OPEC

Monthly Oil Market Report

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Feature article:

Assessment of the global economy

Organization of the Petroleum Exporting Countries

Helferstorferstrasse 17, A-1010 Vienna, Austria

E-mail: prid@opec.org

Website: www.opec.org

Oil market highlights

Crude Oil Price Movements

The OPEC Reference Basket averaged $54.06/b in February, representing a gain of $9.68 or nearly 22% amid a pickup in prompt demand from Europe and Asia and optimism that oil prices may have reached bottom. ICE Brent rose $9.04 to $58.80/b, while Nymex WTI gained $3.40 to stand at $50.72/b. The Brent-WTI spread widened to above $8/b in February.

World Economy

World economic growth for 2014 is now seen at 3.3%, up from growth of 3.2% in the previous report. Global economic growth in 2015 remains unchanged at 3.4%. The OECD growth estimate is unchanged at 1.8% for 2014 and 2.2% in 2015. China's growth forecast remains at 7.4% for 2014 and 7.0% for 2015. The growth forecasts for India in 2014 and 2015 have been revised higher to 7.2% and 7.5%, respectively, following large revisions by the country's statistical office. Russia is now expected to see a contraction of 3.2% in 2015, compared to a contraction of 2.4% in the previous report. Brazil's growth in 2015 has also been revised lower to 0.2%, from 0.7% previously.

World Oil Demand

The estimate for world oil demand growth in 2014 remains broadly in line with the previous report at 0.96 mb/d. For 2015, global oil demand growth is expected to average 1.17 mb/d, relatively unchanged from the previous month. Almost half of 2015 oil demand growth is projected to come from China and the Middle East.

World Oil Supply

Non-OPEC oil supply growth in 2014 is now expected at 2.04 mb/d, following an upward revision of 0.05 mb/d from the last report, mostly due to stronger-than-expected growth in 4Q14. In 2015, non-OPEC oil supply is projected to grow by 0.85 mb/d, unchanged from the previous assessment. OPEC NGLs in 2015 are forecast to grow by 0.19 mb/d. In February, OPEC crude production declined by 0.14 mb/d to 30.02 mb/d, according to secondary sources.

Product Markets and Refining Operations

Product markets continued strengthening in the Atlantic Basin in February. The more bullish sentiment was fuelled by the heavy maintenance season and some outages in the US, at a time when colder weather boosted demand for heating fuels. Meanwhile, the Asian market maintained most of the previous month's recovery with support from stronger light distillate demand, which allowed margins to remain healthy.

Tanker Market

Dirty tanker spot freight rates were mixed in February. VLCC and Suezmax rates encountered declines, mainly on the back of low activity and holidays in the east, while Aframax freight rates increased partially as a result of a tightening positions list, weather conditions and port delays. Freight rates on all reported routes remain higher than the same month a year ago.

Stock Movements

OECD commercial oil stocks fell in January by 5.0 mb to stand at 2,695 mb. At this level, inventories are 22 mb higher than the five-year average. Crude showed a surplus of 54 mb, while product stocks remained 32 mb below the five-year average. In terms of days of forward cover, OECD commercial stocks stood at 59.3 days, 1.5 days higher than the five-year average.

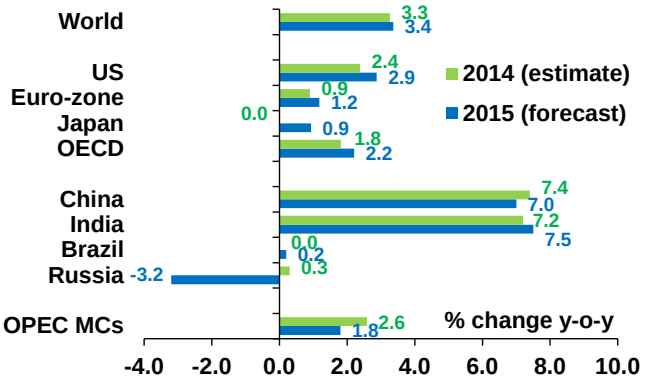
Balance of Supply and Demand

Demand for OPEC crude is estimated at 29.1 mb/d in 2014, broadly unchanged from the previous assessment. In 2015, required OPEC crude is projected at 29.2 mb/d, also unchanged from a month earlier.

Assessment of the global economy

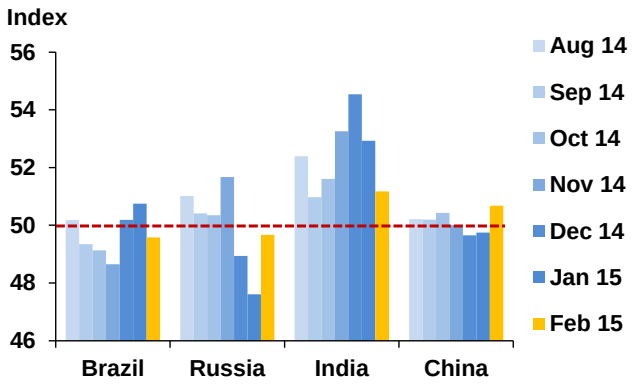
Although still impacted by the remaining legacies of the global financial crisis, world economic growth is expected to continue improving this year. High debt levels in the private and public sectors in many major economies, a weak labour market in the Euro-zone, and slowing growth levels in emerging economies – with the exception of India – are all keeping global growth below potential for the time being. This dynamic has been positively counterbalanced by lower crude oil prices, which have supported consumption in some of the advanced economies, removed budgetary constraints in some emerging economies, and allowed major central banks to maintain monetary stimulus and even implement new measures. Global growth is forecast at 3.4% in 2015, slightly higher than last year's 3.3%, mainly supported by the recovery in the OECD economies (***Graph 1***).

Graph 1: GDP growth forecast,% change y-o-y



Source: OPEC.

Graph 2: Manufacturing PMI in BRICs



Sources: HSBC, Markit and Haver Analytics.

While the economies of the OECD are still facing various issues, their recovery since 2013 has been considerable with expected growth of 2.2% this year, after 1.8% in 2014 and 1.4% in 2013. The US is still the main growth engine within the OECD, although the Euro-zone slowly had continued to recover. Japan, however, still seems to face problems taking off from its low growth trajectory. Major emerging economies – which are the main drivers behind oil demand growth – are facing challenges in the current year, with the exception of India. Russia's economy is forecast to face a significant decline, while Brazil's economic growth is almost stagnant. Moreover, China just recently confirmed that it is not expecting to achieve previous high growth levels. The continuing trend of slowing momentum has also become visible in recent manufacturing purchasing managers' indices (PMI) for the major emerging economies (***Graph 2***). Russia and Brazil remain in contraction territory, while China is only slightly above the growth level of 50. Meanwhile, India is performing relatively well, but also has been slowing somewhat in its manufacturing sector.

Monetary stimulus has certainly played an important role in the global economic recovery in the past years and this role is largely expected to continue. The low interest rate environment in key advanced economies has encouraged foreign investments and higher growth in the emerging economies. In addition, the recent volatility in crude oil prices – as a target of investment flows – along with the strong appreciation of the US dollar, and even other more volatile currency movements, have all been significantly impacted by monetary policies. In the advanced and emerging economies alike, monetary policies could continue to cause unexpected outcomes affecting the global economy, including impacting world trade volumes and the direction of capital flows. This is particularly the case given uncertainty regarding US Fed's upcoming decision on monetary policy. Depending on the timing, magnitude and instruments used, this will result in varying impacts on different economies, as well as on the world economy as a whole, in the current year.

While many challenges remain, the expected improvement in the global economy will also result in higher oil demand growth of 1.2 mb/d, above last year's increase of 1.0 mb/d. Given that the bulk of the increment will be coming from the emerging economies, any positive developments in these countries can add to oil demand growth.

Crude Oil Price Movements

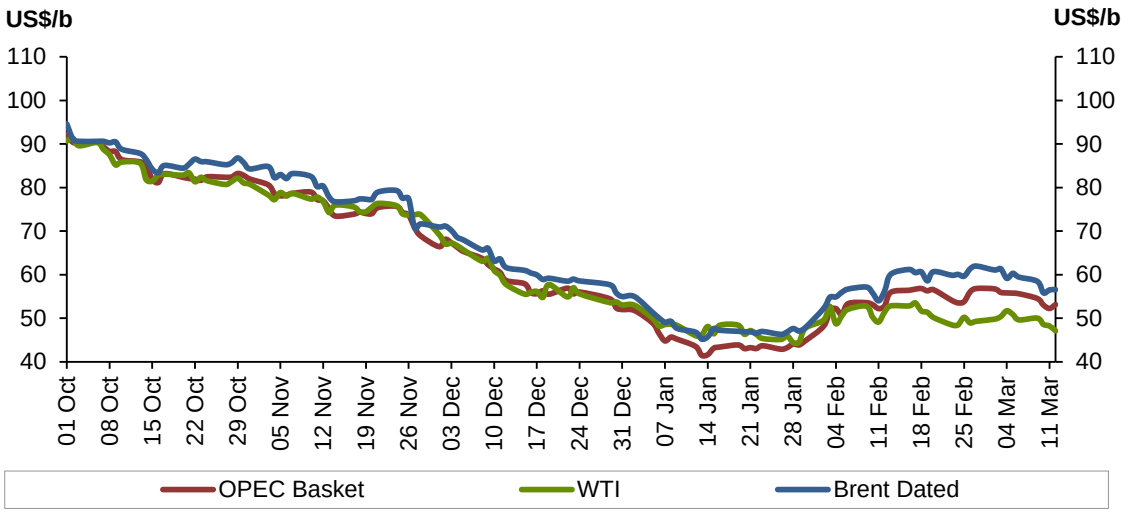
The OPEC Reference Basket (ORB) ended February over 20% higher than the previous month, amid a pickup in prompt demand from Europe and Asia and optimism that oil prices may have reached a bottom. The ORB improved $9.68 to $54.06/b during the month, though still significantly down from a year ago. Crude oil futures defied fundamentals and moved up sharply after seven months of a declining streak that ended with values down by almost 60%. Despite a continuing imbalance in the global crude market, oil futures bounced back, supported by improving physical demand, supply outages and speculation that low crude oil prices have begun to affect US tight oil production. The ICE Brent contract surged $9.04 or 18% m-o-m to $58.80/b. The Nymex WTI contract was up $3.40 or 7.2% at $50.72/b. Meanwhile, speculative bets on higher ICE Brent prices further increased net length, but sentiment was less bullish on US crude. The Brent-WTI spread widened, as growing US crude stockpiles resulted in less of an increase in the Nymex WTI front-month contract. The Brent premium to WTI widened to above $8/b in February.

OPEC Reference Basket

The ORB rebounded in February by its largest percentage rise since December 2008, reflecting gains in the major benchmarks as prompt demand improved in European and Asian markets amid healthy refining economics, although oversupply worries continued to overwhelm oil markets.

The month-to-month gains in European and Asian oil benchmarks Brent and Dubai reflected healthy demand over the month, largely driven by refiners wanting to tap into rare strong refining margins, particularly in Europe, which came as a result of lower crude oil prices and a strong middle distillates market. European refinery utilization rose over the month as refining margins in some areas more than doubled. Although US refining margins were steady due to refinery outages, gains were capped by record-high crude inventories. The rebound in the oil complex was also supported in general by optimism that oil prices have reached a bottom, after plummeting by over 60% since mid-year 2014. Speculation that ongoing low prices have started to affect high-cost production areas, also supported prices.

Graph 1.1: Crude oil price movement, 2014-2015



On a monthly basis, the **OPEC Reference Basket** surged to an average of $54.06/b in February, up $9.68, or 21.8%, the highest percentage gain in more than six years. However, year-to-date, the ORB value is about 53% lower at $49.10/b from $105.03/b compared with the same period in 2014.

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

			Change	Year-to-date	
	Jan 15	Feb 15	Feb/Jan	2014	2015
OPEC Reference Basket	**44.38**	**54.06**	**9.68**	**105.03**	**49.10**
Arab Light	44.47	53.78	9.31	106.01	49.01
Basrah Light	42.58	51.82	9.24	103.02	47.09
Bonny Light	48.51	58.46	9.95	110.50	53.37
Es Sider	46.76	56.83	10.07	108.15	51.67
Girassol	47.98	58.27	10.29	108.71	53.00
Iran Heavy	42.84	53.26	10.42	104.92	47.92
Kuwait Export	42.31	52.25	9.94	103.97	47.15
Marine	45.51	55.38	9.87	104.41	50.33
Merey	37.96	48.41	10.45	93.85	43.06
Murban	48.41	58.56	10.15	108.15	53.36
Oriente	42.26	47.00	4.74	95.34	44.57
Saharan Blend	47.91	58.18	10.27	110.22	52.92
Other Crudes					
Brent	47.86	58.13	10.27	108.55	52.87
Dubai	45.57	55.85	10.28	104.50	50.59
Isthmus	45.52	52.68	7.16	98.31	49.02
LLS	48.81	55.28	6.47	104.49	51.96
Mars	44.76	51.22	6.46	101.21	47.91
Minas	46.37	55.90	9.53	109.58	51.02
Urals	47.03	57.81	10.78	106.89	52.29
WTI	47.29	50.76	3.47	97.70	48.99
Differentials					
Brent/WTI	0.57	7.37	6.80	10.85	3.89
Brent/LLS	-0.95	2.85	3.80	4.06	0.91
Brent/Dubai	2.29	2.28	-0.01	4.05	2.29

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

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

In addition to the improvement in the global oil benchmarks, particularly Dubai and Brent, ORB components benefitted from a rise in crude oil price differentials in the Atlantic Basin. North Sea Dated Brent and Dubai gained around 22% or $10.25/b, while the US light sweet marker WTI improved by $7.5% or $3.50/b over the month.

Prices rose sharply from recent lows on firm refiner demand amid robust refining margins that were the strongest in six years in Europe. Robust refining margins supported buying interest in light crudes in the Atlantic Basin, as did the revival of North Sea and West African crude arbitrage sales to the Asia Pacific amid a narrower Brent–Dubai spread.

Meanwhile, this firmer demand coincided with tighter supply in the Atlantic Basin. Libyan crude exports dropped to no more than 200,000 b/d in February because of disruptions at fields and terminals. Loadings of light sweet Caspian were also lower, while whether-related disruptions delayed crude loading in both the Black Sea and Iraq.

Demand in the Asia Pacific region for Mideast Gulf crudes firmed as high margins and the viability of putting crude into floating storage underpinned demand. On the US Gulf

Coast (USGC), high crude inventories limited regional crude gains despite support from a widening WTI-Brent spread and healthy margins.

Brent-related Basket components Saharan Blend, Es Sider, Girassol and Bonny Light surged $10.15/b or 21.2% to $57.94/b in February, but remained below the previous year's average of $109.31/b. Middle Eastern spot components and multi-destination grades increased by around $10 and $9.75 to $57/b and $53/b, respectively, but stayed substantially below the previous year's levels. Among Latin American ORB components, Merey improved $10.45/b or a hefty 27.5% while Oriente edged up $4.74/b or 11.2% in February.

On 13 March, the OPEC Reference Basket stood at $51.66/b.

The oil futures market

ICE Brent and Nymex WTI crude oil futures defied fundamentals and moved up sharply, posting their first gains since June 2014 after seven months of a declining streak that ended with values down by almost 60%.

Since February, crude oil futures bounced back amid a mixture of factors, but largely supported by improving physical demand and supply outages, despite the fact that global supply continued to exceed demand. The rally was also triggered by short-covering spurred by speculation that the market had hit bottom amid geopolitical concerns in the MENA region.

Over the month the US rig count reported by Baker Hughes became a means of monitoring how the US oil industry is reacting to the fall in outright prices. Reported record falls in rig counts fueled expectations of a fall in US tight oil output, prompting oil markets to turn bullish. In the Atlantic Basin, demand was firm as refiners cashed in on strong margins and open arbitrage to Asia supported ICE Brent. US crude gains have been curbed by rising crude oil inventories in the United States, to stand at a record-high of 444 mb at the end of February, according to government data.

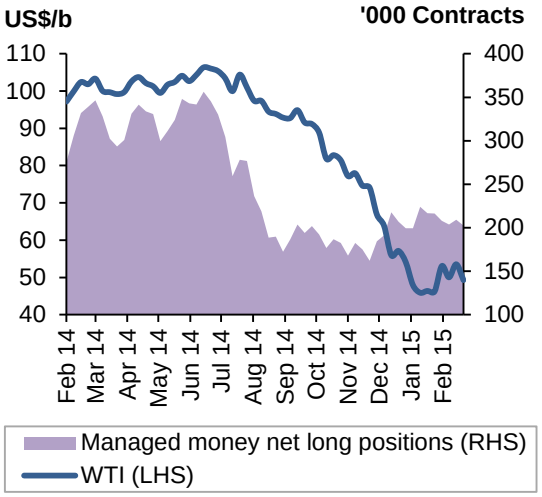
For the month, ICE Brent first-month futures settled up $9.04 or 18.2% at $58.80/b while Nymex WTI gained $3.44/b or 7.2% to finish the month at an average of $50.72/b. Compared with 2014, Nymex WTI and Brent were lower by $48.74 and $53.69 to stand at $49.03/b and $54.28/b, respectively.

On 13 March, ICE Brent stood at $54.67/b and Nymex WTI at $44.84/b.

Money managers' bets on higher oil prices in the ICE Brent market rose over the month. Net length positions increased by 39,744 lots to 182,783 contracts as front-month futures prices increased by almost 18% over the month, according to figures from the ICE Futures Europe exchange.

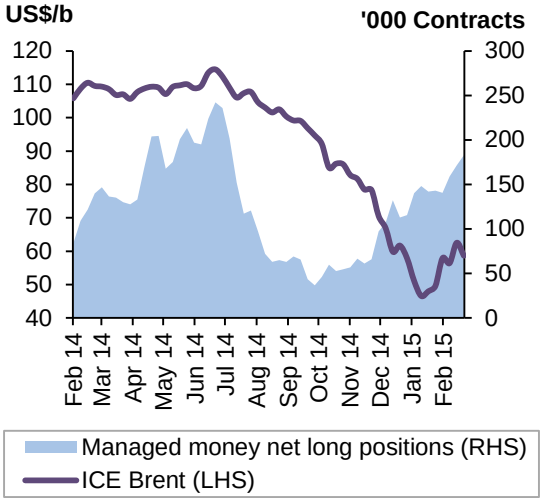
Speculators were not as bullish on the US crude oil market, where they reduced their net length by 14,116 lots over the month. Net long US crude futures and options positions during the month slipped to 202,209 contracts, US Commodity Futures Trading Commission (CFTC) data show. Moreover, total futures and options open interest volume in the two markets decreased in February by 102,207 lots to 5.04 million contracts.

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



Source: CFTC.

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



Source: IntercontinentalExchange, Inc.

The daily average traded volume during February for Nymex WTI contracts increased sharply for a second month – by 240,796 lots – to average 1,066,477 contracts. ICE Brent daily traded volume rose slightly by 17,966 contracts to 852,310 lots. The daily aggregate traded volume in both crude oil futures markets increased by 258,761 lots, up 16%, to around 1.92 million futures contracts, equivalent to around 1.9 billion barrels per day. The total traded volume in Nymex WTI was up sharply at 20.26 million contracts, while ICE Brent was down at 17.05 million lots.

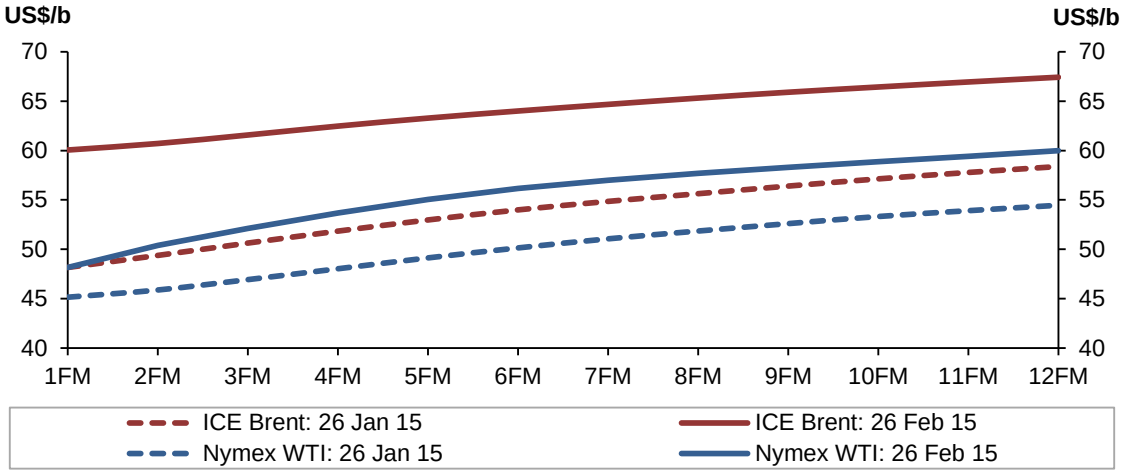
The futures market structure

The ICE Brent market structure contango eased over the month amid improving prompt demand from European refiners as they capitalized on rare strong refining margins. European refinery oil processing in February rose from a year earlier, and buying interest for prompt-loading grades picked up on the back of firm European margins. Demand was also supported by tightened supplies and arbitrage opportunities to move North Sea light sweet crudes to Asia.

The ICE Brent first-month discount to the second month decreased by 20¢ to 90¢/b. The Dubai market contango also dropped significantly by 80¢ to $1.60/b over the month amid support from robust refinery demand. Regional refiners have increased crude buying to benefit from strong profit margins.

In contrast, the US Nymex WTI contango widened two-fold to $1.10/b as available crude oil storage in Cushing Oklahoma continued to shrink. The inter-month spread must be large to cover the foreseen increase in storage costs. As the most affordable crude oil storage facilities like Cushing fill up, the cost of storage rises. This affects the economics of storing crude for forward selling, which requires a wider contango to break even.

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



FM = future month.

Growing US crude stockpiles dragged the Nymex WTI front-month contract below the futures of its fellow benchmark, ICE Brent. Rising US crude oil supplies are also keeping domestic crude prices from advancing as much as international prices. In February, Nymex WTI climbed 7% versus an 18% jump in ICE Brent, widening the European benchmark's premium to more than $8/b from around $2.50/b in January. Firm demand and supply disruptions in Libya have boosted ICE Brent, while US crude inventories and production climbed to record highs. US stockpiles of crude increased sharply over the month to 444 mb, the Energy Information Administration said, reflecting the greatest amount shown by government weekly data since it has been collected starting in 1982, and up 51.7 mb since early January. Stockpiles at Cushing, Oklahoma, the delivery point for Nymex WTI futures, climbed for the 12th week in a row, the longest streak since April 2004.

The prompt ICE Brent/Nymex WTI spread widened to $8.07/b from $2.43/b the previous month. This gowning gap should encourage US Gulf Coast refiners to purchase domestic crude over Brent-linked imports, as long as the differential is enough to cover the cost of delivery.

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

Nymex WTI

	1st FM	2nd FM	3rd FM	6th FM	12th FM
26 Jan 15	45.15	45.88	46.93	50.14	54.46
26 Feb 15	48.17	50.39	52.10	56.15	59.97

ICE Brent

	1st FM	2nd FM	3rd FM	6th FM	12th FM
26 Jan 15	48.16	49.38	50.63	53.99	58.38
26 Feb 15	60.05	60.71	61.57	64.00	67.42

FM = future month.

The light sweet/medium sour crude spread

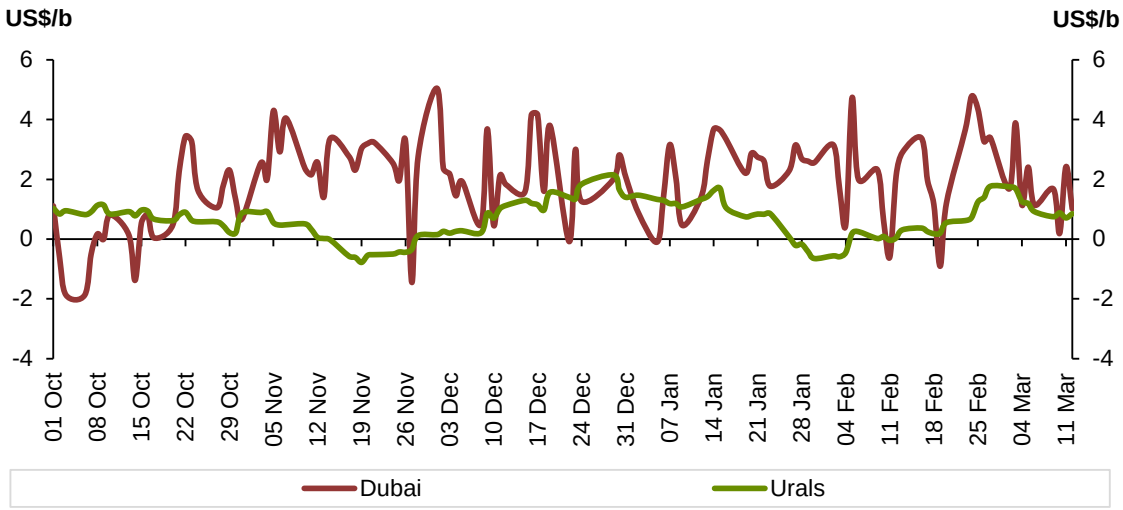
Sweet/sour differentials narrowed in Asia and Europe, while on the USGC the spread remained flat.

In **Asia**, the sweet/sour spread – represented by the Tapis/Dubai spread – narrowed over the month, supported by healthy demand for Mideast Gulf crudes from Asia as seen in the narrowing Dubai market contango structure. Competitive prices and strong refining margins boosted Asian demand. Meanwhile, the narrower Brent/Dubai spread resulted in greater light sweet arbitrage volumes moving from Europe and Africa to the Asia Pacific region, somewhat pressuring Tapis, despite steady market conditions. Over the month, the Tapis crude premium over Dubai decreased by $1 to $5.69/b in February.

In **Europe**, the Urals medium sour crude discount against light sweet Dated Brent narrowed further by about 50¢ to 30¢/b in the Mediterranean as buying interest picked up on the back of firm margins, while supplies tightened due to weather-related delays. Urals also found support in disappointing inflows of Kirkuk crude, which turned out to be far below recent estimates of around 400,000–500,000 b/d. Inflows of Basra Light to Europe have also been delayed due to severe weather conditions in the Mideast Gulf.

In the **USGC**, the Light Louisiana Sweet (LLS) premium over medium sour Mars remained unchanged at around $4/b on average for the month. Meanwhile, US Gulf crudes were still under pressure as stockpiles in the region reached their highest point on record, while refinery runs were down amid refinery maintenance season. Nevertheless, USGC crudes gained ground relative to imported crudes, as a strong Brent market compared with US crude futures pushed differentials to one-year highs.

Graph 1.5: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2014-2015



Commodity Markets

Energy commodities experienced their first increase since July 2014, on top of recovering oil prices. In the category of non-energy commodities, both agriculture and metals were down during the month. Precious metals declined on the expectation of the start of monetary policy normalization by the US Federal Reserve.

Trends in selected commodity markets

During the month of February, the US dollar further strengthened – maintaining a source of weakness to commodity prices, albeit at a lower pace than in January, mainly due to incoming implementation of the quantitative easing programme announced by the European Central Bank (ECB). Meanwhile, improvement in the labour market was ongoing in the US, suggesting that the Federal Reserve could potentially lift rates around mid-year, weakening the appeal for investment in precious metals.

Agricultural prices declined, due to a drop in food and beverage prices, while the cost of raw materials increased. In February, the US Department of Agriculture made small upgrades to its expectations for global ending stocks of wheat, corn and cotton, while also making small downgrades to soybeans and rice. Sugar prices declined on improving weather conditions in Brazil, weakening of the Brazilian real, which supports exports, and additional stimulus for sugarcane production by India's government. Prices in the soy complex declined on the expectation of strong exports from Argentina and Brazil.

Energy prices reversed the downward trend started in August 2014, as crude oil prices recovered on the expectation of slower supply growth. Natural gas prices decreased in both Europe and the US. Withdrawals from inventories in the US have been in line with expectations over the month, in spite of colder-than-normal temperatures, while in Europe inventories declined to 35.9% of capacity at the end of February, versus 48.75% the previous year, however average import prices have fallen on the lagging effect of crude oil price declines.

Metal prices were under pressure due to continuing softness in manufacturing activity and excess supply. Purchasing Managers' Index (PMI) figures increased for China to 50.7 vs 49.7 in January, were stable in the Eurozone at 51, and slightly down in Japan at 51.6 vs 52.2, while the Institute for Supply Management PMI declined for the US, moving to 52.9 from 53.3 in January, mainly due to the impact of the strike that affected ports in the West Coast. Copper prices were down on renewed pressure from rising inventories in the London Metal Exchange (LME) and continuing softness in the Chinese property market, in which home prices declined in January, according to the National Statistics Bureau. Iron ore declined sharply, as major producing companies' capacities continued to expand, while January Chinese imports were down 9.5% from the same month a year earlier.

In the short term, the impact of the ECB's quantitative easing could potentially drive a further appreciation of the US dollar, adding more weakness to commodity prices. The impact of the recently announced reduction in China's GDP target, on the growth in demand for commodities in general, will also require close tracking.

Table 2.1: Commodity price data, 2014-2015

Commodity	Unit	Monthly averages			% Change		
		Dec 14	Jan 15	Feb 15	Dec/Nov	Jan/Dec	Feb/Jan
World Bank commodity price indices (2010 = 100)							
Energy		78.6	63.0	70.4	-18.5	-19.7	11.7
Coal, Australia	$/mt	62.4	62.1	61.4	-0.2	-0.5	-1.1
Crude oil, average	$/bbl	60.7	47.1	54.8	-21.2	-22.4	16.3
Natural gas, US	$/mmbtu	3.4	3.0	2.8	-16.3	-13.4	-4.3
Non Energy		91.3	88.4	87.0	-2.4	-3.2	-1.5
Agriculture		96.8	94.7	93.5	-1.5	-2.2	-1.3
Food		101.5	98.9	96.6	-1.5	-2.5	-2.3
Soybean meal	$/mt	468.0	452.0	438.0	-3.7	-3.4	-3.1
Soybean oil	$/mt	820.0	802.0	772.0	-1.2	-2.2	-3.7
Soybeans	$/mt	446.0	424.0	407.0	-0.7	-4.9	-4.0
Grains		99.6	96.8	95.3	1.7	-2.9	-1.5
Maize	$/mt	178.7	174.7	173.7	0.0	-2.3	-0.6
Wheat, US, HRW	$/mt	269.6	248.5	237.2	4.2	-7.9	-4.6
Sugar, world	$/kg	0.3	0.3	0.3	-5.3	0.1	-4.9
Base Metal		86.3	80.1	79.2	-4.6	-7.1	-1.2
Aluminum	$/mt	1,909.5	1,814.7	1,817.8	-7.1	-5.0	0.2
Copper	$/mt	6,446.5	5,830.5	5,729.3	-4.0	-9.6	-1.7
Iron ore, cfr spot	$/dmtu	68.0	68.0	63.0	-8.1	0.0	-7.4
Lead	$/mt	1,938.1	1,843.1	1,795.7	-4.5	-4.9	-2.6
Nickel	$/mt	15,962.1	14,849.2	14,573.8	1.0	-7.0	-1.9
Tin	$/mt	19,829.7	19,454.1	18,233.9	-1.0	-1.9	-6.3
Zinc	$/mt	2,175.8	2,113.1	2,097.8	-3.4	-2.9	-0.7
Precious Metals							
Gold	$/toz	1,200.6	1,250.8	1,227.1	2.2	4.2	-1.9
Silver	$/toz	16.3	17.2	16.8	2.1	5.8	-2.6

Source: World Bank, Commodity price data.

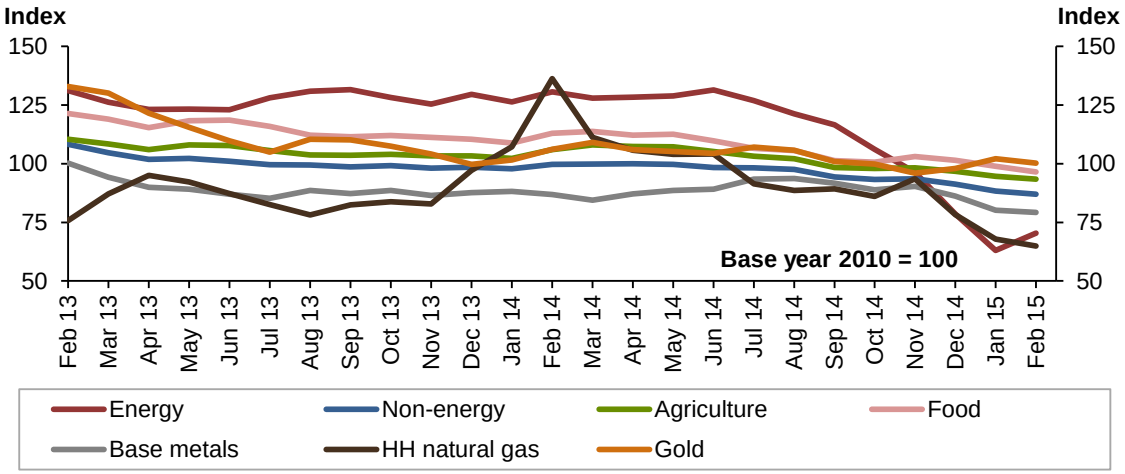
Average **energy prices in February** increased by 11.7% m-o-m due to a 16.3% m-o-m increase in crude oil, after a continuing decrease in rig counts suggested slower growth in US oil production. Natural gas prices declined during the month in the US by 4.3% m-o-m while average import prices decreased in Europe by 10.6%.

Agricultural prices decreased by 1.5% due to a 2.3% decrease in food, a 1.7% decrease in beverages and a 1.2% drop in raw materials. Soy complex prices dropped with soybeans, soybean oil and soy meal declining by 4.0%, 3.7% and 3.1%, respectively, on record crops in the US and South America. Wheat continued its declining trend on a strong dollar and high global production. Sugar declined by 4.9% on improving prospects for Brazilian production and government support in India.

Base metals decreased by 1.2% m-o-m mainly due to a decline in copper by 1.7% on an additional increase in LME inventories. Nickel declined by 1.9% on increasing inventories, reversing the gains achieved the previous year due to Indonesia's ore export ban. Iron ore declined sharply by 7.4% m-o-m on continuing increases in production capacity by major producing companies and decreased demand from China before the Lunar New Year holiday.

Precious metals decreased by 2.1% in January. Average gold prices decreased by 1.9% m-o-m in response to increasing bond yields in the US after further strengthening in the labour market. Silver prices decreased by 2.6% m-o-m.

Graph 2.1: Major commodity price indices, 2013-2015

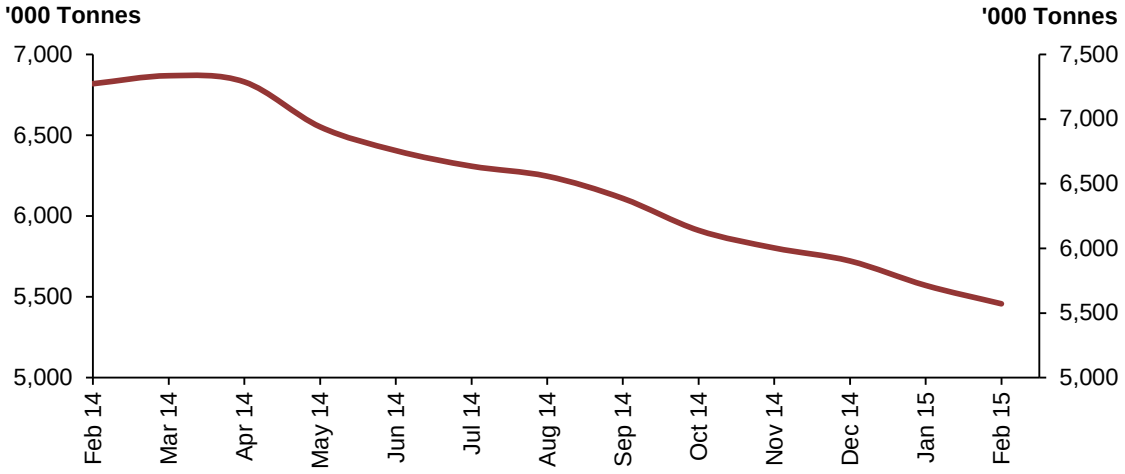


Source: World Bank, Commodity price data.

In February, the **Henry Hub natural gas price** decreased after smaller-than-average withdrawals from inventories. The average price decreased by 12¢, or 4.3%, to $2.85 per million British thermal units (mmbtu) after trading at an average of $3.97/mmbtu the previous month.

The US Energy Information Administration (EIA) said utilities withdrew 228 billion cubic feet (Bcf) of gas from storage during the week ending 27 February. This was slightly above market expectations of a 222 Bcf decrease. Total gas in storage stood at 1,710 Bcf, which is 40.4% higher than the previous year and 7.7% below the previous five-year average. One month ago it was 1.2% below that average. The EIA noted that temperatures were significantly colder than normal during the week, which increased gas consumption.

Graph 2.2: Inventories at the LME

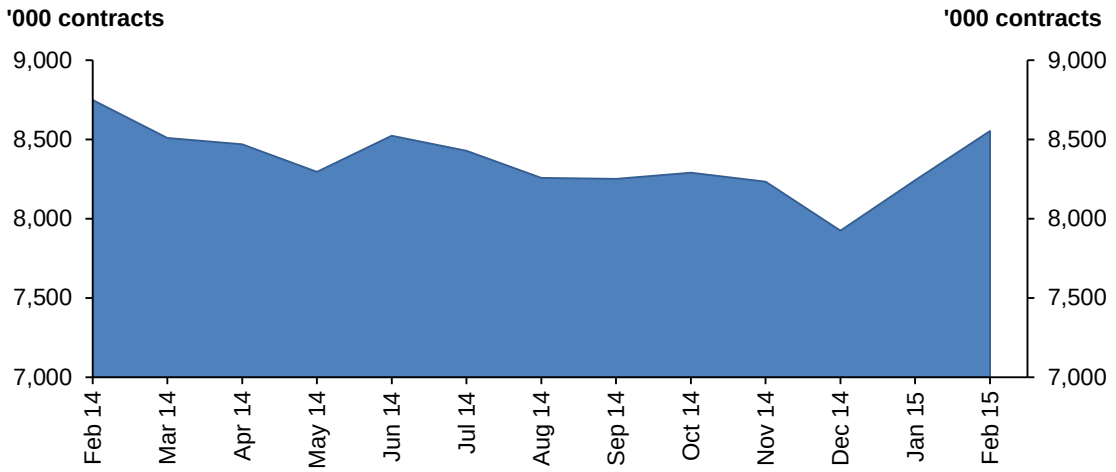


Sources: London Metal Exchange and Haver Analytics.

Investment flows into commodities

The total open interest volume (OIV) in major US commodity markets increased to 8.7 million contracts in February, with the OIV increasing by 6.8% for crude oil, 5.2% for agriculture, 3.2% for copper and 1.3% for natural gas. Meanwhile, the OIV declined by 6.9% for livestock and 0.7% for precious metals.

Graph 2.3: Total open interest volume



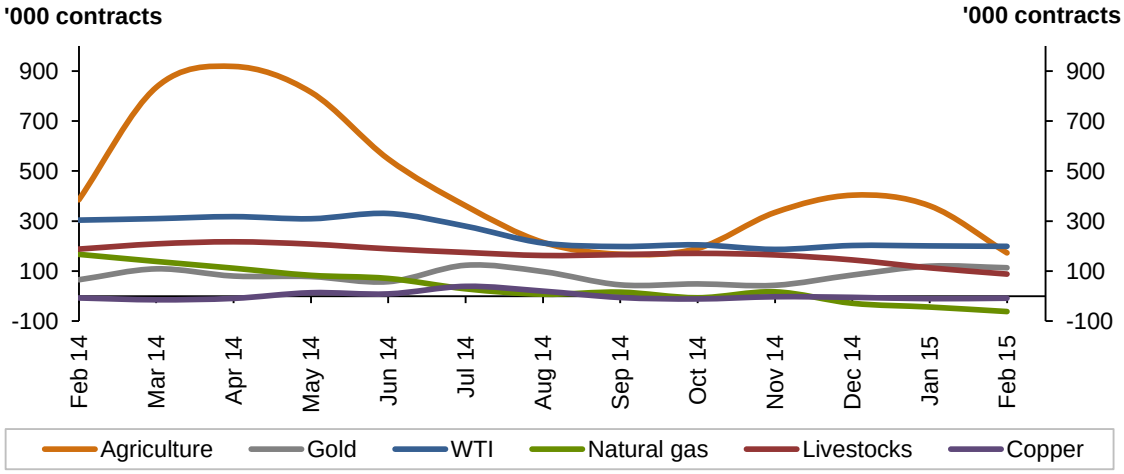
Source: US Commodity Futures Trading Commission.

Total speculative net length positions in select commodities decreased by 30.41% m-o-m to 537,006 contracts in February due to decreases in net length for agriculture, precious metals, livestock and crude oil. Net shorts increased for natural gas and decreased for copper.

Agricultural OIV was up 5.2% m-o-m to 4,780,704 contracts in January. Meanwhile, the net length positions of money managers in agriculture decreased by 52.2% to 172,713 lots, their lowest point since September 2014.

Henry Hub's natural gas OIV increased by 1.3% m-o-m to 1,003,692 contracts in February. Money managers increased their net short positions by 41.2% to reach 61,863 lots on withdrawals from storage in line with expectations.

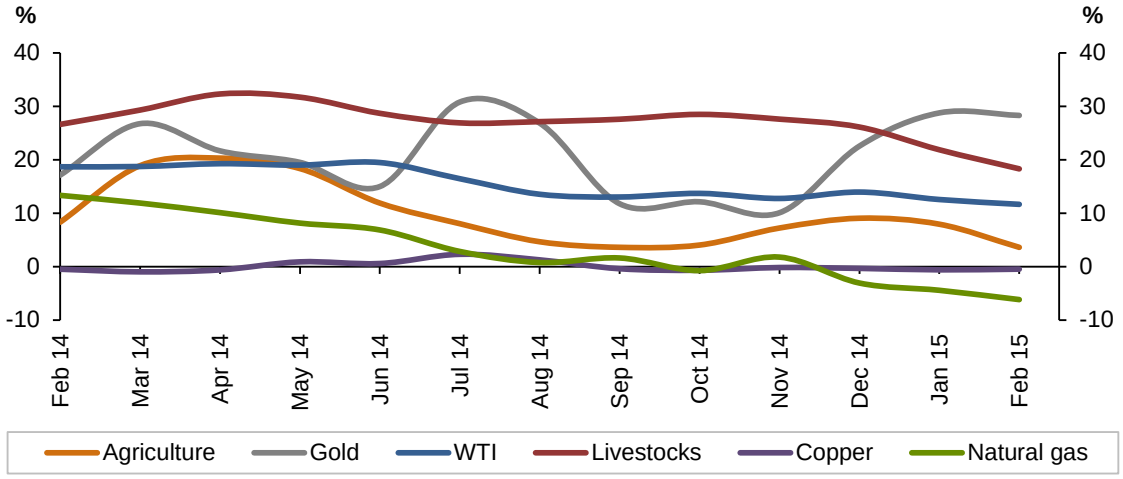
Graph 2.4: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

Copper OIV increased by 3.2% m-o-m to 180,936 contracts in February. Money managers decreased their net short positions to 8,479 from 10,490 lots the previous month.

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



Source: US Commodity Futures Trading Commission.

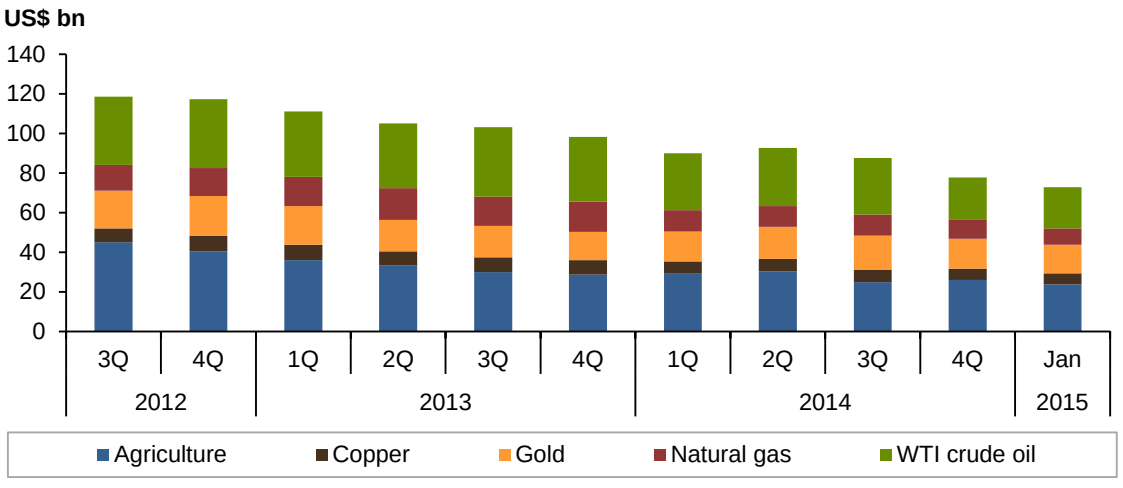
Gold OIV decreased by 3.8% m-o-m to 400,398 contracts in February. Money managers decreased their net long positions by 5.4% to 113,261 lots due to the potential for interest rate hikes in the US around mid-year.

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

	Open interest		*Net length*			
	Jan 15	Feb 15	Jan 15	% OIV	Feb 15	% OIV
Crude oil	1,598	1,706	201	13	199	12
Natural gas	990	1,004	-44	-4	-62	-6
Agriculture	4,546	4,781	361	8	173	4
Precious metals	574	570	152	26	148	26
Copper	175	181	-10	-6	-8	-5
Livestock	516	481	113	22	88	18
Total	**8,400**	**8,722**	**772**	**9**	**537**	**6**

Source: US Commodity Futures Trading Commission.

Graph 2.6: Inflow of investment into commodities, 2012-2015



Source: US Commodity Futures Trading Commission.

World Economy

While the global economic recovery continues, it remains impacted by some of the aftereffects of the global financial crisis. The growing importance of monetary policies, as well as continuing high debt levels in some key economies and a variety of structural deficiencies, mainly in emerging and developing economies, have all led to a global growth level that still remains below its potential. Taking these challenges into account, the 2015 GDP growth forecast remains at 3.4%, after 2014 growth of 3.3%. The OECD growth forecast for both 2014 and 2015 remains unchanged at 1.8% and 2.2%, respectively. However, some recent weaker-than-expected indicators in the US need to be carefully monitored in coming months. The situation in Japan remains challenging and while the circumstances of the Euro-zone economies continue to improve, they continue to deal with a variety of issues. China's latest lead indicators point at possible lower growth in 2015 compared to last year. In India, based on the latest revisions by the government's statistical office, the economy's growth forecast has been revised to 7.2% and 7.5% for 2014 and 2015, respectively. Brazil and Russia are currently seen to be lagging the global momentum: Russia's 2015 GDP growth forecast has been revised down to -3.2% from -2.4% and Brazil's 2015 growth forecast now stands at 0.2%, compared to 0.7% in the previous month.

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

	World	OECD	US	Japan	Euro-zone	China	India	Brazil	Russia
2014E*	**3.3**	**1.8**	**2.4**	**0.0**	**0.9**	**7.4**	**7.2**	**0.0**	**0.3**
Change from previous month	0.1	0.0	0.0	-0.2	0.0	0.0	1.7	-0.2	0.0
2015F*	**3.4**	**2.2**	**2.9**	**0.9**	**1.2**	**7.0**	**7.5**	**0.2**	**-3.2**
Change from previous month	0.0	0.0	0.0	-0.3	0.0	0.0	1.5	-0.5	-0.8

** E = estimate and F = forecast.*

OECD

OECD Americas

US

Some moderation in US 4Q14 GDP growth became apparent recently. However, this came after two consecutive strong quarters, so this should not have come as a surprise. Nevertheless, the level of growth was somewhat disappointing as it was expected to be higher. GDP growth in 4Q14 stood at a seasonally-adjusted annualized rate (saar) of only 2.2%, after reaching 4.6% q-o-q in the 2Q14 and 5% q-o-q in 3Q. This ties into many slightly weakening indicators seen in recent months. Industrial production, manufacturing orders and retail sales have all been slowing. And while industrial production recovered slightly in January, manufacturing orders and retail sales have remained clearly in the negative. Moreover, the strength of the US dollar may negatively impact exports in the current year. Also, the potential for an interest rate hike by the Federal Reserve Board (Fed) raises questions since it could be an influential factor for future growth. While it is expected that any increase in the interest rate will only be done after a careful consideration of the domestic economy's

performance, and the impact that such a rate hike might have on the global economy, it is not clear how markets will react once a policy change becomes likely.

On the positive side, the labour market continues improving, consumer sentiment is at record levels and private household consumption continues growing solidly. This should keep growth going. But, given the many slowing dynamics, in combination with the mentioned challenges, the magnitude of this year's GDP growth remains uncertain to some extent.

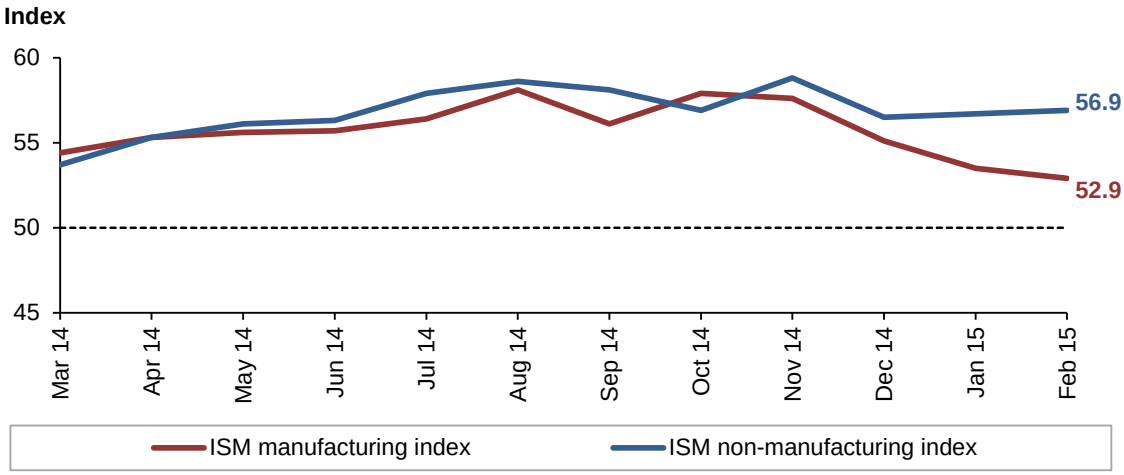
In general, the US economy is improving, supported by an ongoing positive trend in job creation, rising house and equity prices, and other income-related factors that have, in the past year, led to rising consumption. This remains the most important driving force for US economic growth. Although it depends on the further development of the earnings situation and other wealth-related factors, the rise in private household consumption is forecast to lead to rising GDP growth in the current year. Personal consumption stood at a saar of 4.2% q-o-q in the 4Q14, after registering 3.2% q-o-q in the 3Q, which could be taken as a positive sign for growth in 2015.

The **labour market** has significantly improved over the past months and the latest batch of data confirms this trend. The unemployment rate fell to 5.5% in February. Non-farm payrolls grew by 295,000 in February, higher than in the previous month, when they stood at 239,000. The share of long-term unemployed improved to 31.1% from 31.9% in February.

The **housing market** continues recovering and while the pace of the recovery was slowing in the past months, prices in November and December, which are the latest available data points, have started to increase again at higher rates. Prices increased by at 5.5% y-o-y in December, after registering 5.2% y-o-y in the previous month, as reported by the Federal Housing Finance Agency. Positively, existing home sales have also continued improving, rising by 3.2% y-o-y in January and by 4.3% y-o-y in December.

Consumer confidence rose to a new record high of 103.8 in January and receded only slightly in February to 96.4, the latest available number, based on the index provided by the Conference Board. As a sign of deceleration, however, the **purchasing manager's index** (PMI) for the manufacturing sector, as provided by the Institute of Supply Management (ISM), fell again slightly to 52.9 in February from 53.5 in January. Positively, the ISM for the services sector, which contributes more than 70% to the economy, edged up marginally to 56.9 in February, from January's level of 56.7.

Graph 3.1: Manufacturing and non-manufacturing ISM indices



Sources: Institute for Supply Management and Thomson Reuters.

The GDP growth forecast for 2015 remains unchanged at 2.9%, given the latest signals from output and based on lead indicators that suggest that the depth of the recovery in the current year remains, to some extent, uncertain. However, this year's growth forecast is already at a much higher level than the final growth estimate of 2.4% in 2014, as provided by the Bureau of Economic Affairs (BEA).

Canada

In **Canada**, improvements continue as well, along with the US, its most important trading partner. A mild slowdown in exports and in the energy sector has become apparent recently, but industrial production growth in December grew at a solid 3.8% y-o-y, more than in November, when it decelerated to 2.5%. Given the challenges in the resource sector, mining, oil and gas extraction also decelerated to 3% in December. However, manufacturing had a strong rebound at 5.7% y-o-y. The PMI for manufacturing in January also indicated a slow-down and now stands at 48.8 for February, indicating a contraction in the sector in the near-term. This comes after registering levels of 53.9 in December and 51 in January. The growth forecast remains unchanged with 2015 GDP growth at 2.3%, after reaching 2.4% in the previous year.

OECD Asia-Pacific

Japan

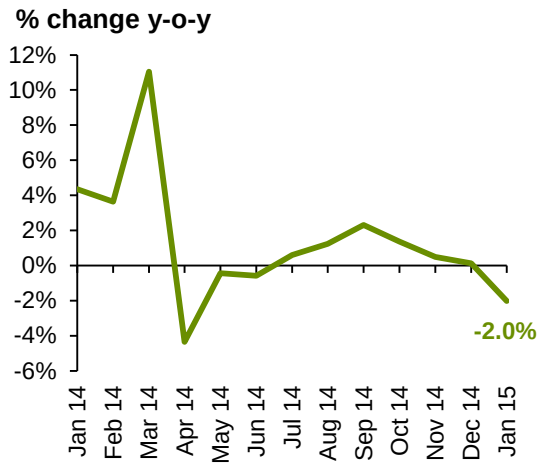
Japan's most recent developments have again pointed out that the economy is still facing multiple challenges and that it may still take some time before the economy is able to move back to higher growth levels. The latest GDP growth revision points at some weakness in the economy's development. Also, the latest output and lead indicators do not provide much confidence for considerable growth in the current quarter. Positively, exports – constituting an important economic driver for the economy – had a strong recovery lately, also supported by a weakening yen. It remains to be seen, however, how this will develop in the near-term, given some obvious slow-down in China's activity, a likely temporary slow-down in the US and a still relatively weak situation in the Euro-zone. Moreover, domestic demand has decelerated and industrial production has remained negative on a yearly basis. On the other hand, manufacturing orders turned positive in January after three consecutive months of decline. All this points at a still challenging situation and it remains to be seen whether exports continue at the current pace and whether the domestic situation improves.

Domestic economic improvements will be challenging as past April's sales tax increase has artificially pushed up total inflation to a level above 2%. In January, it remained at 2.4%. This was well above earnings growth, which had increased significantly in January and December, by 1.5% y-o-y and 2.0% y-o-y, respectively. Rising inflation has certainly depressed real income and should be considered an important factor that has so far dragged down any possible domestic improvements.

Moreover, core inflation without the April sales tax increase is significantly below the government's target of around 2%. As the tax effect as of April will no longer be considered in the yearly comparison, low inflation will once again become an important issue. The government has been very clear about its aim, that, together with the policy of the Bank of Japan (BoJ), it would like to achieve inflation of around 2%. This now seems extremely challenging – even more so when one considers the much lower energy prices this year. Some positive developments in the budget deficit are expected this year, given last year's sales tax increase. Declining energy prices, while negatively impacting inflation, are also a positive factor for lowering the economy's import bills.

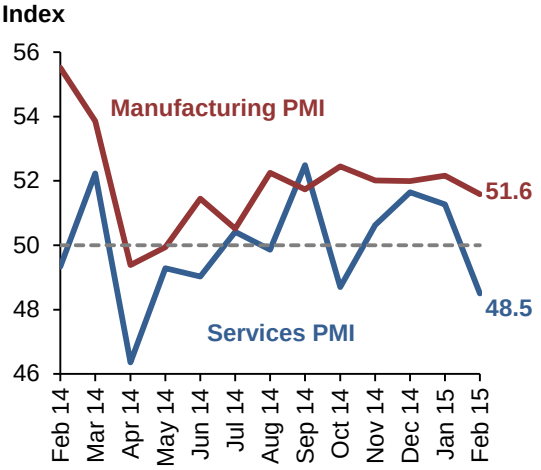
The current weakness in domestic demand led to a decline in retail trade of 2% y-o-y in January. This comes after already weakening numbers in the past months. Retail sales increased by only 0.1% y-o-y in December and by 0.5% y-o-y in November. Exports improved considerably in January, growing by 17.0% y-o-y, after a rise already of 12.8% y-o-y in December. Industrial production remained sluggish on a yearly comparison. It fell by 2.2% y-o-y in January, after a rise of 0.2% y-o-y in December.

Graph 3.2: Japanese retail trade



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

Graph 3.3: Japanese PMI indices



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

The **PMI numbers**, as provided by Markit, show that the manufacturing PMI in February has only slightly receded to 51.6 from 52.2 in January. However, the very important services sector index fell to 48.5, considerably below the growth indicating level of 50.

Given the latest signs of a weakening economy, the 2015 growth forecast has been revised down to 0.9%, compared to 1.2% in the previous month. However, the risk to this growth forecast is slightly skewed to the downside. Growth in 2014 stood at 0% as reported by the government's statistical office.

South Korea

The South Korean economy continues to grow at a solid pace, despite a slight deceleration as the economy is impacted by the economic performance of its most important trading partners in the Asian region. Importantly, export growth declined in February. It fell by 0.7% y-o-y, after already limited growth of 1.2% in January. The economy's development in the last quarter of 2014 confirmed the growth estimate of 3.4% for the year. The growth forecast of 2015 remains unchanged at 3.4%, with some downside risk to this forecast in the coming months if the current slow-down continues.

OECD Europe

Euro-zone

The Euro-zone continues to slowly, but persistently, recover. The speed of the recovery, however, is very different across its various economies and it is not a broad-based recovery yet. While the economy of the Euro-zone has continued to heal to some extent, the European Central Bank (ECB) has provided more details of its latest monetary easing measures, which will be pursued until at least September 2016. The ECB will purchase private and public sector bonds of a monthly magnitude of 60 billion euros. The combination of the economic recovery and the additional funding of the ECB have not only led to improving business sentiment, but also to higher consumer confidence. This is expected to drive growth higher in 2015, as already anticipated in the previous month's forecast.

GDP in 4Q14 stood at a healthy seasonally-adjusted rate of 0.3% q-o-q. If annualised, the growth is 1.3%, which is still much lower than growth in the US, but the pickup in Euro-zone activity may lead to higher growth numbers in coming quarters. However, for the time being, quarterly growth is expected to remain at around these fourth-quarter levels as many challenges remain. The situation of the Euro-zone will be closely monitored before raising any quarterly growth estimates. Greece, for example, will remain a key topic in economic discussions in the Euro-zone. The deflationary trend is also still an important issue and banking sector-related issues also remain. Italy's GDP growth was slightly in the negative in 4Q14 and France has also provided only anaemic growth. Germany's growth dynamic has slowed recently with industrial production at only 0.3% y-o-y and manufacturing orders at -0.3% y-o-y in January. GDP growth in 4Q was at a solid level of 0.7% q-o-q in Germany, translating into a considerable number of 2.8% q-o-q if annualised.

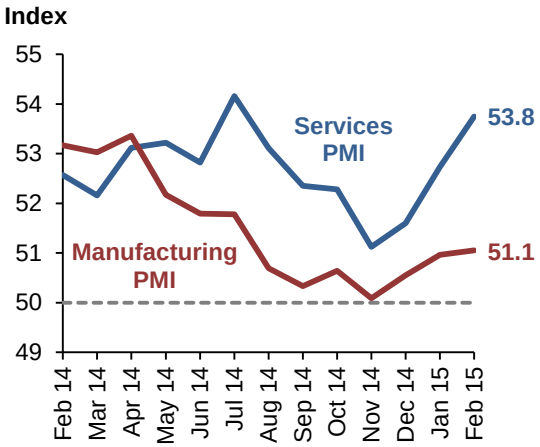
The most recently published inflation number of -0.3% in February was only slightly better than the -0.6% y-o-y in January. However, with ongoing improvements in the economy and monetary stimulus, it is likely that this will return to positive territory again soon. Also, Germany's inflation turned negative in January at -0.4% y-o-y and was flat in its most recent release in February.

While the situation for the Euro-zone's banking sector remains challenging, some positive trends have become visible over the last months. Credit supply from financial intermediaries has shown a positive trend since the end of 2013 and while the transmission channels still seem to be somewhat impaired, loan growth turned positive in January for the first time in almost two years, growing by 0.3% y-o-y.

While some modest improvements have become apparent, the aftereffects of the 2007/2008 global crisis are still obvious in the Euro-zone. The unemployment rate remains at a high level of 11.2%, although this is the best level in more than two years. In fact, youth unemployment also fell below 23% for the first time in many years and stood at 22.9%, with the highest level of 50.9% in Spain.

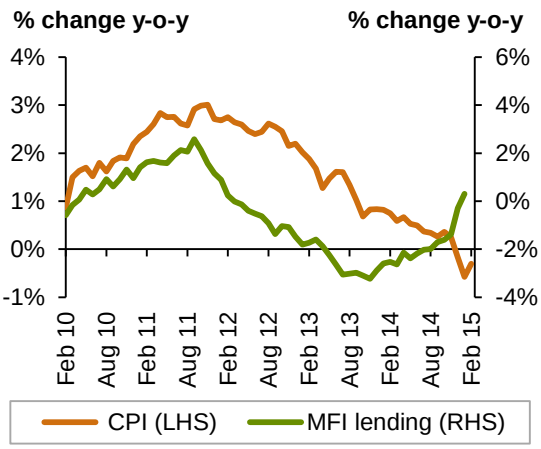
In general, the situation remains challenging. The **recent PMI numbers** point at a continuation of a modest growth level. The latest PMI for manufacturing, as provided by Markit, has improved slightly. It increased to 51.1 in February after 51.0 in January and 50.6 in December. The PMI for the important services sector also increased to 53.8 in February, after 52.7 in January and 51.6 in December.

Graph 3.4: Euro-zone PMI indices



Sources: Markit and Haver Analytics.

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



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

While the recovery in the Euro-zone has improved compared to last year, this recovery remains challenged by various issues. Therefore, the **GDP growth estimate** for 2014 remains unchanged at 0.9%, while the 2015 forecast has also been kept at the previous month's level of 1.2%.

UK

The United Kingdom's economy continues recovering. Lead indicators point at an ongoing solid momentum, while the 4Q14 GDP number has underscored a somewhat softening dynamic of the strong growth momentum that became apparent in 1H14. The revised 4Q GDP growth figure stood at a saar of 2.2% q-o-q. Although this is better than in the previous report, it is the lowest level in all of 2014. Yearly 2014 growth stood at 2.6%. The PMI for manufacturing was higher in February, when it moved to 54.1 after 53.1 in January. The services sector PMI declined slightly to move to 56.7 in February from 57.3 in January, still a very high level. Given the slight improvement at the end of the last year and improving conditions in the manufacturing sector, the GDP growth forecast has been revised to 2.6% from 2.5% in the previous month.

Emerging and Developing Economies

GDP in **Brazil** contracted 0.2% y-o-y in 3Q14, following a 0.9% drop in 2Q. The rise in government spending and exports was not enough to compensate for the drop in investment and slowing consumption. Inflation increased further in February reaching 7.7% y-o-y, following 7.1% in January. On the back of GDP deceleration during 3Q14, the growth forecast was lowered to 0% for 2014. The base effect, together with stubbornly high inflation, a fall in export revenues and challenges to foreign investment, have all resulted in a downward revision of expected 2015 growth to 0.2%.

In **Russia**, the ruble lost 4.8% of its value against the dollar in February over the previous month, signalling the slowest pace of depreciation in four months. Inflation continued its upwards trend for the seventh consecutive month in February, increasing to 16.7% y-o-y, up from 15% a month earlier. This is the highest inflation since March 2002. On the services side of the economy, the correspondent February PMI remained in contraction territory for the tenth time in the past 12 months. While on the manufacturing side, the index indicated a marginal deceleration, staying slightly below the neutral level of 50. Considering the direct negative impacts of lower export revenues, GDP is anticipated to contract 3.2% in 2015, while Russia's economy ministry forecasts a GDP contraction of 3% this year.

India's economy advanced 7.5% y-o-y in the last quarter of 2014, following a revised 8.2% increase in the previous quarter, following from changes in the way the GDP is calculated. India's GDP is now measured in market prices instead of factor costs and the base year was changed to 2011-12 from 2004-05. According to the revised figures, the economy grew 6.5% in the second quarter (5.7% under the previous methodology) and 8.2% in the September quarter (5.3% as initially reported). This was higher than China. In addition, the second budget of the government that came to power in May 2014 contains dozens of proposals that should boost economic growth and make it easier to do business in India. It will also focus on tax rationalisation and infrastructure investment.

According to **China's** second annual government work report given at the National People's Congress (NPC), the growth target for the economy was revised down to 7%, from 7.5%. Also, the People's Bank of China (PBC) announced the first universal cut in the required reserve ratio (RRR) since May 2012. Chinese foreign direct investment (FDI) in China came to $13.9 billion in January, the strongest y-o-y gain since April 2011.

Table 3.2: Summary of macroeconomics performance of BRIC countries

	GDP growth rate		Consumer price index, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2014E*	2015F*	2014	2015	2014	2015	2014	2015	2014	2015
Brazil	0.0	0.2	6.3	7.4	-90.9	-79.9	-6.6	-4.7	62.7	64.4
Russia	0.3	-3.2	7.8	15.8	51.6	40.6	-0.7	-2.1	8.3	9.9
India	7.2	7.5	7.3	5.1	-32.8	-31.5	-4.1	-4.1	51.0	49.4
China	7.4	7.0	2.1	1.2	204.4	203.9	-1.8	-2.5	15.7	17.1

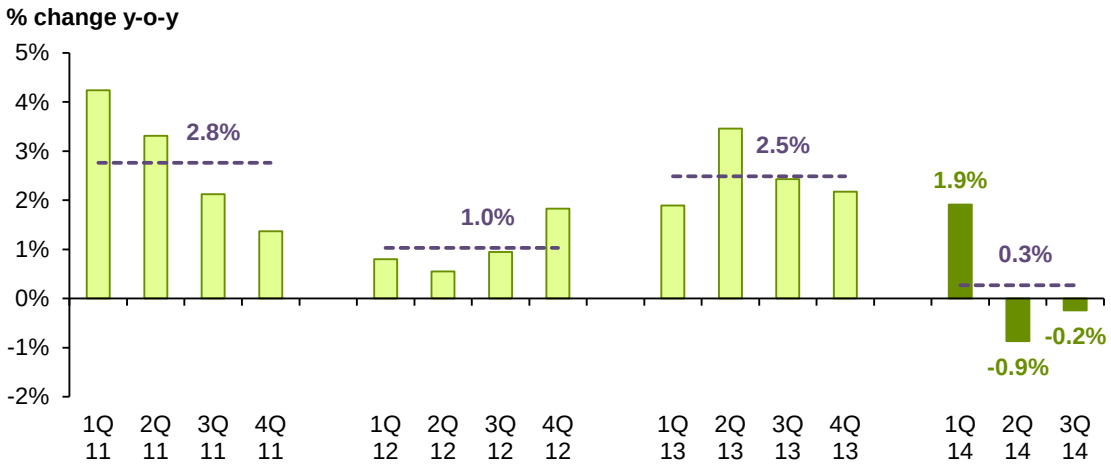
Sources: OPEC Secretariat, Consensus Economics, Economic Intelligence Unit, Financial Times and Oxford.

** E = estimate and F = forecast.*

Brazil

GDP contracted 0.2% y-o-y in 3Q14, following a 0.9% drop in 2Q. The rise in government spending and exports was not enough to compensate for the drop in investment and slowing consumption. **Private consumption** grew 0.1% y-o-y in 3Q, the slowest rate of expansion since 2Q of 2004. **Gross fixed capital formation** declined 8.5% in the same period, signalling the third consecutive quarter of deceleration in investment. **Government consumption**, on the other hand, increased 1.9% y-o-y in 3Q, following 0.9% in 2Q. The industrial sector decelerated by 1.5% in the same period, the second consecutive quarter of decline. Construction recorded the highest deceleration with a drop of 5.3%, followed by manufacturing with a 3.6% decline. In contrast, mining output rose 8.2%. The services sector expanded 0.5%, but trade contracted 1.8%. On a quarterly comparison, GDP barely grew 0.1% in 3Q14 from 2Q, signalling that the economy was by then out of a technical recession.

Graph 3.6: Brazilian quarterly GDP growth

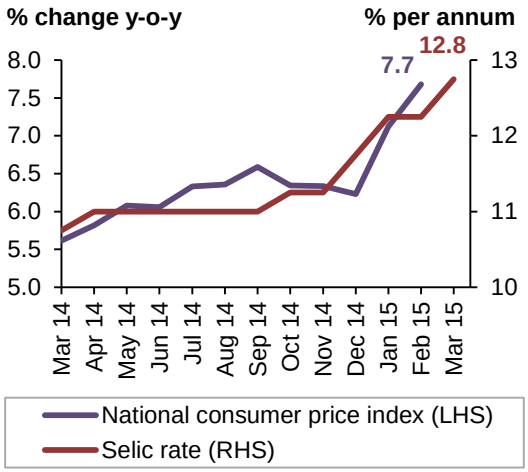


Sources: Instituto Brasileiro de Geografia e Estatística and Haver Analytics.

Inflation increased further in February reaching 7.7% y-o-y, following 7.1% in January. Last month's inflation is the highest since June 2005 and well above the 6.5% ceiling of the central bank's target range. In fact, the country's stubbornly high inflation caused the central bank to raise the **interest rate** (Selic) to a six-year high of 12.75% in early March. As usual, high inflation reduced consumer sentiment, which was reflected in the **consumer confidence** index dropping to 85.8 in February, its lowest level ever. (The index data series starts from September 2005.) In February 2015, Brazil's **export** revenues shrank 24.1% y-o-y, signalling the seventh consecutive slide in exports.

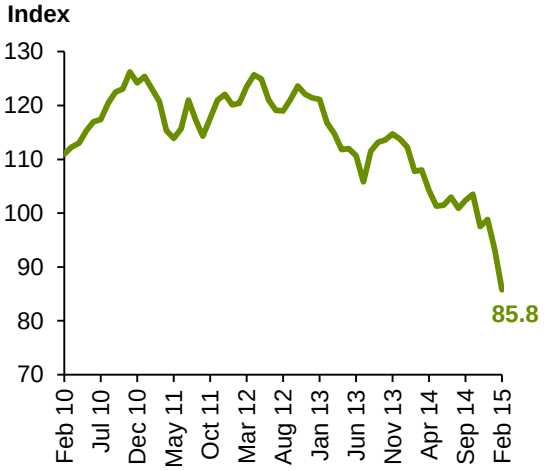
The HSBC Brazil **Services Business Activity Index** of February rose to a 15-month high of 52.3, up from January's 48.4. A notable expansion in new orders supported the index. Meanwhile, the manufacturing PMI fell to its contraction territory last month, posting 49.6. The index reading of January was 50.7. The survey showed a marginal slowdown in new orders, while prices rose on the depreciation of the Brazilian real. On the back of the deceleration in **GDP** during 3Q14, the growth forecast was lowered to 0% for 2014. The base effect, as well as stubbornly high inflation, a fall in export revenues, and challenges to foreign investment, have all resulted in a downward revision of anticipated GDP growth for 2015 to 0.2%.

Graph 3.7: Brazilian inflation vs. interest rate



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

Graph 3.8: Brazilian consumer confidence index

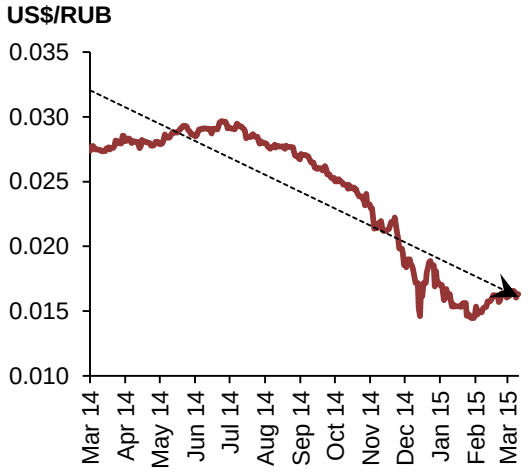


Sources: Fundação Getúlio Vargas and Haver Analytics.

Russia

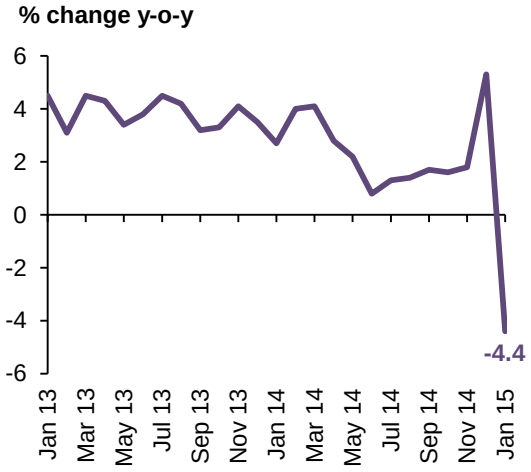
In February, the **ruble** lost 4.8% m-o-m of its value against the dollar, signalling the slowest pace of depreciation in four months. This followed depreciation rates of 12.5%, 20.8% and 11.4% m-o-m during November, December and January, respectively.

Graph 3.9: Russian ruble exchange rate



Source: Thomson Reuters.

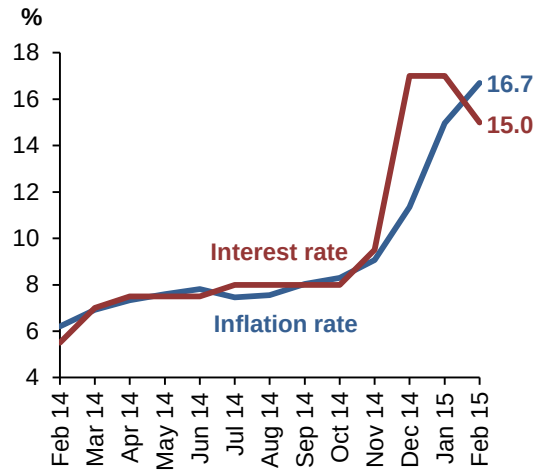
Graph 3.10: Russian retail trade/sales, NSA



Sources: Federal State Statistics Service and Haver Analytics.

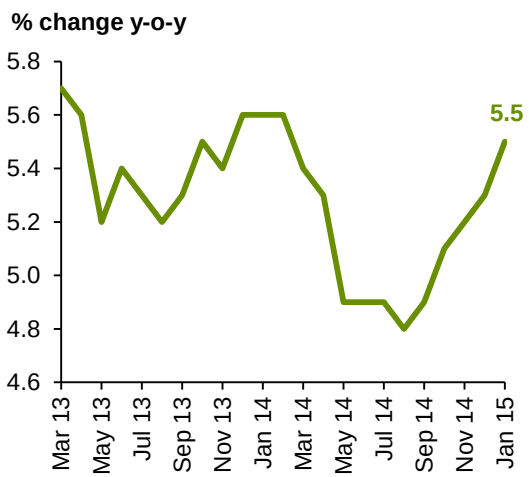
Inflation continued an upwards trend for the seventh consecutive month in February, increasing to 16.7% y-o-y, up from 15% a month earlier. This is the highest inflation since March 2002. Sugar prices rose by 67% y-o-y, and fruits and vegetables by 43% y-o-y. After raising its benchmark **interest rate** from 9.5% to 17.0% in December 2014, the central bank lowered it last month to 15%. In January, the **unemployment rate** increased for the fifth month in a row, highlighting the longest period of rising unemployment rate since the financial crisis of 2008/09.

Graph 3.11: Russian inflation vs. interest rate



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

Graph 3.12: Russian unemployment rate



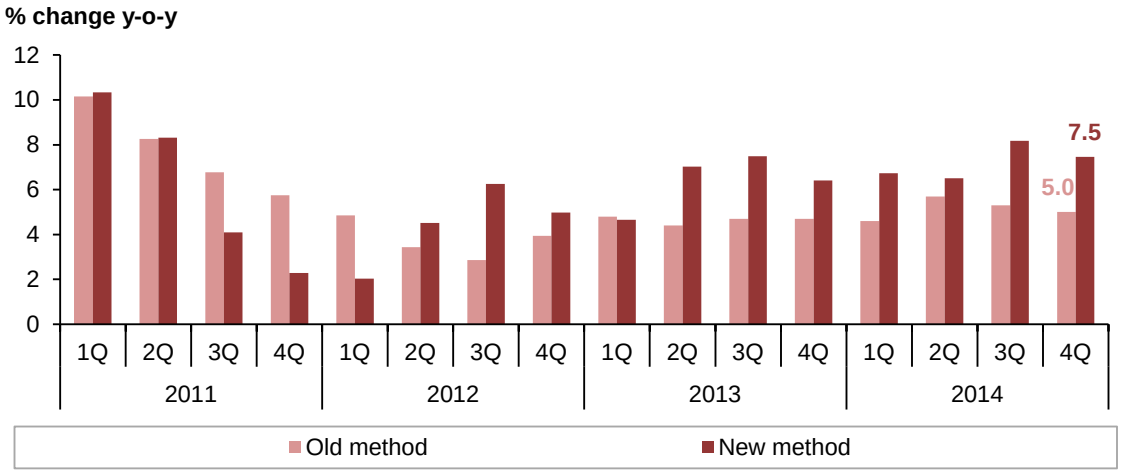
Sources: Central Bank od the Russian Federation and Haver Analytics.

The **composite PMI** reading of February suggests a faster deceleration in the economy as the surveyed output had its largest rate of decrease and fell to a 69-month low of 44.7. On the **services** side of the economy, the correspondent PMI of February remained in contraction territory for the tenth time in the past 12 months. In the Russian services sector, businesses received sharply lower new orders in February, the fastest drop in almost six years. While on the **manufacturing** side, the index indicated a marginal deceleration, staying slightly below the neutral level of 50. The manufacturing PMI of February posted 49.7, up from 47.6 in January. Import substitution improved domestic demand and resulted in higher manufacturing production. New export orders, however, slid at their sharpest pace since October 2014. The historic relationship between PMI and GDP suggests a 2% y-o-y decline in GDP on the basis of survey data of January and February 2015. This, however, does not take into account the direct impact of the country's worsening trade balance. Considering the direct and negative impacts of lower export revenues, GDP is anticipated to contract 3.2% in 2015, while Russia's economy ministry forecasts a GDP contraction of 3% this year.

India

India's **Central Statistics Office** (CSO) has overhauled the country's national accounts series. Although now the data produced should be more comprehensive than before, as well as closer to the methodology used by other countries, the changes have led to revisions, which have produced a surprising increase in the estimated GDP growth rates for recent quarters. GDP growth at market prices (rather than being based on factor costs) was revised up from 5% to 6.9% in 2014 and was reported to be 7.5% y-o-y in 4Q14, compared to 8.2% in 3Q. According to the new numbers, the GDP growth rate for 2014 has been revised to 7.2% from 5.2%. Also, the expectation for 2015 has been revised up to 7.5% instead of 6.1%, based on the new methodology.

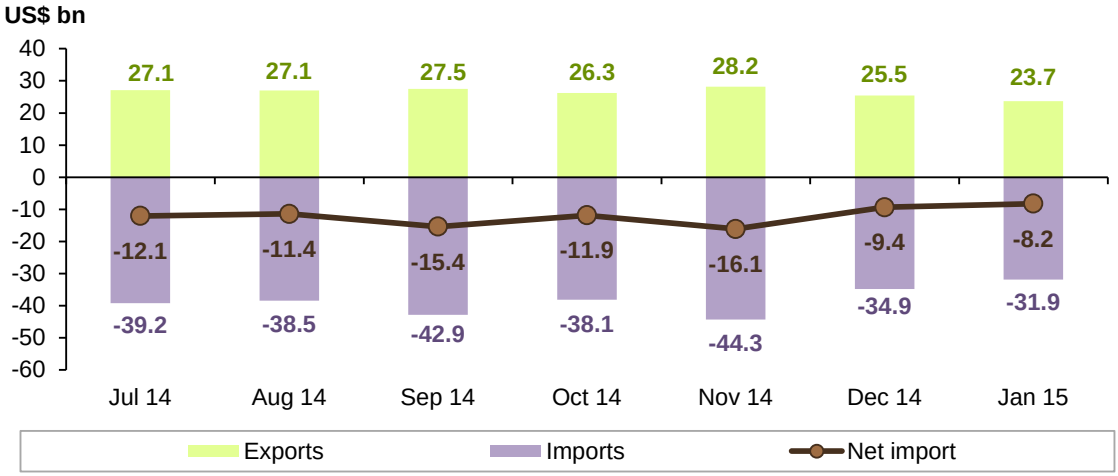
Graph 3.13: Indian GDP growth, SAAR



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

Despite the official claims that the recent re-basing should improve the accuracy of **India's GDP data** reporting and bring it closer to international standards, the revised figures have raised some concerns, since they completely change the view of the Indian economy over the past two years. Unlike the earlier view, the revised figures indicate that the economic slowdown that started in 2012 did not continue in 2014. In fact, the economy showed a strong "V-shaped" recovery, improving substantially during the year to reach a respectable rate of growth of slightly below 7% in 2013. This view is inconsistent with other macroeconomic indicators that painted a much gloomier picture of the past two years. It was previously believed that the slowdown in the Indian economy was driven by a sharp deceleration in domestic demand, with investment spending bearing the brunt of a slowdown. But the revised figures show real fixed investment contracting only in 2013 and then improving marginally in 2014. In addition, the rapid expansion in growth and investment suggested by the revised figures typically would be also accompanied by a strong growth in imports – which has not been seen. The upwardly revised figures for investment and manufacturing growth are also puzzling, since they presumably capture a greater share of the economy. The acceleration in production and investment would require additional financing.

Graph 3.14: Indian trade balance



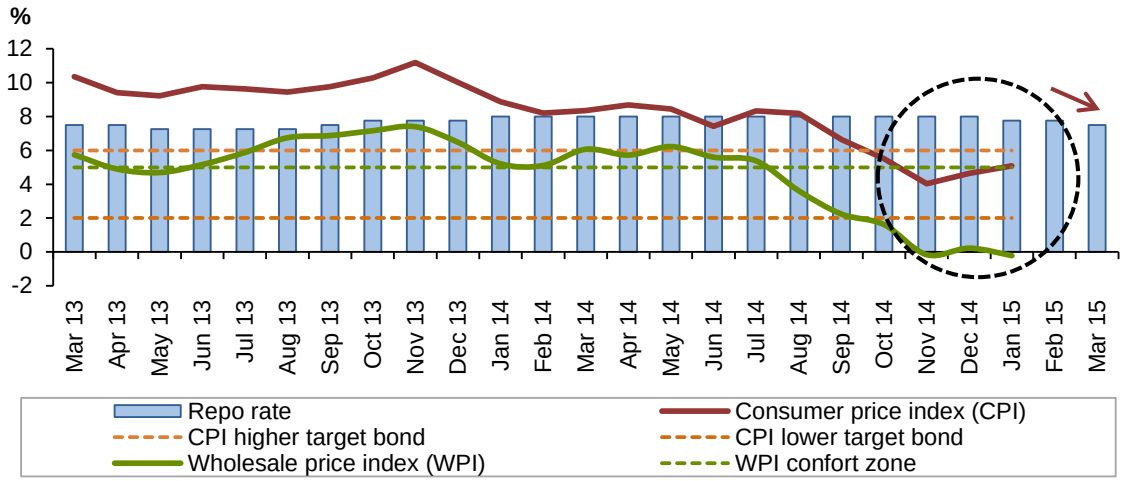
Sources: Ministry of Commerce and Industry and Haver Analytics.

Prices across non-food articles continued to slide for the fourth straight month, driven by a sharp decline in fuel and power prices. However, food inflation jumped to a six-month high of 8% y-o-y in January, while primary articles inflation also experienced an uptick. Manufactured goods inflation, often used in India as a gauge of core inflation, also moderated for a sixth straight month, partially reflecting the easing costs of raw materials and energy but also pointing to still weak domestic demand. The news comes after the figures released last week showed India's industrial output in December easing again to 2.1% y-o-y.

India's **consumer price index** (CPI) increased slightly from 119.5 in January to 119.7 in February 2015. The recent agreement between the Ministry of Finance and the Reserve Bank of India (RBI) calls for a 4% (±2%) inflation target. Amid concerns that such a target would limit its ability to continue with its current policy easing, the RBI clarified that it was only a medium-term target and that it would seek to bring down CPI inflation to the midpoint of the band (4%) by the end of a two-year period starting in 2016 (i.e. three years from now). Therefore, the target is unlikely to have any bearing on the near-term easing cycle.

The **RBI** cut the **repo rate** again in March by 25 basis points (bp) to 7.5% from 7.75%. It seems budget reforms, cutting subsidies, inflation targeting, the revised GDP figures under the new methodology, a strong rupee and downward inflation trajectory have led the RBI to cut the repo rate. Given low capacity utilisation and still-weak indicators of production and credit off-take, it may be appropriate for the RBI to be pre-emptive in its policy actions and utilise any available space for monetary accommodation.

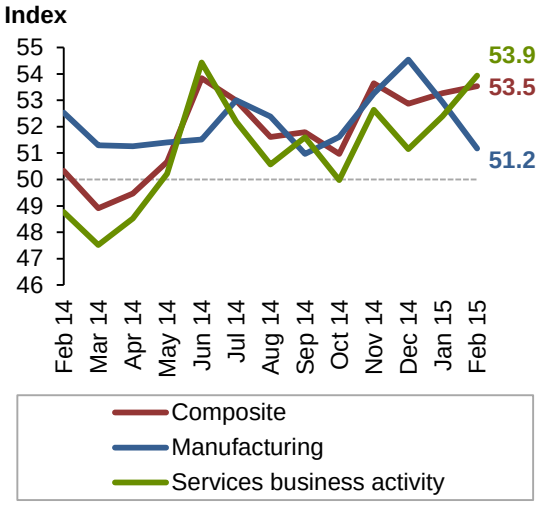
Graph 3.15: Indian inflation vs. repo rate



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

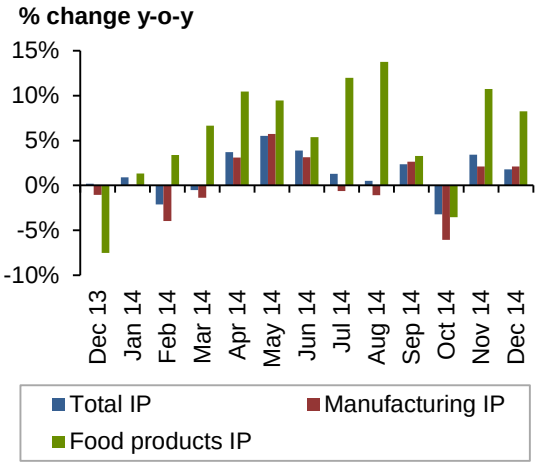
In February, the **manufacturing PMI** declined for a second successive month and dropped 1.7 bp to 51.2, the lowest reading in five months. Both the output and new orders indexes fell by 2.8 bp and 2.5 bp, respectively. Meanwhile, the input price index declined for the third consecutive month, falling from 50.3 to 49.3.

Graph 3.16: Indian PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.17: Indian industrial production (IP) breakdown



Sources: Central Statistical Organisation of India and Haver Analytics.

In terms of **India's budget**, the second budget of the BJP-led Indian government that came to power in May 2014 contains dozens of proposals that should boost economic growth and make it easier to do business in India, focusing on tax rationalisation and infrastructure investment. Although short on significant reforms, the budget was convincing enough to please investors, businesses and consumers alike. Still, the government's ambitions had to be balanced with the need to remain on a fiscal consolidation path. Although this may not stimulate growth, it is necessary to improve India's long-term financial health and maintain its favourable credit status. Therefore, the revised fiscal deficit target for the current fiscal year ending 31 March was left unchanged at 4.1% of GDP, with the government planning to offset the anticipated revenue shortfall with greater spending cuts (total expenditure during the 2014 financial year is estimated at INR 16.8 trillion ($271.4 billion), 6.3% below the budgeted amount.

Table 3.3: Indian inflation vs. repo* rate

	2014		2015	
	Revised estimation (INR billion)	% changes y-o-y	Revised estimation (INR billion)	% changes y-o-y
Revenue receipt	11,263	*11.0*	11,416	*1.4*
Tax revenue	9,085	*11.4*	9,198	*1.3*
Non-tax revenue	2,178	*9.5*	2,217	*1.8*
Capital receipts	627	*49.8*	803	*28.0*
Privatisation	314	*6.7*	695	*121.7*
Total expenditure	16,812	*13.6*	17,775	*5.7*
Non-plan expenditure	12,132	*9.7*	13,122	*8.2*
Subsidies	2,667	*4.7*	2,438	*-8.6*
Plan expenditure	4,679	*25.0*	4,653	*-0.6*
Fiscal deficit	5,126	*1.9*	5,556	*8.4*
Fiscal deficit, as % of GDP	**4.1**		**3.9**	

** Repurchase agreement.*

Source: Ministry of Finance, Government of India; Union budget 2015.

The new budget introduced a number of **tax changes** in an attempt to revive business investment. Among the most important initiatives is the government's renewed commitment to replace myriad complicated indirect taxes with the harmonised General Sales Tax (GST) by April 2016. The introduction of the GST could potentially boost the

country's GDP growth by an additional 2% by creating a common market, according to government projections. The budget proposal raised the revenue share of the states in union taxes to 42%, a jump from the earlier recommended level of 32%. As anticipated, the BJP's new budget outlined an ambitious plan to upgrade India's poor infrastructure, with INR 700 billion alone (nearly $11 billion) to be spent in 2015 on roads, railways, ports and other projects.

The budget seems to have provided a boost to **infrastructure building**, though it has slowed the pace of **fiscal consolidation**. Specifically, the deficit for the 2016 financial year is now pegged at 3.9% of GDP, versus the previous fiscal road map target of 3.6%. The government has reaffirmed its commitment to a 3% deficit target – but one year later than in the previous road map. Apart from increasing capital expenditures on infrastructure and providing a slew of off-budget infrastructure incentives, the budget also pushed institutional design by formalizing the monetary policy framework and announced the creation of a modern bankruptcy law, as well as a dispute resolution mechanism and a public debt management office. If the tax revenue assumptions don't materialize, or asset sales don't go through, or oil prices rise, the infrastructure capex increase would be at risk.

India's new method for calculating GDP

India's Central Statistics Office (CSO) has overhauled the country's national accounts series. Though the resulting data should now be more comprehensive than previously, and the methodology closer to that used by other countries, the changes have led to a surprising increase in estimated GDP growth rates for recent quarters. Growth in GDP at market prices (now the headline series) was revised up to 6.9% in 2014 from 5% and was reported to be 7.5% y-o-y in 4Q14, compared to 8.2% in 3Q14. It is also the first time that the economy is projected to be bigger than $2 trillion.

The CSO's overhaul of GDP calculations is comprised of three main changes:

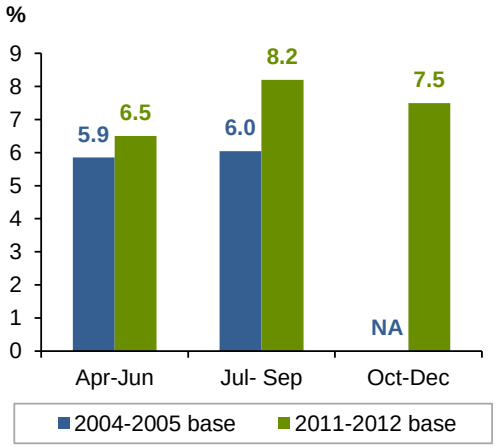
1. A **change in the base year** used for calculations, which is done routinely every five years or so. In the above-mentioned case, the government of India has changed the base year for estimating GDP from 2004-2005 to 2011-2012. This was done to incorporate the changing structure of the country's economy, especially in rural areas.

2. Another change was to adopt a **new method for measuring output**. Starting immediately, Indian GDP will be measured by using gross value added (GVA) at market prices, rather than factor costs. In other words, the new formula takes into account market prices paid by consumers. It is calculated by adding GDP at factor prices to indirect taxes (minus subsidies) and is expected to better capture the changing structure of India's economy. In addition, it is more consistent with international practices, bringing India more in line with the internationally adopted National Accounts System (NSA). This helps align India's statistical data with that of other countries using the same United Nations standards, making it easier to compare India to other emerging markets.

3. The third change **recalibrates the weighting** given to different economic sectors, resulting in the services sector constituting a smaller proportion of overall GDP – with 50.91% rather than 57.03% under the previous method. The result is that India's industrial sector now takes a larger proportion of GDP, with the manufacturing sector now comprising 17.06% of total GDP compared to 12.89% previously. Economists have been particularly surprised at these higher sectorial numbers for manufacturing.

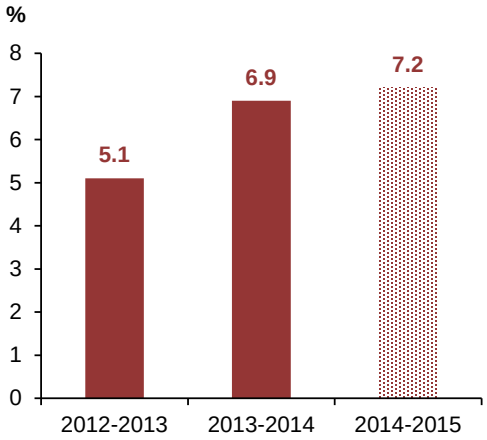
The latest data shows that while agriculture, mining and trade, hotels and public spending all slowed in 2014, compared with the previous year, key sectors such as manufacturing, construction and financial sectors grew at a faster pace than a year ago.

Graph 3.18: Market prices for 2014-2015 fiscal year



Source: Ministry of Statistics and Programme Implementation.

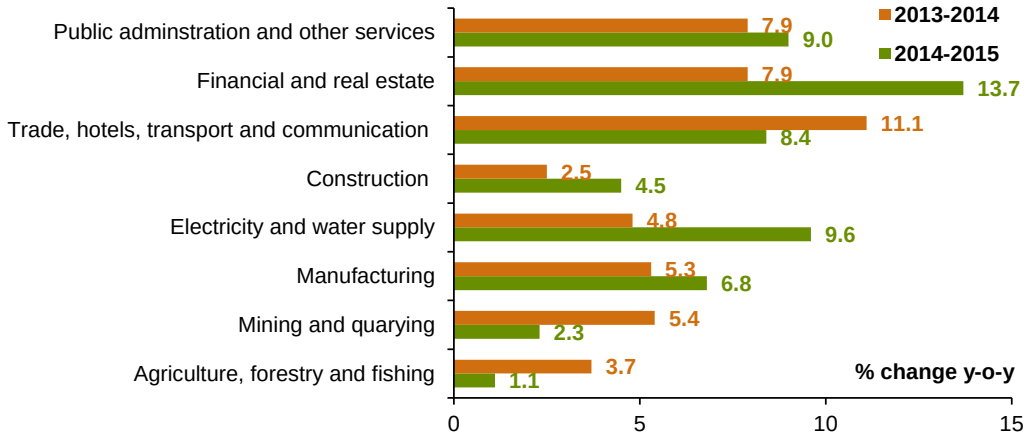
Graph 3.19: GDP based on market prices for 2014-2015 fiscal year



Source: Ministry of Statistics and Programme Implementation.

Economists have been particularly surprised at the higher sectoral numbers for manufacturing, as well as the financial sector, reported by the new data series because this is not reflected in data on factory output and bank credit.

Graph 3.20: Indian sectorial growth rate



Source: Ministry of Statistics and Programme Implementation.

China

The second annual government work report was delivered to the National People's Congress (NPC) in February. As widely expected, the government lowered its 2015 GDP growth target to 7% from 7.5%. The report also announced a list of major economic targets for 2015 (see ***Table 3.4***), most of which are in line with expectations. The government set the 2015 fiscal deficit target at 1.62 trillion yuan (2.3% of GDP), up from 1.35 trillion yuan (2.1%) in 2014, but lower than the forecast of a 2.9% of GDP deficit.

Table 3.4: Chinese government economic targets

	2014		2015
	Official target	Actual	Official target
Real GDP growth, % change y-o-y	7.5	7.4	7.0
Consumer price index, % change y-o-y	3.5	2.0	3.0
Urban new job creation, million peoples	10.0	13.2	10.0
Fiscal budget, CN¥ billion	1,350	1,131	1,620
M2 growth, % change y-o-y	2.1	1.8	2.3
Fixed asset investment, % change y-o-y	17.5	15.7	15.0
Retail sales, % change y-o-y	14.5	12.0	13.0
Merchandise trade, % change y-o-y	7.5	3.5	6.0

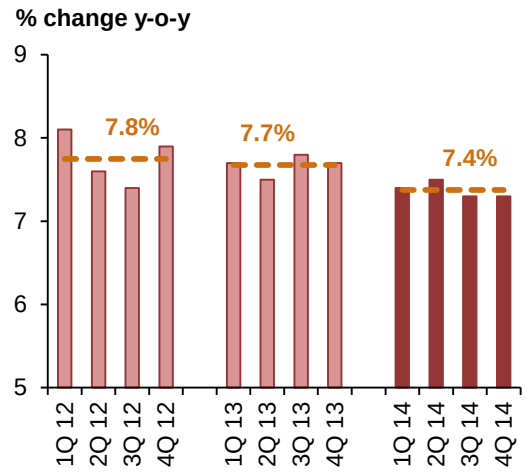
Sources: CEIC, Chinese government and NBS.

This month, the **PBC** announced a first universal cut in the required reserve ratio since May 2012 – by 50 bp to 19.5% and by an additional 50 bp for banks that mainly lend to small- and medium-sized enterprises. It seems these cuts would inject CN¥ 650 billion (about $104 billion) liquidity into the financial system (which breaks down into about CN¥ 569, CN¥ 60 and CN¥ 20 billion, respectively, for small, medium and large institutions). The reasons behind the mentioned reserve ratio cut are related to weak growth momentum and disinflation, which has justified monetary easing. But there has been no new liquidity supply in the financial system in recent quarters, especially via the usual channel of accumulating foreign exchange reserves. In addition, recent regulatory measures (e.g. tightened rules on margin finance and umbrella trusts) have helped contain the risk of liquidity spill-over to the stock market. The global wave of central bank easing also may have played a role, but domestic considerations have largely spurred February's cuts.

The announced **fiscal budget deficit** target was 2.9% of GDP. This is the result of a 'fiscal drag' caused by a shortage in public investment (especially in infrastructure) as the funding capacity of local governments is limited. Local governments have generally relied on three funding sources: fiscal revenues (including budget deficits), local government financing vehicles (LGFV) and land sale revenues. In recent years, the implicit local government deficit in the form of LGFV net borrowing has been much higher than the official fiscal deficit, which includes only the central government fiscal deficit and local government bond issues approved by the central government. (Under the reformed fiscal regime announced in 2014, local governments can no longer borrow via LGFV entities and are allowed to issue local government bonds.) There are two possible ways to avoid the fiscal drag: public private partnerships (PPP) and the

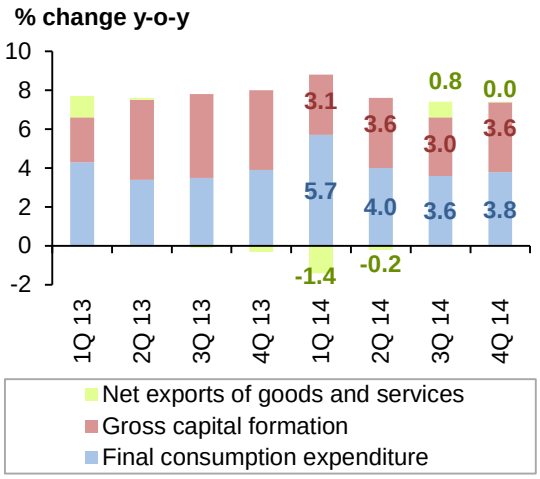
sale of state-owned assets. A recent government report indicates that the government will promote PPPs as a major stabilizing measure in 2015.

Graph 3.21: Chinese GDP growth rate, SAAR



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

Graph 3.22: Contribution to Chinese GDP growth



Sources: China National Bureau of Statistics and Haver Analytics.

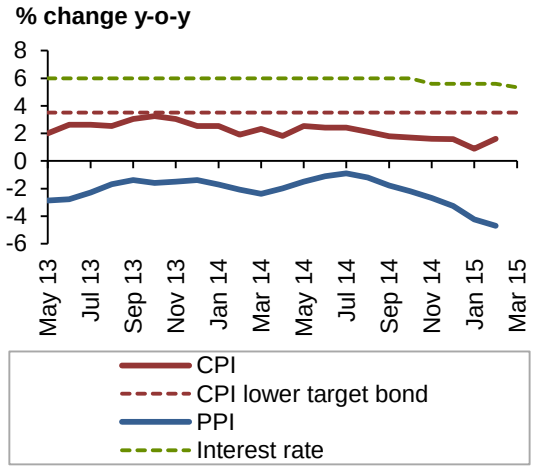
FDI in China came to $13.9 billion in January, the strongest y-o-y gain since April 2011. At a seasonally adjusted rate, FDI rose 20.4% m-o-m in the month. In 2014, China became the world's largest recipient of FDI, attracting $120 billion, even though the inflows have stayed almost flat since 2010. However, the composition of FDI in China has changed significantly.

In terms of **FDI destinations**, there has been a noticeable shift away from the manufacturing sector to the services sector. Manufacturing's share of FDI fell to 37% in 2014 from 75% in 2004, while the share in the services sector rose to 62% from 23% over the same period. This coincides with China's loss of its competitive advantage in labour-intensive manufacturing industries, reflecting rising labour, land and environmental protection costs as well as an appreciation of the renminbi. In contrast, global markets see China's services sector as having significant potential. In 2014, manufacturing FDI declined by 11.3% y-o-y while services FDI rose 11.9%. In addition, FDI has shifted from the coast to inland China. By geographic destination, eastern China received 86% of total FDI in 2004 but only 67% in 2013. With regard to these FDI inflows to China, Hong Kong has been the main source. The share of FDI from Hong Kong rose to 68% in 2014 from 33% in 2007. By contrast, FDI inflows from the US, Germany, Japan, Singapore and Taiwan have remained relatively stable.

In terms of **trade**, China's nominal exports in February grew considerably by almost 49%, the fastest monthly rate since 2010. The value of imports in January declined by more than 20% due to weak commodity prices. As a result, China's trade balance remained over $60 billion, compared to its $22.5 billion deficit a year ago. By trading partner, export growth was especially strong to ASEAN countries, the US and the EU, which together accounted for about two-fifths of Chinese exports. Chinese imports from all major partners declined, generally at double-digit rates, highlighting the fact that the import contraction was not confined to commodities alone. Chinese exports of mechanical, electrical and high-tech products grew 30% y-o-y in January 2015, compared to a modest contraction in February. Those products together account for nearly 95% of Chinese exports by value.

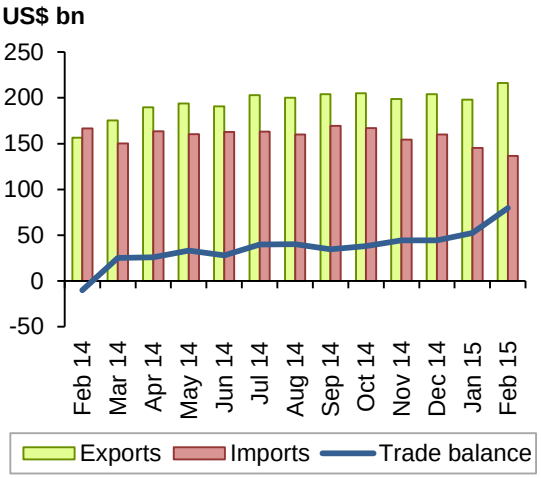
Exports of basic steel and aluminium products grew at even faster rates. China's **producer price index** (PPI) also contracted at a faster rate, falling 4.7% y-o-y. Further deterioration in producer prices resulted from a 62.4% y-o-y decline in PPI for the petroleum and natural gas extraction sector, and a 19.1% y-o-y decline in PPI for the mining and quarrying sector. China's **CPI** improved to 1.4% y-o-y in February, a two-month high. The rebound came as food price growth accelerated from a 65-month low in January, due to warmer than average climatic conditions. All other sub-indices of the country's CPI also saw faster growth.

Graph 3.23: Chinese consumer price index (CPI) vs. producer price index (PPI)



Sources: China National Bureau of Statistics and Haver Analytics.

Graph 3.24: Chinese trade balance, SA



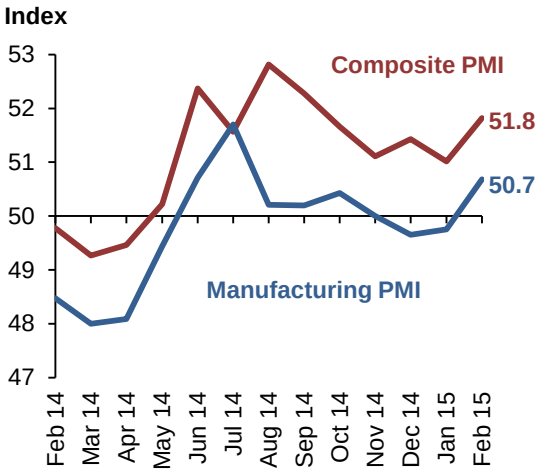
Sources: China Customs and Haver Analytics.

China's **February manufacturing PMI** compiled by the National Bureau of Statistics (NBS) and the China Federation of Logistics and Purchasing edged up 0.1 bp to 49.9, the first monthly increase in four months, but stood below the 50 expansion-contraction threshold for the second consecutive month, registering the second lowest reading since September 2012.

In general, the manufacturing PMI of the NBS tends to respond to 'noise' around the Lunar New Year holiday period. In the five years through 2014, the manufacturing PMI on average fell 0.5 bp in January and 0.9 bp in February, and then rebounded 1.5 bp in March. Thus, this February's 0.1 bp increase, even from a depressed level, is noteworthy. The final reading for February's manufacturing PMI, according to Markit, rose 1 bp to 50.7, compared to a flash reading of 50.1. China's composite PMI pointed to a further increase in Chinese business activity in February, thereby extending the current trend to ten months. Though modest, the rate of expansion quickened to a five-month high, with the composite PMI registering 51.8 in February, up from January's low of 51. Stronger growth of total business activity was supported by faster increases in output across both the manufacturing and services sectors in February. Manufacturing output increased at its quickest rate since last August, while growth in services activity picked up slightly since January's six-month low. The latter was highlighted by the HSBC China Services Business Activity Index which registered 52 in February, up from 51.8 at the start of the year.

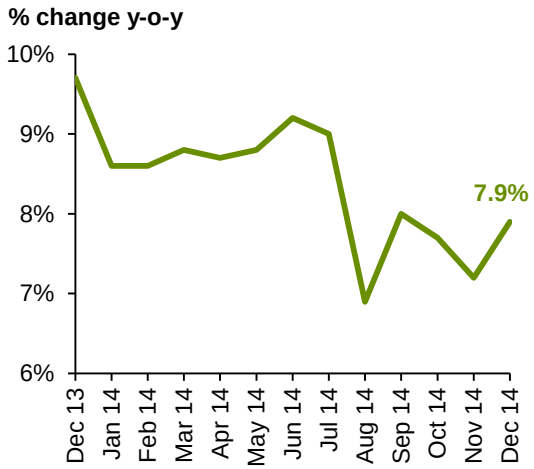
The latest PMI data signalled that China's **services sector** remained in expansionary territory in February, though the rate of growth remained modest. However, the solid rise in new orders suggests that activity growth may pick up in the months ahead, as firms continued to add to their payroll numbers amid a positive business outlook. Meanwhile, the renewed improvement in **manufacturing** operating conditions suggests that the Chinese economy is on a steadier growth path in February.

Graph 3.25: Chinese PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.26: Chinese industrial production



Sources: China National Bureau of Statistics and Haver Analytics.

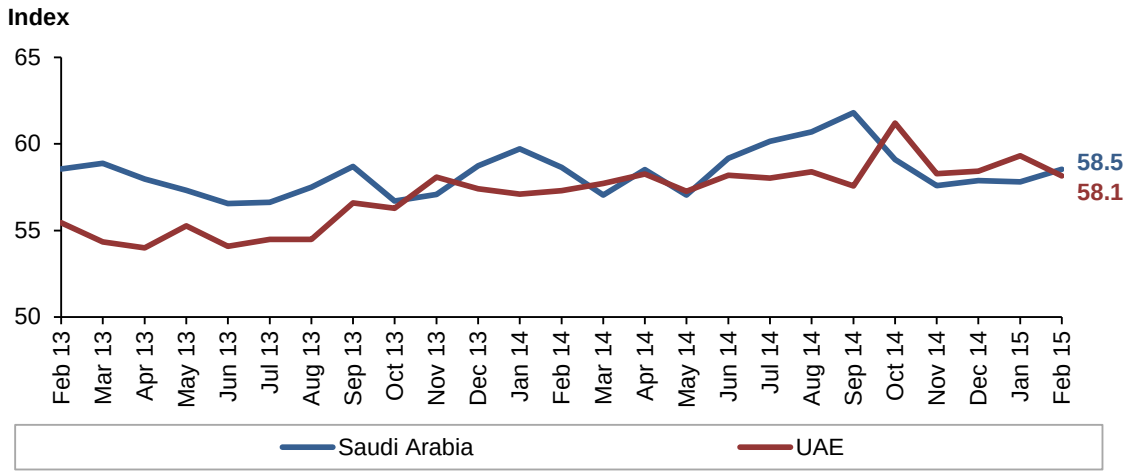
It seems the impact of monetary policy easing, other growth-supporting measures and the global oil price decline of the previous months have spurred a recent moderate pick-up in the Chinese economy's growth momentum. Overall, the 2015 GDP growth forecast has remain unchanged at 7.0% y-o-y.

OPEC Member Countries

Saudi Arabia's GDP grew 3.6% y-o-y in 2014. The economy posted growth of 6.4%, 3.7%, 2.4% and 2.0% in the four quarters of last year, respectively. Inflation rose 2.2% in January, slowing for the fourth month in a row. The unemployment rate stood at 5.7% in 4Q14. Foreign exchange reserves ended 2014 at around $718 billion. The non-oil-producing private sector in Saudi Arabia rose to a four-month high in February. The HSBC PMI posted 58.5 in February, up from 57.8 in January. The survey showed a market acceleration of total new orders, which was further supported by an increase in export business.

In **Iran**, GDP grew 4.6% y-o-y in 3Q14, accelerating from -2.2% and 3.8% y-o-y in the first two quarters of 2014, respectively. Gross fixed capital formation largely supported growth, increasing 26.3% in 3Q14. The economy added nearly 400,000 new jobs since March 2014, according to the Iranian Ministry of Cooperatives, Labour and Social Welfare.

Graph 3.27: Saudi Arabia and UAE: manufacturing PMIs



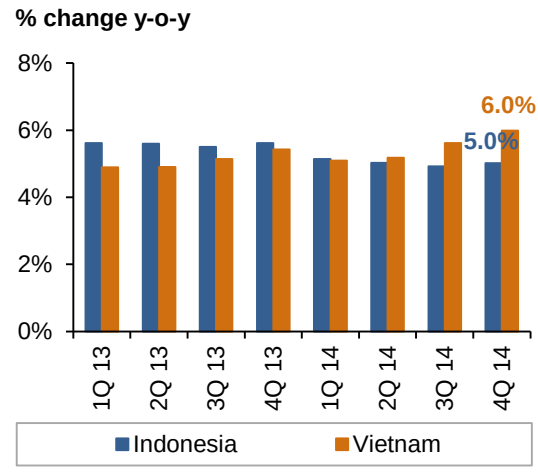
Sources: SAAB, HSBC, Markit and Haver Analytics.

Activity in the non-oil-producing sector of the **United Arab Emirates** continued to grow strongly in February. The HSBC PMI posted 58.1 in February, down from January's 59.3. The survey showed slower increases in production, total new business and new orders for export. Lower fuel costs led to a slower rise in the private sector's input costs.

Other Asia

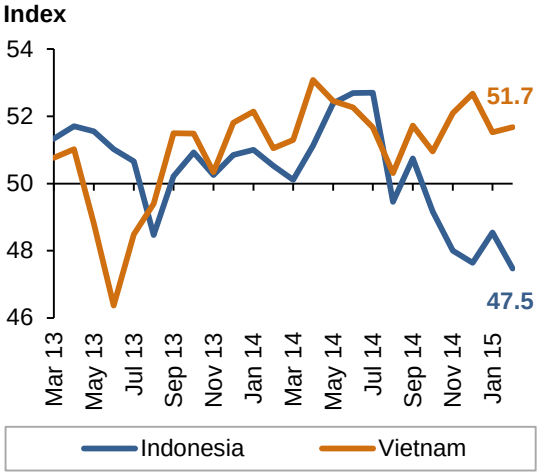
In **Indonesia**, GDP grew 5.0% y-o-y in 4Q14, slightly higher than the 4.9% y-o-y in 3Q14. This brings growth for all of 2014 to 5% y-o-y, the slowest rate of growth since 2009's 4.7%, on the back of a slowdown in private and public spending, and lower exports. The rupiah depreciated 8.2% in February against the US dollar. Inflation rose 6.3% y-o-y in February, the fourth month in a row of higher than 6.0% inflation. Activities in the manufacturing sector slowed further, with the PMI falling to a new low in February. Rising inflation negatively impacted demand, and production and new orders decelerated last month. Manufacturers also shed jobs for the seventh month in a row.

Graph 3.28: GDP growth in Indonesia and Vietnam



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

Graph 3.29: Manufacturing PMIs in Indonesia and Vietnam



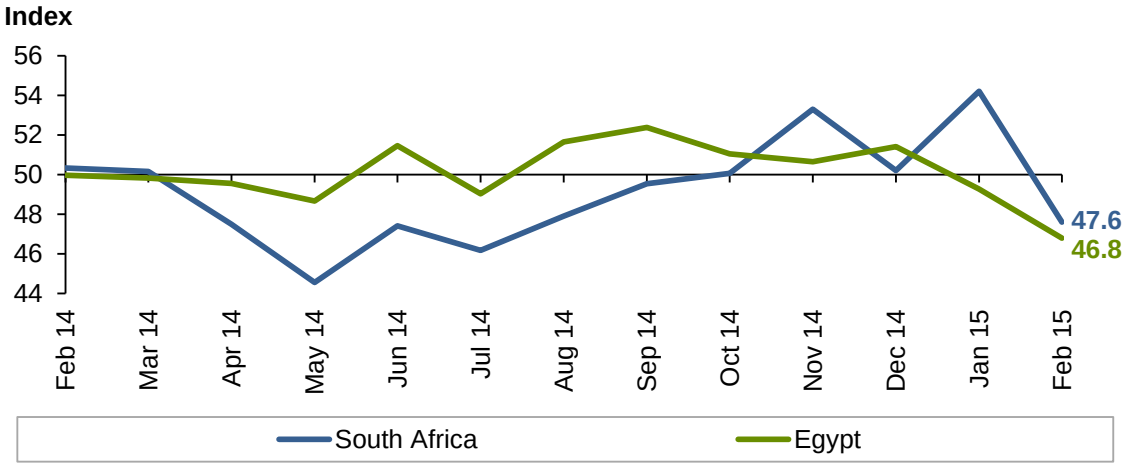
Sources: HSBC, Markit and Haver Analytics.

GDP growth in **Vietnam** registered 6.0% y-o-y in 4Q14. Industry and construction was the fastest growing sector by 7.1% y-o-y in the same period. For all of 2014, GDP growth now stands at 5.5% y-o-y, up from 2013's 5.1%. In February, the country's manufacturing sector expanded further due to faster growth in production and new business. Manufacturers increased hiring for the sixth month running. Manufacturing PMI was 51.7 February, fractionally up from the previous month's 51.5.

Africa

Economic growth in **South Africa** slowed to 1.3% y-o-y in 4Q14 from 1.6% in the previous period. For the whole of 2014, GDP posted growth of 1.5% y-o-y, signalling the slowest pace of expansion since 2009. Gross fixed capital formation contracted in 2Q14 and 3Q14, while disaggregate data on 4Q14 has still not been published by South Africa's Reserve Bank. Inflation slowed to 4.4% in January, its smallest increase since April 2011.

Graph 3.30: PMI in South Africa and Egypt



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

The non-oil private sector in **Egypt** showed further signs of weakness in February with the PMI dropping to a 17-month low of 46.8. This suggests a solid deterioration in operating conditions last month, with output and new orders falling at faster paces. The private sector shed jobs at its sharpest rate since September 2013, while currency depreciation led to intensifying cost pressures. The Egyptian pound lost 4.8% m-o-m of its value against the US dollar last month, the sharpest depreciation since January 2013. Inflation grew 9.4% y-o-y.

Latin America

Inflation in **Argentina** increased 20.9% y-o-y in January as the peso depreciated 21.1% y-o-y in the same month. In February, the currency depreciation slowed to 10.6% y-o-y. In 3Q14, a drop in exports, investment and private consumption led to a 0.8% y-o-y shrinking of GDP growth. Gross fixed capital formation decreased by 4.7% and private consumption fell by 1.4%.

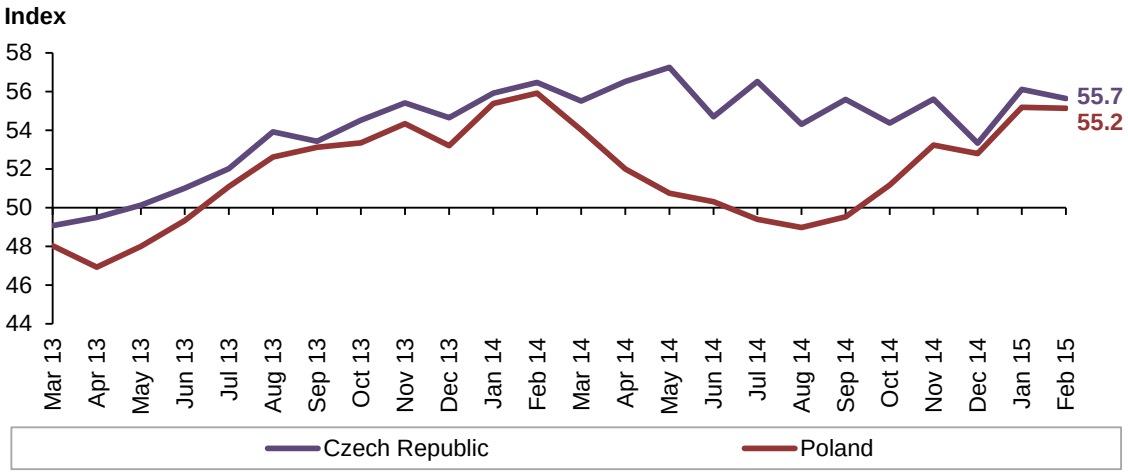
In February 2015, the central bank of **Chile** left the main interest rate on hold at 3%, signalling concerns about inflationary pressures and slow growth. Inflation increased 4.4% y-o-y in February.

Transition region

Inflation in the **Czech Republic** barely increased 0.1% y-o-y in February, while the currency slightly depreciated by 1.3% m-o-m in the same period. The country's unemployment rate stood at a seasonally-adjusted rate of 5.8% in 4Q14. The manufacturing sector continued its overall strong performance last month with the index at 55.6, despite being lower than the 56.1 registered a month earlier. The survey showed a solid rise in new orders and production, though at lower rates than January. Input cost and output prices decreased in January and February 2015.

In **Poland**, GDP grew 2.8% y-o-y in 4Q14, bringing the entire year's growth to 3.3%, which was notably higher than 2013's 1.7%. Operating conditions in the manufacturing sector posted further improvements last month with the manufacturing index at 55.1, close to the 55.2 registered in January. The survey revealed the second-best rate of hiring in the survey's history.

Graph 3.31: Manufacturing PMIs in transition region



Sources: HSBC, Markit and Haver Analytics.

Oil prices, US dollar and inflation

Currency markets continue to experience volatility, influenced mainly by the monetary decisions of various central banks, but also impacted by some real economic and political developments. In particular, the sharp decline of the euro versus the US dollar at the beginning of March was an important recent development. Also, the considerable rise of the Swiss franc compared to the euro, and the generally strong appreciation of the US dollar over the past weeks have highlighted the impact that unconventional monetary policies are having. With the quantitative easing measures by the ECB, a continued expansionary policy in Japan, the potential of monetary tightening in the US and monetary decisions targeting growth in major emerging economies, the volatility in currency markets should be expected to continue.

In terms of numbers, the sharp rise of the US dollar versus all its major currency counterparts came to a halt with mixed results on average in February. The US dollar gained 2.2% compared to the euro, but was about flat compared to the yen. It fell 1.2% versus the pound sterling, but lost only 0.6% compared to the Swiss franc. The appreciating trend versus the euro continued in March. While, on average, the exchange rate to the euro stood at $1.1346/€ in February, it reached around $1.06/€ in March. The Russian ruble continued declining versus the US dollar in February, but at a more moderate rate of 4.8%. Also, the Brazilian real continued depreciating by 6.9%, on average, in February.

In nominal terms, the price of the **OPEC Reference Basket (ORB)** rose by a monthly average of $9.68/b, or 21.8%, from $44.38/b in January to $54.06/b in February. In real terms, after accounting for inflation and currency fluctuations, the ORB rose by 23.1%, or $6.83/b, to $36.44/b from $29.61/b (base June 2001=100). Over the same period, the US dollar gained 0.9% against the import-weighted modified Geneva I + US dollar basket*, while inflation fell by 0.2%**.**

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

World Oil Demand

World oil demand grew by 0.96 mb/d in 2014, broadly unchanged from the previous month's report, to average 91.2 mb/d, despite some minor adjustments. In 2015, world oil demand is anticipated to rise by 1.17 mb/d to average 92.37 mb/d, also in line with the previous month's report. The bulk of growth is projected to originate from non-OECD, as most of the OECD countries are anticipated to show a contraction.

World oil demand in 2014 and 2015

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

							Change 2014/13	
	2013	**1Q14**	**2Q14**	**3Q14**	**4Q14**	**2014**	**Growth**	**%**
Americas	24.09	23.87	23.76	24.37	24.73	24.19	0.10	0.42
of which US	*19.27*	*19.16*	*19.03*	*19.52*	*19.90*	*19.40*	*0.14*	*0.72*
Europe	13.64	13.00	13.54	13.81	13.45	13.45	-0.19	-1.37
Asia Pacific	8.33	8.85	7.65	7.72	8.36	8.14	-0.18	-2.21
Total OECD	**46.05**	**45.72**	**44.95**	**45.90**	**46.54**	**45.78**	**-0.27**	**-0.59**
Other Asia	11.06	11.08	11.37	11.34	11.30	11.27	0.21	1.92
of which India	*3.70*	*3.85*	*3.80*	*3.63*	*3.87*	*3.79*	*0.09*	*2.38*
Latin America	6.50	6.42	6.69	6.98	6.67	6.69	0.20	3.02
Middle East	7.81	8.07	7.93	8.39	7.85	8.06	0.25	3.18
Africa	3.63	3.75	3.75	3.65	3.81	3.74	0.11	3.09
Total DCs	**29.00**	**29.31**	**29.74**	**30.36**	**29.63**	**29.76**	**0.77**	**2.65**
FSU	4.49	4.39	4.24	4.63	4.91	4.54	0.05	1.14
Other Europe	0.64	0.64	0.60	0.64	0.73	0.65	0.02	2.44
China	10.07	10.08	10.56	10.31	10.90	10.46	0.40	3.94
Total "Other regions"	**15.20**	**15.11**	**15.39**	**15.58**	**16.53**	**15.66**	**0.46**	**3.05**
Total world	**90.24**	**90.15**	**90.09**	**91.85**	**92.71**	**91.21**	**0.96**	**1.07**
Previous estimate	90.20	90.15	90.00	91.76	92.68	91.16	0.96	1.06
Revision	0.04	0.00	0.08	0.09	0.03	0.05	0.01	0.01

Totals may not add up due to independent rounding.

OECD Americas

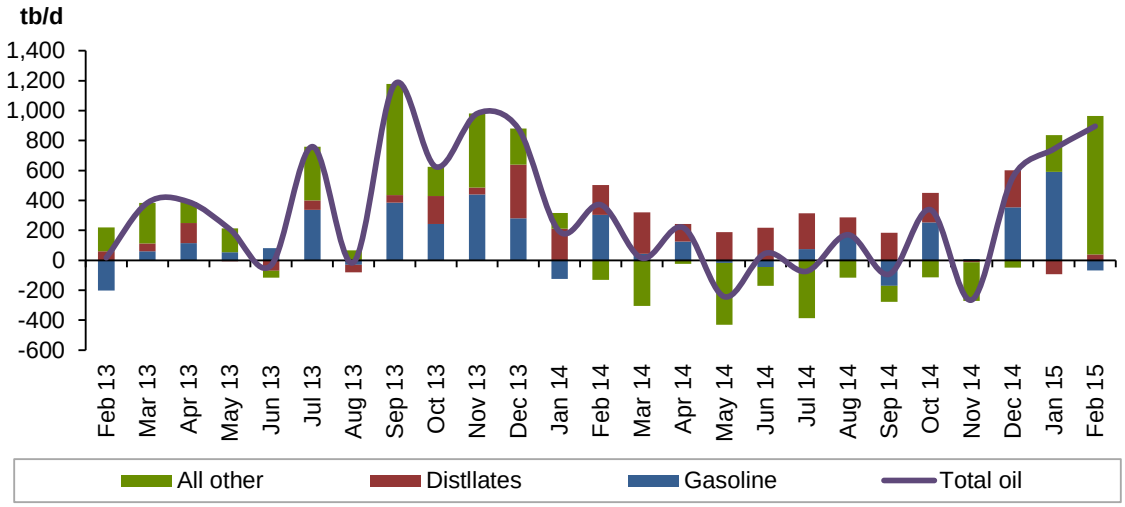
The latest **US** monthly data for December 2014 shows substantial increases in oil demand growth y-o-y, amounting to almost 0.6 mb/d, the strongest monthly growth since December 2013. Almost all main products rose with the bulk of increases seen in gasoline, distillate/residual fuel oil and jet fuel oil, while propane/propylene requirements were once more on the decline. The main oil demand drivers in the US in the last three months of 2014 were increasing gasoline, distillate/residual fuel and jet fuel oil requirements as a result of a growing economy, higher industrial production activities and lower pump prices, which led to increasing mileage.

The year 2014 ended with oil demand growing for the second consecutive year, with gasoline, distillates and jet fuel oil carrying the bulk of these increases. Preliminary weekly data for January and February 2015 implies a continuation of the healthy growth seen during 4Q14.

For 2015, oil demand growth in the US will very much depend on the development of its economy. Potential is pointing to the upside as a result of the picture seen during 2H14. Driven mainly by economic growth, 2015 US oil demand is projected to grow by approximately 0.2 mb/d over 2014's recorded volumes. Similar to 2014, 2015 oil

demand in the US will depend on the level of substitution between natural gas and other fossil fuels, the severity of the winter season and the overall pace of growth in the US economy.

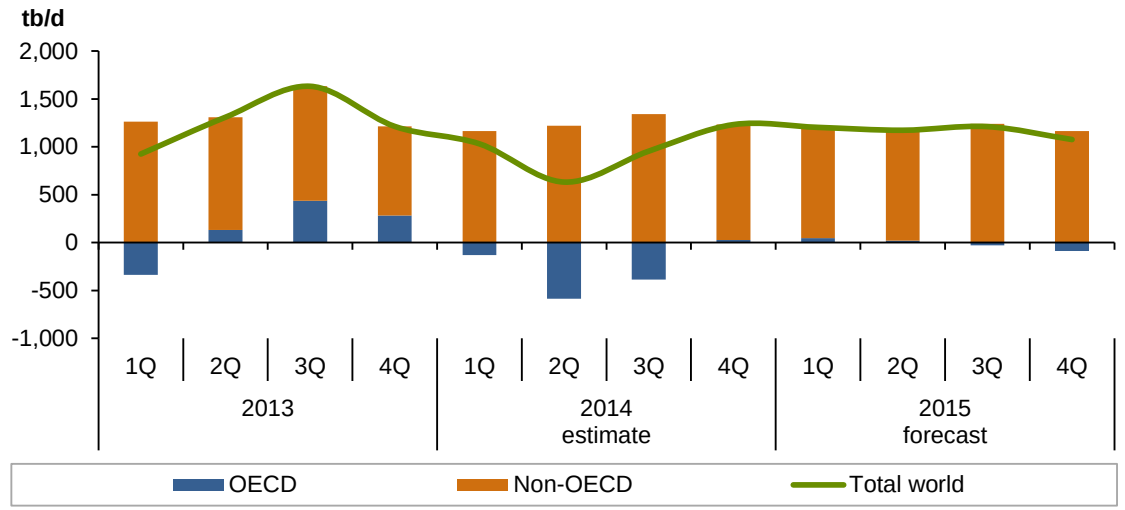
Graph 4.1: US oil consumption, y-o-y changes



The weakening **Mexican** oil demand trend seen in 2014 continued also into 2015, with January 2015 oil requirements being negative. Oil demand fell by almost 0.04 mb/d or 2% compared with the same month in 2014. All products registered drops of different magnitudes, with the exception of jet fuel, which was slightly positive. Similar to the trend in 2014, residual fuel oil registered declines, falling by more than 15%, mainly as a result of substitution with natural gas. Mexican oil demand slipped by around 0.1 mb/d in 2014, however, the picture is expected to improve in 2015 towards a reduced decline of 0.01 mb/d y-o-y.

In **Canada**, December 2014 oil demand fell by approximately 0.1 mb/d, or more than 4% y-o-y. All main product categories witnessed increases, which were, however, more than offset by declining demand for LPG. Canadian oil demand contracted slightly in 2014 by 0.02 mb/d. LPG and jet fuel declines have been partly offset by gains in the demand of other petroleum products, particularly gasoline and gasoil/diesel. 2015 Canadian oil demand is projected to increase slightly with the risks remaining unchanged since last month.

Graph 4.2: Quarterly world oil demand growth



In 2014, **OECD Americas oil demand** increased by 0.10 mb/d, while oil demand during 2015 will grow by another 0.20 mb/d compared with 2014 oil demand levels.

OECD Europe

The latest preliminary January 2015 data for the **European Big 4** oil consuming countries shows a slightly increasing trend y-o-y. Losses in requirements for fuel oil and gasoline were more than offset by gains in demand for jet fuel/kerosene and LPG.

In general, the year 2014 ended showing a contraction for the whole region by around 0.19 mb/d, with the bulk of losses occurring in the first half of the year and with some signals for improvement thereafter. Nevertheless, caution is required for projections as 2015 still includes, to a large extent, low baseline effects from previous years. Undoubtedly, the current stabilizing oil demand contraction figures are in line with leading indicators, such as increasing industrial production and rising car sales. In fact, passenger car sales grew in January 2015 by almost 7% y-o-y for the biggest part of the region and for the seventh consecutive month. However, expectations for 2015 oil demand in the region remain unchanged since last month with potential towards the upside as the economy seems to be improving for most countries and as a result of the low historical baseline. Nevertheless, there are some significant downside risks that are directly related to the further development of the region's economy during 2015.

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

	Jan 15	Jan 14	Change from Jan 14	Change from Jan 14, %
LPG	435	407	27	6.7
Gasoline	1,001	1,021	-19	-1.9
Jet/Kerosene	739	702	37	5.3
Gas/Diesel oil	2,960	2,962	-2	-0.1
Fuel oil	242	293	-51	-17.3
Other products	965	934	31	3.3
Total	**6,342**	**6,318**	**23**	**0.4**

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

In 2014, **OECD Europe oil demand** shrank by 0.19 mb/d, and oil demand is expected to decrease again during 2015, dropping by 0.10 mb/d compared with 2014.

OECD Asia-Pacific

In **Japan**, January 2015 y-o-y oil demand decreases were once more mostly in direct fuel and crude burning for electricity generation as a result of fuel substitution and warmer weather. Moreover, demand for gasoline and naphtha shrank further y-o-y, in line with drops in car registrations and a weakening economy. Decreases were partly offset by rising LPG and gasoil/diesel demand, which both grew by 2%. These developments led to an overall decrease of around 0.31 mb/d in Japanese oil demand for the month of January 2015, compared with the same month last year. As far as the outlook for 2015 Japanese oil demand is concerned, current indications remain roughly unchanged from last month's forecasts, with the risks being skewed more towards the downside. Oil demand projections for 2015 are based also on the assumption that a couple of nuclear plants will re-join operation during the first half of the year.

Table 4.3: Japanese domestic sales, tb/d

	Jan 15	Change from Jan 14	Change from Jan 14, %
LPG	494	12	2.4
Gasoline	838	-35	-4.0
Naphtha	833	-49	-5.6
Jet fuel	73	-3	-4.0
Kerosene	559	-20	-3.4
Gasoil	545	13	2.4
Fuel oil	629	-114	-15.4
Other products	58	-1	-1.5
Direct crude burning	167	-107	-39.1
Total	**4,195**	**-305**	**-6.8**

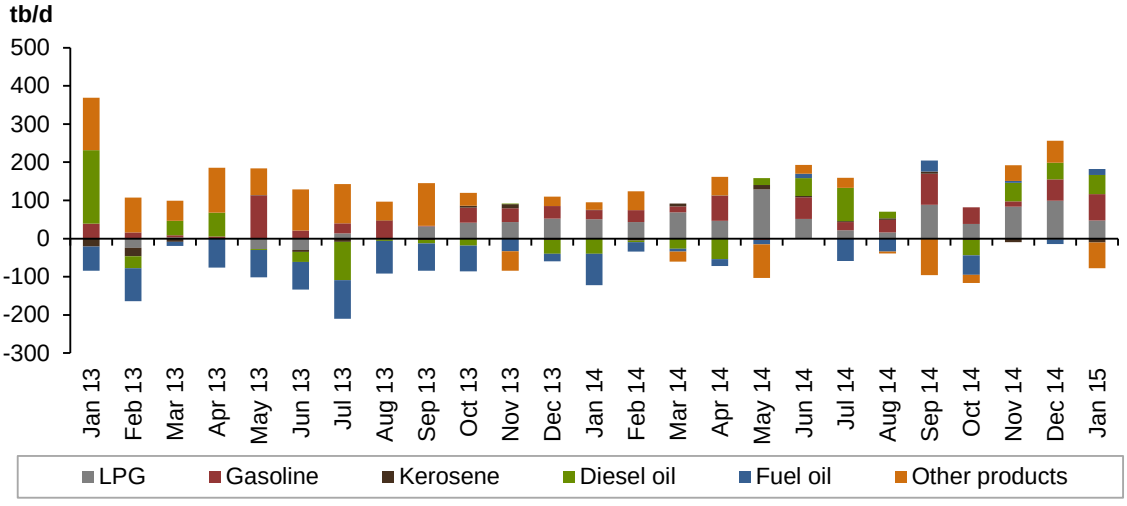
In **South Korea**, January 2015 demand increased by 0.1 mb/d or almost 5% y-o-y with almost all the main product categories being on the rise, particularly gasoil/diesel, gasoline, naphtha and LPG. Hence, the bulk of increases concerned transportation fuels and feedstock for the petrochemical industry. On the other hand, and similar to previous months and the overall 2014 picture, residual fuel oil was lower by 4% y-o-y, mainly due to slower marine bunkering activities and less consumption for power generation as a result of warmer weather. 2015 oil demand growth in South Korea is expected to improve slightly from the levels seen in 2014 by around 0.03 mb/d.

OECD Asia-Pacific oil demand declined in 2014 by around 0.18 mb/d, resulting mainly from less Japanese direct crude/fuel oil burning for electricity generation and a weakening economy. For 2015, demand is projected to fall by 0.12 mb/d.

Other Asia

India's oil consumption started 2015 on a positive note. Oil demand in January showed strong growth of 0.11 mb/d or 2.7% y-o-y, reaching total consumption of 4.03 mb/d, supported by strong demand for gasoline and diesel. Indian gasoline demand also rose in January, maintaining December's healthy growth levels of above 50 tb/d. Gasoline demand grew by 69 tb/d or around 18% y-o-y in January, in spite of India's government raising fuel taxes four times since November from 24% to 31% by almost $20/b, at a time of deteriorating oil prices. Demand growth for the product continues to grow at a steady pace.

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



Similarly, Indian diesel consumption continued its growth trend for the third consecutive month, higher by 51 tb/d or more than 3% y-o-y, reaching total consumption of 1.56 mb/d, despite consumption taxes increasing from 17% to 23%, to now stand around $17/b since November. Total consumption of LPG exceeded 0.57 mb/d, higher by 50 tb/d or 9% y-o-y. Total oil demand in India is anticipated to grow by around 94 tb/d or 2-3% in 2015, mainly as a result of better economic conditions in the country, promoting steady growth for gasoline and diesel of around 6% and 3%, respectively.

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

	Jan 15	Jan 14	Change	Change, %
LPG	578	531	48	9.0
Gasoline	456	387	69	17.7
Kerosene	256	266	-10	-3.8
Diesel oil	1,585	1,534	51	3.3
Fuel oil	424	409	15	3.8
Other products	728	796	-67	-8.4
Total oil demand	**4,028**	**3,923**	**105**	**2.7**

Taiwan's oil consumption declined during the month of December 2014, while demand for products registered a decline of 53 tb/d from the levels seen in December 2013, equating to a negative 5% y-o-y. Total demand consumption for the country stood at 1.0 mb/d. The decline in oil consumption can mainly be attributed to slower overall economic momentum in the country as the purchasing managers' index (PMI) was just at the threshold level of 50 points, above the contraction level. The 4Q14 PMI recorded the slowest reading in 2014.

In **Indonesia**, despite the positive total consumption growth level for the month of December 2014, with an increase of 40 tb/d or around 3% y-o-y, gasoil/diesel consumption in the country demonstrated slower growth than in previous months, mainly as result of subsidy reduction taking advantage of lower oil prices. Cumulative data for the whole of 2014 indicates that oil consumption was higher than 2013 levels by 27 tb/d or just below 2% y-o-y.

Looking forward, the risks for 2015 Other Asia oil demand growth are expected to be balanced with a slight positive effect from India as more data seems to suggest stable-to-improving economic activity in the country. Transportation fuels are anticipated to be the main contributors to growth. In other parts of the region, subsidies on transportation fuels and the degree of their reduction may influence oil demand growth, however the current lower international prices should moderate the impact.

Other Asia oil demand is anticipated to grow by 0.21 mb/d in 2014. As for 2015, oil demand is forecast to be 0.25 mb/d higher than in 2014.

Latin America

In **Brazil**, oil demand was strong going into January 2015, despite waning macroeconomic data. Oil demand recorded growth of around 0.13 mb/d y-o-y, with total consumption at 2.44 mb/d. Growth was led by gasoline, diesel and fuel oil. Gasoline demand was higher by 55 tb/d, or more than 7.6% y-o-y. Ethanol consumption was also on the rise by more than 30 tb/d or 13% y-o-y. Diesel demand continued to be strong, with total consumption of 0.96 mb/d in January, higher by 33 tb/d or more than 3% y-o-y. Diesel demand potential appeared despite slower industrial production in the country as an increase in consumption was linked to drought conditions, prompting additional demand from power generators and other sources. Fuel oil demand rose by

9 tb/d or by more than 10% y-o-y to reach total consumption of 99 tb/d in January. Similar to diesel, fuel oil consumption was on the rise as persisting drought conditions in the parts of the country encouraged additional use of fuel oil to compensate for hydro-electrical power reduction.

Table 4.5: Brazilian inland deliveries, tb/d

	Jan 15	Jan 14	Change	Change, %
LPG	210	214	-4	-1.8
Gasoline	785	730	55	7.5
Jet/Kerosene	136	134	2	1.3
Diesel	960	926	33	3.6
Fuel oil	99	90	9	10.1
Alcohol	254	224	30	13.2
Total	**2,444**	**2,319**	**125**	**5.4**

Oil consumption in **Argentina** declined in December 2014 as well as on a cumulative basis for the whole of 2014, declining by around 3% and 1%, respectively. All transportation fuels were down during December with diesel declining by more than 14 tb/d or 6% y-o-y. Vehicle sales dropped by as much as 36% in 2014 to 614,000 units with the outlook remaining bearish for the sector going into 2015 as the expiration of the government's subsidized car-purchasing scheme largely impacted sales growth.

Looking forward, the risks for 2015 currently point downward as economic activity in Brazil is anticipated to slow and government spending on projects is reduced. On the other hand, the presence of lower oil prices in addition to the expectation of the hotter summer season in the country should keep demand for power generation above average.

Latin American oil demand is anticipated to grow in 2014 by 0.20 mb/d. During 2015, oil demand growth is forecast to be in line with the levels seen in 2014.

Middle East

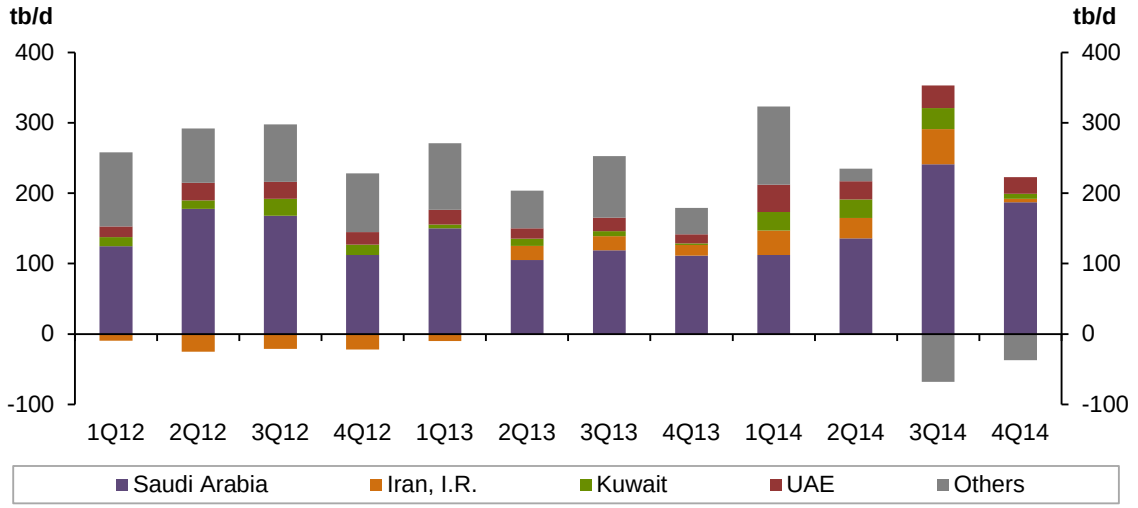
In 2015, **Middle East** oil consumption is expected to continue growing at a steady pace, increasing by 0.28 mb/d from 2014 levels. Most of this growth is expected to come from **Saudi Arabia** with a forecast increase of 0.15 mb/d, more than half of the region's expected growth.

The country's growth rate for the month of January 2015 was at around 90 tb/d or 5% y-o-y, mainly due to fuel oil consumption in the country, which was higher y-o-y, possibly as a result of the product's use as a burning fuel for power generation in the newly introduced refineries. However, demand for power generation usually slows down going into the winter season as consumption requirements for air conditioning usage is reduced. As a result, consumption for direct crude burning decreased sharply, dropping by more than 90 tb/d or 25% y-o-y. Nevertheless, yearly data for 2014 indicates better-than-expected growth in the country with an increase of more than 0.2 mb/d or 9% y-o-y. Most products were on the rise as the country continued to grow economically and demographically.

Other countries in the region showed mixed performances. While oil demand in **Iraq** declined in 2014 y-o-y, consumption in **UAE**, **Kuwait** and **Qatar** was on the rise. Going forward, Middle East oil demand is subject to the performance of various economies in the region, and the impact of lower oil prices on their spending plans will be an important factor to monitor.

In 2014, **Middle East oil demand** growth was at around 0.25 mb/d, while oil demand in 2015 is projected to grow by 0.28 mb/d.

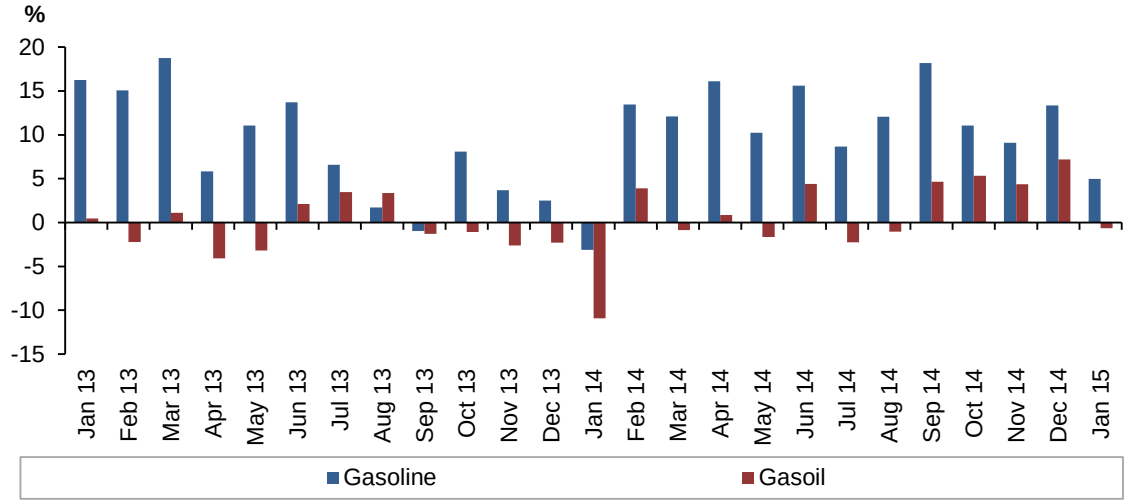
Graph 4.4: Oil demand growth in the Middle East, y-o-y



China

China's oil demand growth eased in January 2015 from the high growth levels seen in 4Q14. Demand growth for the country registered at around 0.2 mb/d compared with the same month a year earlier. In absolute figures, total oil demand for the country stood at 10.4 mb/d. Products, on the other hand, have been on the rise on a y-o-y basis, with LPG and gasoline leading the gains with more than 0.1 mb/d of growth y-o-y. It is worth mentioning that due to the Lunar New Year holidays and delays of data publication, the analysis was based on preliminary data.

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

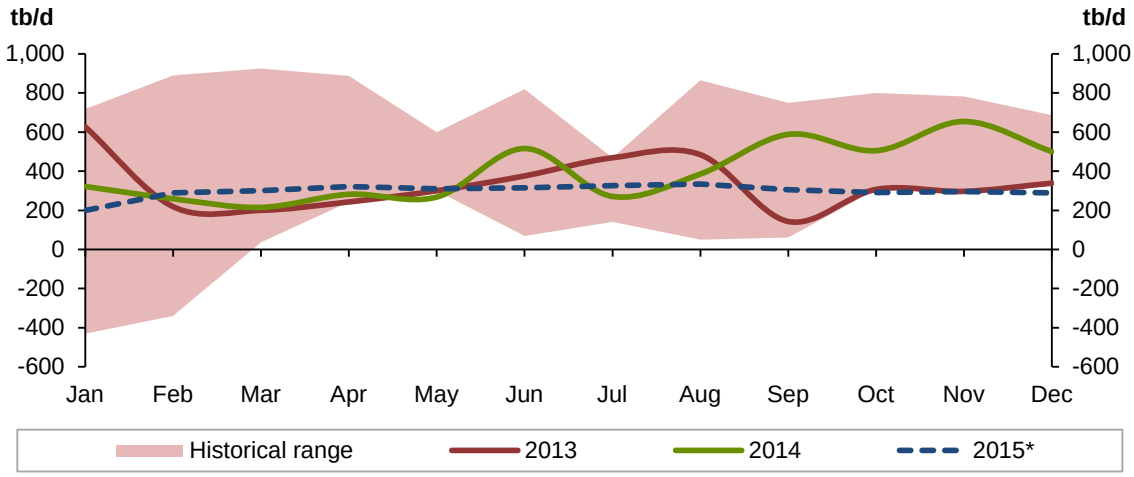


Gasoline growth was relatively modest when compared to monthly growth figures for the past 11 months. Gasoline demand growth was supported by the Lunar New Year holidays, which resulted in additional driving as well as increased car sales. In January, passenger cars provided good momentum to drive overall growth, with sales of passenger cars increasing to above 2 million units, more than 10% higher compared to the same period of last year, according to statistics and analysis of China Association of Automobile Manufacturers (CAAM). Sales of both types of vehicles, SUV and MPV,

increased during the month by more than 51% and 17% y-o-y, respectively. Gasoline demand, in absolute terms, reached 2.32 mb/d in January 2015.

Furthermore, LPG demand grew by more than 0.11 mb/d or 12% y-o-y, which could be attributed to the country's growing petrochemical sector, while preliminary data for gasoil showed a slowdown in consumption with a decline in growth of around 20 tb/d, mainly as the Lunar New Year holidays deferred operations in different sectors such as the mining and construction sectors. Consumption of fuel oil was largely waning as initial data seemed to suggest a decrease in growth of around 0.1 mb/d y-o-y. Weakened industrial activity and reduced teapot refinery margins seem to be the largest contributors to this slowdown.

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



** Forecast.*

The 2015 outlook is currently balanced in terms of potential and risks. The downside risks are focused on a possible easing in economic conditions in addition to policies supporting a reduction in transportation fuel consumption. On the other hand, the healthy petrochemical sector and expansion projects in the refinery sectors provide upside potential for China's oil demand growth.

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

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

							Change 2015/14	
	2014	1Q15	2Q15	3Q15	4Q15	2015	Growth	%
Americas	24.19	24.10	23.94	24.59	24.93	24.39	0.20	0.85
of which US	*19.40*	*19.35*	*19.18*	*19.70*	*20.08*	*19.58*	*0.18*	*0.91*
Europe	13.45	12.91	13.46	13.70	13.35	13.36	-0.10	-0.71
Asia Pacific	8.14	8.76	7.57	7.59	8.18	8.02	-0.12	-1.51
Total OECD	**45.78**	**45.77**	**44.97**	**45.87**	**46.46**	**45.77**	**-0.01**	**-0.03**
Other Asia	11.27	11.32	11.63	11.62	11.54	11.52	0.25	2.24
of which India	*3.79*	*3.95*	*3.91*	*3.76*	*3.99*	*3.90*	*0.12*	*3.04*
Latin America	6.69	6.61	6.89	7.18	6.88	6.89	0.20	2.95
Middle East	8.06	8.35	8.18	8.69	8.13	8.34	0.28	3.49
Africa	3.74	3.84	3.84	3.75	3.90	3.83	0.09	2.47
Total DCs	**29.76**	**30.12**	**30.54**	**31.23**	**30.45**	**30.59**	**0.82**	**2.77**
FSU	4.54	4.43	4.27	4.67	4.95	4.58	0.04	0.88
Other Europe	0.65	0.65	0.60	0.65	0.74	0.66	0.01	1.07
China	10.46	10.39	10.87	10.63	11.19	10.77	0.31	2.94
Total "Other regions"	**15.66**	**15.46**	**15.75**	**15.95**	**16.88**	**16.01**	**0.35**	**2.26**
Total world	**91.21**	**91.35**	**91.26**	**93.06**	**93.79**	**92.37**	**1.17**	**1.28**
Previous estimate	91.16	91.36	91.18	92.97	93.76	92.33	1.17	1.28
Revision	0.05	-0.01	0.08	0.09	0.02	0.05	0.00	0.00

Totals may not add up due to independent rounding.

World Oil Supply

Non-OPEC oil supply is estimated to have averaged 56.33 mb/d in 2014, achieving the highest growth rate since the emergence of the tight crude and unconventional NGLS output in the US and up by 2.04 mb/d y-o-y, as well as 0.10 mb/d over the previous *Monthly Oil Market Report (MOMR).* Growth in 4Q14 was mostly driven by around 290 tb/d in extra barrels from the US, Canada, Norway, Malaysia and China as well as upward revisions in other quarters, in general. Non-OPEC oil supply for 2015 is projected to average 57.16 mb/d, representing growth of 0.85 mb/d – mostly in 1H15 – unchanged compared with the previous assessment amid several upward and downward revisions. Output for the non-OPEC marginal barrel this year, particularly for US tight oil and Canadian oil sands output, will become more evident in the coming months, following ongoing declines in rig counts as well as cuts in capital expenditures by international oil companies.

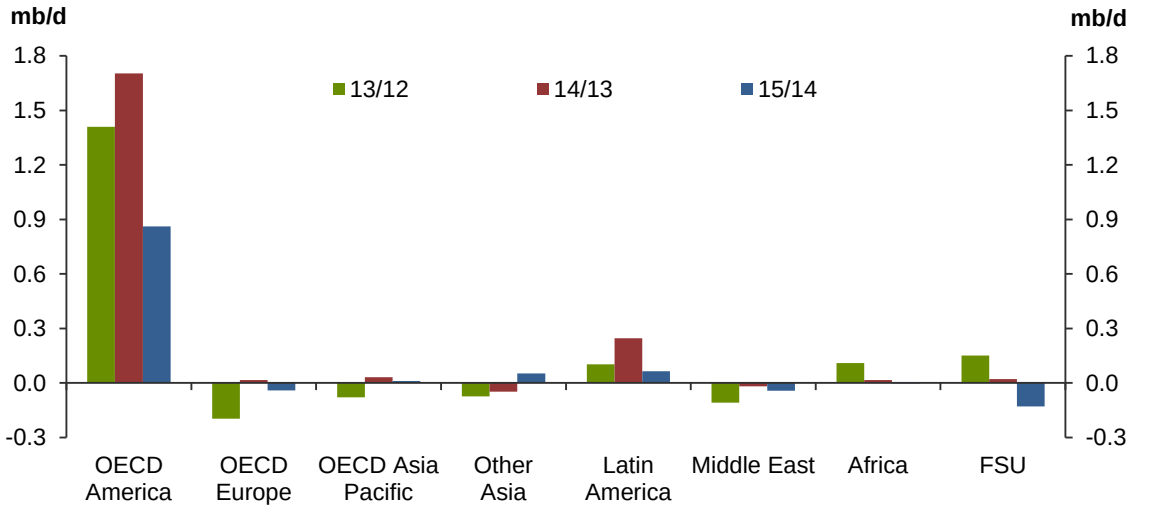
OPEC's natural gas liquids (NGLs) production is estimated to grow by 0.18 mb/d to average 5.83 mb/d in 2014 and 0.19 mb/d to average 6.02 mb/d in 2015. In February, OPEC crude production decreased by 0.14 mb/d to average 30.02 mb/d according to secondary sources. As a result, preliminary data indicates that global oil supply decreased by 0.06 mb/d in February to average 93.57 mb/d.

Estimate for 2014

Non-OPEC supply

Non-OPEC oil supply is estimated to have averaged 56.33 mb/d in 2014, an increase of 2.04 mb/d over 2013 and indicative of an upward revision in absolute supply volume of 0.10 mb/d from the previous *MOMR*. Moreover, 2012 and 2013 were also revised up, by 30 tb/d and 40 tb/d, respectively. Non-OPEC oil supply in 2014 encountered upward revisions in all four quarters by 11 tb/d, 29 tb/d, 34 tb/d and around 290 tb/d, respectively. Updated production data for 4Q14 from the US, Canada, Norway, Malaysia, Thailand and China led to this adjustment, as well as revisions in the other three quarters of 2014, as well as for 2013 and even 2012. These were primarily related to updates from Thailand. The only downward revision from 1Q14 to 3Q14 came out of Brazil.

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



Non-OPEC supply in **2014** saw its highest growth since 2007, the start of the tight crude and unconventional NGLS boom in North America, led by growing figures for tight crude and unconventional NGLs in the US, along with remarkable oil sands production in Canada. Strong growth was seen in OECD Americas and Latin America, as well as the former Soviet Union (FSU), Africa, China and the Asia Pacific region, while other regions showed declines. OECD Americas' oil supply growth is estimated at 1.70 mb/d in 2014, while declines of 0.05 mb/d in Other Asia represented the largest contraction. Both growth and contraction in output were registered in North America, with the US at 1.61 mb/d and Mexico at -90 tb/d. Declines in the other regions were driven mainly by political, technical and weather-related factors. Disruptions in 2014 mainly affected output from Mexico, Syria, Colombia, Indonesia, the UK and the Sudans.

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

							Change
	2013	**1Q14**	**2Q14**	**3Q14**	**4Q14**	**2014**	**14/13**
Americas	18.16	19.12	19.77	20.08	20.46	19.86	1.70
of which US	*11.22*	*11.95*	*12.79*	*13.12*	*13.45*	*12.83*	*1.61*
Europe	3.58	3.75	3.51	3.40	3.72	3.59	0.02
Asia Pacific	0.49	0.51	0.52	0.54	0.50	0.52	0.03
Total OECD	**22.22**	**23.38**	**23.80**	**24.01**	**24.68**	**23.97**	**1.75**
Other Asia	3.61	3.56	3.55	3.50	3.64	3.56	-0.05
Latin America	4.78	4.86	4.92	5.10	5.23	5.03	0.25
Middle East	1.36	1.34	1.34	1.36	1.33	1.34	-0.02
Africa	2.40	2.44	2.41	2.40	2.41	2.42	0.02
Total DCs	**12.15**	**12.21**	**12.22**	**12.35**	**12.61**	**12.35**	**0.20**
FSU	13.41	13.48	13.36	13.39	13.48	13.43	0.02
of which Russia	*10.51*	*10.59*	*10.55*	*10.52*	*10.65*	*10.58*	*0.07*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.24	4.24	4.27	4.20	4.34	4.26	0.02
Total "Other regions"	**17.78**	**17.86**	**17.76**	**17.73**	**17.96**	**17.83**	**0.04**
Total non-OPEC production	**52.16**	**53.45**	**53.78**	**54.10**	**55.25**	**54.15**	**2.00**
Processing gains	2.13	2.16	2.16	2.16	2.16	2.16	0.03
Total non-OPEC supply	**54.29**	**55.62**	**55.95**	**56.26**	**57.42**	**56.33**	**2.04**
Previous estimate	54.24	55.62	55.93	56.24	57.13	56.23	1.99
Revision	0.04	0.00	0.02	0.02	0.28	0.10	0.05

According to preliminary and estimated data, total non-OPEC supply in 4Q14 increased by 2.04 mb/d over the same period a year earlier. During 2H14, non-OPEC supply increased by 2.14 mb/d compared with the same period in the previous year.

On a quarterly basis, non-OPEC supply in 2014 is estimated at 55.62 mb/d, 55.95 mb/d, 56.26 mb/d and 57.41 mb/d, respectively.

OECD

Total OECD oil supply for 2014 is estimated to have grown by 1.75 mb/d to average 23.97 mb/d, indicating an upward revision of 0.03 mb/d from the previous *MOMR*. Output in 4Q14 reached 24.68 mb/d, with an increase of 1.72 mb/d compared with the same quarter in 2013. The upward revision came from OECD Americas and OECD Europe, while OECD Asia Pacific remained unchanged compared with the previous *MOMR*.

On a quarterly basis, total OECD supply is estimated to average 23.38 mb/d, 23.80 mb/d, 24.01 mb/d and 24.68 mb/d, respectively.

OECD Americas

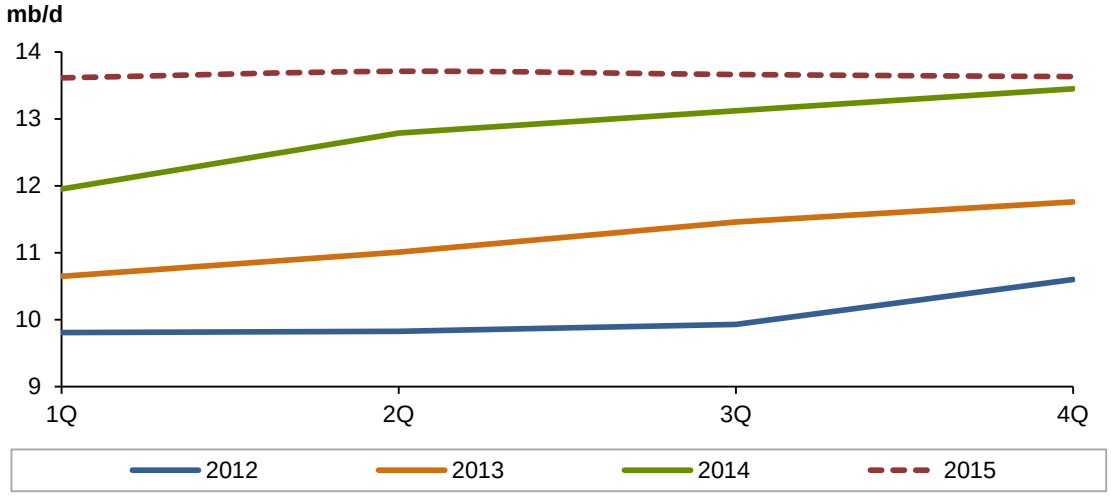
OECD Americas' oil supply is estimated to average 19.86 mb/d, showing growth of 1.70 mb/d compared with growth of 1.39 mb/d a year earlier. The US and Canada both saw remarkable growth in oil supply of 1.60 mb/d and 0.20 mb/d, respectively, in 2014, while that of Mexico is estimated to have declined by 90 tb/d.

On a quarterly basis, OECD America's oil supply for 2014 is estimated to average 19.12 mb/d, 19.77 mb/d, 20.08 mb/d and 20.46 mb/d, respectively.

US

Total US oil supply – including the latest actual production data for December – is estimated to have increased by 1.60 mb/d to average 12.83 mb/d across 2014, representing an upward revision of 20 tb/d from the previous monthly report. Across 2014, crude output grew by 1.22 mb/d and NGLs by 0.36 mb/d. US total liquids output in December increased by 0.28 mb/d compared with November (crude output was higher by 187 tb/d), including conventional crude oil and NGLs, tight crude and unconventional NGLs. Finally, biofuel and other unconventional oil averaged 13.64 mb/d. Most of the m-o-m increase came from crude output, which rose to 9.23 mb/d, a record high, while NGL output recovered m-o-m to 3.12 mb/d. Unsurprisingly, crude output growth was not impacted by falling prices as hedging and commitments to drilling and lease contracts meant drilling continued.

Graph 5.2: US quarterly production, annual comparison



Crude output rose to 9.22 mb/d in December for the first time since March 1986, higher y-o-y by 1.37 mb/d, due to the continuation of tight crude production. Production from the Gulf of Mexico (GoM) increased by 68 tb/d over November output to average 1.44 mb/d. Crude oil output increased by 39 tb/d and 49 tb/d in North Dakota and Texas in December to average 1.23 mb/d and 3.45 mb/d, respectively.

On a quarterly basis, US oil supply is estimated to stand at 11.95 mb/d, 12.79 mb/d, 13.12 mb/d and 13.45 mb/d, respectively.

Canada and Mexico

Canada's oil supply registered growth of 0.20 mb/d in 2014 to average 4.23 mb/d, an upward revision of 20 tb/d compared with the previous month. Preliminary data places December Canadian oil production lower by 90 tb/d m-o-m at 4.34 mb/d. Nevertheless, output is higher by 100 tb/d in 4Q14 compared with 3Q14, indicating the earlier-than-expected return of the 0.11 mb/d Kearl project, and the initial start-up of the Foster Creek expansion with a capacity of 30 tb/d. However, Syncrude's production fell by 40 tb/d m-o-m to 0.24 mb/d, due to an outage in a sour water treater.

On a quarterly basis, Canada's 2014 supply is estimated to average 4.30 mb/d, 4.14 mb/d, 4.19 mb/d and 4.29 mb/d, respectively.

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

OECD Europe

Total **OECD Europe's oil supply,** which declined by 0.20 mb/d to average 3.58 mb/d in 2013, increased by 20 tb/d in 2014 from the previous year to average 3.59 mb/d, revised up by 10 tb/d from the previous *MOMR*. Output growth was revised up in Norway, the UK and Other OECD Europe, though it remained unchanged in Denmark.

Updated OECD Europe oil supply figures indicate quarterly supply of 3.75 mb/d, 3.51 mb/d, 3.40 mb/d and 3.72 mb/d, respectively.

Updated oil supply data for **Norway** in 4Q14 led to an increase in growth by 10 tb/d to 60 tb/d compared with the previous *MOMR*, but average output remained unchanged at 1.89 mb/d.

On a quarterly basis, Norway's production was seen to average 1.96 mb/d, 1.79 mb/d, 1.86 mb/d and 1.97 mb/d, respectively. The only change took place in 4Q14, which is 20 tb/d higher, compared with the previous *MOMR*.

The **UK's** oil supply was registered at an average of 0.86 mb/d, representing a decline of 10 tb/d in 2014, y-o-y, though this figure was revised up by 10 tb/d from the previous *MOMR*. Total UK production in 2014 consisted of 0.78 mb/d of crude oil and 0.06 mb/d of NGLs.

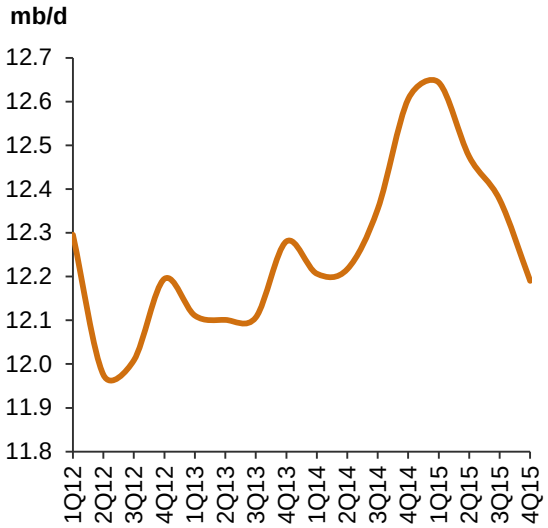
On a quarterly basis, UK oil output in 2014 is estimated to average 0.97 mb/d, 0.90 mb/d, 0.71 mb/d and 0.87 mb/d, respectively. Only 4Q14 saw a change; it was 30 tb/d higher than the previous *MOMR*.

Developing countries

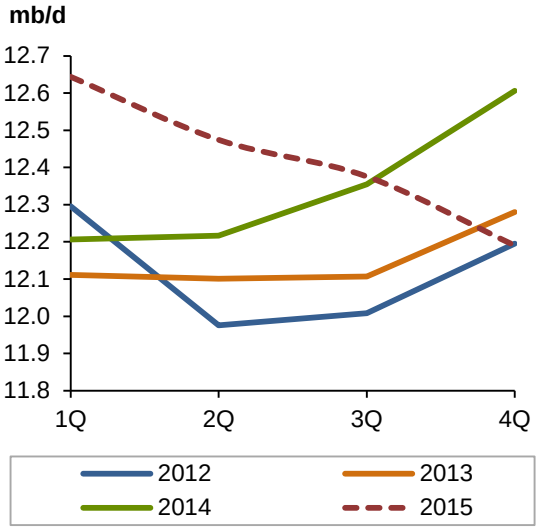
Total **developing countries' (DCs')** oil output reached 12.35 mb/d in 2014, indicating an increase of 0.20 mb/d, revised up by 30 tb/d from the previous *MOMR*. Growth in 2014 is expected after a significant decline was seen in 2013, due mainly to political, technical and weather-related factors. According to preliminary data, supply averaged 12.61 mb/d in 4Q14, up by 0.15 mb/d from the same period a year earlier.

On a quarterly basis, total oil supply in DCs is estimated to average 12.21 mb/d, 12.22 mb/d, 12.35 mb/d and 12.61 mb/d, respectively.

Graph 5.3: Developing Countries' quarterly production



Graph 5.4: Developing Countries' quarterly production, annual comparison



Other Asia

Other Asia's oil production is estimated to have seen a decrease of 50 tb/d in 2014 to average 3.56 mb/d, representing an upward revision in growth of 20 tb/d from the previous *MOMR*. Other Asia's supply was revised up for all quarters of 2014, due to an update in Thailand's oil output, which was partly carried over to 2015.

On a quarterly basis, Other Asia's supply in 2014 is estimated to average 3.56 mb/d, 3.55 mb/d, 3.50 mb/d and 3.64 mb/d, respectively.

Thailand's production – based on new data – was revised up in 2012, 2013 and 2014 to 0.38 mb/d, 0.39 mb/d and 0.38 mb/d, respectively.

Malaysia's supply is projected to have experienced an increase of 20 tb/d in 2014 to average 0.69 mb/d, constituting an upward revision of 10 tb/d from the earlier *MOMR*. This is due to strong production in 4Q14, particularly from the Gumusut-Kakap floating production platform offshore Malaysia. The platform is expected to reach peak production of 135 tb/d once it is fully ramped up. Work on gas injection facilities continues, with startup expected next year. Gumusut-Kakap is expected to contribute as much as 25% of the country's oil production.

Latin America

Latin America's oil supply is estimated to have grown by 0.24 mb/d to average 5.03 mb/d in 2014, unchanged from the previous *MOMR*. Latin America is another main driver of growth among non-OPEC regions. Brazil and Latin America Others contributed to growth in 2014, while output from Colombia is likely to experience a decline of 20 tb/d in 2014 to average 1.01 mb/d.

On a quarterly basis, Latin America's supply in 2014 is expected to stand at 4.86 mb/d, 4.92 mb/d, 5.10 mb/d and 5.23 mb/d, respectively.

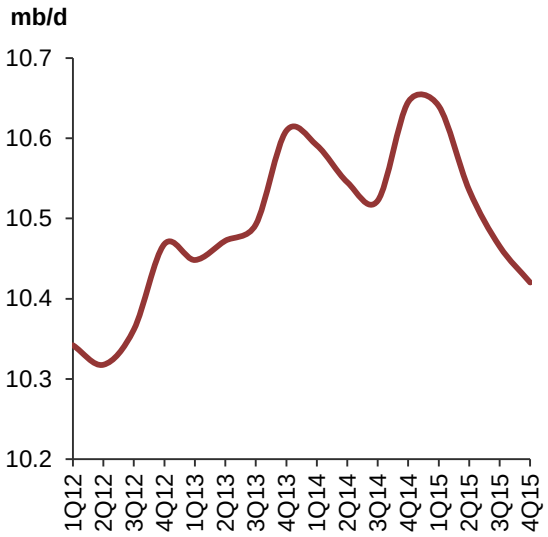
FSU, other regions

FSU's oil supply in 2014 is estimated to grow by 20 tb/d to average 13.43 mb/d, unchanged from the past *MOMR*.

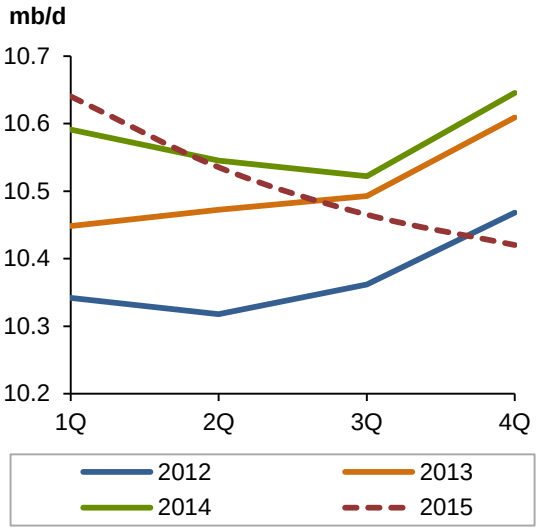
Russia

Russia's oil supply in 2014 also didn't change over the month, remaining at 10.58 mb/d with growth of 70 tb/d.

Graph 5.5: Russia's quarterly production



Graph 5.6: Russia's quarterly production, annual comparison



Forecast for 2015

Non-OPEC supply

Non-OPEC oil supply is forecast to grow by 0.85 mb/d in 2015 to average 57.16 mb/d, unchanged from the previous *MOMR*. Various upward and downward revisions applied to nearly all quarters in 2014 were in part carried over into 2015. Non-OPEC supply growth in 2015 is expected to experience increases in all quarters on a y-o-y basis, but at a slower pace. The main factors behind a lower growth prediction in this monthly report are still low oil price expectations, a declining number of active rigs in North America, a decrease in drilling permits in the US and reductions in IOCs' 2015 capex.

An important indication of uncertainty in the production growth outlook for the coming months is the number of active rigs around the world, particularly in regions with unconventional sources in which the oil production breakeven point is estimated much higher than current oil prices. According to the latest Baker Hughes report, the US rig count declined by 335 rigs over four weeks in February to 1,348 rigs, picking up the pace from the 199 rigs taken out of service the previous month. This is the 13th consecutive week of total decline and the lowest reading since the week ending 31 December 2009, according to the latest Baker Hughes survey.

Preliminary data for the first quarter of 2015 indicates that non-OPEC supply increased by 170 tb/d q-o-q to average 57.58 mb/d, a figure upwardly revised from the previous *MOMR*. This was mostly driven by upward changes in 4Q14 for OECD countries such as the US, Canada and Norway, as well as Malaysia, Thailand, Colombia, Yemen, Russia and China, and partially offset by downward revisions for FSU Others, the Sudans, Latin America Others, Norway and Mexico.

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

	2014	1Q15	2Q15	3Q15	4Q15	2015	Change 15/14
Americas	19.86	20.66	20.70	20.71	20.82	20.73	0.86
of which US	*12.83*	*13.61*	*13.71*	*13.66*	*13.63*	*13.65*	*0.82*
Europe	3.59	3.67	3.51	3.41	3.63	3.55	-0.04
Asia Pacific	0.52	0.52	0.55	0.54	0.51	0.53	0.01
Total OECD	**23.97**	**24.84**	**24.77**	**24.66**	**24.96**	**24.81**	**0.83**
Other Asia	3.56	3.67	3.64	3.60	3.56	3.61	0.05
Latin America	5.03	5.21	5.11	5.08	4.97	5.09	0.06
Middle East	1.34	1.32	1.31	1.29	1.28	1.30	-0.04
Africa	2.42	2.46	2.42	2.40	2.38	2.41	0.00
Total DCs	**12.35**	**12.64**	**12.47**	**12.38**	**12.19**	**12.42**	**0.07**
FSU	13.43	13.50	13.32	13.21	13.17	13.30	-0.13
of which Russia	*10.58*	*10.64*	*10.54*	*10.47*	*10.42*	*10.51*	*-0.06*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.26	4.31	4.29	4.31	4.37	4.32	0.06
Total "Other regions"	**17.83**	**17.95**	**17.75**	**17.66**	**17.69**	**17.76**	**-0.07**
Total Non-OPEC production	**54.15**	**55.40**	**55.00**	**54.71**	**54.84**	**54.99**	**0.85**
Processing gains	2.16	2.17	2.17	2.17	2.17	2.17	0.01
Total non-OPEC supply	**56.33**	**57.58**	**57.18**	**56.89**	**57.02**	**57.16**	**0.85**
Previous estimate	56.23	57.55	57.08	56.79	56.94	57.09	0.85
Revision	0.10	0.03	0.10	0.10	0.08	0.08	0.00

On a regional basis, OECD Americas is expected to have the highest growth by 0.86 mb/d, followed by Latin America, China, Other Asia and OECD Asia Pacific, while FSU, OECD Europe and the Middle East are seen to decline. Growth is expected to come mainly from the US, Brazil, Canada, China and Malaysia, while oil supply from Mexico, Colombia, Russia, Azerbaijan, Yemen, and the UK witnessed the biggest declines. The risks and uncertainties associated with the supply forecast due to the oil price drop remain high on both sides, especially for the US, Canada, Russia, Norway and the UK.

On a quarterly basis, Non-OPEC supply in 2015 is expected to average 57.58 mb/d, 57.18 mb/d, 56.89 mb/d and 57.02 mb/d, respectively.

OECD Americas

OECD Americas' oil supply is predicted to average 20.73 mb/d in 2015, showing growth of 0.86 mb/d compared with growth last year at 1.60 mb/d. The US and Canada are both expected to experience remarkable growth in oil supply of 0.82 mb/d and 0.14 mb/d, respectively, while that of Mexico is estimated to decline by 100 tb/d.

On a quarterly basis, OECD America's oil supply in 2015 is estimated to average 20.66 mb/d, 20.70 mb/d, 20.71 mb/d and 20.82 mb/d, respectively.

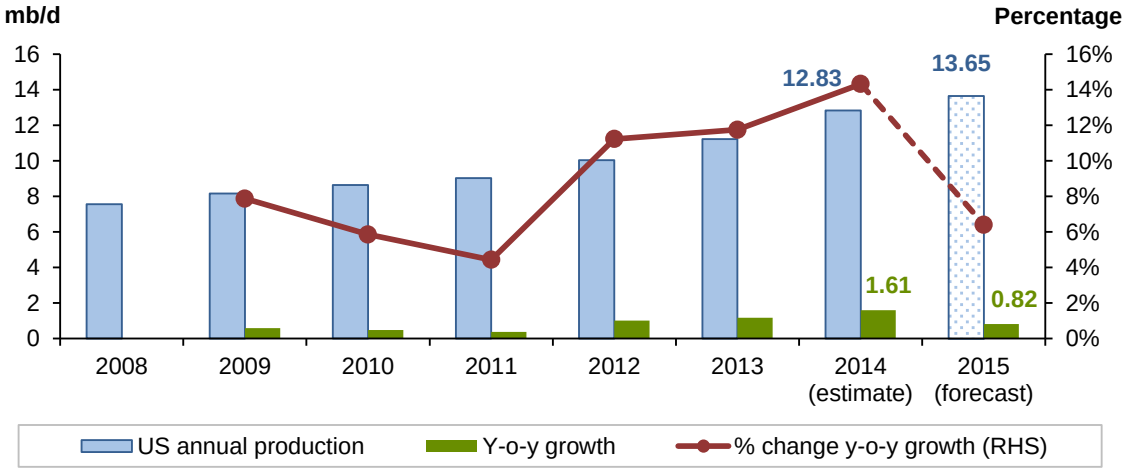
US

US oil production is anticipated to average 13.65 mb/d in 2015, indicating slower growth by 0.82 mb/d, y-o-y. This is unchanged from the previous month's prediction, as lower global oil prices compared to past years could impact marginal barrel output from unconventional sources such as tight crude and unconventional NGLs.

Tight crude producers are aware that typical oil wells in shale plays decline 60% annually, and that losses can only be recouped by drilling new wells. As drilling

subsides due to high costs and a potentially sustained low oil price, a drop in production can be expected to follow, possibly by late 2015. In January, many uncontracted rigs were dropped by producers, given accelerated price declines. NGL output is more vulnerable than crude; rigs are being moved from wet gas plays to dry gas areas. As more rigs move to the core of the plays, crude and NGL output is likely to diverge in the near term. For instance, the Oneok company halted work on three NGL processing plants in the Bakken and Scoop plays.

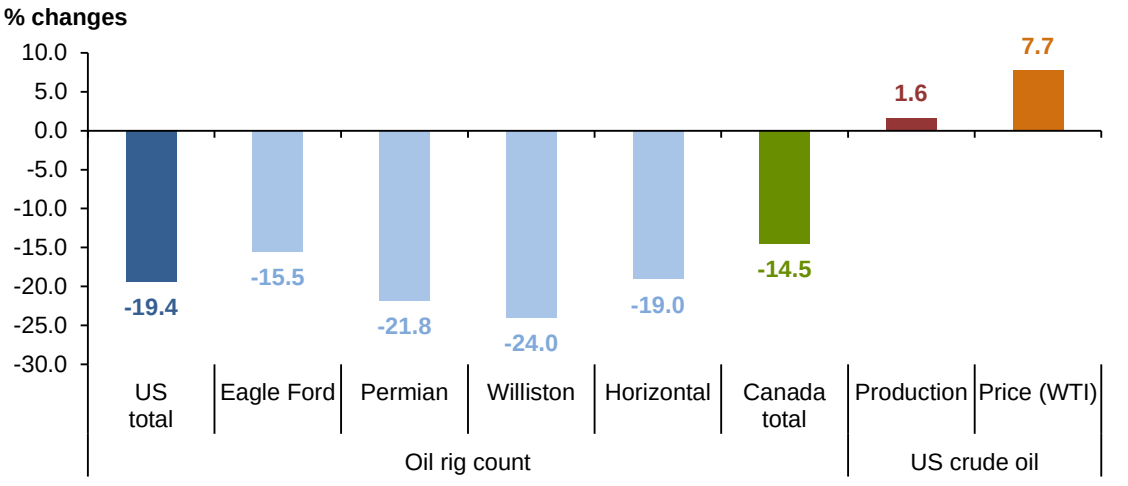
Graph 5.7: US annual liquids production and annual growth



Source: OPEC Secretariat.

According to the latest Baker Hughes report, the US rig count declined by 335 rigs during four weeks in February to 1,348 rigs, picking up the pace from the 199 rigs which were taken out of service the preceding month. This is the 13th consecutive week of total decline and the lowest reading since the week ending 31 December 2009, according to the latest survey from Baker Hughes. Two hundred and thirty-seven oil rigs have been idled until now, leaving 986 active rigs on 27 February, the lowest number of oil rigs in use since June 2011 and down 37% from 26 November 2014.

Graph 5.8: North America drilling, oil production and price developments in February 2015, based on weekly average data, m-o-m

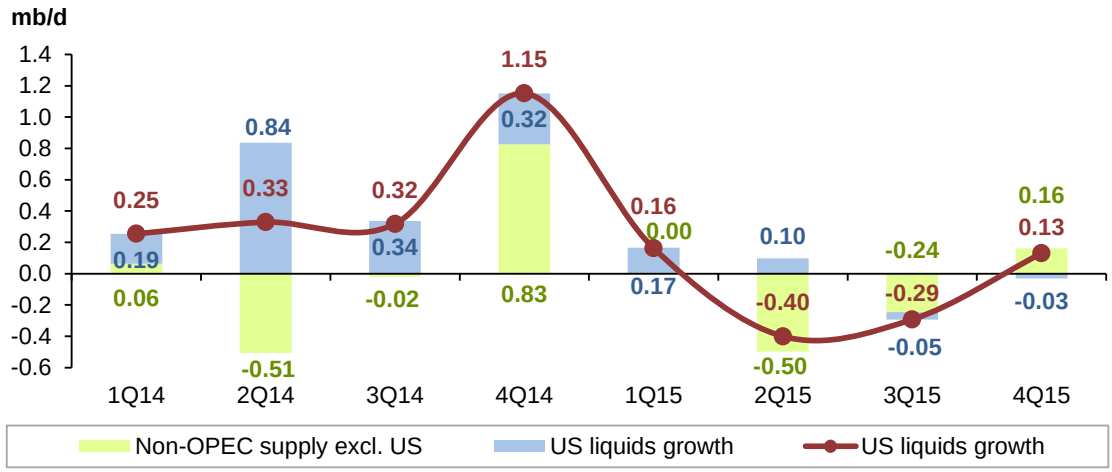


Sources: Baker Hughes Incorporated, EIA and OPEC Secretariat.

Active rigs in Texas declined by 174 in February to 599, also down by 99 rigs in January. The number of active rigs in Oklahoma, North Dakota, Louisiana and New Mexico dropped in February by 36, 34, 1 and 22 rigs, respectively. In February, the

number of horizontal wells drilled in the US declined by 222 to 946 rigs, indicating a larger decline than the drop of 168 rigs one month earlier. In the meantime, oil output increased by 1.6%, while the WTI oil price rebounded by 7.7% from a low of $45.60/b.

Graph 5.9: US liquids vs. non-OPEC supply, q-o-q growth



Source: OPEC Secretariat.

Oil output in the Gulf of Mexico for 2015 will be supported by the start-up of the Tubular Bells and Jack/St Malo projects in 4Q14. The GoM's output is likely to rise by 0.18-0.20 mb/d in 2015 with the Lucius project, which started up in January.

On a quarterly basis, US liquids supply in 2015 is expected to average 13.61 mb/d, 13.71 mb/d, 13.66 mb/d and 13.63 mb/d, respectively.

Canada

Canada's oil output is forecast to average 4.37 mb/d in 2015, revised up by 20 tb/d due to a base change in 2014, a proposed increase of 0.14 mb/d over the previous year and unchanged from the previous *MOMR*. The 2014 revision comes on the back of higher-than-expected output figures late in 4Q14, which were carried over to 2015. Despite the upward revision for 2014 supply estimates, Canada's oil production outlook for 2015 remains unchanged compared with the previous month's forecast for expected conventional oil, though output from unconventional sources will be gradually affected by sustained low oil prices. Nevertheless, the seven oil sands projects listed below, with a total capacity of about 400 tb/d (peak production), are currently planned for start-up in 2015. Some small projects which are also candidates for exploitation have not been confirmed yet.

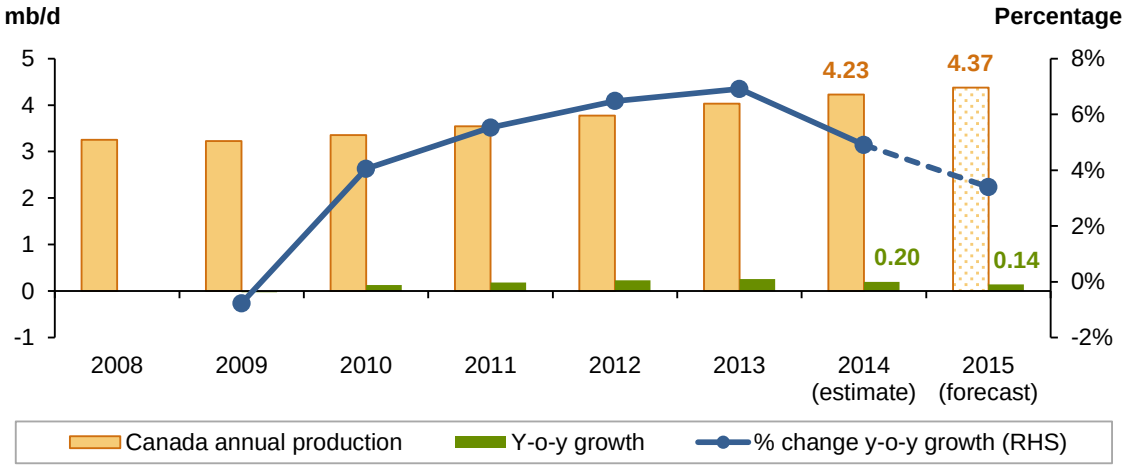
Table 5.3: 2015 oil sand projects in Canada

	Field/project	Phase	Peak (tb/d)	*Remarks*
1	**Surmont**	Phase 2	110	
2	**Kearl Lake**	Phase 2	110	*Started-up*
3	**Terre de Grace**	Phase 2	40	
4	**Cold Lake**	Phase 14-16 (Nabiye)	40	*March 2015*
5	**Foster Creek**	Phase 1G (expansion)	30	*Started-up*
6	**MacKay River**	Phase 1	35	
7	**Birch Mountain**	Phase 2	30	
8	**Jackfish**	Phase 3	35	*Postponed*

Syncrude's production dropped by 40 tb/d in December, due to an outage at a sour water treater, but rose again by 48 tb/d m-o-m to 0.29 mb/d in January as technical problems eased. Nonetheless, January data indicates Canadian production fell by 30 tb/d m-o-m, likely attributable to inclement weather conditions which decreased output. Canadian oil sands projects exhibited significant sunken costs and came with lengthy payback periods, which should shield output from price declines. However, many companies have minimised their cash costs and some have delayed, postponed or cancelled future projects entirely. For instance, Statoil and CNRL are pushing back start-up dates at their Corner field and Kirby North oil sands facilities. Despite adding 0.40 mb/d of oil sands production from new projects in 2015, the forecast assumes 0.14 mb/d of growth for Canadian oil in the current year.

On a quarterly basis, Canada's oil supply in 2015 is expected to average 4.36 mb/d, 4.30 mb/d, 4.34 mb/d and 4.49 mb/d, respectively.

Graph 5.10: Canada's annual liquids production and annual growth

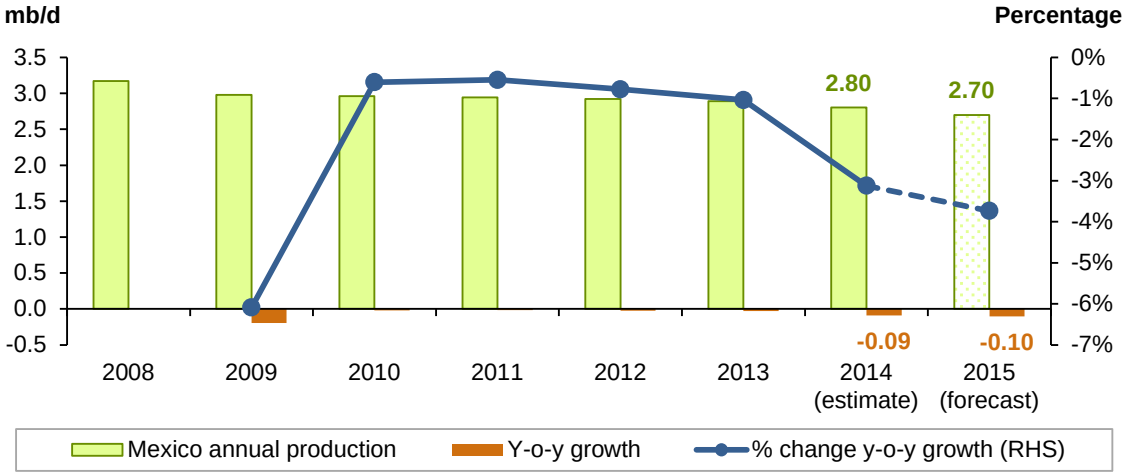


Source: OPEC Secretariat.

Mexico

Liquids production in Mexico declined by 100 tb/d m-o-m to average 2.61 mb/d in January, the lowest level since October 1995. Crude output was lower y-o-y by 0.26 mb/d, with heavy crude output registering a y-o-y decline of 0.22 mb/d. Mexico's oil supply is forecast to average 2.70 mb/d in 2015, showing a decline of 100 tb/d, revised down by 30 tb/d from the previous month's estimation. All leading fields are in decline, and Pemex has not made any discoveries of note to take their place. Data for the first two months of this year pointed to a drop in crude production.

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



Source: OPEC Secretariat.

This was led by unusually low output from the KMZ field at 0.79 mb/d, lower y-o-y by 75 tb/d, likely due to maintenance. Indeed, preliminary data for February shows that KMZ output recovered to 0.87 mb/d, higher y-o-y by 3 tb/d, thus more in line with 2H14 averages. In January, Mexican crude oil production was at 2.25 mb/d, with a 10.2% annual decline. In February, the y-o-y decline was at about 7% as output rose to 2.33 mb/d. Meanwhile, output from the Cantarell field fell below 0.26 mb/d in January, with y-o-y declines above 0.1 mb/d. Preliminary output for February stood at 2.34 mb/d, lower y-o-y by 0.17 mb/d, with the majority of fields declining, except Chuc. It is expected that crude output will average 2.32 mb/d this year. Lower oil prices have forced Pemex to slash its 2015 capex by $4.2 billion, although this isn't expected to impact crude output just yet; deepwater projects that have not already been sanctioned are likely to be delayed.

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

OECD Europe

Total OECD Europe's oil supply, which increased by 0.02 mb/d to average 3.59 mb/d in 2014, is expected to decrease by 40 tb/d from the previous year to average 3.55 mb/d in 2015, revised down by 30 tb/d from the previous *MOMR*. Output from the region is expected to continue on an upward trend in 1Q15. OECD Europe's 4Q14 was revised up by 50 tb/d due to higher output from Norway, the UK and even Other OECD Europe, which partially carried over to 1Q15.

OECD Europe is expected to see a quarterly supply of 3.67 mb/d, 3.51 mb/d, 3.41 mb/d and 3.63 mb/d, respectively.

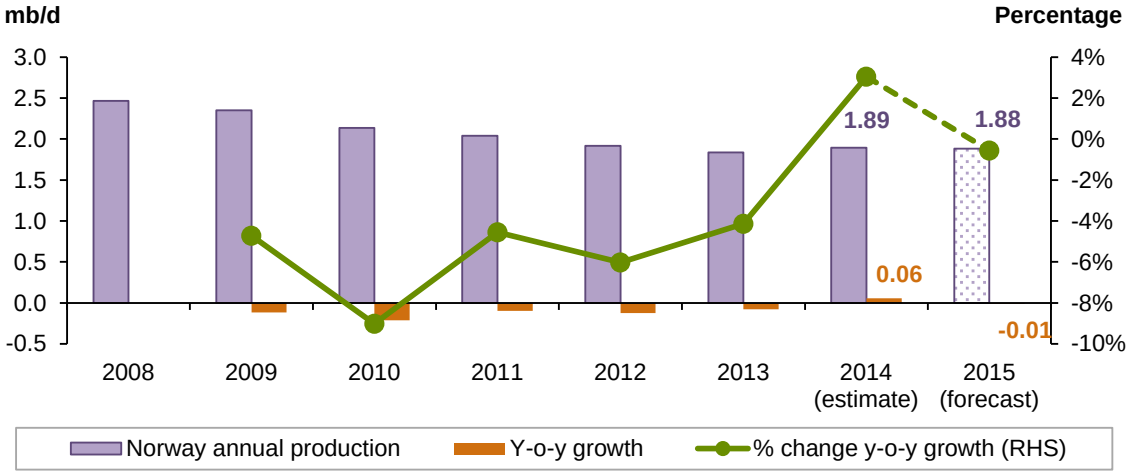
Norway's oil supply is predicted to decline by 10 tb/d from the previous year to average 1.88 mb/d in 2015, revised down by 30 tb/d from the previous *MOMR*. Preliminary production figures for February 2015 indicate an average daily production of about 1.93 mb/d of oil, NGLs and condensate. This is approximately flat compared with January. Average daily liquid production in February was 1.55 mb/d of oil, 0.33 mb/d of NGLs and 0.05 mb/d of condensate. Oil production is 0.3% above that of February a year earlier.

Statoil started up production at its Oseberg Delta 2 development in the North Sea, expecting to produce around 77 million barrels of oil equivalent from the field.

Production fell in the Brynhild, Draugen, Ekofisk and Eldfisk fields in February due to various technical problems; the Gudrun field has been shut down since 18 February due to a gas leak. Based on information from the Norwegian Petroleum Directorate (NPD), oil production is about 2% above the prognosis for the month.

On a quarterly basis, Norway's production in 2015 is seen to average 1.94 mb/d, 1.85 mb/d, 1.80 mb/d and 1.94 mb/d, respectively.

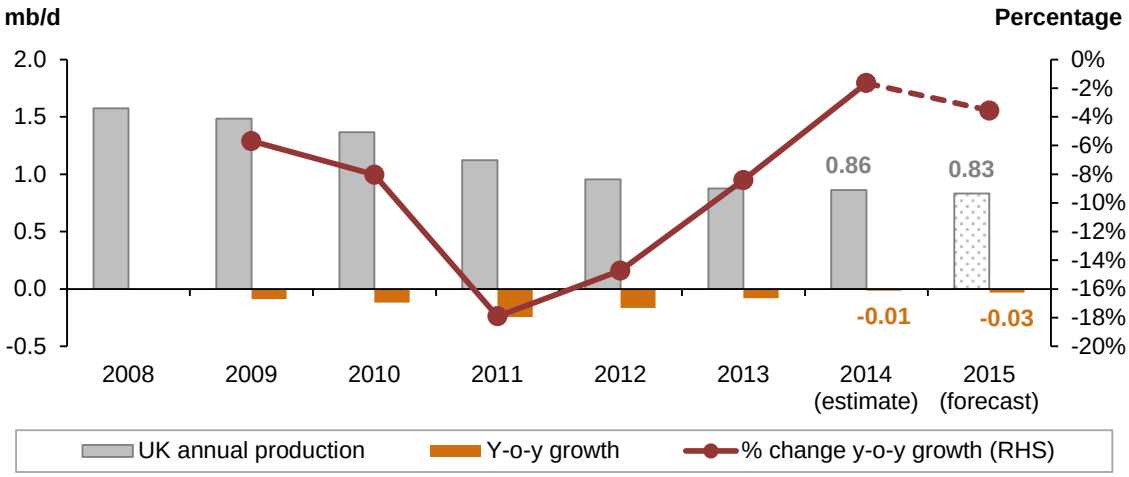
Graph 5.12: Norway's annual liquids production and annual growth



Source: OPEC Secretariat.

The **UK's** oil supply registered an average of 0.83 mb/d, representing a decline of 30 tb/d in 2015, y-o-y, unchanged from the previous *MOMR*. UK liquids output rebounded seasonally m-o-m in January to 0.95 mb/d, higher y-o-y by just 69 tb/d, despite a weak base the previous year, when Buzzard was completely shut for parts of the year due to power outages.

Graph 5.13: UK annual liquids production and annual growth



Source: OPEC Secretariat.

Muted y-o-y growth was likely due to high underlying declines and some technical problems impacting output the previous month, including at the Buzzard field. Meanwhile, output at the 20 tb/d Huntington field remained restricted at just 1,500 b/d

until end-February, due to problems at the CATS riser platform, which occurred in mid-December.

Notwithstanding steady output in the near term, the outlook for UK production remains bleak. Spending on new North Sea projects by the majors is expected to plunge by a third this year, due to lower oil prices, rising operating costs and a heavy tax burden. Output from the Buzzard field is also expected to decline this year, which will weigh on UK production.

On a quarterly basis, UK oil output in 2015 is forecast to average 0.87 mb/d, 0.81 mb/d, 0.77 mb/d and 0.87 mb/d, respectively.

Developing countries

Latin America

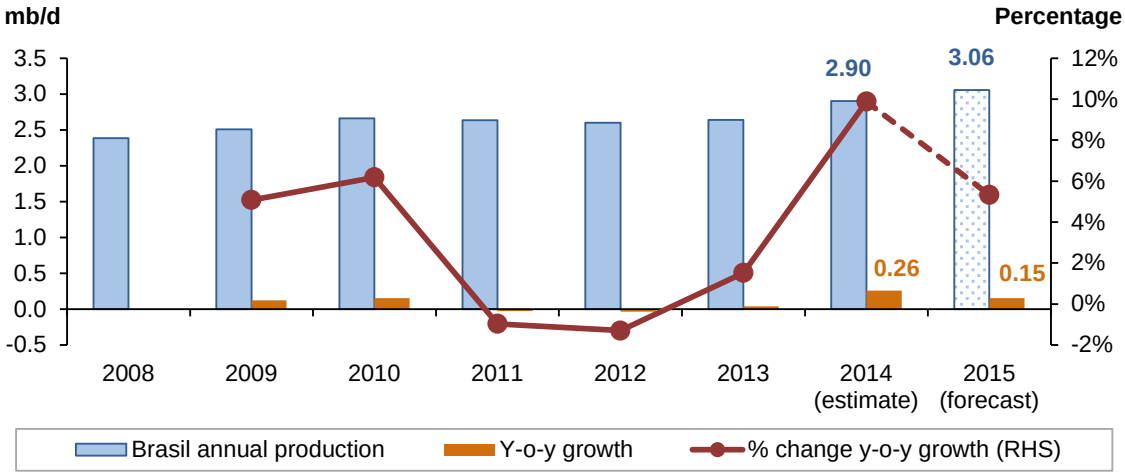
Latin America's oil supply is predicted to grow by 0.06 mb/d to average 5.09 mb/d in 2015, unchanged from the preceding *MOMR*. Nevertheless, the oil supply in **Argentina** and **Latin America Others** has been revised down by 10 tb/d and 20 tb/d, respectively. On the other hand, proposed production from **Colombia** and **Trinidad and Tobago** has been revised up by 20 tb/d and 10 tb/d, respectively. Colombian oil output is expected to decline by 70 tb/d due capex reductions by operators; higher output was seen in January over December. The forecast for **Brazil's** output growth of 0.15 mb/d remains unchanged. Latin America is another main driver for growth among non-OPEC regions in 2015.

On a quarterly basis, Latin America's supply in 2015 is expected to stand at 5.21 mb/d, 5.11 mb/d, 5.08 mb/d and 4.97 mb/d, respectively.

Brazil

Liquids production in Brazil eased m-o-m to 3.15 mb/d in January, but was higher y-o-y by 0.43 mb/d. According to Petrobras, y-o-y added volumes were led by higher output from wells in the Lula and Sapinhoá fields of the Santos Basin and the P-52 and P-62 platforms of the Roncador field in the Campos basin. Production from pre-salt reservoirs also hit a record high of 0.67 mb/d. Petrobras will be increasing maintenance this year in order to improve efficiency, which will impact 50 tb/d of output, 20 tb/d more than in 2014.

Graph 5.14: Brazil's annual liquids production and annual growth



Source: OPEC Secretariat.

Overall, output across 1H15 is expected to continue to benefit from the ramp up of projects that started in 2014, and which are likely to be stronger y-o-y given a weaker base.

FSU, other regions

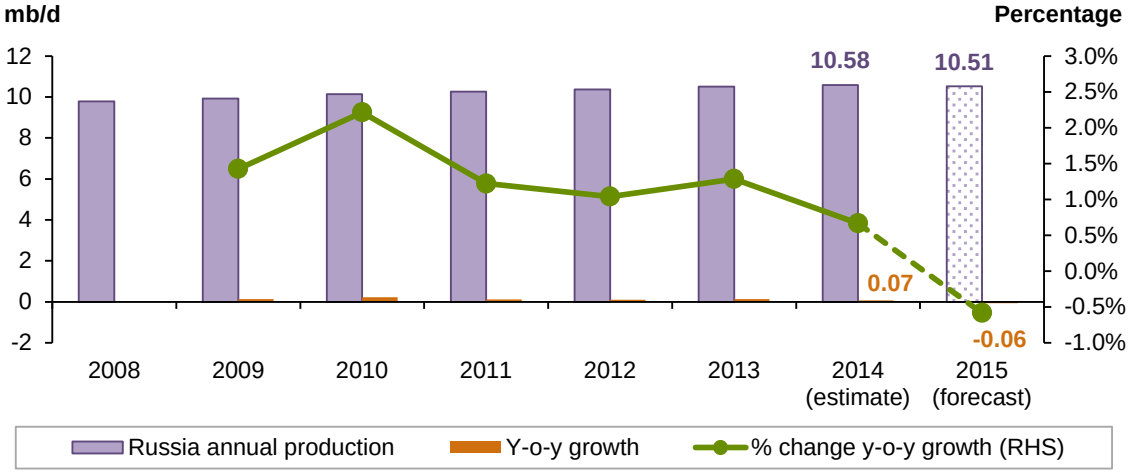
Oil production in the **FSU** is expected to decline in 2015 by 0.13 mb/d, including 60 tb/d in Russia, 20 tb/d in Kazakhstan, 40 tb/d in Azerbaijan and 10 tb/d in FSU Others, mainly Turkmenistan. Kazakhstan's January production declined m-o-m by 65 tb/d to 1.63 mb/d.

Tengiz output was lower by 50 tb/d, despite aims to keep it stable, much like in 2014. Kashagan is unlikely to start up until 2017, and the Tengiz expansion has been delayed to 2021. In Azerbaijan, January output was pegged at 0.87 mb/d, higher m-o-m by 30 tb/d. The ramp up of the central Azeri platform after maintenance in late November supported output.

FSU total output in 2015 on a quarterly basis is predicted to be 13.50 mb/d, 13.32 mb/d, 13.21 mb/d and 13.17 mb/d, respectively.

Oil production in **Russia** is expected to decline by 60 tb/d in 2015 to average 10.51 mb/d, given the impact of sanctions, low prices and a lack of large projects expected to come online, making declines from Western Siberian assets more apparent. Nevertheless, the production outlook for the coming months is uncertain. Russia's February oil output fell m-o-m by 60 tb/d to 10.65 mb/d from an upwardly revised January total, with y-o-y growth at 80 tb/d. The delayed start-up of Exxon's Arkutun-Dagi field in early January provided a boost, but it is expected to decline later in the year.

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



Source: OPEC Secretariat.

Oil and gas account for around 70% of Russia's exports, of which about four-fifths come from crude oil or petroleum products and the rest from natural gas. Russia is trying to benefit from new sources of hydrocarbons in different regions of the country. Gazprom Neft recently reported the start of shale oil production from the Bazhenov formation during the testing of two wells in the southern Priobskoye field in central-western Siberia. In addition, the company has been analyzing 3D seismic data and well-core data from the Bazhenov-Abalak formation in southern Priobskoye, with four directional wells planned in the first stage. The Abalak formation lies beneath the

Bazhenov formation. Another shale project involves the Palyanovsky reserves in the Krasnoleninsky field, also in the Khanty-Mansiysk Autonomous Region. Drilling of the first well has been completed, with multistage hydraulic fracturing expected to begin soon.

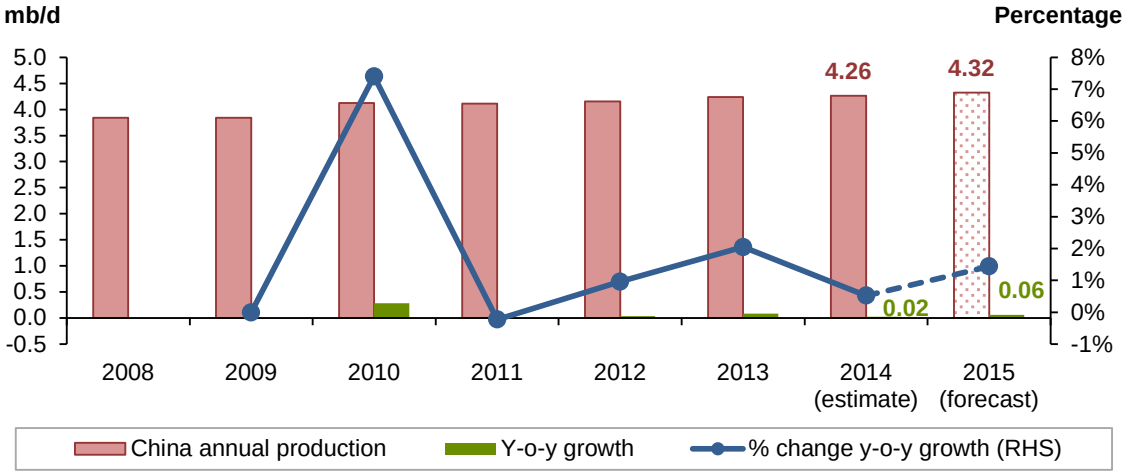
ExxonMobil, operator of the Sakhalin I development, also announced the start of production at the Arkutun-Dagi field offshore Sakhalin Island. Arkutun-Dagi is the last of the three Sakhalin I fields, including Chayvo and Odoptu, to reach production. With a peak production of 90 tb/d, Arkutun-Dagi will increase total Sakhalin I production to almost 200 tb/d. Russia needs to compensate declining volumes from brown fields with output from new projects. Despite this, the country faces a big challenge due to sanctions, devaluation of the ruble and an oil price drop in 2015; every $1 fall in the oil price reduces Russia's annual export earnings by $3 billion. This means that if the oil price stays at the current $55 per barrel for a year, Russia will earn around $135 billion less in 2015 than in 2014 assuming $100/b for that year – equivalent to around 10% of its gross domestic product.

Preliminary predictions indicate that Russia's quarterly oil output in 2015 would be at 10.64 mb/d, 10.54 mb/d, 10.47 mb/d and 10.42 mb/d, respectively.

China

China's oil supply is forecast to grow by 60 tb/d over the previous year to average 4.32 mb/d in 2015, unchanged from the previous month. Chinese crude oil output reached a record high of 4.34 mb/d in 4Q14 and 4.39 mb/d in December, but declined seasonally m-o-m by 80 tb/d to 4.31 mb/d in January, though it was higher y-o-y by 1.8%. This year, China's largest oil field, Daqing, is expected to cut production by around 30 tb/d, with the slump in oil prices putting pressure on margins for refining crude from the ageing field. CNPC planned to cut output at Daqing by 11 mb in 2015, given high oil-extraction costs at the aging field, which is China's most productive. Yet with slimmer profits comes the incentive to produce more. CNOOC, China's largest upstream producer, plans a 26–35% y-o-y reduction in capex to CN¥70-80 billion. Still, seven new projects are slated to come online this year, of which the 12 tb/d Jinzhou 9-3 is already online.

Graph 5.16: China's annual liquids production and annual growth



Source: OPEC Secretariat.

CNOOC started oil production from its Jinzhou 9-3, an independent oilfield in Bohai, offshore China. The Jinzhou 9-3 oilfield is located in the North Liaodong Bay in Bohai.

The main production facilities of this adjustment project include one central processing platform, one wellhead platform and 21 producing wells. There are currently 15 wells producing approximately 7,600 b/d of crude. The adjustment project is expected to reach its overall development plan (ODP) designed peak production of approximately 12 tb/d in 2015. The Jinzhou 9-3 is an independent oilfield in which the company holds 100% interest and acts as the operator.

On a quarterly basis, China's supply in 2015 is seen to average 4.31 mb/d, 4.29 mb/d, 4.31 mb/d and 4.37 mb/d, respectively.

OPEC NGLs and non-conventional oils

OPEC NGLs and non-conventional oils are estimated to grow by 0.18 mb/d to average 5.83 mb/d in 2014, unchanged compared with the previous *MOMR*. In 2015, OPEC NGLs and non-conventional oil are projected to average 6.02 mb/d, an increase of 0.19 mb/d over the previous year, but revised down by 10 tb/d due to temporary maintenance at the Pearl GTL project in Qatar.

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

			Change						*Change*		*Change*
	2012	**2013**	13/12	1Q14	2Q14	3Q14	4Q14	**2014**	14/13	**2015**	15/14
Total OPEC	**5.57**	**5.65**	0.08	5.73	5.79	5.86	5.93	**5.83**	0.18	**6.02**	0.19

OPEC crude oil production

According to secondary sources, total OPEC crude oil production averaged 30.02 mb/d in February, a decrease of 0.14 mb/d from the previous month. Crude oil output decreased mostly from Iraq, Nigeria and Libya, while production showed increases in Saudi Arabia and Kuwait. According to secondary sources, OPEC crude oil production, not including Iraq, stood at 26.70 mb/d in February, down by 0.06 mb/d from the previous month.

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

	2013	**2014**	**2Q14**	**3Q14**	**4Q14**	**Dec 14**	**Jan 15**	**Feb 15**	***Feb/Jan***
Algeria	1,159	1,150	1,158	1,167	1,148	1,140	1,114	1,112	*-1.6*
Angola	1,738	1,660	1,646	1,705	1,688	1,648	1,766	1,751	*-15.2*
Ecuador	516	542	541	543	546	554	558	554	*-3.4*
Iran, I.R.	2,673	2,766	2,768	2,759	2,765	2,779	2,770	2,778	*7.6*
Iraq	3,037	3,266	3,266	3,153	3,425	3,648	3,398	3,320	*-78.4*
Kuwait	2,822	2,774	2,786	2,794	2,719	2,699	2,756	2,781	*25.0*
Libya	928	473	222	614	678	475	346	311	*-35.0*
Nigeria	1,912	1,911	1,892	1,949	1,904	1,905	1,960	1,896	*-64.0*
Qatar	732	716	725	724	682	669	675	675	*-0.2*
Saudi Arabia	9,586	9,683	9,675	9,747	9,608	9,590	9,644	9,681	*37.0*
UAE	2,741	2,761	2,749	2,791	2,757	2,785	2,820	2,819	*-1.2*
Venezuela	2,389	2,373	2,377	2,369	2,364	2,360	2,353	2,344	*-8.2*
Total OPEC	**30,231**	**30,074**	**29,805**	**30,316**	**30,284**	**30,252**	**30,159**	**30,022**	***-137.6***
OPEC excl. Iraq	**27,194**	**26,808**	**26,539**	**27,162**	**26,859**	**26,604**	**26,761**	**26,702**	***-59.2***

Totals may not add up due to independent rounding.

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

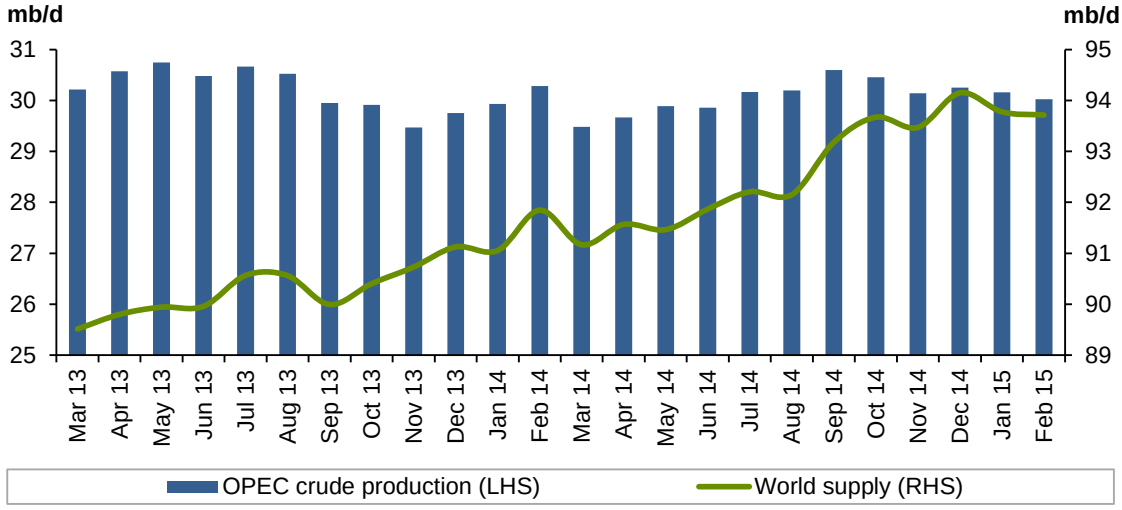
	2013	2014	2Q14	3Q14	4Q14	Dec 14	Jan 15	Feb 15	Feb/Jan
Algeria	1,203	1,192	1,190	1,196	1,179	1,173	1,165	1,131	*-34.0*
Angola	1,701	1,652	1,616	1,709	1,726	1,735	1,761	1,790	*29.0*
Ecuador	526	557	557	557	560	561	561	533	*-28.0*
Iran, I.R.	3,576	3,121	3,194	3,003	3,020	3,050	3,020	3,010	*-10.0*
Iraq	2,980	3,110	3,118	3,076	3,141	3,356	3,042	2,783	*-259.0*
Kuwait	2,922	2,867	2,885	2,876	2,807	2,800	2,850	2,850	*0.0*
Libya	993	480	228	571	735	525	360	341	*-19.3*
Nigeria	1,754	1,807	1,821	1,724	1,816	1,890	1,796	1,777	*-19.2*
Qatar	724	709	710	720	682	684	674	676	*1.9*
Saudi Arabia	9,637	9,713	9,715	9,769	9,644	9,630	9,680	9,636	*-44.7*
UAE	2,797	2,794	2,770	2,881	2,790	2,917	2,960	2,980	*19.9*
Venezuela	2,786	2,683	2,686	2,668	2,701	2,733	2,717	2,742	*25.3*
Total OPEC	**31,599**	**30,683**	**30,490**	**30,750**	**30,801**	**31,054**	**30,587**	**30,249**	**-338**
OPEC excl. Iraq	**28,619**	**27,573**	**27,372**	**27,673**	**27,660**	**27,698**	**27,545**	**27,466**	**-79**

Totals may not add up due to independent rounding.

World oil supply

Preliminary data indicates that global oil supply decreased by 0.06 mb/d to average 93.57 mb/d in February 2015 compared with the previous month. A decline in non-OPEC supply as well as OPEC crude oil production in February curtailed global oil output. The share of OPEC crude oil in total global production decreased slightly to 32.1% in February, compared with the previous month. Estimates are based on preliminary data for non-OPEC supply as well as OPEC NGLs and non-conventional from direct communications, while estimates for OPEC crude production come from secondary sources.

Graph 5.17: OPEC and world oil supply

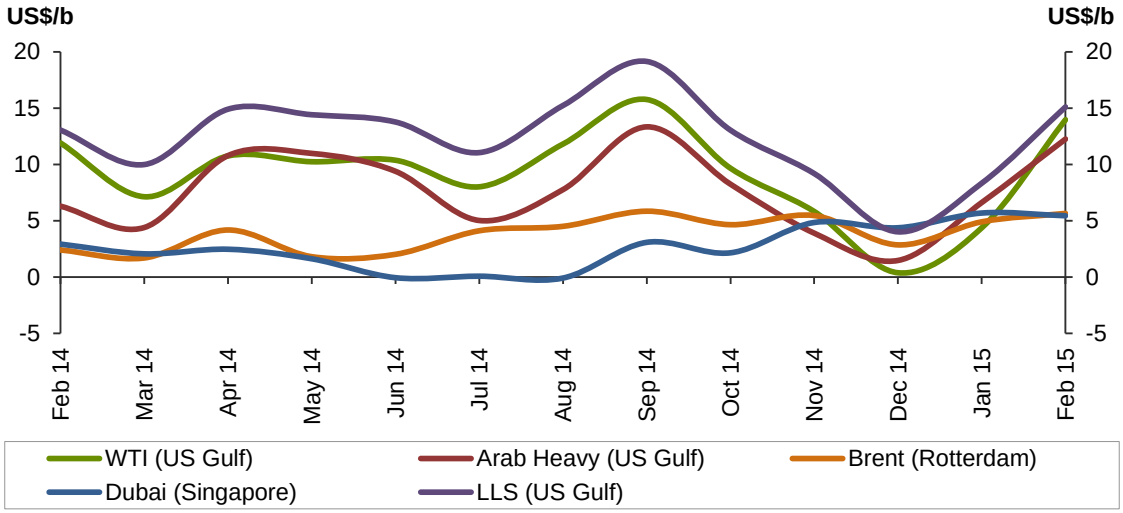


Product Markets and Refinery Operations

Product markets continued strengthening in the Atlantic Basin in February on the back of tight sentiment, fuelled by the maintenance season and some outages in the US. In addition, colder weather boosted heating fuel demand, thus opening arbitrage opportunities and supporting the light and middle distillate crack spreads in the region.

Meanwhile, the Asian market partially retained the recovery seen the previous month on the back of support from stronger light distillate demand, which allowed margins to remain healthy, despite increasing supplies of middle distillates exerting pressure on the gasoil market.

Graph 6.1: Refinery margins, 2014-2015



US product markets continued to perform positively in February on the back of tight sentiment fuelled by lower refinery runs due to some outages and maintenance season in the region, along with severe cold weather, which boosted heating fuel demand. This, along with strong export opportunities to Latin America, caused a drop in middle distillate inventories and strongly supported crack spreads. The refinery margin for WTI crude on the US Gulf Coast (USGC) showed a sharp gain of more than $9 to average around $14/b in February. Meanwhile, the margin for Light Louisiana Sweet (LLS) crude on the USGC averaged $15/b in February, exhibiting a sharp gain of almost $7.

European refining margins continued on a recovery trend in February, as product markets were supported by greater export opportunities. Higher volumes of gasoline and gasoil were exported from Europe, mainly to the Americas, due to lower production in that region, with lower-than-usual refinery runs and a cold winter boosting middle distillate demand and allowing light and middle distillate crack spreads to continue their upward trend.

The refinery margin for Brent crude in Northwest Europe gained almost $1 to average $5.6/b in February.

Asian refining margins dropped slightly in February amid a quiet market affected by regional Lunar New Year festivities. However, margins still remained healthy on the back of positive developments seen at the top of the barrel from stronger naphtha and

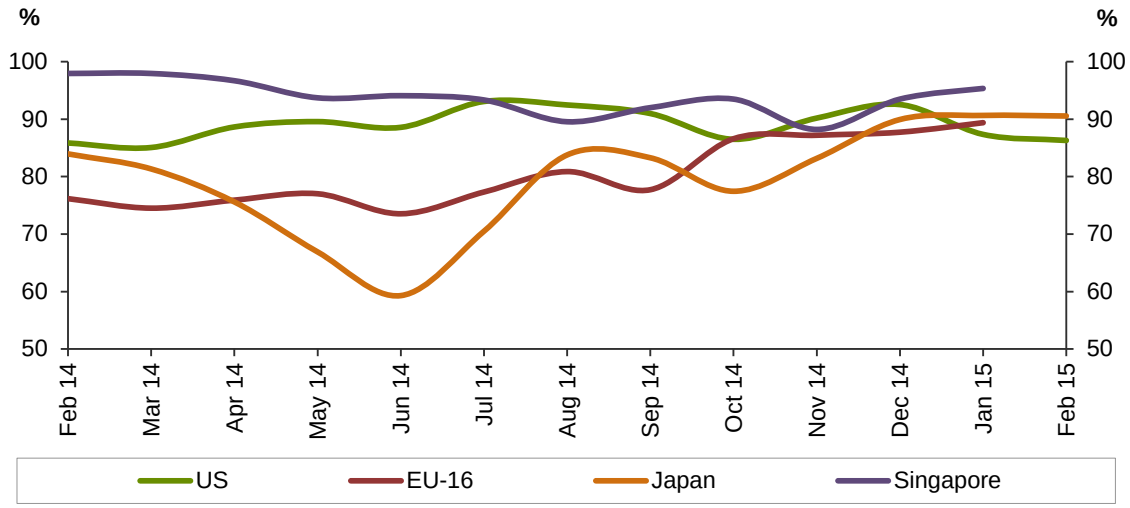
gasoline demand, which allowed the crack spreads to continue recovering and offset pressure on middle distillates from an oversupply within the region.

Refinery margins in Singapore showed a small drop of 20¢ versus the previous month to average around $5.5/b in February.

Refinery operations

Refinery utilization rates in the **US** continued their downward trend due to the onset of maintenance season, along with some outages, which caused refinery runs to drop in February, thus contributing to tightening in the market and supporting margins in the region. Refinery utilization averaged 86.3% in February, about 1 percentage point (pp) lower than one month earlier. Another factor impacting refinery operations was extreme cold weather, which affected some refinery operations on the US East Coast (USEC), while other refineries on the US West Coast (USWC) were hit by strike action.

Graph 6.2: Refinery utilisation rates, 2014-2015



European refinery runs averaged above 90% of refining capacity in February, corresponding to a throughput of 10.8 mb/d, a level not seen in more than two years. Runs have been on the rise; European refineries were encouraged to increase throughput in recent months, because of export opportunities and healthy margins. However, the refinery sector in Europe will come under pressure due to increasing competition, mainly from new refineries starting in the Middle East.

Asian refinery levels have continued to rise, with Chinese refineries averaging around 10.3 mb/d in January in order to meet increasing seasonal demand in the region. Refinery runs in Singapore for January averaged around 95%, increasing 2 pp over the previous month, while Japanese throughputs averaged above 91% of capacity in February. The increase in Asian refinery utilization has led to higher distillate supplies in the region, thus exerting pressure on gasoil crack spreads.

US market

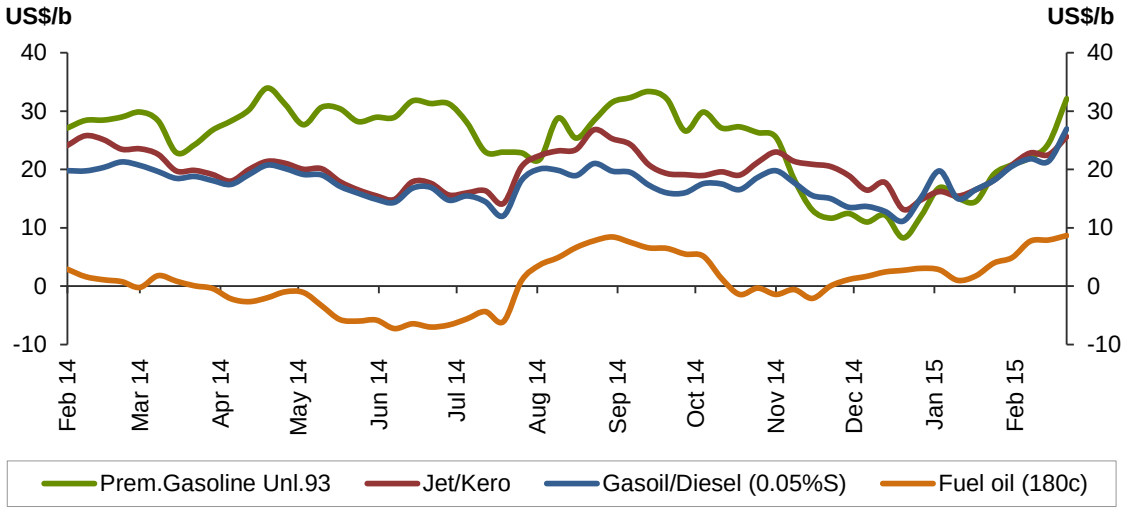
US **gasoline** demand stood at around 8.7 mb/d in February, about 140 tb/d lower than the previous month and 40 tb/d lower than the same month a year earlier.

The gasoline crack continued exhibiting a strong upward trend in February on the back of tight sentiment fuelled by the supply side. Gasoline production was impacted by maintenance at several USGC refineries, with severe cold weather affecting the operations of some refineries on the USEC, in addition to concerns about potential further production cuts. Meanwhile, the number of US refineries affected by strike action grew at the end of the month.

Another factor, which boosted gasoline cracks, was the several outages that occurred during the month, including the unplanned shutdown of the fluid catalytic cracking (FCC) unit at the Torrance refinery, due to an explosion. These outages limited supply and opened arbitrage from Asia to the USWC. In addition, the start of a shift to low RVP (reid vapor pressure) summer-grade quality boosted gasoline prices in the region.

The gasoline crack spread saw a sharp gain of more than $8 to average $25/b in February.

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



Middle distillate demand stood at around 4.2 mb/d in February, around 40 tb/d higher than the previous month and 40 tb/d higher than the same month one year earlier.

The middle distillate market continued exhibiting a strong recovery during February on the back of stronger domestic demand amid tight sentiment in the market, with inventories falling more than 10 mb during the month, amid healthy export demand, mainly to Latin America.

The gasoil crack spread was supported by tightening stocks, which reacted to heavy maintenance and some operational issues in several refineries, causing a sharp drop in middle distillate inventories.

Another supporting factor was the open arbitrage to the East Coast, as heating oil demand was boosted by snowstorms in the northeast. The tight gasoil market opened arbitrage from Europe to the USEC.

The USGC gasoil crack gained $5 versus the previous month to average around $23/b in February.

At the **bottom of the barrel**, the fuel oil crack made a sharp gain on the back of strong support from better catalytic cracker margins boosting vacuum gasoil (VGO) demand as a feedstock.

Another positive factor was increasing supply requirements by utilities during colder periods, while the bunker market was impacted by temporary disruptions in some ports along the West Coast affected by strikes. The fuel oil crack in the USGC gained more than $7 during February.

European market

Product markets in Europe continue to recover on the back of stronger gasoline and gasoil export opportunities to the Americas, allowing light and middle distillate crack spreads to continue their upward trend.

The **gasoline** market continued its recovery in Europe on the back of increasing export opportunities to West Africa, though the main boost came from the US, where heavy refinery maintenance, as well as some outages, led to reduced gasoline production. This also opened export opportunities from Europe to Latin America, mainly Mexico and Brazil.

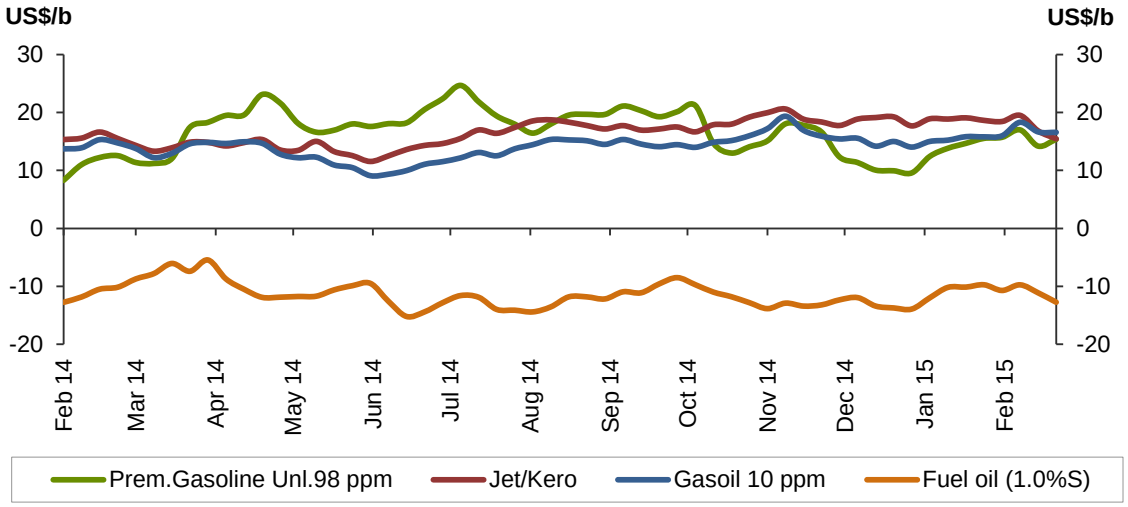
Despite ongoing weak gasoline demand in Europe, gasoline cracks continued to be supported by export opportunities due to tightness in the US market; the gasoline crack spread against Brent gained almost $2 to average $16/b in February.

However, the market will be under pressure in the coming months as the traditional route of European gasoline to the Middle East and North Africa region will be affected by more volumes coming from the new Yambu and Ruwais refineries in Saudi Arabia and the United Arab Emirates.

The light distillate naphtha crack exhibited an uptick of more than $1/b, supported by strong domestic petrochemical demand, with naphtha enjoying an economic advantage as feedstock versus LPG. Additional support came from strong naphtha demand for gasoline blending.

Further support is expected for the naphtha market in the coming weeks, as strike action could impact activities in some ports on the USWC, and cause delays in US naphtha exports to Asia, providing European players with an opportunity to increase their eastbound volumes.

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



Middle distillate cracks continued their recovery in the European market.

The diesel crack spread continued strengthening, with the market becoming tight, as arbitrage from the US remained shut. Colder weather in the US actually drew some cargoes from Europe.

Support also came from the demand side, with the last national statistics for Europe showing positive signs on gasoil/diesel demand growth within the region. Tightness in the gasoil market was highlighted by the backwardation structure of ICE gasoil futures contract markets. However, increasing Russian exports capped further gains in gasoil margins.

The gasoil crack spread against Brent crude at Rotterdam gained more than $1 versus the previous month, to average around $17/b in February.

At the **bottom of the barrel**, fuel oil cracks weakened slightly during February, due to the slowing of arbitrage export opportunities to the Asia Pacific region, as the bunker fuel market was impacted by interruptions in the operations of some ports hit by bad weather.

The Northwest European fuel oil crack lost 40¢ versus the previous month's level to average around minus $11/b in January. Losses were capped by the support coming from higher demand for power generation in the USEC.

Asian market

The Asian market partially kept the recovery seen in previous months on the back of support from stronger regional light distillate demand, which boosted gasoline and naphtha crack spreads and allowed refinery margins to remain healthy by offsetting the pressure exerted by increasing supplies on the gasoil market.

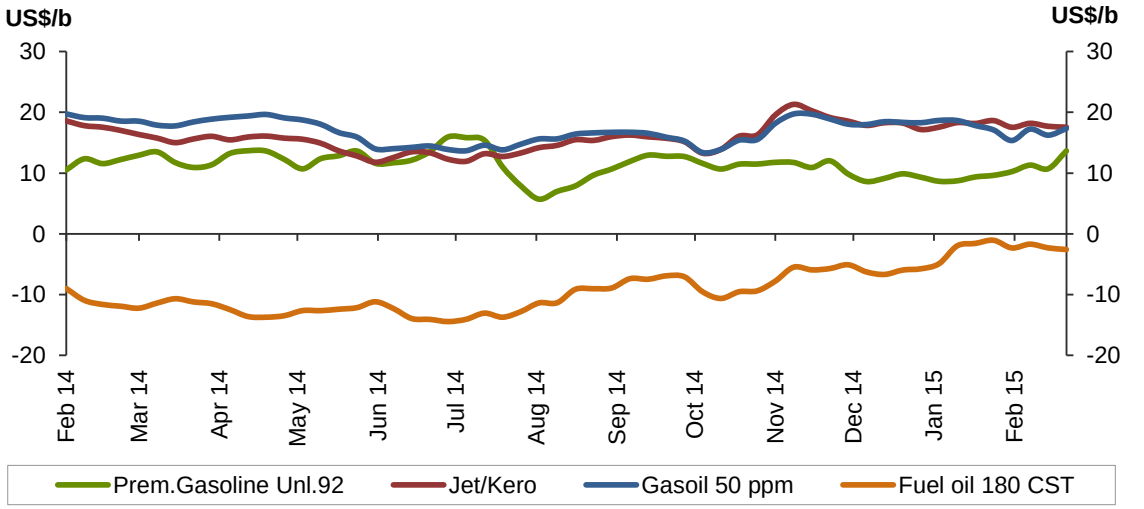
The Singapore **gasoline** crack reversed its downward trend and recovered some ground during February on the back of support from stronger regional demand, mainly from Japan, India and Vietnam as well as open arbitrage for Asian barrels on the USWC as a consequence of lower gasoline production due to FCC unit outages in California.

Gasoline sales were reported to be on the rise in several countries; demand likely received a boost from lower retail prices.

The gasoline crack spread against Dubai crude in Singapore gained around $2 versus the previous month to average $11/b in February.

The Singapore naphtha crack continued its recovery trend on the back of stronger buying interest from the petrochemical sector, mainly from Japan and South Korea, amid a tightening market due to lower inflows to the region.

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



At the **middle of the barrel**, cracks weakened due to pressure coming from the supply side and rising inventories.

The middle distillate market continued to be relatively supported by higher demand from several countries in the region, including the Philippines, Sri Lanka and Vietnam. However, this was not able to offset increasing supplies in the region, mainly from Malaysia. It is expected that in the coming months additional inflows will come to the region from new Middle Eastern refineries, thus keeping pressure on the gasoil market.

The gasoil crack spread in Singapore against Dubai weakened, losing $2 versus the previous month's level to average around $16/b in February.

The **fuel oil** market retained the recovery seen during the previous month in Singapore on the back of tightening supplies from the West, amid closed arbitrage from the US.

Premiums for 180cst fuel oil have been on the rise due to reduced imports of low-viscosity blendstock. The demand side remained supported with Singapore´s Maritime and Port Authority showing total bunker fuel consumption increased significantly over the previous two months.

The fuel oil crack spread in Singapore against Dubai averaged around minus $3/b in February, maintaining the level reached during the previous month.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				*Refinery utilization, %*			
	Dec 14	Jan 15	Feb 15	*Change* Feb/Jan	Dec 14	Jan 15	Feb 15	*Change* Feb/Jan
US	16.41	15.60	15.42	-0.19	92.54	87.35	86.29	-1.05
France	1.13	1.14	-	-	74.91	75.71	-	-
Germany	1.87	1.94	-	-	83.30	86.46	-	-
Italy	1.26	1.30	-	-	61.58	63.29	-	-
UK	1.12	1.08	-	-	84.88	82.15	-	-
Euro-16	10.27	10.46	-	-	87.73	89.39	-	-
Japan	3.55	3.58	3.57	0.00	89.94	90.65	90.55	-0.10

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

Table 6.2: Refined product prices, US$/b

		Dec 14	Jan 15	Feb 15	*Change* Feb/Jan
US Gulf (Cargoes FOB):					
Naphtha*		55.61	55.45	66.26	10.81
Premium gasoline	*(unleaded 93)*	70.76	63.76	75.57	11.81
Regular gasoline	*(unleaded 87)*	61.52	54.72	68.17	13.45
Jet/Kerosene		76.12	63.86	73.67	9.81
Gasoil	*(0.2% S)*	72.66	64.76	73.46	8.70
Fuel oil	*(1.0% S)*	53.27	42.49	53.73	11.24
Fuel oil	*(3.0% S)*	48.88	38.47	48.71	10.24
Rotterdam (Barges FoB):					
Naphtha		54.22	46.66	55.35	8.69
Premium gasoline	*(unleaded 98)*	73.31	61.80	73.71	11.91
Jet/Kerosene		81.09	66.67	75.70	9.03
Gasoil/Diesel	*(10 ppm)*	77.45	63.24	75.02	11.78
Fuel oil	*(1.0% S)*	49.59	37.20	47.05	9.85
Fuel oil	*(3.5% S)*	49.44	37.79	47.79	10.00
Mediterranean (Cargoes FOB):					
Naphtha		50.28	39.92	52.53	12.61
Premium gasoline*		68.70	56.54	68.31	11.77
Jet/Kerosene		77.58	63.25	73.37	10.12
Gasoil/Diesel*		77.48	64.39	76.34	11.95
Fuel oil	*(1.0% S)*	50.62	39.43	49.07	9.64
Fuel oil	*(3.5% S)*	48.88	38.01	46.78	8.77
Singapore (Cargoes FOB):					
Naphtha		56.33	45.23	57.39	12.16
Premium gasoline	*(unleaded 95)*	71.91	57.42	70.46	13.04
Regular gasoline	*(unleaded 92)*	69.58	54.66	67.06	12.40
Jet/Kerosene		78.36	63.66	73.25	9.59
Gasoil/Diesel	*(50 ppm)*	78.45	63.65	72.08	8.43
Fuel oil	*(180 cst 2.0% S)*	55.52	43.99	54.93	10.94
Fuel oil	*(380 cst 3.5% S)*	54.60	42.59	52.24	9.65

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

Tanker Market

After gains over the past few months, freight rates in the tanker market declined month-on-month in February. The lowest freight rates were registered for VLCCs and Suezmax as both classes showed a similar drop of 13% m-o-m, mainly for tankers trading to the eastern destinations, which were affected by the holiday season in the East. Even with the drops in VLCC and Suezmax freight rates, dirty tanker average freight rates showed a slight WS1 point rise compared to the month before, due mainly to the enhanced performance of Aframax, which showed a freight rate increase of 11% from a month ago as a result of a firmer Caribbean market, tightening vessel availability and port delays. Despite the bearish sentiment seen in the tanker market during February, freight rates remain at healthy levels, showing increases on an annual basis for all selected classes and routes.

Spot fixtures

According to preliminary data, global fixtures increased by 6% in February compared with the previous month. **OPEC spot fixtures** were up by 6.3% or 0.73 mb/d to average 13.14 mb/d. Fixtures from the Middle East-to-East route averaged 6.67 mb/d in February, increasing by 0.46 mb/d from one month ago, while those from the Middle East-to-West route averaged 2.78 mb/d. Outside the Middle East, fixtures averaged 3.69 mb/d, showing a decline of 0.42 mb/d. Compared with the same period a year earlier, global fixtures indicated growth of 1.1% in February.

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

	Dec 14	Jan 15	Feb 15	*Change* Feb 15/Jan 15
Spot Chartering				
All areas	16.71	17.16	18.19	1.03
OPEC	11.62	12.36	13.14	0.78
Middle East/East	5.34	6.21	6.67	0.46
Middle East/West	2.11	2.04	2.78	0.74
Outside Middle East	4.17	4.11	3.69	-0.42
Sailings				
OPEC	23.36	24.03	24.54	0.51
Middle East	17.02	17.69	18.16	0.47
Arrivals				
North America	9.59	10.49	10.15	-0.35
Europe	12.50	12.07	12.49	0.42
Far East	8.89	8.29	8.51	0.22
West Asia	4.28	4.75	4.67	-0.08

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

Sailings and arrivals

Preliminary data show that **OPEC sailings** increased in February by 2%, averaging 24.54 mb/d, an increase of 5% compared to the same month a year ago. Middle East sailings were up from the previous month by 2.7% and up by 3.8% from a year earlier. February arrivals were mixed, registering increases in the Far East and Europe of 3.5% and 2.6%, respectively, from one month earlier, while arrivals to North America and West Asia dropped by 3.3% and 1.8%, respectively, to average 10.2 mb/d and 4.7 mb/d.

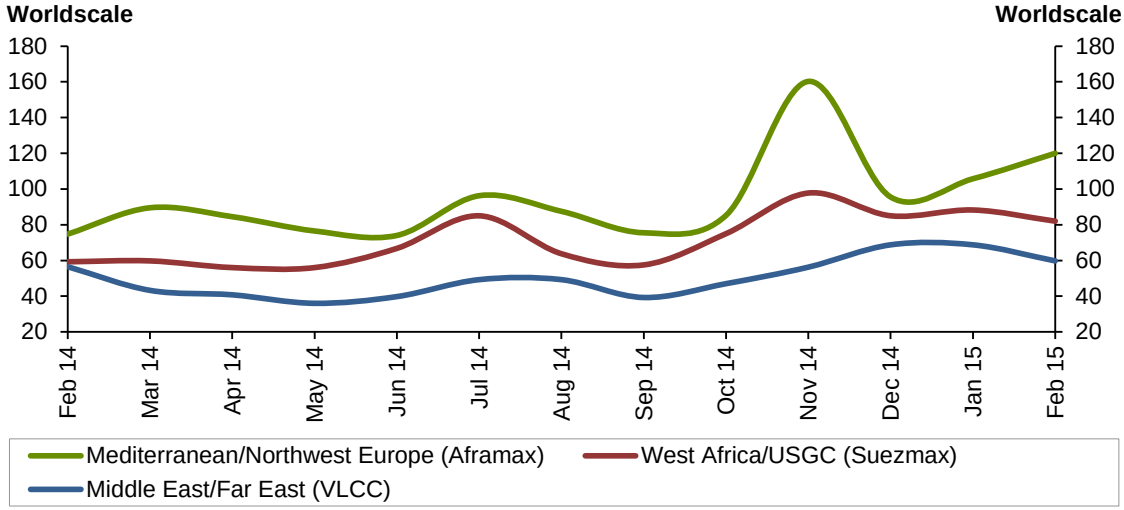
Spot freight rates

VLCC

The **VLCC** class saw limited activity at the beginning and end of the month with no strong flows of cargoes seen for March requirements. In February, the market was balanced, however freight rates were negatively affected by a drop in Asian requirements, due to the regional holiday season. The lack of activity seen in the month of February could have lent further support to the freight rate decline if it had not been halted by delays in the Middle East, disturbing weather conditions and port congestion.

On the other hand, tanker owners tried to cap the drop in freight rates by rejecting low offers. Average spot freight rates for VLCCs declined by 12% in February from the previous month to average WS51 points. This decline was mainly the result of a drop in VLCC rates on all reported routes. Freight rates for tankers operating on the Middle East-to-East route declined by 13% to average WS60 points. Similarly, rates reported for tankers trading on the West Africa-to-East route declined by 13% to average WS58 points, while freight rates registered for tankers trading on the Middle East-to-West route saw smaller drops, declining by 8% to average WS36 points. Despite the m-o-m drop, VLCC freight rates on all reported routes were higher when compared to the same month in 2014.

Graph 7.1: Monthly averages of crude oil spot freight rates



Suezmax

In the Suezmax market, spot freight rates followed the same trend seen with the VLCCs in February, declining on average by 7% from a month before to stand at WS76 points. Although the Suezmax market witnessed upward momentum at the beginning of the month, supported by higher freight rates registered for Aframax tankers in the Mediterranean Sea, activity slowed down at a later stage, mainly for the West African market along with February programme completion. The arrival of March requirements did not grant any freight rate gains to the West African Suezmax market as the tonnage availability remained dominant.

Activity and freight rates for Suezmax in the Black Sea were generally weak in February, remaining stable at best, despite delays and bad weather in the straits. Suezmax freight rates dropped further when Aframax rates dropped, making the partial cargo business not feasible any more. Tankers operating on the West Africa-to-US route decreased by 7% to average WS82 points.

Despite the average freight rate drop in West Africa, rates would have been even lower if they had not been corrected by the increase in rates seen towards the end of the month in the Caribbean for Aframax and Suezmax. Rates on the Northwest Europe-to-US route fell by 6% in February from the previous month to average WS70 points. In an annual comparison, freight rates on both routes were higher than the same month last year by 38% and 23%, respectively.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size				Change
	1,000 DWT	Dec 14	Jan 15	Feb 15	Feb 15/Jan 15
Crude					
Middle East/East	230-280	69	69	60	-9
Middle East/West	270-285	36	39	36	-3
West Africa/East	260	64	67	58	-9
West Africa/US Gulf Coast	130-135	85	88	82	-6
Northwest Europe/US Gulf Coast	130-135	70	75	70	-5
Indonesia/East	80-85	113	111	105	-6
Caribbean/US East Coast	80-85	109	136	165	29
Mediterranean/Mediterranean	80-85	103	113	128	15
Mediterranean/Northwest Europe	80-85	96	106	120	14

Sources: Galbraith's tanker market report and Platts.

Aframax

Aframax was the only class in the dirty sector that ended February registering higher freight rates on average, increasing by 11% in February over the previous month. Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe Aframax rates each rose by 13% to average WS128 points and WS120 points, respectively.

Freight rates for Ice Class Vessels continued their upward momentum as the market firmed in the Baltics and North Sea supported also by the loading requirements of Primorsk and Ust Luga. Bad weather and long transit delays at the Turkish Straits continued to support freight rates early in the month before the effect was dampened by increased vessel availability. The rates between the Caribbean and the US East Coast (USEC) were up by 20% from a month before to stand at WS 165 points, marking the highest increase of all the other reported routes. This healthy increase came on the back of a tightening positions list, bad weather and delays due to lack of ullage capacity. All factors together supported freights in the region. The Indonesia-to-

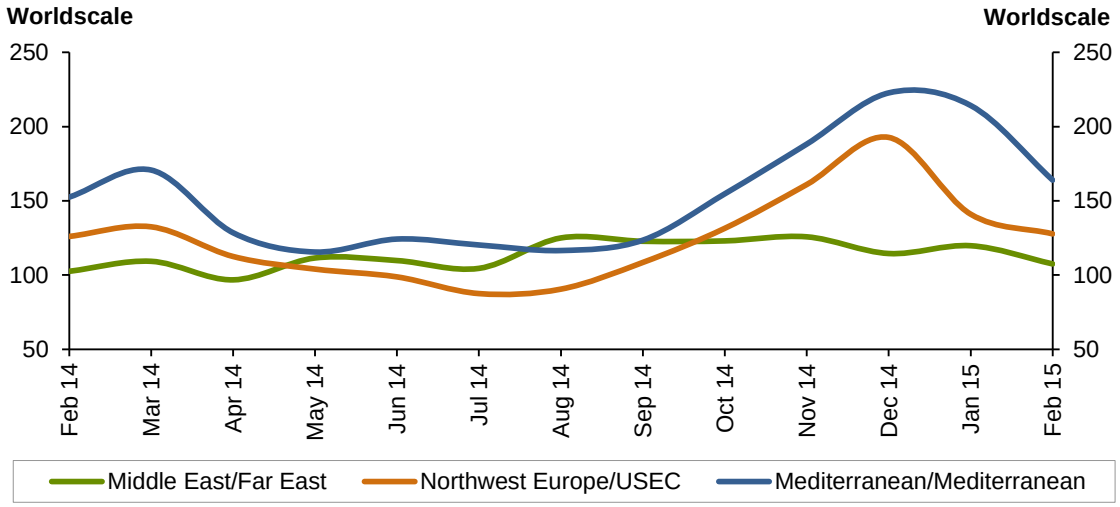
East route dropped by 5% in February from the month before to average WS105 points.

Clean spot freight rates

In the **clean** tanker market, spot freight rates weakened on all reported routes in February. Activity in the clean tanker market was affected by the holiday season, as was the case with the dirty tanker market.

In February, clean tanker average rates declined by 16% as both East and West of Suez fixtures dropped by 7% and 20%, respectively. The limited activity led to an increase in vessel surpluses, which was the main factor behind the freight rate drop. The largest decline was registered in the Mediterranean Sea, where both reported routes dropped by almost 23% for each.

Graph 7.2: Monthly average of clean spot freight rates



In the West, freight rates showed a drop from last month as freight rates registered for tankers trading on Northwest Europe-to-US route declined by 9% to average WS128 points. Average freight rates dropped despite gasoline arbitrage and bad weather in the Atlantic, which led to freight gains at end of the month.

The situation in the east did not differ much as lower product trade during the holidays was mainly seen to dampen tonnage demand. The rate for tankers trading on the Singapore-to-East route dropped by 3%, and the Middle East-to-East route rate showed a decline of 10% as both stood at WS116 points and WS108 points, respectively, partially on the back of limited naphtha shipments.

Table 7.3: Spot tanker product freight rates, Worldscale

	Size				Change
	1,000 DWT	Dec 14	Jan 15	Feb 15	Feb 15/Jan 15
Products					
Middle East/East	30-35	115	120	108	-12
Singapore/East	30-35	120	120	116	-4
Northwest Europe/US East Coast	33-37	193	141	128	-13
Mediterranean/Mediterranean	30-35	223	214	164	-50
Mediterranean/Northwest Europe	30-35	233	225	174	-51

Sources: Galbraith's tanker market report and Platts.

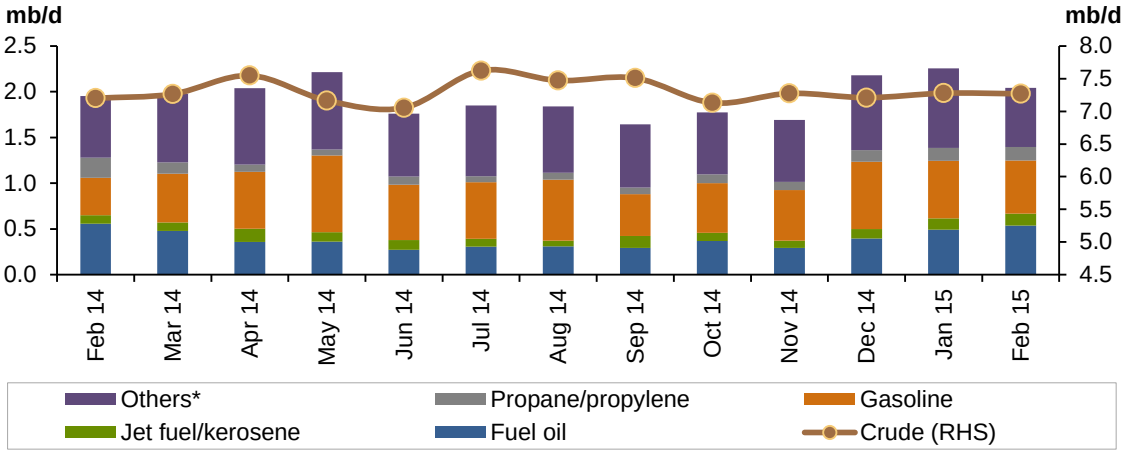
Oil Trade

In February, preliminary data shows that US crude oil imports decreased by a slight 86 tb/d or 1% from the month before to average 7.2 mb/d. US product imports dropped by 126 tb/d or 6% on m-o-m to average 2 mb/d. Japan's crude oil imports saw a drop in January by 64 tb/d or 2% to average 3.5 mb/d. Y-o-y, crude imports declined by 510 tb/d. On the other hand, product imports were almost stable from levels seen a month before as they increased by a slight 4 tb/d to average 689 tb/d. Following record high imports registered a month earlier, China's crude oil imports dropped in January by 583 tb/d or 8% from a month ago to average 6.6 mb/d. In an annual comparison, China's crude imports were relatively unchanged. Product imports also dropped from last month by 167 tb/d or 15% to average 947 tb/d in January, down by 308 tb/d from the previous year. India's crude imports rose to the highest level seen since February 2014 to increase by 192 tb/d or 5% from the previous month to average 4.16 mb/d, an annual increase of 504 tb/d or 3%. On the product side, India's imports in January saw a decrease of 46 tb/d or 14% m-o-m.

US

Preliminary data for February shows that **US crude oil imports** declined by a slight 86 tb/d or 1% from the previous month to average 7.2 mb/d, the lowest level reached since October 2014. On an annual basis, this reflects a drop of 90 tb/d or 1% from one year earlier.

Graph 8.1: US imports of crude and petroleum products

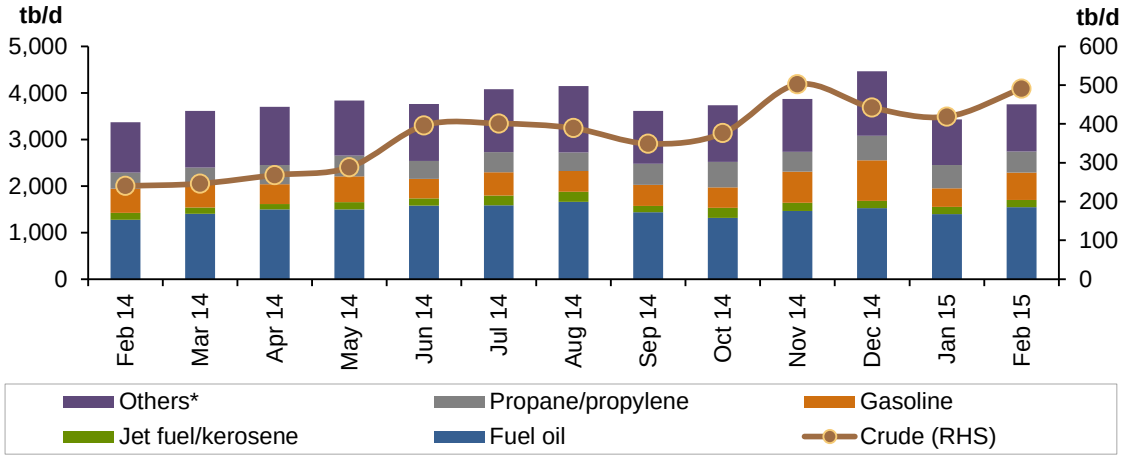


**Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene.*

US product imports dropped by 126 tb/d or 6% m-o-m to average 2 mb/d. In a y-o-y comparison, they were down by 94 tb/d or 5%. A y-t-d comparison shows crude and product imports were both higher, by 293 tb/d and 202 tb/d, respectively.

Meanwhile, **US product exports** in February registered a gain of 302 tb/d or 9% to average 3.7 mb/d over the previous month. In an annual comparison, the figures reflect an increase of 405 tb/d or 12%. As a result, **US total net imports declined in February to average 5 mb/d**, lower than both the previous month and year by 10% and 9%, respectively.

Graph 8.2: US exports of crude and petroleum products



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

The **top crude suppliers** to the US in December were Canada, Saudi Arabia and Mexico. Canada maintained its position as premier supplier to the US, accounting for 46% of total US crude imports; it increased its exported volumes to the US in December by 408 tb/d m-o-m and 594 tb/d y-o-y. Saudi Arabia came in as second-largest supplier, holding a share of 11% of total US crude imports, while Mexico was third-largest supplier with a share of 10%. Both Saudi Arabia and Mexico exported less crude to the US in February than one month earlier.

Crude imports from **OPEC Member Countries** dropped by 6% in December from one month earlier, mainly due to less imported volumes from Saudi Arabia and Iraq. Crude imports from OPEC Member Countries accounted for 34% of total US crude imports, a slight rise of 10 tb/d from the previous month.

Meanwhile, Canada and Russia maintained their positions as first- and second-top **product suppliers** to the US, while the UK came in third. All top product suppliers raised their export volumes to the US.

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

				Change
	Dec 14	**Jan 15**	**Feb 15**	**Feb 15/Jan 15**
Crude oil	6,767	6,858	6,777	-81
Total products	-2,286	-1,175	-1,714	-539
Total crude and products	**4,481**	**5,683**	**5,063**	**-620**

In December, **US crude imports** from North America averaged 3.3 mb/d, making the area the premier supplier to the US as seen earlier, followed by Latin America, which exported 2.2 mb/d. Imports from the Middle East were third, declining substantially from the same month one year earlier to average 1.3 mb/d. Imports from Africa were higher than the previous month and year, averaging 377 tb/d.

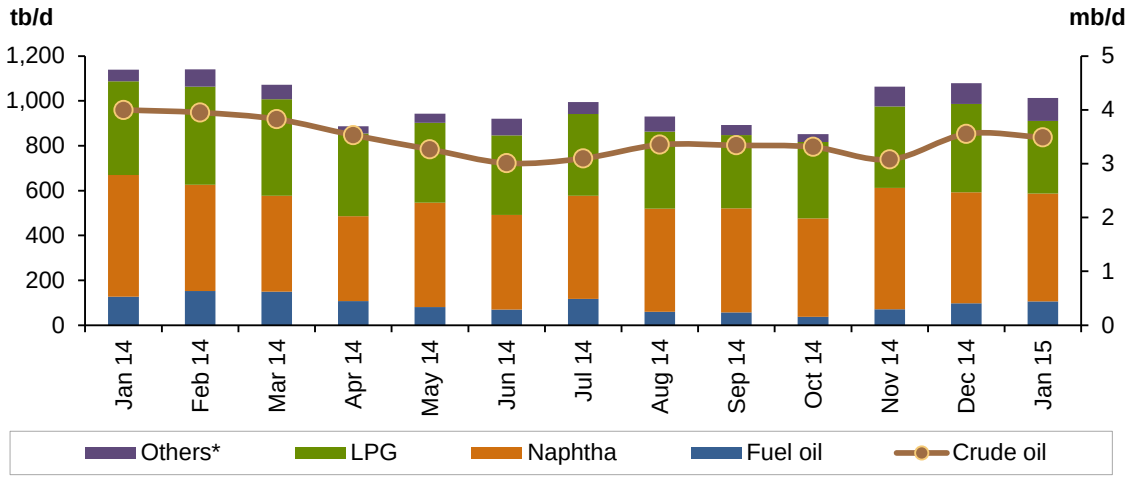
Crude imports by PADD were lower from most regions, with the exception of Africa and North America in PADD 1. North America remains the highest crude importer to the US East Coast, followed by Africa, averaging 347 tb/d and 145 tb/d, respectively. Imports to PADD 2 remained mainly sourced from North America, averaging 2.2 mb/d. PADD 2 imports from the Middle East averaged 32 tb/d, equal to the previous month. PADD 3 sourced its imports from Latin America, the Middle East and North America. In December, imports from the Middle East and Latin America were 15% lower each over one month earlier, averaging 1.8 mb/d and 800 tb/d, respectively. PADD 4 – as seen previously – secured its imports from North America, which averaged 279 tb/d in December, down by 20 tb/d from one month earlier. The largest imports to West Coast PADD 5 in December originated from the Middle East, which exported 400 tb/d, followed by Latin America and North America, which exported 309 tb/d and 205 tb/d, respectively.

Japan

Japan's **crude oil imports** saw a drop in January by 64 tb/d or 2% to average 3.5 mb/d. In a y-o-y comparison, crude imports declined in January by 510 tb/d or 13%.

Saudi Arabia, the UAE and Russia were the **top suppliers** to Japan in January. Saudi Arabia was also the top crude supplier to Japan the previous month, holding a stable share of 30% of total crude exports to the country. The UAE was the second-largest supplier with a share of 25%, while Russia held third place in January with a share of 10%. Both Saudi Arabia and Russia saw a drop in volumes exported to Japan over the previous month by 4% and 5%, respectively, while the UAE increased its exports by 63 tb/d or 8% from the previous month.

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

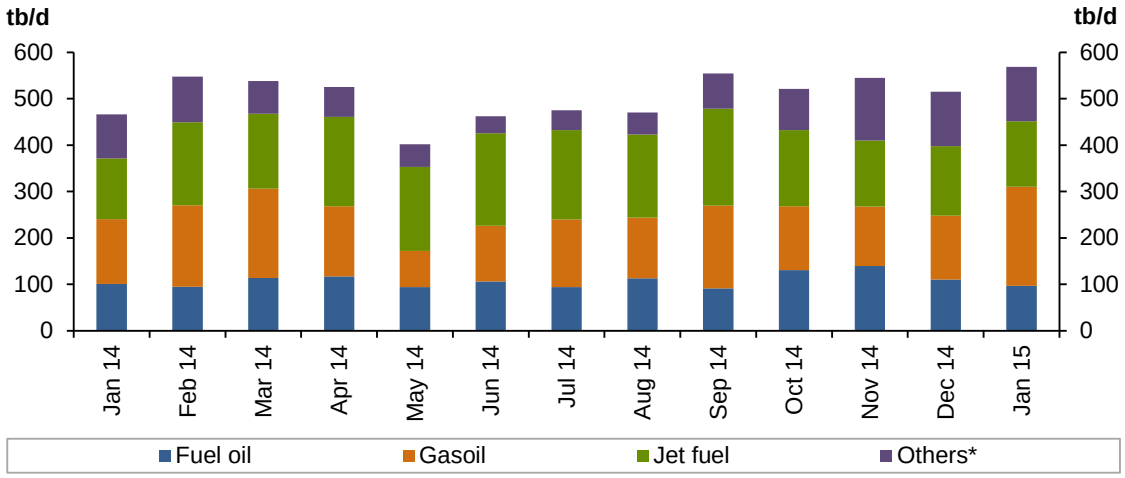


**Others: Contains gasoline, jet fuel, kerosene, gasoil, asphalt and paraffin wax.*

In contrast, **product imports** were almost stable from levels seen one month earlier, increasing in January by a slight 4 tb/d to average 689 tb/d, reflecting a gain of 0.6% m-o-m and a decline of 4% y-o-y. Japan's domestic product sales fell by 5.7% in January from the same month a year earlier.

Japan's **product exports** in January increased by 54 tb/d or 10% to average 568 tb/d, the highest amount seen since September 2013. In a y-o-y comparison, product exports rose by 102 tb/d or 22%. Accordingly, **Japan's net imports dropped in January by 113 tb/d to average 3.6 mb/d**, reflecting both monthly and annual drops of 3% and 15%, respectively.

Graph 8.4: Japan's exports of petroleum products



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

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

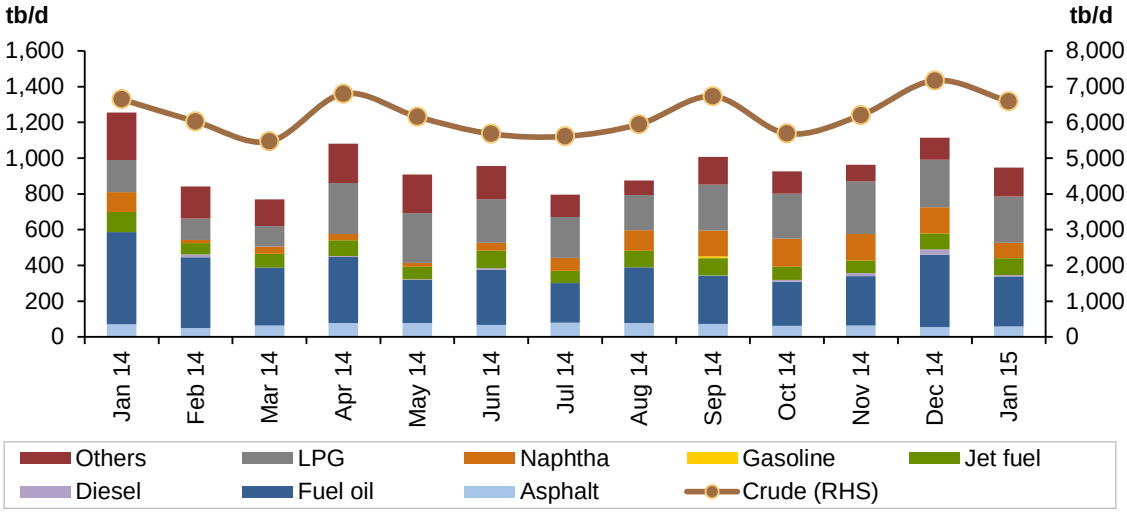
	Nov 14	Dec 14	Jan 15	*Change* Jan 15/Dec 14
Crude oil	3,077	3,553	3,489	-64
Total products	156	170	120	-49
Total crude and products	**3,233**	**3,723**	**3,609**	**-113**

China

Following record high imports registered one month earlier, China's **crude oil imports** dropped in January by 583 tb/d or 8% to average 6.6 mb/d. Annually, Chinese crude imports stood at a level close to that seen a year earlier, down by only 59 tb/d. At the same time, China's refinery throughout and utilization were lower in January from the previous month.

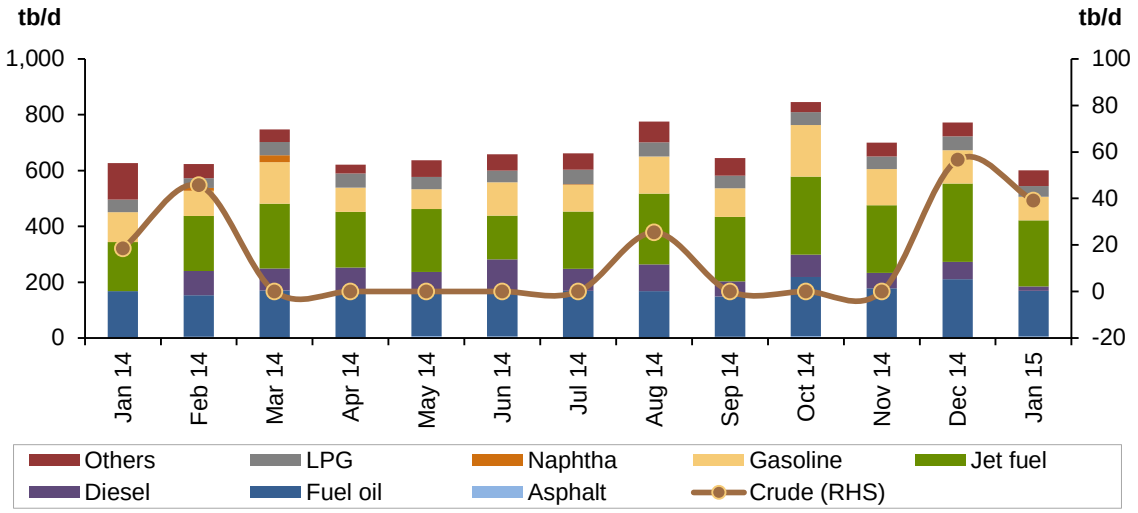
Saudi Arabia, Iraq and Angola were the **top suppliers** to the country in January, accounting for 15%, 12%, and 12%, respectively. Imports from Saudi Arabia were down by 51 tb/d in January and from Angola by 138 tb/d, while those from Iraq increased over the previous month by 220 tb/d.

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



China's **crude exports** dropped in January by 17 tb/d to average 39 tb/d. This drop in crude export volumes came following a recovery seen one month earlier, after three months of zero exports. Y-o-y, this reflects an increase in crude exports of 21 tb/d.

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



Product imports also dropped from the previous month by 167 tb/d or 15% to average 947 tb/d in January, while the drop from one year earlier equals 308 tb/d. As a result, **China's net oil imports dropped by 189 tb/d or 22% from the previous month** and a slight 5 tb/d from one year earlier.

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

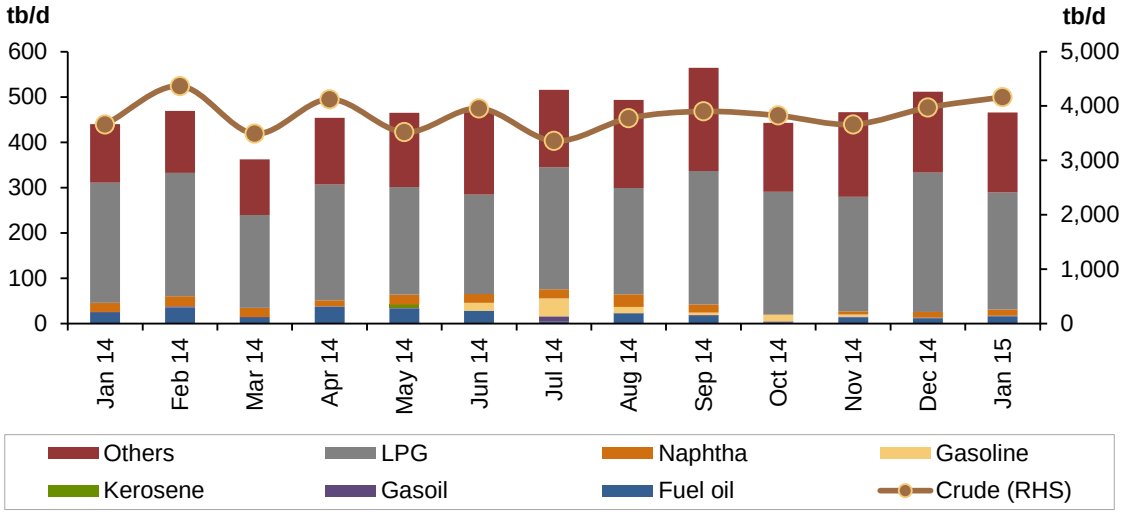
	Nov 14	Dec 14	Jan 15	*Change* Jan 15/Dec 14
Crude oil	6,200	7,115	6,550	-565
Total products	262	343	347	4
Total crude and products	**6,462**	**7,458**	**6,897**	**-561**

India

January India's **crude imports** rose to their highest level since February 2014, up by 192 tb/d or 5% from the previous month to average 4.16 mb/d, showing an annual increase of 504 tb/d or 3%. India reported lower refinery throughput and utilization in January.

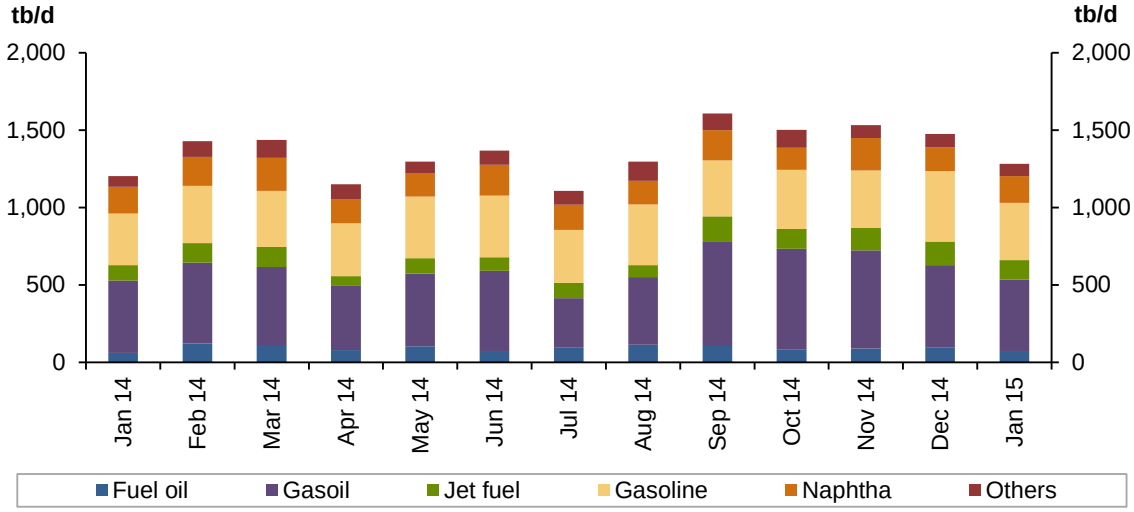
However, India's **product imports** in January saw a decrease of 46 tb/d or 14% m-o-m, back to same level seen in November, averaging 466 tb/d, while rising y-o-y by 25 tb/d or 6%. This decrease in monthly product imports was mostly due to lower LPG imports, which declined by 50%. No imports of gasoline or kerosene were registered in January, as was also observed the previous month. India's domestic product sales rose by 2.7% from a year earlier, as diesel and gasoline consumption increased.

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



India's **product exports** dropped in January by 193 tb/d or 13% to average 1.28 mb/d. In a y-o-y comparison, product exports increased by 80 tb/d or 7%. The decline in monthly product exports was registered for all products, with the exception of naphtha and kerosene.

Graph 8.8: India's exports of petroleum products



Consequentially, **India's net imports increased by 340 tb/d to average 3.3 mb/d**, reflecting a gain of 11% m-o-m and 16% y-o-y.

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

	Nov 14	Dec 14	Jan 15	*Change* Jan 15/Dec 14
Crude oil	3,661	3,972	4,164	192
Total products	-1,067	-965	-817	147
Total crude and products	**2,594**	**3,007**	**3,347**	**340**

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

FSU

In January, total crude oil exports from the former Soviet Union (FSU) increased by 1.2 mb/d or 23% to average 6.5 mb/d, while crude exports through Russian pipelines declined by 1 mb/d or 35% to average 4.1 mb/d.

Total shipments from the Black Sea rose by 322 tb/d or 78% to average 731 tb/d. Total Baltic Sea exports increased by 605 tb/d in January, as shipments from both Primorsk and Ust Luga port terminals rose by 419 tb/d and 185 tb/d, respectively. Total Druzhba pipeline shipments also increased by 67 tb/d to average 1 mb/d, while Kozmino shipments slightly increased by 100 tb/d or 21% to average 580 tb/d.

Exports through the Lukoil system increased from the previous month both in the Barents Sea – where the Varandey offshore platform reported a gain of 17 tb/d – and the Baltic Sea; Kalinigrad port terminal exports increased by 4 tb/d.

Most other routes showed gains in January from one month before, with the exception of the Russian far east, where total exports dropped by 45 tb/d or 14% from the previous month, as volumes at both Aniva Bay and de Kastri port terminals were down by 3 tb/d and 42 tb/d, respectively, from the previous month to average 278 tb/d. Total exports in Central Asia stood at 243 tb/d, up by 36 tb/d through the Kenkiyak-Alashankou pipeline. Baltic Sea total exports also increased over the previous month by 34 tb/d; all ports showed an increase except Kulevi port terminal, which registered no exports in January, a trend seen over the past months. However, all other ports in the Baltics showed higher volumes; the Novorossiyk (CBC), Batumi and Supsa port terminals all showed increased exports of 8 tb/d, 4 tb/d and 22 tb/d, respectively, from one month ago. In the Mediterranean Sea, BTC supplies showed an increase of 124 tb/d or 21% from the previous month to average 715 tb/d.

FSU total product exports increased by 691 tb/d or 22% from the previous month to average 3.8 mb/d, with the gain reflected in all products, excepting vacuum gasoil, which exported lower volumes than the previous month by 18 tb/d. Exports of gasoline, naphtha, jet fuel, fuel oil and gasoil all increased in January from one month earlier by between 5 tb/d and 349 tb/d.

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

Transneft system		2013	3Q 14	4Q 14	Dec 14	Jan 15
Europe	**Black Sea total**	**739**	**570**	**503**	**409**	**731**
	Novorossiysk port terminal - total	739	570	503	409	731
	of which: Russian oil	535	409	358	264	555
	Others	204	162	145	145	176
	Baltic Sea total	**1,546**	**1,288**	**1,180**	**892**	**1,497**
	Primorsk port terminal - total	1,083	799	730	540	959
	of which: Russian oil	1,007	799	730	540	959
	Others	76	0	0	0	0
	Ust-Luga port terminal - total	463	489	450	352	538
	of which: Russian oil	342	315	277	165	327
	Others	121	174	173	187	210
	Druzhba pipeline total	**1,032**	**1,025**	**988**	**957**	**1,024**
	of which: Russian oil	1,000	993	956	925	992
	Others	32	32	32	32	32
Asia	**Pacific ocean total**	**434**	**552**	**517**	**480**	**580**
	Kozmino port terminal - total	434	552	517	480	580
	China (via ESPO Pipeline) total	**321**	**321**	**325**	**324**	**313**
	China Amur	321	321	325	324	313
Total Russian crude exports		**4,071**	**3,757**	**3,513**	**3,062**	**4,145**
Lukoil system		**2013**	**3Q 14**	**4Q 14**	**Dec 14**	**Jan 15**
Europe and North America	**Barents Sea Total**	**111**	**125**	**125**	**118**	**135**
	Varandey offshore platform	111	125	125	118	135
Europe	**Baltic Sea Total**	**19**	**16**	**13**	**11**	**15**
	Kalinigrad port terminal	19	16	13	11	15
Other routes		**2013**	**3Q 14**	**4Q 14**	**Dec 14**	**Jan 15**
Asia	**Russian Far East total**	**259**	**235**	**294**	**323**	**278**
	Aniva bay port terminal	114	103	107	116	113
	De Kastri port terminal	145	133	186	207	165
	Central Asia total	**239**	**230**	**209**	**207**	**243**
	Kenkiyak-Alashankou	239	230	209	207	243
Europe	**Baltic sea total**	**853**	**1,003**	**1,001**	**1,008**	**1,041**
	Novorossiysk port terminal (CPC)	704	886	889	897	905
	Supsa port terminal	76	90	99	97	102
	Batumi port terminal	53	27	14	14	35
	Kulevi port terminal	20	0	0	0	0
	Mediterranean sea total	**641**	**683**	**549**	**591**	**715**
	BTC	641	683	549	591	715
Russian rail		**2013**	**3Q 14**	**4Q 14**	**Dec 14**	**Jan 15**
	Russian rail	**198**	**24**	**12**	**11**	**12**
	of which: Russian oil	9	*7*	*7*	*6*	*8*
	Others	189	17	5	5	4
Total FSU crude exports		**6,392**	**6,073**	**5,716**	**5,331**	**6,585**
Products		**2013**	**3Q 14**	**4Q 14**	**Dec 14**	**Jan 15**
	Gasoline	122	80	103	96	175
	Naphtha	390	481	477	452	573
	Jet	11	7	1	1	6
	Gasoil	857	897	884	911	1,260
	Fuel oil	1,415	1,598	1,452	1,427	1,611
	VGO	263	250	265	261	214
Total FSU product exports		**3,058**	**3,312**	**3,181**	**3,148**	**3,839**
Total FSU oil exports		**9,450**	**9,385**	**8,897**	**8,479**	**10,424**

Sources: Argus Nefte Transport and Argus Global Markets.

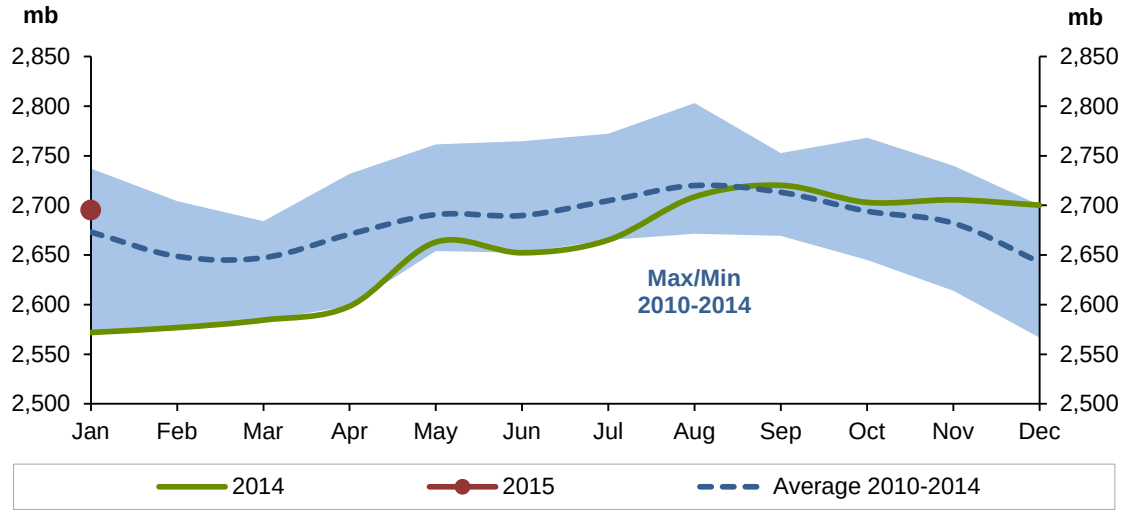
Stock Movements

OECD commercial oil stocks fell by 5.0 mb in January to stand at 2,695 mb, nearly 123.4 mb higher than same time a year ago and 22 mb above the latest five-year average. Crude indicated a surplus of around 54.4 mb, while product stocks remained 32.3 mb below the five-year average. In terms of days of forward cover, OECD commercial stocks stood at 59.3 days, 2.7 days less than the five-year average. Preliminary data for February shows that total commercial oil stocks rose by 6.2 mb for the fourth consecutive month to stand at 1,182 mb, nearly 135 mb above the same period a year ago and 120 mb higher than the five-year average. Within the components, commercial crude saw a build of 31.3 mb, while product stocks decline by 25.1 mb. The most recent information for January shows that Chinese total commercial oil inventories rose by 19.5 mb to stand at 397.7 mb, which was 15.3 mb above the same period a year ago. Within the components, commercial crude stocks grew by 10.6 mb, while product inventories gained by 8.9 mb.

OECD

The latest information for January shows that **total OECD commercial oil stocks** fell by 5.0 mb for the second consecutive month. At 2,695 mb, inventories are 123.4 mb higher than at the same time one year ago and around 22 mb above the latest five-year average. Within the components, crude commercial inventories rose by 3.2 mb, while product stocks were down by 8.2 mb.

Graph 9.1: OECD commercial oil stocks



At 1,304 mb, OECD **commercial crude** stood at 70.7 mb above the same time one year earlier and 54.4 mb higher than the latest five-year average, a comfortable level, with stocks now at all-time highs in some countries. This surplus stems from increasing non-OPEC supply, along with contango in major benchmarks, encouraging refineries to build more crude inventories.

OECD **product inventories** fell by 8.2 mb to end January at 1,391 mb, which is 52.7 mb higher than a year ago at the same time, yet still 32.3 mb below the seasonal norm.

In terms of **days of forward cover**, OECD commercial stocks rose by 0.3 days in January from the previous month to stand at 59.3 days, which is 3.0 days above last year at the same time and 1.5 days higher than the latest five-year average. Within the regions, OECD Americas' days of forward cover was 5.1 days higher than the historical average at 60.9 days in January, while OECD Asia-Pacific stood at 1.2 days below the seasonal average to finish the month at 45.3 days. At the same time, OECD Europe indicated a deficit of 2.7 days, averaging 60.4 days in January.

In January, **commercial stocks** in **OECD Americas** rose by 10.3 mb to stand at 1,456 mb, which represents a surplus of 130 mb above the seasonal norm and around 160.0 mb above the same time one year ago. Within the components, crude stocks rose by 19.3 mb, while product inventories abated this build and declined by 9.0 mb.

At the end of January, **commercial crude oil stocks** in **OECD Americas** rose, ending the month at 736 mb, which was 98.5 mb above the latest five-year average and 91.6 mb higher than the same time one year ago. Lower US crude oil refinery input, which fell by nearly 960,000 b/d to average 15.4 mb/d, along with the ongoing rise in US domestic crude oil production, contributed to the build in OECD Americas commercial crude oil stocks.

In contrast, **product stocks** in **OECD Americas** fell in January to stand at 720 mb, a surplus of 68.1 mb above the same time one year ago and 31.4 mb higher than the seasonal norm. This decline came mainly from increased consumption in the US combined with higher exports to Latin America.

OECD Europe's commercial stocks fell by 8.9 mb in January to stand at 861 mb, which is 30.0 mb lower than the same time a year ago and 91.1 mb below the latest five-year average. Crude stocks went down by 10.2 mb, while product inventories saw a stock build of 1.3 mb.

OECD Europe's commercial crude stocks fell in January to stand at 357 mb, which is 19.7 mb below the same period a year earlier and 30.1 mb less than the latest five-year average. Higher European refinery runs were behind this decline.

In contrast, **OECD Europe's commercial product stocks** rose by 1.3 mb in January to stand at 505 mb. Despite this stock-build, European stocks were 10.4 mb below a year ago at the same time and 61.0 mb lower than the seasonal norm.

OECD Asia-Pacific commercial oil stocks fell by 6.4 mb in January for the fourth consecutive month to stand at 378 mb, which is 6.3 mb less than a year ago at the same time and 16.8 mb below the five-year average. Within the components, crude and product stocks fell by 5.9 mb and 0.5 mb, respectively. Crude inventories ended the month of January at 212 mb, which is 1.3 mb below a year ago at the same time and 14 mb less than the seasonal norm.

OECD Asia-Pacific's total product inventories ended January at 166 mb, which was 5.1 mb below a year ago at the same time and 2.8 mb less than the seasonal norm.

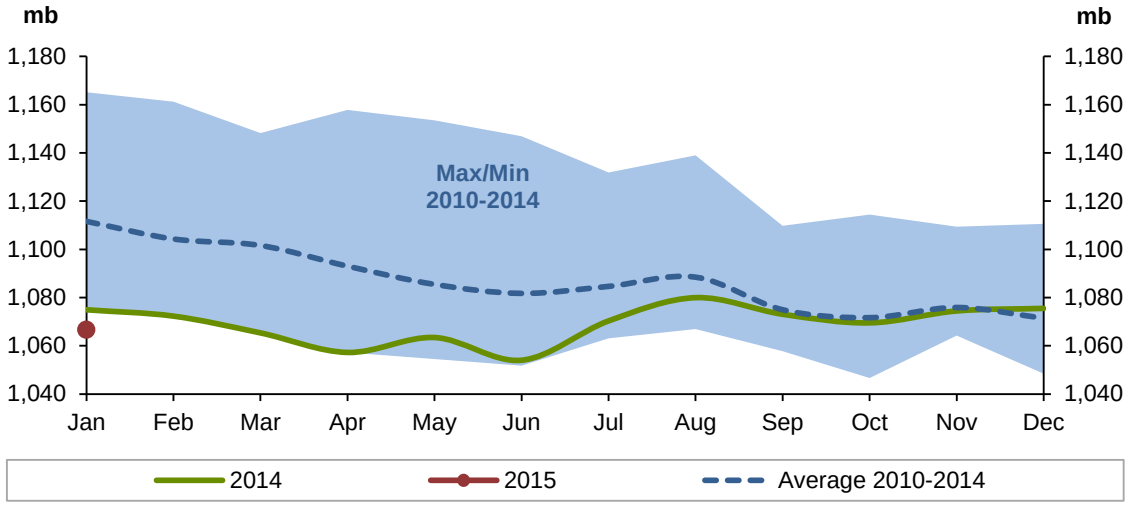
Table 9.1: OECD commercial stocks, mb

	Nov 14	Dec 14	Jan 15	Change Jan 15/Dec 14	Jan 14
Crude oil	1,309	1,301	1,304	3.2	1,234
Products	1,397	1,399	1,391	-8.2	1,338
Total	**2,706**	**2,700**	**2,695**	**-5.0**	**2,572**
Days of forward cover	**58.3**	**59.0**	**59.3**	**0.3**	**56.3**

EU plus Norway

Preliminary data for January shows that total **European stocks** fell by 8.9 mb, reversing the build of the last two months, to stand at 1,066.6 mb, which is 8.3 mb or 0.8% below the same time a year ago and 45.0 mb or 4.0% below the latest five-year average. Crude fell by 8.9 mb, while product inventories abated this drop with an increase of 1.3 mb.

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



European crude inventories fell in January, reversing the build of the previous month, to stand at 464.4 mb, which is 1.2 mb or 0.3% below the same period a year ago. However, they remained 4.2 mb or 0.9% above the latest five-year average. Higher European refinery runs, which rose by around 200,000 b/d from the previous month to stand at 10.5 mb/d, the highest in 18 months, were behind the fall in crude oil stocks. This corresponds to a refinery utilization rate of around 90%, which is about 3.42 pp higher than the previous month but much higher than the rate of 78.7% from a year earlier.

In contrast, **OECD Europe's product stocks** rose by 1.3 mb in January, reversing the fall of 3.0 mb in December. At 602.2 mb, European stocks were 7.2 mb or 1.2% below a year earlier at the same time and 49.2 mb or 7.6% below the seasonal norm. All products experienced stock builds, with the exception of naphtha.

Gasoline stocks rose by 0.3 mb in January to end the month at 109.2 mb, a deficit of 0.5 mb or 3.3% from a year earlier and 2.9 mb or 8.2% below the seasonal norm. This build reflects mainly higher gasoline output, which reached the highest level seen since August 2013 as higher European gasoline exports to West Africa and Latin Africa limited further stock builds.

Distillate stocks remained almost unchanged in January from the previous month and ended the month at 393.9 mb, a deficit of 0.5 mb or 0.1% below a year ago at the same time and 14.0 mb or 3.4% less than the five-year average. A higher level of distillate output was offset by lower imports from the Black Sea due to storms, as well as cold weather in the northeastern US.

Residual fuel oil stocks rose by 2.1 mb in January, reversing the stock draw of the previous month, to settle at 74.0 mb, which is 3.3 mb or 4.2% below the same time a year ago and 19.9 mb or 21.2% less than the seasonal average. This stock build was mainly driven by higher output. In contrast, **naphtha** stocks fell by 1.3 mb in January to stand at 25.1 mb, in line with a year ago at the same time but 7.2 mb or 22.3% lower than the latest five-year average.

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

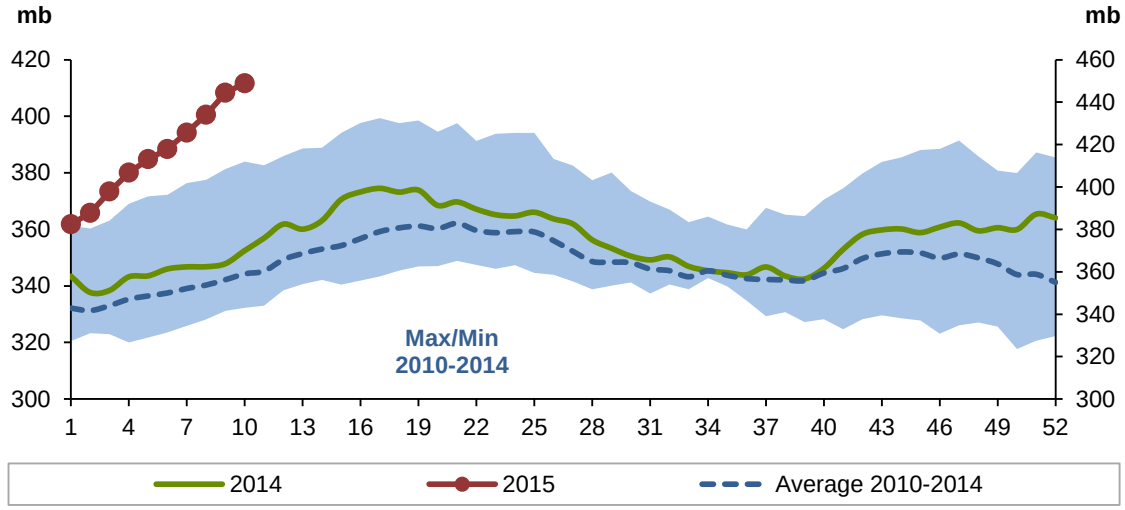
	Nov 14	Dec 14	Jan 15	*Change* Jan 15/Dec 14	Jan 14
Crude oil	**470.6**	**474.7**	**464.4**	**-10.2**	**465.6**
Gasoline	108.5	108.9	109.2	0.3	112.5
Naphtha	25.1	26.4	25.1	-1.3	25.2
Middle distillates	396.4	393.8	393.9	0.1	394.4
Fuel oils	73.9	71.8	74.0	2.1	77.2
Total products	603.8	600.9	602.2	1.3	609.3
Total	**1,074.5**	**1,075.5**	**1,066.6**	**-8.9**	**1,074.9**

Sources: Argus and Euroilstock.

US

Preliminary data for February shows that **total commercial oil stocks** rose by 6.2 mb for the fourth consecutive month to stand at 1,182 mb, which is nearly 135 mb or 12.9% above the same period a year ago and 120 mb or 11.3% higher than the latest five-year average. Within the components, commercial crude inventories saw a build of 31.3 mb, while product stocks abated this build declining by 25.1 mb.

Graph 9.3: US weekly commercial crude oil stocks



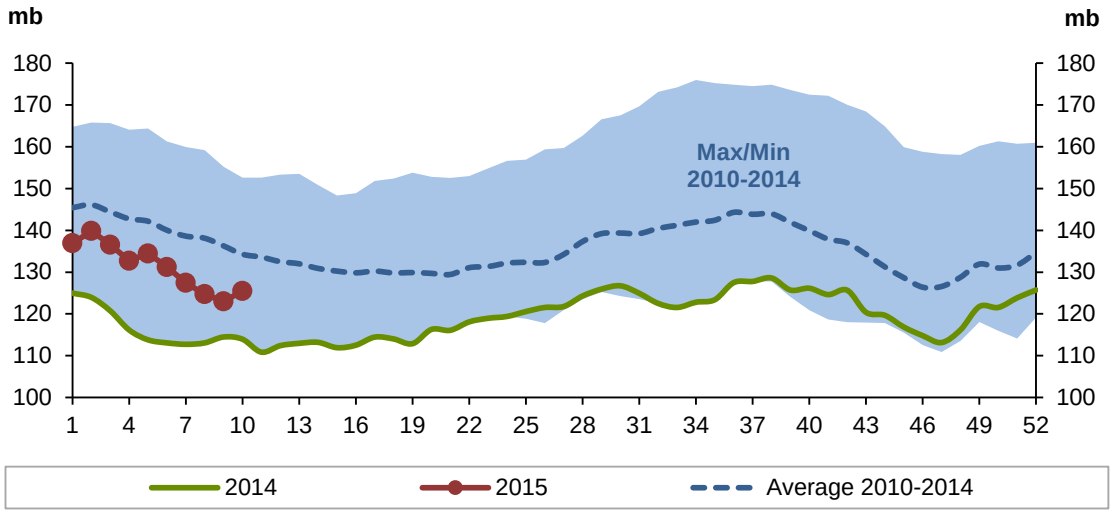
US commercial crude stocks reached another record high in January to stand at 444.4 mb, which is 71 mb or 19% above the same time last year and 84.9 mb or 23.6% above the latest five-year average. Lower crude oil refinery input contributed to this build. Refineries were running at 86.3% of operable capacity in February, 1.0 pp lower

than the previous month and 0.8% lower than last year at the same time. Ongoing increases in US domestic production along with the WTI contango structure have pushed inventories to another all-time record high. Crude at Cushing, Oklahoma, have built continuously since the week ending 5 December, finishing the month of February at 49.2 mb, which is around 7.8 mb higher than the January level.

In contrast to the sharp build in US crude commercial stocks in February, **total product stocks** fell by 25.1 mb to end the month at 736.6 mb, which is around 64 mb or 9.5% above the levels seen at the same time a year ago and 34.8 mb or 4.9% over the seasonal norm. Within products, the picture was mixed, with the main stock draw coming from distillates, while unfinished products saw the highest build.

Distillate stocks fell by 11.5 mb in February to stand at 123.0 mb, which is 10.1 mb or 8.9% higher than the same period a year ago yet 13.6 mb or 9.9% below the five-year average. The drop in middle distillate stocks reflected lower output, which decreased by about 60,000 b/d to an average of 4.7 mb/d. An apparent high rate of demand also contributed to the drop in distillate stocks.

Graph 9.4: US weekly distillate stocks



Gasoline stocks fell slightly by 0.6 mb in February, ending the month at 240.1 mb, which is 11.9 mb or 5.2% higher than the same period a year ago and 10.5 mb or 4.6% above the latest five-year average. The drop came mainly from lower gasoline output.

Jet fuel stocks rose by 1.2 mb, ending the month of February at 39.1 mb, which is 0.9 mb or 2.3% higher than the same month a year ago yet 1.5 mb or 3.7% below the latest five-year average.

Residual fuel oil stocks rose by 4.1 mb in February to end the month at 36.9 mb, which is 0.2 mb or 0.6% higher than the same time last year yet 0.5 mb or 1.3% below the seasonal norm.

Table 9.3: US onland commercial petroleum stocks, mb

	Dec 14	Jan 15	Feb 15	Change Feb 15/Jan 15	Feb 14
Crude oil	393.7	413.1	444.4	31.3	373.3
Gasoline	238.5	240.7	240.1	-0.6	228.2
Distillate fuel	136.1	134.5	123.0	-11.5	112.9
Residual fuel oil	33.7	32.8	36.9	4.1	36.7
Jet fuel	37.5	37.9	39.1	1.2	38.3
Total	**1,165.5**	**1,175.8**	**1,182.0**	**6.2**	**1,047.0**
SPR	691.0	691.0	691.0	0.0	696.0

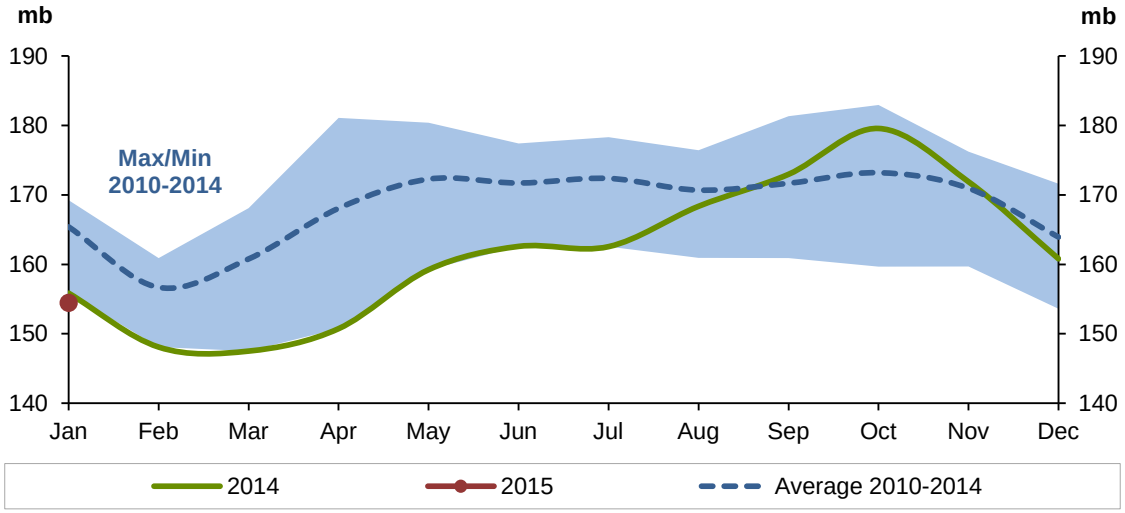
Source: US Energy Information Administration.

Japan

In Japan, total **commercial oil stocks** fell by 6.4 mb in January following a stock draw of 11.1 mb in December to stand at 154.4 mb, which is 1.4 mb or 0.9% lower than a year ago and 11 mb or 6.6% below the five-year average. Within the components, crude and product stocks fell by 5.9 mb and 0.5 mb, respectively.

Japanese commercial **crude oil stocks** fell in January for the third consecutive month to stand at 86.9 mb, which is 2.2 mb or 2.5% below a year ago at the same time and 8.7 mb or 9.1% below the seasonal norm. This draw was driven by higher refinery throughputs, which rose by more than 50,000 b/d or 1.6% to average 3.6 mb/d in January, as well as lower crude imports, which fell by 64,000 b/d or 1.8% to average 3.5 mb/d. After a strong increase of 83.1% in December, direct crude burning in power plants fell by 7.2% in January to average 164.7 tb/d, which was a decline of 37.5% below the same period a year ago.

Graph 9.5: Japan's commercial oil stocks



Japan's **total product inventories** fell slightly by 0.5 mb in January to stand at 67.5 mb, which is 0.8 mb or 1.2% above the same time a year ago yet 2.3 mb or 3.2% below the five-year average. The drop was driven mainly by lower refinery outputs, which declined by 50,000 b/d or 1.3% to average 3.4 mb/d. Lower domestic sales limited a further fall in product stocks. Japan's total oil product sales in January fell by 9.0% m-o-m to average 3.5 mb, indicating a drop of 5.7% below last year at the same time. Within products, the picture was mixed as gasoline and naphtha experienced builds while distillate and residual fuel inventories witnessed stock draws.

Gasoline stocks rose by 1.7 mb in January, reversing the declines of the last two months, to stand at 11.0 mb, which is 1.1 mb or 8.9% less than the same time last year and 2.6 mb or 19% below the five-year average. This stock build was driven by lower gasoline sales, which declined by around 173,000 b/d to average 0.84 mb/d, as well as high gasoline imports.

Naphtha stocks increased by 0.6 mb to finish the month of January at 12.1 mb, which is 3.4 mb or 38.7% higher than a year ago at the same time and 2.1 mb or 21.3 above the seasonal norm. The stock build came from higher output, which increased by 6.3%, and lower domestic sales, which dropped by 2.7%.

In contrast, **distillate stocks** fell by 2.1 mb in January to stand at 29.8 mb, which is 1.3 mb or 4.1% below the same period a year ago and 0.8 mb or 2.7% lower than the seasonal average. Within the distillate components, kerosene and gasoil experienced declines, while jet fuel saw a stock build. Kerosene inventories fell by nearly 13% despite lower domestic sales. Gasoil stocks also fell by 3.1%, driven mainly by lower output and higher exports. Jet fuel oil rose by 3.3% due mainly to lower domestic sales, which declined by 12.8%.

Total residual **fuel oil stocks** fell by 0.6 mb in January to stand at 14.6 mb, which is 0.3 mb or 1.9% below a year ago and 1.0 mb or 6.3% lower than the latest five-year average. Within the fuel oil components, fuel oil A rose by 2.2% on higher output combined with lower domestic sales. In contrast, fuel oil B.C fell by 7.0%, driven by higher domestic sales.

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

	Nov 14	Dec 14	Jan 15	*Change* Jan 15/Dec 14	Jan 14
Crude oil	**96.4**	**92.8**	**86.9**	**-5.9**	**89.2**
Gasoline	10.4	9.3	11.0	1.7	12.0
Naphtha	12.4	11.4	12.1	0.6	8.6
Middle distillates	36.5	32.0	29.8	-2.1	31.1
Residual fuel oil	16.2	15.2	14.6	-0.6	14.9
Total products	**75.5**	**68.0**	**67.5**	**-0.5**	**66.7**
Total**	**171.9**	**160.8**	**154.4**	**-6.4**	**155.9**

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

China

The latest information for January shows that **Chinese total commercial oil inventories** rose by 19.5 mb, reversing the drop of the last five months, to stand at 397.7 mb, which is 15.3 mb above the previous year at the same time. Within the components, commercial crude stocks grew by 10.6 mb, while product inventories gained 8.9 mb. At 260.7 mb, commercial crude stocks represented a surplus of around 23.2 mb over the same period one year earlier. The build came mainly from easing refinery runs in January but remained close to 10.5 mb/d to facilitate stockpiling ahead of the lunar holidays.

Total **product stocks** in China rose by 8.9 mb to end January at 137.0 mb, which is 8.0 mb below a year ago at the same time. Within products, all components saw a build, with the bulk coming from diesel inventories, which rose by 6.3 mb. At 67.5 mb, diesel inventories remained 9.0 mb/d below last year at the same time. The build in

diesel inventories is likely due to stockpiling ahead of the Chinese New Year and lower diesel demand. Gasoline stocks rose by 2.3 mb to end January at 56.2 mb, which is around 2.3 mb higher than the same period last year. This build could be attributed to higher gasoline production.

Table 9.5: China's commercial oil stocks, mb

	Nov 14	Dec 14	Jan 15	*Change* Jan 15/Dec 14	Jan 14
Crude oil	**260.2**	**250.1**	**260.7**	**10.6**	**237.5**
Gasoline	55.6	53.8	56.2	2.3	53.9
Diesel	53.9	61.2	67.5	6.3	76.5
Jet kerosene	13.7	13.1	13.3	0.2	14.6
Total products	**123.1**	**128.1**	**137.0**	**8.9**	**145.0**
Total	**383.4**	**378.2**	**397.7**	**19.5**	**382.4**

Source: OPEC Secretariat analysis.

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of January, **product stocks in Singapore** rose sharply by 8.2 mb, reversing the fall of the last three months, to stand at 47.7 mb, which is 8.2 mb or 20.7% above the same time last year. All product components experienced builds, with the bulk coming from light distillate stocks.

Light distillate stocks rose by 3.8 mb, ending January at 14.6 mb, which is 3.1 mb or 26.6% higher than the same time a year ago. This build was driven by the contango structure in gasoline, which encourages more storage as the prompt prices are lower than futures. Middle distillate stocks also went up, increasing by 2.6 mb, to end January at 11.7 mb, which is 1.2 mb or 11.9% higher than last year at the same time.

Residual fuel oil stocks rose by 1.8 mb in January, reversing the fall of last month. At this level, they were 3.9 mb or 22.1% below the same period last year. Lower bunker demand was the main driver behind the build.

Product stocks in Amsterdam-Rotterdam-Antwerp (ARA) rose by 3.3 mb in January following a build of 5.0 mb in December to settle at 42.0 mb, which is 8.4 mb or 25.1% higher than the same time last year. With the exception of naphtha, all products witnessed builds.

Gasoline stocks rose by 0.6 mb in January for the second consecutive month to stand at 8.2 mb, which is 0.3 mb or 3.2% below the same period last year. Gasoil rose by 1.6 mb, ending January at 21.8 mb, which is 8.2 mb or 60% higher than the same period last year. A contango structure in gasoline and gasoil forward prices supported these builds. Residual fuel oil stocks rose by 1.1 mb, ending January at 5.9 mb, which is 0.7 mb or 10.4% lower than last year at the same time. In contrast, naphtha stocks fell by 0.3 mb, ending January at 1.8 mb, which is 0.4 mb or 30% more than a year ago at the same time.

Balance of Supply and Demand

Demand for OPEC crude in 2014 was unchanged from the previous report to stand at 29.1 mb/d, which is 1.3 mb/d less than the previous year. Demand for OPEC crude in 2015 remained unchanged to average 29.2 mb/d, 0.1 mb/d higher than last year.

Estimate for 2014

Demand for OPEC crude for 2014 was unchanged from the previous report to stand at 29.1 mb/d, representing a decrease of around 1.3 mb/d from 2013 level. The second and the third quarter were revised up by 0.1 mb/d, while the fourth quarter was revised down by 0.3 mb/d. The first quarter remained unchanged. The first and the second quarters are estimated to show a decline of 0.9 mb/d and 1.8 mb/d, respectively, versus the same period a year ago. The third and the fourth quarter showed a decline of 1.2 mb/and 1.1 mb/d, respectively.

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

	2013	1Q14	2Q14	3Q14	4Q14	2014
(a) World oil demand	**90.24**	**90.15**	**90.09**	**91.85**	**92.71**	**91.21**
Non-OPEC supply	54.29	55.62	55.95	56.26	57.42	56.33
OPEC NGLs and non-conventionals	5.65	5.73	5.79	5.86	5.93	5.83
(b) Total supply excluding OPEC crude	**59.94**	**61.35**	**61.74**	**62.12**	**63.35**	**62.16**
Difference (a-b)	**30.31**	**28.80**	**28.35**	**29.73**	**29.36**	**29.05**
OPEC crude oil production	30.23	29.88	29.81	30.32	30.28	30.07
Balance	-0.08	1.09	1.46	0.59	0.92	1.03

Totals may not add up due to independent rounding.

Forecast for 2015

Demand for OPEC crude for 2015 was unchanged from the previous report averaging 29.2 mb/d, an increase of 0.1 mb/d from estimated 2014 levels. The first and the second quarter are expected to see a decline of 0.9 mb/d and 0.2 mb/d, respectively, when compared with the same period a year earlier. In contrast, the third and the fourth quarters are projected to increase by 0.4 mb/d and 1.2 mb/d, respectively.

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

	2014	1Q15	2Q15	3Q15	4Q15	2015
(a) World oil demand	**91.21**	**91.35**	**91.26**	**93.06**	**93.79**	**92.37**
Non-OPEC supply	56.33	57.58	57.18	56.89	57.02	57.16
OPEC NGLs and non-conventionals	5.83	5.86	5.95	6.08	6.18	6.02
(b) Total supply excluding OPEC crude	**62.16**	**63.44**	**63.12**	**62.96**	**63.19**	**63.18**
Difference (a-b)	**29.05**	**27.91**	**28.13**	**30.09**	**30.59**	**29.19**
OPEC crude oil production	30.07					
Balance	1.03					

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

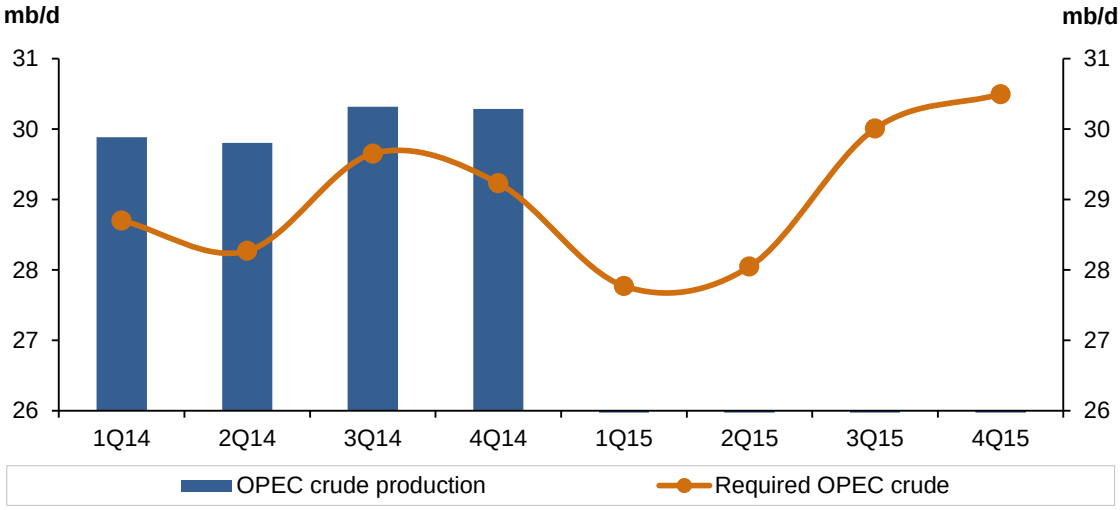


Table 10.3: World oil demand and supply balance, mb/d

	2011	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
World demand													
OECD	46.4	45.9	46.1	45.7	45.0	45.9	46.5	45.8	45.8	45.0	45.9	46.5	45.8
Americas	24.0	23.6	24.1	23.9	23.8	24.4	24.7	24.2	24.1	23.9	24.6	24.9	24.4
Europe	14.3	13.8	13.6	13.0	13.5	13.8	13.4	13.5	12.9	13.5	13.7	13.3	13.4
Asia Pacific	8.2	8.5	8.3	8.8	7.7	7.7	8.4	8.1	8.8	7.6	7.6	8.2	8.0
DCs	27.3	28.3	29.0	29.3	29.7	30.4	29.6	29.8	30.1	30.5	31.2	30.4	30.6
FSU	4.3	4.4	4.5	4.4	4.2	4.6	4.9	4.5	4.4	4.3	4.7	5.0	4.6
Other Europe	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.6	0.6	0.7	0.7
China	9.4	9.7	10.1	10.1	10.6	10.3	10.9	10.5	10.4	10.9	10.6	11.2	10.8
(a) Total world demand	**88.1**	**89.0**	**90.2**	**90.1**	**90.1**	**91.8**	**92.7**	**91.2**	**91.4**	**91.3**	**93.1**	**93.8**	**92.4**
Non-OPEC supply													
OECD	20.2	21.1	22.2	23.4	23.8	24.0	24.7	24.0	24.8	24.8	24.7	25.0	24.8
Americas	15.5	16.7	18.2	19.1	19.8	20.1	20.5	19.9	20.7	20.7	20.7	20.8	20.7
Europe	4.1	3.8	3.6	3.8	3.5	3.4	3.7	3.6	3.7	3.5	3.4	3.6	3.6
Asia Pacific	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5	0.5	0.5
DCs	12.6	12.1	12.2	12.2	12.2	12.4	12.6	12.3	12.6	12.5	12.4	12.2	12.4
FSU	13.2	13.3	13.4	13.5	13.4	13.4	13.5	13.4	13.5	13.3	13.2	13.2	13.3
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	4.1	4.2	4.2	4.2	4.3	4.2	4.3	4.3	4.3	4.3	4.3	4.4	4.3
Processing gains	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	52.4	52.9	54.3	55.6	55.9	56.3	57.4	56.3	57.6	57.2	56.9	57.0	57.2
OPEC NGLs + non-conventional oils	5.4	5.6	5.6	5.7	5.8	5.9	5.9	5.8	5.9	5.9	6.1	6.2	6.0
(b) Total non-OPEC supply and OPEC NGLs	**57.8**	**58.5**	**59.9**	**61.3**	**61.7**	**62.1**	**63.3**	**62.2**	**63.4**	**63.1**	**63.0**	**63.2**	**63.2**
OPEC crude oil production (secondary sources)	29.8	31.2	30.2	29.9	29.8	30.3	30.3	30.1					
Total supply	87.6	89.6	90.2	91.2	91.5	92.4	93.6	92.2					
Balance (stock change and miscellaneous)	-0.5	0.6	-0.1	1.1	1.5	0.6	0.9	1.0					
OECD closing stock levels (mb)													
Commercial	2,605	2,664	2,567	2,584	2,652	2,720	2,700	2,700					
SPR	1,536	1,547	1,584	1,586	1,581	1,579	1,581	1,581					
Total	4,142	4,211	4,151	4,170	4,233	4,300	4,281	4,281					
Oil-on-water	825	879	909	954	914	952	924	924					
Days of forward consumption in OECD													
Commercial onland stocks	57	58	56	57	58	58	59	59					
SPR	33	34	35	35	34	34	35	35					
Total	90	91	91	93	92	92	94	94					
Memo items													
FSU net exports	8.9	8.8	8.9	9.1	9.1	8.8	8.6	8.9	9.1	9.1	8.5	8.2	8.7
(a) - (b)	**30.3**	**30.5**	**30.3**	**28.8**	**28.3**	**29.7**	**29.4**	**29.1**	**27.9**	**28.1**	**30.1**	**30.6**	**29.2**

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

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

	2011	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
World demand													
OECD	-	-	-	-	0.1	0.1	-	0.1	-	0.1	0.1	-	0.1
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	0.1	0.1	0.1	-	-	0.1	0.1	0.1	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	0.1	0.1	-	-	-	0.1	0.1	-	-
World demand growth	-	-	-	-	0.1	-	-	-	-	-	-	-	-
Non-OPEC supply													
OECD	-	-	-	-	-	-	0.1	-	-0.1	-	-	-	-
Americas	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1	0.1	0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	0.3	0.1	-	0.1	0.1	0.1	0.1
Total non-OPEC supply growth	-	-	-	-	-	-	0.2	-	-	0.1	0.1	-0.2	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	0.3	0.1	-	0.1	0.1	0.1	0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-					
Total supply	-	0.1	0.1	-	-	0.1	0.3	0.1					
Balance (stock change and miscellaneous)	-	0.1	-	-	-	-	0.3	0.1					
OECD closing stock levels (mb)													
Commercial	-	-	-	-	-	-	-	-					
SPR	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	-					
Oil-on-water	-	-	-	-	-	-	-	-					
Days of forward consumption in OECD													
Commercial onland stocks	-	-	-	-	-	-	-	-					
SPR	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	-					
Memo items													
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	-	0.1	0.1	-0.3	-	-	-	-	-	-

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

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

	2011	2012	2013	2014	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
Closing stock levels, mb												
OECD onland commercial	**2,605**	**2,664**	**2,567**	**2,700**	**2,665**	**2,660**	**2,696**	**2,567**	**2,584**	**2,652**	**2,720**	**2,700**
Americas	1,308	1,365	1,316	1,446	1,349	1,378	1,404	1,316	1,311	1,382	1,411	1,446
Europe	905	902	869	870	904	873	879	869	875	878	888	870
Asia Pacific	392	396	381	385	412	409	413	381	399	392	422	385
OECD SPR	**1,536**	**1,547**	**1,584**	**1,581**	**1,581**	**1,577**	**1,582**	**1,584**	**1,586**	**1,581**	**1,579**	**1,581**
Americas	697	696	697	692	697	697	697	697	697	692	692	692
Europe	426	436	470	471	472	471	472	470	470	471	471	471
Asia Pacific	414	415	417	418	413	409	413	417	418	419	417	418
OECD total	**4,142**	**4,211**	**4,151**	**4,281**	**4,246**	**4,237**	**4,277**	**4,151**	**4,170**	**4,233**	**4,300**	**4,281**
Oil-on-water	**825**	**879**	**909**	**924**	**942**	**871**	**932**	**909**	**954**	**914**	**952**	**924**
Days of forward consumption in OECD												
OECD onland commercial	**57**	**58**	**57**	**58**	**59**	**58**	**58**	**56**	**58**	**58**	**59**	**59**
Americas	53	55	55	57	57	57	58	55	55	57	57	60
Europe	68	67	66	66	65	63	64	67	65	64	66	67
Asia Pacific	47	48	46	48	53	51	48	43	52	51	50	44
OECD SPR	**33**	**34**	**33**	**34**	**35**	**34**	**34**	**35**	**35**	**35**	**34**	**35**
Americas	30	30	30	29	29	29	29	29	29	28	28	29
Europe	29	30	31	32	34	34	35	36	35	34	35	36
Asia Pacific	50	50	49	50	53	51	48	47	55	54	50	48
OECD total	**90**	**91**	**90**	**91**	**93**	**92**	**92**	**91**	**93**	**92**	**92**	**94**

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

	2011	2012	2013	3Q14	4Q14	2014	Change 14/13	1Q15	2Q15	3Q15	4Q15	2015	Change 15/14
US	9.0	10.0	11.2	13.1	13.4	12.8	1.6	13.6	13.7	13.7	13.6	13.7	0.8
Canada	3.5	3.8	4.0	4.2	4.3	4.2	0.2	4.4	4.3	4.3	4.5	4.4	0.1
Mexico	2.9	2.9	2.9	2.8	2.7	2.8	-0.1	2.7	2.7	2.7	2.7	2.7	-0.1
OECD Americas*	**15.5**	**16.7**	**18.2**	**20.1**	**20.5**	**19.9**	**1.7**	**20.7**	**20.7**	**20.7**	**20.8**	**20.7**	**0.9**
Norway	2.0	1.9	1.8	1.9	2.0	1.9	0.1	1.9	1.9	1.8	1.9	1.9	0.0
UK	1.1	1.0	0.9	0.7	0.9	0.9	0.0	0.9	0.8	0.8	0.9	0.8	0.0
Denmark	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Other OECD Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
OECD Europe	**4.1**	**3.8**	**3.6**	**3.4**	**3.7**	**3.6**	**0.0**	**3.7**	**3.5**	**3.4**	**3.6**	**3.6**	**0.0**
Australia	0.5	0.5	0.4	0.4	0.4	0.4	0.0	0.4	0.5	0.4	0.4	0.4	0.0
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
OECD Asia Pacific	**0.6**	**0.6**	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**	**0.5**	**0.6**	**0.5**	**0.5**	**0.5**	**0.0**
Total OECD	**20.2**	**21.1**	**22.2**	**24.0**	**24.7**	**24.0**	**1.8**	**24.8**	**24.8**	**24.7**	**25.0**	**24.8**	**0.8**
Brunei	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
India	0.9	0.9	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Indonesia	1.0	1.0	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Malaysia	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Thailand	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Vietnam	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.3	0.4	0.0
Asia others	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.3	0.3	0.3	0.3	0.0
Other Asia	**3.7**	**3.7**	**3.6**	**3.5**	**3.6**	**3.6**	**0.0**	**3.7**	**3.6**	**3.6**	**3.6**	**3.6**	**0.1**
Argentina	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.6	0.7	0.0
Brazil	2.6	2.6	2.6	3.0	3.1	2.9	0.3	3.1	3.0	3.1	3.0	3.1	0.2
Colombia	0.9	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	0.9	0.9	0.9	-0.1
Trinidad & Tobago	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
L. America others	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Latin America	**4.7**	**4.7**	**4.8**	**5.1**	**5.2**	**5.0**	**0.2**	**5.2**	**5.1**	**5.1**	**5.0**	**5.1**	**0.1**
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Oman	0.9	0.9	0.9	1.0	0.9	0.9	0.0	1.0	0.9	0.9	0.9	0.9	0.0
Syria	0.4	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yemen	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Middle East	**1.7**	**1.5**	**1.4**	**1.4**	**1.3**	**1.3**	**0.0**	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**	**0.0**
Chad	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Congo	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Egypt	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Equatorial Guinea	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Gabon	0.3	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
South Africa	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.2	0.1	0.1	0.1	0.1	0.0
Sudans	0.4	0.1	0.2	0.3	0.3	0.3	0.1	0.3	0.3	0.3	0.3	0.3	0.0
Africa other	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Africa	**2.6**	**2.3**	**2.4**	**2.4**	**2.4**	**2.4**	**0.0**	**2.5**	**2.4**	**2.4**	**2.4**	**2.4**	**0.0**
Total DCs	**12.6**	**12.1**	**12.2**	**12.4**	**12.6**	**12.3**	**0.2**	**12.6**	**12.5**	**12.4**	**12.2**	**12.4**	**0.1**
FSU	**13.2**	**13.3**	**13.4**	**13.4**	**13.5**	**13.4**	**0.0**	**13.5**	**13.3**	**13.2**	**13.2**	**13.3**	**-0.1**
Russia	10.3	10.4	10.5	10.5	10.6	10.6	0.1	10.6	10.5	10.5	10.4	10.5	-0.1
Kazakhstan	1.6	1.6	1.6	1.6	1.7	1.6	0.0	1.6	1.6	1.6	1.6	1.6	0.0
Azerbaijan	1.0	0.9	0.9	0.9	0.8	0.8	0.0	0.8	0.8	0.8	0.8	0.8	0.0
FSU others	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
China	4.1	4.2	4.2	4.2	4.3	4.3	0.0	4.3	4.3	4.3	4.4	4.3	0.1
Non-OPEC production	**50.3**	**50.8**	**52.2**	**54.1**	**55.3**	**54.2**	**2.0**	**55.4**	**55.0**	**54.7**	**54.8**	**55.0**	**0.9**
Processing gains	2.1	2.1	2.1	2.2	2.2	2.2	0.0	2.2	2.2	2.2	2.2	2.2	0.0
Non-OPEC supply	**52.4**	**52.9**	**54.3**	**56.3**	**57.4**	**56.3**	**2.0**	**57.6**	**57.2**	**56.9**	**57.0**	**57.2**	**0.9**
OPEC NGL	5.2	5.4	5.4	5.6	5.7	5.6	0.2	5.6	5.7	5.8	5.9	5.8	0.2
OPEC non-conventional	0.1	0.2	0.2	0.3	0.3	0.3	0.0	0.2	0.2	0.3	0.3	0.3	0.0
OPEC (NGL+NCF)	**5.4**	**5.6**	**5.6**	**5.9**	**5.9**	**5.8**	**0.2**	**5.9**	**5.9**	**6.1**	**6.2**	**6.0**	**0.2**
Non-OPEC & OPEC (NGL+NCF)	**57.8**	**58.5**	**59.9**	**62.1**	**63.3**	**62.2**	**2.2**	**63.4**	**63.1**	**63.0**	**63.2**	**63.2**	**1.0**

** Chile has been included in OECD Americas.*

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

Table 10.7: World Rig Count

	2010	2011	2012	2013	Change 13/12	1Q14	2Q14	3Q14	4Q14	Jan 15	Feb 15	Change Feb/Jan
US	1,541	1,881	1,919	1,761	-158	1,780	1,852	1,904	1,912	1,682	1,348	-334
Canada	347	423	366	354	-12	526	202	385	406	368	363	-5
Mexico	97	94	106	106	0	93	87	85	78	69	63	-6
Americas	1,985	2,398	2,391	2,221	-170	2,400	2,140	2,374	2,396	2,119	1,774	-345
Norway	18	17	17	20	2	17	18	15	16	13	19	6
UK	19	16	18	17	-1	15	17	15	17	15	20	5
Europe	94	118	119	135	16	135	146	148	148	128	133	5
Asia Pacific	21	17	24	27	3	28	27	25	25	20	22	2
Total OECD	2,100	2,532	2,534	2,383	-151	2,563	2,314	2,547	2,569	2,267	1,929	-338
Other Asia	248	239	217	219	2	230	221	231	229	212	218	6
Latin America	205	195	180	166	-14	164	176	174	174	161	159	-2
Middle East	156	104	110	76	-33	84	85	82	79	83	77	-6
Africa	19	2	7	16	9	27	30	24	29	27	21	-6
Total DCs	628	540	513	477	-36	504	512	511	511	483	475	-8
Non-OPEC rig count	**2,727**	**3,072**	**3,047**	**2,860**	**-187**	**3,067**	**2,826**	**3,058**	**3,080**	**2,750**	**2,404**	**-346**
Algeria	25	31	36	47	11	49	46	48	48	47	54	7
Angola	9	10	9	11	2	16	16	14	14	14	15	1
Ecuador	11	12	20	26	6	25	25	26	21	15	19	4
Iran**	52	54	54	54	0	54	54	54	54	54	54	0
Iraq**	36	36	58	83	25	89	93	75	59	60	57	-3
Kuwait**	20	57	57	58	1	60	60	68	69	74	77	3
Libya**	16	8	12	15	3	15	10	8	8	6	6	0
Nigeria	15	36	36	37	1	35	31	32	36	38	36	-2
Qatar	9	8	8	9	1	11	11	11	10	9	10	1
Saudi Arabia	67	100	112	114	3	125	132	137	143	150	155	5
UAE	13	21	24	28	4	30	33	37	38	37	38	1
Venezuela	70	122	117	121	3	121	114	122	106	106	114	8
OPEC rig count	**342**	**494**	**542**	**602**	**60**	**629**	**624**	**631**	**605**	**610**	**635**	**25**
Worldwide rig count* of which:	**3,069**	**3,566**	**3,589**	**3,462**	**-127**	**3,696**	**3,450**	**3,689**	**3,685**	**3,360**	**3,039**	**-321**
Oil	1,701	2,257	2,654	2,611	-43	2,819	2,687	2,851	2,820	2,522	2,216	-306
Gas	1,325	1,262	886	746	-140	780	671	744	776	754	702	-52
Others	43	49	52	109	57	99	95	96	91	86	122	36

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

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

Contributors to the OPEC Monthly Oil Market Report

Editor-in-Chief

Omar S. Abdul-Hamid, Director, Research Division
email: oabdul-hamid@opec.org

Editor

Hojatollah Ghanimi Fard, Head, Petroleum Studies Department
email: h.ghanimifard@opec.org

Analysts

Crude Oil Price Movements	Eissa Alzerma email: ealzerma@opec.org
Commodity Markets	Hector Hurtado email: hhurtado@opec.org
World Economy	Afshin Javan email: ajavan@opec.org Imad Alam Al-Deen email: ialamal-deen@opec.org Joerg Spitzy email: jspitzy@opec.org
World Oil Demand	Hassan Balfakeih email: hbalfakeih@opec.org
World Oil Supply	Mohammad Ali Danesh email: mdanesh@opec.org
Product Markets and Refinery Operations	Elio Rodriguez email: erodriguez@opec.org
Tanker Market *and* Oil Trade	Anisah Almadhayyan email: aalmadhayyan@opec.org
Stock Movements	Aziz Yahyai email: ayahyai@opec.org
Technical and editorial team	Aziz Yahyai email: ayahyai@opec.org Douglas Linton email: dlinton@opec.org

Data services

Adedapo Odulaja, Head, Data Services Department (aodulaja@opec.org),
Hossein Hassani, Statistical Systems Coordinator (hhassani@opec.org),
Pantelis Christodoulides (World Oil Demand and Stock Movements),
Klaus Stoeger (World Oil Supply), Harvir Kalirai (World Economy),
Mouhamad Moudassir (Product Markets and Refinery Operations),
Mohammad Sattar (Crude Oil Price Movements),
Anna Gredinger (Tanker Market and Oil Trade)

Editing, production, design and circulation

Alvino-Mario Fantini, Maureen MacNeill, Scott Laury, Viveca Hameder,
Hataichanok Leimlehner, Evelyn Oduro-Kwateng, Andrea Birnbach

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OPEC Basket average price

US$/b

up 9.68 in February

February 2015	54.06
January 2015	44.38
Year-to-date	**49.10**

February OPEC crude production

mb/d, according to secondary sources

down 0.14 in February

February 2015	30.02
January 2015	30.16

Economic growth rate

per cent

	World	OECD	US	Japan	Euro-zone	China	India
2014	3.3	1.8	2.4	0.0	0.9	7.4	7.2
2015	3.4	2.2	2.9	0.9	1.2	7.0	7.5

Supply and demand

mb/d

2014		**14/13**	**2015**		**15/14**
World demand	91.2	1.0	World demand	92.4	1.2
Non-OPEC supply	56.3	2.0	Non-OPEC supply	57.2	0.9
OPEC NGLs	5.8	0.2	OPEC NGLs	6.0	0.2
Difference	**29.1**	**–1.3**	**Difference**	**29.2**	**0.1**

OECD commercial stocks

mb

	Nov 14	Dec 14	Jan 15	Jan 15/Dec 14	Jan 14
Crude oil	1,309	1,301	1,304	3.2	1,234
Products	1,397	1,399	1,391	–8.2	1,338
Total	**2,706**	**2,700**	**2,695**	**–5.0**	**2,572**
Days of forward cover	58.3	59.0	59.3	0.3	56.3

Next report to be issued on 16 April 2015.