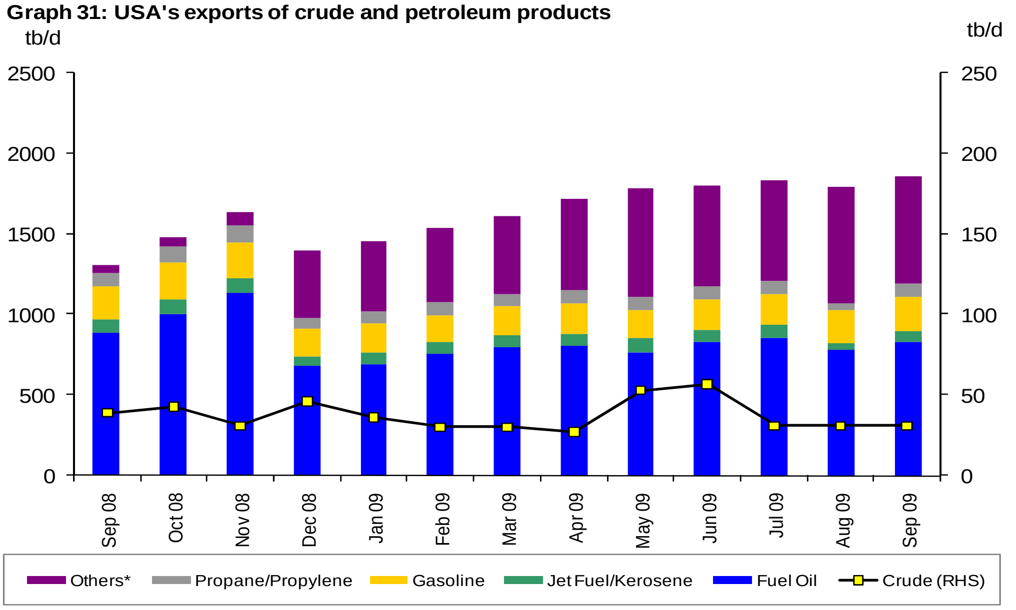
**Graph 30: USA's imports of crude and petroleum products**




*Others: Contains Natural Gas Liquids, Liquefied Refinery Gases (LRG's), Other Liquids and all Finished Petroleum Products except Gasoline, Jet Fuel/Kerosene, Fuel Oil and Propane/Propylene.

Canada was the top crude oil supplier to the US in July 2009 supplying about 2.11 mb/d, up from 2.0 mb/d in the previous month. Saudi Arabia was next, supplying about 1.14 mb/d, up from about 0.9 mb/d in the previous month. Mexico and Venezuela came next with 0.99 mb/d and 0.87 mb/d respectively. Altogether, OPEC Member Countries supplied about 4.28 mb/d or 46.4% of total US crude oil imports in July, steady compared to the previous month. For product imports, once again Canada was the top product supplier to the US in July, supplying about 0.53 mb/d, steady compared to the previous month. Russia was next, supplying 0.37 mb/d, up from 0.27 mb/d in the previous month, followed by Mexico with 0.33 mb/d, up from 0.08 mb/d in June.

**Graph 31: USA's exports of crude and petroleum products**




Others: Contains Natural Gas Liquids, Liquefied Refinery Gases (LRG's), Other Liquids and all Finished Petroleum Products except Gasoline, Jet Fuel/Kerosene, Fuel Oil and Propane/Propylene.

For OPEC Member Countries, Algeria supplied the US with 0.19 mb/d of products in July followed by Venezuela with 0.09 mb/d. Altogether OPEC Member Countries supplied about 345,000 b/d, down from 520,000 b/d in the previous month. For US product exports, Mexico was the top importer in July, with about 0.46 mb/d of total US product exports. Netherland was next, importing about 207,000 b/d followed by Singapore with 197,000 b/d. Altogether, OPEC Member Countries imported an average of 81,000 b/d of US products in July, steady compared to 79,000 b/d in the previous month.

**Table 23: USA crude and product net imports/(exports), tb/d**

| | Jul 09 | Aug 09 | Sep 09 | Change Sep/Aug |
|---|---|---|---|---|
| Crude oil | 9,466 | 9,064 | 9,285 | 221 |
| Total products | 691 | 533 | 756 | 223 |
| **Total crude and products** | **10,157** | **9,597** | **10,041** | **444** |

## Japan

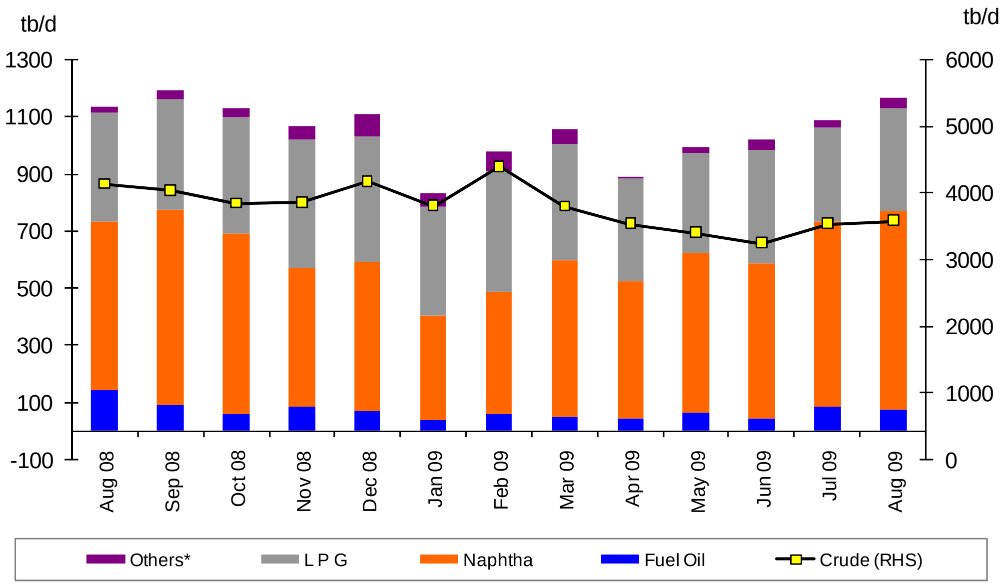
*Japan's net crude oil imports rose 2% in August backed by marginal increases in crude and product imports*

According to Japanese published data, Japan's crude oil imports increased by a margin of 1% or 44,000 b/d in August to average 3.58 mb/d, yet were 0.56 mb/d or 13% lower compared to the same period last year, marking the eleventh month in a row that Japan's crude oil imports showed a decline on a year-to-year basis. At the same time, Japan's average crude oil imports for the first eight months of 2009 were at about 3.65 mb/d, 15% or 635,000 b/d lower compared to the country's imports during the same period last year.

Similarly, Japan's product imports increased in August by 79,000 b/d or 7% compared to previous month to average about 1.17 mb/d, displaying an annual decline of 10% compared to the same month last year. Japan mainly imports three products, naphtha, LPG and fuel oil which accounted for about 97% of its total monthly product imports in

August. Naphtha imports in August were at 698,000 b/d, the highest volume since December 2007, up by 8% or 54,000 b/d from the previous month and by 18% from a year earlier. Average naphtha imports for the first eight months of 2009 were 8% lower compared to the same period last year. LPG imports in August averaged 359,000 b/d, indicating an increase of 8% compared to the previous month and a decline of 6% compared to a year earlier. Average LPG imports for the first eight months of 2009 were 68,000 b/d or 15% lower compared to the same period last year. Fuel oil imports in August were 70,000 b/d compared to 85,000 b/d the previous month and 138,000 b/d in the same month last year. Average fuel oil imports for the first eight months of 2009 were 52% lower compared to the same period last year. Japan also imported about 35,000 b/d of gasoline in August compared to 18,000 b/d the month before. Naphtha imports counted for 60% of Japan's total product imports in August, LPG 31% and fuel oil about 6%. Japan's average product imports in the first eight months of 2009 averaged 1.0 mb/d, indicating a decline of 150,000 b/d or 13% compared to average product imports in the same period last year.

**Graph 32: Japan's imports of crude and petroleum products**

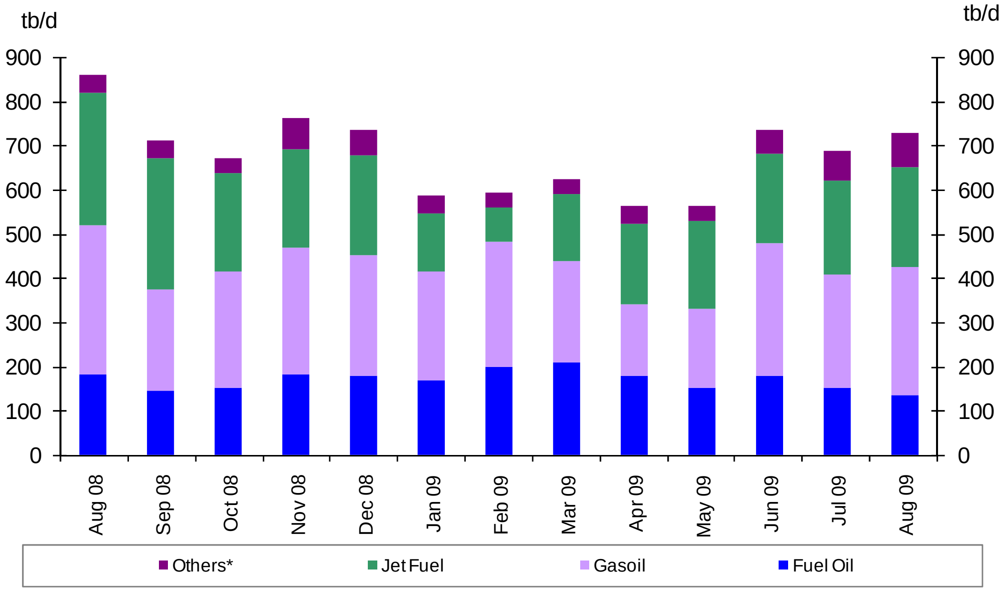



*Others: Contains Gasoline, Jet Fuel, Kerosene, Gasoil, Asphalt and Paraffin Wax.

On the export side, Japan's product exports in August were 6% or 42,000 b/d higher compared to the previous month and 15% lower compared to the same month a year ago, averaging 729,000 b/d. Gasoil, fuel oil and jet fuel are Japan's main product exports, which together accounted for about 89% of the country's total product exports in August. Gasoil exports in August were about 291,000 b/d, up from 258,000 b/d in the previous month, but down from 336,000 b/d compared to the same month last year. Average gasoil exports during the first eight months of 2009 were 243,000 b/d, almost steady compared to the same period in 2008. Jet fuel exports averaged about 225,000 b/d in August compared to 211,000 b/d the previous month and 301,000 b/d a year earlier. During the first eight months of 2009, Japan exported an average of 173,000 b/d of jet fuel compared to 223,000 b/d during the same period in 2008. Fuel oil exports in August were 135,000 b/d compared to 151,000 b/d the previous month and 182,000 b/d in the same period last year. Japan exported an average of 171,000 b/d of fuel oil during the first eight months of 2009, steady compared to the same period last year. Gasoil exports counted for 40% of Japan's total product exports in August, jet fuel 31% and fuel oil 19%. Japan exported lower quantities of kerosene, gasoline, lubricating oil, asphalt and LPG in August, totaling 77,000 b/d. Japan's average product exports during the first eight months of 2009 were 0.64 mb/d, a decline of 7% from the same period last year.

As a result, Japan's net oil imports in August were about 4.01 mb/d, indicating an increase of 81,000 b/d or 2% compared to the previous month and a drop of 9% compared to a year earlier. Net crude imports were higher by 44,000 b/d and net product imports rose 37,000 b/d. Japan's net oil imports during the first eight months of 2009 were 4.02 mb/d, 16% lower compared to its average during the same period a year ago.

**Graph 33: Japan's exports of petroleum products**




*Others: Contains LPG, Gasoline, Naphtha, Kerosene, Lubricating Oil, Asphalt and Paraffin Wax.

Saudi Arabia was Japan's top crude oil supplier in August, supplying about 1.0 mb/d or 27.8% of Japan's total crude oil imports in the month, down from 1.16 mb/d in the previous month. The UAE supplied 0.77 mb/d in August, up from 0.74 mb/d in the previous month. Qatar supplied 0.45 mb/d compared to 0.46 mb/d in the previous month, while Iran supplied 0.42 mb/d, down from 0.44 mb/d in the previous month. Altogether, OPEC Member Countries supplied 3.08 mb/d or 86.3% of Japan's crude oil imports in August, up from 3.04 mb/d in the previous month. Top non-OPEC crude oil suppliers in August include Russia with 0.17 mb/d and Oman with 0.12 mb/d. On the products side, with the exclusion of LPG imports, preliminary data indicates that Saudi Arabia was Japan's top supplier in August with 0.15 mb/d followed by the UAE with 0.09 mb/d. Altogether, OPEC Member Countries supplied about 0.42 mb/d or 53% of Japan's product imports in August, down from 0.5 mb/d in the previous month. Top non-OPEC product suppliers in August include the US with about 86,000 b/d followed by South Korea with 58,000 b/d and Indonesia with 46,000 b/d.

**Table 24: Japan's crude and product net imports/(exports), tb/d**

| | Jun 09 | Jul 09 | Aug 09 | Change Aug/Jul |
|---|---|---|---|---|
| Crude oil | 3,235 | 3,531 | 3,575 | 44 |
| Total products | 286 | 400 | 438 | 37 |
| **Total crude and products** | **3,522** | **3,931** | **4,013** | **81** |

## China

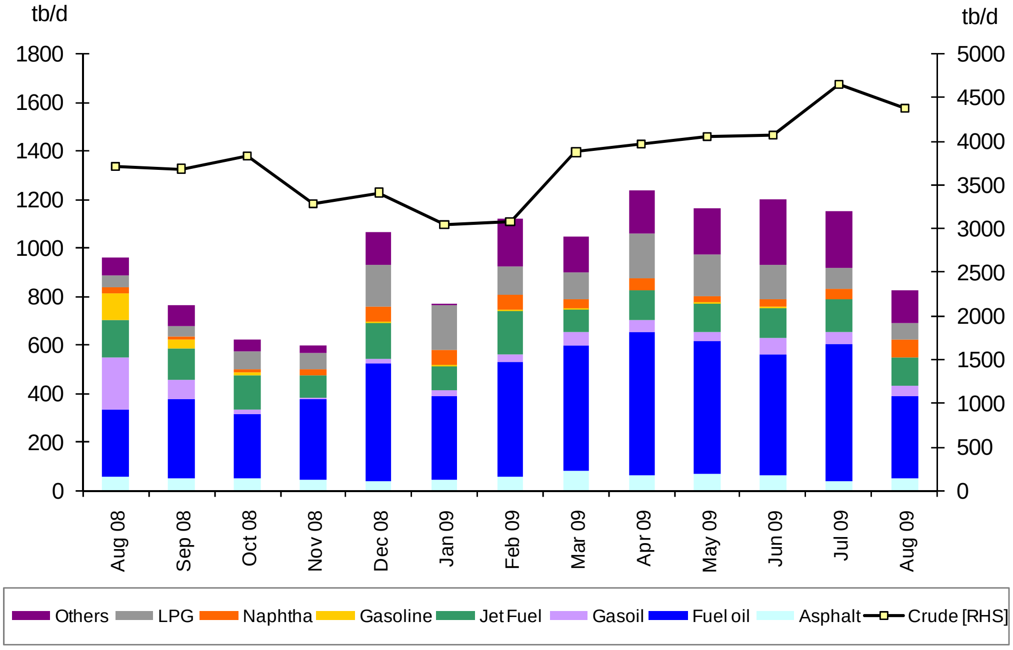
*China's net oil imports declined in August by 13% supported by lower crude oil and product imports*

According to Chinese official data, China's crude oil imports declined in August after increasing for six consecutive months, reaching an all-time record-high volume in July. China imported about 4.37 mb/d of crude oil in August, about 276,000 b/d or 6% lower compared to July indicating an increase of 18% or 0.67 mb/d compared to the same month last year. China's crude oil imports for the first eight months of 2009 averaged about 3.89 mb/d, about 268,000 b/d or 7% higher compared to the same period last year.

Similarly, China's product imports declined substantially in August by 29% or 327,000 b/d compared to the previous month to average 0.82 mb/d, 15% lower than the same month a year ago. Jet fuel imports in August were at about 112,000 b/d, down from 128,000 b/d in the previous month. South Korea supplied about 43,000 b/d of China's jet fuel imports in August and Japan about 33,000 b/d. China imported about 116,000 b/d of jet fuel during the first eight months of 2009, 10% less compared to the same period last year. Naphtha imports in August were about 59,000 b/d, up from 36,000 b/d in the previous month, with South Korea supplying about 46% of this volume. China's imports of naphtha during the first eight months of 2009 averaged about 40,000 b/d compared to about 11,000 b/d during the same period last year. Gasoil imports in August averaged 42,000 b/d, down from 49,000 b/d in the previous month. Gasoil imports during the first eight months of 2009 averaged about 43,000 b/d, a decline of 75% compared to the same period last year which witnessed a surge in gasoil imports in preparation for the Olympic.

China's fuel oil imports dropped in August to average 383,000 b/d, about 247,000 b/d, or 39% lower than in the previous month. Singapore supplied about 94,000 b/d of China's fuel oil imports in August, followed by Venezuela and Russia with 66,000 b/d and 63,000 b/d respectively. Average imports of fuel oil during the first eight months of 2009 were 533,000 b/d, 17% higher compared to the same period last year. Imports of LPG in August averaged 43,000 b/d, down from 53,000 b/d in the previous month. Iran supplied about 27,000 b/d of LPG to China in August and the UAE supplied 18,000 b/d. For the first eight months of 2009, China's imports of LPG were averaged about 85,000 b/d, 70% higher than the same period last year. There were no gasoline imports in August. Altogether, China imported an average of 1.06 mb/d of products in the first eight months of 2009, almost steady compared to the same period last year. In August, fuel oil imports accounted for 47% of China's total product imports, jet fuel 14%, naphtha 7%, gasoil and LPG 5% each.

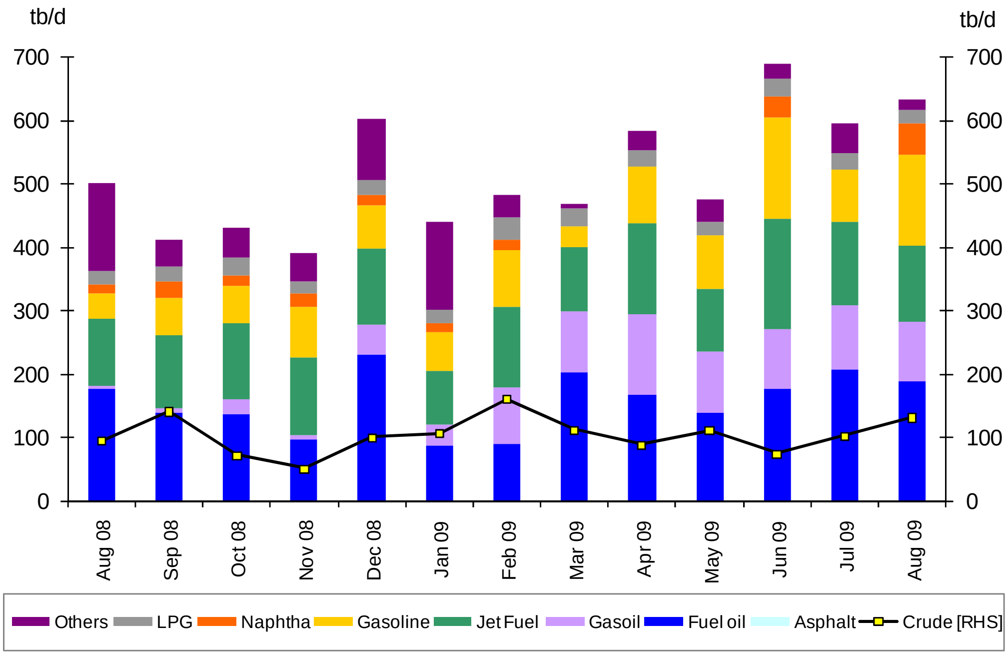
**Graph 34: China's imports of crude and petroleum products**




On the export side, China's crude oil exports in August were at 131,000 b/d compared to 103,000 b/d in the previous month. South Korea imported about 100,000 b/d of Chinese crudes in August, Singapore about 15,000 b/d and Japan about 9,000 b/d. For the first eight months of 2009, China exported an average of 110,000 b/d of crude oil compared to 67,000 b/d during the same period in 2008. On the other hand, China's product exports in August were about 0.63 mb/d, 6% higher compared to the previous month and 55% higher compared to the same month last year. Average product exports for the first eight months of 2009 were about 0.55 mb/d, indicating an increase of 37% or 146,000 b/d compared to the same period last year.

Fuel oil exports in August were at 193,000 b/d, about 9% lower than the previous month and 7% higher than the same period last year. Fuel oil exports during the first eight months of 2009 averaged 155,000 b/d, 11% higher compared to the same period in 2008. Jet fuel exports in August were 111,000 b/d, down from 120,000 b/d in the previous month. Hong Kong imported about 55,000 b/d of this volume and the US and Vietnam about 12,000 b/d each. Jet fuel exports during the first eight months of 2009 averaged 113,000 b/d, 7% higher compared to the same period last year. Gasoline exports were 123,000 b/d in August, up from 70,000 b/d in the previous month. Indonesia imported about 65,000 b/d of gasoline from China in August and Singapore about 52,000 b/d. China's gasoline exports during the first eight months of 2009 averaged 79,000 b/d compared to 33,000 b/d during the same period a year ago. Naphtha exports in August averaged 42,000 b/d compared to no exports in July. Japan and South Korea were the only importers of China's naphtha this month. During the first eight months of this year, naphtha exports averaged 12,000 b/d compared to 37,000 b/d during the same period in 2008. Gasoil exports in August were 93,000 b/d compared to 100,000 b/d the previous month. The main importers of China's gasoil exports in August were Singapore with 25,000 b/d and Vietnam and Hong Kong with 22,000 b/d each. China exported an average of 89,000 b/d of gasoil during the first eight months of 2009 compared to only 8,000 b/d during the same period a year ago. China exported about 15,000 b/d of LPG in August, down from 17,000 b/d the previous month. Fuel oil exports accounted for 30% of China's total product exports in August, gasoline 19%, jet fuel 18%, gasoil 15% and LPG 2%.

**Graph 35: China's exports of crude and petroleum products**




With net crude oil imports of 4.24 mb/d and net product imports of 0.19 mb/d, China's net oil imports in August were 4.42 mb/d, indicating a decline of 13% or 669,000 b/d compared to the previous month and an increase of 6% compared to the same month a year ago. Average net crude oil imports for the first eight months of 2009 were at 4.29 mb/d 2% or 93,000 b/d higher than the same period last year.

Angola was China's top crude oil supplier in August, supplying about 0.78 mb/d or 18% of China's total crude imports, up from 0.75 mb/d in July. Saudi Arabia was next with 0.58 mb/d, about 50% down from 1.11 mb/d the previous month. Iran supplied 0.46 mb/d, down from 0.52 mb/d the previous month. Altogether, OPEC Member Countries supplied China with about 2.82 mb/d or 64.5% of its crude oil imports in August, down from 3.01mb/d the previous month. Top non-OPEC crude oil suppliers in August include Russia with 0.32 mb/d, Sudan with 0.31 mb/d and Oman with 0.22 mb/d.

**Table 25: China's crude and product net imports/(exports), tb/d**

| | Jun 09 | Jul 09 | Aug 09 | Change Aug/Jul |
|---|---|---|---|---|
| Crude oil | 3,984 | 4,539 | 4,235 | -304 |
| Total products | 507 | 554 | 189 | -365 |
| **Total crude and products** | **4,492** | **5,093** | **4,424** | **-669** |

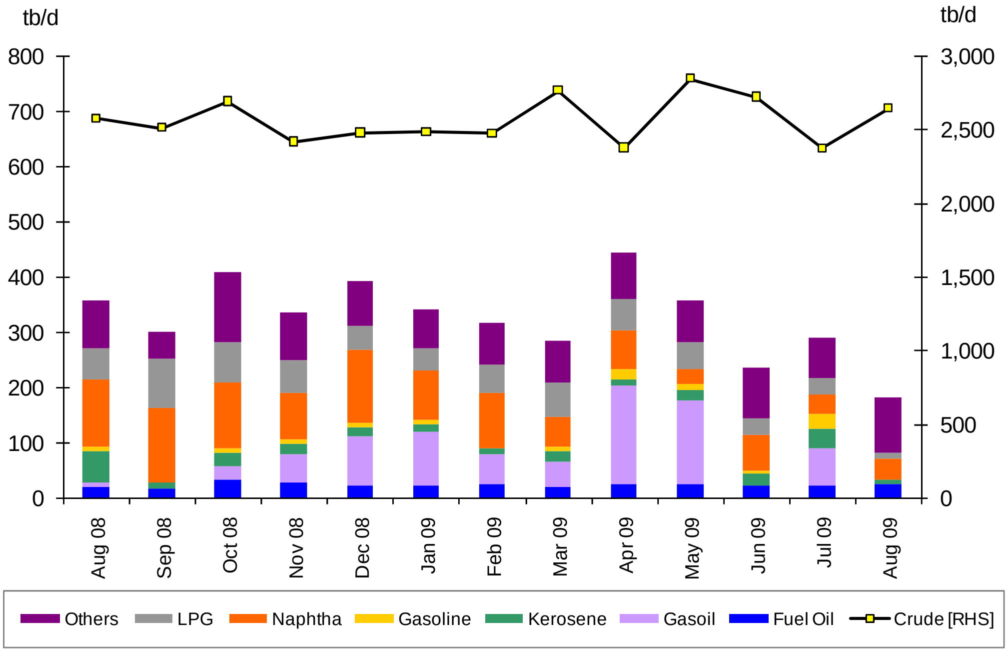
## India

*India's net oil imports increased in August by 3% on higher crude oil imports*

According to preliminary data, India's crude oil imports increased in August by about 272,000 b/d or 12% compared to the previous month to average 2.64 mb/d. Crude imports in August were 68,000 b/d higher compared to the same month last year. India's crude oil imports during the first eight months of 2009 averaged 2.58 mb/d, steady compared to the same period last year.

In contrast, India's product imports declined in August by 108,000 b/d or 38% compared to the previous month to average about 0.18 mb/d, about half the volume of its imports in the same period of last year. There were no gasoil and gasoline imports in August, down from 67,000 b/d and 26,000 b/d respectively in the previous month. LPG imports in August averaged about 12,000 b/d, compared to 29,000 b/d the previous month and 56,000 b/d in the same month last year. India imported an average of 36,000 b/d of naphtha in August, steady compared to the previous month but down from 121,000 b/d in August 2008. Fuel oil imports in August averaged 24,000 b/d, steady compared to the previous month, but up from 19,000 b/d a year earlier. Kerosene imports were about 10,000 b/d compared to 36,000 b/d in the previous month and 56,000 b/d a year ago. For the first eight months of 2009, India imported an average of 0.31 mb/d of products compared to 0.45 mb/d during the same period in 2008, indicating a 32% y-o-y decline.

**Graph 36: India's imports of crude and petroleum products**



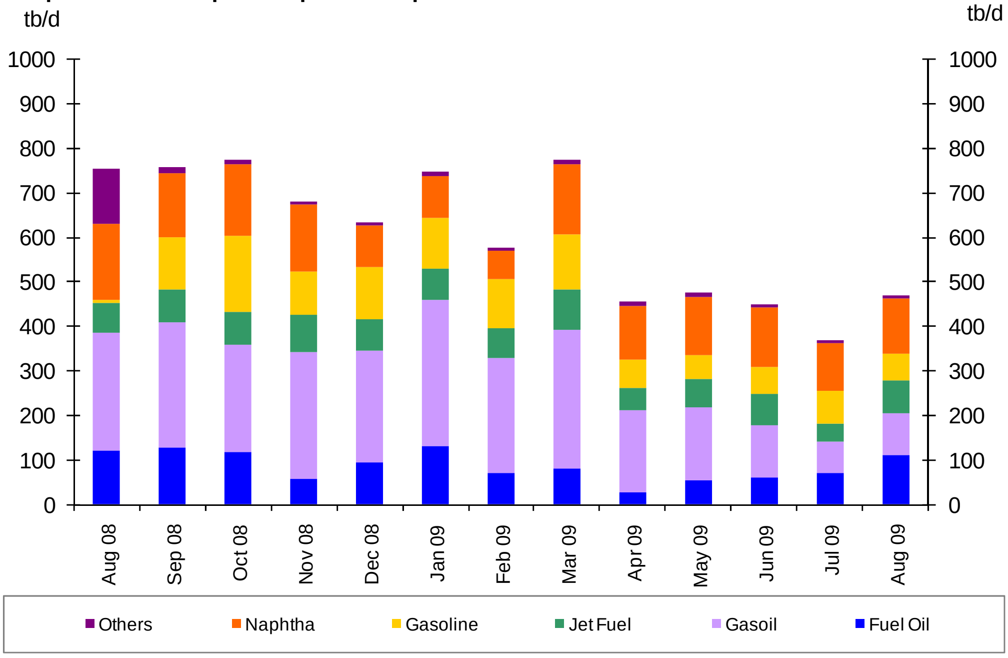

On the export side, India's total product exports of 469,000 b/d in August were 101,000 b/d or 27% higher compared to the previous month and 38% lower compared to a year earlier. Fuel oil exports in August averaged 111,000 b/d, up from 71,000 b/d the previous month, but down from 121,000 b/d a year earlier. Jet fuel exports were 74,000 b/d in August, up from 38,000 b/d in the previous month and 66,000 b/d a year earlier. Gasoil exports in August averaged 91,000 b/d, 31% higher than in the previous month, but 66% lower compared to a year earlier. Gasoline exports dropped in August to average 60,000 b/d compared to 74,000 b/d the previous month and 109,000 b/d the same month a year ago. Naphtha exports were at 124,000 b/d in August compared to 107,000 b/d in the previous month and 203,000 b/d a year earlier. For the first eight months of 2009, India exported an average of 0.54 mb/d of products, down by 221,000 b/d or 29% compared to average product exports of 0.76 mb/d during the same period last year.

**Table 26: India's crude and product net imports/(exports), tb/d**

| | Jun 09 | Jul 09 | Aug 09 | Change Aug/Jul |
|---|---|---|---|---|
| Crude oil | 2,717 | 2,369 | 2,641 | 272 |
| Total products | -211 | -80 | -289 | -209 |
| **Total crude and products** | **2,506** | **2,289** | **2,352** | **63** |

As a result, India's net oil imports in August averaged 2.35 mb/d, displaying an increase of 3% or 63,000 b/d compared to the previous month and 8% compared to the same month last year. Net crude oil imports were higher by 272,000 b/d, while net product imports were lower by 209,000 b/d. India's net oil imports for the first eight months of 2009 averaged about 2.35 mb/d, an increase of 3% or 72,000 b/d over the same period in 2008.

**Graph 37: India's exports of petroleum products**




## FSU

*FSU crude oil exports were almost steady in August, with higher Russian exports being offset by lower exports from other FSU countries while product exports declined 5%*

According to preliminary data, FSU crude oil exports declined for the third month in a row, dropping 41,000 b/d or 1% in August compared to the previous month to average 6.51 mb/d. The decline is attributed to lower other FSU countries' exports, while Russian crude exports increased by 3% compared to the previous month. Exports dropped on the Baku-Tbilisi-Ceyham (BTC) pipeline by 65,000 b/d in August and Caspian exports were steady, both compared to July.

Russian crude oil exports in August averaged 4.0 mb/d indicating an increases of 112,000 b/d compared to the previous month and 260,000 b/d compared to August 2008. Russian pipeline crude oil exports increased in August by 128,000 b/d compared to July and by 144,000 b/d compared to a year ago to average 3.34 mb/d. Russian Far East crude oil exports declined in August by 10,000 b/d compared to July to average 250,000 b/d. Exports through the Black Sea and the Baltic Sea went up in August by 44,000 b/d and 107,000 b/d respectively, compared to July, to average 1.15 mb/d and 1.61 mb/d, while exports through Druzhba were steady at 1.06 mb/d.

During the first eight months of 2009, FSU crude oil exports averaged 6.61 mb/d, about 488,000 b/d or 8% higher compared to the same period last year. Caspian exports increased by 97,000 b/d, CPC exports by 75,000 b/d and BTC exports by 105,000 b/d. During the same period, Russian crude oil exports averaged 4.0 mb/d, steady or 1% higher compared to the same period last year.

On the other hand, FSU product exports declined in August by 166,000 b/d to average 2.97 mb/d compared to 3.14 mb/d the month before. Exports of all major products were lower in August apart from gasoline which increased by 29,000 b/d, while exports of gasoil were down by 129,000 b/d and fuel oil by 136,000 b/d, all compared to July. FSU product exports declined by 114,000 b/d or 4% during the first eight months of 2009 compared to the same period last year, to average 2.99 mb/d.

In total, FSU crude oil and product exports averaged 9.49 mb/d in August, about 207,000 b/d lower compared to the previous month. FSU total exports in August were 1.4 mb/d or 17% higher than at a year earlier. For the first eight months of 2009, total FSU crude and product exports averaged 9.59 mb/d, indicating an increase of 373,000 b/d or 4% compared to the same period last year.

**Table 27: Recent FSU exports of crude and products by source, kb/d**

| | 2007 | 2008 | 4Q08 | 1Q09 | 2Q09 | Jul 09 | Aug 09* |
|---|---|---|---|---|---|---|---|
| **Crude** | | | | | | | |
| **Russian pipeline** | | | | | | | |
| Black Sea | 1,361 | 1,249 | 1,226 | 1,262 | 1,172 | 1,107 | 1,151 |
| Baltic | 1,631 | 1,559 | 1,539 | 1,518 | 1,589 | 1,502 | 1,609 |
| Druzhba | 1,122 | 1,098 | 1,034 | 1,139 | 1,089 | 1,056 | 1,062 |
| **Total**** | **4,114** | **3,906** | **3,817** | **3,918** | **3,895** | **3,720** | **3,872** |
| **Other routes** | | | | | | | |
| Russian rail | 292 | 283 | 260 | 303 | 291 | 303 | 226 |
| Russian - Far East | 269 | 220 | 214 | 277 | 275 | 260 | 250 |
| Kazak rail | 17 | 17 | 17 | 18 | 18 | 17 | 17 |
| Vadandey | n.a. | n.a. | n.a. | 149 | 151 | 152 | 169 |
| Ventspils | n.a. | n.a. | n.a. | 13 | 18 | 24 | 16 |
| CPC | 692 | 675 | 632 | 757 | 739 | 739 | 710 |
| BTC | 617 | 637 | 641 | 734 | 789 | 871 | 806 |
| Atasu-Alashankou | n.a. | n.a. | n.a. | 116 | 161 | 184 | 170 |
| Caspian | 245 | 184 | 148 | 277 | 266 | 285 | 278 |
| **Total crude exports** | **6,348** | **6,089** | **5,869** | **6,563** | **6,602** | **6,554** | **6,514** |
| **Products** | | | | | | | |
| Gasoline | n.a. | n.a. | n.a. | 284 | 234 | 204 | 232 |
| Naphtha | n.a. | n.a. | n.a. | 338 | 287 | 281 | 231 |
| Jet | n.a. | n.a. | n.a. | 54 | 69 | 78 | 48 |
| Gasoil | 777 | 810 | 757 | 1,039 | 974 | 1,050 | 921 |
| Fuel oil | 1,052 | 1,069 | 1,232 | 964 | 1,199 | 1,289 | 1,153 |
| VGO | n.a. | n.a. | n.a. | 258 | 255 | 236 | 188 |
| **Total** | **2,421** | **2,539** | **2,661** | **2,857** | **3,018** | **3,137** | **2,971** |
| **Total oil exports** | **8,769** | **8,628** | **8,530** | **9,420** | **9,620** | **9,691** | **9,485** |

*Source: Nefte Transport, Global Markets, Argus Fundamentals, Argus FSU, OPEC.*
* *Preliminary.*
** *Total incl. exports of minor volumes to China.*
*na Not available.*

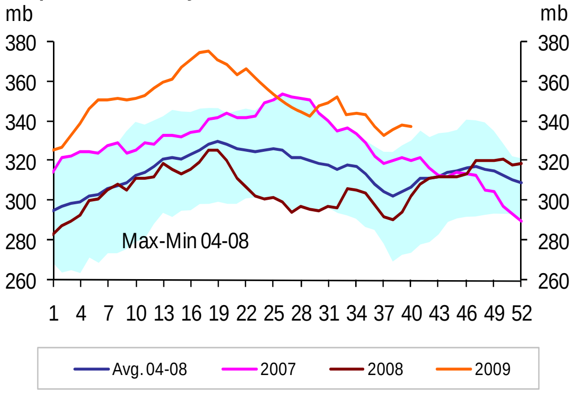
# Stock Movements

*US commercial oil stocks rose more than 10 mb, keeping the overhang at 90 mb in September*

## USA

After having dropped in August for the first time since September 2008, US commercial oil stocks resumed their upward trend increasing 10.4 mb in September to stand at nearly 1,109 mb, resulting in an overhang of around 90 mb with the five-year average. It is worth noting that US commercial oil stocks increased by more than 100 mb since September 2008, compared to a draw of 22 mb a year ago.

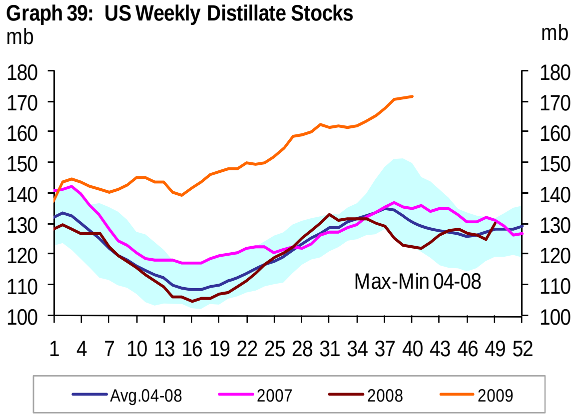
**Graph 38: US weekly commercial crude oil inventories**




The build in September is attributed to products while crude oil stocks continued the downward trend. Crude oil inventories dropped a further 2.4 mb to 338 mb, bringing the cumulative draw over the last five months to 32.6 mb. However, despite this draw, US crude oil stocks remained above the upper end of the five-year range, keeping the overhang at 32 mb.

Driven by both gasoline and distillates, product stocks increased 12.8 mb to offset the draw of the previous month. Gasoline inventories went against the seasonal trend and jumped more than 6 mb to offset the draws of July and August and stand above 211 mb. The build in gasoline inventories was driven by a decline in demand as the driving season has ended. Following the same trend, distillate stocks moved against the seasonal trend and continued increasing. They rose a further 7 mb to move around 172 mb, the highest level since December 1982. It is worth noting that 26 mb have been added to distillate stocks since the beginning of the year, resulting in an overhang of 40 mb or 30% in September compared to just 12 mb or 10% in January. Again, the ample level of distillate stocks is attributable to sluggish demand due to the ongoing impact of the economic crisis. Jet fuel oil stocks increased slightly 0.3 mb to stand close to 46 mb, up 8 mb or 20% over September 2008 while residual fuel oil inventories reversed the downward trend and rose 1.4 mb to stand above 35 mb but remained lower than a year ago.

**Graph 39: US Weekly Distillate Stocks**




Due to weak demand, both crude oil and product stocks are very comfortable in terms of forward demand cover. However, crude oil stocks correspond to 23 days of forward cover, one day and half better than the average of the previous five years while gasoline inventories corresponded to 23.7 days, almost 2 days higher than the five-year average. Ample distillate stocks and sluggish demand has let days of forward cover reach a new record of almost 51 days, a gain of 18 days or 55% over the five-year average.

Strategic Petroleum Reserve (SPR) resumed the upward trend and gained 1 mb to stand at a new record of 725.1 mb which approaches the total capacity of 727 mb.

**Table 28: US onland commercial petroleum stocks, mb**

| | Jul 09 | Aug 09 | Sep 09 | Change Sep 09 /Aug 09 | Sep 08 | 02 Oct 09 * |
|---|---|---|---|---|---|---|
| **Crude oil** | 347.2 | 340.0 | 337.6 | -2.4 | 304.0 | 337.4 |
| Gasoline | 210.3 | 205.1 | 211.5 | 6.4 | 190.0 | 214.4 |
| Distillate fuel | 161.1 | 164.7 | 171.7 | 7.0 | 127.7 | 171.8 |
| Residual fuel oil | 35.4 | 33.7 | 35.1 | 1.4 | 38.9 | 35.3 |
| Jet fuel | 45.6 | 45.5 | 45.8 | 0.3 | 37.8 | 45.7 |
| **Total** | **1,117.4** | **1,098.2** | **1,108.6** | **10.4** | **1,002.0** | **1,109.2** |
| SPR | 724.1 | 724.1 | 725.1 | 1.0 | 702.4 | 725.1 |

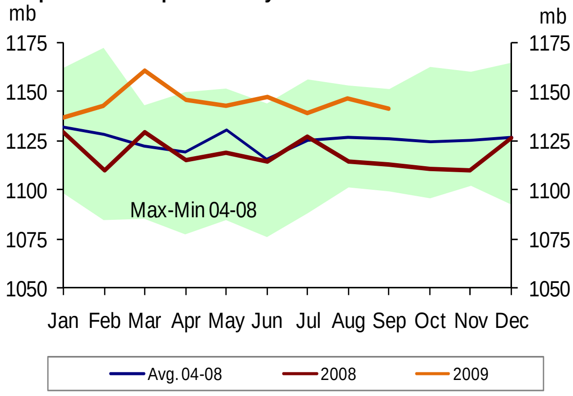
**/ Latest available data at time of report's release.*
*Source: US Department of Energy's Energy Information Administration.*

## Western Europe

*EU-15 plus Norway total oil inventories fell 5 mb but remained 16 mb above the five-year average in September*

European total oil inventories (EU-15 plus Norway) continued to alternate between builds and draws of the same amplitude to some extent since last May and dropped almost 5 mb to stand at around 1,142 mb in September, the same level as the one seen five months ago. Despite the draw, the overhang remained at around 16 mb with the five-year average and 30 mb higher than a year ago.

**Graph 40: EU-15 plus Norway's total oil stocks**




The draw in inventories was driven by distillates, which dropped for the first time since October 2008. Despite an increase in refinery runs, lower imports let European distillate stocks lose 6 mb, in line with the seasonal trend, but stood at more than 410 mb to remain above the upper end of the five-year range for the seventh consecutive month. Following the same trend, crude oil stocks dropped, but for the sixth month in a row. They lost 0.4 mb to stand at 476 mb, in line with the five-year average. The draw in crude oil inventories was due an increase in refinery runs. However, the rise in refinery runs was at some extent offset by an increase in supplies within the region, leaving stocks to decrease by just a marginal 0.4 mb. Gasoline stocks rose 1 mb to 117 mb but remained 10 mb below the five-year range. It is worth mentioning that gasoline stocks moved for the first time within the five-year range in September after having been below the range since the beginning of the year. The build in gasoline inventories was attributed to the combination of higher production from refineries and weak demand within the region. Similarly, weaker demand in addition to closed arbitrage to Asia-Pacific let residual fuel oil stocks increase a further 0.8 mb to 111.3 mb whereas naphtha stocks fell a marginal 0.1 mb to 27.2 mb, down 1.3 mb from a year earlier.

**Table 29: Western Europe's oil stocks, mb**

| | Jul 09 | Aug 09 | Sep 09 | Change Sep 09/Aug 09 | Sep 08 |
|---|---|---|---|---|---|
| **Crude oil** | 482.1 | 475.9 | 475.5 | -0.4 | 471.3 |
| Mogas | 112.8 | 116.3 | 117.3 | 1.0 | 115.0 |
| Naphtha | 27.6 | 27.3 | 27.2 | -0.1 | 28.5 |
| Middle distillates | 412.1 | 416.3 | 410.3 | -6.0 | 381.6 |
| Fuel oils | 104.3 | 110.5 | 111.3 | 0.8 | 114.1 |
| **Total products** | 656.8 | 670.3 | 666.0 | -4.3 | 639.2 |
| **Total** | **1,138.9** | **1,146.2** | **1,141.5** | **-4.7** | **1,110.5** |

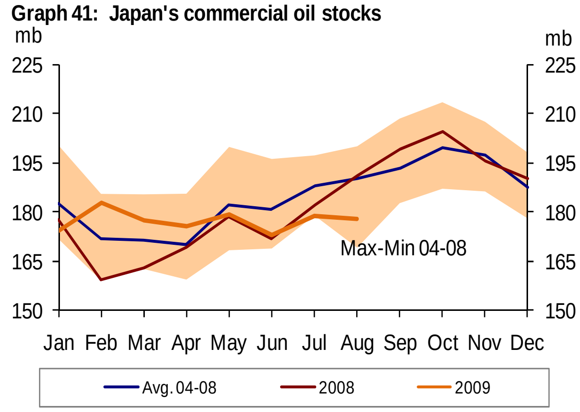
*Source: Argus, Euroilstock.*

*Japan's commercial oil stocks dropped slightly in August but remained comfortable.*

## Japan

Japan total commercial oil stocks remained comfortable, standing slightly below 178 mb in August, almost unchanged from the previous month. Nevertheless, inventory components saw mixed movement with crude oil losing a hefty 6 mb and products increasing by almost the same amount.

**Graph 41: Japan's commercial oil stocks**




Crude oil inventories fell 6.2 mb to move below 100 mb for the first time since April of last year. At 98 mb, crude oil inventories remained below last year's level and the five-year average but are still comfortable considering demand. The highest draw in crude oil stocks since end 2007 was attributed to a recovery in refinery throughput, albeit it remains below the seasonal rate as domestic demand for products is still weak.

In contrast, product inventories led by distillates increased a further 5.5 mb to stand at nearly 80 mb, the highest level so far this year. All the components of product inventories increased except gasoline. Driven by stronger supply from refineries and lower domestic demand, distillate stocks continued their upward trend, adding 3.3 mb to stand at a comfortable level of nearly 38 mb. On the other hand, gasoline stocks fell — albeit marginally — for the fourth consecutive month but stood within the five-year range at 12.5 mb, the lowest so far this year. The draw in gasoline inventories was attributed to a combination of an increase in domestic sales and higher exports. Residual fuel oil and naphtha stocks rose by around 1.5 mb each to stand at 17.0 mb and 12.3 mb, respectively.

*Preliminary data shows a further decline in crude stocks in September.*

Preliminary data shows that Japan's commercial oil inventories rose by almost 4 mb between the last week of August and early September. Again, the build was driven by distillates which added more than 2 mb while crude oil inventories fell a further 4 mb and contrary to August, gasoline stocks recovered and posted a build of around 0.5 mb, the first since the end of the third quarter 2009.

**Table 30: Japan's commercial oil stocks*, mb**

| | Jun 09 | Jul 09 | Aug 09 | Change Aug 09/Jul 09 | Aug 08 |
|---|---|---|---|---|---|
| **Crude oil** | 103.0 | 104.4 | 98.2 | -6.2 | 100.3 |
| Gasoline | 14.0 | 13.1 | 12.5 | -0.6 | 14.4 |
| Naphtha | 9.0 | 11.0 | 12.3 | 1.3 | 11.8 |
| Middle distillates | 31.6 | 34.6 | 37.8 | 3.3 | 43.1 |
| Residual fuel oil | 15.4 | 15.6 | 17.0 | 1.5 | 21.4 |
| **Total products** | 70.0 | 74.2 | 79.7 | 5.5 | 90.8 |
| **Total**** | **173.0** | **178.5** | **177.8** | **-0.7** | **191.0** |

* *At end of month.*

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

*Source: METI, Japan.*

# Balance of Supply and Demand

*Demand for OPEC crude in 2009 to decline sharply by 2.3 mb/d*

## Estimate for 2009

Demand for OPEC crude has been revised up by around 100,000 b/d to currently stand at 28.6 mb/d, reflecting mainly the upward revision in the second half of the year. However, this still represents a decline of 2.3 mb/d from the previous year. The first half experienced negative growth of around 3.0 mb/d compared to the same period last year, while the decline is seen narrowing in the second half to show a loss of about 1.1 mb/d in the fourth quarter.

**Table 31: Summarized supply/demand balance for 2009, mb/d**

| | 2008 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 |
|---|---|---|---|---|---|---|
| **(a) World Oil Demand** | **85.65** | **83.91** | **83.16** | **84.51** | **85.36** | **84.24** |
| Non-OPEC Supply | 50.45 | 50.95 | 50.57 | 50.83 | 51.09 | 50.86 |
| OPEC NGLs and non-conventionals | 4.32 | 4.59 | 4.63 | 4.88 | 5.02 | 4.78 |
| **(b) Total Supply excluding OPEC Crude** | **54.77** | **55.54** | **55.20** | **55.71** | **56.11** | **55.64** |
| **Difference (a-b)** | **30.88** | **28.37** | **27.95** | **28.80** | **29.25** | **28.60** |
| OPEC crude oil production | 31.21 | 28.43 | 28.48 | 28.83 | | |
| Balance | 0.33 | 0.06 | 0.53 | 0.04 | | |

*Totals may not add due to independent rounding.*

*Demand for OPEC crude in 2010 is forecast at 28.4 mb/d, an upward revision of 0.3 mb/d*

## Forecast for 2010

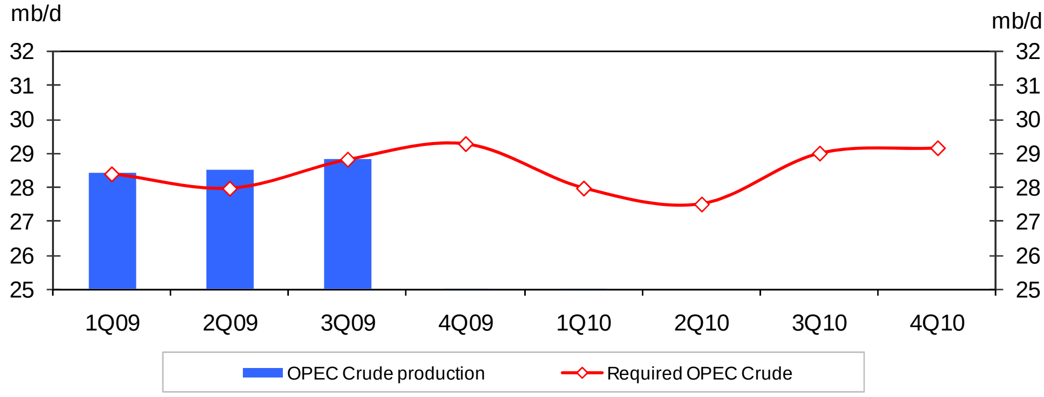
Demand for crude in 2010 is forecast to average 28.4 mb/d, representing an upward adjustment of 0.3 mb/d from the previous assessment. This revision came of the back of the upward revision of demand as non-OPEC supply remained broadly unchanged. Demand for OPEC crude growth in 2010 is currently projected at minus 0.2 mb/d, with the first half of the year still showing a decline of around 0.5 mb/d. The second half is expected to return to positive growth of about 100,000 b/d, providing a sign of recovery.

**Table 32: Summarized supply/demand balance for 2010, mb/d**

| | 2009 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2010 |
|---|---|---|---|---|---|---|
| **(a) World Oil Demand** | **84.24** | **84.36** | **83.69** | **85.36** | **86.29** | **84.93** |
| Non-OPEC Supply | 50.86 | 51.30 | 50.93 | 50.99 | 51.61 | 51.21 |
| OPEC NGLs and non-conventionals | 4.78 | 5.10 | 5.27 | 5.40 | 5.55 | 5.33 |
| **(b) Total Supply excluding OPEC Crude** | **55.64** | **56.40** | **56.20** | **56.38** | **57.16** | **56.54** |
| **Difference (a-b)** | **28.60** | **27.96** | **27.49** | **28.98** | **29.13** | **28.39** |

*Totals may not add due to independent rounding.*

**Graph 42: Balance of supply and demand**



## Table 33: World oil demand/supply balance, mb/d

| | 2004 | 2005 | 2006 | 2007 | 2008 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| World demand | | | | | | | | | | | | | | | |
| OECD | 49.5 | 49.8 | 49.5 | 49.2 | 47.6 | 46.6 | 44.6 | 45.4 | 46.9 | 45.9 | 46.2 | 44.4 | 45.4 | 46.9 | 45.7 |
| North America | 25.4 | 25.6 | 25.4 | 25.5 | 24.2 | 23.5 | 23.0 | 23.3 | 24.0 | 23.4 | 23.7 | 23.1 | 23.6 | 24.3 | 23.7 |
| Western Europe | 15.5 | 15.7 | 15.7 | 15.3 | 15.3 | 14.9 | 14.4 | 14.8 | 15.1 | 14.8 | 14.6 | 14.2 | 14.6 | 15.0 | 14.6 |
| Pacific | 8.5 | 8.6 | 8.5 | 8.4 | 8.1 | 8.1 | 7.3 | 7.3 | 7.8 | 7.6 | 7.9 | 7.1 | 7.2 | 7.7 | 7.5 |
| DCs | 21.8 | 22.6 | 23.3 | 24.3 | 25.2 | 25.1 | 25.8 | 25.7 | 25.5 | 25.5 | 25.6 | 26.3 | 26.3 | 26.1 | 26.0 |
| FSU | 3.8 | 3.9 | 4.0 | 4.0 | 4.1 | 3.9 | 3.7 | 4.1 | 4.2 | 4.0 | 3.9 | 3.7 | 4.2 | 4.2 | 4.0 |
| Other Europe | 0.9 | 0.9 | 0.9 | 0.8 | 0.8 | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 |
| China | 6.5 | 6.7 | 7.2 | 7.6 | 8.0 | 7.6 | 8.3 | 8.4 | 8.0 | 8.1 | 7.9 | 8.6 | 8.7 | 8.3 | 8.4 |
| (a) Total world demand | 82.5 | 83.9 | 84.9 | 86.0 | 85.6 | 83.9 | 83.2 | 84.5 | 85.4 | 84.2 | 84.4 | 83.7 | 85.4 | 86.3 | 84.9 |
| Non-OPEC supply | | | | | | | | | | | | | | | |
| OECD | 21.3 | 20.5 | 20.2 | 20.1 | 19.6 | 19.9 | 19.2 | 19.3 | 19.5 | 19.5 | 19.5 | 19.1 | 19.0 | 19.4 | 19.3 |
| North America | 14.6 | 14.1 | 14.2 | 14.3 | 13.9 | 14.2 | 13.9 | 14.1 | 14.2 | 14.1 | 14.2 | 14.0 | 14.0 | 14.2 | 14.1 |
| Western Europe | 6.2 | 5.7 | 5.4 | 5.2 | 5.0 | 5.1 | 4.7 | 4.6 | 4.7 | 4.8 | 4.7 | 4.5 | 4.3 | 4.5 | 4.5 |
| Pacific | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 |
| DCs | 11.6 | 11.9 | 12.0 | 12.1 | 12.3 | 12.5 | 12.5 | 12.5 | 12.5 | 12.5 | 12.7 | 12.7 | 12.8 | 13.0 | 12.8 |
| FSU | 11.1 | 11.5 | 12.0 | 12.5 | 12.6 | 12.6 | 12.9 | 13.0 | 13.0 | 12.9 | 13.1 | 13.1 | 13.1 | 13.2 | 13.1 |
| Other Europe | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| China | 3.5 | 3.6 | 3.7 | 3.8 | 3.8 | 3.8 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 |
| Processing gains | 1.8 | 1.9 | 1.9 | 1.9 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Total non-OPEC supply | 49.6 | 49.6 | 50.0 | 50.6 | 50.4 | 50.9 | 50.6 | 50.8 | 51.1 | 50.9 | 51.3 | 50.9 | 51.0 | 51.6 | 51.2 |
| OPEC NGLs + non-conventional oils | 3.7 | 3.9 | 3.9 | 4.0 | 4.3 | 4.6 | 4.6 | 4.9 | 5.0 | 4.8 | 5.1 | 5.3 | 5.4 | 5.5 | 5.3 |
| (b) Total non-OPEC supply and OPEC NGLs | 53.3 | 53.5 | 53.9 | 54.6 | 54.8 | 55.5 | 55.2 | 55.7 | 56.1 | 55.6 | 56.4 | 56.2 | 56.4 | 57.2 | 56.5 |
| OPEC crude oil production (secondary sources) | 29.6 | 30.7 | 30.5 | 30.2 | 31.2 | 28.4 | 28.5 | 28.8 | | | | | | | |
| Total supply | 82.9 | 84.2 | 84.4 | 84.8 | 86.0 | 84.0 | 83.7 | 84.5 | | | | | | | |
| Balance (stock change and miscellaneous) | 0.3 | 0.3 | -0.5 | -1.2 | 0.3 | 0.1 | 0.5 | 0.0 | | | | | | | |
| OECD closing stock levels (*mb*) | | | | | | | | | | | | | | | |
| Commercial | 2538 | 2585 | 2667 | 2567 | 2702 | 2747 | 2760 | | | | | | | | |
| SPR | 1450 | 1487 | 1499 | 1524 | 1527 | 1547 | 1561 | | | | | | | | |
| Total | 3988 | 4072 | 4166 | 4091 | 4229 | 4294 | 4321 | | | | | | | | |
| Oil-on-water | 905 | 954 | 919 | 951 | 965 | 900 | 902 | | | | | | | | |
| Days of forward consumption in OECD | | | | | | | | | | | | | | | |
| Commercial onland stocks | 51 | 52 | 54 | 54 | 59 | 62 | 61 | | | | | | | | |
| SPR | 29 | 30 | 30 | 32 | 33 | 35 | 34 | | | | | | | | |
| Total | 80 | 82 | 85 | 86 | 92 | 96 | 95 | | | | | | | | |
| Memo items | | | | | | | | | | | | | | | |
| FSU net exports | 7.3 | 7.7 | 8.0 | 8.5 | 8.5 | 8.8 | 9.2 | 8.8 | 8.9 | 8.9 | 9.2 | 9.3 | 8.9 | 9.0 | 9.1 |
| (a) - (b) | 29.2 | 30.4 | 31.1 | 31.4 | 30.9 | 28.4 | 28.0 | 28.8 | 29.3 | 28.6 | 28.0 | 27.5 | 29.0 | 29.1 | 28.4 |

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

## Table 34: World oil demand/supply balance: changes from last month's table † , mb/d

| | 2004 | 2005 | 2006 | 2007 | 2008 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| World demand | | | | | | | | | | | | | | | |
| OECD | - | - | - | - | - | - | -0.1 | 0.3 | 0.4 | 0.2 | 0.3 | 0.1 | 0.4 | 0.4 | 0.3 |
| North America | - | - | - | - | - | - | 0.1 | 0.4 | 0.4 | 0.2 | 0.1 | 0.1 | 0.4 | 0.4 | 0.2 |
| Western Europe | - | - | - | - | - | - | -0.1 | -0.2 | -0.1 | -0.1 | 0.2 | 0.1 | -0.1 | - | - |
| Pacific | - | - | - | - | - | - | -0.1 | 0.1 | - | - | - | -0.1 | 0.1 | - | - |
| DCs | - | - | - | - | - | - | 0.1 | 0.1 | - | - | - | 0.1 | 0.1 | - | 0.1 |
| FSU | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Europe | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| China | - | - | - | - | - | - | - | - | - | - | - | - | 0.1 | - | - |
| (a) Total world demand | - | - | - | - | - | - | - | 0.4 | 0.4 | 0.2 | 0.3 | 0.3 | 0.5 | 0.5 | 0.4 |
| *World demand growth* | *-* | *-* | *-* | *-* | *0.03* | *-* | *-0.13* | *0.38* | *0.36* | *0.15* | *0.29* | *0.27* | *0.13* | *0.09* | *0.19* |
| Non-OPEC supply | | | | | | | | | | | | | | | |
| OECD | - | - | - | - | - | -0.1 | - | - | 0.1 | - | - | - | - | - | - |
| North America | - | - | - | - | - | - | - | 0.1 | 0.2 | - | - | - | - | - | - |
| Western Europe | - | - | - | - | - | - | - | - | -0.1 | - | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 |
| Pacific | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| DCs | - | - | - | - | - | - | - | -0.1 | -0.1 | - | -0.1 | - | - | - | - |
| FSU | - | - | - | - | - | - | - | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | - | - | 0.1 |
| Other Europe | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| China | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Processing gains | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total non-OPEC supply | - | - | - | - | - | -0.1 | - | 0.1 | 0.2 | - | - | - | - | - | - |
| *Total non-OPEC supply growth* | *-* | *-* | *-* | *-* | *-0.02* | *-0.04* | *-* | *0.12* | *0.21* | *0.07* | *0.05* | *-0.01* | *-0.12* | *-0.18* | *-0.07* |
| OPEC NGLs + non-conventionals | - | - | - | - | - | - | - | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | - | - | 0.1 |
| (b) Total non-OPEC supply and OPEC NGLs | - | - | - | - | - | -0.1 | - | 0.2 | 0.3 | 0.1 | 0.1 | 0.1 | - | - | - |
| OPEC crude oil production (secondary sources) | - | - | - | - | - | - | - | - | | | | | | | |
| Total supply | - | - | - | - | - | -0.1 | 0.1 | - | | | | | | | |
| Balance (stock change and miscellaneous) | - | - | - | - | - | -0.1 | 0.1 | - | | | | | | | |
| OECD closing stock levels (*mb*) | | | | | | | | | | | | | | | |
| Commercial | - | - | 1 | - | 1 | 4 | -6 | | | | | | | | |
| SPR | - | - | - | - | - | - | - | | | | | | | | |
| Total | - | - | 1 | - | 1 | 4 | -5 | | | | | | | | |
| Oil-on-water | - | -5 | 3 | 3 | 17 | 12 | 25 | | | | | | | | |
| Days of forward consumption in OECD | | | | | | | | | | | | | | | |
| Commercial onland stocks | - | - | - | - | - | - | -1 | | | | | | | | |
| SPR | - | - | - | - | - | - | - | | | | | | | | |
| Total | - | - | - | - | - | - | -1 | | | | | | | | |
| Memo items | | | | | | | | | | | | | | | |
| FSU net exports | - | - | - | - | - | - | - | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| (a) - (b) | - | - | - | - | - | 0.1 | - | 0.2 | 0.1 | 0.1 | 0.2 | 0.2 | 0.5 | 0.4 | 0.3 |

*† This compares Table 33 in this issue of the MOMR with Table 33 in the September 2009 issue.*
*This table shows only where changes have occurred.*

## Table 35: OECD oil stocks and oil on water at the end of period

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 1Q05 | 2Q05 | 3Q05 | 4Q05 | 1Q06 | 2Q06 | 3Q06 | 4Q06 | 1Q07 | 2Q07 | 3Q07 | 4Q07 | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 1Q09 | 2Q09 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Closing stock levels *mb* | | | | | | | | | | | | | | | | | | | | | | | | | | |
| OECD onland commercial | 2,630 | 2,473 | 2,511 | 2,538 | 2,585 | 2,667 | 2,567 | 2,702 | 2,533 | 2,612 | 2,627 | 2,585 | 2,585 | 2,648 | 2,760 | 2,667 | 2,598 | 2,658 | 2,650 | 2,567 | 2,573 | 2,607 | 2,660 | 2,702 | 2,747 | 2,760 |
| North America | 1,262 | 1,175 | 1,161 | 1,193 | 1,257 | 1,277 | 1,229 | 1,301 | 1,201 | 1,275 | 1,254 | 1,257 | 1,240 | 1,277 | 1,351 | 1,277 | 1,238 | 1,294 | 1,285 | 1,229 | 1,216 | 1,239 | 1,278 | 1,301 | 1,348 | 1,382 |
| Western Europe | 925 | 890 | 915 | 915 | 934 | 962 | 931 | 994 | 942 | 915 | 942 | 934 | 937 | 935 | 948 | 962 | 941 | 936 | 932 | 931 | 962 | 958 | 951 | 994 | 991 | 976 |
| OECD Pacific | 443 | 408 | 435 | 430 | 394 | 429 | 407 | 407 | 389 | 422 | 432 | 394 | 408 | 436 | 461 | 429 | 420 | 428 | 432 | 407 | 394 | 409 | 431 | 407 | 408 | 401 |
| OECD SPR | 1,288 | 1,347 | 1,411 | 1,450 | 1,487 | 1,499 | 1,524 | 1,527 | 1,462 | 1,494 | 1,494 | 1,487 | 1,487 | 1,493 | 1,495 | 1,499 | 1,507 | 1,506 | 1,520 | 1,524 | 1,529 | 1,526 | 1,522 | 1,527 | 1,547 | 1,561 |
| North America | 552 | 601 | 640 | 678 | 687 | 691 | 699 | 704 | 690 | 698 | 696 | 687 | 688 | 690 | 690 | 691 | 691 | 692 | 695 | 699 | 702 | 708 | 704 | 704 | 715 | 726 |
| Western Europe | 356 | 357 | 374 | 377 | 407 | 412 | 421 | 416 | 376 | 401 | 405 | 407 | 407 | 411 | 412 | 412 | 415 | 413 | 423 | 421 | 423 | 414 | 414 | 416 | 424 | 427 |
| OECD Pacific | 380 | 389 | 396 | 396 | 393 | 396 | 404 | 406 | 396 | 395 | 393 | 393 | 392 | 393 | 393 | 396 | 401 | 401 | 403 | 404 | 404 | 404 | 403 | 406 | 408 | 408 |
| **OECD total** | 3,918 | 3,820 | 3,921 | 3,988 | 4,072 | 4,166 | 4,091 | 4,229 | 3,995 | 4,106 | 4,121 | 4,072 | 4,072 | 4,141 | 4,255 | 4,166 | 4,105 | 4,164 | 4,170 | 4,091 | 4,102 | 4,133 | 4,183 | 4,229 | 4,294 | 4,321 |
| Oil-on-water | 830 | 815 | 882 | 905 | 954 | 919 | 951 | 965 | 931 | 932 | 925 | 954 | 962 | 975 | 974 | 919 | 918 | 895 | 920 | 951 | 934 | 918 | 886 | 965 | 900 | 902 |
| Days of forward consumption in OECD | | | | | | | | | | | | | | | | | | | | | | | | | | |
| OECD onland commercial | 55 | 51 | 51 | 51 | 52 | 54 | 54 | 59 | 52 | 53 | 52 | 51 | 54 | 54 | 55 | 54 | 54 | 54 | 53 | 52 | 54 | 56 | 56 | 58 | 62 | 61 |
| North America | 52 | 48 | 46 | 47 | 50 | 50 | 51 | 55 | 47 | 50 | 49 | 50 | 49 | 50 | 53 | 50 | 49 | 51 | 51 | 50 | 50 | 53 | 53 | 55 | 59 | 59 |
| Western Europe | 60 | 58 | 59 | 58 | 60 | 63 | 61 | 67 | 61 | 58 | 60 | 58 | 61 | 60 | 60 | 63 | 63 | 60 | 59 | 61 | 64 | 62 | 62 | 67 | 69 | 66 |
| OECD Pacific | 52 | 47 | 51 | 50 | 47 | 51 | 50 | 53 | 48 | 52 | 49 | 43 | 52 | 55 | 53 | 48 | 53 | 54 | 49 | 46 | 50 | 54 | 54 | 50 | 56 | 55 |
| OECD SPR | 27 | 28 | 29 | 29 | 30 | 30 | 32 | 33 | 30 | 30 | 30 | 29 | 31 | 30 | 30 | 30 | 31 | 31 | 30 | 31 | 32 | 33 | 32 | 33 | 35 | 34 |
| North America | 23 | 24 | 25 | 26 | 27 | 27 | 29 | 30 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 28 | 29 | 30 | 29 | 30 | 31 | 31 |
| Western Europe | 23 | 23 | 24 | 24 | 26 | 27 | 27 | 28 | 25 | 26 | 26 | 25 | 27 | 26 | 26 | 27 | 28 | 27 | 27 | 27 | 28 | 27 | 27 | 28 | 30 | 29 |
| OECD Pacific | 45 | 45 | 46 | 46 | 46 | 47 | 50 | 53 | 49 | 49 | 45 | 42 | 50 | 50 | 45 | 44 | 51 | 51 | 46 | 45 | 51 | 54 | 51 | 50 | 56 | 56 |
| **OECD total** | 82 | 79 | 79 | 80 | 82 | 85 | 86 | 92 | 82 | 83 | 82 | 80 | 84 | 84 | 85 | 84 | 85 | 85 | 84 | 83 | 87 | 89 | 88 | 91 | 96 | 95 |

## Table 36: Non-OPEC supply and OPEC natural gas liquids, mb/d

| | | | | | Change | | | | | | Change | | | | | | Change | | | | | | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 07/06 | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 2008 | 08/07 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 | 09/08 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2010 | 10/09 |
| USA | 7.65 | 7.34 | 7.36 | 7.50 | 0.14 | 7.64 | 7.75 | 7.20 | 7.42 | 7.50 | 0.00 | 7.81 | 7.94 | 8.02 | 7.99 | 7.94 | 0.44 | 8.03 | 7.95 | 7.92 | 8.05 | 7.99 | 0.05 |
| Canada | 3.07 | 3.03 | 3.20 | 3.32 | 0.12 | 3.30 | 3.12 | 3.30 | 3.28 | 3.25 | -0.07 | 3.30 | 2.98 | 3.17 | 3.32 | 3.19 | -0.06 | 3.31 | 3.26 | 3.27 | 3.33 | 3.29 | 0.10 |
| Mexico | 3.83 | 3.77 | 3.69 | 3.49 | -0.21 | 3.29 | 3.18 | 3.13 | 3.09 | 3.17 | -0.31 | 3.04 | 2.97 | 2.93 | 2.87 | 2.95 | -0.22 | 2.84 | 2.78 | 2.79 | 2.80 | 2.80 | -0.15 |
| North America | 14.56 | 14.14 | 14.24 | 14.30 | 0.06 | 14.22 | 14.05 | 13.63 | 13.80 | 13.92 | -0.38 | 14.16 | 13.89 | 14.12 | 14.18 | 14.09 | 0.16 | 14.18 | 13.99 | 13.97 | 14.18 | 14.08 | -0.01 |
| Norway | 3.19 | 2.97 | 2.78 | 2.56 | -0.22 | 2.51 | 2.39 | 2.38 | 2.54 | 2.45 | -0.10 | 2.52 | 2.20 | 2.31 | 2.39 | 2.35 | -0.10 | 2.32 | 2.22 | 2.12 | 2.26 | 2.23 | -0.12 |
| UK | 2.10 | 1.89 | 1.71 | 1.69 | -0.02 | 1.66 | 1.65 | 1.41 | 1.58 | 1.57 | -0.11 | 1.63 | 1.56 | 1.37 | 1.37 | 1.48 | -0.09 | 1.41 | 1.37 | 1.29 | 1.31 | 1.34 | -0.14 |
| Denmark | 0.39 | 0.38 | 0.34 | 0.31 | -0.04 | 0.29 | 0.29 | 0.27 | 0.28 | 0.28 | -0.02 | 0.28 | 0.27 | 0.26 | 0.27 | 0.27 | -0.01 | 0.27 | 0.26 | 0.25 | 0.25 | 0.26 | -0.01 |
| Other Western Europe | 0.50 | 0.51 | 0.54 | 0.68 | 0.15 | 0.72 | 0.73 | 0.75 | 0.74 | 0.74 | 0.05 | 0.68 | 0.67 | 0.64 | 0.68 | 0.67 | -0.07 | 0.69 | 0.69 | 0.69 | 0.69 | 0.69 | 0.02 |
| Western Europe | 6.18 | 5.74 | 5.37 | 5.23 | -0.13 | 5.18 | 5.05 | 4.82 | 5.15 | 5.05 | -0.19 | 5.11 | 4.70 | 4.58 | 4.71 | 4.77 | -0.28 | 4.69 | 4.53 | 4.35 | 4.51 | 4.52 | -0.25 |
| Australia | 0.52 | 0.53 | 0.51 | 0.53 | 0.02 | 0.47 | 0.53 | 0.55 | 0.58 | 0.53 | 0.01 | 0.55 | 0.52 | 0.54 | 0.53 | 0.54 | 0.00 | 0.51 | 0.52 | 0.57 | 0.58 | 0.54 | 0.01 |
| Other Pacific | 0.05 | 0.05 | 0.05 | 0.08 | 0.03 | 0.11 | 0.11 | 0.10 | 0.09 | 0.10 | 0.02 | 0.09 | 0.09 | 0.09 | 0.10 | 0.09 | -0.01 | 0.12 | 0.11 | 0.11 | 0.11 | 0.11 | 0.02 |
| OECD Pacific | 0.57 | 0.58 | 0.56 | 0.60 | 0.04 | 0.58 | 0.63 | 0.64 | 0.67 | 0.63 | 0.03 | 0.64 | 0.61 | 0.63 | 0.63 | 0.63 | 0.00 | 0.63 | 0.63 | 0.68 | 0.69 | 0.66 | 0.03 |
| Total OECD | 21.31 | 20.45 | 20.17 | 20.14 | -0.03 | 19.98 | 19.74 | 19.09 | 19.61 | 19.60 | -0.54 | 19.91 | 19.21 | 19.33 | 19.51 | 19.49 | -0.12 | 19.50 | 19.15 | 19.00 | 19.38 | 19.26 | -0.23 |
| Brunei | 0.21 | 0.21 | 0.22 | 0.19 | -0.03 | 0.19 | 0.16 | 0.17 | 0.18 | 0.17 | -0.02 | 0.17 | 0.15 | 0.18 | 0.16 | 0.16 | -0.01 | 0.15 | 0.15 | 0.15 | 0.15 | 0.15 | -0.02 |
| India | 0.79 | 0.76 | 0.79 | 0.82 | 0.02 | 0.83 | 0.81 | 0.82 | 0.84 | 0.82 | 0.01 | 0.80 | 0.80 | 0.80 | 0.84 | 0.81 | -0.01 | 0.85 | 0.87 | 0.86 | 0.87 | 0.86 | 0.05 |
| Indonesia | 1.15 | 1.12 | 1.07 | 1.02 | -0.04 | 1.05 | 1.04 | 1.04 | 1.03 | 1.04 | 0.02 | 1.02 | 1.02 | 1.04 | 1.02 | 1.03 | -0.01 | 1.02 | 1.03 | 1.03 | 1.03 | 1.03 | 0.00 |
| Malaysia | 0.79 | 0.77 | 0.76 | 0.76 | 0.01 | 0.78 | 0.76 | 0.78 | 0.75 | 0.77 | 0.01 | 0.75 | 0.74 | 0.74 | 0.74 | 0.74 | -0.03 | 0.75 | 0.73 | 0.72 | 0.70 | 0.72 | -0.02 |
| Thailand | 0.25 | 0.30 | 0.32 | 0.34 | 0.02 | 0.34 | 0.35 | 0.36 | 0.36 | 0.35 | 0.02 | 0.36 | 0.37 | 0.37 | 0.37 | 0.37 | 0.01 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.00 |
| Vietnam | 0.42 | 0.39 | 0.37 | 0.35 | -0.02 | 0.34 | 0.31 | 0.29 | 0.31 | 0.31 | -0.04 | 0.32 | 0.34 | 0.35 | 0.35 | 0.34 | 0.03 | 0.36 | 0.37 | 0.37 | 0.38 | 0.37 | 0.03 |
| Asia others | 0.18 | 0.26 | 0.26 | 0.27 | 0.00 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.01 | 0.28 | 0.28 | 0.28 | 0.29 | 0.28 | 0.01 | 0.29 | 0.29 | 0.29 | 0.30 | 0.29 | 0.01 |
| Other Asia | 3.81 | 3.80 | 3.79 | 3.74 | -0.05 | 3.80 | 3.71 | 3.73 | 3.75 | 3.75 | 0.01 | 3.71 | 3.71 | 3.75 | 3.76 | 3.73 | -0.02 | 3.79 | 3.81 | 3.78 | 3.79 | 3.79 | 0.06 |
| Argentina | 0.80 | 0.78 | 0.77 | 0.76 | -0.01 | 0.77 | 0.77 | 0.76 | 0.75 | 0.76 | 0.00 | 0.76 | 0.76 | 0.73 | 0.71 | 0.74 | -0.02 | 0.72 | 0.71 | 0.70 | 0.69 | 0.70 | -0.04 |
| Brazil | 1.80 | 1.98 | 2.11 | 2.22 | 0.12 | 2.34 | 2.39 | 2.43 | 2.41 | 2.39 | 0.17 | 2.52 | 2.55 | 2.56 | 2.58 | 2.55 | 0.16 | 2.68 | 2.67 | 2.78 | 2.86 | 2.75 | 0.19 |
| Colombia | 0.54 | 0.53 | 0.54 | 0.54 | 0.00 | 0.57 | 0.59 | 0.61 | 0.62 | 0.60 | 0.06 | 0.65 | 0.66 | 0.68 | 0.66 | 0.66 | 0.06 | 0.68 | 0.71 | 0.73 | 0.76 | 0.72 | 0.06 |
| Trinidad & Tobago | 0.16 | 0.18 | 0.18 | 0.16 | -0.02 | 0.16 | 0.15 | 0.16 | 0.16 | 0.16 | 0.00 | 0.16 | 0.16 | 0.15 | 0.17 | 0.16 | 0.00 | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 | 0.00 |
| L. America others | 0.26 | 0.30 | 0.26 | 0.27 | 0.00 | 0.27 | 0.28 | 0.29 | 0.32 | 0.29 | 0.02 | 0.32 | 0.31 | 0.32 | 0.31 | 0.32 | 0.03 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | -0.02 |
| Latin America | 3.55 | 3.77 | 3.86 | 3.95 | 0.09 | 4.11 | 4.18 | 4.24 | 4.26 | 4.20 | 0.24 | 4.41 | 4.44 | 4.45 | 4.42 | 4.43 | 0.23 | 4.53 | 4.54 | 4.66 | 4.76 | 4.62 | 0.19 |
| Bahrain | 0.21 | 0.21 | 0.21 | 0.21 | 0.00 | 0.21 | 0.21 | 0.21 | 0.21 | 0.21 | 0.00 | 0.21 | 0.21 | 0.21 | 0.21 | 0.21 | 0.00 | 0.21 | 0.21 | 0.21 | 0.21 | 0.21 | 0.00 |
| Oman | 0.79 | 0.78 | 0.75 | 0.71 | -0.03 | 0.72 | 0.74 | 0.76 | 0.75 | 0.74 | 0.03 | 0.76 | 0.76 | 0.75 | 0.78 | 0.76 | 0.02 | 0.78 | 0.79 | 0.79 | 0.79 | 0.79 | 0.02 |
| Syria | 0.49 | 0.45 | 0.44 | 0.42 | -0.02 | 0.41 | 0.40 | 0.40 | 0.39 | 0.40 | -0.02 | 0.38 | 0.37 | 0.36 | 0.38 | 0.37 | -0.02 | 0.38 | 0.37 | 0.37 | 0.36 | 0.37 | 0.00 |
| Yemen | 0.41 | 0.41 | 0.37 | 0.34 | -0.04 | 0.31 | 0.31 | 0.30 | 0.30 | 0.31 | -0.03 | 0.28 | 0.27 | 0.27 | 0.26 | 0.27 | -0.03 | 0.26 | 0.25 | 0.25 | 0.24 | 0.25 | -0.02 |
| Middle East | 1.90 | 1.85 | 1.76 | 1.67 | -0.09 | 1.65 | 1.66 | 1.66 | 1.64 | 1.65 | -0.02 | 1.63 | 1.61 | 1.59 | 1.63 | 1.61 | -0.04 | 1.63 | 1.62 | 1.61 | 1.60 | 1.61 | 0.00 |
| Chad | 0.16 | 0.18 | 0.16 | 0.15 | -0.01 | 0.15 | 0.15 | 0.15 | 0.15 | 0.15 | 0.00 | 0.14 | 0.14 | 0.14 | 0.13 | 0.13 | -0.02 | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 | 0.00 |
| Congo | 0.24 | 0.24 | 0.25 | 0.24 | 0.00 | 0.26 | 0.26 | 0.26 | 0.26 | 0.26 | 0.02 | 0.26 | 0.27 | 0.27 | 0.30 | 0.28 | 0.02 | 0.31 | 0.32 | 0.31 | 0.30 | 0.31 | 0.03 |
| Egypt | 0.71 | 0.70 | 0.67 | 0.67 | 0.00 | 0.68 | 0.68 | 0.69 | 0.70 | 0.69 | 0.02 | 0.70 | 0.69 | 0.68 | 0.67 | 0.68 | 0.00 | 0.68 | 0.67 | 0.66 | 0.65 | 0.67 | -0.02 |
| Equatorial Guinea | 0.30 | 0.36 | 0.37 | 0.37 | 0.00 | 0.38 | 0.38 | 0.38 | 0.38 | 0.38 | 0.01 | 0.38 | 0.36 | 0.35 | 0.35 | 0.36 | -0.02 | 0.36 | 0.35 | 0.35 | 0.34 | 0.35 | -0.01 |
| Gabon | 0.25 | 0.25 | 0.25 | 0.25 | 0.00 | 0.24 | 0.24 | 0.25 | 0.25 | 0.24 | -0.01 | 0.26 | 0.26 | 0.27 | 0.25 | 0.26 | 0.02 | 0.25 | 0.25 | 0.26 | 0.25 | 0.25 | -0.01 |
| South Africa | 0.19 | 0.19 | 0.19 | 0.18 | -0.01 | 0.17 | 0.17 | 0.17 | 0.17 | 0.17 | -0.01 | 0.17 | 0.17 | 0.17 | 0.16 | 0.17 | 0.00 | 0.15 | 0.15 | 0.15 | 0.15 | 0.15 | -0.02 |
| Sudan | 0.30 | 0.34 | 0.40 | 0.50 | 0.10 | 0.50 | 0.49 | 0.47 | 0.44 | 0.48 | -0.02 | 0.46 | 0.48 | 0.49 | 0.49 | 0.48 | 0.00 | 0.49 | 0.50 | 0.50 | 0.52 | 0.50 | 0.02 |
| Africa other | 0.21 | 0.25 | 0.32 | 0.35 | 0.03 | 0.38 | 0.38 | 0.38 | 0.38 | 0.38 | 0.03 | 0.38 | 0.37 | 0.37 | 0.36 | 0.37 | -0.01 | 0.39 | 0.39 | 0.43 | 0.47 | 0.42 | 0.05 |
| Africa | 2.36 | 2.52 | 2.60 | 2.71 | 0.11 | 2.75 | 2.76 | 2.74 | 2.73 | 2.74 | 0.04 | 2.73 | 2.73 | 2.74 | 2.71 | 2.73 | -0.02 | 2.75 | 2.76 | 2.79 | 2.81 | 2.78 | 0.05 |
| Total DCs | 11.63 | 11.93 | 12.02 | 12.08 | 0.06 | 12.31 | 12.30 | 12.37 | 12.39 | 12.34 | 0.26 | 12.48 | 12.49 | 12.52 | 12.53 | 12.50 | 0.16 | 12.70 | 12.72 | 12.84 | 12.96 | 12.81 | 0.30 |
| FSU | 11.14 | 11.55 | 12.02 | 12.52 | 0.50 | 12.62 | 12.67 | 12.46 | 12.49 | 12.56 | 0.04 | 12.63 | 12.90 | 12.97 | 13.05 | 12.89 | 0.33 | 13.07 | 13.06 | 13.09 | 13.23 | 13.12 | 0.23 |
| Russia | 9.19 | 9.44 | 9.65 | 9.87 | 0.22 | 9.78 | 9.74 | 9.81 | 9.80 | 9.78 | -0.08 | 9.78 | 9.88 | 9.96 | 9.93 | 9.89 | 0.10 | 9.92 | 9.86 | 9.88 | 9.86 | 9.88 | -0.01 |
| Kazakhstan | 1.18 | 1.23 | 1.30 | 1.35 | 0.05 | 1.42 | 1.44 | 1.33 | 1.47 | 1.41 | 0.06 | 1.48 | 1.51 | 1.49 | 1.59 | 1.52 | 0.10 | 1.60 | 1.61 | 1.57 | 1.66 | 1.61 | 0.09 |
| Azerbaijan | 0.31 | 0.44 | 0.65 | 0.86 | 0.21 | 0.96 | 1.03 | 0.85 | 0.78 | 0.91 | 0.04 | 0.94 | 1.08 | 1.08 | 1.07 | 1.04 | 0.14 | 1.09 | 1.13 | 1.17 | 1.23 | 1.16 | 0.11 |
| FSU others | 0.47 | 0.44 | 0.42 | 0.44 | 0.02 | 0.46 | 0.46 | 0.46 | 0.45 | 0.46 | 0.02 | 0.44 | 0.44 | 0.44 | 0.46 | 0.44 | -0.02 | 0.46 | 0.46 | 0.47 | 0.48 | 0.47 | 0.03 |
| Other Europe | 0.17 | 0.16 | 0.15 | 0.15 | 0.00 | 0.15 | 0.15 | 0.14 | 0.14 | 0.15 | -0.01 | 0.14 | 0.13 | 0.13 | 0.13 | 0.13 | -0.01 | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 | 0.00 |
| China | 3.50 | 3.64 | 3.69 | 3.77 | 0.07 | 3.82 | 3.88 | 3.85 | 3.85 | 3.85 | 0.08 | 3.80 | 3.86 | 3.91 | 3.89 | 3.87 | 0.02 | 3.91 | 3.88 | 3.94 | 3.93 | 3.92 | 0.05 |
| Non-OPEC production | 47.75 | 47.73 | 48.06 | 48.66 | 0.61 | 48.88 | 48.74 | 47.91 | 48.48 | 48.50 | -0.16 | 48.96 | 48.58 | 48.84 | 49.11 | 48.88 | 0.38 | 49.32 | 48.95 | 49.00 | 49.63 | 49.23 | 0.35 |
| Processing gains | 1.83 | 1.86 | 1.90 | 1.92 | 0.02 | 1.95 | 1.95 | 1.95 | 1.95 | 1.95 | 0.03 | 1.98 | 1.98 | 1.98 | 1.98 | 1.98 | 0.03 | 1.98 | 1.98 | 1.98 | 1.98 | 1.98 | 0.00 |
| Non-OPEC supply | 49.58 | 49.59 | 49.96 | 50.58 | 0.63 | 50.83 | 50.69 | 49.86 | 50.43 | 50.45 | -0.13 | 50.95 | 50.57 | 50.83 | 51.09 | 50.86 | 0.41 | 51.30 | 50.93 | 50.99 | 51.61 | 51.21 | 0.35 |
| OPEC NGL | 3.54 | 3.74 | 3.76 | 3.95 | 0.19 | 4.13 | 4.23 | 4.26 | 4.25 | 4.22 | 0.27 | 4.49 | 4.53 | 4.77 | 4.91 | 4.68 | 0.46 | 5.00 | 5.16 | 5.29 | 5.42 | 5.22 | 0.54 |
| OPEC Non-conventional | 0.17 | 0.16 | 0.14 | 0.08 | -0.05 | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 | 0.02 | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 | 0.00 | 0.11 | 0.11 | 0.11 | 0.13 | 0.11 | 0.01 |
| OPEC (NGL+NCF) | 3.71 | 3.89 | 3.89 | 4.03 | 0.14 | 4.24 | 4.34 | 4.36 | 4.36 | 4.32 | 0.29 | 4.59 | 4.63 | 4.88 | 5.02 | 4.78 | 0.46 | 5.10 | 5.27 | 5.40 | 5.55 | 5.33 | 0.55 |
| Non-OPEC & OPEC (NGL+NCF) | 53.29 | 53.49 | 53.85 | 54.62 | 0.77 | 55.07 | 55.02 | 54.22 | 54.78 | 54.77 | 0.15 | 55.54 | 55.20 | 55.71 | 56.11 | 55.64 | 0.87 | 56.40 | 56.20 | 56.38 | 57.16 | 56.54 | 0.90 |

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

## Table 37: World Rig Count

| | 2004 | 2005 | 2006 | Change 06/05 | 1Q07 | 2Q07 | 3Q07 | 4Q07 | 2007 | Change 07/06 | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 2008 | Change 08/07 | 1Q09 | 2Q09 | 3Q09 | Aug 09 | Sep 09 | Sep/Aug |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| USA | 1,190 | 1,381 | 1,647 | 267 | 1,733 | 1,756 | 1,788 | 1,790 | 1,767 | 119 | 1,770 | 1,864 | 1,978 | 1,898 | 1,877 | 111 | 1,326 | 936 | 956 | 980 | 1,009 | 29 |
| Canada | 369 | 458 | 470 | 12 | 532 | 139 | 348 | 356 | 344 | -126 | 507 | 169 | 432 | 408 | 379 | 35 | 328 | 91 | 177 | 178 | 208 | 30 |
| Mexico | 110 | 107 | 83 | -24 | 90 | 88 | 96 | 93 | 92 | 9 | 96 | 106 | 103 | 106 | 103 | 11 | 128 | 128 | 135 | 134 | 130 | -4 |
| North America | 1,668 | 1,945 | 2,200 | 255 | 2,355 | 1,983 | 2,231 | 2,240 | 2,202 | 2 | 2,373 | 2,139 | 2,513 | 2,411 | 2,359 | 157 | 1,782 | 1,154 | 1,267 | 1,292 | 1,347 | 55 |
| Norway | 17 | 17 | 17 | 0 | 16 | 19 | 18 | 17 | 18 | 1 | 17 | 21 | 21 | 21 | 20 | 2 | 25 | 18 | 18 | 19 | 22 | 3 |
| UK | 16 | 21 | 27 | 5 | 25 | 29 | 27 | 22 | 26 | -1 | 19 | 21 | 24 | 24 | 22 | -4 | 22 | 19 | 16 | 16 | 19 | 3 |
| Western Europe | 70 | 70 | 77 | 7 | 75 | 80 | 79 | 77 | 78 | 0 | 91 | 97 | 101 | 103 | 98 | 20 | 90 | 82 | 76 | 78 | 83 | 5 |
| OECD Pacific | 18 | 21 | 25 | 4 | 23 | 27 | 30 | 28 | 27 | 2 | 30 | 33 | 36 | 32 | 33 | 6 | 25 | 20 | 21 | 20 | 17 | -3 |
| Total OECD | 1,788 | 2,075 | 2,346 | 271 | 2,493 | 2,138 | 2,385 | 2,383 | 2,350 | 4 | 2,530 | 2,312 | 2,694 | 2,590 | 2,532 | 182 | 1,943 | 1,294 | 1,363 | 1,390 | 1,447 | 57 |
| Other Asia | 184 | 209 | 209 | 0 | 211 | 221 | 220 | 225 | 219 | 10 | 225 | 236 | 234 | 225 | 230 | 11 | 224 | 225 | 223 | 218 | 234 | 16 |
| Latin America | 116 | 129 | 149 | 19 | 175 | 177 | 171 | 179 | 175 | 27 | 187 | 184 | 195 | 197 | 191 | 16 | 164 | 147 | 149 | 147 | 159 | 12 |
| Middle East | 123 | 131 | 132 | 1 | 144 | 146 | 154 | 154 | 149 | 18 | 158 | 165 | 175 | 171 | 167 | 18 | 162 | 151 | 139 | 135 | 143 | 8 |
| Africa | 8 | 8 | 10 | 2 | 16 | 12 | 14 | 14 | 14 | 4 | 10 | 13 | 14 | 11 | 12 | -2 | 8 | 11 | 9 | 11 | 8 | -3 |
| Total DCs | 432 | 477 | 500 | 23 | 545 | 557 | 558 | 572 | 558 | 58 | 580 | 599 | 618 | 603 | 600 | 42 | 558 | 533 | 520 | 511 | 544 | 33 |
| Non-OPEC Rig Count | 2,220 | 2,552 | 2,845 | 294 | 3,039 | 2,695 | 2,943 | 2,955 | 2,908 | 62 | 3,111 | 2,911 | 3,313 | 3,194 | 3,132 | 224 | 2,501 | 1,827 | 1,883 | 1,901 | 1,991 | 90 |
| | | | | | | | | | | | | | | | | | | | | | | |
| Algeria | 19 | 21 | 24 | 4 | 25 | 26 | 28 | 28 | 27 | 2 | 26 | 27 | 24 | 26 | 26 | -1 | 24 | 30 | 27 | 25 | 25 | 0 |
| Angola | 3 | 3 | 4 | 1 | 5 | 4 | 3 | 5 | 4 | 1 | 5 | 6 | 5 | 5 | 5 | 1 | 5 | 3 | 3 | 3 | 4 | 1 |
| Ecuador | 10 | 12 | 11 | 0 | 12 | 10 | 11 | 10 | 11 | -1 | 7 | 9 | 12 | 13 | 10 | -1 | 10 | 10 | 10 | 9 | 10 | 1 |
| Iran | 41 | 40 | 44 | 4 | 51 | 51 | 51 | 50 | 50 | 6 | 50 | 50 | 50 | 51 | 50 | 0 | 51 | 52 | 52 | 52 | 52 | 0 |
| Iraq | na | na | na | na | na | na | na | na | na | na | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 0 |
| Kuwait | 10 | 12 | 14 | 1 | 14 | 13 | 13 | 11 | 12 | -1 | 12 | 11 | 12 | 12 | 12 | 0 | 12 | 11 | 14 | 11 | 16 | 5 |
| Libya | 10 | 9 | 10 | 1 | 13 | 12 | 14 | 14 | 13 | 3 | 14 | 15 | 15 | 15 | 15 | 2 | 15 | 13 | 14 | 13 | 14 | 1 |
| Nigeria | 8 | 9 | 10 | 1 | 8 | 7 | 8 | 10 | 8 | -1 | 9 | 8 | 6 | 6 | 7 | -1 | 7 | 6 | 6 | 6 | 6 | 0 |
| Qatar | 9 | 12 | 11 | -1 | 11 | 12 | 13 | 14 | 13 | 2 | 11 | 12 | 11 | 11 | 11 | -1 | 9 | 9 | 9 | 8 | 8 | 0 |
| Saudi Arabia | 32 | 37 | 65 | 28 | 76 | 76 | 78 | 77 | 77 | 11 | 78 | 77 | 76 | 76 | 77 | 0 | 72 | 67 | 67 | 67 | 65 | -2 |
| UAE | 16 | 16 | 16 | 0 | 14 | 15 | 15 | 14 | 15 | -2 | 12 | 12 | 13 | 12 | 12 | -2 | 13 | 12 | 13 | 13 | 13 | 0 |
| Venezuela | 55 | 68 | 81 | 13 | 76 | 80 | 77 | 71 | 76 | -5 | 82 | 81 | 77 | 81 | 80 | 4 | 69 | 64 | 54 | 53 | 56 | 3 |
| OPEC Rig Count | 212 | 238 | 290 | 51 | 303 | 305 | 311 | 302 | 305 | 16 | 336 | 337 | 330 | 336 | 335 | 29 | 315 | 307 | 295 | 289 | 298 | 9 |
| | | | | | | | | | | | | | | | | | | | | | | |
| Worldwid Rig Count* | 2,431 | 2,790 | 3,135 | 345 | 3,342 | 3,000 | 3,254 | 3,256 | 3,213 | 78 | 3,447 | 3,248 | 3,643 | 3,530 | 3,467 | 253 | 2,816 | 2,134 | 2,178 | 2,190 | 2,289 | 99 |
| of which: | | | | | | | | | | | | | | | | | | | | | | |
| Oil | 886 | 980 | 1,124 | 144 | 1,264 | 1,167 | 1,254 | 1,285 | 1,242 | 119 | 1,408 | 1,351 | 1,479 | 1490 | 1432 | 190 | 1276 | 1062 | 1175 | 1184 | 1,263 | 79 |
| Gas | 1,488 | 1,746 | 1,947 | 201 | 2,013 | 1,764 | 1,931 | 1,904 | 1,903 | -44 | 1,969 | 1,814 | 2,070 | 1948 | 1950 | 47 | 1450 | 993 | 965 | 968 | 991 | 23 |
| Others | 20 | 21 | 17 | -4 | 20 | 17 | 20 | 25 | 20 | 4 | 26 | 32 | 36 | 37 | 33 | 12 | 35 | 35 | 34 | 34 | 30 | -4 |

**/Excludes China and FSU.*

*na - Not available.*

*Source: Baker Hughes International & Secretariat's Estimates.*

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

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# *Data Summary* October 2009

## *OPEC Basket average price*
*US$ per barrel*

| | | |
|---|---|---|
| ↓ *down $4.18 in August* | ***September 2009*** | ***67.17*** |
| | *August 2009* | *71.35* |
| | *Year-to-date* | *56.60* |

## *August OPEC production*
*in million barrels per day, according to secondary sources*

| | | |
|---|---|---|
| ↑ *up 0.04 in September* | ***September 2009*** | ***28.90*** |
| | *August 2009* | *28.86* |

## *World economy*

***Global economic growth for 2009 remains unchanged at minus 1.2% but the forecast for 2010 has been revised up by 0.2 percentage points to now stand at 2.7%. The major revision was made in China, which is now expected to grow by 8.0% in 2009 and 8.5% in 2010. This compares to projected OECD growth of minus 3.6% for 2009 and plus 1.0% for 2010.***

## *Supply and demand*
*in million barrels per day*

| ***2009*** | | ***2010*** | |
|---|---|---|---|
| *World demand* | *84.2* | *World demand* | *84.9* |
| *Non-OPEC supply* | *55.6* | *Non-OPEC supply* | *56.5* |
| ***Difference*** | ***28.6*** | ***Difference*** | ***28.4*** |

*Non-OPEC supply includes OPEC NGLs and non-conventional oils.*
*Totals may not add due to independent rounding.*

## *Stocks*

***OECD commercial stocks fell a marginal 6 mb in August to remain 100 mb above the five-year average and correspond to around 59 days of forward cover. Preliminary data shows a build of 10 mb in September. In the US, total commercial stocks resumed their upward trend in September although crude oil stocks fell for the fifth month in a row.***

*Issued 13 October 2009.*
***Next report to be issued on 11 November 2009.***

*Data covers period up to the end of September 2009 unless otherwise stated.*