OPEC

Monthly Oil Market Report

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Feature article:

Oil market developments

Organization of the Petroleum Exporting Countries

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Oil market highlights

Crude Oil Price Movements

Amid a continuation of the previous month's bullish factors, the OPEC Reference Basket moved up again in May to a new high for the year. The Basket averaged $62.16/b for the month, representing a gain of $4.86/b. An increase in crude oil demand, firm refined product markets and inventories drawdowns were key elements supporting the market.

World Economy

Expectations for global economic growth remain unchanged at 3.3% for 2015, in line with growth in 2014. The OECD is seen growing at 2.1% in 2015, up from 1.8% last year. US growth for 2015 has been revised down to 2.4%, due to the lower-than-expected growth in the first quarter. Growth in the Euro-zone has been revised up to 1.4% for 2015 and Japan's growth has also been adjusted higher to 1.0%. Expectations for China and India in 2015 remain unchanged at 6.9% and 7.5%, respectively.

World Oil Demand

Global oil demand is seen growing at 1.18 mb/d in 2015, higher than in the previous year's growth of 0.96 mb/d and unchanged from last month's report. Total oil consumption is expected to pick up pace in 2H15, leading to a total oil demand of 92.50 mb/d for 2015.

World Oil Supply

Non-OPEC oil supply in 2015 is projected to grow by 0.68 mb/d, in line with the previous forecast and below last year's strong growth of 2.17 mb/d. OPEC NGLs are forecast to grow by 0.19 mb/d to average 6.02 mb/d in 2015, following growth of 0.18 mb/d in 2014. In May, OPEC production rose to 30.98 mb/d, up by 0.02 mb/d, according to secondary sources.

Product Markets and Refining Operations

Product market developments in the Atlantic Basin were mixed during May. The start of the US driving season pushed up gasoline demand, hitting levels not seen in more than five years. This provided strong support to crack spreads on the top of the barrel and offset the weakness seen at the bottom of the barrel. In the Asian market, refinery margins strengthened on the back of higher regional demand amid tightening sentiment due to the maintenance season.

Tanker Market

The dirty tanker market enjoyed a general improving sentiment in May for vessels in all reported classes on the back of high tonnage demand and increased activities. Clean tanker freight rates declined on average, mainly as freight rates reported on the West of Suez were weak. In May, OPEC and Middle East sailings were higher month-on-month, as arrivals in all regions improved, except in the Far East.

Stock Movements

OECD commercial oil stocks rose further in April to stand at 2,776 mb. At this level, inventories are 105 mb higher than the five-year average, with crude and products indicating surpluses of around 89 mb and 16 mb, respectively. In terms of days of forward cover, OECD commercial stocks stood at 61.3 days in April, 3.0 days higher than the five-year average.

Balance of Supply and Demand

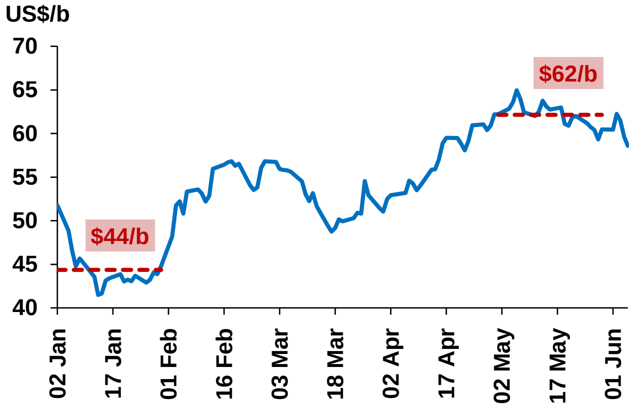
Demand for OPEC crude in 2015 is projected at 29.3 mb/d, unchanged from the previous report and representing a gain of 0.3 mb/d over last year. The estimate for demand for OPEC crude in 2014 remains unchanged at 29.0 mb/d.

Oil market developments

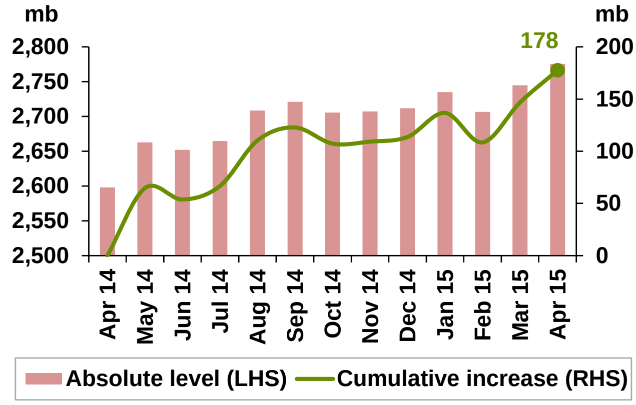
Crude oil prices have started to recover from the low levels witnessed at the beginning of the year. In May, the OPEC Reference Basket averaged more than $62/b, representing a new high for the year and up from an average of $44/b (***Graph 1***) in January. Firmer seasonal demand for refined products and draws in US inventories in May, were the main drivers behind the recent rebound in crude oil prices, along with expectations for an easing of excess supply. Price support also came from non-fundamentals, with speculators increasing net long positions, indicating expectations for higher prices. Nevertheless, overall fundamentals still point to a well-supplied market, as indicated by the overhang in OECD commercial stocks accumulated since the start of last year (***Graph 2***).

Amid this dynamic market environment, OPEC held the 167th Conference in Vienna to review the expectations for global economic growth, world oil demand and non-OPEC supply for the remainder of the year to help assess likely market developments in 2H15.

Graph 1: OPEC Reference Basket, 2015



Graph 2: OECD commercial stocks



With regard to the world economy, the Conference agreed that global economic recovery appears to have stabilized at a moderate level of 3.3%, in line with the growth seen last year. After a slow start to the year, global growth levels are expected to rebound. Importantly, a recovery from a contraction in the beginning of first half in the US should support global growth in the second half, also via the trade channel.

Turning to the oil market, the Conference concurred that world oil demand is expected to pick up, resulting in a higher annual increase of 1.2 mb/d, compared to the previous year. OECD demand growth is expected to be led by OECD Americas, while non-OECD will continue to be the main contributor to the total oil demand growth. Risks to the demand forecast for 2H15 include mainly the pace of economic growth and changes in retail prices, as well as ongoing substitution toward natural gas and coal, and policies curbing oil demand.

On the supply side, recent developments in the upstream, as well as renewed oil price volatility were noted by the Conference, which have made forecasting non-OPEC supply more challenging than in previous years. Based on the current market circumstances, the Conference expects non-OPEC supply to decline in 2H15 compared to an increase in the first half, leading to yearly growth of 0.7 mb/d, which is one-third of growth witnessed in 2014.

The above projections for market fundamentals indicate that the current oversupply in the market is likely to ease over the coming quarters. Based on these expectations for the second half of the year, the OPEC Conference agreed to maintain its output at 30 mb/d and urged Members Countries to adhere to it. In agreeing to this decision, Member Countries confirmed their commitment to a stable and balanced oil market, with prices at levels suitable for both producers and consumers. It should be recognized that market stability remains a common objective for all market participants, attainable through cooperative effort. Moreover, given current market uncertainties, OPEC will continue to closely monitor the market and will reassess the situation at the next Meeting of the Conference on 4 December 2015.

Crude Oil Price Movements

Amid a continuation of the previous month's bullish factors, the OPEC Reference Basket (ORB) moved up again in May to a new high this year of above $60/b. An increase in crude oil demand, firm refined product markets and inventory drawdowns were key elements supporting the market. Ongoing geopolitical turmoil also helped. The ORB increased $4.86 to $62.16/b month-on-month (m-o-m), but remained significantly lower than in the previous year. Oil futures ended up at new highs for 2015, with ICE Brent above $65/b and Nymex WTI near $60/b for the first time this year. Stronger-than-expected demand growth and signs of a slowdown in US crude supply have been boosting oil futures for the past couple of months. Nevertheless, overall fundamentals still point to a well-supplied market that continues to put a ceiling on prices. The ICE Brent contract was up $4.47 m-o-m at $65.61/b, while the Nymex WTI contract shot up $4.74 to $59.37/b. Both contracts were down year-to-date. Speculative bets on higher oil prices dropped in both futures markets. The transatlantic spread narrowed more amid advantageous WTI fundamentals. The Brent premium to WTI decreased to around $6.25/b.

OPEC Reference Basket

The ORB moved up again in May to its highest value this year, supported by a continuation of the previous month's bullish factors. A pickup in crude oil demand, healthy refined product markets and US crude inventory drawdowns were key elements supporting the market. Ongoing geopolitical turmoil and a weaker US dollar also helped fuel oil futures for underlying physical benchmarks.

On a monthly basis, the OPEC Reference Basket was up $4.86 or 8.5% at $62.16/b on average. Meanwhile, compared with a year ago, the ORB value continued to lag at $54.06/b versus its $104.79/b year-to-date value in 2014.

Graph 1.1: Crude oil price movement, 2015

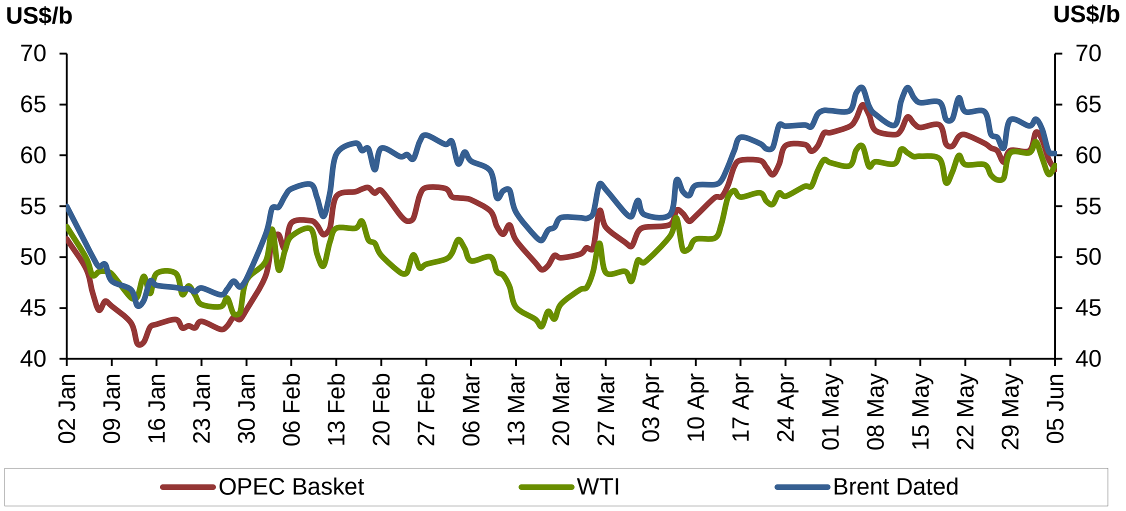


Table 1.1: OPEC Reference Basket and selected crudes, US$/b

	Apr 15	May 15	Change May/Apr	Year-to-date 2014	Year-to-date 2015
OPEC Reference Basket	**57.30**	**62.16**	**4.86**	**104.79**	**54.06**
Arab Light	57.73	62.62	4.89	105.50	54.15
Basrah Light	55.61	60.40	4.79	102.69	52.18
Bonny Light	60.65	65.31	4.66	110.60	57.92
Es Sider	58.40	63.22	4.82	108.06	55.98
Girassol	61.12	65.51	4.39	109.03	57.94
Iran Heavy	56.26	61.38	5.12	104.72	52.98
Kuwait Export	55.96	60.92	4.96	103.67	52.37
Marine	58.51	63.26	4.75	104.58	55.38
Merey	49.49	55.09	5.60	94.21	47.32
Murban	61.66	66.18	4.52	108.00	58.43
Oriente	52.73	58.04	5.31	95.18	49.15
Saharan Blend	59.75	64.12	4.37	109.58	57.37
Other Crudes					
Brent	59.50	64.32	4.82	108.41	57.13
Dubai	58.55	63.54	4.99	104.72	55.62
Isthmus	59.10	63.78	4.68	99.90	54.49
LLS	60.67	64.95	4.28	104.30	56.83
Mars	57.66	61.77	4.11	100.21	53.37
Minas	58.55	62.98	4.43	110.19	55.56
Urals	59.70	64.33	4.63	107.04	56.76
WTI	54.43	59.28	4.85	100.01	51.88
Differentials					
Brent/WTI	5.07	5.04	-0.03	8.40	5.25
Brent/LLS	-1.17	-0.63	0.54	4.11	0.30
Brent/Dubai	0.95	0.78	-0.17	3.70	1.50

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

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

Shadowing the major oil benchmarks, all ORB component values improved by at least 7% in May. North Sea Dated Brent, Dubai and US light sweet marker WTI were up by \$4.82/b, \$4.99/b and \$4.85/b, respectively, over the previous month. Meanwhile, despite healthy European refining margins and higher refinery runs, Brent-related light sweet component differentials to the benchmark were under pressure over the month amid lingering oversupply in the Atlantic Basin.

A string of Asian tenders were not enough to absorb the surplus of West African crude oil as some of these requests were met with oil currently in storage in Asia rather than from new purchases. A widening in Brent's premium to Dubai crude to five-month highs, as well as high freight rates, made arbitrage to Asia more difficult, further complicating seller efforts to clear the overhang.

On the other hand, Middle East crude differentials stayed firm most of the month, supported by robust demand on the back of good refining margins which were boosted by strength in gasoline and naphtha cracks in the Asia-Pacific region. The market was also underpinned by a sense of tighter supply for heavy grades. However, supply rose, particularly for lighter grades, as a narrowing contango market forced traders to release oil from storage.

Latin heavy sour components gained the most for the second consecutive month, supported by medium sour improvements amid planned production platform maintenance work in the Mars crude system, as well as expectations of tighter Alaska's North Slope supplies.

Brent-related African light sweet Basket components from the north and west, including Saharan Blend, Es Sider, Girassol and Bonny Light, increased $4.56 or 7.6% to $64.54/b in May. Middle Eastern spot components and multi-destination grades improved $4.64 and $4.94 to $64.72/b and $61.33/b, respectively. For the Latin American ORB components, Merey was up $5.60 or 11.3% while Oriente improved $5.31 or 10.1%.

On 9 June, the OPEC Reference Basket stood at $60.27/b.

The oil futures market

Crude oil futures for ICE Brent and Nymex WTI moved up again in May to a 2015 high, with ICE Brent averaging above $65/b for the first time this year, while Nymex WTI approached the $60/b level on a monthly average basis. Stronger-than-expected demand growth, stockdraws in the US and signs of a slowdown in US crude supply have been boosting oil futures for the past couple of months. The market drew support from figures, showing strong demand across Asia and the United States.

In the United States, peak summer driving season started with Memorial Day; the American Automobile Association said road travel was expected to reach a 10-year high over that long weekend. Five straight weeks of draws on US crude inventories, coupled with signs of slowing production, boosted optimism that a supply glut was easing. US crude stocks fell nearly 10 mb over the month as refineries hiked output, the Energy Information Administration (EIA) said. Gasoline and distillate inventories also declined. The EIA data also put crude runs at their highest since December. Data shows that crude runs in the US so far this year have averaged around 250,000 b/d higher y-o-y.

In Europe, the increase is even more pronounced at more than 500,000 b/d of extra crude runs y-o-y between January and April. Although supplies of light sweet crudes are plentiful in Europe, strengthening refining margins kept regional runs high and allowed refiners to absorb some of the surplus. Gasoline and diesel refining margins are particularly strong in Europe, prompting refiners to run at nearly 90% of capacity. Exports to the US supported the regional gasoline market, with the summer driving season and lower prices boosting North American demand. European diesel demand has also firmed in recent weeks and middle distillate supplies were tight.

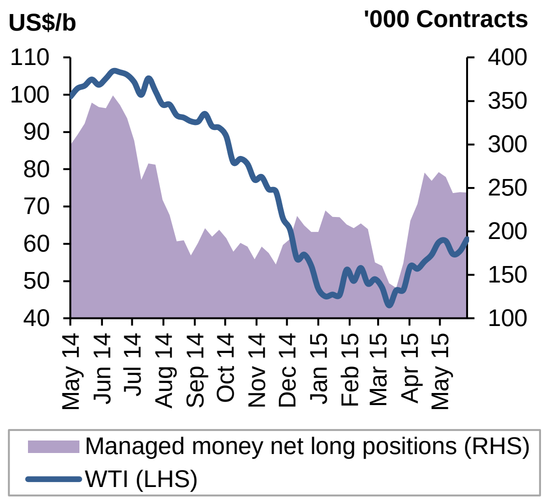
The oil complex rally was also partly fueled by strong economic data out of Asia. Japan, the world's third-largest economy, grew at an annualized rate of 2.4% in the first three months of this year. Nevertheless, overall fundamentals still point to a well-supplied market, a fact that should continue to put a ceiling on prices.

ICE Brent first-month futures settled up $4.47 or 7.3% at $65.61/b for the month, while Nymex WTI shot up $4.74 or 8.7% to end the month at an average of $59.37/b. Compared with 2014, Nymex WTI and ICE Brent were lower by $48.02/b and $49.77/b at $51.94/b and 58.43/b, respectively.
Crude oil futures prices improved in the second week of June. On 9 June, ICE Brent stood at $64.88/b and Nymex WTI at $60.14/b.

In May, **hedge funds** and other **money managers** reduced their bets on rising Brent crude oil prices from record highs the previous month. Speculators decreased net long positions in ICE Brent futures and options by a hefty 54,531 contracts to 222,357 lots m-o-m, InterContinental Exchange (ICE) data showed, despite the rally in prices. ICE data showed speculators had not only cut gross long positions but also increased gross short positions, indicating that sentiment had started to turn against Brent crude futures. There is speculation that if prices rise beyond $65/b it could trigger a production response in the United States, which would add to the existing supply glut. CFTC data also showed a decrease in the net length of money managers in WTI futures. M-o-m, net length in WTI futures slipped 13,004 contracts to 245,127 lots.

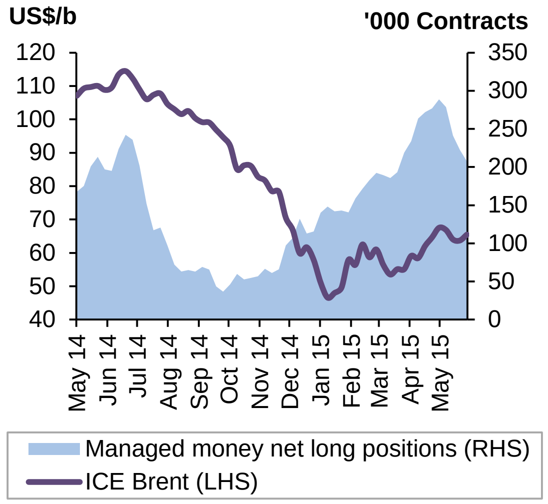
Moreover, total **futures and options open interest volume** in the two markets decreased sharply by 733,136 contracts or almost 15% to 4.53 million contracts.

Graph 1.2: Nymex WTI price vs. speculative activity, 2014-2015



Source: CFTC.

Graph 1.3: ICE Brent price vs. speculative activity, 2014-2015



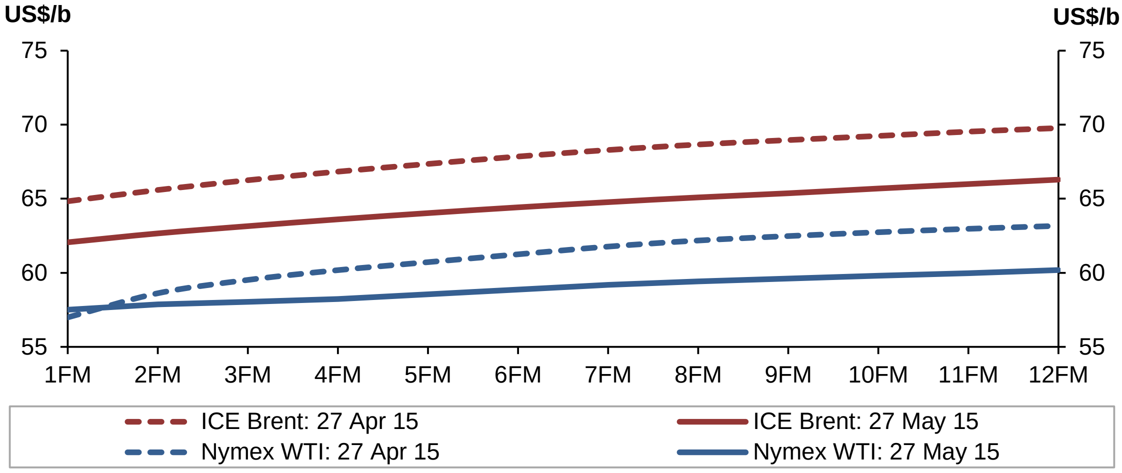
Source: IntercontinentalExchange, Inc.

The daily average traded volume during May for Nymex WTI contracts dropped 162,285 lots to average 677,599 contracts. ICE Brent daily traded volume also fell 65,831 contracts to 624,856 lots. The daily aggregate traded volume in both crude oil futures markets decreased by 228,116 contracts to around 1.53 million future contracts, equivalent to around 1.5 billion b/d. Total traded volume in Nymex WTI was down sharply at 13.55 million contracts, and ICE Brent was also down at 13.12 million lots. The low trading volume in both markets is probably due to numerous holidays in May.

The futures market structure

The contango in the Brent, WTI and Dubai market structures narrowed over the month as demand continued to improve in all regions and the oil glut started to ease. The contango in the Brent market structure narrowed slightly over the month amid increasing refinery runs, but Atlantic Basin oversupply limited the improvement. An overhang of Nigerian grades, as well as limited North Sea light sweet crude arbitrage to Asia, continued to weigh on the light sweet complex in Europe. Nevertheless, Brent's first-month discount to the third month dropped by 68¢ to $1.08/b. Similarly, the US WTI contango narrowed sharply from $2.55 to $1.20/b (M1–M3) as crude stock draws took place amid increasing refining activities and signs of slowing production helped clean up surplus crude. The latest EIA data show that refining utilization increased to more than 93% of capacity and is moving up as US refineries return from turnaround and peak summer demand approaches. The Dubai contango structure narrowed by almost 40¢ to 80¢/b amid robust demand as Asia-Pacific refiners capitalized on healthy refining margins. Slightly lower avails of heavy Middle East crudes also helped in narrowing the gap between M1 and M3.

Graph 1.4: Nymex WTI and ICE Brent forward curves, 2015



FM = future month.

The Brent–WTI (transatlantic) spread narrowed slightly from $6.50/b in April to $6.25/b in May. The North Sea Brent market was under pressure relative to WTI due to several bearish factors. Hound Point jetty maintenance forced more of the North Sea (mainly Forties) crude to stay in a region that is already overwhelmed with unsold West African and Caspian barrels. Moreover, most of the usual buyers in the region were already heard to have built up plentiful stocks of Forties crude over the last few months. Refinery maintenance is also hitting the Northwest Europe region with planned downtime in May and June averaging around 750,000 b/d, up around 50% y-o-y for this period. On the other hand, WTI was supported by higher refinery intake, five consecutive weeks of declines in crude oil stockpiles and signs of lesser crude oil production growth in the US. US crude's relative strength was attributed to stronger US demand, led by gasoline, as the peak season for road travel kicked in.

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

	1st FM	2nd FM	3rd FM	6th FM	12th FM
Nymex WTI					
27 Apr 15	56.99	58.62	59.52	61.25	63.17
27 May 15	57.51	57.86	58.04	58.87	60.18
ICE Brent					
27 Apr 15	64.83	65.59	66.25	67.85	69.77
27 May 15	62.06	62.66	63.15	64.42	66.29

FM = future month.

The light sweet/medium sour crude spread

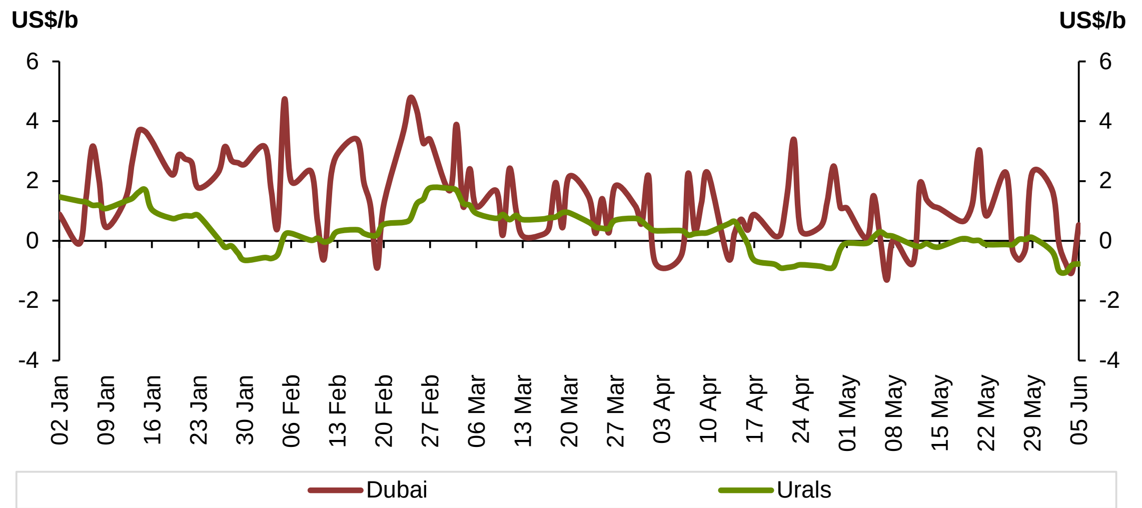
Sweet/sour differentials widened slightly on the US Gulf Cost (USGC) and in Europe, while narrowing slightly in Asia.

In **Asia**, the sweet/sour spread, represented by the Tapis/Dubai spread, resumed a narrowing trend started earlier in the year as heathy demand for Mideast Gulf crudes from Asian buyers continued on the back of good refining margins and competitive pricing. Moreover, aggressive buying from Chinese and major oil companies in the Platt's parcel window supported Dubai markets. Meanwhile, the Asia-Pacific light sweet crude market fell under pressure from West African arbitrage shipments and the expected emergence of supplies from floating storage. Nevertheless, the Asia-Pacific crude market continued to be supported by refining margins that remained firm. Over the month, Dubai crude's discount to Tapis dropped by 8¢ to $5.08/b.

In **Europe**, the previous month's tightness in supply of Urals medium sour crude eased, removing its 20¢/b premium over Brent. Regarding monthly averages, the value of medium sour Urals was equal to that of light sweet Brent. Urals was supported by tight availability. Robust Mediterranean demand for medium sour grades and a drop in crude flows through the Kirkuk pipeline delayed the loading of Iraqi Kirkuk crude at the Turkish port of Ceyhan, also supporting the grade. Meanwhile, rising freight costs have made the shipping of spot Urals cargoes from the Baltic to the Mediterranean uneconomic. On the other hand, plentiful supplies of West African crudes weighed on North Sea light sweet grades. The Atlantic Basin remained oversupplied with sweet crudes, despite elevated refinery runs. Around 15 mb of Nigerian crude remained unsold; about 10 mb were already loaded onto tankers, pressuring light crude grades. Limited arbitrage to Asia due to loading terminal maintenance also continued to pressure the Brent market.

On the **US** Gulf Coast, Light Louisiana Sweet (LLS)'s premium over medium sour Mars widened slightly to $3.18/b from $3/b. Medium sour grades came under pressure from a greater influx of Latin American sour crudes to Texas and Louisiana refineries. US imports of Mexican, Venezuelan and Colombian crudes are nearly 400,000 b/d higher in May than in April. Moreover, Mars fell relative to LLS on the expectation of increased supplies, and Shell will start maintenance work at its offshore Mars production platform in the Gulf of Mexico soon, which it expects to complete before the July crude delivery schedule.

Graph 1.5: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2015



Commodity Markets

In May, average energy commodity prices advanced on top of a continuing recovery in crude oil prices. Non-energy commodities showed opposing trends, with metals experiencing their largest advance this year, while agriculture prices were slightly lower. Precious metals were stable on average, but showed large intra-month variations.

Trends in selected commodity markets

Commodity prices were supported by a weaker US dollar – particularly during the first half of the month – mainly against major European currencies due to the relative underperformance of the US economy during the first quarter in comparison to the Eurozone, though this trend was partly reversed in the second half of the month. Further support was provided by improving manufacturing expansion prospects for the US the Euro-zone and Japan, with May **PMI** readings of 52.8, 52.2 and 50.9, respectively, up from 51.5, 52.0 and 49.9 the previous month. Chinese PMI readings improved to 49.2 from 48.9 – still below the no-change mark.

Agricultural prices were down on average, reaching their lowest point since 2009, mainly due to the impact of declines in food prices. In the US, the Department of Agriculture reported planting nearly completed for corn, rice and spring wheat. Meanwhile its estimations for global ending stocks for the 2015/2016 marketing year were raised for wheat and oilseeds and were revised slightly down for corn – but still notably higher than the previous five-year average. In the beverages category, cocoa prices jumped after downward revisions to the estimations for the crop in Ghana.

Metal prices were supported by an advance in manufacturing prospects among major developed economies, stimulus measures by the Peoples Bank of China and moderating price declines in the Chinese property market – the National Statistics Bureau of China reported declines in 48 of the 70 medium and large cities in April versus a decline in 55 of 70 cities the previous month. However, prices retreated in the second half of the month partly because of the rising US dollar. Copper monthly average prices advanced, while end-of-the-month inventories of that metal in the LME system were reported down for the first time since July 2014. Meanwhile, iron ore rebounded sharply by 15.4% from 10-year lows registered the previous month, however steel prices remained flat.

Energy prices were supported by continuing recovery in oil prices, as inventories showed declines in the US, while natural gas showed different trends in the US and Europe. In the US, natural gas prices were up considerably in the first half of the month after injections to storage fell below expectations. However, much of these gains were lost towards the end of the month on moderating demand, which translated into larger-than-average injections to inventories. In Europe, gas prices were down, in spite of inventories in the European Union being at 36.9% of capacity at the end of May, way below the 60.5% amount for the same date one year ago, as reported by Gas Infrastructure Europe.

In the short term, increased economic activity in the US could support a higher US dollar, thereby adding pressure to commodity prices. Further stabilization of the property market in China could lend support to metal prices. Agricultural prices would likely remain under pressure in the absence of any major supply disruption, considering well-supplied markets.

Table 2.1: Commodity price data, 2015

Commodity	Unit	Monthly averages			% Change		
		Mar 15	Apr 15	May 15	Mar/Feb	Apr/Mar	May/Apr
World Bank commodity price indices (2010 = 100)							
Energy		68.3	72.3	78.1	-3.1	5.9	7.9
Coal, Australia	$/mt	60.1	57.8	60.7	-2.1	-3.8	4.9
Crude oil, average	$/bbl	52.8	57.5	62.5	-3.6	8.9	8.6
Natural gas, US	$/mmbtu	2.8	2.6	2.8	-1.7	-7.9	10.0
Non-energy		84.9	84.8	85.3	-2.3	-0.1	0.6
Agriculture		90.7	90.5	90.1	-2.8	-0.2	-0.4
Food		93.9	93.2	91.1	-2.7	-0.8	-2.2
Soybean meal	$/mt	403.0	395.0	390.0	-8.0	-2.0	-1.3
Soybean oil	$/mt	748.0	749.0	781.0	-3.2	0.1	4.3
Soybeans	$/mt	403.0	395.0	390.0	-1.0	-2.0	-1.3
Grains		94.1	92.5	88.9	-1.3	-1.7	-3.9
Maize	$/mt	174.2	172.1	166.3	0.3	-1.2	-3.3
Wheat, US, HRW	$/mt	230.8	223.3	215.1	-2.7	-3.2	-3.7
Sugar, world	$/kg	0.3	0.3	0.3	-9.8	-0.6	2.0
Base Metal		79.2	80.6	82.4	0.0	1.7	2.2
Aluminum	$/mt	1,773.9	1,819.2	1,804.0	-2.4	2.6	-0.8
Copper	$/mt	5,939.7	6,042.1	6,294.8	3.7	1.7	4.2
Iron ore, cfr spot	$/dmtu	58.0	52.0	60.0	-7.9	-10.3	15.4
Lead	$/mt	1,792.5	2,005.4	1,991.8	-0.2	11.9	-0.7
Nickel	$/mt	13,755.5	12,830.9	13,511.3	-5.6	-6.7	5.3
Tin	$/mt	17,421.9	15,900.9	15,803.6	-4.5	-8.7	-0.6
Zinc	$/mt	2,028.7	2,212.7	2,281.8	-3.3	9.1	3.1
Precious Metals							
Gold	$/toz	1,178.6	1,198.9	1,198.6	-3.9	1.7	0.0
Silver	$/toz	16.2	16.3	16.8	-3.3	0.6	3.0

Source: World Bank, Commodity price data.

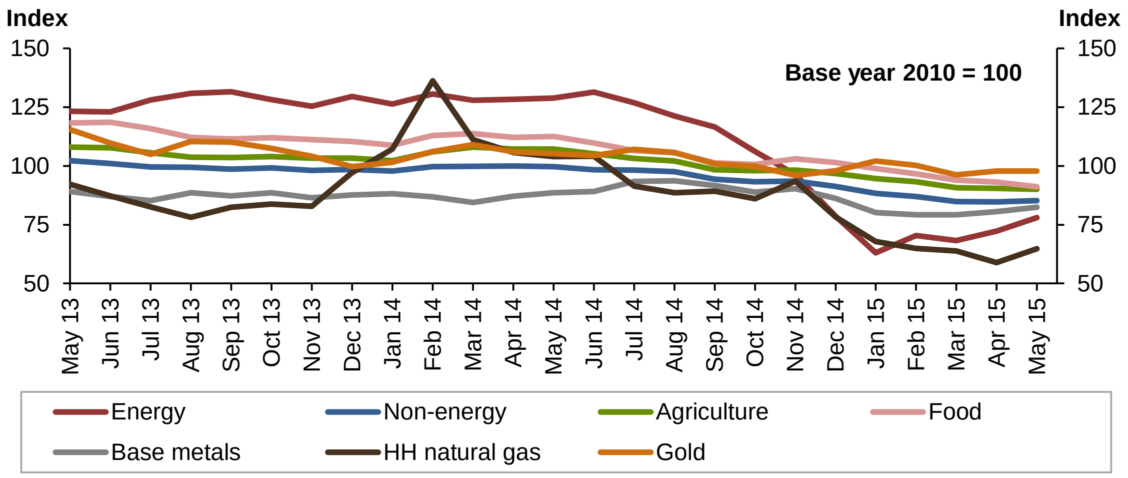
Average **energy prices** in May increased by 7.9% m-o-m due to an 8.6% increase in crude. Natural gas prices increased in the US by 10.0% m-o-m, while average import prices in Europe declined by 2.0%

Agricultural prices decreased due to a 2.2% drop in food, while beverage (cocoa, coffee and tea) and raw material (timber, cotton, rubber and tobacco) prices increased by 2.3% and 2.8%, respectively. Wheat, maize and soybean prices declined by 3.7%, 3.3% and 1.3% m-o-m. Meanwhile, cocoa prices increased by 7.9% m-o-m.

Average **base metal prices** increased by 2.2%, mainly due to increases in copper and nickel prices by 4.2% and 5.3% respectively, although a large share of gains were returned at the end of the month. Average iron ore prices rebounded by 15.4%.

In the group of **precious metals**, gold prices experienced a marginal decrease, while silver prices advanced by 3.0% m-o-m.

Graph 2.1: Major commodity price indices, 2013-2015

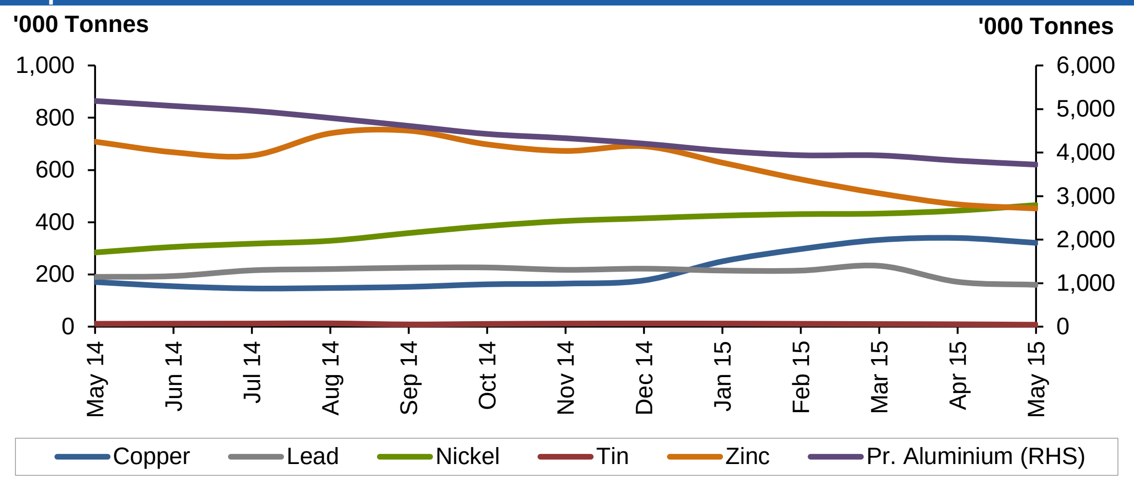


Source: World Bank, Commodity price data.

In May, the **Henry Hub natural gas price** increased after smaller-than-expected storage build-ups during the first two weeks of the month; however they declined thereafter because of larger-than-expected injections afterwards. The average price was up by 26¢ or 10.0% to $2.84 per million British thermal units (mmbtu) after trading at an average of $2.58/mmbtu the previous month.

The US Energy Information Administration (EIA) said utilities put 132 billion cubic feet (Bcf) of gas into storage during the week ending 29 May. This was above market expectations of a 122 Bcf increase. Total gas in storage stood at 2,233 Bcf, which was 50.7% higher than the previous year and 1.0% higher than the previous five-year average. One month ago it was 4.2% below that average. The EIA noted that temperatures were cooler than the previous year, but warmer than the 30-year average during the reported week.

Graph 2.2: Inventories at the LME

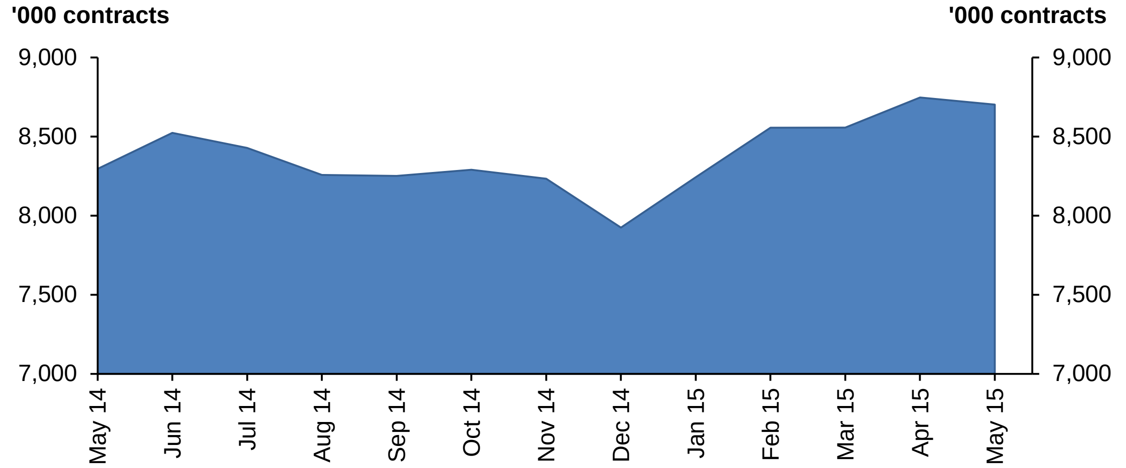


Source: London Metal Exchange and Haver Analytics.

Investment flows into commodities

Total open interest volume (OIV) in selected US commodity markets decreased slightly by 0.53% to 8.87 million contracts in May, driven by declines in the OIV for crude oil, agriculture and natural gas. Meanwhile, the OIV increased for livestock, copper and precious metals.

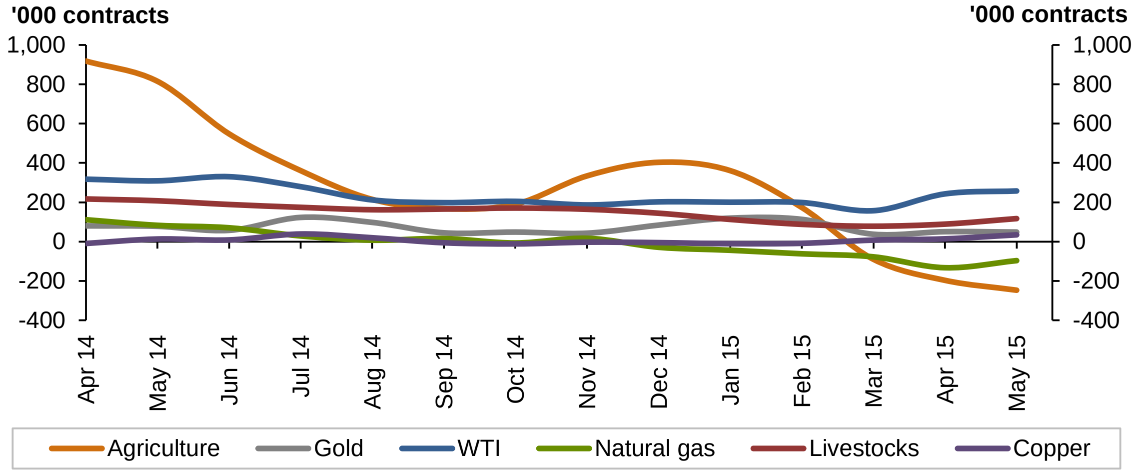
Graph 2.3: Total open interest volume



Source: US Commodity Futures Trading Commission.

Total speculative net length positions in select commodities increased by 68.79% m-o-m to 143,102 contracts in May due to increases in net short positions, mainly for copper. They also increased for oil, precious metals and livestock.

Graph 2.4: Speculative activity in key commodities, net length

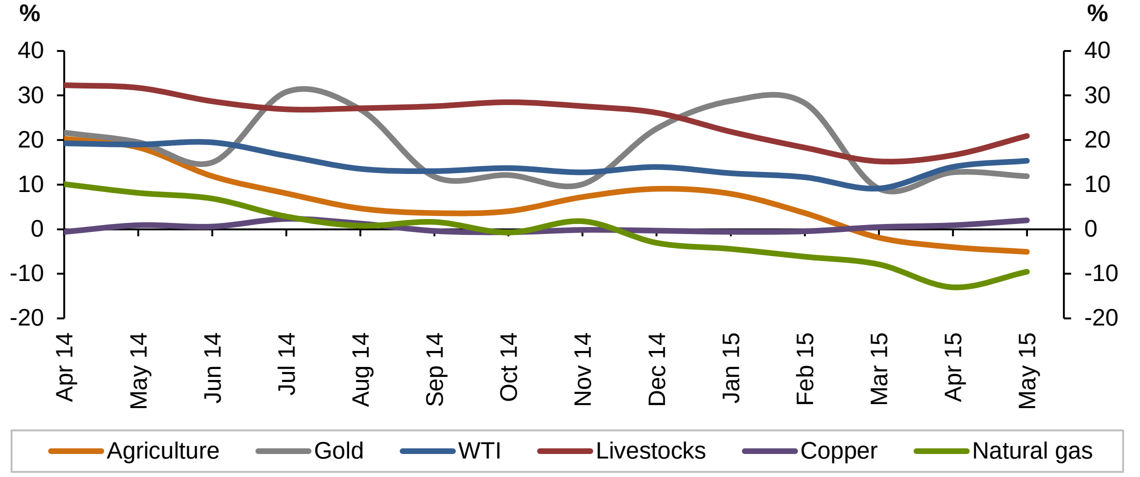


Source: US Commodity Futures Trading Commission.

Agricultural OIV was down 0.56% m-o-m to 4,865,163 contracts in May. Meanwhile, money managers increased their net short positions to 246,901 lots on continuing favourable weather for US crops.

Henry Hub's natural gas OIV decreased by 0.72% m-o-m to 1,010,892 contracts in May. Money managers decreased their net short positions by 27.24% to reach 96,504 lots. However, a bearish tendency has remained for the past six months.

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



Source: US Commodity Futures Trading Commission.

Copper OIV increased by 7.2% m-o-m to 174,022 contracts in May. Money managers increased their net long positions by 142.2% to 34,595 lots, on declining inventories.

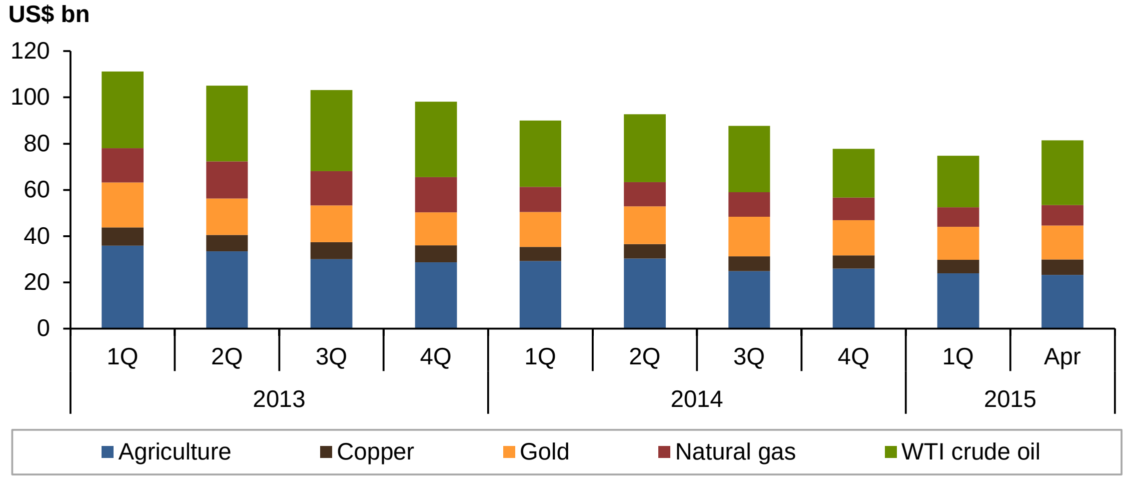
Table 2.2: CFTC data on non-commercial positions, '000 contracts

	Open interest		*Net length*			
	Apr 15	May 15	Apr 15	% OIV	May 15	% OIV
Crude oil	1,740	1,679	243	14	258	15
Natural gas	1,018	1,011	-133	-13	-97	-10
Agriculture	4,893	4,865	-197	-4	-247	-5
Precious metals	574	586	68	12	77	13
Copper	162	174	14	9	35	20
Livestock	537	560	89	17	117	21
Total	**8,924**	**8,876**	**85**	**1**	**143**	**2**

Source: US Commodity Futures Trading Commission.

Gold OIV increased by 3.8% m-o-m to 411,540 contracts in May. Money managers decreased their net long positions by 3.5% to 48,859 lots, due to the relative underperformance of the US economy in the first quarter.

Graph 2.6: Inflow of investment into commodities, 2013-2015



Source: US Commodity Futures Trading Commission.

World Economy

The global economic forecast for 2015 remains unchanged at 3.3%, the same level as in 2014. After a slow start to the year, the global economy's momentum is forecast to accelerate in the coming months. In the US, the economic decline of the first quarter will be followed by stronger growth. The economies of the Euro-zone and Japan are both improving from a low base last year and are expected to benefit from rising exports and growing domestic demand in 2015. Relatively lower oil prices will also provide some support in the major OECD economies. With the exception of India, emerging and developing economies are forecast to decelerate in 2015. Brazil and Russia, in particular, are both forecast to decline this year, while their performance should improve in the second half of the year. China's deceleration will continue this year as well, but counterbalancing measures and probable improvements in export opportunities will keep this year's economic growth only slightly lower, compared to last year. India, which had strong growth in the first quarter, is expected to continue at around its current rate of growth. While global growth seems to be well supported this year, uncertainties prevail. Among others, these include the Fed's decision about raising key interest rates, the situation in Greece, still relatively low domestic demand in Japan and lower growth levels in major emerging economies. These factors need close monitoring in the coming months.

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

	World	OECD	US	Japan	Euro-zone	China	India	Brazil	Russia
2014E*	**3.3**	**1.8**	**2.4**	**-0.1**	**0.9**	**7.4**	**7.2**	**0.2**	**0.6**
Change from previous month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2015F*	**3.3**	**2.1**	**2.4**	**1.0**	**1.4**	**6.9**	**7.5**	**-0.4**	**-3.0**
Change from previous month	0.0	0.0	-0.2	0.2	0.1	0.0	0.0	0.0	0.2

** E = estimate and F = forecast.*

OECD

OECD Americas

US

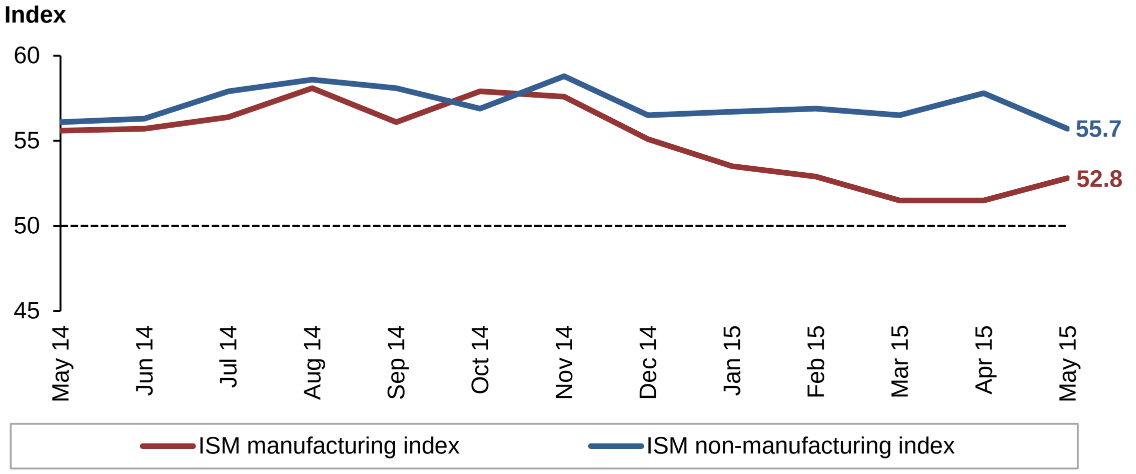
The **second release of data for GDP** growth in the 1Q15 has confirmed that GDP has declined. GDP contracted by a seasonally adjusted annualized rate (SAAR) of 0.7% q-o-q, a considerably lower outcome than first estimated, when growth was calculated at 0.2% q-o-q. It is expected that the economy will rebound in the remainder of the year with again above average growth in the 2Q and the 3Q. Improvements in the labour market in the past months as well as better consumer indicators point at this likelihood. Household consumption in the 1Q was relatively solid, but other factors have been confirmed to have negatively impacted growth. Among those were the cold weather, the West Coast port strike and the swift appreciation of the US dollar.

Personal consumption expenditures rose at a relatively solid SAAR of 1.8% q-o-q. In particular, the GDP was driven down by declines in fixed investments and exports which fell -1.3% and -7.6%, respectively. Most of the negative dynamic in the 1Q is considered to be temporary. However, it is also important to highlight that the energy sector had an influential negative impact. Investments in mining, shafts and wells fell by 48.6%, a strong decline following announcements in the past months of considerable capex reductions in the energy sector.

Labour **market indicators** were mixed in May. The unemployment rate rose very slightly to 5.5% from 5.4% in April. Non-farm payrolls increased by 280,000, after an increase of 221,000 in April. Capex reductions in the energy sector have also become obvious. Jobs in mining and logging fell by 68,000 since the beginning of the year. Positively, the share of long-term unemployed improved again to 28.6% from 29% in April, the lowest level since 2009.

In line with the latest dip in the economy, **consumer confidence** declined from very high levels in the past months. However, they have improved recently. The conference board index stood at 95.4 in May, after registering 94.3 in April and 101.4 in March. A sign of some recovery from the recent deceleration has been the **purchasing manager's index** (PMI) for the manufacturing sector, as provided by the Institute of Supply Management (ISM), which also improved to 52.8 in May from 51.5 in April. The ISM for the services sector, which contributes more than 70% to the economy, declined but remained at a high level. It stood at 55.7 in May after 57.8 in April, which then marked the highest level this year.

Graph 3.1: Manufacturing and non-manufacturing ISM indices



Sources: Institute for Supply Management and Haver Analytics.

Given its weakness in the 1Q, the **GDP growth forecast** for 2015 has been consequently revised down from 2.6% to 2.4%, the same level as last year. The forecast assumes that there will be an above 3% growth recovery in the 2Q and the 3Q. The weakness of the 1Q is considered to be temporary. Uncertainties remain and economic activities will need close monitoring given the recent slow-down.

Canada

In **Canada**, the slow-down of the US economy and declining income from the energy sector have been felt considerably. After strong growth of industrial production in January at 3.2% y-o-y, the latest number for March was negative at -0.3% y-o-y. February stood at only 0.7% y-o-y. Given the challenges in the resource sector, mining, oil and gas extraction growth declined by 2.8% y-o-y in March after -1.1% y-o-y in February. The PMI for manufacturing in May points at some improvement. It stood at 49.8 – still in the contraction territory – after April's 49. The GDP forecast remains unchanged at 2.1%. But because of developments in the US, its most important trading partner, and the situation of the energy market, developments in the Canadian economy continue to warrant close attention.

OECD Asia-Pacific

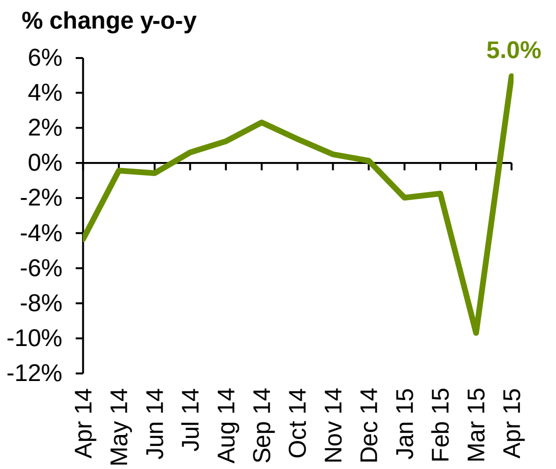
Japan

Japan's economy grew by a surprisingly higher rate than expected in the 1Q15. According to the statistical office's latest release, the economy expanded by a SAAR of 3.9% q-o-q, compared to an earlier estimate of only 2.4% q-o-q. Importantly, this positive revision was driven by investments into the economy. Gross fixed capital formation (**GFCF**) rose by a SAAR of 6.4% q-o-q. Here, investment into plants and equipment saw a significant rise of 11% q-o-q at a SAAR. Private consumption expenditures were rising at a lower SAAR of 1.5% q-o-q, at around the same level as in the past three quarters. It is unclear how sustainable this GDP growth level will be, but it seems quite apparent that growth will have to be supported at a higher rate from private household consumption. It remains to be seen how this will develop as average monthly labour market earnings have not materially improved lately and inflation has fallen back to a level far below the target level of 2%.

Domestic demand has only recently picked up. After last year's sales tax increase, retail sales continued to be negatively impacted and have only now in April improved, entering growth territory. **Inflation** rose by 0.6% y-o-y in April, well above average monthly earnings, which again fell by 0.3% y-o-y. Rising inflation has certainly depressed real income and should be considered an important factor that has so far dragged down any possible domestic improvements. It may still take a while before the economy is able to move back to higher growth levels. Importantly, China is also slowing and, given its weight as Japan's most important trading partner in Asia, this trend will continue to impact the latter's economy. Positive momentum could, however, come from the rebound in the US and a continued recovery in the Euro-zone.

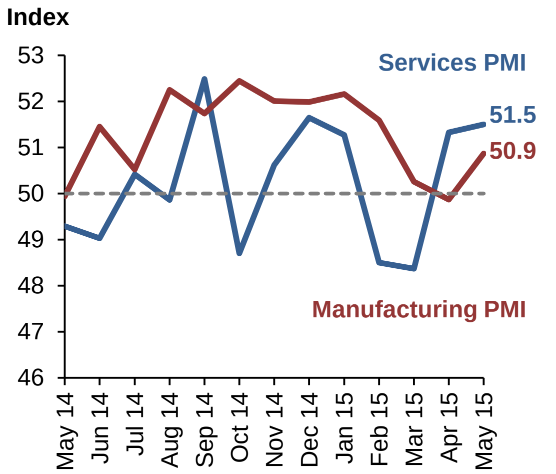
The current weakness in domestic demand has been overcome in April, after months of considerably declining **retail sales**. In April they rose by 5% y-o-y, after a decline of 9.7% y-o-y in March and a decline of 1.8% y-o-y in February. Exports increased by 8% y-o-y in April, almost the same level as in March, when exports appreciated by 8.5% y-o-y. Industrial production remained sluggish on a yearly comparison but has also improved from the low levels of recent months, having remained almost flat in April.

Graph 3.2: Japanese retail trade



Sources: Ministry of Economy, Trade and Industry and Haver Analytics.

Graph 3.3: Japanese PMI indices



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

The **PMI numbers**, as provided by Markit, show that the manufacturing PMI in May has improved, moving out of the contraction territory. It rose to 50.8 in May after 49.9 in April. Positively, the very important services sector index rose to 51.5 in May after 51.3 in April.

Given the tentative signs of an improving economy and also taking into consideration the strong 1Q GDP growth rate, the 2015 **GDP growth forecast** has been raised to 1% from 0.8% in the past month. This is significantly above last year's level of -0.1%, as reported by the government's statistical office. In the meantime, it remains to be seen that current investments into the economy will result in sustainable higher private household consumption.

South Korea

The **South Korean economy** continues to decelerate, impacted by slowing exports and domestic demand. GDP growth in the 1Q15 stood at 2.4% q-o-q, after 2.7% y-o-y in the 4Q14 and 3.3% in the 3Q14. Industrial production grew by only 0.8% y-o-y in April, after 1.2% in March and 2.2% y-o-y in February. Importantly, export growth declined in May for the fourth consecutive month. Exports declined by 4.9% y-o-y, after -4.4% y-o-y in April and by -0.7% y-o-y in March. Unsurprisingly, the PMI numbers show that the manufacturing PMI in May has fallen again to 47.7 from 48.8 in April and 49.2 in March. For the time being, the 2015 GDP growth forecast remains unchanged at 3% but it is obvious that the growth risk is skewed to the downside.

OECD Europe

Euro-zone

The Euro-zone's slow but steady recovery continues. GDP growth in the 1Q15 was reported at 0.4% q-o-q seasonally adjusted (SA) rate. However, despite this positive momentum, a variety of challenges remain. The situation in Greece is still uncertain and a default of the economy could have many unintended consequences. Moreover, the banking sector is still fragile. Although it has improved, inflation remains low and the labour market is not improving materially.

The positive momentum is also reflected in the latest industrial production number, which increased by 1.8% y-o-y in March, after rising 1.3% y-o-y in February and 0.2% y-o-y in January. The capacity utilisation rate increased to 81.1% in the 2Q, again slightly higher than the already high 81% in the 1Q. Moreover, retail trade performed well, with yearly growth rates of 2.4% in April after 1.7% in March. Also, the latest available consumer confidence indicator, as provided by the European Commission, points at a continued recovery in consumption, although it also reflected a slight deceleration in May when it retreated to -5.5 from -4.6 in April.

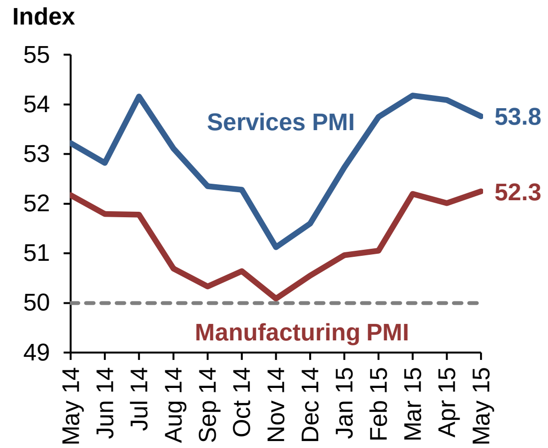
While the **ECB** has continued with its liquidity programme, inflation has started to rise. The ECB has clearly stated that it will continue with its initially laid-out programme of purchasing private and public sector bonds at a monthly magnitude of 60 billion euros and inflation will provide a good guideline for the development of this programme. However, it is clear that the ECB will not back off unless it becomes obvious that inflation will again reach around 2% and credit flows from the ECB to the economy via intermediaries continue to recover. **Inflation** stood at 0.3% y-o-y in May, which is the fourth consecutive month of improvements. Core inflation – excluding energy and food – rose to 0.9% y-o-y.

While the situation of the Euro-zone's banking sector remains challenging, some positive trends have become visible over the last several months. **Credit lending** from financial intermediaries to the private sector has shown a positive trend since the end of 2013 and while the transmission channels still seem to be somewhat impaired, loan growth was positive in April for the fourth consecutive month, growing by 0.6% y-o-y. However, this is still lower than the March number of 0.8% y-o-y and it is obvious that the recovery in lending will take some time.

While some modest improvements have become apparent, the legacies of the global financial crisis are still present in the Euro-zone. The average level of general consolidated **government debt** compared to the SAAR of GDP has been growing over the last several years and in 4Q14 stood at 91.9%, only slightly below the 2014 yearly average of 92.1%. The unemployment rate remains at a high level of 11.1% in April. This is, however, the lowest number in more than three years.

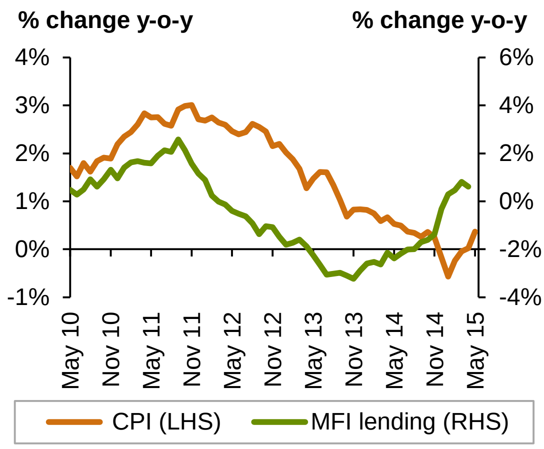
Some improvements are also visible in the **PMI indicators**. The latest manufacturing PMI rose to 52.3 in May, slightly higher than the 52 in April. In addition, the PMI for the important services sector in May was 53.8, only slightly lower than 54 in April.

Graph 3.4: Euro-zone PMI indices



Sources: Markit and Haver Analytics.

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



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

The recovery in the Euro-zone continues slowly. Given the stronger-than-expected 1Q15 growth number, the **GDP growth forecast** for 2015 has been revised upwards. It now stands at 1.4% compared to 1.3% in the previous month. A variety of challenges remain, but the trend seems to be well established. However, the situation of Greece in particular may have the potential to negatively impact the ongoing momentum.

UK

While the UK has enjoyed a strong growth momentum in the previous quarters, GDP growth in the 1Q15 was relatively modest at only 0.3% q-o-q. A softer momentum has also been confirmed in the latest PMI number for the manufacturing sector, which stood at 51.8 in April and 52 in May, compared to the 54.3 in March. Industrial production grew by only 0.6% y-o-y in March after 0.1% y-o-y in February. Despite this recent weakness, GDP growth this year seems to be well supported. It is forecast at 2.5% for 2015, unchanged from the previous month.

Emerging and Developing Economies

The GDP of **Brazil** contracted 1.6% y-o-y in 1Q15 on a notable drop in private consumption, government consumption and investment. Inflation remained high last month, negatively impacting consumer sentiment. GDP is anticipated to contract by 0.4% y-o-y in 2015, unchanged from the previous *MOMR*. However, risks to the current figure are notable skewed to the downside, especially after the contraction in 1Q15, which might lead to a further downward revision in the coming months.

In **Russia**, GDP contracted 1.9% y-o-y in 1Q15, better than most expectations, mainly on significantly lower imports. The manufacturing sector showed further slowdown in operating conditions last month. The GDP growth forecast for 2015 is slightly higher this month at -3% y-o-y on better-than-expected economic performance in the first three months of the year.

India's economy grew 7.5% in the 1Q15, which was above expectations, and grew 7.3% during the fiscal year ending 31 March. These results mean the country has outpaced China's economic expansion for two quarters out of the last three. PMI data signalled a further robust expansion of the Indian manufacturing economy in May. Both output and new order growth accelerated to four-month highs, whereas the rise in export orders lost traction. The outlook for the sector is, however, clouded by a stagnant jobs market as firms remain uncertain about the sustainability of the upturn.

The **Chinese** economy decelerated further in April. The PMI signalled a further deterioration in the health of China's manufacturing sector in May. A solid fall in new export work contributed to fewer new orders, which in turn led to the first contraction of output in 2015 so far. According to the continuing slowdown of China's economy, it seems the central government is paying more attention to stabilisation measures instead of the reforms needed to support the economy and ensure the 7% target for 2015.

Table 3.2: Summary of macroeconomic performance of BRIC countries

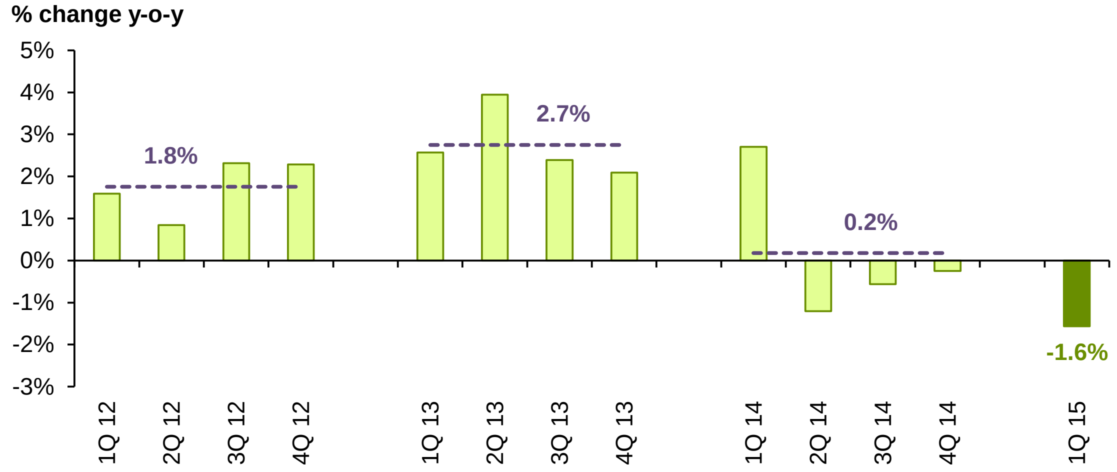
	GDP growth rate		Consumer price index, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2014E*	2015F*	2014	2015	2014	2015	2014	2015	2014	2015
Brazil	0.2	-0.4	6.3	8.3	-91.3	-80.2	-6.3	-6.3	58.9	64.5
Russia	0.6	-3.0	7.8	14.7	59.5	64.1	-0.5	-3.5	10.4	13.2
India	7.2	7.5	6.7	5.8	-27.4	-33.8	-4.1	-4.1	49.7	49.0
China	7.4	6.9	2.1	1.2	219.9	344.1	-1.8	-2.7	15.6	17.4

Sources: OPEC Secretariat, Consensus Economics, Economic Intelligence Unit, Financial Times and Oxford.
** E = estimate and F = forecast.*

Brazil

GDP contracted 1.6% y-o-y in 1Q15. **Private consumption** fell into the negative territory for the first time since 3Q03, contracting 0.9% y-o-y. The deceleration of **government consumption** witnessed in the previous quarter accelerated in 1Q15, falling by 1.5% y-o-y. The contraction in **GFCF** also deepened to 7.8% y-o-y in 1Q15, from a 5.8% y-o-y deceleration in the previous quarter. However, some improvement came from both exports and imports, where **exports** increased 3.2% y-o-y and **imports** declined 4.7% y-o-y in the same period.

Graph 3.6: Brazilian quarterly GDP growth

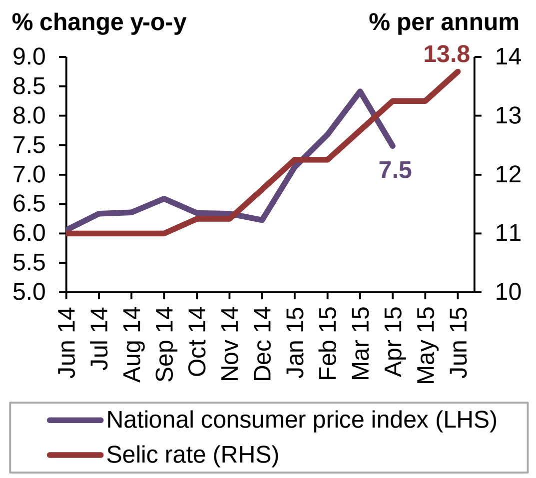


Sources: Instituto Brasileiro de Geografia e Estatística and Haver Analytics.

Consumer price **inflation** remained high in April despite having eased from a month earlier. Inflation posted 7.5% y-o-y in April, from 8.4% in March. The central bank further increased its benchmark **interest rate** for June to 13.75%, up from 13.25% in May.

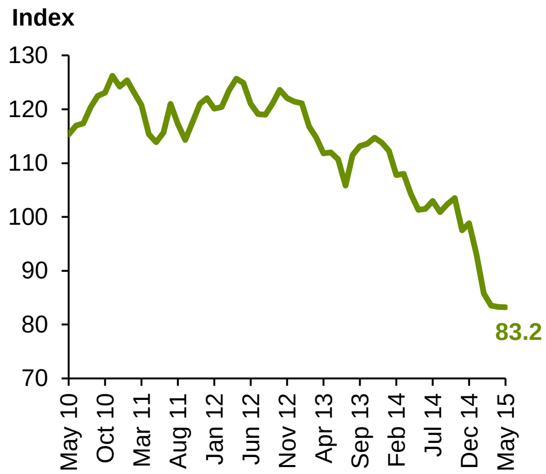
The Brazilian **consumer confidence index** continued registering record-low readings in May for the fifth month in a row. The index fell to 83.2 last month. The unemployment rate in May rose for the fourth consecutive month to 6.4% from 6.2% in April. This marks the highest rate since May 2011.

Graph 3.7: Brazilian inflation vs. interest rate



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

Graph 3.8: Brazilian consumer confidence index



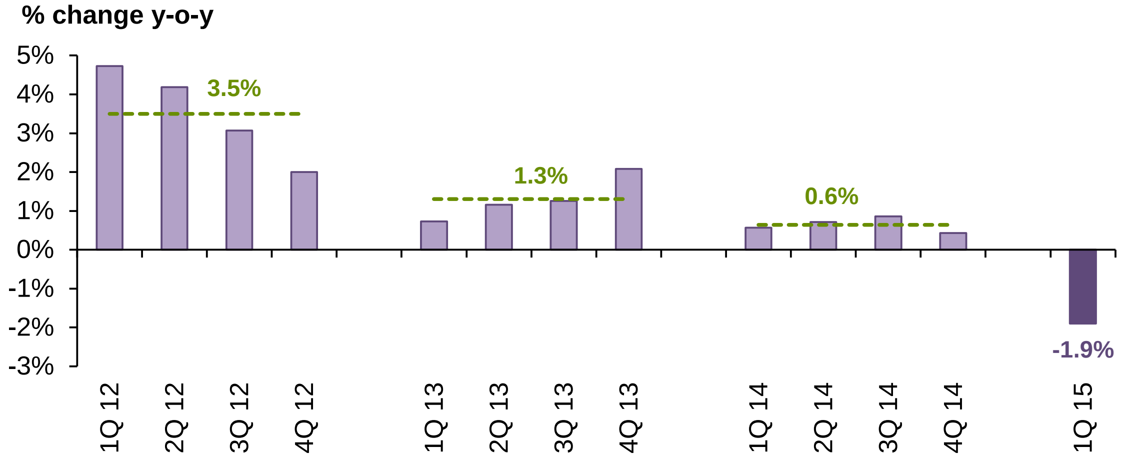
Sources: Fundação Getúlio Vargas and Haver Analytics.

The **manufacturing sector** PMI pointed once again to a continued deceleration in May. Despite the depreciation in the currency, manufacturers continued to see contractions in foreign orders. An increasing unemployment rate and high inflation have badly affected consumer goods. The survey revealed that employment shrunk at its fastest pace since July 2009. The index stood at 45.95 in May compared to 46.02 in April. May's reading is the lowest since September 2011. **GDP** is anticipated to contract by 0.4% y-o-y in 2015, unchanged from the previous *MOMR*. However, risks to the current figure are notably skewed to the downside, especially after the contraction in 1Q15, which might lead to a further downward revision in the coming months.

Russia

The **GDP** contracted 1.9% y-o-y in 1Q15, better than most expectations. Though details about GDP components have not been released yet, data showed **imports** fell by approximately 39% y-o-y in the same period, which is likely the reason behind the better-than-expected figure.

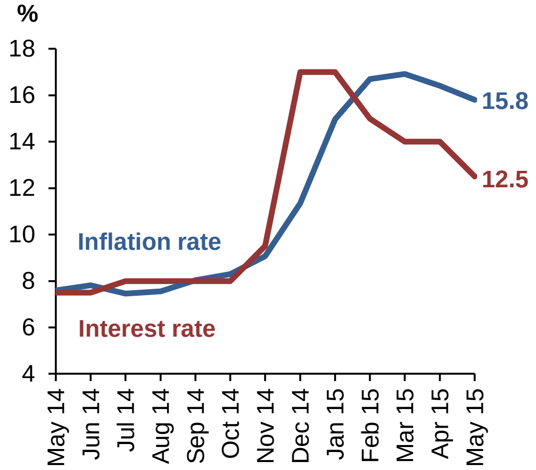
Graph 3.9: Russian quarterly GDP growth



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

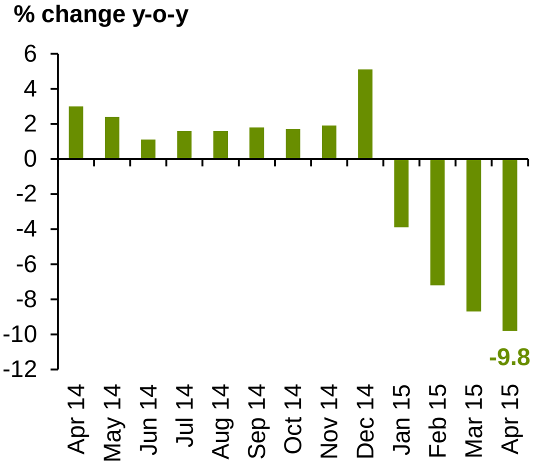
Inflation decreased to 15.8% y-o-y in May, easing slightly from 16.4% in April. In May, the central bank reduced its benchmark **interest rate** to 12.5% from 14% in April. **Industrial production** contracted 4.5% y-o-y in April, registering the third consecutive deceleration. The drop in **retail sales** accelerated further in April, falling 9.8% y-o-y from an 8.7% dip in March. Retail sales were in contraction for four months in a row through April when they hit a record low reading. The **unemployment rate** in April posted its first modest easing in seven months, standing at 5.8% in April from 5.9% a month earlier.

Graph 3.10: Russian inflation vs. interest rate



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

Graph 3.11: Russian retail sales



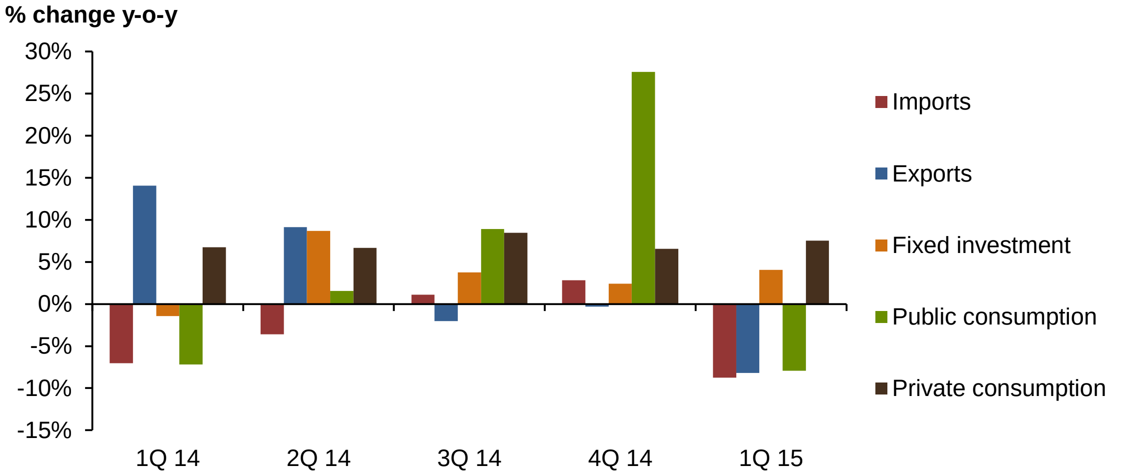
Sources: Federal State Statistics Service and Haver Analytics.

The **manufacturing sector** showed a further slowdown in operating conditions last month. The manufacturing PMI remained below the neutral line of 50 with 47.6 in May after registering 48.9 in April. Output, new orders and employment all posted declines in May compared to April. The manufacturing survey also showed a drop in inflation rates. The **GDP growth forecast** for 2015 is slightly higher this month at -3% y-o-y on better-than-expected economic performance in the first three months.

India

India's economy grew 7.5% in the 1Q15, which was above expectations. It grew 7.3% during the fiscal year ending 31 March. This means the country has outpaced China's economic expansion for two quarters out of the last three. It seems key positive aspects are low commodities – and, specifically, low oil prices – which will limit the current account deficit and lower inflation. Indeed, wholesale price inflation was negative for the sixth consecutive month in April, while CPI inflation fell to a four-month low. This will support consumers' purchasing power and encourage spending.

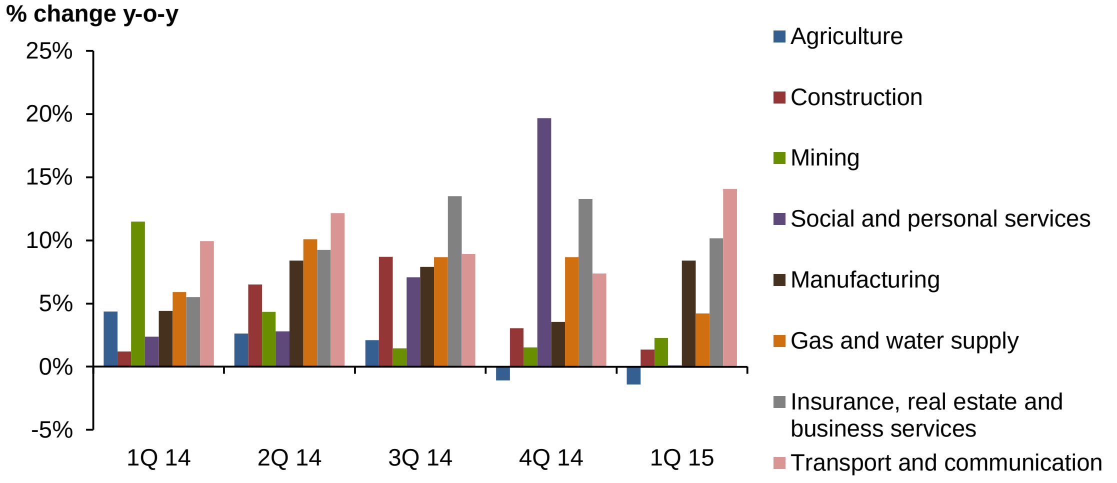
Graph 3.12: Indian GDP growth on demand side



Sources: Central Statistics Office and Haver Analytics.

When **GDP components** are investigated, on the demand side GDP has improved visibly in January–March, while real private consumption spending grew 7.9% y-o-y, the highest in seven quarters. Although this is in line with the notion of easing inflation and lower interest rates supporting consumer spending (the CPI averaged 5.3% y-o-y in January–March compared with 7.8% y-o-y during the same quarter last year), this robust expansion contradicts much weaker data on consumer goods output, particularly of consumer durables, which continued to contract in y-o-y terms. In the meantime, real fixed investment grew 4.1% y-o-y, recovering from 2.4% y-o-y in the 4Q14 and bringing the annual average to 4.6%. Investment goods output expanded by a respectable 9.6% y-o-y during the quarter and the imports of capital machinery grew at double digits. The new investment announcements also increased 88% y-o-y during the 1Q15. Despite the gradual improvement in demand-side GDP, the gross value added data showed a steep decline in the 1Q to 6.1% y-o-y, bringing the annual average to 7.2%. Here again, the government data showed a strong expansion in manufacturing and financial and transport services, which grew 8.4% y-o-y, 10.2% y-o-y and 14.1% y-o-y, respectively.

Graph 3.13: Indian GDP growth on supply side

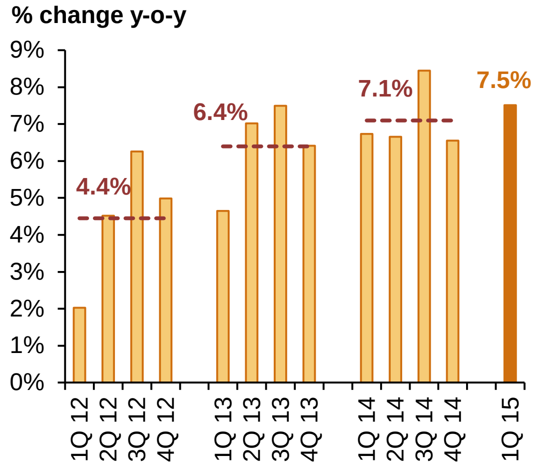


Sources: Central Statistics Office and Haver Analytics.

In terms of India’s **economic reform**, the ruling BJP has made some progress in implementing economic reforms, but bureaucratic hurdles and a lack of transparency mean that it has barely scratched the surface so far. There are significant challenges ahead as the government will face opposition on economic measures from a variety of sources, such as the upper house of parliament and from the trade unions.

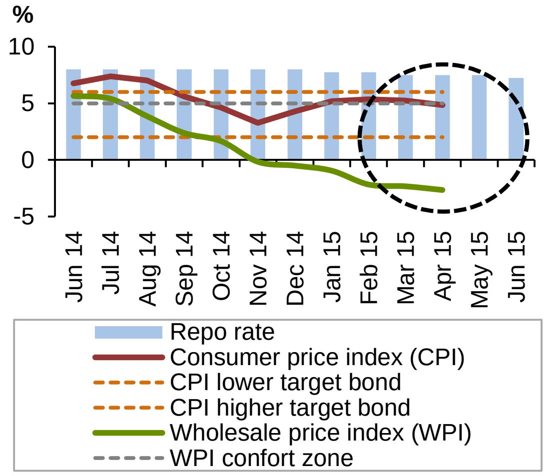
In terms of international trade, merchandise **exports** shrunk for the fifth consecutive month in April to $23 billion. Imports also declined but at a slower pace of 7.6% y-o-y and almost entirely due to still shrinking foreign oil purchases. Meanwhile, **imports** of iron and steel, machinery, transport equipment and electronic goods all registered double-digit y-o-y growth, suggesting a pick-up in investment demand. As oil prices are almost solely responsible for the imports contraction, the weakness in exports appears to be more broad-based, indicating imports may recover sooner than exports and clouding the outlook for India's **trade balance** in the coming months. Worsening net exports will likely weigh on India's overall growth in the fiscal year beginning in April. This weakness, however, should be at least partially offset by the recovery in fixed investment, with strong imports of capital equipment.

Graph 3.14: Indian GDP growth



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

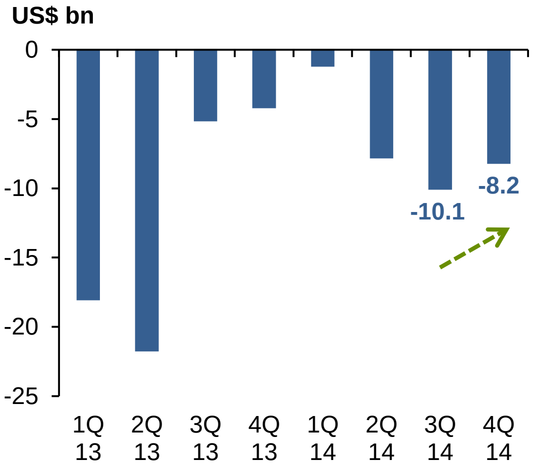
Graph 3.15: Indian inflation vs. repo rate



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

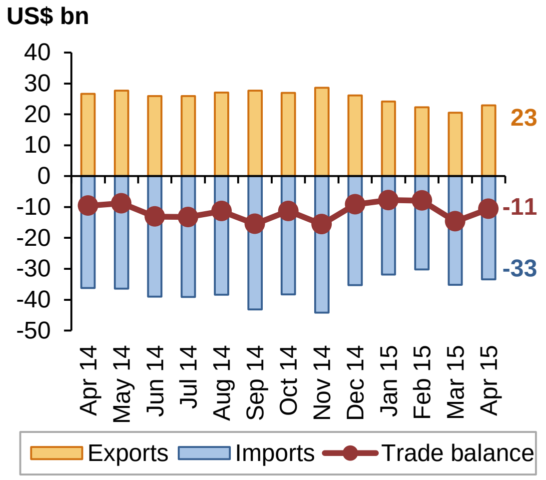
The **inflation rate** in India was recorded at 4.87% in April of 2015. The **CPI** in India increased to 120.7 index points in April 2015 from 120.2 index points in March. Since the last RBI review in early April, oil prices have risen nearly 10% and the rupee has depreciated nearly 3%. However, the baseline arguably had some associated downside risks, and while the current move in oil prices and the value of the rupee are likely to offset those risks and increase inflationary pressures, by themselves they are unlikely to push inflation above the RBI's 6% January 2016 target. Food inflation eased to 6.14% in March from 6.88%, while the core part of the CPI remained largely sticky at 4.15% versus 4.10% in February. The prices of food and beverage items eased to 6.20% from 6.76%. The actual nature of the monsoons will be clear only around mid-July. While a good monsoon can somewhat mitigate the impact of the unseasonal summer rains on food prices, a bad one can do more damage. A much bigger worry is a strong monsoon season that could drive up food prices. But there are mitigating factors. The y-o-y deflation in **WPI** prices accelerated to 2.7% y-o-y in April from a 2.3% rate in March. On a sequential basis, prices dropped for the seventh time in eight months, declining by a seasonally adjusted (SA) rate of 0.5% m-o-m. The WPI has a much larger tradable component than the CPI and, therefore, has been much more responsive to the recent global commodity price fall. April was no different, with fuel prices declining by a SA rate of 1.9% m-o-m on the back of pump price cuts at the end of March. Furthermore, minerals prices declined by a SA rate of 0.8% m-o-m, reflecting soft commodity prices. However, WPI deflation does not only reflect the first-round impact of commodity prices. Falling input costs, weak domestic demand, and excess capacity in key manufacturing sectors meant that core prices also declined sequentially for the sixth straight month in April, falling by a SA rate of 0.2% m-o-m. As a consequence, y-o-y core inflation remained unchanged in negative territory at -0.4% y-o-y. India's central bank cut its main interest rate by 0.25 basis points (bp) for the third time this year, a move that appears at odds with recent data showing the country's economy has accelerated to become one of the fastest-growing in the world, with the repo rate now at 7.25%.

Graph 3.16: Indian current account balance



Sources: Ministry of Commerce and Industry and Haver Analytics.

Graph 3.17: Indian exports and imports

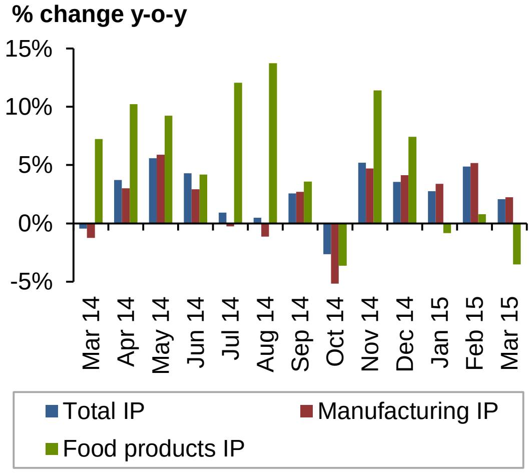


Sources: Ministry of Commerce and Industry and Haver Analytics.

The April **trade deficit** moderated to $11 billion from $11.8 billion in March. This is likely to soothe the nerves of market participants who may have become nervous about the manner in which the deficit surged in March and the recent rupee movements. The India's balance of payments remain well supported for now with a monthly trade deficit of $11-12 billion, which is consistent with an annual current account deficit of about 1.2% of GDP. It seems, however, that this is not large enough to increase financial market vulnerability to shifts in risk appetite or global interest rates.

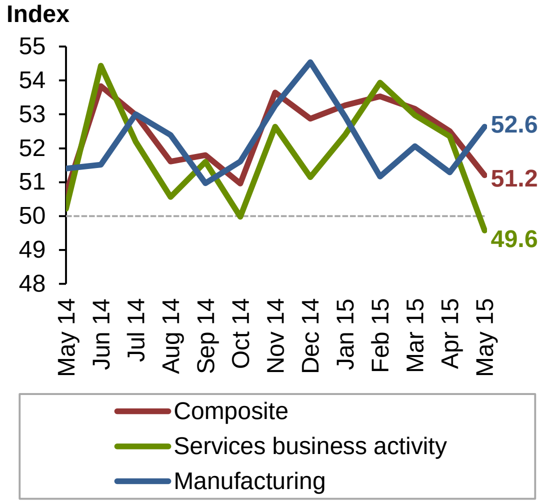
Industrial production in March showed a surprise sharp drop, exacerbating mounting downside risks to 1Q growth. Industrial production fell by a SA rate of 1.1% m-o-m after a modest 0.1% downward revision to February's number of 4.9% y-o-y. As a consequence, industrial production slowed to 2.1% y-o-y in March. The industrial production slowdown may be the straw that breaks the camel's back on 1Q GDP growth. Since the release of the government's 7.5% y-o-y advance estimate of 1Q GDP growth, significant downside risks have arisen, both from weather shocks that have likely depressed agricultural production and from weaker-than-expected government spending growth as authorities have scrambled to meet last year's fiscal deficit target.

Graph 3.18: Indian industrial productions



Sources: Central Statistical Organisation of India and Haver Analytics.

Graph 3.19: Indian PMIs



Sources: HSBC, Markit and Haver Analytics.

Indian **manufacturing PMI** was up to a four-month high of 52.6 in May from 51.3 in April. This signalled a further improvement in business conditions. Furthermore, gains were seen in all three monitored sub-sectors. Manufacturing output increased for the nineteenth month running, with a marked rate of growth, which was the fastest since January. The sharpest rise was reported by consumer goods producers.

The expectation for GDP growth rate in 2015 is 7.5%, similar to the previous month's outlook for 2015.

China

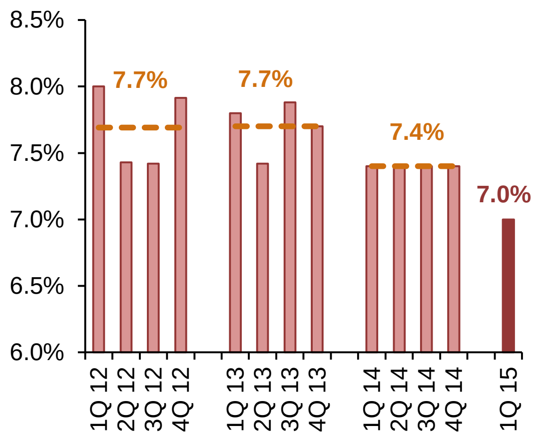
The Chinese economy decelerated further in April. Fixed urban investment grew by 12% on the year, down from 13.5% in March, while industrial production growth remained subdued at 6% (compared to 6.4% in the 4Q14). The key factors dampening activity at present appear to be sectors burdened by significant excess capacity and those dependent on the weakening real estate market scaling back output. Indeed, in April, new construction starts were 17% down from a year ago, sales fell by 4.8% and residential house prices were 6.1% lower. However, retail sales volume growth has slowed more gradually, from 11.2% in the 4Q14 to 9.9% in April.

According to the continuing slowdown of China's economy, it seems the central government is paying more attention to stabilisation instead of reform to ensure the 7% target for 2015. As part of efforts to support the economy, public spending on railways, infrastructure, affordable housing and small businesses will be increased further, with projects brought forward. The central government has targeted a spending increase of 10.6% this year. Activity remained subdued in April as the Chinese economy continued to struggle against the background of the correction in the real estate sector and the problem of serious excess capacity in several industries where long-term demand growth now looks much less strong than a few years ago.

Strong real wage growth and high state spending are lifting the living standards of households. This has been feeding through into reasonably robust spending. In the 1Q15, real per capita disposable income rose 8.1% on the year and in the medium-term, consumer spending should be boosted by substantial financial and social reform such as the liberalisation of deposit rates and an overhaul of the hukou registration system. The hukuo registration system is a household registration record required by law in China, officially identifying a person as a resident of an area and includes identifying information such as name, parents, spouse, and date of birth.

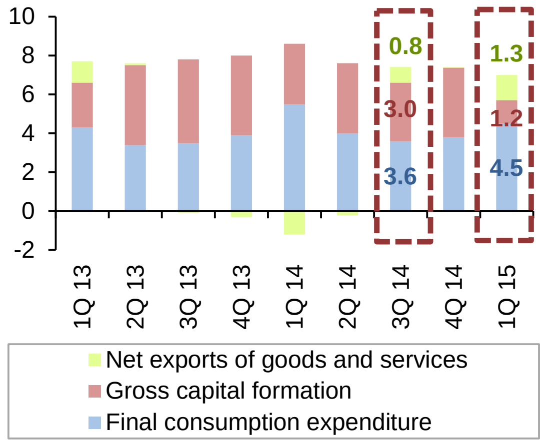
Against a background of sluggish domestic demand, import volumes are forecast to fall by 2.2% in 2015. Also, in light of still modest global demand and the appreciation of China's trade-weighted exchange rate, export growth is expected to remain moderate but should outpace imports by a wide margin.

Graph 3.20: Chinese GDP growth rate, SAAR



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

Graph 3.21: Contributions to Chinese GDP growth



Sources: China National Bureau of Statistics and Haver Analytics.

In the past, China experienced a sharp rise in the inflow of so-called "**hot money**" – foreign capital entering the country in search of short-term profits – especially in 2008. The release of preliminary data on China's 1Q15 balance of payments, while incomplete, nonetheless furnishes us with the hardest evidence to date of the alarming scale of hot money outflows from the mainland. Full detail of the 1Q data is not yet available but China enjoyed a bumper basic balance surplus of $129.2 billion (that is, current account surplus of $78.9 billion and net FDI inflows of $50.2 billion) even as official reserve assets fell by $80.2 billion. With the total capital account in deficit to the tune of $78.9 billion (i.e. net outflows), recorded hot money outflows were also -$129.2 billion, leaving a huge 'errors and omissions' balancing item of -$80.2 billion in the 1Q.

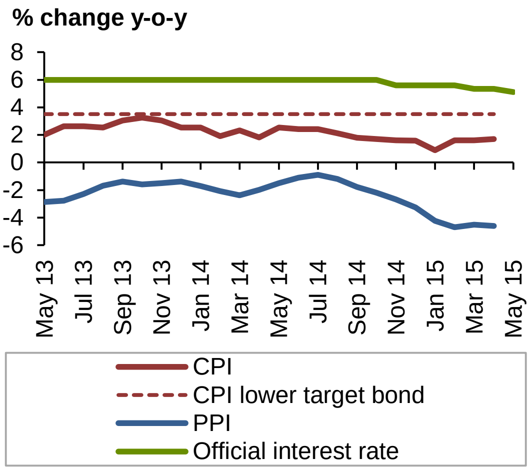
The People's Bank of China (PBOC) cut the one-year **lending rate** again by 25 basis points to 5.1% earlier this month, in order to lower mortgage rates and refinancing costs for firms. This is the third rate cut since November. The PBOC is also injecting liquidity using various tools to counteract substantial capital outflows. But with inflation remaining very low – **CPI inflation** was just 1.5% in April, well below the authorities' target of 3% for this year – real interest rates remain elevated.

It seems there is some threat from the domestic side of the economy even though the shadow banking sector now appears to be under control. China's total debt ratio now exceeds 265% and non-performing loans are rising quickly. In addition, the imbalances in the housing market continue to rise. With the monetary overhang resulting from the large-scale stimulus in 2009-10 still likely to be substantial, the economy remains prone to asset price bubbles. This has raised concern about a potential liquidity-driven valuation bubble in Chinese equities. Further risks have arisen from the fragility of local governments' balance sheets, which rely on the sale of land-use rights. Given these distortions, the authorities will have to be very careful in steering the economy towards a more stable growth path.

China is the second largest destination for **FDI** worldwide. Its FDI stock-to-GDP ratio is well below the global average. Beijing is eager to increase FDI to help boost slowing economic growth. A new draft Foreign Investment Law could potentially open up vast new opportunities in currently closed sectors such as the provision of financial services to foreign investors. Over the past two decades, China has enjoyed dramatic growth in inbound FDI and it is currently the second largest destination for new FDI in the world. However, the draft Foreign Investment Law also contains a number of potential new restrictions. The new law introduces the concept of "foreign control", achieved when a foreign party has either accumulated sufficient traditional voting rights or has secured influence over operational and financial decision-making via other contractual mechanisms. All companies under "foreign control" will henceforth be subject to laws and regulations governing foreign investments. The change here particularly concerns foreign investors involved in 'variable interest entities' (VIEs).

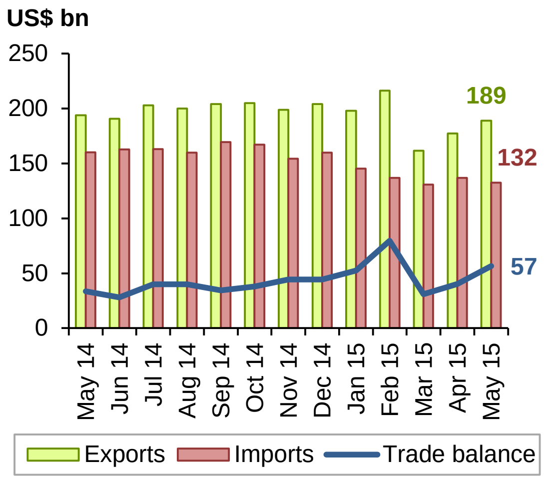
The trade-weighted **exchange rate** has appreciated by 12% since June, while real market interest rates have stayed high because of very low inflation and heavy capital outflows. To counter these factors, the PBOC is seen continuing its general easing cycle, and is expected to lower interest rates further and inject liquidity (by cutting banks' reserve requirements) as part of its ongoing efforts to ensure a controlled slowdown in the economy. Following the stronger-than-expected February trade report, China's March exports were much weaker-than-expected, falling 15% y-o-y after a 48.3% y-o-y rise in February. By destination, China's March exports plunge was broad-based with exports to the US, the EU and EM Asia down a SA rate of, respectively, 31.7%, 29.8% and 30.3% m-o-m.

Graph 3.22: Chinese consumer price index (CPI) vs. producer price index (PPI)



Sources: China National Bureau of Statistics and Haver Analytics.

Graph 3.23: Chinese trade balance



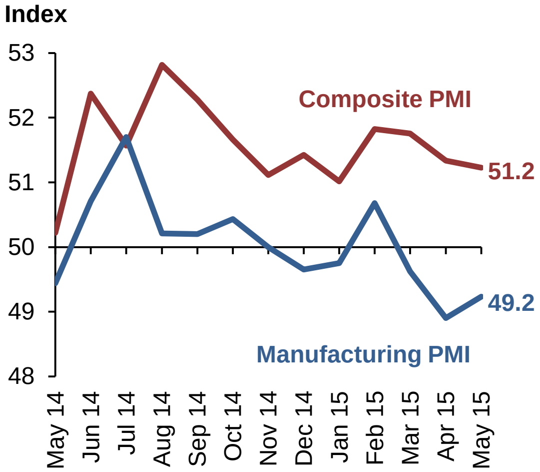
Sources: China Customs and Haver Analytics.

Domestic demand conditions likely will remain sluggish, overall, in the near-term, but the impact of the government's recent policy supports are expected to gradually come through from 2Q onwards. Policy support is expected to focus on the domestic economy. On the currency front, a modest weakening of the Chinese yuan (CNY) is expected with volatility for both it and the US dollar remaining. The year-end 2015 USD/CNY forecast remains at 6.4.

The US has long suggested that China has manipulated the value of the yuan to boost exports. The IMF has suggested that China should focus on creating full exchange rate flexibility so that the value of the yuan adjusts as the country grows. The IMF believes that China should aim to achieve a floating exchange rate within the next two or three years.

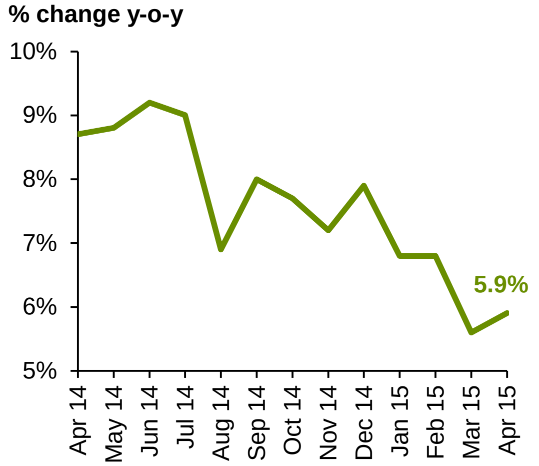
China's **manufacturing PMI** posted 49.2 in May. Although this was up slightly from 48.9 in April, the index remained below the crucial 50 neutral mark and signalled a third successive monthly deterioration in the health of China's manufacturing sector. However, the rate of deterioration remained only slight. A solid fall in new export work contributed to fewer new orders, which in turn led to the first contraction of output in 2015 so far.

Graph 3.24: Chinese PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.25: Chinese industrial production



Sources: China National Bureau of Statistics and Haver Analytics.

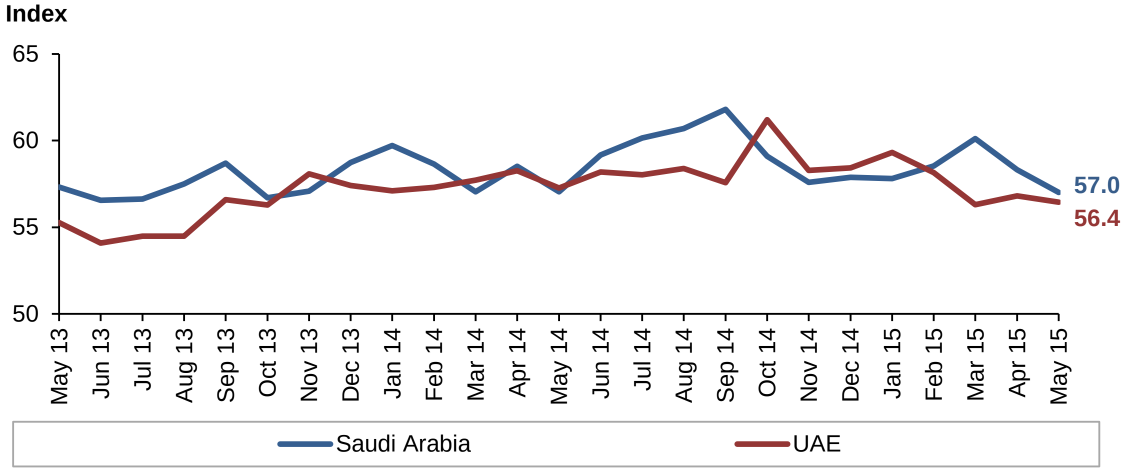
The **GDP growth** expectation has remained unchanged at 6.9% this year. The adjustments in industry and the housing sector will continue to depress growth. Given the sluggishness of domestic demand, goods imports should recover only slowly from the estimated 7% y-o-y fall in the 1Q15 and contract on average by 2.2% this year. As a result, net exports should contribute significantly to growth in 2015.

OPEC Member Countries

In **Saudi Arabia**, the non-oil producing private sector continued growing in May as suggested by the SABB HSBC PMI. The index stood at 57 in May from 58.3 in April. Despite being the lowest reading since May 2014, this still shows a robust improvement on continued acceleration in output, new orders and employment. The survey also showed a sustained growth in input stocks. In addition, purchase and staff costs reported to be rising faster in May than the previous month on higher raw material prices, increasing demand for input and rising living costs.

Business conditions in the non-oil producing private sector in the **United Arab Emirates** improved further in May. The PMI in May registered 56.4, which was comfortably into the expansion territory. In April, however, the index posted 56.8. The survey showed a notable expansion in output and new orders. Output growth is the fastest in three months. Employment numbers also continued to increase solidly in May, with the rate of employment reaching a three-month high.

Graph 3.26: Saudi Arabia and United Arab Emirates: PMIs



Sources: SAAB, HSBC, Markit and Haver Analytics.

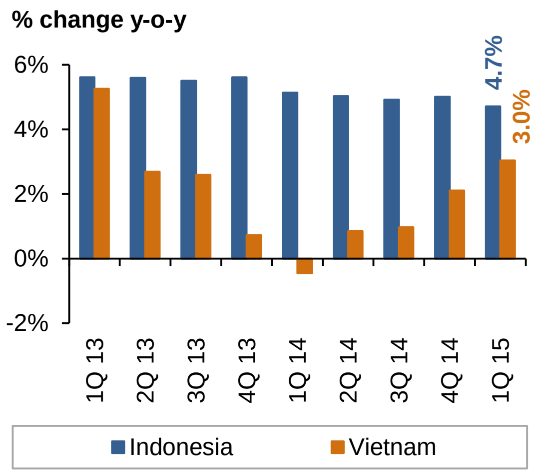
Other Asia

GDP growth in **Indonesia** registered 4.7% y-o-y in 1Q15, marking its slowest pace since 3Q09. Growth of private consumption slowed down for the fourth consecutive quarter at 4.7%, the lowest since 2Q11. General government consumption expenditure grew by 2.2%, slightly lower than the previous quarter growth of 2.8%. The deceleration in export value markedly eased to 0.5% in 1Q15, compared to a 4.5% contraction in the previous quarter.

On the other hand, imports shrank for the first time since 4Q13, falling 2.2% over the same period. The country's manufacturing sector sent signals of weakness for the eighth consecutive month in May. The manufacturing PMI was at 47.1 in May, up slightly from 46.7 in April, but indicating continued worsening conditions across the sector. Output, new business and job creation were in contraction last month.

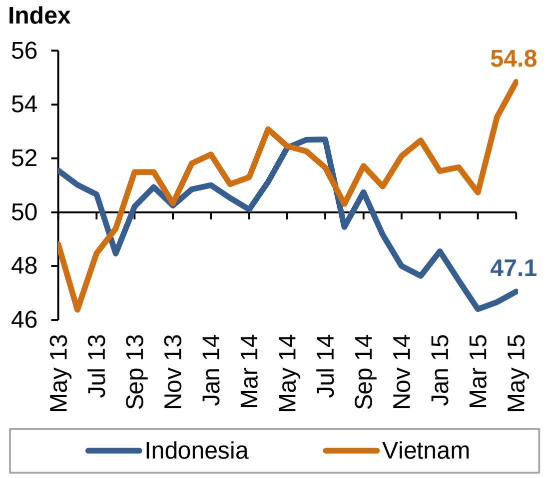
In **Vietnam**, GDP grew 6% in 1Q15, the highest since in 4Q14, when the General Statistics Office of Vietnam started the new baseline for GDP calculations. This improvement was largely due to the robust performance of industry and construction which accelerated 8.4% y-o-y in 1Q15, from 7.1% in the previous quarter. The services sector, however, witnessed a slight moderation in growth to 5.8% over the same period. The manufacturing sector gained more momentum last month. The manufacturing PMI was at its highest in the four years of the data history. Strong growth in output and new business was reported alongside with a pick-up in employment.

Graph 3.27: Indonesia and Vietnam GDP growth



Sources: Badan Pusat Statistik, General Statistics Office of Vietnam and Haver Analytics.

Graph 3.28: Indonesia and Vietnam manufacturing PMI

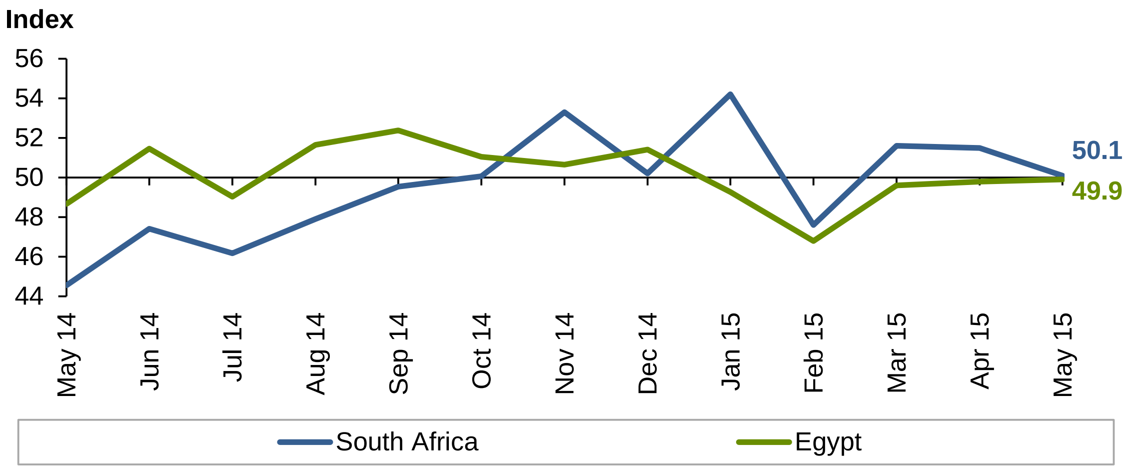


Sources: HSBC, Markit and Haver Analytics.

Africa

GDP in **South Africa** expanded 2.1% y-o-y in 1Q15, the fastest growth since 4Q13. The mining sector rose for the first time in more than a year while manufacturing remained subdued. The mining sector registered its fastest increase by 6.3%, rebounding from four consecutive quarters of decline. Agriculture grew 6.2% y-o-y in 1Q15, compared to 4.2% in the previous quarter. The manufacturing PMI of May remained in the expansion territory last month though edged closer to stagnation. The index posted 50.1 in May from 51.5 a month earlier.

Graph 3.29: Egypt and South Africa manufacturing PMI



Sources: Haver Analytics, HSBC, Investec, Markit and Reuters Telerate

In **Egypt**, the annual inflation rate eased to 10.7% in April from 11.5% in March, as the cost of housing and utilities rose at a slower pace. The stagnation in new orders led business conditions in the country's non-oil producing private sector to worsen further in May. However, they edged closer to the expansion territory last month at 49.9 after 49.8 in April. The survey showed a marginal increase in output.

Latin America

Consumer price inflation in **Argentina** was 15.8% y-o-y in April, down from 16.5% in March. On a monthly comparison, inflation increased 1.1% in April over the previous month. The consumer confidence index improved in May to 55 from 53 a month earlier. The country's export value declined 19.2% y-o-y in April, after falling 4.1% in March. The central bank's foreign reserves increased from $31.5 billion in March to $33.9 billion in April.

Chile's GDP increased in the 1Q15 faster than in the previous two quarters, registering 2.4% y-o-y growth. The improvement in private consumption largely supported GDP, increasing 1.6% y-o-y over the same period, compared to less than 1% rise in 4Q14. GFCF declined 1.7% y-o-y in 1Q15, from a growth of 0.5% in 4Q14.

Transition region

In **Poland**, GDP growth improved in 1Q15 to 3.7% y-o-y from 3.1% in 4Q14. Higher growth in household consumption, increased exports, growing GFCF and reduced imports were the drivers of this progress. On the other hand, public spending posted markedly lower growth at 2.9% y-o-y from 6% in the previous quarter. The manufacturing sector kept growing in May with the manufacturing PMI at 52.4, the eighth consecutive month of expansionary readings.

In the **Czech Republic**, the growth of GDP accelerated in 1Q15 to 4.2% y-o-y, up from 1.2% in the previous quarter. This marks the highest growth rate since 2Q08. Growth was mainly supported by a 3% increase in household consumption, which was up from 2% in 4Q14. The country's manufacturing sector continued showing signs of strong growth. The manufacturing PMI rose to 55.5 last month from 54.7 a month earlier. The index was supported by strong rise in job creation and fast growth in new orders.

Oil prices, US dollar and inflation

The appreciating trend of the **US dollar** seems to have come to a temporary halt, driven by a slowdown in the US, which has pushed the Fed interest rate raising cycle backwards, and a better-than-expected momentum in the Euro-zone. In May, the US dollar declined by a monthly average of 3.5% compared to the euro, rose by 1% compared to the yen, fell by 3.4% versus the pound sterling and declined by 3.3% compared to the Swiss franc. Meanwhile, the Russian rouble continued its recovery in May, appreciating by an average of 4.3% m-o-m versus the US dollar. After recovering by 3.1% m-o-m versus the US dollar in April, the Brazilian real continued to decline in May, when it depreciated by 0.6% m-o-m on average.

This **trend in foreign exchange markets** remains largely influenced by the monetary decisions of various central banks. But it has also been impacted by some real economic and political developments. With the ECB's quantitative easing measures, as well as a continued expansionary policy in Japan, the potential of monetary tightening in the US and monetary decisions targeting growth in major emerging economies, the volatility of the currency markets should be expected to continue to some extent. This is even more likely as the latest softening in the US economy could delay any decision to lift interest rates, while a faster-than-expected Euro-zone recovery could force the ECB to reconsider its latest monetary decisions.

In nominal terms, the price of the **OPEC Reference Basket (ORB)** rose by a monthly average of $4.86/b, or 8.5%, from $57.30/b in April to $62.16/b in May. In real terms, after accounting for inflation and currency fluctuations, the ORB rose by 6.5%, or

$2.55/b, to $42.11/b from $39.56/b (base June 2001=100). Over the same period, the US dollar fell by 2% against the import-weighted modified Geneva I + US dollar basket*, while inflation declined by 0.2%**.**

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* *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

In 2014, world oil demand growth was left unchanged from last month's report at 0.96 mb/d, averaging 91.32 mb/d. In 2015, world oil demand is anticipated grow by 1.18 mb/d from 2014, unchanged from last month's projections. Total oil consumption in 2015 is anticipated to be around 92.50 mb/d.

World oil demand in 2014 and 2015

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

	2013	1Q14	2Q14	3Q14	4Q14	2014	*Change 2014/13* Growth	%
Americas	24.09	23.87	23.76	24.38	24.68	24.17	0.08	0.35
of which US	*19.27*	*19.15*	*19.04*	*19.52*	*19.84*	*19.39*	*0.12*	*0.64*
Europe	13.69	13.00	13.59	13.89	13.55	13.51	-0.18	-1.31
Asia Pacific	8.32	8.85	7.66	7.70	8.35	8.14	-0.18	-2.16
Total OECD	**46.09**	**45.72**	**45.01**	**45.97**	**46.58**	**45.82**	**-0.27**	**-0.60**
Other Asia	11.10	11.12	11.41	11.38	11.34	11.31	0.21	1.92
of which India	*3.70*	*3.85*	*3.80*	*3.63*	*3.87*	*3.79*	*0.09*	*2.38*
Latin America	6.50	6.42	6.69	6.98	6.67	6.69	0.20	3.02
Middle East	7.81	8.07	7.93	8.39	7.85	8.06	0.25	3.18
Africa	3.67	3.79	3.79	3.69	3.85	3.78	0.11	3.06
Total DCs	**29.08**	**29.39**	**29.82**	**30.44**	**29.71**	**29.84**	**0.77**	**2.65**
FSU	4.49	4.39	4.24	4.63	4.91	4.54	0.05	1.13
Other Europe	0.64	0.64	0.60	0.64	0.73	0.65	0.02	2.44
China	10.07	10.08	10.56	10.31	10.90	10.46	0.40	3.94
Total "Other regions"	**15.20**	**15.11**	**15.39**	**15.58**	**16.53**	**15.66**	**0.46**	**3.05**
Total world	**90.37**	**90.23**	**90.22**	**91.99**	**92.82**	**91.32**	**0.96**	**1.06**
Previous estimate	90.37	90.23	90.22	91.99	92.82	91.32	0.96	1.06
Revision	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Totals may not add up due to independent rounding.

OECD Americas

US oil demand was bullish in March 2015, recording the highest monthly y-o-y growth since December 2013, at 0.7 mb/d or 3.9%. Approximately 50% of the recorded growth originated in the road transportation sector, especially with regard to gasoline. This was in line with a booming auto market sentiment and low fuel prices, while strong gains have been observed in jet fuel.

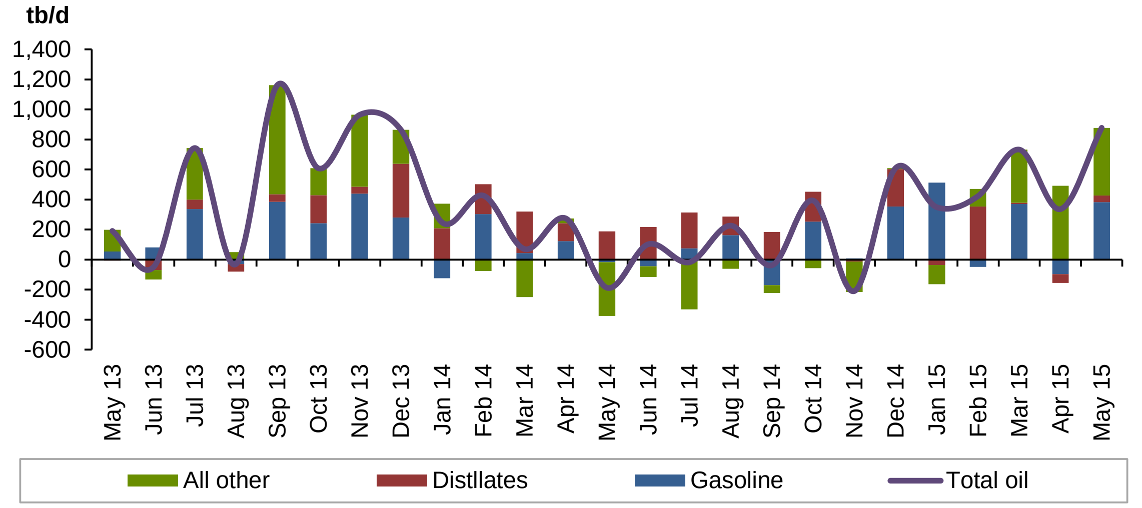
The first quarter has proven to be a strong one for US oil demand, with overall growth of 0.5 mb/d, as compared to the same quarter of last year. Gasoline has accounted for the lion's share of that growth. Preliminary April and May 2015 data, which is based on weekly figures, implies a continuation of the current positive trend, with transportation fuels accounting for the bulk of these increases. US oil demand growth in the rest of 2015 depends on several factors, such as the economy, retail prices and the degree of substitution to other commodities.

Risks, however, remain skewed to the upside, compared to last month's publication, with the lower price environment playing a role in pushing up demand for transportation fuels. Some additional features to highlight are the dominance of sport utility vehicles (SUVs) and pick-up trucks in the latest new car sales in the country, with May 2015 being the strongest month in auto sales in the last decade.

In **Mexico**, April 2015 was another disappointing month for oil demand and was dominated by a substantial decrease in demand for residual fuel oil. This was partly offset by slight increases in demand for all other petroleum product categories.

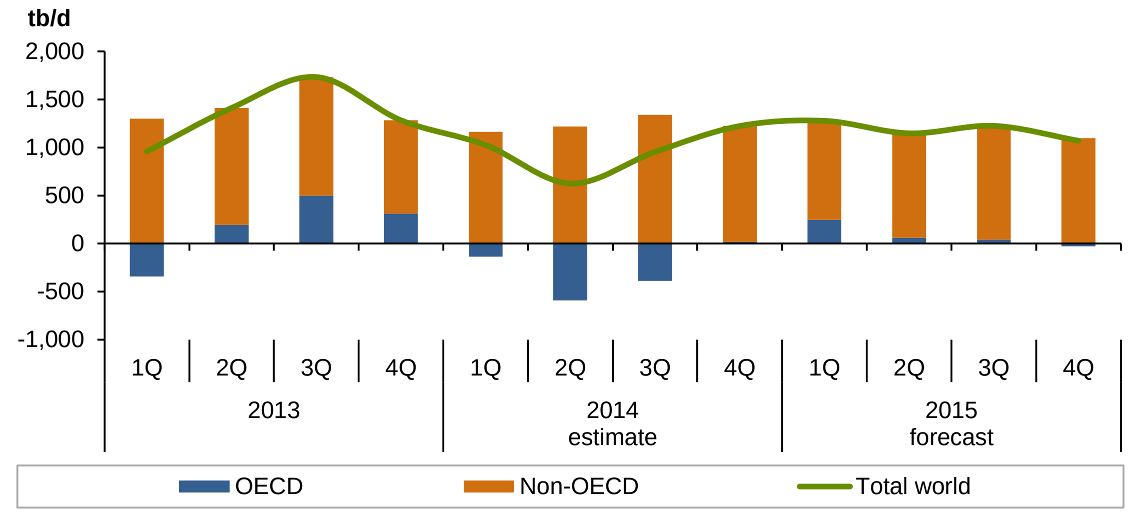
The latest March 2014 **Canadian** data showed overall declines in oil demand. Declines have been present in all main product categories, particularly for gasoline and gas/diesel oil. Projections for 2015 Canadian oil demand remain unchanged from those reported last month.

Graph 4.1: US oil consumption, y-o-y changes



In 2014, **OECD Americas oil demand** grew by 0.08 mb/d compared with 2013. OECD Americas 2015 oil demand is projected to grow once more by 0.22 mb/d compared with 2014.

Graph 4.2: Quarterly world oil demand growth



OECD Europe

European oil demand continues to appear strong in the first four months of 2015, particularly in the 1Q. The reasons behind these positive developments are the improving economy in large parts of the continent, colder weather, a low historical baseline for oil usage during the last three years and, lastly, lower fuel oil prices in the road transportation sector in a large number of countries across the region. Total oil demand for the 'Big Four' in April 2015 indicates a strong increase of around 0.15 mb/d y-o-y.

Gains in LPG and gasoil have largely dominated the overall oil increase, while gasoline and fuel oil remained flat y-o-y compared with the same period last year. Furthermore, falling demand for other petroleum products partly offset overall gains. In addition, declines in oil demand for most of the countries with debt issues have already switched to the positive.

The European oil demand outlook remains positive, mainly as a result of improving industrial production, and an auto market that is positively growing. It showed gains in April 2015 of around 7% y-o-y and on a monthly basis has been growing continuously since August 2013. The downside risks continue to be of financial nature: unsolved debt issues in a number of countries in the region and austerity measures, in combination with high taxes on oil usage, especially in the transportation sector. The general expectations for the region's oil demand during 2015 have once again improved since last month's projections and are largely connected to developments in the economy.

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

	Apr 15	Apr 14	Change from Apr 14	Change from Apr 14, %
LPG	401	378	23	6.0
Gasoline	1,112	1,120	-8	-0.7
Jet/Kerosene	784	719	66	9.1
Gas/Diesel oil	3,282	3,185	97	3.0
Fuel oil	261	255	6	2.3
Other products	971	1,009	-38	-3.8
Total	**6,811**	**6,667**	**145**	**2.2**

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

In 2014, **European oil demand** shrank by 0.18 mb/d, while oil demand in 2015 is projected to slightly decrease by 0.01 mb/d.

OECD Asia Pacific

April 2015 **Japanese** oil demand increased solidly 4.4% y-o-y for the first time since March 2014, with rising requirements in all main product categories. The only exception has been residual fuel oil. Moreover, oil requirements in crude and fuel oil for electricity generation fell for another month, as a result of continuing substitution with natural gas and coal.

Japanese oil demand growth has been, however, deeply in the negative during the first three months of the year and rather in line with developments in the economy of the country. The outlook risks for 2015 remain skewed to the downside as a result of the gloomy economy forecasts and the relatively high likelihood that some of the country's nuclear plants may rejoin operations during the second half of 2015.

Table 4.3: Japanese domestic sales, tb/d

	Apr 15	Change from Apr 14	Change from Apr 14, %
LPG	486	23	4.9
Gasoline	898	52	6.1
Naphtha	843	91	12.1
Jet fuel	89	-10	-10.3
Kerosene	215	39	21.9
Gasoil	575	27	4.9
Fuel oil	513	-17	-3.2
Other products	56	-2	-2.9
Direct crude burning	146	-40	-21.6
Total	**3,821**	**162**	**4.4**

In **South Korea**, March 2015 oil demand was bullish for the second month in a row. Flourishing petrochemical activities, which call for increasing naphtha requirements, have been accompanied by bullish demand for petroleum products in the transportation sector, notably diesel, jet fuel and gasoline. The 2015 outlook for South Korean oil demand during the rest of the year remains positively skewed to the upside.

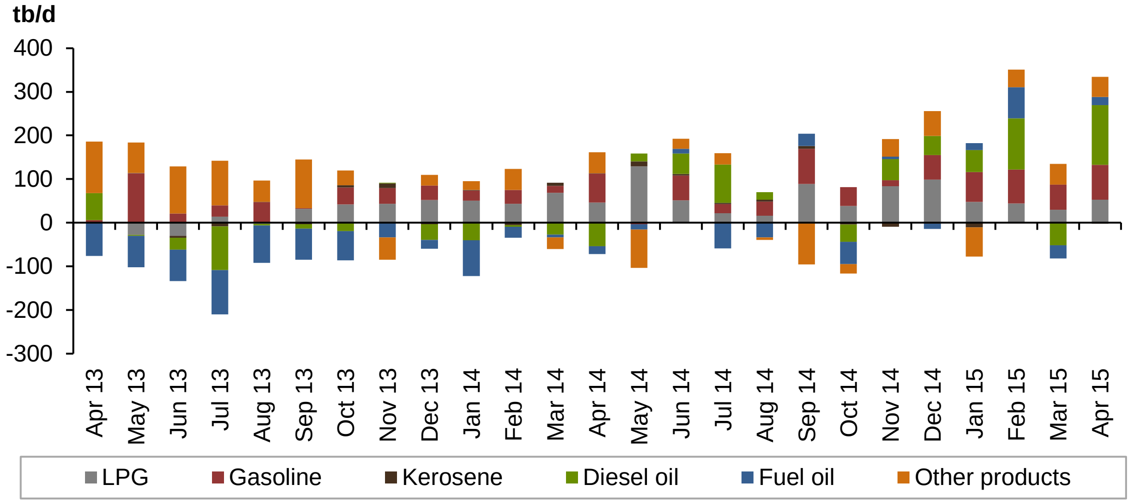
OECD Asia-Pacific oil demand in 2014 shrank by 0.18 mb/d. The downward trend will continue also in 2015 but to a smaller degree by 0.13 mb/d.

Other Asia

In April, oil consumption in **India** demonstrated exceptional growth, registering more than 0.3 mb/d of growth for the second time in 2015. Total consumption also reached record levels, hitting 4.2 mb/d, with major products of consumption – gasoline and diesel – also recording historically high consumption levels.

Gasoline demand continues its upward trend with demand breaking the 0.51 mb/d level. It rose by 80 tb/d, or around 19% y-o-y, largely supported by passenger car sales data which increased around 18% from the same month last year. In this, two-wheelers drove growth higher, highlighting the sixth consecutive month of growth. Diesel oil demand also surged to reach 1.6 mb/d for the fourth time in history. This was 0.14 mb/d, or more than 9%, higher y-o-y supported by improvements in manufacturing activities in the country as well as less unseasonal rains tempering agricultural demand.

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



For LPG, demand picked up as compared to last year registering a rise of around 52 tb/d, or around 10% y-o-y, as demand of subsided LPG continues to provide support to consumption. Fuel oil demand growth increased again after a declining trend seen in March 2015, recording the second highest growth in 2015. This growth was a result of higher-than-anticipated consumption in the power sectors as well as the low baseline of 2014. The product increased by around 19 tb/d or close to 10% y-o-y.

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

	Apr 15	Apr 14	Change	Change, %
LPG	595	542	53	9.8
Gasoline	508	428	80	18.7
Kerosene	302	304	-2	-0.5
Diesel oil	1,614	1,478	136	9.2
Fuel oil	211	192	19	9.8
Other products	924	878	46	5.3
Total oil demand	**4,154**	**3,821**	**333**	**8.7**

In **Indonesia**, the latest available March 2015 data indicates a similar rise to the month of February 2015 with an increase of around 48 tb/d or around 4% y-o-y. All product categories were in the positive terrain with gasoline, jet/kerosene and LPG leading the growth increase by more than 4% y-o-y each.

Continued positive oil demand momentum in India, along with various other countries in the region such as Indonesia, Thailand, Philippines and Pakistan, indicate an optimistic projection for the region's consumption levels going forward. Demand is expected to be supported by overall economic improvements and the steady, general economic performance of some countries of the region.

Other Asia's oil demand increased by 0.21 mb/d in 2014. However, for 2015 oil demand is anticipated to increase by 0.26 mb/d.

Latin America

In **Brazil**, April's oil demand data were on a declining trend. Oil demand fell by 25 tb/d, or slightly more than 1% y-o-y, after modest growth in the previous month. Total oil demand stood at 2.46 mb/d in April. Transportation fuels were contracting with the exception of ethanol. Gasoline declined by more than 8%. Diesel eased compared with the same month last year, falling by around 32 tb/d, in line with slower economic momentum. Jet/kerosene demonstrated a slight decline of around 1% y-o-y. Fuel oil consumption declined the most, with a drop of more than 25 tb/d y-o-y. This can largely be a result of improvements in the hydropower generation system, which was affected by a reduction in rainfalls in the past few months.

Table 4.5: Brazilian inland deliveries, tb/d

	Apr 15	Apr 14	Change	Change, %
LPG	229	230	-2	-0.8
Gasoline	723	791	-68	-8.6
Jet/Kerosene	124	125	-1	-0.7
Diesel	993	1,024	-32	-3.1
Fuel oil	82	110	-28	-25.7
Alcohol	314	209	105	50.1
Total	**2,464**	**2,490**	**-25**	**-1.0**

In **Argentina**, oil demand grew despite economic concerns in the country. However, industrial fuel – that is, diesel oil – was on a declining trend, dropping by around 2% y-o-y, a reflection of slower economic activities. LPG and fuel oil, on the other hand, led most of the demand growth, with LPG rising by more than 8% while fuel oil increased by around 27%.

The latest **Ecuadorian** data for April 2015 shows a decline in oil requirements, as compared to the same month last year, falling by around 21 tb/d or 8%. LPG was the only product in positive terrain while all other products were in the negative. Gasoline recorded the highest decline, decreasing by around 14 tb/d or around 25% y-o-y.

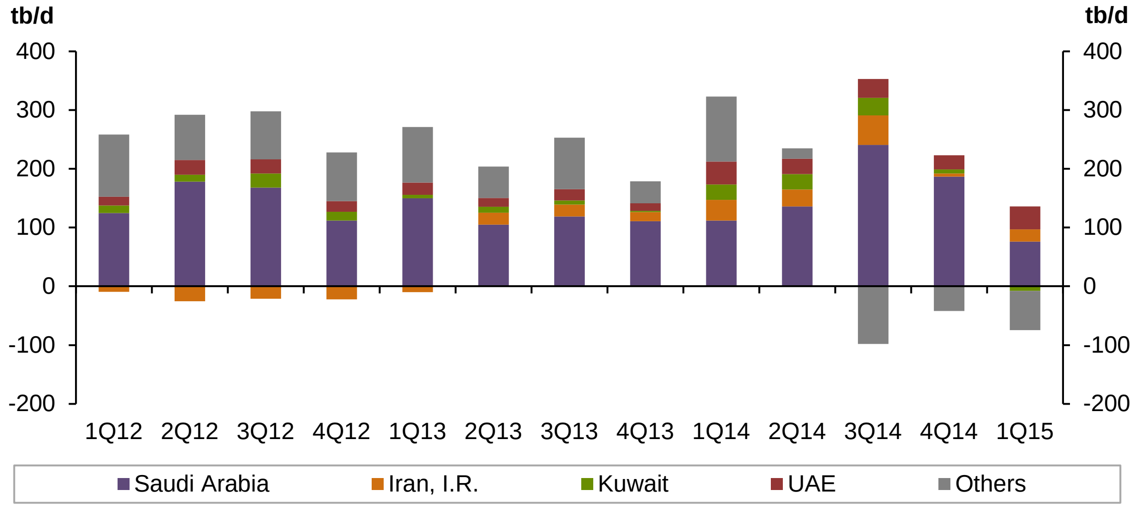
The risks for 2015 oil demand in the region are currently pointing negative as slower economic momentum in Brazil and Argentina is anticipated to curb oil demand growth for the remainder of the year.

In 2014, **Latin America oil demand** grew by 0.20 mb/d. For 2015, oil demand projections are unchanged from last month's expectations as oil demand is expected to grow by 0.17 mb/d.

Middle East

In **Saudi Arabia**, April 2015 oil demand was characterized by a modest increase, with oil demand growth rising slightly, with total oil demand reaching around 2.35 mb/d. All products had positive growth, with the exception of fuel oil and direct crude burning. LPG, gasoline and jet/kerosene showed the highest growth levels of more than 28%, 18% and 2% y-o-y, respectively. The growth in the road transportation sector fuels was supported by increases in car sales data, while the decline in fuel oil consumption can largely be attributed to the less-than-anticipated demand for power generation requirements.

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



Oil demand in **Iraq** declined for another month. This marks the ninth consecutive monthly drop in oil requirements y-o-y. Total demand dipped by more than 12%, or 72 tb/d y-o-y, in April. Total oil demand, in absolute terms, is now at 0.52 mb/d after reaching as high as 0.75 mb/d at the end of 2013. Diesel oil, which is used in transportation and the industrial sectors, was sharply lower by around 48 tb/d, or 34% y-o-y, followed by LPG which shrank by around 15 tb/d or 25% y-o-y. On the other hand, fuel oil used for power generation recorded a rise of around 5 tb/d or around 4%

y-o-y. The impact of the internal conflicts in Iraq has had a clear effect on oil consumption, imposing lower estimations for oil demand growth in the country for the rest of 2015.

For 2014, **Middle East oil demand** grew by 0.25 mb/d, while oil demand in 2015 is projected to increase by 0.22 mb/d.

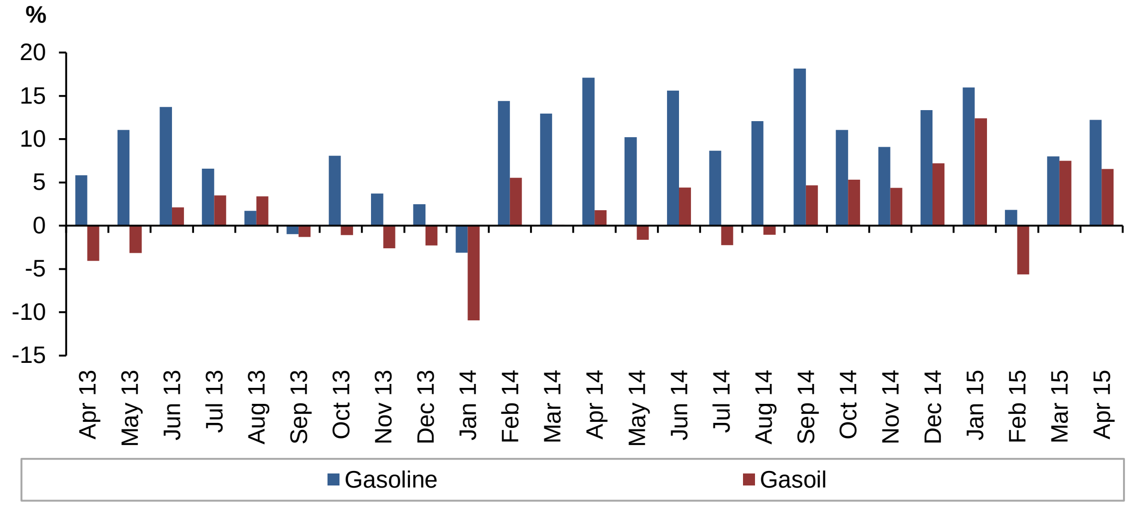
China

Chinese data also remains solidly supported by gasoline and light distillates to fuel the ever-growing transportation sector and new expansions in the petrochemical sector.

Based on the Secretariat's calculations and initial data for the month, gasoline demand in China reached 2.7 mb/d in April, which is higher by 0.30 mb/d or 12% y-o-y. This increase was consistent with March sales of passenger cars which enjoyed y-o-y growth of 4%, indicating solid demand for passenger cars, according to China's Association of Automobile Manufacturers. For the first fourth months, the sales of passenger cars reached 6.97 million units, a rise of around 8% y-o-y. As for the passenger cars by type, comparing with the same period last year, SUVs continued high-speed growth, with sales up by as much as 49%. The sale of multi-purpose vehicles (MPVs) also increased by around 20% y-o-y. Diesel oil demand also picked up to reach 3.6 mb/d, higher by around 0.22 mb/d y-o-y, gaining support from a number of railway and infrastructure projects.

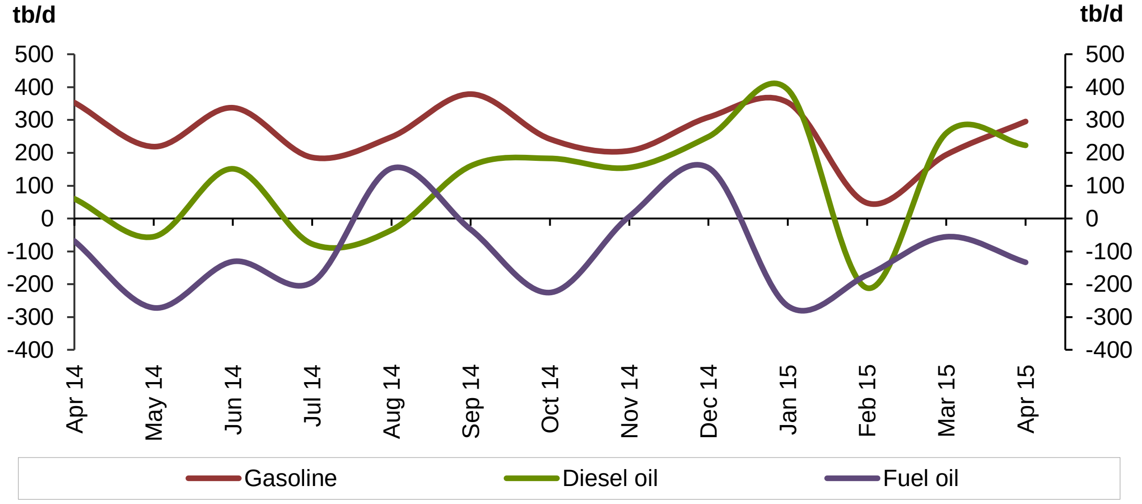
The overall oil demand momentum seems to have been encouraged by lower oil prices, despite increases in excise taxes and policies and regulations aimed at curbing demand. In the petrochemical sector, LPG consumption rose by around 2% in April, as compared to the same month in 2014, implying healthy demand. On the other hand, consumption of fuel oil dropped for another month as data seem to suggest a decrease in growth of around 0.13 tb/d y-o-y. Slower industrial activities seem to be the largest contributor to this slowdown.

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



For the remainder of 2015, oil consumption in China looks balanced. The only downside risks are all linked to slower economic activity as well as speeding up of policies encouraging a reduction in the use of transportation fuels. On the other hand, the expansion of the petrochemical sector, especially in PDH plants, and expansion projects in the refinery sector represent the upside potential for China's oil demand growth.

Graph 4.6: Changes in demand of main Chinese oil products, y-o-y changes



For 2014, **Chinese oil demand** grew by 0.40 mb/d, while oil demand in 2015 is projected to increase by 0.31 mb/d.

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

							Change 2015/14	
	2014	1Q15	2Q15	3Q15	4Q15	2015	Growth	%
Americas	24.17	24.12	23.94	24.61	24.88	24.39	0.22	0.91
of which US	*19.39*	*19.39*	*19.18*	*19.70*	*20.02*	*19.57*	*0.19*	*0.96*
Europe	13.51	13.10	13.55	13.83	13.50	13.50	-0.01	-0.10
Asia Pacific	8.14	8.75	7.58	7.57	8.17	8.01	-0.13	-1.57
Total OECD	**45.82**	**45.97**	**45.07**	**46.01**	**46.55**	**45.90**	**0.08**	**0.17**
Other Asia	11.31	11.37	11.67	11.65	11.58	11.57	0.26	2.27
of which India	*3.79*	*4.00*	*3.91*	*3.76*	*3.99*	*3.91*	*0.13*	*3.37*
Latin America	6.69	6.56	6.87	7.16	6.86	6.86	0.17	2.54
Middle East	8.06	8.24	8.14	8.65	8.08	8.28	0.22	2.76
Africa	3.78	3.88	3.88	3.79	3.94	3.87	0.09	2.45
Total DCs	**29.84**	**30.06**	**30.56**	**31.25**	**30.46**	**30.59**	**0.74**	**2.48**
FSU	4.54	4.42	4.26	4.67	4.95	4.58	0.04	0.77
Other Europe	0.65	0.65	0.61	0.65	0.74	0.67	0.01	1.84
China	10.46	10.41	10.87	10.63	11.19	10.78	0.31	2.99
Total "Other regions"	**15.66**	**15.48**	**15.74**	**15.95**	**16.88**	**16.02**	**0.36**	**2.30**
Total world	**91.32**	**91.51**	**91.37**	**93.21**	**93.89**	**92.50**	**1.18**	**1.29**
Previous estimate	91.32	91.51	91.37	93.21	93.89	92.50	1.18	1.29
Revision	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Totals may not add up due to independent rounding.

World Oil Supply

Non-OPEC oil supply remains unchanged from the previous *Monthly Oil Market Report (MOMR),* averaging 56.48 mb/d in 2014, an increase of 2.17 mb/d y-o-y. Non-OPEC oil supply in 2015 is projected to grow by 0.68 mb/d mostly in 1H15, unchanged from the previous assessment to average 57.16 mb/d. The US oil rig count declined from 10 October 2014 until the first week of June, decreasing during this period by about 60%. However, crude output only showed a decrease as of the first week of April, when it reached 9.4 mb/d. OPEC NGLs production is forecast to grow by 0.19 mb/d to average 6.02 mb/d in 2015, following growth of 0.18 mb/d in 2014. In May, OPEC production increased by 24 tb/d to average 30.98 mb/d, according to secondary sources. As a result, preliminary data indicates that the global oil supply decreased by 0.27 mb/d in May to average 94.06 mb/d.

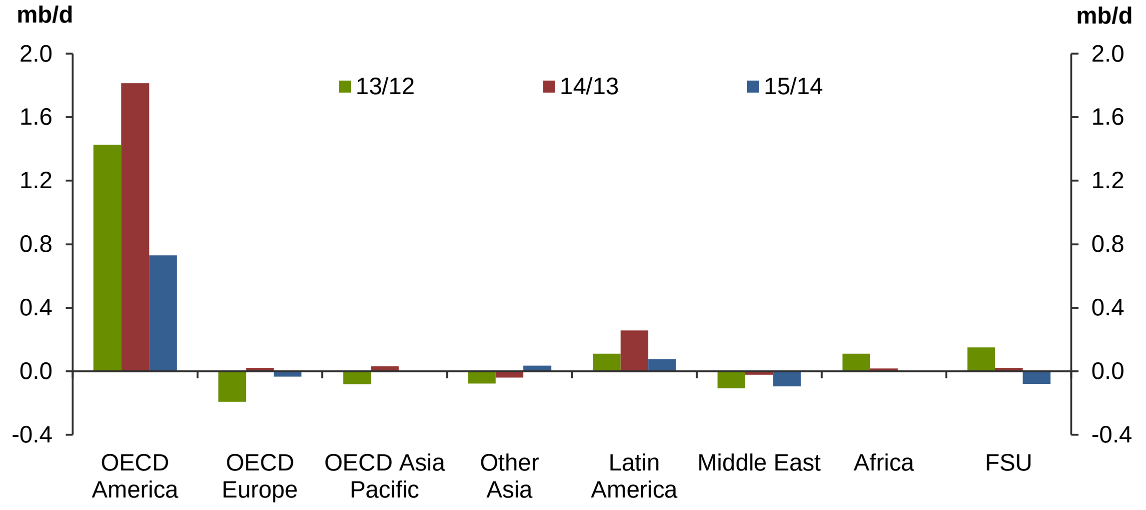
Estimate for 2014

Non-OPEC supply

Non-OPEC oil supply is estimated to have averaged 56.48 mb/d in 2014, an increase of 2.17 mb/d over 2013, and unchanged from the previous *MOMR*. Non-OPEC supply encountered upward revisions in 4Q14 of 10 tb/d in Indonesia, offset by a downward revision in Bahrain.

Non-OPEC supply in **2014** saw its highest annual growth of 1.81 mb/d in OECD Americas, while Latin America also experienced robust growth of 0.26 mb/d. Growth was also seen in OECD Europe, OECD Asia-Pacific, Africa, former Soviet Union (FSU) and China. In 2014, a decline in annual production was only seen in Other Asia and the Middle East.

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



On a quarterly basis, non-OPEC supply remained unchanged in 2014, and is estimated to average 55.77 mb/d, 56.07 mb/d, 56.36 mb/d and 57.71 mb/d, respectively.

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

	2013	1Q14	2Q14	3Q14	4Q14	2014	*Change* 14/13
Americas	18.17	19.22	19.86	20.16	20.70	19.99	1.81
of which US	*11.24*	*11.99*	*12.82*	*13.14*	*13.49*	*12.86*	*1.63*
Europe	3.59	3.76	3.52	3.41	3.74	3.61	0.02
Asia Pacific	0.48	0.50	0.51	0.53	0.50	0.51	0.03
Total OECD	**22.24**	**23.48**	**23.90**	**24.10**	**24.93**	**24.11**	**1.87**
Other Asia	3.60	3.56	3.55	3.48	3.65	3.56	-0.04
Latin America	4.79	4.88	4.94	5.11	5.24	5.04	0.26
Middle East	1.36	1.34	1.34	1.36	1.32	1.34	-0.02
Africa	2.40	2.44	2.41	2.40	2.41	2.42	0.02
Total DCs	**12.15**	**12.23**	**12.24**	**12.35**	**12.62**	**12.36**	**0.21**
FSU	13.41	13.48	13.36	13.39	13.48	13.43	0.02
of which Russia	*10.51*	*10.59*	*10.55*	*10.52*	*10.65*	*10.58*	*0.07*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.25	4.27	4.28	4.21	4.36	4.28	0.03
Total "Other regions"	**17.79**	**17.90**	**17.78**	**17.74**	**17.99**	**17.85**	**0.06**
Total Non-OPEC production	**52.18**	**53.60**	**53.91**	**54.19**	**55.55**	**54.32**	**2.14**
Processing gains	2.13	2.16	2.16	2.16	2.16	2.16	0.03
Total non-OPEC supply	**54.31**	**55.77**	**56.07**	**56.36**	**57.71**	**56.48**	**2.17**
Previous estimate	54.31	55.77	56.07	56.36	57.71	56.48	2.17
Revision	0.00	0.00	0.00	0.00	0.00	0.00	0.00

OECD

Total OECD oil supply in 2014 is estimated to have grown by 1.87 mb/d to average 24.11 mb/d, unchanged from the previous *MOMR*. Y-o-y growth in OECD for 2014 came from all regions.

On a quarterly basis, total OECD supply is estimated to average 23.48 mb/d, 23.90 mb/d, 24.10 mb/d and 24.93 mb/d, respectively.

OECD Americas

OECD Americas' oil supply is estimated to average 19.99 mb/d, showing growth of 1.81 mb/d compared with a year ago, unchanged from the previous monthly report. US and Canadian supply grew in 2014, while that of Mexico declined.

On a quarterly basis, OECD America's oil supply in 2014 is estimated to average 19.22 mb/d, 19.86 mb/d, 20.16 mb/d and 20.70 mb/d, respectively.

US

Total US oil supply grew by 1.63 mb/d to average 12.86 mb/d in 2014, unchanged from the previous monthly report. Crude output rose to its highest level in December at 9.23 mb/d. The average output of North Dakota and the Gulf of Mexico reached its highest level in December at 1.227 mb/d and 1.437 mb/d, respectively.

On a quarterly basis, US oil supply in 2014 stood at 11.99 mb/d, 12.82 mb/d, 13.14 mb/d and 13.49 mb/d, respectively.

Canada and Mexico

Oil supply in **Canada** increased by 0.28 mb/d in 2014 to average 4.31 mb/d, unchanged over the previous month.

On a quarterly basis, Canada's supply in 2014 was estimated to average 4.35 mb/d, 4.19 mb/d, 4.24 mb/d and 4.47 mb/d, respectively.

Mexico's oil supply reached an average of 2.80 mb/d in 2014, showing a decline of 90 tb/d, unchanged from the previous month's estimation.

On a quarterly basis, Mexico's supply averaged 2.87 mb/d, 2.85 mb/d, 2.77 mb/d and 2.73 mb/d, respectively.

OECD Europe

OECD Europe's supply increased by only 20 tb/d from a year earlier to average 3.61 mb/d in 2014, unchanged from the previous *MOMR*. OECD Europe is estimated to see quarterly supply of 3.76 mb/d, 3.52 mb/d, 3.41 mb/d and 3.74 mb/d, respectively.

Norway's oil supply increased by 0.06 mb/d from a year ago to average 1.89 mb/d in 2014, unchanged from the previous *MOMR.*

On a quarterly basis, Norway's production is seen to average 1.96 mb/d, 1.79 mb/d, 1.86 mb/d and 1.97 mb/d, respectively.

The **UK's** oil supply registered an average of 0.86 mb/d, representing a y-o-y decline of 10 tb/d in 2014, unchanged from the previous *MOMR*.

On a quarterly basis, UK's oil output in 2014 is estimated to average 0.97 mb/d, 0.90 mb/d, 0.71 mb/d and 0.88 mb/d, respectively.

OECD Asia Pacific

OECD Asia Pacific's oil supply is expected to increase by 30 tb/d in 2014 to average 0.51 mb/d, unchanged from the previous month. **Australia's** oil supply is likely to increase by 30 tb/d in 2014, while **New Zealand's** production is forecast to show an increase of less than 10 tb/d from a year earlier.

On a quarterly basis, total OECD Asia-Pacific oil supply is expected to average 0.50 mb/d, 0.51 mb/d, 0.53 mb/d and 0.50 mb/d, respectively.

Developing countries

Total **developing countries' (DCs')** oil output reached 12.36 mb/d in 2014, indicating an increase of 0.21 mb/d, unchanged from the previous *MOMR*.

On a quarterly basis, total oil supply in DCs is estimated to average 12.23 mb/d, 12.24 mb/d, 12.35 mb/d and 12.62 mb/d, respectively.

Other Asia

Other Asia's oil production is estimated to have decreased by 40 tb/d in 2014 to average 3.56 mb/d, unchanged from the previous *MOMR*.

On a quarterly basis, Other Asia's supply in 2014 is forecast to average 3.56 mb/d, 3.55 mb/d, 3.48 mb/d and 3.64 mb/d, respectively, for the year.

Latin America

Latin America's oil supply is estimated to grow by 0.26 mb/d to average 5.04 mb/d in 2014, unchanged from the last *MOMR*. Latin America was the second-highest driver of growth in 2014 among all the non-OPEC regions. Brazil was the main contributor to this growth in 2014, while oil production in Colombia declined by 20 tb/d to average 1.01 mb/d. Oil output in Argentina was more or less stable at 0.69 mb/d.

On a quarterly basis, Latin America's supply in 2014 is expected to stand at 4.88 mb/d, 4.94 mb/d, 5.11 mb/d and 5.24 mb/d, respectively.

Brazil's supply is estimated to average 2.90 mb/d in 2014, indicating an increase of 0.26 mb/d over one year earlier, unchanged from the previous *MOMR*.

On a quarterly basis, Brazil's supply in 2014 is estimated to stand at 2.72 mb/d, 2.83 mb/d, 2.97 mb/d and 3.08 mb/d, respectively.

Middle East

Middle East oil supply is estimated to decrease by 0.02 mb/d in 2014 from the previous year to average 1.34 mb/d, unchanged from the previous *MOMR*.

On a quarterly basis, Middle East supply in 2014 is seen to average 1.34 mb/d, 1.34 mb/d, 1.36 mb/d and 1.33 mb/d, respectively.

Africa

Africa's oil supply is projected to average 2.42 mb/d in 2014, an increase of 20 tb/d from the previous year, unchanged from the previous *MOMR*.

On a quarterly basis, Africa's oil supply in 2014 stands at an average of 2.44 mb/d, 2.41 mb/d, 2.40 mb/d and 2.41 mb/d, respectively.

FSU, other regions

Total FSU oil supply is estimated to increase by 20 tb/d in 2014 to average 13.43 mb/d, unchanged from the previous month. Oil production rose in Russia while Kazakhstan, Azerbaijan and FSU others encountered declines in 2014.

On a quarterly basis, total supply from the FSU in 2014 is seen to average 13.48 mb/d, 13.36 mb/d, 13.39 mb/d and 13.48 mb/d, respectively.

Russia

Despite financial sanctions and the impact of the falling global oil price, **Russia's** oil supply indicated a record high of 10.58 mb/d in 2014, registering annual growth of 70 tb/d in 2014.

On a quarterly basis, Russia's 2014 supply is estimated to average 10.59 mb/d, 10.55 mb/d, 10.52 mb/d and 10.65, mb/d, respectively.

Other Europe's oil supply is estimated to remain flat from 2012 to average 0.14 mb/d and continue at this level in 2014.

China

China's supply is estimated to grow by 30 tb/d over the previous year to average 4.28 mb/d in 2014, unchanged from the previous month.

On a quarterly basis, China's supply in 2014 is seen to average 4.27 mb/d, 4.28 mb/d, 4.21 mb/d and 4.36 mb/d, respectively.

Forecast for 2015

Non-OPEC supply

Non-OPEC oil supply is forecast to grow by 0.68 mb/d in 2015 to average 57.16 mb/d, unchanged from the previous *MOMR*. There were only two downward revisions of 11 tb/d and 9 tb/d registered in Latin America Others and Bahrain, respectively. On the other hand, there were also two upward revisions of 7 tb/d and 5 tb/d in Thailand and Colombia, respectively. Aside from these negligible updates in June, nothing changed in OECD supply or in Developing Countries, FSU and China. OECD was unchanged at 24.81 mb/d, while DCs' oil supply remained at an average of 12.38 mb/d. Moreover, FSU's output remained unchanged at an average of 13.35 mb/d, indicating 80 tb/d of decline from the previous year. In North America, despite an increase in US crude oil output in March to average 9.53 mb/d, total US supply in 1Q remained unchanged at 13.56 mb/d. The pace of decline could accelerate in the US in the coming months. At the same time, Canadian and Mexican oil output was unchanged compared with a month earlier.

Non-OPEC supply growth in 2015 is expected to decrease q-o-q in 2Q and 3Q, while supply growth in 1Q and 4Q is forecast to increase. The main factors for lower growth expectations in 2015 are low oil price expectations despite a small rise in 1Q15, declining numbers of active rigs in North America, and insufficient investment in upstream projects.

Some tight oil and tar sands extraction relies on high oil prices in order to remain profitable, so low oil prices could create serious challenges for these producers, although tight oil producers have still managed to sustain high production rates in the seven core areas of unconventional production that account for 95% of US oil production growth. This is a concern for investors and oil companies. For fracking companies, high oil prices could simply translate into profitability and survival. Extracting oil through fracking and other advanced methods is more expensive than extracting oil through more traditional drilling methods. Continually high supply, however, is holding oil prices down, and in the long run that could create serious complications for oil companies, especially companies that depend on fracking and other advanced methods of production. If oil prices remain low for too long, the industry will likely go through a period of consolidation.

It is estimated that non-OPEC unplanned supply disruptions averaged about 0.53 mb/d in May 2015. Syria, Yemen and South Sudan accounted for more than 92% of total non-OPEC supply disruptions, which is higher than 2014 supply outages.

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

	2014	1Q15	2Q15	3Q15	4Q15	2015	Change 15/14
Americas	19.99	20.68	20.67	20.70	20.82	20.72	0.73
of which US	*12.86*	*13.56*	*13.60*	*13.56*	*13.54*	*13.56*	*0.70*
Europe	3.61	3.68	3.54	3.43	3.65	3.57	-0.03
Asia Pacific	0.51	0.48	0.53	0.53	0.51	0.51	0.00
Total OECD	**24.11**	**24.84**	**24.73**	**24.67**	**24.98**	**24.81**	**0.70**
Other Asia	3.56	3.65	3.63	3.58	3.53	3.60	0.04
Latin America	5.04	5.27	5.12	5.10	4.99	5.12	0.08
Middle East	1.34	1.32	1.24	1.22	1.21	1.24	-0.09
Africa	2.42	2.45	2.43	2.41	2.38	2.42	0.00
Total DCs	**12.36**	**12.68**	**12.42**	**12.30**	**12.12**	**12.38**	**0.02**
FSU	13.43	13.58	13.36	13.25	13.21	13.35	-0.08
of which Russia	*10.58*	*10.69*	*10.56*	*10.49*	*10.44*	*10.54*	*-0.03*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.28	4.33	4.30	4.28	4.34	4.31	0.03
Total "Other regions"	**17.85**	**18.05**	**17.80**	**17.67**	**17.69**	**17.80**	**-0.05**
Total Non-OPEC production	**54.32**	**55.57**	**54.95**	**54.64**	**54.79**	**54.99**	**0.67**
Processing gains	2.16	2.17	2.17	2.17	2.17	2.17	0.01
Total non-OPEC supply	**56.48**	**57.75**	**57.13**	**56.82**	**56.97**	**57.16**	**0.68**
Previous estimate	56.48	57.75	57.13	56.82	56.97	57.16	0.68
Revision	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Another indication of uncertainty in the production growth outlook of non-OPEC oil producers in the coming months will be the number of active rigs around the world, particularly in those regions in which the oil production break-even point is much higher than current oil prices for unconventional sources or deep offshore and the North Sea.

OECD

Total OECD oil supply in 2015 is expected to grow by 0.70 mb/d to average 24.81 mb/d, unchanged from the last *MOMR*. Output in 1Q remained unchanged at an average of 24.84 mb/d, with an increase of 1.36 mb/d compared with the same quarter in 2014 but lower by a preliminary 90 tb/d q-o-q. Y-o-y OECD growth of 0.73 mb/d in 2015 is expected to come from OECD America, while OECD Europe is forecast to decline by 30 tb/d over the previous year.

On a quarterly basis, total OECD supply is estimated to average 24.84 mb/d, 24.73 mb/d, 24.67 mb/d and 24.98 mb/d, respectively.

OECD Americas

OECD Americas' oil supply is estimated to average 20.72 mb/d, showing growth of 0.73 mb/d y-o-y, unchanged from the previous monthly report. Supply from the US and Canada is expected to grow in 2015, while that of Mexico will decline.

On a quarterly basis, OECD America's oil supply in 2015 is expected to average 20.68 mb/d, 20.67 mb/d, 20.70 mb/d and 20.82 mb/d, respectively.

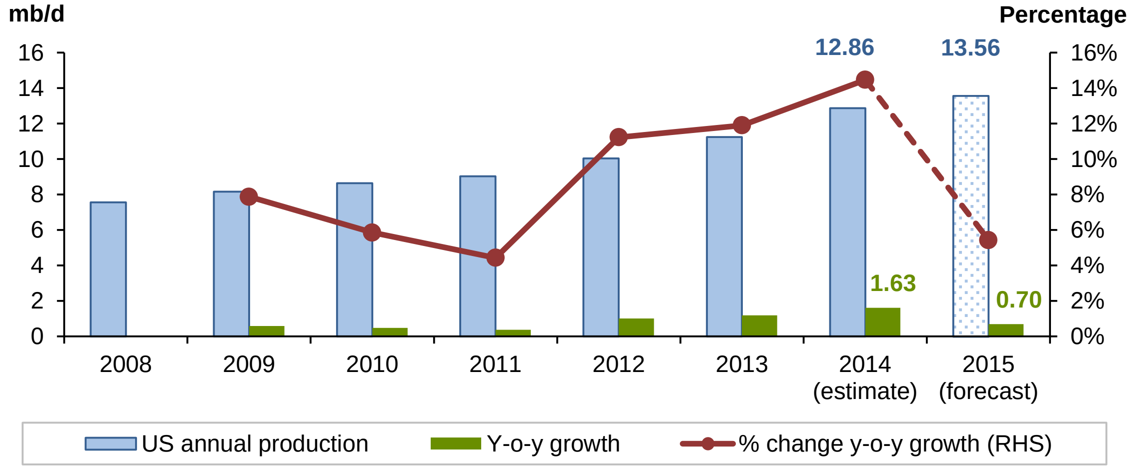
US

US total oil supply is anticipated to grow by 0.70 mb/d to average 13.56 mb/d in 2015, unchanged from the previous *MOMR*. US crude oil production reached an average of 9.53 mb/d in March, however US total supply was unchanged at 13.56 mb/d in 1Q15.

Moreover, crude oil output was more or less steady in April and May, according to the EIA's weekly report, which is only preliminary data. Therefore, preliminary oil output of 13.56 mb/d in 1Q15 indicates growth of 70 tb/d over 4Q14. US liquids output, supported by NGLs output, was higher by 0.08 mb/d over February. US NGLs growth y-o-y remained elevated at 0.39 mb/d, mostly coming from unconventional sources of shale gas.

Capital expenditure cuts in 2015, as well as cash flows, have encouraged companies to defer investment away from costly exploration and research drilling to focus on core areas of major tight oil plays, such as the Bakken, Eagle Ford, Niobrara, and Permian basins. Companies with lower drilling costs that operate on acreage in the sweet spots of these regions are expected to continue to drill highly productive wells in 2015.

Graph 5.2: US annual liquids production and annual growth



Source: OPEC Secretariat.

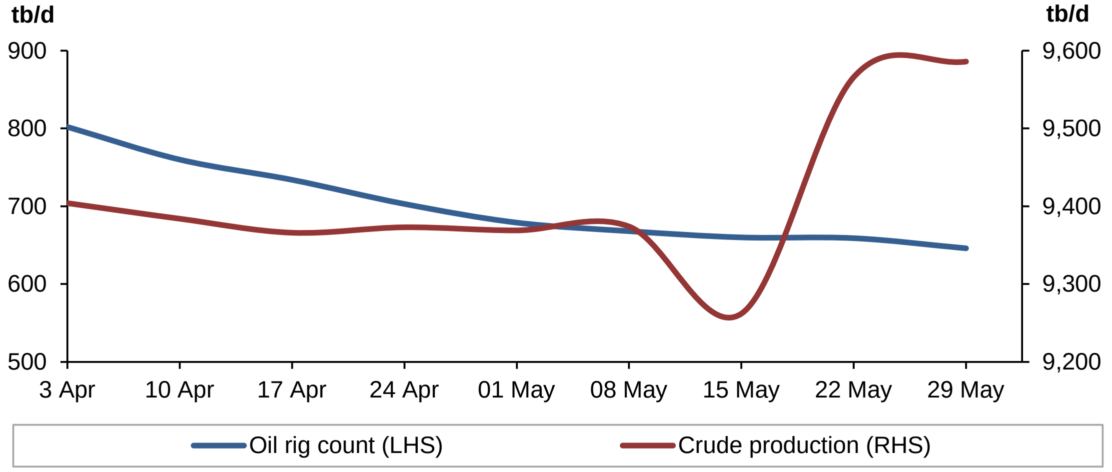
By the end of 2014, US tight oil output (crude oil, condensate and NGLs produced from unconventional sources such as tight and shale formations) reached 5.6 mb/d, representing a share of around 10% of non-OPEC supply, compared with only 1.7% in 2009. Of total growth of 1.63 mb/d in US oil output, 1.5 mb/d came from tight oil. In March 2015, the average output of North Dakota increased by 10 tb/d to 1.19 mb/d compared with a month earlier, and production from Texas increased by 60 tb/d to average 3.67 mb/d. Oil production from the Gulf of Mexico declined to 1.41 mb/d, but Alaska's increased by 20 tb/d to 0.51 mb/d.

On a quarterly basis, US oil supply in 2015 is expected to be at 13.56 mb/d, 13.60 mb/d, 13.56 mb/d and 13.54 mb/d, respectively.

US oil rig count

The US oil rig count fell by four to 642 in the first week of June, according to Baker Hughes' latest survey, marking the 26th consecutive week of declines but a smaller decline than the drop of 13 a week earlier. The number of active oil rigs has fallen by around 60% from an October high of 1,609. At roughly this time one year earlier, there were 1,536 active oil rigs.

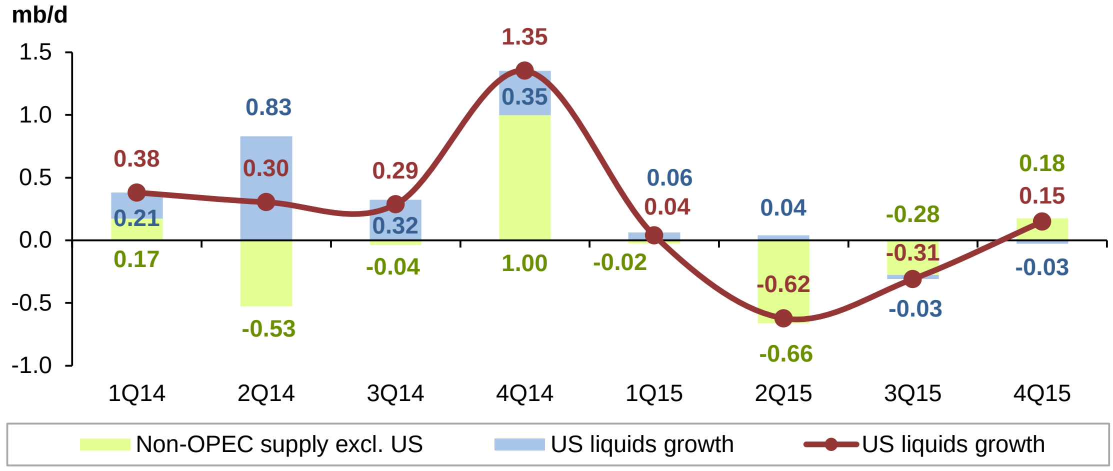
Graph 5.3: US weekly oil rig count vs. crude oil production, 2015



Sources: Baker Hughes and Haver Analytics.

The total US rig count (onshore and offshore) declined by seven units to 868, also the 26th straight week of decline; gas rigs fell by three to 222. These are the efficient, producing wells that are closer to the break-even point and which have much longer lifelines to draw on.

Graph 5.4: US liquids vs. non-OPEC supply, q-o-q growth



Source: OPEC Secretariat.

Canada and Mexico

Canada's oil supply is expected to grow by 0.14 mb/d to average 4.45 mb/d y-o-y, unchanged over the previous month. Canadian oil output was revised up by 53 tb/d to average 4.45 mb/d in 1Q15, lower by 20 tb/d q-o-q but higher by 0.1 mb/d y-o-y. Preliminary estimates place Canadian conventional crude oil output for February lower y-o-y by 0.07 mb/d to average 1.37 mb/d, while unconventional oil (bitumen and synthetic crude) extracted from oil sands deposits grew by 0.33 mb/d to average 2.47 mb/d (including biofuels) in February 2015, according to national source data. Moreover, production of NGLs in Canada decreased by 20 tb/d to average 0.76 mb/d, y-o-y. Canadian output in February increased by 60 tb/d to average 4.59 mb/d over a month earlier, up y-o-y by 0.25 mb/d.

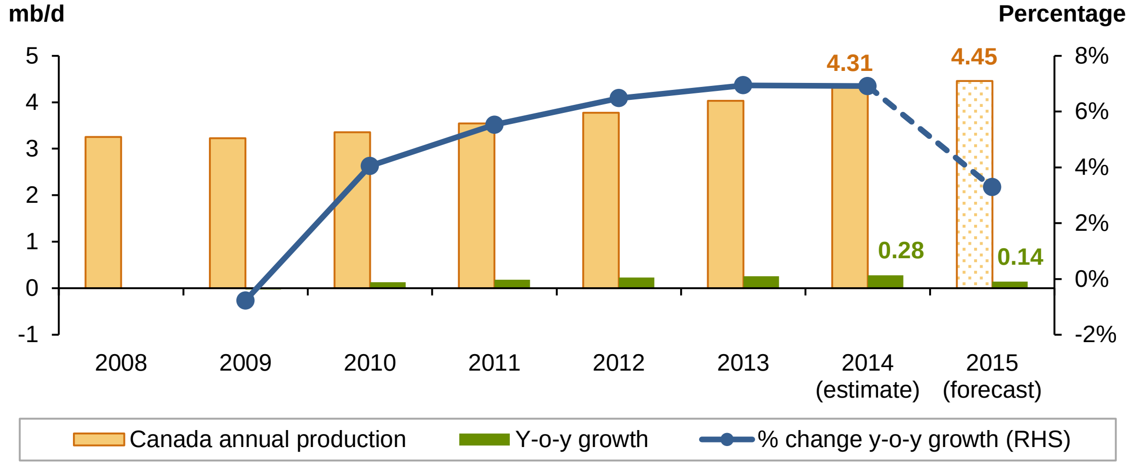
Bitumen production has started at the Cold Lake Nabiye project expansion in northeastern Alberta, according to news published on 18 May. The expansion is producing 20 tb/d with volumes expected to double during the year to reach peak production of 40 tb/d. Nabiye will access 280 mb of recoverable resources during its expected 30-year lifespan. The expansion was sanctioned in February 2012 and included development of a new steam generation and bitumen processing plant, field production pads and associated facilities. The Cold Lake facility is the largest and longest-running in-situ oil sands operation in Canada, and includes five steam generation and bitumen production plants. The operation produced an average of 0.15 mb/d of bitumen in recent years.

Nevertheless, liquids production based on secondary sources information is expected to be lower q-o-q through 2Q15, as oil sands producers carry out planned maintenance. Shell is currently conducting maintenance at its 0.25 mb/d Scotford upgrader, a plant-wide turnaround that the company conducts every five years. The Canadian oil sands 0.1 mb/d syncrude coker will go offline for 40 to 50 days during the quarter, while Suncor plans five weeks of maintenance on its U1 upgrader, curtailing 40 tb/d of output, and a two-week turnaround on its U2 upgrader, which is expected to reduce output by 30 tb/d.

Canada's overall rig count at the end of the last week of May fell by 100 units to 98, down around 50% y-o-y.

On a quarterly basis, Canada's supply in 2015 is expected to average 4.45 mb/d, 4.38 mb/d, 4.42 mb/d and 4.56 mb/d, respectively.

Graph 5.5: Canada's annual liquids production and annual growth

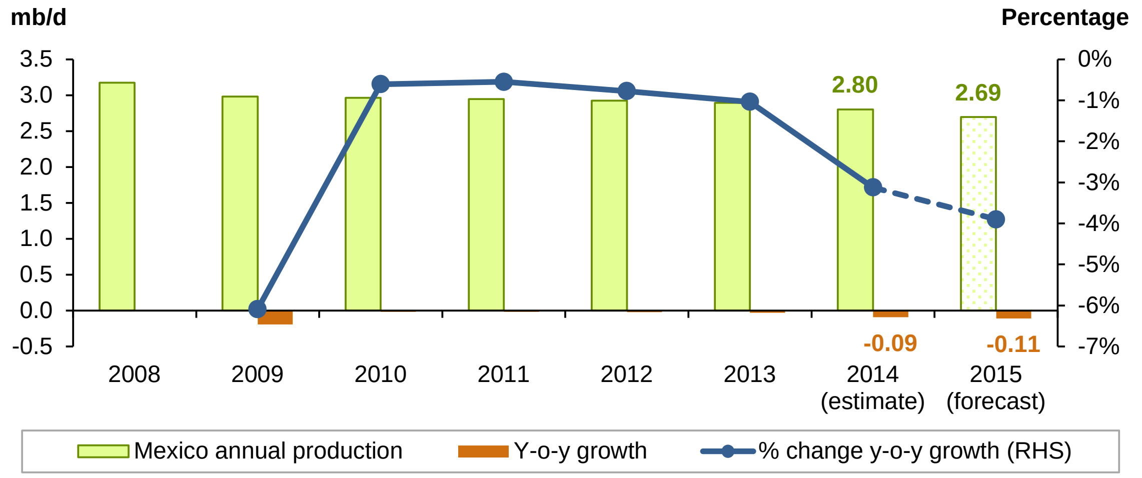


Source: OPEC Secretariat.

Mexican liquids production in 2015 is expected to see a heavy decline by 0.11 mb/d to average 2.69 mb/d. April 2015 crude oil output by Mexican state-owned petroleum company Pemex indicates a decrease by 0.12 mb/d m-o-m to 2.20 mb/d. Mexican total liquids supply decreased by 0.15 mb/d to 2.52 mb/d, m-o-m, as offsetting natural declines remained challenging. Y-o-y changes indicate a decline by 0.34 mb/d.

On a quarterly basis, Mexico's supply is seen to average 2.67 mb/d, 2.69 mb/d, 2.71 mb/d and 2.70 mb/d, respectively.

Graph 5.6: Mexico's annual liquids production and annual growth



Source: OPEC Secretariat.

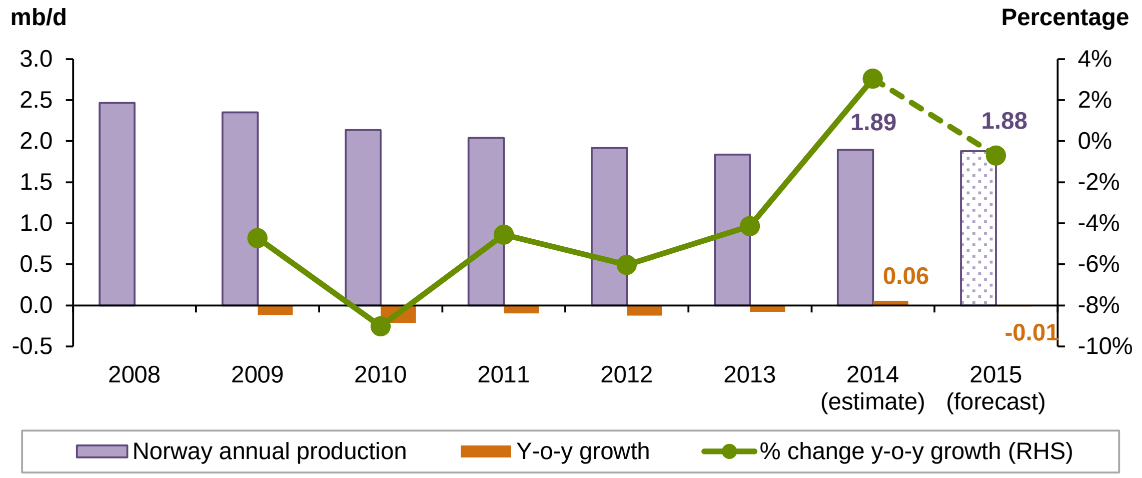
OECD Europe

Total **OECD Europe oil supply,** which grew by 20 tb/d to average 3.61 mb/d in 2014, is expected to decline by 30 tb/d from the previous year to average 3.57 mb/d in 2015, unchanged from the previous *MOMR*.

OECD Europe is estimated to see quarterly supply of 3.68 mb/d, 3.54 mb/d, 3.43 mb/d and 3.65 mb/d, respectively.

Norway's oil supply is expected to decline by 10 tb/d from the previous year to average 1.88 mb/d in 2015, unchanged from the previous *MOMR.* Preliminary production in April 2015 indicates an average production of about 1.96 mb/d of oil, NGLs and condensate. This is a slight 9 tb/d more than in March 2015. Average liquid production in April consisted of 1.58 mb/d of oil, 0.33 mb/d of NGL and 0.05 mb/d of condensate, according to the Norwegian Petroleum Directorate (NPD). Oil production is 0.3% above April oil production one year ago.

Graph 5.7: Norway's annual liquids production and annual growth



Source: OPEC Secretariat.

Statoil has started production from the high-pressure/high-temperature Valemon gas and condensate field in the Norwegian North Sea. This is the second Statoil-operated platform to be put into production in the Norwegian sector in the last nine months and the first new platform to be operated from Bergen since the Kvitebjørn field came on stream 10 years ago. Valemon is also Statoil's first platform to be remotely controlled from shore. It will switch to normally unmanned status when development drilling finishes in 2017. At that point there will be 10 production wells.

ConocoPhillips has also started production from the Eldfisk 2/7 S (Eldfisk II) platform, from the southern Norwegian coast in the North Sea. Timing is on schedule, according to the plan for development and operation (PDO). Development calls for 40 new production and water injection wells that are expected to improve recovery and maintain stable production from the Eldfisk field over the years ahead. One of four pre-drilled wells is online, and the remaining three should follow later this month.

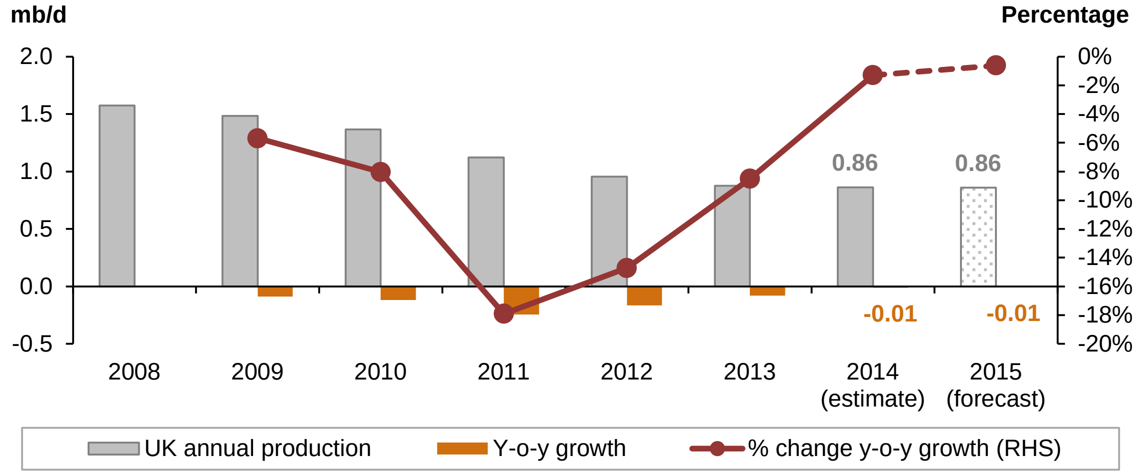
"After 43 years of production from the Greater Ekofisk Area, we are now preparing Ekofisk and Eldfisk for another 40 years," said the president of ConocoPhillips Europe. The Eldfisk II project also involved adaptations to existing platforms and infrastructure serving the Eldfisk field.

On a quarterly basis, Norway's production is seen to average 1.93 mb/d, 1.85 mb/d, 1.80 mb/d and 1.94 mb/d, respectively.

The **UK's** oil supply is predicted to decline by 10 tb/d to an average of 0.86 mb/d in 2014 y-o-y, unchanged from the previous *MOMR*. UK liquids production in April 2015 increased by 70 tb/d m-o-m, and stayed higher y-o-y by 0.08 mb/d at 0.99 mb/d, owing to a weak 2014 base, when maintenance work at several fields including Buzzard, Huntingdon and Foinaven, weighed. Maintenance at the Buzzard field, originally scheduled for June, was pushed to October, which added three cargoes to the June loading programme, as production has also outperformed. Thus, June loadings of Forties are pegged at 0.42 mb/d, a 15-month high. In May, there were no reported disruptions at Buzzard.

On a quarterly basis, UK oil output in 2015 is estimated to average 0.91 mb/d, 0.83 mb/d, 0.80 mb/d and 0.89 mb/d, respectively.

Graph 5.8: UK annual liquids production and annual growth



Source: OPEC Secretariat.

OECD Asia Pacific

OECD Asia Pacific's oil supply is expected to be stagnant in 2015 to average 0.51 mb/d, unchanged from the previous month. **Australia's** oil supply is likely to be steady at 0.43 mb/d in the current year, while New Zealand's production is forecast to show an increase of less than 10 tb/d to average 0.09 mb/d from a year earlier.

Coniston oil field, located in offshore Western Australia, was brought on-stream in the middle of May, two years later than scheduled. The project includes the development of the Coniston and nearby Novara fields via a subsea tieback to systems already in place for the Van Gogh field. The development also makes use of Van Gogh's Ningaloo Vision floating production, storage, and offloading (FPSO) vessel. The vessel can process 150 tb/d of liquids, including 63 tb/d of oil. It has storage capacity for 0.54 mb of oil. The new development includes six Coniston production wells and one production well at Novara connected to a new subsea manifold at Coniston and a pipeline end manifold at Novara. The FPSO supplies dry gas for gas-lift in the new wells via 4-inch and 6-inch gas injection lines. Development of the Coniston project began in 2011 with a scheduled completion date in 2013. This was pushed out twice – to 2014 and then to 2015. Apache says Coniston will flow at 18 tb/d. It was found in 2000 and has estimated reserves of 15.7 mb of oil. Novara was discovered in 1989.

Companies continue to cut capital spending in Australia's upstream projects, including costs and head count. In particular, capex cuts are set to limit any growth in Cooper Basin production.

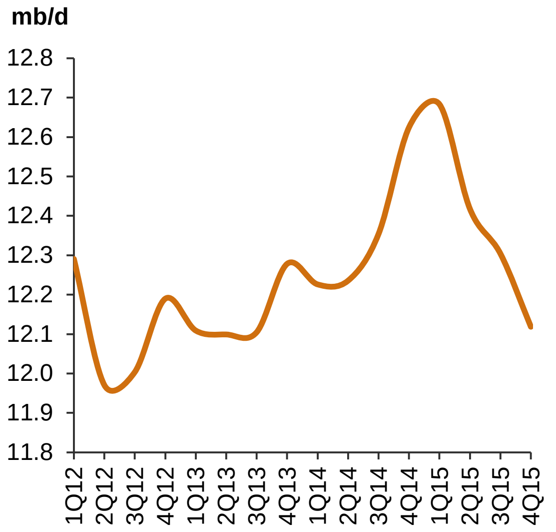
On a quarterly basis, total OECD Asia Pacific oil supply is expected to average 0.48 mb/d, 0.53 mb/d, 0.53 mb/d and 0.51 mb/d, respectively.

Developing countries

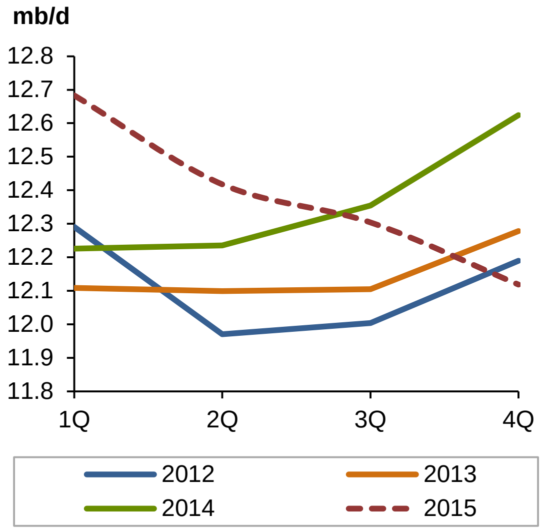
Total oil output from **developing countries (DCs)** will reach an average of 12.38 mb/d in 2015, indicating an increase of only 0.02 mb/d compared with 0.21 mb/d in 2014, unchanged from the previous *MOMR*.

On a quarterly basis, total oil supply in DCs is estimated to average 12.68 mb/d, 12.42 mb/d, 12.30 mb/d and 12.12 mb/d, respectively.

Graph 5.9: Developing Countries' quarterly production



Graph 5.10: Developing Countries' quarterly production, annual comparison



Other Asia

Other Asia's oil production is predicted to increase by 40 tb/d in 2015 to average 3.60 mb/d, revised up by 10 tb/d from the previous *MOMR*. It is expected that oil output in Malaysia, Thailand and Other Asia will grow by 40 tb/d, 10 tb/d, and 30 tb/d, respectively, while oil production in India and Indonesia will decrease by 10 tb/d and 30 tb/d. Meanwhile, oil supply from other countries in this region is predicted to be steady. The annual oil supply forecast this month remains unchanged from the previous month's report to average 012 mb/d, 0.86 mb/d, 0.88 mb/d, 0.73 mb/d, 0.39 mb/d, 0.36 mb/d and 0.25 mb/d in Brunei, India, Indonesia, Malaysia, Thailand, Vietnam and Asia Others, respectively.

On a quarterly basis, Other Asia's supply in 2015 is forecast to average 3.65 mb/d, 3.63 mb/d, 3.58 mb/d and 3.53 mb/d, respectively.

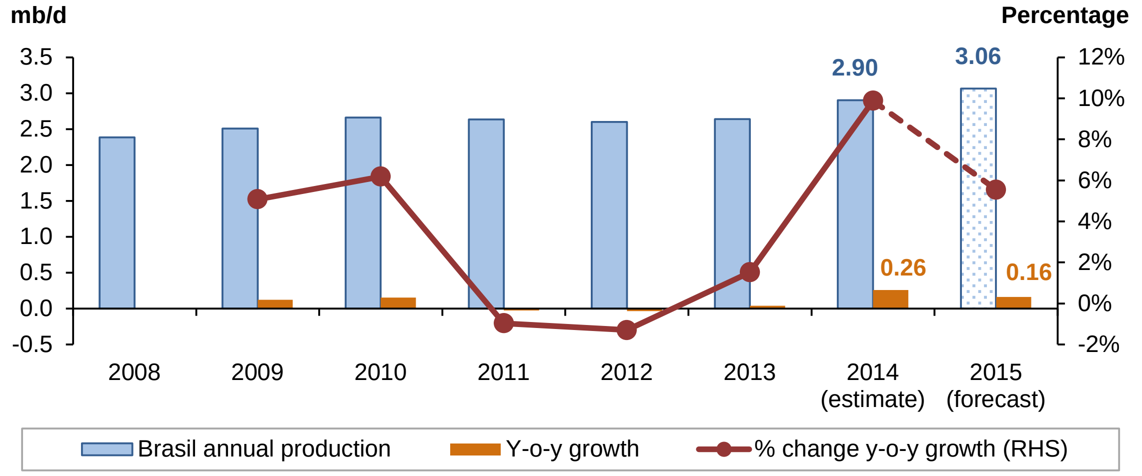
Latin America

Latin America's oil supply is estimated to grow by 0.08 mb/d to average 5.12 mb/d in 2015, unchanged from the previous *MOMR*. Latin America was the second-highest driver of growth in 2014 among all non-OPEC regions. Brazil is the main driver of this growth in 2015, while oil production in Colombia is expected to decline by 40 tb/d to average 0.96 mb/d. Similarly oil output is forecast to decrease in Argentina, Trinidad and Tobago and Latin America Others, each by 10 tb/d in 2015.

On a quarterly basis, Latin America's supply in 2015 is expected to stand at 5.27 mb/d, 5.12 mb/d, 5.10 mb/d and 4.99 mb/d, respectively.

Brazil's liquids supply is expected to average 3.06 mb/d in 2015, an increase of 0.16 mb/d over the previous year, unchanged from the earlier *MOMR*. Oil output comes exclusively from Petrobras's fields in Brazil. Brazil's liquids supply rose in April 2015 following m-o-m declines in 1Q15, up by 20 tb/d to 3.09 mb/d. Moreover, record output of 0.72 mb/d from the pre-salt basin kept y-o-y growth elevated at 0.26 mb/d, although this represents the lowest pace of growth in 10 months. Output from the Santos Basin reached 0.59 mb/d, supported by the Lula field (0.18 mb/d y-o-y) and rising output from FPSOs Mangaratiba and Ilhabela. Campos Basin output fell y-o-y for the first time in 14 months, with Marlim Sul output lower y-o-y by 0.09 mb/d and continued maintenance at the P-58 platform. No date has been given for the end of maintenance. On a quarterly basis, Brazil's supply in 2015 is estimated to stand at 3.10 mb/d, 3.03 mb/d, 3.07 mb/d and 3.03 mb/d, respectively.

Graph 5.11: Brazil's annual liquids production and annual growth



Source: OPEC Secretariat.

Argentina's liquids supply is expected to average 0.67 mb/d in 2015, suggesting a decrease of 10 tb/d over the previous year, unchanged from the previous *MOMR*.

Colombia's output was pegged at 1.05 mb/d in April, broadly flat m-o-m, but higher y-o-y by 90 tb/d. Colombia's private sector oil producers' association, ACP, has said it doubts the country will manage to keep output above 1 mb/d for the whole year due to insufficient investment in new production, but it is expected the decline will not bite until 2016. Oil production in Colombia is forecast to decline by 40 tb/d to average 0.96 mb/d in 2015.

Middle East

Middle Eastern oil supply is estimated to decrease by 0.09 mb/d in 2015 from the previous year to average 1.24 mb/d, unchanged from the previous *MOMR*. There is no expectation for growth or decline in oil supply in Bahrain, Oman and Syria, while it is predicted that oil output in Yemen will register a heavy decline by 90 tb/d due to geo-political concerns to average 50 tb/d in 2015. Moreover, the Middle Eastern supply forecast is associated with a very high level of risk, mainly due to political factors, which could dramatically change the outlook in either direction.

On a quarterly basis, Middle Eastern supply in 2015 is seen to average 1.32 mb/d, 1.24 mb/d, 1.22 mb/d and 1.21 mb/d, respectively.

Africa

Africa's oil supply is projected to average 2.42 mb/d in 2015, unchanged from both the previous year and the previous *MOMR*. It is expected that oil production will remain stagnant in Gabon, South Africa, the Sudans and Africa Other in 2015. Oil output in Congo and Equatorial Guinea will grow by 10 tb/d each, while oil production in Chad and Egypt will decline by 10 tb/d each in the current year.

Côte d'Ivoire has failed to block exploration and development in a disputed maritime zone shared by neighboring **Ghana**, according to Tullow Oil. The Special Chamber of the International Tribunal of the Law of the Sea (ITLOS) in Hamburg rejected a request concerning activity in the zone, which includes the current Deepwater TEN development project. Development of TEN is more than 55% complete, with all

10 wells drilled that are due to be online at start-up in mid-2016. The Jubilee field is unaffected by the arbitration, Tullow adds.

MODEC Offshore Production Systems contracted Jurong Shipyard for work on the FPSO that will serve the Deepwater TEN project in **offshore Ghana**. The vessel, due to be finished in late 2015, will have the capacity to produce and treat 80 tb/d of crude oil, 65 tb/d of produced water, and 180 mcf/d of gas, with a storage capacity of 1.7 mb. It will also be able to supply 132 tb/d of filtered, de-aerated seawater.

On a quarterly basis, Africa's oil supply in 2015 will stand at an average of 2.45 mb/d, 2.43 mb/d, 2.41 mb/d and 2.38 mb/d, respectively.

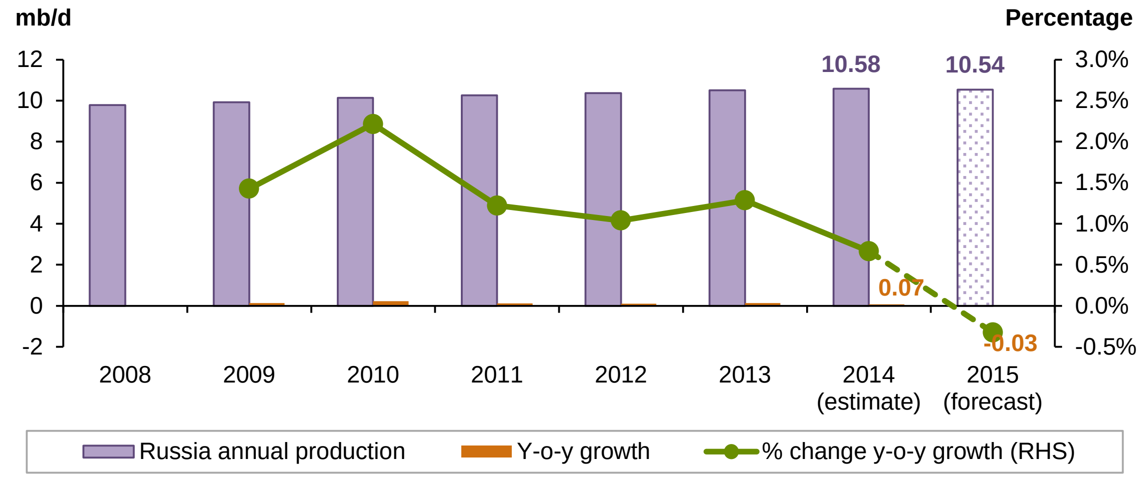
FSU, other regions

Total FSU oil supply is expected to decline by 80 tb/d in 2015 to average 13.35 mb/d, unchanged from the previous month. Oil production in Russia, Kazakhstan, Azerbaijan and FSU Others is expected to decrease in 2015. On a quarterly basis, total supply from FSU in 2015 is seen to average 13.58 mb/d, 13.36 mb/d, 13.25 mb/d and 13.21 mb/d, respectively.

Russia

Russia's oil supply is expected to decrease by 30 tb/d to average 10.54 mb/d in 2015, unchanged from the previous *MOMR*. April output now shows a m-o-m fall to 10.67 mb/d, a downward revision of 40 tb/d. May saw a rise to 10.71 mb/d, up y-o-y by 0.17 mb/d, the strongest rise since January 2014, once again led by rising condensate volumes. With commercial production starting at Novatek's Termokarstovoye gas field in late May, condensate output is set to jump by another 20 tb/d in June. Total SA has started production of gas and condensate from the onshore Termokarstovoye field in the Yamalo-Nenets autonomous district of the Russian Arctic. The field will produce 6.6 million cubic metres of gas and 20 tb/d of condensate, or a combined 65 tboe/d, the company said. Total's Arctic-adapted infrastructure in the field includes a gas gathering network, a gas treatment plant, a gas condensate de-ethanization plant and export pipelines. As condensate fields do not fall under the sanctions purview, Russian companies are focusing on developing these.

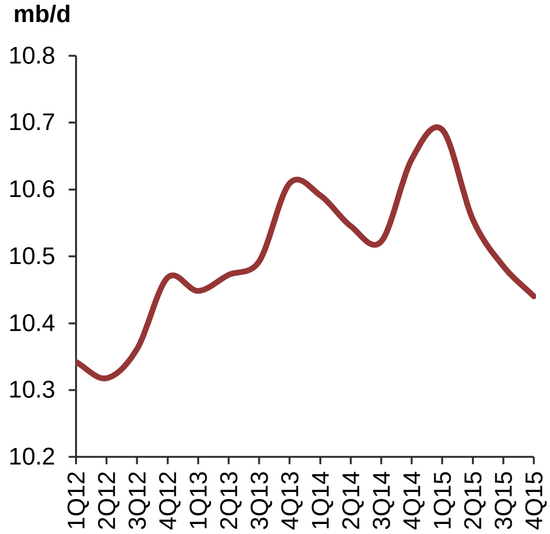
Graph 5.12: Russia's annual liquids production and annual growth



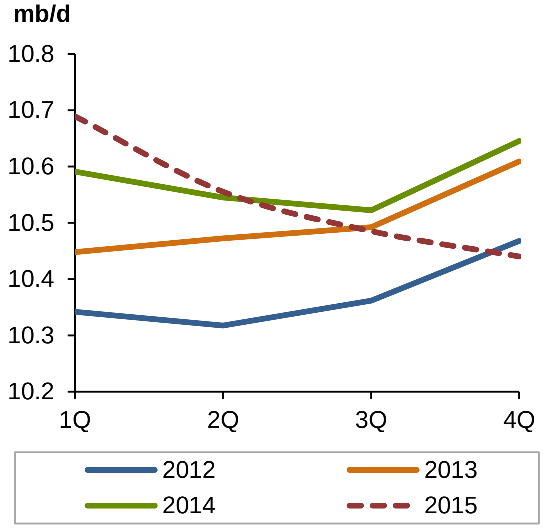
Source: OPEC Secretariat.

On a quarterly basis, Russia's 2015 supply is expected to average 10.69 mb/d, 10.56 mb/d, 10.49 mb/d and 10.44, mb/d, respectively.

Graph 5.13: Russia's quarterly production



Graph 5.14: Russia's quarterly production, annual comparison



Caspian

Kazakhstan's oil supply is expected to decrease by 10 tb/d over the previous year to average 1.61 mb/d in 2015, unchanged from the previous *MOMR*. Kazakhstan's output declined m-o-m by 54 tb/d in April to 1.61 mb/d, lower y-o-y by 32 tb/d. Tengiz and Karachaganak were both lower m-o-m by over 20 tb/d. Five out of Kazakhstan's top 10 fields declined in 1Q15.

On a quarterly basis in 2015, output will average 1.66 mb/d, 1.60 mb/d, 1.59 mb/d and 1.61 mb/d, respectively.

Azerbaijan's oil supply is anticipated to average 0.82 mb/d, indicating a decline of 30 tb/d in 2015, unchanged from the previous *MOMR*. April output dipped m-o-m to 0.86 mb/d, lower y-o-y by 20 tb/d, although year-to-date output is slightly higher y-o-y. Oil production at the ACG complex remained flat y-o-y at 0.66 mb/d in 1Q15, although spending on the ACG project fell by 30%. BP shut its 0.15 mb/d West Azeri platform in late May for three weeks of planned maintenance. Thus, loading programmes are set to fall to below 0.69 mb/d in June, down by 50 tb/d m-o-m.

On a quarterly basis, Azerbaijan's oil output is estimated to average 0.85 mb/d, 0.87 mb/d, 0.86 and 0.79 mb/d, respectively.

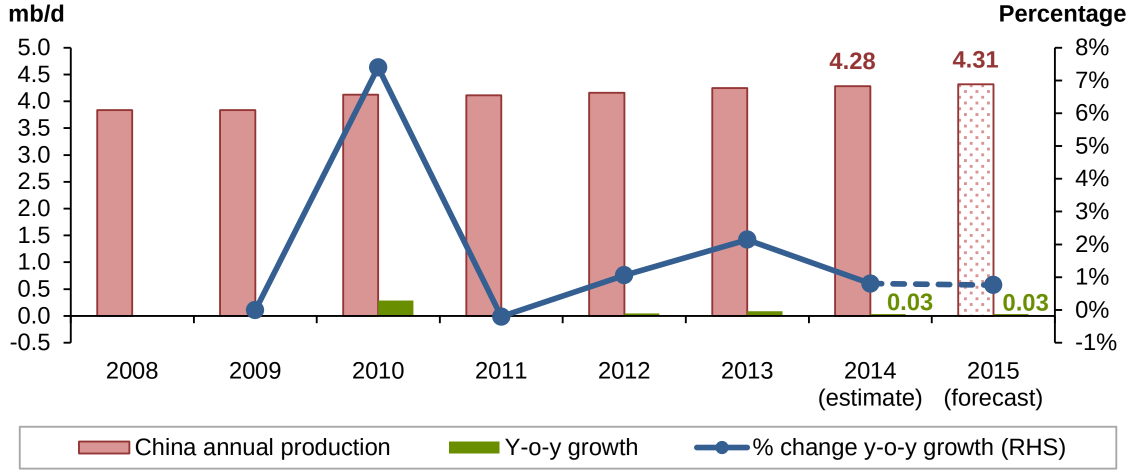
Oil supply in **FSU Others**, mainly in Turkmenistan, is forecast to decline by 10 tb/d from the previous year to average 0.38 mb/d.

Other Europe's oil supply is estimated to remain flat from 2012 to average 0.14 mb/d and continue at this level in 2015.

China

China's supply is expected to grow by 30 tb/d over the previous year to average 4.31 mb/d in 2015, unchanged from the previous month. Oil output is expected to average 4.35 mb/d in March, higher by 36 tb/d m-o-m and by 0.1 mb/d y-o-y. Across 1Q15, output averaged 4.34 mb/d, higher by 70 tb/d y-o-y. Nevertheless, the former director of the National Energy Administration recently claimed Chinese output would fall by 14% y-o-y to 3.8 mb/d in 2015 from 4.3 mb/d in 2014, as oil prices are far below the cost of production in the country. PetroChina has reduced 2015 capex by 10%, while its price assumptions for Brent are an average of $75/b in 2015. The company has already announced a 10% output cut at Daqing, China's largest oil field.

Graph 5.15: China's annual liquids production and annual growth



Source: OPEC Secretariat.

OPEC NGLs and non-conventional oils

OPEC NGLs and non-conventional liquids were estimated to average 5.83 mb/d in 2014, representing growth of 0.18 mb/d over the previous year. For 2015, OPEC NGLs and non-conventional oils are projected to average 6.02 mb/d, an increase of 0.19 mb/d over the previous year. There are no changes in 2014 estimations and 2015 predictions for OPEC NGLs and non-conventional oils production compared with the last *MOMR*.

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

	2012	**2013**	*Change* 13/12	1Q14	2Q14	3Q14	4Q14	**2014**	*Change* 14/13	**2015**	*Change* 15/14
Total OPEC	**5.57**	**5.65**	0.08	5.75	5.87	5.84	5.86	**5.83**	0.18	**6.02**	0.19

OPEC crude oil production

According to secondary sources, total OPEC crude oil production averaged 30.98 mb/d in May, an increase of 24 tb/d over the previous month. Crude oil output increased mostly from Iraq and Angola while production showed the largest drop in Kuwait, Libya and Nigeria. According to secondary sources, OPEC crude oil production, not including Iraq, stood at 27.18 mb/d in May, down by 81 tb/d over the previous month.

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

	2013	2014	3Q14	4Q14	1Q15	Mar 15	Apr 15	May 15	May/Apr
Algeria	1,159	1,151	1,167	1,152	1,112	1,109	1,106	1,109	*3.3*
Angola	1,738	1,660	1,705	1,688	1,746	1,717	1,642	1,725	*83.6*
Ecuador	516	542	543	546	551	551	556	550	*-6.0*
Iran, I.R.	2,673	2,766	2,759	2,763	2,779	2,779	2,844	2,845	*1.0*
Iraq	3,037	3,265	3,153	3,424	3,453	3,641	3,695	3,800	*104.8*
Kuwait	2,822	2,774	2,794	2,719	2,748	2,756	2,762	2,685	*-77.4*
Libya	928	473	614	678	382	482	488	441	*-46.7*
Nigeria	1,912	1,911	1,949	1,904	1,885	1,837	1,880	1,846	*-34.3*
Qatar	732	716	724	682	679	686	673	675	*2.0*
Saudi Arabia	9,586	9,683	9,747	9,608	9,809	10,107	10,112	10,107	*-4.3*
UAE	2,741	2,761	2,791	2,757	2,817	2,813	2,818	2,830	*11.7*
Venezuela	2,389	2,373	2,369	2,364	2,367	2,370	2,376	2,362	*-14.0*
Total OPEC	**30,231**	**30,075**	**30,316**	**30,286**	**30,329**	**30,847**	**30,952**	**30,975**	***23.8***
OPEC excl. Iraq	**27,194**	**26,809**	**27,162**	**26,862**	**26,876**	**27,206**	**27,256**	**27,175**	***-81.0***

Totals may not add up due to independent rounding.

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

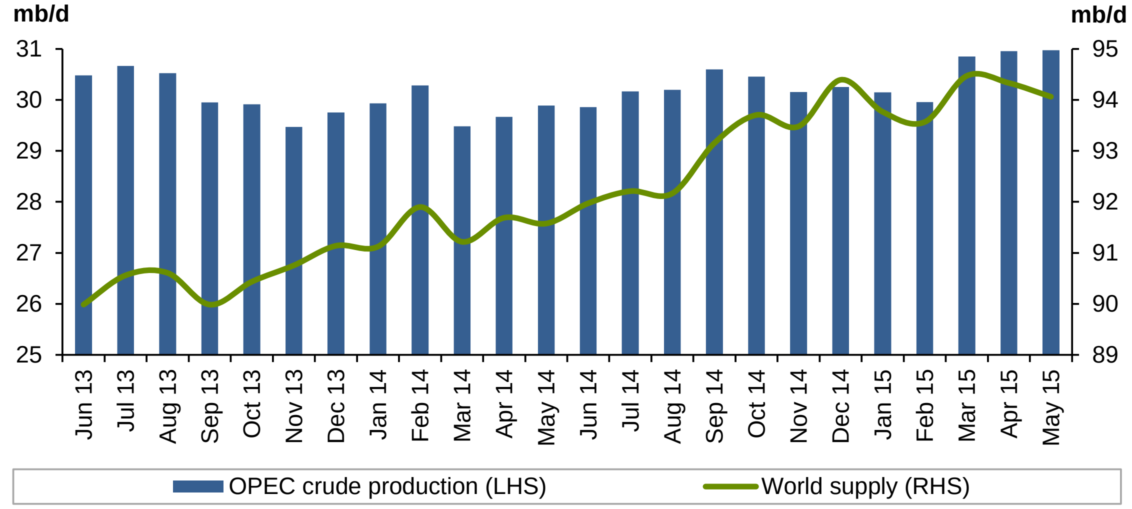
	2013	2014	3Q14	4Q14	1Q15	Mar 15	Apr 15	May 15	May/Apr
Algeria	1,203	1,193	1,196	1,179	1,141	1,125	1,120	1,170	*50.0*
Angola	1,701	1,654	1,723	1,727	1,766	1,748	1,760	1,807	*47.0*
Ecuador	526	557	557	560	550	553	548	543	*-4.7*
Iran, I.R.	3,576	3,117	3,003	3,005	3,017	3,020	3,110	3,090	*-20.0*
Iraq	2,980	3,110	3,077	3,141	3,064	3,339	3,176	3,288	*112.0*
Kuwait	2,922	2,867	2,876	2,807	2,850	2,850	2,860	2,830	*-30.0*
Libya	993	480	571	735	411	525	..	..	..
Nigeria	1,754	1,807	1,724	1,816	1,762	1,691	1,650	1,881	*230.9*
Qatar	724	709	720	682	687	708	635	642	*6.7*
Saudi Arabia	9,637	9,713	9,769	9,644	9,878	10,294	10,308	10,333	*25.1*
UAE	2,797	2,794	2,881	2,790	2,948	2,907	2,931	3,012	*81.1*
Venezuela	2,786	2,683	2,668	2,701	2,722	2,727	2,717	2,759	*41.9*
Total OPEC	**31,599**	**30,682**	**30,765**	**30,786**	**30,793**	**31,487**	**..**	**..**	**..**
OPEC excl. Iraq	**28,619**	**27,572**	**27,687**	**27,646**	**27,729**	**28,148**	**..**	**..**	**..**

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

World oil supply

Preliminary data indicates that global oil supply decreased by 0.27 mb/d to average 94.06 mb/d in May 2015 compared with the previous month. The decline of non-OPEC supply in May decreased global oil output, which was partially offset by an increase in OPEC production. The share of OPEC crude oil in total global production increased slightly to 32.9% in May compared with the previous month at 32.8%. Estimates are based on preliminary data for non-OPEC supply and OPEC NGLs, while estimates for OPEC crude production come from secondary sources.

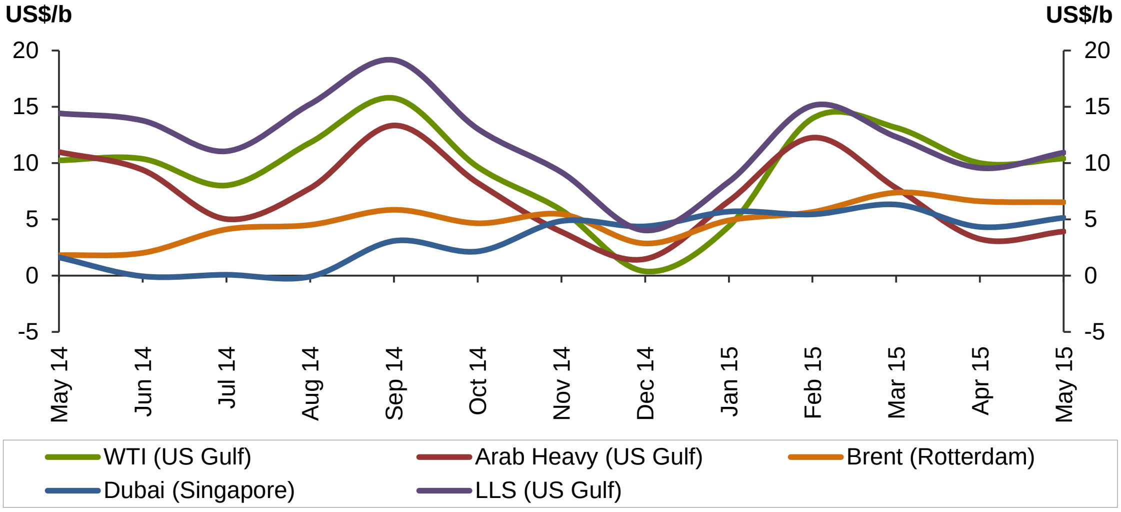
Graph 5.16: OPEC and world oil supply



Product Markets and Refinery Operations

Product markets in the Atlantic Basin exhibited a mixed performance during May. The start of the US driving season pushed up gasoline demand, which hit levels not seen in more than five years. This lent strong support to crack spreads at the top of the barrel, which were able to offset the weakening seen at the bottom, allowing healthy refining margins to continue in the region. Meanwhile, Asian margins strengthened on the back of higher regional demand amid tightening sentiment, fuelled by heavy maintenance in the region.

Graph 6.1: Refinery margins, 2014-2015



US product markets continued receiving support from a surge in domestic gasoline demand, which, with the start of the driving season, hit levels not seen in more than five years and which allowed gasoline crack spreads to continue on their rising trend. However, the potential additional gain in refinery margins was limited by the weakening seen at the bottom of the barrel, with fuel oil cracks falling sharply due to lower demand. The refinery margin for WTI crude on the US Gulf Coast (USGC) gained 40¢ to average around $10.4/b in May. Meanwhile, the margin for Light Louisiana Sweet (LLS) crude on the USGC averaged $10.9/b in May, exhibiting a gain of more than $1/b.

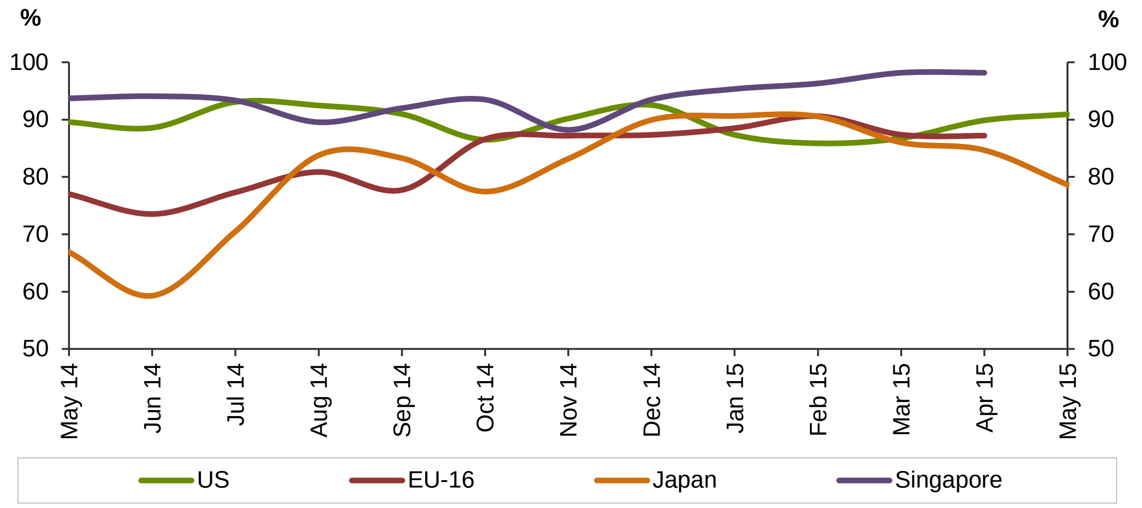
The **European** product market was supported by higher export opportunities, along with stronger domestic demand, which provided support to crack spreads and kept refinery margins healthy in Europe. The refinery margin for Brent crude in Northwest Europe averaged $6.6/b in May, around the same level as the previous month.

Asian refining margins strengthened during May, as strong regional gasoline and middle-distillate demand kept crack spreads on the rise. The market was also supported by expectations of higher demand from the Middle East during the coming weeks, while the heavy maintenance season should fuel tightening sentiment in Asia. Refinery margins in Singapore gained 80¢ versus the previous month to average around $5.1/b in May.

Refinery operations

Refinery utilization rates in the **US** continued to rise during May following the end of the heavy maintenance season. US refinery utilization averaged around 91% in May, 1 percentage point (pp) higher than a month earlier. Despite the increase seen in refinery runs, it was limited by some refineries that were impacted by operational upsets.

Graph 6.2: Refinery utilisation rates, 2014-2015



European refinery runs averaged above 87% of refining capacity in April, corresponding to a throughput of 10.2 mb/d, a level similar to that of the previous month, with some units off for maintenance in the region. Despite this, runs remained at about 500 tb/d over the same month a year ago; European refineries have been increasing throughput in recent months because of export opportunities and healthy margins. However, the relatively higher runs seen in previous months have led to a product inventory build in the Amsterdam-Rotterdam-Antwerp (ARA) hub.

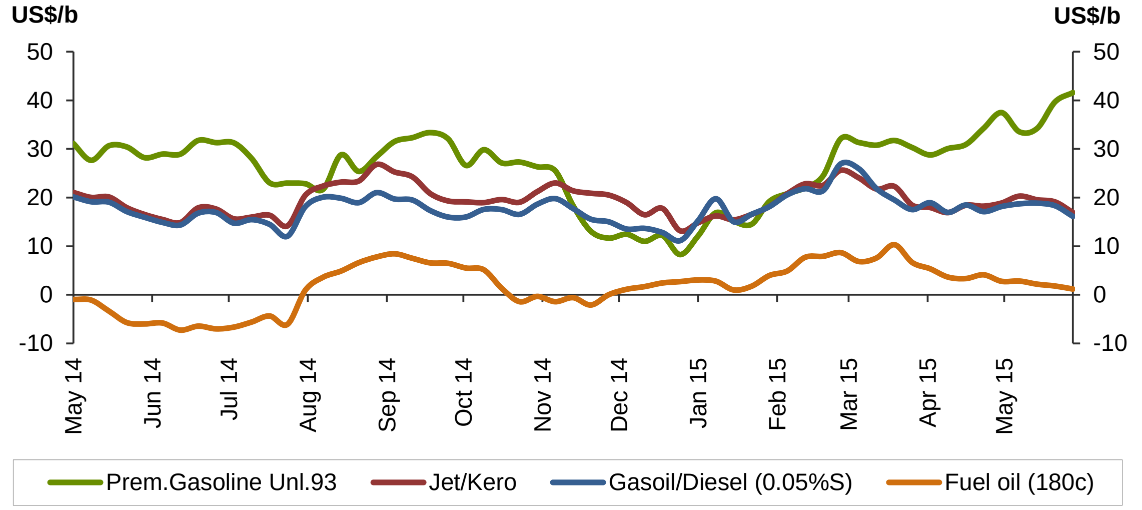
Asian refinery levels rose during the first quarter to meet increasing demand in the region, with Chinese refineries averaging around 10.5 mb/d in March following a peak in product demand. However, April Chinese refinery throughputs dropped to around 10 mb/d due to the heavy maintenance season. Refinery runs in Singapore for April averaged around 98%, a level similar to that of the previous month. Meanwhile, Japanese throughputs fell to 78% of capacity in May due to peaking maintenance in the Asian region, which also affected refinery levels in India and South Korea, among others, impacting more than 2 mb/d of capacity, which was offline in May.

US market

US **gasoline** demand stood at around 9.3 mb/d in May. This was about 400 tb/d higher than the previous month and 380 tb/d higher than the same month a year earlier.

With the start of driving season, gasoline demand exhibited a strong increase, hitting levels not seen in more than five years, thus supporting crack spreads. Another supporting factor has been falling inventories, which despite increasing refinery runs have continued their falling trend due to several FCC outages amid strong domestic demand and good export opportunities. The gasoline crack spread gained around $4 to average $37/b in May.

Graph 6.3: US Gulf crack spread vs. WTI, 2014-2015



Middle distillate demand stood at around 4 mb/d in May, around 70 tb/d higher than the previous month and 40 tb/d higher than the same month a year earlier. The middle distillate market continued to be relatively pressured from the supply side by higher output. This caused US middle distillate inventories to continue on their upward trend. However, stronger domestic demand, along with rising export opportunities to Latin America and Europe, allowed crack spreads to recover some ground. The USGC gasoil crack gained almost $1 versus the previous month to average around $18/b in May.

At the bottom of the barrel, the fuel oil crack continued weakening due to lower domestic demand amid increasing inventories despite reduced imports and lower refinery fuel oil yields. The fuel oil crack in the USGC suffered a sharp loss of $3 in May.

European market

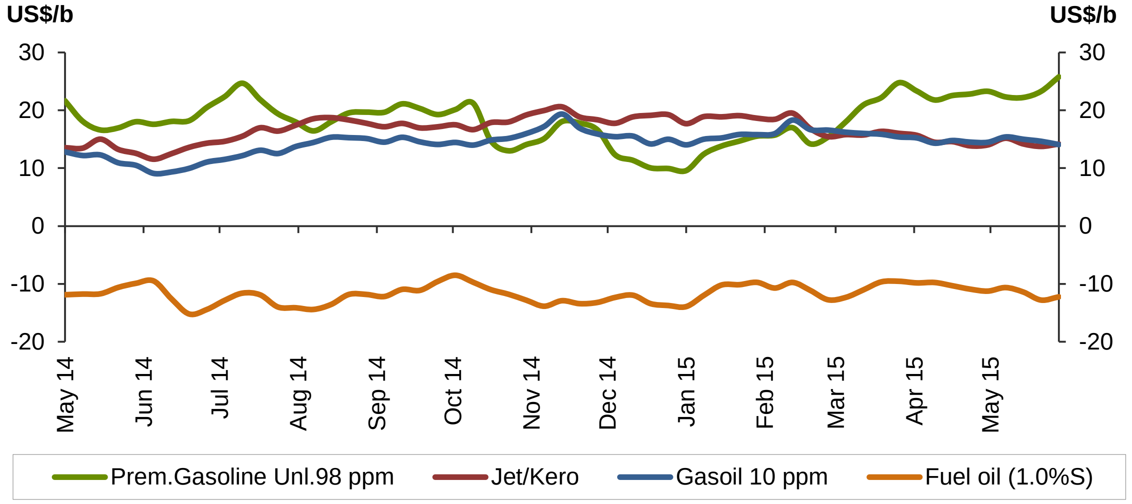
Product markets in Europe continued to be supported by positive performance at the top of the barrel, with stronger **gasoline** export opportunities supporting the crack spread and offsetting the weakening seen at the bottom of the barrel, thus keeping refinery margins healthy in Europe. The gasoline market continued strengthening in Europe on the back of increasing domestic demand amid tightening sentiment in the market due to maintenance in some secondary units.

Increasing export opportunities to Latin America, mainly Mexico and Argentina, have supported the market by offsetting lower requirements seen during the last weeks to West Africa. Asian high-octane gasoline compound requirements have been rising in recent months, mainly in China, which opened European arbitrage opportunities.

The gasoline crack spread against Brent gained 30¢ to remain around $23/b in May.

The light distillate naphtha crack continued its downward trend, losing $2/b due to weaker demand, as a drop in LPG prices encouraged feedstock replacement in the petrochemical sector. Meanwhile, heavy cracker maintenance and some outages continued cutting demand for naphtha.

Graph 6.4: Rotterdam crack spreads vs. Brent, 2014-2015



Middle distillate cracks remained stable in a relatively balanced market, with continued signs of demand recovery and expectations of support from the transportation sector. Diesel consumption was on the rise in the region, mainly in Spain and Italy.

Potential gains in the gasoil crack were limited by continued pressure from the supply side, with increasing inflows of ULSD from Russia and the Middle East. However, increasing supplies were offset by strong domestic demand amid a surge seen in requirements from Egypt and Algeria. The gasoil crack spread against Brent crude at Rotterdam showed a slight gain of 20¢ versus the previous month to average around $15/b in May.

At the bottom of the barrel, fuel oil cracks weakened due to supply pressure, with increasing Russian inflows into the region. Meanwhile, arbitrage exports to Asia were limited. The Northwest European fuel oil crack lost more than $1 versus the previous month's level to average around minus $12/b in May.

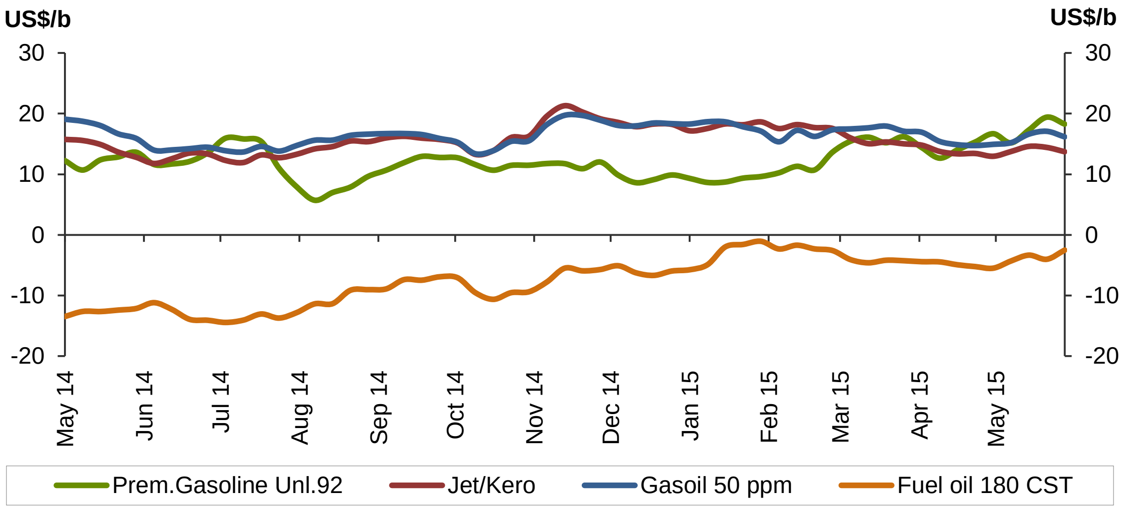
Asian market

The Asian market strengthened during May as strong regional gasoline and middle distillate demand kept crack spreads on the rise.

The Singapore **gasoline** crack recovered its upward trend during May on the back of strong regional demand with increasing consumption being reported from India, Indonesia and Pakistan. This offset increasing exports from China and Japan, thus keeping the gasoline market supported. On the other hand, expectations of higher gasoline demand from the Middle East for the coming weeks have also been fuelling bullish market sentiment. The gasoline crack spread against Dubai crude in Singapore gained $3 versus the previous month to average $18/b in May.

The Singapore **naphtha** crack continued its downwards trend. Fundamentals remained weak as buying interest from the petrochemical sector slowed, with increased switching to LPG as a feedstock. Another bearish factor has been heavy maintenance in naphtha crackers across the region amid expectations of higher Western inflows in the coming weeks.

Graph 6.5: Singapore crack spread vs. Dubai, 2014-2015



For the middle of the barrel, **gasoil** cracks partially recovered ground lost the previous month on the back of stronger regional demand and workable arbitrage to Europe. Demand for middle distillates continued showing impressive gains in Asia which, along with ongoing regional turnarounds, eased the supply overhang. On the other hand, news that ADNOC will run its Ruwais refinery at a lower rate fuelled tightening sentiment and lent temporary support to the gasoil market. The gasoil market was further supported by expectations of growing requirements from Saudi Arabia, from seasonally higher demand over the upcoming summer period, and from Australia, as refineries there are in maintenance.

The gasoil crack spread in Singapore against Dubai gained around $1 versus the previous month's level to average around $16/b in May.

The **fuel oil** market continued to weaken during May due to pressure coming from low demand in the region. However, expectations of decreasing western inflows lent some support to the market and allowed the fuel oil crack spread in Singapore against Dubai to average around minus $3.5/b in May. This represented a recovery of more than $1 versus the previous month.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				*Refinery utilization, %*			
	Mar 15	**Apr 15**	**May 15**	***Change* May/Apr**	**Mar 15**	**Apr 15**	**May 15**	***Change* May/Apr**
US	15.50	16.06	16.25	0.19	86.75	89.87	90.93	1.06
France	1.27	1.17	-	-	84.33	77.43	-	-
Germany	1.74	1.87	-	-	77.56	83.39	-	-
Italy	1.31	1.30	-	-	63.88	63.64	-	-
UK	1.13	1.13	-	-	85.71	85.86	-	-
Euro-16	10.23	10.21	-	-	87.37	87.21	-	-
Japan	3.40	3.34	3.10	-0.24	86.01	84.67	78.64	-6.03

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

Table 6.2: Refined product prices, US$/b

		Mar 15	Apr 15	May 15	*Change* May/Apr
US Gulf (Cargoes FOB):					
Naphtha*		65.81	66.71	72.88	6.17
Premium gasoline	*(unleaded 93)*	78.43	87.23	96.28	9.05
Regular gasoline	*(unleaded 87)*	71.10	78.37	83.37	5.00
Jet/Kerosene		69.14	72.34	78.44	6.10
Gasoil	*(0.2% S)*	68.80	72.09	77.48	5.39
Fuel oil	*(1.0% S)*	51.57	53.77	55.50	1.73
Fuel oil	*(3.0% S)*	45.86	48.55	52.33	3.78
Rotterdam (Barges FoB):					
Naphtha		55.65	57.96	60.76	2.80
Premium gasoline	*(unleaded 98)*	77.62	82.31	87.70	5.39
Jet/Kerosene		71.93	73.97	78.67	4.70
Gasoil/Diesel	*(10 ppm)*	71.77	74.21	79.16	4.95
Fuel oil	*(1.0% S)*	45.35	49.20	52.57	3.37
Fuel oil	*(3.5% S)*	46.07	49.64	53.41	3.77
Mediterranean (Cargoes FOB):					
Naphtha		52.55	54.42	58.37	3.95
Premium gasoline**		73.37	78.27	82.87	4.60
Jet/Kerosene		68.63	70.60	76.09	5.49
Gasoil/Diesel**		73.42	75.84	80.99	5.15
Fuel oil	*(1.0% S)*	47.87	51.02	54.19	3.17
Fuel oil	*(3.5% S)*	46.03	49.58	52.79	3.21
Singapore (Cargoes FOB):					
Naphtha		57.38	59.56	62.04	2.48
Premium gasoline	*(unleaded 95)*	73.84	75.55	83.73	8.18
Regular gasoline	*(unleaded 92)*	70.34	73.07	81.10	8.03
Jet/Kerosene		70.01	72.08	77.69	5.61
Gasoil/Diesel	*(50 ppm)*	72.20	73.72	79.83	6.11
Fuel oil	*(180 cst 2.0% S)*	51.54	54.82	61.28	6.46
Fuel oil	*(380 cst 3.5% S)*	49.42	52.45	58.22	5.77

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

Tanker Market

Dirty tanker market sentiment showed an improvement in May compared to a month ago in all classes unlike the usual trend at this time of the year. The higher freight rates were seen on many routes, especially for larger vessels. In May, VLCC spot freight rates experienced an average gain of 15% over the same month in 2014, driven by high tonnage demand and a firmer market in several regions, mainly Middle East and West Africa. Similarly, Suezmax and Aframax tankers met with higher demand by eastern and western charterers. The increase in chartering activities, combined with tighter tonnage supply, led to an increase in rates seen on a monthly basis and on a larger-scale compared to previous year's levels.

Clean spot freight rates showed a mixed performance in May. Rates reported a decline, averaging 12% from the previous month, as the market was affected by excess tonnage availability, while the amount of market activity remained insufficient to alleviate the imbalance.

Spot fixtures

In May, OPEC spot fixtures increased by 1.1 mb/d, or 10%, compared with the previous month to stand at 12.21 mb/d. Moreover, all chartering activities worldwide showed an increase from the month before with no exception. Fixtures from the Middle East-to-East and Middle East-to-West routes experienced an increase of 5.9% and 25.3%, respectively. Generally, global oil spot fixtures were up in May by 0.93 mb/d to average 17.26 mb/d compared with the previous month.

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

	Mar 15	Apr 15	May 15	*Change* May 15/Apr 15
Spot Chartering				
All areas	16.85	16.34	17.26	0.93
OPEC	11.62	11.11	12.21	1.10
Middle East/East	5.44	5.07	5.37	0.30
Middle East/West	2.63	2.42	3.04	0.61
Outside Middle East	3.56	3.62	3.81	0.19
Sailings				
OPEC	23.63	23.34	23.82	0.48
Middle East	17.30	16.99	17.47	0.48
Arrivals				
North America	9.84	9.91	10.00	0.10
Europe	12.57	12.18	12.53	0.36
Far East	8.73	8.38	8.18	-0.20
West Asia	4.60	4.76	4.78	0.02

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

Sailings and arrivals

OPEC sailings increased by 0.48 mb/d, or 2.1%, in May from a month ago and by 0.36 mb/d from a year before. Sailings from the Middle East also went up from last month by 0.48 mb/d and from last year by 0.35 mb/d. According to preliminary data, arrivals at main importing regions in North America, Europe and West Asian ports showed an increase from a month earlier as arrivals in the three regions went up by 1%, 2.9% and 0.3%, respectively, from last month. In contrast, vessels arrivals in the Far East showed a decline from last month by 2.4%.

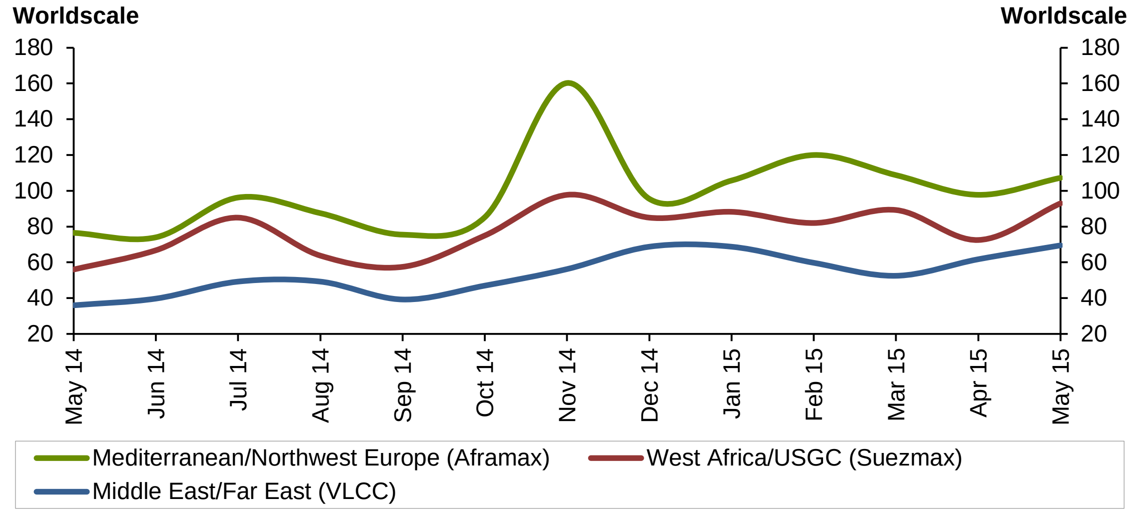
Spot freight rates

VLCC

VLCC spot freight rates increased on all reported routes in May from the previous month, with freight rates on Middle East-to-West route experiencing the largest gains of 28% to stand at WS43 points.

Spot freight rates registered on the Middle East-to-East route showed a lesser gain, increasing by 13% to average WS70 points, while the West Africa-to-East route showed an increase of 10% from the previous month to average WS66 points. VLCC freight rates increased in May, despite the quiet beginning seen early in the month as the position list was balanced, and the level of fixtures and inquiries kept weak. However weather delays in Asian ports increased chartering activities while the tonnage supply was tightening. The first decade fixtures for the month of June brought a rush of activity to the market, mainly in the Middle East, which resulted in pushing freight rates sharply to unusual levels for this time of the year. The general improvement seen on the VLCC market was registered mainly towards the second half of the month. Afterwards, the charterer's trials to halt a further increase in rates paid off and freight rates stabilized as VLCC activities and rates eased off towards the end of the month. From an annual perspective, VLCC freight rates in May showed a remarkable gain from the same month a year ago.

Graph 7.1: Monthly averages of crude oil spot freight rates



Suezmax

Similarly, **Suezmax** freight rates followed the VLCC freight rates trend in May showing worthwhile gains on both an annual and monthly basis. Equally, Suezmax had a slow start in the beginning of the month with freight rates softening, mainly in West Africa. Low rates and activities were also noticeably seen in the Black Sea and Asia in the beginning of May. The low freight rates came on the back of ample tonnage availability even for prompt loadings. Similar to what was seen in the VLCC sector, Suezmax freight rates improved afterwards as the position list started to tighten gradually, subsequently leading to significantly higher rates. The firmer Suezmax market in West Africa had an influencing effect on rates in the Mediterranean/Black Sea. In May, Suezmax freight rates were supported by rising rates for both VLCC and Aframax. Consequently, freight rates for tankers operating on the West Africa-to-US route went up by 28% to average WS93 points, while rates for operations on the Northwest Europe-to-US route saw lesser gains, up by 18% to average WS75 points.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	Mar 15	Apr 15	May 15	*Change* May 15/Apr 15
Crude					
Middle East/East	230-280	53	62	70	8
Middle East/West	270-285	29	34	43	10
West Africa/East	260	52	60	66	6
West Africa/US Gulf Coast	130-135	89	73	93	21
Northwest Europe/US Gulf Coast	130-135	70	64	75	11
Indonesia/East	80-85	104	99	116	17
Caribbean/US East Coast	80-85	171	140	111	-29
Mediterranean/Mediterranean	80-85	116	105	115	10
Mediterranean/Northwest Europe	80-85	109	98	107	10

Sources: Galbraith's tanker market report and Platts.

Aframax

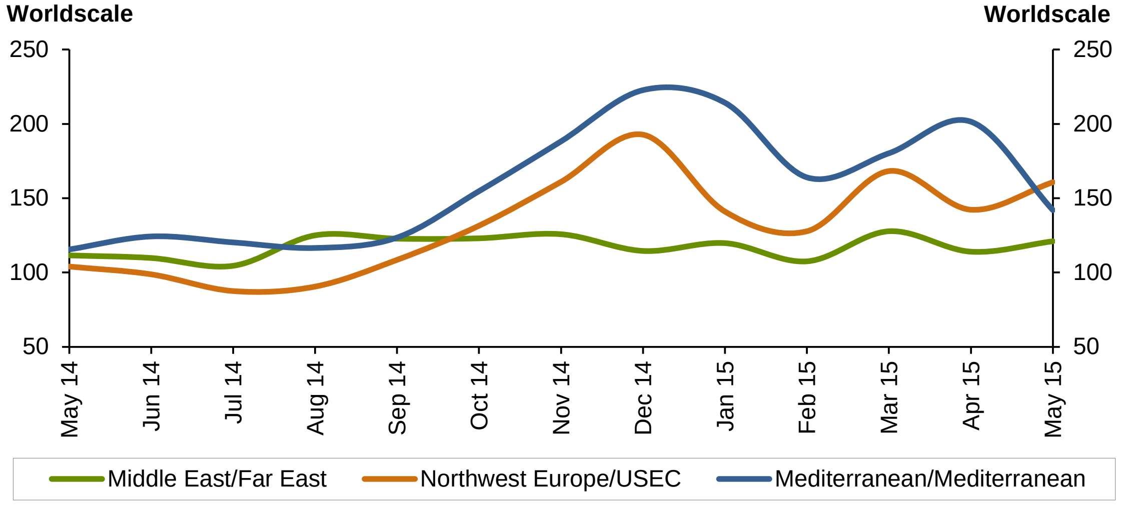
Aframax freight rates were mixed in May. The most reported routes showed an increase in freight rates from a month before. The greatest increase was seen on the Indonesia-to-East route which went up by 17% from last month to average WS116 points. Generally, the Aframax market was strong in May, with higher freight rates and activities exhibited on many routes during the month, despite fluctuating tonnage demand. In the Mediterranean, freight rates increased as activities remained healthy and relatively stable. Port delays earlier in the month and bad weather conditions partially supported freight rates. Therefore, freight rates for tankers operating on both Mediterranean-to-Northwest Europe and Mediterranean-to-Mediterranean routes rose by 10% and 9%, respectively, from April, to average WS107 and WS115 points. This was also affected by requirements for replacements and a firmer market for the North Sea and Baltics.

On the contrary, the only negative freight rate performance in the Aframax class was registered on the Caribbean-to-US route, where freight rates dropped by 21% from the previous month to stand at WS111 points.

Clean spot freight rates

Clean tanker market sentiment was weak in May. On average, clean spot tanker freight rates dropped by 12% from the month before to stand at WS143 points.

Graph 7.2: Monthly average of clean spot freight rates



In the **West of Suez**, freight rates dropped on average, despite higher freight rates registered by medium-range tankers operating on the Northwest Europe-to-US East Coast, which went up by 13% to average WS161 points. The main driver behind the freight rates drop in the West was lower freight rates in the Mediterranean, as waning activities during the month kept dragging rates down, reflecting a decline of 30% and 28%, respectively, on both Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe.

On the other hand, **East of Suez** average clean spot freight rates increased by a slight WS2 points on average, or 2%, mainly on the back of improved performance of tankers trading on the Middle East-to-East routes which increased by 6% from a month before.

Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	**Mar 15**	**Apr 15**	**May 15**	***Change*** **May 15/Apr 15**
Products					
Middle East/East	30-35	128	114	121	7
Singapore/East	30-35	135	140	137	-3
Northwest Europe/US East Coast	33-37	168	142	161	19
Mediterranean/Mediterranean	30-35	180	202	142	-60
Mediterranean/Northwest Europe	30-35	190	212	152	-60

Sources: Galbraith's tanker market report and Platts.

Oil Trade

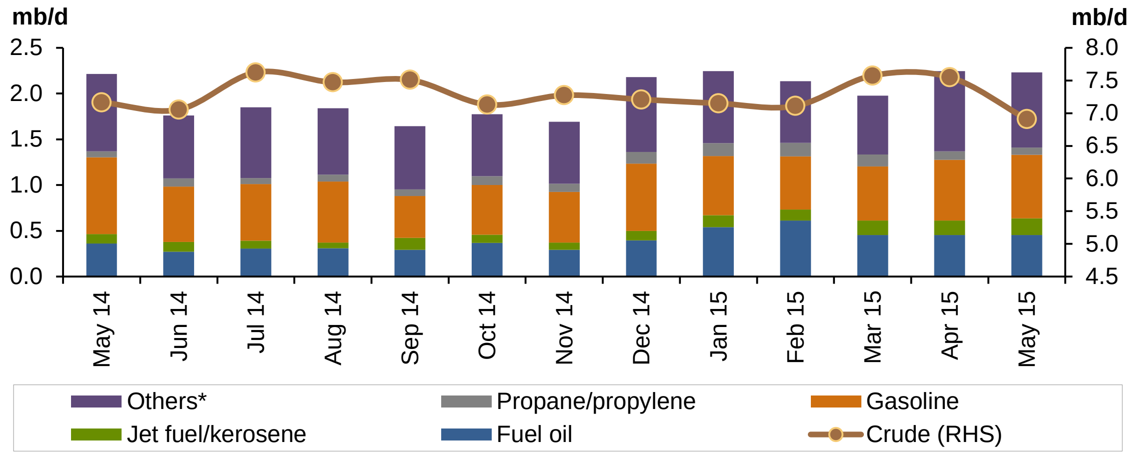
In May, preliminary data shows that US crude oil imports dropped by 641 tb/d from a month earlier to average 6.9 mb/d. US product imports declined slightly by 13 tb/d or 0.6% to average 2.2 mb/d. Japan's crude oil imports dropped in April by 335 tb/d or 9% to average 3.4 mb/d, while on an annual basis, they dropped by 178 tb/d or 5%. China's crude oil imports increased substantially to reach a new peak in April, up by 1.06 mb/d or 17% from the previous month to average 7.39 mb/d, while on an annual comparison, they were up by 588 tb/d or 9%. In April, India's crude imports averaged 3.6 mb/d, which is 329 tb/d or 9% lower than last month's level, while on an annual basis, they dropped by 560 tb/d or 14%. This decline occurred ahead of a planned maintenance shutdown. India's product imports dropped by 25 tb/d or 4% from a month ago to average 535 tb/d, while y-o-y, there was a gain of 81 tb/d or 18%.

US

In May, preliminary data shows that **US crude oil imports** declined by 641 tb/d from the previous month to average 6.9 mb/d, while on an annual basis, they dropped by 257 tb/d from a year earlier.

US product imports declined slightly by 13 tb/d or 0.6% to average 2.2 mb/d m-o-m, while y-o-y, there was a small increase of 16 tb/d or 0.7%. Year-to-date, crude imports dropped by 94 tb/d, while product imports increased by 194 tb/d.

Graph 8.1: US imports of crude and petroleum products

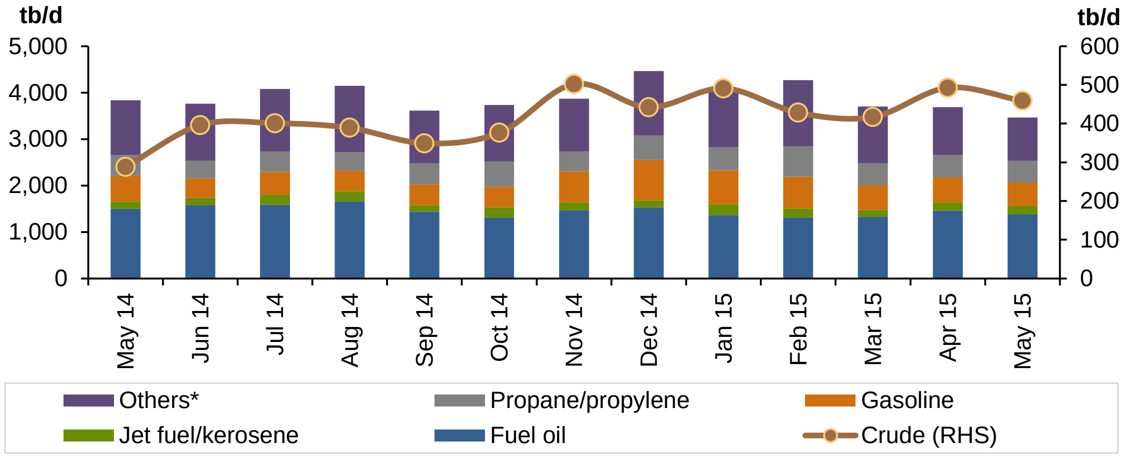


**Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene.*

US product exports went down in May by 222 tb/d or 6% to average 3.5 mb/d from previous month. On an annual comparison, the figures reflected a greater decline of 367 tb/d or 10%.

As a result, **US total net imports** dropped in May to average 5.2 mb/d, down by 397 tb/d from the previous month and by 44 tb/d from last year.

Graph 8.2: US exports of crude and petroleum products



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

In March, Canada remained the **top supplier** as seen before, accounting for 43% of total US crude imports. Canada exports to the US in March increased by 43 tb/d from a month before. Saudi Arabia came in as the second largest supplier to the US, holding a share of 14% of total crude imports while Venezuela came in third, accounting for 11% of total US crude imports. Imports from both Saudi Arabia and Venezuela increased from a month before by 136 tb/d and 67 tb/d, respectively.

Crude imports from OPEC Member Countries increased in March from the previous month by 152 tb/d or 6%, accounting for 35% of total US crude imports. US product imports from OPEC Member Countries dropped from a month earlier to stand at 161 tb/d, holding a share of 8% of total products imported by the US, a decrease of 54 tb/d from the same month last year. As for the product supplier share, Canada and Russia maintained their positions as the first and second largest suppliers to the US, holding shares of 31% and 19%, respectively. South Korea came in as the third largest product supplier to the US with average imports of 64 tb/d.

In March, US crude imports from North America averaged 3.25 mb/d, making North America the top region for US crude imports, followed by Latin America, which stood at 2.6 mb/d in March. The Middle East came in as the third region with an average of 1.5 mb/d. Imports from Africa dropped from the previous month to average 233 tb/d, while imports from Asia stayed stable at last month's level of 28 tb/d.

Crude imports to **PADD 1** on the East Coast were sourced from North America, averaging 291 tb/d. Imports from Africa averaged 115 tb/d, up by 40 tb/d or 53%. Crude imports from Latin America to PADD 1 increased from the previous month to average 222 tb/d. Imports to PADD 2 were mostly obtained from North America to average 2.1 mb/d. PADD 2 imported only 31 tb/d from the Middle East in March. PADD 3 mostly sourced its imports from Latin America and the Middle East, which both showed higher exports during March, increasing by 151 tb/d and 89 tb/d, respectively. PADD 4 solely imported from North America, averaging 292 tb/d in March, a drop of 15 tb/d from the previous month. In PADD 5, the West Coast continued to source its imports mainly from the Middle East and Latin America. Imports from the Middle East were stable from February, while imports from Latin America were up by 118 tb/d in March.

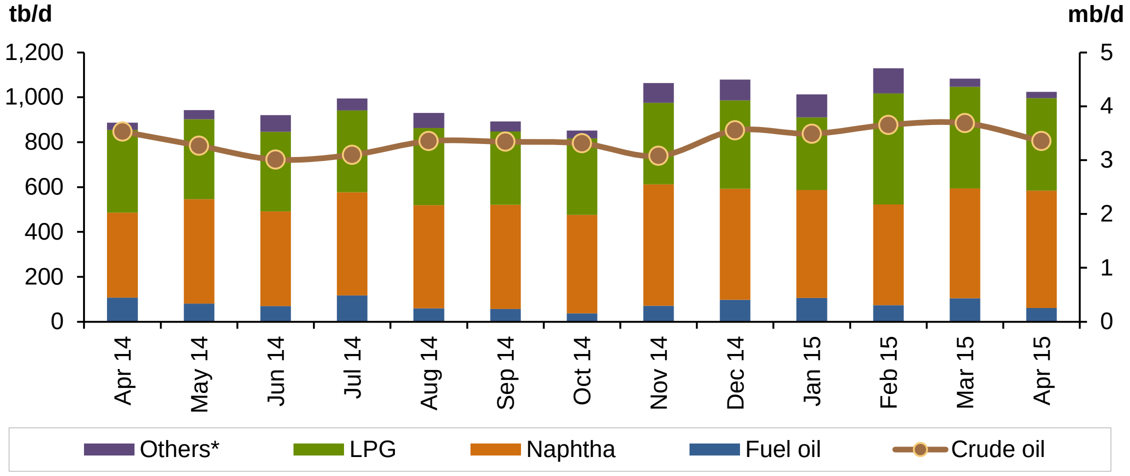
Table 8.1: US crude and product net imports, tb/d

	Mar 15	Apr 15	May 15	Change May 15/Apr 15
Crude oil	7,157	7,056	6,449	-607
Total products	-1,725	-1,443	-1,234	210
Total crude and products	**5,432**	**5,613**	**5,216**	**-397**

Japan

Japan's crude oil imports dropped in April by 335 tb/d or 9% to average 3.4 mb/d, reaching the lowest level seen since January 2015, while on an annual basis, they dropped by 178 tb/d or 5%. Saudi Arabia was the **top crude supplier** to Japan, holding a share of 31% of total crude exports to the country, although there was a decline in its export volume from the previous month. UAE came in as the second largest supplier to Japan with a share of 25% of total crude imports. Russia came in third place, holding a share of 13%. Japan's imports from UAE decreased by 74 tb/d in April m-o-m, while imports from Russia were up from the previous month by 177 tb/d.

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

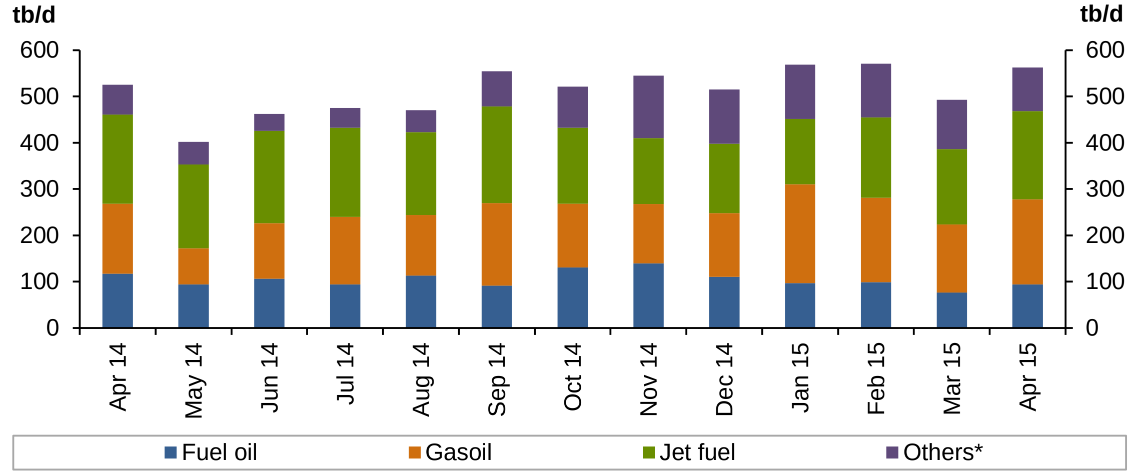


**Others: Contains gasoline, jet fuel, kerosene, gasoil, asphalt and paraffin wax.*

Japan's product imports also dropped in April, falling by 17 tb/d to average 613 tb/d, the lowest level seen since October 2014. This decline came mainly as a result of lower imports of fuel oil and LPG, which dropped by 42% and 9%, respectively. At the same time, Japan's domestic product sales increased by 6.1% from last year.

Japan's exports in April were up from the previous month by 70 tb/d to average 562 tb/d.

Graph 8.4: Japan's exports of petroleum products



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

Accordingly, **Japan's net imports** dropped in April by 422 tb/d to average 3.4 mb/d, reflecting monthly and annual declines of 11% and 2%, respectively.

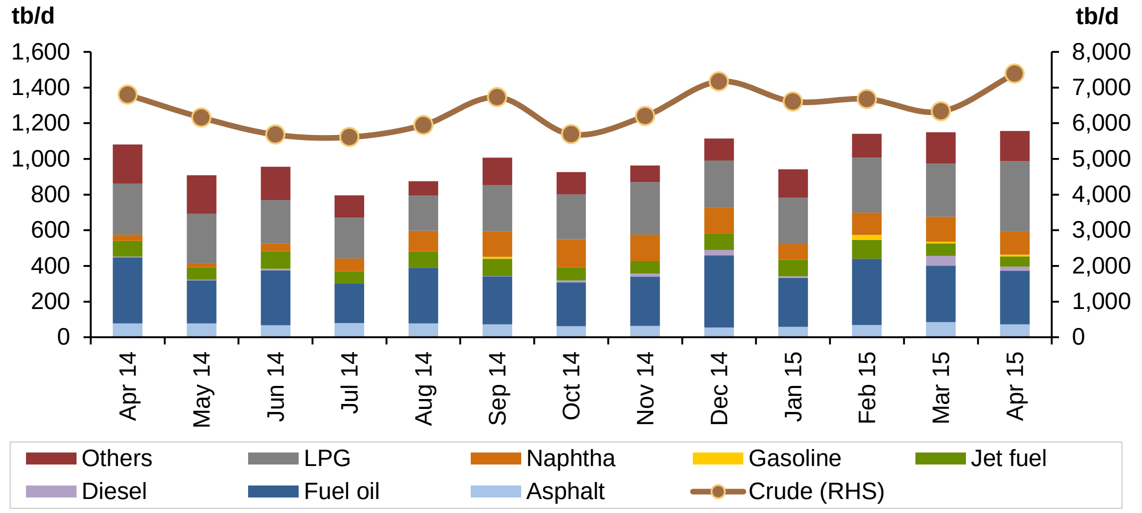
Table 8.2: Japan's crude and product net imports, tb/d

	Feb 15	Mar 15	Apr 15	*Change* Apr 15/Mar 15
Crude oil	3,654	3,686	3,351	-335
Total products	64	138	51	-87
Total crude and products	**3,719**	**3,824**	**3,402**	**-422**

China

China's crude oil imports increased substantially to reach a new peak in April, up by 1.06 mb/d or 17% from the previous month to average 7.39 mb/d, while on an annual comparison, they were up by 588 tb/d or 9%. Year-to-date, crude imports were up by 516 tb/d or 8%. Saudi Arabia, Russia and Iran were the **top crude suppliers** to China in April, holding shares of 17%, 10% and 10%, respectively. In April, all top suppliers had raised their exports to China by 328 tb/d, 74 tb/d and 69 tb/d, respectively, from the previous month.

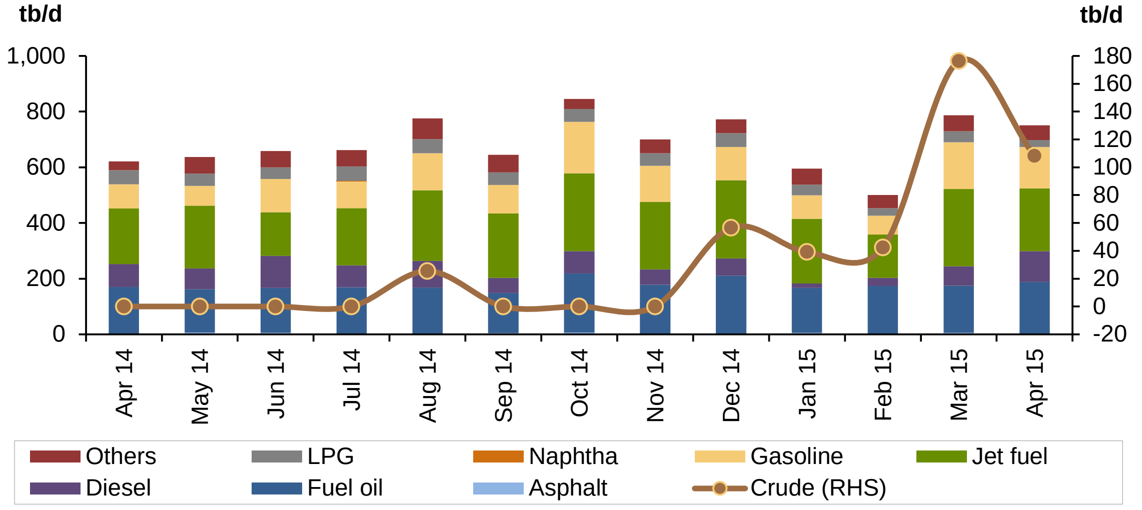
Graph 8.5: China's imports of crude and petroleum products



China's product imports increased slightly in April, rising by 7 tb/d from the previous month and by 76 tb/d from a year earlier, to average1.2 mb/d.

China's crude exports dropped in April following the peak level they reached in March to average 108 tb/d, while its product exports dropped from last month by 35 tb/d to average 751 tb/d.

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



Consequentially, **China's net oil imports** increased by 1.17 mb/d or 18% from the previous month and 6% from a year ago.

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

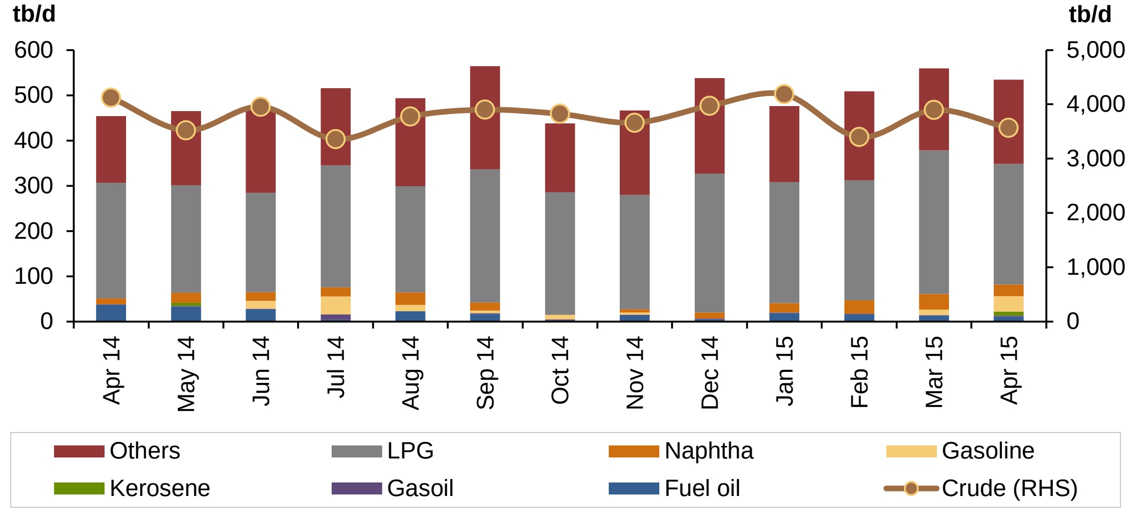
	Feb 15	Mar 15	Apr 15	*Change* Apr 15/Mar 15
Crude oil	6,638	6,154	7,282	1,128
Total products	640	363	406	42
Total crude and products	**7,278**	**6,517**	**7,687**	**1,170**

India

In April, **India's crude imports** averaged 3.6 mb/d, which is 329 tb/d or 9% lower than the level seen last month, while on an annual basis, there was a decrease of 560 tb/d or 14%. This decline came ahead of a planned maintenance shutdown.

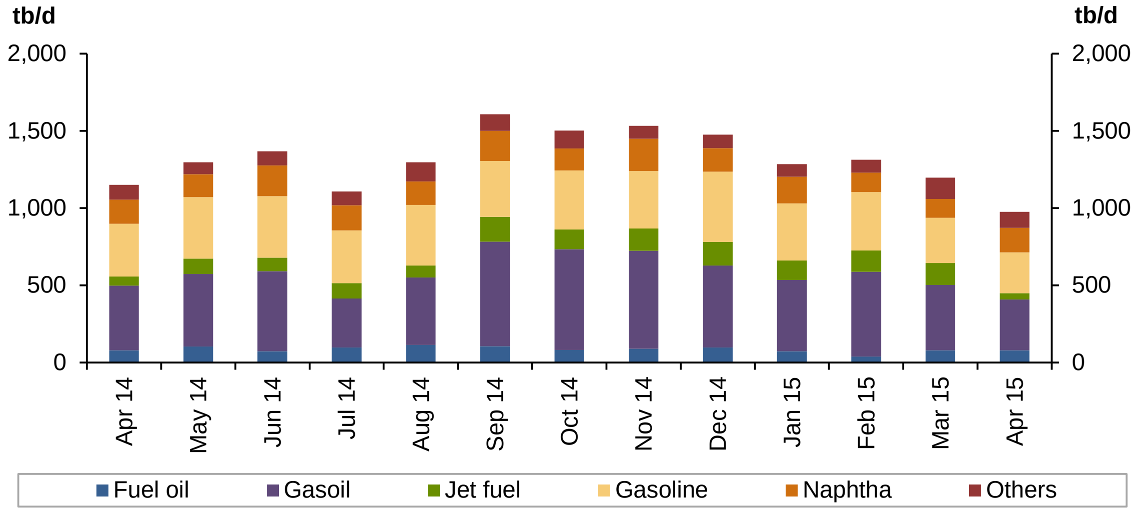
On the other hand, **product imports** saw a drop of 25 tb/d or 4% from a month ago to average 535 tb/d. Y-o-y, this reflects a gain of 81 tb/d or 18%. Oil product sales rose in April from a year earlier by 8.7%, driven by strong demand for gasoline and gasoil.

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



India's product exports dropped in April by 222 tb/d or 19% from the previous month to average 975 tb/d, the lowest level seen since February 2011, while on an annual basis, they dropped by 174 tb/d or 15%. This was mainly due to monthly exports of diesel being down by 93 tb/d or 22% from the previous month.

Graph 8.8: India's exports of petroleum products



Consequentially, **India's net imports** declined by 132 tb/d to average 3.1 mb/d.

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

	Feb 15	Mar 15	Apr 15	*Change* Apr 15/Mar 15
Crude oil	3,397	3,894	3,564	-329
Total products	-803	-638	-441	198
Total crude and products	**2,594**	**3,255**	**3,124**	**-132**

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

FSU

In April, **total crude oil exports** from the former Soviet Union (FSU) dropped by 131 tb/d or 2% to average 6.5 mb/d. Crude exports through Russian pipelines increased by 44 tb/d or 1% to average 4.2 mb/d.

Total shipments from the **Black Sea** dropped by 105 tb/d or 15% from last month to average 587 tb/d. The total Baltic Sea exports increased by 132 tb/d in April as shipments from the Primorsk port terminal went up by 163 tb/d, however the gain was offset by the drop seen at the UST Luga port terminal. The Druzhba pipeline's total shipment fell by 38 tb/d to average 1.1 mb/d. Kozmino shipments increased by 45 tb/d or 7% to average 669 tb/d. Exports through the Lukoil system increased slightly from the previous month in the Barents Sea as the Varandey offshore platform reported an increase of 5 tb/d, while in the Baltic Sea, the Kalinigrad port terminal showed a decline of 11 tb/d. Russia's Far East total exports were down by 8 tb/d or 2.5% from the previous month.

Baltic Sea total exports dropped by 144 tb/d as a result of lower shipments from the Novorossiyk port terminal, which decreased by 81 tb/d from the previous month. In the Mediterranean Sea, BTC supplies dropped from the previous month by 26 tb/d or 4% to average 580 tb/d.

FSU total product exports dropped by 236 tb/d or 6% from the previous month to average 3.5 mb/d due to a decline exports of gasoil, jet and naphtha, which dropped by 144 tb/d, 57 tb/d and 35 tb/d, respectively, from a month ago.

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

Transneft system			2013	4Q 14	1Q 15	Mar 15	Apr 15
	Europe	**Black Sea total**	**739**	**503**	**702**	**692**	**587**
		Novorossiysk port terminal - total	739	503	702	692	587
		of which: Russian oil	535	358	505	500	413
		Others	204	145	198	193	174
		Baltic Sea total	**1,546**	**1,180**	**1,444**	**1,410**	**1,542**
		Primorsk port terminal - total	1,083	730	879	824	987
		of which: Russian oil	1,007	730	879	824	987
		Others	76	0	0	0	0
		Ust-Luga port terminal - total	463	450	564	585	555
		of which: Russian oil	342	277	356	352	385
		Others	121	173	208	234	169
		Druzhba pipeline total	**1,032**	**988**	**1,071**	**1,140**	**1,102**
		of which: Russian oil	1,000	956	1,039	1,107	1,069
		Others	32	32	32	32	32
	Asia	**Pacific ocean total**	**434**	**517**	**605**	**624**	**669**
		Kozmino port terminal - total	434	517	605	624	669
		China (via ESPO Pipeline) total	**321**	**325**	**309**	**303**	**313**
		China Amur	321	325	309	303	313
	Total Russian crude exports		**4,071**	**3,513**	**4,131**	**4,169**	**4,213**
Lukoil system			**2013**	**4Q 14**	**1Q 15**	**Mar 15**	**Apr 15**
	Europe and North America	**Barents Sea Total**	**111**	**125**	**134**	**135**	**140**
		Varandey offshore platform	111	125	134	135	140
	Europe	**Baltic Sea Total**	**19**	**13**	**18**	**23**	**12**
		Kalinigrad port terminal	19	13	18	23	12
Other routes			**2013**	**4Q 14**	**1Q 15**	**Mar 15**	**Apr 15**
	Asia	**Russian Far East total**	**259**	**294**	**309**	**319**	**311**
		Aniva bay port terminal	114	107	109	112	120
		De Kastri port terminal	145	186	200	207	191
		Central Asia total	**239**	**209**	**252**	**243**	**252**
		Kenkiyak-Alashankou	239	209	252	243	252
	Europe	**Baltic sea total**	**853**	**1,001**	**1,118**	**1,143**	**998**
		Novorossiysk port terminal (CPC)	704	889	986	996	915
		Supsa port terminal	76	99	91	81	63
		Batumi port terminal	53	14	41	66	21
		Kulevi port terminal	20	0	0	0	0
		Mediterranean sea total	**641**	**549**	**638**	**605**	**580**
		BTC	641	549	638	605	580
Russian rail			**2013**	**4Q 14**	**1Q 15**	**Mar 15**	**Apr 15**
		Russian rail	**198**	**12**	**18**	**13**	**15**
		of which: Russian oil	9	*7*	*8*	*8*	*7*
		Others	189	5	9	5	8
	Total FSU crude exports		**6,392**	**5,716**	**6,618**	**6,650**	**6,519**
Products			**2013**	**4Q 14**	**1Q 15**	**Mar 15**	**Apr 15**
		Gasoline	122	103	162	174	167
		Naphtha	390	477	567	541	484
		Jet	11	1	28	58	23
		Gasoil	857	884	1,229	1,222	1,078
		Fuel oil	1,415	1,452	1,507	1,488	1,474
		VGO	263	265	231	231	252
	Total FSU product exports		**3,058**	**3,181**	**3,724**	**3,714**	**3,478**
Total FSU oil exports			**9,450**	**8,897**	**10,342**	**10,364**	**9,997**

Sources: Argus Nefte Transport and Argus Global Markets.

Stock Movements

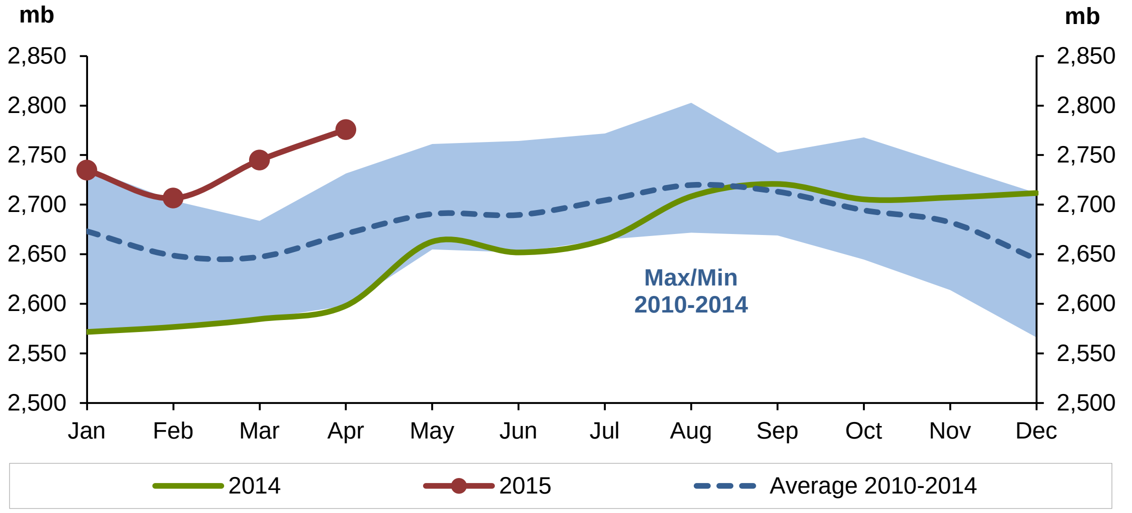
OECD commercial oil stocks rose by 30.8 mb in April to stand at 2,776 mb, which is more than 178 mb higher than the same time a year ago and 105 mb above the latest five-year average. Crude and products indicate a surplus of around 89 mb and 16 mb, respectively, above the seasonal norm. In terms of days of forward cover, OECD commercial stocks stood at 61.3 days, which is 3.0 days higher than the latest five-year average. Preliminary data for May shows that total US commercial oil stocks rose slightly by 1.9 mb, following a build of more than 30.0 mb in the last two months. Within components, commercial crude fell by 9.6 mb, while product stocks saw a build of 11.5 mb. At 1,252 mb, US commercial inventories were 149 mb higher than the latest five-year average. The latest information for China showed that total commercial oil inventories fell by 1.5 mb in April to stand at 409.4 mb. Despite this stock draw, Chinese inventories stood at around 9.7 mb above the previous year at the same time. Within the components, commercial crude stocks rose by 1.2 mb, while product inventories fell by 2.7 mb.

OECD

The latest information for April shows that **total OECD commercial oil stocks** rose by 30.8 mb to stand at 2,776 mb, the highest level seen since August 2010. At this level, inventories were 178 mb higher than the same time a year ago and around 105 mb above the latest five-year average. Within the components, crude and products rose by 10.0 mb and 20.8 mb, respectively.

OECD **commercial crude** continued its upward trend for the fifth consecutive month to end April at 1,395 mb, which was 102 mb above the same time a year ago and 89.6 mb higher than the latest five-year average. A large crude stock build was again observed in the US, although at a slower pace compared with the previous months.

Graph 9.1: OECD's commercial oil stocks



OECD **product inventories** also rose sharply in April, increasing by 20.8 mb to end the month at 1,380 mb, which was 76 mb higher than a year ago at the same time and 16.0 mb above the seasonal norm.

In terms of **days of forward cover**, OECD commercial stocks rose by 0.4 days in April from the previous month to stand at 61.3 days, and they were 4.0 days above last year at the same time and 3.0 days higher than the latest five-year average. Within the regions, OECD Americas' days of forward cover were 6.2 days higher than the historical average at 62.0 days in April, while OECD Asia Pacific stood at 2.7 days below the seasonal average to finish the month at 49.2 days. At the same time, OECD Europe indicated a slight surplus of 0.6 days above the seasonal norm, averaging 66.6 days in April.

Commercial stocks in **OECD Americas** rose by 31.7 mb in April to stand at 1,493 mb, which was a surplus of 155 mb above the seasonal norm and around 147 mb above the same time a year ago. Within the components, crude stocks rose by 23.4 mb, while product inventories abated this build, as they declined by 6.7 mb.

At the end of April, **commercial crude oil stocks in OECD Americas** rose, ending the month at 791 mb, which was 115 mb above the latest five-year average and 98.6 mb higher than the same time a year ago. Ongoing increases in US domestic production have pushed crude oil higher and were the main contributor to this build, but US crude inventories saw their first modest decline in early May after 16 straight weeks of gains.

Product stocks in OECD Americas also rose in April to stand at 702 mb, which was a surplus of 48.5 mb above the same time a year ago and 39.5 mb higher than the seasonal norm. This build came mainly from higher refinery outputs.

OECD Europe's commercial stocks rose by 1.3 mb in April for the fifth consecutive month to stand at 910 mb, which was 40 mb higher than the same time a year ago, yet 21.6 mb below the latest five-year average. Crude stocks went up by 1.3 mb, while commercial product inventories remained unchanged from the previous month.

OECD Europe's commercial crude stocks rose in April to stand at 388 mb, which was 11 mb above the same period a year earlier, yet still 9.0 mb less than the latest five-year average. The build was driven mainly by lower refinery crude runs combined with ongoing increases in crude supply.

OECD Europe's commercial product stocks remained flat in April, ending the month at 522 mb, which was 28.9 mb higher than a year ago at the same time, yet 16.6 mb below the seasonal norm. Higher refinery outputs led to increased product stock builds.

OECD Asia Pacific commercial oil stocks fell by 2.2 mb in April to stand at 372 mb, which was 9.4 mb less than a year ago and 21.6 mb below the five-year average. Within the components, products rose by 1.3 mb, while crude inventories fell by 3.5 mb. Crude inventories ended the month of April at 216 mb and stood 7.9 mb below a year ago and 21 mb less than the seasonal norm. OECD Asia Pacific's total product inventories ended April at 156 mb, indicating a deficit of 1.5 mb below a year ago and 7.3 mb less than the seasonal norm.

Table 9.1: OECD's commercial stocks, mb

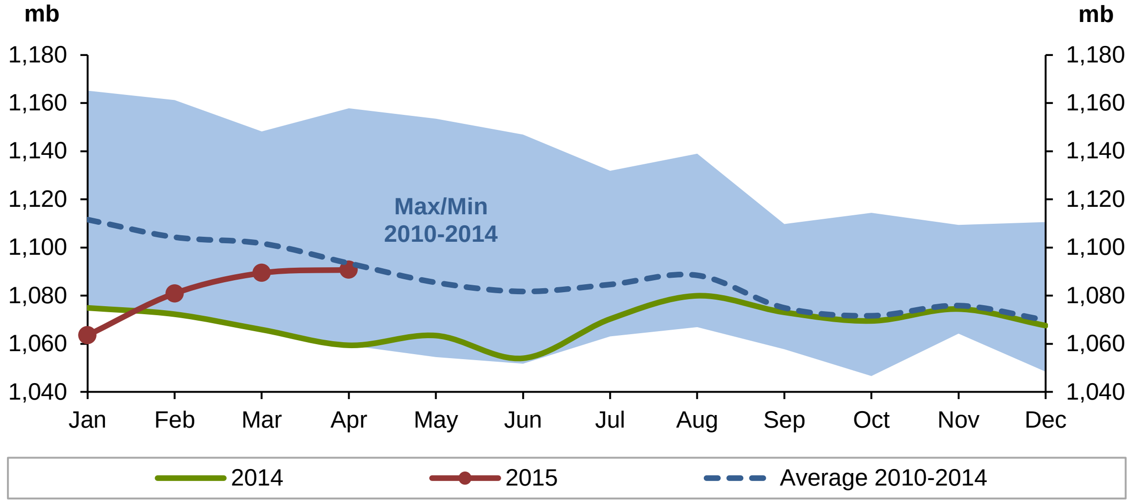
	Feb 15	Mar 15	Apr 15	*Change* Apr 15/Mar 15	Apr 14
Crude oil	1,347	1,385	1,395	10.0	1,294
Products	1,360	1,360	1,380	20.8	1,304
Total	**2,707**	**2,745**	**2,776**	**30.8**	**2,598**
Days of forward cover	**60.2**	**60.9**	**61.3**	**0.4**	**57.3**

EU plus Norway

Preliminary data for April shows that total European stocks rose by 1.3 mb for the third consecutive month, ending the month at 1,090.8 mb, which was 31.4 mb or 3.0% above the same time a year ago, yet 2.7 mb or 0.2% below the latest five-year average. Crude stocks rose by 1.3 mb, while product inventories remained unchanged from the previous month.

European crude inventories rose in April to stand at 479.9 mb, which was 10.7 mb or 2.3% above the same period a year ago and 13.3 mb or 2.9% above the seasonal norm. The build was driven by lower crude oil refinery runs along with higher crude supply. European refiners were running at 10.3 mb, around 500,000 b/d more than in April 2014.

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



European product stocks remained unchanged in April to stand at 610.9 mb, which was 20.6 mb or 3.5% above a year earlier at the same time, yet 16.0 mb or 2.6% below the seasonal norm. Within products, the picture was mixed, with distillate and residual fuel stocks going up, while gasoline and naphtha witnessed stock draws.

Distillate stocks ended April at 389.3 mb, which was around 0.6 mb higher than in March and 2.7 mb or 0.7% higher than last year at the same time, yet 0.6 mb or 0.2% lower than the latest five-year average. Higher distillate output was behind the build in distillate stocks, but strong demand limited further builds. **Residual fuel oil** stocks also rose in April, increasing by 1.2 mb to stand at 75.7 mb, which was 3.1 mb or 4.3% above the same time a year ago, yet 17.1 mb or 18.4% less than the seasonal average.

In contrast, **gasoline** stocks fell by 1.4 mb in April to stand at 120.4 mb. Despite this drop, they showed a surplus of 12.0 mb or 11.1% over a year earlier, while they were 0.6 mb or 0.2% less than the seasonal norm. This decline was driven mainly by improved demand following a boost in new vehicle sales. **Naphtha** stocks also fell by 0.4 mb in April, reversing the build of last month. At 25.5 mb, naphtha indicated a surplus of 2.8 mb or 12.2% above the same month last year, yet remained 7.4 mb or 22.4% lower than the latest five-year average.

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

	Feb 15	Mar 15	Apr 15	*Change* Apr 15/Mar 15	Apr 14
Crude oil	**474.4**	**478.6**	**479.9**	**1.3**	**469.2**
Gasoline	116.3	121.7	120.4	-1.4	108.3
Naphtha	24.6	26.0	25.5	-0.4	22.8
Middle distillates	393.0	388.7	389.3	0.6	386.6
Fuel oils	72.6	74.4	75.7	1.2	72.6
Total products	606.5	610.8	610.9	0.0	590.2
Total	**1,081.0**	**1,089.4**	**1,090.8**	**1.3**	**1,059.4**

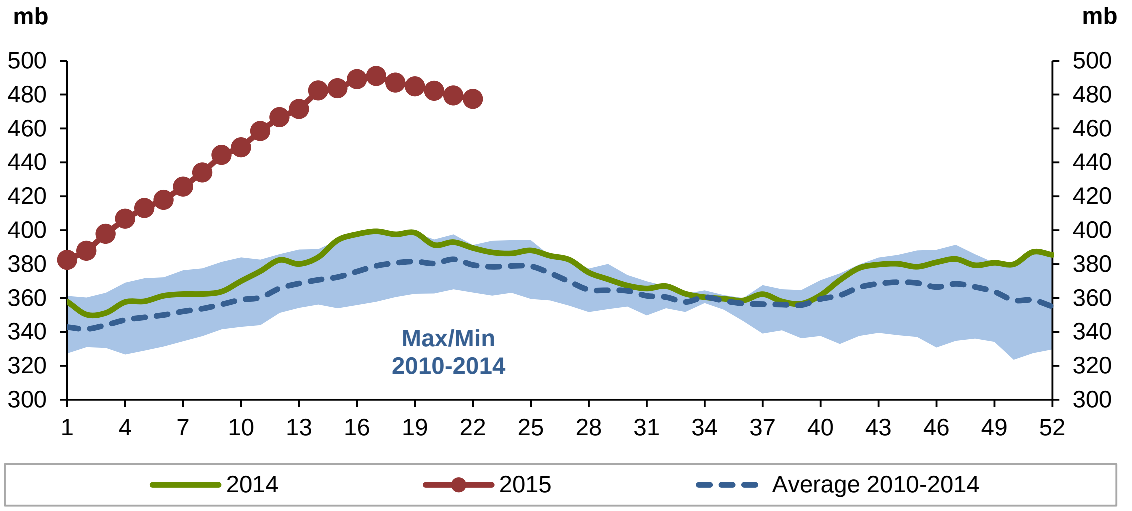
Sources: Argus and Euroilstock.

US

Preliminary data for May shows that **total commercial oil stocks** rose slightly by 1.9 mb after increasing sharply by more than 30 mb in March and April to stand at 1252.0 mb. With this build, they were 133.8 mb or 12% above the same period a year ago and 149.2 mb or 13.5% higher than the latest five-year average. Within the components, commercial crude went down by 9.6 mb, while products saw a build of 11.5 mb.

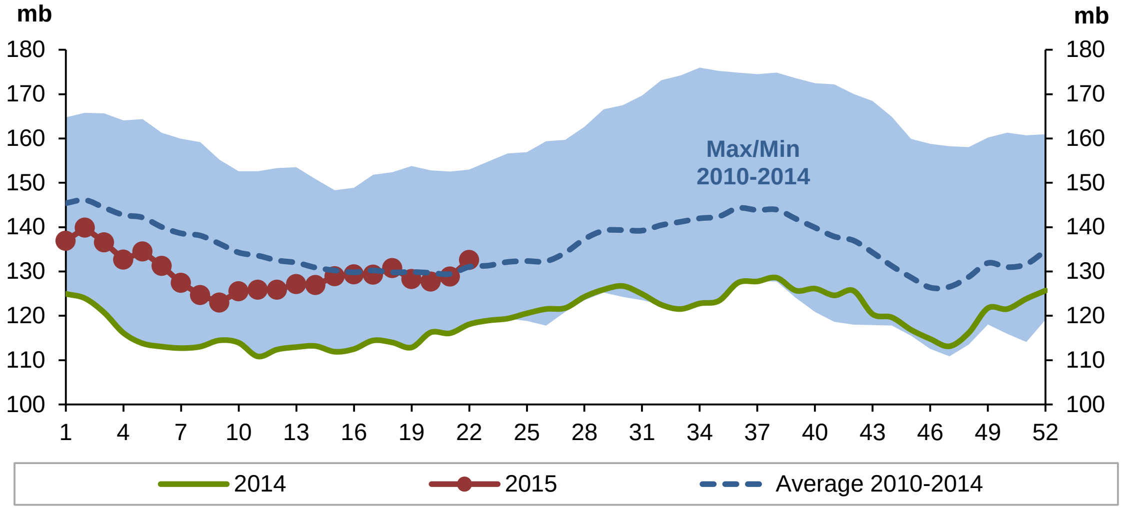
US commercial crude stocks fell in May, reversing the build of the last eight months, to stand at 477.4 mb, finishing the month at 83.4 mb or 21.2% above the same time last year and 97.0 mb or 25.5% above the latest five-year average. Higher crude oil refinery input contributed to this stock draw. Indeed, refinery runs rose 100,000 b/d to average 16.3 mb/d, the highest of the year. Refineries were running at around 91% of operable capacity in May, 1.0 pp higher than the previous month and 1.3% above last year at the same time. Crude at Cushing, Oklahoma, saw a stock draw of 2.7 mb in May versus April to end the month at 59.0 mb. The latest draw in US commercial crude stocks has contributed to the recent rebound in crude prices.

Graph 9.3: US weekly commercial crude oil stocks



In contrast, **total product stocks** rose by 11.5 mb in May to end the month at 774.6 mb, which was around 50.4 mb or 7.0% above the level seen at the same time a year ago and 52.2 mb or 7.2% above the seasonal norm. All other products saw builds, with the exception of gasoline.

Graph 9.4: US weekly distillate stocks



Gasoline stocks fell by 7.6 mb in May for the third consecutive month to stand at 220.3 mb, which was 2.6 mb or 1.2% higher than the same period a year ago and 5.6 mb or 2.6% above the latest five-year average. The drop came mainly from stronger apparent demand, which averaged nearly 9.3 mb/d, around 400,000 b/d more than the April figure. Higher gasoline output, which reached 9.7 mb/d, limited further drops in gasoline inventories.

In contrast, **distillate stocks** rose by 1.8 mb in May, ending the month at 132.6 mb, which was 10.9 mb or 8.9% more than at the same time a year ago and 0.6 mb or 0.4% over the five-year average. The build in middle distillate stocks was driven by higher production, however, improvements in demand limited further builds.

Jet fuel and residual fuel stocks rose in May by 1.9 mb and 2.3 mb, respectively. At 38.4 mb, jet fuel oil stood at 0.3 mb or 0.8% lower than the same month a year ago, and 2.6 mb or 6.4% below the latest five-year average. **Residual fuel oil** ended the month of May at 41.0 mb, which was 2.7 mb or 7.1% higher than last year at the same time and 2.5 mb or 6.4% above the seasonal norm.

Table 9.3: US onland commercial petroleum stocks, mb

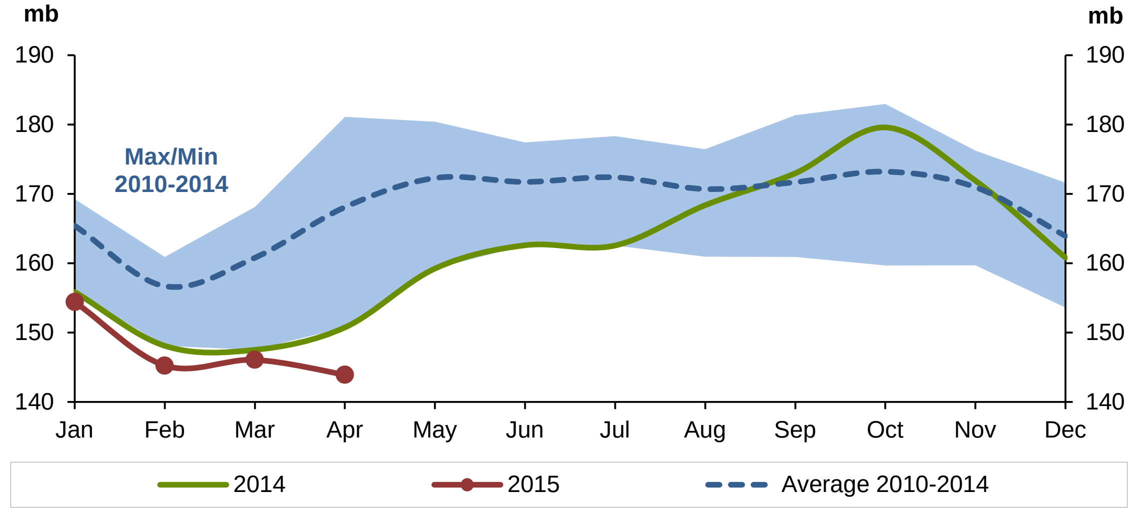
	Mar 15	Apr 15	May 15	*Change* May 15/Apr 15	May 14
Crude oil	474.8	487.0	477.4	-9.6	394.1
Gasoline	231.5	227.9	220.3	-7.6	217.7
Distillate fuel	128.3	130.8	132.6	1.8	121.8
Residual fuel oil	38.1	38.8	41.0	2.3	38.3
Jet fuel	37.2	36.5	38.4	1.9	38.8
Total	**1,217.4**	**1,250.1**	**1,252.0**	**1.9**	**1,118.2**
SPR	691.0	690.9	692.3	1.4	691.0

Source: US Energy Information Administration.

Japan

In Japan, total **commercial oil stocks** fell by 2.2 mb in April, reversing the stock builds of the last three months, to stand at 143.9 mb, which was 6.8 mb or 4.5% lower than a year ago and 24.2 mb or 14.4% below the five-year average. Within the components, crude fell by 3.5 mb, while product stocks rose by 1.3 mb.

Graph 9.5: Japan's commercial oil stocks



Japanese commercial **crude oil stocks** fell in April, reversing the build of last month, to stand at 84.6 mb, which was 6.1 mb or 6.7% below a year ago at the same time and 15.1 mb below the seasonal norm. The stock draw was driven by lower imports, which fell by around 335,000 b/d or 9.1% to average 3.4 mb/d in April. A slight decline in crude throughput limited further drops in crude oil inventories. Indeed, crude throughput fell by 58,000 b/d or 1.7% to average 3.3 mb/d. Refineries were running at 85.3%, 0.9 pp below last month, but remained 0.5% above a year ago at the same time.

Japan's **total product inventories** rose by 1.3 mb in April to stand at 59.3 mb. Despite this build, product stocks were 1.2 mb or 9.2% below the same time a year ago, and showed a deficit of 9.2 mb or 13.4% below the five-year average. The build was driven mainly by higher domestic sales, which increased by 7.2% to stand at 3.1 mb/d, but they were 6.1% higher than a year ago at the same time, making the first y-o-y gain in 13 months. All products experienced stock builds, with the exception of naphtha.

Gasoline stocks rose by 0.4 mb in April to stand at 11.1 mb, indicating a deficit of 1.7 mb or 13.3% below the same time a year ago and 3.0 mb or 21.3% below the five-year average. This stock build was driven by lower gasoline demand, which declined by around 5.6% to average 0.90 mb/d. Higher gasoline imports also contributed to the build.

Distillate stocks also rose by 0.9 mb in April to stand at 24.5 mb, which was 0.5 mb or 2.0% above the same period a year ago, yet 2.5 mb or 9.3% lower than the seasonal average. Within distillate components, gasoil fell by 0.8%, while kerosene and jet fuel stocks rose by 4.6% and 10.7%, respectively. The drop in gasoil stocks was driven by lower output and imports, while a decrease in domestic sales limited further declines. In contrast, the builds in kerosene and jet fuel oil were driven by lower domestic sales, which declined by around 40% and 20%, respectively.

Total residual **fuel oil stocks** rose by 0.6 mb in April to stand at 13.8 mb, which was 1.4 mb or 9.4% below a year ago and 2.8 mb or 17.0% lower than the latest five-year average. Within fuel oil components, fuel oil A and fuel oil B.C rose by 4.4% and 4.6%, respectively. This build was mainly driven by lower domestic sales.

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

	Feb 15	Mar 15	Apr 15	Change Apr 15/Mar 15	Apr 14
Crude oil	**84.4**	**88.1**	**84.6**	**-3.5**	**90.7**
Gasoline	11.2	10.8	11.1	0.4	12.8
Naphtha	10.6	10.5	9.9	-0.5	8.0
Middle distillates	25.5	23.6	24.5	0.9	24.0
Residual fuel oil	13.5	13.2	13.8	0.6	15.2
Total products	**60.8**	**58.0**	**59.3**	**1.3**	**60.0**
Total**	**145.2**	**146.1**	**143.9**	**-2.2**	**150.7**

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

China

The latest information for China showed a decline in total commercial oil inventories of 1.5 mb in April to stand at 409.4 mb, which was around 9.7 mb above the previous year at the same time. Within the components, commercial crude stocks rose by 1.2 mb, while product inventories fell by 2.7 mb. At 254.1 mb, commercial crude stocks represented a surplus of around 9.0 mb over the same period one year earlier. This build came from higher crude oil imports, which increased by more than 1.0 mb/d to average 7.4 mb/d. Lower crude oil throughput also contributed to this build, however, the 3.2% decline in domestic crude production limited further builds in crude oil inventories.

In contrast, total **product stocks** in China fell by 2.7 mb to end April at 158.3 mb, which was 0.7 mb higher than a year ago at the same time. Within products, gasoline went up, while diesel and kerosene witnessed draws. Gasoline rose by 1.2 mb, ending April at 54.2 mb, driven by higher gasoline output combined with lower exports. Diesel fell by 4.1 mb to end the month of April at 89.5 mb. Improvements in diesel demand were behind the drop in diesel stocks. Indeed, diesel demand rose by 0.23 mb/d from a month earlier and picked up by around 0.2 mb/d from the same month a year ago.

Table 9.5: China's commercial oil stocks, mb

	Feb 15	Mar 15	Apr 15	Change Apr 15/Mar 15	Apr 14
Crude oil	**255.5**	**249.9**	**251.1**	**1.2**	**242.1**
Gasoline	47.1	52.3	54.2	1.9	61.0
Diesel	86.0	93.6	89.5	-4.1	81.2
Jet kerosene	14.4	15.2	14.6	-0.5	15.4
Total products	**147.5**	**161.0**	**158.3**	**-2.7**	**157.6**
Total	**403.0**	**410.9**	**409.4**	**-1.5**	**399.7**

Source: OPEC Secretariat analysis.

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of April, **product stocks in Singapore** rose by 1.1 mb, reversing the drop of last month to stand at 44.8 mb, which was 1.0 mb or 2.3% below the same period a year ago. Within products, middle distillates and fuel oil went up, while light distillates saw a drop.

Light distillate stocks went down by 0.8 mb, ending April at 12.6 mb, which was 0.3 mb or 2.0% above last year at the same time. Residual fuel oil stocks rose by 1.7 mb in April, ending the month at 21.5 mb, which was 0.9 mb or 3.9% less than at the same time last year. Lower marine bunker demand in the region contributed to the stock build in fuel oil stocks. Middle distillate stocks also rose by 0.3 mb in April, finishing the month at 107 mb, which was 0.4 mb or 3.7% below the same time a year ago.

Product stocks in Amsterdam-Rotterdam-Antwerp (ARA) fell by 5.2 mb in April, reversing the build seen in March. At 37.6 mb, product stocks in ARA were 8.7 mb or 30.0% higher than the same time last year. All products experienced declines, with the bulk coming from gasoline stocks.

Gasoline stocks fell by 2.7 mb in April to stand at 5.9 mb, which was 2.5 mb or 30% below the same period last year. The fall was mainly driven by increased demand in the region. Gasoil also fell by 1.9 mb to stand at 19.7 mb. Higher domestic consumption drove gasoil inventories lower. But at this level, gasoil stocks remain 7.6% higher than last year at the same time. Fuel oil and naphtha stocks fell by 0.5 mb and 1.3 mb, respectively, and remained higher versus the same period last year.

Balance of Supply and Demand

Demand for OPEC crude in 2014 remained unchanged from the previous report to stand at 29.0 mb/d, which is 1.4 mb/d lower than the previous year's level. In 2015, the demand for OPEC crude also remained unchanged to average 29.3 mb/d, 0.3 mb/d higher than a year earlier.

Estimate for 2014

Demand for OPEC crude for 2014 remained unchanged from the previous report to stand at 29.0 mb/d, representing a decrease of around 1.4 mb/d from the year-ago level. All the quarters remained unchanged. The first and the second quarters are estimated to show a decline of 1.1 mb/d and 2.0 mb/d, respectively, versus the same period last year. The third and the fourth quarters show a decline of 1.2 mb/d and 1.3 mb/d, respectively.

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

	2013	1Q14	2Q14	3Q14	4Q14	2014
(a) World oil demand	**90.37**	**90.23**	**90.22**	**91.99**	**92.82**	**91.32**
Non-OPEC supply	54.31	55.77	56.07	56.36	57.71	56.48
OPEC NGLs and non-conventionals	5.65	5.75	5.87	5.84	5.86	5.83
(b) Total supply excluding OPEC crude	**59.96**	**61.52**	**61.95**	**62.19**	**63.57**	**62.31**
Difference (a-b)	**30.41**	**28.71**	**28.28**	**29.79**	**29.25**	**29.01**
OPEC crude oil production	30.23	29.88	29.81	30.32	30.29	30.07
Balance	-0.17	1.17	1.53	0.52	1.04	1.06

Totals may not add up due to independent rounding.

Forecast for 2015

Demand for OPEC crude for 2015 also remained unchanged from the previous month averaging 29.3 mb/d, representing an increase of 0.3 mb/d from the estimated level in the previous year. The first quarter is expected to decline by 0.8 mb/d, compared with the same period last year, while in contrast, the third and the fourth quarters are projected to increase by 0.5 mb/d and 1.5 mb/d, respectively. The second quarter remains at the same level as a year earlier.

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

	2014	1Q15	2Q15	3Q15	4Q15	2015
(a) World oil demand	**91.32**	**91.51**	**91.37**	**93.21**	**93.89**	**92.50**
Non-OPEC supply	56.48	57.75	57.13	56.82	56.97	57.16
OPEC NGLs and non-conventionals	5.83	5.86	5.95	6.08	6.18	6.02
(b) Total supply excluding OPEC crude	**62.31**	**63.61**	**63.07**	**62.90**	**63.14**	**63.18**
Difference (a-b)	**29.01**	**27.90**	**28.30**	**30.32**	**30.75**	**29.32**
OPEC crude oil production	30.07	30.33				
Balance	1.06	2.43				

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

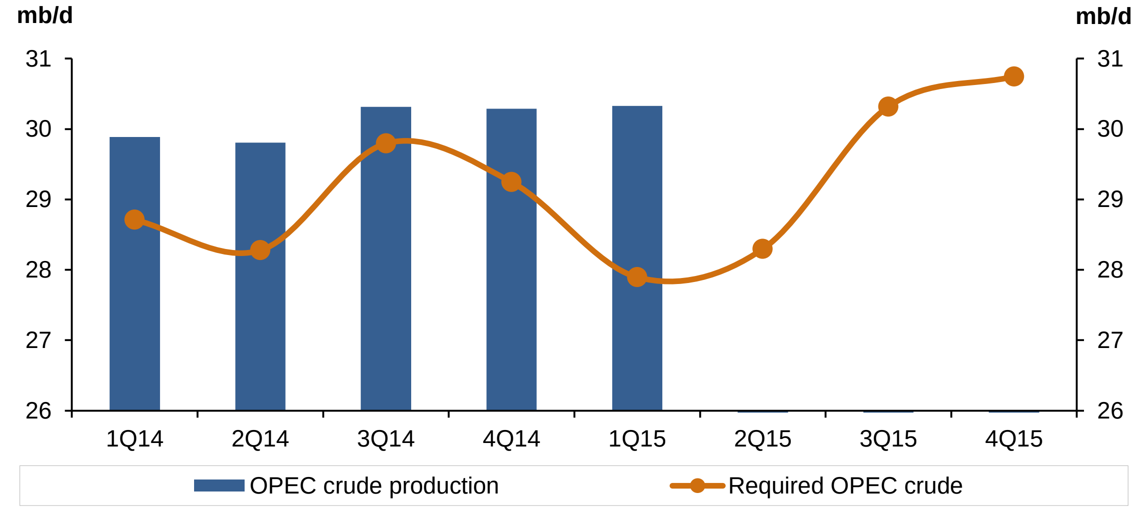


Table 10.3: World oil demand and supply balance, mb/d

	2011	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
World demand													
OECD	46.4	45.9	46.1	45.7	45.0	46.0	46.6	45.8	46.0	45.1	46.0	46.5	45.9
Americas	24.0	23.6	24.1	23.9	23.8	24.4	24.7	24.2	24.1	23.9	24.6	24.9	24.4
Europe	14.3	13.8	13.7	13.0	13.6	13.9	13.6	13.5	13.1	13.5	13.8	13.5	13.5
Asia Pacific	8.2	8.5	8.3	8.9	7.7	7.7	8.4	8.1	8.7	7.6	7.6	8.2	8.0
DCs	27.4	28.3	29.1	29.4	29.8	30.4	29.7	29.8	30.1	30.6	31.3	30.5	30.6
FSU	4.3	4.4	4.5	4.4	4.2	4.6	4.9	4.5	4.4	4.3	4.7	5.0	4.6
Other Europe	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.6	0.7	0.7	0.7
China	9.4	9.7	10.1	10.1	10.6	10.3	10.9	10.5	10.4	10.9	10.6	11.2	10.8
(a) Total world demand	**88.2**	**89.0**	**90.4**	**90.2**	**90.2**	**92.0**	**92.8**	**91.3**	**91.5**	**91.4**	**93.2**	**93.9**	**92.5**
Non-OPEC supply													
OECD	20.2	21.1	22.2	23.5	23.9	24.1	24.9	24.1	24.8	24.7	24.7	25.0	24.8
Americas	15.5	16.7	18.2	19.2	19.9	20.2	20.7	20.0	20.7	20.7	20.7	20.8	20.7
Europe	4.1	3.8	3.6	3.8	3.5	3.4	3.7	3.6	3.7	3.5	3.4	3.7	3.6
Asia Pacific	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
DCs	12.6	12.1	12.1	12.2	12.2	12.4	12.6	12.4	12.7	12.4	12.3	12.1	12.4
FSU	13.2	13.3	13.4	13.5	13.4	13.4	13.5	13.4	13.6	13.4	13.2	13.2	13.3
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	4.1	4.2	4.2	4.3	4.3	4.2	4.4	4.3	4.3	4.3	4.3	4.3	4.3
Processing gains	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	52.4	52.9	54.3	55.8	56.1	56.4	57.7	56.5	57.7	57.1	56.8	57.0	57.2
OPEC NGLs + non-conventional oils	5.4	5.6	5.6	5.8	5.9	5.8	5.9	5.8	5.9	5.9	6.1	6.2	6.0
(b) Total non-OPEC supply and OPEC NGLs	**57.8**	**58.5**	**60.0**	**61.5**	**61.9**	**62.2**	**63.6**	**62.3**	**63.6**	**63.1**	**62.9**	**63.1**	**63.2**
OPEC crude oil production (secondary sources)	29.8	31.2	30.2	29.9	29.8	30.3	30.3	30.1	30.3				
Total supply	87.6	89.6	90.2	91.4	91.8	92.5	93.9	92.4	93.9				
Balance (stock change and miscellaneous)	-0.6	0.6	-0.2	1.2	1.5	0.5	1.0	1.1	2.4				
OECD closing stock levels (mb)													
Commercial	2,605	2,664	2,566	2,585	2,652	2,721	2,712	2,712	2,745				
SPR	1,536	1,547	1,584	1,585	1,579	1,577	1,579	1,579	1,578				
Total	4,141	4,212	4,151	4,170	4,230	4,298	4,291	4,291	4,323				
Oil-on-water	825	879	909	954	914	952	924	924	864				
Days of forward consumption in OECD													
Commercial onland stocks	57	58	56	57	58	58	59	59	61				
SPR	33	34	35	35	34	34	34	34	35				
Total	90	91	91	93	92	92	94	93	96				
Memo items													
FSU net exports	8.9	8.8	8.9	9.1	9.1	8.8	8.6	8.9	9.2	9.1	8.6	8.3	8.8
(a) - (b)	**30.4**	**30.6**	**30.4**	**28.7**	**28.3**	**29.8**	**29.2**	**29.0**	**27.9**	**28.3**	**30.3**	**30.7**	**29.3**

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

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

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

* *This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the May 2015 issue.*
This table shows only where changes have occurred.

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

		2011	2012	2013	2014	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15
Closing stock levels, mb													
OECD onland commercial		**2,605**	**2,664**	**2,566**	**2,712**	**2,661**	**2,696**	**2,566**	**2,585**	**2,652**	**2,721**	**2,712**	**2,745**
	Americas	1,308	1,365	1,316	1,443	1,378	1,404	1,316	1,311	1,382	1,411	1,443	1,462
	Europe	905	903	869	880	874	880	869	875	878	888	880	909
	Asia Pacific	392	396	381	389	409	412	381	399	393	422	389	375
OECD SPR		**1,536**	**1,547**	**1,584**	**1,579**	**1,576**	**1,582**	**1,584**	**1,585**	**1,579**	**1,577**	**1,579**	**1,578**
	Americas	697	696	697	692	697	697	697	697	692	692	692	692
	Europe	426	436	470	470	470	471	470	470	468	468	470	468
	Asia Pacific	414	415	417	417	409	413	417	418	419	417	417	418
OECD total		**4,141**	**4,212**	**4,151**	**4,291**	**4,237**	**4,277**	**4,151**	**4,170**	**4,230**	**4,298**	**4,291**	**4,323**
Oil-on-water		**825**	**879**	**909**	**924**	**871**	**932**	**909**	**954**	**914**	**952**	**924**	**864**
Days of forward consumption in OECD													
OECD onland commercial		**57**	**58**	**57**	**58**	**57**	**57**	**56**	**57**	**58**	**58**	**59**	**61**
	Americas	53	55	55	57	57	57	55	55	57	57	60	61
	Europe	68	67	66	66	62	65	67	64	63	66	67	67
	Asia Pacific	47	48	46	48	51	47	43	52	51	51	44	49
OECD SPR		**33**	**34**	**33**	**33**	**34**	**34**	**35**	**35**	**34**	**34**	**34**	**35**
	Americas	30	30	30	29	29	28	29	29	28	28	29	29
	Europe	29	30	31	32	33	35	36	35	34	35	36	35
	Asia Pacific	50	50	48	50	51	48	47	55	54	50	48	55
OECD total		**90**	**91**	**90**	**91**	**91**	**91**	**91**	**93**	**92**	**92**	**93**	**96**

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

	2011	2012	2013	3Q14	4Q14	2014	Change 14/13	1Q15	2Q15	3Q15	4Q15	2015	Change 15/14
US	9.0	10.0	11.2	13.1	13.5	12.9	1.6	13.6	13.6	13.6	13.5	13.6	0.7
Canada	3.5	3.8	4.0	4.2	4.5	4.3	0.3	4.5	4.4	4.4	4.6	4.5	0.1
Mexico	2.9	2.9	2.9	2.8	2.7	2.8	-0.1	2.7	2.7	2.7	2.7	2.7	-0.1
OECD Americas*	**15.5**	**16.7**	**18.2**	**20.2**	**20.7**	**20.0**	**1.8**	**20.7**	**20.7**	**20.7**	**20.8**	**20.7**	**0.7**
Norway	2.0	1.9	1.8	1.9	2.0	1.9	0.1	1.9	1.9	1.8	1.9	1.9	0.0
UK	1.1	1.0	0.9	0.7	0.9	0.9	0.0	0.9	0.8	0.8	0.9	0.9	0.0
Denmark	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Other OECD Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
OECD Europe	**4.1**	**3.8**	**3.6**	**3.4**	**3.7**	**3.6**	**0.0**	**3.7**	**3.5**	**3.4**	**3.7**	**3.6**	**0.0**
Australia	0.5	0.5	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
OECD Asia Pacific	**0.6**	**0.6**	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**
Total OECD	**20.2**	**21.1**	**22.2**	**24.1**	**24.9**	**24.1**	**1.9**	**24.8**	**24.7**	**24.7**	**25.0**	**24.8**	**0.7**
Brunei	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
India	0.9	0.9	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.8	0.9	0.0
Indonesia	1.0	1.0	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Malaysia	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.8	0.7	0.7	0.7	0.7	0.0
Thailand	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Vietnam	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.3	0.4	0.0
Asia others	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.3	0.3	0.2	0.0
Other Asia	**3.7**	**3.7**	**3.6**	**3.5**	**3.6**	**3.6**	**0.0**	**3.6**	**3.6**	**3.6**	**3.5**	**3.6**	**0.0**
Argentina	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Brazil	2.6	2.6	2.6	3.0	3.1	2.9	0.3	3.1	3.0	3.1	3.0	3.1	0.2
Colombia	0.9	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	0.9	0.9	1.0	0.0
Trinidad & Tobago	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
L. America others	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Latin America	**4.7**	**4.7**	**4.8**	**5.1**	**5.2**	**5.0**	**0.3**	**5.3**	**5.1**	**5.1**	**5.0**	**5.1**	**0.1**
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Oman	0.9	0.9	0.9	1.0	0.9	0.9	0.0	1.0	0.9	0.9	0.9	0.9	0.0
Syria	0.4	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yemen	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.1	-0.1
Middle East	**1.7**	**1.5**	**1.4**	**1.4**	**1.3**	**1.3**	**0.0**	**1.3**	**1.2**	**1.2**	**1.2**	**1.2**	**-0.1**
Chad	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Congo	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Egypt	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Equatorial Guinea	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Gabon	0.3	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
South Africa	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.2	0.1	0.1	0.1	0.1	0.0
Sudans	0.4	0.1	0.2	0.3	0.3	0.3	0.1	0.3	0.3	0.3	0.3	0.3	0.0
Africa other	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Africa	**2.6**	**2.3**	**2.4**	**2.4**	**2.4**	**2.4**	**0.0**	**2.4**	**2.4**	**2.4**	**2.4**	**2.4**	**0.0**
Total DCs	**12.6**	**12.1**	**12.1**	**12.4**	**12.6**	**12.4**	**0.2**	**12.7**	**12.4**	**12.3**	**12.1**	**12.4**	**0.0**
FSU	**13.2**	**13.3**	**13.4**	**13.4**	**13.5**	**13.4**	**0.0**	**13.6**	**13.4**	**13.2**	**13.2**	**13.3**	**-0.1**
Russia	10.3	10.4	10.5	10.5	10.6	10.6	0.1	10.7	10.6	10.5	10.4	10.5	0.0
Kazakhstan	1.6	1.6	1.6	1.6	1.7	1.6	0.0	1.7	1.6	1.6	1.6	1.6	0.0
Azerbaijan	1.0	0.9	0.9	0.9	0.8	0.8	0.0	0.8	0.8	0.8	0.8	0.8	0.0
FSU others	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
China	4.1	4.2	4.2	4.2	4.4	4.3	0.0	4.3	4.3	4.3	4.3	4.3	0.0
Non-OPEC production	**50.3**	**50.8**	**52.2**	**54.2**	**55.5**	**54.3**	**2.1**	**55.6**	**55.0**	**54.6**	**54.8**	**55.0**	**0.7**
Processing gains	2.1	2.1	2.1	2.2	2.2	2.2	0.0	2.2	2.2	2.2	2.2	2.2	0.0
Non-OPEC supply	**52.4**	**52.9**	**54.3**	**56.4**	**57.7**	**56.5**	**2.2**	**57.7**	**57.1**	**56.8**	**57.0**	**57.2**	**0.7**
OPEC NGL	5.2	5.4	5.4	5.6	5.6	5.6	0.2	5.6	5.7	5.8	5.9	5.8	0.2
OPEC non-conventional	0.1	0.2	0.2	0.2	0.3	0.3	0.0	0.2	0.2	0.3	0.3	0.3	0.0
OPEC (NGL+NCF)	**5.4**	**5.6**	**5.6**	**5.8**	**5.9**	**5.8**	**0.2**	**5.9**	**5.9**	**6.1**	**6.2**	**6.0**	**0.2**
Non-OPEC & OPEC (NGL+NCF)	**57.8**	**58.5**	**60.0**	**62.2**	**63.6**	**62.3**	**2.4**	**63.6**	**63.1**	**62.9**	**63.1**	**63.2**	**0.9**

** Chile has been included in OECD Americas.*

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

Table 10.7: World Rig Count

	2011	2012	2013	2014	*Change* 14/13	2Q14	3Q14	4Q14	1Q15	Apr 15	May 15	*Change* May/Apr
US	1,881	1,919	1,761	1,862	101	1,852	1,904	1,912	1,380	976	889	-87
Canada	423	366	354	380	26	202	385	406	309	90	80	-10
Mexico	94	106	106	86	-20	87	85	78	67	67	60	-7
Americas	2,398	2,391	2,221	2,327	106	2,140	2,374	2,396	1,755	1,133	1,029	-104
Norway	17	17	20	17	-3	18	15	16	17	18	18	0
UK	16	18	17	16	-1	17	15	17	18	15	16	1
Europe	118	119	135	145	10	146	148	148	132	119	116	-3
Asia Pacific	17	24	27	26	-1	27	25	25	21	20	15	-5
Total OECD	2,532	2,534	2,383	2,499	116	2,314	2,547	2,569	1,908	1,272	1,160	-112
Other Asia	239	217	219	228	9	221	231	229	214	208	202	-6
Latin America	195	180	166	172	6	176	174	174	161	146	142	-4
Middle East	104	110	76	82	6	85	82	79	77	74	69	-5
Africa	2	7	16	28	12	30	24	29	22	17	9	-8
Total DCs	540	513	477	510	33	512	511	511	473	445	422	-23
Non-OPEC rig count	**3,072**	**3,047**	**2,860**	**3,008**	**149**	**2,826**	**3,058**	**3,080**	**2,382**	**1,717**	**1,582**	**-135**
Algeria	31	36	47	48	1	46	48	48	52	56	48	-8
Angola	10	9	11	15	4	16	14	14	15	15	11	-4
Ecuador	12	20	26	24	-2	25	26	21	17	15	15	0
Iran**	54	54	54	54	0	54	54	54	54	54	54	0
Iraq**	36	58	83	79	-4	93	75	59	57	53	54	1
Kuwait**	57	57	58	64	6	60	68	69	77	76	74	-2
Libya**	8	12	15	10	-4	10	8	8	6	4	3	-1
Nigeria	36	36	37	34	-3	31	32	36	35	28	29	1
Qatar	8	8	9	10	2	11	11	10	9	12	7	-5
Saudi Arabia	100	112	114	134	20	132	137	143	154	157	155	-2
UAE	21	24	28	34	6	33	37	38	38	38	39	1
Venezuela	122	117	121	116	-5	114	122	106	108	97	110	13
OPEC rig count	**494**	**542**	**602**	**622**	**20**	**624**	**631**	**605**	**621**	**605**	**599**	**-6**
Worldwide rig count*	**3,566**	**3,589**	**3,462**	**3,631**	**169**	**3,450**	**3,689**	**3,685**	**3,002**	**2,322**	**2,181**	**-141**
of which:												
Oil	2,257	2,654	2,611	2,795	184	2,687	2,851	2,820	2,214	1,699	1,575	-124
Gas	1,262	886	746	743	-3	671	744	776	690	525	508	-17
Others	49	52	109	95	-14	95	96	91	100	98	98	0

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

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

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Disclaimer

OPEC Basket average price *US$/b*

up 4.86 in May	May 2015	62.16
	April 2015	57.30
	Year-to-date	**54.06**

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

up 0.02 in May	May 2015	30.98
	April 2015	30.95

Economic growth rate *per cent*

	World	OECD	US	Japan	Euro-zone	China	India
2014	3.3	1.8	2.4	–0.1	0.9	7.4	7.2
2015	3.3	2.1	2.4	1.0	1.4	6.9	7.5

Supply and demand *mb/d*

2014		**14/13**	**2015**		**15/14**
World demand	91.3	1.0	World demand	92.5	1.2
Non-OPEC supply	56.5	2.2	Non-OPEC supply	57.2	0.7
OPEC NGLs	5.8	0.2	OPEC NGLs	6.0	0.2
Difference	**29.0**	**–1.4**	**Difference**	**29.3**	**0.3**

OECD commercial stocks *mb*

	Feb 15	Mar 15	Apr 15	Apr 15/Mar 15	Apr 14
Crude oil	1,347	1,385	1,395	10.0	1,294
Products	1,360	1,360	1,380	20.8	1,304
Total	**2,707**	**2,745**	**2,776**	**30.8**	**2,598**
Days of forward cover	60.2	60.9	61.3	0.4	57.3

Next report to be issued on 13 July 2015.