OPEC

Organization of the Petroleum Exporting Countries

# Monthly Oil Market Report

## *September 2009*

*Feature Article:*
***Ongoing support for the global recovery***




Obere Donaustrasse 93, A-1020 Vienna, Austria
Tel +43 1 21112  Fax +43 1 2164320  E-mail: prid@opec.org  Web site: www.opec.org

# Oil Market Highlights

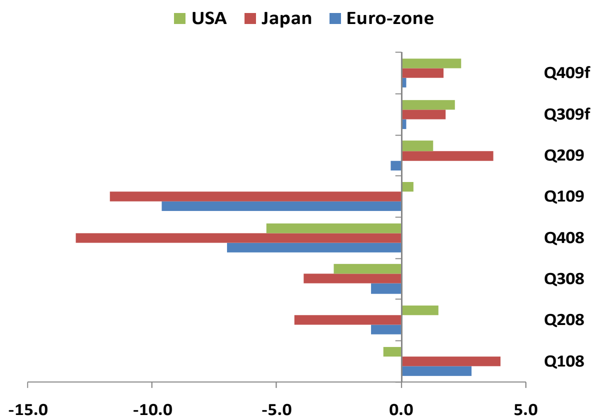
- The **OPEC Reference Basket** surged by a significant $6.76/b or 10% compared to the previous month to reach $71.35/b in August. A combination of improving economic signals along with crude stockdraws in the US provided support for market sentiment in August, particularly in the latter part of the month. However, US-dollar movement against major currencies and equity market volatility, along with technical sell-offs for profit-taking, capped the upward trend keeping prices around $70/b. Although fundamentals remain weak, in the absence of a major shift in economic sentiment, current market circumstances are likely to persist. The Basket price averaged $66.47/b on 14 September.
- The forecast for **world economic growth** in 2009 was revised up by 0.2 percentage points (pp) to now stand at minus 1.2%, while 2010 was revised up by 0.1 pp to 2.5%. These adjustments were mainly due to an improvement in the global growth numbers for the second quarter supported by the fiscal and monetary stimulus. OECD is now expected to decline by minus 3.6% in 2009, compared to a previous minus 3.9%, before returning to positive growth of 0.9% in 2010, following an upward revision of 0.7%. The main revisions were seen in the Euro-zone, where both Germany and France returned to positive growth in the second quarter. Within the Developing Countries, China has been revised up for 2009 from 7.2% to 7.5%. Developing Asia will remain the main growth region in 2010.
- **World oil demand** in 2009 is expected to contract by 1.6 mb/d to 84.1 mb/d. In 2010, global demand is forecast to return to growth following two years of consecutive declines, increasing 0.5 mb/d to stand at 84.6 mb/d. Both figures are unchanged from the previous report. Given the significant improvement in US consumption, OECD oil demand in August is forecast to decline by only 0.9 mb/d, up from a minus 1.8 mb/d in the previous month, while non-OECD demand is forecast to inch up by 0.7 mb/d. In 2010, OECD oil demand is forecast to see a smaller contraction of 0.3 mb/d as US consumption returns to positive. Demand growth next year is expected to be led by China with 0.3 mb/d followed by Middle East and India with 0.2 mb/d and 0.1 mb/d respectively.
- **Non-OPEC oil supply** in 2009 is expected to average 50.8 mb/d, representing an increase of 340 tb/d over the previous year, indicating an upward revision of 70 tb/d from the last assessment. In 2010, non-OPEC oil supply is forecast to reach 51.2 mb/d, representing growth of 420 tb/d over the previous year. OPEC NGLs and non-conventionals are expected to average 4.7 mb/d in 2009 and 5.3 mb/d in 2010. In August, OPEC production stood at 28.8 mb/d, an increase of around 0.1 mb/d over the previous month.
- Ample distillate stocks have dampened sentiment in the **products market** and overshadowed positive developments in other barrel components in August. With the end of the driving season and slowing gasoline cracks in recent weeks, there is a risk that refinery economics will continue to lose ground in the near future, encouraging refiners to further trim runs. This situation, along with the start of autumn maintenance schedules and persisting bearish sentiment for distillates, would not be sufficient to support the crude market.
- OPEC spot fixtures increased in August by 4% compared to the previous month. Sailings from OPEC were relatively steady along with arrivals in Europe and the Far East, while arrivals in North America were marginally higher. Freight rates in the crude oil **tanker market** increased by a margin of 2% on average in August compared to the previous month. Volumes of crude oil in floating storage were steady to lower in August with the narrowing of the contango structure in crude oil futures. However, products in floating storage increased due to a buildup of fuel oil on tankers.
- US **commercial oil stocks** dropped for the first time since the end of the third quarter 2008, declining by 22.3 mb. Despite this decline, the overhang remained at around 80 mb with crude oil and distillates accounting for around 30 mb each. In Europe (EU-15 plus Norway), total oil inventories increased 5.5 mb in August to stand at 1,142 mb and remained 13 mb above the five-year average. In Japan, commercial oil stocks followed the seasonal trend and rose 5.5 mb in July with products accounting for 75% of the build. Preliminary data points to a further build in August.
- The **demand of OPEC crude** oil in 2009 is estimated to average 28.5 mb/d, unchanged from the previous report and representing a decline of 2.3 mb/d from the previous year. In 2010, demand for OPEC crude is expected to average 28.1 mb/d, an upward revision of around 80,000 b/d from the previous assessment and representing a drop of 0.5 mb/d.

# Ongoing support for the global recovery

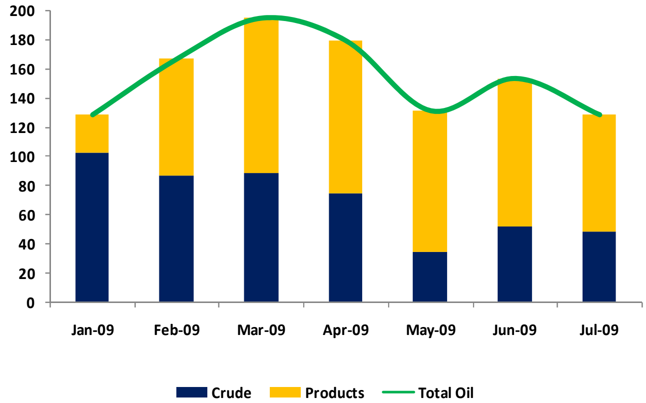
- Evidence of an impending upturn in the world economy appears to be gathering. Credit markets have stabilised and equity markets across the globe have rallied strongly. Real economy indicators such as manufacturing and housing have also improved, and both consumer and business confidence have partly recovered from recent lows. Data for the second quarter already indicates that GDP in the OECD region has reached bottom and positive growth is expected starting from the third quarter (*see **Graph 1***). Japan, Germany and France, among others, have already posted positive growth in 2Q09. Equally important, positive growth in major emerging Asian economies picked up further momentum. Altogether these signals indicate that the recession is moving toward recovery.

- Despite these improvements, the rally in equity markets seems to be factoring in higher growth than the real economy can support and it is therefore likely that markets will remain at best within the current range for some time. The real economy continues to face several challenges. US housing problems, despite some stabilization in sales and prices, are far from resolved. Unemployment is expected to rise further and banks, businesses and consumers, at least in the developed world, will remain constrained as they struggle to repair damaged balance sheets. On the whole, given OECD weakness, the world economy remains fragile and recovery will be slow and gradual. Stronger growth in developing countries and China will support world growth but may not be sufficient to prevent below-trend growth rates in the next two years. Moreover, public finances are also being strained by the massive fiscal, monetary and financial sector support that helped to cushion the economic downturn and prevent a financial system collapse. In this context, policy-makers during the recent G-20 Finance Ministers' meeting recognized that it is still premature to withdraw the support until the recovery is more self-sustaining. They also agreed on the need to develop cooperative and coordinated exit strategies in order to avoid undermining the nascent recovery.

**Graph 1: OECD quarterly GDP growth, % annualized**




**Graph 2: Overhang in OECD commercial stocks, mb**




- Due to the weak situation in the world economy, demand growth in the first half of the year fell to the lowest level since the early 1980s. This pushed commercial inventories to very high levels representing 128 mb above the five-year average. While OPEC production adjustments have helped to reduce crude inventories, a massive decline in end-user demand has led to a considerable accumulation of product inventories (*see **Graph 2***), particularly middle distillates. As a result, product stocks now represent more than 60% of the total overhang in stocks compared to only 20% in January. Since the start of the year, floating storage for both crude and products has also surged to more than 115 mb. Although crude has begun to decline, products in floating storage have been increasing, reaching around 60 mb.

- Looking ahead, with the end of driving season, the start of refinery maintenance and continued low refinery runs, crude oil demand is likely to remain weak over the coming months. This is likely to lead to lower-than-typical seasonal stockdraws resulting in a further increase in the overhang. A colder winter would not be sufficient to remove the massive accumulation in distillate stocks, especially as part of its demand may be met by inexpensive natural gas. This could lead to an additional build in OECD commercial stocks, which currently stand just below the highest level reached in the third quarter of 1998.

- Given the fragile state of the global economic recovery and despite persistent challenges from weak fundamentals, OPEC agreed at its Ministerial Meeting on 9 September to keep production levels unchanged for the time being. In the meantime, the Organization will continue to closely monitor supply/demand fundamentals and will reassess the market situation at its 155th Extraordinary Meeting in Luanda, Angola, on 22 December 2009.

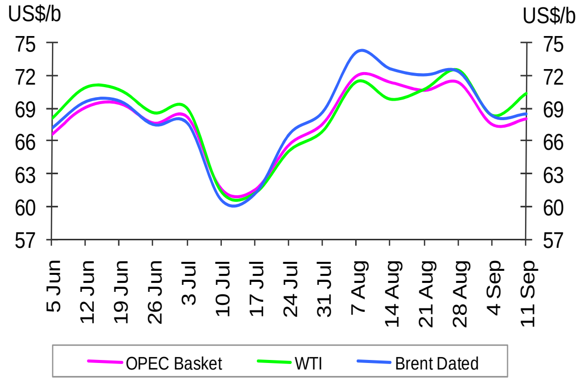
# Crude Oil Price Movements

*Crude oil market sentiment improved in August due to increasing optimism about economic growth*

## OPEC Reference Basket

**A combination of bullish reports on the US manufacturing sector and European banking industry as well as a relatively strong performance of the Chinese economy boosted market sentiment, lifting oil prices in early August. The depreciation of the US dollar and equity price rallies on improved US GDP growth in 2Q09 also supported crude prices.**

**Graph 1: Crude oil price movement**




Following these developments, OPEC Basket prices soared to above **$72/b** on 13 August from **$66.42/b** on 30 July. WTI and Dated Brent crude prices also jumped to **$71.01** and **$73.76** respectively from **$67.12** and **$68.90/b** on 30 July (*see **Graph 1***). Dubai crude prices increased to **$72.31** from **$68.90/b**.

**In the middle of August, market sentiment changed slightly after bullish reports on US jobless claims which triggered more interest for the US dollar and dampened traders' interest in commodities. This movement, along with technical sell-offs for profit-taking, exerted downward pressure on crude prices.**

The OPEC Reference Basket price slid by almost **$4/b** in a few days to reach **$68.04/b** on 17 August from **$72.22/b** on 13 August. WTI and Brent crude followed the same trend slipping to **$66.66/b** and **$68.87/b** respectively from **$71.01/b** and **$73.76/b** over the same period. Similarly, Dubai crude price plummeted to **$68.42/b** from **$72.31/b** during the same time. On 14 September, the Basket price averaged $66.47/b.

**Later on, market sentiment turned positive again after bullish statements by Fed policymakers about the US economy and improvements in the financial markets as well as an increase in German and France GDP growth figures in 2Q. This bullish movement was consolidated by large crude stock draws in the US.**

Following these developments, the OPEC Reference Basket price surged to above $70/b and remained around that level up to the end of August. WTI and Dated Brent crude prices also soared to above $73/b in the latter part of the same month. The Dubai crude price jumped to over $70/b in the last decade of August.
**US dollar movement against other major currencies and technical sell-offs for profit-taking capped the upward movement of crude prices in the latter part of August and recently exerted pressure on crude prices. Since market fundamentals are still weak, it is expected that in the absence of a major shift in economic sentiment, the volatile circumstances in the market will persist.**

Apart from crude oil price movements, US crude differentials for both light-sweet and medium-sour grades on the spot market were strong in the first half August. Light Louisiana Sweet crude differentials soared up to $4.5/b above WTI and Mars sour crude was also trading at premium to WTI in the first half of August. In the second half of the same month, after narrowing of the spread for the prompt month, differentials for US crude fell and in the latter part of August Mars crude traded at about a $2/b discount versus WTI.

Furthermore, following the start of stockdraws at Cushing, the spread between WTI and Brent crude narrowed again and WTI crude has been selling at a premium to Brent crude since 25 August. This premium level reached over $2/b in the last few days (*see **Graph 1***). With the end of the maintenance schedule in North Sea, the current premium of WTI against Brent crude is likely to continue in the future. However, potential stock building at Cushing could adversely affect WTI prices and the spread against Brent crude.

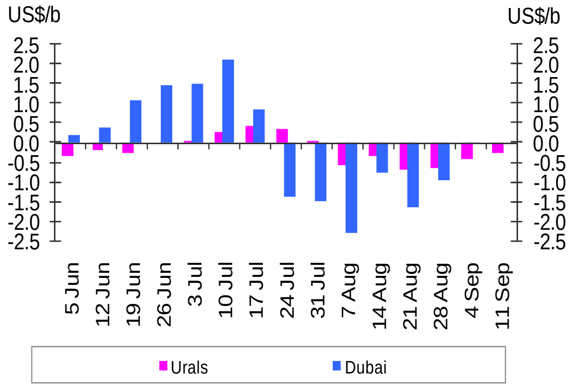
Market sentiment for West African crude, especially for Nigerian grades, was weak in the first decade of August but has improved since, amid increasing interest by US buyers. Nigerian Benchmark crude Qua Iboe differentials against Dated BFOE rose from $1.20 in early August to above $1.90/b in the latter part of the same month.

Sour benchmark crude including Urals and Dubai generally were weaker than the previous month and most Middle East crude traded at a discounted level in the first half of August. Following the announcement of an official selling price for September and increasing demand for stockbuilding prior to the peak winter demand season, Middle East crude market sentiment improved and differentials for different grades rose in the second half of August. Middle East crude differentials are also expected to remain relatively strong in the coming months.

## The sour/sweet crude spread

Bullish reports about the US and European economies have positively impacted Atlantic Basin benchmark sweet crude and widened the Brent crude spread against Urals and Dubai grades. As **Graph 2** shows, the Urals crude spread versus Brent crude switched from positive territory in July to negative in August. Despite this positive movement in favour of Brent crude, Urals crude still performed well as the grade continue to benefit from a lower level of Middle East crude to the region.

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




Looking ahead, the market for Urals is likely to remain strong amid tight supplies of medium-sour crude and a reduced loading schedule for September.

Dubai benchmark crude also lost its earlier strength compared to Brent crude amid ample West African crude flows to Asia and lower regional demand for Middle East crude. The spread between Dubai and Brent crude plummeted from $2/b in the middle of July to minus $1.66/b in the middle of August. This spread level narrowed again over the last weeks in favour of Dubai crude due to higher prices of fuel oil and falling of Brent prices, resulting from the completion of North Sea maintenance and increasing outputs. This situation would increase the risk of further arbitrage cargoes from West Africa to Asia and, with a time lag, could once again exert pressure on Dubai crude prices in the future.

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

| | Jul 09 | Aug 09 | Change Aug/Jul | Year-to-Date 2008 | Year-to-Date 2009 |
|---|---|---|---|---|---|
| **OPEC Reference Basket** | **64.59** | **71.35** | **6.76** | **109.54** | **55.24** |
| Arab Light | 64.92 | 71.42 | 6.50 | 110.45 | 55.50 |
| Basrah Light | 64.32 | 70.73 | 6.41 | 106.64 | 54.60 |
| Bonny Light | 66.31 | 73.84 | 7.53 | 116.30 | 57.70 |
| Es Sider | 64.51 | 72.89 | 8.38 | 112.14 | 55.72 |
| Girassol | 65.02 | 72.66 | 7.64 | 110.70 | 56.13 |
| Iran Heavy | 64.79 | 71.53 | 6.74 | 106.43 | 54.60 |
| Kuwait Export | 64.74 | 70.97 | 6.23 | 106.08 | 54.95 |
| Marine | 65.31 | 72.02 | 6.71 | 109.65 | 56.59 |
| Merey | 60.11 | 65.78 | 5.67 | - | 50.21 |
| Murban | 66.80 | 73.51 | 6.71 | 114.59 | 58.01 |
| Oriente | 58.10 | 65.26 | 7.16 | 100.39 | 49.76 |
| Saharan Blend | 65.21 | 72.94 | 7.73 | 114.64 | 56.78 |
| **Other Crudes** | | | | | |
| Minas | 67.23 | 75.88 | 8.65 | 116.04 | 59.04 |
| Dubai | 64.82 | 71.36 | 6.54 | 108.70 | 55.92 |
| Isthmus | 63.70 | 71.04 | 7.34 | 110.06 | 55.06 |
| T.J. Light | 62.68 | 69.83 | 7.15 | 106.89 | 53.88 |
| Brent | 64.61 | 72.84 | 8.23 | 112.87 | 56.06 |
| W Texas Intermediate | 64.23 | 71.05 | 6.82 | 114.73 | 55.56 |
| Urals | 64.85 | 72.27 | 7.42 | 109.49 | 55.51 |
| **Differentials** | | | | | |
| WTI/Brent | -0.38 | -1.79 | -1.41 | 1.87 | -0.50 |
| Brent/Dubai | -0.21 | 1.48 | 1.69 | 4.16 | 0.14 |

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

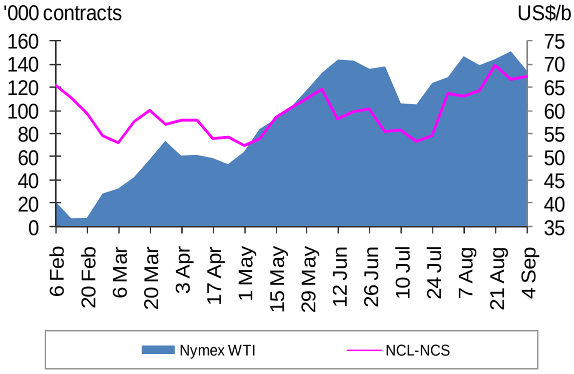
*Source: Platt's, Direct Communication and Secretariat's assessments.*

## The oil futures market

*Futures market sentiment gained in August*

A combination of bullish reports about world economic growth especially for the US, Europe, Japan and Chinese economies along with crude stock draws in the US lifted futures market sentiment and encouraged market players, particularly speculators, to increase long positions in the different derivative markets including the futures market. Following these developments, non-commercial net-long positions on Nymex surged from about 77,000 contracts on the week ending 24 July to over 138,000 contracts on 21 August (*see* ***Graph 3***).

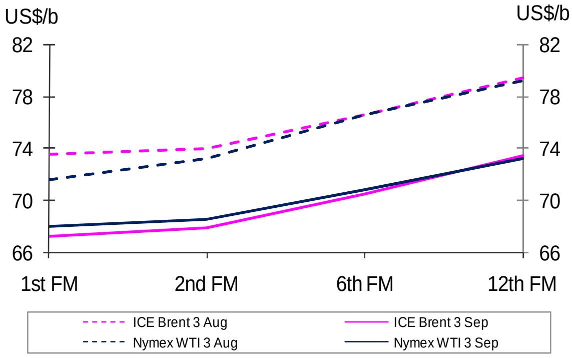
**Graph 3: Nymex non-commercial futures and options, net-long (short) positions, 2009**




In the latter part of August, technical sell-offs for profit-taking along with US dollar movements against other major currencies capped the upward movement and undermined trader activity on riskier assets, including crude oil. This situation has led to a liquidation of positions in the futures market and resulted in lower prices for crude in the last few days. On 4 September, non-commercial net-long positions slipped to 128,000 contracts from 138,000 contracts on 21 August.

These developments have affected absolute price levels for WTI and Brent crude, as well as inter-month and inter-crude spreads in the futures market on both sides of the Atlantic Basin. The absolute price level of the first month on Nymex declined to \$67.96/b on 3 September from \$71.58/b on 3 August. The inter-month spread between WTI front month versus the 12th month also narrowed to \$5.27/b in early September from about \$7.61/b at the start of the previous month (*see **Graph 4***).

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




FM = future month

The European futures market followed suit and the absolute price level of the first month on ICE slipped to \$67.12/b on 3 September from \$73.55/b on 3 August. However, the inter-month spread between the Brent front month versus the 12th month widened to \$6.33/b in early September from about \$5.83/b on 3 August.

Meanwhile, as **Graph 4** shows, the contango especially for WTI crude in the nearby months narrowed significantly over the last few weeks, reducing the incentive for a further build in crude stocks either on-shore or off-shore.

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

| Nymex WTI | 1st FM | 2nd FM | 3rd FM | 6th FM | 12th FM |
|---|---|---|---|---|---|
| 3 Aug 2009 | 71.58 | 73.18 | 74.27 | 76.53 | 79.19 |
| 3 Sep 2009 | 67.96 | 68.55 | 69.15 | 70.80 | 73.23 |

| ICE Brent | 1st FM | 2nd FM | 3rd FM | 6th FM | 12th FM |
|---|---|---|---|---|---|
| 3 Aug 2009 | 73.55 | 73.98 | 74.70 | 76.61 | 79.38 |
| 3 Sep 2009 | 67.12 | 67.85 | 68.60 | 70.51 | 73.45 |

FM = future month

# Commodity Markets

## Trends in selected commodity markets

*Commodity prices rose in August over the previous month*

The **IMF commodity price index** jumped 7.6% in August, but was still 33.4% lower than a year earlier. Both energy and non-fuel commodity prices saw positive monthly growth rates of 5.8% and 8.8% respectively. The positive outcome was partly due to a 1.3% drop in the value of the dollar versus the euro and several supply constraints, especially in industrial metals and agricultural products.

The recovery in risk appetite at the beginning of July continued stronger into August, despite concerns over US regulatory norms. However, according to recently published CFTC data, index investors are not a key factor in explaining price development in any commodity market. The inflow of macroeconomic data as a whole remains positive for commodity demand and the recent moderation in commodity returns seen in late August may only represent a temporary phenomenon. Nevertheless, as already pointed out in our previous issue, more indicators on the real economic recovery, especially in the OECD region, are essential for the sustained recovery of commodity prices as Chinese demand is expected to ameliorate in 2H09.

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

| | | % Change | | % Change |
|---|---|---|---|---|
| | Jun/May | Jul/Jun | Aug/Jul | Aug 09/Aug08 |
| Commodity | 11.3 | -4.5 | 7.6 | -33.4 |
| Non-Energy | 3.1 | -0.7 | 5.8 | -17.0 |
| Energy | 16.6 | -6.8 | 8.8 | -40.3 |
| Crude | 19.0 | -6.5 | 10.8 | -37.5 |
| US Natural Gas | -0.9 | -10.8 | -7.4 | -62.0 |
| Agriculture* | 0.3 | -3.9 | 4.4 | na |
| Food | 0.9 | -4.9 | 1.5 | -16.2 |
| Corn | -0.8 | -15.1 | 0.2 | -35.4 |
| Wheat | -1.3 | -11.2 | -6.5 | -36.1 |
| Soybean Oil | -1.6 | -9.7 | 7.9 | -30.4 |
| Soybeans | 8.3 | -12.7 | 3.0 | 2.3 |
| Sugar | 5.9 | 2.4 | 8.8 | 8.2 |
| Industrial Metals | 7.6 | 3.1 | 12.4 | -21.5 |
| Aluminium | 8.3 | 5.5 | 15.1 | -30.2 |
| Copper | 9.1 | 4.5 | 17.9 | -19.1 |
| Nickel | 17.2 | 7.1 | 20.9 | 1.4 |
| Zinc | 4.3 | 1.8 | 14.9 | 4.8 |
| Gold* | 1.8 | -1.2 | 1.6 | na |

*na Not available*
*Sources: IMF; Estimations based on data provided by the IMF.*
** World Bank Index*

*The IMF energy price index rebounded 8.8% in August*

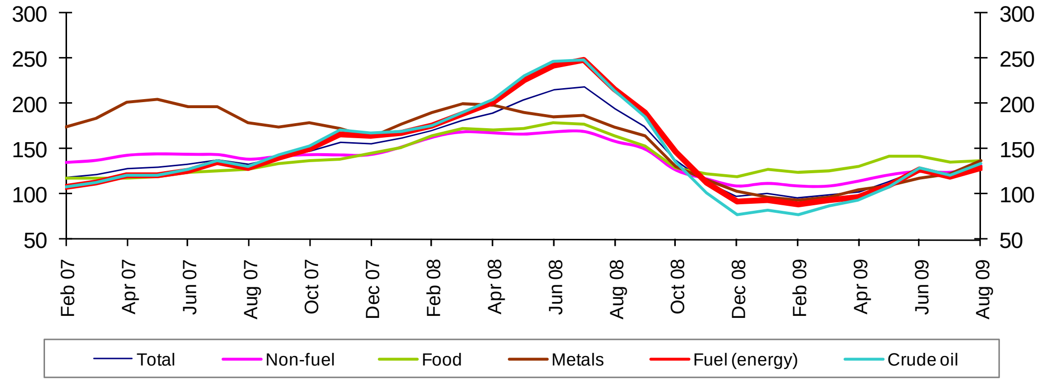
The **IMF energy price commodity index** (crude oil, natural gas and coal) rose 8.8% m-o-m in August compared to 6.8% negative growth in the previous month reflecting a 10.8% gain in crude oil prices as the Henry Hub (HH) natural gas price fell 7.4% in August compared to a 10.8% drop in July.

The **HH gas price** plunged 7.4% m-o-m in August, 62% lower than a year earlier owing to sluggish industrial demand, strong production and large inventories.

**Non-energy commodity prices** rose 5.8% m-o-m in August which compared with a 0.7% drop in July. The favourable development was mainly ascribed to industrial metal prices as recovery in the food index remains fragile.

The **industrial metal price index** surged more than 12% in August, but volatility was very high. Prices for this commodity group increased mainly in early August supported by supply constraints, but dropped over the second half of the month amid improving macroeconomic data. Concerns remain on slower imports from China of industrial metals in 2H09 due to the high growth in 1H and a lack of recovery in global demand. Total London Metal Exchange (LME) inventories increased by 3.8% m-o-m in August compared to a rise of 3.2% in July.

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




**Commodity Price Index, 2005 = 100**

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

**Aluminium** prices climbed 15.1% m-o-m in August compared to 5.5% a month earlier but as in other industrial metals markets high volatility was a feature during August. The price jump was realized mainly on signs of demand recovery from the auto sector. Aluminium prices increased during the first half of August on hopes of an economic rebound in the OECD countries based on positive macroeconomic signals such as the increase in the Manufacturing Purchasing Index in the OECD countries and the solid recovery in the Chinese economy where aluminium imports rose 177% y-o-y in July, according to the Chinese Ministry of Trade.

Nevertheless, global demand has remained very weak and the slight improvement has come from a very low level. The aluminium market, as other industrial metal markets, has responded to doubts on economic recovery, especially in the US where automobile production still declined 34% y-o-y in July of this year.

The record levels of aluminium stocks at the LME testified about the weak global demand for the metal. Although at a slower pace of 2% m-o-m, aluminium stocks reached a historic record of 4,588,604 tonnes in August.

**Copper prices increased** 17.9% m-o-m in August mainly on supply constraints such as impending labor negotiations in the 2H of 1009. It must be noted that copper prices showed high volatility during August, increasing during the first half of the month on solid Chinese demand. Nevertheless, by the second half of August, the copper market became more cautious on the strength of the economic recovery in the OECD in 2H09 and LME copper inventories rose 9% to 292,726 tonnes in August compared to the previous month.

**Nickel prices** soared 20.9% m-o-m compared to 7.2% in the previous month amid extremely high volatility. Important supportive factors were strikes and production cuts since last July. It is expected that Canadian production will be cut by 35% y-o-y according to Brook Hunt. These positive factors were partly counterbalanced by a further stockpile at the LME with inventories having risen by 1% to 108,856 tonnes in

August, m-o-m. Finally, backwardation in the nickel market finished due to an expected severe decline in demand outside China.

**Zinc prices** increased at the high rate of 15.1% m-o-m in August, but in the wake of the rest of the industrial metal complex, this price rebound was very volatile with no definite price trend. Zinc inventories at the LME jumped further by 20% in August m-o-m due to an estimated decline in demand in the OECD countries for 2009, which outpaced the increase in Chinese demand for the metal in August. Indeed, zinc imports from China declined 34% m-o-m in July

The **World Bank agricultural price index** only rebounded 4.4% m-o-m in August after a drop of 3.9% m-o-m the previous month. The **IMF food price index** rose 1.5% m-o-m in August due to large gains in a few commodities such as sugar, rubber and vegetable oils. The grain markets continued remained bearish in line with bearish supply news from the US Department of Agriculture (DOA).

**Gold prices** rose 1.6% m-o-m in August, an improvement compared to the negative growth in July driven by the dollar devaluation.

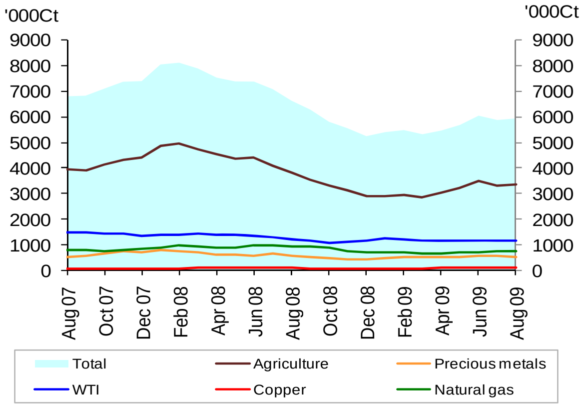
## Investment flow into commodities

*Open interest volume in major US commodities rebounded in August*

The open interest volume (OIV) in major commodity markets in the US rose by 2.2% m-o-m in August, compared to a contraction in July, to stand at **6,307,000** contracts. Agriculture reported major gains, in particular sugar and soybeans. The hefty increase in OIV for wheat in July came to an end in August when OIV grew by only 3.2% m-o-m.

Copper OIV increased by 12% m-o-m in August.

**Graph 6: Total open interest volume**



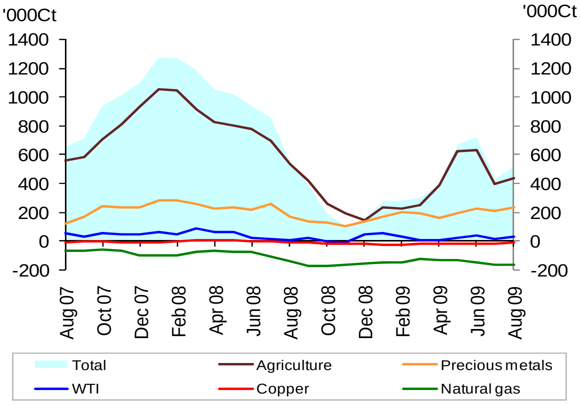

Source: CFTC

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

| | Net Positions | | Long Positions | | Short positions | | Open Interest | |
|---|---|---|---|---|---|---|---|---|
| | Aug 09 | Change Aug/Jul | Aug 09 | Change Aug/Jul | Aug 09 | Change Aug/Jul | Aug 09 | Change Aug/Jul |
| Crude Oil | 31 | 21 | 217 | 22 | 186 | 1 | 1177 | 4 |
| Natural Gas | -167 | -6 | 91 | -3 | 257 | 3 | 732 | -6 |
| Agriculture | 436 | 43 | 881 | 31 | 445 | -11 | 3373 | 74 |
| Corn | 55 | -2 | 216 | -7 | 161 | -6 | 865 | -29 |
| Wheat | | | | | | | | |
| Soybean Oil | 5 | 22 | 40 | 2 | 35 | -20 | 240 | -5 |
| Soybeans | 78 | -7 | 116 | 0 | 38 | 7 | 402 | -7 |
| Sugar | 181 | 3 | 221 | 12 | 40 | 10 | 832 | 98 |
| Precious Metals | 227 | 18 | 260 | 9 | 33 | -9 | 510 | -20 |
| Copper | -6 | 12 | 28 | 7 | 34 | -5 | 119 | 7 |
| Livestocks | 6 | -2 | 114 | 10 | 108 | 12 | 396 | 6 |
| **Total** | **527** | **86** | **1590** | **76** | **1064** | **-10** | **6307** | **67** |

**A recovery in fund buying activity was seen in August.** Long non-commercials in the market on the whole rose 5.0% in August which compared favorably with the 8.6% m-o-m- decline in the previous month. A 1% drop in shorts in July m-o-m resulted in the net non-commercials as a percentage of open interest volume to increase to 8.4% up from 7% in July.

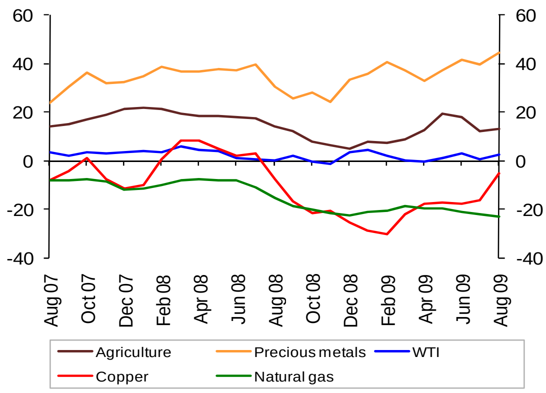
**Graph 7: CFTC net length by commodity group**




Source: CFTC

**Agriculture OIV increased** 2.2% in August m-o-m to 3,373 contracts, compared to negative growth in the previous month. Sugar and soybeans were the major beneficiaries. The falling trend in non-commercial longs for agricultural markets since the end of June came to an end in August when bought contracts rose by 3.7% m-o-m. This, combined with a drop of 2.5% in shorts, led to the net length as a percentage of OIV to increase from 11.92% in July to 12% in August. Some recovery in prices contributed to this outcome, especially for sugar.

**Graph 8: CFTC net length as % of open interest**




Source: CFTC

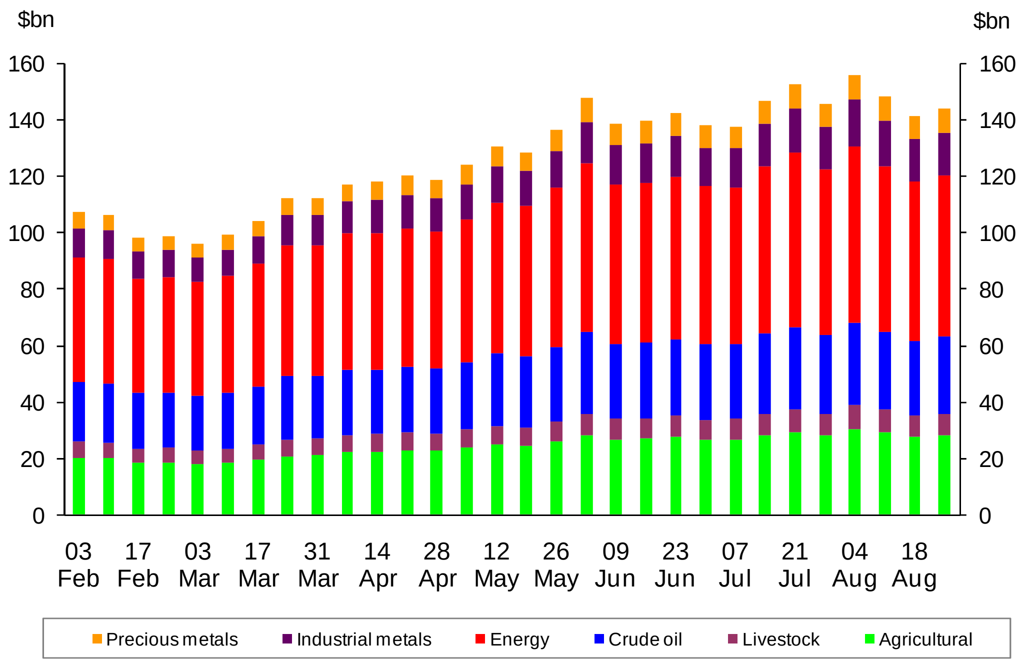
**Precious metals** OIV further declined by 3.7% m-o-m to 510,000 contracts in August. A 3.4% increase in non-commercial long positions and a hefty contraction of 22% in shorts led to the net length as a percentage of open interest volume to settle at **44.4% in August** up from 39.4% in July (*see **Graphs 12** and **13***). On a weekly basis, the risk appetite in these markets denoted a recovery since the last part of July.

**Nymex natural gas futures** open interest volume **declined by** 0.7% to **732,000 contracts in August**, compared to a 4.6% growth rate in July. Non-commercials moved back by 3.4% in August and a 1.0% increase in shorts resulted in the net length as percentage of OIV falling from -21.84% in July to -22.78% in August**.**

**Copper open interest volume** further increased by 6.7% m-o-m in August compared to 1.1% in July. The copper market was characterized by strong investor buying activity, with long positions climbing by 32.4% m-o-m in August and shorts rising by 6.7%. Thus, net length as a percentage of open interest increased from minus 16.11% in July to minus 4.96% in August.

**Dollar investment** inflows declined by 3.3% in August m-o-m compared to growth of 5.8% in July which may be ascribed to the new regulatory framework in the US. All the sectors seem to have been affected.

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




Barclays estimates a total inflow of $2.63bn in August, which is double the number shown for any August in Barclays's data set. Comodity ETPs reported an inflow of $1.74bn, with the broad index-linked ETPs being the major gainers (plus $811 mb).

The first of the new CFTC disaggregated commitment of trade reports published on 10 September shows that swap dealer net positions in OIV in commodity markets is 19%.

# Highlights of the World Economy

| Economic growth rates 2009-2010,% | World | OECD | USA | Japan | Euro-zone | China | India |
|---|---|---|---|---|---|---|---|
| 2009 | -1.2 | -3.6 | -2.7 | -5.3 | -4.1 | 7.5 | 6.0 |
| 2010 | 2.5 | 0.9 | 1.3 | 1.2 | -0.1 | 8.0 | 6.5 |

## Industrialised countries

### *United States of America*

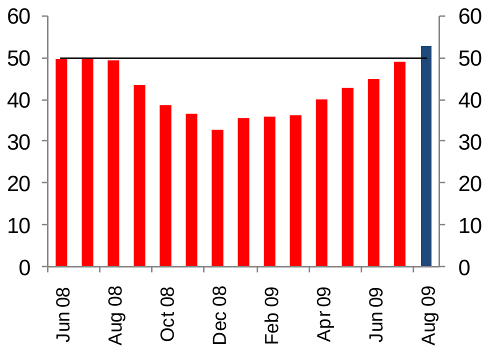
*US economy appears to have bottomed in 2Q, but the recovery seems almost entirely supported by government-led stimulus as private consumption is still in decline*

The US economy has demonstrated some positive momentum. GDP growth in the second quarter was confirmed at a seasonally-adjusted annualized rate (saar) of minus 1.0% q-o-q and there is additional evidence confirming the view that the economy is returning to growth in the second half of the year, so that it seems very likely that GDP growth has indeed bottomed out in the second quarter. While this is encouraging, it is still too early to categorize the expected positive momentum as a solid trend and it remains to be seen whether it is sustainable. First, while many important indicators such as house prices and risk premiums in financial markets have improved, the economy still seems fragile. Second, the improvement in most of the underlying indicators was very much achieved by government support through fiscal and monetary stimuli. Consumption, which is around 70% of US GDP, is still in decline at minus 1.0% q-o-q saar in the second quarter of 2009.

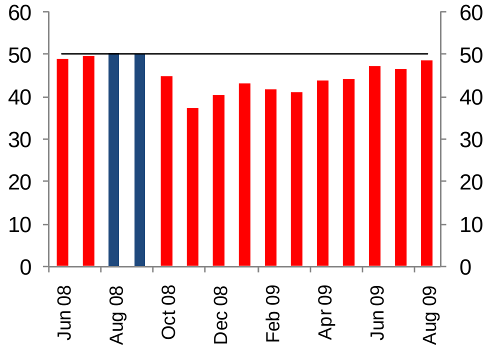
On the other hand, around 70% of the funds allocated for the “American Recovery and Reinvestment Act” are still available according to government sources and most of the money that has been disbursed was paid out in the second quarter. As a result, the effects have yet to be felt, hence the relative confidence that the third quarter should see at least some growth. However, it has to be noted that this support will run out in the relatively near future and that the remaining government stimulus provides only around 1.9% support for GDP on an annual basis. This might be encouraging in relatively normal times, but considering the current consumer caution, this support can at best provide a floor for growth, so consumption has to pick up again sooner or later. In the meantime, business confidence at least is picking up to reflect this government-led improvement in the economy.

The ISM manufacturing Index moved up again to 52.9 in August, improving significantly from the level of 48.9 in July and reaching above 50 for the first time since December 2007 when the recession began. A reading above 50 is an indication for an expanding manufacturing sector and can certainly be considered encouraging. However, it remains to be seen whether this level can be sustained and not revert to sub-50 levels as witnessed in 2002 under similar circumstances. The ISM index for the non-manufacturing sector also improved from 46.4 in July to 48.4 in August, but still indicated a decline in activity.

**Graph 10a: ISM Manufacturing Index**




**Graph 10b: ISM Non-Manufacturing Index**




*Source: Institute for Supply Management*

The S&P 500 moved slightly higher over the last four weeks, but managed to stay mostly in the range of 980 t 1040. This was fuelled not only by better economic data, but also by a lot of excess available liquidity. While the money “parked” in money market funds stood at almost US$4.0 trn at the beginning of the year, it now has been reduced to around US$3.5 trn. The difference can be assumed to have been invested in the stock market to some degree as well as in other asset classes such as commodities, which have again attracted investors’ interest in recent months. But this liquidity-driven support of asset markets can hardly be considered entirely encouraging, even more so as stock market valuations have reached levels not seen since the burst of the dot-com bubble and its aftermath at the beginning of this decade.

Still, the current momentum is supported mainly by fiscal and monetary stimulus, and the federal public debt level is now expected to move from 40.8% of GDP in 2008 to 70.0% in 2011, according to official estimates. Unemployment has again reached new highs at 9.7%in August, the highest level in 26 years and is expected to move higher. The Federal Reserve said in its latest meeting that it expects the unemployment rate to continue to rise and breach the 10% mark by the end of the year, with only a gradual decline in 2010.

The housing sector, which is the main source of the current crisis and at the same time the basis for a potential recovery, has shown some signs of improvement. Seasonally-adjusted prices have increased on a monthly basis in June for the first time in three years since the housing bubble burst in 2006. The S&P/Case-Shiller home-price index rose 0.7% in June on a seasonally-adjusted base from the prior month. Existing home sales also improved in June, moving up from 4.89mn in June to 5.24mn in July, but the inventory of unsold houses remained at the equivalent of 9.4 months of supply. Pending home sales in July increased by 3.2%, down from 3.6% the month before. Despite these improvements, it remains to be seen whether this is already a turnaround or whether the housing sector remains under pressure due to still depressed consumer levels.

Consumer prices remain under pressure at around the 0% line. The debt of households is still at record levels and de-leveraging will continue until healthier levels are reached again. The financial sector continues its de-leveraging as well and is therefore cautious to supply the markets with cash and investments.,. The sharp decline in consumer credit continued to a level of minus 21.6bn in July, marking an unprecedented decline. In addition to the de-leveraging of households, personal income shows no growth. It remained flat in July, after a decline of 1.1% m-o-m in June.

Due to the fragile turnaround, and considering the remaining challenges, the GDP forecast for 2009 has been revised up only slightly to minus 2.7% from minus 2.8%, while the 2010 growth forecast was increased by a cautious 0.1% to now stand at 1.3% growth.

***Japan***

*Japan appears have reached a bottom already in 1Q, but the situation remains challenging*

After the trough the economy in Japan witnessed in the 1Q following a record decline of 12.4% q-o-q saar, the second quarter showed some improvement in the latest reading at a level of 2.3% q-o-q saar. Despite the fact that this number is significantly lower than in its first reading which was 3.7%, it remains in positive territory and appears likely that the first quarter numbers should mark the lows of the current recession. Moreover, although 2Q growth numbers were also corrected, this could represent a shift of growth from 2Q to the remainder of the year as the lower number was mostly attributable to a downward revision in inventories which to a certain extent at least should be expected to be compensated, assuming continued end-demand from the consumer. Still, the recovery in Japan remains fragile as in the rest of the OECD.

Despite this positive momentum, it is worth noting that Japan introduced a stimulus package of 12 trn yen only in the fourth quarter of last year, which equals 2.3% of GDP and which is assumed to have already been spent and only at the end of March introduced a second stimulus package of 58 trn yen, or 10.4% of GDP to support the economy over the next two years. So it seems clear that this positive momentum was largely fuelled by public spending. The second force that caused this turnaround seems to have been replenishing of inventories which were at lows after production was almost halted at the end of last year and in 1Q09. Both effects – while having led to an improvement for the time being – are not indications for sustainable momentum. As in the rest of the OECD, this must come from the consumer, who has to increase demand.

The diffusion index that measures consumer sentiment in Japan grew in August for the eighth consecutive month and now stands at a two-year high of 40.1. That was 0.7 points or 1.8% higher than the July level, according to the Cabinet Office. Despite the improving sentiment, retail sales declined by 2.5%, the eleventh monthly drop, extending the longest losing streak since 2003. The unemployment rate, currently at the highest level since records began in 1953, stands at 5.7% for July, compared to 5.4% in June and is expected to continue to grow further. The jobs-to-applicants ratio, a leading indicator of employment trends, fell to a record 0.42 in July, meaning there are only 42 positions for every 100 candidates, according to the Labour Ministry. The number of unemployed rose by 200,000 from June, the biggest increase since March and stands now at the record level of 3.59mn. Household spending fell correspondingly in July and decreased by 2.0% y-o-y, which was the fastest plunge in the course of the last five months. Lending at Japanese banks rose 1.9% m-o-m in August, the slowest pace in eleven months, according to a Bank of Japan (BoJ) report.

Machinery orders fell in July at a higher-than-expected rate. Orders declined by 9.3% m-o-m compared to an increase of 9.7% in June, according to the Cabinet Office. Economists surveyed by Bloomberg News predicted a 3.5% m-o-m decline. This is of importance as, historically, machinery orders in Japan are an indicator for capital spending for the next three to six months. Companies plan to cut capital spending 9.2% this fiscal year, a survey published last month by the Development Bank of Japan showed. Reductions by manufacturers will be the steepest since 1993. Toyota, which estimates it will make about a third fewer cars this year than it has the capacity to build, said last month it will close an assembly line at its Takaoka plant in central Japan. The carmaker plans to cut capital spending by 36% in the year ending March 31, according to Bloomberg.

Exports were weaker in July, declining by 36.5% y-o-y. This is again more than the drop of 35.7% a month earlier. Shipments to the US slid 39.5% y-o-y and those to Europe slumped 45.8% y-o-y, while exports to China fell 26.5% y-o-y. Exports to these three main regions were lower in July than the previous month, so export recovery continues to be sluggish despite the fact that the numbers look better than the lows of February at minus 49.4% y-o-y.

Manufacturers increased production by 1.9% in July from a month earlier at the slowest pace since March, the Trade Ministry report showed. The monthly increase reached its peak in March at 7.9% m-o-m and has decreased since then and is still 22.9% lower compared to July 2008.

Deflation continues to be an issue for the economy. Consumer prices weakened by 2.2% y-o-y or 0.1% m-o-m in July. While helping to balance the challenging cost base for companies, producer prices slid 8.5% y-o-y in August from a year earlier, matching a record drop set in the previous month, according to the Bank of Japan. This reflects the significant weakening of demand in the Japanese economy.

There continues to be uncertainty about how the newly appointed government will proceed. After the decade-long rule of the Liberal Democratic Party, the Democratic Party of Japan has taken over the reins. There have been announcements that economic stimulus will be expanded, but one has to review the final details, particularly as public debt in Japan is at very high levels nearing 200% of GDP, the highest level within the main OECD economies.

Overall, improvements in the Japanese economy are mainly due to significant stimulus spending and an improving Chinese economy, which is the most important export market for Japan. As a result, the GDP forecast for Japan in 2009 has been revised up to minus 5.3% from minus 6.0% and to 1.2% from 1.1% for 2010.

*The recession in the Euro-zone appears to have bottomed out in the 2Q as output numbers and sentiment have improved*

***Euro-zone***

While the Euro-zone remains the weak spot in the OECD and is still expected to decline in both 2009 and 2010, the economy is performing stronger than expected. Germany and France, which comprise about 50% of Euro-zone GDP, have posted positive growth numbers for the second quarter at levels of 0.3% q-o-q each. However, this is in contrast to the continuing weakness of Spain and Italy which recorded minus 1.1% q-o-q and minus 0.5% q-o-q respectively. In general, the European Central Bank (ECB) echoed the continuing weakness of the Euro-zone and kept its cautious stance in the latest meeting, leaving the key lending rate at 1.0%. According to the ECB President, the current interest rate level can be considered “appropriate” and is therefore unlikely to be altered soon. Along with rising unemployment and the persistent weakness in the Euro-zone banking sector, the ECB referred to the continuing volatility of commodities and oil as concerns.

Euro-zone bank lending to businesses declined further in July in spite of signs of recovery across the region and the ECB’s attempts to boost credit markets. Rather than borrowing, businesses repaid €26bn in July, according to ECB statistics. That is adding to the ECB’s view that the rebound in the Euro-zone remains fragile. Bank lending to Euro-zone businesses has been negative since February, but the amounts being repaid have picked-up in recent months. Loans to households showed no growth over the year. According to the ECB’s projections, the average annual real GDP growth will range between minus 4.4% and minus 3.8% in 2009 and between minus 0.5% and plus 0.9% in 2010. Compared to the June 2009 macroeconomic projections, this implies an upward revision of the ranges for both 2009 and 2010, mainly reflecting the more positive recent developments and information.

The ECB is also expected to issue a new offer of unlimited volume 12-month loans, scheduled for late September. The first such offer in June saw it pumping €442bn in liquidity in an attempt to help restore normality to the financial markets. The president of the ECB expressed his view in a statement issued in the Financial Times that the central bank had a clear exit strategy, pointing out that some measures would expire automatically in the absence of new policy decisions. However, he stressed that it was "premature to declare the financial crisis over" and that "today is not the time to exit”.

The relative positive momentum was also captured in the development of the Euro-zone PMI that has been improving over recent months to approach an expansion level of 50 for the first time since May 2008. In August, it stood at 50.4, after a level of only 47.0 in July. The Commission’s Euro-zone economic sentiment indicator stood at 80.6 in August, up from 76.0 in July, with the services sector showing a particularly strong improvement. Among the Euro-zone countries, Germany and the Netherlands reported the biggest increases.

Euro-zone industrial output fell 0.6% m-o-m in June, according to Eurostat, which compares to 0.6% the previous month. French industrial production slowed in July to growth of 0.1% from June, when it rose 0.2%, according to the French statistics office Insee. German industrial output fell 0.9% in July after rising 0.8% in June, the German Economy Ministry said.

France’s exports jumped 9.0% in July from the previous month, cutting the trade deficit to its smallest level since June 2005, according to Insee. German exports rose as well for a third consecutive month in July as global trade picked up. Sales abroad, adjusted for working days and seasonal changes, increased 2.3% from June, when they rose 6.1%, the German Federal Statistics Office reported. Economists expected a gain of 1.2% in July, a Bloomberg survey showed. On a yearly basis, exports were still 18.7% lower. The German government has indicated the forecast for a 6.0% economic contraction this year may now be too pessimistic. But there is risk the recovery will falter next year in the Euro-zone as stimulus packages expire and rising unemployment dampens consumer spending. The Bundesbank still expects unemployment to rise to levels of around 10.0% in 2010 from current levels of almost 8% as companies cut costs to restore profit.

As in the other parts of the OECD, consumer prices in the Euro-zone were in decline, down 0.2% in August compared to last year’s numbers, but improved from the July number of minus 0.7% y-o-y. However, for the moment deflation was avoided in

Germany again with consumer prices remaining flat for August.
Unemployment in the Euro-zone moved up by 0.1% to 9.5% in July. The situation in Germany stabilized at 7.7%, the same level as in June and only slightly worse than in May, when it was recorded at 7.6%. In Spain, where the most severe levels were being reported over the last months, the unemployment rate was recorded at 18.5%, compared to 18.2% in June. Youth unemployment – unemployment of the potential workforce below the age of 25 – stood at 19.7% for the Euro-zone, again a slight increase from the 19.6% a month earlier. Once again, the highest levels were recorded in Spain, this time for the first time above 38% at 38.4%, after 37.5% in June and compared to levels of 25% a year ago. Retail trade fell accordingly in the Euro-zone to a level of minus 0.2% y-o-y for July compared to a flat number in June.

Despite the encouraging signs in the Euro-zone, improvements seem to have been primarily fuelled by the governmental stimulus, mainly by support for the car sector in Germany and France. It remains to be seen if this effect can lead to sustainable levels of higher consumption. Due to the better-than-expected second quarter GDP numbers, the growth forecast for 2009 has been revised to minus 4.1%, compared to the previous minus 4.6%. Next year is forecast to decline by 0.1%, compared to minus 0.4% in the previous report.

### Former Soviet Union

*Russian economy shows signs of recovery*

The Russian economy will grow by 3.9-4.5% in the second half of 2009 compared with the first half, according to Economy Ministry. The Ministry said that the economy could have also passed the lowest point of the recession, citing a 0.3% m-o-m uptick in capital investment in July. Output growth in export-oriented extraction industries, registered in the last few months, is also spreading to more sophisticated equipment-building sectors which target domestic consumers. The Russian government has forecast an economic contraction of up to 8.5% in 2009 as lower oil prices hit the energy sector and industry suffered a sharp decline from orders abroad. The rise in prices together with signs of a recovery in key export markets has improved the outlook for 2H09. Consumer price increases slowed in Russia in August compared to a year ago, the government's statistical office said. The inflation rate in August was 0.1%. A year ago, consumer prices rose 0.4% in August. Similarly, January through August 2008 saw inflation hit 9.7%, compared with 8.2% for the first eight months of 2009, the Federal State Statistics Service said. For the year, the annual inflation rate in Russia was 13.3% in 2008.

### Developing Countries

*Recovery in China is enhanced and leading to a regional upturn*

Chinese industrial output, investment and credit growth accelerated in August, suggesting the economic recovery is on a solid base. Exports fell 23.4% from a year earlier, a sharper-than-expected drop and accelerating from July's 23% fall as global demand remained frail. Industrial output grew at a 12-month high of 12.3% in August from a year earlier, jumping from 10.8% in July, data issued by the National Bureau of Statistics showed. Investment growth also picked up, and banks extended more new loans in August than in July. The consumer price index rose 0.5% from July, marking the first m-o-m rise in six months. Producer prices fell 7.9% in August, compared with 8.2% in July.

*A bad monsoon season and drought in India threaten growth in 2Q09; the budget deficit limits the government's capability to further stimulate the economy*

Public spending and interest-rate cuts added momentum to India's economy which expanded by 6.1% in the April-June quarter compared with a year earlier. The increase in economic output in the quarter ending 30 June was driven by trade, hotel and transportation services, as well as by mining and manufacturing. It followed a y-o-y rise of 5.8% in the January-March period, according to the Central Statistical Organization. A widening drought, however, could weigh on the country's nascent rebound. A poor start to the June-to-September monsoon season has worsened India's near-term economic growth prospects. More than one-third of India's 625 administered districts have declared a drought which will likely crimp output of summer-sown crops and squeeze rural incomes. This will likely depress domestic demand, a main contributor to growth in India. The government is trying to support the agricultural sector by increasing the minimum selling price of rice and sugar. It also has offered to subsidize diesel for farmers to bring down irrigation costs, and provided additional electricity to key farming provinces. As the worldwide slump hit India, the Indian government cut taxes and stepped up spending on roads and subsidies to cushion the economy. Their scope for further action is restricted as the budget deficit is already estimated to touch a 16-year high of 6.8% of gross domestic product in the year to 31 March from 6.2% the previous year. India's wholesale prices fell the least in 13 weeks at the end of August, indicating inflation may return later this year as insufficient rain reduces harvests and raises food costs. On the other hand, India's industrial production increased for a seventh straight month in July as higher government spending and lower borrowing costs stoked demand for cars, motorbikes and other consumer goods. Record-low interest rates and tax cuts are providing stimulus which policy makers estimate are worth more than 12% of GDP, reviving demand for cars.

*Brazilian economy seems to be recovering*

Brazil's gross domestic product declined 1.8% annually in the first quarter of 2009, falling into a recession for the first time since 2003. And even though Latin America's biggest economy is expected to experience negative growth this year, it is likely that it will contract much less than other countries. Still, the Brazilian economy seems to be recovering. In fact, exports have risen steadily since reaching bottom in February. Moreover, recent stable trade and investment flows are maintaining confidence that the current account will remain fully financed this year. Also, consumer demand holds strong. Retail sales rose 4% in May from the same month a year earlier, compared with a revised 7.1% gain in April. More importantly, the government has taken various measures to boost credit supply and domestic demand. It has cut taxes and eased bank reserve requirements while the central bank has cut the benchmark interest rate to a record low of 9.25%.

## OPEC Member Countries

*Inflation in Algeria remains strong*

Growth in consumer prices has remained strong in Algeria so far in 2009 because of strong domestic demand caused by expansionary policy implemented by the government. Inflation in Algeria grew by 6.1% y-o-y during the first seven months of 2009, driven by an 8.7% y-o-y jump in the cost of foodstuffs. In particular, fresh agricultural products posted a large 18.1% y-o-y increase in prices. The Algerian economy is expected to recover in the second half of 2009 and 2010 and will benefit from a rebound in the global economy, which will help boost exports. In addition, rising international oil prices will increase government revenues, which in turn will help support growth in non-oil sectors. The government is expected to implement a US$150-bn economic development programme in 2010-14, which will benefit sectors such as construction and public works.

## Oil prices, the US dollar and inflation

*The US dollar continued its decline to move to the lowest level in 2009*

The US dollar weakened significantly and reached its lowest level since September 2008 against the modified Geneva I+US dollar basket. It continued to close above $1.40/€ in August for the third consecutive month to weaken against the Euro by 1.3% m-o-m. The dollar depreciated against the pound sterling by 1.2%, against the Swiss Franc by 1.0% and remained almost unchanged only to the yen at plus 0.4%. Against the modified Geneva I+US dollar basket, the dollar fell by 0.7% in August compared to a decline of 0.5% in July and minus 1.9% in June. Against the euro, the dollar averaged $1.4267/€ in August compared to $1.4087/€ in July.

The weakening momentum of the US dollar has picked up due to inflation fears, concerns that foreign lenders will switch to alternative reserve currencies and due to an increased risk appetite of investors that is leading to a move into higher-yielding non-US dollar-denominated assets. While the move of the dollar had been a significant one over the last months, consensus forecast currently sees the dollar staying at around those levels for a while. The interest rate situation continues to favor the euro and the pound sterling. Both central banks seem to judge inflation as a concern for the future. The ECB has indicated that it still has no intention to lower interest rates from the current level of 1.0% and that it considers the current level "appropriate".

In August, the OPEC Reference Basket rose by $6.76/b or 10.5% to $71.35/b from $64.59/b in July. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket increased by $3.94/b or 9.6% to $45.14/b from $41.20/b in July. The dollar declined by 0.7%, as measured against the import-weighted modified Geneva I+US dollar basket, while inflation remained almost flat with a rise of 0.2%.*

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

# World Oil Demand

*World demand to contract 1.6 mb/d in 2009*

## World oil demand in 2009

The US is playing a significant role in world oil demand, showing a comeback and reducing the contraction from 0.7 mb/d in July to almost flat in August. This is due to improved economic activity, summer driving consumption and the low base in the same month of 2008. An increase in industrial production greatly reduced the deficit in industrial fuel consumption. Furthermore, oil demand was strong in most of the non-OECD regions especially China, India and the Middle East. Given the major changes in US oil consumption, OECD oil demand is forecast to decline by only 0.9 mb/d in August, up from minus 1.8 mb/d in July. This massive change in OECD oil demand reduced the total world oil demand contraction to only 0.2 mb/d in August. This is the best performance for oil demand since the decline began in early 2008.

Non-OECD oil demand is forecast to inch up by 0.7 mb/d in August, leading to a total world decline of 1.6 mb/d averaging 84.1 mb/d in 2009.

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

| | 2008 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 | Change 2009/08 Volume | % |
|---|---|---|---|---|---|---|---|---|
| North America | 24.18 | 23.51 | 22.87 | 22.97 | 23.57 | 23.23 | -0.94 | -3.91 |
| Western Europe | 15.32 | 14.92 | 14.44 | 14.94 | 15.14 | 14.86 | -0.46 | -2.98 |
| OECD Pacific | 8.07 | 8.14 | 7.39 | 7.18 | 7.83 | 7.63 | -0.43 | -5.37 |
| **Total OECD** | **47.56** | **46.57** | **44.70** | **45.09** | **46.54** | **45.72** | **-1.83** | **-3.86** |
| Other Asia | 9.32 | 9.27 | 9.58 | 9.25 | 9.37 | 9.37 | 0.05 | 0.54 |
| Latin America | 5.80 | 5.61 | 5.81 | 5.99 | 5.83 | 5.81 | 0.02 | 0.26 |
| Middle East | 6.89 | 6.96 | 7.08 | 7.30 | 7.06 | 7.10 | 0.20 | 2.95 |
| Africa | 3.18 | 3.26 | 3.23 | 3.15 | 3.25 | 3.22 | 0.04 | 1.21 |
| **Total DCs** | **25.19** | **25.10** | **25.70** | **25.68** | **25.51** | **25.50** | **0.31** | **1.22** |
| FSU | 4.11 | 3.85 | 3.70 | 4.19 | 4.21 | 3.99 | -0.12 | -2.84 |
| Other Europe | 0.79 | 0.77 | 0.73 | 0.77 | 0.76 | 0.76 | -0.03 | -4.18 |
| China | 7.97 | 7.61 | 8.34 | 8.41 | 7.98 | 8.08 | 0.11 | 1.41 |
| **Total "Other Regions"** | **12.87** | **12.23** | **12.77** | **13.36** | **12.95** | **12.83** | **-0.04** | **-0.29** |
| **Total world** | **85.62** | **83.90** | **83.17** | **84.13** | **85.00** | **84.05** | **-1.56** | **-1.83** |
| Previous estimate | 85.56 | 83.87 | 83.02 | 83.90 | 84.85 | 83.91 | -1.65 | -1.93 |
| Revision | 0.06 | 0.03 | 0.15 | 0.23 | 0.15 | 0.14 | 0.08 | 0.10 |

*Totals may not add due to independent rounding.*

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

| | 1Q08 | 1Q09 | Change 2009/08 Volume | % | 2Q08 | 2Q09 | Change 2009/08 Volume | % |
|---|---|---|---|---|---|---|---|---|
| North America | 24.77 | 23.51 | -1.26 | -5.09 | 24.42 | 22.87 | -1.54 | -6.31 |
| Western Europe | 15.33 | 14.92 | -0.41 | -2.70 | 15.06 | 14.44 | -0.62 | -4.12 |
| OECD Pacific | 8.91 | 8.14 | -0.77 | -8.61 | 7.86 | 7.39 | -0.47 | -6.01 |
| **Total OECD** | **49.01** | **46.57** | **-2.44** | **-4.98** | **47.34** | **44.70** | **-2.64** | **-5.57** |
| Other Asia | 9.37 | 9.27 | -0.10 | -1.04 | 9.50 | 9.58 | 0.08 | 0.87 |
| Latin America | 5.60 | 5.61 | 0.01 | 0.17 | 5.82 | 5.81 | -0.02 | -0.33 |
| Middle East | 6.77 | 6.96 | 0.19 | 2.80 | 6.87 | 7.08 | 0.21 | 3.12 |
| Africa | 3.22 | 3.26 | 0.04 | 1.10 | 3.19 | 3.23 | 0.04 | 1.33 |
| **Total DCs** | **24.96** | **25.10** | **0.14** | **0.55** | **25.38** | **25.70** | **0.32** | **1.26** |
| FSU | 4.17 | 3.85 | -0.32 | -7.66 | 3.79 | 3.70 | -0.09 | -2.27 |
| Other Europe | 0.83 | 0.77 | -0.06 | -6.98 | 0.76 | 0.73 | -0.03 | -3.68 |
| China | 7.97 | 7.61 | -0.37 | -4.58 | 8.17 | 8.34 | 0.17 | 2.11 |
| **Total "Other Regions"** | **12.98** | **12.23** | **-0.74** | **-5.72** | **12.72** | **12.77** | **0.06** | **0.46** |
| **Total world** | **86.95** | **83.90** | **-3.05** | **-3.50** | **85.43** | **83.17** | **-2.26** | **-2.64** |

*Totals may not add due to independent rounding.*

Although the first half of the year showed a plunge of 2.7 mb/d in total world oil demand, the second half is forecast to decline by only 0.5 mb/d.

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

| | | | Change 2009/08 | | | | Change 2009/08 | |
|---|---|---|---|---|---|---|---|---|
| | 3Q08 | 3Q09 | Volume | % | 4Q08 | 4Q09 | Volume | % |
| North America | 23.60 | 22.97 | -0.63 | -2.67 | 23.93 | 23.57 | -0.36 | -1.51 |
| Western Europe | 15.44 | 14.94 | -0.50 | -3.22 | 15.43 | 15.14 | -0.30 | -1.91 |
| OECD Pacific | 7.54 | 7.18 | -0.36 | -4.72 | 7.97 | 7.83 | -0.14 | -1.81 |
| **Total OECD** | **46.57** | **45.09** | **-1.48** | **-3.18** | **47.34** | **46.54** | **-0.80** | **-1.69** |
| Other Asia | 9.17 | 9.25 | 0.07 | 0.81 | 9.23 | 9.37 | 0.14 | 1.52 |
| Latin America | 5.96 | 5.99 | 0.03 | 0.50 | 5.79 | 5.83 | 0.04 | 0.69 |
| Middle East | 7.09 | 7.30 | 0.21 | 2.96 | 6.86 | 7.06 | 0.20 | 2.92 |
| Africa | 3.11 | 3.15 | 0.04 | 1.12 | 3.21 | 3.25 | 0.04 | 1.28 |
| **Total DCs** | **25.33** | **25.68** | **0.35** | **1.38** | **25.09** | **25.51** | **0.42** | **1.68** |
| FSU | 4.22 | 4.19 | -0.04 | -0.83 | 4.24 | 4.21 | -0.03 | -0.71 |
| Other Europe | 0.79 | 0.77 | -0.03 | -3.40 | 0.78 | 0.76 | -0.02 | -2.56 |
| China | 8.10 | 8.41 | 0.30 | 3.74 | 7.65 | 7.98 | 0.33 | 4.32 |
| **Total "Other Regions"** | **13.12** | **13.36** | **0.24** | **1.84** | **12.67** | **12.95** | **0.28** | **2.21** |
| **Total world** | **85.02** | **84.13** | **-0.89** | **-1.05** | **85.10** | **85.00** | **-0.10** | **-0.12** |

*Totals may not add due to independent rounding.*

## Alternative fuel

Low oil prices are hurting biofuel industry revenues. Although the industry has previously enjoyed a combination of higher oil prices along with government subsidies, low energy demand and prices have reduced some biofuel plant utilization rates to only 40% so far this year.

The US government is pushing hydrogen and fuel cell technologies to be part of the country's alternative energy mix via massive subsidies. Given strong investments, the hydrogen industry is hoping to get hydrogen vehicle showrooms ready by 2015 and expand the network of fueling stations in the regions where those vehicles will be introduced. Today there are 73 hydrogen stations in North America. Recent studies compared more than 15 of the most promising fuel and vehicle alternatives and concluded that a mix of alternative vehicles eventually dominated by hydrogen cars is a possible way to cut US greenhouse gas pollution.

## OECD – North America

*North America oil demand to decline by 0.9 mb/d in 2009*

US oil demand not only maintained the semi-strength seen in July, but also managed to climb to an almost flat level. US August weekly oil demand data revealed that the country's total consumption is almost the same as last year. It is the first time that US oil demand achieved such a level in the past 25 months due to higher consumption of industrial fuel due to improved economic activity. The US oil demand contraction bottomed out last May and since then the country has been increasing its y-o-y consumption of oil. It is anticipated that US oil demand in the third and fourth quarters will erase most of its contraction to a nearly flat level. However, the total year's oil demand will be within the range of minus 0.8 mb/d y-o-y.

Mexican oil demand is still suffering from a downturn of economic activity. Not only did the country's y-o-y July oil demand decline by a strong 6%, but also the average for the first seven months of the year declined by the same rate. Most of the loss came as a result of declining manufacturing activities.

As a result of better-than-expected oil consumption in the US, North America oil demand for the third quarter was revised up by 0.1 mb/d, leading to a forecast total annual decline of 0.9 mb/d y-o-y in 2009 to average 23.2 mb/d.

**Table 8: Domestic sales of refined petroleum products in Mexico, tb/d**

| | Jan-Jul 2009 | Jan-Jul 2008 | Change (tb/d) | Change (%) |
|---|---|---|---|---|
| LPG | 278 | 290 | -12 | -4.3 |
| Gasoline | 785 | 789 | -4 | -0.5 |
| Jet Fuel | 56 | 70 | -14 | -19.4 |
| Diesel Oil | 358 | 383 | -24 | -6.4 |
| Fuel Oil | 188 | 250 | -62 | -24.9 |
| Other Products | 78 | 77 | 1 | 1.1 |
| **Total Products** | **1,742** | **1,858** | **-116** | **-6.2** |

## OECD - Europe

*OECD Europe demand to decline by 3% or 0.46 mb/d in 2009*

European energy consumption is highly affected by the continent's crumpled economy. Unlike the US, the European oil demand is not showing any improvement; hence forecast oil demand of minus 0.5 mb/d is valid for the year.

The OECD Europe oil demand contraction in July is relatively the same as was seen in June. French oil demand continued the decline, dipping by 6% in July y-o-y pushing the first seven months of the year to minus 1.4%. As expected, most of the decline resulted from less industrial use of oil. Most of the large economies in Europe followed a similar trend. The strong unemployment in Spain along with other weak economic activity caused the country's oil demand to decline by 5% in the first half of the year.

Given this dim picture for the European economy, OECD Europe oil demand is forecast to decline by 3% or 0.46 mb/d y-o-y to average 14.9 mb/d in 2009.

## OECD - Pacific

*OECD Pacific oil demand to decline by 0.4 mb/d in 2009 due to the continuing weak Japanese economy*

Contrary to most of the OECD countries, South Korea's oil demand is showing positive y-o-y growth so far this year. Despite negative GDP, South Korea's oil demand is forecast to achieve minor growth in 2009. On the other hand, the largest oil consuming OECD country in the Pacific is suffering from the economic downturn leading to a devastating oil demand contraction so far in the year. Oil demand in Japan declined by 12.7% in July. All of the decline was in industrial fuel; however, growth in transport fuel did not offset the massive decline in the country's other fuel usage.

Given the weak Japanese economy, OECD Pacific oil demand is forecast to decline by 0.4 mb/d in 2009 to average 7.6 mb/d.

**Table 9: Consumption of Petroleum Products in Thailand, tb/d**

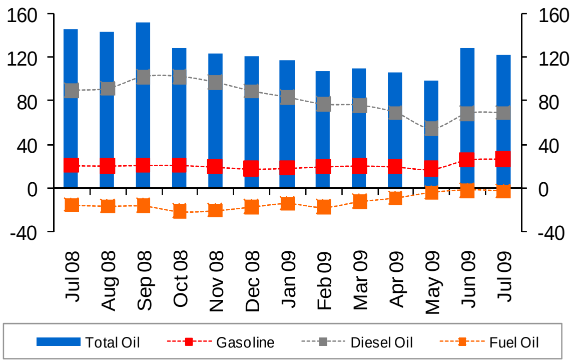
| | Jun 09 | Jun 08 | Change (tb/d) | Change (%) |
|---|---|---|---|---|
| LPG | 118 | 117 | 1 | 1.0 |
| Gasoline | 128 | 117 | 10 | 8.9 |
| Jet Fuel/Kerosene | 68 | 79 | -12 | -14.6 |
| Diesel | 306 | 285 | 20 | 7.2 |
| Fuel Oil | 45 | 49 | -3 | -6.4 |
| Other Products | 139 | 140 | -1 | -0.5 |
| **Total** | **804** | **787** | **17** | **2.1** |

*Demand in the Developing Countries forecast to grow by 0.3 mb/d in 2009*

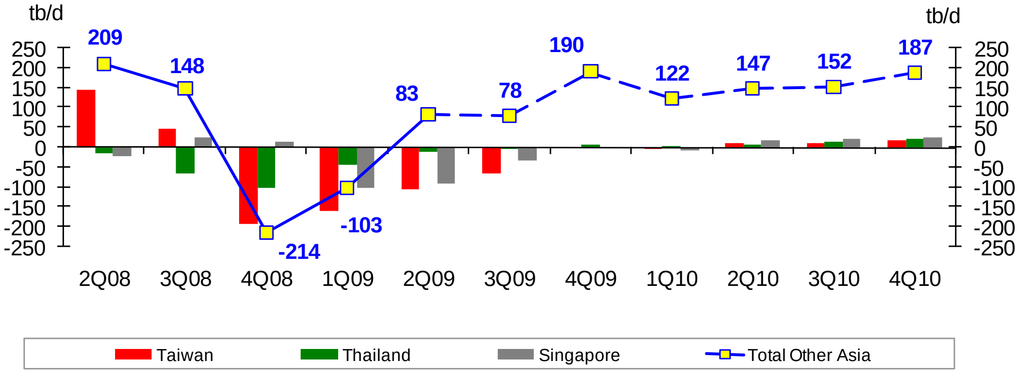
## Developing Countries

As was seen in June, Indian oil demand performed strongly in July. This growth resulted not only from the beginning of the agricultural season but also from better economic activities. India's oil demand grew by 4.5% in July y-o-y leading to almost 5% growth in the first seven months of the year. Although year-to-date oil usage grew by a half a percentage higher than our initial forecast, the coming months should level out, leading to an overall growth of 4.6% in 2009.

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

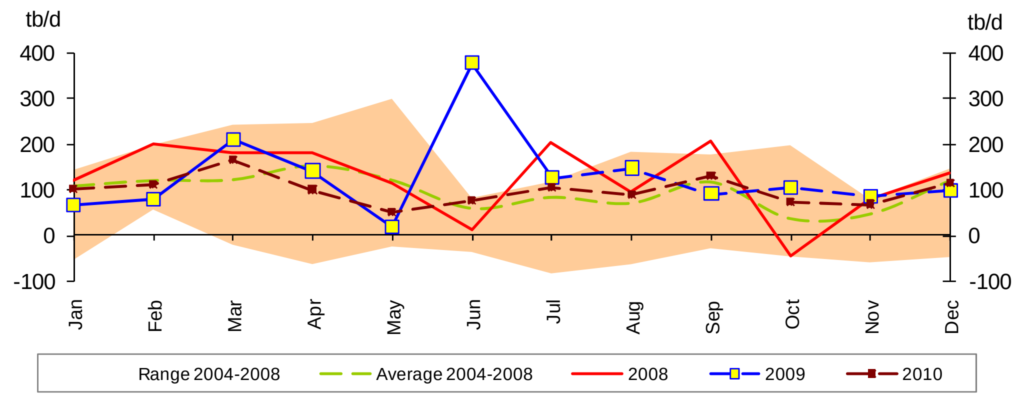



**Graph 12: Oil consumption in selected Asian countries, y-o-y growth**




Strong growth in India of 16% for new passenger car sales in June led to a steep hike in July gasoline consumption, exceeding 10% y-o-y. Not only has transport fuel shown massive growth, but industrial fuel as well. Improved economic performance caused industrial production to inch up. There are some other factors that affected the strong oil consumption in June and July such as the excessive heat during the summer and less rain for agriculture.

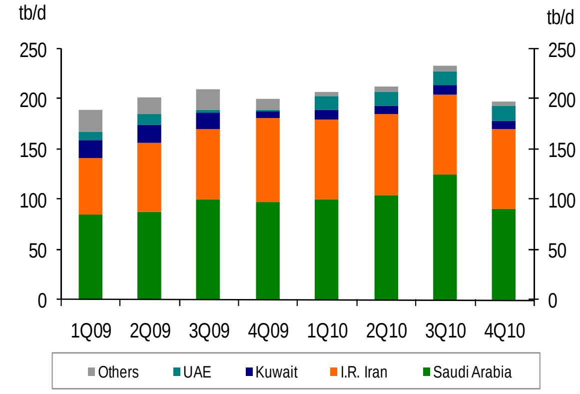
**Graph 13: Changes in Indian oil demand, y-o-y**



For the first time since the beginning of the year, Thailand consumed more oil y-o-y. Transport fuel (gasoline and diesel) consumption caused the country's oil demand to grow by 2.1% in June.

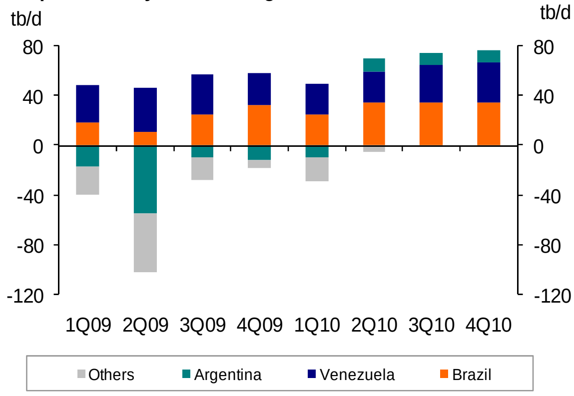
*Middle East to show growth of around 3% or 0.2 mb/d in 2009*

**Graph 14: Yearly oil demand growth in the Middle East**




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

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




Argentina's oil demand not only stopped the continuous decline but also turned positive achieving y-o-y growth of 3.8% in June adding 22 tb/d. Brazil, the largest oil consuming country in Latin America, used 1.8% more oil in June. Although Brazil caused the region's total oil demand to dip into the red in the second quarter, the third and fourth quarters are expected to show moderate growth leading to total y-o-y growth of 0.3% in 2009.

Oil demand in the Developing Countries is suffering from the current downturn in economic activities; hence oil demand growth is forecast at 0.3 mb/d y-o-y in 2009 to average 25.5 mb/d.

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

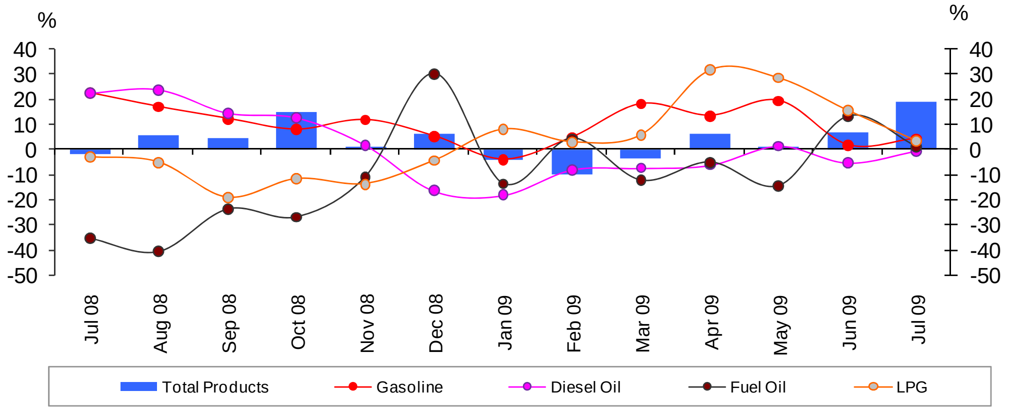
| | Jul 09 | Jul 08 | Change (mb/d) | Change (%) |
|---|---|---|---|---|
| LPG | 225 | 225 | 0 | 0.0 |
| Gasoline | 426 | 437 | -10 | -2.4 |
| Jet/Kerosene | 97 | 93 | 4 | 4.1 |
| Diesel | 784 | 786 | -2 | -0.3 |
| Fuel Oil | 90 | 92 | -3 | -3.0 |
| Alcohol | 279 | 227 | 52 | 22.8 |
| **Total** | **1900** | **1860** | **40** | **2.1** |

## Other regions

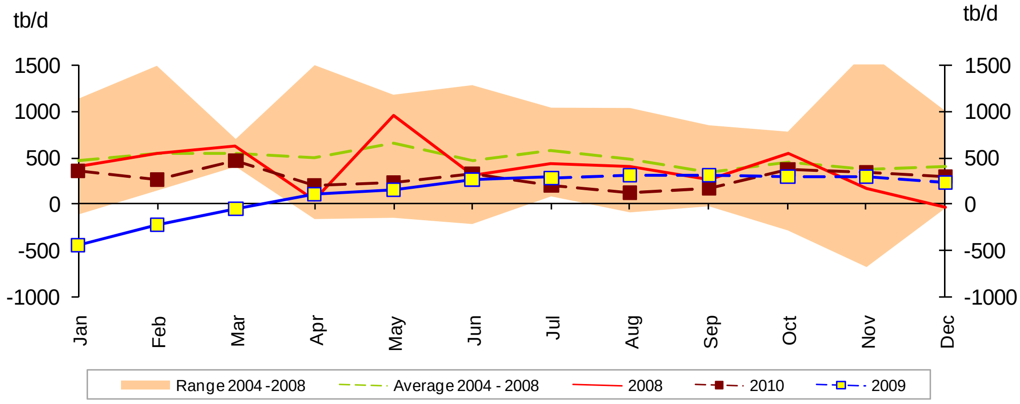
*China's oil demand forecast to grow by 0.1 mb/d in 2009*

Chinese oil imports scored strong growth exceeding 1.0 mb/d y-o-y in July. Of course not all the oil imports were consumed as a large portion went to the country's strategic storage. Despite the country's hike in domestic retail prices and preparations for the Olympics which raised China's apparent oil demand in the same month last year, China oil demand grew sharply in July adding 0.3 mb/d y-o-y. An estimated 0.2 mb/d of oil was used to top the country's strategic storage in July. Growth in oil demand in the second half of the year is expected to more than offset the sharp decline that was seen in the first quarter. China's oil demand is forecast to grow by 0.1 mb/d to average 8.1 mb/d in 2009.

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




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




## World oil demand in 2010

*World oil demand to stop the decline and incur growth of 0.5 mb/d in 2010*

In anticipation of a slow economic recovery next year, world oil demand growth is expected at 500 tb/d. As seen in recent years, most of the growth will take place in non-OECD, mainly China, India, the Middle East and Latin America. The bulk of oil demand will come from the industrial, transport and petrochemical sectors. The agricultural sector will show some moderate fuel usage growth, primarily in the developing world. The main factors, besides the world economy, that might play an important role in next year's oil demand are oil prices, taxes and the removal of price subsidies.

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

| | | | | | | | Change 2010/09 | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2010 | Volume | % |
| North America | 23.23 | 23.60 | 22.99 | 23.25 | 23.84 | 23.42 | 0.19 | 0.80 |
| Western Europe | 14.86 | 14.44 | 14.06 | 14.76 | 15.00 | 14.56 | -0.30 | -1.99 |
| OECD Pacific | 7.63 | 7.93 | 7.19 | 7.01 | 7.68 | 7.45 | -0.18 | -2.41 |
| **Total OECD** | **45.72** | **45.96** | **44.23** | **45.01** | **46.52** | **45.43** | **-0.29** | **-0.64** |
| Other Asia | 9.37 | 9.40 | 9.73 | 9.40 | 9.56 | 9.52 | 0.15 | 1.63 |
| Latin America | 5.81 | 5.68 | 5.87 | 6.06 | 5.91 | 5.88 | 0.07 | 1.21 |
| Middle East | 7.10 | 7.16 | 7.30 | 7.53 | 7.26 | 7.31 | 0.22 | 3.04 |
| Africa | 3.22 | 3.31 | 3.28 | 3.20 | 3.30 | 3.27 | 0.05 | 1.51 |
| **Total DCs** | **25.50** | **25.54** | **26.17** | **26.19** | **26.03** | **25.99** | **0.49** | **1.91** |
| FSU | 3.99 | 3.87 | 3.72 | 4.22 | 4.25 | 4.02 | 0.03 | 0.64 |
| Other Europe | 0.76 | 0.75 | 0.73 | 0.77 | 0.78 | 0.76 | 0.00 | 0.02 |
| China | 8.08 | 7.93 | 8.59 | 8.67 | 8.27 | 8.37 | 0.28 | 3.48 |
| **Total "Other Regions"** | **12.83** | **12.56** | **13.03** | **13.65** | **13.30** | **13.14** | **0.31** | **2.39** |
| **Total world** | **84.05** | **84.06** | **83.44** | **84.86** | **85.84** | **84.56** | **0.50** | **0.60** |
| Previous estimate | 83.91 | 84.02 | 83.27 | 84.63 | 85.69 | 84.41 | 0.50 | 0.59 |
| Revision | 0.14 | 0.03 | 0.17 | 0.23 | 0.15 | 0.15 | 0.00 | 0.00 |

*Totals may not add due to independent rounding.*

Expected economic recovery in the US is causing North America's oil demand to switch from negative to positive, adding 0.2 mb/d in 2010. However, the other OECD regions are projected to stay in the red for the whole year. OECD oil demand is forecast contract by 0.3 mb/d in 2010. Oil demand growth in the Middle East and India is estimated at a combined 0.3 mb/d for 2010. China, on the other hand, is expected to increase its oil demand growth by 0.3 mb/d.

World oil demand is projected to stop the decline and incur growth of 0.5 mb/d y-o-y to average 84.6 mb/d in 2010.

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

| | | | Change 2010/09 | | | | Change 2010/09 | |
|---|---|---|---|---|---|---|---|---|
| | 1Q09 | 1Q10 | Volume | % | 2Q09 | 2Q10 | Volume | % |
| North America | 23.51 | 23.60 | 0.09 | 0.37 | 22.87 | 22.99 | 0.11 | 0.49 |
| Western Europe | 14.92 | 14.44 | -0.48 | -3.22 | 14.44 | 14.06 | -0.38 | -2.65 |
| OECD Pacific | 8.14 | 7.93 | -0.22 | -2.65 | 7.39 | 7.19 | -0.20 | -2.67 |
| **Total OECD** | **46.57** | **45.96** | **-0.61** | **-1.31** | **44.70** | **44.23** | **-0.47** | **-1.05** |
| Other Asia | 9.27 | 9.40 | 0.12 | 1.32 | 9.58 | 9.73 | 0.15 | 1.53 |
| Latin America | 5.61 | 5.68 | 0.07 | 1.16 | 5.81 | 5.87 | 0.07 | 1.12 |
| Middle East | 6.96 | 7.16 | 0.21 | 2.99 | 7.08 | 7.30 | 0.21 | 3.01 |
| Africa | 3.26 | 3.31 | 0.05 | 1.50 | 3.23 | 3.28 | 0.05 | 1.52 |
| **Total DCs** | **25.10** | **25.54** | **0.44** | **1.77** | **25.70** | **26.17** | **0.47** | **1.84** |
| FSU | 3.85 | 3.87 | 0.02 | 0.49 | 3.70 | 3.72 | 0.01 | 0.38 |
| Other Europe | 0.77 | 0.75 | -0.02 | -2.59 | 0.73 | 0.73 | -0.01 | -0.68 |
| China | 7.61 | 7.93 | 0.33 | 4.27 | 8.34 | 8.59 | 0.25 | 3.00 |
| **Total "Other Regions"** | **12.23** | **12.56** | **0.32** | **2.65** | **12.77** | **13.03** | **0.26** | **2.03** |
| **Total world** | **83.90** | **84.06** | **0.16** | **0.19** | **83.17** | **83.44** | **0.27** | **0.32** |

*Totals may not add due to independent rounding.*

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

| | | | Change 2010/09 | | | | Change 2010/09 | |
|---|---|---|---|---|---|---|---|---|
| | 3Q09 | 3Q10 | Volume | % | 4Q09 | 4Q10 | Volume | % |
| North America | 22.97 | 23.25 | 0.28 | 1.21 | 23.57 | 23.84 | 0.27 | 1.13 |
| Western Europe | 14.94 | 14.76 | -0.18 | -1.22 | 15.14 | 15.00 | -0.14 | -0.94 |
| OECD Pacific | 7.18 | 7.01 | -0.17 | -2.42 | 7.83 | 7.68 | -0.15 | -1.90 |
| **Total OECD** | **45.09** | **45.01** | **-0.08** | **-0.17** | **46.54** | **46.52** | **-0.03** | **-0.05** |
| Other Asia | 9.25 | 9.40 | 0.15 | 1.64 | 9.37 | 9.56 | 0.19 | 2.01 |
| Latin America | 5.99 | 6.06 | 0.08 | 1.25 | 5.83 | 5.91 | 0.08 | 1.32 |
| Middle East | 7.30 | 7.53 | 0.23 | 3.19 | 7.06 | 7.26 | 0.21 | 2.95 |
| Africa | 3.15 | 3.20 | 0.05 | 1.62 | 3.25 | 3.30 | 0.05 | 1.41 |
| **Total DCs** | **25.68** | **26.19** | **0.51** | **1.99** | **25.51** | **26.03** | **0.52** | **2.03** |
| FSU | 4.19 | 4.22 | 0.03 | 0.74 | 4.21 | 4.25 | 0.04 | 0.90 |
| Other Europe | 0.77 | 0.77 | 0.01 | 0.65 | 0.76 | 0.78 | 0.02 | 2.62 |
| China | 8.41 | 8.67 | 0.26 | 3.09 | 7.98 | 8.27 | 0.29 | 3.64 |
| **Total "Other Regions"** | **13.36** | **13.65** | **0.30** | **2.22** | **12.95** | **13.30** | **0.35** | **2.69** |
| **Total world** | **84.13** | **84.86** | **0.73** | **0.87** | **85.00** | **85.84** | **0.84** | **0.99** |

*Totals may not add due to independent rounding.*

# World Oil Supply

*Non-OPEC supply forecast to increase by 0.34 mb/d in 2009 to average 50.81 mb/d*

## Non-OPEC

### Forecast for 2009

**Non-OPEC supply is expected to average 50.81 mb/d in 2009, representing growth of 0.34 mb/d over the previous year and an upward revision of 70 tb/d from the previous assessment.** Revisions took place in both directions this month but the positive adjustments more than offset the negative ones in terms of volume. Strong production levels in various countries necessitated the upward revisions, raising the question of whether these healthy levels will persist over the coming months. On a quarterly basis, non-OPEC supply in 2009 stands at 51.00 mb/d, 50.55 mb/d, 50.74 mb/d and 50.93 mb/d respectively.

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

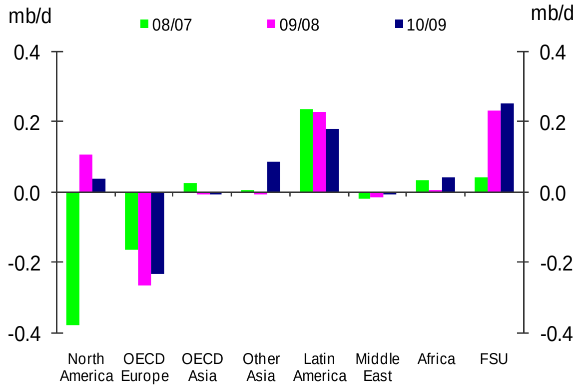


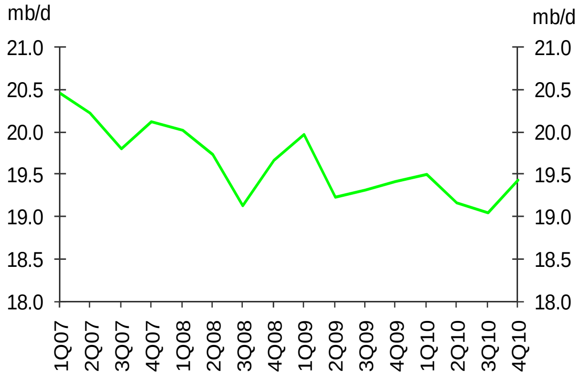

**Table 14: Non-OPEC oil supply in 2009, mb/d**

| | 2008 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 | Change 09/08 |
|---|---|---|---|---|---|---|---|
| North America | 13.92 | 14.18 | 13.89 | 14.06 | 14.00 | 14.03 | 0.11 |
| Western Europe | 5.07 | 5.15 | 4.71 | 4.61 | 4.78 | 4.81 | -0.26 |
| OECD Pacific | 0.63 | 0.64 | 0.61 | 0.64 | 0.63 | 0.63 | 0.00 |
| **Total OECD** | **19.63** | **19.97** | **19.22** | **19.31** | **19.40** | **19.47** | **-0.16** |
| Other Asia | 3.75 | 3.71 | 3.70 | 3.80 | 3.77 | 3.74 | 0.00 |
| Latin America | 4.19 | 4.40 | 4.42 | 4.43 | 4.42 | 4.42 | 0.23 |
| Middle East | 1.65 | 1.63 | 1.61 | 1.65 | 1.65 | 1.64 | -0.02 |
| Africa | 2.74 | 2.73 | 2.73 | 2.77 | 2.78 | 2.75 | 0.01 |
| **Total DCs** | **12.33** | **12.47** | **12.46** | **12.66** | **12.62** | **12.55** | **0.22** |
| FSU | 12.56 | 12.63 | 12.90 | 12.75 | 12.89 | 12.79 | 0.23 |
| Other Europe | 0.15 | 0.14 | 0.13 | 0.14 | 0.14 | 0.14 | -0.01 |
| China | 3.85 | 3.80 | 3.86 | 3.90 | 3.89 | 3.86 | 0.02 |
| **Total "Other regions"** | **16.56** | **16.58** | **16.89** | **16.79** | **16.93** | **16.80** | **0.24** |
| **Total Non-OPEC production** | **48.52** | **49.02** | **48.57** | **48.76** | **48.94** | **48.82** | **0.30** |
| Processing gains | 1.95 | 1.98 | 1.98 | 1.98 | 1.98 | 1.98 | 0.03 |
| **Total Non-OPEC supply** | **50.47** | **51.00** | **50.55** | **50.74** | **50.93** | **50.81** | **0.34** |
| Previous estimate | 50.47 | 51.00 | 50.38 | 50.56 | 51.02 | 50.74 | 0.27 |
| Revision | 0.00 | 0.00 | 0.18 | 0.18 | -0.09 | 0.07 | 0.07 |

## OECD

**Total OECD oil supply is expected to average 19.47 mb/d in 2009, indicating a decline of 160 tb/d from the previous year.** Oil supply from North America is estimated to increase by 110 tb/d to average 14.03 mb/d in 2009. OECD Western Europe supply is expected to drop by 0.26 mb/d in 2009, while OECD Pacific supply is estimated to remain flat in 2009. The expected decline in supply from OECD Western Europe is foreseen to more than offset the growth in North America in 2009. On a quarterly basis, OECD supply stands at 19.97 mb/d, 19.22 mb/d, 19.31 mb/d and 19.40 mb/d respectively.

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




### *USA*

*US supply revised up due to strong ramp-up of new fields*

Oil supply from the US is forecast to grow by 0.35 mb/d over the previous year to average 7.85 mb/d in 2009, indicating an upward revision of 70 tb/d from the previous month. The current supply estimate for the US represents the highest annual increase among all non-OPEC countries in 2009. The healthy level of production experienced in the second quarter required upward revisions to adjust for actual supply figures. Additionally, the fast ramp-up of recent startup projects further supported the upward revision in the third quarter. Among the recent startups is the Tahiti field, where oil was first produced in May 2009 and currently reports show production of more than 125 tb/d. Preliminary data for August shows US total supply stood at 7.77 mb/d or slightly lower than the previous estimate.

### *Canada and Mexico*

*Canada supply is expected to decline slightly in 2009*

Oil supply from Canada is expected to average 3.22 mb/d in 2009, a decline of 30 tb/d over a year earlier, relatively unchanged from the previous month. Despite the flat annual level, there were minor quarterly revisions to Canada supply that offset one another. Canada supply is foreseen to pick up in the third quarter of 2009 compared to the second quarter on the back of ramp-ups of oil sand developments, while the maintenance in the White Rose field is seen to reducing some volumes in August.

*Mexico oil supply to average 2.96 mb/d in 2009*

**Mexico** oil production is estimated to drop 0.21 mb/d from the previous year to average 2.96 mb/d in 2009, unchanged from a month earlier. Mexico supply declined significantly over the previous years, mainly due to lower supply from the mature producing areas. The decline at the Cantarell field has been reported to slow due to ongoing projects such as pressure maintenance and water handling capacity addition. However, it will be difficult to offset the reported decline in the Cantarell field in the first half of 2009 of around 0.30 mb/d compared to the average of the previous year by increasing production at the Ku-Maloob-Zaap and the complex developments of the Chicontepec projects.

### *Western Europe*

**OECD Western Europe** oil supply is predicted to drop 0.26 mb/d from the previous year to average 4.81 mb/d in 2009, representing an upward revision of around 50 tb/d from a month earlier. The healthy level of production due to startups in various projects supported the upward revision. OECD Western Europe supply is expected to have quarterly figures of 5.15 mb/d, 4.71 mb/d, 4.61 mb/d and 4.78 mb/d respectively.

*Norway supply is seen to average 2.34 mb/d in 2009*

Oil supply from **Norway** is anticipated to average 2.34 mb/d in 2009, indicating a decline of 110 tb/d from a year earlier and representing an upward revision of 44 tb/d from the previous forecast. The higher-than-expected supply level in previous months supported the upward revision, where production was enhanced by startups and ramp-ups of fields such as the Tyrihans. Additionally, the return from maintenance of different streams further supported production data.

*UK supply to average 1.51 mb/d in 2009*

The **UK** oil supply is forecast to decline by 90 tb/d over the previous year to average 1.51 mb/d in 2009, relatively unchanged from last month. However, there were few minor quarterly adjustments experienced this month to cater for recent production data. The third quarter is seen lower compared to the second due to maintenance, although the startup and ramp-up of projects such as the Ettrick, Affleck and Shelly should partially offset some the decline. First oil from the Shelly development was achieved with an expected production level of 10 tb/d.

Oil supply from **Denmark** is projected to average 0.27 mb/d in 2009, a decline of 10 tb/d over a year earlier and an upward revision of 10 tb/d compared to the previous forecast. The upward revision was supported by actual production data and came despite the reported shutdown at the Siri field due to technical issues. Other Western Europe supply is expected to decline by 50 tb/d in 2009 to average 0.69 mb/d.

## Asia Pacific

Oil supply from the **OECD Asia Pacific** region is seen to remain unchanged over a year earlier to average 0.63 mb/d in 2009, representing a minor upward revision of 6 tb/d from the previous month. On a quarterly basis, total oil supply is expected to average 0.64 mb/d, 0.61 mb/d, 0.64 mb/d and 0.63 mb/d respectively.

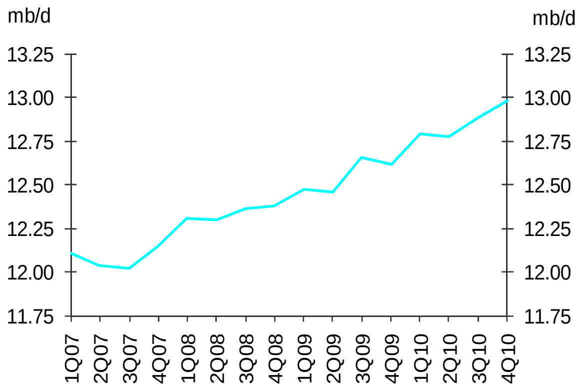
*Australia supply seen to average 0.54 mb/d in 2009, unchanged from 2008*

Oil supply from **Australia** is projected to remain unchanged to average 0.54 mb/d in 2009, indicating an upward revision of 9 tb/d from a month earlier. The upward revision was introduced to adjust for actual production data as well as to partially accommodate recent information that the delayed Van Gogh project is expected to start up late in 2009.

## Developing Countries

**Developing Countries (DCs)** are expected to increase oil production by 0.22 mb/d over the previous year to average 12.55 mb/d in 2009. The growth forecast is supported mainly by Latin America, while Other Asia and Africa are seen remaining relatively flat over a year earlier and Middle East supply is estimated to decline. On a quarterly basis, total oil supply in DCs is seen to stand at 12.47 mb/d, 12.46 mb/d, 12.66 mb/d and 12.62 mb/d respectively.

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




*Mangala field startup in India in Late August*

**Other Asia** supply is likely to remain flat compared to the previous year and average 3.74 mb/d in 2009, indicating a downward revision of 50 tb/d from last month. The supply forecast for Brunei, Indonesia and Malaysia was revised down by 10 tb/d, 25 tb/d and 15 tb/d respectively. The downward revisions came mainly on the back of adjustments to actual production data that came below expectation. India, Thailand and Vietnam oil supplies are estimated to grow by 10 tb/d, 10 tb/d and 20 tb/d respectively. India oil production is expected to improve on the back of the startup of the Mangala project in late August. The field is reported to have an initial output of 30 tb/d and expected to ramp up in the coming period. On a quarterly basis, Other Asia supply is expected to average 3.71 mb/d, 3.70 mb/d, 3.80 mb/d and 3.77 mb/d respectively.

*Brazil supply to grow by 0.16 mb/d in 2009*

**Latin America** oil production is forecast to average 4.42 mb/d in 2009, representing growth of 0.23 mb/d over the previous year and indicating a downward revision of 55 tb/d from last month's assessment. The downward adjustments were due to Argentina and Brazil. The oil worker strike in the southern part of Argentina has negatively affected production and dictated a downward revision. Additionally, the actual production data in combination with production outages led to a downward revision of 45 tb/d in the supply forecast for Brazil compared to last month. Recent reports of challenges to meet Brazil production targets further supported the slight downward revision. However, Brazil remains a key contributor to non-OPEC supply in 2009 with the second largest growth among all non-OPEC countries. The ramp-up of recently started production will continue to enhance production in Brazil. On a quarterly basis, Latin America supply stands at 4.40 mb/d, 4.42 mb/d, 4.43 mb/d and 4.42 mb/d respectively.

**Middle East** oil production is estimated to average 1.64 mb/d in 2009, a decline of 20 tb/d from the previous year, representing a downward revision of 5 tb/d from a month earlier. The minor downward revision was introduced to adjust for actual production figures in Syria. Oman oil supply remained unchanged from the previous month, with anticipated growth of 30 tb/d in 2009, while Yemen is believed to decline. On a quarterly basis, Middle East supply is expected to average 1.63 mb/d, 1.61 mb/d, 1.65 mb/d and 1.65 mb/d respectively.

*Congo supply to improve as Azurite started up*

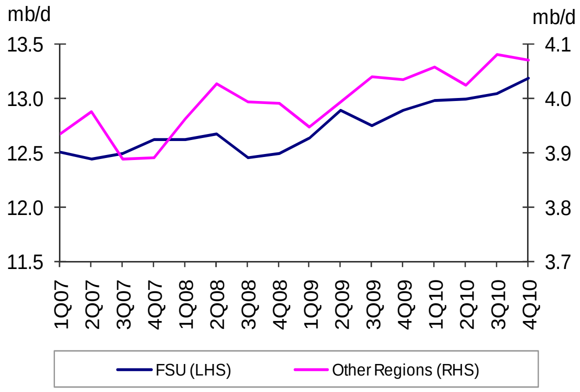
Oil supply from **Africa** is expected to grow by a minor 10 tb/d from a year earlier to average 2.75 mb/d in 2009, a downward revision of 20 tb/d from the previous month. The downward revision was introduced to Other Africa in order to adjust for actual production data. Congo remained the country with highest anticipated growth in Africa of 30 tb/d in 2009 with the support of the Azurite development that started production in August. The quarterly distribution average now stands at 2.73 mb/d, 2.73 mb/d, 2.77 mb/d and 2.78 mb/d respectively.

## FSU, Other Regions

*FSU supply to increase by 0.23 mb/d in 2009 to average 12.79 mb/d*

**FSU** oil production is projected to grow by 0.23 mb/d over the previous year to average 12.79 mb/d in 2009, indicating an upward revision of 71 tb/d from last month. The supply forecasts of the major producing countries now indicate growth in 2009. Azerbaijan is leading so far and Russia is forecast to move from decline to relatively minor growth. On a quarterly basis, total oil supply in the FSU is expected to average 12.63 mb/d, 12.90 mb/d, 12.75 mb/d and 12.89 mb/d respectively. **China** oil supply is seen to grow by a minor 20 tb/d in 2009 to average 3.86 mb/d and **Other Europe** supply is estimated to decline slightly by 10 tb/d to average 0.14 mb/d in 2009.

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




### *Russia*

*Russia supply to increase by 0.05 mb/d in 2009 to average 9.83 mb/d*

Oil supply from **Russia** is forecast to increase by 50 tb/d compared to a year earlier to average 9.83 mb/d in 2009, indicating an upward revision of 50 tb/d from last month. The healthy production levels in July and August according to preliminary data required the upward revision. The startup and rapid ramp-up of the Vankor field – reported to have increased from initial production of 36 tb/d in July to 132 tb/d in August – has largely impacted the supply figures. Additionally, other projects have also supported production such as Uvat and Yuzhno-Khylchuyuskoye. Increased capital expenditure by major producers further supported the upward revision. However, it is worth highlighting that both downward and upward risks subsist to the current forecast which requires further careful monitoring. On a quarterly basis, Russian oil supply is seen to average 9.78 mb/d, 9.88 mb/d, 9.89 mb/d and 9.79 mb/d respectively. Preliminary figures indicate that Russia oil production stood at 9.97 mb/d in August, higher than the previous month.

***Caspian***

**Kazakh** oil supply is foreseen to grow by 80 tb/d over a year earlier to average 1.49 mb/d in 2009, unchanged from the previous month. The current forecast indicates a q-o-q drop in production in the third quarter, mainly on the back of maintenance. Recently it was reported that maintenance will limit the production of the Tengiz field which will lead to curbed exports. The quarterly supply figures are currently estimated at 1.48 mb/d, 1.51 mb/d, 1.40 mb/d and 1.58 mb/d respectively.

*Azeri oil supply to grow by 0.11 mb/d in 2009 to average 1.01 mb/d*

Oil production from **Azerbaijan** is expected to increase by 0.11 mb/d over a year earlier to average 1.01 mb/d in 2009, representing an upward revision of 20 tb/d from the previous month. Actual production data supported the upward revisions due to healthy supply from the Azeri-Chirag-Guneshli (ACG) field. The upward revision came despite the anticipated decline in third-quarter supply compared to the second quarter on the back of seasonal maintenance. The quarterly breakdown now stands at 0.94 mb/d, 1.08 mb/d, 0.99 mb/d and 1.05 mb/d respectively.

## China

**China** oil production is anticipated to average 3.86 mb/d in 2009, minor growth of 0.02 mb/d over a year earlier, unchanged from last month. The quarterly figures are seen to average 3.80 mb/d, 3.86 mb/d, 3.90 mb/d and 3.89 mb/d respectively.

## Forecast for 2010

*Non-OPEC supply to increase by 0.42 mb/d in 2010 and average 51.22 mb/d*

**Non-OPEC supply is forecast to increase by 0.42 mb/d over 2009 to average 51.22 mb/d in 2010, indicating an upward revision of 55 tb/d from the previous month.** On a quarterly basis, non-OPEC supply is anticipated to average 51.31 mb/d, 50.93 mb/d, 51.02 mb/d and 51.63 respectively. Non-OPEC supply growth in 2010 decreased slightly by 10 tb/d from last month's figure due partially to the revisions carried out to the 2009 supply estimates.

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

| | 2009 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2010 | Change 10/09 |
|---|---|---|---|---|---|---|---|
| North America | 14.03 | 14.15 | 13.97 | 13.98 | 14.19 | 14.07 | 0.04 |
| Western Europe | 4.81 | 4.75 | 4.59 | 4.41 | 4.57 | 4.58 | -0.23 |
| OECD Pacific | 0.63 | 0.60 | 0.60 | 0.65 | 0.66 | 0.63 | 0.00 |
| **Total OECD** | **19.47** | **19.50** | **19.16** | **19.04** | **19.42** | **19.28** | **-0.20** |
| Other Asia | 3.74 | 3.83 | 3.85 | 3.82 | 3.83 | 3.83 | 0.09 |
| Latin America | 4.42 | 4.53 | 4.52 | 4.63 | 4.71 | 4.60 | 0.18 |
| Middle East | 1.64 | 1.65 | 1.64 | 1.63 | 1.62 | 1.64 | 0.00 |
| Africa | 2.75 | 2.78 | 2.77 | 2.80 | 2.82 | 2.79 | 0.04 |
| **Total DCs** | **12.55** | **12.79** | **12.78** | **12.88** | **12.98** | **12.86** | **0.31** |
| FSU | 12.79 | 12.98 | 12.98 | 13.04 | 13.18 | 13.05 | 0.25 |
| Other Europe | 0.14 | 0.14 | 0.14 | 0.14 | 0.14 | 0.14 | 0.00 |
| China | 3.86 | 3.91 | 3.88 | 3.94 | 3.93 | 3.92 | 0.05 |
| **Total "Other regions"** | **16.80** | **17.04** | **17.01** | **17.12** | **17.25** | **17.10** | **0.31** |
| **Total Non-OPEC production** | **48.82** | **49.33** | **48.95** | **49.04** | **49.65** | **49.24** | **0.42** |
| Processing gains | 1.98 | 1.98 | 1.98 | 1.98 | 1.98 | 1.98 | 0.00 |
| **Total Non-OPEC supply** | **50.81** | **51.31** | **50.93** | **51.02** | **51.63** | **51.22** | **0.42** |
| Previous estimate | 50.74 | 51.25 | 50.89 | 50.98 | 51.55 | 51.17 | 0.43 |
| Revision | 0.07 | 0.06 | 0.04 | 0.04 | 0.08 | 0.05 | -0.01 |

### Revisions to the 2010 forecast

Oil supply from the US, Norway, Russia and Azerbaijan experienced some upward revisions, mainly due to changes in the historical base. On the other hand, Brunei, Indonesia, Malaysia, Argentina, Brazil and Syria supply forecasts were revised down for 2010 due to the historical changes to the base of 2009. Russia and Norway oil production forecasts were revised up slightly in 2010 to cover new developments. Russia oil supply is forecast to average 9.82 mb/d in 2010, relatively steady from 2009, with a minor decline of 10 tb/d. The expected supply from Russia in 2010 indicates an upward revision of 93 tb/d from the previous month. The increase in capital expenditure by some operators as well as healthy ramp-ups supported the upward revision. Norway oil supply experienced a minor upward revision with 2010 production now anticipated to drop 0.11 mb/d, enhanced by 20 tb/d over the previous month. The upward revision came on the back of a redistribution of various projects.

## OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are expected to average 4.73 mb/d in 2009, representing growth of 0.41 mb/d over the previous year. In 2010, OPEC NGLs are forecast to average 5.27 mb/d for an increase of 0.54 mb/d over the current year.

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

| | 2007 | 2008 | Change 08/07 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 | Change 09/08 | 2010 | Change 10/09 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total OPEC** | **4.03** | **4.31** | 0.28 | 4.59 | 4.63 | 4.78 | 4.91 | **4.73** | 0.41 | **5.27** | 0.54 |

## OPEC crude oil production

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

Total OPEC crude oil production averaged 28.83 mb/d in August, according to secondary sources, up by 92 tb/d from the previous month. OPEC production, not including Iraq, stood at 26.33 mb/d, up by 115 tb/d from the previous month. Most Member Countries crude oil production experienced minor increases ranging from minus 23 tb/d to plus 23 tb/d, while production in Ecuador and Iraq declined slightly.

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

| | 2008 | 3Q08 | 4Q08 | 1Q09 | 2Q09 | Jun 09 | Jul 09 | Aug 09 | *Aug/Jul* |
|---|---|---|---|---|---|---|---|---|---|
| Algeria | 1,382 | 1,393 | 1,354 | 1,266 | 1,266 | 1,269 | 1,271 | 1,274 | *3.3* |
| Angola | 1,871 | 1,845 | 1,870 | 1,700 | 1,743 | 1,791 | 1,811 | 1,814 | *2.8* |
| Ecuador | 503 | 503 | 501 | 482 | 479 | 480 | 476 | 473 | *-2.5* |
| Iran, I.R. | 3,892 | 3,917 | 3,831 | 3,692 | 3,724 | 3,748 | 3,757 | 3,763 | *6.7* |
| Iraq | 2,341 | 2,329 | 2,336 | 2,325 | 2,406 | 2,433 | 2,519 | 2,496 | *-23.0* |
| Kuwait | 2,554 | 2,600 | 2,500 | 2,276 | 2,241 | 2,232 | 2,241 | 2,264 | *23.0* |
| Libya, S.P.A.J. | 1,718 | 1,680 | 1,697 | 1,577 | 1,560 | 1,569 | 1,563 | 1,577 | *14.2* |
| Nigeria | 1,947 | 1,955 | 1,931 | 1,815 | 1,740 | 1,726 | 1,684 | 1,692 | *7.8* |
| Qatar | 840 | 859 | 810 | 762 | 769 | 776 | 774 | 783 | *8.7* |
| Saudi Arabia | 9,113 | 9,460 | 8,760 | 7,964 | 7,990 | 8,062 | 8,125 | 8,140 | *15.0* |
| UAE | 2,557 | 2,603 | 2,431 | 2,268 | 2,244 | 2,246 | 2,251 | 2,267 | *15.8* |
| Venezuela | 2,487 | 2,478 | 2,432 | 2,302 | 2,274 | 2,267 | 2,268 | 2,288 | *19.8* |
| **Total OPEC** | **31,206** | **31,623** | **30,454** | **28,428** | **28,437** | **28,599** | **28,738** | **28,830** | ***91.6*** |
| **OPEC excl. Iraq** | **28,865** | **29,295** | **28,118** | **26,103** | **26,031** | **26,166** | **26,219** | **26,334** | ***114.7*** |

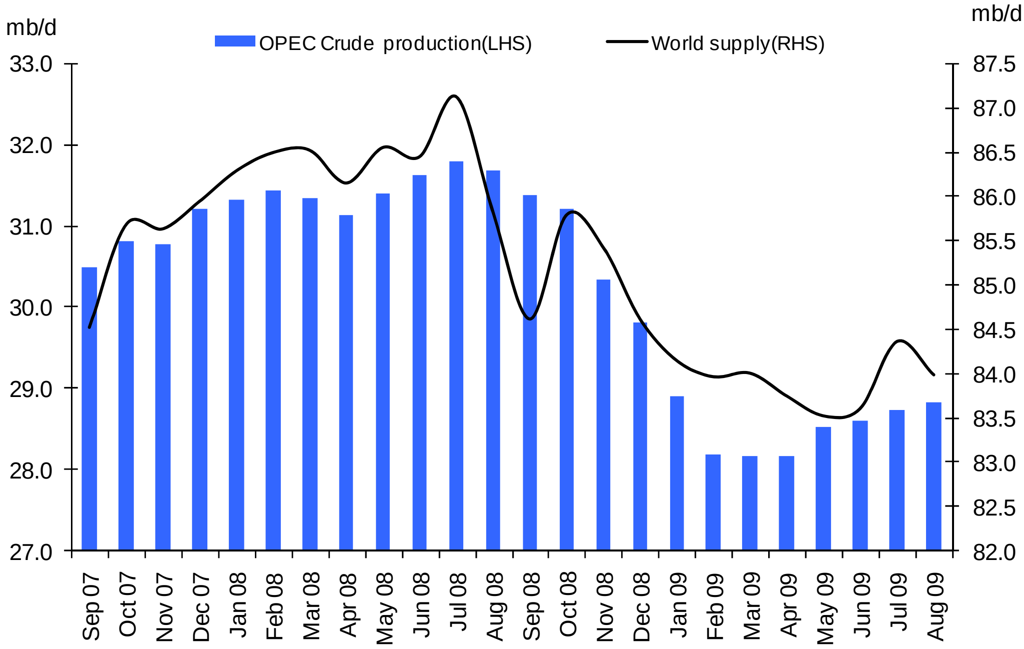
*Totals may not add due to independent rounding.*

## World Oil Supply

*Global supply in August estimated at 83.98 mb/d*

Preliminary figures show that world oil supply averaged 83.98 mb/d in August, around 0.37 mb/d lower than the previous month. OPEC crude is estimated to have a 34.3% share in global supply, slightly higher than the previous month due to the increase in OPEC crude production and lower non-OPEC supply. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production according to secondary sources.

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

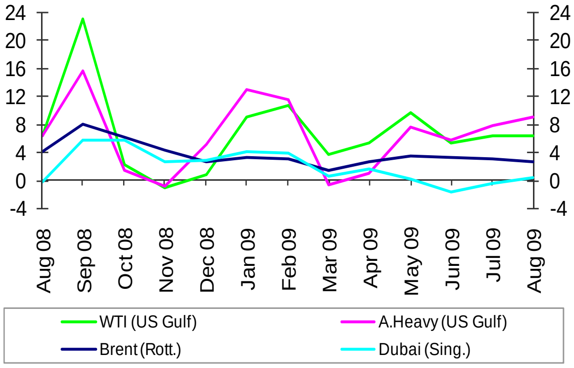


# Product Markets and Refinery Operations

*Refining margins remained unhealthy in markets outside the US*

**Ample distillate stocks dampened product market sentiment and overshadowed positive developments in other components of the barrel complex in August. With the end of driving season and slowing gasoline cracks over the recent weeks, there is a risk that refinery economics will lose further ground, encouraging refiners to trim typical seasonal runs in the coming months. This situation along with the start of autumn maintenance schedules is not likely to be sufficient to provide support for the crude oil market.**

Graph 23: Refining margins




As **Graph 23** shows, refining margins for WTI crude on the US Gulf Coast increased marginally by 4¢ to $6.26/b in August from $6.22/b in the previous month. The recent fall in the gasoline crack spread may have adverse effects on US refining margins. European refinery performance was relatively poor in August and refining margins for Brent crude in Rotterdam slipped to $2.65/b from $3.07/b in July.

Dubai crude oil refining margins in Singapore rose by 73¢/b to reach 34¢/b in August from minus 39¢ last month. Generally, refining margins in Asia – with the exception of China which benefits from its exceptional domestic product pricing mechanism – look unhealthy which may encourage refiners to trim their throughputs as much as economically feasible.

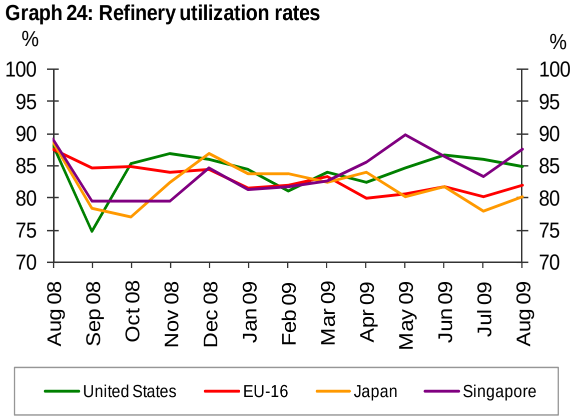
Looking ahead, amid the end of the driving season, slowing gasoline cracks, the start of autumn refinery maintenance schedules and prevailing bearish fundamentals for middle distillates as well as ample idle refining capacity, product market developments are not expected to be sufficient to provide a lift to crude prices in the coming months.

## Refinery operations

*Refinery throughputs remained muted across the globe*

Weak refining margins undermined refinery runs during the peak driving season and refiners have been running at much lower-than-typical seasonal levels in recent months. Persisting concerns about large products stocks resulting from the ongoing economic crisis and slowing product demand have encouraged refiners to be more alert and follow a smart operational approach in recent months.

Graph 24: Refinery utilization rates




**As Graph 24 shows, the refinery utilization rate in the US declined by 1.2% compared with the previous month to reach 84.7% in August from 85.9% last month. In Europe, refinery utilization rates also rose by 1.8% and reached 81.8% from 80% in July. In Asia, refinery throughputs soared in China but remained relatively muted in other countries. Refinery utilization rates in Japan rose by 2.2% to 80.1% in August from 77.9% in the previous month.**

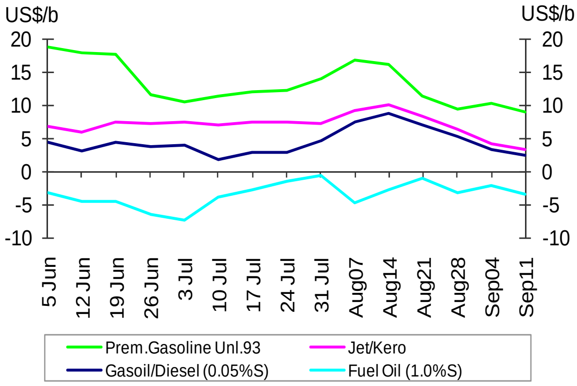
Looking ahead, with the end of the driving season, start of seasonal maintenance, as well as huge stocks of middle distillates across the world, refinery utilization rates are expected to rise significantly in the coming months.

*The performance of the US product market was better than other markets in August*

***US market***

**Higher demand for gasoline at the peak of the driving season and fewer arbitrage cargoes from Europe provided support for the US gasoline market, especially in the first half of August. In the latter part of the same month amid increasing refinery runs and output as well as the switch to winter grades, gasoline market sentiment has eased and its crack spread narrowed compared to previous weeks As Graph 25 indicates, the gasoline crack spread on the US Gulf Coast rose to above $16/b in early August, but then fell to around $10/b later on. With the end of the driving season, the gasoline market is expected to lose ground in the future**.

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




The middle distillate market remained weak amid a buildup of distillate stocks in the US and limited arbitrage opportunities to Europe during August. US distillate stocks reached around 167 mb which is 35 mb ahead of this time last year and the highest level in the last 30 years. With the end of the driving season, US refiners typically switch their operation mode in favour of distillates, but it is not expected that they follow their typical operational policy this year due to the weak distillates market. The gasoil crack spread on the US Gulf Coast fell to around $3/b in early September (*see **Graph 25***). Jet fuel prices also fell and by the end of holiday season, the demand for jet fuel from aviation industries is expected to deteriorate further and exert more pressure on the jet fuel market.

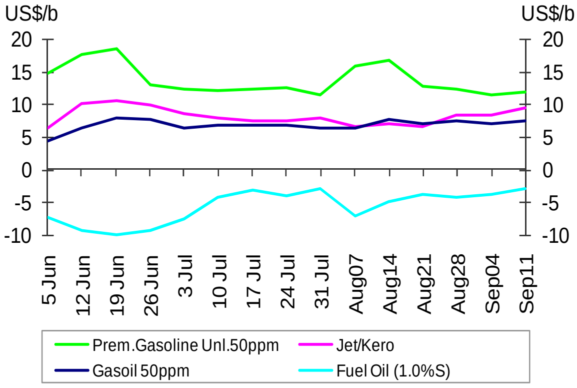
The US fuel oil market performed well in August due to higher demand from utility plants and export opportunities to Asia Pacific and Latin America. The low sulfur fuel oil crack spread against WTI crude on the US Gulf Coast narrowed to around minus $2/b (*see **Graph 25***). The current situation of the fuel oil market may tighten further in the future amid slowing refinery output and export opportunities to South America and Asia.

*The bearish sentiment persisted in the European product markets in August*

***European market***

**Limited arbitrage opportunities to the US and increasing gasoline stocks in Rotterdam have overwhelmed other positive developments in the European gasoline market including export opportunities to the Middle East, exerting pressure on the European gasoline market. The gasoline spread against Brent crude oil fell particularly over the last two weeks to reach $11.40/b early September from about $16/b over the same period of the previous month (*see Graph 26*). With the end of the driving season, there is a risk that the European gasoline market will continue to weaken.**

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




In contrast, the European naphtha market sentiment improved in August amid tight regional supplies resulting from refinery run cuts and higher demand from European petrochemical units. Following these developments, European naphtha exports to Asia fell compared to the previous months.

The European distillates market remained fundamentally weak, but the gasoil crack spread widened slightly in August from the previous month on the back of expectations of further refinery run cuts in the coming months and lower imports from the US and Asia. The gasoil crack spread versus Brent crude oil rose to over \$7/b in August from around \$6.50/b in July (*see **Graph 26***).

It is worth noting that the major problem of the European distillates market is ample stocks both on-shore and off-shore. The recent bearish developments on the ICE gasoil futures market, resulting from increasing Russian exports, have also led to a widening contango for the gasoil market and the likelihood of a continued surge in off-shore distillate stock builds. Considering the bulk of distillate stocks even in tertiary storage, European distillate prices are not expected to lift in the future. German residential heating oil stocks remain at 66% of household tank capacity in August.

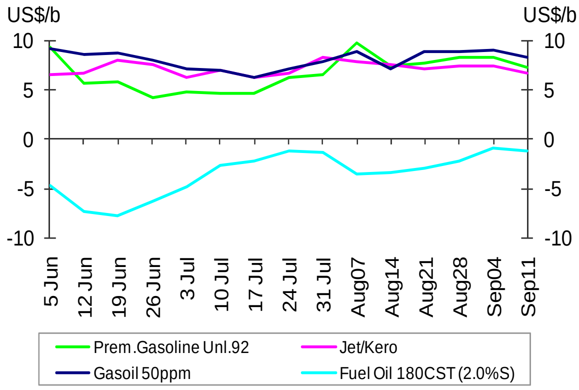
The European fuel oil market was strong in August which was attributed to lower regional supplies, higher exports to Asia and declining fuel oil stock levels in Rotterdam. The persistent bearish sentiment in the European market may cause throughput levels to fall sharply in the shoulder season, which would lead to a further tightening of supply for fuel oil and narrow the fuel oil discount against crude oil. As **Graph 26** shows, the crack spread for low sulfur fuel oil versus Brent crude narrowed sharply to around minus \$3/b in August from around minus \$7/b in the previous months.

### *Asian market*

*Sentiment in the Asian naphtha market improved in the latter part of August*

**A lack of arbitrage cargoes from the West and increasing demand from Asian petrochemical units, particularly in China, provided support for the Asian naphtha market. Following these developments the naphtha price and crack spread versus crude has improved significantly. Some traders believe that current tight naphtha supplies would ease, as Qatar will inject new supplies into the market from October.**

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




The Asian gasoline market remained weak in August especially in the last week of the same month amid the restart of gasoline-making units at Indonesia's Balongan Refinery. But this situation improved slightly in early September due to the unplanned shutdown at Vietnam's Dung Quat refinery and reduced gasoline exports from China and Taiwan amid refinery maintenance. The gasoline crack spread against Dubai crude oil in Singapore was steady at around \$8/b in August (*see **Graph 27***).

The middle distillate market in Asia remained in the doldrums. Regional demand remained sluggish outside of Vietnam, where unscheduled refinery maintenance created an unexpected need for cargoes. Market players in Asia are looking for either export opportunities to Europe or to store gasoil in floating storage. The gasoil crack spread versus Dubai crude remained around \$8.50/b in August (*see **Graph 27***). Asia's jet fuel also lost ground in August as regional supplies outpaced demand and jet fuel prices fell below diesel prices. This situation deteriorated further amid limited arbitrage opportunities to the US West Coast and lower imports to China. A Chinese tender to buy late September and October cargoes representing around 827,000 b indicates half the demand recorded in the same period last year.

With regard to fuel oil, the Asian market remained strong because of tight regional supplies resulting from refinery run cuts, increasing bunker demand and lower exports, especially from the Middle East. Time-spreads and fuel oil cracks for the coming months have firmed, reflecting strong underlying fundamentals for the future. In line with these developments, fuel oil prices in the swaps market remained in backwardation and its crack spread versus Dubai crude narrowed to nearly minus \$1/b in recent weeks.

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

| | | Jun 09 | Jul 09 | Aug-09 | Change Aug/Jul |
|---|---|---|---|---|---|
| **US Gulf (Cargoes):** | | | | | |
| Naphtha | | 74.77 | 67.07 | 75.27 | 8.20 |
| Premium gasoline | *(unleaded 93)* | 85.41 | 73.90 | 84.27 | 10.36 |
| Regular gasoline | *(unleaded 87)* | 81.10 | 71.23 | 81.79 | 10.56 |
| Jet/Kerosene | | 76.36 | 69.13 | 79.40 | 10.27 |
| Gasoil | *(0.05% S)* | 73.41 | 65.23 | 78.09 | 12.86 |
| Fuel oil | *(1.0% S)* | 64.46 | 58.96 | 68.06 | 9.10 |
| Fuel oil | *(3.0% S)* | 60.15 | 57.24 | 66.21 | 8.97 |
| **Rotterdam (Barges FoB):** | | | | | |
| Naphtha | | 62.74 | 61.36 | 67.48 | 6.12 |
| Premium gasoline | *(unleaded 10 ppm)* | 85.27 | 76.95 | 83.11 | 6.16 |
| Premium gasoline | *(unleaded 95)* | 78.94 | 71.23 | 76.93 | 5.70 |
| Jet/Kerosene | | 78.47 | 72.27 | 76.08 | 3.82 |
| Gasoil/Diesel | *(10 ppm)* | 75.69 | 71.44 | 76.18 | 4.74 |
| Fuel oil | *(1.0% S)* | 59.46 | 59.72 | 64.55 | 4.83 |
| Fuel oil | *(3.5% S)* | 59.14 | 59.52 | 63.06 | 3.53 |
| **Mediterranean (Cargoes):** | | | | | |
| Naphtha | | 61.16 | 59.86 | 66.02 | 6.15 |
| Premium gasoline | *(50 ppm)* | 56.76 | 55.55 | 58.40 | 2.86 |
| Jet/Kerosene | | 76.74 | 71.62 | 75.02 | 3.40 |
| Gasoil/Diesel | *(50 ppm)* | 76.80 | 71.62 | 75.30 | 3.68 |
| Fuel oil | *(1.0% S)* | 60.64 | 61.01 | 64.80 | 3.79 |
| Fuel oil | *(3.5% S)* | 59.47 | 59.82 | 63.68 | 3.85 |
| **Singapore (Cargoes):** | | | | | |
| Naphtha | | 65.86 | 62.92 | 67.02 | 4.09 |
| Premium gasoline | *(unleaded 95)* | 77.15 | 72.83 | 78.22 | 5.39 |
| Regular gasoline | *(unleaded 92)* | 75.01 | 70.84 | 76.31 | 5.47 |
| Jet/Kerosene | | 76.45 | 72.39 | 74.93 | 2.54 |
| Gasoil/Diesel | *(50 ppm)* | 77.92 | 72.50 | 76.51 | 4.01 |
| Fuel oil | *(180 cst 2.0% S)* | 62.77 | 62.74 | 64.98 | 2.24 |
| Fuel oil | *(380 cst 3.5% S)* | 62.34 | 62.64 | 64.79 | 2.15 |

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

| | Refinery throughput *mb/d* | | | | Refinery utilization *%* | | | |
|---|---|---|---|---|---|---|---|---|
| | Jun 09 | Jul 09 | Aug 09 | Aug/Jul | Jun 09 | Jul 09 | Aug 09 | Aug/Jul |
| **USA** | 14.88 | 14.98 | 14.58 | -0.40 | 86.5 | 85.9 | 84.7 | -1.2 |
| **France** | 1.51 R | 1.53 R | 1.55 | 0.02 | 76.2 | 78.0 R | 81.7 | 3.7 |
| **Germany** | 2.10 R | 2.04 | 2.06 | 0.02 | 86.8 | 84.5 R | 85.3 | 0.9 |
| **Italy** | 1.71 R | 1.73 R | 1.73 | 0.00 | 73.2 R | 73.9 R | 76.5 | 2.6 |
| **UK** | 1.37 R | 1.38 | 1.39 | 0.01 | 74.6 | 74.4 R | 75.8 | 1.3 |
| **Euro16** | 10.92 R | 10.84 R | 10.88 | 0.04 | 81.6 | 80.0 | 81.8 | 1.8 |
| **Japan** | 3.80 R | 3.64 | 3.63 | -0.01 | 78.6 | 77.9 | 80.1 | 2.1 |

R *Revised since last issue.*
Sources: *OPEC statistics; Argus; Euroilstock Inventory Report; IEA.*

# The Tanker Market

*OPEC spot fixtures increased in August by 4%*

According to preliminary data, OPEC spot fixtures increased in August by 4%, after a sharp decline last month, averaging about 11.04 mb/d, up from 10.65 mb/d in the previous month. Most of the increase is attributed to higher fixtures from the Middle East to West destinations which reached 1.05 mb/d for a gain of 0.15 mb/d while fixtures from the Middle East to East destinations increased to 5.11 mb/d, up by only 0.05 mb/d. In contrast, OPEC spot fixtures in August indicated a decline of 9% compared to the same month a year ago. Global spot fixtures in August were almost steady, with an increase of less than 0.5% compared to the previous month to stand at 17.55 mb/d compared to 17.98 mb/d in the previous month and about 4% lower compared to the same month last year.

Sailings from OPEC were steady in August at 22.59 mb/d, compared to 22.68 mb/d in the previous month, but were 8% lower than a year earlier. Middle East sailings were at 16.43 mb/d, compared to 16.55 mb/d in the previous month and 7% lower than a year earlier. Crude oil arrivals in North America in August were at 8.85 mb/d compared to 8.47 mb/d the previous month. Crude oil arrivals in Europe and the Far East averaged 12.29 mb/d and 8.15 mb/d respectively, both steady compared to the previous month.

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

| | Jun 09 | Jul 09 | Aug 09 | Change Aug/Jul |
|---|---|---|---|---|
| **Spot Chartering** | | | | |
| All Areas | 20.54 | 17.98 | 17.55 | -0.43 |
| OPEC | 13.96 | 10.65 | 11.04 | 0.39 |
| Middle East/ East | 5.27 | 5.06 | 5.11 | 0.05 |
| Middle East/ West | 1.34 | 0.90 | 1.05 | 0.15 |
| Outside Midlle East | 7.35 | 4.69 | 4.88 | 0.19 |
| **Sailings** | | | | |
| OPEC | 22.89 | 22.68 | 22.59 | -0.09 |
| Middle East | 16.69 | 16.55 | 16.43 | -0.12 |
| **Arrivals** | | | | |
| Noth America | 8.51 | 8.47 | 8.85 | 0.38 |
| Europe | 11.75 | 12.34 | 12.29 | -0.05 |
| Far East | 8.01 | 8.11 | 8.15 | 0.04 |
| West Asia | 4.70 | 4.69 | 4.78 | 0.09 |

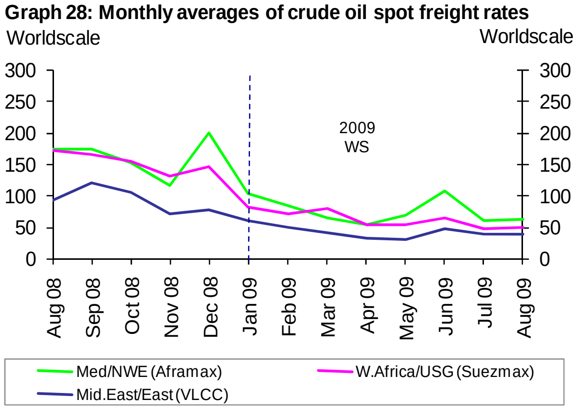
*Source: “Oil Movements” and Lloyd's Marine Intelligence Unit.*

The tanker market had a steady month in August with minor gains for both crude oil and product tanker freight rates. However, this general steadiness was in comparison to July, one of the weakest months thus far in 2009. Freight rates on most routes were once again at levels below breakeven cost throughout the month. The product tanker market performance was relatively better to the East of Suez compared to the West of Suez and in general the market continued its weakness of previous months in August. The VLCC sector gained 4% on average in August as a result of a firmer West African and a steady Middle East market. Higher tonnage availability in the market as a result of a high rate of expansion in the VLCC fleet was the main weakening factor for freight rates on this vessel segment throughout the month and this did not change much due to the fact that more VLCCS were engaged in storage operations in August. Volumes of crude oil stored on tankers actually went down in August with the narrowing of the contango structure in crude oil futures to about 45 mb compared to 55 mb in July, but reports indicated that there was some fuel oil storage build-up on tankers taking place in August and that about 15 mb of fuel oil was stored on at least eight VLCCs in Far East Asia. This was on top of another eight VLCCs tied up in storing middle distillates as part of the average of 50 mb of products stored on tankers in August. By the end of August, more than 60% of crude in floating storage was in the US Gulf Coast and Northwest Europe and more than 50% of middle distillates were stored on tankers in Northwest Europe. Suezmax freight rates gained an average of 4% in August while Aframax freight rates were unchanged.

*Crude oil tanker spot freight rates gained a margin of 2% in August despite a continued weak market*

Taking the top three vessel sizes into consideration, average spot freight rates for crude oil tankers were steady in August compared to the previous month, with a marginal increase of 2%, but were 57% lower compared to the same month a year ago, taking into consideration the changes in Worldscale (WS) flat rates as of January 2009. On average, 1 WS was gained by both the VLCC and Aframax segments in August compared to the previous month, while the Suezmax segment gained 2 WS.

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




On average, VLCC spot freight rates were 4% higher in August compared to the previous month and 48% lower compared to the same month a year ago. This minor monthly gain did not help the general weakness in the market which continued to suffer from soft demand coupled with an oversupply of vessels as a result of a higher-than-average expansion rate in the global VLCC fleet thus far in 2009. Despite the number of vessels engaged in crude oil storage, operations fell by the end of August compared to the beginning of the month, but this was more than offset by additional VLCCs used to store products. Most of the gains that were made in the VLCC market on the Middle East to East route during the first three weeks of the month were lost during the last week. Freight rates on this route started the month at WS34, then reached WS40 by the end of the third week before ending the month at WS31, with a monthly average of WS38 compared to WS37 in July. Freight rates for the Middle East to West route were steady throughout the month, starting at WS28 and ending the month at WS27, indicating about 4% monthly decline.

On the other hand, VLCC rates in West Africa were firmer in August compared to both July and other tanker segments. Freight rates for the West Africa to East route started the month at WS34 and ended at just below WS50 with a monthly average of WS44, indicating a monthly gain of 10% compared to July.

With freight rates climbing from WS43 at the end of the first week to as high as WS68 by the end of the fourth week, the Suezmax market for voyages to the US from West Africa had the best performance compared to all crude tanker routes in August. Freight rates on this route ended the month with a 10% gain compared to the previous month. On the Northwest Europe to the US Suezmax route, freight rates also gained 6% in August as a result of a sudden tightening of the market during the second and third week of the month. On both routes, freight rates eased towards the end of August as a result of higher tonnage availability with a good number of vessels choosing to ballast into these regions.

Average Aframax spot freight rates were steady in August compared to the previous month. This was the result of a generally weaker market to the East of Suez, being offset by a slightly firmer market to the West of Suez. Reduced activity to the East of Suez brought Aframax freight rates down by 7% in August compared to the previous month, while in the Mediterranean market, Aframax freight rates gained 5% on average for both the cross-Mediterranean and the Mediterranean to Northwest Europe route. Freight rates on the Aframax Caribbean market ended the month unchanged from the previous month as the brief firmness during the first week of the month was lost throughout the remainder of the month amid lower exports of sour Caribbean oil grades.

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

| | Size *1,000 DWT* | Jun 09 | Jul 09 | Aug 09 | Change Aug/Jul |
|---|---|---|---|---|---|
| ***Crude*** | | | | | |
| Middle East/east | 230-280 | 46 | 37 | 38 | 0 |
| Middle East/west | 270-285 | 33 | 28 | 27 | -1 |
| West Africa/east | 260 | 45 | 40 | 44 | 4 |
| West Africa/US Gulf Coast | 130-135 | 65 | 48 | 51 | 3 |
| NW Europe/USEC - USGC | 130-135 | 63 | 46 | 47 | 1 |
| Indonesia/US West Coast | 80-85 | 62 | 67 | 62 | -5 |
| Caribbean/US East Coast | 80-85 | 83 | 67 | 67 | 0 |
| Mediterranean/Mediterranean | 80-85 | 111 | 64 | 67 | 4 |
| Mediterranean/North-West Europe | 80-85 | 106 | 59 | 62 | 4 |

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

*Product tanker spot freight rates increased in August by an average of 2% with a better performance to the East of Suez*

The performance of the product tanker market in August was not much different than the crude oil tanker market. Product spot freight rates increased on average by a margin of 2% compared to July, yet were 57% lower compared to a year earlier. Support for clean spot freight rates to the East of Suez came from the continued good demand for naphtha in the Far East and higher activity on both the Middle East and Singapore markets. Clean spot freight rates on these markets increased in August by 10% and 9% respectively, both compared to a month ago. To the West of Suez, the market was weaker in the Mediterranean and Northwest Europe on much lower arbitrage windows and subsequently higher tonnage availability compared to the previous month. Freight rates declined in these markets by 2% and 5% respectively. On the other hand, the Caribbean product market managed to gain 5% by the end of the month. On average, product spot freight rates were 1% lower in August to the West of Suez and 9% higher to the East of Suez.

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

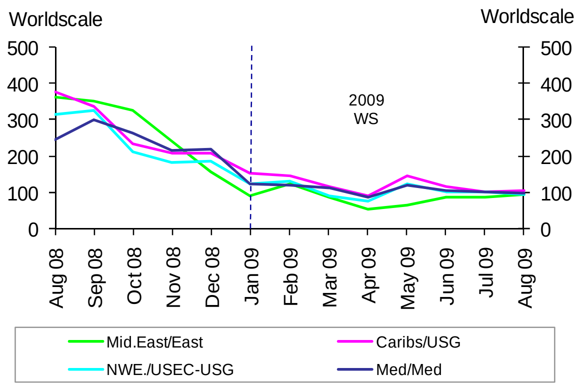



**Table 22: Spot tanker product freight rates, Worldscale**

| | Size *1,000 DWT* | Jun 09 | Jul 09 | Aug 09 | Change Aug/Jul |
|---|---|---|---|---|---|
| ***Products*** | | | | | |
| Middle East/east | 30-35 | 88 | 86 | 95 | 9 |
| Singapore/east | 30-35 | 74 | 74 | 81 | 7 |
| Caribbean/US Gulf Coast | 38-40 | 118 | 103 | 108 | 5 |
| NW Europe/USEC - USGC | 33-37 | 103 | 100 | 95 | -5 |
| Mediterranean/Mediterranean | 30-35 | 105 | 101 | 99 | -2 |
| Mediterranean/North-West Europe | 30-35 | 115 | 111 | 109 | -2 |

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

# Oil Trade

*US net oil imports were 6% lower in August backed by reduced net crude and product imports*

## USA

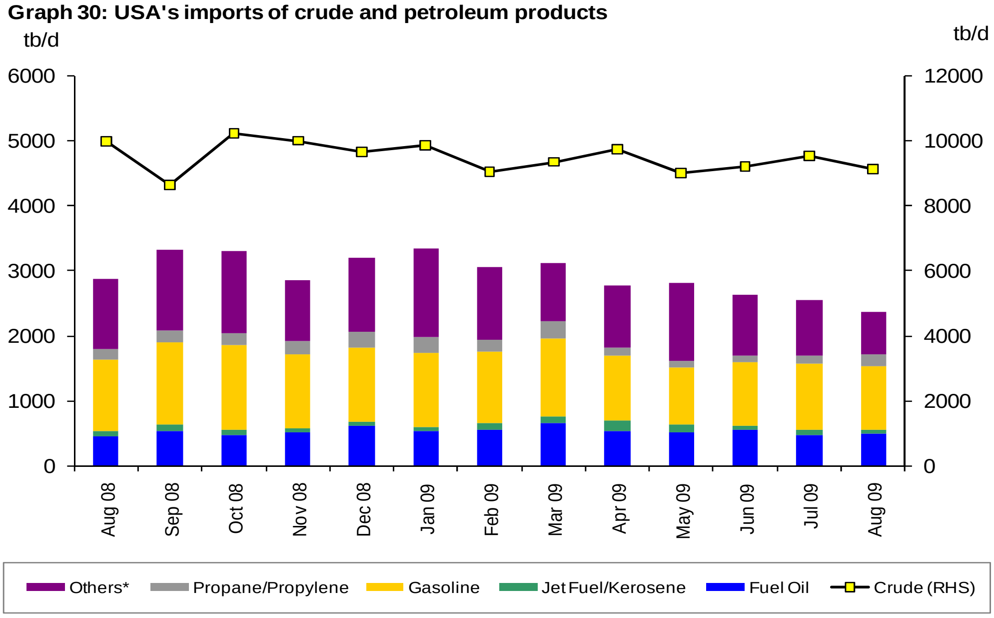
According to latest official data, US crude oil imports in August declined to average 9.1 mb/d, about 4% or 400,000 b/d lower compared to the previous month and about 12% or 1.19 mb/d lower compared to the same month last year. August crude imports bring US average imports for the first eight months of 2009 to about 9.34 mb/d, about 6% or 0.56 mb/d lower compared to the same period a year earlier.

US product imports also declined in August by 8% or 159,000 b/d compared to the previous month to average 2.36 mb/d, about 15% lower than the same month last year. Finished motor gasoline imports were 296,000 b/d, an increase of 13% over the month before and 44% higher compared to the same month last year. Average gasoline imports during the first eight months of 2009 were 0.25 mb/d, a decline of 30% from the same period a year earlier. Distillate fuel oil imports in August were 167,000 b/d compared to 201,000 b/d in July. This level of imports indicates a 53% increase compared to the same month last year, and average distillate fuel oil imports during the first eight months of 2009 were 13% higher compared to the same period in 2008. Residual fuel oil imports in August were 266,000 b/d compared to 229,000 b/d in the previous month and 334,000 b/d in the same month last year. Average residual fuel oil imports during the first eight months of 2009 were steady compared to the same period last year. Jet fuel imports in August averaged 89,000 b/d, down from 99,000 b/d in the previous month but 13,000 b/d higher compared to the same period a year earlier.

On the export side, US product exports were 2% lower in August compared to the previous month, averaging 1.82 mb/d. On a y-o-y basis, this volume of product exports is about 10% or 204,000 b/d lower compared to a year earlier. US product exports during the first eight months of 2009 averaged 1.73 mb/d, a decline of 9% from the same period last year.

As a result, US net oil imports in August were 6% or 560,000 b/d lower compared to the previous month to average about 9.6 mb/d. The 402,000 b/d decline in net crude oil imports in August was accompanied by the 158,000 b/d decline in net product imports, both compared to the previous month. August net oil imports were 13% lower compared to a year earlier and average net oil imports during the first eight months of 2009 were 10.4 mb/d, a decline of 6% from the same period last year.

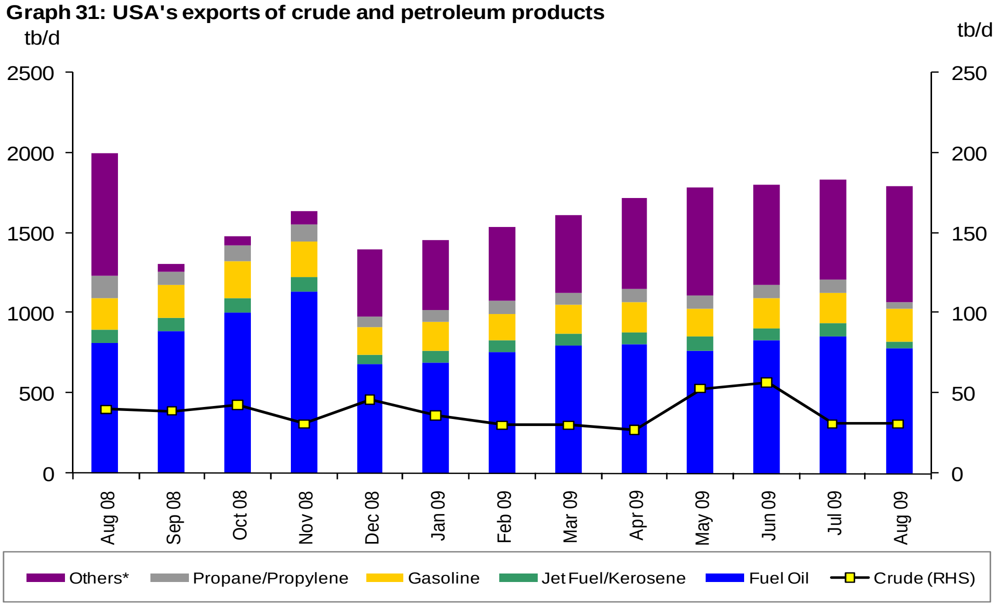
**Graph 30: USA's imports of crude and petroleum products**




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

Canada was the top crude oil supplier to the US in June 2009 supplying about 2.0 mb/d, up from 1.75 mb/d in the previous month. Venezuela was next, supplying about 1.12 mb/d, down from about 1.23 mb/d in the previous month. Mexico and Saudi Arabia came next with 1.1 mb/d and 0.9 mb/d respectively. Altogether, OPEC Member Countries supplied about 4.29 mb/d or 46.8% of total US crude oil imports in June, up from 4.04 mb/d the previous month. For product imports, once again Canada was the top product supplier to the US in June, supplying about 0.53 mb/d, up from 0.46 mb/d in the previous month. Russia was next, supplying 0.27 mb/d in June, down from 0.4 mb/d in the previous month, followed by the Virgin Islands and Algeria with 0.27 mb/d and 0.22 mb/d respectively.

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




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

For OPEC Member Countries, in addition to Algeria, Venezuela supplied the US with 0.11 mb/d of product imports in June followed by Nigeria with 0.06 mb/d. Altogether OPEC Member Countries supplied about 520,000 b/d, up from 431,000 b/d in the previous month. For US product exports, Mexico was the top importer in June with about 0.4 mb/d of total US product exports. Netherland was next, importing about 145,000 b/d. Canada imported 144,000 b/d of products from the US in June. Altogether, OPEC Member Countries imported an average of 79,000 b/d of US products in June, down from 154,000 b/d in the previous month.

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

| | Jun 09 | Jul 09 | Aug 09 | Change Aug/Jul |
|---|---|---|---|---|
| Crude oil | 9,163 | 9,466 | 9,064 | -402 |
| Total products | 793 | 691 | 533 | -158 |
| **Total crude and products** | **9,956** | **10,157** | **9,597** | **-560** |

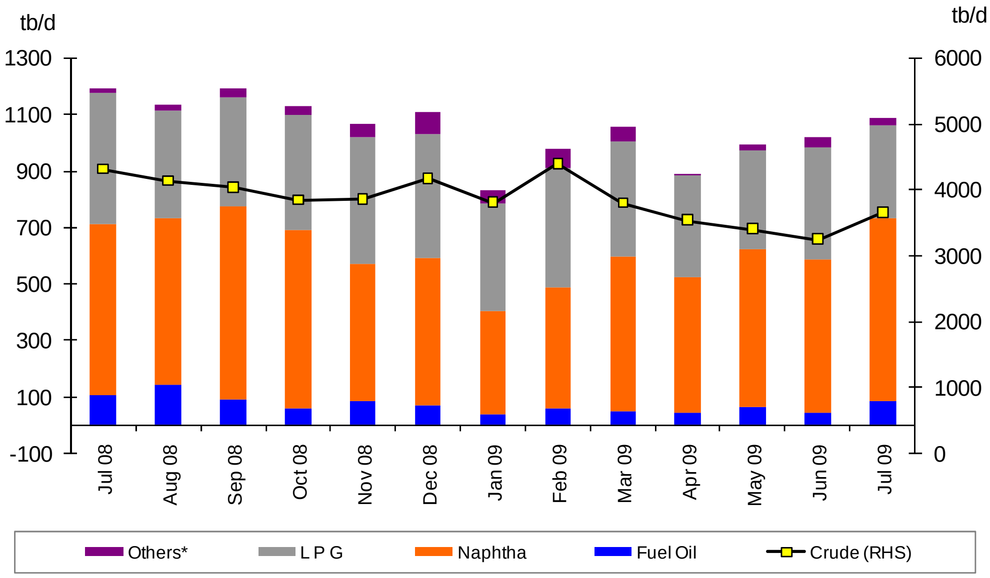
## Japan

*Japan's net crude oil imports were 15% higher in July due to a 0.4 mb/d increase in crude imports*

According to Japanese published data, Japan's crude oil imports rebounded in July after four successive monthly declines since February to average 3.65 mb/d, about 413,000 b/d or 13% higher compared to the previous month. Despite that, July's crude oil imports indicated a drop of 0.66 mb/d or 15% compared to the same period last year, marking the tenth month in a row that Japan's crude oil imports indicated a decline on a year-on-year basis. At the same time, Japan's average crude oil imports for the first seven months of 2009 were about 3.68 mb/d, representing a decline of 15% or 629,000 b/d from the country's imports during the same period in 2008.

Similarly, Japan's product imports increased in July by 67,000 b/d, or 7% compared to previous month, to average about 1.09 mb/d, displaying an annual decline of 9% compared to the same month last year. Japan mainly imports three products, naphtha, LPG and fuel oil which accounted for about 98% of its total monthly product imports in July. Naphtha imports in July were at 644,000 b/d, the highest volume since October 2008, up by 19% or 103,000 b/d from the previous month and by 6% from a year earlier. Average naphtha imports for the first seven months of 2009 were 12% lower compared to the same period in 2008. LPG imports in July averaged 331,000 b/d, indicating a drop of 17% compared to the previous month and 29% compared to a year ago. Average LPG imports for the first seven months of 2009 were 74,000 b/d or 16% lower compared to the same period in 2008. Fuel oil imports in July were 85,000 b/d, more than double compared to the previous month, yet they were 17% lower compared to a year earlier. Average fuel oil imports for the first seven months of 2009 were 52% lower compared to the same period in 2008. Japan also imported about 18,000 b/d of gasoline in July compared to 35,000 b/d the month before. Naphtha imports counted for 59% of Japan's total product imports in July, LPG 30% and fuel oil about 8%. Japan's average product imports in the first seven months of 2009 averaged 0.98 mb/d, indicating a decline of 177,000 b/d or 15% compared to average product imports in the same period last year.

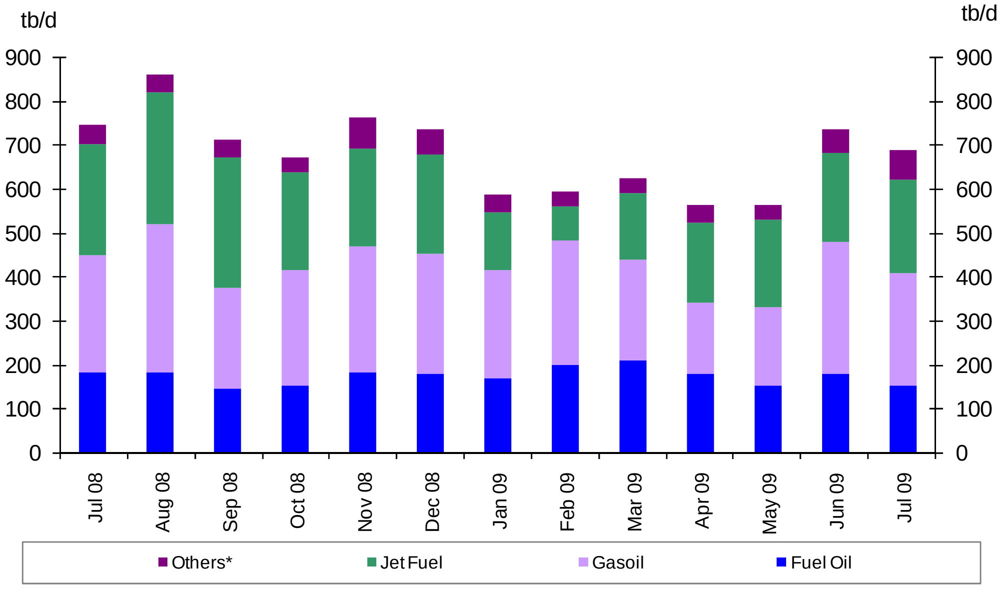
**Graph 32: Japan's imports of crude and petroleum products**




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

On the export side, Japan's product exports in July were 6% or 47,000 b/d lower compared to the previous month and 8% lower compared to the same month a year ago, averaging 687,000 b/d. Gasoil, fuel oil and jet fuel are Japan's main product exports, which together accounted for about 90% of the country's total product exports in July. Gasoil exports in July were about 258,000 b/d, down 14% or 43,000 b/d compared to the previous month, and only 2% compared to the same month last year. Average gasoil exports during the first seven months of 2009 were 236,000 b/d, about 6% higher than the same period in 2008. Jet fuel exports averaged about 211,000 b/d in July, almost steady compared to the previous month, but were 16% lower than a year earlier. During the first seven months of 2009, Japan exported an average of 166,000 b/d of jet fuel compared to 211,000 b/d during the same period in 2008. Fuel oil exports in July were 151,000 b/d, a decline of 15% from the previous month and 17% lower compared to the same month last year. Japan exported an average of 177,000 b/d of fuel oil during the first seven months of 2009, steady compared to the same period last year. Gasoil exports counted for 38% of Japan's total product exports in July, jet fuel 31% and fuel oil 22%. Japan exported lower quantities of kerosene, gasoline, lubricating oil, asphalt and LPG in July, totaling 66,000 b/d. Japan's average product exports during the first seven months of 2009 were 0.62 mb/d, a decline of 6% from the same period last year.

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




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

As a result, Japan's net oil imports in July were about 4.05 mb/d, indicating an increase of 527,000 b/d or 15% compared to the previous month and a drop by the same percentage compared to a year earlier. Net crude imports were higher by 413,000 b/d and net product imports rose 114,000 b/d. Japan's net oil imports during the first seven months of 2009 were at 4.04 mb/d, a decline of 16% from the same period last year.

Saudi Arabia was Japan's top crude oil supplier in July, supplying about 1.16 mb/d or 31.8% of Japan's total crude oil imports in the month, up from 0.96 mb/d in the previous month. The UAE supplied 0.76 mb/d in July, up from 0.73 mb/d in the previous month. Qatar supplied 0.48 mb/d compared to 0.47 mb/d in the previous month, while Iran supplied 0.46 mb/d, up from 0.34 mb/d in the previous month. Altogether, OPEC Member Countries supplied 3.1 mb/d or 86.1% of Japan's crude oil imports in July, up from 2.9 mb/d in the previous month. Top non-OPEC crude oil suppliers in July include Russia with 0.15 mb/d and Sudan with 0.1 mb/d. On the products side, with the exclusion of LPG imports, preliminary data indicates that Saudi Arabia was Japan's top supplier in July with 0.12 mb/d followed by the UAE with 0.11 mb/d. Altogether, OPEC Member Countries supplied about 0.5 mb/d or 46% of Japan's product imports in July, up from 0.45 mb/d in the previous month. Top non-OPEC product suppliers in July include the US with about 83,000 b/d followed by Indonesia with 52,000 b/d and South Korea with 47,000 b/d.

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

| | May 09 | Jun 09 | Jul 09 | Change Jul/Jun |
|---|---|---|---|---|
| Crude oil | 3,398 | 3,235 | 3,649 | 413 |
| Total products | 429 | 286 | 400 | 114 |
| **Total crude and products** | **3,827** | **3,522** | **4,049** | **527** |

## China

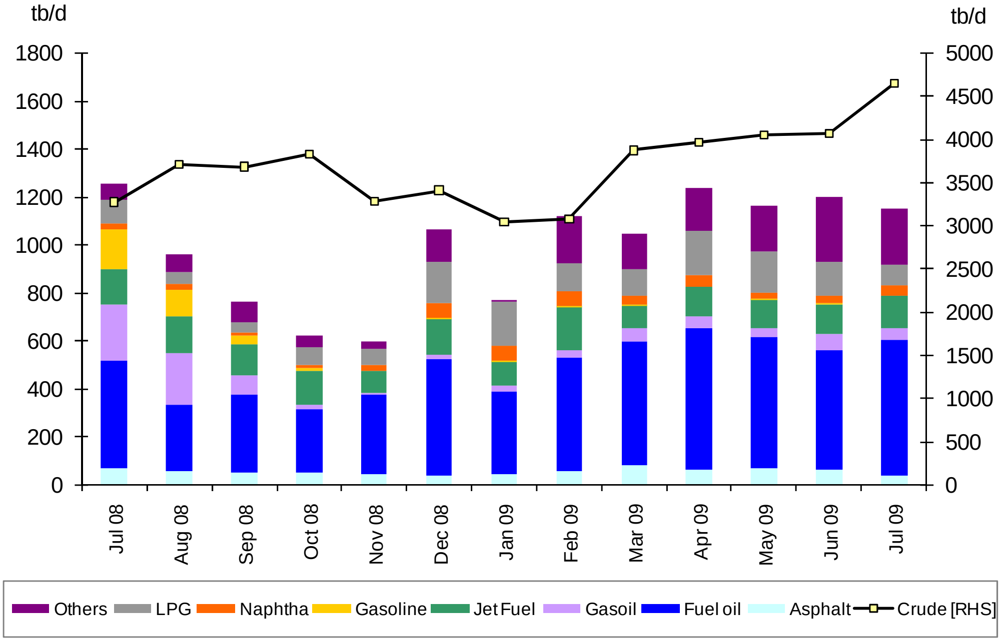
*China's net oil imports were at an all-time record-high volume in July supported by a 0.58 mb/d increase in crude oil imports*

According to Chinese official data, China's crude oil imports increased for the sixth month in a row in July averaging 4.64 mb/d, about 584,000 b/d or 14% higher compared to June. July's crude oil imports were also at an all-time record-high volume and were higher by a substantial 42% or 1.38 mb/d compared to the same month last year, bringing average crude oil imports for the first seven months of 2009 to 3.82 mb/d, about 210,000 b/d or 6% higher compared to the same period last year.

In contrast, China's product imports declined in July by a margin of 4% or 48,000 b/d compared to the previous month to average 1.15 mb/d, 8% lower than a year earlier. Jet fuel imports in July were about 144,000 b/d, up from 126,000 b/d in the previous month. South Korea supplied about 89,000 b/d or 62% of China's jet fuel imports in July and Japan supplied about 18,000 b/d. China imported about 8% less jet fuel during the first seven months of 2009, compared to the same period last year. Naphtha imports in July were about 42,000 b/d, up from 30,000 b/d in the previous month, with South Korea supplying about 50% of this volume. China's imports of naphtha increased by about threefold during the first seven months of 2009 compared to the same period last year. Gasoil imports in July averaged 50,000 b/d, down from 66,000 b/d in the previous month. Russia was the top supplier of China's gasoil imports this month, supplying about 30,000 b/d. Gasoil imports during the first seven months of 2009 were 74% lower compared to the same period last year which witnessed a surge in gasoil imports in preparation for the Olympics.

China's fuel oil imports increased in July to average 578,000 b/d, about 33,000 b/d or 6% higher than in the previous month. Venezuela supplied about 120,000 b/d or 21% of China's fuel oil imports in July, followed by Russia and Singapore with 86,000 b/d and 82,000 b/d respectively. Imports of fuel oil during the first seven months of 2009 were 16% higher compared to the same period last year. Imports of LPG in July averaged 84,000 b/d, down from 140,000 b/d in the previous month. Iran supplied about 29,000 b/d of LPG to China in July and Qatar and Australia supplied 17,000 b/d and 16,000 b/d respectively. For the first seven months of 2009, China's imports of LPG were 73% higher than the same period last year. Gasoline imports in July were at 7,000 b/d compared to 8,000 b/d in June. Altogether, China imported an average of 1.09 mb/d of products in the first seven months of 2009, indicating an annual growth of 4% over the same period last year. In July, fuel oil imports accounted for 50% of China's total product imports, jet fuel 13% and LPG 7%, while gasoil and naphtha contributed 4% each.

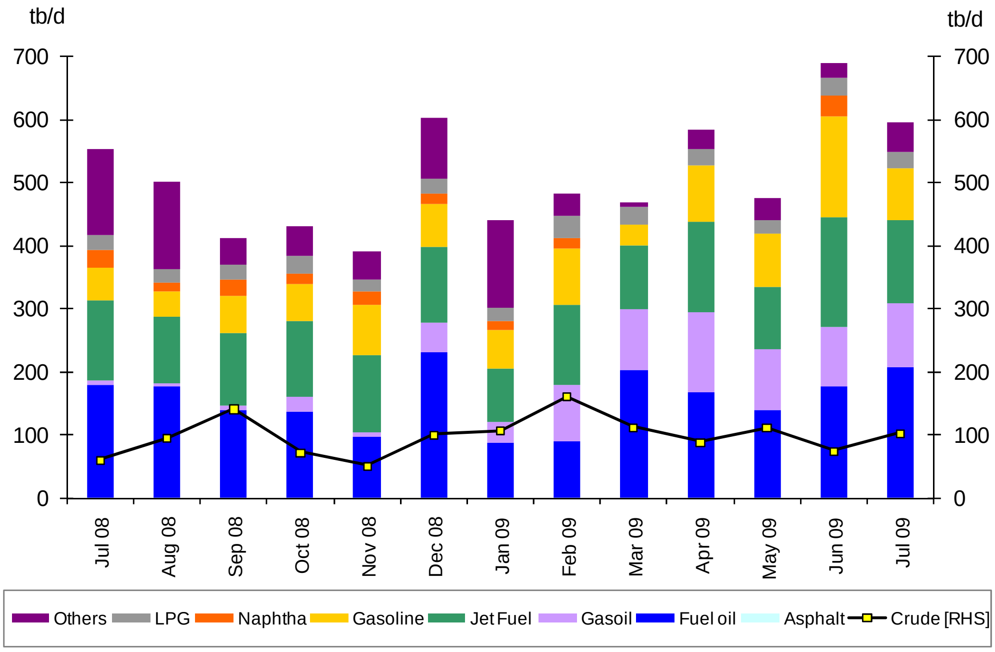
**Graph 34: China's imports of crude and petroleum products**




On the export side, China's crude oil exports in July were at 103,000 b/d compared to 74,000 b/d in the previous month. South Korea imported about 30,000 b/d of Chinese crude in July, the US about 27,000 b/d and Japan about 19,000 b/d. For the first seven months of 2009, China exported an average of 107,000 b/d of crude oil compared 63,000 b/d in the same period in 2008. China's product exports in July were about 0.6 mb/d, a decline of 14% from the previous month but 30% higher compared to the same month last year. Average product exports for the first seven months of 2009 were about 0.53 mb/d, indicating an increase of 34% compared to the same period last year.

Fuel oil exports in July were at 192,000 b/d, about 14% higher than the previous month and 11% higher during the first seven months of 2009 compared to the same period last year. Exports of jet fuel in July were 127,000 b/d, down from 170,000 b/d in the previous month. Hong Kong imported about 74,000 b/d of this volume and the US about 12,000 b/d. Jet fuel exports during the first seven months of 2009 were 6% higher compared to the same period last year. Gasoline exports were 82,000 b/d in July, down from 159,000 b/d in the previous month. Singapore imported about 30,000 b/d of gasoline from China in July and Indonesia 27,000 b/d. Gasoline exports during the first seven months of 2009 were more than double the volume of the same period last year. There were no naphtha exports in July and during the first seven months of this year, naphtha exports declined by 81%. Gasoil exports in July were 102,000 b/d compared to 94,000 b/d the previous month. The main importers of China's gasoil exports in July were Vietnam with 37,000 b/d and Hong Kong with 25,000 b/d. China exported 26,000 b/d of LPG in July, down from 30,000 b/d in the previous month. Fuel oil exports accounted for 32% of China's total product exports in July, jet fuel 21%, gasoil 17%, gasoline 14% and LPG 4%.

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




With net crude oil imports of 4.54 mb/d and net product imports of 0.55 mb/d, China's net oil imports in July were 5.09 mb/d, an all-time high-record volume, exceeding the mark of 5 mb/d for the first time and indicating an increase of 13% or 601,000 b/d compared to the previous month and 28% compared to the same month last year. Average net crude oil imports for the first seven months of 2009 were 4.27 mb/d, an increase of 2% or 69,000 b/d over the same period last year.

Saudi Arabia was China's top crude oil supplier in July, supplying about 1.11 mb/d or 24% of China's total crude imports, surging from 0.72 mb/d in June. Angola was next with 0.75 mb/d, up from 0.74 mb/d in the previous month. Iran supplied 0.52 mb/d, up from 0.45 mb/d in the previous month. Altogether, OPEC Member Countries supplied China with about 3.01 mb/d or 66.7% of its crude oil imports in July, up from 2.54 mb/d in the previous month. Top non-OPEC crude oil suppliers in July included Russia with 0.29 mb/d and Sudan with 0.12 mb/d.

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

| | May 09 | Jun 09 | Jul 09 | Change Jul/Jun |
|---|---|---|---|---|
| Crude oil | 3,930 | 3,984 | 4,539 | 555 |
| Total products | 686 | 507 | 554 | 46 |
| **Total crude and products** | **4,616** | **4,492** | **5,093** | **601** |

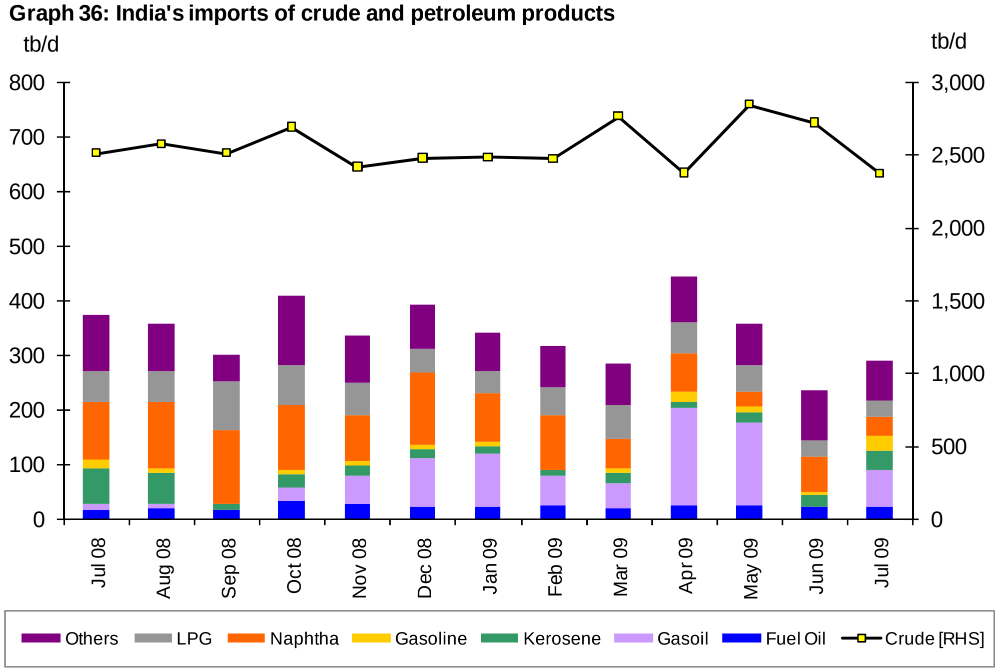
## India

*India's net oil imports declined in July by 9% on lower crude oil imports*

According to preliminary data, India's crude oil imports declined for the second month in a row in July by about 348,000 b/d or 13% compared to the previous month to average 2.37 mb/d. July's crude imports were 433,000 b/d lower compared to the same month last year. India's crude oil imports during the first seven months of 2009 averaged 2.58 mb/d, almost steady compared to the same period last year.

In contrast, India's product imports increased in July by 53,000 b/d or 22% compared to the previous month to average about 0.29 mb/d, a decline of 23% from the same month last year. India resumed its gasoil imports in July, importing about 67,000 b/d compared to zero imports in the previous month and only 10,000 b/d in the same month last year. Gasoline imports were 26,000 b/d in July compared to 7,000 b/d in May and 16,000 b/d in July a year earlier. LPG imports in July averaged about 29,000 b/d, steady compared to the previous month, but down from 56,000 b/d a year ago. India imported an average of 36,000 b/d of naphtha in July, down from 65,000 b/d the previous month and from 102,000 b/d in the same month last year. Fuel oil imports in July averaged 22,000 b/d, steady compared to the previous month, but up from 15,000 b/d a year earlier. Kerosene imports were about 36,000 b/d compared to 20,000 b/d in the previous month and 66,000 b/d a year ago. For the first seven months of 2009, India imported an average of 0.32 mb/d of products, indicating about 138,000 b/d or a 30% decline compared to the same period last year.

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



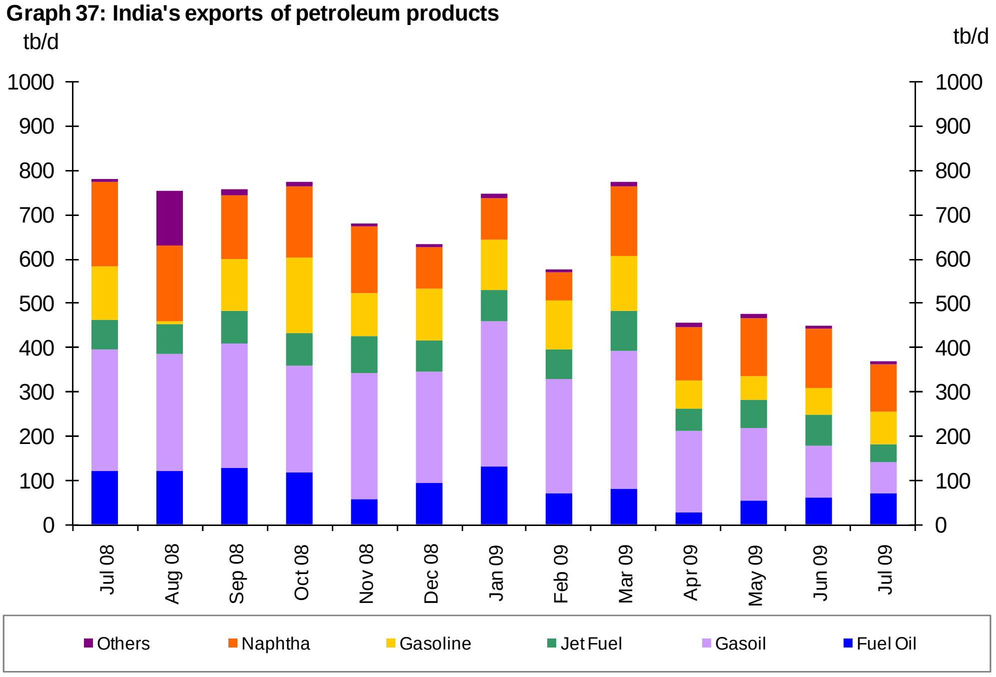

On the export side, India's total product exports of 368,000 b/d in July were 78,000 b/d, or 18% lower compared to the previous month and 53% lower compared to a year earlier. Fuel oil exports in July averaged 71,000 b/d, up slightly from 69,000 b/d the previous month, but down from 138,000 b/d a year ago. Jet fuel exports were 38,000 b/d in July, down from 68,000 b/d in the previous month. Gasoil exports in July averaged 70,000 b/d, a decline of 42% from the previous month and 76% lower than a year earlier. Gasoline exports increased to average 74,000 b/d, about 24% higher than in the previous month, but 40% lower compared to a year earlier. Naphtha exports were at 107,000 b/d in July compared to 134,000 b/d in the previous month and 234,000 b/d a year earlier. For the first seven months of 2009, India exported an average of 0.56 mb/d of products, down by 213,000 b/d or 28% compared to the same period the year before.

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

| | May 09 | Jun 09 | Jul 09 | Change Jul/Jun |
|---|---|---|---|---|
| Crude oil | 2,842 | 2,717 | 2,369 | -348 |
| Total products | -118 | -211 | -80 | 131 |
| **Total crude and products** | **2,724** | **2,506** | **2,289** | **-217** |

As a result, India's net oil imports in July averaged 2.29 mb/d, displaying a decline of 9% or 217,000 b/d compared to the previous month and 5% compared to the same month last year. Net crude oil imports were lower by 348,000 b/d, while net product imports were up by 131,000 b/d. India's net oil imports for the first seven months of 2009 averaged about 2.35 mb/d, an increase of 3% or 57,000 b/d over the same period in 2008.

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




## FSU

*FSU crude oil exports were 1% lower in July on a 0.25 mb/d drop in Russian exports, while product exports were 4% higher due to increased fuel oil exports*

According to preliminary data, total FSU crude oil exports declined in July by 64,000 b/d or 1% compared to the previous month to average 6.55 mb/d. The decline is attributed to lower Russian crude exports, while exports of other FSU countries increased by 8% compared to the previous month. Exports on the Baku–Tbilisi–Ceyhan (BTC) pipeline increased by 80,000 b/d in July and Caspian exports increased by 34,000 b/d, both compared to June.

Russian crude oil exports in July averaged 3.86 mb/d indicating a drop of 6% or 252,000 b/d compared to the previous month and were 4% lower compared to the same month last year. Russian pipeline crude oil exports declined in July by 217,000 b/d compared to June and by 356,000 b/d compared to a year ago to average 3.21 mb/d. Russian Far East crude oil exports declined in July by 25,000 b/d compared to June to average 260,000 b/d. Exports through the Black Sea, the Baltic and Druzhba all went down by 49,000 b/d, 101,000 b/d and 78,000 b/d respectively, while Russian rail crude exports were steady in July at 208,000 b/d.

During the first seven months of 2009, FSU crude oil exports averaged 6.62 mb/d, about 408,000 b/d or 7% higher compared to the same period last year. Caspian exports increased by 94,000 b/d, CPC exports by 77,000 b/d and BTC exports by 55,000 b/d. During the same period, Russian crude oil exports averaged 4.0 mb/d, steady compared to the same period last year.

On the other hand, FSU product exports increased in July by 108,000 b/d to average 3.14 mb/d compared to 3.03 mb/d the month before. Exports of fuel oil increased by 118,000 b/d and gasoil by 45,000 b/d, while exports of gasoline dropped by 82,000 b/d. Exports of other products were generally steady. Despite this month-to-month increase, FSU product exports declined by 186,000 b/d or 6% during the first seven months of 2009 compared to the same period last year, to average 3.0 mb/d.

In total, FSU crude oil and product exports averaged 9.69 mb/d in July, or only 44,000 b/d higher compared to the previous month. FSU total exports in July were

0.75 mb/d or 8% higher than at a year earlier. For the first seven months of 2009, total FSU crude and product exports averaged 9.61 mb/d, indicating an increase of 223,000 b/d or 2% compared to the same period last year.

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

| | 2007 | 2008 | 4Q08 | 1Q09 | 2Q09 | Jun 09 | Jul 09* |
|---|---|---|---|---|---|---|---|
| **Crude** | | | | | | | |
| **Russian pipeline** | | | | | | | |
| Black Sea | 1,361 | 1,249 | 1,226 | 1,262 | 1,172 | 1,156 | 1,107 |
| Baltic | 1,631 | 1,559 | 1,539 | 1,518 | 1,589 | 1,603 | 1,502 |
| Druzhba | 1,122 | 1,098 | 1,034 | 1,139 | 1,089 | 1,134 | 1,056 |
| **Total**** | **4,114** | **3,906** | **3,817** | **3,918** | **3,895** | **3,929** | **3,720** |
| **Other routes** | | | | | | | |
| Russian rail | 292 | 283 | 260 | 303 | 291 | 266 | 303 |
| Russian - Far East | 269 | 220 | 214 | 277 | 275 | 285 | 260 |
| Kazak rail | 17 | 17 | 17 | 18 | 18 | 18 | 17 |
| Vadandey | n.a. | n.a. | n.a. | 149 | 151 | 157 | 152 |
| Ventspils | n.a. | n.a. | n.a. | 13 | 18 | 30 | 24 |
| CPC | 692 | 675 | 632 | 757 | 739 | 738 | 739 |
| BTC | 617 | 637 | 641 | 734 | 789 | 791 | 871 |
| Atasu-Alashankou | n.a. | n.a. | n.a. | 116 | 161 | 154 | 184 |
| Caspian | 245 | 184 | 148 | 277 | 266 | 251 | 285 |
| **Total crude exports** | **6,348** | **6,089** | **5,869** | **6,563** | **6,602** | **6,619** | **6,554** |
| **Products** | | | | | | | |
| Gasoline | n.a. | n.a. | n.a. | 284 | 234 | 286 | 204 |
| Naphtha | n.a. | n.a. | n.a. | 338 | 287 | 272 | 281 |
| Jet | n.a. | n.a. | n.a. | 54 | 69 | 73 | 78 |
| Gasoil | 777 | 810 | 757 | 1,039 | 974 | 1,005 | 1,050 |
| Fuel oil | 1,052 | 1,069 | 1,232 | 964 | 1,199 | 1,171 | 1,289 |
| VGO | n.a. | n.a. | n.a. | 258 | 255 | 223 | 236 |
| **Total** | **2,421** | **2,539** | **2,661** | **2,857** | **3,018** | **3,029** | **3,137** |
| **Total oil exports** | **8,769** | **8,628** | **8,530** | **9,420** | **9,620** | **9,648** | **9,691** |

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

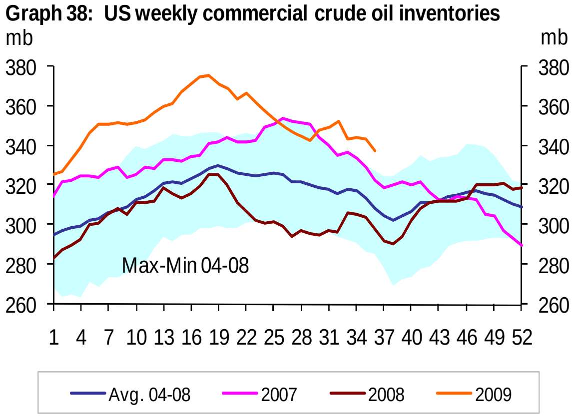
# Stock Movements

## USA

*US commercial oil stocks dropped for the first time since September 2008 but remained at the upper end of the five-year range*

US commercial oil inventories fell more than 22 mb in August to stand at 1,098 mb but remained almost 80 mb above the five-year average. It is worth noting that the overhang has been shrinking since last March when it reached 114 mb. The draw in inventories in August was the first since September 2008 when stocks fell a minor 1.4 mb after increasing between April and August 2008. Both crude oil and products dropped.

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

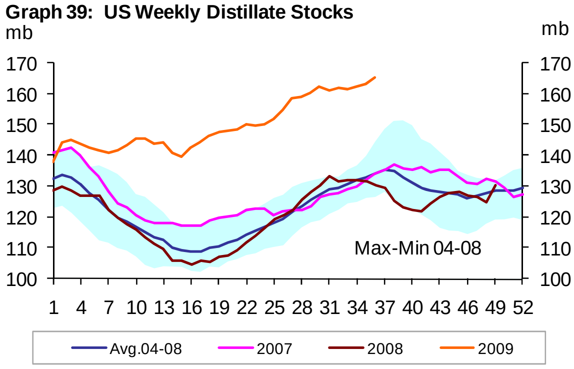



Crude oil stocks followed the seasonal trend and fell almost 9.9 mb, the second largest draw this year after June, to stand at 340 mb. The draw in crude oil stocks did not reflect an increase in demand as refinery throughputs declined again but came as a result of a strong drop in imports, which fell 0.4 mb/d. However, at 340 mb, crude oil inventories remained 32 mb above the five-year average and 38 mb higher than a year earlier.

Product stocks moved against the seasonal trend falling 12.4 mb for the first time in seven months, representing the largest draw since March 2008. Despite the draw, product stocks remained at high levels, well above the upper end of the five-year range. The picture is mixed within products with gasoline declining for the second consecutive month and distillates continuing the upward trend. Gasoline stocks dropped a further 7.8 mb on the back of a modest recovery in demand and production from refineries to stand above 205 mb, keeping the overhang at around 6 mb. In contrast, weak demand let distillate inventories add a further 3.1 mb to reach a new record high of almost 165 mb, the highest since January 1983, resulting in an overhang of 28 mb. Jet fuel oil stocks fell 1.1 mb to 45.5 mb but stayed 4.5 mb higher than a year ago while residual fuel oil inventories remained unchanged at 33.7 mb.

The latest data shows US commercial oil inventories fell 5.1 mb in the week ending 4 September, the fourth draw in a row to stand at 1,096 mb. The draw was attributed to crude oil while products inched up 0.7 mb. Crude oil inventories fell 5.9 mb to stand at 337.5 mb which corresponds to 23 days of forward cover compared to a seasonal average of 20 days. Driven by sluggish demand, distillate stocks added 2 mb to hit a new record of more than 165 mb, resulting in an immense overhang of 14 days of forward cover. Gasoline stocks, on the other hand, moved against the seasonal trend rising 2.1 mb to 207.2 mb. This build, which put an end to six consecutive weekly draws, was driven by higher imports. Similarly, in terms of forward demand cover, gasoline stocks remained one day higher than the five-year average.

**Graph 39: US Weekly Distillate Stocks**




Due to limited capacity, Strategic Petroleum Reserve (SPR) remained unchanged for the third consecutive month at 724.1 mb. This compares to total US SPR capacity of 727 mb.

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

| | Jun 09 | Jul 09 | Aug 09 | Change Aug 09 /Jul 09 | Aug 08 | 04 Sep 09 * |
|---|---|---|---|---|---|---|
| **Crude oil** | 348.7 | 349.9 | 340.0 | -9.9 | 302.5 | 337.5 |
| Gasoline | 214.0 | 212.9 | 205.1 | -7.8 | 195.7 | 207.2 |
| Distillate fuel | 160.0 | 161.6 | 164.7 | 3.1 | 133.0 | 165.6 |
| Residual fuel oil | 37.0 | 33.7 | 33.7 | 0.0 | 38.6 | 33.6 |
| Jet fuel | 43.9 | 46.6 | 45.5 | -1.1 | 41.0 | 45.3 |
| **Total** | **1,114.9** | **1,120.5** | **1,098.2** | **-22.3** | **1,003.4** | **1,096.0** |
| SPR | 724.1 | 724.1 | 724.1 | 0.0 | 707.2 | 724.1 |

**/ Latest available data at time of report's release.*

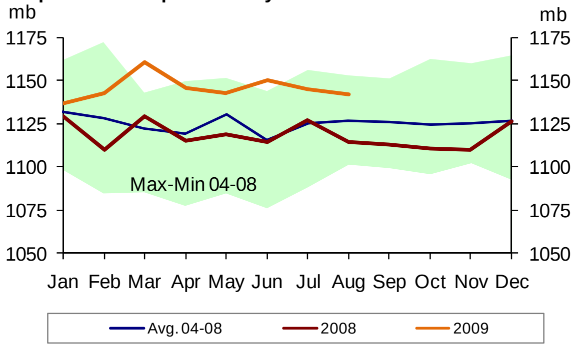
*Source: US Department of Energy's Energy Information Administration.*

## Western Europe

*Driven by distillates, EU-15 plus Norway oil stocks increased 5.5 mb in August to remain above the five-year average*

European (EU-15 plus Norway) total oil inventories rose 5.5 mb in August, compensating for about half of the draw in the previous month, to stand at 1,142 mb, around 13 mb higher than the five-year average and almost 20 mb above last year's level. Even though the overhang with the five-year average has declined from 38 mb in March, it remained comfortable when considering the slowdown in demand.

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




The build was attributed to products, particularly to distillates which continued the upward trend, starting in the fourth quarter of the previous year. Product inventories rose 4.8 mb with distillates accounting for 2.6 mb to reach a record high of more than 404 mb. Weak demand let distillate stocks gain 34 mb since last October over a year earlier. However, it is worth noting that despite the upward trend, the overhang has halved to 17 mb at end-August after standing around 35 mb during March through June. The drop in the overhang came as the recent build was lower than the seasonal change as refiners reduced production. In contrast, stronger demand helped gasoline stocks to fall a minor 0.1 mb in August but remained some 10 mb or 9% below the five-year average. Residual fuel oil stocks jumped 2.3 mb, the largest build so far this year, to stand at 114 mb, the highest since the end of the first quarter while naphtha stocks remained unchanged at 27.3 mb, slightly above last year's level.

On the crude side, inventories failed to follow the seasonal trend, rising 0.7 mb to stay around 480 mb, which is 8 mb or 2% higher than the five-year average but 20 mb or 4% higher than a year earlier. The build in crude oil inventories, which took place despite an increase in refinery runs, was supported by the recovery in North Sea production following annual maintenance and limited opportunities for transatlantic arbitrage.

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

| | Jun 09 | Jul 09 | Aug 09 | Change Aug 09/Jul 09 | Aug 08 |
|---|---|---|---|---|---|
| **Crude oil** | 483.3 | 478.7 | 479.4 | 0.7 | 460.2 |
| Mogas | 121.0 | 117.2 | 117.1 | -0.1 | 123.6 |
| Naphtha | 27.7 | 27.3 | 27.3 | 0.0 | 27.2 |
| Middle distillates | 401.8 | 401.7 | 404.3 | 2.6 | 394.4 |
| Fuel oils | 113.2 | 111.7 | 114.0 | 2.3 | 117.4 |
| **Total products** | 663.6 | 657.9 | 662.7 | 4.8 | 662.7 |
| **Total** | **1,146.9** | **1,136.5** | **1,142.1** | **5.5** | **1,122.9** |

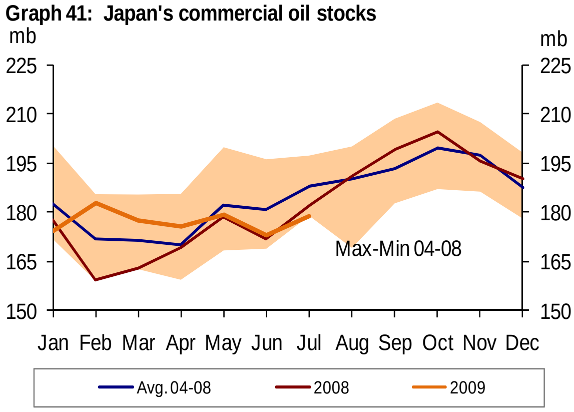
*Source: Argus, Euroilstock.*

*Japan's total commercial stocks followed the seasonal trend and rose 5.5 mb in July with products accounting for 75% of the build*

## Japan

Japan's commercial oil stocks rose 5.5 mb in July to offset the draw of the previous month. Despite this build, inventories remained at the lower end of the five-year range.

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




The build was essentially attributed to products, which remained well within the range. Crude oil stocks added a further 1.4 mb to stand at 104 mb, the highest since last February, but remained below the five-year average and last year's level. The build in crude oil stocks took place despite very low imports to reflect weak demand as refiners cut activities due to sluggish demand for petroleum products, particularly middle distillates.

Product inventories followed the seasonal trend and recovered from a huge decline of 7.4 mb in June. They rose by more than 4 mb and stayed within the five-year range, slightly above the seasonal average. At around 179 mb, product stocks are very comfortable considering sluggish product demand. Almost all components of product stocks increased, particularly distillates, which rose 3 mb to approach 35 mb, the highest level so far this year. Naphtha stocks followed the same trend and gained 2 mb to reach 11 mb, higher than a year ago, whereas residual fuel oil gained 0.2 mb to stand at 15.6 mb, below last year's level. The exception came from gasoline which continued the downward trend falling 1.0 mb to stand at 13.1 mb, but continuing to hover above the five-year average and last year's level.

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

| | May 09 | Jun 09 | Jul 09 | Change Jul 09/Jun 09 | Jul 08 |
|---|---|---|---|---|---|
| **Crude oil** | 101.6 | 103.0 | 104.4 | 1.3 | 106.0 |
| Gasoline | 14.7 | 14.0 | 13.1 | -1.0 | 12.6 |
| Naphtha | 11.1 | 9.0 | 11.0 | 2.0 | 10.8 |
| Middle distillates | 33.1 | 31.6 | 34.6 | 3.0 | 33.6 |
| Residual fuel oil | 18.5 | 15.4 | 15.6 | 0.2 | 18.9 |
| **Total products** | 77.4 | 70.0 | 74.2 | 4.1 | 75.8 |
| **Total**** | **179.1** | **173.0** | **178.5** | **5.5** | **181.9** |

* *At end of month.*

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

*Source: METI, Japan.*

Preliminary data based on weekly changes indicates that Japan's commercial oil inventories continued the upward trend in August, adding almost 4 mb with products continuing to be the main driver, accounting for almost the total build.

# Balance of Supply and Demand

*Required OPEC crude for 2009 estimated at 28.5 mb/d, down 2.3 mb/d from 2008*

## Estimate for 2009

The demand for OPEC crude remained unchanged from the previous assessment, although 4Q09 saw an upward revision. The demand for OPEC crude in 2009 is now estimated at 28.5 mb/d, representing a strong decline of 2.3 mb/d from the previous year. On a quarterly basis, the demand for OPEC crude is estimated at 28.3 mb/d, 28.0 mb/d, 28.6 mb/d and 29.2 mb/d respectively.

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

| | 2008 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 |
|---|---|---|---|---|---|---|
| **(a) World Oil Demand** | **85.62** | **83.90** | **83.17** | **84.13** | **85.00** | **84.05** |
| Non-OPEC Supply | 50.47 | 51.00 | 50.55 | 50.74 | 50.93 | 50.81 |
| OPEC NGLs and non-conventionals | 4.31 | 4.59 | 4.63 | 4.78 | 4.91 | 4.73 |
| **(b) Total Supply excluding OPEC Crude** | **54.78** | **55.60** | **55.18** | **55.51** | **55.83** | **55.53** |
| **Difference (a-b)** | **30.84** | **28.30** | **27.99** | **28.62** | **29.17** | **28.52** |
| OPEC crude oil production | 31.21 | 28.43 | 28.44 | | | |
| Balance | 0.37 | 0.12 | 0.44 | | | |

*Totals may not add due to independent rounding.*

*Demand for OPEC crude in 2010 forecast at 28.1 mb/d, representing a further decline of 0.5 mb/d*

## Forecast for 2010

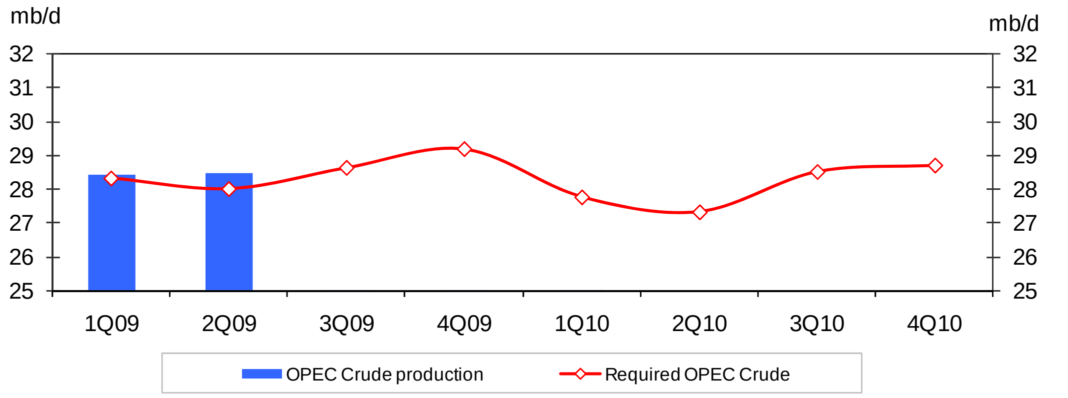
Demand for OPEC crude in 2010 is forecast to average 28.1 mb/d, representing an upward revision of around 80,000 b/d from the previous assessment. This represents a drop of 0.5 mb/d from the current year and the third consecutive annual decline. As the decline is much smaller than in the previous year, the figure can be seen as a sign of recovery. On a quarterly basis, the demand for OPEC crude is expected at 27.7 mb/d, 27.3 mb/d, 28.5 mb/d and 28.7 mb/d respectively.

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

| | 2009 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2010 |
|---|---|---|---|---|---|---|
| **(a) World Oil Demand** | **84.05** | **84.06** | **83.44** | **84.86** | **85.84** | **84.56** |
| Non-OPEC Supply | 50.81 | 51.31 | 50.93 | 51.02 | 51.63 | 51.22 |
| OPEC NGLs and non-conventionals | 4.73 | 5.00 | 5.20 | 5.35 | 5.53 | 5.27 |
| **(b) Total Supply excluding OPEC Crude** | **55.53** | **56.31** | **56.13** | **56.37** | **57.16** | **56.49** |
| **Difference (a-b)** | **28.52** | **27.75** | **27.31** | **28.49** | **28.69** | **28.06** |

*Totals may not add due to independent rounding.*

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



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

| | 2004 | 2005 | 2006 | 2007 | 2008 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| World demand | | | | | | | | | | | | | | | |
| OECD | 49.5 | 49.8 | 49.5 | 49.2 | 47.6 | 46.6 | 44.7 | 45.1 | 46.5 | 45.7 | 46.0 | 44.2 | 45.0 | 46.5 | 45.4 |
| North America | 25.4 | 25.6 | 25.4 | 25.5 | 24.2 | 23.5 | 22.9 | 23.0 | 23.6 | 23.2 | 23.6 | 23.0 | 23.3 | 23.8 | 23.4 |
| Western Europe | 15.5 | 15.7 | 15.7 | 15.3 | 15.3 | 14.9 | 14.4 | 14.9 | 15.1 | 14.9 | 14.4 | 14.1 | 14.8 | 15.0 | 14.6 |
| Pacific | 8.5 | 8.6 | 8.5 | 8.4 | 8.1 | 8.1 | 7.4 | 7.2 | 7.8 | 7.6 | 7.9 | 7.2 | 7.0 | 7.7 | 7.4 |
| DCs | 21.8 | 22.6 | 23.3 | 24.3 | 25.2 | 25.1 | 25.7 | 25.7 | 25.5 | 25.5 | 25.5 | 26.2 | 26.2 | 26.0 | 26.0 |
| FSU | 3.8 | 3.9 | 4.0 | 4.0 | 4.1 | 3.9 | 3.7 | 4.2 | 4.2 | 4.0 | 3.9 | 3.7 | 4.2 | 4.2 | 4.0 |
| Other Europe | 0.9 | 0.9 | 0.9 | 0.8 | 0.8 | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 |
| China | 6.5 | 6.7 | 7.2 | 7.6 | 8.0 | 7.6 | 8.3 | 8.4 | 8.0 | 8.1 | 7.9 | 8.6 | 8.7 | 8.3 | 8.4 |
| (a) Total world demand | 82.5 | 83.9 | 84.9 | 86.0 | 85.6 | 83.9 | 83.2 | 84.1 | 85.0 | 84.1 | 84.1 | 83.4 | 84.9 | 85.8 | 84.6 |
| Non-OPEC supply | | | | | | | | | | | | | | | |
| OECD | 21.3 | 20.5 | 20.2 | 20.1 | 19.6 | 20.0 | 19.2 | 19.3 | 19.4 | 19.5 | 19.5 | 19.2 | 19.0 | 19.4 | 19.3 |
| North America | 14.6 | 14.1 | 14.2 | 14.3 | 13.9 | 14.2 | 13.9 | 14.1 | 14.0 | 14.0 | 14.1 | 14.0 | 14.0 | 14.2 | 14.1 |
| Western Europe | 6.2 | 5.7 | 5.4 | 5.2 | 5.1 | 5.1 | 4.7 | 4.6 | 4.8 | 4.8 | 4.7 | 4.6 | 4.4 | 4.6 | 4.6 |
| Pacific | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 0.6 |
| DCs | 11.6 | 11.9 | 12.0 | 12.1 | 12.3 | 12.5 | 12.5 | 12.7 | 12.6 | 12.6 | 12.8 | 12.8 | 12.9 | 13.0 | 12.9 |
| FSU | 11.1 | 11.5 | 12.0 | 12.5 | 12.6 | 12.6 | 12.9 | 12.8 | 12.9 | 12.8 | 13.0 | 13.0 | 13.0 | 13.2 | 13.0 |
| Other Europe | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| China | 3.5 | 3.6 | 3.7 | 3.8 | 3.8 | 3.8 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 |
| Processing gains | 1.8 | 1.9 | 1.9 | 1.9 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Total non-OPEC supply | 49.6 | 49.6 | 50.0 | 50.6 | 50.5 | 51.0 | 50.6 | 50.7 | 50.9 | 50.8 | 51.3 | 50.9 | 51.0 | 51.6 | 51.2 |
| OPEC NGLs + non-conventional oils | 3.7 | 3.9 | 3.9 | 4.0 | 4.3 | 4.6 | 4.6 | 4.8 | 4.9 | 4.7 | 5.0 | 5.2 | 5.3 | 5.5 | 5.3 |
| (b) Total non-OPEC supply and OPEC NGLs | 53.3 | 53.5 | 53.9 | 54.6 | 54.8 | 55.6 | 55.2 | 55.5 | 55.8 | 55.5 | 56.3 | 56.1 | 56.4 | 57.2 | 56.5 |
| OPEC crude oil production (secondary sources) | 29.6 | 30.7 | 30.5 | 30.2 | 31.2 | 28.4 | 28.4 | | | | | | | | |
| Total supply | 82.9 | 84.2 | 84.4 | 84.8 | 86.0 | 84.0 | 83.6 | | | | | | | | |
| Balance (stock change and miscellaneous) | 0.3 | 0.3 | -0.5 | -1.2 | 0.4 | 0.1 | 0.4 | | | | | | | | |
| OECD closing stock levels (*mb*) | | | | | | | | | | | | | | | |
| Commercial | 2538 | 2585 | 2666 | 2567 | 2701 | 2743 | 2765 | | | | | | | | |
| SPR | 1450 | 1487 | 1499 | 1524 | 1527 | 1547 | 1561 | | | | | | | | |
| Total | 3988 | 4072 | 4165 | 4091 | 4228 | 4290 | 4326 | | | | | | | | |
| Oil-on-water | 905 | 958 | 916 | 948 | 948 | 888 | 877 | | | | | | | | |
| Days of forward consumption in OECD | | | | | | | | | | | | | | | |
| Commercial onland stocks | 51 | 52 | 54 | 54 | 59 | 61 | 61 | | | | | | | | |
| SPR | 29 | 30 | 30 | 32 | 33 | 35 | 35 | | | | | | | | |
| Total | 80 | 82 | 85 | 86 | 92 | 96 | 96 | | | | | | | | |
| Memo items | | | | | | | | | | | | | | | |
| FSU net exports | 7.3 | 7.7 | 8.0 | 8.5 | 8.5 | 8.8 | 9.2 | 8.6 | 8.7 | 8.8 | 9.1 | 9.3 | 8.8 | 8.9 | 9.0 |
| (a) - (b) | 29.2 | 30.4 | 31.1 | 31.4 | 30.8 | 28.3 | 28.0 | 28.6 | 29.2 | 28.5 | 27.7 | 27.3 | 28.5 | 28.7 | 28.1 |

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

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

| | 2004 | 2005 | 2006 | 2007 | 2008 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| World demand | | | | | | | | | | | | | | | |
| OECD | - | - | - | - | - | - | 0.1 | 0.2 | 0.1 | 0.1 | - | 0.1 | 0.2 | 0.1 | 0.1 |
| North America | - | - | - | - | - | - | - | 0.2 | 0.1 | 0.1 | - | - | 0.2 | 0.1 | 0.1 |
| Western Europe | - | - | - | - | - | - | 0.1 | - | - | - | - | 0.1 | - | - | - |
| Pacific | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| DCs | - | - | - | - | - | - | 0.1 | - | - | - | - | 0.1 | - | - | - |
| FSU | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Europe | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| China | - | - | - | - | - | - | - | - | 0.1 | - | - | - | - | 0.1 | - |
| (a) Total world demand | - | - | - | - | 0.1 | - | 0.2 | 0.2 | 0.1 | 0.1 | - | 0.2 | 0.2 | 0.1 | 0.1 |
| *World demand growth* | *-0.02* | *-* | *-* | *-* | *0.06* | *-* | *0.06* | *0.22* | *0.05* | *0.08* | *-* | *0.02* | *-* | *-* | *-* |
| Non-OPEC supply | | | | | | | | | | | | | | | |
| OECD | - | - | - | - | - | - | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| North America | - | - | - | - | - | - | 0.2 | 0.1 | - | 0.1 | - | - | - | - | - |
| Western Europe | - | - | - | - | - | - | - | 0.1 | 0.1 | - | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Pacific | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| DCs | - | - | - | - | - | - | - | -0.2 | -0.3 | -0.1 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 |
| FSU | - | - | - | - | - | - | - | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Other Europe | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| China | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Processing gains | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total non-OPEC supply | - | - | - | - | - | - | 0.2 | 0.2 | -0.1 | 0.1 | 0.1 | - | - | 0.1 | - |
| *Total non-OPEC supply growth* | *-* | *-* | *-* | *-* | *-* | *-* | *0.18* | *0.18* | *-0.09* | *0.07* | *0.06* | *-0.14* | *-0.13* | *0.17* | *-0.01* |
| OPEC NGLs + non-conventionals | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| (b) Total non-OPEC supply and OPEC NGLs | - | - | - | - | - | - | 0.2 | 0.2 | -0.1 | 0.1 | 0.1 | - | - | 0.1 | - |
| OPEC crude oil production (secondary sources) | - | - | - | - | 0.1 | 0.1 | 0.1 | | | | | | | | |
| Total supply | - | - | - | - | 0.1 | 0.1 | 0.2 | | | | | | | | |
| Balance (stock change and miscellaneous) | - | - | - | - | 0.1 | 0.1 | 0.1 | | | | | | | | |
| OECD closing stock levels (*mb*) | | | | | | | | | | | | | | | |
| Commercial | - | - | - | - | 2 | - | - | | | | | | | | |
| SPR | - | - | - | - | 1 | - | - | | | | | | | | |
| Total | - | - | - | - | 3 | - | - | | | | | | | | |
| Oil-on-water | - | - | - | - | 19 | - | - | | | | | | | | |
| Days of forward consumption in OECD | | | | | | | | | | | | | | | |
| Commercial onland stocks | - | - | - | - | - | - | - | | | | | | | | |
| SPR | - | - | - | - | - | - | - | | | | | | | | |
| Total | - | - | - | - | - | - | - | | | | | | | | |
| Memo items | | | | | | | | | | | | | | | |
| FSU net exports | - | - | - | - | - | - | - | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| (a) - (b) | - | - | - | - | 0.1 | - | - | - | 0.2 | - | - | 0.1 | 0.2 | 0.1 | 0.1 |

*† This compares Table 33 in this issue of the MOMR with Table 31 in the August 2009 issue.*

*This table shows only where changes have occurred.*

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

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 1Q05 | 2Q05 | 3Q05 | 4Q05 | 1Q06 | 2Q06 | 3Q06 | 4Q06 | 1Q07 | 2Q07 | 3Q07 | 4Q07 | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 1Q09 | 2Q09 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Closing stock levels *mb* | | | | | | | | | | | | | | | | | | | | | | | | | | |
| OECD onland commercial | 2,630 | 2,473 | 2,511 | 2,538 | 2,585 | 2,666 | 2,567 | 2,701 | 2,533 | 2,612 | 2,627 | 2,585 | 2,585 | 2,648 | 2,760 | 2,666 | 2,597 | 2,656 | 2,649 | 2,567 | 2,572 | 2,606 | 2,659 | 2,701 | 2,743 | 2,765 |
| North America | 1,262 | 1,175 | 1,161 | 1,193 | 1,257 | 1,277 | 1,229 | 1,301 | 1,201 | 1,275 | 1,254 | 1,257 | 1,240 | 1,277 | 1,351 | 1,277 | 1,238 | 1,294 | 1,285 | 1,229 | 1,216 | 1,240 | 1,278 | 1,301 | 1,344 | 1,384 |
| Western Europe | 925 | 890 | 915 | 915 | 934 | 962 | 931 | 994 | 942 | 915 | 942 | 934 | 937 | 935 | 948 | 962 | 941 | 936 | 932 | 931 | 962 | 958 | 951 | 994 | 991 | 981 |
| OECD Pacific | 443 | 408 | 435 | 430 | 394 | 428 | 406 | 406 | 389 | 422 | 432 | 394 | 408 | 436 | 461 | 428 | 419 | 427 | 431 | 406 | 393 | 408 | 430 | 406 | 408 | 401 |
| OECD SPR | 1,288 | 1,347 | 1,411 | 1,450 | 1,487 | 1,499 | 1,524 | 1,527 | 1,462 | 1,494 | 1,494 | 1,487 | 1,487 | 1,493 | 1,495 | 1,499 | 1,507 | 1,506 | 1,520 | 1,524 | 1,529 | 1,526 | 1,522 | 1,527 | 1,547 | 1,561 |
| North America | 552 | 601 | 640 | 678 | 687 | 691 | 699 | 704 | 690 | 698 | 696 | 687 | 688 | 690 | 690 | 691 | 691 | 692 | 695 | 699 | 702 | 708 | 704 | 704 | 715 | 726 |
| Western Europe | 356 | 357 | 374 | 377 | 407 | 412 | 421 | 416 | 376 | 401 | 405 | 407 | 407 | 411 | 412 | 412 | 415 | 413 | 423 | 421 | 423 | 414 | 414 | 416 | 424 | 426 |
| OECD Pacific | 380 | 389 | 396 | 396 | 393 | 396 | 404 | 406 | 396 | 395 | 393 | 393 | 392 | 393 | 393 | 396 | 401 | 401 | 403 | 404 | 404 | 404 | 403 | 406 | 408 | 408 |
| OECD total | 3,918 | 3,820 | 3,921 | 3,988 | 4,072 | 4,165 | 4,091 | 4,228 | 3,995 | 4,106 | 4,121 | 4,072 | 4,072 | 4,141 | 4,255 | 4,165 | 4,104 | 4,163 | 4,169 | 4,091 | 4,101 | 4,132 | 4,181 | 4,228 | 4,290 | 4,326 |
| Oil-on-water | 830 | 815 | 882 | 905 | 958 | 916 | 948 | 948 | 934 | 931 | 926 | 958 | 962 | 971 | 972 | 916 | 916 | 909 | 926 | 948 | 930 | 930 | 899 | 930 | 888 | 877 |
| Days of forward consumption in OECD | | | | | | | | | | | | | | | | | | | | | | | | | | |
| OECD onland commercial | 55 | 51 | 51 | 51 | 52 | 54 | 54 | 59 | 52 | 53 | 52 | 51 | 54 | 54 | 55 | 54 | 54 | 54 | 53 | 52 | 54 | 56 | 56 | 58 | 61 | 61 |
| North America | 52 | 48 | 46 | 47 | 50 | 50 | 51 | 56 | 47 | 50 | 49 | 50 | 49 | 50 | 53 | 50 | 49 | 51 | 51 | 50 | 50 | 53 | 53 | 55 | 59 | 60 |
| Western Europe | 60 | 58 | 59 | 58 | 60 | 63 | 61 | 67 | 61 | 58 | 60 | 58 | 61 | 60 | 60 | 63 | 63 | 60 | 59 | 61 | 64 | 62 | 62 | 67 | 69 | 66 |
| OECD Pacific | 52 | 47 | 51 | 50 | 47 | 51 | 50 | 53 | 48 | 52 | 49 | 43 | 52 | 55 | 53 | 48 | 53 | 54 | 49 | 46 | 50 | 54 | 54 | 50 | 55 | 56 |
| OECD SPR | 27 | 28 | 29 | 29 | 30 | 30 | 32 | 33 | 30 | 30 | 30 | 29 | 31 | 30 | 30 | 30 | 31 | 31 | 30 | 31 | 32 | 33 | 32 | 33 | 35 | 35 |
| North America | 23 | 24 | 25 | 26 | 27 | 27 | 29 | 30 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 28 | 29 | 30 | 29 | 30 | 31 | 32 |
| Western Europe | 23 | 23 | 24 | 24 | 26 | 27 | 27 | 28 | 25 | 26 | 26 | 25 | 27 | 26 | 26 | 27 | 28 | 27 | 27 | 27 | 28 | 27 | 27 | 28 | 29 | 29 |
| OECD Pacific | 45 | 45 | 46 | 46 | 46 | 47 | 50 | 53 | 49 | 49 | 45 | 42 | 50 | 50 | 45 | 44 | 51 | 51 | 46 | 45 | 51 | 54 | 51 | 50 | 55 | 57 |
| OECD total | 82 | 79 | 79 | 80 | 82 | 85 | 86 | 92 | 82 | 83 | 82 | 80 | 84 | 84 | 85 | 84 | 85 | 85 | 84 | 83 | 87 | 89 | 88 | 91 | 96 | 96 |

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

| | 2004 | 2005 | 2006 | 2007 | Change 07/06 | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 2008 | Change 08/07 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 | Change 09/08 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2010 | Change 10/09 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| USA | 7.65 | 7.34 | 7.36 | 7.50 | 0.14 | 7.64 | 7.75 | 7.20 | 7.42 | 7.50 | 0.00 | 7.83 | 7.92 | 7.84 | 7.81 | 7.85 | 0.35 | 7.98 | 7.91 | 7.91 | 8.03 | 7.96 | 0.11 |
| Canada | 3.07 | 3.03 | 3.20 | 3.32 | 0.12 | 3.30 | 3.12 | 3.30 | 3.28 | 3.25 | -0.07 | 3.30 | 3.00 | 3.27 | 3.32 | 3.22 | -0.03 | 3.32 | 3.27 | 3.28 | 3.34 | 3.30 | 0.08 |
| Mexico | 3.83 | 3.77 | 3.69 | 3.49 | -0.21 | 3.29 | 3.18 | 3.13 | 3.09 | 3.17 | -0.31 | 3.04 | 2.97 | 2.95 | 2.87 | 2.96 | -0.21 | 2.85 | 2.79 | 2.80 | 2.81 | 2.81 | -0.15 |
| North America | 14.56 | 14.14 | 14.24 | 14.30 | 0.06 | 14.22 | 14.05 | 13.63 | 13.80 | 13.92 | -0.38 | 14.18 | 13.89 | 14.06 | 14.00 | 14.03 | 0.11 | 14.15 | 13.97 | 13.98 | 14.19 | 14.07 | 0.04 |
| Norway | 3.19 | 2.97 | 2.78 | 2.56 | -0.22 | 2.51 | 2.39 | 2.38 | 2.54 | 2.45 | -0.10 | 2.52 | 2.20 | 2.27 | 2.39 | 2.34 | -0.11 | 2.32 | 2.22 | 2.12 | 2.26 | 2.23 | -0.11 |
| UK | 2.10 | 1.89 | 1.71 | 1.69 | -0.02 | 1.69 | 1.64 | 1.45 | 1.63 | 1.60 | -0.09 | 1.67 | 1.56 | 1.39 | 1.42 | 1.51 | -0.09 | 1.45 | 1.40 | 1.32 | 1.35 | 1.38 | -0.13 |
| Denmark | 0.39 | 0.38 | 0.34 | 0.31 | -0.04 | 0.29 | 0.29 | 0.27 | 0.28 | 0.28 | -0.02 | 0.28 | 0.27 | 0.25 | 0.27 | 0.27 | -0.01 | 0.27 | 0.26 | 0.25 | 0.25 | 0.26 | -0.01 |
| Other Western Europe | 0.50 | 0.51 | 0.54 | 0.68 | 0.15 | 0.72 | 0.73 | 0.75 | 0.74 | 0.74 | 0.05 | 0.68 | 0.68 | 0.70 | 0.70 | 0.69 | -0.05 | 0.71 | 0.71 | 0.71 | 0.71 | 0.71 | 0.02 |
| Western Europe | 6.18 | 5.74 | 5.37 | 5.23 | -0.13 | 5.21 | 5.04 | 4.86 | 5.19 | 5.07 | -0.16 | 5.15 | 4.71 | 4.61 | 4.78 | 4.81 | -0.26 | 4.75 | 4.59 | 4.41 | 4.57 | 4.58 | -0.23 |
| Australia | 0.52 | 0.53 | 0.51 | 0.53 | 0.02 | 0.47 | 0.53 | 0.55 | 0.58 | 0.53 | 0.01 | 0.55 | 0.52 | 0.54 | 0.53 | 0.54 | 0.00 | 0.48 | 0.49 | 0.54 | 0.55 | 0.51 | -0.02 |
| Other Pacific | 0.05 | 0.05 | 0.05 | 0.08 | 0.03 | 0.11 | 0.11 | 0.10 | 0.09 | 0.10 | 0.02 | 0.09 | 0.09 | 0.10 | 0.10 | 0.09 | 0.00 | 0.12 | 0.11 | 0.11 | 0.11 | 0.11 | 0.02 |
| OECD Pacific | 0.57 | 0.58 | 0.56 | 0.60 | 0.04 | 0.58 | 0.63 | 0.64 | 0.67 | 0.63 | 0.03 | 0.64 | 0.61 | 0.64 | 0.63 | 0.63 | 0.00 | 0.60 | 0.60 | 0.65 | 0.66 | 0.63 | 0.00 |
| Total OECD | 21.31 | 20.45 | 20.17 | 20.14 | -0.03 | 20.01 | 19.73 | 19.13 | 19.66 | 19.63 | -0.51 | 19.97 | 19.22 | 19.31 | 19.40 | 19.47 | -0.16 | 19.50 | 19.16 | 19.04 | 19.42 | 19.28 | -0.20 |
| Brunei | 0.21 | 0.21 | 0.22 | 0.19 | -0.03 | 0.19 | 0.16 | 0.17 | 0.18 | 0.17 | -0.02 | 0.17 | 0.15 | 0.16 | 0.16 | 0.16 | -0.01 | 0.15 | 0.15 | 0.15 | 0.15 | 0.15 | -0.01 |
| India | 0.79 | 0.76 | 0.79 | 0.82 | 0.02 | 0.83 | 0.81 | 0.82 | 0.84 | 0.82 | 0.01 | 0.80 | 0.80 | 0.86 | 0.87 | 0.83 | 0.01 | 0.88 | 0.90 | 0.89 | 0.90 | 0.89 | 0.06 |
| Indonesia | 1.15 | 1.12 | 1.07 | 1.02 | -0.04 | 1.05 | 1.04 | 1.04 | 1.03 | 1.04 | 0.02 | 1.02 | 1.02 | 1.02 | 1.00 | 1.02 | -0.02 | 1.02 | 1.03 | 1.03 | 1.03 | 1.03 | 0.01 |
| Malaysia | 0.79 | 0.77 | 0.76 | 0.76 | 0.01 | 0.78 | 0.76 | 0.78 | 0.75 | 0.77 | 0.01 | 0.75 | 0.74 | 0.76 | 0.74 | 0.75 | -0.02 | 0.75 | 0.73 | 0.72 | 0.70 | 0.72 | -0.02 |
| Thailand | 0.25 | 0.30 | 0.32 | 0.34 | 0.02 | 0.34 | 0.35 | 0.36 | 0.36 | 0.35 | 0.02 | 0.36 | 0.37 | 0.37 | 0.37 | 0.37 | 0.01 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.00 |
| Vietnam | 0.42 | 0.39 | 0.37 | 0.35 | -0.02 | 0.34 | 0.31 | 0.29 | 0.31 | 0.31 | -0.04 | 0.33 | 0.33 | 0.34 | 0.35 | 0.34 | 0.02 | 0.37 | 0.38 | 0.38 | 0.39 | 0.38 | 0.05 |
| Asia others | 0.18 | 0.26 | 0.26 | 0.27 | 0.00 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | 0.01 | 0.28 | 0.28 | 0.28 | 0.29 | 0.28 | 0.01 | 0.29 | 0.29 | 0.29 | 0.30 | 0.29 | 0.01 |
| Other Asia | 3.81 | 3.80 | 3.79 | 3.74 | -0.05 | 3.80 | 3.71 | 3.73 | 3.75 | 3.75 | 0.01 | 3.71 | 3.70 | 3.80 | 3.77 | 3.74 | 0.00 | 3.83 | 3.85 | 3.82 | 3.83 | 3.83 | 0.09 |
| Argentina | 0.80 | 0.78 | 0.77 | 0.76 | -0.01 | 0.77 | 0.77 | 0.76 | 0.75 | 0.76 | 0.00 | 0.76 | 0.76 | 0.73 | 0.71 | 0.74 | -0.02 | 0.72 | 0.71 | 0.70 | 0.69 | 0.70 | -0.04 |
| Brazil | 1.80 | 1.98 | 2.11 | 2.22 | 0.12 | 2.34 | 2.39 | 2.42 | 2.40 | 2.38 | 0.16 | 2.51 | 2.54 | 2.57 | 2.57 | 2.55 | 0.16 | 2.68 | 2.67 | 2.78 | 2.86 | 2.75 | 0.20 |
| Colombia | 0.54 | 0.53 | 0.54 | 0.54 | 0.00 | 0.57 | 0.59 | 0.61 | 0.62 | 0.60 | 0.06 | 0.65 | 0.66 | 0.66 | 0.66 | 0.65 | 0.06 | 0.67 | 0.68 | 0.69 | 0.70 | 0.68 | 0.03 |
| Trinidad & Tobago | 0.16 | 0.18 | 0.18 | 0.16 | -0.02 | 0.16 | 0.15 | 0.16 | 0.16 | 0.16 | 0.00 | 0.16 | 0.16 | 0.17 | 0.17 | 0.16 | 0.01 | 0.17 | 0.17 | 0.17 | 0.17 | 0.17 | 0.01 |
| L. America others | 0.26 | 0.30 | 0.26 | 0.27 | 0.00 | 0.27 | 0.28 | 0.29 | 0.32 | 0.29 | 0.02 | 0.32 | 0.31 | 0.31 | 0.31 | 0.31 | 0.02 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | -0.01 |
| Latin America | 3.55 | 3.77 | 3.86 | 3.95 | 0.09 | 4.11 | 4.17 | 4.23 | 4.25 | 4.19 | 0.23 | 4.40 | 4.42 | 4.43 | 4.42 | 4.42 | 0.23 | 4.53 | 4.52 | 4.63 | 4.71 | 4.60 | 0.18 |
| Bahrain | 0.21 | 0.21 | 0.21 | 0.21 | 0.00 | 0.21 | 0.21 | 0.21 | 0.21 | 0.21 | 0.00 | 0.21 | 0.21 | 0.21 | 0.21 | 0.21 | 0.00 | 0.21 | 0.21 | 0.21 | 0.21 | 0.21 | 0.00 |
| Oman | 0.79 | 0.78 | 0.75 | 0.71 | -0.03 | 0.72 | 0.74 | 0.76 | 0.75 | 0.74 | 0.03 | 0.76 | 0.76 | 0.79 | 0.79 | 0.77 | 0.03 | 0.79 | 0.80 | 0.80 | 0.80 | 0.80 | 0.02 |
| Syria | 0.49 | 0.45 | 0.44 | 0.42 | -0.02 | 0.41 | 0.40 | 0.40 | 0.39 | 0.40 | -0.02 | 0.38 | 0.37 | 0.39 | 0.39 | 0.38 | -0.02 | 0.39 | 0.38 | 0.38 | 0.37 | 0.38 | 0.00 |
| Yemen | 0.41 | 0.41 | 0.37 | 0.34 | -0.04 | 0.31 | 0.31 | 0.30 | 0.30 | 0.31 | -0.03 | 0.28 | 0.27 | 0.28 | 0.27 | 0.28 | -0.03 | 0.26 | 0.26 | 0.25 | 0.25 | 0.26 | -0.02 |
| Middle East | 1.90 | 1.85 | 1.76 | 1.67 | -0.09 | 1.65 | 1.66 | 1.66 | 1.64 | 1.65 | -0.02 | 1.63 | 1.61 | 1.65 | 1.65 | 1.64 | -0.02 | 1.65 | 1.64 | 1.63 | 1.62 | 1.64 | 0.00 |
| Chad | 0.16 | 0.18 | 0.16 | 0.15 | -0.01 | 0.15 | 0.15 | 0.15 | 0.15 | 0.15 | 0.00 | 0.14 | 0.14 | 0.14 | 0.13 | 0.13 | -0.02 | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 | 0.00 |
| Congo | 0.24 | 0.24 | 0.25 | 0.24 | 0.00 | 0.26 | 0.26 | 0.26 | 0.26 | 0.26 | 0.02 | 0.26 | 0.27 | 0.28 | 0.33 | 0.29 | 0.03 | 0.32 | 0.33 | 0.32 | 0.31 | 0.32 | 0.03 |
| Egypt | 0.71 | 0.70 | 0.67 | 0.67 | 0.00 | 0.68 | 0.68 | 0.69 | 0.70 | 0.69 | 0.02 | 0.70 | 0.69 | 0.70 | 0.68 | 0.69 | 0.00 | 0.69 | 0.68 | 0.67 | 0.67 | 0.68 | -0.01 |
| Equatorial Guinea | 0.30 | 0.36 | 0.37 | 0.37 | 0.00 | 0.38 | 0.38 | 0.38 | 0.38 | 0.38 | 0.01 | 0.38 | 0.36 | 0.37 | 0.36 | 0.37 | -0.01 | 0.37 | 0.36 | 0.36 | 0.35 | 0.36 | -0.01 |
| Gabon | 0.25 | 0.25 | 0.25 | 0.25 | 0.00 | 0.24 | 0.24 | 0.25 | 0.25 | 0.24 | -0.01 | 0.26 | 0.26 | 0.25 | 0.25 | 0.25 | 0.01 | 0.25 | 0.25 | 0.26 | 0.25 | 0.25 | 0.00 |
| South Africa | 0.19 | 0.19 | 0.19 | 0.18 | -0.01 | 0.17 | 0.17 | 0.17 | 0.17 | 0.17 | -0.01 | 0.17 | 0.17 | 0.16 | 0.16 | 0.17 | -0.01 | 0.15 | 0.15 | 0.15 | 0.15 | 0.15 | -0.01 |
| Sudan | 0.30 | 0.34 | 0.40 | 0.50 | 0.10 | 0.50 | 0.49 | 0.47 | 0.44 | 0.48 | -0.02 | 0.46 | 0.48 | 0.48 | 0.49 | 0.48 | 0.00 | 0.47 | 0.46 | 0.47 | 0.48 | 0.47 | 0.00 |
| Africa other | 0.21 | 0.25 | 0.32 | 0.35 | 0.03 | 0.38 | 0.38 | 0.38 | 0.38 | 0.38 | 0.03 | 0.38 | 0.37 | 0.40 | 0.37 | 0.38 | 0.00 | 0.40 | 0.40 | 0.44 | 0.48 | 0.43 | 0.05 |
| Africa | 2.36 | 2.52 | 2.60 | 2.71 | 0.11 | 2.75 | 2.76 | 2.74 | 2.73 | 2.74 | 0.04 | 2.73 | 2.73 | 2.77 | 2.78 | 2.75 | 0.01 | 2.78 | 2.77 | 2.80 | 2.82 | 2.79 | 0.04 |
| Total DCs | 11.63 | 11.93 | 12.02 | 12.08 | 0.06 | 12.31 | 12.30 | 12.36 | 12.38 | 12.33 | 0.26 | 12.47 | 12.46 | 12.66 | 12.62 | 12.55 | 0.22 | 12.79 | 12.78 | 12.88 | 12.98 | 12.86 | 0.31 |
| FSU | 11.14 | 11.55 | 12.02 | 12.52 | 0.50 | 12.62 | 12.67 | 12.46 | 12.49 | 12.56 | 0.04 | 12.63 | 12.90 | 12.75 | 12.89 | 12.79 | 0.23 | 12.98 | 12.98 | 13.04 | 13.18 | 13.05 | 0.25 |
| Russia | 9.19 | 9.44 | 9.65 | 9.87 | 0.22 | 9.78 | 9.74 | 9.81 | 9.80 | 9.78 | -0.08 | 9.78 | 9.88 | 9.89 | 9.79 | 9.83 | 0.05 | 9.84 | 9.80 | 9.84 | 9.82 | 9.82 | -0.01 |
| Kazakhstan | 1.18 | 1.23 | 1.30 | 1.35 | 0.05 | 1.42 | 1.44 | 1.33 | 1.47 | 1.41 | 0.06 | 1.48 | 1.51 | 1.40 | 1.58 | 1.49 | 0.08 | 1.59 | 1.59 | 1.56 | 1.64 | 1.60 | 0.10 |
| Azerbaijan | 0.31 | 0.44 | 0.65 | 0.86 | 0.21 | 0.96 | 1.03 | 0.85 | 0.78 | 0.91 | 0.04 | 0.94 | 1.08 | 0.99 | 1.05 | 1.01 | 0.11 | 1.07 | 1.11 | 1.15 | 1.21 | 1.14 | 0.12 |
| FSU others | 0.47 | 0.44 | 0.42 | 0.44 | 0.02 | 0.46 | 0.46 | 0.46 | 0.45 | 0.46 | 0.02 | 0.44 | 0.44 | 0.47 | 0.47 | 0.46 | 0.00 | 0.48 | 0.48 | 0.49 | 0.50 | 0.49 | 0.03 |
| Other Europe | 0.17 | 0.16 | 0.15 | 0.15 | 0.00 | 0.15 | 0.15 | 0.14 | 0.14 | 0.15 | -0.01 | 0.14 | 0.13 | 0.14 | 0.14 | 0.14 | -0.01 | 0.14 | 0.14 | 0.14 | 0.14 | 0.14 | 0.00 |
| China | 3.50 | 3.64 | 3.69 | 3.77 | 0.07 | 3.82 | 3.88 | 3.85 | 3.85 | 3.85 | 0.08 | 3.80 | 3.86 | 3.90 | 3.89 | 3.86 | 0.02 | 3.91 | 3.88 | 3.94 | 3.93 | 3.92 | 0.05 |
| Non-OPEC production | 47.75 | 47.73 | 48.06 | 48.66 | 0.61 | 48.90 | 48.72 | 47.94 | 48.52 | 48.52 | -0.14 | 49.02 | 48.57 | 48.76 | 48.94 | 48.82 | 0.30 | 49.33 | 48.95 | 49.04 | 49.65 | 49.24 | 0.42 |
| Processing gains | 1.83 | 1.86 | 1.90 | 1.92 | 0.02 | 1.95 | 1.95 | 1.95 | 1.95 | 1.95 | 0.03 | 1.98 | 1.98 | 1.98 | 1.98 | 1.98 | 0.03 | 1.98 | 1.98 | 1.98 | 1.98 | 1.98 | 0.00 |
| Non-OPEC supply | 49.58 | 49.59 | 49.96 | 50.58 | 0.63 | 50.85 | 50.67 | 49.89 | 50.47 | 50.47 | -0.11 | 51.00 | 50.55 | 50.74 | 50.93 | 50.81 | 0.34 | 51.31 | 50.93 | 51.02 | 51.63 | 51.22 | 0.42 |
| OPEC NGL | 3.54 | 3.74 | 3.76 | 3.95 | 0.19 | 4.11 | 4.23 | 4.25 | 4.25 | 4.21 | 0.26 | 4.49 | 4.52 | 4.67 | 4.80 | 4.62 | 0.41 | 4.90 | 5.09 | 5.24 | 5.40 | 5.16 | 0.54 |
| OPEC Non-conventional | 0.17 | 0.16 | 0.14 | 0.08 | -0.05 | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 | 0.02 | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 | 0.00 | 0.11 | 0.11 | 0.11 | 0.13 | 0.11 | 0.01 |
| OPEC (NGL+NCF) | 3.71 | 3.89 | 3.89 | 4.03 | 0.14 | 4.22 | 4.33 | 4.35 | 4.35 | 4.31 | 0.28 | 4.59 | 4.63 | 4.78 | 4.91 | 4.73 | 0.41 | 5.00 | 5.20 | 5.35 | 5.53 | 5.27 | 0.54 |
| Non-OPEC & OPEC (NGL+NCF) | 53.29 | 53.49 | 53.85 | 54.62 | 0.77 | 55.07 | 55.00 | 54.24 | 54.82 | 54.78 | 0.17 | 55.60 | 55.18 | 55.51 | 55.83 | 55.53 | 0.75 | 56.31 | 56.13 | 56.37 | 57.16 | 56.49 | 0.96 |

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

## Table 37: World Rig Count

| | 2004 | 2005 | 2006 | Change 06/05 | 1Q07 | 2Q07 | 3Q07 | 4Q07 | 2007 | Change 07/06 | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 2008 | Change 08/07 | 1Q09 | 2Q09 | Jun 09 | Jul 09 | Aug 09 | Change Aug/Jul |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| USA | 1,190 | 1,381 | 1,647 | 267 | 1,733 | 1,756 | 1,788 | 1,790 | 1,767 | 119 | 1,770 | 1,864 | 1,978 | 1,898 | 1,877 | 111 | 1,326 | 936 | 895 | 931 | 980 | 49 |
| Canada | 369 | 458 | 470 | 12 | 532 | 139 | 348 | 356 | 344 | -126 | 507 | 169 | 432 | 408 | 379 | 35 | 328 | 91 | 125 | 175 | 178 | 3 |
| Mexico | 110 | 107 | 83 | -24 | 90 | 88 | 96 | 93 | 92 | 9 | 96 | 106 | 103 | 106 | 103 | 11 | 128 | 128 | 124 | 135 | 134 | -1 |
| North America | 1,668 | 1,945 | 2,200 | 255 | 2,355 | 1,983 | 2,231 | 2,240 | 2,202 | 2 | 2,373 | 2,139 | 2,513 | 2,411 | 2,359 | 157 | 1,782 | 1,154 | 1,144 | 1,241 | 1,292 | 51 |
| Norway | 17 | 17 | 17 | 0 | 16 | 19 | 18 | 17 | 18 | 1 | 17 | 21 | 21 | 21 | 20 | 2 | 25 | 18 | 17 | 17 | 19 | 2 |
| UK | 16 | 21 | 27 | 5 | 25 | 29 | 27 | 22 | 26 | -1 | 19 | 21 | 24 | 24 | 22 | -4 | 22 | 19 | 18 | 16 | 16 | 0 |
| Western Europe | 70 | 70 | 77 | 7 | 75 | 80 | 79 | 77 | 78 | 0 | 91 | 97 | 101 | 103 | 98 | 20 | 90 | 82 | 77 | 73 | 78 | 5 |
| OECD Pacific | 18 | 21 | 25 | 4 | 23 | 27 | 30 | 28 | 27 | 2 | 30 | 33 | 36 | 32 | 33 | 6 | 25 | 20 | 16 | 22 | 20 | -2 |
| Total OECD | 1,788 | 2,075 | 2,346 | 271 | 2,493 | 2,138 | 2,385 | 2,383 | 2,350 | 4 | 2,530 | 2,312 | 2,694 | 2,590 | 2,532 | 182 | 1,943 | 1,294 | 1,237 | 1,336 | 1,390 | 54 |
| Other Asia | 184 | 209 | 209 | 0 | 211 | 221 | 220 | 225 | 219 | 10 | 225 | 236 | 234 | 225 | 230 | 11 | 224 | 225 | 225 | 228 | 218 | -10 |
| Latin America | 116 | 129 | 149 | 19 | 175 | 177 | 171 | 179 | 175 | 27 | 187 | 184 | 195 | 197 | 191 | 16 | 164 | 147 | 147 | 151 | 147 | -4 |
| Middle East | 123 | 131 | 132 | 1 | 144 | 146 | 154 | 154 | 149 | 18 | 158 | 165 | 175 | 171 | 167 | 18 | 162 | 151 | 148 | 143 | 135 | -8 |
| Africa | 8 | 8 | 10 | 2 | 16 | 12 | 14 | 14 | 14 | 4 | 10 | 13 | 14 | 11 | 12 | -2 | 8 | 11 | 11 | 7 | 11 | 4 |
| Total DCs | 432 | 477 | 500 | 23 | 545 | 557 | 558 | 572 | 558 | 58 | 580 | 599 | 618 | 603 | 600 | 42 | 558 | 533 | 531 | 529 | 511 | -18 |
| Non-OPEC Rig Count | 2,220 | 2,552 | 2,845 | 294 | 3,039 | 2,695 | 2,943 | 2,955 | 2,908 | 62 | 3,111 | 2,911 | 3,313 | 3,194 | 3,132 | 224 | 2,501 | 1,827 | 1,768 | 1,865 | 1,901 | 36 |
| | | | | | | | | | | | | | | | | | | | | | | |
| Algeria | 19 | 21 | 24 | 4 | 25 | 26 | 28 | 28 | 27 | 2 | 26 | 27 | 24 | 26 | 26 | -1 | 24 | 30 | 30 | 28 | 25 | -3 |
| Angola | 3 | 3 | 4 | 1 | 5 | 4 | 3 | 5 | 4 | 1 | 5 | 6 | 5 | 5 | 5 | 1 | 5 | 3 | 3 | 3 | 3 | 0 |
| Ecuador | 10 | 12 | 11 | 0 | 12 | 10 | 11 | 10 | 11 | -1 | 7 | 9 | 12 | 13 | 10 | -1 | 10 | 10 | 10 | 10 | 9 | -1 |
| Iran | 41 | 40 | 44 | 4 | 51 | 51 | 51 | 50 | 50 | 6 | 50 | 50 | 50 | 51 | 50 | 0 | 51 | 52 | 52 | 52 | 52 | 0 |
| Iraq | na | na | na | na | na | na | na | na | na | na | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 0 |
| Kuwait | 10 | 12 | 14 | 1 | 14 | 13 | 13 | 11 | 12 | -1 | 12 | 11 | 12 | 12 | 12 | 0 | 12 | 11 | 10 | 17 | 11 | -6 |
| Libya | 10 | 9 | 10 | 1 | 13 | 12 | 14 | 14 | 13 | 3 | 14 | 15 | 15 | 15 | 15 | 2 | 15 | 13 | 14 | 14 | 13 | -1 |
| Nigeria | 8 | 9 | 10 | 1 | 8 | 7 | 8 | 10 | 8 | -1 | 9 | 8 | 6 | 6 | 7 | -1 | 7 | 6 | 6 | 5 | 6 | 1 |
| Qatar | 9 | 12 | 11 | -1 | 11 | 12 | 13 | 14 | 13 | 2 | 11 | 12 | 11 | 11 | 11 | -1 | 9 | 9 | 10 | 9 | 8 | -1 |
| Saudi Arabia | 32 | 37 | 65 | 28 | 76 | 76 | 78 | 77 | 77 | 11 | 78 | 77 | 76 | 76 | 77 | 0 | 72 | 67 | 67 | 67 | 67 | 0 |
| UAE | 16 | 16 | 16 | 0 | 14 | 15 | 15 | 14 | 15 | -2 | 12 | 12 | 13 | 12 | 12 | -2 | 13 | 12 | 12 | 13 | 13 | 0 |
| Venezuela | 55 | 68 | 81 | 13 | 76 | 80 | 77 | 71 | 76 | -5 | 82 | 81 | 77 | 81 | 80 | 4 | 69 | 64 | 61 | 54 | 53 | -1 |
| OPEC Rig Count | 212 | 238 | 290 | 51 | 303 | 305 | 311 | 302 | 305 | 16 | 336 | 337 | 330 | 336 | 335 | 29 | 315 | 307 | 304 | 301 | 289 | -12 |
| | | | | | | | | | | | | | | | | | | | | | | |
| Worldwid Rig Count* | 2,431 | 2,790 | 3,135 | 345 | 3,342 | 3,000 | 3,254 | 3,256 | 3,213 | 78 | 3,447 | 3,248 | 3,643 | 3,530 | 3,467 | 253 | 2,816 | 2,134 | 2,072 | 2,166 | 2,190 | 24 |
| of which: | | | | | | | | | | | | | | | | | | | | | | |
| Oil | 886 | 980 | 1,124 | 144 | 1,264 | 1,167 | 1,254 | 1,285 | 1,242 | 119 | 1,408 | 1,351 | 1,479 | 1490 | 1432 | 190 | 1276 | 1062 | 1085 | 1165 | 1,184 | 19 |
| Gas | 1,488 | 1,746 | 1,947 | 201 | 2,013 | 1,764 | 1,931 | 1,904 | 1,903 | -44 | 1,969 | 1,814 | 2,070 | 1948 | 1950 | 47 | 1450 | 993 | 952 | 962 | 968 | 6 |
| Others | 20 | 21 | 17 | -4 | 20 | 17 | 20 | 25 | 20 | 4 | 26 | 32 | 36 | 37 | 33 | 12 | 35 | 35 | 33 | 34 | 34 | 0 |

**/Excludes China and FSU.*

*na - Not available.*

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

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

# Contributors to the *OPEC Monthly Oil Market Report*


**Editor-in-Chief**
Hasan M. Qabazard, Director, Research Division
email: hqabazard@opec.org

**Editor**
Mohammad Alipour-Jeddi, Head, Petroleum Studies Department
email: majeddi@opec.org

**Analysts**

| | |
|---|---|
| Crude Oil Price Movements | Safar Keramati<br>email: skeramati@opec.org |
| Commodity Markets | Dr. O. López-Gonzalez<br>e-mail:olopez@opec.org |
| Highlights of the World Economy | Mohamed El-Shahati<br>email: melshahati@opec.org<br>Claude Clemenz<br>email: cclemenz@opec.org<br>Joerg Spitzy<br>email: jspitzy@opec.org |
| World Oil Demand | Esam Al-Khalifa<br>email: ekhalifa@opec.org |
| World Oil Supply | Haidar Khadadeh<br>email: hkhadadeh@opec.org |
| Product Markets and Refinery Operations | Safar Keramati<br>email: skeramati@opec.org |
| The Tanker Market *and* Oil Trade | Osam Abdul-Aziz<br>email: oabdul-aziz@opec.org |
| Stock Movements | Brahim Aklil<br>email: baklil@opec.org |
| Technical and editorial team | Aziz Yahyai<br>email: ayahyai@opec.org<br>Douglas Linton<br>email: dlinton@opec.org |

**Data services**
Fuad Al-Zayer, Head Data Services Department (fzayer@opec.org)
Puguh Irawan (pirawan@opec.org), Ramadan Janan (rjanan@opec.org)
Monika Psenner (World Economy), Hannes Windholz (Oil Trade, Product & Refinery), Pantelis Christodoulides (World Oil Demand, Stock Movements), Mouhamad Moudassir (Tanker Market), Klaus Stoeger (World Oil Supply), Sheela Kriz (Crude Oil Prices)

**Production, design and circulation**
Viveca Hameder, Jennett Paulich, Andrea Birnbach, Gabriele Berger, Evelyn Oduro-Kwateng

# Data Summary — September 2009

## OPEC Basket average price

*US$ per barrel*

up $6.76 in August

| | |
|---|---|
| **August 2009** | **71.35** |
| July 2009 | 64.59 |
| Year-to-date | 55.24 |

## August OPEC production

*in million barrels per day, according to secondary sources*

up 0.09 in August

| | |
|---|---|
| **August 2009** | **28.83** |
| July 2009 | 28.74 |

## World economy

***The forecast for world economic growth in 2009 was revised up by 0.2 percentage points (pp) to now stand at minus 1.2%, while 2010 was revised up by 0.1 pp to 2.5%. These adjustments were mainly due to an improvement in the global growth numbers for the second quarter. The major revisions were made in the Euro-zone, Japan and China.***

## Supply and demand

*in million barrels per day*

| **2009** | | **2010** | |
|---|---|---|---|
| World demand | 84.1 | World demand | 84.6 |
| Non-OPEC supply | 55.5 | Non-OPEC supply | 56.5 |
| **Difference** | **28.5** | **Difference** | **28.1** |

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

## Stocks

***Despite an estimated draw in August, OECD commercial oil stocks remained at high levels, corresponding to around 61 days of forward cover. US commercial oil stocks fell more than 22 mb, but remained 80 mb above the five-year average.***

*Issued 15 September 2009.*
***Next report to be issued on 13 October 2009.***
*Data covers period up to the end of August 2009 unless otherwise stated.*