

# OPEC

## Monthly Oil Market Report

*11 August 2015*

***Feature article:***  
***Crude and product price movements***

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# Oil market highlights

## Crude Oil Price Movements

The OPEC Reference Basket averaged \$54.19/b in July, representing a decline of more than 10% from the previous month. Crude oil futures were also driven lower by various bearish factors. ICE Brent settled down \$6.99 to \$56.76/b, while Nymex WTI dropped \$8.90 to \$50.93/b. Speculators net-long positions in WTI declined by more than 50% in July. The Brent-WTI spread widened \$1.91 to \$5.83/b in July.

## World Economy

World economic growth for both 2015 and 2016 remains unchanged at 3.2% and 3.5%, respectively, with the OECD economies expected to expand by 2.0% in 2015 and 2.1% in 2016. China's forecast remains at 6.9% for this year and at 6.5% for 2016. India's forecast is unchanged with growth at 7.5% this year and 7.7% in 2016. While Brazil and to some extent Russia have shown some weakness recently, they are still forecast to move out of recession in the coming year.

## World Oil Demand

Global oil demand is expected to grow by 1.38 mb/d in 2015, some 90 tb/d higher than last month's projections with total oil demand anticipated to reach 92.70 mb/d. In 2016, world oil demand growth is expected at 1.34 mb/d with total world consumption hitting a record level of 94.04 mb/d. OECD will be in the positive registering 0.18 mb/d, although the bulk of the growth will originate in the non-OECD with a forecast increase of 1.16 mb/d.

## World Oil Supply

Non-OPEC oil supply is now expected to grow by 0.96 mb/d in 2015, following an upward revision of 90 tb/d, due to higher-than-expected output from non-OPEC producers mainly outside of North America. In 2016, non-OPEC oil supply is expected to increase by 0.27 mb/d, a 40 tb/d downward adjustment from the previous report. OPEC NGLs are expected to grow by 0.19 mb/d in 2015 and 0.17 mb/d in 2016. In July, OPEC crude production increased by 101 tb/d to average 31.51 mb/d, according to secondary sources.

## Product Markets and Refining Operations

Product markets in the Atlantic Basin continued to see support from strong gasoline demand in the US, which pushed gasoline crack spreads to levels not seen in two years. The positive performance at the top of the barrel offset the persistent weakening seen at the middle of the barrel, allowing refinery margins to remain healthy in the region. In Asia, margins narrowed due to the lower seasonal demand amid increasing supply pressure as the maintenance season comes to an end.

## Tanker Market

Dirty vessels spot freight rates dropped on average in July as a result of limited tonnage demand mainly for Suezmax and Aframax. VLCC freight rates showed growth on various routes, increasing by 7% on average with delays in several ports supporting rates. Clean tankers spot freight rates were healthy in July on the back of stable demand for tankers operating East and West of Suez, increasing on average by 12% and 5%, respectively.

## Stock Movements

OECD commercial oil stocks fell in June to stand at 2,858 mb, some 153 mb higher than the latest five-year average. Crude and products indicated a surplus of around 141 mb and 12 mb, respectively. In terms of days of forward cover, OECD commercial stocks stood at 62.1 days in June, some 3.9 days higher than the latest five-year average.

## Balance of Supply and Demand

Demand for OPEC crude is estimated at 29.2 mb/d in 2015, unchanged from the previous assessment and representing a 0.2 mb/d increase over the previous year. In 2016, required OPEC crude is projected at 30.1 mb/d, 0.9 mb/d higher than estimated level of this year.

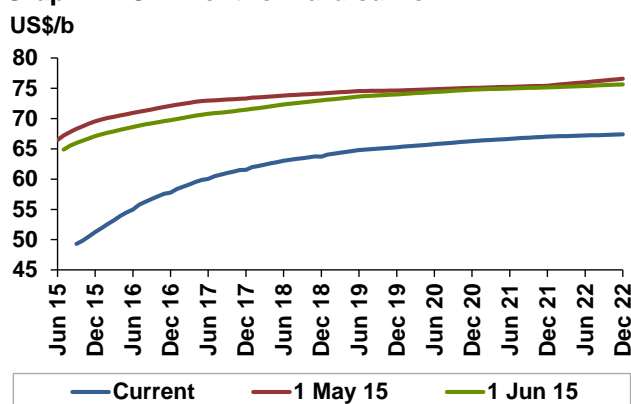


## Crude and product price movements

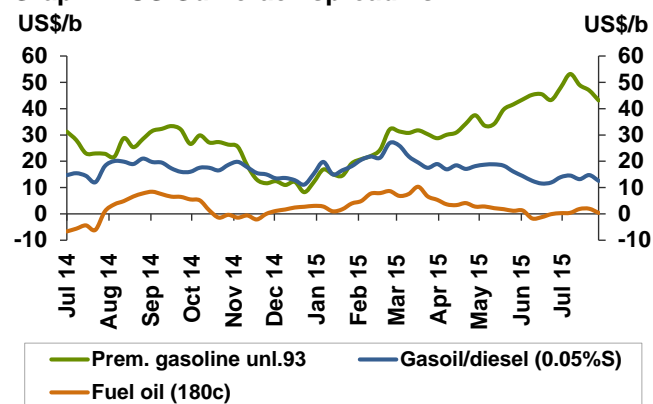
After falling to multi-year lows earlier in the year, crude oil prices stabilized in April, remaining at around the \$60/b range until June. However, in July, a set of bearish factors pushed crude oil prices to their lowest levels in months, with Nymex WTI nearing \$45/b and ICE Brent around \$50/b. This decline in oil prices came amid a sell-off in crude futures, triggered largely by continued oversupply at a time when incremental global demand has not followed suit. Financial concerns in Greece and China, as well as the outcome of the P5+1 talks on Iran's nuclear programme, have all contributed to the current bearish market conditions. Furthermore, the drop in crude prices is not only in the prompt months – the front-end of the pricing curve – but also in the later months – the back-end of the curve (**Graph 1**). The declines at the back end of the curve are also exacerbating the fall in prices at the front.

On the physical side, crude oil values for light sweet West African grades have been pressured by several months of overhang cargoes. This is despite the recent easing of the oversupply as refiners increase utilization to capitalize on lower crude oil prices amid a rebound in gasoline demand and better arbitrage economics to Asia. In the Middle East, spot crude cargoes are being squeezed by an inflow of Atlantic Basin crudes into the Asia-Pacific market on the back of relatively low light sweet crude prices compared with sour Middle East grades.

**Graph 1: ICE Brent forward curve**



**Graph 2: US Gulf crack spread vs. WTI**



Refining margins have been healthy in most regions. While margins have seen a slight weakening in Asia, they remain on the rise in the Atlantic Basin due to lower crude prices along with the excellent performance of the top of the barrel. During the driving season, US gasoline demand has reached as high as 9.5 mb/d over the last two months, a level not seen in years, supported primarily by lower gasoline prices. This has allowed the gasoline crack spread to increase to more than \$50/b in July (**Graph 2**), the highest in over two years, to once again lead the product market.

However, with the end of the driving season early next month, gasoline margins could see a downward correction as demand turns seasonally low. At the same time, the supply side could exert pressure on the middle of the barrel, with increasing inflows from new Middle East refinery capacity, which has started to impact the diesel market in Europe and Asia. However, current crude oil prices levels could prevent refinery intakes from falling sharply, resulting in higher crude oil demand.

Given the better-than-expected growth in global oil demand so far this year, together with some signs of a pickup in the economies of the major consuming countries, crude oil demand in the coming months should continue to improve and, thus, gradually reduce the imbalance in oil supply-demand fundamentals.



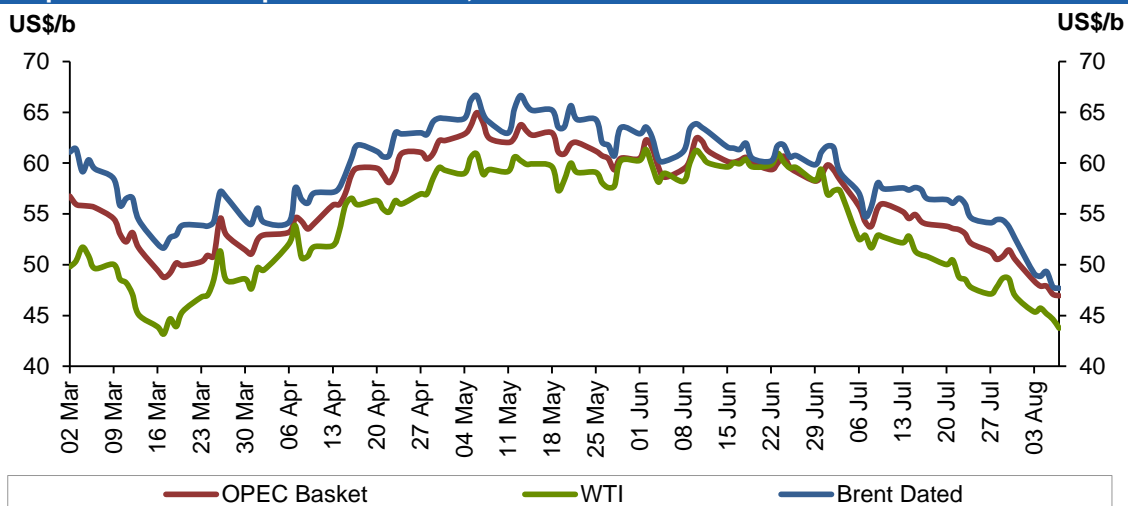
## Crude Oil Price Movements

The downward trend of the OPEC Reference Basket (ORB) persisted for a second month in July, when it dipped by more than 10%, settling below the \$60/b level. The sell-off was extended as crude prices lost ground amid sustained oversupply pressure. Problems were also registered on the economic front in China, Europe, and the US to a lesser extent. Oil's fall was not alone – it was a commodity-wide drop – and most major commodity values hit their lowest levels since 2003. The ORB plunged by \$6.02 to \$54.19/b for the month and year-to-date stood also significantly lower than at the same time the previous year at \$54.98/b. Crude oil futures on both sides of the Atlantic fell to multi-month lows, taking ICE Brent below \$60/b and Nymex WTI to just above \$50/b. ICE Brent settled \$6.99 or 11% down at \$56.76/b, while Nymex WTI was a hefty \$8.90 or 14.9% lower at \$50.93/b. Compared to 2014, both were significantly lower year-to-date at \$52.98/b and \$58.95/b, respectively. Speculators were bearish in July as crude prices slipped by more than 10%. Net-long positions in WTI futures and options contracted by more than 50% in July, m-o-m. The WTI discount to Brent increased over the month as WTI suffered from a sequential build in US inventories, while the deterioration in Brent was capped by sufficient prompt demand. The Brent-WTI spread widened \$1.91 to \$5.83/b in July.

### OPEC Reference Basket

The ORB value continued its downward trend in July, dipping by a further 10% to settle below \$60/b and near the six-year low levels reached earlier in 2015. The decline extended losses to a second month as crude prices continued to lose ground in the face of sustained supply-side pressure. Problems were also recorded on the economic front in the two major consuming nations, as well as from a stronger US dollar. Chinese factory activity weakened to its lowest reading in two years and its fifth successive monthly contraction. In the US, the consumer confidence index weakened to an eight-month low. Oil's fall was not alone – it was a commodity-wide collapse, with all major commodity values hitting their lowest level since 2003, erasing almost all the gains of the decade-long commodities' "super-cycle", fueled by China.

**Graph 1.1: Crude oil price movement, 2015**



## Crude Oil Price Movements

On a monthly basis, the **OPEC Reference Basket** dropped by a hefty \$6.02 or 10% to \$54.19/b on average. Compared to a year ago, the ORB value was down \$54.98/b from \$105.35/b in the same period in 2014.

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

	<u>Jun 15</u>	<u>Jul 15</u>	<u>Change</u> <u>Jul/Jun</u>	<u>Year-to-date</u>	
	<u>2014</u>	<u>2015</u>			
<b>OPEC Reference Basket</b>	<b>60.21</b>	<b>54.19</b>	<b>-6.02</b>	<b>105.35</b>	<b>54.98</b>
Arab Light	60.94	54.95	-5.99	106.19	55.27
Basrah Light	58.63	53.10	-5.53	103.30	53.26
Bonny Light	62.19	56.77	-5.42	110.91	58.37
Es Sider	60.79	55.54	-5.25	108.23	56.62
Girassol	63.28	56.46	-6.82	109.03	58.49
Iran Heavy	59.86	54.86	-5.00	105.33	54.28
Kuwait Export	59.29	53.85	-5.44	104.36	53.62
Marine	61.79	55.36	-6.43	105.25	56.31
Merey	51.74	44.43	-7.31	94.97	47.53
Murban	64.59	57.58	-7.01	108.52	59.20
Oriente	56.71	47.78	-8.93	95.68	50.05
Saharan Blend	61.69	56.34	-5.35	109.57	57.84
<b>Other Crudes</b>					
Brent	61.69	56.54	-5.15	108.67	57.71
Dubai	61.76	56.15	-5.61	105.40	56.61
Isthmus	63.48	55.62	-7.86	101.17	55.98
LLS	63.23	54.69	-8.54	105.18	57.47
Mars	59.41	50.16	-9.25	100.98	53.80
Minas	60.09	51.86	-8.23	109.67	55.66
Urals	62.52	55.84	-6.68	107.25	57.47
WTI	59.81	51.17	-8.64	101.18	52.93
<b>Differentials</b>					
Brent/WTI	1.88	5.37	3.49	7.48	4.77
Brent/LLS	-1.54	1.85	3.39	3.48	0.23
Brent/Dubai	-0.07	0.39	0.46	3.27	1.10

*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.*

The major oil benchmarks dropped sharply over the month. North Sea Dated Brent and Dubai values were down \$5.15 and \$5.61, respectively, while the US light sweet marker WTI was down by a hefty \$8.64. Spot differentials for physical crude related to Brent were again hit over the month, despite a somewhat lesser glut of light sweet crude in the Atlantic Basin as refiners ramped up throughputs to take advantage of lower feedstock prices and a rebound in gasoline demand and better arbitrage economics to move West African grades to Asia. Mideast spot grades were pressured amid an influx of Atlantic Basin crudes into Asia-Pacific. Relatively low light sweet crude prices have boosted Atlantic Basin crudes to Asia, compared to the sour Mideast grades. The Brent/Dubai spread dropped to 45¢/b and flipped to a rare positive. The value of Brent-related West and North African light sweet Basket components, Saharan Blend, Es Sider, Girassol and Bonny Light, decreased by \$5.71 or 9.2% to \$56.28/b in July. Middle Eastern spot components and multi-destination grades deteriorated by \$6.72 and \$5.49 at \$56.47/b and \$54.19/b, respectively. For the Latin American ORB components, Merey was down by \$7.31 or 14.1%, while Oriente plunged by \$8.93 or 15.7%.

On 10 August, the OPEC Reference Basket stood at \$47.32/b, \$6.87 under the July average.



## The oil futures market

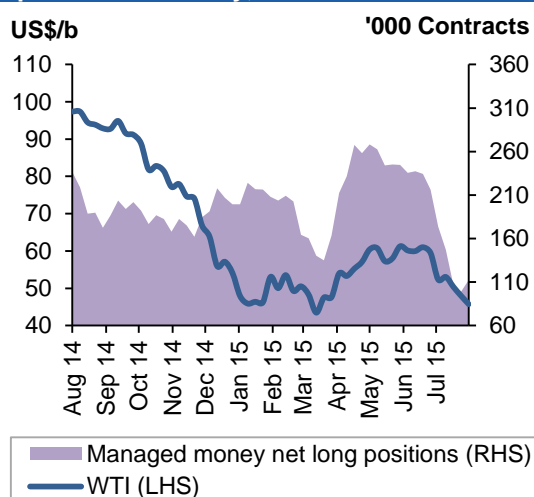
Crude oil futures on both sides of the Atlantic fell to multi-month lows, taking ICE Brent below \$60/b. ICE Brent shed almost \$7 to settle way below \$60/b, while Nymex WTI lost a near sharp \$9 to end just above \$50/b for the month. The aggressive sell-off in oil futures over the month came under pressure from a global crude surplus, rising inventories, and the financial crises in Greece and China, worsened by an indication of slowing Chinese apparent demand growth. Prices also dropped following a deal over Iran's nuclear programme, which will eventually bring an end to sanctions and a rise in Iranian crude oil exports. The slump in US prices followed the first crude stock-builds nationally, and at the WTI pricing hub at Cushing, after eight weeks of decline. US commercial crude stocks recorded their largest weekly build in three months, rising to almost 465 mb at the end of the month. A rise in the US rig count added to the pressure on US crude prices.

ICE Brent settled down \$6.99 or 11% at \$56.76/b. Nymex WTI was a hefty \$8.90 or 14.9% lower at \$50.93/b. Compared to 2014, year-to-date Nymex WTI and ICE Brent were \$39.93 and \$40.49 lower at \$52.98/b and \$58.95/b, respectively.

Crude oil futures prices deteriorated further in the 2nd week of August. On 10 August, ICE Brent stood at \$50.41/b and Nymex WTI at \$44.96/b.

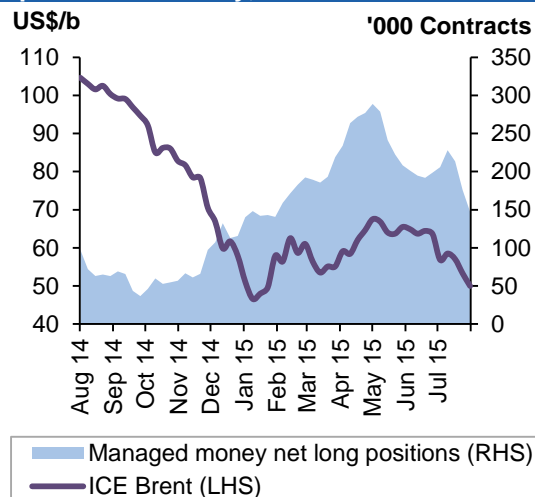
Hedge funds and other money managers were bearish in July as crude prices slipped by more than 10% over the month. WTI net-long positions contracted more than 50% in July, US Commodity Futures Trading Commission (CFTC) data showed. Long positions dropped to a two-year low, while short holdings climbed 55%. Nymex WTI fell by more than 20% from its June high, meeting the common definition of a bear market. CFTC data showed a m-o-m decrease in the net length of money managers in WTI futures and options by a hefty 117,219 lots to 98,933 contracts. Although not as bearish as in the WTI market, speculators also decreased net long positions in ICE Brent futures and options by 22,791 lots to 175,902 contracts m-o-m, InterContinental Exchange (ICE) data showed. On the other hand, total futures and options open interest volume in the two markets increased by 157,052 contracts to 4.91 million lots.

**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.

Daily average traded volume during July for Nymex WTI contracts increased by 23,549 lots to average 659,677 contracts, while ICE Brent daily traded volume rose by 16,493

contracts to 702,463 lots. The daily aggregate traded volume in both crude oil futures markets increased by 40,042 lots to around 1.36 million futures contracts, equivalent to around 1.4 billion barrels per day. The total traded volume in Nymex WTI was up at 15.17 million contracts, while ICE Brent was also higher at 16.16 million lots.

### The futures market structure

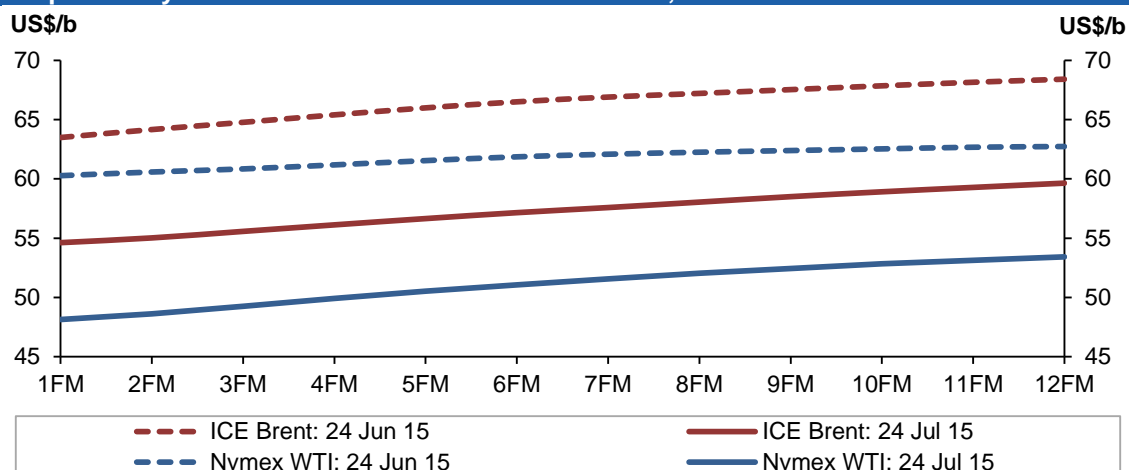
Apart from the WTI market, although all three markets remained in contango, the m-o-m contango eased significantly in July, despite a sharp drop-off in outright prompt prices.

In the Brent market, the contango narrowed by close to 45¢, with (M1-M3) at 90¢/b as regional oversupply appeared to be clearing. Over the month, the Forties terminal was once again able to load VLCCs, following maintenance to a key jetty, enabling exports of the grade to Asia-Pacific to resume. Eastbound Forties shipments cut the grade's prompt cargo discount to future months to its narrowest level in more than two months. Momentary outage of the Buzzard oilfield, which is the single biggest contributor to the Forties crude stream, also supported spot prices of North Sea crudes.

On the other hand, the WTI contango widened almost 20¢, where (M1-M3) increased from 70¢/b to almost 90¢/b, despite very high refinery utilization amid robust refining margins. This was as consecutive weeks of crude stock-draws at Cushing, Oklahoma and the US domestic level, came to an end with builds for four weeks in a row, according to EIA weekly US inventory reports. An increase in imported crude in July also helped in depressing prompt prices relative to forward ones.

Meanwhile, the Middle East crude market structure, represented by Dubai, strengthened significantly over the month with the spread between the second and third months flipping into backwardation toward the end of the month. Aggressive buying by Chinese companies in the Platt's pricing assessment window was the key contributor to this trend. But beyond this, there was no evidence of strength in market fundamentals to support the change as lower margins curbed Asian refiners' demand for incremental barrels, while several refineries also scheduled for coming maintenance. For the month, the Dubai market contango structure narrowed by about 60¢ with (M1-M3) moving from minus 82¢/b to minus 20¢/b.

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



FM = future month.

The WTI discount to Brent increased over the month, albeit with relatively healthy refining economics and higher refinery runs in the US. WTI suffered from a sequential

build in US inventories for the entire month of July. At the same time, the deterioration in Brent prices was relatively capped by decent prompt demand, particularly for arbitrage volume to Asia. The Brent-WTI (transatlantic) spread widened \$1.91/b - from \$3.92/b in June to \$5.83/b in July.

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

<b>Nymex WTI</b>		<b><u>1st FM</u></b>	<b><u>2nd FM</u></b>	<b><u>3rd FM</u></b>	<b><u>6th FM</u></b>	<b><u>12th FM</u></b>
	24 Jun 15	60.27	60.58	60.84	61.86	62.73
	24 Jul 15	48.14	48.61	49.25	51.07	53.43
<b>ICE Brent</b>		<b><u>1st FM</u></b>	<b><u>2nd FM</u></b>	<b><u>3rd FM</u></b>	<b><u>6th FM</u></b>	<b><u>12th FM</u></b>
	24 Jun 15	63.49	64.16	64.77	66.50	68.41
	24 Jul 15	54.62	55.02	55.57	57.15	59.64

*FM = future month.*

## The light sweet/medium sour crude spread

Sweet/sour differentials widened in Europe and on the US Gulf Coast (USGC), while in Asia they narrowed significantly.

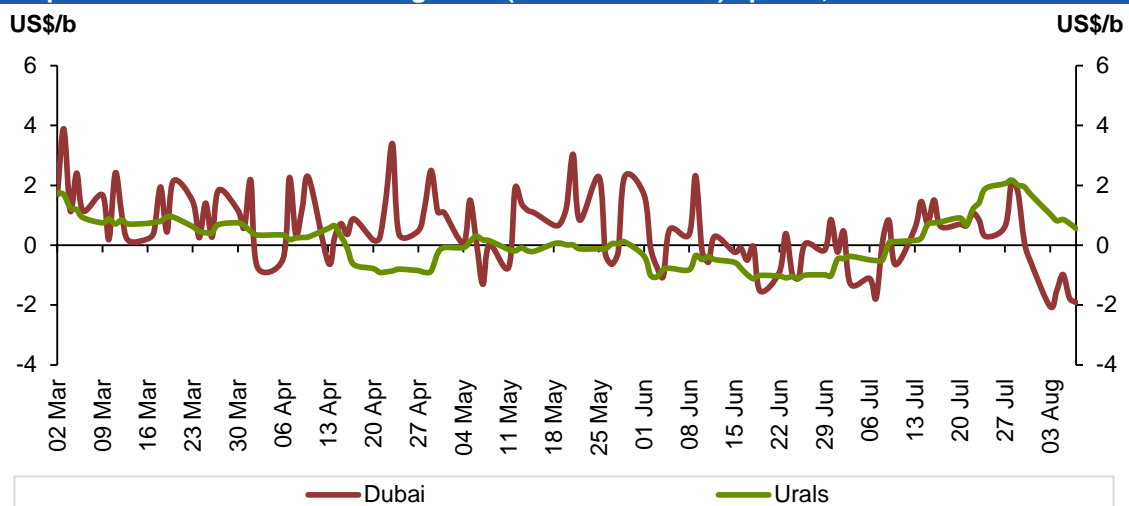
In **Asia**, the sweet/sour spread, represented by the Tapis/Dubai spread, continued its six-month long narrowing trend, but sharply this time, as the Brent/Dubai m-o-m spread flipped to positive, making a sweet grade less expensive than a sour. This led to a flood of arbitrage for light sweet crudes – West African and North Sea crudes – to head East, pressuring similar local grades, such as Tapis. Demand also weakened for Asia-Pacific light sweet grades as buyers refrained from purchases amid falling refinery margins in the region, due to a glut of middle distillates. In contrast, Dubai stayed firm on robust buying interest in Asia, particularly Chinese buying in the Platt's pricing assessment market on close (MOC) mechanism. Over the month, Dubai crude's discount to Tapis dropped by a hefty \$2.40 to \$1.80/b. In January the spread was close to \$7/b. This made Tapis-like grades more attractive to Asian-Pacific refiners than Dubai-related sour crudes.

In **Europe**, the previous month's discount of medium sour Urals to Brent flipped back to the norm in July, with Brent at a significant premium to Urals. Urals came under pressure from lacklustre sour crude demand in Europe. Further pressure came from an increase in supplies of Kirkuk crude from northern Iraq. On the other hand, Brent was supported by the easing light supply glut in the Atlantic Basin and relatively higher demand. The Urals Med premium of 85¢/b in June to Dated Brent flipped to a discount of 70¢/b in July, widening by about \$1.50/b.

On the **US** Gulf Coast, firm demand for light distillate-rich crude, on the back of strong gasoline cracks amid healthy domestic demand, continued to support the light sweet grades, LLS. Over the month, the LLS premium over medium sour Mars widened further by 75¢ to stand at \$4.55/b in July from \$3.80/b in June. Moreover, most of the USGC grades' cash differentials moved up as the Brent premium to WTI strengthened over the month.

## Crude Oil Price Movements

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



## Commodity Markets

The group of energy commodities suffered steep price falls in July, due to the largest drop in oil prices since January. In the group of non-energy commodities, metals experienced broad-based declines for the second consecutive month, due to concerns about demand from China. Meanwhile, in the agriculture group, prices advanced slightly, due to higher food prices. Precious metals suffered sharp declines on rising real interest rates in the US.

### Trends in selected commodity markets

In July, the US dollar rose for the second consecutive month on the confirmation of a rebound in US economic activity in the second quarter and the signalling by US Federal Reserve Officials of the appropriateness of interest rate hikes this year. Meanwhile, the increase in real interest rate expectations during the month translated into a large drop in precious metals. The sell-off in the China stock market and readings of the manufacturing activity in that country suggesting continued slowdown – Manufacturing Purchasing Managers' Index was at 47.8 in July versus 49.4 the previous month – added to concerns about demand in the group of metals.

**Table 2.1: Commodity price data, 2015**

Commodity	Unit	Monthly averages			% Change		
		May 15	Jun 15	Jul 15	May/Apr	Jun/May	Jul/Jun
World Bank commodity price indices (2010 = 100)							
Energy		77.8	76.3	68.8	7.7	-1.9	-9.9
Coal, Australia	\$/mt	60.4	58.8	59.3	4.5	-2.6	0.9
Crude oil, average	\$/bbl	62.5	61.3	54.3	8.6	-1.9	-11.4
Natural gas, US	\$/mmbtu	2.8	2.8	2.8	10.0	-2.4	2.2
Non-energy		85.4	84.3	83.0	0.7	-1.3	-1.6
Agriculture		90.1	90.3	90.7	-0.5	0.3	0.4
Food		91.0	91.0	92.0	-2.3	-0.1	1.2
Soybean meal	\$/mt	389.0	397.0	405.0	-1.5	2.1	2.0
Soybean oil	\$/mt	781.0	793.0	753.0	4.3	1.5	-5.0
Soybeans	\$/mt	389.0	397.0	405.0	-1.5	2.1	2.0
Grains		88.9	88.3	91.0	-3.9	-0.7	3.0
Maize	\$/mt	166.3	166.7	179.6	-3.3	0.3	7.7
Wheat, US, HRW	\$/mt	215.1	209.9	197.4	-3.7	-2.5	-5.9
Sugar, world	\$/kg	0.3	0.3	0.3	2.0	-6.6	3.0
Base Metal		82.4	76.7	72.7	2.2	-6.9	-5.2
Aluminum	\$/mt	1,804.0	1,687.7	1,639.5	-0.8	-6.4	-2.9
Copper	\$/mt	6,294.8	5,833.0	5,456.8	4.2	-7.3	-6.5
Iron ore, cfr spot	\$/dmtu	60.0	63.0	52.0	15.4	5.0	-17.5
Lead	\$/mt	1,991.8	1,829.5	1,763.0	-0.7	-8.1	-3.6
Nickel	\$/mt	13,511.3	12,825.2	11,413.1	5.3	-5.1	-11.0
Tin	\$/mt	15,803.6	15,064.9	15,071.5	-0.6	-4.7	0.0
Zinc	\$/mt	2,281.8	2,082.1	2,000.7	3.1	-8.8	-3.9
Precious Metals							
Gold	\$/toz	1,198.6	1,181.5	1,128.3	0.0	-1.4	-4.5
Silver	\$/toz	16.8	16.1	15.1	3.0	-4.5	-6.4

Source: World Bank, Commodity price data.

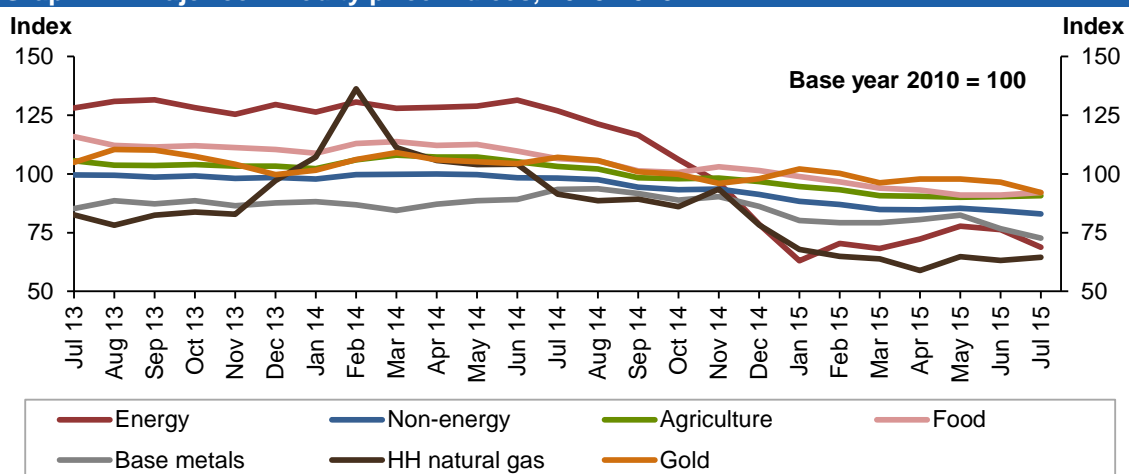
**Agricultural prices** advanced slightly, as rising food prices were offset by price declines seen in the groups of beverages and raw materials. At the beginning of the month, both maize and soybean prices were supported by reports from the US Department of Agriculture, showing lower-than-expected inventory estimations for the current marketing year – 2014/2015 – and by cooler and wet conditions in the producing regions. However, a large share of the gains was reversed at the end of the



month, due to a stronger US dollar and warmer and dryer weather conditions that favoured crop development. In the raw materials group, natural rubber prices were down sharply on larger inventories in China and lower crude oil prices.

In the **metals** group, prices were under pressure, due to the weakness in manufacturing activity in China and the negative effect of investor sentiment concerning the stock market sell-off. These developments outweighed the continuing recovery in the real estate market of that country, where the National Bureau of Statistics reported that prices of newly constructed residential buildings had declined in 34 of the 70 largest cities in June – while either increasing or stabilizing in the remaining 36, versus declines in 43 cities the previous month. Meanwhile, iron ore prices reversed a large share of the gains achieved the previous two months on slowing global steel production, which was reportedly down by 2.4% in June versus the same month last year, according to the World Steel Association.

**Graph 2.1: Major commodity price indices, 2013-2015**



Source: World Bank, Commodity price data.

In the group of **energy commodities**, oil prices experienced a sharp sell-off and gave back a large share of the recoveries achieved since January. Meanwhile, natural gas prices declined in the European Union, where inventories increased significantly to stay at 60.6% of capacity at the end of June versus 47.8% at the end of the previous month – as reported by Gas Infrastructure Europe. Meanwhile in the US, prices advanced as a result of higher demand for power generation, due to higher temperatures, which reduced injections into storage during the month. However, inventory levels remained 22.5% higher than a year ago at the end of July.

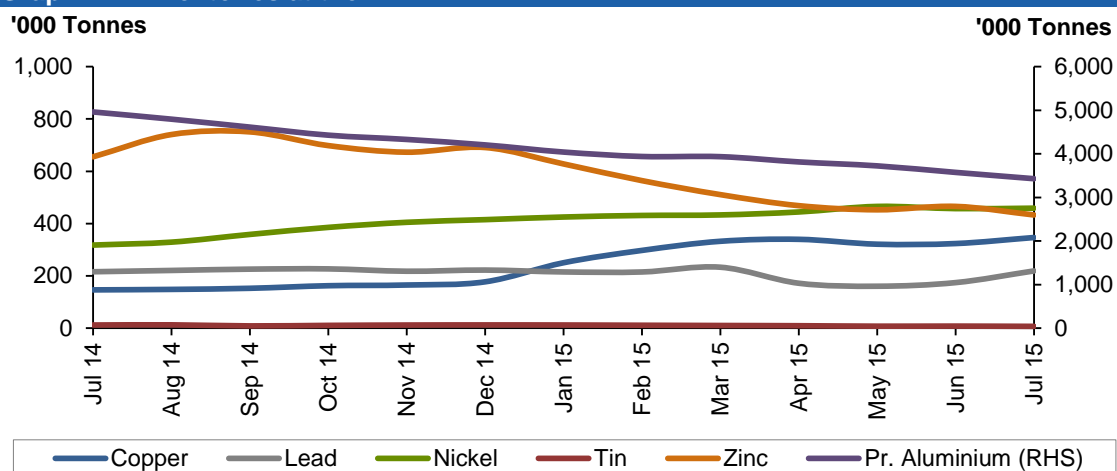
Average **energy prices** decreased by 9.9% m-o-m, mainly due to a 11.4% drop in the price of crude oil. Natural gas prices advanced in the US by 2.2% m-o-m, while average import prices in Europe declined by 4.9%.

**Agricultural prices** increased slightly by 0.4%, due to a 1.2% advance in food, while beverage (cocoa, coffee and tea) and raw materials (timber, cotton, rubber and tobacco) prices decreased by 0.1% and 1.3%, respectively. Maize and soybean prices advanced by 7.7% and 2.0%, respectively, on lower-than-expected US inventories, while winter wheat decreased by 5.9% on the near-completion of the US harvest. Natural rubber prices declined by 8.6%.

Average **base metal prices** decreased sharply by 5.2%, with declines seen among all group components, with the exception of tin. Aluminium, copper, lead and nickel extended their declining trend for the second consecutive month, with prices falling by 2.9%, 6.5%, 3.6% and 11.6%, respectively, on concerns about demand in China. Meanwhile, average iron ore prices reversed the rebound of the previous two months, due to lower global steel output.

**Precious metals** experienced their largest decline since September 2014, with gold prices decreasing by 4.5% on the prospect of increasing interest rates in the US, while silver prices declined by 6.4% m-o-m.

**Graph 2.2: Inventories at the LME**



Sources: London Metal Exchange and Thomson Reuters.

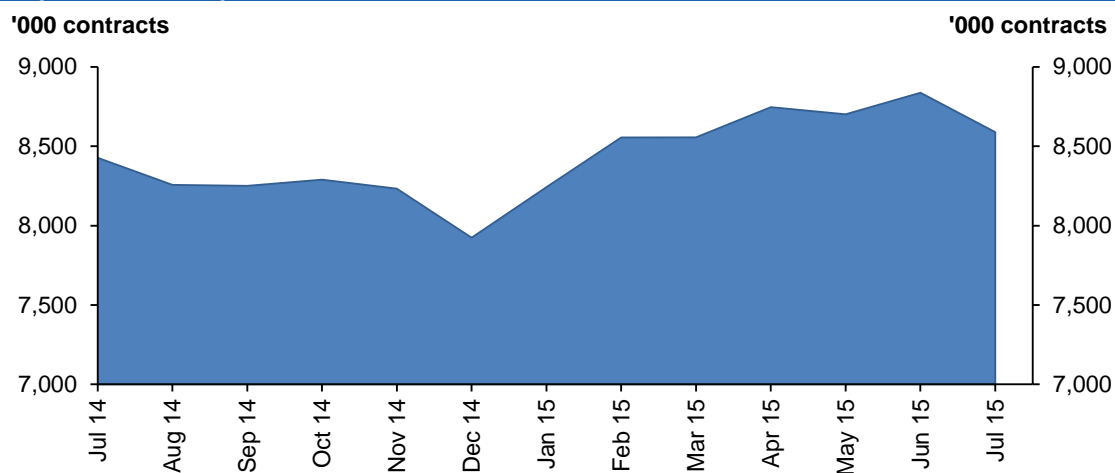
In July, the **Henry Hub natural gas** price increased after smaller storage builds, due to higher power sector demand. The average price was up by 6¢ or 2.2% to \$2.83 per million British thermal units (mbtu) after trading at an average of \$2.77/mbtu the previous month.

The US Energy Information Administration (EIA) reported utilities put 32 billion cubic feet (bcf) of **gas into storage** during the week ending 31 July. This was below market expectations of a 42 bcf increase. Total gas in storage stood at 2,912 bcf, which was 22.5% higher than the previous year at the same time and 2.2% higher than the previous five-year average. One month ago, the figure was 1% below that average. The EIA noted that, during the reported week, temperatures were warmer, compared with both the previous year and the 30-year average.

## Investment flows into commodities

**Open interest volume (OIV)** in selected US commodity markets increased in July for crude oil and precious metals, while it declined for agriculture, natural gas, copper and livestock. Meanwhile, speculative net length positions advanced in agriculture and natural gas – with a reduction in net short positions, but they declined for the other reported groups.

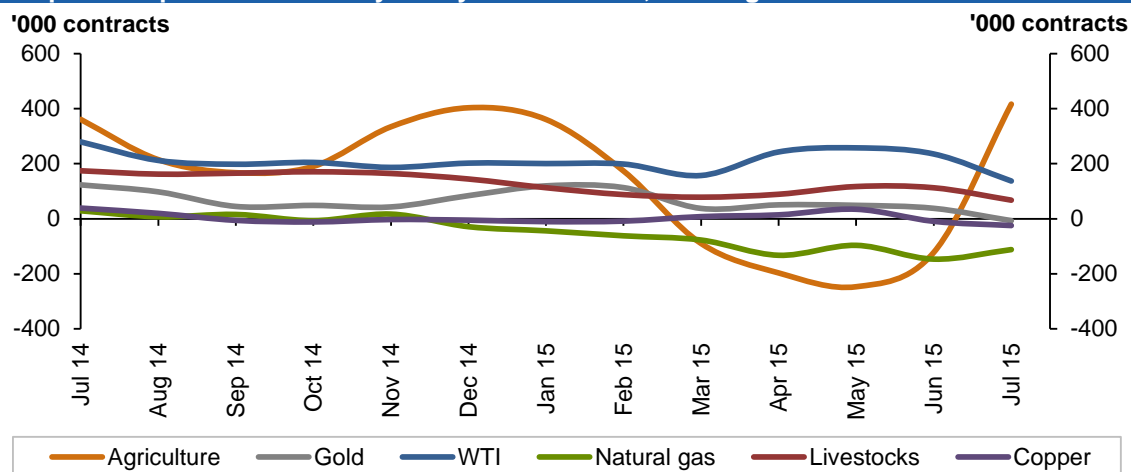
**Graph 2.3: Total open interest volume**



Source: US Commodity Futures Trading Commission.

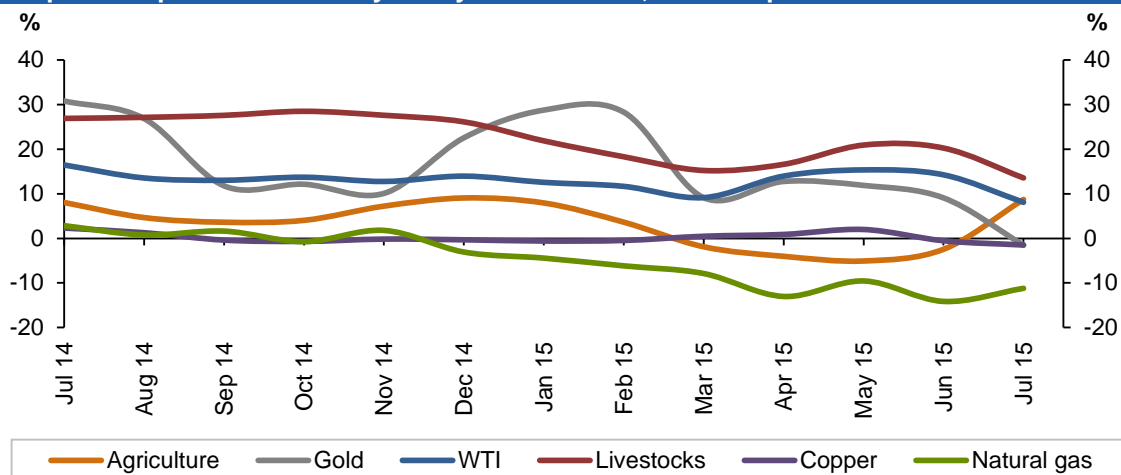
**Agriculture's OIV** declined by 4.5% m-o-m to 4,775,004 contracts in July. Meanwhile, money managers switched to a net long position of 416,577 lots – from a net short position of 122,224 contracts in June, mainly due to a large reduction in short positions in maize, as a result of lower projected inventories for the current marketing year.

**Graph 2.4: Speculative activity in key commodities, net length**



Source: US Commodity Futures Trading Commission.

**Henry Hub's natural gas OIV** decreased by 3.6% m-o-m to 999,508 contracts in July. Money managers decreased their net short positions by 23.7% to a total of 111,398 lots. EIA reports indicated lower injections into storage, due to higher power sector utilization, although inventories remained higher than last year.

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

Source: US Commodity Futures Trading Commission.

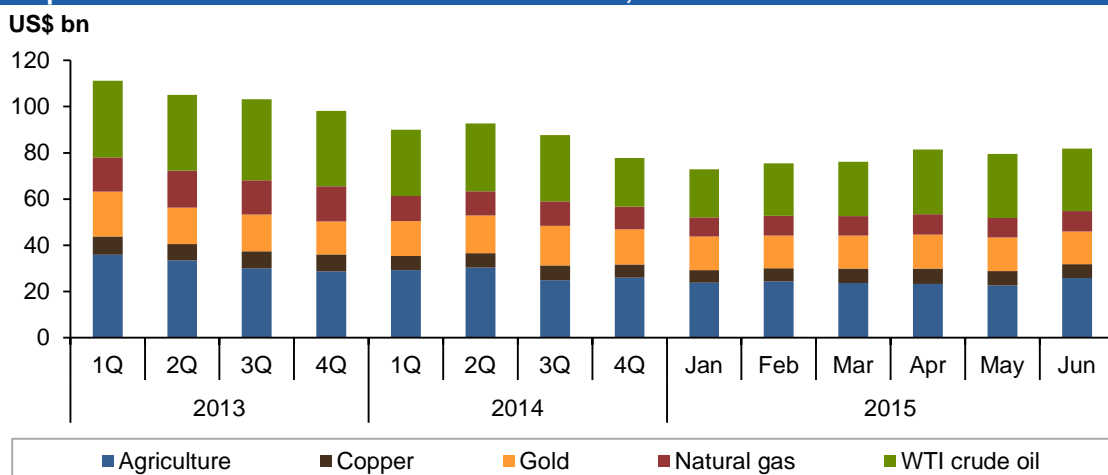
**Copper's OIV** decreased by 4.9% m-o-m to 164,555 contracts in July. Money managers increased by 1.6 times their bearish net short positions to 24,567 lots from 9,292 lots the previous month on renewed concerns about slowing demand in China.

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

	Open interest		Net length			
	Jun 15	Jul 15	Jun 15	% OIV	Jul 15	% OIV
Crude oil	1,653	1,697	235	14	137	8
Natural gas	1,037	1,000	-147	-14	-112	-11
Agriculture	4,998	4,775	-122	-2	417	9
Precious metals	610	644	44	7	-19	-3
Copper	173	165	-9	-5	-25	-15
Livestock	557	499	113	20	68	14
<b>Total</b>	<b>9,028</b>	<b>8,780</b>	<b>114</b>	<b>1</b>	<b>466</b>	<b>5</b>

Source: US Commodity Futures Trading Commission.

**Precious metals OIV** increased by 5.6% m-o-m to 644,052 contracts in July. Money managers switched to a net short position of 19,126 lots on the US economic outlook. It is the first time that speculators have held a net short position in the reported CFTC data.

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

Source: US Commodity Futures Trading Commission.

## World Economy

The global economic growth forecast remains unchanged at 3.2% for 2015 and 3.5% for 2016. The OECD is forecast to grow by 2.1% in 2016, higher than this year's 2.0%. China is expected to further slowdown next year to 6.5% from 6.9% in 2015, while India is forecast to reach 7.7% growth in 2016, compared to 7.5% in 2015. While both Russia and Brazil are facing numerous challenges in both the current year and 2016, they are forecast to move out of recession. Upside potential to next year's forecast is mainly coming from the OECD economies and, to some extent, from India. Downside risk, however, seems to currently outweigh the potential to the upside slightly. Among the most important issues that need to be considered is the combination of the Euro-zone's debt issues, the likelihood of an interest rate hike in the US and growing concerns about the economic consequence of overcapacity in China. Moreover, it remains to be seen to what extent Japan will be able to balance its fiscal necessities with its growth ambitions. Also, the slow-down in China may not only affect growth domestically, but may have further negative effects on its trading partners. Furthermore, ongoing geopolitical issues across the globe will need close monitoring, as well.

**Table 3.1: Economic growth rate and revision, 2015-2016, %**

	World	OECD	US	Japan	Euro-zone	China	India	Brazil	Russia
<b>2015*</b>	<b>3.2</b>	<b>2.0</b>	<b>2.4</b>	<b>1.2</b>	<b>1.3</b>	<b>6.9</b>	<b>7.5</b>	<b>-1.3</b>	<b>-2.8</b>
Change from previous month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	0.0
<b>2016*</b>	<b>3.5</b>	<b>2.1</b>	<b>2.6</b>	<b>1.2</b>	<b>1.5</b>	<b>6.5</b>	<b>7.7</b>	<b>0.7</b>	<b>0.9</b>
Change from previous month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0

\*Forecast.

## OECD

### OECD Americas

#### US

The US economy is showing signs that it is gradually continuing to expand. **Major revisions to GDP** have taken place by the Bureau of Economic Analysis (BEA) for the past three years and while the growth trend has not materially changed, there are some remarkable revisions that are worth highlighting. First, yearly growth in 2013 has been revised down by a large magnitude from 2.2% previously to only 1.5%. This highlights the ongoing weak GDP growth pattern since 2010. Average US GDP growth stood at 2.1%, much lower than the pre-crisis level of around 2.5% on average. Since 2011, average yearly growth has reached only 1.9%. Another important observation within the revision is that this year's first-quarter growth was revised into positive territory, from a decline of 0.2% q-o-q seasonally adjusted annualized rate (SAAR) to growth of 0.6% q-o-q SAAR. Moreover, the strong contraction in last year's first quarter was also revised upwards to -0.9% from -2.1% previously. 2Q15 GDP growth was reported at 2.3% q-o-q SAAR, much better than the first quarter. Given the rebound in the past years after a weak first half, growth in the remainder of the year is forecast at 3%.



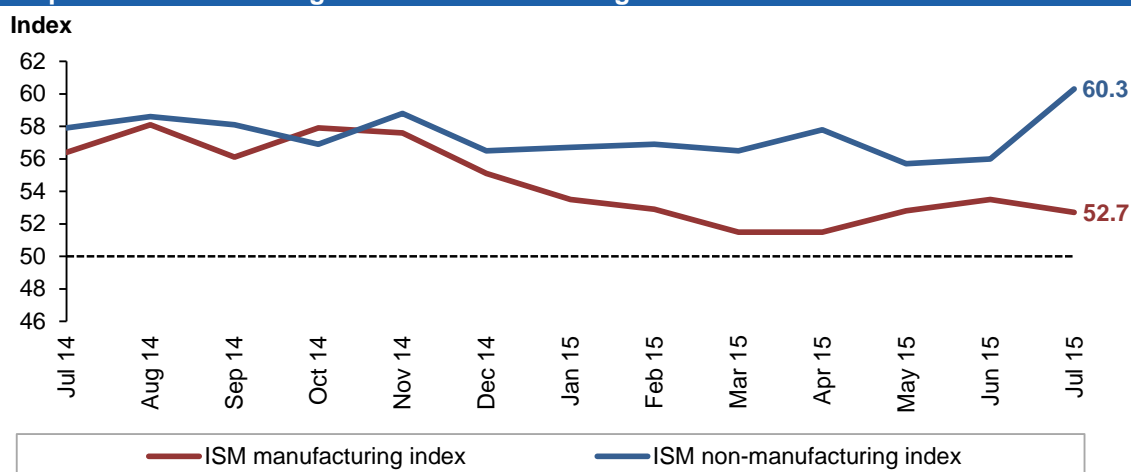
While these revisions are remarkable changes to previous GDP numbers, the full-year 2014 growth has not changed, and the forecast for 2015 is also unaffected so far. However, the most important key take-away is that the past year's growth pattern was patchy and this trend is not expected to materially change for the current year or 2016, despite significant improvements having materialised in the past years. As highlighted in the past, some factors point to a potential structural change in the US economy. Falling productivity and a below historical average participation rate in the labour market point to the possibility of an extended period of sub-par growth. Hence, while positive surprises may not be ruled out, past years' economic growth pattern has demonstrated that the economy may have lost some of its strength and the recovery will probably take a while longer.

With regard to current and future developments, the ongoing improvements, especially in the labour market, may be of importance, since they are expected to lead the Fed to hike interest rates in the coming months. Some uncertainty remains and probably more evidence will be needed that the recovery in the labour market is sustainable. Another important factor the Fed will consider is inflation, which is hovering around 0% and therefore too low for an aggressive interest rate-raising cycle. But excluding energy and food, the level is at a healthy 1.8% y-o-y, which may be enough support, given that commodity price declines may have less of an impact in coming months.

Labour **market indicators** were mixed in July. The unemployment stayed at 5.3% in July, the same level as in June. Non-farm payrolls increased by 235,000, after a slightly upward revised 226,000 in June. Capex reductions in the energy sector were ongoing, leading to a further reduction of jobs in the sector, albeit at a moderate level. Jobs in mining and logging have fallen by 77,000 since the beginning of the year, but the situation seems to be improving with only 4,000 jobs lost in July. The share of long-term unemployed remained at a relatively low point, but moved up from 25.8% in June to 26.9%.

With the improvements witnessed in the labour market in the past months, **consumer confidence** has also improved. In July, however, the level traced back significantly to 90.9 from 99.8 in June, its steepest decline since August 2011. The **purchasing manager's index (PMI)** for the manufacturing sector, as provided by the Institute of Supply Management (ISM), also fell slightly in July - to 52.7 from 53.5. The also important ISM for the services sector, which contributes more than 70% to the economy, increased to 60.3 from 56.0 in June.

**Graph 3.1: Manufacturing and non-manufacturing ISM indices**



Sources: Institute for Supply Management and Haver Analytics.

While the **GDP growth forecast** for 2015 remains at 2.4%, it remains to be seen if the economy will deliver an average growth rate of 3.0% for the remainder of the year as many uncertainties, not only domestically, but also in the global economy, prevail. The 2016 growth forecast is pointing toward slightly higher growth, which may reach 2.6%, also unchanged from the previous month.

### Canada

In **Canada**, the slow-down of the US economy and declining income from the energy sector has been felt considerably and even slightly more than previously anticipated. Given the challenges in the resource sector, mining, oil and gas extraction - growth declined by 6.2% y-o-y in April and by 5.9% y-o-y in May, the latest available number - the GDP forecast for 2015 has been revised down slightly again to now stand at 1.5%, compared to 1.6% in the previous month. Growth in the coming year is expected to be only slightly higher at 2.0%, unchanged from last month.

## OECD Asia-Pacific

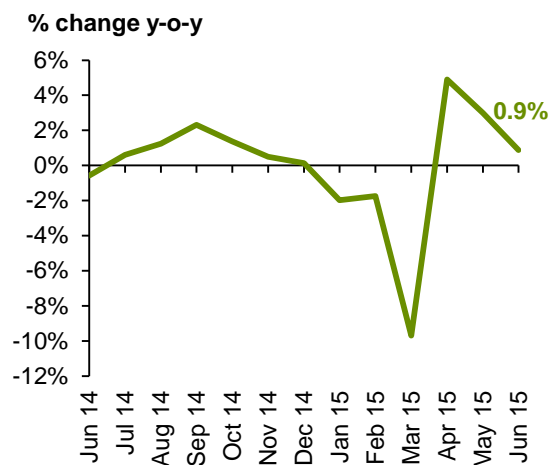
### Japan

Japan's economy continues to show a stable, yet low-growth pattern. Exports are improving again, while domestic demand has become sluggish. However, uncertainty remains, which is also being highlighted by the ongoing wide range for 2015 growth forecasts. While the range narrowed a bit this month it remains wide – from 0.5% to 1.4%. For 2016, the GDP growth range is between 1.0% and 2.4%. Most recent actual numbers and lead indicators have pointed to a continuation of the recovery from last year's recession. However, it seems the magnitude of the recovery remains uncertain to some extent. It is also important to note that a major supporting factor for the strong 1Q15 GDP growth of 3.9% SAAR q-o-q came from investments. Hence, it is not entirely clear how sustainable this GDP growth level will be. Some observers even expect negative growth for the upcoming second quarter numbers.

Domestic demand, which has picked up this year, recently slowed. Moreover, **inflation** has also come down again significantly. While due to last year's sales tax increase it was well above 2% for the past months, it rose by only 0.4% in June, the latest available number. This is the lowest level in four months. Even when excluding the volatile items of food and energy, inflation stood at only 0.5%. Importantly, China is also slowing and, given its weight as Japan's most important trading partner in Asia, this trend will continue to impact the economy. Positive momentum could, however, come from the expected rebound in the US and a continued recovery in the Euro-zone.

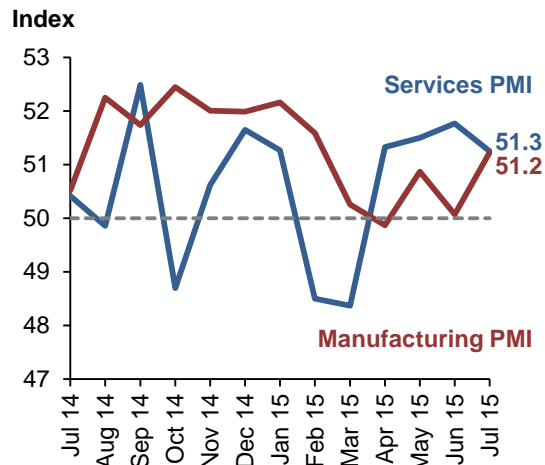
The current weakness in domestic demand has been overcome in May and April, after months of declining **retail sales**. However, lately in June, growth rates have again slowed. In April, retail sales grew by 4.9% y-o-y, in May they expanded by 3.0% y-o-y, while in June the growth rate stood at just 0.9%. **Exports** – as another important growth driver in Japan's economy - increased by 9.5% in June, after a rise of 2.4% in May. **Industrial production** recovered in June to 1.7% y-o-y from the sluggish levels of 0.1% y-o-y in April and -3.9% y-o-y in May.

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, point to some strengthening in the manufacturing sector in July. It recovered to 51.2 from 50.1 in June. The very important services sector, however, slowed down somewhat to 51.3 from 51.8 in June.

Given that the signs of improvement in the economy are stabilising, the 2015 **GDP growth forecast** remains unchanged at 1.2%. The 2016 forecast also remains at 1.2%, but it is obvious that, given the recently mixed economic indicators, uncertainties prevail.

## South Korea

The **South Korean economy** has decelerated over the last months, impacted by slowing exports and domestic demand. But it seems to have since stabilised. Industrial production rebounded and expanded by 1.2% y-o-y in June, after only growing by 0.2% y-o-y in May. Importantly, exports also strongly recovered in June and July, when they rose by 6.7% y-o-y and 8.7% y-o-y, respectively, after four consecutive months of decline. Given the current weakness, the PMI numbers for the manufacturing sector remain very low. The PMI for July stood at 47.7, but improved compared to June, when it stood at only 46.1. To fully accommodate the recent weakness, the 2015 GDP growth forecast has been revised down slightly to 2.7% from 2.8% in the previous month. The 2016 growth forecast has been lowered by 0.1%, from 2.9% to 2.8%.

## OECD Europe

### Euro-zone

While the situation with Greece and the final outcome of the endless negotiations with its EU-partners remain unclear, output measures for the Euro-zone continue improving. Some burden-sharing will, however, take place and some debt of Greece will very likely be written off, independent of the outcome of the final negotiations. For the time being, a default is not been considered in the Euro-zone's growth forecast, but some effect from the current discussions has been included in the growth assumption. Moreover, the situation in Greece may also further impact the still fragile banking sector in the Euro-zone. Furthermore, it may dent consumer sentiment to some extent, leading to lower consumer spending. It may also keep inflation at a low level – together with weakening commodity prices - despite the quantitative easing measures of the European Central Bank (ECB).

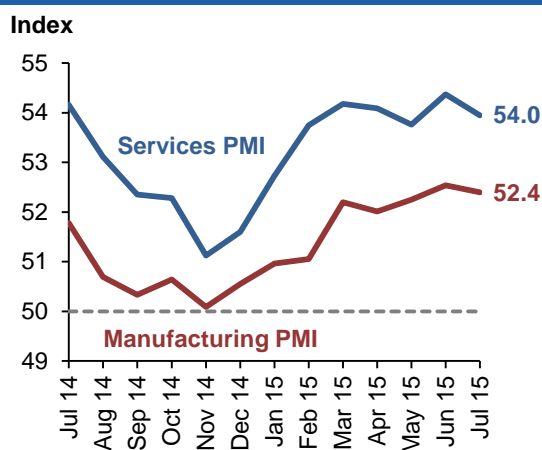
The positive underlying momentum so far has been reflected in the latest industrial production number, which increased by 1.3% y-o-y in May, 0.7% y-o-y in April and 1.9% y-o-y in March. The capacity utilisation rate remained at a considerable level of 81.1% in 3Q15, after 81.2% in 2Q15. Moreover, retail trade performed well, with yearly growth rates of 2.6% y-o-y in May and 2.5% y-o-y April, while the latest available indicator from June stood at a lower 1.3% y-o-y.

While the **ECB** is continuing with its liquidity programme, inflation has not managed to rise. It remained at only 0.2% y-o-y in July, the same level as in June. Positively, core inflation – excluding energy and food – rose slightly in July to 0.9% y-o-y from 0.8% y-o-y in June. Also, the support of the ECB for credit lending appears to continue to be improving. After three years of decline, loan growth was positive for every month in the current year. In June, it posted the highest growth rate of 1.2%.

While some modest improvements have become apparent, the legacies of the global financial crisis are still present in the Euro-zone, not only for Greece, but for the whole economic region. The average level of general consolidated **government debt** compared to the SAAR of GDP has been growing over the last several years. After a level of 92.0% in 4Q14, it even moved to 92.9% in 1Q15. Moreover, the labour market continues to be challenging with an unemployment rate of 11.1% in June.

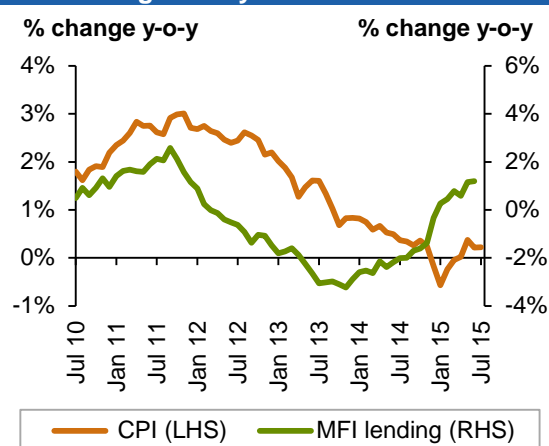
Some improvements are visible in the **PMI indicators**. The latest manufacturing PMI remained almost steady at 52.4 in July, only slightly below June's reading of 52.5. Importantly, the PMI for the important services sector stood at 54.0 in July, compared to 54.4 in June.

**Graph 3.4: Euro-zone PMI indices**



Sources: Markit and Haver Analytics.

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



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

The recovery in the Euro-zone continues slowly, but uncertainties remain. Considering this uncertainty, the 2015 growth forecast remains unchanged at 1.3%. Growth in 2016 is forecast at an unchanged 1.5%.

## UK

Growth in the UK has picked up in the second quarter, based on the preliminary government assessment. GDP grew by 0.7% q-o-q in 2Q15, after a 1Q15 growth rate of 0.4% y-o-y. While growth is forecast to remain firm this year and in 2016, the rising sovereign debt level is an element that probably will need closer monitoring in the coming year. Some strengthening in the economy has been confirmed also in the latest PMI number for the manufacturing sector, which stood at 51.9 in July, after 51.4 in June. The services sector PMI stood at 57.4 in July, compared to 58.5 in June. GDP growth this year seems to be well supported. It is forecast – unchanged from last month – at 2.5% for both 2015 and 2016.

## Emerging and Developing Economies

In **Brazil**, the latest official confirmation is that the government is reducing its budget goals for this year as a shrinking economy eats into its tax revenue. Together with political obstacles to proposed fiscal reforms and risks to the country's credit rating, along with external challenges of negative spillovers from China's slowdown and the US Fed interest rate increase expected in the coming months, the outlook for Brazil's economic growth has been revised down further this month. Its GDP is anticipated to contract by 1.3% in 2015, before slightly improving by 0.7% in 2016.

In **Russia**, monthly GDP growth data from the Ministry of Economic Development suggests that the economy contracted by 4.2% y-o-y in June, bringing the 2Q drop to 4.4% y-o-y. Major macroeconomic indicators demonstrate further economic deceleration. Real GDP growth anticipations remain intact this month. The country's GDP is forecast to contract by 2.8% y-o-y in 2015, while the forecast for 2016 points to growth of 0.9%.

In **India**, policy adjustments to address macroeconomic imbalances have improved flexibility considerably since 2013. Continued fiscal adjustment, a return to positive real rates that has lifted the currency, and a plunge in oil prices have reduced the current account deficit, while a defensive FX reserve has been rebuilt. Still, inflation remains elevated and fiscal reform efforts have been slow in coming. The landmark goods and services tax (GST) reform now looks to be pushed out by another year, while controversial land acquisition reform appears too hot to handle and risks are for further delays and a scaling back in scope. Falling crude oil prices and a productive monsoon season have trimmed inflation risks, raising the risk of another rate cut before year-end.

**Chinese** economic growth remained stable at 7% y-o-y for the second consecutive quarter, in 2Q, surprising on the upside. But generally, the slowdown in growth this year has been a negative factor for the Emerging Markets (EMs). For countries with close trade links to China, there has been direct pressure on export volumes. China's slowdown has also contributed to sharp drops in commodity prices, weakening the terms of trade of commodity-exporting EM countries. Moreover, with the stock market having gone from boom to bust in the last month, the financial sector will likely become a drag on growth in 3Q, having been responsible for around a third of nominal GDP growth in 1H. The recent sell-off in the Chinese equity market has added to concern about a potential deceleration in the Chinese economy, which slowed earlier this year. With China now accounting for more than a third of global GDP growth, it is natural to worry about spillovers to other economies.



**Table 3.2: Summary of macroeconomic performance of BRIC countries**

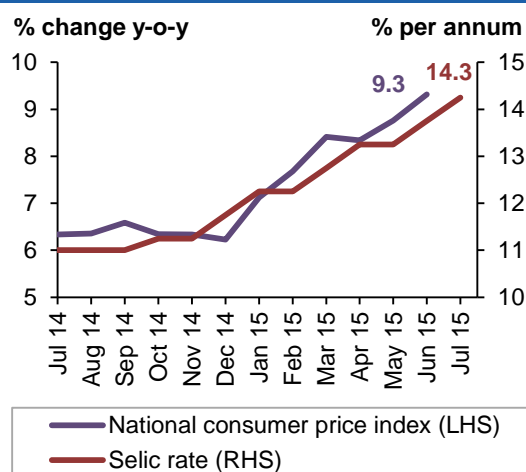
	GDP growth rate		Consumer price index, % change y-o-y		Current account balance, US\$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
<b>Brazil</b>	-1.3	0.7	8.8	5.9	-74.7	-70.9	-6.4	-4.6	65.1	66.0
<b>Russia</b>	-2.8	0.9	14.5	6.5	67.3	58.8	-3.6	-2.5	13.4	15.2
<b>India</b>	7.5	7.7	5.9	6.1	-34.3	-48.4	-4.0	-3.8	49.6	47.9
<b>China</b>	6.9	6.5	1.5	2.2	381.9	350.8	-2.5	-2.8	16.7	18.5

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

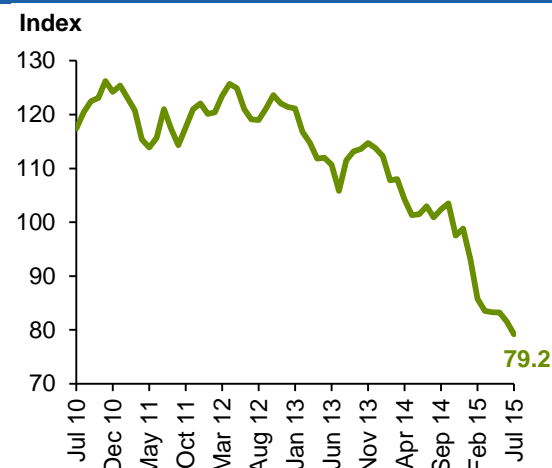
\*Forecast.

## Brazil

The central government's **budget deficit** last month was bigger than most market expectations. The primary deficit stood at around 9.3 billion reais in June, according to the central bank. This followed a deficit of 6.9 billion reais in May. The government pledged to reverse last year's deficit via adopting fiscal austerity measures. However, a slowing down of economic activities, coupled with domestic political challenges, has forced the government to reduce its fiscal target for this year from a primary surplus of 1.1% of GDP to just 0.15%. The primary deficit over the past 12 months was 0.8% of GDP. In response to recent budget hurdles, the ratings agency, Standard & Poor's, has cut its outlook on Brazil's sovereign debt to negative from neutral.

**Graph 3.6: Brazilian inflation vs. interest rate**

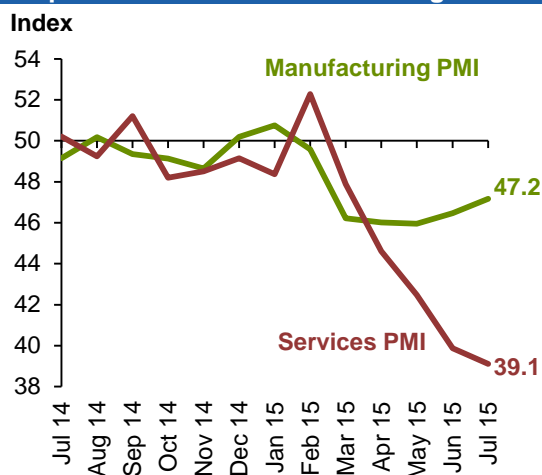
Sources: Banco Central do Brasil, Instituto Brasileiro de Geografia e Estatística and Haver Analytics.

**Graph 3.7: Brazilian consumer confidence index**

Sources: Fundação Getúlio Vargas and Haver Analytics.

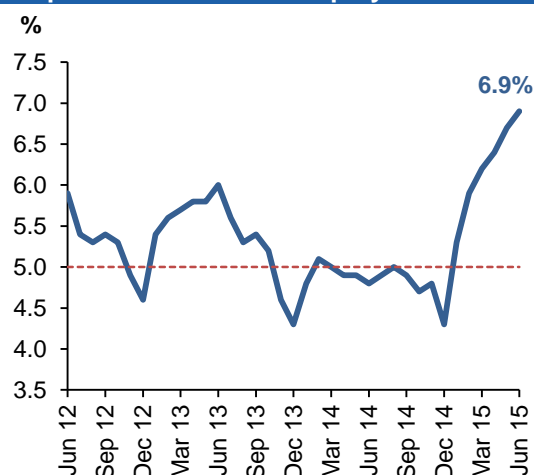
**Inflation** increased for the seventh month in a row to 9.3% y-o-y in June. This marked the highest increase in consumer prices since December 2003 and more than doubled the mid-point official target rate. Inflation has been on the rise since January when the government initiated a number of austerity measures and tax increases aimed at balancing the overall budget. The new taxes have raised the prices of basics like electricity, bus fares and gasoline. Aiming at taming inflation, the central bank increased its benchmark **interest rate** for the eighth time in 10 months. The Selic rate increased to its highest level since August 2006 at 14.25% in July, from 13.75% in June. As a result of the continued increase in both inflation and interest rates, the **consumer confidence index** registered another record-low reading in July for the seventh consecutive month. The index posted 79.2 in the month, from 81.5 in June.

Graph 3.8: Brazilian manufacturing PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.9: Brazilian unemployment rate

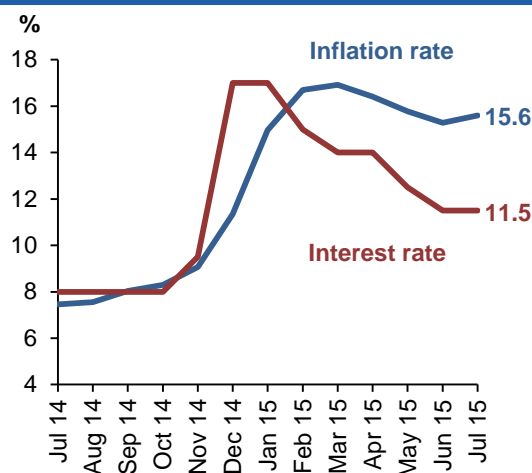


Sources: Instituto Brasileiro de Geografia e Estatística and Haver Analytics.

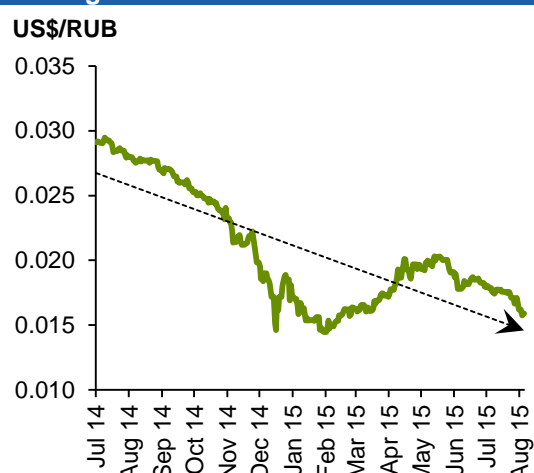
The **unemployment rate** increased in June for the sixth month in a row, posting a figure of 6.9%. It was the highest rate since June 2010. In June 2014, Brazil's unemployment was recorded at 4.8%. The **manufacturing sector** saw real sales drop by 10.1% y-o-y in May as retail trade headline figures deteriorated by 4.5% in May. For the sixth month running, the manufacturing PMI indicated deterioration in business conditions. The index posted 47.2 in July, compared with 46.5 in June on a further contraction in new orders and production. The latest official confirmation is that the government is reducing its budget goals for this year as a shrinking economy eats into its tax revenue. Together with political obstacles to proposed fiscal reforms and risks to the country's credit rating, along with external challenges of negative spillovers from China's slowdown and the US Fed interest rate increase expected in the coming months, the outlook for Brazil's economic growth is revised down further this month. The country's GDP is anticipated to contract by 1.3% in 2015, before slightly improving by 0.7% in 2016.

## Russia

On the weakening of the **ruble** to beyond 60 per dollar for the first time since March, the central bank suspended late last month replenishing its foreign currency reserves which was launched in mid-May after the rebound in ruble to around 49 per dollar. The currency ended July lower by 4.9% from the previous month. **Inflation** continued to trend downwards in June for the third consecutive month, posting 15.3% y-o-y from 15.8% a month earlier. A sustained depreciation in the ruble could threaten putting inflation onto an ascending path. At the beginning of this month, the central bank cut its benchmark **interest rate** for the fifth time this year. The one week auction rate was lowered by 50 bp to 11.0%. The current easing cycle has brought interest rates down by 6 percentage points since the beginning of the year.

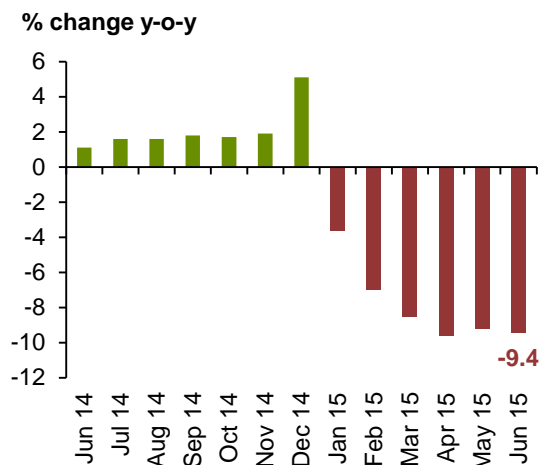
**Graph 3.10: Russian inflation vs. interest rate**

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

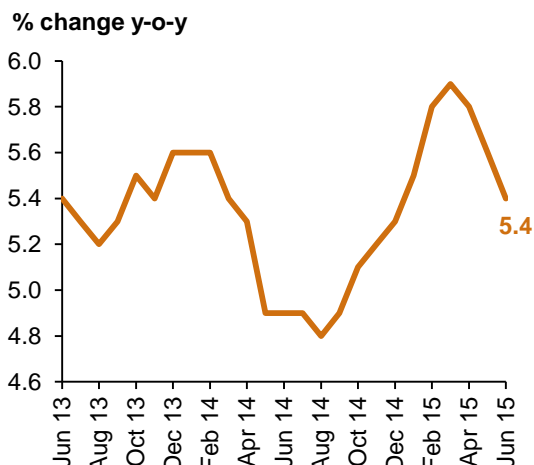
**Graph 3.11: Russian ruble and US dollar exchange rate**

Source: Thomson Reuters.

**Retail sales** contracted for the sixth month in a row in June, falling by 9.4% y-o-y from a drop of 9.2% in May. This slack domestic demand is expected to cap inflation growth in the coming months. The **unemployment rate** eased for the third month this year in June to 5.4% y-o-y, from 5.6% in the previous month on possibly increased demand for seasonal agricultural and construction jobs. It was the lowest reading since December 2014 and below market expectations. The **manufacturing sector** continued slowing in July with the manufacturing PMI remaining in contractionary territory. The survey indicated a fall in manufacturing output for a third successive month with a decline in orders for investment goods. The index slipped to 48.3 in July, down from 48.7 in June.

**Graph 3.12: Russian retail sales**

Sources: Federal State Statistics Service and Haver Analytics.

**Graph 3.13: Russian unemployment rate**

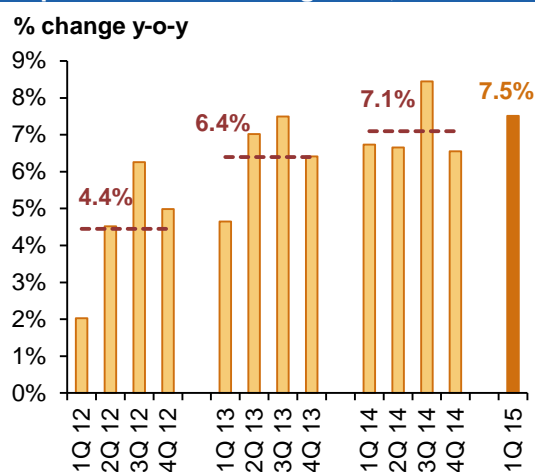
Sources: Central Bank of the Russian Federation and Haver Analytics.

Monthly **GDP** growth data issued by the Ministry of Economic Development suggested that the economy contracted by 4.2% y-o-y in June, bringing 2Q drop to 4.4% y-o-y. Major macroeconomic indicators demonstrated a further economic deceleration. Real GDP growth anticipations remain intact this month. The country's GDP is forecast to contract by 2.8% y-o-y in 2015, while the forecast for 2016 points to growth of 0.9%.

## India

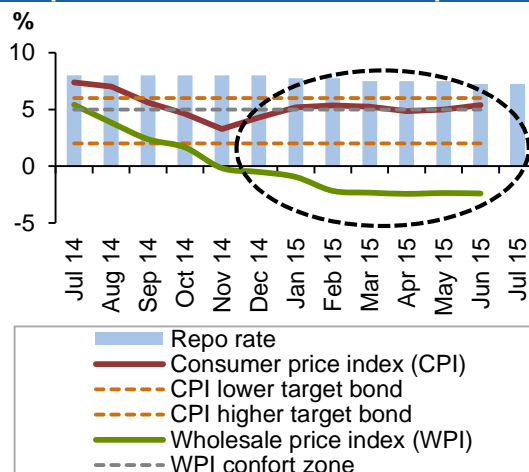
India's monthly indicators continue to give mixed signals about the state of the economy. It seems the latest trends suggest that growth slowed noticeably in 2Q15. Manufacturing PMI dipped close to the expansion/contraction threshold and industrial output growth was quite modest in May. However, indirect tax collection, such as the goods and services tax (GST), an alternative guide to manufacturing activity, grew strongly in 2Q, though this most likely reflected higher tax rates, rather than a turnaround in manufacturing. On the positive side, the government is pursuing supportive macro-policy measures to engineer a revival in 4Q, pushing overall growth to 7.5% in 2015 – measures such as a repo rate cut by RBI from 8.00% to 7.25% this year and higher tax collections, which are positive for investment in the fiscal 2016 budget. On the negative side, inflation risk, disappointing progress on reform and large capital outflow and currency weakness, persist as a group of downward risks.

**Graph 3.14: Indian GDP growth, SAAR**



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

**Graph 3.15: Indian inflation vs. Repo rate**



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

The **Consumer price index (CPI)** accelerated to 5.4% y-o-y in June from 5.0% in May, printing meaningfully above market expectations and slightly above the central bank's projected trajectory at its June review. India's **wholesale price index (WPI)** contracted by 2.4% y-o-y in June, with the magnitude of deflation remaining unchanged from the previous two months, despite a marginally smaller decline in oil prices.

Unlike consumer price inflation, which is now on a rising trend, wholesale prices remained depressed, largely because of still weak global oil prices. The contracting WPI, particularly for manufactured products, is clearly a sign of still weak demand and is being taken into account by the Reserve Bank of India (RBI).

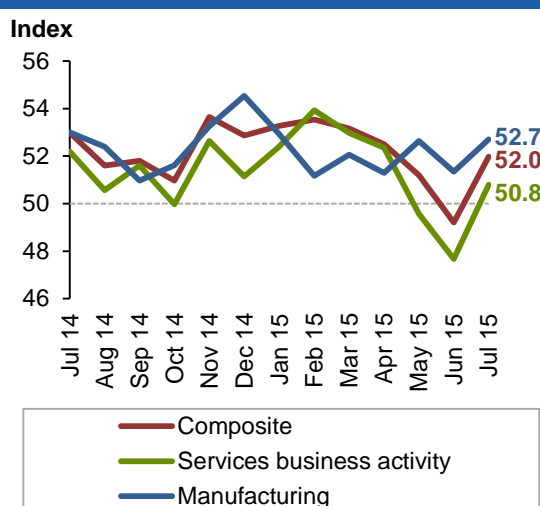
However, the RBI, India's central bank, kept its **policy rate** on hold at 7.25% on 4 August, in line with IHS expectations, but left the door open for additional easing in the coming months. As anticipated, the sharp uptick in retail inflation in June became a decisive factor in favour of a pause, particularly as price pressures appeared to be broad-based, with non-food and non-fuel inflation exceeding headline inflation through April–June.

On a positive note, the RBI pointed to better-than-expected monsoon rains so far, as well as the welcome increase in planting of staple grains and the government's current proactive food supply-management policies - factors that should keep inflation contained in the coming months. Among other important developments, the RBI

indicated a tentative pick-up in consumer demand and private credit, ample liquidity conditions and a comfortable balance of payments position that should serve as a buffer against any adverse global shocks. While keeping rates on hold at this time, it strongly indicated that the policy stance remained accommodative, with the timing of a future cut depending on inflation developments beyond the strong base effects, fuller transmission of earlier RBI rate cuts into banks' lending rates, government progress with the ongoing supply-side reforms, and the US Federal Reserve's expected policy tightening and its impact on global financial markets.

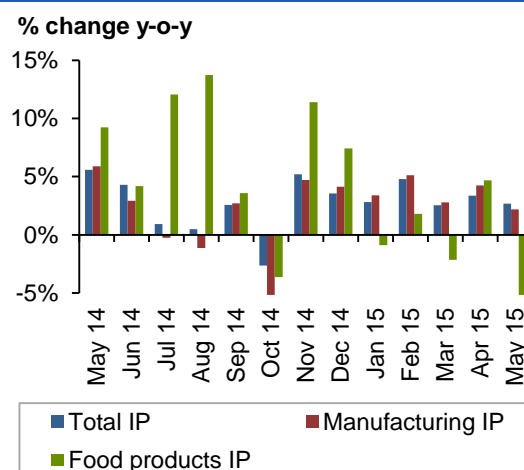
**Industrial production (IP)** growth was gauged at 2.7% y-o-y in May down from 3.4% in April. Given the high volatility of monthly IP prints in recent months, it is normally dangerous to over-interpret any one month's number. For starters, March IP growth was revised up from 2.1% y-o-y to 2.5%. But, more importantly, the upside IP surprises have come on the heels of strong indirect tax collection in April and May and solid commercial vehicle sales in the latter month, suggesting growth may finally be gaining some impetus.

**Graph 3.16: Indian PMIs**



Sources: HSBC, Markit and Haver Analytics.

**Graph 3.17: Indian industrial production breakdown**



Sources: Central Statistical Organisation of India and Haver Analytics.

Growth in India's **manufacturing** economy rebounded in July, with the **PMI** up from the previous month. This reflected stronger increases of new orders and output. Furthermore, the sector was also boosted by the quickest expansion in export orders since February. Although the latest data suggest that the manufacturing upturn gained traction, worries regarding the labour market persist. Continued job shedding highlights the concern felt by businesses towards the outlook, with firms failing to increase workforce numbers to any great extent since early 2014. In spite of a further rise in costs, efforts to address competitiveness were evident as selling prices were unchanged during July. Cost inflation was, however, weak in the context of historical data. While this is a generally positive set of data, upcoming PMI data releases will indicate whether the manufacturing sector can sustain this momentum. Posting a six-month high of 52.7 in July, from 51.3 in June, the seasonally adjusted PMI, a composite single-figure indicator of manufacturing performance, was consistent with solid improvement in the health of the country's goods-producing sector.

**Industrial output** continued to grow in July, with increases seen across the three monitored market groups. Moreover, the overall rate of expansion was solid and faster than in June. Underpinning the rise in production levels was a sharper increase in new



business inflows. In fact, growth of **new orders** gathered pace across the three broad areas of the manufacturing economy.

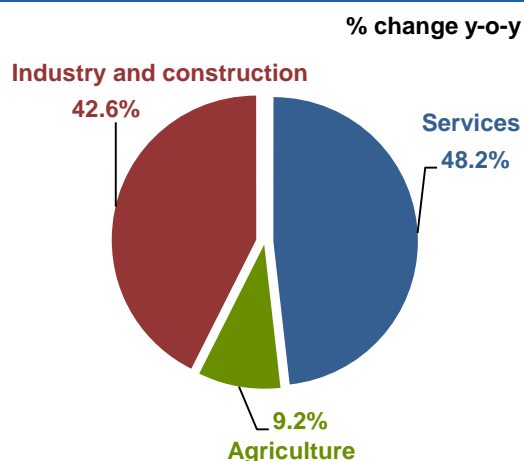
For 2015, the **Indian economic growth** forecast remains unchanged at 7.5% and for 2016 at 7.7%.

## China

Chinese economic growth remained stable at 7.0% y-o-y for the second consecutive quarter, in 2Q, surprising on the upside. The improvement was likely due to the growth of stock trading volumes nearly tripling in 2Q, accelerating total services growth, while industry and construction continued to moderate.

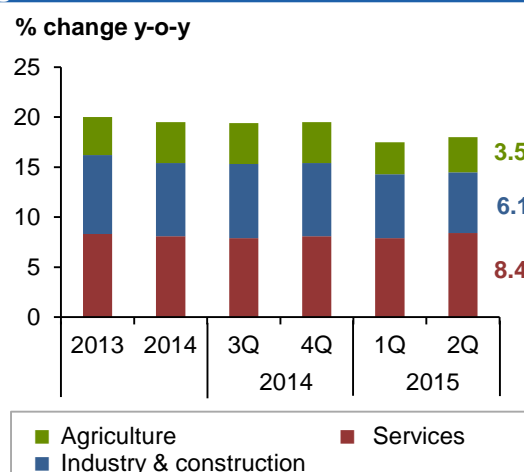
Divergence will continue to define China's economy in 2H15, although of a different type: weakening contributions from “new” sectors such as finance and strengthening contributions from “old” sectors such as infrastructure and real estate services. The final trajectory of growth will depend on the extent to which the government accelerates project implementation and stokes the early sparks of a real estate rebound. While headline growth remained steady, growth by sector continued to diverge. Industrial and construction sector growth moderated from 6.4% y-o-y in 1Q15 to 6.1%, while growth in services accelerated from 7.9% to 8.4%. Growth in the agricultural sector accelerated from 3.2% to 3.5%, consistent with standard seasonality in the sector, where most growth registers from spring onwards.

**Graph 3.18: Chinese GDP share in 2014**



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

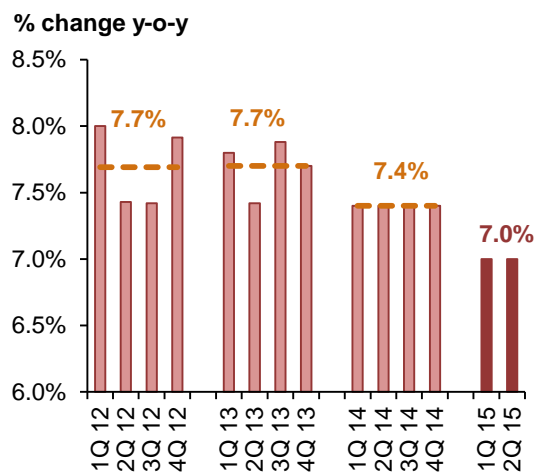
**Graph 3.19: Contributions to Chinese GDP growth**



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

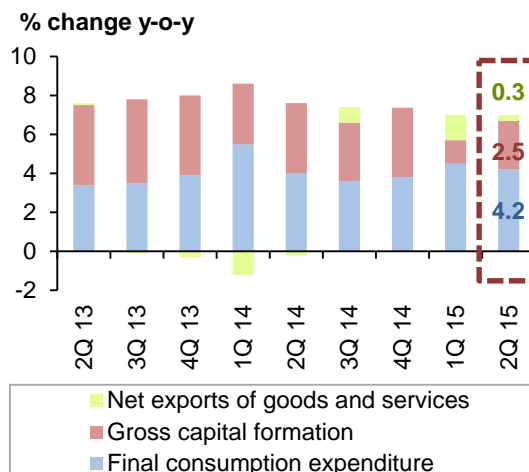
Also in 2Q, the contribution of **gross capital formation** (GCF) was twice more than 1Q. **Utilised foreign direct investment** (FDI) in China grew only by 1.1% y-o-y in June 2015, compared with 8% growth in May. The slowdown in FDI growth resulted from both slower growth in service sector investment, as well as deeper contractions in industrial sector investment, which together account for over 98% of FDI into China. It seems the boom in financial sector FDI was concentrated in January, when single-month investment exceeded full-year 2014 flows for the sector. Since January, financial sector investment has dissipated significantly, although it still continued to grow at double or even triple-digit rates during 2Q15.

Graph 3.20: Chinese GDP growth, SAAR



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

Graph 3.21: Chinese GDP breakdown



Sources: China National Bureau of Statistics and Haver Analytics.

It seems the looser **monetary policy** to combat tighter market conditions, heavy capital outflows are reducing liquidity, while the trade-weighted exchange rate has appreciated significantly, squeezing exporters. Heavy capital outflows are reducing liquidity, while the trade-weighted exchange rate has appreciated and is squeezing exporters. However, capital outflow does not equal capital flight. China's financial reform, especially regarding the exchange rate and RMB internationalization, has led to structural shifts in FX dynamics. Hence, it is important to determine what is driving recent capital outflows.

To counter these factors, the Peoples' Bank of China (PBoC) is lowering long- and short-term rates and injecting liquidity. It seems the PBoC wants to lower interest rates further – cutting the 1-year lending rate to 4.6% by end-2015 – and to inject liquidity more generally – by cutting banks' reserve requirements – as part of efforts to ensure a controlled slowdown in the economy.

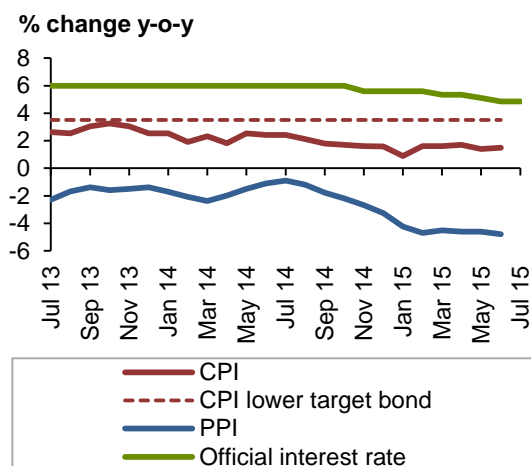
Chinese **stock markets** are in complete collapse right now with the main Shanghai Composite index losing 30% of its value in just the past three weeks. The turmoil is now starting to spread to other Asian markets and global commodity markets.

The one reason behind the crash is related to millions of ordinary Chinese citizens pouring borrowed cash into shares, which has inflated prices to unsustainable levels. When prices began to dip, these investors were forced to sell their shares to pay back the borrowed money and cover their losses, but it seems the trigger in China's case is perplexing. Growth, though slowing, has stabilised recently. Other asset markets are performing well. Property, long in the depression, is turning up. Money-market rates are low and steady, suggesting calm in the banking sector. The anticipated correction of over-valued stocks hardly seems cause for much anguish. The fact that Chinese stocks were climbing ever higher while the Chinese economy was cooling should have been an unmistakable warning of a bubble, but it caused surprisingly little concern. China has already experienced a dangerous bubble in its residential housing market, but in that case the government succeeded in engineering a relatively soft landing by raising interest rates, limiting the number of residences one owner could buy in such cities as Beijing and Shanghai and levying a new tax.

As the contribution from the stock market weakens, China's profit growth may slow without a new driver in the near term. Furthermore, declining commodity prices may continue to drag on PPI and lead to weak industrial profit growth. The flash PMI

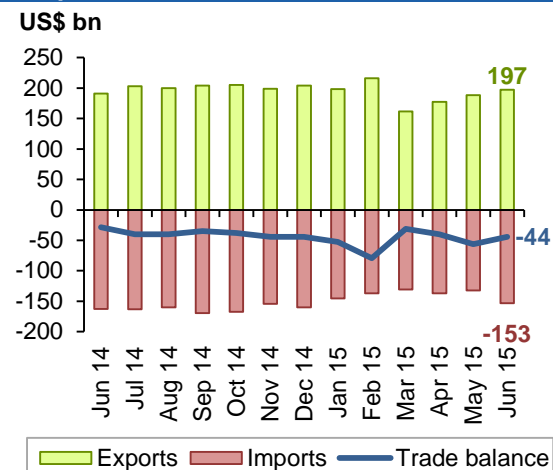
published on 27 July reflected a deterioration of input and output prices in July. Poor profit growth indicates persistent weak domestic demand in China, adding to the pressure of stabilisation in 2H15.

Graph 3.22: Chinese CPI and PPI



Sources: China National Bureau of Statistics and Haver Analytics.

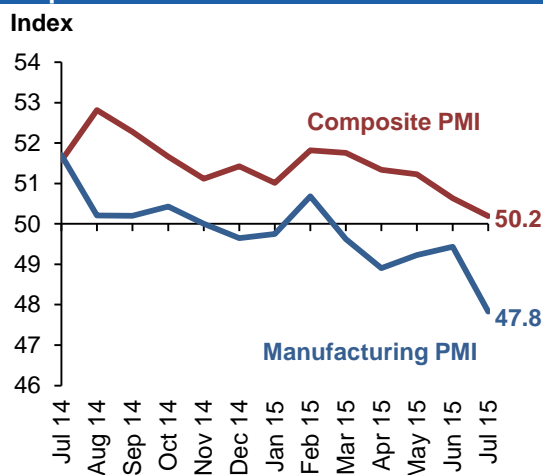
Graph 3.23: Chinese trade balance



Sources: China Customs and Haver Analytics.

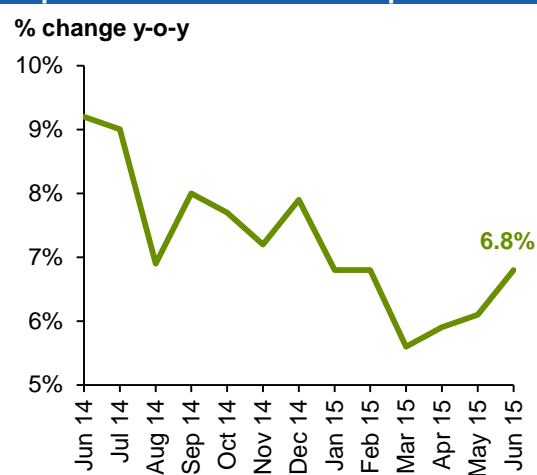
Chinese **exports** grew by 2.8% y-o-y in June, the first positive reading in four months. Chinese **imports** contracted by 6.1% y-o-y in June, the best reading in six months. As a result of imports improving more significantly than exports, China's trade surplus fell to \$46.5 billion, compared to \$59.1 billion a month earlier. Improving exports were driven primarily by stronger export growth to the United States and ASEAN, China's first and fourth-largest export markets, as well as slower contractions in demand from the European Union. Mechanical and electrical products and high-tech products grew by 5.9% and 5.6%, respectively; the two product groups have accounted for 85% of Chinese exports over the past 12 months. Manufactured goods also led the improvement in imports, with mechanical and electrical products and hi-tech products growing by 0.5% and 6.8%, respectively, a significant improvement compared to a month earlier. Slower contractions in the value of oil imports also played a significant role; oil accounted for about 10% of import values over the past year.

Graph 3.24: Chinese PMI



Sources: HSBC, Markit and Haver Analytics.

Graph 3.25: Chinese industrial production



Sources: China National Bureau of Statistics and Haver Analytics.

The **manufacturing PMI** was posted at 47.8 in July, down from 49.4 in June. It remained below the neutral 50.0 mark for the fifth successive month. Furthermore, the latest index reading signaled the sharpest deterioration in the health of the sector since July 2013.

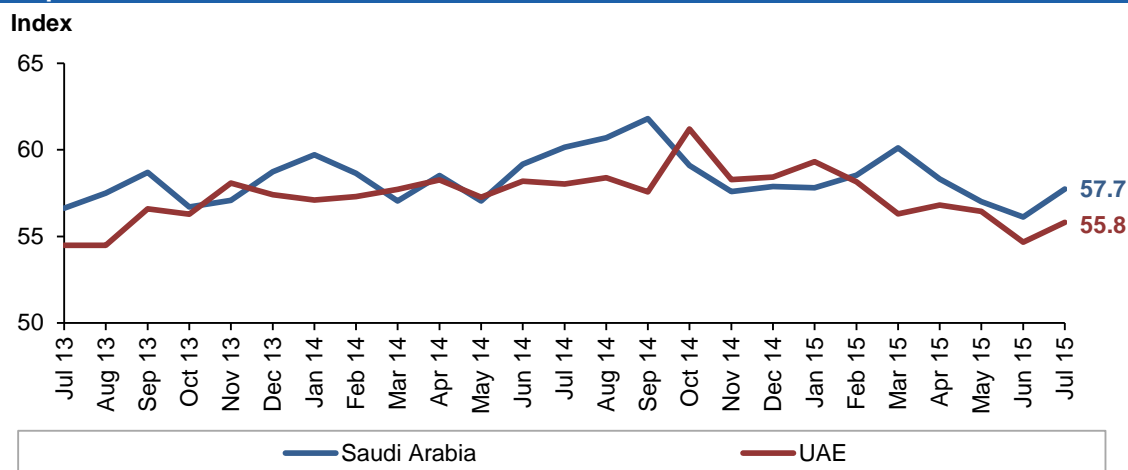
The country's **GDP growth** expectation remains unchanged at 6.9% this year and at 6.5% for 2016.

### OPEC Member Countries

In **Saudi Arabia**, inflation increased by 2.2% y-o-y in June from 2.1% the previous month. The country's non-oil private sector began the third quarter on a positive note, with business conditions improving at the fastest pace in three months during July. The PMI rose to a three-month high at 57.7 in July, up from 56.1 a month earlier. Output and new business both rose at marked rates. The survey showed that the latest increase in total new orders was supported by another notable improvement in new export orders.

Business conditions in the non-oil private sector of the **United Arab Emirates** improved at a faster pace in July. The PMI data suggested that the private sector regained growth momentum that had slightly slowed at the end of the second quarter. The PMI posted 55.8 in July, compared to 54.7 in June, showing a marked acceleration in both output and new business. Export orders rose more quickly in July.

**Graph 3.26: Saudi Arabia and UAE: PMIs**



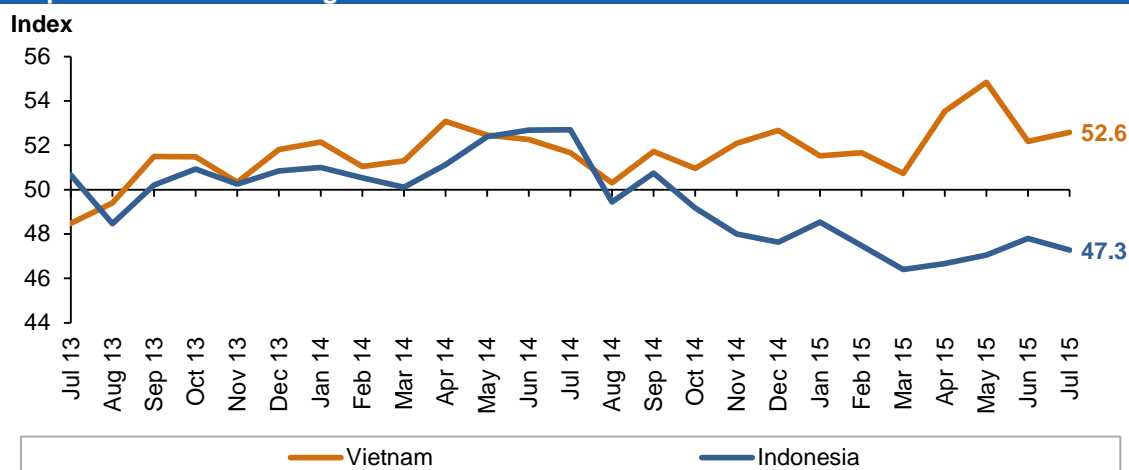
Sources: SAAB, HSBC, Markit and Haver Analytics.

### Other Asia

In **Indonesia**, consumer price inflation remained unchanged at 7.3% y-o-y in July. Deceleration in the inflation rate for clothing in July, in particular, hinted toward weak demand conditions. Slower Chinese economic growth during the second half will weigh on Indonesia's export performance. Indonesia reported a trade surplus of \$477 million in June, less than a month earlier. Both exports and imports increased in absolute terms during the month, but the trade surplus narrowed as a result of a roughly \$500 million increase in oil and gas imports to accommodate demand during the Eid celebrations. The manufacturing sector remained in contraction in July with the manufacturing PMI at 47.3, compared to 47.8 in June on less output and a sustained drop in new orders, with employment falling at its fastest pace in survey history.

In **Vietnam**, business conditions in the manufacturing sector improved in July with the respective PMI slightly increasing to 52.6, from 52.2 in June. The survey data indicated a solid expansion in manufacturing output and new orders last month. In addition, growth in new business and output led to the hiring of extra staff, leading to the employment rate increasing in July. Manufacturers have continuously increased employment since April.

**Graph 3.27: Manufacturing PMIs of Indonesia and Vietnam**

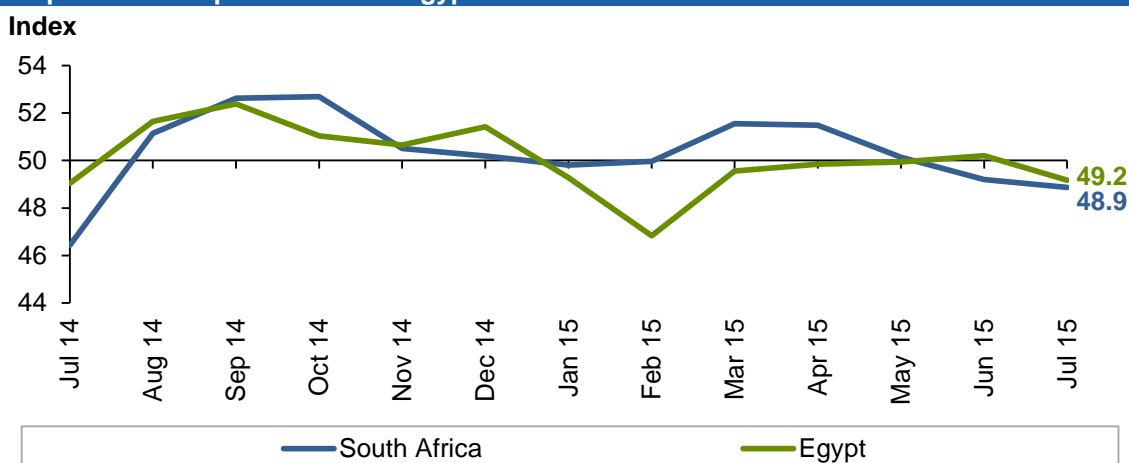


Sources: HSBC, Markit and Haver Analytics.

## Africa

Inflation in **Egypt** slightly eased to 11.5% y-o-y in June, from 13.5% in May. Consumer prices rose sharply after the cut of energy subsidies in July last year, leading to the cost of gasoline, diesel and natural gas rising by as much as 78%. Business conditions in the country's non-oil private sector decelerated in July with the PMI sliding to below the 50 point neutral line at 49.2 in July. This followed the first improvement of 2015 seen in June when the index registered 50.2. The survey data showed modest contractions in output, new business and job creation, while input costs continued to increase on the depreciation on the currency. The Egyptian pound lost 2.4% m-o-m of its value vs. the dollar in July.

**Graph 3.28: Composite PMIs of Egypt and South Africa**



Sources: Emirates NBD, Standard Bank, Markit and Haver Analytics.

In **South Africa**, exports rose at a higher rate than imports in June, leading to a trade surplus of 5.8 billion rand from a surplus of 4.9 billion rand a month earlier. The rate of unemployment decreased in 2Q to 25%, down from a ten-year high of 26.4% in 1Q. The PMI reading of July suggested a slowdown in the country's private sector. The index fell to 48.9, from 49.2 in June. Lower output and new orders were reported on a weaker economic environment and subdued demand.

### Latin America

The GDP of **Argentina** expanded by 1.1% y-o-y in 1Q, following slower growth of 0.5% in 4Q14. Economic growth was largely supported by a rebound in private consumption, which was back to growth following four quarters of contraction. Private consumption expenditure grew by 0.8% y-o-y. In addition, government consumption expenditure markedly accelerated by 8.0%, the highest level since 1Q10 and up from 2.6% in 4Q14. Investment also resumed, growing by 0.5% after being in negative territory for all of 2014. Inflation slightly eased in June to 15%, down from 15.3% a month earlier. The peso depreciated 1.1% m-o-m in July.

### Transition region

In the **Czech Republic**, the manufacturing sector posted notable improvement last month with its respective PMI rising to a 51-month high of 57.5, up from 56.9 in June. The index was in the expansionary territory for the twenty-seventh month to July. The survey revealed that production and new business grew at higher rates. This was largely attributed to the improvement in export demand from inside and outside Europe.

The manufacturing economy in **Poland** continued to notably improve in July with the manufacturing PMI rising to a four-month high of 54.5, from 54.3 in June. Manufacturing new orders increased for the tenth month in a row. The survey showed output prices increased for the first time since June 2012.

### Oil prices, US dollar and inflation

While the **dollar's appreciation** has moderated over the past months, it again strengthened slightly on average in July versus the euro and Swiss franc. However, versus the yen it posted a minor decline, while compared to the pound sterling it was flat. On a monthly average in July, the US dollar rose by 2.0% compared to the euro and gained 2.4% compared with the Swiss franc. Versus the yen, the US dollar fell by a slight 0.4%. Within the currencies of the emerging markets, the Brazilian real and the Russian ruble continued declining.

While the **Russian ruble** recovered some of its lost value from March to May, it fell again in June and July, when it declined by 7.8% and 4.7%, respectively. Also the **Brazilian real** continued its decline in July when it lost 3.6% m-o-m on average. With the latest decline in July, the real has fallen in value by 21% year-to-date in 2015 against the US-dollar.

**Central Bank policies** are still the key determinant for exchange rates, but other influential issues have become increasingly important. For example, China's ability to manage its financial system and the outcome of the Greece crisis will remain key drivers, but also the ability of the US to produce higher than the current average growth rates will be vital factors to monitor.



In nominal terms, the price of the **OPEC Reference Basket (ORB)** fell by a monthly average of \$6.02/b or 10.0% from \$60.21/b in June to \$54.19/b in July. In real terms, after accounting for inflation and currency fluctuations, the ORB fell by 9.03% or \$3.67/b to \$36.94/b - from \$40.60/b (base June 2001=100). Over the same period, the US dollar increased by 0.95% against the import-weighted modified Geneva I + US dollar basket<sup>\*</sup>, while inflation declined by 0.1%.

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<sup>\*</sup> 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 growth in 2015 now stands at 1.38 mb/d, after an upward revision of 90 tb/d due to a higher-than-expected performance by OECD Americas and Europe in the 1Q and 2Q. In 2016, world oil demand is projected to grow at the same level projected last month, up by 1.34 mb/d from 2015 levels.

**Table 4.1: World oil demand in 2015, mb/d**

	<u>2014</u>	<u>1Q15</u>	<u>2Q15</u>	<u>3Q15</u>	<u>4Q15</u>	<u>2015</u>	<u>Change 2015/14</u>	
							<u>Growth</u>	<u>%</u>
Americas	24.17	24.24	24.03	24.64	24.98	24.48	0.30	1.26
of which US	19.36	19.59	19.31	19.72	20.09	19.68	0.32	1.66
Europe	13.49	13.48	13.69	13.82	13.42	13.60	0.11	0.84
Asia Pacific	8.16	8.77	7.67	7.58	8.16	8.04	-0.12	-1.46
<b>Total OECD</b>	<b>45.82</b>	<b>46.48</b>	<b>45.39</b>	<b>46.04</b>	<b>46.57</b>	<b>46.12</b>	<b>0.30</b>	<b>0.65</b>
Other Asia	11.32	11.40	11.74	11.68	11.61	11.61	0.28	2.52
of which India	3.79	4.01	3.98	3.76	3.99	3.93	0.15	3.90
Latin America	6.60	6.40	6.67	7.06	6.76	6.73	0.12	1.82
Middle East	8.14	8.24	8.21	8.74	8.15	8.34	0.19	2.37
Africa	3.78	3.88	3.87	3.79	3.94	3.87	0.09	2.38
<b>Total DCs</b>	<b>29.85</b>	<b>29.92</b>	<b>30.48</b>	<b>31.27</b>	<b>30.46</b>	<b>30.54</b>	<b>0.69</b>	<b>2.31</b>
FSU	4.54	4.39	4.23	4.65	4.94	4.56	0.01	0.31
Other Europe	0.65	0.65	0.61	0.65	0.74	0.67	0.01	2.03
China	10.46	10.44	11.04	10.63	11.19	10.83	0.36	3.46
<b>Total "Other regions"</b>	<b>15.66</b>	<b>15.48</b>	<b>15.89</b>	<b>15.94</b>	<b>16.87</b>	<b>16.05</b>	<b>0.39</b>	<b>2.49</b>
<b>Total world</b>	<b>91.33</b>	<b>91.88</b>	<b>91.76</b>	<b>93.24</b>	<b>93.90</b>	<b>92.70</b>	<b>1.38</b>	<b>1.51</b>
Previous estimate	91.32	91.76	91.55	93.20	93.89	92.61	1.28	1.40
Revision	0.00	0.12	0.21	0.04	0.00	0.10	0.09	0.10

Totals may not add up due to independent rounding.

**Table 4.2: World oil demand in 2016, mb/d**

	<u>2015</u>	<u>1Q16</u>	<u>2Q16</u>	<u>3Q16</u>	<u>4Q16</u>	<u>2016</u>	<u>Change 2016/15</u>	
							<u>Growth</u>	<u>%</u>
Americas	24.48	24.53	24.37	24.99	25.31	24.80	0.33	1.33
of which US	19.68	19.84	19.61	20.03	20.38	19.97	0.29	1.45
Europe	13.60	13.49	13.69	13.80	13.39	13.59	-0.01	-0.08
Asia Pacific	8.04	8.62	7.53	7.45	8.03	7.91	-0.13	-1.67
<b>Total OECD</b>	<b>46.12</b>	<b>46.64</b>	<b>45.59</b>	<b>46.23</b>	<b>46.73</b>	<b>46.30</b>	<b>0.18</b>	<b>0.39</b>
Other Asia	11.61	11.70	12.03	11.97	11.90	11.90	0.29	2.50
of which India	3.93	4.16	4.12	3.90	4.14	4.08	0.15	3.69
Latin America	6.73	6.57	6.82	7.20	6.92	6.88	0.15	2.27
Middle East	8.34	8.45	8.42	8.96	8.36	8.55	0.21	2.55
Africa	3.87	3.97	3.96	3.88	4.04	3.96	0.10	2.49
<b>Total DCs</b>	<b>30.54</b>	<b>30.69</b>	<b>31.23</b>	<b>32.00</b>	<b>31.22</b>	<b>31.29</b>	<b>0.75</b>	<b>2.46</b>
FSU	4.56	4.45	4.29	4.70	4.99	4.61	0.05	1.13
Other Europe	0.67	0.67	0.63	0.67	0.76	0.69	0.02	3.00
China	10.83	10.81	11.37	10.95	11.50	11.16	0.33	3.07
<b>Total "Other regions"</b>	<b>16.05</b>	<b>15.93</b>	<b>16.29</b>	<b>16.32</b>	<b>17.26</b>	<b>16.45</b>	<b>0.40</b>	<b>2.52</b>
<b>Total world</b>	<b>92.70</b>	<b>93.26</b>	<b>93.11</b>	<b>94.55</b>	<b>95.21</b>	<b>94.04</b>	<b>1.34</b>	<b>1.44</b>
Previous estimate	92.61	93.13	92.90	94.51	95.21	93.94	1.34	1.44
Revision	0.10	0.12	0.21	0.04	0.00	0.10	0.00	0.00

Totals may not add up due to independent rounding.

## OECD Americas

Following increasing oil requirements for all months since November 2014, **US** monthly oil demand data remained on a positive upward trend. US oil demand in May rose by 3.3% compared with the same month in 2014.

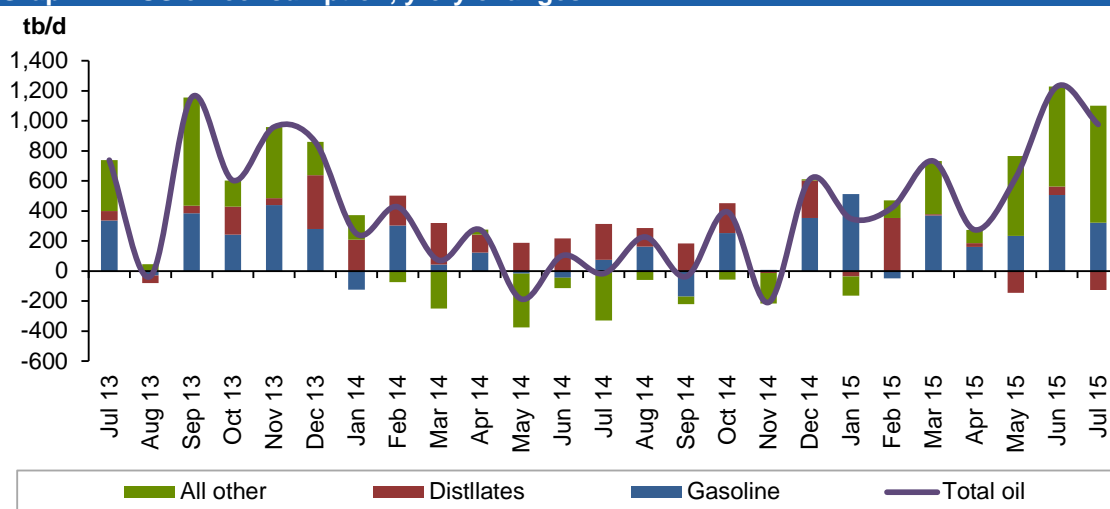
However, within products, the picture was mixed. Distillates and residual fuel oil demand declined, basically as a result of falling industrial production and fuel substitution. However, this was more than offset by higher requirements for gasoline and, jet fuel, as well as propane/propylene. May gasoline demand remained bullish a compared with the same month last year, as a result of increasing mileage and a lower fuel price environment, despite ongoing improving fuel efficiencies.

Five months into 2015 showed US oil demand higher by around 0.48 mb/d compared with the same period in 2014, with the main characteristics being growing requirements in all the main product categories, particularly road transportation fuels, gasoline distillate fuel and jet fuel, while propane/propylene demand remained stagnant. These developments are in line with the low oil price environment.

Preliminary weekly data for June and July show a continuation of the current picture – rising gasoline and distillate fuel requirements being partly offset by declining residual fuel oil demand. This, in turn, has led to a solid increase in total oil demand – up by 2.9% in June and 1.7% in July over the same month last year.

US oil demand in 2015 remains strongly dependent on the development of the US economy, but is once more skewed to the upside, compared with last month's projections, mainly as a result of expectations for increasing oil usage in the road transportation sector. The US is also considered to be the main contributor to OECD oil demand during 2015.

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



In **2016**, US oil demand projections are unchanged and indicate a slightly lower growth rate than in 2015, increasing by 0.28 mb/d.

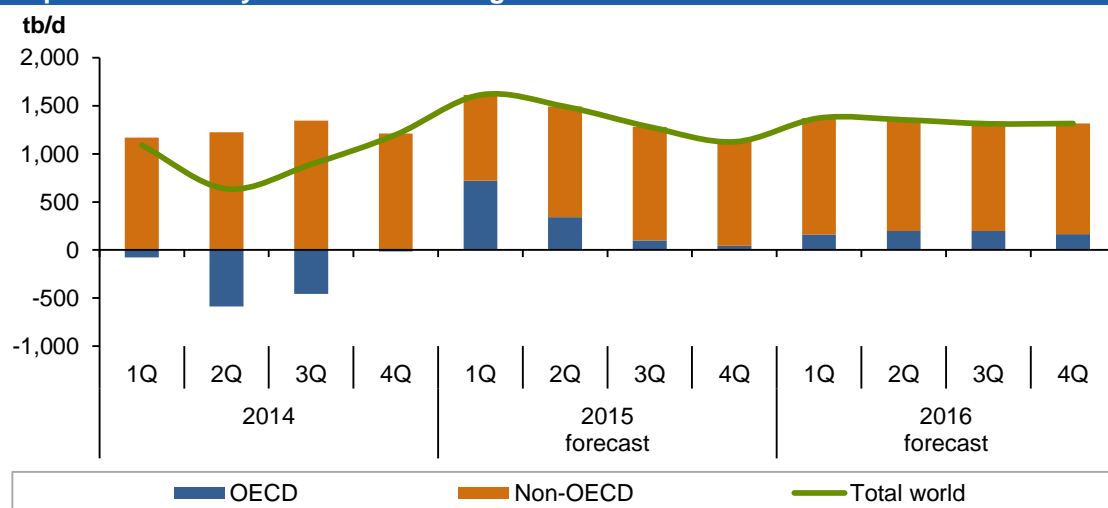
In **Mexico**, June 2015 marked the first month this year whereby oil demand requirements increased. Mexican oil demand in the month rose by almost 2.3% y-o-y, led by strong gasoline and LPG requirements. The only product category seen in the negative was residual fuel oil.

In 2015, Mexican oil demand is expected to decline slightly y-o-y, while for 2016 it is projected to remain almost at the same level as in 2015. Both projections, which are unchanged from last month, come with risks that are equally balanced to the upside and downside.

Decreasing manufacturing activity and lower demand for transportation fuels led to an overall 6.6% y-o-y decrease in **Canada's** oil requirements for May, following a similarly weak period from January to April. Projections for Canadian oil demand in 2015 leave oil requirements slightly lower than those seen in 2014.

For 2016, Canadian oil requirement growth is projected to slightly exceed 2015 levels.

**Graph 4.2: Quarterly world oil demand growth**



In **2015**, **OECD Americas** oil demand is projected to grow by 0.30 mb/d over the previous year. In **2016**, **OECD Americas** oil demand is forecast to be 0.33 mb/d higher than in 2015.

### OECD Europe

European oil demand continued its increasing pattern in June y-o-y. However, the increase was smaller in volume than in previous months, particularly 1Q15, which was influenced by the cold weather and some low baseline effects. Continuing economic concerns in some parts of the region continue to pose some uncertainty as far as the development of regional oil demand for 2015 and 2016 is concerned, and despite some positive developments during the last weeks.

Data for the first six months of 2015 showed **European Big 4** oil demand increasing by approximately 2.1% y-o-y, with transportation and industrial fuels accounting for the bulk of the rise. Strong demand for road transportation fuels is in line with the positive momentum seen in auto sales, which showed a solid increase of around 8% during the first half of 2015 y-o-y, with expansions in all the major auto markets.

General expectations for the region's oil demand during 2015 seem to have improved since last month's projections, but are coupled with large uncertainties that depend on the region's economic developments. Moreover, high taxation policies on oil use and fuel substitutions are factors that will continue to curb oil demand.

**Table 4.3: Europe Big 4\* oil demand, tb/d**

	<u>Jun 15</u>	<u>Jun 14</u>	<u>Change from Jun 14</u>	<u>Change from Jun 14, %</u>
LPG	352	353	0	-0.1
Gasoline	1,119	1,128	-10	-0.9
Jet/Kerosene	785	748	37	5.0
Gas/Diesel oil	3,150	3,087	63	2.0
Fuel oil	245	221	24	11.0
Other products	903	1,030	-126	-12.3
<b>Total</b>	<b>6,555</b>	<b>6,567</b>	<b>-12</b>	<b>-0.2</b>

\* Germany, France, Italy and the UK.

Expected improvements in the economy of some countries during 2015, in combination with the low historical baseline and a low oil price environment, lead to an assumed forecast increase in oil demand of around 0.11 mb/d during **2015**. In **2016**, **European oil demand** is projected to decrease slightly by 0.01 mb/d.

## OECD Asia Pacific

**Japanese oil demand** increased slightly by 0.05 mb/d in June y-o-y, with a mixed picture for the main product categories. Demand for naphtha, LPG and distillates rose strongly, while oil requirements in all other product categories fell.

Ahead of the re-opening of the first nuclear plant since 2011, direct crude and fuel oil burning for electricity generation increased y-o-y, as a result of relatively warmer temperatures in June. The outlook risks for Japanese oil demand this year are skewed more towards the downside, as a result of indications towards the restart of some nuclear reactors.

Oil demand projections for **2016** imply a declining trend with the risks also being skewed to the downside.

**Table 4.4: Japanese domestic sales, tb/d**

	<u>Jun 15</u>	<u>Change from Jun 14</u>	<u>Change from Jun 14, %</u>
LPG	352	7	2.1
Gasoline	879	-31	-3.4
Naphtha	677	95	16.3
Jet fuel	100	-12	-10.7
Kerosene	99	-12	-10.7
Gasoil	589	12	2.1
Fuel oil	428	-30	-6.6
Other products	53	-4	-7.1
Direct crude burning	153	22	16.8
<b>Total</b>	<b>3,330</b>	<b>47</b>	<b>1.4</b>

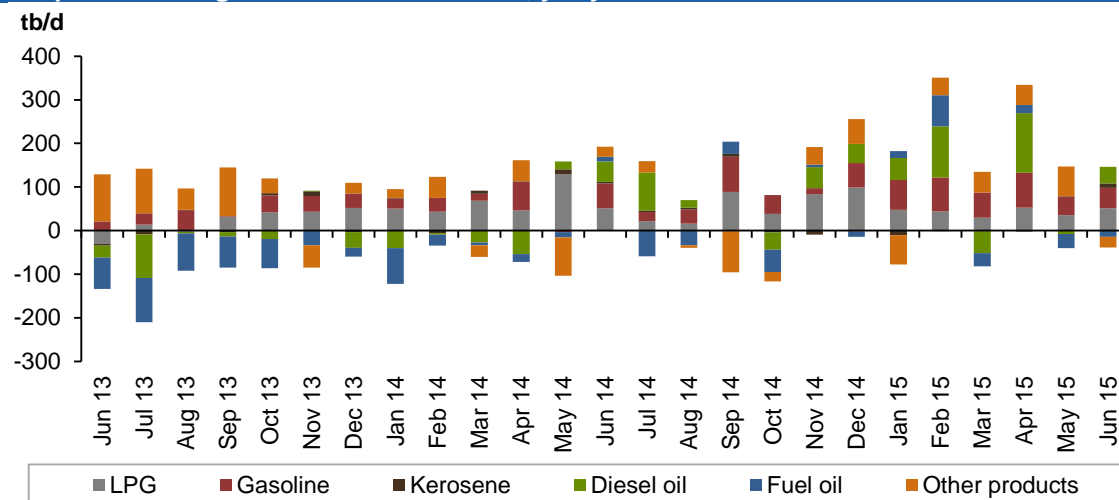
In **South Korea**, May oil demand decreased by 1.4%, y-o-y. All the main product categories were seen declining, with the exception of distillate fuel. Losses were also observed in products used in the petrochemical industry, LPG and naphtha, as well as transportation fuels. However, the outlook for South Korean oil consumption during the remainder of 2015 and 2016 remains upbeat with the uncertainty of these projections pointing to the upside as a result of the positive expectations of the country's economy.

**OECD Asia Pacific** oil consumption is projected to fall by 0.12 mb/d in **2015**, while in **2016** the decline will be slightly more at 0.13 mb/d, y-o-y.

## Other Asia

**India's** oil demand growth remained elevated during the month of June. Demand growth was above 0.1 mb/d for the second month running, despite heavy rains capping consumption from growing further.

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



Product-wise, oil demand was supported by gasoline and LPG for yet another month. Gasoline requirements grew by around 46 tb/d, which equates to growth of just below 10% y-o-y, with total consumption remaining above 0.5 mb/d. As in previous months, demand for gasoline was well supported by the continuous increase in passenger vehicle sales, which rose in cumulative terms by more than 6% y-o-y with two wheelers, which consume gasoline as a primary source of energy, growing by more than 7% y-o-y during the same period. LPG also grew strongly during the month of June recording more than 50 tb/d of growth, equivalent to more than 10% y-o-y.

Diesel demand also increased, gaining around 38 tb/d, which was 2.5% higher y-o-y, as an improvement in the overall economic environment lent support to increased usage of the product.

In contrast, fuel oil demand remained in the negative, shrinking by around 40 tb/d or 15% y-o-y as substitution programs continued to limit product growth.

**Table 4.5: Indian oil demand by main products, tb/d**

	<u>Jun 15</u>	<u>Jun 14</u>	<u>Change</u>	<u>Change, %</u>
LPG	557	506	52	10.2
Gasoline	514	468	46	9.9
Kerosene	272	262	10	3.9
Diesel oil	1,572	1,534	38	2.5
Fuel oil	256	270	-14	-5.2
Other products	782	807	-25	-3.1
<b>Total oil demand</b>	<b>3,954</b>	<b>3,846</b>	<b>108</b>	<b>2.8</b>

In **Indonesia**, latest May 2015 oil demand data show an increase of around 2.7% y-o-y, with all products rising at different magnitudes.

In **Thailand**, May oil demand in was flat y-o-y, despite significant increases in transportation fuels which saw gasoline and jet/kero increasing by more than 12% and



11%, respectively. However, notable declines in LPG and other products offset most of those significant increases.

In **2016**, assumptions are hinting towards higher GDP growth than in the current year, with stable retail prices. It is anticipated that India will be the main contributor to growth in Other Asian region. On the other hand, a smaller impact of subsidies in oil demand compared with previous years is also anticipated. Middle distillates, followed by gasoline, will be the product leading oil demand next year.

**Other Asia's** oil demand is anticipated to grow by 0.29 mb/d y-o-y in **2015**. As for **2016**, oil demand is forecast to increase by 0.29 mb/d.

## Latin America

In **Brazil**, total oil demand for the month of June was surprisingly healthy, despite the economic downturn witnessed in the country. Oil demand rose by around 0.12 mb/d or more than 5% y-o-y, with all product categories demonstrating good performance, with the exception of fuel oil, gasoline and jet/kerosene.

**Table 4.6: Brazilian inland deliveries, tb/d**

	<u>Jun 15</u>	<u>Jun 14</u>	<u>Change</u>	<u>Change, %</u>
LPG	244	234	10	4.2
Gasoline	702	726	-24	-3.3
Jet/Kerosene	124	128	-4	-3.0
Diesel	1,019	987	32	3.2
Fuel oil	86	92	-6	-6.7
Alcohol	312	199	113	56.4
<b>Total</b>	<b>2,486</b>	<b>2,366</b>	<b>120</b>	<b>5.1</b>

Firm ethanol demand, encouraged by competitive pricing compared with gasoline, led to a substantial increase in ethanol demand during the month. In fact, most of the strength in oil demand growth was largely attributed to the good performance of ethanol. The product grew robustly, rising by more than 0.11 mb/d, which equates to more than 56% y-o-y. As a result, gasoline dipped by more than 3% y-o-y. Diesel demand showed signs of improvement, despite slower economic momentum. Diesel demand grew by around 32 tb/d or more than 3% y-o-y, with total consumption above 1.0 mb/d, with most of that demand improvement coming from the South East region, while other regions saw declines. Jet/kerosene dipped by more than 3% y-o-y as slower air travel activities suggested lower consumption compared with a year earlier.

The risks for 2015 oil demand in the region are skewed rather to the downside and relate, to some extent, to the performance of the major economies in Latin America with special focus on the Brazilian economy. In 2016, projections for oil demand growth in Latin America are unchanged from last month's report with anticipation of some improvement over the growth levels of 2015. Brazil is projected to be the main contributor to growth. However, transportation fuels should be supported as a result of the 2016 Olympic Games. Additionally, construction and industrial fuels are expected to be the main growth contributors.

**Latin America's** oil demand is expected to grow in **2015** by 0.12 mb/d. During **2016**, Latin America's oil demand is forecast to increase slightly to reach 0.15 mb/d.

## Middle East

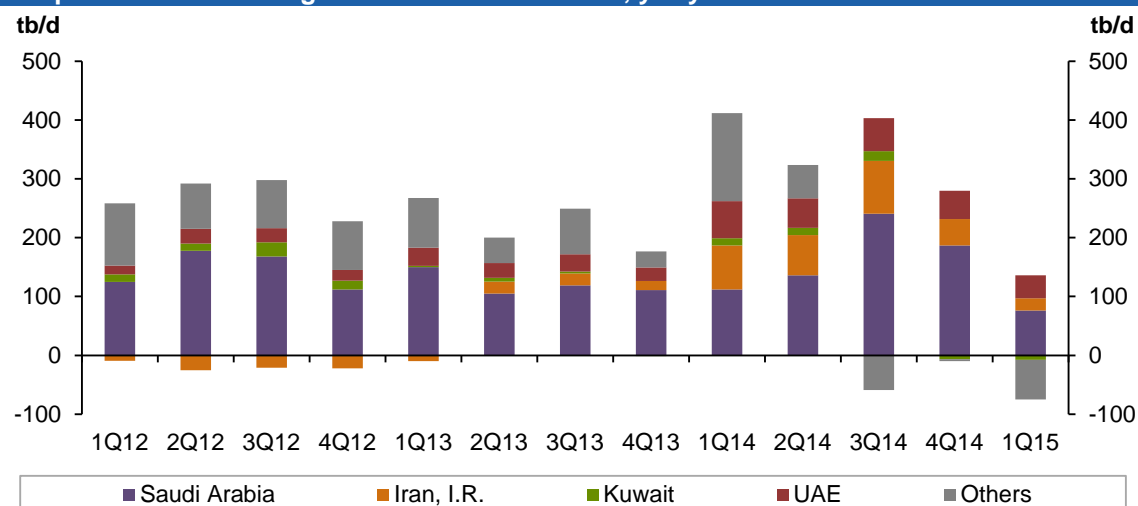
In **Saudi Arabia**, June oil demand was characterized by continuing healthy growth. All product categories increased during the month, with the exception of gasoline and diesel oil. Strong increases were registered in fuel oil for power generation, jet/kerosene and direct crude burning, which increased by more than 18%, 11% and 8% y-o-y, respectively.

Weather conditions turned out to be hotter than initially anticipated with cold degree days 3% higher y-o-y. This allowed, on the one hand, for additional air conditioning usage and more consumption of fuel oil, as well as direct crude for burning, and, on the other hand, marginally less consumption of road transportation fuels. Air traffic activities were also higher, especially over the month of Ramadan, when air flights seasonally peak. In June, total oil demand in Saudi Arabia reached close to 3.0 mb/d with oil demand growth remaining healthy at around 0.15 mb/d, or more than 5% y-o-y.

In **Iraq**, oil demand requirements in June increased for the first time since June 2014. Total oil demand rose by more 10% y-o-y with all product categories registering positive growth, with the exception of LPG and diesel oil. Moderation in the base line numbers can be assumed as the reason behind this growth as total consumption is now at around 0.64 mb/d, having reached more than 0.84 mb/d at the end of 2013.

For **2015**, **Middle East** oil demand is expected to grow by 0.19 mb/d, while oil demand in **2016** is projected to increase by 0.21 mb/d.

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



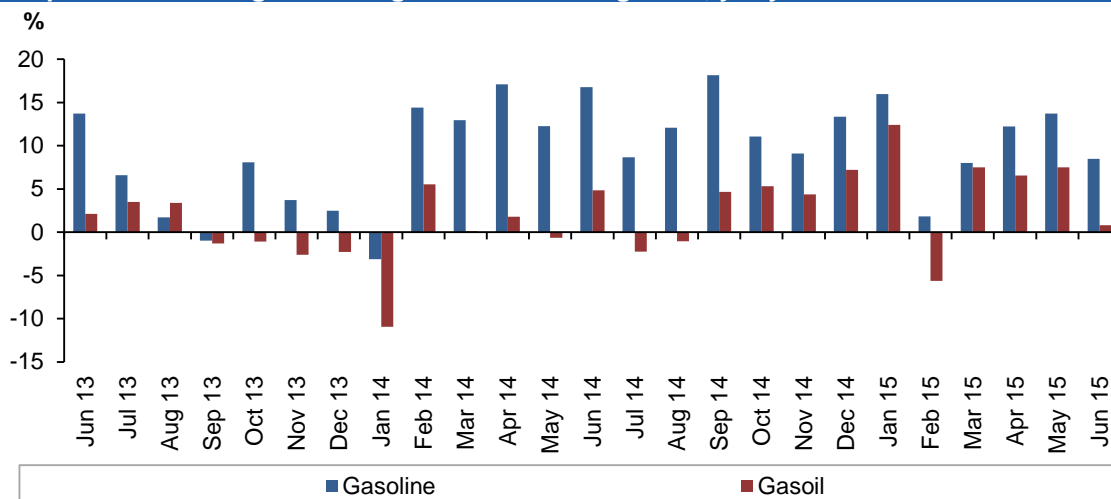
## China

**China's oil demand** came in stronger than initially expected in June with 0.49 mb/d growth y-o-y, which was higher than the average oil demand growth in 2014 of around 0.40 mb/d. Total consumption reached 10.90 mb/d, according to the Secretariat's calculations.

Oil demand growth was mostly determined by increasing LPG usage in the petrochemical industry and gasoline in the transportation sector, with both growing by more than 13% and 8% y-o-y, respectively. LPG demand growth continued its anticipated gains, recording an increase of around 0.14 mb/d y-o-y, taking total consumption to approximately 1.2 mb/d. It was supported by a number of startups and

ramp-up operations in a number of propane dehydrogenations plants (PDH) around the country.

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



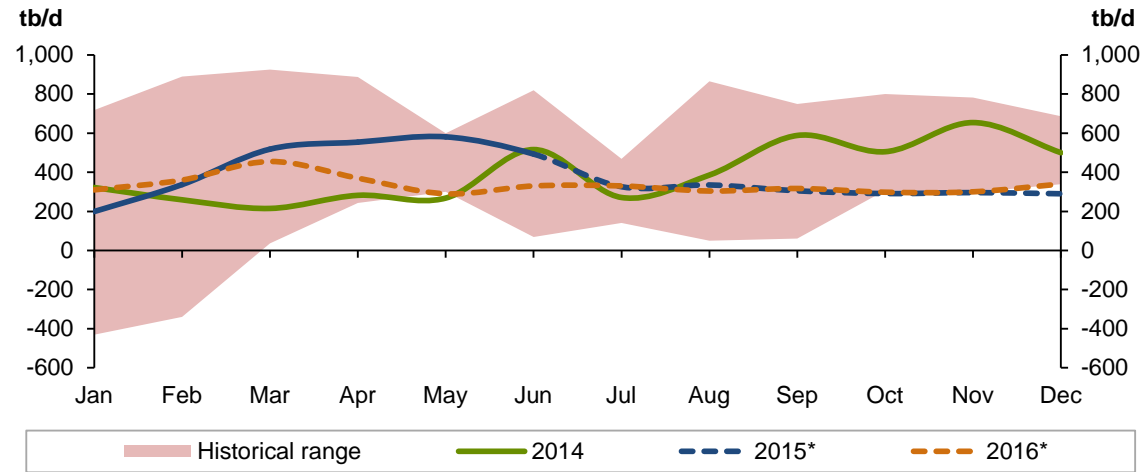
Gasoline demand was higher in June compared with last year, rising by 0.21 mb/d y-o-y. According to statistics and analysis of the China Association of Automobile Manufacturers (CAAM), passenger car sales registered a decline of more than 3% y-o-y for the first time in the past couple of years. However, a strong rise in SUV sales, increasing by more than 38% compared with the same period last year, eased some of the downward pressure on car sales data. Diesel oil demand was also higher by around 0.17 mb/d, which equated to 5% y-o-y, as investment in infrastructure projects gave support to products' growth.

Jet/kero demand fell for the first month since the beginning of 2015 by around 60 tb/d or more than 9% y-o-y, with total demand at around 0.57 mb/d. This fall is much in line with the recent slowdown in travel activities as Chinese authorities announced the first patient diagnosed with MERS in June. Fuel oil demand increased by around 30 tb/d, more than 5% y-o-y, despite the fact, that teapot refiners limited their fuel oil intake due to the introduction of quotas system capping demand for fuel oil.

For 2016, oil demand for the transportation and industrial sectors is projected to continue rising, along with passenger car sales. Slightly lower GDP growth compared with 2015, a continuation of fuel quality programs targeting fewer emissions, and the continuation of fuel substitution with natural gas and coal are factors to be watched.

For **2015, China's oil demand** is anticipated to grow by around 0.36 mb/d, while the expectation for **2016 oil demand growth** in China is in the range of 0.33 mb/d.

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



\* Forecast.

## World Oil Supply

Non-OPEC oil supply is estimated to have averaged 57.46 mb/d in 2015, an increase of 0.96 mb/d over the previous year. This follows an upward revision of 90 tb/d since the previous report, driven by higher-than-expected oil output growth in 2Q15 in the North Sea, China, Colombia, Russia and the US. Existing uncertainties related to the performance of non-OPEC production includes the behaviour of US tight oil production, a possible change in Russia's tax regime, Brazil's financial issues, geopolitics in the Middle East and the impact of downward spending revisions by International Oil Companies (IOCs). In contrast, non-OPEC oil supply growth in 2016 was revised down by 40 tb/d to average 0.27 mb/d from the previous assessment to average 57.73 mb/d due to the base change and revisions on future projects.

OPEC NGL production is forecast to grow by 0.19 mb/d and 0.17 mb/d to average 6.01 mb/d and 6.18 mb/d in 2015 and 2016, respectively. In July, OPEC production increased by 101 tb/d to average 31.51 mb/d, according to secondary sources. As a result, preliminary data indicates that global oil supply increased by 0.23 tb/d in July to average 94.9 mb/d.

## Forecast for 2015

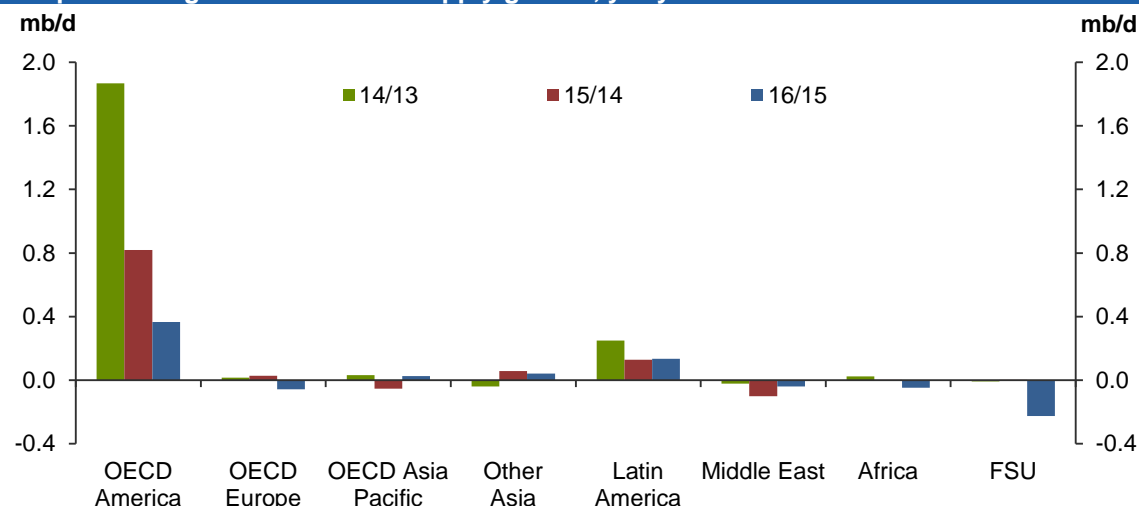
### Non-OPEC supply

US crude prices posted the biggest monthly drop since the 2008 financial crisis, with WTI declining to \$47.12/b on 31 July after a string of losses during the month triggered by China's stock market slump and existing oversupply in the market. Brent crude oil futures settled at \$52.21/b, the lowest level seen since April. US production remains near the highest level in four decades, although the commodity price is telling the US shale sector to shrink. Shale drillers in US have slashed spending and cut workers this year as prices fell. Chevron plans to cut 1,500 jobs worldwide as part of a drive to reduce costs. Chevron is taking action to reduce internal costs at multiple operating units and in the corporate sector. Statoil also cut costs even further in the current year. The company had previously estimated its 2015 capital expenditure to be \$18 billion, down 10% from the previous estimate of \$20 billion, but the target has now been reduced further to \$17.5 billion. Oilfield service companies such as Schlumberger and Halliburton have so far been at the forefront of job cuts as crude prices began plummeting last year, but majors and large US independents have largely held on to their employees on grounds that it is difficult to rehire skilled workers once the market turns and companies get ready to ramp up operations.

According to a new report from consultancy Wood Mackenzie, low oil prices and high costs have exacerbated the challenges facing oil and gas operators, resulting in the deferral of \$200 billion of investment in large upstream projects over the last six months, with oil prices now off their triple-digit highs. Deferring discretionary spending, in particular on exploration and pre-sanctioned projects, is one of the first levers oil companies are pulling to free up capital and curb costs. Wood Mackenzie added, "The upstream industry is winding back its investment in big pre-final investment decision [FID] developments as fast as it can." The consultancy estimates that 46 of the world's largest pre-sanctioned projects are uneconomic at \$60/b. They believe that these non-shale megaprojects account for \$200 billion of deferred capital expenditure, or 20 bboe of reserves, of which over 60% is oil/condensate. The majority of these projects are now targeting start-up between 2019-23. Technically challenging projects with significant upfront costs and/or low returns have proved vulnerable. Over half

(10.6 bboe) of the reserves put on hold are deepwater projects, mainly in the US Gulf of Mexico (GOM) and offshore West Africa. Operators such as BP and Royal Dutch Shell hope to benefit from an improvement in service sector costs to boost project economics alongside a more robust approach to project management. The prospect of oil prices remaining at \$60/b or below for the foreseeable future has also put significant investment in Canada's high-cost oil sands in the crosshairs, with the deferral of around 5.6 billion barrels or 30% of the reserves. Around half of the new Greenfield developments are still below the typical 15% internal rate of return on investment required by companies.

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



Non-OPEC oil supply is forecast to grow by 0.96 mb/d in 2015 to average 57.46 mb/d, revised up by 80 tb/d m-o-m. Hence, the growth also revised up by 90 tb/d to average 0.96 mb/d from the previous *MOMR*. Higher-than-expected oil production from non-OPEC producers was seen mainly during 2Q in the North Sea (i.e. Norway and the UK), China, Colombia and Russia as well as the US, and was the main reason for the yearly upward revision of growth for this month. 1Q15 was revised down by 10 tb/d, whereas 2Q15 was revised up by 0.26 mb/d and 3Q15 and 4Q15 were also both revised up by 40 tb/d and 70 tb/d, respectively. Part of this added volume was offset by downward revisions in Australia, Brazil and Indonesia. Non-OPEC supply growth in 2015 is expected to experience a decrease of 0.69 mb/d in 2H15, while uncertainties in relation to non-OPEC production in the near to short terms, such as the uncertainty surrounding the US tight oil decline rate, a possible downward change in Russia's tax regime, Brazil's financial issues, Middle East geopolitics and IOCs' downward spending revisions, indicate a minor downward risk as well as a probable upside potential in the remainder of 2015.

Recent developments in the upstream as well as renewed oil price volatility have made forecasting non-OPEC supply more challenging. This has added to the uncertainties affecting the market amid expected moderate global economic growth in the current year. Non-OPEC upstream spending was reduced from \$750 billion in 2014 to \$550 billion in 2016. Spending declines in 2015 were largely driven by reduced US shale drilling, while 2016 reductions are expected to mostly stem from mature offshore and deepwater Greenfield activities, oil sands and other projects across non-OPEC countries. Growth in tight oil production is currently expected to have peaked in April 2015 and will gradually decline thereafter. US onshore production from unconventional sources is currently expected to decline marginally in 2H15 through year-end, while US offshore production is expected to grow due to project start-ups.



Another indication of uncertainty in the production growth outlook of non-OPEC oil producers in the coming months would be the number of active rigs around the world, particularly in those regions in which the oil production breakeven point is much higher than the current oil prices from unconventional sources or deep offshore and North Sea. According to the latest report of Baker Hughes, the total drilling rig count outside of North America plunged by 28 units, almost entirely land-based oil rigs, in July m-o-m, to settle at 1,118 units. The average US rig count for July was 874, up by 12 from June and down by 1,015 (-54%) y-o-y.

**Table 5.1: Non-OPEC oil supply in 2015, mb/d**

	<u>2014</u>	<u>1Q15</u>	<u>2Q15</u>	<u>3Q15</u>	<u>4Q15</u>	<u>2015</u>	<i>Change</i> <u>15/14</u>
Americas	20.04	21.04	20.70	20.79	20.92	20.86	0.82
<i>of which US</i>	12.92	13.78	13.98	13.83	13.86	13.86	0.95
Europe	3.60	3.68	3.71	3.47	3.66	3.63	0.03
Asia Pacific	0.51	0.43	0.44	0.48	0.46	0.45	-0.05
<b>Total OECD</b>	<b>24.15</b>	<b>25.14</b>	<b>24.86</b>	<b>24.73</b>	<b>25.04</b>	<b>24.94</b>	<b>0.79</b>
Other Asia	3.48	3.62	3.59	3.51	3.44	3.54	0.06
Latin America	5.01	5.24	5.13	5.08	5.11	5.14	0.13
Middle East	1.34	1.31	1.24	1.20	1.20	1.24	-0.10
Africa	2.39	2.42	2.40	2.38	2.35	2.39	0.00
<b>Total DCs</b>	<b>12.22</b>	<b>12.59</b>	<b>12.36</b>	<b>12.17</b>	<b>12.10</b>	<b>12.30</b>	<b>0.08</b>
FSU	13.55	13.70	13.60	13.42	13.49	13.55	0.00
<i>of which Russia</i>	10.68	10.76	10.76	10.60	10.65	10.69	0.02
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.28	4.33	4.39	4.30	4.34	4.34	0.05
<b>Total "Other regions"</b>	<b>17.97</b>	<b>18.17</b>	<b>18.13</b>	<b>17.85</b>	<b>17.97</b>	<b>18.03</b>	<b>0.05</b>
<b>Total Non-OPEC production</b>	<b>54.34</b>	<b>55.90</b>	<b>55.35</b>	<b>54.76</b>	<b>55.11</b>	<b>55.28</b>	<b>0.93</b>
Processing gains	2.16	2.19	2.19	2.19	2.19	2.19	0.02
<b>Total non-OPEC supply</b>	<b>56.51</b>	<b>58.08</b>	<b>57.54</b>	<b>56.95</b>	<b>57.30</b>	<b>57.46</b>	<b>0.96</b>
Previous estimate	56.52	58.09	57.28	56.91	57.26	57.39	0.86
Revision	-0.01	-0.01	0.25	0.03	0.03	0.08	0.09

## OECD

**Total OECD oil supply** in 2015 is expected to grow by 0.79 mb/d to average 24.94 mb/d, revised up in growth by 30 tb/d from the last *MOMR*. Output in 2Q was revised up by 0.14 mb/d to average 24.86 mb/d, although the quarterly growth compared to the same quarter in 2014 decreased by 90 tb/d. Y-o-y growth in 2015 is expected to come from OECD Americas and OECD Europe by 0.82 mb/d and 30 tb/d, respectively, while OECD Asia Pacific is forecast to decline by 50 tb/d compared with last year.

On a quarterly basis, total OECD supply is estimated to average 25.14 mb/d, 24.86 mb/d, 24.73 mb/d and 25.04 mb/d, respectively.

## OECD Americas

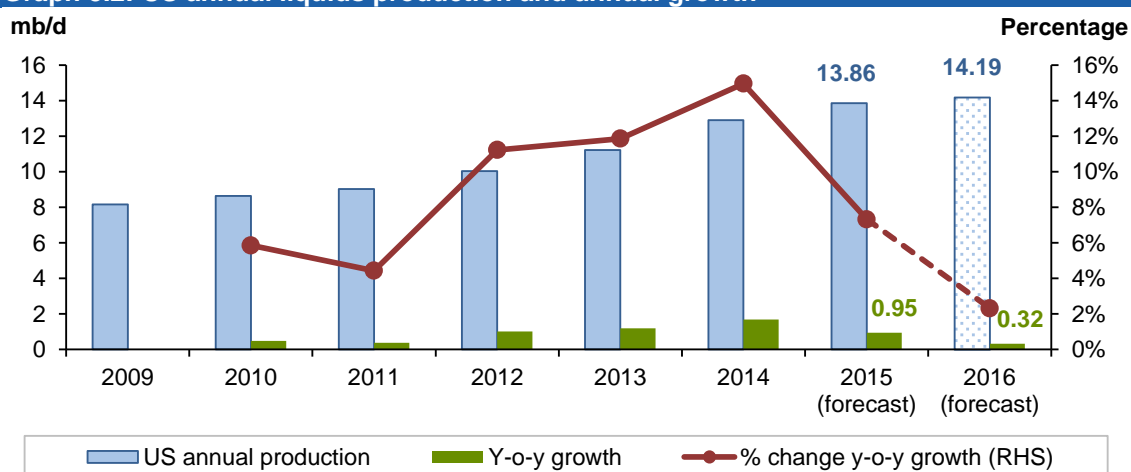
**OECD Americas'** oil supply is estimated to average 20.86 mb/d, showing growth of 0.82 mb/d y-o-y, representing an upward revision by 10 tb/d from the last monthly report. Supply in the US and Canada is expected to grow in 2015, while Mexico will decline.

On a quarterly basis, OECD America's oil supply in 2015 is expected to average 21.04 mb/d, 20.70 mb/d, 20.79 mb/d and 20.92 mb/d, respectively.

### US

US total oil supply is anticipated to grow by 0.95 mb/d to average 13.86 mb/d in 2015, representing an upward revision of 20 tb/d from the last monthly report. Nevertheless, US actual liquids production was registered at 13.96 mb/d in May, indicating a decline of 0.26 mb/d m-o-m. US total crude oil production decreased by 0.18 mb/d in May following a minor decline of 20 tb/d in April. Texas' two main tight oil plays, the Permian and Eagle Ford, showed declines of 42 tb/d m-o-m to average 3.66 mb/d in May 2015. Oil production from the GOM also declined by more than 100 tb/d, while oil output in North Dakota, mainly from the Bakken shale site in the Williston Basin, increased by 32 tb/d to above 1.2 mb/d. This is, however, still lower than the output of 1.227 mb/d seen in December 2014. Oil production from Alaska also declined by 37 tb/d to average 473 tb/d in May.

**Graph 5.2: US annual liquids production and annual growth**



Source: OPEC Secretariat.

Crude oil production in September from seven major US shale plays is expected to decline by 93 tb/d to settle at 5.27 mb/d, according to the US Energy Information Administration's Drilling Productivity Report (DPR). Last month, the EIA projected a 91 tb/d decline for August. The DPR focuses on the Bakken, Eagle Ford, Haynesville, Marcellus, Niobrara, Permian and Utica sites, which altogether accounted for 95% of US oil production increases. The monthly drop will again be led by Eagle Ford, where output is expected to fall by 56 tb/d in September to settle at 1.48 mb/d. Production from the Bakken site is expected to fall by 27 tb/d to 1.16 mb/d. In the Permian basin, where production has continued to grow, output is expected to increase by 8 tb/d to reach 2.04 mb/d.

The US Department of Transportation and Canadian regulators jointly announced new safety rules for crude-by-rail and other flammable liquid shipments on 1 May. The rules focus on tank car design and braking standards. This will add around 40¢-60¢/b to crude-by-rail transport costs. However, production slowdowns and more pipeline capacity coming on stream are likely to mean fewer barrels travelling by rail in the coming years than previously expected. At the end of April, North Dakota passed a new oil tax framework that lowers the combined extraction and gross production tax rate to 10% (from 11.5% currently), but also reduces the impact of the widely anticipated 'large trigger'. North Dakota currently has two main taxes on oil production. The gross production tax, which is set at 5%, and the extraction tax, which has a

headline rate of 6.5%, resulting in a combined tax rate of 11.5%. US crude oil prices would still need a significant drop before falling below breakeven prices in North Dakota's four most prolific counties, according to new data released by the state's Department of Mineral Resources. Breakeven prices for rigs in North Dakota's Dunn, McKenzie, Mountrail and Williams counties range from \$24/b in Dunn to \$41/b in Mountrail. Those four counties accounted for 63 of the state's 68 oil rigs in late July, according to the data.

The new-well oil production/rig count across the seven plays is projected to increase in August by a rig-weighted average of 10 b/d to 432 b/d, including a 26 b/d rise at the Bakken site to reach 691 b/d, a 25 b/d rise at the Eagle Ford site to reach 766 b/d, a 14 b/d rise at the Niobrara site to reach 516 b/d, and a 12 b/d rise at the Permian site to reach 327 b/d.

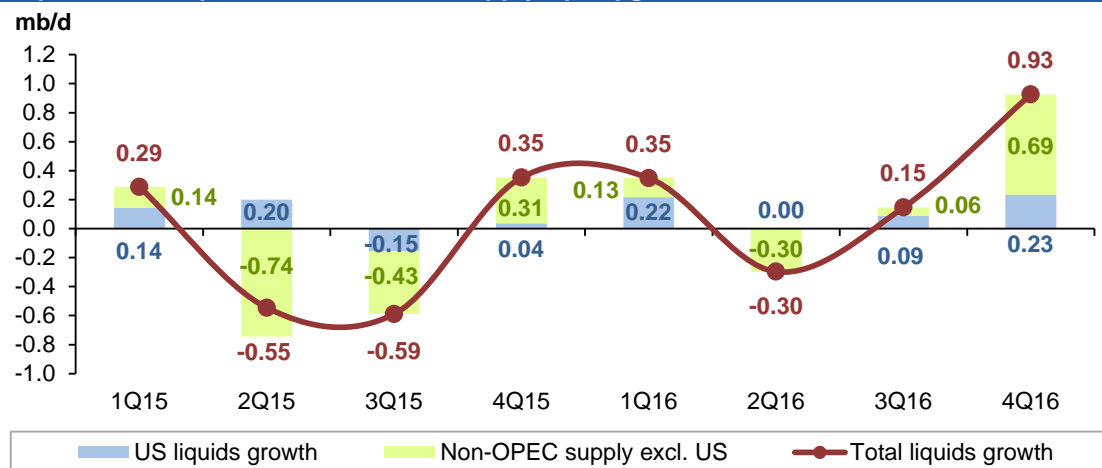
The GOM saw significant capacity additions in 2014. From late 2Q14, output started to pick up marginally as the Atlantis and Na Kika projects ramped up, in addition to output from the Mars II project that came online in February. Some maintenance work in 3Q14 kept a lid on output, although the absence of hurricane-related disruptions helped to offset planned works. New projects that started to come online in 4Q14 (peak production capacity of 0.26 mb/d) boosted GOM output at year-end, when it totaled 1.44 mb/d. The Cardamom (50 tboe/d) project came online in September, and mid-November saw the commencement of first oil at the Chevron and Hess Tubular Bells development, which is expected to produce roughly 50 tboe/d. Finally, Jack/St. Malo also started up in December with a peak capacity of 0.1 mb/d. Averaged across the year, GOM volumes grew by 0.15 mb/d as high decline rates at existing fields offset most of the new additions.

In January of this year, Anadarko's delayed Lucius project achieved first oil. Anadarko plans to drill six wells, with the aim of a hitting full capacity of 80 tb/d. The company also continues to develop the Heidelberg spar, a project which will match Lucius' production capacity and expects first oil in 2016. Meanwhile, production has begun at the Delta House FPSO, which has a peak output of 0.1 mb/d. Mid-2015 was expected to see Chevron start up production at its 79 tboe/d Big Foot project, but it will delay the start of production from the Walker Ridge area of the GOM because of damage to subsea installation tendons installed for connection to the field's tension-leg platform. Therefore, the company will move the 15-slot drilling and production TLP to sheltered waters. Chevron said production will not start late this year as planned. Overall, net yearly growth is estimated to accelerate to around 0.14 mb/d.

The long-term nature of Deepwater projects means they are less affected by fluctuating oil markets, although higher upfront costs will weigh on future project development. Through 2015 and 2016, 13 fields are expected to start up in the GOM. Half of these will be developed using a 'subsea tieback' approach, which can reduce costs and start-up times in fields with reserves too small to justify the capex needed to fully develop an offshore field.

ConocoPhillips reported plans to further reduce its capital expenditures for deepwater exploration, with the "most significant reductions" coming from its operated programme in the GOM. The company did not specify, however, by how much capex would be decreased. At year-end 2014, the Houston-based independent slashed its 2015 capital budget by 20% to \$13.5 billion compared with 2014's capex plans. The company has provided notice that it will terminate its contract for the Ensco DS-9 deepwater drillship, which was slated for delivery to the Gulf late this year to start drilling at the company's operated deepwater inventory under a three-year contract.

**Graph 5.3: US liquids vs. non-OPEC supply, q-o-q growth**

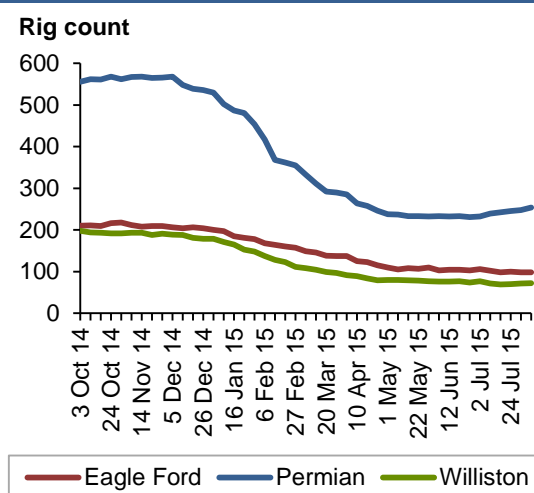


Source: OPEC Secretariat.

On a quarterly basis, US oil supply in 2015 is expected to average 13.78 mb/d, 13.98 mb/d, 13.83 mb/d and 13.86 mb/d, respectively.

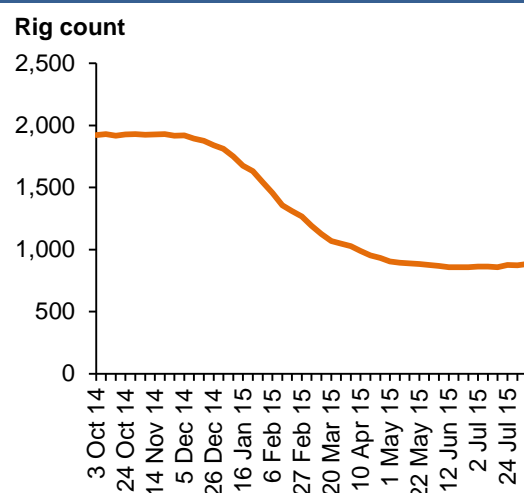
## US oil rig count

**Graph 5.4: US total rig count by selected basin**



Source: Baker Hughes.

**Graph 5.5: Total US rig count**



Source: Baker Hughes.

**Table 5.2: US rotary rig count**

Oil and gas split	31 Jul 15	W-o-w	Change		Y-o-y, %
			M-o-m	Y-o-y	
Oil	664	5	24	-909	-58
Gas	209	-7	-10	-104	-33
<b>Location</b>					
Land	840	-5	7	-991	-54
Offshore	34	3	5	-24	-41
<b>Drilling type</b>					
Directional	84	1	-13	-134	-61
Horizontal	664	2	7	-634	-49
Vertical	126	-5	18	-247	-66
<b>US drilling total</b>	<b>874</b>	<b>-2</b>	<b>12</b>	<b>-1,015</b>	<b>-54</b>

Source: Baker Hughes.

### Canada and Mexico

Oil supply in **Canada** is expected to grow by 0.08 mb/d in 2015 to average 4.39 mb/d y-o-y, remaining unchanged from the previous month. Preliminary estimates place April Canadian output lower m-o-m by 0.34 mb/d to average 4.19 mb/d. In April, output of oil sands declined by 0.26 mb/d to settle at 2.16 mb/d, while conventional oil and NGLs also declined to 1.28 mb/d and 0.75 mb/d, respectively. Therefore, Canadian output in 2Q15 was lower y-o-y by 30 tb/d at 4.16 mb/d. In 1H15, at least 6 projects out of 13 started up in Canada. It is expected that oil production from the other seven projects will come on stream in 2H15. The projects implemented in 1H15 are:

- |  |                |
|--|----------------|
| 1. Thickwood – Sunshine A1                       | April 2015     |
| 2. Cold Lake Nabiye                              | April 2015     |
| 3. Foster Creek F                                | January 2015   |
| 4. Foster Creek G                                | April 2015     |
| 5. Rush Lake                                     | May 2015       |
| 6. South White Rose extension project (offshore) | Late June 2015 |

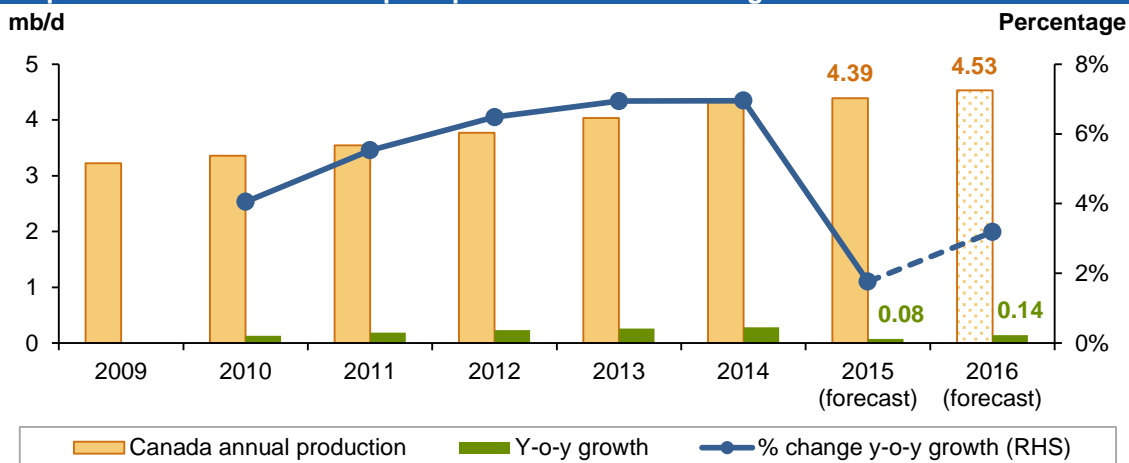
Husky Energy Inc. of Calgary reported startup of production in the third week of May from its Rush Lake heavy oil thermal project in Saskatchewan, some eight weeks after startup of commercial steaming operations. The Rush Lake project is expected to reach its nameplate production capacity of 10 tb/d by year-end. Husky said three other thermal projects are under construction in the Lloydminster area with startups planned for 2016. “Rush Lake joins an expanding lineup of thermal projects that are providing solid returns even in a low-price environment,” said the company’s CEO. Husky also reported the start of oil production from the South White Rose extension project in the Jeanne d’Arc basin offshore Newfoundland and Labrador in late June. The net peak production from the subsea satellite tieback is expected to reach 15 tb/d following startup of a second well in late summer. The project uses the Sea Rose floating production, storage and offloading vessel at White Rose field. At another White Rose satellite, Husky said a “Hibernia-level formation well” in the North Amethyst field is expected to begin producing in this year’s fourth quarter, with forecast net peak production of 5 tb/d. Production from South White Rose and North Amethyst is anticipated to offset the impact of natural declines in the region.

**Canada’s overall rig count** at the end of July added 15 units to reach a total of 215. The number of active rigs in Alberta, the main state for production of oil sands, also increased by five rigs to 128 units. Nevertheless, Alberta’s rigs were down by around 50% y-o-y, and Canada’s overall rig count fell by 180 rigs.

## World Oil Supply

On a quarterly basis, Canada's supply in 2015 is expected to average 4.59 mb/d, 4.16 mb/d, 4.34 mb/d and 4.46 mb/d, respectively.

**Graph 5.6: Canada's annual liquids production and annual growth**

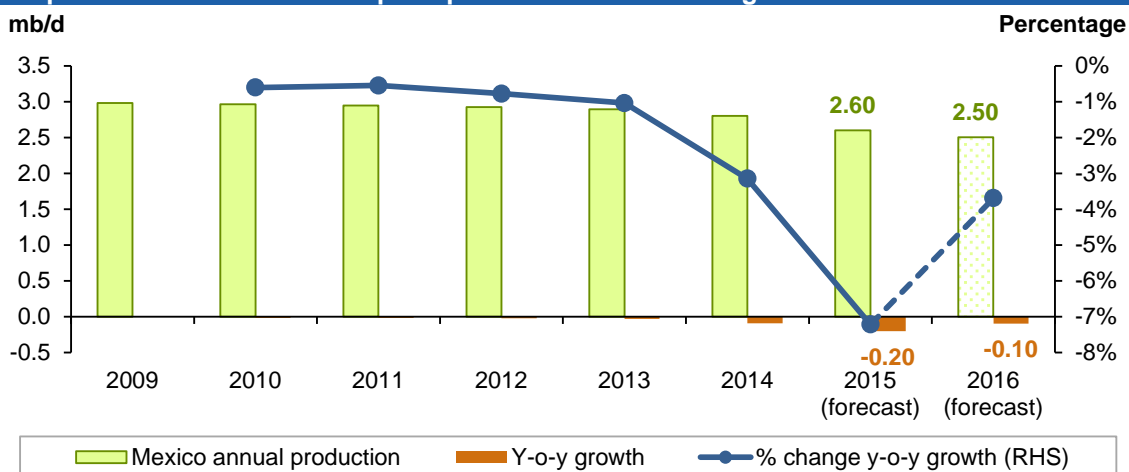


Source: OPEC Secretariat.

**Mexican** liquids production in 2015 is expected to decline significantly by 0.20 mb/d to average 2.60 mb/d. The liquids output in 2Q15 declined by 100 tb/d to average 2.55 mb/d. Crude output increased by 20 tb/d to average 2.25 mb/d in June. Output in June recovered to 2.247 mb/d from a low of 2.201 mb/d in April, when a deadly fire at the Abkatun oil platform knocked 10,000 b/d off production. Nevertheless, Mexico's state-owned Pemex reported a 9.8% decline in average 2Q crude production to 2.225 mb/d compared with the same period last year, cementing a decade-long downward trend. Pemex's upstream manager said recently the second quarter production decrease reflected natural declines as well as the impact of the Abkatun incident, which also contributed to a 6.3% decline in natural gas output to 5.399 bcf/d (151 mcm/d). Mexico also produced 0.33 mb/d of NGLs in June. Output in 2Q15 declined by 0.3 mb/d y-o-y.

On a quarterly basis, Mexico's supply is seen to average 2.65 mb/d, 2.55 mb/d, 2.61 mb/d and 2.58 mb/d, respectively.

**Graph 5.7: Mexico's annual liquids production and annual growth**



Source: OPEC Secretariat.



## OECD Europe

Total **OECD Europe oil supply**, which grew by 20 tb/d to average 3.60 mb/d in 2014, is expected to grow again this year by 30 tb/d due to higher than expected growth in 2Q15, which saw an increase of 70 tb/d over the previous year to average 3.63 mb/d in 2015. Therefore, growth in 2015 was revised up by 50 tb/d from the previous *MOMR*.

OECD Europe is estimated to see a quarterly supply of 3.68 mb/d, 3.71 mb/d, 3.47 mb/d and 3.66 mb/d, respectively.

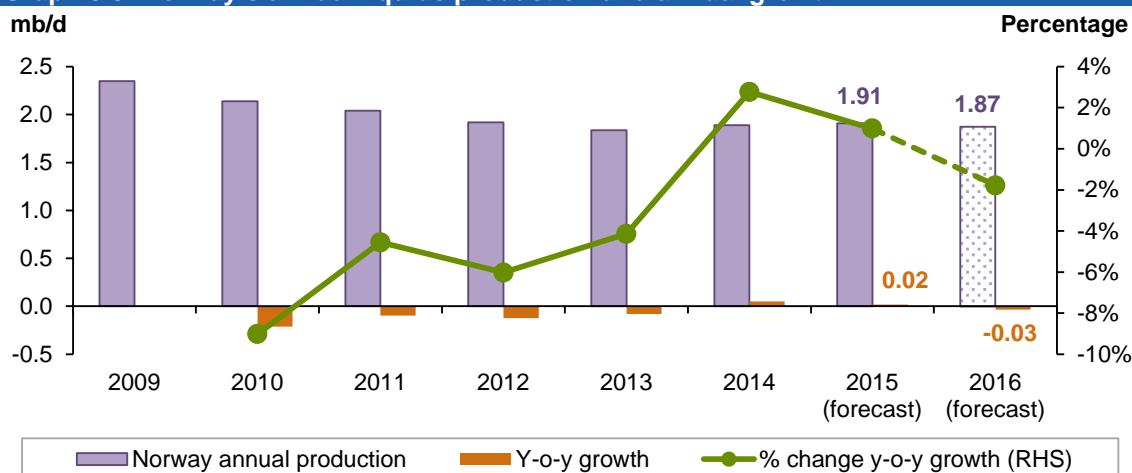
**Norway's** oil supply is expected to decline by 20 tb/d from the previous year to average 1.91 mb/d in 2015, revised up by 20 tb/d from the previous *MOMR*. Preliminary production figures for June 2015 show an average daily production of about 1.948 mb of oil, NGL and condensate, which is 49 tb/d (about 3%) more than in May 2015.

According to data from the Norwegian Petroleum Directorate (NPD), the average daily liquid production in June was 1.57 mb/d of oil, 0.35 mb/d of NGL and 25 tb/d of condensate. The oil production is 10% above June of last year. The startup of new fields were a contributing factor to this increase, with BG's Knarr field reaching 20 tb/d in May. Similarly, Statoil's Gudrun field ramped up to a record high of 67 tb/d and Svalin to 31 tb/d in May. Together, these three fields added almost 0.1 mb/d of y-o-y growth to Norwegian liquids output, but technical challenges and high decline rates persist. BP's Skarv field, which first produced in January 2013 and ramped up to a peak of almost 0.1 mb/d in mid-2014, saw output fall to only 17 tb/d in November. It has struggled to recover to its highs despite being only two years old. In May, the field's output was lower y-o-y by 30 tb/d. Therefore, despite strong y-o-y growth in 2Q15, which contributed to the significant oversupply seen in the Atlantic Basin and weighed on Brent spreads, over 1H15, growth was limited to 52 tb/d. 3Q15 should see output pick up sequentially as the small maintenance programme ends at key fields such as the 0.12 mb/d Ekofisk field, the 35 tb/d Eldfisk field and the 75 tb/d Oseberg field.

Four new startups with peak capacities of 0.28 mb/d (0.14 mb/d set to come online in 2H15) should help Norway maintain y-o-y growth of 50 tb/d in 2H15. Oil production is about 5% above the NPD's prognosis for the month.

On a quarterly basis, Norway's production is seen to average 1.93 mb/d, 1.91 mb/d, 1.83 mb/d and 1.96 mb/d, respectively.

**Graph 5.8: Norway's annual liquids production and annual growth**



Source: OPEC Secretariat.

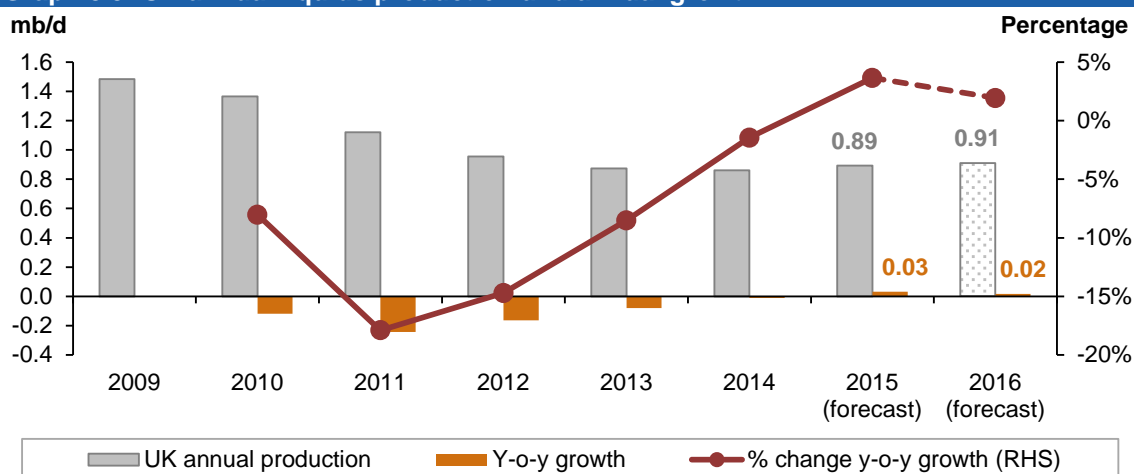
## World Oil Supply

The **UK's** oil supply is estimated to grow by 30 tb/d to an average of 0.89 mb/d in 2015 y-o-y, revised up by 30 tb/d from the previous *MOMR*. UK liquids production in 2Q15 increased by 30 tb/d to 0.96 mb/d q-o-q, which is 70 tb/d higher y-o-y.

Lower output in June was a result of three weeks of works at the Thistle and Dons fields, but, generally, output remained higher y-o-y in 2Q15 due to lower-than-usual maintenance during 2015 in both Norway and the UK. From June to August 2014, UK output fell y-o-y by 0.1 mb/d due to works. 2H15 sees the start of three new fields: Total's Laggan-Tomore (19 tb/d), Premier's Solan (20 tb/d) and EnQuest's Amla/Galia (20 tb/d), while 2016 sees 0.13 mb/d of new peak capacity added (several were delayed from 2015).

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

**Graph 5.9: UK annual liquids production and annual growth**



Source: OPEC Secretariat.

**Denmark's** Maersk Oil has started oil and gas production from the Tyra Southeast-B unmanned platform, expected to add reserves of 50 million boe over the next 30 years. The new platform, 220 km off Denmark's west coast, will produce 20 mb of oil and 170 bscf of gas, peaking at 20 tboe/d in 2017. In December, the Ensco 72 drilling rig started drilling the first well, where production is expected to reach 2,600 boe/d. Maersk plans to drill 8-12 horizontal wells, each 6-km long, during 2015-17.

## OECD Asia Pacific

**OECD Asia Pacific's** oil supply is expected to decline by 50 tb/d in 2015, averaging 0.45 mb/d, revised down by 30 tb/d from the previous month.

**Australia's** crude oil supply according to national data is likely to decrease by 38 tb/d in May to 0.26 mb/d, but NGL output increased to 60 tb/d by adding 16 tb/d m-o-m. Liquid production in 2015 indicates an output pattern more or less similar to 2013 with a declining trend compared to the previous year. Australia's oil production in 2014 grew by 30 tb/d, but in 2013, it declined by 80 tb/d, and now it is again anticipated for decline at 50 tb/d for this year to average 0.37 mb/d.

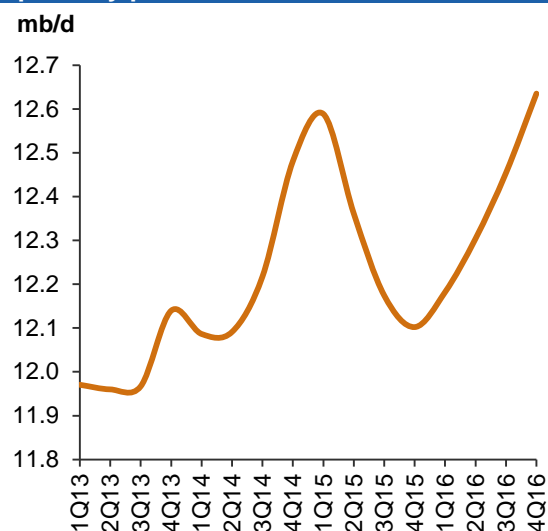
On a quarterly basis, total OECD Asia Pacific oil supply is expected to average 0.43 mb/d, 0.44 mb/d, 0.48 mb/d and 0.46 mb/d, respectively.

## Developing countries

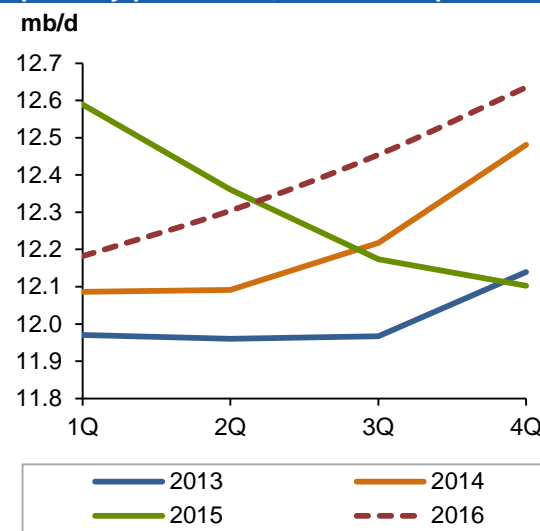
Total oil output from **developing countries (DCs)** will reach an average of 12.30 mb/d in 2015, an increase of 80 tb/d compared with 0.21 mb/d in 2014 and an upward revision of 10 tb/d from the last *MOMR*.

On a quarterly basis, total oil supply in DCs is estimated to average 12.59 mb/d, 12.36 mb/d, 12.17 mb/d and 12.10 mb/d, respectively.

**Graph 5.10: Developing Countries' quarterly production**



**Graph 5.11: Developing Countries' quarterly production, annual comparison**



## Other Asia

**Other Asia's** oil production is predicted to increase by 60 tb/d in 2015 to average 3.54 mb/d, unchanged from the previous *MOMR*. It is expected that oil output in Malaysia, Thailand, Vietnam and Asia others will grow by 60 tb/d, 10 tb/d, 10 tb/d and 30 tb/d, respectively, while oil production in India and Indonesia will decrease by 10 tb/d and 20 tb/d, respectively, and Brunei's output is expected to remain steady.

**Vietnam** has revised up its crude oil output target for 2015 amid concerns that a production shortfall will slash economic growth, but the potential to lift output may be limited given the country's aging oil fields and low global oil prices. The country's oil ministry in early July said Vietnam will need to produce an extra 1 million mt of crude oil in 2015, raising the full-year target to 15.74 million mt (115.4 mb) from 14.74 million mt earlier, to achieve its targeted annual economic growth rate of 6.2%. If Vietnam can manage to produce the additional 1 million mt, output will be marginally higher than last year's production of 15.5 million mt.

Vietnam produced 8.38 million mt of crude oil over the first half of 2015, 11% higher than during the same period last year. Vietnam is a high-cost producer with a breakeven price for crude production currently at about \$55/b. Vietnam's crude oil production has been on the decline over the past decade due to its aging oil fields, falling from 20 million mt in 2004 to around 15.5 million mt in 2014.

"Production in the next 2-3 years will continue to fall," said an official at Petro Vietnam's oil unit, PV Oil. "It is because output from most of the country's fields is forecast to be on the decline." She said it was unlikely the country would strike major oil discoveries like the Bach Ho and Rong fields any time soon. Most of its finds so far have been

small. Petro Vietnam earlier this year said a slowdown in production from the major fields in 2014 and a sharp decline in oil prices since last year would impact its operations and field development activities in 2015.

Oil production started on 17 June from the Nong Yao oil field in the G11/48 concession of the Southern Gulf of **Thailand**. G11/48 covers 3,374 sq km over the southern margin of the Pattani basin and the northwest margin of the Malay basin in 75 m of water. Nong Yao production is expected to reach a peak rate of 10 tb/d as up to 23 wells are completed. Facilities comprise a wellhead processing platform and a minimum-facility wellhead platform, with production capacities of 15 tb/d and 30 tb/d of fluids. Crude is exported with a floating storage and offloading vessel and will be sold for local use in Thailand. Proved and probable gross reserves in Nong Yao's primary reservoirs, recoverable by water injection, are estimated at 12.4 mb.

Mubadala operates three fields in Thailand. Following Manora, Nong Yao is the second development in the country that the company has taken from discovery and appraisal to development and production. Manora started production in November 2014 and is producing at a peak rate of 15 tb/d. With three fields producing in Thailand – Jasmine, Manora and now Nong Yao – gross production in Thailand will reach around 40 tb/d during 2H15. This is more than double the rate from a year ago.

The annual oil supply forecast this month was revised up by 10 tb/d from the previous month's report. The estimated average production in Brunei, India, Indonesia, Malaysia, Thailand, Vietnam and Asia others is at 0.12 mb/d, 0.86 mb/d, 0.85 mb/d, 0.75 mb/d, 0.39 mb/d, 0.30 mb/d and 0.24 mb/d, respectively.

On a quarterly basis, **Other Asia's supply** in 2015 is forecast to average 3.62 mb/d, 3.59 mb/d, 3.51 mb/d and 3.44 mb/d, respectively.

## Latin America

**Latin America's** oil supply is estimated to grow by 0.13 mb/d to average 5.14 mb/d in 2015, revised up by 10 tb/d from the last *MOMR*. Latin America was the second-highest driver of growth in 2014 among all the non-OPEC regions. Brazil is the main driver to this growth in 2015, while oil production in other Latin American countries is expected to decline by 30 tb/d along with Argentina and Colombia by 10 tb/d each.

On a quarterly basis, Latin America's supply in 2015 is expected to stand at 5.24 mb/d, 5.13 mb/d, 5.08 mb/d and 5.11 mb/d, respectively.

**Brazil's** liquids supply is expected to average 3.03 mb/d in 2015, an increase of 0.17 mb/d over the previous year, and revised up by 10 tb/d from the previous *MOMR*. Brazilian crude oil and NGL production in May registered at 2.5 mb/d, more or less steady compared to April. Biofuels output in May was also steady at 528 tb/d.

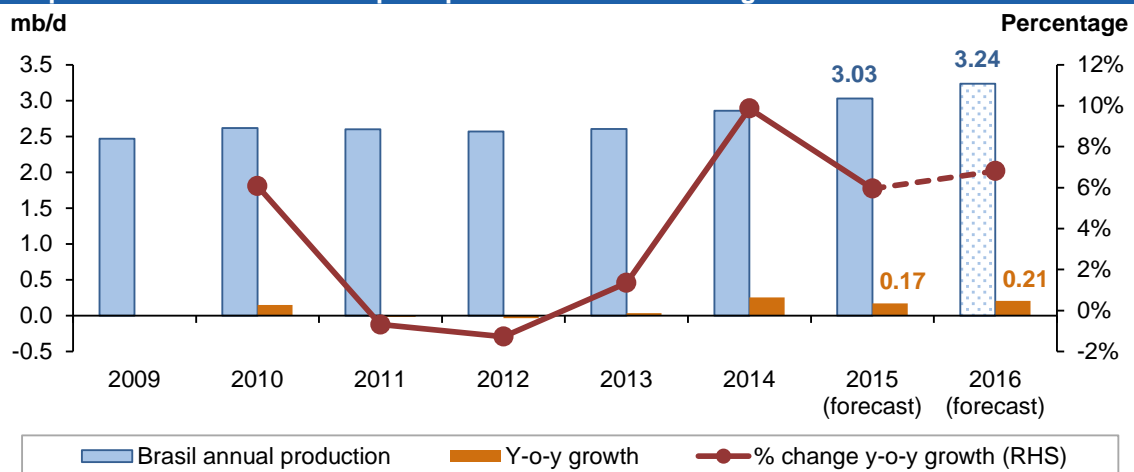
Petroleo Brasileiro SA (Petrobras) reported that the Cidade de Itaguai floating production, storage, and offloading vessel had arrived at the Iracema Norte area of the Lula field in the Santos presalt basin in early July. The unit features a production capacity of 150 tb/d, can compress 8 mcm/day of natural gas, can store 1.6 mb of oil, and has an injection capacity of 264 b/d of water. It will be connected to eight producing wells and nine injection wells. Oil production is expected to begin in the third quarter, although output is not expected to reach capacity until early 2017. Gas will be transported to shore by a subsea pipeline. Cidade de Itaguai is anchored in 2,240 m of

water and is located 240 km offshore Rio de Janeiro. The Iracema Norte area lies on exploratory block BM-S-11.

Brazil's OGPar produced 13,428 b/d of crude in June, up 0.5% from 13,350 b/d in May and up 3.5% from 13,008 b/d in June 2014, as the financially troubled company pumps the last remaining barrels from its Tubarao Azul field. Oleo e Gas Participacoes, formerly known as OGX, said it produced 402,844 barrels of crude in June, down from the 413,836 barrels in May, but up 0.5% on a daily average basis due to June having one less day. Tubarao Azul's production has been relatively steady in recent months despite estimates that OGPar would pump the last of the field's 6 mb of 21 API crude by the end of March. Tubarao Azul produced 3,520 b/d, up from 3,348 b/d in May. Output from the Tubarao Martelo field continued to disappoint, although production stabilized in June, producing about 9,908 b/d compared with about 10,001 b/d in May. Tubarao Martelo's production has drifted steadily downward since peaking in September 2014, when a fourth production well at the field came on stream. Despite the addition of two wells last year, OGPar has not been able to maintain production at economically viable levels after the sharp drop in oil prices during 2H14.

On a quarterly basis, Brazil's supply in 2015 is estimated to stand at 3.06 mb/d, 2.99 mb/d, 3.03 mb/d and 3.04 mb/d, respectively.

**Graph 5.12: Brazil's annual liquids production and annual growth**



Source: OPEC Secretariat.

## Middle East

**Middle East oil supply** is estimated to decrease by 0.10 mb/d in 2015 from the previous year to average 1.24 mb/d, unchanged from the previous *MOMR*. There is no expectation for growth or decline in oil supply in Bahrain, Oman or Syria, while it is predicted that oil output in Yemen will decline by 0.10 mb/d due to the war to average 40 tb/d in 2015. Moreover, the Middle East supply forecast is associated with a very high level of risk, mainly due to political factors, which could dramatically change the outlook in either direction. Oman's oil production is expected to grow by 10 tb/d to average 0.95 mb/d, while Bahrain is expected to decline slightly by 10 tb/d to average 0.21 mb/d in 2015.

On a quarterly basis, Middle East supply in 2015 is seen to average 1.31 mb/d, 1.24 mb/d, 1.20 mb/d and 1.20 mb/d, respectively.

## Africa

**Africa's** oil supply is projected to average 2.39 mb/d in 2015, steady y-o-y and unchanged from the previous *MOMR*. In 2015, oil production from Congo and Equatorial Guinea is expected to grow by 10 tb/d each to average 0.29 mb/d and 0.29 mb/d, respectively. Africa Others will show steady production except Chad, which is expected to see a decline of 10 tb/d to average 0.11 mb/d.

On a quarterly basis, Africa's oil supply in 2015 is expected to average 2.42 mb/d, 2.40 mb/d, 2.38 mb/d and 2.35 mb/d, respectively.

## FSU, other regions

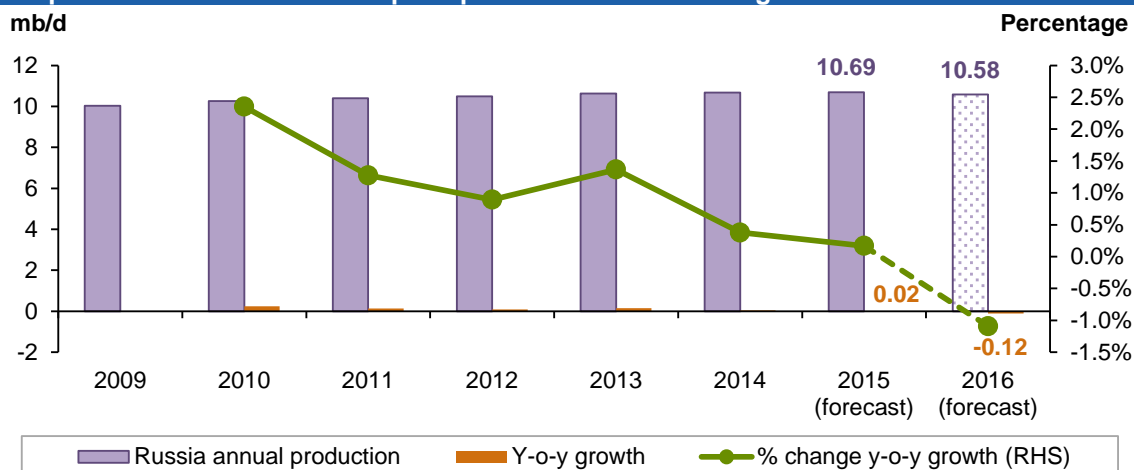
**Total FSU oil supply** is expected to be stagnant in 2015 at an average of 13.55 mb/d, revised up by 10 tb/d from the previous month's estimation. In 2015, oil production in Russia will increase, while oil production in Kazakhstan and FSU others is expected to decrease, whereas oil production in Azerbaijan will remain steady.

On a quarterly basis, total supply from the FSU in 2015 is seen to average 13.70 mb/d, 13.60 mb/d, 13.42 mb/d and 13.49 mb/d, respectively.

## Russia

**Russian** oil supply is expected to increase by 20 tb/d to average 10.69 mb/d in 2015, revised up by 10 tb/d from the previous *MOMR*.

**Graph 5.13: Russia's annual liquids production and annual growth**



Source: OPEC Secretariat.

Oil output declined in July by 70 tb/d to average 10.70 mb/d due to maintenance at Gazprom's Surgut gas condensate plant. Nevertheless, 3Q15 was unchanged at 10.6 mb/d but lower by 160 tb/d than strong 2Q15 at 10.76 mb/d. Bashneft, Russia's sixth largest crude producer, increased crude output 10.4% y-o-y in the second quarter to an average above 389 tb/d, making the company Russia's fastest growing oil producer. Bashneft's average daily oil output was the highest it had been since 1993 on the back of a 2.5% rise at brownfields due to new wells and efficient operations, as well as output at the Trebs, Titov and Sorovskoye fields, which accounted for 14.6% of overall production in the second quarter. Bashneft's output, alongside rising condensate production, is driving production growth in Russia, which was up by 1.2% in the first six months of the year to reach 10.545 mb/d, according to energy ministry data.

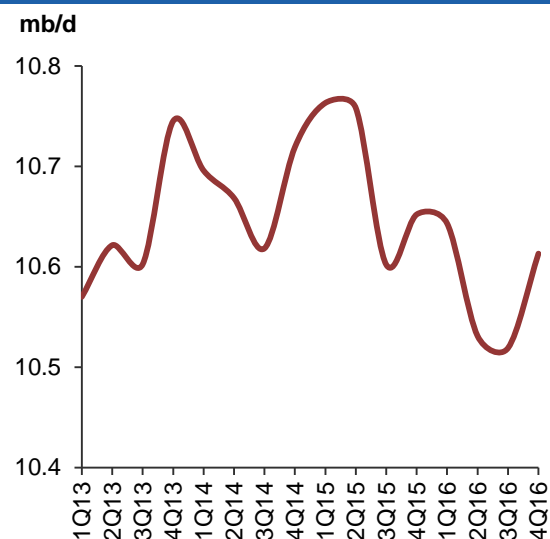


July exports rose m-o-m to 4.52 mb/d, higher y-o-y by 0.69 mb/d, for the seventh straight month. Exports to Asia via Kozmino rose to 0.62 mb/d, with exports to China now firmly above 0.90 mb/d. India's Essar and BPCL are also receiving ESPO crude for the first time. The latest crude export forecast is based on a higher estimate of crude production. While the energy ministry cautiously expected output would remain flat at last year's level of 526.8 million mt, or rise by 3 million mt under its more optimistic scenario, the economy ministry envisaged liquids output to be 3.7 million mt above last year's level. According to the economy ministry, crude and gas condensate production will be 530.5 million mt or 10.654 b/d on average in 2015 based on the trend in the first six months of the year. This would represent a 0.6% y-o-y increase.

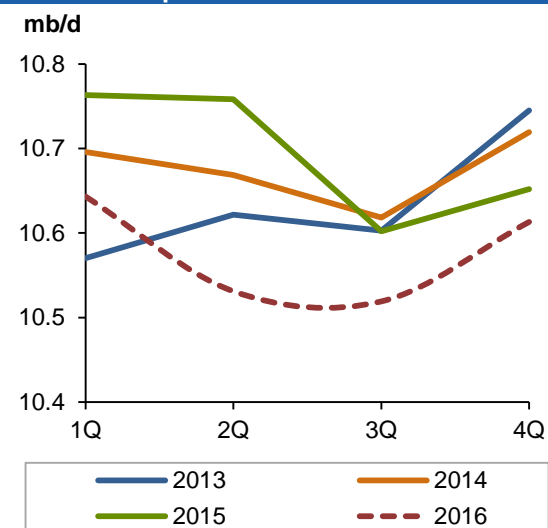
Russia's crude and condensate production has been growing steadily over the last few years, but various forecasts, including those from international organizations, envisage a drop in output this year. The forecasts are based on expectations that Russian oil producers are set to start cutting investment in drilling because of low oil prices and financial sanctions. Drilling rates jumped by around 20% in the first two months of the year, from a low 2014 base, but growth has slowed to 9% in 1H15. Russian crude production hit a new post-Soviet high of 10.7 million b/d in 2Q.

On a quarterly basis, Russia's 2015 supply is expected to average 10.76 mb/d, 10.76 mb/d, 10.60 mb/d and 10.65 mb/d, respectively.

Graph 5.14: Russia's quarterly production



Graph 5.15: Russia's quarterly production, annual comparison



## Caspian

**Kazakhstan's** oil supply is expected to decrease by 10 tb/d over the previous year to average 1.62 mb/d in 2015, unchanged from the previous *MOMR*. Kazakhstan's oil production declined m-o-m by 80 tb/d in June to settle at 1.56 mb/d, although it stayed higher y-o-y by 40 tb/d due to the intensified works at Tengiz in May and June of 2014. The average oil production in Kazakhstan in 1H15 was 1.63 mb/d, indicating growth of 20 tb/d over same period in 2014; oil output from Tengiz could offset the other fields' declines.

On a quarterly basis in 2015, output will average 1.66 mb/d, 1.60 mb/d, 1.59 mb/d and 1.62 mb/d, respectively.

**Azerbaijan's** oil supply is anticipated to average 0.86 mb/d, remaining unchanged from the previous *MOMR* and indicating steady production in 2015. Azeri crude oil output in June increased by 21 tb/d to average 0.78 mb/d, following a decline of 57 tb/d in May, which was a result of maintenance at the West Chirag platform that began on 21 May and lasted through to 6 June. The total oil production (crude+NGLs) was pegged at 0.86 mb/d in May.

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

Oil supply in **FSU others**, mainly in Turkmenistan, is expected to average 0.38 mb/d, unchanged from last month's estimation. Dragon Oil achieved record monthly output, averaging 98,890 b/d in June, up 30% y-o-y, Emirates National Oil Co. reported in an operational update. Dragon, which currently produces all its oil from the Cheleken offshore concession in Turkmenistan's sector of the Caspian Sea, also reported 1H15 output of about 92,060 b/d, up 25.3% from 73,440 b/d in the comparable 2014 period.

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

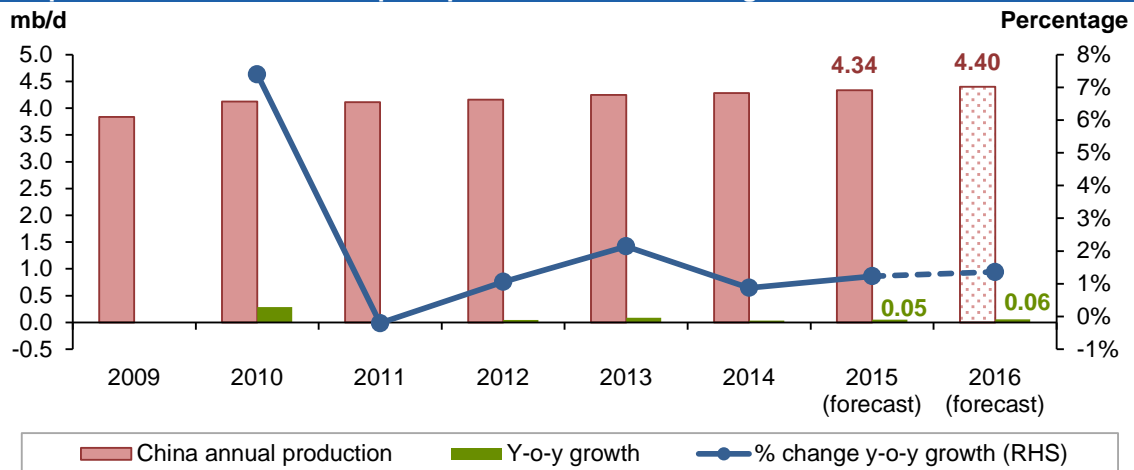
## China

**China's** supply is expected to grow by 50 tb/d over the previous year to average 4.34 mb/d in 2015, revised up by 30 tb/d from the previous month due to strong output in 2Q15. Chinese crude output totaled a record 4.42 mb/d in June, with y-o-y growth picking up to 0.15 mb/d. Output from South China continues to grow strongly due to China's National Offshore Oil Corp. Ltd.'s (CNOOC's) Panyu oilfield project that started in 2H14. The project includes three oil fields – Panyu 10-2, Panyu 10-5 and Panyu 10-8 – and was designed to share some facilities of the Panyu 4-2 oil field. The main newly built production facilities include a wellhead platform and nine producing wells. Currently there are four wells producing about 9 tb/d. The project is expected to reach peak production of 13 tb/d in 2015. CNOOC also reported the start of production from its Bozhong 28/34 oil fields comprehensive adjustment project in late June. The Bozhong 28/34 oil fields lie in Bohai in an average of 22 m of water. The project consists of three subprojects, namely the Bozhong 28-2S oil fields comprehensive adjustment project, the Bozhong 34-1 oil field comprehensive adjustment project, and Bozhong 34-2/4 oil field comprehensive adjustment project. The main production facilities of the project include 6 offshore platforms and 79 producing wells. There are currently 39 wells producing 22 tb/d of crude oil. The adjustment project is expected to reach its designed peak production of 30 tb/d of oil in 2016.

In the third week of July, CNOOC also started its comprehensive adjustment project at the Luda 10-1 oil field in the Liaodong Bay area of the Bohai Gulf. The company added one wellhead platform in 30 m of water. Current production is 3,300 b/d from 13 wells, and peak production of 6 tb/d is expected in 2016. CNOOC previously reported the startup of oil production from the Kenli 10-1 field in April and a comprehensive adjustment project at the Qinhuangdao 32-6 field. The Kenli 10-1 field has 12 wells producing 10,750 b/d. Facilities include a central processing platform and two wellhead platforms in 17 m of water in the southern Bohai Bay. Peak production of 36 tb/d is expected in 2016. Startup of oil production from a comprehensive adjustment project at the Qinhuangdao 32-6 field, which included four platforms and 99 producing wells, is expected to result in output of 36 tb/d later this year. Qinhuangdao, which lies in north-central Bohai Bay in 20 m of water, came on stream in 2001.

On a quarterly basis, China's supply in 2015 is forecasted to average 4.33 mb/d, 4.39 mb/d, 4.30 mb/d and 4.34 mb/d, respectively.

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



Source: OPEC Secretariat.

## Forecast for 2016

### Non-OPEC supply

**Non-OPEC oil supply in 2016 is expected to increase by 0.27 mb/d over the current year to average 57.73 mb/d.** This expectation was revised down by 40 tb/d due to the base change of 2015 being at a higher level and also due to partially minor downward revisions in some countries' production forecasts. The weak growth trend estimated for 2015 is expected to continue at a slower pace in 2016, supported by growth from the OECD at 0.33 mb/d to average 25.28 mb/d, Developing Countries (DCs) by 0.09 mb/d to average 12.39 mb/d and China with growth of 0.06 mb/d to average 4.40 mb/d. On a regional basis, OECD Americas, with expected growth of 0.37 mb/d, still would be the main contributor for non-OPEC incremental growth, along with Other Asia at 0.04 mb/d and Latin America at 0.13 mb/d in 2016, yet partly offset by declines in OECD Europe by 0.06 mb/d, the Middle East by 0.04 mb/d, Africa by 0.05 mb/d and FSU with the highest at 0.23 mb/d.

On a quarterly basis, non-OPEC supply in 2016 is projected to stand at 57.65 mb/d, 57.35 mb/d, 57.50 mb/d and 58.42 mb/d, respectively.

The forecast for non-OPEC supply in 2016 is associated with a high level of risk. According to reports from six major IOCs, upstream capital expenditures, which decreased by 17% in 2015 y-o-y, along with a further 5% spending reduction are expected in 2016, indicating a declining trend. According to Wood Mackenzie's recent study, a significant number of the 46 delayed projects were struggling already before the oil price collapse. These included BP's Mad Dog Phase II in the GOM, Shell's Browse and Abadi FLNG projects in the Asia Pacific and Eni's OPL245 project offshore Nigeria. The majority of these projects are now targeting startup between 2019 and 2023. However, if the major international oil companies continue to focus on cutting future capital commitments, to the detriment of future production growth, then these dates will be pushed back further. Wood Mackenzie said there was little doubt regarding the importance of deepwater projects to the majors' futures and said in the longer term, Canadian oil sands projects would make a come-back. They added, regarding deepwater, operators such as BP and Shell are keen to defer FID if they can

benefit from deflation in drilling and subsea costs, alongside a more robust approach to project management. Nonetheless, for all of the majors, deepwater remains a key strategic growth theme. Ultimately, depressed oil prices would serve to differentiate between projects of high quality and more questionable ones, the report said, highlighting Norway's giant Johan Sverdrup field as an example of the former. While major project FIDs will be rare in 2015, Wood Mackenzie believes a select few robust developments that have already been pushed back will still get the green light before year-end. Some are already positioning themselves to be ready to move into FID. If they are successful, they will be the few.

Other risk factors, such as geo-political tensions in some oil producing territories, environmental and HSE regulations on oil production and transportation, technical developments and, most importantly, oil prices, will continue to have an impact on supply growth expectations.

**Table 5.3: Non-OPEC oil supply in 2016, mb/d**

	<u>2015</u>	<u>1Q16</u>	<u>2Q16</u>	<u>3Q16</u>	<u>4Q16</u>	<u>2016</u>	<i>Change</i> <u>16/15</u>
Americas	20.86	21.15	21.07	21.18	21.49	21.23	0.37
<i>of which US</i>	13.86	14.08	14.08	14.17	14.41	14.19	0.32
Europe	3.63	3.68	3.52	3.41	3.68	3.57	-0.06
Asia Pacific	0.45	0.46	0.49	0.49	0.47	0.48	0.03
<b>Total OECD</b>	<b>24.94</b>	<b>25.29</b>	<b>25.08</b>	<b>25.08</b>	<b>25.64</b>	<b>25.28</b>	<b>0.33</b>
Other Asia	3.54	3.50	3.55	3.62	3.67	3.58	0.04
Latin America	5.14	5.13	5.21	5.31	5.45	5.27	0.13
Middle East	1.24	1.21	1.20	1.19	1.19	1.20	-0.04
Africa	2.39	2.35	2.35	2.34	2.33	2.34	-0.05
<b>Total DCs</b>	<b>12.30</b>	<b>12.18</b>	<b>12.30</b>	<b>12.45</b>	<b>12.64</b>	<b>12.39</b>	<b>0.09</b>
FSU	13.55	13.46	13.27	13.23	13.34	13.33	-0.23
<i>of which Russia</i>	10.69	10.64	10.53	10.52	10.61	10.58	-0.12
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.34	4.37	4.36	4.39	4.46	4.40	0.06
<b>Total "Other regions"</b>	<b>18.03</b>	<b>17.97</b>	<b>17.77</b>	<b>17.76</b>	<b>17.95</b>	<b>17.86</b>	<b>-0.17</b>
<b>Total Non-OPEC production</b>	<b>55.28</b>	<b>55.45</b>	<b>55.15</b>	<b>55.30</b>	<b>56.23</b>	<b>55.53</b>	<b>0.26</b>
Processing gains	2.19	2.20	2.20	2.20	2.20	2.20	0.01
<b>Total non-OPEC supply</b>	<b>57.46</b>	<b>57.65</b>	<b>57.35</b>	<b>57.50</b>	<b>58.42</b>	<b>57.73</b>	<b>0.27</b>
Previous estimate	57.39	57.55	57.28	57.48	58.45	57.69	0.30
Revision	0.08	0.10	0.07	0.02	-0.03	0.04	-0.04

## OECD

**Total OECD oil supply** in 2016 is expected to grow by 0.33 mb/d to average 25.28 mb/d, revised down in growth by 90 tb/d from the last *MOMR*. The y-o-y growth in OECD in 2016 is expected to come from OECD Americas by 0.37 mb/d and OECD Asia Pacific by 0.03 mb/d, while OECD Europe is expected to decline by 60 tb/d compared with last year.

On a quarterly basis, total OECD supply is estimated to average 25.29 mb/d, 25.08 mb/d, 25.08 mb/d and 25.64 mb/d, respectively.

## OECD Americas

**OECD Americas'** oil supply is estimated to average 21.23 mb/d, showing growth of 0.37 mb/d y-o-y, representing a downward revision of 10 tb/d from the last monthly report. The US and Canada's supply are both expected to grow by 0.32 mb/d and 0.14 mb/d, respectively, in 2016, while Mexican supply will decline by 0.10 mb/d. On a quarterly basis, OECD Americas' oil supply in 2016 is expected to average 21.15 mb/d, 21.07 mb/d, 21.18 mb/d and 21.49 mb/d, respectively.

## US

US total oil supply is anticipated to grow by 0.32 mb/d to average 14.19 mb/d in 2016, representing a downward revision of 10 tb/d from the last monthly report. US liquids production for 2016, based on 2015 assumptions, is shown in the following table and graph. The breakdown indicates that the main component of US oil output, tight oil, will decline from 579 tb/d estimated growth in 2015 to only 90 tb/d in 2016. Oil production from six new projects are expected to come on stream in the GOM, i.e. Gunflint (120 tb/d), Heidelberg (80 tb/d), Stones (50 tb/d), Julia (34 tb/d), Dantzler (32 tb/d) and the delayed BigFoot project with a peak capacity of 75 tb/d.

**Table 5.4: US liquids production breakdown in 2015 and 2016, tb/d**

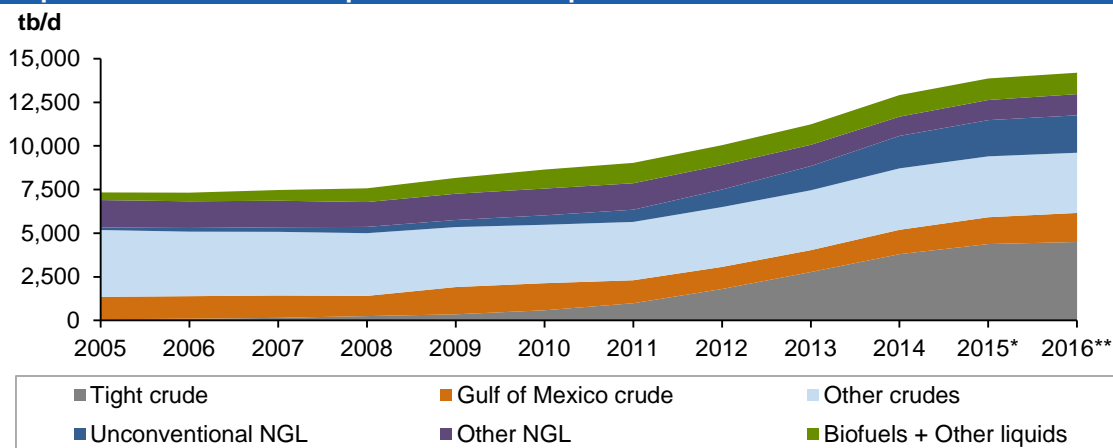
Production type	2014	2015*	Change 2015/14	2016**	Change 2015/16
Tight crude	3,798	4,377	579	4,467	90
Gulf of Mexico crude	1,396	1,536	140	1,666	130
Other crude	3,521	3,490	-31	3,450	-40
Unconventional NGL	1,861	2,076	215	2,165	89
Other NGL	1,103	1,153	50	1,213	60
Biofuels + Other liquids	1,238	1,235	-3	1,228	-7
<b>US total supply (excluding processing gains)</b>	<b>12,917</b>	<b>13,864</b>	<b>950</b>	<b>14,184</b>	<b>320</b>

Note: \* = Estimate and \*\* = Forecast.

Source: US Department of Energy.

On a quarterly basis, total US supply is estimated to average 14.08 mb/d, 14.08 mb/d, 14.17 mb/d and 14.41 mb/d, respectively.

**Graph 5.17: Trend of US oil production's components in 2005-2016**



Note: \* = Estimate and \*\* = Forecast.

Source: US Department of Energy.

### Canada and Mexico

Oil supply in **Canada** is expected to grow by 0.14 mb/d to average 4.53 mb/d y-o-y, remaining unchanged from the previous month. The following projects are planned to start up or ramp up in Canada in 2016:

- West Ells
- Virgo (redevelopment)
- Surmont, phase 2 (ramp up)
- Algar lake
- Cold lake, Nabiye (ramp up)
- Ellerslie
- Foster Creek, phase 1G
- Horizon, phase 2B
- Lloydminster area
- Christina lake, phase 1F

On a quarterly basis, total Canadian supply is estimated to average 4.51 mb/d, 4.49 mb/d, 4.51 mb/d and 4.61 mb/d, respectively.

In **Mexico**, a decrease in decline at 100 tb/d is expected for the next year. Oil supply is anticipated to decline to average 2.50 mb/d in 2016. The Ayatsil project with total capacity of 130 tb/d is expected to come on stream in 2016. On a quarterly basis, total Mexican supply is estimated to average 2.55 mb/d, 2.50 mb/d, 2.50 mb/d and 2.47 mb/d, respectively.

### OECD Europe

Total **OECD Europe oil supply** is expected to decline by 60 tb/d to average 3.57 mb/d in 2016. The predicted growth of 20 tb/d in last month's report has been revised down by 80 tb/d mainly due to the downward revision in Norway's future output. OECD Europe is estimated to see a quarterly supply of 3.68 mb/d, 3.52 mb/d, 3.41 mb/d and 3.68 mb/d, respectively.

**Norway's** oil supply is expected to decline by 30 tb/d from the previous year to average 1.87 mb/d in 2016, revised down by 70 tb/d from the previous *MOMR*. The new project of Martin Linge (formerly Hild) with a total capacity of 45 tb/d will come on stream in 2016. The development of the Froy project is also expected in the North Sea next year. On a quarterly basis, total Norwegian supply is estimated to average 1.95 mb/d, 1.85 mb/d, 1.77 mb/d and 1.92 mb/d, respectively.

**The UK's** oil production in 2016 is expected to grow by 20 tb/d to average 0.88 mb/d, although the lack of maintenance investment owing to capex pullbacks will mean UK output returns to a declining trend in 2016 as steep declines at existing fields outweigh new volumes coming online. New oil will be produced from the Harris and Barra fields as part of the Western Isles project, resulting in a peak output of 35 tb/d next year.

On a quarterly basis, total UK supply is estimated to average 0.92 mb/d, 0.87 mb/d, 0.86 mb/d and 0.99 mb/d, respectively.



## OECD Asia Pacific

**OECD Asia Pacific's** oil supply is expected to grow in 2016 to average 0.48 mb/d, unchanged in growth at 30 tb/d, however, absolute supply has been revised down by 30 tb/d from the previous month due to the higher base change of 2015. Australia's oil supply was also unchanged compared to last month's report to average 0.42 mb/d, and will grow by 50 tb/d following a 50 tb/d decline in 2015, but oil production of other countries in this region is predicted to decline by 20 tb/d to 0.06 mb/d.

On a quarterly basis, total OECD Asia Pacific supply in 2016 is estimated to average 0.46 mb/d, 0.49 mb/d, 0.49 mb/d and 0.47 mb/d, respectively.

## Developing countries

Total **developing countries' (DCs')** oil output will average 12.39 mb/d in 2016, indicating an increase of 90 tb/d compared with 0.08 mb/d in 2015, revised up by 30 tb/d from the last *MOMR*.

On a quarterly basis, total oil supply in DCs is estimated to average 12.18 mb/d, 12.30 mb/d, 12.45 mb/d and 12.64 mb/d, respectively.

## Other Asia

**Other Asia's** oil production is predicted to increase by 40 tb/d in 2016 to average 3.58 mb/d, unchanged in expected growth but revised up by 10 tb/d from the previous *MOMR*. Oil output in Malaysia, Indonesia and Asia others is expected to increase, while production in Vietnam and Brunei will decline and oil production in India and Thailand will be stagnant in 2016.

On a quarterly basis, Other Asia's supply in 2016 is expected to stand at 3.50 mb/d, 3.55 mb/d, 3.62 mb/d and 3.67 mb/d, respectively.

## Latin America

**Latin America's** oil supply is estimated to grow by 0.13 mb/d to average 5.27 mb/d in 2016, revised down by 10 tb/d in absolute supply but with no change in growth from the last *MOMR*. Latin America will be the second-highest driver of growth in 2016 among all the non-OPEC regions, similar to 2014 and 2015. Brazil is the main driver of this growth in 2016, while oil production in other Latin America countries is expected to decline.

On a quarterly basis, Latin America's supply in 2016 is expected to stand at 5.13 mb/d, 5.21 mb/d, 5.31 mb/d and 5.45 mb/d, respectively.

## Middle East

**Middle East oil supply** is estimated to decrease by 0.40 mb/d in 2016 from the previous year to average 1.20 mb/d, revised up by 20 tb/d from the previous *MOMR*. There is no expectation for growth or decline in oil supply in Bahrain and Syria, while oil output in Yemen and Oman is expected to decline in 2016. Moreover, the Middle East supply forecast is associated with a very high level of risk, mainly due to political factors, which could dramatically change the outlook in either direction.

On a quarterly basis, Middle East supply in 2016 is seen to average 1.21 mb/d, 1.20 mb/d, 1.19 mb/d and 1.19 mb/d, respectively.

### Africa

**Africa's** oil supply is projected to decline by 50 tb/d to average 2.34 mb/d in 2016 y-o-y, revised down by 10 tb/d in growth from the previous *MOMR*. In 2016, oil production from Congo and Africa other is expected to grow, while others is forecast to decline, with the exception of South Africa, which should remain steady. Two big projects of Moho North in Congo with a peak capacity of 100 tb/d, as well as the Tweneboa project, Enyenra & Ntomme (TEN) in Ghana with a 45 tb/d capacity will start up in 2016.

On a quarterly basis, Africa's oil supply in 2016 will average 2.35 mb/d, 2.35 mb/d, 2.34 mb/d and 2.33 mb/d, respectively.

### FSU and other regions

**Total FSU oil supply** is expected to decline heavily in 2016 to average 13.33 mb/d, unchanged from the previous month's estimation. Oil production in Russia, Kazakhstan, Azerbaijan and FSU others will decrease in 2016.

**Russian** oil supply is expected to decrease by 0.12 mb/d to average 10.58 mb/d in 2016, revised down in growth by 10 tb/d from the previous *MOMR*. JSC Gazprom Neft reported completion of construction of the first production well at the Vostochno-Messoyakhskiye oil field on the Gydan Peninsula in northern Russia. The well has a total depth of 840 m and a horizontal section of 1,000 m. Gazprom Neft, the operator, said the well crossed "strata subject to abnormally high pressure and long standing permafrost." Production drilling began after a four-year pilot was completed earlier this year. Full-scale commercial production and 63 wells are expected in 2016. The peak capacity of Messoyakhskiye (East & West) is planned at 200 tb/d. Gazprom Neft and OAO Rosneft jointly control Messoyakhaneftegaz, which holds the licenses "for prospecting and development."

Other projects slated for implementation in 2016 include Novoportovskoye with 130 tb/d of capacity, Vladimir Filanovsky with 125 tb/d, Suzun with a peak capacity of 120 tb/d and finally Trebs and Titov with a total capacity of 95 tb/d.

On a quarterly basis, total supply from the FSU in 2016 is seen to average 10.64 mb/d, 10.53 mb/d, 10.52 mb/d and 10.61 mb/d, respectively.

**Other Europe's** oil supply is estimated to remain flat from 2012 to average 0.14 mb/d and continue at this level in 2016.

### China

**China's** supply is expected to grow by 60 tb/d over the previous year to average 4.40 mb/d in 2016, revised up by 30 tb/d from the previous month.

## OPEC NGLs and non-conventional oils

OPEC natural gas liquids (NGLs) and non-conventional liquids (GTLs) were estimated to average 6.01 mb/d in 2015, representing growth of 0.19 mb/d over the previous year. In 2016, OPEC NGLs and non-conventional liquids (GTLs) are projected to average 6.18 mb/d, an increase of 0.17 mb/d over the previous year. There are no changes in the 2015 estimation and 2016 predictions for OPEC NGLs and non-conventional liquids production compared with the last *MOMR*.

**Table 5.5: OPEC NGLs + non-conventional oils, 2013-2016**

	<i>Change</i>							<i>Change</i>	<i>Change</i>		
	<u>2013</u>	<u>2014</u>	<u>14/13</u>	<u>1Q15</u>	<u>2Q15</u>	<u>3Q15</u>	<u>4Q15</u>	<u>2015</u>	<u>15/14</u>	<u>2016</u>	<u>16/15</u>
Total OPEC	5.65	5.83	0.18	5.86	5.94	6.13	6.13	6.01	0.19	6.18	0.17

## OPEC crude oil production

According to secondary sources, total OPEC crude oil production averaged 31.51 mb/d in July, an increase of 101 tb/d over the previous month. Crude oil output increased mostly from Iraq, Angola, Saudi Arabia and Iran, while production in Libya showed the largest drop. According to secondary sources, OPEC crude oil production, not including Iraq, stood at 27.44 mb/d in July, grew by 54 tb/d over the previous month.

**Table 5.6: OPEC crude oil production based on secondary sources, tb/d**

	<u>2013</u>	<u>2014</u>	<u>4Q14</u>	<u>1Q15</u>	<u>2Q15</u>	<u>May 15</u>	<u>Jun 15</u>	<u>Jul 15</u>	<u>Jul/Jun</u>
Algeria	1,159	1,151	1,152	1,112	1,110	1,120	1,104	1,104	0.0
Angola	1,738	1,660	1,688	1,746	1,712	1,745	1,738	1,777	39.7
Ecuador	516	542	546	551	545	552	530	525	-4.8
Iran, I.R.	2,673	2,766	2,763	2,779	2,836	2,836	2,829	2,861	32.3
Iraq	3,037	3,265	3,424	3,453	3,840	3,808	4,027	4,074	46.7
Kuwait	2,822	2,774	2,719	2,748	2,726	2,712	2,703	2,703	0.0
Libya	928	473	679	382	442	429	411	373	-37.8
Nigeria	1,912	1,911	1,904	1,886	1,845	1,816	1,871	1,852	-19.6
Qatar	732	716	682	679	667	664	669	656	-12.6
Saudi Arabia	9,586	9,683	9,608	9,809	10,210	10,187	10,313	10,352	39.2
UAE	2,741	2,761	2,757	2,817	2,839	2,848	2,845	2,865	20.1
Venezuela	2,389	2,373	2,364	2,367	2,376	2,378	2,373	2,370	-2.5
<b>Total OPEC</b>	<b>30,231</b>	<b>30,075</b>	<b>30,286</b>	<b>30,330</b>	<b>31,149</b>	<b>31,095</b>	<b>31,412</b>	<b>31,513</b>	<b>100.7</b>
<b>OPEC excl. Iraq</b>	<b>27,194</b>	<b>26,809</b>	<b>26,862</b>	<b>26,877</b>	<b>27,309</b>	<b>27,287</b>	<b>27,385</b>	<b>27,439</b>	<b>54.0</b>

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

**Table 5.7: OPEC crude oil production based on *direct communication*, tb/d**

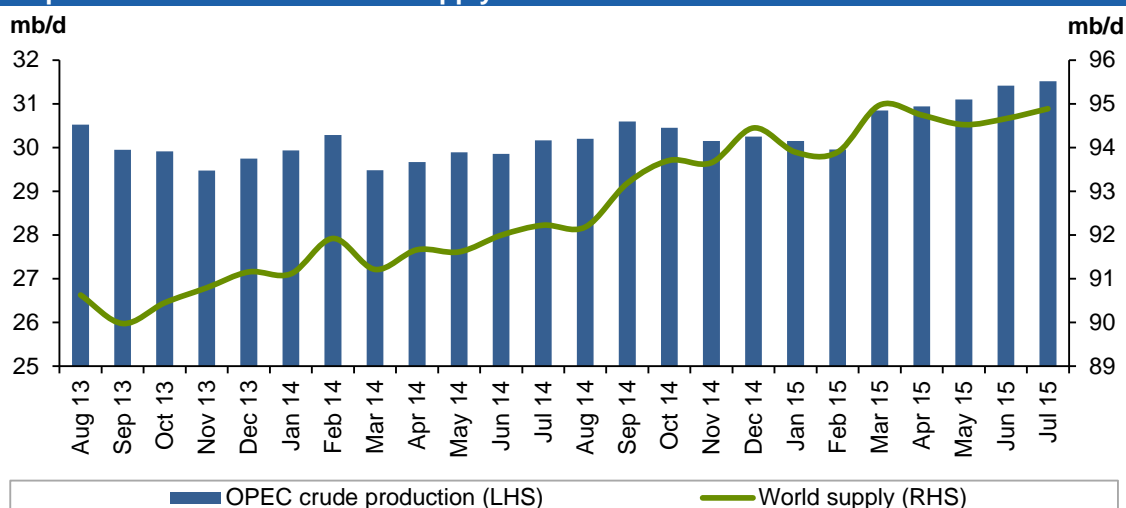
	<b>2013</b>	<b>2014</b>	<b>4Q14</b>	<b>1Q15</b>	<b>2Q15</b>	<b>May 15</b>	<b>Jun 15</b>	<b>Jul 15</b>	<b>Jul/Jun</b>
Algeria	1,203	1,193	1,179	1,141	1,147	1,170	1,150	1,160	10.0
Angola	1,701	1,654	1,727	1,766	1,784	1,807	1,785	1,797	12.0
Ecuador	526	557	560	550	544	543	541	538	-3.2
Iran, I.R.	3,576	3,117	3,005	3,017	3,103	3,090	3,110	3,130	20.0
Iraq	2,980	3,110	3,141	3,064	3,351	3,288	3,591	3,740	149.0
Kuwait	2,922	2,867	2,807	2,850	2,838	2,830	2,825	2,820	-5.0
Libya	993	480	735	411	..	..	..	..	..
Nigeria	1,754	1,807	1,816	1,762	1,622	1,648	1,567	1,724	156.7
Qatar	724	709	682	687	647	642	664	613	-51.5
Saudi Arabia	9,637	9,713	9,644	9,878	10,401	10,333	10,564	10,361	-202.7
UAE	2,797	2,794	2,790	2,948	2,973	3,012	2,974	3,061	86.6
Venezuela	2,786	2,683	2,701	2,722	2,685	2,664	2,675	2,659	-16.0
<b>Total OPEC</b>	<b>31,599</b>	<b>30,682</b>	<b>30,786</b>	<b>30,793</b>	..	..	..	..	..
<b>OPEC excl. Iraq</b>	<b>28,619</b>	<b>27,572</b>	<b>27,646</b>	<b>27,729</b>	..	..	..	..	..

Totals may not add up due to independent rounding.

.. Not available.

## World oil supply

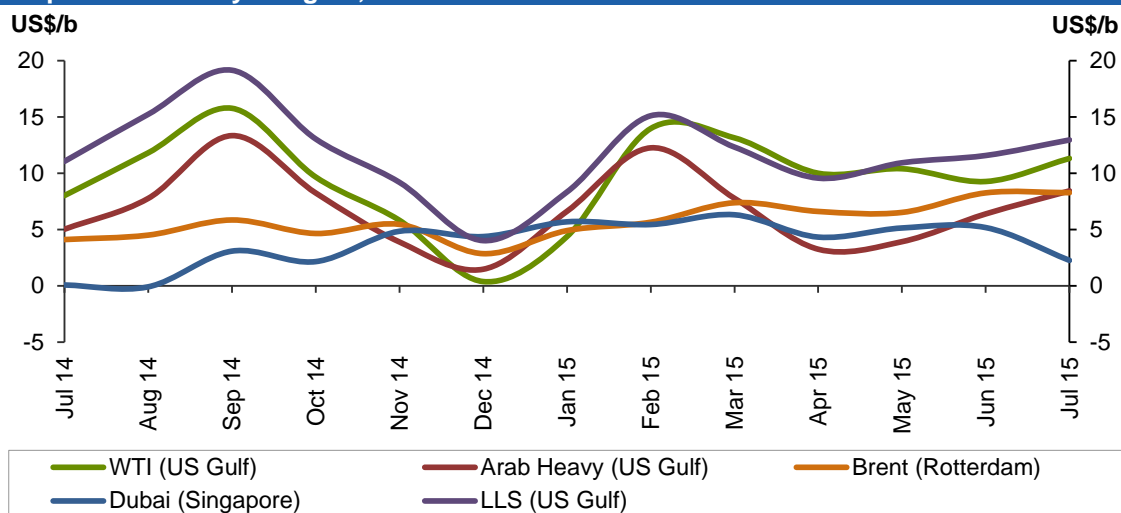
Preliminary data indicates that global oil supply increased by 0.23 mb/d to average 94.9 mb/d in July 2015 compared with the previous month. The rise of non-OPEC supply as well as OPEC production in July increased global oil output. The share of OPEC crude oil at 33.3% of total global production remains unchanged in July compared to a month earlier. Estimates are based on preliminary data for non-OPEC supply as well as OPEC NGLs and non-conventional liquids (GTL) from direct communications, while estimates for OPEC crude production come from secondary sources.

**Graph 5.18: OPEC and world oil supply**


## Product Markets and Refinery Operations

Product markets in the Atlantic Basin continued to receive support from strong gasoline demand in the US, which allowed gasoline crack spreads to jump, hitting levels not seen in more than two years. The positive gasoline performance offset the continued weakening seen at the middle of the barrel and kept refinery margins healthy. Meanwhile, Asian margins weakened due to lower seasonal regional demand amid oversupply pressure as the end of the maintenance season approaches.

**Graph 6.1: Refinery margins, 2014-2015**



The **US** product market continued receiving support from a surge in domestic gasoline demand, which continued at very high levels and allowed gasoline crack spreads to reach around 50\$/b, a level not seen in more than two years. The positive performance at the top of the barrel, along with the lower crude prices, allowed margins to rise in the US. On the US Gulf Coast (USGC), the refinery margin for Light Louisiana Sweet (LLS) crude averaged \$13/b in July, gaining \$1.5, while the margin for WTI crude gained \$2 to average around \$11.3/b.

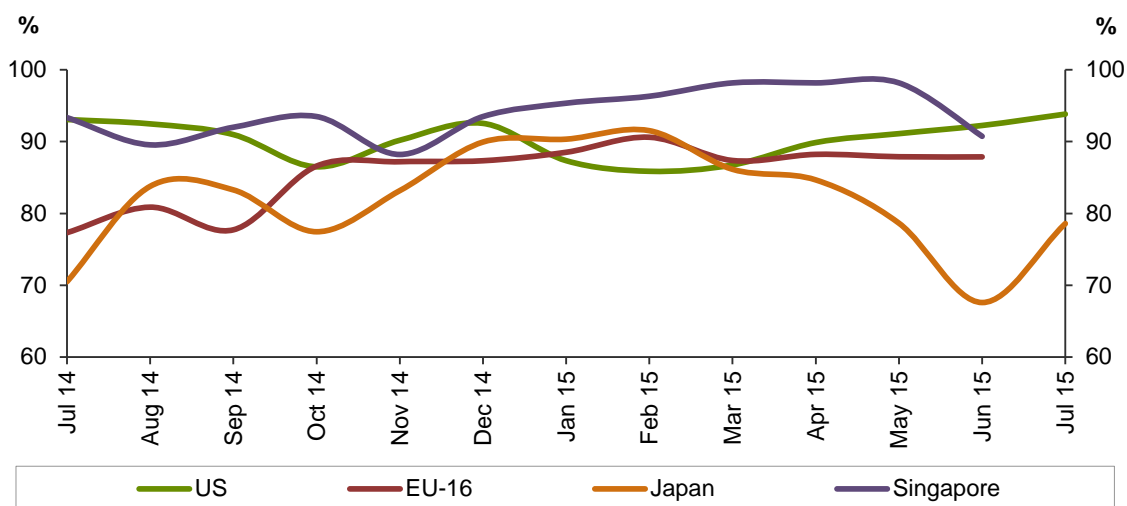
Product markets in **Europe** continued supported by the top of the barrel, with higher gasoline export opportunities, mainly to the Americas, supporting the crack spread and allowing margins to remain healthy, despite the weakening seen at the middle and bottom of the barrel. The refinery margin for Brent crude in Northwest Europe averaged \$8.2/b in July, around the same level as in the previous month.

**Asian** product markets weakened during July, due to seasonally lower regional demand amid the winding down of refinery maintenance, which has exerted pressure from the supply side and caused refinery margins to drop sharply. Refinery margins in Singapore exhibited a sharp loss of almost \$3 to average \$2.3/b in July.

## Refinery operations

Refinery utilization rates in the **US** continued to rise during July, encouraged by the driving season's strong gasoline demand. Refinery utilization averaged around 94% in July, around 2 percentage points (pp) higher than a month earlier and hitting a record high throughput of 16.8 mb/d. The increase in refinery runs has led to the continuing accumulation of middle distillate inventories, which have started to exert pressure on the gasoil market in the Atlantic Basin.

**Graph 6.2: Refinery utilisation rates, 2014-2015**



**European** refinery runs averaged above 88% of refining capacity in June, corresponding to a throughput of 10.3 mb/d, a level similar to that of the previous months to average 10.3 mb/d during 2Q15, representing an increase of more than 600 tb/d over the same quarter a year ago. European refineries have been increasing throughput in recent months because of export opportunities and healthy margins. However, sustained higher runs in previous months have contributed to keeping product inventories at high levels, a development that has started to impact some product crack spreads.

**Asian** refinery utilization rose during the second quarter to meet increasing demand in the region, with Chinese refineries averaging around 10.6 mb/d during June, while Indian refineries reached a level of 4.8 mb/d, resulting in both countries hitting record-high refinery levels. However, Chinese refinery throughputs dropped to around 10.3 mb/d during July, due to higher product inventories. Refinery runs in Singapore for June averaged around 91%, around 7 pp lower than in the previous month amid some capacity off-line. Meanwhile, Japanese throughputs recovered to reach 79% of capacity in July after being impacted in June by some operational issues that affected two refineries.

## US market

US **gasoline** demand stood at around 9.5 mb/d in July, a similar level from the previous month and 320 tb/d higher than in the same month a year earlier.

So far during the summer driving season, gasoline demand has jumped, hitting levels not seen since 2007 and continuing to support crack spreads. Data released by the EIA showed that US gasoline demand increased by around 320 tb/d y-o-y in July after hitting in June an increase above 500 tb/d y-o-y.

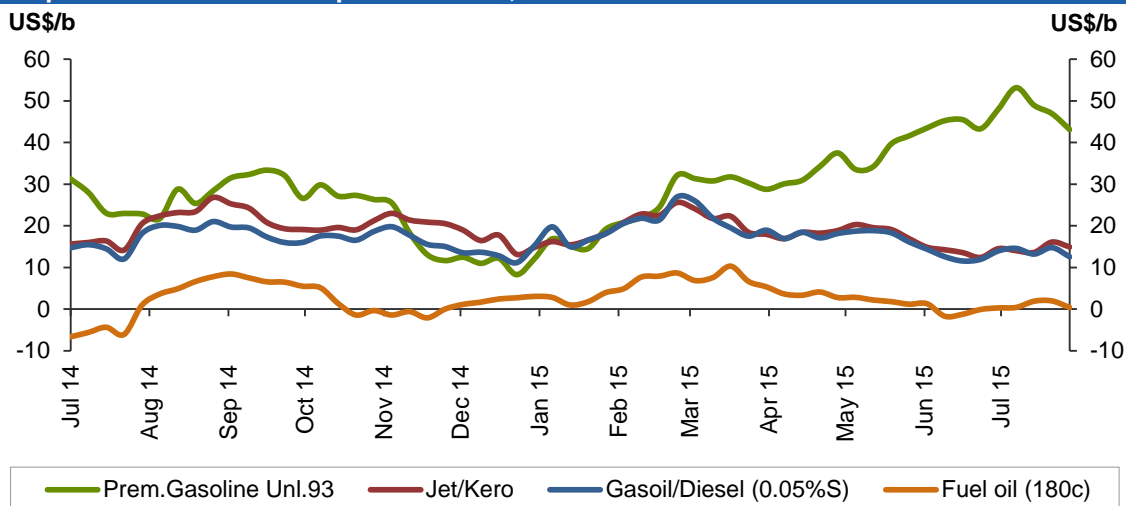


The healthy performance of US gasoline demand, along with firm export opportunities to Latin America, mainly to Mexico, has allowed the US gasoline crack spread to continue its upward trend during July.

Another supporting factor has been the tightening environment in the high-octane blending components, such as alkylate and reformate, due to heavy maintenance at secondary units.

The gasoline crack spread gained more than \$3 to average \$48/b in July, reaching a level not seen in more than two years.

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



**Middle distillate** demand stood at around 3.7 mb/d in July, around 150 tb/d lower than in the previous month and 120 tb/d lower than in the same month a year earlier.

The middle distillate market continued to be pressured from the supply side by higher output, due to higher refinery runs amid seasonally weaker domestic demand, which led middle distillate inventories to continue their rising trend, building by more than 8.0 mb during July to reach a level above the five-year average, thus fueling bearish sentiment in the market.

Despite the bearish sentiment, the **gasoil** crack spread recovered some of the ground lost last month on the back of some support gained from higher export volumes to Latin America and Europe. The USGC gasoil crack recovered \$1 versus the previous month to average around \$14/b in July, also supported by the sharp drop in crude prices.

At the bottom of the barrel, the **fuel oil** market continued to weaken, due to lower domestic demand. However, this was offset by lower production as a consequence of increasing throughputs to secondary units, thus balancing the fuel oil market. The fuel oil crack on the USGC recovered around \$1 in July.

## European market

Product markets in Europe continued to be supported by the top of the barrel, with higher gasoline export opportunities supporting the crack spread and allowing margins to remain healthy, despite the weakening seen at the middle and bottom of the barrel.

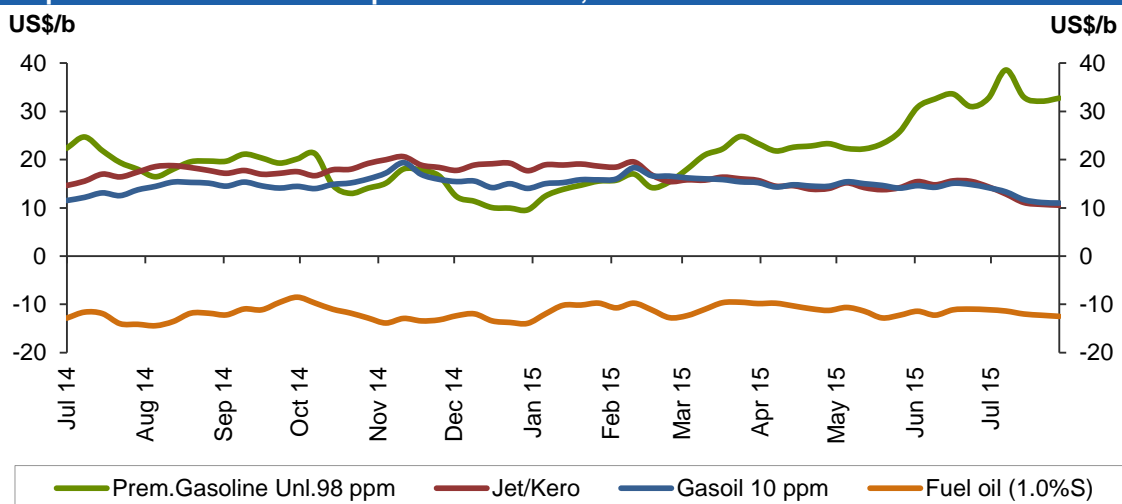
The **gasoline** market continued strengthening in Europe on the back of increasing export opportunities as stronger gasoline demand in the US increased requirements and import volumes to the USEC, which reached peak levels during July. This, along with increasing volumes being exported to West Africa, Canada and Latin America, lent further support to gasoline crack spreads in Europe.

In addition, the gasoline market in the Atlantic Basin continued tight, mainly for high-octane aromatic blending components, thus lending further support to premium gasoline.

The gasoline crack spread against Brent gained \$2 to average around \$34/b in July.

The light distillate **naphtha** crack weakened due to lower demand amid high LPG utilization in the petrochemical sector and an oversupply of light virgin naphtha due to lower West African-grade gasoline blending demand. This caused naphtha cracks to lose almost \$3/b during July.

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



The **gasoil** market continued to be pressured by the supply side with gasoil inventories in Europe remaining above the five-year average, while oversupply pressure continued with higher volumes coming from the US and Russia.

The Russian port of Primorsk increased ULSD outflows in July by more than 70 tb/d (y-o-y), with the additional contribution of the Antipinsky refinery, which started producing ULSD last month after a hydrotreater start-up.

During this year, capacity additions have brought Russian ULSD output above the 1 mb/d mark, a record-high level reached during the second quarter.

In addition, it is expected that higher inflows coming from the Middle East and Asia will have boosted the Singapore/NWE arbitrage differential to its widest level in several years.

The gasoil crack spread against Brent crude at Rotterdam showed a loss of more than \$2 versus the previous month to average around \$12/b in July.

At the bottom of the barrel, **fuel oil** cracks weakened slightly in July, due to oversupply and limited arbitrage opportunities to Asia with Singapore hub inventories remaining at near record highs.

The Northwest European fuel oil crack lost 60¢ versus the previous month's level to average around minus \$12/b in July. Losses were somehow limited by the expectations of seasonally stronger demand.

## Asian market

The Asian market weakened during July, due to seasonally lower regional demand amid the winding down of refinery maintenance, which has exerted pressure from the supply side and caused refinery margins to sharply drop.

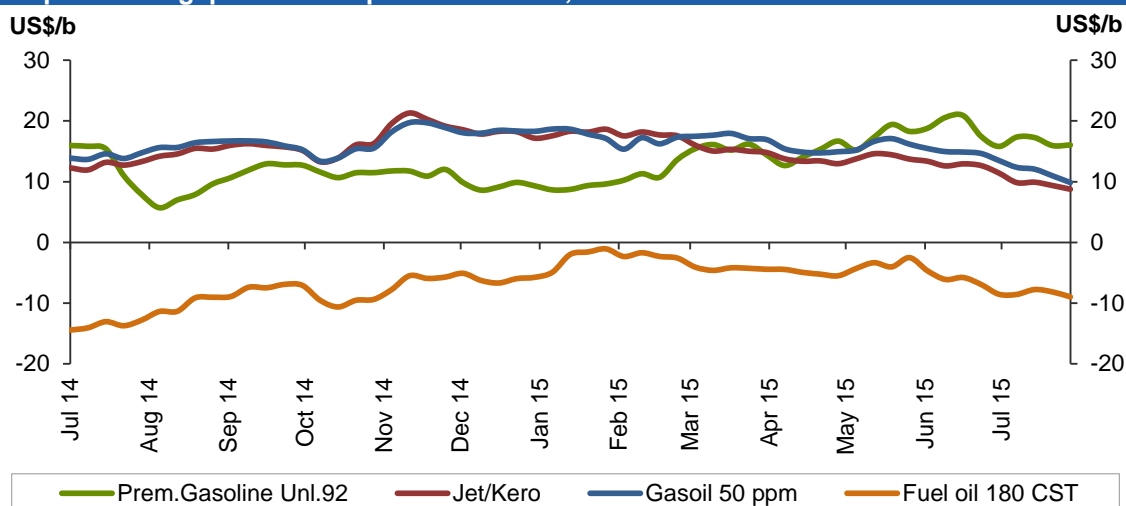
The Singapore **gasoline** crack reversed its upward trend during July, falling sharply as it came under pressure from both sides of the market; on the demand side, buying from Indonesia and Saudi Arabia softened following the end of Ramadan, while buying interest from India has been reduced during the last weeks.

On the other hand, higher regional supplies via the winding down of refinery maintenance have exerted further pressure on the market.

The gasoline crack spread against Dubai crude in Singapore lost almost \$3 versus the previous month to average \$16/b in July. However, further losses were limited by some support coming from the strong buying by North and East African importers.

The Singapore **naphtha** crack lost the recovery seen last month, due to pressure from the supply side with higher inflows and expectations of western volumes remaining on the rise in the coming weeks. Meanwhile, demand has not lent support due to cracker capacity off line, with maintenance in Taiwan, Japan and China. However, cracker maintenance is expected to ease in the region in the coming month. The naphtha crack spread lost around \$2/b in July.

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



## Product Markets and Refinery Operations

At the middle of the barrel, **gasoil** cracks continued their downward trend during July, pressured by the supply side, with some refineries coming back from maintenance amid seasonally lower regional demand.

Oversupply is fueling bearish sentiment as increasing supplies are exerting pressure on the regional gasoil market. Asian exports have started facing increasingly stiff competition to export westwards, as supplies from the US into Europe are being joined by increasing Middle Eastern and Russian volumes. Russia has been increasing the export capacity of ULSD, while the Yasref Yanbu refinery has put around 50 tb/d of additional diesel onto the market

The gasoil crack spread in Singapore against Dubai lost more than \$3 versus the previous month's level to average around \$12/b in July.

The **fuel oil** market continued to weaken during July, due to continued pressure from plentiful supplies amid bunkering activity slowing down, with higher inventories in Singapore fuelling bearish sentiment.

The fuel oil crack spread in Singapore against Dubai lost more than \$2 to average around minus \$9/b in July.

**Table 6.1: Refinery operations in selected OECD countries**

	Refinery throughput, mb/d				Refinery utilization, %			
	May 15	Jun 15	Jul 15	Change Jul/Jun	May 15	Jun 15	Jul 15	Change Jul/Jun
<b>US</b>	16.28	16.48	16.76	0.28	91.11	92.25	93.83	1.58
<b>France</b>	1.10	0.99	-	-	72.59	65.37	-	-
<b>Germany</b>	1.98	1.96	-	-	88.02	87.17	-	-
<b>Italy</b>	1.28	1.21	-	-	62.71	58.90	-	-
<b>UK</b>	1.00	1.08	-	-	75.93	82.15	-	-
<b>Euro-16</b>	10.29	10.29	-	-	87.89	87.88	-	-
<b>Japan</b>	3.10	2.67	3.10	0.43	78.64	67.60	78.59	11.00

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

Table 6.2: Refined product prices, US\$/b

		<u>May 15</u>	<u>Jun 15</u>	<u>Jul 15</u>	<b><u>Change</u></b> <b><u>Jul/Jun</u></b>
<b>US Gulf (Cargoes FOB):</b>					
Naphtha*		72.88	72.73	57.74	-14.99
Premium gasoline	(unleaded 93)	96.28	104.31	99.10	-5.21
Regular gasoline	(unleaded 87)	83.37	87.23	83.35	-3.88
Jet/Kerosene		78.44	73.53	65.62	-7.91
Gasoil	(0.2% S)	77.48	72.45	64.76	-7.69
Fuel oil	(1.0% S)	55.50	52.76	45.00	-7.76
Fuel oil	(3.0% S)	52.33	51.86	44.64	-7.22
<b>Rotterdam (Barges FoB):</b>					
Naphtha		60.76	59.34	52.04	-7.30
Premium gasoline	(unleaded 98)	87.70	93.68	90.50	-3.18
Jet/Kerosene		78.67	76.99	68.18	-8.81
Gasoil/Diesel	(10 ppm)	79.16	76.37	68.59	-7.78
Fuel oil	(1.0% S)	52.57	50.32	44.59	-5.73
Fuel oil	(3.5% S)	53.41	51.12	45.30	-5.82
<b>Mediterranean (Cargoes FOB):</b>					
Naphtha		58.37	56.05	48.48	-7.57
Premium gasoline**		82.87	86.19	83.94	-2.25
Jet/Kerosene		76.09	73.31	64.72	-8.59
Gasoil/Diesel**		80.99	78.19	70.34	-7.84
Fuel oil	(1.0% S)	54.19	51.87	45.57	-6.30
Fuel oil	(3.5% S)	52.79	51.46	44.77	-6.69
<b>Singapore (Cargoes FOB):</b>					
Naphtha		62.04	60.89	53.15	-7.74
Premium gasoline	(unleaded 95)	83.73	83.97	75.95	-8.02
Regular gasoline	(unleaded 92)	81.10	81.02	72.52	-8.50
Jet/Kerosene		77.69	74.56	65.81	-8.75
Gasoil/Diesel	(50 ppm)	79.83	76.65	67.66	-8.99
Fuel oil	(180 cst 2.0% S)	61.28	57.08	48.71	-8.37
Fuel oil	(380 cst 3.5% S)	58.22	55.73	47.49	-8.24

\* Barges.

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

Sources: Platts and Argus Media.

## Tanker Market

Dirty tanker spot freight rates were mixed in July. VLCC rates registered gains compared with the previous month, mainly supported by several delays in various ports as well as tighter tanker supply. VLCC freight rates were considerably higher in July from the same month a year before. In contrast, spot freight rates for Suezmax and Aframax dropped from a month earlier by 16% and 25%, respectively. The decline were due to low tonnage demand, limited inquiries and port maintenance, which kept the tonnage list well filled at all times, even for prompt requirements. Clean tanker spot freight rates increased by 8% on average in July, compared with the month before. The gradual freight-rate gain seen in the clean tanker market was mostly seen for long-range tankers, as well as for medium-range tankers, to a lesser degree. Both East and West of Suez fixtures in July were higher by 12% and 5%, respectively, as clean tonnage market activities remained high.

### Spot fixtures

Global fixtures dropped by 3.1% in July, compared with the previous month. OPEC spot fixtures declined by 0.6 mb/d or 4.7%, averaging 11.96 mb/d, according to preliminary data. The drop in fixtures was registered in several regions. Fixtures in the Middle East to both East- and West-bound destinations were lower, as were fixtures outside of the Middle East, which averaged 3.52 mb/d in July, less by 0.01 mb/d from one month before. Compared with the same period one year earlier, all fixtures were lower in July with one exception – Middle East-to-West fixtures – which increased by 20.1% from the previous year.

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

	<u>May 15</u>	<u>Jun 15</u>	<u>Jul 15</u>	<i>Change Jul 15/Jun 15</i>
<b>Spot Chartering</b>				
All areas	17.24	17.27	16.74	-0.53
OPEC	12.19	12.55	11.96	-0.60
Middle East/East	5.37	5.69	5.50	-0.19
Middle East/West	3.03	3.34	2.94	-0.40
Outside Middle East	3.80	3.53	3.52	-0.01
<b>Sailings</b>				
OPEC	23.82	23.85	23.72	-0.13
Middle East	17.46	17.82	17.52	-0.30
<b>Arrivals</b>				
North America	9.99	10.32	10.11	-0.21
Europe	12.55	12.33	12.19	-0.14
Far East	8.18	8.13	8.22	0.08
West Asia	4.78	4.78	4.84	0.06

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



## Sailings and arrivals

Preliminary data showed that OPEC sailings declined by 0.5% in July, averaging 23.72 mb/d, which is 0.17 mb/d or 0.7% higher than in the same month a year earlier. July arrivals in North America and Europe declined over the previous month, while Far Eastern and West Asian arrivals went up by 0.08 mb/d and 0.06 mb/d, respectively, to average 8.89 mb/d and 4.48 mb/d.

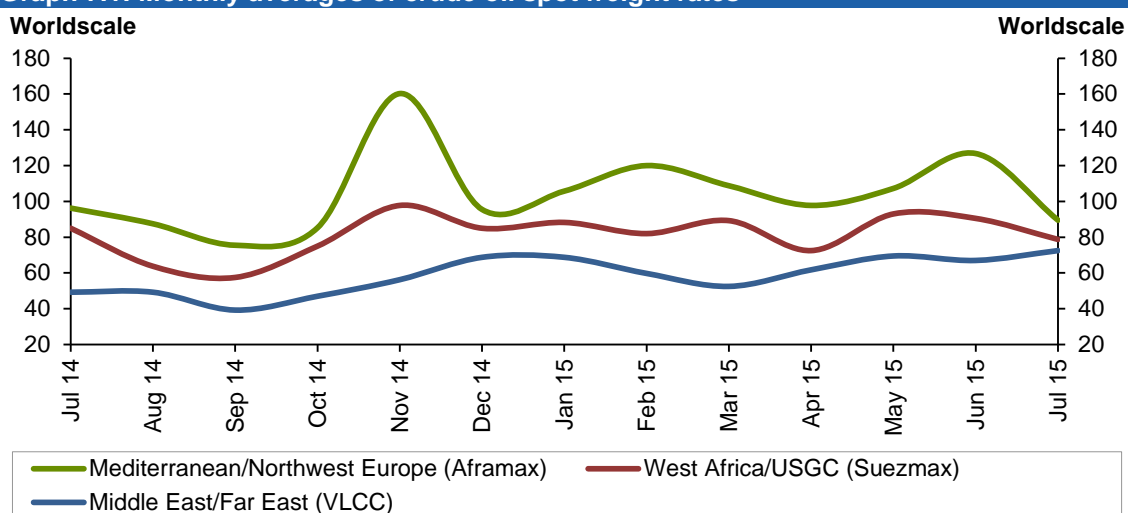
## Spot freight rates

### VLCC

The month started with an active week for VLCCs, particularly in the Middle East and West Africa, as delays in eastern ports and Yanbu, in addition to bad weather conditions due to the monsoon season, tightened tonnage supply, thus supporting freight rates mainly for VLCCs discharging in the East.

The continuous delays and prompt replacements led to spot freight rates for tankers operating on the Middle East-to-East route registering the highest increase among all reported routes. VLCC spot freight rates for tankers operating on the Middle East-to-East route increased by WS 6 points, or 8%, in July, compared with the previous month to average WS 73 points, up by 47% from the same month a year before. Freight rates for tankers trading on other routes went up as well, however to a lesser degree. VLCC spot freight rates for tankers operating on the West Africa-to-East route increased in July from a month earlier to average WS 70 points, up by WS 4 points or 7% from the previous month. VLCC spot freight rates on the Middle East-to-West long-haul route increased as well in July to average WS 41 points, up by 6% from the previous month. Annually, freight rates for VLCCs on both routes were up by 37% from last year, keeping VLCC freight rates at high levels, despite the seasonal dip in tanker rates expected in the summer. Nevertheless, VLCC freight rates were seen softer towards the end of the month as the amount of August fixtures was lower than usual.

**Graph 7.1: Monthly averages of crude oil spot freight rates**



## Suezmax

In a contrary pattern to VLCCs, spot freight rates for smaller tankers in the dirty sector developed negatively in July. Suezmax average rates dropped by 16% compared with the previous month. The biggest rate drop was seen for Suezmax operating on the Northwest Europe-to-US routes which decreased by 19%, while rates for the West Africa-to-US route fell by 13%. The freight rate drop for Suezmax came mainly on the back of a lack of activity in the West and low Suezmax demand, in general. Suezmax freight rates declined in July, despite the continuous delays seen in Singapore for fuel oil tankers, the prolonged transit time at the Turkish straits and charterers' demand for partial cargo loadings.

**Table 7.2: Spot tanker crude freight rates, Worldscale**

<b>Crude</b>	<b>Size 1,000 DWT</b>	<b>May 15</b>	<b>Jun 15</b>	<b>Jul 15</b>	<b>Change Jul 15/Jun 15</b>
Middle East/East	230-280	70	67	73	6
Middle East/West	270-285	43	39	41	2
West Africa/East	260	66	66	70	4
West Africa/US Gulf Coast	130-135	93	91	79	-12
Northwest Europe/US Gulf Coast	130-135	75	78	63	-15
Indonesia/East	80-85	116	167	129	-39
Caribbean/US East Coast	80-85	111	154	121	-33
Mediterranean/Mediterranean	80-85	115	134	95	-40
Mediterranean/Northwest Europe	80-85	107	127	90	-37

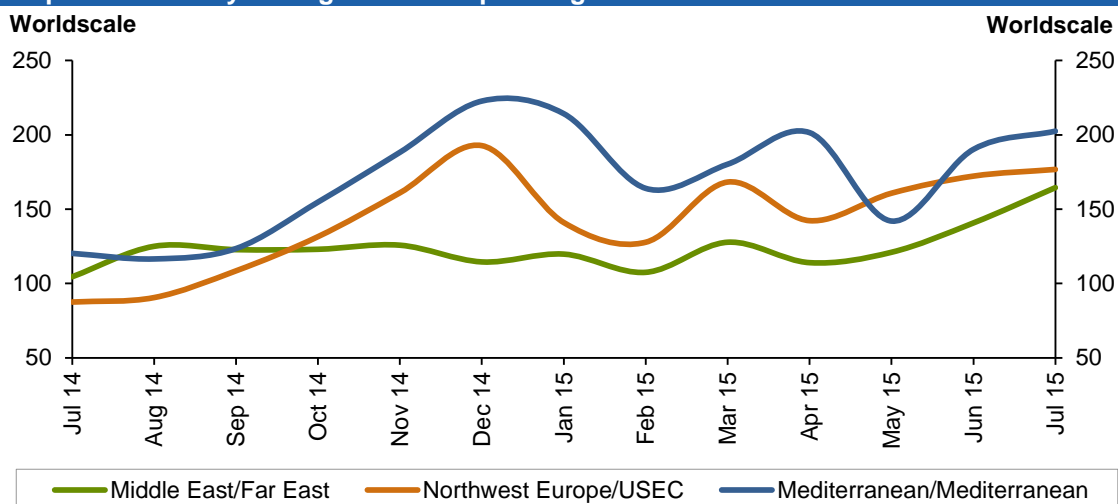
Sources: Galbraith's tanker market report and Platts.

## Aframax

Aframax spot freight rates experienced the biggest decline in July from one month earlier, compared with dirty tankers in other classes. The average rate fell by 25% on reported routes. Aframax freight rates on all reported routes dropped without exception. Rates in the Mediterranean dropped to the lowest level seen in several months; this was as a result of reduced delays in the Trieste port and planned maintenance in other ports. Spot freight rates for Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe each declined by 29% to stand at WS 95 points and WS 90 points, respectively. The Caribbean's Aframax charter market was quiet and held insufficient activity to prevent freight rates from dropping, as seen on other routes. Ships for prompt requirements were available at any time and the position list was plentiful. Therefore, the Caribbean-to-US rate dropped by 21% from the previous month to average WS 121 points. Aframax freight rates in the East were no exception. They dropped on the Indonesia-to-the-East route by 23% to average WS 129 points.

## Clean spot freight rates

In the clean sector, tankers trading on all reported routes registered gains in July, as seen in the previous month. The clean tanker market has been reporting high activities particularly for LR-2 (long-range) tankers. Strong loading requirements in the Middle East and the Red Sea supported clean tanker freight rates in July. The MR (medium-range) market also strengthened towards the end of the month as vessel supply tightened and turned date-sensitive. Therefore, average freight rates for clean tankers increased in July from a month and a year before in both directions of Suez.

**Graph 7.2: Monthly average of clean spot freight rates**

In the East, rates for tankers operating on the Middle East-to-East route increased by 17% compared with the previous month, while rates for the Singapore-to-East route went up by 8% from a month earlier to average WS 149 points in July. In the West, the increase was to a lesser degree. Clean West of Suez spot freight rates gained on average 5% in July. Rates seen on the Northwest Europe-to-US route registered the smallest gain, increasing by 3% to average WS 177 points. The Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes saw similar gains of 6% each.

**Table 7.3: Spot tanker product freight rates, Worldscale**

<b>Products</b>	<b>Size 1,000 DWT</b>				<b>Change</b>
		<b>May 15</b>	<b>Jun 15</b>	<b>Jul 15</b>	<b>Jul 15/Jun 15</b>
Middle East/East	30-35	121	141	165	24
Singapore/East	30-35	137	138	149	11
Northwest Europe/US East Coast	33-37	161	172	177	5
Mediterranean/Mediterranean	30-35	142	190	203	12
Mediterranean/Northwest Europe	30-35	152	200	213	12

Sources: Galbraith's tanker market report and Platts.

## Oil Trade

Preliminary data for July shows that US crude oil imports increased to average 7.49 mb/d, up by 466 tb/d from the previous month, while y-o-y they were down by 136 tb/d or 2%. US product imports declined from the previous month by 108 tb/d, while y-o-y they increased by 282 tb/d or 15%. Japan's crude oil imports dropped in June for the third consecutive month – by 369 tb/d or 11% – to average 2.9 mb/d. Y-o-y, the country's crude oil imports declined in June by 74 tb/d or 3%. Similarly, product imports dropped in June – by 129 tb/d – to average 557 tb/d. China's crude oil imports increased in June following the decline recorded the month before. China's crude oil imports went up by 1.7 mb/d or 31% in June to average 7.2 mb/d. In June, India's crude oil imports fell by 404 tb/d or 10% from the previous month to average 3.7 mb/d. Annually, the country's crude oil imports showed a drop of 238 tb/d or 6%. Product imports in June experienced a smaller drop, falling by 40 tb/d from the previous month to average 545 tb/d. Y-o-y, India's crude oil imports increased by 79 tb/d.

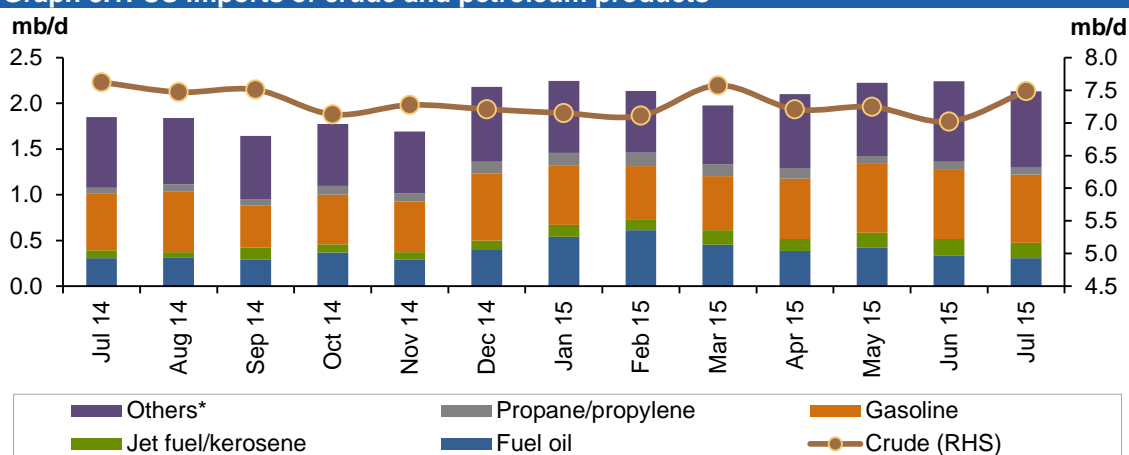
### US

In July, preliminary data shows that **US crude oil imports** increased to average 7.49 mb/d, up by 466 tb/d from the previous month, while y-o-y they declined by 136 tb/d or 2%. On a year-to-date basis, US crude oil imports in July were down by 92 tb/d.

**US product imports** in July declined from the previous month by 49 tb/d, while on an annual comparison, they increased by 342 tb/d or 19%. On a year-to-date basis, product imports increased by 12%.

**US product exports** in July were 179 tb/d higher than in the previous month, averaging 3.7 mb/d. On an annual comparison, product exports were lower than a year before by 337 tb/d or 8%. As a result, **US total net imports increased in July to average 5.27 mb/d**, up by 86 tb/d m-o-m and 462 tb/d y-o-y.

**Graph 8.1: US imports of crude and petroleum products**



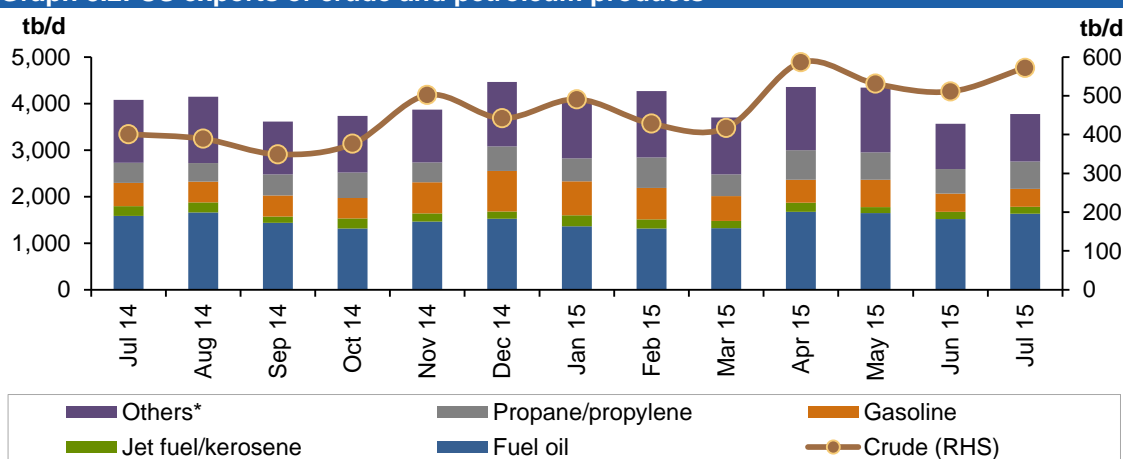
\*Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene.

In May, the top two **oil suppliers to the US** retained their positions from the previous month. Canada remained the premier crude supplier to the US, accounting for 40% of total US crude oil imports with lower volumes from the previous month by 306 tb/d. Saudi Arabia, the second-largest supplier to the US in May, maintained a stable share with deliveries averaging 1.2 mb/d. Venezuela was the third top supplier, accounting for 12% of total US crude oil imports with an increase of 49 tb/d or 6% from the previous month.

**Crude oil imports from OPEC Member Countries** increased in May from the previous month by 287 tb/d or 11%. Imports from OPEC Member Countries accounted for almost 40% of total US crude imports in the month. On the other hand, US product imports from OPEC Member Countries were up by 72 tb/d or 37% from the previous month and higher by 61 tb/d or 30% from the same time last year. Canada and Russia maintained their positions as the top two oil product suppliers to the US in the month, accounting for 29% and 14%, respectively. Canada's product exports to the US in May were higher by 34 tb/d. Russia's volumes were lower by 27 tb/d from the previous month. Algeria was the third-largest oil product supplier to the US in the month, supplying 44 tb/d more than in the month before.

In May, **US crude oil imports from North America** averaged 2.9 mb/d, the top region, followed by Latin America with 2.3 mb/d, and the Middle East with an average of 1.7 mb/d. Imports from Africa were almost the same as the previous month, averaging 227 tb/d, while imports from Asia increased from the previous month by 44 tb/d.

**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.

Looking at crude imports by **PADDs**, in PADD 1 the highest crude imports to the East Coast remained from North America, followed by Africa with deliveries averaging 234 tb/d and 185 tb/d, respectively.

Imports from PADD 2 were generally from North America, which stood at 1.9 mb/d, lower by 228 tb/d from the previous month. PADD 2 also imported a small quantity from the Middle East – 45 tb/d in May.

PADD 3 sourced their imports from both Latin America and the Middle East. However, imports from the Middle East increased by 124 tb/d from the previous month, while imports from Latin America dropped by 32 tb/d.

## Oil Trade

PADD, 4 as seen earlier, covered its total requirements from North America with deliveries averaging 251 tb/d in May.

West coast imports came from the Middle East which exported 396 tb/d to PADD 5 in May, followed by Latin America and North America which exported 359 tb/d.

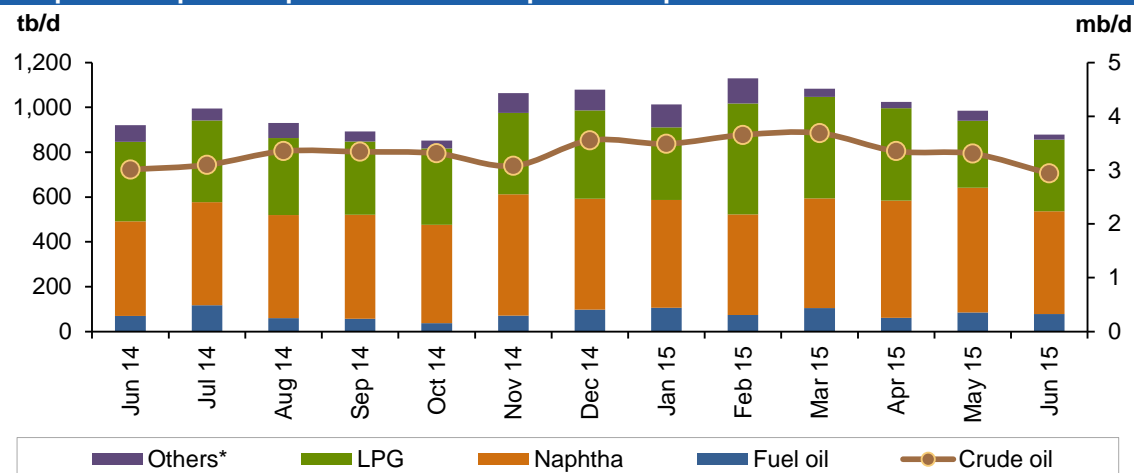
**Table 8.1: US crude and product net imports, tb/d**

	<u>May 15</u>	<u>Jun 15</u>	<u>Jul 15</u>	<u>Change</u> <u>Jul 15/Jun 15</u>
Crude oil	6,714	6,509	6,915	405
Total products	-2,118	-1,322	-1,642	-320
<b>Total crude and products</b>	<b>4,596</b>	<b>5,187</b>	<b>5,273</b>	<b>86</b>

## Japan

Japan's **crude oil imports** saw their third consecutive monthly drop in June by 369 tb/d, or 11%, to average 2.9 mb/d. This was the lowest level of crude imports Japan has seen in many years. Y-o-y, the country's crude oil imports declined in June by 74 tb/d or 3%.

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



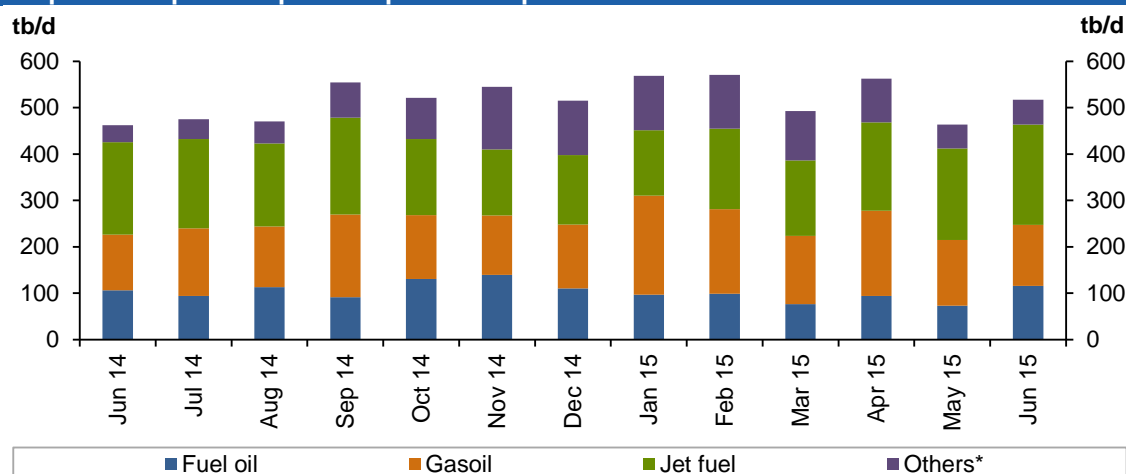
\*Others: Contains gasoline, jet fuel, kerosene, gasoil, asphalt and paraffin wax.

The UAE, Saudi Arabia and Russia were the **top suppliers** to Japan in June. Top supplier, the UAE, secured a 32% share of total crude exports to Japan, followed by Saudi Arabia with 29%. Russia took third position in June with a share of 9%. Crude oil imports from Saudi Arabia were lower than the previous month by 300 tb/d, while imports from the UAE and Russia increased from a month before by 89 tb/d and 83 tb/d, respectively.

Likewise, Japan's **oil product imports** dropped in June by 129 tb/d to average 557 tb/d, the lowest level seen this year so far, down by 19% m-o-m and 1% y-o-y.

Despite the drop in imports, Japan's domestic **oil product sales** rose by 0.8% in June from a year earlier. Japan's **oil product exports** in June went up by 53 tb/d or 11% to average 517 tb/d. Y-o-y, they showed an increase by the same amount.



**Graph 8.4: Japan's exports of petroleum products**

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

Accordingly, **Japan's net oil imports dropped in June by 498 tb/d to average 3.5 mb/d**, down by 10% from a month before and 2% lower than in the same month last year.

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

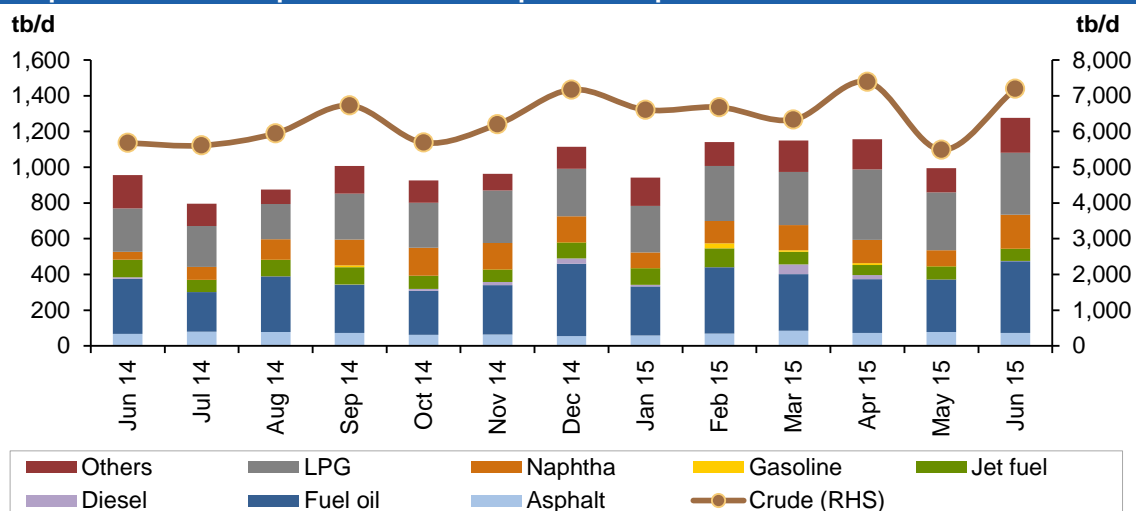
	<u>Apr 15</u>	<u>May 15</u>	<u>Jun 15</u>	<u>Change</u> <u>Jun 15/May 15</u>
Crude oil	3,351	3,305	2,936	-369
Total products	51	223	41	-182
<b>Total crude and products</b>	<b>3,402</b>	<b>3,528</b>	<b>2,977</b>	<b>-551</b>

## China

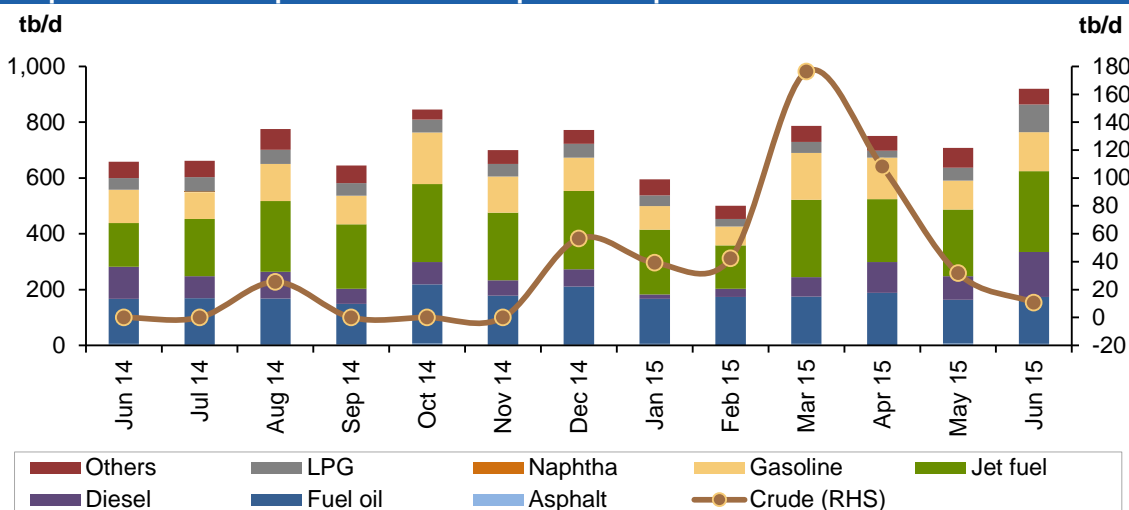
China's **crude oil imports** increased in June, following the drop recorded the month before. China's crude oil imports went up by 1.7 mb/d or 31% in June to average 7.2 mb/d. The increase was mostly on the back of strategic stock-building. On an annual comparison, China's crude oil imports were higher than a year before by 1.5 mb/d or 27%. On a year-to-date basis, figures reflected an increase of 485 tb/d or 8%.

Saudi Arabia, Russia and Iraq were the top **crude oil suppliers** to China in June, accounting for 18%, 13%, and 11%, respectively. Crude oil imports from Saudi Arabia were higher from the previous month by 576 tb/d or 80%, while imports from Russia were virtually stable. Imports from Iraq were up from the previous month by 250 tb/d or 49%. Crude volumes imported from Angola, the fourth-largest supplier of crude oil to China in June, dropped by 10%.

China's **oil product imports** in June went up by 280 tb/d from a month ago and increased from last year's level by 320 tb/d. China's product imports averaged 1.3 mb/d in June.

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

In June, China **exported** just 11 tb/d of **crude** oil. On the other hand, the country's **oil product exports** were 212 tb/d higher than in May, averaging 920 tb/d. Y-o-y, exports reflected an increase of 261 tb/d or 40%.

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

As a result, **China's net oil imports in June increased by 1.8 mb/d from the previous month** and were higher by 1.6 mb/d from a year ago.

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

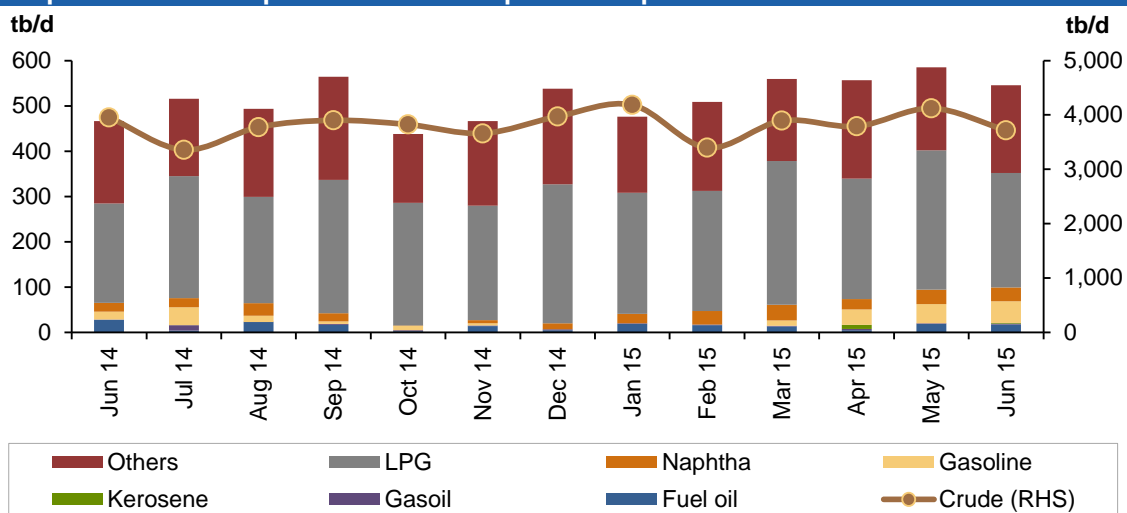
	<u>Apr 15</u>	<u>May 15</u>	<u>Jun 15</u>	<u>Change</u> <u>Jun 15/May 15</u>
Crude oil	7,282	5,457	7,185	1,728
Total products	406	288	356	68
<b>Total crude and products</b>	<b>7,687</b>	<b>5,745</b>	<b>7,541</b>	<b>1797</b>

## India

In June, India's **crude oil imports** dropped by 404 tb/d or 10% from the previous month to average 3.7 mb/d. Y-o-y, the country's crude oil imports showed a drop of 238 tb/d or 6%.

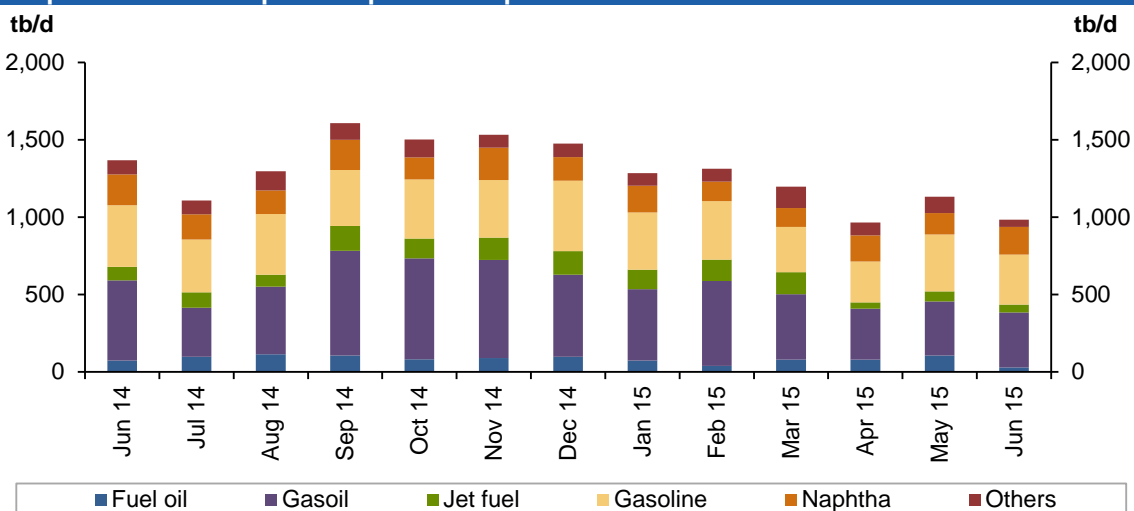
**Oil product imports** in June experienced a smaller decline, falling by 40 tb/d from the previous month to average 545 tb/d. Y-o-y, they went up by 79 tb/d. Of note, LPG imports showed a drop of 55% from the previous month to average 252 tb/d.

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



India's **oil product exports** were lower in June by 147 tb/d or 13%, averaging 984 tb/d. Y-o-y, the country's oil product exports were lower than last year by 383 tb/d or 28%. India's exports of petrol and fuel oil dropped from the previous month by 44 tb/d and 77 tb/d, respectively.

**Graph 8.8: India's exports of petroleum products**



As a result, **India's net imports declined by 297 tb/d to average 3.2 mb/d in June**, down by 8% m-o-m, but higher by 7% y-o-y.

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

	<u>Apr 15</u>	<u>May 15</u>	<u>Jun 15</u>	<u>Change</u> <u>Jun 15/May 15</u>
Crude oil	3,791	4,121	3,718	-404
Total products	-409	-546	-439	107
<b>Total crude and products</b>	<b>3,381</b>	<b>3,576</b>	<b>3,279</b>	<b>-297</b>

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

## FSU

In June, **total crude oil exports from the former Soviet Union dropped by 63 tb/d or 1% to average 6.2 mb/d**. Crude exports through the Russian pipeline declined as well by 39 tb/d or 1% to average 3.9 mb/d.

Total Shipments from the **Black Sea** declined by 41 tb/d or 7% to average 527 tb/d. The drop came as shipments from Novorossiysk declined by the same amount from a month earlier.

On the other hand, total **Baltic Sea** exports increased by 160 tb/d in June, mainly as a result of shipments from Primorsk port terminal increasing by 167 tb/d. Exports from Ust Luga port terminal dropped by 8 tb/d.

**Druzhba pipeline** total shipments declined by 119 tb/d to average 100 tb/d, while Kozmino shipments declined by 52 tb/d or 8% to average 592 tb/d.

Exports through the **Lukoil system** increased from the previous month in the **Barents Sea** by a slight 4 tb/d, while exports from the **Baltic Sea** were lower as Kalinigrad port terminal shipments dropped by 7 tb/d.

As to the other routes, **Russia's Far East** total exports were down by 34 tb/d or 10% from the previous month as volumes from Aniva Bay port terminal and De Kastri port terminal dropped by 17 tb/d and 6 tb/d, respectively, from the month before. **Central Asia's** total exports dropped by 41 tb/d to average 202 tb/d through the Kenkiyak-Alashankou. **Baltic Sea** total exports declined by a slight 2 tb/d. In the **Mediterranean Sea**, BTC supplies showed an increase of 51 tb/d or 8% from the previous month to average 644 tb/d.

FSU **total oil product exports** dropped by 209 tb/d or 6% from the previous month to average 3.4 mb/d. The drop came as a result of a decline in all product exports, with the exception of gasoil, which saw its exports increase from a month before by 55 tb/d, while VGO saw higher exports by 43 tb/d. The FSU's exports of gasoline, naphtha, jet fuel and fuel oil all dropped in June from the previous month by 21%, 17%, 26% and 10%, respectively.

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

<u>Transneft system</u>		<u>2013</u>	<u>1Q 15</u>	<u>2Q 15</u>	<u>May 15</u>	<u>Jun 15</u>
Europe	<b>Black Sea total</b>	<b>739</b>	<b>702</b>	<b>561</b>	<b>568</b>	<b>527</b>
	Novorossiysk port terminal - total	739	702	561	568	527
	<i>of which: Russian oil</i>	535	505	421	447	404
	Others	204	198	139	121	123
	<b>Baltic Sea total</b>	<b>1,546</b>	<b>1,444</b>	<b>1,427</b>	<b>1,290</b>	<b>1,449</b>
	Primorsk port terminal - total	1,083	879	917	798	966
	<i>of which: Russian oil</i>	1,007	879	724	798	966
	Others	76	0	193	0	0
	Ust-Luga port terminal - total	463	564	510	491	484
	<i>of which: Russian oil</i>	342	356	367	328	387
	Others	121	208	143	164	97
	<b>Druzhba pipeline total</b>	<b>1,032</b>	<b>1,071</b>	<b>1,078</b>	<b>1,125</b>	<b>1,006</b>
	<i>of which: Russian oil</i>	1,000	1,039	1,045	1,093	974
	Others	32	32	32	32	33
Asia	<b>Pacific ocean total</b>	<b>434</b>	<b>605</b>	<b>637</b>	<b>647</b>	<b>595</b>
	Kozmino port terminal - total	434	605	637	647	595
	<b>China (via ESPO Pipeline) total</b>	<b>321</b>	<b>309</b>	<b>315</b>	<b>310</b>	<b>323</b>
	China Amur	321	309	315	310	323
<b>Total Russian crude exports</b>		<b>4,071</b>	<b>4,131</b>	<b>4,018</b>	<b>3,940</b>	<b>3,901</b>
<u>Lukoil system</u>		<u>2013</u>	<u>1Q 15</u>	<u>2Q 15</u>	<u>May 15</u>	<u>Jun 15</u>
Europe and North America	<b>Barents Sea Total</b>	<b>111</b>	<b>134</b>	<b>138</b>	<b>135</b>	<b>140</b>
	Varandey offshore platform	111	134	138	135	140
Europe	<b>Baltic Sea Total</b>	<b>19</b>	<b>18</b>	<b>14</b>	<b>19</b>	<b>12</b>
	Kalinigrad port terminal	19	18	14	19	12
<u>Other routes</u>		<u>2013</u>	<u>1Q 15</u>	<u>2Q 15</u>	<u>May 15</u>	<u>Jun 15</u>
Asia	<b>Russian Far East total</b>	<b>259</b>	<b>309</b>	<b>324</b>	<b>348</b>	<b>314</b>
	Aniva bay port terminal	114	109	111	117	97
	De Kastri port terminal	145	200	213	231	217
	<b>Central Asia total</b>	<b>239</b>	<b>252</b>	<b>232</b>	<b>243</b>	<b>202</b>
	Kenkiyak-Alashankou	239	252	232	243	202
Europe	<b>Baltic sea total</b>	<b>853</b>	<b>1,118</b>	<b>993</b>	<b>991</b>	<b>989</b>
	Novorossiysk port terminal (CPC)	704	986	903	910	884
	Supsa port terminal	76	91	69	61	84
	Batumi port terminal	53	41	20	20	21
	Kulevi port terminal	20	0	0	0	0
	<b>Mediterranean sea total</b>	<b>641</b>	<b>638</b>	<b>606</b>	<b>594</b>	<b>644</b>
	BTC	641	638	606	594	644
<u>Russian rail</u>		<u>2013</u>	<u>1Q 15</u>	<u>2Q 15</u>	<u>May 15</u>	<u>Jun 15</u>
	<b>Russian rail</b>	<b>198</b>	<b>18</b>	<b>16</b>	<b>14</b>	<b>19</b>
	<i>of which: Russian oil</i>	9	8	7	7	8
	Others	189	9	8	7	10
<b>Total FSU crude exports</b>		<b>6,392</b>	<b>6,618</b>	<b>6,342</b>	<b>6,284</b>	<b>6,221</b>
<u>Products</u>		<u>2013</u>	<u>1Q 15</u>	<u>2Q 15</u>	<u>May 15</u>	<u>Jun 15</u>
	Gasoline	122	162	200	242	191
	Naphtha	390	567	476	516	428
	Jet	11	28	37	50	37
	Gasoil	857	1,229	1,061	1,025	1,080
	Fuel oil	1,415	1,507	1,475	1,553	1,398
	VGO	263	231	250	228	271
<b>Total FSU product exports</b>		<b>3,058</b>	<b>3,724</b>	<b>3,499</b>	<b>3,614</b>	<b>3,405</b>
<b>Total FSU oil exports</b>		<b>9,450</b>	<b>10,342</b>	<b>9,841</b>	<b>9,898</b>	<b>9,626</b>

Sources: Argus Nefte Transport and Argus Global Markets.

## Stock Movements

OECD commercial oil stocks fell by 18.1 mb in June to stand at 2,858 mb, around 185 mb higher than at the same time one year ago, and 153 mb above the latest five-year average. Crude and products indicated a surplus of around 141 mb and 12 mb, respectively, above the seasonal norm. In terms of days of forward cover, OECD commercial stocks stood at 62.1 days, 3.9 days higher than the latest five-year average. Preliminary data for July shows that total US commercial oil stocks rose by 16.4 mb to stand at 1,274.1 mb. At this level, they were 147.0 mb or 13.1% above the same period a year ago and 155.5 mb or 13.9% higher than the latest five-year average. Within the components, commercial crude stocks went down by 5.7 mb, while products saw a build of 22.1 mb. The latest information for China showed an increase in total commercial oil inventories of 0.6 mb in June to stand at 412.0 mb, which was around 16.4 mb above the previous year at the same time. Within the components, commercial crude stocks fell by 5.4 mb, while product inventories rose by 5.9 mb.

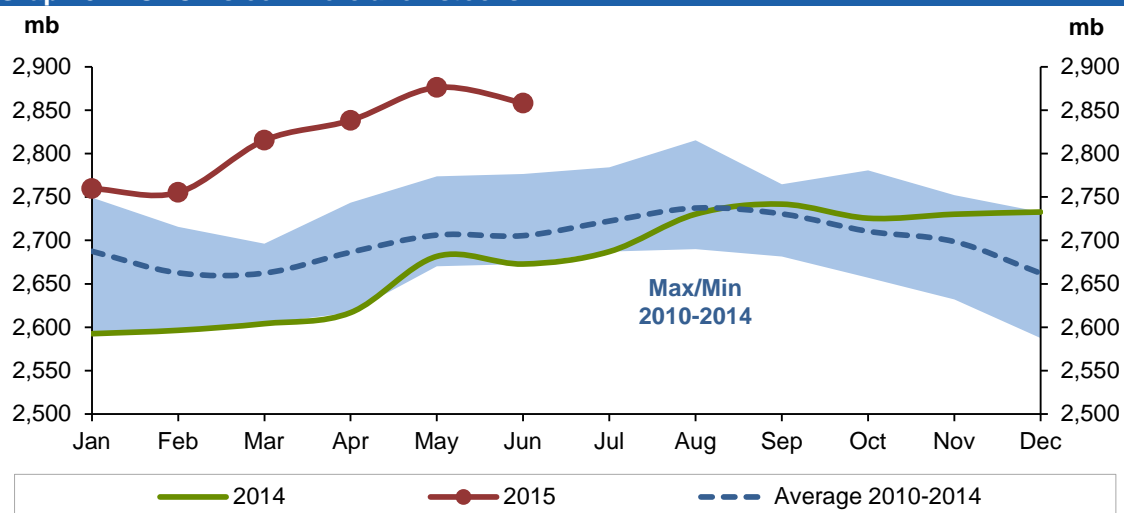
### OECD

The latest information for June shows that **total OECD commercial oil stocks** fell by 18.1 mb, reversing the build of the last three months to stand at 2,858 mb. Despite the drop, they remained 185.3 mb higher than at the same time one year ago and 152.6 mb above the latest five-year average. Within the components, crude and products fell by 7.1 mb and 11.0 mb, respectively.

OECD **commercial crude** stocks reversed the build of the last five months to end June at 1,463 mb. At this level, OECD crude commercial inventories stood 122.5 mb above the same time one year earlier and 140.9 mb higher than the latest five-year average. A large crude stock-draw was observed in OECD America, while OECD Europe and the Asia Pacific experienced builds. Higher refinery runs in the US pushed crude commercial stocks down during the month of June.

OECD **product inventories** fell in June by 11.0 mb, ending the month at 1,395 mb. At this level, product inventories stood 62.8 mb higher than a year ago at the same time, and were 11.7 mb above the seasonal norm.

**Graph 9.1: OECD's commercial oil stocks**





In terms of **days of forward cover**, OECD commercial stocks fell by 0.6 days in June from the previous month to stand at 62.1 days. They were 4.0 days above last year at the same period and 3.9 days higher than the latest five-year average. Within the regions, OECD Americas' days of forward cover was 4.4 days higher than the historical average at 60.8 days in June. OECD Asia Pacific stood 2.9 days above the seasonal average to finish the month at 56.0 days. At the same time, OECD Europe indicated a surplus of 4.5 days above the seasonal norm, averaging 67.5 days in June.

**Table 9.1: OECD's commercial stocks, mb**

	<u>Apr 15</u>	<u>May 15</u>	<u>Jun 15</u>	<u>Change</u> <u>Jun 15/May 15</u>	<u>Jun 14</u>
Crude oil	1,458	1,470	1,463	-7.1	1,340
Products	1,380	1,406	1,395	-11.0	1,332
<b>Total</b>	<b>2,838</b>	<b>2,876</b>	<b>2,858</b>	<b>-18.1</b>	<b>2,673</b>
<b>Days of forward cover</b>	<b>62.7</b>	<b>62.7</b>	<b>62.1</b>	<b>-0.6</b>	<b>58.1</b>

**Commercial stocks in OECD Americas** fell by 14.0 mb in June after seeing a sharp stock-build in the last three months. At 1,497 mb, stocks represented a surplus of 131.4 mb above the seasonal norm and around 115.3 mb above the same time one year ago. Within the components, crude stocks fell by 14.0 mb, while product inventories remained almost unchanged.

At the end of June, **crude commercial oil stocks in OECD Americas** fell for the second consecutive month to stand at 777 mb. At this level, they were 99.2 mb above the latest five-year average and 80.0 mb higher than the same time one year ago. Higher refinery crude runs were behind the stock-draw.

**Product stocks in OECD Americas** remained almost flat in June to stand at 720 mb. At this level, they indicated a surplus of 35.3 mb above the same time one year ago, and were 32.2 mb higher than the seasonal norm. The stock-draw in product stocks came mainly from higher demand, combined with higher refinery output.

**OECD Europe's commercial stocks** fell by 3.1 mb in June, reversing the build of the previous month to stand at 938 mb. This was 51.0 mb higher than the same time a year ago and represented a surplus of 9.4 mb above the latest five-year average. Crude stocks went up by 2.9 mb, while commercial product inventories fell by 6.0 mb.

**OECD Europe's commercial crude stocks** rose in June to stand at 427 mb, which was 30.9 mb above the same period a year earlier and 28.3 mb higher than the latest five-year average. Lower crude runs, combined with higher supply, were behind the build in crude oil inventories.

In contrast, **OECD Europe's commercial product stocks** fell by 6.0 mb in June, ending the month at 511 mb. At this level, European product stocks were 20.1 mb higher than a year ago at the same time, but remained 18.9 mb below the seasonal norm. Lower refinery output and an improvement in product demand contributed to the drop in Europe's commercial product stocks.

**OECD Asia Pacific commercial oil stocks** fell by 1.0 mb in June after rising sharply by 33 mb in May. At 424 mb, OECD Asia Pacific commercial oil inventories were 19.0 mb higher than a year ago and 11.9 mb above the five-year average. Within the components, crude rose by 4.0 mb, while product stocks fell by 5.0 mb. Crude inventories ended the month of June at 259 mb. They stood 11.6 mb higher than a year ago and 13.5 mb more than the seasonal norm. OECD Asia Pacific's total product

inventories ended June at 165 mb, indicating a surplus of 7.4 mb with a year ago but 1.6 mb lower than the seasonal norm.

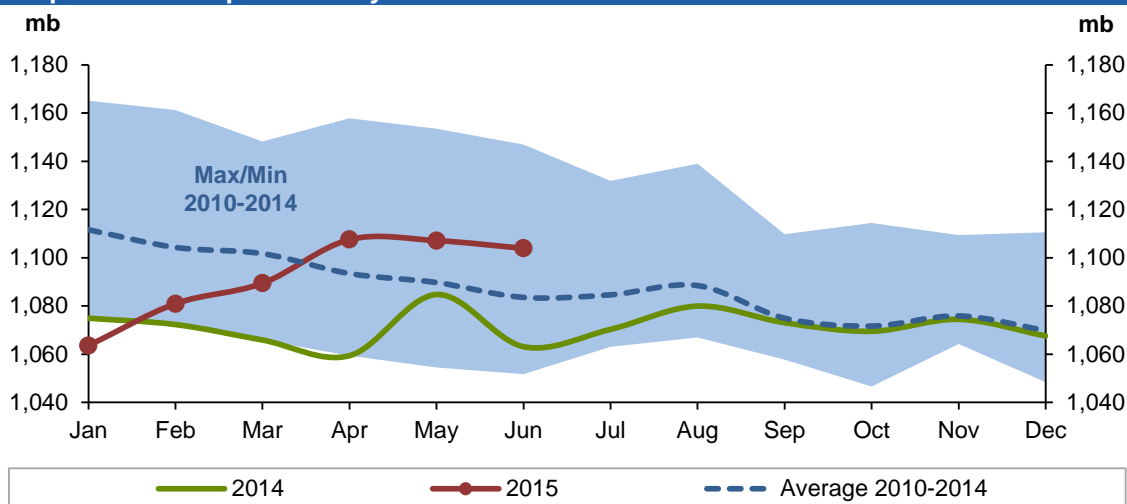
### EU plus Norway

Preliminary data for June shows that total European stocks fell by 3.2 mb for the second consecutive month to stand at 1,103.9 mb, which was 40.8 mb or 3.8% above the same time a year ago and 20.4 mb or 1.9% higher than the latest five-year average. Crude stocks rose by 2.9 mb, while product inventories fell by 6.0 mb from the previous month.

**European crude inventories** rose in June for the fifth consecutive month to stand at 494.7 mb, which was 18.6 mb or 3.9% above the same period a year ago and 26.3 mb or 5.6% higher than the seasonal norm. The build was driven by lower crude throughput averaging 10.3 mb/d. Robust supply also contributed to the build in crude oil inventories.

In contrast, **European product stocks** fell by 6.0 mb in June to stand at 609.2 mb, which was 22.1 mb or 3.8% above a year ago at the same time, but 6.0 mb or 1.0% below the seasonal norm. Within the products, the picture was mixed, with distillate stocks going down, while gasoline and residual fuel oil witnessed stock-builds.

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



**Gasoline** stocks rose slightly by 0.2 mb in June to stand at 115.5 mb, which was 9.2 mb or 8.6% above a year earlier and 7.8 mb or 7.2% higher than the seasonal norm. The increase was driven mainly by lower demand in the region as increasing gasoline exports to the US at this time of the year limited a further build in gasoline stocks. **Residual fuel oil stocks** also rose by 0.3 mb in June to stand at 75.0 mb, which was 1.6 mb or 2.2% above the same month last year, but remained 15.9 mb or 17.5 mb lower than the latest five-year average.

In contrast, **distillate stocks** fell by 6.5 mb, reversing the increase of the last two months and ending June at 393.2 mb. At this level, distillate stocks were 9.1 mb or 2.4% higher than last year at the same time and 7.7 mb or 2.0% above the latest five-year average. Higher distillate demand, combined with lower output, was behind the drop in distillate inventories. **Naphtha stocks** remained almost unchanged in June from the previous month to stand at 25.5 mb. At this level, they were 2.2 mb or 9.5%

above the same time a year ago, but 5.6 mb or 17.9% lower than the seasonal average.

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

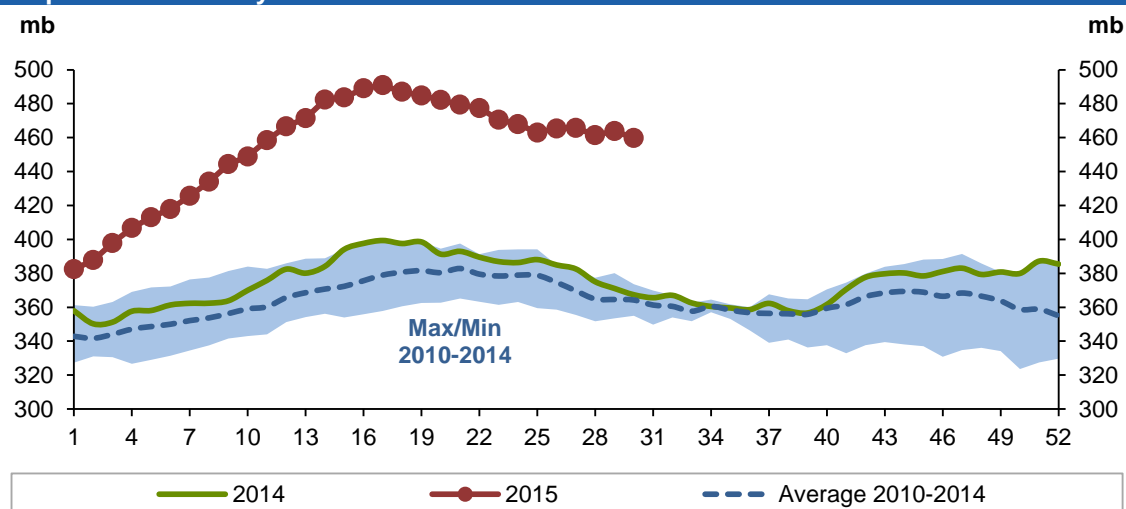
	<u>Apr 15</u>	<u>May 15</u>	<u>Jun 15</u>	<u>Change</u> <u>Jun 15/May 15</u>	<u>Jun 14</u>
<b>Crude oil</b>	<b>489.8</b>	<b>491.9</b>	<b>494.7</b>	<b>2.9</b>	<b>476.1</b>
Gasoline	124.4	115.4	115.5	0.2	106.3
Naphtha	25.1	25.5	25.5	0.0	23.3
Middle distillates	394.5	399.7	393.2	-6.5	384.0
Fuel oils	73.8	74.7	75.0	0.3	73.4
<b>Total products</b>	<b>617.8</b>	<b>615.2</b>	<b>609.2</b>	<b>-6.0</b>	<b>587.1</b>
<b>Total</b>	<b>1,107.5</b>	<b>1,107.1</b>	<b>1,103.9</b>	<b>-3.2</b>	<b>1,063.1</b>

Sources: Argus and Euroilstock.

## US

Preliminary data for July shows that **total commercial oil stocks** in the US rose by 16.4 mb, reversing the decline of the previous month to stand at 1,274.1 mb. At this level, they were 147.0 mb or 13.1% above the same period a year ago and 155.5 mb or 13.9% higher than the latest five-year average. Within the components, commercial crude stocks went down by 5.7 mb, while products saw a build of 22.1 mb.

**Graph 9.3: US weekly commercial crude oil stocks**



**US commercial crude stocks** fell in July for the third consecutive month to stand at 459.7 mb. Crude commercial stocks finished the month at 91.0 mb or 24.7% above the same time last year and 97.2 mb or 26.8% above the latest five-year average. Higher crude oil refinery input contributed to the stock-draw. Indeed, refinery runs rose by around 280,000 b/d to average 16.8 mb/d. Refineries were running at around 94% of operable capacity in July, 1.6 pp higher than in the previous month and 2.1% above last year at the same time. In contrast to total commercial stock builds, crude at Cushing, Oklahoma saw a stock-build of 0.5 mb in July versus June, to end the month at 56.7 mb.

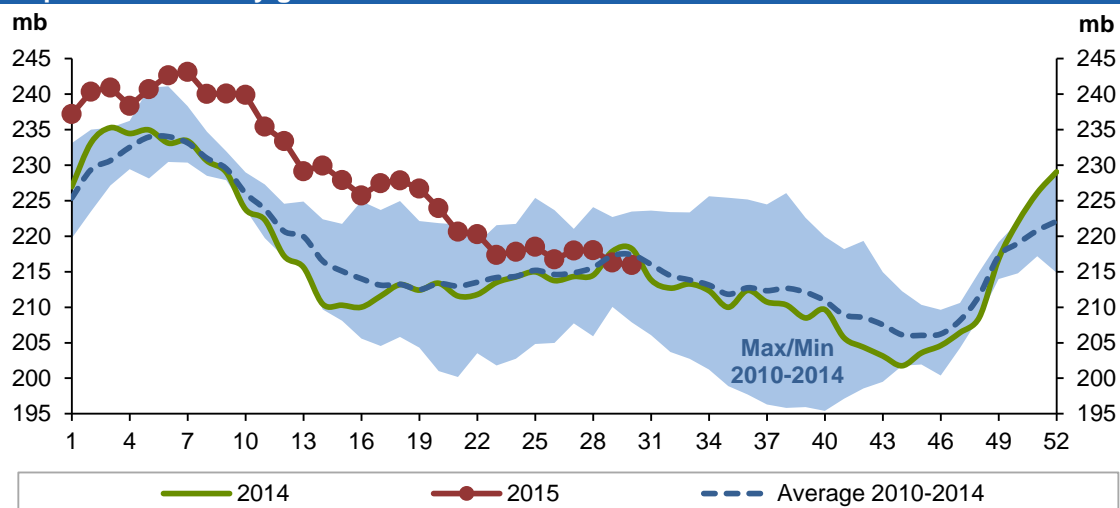
In contrast, **total product stocks** rose sharply by 22.1 mb to end the month of July at 814.4 mb. With this build, US product stocks were at around 56.4 mb or 7.4% above the level seen at the same time a year ago, showing a surplus of 58.3 mb or 7.7%

## Stock Movements

above the seasonal norm. Within products, with the exception of gasoline, all other products experienced builds.

**Gasoline stocks** fell by 0.8 mb in July for the fifth consecutive month to stand at 215.9 mb. At this level, gasoline stocks were 1.1 mb or 0.5% lower than the same period a year ago and 1.3 mb or 0.6 % below the latest five-year average. The drop came mainly from higher apparent demand, which averaged more than 9.5 mb/d, around 320,000 b/d higher than a year ago at the same time. Higher gasoline production, which reached nearly 9.9 mb/d, limited a further drop in gasoline inventories.

**Graph 9.4: US weekly gasoline stocks**



In contrast, **distillate stocks** rose by 8.3 mb in July, ending the month at 144.1 mb. At this level, they indicated a surplus of 18.5 mb or 14.8% from the same period a year ago, and a surplus of 3.6 mb or 2.6% with the five-year average. The build in middle distillate stocks was driven by lower demand, which decreased by around 140,000 b/d, averaging 3.7 mb/d. Higher production, which reached more than 5.0 mb/d, also contributed to the build in distillate stocks. **Jet fuel** stocks rose by 2.6 mb in July to stand at 44.0 mb. At this level, jet fuel stocks stood 8.6 mb or 24.1% higher than in the same month a year ago, and were 2.7 mb or 6.7% below the latest five-year average. **Residual fuel oil** remained unchanged at 40.1 mb, which was 4.3 mb or 12.1% higher than last year in the same period and 2.4 mb or 6.4% above the seasonal norm.

**Table 9.3: US onland commercial petroleum stocks, mb**

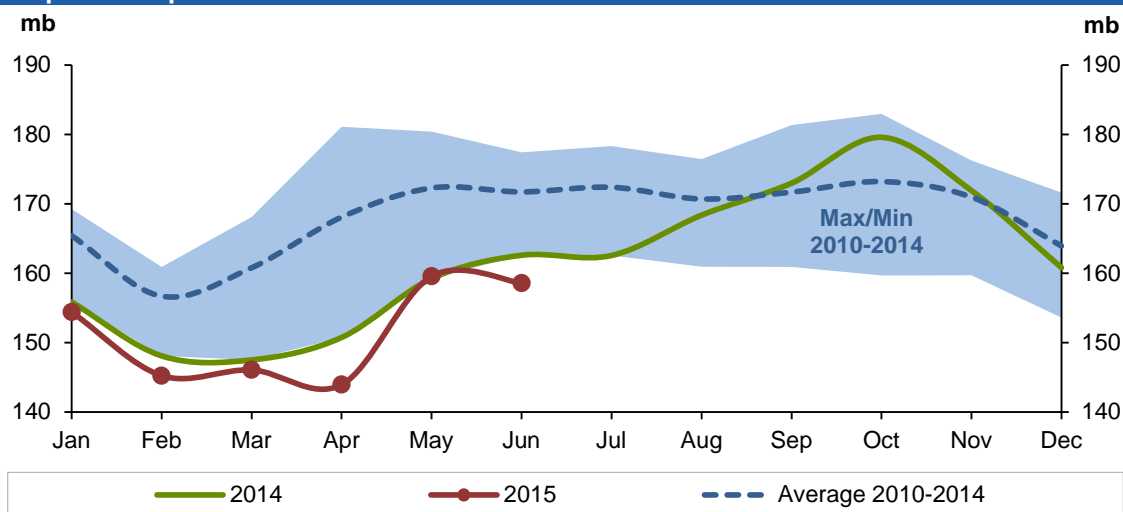
	<b>May 15</b>	<b>Jun 15</b>	<b>Jul 15</b>	<b>Change Jul 15/Jun 15</b>	<b>Jul 14</b>
<b>Crude oil</b>	479.3	465.4	459.7	-5.7	368.7
Gasoline	222.5	216.7	215.9	-0.8	217.0
Distillate fuel	134.0	135.8	144.1	8.3	125.6
Residual fuel oil	41.0	40.1	40.1	0.0	35.7
Jet fuel	42.5	41.4	44.0	2.6	35.5
<b>Total</b>	<b>1,265.6</b>	<b>1,257.7</b>	<b>1,274.1</b>	<b>16.4</b>	<b>1,126.7</b>
SPR	692.3	693.7	695.1	1.4	691.0

Source: US Energy Information Administration.

## Japan

In Japan, total **commercial oil stocks** fell by 1.0 mb, after increasing sharply in May by 15.6 mb. At 158.9 mb, Japanese commercial oil inventories stood 4.0 mb or 2.5% lower than a year ago, but remained 13.2 mb or 7.7% below the five-year average. Within the components, crude inventories rose by 4.0 mb, while product stocks fell by 5.0 mb.

**Graph 9.5: Japan's commercial oil stocks**



Japanese commercial **crude oil stocks** rose in June for the second consecutive month to stand at 97.8 mb. Despite the build, stocks were 6.8 mb or 6.0% below a year ago at the same time and 6.0 mb or 5.8% lower than the seasonal norm. The stock-build in crude oil was driven by lower crude throughput, which fell by around 335,000 b/d or 11.1% to average 2.7 mb/d in June. Refineries were running at 68.1%, 8.6 pp below the previous month, but remained 1.6% above a year ago at the same time. The drop of 370,000 b/d in crude oil imports limited a further build in crude oil stocks. At 2.9 mb/d, crude oil imports were 2.5% below a year ago at the same time.

In contrast, Japan's **total product inventories** fell by 5.0 mb in June, reversing the build of the previous two months. At 65.8 mb, product stocks stood 2.7 mb or 4.7% above the same time a year ago, but showed a deficit of 7.2 mb or 10.6% with the five-year average. The drop was driven mainly by lower refinery output, which declined by around 190,000 b/d or 6.8% to stand at 2.6 mb/d, but was 2.8% higher than a year ago at the same time. Oil product sales remained almost unchanged in June, averaging 2.8 mb/d, but rose 0.8% from a year earlier at the same time. Within products, all showed stockdraws, with the bulk coming from residual fuel oil.

**Gasoline** stocks decline by 0.9 mb in June to stand at 11.0 mb, indicating a slight surplus of 0.2 mb or 1.9% with the same time a year ago, but 1.9 mb or 14.7% below the five-year average. The fall in gasoline stocks came on the back of lower gasoline production, combined with lower imports. Higher gasoline domestic sales limited a further build in gasoline stocks.

**Distillate stocks** fell by 1.8 mb in June to stand at 25.4 mb. At this level, distillate stocks were 1.8 mb or 7.6% above the same period a year ago, but 3.0 mb or 10.5% below the seasonal average. Within distillate components, gasoil and jet fuel stocks fell by 17.8% and 9.1%, respectively, while kerosene stocks rose by 4.6%. The drop in gasoil and jet fuel stocks was mainly driven by lower output, combined with higher domestic sales. However, the build in kerosene stocks was driven by lower domestic sales and strong imports.

## Stock Movements

Total residual **fuel oil stocks** fell by 2.3 mb in June to stand at 12.4 mb, which was 2.3 mb or 15.5% below a year ago and 3.4 mb or 21.4% lower than the latest five-year average. Within the fuel oil components, fuel oil A and fuel oil B.C stocks fell by 6.2% and 12.8%, respectively. The drop was mainly driven by lower output.

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

	<u>Apr 15</u>	<u>May 15</u>	<u>Jun 15</u>	<u>Change</u> <u>Jun 15/May 15</u>	<u>Jun 14</u>
<b>Crude oil</b>	<b>84.6</b>	<b>93.7</b>	<b>97.8</b>	<b>4.0</b>	<b>104.5</b>
Gasoline	11.1	11.9	11.0	-0.9	10.8
Naphtha	9.9	12.0	12.0	-0.1	8.9
Middle distillates	24.5	27.2	25.4	-1.8	23.6
Residual fuel oil	13.8	14.7	12.4	-2.3	14.7
<b>Total products</b>	<b>59.3</b>	<b>65.8</b>	<b>60.8</b>	<b>-5.0</b>	<b>58.1</b>
<b>Total**</b>	<b>143.9</b>	<b>159.6</b>	<b>158.6</b>	<b>-1.0</b>	<b>162.6</b>

\* At end of month.

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

Source: Ministry of Economy, Trade and Industry, Japan.

## China

The latest information for **China** showed an increase in total commercial oil inventories of 0.6 mb in June to stand at 412.0 mb, which was around 16.4 mb above the previous year at the same time. Within the components, commercial crude stocks fell by 5.4 mb, while product inventories rose by 5.9 mb.

At 248.9 mb, **commercial crude stocks** represented a surplus of around 2.9 mb over the same period one year earlier. The decline in crude oil commercial stocks could be solely attributed to the increase in crude runs, which averaged 10.6 mb/d, higher m-o-m by 0.20 mb/d following the return of some refineries from maintenance. However, the increase in overall crude supply (imports and production) in China has limited a further decline in commercial crudeoil inventories. Indeed, crude oil imports rose to nearly 7.2 mb/d in June, up by 1.7 mb/d from May and the second-highest level on record. Chinese crude oil production rose by 0.14 mb/d, ending June at 4.4 mb/d.

In contrast, total **product stocks** in China rose by 5.9 mb to end June at 163.0 mb, which was 13.4 mb higher than a year ago at the same time. Within the products, all showed gains. Gasoline rose by 1.3 mb, ending June at 56.4 mb, yet 6.8 mb below last year at the same time. Diesel increased by 3.4 mb to end the month of June at 90.6 mb, and 20.2 mb above last year at the same time. Kerosene inventories rose by 1.1 mb to finish June at 16.1 mb and in line with a year earlier at the same time. This build came mainly from higher output.

**Table 9.5: China's commercial oil stocks, mb**

	<u>Apr 15</u>	<u>May 15</u>	<u>Jun 15</u>	<u>Change</u> <u>Jun 15/May 15</u>	<u>Jun 14</u>
<b>Crude oil</b>	<b>251.1</b>	<b>254.3</b>	<b>248.9</b>	<b>-5.4</b>	<b>246.0</b>
Gasoline	54.2	55.1	56.4	1.3	63.2
Diesel	89.5	87.1	90.6	3.4	70.3
Jet kerosene	14.6	15.0	16.1	1.1	16.0
<b>Total products</b>	<b>158.3</b>	<b>157.1</b>	<b>163.0</b>	<b>5.9</b>	<b>149.6</b>
<b>Total</b>	<b>409.4</b>	<b>411.4</b>	<b>412.0</b>	<b>0.6</b>	<b>395.6</b>

Source: OPEC Secretariat analysis.



## Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of June, **product stocks in Singapore** declined slightly by 0.3 mb reversing the build of the last two months to stand at 47.5 mb, which was 1.1 mb or 2.4% above the same period a year ago. Within products, light distillates and middle distillates dropped, while fuel oil saw a build.

Light distillate stocks went down by 0.6 mb, ending June at 12.2 mb, which was 1.6 mb or 14.7% above last year at the same time. Middle distillate stocks fell by 0.4 mb in June, finishing the month at 10.0 mb, which was 3.0 mb or 22.9% below the same time a year ago. In contrast, residual fuel oil stocks rose by 0.7 mb in June, ending the month at 25.3 mb, which was 2.5 mb or 10.9% higher than at the same time last year. This build was driven mainly by lower marine bunker demand in the region.

**Product stocks in Amsterdam-Rotterdam-Antwerp (ARA)** rose by 1.5 mb in June, following a build of 4.2 mb in May. At 43.3 mb, product stocks in ARA were 7.7 mb or 21.6% higher than at the same time last year. Within products, the picture was mixed. Gasoline and gasoil experienced builds, while naphtha and fuel oil witnessed draws.

**Gasoline** stocks rose by 1.1 mb in June, ending the month at 4.5 mb. At this level, gasoline stocks were 0.1 mb or 0.8% below the same period last year. The build was mainly driven by a decline in demand in the region. Gasoil rose by 1.7 mb, ending June at 23.0 mb, which was 4.6 mb or 25% higher than last year at the same time. In contrast, **fuel oil stocks** fell by 0.9 mb, ending June at 5.9 mb, which was 0.9 mb or 19% above a year ago at the same period. Higher exports toward Asia was the main reason behind this build.

## Balance of Supply and Demand

Demand for OPEC crude in 2015 was unchanged at 29.2 mb/d, which is 0.2 mb/d higher than the 2014 level. In 2016, demand for OPEC crude is projected at 30.1 mb/d, 0.9 mb/d higher than this year.

### Forecast for 2015

Demand for OPEC crude for 2015 remained unchanged from the previous month at 29.2 mb/d, representing an increase of 0.2 mb/d over the 2014 level. The first quarter was revised up by 0.1 mb/d since the last report, while the other three quarters were left unchanged. The upward revision in non-OPEC supply offset the upward adjustment in global demand. Following these revisions, the first quarter is estimated to have fallen by 0.8 mb/d compared to the same quarter last year, while the second quarter is seen flat. The third and fourth quarters are expected to grow by 0.4 mb/d and 1.4 mb/d, respectively, compared to the same quarters last year.

**Table 10.1: Summarized supply/demand balance for 2015, mb/d**

	<u>2014</u>	<u>1Q15</u>	<u>2Q15</u>	<u>3Q15</u>	<u>4Q15</u>	<u>2015</u>
<b>(a) World oil demand</b>	<b>91.33</b>	<b>91.88</b>	<b>91.76</b>	<b>93.24</b>	<b>93.90</b>	<b>92.70</b>
Non-OPEC supply	56.51	58.08	57.54	56.95	57.30	57.46
OPEC NGLs and non-conventionals	5.83	5.86	5.94	6.13	6.13	6.01
<b>(b) Total supply excluding OPEC crude</b>	<b>62.34</b>	<b>63.94</b>	<b>63.48</b>	<b>63.07</b>	<b>63.43</b>	<b>63.48</b>
<b>Difference (a-b)</b>	<b>28.99</b>	<b>27.94</b>	<b>28.28</b>	<b>30.17</b>	<b>30.47</b>	<b>29.23</b>
OPEC crude oil production	30.07	30.33	31.15			
Balance	1.09	2.39	2.87			

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

### Forecast for 2016

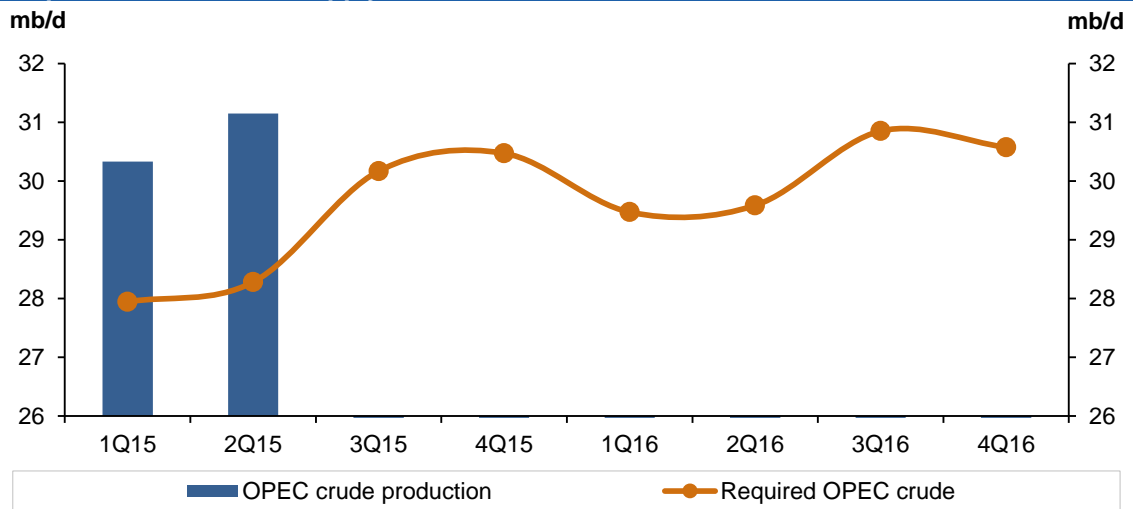
Demand for OPEC crude in 2016 saw a slight upward revision from the previous month. The second quarter was revised up by 0.1 mb/d, while the other three quarters were left unchanged. Demand for OPEC crude next year is projected to increase by 0.9 mb/d to average 30.1 mb/d. The first and second quarters are expected to increase by 1.5 mb/d and 1.3 mb/d, respectively, while the third and the fourth quarters are projected to increase by 0.7 mb/d and 0.1 mb/d, respectively.

**Table 10.2: Summarized supply/demand balance for 2016, mb/d**

	<u>2015</u>	<u>1Q16</u>	<u>2Q16</u>	<u>3Q16</u>	<u>4Q16</u>	<u>2016</u>
<b>(a) World oil demand</b>	<b>92.70</b>	<b>93.26</b>	<b>93.11</b>	<b>94.55</b>	<b>95.21</b>	<b>94.04</b>
Non-OPEC supply	57.46	57.65	57.35	57.50	58.42	57.73
OPEC NGLs and non-conventionals	6.01	6.14	6.18	6.21	6.22	6.18
<b>(b) Total supply excluding OPEC crude</b>	<b>63.48</b>	<b>63.78</b>	<b>63.53</b>	<b>63.70</b>	<b>64.64</b>	<b>63.91</b>
<b>Difference (a-b)</b>	<b>29.23</b>	<b>29.47</b>	<b>29.59</b>	<b>30.85</b>	<b>30.58</b>	<b>30.12</b>

*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**

	2012	2013	2014	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16	4Q16	2016
<b>World demand</b>													
<b>OECD</b>	45.9	46.1	45.8	46.5	45.4	46.0	46.6	46.1	46.6	45.6	46.2	46.7	46.3
Americas	23.6	24.1	24.2	24.2	24.0	24.6	25.0	24.5	24.5	24.4	25.0	25.3	24.8
Europe	13.8	13.7	13.5	13.5	13.7	13.8	13.4	13.6	13.5	13.7	13.8	13.4	13.6
Asia Pacific	8.5	8.3	8.2	8.8	7.7	7.6	8.2	8.0	8.6	7.5	7.5	8.0	7.9
<b>DCs</b>	28.3	29.1	29.8	29.9	30.5	31.3	30.5	30.5	30.7	31.2	32.0	31.2	31.3
<b>FSU</b>	4.4	4.5	4.5	4.4	4.2	4.7	4.9	4.6	4.4	4.3	4.7	5.0	4.6
<b>Other Europe</b>	0.6	0.6	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.6	0.7	0.8	0.7
<b>China</b>	9.7	10.1	10.5	10.4	11.0	10.6	11.2	10.8	10.8	11.4	11.0	11.5	11.2
<b>(a) Total world demand</b>	<b>89.0</b>	<b>90.4</b>	<b>91.3</b>	<b>91.9</b>	<b>91.8</b>	<b>93.2</b>	<b>93.9</b>	<b>92.7</b>	<b>93.3</b>	<b>93.1</b>	<b>94.6</b>	<b>95.2</b>	<b>94.0</b>
<b>Non-OPEC supply</b>													
<b>OECD</b>	21.1	22.2	24.2	25.1	24.9	24.7	25.0	24.9	25.3	25.1	25.1	25.6	25.3
Americas	16.7	18.2	20.0	21.0	20.7	20.8	20.9	20.9	21.1	21.1	21.2	21.5	21.2
Europe	3.8	3.6	3.6	3.7	3.7	3.5	3.7	3.6	3.7	3.5	3.4	3.7	3.6
Asia Pacific	0.6	0.5	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
<b>DCs</b>	12.0	12.0	12.2	12.6	12.4	12.2	12.1	12.3	12.2	12.3	12.5	12.6	12.4
<b>FSU</b>	13.4	13.6	13.5	13.7	13.6	13.4	13.5	13.6	13.5	13.3	13.2	13.3	13.3
<b>Other Europe</b>	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
<b>China</b>	4.2	4.2	4.3	4.3	4.4	4.3	4.3	4.3	4.4	4.4	4.4	4.5	4.4
<b>Processing gains</b>	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
<b>Total non-OPEC supply</b>	<b>52.9</b>	<b>54.3</b>	<b>56.5</b>	<b>58.1</b>	<b>57.5</b>	<b>56.9</b>	<b>57.3</b>	<b>57.5</b>	<b>57.6</b>	<b>57.4</b>	<b>57.5</b>	<b>58.4</b>	<b>57.7</b>
<b>OPEC NGLs + non-conventional oils</b>	5.6	5.6	5.8	5.9	5.9	6.1	6.1	6.0	6.1	6.2	6.2	6.2	6.2
<b>(b) Total non-OPEC supply and OPEC NGLs</b>	<b>58.4</b>	<b>60.0</b>	<b>62.3</b>	<b>63.9</b>	<b>63.5</b>	<b>63.1</b>	<b>63.4</b>	<b>63.5</b>	<b>63.8</b>	<b>63.5</b>	<b>63.7</b>	<b>64.6</b>	<b>63.9</b>
<b>OPEC crude oil production (secondary sources)</b>	31.2	30.2	30.1	30.3	31.1								
<b>Total supply</b>	<b>89.6</b>	<b>90.2</b>	<b>92.4</b>	<b>94.3</b>	<b>94.6</b>								
<b>Balance (stock change and miscellaneous)</b>	0.6	-0.2	1.1	2.4	2.9								
<b>OECD closing stock levels (mb)</b>													
Commercial	2,683	2,588	2,733	2,815	2,858								
SPR	1,547	1,584	1,579	1,582	1,588								
Total	4,230	4,172	4,312	4,397	4,446								
Oil-on-water	879	909	924	864	910								
<b>Days of forward consumption in OECD</b>													
Commercial onland stocks	58	56	59	62	62								
SPR	34	35	34	35	34								
Total	92	91	93	97	97								
<b>Memo items</b>													
FSU net exports	9.0	9.1	9.0	9.3	9.4	8.8	8.6	9.0	9.0	9.0	8.5	8.4	8.7
<b>(a) - (b)</b>	<b>30.6</b>	<b>30.4</b>	<b>29.0</b>	<b>27.9</b>	<b>28.3</b>	<b>30.2</b>	<b>30.5</b>	<b>29.2</b>	<b>29.5</b>	<b>29.6</b>	<b>30.9</b>	<b>30.6</b>	<b>30.1</b>

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**

	2012	2013	2014	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16	4Q16	2016
<b>World demand</b>													
<b>OECD</b>	-	-	-	0.2	0.2	-	-	0.1	0.2	0.2	-	-	0.1
Americas	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-
Europe	-	-	-	0.1	0.1	-	-0.1	-	0.1	0.1	-	-0.1	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>DCs</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>FSU</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other Europe</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>China</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>(a) Total world demand</b>	-	-	-	0.1	0.2	-	-	0.1	0.1	0.2	-	-	0.1
<b>World demand growth</b>	-	-	-	0.1	0.2	0.1	-	0.1	-	-	-	-	-
<b>Non-OPEC supply</b>													
<b>OECD</b>	-	-	-	-	0.1	-	-0.1	-	-	-	-0.1	-0.2	-0.1
Americas	-	-	-	-	0.1	-	-0.1	-	-	-	-	-	-
Europe	-	-	-	-	0.1	0.1	-	-	-	-	-0.1	-0.1	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>DCs</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>FSU</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other Europe</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>China</b>	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1
<b>Processing gains</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total non-OPEC supply</b>	-	-	-	-	0.3	-	-	0.1	0.1	0.1	-	-	-
<b>Total non-OPEC supply growth</b>	-	-	-	-	0.3	-	-	0.1	0.1	-0.2	-	-0.1	-
<b>OPEC NGLs + non-conventionals</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>(b) Total non-OPEC supply and OPEC NGLs</b>	-	-	-	-	0.3	-	-	0.1	0.1	0.1	-	-	-
<b>OPEC crude oil production (secondary sources)</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total supply</b>	-	-	-	-	0.3	-	-	-	-	-	-	-	-
<b>Balance (stock change and miscellaneous)</b>	-	-	-	-0.1	-	-	-	-	-	-	-	-	-
<b>OECD closing stock levels (mb)</b>													
Commercial	18	21	20	35	-	-	-	-	-	-	-	-	-
SPR	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	18	21	21	35	-	-	-	-	-	-	-	-	-
Oil-on-water	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Days of forward consumption in OECD</b>													
Commercial onland stocks	-	-	-	1	-	-	-	-	-	-	-	-	-
SPR	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Memo items</b>													
FSU net exports	-	-	-	-	0.1	-	-	-	-	-	-	-	-
<b>(a) - (b)</b>	-	-	-	0.1	-	-	-	-	-	0.1	-	-	0.1

\* This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the July 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	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
<b>Closing stock levels, mb</b>												
<b>OECD onland commercial</b>	<b>2,617</b>	<b>2,683</b>	<b>2,588</b>	<b>2,733</b>	<b>2,715</b>	<b>2,588</b>	<b>2,604</b>	<b>2,673</b>	<b>2,742</b>	<b>2,733</b>	<b>2,815</b>	<b>2,858</b>
Americas	1,308	1,365	1,316	1,443	1,404	1,316	1,311	1,382	1,411	1,443	1,483	1,497
Europe	914	912	879	884	890	879	884	887	895	884	940	938
Asia Pacific	395	405	392	405	421	392	409	405	436	405	392	424
<b>OECD SPR</b>	<b>1,536</b>	<b>1,547</b>	<b>1,584</b>	<b>1,579</b>	<b>1,582</b>	<b>1,584</b>	<b>1,585</b>	<b>1,578</b>	<b>1,577</b>	<b>1,579</b>	<b>1,582</b>	<b>1,588</b>
Americas	697	696	697	692	697	697	697	692	692	692	692	695
Europe	426	436	470	470	471	470	470	468	468	470	470	474
Asia Pacific	414	415	417	417	413	417	418	419	417	417	420	420
<b>OECD total</b>	<b>4,154</b>	<b>4,230</b>	<b>4,172</b>	<b>4,312</b>	<b>4,296</b>	<b>4,172</b>	<b>4,189</b>	<b>4,251</b>	<b>4,319</b>	<b>4,312</b>	<b>4,397</b>	<b>4,446</b>
<b>Oil-on-water</b>	<b>825</b>	<b>879</b>	<b>909</b>	<b>924</b>	<b>932</b>	<b>909</b>	<b>954</b>	<b>914</b>	<b>952</b>	<b>924</b>	<b>864</b>	<b>910</b>
<b>Days of forward consumption in OECD</b>												
<b>OECD onland commercial</b>	<b>57</b>	<b>58</b>	<b>57</b>	<b>58</b>	<b>58</b>	<b>57</b>	<b>58</b>	<b>58</b>	<b>59</b>	<b>59</b>	<b>62</b>	<b>62</b>
Americas	53	55	55	57	58	55	55	57	57	60	62	61
Europe	68	68	66	67	65	68	65	64	66	66	69	68
Asia Pacific	47	48	46	49	49	44	53	52	52	46	52	56
<b>OECD SPR</b>	<b>33</b>	<b>34</b>	<b>33</b>	<b>34</b>	<b>34</b>	<b>35</b>	<b>35</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>35</b>	<b>35</b>
Americas	30	30	29	29	29	29	29	28	28	29	29	28
Europe	29	30	31	32	35	36	35	34	35	35	35	34
Asia Pacific	50	50	48	50	48	47	54	54	50	48	55	55
<b>OECD total</b>	<b>90</b>	<b>92</b>	<b>90</b>	<b>92</b>	<b>92</b>	<b>91</b>	<b>93</b>	<b>92</b>	<b>93</b>	<b>93</b>	<b>97</b>	<b>97</b>



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

	2012	2013	2014	3Q15	4Q15	2015	Change					2016	Change
							15/14	1Q16	2Q16	3Q16	4Q16		16/15
US	10.0	11.2	12.9	13.8	13.9	13.9	0.9	14.1	14.1	14.2	14.4	14.2	0.3
Canada	3.8	4.0	4.3	4.3	4.5	4.4	0.1	4.5	4.5	4.5	4.6	4.5	0.1
Mexico	2.9	2.9	2.8	2.6	2.6	2.6	-0.2	2.6	2.5	2.5	2.5	2.5	-0.1
<b>OECD Americas*</b>	<b>16.7</b>	<b>18.2</b>	<b>20.0</b>	<b>20.8</b>	<b>20.9</b>	<b>20.9</b>	<b>0.8</b>	<b>21.1</b>	<b>21.1</b>	<b>21.2</b>	<b>21.5</b>	<b>21.2</b>	<b>0.4</b>
Norway	1.9	1.8	1.9	1.8	2.0	1.9	0.0	2.0	1.8	1.8	1.9	1.9	0.0
UK	1.0	0.9	0.9	0.8	0.9	0.9	0.0	0.9	0.9	0.9	1.0	0.9	0.0
Denmark	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Other OECD Europe	0.7	0.7	0.7	0.7	0.6	0.7	0.0	0.6	0.6	0.6	0.6	0.6	0.0
<b>OECD Europe</b>	<b>3.8</b>	<b>3.6</b>	<b>3.6</b>	<b>3.5</b>	<b>3.7</b>	<b>3.6</b>	<b>0.0</b>	<b>3.7</b>	<b>3.5</b>	<b>3.4</b>	<b>3.7</b>	<b>3.6</b>	<b>-0.1</b>
Australia	0.5	0.4	0.4	0.4	0.4	0.4	-0.1	0.4	0.4	0.4	0.4	0.4	0.0
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.0	0.1	0.0
<b>OECD Asia Pacific</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>-0.1</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.0</b>
<b>Total OECD</b>	<b>21.1</b>	<b>22.2</b>	<b>24.2</b>	<b>24.7</b>	<b>25.0</b>	<b>24.9</b>	<b>0.8</b>	<b>25.3</b>	<b>25.1</b>	<b>25.1</b>	<b>25.6</b>	<b>25.3</b>	<b>0.3</b>
Brunei	0.2	0.1	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	0.8	0.9	0.0	0.8	0.9	0.9	0.9	0.9	0.0
Indonesia	0.9	0.9	0.9	0.8	0.8	0.8	0.0	0.8	0.9	0.9	0.9	0.9	0.0
Malaysia	0.7	0.7	0.7	0.7	0.7	0.7	0.1	0.7	0.8	0.8	0.8	0.8	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	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Asia others	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.3	0.3	0.3	0.3	0.3	0.0
<b>Other Asia</b>	<b>3.6</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.4</b>	<b>3.5</b>	<b>0.1</b>	<b>3.5</b>	<b>3.5</b>	<b>3.6</b>	<b>3.7</b>	<b>3.6</b>	<b>0.0</b>
Argentina	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Brazil	2.6	2.6	2.9	3.0	3.0	3.0	0.2	3.1	3.2	3.3	3.4	3.2	0.2
Colombia	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0	1.0	0.0
Trinidad & Tobago	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
L. America others	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
<b>Latin America</b>	<b>4.7</b>	<b>4.8</b>	<b>5.0</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>0.1</b>	<b>5.1</b>	<b>5.2</b>	<b>5.3</b>	<b>5.5</b>	<b>5.3</b>	<b>0.1</b>
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	0.9	0.9	1.0	0.0	1.0	0.9	0.9	0.9	0.9	0.0
Syria	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yemen	0.2	0.1	0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
<b>Middle East</b>	<b>1.5</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>-0.1</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>0.0</b>
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	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
South Africa	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Sudans	0.1	0.2	0.3	0.3	0.3	0.3	0.0	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
<b>Africa</b>	<b>2.3</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>0.0</b>	<b>2.4</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>0.0</b>
<b>Total DCs</b>	<b>12.0</b>	<b>12.0</b>	<b>12.2</b>	<b>12.2</b>	<b>12.1</b>	<b>12.3</b>	<b>0.1</b>	<b>12.2</b>	<b>12.3</b>	<b>12.5</b>	<b>12.6</b>	<b>12.4</b>	<b>0.1</b>
<b>FSU</b>	<b>13.4</b>	<b>13.6</b>	<b>13.5</b>	<b>13.4</b>	<b>13.5</b>	<b>13.6</b>	<b>0.0</b>	<b>13.5</b>	<b>13.3</b>	<b>13.2</b>	<b>13.3</b>	<b>13.3</b>	<b>-0.2</b>
Russia	10.5	10.6	10.7	10.6	10.7	10.7	0.0	10.6	10.5	10.5	10.6	10.6	-0.1
Kazakhstan	1.6	1.6	1.6	1.6	1.6	1.6	0.0	1.6	1.6	1.6	1.6	1.6	0.0
Azerbaijan	0.9	0.9	0.9	0.8	0.8	0.9	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	0.3	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	4.2	4.2	4.3	4.3	4.3	4.3	0.1	4.4	4.4	4.4	4.5	4.4	0.1
<b>Non-OPEC production</b>	<b>50.7</b>	<b>52.2</b>	<b>54.3</b>	<b>54.8</b>	<b>55.1</b>	<b>55.3</b>	<b>0.9</b>	<b>55.5</b>	<b>55.2</b>	<b>55.3</b>	<b>56.2</b>	<b>55.5</b>	<b>0.3</b>
Processing gains	2.1	2.1	2.2	2.2	2.2	2.2	0.0	2.2	2.2	2.2	2.2	2.2	0.0
<b>Non-OPEC supply</b>	<b>52.9</b>	<b>54.3</b>	<b>56.5</b>	<b>56.9</b>	<b>57.3</b>	<b>57.5</b>	<b>1.0</b>	<b>57.6</b>	<b>57.4</b>	<b>57.5</b>	<b>58.4</b>	<b>57.7</b>	<b>0.3</b>
OPEC NGL	5.4	5.4	5.6	5.9	5.9	5.8	0.2	5.9	5.9	5.9	5.9	5.9	0.2
OPEC non-conventional	0.2	0.2	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
<b>OPEC (NGL+NCF)</b>	<b>5.6</b>	<b>5.6</b>	<b>5.8</b>	<b>6.1</b>	<b>6.1</b>	<b>6.0</b>	<b>0.2</b>	<b>6.1</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>	<b>0.2</b>
<b>Non-OPEC &amp; OPEC (NGL+NCF)</b>	<b>58.4</b>	<b>60.0</b>	<b>62.3</b>	<b>63.1</b>	<b>63.4</b>	<b>63.5</b>	<b>1.1</b>	<b>63.8</b>	<b>63.5</b>	<b>63.7</b>	<b>64.6</b>	<b>63.9</b>	<b>0.4</b>

\* Chile has been included in OECD Americas.

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

**Table 10.7: World Rig Count**

	2011	2012	2013	2014	Change		2014	1Q15	2Q15	Jun 15	Jul 15	Change
					14/13	4Q14						Jul/Jun
US	1,880	1,919	1,761	1,862	101	1,912	1,862	1,380	909	861	866	5
Canada	423	364	354	380	26	406	380	309	99	128	183	55
Mexico	94	106	106	86	-20	78	86	67	59	51	45	-6
Americas	2,398	2,390	2,221	2,327	106	2,396	2,327	1,755	1,067	1,040	1,094	54
Norway	17	17	20	17	-3	16	17	17	18	19	20	1
UK	16	18	17	16	-1	17	16	18	14	12	12	0
Europe	118	119	135	145	10	148	145	132	116	113	108	-5
Asia Pacific	17	24	27	26	-1	25	26	21	17	16	16	0
<b>Total OECD</b>	<b>2,532</b>	<b>2,533</b>	<b>2,383</b>	<b>2,499</b>	<b>116</b>	<b>2,569</b>	<b>2,499</b>	<b>1,908</b>	<b>1,200</b>	<b>1,169</b>	<b>1,218</b>	<b>49</b>
Other Asia	239	217	219	228	9	229	228	214	203	199	196	-3
Latin America	195	180	166	172	6	174	172	161	143	140	144	4
Middle East	129	136	102	108	6	105	108	103	98	99	102	3
Africa	2	7	16	28	12	29	28	22	12	10	8	-2
<b>Total DCs</b>	<b>565</b>	<b>539</b>	<b>503</b>	<b>536</b>	<b>33</b>	<b>537</b>	<b>536</b>	<b>499</b>	<b>456</b>	<b>448</b>	<b>450</b>	<b>2</b>
<b>Non-OPEC rig count</b>	<b>3,097</b>	<b>3,071</b>	<b>2,886</b>	<b>3,034</b>	<b>149</b>	<b>3,106</b>	<b>3,034</b>	<b>2,408</b>	<b>1,656</b>	<b>1,617</b>	<b>1,668</b>	<b>51</b>
Algeria	31	36	47	48	1	48	48	52	52	51	50	-1
Angola	7	9	11	15	4	14	15	15	12	10	8	-2
Ecuador	13	20	26	24	-2	21	24	17	15	15	12	-3
Iran**	54	54	54	54	0	54	54	54	54	54	54	0
Iraq**	36	58	83	79	-4	59	79	57	53	53	44	-9
Kuwait**	32	31	32	38	6	43	38	51	49	50	44	-6
Libya**	3	9	15	10	-4	8	10	6	3	3	1	-2
Nigeria	36	36	37	34	-3	36	34	35	29	29	27	-2
Qatar	8	8	9	10	2	10	10	9	8	6	7	1
Saudi Arabia	100	112	114	134	20	143	134	154	155	152	154	2
UAE	21	24	28	34	6	38	34	38	39	41	40	-1
Venezuela	122	117	121	116	-5	106	116	108	105	108	112	4
<b>OPEC rig count</b>	<b>461</b>	<b>513</b>	<b>576</b>	<b>596</b>	<b>20</b>	<b>579</b>	<b>596</b>	<b>595</b>	<b>575</b>	<b>572</b>	<b>553</b>	<b>-19</b>
<b>Worldwide rig count*</b>	<b>3,559</b>	<b>3,584</b>	<b>3,462</b>	<b>3,631</b>	<b>169</b>	<b>3,685</b>	<b>3,631</b>	<b>3,002</b>	<b>2,231</b>	<b>2,189</b>	<b>2,221</b>	<b>32</b>
<b>of which:</b>												
Oil	2,195	2,594	2,611	2,795	184	2,820	2,795	2,214	1,616	1,575	1,592	17
Gas	1,257	886	746	743	-3	776	743	690	516	515	532	17
Others	103	106	109	95	-14	91	95	100	98	99	97	-2

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

na: Not available.

Sources: Baker Hughes Incorporated & Secretariat's estimates.

\* Excludes China and FSU.

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

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## OPEC Basket average price

US\$/b



**down 6.02 in July**

July 2015	54.19
June 2015	60.21
<b>Year-to-date</b>	<b>54.98</b>

## July OPEC crude production

mb/d, according to secondary sources



**up 0.1 in July**

July 2015	31.51
June 2015	31.41

## Economic growth rate

per cent

	World	OECD	US	Japan	Euro-zone	China	India
<b>2015</b>	3.2	2.0	2.4	1.2	1.3	6.9	7.5
<b>2016</b>	3.5	2.1	2.6	1.2	1.5	6.5	7.7

## Supply and demand

mb/d

<b>2015</b>		<b>15/14</b>	<b>2016</b>		<b>16/15</b>
World demand	92.7	1.4	World demand	94.0	1.3
Non-OPEC supply	57.5	1.0	Non-OPEC supply	57.7	0.3
OPEC NGLs	6.0	0.2	OPEC NGLs	6.2	0.2
<b>Difference</b>	<b>29.2</b>	<b>0.2</b>	<b>Difference</b>	<b>30.1</b>	<b>0.9</b>

## OECD commercial stocks

mb

	<b>Apr 15</b>	<b>May 15</b>	<b>Jun 15</b>	<b>Jun 15/May 15</b>	<b>Jun 14</b>
Crude oil	1,458	1,470	1,463	-7.1	1,340
Products	1,380	1,406	1,395	-11.0	1,332
<b>Total</b>	<b>2,838</b>	<b>2,876</b>	<b>2,858</b>	<b>-18.1</b>	<b>2,673</b>
Days of forward cover	62.7	62.7	62.1	-0.6	58.1

**Next report to be issued on 14 September 2015.**