

OPEC

Monthly Oil Market Report

15 January 2015

Feature article:
Monetary policies and their impact on the oil market

Oil market highlights	1
Feature article	3
Crude oil price movements	5
Commodity markets	12
World economy	17
World oil demand	37
World oil supply	45
Product markets and refinery operations	63
Tanker market	70
Oil trade	74
Stock movements	82
Balance of supply and demand	90

Oil market highlights

Crude Oil Price Movements

The OPEC Reference Basket averaged \$59.46/b in December, following a decline of \$16.11 or 21%. In annual terms, the Basket averaged \$96.29/b in 2014, representing a decline of \$9.58 from the previous year. ICE Brent in December plunged \$16.36 to stand at \$63.27/b, averaging \$99.45/b for the year. Nymex WTI lost \$16.52 to stand at \$59.29/b in December, for a yearly value of \$92.97/b. The Brent-WTI spread stood at \$3.98/b.

World Economy

World economic growth for 2014 and 2015 remains unchanged from the previous month at 3.2% and 3.6%, respectively. The OECD growth estimate is unchanged at 1.8% for 2014, but the 2015 forecast has been revised to 2.2% from 2.1%. The forecasts for China and India remain unchanged at 7.2% and 5.8% in 2015, respectively.

World Oil Demand

Global oil demand is estimated to have grown by 0.95 mb/d in 2014, representing an upward revision of 20 tb/d from the previous month. The adjustment mainly reflects better-than-expected oil demand data from OECD America and China. In 2015, world oil demand is anticipated to rise by 1.15 mb/d, following an upward revision of 30 tb/d due to expectations of higher oil requirements in OECD America and Other Asia.

World Oil Supply

Non-OPEC oil supply is estimated to have grown by 1.98 mb/d in 2014, following an upward revision of 260 tb/d from the previous report, driven by higher than expected growth seen at the end of the year. In 2015, non-OPEC oil supply is projected to grow by 1.28 mb/d, representing a downward revision of 80 tb/d from the previous report. OPEC NGLs and non-conventional liquids are expected to average 6.03 mb/d in 2015, up from 5.83 mb/d in 2014. In December, OPEC crude oil production averaged 30.20 mb/d, according to secondary sources, an increase of 0.14 mb/d over the previous month.

Product Markets and Refining Operations

Product markets in the Atlantic Basin weakened in December as margins were affected by the drop in the gasoline and middle distillates cracks amid an oversupply of gasoline in the region. The Asian market experienced only a slight drop as increased distillate supplies were offset by winter seasonal demand and the positive performance at the top and bottom of the barrel.

Tanker Market

Freight rates for dirty tankers saw mixed movements in December. VLCCs continued to realise the gains seen since the beginning of 4Q14, increasing by 16% from the month before. The improvements seen in VLCC freight rates came as a result of an active market and high Asian tonnage demand. Both Suezmax and Aframax saw a negative performance, declining by 9% and 29%, respectively, on average from a month earlier. OPEC spot fixtures dropped by 9.2% from the previous month to average 11.63 mb/d.

Stock Movements

OECD commercial oil stocks fell in November by around 10 mb to stand at 2,710 mb. At this level, inventories were 20.3 mb higher than the last five-year average. Crude indicated a surplus of 38.2 mb, while product stocks remained 17.9 mb below the five-year average. In terms of days of forward cover, OECD commercial stocks stood at 58.7 days, one day above the five-year average.

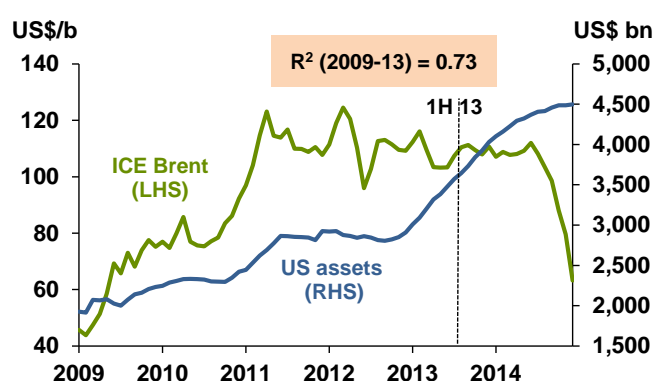
Balance of Supply and Demand

Demand for OPEC crude is estimated at 29.1 mb/d in 2014, representing a revision of 0.2 mb/d from the last report. In 2015, required OPEC crude is projected at 28.8 mb/d, following a downward adjustment of 0.1 mb/d.

Monetary policies and their impact on the oil market

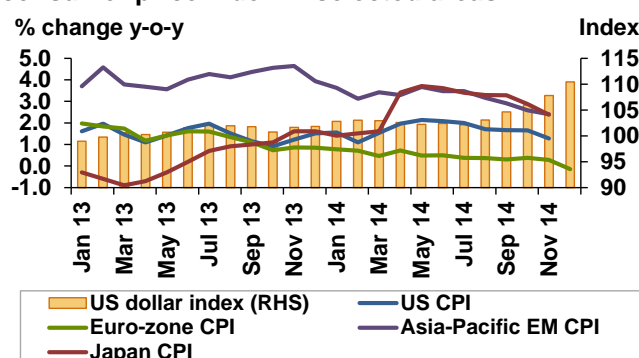
Since the recession in 2009, monetary policies of the developed economies have been an influential driver of commodity markets. The extraordinary monetary stimulus measures taken have increased monetary supply significantly, affecting commodity markets through three channels. Firstly, low-yields in developed economies led to increased capital flows into emerging and, to some extent, developing economies. This supported higher GDP growth in these countries and increased demand for commodities. Secondly, the low interest rate environment allowed for considerable investments to expand commodity production. Finally, inexpensive funding and concerns about higher inflation led to increased speculative and hedging investment flows into commodity markets, particularly in oil and gold. These measures supported commodity markets up to around 1H13, after which they were negatively impacted by expectations of a tapering by the US central bank, in combination with excess supply, decelerating inflation, and sluggish growth in the emerging economies. In contrast to other commodity markets, the oil market remained relatively stable up to the middle of last year, when it followed the downward trend of other growth sensitive commodities such as industrial metals (**Graph 1**).

Graph 1: Correlation between Brent and US assets



Sources: Federal Reserve Board, ICE and Haver Analytics.

Graph 2: US dollar index (trade weighted) and consumer price index in selected areas



Sources: Federal Reserve Board, Statistical Office of European Communities and Haver Analytics.

The policies of major central banks will remain an important factor to monitor in the current year. An expected interest rate rise by the Fed by the end of the first half and contrary policies by the European Central Bank (ECB) and the Bank of Japan (BoJ) will continue to impact global economic growth. Given the inflation-dampening effect of the sharp decline in oil prices, central banks may have more flexibility in keeping or increasing interest rates and for pursuing other monetary policies (**Graph 2**). In the case of the ECB, more accommodative policies may have to be adopted in the face of deflationary pressure.

These differing policies have already had a substantial effect on currency markets and thus impacted oil markets. The strong appreciation of the US dollar was one of the factors behind the recent decline in oil prices; however, the depreciation of the euro, the yen and some emerging market currencies has so far limited the positive impact on oil demand. Furthermore, an increase in US interest rates would make borrowing costs for different industries more expensive, including those for oil.

In the emerging markets, China's central bank also recently lowered key interest rates in a push to support economic growth. With currently less inflationary pressure, this move and potentially further monetary supply measures are expected to support growth at above 7%, leading to rising crude oil demand. In India, the recent decline in oil prices has provided some room for the country's central bank to lower its interest rate in order to support the economy, potentially leading to higher crude oil demand.

Some risk to oil demand growth in the emerging and developing economies might still come if the US central bank were to raise interest rates earlier or faster than currently anticipated, as this might lead to significant capital outflows from these countries, impacting their economic and oil demand growth. At the same time, structural reforms in the emerging and developing economies could also impact oil demand in 2015.

Crude Oil Price Movements

The OPEC Reference Basket (ORB) ended December down 21% to its lowest value since May 2009. In the second half of 2014, the ORB lost about half its value amid an imbalance in oil market supply/demand fundamentals. In December, the ORB dropped \$16.11 to \$59.46/b and its yearly value was down \$9.58 to \$96.29/b. Oil futures tumbled sharply by more than a hefty 20% to their lowest values in more than five-and-a-half years amid an enduring bearish market environment, particularly from the supply side that has surrounded the oil market for six months now. The ICE Brent contract plunged \$16.36 m-o-m to \$63.27/b, ending 2014 at an average of \$99.51/b. The Nymex WTI contract lost \$16.52 to \$59.29/b, while its yearly value dropped to \$93/b. Meanwhile, speculative bets on a rebound in oil prices rose sharply over the month, particularly for ICE Brent, as crude oil prices reached a five-year low. The spread between ICE Brent and Nymex crude has been shrinking since mid-December, when ICE Brent's premium stood above \$5/b, as the global glut has weighed more heavily on ICE Brent than Nymex crude. For December the Brent-WTI spread averaged \$3.89/b.

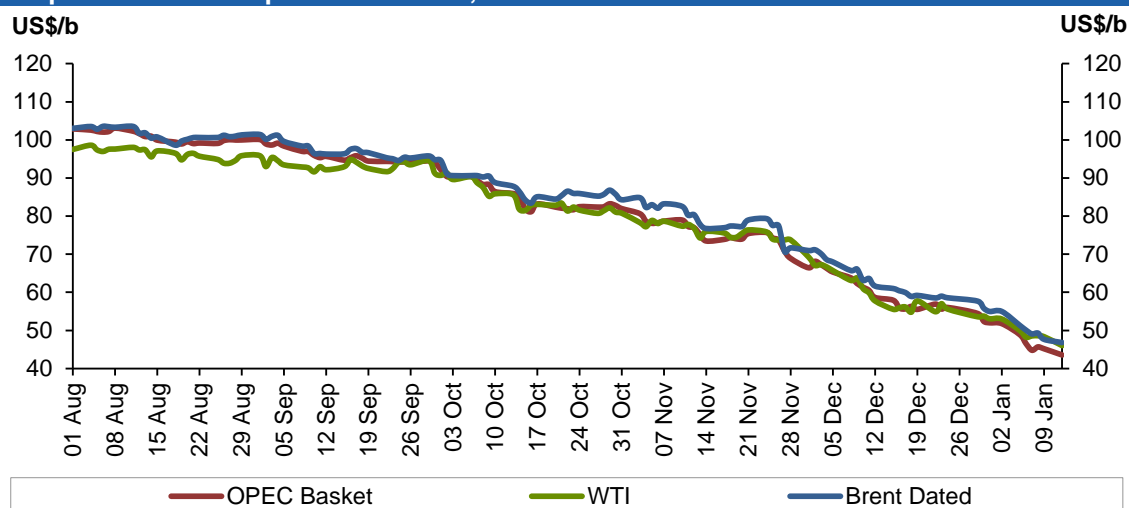
OPEC Reference Basket

The ORB registered a fresh five-and-a-half-year low, falling by more than \$15 in December to settle at an average of \$59.46/b, its lowest point since May 2009. Oil prices continued to fall amid a fundamental imbalance, as world oil production was up by nearly 2 mb/d in 2014, but demand growth slowed to less than 1 mb/d. Prices fell sharply in December, even though unrest in Libya prompted a suspension of output at two large fields in the country. Production increases in Russia and elsewhere overshadowed drops in Libya's oil output. Russia's oil output hit a post-Soviet high, averaging 10.58 mb/d, up 0.7%. Negative economic data from China and Russia and a stronger US dollar also contributed to downward pressure on crude oil prices. For the year, the ORB shed about \$10 amid a six-month-long sell-off that began in June on concerns of oversupply and lower demand growth. Global production has been rising more rapidly than refiners can absorb it. North American output is 1.7 mb/d higher than the previous year, more than enough to meet expected growth in demand. In addition, a 600,000 b/d surge in Libyan production over the summer left reported crude stocks at a five-and-a-half-year high at the end of October, as extra crude cargoes reached refineries in the middle of the maintenance season. This flurry of bearish factors during the second half of the year pushed the ORB value, along with global crude oil prices, to more than five-year lows, with the Basket losing nearly half of its value over the course of six months starting in June 2014, falling from \$107.89/b in June to \$59.46/b in December.

On a monthly basis, the ORB fell to an average of \$59.46/b in December, down \$16.11, or 21.3%, the sharpest month-on-month drop since the financial turmoil of 2008. On a yearly basis, the Basket was lower in 2014 by \$9.58 compared with 2013. The Basket's yearly value stood at \$96.29/b compared with the \$105.87/b average of the previous year, 9% lower.

Crude Oil Price Movements

Graph 1.1: Crude oil price movement, 2014-2015



All **ORB component values** slipped sharply in December as oil benchmark prices continued to fall to record lows. The main benchmarks – North Sea Dated Brent, US light sweet marker WTI, Dubai and Oman – have all lost about \$16.50 over the month.

Atlantic Basin light sweet crude markets remained bearish over the month despite lower Libyan production. Low European refinery demand amid weak gasoline and naphtha margins pressured West African crudes; around 35 million Nigerian barrels remained unsold. Angolan grades have predominantly sold out, supported by robust Chinese buying, though values have fallen for heavier Angolan grades, as they compete with cheaper Mideast Gulf supplies.

Although weak Chinese economic indicators and excess supply weighed on the Mideast Gulf market, Dubai's wider discount to North Sea Dated and relatively low official selling prices have left it more appealing to Asia Pacific refiners than Atlantic Basin imports.

Meanwhile, US demand for heavy Latin American crudes retreated as domestic medium sour grade Mars became more heavily discounted against ICE Brent.

Brent-related Basket components Saharan Blend, Es Sider, Girassol and Bonny Light dropped \$16.80 or 21.2% in December to \$62.53/b, accumulating about \$49 in losses since June. Middle Eastern spot components and multi-destination grades fell by \$15.80 each, accumulating around \$48 on average in losses since June 2014. Regarding Latin American ORB components, Oriente slipped \$15.66 or 22.5%, while Merey dropped by \$17.25 or 25.2% in December.

On 14 January, the OPEC Reference Basket stood at \$41.65/b.

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

	Nov 14	Dec 14	Change Dec/Nov	2013	2014
OPEC Reference Basket	75.57	59.46	-16.11	105.87	96.29
Arab Light	76.07	60.13	-15.94	106.53	97.18
Basrah Light	73.94	57.94	-16.00	103.60	94.45
Bonny Light	80.10	63.81	-16.29	111.36	100.85
Es Sider	78.90	61.53	-17.37	108.51	98.51
Girassol	78.68	61.83	-16.85	109.14	99.19
Iran Heavy	74.46	58.99	-15.47	105.73	96.18
Kuwait Export	74.04	58.25	-15.79	105.04	95.32
Marine	75.43	59.48	-15.95	105.32	96.39
Merey	68.42	51.17	-17.25	96.66	86.88
Murban	77.85	62.27	-15.58	108.21	99.45
Oriente	69.52	53.86	-15.66	97.74	87.31
Saharan Blend	79.60	62.93	-16.67	109.38	99.68
Other Crudes					
Brent	78.90	62.53	-16.37	108.62	99.08
Dubai	76.33	60.25	-16.08	105.45	96.71
Isthmus	79.04	59.74	-19.30	105.16	93.65
LLS	79.64	61.90	-17.74	107.33	96.92
Mars	75.76	58.15	-17.61	102.24	92.93
Minas	75.92	59.95	-15.97	107.41	98.68
Urals	78.92	61.53	-17.39	108.00	98.08
WTI	76.04	59.50	-16.54	97.96	93.26
Differentials					
Brent/WTI	2.86	3.03	0.17	10.67	5.82
Brent/LLS	-0.74	0.63	1.37	1.30	2.16
Brent/Dubai	2.57	2.28	-0.29	3.17	2.37

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 oil futures market

A sell-off in global oil markets amid a burst of bearish factors pushed crude oil futures to more than five-year lows during December trading. ICE Brent settled down a hefty \$16.36 at \$63.27/b, while Nymex WTI lost \$16.52 to finish the month at an average of \$59.29/b. Over the month, both benchmarks declined by a massive 21% and 22%, respectively.

ICE Brent and Nymex WTI have lost nearly half their value since their peak in June when they were at \$111.97/b and \$105.15/b, respectively. The bearish sentiment in the oil market persists as it faces an increasing overhang of at least 1 mb/d. The sell-off across other asset classes triggered by the oil price decline, weighed on oil. The announcement that Russian exports hit a record 526.75 million mt in 2014 (10.58 mb/d), coupled with production increases in Iraq, which offset a large drop in Libyan production, added to the bearish tone in the global market. Continued unrest in Libya added to the significant disruption that the Libyan oil sector has been suffering from in recent months.

The dollar also strengthened, contributing to downward pressure on crude futures, after the euro hit a low against the dollar not seen since 2006. Moreover, on the economic front, negative news emerged from China as HSBC/Markit's Flash Manufacturing PMI fell to 49.5 in December, the first sub-50 reading since April. Additionally, Russia's

Crude Oil Price Movements

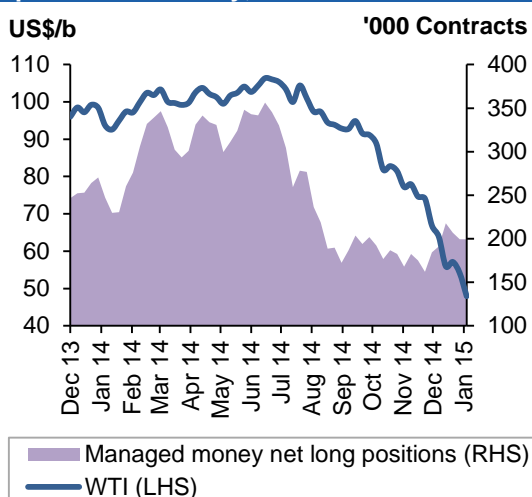
central bank hiked interest rates from 10.5% to 17% in an attempt to stem the rouble's rapid weakening. For the year, ICE Brent averaged \$99.51/b, down \$9.25 or 8.5% from 2013, while Nymex WTI lost \$4.97 or 5.1%, averaging \$93/b.

Crude oil futures prices weakened further in the second week of January. On 14 January, ICE Brent stood at \$48.69/b and Nymex WTI at \$48.48/b.

Speculative bets on a rebound in oil prices rose sharply over the month, particularly in **ICE Brent**, as crude oil prices reached a five-year low. Investor inflows into funds that track crude oil exceeded four-year highs on speculation that prices would rebound from a five-year low. ICE Brent net length positions increased a hefty 75% to 115,571 contracts during the last week in December, according to figures from the ICE Futures Europe exchange. This is due to the combination of a 27,058 rise in long positions and 22,540 reduction in short positions.

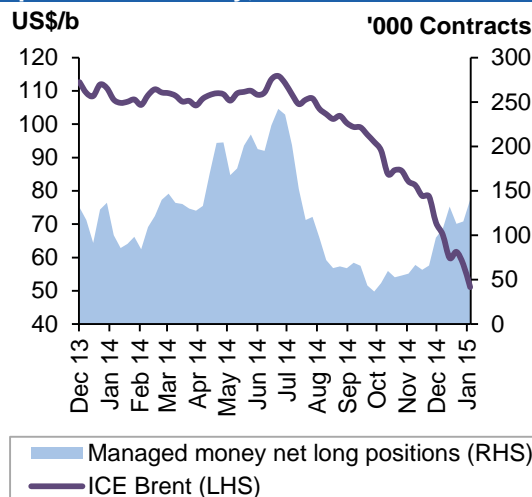
Hedge funds and money managers also made bullish bets on a rising US crude oil market, increasing net length by almost 25% over the month. Net long US crude futures and options positions during the month increased to 199,388 lots, US Commodity Futures Trading Commission (CFTC) data show. Long speculative positions in **Nymex WTI** increased 5.2% to 259,613 lots, while short positions decreased by 29% to 60,225 lots. Moreover, total futures and options open interest volume in the two markets increased in December by 499,177 lots to 4.6 million contracts.

Graph 1.2: Nymex WTI price vs. speculative activity, 2013-2015



Source: CFTC.

Graph 1.3: ICE Brent price vs. speculative activity, 2013-2015



Source: IntercontinentalExchange, Inc.

The daily average **traded volume** during December for **Nymex WTI** contracts decreased slightly by 589 lots to average 641,751 contracts. **ICE Brent** daily traded volume also fell by 65,786 contracts to 596,517 lots. The daily aggregate traded volume in both crude oil futures markets decreased by 66,375 contracts in December to around 1.24 million future contracts, equivalent to around 1.24 billion barrels per day. The total traded volume in Nymex WTI contracts increased to 14.12 million lots, while the ICE Brent volume dropped slightly to 13.12 million contracts over the month.

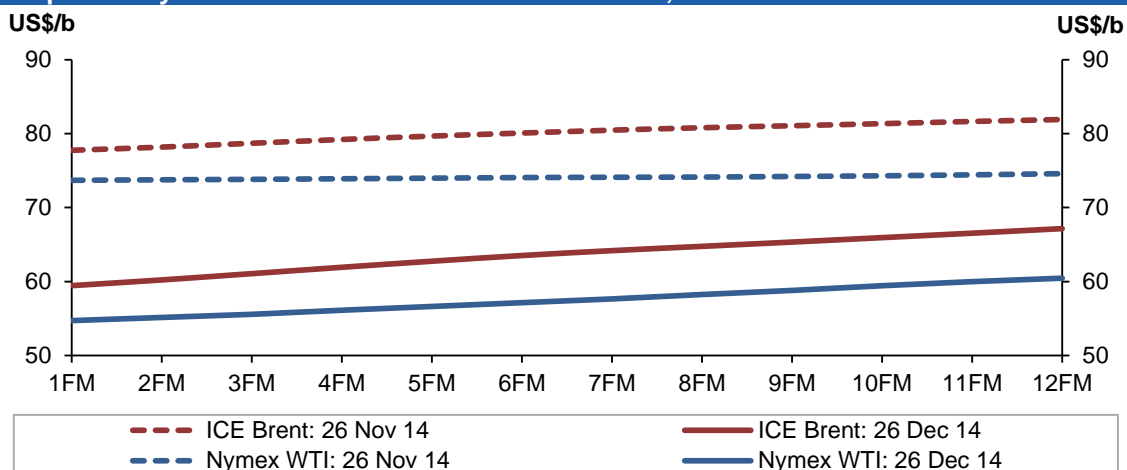
The futures market structure

Both ICE Brent and Nymex WTI feature term structures in contango, a sign of ample supply pushing prompt prices below longer-dated contracts. However, ICE Brent's contango has been steeper than that of Nymex crude. Long-term markets have also seen steep price drops. This suggests that the market expects output growth to exceed demand recovery expectations this year. The contango shape is allowing traders on both sides of the Atlantic to profit from cash-and-carry deals.

Nymex crude's contango has not been as deep as ICE Brent's term structure, but has still been enough to justify crude storage in Cushing, Oklahoma. The latest estimates put Cushing stocks at 30.8 mb versus a capacity of around 80.0 mb, leaving plenty of room for additional storage. Buying WTI for storage at Cushing and selling futures contracts should make the cash-and-carry trade profitable. Doing so would mean increased demand for WTI for storage purposes.

The widening contango in the crude oil market is also reviving interest in Asia for the hiring of ships to store crude at sea, taking advantage of lower prices and the current supply glut. Besides Brent, the contango in the Asian sour crude market has also recently widened, reflecting an oversupplied market and an expected drop in demand for crude ahead of the region's refinery maintenance season. By month end, the first-month discount to the second month was 85¢/b and 50¢/b for ICE Brent and Nymex WTI, respectively. The Dubai cash-to-swap spread, also known as M1–M3, was at a contango of nearly \$3/b.

Graph 1.4: Nymex WTI and ICE Brent forward curves, 2014



FM = future month.

The spread between ICE Brent and Nymex WTI crudes has been shrinking since mid-December, when ICE Brent's premium stood above \$5/b as the global glut weighed more heavily on ICE Brent than Nymex WTI. The ICE Brent-Nymex WTI crude spread moved into a new phase that will see the differential swing between positive and negative, but within a tight range. This new normal stands apart from the last few years, in which ICE Brent traded at a consistent premium over Nymex WTI crude, reaching as high as \$28/b, when physical constraints limited crude from the US midcontinent and Canada from reaching refining centers on the US Gulf Coast (USGC). But significant capacity expansion has allowed flows from major producing regions in the US and Canada to reach the USGC, which shut out imports, pushing these crudes back into the international market and putting downward pressure on ICE Brent prices.

Crude Oil Price Movements

In a similar vein, US crude exports have climbed higher, providing an outlet for additional production that would otherwise have added to the country's stockpiles. US crude exports soared to 487,000 b/d in November, up from 360,270 b/d in October. In July, US crude exports topped 400,000 b/d, the highest since the 1950s. Mexico's state-owned Pemex requested permission from the US Department of Commerce to import up to 100,000 b/d of light crude and condensate from the US. In return, Mexico will export heavy Mexican crudes to be processed at US refineries. The prompt ICE Brent-Nymex WTI spread stood at \$3.89/b on average in December.

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

Nymex WTI						
	<u>1st FM</u>	<u>2nd FM</u>	<u>3rd FM</u>	<u>6th FM</u>	<u>12th FM</u>	
26 Nov 14	73.69	73.76	73.82	74.06	74.59	
26 Dec 14	54.73	55.13	55.59	57.14	60.47	
ICE Brent						
	<u>1st FM</u>	<u>2nd FM</u>	<u>3rd FM</u>	<u>6th FM</u>	<u>12th FM</u>	
26 Nov 14	77.75	78.18	78.70	80.08	81.91	
26 Dec 14	59.45	60.22	61.07	63.52	67.16	

FM = future month.

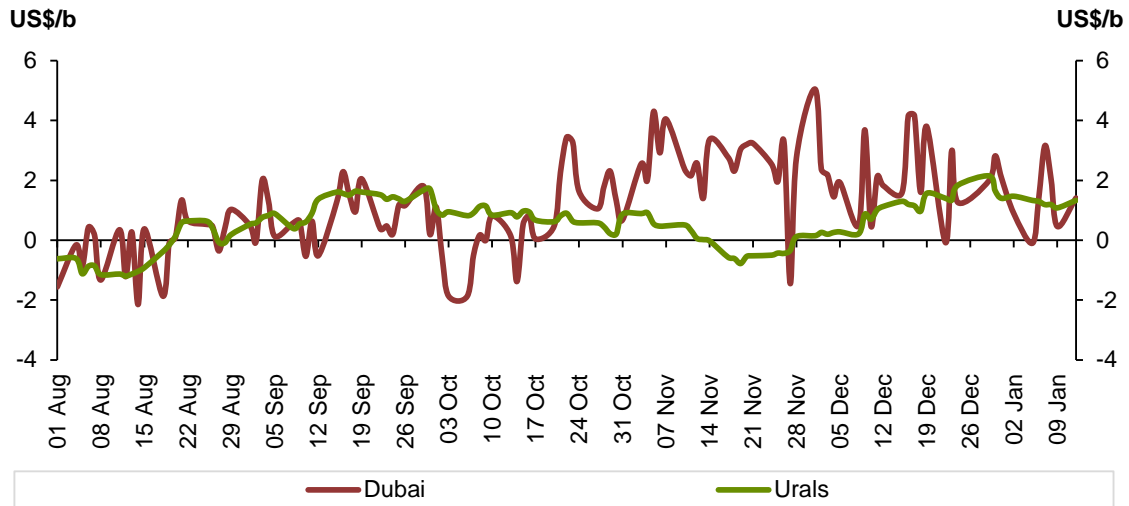
The light sweet/medium sour crude spread

Sweet/sour differentials widened significantly in Europe and Asia, while on the USGC the spread was almost flat.

In **Asia**, the sweet/sour spread – represented by the Tapis/Dubai spread – widened once more over the month, supported by relatively firm refining margins in the Asia Pacific region, particularly for jet-kerosene and diesel. Colder weather boosted Japanese demand for kerosene as a heating fuel, supporting margins. Refiners have benefited from falling oil prices, with losses in product markets lagging crude falls. Higher freight rates have limited arbitrage sales from West of Suez, while demand from Japan, Taiwan and Thailand has been firm. This lent support to Asia Pacific light sweet crude, as arbitrage opportunities to move West African crudes to Asia weakened. Meanwhile, relatively low official selling prices and excess supply weighed on Mideast Gulf marker Dubai. Tapis' premium over Dubai increased 60¢ to \$6.23/b in December.

In **Europe**, Russian medium sour Urals crude weakened to a discount of more than \$1/b to North Sea Dated as demand for the grade waned. Refiners are running down crude stocks towards the end of the year, and even a tight Urals export programme has done little to support prices this month. Moreover, the resumption of Iraqi Kirkuk crude exports through Turkey also pressured the medium sour crude market in the Mediterranean. Meanwhile, North Sea crude loading is expected to fall by around 4% in January. Shipments of North Sea Dated grades Brent, Forties, Oseberg and Ekofisk are scheduled to decline by 6% to just 890,000 b/d. The 2¢/b Urals premium over Brent in November flipped into a \$1/b discount in December.

In the **USGC**, the Light Louisiana Sweet (LLS) premium over medium sour Mars narrowed by about 15¢ to around \$3.75/b. Both US deepwater grades LLS and sour Mars came under sell-off pressure as some traders offloaded crude ahead of refinery maintenance season, while others geared down inventory before year-end taxes. Meanwhile, US demand for heavy Latin American crudes retreated as domestic medium sour grade Mars became more heavily discounted against ICE Brent. Mars' discount to ICE Brent widened by \$1.25/b.

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

Commodity Markets

In December, energy commodities saw sharp declines due to falling crude oil prices, and the non-energy group also showed drops in both base metals and agricultural commodities. On the other hand, precious metals recovered on the perceived economic weakness in the Euro-zone.

Trends in selected commodity markets

During the month, the US dollar continued appreciating due to the strength of the US economy relative to Japan and the Euro-zone, adding downward pressure to commodities. The potential tightening of monetary policy in the US put pressure on precious metals during 2H14, however, the perceived weakness of other major developed economies supported some modest recoveries in their prices during the month. Manufacturing prospects declined in the US (ISM PMI at 55.5 vs. 58.7 in November) and China (PMI at 49.6 vs. 50.0 in November), were unchanged in Japan (PMI at 52.0), and were slightly up in the Euro-zone (PMI at 50.6 vs. 50.1), adding pressure to the group of metals.

Agricultural prices declined during the month as the US Department of Agriculture (USDA) continued reporting global ample supplies, while weather conditions improved in South America. Wheat provided some support to the group of grains, as new sanitary regulations and export duty enacted by the Russian government could potentially limit exports. Soy prices declined as the Brazilian crop was estimated to be larger than previously expected due to improved weather conditions in the producing regions. Corn prices were stable as ethanol prices in the US declined due to low oil prices, but the USDA anticipates increased use of corn for feed in the European Union.

Base metals prices declined on weak manufacturing readings across major economies and due to the drop in energy prices, which represents an important share of their cost. Copper prices experienced their largest decline since March as China's manufacturing sector showed a deceleration, and new home prices declined, albeit at a slower pace than in the previous month, according to the National Bureau of Statistics. Aluminium prices experienced their steepest decline of the year following the fall in energy prices, signalling lower production costs. Iron ore weakened at its lowest rate since May 2009 as major producing companies continued to add new capacity to displace higher cost competitors.

Energy prices decreased due to a sharp drop in crude oil in an oversupplied market. Natural gas hub prices also experienced declines in Europe and the US on mild weather conditions. In Europe, underground inventories were at 75.85% of capacity at the end of December, versus 68.53% a year before – according to data from Gas Infrastructure Europe; in absolute terms, they are 17.5% larger than a year before. In the US, mild weather conditions reduced demand for power generation and allowed for steady gas production with the effect of decreased withdrawals from inventories.

Among developments that will require close monitoring are the impact of central bank interventions in Japan and the Euro-zone, which could further weaken the US dollar in the short term, and the impact of measures by the Chinese government to support the housing market, which could provide support to metal prices. Further improvements in weather conditions in the southern hemisphere could provide additional downward pressure to some agricultural commodities.

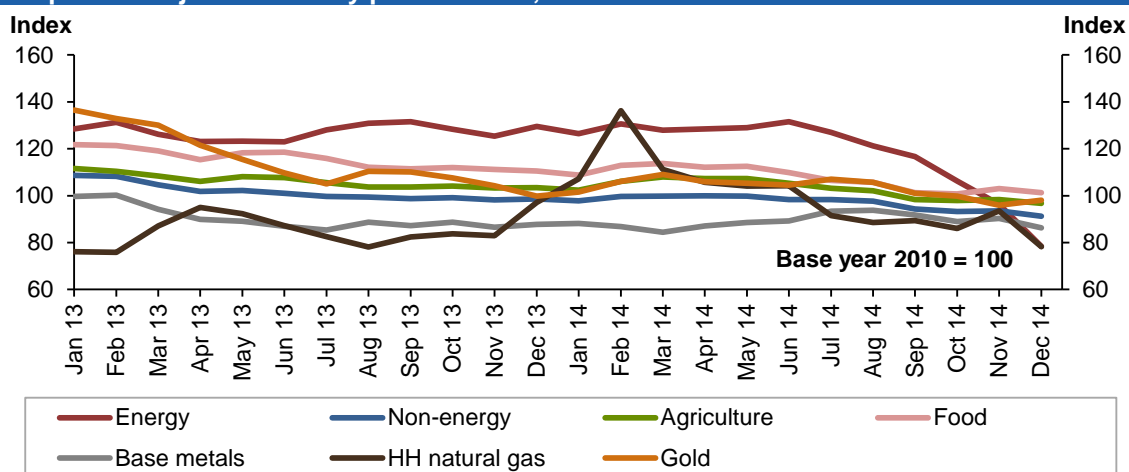
Table 2.1: Commodity price data, 2014

Commodity	Unit	Monthly averages			% Change		
		Oct 14	Nov 14	Dec 14	Oct/Sep	Nov/Oct	Dec/Nov
World Bank commodity price indices (2010 = 100)							
Energy		106.2	96.3	78.4	-8.9	-9.3	-18.6
Coal, Australia	\$/mt	63.7	62.6	62.2	-3.4	-1.8	-0.5
Crude oil, average	\$/bbl	86.1	77.0	60.7	-10.2	-10.6	-21.2
Natural gas, US	\$/mmbtu	3.8	4.1	3.4	-3.7	8.7	-16.3
Non Energy		93.3	93.6	91.2	-1.1	0.3	-2.5
Agriculture		98.0	98.3	96.7	-0.4	0.3	-1.7
Food		100.7	103.0	101.2	-0.6	2.3	-1.8
Soybean meal	\$/mt	459.0	486.0	465.7	-1.9	5.9	-4.2
Soybean oil	\$/mt	835.0	830.0	816.3	-1.9	-0.6	-1.6
Soybeans	\$/mt	424.0	449.0	444.0	-1.9	5.9	-1.1
Grains		92.9	98.0	99.6	0.0	5.5	1.7
Maize	\$/mt	163.1	178.7	178.7	0.0	9.6	0.0
Wheat, US, HRW	\$/mt	245.4	258.7	269.6	0.7	5.4	4.2
Sugar, world	\$/kg	0.4	0.4	0.3	4.5	-3.3	-5.3
Base Metal		88.9	90.4	86.3	-3.1	1.6	-4.6
Aluminum	\$/mt	1,946.2	2,055.6	1,909.5	-2.2	5.6	-7.1
Copper	\$/mt	6,737.5	6,712.9	6,446.5	-2.0	-0.4	-4.0
Iron ore, cfr spot	\$/dmtu	81.0	74.0	68.0	-1.7	-8.6	-8.1
Lead	\$/mt	2,034.3	2,030.2	1,938.1	-3.9	-0.2	-4.5
Nickel	\$/mt	15,812.4	15,807.1	15,962.1	-12.3	0.0	1.0
Tin	\$/mt	19,830.4	20,033.5	19,829.7	-6.0	1.0	-1.0
Zinc	\$/mt	2,276.8	2,253.2	2,175.8	-0.8	-1.0	-3.4
Precious Metals							
Gold	\$/toz	1,222.5	1,175.3	1,200.6	-1.1	-3.9	2.2
Silver	\$/toz	17.2	16.0	16.3	-6.6	-7.0	2.1

Source: World Bank, Commodity price data.

Average **energy prices** decreased by 18.6% m-o-m in December due to a 21.2% decrease m-o-m in crude oil as the sell-off accelerated during the month on continuing oversupply and a strong US dollar. Natural gas prices also declined sharply in the US – on average by 16.3% m-o-m – while average import prices increased in Europe by 10.4% during the month.

Graph 2.1: Major commodity price indices, 2013-2014



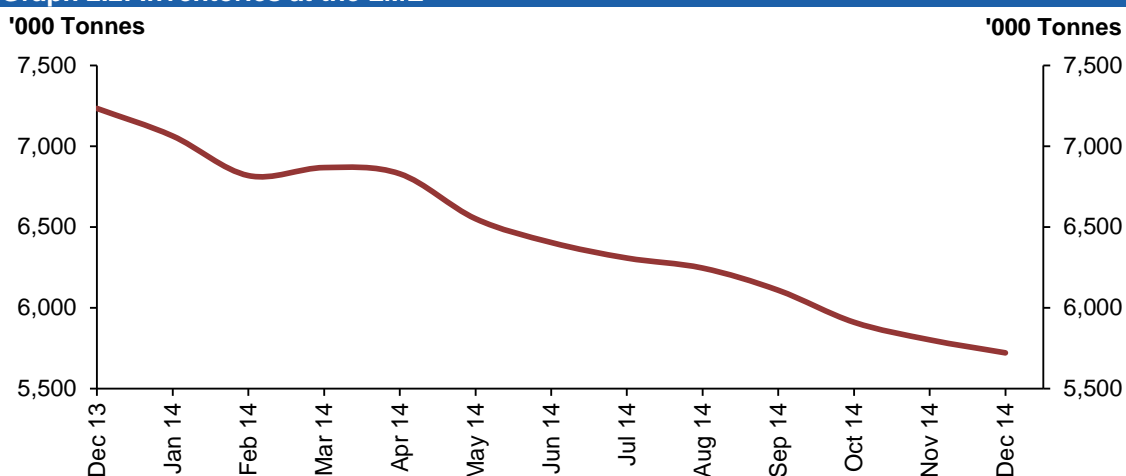
Source: World Bank, Commodity price data.

Agricultural prices decreased by 1.7% due to a 1.8% decrease in food, a 2.4% decrease in beverages and a 0.9% drop in raw materials. Oil and fats prices dropped with soybeans, soybean oil and soymeal, declining by 1.1%, 1.6% and 4.2%, respectively, due to a better-than-expected crop in South America and lower demand growth in China. Grains recovered during the month on the strength of wheat prices, which increased by 4.2% due to potential export restrictions from Russia.

Base metals decreased by 4.6% m-o-m with declines among all group components with the exception of nickel. Aluminium decreased by 7.1% m-o-m while copper declined by 4.0% after the slide in energy prices and the slowdown in manufacturing in China during the month. Iron ore prices declined by 8.1% due to an oversupplied market.

Precious metals prices recovered by 2.1% in December. Average gold prices increased by 2.1% m-o-m after showing significant volatility during the month on the influence of divergent monetary policies across major developed economies. Silver prices also recovered during the month to increase by 2.2%.

Graph 2.2: Inventories at the LME



Sources: London Metal Exchange and Haver Analytics.

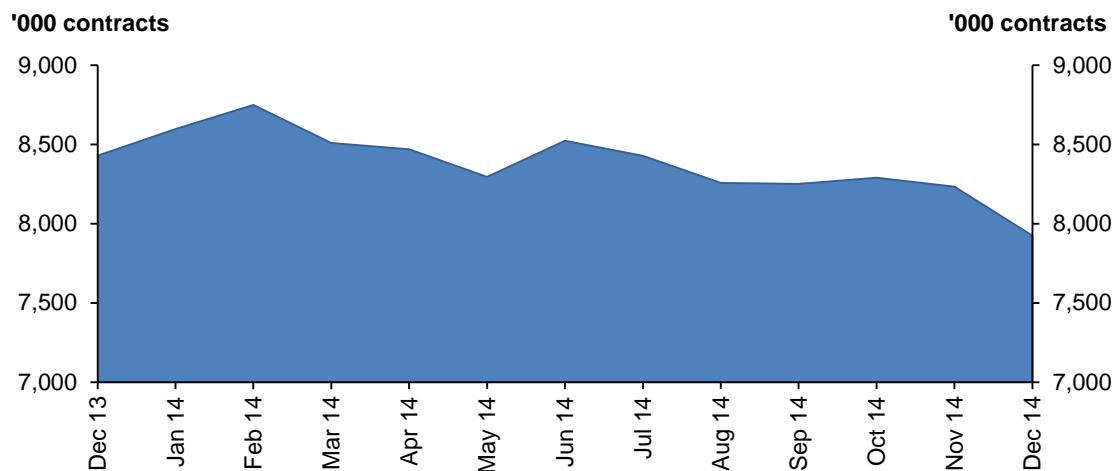
In December, the **Henry Hub natural gas price** decreased after above-average temperatures translated into smaller withdrawals from inventories. The average price decreased by 67¢, or 16.3%, to \$3.43 per million British thermal units (mmbtu), after trading at an average of \$4.1/mmbtu the previous month.

The US Energy Information Administration (EIA) said utilities withdrew 26 billion cubic feet (Bcf) of gas from storage during the week ending 26 December, below market expectation of a 38 Bcf decrease. Total gas in storage stood at 3,220 Bcf, which is 2.4% below the previous five-year average. Last month it was 9.8% below that average.

Investment flows into commodities

The total open interest volume (OIV) in major US commodity markets decreased to 8.0 million contracts in December, with the OIV declining for crude oil by 1.0%, agriculture by 3.7%, copper by 7.8%, precious metals by 12.5%, natural gas by 1.2% and livestock by 7.2%.

Graph 2.3: Total open interest volume



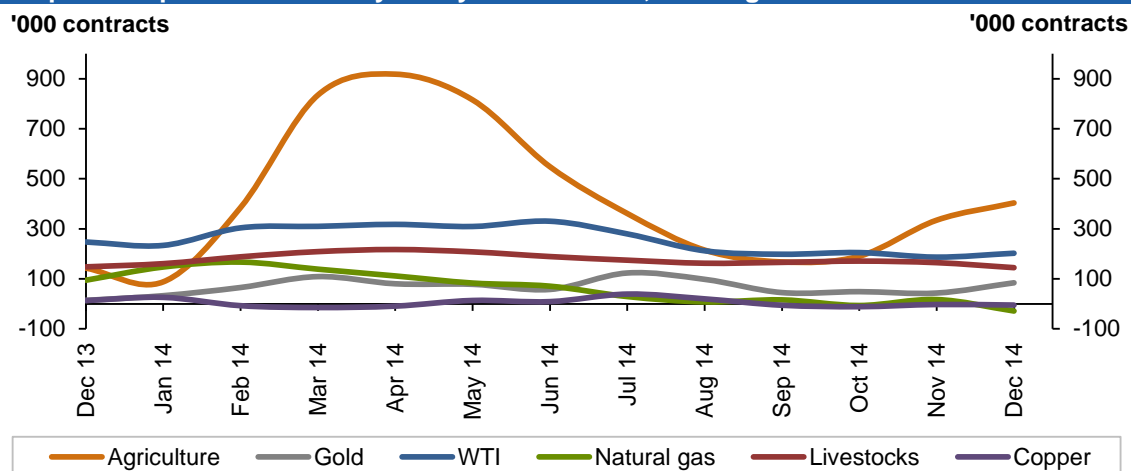
Source: US Commodity Futures Trading Commission.

Total net length speculative positions in select commodities increased by 9.6% m-o-m to 818,510 contracts in December due to increases in net long positions on crude oil, agriculture and precious metals, and declines in natural gas, livestock and copper.

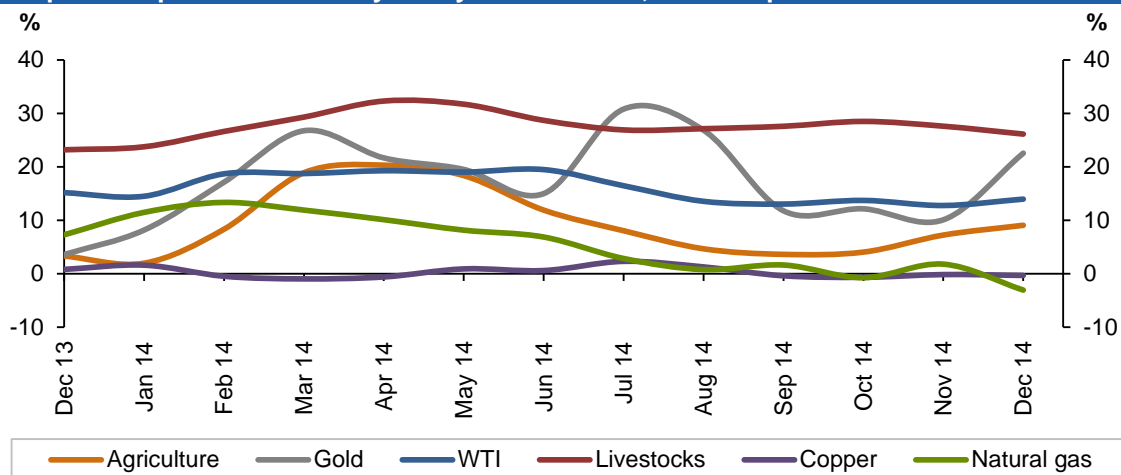
Agricultural OIV was down 3.7% m-o-m to 4,453,740 contracts in December. Meanwhile, money manager net long positions in agriculture increased by 20.6% to 403,396 lots, continuing the upward momentum that started in October of 2014.

Henry Hub natural gas OIV decreased by 1.2% m-o-m to 939,338 contracts in December. Money managers switched their stance to a net short position of 28,772 lots in December as warmer-than-average temperatures in the US translated into small storage withdrawals.

Graph 2.4: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

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

Source: US Commodity Futures Trading Commission.

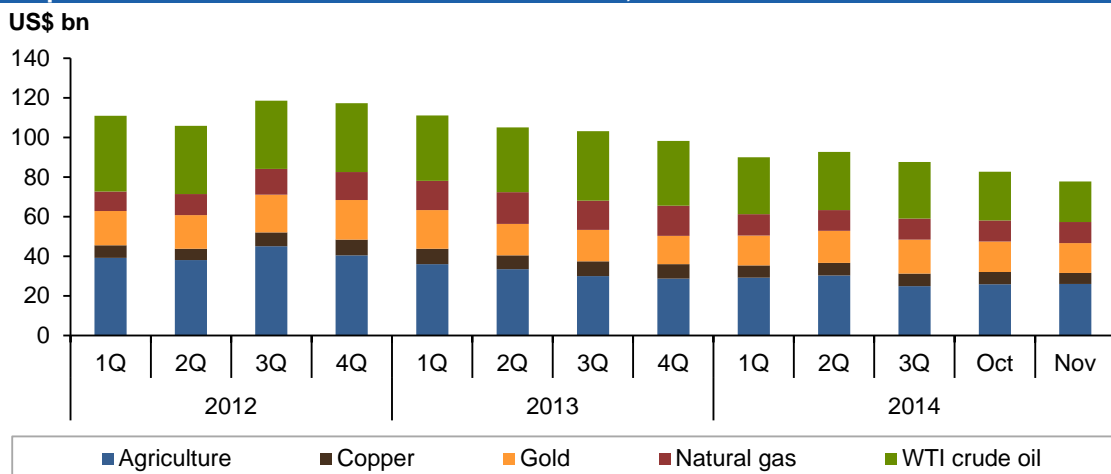
Copper OIV declined by 7.8% m-o-m to 155,099 contracts in December. Money managers slightly increased their net short position to 5,022 versus 2,739 lots the previous month.

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

	Open interest		Net length			
	Nov 14	Dec 14	Nov 14	% OIV	Dec 14	% OIV
Crude oil	1,463	1,449	187	13	202	14
Natural gas	951	939	17	2	-29	-3
Agriculture	4,627	4,454	334	7	403	9
Precious metals	596	522	47	8	102	20
Copper	168	155	-3	-2	-5	-3
Livestock	596	553	165	28	145	26
Total	8,402	8,073	747	9	819	10

Source: US Commodity Futures Trading Commission.

Gold OIV decreased by 12.7% m-o-m to 372,876 contracts in December. Money managers almost doubled their net length in gold to 84,074 lots on the potential delay of interest rate hikes in the US due to weakness in other developed economies.

Graph 2.6: Inflow of investment into commodities, 2012-2014

Source: US Commodity Futures Trading Commission.

World Economy

The global growth forecast remains unchanged at 3.6% in 2015, compared to 3.2% last year, as the global economy is expected to continue its recovery. Improving underlying demand in the US, in combination with an ongoing tentative recovery and the expectation of additional monetary supply in the Euro-zone, as well as monetary, fiscal and structural stimulus in Japan, are all expected to be supportive. Consequently, the OECD growth forecast has been raised from 2.1% to 2.2% for 2015. While lower oil prices could theoretically turn out to be an additional supportive factor for global economic growth, the negative effects for oil producing countries seem to be offsetting the positive effects for consumer countries. While some growth enhancing effects have become obvious already in the US, a further positive impact in consumer countries might materialise later in the year. China's latest lead indicators point to potential lower growth in 2015 compared to last year, while India is forecast to provide some room to the upside. Brazil and Russia are currently seen to be lagging amid the global momentum. Some growth risk will remain apparent with the danger of prolonged deflation in the Euro-zone, continued volatility in foreign exchange markets, ongoing challenges for commodity producer countries and geopolitical issues.

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

	World	OECD	US	Japan	Euro-zone	China	India	Brazil	Russia
2014E*	3.2	1.8	2.4	0.2	0.9	7.4	5.5	0.2	0.3
Change from previous month	0.0	0.0	0.2	-0.2	0.1	0.0	0.0	-0.2	0.0
2015F*	3.6	2.2	2.9	1.2	1.2	7.2	5.8	1.0	0.0
Change from previous month	0.0	0.1	0.3	0.0	0.1	0.0	0.0	-0.2	-0.7

* E = estimate and F = forecast.

OECD

OECD Americas

US

The US economy has continued its considerable recovery in the 3Q14 and seems to be continuing this momentum into the current year. The final 3Q14 GDP growth number has been revised to a seasonally adjusted annualized rate (SAAR) of 5% q-o-q from a SAAR of 3.9% q-o-q previously. This comes after already 4.6% growth in the 2Q14. Personal consumption expenditures were particularly strong at a SAAR of 3.2% q-o-q, clearly above the average growth pattern of past years and contributing 2.2 percentage points (pp) to the total quarterly growth number. Also, government consumption expenditures were clearly the highest since 2011 at a SAAR growth of 4.4% q-o-q and a growth contribution of 0.8 pp. This momentum is forecast to continue as the labour market also continued improving and consumer sentiment is pointing at an ongoing underlying positive demand trend. Some concern about the health of the recovery of the labour market has been raised due to the fact that hourly wage growth has been relatively subdued. This will need some monitoring. But for the time being, it could be offset by falling energy prices, which positively affects household incomes and

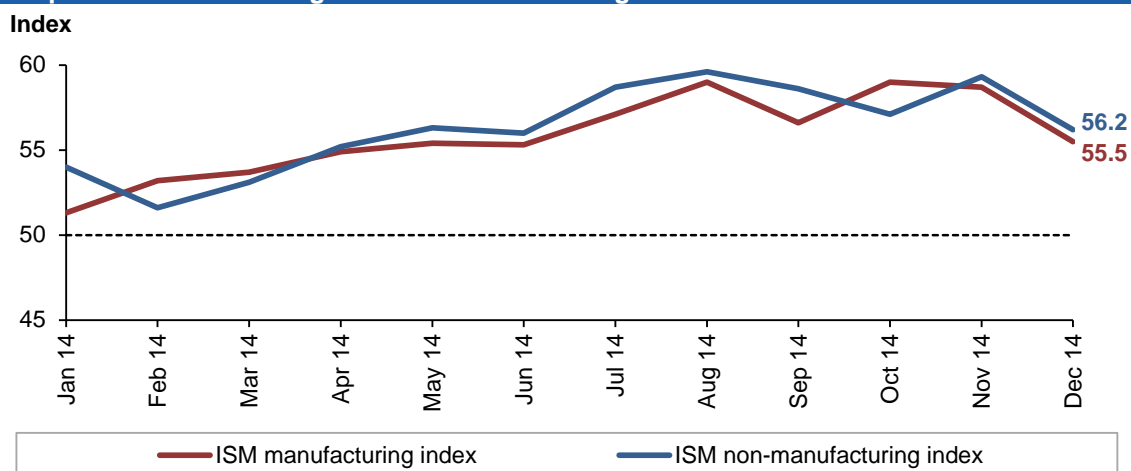
increases their spending ability. The Federal Reserve Board (Fed) will certainly closely monitor this development as it is forecast to possibly raise interest rates before the end of the first half of the year. But if subdued earnings growth continues, currently low inflation would allow the Fed to be more flexible in its monetary policy and probably wait somewhat longer. Some downside risk from the international situation, which could lead to a more accommodative monetary policy, has also been highlighted in the latest Fed meeting minutes, particularly mentioning the weakening oil prices and other economic factors. However, the Fed saw this risk nearly balanced by upside potential.

The **labour market** has significantly improved over the past months and the latest batch of data confirms this trend. The unemployment rate fell to 5.6% in December. Non-farm payrolls grew by 252,000 in December, after upwardly revised 353,000 non-farm jobs from November. The share of the long-term unemployed remained at around November's level, standing at 31.9% in December. Some soft spots in the labour market remain. The participation rate was almost unchanged from the last month and stood at only 62.7%. Moreover, seasonally adjusted hourly earnings grew by only 1.6% y-o-y. On a monthly basis, they fell by 0.3% m-o-m. The low yearly growth rate was the lowest since December 2012.

The **housing market** continues recovering, but at a slowing pace. Prices have risen by 4.5% y-o-y in October, slightly higher than in September when they grew by 4.4% y-o-y, as reported by the Federal Housing Finance Agency. Positively, existing home sales have continued improving in November, growing by 2.0% y-o-y, after an October level of 2.3% y-o-y.

Consumer confidence rose to 92.6 in December from 91 in November, based on the Conference Board's consumer confidence index. The **Purchasing Manager's Index (PMI)** for the manufacturing sector, as provided by the Institute of Supply Management (ISM), fell to 55.5 from 58.7, but clearly still remains above the growth-indicating 50 level. The ISM for the services sector, which contributes more than 70% to the economy, also retraced somewhat to 56.2 from 59.3 in November, which is still considered a high reading.

Graph 3.1: Manufacturing and non-manufacturing ISM indices



Sources: Institute for Supply Management and Thomson Reuters.

With the latest growth dynamic, the 2015 GDP growth forecast has been revised to 2.9% from 2.6% in the previous month. After strong quarterly numbers, the 2014 estimate has also been revised from 2.2% to 2.4%. Some further upside potential might become visible in the coming months and the situation will be closely monitored.

Canada

In **Canada**, improvements continue as well, along with the US, which is by far the largest export market for the relatively much smaller Canadian economy. This is visible in industrial production. But the momentum has slightly decelerated. After industrial production rose by 5.7% y-o-y in June – the largest increase since September 2011 – it grew by only 3.0% y-o-y in November. The PMI for manufacturing in December fell slightly to 53.9 in December from 55.3 in November. The positive momentum continues and has been reflected in a 2015 GDP growth forecast revision to 2.4% from 2.3%. The growth estimate for 2014, however, remains unchanged at 2.3%.

OECD Asia-Pacific

Japan

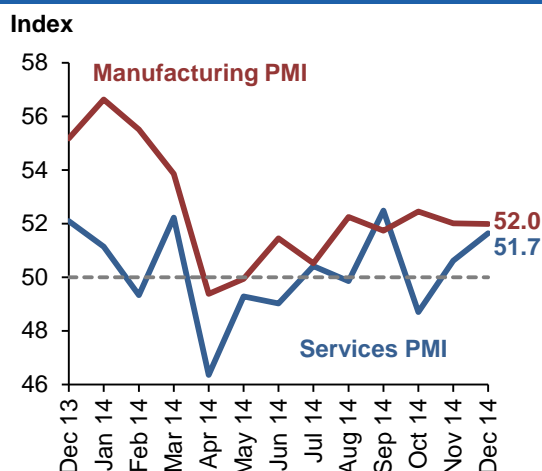
The latest set of revised **GDP** data indicated an ongoing challenge in the Japanese economy after April's sales tax increase. GDP growth rates have now been confirmed to be negative for two consecutive months – i.e. leading the economy into a technical recession. Growth in the 2Q14 was down by a SAAR of 6.7% q-o-q and in the 3Q14 fell by a SAAR of 1.9% q-o-q. The need for further reforms led to snap elections in December, which confirmed the current government. Given the still challenging situation, and the new fiscal spending abilities after the rise in tax revenues and expectations of a lower fiscal deficit, the newly elected government has initiated a new record budget, which includes fiscal spending measures. The reduction in the budget deficit might also be supported by rising corporate revenues, amid the slide of the yen, and may also be supported by declining energy prices, which are expected to have a positive effect on the country's import bills. So the government has more room now to delay the second round of its envisaged sales tax increase from this year to probably 2017.

However, so far the core aim of lifting **inflation** is only partially being achieved and further initiatives will be needed in order for it to be successful. Core inflation (excluding the sales tax increase) is currently below 1%, according to the government's calculations and, therefore, clearly misses the 2% target. An important aspect in this connection is that earnings growth is still clearly below total inflation of 2.4% and therefore the spending ability of private households has shrunk over the past months. This situation is forecast to improve this year, but the development will need close monitoring. Structural reforms of the country's relatively inflexible labour market could be a supportive factor that could make positive developments more sustainable. Beside domestic issues, external trade has improved. But as Japan's most important Asian trading partner – China – continues decelerating, the situation is only improving slightly. Moreover, the Bank of Japan (BoJ) had announced further monetary stimulus measures at the end of last year. These will be unprecedented measures and their future success is unknown. This challenging situation has also been mirrored in the latest BoJ's Tankan survey. While it shows that business sentiment has largely improved over the last 12 months, it has recently receded slightly again.

The **domestic demand** situation has improved over the last several months and is expected to continue doing so, despite remaining fragile. Retail trade increased by only 0.4% y-o-y in November, lower than October's increase of 1.4% y-o-y and September's

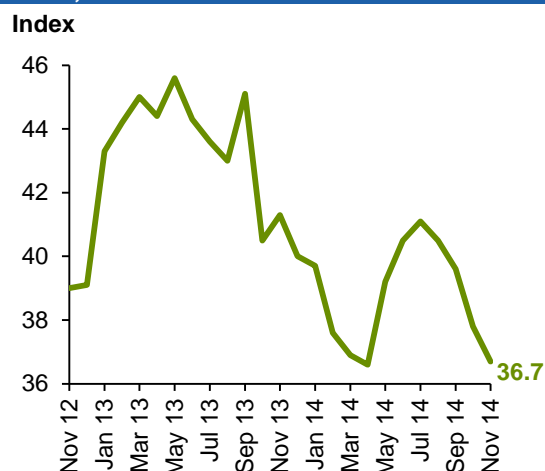
rise of 2.3%. A similar trend becomes obvious in **foreign demand**, which continued recovering in November, when exports rose by 4.9% y-o-y, but less than the October level of 9.6% y-o-y. Moreover, industrial production remained sluggish on a yearly comparison. It fell by 3.8% y-o-y in November after a decline of 0.8% in October.

Graph 3.2: Japanese PMI indices



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

Graph 3.3: Japanese consumer confidence index, NSA



Sources: Cabinet Office of Japan and Haver Analytics.

Positively, the **PMI numbers** as provided by Markit show that the manufacturing PMI in December remained at 52, the same as in November. Also, the very important services sector increased to 51.7 from 50.6 in November.

While Japan continues its recovery, the near-term effects of its **monetary stimulus** programme will need close monitoring. The considerable decline in the 2Q and the 3Q led to a downward revision of this year's growth expectation from 0.4% to 0.2%. Given the stimulus measures currently in place, expectations of a recovery remain unchanged and the growth forecast has been kept at 1.2%.

South Korea

The South Korean economy continues to grow at a solid pace, while slightly decelerating as it is also impacted by its most important trading partners in the Asian region. GDP in the 3Q14 has been released at 3.3% y-o-y, which is slightly below the rate seen in 2Q14 and 1Q14. Export growth increased significantly in December at 8.3% y-o-y, after 1.2% y-o-y in November and 1.4% y-o-y in October. The current dynamic roughly confirms the 2014 growth forecast of 3.4%. It is expected to stand at this level also in 2015.

OECD Europe

Euro-zone

In the Euro-zone, the situation is slightly improving. This can be seen in the fact that the latest discussions in Germany about a potential exit of Greece from the Euro-zone – a scenario that depends on the outcome of the upcoming general elections in Greece – has been pursued in a relatively calm tone. The gradual recovery has also become visible in the latest **GDP** growth numbers. GDP growth for the 3Q14 stood at a SAAR of 0.2% q-o-q, slightly better than the 2Q14 number of 0.1% q-o-q. While lead indicators are pointing at some improvements in Germany, the situation in France has not

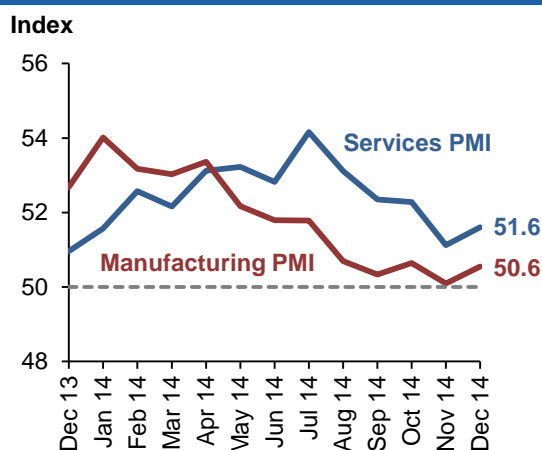
significantly improved and Italy, which remains in recession, is the main laggard among the largest three economies.

Beside the European Commission's recently announced infrastructure spending plan, the **European Central Bank (ECB)** has also announced that it will get further engaged in supporting the Euro-zone, indicating that it will increase the monetary base by around a third – from €2 trillion to €3 trillion. However, the implementation of this operation needs close monitoring since past initiatives by the ECB to support lending have not been as successful as initially hoped for, given the weakness of the banking sector. The intended balance sheet expansion will need more initiatives, as the size of the balance sheet in December stood only at €2.2 billion, increasing by €150 billion in that month. The largest part of this increase was due to the new credit facilities that the ECB introduced in the second half of 2014. The most recently published inflation number of -0.2% y-o-y for December might be another important factor for the ECB to engage sooner, and more quickly, in additional extraordinary monetary policies. The ECB's inflation forecast also stands at only 0.8% for 2015, a number that is significantly below its target level of around 2%. While this low inflation rate is mainly influenced by adjustments in the peripheral economies, it is also affected, to some extent, by large economies such as Germany, and by factors like the fall in oil prices, which is certainly an important factor in recent price developments, as well.

Moreover, the **monetary transmission channels** still seem impaired. Loan growth rates to the private sector remain negative on a yearly basis, but, on a positive note, the decline rates become less negative. Hence, an improvement is becoming visible. While lending has been in decline for almost three years, it has started to show some improvements. Lending to the private sector has again declined on a yearly basis in November, when it fell by 1.4% y-o-y. But this is much less than in the 1H14, when it declined by more than 2%. Also, potentially necessary capital requirements have kept banks from providing lending facilities.

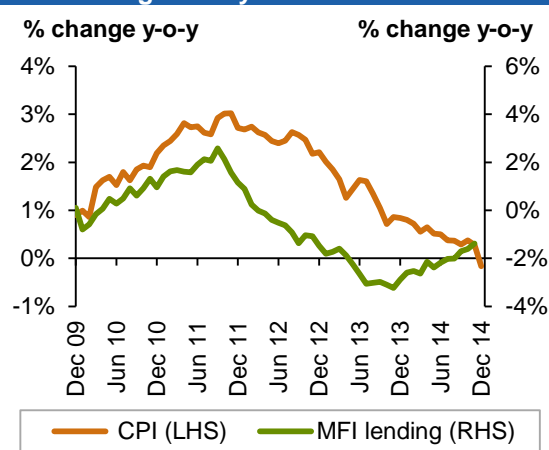
Beside the impaired monetary transmission channels of the banking sector and low inflation, both issues attributed to the ECB's current work programme, low aggregate demand, which has been significantly impacted by the high unemployment level, constitutes another serious issue. The unemployment rate stood for the fourth consecutive month at 11.5% in November.

Graph 3.4: Euro-zone PMI indices



Sources: Markit and Haver Analytics.

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



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

While in general the situation remains fragile, **recent PMI numbers** point at a continuation of modest growth. The latest PMI for manufacturing has improved slightly, increasing to 50.6 in December compared to 50.1 in November. The PMI for the important services sector increased as well to 51.6 in December from 51.1 in November.

While the recovery in the Euro-zone improved in 2014 compared to 2013, it remains fragile. Given the latest improved numbers, the **GDP growth forecast** for 2014 has been raised to 0.9%. Also, the 2015 forecast has been slightly adjusted to now stand at 1.2%, compared to 1.1% in the previous month.

UK

The **United Kingdom's economy continues recovering**. Lead indicators point at an ongoing positive dynamic. The PMI for manufacturing fell only slightly to 52.6 in December, compared the 53.3 in November and October. After a strong momentum in the 1H14, this dynamic is slowing down slightly, while remaining firm, particularly when compared to the Euro-zone. While also somewhat lower than in the 1H14, industrial production in the UK grew by 1.1% y-o-y in November, after a rise of 0.9% y-o-y in October. The 2014 GDP growth forecast remains unchanged at 2.9%. The GDP growth forecast for 2015 also remains unchanged at 2.5%.

Emerging and Developing Economies

For the year 2014, the economy of **Brazil** grew in 1Q14 at almost the same rate as in 1Q13 – but then started to contract in the 2Q14 and the 3Q14 on yearly comparison. In the first three quarters of 2014, gross fixed capital formation declined, whereas growth of private consumption stayed positive though on a downwards path. The services sector, which accounts for nearly 65% of total GDP, was in contraction in the last three months of 2014 as well as in two other months of the year. The manufacturing sector shrank over the past seven months. Inflation was increasing almost throughout the entire year, starting at 5.3% in January and registering 6.3% in November. The benchmark interest rate increased from 10.5% at the beginning of 2014 to 11.75% in December. A consideration of actual 2014 data prompts a downwards revision to last year's GDP estimate of 0.2%. The GDP growth forecast for 2015 is also revised down to 1% on the back of an apparent lack of economic measures aimed at easing the economy's capacity limitation.

For 2014, the economy of **Russia** grew in the first three quarters by the slowest rate since 2009, though it was better than expected due to significantly lower imports and higher agricultural production. The economic situation has notably deteriorated this year on the back of geopolitical tensions which have prompted huge capital outflows from the country amounting to more than \$85 billion. The ruble slid by nearly 51% since July on increasing tensions and a worsening trade balance. Inflation, in turn, nearly doubled, increasing from 6.5% at the beginning of the year to 11.3% in December. The central bank raised its benchmark interest rate five times in 2014, from 5.5% in January to 17% in December, in a vain attempt to limit currency depreciation and reduce the risk of hyperinflation. As a result, growth in retail sales has declined notably to less than 2% in the 2H14. The manufacturing sector, despite having temporarily benefited from import-substitution policies during July-November, is back in the contraction territory in December for the seventh consecutive month. Likewise, the services sector sent signs of deceleration during eight months of 2014. The situation of having no positive breakthroughs in the geopolitical arena and an abating outlook of the country's trade

balance in 2015 will push down the GDP forecast. Indeed, this month's GDP growth forecast is pared back to 0% in 2015, while the 2014 estimate is unchanged at 0.3%.

India's economic growth has picked up above 5% in the last couple of quarters. The new government promised economic reforms to improve the investment climate. India's trade deficit widened in November, as an increase of gold and non-oil, non-gold imports more than fully offset the impact of lower oil prices. Although gold imports remain a concern, it seems the current account deficit will remain below the government's threshold. Indian goods producers ended 2014 in high gear with business conditions in December improving at their quickest pace in the past two years. The accelerated growth of the manufacturing sector was reflected by a faster expansion in output, new business and foreign orders.

At the end of 2014, **Chinese** economic activity has continued to lose momentum. The flash December PMI reading and November data released last week confirm that the economy has been slowing through the 4Q14 but non-manufacturing PMI increased and it seems it will be around 7%. China will focus on deepening reforms with the goal of having immediate economic benefits in 2015, although the country is delaying meaningful implementation of some major items.

Table 3.2: Summary of macroeconomics performance of BRIC countries

	GDP growth rate		Consumer price index, % change y-o-y		Current account balance, US\$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2014E*	2015F*	2014	2015	2014	2015	2014	2015	2014	2015
Brazil	0.2	1.0	6.3	6.7	-83.4	-80.1	-5.0	-4.4	62.3	63.0
Russia	0.3	0.0	7.6	7.5	51.0	22.1	0.5	-0.8	7.0	7.6
India	5.5	5.8	7.3	6.2	-42.6	-46.7	-4.3	-4.1	51.0	49.4
China	7.4	7.2	2.1	2.3	243.7	226.4	-3.0	-3.0	16.8	18.6

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

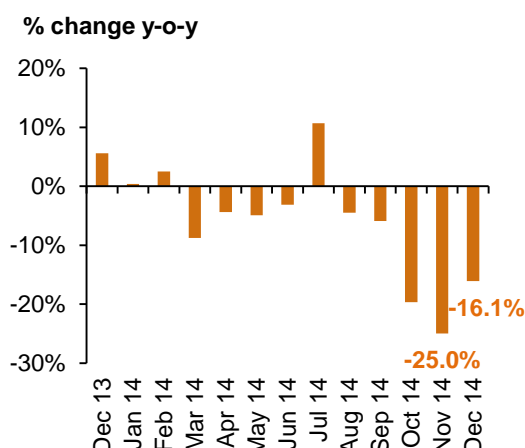
* E = estimate and F = forecast.

Brazil

The value of Brazilian **exports** plunged 16.1% y-o-y in December. This marks the fifth consecutive decline in exports, which have been badly hurt by the currency and debt issues in Argentina, Brazil's third largest export destination. In addition, the softening prices of a wide range of commodities in recent months has played a role in reducing exporters' income. On the other hand, the healthy state of the US economy helped push the value of exports to the US up by nearly 25% y-o-y in November.

Consumer price **inflation** was at 6.3% in November, unchanged from a month earlier, while the central bank increased its benchmark **interest rate** by 50 bp to 11.75% in December. The **consumer confidence index** continued sending grim signals last month with the index below 100 points and nearly at its lowest since April 2009, despite the minor increase from November's reading.

Graph 3.6: Brazilian merchandise exports



Source: Ministério do Desenvolvimento, Indústria e Comércio Exterior and Haver Analytics.

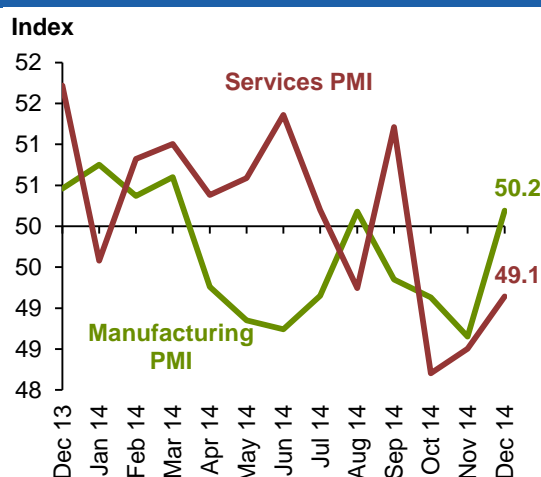
Graph 3.7: Brazilian consumer confidence index



Sources: Fundação Getúlio Vargas and Haver Analytics.

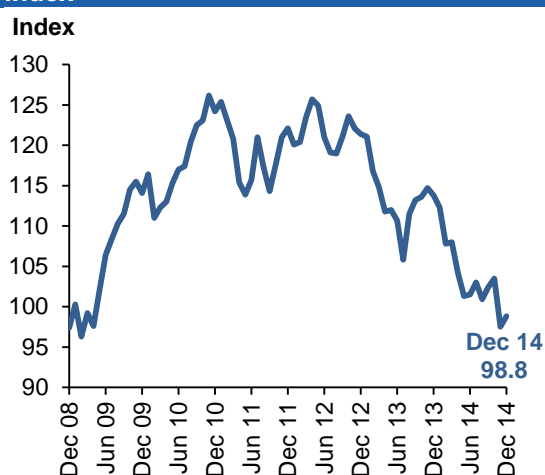
Not surprisingly, the **services sector** extended the contraction it experienced in both October and November into December. The HSBC Services PMI index ended 2014 at 49.1, slightly higher than November's 48.5. The index showed a decline in business activity across the private sector at a slower pace, alongside an expansion in new business for the second month in a row. Intensified cost pressures were also reported.

Graph 3.8: Brazilian PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.9: Brazilian consumer confidence index



Sources: Fundação Getúlio Vargas and Haver Analytics.

As for the **manufacturing sector**, the PMI survey revealed an increase in the sector's new orders in December for the first time in nine months that brought the index back into the expansion territory. The HSBC manufacturing PMI posted 50.2 in December, up from 48.7 a month earlier. This marks the first above-50 reading since August. Firms also reported a slower pace of production decline. The economy of Brazil is still running at nearly full manpower capacity, with the **unemployment rate** fluctuating narrowly below 5% during most of the year. The unemployment rate stood at 4.8% in December.

A consideration of actual 2014 data prompts a downwards revision to the year's **GDP** estimate to 0.2% from 0.4% earlier. The GDP growth forecast for 2015 is also revised

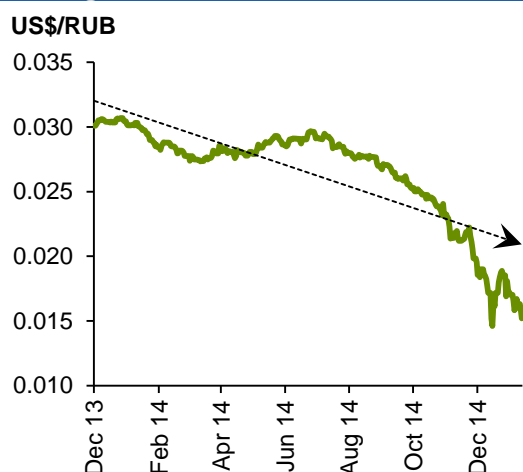
down to 1.0% from 1.2% on the back of an apparent lack of significant economic measures aimed at attracting more foreign investment.

Russia

The central bank hiked its benchmark **interest rate** in December to 17%, up from 9.5% in November, in an effort to limit currency depreciation and tame inflation. Nevertheless, the **ruble** depreciated sharply last month by 21% against the US dollar. In December 2014, the ruble reached its lowest value since December 1998 on the back of plunging export revenues and continued financial sanctions. Overall, the ruble lost more than 55% of its value in 2014. As a result, **inflation** hovered around 11.4% in December, up from 9.1% a month earlier.

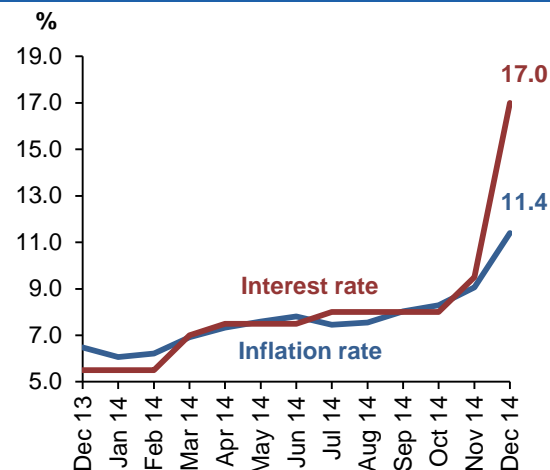
Retail sales increased slightly in November to grow 1.8% y-o-y hovering below the 2% level since June 2014. In comparison, 2013 showed an average growth rate of nearly 4%. The **unemployment rate** increased to 5.2% in November from 5.1% in October, signaling the third consecutive increase after nine months of being either stable or declining.

Graph 3.10: US dollar and Russian ruble exchange rate



Source: Thomson Reuters.

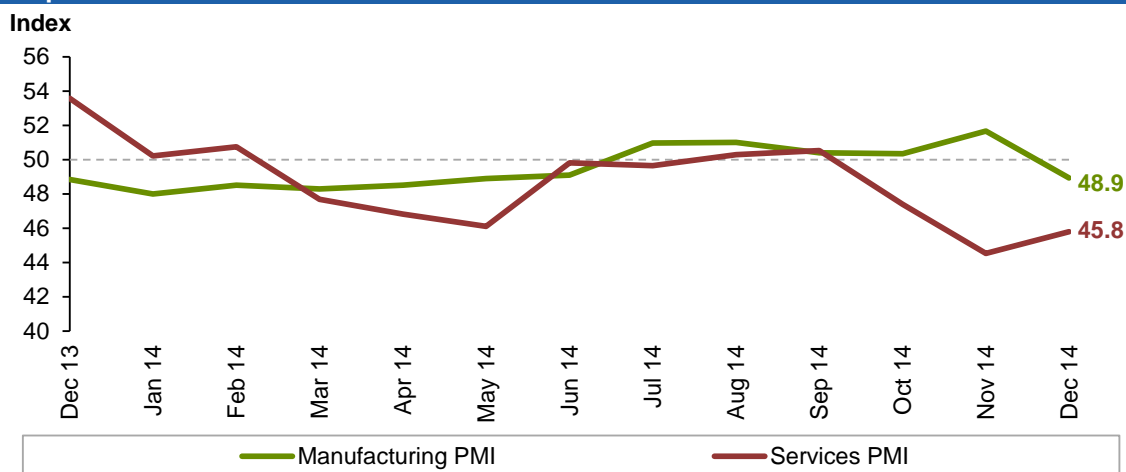
Graph 3.11: Russian ruble inflation vs. interest rate



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

Increasing inflationary pressures started to take their toll on the **manufacturing sector**, which reported a slowing down momentum in December for the first time in six months. The HSBC Manufacturing PMI registered 48.9 last month, down from 51.7 in November. The drop mainly reflects a slowdown in demand, job creation and inputs inventory. The survey showed input prices accelerating at their quickest rate since October 1998 together with the fastest rise in output prices in the series' history (since January 2003). The **services sector** was no better than the manufacturing sector in December. The HSBC Russia Services PMI of December 2014 posted 45.8, up slightly from 44.5 in November. For the second month in a row, the survey showed that there are more firms anticipating a deceleration in business activities in the next 12 months than those expecting growth. Firms attributed their pessimism to economic instability, inflation, a difficult investment climate and the impact of sanctions.

Graph 3.12: Russian PMIs



Sources: HSBC, Markit and Haver Analytics.

As pointed out in December's **Monthly Oil Market Report**, the situation of no positive breakthroughs in the geopolitical arena and an abating outlook of the country's trade balance in 2015 will push down the GDP forecast. Indeed, this month's GDP growth forecast is pared back to 0% in 2015, while the estimate for 2014 is unchanged at 0.3%.

India

India's economic growth has picked up above 5% in the last couple of quarters. The new government promised economic reforms to improve the investment climate. It has already made some progress such as: ending diesel price subsidies, implementing reforms in the labour market, passing a long-awaited insurance bill, encouraging greater private participation in coal production and financial sector reforms. These changes will be driven by:

Easing inflation. The economy has also received a significant and unexpected boost from falling commodity prices positively impacting inflation.

Terms of trade. The terms of trade in India decreased to 60.20 index points in 2014 from 61.90 index points in 2013. The terms of trade in India averaged 81.41 index points from 2000 until 2014, reaching an all-time high of 100 index points in 2000 and a record low of 60.20 index points in 2014.

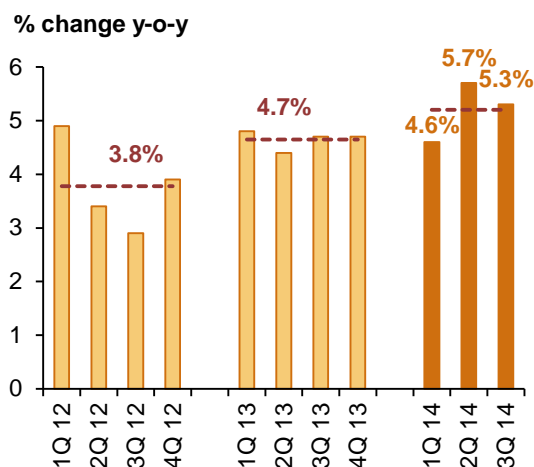
Monetary Policy. Despite the sharp fall in inflation in recent months and pressure from the government and businesses, the Reserve Bank of India (RBI) did not cut the policy rate at its meeting on 2 December.

The weakness in the IP index in October is extremely disappointing, particularly given that many factors, including the stronger PMI and strong core-sector growth pointed to the probable expansion of industrial activity during the month. Combined with fresh positive consumer price inflation data showing consumer price index inflation easing to 4.4% y-o-y in November, the latest industrial output reading makes an even stronger case for the RBI to start easing monetary policy in the next few months. But manufacturing activity momentum accelerated to a two-year high in December, led by a healthy increase in new domestic orders as well as from abroad.

India's November trade deficit widened to \$16.8 billion from \$13.3 billion in October, as an increase of gold and non-oil, non-gold imports more than fully offset the impact of lower oil prices. Both these dynamics played out: oil imports dropped to \$11.7 billion from \$12.4 billion in October. The first surprise was that gold and silver imports surged further from \$4.9 billion in October to \$6.3 billion in November. The rise in imports of primary and intermediary goods mainly used in production is encouraging, particularly given the latest abysmal industrial production data that showed India's industry output shrinking 4.2% y-o-y in October, with its manufacturing component declining 7.6%. However, as these numbers are still preliminary, it is still too soon to declare a recovery in investment and manufacturing, with the latter expected to continue showing uneven performance from month to month.

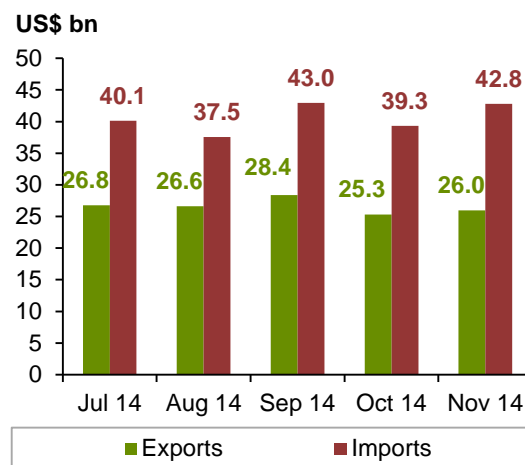
November trade data follows last week's balance of payments release, which showed India's current account deficit to have widened to 2.1% of GDP in July–September, up from 1.7% in the previous quarter. Although gold imports remain a concern, it seems the current account deficit will remain below the government's threshold of 2.5% of GDP in 2014 and 2015. The other surprise was a 14.1% m-o-m seasonally adjusted spike in non-oil, non-gold imports, pushing trend growth to 26.2% y-o-y. This sharp bounce and other high frequency data for November – notably auto production, credit growth, and the manufacturing and services PMIs – suggest that domestic demand may be firming, in contrast to the weakness of October's industrial production. That said, strong non-oil, non-gold import growth over the past few months could be attributed, in part, to the 9% appreciation of the real rupee exchange rate over the last year, on strong capital inflows and a large balance of payments surplus.

Graph 3.13: Indian GDP growth



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

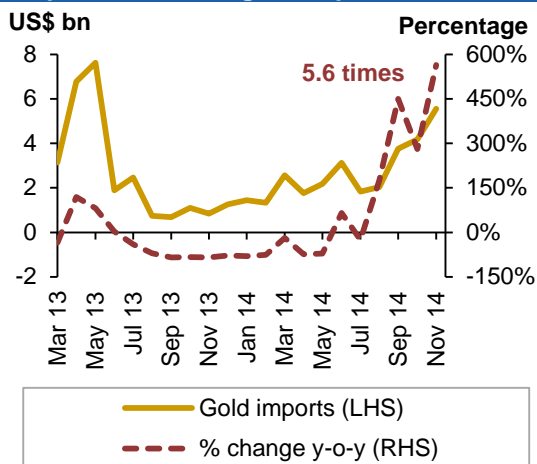
Graph 3.14: Indian exports and imports



Sources: Ministry of Commerce and Industry and Haver Analytics.

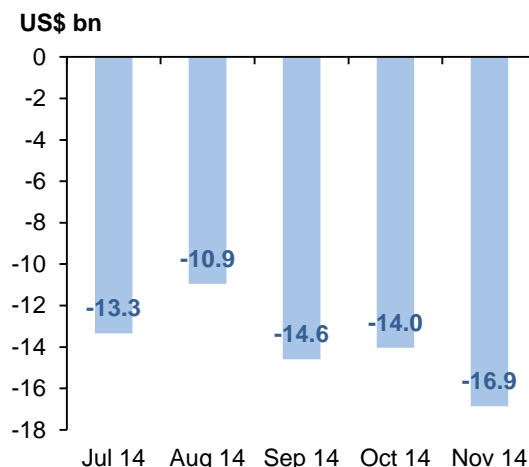
Exports in India increased to \$26.0 billion in November from \$25.3 billion in October. Imports in India also increased to \$42.8 billion in November from \$39.3 billion in October. Imports increased 26.79% y-o-y, driven by a 5.6 times jump in gold purchases.

Graph 3.15: Indian gold imports



Sources: Ministry of Commerce and Industry and Haver Analytics.

Graph 3.16: Indian trade balance

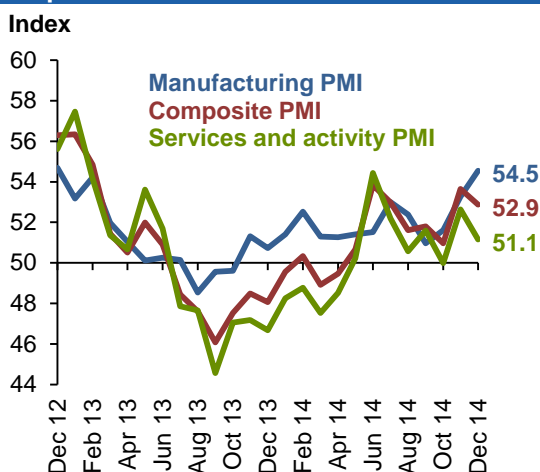


Sources: Ministry of Commerce and Industry and Haver Analytics.

India recorded a trade deficit of \$16.9 billion in November, the highest trade gap in eighteen months.

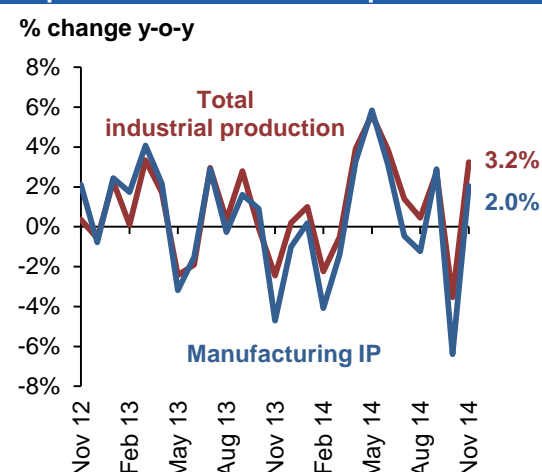
Indian goods producers ended 2014 in high gear with business conditions improving at their quickest pace in two years in December. The accelerated growth of the manufacturing sector was reflected by faster expansions in output, new business and foreign orders. The latest data also painted a brighter picture in terms of prices, as inflationary pressures eased during the month.

Graph 3.17: Indian PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.18: Indian industrial production



Sources: Central Statistical Organisation of India and Haver Analytics.

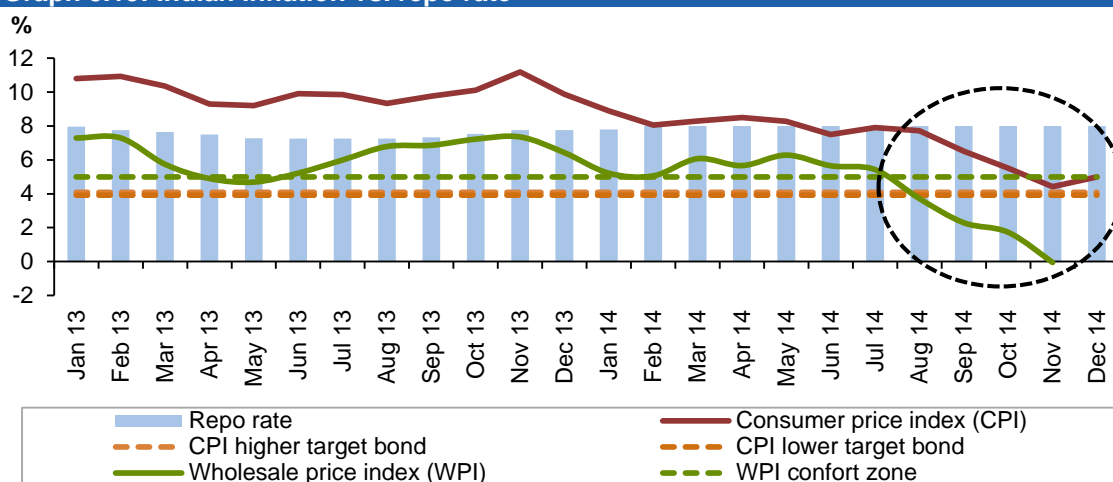
India's PMI climbed to a two-year high of 54.5 in December, up from 53.3 in the prior month. Business conditions improved at a faster pace during the month, with the sharpest expansion seen in consumer goods. The latest data reflected reports of improving demand in December, as new orders increased for the fourteenth consecutive month. Moreover, the rate of expansion was marked overall and was the fastest since the end of 2012. Reflective of further growth of output and new orders, input buying among Indian goods producers increased in December. The rate of expansion accelerated to the highest level in the current 14-month sequence of growth. Subsequently, the pace of pre-production inventory building picked up to the sharpest

level in more than two years. Furthermore, stocks of finished goods held by Indian manufacturers rose at their fastest rate since the survey began in April 2005.

Meanwhile, contrasting with continued growth of production and incoming new work, staffing levels in India's manufacturing economy declined in December. That followed two successive months of slight job creation, although the pace of contraction was a fraction overall. Job losses were evident in two of the three surveyed sub-sectors, with the sole exception being intermediate goods.

Inflation is expected to remain within the 6.0-6.5% target range over next five years, well below the double-digit rates seen over the past few years. Lower inflation should support domestic demand and encourage investment. Both the wholesale price index (WPI) and the consumer price index (CPI) inflation measures fell to a five-year low in October as a result of lower prices for food and fuel. Moreover, since then, global oil prices have continued to fall and are now expected to stay relatively low for a prolonged period. With favourable base effects tapering off from December onwards, the November CPI inflation reading may end the moderating trend, and December's CPI is likely to show a mild uptick in inflation. However, the underlying factors should continue to remain favourable, largely reflecting softer global oil prices, sufficient food supply and still weak domestic demand.

Graph 3.19: Indian inflation vs. repo rate



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

Coupled with a recent shocking industrial production data showing India's industrial output having tanked 4.2% y-o-y in October, the fresh CPI reading makes an even stronger case for the RBI to start easing monetary policy in early 2015. With a larger share of oil in the wholesale price basket (fuel and power alone account for 15% here, as opposed to 11% in the consumer basket), it is no surprise that WPI inflation is moderating faster than the CPI. The data shows soft global oil prices over the previous months and has moved India's WPI into a deflationary territory in November. Following better than expected November inflation readings (both wholesale and retail), the December inflation data may be critical for the RBI's decision on future monetary policy stance. The RBI's governor, R. Rajan, kept the leading repurchase rate unchanged at 8% in November, hinting at possible rate cuts early in 2015. However, should December's inflation continue to moderate despite the dissipating favourable base effects, the RBI may act outside the policy review cycle, cutting rates as soon as mid-January 2015.

The GDP growth expectation remains unchanged at 5.5% in 2014 and 5.8% in 2015.

China

In the end of year 2014, Chinese economic activity continues to lose momentum. The flash December PMI reading and the November data released last week, confirm that the economy has been slowing through the 4Q and it seems it will be around 7.0%. The expectation for GDP growth in 2014 remains unchanged at 7.4% to 7.3% but decreases for 2015 from 7.2% to 7.0%.

In terms of GDP revisions in 2013, the National Bureau of Statistics of China (NBS) announced the revised GDP for 2013 on 19 December following the third economic census. After this revision, the size of China's economy in 2013 increased about 3.4% from the previously reported of CN¥56.9 trillion to CN¥58.8 trillion (\$9.4 trillion). The latest revision is a much smaller increment than earlier upward revisions of 16.8% and 4.4% following the past two censuses of 2004 and 2008, respectively. The NBS also announced that this revision could affect the size of 2014 GDP but would not substantially affect GDP growth, which was 7.4% through September compared to the official target of about 7.5%.

Table 3.3: GDP revision after the third national economic census (NEC), CN¥ trillion

	<u>Before NEC</u>	<u>After NEC</u>	<u>Revision</u> (% change)
2013 GDP	56.9	58.8	3.4%
Primary industry	5.7	5.5	-3.5%
Secondary industry	25.0	25.7	2.8%
Tertiary industry	26.2	27.6	5.3%
2013 GDP per capita	41.9	43.3	3.4%

Sources: IHS Energy and NBS.

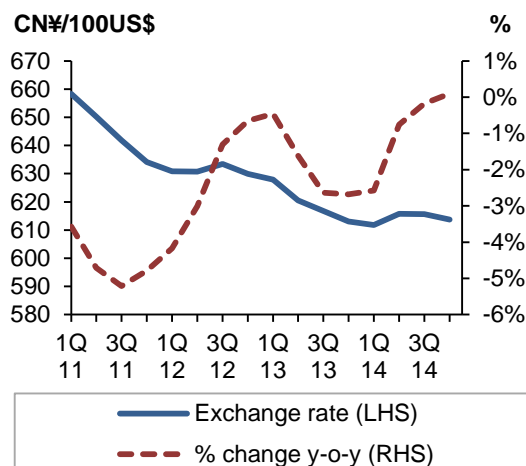
On 18 December, the Chinese premier called for the development of financing guarantees to ease financing burdens on small enterprises and rural farmers. He also called for local governments in China to establish more government-supported financing guarantee institutions with private fund engagement, and to support them by providing favourable taxation and risk compensation. Moreover, officials at the meeting also stressed the importance of improving regulations and preventing risks from financing guarantees.

China will focus on deepening reforms which will have immediate economic benefits in 2015, although the country is notably delaying meaningful implementation of some major items. Chinese policy-makers at the Central Economic Work Conference agreed on nine priority areas for reform in 2015, emphasising the need to ensure that reform is supportive of growth. Those areas include: capital markets, market access for private banks, administrative approval, investment, pricing, monopolies, franchising, and government-purchased services, and outbound investment. Officials also mentioned state-owned enterprise reform but did not include it on the high-priority list. The notice also mentioned establishing a system to evaluate reform and better communicate actual reform measures to the public. It seems all of the items mentioned are hugely important for efficiency. Two of the most important reform areas in China are financial and state-owned enterprise reform.

Foreign direct investment (FDI) in China rebounded into growth territory in November due to improving completed investment in the still relatively fast growing services sector. Cumulative completed FDI in China reached \$106.2 billion last month, up 0.7% y-o-y. This compares with a 1.2% y-o-y decline through October. Investment in manufacturing contracted by 13.3% y-o-y compared with a 15.1% contraction in

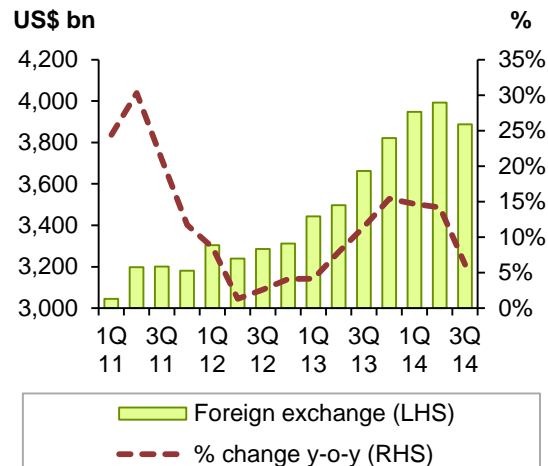
October, while investment in services grew by 7.9% y-o-y compared with 6.6% y-o-y growth in October. Manufacturing and services accounted for 33.8% and 55.1%, respectively, of FDI into China.

Graph 3.20: Chinese RMB exchange rate



Sources: State Administration of Foreign Exchange and Haver Analytics.

Graph 3.21: Chinese foreign reserves, NSA

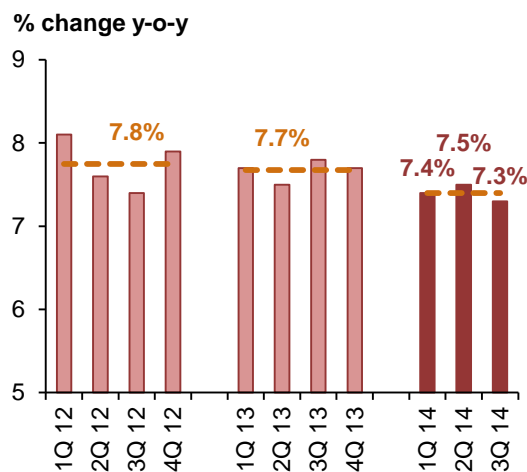


Sources: State Administration of Foreign Exchange and Haver Analytics.

China's 3Q14 **foreign exchange reserve** number seems to have come in below expectations. Reserve levels actually fell from \$3.99 trillion in the 2Q to \$3.89 trillion in 3Q. A strong dollar was the main reason behind China's foreign reserves decline. In the 3Q, the US dollar index appreciated by 7.7%, so the value of non-US dollar assets in the foreign reserves depreciated when exchanged to US dollars. This is primarily a change in book value and the decline does not reflect any real overseas cash outflow. China's foreign exchange reserves decreased to \$3,888 billion in September 2014 from \$3,969 billion in August. Foreign exchange reserves in China averaged \$722.85 billion from 1980 until 2014, reaching an all-time high of \$3,993 billion in June 2014. They hit a record low of \$2.3 billion back in December 1980.

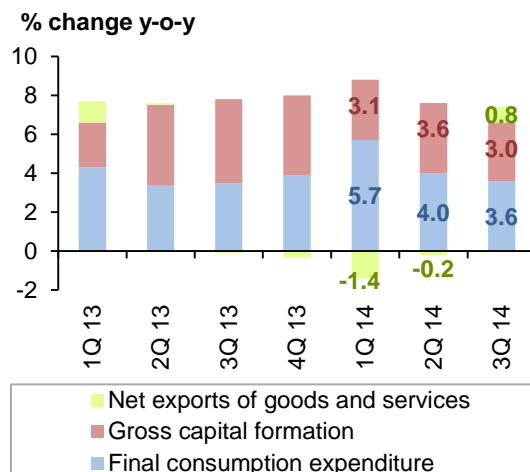
Net new financing in China improved slightly in November relative to October, although it remains in line with a trend of weaker overall financing levels and a shift away from shadow banking throughout 2014. According to data issued by the People's Bank of China (PBoC), net new financing last month totaled CN¥1.15 trillion (\$185 billion). This compares to CN¥662.7 billion in November or CN¥1.23 trillion in the previous year. Net new shadow banking flows contributed 2% to new financing, compared to large drains earlier this year or nearly one-third of net new financing in the previous year. In late November, the PBoC adjusted benchmark interest rates in an effort to reduce financing costs. But since then, interbank rates have risen and reports indicate that besides mortgages most applied loan rates are not significantly lower. Moreover, a brief and rapid surge in the equity market is now proving to be speculative rather than sustainable, potentially dulling the net contribution of new financing via stocks during the first weeks of December. Over the past three months, total new financing growth was -16% y-o-y and besides a brief surge during June and July, new financing has been in contraction since July 2013. This largely arises from a large wave of debt maturing in 2014, a headwind which is expected to intensify in 2015.

Graph 3.22: Chinese GDP growth rate



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

Graph 3.23: Contribution to Chinese GDP



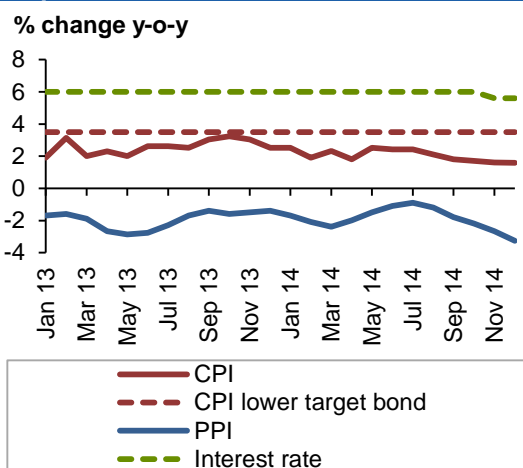
Sources: China National Bureau of Statistics and Haver Analytics.

In terms of trade, **exports** expanded by 4.9% y-o-y in November compared to 11.5% in October, significantly deeper than the moderate deceleration that was expected. Imports also slowed down substantially, falling from a 4.6% y-o-y expansion in October to a 6.5% y-o-y contraction in November. The largest points of weakness in exports were those regarding Hong Kong, where trade slowed from 24% to 0.9% growth, and to the United States, which slowed from 10.1% to 2.2% growth. Together, those two partners account for about 53% of all Chinese exports.

Slowing **import** growth hit ASEAN, the EU and South Korean exporters hardest. Slowing export growth will negatively affect real growth primarily through slowing demand for manufactured goods. This makes it likely that industrial output, at least within the manufacturing segment, will show further weakness in November.

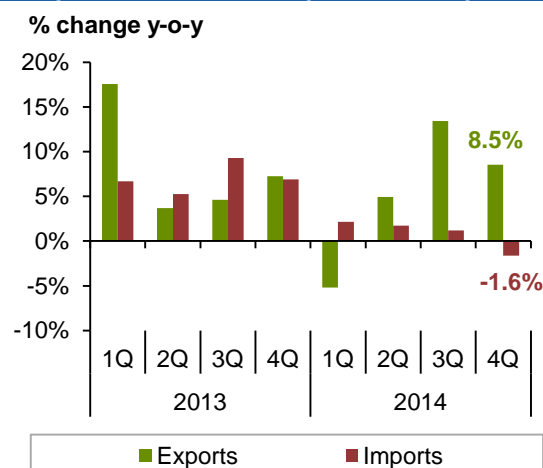
Given the even steeper fall in import growth (only partly fuelled by lower oil prices), the contribution of net exports to real growth may moderate to a lesser extent. During October and November, China's trade surplus grew over the previous year's level by \$17.5 billion on average. This compares to average monthly gains of \$22.4 billion during the 3Q.

Graph 3.24: Chinese CPI and PPI



Sources: China National Bureau of Statistics and Haver Analytics.

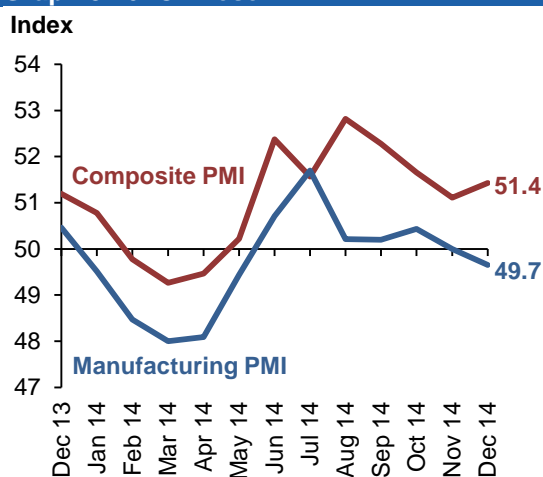
Graph 3.25: Chinese imports and exports



Sources: China Customs and Haver Analytics.

In December 2014, China's manufacturing purchasing managers index (PMI) stood at 49.95, 0.4 percentage points (pp) lower from last month, slightly lower than the threshold, indicating that the basic trend of China's manufacturing sector is slowing. Non-manufacturing PMI, however, stood at 54.1, up by 0.2 pp over the previous month, and 4.1 pp higher than the threshold, having slightly risen for two consecutive months, indicating that the development trend of China's non-manufacturing sector has risen steadily. Looking at various industries, the non-manufacturing PMI for the services industry was at 53.3, up 0.7 pp over the previous month, indicating that growth in the service industry has accelerated. New orders index stood at 50.5, up by 0.4 pp over the previous month, higher than the threshold, indicating a rise in non-manufacturing market demand, and the growth rate has accelerated.

Graph 3.26: Chinese PMI



Sources: HSBC, Markit and Haver Analytics.

Graph 3.27: Chinese industrial production

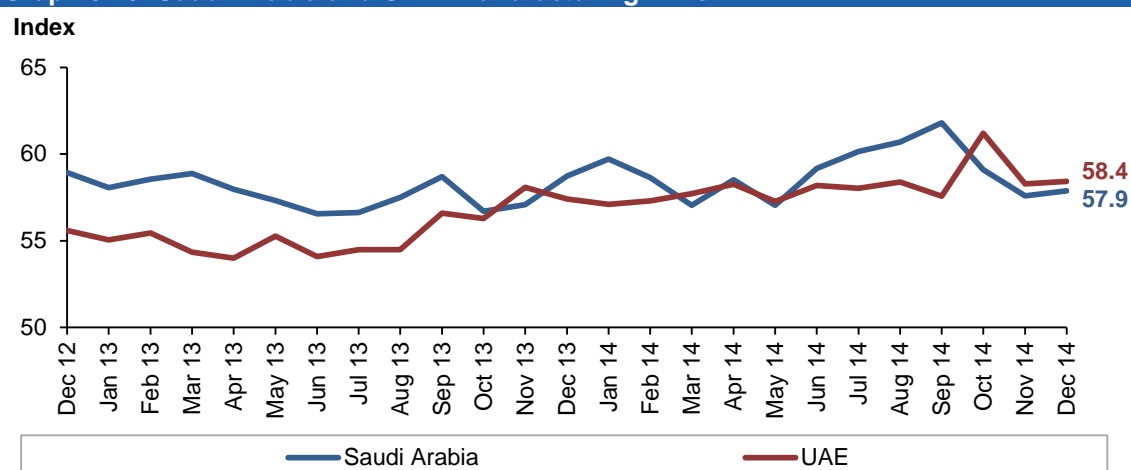


Sources: China National Bureau of Statistics and Haver Analytics.

OPEC Member Countries

Business activities in **Saudi Arabia's** non-oil producing private sector continued in expansionary territory last month. The SABB HSBC Saudi Arabia PMI registered 57.9 in December, up from 57.6 in November. The index was supported by quicker growth in output and employment rise. New orders posted a slower pace of growth in December.

Graph 3.28: Saudi Arabia and UAE: manufacturing PMIs



Sources: SAAB, HSBC, Markit and Haver Analytics.

In the **United Arab Emirates**, the non-oil producing private sector signaled a sustained improvement in business conditions in December with the PMI at 58.4, up from 58.3 in November. The survey showed output growing by the second fastest pace in the series' history, together with acceleration in the growth of new orders and a solid rise in employment.

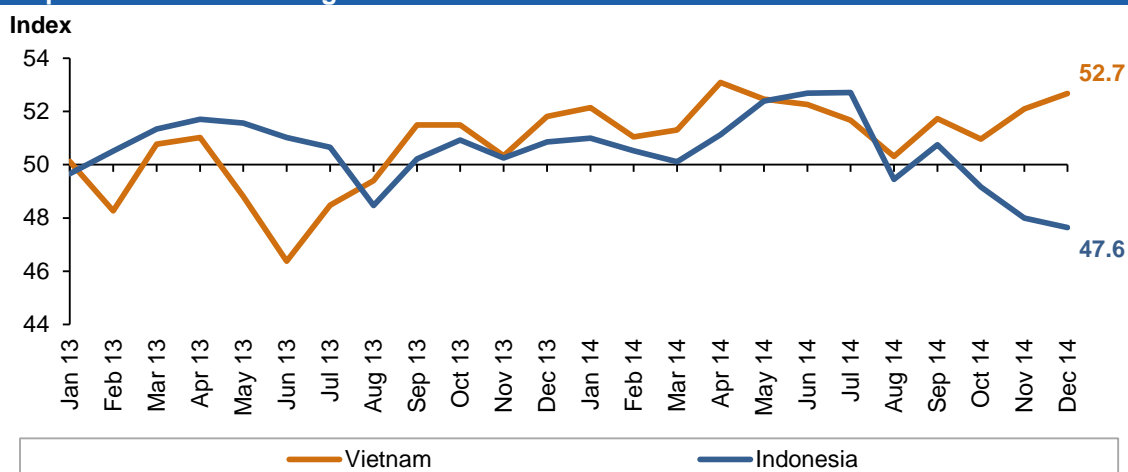
Other Asia

The manufacturing sector in **Indonesia** slowed in December with the sector's index weakening to a record low. The manufacturing PMI of December decreased to 47.6, from 48 in November, on the back of output and new orders contraction. Furthermore, the lower fuel subsidy resulted in stronger cost pressures on manufacturers. Indonesia posted a \$426 million trade deficit in November 2014, dropping from a surplus of \$20 million in the preceding month and from a \$789 million a year earlier. Exports and imports declined by 14.6% and 7.3% y-o-y, respectively.

Malaysia reported a 11.13 billion ringgit trade surplus in November of 2014 compared to a 9.88 billion ringgit a year earlier as exports increased more than imports. Exports rose 2.1% y-o-y to in November supported mainly by rise in shipments of electrical and electronic products, while imports increased 0.1% y-o-y.

In **Vietnam**, the manufacturing sector expanded further last month on sharper increases in production and new business. In addition, the sector maintained its robust job creation performance. Firms reported an ease in inflationary pressures last month.

Graph 3.29: Manufacturing PMIs in Other Asia



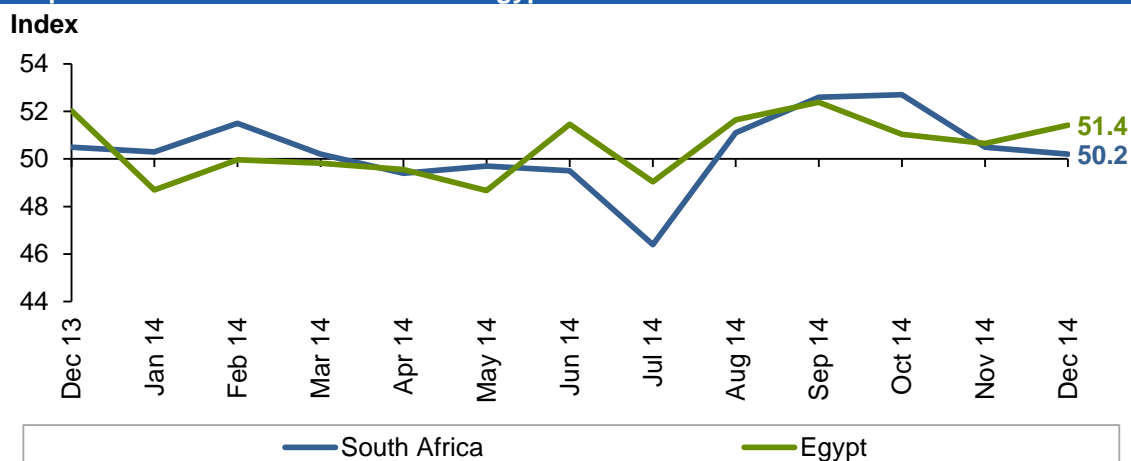
Sources: HSBC, Markit and Haver Analytics.

Africa

In **South Africa**, the trade gap decreased to 5.7 billion rand in November from a revised 21.6 billion rand shortfall in the previous month, due to a sharp drop in imports. Imports shrank faster than exports by 18.7% over the previous month, while exports decreased 5.3%. The annual inflation rate eased to 5.8% in November 2014 from 5.9% in the previous two months due to lower food and transport costs. On a monthly basis, consumer prices were flat, following a 0.2% increase in the October. Business activities in the country's private sector continued to expand in December, though at a slower pace than the previous month. While new export orders rose by strongest rate in 22 months, output and new orders fell for the first time since July 2014.

In **Egypt**, the annual inflation rate rose to 10.1% in December 2014 from 9.1% in November. Yet core inflation eased for the fourth straight month to 7.7% from 7.8% in the previous period. On a monthly basis, consumer prices fell 0.1%, following a 1.5% drop in November. In contrast, the core CPI grew by 0.3% compared to -0.2% in November. The country's private sector sent another encouraging signal last month, with the PMI rising to 51.4 in December from 50.7 in November.

Graph 3.30: PMIs in South Africa and Egypt



Sources: HSBC, Reuters Telerate and Haver Analytics.

Latin America

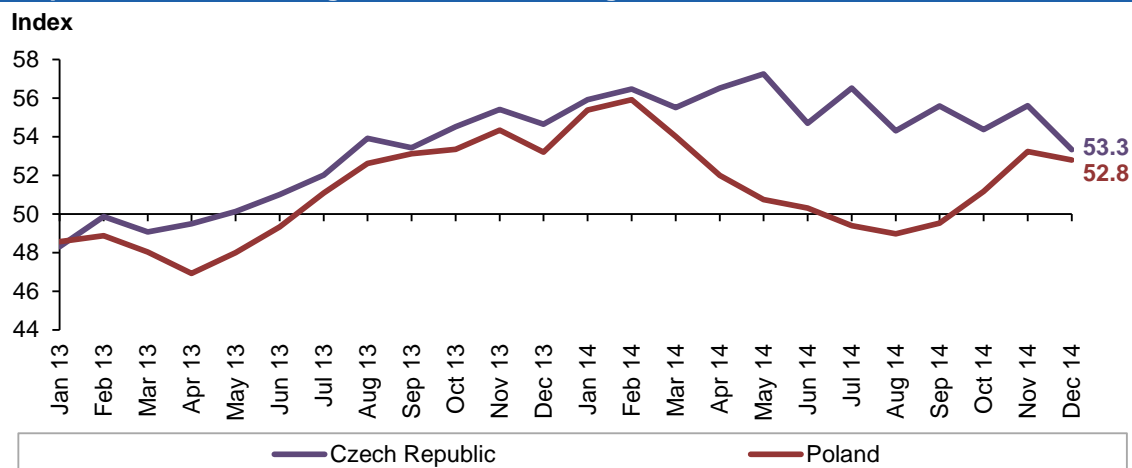
Argentina's GDP shrank 0.8% y-o-y in the 3Q14 on the back of a fall in exports, investments and private consumption. Exports fell by 8.4% y-o-y and imports dropped by 15.2% y-o-y, according to preliminary estimates. Gross fixed capital formation decreased by 4.7% y-o-y and private consumption shrank by 1.4% y-o-y. In contrast, government expenditure rose 1% y-o-y.

In **Chile**, the central bank left the monetary policy interest rate on hold at 3% in December. The economy there is experiencing a slowing momentum on the back of a fall in capital expenditures of around 10% y-o-y in the 3Q14. This fall was led by a nearly 25% drop in investment on machinery and equipment. The GDP contracted 0.8% in the 3Q, following growth of 2.7% and 1.9% in the 1Q and the 2Q, respectively.

Transition region

In **Poland**, the GDP expanded at a seasonally adjusted 0.9% q-o-q in the 3Q14, better than the 0.7% q-o-q growth reported for the 2Q14. Growth was supported by a rise in investment and consumption. The unemployment rate increased to 11.4% in November 2014 from 11.3% in October. It was the first rise in ten months as fewer jobs were created. The manufacturing economy continued on last month's upswing despite the slight decrease in the sector's PMI. The index posted 52.8 in December, down from 53.2 in November. The survey confirmed solid growth in production and new business, while input price inflation is broadly unchanged from the previous month.

In the **Czech Republic**, the manufacturing sector expanded in December, though by the slowest pace in 17 months. The manufacturing PMI dropped to 53.3 in December from 55.6 a month earlier. The survey showed a solid rise in production, new orders, exports and employment but all at lower rates.

Graph 3.31: Manufacturing PMIs in transition region

Sources: HSBC, Markit and Haver Analytics.

Oil prices, US dollar and inflation

The US dollar continued appreciating versus all major currency counterparts on average in December. It gained 2.6% versus the yen, 1.2% compared to the euro, 0.8% versus the pound sterling and 1.2% to the Swiss franc. Moreover, and of great importance, is the continued decline of currencies in emerging markets. The Russian ruble continued declining in December by 21% m-o-m. The Brazilian real also continued depreciating by 3.6% m-o-m on average in December, while the Indian rupee fell by 1.7% m-o-m on average. Currencies from other emerging and developing economies have also been impacted. Given some uncertainty about the future monetary policy of the US Fed, the volatility in currency markets is expected to continue.

In nominal terms, the price of the **OPEC Reference Basket (ORB)** declined by a monthly average of \$16.11/b, or 21.3%, from \$75.57/b in November to \$59.46/b in December. In real terms, after accounting for inflation and currency fluctuations, the ORB fell by 20.6%, or \$9.95/b, to \$38.35/b from \$48.30/b (base June 2001=100). Over the same period, the US dollar gained 1.0% against the import-weighted modified Geneva I + US dollar basket* while inflation remained flat.

* 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 for 2014 was revised up by 20 tb/d to average 0.95 mb/d, bringing total oil demand to 91.15 mb/d. The upward revision was broadly a result of better-than-expected data for OECD America and China in 4Q14. For 2015, growth is expected to be around 1.15 mb/d, higher by 30 tb/d from the previous month's report, reaching 92.30 mb/d as result of upward adjustments to oil demand data in OECD America and Other Asia.

World oil demand in 2014 and 2015

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

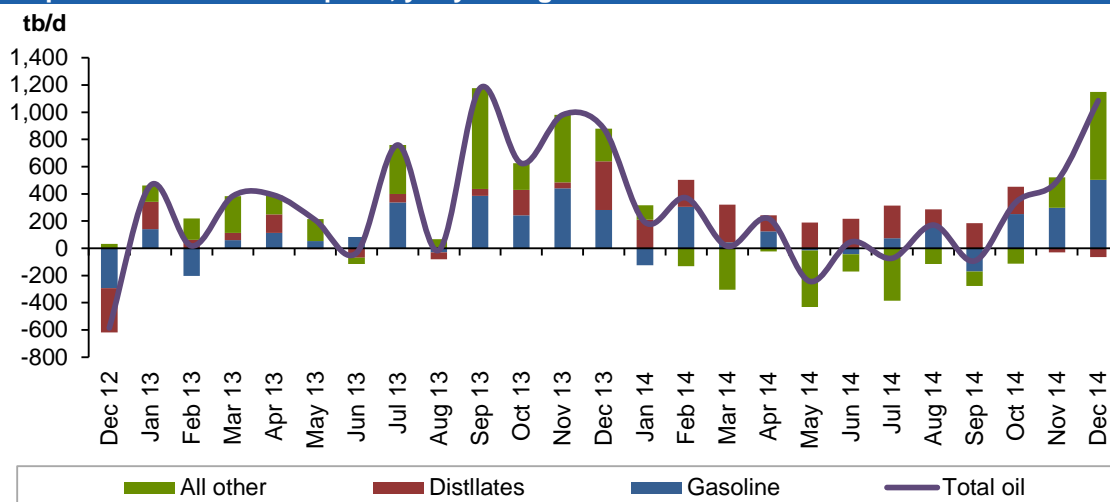
	<u>2013</u>	<u>1Q14</u>	<u>2Q14</u>	<u>3Q14</u>	<u>4Q14</u>	<u>2014</u>	<u>Change 2014/13</u>	
							<u>Growth</u>	<u>%</u>
Americas	24.08	23.87	23.76	24.37	24.73	24.18	0.10	0.41
of which US	19.27	19.16	19.02	19.52	19.90	19.40	0.13	0.70
Europe	13.61	13.01	13.46	13.75	13.39	13.40	-0.20	-1.50
Asia Pacific	8.32	8.85	7.65	7.69	8.38	8.14	-0.18	-2.12
Total OECD	46.01	45.73	44.86	45.81	46.50	45.73	-0.28	-0.61
Other Asia	11.06	11.08	11.37	11.34	11.33	11.28	0.22	1.99
of which India	3.70	3.85	3.80	3.63	3.84	3.78	0.08	2.18
Latin America	6.50	6.42	6.69	6.98	6.74	6.71	0.21	3.29
Middle East	7.81	8.07	7.93	8.39	7.89	8.07	0.26	3.31
Africa	3.63	3.75	3.75	3.63	3.78	3.73	0.10	2.74
Total DCs	29.00	29.31	29.74	30.34	29.74	29.79	0.79	2.73
FSU	4.49	4.39	4.24	4.63	4.91	4.54	0.05	1.14
Other Europe	0.64	0.64	0.60	0.64	0.72	0.65	0.01	2.05
China	10.07	10.08	10.56	10.31	10.83	10.45	0.38	3.77
Total "Other regions"	15.20	15.11	15.39	15.58	16.45	15.64	0.44	2.92
Total world	90.20	90.15	90.00	91.73	92.69	91.15	0.95	1.06
Previous estimate	90.20	90.16	90.01	91.81	92.52	91.13	0.93	1.04
Revision	0.00	0.00	-0.01	-0.08	0.17	0.02	0.02	0.02

Totals may not add up due to independent rounding.

OECD Americas

The most recent available monthly US oil demand data for October implies y-o-y gains in oil requirements of around 1.7%, after a slightly decreasing September and a third quarter similar to the first and second quarters of 2014. There are, moreover, distinct trends in October data which cannot be overlooked. Demand for gasoline rose strongly by around 0.25 mb/d or equivalent to 2.8% y-o-y, supported by an improving economy and lower fuel prices and in line with increasing figures for mileage and new automobile registrations. The upward trend in gasoline demand is a new phenomenon since October, and seems to have continued in November and December, according to preliminary weekly data.

October distillate requirements continued their healthy growth trajectory in line with rising industrial production activities. Demand in residual fuel oil rose sharply by 0.03 mb/d, or 9.4% y-o-y, for the first time since 1Q13. Demand for residual fuel oil seems to be remaining strong during 4Q14. Finally, demand for aviation fuels continued to be healthy in October. Covering ten months in 2014, the US oil demand picture is in line with general economic recovery in the country, with more oil required in the industrial and transportation sectors.

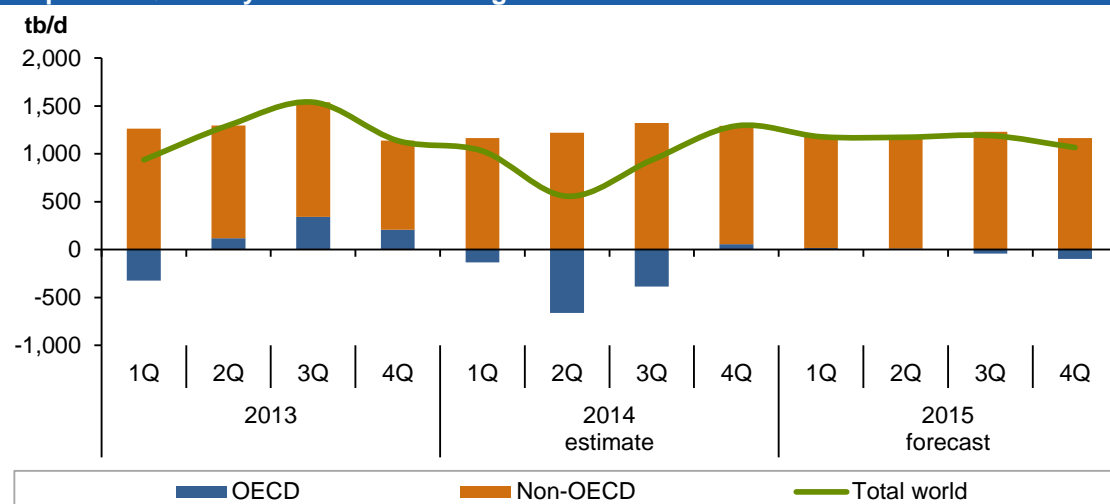
Graph 4.1: US oil consumption, y-o-y changes

Preliminary weekly data for November and December extends the existing overall picture, with the majority of main product categories rising. Developments in 2015 US oil demand remain strongly dependent on the development and further recovery of the US economy, with risks skewed more to the upside compared with the previous month, mainly as a result of the low oil price environment, which favors oil usage, particularly in the transportation and industrial sectors.

In **Mexico**, November usage was slightly down. Growing demand for residual fuel oil, distillates and jet fuel was more than offset by shrinking demand for gasoline. Mexican oil demand is expected to grow slightly in 2015 and risks are skewed more to the upside compared with the previous month, primarily due to the dependence of the country's economy on the US.

The latest **Canadian** data for October shows gains in gasoline and residual fuel oil requirements. The 2015 projections for Canadian oil demand remain unchanged from those of the previous month.

In 2014, **OECD Americas'** oil demand grew by 0.10 mb/d compared with 2013. For 2015, OECD Americas' oil demand is projected to grow more by 0.19 mb/d compared with 2014.

Graph 4.2: Quarterly world oil demand growth

OECD Europe

Bearish sentiment in **European oil demand** seems to be endless, with September being the only positive month during 2014. October data shows oil demand in the region declining again, particularly for the European Big 4 consumers and despite rising industrial production figures and automobile sales. Moreover, early indications for November again show losses for European Big 4 oil demand of around 0.15 mb/d. With data available for 11 months in 2014, oil demand in the Big 4 shows losses of approximately 0.17 mb/d. From January to November gasoline remained flat, while LPG, distillates and fuel oil were on the decline.

Some positive news of late is that European auto sales continued their positive momentum in November, with an overall 1.4% y-o-y increase and with positive momentum in almost all major markets, notably Spain, the UK and Italy. In addition, the current low crude price environment seems to have supported gasoline demand in the region, which showed a slightly declining picture at the end of 2014, compared with a much more pessimistic trajectory some months ago.

Careful hopes for an improvement in 2015 European oil demand originate in anticipated improvements for the overall economy in combination with a very low oil demand baseline in the region. On the other side, heavy taxation on oil usage and concerns about budget deficits in several countries of the region pose a significant downside risk for future oil demand. General expectations for the region's oil demand during 2015 have generally improved since the previous month's projections, in part as a result of the current low oil price environment.

In 2014, **European oil demand** shrank by 0.20 mb/d, while oil demand in 2015 is projected to decrease again, but to a lesser extent, by 0.10 mb/d.

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

	Nov 14	Nov 13	Change form Nov 13	Change form Nov 13, %
LPG	386	391	-5	-1.4
Gasoline	1,077	1,083	-6	-0.5
Jet/Kerosene	679	753	-74	-9.9
Gas/Diesel oil	3,216	3,246	-30	-0.9
Fuel oil	287	282	5	1.9
Other products	912	953	-41	-4.3
Total	6,557	6,708	-151	-2.3

* Germany, France, Italy and the UK.

OECD Asia Pacific

Japanese oil demand in November decreased sharply by 0.43 mb/d y-o-y with all main product categories declining, particularly gasoline, diesel oil, residual fuel oil and direct crude burning. Increasing usage of natural gas and coal for electricity generation continued in November and natural gas seemed to account for losses in demand for LPG and naphtha. In December, early indications are mixed, with automobile registrations growing and industrial production falling. Moreover, Japan's nuclear regulator has granted safety clearance for two more reactors in the Takahama nuclear station. Currently four reactors could restart within 2015.

The outlook risks for 2015 Japanese oil demand remain unchanged from the previous month's forecasts and are determined by the degree of coal and gas usage for electricity generation as well as by the number of nuclear plants that will rejoin operation during 2015.

Table 4.3: Japanese domestic sales, tb/d

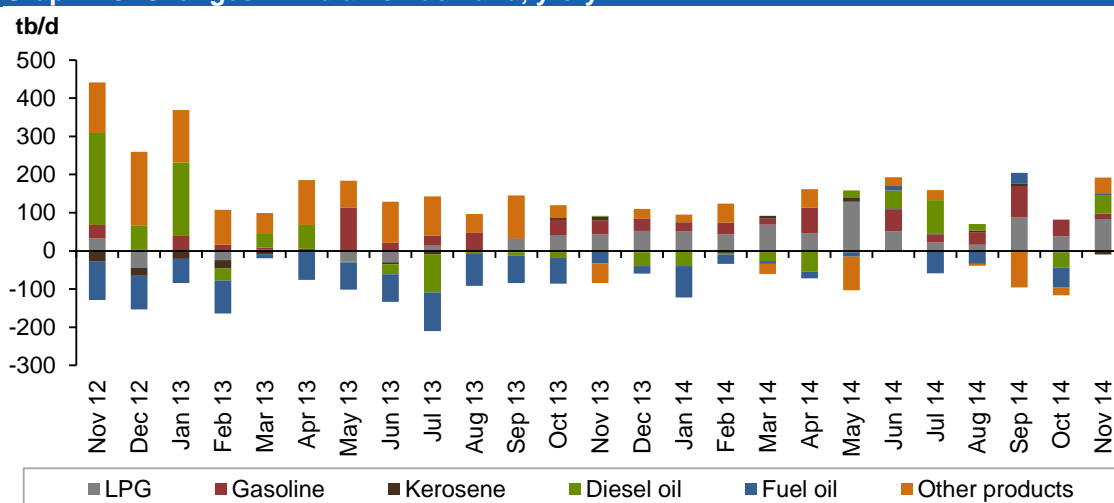
	<u>Nov 14</u>	<u>Change from Nov 13</u>	<u>Change from Nov 13, %</u>
LPG	450	-34	-7.1
Gasoline	909	-49	-5.1
Naphtha	836	-22	-2.6
Jet fuel	84	11	14.5
Kerosene	348	-57	-14.1
Gasoil	584	-45	-7.1
Fuel oil	499	-115	-18.7
Other products	61	-7	-9.9
Direct crude burning	114	-109	-49.0
Total	3,886	-427	-9.9

In **South Korea**, November demand was down, y-o-y. Growing petrochemical activities, which called for increasing naphtha requirements as well as strong jet fuel demand, have been more than offset by shrinking demand in all other main product categories, particularly residual fuel oil and kerosene. The outlook for South Korean oil consumption during 2015 remained unchanged compared with the previous month's projections.

OECD Asia Pacific 2014 oil consumption shrank by 0.18 mb/d. The downward trend will continue in 2015, but to a lesser degree, by 0.12 mb/d.

Other Asia

In **India**, demand for oil jumped in November, making it the month with the second-highest growth in 2014. Oil demand rose by 0.18 mb/d – or just below 5% – compared with the same period in 2013. Lower retail prices, better weather conditions and general improvements in the country's macroeconomic indicators gave a boost to product demand. This development was led by strong growth in LPG, which continues to be one of the major components driving growth.

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

As stated in previous monthly reports, subsidies for LPG were increased in 2014, resulting in increased demand for the product; growth in November was well above the 14% mark. Gasoline also contributed to growth, rising by more than 3% y-o-y. However, this growth was lower compared with year-to-date data. This can be attributed to a slowdown in vehicle sales – specifically two-wheeler sales – which, after

falling in October by around 9% y-o-y, continued to fall in November by 3% y-o-y. Diesel demand picked up pace, growing by around 3% y-o-y after two months of decline as a result of slower agriculture and fishing activities due to harsh weather conditions.

Diesel retail prices were fully deregulated in 2014 to move with international prices. However, the steep decline in international prices is also assumed to have an impact on diesel demand, not to mention supporting industrial activities, which have improved compared with previous months.

Fuel oil demand growth was also positive, rising by more than 2% y-o-y, while 2014 year-to-date growth figures – excluding November data – hint to a decline in growth of close to 8% compared with the same period in 2013.

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

	Nov 14	Nov 13	Change	Change, %
LPG	662	578	84	14.5
Gasoline	402	388	14	3.6
Kerosene	316	325	-9	-2.8
Diesel oil	1,648	1,600	48	3.0
Fuel oil	246	240	6	2.3
Other products	638	598	41	6.8
Total oil demand	3,911	3,729	183	4.9

In **Indonesia**, oil demand rose during the month of October 2014 by around 10 tb/d, with all products in positive territory with the exception of diesel oil – which was flat – and fuel oil, which declined. As highlighted in the previous monthly report, Indonesia announced the removal of fuel subsidies, to take effect in November 2014. This should have an impact on product consumption going forward in 2015.

Looking forward, risks for 2015 in **Other Asia's** oil demand growth are expected to be balanced with a slight positive effect from India as a result of overall improvement in economic activity along with lower oil prices, lending support to product demand.

In **Indonesia** and **Malaysia**, subsidies on transportation fuels and the degree of their reduction may influence oil demand growth, however, lower international prices at this stage should moderate the impact.

Other Asia's oil demand is anticipated to grow by 0.22 mb/d in 2014. As for 2015, oil demand is forecast to be 0.25 mb/d higher than in 2014.

Latin America

In **Brazil**, November oil demand saw a decrease in consumption of around 11 tb/d or around minus 0.5% y-o-y. It declined after two months of exceptionally high growth resulting from drought conditions in the northern part of the country, prompting additional requirements for carbon-based fuels.

Gasoline consumption declined slightly by around 6 tb/d or below 1% y-o-y. A decline in car sales – by around 8% y-o-y – as well as the end of an election campaign, were the major contributing factors to the downward trend. Diesel demand also weakened, down by 36 tb/d, or more than 3% y-o-y for the same reasons, plus slower economic activity in the country, which was apparent from industrial production data. On the other hand, fuel oil demand rose by 19 tb/d, or more than 20% y-o-y. This was a

consequence of power utility plants switching to fuel oil to compensate for losses in hydroelectric power.

Table 4.5: Brazilian inland deliveries, tb/d

	<u>Nov 14</u>	<u>Nov 13</u>	<u>Change</u>	<u>Change, %</u>
LPG	223	228	-5	-2.1
Gasoline	743	749	-6	-0.8
Jet/Kerosene	131	126	5	3.6
Diesel	1,029	1,065	-36	-3.4
Fuel oil	112	93	19	20.6
Alcohol	244	232	13	5.5
Total	2,482	2,492	-11	-0.4

In **Argentina**, October saw positive oil demand. Transportation fuels, apart from diesel oil, were on an increasing trend. LPG and other products also positively impacted oil demand growth; LPG rose by almost 12% and other products increased by around 4%.

Looking forward, 2015 risks are currently skewed to the downside, as economic development in the region's major consuming nation – Brazil – is expected to slow with government spending anticipated to be lower to control the budget deficit. The continuation of lower oil prices as well as unusual weather conditions should moderate the impact.

Latin American oil demand is anticipated to grow in 2014, by 0.21 mb/d. During 2015, oil demand growth is forecast to drop slightly from 2014 levels, increasing by 0.20 mb/d.

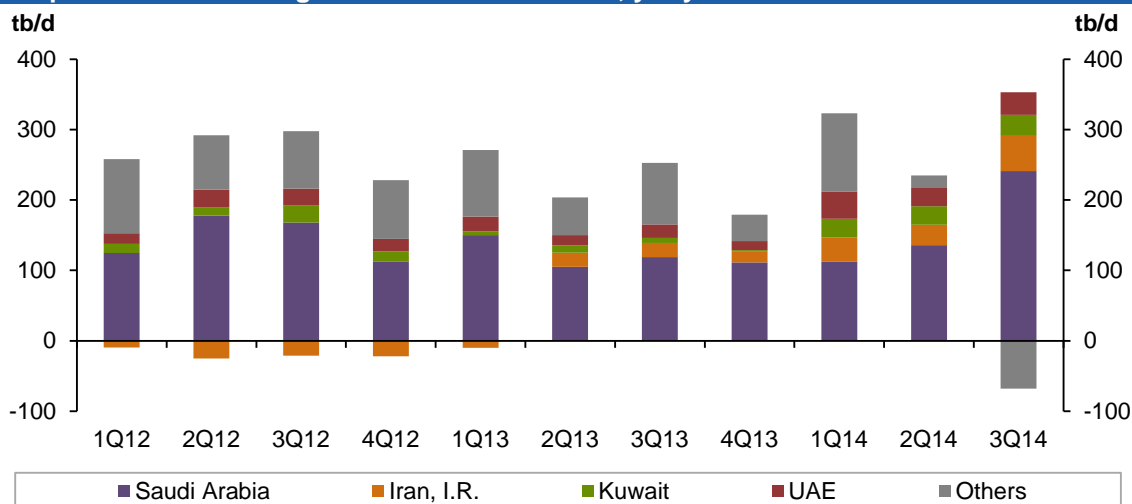
Middle East

In **Saudi Arabia**, November oil demand was characterized by increases across the barrel with “other products” and fuel oil leading by more than 61% and 27% y-o-y, respectively. Demand for fuel oil for power generation continued to increase, despite the end of the fuel oil demand season, as it seems to have been preferred over direct crude burning for power generation. In addition, strong growth in transportation fuels gasoline and diesel was apparent, supported by gains in auto sales; 4Q14 data show an increase in auto sales of more than 5% y-o-y.

Oil demand in **Iraq** continued its declining trend in November, losing more than 40 tb/d or just below 7% y-o-y. Year-to-date it is now firmly in the negative, with a drop in consumption of just below 6% compared with the same period in 2013. Consumption in Iraq steadily increased in 2013 until mid-2014, prior to the rise of geopolitical concerns in the country.

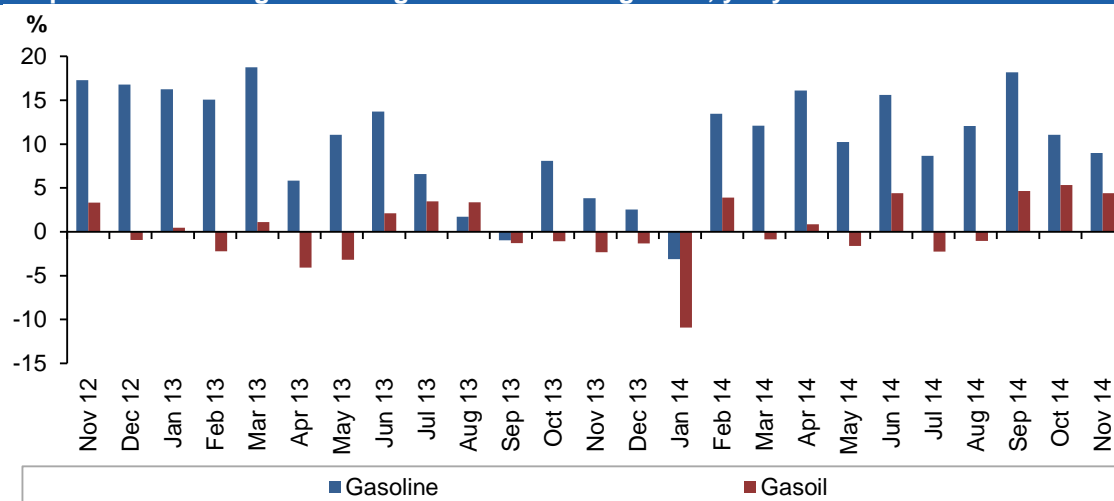
The outlook for 2015 Middle East oil demand depends very much on the level of the overall economy and government spending plans, with risk slightly skewed to the downside.

For 2014, **Middle East oil demand** growth is anticipated to hover around 0.26 mb/d, while oil demand in 2015 is projected to grow by 0.29 mb/d.

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

China

In **China**, November oil demand growth came up strong, marking a continuation of the upward trend in oil demand during the second half of 2014. November Chinese oil demand was predominantly characterized by high LPG demand for the petrochemical sector – growing by a remarkable 30% y-o-y, rising gasoline consumption in the road transportation sector – growing by 9% y-o-y, increasing jet fuel demand for the air transportation sector – growing by 2% y-o-y, as well as increasing diesel oil demand for the agriculture and fishing sectors – increasing by 4% y-o-y. Furthermore, a declining trend in the consumption of residual fuel oil has been reversed and showed marginal growth of 1% y-o-y.

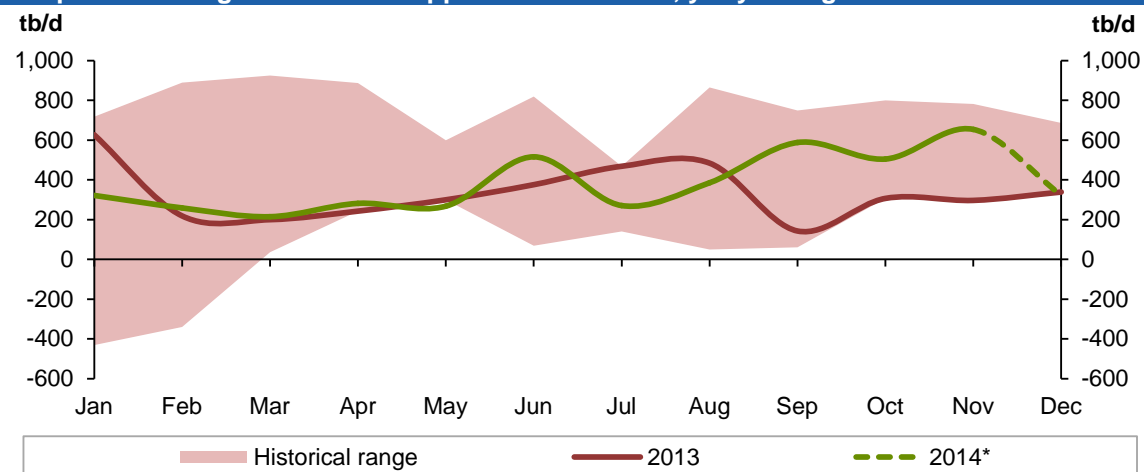
Graph 4.5: Chinese gasoil and gasoline demand growth, y-o-y

According to statistics and analysis of the China Association of Automobile Manufacturers (CAAM), sales of passenger vehicles were up by around 1.8 million units, representing an increase of approximately 2.3% y-o-y. Growth in sales continued on a downward trend, below the October figure of 2.8%. Overall growth in sales for the period January to November stood at 6% y-o-y, lower than the corresponding period in 2013, which experienced growth of 9% y-o-y. Factors which cap and may further reduce gasoline consumption are measures geared towards increasing the quality of transportation fuels with the aim of lowering air pollution in major cities, in addition to

World Oil Demand

recent increases in the taxation of oil product usage. Looking forward, the outlook for 2015 remains relatively unchanged since the previous month, with similar factors pointing to the downside mainly focused on a possible economic slowdown and implementation of measures to limit transportation fuel consumption.

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



* Forecast.

On the other hand, additional propylene dehydration plants (PDH) which require propane as a feedstock, and developments in refining capacity could be considered factors that might push oil demand estimates higher.

For 2014, **Chinese oil demand** is anticipated to grow by 0.38 mb/d, while oil demand in 2015 is projected to increase again by 0.31 mb/d.

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

	2014	1Q15	2Q15	3Q15	4Q15	2015	Change 2015/14	
							Growth	%
Americas	24.18	24.06	23.93	24.57	24.92	24.37	0.19	0.79
of which US	19.40	19.32	19.15	19.69	20.07	19.56	0.16	0.83
Europe	13.40	12.92	13.38	13.64	13.28	13.31	-0.10	-0.71
Asia Pacific	8.14	8.76	7.57	7.56	8.20	8.02	-0.12	-1.51
Total OECD	45.73	45.74	44.87	45.77	46.40	45.70	-0.03	-0.06
Other Asia	11.28	11.32	11.63	11.62	11.57	11.53	0.25	2.24
of which India	3.78	3.95	3.91	3.76	3.96	3.89	0.12	3.05
Latin America	6.71	6.61	6.89	7.18	6.95	6.91	0.20	2.94
Middle East	8.07	8.35	8.19	8.69	8.17	8.35	0.29	3.53
Africa	3.73	3.84	3.84	3.72	3.87	3.82	0.09	2.41
Total DCs	29.79	30.13	30.55	31.20	30.56	30.61	0.83	2.77
FSU	4.54	4.43	4.27	4.67	4.95	4.58	0.04	0.88
Other Europe	0.65	0.65	0.60	0.65	0.73	0.66	0.01	1.08
China	10.45	10.39	10.87	10.63	11.12	10.75	0.31	2.94
Total "Other regions"	15.64	15.46	15.75	15.95	16.80	15.99	0.35	2.27
Total world	91.15	91.33	91.17	92.92	93.76	92.30	1.15	1.26
Previous estimate	91.13	91.30	91.15	92.96	93.58	92.26	1.12	1.23
Revision	0.02	0.03	0.02	-0.04	0.18	0.05	0.03	0.03

Totals may not add up due to independent rounding.

World Oil Supply

Non-OPEC oil supply is estimated to have averaged 56.22 mb/d in 2014, an increase of 1.98 mb/d y-o-y, up by 0.26 mb/d over the previous report, driven by growth in 4Q14 from the US, Russia, the UK, Brazil, Vietnam, Kazakhstan and Latin America others as well as the upward revisions in OECD, DCs and FSU in general. Non-OPEC oil supply in 2015 is projected to grow by 1.28 mb/d, mostly in 1H15, down 80 tb/d from the previous assessment, to average 57.49 mb/d.

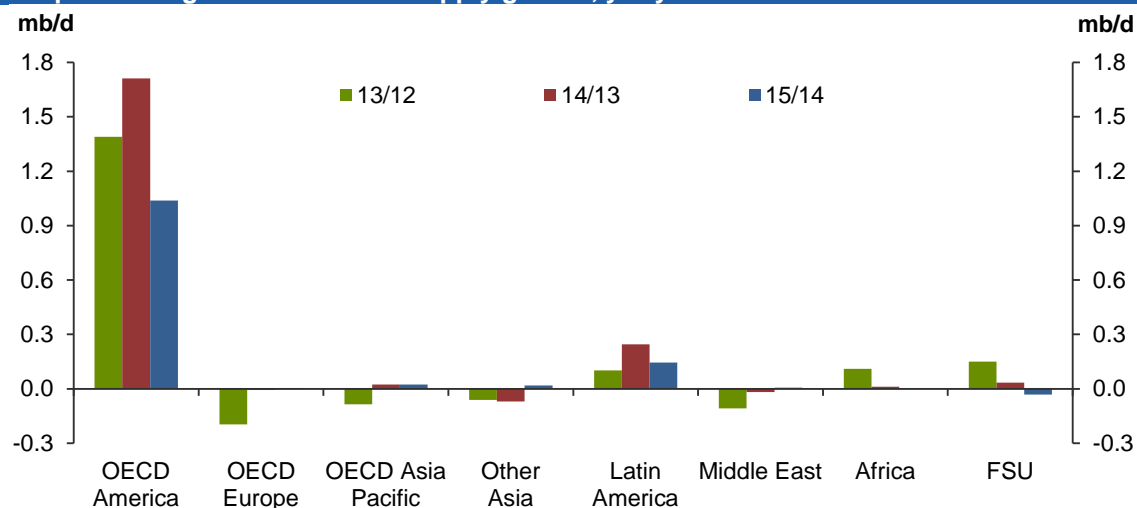
OPEC NGL production is forecast to grow by 0.18 mb/d to average 5.83 mb/d in 2014, following growth of 80 tb/d in 2013. In December, OPEC production increased by 142 tb/d to average 30.20 mb/d, according to secondary sources. As a result, preliminary data indicates that global oil supply increased by 22 tb/d in December to average 93.16 mb/d.

Estimate for 2014

Non-OPEC supply

Non-OPEC oil supply is estimated to have averaged 56.22 mb/d in 2014, an increase of 1.98 mb/d over 2013, indicating an upward revision by 0.26 mb/d from the previous *MOMR*. Within the quarters, non-OPEC oil supply encountered upward revisions in all four quarters. The mostly updated production data for 4Q led to this adjustment, as well as revisions in the other three quarters in the US, in 2Q in Canada, Latin America Others and Bahrain, and in 3Q in Canada, the UK, India, Malaysia, Trinidad & Tobago, Bahrain and FSU others.

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



Non-OPEC supply in **2014** saw two contrary developments: strong growth from OECD Americas and Latin America, as well as FSU, Africa, China and Asia Pacific, while other regions saw declines. OECD Americas' oil supply growth estimate of 1.71 mb/d in 2014 was the highest on record, while declines of 0.07 mb/d in Other Asia represented the largest contractions. Non-OPEC oil supply growth was revised up by 0.26 mb/d to 1.98 mb/d compared to the last *MOMR*.

On a quarterly basis, non-OPEC supply in 2014 is estimated at 55.64 mb/d, 55.93 mb/d, 56.23 mb/d and 57.06 mb/d, respectively.

The non-OPEC supply revision in 4Q was due to higher-than-expected production, mainly in the US and Russia, and partially due to upward revisions in in all countries. The supply profiles of the US, the UK, Denmark, India, Malaysia, Thailand, Vietnam, Latin America Others, Bahrain, Russia, Kazakhstan, FSU Others and China were revised up, while downward revisions were made to Brunei, Oman and Azerbaijan. Strong growth in OECD Americas was supported by tight crude and unconventional NGLs, while declines in the other regions were driven mainly by political, technical and weather-related factors. Disruptions mainly affected output from Mexico, Syria, Colombia, Indonesia, the UK and the Sudans.

According to preliminary and estimated data, total non-OPEC supply in 4Q14 increased by 1.64 mb/d over the same period a year earlier. During 2H14, non-OPEC supply increased by 1.67 mb/d compared with the same period of the previous year.

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

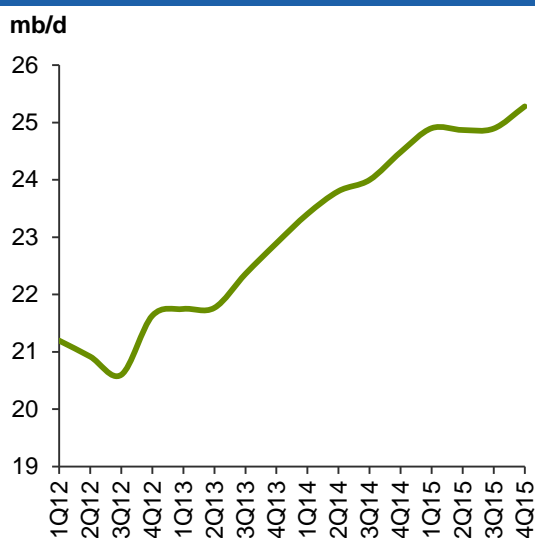
	2013	1Q14	2Q14	3Q14	4Q14	2014	Change 14/13
Americas	18.14	19.16	19.79	20.09	20.35	19.85	1.71
<i>of which US</i>	11.23	12.00	12.83	13.16	13.41	12.86	1.63
Europe	3.58	3.75	3.51	3.40	3.62	3.57	-0.01
Asia Pacific	0.48	0.50	0.50	0.51	0.51	0.50	0.02
Total OECD	22.20	23.41	23.80	24.00	24.48	23.93	1.73
Other Asia	3.59	3.55	3.52	3.47	3.54	3.52	-0.07
Latin America	4.78	4.87	4.93	5.11	5.20	5.03	0.25
Middle East	1.36	1.34	1.34	1.36	1.33	1.34	-0.02
Africa	2.40	2.44	2.41	2.40	2.39	2.41	0.01
Total DCs	12.13	12.21	12.20	12.34	12.46	12.30	0.17
FSU	13.41	13.48	13.36	13.39	13.53	13.44	0.03
<i>of which Russia</i>	10.51	10.59	10.55	10.52	10.65	10.58	0.07
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.24	4.24	4.27	4.20	4.29	4.25	0.01
Total "Other regions"	17.78	17.86	17.76	17.73	17.96	17.83	0.04
Total Non-OPEC production	52.11	53.47	53.77	54.07	54.90	54.05	1.94
Processing gains	2.13	2.16	2.16	2.16	2.16	2.16	0.03
Total Non-OPEC supply	54.24	55.64	55.93	56.23	57.06	56.22	1.98
Previous estimate	54.23	55.59	55.78	55.91	56.50	55.95	1.72
Revision	0.01	0.05	0.15	0.32	0.56	0.27	0.26

OECD

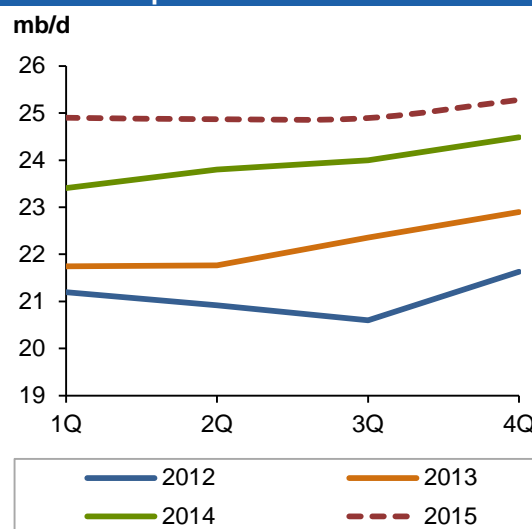
Total OECD oil supply in 2014 is estimated to grow by 1.73 mb/d to average 23.93 mb/d, indicating an upward revision of 0.21 mb/d from the last *MOMR*. Output in 4Q reached 24.48 mb/d, with an increase of 1.58 mb/d compared with the same quarter in 2013. The upward revision came from OECD Americas and OECD Europe, while OECD Asia Pacific registered unchanged data compared to the last *MOMR*.

On a quarterly basis, total OECD supply is estimated to average 23.41 mb/d, 23.80 mb/d, 24.00 mb/d and 24.48 mb/d, respectively.

Graph 5.2: OECD's quarterly production



Graph 5.3: OECD's quarterly production, annual comparison



OECD Americas

OECD Americas' oil supply is estimated to average 19.85 mb/d, showing growth of 1.71 mb/d compared with last year. It is projected to increase by 1.04 mb/d in 2015 over the previous year — lower than 2013 growth but the highest among all non-OPEC regions — to average 20.89 mb/d, representing a downward revision of 0.16 mb/d from the previous month. The US and Canada's supply are both expected to grow in 2014, while that of Mexico is estimated to decline by 90 tb/d. On a quarterly basis, OECD America's oil supply in 2014 is estimated to average 19.16 mb/d, 19.79 mb/d, 20.09 mb/d and 20.35 mb/d, respectively.

US

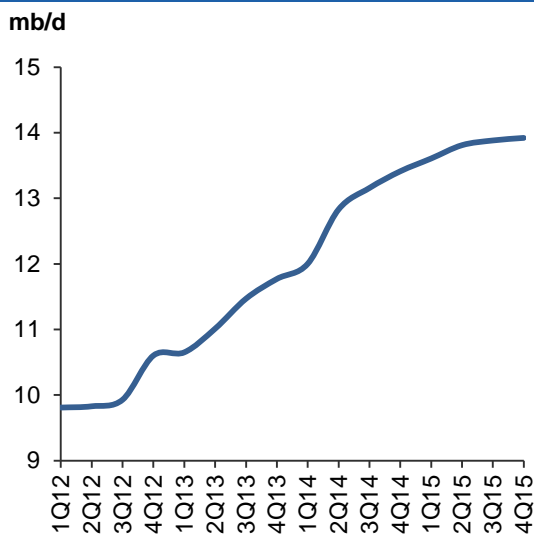
US total oil supply is estimated to increase by 1.63 mb/d to average 12.86 mb/d in 2014, representing an upward revision of 0.18 mb/d from the last *MOMR*. US liquids production was pegged at 13.40 mb/d in October, higher y-o-y by 1.72 mb/d and up m-o-m by 70 tb/d, with crude output higher by 65 tb/d. Support came from a post-maintenance ramp up in Alaska, where production rose to a five-month high of 0.54 mb/d. Crude output rose above 9 mb/d for the first time since March 1986, higher y-o-y by 1.36 mb/d, due to the continuation of tight crude production. US oil output is expected to fall in the coming months due to reductions in active drilling rigs from 1 November 2014 to 7 January 2015, including 66 rigs at the Permian basin, 33 rigs at Williston, North Dakota and 16 rigs at Eagle Ford. The production from Gulf of Mexico (GOM) is not expected to decline in 2015 due to a number of startups and ramp-ups of projects already initiated in 2014. Nevertheless, GOM output in October fell to 1.42 mb/d, lower by 23 tb/d than September's output.

Elsewhere, in North Dakota, oil production fell to average 1.18 mb/d due to the implementation of new flaring regulations as opposed to a pullback from producers in light of falling prices. Moreover, Bakken producers now face additional costs in addition to the flaring; all crudes must be treated and tested before shipment by rail to reduce the explosion risks in derailments. The order requires compliance with a series of temperature and pressure parameters, restricting the vapour pressure of crude oil to 13.7 psi, 1 psi below the national standard. This will be enforceable as of 1 April 2015 and will add approximately \$1.5-2.0/b to costs. The impact of these regulations will not be experienced until 2Q15. Fringe producers with a higher NGL content in their output

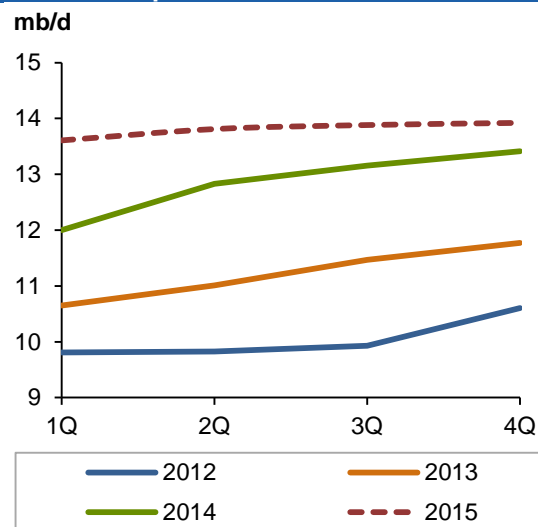
will be particularly impacted and may be forced to shut in output due to the lack of infrastructure to capture the NGL.

With ample transportation infrastructure and nearby demand centres, Eagle Ford producers are at an advantage relative to those at the Bakken site. Therefore, the impact from lower prices may not be as significant as for the producers in the north. Texas is a main source of much of the production growth experienced in onshore oil. The Eagle Ford play has three main sections: the oil window in the north (64%), the 'wet gas' (NGLs and condensates) window below that (14%), and the dry gas window in the south (22%). According to the Texas Railroad Commission (RRC), the main liquid areas are in Wilson, La Salle, DeWitt, Gonzales, McMullen and Dimmit counties. Indeed, of the 32 counties making up the Eagle Ford, just six account for 89% of its output. It is expected that Eagle Ford crude (and NGLs) production will average 1.27 mb/d this year, up y-o-y by 0.18 mb/d. Texas RRC data for October placed Texas county crude and condensate output at 3.2 mb/d, with y-o-y growth rates at 0.62 mb/d. Within that, Eagle Ford output averaged 1.71 mb/d, higher y-o-y by 0.59 mb/d, with condensate production making up 0.5 mb/d of the Eagle Ford total, up y-o-y by 0.14 mb/d.

Graph 5.4: US quarterly production



Graph 5.5: US quarterly production, annual comparison



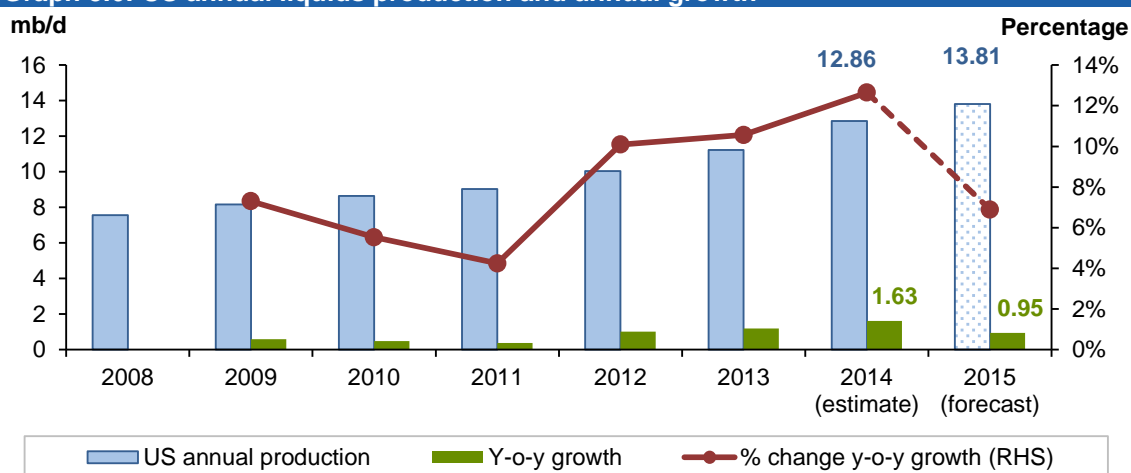
Permian basin total output was 1.69 mb/d, higher y-o-y by 0.43 mb/d, according to RRC data. Permian shale output increased by 0.2 mb/d this year to 0.37 mb/d, compared to growth of 50 tb/d in 2013. The Permian accounts for almost one-third of US drilling activity, with Baker Hughes data showing 527 rigs active in the basin, compared to 460 a year earlier. In the Midland basin, horizontal activity is focused on the Wolfcamp and Spraberry layers, which cover eight counties in West Texas. There is greater potential for drilling efficiencies to be realized in the Midland basin, as only 60% of new wells drilled in the layer are pad wells, compared to just over 80% in the Eagle Ford. There is also disparity between drilling efficiencies in the Eagle Ford and Permian basins, with a horizontal rig in the Eagle Ford able to drill a well in 13 days, versus 25 days in the Permian. This can be attributed to the proliferation of pad drilling in the Eagle Ford (pad wells have risen from 38% of total wells drilled in 2011 to over 80% today).

New projects that started to come online in 4Q14 (peak production capacity of 0.26 mb/d) should boost GOM output at year end. The Cardamom (50 tb/d) project came online in September; mid-November saw the commencement of first oil at

Chevron and Hess' Tubular Bells development, which is expected to produce roughly 50 tboe/d by year end. Anadarko's Lucius project produced first oil in December and finally, Jack St. Malo also started up in December with a peak capacity of 0.1 mb/d. Thus, averaged across the year, GOM volumes are unlikely to grow by much more than 0.1 mb/d, as high decline rates at existing fields offset much of the new additions. Overall, it is expected that in 1H15, y-o-y growth will accelerate to 0.15 mb/d, supported by 4Q14 ramp-ups.

One area also likely to be impacted is US Gulf Coast (USGC) NGL output. Some producers have started shifting rigs away from NGLs/liquids into dry gas production in regions such as Haynesville in response to lower crude prices. The latter is believed to offer better returns. NGL prices have fallen by some 35% and Eagle Ford rig counts have declined by 18 since July.

Graph 5.6: US annual liquids production and annual growth



Source: OPEC Secretariat.

In general, with rig counts declining in major tight crude production regions, producers are likely to cut back on drilling activity, particularly in the fringe areas, as capex is being reduced, which will ultimately reduce growth rates, albeit with a time lag. NGL output across the US is at risk, with some rigs already moving to dry gas plays.

On a quarterly basis in 2014, US oil supply is expected to stand at 12.00 mb/d, 12.83 mb/d, 13.16 mb/d and 13.41 mb/d, respectively.

Canada and Mexico

Oil supply in **Canada** registered growth of 0.18 mb/d in 2014 to average 4.18 mb/d, unchanged compared to the previous month. Canadian oil output was revised down by 10 tb/d and 14 tb/d in 2Q14 and 4Q14, respectively, and 3Q14 was revised up by 24 tb/d. Rigs searching for oil in Canada fell by 25 to 190 at the end of the second week of December, the lowest on a seasonal basis since 2009. Usually 1Q and 4Q have the highest output in Canada due to the seasonal pattern, but under current price conditions, it is very difficult to predict how much of the marginal barrels will come on stream in the next months.

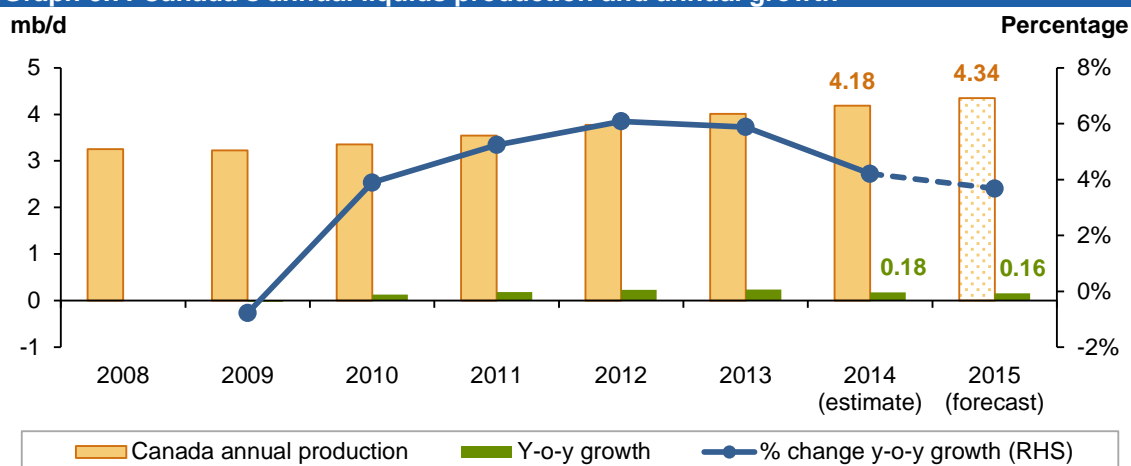
Oil sand extraction in Alberta and Duvernay shale are among the highest break-even price areas in the world to produce. Approximately one-fourth of oil sand projects are at risk as prices fall over a sustained period. The wells are more costly to drill than in the US because of the remote locations and higher labour costs, hence, operational costs are twice that of the GOM's breakeven. Heavy Western Canadian Select, among the

World Oil Supply

world's lowest priced crudes, fell below \$40/b last December for the first time in five years.

On a quarterly basis, Canada's supply in 2014 is estimated to average 4.27 mb/d, 4.11 mb/d, 4.16 mb/d and 4.20 mb/d, respectively.

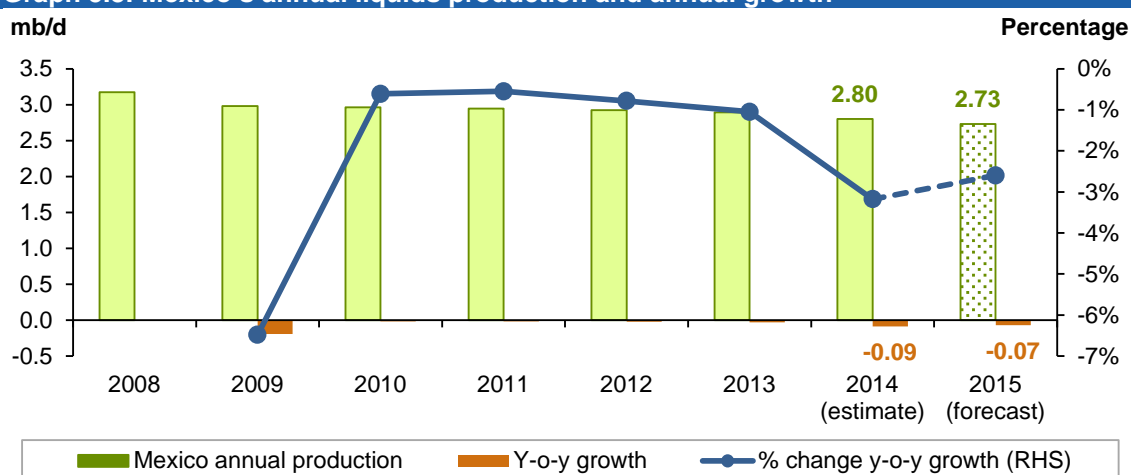
Graph 5.7: Canada's annual liquids production and annual growth



Source: OPEC Secretariat.

Mexico's oil supply reached an average of 2.80 mb/d in 2014, showing a decline of 90 tb/d, unchanged from the previous month's estimation. Mexican liquids output declined by 10 tb/d m-o-m, to 2.72 mb/d in November, with y-o-y declines at a steep 0.16 mb/d. Preliminary figures of crude output for December already show output unchanged at 2.36 mb/d. Crude output was steady m-o-m at its record low of 2.36 mb/d, lower y-o-y by 0.15 mb/d. In 2013, Mexico produced 2.52 mb/d of crude oil, consisting of 1.37 mb/d of heavy crude, 0.85 mb/d of light crude and 0.31 mb/d of super light grade. A total of 2.89 mb/d was produced, including 0.36 mb/d of NGLs in 2013. Oil declines were led by heavy crude production, which was lower by 0.13 mb/d compared to a year earlier, as production from the Cantarell field dropped by 73 tb/d compared to last November.

Graph 5.8: Mexico's annual liquids production and annual growth



Source: OPEC Secretariat.

On the other hand, light oil output also started decreasing in 4Q14, due to declines at mature fields such as Ligerio Marino, which dropped by 0.11 mb/d. Mexico also hopes to increase light crude output by opening up the energy sector next year. Contract terms were released in December for 14 shallow field blocks that are expected to yield more than 80 tb/d. Nevertheless, crude output is expected to continue falling in 2015. In November 2014, Ku-Maloob-Zaap, Cantarell, Chu and Ligerio Marino were the most productive fields with average output of 0.86 mb/d, 0.28 mb/d, 0.26 mb/d and 0.12 mb/d, respectively.

On a quarterly basis, Mexico's supply in 2014 is seen to average 2.87 mb/d, 2.85 mb/d, 2.77 mb/d and 2.73 mb/d, respectively.

OECD Europe

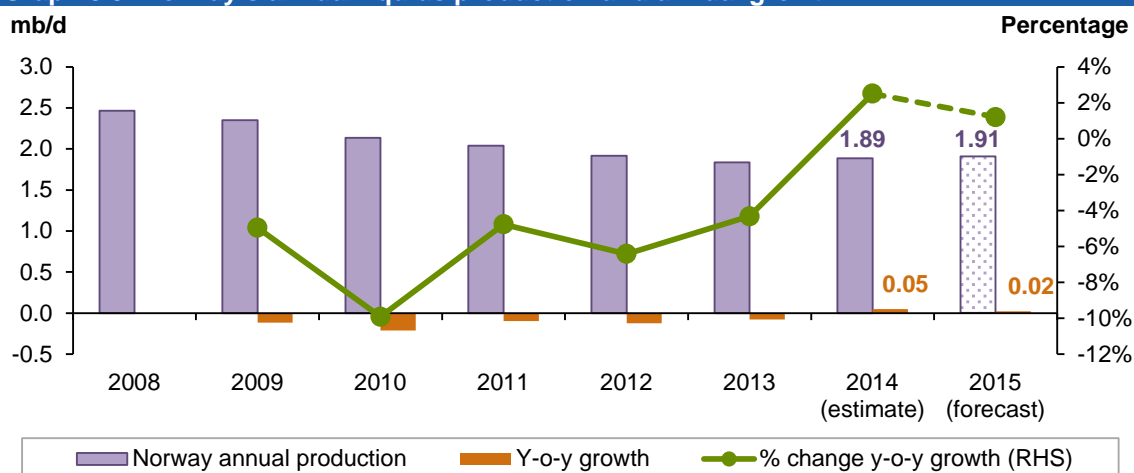
Total **OECD Europe oil supply**, which declined by 0.20 mb/d to average 3.58 mb/d in 2013, decreased by only 10 tb/d from the previous year to average 3.57 mb/d in 2014, revised up by 10 tb/d from the previous *MOMR*. Output from the region is expected to continue on an upward trend in 1Q15. 4Q14 was revised up by 60 tb/d due to higher output of Norway, the UK and even Denmark.

OECD Europe is expected to see quarterly supply of 3.75 mb/d, 3.51 mb/d, 3.40 mb/d and 3.62 mb/d, respectively.

Norway's oil supply increased by 0.05 mb/d from the previous year to average 1.89 mb/d in 2014, unchanged from the previous *MOMR*. Preliminary production figures for November 2014 indicate an average production of about 1.94 mb/d of oil, NGLs and condensate. November's output was 20 tb/d less than in October 2014, however output in 4Q14 was higher than 3Q14 by 80 tb/d, at 1.94 mb/d. Out of this, 1.47 mb/d was oil, 0.35 mb/d was NGLs and 0.12 mb/d was condensate. According to the monthly report of the Norwegian Petroleum Directorate (NPD), the Fram H-Nord, Gullfaks Sør, Oseberg Sør, Skarv, Skuld, Ula and Visund fields had reduced production in November due to technical problems. So far this year, oil production is about 1% above the NPD's prognosis and about 2% higher than at the same time in 2013.

On a quarterly basis, Norway's production is seen to average 1.96 mb/d, 1.79 mb/d, 1.86 mb/d and 1.94 mb/d, respectively.

Graph 5.9: Norway's annual liquids production and annual growth



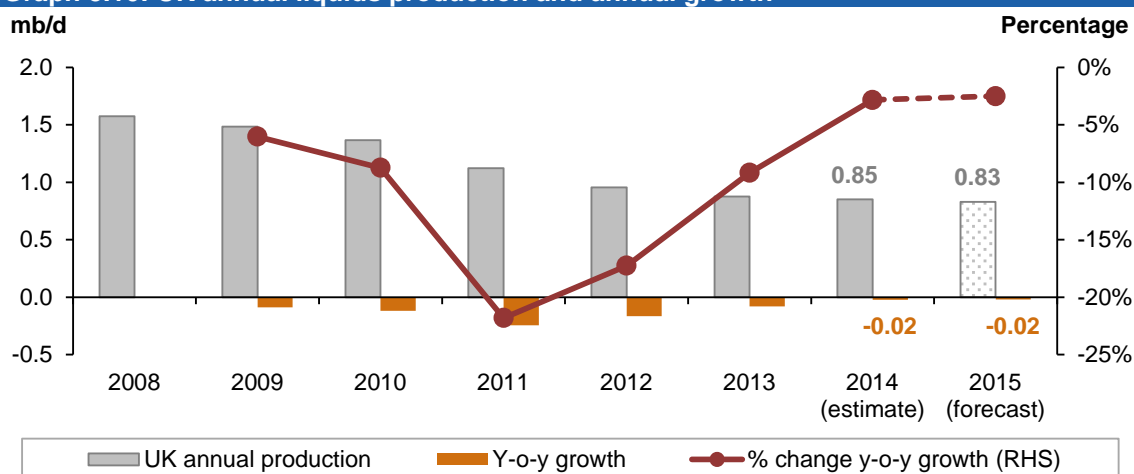
Source: OPEC Secretariat.

The **UK's** oil supply registered an average of 0.85 mb/d, representing a decline of 20 tb/d in 2014, y-o-y, revised up by 20 tb/d from the previous *MOMR*. Total UK production in 2014 consisted of 0.78 mb/d of crude oil and 0.06 mb/d of NGLs. UK November liquids production eased m-o-m by 70 tb/d to 0.78 mb/d, lower y-o-y by 90 tb/d, despite the completion of field maintenance and steady, albeit slightly lower-than-usual, output from the Buzzard field at around 0.17 mb/d.

However, outages at smaller fields weighed, e.g. the 25 tb/d Huntington field has been offline since October, and its restart was delayed until end-December with full production slated to resume by January 2015. Thus, November Forties loadings fell back to below 0.4 mb/d as seven cargoes were delayed. This trend continued into December as the Buzzard field suffered a small outage, severe weather caused production to be shut-in at platforms (e.g. Buchan Alpha), and loadings were suspended at the Sullon Voe port during parts of the month.

On a quarterly basis, UK oil output in 2014 is estimated to average 0.97 mb/d, 0.90 mb/d, 0.71 mb/d and 0.84 mb/d, respectively.

Graph 5.10: UK annual liquids production and annual growth



Source: OPEC Secretariat.

OECD Asia Pacific

OECD Asia Pacific's oil supply is expected to increase by 20 tb/d in 2014 to average 0.50 mb/d, which is unchanged from the previous month. Australia's oil supply is likely to increase by 20 tb/d in 2014, while New Zealand's production is forecast to show an increase by less than 10 tb/d from a year earlier.

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

Australia's oil supply increased by 20 tb/d to average 0.42 mb/d in 2014, unchanged from the last *MOMR*. The updated production data was not changed in the fourth quarter. Australia's oil production outlook for 2015 could follow the same trend as in 2014 on expected healthy oil from new start-up projects. However, the forecast risk in 2015 is on the high side due to the IOC's budget cuts for investment in the upstream, as well as issues related to logistics and unplanned shutdowns due to the weather.

On a quarterly basis, Australia's oil supply is seen to stand at 0.41 mb/d, 0.42 mb/d, 0.42 mb/d and 0.42 mb/d, respectively.

Developing countries

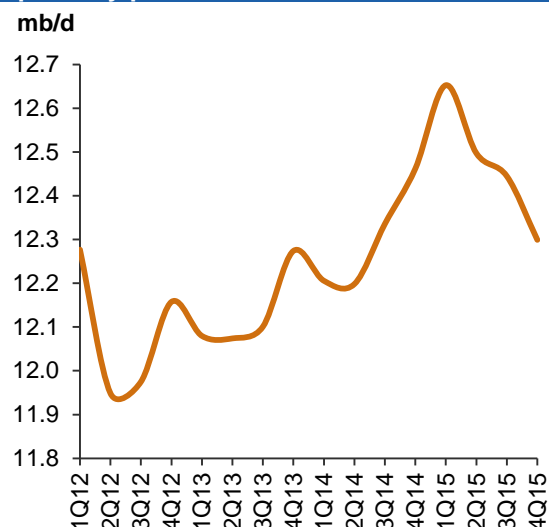
Total **developing countries' (DCs')** oil output reached 12.30 mb/d in 2014, indicating an increase of 0.17 mb/d, revised up by 40 tb/d from the last *MOMR*. Growth in 2014 is expected after a significant decline in 2013, due mainly to political, technical and weather-related factors. According to preliminary data, supply averaged 12.46 mb/d in 4Q14, up by 0.19 mb/d from the same period a year earlier.

On a quarterly basis, total oil supply in DCs is estimated to average 12.21 mb/d, 12.20 mb/d, 12.34 mb/d and 12.46 mb/d, respectively.

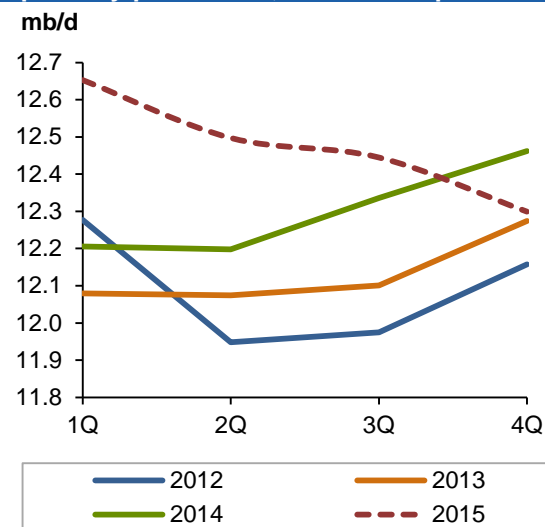
Total DCs' oil supply is projected to grow by 0.17 mb/d to average 12.47 mb/d in 2015, representing an upward revision of 40 tb/d from the previous month. This growth is supported mainly by Latin America, Other Asia and the Middle East, while Africa's supply is seen to drop during the year.

On a quarterly basis, total oil supply in the DCs in 2015 is projected to average 12.65 mb/d, 12.50 mb/d, 12.44 mb/d and 12.30 mb/d, respectively.

Graph 5.11: Developing Countries' quarterly production



Graph 5.12: Developing Countries' quarterly production, annual comparison



Other Asia

Other Asia's oil production is estimated to decrease by 70 tb/d in 2014 to average 3.52 mb/d, representing a downward revision in growth by 20 tb/d from the previous *MOMR*. Other Asia's supply was revised up during 4Q14 by 50 tb/d, and this was partly carried over to 2015.

On a quarterly basis, Other Asia's supply in 2014 is forecast to average 3.55 mb/d, 3.52 mb/d, 3.47 mb/d and 3.54 mb/d, respectively.

India's oil supply is estimated to be stagnant in 2014 with an average of 0.87 mb/d, revised up by 10 tb/d from the previous month. 4Q14 was revised up by 10 tb/d to average 0.87 mb/d.

Thailand's production is also expected to be flat at 0.36 mb/d in 2014, unchanged from the previous *MOMR*. 4Q14 remained unchanged.

Indonesia's oil production is expected to decrease by 40 tb/d in 2014 to average 0.91 mb/d, flat from the previous *MOMR*. 4Q14 remained unchanged.

Malaysia's supply is projected to experience an increase in 2014 of 10 tb/d to average 0.68 mb/d, constituting an upward revision of 10 tb/d from the last *MOMR*. Due to strong production in 4Q14, supply was revised up by 20 tb/d to an average of 0.69 mb/d.

Oil production in **Vietnam** declined by 20 tb/d to average 0.36 mb/d in 2014, revised up by 10 tb/d from the last *MOMR*. And finally **Brunei's** oil supply is estimated to decline by 10 tb/d to average 0.12 mb/d in 2014.

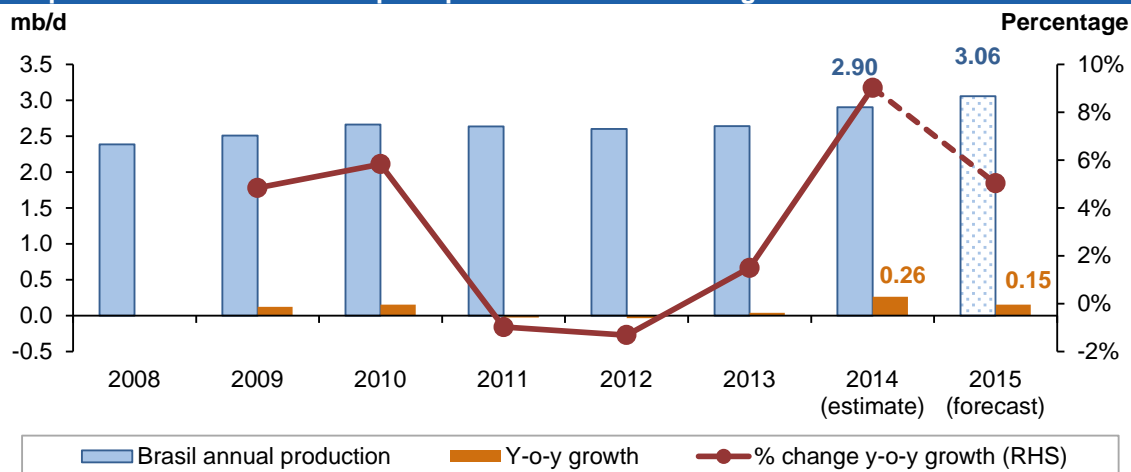
Latin America

Latin America's oil supply is estimated to grow by 0.25 mb/d to average 5.03 mb/d in 2014, revised up by 20 tb/d from the last *MOMR*. In 2015, supply is forecast to grow by 0.14 mb/d to average 5.17 mb/d, representing an upward revision of 20 tb/d. Latin America is the third-highest driver of growth among all the non-OPEC regions. It is expected that Brazil and Latin America Others will contribute to growth in 2014, while output from Argentina and Colombia is likely to experience a decline of 10 tb/d and 20 tb/d in 2014 to average 0.66 mb/d and 1.01 mb/d, respectively.

On a quarterly basis, Latin America's supply in 2014 is expected to stand at 4.87 mb/d, 4.93 mb/d, 5.11 mb/d and 5.20 mb/d, respectively.

Brazil's supply is estimated to average 2.90 mb/d in 2014, indicating an increase of 0.26 mb/d over the previous year, with an upward revision of 10 tb/d from the previous *MOMR*, mainly due to an upward adjustment on production data from 4Q14. Oil output exclusively from Petrobras' fields in Brazil increased to average 2.46 mb/d in November, 30 tb/d down from the record 2.49 mb/d October output. Nevertheless, liquids output, excluding biofuels, was up by 10.3% within 11 months compared to the same period of a year earlier. According to Petrobras' announcement, maintenance stoppages and temporary shutdowns at seven platforms affected production in November. Nevertheless, pre-salt production reached another record high of 0.67 mb/d on 28 November, following the start-up of six offshore wells and the 0.15 mb/d FPSO Ilhabela, which will reach peak output in 2H15. The mature Campos basin saw output rise y-o-y by 0.13 mb/d due to a programme designed to offset declines.

Graph 5.13: Brazil's annual liquids production and annual growth



Source: OPEC Secretariat.

On a quarterly basis, Brazil's supply in 2014 is expected to stand at 2.73 mb/d, 2.84 mb/d, 2.98 mb/d and 3.06 mb/d, respectively.

Middle East

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

Oman, non-OPEC's biggest producer in the region, is estimated to continue its production at a level of 0.94 mb/d in 2014, the same level as in 2013.

Syria's output is expected to drop by 30 tb/d in 2014 to average 30 tb/d. This downward movement is due to the country's current political situation, which is associated with a high level of risk. Thus, Syrian oil production is expected to drop by 50 tb/d in 2014.

Yemen's production is also expected at 0.14 mb/d in 2014, unchanged from a year earlier.

Oil production in **Bahrain** is expected to increase in 2014 by 10 tb/d to average 0.23 mb/d, representing an upward revision of 10 tb/d.

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 2014 is seen to average 1.34 mb/d, 1.34 mb/d, 1.36 mb/d and 1.33 mb/d, respectively.

Africa

Africa's oil supply is projected to average 2.41 mb/d in 2014, a small increase of 10 tb/d from the previous year, in spite of a positive revision of 10 tb/d in 4Q14, unchanged from the previous *MOMR*. Oil production in the Sudans and Equatorial Guinea is expected to increase, while oil output of other African countries will remain steady or see a minor decline in 2014. Oil supply in 2015 is expected to average 2.41 mb/d, remaining steady from 2014, revised up by 20 tb/d from the previous *MOMR*.

On a quarterly basis, Africa's oil supply in 2014 is expected to average 2.44 mb/d, 2.41 mb/d, 2.40 mb/d and 2.39 mb/d, respectively.

FSU, other regions

Total FSU oil supply is estimated to increase by 30 tb/d in 2014 to average 13.44 mb/d, with an upward revision of 20 tb/d in growth from the previous month. This revision was due mainly to updated production figures from 4Q14. The production data of Russia, Kazakhstan and FSU others encountered upward revisions in 4Q14 that partly carried over to 2015. A downward revision of 13 tb/d was also made to Azerbaijan's 4Q14 production data.

On a quarterly basis, total supply from the FSU in 2014 is seen to average 13.48 mb/d, 13.36 mb/d, 13.39 mb/d and 13.53 mb/d, respectively.

FSU's oil production, with the exception of FSU others, is forecast to decline in 2015, to average 13.41 mb/d.

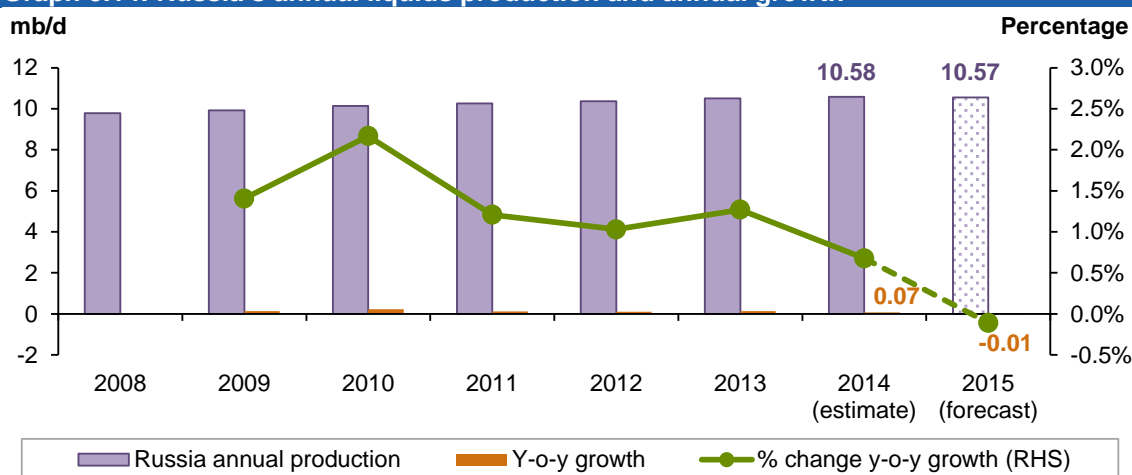
On a quarterly basis, FSU total oil output in 2015 is anticipated to average 13.52 mb/d, 13.41 mb/d, 13.35 mb/d and 13.36 mb/d, respectively.

Russia

Despite financial sanctions and the impact of the falling global oil price, **Russia's** preliminary data on oil supply indicates a record high of 10.67 mb/d led by PSA operators, mainly by small companies, increasing by 40 tb/d in December. Rosneft's output declined m-o-m by 10 tb/d, while the other Russian majors' output remains stagnant in December.

Russia's liquids production is estimated to increase by 0.07 mb/d in 2014 to average 10.58 mb/d, representing an upward revision of 20 tb/d from the previous *MOMR*.

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

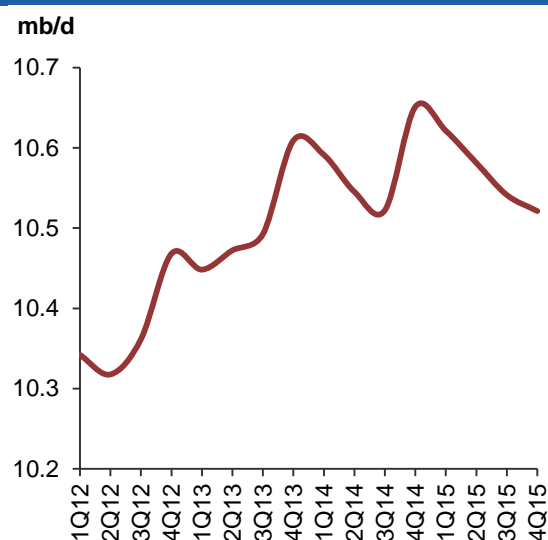


Source: OPEC Secretariat.

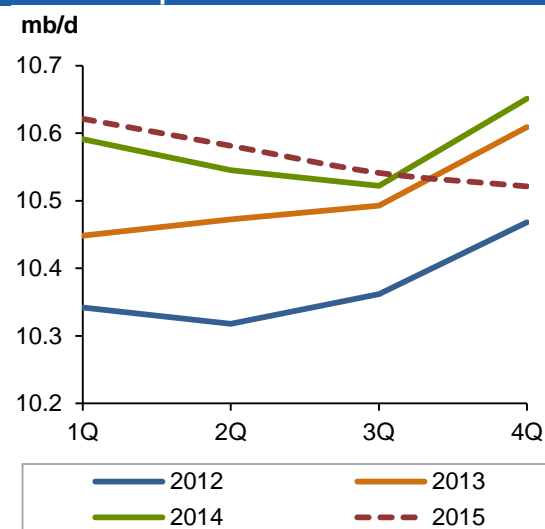
In 2014, output from new fields was struggling to compensate for declining production at mature fields, particularly in the Western Siberian region. Keeping oil output high has been a priority for the government, although Russian companies have been faced with IOC cooperation stoppages. The Vankor project, which was mainly responsible for the growth achieved in previous years, did not reach its peak of 0.5 mb/d in 2014, but is expected to reach an average of 0.46 mb/d in 2016. Eastern Siberian fields have been a key source of incremental growth in output. 2015 output could decline y-o-y by over 0.1 mb/d, given the impact of sanctions, low prices and no large projects expected to come online, making declines from Western Siberian assets more apparent. Russian crude exports fell to a record low of 3.35 mb/d, lower m-o-m and y-o-y by 0.6 mb/d, due to the export duty being cut from 59% in 2014 to 42% in 2015. Bad weather at Russian ports exacerbated this decline.

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

Graph 5.15: Russia's quarterly production



Graph 5.16: Russia's quarterly production, annual comparison



Caspian

Kazakhstan's oil supply decreased by 20 tb/d over the previous year to average 1.62 mb/d in 2014, revised down by 10 tb/d from the previous *MOMR*, despite an upward revision of 10 tb/d in 4Q14. Kazakhstan's output increased m-o-m by 0.14 mb/d to 1.72 mb/d in November due to the end of maintenance in September and October. Oil production from the Tengiz complex rebounded to a three-month high.

On a quarterly basis in 2014, output will average 1.65 mb/d, 1.57 mb/d, 1.61 mb/d and 1.64 mb/d, respectively.

Azerbaijan's oil supply is estimated to decrease by 10 tb/d over the previous year to average 0.85 mb/d in 2014, unchanged from the previous *MOMR*. Output in November was lower m-o-m by 20 tb/d at 0.83 mb/d, hence the 4Q14 was revised down by 13 tb/d to average 0.84 mb/d.

On a quarterly basis in 2014, Azerbaijan's oil output is estimated to average 0.85 mb/d, 0.87 mb/d, 0.86 and 0.84 mb/d, respectively.

Oil supply in FSU Others, mainly in Turkmenistan, was revised up by 8 tb/d and 11 tb/d in 3Q and 4Q14, respectively. The total output in 2014 is expected to be unchanged from last year at 0.39 mb/d.

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

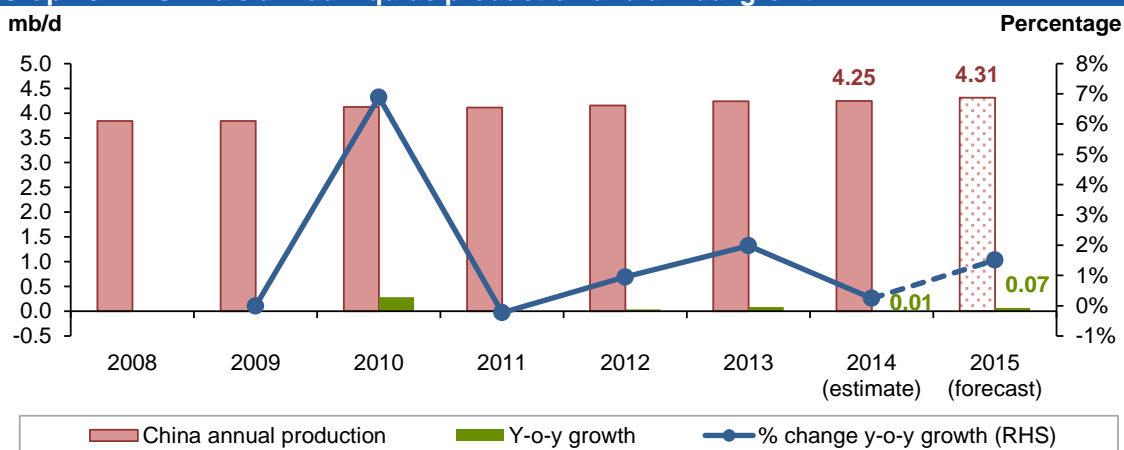
China

China's supply is estimated to grow by 10 tb/d over the previous year to average 4.25 mb/d in 2014, unchanged from the previous month. Chinese crude oil output reached a record high of 4.37 mb/d, rising for the fourth straight month and higher y-o-y by 90 tb/d, the strongest growth since June 2013. A revision in 4Q was introduced to adjust for updated production. Following declines at the Daqing and Changqing fields in October, production stabilized in November, while CNOOC's Wenchang 13-6 field ramped up, having started up in August. The offshore Enping 24-2 FPSO also started

up in late October at an initial rate of 8 tb/d and will reach peak production of 40 tb/d in 2017. The Panyu 34-1/35-1/35-2 gas fields started up in early December and may boost some condensate volumes at the margin. 4Q14 output, which was at its highest level in 2014 at 4.29 mb/d, decreased by 10 tb/d compared to 4Q13. Nonetheless, across 2014, Chinese oil production is likely to be flat y-o-y, despite the start-up of three major oil fields — offshore Kenli 3-2 and Panyu 10-2/5/8 as well as the Wencheng 13-6 projects in the South China Sea — as underlying decline rates remain high. In 2015, however, production is expected to rise as the new projects from 2014 continue to ramp up.

On a quarterly basis, China's supply in 2014 is seen to average 4.24 mb/d, 4.27 mb/d, 4.20 mb/d and 4.29 mb/d, respectively.

Graph 5.17: China's annual liquids production and annual growth



Source: OPEC Secretariat.

Forecast for 2015

Non-OPEC supply

Non-OPEC oil supply is forecast to grow by 1.28 mb/d in 2015 to average 57.49 mb/d, indicating a downward revision of 80 tb/d from the previous report. There were various upward and downward revisions applied to nearly all quarters of 2014 oil supply estimations for non-OPEC producers, which were partially carried over to 2015. Non-OPEC supply growth in 2015 is expected to experience increases in all the quarters of 2015 on a y-o-y basis, but at a slower pace. The main factors for the lower growth prediction in 2015 are lower oil price expectations, the declining number of active rigs in North America, the decrease in drilling permits in the US and the reduction in IOCs' 2015 spending plans.

Another indication of uncertainty in the production growth outlook 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. According to the latest report of Baker Hughes, the US drilling rig count plunged by 61 units — almost entirely land-based oil rigs — to settle at 1,750 rigs working during the week ended 9 January. The average US rig count for December was 1,882, down 43 from November but up 111 from December 2013. Horizontal drilling rigs decreased by 35 units to 1,301. Directional drilling rigs dropped 14 units to 161.

Canada, coming off a 48-unit loss last week, more than rebounded with a 158-unit spike to 366. Oil rigs represented the bulk of that gain, rocketing 129 units to 181. Gas rigs were up 29 units to 185. Canada still has 111 fewer rigs compared with this week a year ago.

On a regional basis, OECD Americas is expected to have the highest growth by 1.04 mb/d, followed by Latin America, China, Other Asia, OECD Asia Pacific and the Middle East, while FSU is seen to decline. By country, growth is expected to come mainly from the US, Canada, Brazil and China, while oil supply from Mexico, the UK, Indonesia, Egypt and FSU is seen to decline. The risk and uncertainties associated with the supply forecast due to the oil price fall remain high, especially for the US, Canada, Russia, Norway and the UK.

On a quarterly basis, non-OPEC supply in 2015 is expected to average 57.69 mb/d, 57.37 mb/d, 57.30 mb/d and 57.61 mb/d, respectively.

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

	2014	1Q15	2Q15	3Q15	4Q15	2015	Change 15/14
Americas	19.85	20.69	20.80	20.94	21.14	20.89	1.04
<i>of which US</i>	12.86	13.61	13.81	13.88	13.92	13.81	0.95
Europe	3.57	3.68	3.53	3.42	3.64	3.57	0.00
Asia Pacific	0.50	0.53	0.54	0.53	0.50	0.53	0.02
Total OECD	23.93	24.90	24.87	24.89	25.28	24.99	1.06
Other Asia	3.52	3.60	3.56	3.52	3.47	3.54	0.02
Latin America	5.03	5.22	5.16	5.19	5.12	5.17	0.14
Middle East	1.34	1.37	1.36	1.34	1.33	1.35	0.01
Africa	2.41	2.46	2.42	2.40	2.37	2.41	0.00
Total DCs	12.30	12.65	12.50	12.44	12.30	12.47	0.17
FSU	13.44	13.52	13.41	13.35	13.36	13.41	-0.03
<i>of which Russia</i>	10.58	10.62	10.58	10.54	10.52	10.57	-0.01
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.25	4.30	4.28	4.30	4.36	4.31	0.07
Total "Other regions"	17.83	17.96	17.83	17.79	17.86	17.86	0.03
Total Non-OPEC production	54.05	55.52	55.20	55.13	55.44	55.32	1.27
Processing gains	2.16	2.17	2.17	2.17	2.17	2.17	0.01
Total Non-OPEC supply	56.22	57.69	57.37	57.30	57.61	57.49	1.28
Previous estimate	55.95	57.10	57.05	57.33	57.75	57.31	1.36
Revision	0.27	0.59	0.32	-0.03	-0.14	0.19	-0.08

Revisions to the 2015 forecast

In addition to historical revisions, there were a few offsetting adjustments to the 2015 non-OPEC supply forecast. The US total oil supply forecast in 2015 was revised down by 100 tb/d, Canada revised down by 60 tb/d, and Norway, the UK, Sudans, Egypt, Oman and Trinidad & Tobago each down by 10 tb/d, compared to the last *MOMR*. However, due to the change in the baseline, total supply growth indicated a decline. Nevertheless, growth is expected for some countries in 2015, due to already planned projects, particularly offshore as well as strategic projects, which have been implemented since 1H14 and will continue to be implemented.

US oil production is anticipated to average 13.81 mb/d in 2015, indicating slower growth, by 0.95 mb/d, y-o-y. It has been revised down by 100 tb/d compared to last month's prediction as the steep drop in global oil prices could endanger the marginal

barrel's output from unconventional sources (i.e. tight crude and unconventional NGLs), as well as the oil extracted from "stripper wells". Moreover, the Bakken production in North Dakota is subject to follow the new rail transportation safety standards for crude oil that stipulate operating standards for oil-conditioning equipment at the well to separate fluids into gas and liquids. These regulations will go into effect as of 1 April, potentially slowing production and increasing costs.

Tight crude producers are aware that the typical oil wells in shale plays decline 60% annually, and this loss will be recouped only by drilling new wells. As drilling subsides due to high costs and a potentially sustained low oil price, production could be expected to follow, possibly late in 2015.

On a quarterly basis, US liquids supply in 2015 is expected to average 13.61 mb/d, 13.81 mb/d, 13.88 mb/d and 13.92 mb/d, respectively.

Canada's oil output is forecast to average 4.34 mb/d in 2015, an increase of 0.16 mb/d over the previous year, but with a downward revision of 60 tb/d compared with the previous *MOMR*. This revision comes on the back of weak production figures late in 4Q14, which were carried over to 2015. Despite the downward revision that had an impact on 2014 supply estimates, Canada's oil production outlook in 2015 remains steady on expected conventional oil, but the output from unconventional sources could be affected gradually by sustained low oil prices.

On a quarterly basis, Canada's oil supply in 2015 is expected to average 4.34 mb/d, 4.26 mb/d, 4.30 mb/d and 4.47 mb/d, respectively.

Oil production in **FSU**, particularly in **Russia**, could decline in 2015 given the impact of sanctions, low prices and no large projects expected to come online, making declines from Western Siberian assets more apparent. Nevertheless, as seen in December, Russian oil output increased by 30 tb/d, m-o-m, led by PSA operators, despite a drop of 90 tb/d in Rosneft output. Therefore, the production outlook for the coming months is uncertain.

Preliminary predictions indicate that Russian oil output in 2015 on a quarterly basis would be at 10.62 mb/d, 10.58 mb/d, 10.54 mb/d and 10.52 mb/d, respectively.

The FSU total output in 2015 on a quarterly basis is forecast at 13.52 mb/d, 13.41 mb/d, 13.35 mb/d and 13.36 mb/d, respectively.

Since many fields in the **North Sea** region are old and reaching the end of their lives, from an engineering point of view, the decision to cease production is often irreversible, and also lengthy and costly. Accordingly, it is possible for some platforms to share their cost burden with other linked fields. **Norway's** oil output in 2014 could grow compared to a year earlier with the help of higher investment, and the **UK** could slow down the annual decline rate in 2014.

No growth is forecast for **OECD Europe** in 2015 compared to 2014 and on a quarterly basis, output is forecast at 3.68 mb/d, 3.53 mb/d, 3.42 mb/d and 3.64 mb/d, respectively.

In **Brazil**, despite the fall in oil prices, Petrobras reported record output of 2.47 mb/d in December, with pre-salt output reaching another record high of 0.7 mb/d. However, future projects could be at risk. The company is expected to cut Capex this year, which could temper growth from 2H15.

OPEC NGLs and non-conventional oils

OPEC natural gas liquids (NGLs) and non-conventional oils were estimated to average 5.83 mb/d in 2014, representing growth of 0.18 mb/d over the previous year. In 2015, OPEC NGLs and non-conventional oil are projected to average 6.03 mb/d, an increase of 0.20 mb/d over the previous year. There are no changes in the 2014 estimation and 2015 predictions for OPEC NGLs and non-conventional production compared with the last *MOMR*.

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

	<i>Change</i>								<i>Change</i>		<i>Change</i>
	<u>2012</u>	<u>2013</u>	<u>13/12</u>	<u>1Q14</u>	<u>2Q14</u>	<u>3Q14</u>	<u>4Q14</u>	<u>2014</u>	<u>14/13</u>	<u>2015</u>	<u>15/14</u>
Total OPEC	5.57	5.65	0.08	5.73	5.79	5.86	5.93	5.83	0.18	6.03	0.20

OPEC crude oil production

According to secondary sources, total OPEC crude oil production averaged 30.20 mb/d in December, an increase of 142 tb/d over the previous month. Crude oil output increased mostly from Iraq, while production showed the largest drop in Libya. According to secondary sources, OPEC crude oil production, not including Iraq, stood at 26.59 mb/d in December, down by 0.14 mb/d over the previous month.

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

	<u>2013</u>	<u>2014</u>	<u>2Q14</u>	<u>3Q14</u>	<u>4Q14</u>	<u>Oct 14</u>	<u>Nov 14</u>	<u>Dec 14</u>	<u>Dec/Nov</u>
Algeria	1,159	1,151	1,158	1,167	1,152	1,157	1,158	1,143	-15.4
Angola	1,738	1,653	1,646	1,690	1,675	1,722	1,656	1,647	-9.3
Ecuador	516	542	541	543	546	539	543	556	13.0
Iran, I.R.	2,673	2,764	2,768	2,758	2,757	2,750	2,755	2,765	9.5
Iraq	3,037	3,262	3,266	3,150	3,415	3,295	3,331	3,616	285.1
Kuwait	2,822	2,775	2,786	2,794	2,724	2,758	2,699	2,714	14.6
Libya	928	474	222	614	683	887	673	489	-184.1
Nigeria	1,912	1,911	1,895	1,949	1,901	1,881	1,919	1,902	-17.3
Qatar	732	724	729	733	700	714	698	688	-9.9
Saudi Arabia	9,586	9,684	9,675	9,747	9,611	9,650	9,584	9,599	14.5
UAE	2,741	2,757	2,749	2,791	2,742	2,741	2,722	2,762	40.0
Venezuela	2,356	2,333	2,337	2,329	2,325	2,329	2,323	2,324	1.8
Total OPEC	30,198	30,029	29,772	30,264	30,231	30,423	30,062	30,204	142.4
OPEC excl. Iraq	27,161	26,767	26,506	27,114	26,817	27,127	26,731	26,589	-142.7

Totals may not add up due to independent rounding.

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

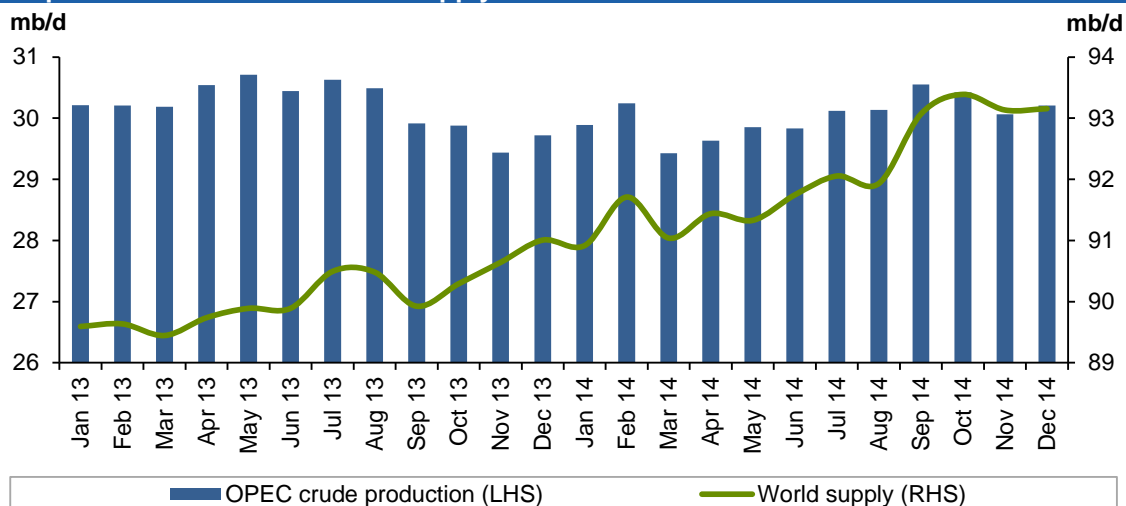
	<u>2013</u>	<u>2014</u>	<u>2Q14</u>	<u>3Q14</u>	<u>4Q14</u>	<u>Oct 14</u>	<u>Nov 14</u>	<u>Dec 14</u>	<u>Dec/Nov</u>
Algeria	1,203	1,192	1,190	1,196	1,179	1,175	1,190	1,173	-17.0
Angola	1,701	1,652	1,616	1,709	1,726	1,751	1,691	1,735	44.0
Ecuador	526	557	557	557	560	557	563	561	-1.7
Iran, I.R.	3,576	3,121	3,194	3,003	3,020	3,010	3,000	3,050	50.0
Iraq	2,980	3,110	3,118	3,076	3,141	3,054	3,009	3,356	347.0
Kuwait	2,922	2,867	2,885	2,876	2,807	2,831	2,790	2,800	10.0
Libya	993	480	228	571	735	920	761	525	-235.7
Nigeria	1,754	1,803	1,821	1,724	1,800	1,822	1,733	1,842	109.1
Qatar	724	709	710	720	682	680	681	684	2.7
Saudi Arabia	9,637	9,713	9,715	9,769	9,644	9,690	9,610	9,630	20.1
UAE	2,797	2,794	2,770	2,881	2,790	2,691	2,763	2,917	153.9
Venezuela	2,786	..	2,826	..	..	..	..	..	..
Total OPEC	31,599	..	30,630	..	..	..	..	..	..
OPEC excl. Iraq	28,619	..	27,512	..	..	..	..	..	..

Totals may not add up due to independent rounding.

.. Not available.

World oil supply

Preliminary data indicates that global oil supply increased by 0.02 mb/d to average 93.16 mb/d in December 2014 compared with the previous month. The growth of OPEC production in December increased global oil output, which was partially offset by a decrease in non-OPEC supply. The share of OPEC crude oil in total global production increased slightly to 32.4% in December, compared with the previous month. Estimates are based on preliminary data for non-OPEC supply as well as OPEC NGLs and non-conventional from direct communications, while estimates for OPEC crude production come from secondary sources.

Graph 5.18: OPEC and world oil supply


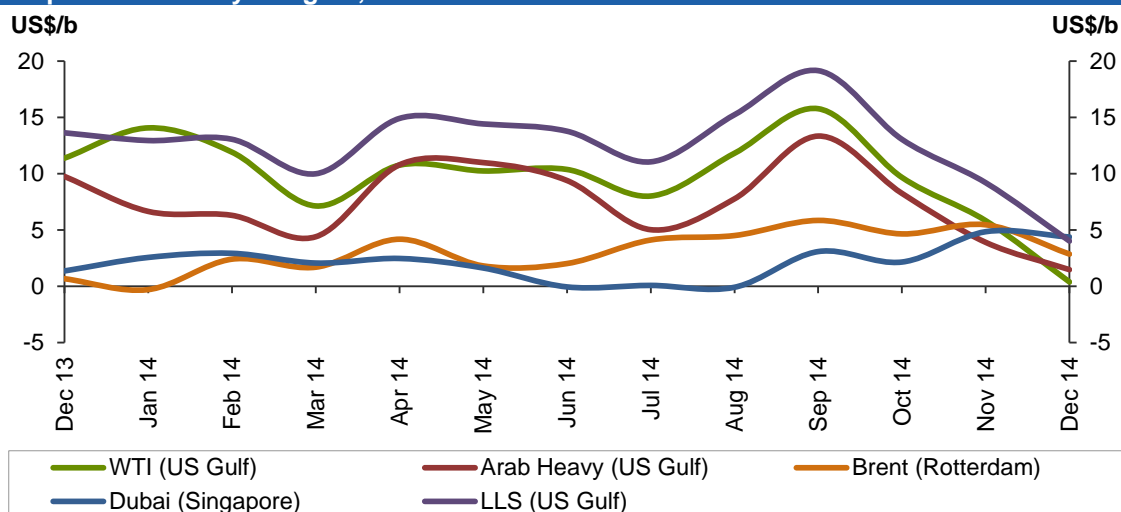
Product Markets and Refinery Operations

Product markets softened in the **Atlantic Basin** during December as margins were affected by the drop in the gasoline and middle distillates cracks amid an oversupply of gasoline in the region.

The supply side was fuelling bearish sentiment due to higher refinery runs in the region, amid inventories in the US exhibiting a sharp increase to reach the highest levels seen during the last years. In addition, the bearish sentiment was boosted by expectations of lower exports to Latin America with rising refinery runs and new capacity coming on line in Brazil.

Meanwhile, the **Asian market** slightly weakened during December as increasing supplies outweighed firm regional demand, causing gasoline and middle distillate crack spreads to drop. However, the small recovery seen in fuel oil and naphtha prevented refinery margins from falling further.

Graph 6.1: Refinery margins, 2013-2014



US product markets continued weakening during December, and margins suffered a sharp drop due to higher losses seen in the gasoline crack spreads as the pressure coming from the supply side outweighed the stronger performance of domestic gasoline demand. US refinery runs continued rising and inventories showed a sharp increase during the month to reach the highest levels seen in the last years. The refinery margin for WTI crude in the USGC showed a sharp loss of more than \$5 to average less than \$1/b in December. Meanwhile, the margin for Light Louisiana Sweet (LLS) crude in the USGC averaged \$4/b during December, exhibiting a sharp drop of around \$5.

European refining margins lost ground during December due to weak domestic demand amid a lack of export opportunities, as ample supplies in the Atlantic Basin pressured European gasoline crack spreads amid increasing inventories and lack of support from the winter season. The refinery margin for Brent crude in Northwest Europe lost more than \$2 to average around \$3/b in December.

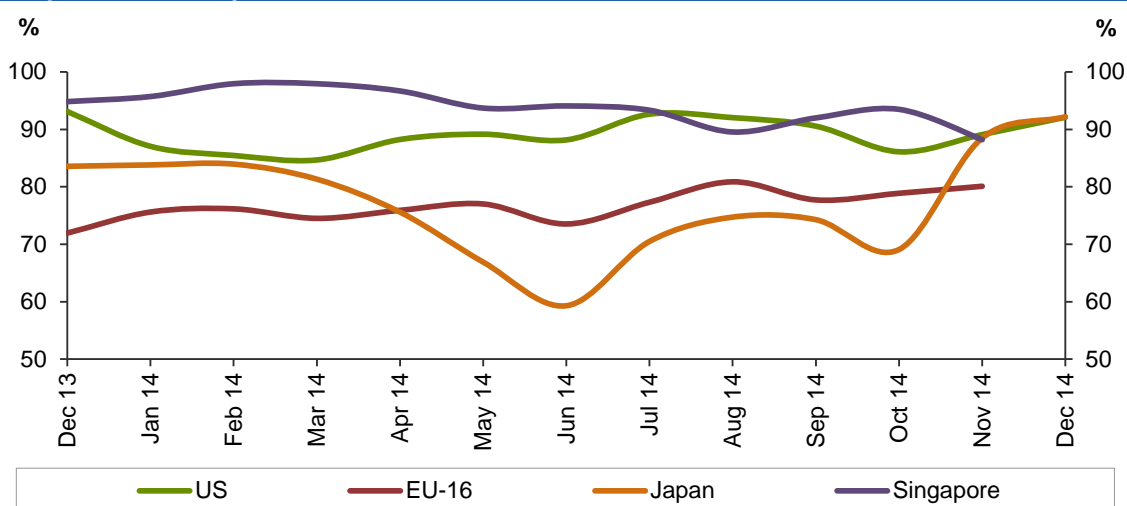
Asian refining margins dropped slightly during December on the back of losses seen in the gasoline and middle distillates cracks as the strong seasonal demand within the region was partially outweighed by increasing supplies from several countries in the region.

Refinery margins in Singapore showed a slightly loss of almost 50¢ from the previous month to average around \$4.5/b in December.

Refinery operations

Refinery utilization rates in the **US** continued their upward trend and despite several outages, refinery utilization averaged 92.1% during December, an increase of about 3 percentage points (pp) from a month earlier, the highest level seen during the last ten years (y-o-y basis). However, increasing throughputs caused a sharp rise in gasoline inventories.

Graph 6.2: Refinery utilisation rates, 2013-2014



European refinery runs averaged around 80% of refining capacity in November, corresponding to a throughput of 10.2 mb/d, some 150 tb/d higher than the previous month, taking advantage of the healthy margins seen since July, following the return of several refineries from autumn maintenance. However, the refinery sector in Europe continues under pressure due to weaker domestic demand, along with increased competition, mainly in the middle distillates market.

Chinese refinery levels averaged around 10.2 mb/d in November, around 100 tb/d higher than the previous month, to meet the increasing seasonal demand in the region, amid strong diesel demand, driven by infrastructure projects under development by the government. Refinery runs in Singapore for November averaged around 88%, while Japanese throughputs averaged 92% of capacity in December, 4 pp higher than a month earlier. This increase in Japanese refinery utilization has led to higher distillates exports in the last months .

US market

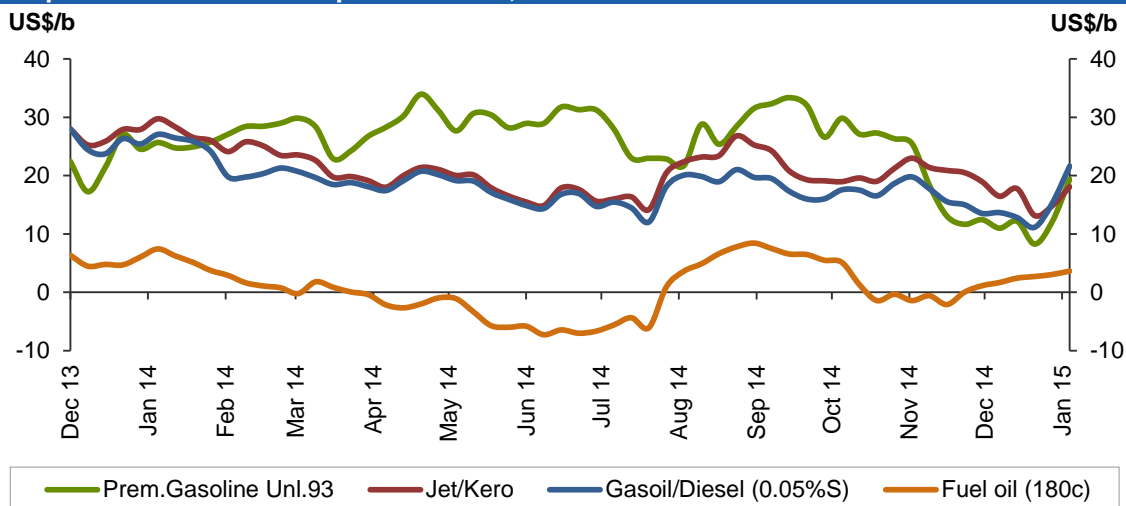
US gasoline demand stood at around 9.2 mb/d in December, about 50 tb/d lower than the previous month and 500 tb/d higher than the same month a year earlier.

The gasoline crack continued weakening in December, due to pressure coming from the supply side, despite strong domestic demand and higher requirements from Latin America. Nationwide, inventories continued to increase sharply to jump more than 25 mb during December, reaching a level not seen in more than three years due to rising refinery runs and increasing import volumes.

Some export opportunities were seen heading to Asia due to wide open US West Coast (USWC)/ Singapore arbitrage spreads, and Mexican imports from the West Coast have been on the rise as Pemex is locking in volumes prior to turnaround at the Selina Cruz plant in January. However, export opportunities were outweighed by elevated crude runs.

US gasoline cracks suffered a sharp drop, pressured by the bearish environment also fuelled by expectations of lower seasonal demand amid lower exports to Latin America in the coming weeks, with the end of the holiday season. The gasoline crack spread saw a sharp loss of \$7 to average \$11/b in December.

Graph 6.3: US Gulf crack spread vs. WTI, 2013-2015



Middle distillate demand stood at around 3.8 mb/d in December, around 40 tb/d lower than the previous month and 60 tb/d lower than the same month a year earlier.

The middle distillate market weakened in the US during December due to low domestic demand amid pressure coming from the supply side, with inventories exhibiting a sharp jump of more than 20 mb during December, on the back of higher output from refineries with greater yields and higher runs.

Another factor contributing to increasing inventories was the rising volume of imports to the US East Coast (USEC) to compensate lower inflows from the US Gulf Coast (USGC) due to limitations in pipeline capacity from the USGC to PADD 1.

Despite some spot cold snaps, a mild winter has not yet granted much support to heating oil demand. Additionally, little support is expected from exports to Latin America, with increasing refinery runs, amid new capacity coming online in Brazil.

The USGC gasoil crack lost \$4 versus the previous month, to average around \$13/b in December.

At the **bottom of the barrel**, the fuel oil crack gained some ground on the back of a tightening environment as US stocks declined by some 5 million barrels amid strong VGO demand from Canada and South America.

The fuel oil crack in the USGC gained 50¢ during December.

European market

Product markets in Europe lost the recovery seen the previous month due to weak domestic demand amid a lack of export opportunities, causing pressure on inventories and thus impacting gasoline and middle distillate crack spreads.

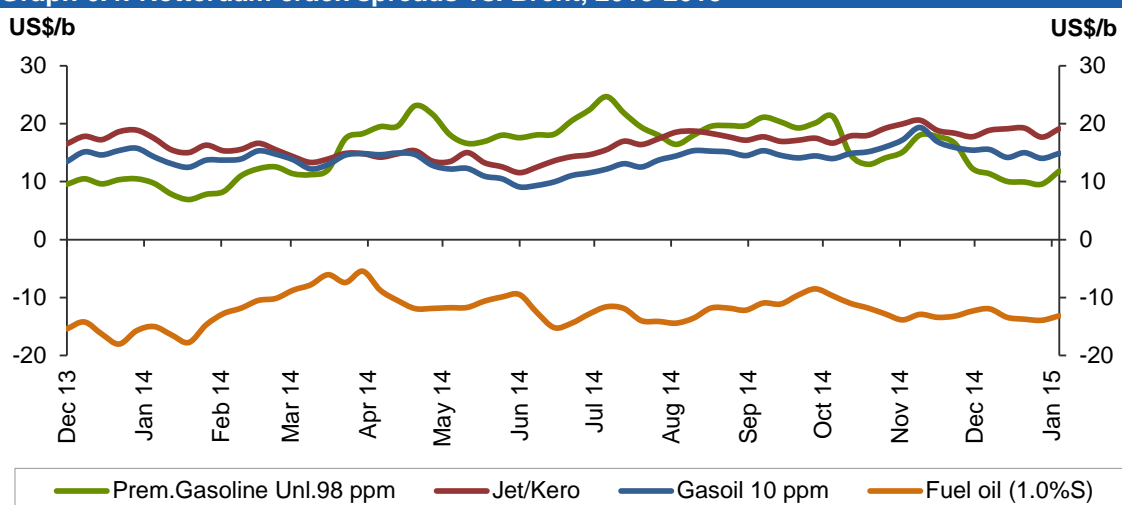
The **gasoline** market weakened in Europe as ample supplies in the Atlantic Basin pressured European gasoline margins amid increasing inventories not only in the US, but increasing gasoline output in Europe as well, causing a sharp rise in Amsterdam-Rotterdam-Antwerp (ARA) hub inventories during December.

In addition, export opportunities for steady volumes to Latin America and the Middle East were somehow limited during December, while low domestic demand continued pressuring margins.

The gasoline crack spread against Brent lost around \$6 to average \$11/b in December.

The light distillate naphtha crack continued to be weak as domestic petrochemical demand remained thin amid strong economic competition from lower LPG prices.

Graph 6.4: Rotterdam crack spreads vs. Brent, 2013-2015



Middle distillate cracks lost the ground gained the previous month due to weak domestic demand amid increasing supplies.

So far the winter season has not encouraged gasoil demand in European countries as much of Europe is experiencing mild temperatures. In addition, supply continued to rise, with refineries running above 80% amid increasing inflows to the region, causing ARA hub inventories to increase, thus exerting pressure on the market.

Another bearish factor has been the expectation of increasing Russian ULSD exports to Europe after a planned reduction in the export duty, which will take place in January, amid adaptation of Russian pipeline infrastructure to maximize ULSD exports.

The gasoil crack spread against Brent crude at Rotterdam lost \$2.5/b versus the previous month, to average around \$15/b in December.

At the **bottom of the barrel**, fuel oil cracks remained broadly unchanged over the previous month and the market remained weak as high freight rates limited arbitrage to

Asia amid expectations of the impact of ECA specifications on demand and the expected reduction in the LSFO premium to HSFO.

The Northwest European fuel oil crack kept the previous month's level of around minus \$13/b in December.

Asian market

The Asian market slightly weakened during December as increasing supplies outweighed firm regional demand, causing gasoline and middle distillate crack spreads to drop. However, the small recovery seen in fuel oil and naphtha prevented refinery margins from falling further.

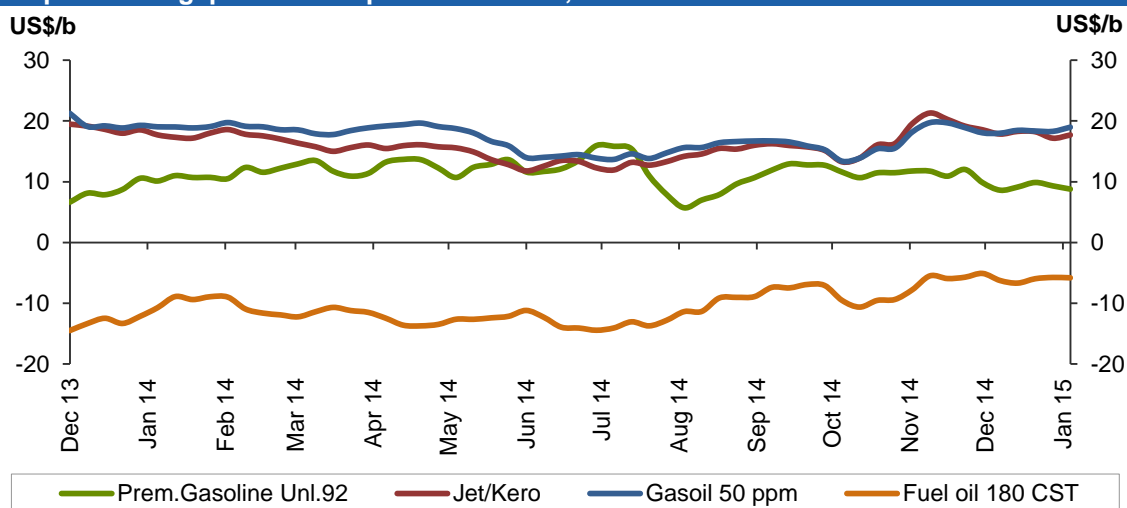
The Singapore **gasoline** crack lost some ground in December due to pressure from the supply side, with elevated export levels seen from Japan, China and South Korea, which outweighed strong regional demand and caused inventories in Singapore to rise, keeping the market pressured.

News about the unplanned shut down of some conversion units at Mailiao refinery due to technical difficulties lent limited support as it was offset by expectations of potential Chinese demand deceleration in the coming weeks with an upcoming rise in consumption taxes; China is joining other Asia Pacific countries in taking advantage of falling global oil prices to implement policy changes. Under the new arrangement, gasoline taxes will rise from 1 yuan per liter (0.16 USD) to 1.2 yuan per liter according to Platts.

The gasoline crack spread against Dubai crude in Singapore dropped more than \$2 to average \$9.3/b in December.

The Singapore naphtha crack continued to be weak as market sentiment remained bearish due to a supply overhang in the region. However, naphtha cracks recovered some ground on the back of stronger buying interest supported by firm downstream ethylene margins, though the uptick was limited by expectations of higher Western arbitrage volumes in the coming weeks.

Graph 6.5: Singapore crack spread vs. Dubai, 2013-2015



Product Markets and Refinery Operations

At the **middle of the barrel**, cracks partially retained the recovery seen the previous month on the back of strong seasonal demand within the region, though exhibiting a slight drop, pressured by the supply side.

The middle distillates market continued to be supported by higher seasonal demand from several countries in the region, amid some export opportunities to Egypt and Yemen, and gasoil cracks remained healthy, despite losing some ground. Additional support came from maintenance at the Mailiao refinery in Taiwan, which is expected to limit spot availability in the coming weeks. However, this was offset by increasing refinery levels in countries like China and Japan. This comes amid additional refining capacity due online in India and the Middle East, which will exert some pressure on the middle distillate market in Asia.

The gasoil crack spread in Singapore against Dubai showed a loss of 80¢ versus the previous month's levels to average around \$18/b in December.

The **fuel oil** market continued to recover, while the Singapore market recovered from the collapse of a major bunker supplier in the region.

However, any uptick was limited by expected higher inflows to the region in the coming weeks once new regulations in the ECAs come into force, as the Asian market will become the recipient of more Western volumes.

The fuel oil crack spread in Singapore against Dubai gained 20¢ to average minus \$6/b in December.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d					Refinery utilization, %			
	Oct 14	Nov 14	Dec 14	Change Dec/Nov		Oct 14	Nov 14	Dec 14	Change Dec/Nov
US	15.34	15.99	16.41	0.42		86.10	89.10	92.12	3.02
France	1.15	1.11	-	-		76.50	73.39	-	-
Germany	1.86	1.86	-	-		82.77	82.86	-	-
Italy	1.18	1.28	-	-		55.63	60.40	-	-
UK	1.10	1.08	-	-		71.83	71.04	-	-
Euro-16	10.10	10.20	-	-		78.88	80.10	-	-
Japan	3.06	3.28	3.55	0.27		69.08	88.50	92.20	3.70

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

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

	<u>Oct 14</u>	<u>Nov 14</u>	<u>Dec 14</u>	<u>Change Dec/Nov</u>
US Gulf (Cargoes FOB):				
Naphtha	84.91	76.80	55.61	-21.19
Premium gasoline (unleaded 93)	111.91	93.98	70.76	-23.22
Regular gasoline (unleaded 87)	93.35	84.40	61.52	-22.88
Jet/Kerosene	104.05	97.79	76.12	-21.67
Gasoil (0.2% S)	101.84	93.48	72.66	-20.82
Fuel oil (1.0% S)	77.96	69.39	53.27	-16.12
Fuel oil (3.0% S)	73.15	63.74	48.88	-14.86
Rotterdam (Barges FoB):				
Naphtha	78.61	69.44	54.22	-15.22
Premium gasoline (unleaded 98)	103.90	95.79	73.31	-22.48
Jet/Kerosene	105.32	98.35	81.09	-17.26
Gasoil/Diesel (10 ppm)	102.35	96.25	77.45	-18.80
Fuel oil (1.0% S)	76.50	65.55	49.59	-15.96
Fuel oil (3.5% S)	75.06	65.66	49.44	-16.22
Mediterranean (Cargoes FOB):				
Naphtha	75.96	66.15	50.28	-15.87
Premium gasoline*	99.57	91.37	68.70	-22.66
Jet/Kerosene	102.34	95.54	77.58	-17.96
Gasoil/Diesel*	101.58	95.41	77.48	-17.92
Fuel oil (1.0% S)	76.56	66.33	50.62	-15.71
Fuel oil (3.5% S)	75.70	65.65	48.88	-16.77
Singapore (Cargoes FOB):				
Naphtha	79.79	71.86	56.33	-15.53
Premium gasoline (unleaded 95)	101.17	90.44	71.91	-18.53
Regular gasoline (unleaded 92)	98.19	87.94	69.58	-18.36
Jet/Kerosene	101.56	96.41	78.36	-18.05
Gasoil/Diesel (50 ppm)	101.30	95.46	78.45	-17.01
Fuel oil (180 cst 2.0% S)	79.24	71.68	55.52	-16.16
Fuel oil (380 cst 3.5% S)	77.41	70.38	54.60	-15.78

* Cost, insurance and freight (CIF).

Sources: Platts and Argus Media.

Tanker Market

In December, dirty tanker spot freight rates were mixed. While VLCC rates registered gains compared with the previous month, spot freight rates for Suezmax and Aframax dropped from a month earlier. In the VLCC sector, a generally positive trend was detected, pushing freight rates up for all reported routes. VLCC freight rates continued their recovery in December, as was seen in the previous couple of months, mainly on the back of higher tonnage demand for Far East destinations. The VLCC market saw strong activity during December, with freight rates encountering gains in different regions. On average, VLCC freight rates increased by 16% from the previous month, while Suezmax and Aframax rates registered drops of 9% and 29%, respectively.

Clean tanker spot freight rates increased by 11% on average in December compared with the previous month, mainly as a result of freight gains registered in West of Suez, which rose by 18% on the back of a firmer Western market, while East of Suez rates showed a decline of 4% from the previous month. In an annual comparison, all clean tanker freight rates were up over one year ago.

Spot fixtures

Global fixtures dropped by 7.5% in December, compared with the previous month. OPEC spot fixtures also declined by 1.18 mb/d or 9.2%, averaging 11.63 mb/d, according to preliminary data. The drop in fixtures was registered in several regions, as fixtures in the Middle East to both east- and west-bound destinations were lower, as were fixtures outside of the Middle East, which averaged 4.18 mb/d in December, down by 0.03 mb/d from one month ago. Compared with the same period one year earlier, global fixtures indicated a drop of 14% in December.

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

	<u>Oct 14</u>	<u>Nov 14</u>	<u>Dec 14</u>	<u>Change Dec 14/Nov 14</u>
Spot Chartering				
All areas	18.20	18.09	16.73	-1.36
OPEC	12.91	12.81	11.63	-1.18
Middle East/East	7.09	6.18	5.34	-0.84
Middle East/West	1.65	2.42	2.11	-0.31
Outside Middle East	4.17	4.21	4.18	-0.03
Sailings				
OPEC	24.16	23.71	23.36	-0.36
Middle East	17.80	17.36	17.02	-0.34
Arrivals				
North America	9.58	9.69	9.70	0.01
Europe	12.62	12.66	12.43	-0.23
Far East	8.38	8.88	8.89	0.00
West Asia	4.64	4.35	4.28	-0.07

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

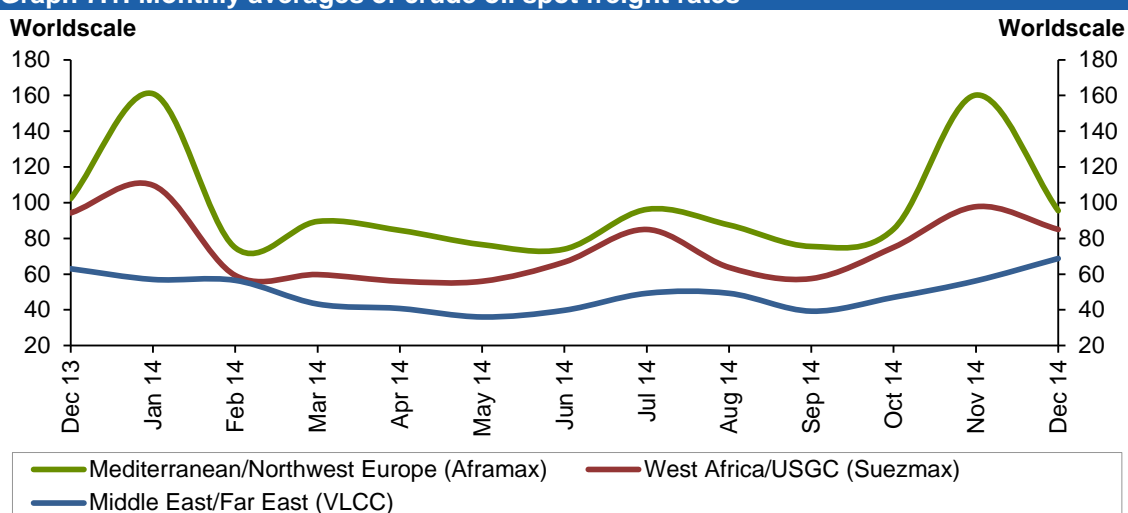
Sailings and arrivals

Preliminary data showed that OPEC sailings remained down by 1.5% in December, averaging 23.36 mb/d, which is 0.65 mb/d or 2.7% lower than the same month a year earlier. December arrivals in North America and the Far East increased over the previous month, while European and West Asian arrivals declined by 0.23 mb/d and 0.07 mb/d, respectively, to average 8.89 mb/d and 4.28 mb/d.

Spot freight rates VLCC

For the **VLCC** sector, the market continued with the gains seen since the beginning of the fourth quarter in 2014, as market activity remained high, while vessel availability fluctuated often. However, ship owners showed a constant resistance to lower freight rates, even when the tonnage list lengthened, as rates were expected to continue to rise despite occasional softer momentum during the month.

Graph 7.1: Monthly averages of crude oil spot freight rates



Spot freight rates for tankers operating on the Middle East-to-East route registered the highest increase among all reported routes. VLCC spot freight rates for tankers operating on the Middle East-to-East route increased by WS13 or 22% in December compared with the previous month. This increase was supported by high tonnage demand for Asian requirements, affecting loading in the Middle East and West Africa. Thus, VLCC spot freight rates for tankers operating on the West Africa-to-East route increased in December from a month earlier to average WS64 points, up by WS7 points or 12% from the previous month. Winter seasonal requirements from the West improved tonnage demand and supported VLCC spot freight rates on the Middle East-to-West long-haul route in December to average WS36, up 10% from the previous month.

Suezmax

In a contrary pattern to VLCC, **Suezmax** spot freight rate developments were negative in December, as average rates dropped by 9%, compared with the previous month.

The biggest rate drop was seen for Suezmax operating on the West Africa-to-US route, which fell by 13%. Rates for tankers operating on Northwest Europe-to-US routes decreased by 4%. December started with a drop in freight rates for West African cargo loadings. However, the declining trend was halted by a firming VLCC market and increased delays at the Turkish Straits, all of which helped to stabilize the Suezmax market and prevent further drops in freight rates. Freight rates in the West dropped as tonnage demand to the region was often sparse during the month, affected somewhat by the holiday season. Tonnage builds, reduced delays in the Black Sea and limited prompt requirements were some of the factors that caused Suezmax freight rates to drop in several regions.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size 1,000 DWT	<u>Oct 14</u>	<u>Nov 14</u>	<u>Dec 14</u>	<u>Change</u> <u>Dec 14/Nov 14</u>
Crude					
Middle East/East	230-280	47	56	69	13
Middle East/West	270-285	26	33	36	3
West Africa/East	260	51	57	64	7
West Africa/US Gulf Coast	130-135	75	98	85	-13
Northwest Europe/US Gulf Coast	130-135	60	73	70	-3
Indonesia/East	80-85	90	110	113	4
Caribbean/US East Coast	80-85	129	153	109	-44
Mediterranean/Mediterranean	80-85	93	168	103	-65
Mediterranean/Northwest Europe	80-85	85	160	96	-65

Sources: Galbraith's tanker market report and Platts.

Aframax

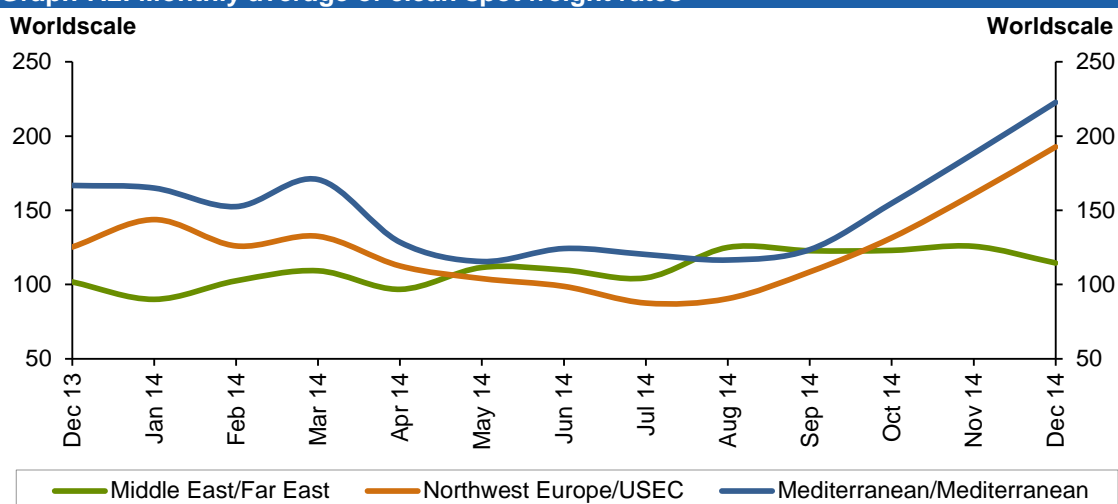
Aframax spot freight rates experienced their biggest decline in December from one month earlier, compared with dirty tankers in other classes. The average rate fell by 29% on reported routes. Aframax freight rates in the East were the only exception, showing gains on the Indonesia-to-the-East route by 3% to average WS113 points. In the West, all freight rates registered a notable decline from a month earlier; the Caribbean-to-US rate dropped by 29% from the previous month, despite stable activity in that region. This was barely enough to stabilize rates for some time before they dropped as the market approached the holiday season, falling in both directions of the Mediterranean. Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe rates declined by 39% and 40%, respectively. These declines partially resulted from reduced activity due to holidays, with no effect seen from the limited pre-holiday rush when the market remained fairly steady.

Clean spot freight rates

In the clean sector, tankers on several routes registered gains in December as seen in previous months. December started with long range (LR)-2 vessels experiencing steady activity to the East while LR-1 tankers had a slower start, with limited activity in different regions. Medium-range (MR) rates flattened at the beginning of the month following high levels achieved at the end of the previous month. Following a soft start to the month, the clean tanker market briefly firmed across different classes, as LR and MR freight rates strengthened and availability tightened while inquiries increased. MR tanker availability turned date sensitive and premiums were achieved ahead of the ice-breaking season.

Freight rates in the East remained weak as the market moved slowly, while tonnage availability increased in the Middle East. Rates for tankers operating on the Middle East-to-East route dropped by 9% compared with the previous month and rates for the Singapore-to-East route remained flat from one month earlier to average WS120 points in December.

Graph 7.2: Monthly average of clean spot freight rates



On the other hand, West of Suez freight rates showed improved sentiment on all reported routes. Clean West of Suez spot freight rates gained 18% in December to average WS216 points. Rates seen on the Northwest Europe-to-US route registered the highest gain, increasing by 20% to average WS193 points. The Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes saw similar gains of 18% and 17%, respectively.

Table 7.3: Spot tanker product freight rates, Worldscale

Products	Size 1,000 DWT	Change		
		Oct 14	Nov 14	Dec 14
Middle East/East	30-35	123	126	115
Singapore/East	30-35	115	119	120
Northwest Europe/US East Coast	33-37	132	161	193
Mediterranean/Mediterranean	30-35	155	188	223
Mediterranean/Northwest Europe	30-35	165	198	233

Sources: Galbraith's tanker market report and Platts.

Oil Trade

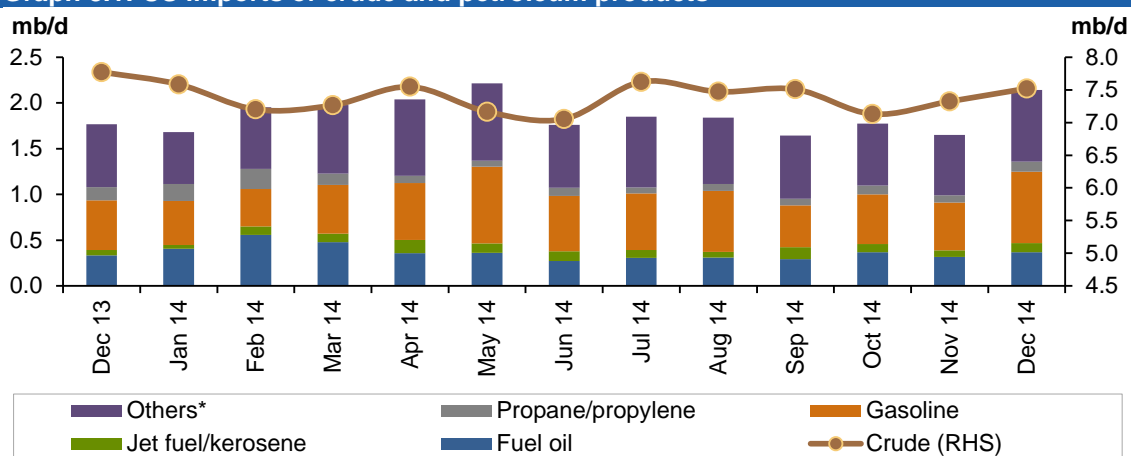
Preliminary data for the month of December shows that **US crude oil imports** increased to average 7.52 mb/d, up by 198 tb/d from last month, but down by 251 tb/d from the same month last year. **US monthly product imports** increased slightly from last month's level to average 2.14 mb/d, the highest level seen since May 2014; on an annual basis, they increased by 374 tb/d or 21%. In November, Japan saw a decline in its crude oil imports m-o-m by 233 tb/d or 7% to average 3.07 mb/d. Y-o-y, crude imports dropped by 644 tb/d or 17%. India's crude oil imports declined in November from the previous month by 201 tb/d or 9%, while y-o-y, there was an increase of 109 tb/d or 3% to average 3.67 mb/d. India's product imports dropped as well in November by 21 tb/d or 4% to average 456 tb/d, yet, y-o-y, they increased by 144 tb/d or 46%. China's crude oil imports rose by 512 tb/d in November, following the drop seen the month before. China's product imports also increased from the previous month to average 962 tb/d, up by 36 tb/d or 4% m-o-m, while dropping slightly by 3 tb/d or 0.3% y-o-y.

US

In December, preliminary data showed that **US crude oil imports** increased to average 7.52 mb/d, up by 198 tb/d from last month, but were down by 251 tb/d from the same month last year. For the whole year, US crude imports were 361 tb/d lower.

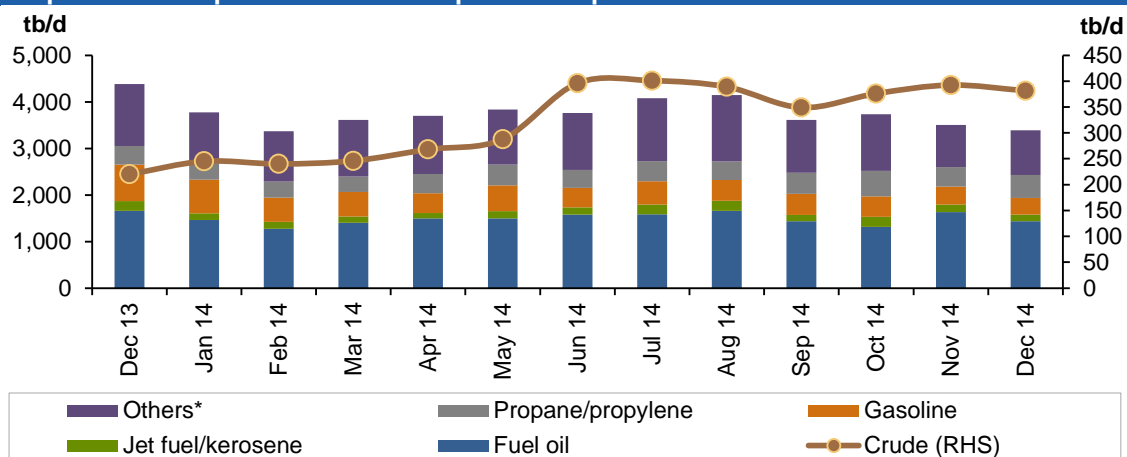
US product imports increased slightly from last month's level to average 2.14 mb/d, the highest level seen since May 2014. On an annual basis, they increased by 374 tb/d or 21%. For 2014, product imports declined by 12%.

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 December, **US product exports** were 119 tb/d less than seen a month ago to average 3.4 mb/d. On an annual basis, product exports were lower than a year before by 994 tb/d or 23%. As a result, **US total net imports increased in December to average 5.9 mb/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.

In October, the top first and second **crude suppliers** to the US maintained the same order as last month. Canada remained the premier crude supplier to the US accounting for 43% of total US crude imports, yet with a decrease of 79 tb/d in exports to the US compared to the month before. Saudi Arabia, which maintained its position as the second largest supplier to the US in December, also saw a drop in its exports to the US by 178 tb/d. Mexico came in as the third top supplier, accounting for 10% of total US crude imports, however its exports to the US were lower by 82 tb/d from the previous month.

Crude imports from **OPEC Member Countries** decreased in October from last month, dropping by 484 tb/d or 17%, accounting for 34% of total US crude imports. Similarly, US product imports from OPEC Member Countries declined by 103 tb/d or 32% from last month.

As for the **product supplier share**, Canada and Russia maintained their positions as first and second suppliers to the US, accounting for 22% and 16%, respectively.

Looking at **US crude imports by region**, in October 2014, US crude imports from North America averaged 3 mb/d, continuing to make it the top regional supplier, followed by Latin America, which exported 2.2 mb/d in October to the US. Imports from the Middle East and Africa declined from last month. The Middle East came in as the third regional supplier with an average of 1.4 mb/d, while imports from Africa were down from last month to average 314 tb/d.

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

	Oct 14	Nov 14	Dec 14	Change Dec 14/Nov 14
Crude oil	6,754	6,930	7,139	209
Total products	-1,961	-1,856	-1,244	612
Total crude and products	4,793	5,074	5,895	821

Turning to **crude imports by PADD**, in PADD 1, crude imports were lower from Africa and Latin America by 74 tb/d and 2 tb/d, respectively, from last month. Imports from PADD 2 remained mostly sourced from North America as they averaged 2 mb/d. PADD 2 imports from the Middle East averaged 30 tb/d. PADD 3 sourced their imports mainly from Latin America and the Middle East. In October, imports from the Middle East were 18% lower than the previous month, and imports from Latin America

were 5% lower. PADD 4 continued to cover its imports from North America, averaging 245 tb/d in October, however, they decreased by 37 tb/d from a month ago. PADD 5 West Coast imports were sourced mainly from the Middle East, which exported 432 tb/d to PADD 5 in October, followed by Latin America and North America, which exported 330 tb/d and 215 tb/d, respectively.

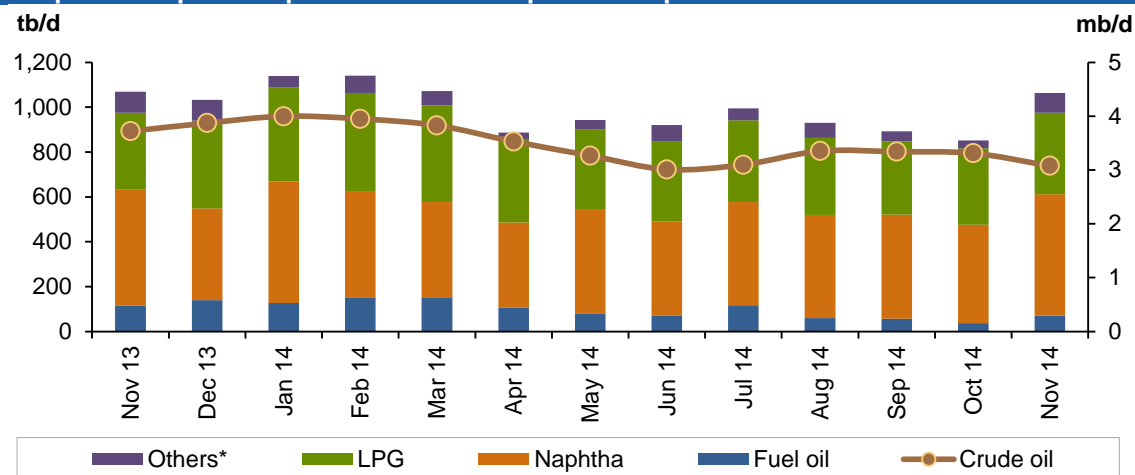
Japan

In November, Japan saw a decline in its **crude oil imports** m-o-m by 233 tb/d or 7% to average 3.07 mb/d, the lowest level since June 2014. On an annual basis, crude imports dropped by 644 tb/d or 17%.

As for **crude supplier shares**, Saudi Arabia and the United Arab Emirates maintained their positions as top crude suppliers to Japan as seen in October, accounting for 31% and 26%, respectively. However, both suppliers saw declines in their monthly exported volumes to Japan by 20% and 6%, respectively. On the other hand, Russia, Qatar and Kuwait raised their exports to Japan by 19%, 11% and 7%, respectively, from the previous month.

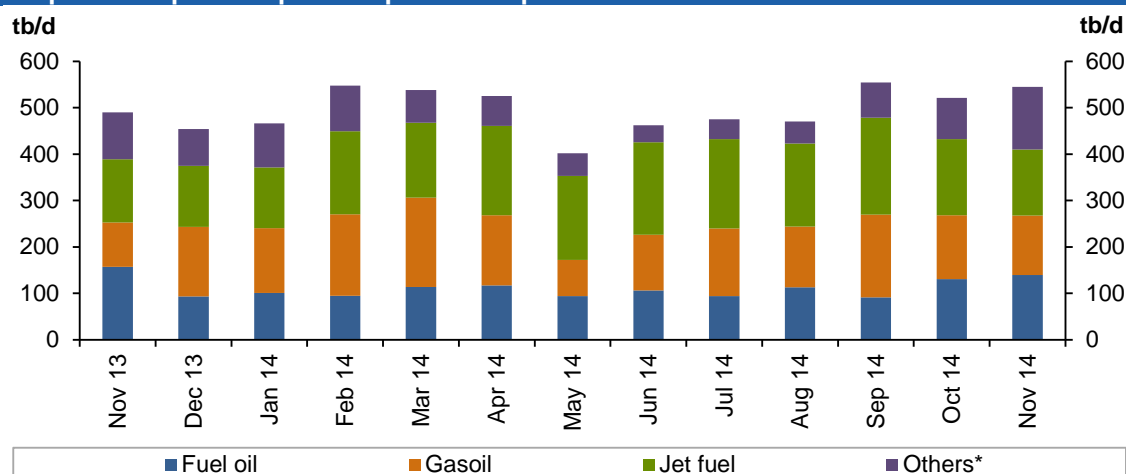
Product imports increased m-o-m in November by 188 tb/d or 37%, while y-o-y, they decreased by 28 tb/d or 6%, despite product sales dropping by 7.8% from a year earlier.

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



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

Product exports increased in November by 24 tb/d or 4.5% m-o-m, and by 54 tb/d or 11% y-o-y. Year-to-date, they decreased by 10 tb/d or 2% as a result of a decline in Japan's net trade imports by 68 tb/d or 4.5% to average 32 mb/d, the lowest level seen since June 2014.

Graph 8.4: Japan's exports of petroleum products

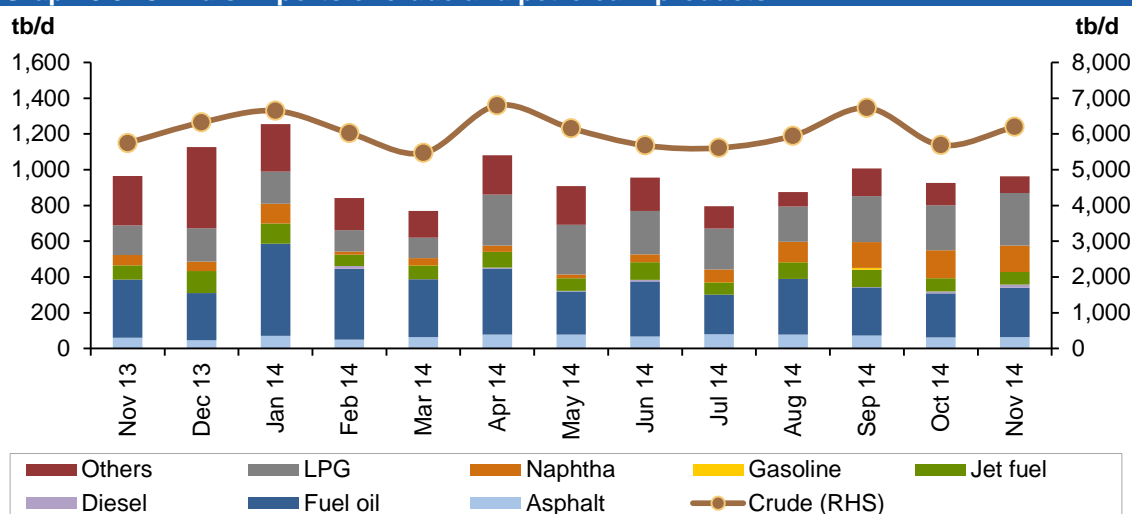
*Others: Contains LPG, gasoline, naphtha, kerosene, lubricating oil, asphalt and paraffin wax.

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

	Sep 14	Oct 14	Nov 14	Change Nov 14/Oct 14
Crude oil	3,340	3,310	3,077	-233
Total products	11	-9	156	165
Total crude and products	3,351	3,301	3,233	-68

China

China's crude oil imports rose in November following the drop of the previous month, increasing by 512 tb/d to average 6.2 mb/d. On an annual comparison, they increased by 452 tb/d or 8% from last year's level. Year-to-date, the numbers dictate an increase of 490 tb/d or 9%.

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

China imported higher volumes in November from all of its **main suppliers**, with the exception of its prime supplier Saudi Arabia, which showed lower exports to China in November by 102 tb/d. Regarding crude imports from other origins, in November, top suppliers to China maintained their positions from the previous month. Saudi Arabia,

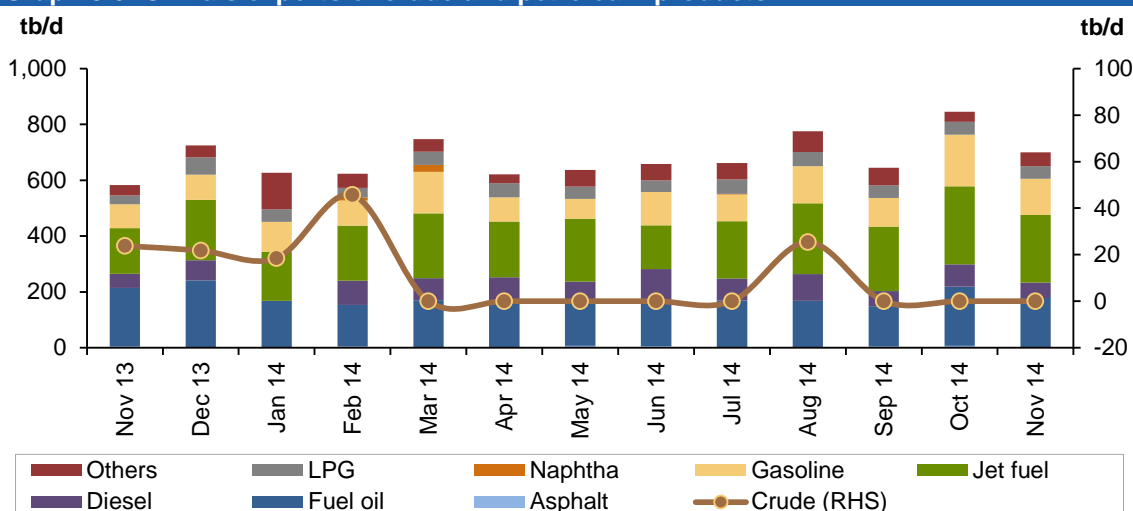
Oil Trade

Angola and Russia came in as first, second and third suppliers to China, accounting for 16%, 14% and 13% of total Chinese imports, respectively.

China's product imports rose as well from the previous month to average 962 tb/d, up by 36 tb/d or 4% m-o-m, while they dropped by a slight 3 tb/d or 0.3% y-o-y.

As for **China's crude exports**, in November, China did not export any crude as seen in the previous two months.

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



China's product exports saw a monthly drop of 145 tb/d or 17%, while they increased by 118 tb/d or 20% compared to the previous year's level.

Accordingly, **China's net oil trade increased by 693 tb/d or 12% on a monthly basis** and by 355 tb/d or 6% compared to a year ago.

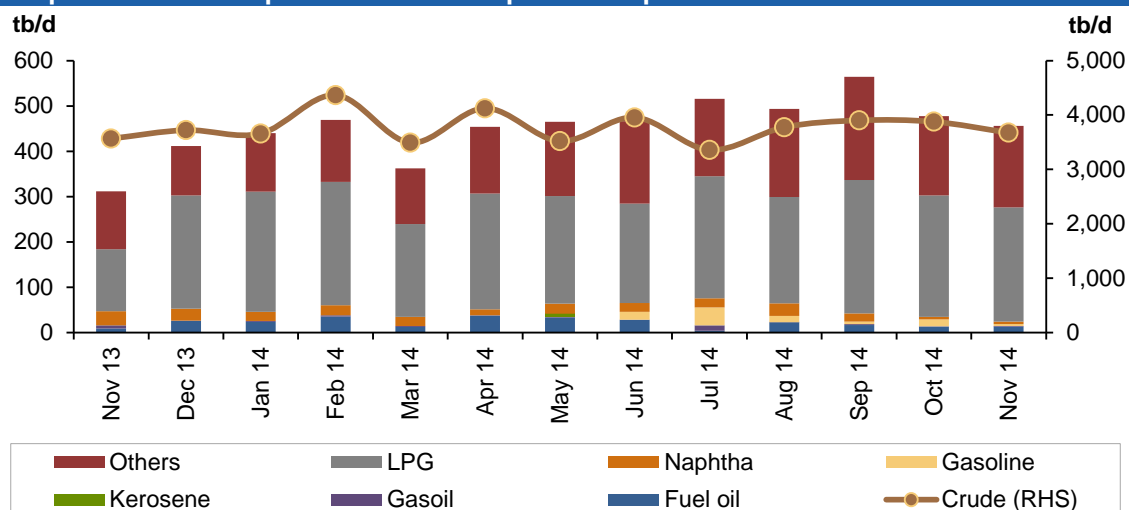
Table 8.3: China's crude and product net imports, tb/d

	<u>Sep 14</u>	<u>Oct 14</u>	<u>Nov 14</u>	<i>Change</i> <u>Nov 14/Oct 14</u>
Crude oil	6,729	5,688	6,200	512
Total products	363	81	262	181
Total crude and products	7,092	5,769	6,462	693

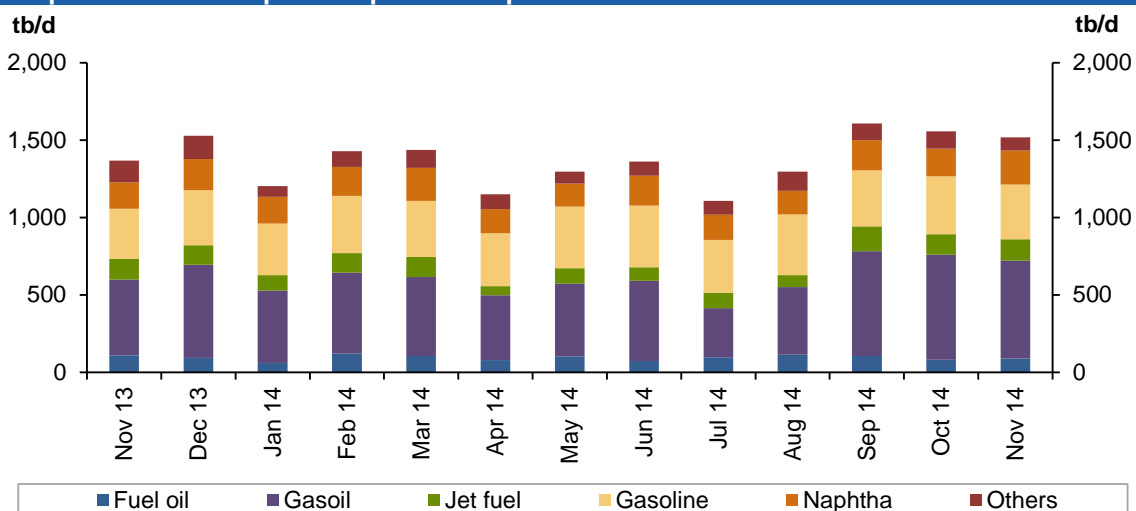
India

India's crude oil imports declined in November from the previous month by 201 tb/d or 9%, while y-o-y, they increased by 109 tb/d or 3% to average 3.67 mb/d.

India's product imports also dropped in November by 21 tb/d or 4% to average 456 tb/d, yet y-o-y, they increased by 144 tb/d or 46%. The monthly drop came as a result of a decrease in imported volumes of petrol and LPG in November by 71% and 6%, respectively.

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

India's product exports decreased in November compared to the previous month by 2.4% to average 1.5 mb/d, while y-o-y, they increased by 150 tb/d or 11%. The monthly drop was the result of lower exported volumes of diesel and petrol, which declined by 7% and 5%, respectively, from a month earlier.

Graph 8.8: India's exports of petroleum products

As a result, **India's net trade imports declined by 185 tb/d or 7% m-o-m**, while they increased by 103 tb/d or 4% y-o-y in November to average 2.6 mb/d.

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

	<u>Sep 14</u>	<u>Oct 14</u>	<u>Nov 14</u>	<u>Change</u> <u>Nov 14/Oct 14</u>
Crude oil	3,901	3,876	3,675	-201
Total products	-1,044	-1,079	-1,062	17
Total crude and products	2,857	2,797	2,612	-185

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

FSU

In November, total crude oil exports from FSU declined by 108 tb/d or 1.8% to average 5.8 mb/d.

Total shipments from the Black Sea dropped as shipments from Novorossiysk dropped by 68 tb/d or 12% to average 516 tb/d. Total Baltic Sea exports also dropped by 51 tb/d in November as shipments from both the Primorsk port terminal and the Ust Luga port terminal were lower than last month. Druzhba pipeline total shipments declined by 23 tb/d to average 993 tb/d, and Kozmino shipments also dropped by 80 tb/d or 14% to average 496 tb/d.

Exports through the **Lukoil system** declined from the previous month in the Barents Sea where the Varandey offshore platform reported a drop of 14 tb/d, while in the Baltic Sea, the Kalinigrad port terminal increased slightly by 5 tb/d.

Baltic Sea total exports increased by 206 tb/d from October, mainly as the Novorossiysk port terminal (CBC) increased its exports by 202 tb/d. In the Mediterranean Sea, BTC supplies showed a decline of 141 tb/d or 23% from the previous month to average 458 tb/d.

As for Russian **product exports**, FSU total product exports gained 395 tb/d or 13% from last month to average 3.4 mb/d. The increase in product exports came as all product categories rose, but the most significant gains were seen in gasoil, fuel oil and VGO.

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

<u>Transneft system</u>		<u>2013</u>	<u>2Q 14</u>	<u>3Q 14</u>	<u>Oct 14</u>	<u>Nov 14</u>
Europe	Black Sea total	739	672	570	584	516
	Novorossiysk port terminal - total	739	672	570	584	516
	<i>of which: Russian oil</i>	535	494	409	437	372
	Others	204	178	162	146	144
	Baltic Sea total	1,546	1,433	1,288	1,350	1,299
	Primorsk port terminal - total	1,083	942	799	847	803
	<i>of which: Russian oil</i>	1,007	942	799	847	803
	Others	76	0	0	0	0
	Ust-Luga port terminal - total	463	490	489	503	496
	<i>of which: Russian oil</i>	342	295	315	339	327
	Others	121	196	174	164	169
	Druzhba pipeline total	1,032	998	1,025	1,015	993
	<i>of which: Russian oil</i>	1,000	966	993	983	961
	Others	32	32	32	32	32
Asia	Pacific ocean total	434	474	552	575	496
	Kozmino port terminal - total	434	474	552	575	496
	China (via ESPO Pipeline) total	321	304	321	325	325
	China Amur	321	304	321	325	325
Total Russian crude exports		4,071	3,881	3,757	3,849	3,628
<u>Lukoil system</u>		<u>2013</u>	<u>2Q 14</u>	<u>3Q 14</u>	<u>Oct 14</u>	<u>Nov 14</u>
Europe and North America	Barents Sea Total	111	116	125	135	121
	Varandey offshore platform	111	116	125	135	121
Europe	Baltic Sea Total	19	12	16	12	16
	Kalinigrad port terminal	19	12	16	12	16
<u>Other routes</u>		<u>2013</u>	<u>2Q 14</u>	<u>3Q 14</u>	<u>Oct 14</u>	<u>Nov 14</u>
Asia	Russian Far East total	259	289	235	254	305
	Aniva bay port terminal	114	116	103	92	114
	De Kastri port terminal	145	173	133	161	191
	Central Asia total	239	233	230	207	214
	Kenkiyak-Alashankou	239	233	230	207	214
Europe	Baltic sea total	853	943	1,003	895	1,101
	Novorossiysk port terminal (CPC)	704	818	886	784	986
	Supsa port terminal	76	70	90	97	101
	Batumi port terminal	53	42	27	14	14
	Kulevi port terminal	20	14	0	0	0
	Mediterranean sea total	641	594	683	599	458
	BTC	641	594	683	599	458
<u>Russian rail</u>		<u>2013</u>	<u>2Q 14</u>	<u>3Q 14</u>	<u>Oct 14</u>	<u>Nov 14</u>
	Russian rail	198	46	24	12	12
	<i>of which: Russian oil</i>	9	9	7	7	7
	Others	189	38	17	6	5
Total FSU crude exports		6,392	6,116	6,073	5,963	5,855
<u>Products</u>		<u>2013</u>	<u>2Q 14</u>	<u>3Q 14</u>	<u>Oct 14</u>	<u>Nov 14</u>
	Gasoline	122	129	129	87	126
	Naphtha	390	515	515	472	506
	Jet	11	11	11	0	2
	Gasoil	857	1,005	1,005	797	943
	Fuel oil	1,415	1,522	1,522	1,420	1,509
	VGO	263	259	259	224	309
Total FSU product exports		3,058	3,441	3,441	3,000	3,395
Total FSU oil exports		9,450	9,557	9,557	8,963	9,250

Sources: Argus Nefte Transport and Argus Global Markets.

Stock Movements

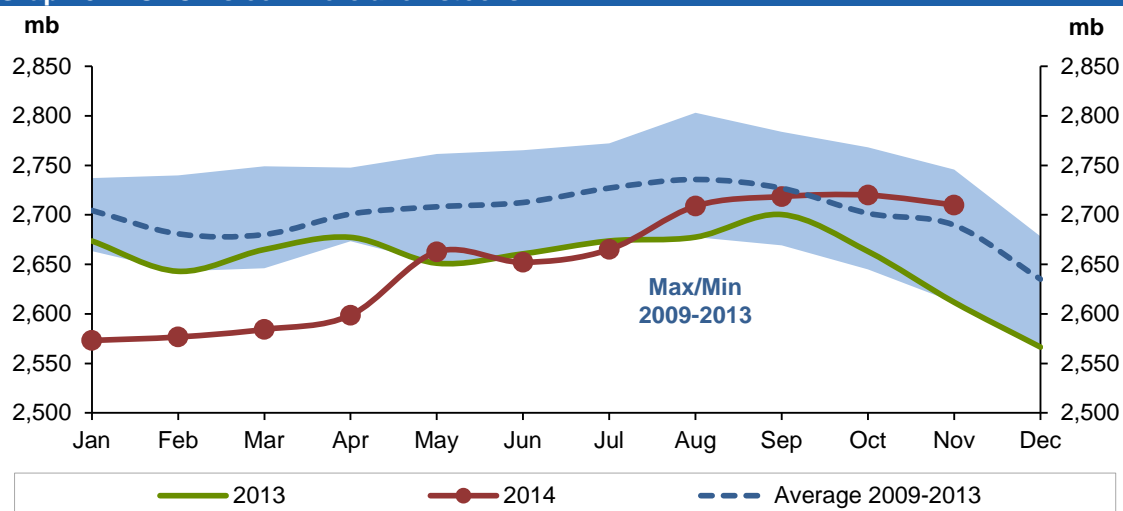
OECD commercial oil stocks fell by 10.0 mb in November to stand at 2,710 mb, still nearly 100 mb higher than the same time a year ago, and 20.3 mb above the latest five-year average. Crude indicated a surplus of around 38.2 mb, while product stocks remained 17.9 mb below the previous five-year average. In terms of days of forward cover, OECD commercial stocks stood at 58.7 days, 1.0 day higher than the latest five-year average. Preliminary data for December shows US total commercial oil stocks rose by 27.8 mb to stand at 1,149 mb. With this build, they were nearly 80 mb above the latest five-year average and around 84.0 mb higher than in the same period a year ago. Within components, commercial crude and product stocks saw a build of 3.1 mb and 24.7 mb, respectively. The latest information for November showed Chinese total oil commercial inventories fell by 7.9 mb to stand at 383.4 mb, though they stood 25.6 mb above a year ago at the same time. Within components, both commercial crude and product stocks fell by 4.9 mb and 3.0 mb, respectively.

OECD

The latest information for November shows that **total OECD commercial oil stocks** fell by 10.0 mb, reversing the build of the previous four months. At 2,710 mb, inventories are nearly 100 mb higher than at the same time a year earlier, and 20.3 mb above the latest five-year average.

Within components, commercial crude stocks were down by 15.3 mb, while product stocks rose by 5.3 mb in November versus the previous month. At 1,320 mb, **OECD commercial crude** stocks were 32.8 mb above the same time a year earlier and 38.2 mb higher than the latest five-year average. Despite this stock draw, commercial crude stocks in the OECD remained comfortable after accumulating nearly 90 mb since the beginning of 2014. This was driven by surging non-OPEC supply. The contango in major benchmarks also encouraged refineries to build more crude inventories.

Graph 9.1: OECD's commercial oil stocks



OECD **product inventories** rose by 5.3 mb in November to end the month at 1,390 mb. At this level, they stood 65.4 mb higher than a year ago at the same time, while still remaining 17.9 mb below the seasonal norm. The build in OECD product stocks in November mainly reflected higher refinery output in OECD countries.

In terms of **days of forward cover**, OECD commercial stocks fell by 0.4 days in November from the previous month to stand at 58.7 days, still 1.0 day higher than the latest five-year average. Within the regions, OECD Americas' days of forward cover stood 1.4 days higher than the historical average of 57.9 days in November, and OECD Asia Pacific stood at 1.7 days above the seasonal average to finish the month at 46.8 days. At the same time, OECD Europe indicated a surplus of 0.2 days, averaging 68.2 days in November.

In the same month, **commercial stocks** in **OECD Americas** fell by 5.3 mb to stand at 1,403 mb. At this level, they represented a surplus of 51.3 mb above the seasonal norm and 53.6 mb above the same time a year earlier. Within components, crude and product inventories fell by 2.7 mb and 2.6 mb, respectively.

At the end of November, **crude commercial oil stocks** in **OECD Americas** fell, ending the month at 712 mb, which is 52.7 mb above the latest five-year average and 29.2 mb higher than the same time a year earlier. The fall in commercial crude stocks was mainly driven by higher US crude oil refinery input, averaging nearly 16.0 mb/d in November, or about 500,000 b/d more than a month earlier. A further drop in US commercial crude stocks was limited by higher crude imports as well as increased US domestic crude production.

Product stocks in **OECD Americas** also fell in November to stand at 691 mb. At this level, they indicated a slight surplus of 0.8 mb above the seasonal norm, and were 22.1 mb higher than the same time a year earlier. The fall in product stocks came mainly from strong demand in the US and greater exports to Latin America.

OECD Europe's commercial stocks rose by 2.7 mb in November to stand at 890 mb. This is 25.4 mb higher than the same time a year ago, but 42.5 mb below the latest five-year average. The total stock build came from products, which increased by 5.4 mb, while crude abated this build, falling by 2.7 mb.

OECD Europe's commercial crude stocks fell in November, following a build of 24 mb in October, to stand at 375 mb. At this level, crude inventories stood at around 6.8 mb below the same period a year earlier and 16.5 mb less than the latest five-year average. This drop was driven by higher European refinery runs combined with unrest in Libya, leading to lower production in that country.

In contrast, **OECD Europe's commercial product stocks** rose by 5.4 mb in November to stand at 515 mb. Despite this stock draw, European stocks were 32.1 mb above a year ago at the same time, but still 26.0 mb lower than the seasonal norm.

OECD Asia Pacific commercial oil stocks fell by 7.4 mb in November, reversing the build of the previous four consecutive months to stand at 417 mb. At this level, OECD Asia Pacific commercial oil inventories are 21.5 mb higher than a year ago, and 9.3 mb above the five-year average. Within components, product stocks rose by 2.5 mb, while crude inventories fell by 9.9 mb. Crude inventories ended the month of November at 233 mb, standing 10.3 mb above a year ago and 2.0 mb above the seasonal norm. OECD Asia Pacific's total product inventories ended November at 184 mb, indicating a surplus of 11.2 mb from a year ago, 7.3 mb above the seasonal norm.

Table 9.1: OECD's commercial stocks, mb

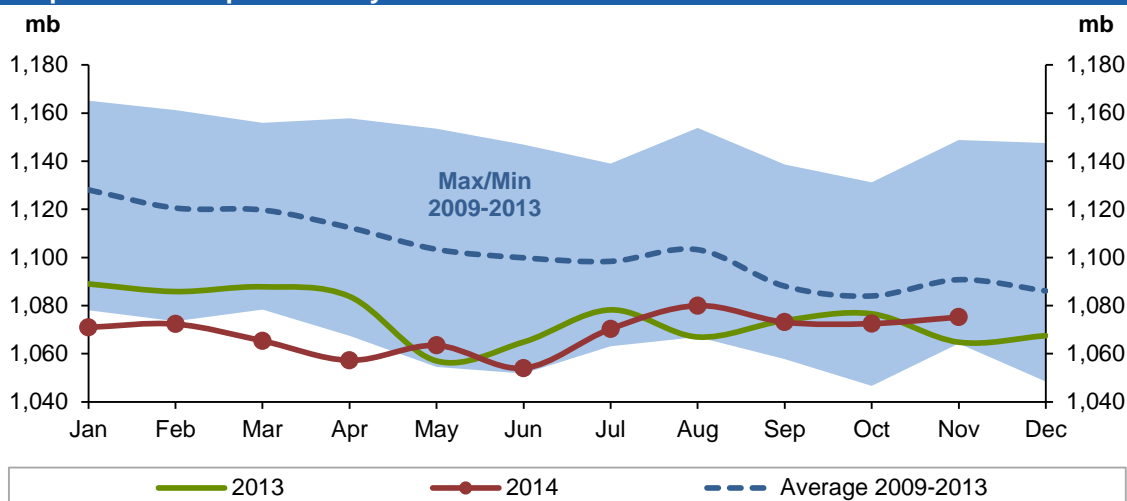
	<u>Sep 14</u>	<u>Oct 14</u>	<u>Nov 14</u>	<i>Change</i> <u>Nov 14/Oct 14</u>	<u>Nov 13</u>
Crude oil	1,303	1,335	1,320	-15.3	1,287
Products	1,415	1,385	1,390	5.3	1,325
Total	2,719	2,720	2,710	-10.0	2,612
Days of forward cover	58.7	59.1	58.7	-0.4	56.6

EU plus Norway

Preliminary data for November shows that total **European stocks** rose by 2.7 mb, reversing the drop of the previous two months to stand at 1,075.2 mb. This is 10.4 mb or 1.0% above the same time a year ago, but still 15.6 mb or 1.4% below the latest five-year average. The total stock build came from products, which increased by 5.4 mb, while crude abated this build, falling by 2.7 mb.

European crude inventories fell in November, reversing the build of the previous two months to stand at 474.0 mb. Despite this drop, crude inventories stood at 8.4 mb or 1.8% above the latest five-year average. However, they remained 4.5 mb or 0.9% below the same period one year earlier. Higher European refinery runs, which rose by around 150,000 b/d from the previous month to stand at 10.3 mb/d, were behind the drop in crude oil stocks. Unrest in Libya, leading to a cut in production there also supported the drop in crude oil inventories.

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



In contrast, **OECD Europe's product stocks** rose by 5.4 mb in November, reversing the drop of the previous two months. At 601.2 mb, European stocks were 14.9 mb or 2.5% above a year earlier at the same time, though they remained 23.9 mb or 3.8% below the seasonal norm. All products experienced builds, with the exception of naphtha.

Gasoline stocks rose slightly by 0.7 mb in November to end the month at 108.8 mb. At this level, gasoline stocks showed a surplus of 1.8 mb or 1.6% above a year earlier, though still 2.3 mb or 2.1% below the seasonal norm. The build mainly reflects higher gasoline output in Europe, combined with higher gasoline imports.

Distillate stocks also rose by 2.3 mb, ending November at 394.0 mb. With this stock build, they indicated a surplus of 12.2 mb or 3.2% compared with a year ago in the same period and 5.0 mb or 1.3% above the five-year average. The build came mainly from higher refinery runs combined with healthy gasoline exports from former Soviet Union refineries.

Residual fuel oil stocks also rose by 2.8 mb in November, reversing the build of the previous two months. At 73.8 mb, residual fuel oil stocks were 2.3 mb or 3.0% below the same time a year ago and 20.9 mb or 22.1% less than the seasonal average. Weak bunker demand, combined with lower exports to the Asia Pacific region, were behind the build in residual fuel stocks.

In contrast, **naphtha** stocks fell by 0.4 mb in November to stand at 24.6 mb, representing a surplus of 3.2 mb or 15.1% above a year ago at the same time and 5.7 mb or 18.7% below the latest five-year average.

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

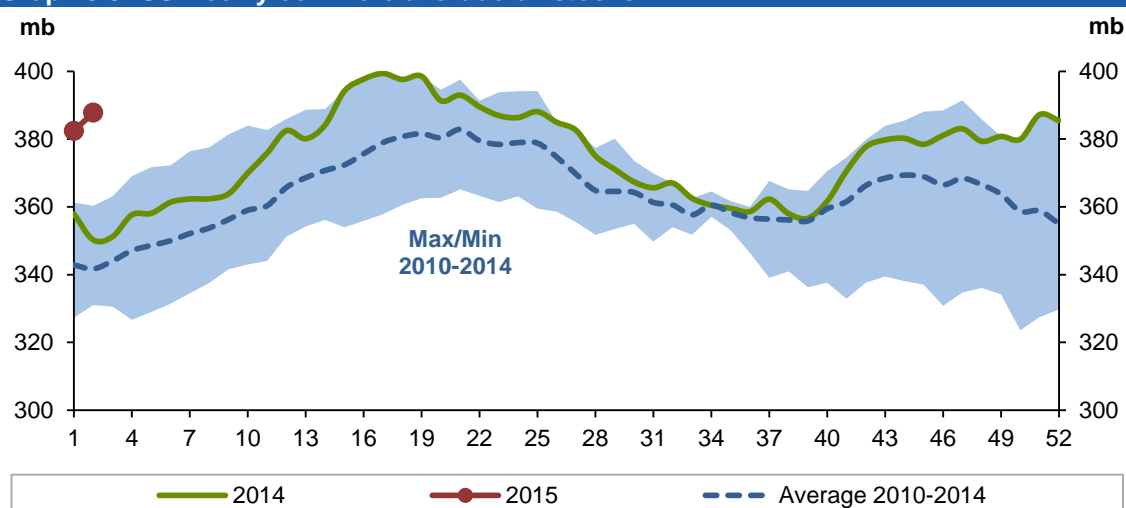
	<u>Sep 14</u>	<u>Oct 14</u>	<u>Nov 14</u>	<u>Change</u> <u>Nov 14/Oct 14</u>	<u>Nov 13</u>
Crude oil	473.0	476.7	474.0	-2.7	478.5
Gasoline	107.2	108.1	108.8	0.7	107.1
Naphtha	25.5	25.1	24.6	-0.4	21.4
Middle distillates	395.8	391.7	394.0	2.3	381.8
Fuel oils	71.6	71.0	73.8	2.8	76.1
Total products	600.1	595.8	601.2	5.4	586.3
Total	1,073.1	1,072.5	1,075.2	2.7	1,064.8

Sources: Argus and Euroilstock.

US

Preliminary data for December shows that **total commercial oil stocks** rose by 27.8 mb, reversing the fall of the previous two months to stand at 1,149 mb. With this build, they were nearly 80 mb or 7.5% above the latest five-year average and 85.0 mb or 8.0% higher than in the same period a year earlier. Within components, commercial crude and product stocks saw a build of 24.7 mb and 3.1 mb, respectively.

Graph 9.3: US weekly commercial crude oil stocks



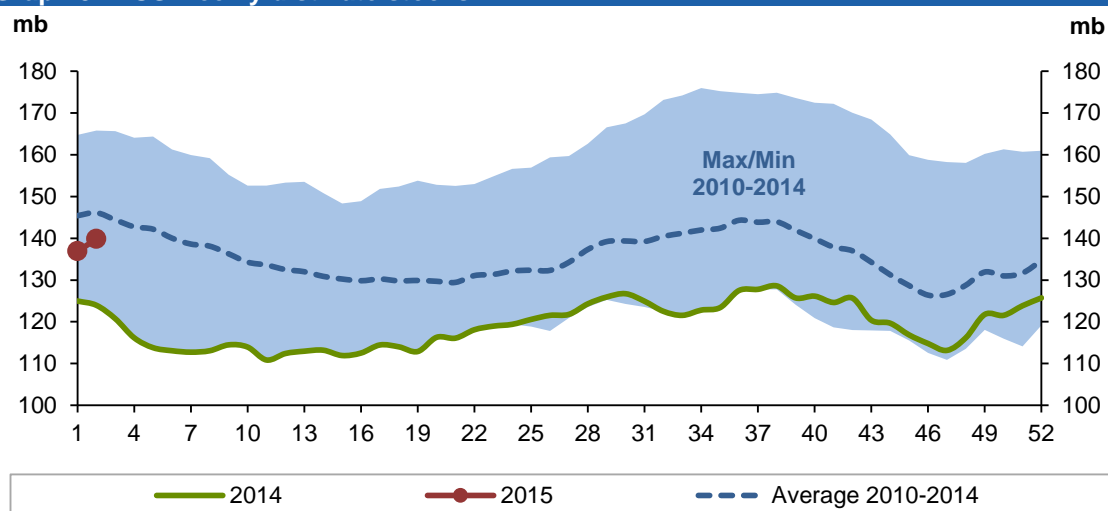
US commercial crude stocks rose in December to stand at 382.4 mb. At this level, crude commercial stocks finished the month at 24.7 mb or 6.9% above the same time a year earlier, remaining 40.3 mb or 11.8% above the latest five-year average. The build in commercial crude stocks was mainly driven by higher crude imports, which rose by around 198 tb/d to stand at 7.52 mb/d. Ongoing higher US domestic production also contributed to the build in US crude commercial stocks. However, the surge in US crude oil refinery input by nearly 400,000 b/d to average 16.4 mb/d, limited any further build. Refineries operated at around 92.1% of capacity in December, 3.0 pp higher than the previous month. Crude at Cushing, Oklahoma, rose by more than 8 mb in December to stand at 32.1 mb, narrowing the gap with the same time a year earlier to about 8.0 mb, down from 19.0 mb the previous month.

In December, **total US product stocks** surged sharply by 24.7 mb to end the month at 766.6 mb. With this stock build, product stocks were 60 mb or 8.5% above the levels seen at the same time a year ago, showing a surplus of 40 mb or 5.4% above the seasonal norm. With the exception of residual fuel oil, all products experienced builds.

Gasoline stocks rose by 28.6 mb, ending December at 237.2 mb, which was 9.1 mb or 4.0% higher than the same period a year ago and 12.2 mb or 5.4% above the latest five-year average. The build came mainly from higher gasoline output, which increased by around 100,000 b/d, reaching 9.6 mb/d. Higher demand limited a further stock build in gasoline.

Distillate stocks rose by 20.8 mb in December following a drop over the previous two months. At 136.9 mb, they were 9.6 mb or 7.6% less than the same period one year earlier, though still indicating a deficit of 11.4 mb or 7.7% with the five-year average. The build in middle distillate stocks mainly reflected higher output, which increased by nearly 350,000 b/d to average 5.2 mb/d.

Graph 9.4: US weekly distillate stocks



Jet fuel stocks also rose by 2.1 mb, ending December at 37.8 mb, which is 0.6 mb or 1.5% higher than the same month a year ago, though remaining 3.2 mb or 7.7% below the latest five-year average. In contrast, **residual fuel oil stocks** fell by 4.5 mb in December to end the month at 33.1 mb, which is 4.6 mb or 12.2% lower than the previous year in the same period, and 3.8 mb or 10.3% below the seasonal norm. This build is mainly attributed to higher residual fuel demand.

Table 9.3: US onland commercial petroleum stocks, mb

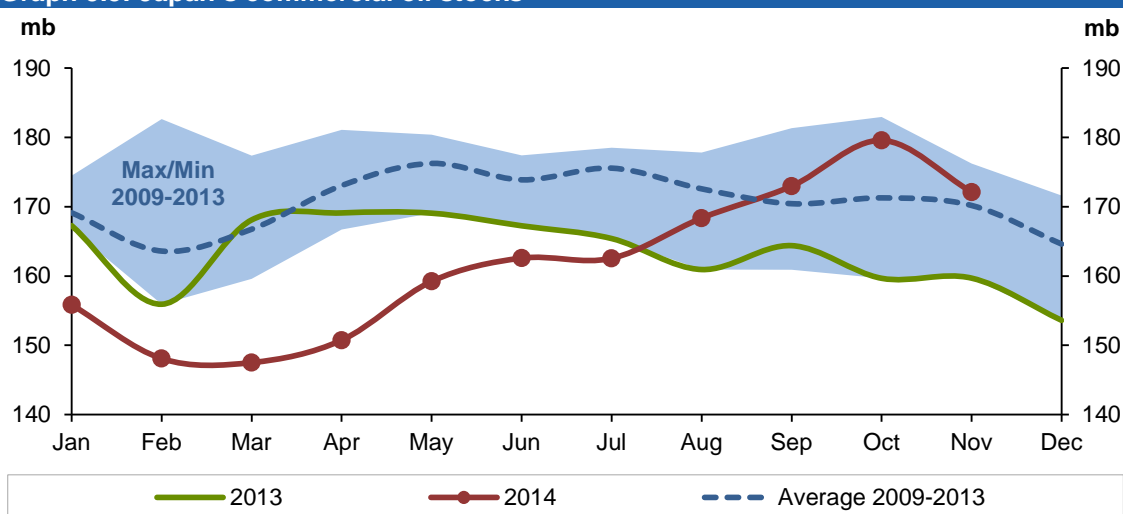
	<u>Oct 14</u>	<u>Nov 14</u>	<u>Dec 14</u>	<u>Change</u> <u>Dec 14/Nov 14</u>	<u>Dec 13</u>
Crude oil	382.0	379.3	382.4	3.1	357.1
Gasoline	203.2	208.6	237.2	28.6	228.0
Distillate fuel	120.1	116.2	136.9	20.8	127.5
Residual fuel oil	36.9	37.6	33.1	-4.5	38.1
Jet fuel	36.3	35.7	37.8	2.1	37.2
Total	1,139.1	1,121.2	1,149.0	27.8	1,065.4
SPR	691.0	691.0	691.0	0.0	696.0

Source: US Energy Information Administration.

Japan

In Japan, total **commercial oil stocks** fell by 7.4 mb in November, reversing the build of the previous three months to stand at 172.1 mb. Despite this fall, Japanese commercial oil inventories are 12.4 mb or 7.8% higher than a year ago, and 1.9 mb or 1.1% below the five-year average. Within components, product stocks rose by 2.5 mb, while crude stocks fell by 9.9 mb.

Japanese commercial **crude oil stocks** fell in November, following a build in October, to stand at 96.4 mb. Despite this drop, they were 6.8 mb or 7.5% above year-ago levels at the same time, and 1.6 mb or 1.7% above the seasonal norm. The stock draw in crude oil was driven by lower imports, which fell by around 233 tb/d or 7.0% to average 3.1 mb/d; this is 17.3% lower than the previous year at the same time. Higher refinery throughputs also contributed to the fall in crude oil inventories. Indeed, refinery throughputs rose by nearly 220,000 b/d to average 3.3 mb/d in November. Direct crude burning in power plants rose by 13.5% in November compared with the previous month, averaging 97.0 tb/d, but still showing a decline of 55% over the same period a year earlier.

Graph 9.5: Japan's commercial oil stocks

In contrast, Japan's **total product inventories** rose by 2.5 mb in November, reversing the drop of the previous month to stand at 75.8 mb. At this level, product stocks are 5.7 mb or 8.1% above the same time a year ago, showing a surplus of 0.3 mb or 0.4% with the five-year average. The build was driven by higher refinery output, which rose by 220,000 b/d or 7.4% to average around 3.2 mb/d in November. Higher product imports also contributed to the build in product inventories. However, the rise of 7.8% in

Stock Movements

product sales limited further build in product inventories. All products witnessed a stock build.

Distillate stocks rose by 1.1 mb in November to stand at 36.5 mb. At this level, distillate stocks were 2.7 mb or 8.0% above the same period a year ago and 0.6 mb or 1.7% higher than the seasonal average. Within distillate components, kerosene and gasoil experienced a build, while jet fuel saw a stock draw. Kerosene inventories rose by 6.6% on the back of higher output, which increased by 22% from the previous month. Gasoil also rose by 2.8% on lower domestic sales, combined with higher output. In contrast, jet fuel stocks fell by 6.2% driven mainly by lower production, which declined by almost 16%.

Total residual **fuel oil stocks** also rose by 0.4 mb in November to stand at 16.2 mb, which is 1.9 mb or 13.0% above a year ago and 0.4 mb or 2.7% higher than the latest five-year average. Within fuel oil components, fuel oils A and B.C rose by 23.8% and 12.2%, respectively. The build was mainly driven by higher output. **Naphtha stocks** rose by 0.9 mb to finish the month of November at 12.4 mb, indicating a surplus of 1.9 mb or 18.6% compared with a year ago at the same time, 1.5 mb or 14.1% higher than the seasonal norm. The stock build came mainly from higher imports, which increased by 19.5% in November from the previous month. **Gasoline stocks** remained almost unchanged, ending November at 10.7 mb. At this level, they were 0.9 mb or 7.5% less than at the same time the previous year and 2.3 mb or 17.4% below the five-year average.

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

	Sep 14	Oct 14	Nov 14	Change Nov 14/Oct 14	Nov 13
Crude oil	98.2	106.3	96.4	-9.9	89.6
Gasoline	10.4	10.6	10.7	0.0	11.5
Naphtha	12.0	11.5	12.4	0.9	10.4
Middle distillates	35.0	35.4	36.5	1.1	33.8
Residual fuel oil	17.4	15.7	16.2	0.4	14.3
Total products	74.8	73.3	75.8	2.5	70.1
Total**	173.0	179.6	172.1	-7.4	159.7

* At end of month.

** Includes crude oil and main products only.

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

China

The latest information for November showed **Chinese total oil commercial inventories** fell by 7.9 mb, following a drop of 9.8 mb in October to stand at 383.4 mb. Despite this stock draw, Chinese inventories were 25.6 mb above the previous year at the same time. Within components, both commercial crude and product stocks fell by 4.9 mb and 3.0 mb, respectively. At 260.2 mb, crude commercial stocks represented a surplus of around 29.0 mb when compared with the same period one year earlier. The draw in crude commercial stocks came mainly from higher crude runs, while higher imports limited a further drop in crude oil stocks.

Total **product stocks** in China also dropped by 3.0 mb in November for the sixth consecutive month to stand at 123.1 mb. At this level, Chinese product stocks were 3.3 mb below a year ago at the same time. The fall in product stocks could be due to lower refinery output. All products dropped, with the bulk of the fall coming from diesel oil, which declined by 2.4 mb to end November at 53.9 mb. Both gasoline and

kerosene inventories indicated a drop of 0.3 mb, finishing November at 55.6 mb and 13.7 mb, respectively.

Table 9.5: China's commercial oil stocks, mb

	<u>Sep 14</u>	<u>Oct 14</u>	<u>Nov 14</u>	<u>Change</u> <u>Nov 14/Oct 14</u>	<u>Nov 13</u>
Crude oil	267.0	265.1	260.2	-4.9	231.3
Gasoline	59.0	55.8	55.6	-0.3	55.1
Diesel	59.3	56.3	53.9	-2.4	59.0
Jet kerosene	15.8	14.0	13.7	-0.3	12.4
Total products	134.0	126.2	123.1	-3.0	126.5
Total	401.1	391.3	383.4	-7.9	357.8

Source: OPEC Secretariat analysis.

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of November, **product stocks in Singapore** fell by 3.0 mb following a slight drop the previous month to stand at 39.1 mb. At this level, product stocks in Singapore indicated a surplus of 1.0 mb or 2.6% over the same period the previous year. All products indicated a drop, with the bulk of the fall coming from fuel oil stocks.

Residual fuel oil stocks fell by 2.6 mb in November to stand 16.8 mb. At this level, residual fuel oil stocks stood at 3.7 mb or 18.1% below the same period one year earlier. Lower residual fuel oil imports to Singapore were the main driver behind the drop in fuel oil stocks.

Both **light and middle distillates** fell by 0.2 mb in November. At 11.1 mb, light distillate stocks stood at 0.7 mb or 7.1% above the same time a year ago. Middle distillate stocks ended November at 11.2 mb indicating a surplus of 4.0 mb or nearly 50% above a year earlier at the same time.

Product stocks in ARA fell slightly by 0.7 mb in November, following a drop of 2.6 mb in October to stand at 33.7 mb. Despite this stock draw, product stocks in ARA stood at 7.5 mb or 28.5% above a year ago at the same time. Within products, the picture was mixed; naphtha and fuel oil went up, while gasoline, jet fuel oil and gasoil witnessed a drop.

Gasoline stocks fell by 0.7 mb to stand at 3.7 mb, which is 1.8 mb or 33% lower than in the same period a year earlier. **Gasoil** also fell by 1.2 mb for the second month, ending November at 18.8 mb. Despite this stock draw, they remained 6.4 mb or 50% higher than the same period one year earlier. The fall in gasoil inventories could be attributed to some improvement in regional demand. **Jet fuel** oil stocks also fell by 0.4 mb, ending November at 4.3 mb, which is 1.3 mb or 41% higher than a year ago at the same time. In contrast, **residual fuel oil** and **naphtha** stocks rose by 0.7 mb and 0.8 mb, respectively. At 4.4 mb, residual fuel oil stocks are 0.2 mb or 5.2% less than a year ago at the same time. Naphtha stocks stood at 2.5 mb at the end of November, nearly three times the level experienced in November 2013.

Balance of Supply and Demand

Demand for OPEC crude in 2014 was revised down by 0.2 mb/d from the previous report to stand at 29.1 mb/d, which is 1.2 mb/d lower than the 2013 level. In 2015, demand for OPEC crude was also revised down by 0.1 mb/d to stand at 28.8 mb/d, representing a decline of 0.3 mb from the estimated 2014 level.

Estimate for 2014

Demand for OPEC crude for 2014 was revised down by 0.2 mb/d from the previous report, mainly reflecting an upward adjustment to non-OPEC supply. The first and second quarters were revised down by 0.1 mb/d and 0.2 mb/d, respectively, while the third and the fourth quarters were revised down by 0.4 mb/d each. Demand for OPEC crude is estimated to be 29.1 mb/d in 2014, representing a decrease of 1.2 mb/d from the 2013 level. The first and the second quarters are estimated to show a decline of 1.0 mb/d and 1.9 mb/d, respectively, versus the same period one year ago. The third quarter is estimated to decline by 1.2 mb/d while the fourth quarter is expected to fall by 0.7 mb/d compared with the same quarter in 2013.

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

	2013	1Q14	2Q14	3Q14	4Q14	2014
(a) World oil demand	90.20	90.15	90.00	91.73	92.69	91.15
Non-OPEC supply	54.24	55.64	55.93	56.23	57.06	56.22
OPEC NGLs and non-conventionals	5.65	5.73	5.79	5.86	5.93	5.83
(b) Total supply excluding OPEC crude	59.89	61.37	61.72	62.09	63.00	62.05
Difference (a-b)	30.31	28.79	28.28	29.65	29.70	29.11
OPEC crude oil production	30.20	29.84	29.77	30.26	30.23	30.03
Balance	-0.11	1.05	1.49	0.62	0.53	0.92

Totals may not add up due to independent rounding.

Forecast for 2015

The demand for OPEC crude in 2015 was also revised down by 0.1 mb/d to stand at 28.8 mb/d, which is 0.3 mb/d less than the estimated 2014 level. The first and second quarter were revised down by 0.6 mb/d and 0.3 mb/d, respectively. In contrast, the fourth quarter was revised up by 0.3 mb/d. The third quarter remained unchanged compared with the previous report. The first and second quarters were expected to decline by 1.0 mb/d and 0.5 mb/d, respectively, compared with the same period one year earlier. The third quarter is projected to see negative growth of 0.1 mb/d, while the fourth quarter is expected to increase by 0.3 mb/d.

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

	2014	1Q15	2Q15	3Q15	4Q15	2015
(a) World oil demand	91.15	91.33	91.17	92.92	93.76	92.30
Non-OPEC supply	56.22	57.69	57.37	57.30	57.61	57.49
OPEC NGLs and non-conventionals	5.83	5.89	5.98	6.08	6.18	6.03
(b) Total supply excluding OPEC crude	62.05	63.58	63.35	63.38	63.79	63.52
Difference (a-b)	29.11	27.75	27.82	29.54	29.97	28.78
OPEC crude oil production	30.03					
Balance	0.92					

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

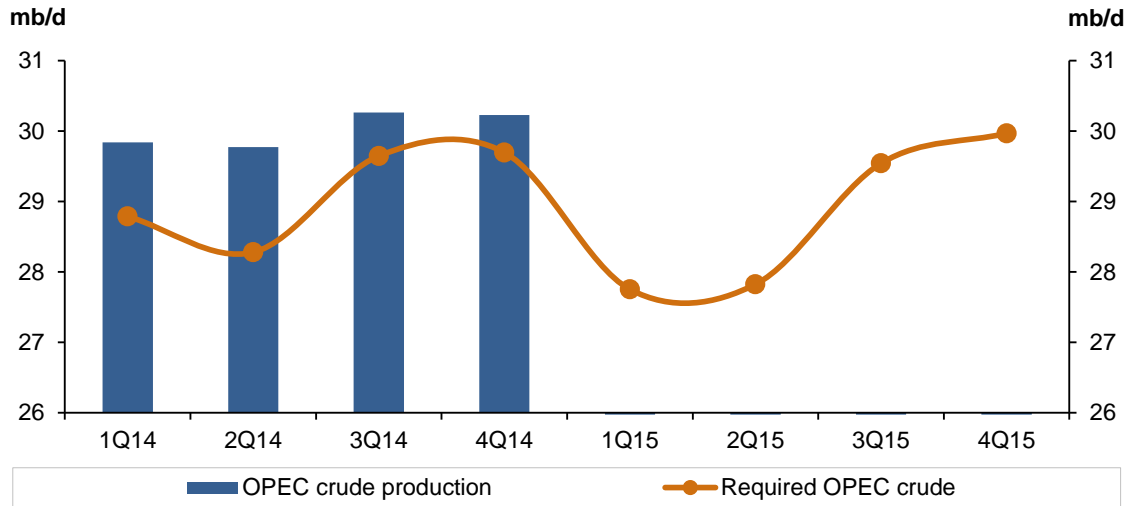


Table 10.3: World oil demand and supply balance, mb/d

	2011	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
World demand													
OECD	46.4	45.9	46.0	45.7	44.9	45.8	46.5	45.7	45.7	44.9	45.8	46.4	45.7
Americas	24.0	23.6	24.1	23.9	23.8	24.4	24.7	24.2	24.1	23.9	24.6	24.9	24.4
Europe	14.3	13.8	13.6	13.0	13.5	13.7	13.4	13.4	12.9	13.4	13.6	13.3	13.3
Asia Pacific	8.2	8.5	8.3	8.8	7.7	7.7	8.4	8.1	8.8	7.6	7.6	8.2	8.0
DCs	27.3	28.3	29.0	29.3	29.7	30.3	29.7	29.8	30.1	30.5	31.2	30.6	30.6
FSU	4.3	4.4	4.5	4.4	4.2	4.6	4.9	4.5	4.4	4.3	4.7	5.0	4.6
Other Europe	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.6	0.6	0.7	0.7
China	9.4	9.7	10.1	10.1	10.6	10.3	10.8	10.4	10.4	10.9	10.6	11.1	10.8
(a) Total world demand	88.1	89.0	90.2	90.2	90.0	91.7	92.7	91.2	91.3	91.2	92.9	93.8	92.3
Non-OPEC supply													
OECD	20.2	21.1	22.2	23.4	23.8	24.0	24.5	23.9	24.9	24.9	24.9	25.3	25.0
Americas	15.5	16.7	18.1	19.2	19.8	20.1	20.4	19.9	20.7	20.8	20.9	21.1	20.9
Europe	4.1	3.8	3.6	3.8	3.5	3.4	3.6	3.6	3.7	3.5	3.4	3.6	3.6
Asia Pacific	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
DCs	12.6	12.1	12.1	12.2	12.2	12.3	12.5	12.3	12.7	12.5	12.4	12.3	12.5
FSU	13.2	13.3	13.4	13.5	13.4	13.4	13.5	13.4	13.5	13.4	13.3	13.4	13.4
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	4.1	4.2	4.2	4.2	4.3	4.2	4.3	4.2	4.3	4.3	4.3	4.4	4.3
Processing gains	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	52.4	52.9	54.2	55.6	55.9	56.2	57.1	56.2	57.7	57.4	57.3	57.6	57.5
OPEC NGLs + non-conventional oils	5.4	5.6	5.6	5.7	5.8	5.9	5.9	5.8	5.9	6.0	6.1	6.2	6.0
(b) Total non-OPEC supply and OPEC NGLs	57.8	58.4	59.9	61.4	61.7	62.1	63.0	62.0	63.6	63.3	63.4	63.8	63.5
OPEC crude oil production (secondary sources)	29.8	31.1	30.2	29.8	29.8	30.3	30.2	30.0					
Total supply	87.6	89.6	90.1	91.2	91.5	92.4	93.2	92.1					
Balance (stock change and miscellaneous)	-0.5	0.6	-0.1	1.1	1.5	0.6	0.5	0.9					
OECD closing stock levels (mb)													
Commercial	2,605	2,663	2,566	2,584	2,652	2,719							
SPR	1,536	1,547	1,584	1,586	1,581	1,580							
Total	4,141	4,210	4,150	4,170	4,233	4,298							
Oil-on-water	825	879	909	954	914	952							
Days of forward consumption in OECD													
Commercial onland stocks	57	58	56	58	58	58							
SPR	33	34	35	35	35	34							
Total	90	92	91	93	92	92							
Memo items													
FSU net exports	8.9	8.8	8.9	9.1	9.1	8.8	8.6	8.9	9.1	9.1	8.7	8.4	8.8
(a) - (b)	30.3	30.5	30.3	28.8	28.3	29.6	29.7	29.1	27.8	27.8	29.5	30.0	28.8

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

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

	2011	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
World demand													
OECD	-	-	-	-	-	-0.1	0.2	-	-	-	-	0.2	-
Americas	-	-	-	-	-	-	0.2	-	-	-	-	0.2	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-
(a) Total world demand	-	-	-	-	-	-0.1	0.2	-	-	-	-	0.2	-
World demand growth	-	-	-	-	-	-0.1	0.2	-	-	-	-	-	-
Non-OPEC supply													
OECD	-	-	-	-	0.1	0.3	0.3	0.2	0.4	0.1	-0.2	-0.2	-
Americas	-	-	-	-	0.1	0.3	0.3	0.2	0.4	0.1	-0.2	-0.2	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1	0.1	0.1
FSU	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1	-	0.1
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	0.2	0.3	0.6	0.3	0.6	0.3	-	-0.1	0.2
Total non-OPEC supply growth	-	-	-	-	0.1	0.3	0.5	0.3	0.5	0.2	-0.3	-0.7	-0.1
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	0.2	0.3	0.6	0.3	0.6	0.3	-	-0.1	0.2
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total supply	-	-	-	-	0.2	0.3	-	-	-	-	-	-	-
Balance (stock change and miscellaneous)	-	-	-	-	0.2	0.4	-	-	-	-	-	-	-
OECD closing stock levels (mb)													
Commercial	-	-	1	1	1	-3	-	-	-	-	-	-	-
SPR	-	-	-	-	-	-3	-	-	-	-	-	-	-
Total	-	-	1	1	1	-6	-	-	-	-	-	-	-
Oil-on-water	-	-	-	-	-	-	-	-	-	-	-	-	-
Days of forward consumption in OECD													
Commercial onland stocks	-	-	-	-	-	-	-	-	-	-	-	-	-
SPR	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-
Memo items													
FSU net exports	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1	0.1	0.1
(a) - (b)	-	-	-	-0.1	-0.2	-0.4	-0.4	-0.2	-0.6	-0.3	-	0.3	-0.1

* This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the December 2014 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	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14
Closing stock levels, mb												
OECD onland commercial	2,605	2,663	2,566	2,728	2,663	2,665	2,661	2,700	2,566	2,584	2,652	2,719
Americas	1,308	1,365	1,316	1,385	1,365	1,349	1,378	1,404	1,316	1,311	1,382	1,410
Europe	905	901	869	917	901	904	873	884	869	875	878	887
Asia Pacific	392	396	381	427	396	412	409	412	381	399	392	421
OECD SPR	1,536	1,547	1,584	1,542	1,547	1,581	1,577	1,582	1,584	1,586	1,581	1,580
Americas	697	696	697	696	696	697	697	697	697	697	692	692
Europe	426	436	470	433	436	472	471	472	470	470	471	471
Asia Pacific	414	415	417	414	415	413	409	413	417	418	419	417
OECD total	4,141	4,210	4,150	4,271	4,210	4,246	4,238	4,282	4,150	4,170	4,233	4,298
Oil-on-water	825	879	909	844	879	942	871	932	909	954	914	952
Days of forward consumption in OECD												
OECD onland commercial	57	58	56	59	58	59	58	58	56	58	58	59
Americas	55	57	55	58	57	57	57	58	55	55	57	57
Europe	66	66	65	67	68	65	63	65	67	65	64	66
Asia Pacific	46	48	46	49	45	53	51	48	43	52	51	50
OECD SPR	33	34	35	33	34	35	34	34	35	35	34	34
Americas	30	29	29	29	29	29	29	29	29	29	28	28
Europe	31	32	35	32	33	34	34	35	36	35	34	35
Asia Pacific	49	50	51	47	47	53	51	48	47	55	54	50
OECD total	90	92	91	92	92	93	92	92	91	93	92	93

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

							Change						Change
	2011	2012	2013	3Q14	4Q14	2014	14/13	1Q15	2Q15	3Q15	4Q15	2015	15/14
US	9.0	10.0	11.2	13.2	13.4	12.9	1.6	13.6	13.8	13.9	13.9	13.8	1.0
Canada	3.5	3.8	4.0	4.2	4.2	4.2	0.2	4.3	4.3	4.3	4.5	4.3	0.2
Mexico	2.9	2.9	2.9	2.8	2.7	2.8	-0.1	2.7	2.7	2.7	2.7	2.7	-0.1
OECD Americas*	15.5	16.7	18.1	20.1	20.4	19.9	1.7	20.7	20.8	20.9	21.1	20.9	1.0
Norway	2.0	1.9	1.8	1.9	1.9	1.9	0.0	2.0	1.9	1.8	2.0	1.9	0.0
UK	1.1	1.0	0.9	0.7	0.8	0.9	0.0	0.9	0.8	0.8	0.9	0.8	0.0
Denmark	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Other OECD Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
OECD Europe	4.1	3.8	3.6	3.4	3.6	3.6	0.0	3.7	3.5	3.4	3.6	3.6	0.0
Australia	0.5	0.5	0.4	0.4	0.4	0.4	0.0	0.4	0.5	0.4	0.4	0.4	0.0
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
OECD Asia Pacific	0.6	0.6	0.5	0.5	0.5	0.5	0.0	0.5	0.5	0.5	0.5	0.5	0.0
Total OECD	20.2	21.1	22.2	24.0	24.5	23.9	1.7	24.9	24.9	24.9	25.3	25.0	1.1
Brunei	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
India	0.9	0.9	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Indonesia	1.0	1.0	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Malaysia	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Thailand	0.3	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Vietnam	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.3	0.4	0.0
Asia others	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.3	0.3	0.3	0.3	0.0
Other Asia	3.6	3.7	3.6	3.5	3.5	3.5	-0.1	3.6	3.6	3.5	3.5	3.5	0.0
Argentina	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Brazil	2.6	2.6	2.6	3.0	3.1	2.9	0.3	3.1	3.0	3.1	3.0	3.1	0.2
Colombia	0.9	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	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	0.4	0.3	0.3	0.3	0.3	0.0
Latin America	4.7	4.7	4.8	5.1	5.2	5.0	0.2	5.2	5.2	5.2	5.1	5.2	0.1
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Oman	0.9	0.9	0.9	1.0	0.9	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Syria	0.4	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yemen	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Middle East	1.7	1.5	1.4	1.4	1.3	1.3	0.0	1.4	1.4	1.3	1.3	1.3	0.0
Chad	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Congo	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Egypt	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Equatorial Guinea	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Gabon	0.3	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
South Africa	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.2	0.1	0.1	0.1	0.1	0.0
Sudans	0.4	0.1	0.2	0.3	0.3	0.3	0.1	0.3	0.3	0.3	0.3	0.3	0.0
Africa other	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Africa	2.6	2.3	2.4	2.4	2.4	2.4	0.0	2.5	2.4	2.4	2.4	2.4	0.0
Total DCs	12.6	12.1	12.1	12.3	12.5	12.3	0.2	12.7	12.5	12.4	12.3	12.5	0.2
FSU	13.2	13.3	13.4	13.4	13.5	13.4	0.0	13.5	13.4	13.3	13.4	13.4	0.0
Russia	10.3	10.4	10.5	10.5	10.7	10.6	0.1	10.6	10.6	10.5	10.5	10.6	0.0
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	1.0	0.9	0.9	0.9	0.8	0.9	0.0	0.9	0.8	0.8	0.8	0.8	0.0
FSU others	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
China	4.1	4.2	4.2	4.2	4.3	4.2	0.0	4.3	4.3	4.3	4.4	4.3	0.1
Non-OPEC production	50.3	50.7	52.1	54.1	54.9	54.1	1.9	55.5	55.2	55.1	55.4	55.3	1.3
Processing gains	2.1	2.1	2.1	2.2	2.2	2.2	0.0	2.2	2.2	2.2	2.2	2.2	0.0
Non-OPEC supply	52.4	52.9	54.2	56.2	57.1	56.2	2.0	57.7	57.4	57.3	57.6	57.5	1.3
OPEC NGL	5.2	5.4	5.4	5.6	5.7	5.6	0.2	5.6	5.7	5.8	5.9	5.8	0.2
OPEC non-conventional	0.1	0.2	0.2	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
OPEC (NGL+NCF)	5.4	5.6	5.6	5.9	5.9	5.8	0.2	5.9	6.0	6.1	6.2	6.0	0.2
Non-OPEC & OPEC (NGL+NCF)	57.8	58.4	59.9	62.1	63.0	62.0	2.2	63.6	63.3	63.4	63.8	63.5	1.5

* Chile has been included in OECD Americas.

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

Table 10.7: World Rig Count

	Change											Change
	2010	2011	2012	2013	13/12	1Q14	2Q14	3Q14	4Q14	Nov 14	Dec 14	Dec/Nov
US	1,541	1,881	1,919	1,761	-158	1,780	1,852	1,904	1,912	1,925	1,881	-44
Canada	347	423	366	354	-12	526	202	385	406	421	374	-47
Mexico	97	94	106	106	0	93	87	85	78	79	72	-7
Americas	1,985	2,398	2,391	2,221	-170	2,400	2,140	2,374	2,396	2,425	2,327	-98
Norway	18	17	17	20	2	17	18	15	16	17	14	-3
UK	19	16	18	17	-1	15	17	15	17	17	20	3
Europe	94	118	119	135	16	135	146	148	148	149	146	-3
Asia Pacific	21	17	24	27	3	28	27	25	25	26	24	-2
Total OECD	2,100	2,532	2,534	2,383	-151	2,563	2,314	2,547	2,569	2,600	2,497	-103
Other Asia	248	239	217	219	2	230	221	231	229	229	231	2
Latin America	205	195	180	166	-14	164	176	174	174	175	177	2
Middle East	156	104	110	76	-33	84	85	82	79	81	77	-4
Africa	19	2	7	16	9	27	30	24	29	31	31	0
Total DCs	628	540	513	477	-36	504	512	511	511	516	516	0
Non-OPEC rig count	2,727	3,072	3,047	2,860	-187	3,067	2,826	3,058	3,080	3,116	3,013	-103
Algeria	25	31	36	47	11	49	46	48	48	51	49	-2
Angola	9	10	9	11	2	16	16	14	14	13	14	1
Ecuador	11	12	20	26	6	25	25	26	21	19	18	-1
Iran**	52	54	54	54	0	54	54	54	54	54	54	0
Iraq**	36	36	58	83	25	89	93	75	59	60	61	1
Kuwait**	20	57	57	58	1	60	60	68	69	69	71	2
Libya**	16	8	12	15	3	15	10	8	8	9	7	-2
Nigeria	15	36	36	37	1	35	31	32	36	38	37	-1
Qatar	9	8	8	9	1	11	11	11	10	9	9	0
Saudi Arabia	67	100	112	114	3	125	132	137	143	143	146	3
UAE	13	21	24	28	4	30	33	37	38	39	38	-1
Venezuela	70	122	117	121	3	121	114	122	106	102	102	0
OPEC rig count	342	494	542	602	60	629	624	631	605	606	606	0
Worldwide rig count*	3,069	3,566	3,589	3,462	-127	3,696	3,450	3,689	3,685	3,722	3,619	-103
of which:												
Oil	1,701	2,257	2,654	2,611	-43	2,819	2,687	2,851	2,820	2,850	2,748	-102
Gas	1,325	1,262	886	746	-140	780	671	744	776	784	782	-2
Others	43	49	52	109	57	99	95	96	91	90	90	0

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

na: Not available.

Sources: Baker Hughes Incorporated & Secretariat's estimates.

* Excludes China and FSU.

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

Contributors to the OPEC Monthly Oil Market Report

Editor-in-Chief

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

Editor

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

Analysts

Crude Oil Price Movements

Eissa Alzerma
email: ealzerma@opec.org

Commodity Markets

Hector Hurtado
email: hhurtado@opec.org

World Economy

Afshin Javan
email: ajavan@opec.org
Imad Alam Al-Deen
email: ialamal-deen@opec.org
Joerg Spitzzy
email: jspitzzy@opec.org

World Oil Demand

Hassan Balfakeih
email: hbalfakeih@opec.org

World Oil Supply

Mohammad Ali Danesh
email: mdanesh@opec.org

Product Markets and Refinery Operations

Elio Rodriguez
email: erodriguez@opec.org

Tanker Market *and* Oil Trade

Anisah Almadhayyan
email: aalmadhayyan@opec.org

Stock Movements

Aziz Yahyai
email: ayahyai@opec.org

Technical and editorial team

Aziz Yahyai
email: ayahyai@opec.org
Douglas Linton
email: dlinton@opec.org

Data services

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

Editing, production, design and circulation

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

Disclaimer

The data, analysis and any other information contained in the Monthly Oil Market Report (the “MOMR”) is for informational purposes only and is not intended as a substitute for advice from your business, finance, investment consultant or other professional. The views expressed in the MOMR are those of the OPEC Secretariat and do not necessarily reflect the views of its Governing Bodies and/or individual OPEC Member Countries.

Whilst reasonable efforts have been made to ensure the accuracy of the MOMR’s content, the OPEC Secretariat makes no warranties or representations as to its accuracy, currency reference or comprehensiveness, and assumes no liability or responsibility for any inaccuracy, error or omission, or for any loss or damage arising in connection with or attributable to any action or decision taken as a result of using or relying on the information in the MOMR.

The MOMR may contain references to material(s) from third parties whose copyright must be acknowledged by obtaining necessary authorization from the copyright owner(s). The OPEC Secretariat shall not be liable or responsible for any unauthorized use of third party material(s). All rights of the Publication shall be reserved to the OPEC Secretariat, including every exclusive economic right, in full or per excerpts, with special reference but without limitation, to the right to publish it by press and/or by any communications medium whatsoever, including Internet; translate, include in a data base, make changes, transform and process for any kind of use, including radio, television or cinema adaptations, as well as sound-video recording, audio-visual screenplays and electronic processing of any kind and nature whatsoever.

Full reproduction, copying or transmission of the MOMR is not permitted in any form or by any means by third parties without the OPEC Secretariat’s written permission, however the information contained therein may be used and/or reproduced for educational and other non-commercial purposes without the OPEC Secretariat’s prior written permission, provided that OPEC is fully acknowledged as the copyright holder.

OPEC Basket average price

US\$/b



down 16.11 in December

December 2014	59.46
November 2014	75.57
Year 2014	96.29

December OPEC crude production

mb/d, according to secondary sources



up 0.14 in December

December 2014	30.20
November 2014	30.06

Economic growth rate

per cent

	World	OECD	US	Japan	Euro-zone	China	India
2014	3.2	1.8	2.4	0.2	0.9	7.4	5.5
2015	3.6	2.2	2.9	1.2	1.2	7.2	5.8

Supply and demand

mb/d

2014		14/13	2015		15/14
World demand	91.2	1.0	World demand	92.3	1.2
Non-OPEC supply	56.2	2.0	Non-OPEC supply	57.5	1.3
OPEC NGLs	5.8	0.2	OPEC NGLs	6.0	0.2
Difference	29.1	-1.2	Difference	28.8	-0.3

OECD commercial stocks

mb

	Sep 14	Oct 14	Nov 14	Nov 14/Oct 14	Oct 13
Crude oil	1,303	1,335	1,320	-15.3	1,287
Products	1,415	1,385	1,390	5.3	1,325
Total	2,719	2,720	2,710	-10.0	2,612
Days of forward cover	58.7	59.1	58.7	-0.4	56.6

Next report to be issued on 9 February 2015.