OPEC

Monthly Oil Market Report

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Feature article:

Signs of a continued recovery

Organization of the Petroleum Exporting Countries

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Oil market highlights

Crude Oil Price Movements

The OPEC Reference Basket averaged $85.06/b in October, representing a decline of $10.92 from the previous month. Nymex WTI dropped $8.83 to average $84.34/b and ICE Brent shed $10.52 to average $88.05/b. The Brent-WTI spread has contracted further in October to average $3.70/b, the lowest difference in fifteen months.

World Economy

World economic growth expectations for 2014 and 2015 remain unchanged from the previous report at 3.2% and 3.6%, respectively. The OECD forecast stands at 1.8% for 2014 and 2.1% for 2015, in line with the previous report, with the US showing a continued improvement, while the Euro-zone and Japan are lagging in growth. Figures for both China and India remain unchanged from the previous report at 7.4% and 7.2% for China and 5.5% and 5.8% for India in 2014 and 2015, respectively.

World Oil Demand

The estimate for world oil demand growth in 2014 remains at 1.05 mb/d. Total oil consumption is expected to reach a peak for the year in 4Q14 resulting in total oil demand of 91.19 mb/d for 2014. For 2015, the forecast for world oil demand growth stands at 1.19 mb/d, in line with the previous report, with total world oil consumption expected to reach 92.38 mb/d.

World Oil Supply

Non-OPEC oil supply is estimated to grow by 1.68 mb/d in 2014. In 2015, non-OPEC oil supply is projected to grow by 1.24 mb/d. The US, Canada, Brazil and China are seen to be the key contributors to next year's non-OPEC supply growth. OPEC NGLs and non-conventional liquids are estimated to average 6.03 mb/d in 2015, up from 5.83 mb/d in 2014. In October, OPEC crude oil production averaged 30.25 mb/d, according to secondary sources, a decrease of 0.23 mb/d from the slightly upwardly revised September figure of 30.48 mb/d.

Product Markets and Refining Operations

Light distillate crack spreads narrowed in the Atlantic Basin with the return of several disrupted fluid catalytic cracking (FCC) units, mainly in the US Gulf Coast. Losses at the top of the barrel resulted in a decline in refinery margins despite a balanced middle distillates market. In contrast, the Asian market lost some ground in October due to lower crack spreads.

Tanker Market

Spot freight rates for dirty vessels saw increases across various classes with Suezmax rates showing the strongest gains. VLCC, Suezmax and Aframax spot freight rates rose by 15%, 19%, and 17%, respectively, over the previous month. Freight rate gains were mainly driven by seasonal demand, Asian requirements and increased port delays.

Stock Movements

OECD commercial oil stocks rose by 21.2 mb in September to stand at 2,719 mb. At this level, commercial oil stocks were still 8.1 mb below the latest five-year average. Crude stocks showed a surplus of around 18 mb, while product inventories remained roughly 26 mb below the five-year average. In terms of days of forward cover, OECD commercial oil stocks rose 0.1 days over the previous month to stand at 58.7 days in September.

Balance of Supply and Demand

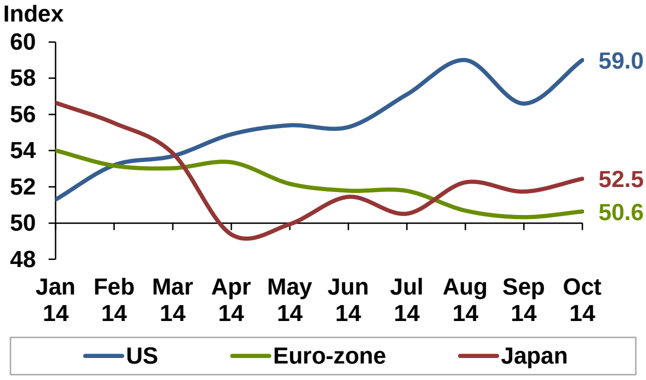
Demand for OPEC crude is estimated at 29.5 mb/d in 2014. In 2015, required OPEC crude is seen averaging 29.2 mb/d.

Signs of a continued recovery

Final figures for global manufacturing in October confirm that the world economy continues to recover gradually. Global manufacturing Purchasing Managers Index (PMI) stands at 52.2, unchanged from September and above the growth indication level of 50. A similar index in the US has hit a new 3-year record high of 59.0, considerably higher compared to September when it stood at 56.6 (***Graph 1***). In Japan, manufacturing PMI also rose by 0.8 points to 52.5. Even in the slowly improving Euro-zone economy, manufacturing PMI increased in October for the first time in 6 months to a level of 50.6, compared to 50.3 in September. This has been driven mainly by Germany, where PMI rose to 51.4 from 49.9, while France and Italy remained at the contraction indicating level of below 50 with readings of 48.5 and 49.0 respectively.

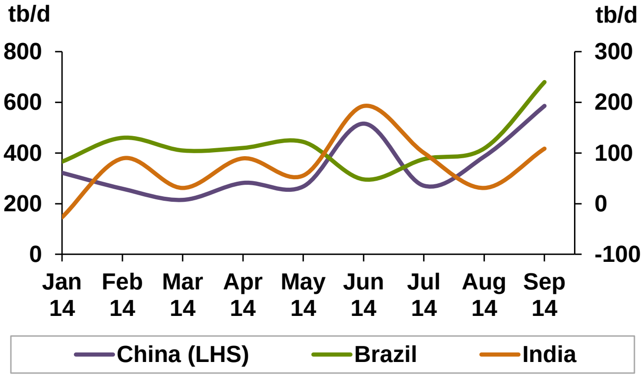
China's PMI reading also confirms that the most recent uptick in its economy continues. China's manufacturing gauge increased to 50.4 in October from last month's reading of 50.2. At the same time, India's manufacturing PMI has also improved reaching 51.6 in October, up from 51.0 in the previous month. Taken together, support from the continued improvement in US GDP, additional monetary stimulus in Japan and to some extent in Europe, as well as improvements in China and India, indicates that the global economic recovery will continue to pick up pace into the coming year, with growth expected at 3.6% compared to 3.2% in 2014.

Graph 1: Manufacturing PMIs in selected OECD countries/regions



Sources: ISM, Markit and Haver Analytics.

Graph 2: Oil demand growth in selected emerging economies (y-o-y change)



Source: OPEC.

The improvement in manufacturing activities is positively impacting oil consumption, especially in some emerging and developing economies. Product oil demand in China has picked up with data showing an increase of 0.4 mb/d in August before surging a further 0.6 mb/d in September, taking demand to 10.4 mb/d **(*Graph 2*)**. The bulk of the growth has come from gasoline and LPG demand. At the same time, China's crude oil imports also rose by 0.9 mb/d in October compared with the same month last year to average 5.7 mb/d. Since January, China's total crude imports have risen by 0.5 mb/d or 9.2% y-o-y to average 6.1 mb/d—the highest rate of y-o-y growth for the 10-month period since 2010. This has contributed to a substantial build of more than 50 mb in the country's crude oil stocks over the same period. The bulk of this stock build has come in the last three months amounting to nearly 35 mb as China is rapidly filling its Strategic Petroleum Reserves.

Oil demand in Brazil also saw some improvement, rising to around 3.2 mb/d in September, higher y-o-y by a solid 0.2 mb/d. Demand for diesel, gasoline and fuel oil represented the largest share of this increase. This increase is primarily related to the country's recent drought which has led to ethanol shortages, boosting gasoline requirements, and has also impacted hydroelectric power generation, resulting in a shift to thermal power generation, driving diesel and fuel oil consumption higher. Meanwhile, India oil demand has also experienced some improvement, showing a y-o-y rise of 0.1 mb/d to reach 3.8 mb/d in September. Gasoline, LPG and fuel oil are the main products accounting for the increase.

With economic indicators pointing to a continued recovery in the global economy, any additional improvement in the economies of major oil consuming countries should help the demand trend to pick up further.

Crude Oil Price Movements

The OPEC Reference Basket (ORB) plunged the most in a month since June 2012 to settle at around $85/b in October, a four-year low. Since it peaked in June, the ORB lost close to $23, reflecting the ongoing pressure on outright crude oil prices. In October, the ORB dropped $10.92 to $85.06/b, and its year-to-date value was down to $101.79/b. Oil futures tumbled further by a hefty 10% as weak oil market fundamentals, a stronger dollar and financial-related sell-offs continued to pressure crude oil markets. Nymex WTI plunged $8.70 to $84.34/b over the month, while, year-to-date, compared with the same period in 2013, it was lower by 30¢ at $98.09/b. The ICE Brent front-month declined $10.52 to $88.05/b. Year-to-date, ICE Brent was also lower by $3.54 at $105.12/b. After hitting a record low in September, speculative bets on Brent crude rebounded in October as prices were speculated to reach a floor. The Brent-WTI spread contracted further in October to extremely narrow levels on the back of a combination of WTI strength and Brent weakness. The Brent-WTI spread fell to $3.70, it narrowest since July 2013.

OPEC Reference Basket

In October, the ORB experienced its largest drop m-o-m since June 2012 to settle at its lowest monthly average value in four years on concerns about the pace of global economic growth. Crude oil's losing streak continued for the fourth consecutive month in October, with prices tumbling further as another round of monetary stimulus from Japan and a tighter US monetary policy boosted the US dollar and pounded a crude oil market already suffering from robust supply and lacklustre demand. The Basket lost for the fourth month in a row, near $11 over the month, to accumulate a total loss of around $23 in four months, starting July 2014.

On a monthly basis, the ORB fell to an average of $85.06/b in October, down $10.92 or 11.4% below September. Year-to-date, the Basket value stood at $101.79/b compared to the $105.79/b average of last year, a decline of $4.01 or 3.8%.

Graph 1.1: Crude oil price movement, 2014

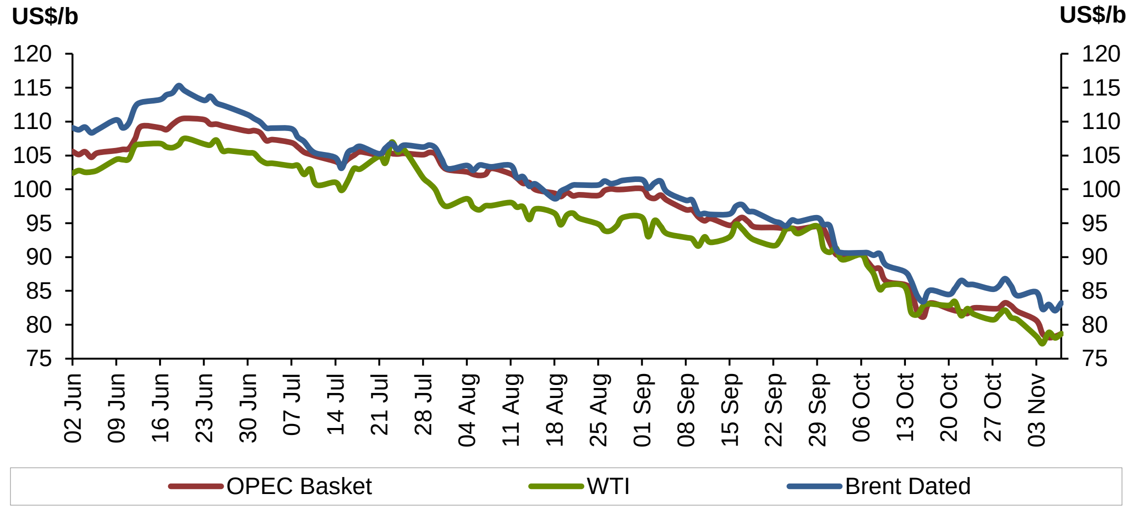


Table 1.1: OPEC Reference Basket and selected crudes, US$/b

	Sep 14	Oct 14	Change Oct/Sep	Year-to-date 2013	Year-to-date 2014
OPEC Reference Basket	**95.98**	**85.06**	**-10.92**	**105.79**	**101.79**
Arab Light	97.23	85.93	-11.30	106.55	102.73
Basrah Light	94.49	83.57	-10.92	103.65	99.90
Bonny Light	98.07	88.51	-9.56	111.18	106.37
Es Sider	96.20	86.31	-9.89	108.43	103.92
Girassol	97.15	86.78	-10.37	108.97	104.72
Iran Heavy	96.14	84.61	-11.53	105.32	101.81
Kuwait Export	95.30	83.99	-11.31	104.86	100.90
Marine	96.08	86.14	-9.94	105.04	101.92
Merey	88.61	76.17	-12.44	96.84	92.06
Murban	98.93	89.10	-9.83	107.82	105.07
Oriente	87.20	76.84	-10.36	98.63	92.21
Saharan Blend	97.10	87.61	-9.49	109.08	105.12
Other Crudes					
Brent	97.30	87.41	-9.89	108.48	104.50
Dubai	96.47	86.73	-9.74	105.18	102.15
Isthmus	93.70	85.40	-8.30	106.88	98.30
LLS	96.30	87.60	-8.70	108.68	101.88
Mars	92.95	83.57	-9.38	103.61	97.85
Minas	95.07	84.46	-10.61	107.81	104.56
Urals	96.13	86.63	-9.50	107.80	103.41
WTI	93.36	84.43	-8.93	98.39	98.14
Differentials					
Brent/WTI	3.94	2.98	-0.96	10.10	6.37
Brent/LLS	1.00	-0.19	-1.19	-0.19	2.62
Brent/Dubai	0.83	0.68	-0.15	3.30	2.36

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.

As outright crude prices on all exchanges continued to drop more or less equally, all ORB component values for all grades and in all regions reflected a relatively uniform deterioration in October. The steady improvement in Brent and Dubai-related physical crude differentials over the month did not outdo the plunge in outright prices. Physical crude buying interest firmed to some extent earlier in the month as refineries returned from maintenance helping to stir some demand.

European demand has helped to boost light sweet crude premiums to their highest since June. Cargoes of Russian medium sour Urals also firmed. A drop in imports has boosted European diesel margins. Prompt diesel premiums to ICE gasoil were firmer than the equivalent spread further forward, reflecting tight supply because of closed arbitrage from the US and lower exports from Russia due to refinery maintenance.

On the other hand, recovering Libyan crude supplies and weak naphtha refining margins capped the value of Med light sweet crudes. Thin demand for naphtha for gasoline production and slow demand in the petrochemical sector have helped depress naphtha cracks. Moreover, in the West African (WAF) market, European interest was thin. European buyers looked for regional grades as freight costs remain high from WAF to Europe. Robust Libyan supplies and weaker refining margins for gasoline have further dented demand.

Spot differentials in the Middle East also rebounded in October. Assessments for some grades have benefitted from downward adjustments to OSPs, but a key driver has been a record number of cargoes traded via convergences of Dubai partials. Firm buying interest from ChinaOil, which has bought at least 760,000 b/d of Oman, Upper Zakum and Dubai crude for December loading on the Dubai partials market, has pushed Dubai into backwardation, with prompt prices higher than second-month values.

Brent-related Basket components, Saharan Blend, Es Sider, Girassol and Bonny Light dropped $9.83 or 10.1%, accumulating about $25 in losses since June. Middle Eastern spot components and multi-destination grades fell by $9.88 and $11.27, respectively, accumulating around $22 on average in losses since June 2014. For the Latin American ORB components, Oriente slipped $10.36 or 11.9% while Merey dropped by $12.44 or 14% in October.

On 11 November, the ORB dropped to $77.27/b, $7.79 below the October average.

The oil futures market

Global front-month oil futures tumbled further by a hefty 10% in October, the steepest since June 2012, as the losing streak continued for the fourth consecutive month. The main pressure continues to be bearish market fundamentals and a stronger dollar. Crude oil futures prices also fell following a rise in US stocks. Expectations of tighter US monetary policy boosted the value of the dollar, with potential oil demand impacts for non-dollar economies. Another round of monetary stimulus from Japan also pumped up the US dollar. The IMF's warning about financial markets possibly mispricing risk after years of accommodative monetary policy have helped to push global crude oil benchmarks lower. Furthermore, although bearish market fundamentals are the main cause for the deterioration in oil futures, this sharp downside movement in prices was also due to financial impacts as producer hedging and the related risk management of option exposure from dealers added to selling pressure. Oil producers and market makers hedging in both the ICE and Nymex crude options markets have reinforced the price drop. Crude producers use options as a mechanism to help lock in a floor to prices. As the price of the underlying crude contract falls through key strike prices, put options are exercised in order to reduce the impact of a weaker market.

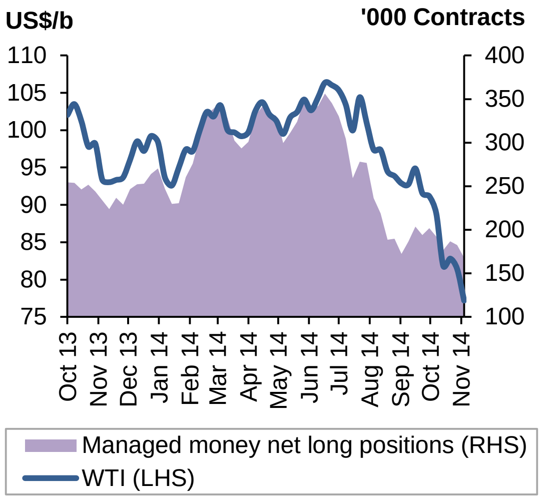
The Nymex WTI front-month dropped $8.70 or 9.3% over the month to average $84.34/b, its weakest value in more than two years. Compared to the same period in 2013, the WTI value was lower by 30¢ or 0.3% at $98.09/b. On the ICE exchange, Brent front-month collapsed by $10.52 or 10.7% to an average of $88.05/b, its lowest value since November 2010. Year-to-date, ICE Brent was lower compared to the same period last year, dropping by $3.54 or 3.3% to $105.12/b from $108.66/b.

On 11 November, ICE Brent stood at $81.67/b and Nymex WTI at $77.94/b.

After hitting a record low in September, speculative bets on Brent crude rebounded in October as analysts speculated prices had reached a floor. The net-long positions in ICE Brent futures and options rose almost 50% to 54,715 lots by the end of October, data from ICE showed. Short bets shrank 10% to 141,966 contracts while long bets increased 1.3% to 196,711 lots. In contrast, hedge funds and money managers decreased their net long US crude futures and options positions during the month by almost 10% to 182,486 lots. Earlier in the month, hedge funds rushed back into oil too quickly, boosting bullish bets amid a rebound, only to then watch surging US crude stocks push prices right back down to a two-year low. Net-long positions in WTI futures fell 9.6% through the month of October, US Commodity Futures Trading Commission

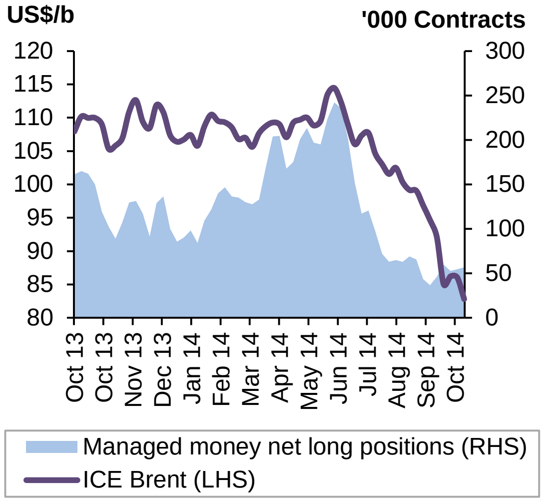
(CFTC) data showed. Long and short speculative positions in Nymex WTI dropped 7.6% and 1.8% to 249,841 contracts and 67,355 lots, respectively. Moreover, the total futures and options open interest volume in the two markets increased sharply in October by 432,051 contracts to 4.38 million lots.

Graph 1.2: Nymex WTI price vs. speculative activity, 2013-2014



Source: CFTC.

Graph 1.3: ICE Brent price vs. speculative activity, 2013-2014



Source: IntercontinentalExchange, Inc.

The daily average traded volume during October for Nymex WTI contracts increased by 82,357 lots to average 692,998 contracts. ICE Brent daily traded volume also rose by 118,219 contracts to 735,926 lots. The daily aggregate traded volume in both crude oil futures markets increased by 200,576 lots in October to around 1.43 million futures contracts, equivalent to around 1.43 billion barrels per day. The total traded volume in Nymex WTI and ICE Brent contracts surged to 15.94 million and 16.93 million contracts, respectively, over the month.

The futures market structure

Over the past month, forward curves on ICE Brent and Nymex WTI have changed significantly. Increased WTI crude stocks have depressed the price of short-term futures contracts for Nymex WTI. The spread between the front-month and second-month contract narrowed to 60¢/b, threatening to flip to a second-month discount, or contango, for the first time since early this year. The spread was at more than $1/b in August on a monthly average basis. The tumble comes amid signs of a rapid rebound in crude stocks at Cushing, the delivery point for US futures. Inventories rose by nearly 1 mb and are expected to continue rising over the coming months as two major new pipelines begin deliveries into the hub.

The Nymex crude time-spread has been backwardated since February 2013, but the curve's shape has flattened significantly, signalling a bearish market direction amid a decline in crude intake, low refinery utilization in the US Midwest due to temporary refinery outages and healthy crude production growth. Nymex crude's front-month vs. 12th month spread remained backwardated, but it is falling rapidly from over $9/b in February to around $3/b in October. Over the month, the Nymex WTI front-month eased its premium over the second month by another 20¢ to 80¢/b, on average.

The ICE Brent contango, that it has been in since July, witnessed a gradual flattening throughout October amid enhanced prompt demand for North Sea crudes. The emergence of refiners from maintenance has lent support, while firmer margins added stimulus for a while, although this was short-lived. Furthermore, by month's end, ICE Brent was in contango all the way through, with M60 $8.50/b above the front month compared to the beginning of October when the back end was still at a $1.40/b discount to M1. On average, the ICE Brent first month discount to the second month dropped in October to about 45¢/b from almost 65¢/b in September.

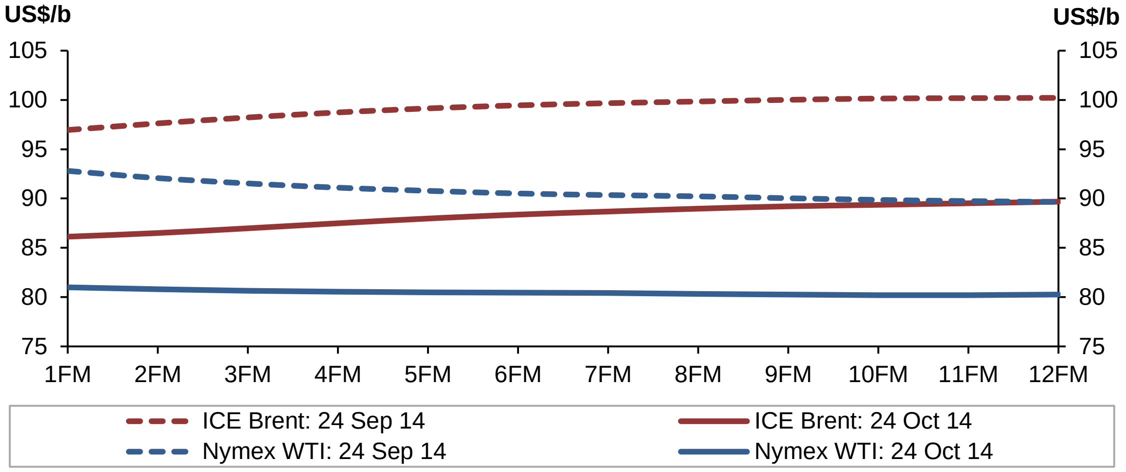
Table 1.2: Nymex WTI and ICE Brent forward curves, US$/b

		1st FM	2nd FM	3rd FM	6th FM	12th FM
Nymex WTI						
	24 Sep 14	92.80	92.07	91.53	90.51	89.65
	24 Oct 14	81.01	80.80	80.64	80.44	80.27
ICE Brent						
	24 Sep 14	96.95	97.62	98.22	99.45	100.21
	24 Oct 14	86.13	86.50	86.98	88.37	89.68

FM = future month.

The Brent-WTI spread contracted further in October to extremely narrow levels on the back of a combination of WTI strength and Brent weakness. The Brent premium to WTI fell to its narrowest level in fifteen months, shrinking almost $4 in two months. As a result, imports of crudes from West Africa and the Caspian have become viable against domestic US crudes not only in the US East Coast (USEC), but also in the US Gulf Coast (USGC). US refiners have returned to the West African crude market as import economics have become more favourable. USGC LLS has been rising relative to ICE Brent futures since last August and has been trading at a premium since mid-October. US imports of Angolan and Nigerian crude, which have been weaned off, were 130,000 b/d above what they were in July. The prompt ICE Brent/Nymex WTI spread narrowed sharply over the month to $3.70/b on average, after settling at $5.55/b in the previous month, $1.80 narrower.

Graph 1.4: Nymex WTI and ICE Brent forward curves, 2013-2014



FM = future month.

The light sweet/medium sour crude spread

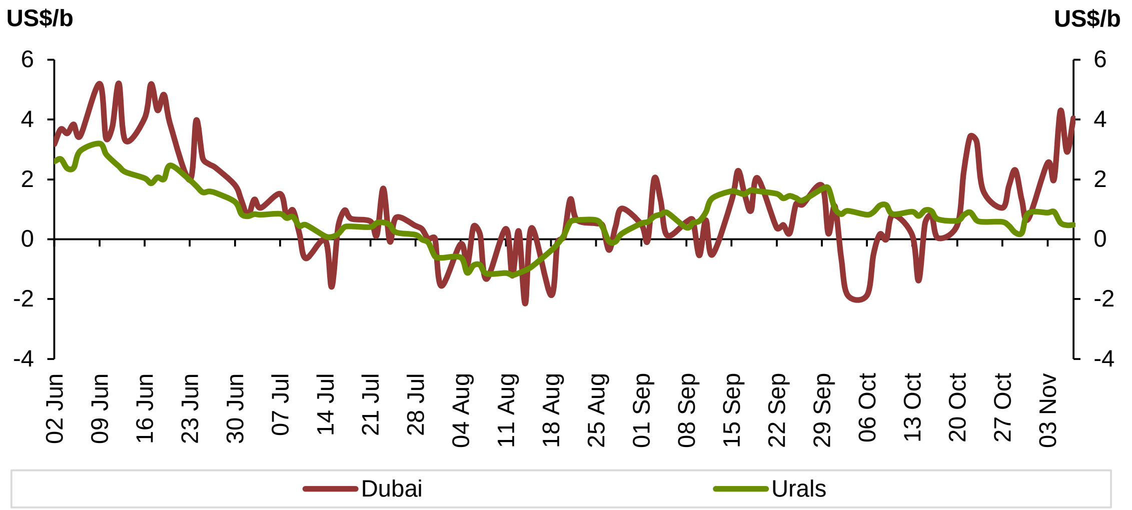
Sweet/sour differentials narrowed in Europe and Asia, while in the USGC, the spread widened.

In Asia, the sweet/sour spread, represented by the Tapis/Dubai spread, narrowed sharply over the month. Dubai held steady over the month amid a bull run created by ChinaOil buying a record volume of oil in a market assessment process in Singapore. This has supported the Dubai cash market, flipping its market structure into a backwardation despite weak market fundamentals. On the other hand, plentiful supplies and weak demand weighed on the Asia-Pacific light sweet crude market, pulling down the value of crudes such as Tapis. Weak refining margins caused importers in Japan and Taiwan to limit their intake. The Tapis premium over Dubai plunged by $1.33 to $4.20/b in October.

In Europe, discounts for Russian medium sour Urals crude in the Mediterranean region ended at their narrowest levels against North Sea Dated since July, buoyed by steady regional buying interest due to healthy refining margins as well as inter-regional arbitrage. Meanwhile, supplies remained tight as exports of Urals Med out of the Black Sea port of Novorossiysk were down by 5% m-o-m. High fuel oil cracks also helped encourage buying interest as the Mediterranean region has seen a lack of heavier products on the back of increased processing of lighter grades in recent weeks. Further strength may have stemmed from arbitrage movements of Russian Urals across the Atlantic. The Brent-Urals spread in October narrowed further by 15¢ to 68¢/b, its narrowest in two months.

In the USGC, the light sweet LLS premium over the medium sour Mars widened by some 65¢ to slightly above $4/b. The November supply of LLS strengthened relative to the medium sour Mars grades on expectations that the closure of a 238,000 b/d Mid-Valley pipeline would bolster demand for LLS as an alternative to WTI going to the midcontinent. LLS also held up relatively well compared with other crudes, as the demand slowdown caused by the turnarounds had already been priced in. Meanwhile, USGC refinery maintenance limited demand for offshore grades, weakening Mars. Furthermore, LLS rose to 20¢ above Brent in October from a discount of over $1/b in the previous month. The LLS-Mars spread widened to $4.03/b from $3.35/b in September.

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



Commodity Markets

Average commodity prices declined in October, with a drop in energy commodities due to falling crude oil prices. Non-energy commodities declined moderately, mainly due to weakness in base metals, while agricultural prices stabilized as some group components recovered due to harvest delays. Precious metals declined on expectations that monetary policy would normalize in the US.

Trends in selected commodity markets

The ongoing strengthening of the US dollar, on top of divergent monetary policies among major developed economies, has continued to pressure commodities during the month. Some minor improvements in manufacturing prospects were registered in China, where the manufacturing PMI was 50.4 versus 50.2 in the previous month, and the Eurozone, where the manufacturing PMI was 50.6 versus 50.3 a month earlier. Meanwhile, in the US, the ISM PMI index was 59.0 versus 56.6 in the previous month, suggesting strong manufacturing expansion in October. However, receding fears of supply disruptions and overcapacity have added to the weakness of both metals and minerals. The prospects for interest rate hikes in the US also continued to pressure precious metals to multi-year lows. Meanwhile, some agricultural crops rebounded from four-year lows as adverse weather conditions and logistical constraints delayed harvests in both the US and Europe.

Agricultural commodities declined slightly, with different trends noticed among group components. Corn and soybeans reversed their declining trend as the US Department of Agriculture reported slower-than-average harvest progress, due to delays caused by wet weather in producing regions and strong export demand caused by earlier low prices. Weather conditions also negatively impacted the supply of corn and wheat in Ukraine and Russia, providing additional support to prices of these crops. Meanwhile, the continuation of severe drought in southern Brazil, together with an increase in ethanol production in that country, supported sugar prices during the month.

The group of **metals and minerals** experienced a broad-based decline, with a significant reversal in nickel which had been the best performer during the first half of the year. This is in addition to an export ban that is still in place in major nickel exporter, Indonesia. However, higher prices and greater shipments from the Philippines have translated into higher inventories on the London Metals Exchange, thereby reversing almost all the gains achieved earlier in the year. Copper prices continued their decline as the re-start of exports of copper concentrates from Indonesia in September put downward pressure on prices. This occurred despite improving manufacturing prospects in China and a smaller decline in September’s average home prices, according to China’s National Bureau of Statistics. Iron ore declined, but at a lower rate than in previous months as major producing companies continued focusing on increasing market share and reducing costs.

Energy prices declined notably during the month as crude oil experienced its largest decline this year. Natural gas prices followed divergent patterns in Europe and the US. In Europe, even though inventories increased to 94% of declared capacity, as reported by *Gas Infrastructure Europe*, uncertainty about potential supply disruptions and the beginning of cold temperatures increased average import prices during the month. Meanwhile, in the US, prices decreased on warmer-than-average temperatures and injections to storage were broadly in line with expectations during the month.

Among the factors that will require close attention in the near future are the impacts of the end of the asset purchase programme in the US and the monetary stimulus in Japan and the Euro-zone. The recently announced Chinese government infrastructure stimulus programme could provide support to base metals, while weather-related phenomena and increased crop exports from the US could lend support to agricultural commodities.

Table 2.1: Commodity price data, 2014

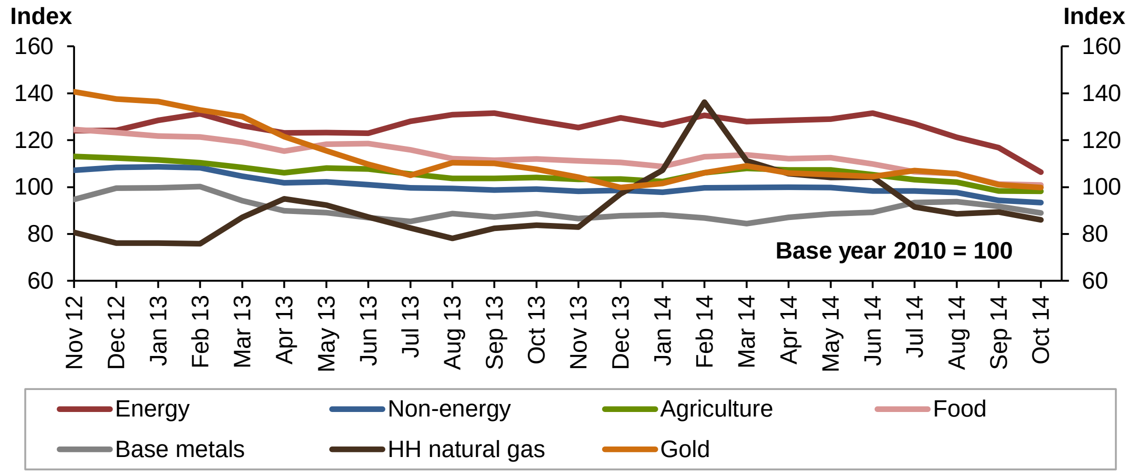
Commodity	Unit	*Monthly averages*			*% Change*		
		Aug 14	Sep 14	Oct 14	Aug/Jul	Sep/Aug	Oct/Sep
World Bank commodity price indices (2010 = 100)							
Energy		121.2	116.8	106.3	-4.5	-3.6	-8.9
Coal, Australia	$/mt	68.9	65.9	63.9	0.3	-4.4	-3.1
Crude oil, average	$/bbl	100.1	95.9	86.1	-4.9	-4.2	-10.2
Natural gas, US	$/mmbtu	3.9	3.9	3.8	-3.1	0.8	-3.7
Non Energy		97.6	94.3	93.4	-0.7	-3.4	-1.0
Agriculture		102.1	98.4	98.1	-1.1	-3.6	-0.2
Food		105.6	101.3	100.8	-0.8	-4.1	-0.4
Soybean meal	$/mt	509.0	468.0	459.0	1.4	-8.1	-1.9
Soybean oil	$/mt	857.0	851.0	835.0	-3.5	-0.7	-1.9
Soybeans	$/mt	460.0	432.0	424.0	-4.2	-6.1	-1.9
Grains		99.1	92.9	93.0	-1.8	-6.3	0.0
Maize	$/mt	176.4	163.1	163.1	-3.4	-7.6	0.0
Wheat, US, HRW	$/mt	263.4	243.7	245.4	-6.0	-7.5	0.7
Sugar, world	$/kg	0.4	0.4	0.4	-5.7	-6.9	4.6
Base Metal		93.7	91.7	88.9	0.4	-2.2	-3.1
Aluminum	$/mt	2,030.5	1,990.4	1,946.2	4.2	-2.0	-2.2
Copper	$/mt	7,001.8	6,872.2	6,737.5	-1.6	-1.9	-2.0
Iron ore, cfr spot	$/dmtu	92.6	82.4	81.0	-3.6	-11.1	-1.7
Lead	$/mt	2,236.8	2,117.2	2,034.3	2.0	-5.3	-3.9
Nickel	$/mt	18,600.2	18,034.8	15,812.4	-2.7	-3.0	-12.3
Tin	$/mt	22,231.1	21,090.5	19,830.4	-0.9	-5.1	-6.0
Zinc	$/mt	2,327.0	2,294.6	2,276.8	0.7	-1.4	-0.8
Precious Metals							
Gold	$/toz	1,295.1	1,236.6	1,222.5	-1.2	-4.5	-1.1
Silver	$/toz	19.7	18.4	17.2	-5.7	-6.9	-6.6

Source: World Bank, Commodity price data.

Average **energy prices** decreased by 8.9% m-o-m in October, mainly due to a 10.2% decrease m-o-m in crude oil due to soft fundamentals. Natural gas prices in the US decreased on average by 3.7% m-o-m as strong natural gas production and milder temperatures continue to help replenish inventories, while coal prices also declined on average by 3.1% m-o-m.

Agricultural prices experienced only a marginal decline of 0.2%, with many group components recovering during the second half of the month. Grains prices remained stable on average, as harvest delays and strong export demand due to lower prices provided support to corn and the soy complex. Moreover, sugar prices showed a strong recovery on the persistence of a drought in some sugar cane producing regions of Brazil and with a higher share of crops being diverted into ethanol production.

Graph 2.1: Major commodity price indices, 2012-2014

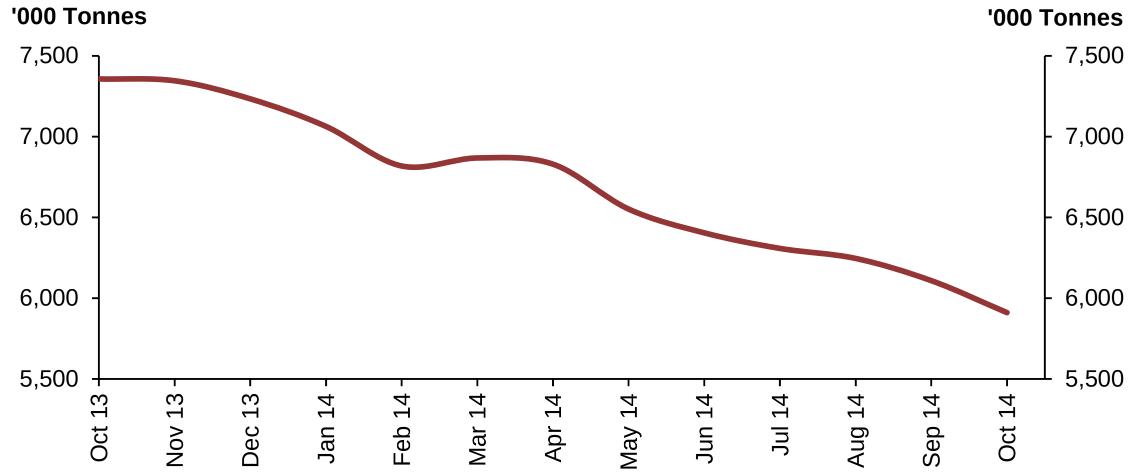


Source: World Bank, Commodity price data.

Base metals declined by 3.1% m-o-m, with declines among all group components. Nickel experienced its sharpest drop of the year – down 12.3% -- on increasing supply from the Philippines. Copper prices declined by 2% as Indonesia, a major exporter, normalized its concentrate shipments and manufacturing readings from China improved marginally during the month. Iron ore moderated its declining trend from the previous months, dropping by 1.7% as major producers looked to gain the market share of higher cost competitors.

The **precious metals** group declined by 2.3% in October. Average gold prices decreased by 1.0% m-o-m after increasing in the middle of the month, as the positive assessments for the US economy by the Federal Reserve suggested potential interest rate increases in the 1H15. Meanwhile, silver prices continued the decline started in August, down by 6.6% m-o-m.

Graph 2.2: Inventories at the LME



Sources: London Metal Exchange and Haver Analytics.

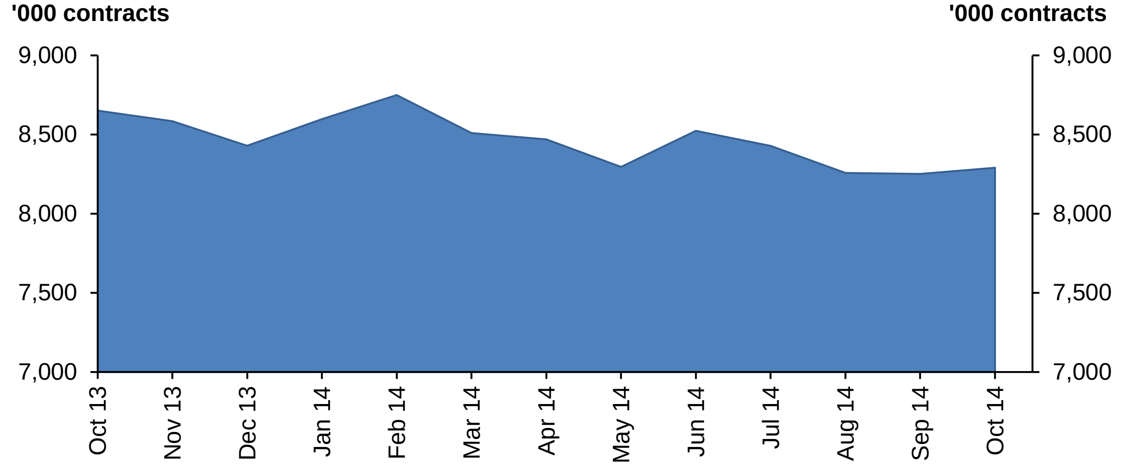
In October, the **Henry Hub natural gas price** decreased as inventories increased above market expectations in the last weeks of the traditional storage injection season. However, milder temperatures and increasing shale gas supplies could extend the injection season further into November. The price decreased 15¢, or 3.7%, to $3.77 per million British thermal units (mmbtu), after trading at an average of $3.92/mmbtu the previous month.

The US Energy Information Administration (EIA) said utilities put 91 billion cubic feet (Bcf) of gas into storage during the week ending 31 October, 5 Bcf above the market expectation of an 86 Bcf increase. Total gas in storage stands at 3,571 Bcf, which is 6.8% below the previous five-year average. Last month it was 11.4% below that average. The EIA also reported “temperatures much warmer than [the] 30-year average”, which provided support to above-average injections to storage.

Investment flows into commodities

The total open interest volume (OIV) in major US commodity markets slightly increased to 8.5 million contracts in October, with the OIV declining for crude oil, natural gas and livestock by 1.8%, 5.9% and 0.2%, respectively. Meanwhile copper, precious metals and agriculture showed increases of 15.6%, 4.0% and 1.8%, respectively.

Graph 2.3: Total open interest volume



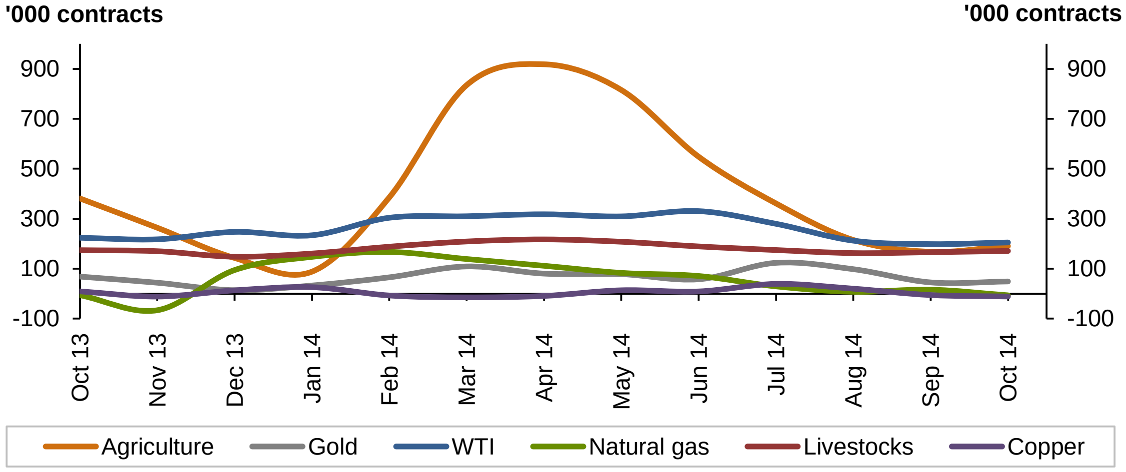
Source: US Commodity Futures Trading Commission.

Total net length speculative positions in select commodities increased by 0.7% m-o-m to 591,809 contracts in October, due to increases in net long positions on agriculture, crude oil and livestock, and decreases in copper, natural gas and precious metals.

Agricultural OIV was up 1.8% m-o-m to 4,629,760 contracts in October. Meanwhile, money manager net long positions in agriculture increased by 14.0% to 190,383 lots, reversing the declining trend observed since May, on harvest delays and strong export demand for selected crops.

Henry Hub natural gas OIV decreased by 5.9% m-o-m to 911,894 contracts in October. Money managers switched their stance to a net short position during the month from a net length of 15,741 lots in October to a net short of 6,758 lots in October, as injections into storage were seen as continuing into November.

Graph 2.4: Speculative activity in key commodities, net length

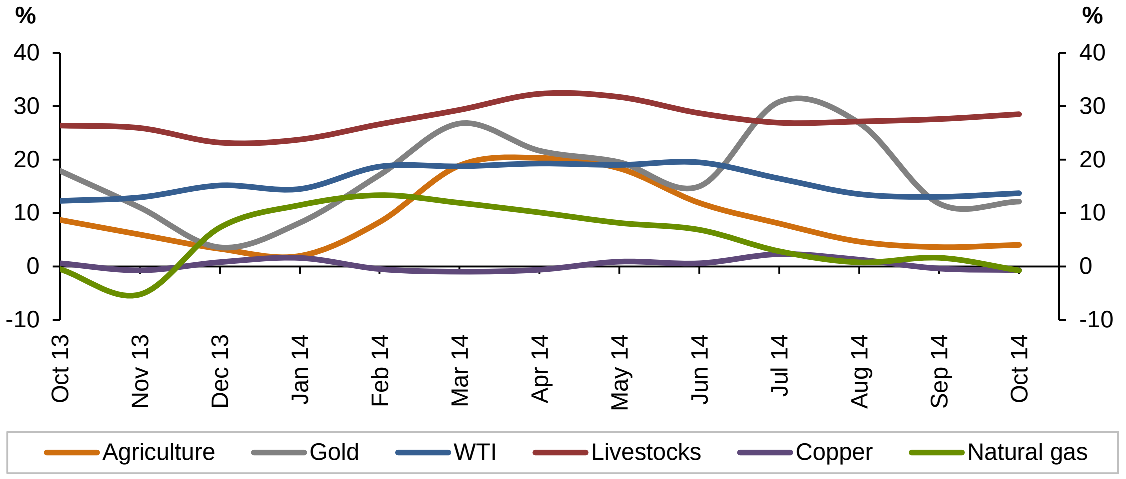


Source: US Commodity Futures Trading Commission.

Copper OIV increased by 15.6% m-o-m to 170,154 contracts in October. Money managers doubled their net short position to 11,524 lots on receding fears of supply disruptions and weak manufacturing numbers in China.

Gold's OIV increased by 5.1% m-o-m to 400,852 contracts in October. Money managers increased their net length in gold by 8.4% to 44,895 lots, as they increased their bullish bets in anticipation of the Federal Reserve's statement, GDP and employment reports.

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



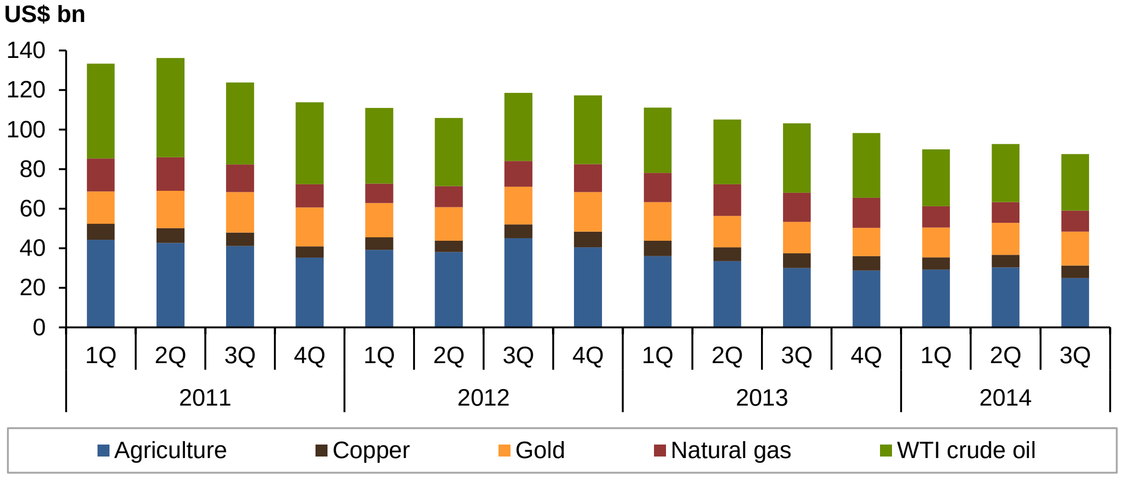
Source: US Commodity Futures Trading Commission.

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

	Open interest		*Net length*			
	Sep 14	**Oct 14**	**Sep 14**	**% OIV**	**Oct 14**	**% OIV**
Crude oil	1,522	1,494	198	13	205	14
Natural gas	970	912	16	2	-7	-1
Agriculture	4,630	4,713	167	4	190	4
Precious metals	550	572	46	8	44	8
Copper	147	170	-6	-4	-12	-7
Livestock	601	600	166	28	171	28
Total	**8,419**	**8,461**	**588**	**7**	**592**	**7**

Source: US Commodity Futures Trading Commission.

Graph 2.6: Inflow of investment into commodities, 2011-2014



Source: US Commodity Futures Trading Commission.

World Economy

With the support of the latest GDP data from the US, some uptick in China, continued improvements in India, additional monetary stimulus in Japan and the potentially increasing monetary stimulus in the Euro-zone, the global economy is expected to continue its recovery into the next year. With this momentum already anticipated in last month's report, the OECD growth forecast remains at 1.8% for 2014 and 2.1% for 2015. In the emerging economies, China's forecast remains at 7.4% for 2014 and 7.2% for 2015, while India's forecast is unchanged at 5.5% and 5.8% for this year and next, respectively. Russia and Brazil are both expected to show low growth in 2014, with the former at 0.3% and the latter at 0.6%, before appreciating to 0.9% and 1.2%, respectively, in 2015, unchanged from the previous month. The global growth forecast therefore remains at 3.2% for 2014 and 3.6% for 2015. The upside potential is mainly coming from the US, which may achieve higher growth if the current momentum continues. The downside risk is coming from an earlier-than-expected rise in key interest rates in the US and the potential 'gridlock' after the recent mid-term elections, as well as a weakening Euro-zone, ongoing challenges in Japan's recovery 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**	**2.1**	**0.8**	**0.7**	**7.4**	**5.5**	**0.6**	**0.3**
Change from previous month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2015F*	**3.6**	**2.1**	**2.6**	**1.2**	**1.1**	**7.2**	**5.8**	**1.2**	**0.9**
Change from previous month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

** E = estimate and F = forecast.*

OECD

OECD Americas

US

Momentum in the US is ongoing. After already strong GDP growth in the 2Q, at a q-o-q seasonally adjusted annualised rate (SAAR) of 4.6%, the initial 3Q GDP growth level has been reported at a healthy q-o-q SAAR of 3.5%, significantly recovering from the decline of 2.1% in the 1Q14.

For the first time since 2012, government spending again contributed more than 20% to US growth, while the contribution of personal consumption expenditures, usually the largest contributor, was only around 35%. This was significantly below its average level of contribution of around two-thirds. In contrast to this drop in personal consumption, net exports improved significantly, leading to a growth contribution of almost 40%, due to strong quarterly export growth of 7.8% q-o-q and negative imports of -1.7% q-o-q. While the development of exports to the EU and Canada was healthy over the last two quarters, exports to OPEC Member Countries also increased significantly in the 3Q, rising by 9.2% q-o-q SAAR, the highest growth rate since the beginning of 2013.

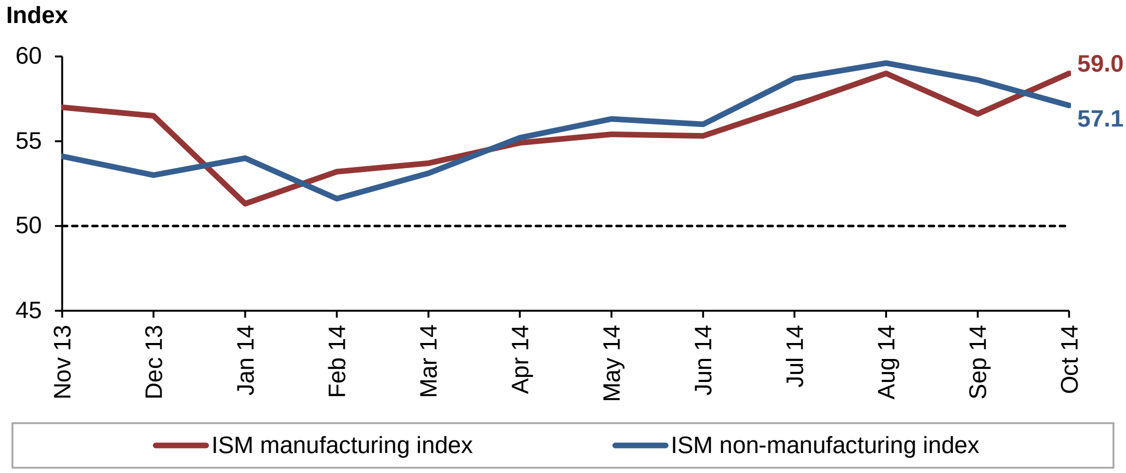
It is forecast that some of this growth dynamic will slow down towards the end of the year and in 2015. But with improvements in both labour markets and consumer confidence levels, a stronger-than-currently anticipated pick-up is possible. This probably could lead to the Federal Reserve Board (Fed) raising interest rates faster than currently expected, and may also have some consequences for growth in emerging and developing countries, especially if we consider the considerable amount of US dollar-denominated investments in these economies.

Despite this positive trend, some uncertainties remain. Given the past year's experiences with the political challenges over the budget and the debt ceiling, the results of the recent mid-term elections could potentially lead to political 'gridlock' and drag the US economy down – especially given the potential need for a renewal of the current debt ceiling by mid-March of 2015 at the latest, which is when the current agreement to suspend the US debt ceiling will once again end.

The **labour market,** on the other hand, has significantly improved over the past several months and the latest batch of data confirms this. The unemployment rate fell again from to 5.9% in September to 5.8% in October. Non-farm payrolls grew by 214,000 in October, after upward revisions to September's non-farm job additions of 256,000, while the share of the long-term unemployed remained almost flat at 32.0% after 31.9% in September. The fact that the participation rate remained at a low level and is barely changed from last month at only 62.8%, compared to September's 62.7%, remains the labour market's one soft spot.

The **housing market** continues to recover, but at a slowing pace. Prices in August have risen by 4.8% y-o-y, which is slightly better than the 4.7% y-o-y rise in July, as reported by the Federal Housing Finance Agency. Existing home sales have continued to decline on a yearly base, but have improved on a monthly trend. In September, they fell by 1.7% y-o-y, which is less than the August drop of 5.3% y-o-y. On a positive note, rental and homeowner vacancy rates have declined, while the growth in housing inventories has fallen slightly in the 3Q.

Graph 3.1: Manufacturing and non-manufacturing ISM indices



Sources: Institute for Supply Management and Thomson Reuters.

Consumer confidence has improved considerably. After reaching a reading of 89.0 in September, the Conference Board consumer confidence index increased to 94.5 in October. This marks the highest number since October 2007. The **Purchasing Managers' Index** (PMI) for the manufacturing sector, provided by the Institute of Supply Management (ISM), has also improved significantly. It was recorded at 59.0 in

October, after it had dropped to 56.6 in September from 59.0 in August. In July, it was 57.1. All this underlines the strong momentum in manufacturing activity. The ISM for the services sector, in turn, fell slightly in October to 57.1 from 58.6 in September.

While there is some upside potential apparent, the GDP growth forecast for 2014 remains unchanged at 2.1%. The 2015 growth expectation also remains unchanged at 2.6%, given that some uncertainties about the pace of the economic momentum continue to prevail.

Canada

In **Canada**, improvements continue as well, along with the US, which is by far the largest export market for the relatively smaller northern economy. This is visible in industrial production, although the momentum there has decelerated slightly. After industrial production rose in June by 5.7% y-o-y, the largest increase since September 2011, it grew in July by 4.8% y-o-y and now in August stands at 3.2% y-o-y. The PMI for manufacturing in October increased again to 55.3 from 53.5 in September. Overall, the positive momentum continues, a fact that has already been reflected in the GDP growth estimates, which remain unchanged at 2.3% for both 2014 and 2015.

OECD Asia-Pacific

Japan

The **Japanese economy's dynamic is improving again** after the slack from April's sales tax increase, a drag that also seems to have now guided the Bank of Japan (BoJ) to implement some further, relatively unexpected, monetary stimulus measures. The fact that both retail sales and exports have risen is an encouraging sign that probably the largest impact of the sales tax increase has already been digested and that the August soft patch in global trading has also been overcome – at least for now. Some concern is coming from the fact that total inflation, including the sales tax increase, is still at a high level of 3.3% y-o-y in September. This is eating into the spending ability of Japanese households as income has only increased by around 2% y-o-y in the 3Q14. However, by excluding the effect from the sales tax increase, inflation stands at only 1.0% y-o-y in September, after reaching 1.1% y-o-y in August, according to government sources. This low core inflation was one important reason that the BoJ recently announced some further unexpected monetary stimulus.

With this bold set of measures, the **Bank of Japan** will extend the average remaining maturity for its Japanese government bond buying programme from seven to ten years. While low core inflation is one important element behind the BoJ's decision, another objective might be to weaken the yen in order to make exports more competitive. This is also supportive for lifting inflation as amid a weaker yen imports become more expensive. This additional monetary policy will bring the BoJ's balance sheet to around 80% of GDP by the end of 2015, compared with around 25% for the Fed, the European Central Bank (ECB) or the Bank of England. At the same time, the country's government pension fund announced that it will reduce its domestic bond holdings from 60% to 35% – by selling $240 billion in bonds to the BoJ – and, instead, increase its equity holdings from 24% to 50% – by increasing its holdings of domestic equities by $90 billion and foreign equities by $110 billion. With this addtional large quantitative easing program, central bank liquidity will rise globally by more than 1% compared to global GDP in the coming year, with the largest contribution coming from the BoJ.

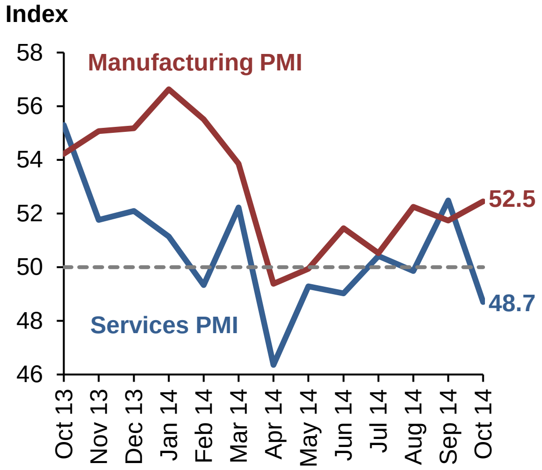
The dangers of this policy are obvious as inflation that is too high might impede the purchasing power of households, if not compensated on the income side. This could especially be the case if next year's sales tax increase, in combination with this aggressive monetary easing, has a similar effect as this year's sales tax increase. This uncertain outcome led four of the BoJ's board members to vote against such bold measures, so the final vote in favour of these measures was only 5-4.

Interestingly, this policy now stands in some contrast to the European Central Bank's (ECB) policy outlook, which has implied additional measures and raised expectations. But, so far, it has decided to pursue a less aggressive policy. The expected devaluation of the yen should also lead to increasing deflationary pressure on the euro. The BoJ's policy is also in stark contrast to the US Fed, which has decided to reduce its monetary stimulus and is expected to continuing doing so in the coming year. Moreover, via its planned refinancing of the government's pension fund, the BoJ will also become more active in supporting the global equity markets. There will certainly be some point in the near future for a decision, since a failure of this policy will only serve to highlight the limitations of monetary policy. However, in case of a success, it will put some pressure on the ECB in particular to follow with a similar policy.

While Japan's monetary policy will need to unfold in the coming months, some recovery in **domestic consumer demand** has already become apparent. Again, with improving domestic conditions, retail sales in September increased by 2.3% y-o-y the fourth consecutive month of improvement. The 3Q14 retail trade is also showing an improving trend with a rise of 1.4% y-o-y.

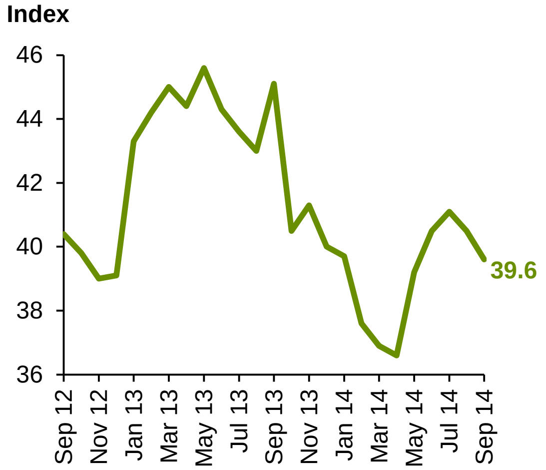
Exports continued recovering in August, rising by 5.6% y-o-y after a rise of 0.9% y-o-y in July. Quarterly growth in the 3Q stood at 3.1% y-o-y, after standing at only 0.6% y-o-y during the 2Q. Industrial production, however, remained somewhat sluggish on a yearly comparison but increased considerably in August by 2.7% m-o-m, its largest monthly increase since January.

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.

Business sentiment has been mixed in October. The **PMI numbers**, as provided by Markit, show that the manufacturing PMI increased to 52.5 in October from 51.7 in September. A note of caution, however, is sounded by the PMI for the important services sector, which declined to below the growth-indicating level of 50 and stood at only 48.7 in October, after reaching 52.5 in September.

While Japan continues its recovery, the near-term effects of its monetary stimulus programme will need close monitoring. Hence, GDP growth estimates have remained at the previous month's level. For 2014, GDP growth is estimated at 0.8%. For next year, when some recovery is anticipated, the growth forecast is 1.2%.

Australia

Australia's economy continues to expand at solid rates but has slowed down in the 2Q14 and the 3Q14, as expected. After a q-o-q SAAR rate of 4.5% in the 1Q, GDP growth stood at 2.0% q-o-q SAAR in the 2Q. Positively, quarterly industrial production stood at 4.9% y-o-y in the 2Q, only slightly below the 1Q level of 5.2% y-o-y. Retail trade also expanded at a high level of 6.8% y-o-y in August, after 3.8% y-o-y in July. However, exports have slowed down significantly from double-digit growth in the 1Q to a decline of 3.6% y-o-y in September and a decline of 5.4% y-o-y in August. Both the 2014 and the 2015 growth forecasts remain unchanged at 2.8% and 2.4%, respectively.

OECD Europe

Euro-zone

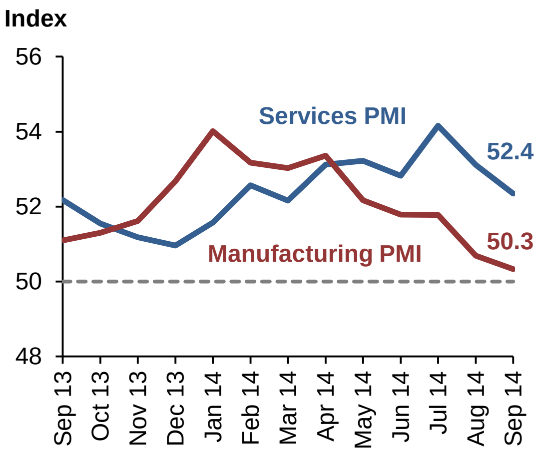
The **economic situation in the Euro-zone remains fragile, but some positive signals** point at an improving trend. After the most recent weakness, Germany's output seems to again be recovering slightly. The publication of the banking stress-test results by the ECB should also provide a clean base for the banking sector to again provide credit to the private sector. Meanwhile, peripherals continue recovering and the plan of the EU finance ministers to invest €300 billion in infrastructure projects in the next three year's might at least close some of the current output gap (a boost of around 1% GDP per annum). On the negative side, Italy and France continue to show some weakness and the Euro-zone unemployment rate remains at 11.5% for the fourth consecutive month. The monetary policy of the ECB has also been less supportive than expected so far, while the monetary supply has been increased and will probably lift financial conditions in the coming months. Moreover, inflation is extremely low and the danger remains that consumer price developments will turn negative.

While the **European Central Bank** has reiterated that more support from the fiscal side may be needed to improve economic conditions, it is gradually increasing its monetary base. The average ten-year sovereign benchmark yields in October are already at a record low of 1.69% while the three-month Euribor, an important refinancing benchmark, stands at a very low 0.086% in October. This is almost unchanged from September when it hit 0.083%, after the ECB announced new monetary supply facilities and lowered its key interest rate to 0.05%. But so far, all the monetary policy has not managed to lift inflation considerably, which in October remained at a low level of 0.4%, slightly up from September, when it was recorded at 0.3%. Also, uncertainties still remain as to how the ECB will achieve its approximately €1 trillion balance sheet extension, an amount that had been indicated in September. So far, the measures taken to extend its balance sheet do not seem to be as targeted as the Fed's unconventional policy seems to have been. This might be the result of a much more fragmented market as the wealth effects of rising bond prices and equity valuations on private households have so far only partially been achieved. Also, while lending to non-governmental entities is improving, it is still in in decline on a yearly base. The lending of financial intermediaries to private households is still falling. In September, it fell by 1.7% after a decline of 2.0% y-o-y in August and July. So, given this lack of momentum, additional measures from the ECB to better support financial market conditions are possible.

In general, although the situation remains fragile, the **recent PMI numbers** point at a continuation of modest growth levels. The latest PMI for manufacturing, as provided by

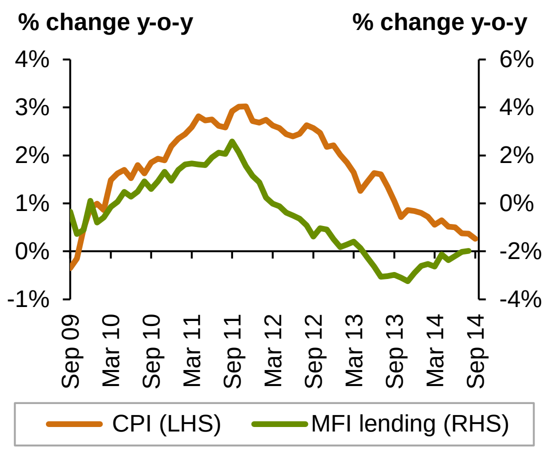
Markit, improved slightly to 50.6 in October from 50.3 in September, while the PMI for the important services sector remained at a healthy 52.3 in October, almost flat from the 52.4 seen in September.

Graph 3.4: Euro-zone PMI indices



Sources: Markit and Haver Analytics.

Graph 3.5: Euro-zone CPI index and lending activity



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

While the recovery in the Euro-zone has improved compared to the last year, it remains fragile. The **GDP growth forecast** remains at 0.7% for 2014, while the growth forecast for 2015 remains at 1.1%, only slightly higher than in the current year.

UK

The **United Kingdom** continues recovering. Lead indicators point at a continued strong momentum. The PMI for manufacturing increased to 53.2 in October from 51.6 in September, and is now clearly below the average 1H14 level of more than 55. After a strong momentum in the 1H14, the dynamic is slowing down slightly. While also somewhat lower than in the 1H14, industrial production grew by 1.5% in September, after reaching 2.3% y-o-y in August. The 2014 GDP growth forecast thus remains unchanged at 2.9%, while the forecast for 2015 remains at 2.3% in anticipation of some moderation of the current momentum.

Emerging and Developing Economies

The upside potential to **Brazil's** GDP growth in 2015 lies in the economic policies the re-elected president announced will be brought about by the end of 2014 to spur foreign investment, tame inflation and control the widening budget deficit. However, if the current growth slowdown is prolonged into 2016, social goals could be impacted as continued slower growth could impact the country's foreign exchange reserves resulting in an extended period of higher inflation, which would erode the purchasing power of social benefit programmes. This year is not expected to witness significant changes in either economic policy or in the direction of foreign investment in Brazil. The GDP forecast thus remains intact this month at 0.6% for 2014 and 1.2% for 2015.

After depreciating 7.7% in October, the ruble has fallen nearly 23% against the US dollar since the beginning of the year. Moody's rating agency downgraded **Russia**'s sovereign debt rating to Baa2 from Baa1 the previous month and has kept a negative outlook on the rating. For 2014, the GDP forecast remains intact this month at 0.3%. The sanctions environment remains a constraint on the outlook for GDP growth in

2015, when GDP is forecast to grow by 0.9% y-o-y. The 2015 figure is prone to high risk – including from geopolitical developments – which could push it either way.

After robust 2Q14 GDP numbers (5.7% y-o-y), the 3Q GDP growth rate in **India** is set to decelerate because of the transient nature of the factors that drove growth during the 2Q. India's retail inflation continues to be moderate, largely due to the high base effects of the previous year, as well as weaker oil prices and contained food inflation. The PMI for India, which strengthened to 51.6 points in October from 51.0 points in August, has been helped by across the board improvements in various sub-indices.

China's 3Q14 GDP rose 7.3% y-o-y, down from 7.5% in the 2Q, the lowest level seen since 2009. Third-quarter growth benefited significantly from the positive contribution of net exports, though in contrast, domestic demand has remained soft.

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	
	2014*	2015*	2014	2015	2014	2015	2014	2015	2014	2015
Brazil	0.6	1.2	6.3	6.7	-80.9	-81.7	-3.9	-3.9	59.3	59.2
Russia	0.3	0.9	7.5	7.3	52.0	47.6	0.4	-0.7	7.2	7.8
India	5.5	5.8	8.0	7.7	-43.0	-62.2	-4.9	-4.9	51.3	50.7
China	7.4	7.2	2.1	2.4	204.3	177.0	-2.9	-3.0	16.7	18.4

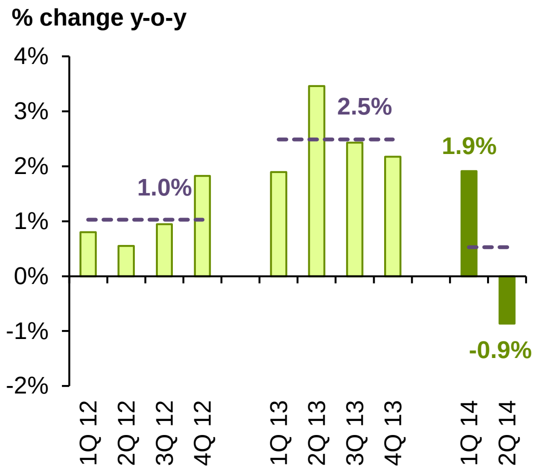
Sources: OPEC Secretariat, Consensus Economics, Economic Intelligence Unit, Financial Times and Oxford.
** Forecast.*

Brazil

The **real** decreased 4.8% in October to 2.44 versus the dollar, falling to its weakest level since May 2005 on the back of expectations of lasting above-target inflation following elections in the country. The former government's policies of increasing public spending, cutting taxes and subsidizing credit, while notably helping low-income citizens and reducing unemployment, did not prevent the slowdown in economic growth from heading into recession. Furthermore, the widening budget deficit was another source of pressure on the currency. The country's deficit increased in September to BRL 69.4 billion, the highest figure since December 2001.

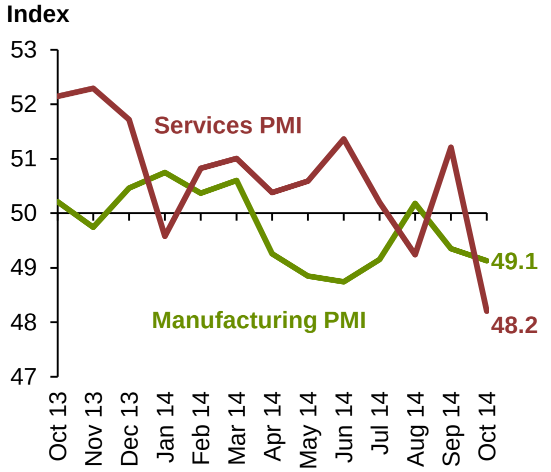
The Central Bank of Brazil decided to raise the benchmark **interest rate** by 25 basis points (bp) to 11.25% in late October. This signals the fourth rate increase in 2014 in the Bank's ongoing attempts to curb inflation. Consumer price **inflation** accelerated in September to 6.6%, its highest level since July 2013. Inflation has been increasing since the beginning of the year, when it reached 5.3% in January. The **unemployment** rate in Brazil decreased to 4.9% in September from 5.0% in August. Regionally, the unemployment rate increased in Rio de Janeiro by 0.4% to 3.4% and fell in São Paulo to 4.5% from 5.1% in August. In other regions, no changes were reported. A year earlier, unemployment was recorded at 5.4%. **Consumer confidence** among Brazilians continued to be sluggish in September, though the index posted 102.4 in September up from 100.9 the previous month. The National Statistics Agency reported that the pace of deceleration in retail sales eased in August to register a drop of 0.35% y-o-y, compared with a decline of 1.13% in July. The contraction in retail sales seen in July was the first since October 2003. In a m-o-m comparison, however, retail sales improved by 1.15% in August, up from July's 1.05%.

Graph 3.6: Brazilian GDP growth



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

Graph 3.7: Brazilian PMIs



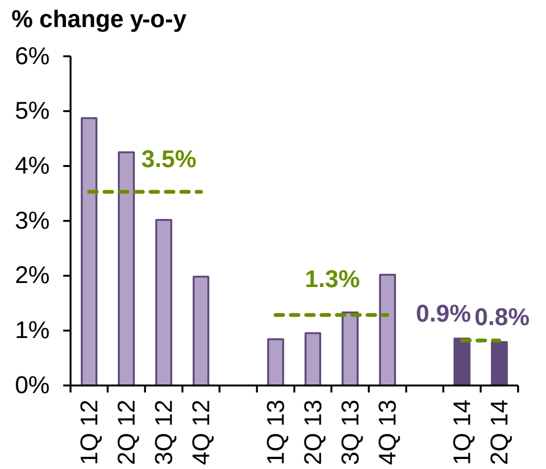
Sources: HSBC, Markit and Haver Analytics.

The **manufacturing sector** showed further signs of deceleration in October, with the manufacturing PMI at 49.1, down from September's 49.3. New orders posted the strongest drop since July 2013 and output contracted for the second month in a row. A Central Bank survey indicated the economy is forecast to grow 1% in 2015. A leading source of upside potential to Brazil's **GDP growth** in 2015 are the economic policies that the re-elected president announced will be implemented by the end of 2014 to spur foreign investment, tame inflation and control the widening budget deficit. However, if the current growth slowdown is prolonged into 2016, social goals could be impacted as they reply on the country's foreign exchange reserves and could extend high inflation, which would erode the purchasing power of social benefit programmes. This year is not expected to witness significant change either in economic policy or in the direction of foreign investment in Brazil. The GDP forecast thus remains intact this month at 0.6% for 2014 and 1.2% for 2015.

Russia

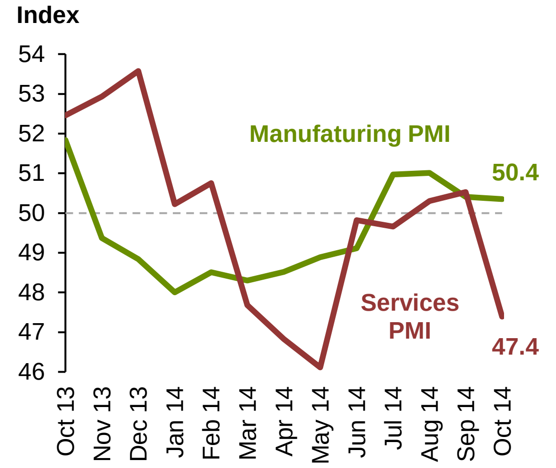
Industrial production increased 2.8% in September over the same month one year ago. From 2006 to 2014, IP in Russia averaged 2.5%. Seasonally adjusted, IP increased a solid 1.6% m-o-m, which more than offset the 0.7% decrease in August. September's rebound was broad-based across industries, with solid growth in both mining and manufacturing. Mining production grew 2.4% y-o-y and manufacturing output expanded 3.6% y-o-y on some recovery in auto production. The ruble's weakness supported import substitution economic policies in Russia. The food import ban thus added extra positive momentum to the food industry and the beginning of pipeline construction to China may have spurred higher demand for pipes. Output of fruit and vegetable juices jumped by 25%, cheese by 17% and meat (excluding poultry) by 12%.

Graph 3.8: Russian GDP growth



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

Graph 3.9: Russian manufacturing and services PMIs



Sources: HSBC, Markit and Haver Analytics.

The Federal State Statistics Service reported a slight increase in the **unemployment rate** to 4.9% in September from 4.8% in August. **Inflation** accelerated to 8.03% in September from 7.56% in August, registering its highest reading since August 2011. On a monthly basis, consumer prices increased 0.7%, following a 0.2% rise in August. Market expectations pointed to a further increase in inflation to 8.3%–8.4% in October, driven by food price inflation. The continued ruble devaluation will increase inflationary pressures in the coming months. At the end of October, the Central Bank of Russia hiked its key **interest rate** by 1.5 percentage points (pp). The interest rate now stands at 9.5%, up from 8.0%. The recent big increase is seen as another attempt to put a floor under the depreciating ruble and help limit capital flight.

The government resumed debt sales in October after cancelling nine auctions in a row since July. In addition, two **ruble-bond auctions** were cancelled by 21 October as so-called unfavourable market conditions returned as investors sought extra yields on ruble bonds. This brings the total number of cancelled ruble auctions so far this year to 19.

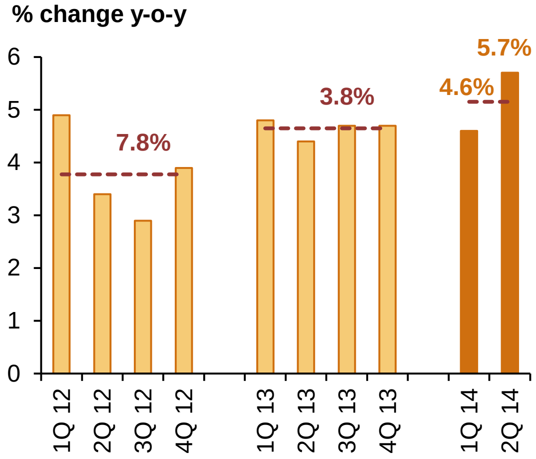
A drop in commodity prices in in October, increased pressure on the ruble, leading the central bank to spend more than $13 billion of its foreign reserves to slow the weakening currency. The **ruble** depreciated 7.7% in October and, since the beginning of the year, nearly 23%. The central bank plans to adopt a ‘free float’ ruble by next year. Currently it allows the currency to fluctuate within a range of 9 rubles. When the ruble weakens past this boundary, the bank spends $350 million to defend it before shifting the band by 5 kopeks. It repeats the process each time the currency falls by 5 kopeks. Due to increasingly subdued medium-term growth prospects, Moody’s ratings agency downgraded the **sovereign debt rating** of Russia a month ago to Baa2 from Baa1 and kept a negative outlook on the rating. The 2014 **GDP forecast** remains intact this month at 0.3%, with the sanctions environment remaining a constraint on the GDP growth outlook for 2015, when it is forecast to grow by 0.9% y-o-y. The 2015 figure is prone to high risk – including geopolitical developments – which could push it either way.

India

After robust 2Q14 **GDP** figures (5.7% y-o-y), it seems the 3Q GDP growth rate is set to decelerate because the factors that drove 2Q growth – strong government spending and strong agricultural growth, reflecting a buoyant winter crop – seem to have be transient. Industrial production weakness moderated India's real growth again during the third quarter.

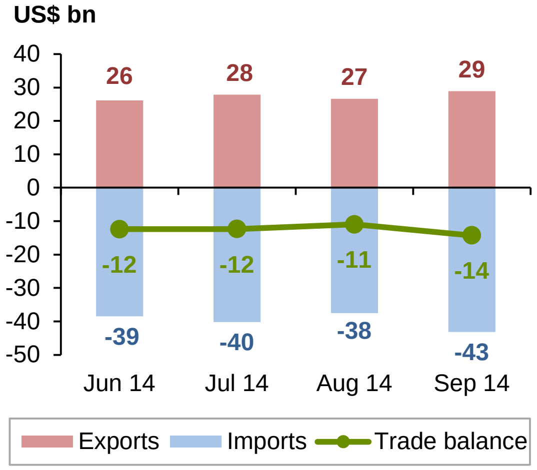
India's **merchandise trade deficit** widened sharply in September, with imports surging 26% y-o-y to $14.2 billion from $10.8 billion in August, outpacing the modest rise in exports. Total merchandise exports improved marginally in September, supported by strong shipments of cereals and oil seeds, textiles and engineering goods. However, a much stronger rise in imports drove the trade deficit to its highest level since May 2013, bringing back memories of strong current account pressures during the previous year. The surge in merchandise imports was almost entirely driven by higher demand for gold, following the partial removal of restrictions on gold imports, and by consumer goods, as the festival season in India drew closer. Gold imports rose to $3.7 billion in September from an average of $2.5 billion over the previous three months. Capital goods imports also rose slightly, reflecting a tentative recovery in India's investment demand. Oil imports saw an increase to $14.2 billion in September from $12.8 billion, accounting for much of the trade deficit surprise.

Graph 3.10: Indian GDP growth rate



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

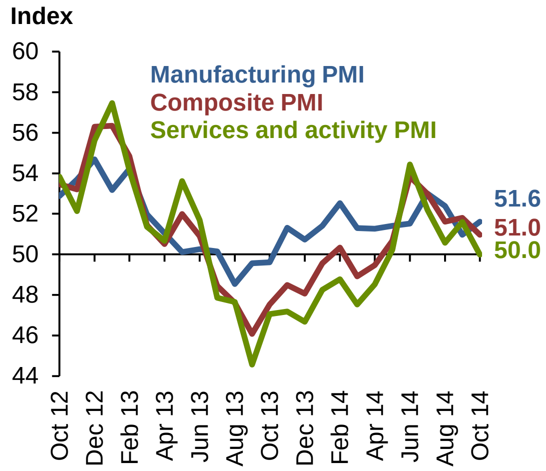
Graph 3.11: Indian trade balance



Sources: Ministry of Commerce and Industry and Haver Analytics.

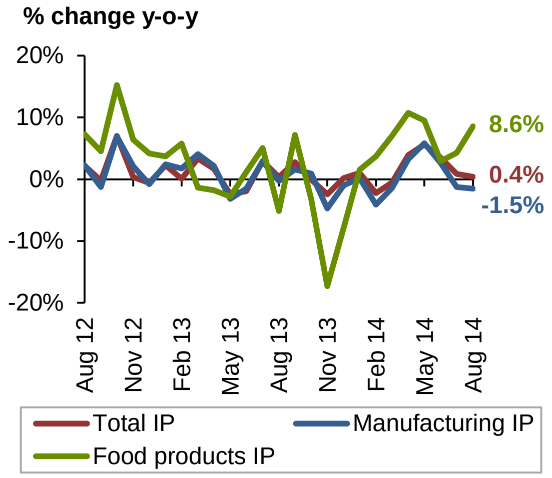
The **PMI** for India strengthened to 51.6 points in October from 51.0 points in August, helped by across the board improvements in various sub-indices. Of note was the pick-up in domestic orders, which gained nearly two points during the month to settle at 53.0, and the sustained expansion in export orders, now at a four-month high of 54.3.

Graph 3.12: Indian PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.13: Indian industrial production breakdown

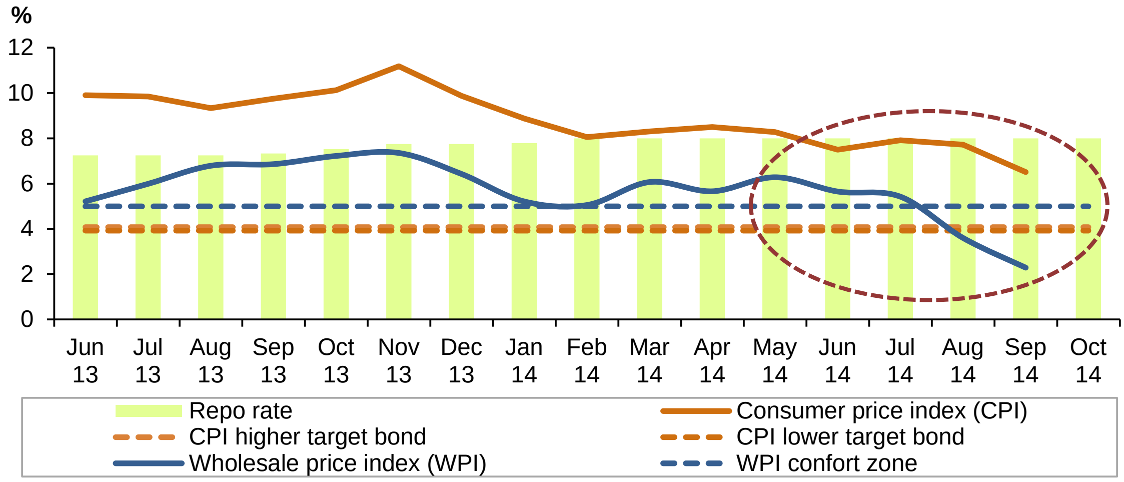


Sources: Central Statistical Organisation of India and Haver Analytics.

India's retail inflation continues to be moderate, which can largely be attributed to the high base effect of the previous year. The most notable moderation in retail inflation has been in urban areas, where the government's accelerated efforts to improve food supply and distribution management helped keep food prices in check, despite pockets of shortages following the dry monsoon season and recent floods. Reflecting the favourable base effect and a genuine softening of inflation momentum, the headline Consumer Price Index (CPI) dropped down to 6.5% y-o-y in September from 7.8% in August. Like the CPI, the September Wholesale Price Index (WPI) fell hard to 2.4% y-o-y – the lowest rate in almost five years – from 3.7% in August, on both a favourable base effect and decelerating underlying momentum.

In terms of **fuel price deregulation**, as the sharp correction in international oil prices has turned diesel subsidies into over-recoveries, the Indian government announced that diesel prices will be deregulated, effective immediately. The reduction in oil prices over the last two months, in conjunction with the fact that diesel prices have increased by INR 0.50 per litre every month since January 2013, has meant that oil marketing companies which have been sustaining losses on the sale of diesel for a decade are now facing over-recoveries, with the domestic sale price higher than the international price of crude would warrant. As a consequence of deregulation, diesel prices fell INR 3.37 per litre (or about 5% on average). In addition, a new mechanism for domestic gas pricing was announced and it seems that initial pricing is much lower than market expectation.

Graph 3.14: Indian inflation vs. repo rate



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

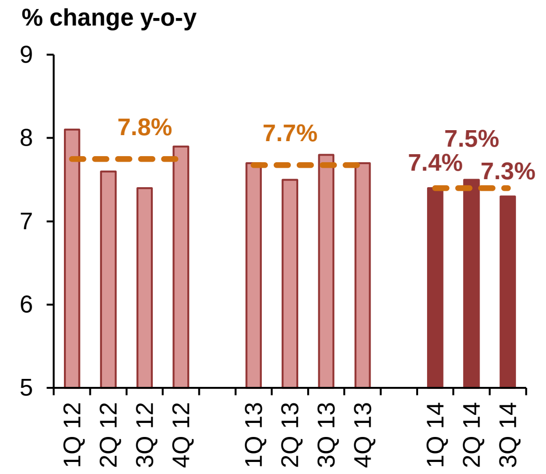
Despite the growth upgrade, India continues to struggle with serious underlying problems. High inflation and relatively tight monetary policy will dampen domestic demand, while private and government investment will be further hindered by high corporate debt and a broad fiscal deficit.

The growth expectation for 2014 remains unchanged at 5.5%, rising to 5.8% in 2015.

China

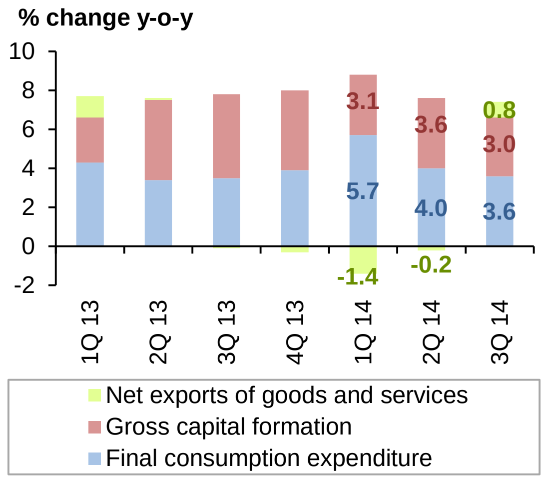
China's 3Q14 GDP rose 7.3% y-o-y, down from 7.5% in the 2Q14, the lowest level since 2009. Third-quarter growth significantly benefitted from a positive net export contribution. In contrast, domestic demand remained soft. The slowing momentum is largely driven by continued deceleration in fixed asset investments (particularly in real estate) and overcapacity in heavy industries. There have also been some positive developments in the composition or "quality" of economic growth in the Chinese economy.

Graph 3.15: Chinese GDP growth rate



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

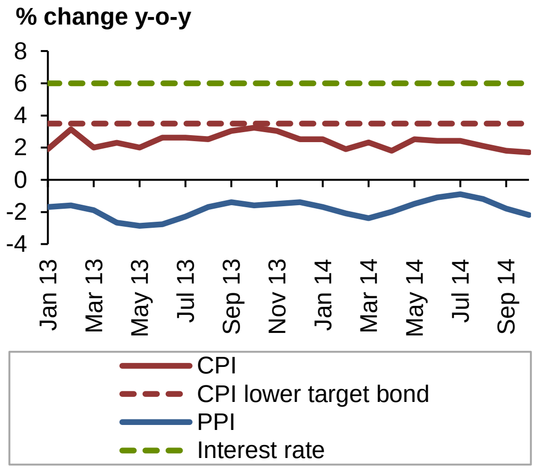
Graph 3.16: Contributions to Chinese GDP growth



Sources: China National Bureau of Statistics and Haver Analytics.

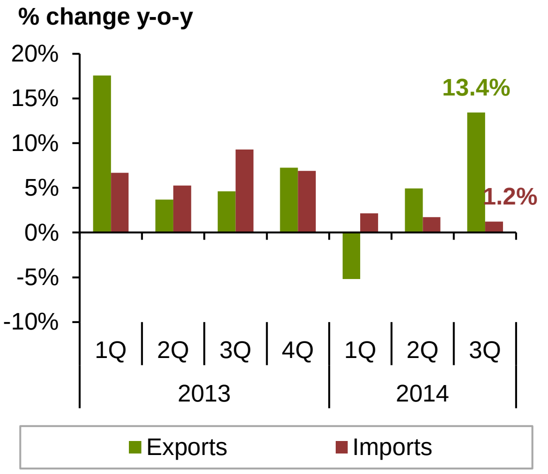
China's trade grew more strongly than expected in September, driven by stabilised domestic demand and strong exports to developed countries, particularly Hong Kong. According to data published on 13 October by China's General Administration of Customs, exports expanded by 15.3% y-o-y in September, compared with 9.4% in August. Imports were up 6.9% y-o-y, a sharp rebound from the 2.3% decline in August, ending two months of shrinkage. On this basis, China's trade surplus in September was $30.9 billion, down from a historical high of $49.8 billion in August. Exports were driven by demand from Hong Kong, with export growth rebounding to 33% in September, while growth of exports to the US, the EU and Association of Southeast Asian Nations (ASEAN) stayed above the 10% mark. The strong rebound in imports somewhat reflects stabilised domestic demand in the short-term, while the drop in trade surplus may reduce inflationary pressure on the domestic currency and increase the possibility for the central bank to further relax liquidity.

Graph 3.17: Chinese consumer price index (CPI) vs. producer price index (PPI)



Sources: China National Bureau of Statistics and Haver Analytics.

Graph 3.18: Chinese imports vs. exports



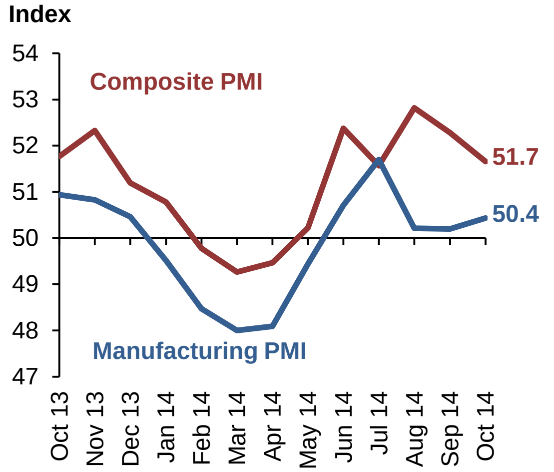
Sources: China Customs and Haver Analytics.

Sluggish investment in China has been an important factor. However, at the 15th Western China International Fair (WCIF) held in the Chengdu and Sichuan provinces, 1,067 investment projects worth CNY 805 billion ($132 billion) were signed, up 131% and 43%, respectively, compared with the previous year. The WCIF saw 8,981 companies from 76 countries and regions attend, both new records. Amid the signed projects, 1,014 are domestic while only 53 involve foreign investment. Sichuan could be the biggest winner of this WCIF, gaining 868 projects worth CNY 603 billion ($98 billion) in new investments, accounting for 74.9% of total signed investments. This year's WCIF was divided into two parts: one focused on industry and investment, and the other on consumption and trade cooperation. Local officials hope that with sluggish investment growth this year expected to continue in the coming quarters, WCIF will bring new opportunities for investment and trade to Western China.

China's central bank will provide around CNY 200 billion ($32 billion) in liquidity to smaller banks over a three-month window around year-end, according to a report by the National Business Daily. According to the report, based on comments from officials at the People's Bank of China, about 20 joint-stock banks recently received an invitation to apply for access loans, which will have a three-month duration. These possible short-term liquidity injections follow the development of a CNY 500 billion ($82 billion) standing lending facility extended to China's five largest banks in September.

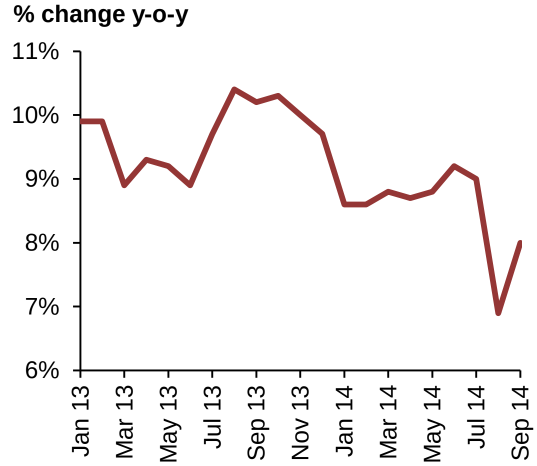
China's manufacturing PMI rose to 50.4 in the most recent reading for October, up from 50.2 in September and unchanged from the flash reading released earlier. Compared with the flash readings, new order and new export order sub-indices saw small downward revisions, but both remained in expansion territory. Meanwhile, employment and inventory sub-indices saw small upward revisions. Overall, the manufacturing sector continued to stabilize in October. The economy still shows clear signs of insufficient effective demand. Uncertainties remain, given the property downturn as well as the slow pace of global recovery, and further monetary and fiscal easing measures are expected in the months ahead.

Graph 3.19: Chinese PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.20: Chinese industrial production



Sources: China National Bureau of Statistics and Haver Analytics.

Expected GDP growth for 2014 remains unchanged from 7.4%, while the expectation for 2015 is 7.2%.

OPEC Member Countries

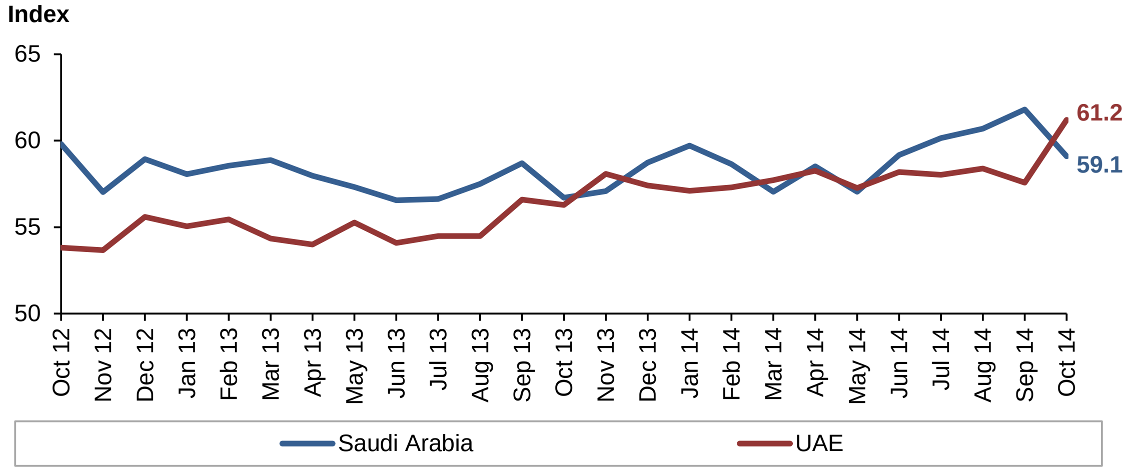
Saudi Arabia's non-oil producing sector continued to grow markedly in October, despite a rather eased rate of growth from September's 39-month peak. The headline Saudi Arabia PMI, created by the Saudi British Bank together with HSBC, posted 59.1 in October, down from 61.8 in September. The survey highlighted the highest job creation growth rate in two years, while output and new orders rose at slower rates.

In **IR Iran**, the central bank announced that the inflation rate for the 12-month period ending late October dropped 1.7% compared with the previous month. Non-oil trade recorded more than $57.2 billion in the seven months to October 2014, according to the IR Iran Customs Administration. Non-oil exports amounted to nearly $26.9 billion, while non-oil imports were approximately $30.3 billion during that period.

The inflation rate in **Algeria** was recorded at 3.9% in September, lower than the 2001–2014 average of 4.3%.

The inflation rate in **Kuwait** was recorded at 3.2% in September of 2014, more or less remaining at the average rate of 3.1% during 1995–2013.

Graph 3.21: Saudi Arabia and UAE: manufacturing PMIs



Sources: SAAB, HSBC, Markit and Haver Analytics.

In the **United Arab Emirates**, the economy's non-oil producing private sector showed impressive growth signals, with the HSBC PMI rising to 61.2 in October from 57.6 in September. Six survey indicators hit record highs, including output, new business and employment. In the meantime, slower growth in new export orders was reported.

In **Ecuador**, the urban unemployment rate fell to 4.7% during the 3Q14 after posting 5.7% in the previous quarter, according to the latest data released by the country's statistics institute.

Other Asia

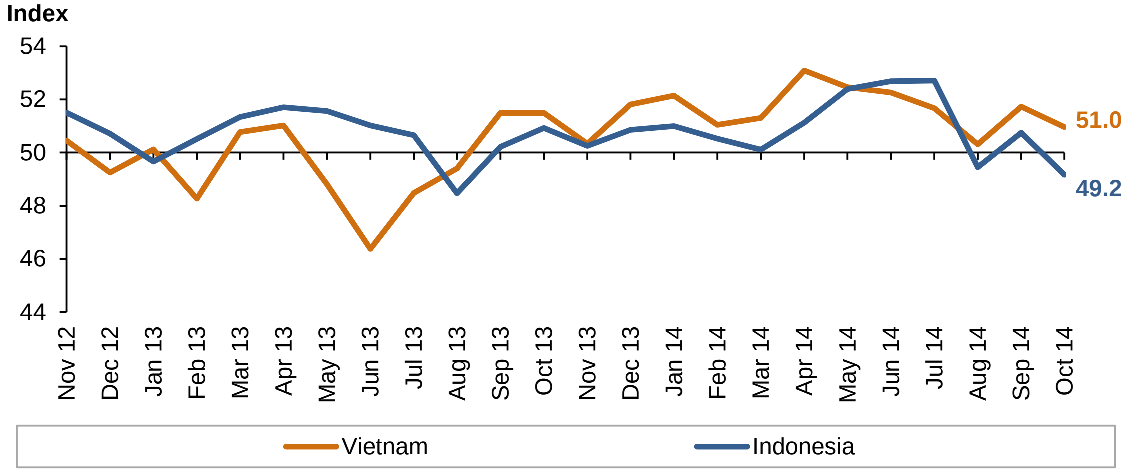
In **Indonesia**, the GDP grew by 5.0% y-o-y in the 3Q14, the slowest growth rate since 2009. The latest growth figure suggests an increase in government spending was unable to offset slowing investment and a decline in exports. Exports fell 0.7%, following a 1.0% decline in the 2Q, while imports plunged 3.6% from a 5.0% fall in the 2Q. Government spending expanded 4.4% after registering a 0.7% decline in the previous quarter. Private consumption grew 5.4%, slowing from 5.6% growth in the preceding period and gross fixed capital formation grew at a slower 4.0% from an expansion rate of 4.5% in the 2Q. The manufacturing sector signalled a deceleration in business conditions in October as production fell at its quickest pace since August 2013. Moderate contractions in new business and export orders were also reported. The index posted 49.2 in October, down from 50.7 in September.

In **Vietnam**, business conditions in the manufacturing sector improved slightly in October, as output and new orders increased and private sector job creation increased at its fastest rate since January. The manufacturing PMI registered 51.0 in October, down slightly from 51.7 in September. The survey also showed the slowest rise in input prices since June 2013.

The Bank of **Thailand** held its key interest rate stable in early November at 2%, extending the no-change period started in March 2014. The Finance Ministry cut its growth forecast for the year to 1.4% from 2.0%.

In **Malaysia**, the inflation rate decelerated sharply to 2.6% y-o-y in September 2014, from 3.3% in August. It is the lowest rate in a year, due mainly to a slowdown in transport costs. On a monthly basis, the inflation rate was 0.2% in September, the same value that was registered in August. Both food and non-food prices increased by 0.2% m-o-m in September.

Graph 3.22: Manufacturing PMIs in Other Asia



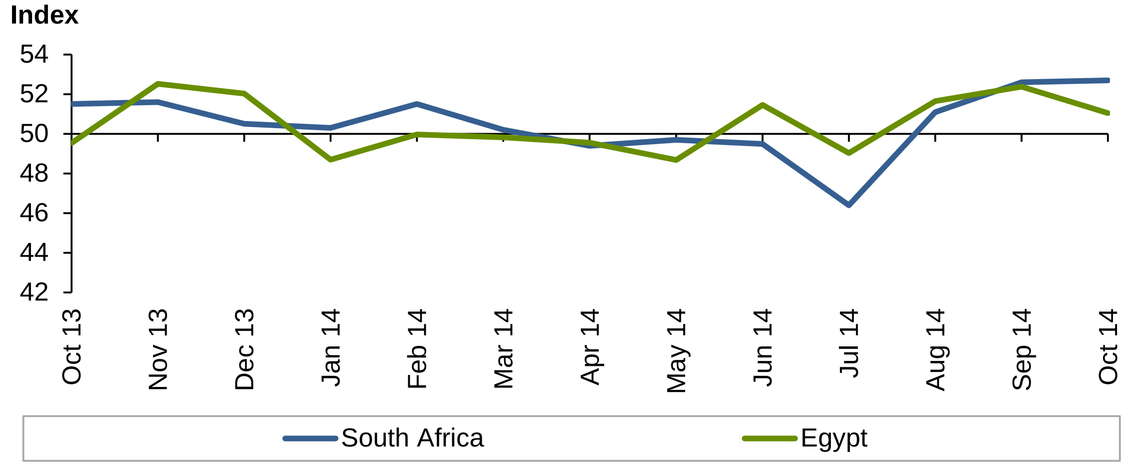
Sources: HSBC, Markit and Haver Analytics.

Africa

South Africa's trade gap decreased to ZAR 2.91 billion in September from a revised 16.7 billion rand shortfall the previous month, as exports to Europe and America surged. Exports increased 18.2% to ZAR 90.79 billion in September over August. The unemployment rate was little changed at 25.4% in the 3Q14 from 25.5% over the previous period. The annual inflation rate eased to 5.9% in September from 6.4% in August. It is the lowest rate in seven months, on the back of lower food and transport prices. GDP growth stood at 0.2% q-o-q in the 2Q14 compared with -0.2% in the 1Q14. Thus, the country narrowly avoided falling into its second recession since the 2Q09. In a yearly comparison, the economy accelerated 1.1% in the 2Q14, down from 1.8% one quarter earlier. Private sector economic activity in South Africa sent a positive signal in October with the PMI reading remaining in expansion territory, slightly rising to 52.7 from September's 52.6. The headline PMI reading in October was the highest in 22 months.

The inflation rate in **Egypt** slowed for the first time in four months to 11.1% in September from 11.4% in August, mainly due to base effects. Year-on-year prices for housing, water, electricity, gas and other fuels rose at a slower rate of 6.53% in September from 6.69% in August. Transport costs decelerated as the rate of change decreased to 21.96% in September from 28.08% in August. The Central Bank of Egypt held its benchmark overnight deposit rate unchanged at 9.25% in October. It sees the current policy stance as appropriate to anchor inflation expectations and limit a generalized price increase. The overnight lending rate was also left on hold at 10.25%. The headline PMI posted 51.0 in October, down from a near-record high of 52.4 in September, signalling a slower upturn in the country's non-oil private sector. The survey showed continued expansion in output and new orders, though at slower rate. Input price inflation was reported to be at its lowest point since May 2014.

Graph 3.23: Manufacturing PMIs in South Africa and Egypt



Sources: HSBC, Reuters Telerate and Haver Analytics.

Latin America

The Central Bank of **Chile** cut its monetary policy rate for the fourth straight month in October by 25 bp to 3.0%, aiming to boost the economy's weak growth. The government announced plans to stimulate the economy via spending increases next year. GDP growth slowed this year to 2.4% and 1.9% in the 1Q and the 2Q, respectively. The 1Q figure reflects the slowest pace of growth since 3Q09. The government now plans to increase spending by 9.8% in 2015, most of which is planned for investment.

The unemployment rate in **Argentina** increased to 7.5% in the 2Q14, from 7.1% in the 1Q14. The 1Q14 GDP growth figure was revised up from a 0.2% y-o-y contraction to a 0.3% expansion, while the 2Q14 posted no y-o-y growth.

In October, the Ministry of Finance in **Colombia** announced the sale of $1 billion in bonds in the financial markets in order to fund next year's budget. Half of the sold dollar debt matures in 2014, while the other half falls due in 2044. The government still needs to borrow $2 billion to meet its funding needs for 2015.

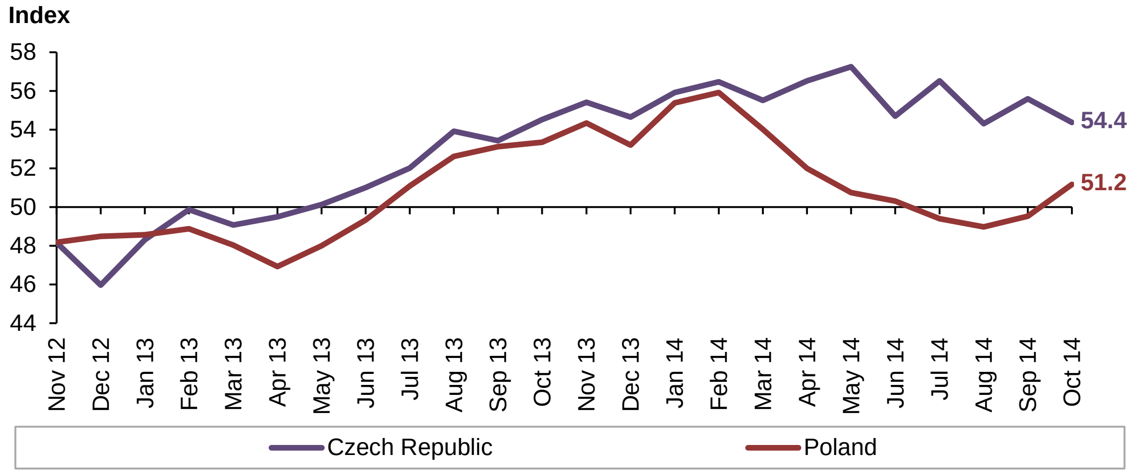
The inflation rate in **Uruguay** was recorded to be at 8.4% in September 2014, down from 8.8% in August. The country's trade balance posted a deficit of $167 million in September. Uruguay's foreign exchange reserves decreased to $17.8 billion in September, down from $18.1 billion in August. The benchmark interest rate remained unchanged at 9.25%.

Transition region

In **Poland**, the manufacturing sector signalled a recovery in business conditions in October following a brief downturn in the 3Q14. The manufacturing PMI rose to 51.2 in October, up from 49.5 in September. This signals the strongest pace of improvement in six months. The survey showed that both output and new orders have increased since September, while new export orders declined at a marginal rate. GDP growth in Poland registered 3.2% y-o-y in the 2Q14 compared with 3.4% y-o-y in the previous period.

In the **Czech Republic**, production increases and employment growth in the manufacturing sector remained strong in October, despite a smaller rise in new orders. The manufacturing PMI stood at 54.4 in October. The survey showed that prices charged for final manufactured goods rose slightly for the sixth consecutive month in October.

Graph 3.24: Manufacturing PMIs in transition region



Sources: HSBC, Markit and Haver Analytics.

Oil prices, US dollar and inflation

On a monthly average, the **US dollar continued appreciating in October** compared to its major currency counterparts. It gained 1.7% versus the euro, 0.8% compared to the yen, 1.4% to the pound sterling and 1.8% versus the Swiss franc. With the ongoing recovery in the US and the tapering of the US Fed, as well as the continued monetary stimulus from the BoJ and the ECB, and given the currently softer growth in some emerging markets, the US dollar should be expected to continue appreciating in the coming months. However, if political challenges in the US re-emerge after the recent mid-term elections, the US dollar might reverse this trend

With respect to the **emerging economies**, the US dollar remained flat compared to the Chines yuan and the Indian rupee but rose considerably versus the Russian ruble and the Brazilian real. The Brazilian real fell by 4.8% versus the US dollar on average in October, after a decline of already 3.1% in September, hitting a new nine-year low. However it lost only around 4% this year so far due to a better momentum in the 1H14. The Russian ruble declined by 7.7% on average in October, after a decline of already 4.9% in September, hitting a new record low. It lost almost 25% this year. Given that the currency is now relatively free floating, a further deprecation, independent of the near-term economic development, is likely.

In nominal terms, the price of the **OPEC Reference Basket (ORB)** declined by a monthly average of $10.92, or 11.4%, from $95.98/b in September to $85.06/b in October. In real terms, after accounting for inflation and currency fluctuations, the ORB fell by 10.3%, or $6.13, to $53.18/b from $59.31/b (base June 2001=100). Over the same period, the US dollar gained 1.1% against the import-weighted modified Geneva I + US dollar basket* while inflation fell by 0.1%**.**

* *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

The estimate for world oil demand in 2014 remains at 1.05 mb/d. In absolute terms, total oil demand in 2014 is expected to stand at 91.19 mb/d, with the highest growth for the year coming in 4Q14 at 92.50 mb/d. Projected oil demand growth in 2015 is also unchanged from last month's report, with oil demand growth anticipated to reach 1.19 mb/d, leading to total world oil consumption of 92.38 mb/d.

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

							Change 2014/13	
	2013	1Q14	2Q14	3Q14	4Q14	2014	Growth	%
Americas	24.05	23.86	23.89	24.39	24.55	24.17	0.13	*0.53*
of which US	*19.27*	*19.24*	*19.04*	*19.56*	*19.72*	*19.39*	*0.12*	*0.62*
Europe	13.61	13.02	13.46	13.76	13.38	13.41	-0.20	-1.48
Asia Pacific	8.29	8.85	7.58	7.81	8.40	8.16	-0.14	-1.64
Total OECD	**45.95**	**45.73**	**44.93**	**45.96**	**46.32**	**45.74**	**-0.21**	**-0.46**
Other Asia	11.06	11.08	11.37	11.37	11.35	11.29	0.23	2.10
of which India	*3.70*	*3.85*	*3.80*	*3.68*	*3.86*	*3.80*	*0.10*	*2.65*
Latin America	6.50	6.42	6.69	6.98	6.78	6.72	0.22	3.46
Middle East	7.81	8.07	7.98	8.47	7.95	8.12	0.31	3.92
Africa	3.63	3.75	3.75	3.61	3.76	3.72	0.09	2.46
Total DCs	**29.00**	**29.31**	**29.79**	**30.43**	**29.84**	**29.85**	**0.85**	**2.94**
FSU	4.49	4.39	4.23	4.63	4.93	4.55	0.06	1.25
Other Europe	0.64	0.64	0.60	0.64	0.72	0.65	0.01	1.87
China	10.07	10.08	10.56	10.30	10.70	10.41	0.34	3.42
Total "Other regions"	**15.20**	**15.11**	**15.39**	**15.57**	**16.34**	**15.61**	**0.41**	**2.71**
Total world	**90.14**	**90.16**	**90.11**	**91.96**	**92.50**	**91.19**	**1.05**	**1.17**
Previous estimate	90.14	90.16	90.11	91.96	92.50	91.19	1.05	1.17
Revision	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

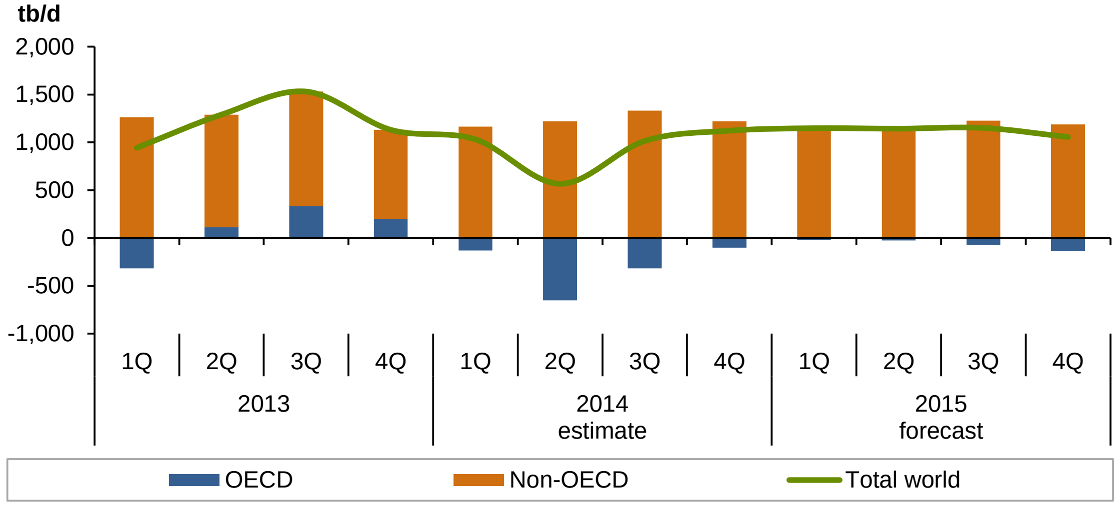
Totals may not add up due to independent rounding.

Table 4.2: World oil demand in 2015, mb/d

							Change 2015/14	
	2014	1Q15	2Q15	3Q15	4Q15	2015	Growth	%
Americas	24.17	24.02	24.03	24.56	24.70	24.33	0.16	0.64
of which US	*19.39*	*19.37*	*19.14*	*19.70*	*19.85*	*19.52*	*0.13*	*0.65*
Europe	13.41	12.96	13.41	13.67	13.29	13.34	-0.07	-0.52
Asia Pacific	8.16	8.76	7.51	7.70	8.26	8.06	-0.10	-1.23
Total OECD	**45.74**	**45.74**	**44.95**	**45.93**	**46.25**	**45.72**	**-0.02**	**-0.03**
Other Asia	11.29	11.30	11.61	11.62	11.56	11.52	0.23	2.06
of which India	*3.80*	*3.94*	*3.89*	*3.78*	*3.96*	*3.89*	*0.10*	*2.50*
Latin America	6.72	6.64	6.90	7.20	7.04	6.95	0.23	3.35
Middle East	8.12	8.36	8.25	8.78	8.24	8.41	0.30	3.64
Africa	3.72	3.84	3.84	3.70	3.85	3.81	0.09	2.42
Total DCs	**29.85**	**30.15**	**30.60**	**31.30**	**30.69**	**30.69**	**0.84**	**2.82**
FSU	4.55	4.44	4.28	4.68	4.98	4.60	0.05	1.10
Other Europe	0.65	0.65	0.61	0.65	0.72	0.66	0.01	1.08
China	10.41	10.39	10.87	10.62	10.99	10.72	0.31	2.95
Total "Other regions"	**15.61**	**15.47**	**15.76**	**15.95**	**16.69**	**15.97**	**0.36**	**2.34**
Total world	**91.19**	**91.36**	**91.31**	**93.18**	**93.64**	**92.38**	**1.19**	**1.31**
Previous estimate	91.19	91.36	91.31	93.18	93.64	92.38	1.19	1.31
Revision	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Totals may not add up due to independent rounding.

Graph 4.1: Quarterly world oil demand growth

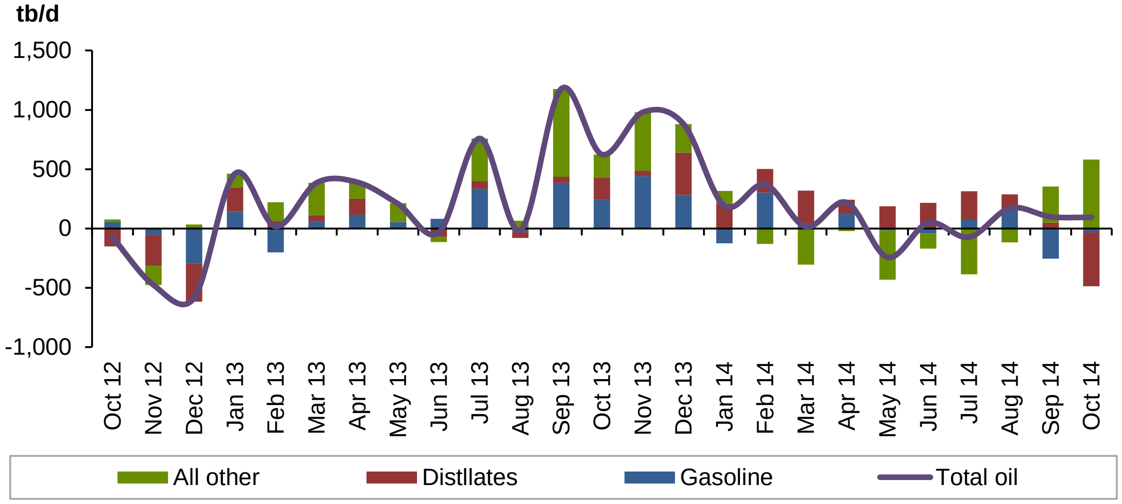


OECD Americas

US

The latest **US** monthly data for August 2014 implied a yearly increase in oil demand of around 0.17 mb/d, or 0.9%, the first monthly increase since April 2014. This somehow ‘smooths’ the downward trend in oil demand observed since the beginning of 2014. Motor gasoline and distillate requirements have grown, while residual fuel oil and propane/propylene have fallen strongly. Gains refer to the transportation and industrial sectors, while losses are mainly the result of fuel substitution, predominantly with natural gas. The available data for ten months in 2014 – monthly data through August, and preliminary weekly data for September and October – show US oil demand growing by around 0.1 mb/d, with distillates taking the largest share in gains and flat gasoline demand compared to the previous year. Sharp declines are observed in demand for residual fuel oil and propane/propylene.

Graph 4.2: US oil consumption, y-o-y changes



The overall risk for the development of next year’s US oil demand can be seen as balanced, with the upside risks related to the anticipated healthy growth of the economy, while the downside risks caused by fuel substitution and vehicle efficiencies.

Mexico

Following several continuously declining monthly figures in 2014, **Mexican** oil demand showed some recovery in September compared to the same month in 2013. This is in line with September's PMI data, which shows an overall improvement in manufacturing. Looking at the different products, gasoline, gasoil and jet fuel requirements have all been partly offset by declines in residual fuel oil and LPG.

The risks for the 2015 Mexican oil demand remains however skewed to the downside, and depend mainly to the development of the overall economy and the degree of fuel substitution.

Canada

In **Canada**, August 2014 demand came up slightly increasing y-o-y. Gains in gasoline, gasoil, jet fuel and fuel oil have been largely offset by sharp declines in LPG requirements. Canadian oil demand in 2015 is projected to remain roughly at the same levels of 2014, marking only marginal increases, with the upside and downside risks balanced.

In 2014, **oil demand in OECD Americas** is expected to grow 0.13 mb/d as compared to 2013. In 2015, it is projected to increase by 0.16 mb/d as compared to 2014.

OECD Europe

European oil demand remained bearish for another month, declining sharply in August 2014 y-o-y and in line with macro-economic indicators in the region. Early indications for September showed losses of approximately 0.1 mb/d in Germany, France, Italy and the UK, the 'Big Four' European oil consumers, with a slightly different picture from country to country. Germany, France and the UK declined, while Italy remained flat. Gasoline and gasoil demand in the 'Big Four' mostly declined. European auto sales continued their positive momentum in September, with an overall 6.4% y-o-y increase and with positive momentum in all major markets. Nevertheless, this positive momentum does not seem to be reflected in oil demand, as mileage is being affected by high taxation on road transportation fuels throughout the region.

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

	Sep 14	Sep 13	Change form Sep 13	Change form Sep 13, %
LPG	365	374	-9	-2.3
Gasoline	1,118	1,148	-29	-2.6
Jet/Kerosene	798	812	-14	-1.7
Gas/Diesel oil	3,205	3,275	-71	-2.2
Fuel oil	284	282	2	0.6
Other products	1,020	991	29	2.9
Total	**6,790**	**6,882**	**-92**	**-1.3**

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

The contracting trend in the majority of European countries has not been interrupted during this month, although the overall baseline is extremely low as a result of demand declines in the last four years. Projected improvements in the economy of the region's main countries during 2015 anticipate a lower demand contraction than 2014, though it depends on the overall development of the economy.

European oil demand is estimated to decrease by 0.20 mb/d in 2014. In 2015, the contraction in the region's oil demand is expected to be 0.07 mb/d.

OECD Asia-Pacific

Preliminary September data imply that **Japanese** oil demand contracted strongly for the sixth month in a row, this time by a 0.3 mb/d y-o-y. Overall oil demand remained dampened in all product categories, with the only exception being jet fuel/kero, gasoil and, to some extent, LPG. Naphtha demand fell sharply, while gasoline and diesel requirements also fell, in line with somewhat bearish new vehicle registrations. Finally, the picture continued to be negative for oil demand in relation to the required volumes for direct burning of crude and fuel oil. Additionally, the restarting of some nuclear plants shifted during the 2015, particularly two of the reactors at the Sendai nuclear plant. The outlook for new vehicle registrations for October 2014 was also bearish, showing again a decrease y-o-y of around 9%.

Table 4.4: Japanese domestic sales, tb/d

	Sep 14	Change from Sep 13	Change from Sep 13, %
LPG	399	13	3.4
Gasoline	924	-25	-2.6
Naphtha	659	-105	-13.7
Jet fuel	97	-28	-22.3
Kerosene	152	13	9.6
Gasoil	589	19	3.4
Fuel oil	442	-89	-16.7
Other products	39	-26	-40.0
Direct crude burning	60	-83	-57.9
Total	**3,363**	**-309**	**-8.4**

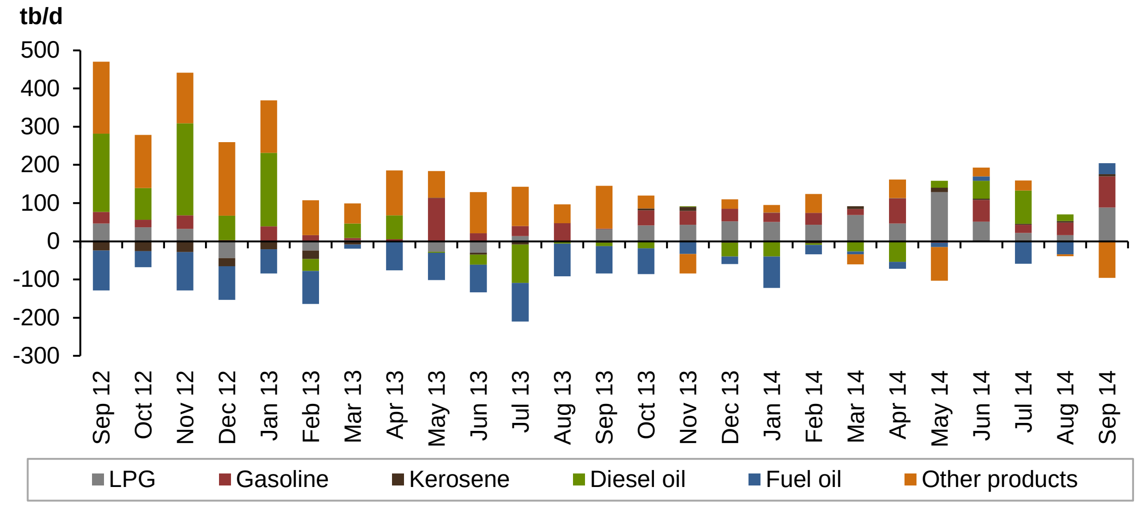
In **South Korea**, sharp increases in naphtha requirements during August 2014 have been largely offset by declining residual fuel oil gasoil and gasoline demand leading to an overall slight increase of 0.02 mb/d as compared to the same month last year. The outlook for South Korean oil consumption during 2015 remained unchanged as compared to last month’s projections.

OECD Asia Pacific oil demand is expected to fall by 0.14 mb/d in 2014, while the fall will also continue in 2015, though to a lesser extent, by 0.10 mb/d, y-o-y.

Other Asia

September 2014 data for **Indian oil demand** show a growth of 0.11 mb/d, or 2.9%, as compared to September 2013. Indian oil demand growth was led by additions in oil requirements for the transportation and residential sectors. For the transportation sector, gasoline requirements rose sharply by more than 21% y-o-y. Similarly, LPG consumption improved in the residential sector but by lesser degree, rising by around 16%.

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



Improvements in vehicles sales data, with domestic sales of around 1.6 million units and two-wheelers sales growing by more than 23%, supported the upsurge in gasoline demand. Strong LPG consumption in the residential sector has been supported by subsidized LPG prices. Jet/kerosene and gasoil demand meanwhile remained slightly improving to flat during the month of September 2014 as heavy rains limited diesel oil demand growth. Fuel oil requirements were in the growth territory, surging by around 15% largely as a result of lower base line. Total fuel oil consumption was around 0.22 mb/d, which was well below the average of the last three years of 0.29 mb/d.

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

	Sep 14	Sep 13	Change	Change, %
LPG	661	572	89	15.5
Gasoline	455	374	81	21.6
Kerosene	273	267	6	2.4
Diesel oil	1,400	1,401	-1	-0.1
Fuel oil	223	194	28	14.6
Other products	833	928	-95	-10.2
Total oil demand	**3,844**	**3,736**	**109**	**2.9**

In **Taiwan**, rising LPG, jet and residual fuel oil requirements resulted in an overall increase in oil demand growth.

Looking at **Indonesian** oil demand on a year-to-date basis, LPG, gasoline and fuel oil were the main contributors of growth during the eight months of 2014, a result of their usage in the residential, transportation and industrial – particularly electricity generation – sectors. Indonesian oil demand grew year-to-date by around 3.4% in 2014, in line with rising industrial and manufacturing activity and the country's overall economy.

Malaysian oil requirements remained flat during the first months of 2014 with losses in gasoline demand being compensated solely by gains in naphtha usage.

Looking forward, in 2015 expectations of oil demand in the region are stable at this stage with a general improvement in the overall economy expected to positively impact oil demand data. The reduction of subsidies, however, may imply a downward pressure in oil demand growth. Fuel substitution with natural gas and coal is an additional factor that may reduce oil consumption.

Other Asia's oil demand anticipated to grow by 0.23 mb/d y-o-y in 2014. As for 2015, oil demand is forecasted to increase by 0.23 mb/d, almost matching the growth of 2014.

Latin America

In **Brazil**, oil demand grew strongly during September 2014, rising by almost 10% as compared to the same period in 2013. This growth was mainly weather-related, as drought in the country positively affected consumption of various fossil fuels. In percentage terms, fuel oil was substantially higher – more 70% – as demand for power generation increased. Brazil relies on hydroelectricity for power generation, a sector which was negatively impacted by the severe lack of rainfall, a factor which led power suppliers to switch to fuel oil.

Similarly, diesel oil was on the rise, growing by around 7% as compared to the same period last year. This was a result of the switch to diesel oil for power generation and was mainly focused on the northern parts of the country, while demand for diesel oil in the southern areas was subdued, which was in line with the slowdown in industrial activities. Gasoline also picked up during the month of September, as growth reached more than 12% y-o-y supported by a shortage in ethanol. Owners of flex-fuel vehicles chose to consume gasoline in lieu of ethanol as prices for the latter were higher. These were very much affected by the severe drought conditions which limited supplies.

Table 4.6: Brazilian inland deliveries, tb/d

	Sep 14	Sep 13	Change	Change, %
LPG	242	229	12	5.4
Gasoline	793	707	86	12.2
Jet/Kerosene	127	123	4	3.4
Diesel	1,123	1,052	70	6.7
Fuel oil	124	73	51	70.8
Alcohol	227	213	14	6.3
Total	**2,636**	**2,398**	**238**	**9.9**

The risks for the 2014 oil demand in the region are currently balanced despite slower economic momentum in the country. This is yet to be reflected in oil demand consumption, while expectations for oil demand growth in 2015 remain within the same levels anticipated last month.

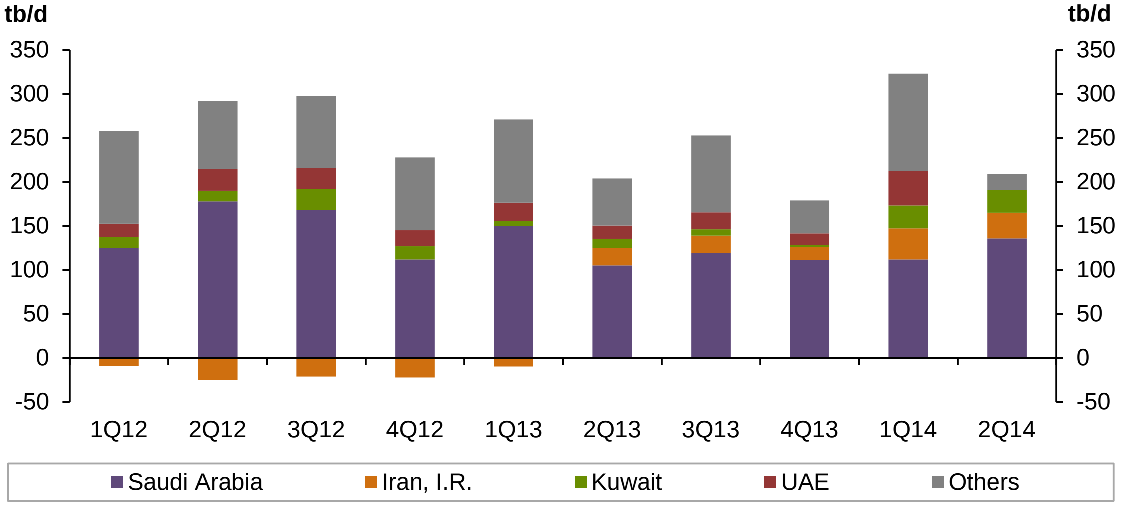
For 2015, oil demand projections in **Latin America** are unchanged from last month's expectations and indicate similar growth levels to 2014. Latin American oil demand is expected to grow by 0.23 mb/d in both 2014/15.

Middle East

Middle East oil demand in September 2014 offers a two-fold picture. In **Saudi Arabia**, oil demand grew strongly, by a remarkable 0.28 mb/d, and was characterized by substantial increases in all products. The only exception was direct crude burning. Saudi demand was particularly strong for residual fuel oil, gasoline and gasoil, in line with the healthy economy, and the growing industrial and transportation sectors.

However, oil demand in **Iraq** declined significantly for another month – the fourth in a row – with drops in oil requirements y-o-y. Iraqi total oil demand dipped by more than 18%, or 0.14 mb/d, y-o-y in September with total oil demand in absolute terms just around 0.60 mb/d after reaching 0.75 mb/d at the end of 2013. Diesel oil, jet/kerosene and gasoline declined sharply by 0.07 mb/d (37%), 0.05 mb/d (92%) and 0.03 mb/d (24%), respectively. The only exception is direct crude burning for electricity generation, which increased strongly during September and offset declines in other product categories. The impact of geopolitical issues within Iraq is obviously influencing oil demand negatively, which is imposing higher downside risks for oil demand growth for the rest of 2014 and 2015.

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

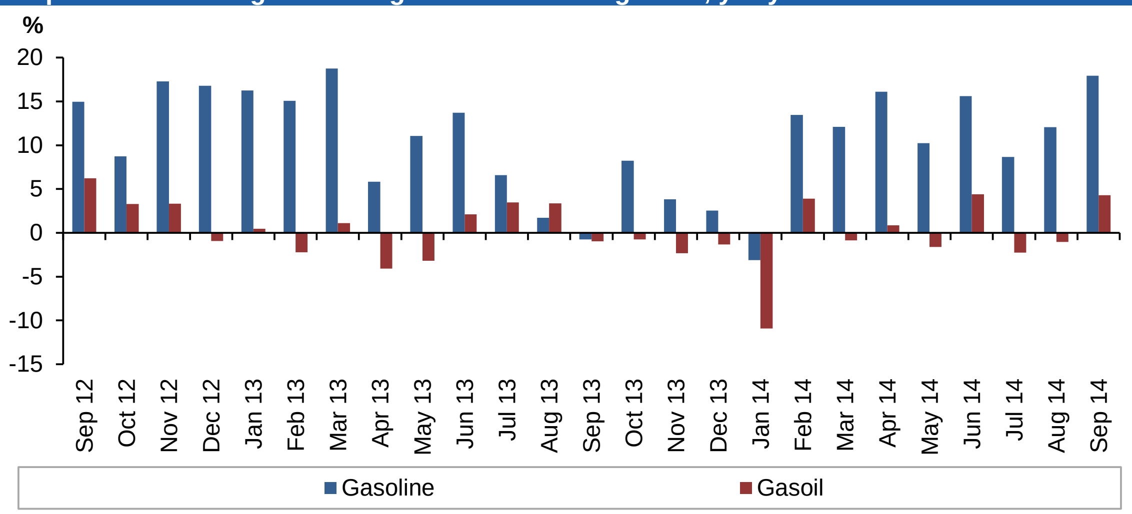


For 2014, **Middle East oil demand** is expected to grow by 0.31 mb/d, while oil demand in 2015 is projected to increase by 0.30 mb/d.

China

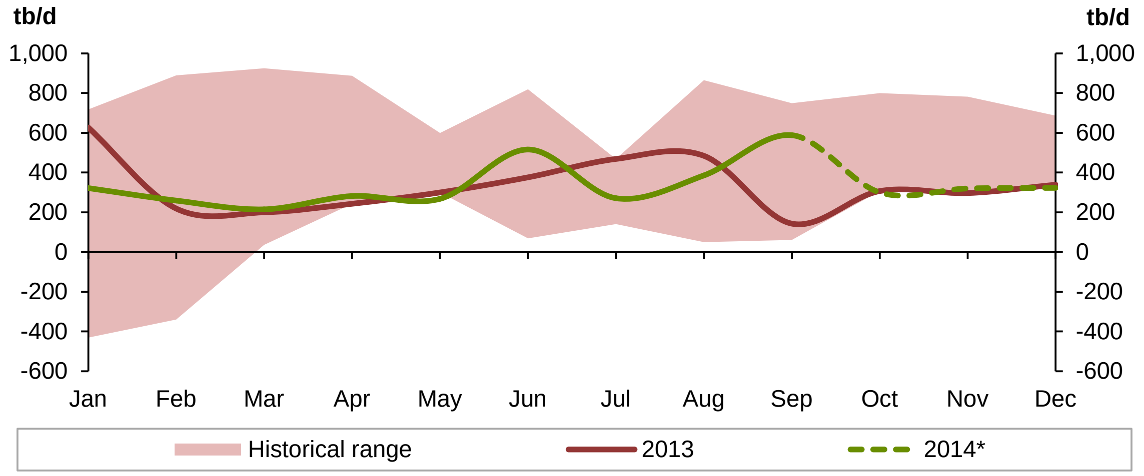
In **China**, oil demand growth in September 2014 remained solid. The structure of Chinese oil demand was characterized by high LPG demand for the petrochemical sector (growing by 19% y-o-y), rising gasoline consumption in the road transportation sector (growing by 18% y-o-y) and increasing jet fuel demand for the air transportation sector (growing by 13% y-o-y), as well as increasing diesel oil demand for the agriculture and fishing sectors (increasing by 4% y-o-y). On the other hand, the consumption of residual fuel oil declined by 10% y-o-y as a result of fuel substitution to natural gas and coal, mostly in the industrial sector.

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 1.7 million units, representing an increase of more than 6% y-o-y. However, going forward, the consumption of gasoline should be limited by measures geared towards increasing the quality of transportation fuels with the aim of lowering air pollution in major cities. Furthermore, the increasing number of natural gas fuelled vehicles and increasing efficiencies pose some additional downside factors for oil demand in the road transportation sector. Moreover, the penetration of natural gas and coal in the transportation, industrial and petrochemical sectors is projected to continue for the remainder of 2014 and is another downside factor for future oil demand in the country.

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



** Forecast.*

Looking forward, the outlook for 2015 remains relatively unchanged since last month, with similar factors pointing to the downside and mainly focused on economic uncertainties and the implementation of measures in order to limit transportation fuels consumption. On the other hand, the additional propylene dehydration plants which require propane as a feedstock and developments in refining capacity could, on the other hand, be considered factors that could push oil demand estimates higher.

For 2014, **Chinese oil demand** is anticipated to grow by 0.34 mb/d, while oil demand in 2015 is projected to increase again by 0.31 mb/d.

World Oil Supply

Non-OPEC oil supply is estimated to grow by 1.68 mb/d in 2014 to average 55.91 mb/d, unchanged from the previous *Monthly Oil Market Report*. OECD Americas is expected to be the main driver of growth, followed by Latin America. In 2015, non-OPEC oil supply is projected to grow by 1.24 mb/d to average 57.16 mb/d, unchanged over last month's forecast. OPEC NGLs and non-conventional liquids are estimated to average 6.03 mb/d in 2015, up from 5.83 mb/d in 2014. In October, OPEC crude oil production averaged 30.25 mb/d, according to secondary sources, a drop of 0.23 mb/d over the previous month. Preliminary data indicates that world oil supply increased to an average of 92.41 mb/d in October, higher by 2.11 mb/d compared with a year earlier.

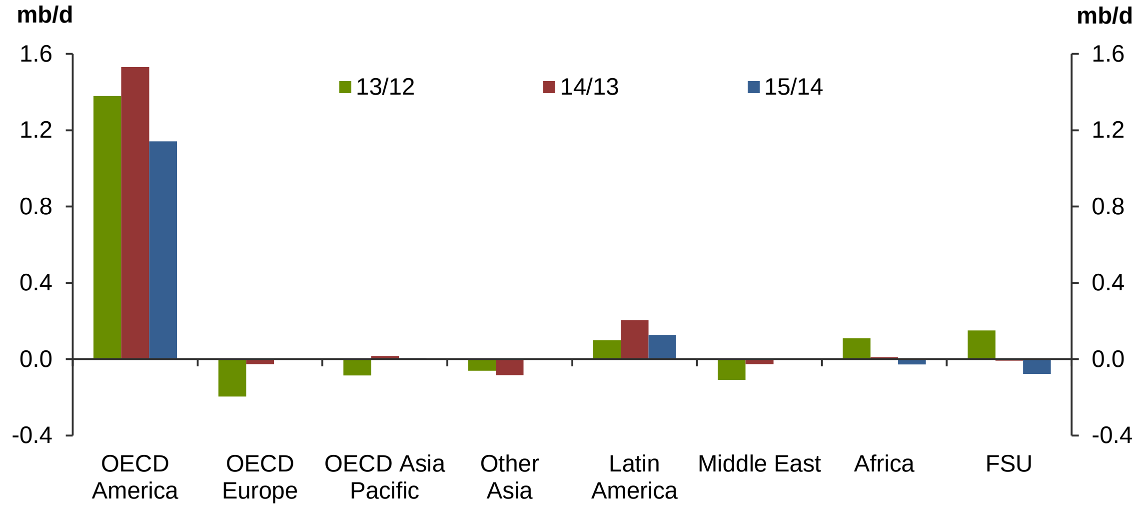
Estimate for 2014

Non-OPEC supply

Non-OPEC oil supply is estimated to average 55.91 mb/d in 2014, indicating an increase of 1.68 mb/d over the previous year. Most of the revisions came from the US, Norway, the UK, Brunei, India, Indonesia, Brazil, Colombia, Oman, Chad, South Africa, Kazakhstan and China on the back of updated production data. Non-OPEC supply in the 3Q14 experienced the smallest revisions. Furthermore, some of the revisions in the 3Q were carried over to the 4Q, in addition to changes to output expectations for some countries.

The main driver of non-OPEC supply growth in 2014 is OECD Americas, which is forecast to increase by 1.53 mb/d, followed by Latin America, particularly Brazil, offsetting declines elsewhere. Among non-OPEC suppliers, OECD supply will grow by 1.52 mb/d in 2014 over the previous year. The non-OPEC oil supply forecast for 2014 has been revised up by 0.54 mb/d since the initial forecast in July 2013. It is also expected that the 4Q will yield the highest supply in 2014 at 56.42 mb/d and the highest q-o-q growth of 0.56 mb/d. On a regional basis, OECD Americas will see the largest growth, followed by Latin America, OECD Asia-Pacific, China and Africa, while Other Asia, the Middle East, OECD Europe and the Former Soviet Union (FSU) are forecast to experience declines.

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



On a **regional basis**, total OECD supply is expected to increase by 1.52 mb/d in 2014 from the previous year and average 23.71 mb/d. This is supported by OECD Americas, which is seen as more than offsetting the expected decline in OECD Europe supply. Production in Developing Countries (DCs) is anticipated to average 12.24 mb/d in 2014, an increase of 0.11 mb/d over the previous year. This production increase comes from Latin America and Africa, while Other Asia and the Middle East are seen declining. The FSU's supply is expected to decrease by 10 tb/d to average 13.40 mb/d. China's supply is forecast to rise by 0.03 mb/d in 2014 to average 4.26 mb/d, while Other Europe's production is expected to average 0.14 mb/d, unchanged from the previous year.

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

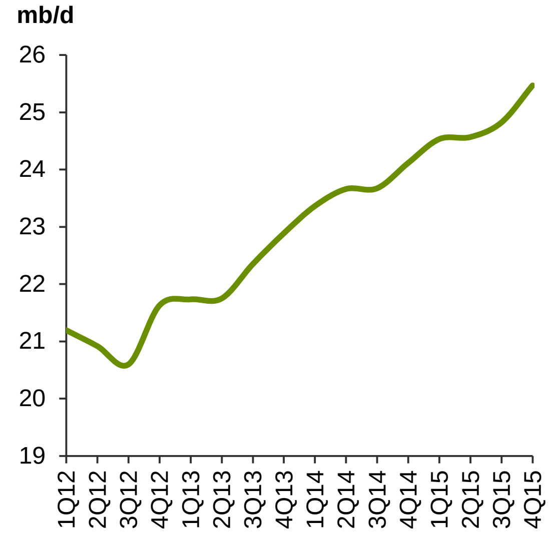
	2013	1Q14	2Q14	3Q14	4Q14	2014	*Change 14/13*
Americas	18.13	19.12	19.65	19.76	20.10	19.66	1.53
of which US	*11.22*	*11.96*	*12.68*	*12.85*	*13.02*	*12.63*	*1.41*
Europe	3.58	3.75	3.51	3.40	3.54	3.55	-0.03
Asia Pacific	0.48	0.50	0.50	0.51	0.48	0.50	0.02
Total OECD	**22.18**	**23.36**	**23.66**	**23.67**	**24.12**	**23.71**	**1.52**
Other Asia	3.59	3.55	3.52	3.45	3.50	3.51	-0.08
Latin America	4.78	4.86	4.92	5.08	5.07	4.98	0.20
Middle East	1.36	1.34	1.33	1.35	1.32	1.33	-0.03
Africa	2.40	2.44	2.41	2.40	2.38	2.41	0.01
Total DCs	**12.13**	**12.20**	**12.18**	**12.29**	**12.28**	**12.24**	**0.11**
FSU	13.41	13.48	13.36	13.39	13.37	13.40	-0.01
of which Russia	*10.51*	*10.59*	*10.55*	*10.52*	*10.50*	*10.54*	*0.03*
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	4.35	4.26	0.03
Total "Other regions"	**17.78**	**17.86**	**17.76**	**17.73**	**17.86**	**17.81**	**0.02**
Total Non-OPEC production	**52.10**	**53.43**	**53.60**	**53.69**	**54.26**	**53.75**	**1.65**
Processing gains	2.13	2.16	2.16	2.16	2.16	2.16	0.03
Total Non-OPEC supply	**54.23**	**55.59**	**55.77**	**55.86**	**56.42**	**55.91**	**1.68**
Previous estimate	54.23	55.59	55.77	55.86	56.42	55.91	1.68
Revision	0.00	0.00	0.00	0.00	0.00	0.00	0.00

OECD

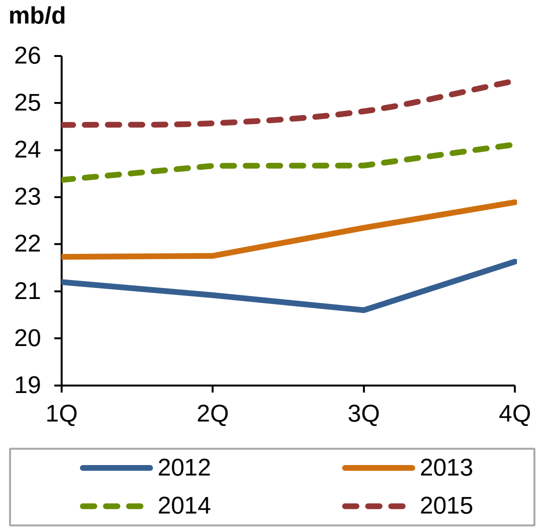
Total OECD oil supply is forecast to increase by 1.52 mb/d in 2014 to average 23.71 mb/d, representing an upward revision of 20 tb/d from the previous month. OECD Americas remains the main region within the OECD with expected supply growth in 2014, while minor growth is forecast for OECD Asia-Pacific. OECD Europe's supply is expected to decline for the year.

On a quarterly basis, **OECD's oil supply** is seen averaging 23.36 mb/d, 23.66 mb/d, 23.67 mb/d and 24.12 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 expected to increase by 1.53 mb/d in 2014, the highest growth among all non-OPEC regions, to average 19.66 mb/d. The supply growth is driven by strong increases from the US and Canada, while output represents a heavy decline from Mexico.

On a quarterly basis, **OECD America's oil supply** is seen averaging 19.12 mb/d, 19.65 mb/d, 19.76 mb/d and 20.10 mb/d, respectively.

US

US oil supply is forecast to increase by 1.41 mb/d, the largest among all non-OPEC countries, to average 12.63 mb/d. US total liquids output was pegged at 12.82 mb/d in August, 10 tb/d higher than in July. Preliminary data on the US liquids supply in the 3Q14 indicates an average of 12.85 mb/d. US supply growth is supported mainly by tight crude developments in Texas and North Dakota, as well as unconventional NGLs in the main shale gas fields. Production in the Gulf of Mexico (GOM) also rose by 0.26 mb/d y-o-y to average 1.44 mb/d, the highest level since January 2011, as maintenance was completed on projects such as Mad Dog. Growth was achieved as the absence of the large hurricane season that was predicted earlier by the National Oceanic and Atmospheric Administration kept disruptions to a minimum. Among the newly planned projects in GOM, the Cardamom project produced first oil in September, while the Tubular Bells project, with a capacity of 60 tb/d, will start up in the first week of November, with output ramping up to 25 tboe/d by the end of 2014.

Another project coming onstream during the next weeks is the Lucius project, slightly delayed from the October start-up, and, finally, the Jack/St. Malo project, which is expected to start up in December. The average output of GOM in the last eight months was 1.38 mb/d. It is expected that this level will increase in the coming months, with an expected addition of another 50 tb/d in the 1H15 as the aforementioned projects ramp up. Meanwhile, production in Alaska dropped to an average of 398 tb/d due to heavy maintenance at the Prudhoe Bay oilfield, indicating that production has been decreased by 148 tb/d, or 27%, since December 2013.

The **key tight crude regions** – Bakken, Eagle Ford, Haynesville, Marcellus, Niobrara, Permian and Utica – accounted for 95% of domestic US oil production growth. According to data from the EIA's Drilling Productivity Report for the three main tight plays in the US, the average new production of 92 tb/d between November 2013 to end of October 2014 in **Bakken** results in a net increase of output 22.8 tb/d. (This is the annual average new production minus legacy production change.) The Bakken region's tight crude output averaged 1.19 mb/d in October, a m-o-m net change (increase) in production of 29 tb/d, with the average new-well oil production per rig reaching 537 b/d, which is 7 b/d m-o-m higher.

The **Eagle Ford** region's tight crude output averaged 1.61 mb/d in October, a m-o-m increase of 35 tb/d with an annual net change of 31 tb/d. The average new-well oil production per rig reached 540 b/d, higher by 8 b/d m-o-m. And, finally, in the **Permian** region, the total crude output (which the EIA and OPEC assume to be tight oil, even though there was production at the site for several years before the shale boom in the US) is predicted to average 0.65 mb/d, while NGLs are expected to be at 0.11 mb/d in 2014.

The EIA's estimated "Permian output" averaged 1.8 mb/d, a m-o-m increase of 42 tb/d against every 65 tb/d of production from new wells, with an annual net change of 19 tb/d. The average new-well oil production per rig in the Permian reached 176 b/d, higher by 4 b/d m-o-m. Based on their net changes of output, the Permian, Bakken and Eagle Ford sites – with 29%, 25% and 22%, respectively – are the most attractive tight crude plays in US.

Based on preliminary data as well as weekly progress in production of tight crude in September and October, there was a sign of slowing, but the m-o-m increase indicated the sharpest monthly growth in September and a slower pace in October despite the big drops in oil prices seen over the past few months. It is said that the sustained production growth comes as a result of key producers hedging the bulk of their 2014 portfolios. A material impact on output would only come if prices fell below $80/b and remained there for a sustained period (more than six months) of time.

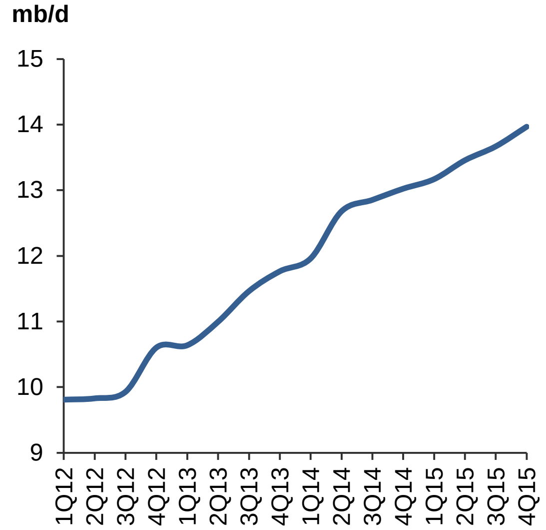
Most unconventional resources require continuous drilling to maintain or grow production levels. Since there are variable reservoir characteristics in different plays, even in different parts of the plays, the extrapolation of highly heterogeneous formations or highly homogeneous formations, or sweet spots, cannot be applied to the entire play or other similar formations in other locations. Hence, falling oil prices will have an inconsistent effect across US unconventional plays based on this assumption, creating a complex relationship between the acceleration of tight formation production and falling futures prices for tight crude. Oil prices above $80 per barrel will allow a lot of US tight crude activity to continue, but a further drop could have a remarkable impact on the oil market.

US biofuels production at a glance

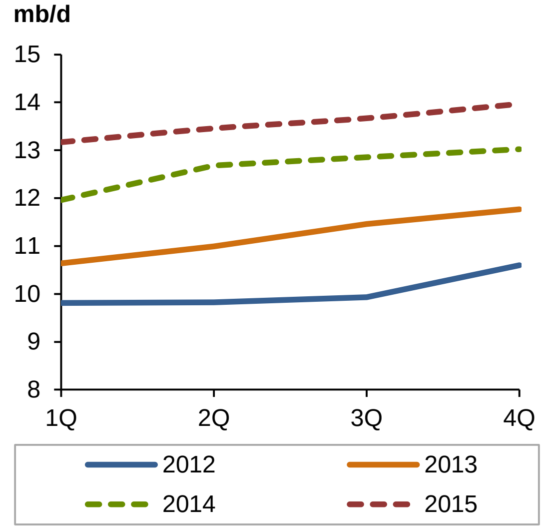
Preliminary data on the 3Q14 **US liquid biofuels production** consisting of ethanol and biodiesel represent growth of 20 tb/d from the 2Q to average 1.08 mb/d. Ethanol output is estimated at 927 tb/d, whereas production of biodiesel is estimated at 81 tb/d. It is expected that US total liquid biofuels will grow by 50 tb/d to average 1.05 mb/d in 2014 and remain unchanged in 2015. According to the actual data during the first five months of 2014, biodiesel production from the Midwest region was about 70% of the US total in 2014. Production came from 94 biodiesel plants with a capacity of 2 billion gallons per year. There was a total of 786 million pounds of feedstock used to produce biodiesel in May 2014. Soybean oil remained the largest biodiesel feedstock during May 2014 with 364 million pounds consumed. The National Biodiesel Board in Missouri reported that about 75 million gallons of biodiesel were manufactured last year. This was up an impressive 300% from the 25 million gallons in 2004.

On a quarterly basis, **US oil supply** is expected to average 11.96 mb/d, 12.68 mb/d, 12.85 mb/d and 13.02 mb/d, respectively.

Graph 5.4: US quarterly production



Graph 5.5: US quarterly production, annual comparison



Canada and Mexico

Canada's overall supply is projected to increase by 0.18 mb/d in 2014 to average 4.19 mb/d, lower expected growth than in 2013. Preliminary data indicate that output dropped more in September, mainly because of lower synthetic crude production, although output of crude oil and condensate, including bitumen, increased to average 2.5 mb/d. Actual Canadian oil supply in June indicates that the total volume of liquids in the 1Q and the 2Q grew by 0.19 mb/d and 0.34 mb/d, respectively. A lower September production volume of 4.08 mb/d was due to maintenance that affected the following projects during the last month of the 3Q14:

- Maintenance at the Surmont project for five weeks, taking out about 30 tb/d;
- Maintenance at the Horizon oil sands project in Alberta for 4 weeks;
- Maintenance at the Foster Creek project for two weeks, causing a drop of 55 tb/d.

It is expected that Canadian oil production will be boosted through more extraction by the in-situ method and steam-assisted gravity drainage development projects. The healthy growth is supported by startups and ramp-ups of oil sand developments, such as Foster Creek Phase F and the Cold Lake oil sands area in Alberta, as well as tight crude developments. During the first three quarters of the year, Canada's oil supply increased by 0.21 mb/d compared with the same period a year earlier, according to preliminary data.

On a quarterly basis, Canada's oil supply is seen averaging 4.27 mb/d, 4.12 mb/d, 4.13 mb/d and 4.24 mb/d, respectively.

Mexico's production is seen experiencing a decline of 0.07 mb/d in 2014 to average 2.83 mb/d. Actual output in August increased by 30 tb/d to average 2.79 mb/d, which included 0.36 mb/d of NGLs. Ku-Maloob-Zaap, Mexico's largest producing field, maintained output of around 0.85 mb/d in August 2014. Production from the Cantarell field declined by 62 tb/d from a year earlier to average 0.32 mb/d in August.

Mexico's government has offered additional details of the country's upstream projects, including 169 fields, of which 60 are already producing. These projects include shale plays, shallow and deep-water projects, and will be offered in bids beginning in November 2014.

On a quarterly basis, Mexico's oil supply is seen averaging 2.87 mb/d, 2.85 mb/d, 2.77 mb/d and 2.82 mb/d, respectively.

OECD Europe

OECD Europe production is anticipated to drop by 0.03 mb/d in 2014 from the previous year to average 3.55 mb/d. The slower decline rates in the North Sea's main producers – Norway and the UK – represented increased output recovered in 2014 thanks to higher investment in mature fields, as well as the application of EOR methods for better recovery.

On a quarterly basis, OECD Europe's production is expected to average 3.75 mb/d, 3.51 mb/d, 3.40 mb/d and 3.54 mb/d, respectively.

Norway's oil supply is expected to grow by 0.05 mb/d in 2014 to average 1.89 mb/d, while production in 2013 dropped by 0.08 mb/d. Based on official production figures published by the Norwegian Petroleum Directorate, the preliminary production of September indicates a drop of less than 20 tb/d compared to a month earlier to average 1.83 mb/d. It consists of 1.47 mb/d of crude oil, 0.29 mb/d of NGLs and 0.08 mb/d of condensates. This is 10% above the oil output in September 2013. Maintenance and technical problems were seen as the causes of production declines in September at oil fields such as Ekofisk, Oseberg, Valhall, Svalin, Vilje, Volund, Skuld, Sør, Draugen and Alvheim. During the first three quarters, Norway's supply averaged 1.87 mb/d, indicating growth of 50 tb/d from the same period a year earlier.

On a quarterly basis, Norway's production is expected to average 1.96 mb/d, 1.79 mb/d, 1.87 mb/d and 1.93 mb/d, respectively.

The **UK's** oil production is seen decreasing by 0.04 mb/d in 2014 to average 0.84 mb/d, the country's lowest annual production level since 1977. The expected drop is driven by natural decline at its mature producing areas, in addition to technical difficulties and limited new developments. Nevertheless, the expected annual decline is less than the output drop seen a year earlier. During the 3Q14, UK oil supply averaged 0.70 mb/d, representing a 80 tb/d drop from the average recorded in the same period of 2013.

On a quarterly basis, the UK's production is expected to average 0.97 mb/d, 0.90 mb/d, 0.70 mb/d and 0.80 mb/d, respectively.

OECD Asia-Pacific

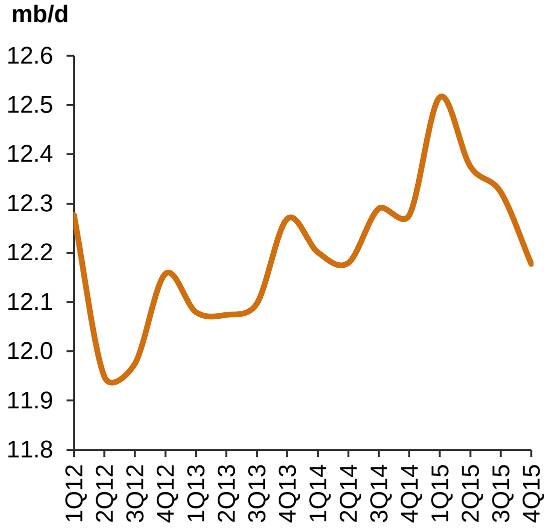
OECD Asia-Pacific oil supply is projected to increase by 0.02 mb/d in 2014 to average 0.50 mb/d, indicating that **Australia's** oil output appears stronger than before. Oil production from Australia in 2014 is expected to increase by 0.01 mb/d to average 0.42 mb/d. The output growth is expected on the back of more recovery from new developments.

On a quarterly basis, OECD Asia-Pacific's supply is expected to average 0.50 mb/d, 0.50 mb/d, 0.51 mb/d and 0.48 mb/d, respectively.

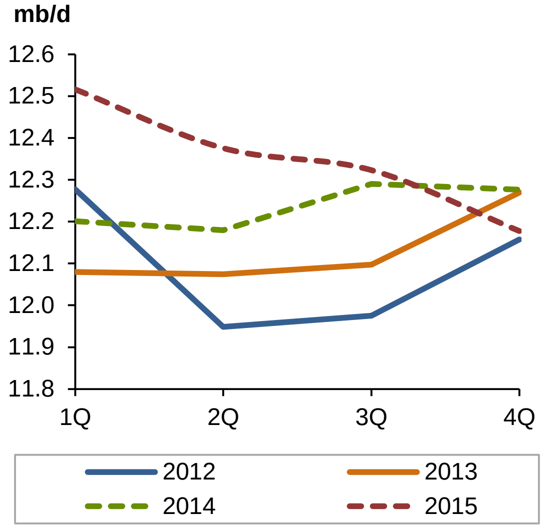
Developing countries

The oil supply of DCs is forecast to increase by 0.11 mb/d in 2014 to average 12.24 mb/d. The expected growth is supported by Latin America and Africa, while Other Asia and Middle East supply is predicted to decline.

Graph 5.6: Developing Countries' quarterly production



Graph 5.7: Developing Countries' quarterly production, annual comparison



Other Asia

Other Asia oil production is estimated to drop heavily by 0.08 mb/d in 2014 to average 3.51 mb/d over 2013. Except Brunei, Malaysia and Asia others, the oil production will decrease in other countries of the region, mainly on limited new developments and production declines from mature producing areas. Production in Indonesia, the biggest producer in the region, is anticipated to drop by 0.03 mb/d to average 0.91 mb/d.

Latin America

Latin America's liquids supply, including biofuels, is projected to increase by 0.20 mb/d in 2014 to average 4.98 mb/d. Brazil's oil supply is expected to achieve growth among the Latin American group, offsetting declines from its neighbours' oil supplies. Argentina's oil production is expected to decline by 0.01 mb/d to average 0.66 mb/d. The output drop is expected on limited new developments, including tight crude developments, and a decline in its mature producing areas. Colombia's oil production is expected to decrease by 0.02 mb/d in 2014 to average 1.01mb/d.

Brazil's total liquids supply is expected to experience growth of 0.24 mb/d in 2014 to average 2.88 mb/d, of which biofuels represents 0.56 mb/d. The expansion is expected as oil production from new project developments has already increased during the first three quarters of the year, taking output higher by 0.23 mb/d compared with the same period a year earlier. Brazil's output is expected to increase in the 4Q with newly installed facilities providing continued growth to support production, which was boosted by increases in Roncador and Lula output in recent months. Furthermore, Brazil is the world's biggest producer and exporter of sugar and the second largest producer of ethanol after the US. But Brazil’s sugar and ethanol producers have complained that the government has discouraged investments in new production capacity by subsidizing the price of gasoline, among other things. Brazil’s ethanol production growth thus depends on policymakers inside the country. In 2013, Brazil produced 6.3 million gallons of ethanol, equal to 47% of all US ethanol output.

Middle East

The continuing unrest in Yemen and Syria has contributed to decline by 0.03 mb/d in 2014 forecast in **non-OPEC Middle East** oil supply averaging 1.33 mb/d. However, **Oman’s** supply is expected to experience growth this year. Oman’s oil supply is seen increasing by 0.01 mb/d to average 0.95 mb/d. The anticipated growth is supported by the country’s continued enhanced oil recovery developments.

Bahrain’s oil production is anticipated to average 0.22 mb/d in 2014, unchanged from the previous year. **Yemen’s** oil supply is seen declined by 10 tb/d to an average of 0.13 mb/d. The probable decline is expected on the back of continued security issues and the shutdown of various operations. Ongoing political and security issues are seen heavily impacting **Syria’s** oil supply, whereby production is seen generally unchanged over the last MOMR contracting by 0.03 mb/d – averaging 0.03 mb/d. Limited data on Syria’s actual supply is a major risk factor for the 2014 supply forecast.

Africa

Africa’s oil production is expected to increase by 0.01 mb/d in 2014 to average 2.41 mb/d. The limitation of the development of oil fields in Africa has caused a continued reduction of supply. Therefore, incremental output has been driven mainly by the return of shut-in wells in **South Sudan**. South Sudan and Sudan’s oil supply is expected to increase by 0.05 mb/d in 2014 to average 0.29 mb/d. Oil production is also expected to increase slightly in Equatorial Guinea, while oil production in other countries of the region is expected to experience decreases.

FSU, other regions

FSU oil supply is expected to decrease by 10 tb/d in 2014, averaging 13.40 mb/d. Anticipated growth is supported only by Russia, while oil production in Kazakhstan and FSU others is set to decline. Azerbaijan’s supply is expected to remain stagnant.

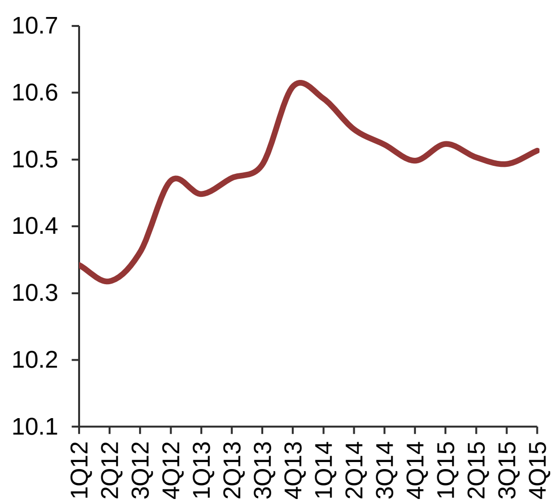
On a quarterly basis, FSU’s oil supply in 2014 is estimated to average 13.48 mb/d, 13.36 mb/d, 13.39 mb/d and 13.37 mb/d, respectively.

Russia

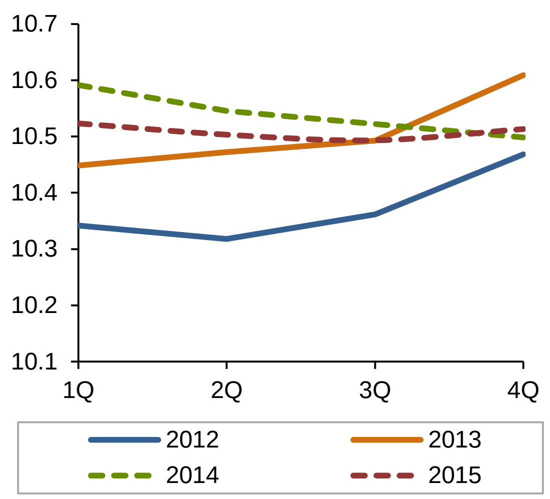
Russia’s supply is projected to increase by 0.03 mb/d in 2014 to average 10.54 mb/d. The expected growth is supported by the ramp-up of some projects in Eastern Siberia. Additionally, higher investment in brownfields is seen stemming the decline rate and supporting output from existing mature fields. The latest sanctions against Russia by the US and EU, announced in September, have targeted a number of Russian oil companies, and prevent US and EU companies from providing services or technology in support of exploration or production activities in Russia’s deepwater, as well as from exporting goods or assisting with Arctic offshore activities or shale development projects. During the first three quarters of 2014, Russia's oil production increased by 0.08 mb/d on average, compared with the same period in 2013.

On a quarterly basis, Russia's oil supply in 2014 is estimated to average 10.59 mb/d, 10.55 mb/d, 10.52 mb/d and 10.50 mb/d, respectively.

Graph 5.8: Russia's quarterly production



Graph 5.9: Russia's quarterly production, annual comparison



Caspian

Kazakhstan's oil production is foreseen decreasing by 0.03 mb/d in 2014 to average 1.61 mb/d. The latest updated production in the 3Q was supported by a production build-up from the Tengiz oil field, which returned from maintenance. Kazakhstan's output is expected to fall again, given heavy maintenance in 2014 and high underlying decline rates. According to the historical oil fields' production volume representing y-o-y changes in Kazakhstan's oil fields, output – mainly from the Tengiz, Aktobemunai and Kazgermunai fields – is declining.

Azerbaijan's oil output is seen averaging 0.87 mb/d in 2014, representing a steady level over the previous year. Updated production data for early parts of the 3Q show that output remained below expectations, necessitating a downward revision in the 3Q. Weak production data stems from both maintenance, natural declines and limited new developments.

China

China's oil production is predicted to increase by 0.03 mb/d in 2014 to average 4.26 mb/d. According to preliminary and estimated data, China's supply averaged 4.23 mb/d during the first three quarters of the year, an increase of about 10 tb/d over the same period a year earlier. Chinese crude production increased m-o-m by 58 tb/d to 4.25 mb/d in September. Oil output from offshore fields represented more than 20 tb/d within two months of the 3Q, while production at China's largest oil fields, Daqing and Changqing, was unchanged compared with the previous month. The increase in September was also supported by the start-up of CNOOC's Wenchang 13-6 field in late August. The country's oil production is predicted to grow by 150 tb/d in the 4Q, the highest level on a quarterly basis seen in the current year, to average 4.35 mb/d compared to the 3Q.

On a quarterly basis, China's oil supply in 2014 is estimated to average 4.24 mb/d, 4.27 mb/d, 4.20 mb/d and 4.35 mb/d, respectively.

Forecast for 2015

Non-OPEC supply

Non-OPEC supply in 2015 is forecast to increase by 1.24 mb/d to average 57.16 mb/d.

Non-OPEC oil supply in 2015 is expected to increase by 1.24 mb/d over the current year to average 57.16 mb/d. The strong growth trend seen in 2014 is expected to continue in 2015 but at a slower pace, supported by OECD Americas, Latin America and China, and partly offset by declines in the FSU and Africa. However, the forecast is associated with a high level of risk. While the expectation of capital expenditure in 2014 and 2015 indicates a rising trend, other risk factors – such as geopolitics, the environment, fiscal regimes, oil policies, prices and technical developments – will continue to impact supply growth expectations. Non-OPEC supply is expected to experience an increase of 2.2 mb/d of gross capacity additions in 2015. The forecasted growth in biofuels, which are expected to increase the total output in 2015, is also connected to a high degree of risk. Other factors contributing to risks in both directions include weather conditions and decline rate developments. Hence, the forecast is subject to revisions.

On a quarterly basis, non-OPEC supply in 2015 is expected to average 57.07 mb/d, 56.85 mb/d, 57.04 mb/d and 57.65 mb/d, respectively.

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

	2014	1Q15	2Q15	3Q15	4Q15	2015	*Change* 15/14
Americas	19.66	20.37	20.54	20.91	21.37	20.80	1.14
of which US	*12.63*	*13.17*	*13.46*	*13.67*	*13.97*	*13.57*	*0.94*
Europe	3.55	3.66	3.51	3.40	3.62	3.55	0.00
Asia Pacific	0.50	0.51	0.52	0.51	0.47	0.50	0.00
Total OECD	**23.71**	**24.53**	**24.57**	**24.82**	**25.47**	**24.85**	**1.15**
Other Asia	3.51	3.57	3.54	3.50	3.45	3.51	0.00
Latin America	4.98	5.16	5.10	5.13	5.06	5.11	0.13
Middle East	1.33	1.36	1.35	1.33	1.32	1.34	0.00
Africa	2.41	2.43	2.39	2.37	2.35	2.38	-0.03
Total DCs	**12.24**	**12.52**	**12.38**	**12.32**	**12.18**	**12.35**	**0.11**
FSU	13.40	13.39	13.30	13.27	13.32	13.32	-0.08
of which Russia	*10.54*	*10.52*	*10.50*	*10.49*	*10.51*	*10.51*	*-0.03*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.26	4.31	4.29	4.31	4.37	4.32	0.06
Total "Other regions"	**17.81**	**17.85**	**17.73**	**17.72**	**17.83**	**17.78**	**-0.02**
Total Non-OPEC production	**53.75**	**54.89**	**54.68**	**54.87**	**55.48**	**54.98**	**1.23**
Processing gains	2.16	2.17	2.17	2.17	2.17	2.17	0.01
Total Non-OPEC supply	**55.91**	**57.07**	**56.85**	**57.04**	**57.65**	**57.16**	**1.24**
Previous estimate	55.91	57.07	56.85	57.04	57.65	57.16	1.24
Revision	0.00	0.00	0.00	0.00	0.00	0.00	0.00

On a regional basis, total **OECD** oil production is forecast to average 24.85 mb/d in 2015, representing an increase of 1.15 mb/d over 2014. Expected supply growth is coming only from OECD Americas, while OECD Europe and OECD Asia-Pacific supply is predicted to remain unchanged compared with 2014.

On a quarterly basis, OECD oil supply in 2015 is expected to average 24.53 mb/d, 24.57 mb/d, 24.82 mb/d and 25.47 mb/d, respectively.

Total **OECD Europe** oil output is slated to be stagnant from 2014 to average 3.55 mb/d in 2015. The expected oil output growth in Norway will offset declines predicted for the other OECD Europe producers. Quarterly oil supply figures expected in 2015 are 3.66 mb/d, 3.51 mb/d, 3.40 mb/d and 3.62 mb/d, respectively.

OECD Asia-Pacific oil supply is projected to average 0.50 mb/d in 2015, steady compared with the previous year. On a quarterly basis, total oil supply from OECD Asia-Pacific in 2015 is estimated to average 0.51 mb/d, 0.52 mb/d, 0.51 mb/d and 0.47 mb/d, respectively.

Total **DCs** oil supply is expected to average 12.35 mb/d in 2015, representing growth of 0.11 mb/d over this year. The increase will come only from Latin America, while Africa's supply is seen declining, and the total output will be steady in Other Asia and the Middle East. A high level of risk and uncertainty surrounds the forecast for DCs, including political, technical, pricing, decline rate and weather issues.

On a quarterly basis, total oil supply in DCs in 2015 is forecast to average 12.52 mb/d, 12.38 mb/d, 12.32 mb/d and 12.18 mb/d, respectively.

The **FSU's** total oil supply is forecast to average 13.32 mb/d in 2015, representing a decline of 0.08 mb/d over this year. On a quarterly basis, total oil supply in the FSU in 2015 is expected to average 13.39 mb/d, 13.30 mb/d, 13.27 mb/d and 13.32 mb/d, respectively. Lower oil prices and Russia's limited access to cooperation with international companies could have a greater than expected impact on the oil supply's decline in 2015.

China's oil supply is seen growing by 0.06 mb/d in 2015 to average 4.32 mb/d.

Other Europe's oil supply is estimated to remain steady in 2015, averaging 0.14 mb/d.

OPEC NGLs and non-conventional oils

Production of OPEC NGLs and non-conventional oils in 2014 is expected to increase by 0.18 mb/d over 2013's actual production to reach 5.83 mb/d, unchanged from the previous monthly assessment. In 2015, OPEC NGLs and non-conventional oils are forecast to grow by 0.20 mb/d to 6.03 mb/d.

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

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

OPEC crude oil production

In October, OPEC crude oil production averaged 30.25 mb/d, according to secondary sources, a drop of 0.23 mb/d over the previous month. Production from Saudi Arabia, Angola and Nigeria decreased, while crude oil output in Libya increased. According to secondary sources, OPEC production not including Iraq, stood at 27.02 mb/d in October, down by 0.21 mb/d from the previous month.

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

	2012	2013	1Q14	2Q14	3Q14	Aug 14	Sep 14	Oct 14	Oct/Sep
Algeria	1,210	1,159	1,128	1,158	1,167	1,168	1,161	1,161	*0.0*
Angola	1,738	1,738	1,600	1,646	1,689	1,695	1,724	1,658	*-66.0*
Ecuador	499	516	537	541	543	544	543	537	*-6.0*
Iran, I.R.	2,977	2,673	2,772	2,767	2,756	2,765	2,749	2,742	*-7.8*
Iraq	2,979	3,037	3,217	3,260	3,117	3,039	3,248	3,230	*-18.1*
Kuwait	2,793	2,822	2,797	2,786	2,794	2,796	2,805	2,771	*-33.6*
Libya	1,393	928	371	222	614	579	783	842	*59.1*
Nigeria	2,073	1,912	1,898	1,894	1,947	1,993	1,958	1,902	*-56.3*
Qatar	753	732	733	729	734	739	726	708	*-18.0*
Saudi Arabia	9,737	9,586	9,702	9,675	9,747	9,654	9,673	9,603	*-69.9*
UAE	2,624	2,741	2,745	2,749	2,791	2,805	2,773	2,771	*-2.0*
Venezuela	2,359	2,356	2,341	2,337	2,329	2,332	2,336	2,328	*-7.9*
Total OPEC	**31,135**	**30,198**	**29,839**	**29,764**	**30,229**	**30,109**	**30,479**	**30,253**	***-226.4***
OPEC excl. Iraq	**28,155**	**27,161**	**26,622**	**26,505**	**27,111**	**27,070**	**27,231**	**27,023**	***-208.4***

Totals may not add up due to independent rounding.

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

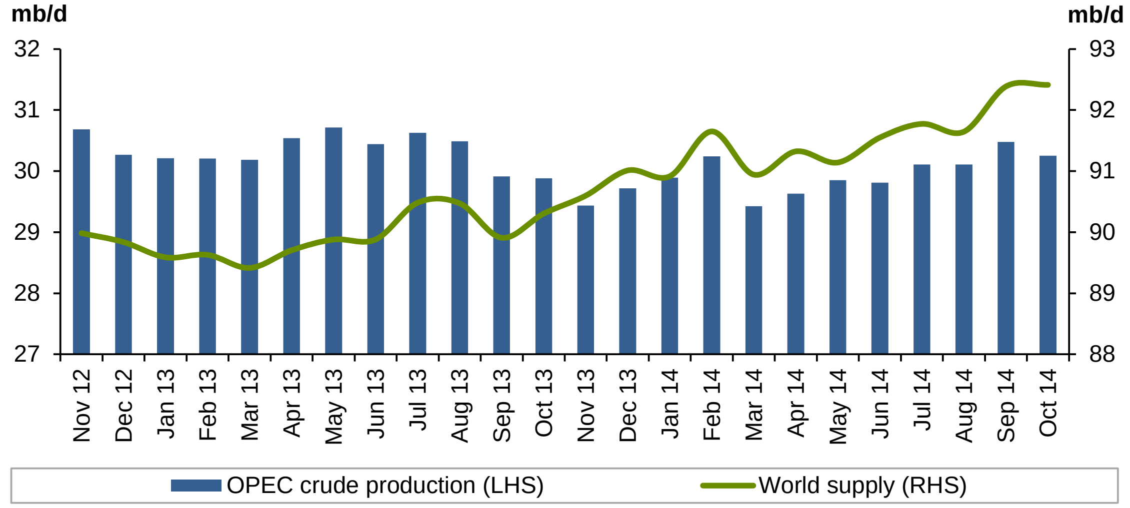
	2012	2013	1Q14	2Q14	3Q14	Aug 14	Sep 14	Oct 14	Oct/Sep
Algeria	1,203	1,203	1,202	1,190	1,196	1,202	1,183	1,175	*-8.0*
Angola	1,704	1,701	1,553	1,616	1,709	1,709	1,703	1,751	*48.0*
Ecuador	504	526	553	557	557	561	551	557	*6.3*
Iran, I.R.	3,740	3,576	3,270	3,194	3,003	3,010	3,000	3,010	*10.0*
Iraq	2,944	2,980	3,106	3,118	3,076	3,023	3,198	3,054	*-144.0*
Kuwait	2,977	2,922	2,898	2,885	2,876	2,880	2,900	2,850	*-50.0*
Libya	1,450	993	384	228	522	391	768	903	*134.8*
Nigeria	1,954	1,754	1,869	1,821	1,724	1,785	1,738	1,850	*112.1*
Qatar	734	724	725	710	720	734	690	680	*-10.1*
Saudi Arabia	9,763	9,637	9,723	9,715	9,769	9,597	9,704	9,690	*-13.7*
UAE	2,652	2,797	2,733	2,770	2,881	2,911	2,837	2,691	*-146.5*
Venezuela	2,804	2,786	2,870	2,826	..	..	..	..	..
Total OPEC	**32,429**	**31,599**	**30,886**	**30,629**	**..**	**..**	**..**	**..**	**..**
OPEC excl. Iraq	**29,485**	**28,619**	**27,781**	**27,511**	**..**	**..**	**..**	**..**	**..**

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

World oil supply

Preliminary figures indicate that global oil supply increased by 0.03 mb/d in October to average 92.41 mb/d. Non-OPEC supply saw a rise of 0.25 mb/d, and OPEC crude production decreased by 0.23 mb/d. The share of OPEC crude oil in global production decreased to 32.7% compared with the previous month. Estimates are based on preliminary data for non-OPEC supply, OPEC NGLs and non-conventional production, while estimates for OPEC crude production stem from secondary sources.

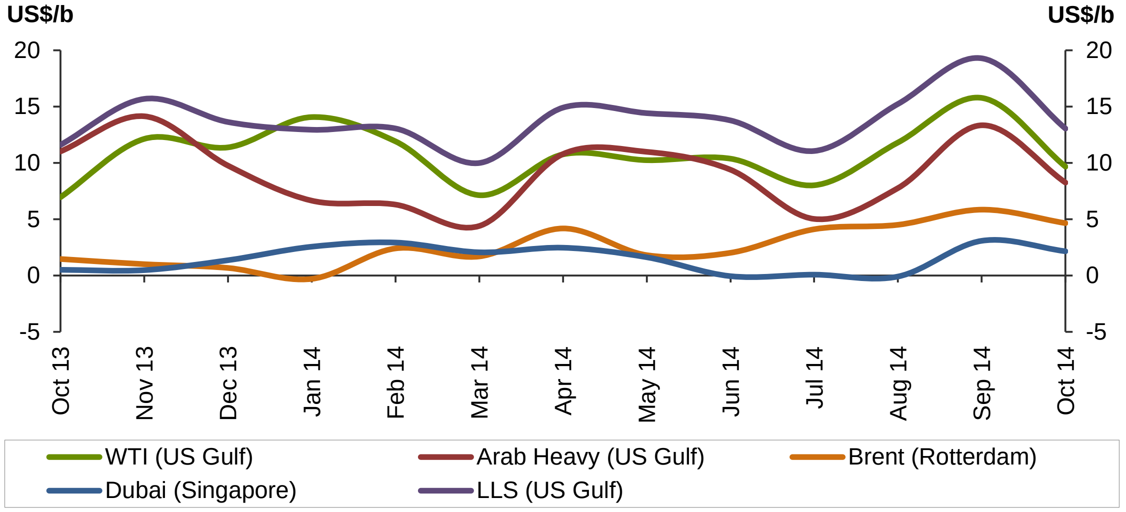
Graph 5.10: OPEC and world oil supply



Product Markets and Refinery Operations

Product markets softened in the Atlantic Basin during October with light distillate crack spreads declining as the temporarily tight gasoline market eased with the restarting of several fluid catalytic cracking units, mainly in the US Gulf Coast. Losses at the top of the barrel caused refinery margins to narrow despite a balanced middle distillates market in the Atlantic Basin. The Asian market lost some ground during October with crack spreads affected by increasing supplies within the region, while ongoing maintenance at some petrochemical units led to a weakness in naphtha.

Graph 6.1: Refinery margins, 2013-2014



US product markets weakened during October, as the tight gasoline market eased with the restarting of several fluid catalytic cracking (FCC) units, mainly in the US Gulf Coast (USGC). The refinery margin for WTI crude on the USGC showed a sharp loss of almost $6 to average $10/b in October. Meanwhile, the margin for Light Louisiana Sweet (LLS) crude on the USGC averaged $13/b during October, exhibiting a drop of around $6.

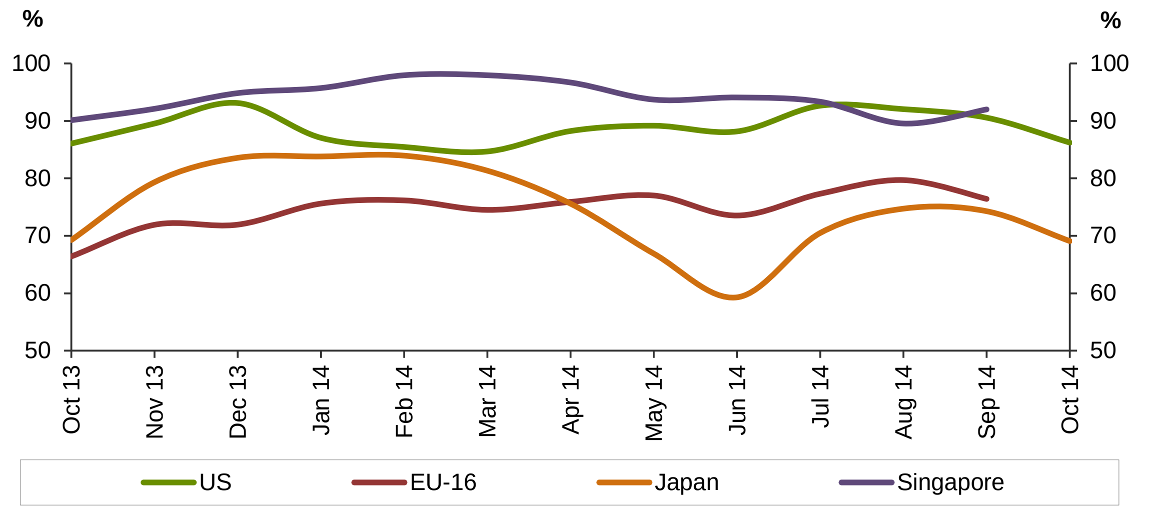
European refining margins weakened slightly with light distillate crack spreads falling due to lower demand amid plentiful supplies, despite heavy maintenance in the region. The losses seen at the top of the barrel offset the recovery seen in middle distillates. The refinery margin for Brent crude in Northwest Europe showed a loss of more than $1 to average $4.6/b in October.

Asian refining margins lost some ground during October with the crack spreads affected across the barrel due to increasing supplies within the region, amid weaker demand. Refinery margins in Singapore showed a loss of $1 during the previous month to average $2.1/b in October.

Refinery operations

Refinery utilization rates in the **US** continued at high levels, with refinery utilization averaging 86.2%, a drop of about 4.3 percentage points (pp) from a month earlier. This decline was due to the ongoing autumn maintenance season for heavy refineries.

Graph 6.2: Refinery utilisation rates, 2013-2014



European refinery runs averaged around 76% of refining capacity in September, corresponding to a throughput of 9.8 mb/d, some 400 tb/d lower than the previous month, after reaching a 12-month high of 10.2 mb/d during August. European refinery runs were affected by the maintenance season amid weaker demand exerting pressure along with increased competition, mainly in the middle distillates market.

Chinese refinery levels averaged around 10 mb/d in September, some 300 tb/d higher than in the previous month to meet the increasing seasonal demand in the region. Refinery runs in Singapore for September averaged around 92%, increasing 2 pp from the previous month. Japanese throughputs averaged 78% of capacity in October, 10 pp lower than a month earlier.

With several refineries returning from maintenance, an uptick in crude intake is expected within the Asian region in the coming months.

US market

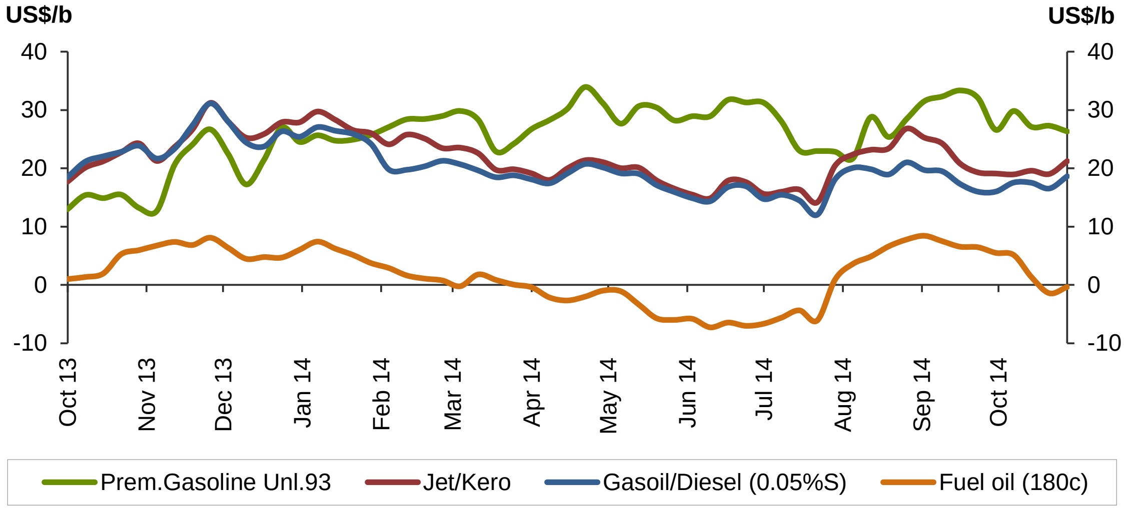
US gasoline demand stood at around 8.9 mb/d in September, about 220 tb/d higher than the previous month and 30 tb/d lower than the same month one year earlier.

The gasoline crack weakened in October due to pressure coming from the supply side on the USGC, despite an overall decline in nationwide inventories. Supply was expected to increase in the PADD 3 region as several catalytic cracker units, which had been shut down on the USGC during September, were restarting, thus easing the temporarily tight gasoline market.

Inventories were down, mainly in PADD 1 and PADD 2, due to lower European volumes on the back of lower New York harbour prices, thus limiting arbitrage. Prices fell amid lower seasonal demand and the addition of less expensive blending components with higher RVP gasoline specification.

The gasoline crack spread saw a sharp loss of $4 to average $28/b in October.

Graph 6.3: US Gulf crack spread vs. WTI, 2013-2014



Middle distillate demand stood at around 3.6 mb/d in October, around 190 tb/d lower than the previous month and 450 tb/d lower than the same month a year earlier.

The middle distillate market remained relatively stable despite lower domestic demand, on the back of a tight environment, which lent some support to the market.

Some support also came from the export side, as demand from South America (mainly Argentina) and West Africa drew several diesel cargoes from the USGC, while the volume of diesel sent to Europe decreased amid limited arbitrage.

US middle distillate stocks declined by some 6 mb amid heavy maintenance in PADD 3, which led to reduced production. Despite lower domestic demand, hydrocracker limitations tightened the market, especially on the USGC.

The USGC gasoil crack was relatively stable over the previous month, maintaining average levels of around $18/b in October.

At the **bottom of the barrel**, the fuel oil crack suffered a sharp fall on higher availability of vacuum gasoil (VGO) due to outages at some fluid cracker units in the previous month.
Increasing inventories also exerted pressure amid expectations of lower demand in the coming month with the implementation of new sulphur regulations in Emission Control Areas (ECAs).

The fuel oil crack in the USGC exhibited a sharp loss of more than $4 during October.

European market

Product markets in Europe retained part of the recovery seen in previous months, on the back of improving middle distillates along with heavy maintenance in the region. Meanwhile, a reduction in light distillate crack spreads due to softer fundamentals weighed on the market.

The gasoline market weakened in Europe, despite refinery maintenance in the region and the draw in US gasoline inventories.

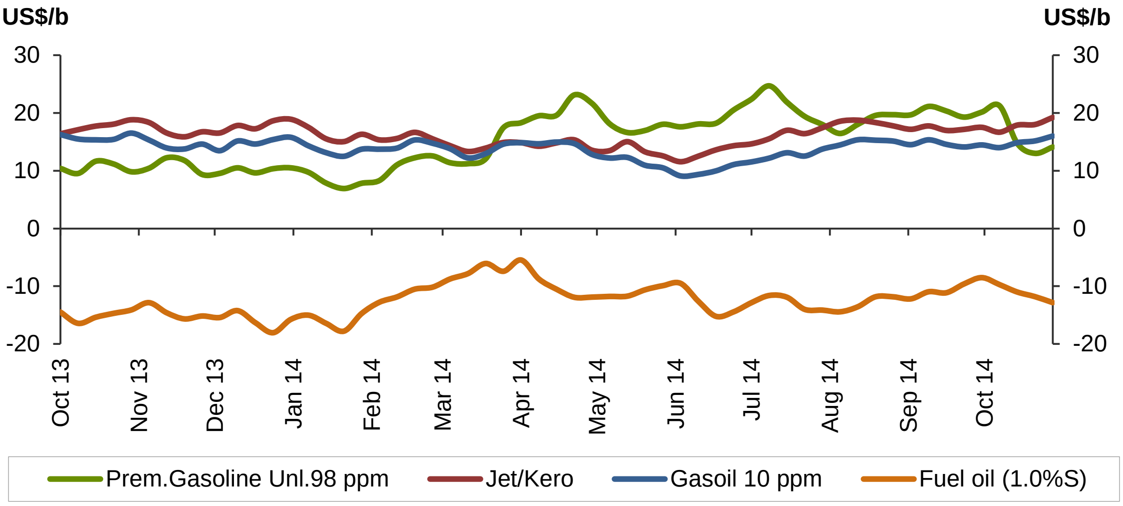
Export opportunities to the US East Coast (USEC) lessened, while European gasoline production was on the rise one month ago, thus exerting pressure on the market, which faced dropping demand as the peak period ended.

On the other hand, higher requirements for gasoline from North Africa and the Middle East, along with high levels of refinery maintenance in the region, lent some support, preventing margins from falling further.

The gasoline crack spread against Brent lost more than $3 to average $17/b in October.

The light distillate naphtha crack weakened as domestic petrochemical demand fell due to competition from relatively cheaper liquefied petroleum gas (LPG) feedstock, while the arbitrage window to Asia shrunk because of heavy cracker maintenance and a supply glut in the region.

Graph 6.4: Rotterdam crack spreads vs. Brent, 2013-2014



Middle distillate cracks recovered some ground during October due to market tightening caused by lower inflows to the region and the maintenance season.

The ultra-low sulphur diesel (ULSD) crack in Northwest Europe strengthened on the back of a tight environment, fuelled by heavy scheduled refinery maintenance in the region amid lower inflows from Russia, as maintenance at Russian refineries limited outflows from the country. Arrivals from the US also decreased and Amsterdam-Rotterdam-Antwerp (ARA) gasoil inventories fell by around 6% during October.

However, the demand side lent support, with German buying particularly strong as the country took advantage of cheaper supplies of gasoil ahead of winter. Additional support came from higher export volumes to Latin America and West Africa. These factors pushed the ICE gasoil futures curve into backwardation for the first time in more than five months.

The gasoil crack spread against Brent crude at Rotterdam gained 30¢ versus the previous month to average around $15/b in October.

At the **bottom of the barrel**, fuel oil cracks remained unchanged from a month ago on the back of tighter supplies due to reduced fuel production stemming from heavy refinery maintenance and refiners running higher volumes of light sweet West African crude.

This potential uptick was offset by reduced export flows to Asia on the back of a limited arbitrage window.

The Northwest European fuel oil crack remained at approximately the previous month's level to average around minus $11/b in October.

Asian market

The Asian market lost some ground during October, with crack spreads affected by increased supplies within the region amid weaker demand. In addition, ongoing maintenance at some petrochemical units led to a weakness in naphtha.

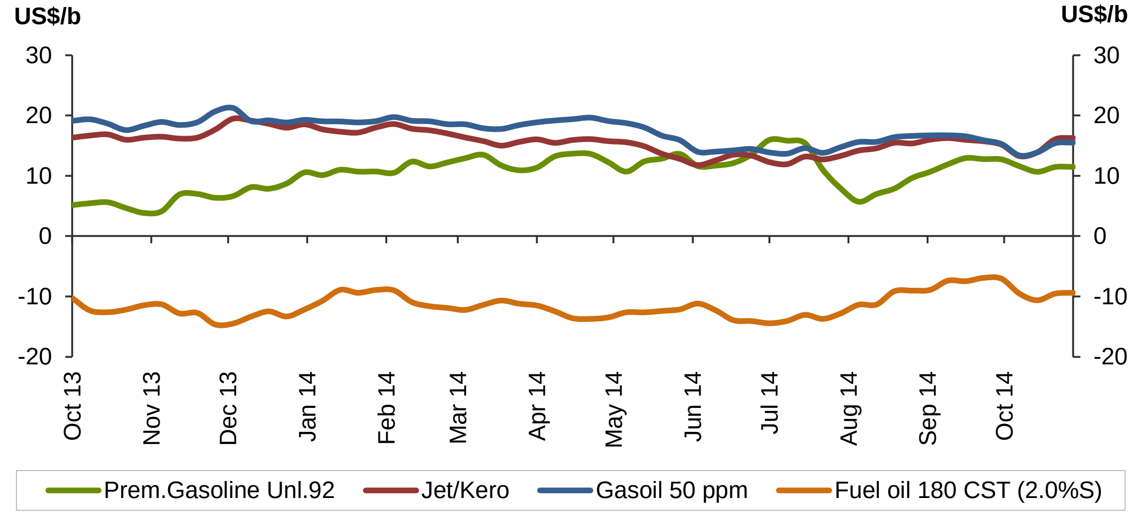
The Singapore gasoline crack kept some of the recovery seen the previous month on the back of support from the demand side, with higher requirements from Tanzania, Bahrain and Indonesia, where replacement volumes were being sought as refineries underwent maintenance.

Meanwhile, the supply side was exerting pressure, with increasing export volumes seen from Japan and seasonally higher volumes from South Korea, all of which outweighed support from peak autumn maintenance levels in the region, thus causing the gasoline market to weaken slightly.

The gasoline crack spread against Dubai crude in Singapore dropped 60¢ to average $11.5/b in October.

The Singapore naphtha crack continued to be weak as market sentiment remained bearish due to the supply overhang in the region, which was boosted by increasing volumes from India.

Graph 6.5: Singapore crack spread vs. Dubai, 2013-2014



At the **middle of the barrel**, cracks lost some ground during October due to the pressure caused by plentiful supplies in the region.

The supply side exerted pressure on the market as more export volumes were offered by India and Taiwan amid higher inventories in Singapore, fuelling bearish sentiment in the market.

However, some support came from the demand side, with higher requirements from Africa and China, which partially offset less than expected demand from the Middle East.

The gasoil crack spread in Singapore against Dubai showed a loss of $2 versus the previous month's level to average around $15/b in October.

Looking ahead, some support could emerge from the precautionary shutdown of a refinery owned by Hindustan Petroleum Corporation, due to possible cyclone activity, along with expected increasing diesel demand in China and India.

The **fuel oil market lost** the ground gained the previous month because of increasing supplies in the region amid rising inventories in Singapore. Ample supply from India and Japan pressured crack spreads, while power generation demand remained weak.

The fuel oil crack spread in Singapore against Dubai lost almost $2 to average minus $10/b in October.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				*Refinery utilization, %*			
	Aug 14	**Sep 14**	**Oct 14**	***Change* Oct/Sep**	**Aug 14**	**Sep 14**	**Oct 14**	***Change* Oct/Sep**
US	16.40	16.13	15.36	-0.77	92.05	90.57	86.22	-4.34
France	1.14	1.13	-	-	75.71	75.05	-	-
Germany	1.94	1.83	-	-	86.46	81.21	-	-
Italy	1.20	1.12	-	-	56.77	52.89	-	-
UK	1.10	1.11	-	-	71.83	72.55	-	-
Euro-16	10.20	9.78	-	-	79.71	76.42	-	-
Japan	3.31	3.29	3.06	-0.23	86.90	87.60	77.48	-10.12

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

Table 6.2: Refined product prices, US$/b

		Aug 14	Sep 14	Oct 14	Change Oct/Sep
US Gulf (Cargoes FOB):					
Naphtha		105.20	101.01	84.91	-16.10
Premium gasoline	*(unleaded 93)*	122.19	125.15	111.91	-13.24
Regular gasoline	*(unleaded 87)*	116.47	111.15	93.35	-17.80
Jet/Kerosene		120.21	115.27	104.05	-11.22
Gasoil	*(0.2% S)*	116.34	111.10	101.84	-9.26
Fuel oil	*(1.0% S)*	94.22	91.52	77.96	-13.56
Fuel oil	*(3.0% S)*	87.64	86.06	73.15	-12.91
Rotterdam (Barges FoB):					
Naphtha		95.76	93.04	78.61	-14.43
Premium gasoline	*(unleaded 98)*	119.86	117.23	103.90	-13.33
Jet/Kerosene		120.02	114.54	105.32	-9.22
Gasoil/Diesel	*(10 ppm)*	116.65	111.88	102.35	-9.53
Fuel oil	*(1.0% S)*	88.64	86.50	76.50	-10.00
Fuel oil	*(3.5% S)*	89.16	86.14	75.06	-11.08
Mediterranean (Cargoes FOB):					
Naphtha		93.81	90.97	75.96	-15.01
Premium gasoline*		115.19	113.54	99.57	-13.97
Jet/Kerosene		117.47	112.10	102.34	-9.76
Gasoil/Diesel*		117.07	112.15	101.58	-10.57
Fuel oil	*(1.0% S)*	89.68	88.60	76.56	-12.04
Fuel oil	*(3.5% S)*	88.87	85.92	75.70	-10.22
Singapore (Cargoes FOB):					
Naphtha		98.87	94.45	79.79	-14.66
Premium gasoline	*(unleaded 95)*	111.35	110.58	101.17	-9.41
Regular gasoline	*(unleaded 92)*	109.26	108.61	98.19	-10.42
Jet/Kerosene		116.60	112.48	101.56	-10.92
Gasoil/Diesel	*(50 ppm)*	117.78	112.90	101.30	-11.60
Fuel oil	*(180 cst 2.0% S)*	93.50	90.86	79.24	-11.62
Fuel oil	*(380 cst 3.5% S)*	91.86	89.14	77.41	-11.73

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

Tanker Market

In October, tanker spot freight rates for dirty and clean vessels saw gains across various classes, with Suezmax rates encountering the strongest growth among all classes. Both crude and product spot freight rates registered gains in October on most reported routes compared with the previous month and year. In the dirty segment, VLCC, Suezmax and Aframax spot freight rates increased by 15%, 19%, and 17%, respectively, over the previous month. The improvements were driven by winter demand, tonnage demand for Asian requirements and increased delays at several ports. Altogether, these factors led to shorter tonnage supply, especially as the market turned date sensitive. VLCC and Suezmax freight rates were also supported by a stronger tanker market in the Middle East and West Africa, while lighterage activities supported Aframax freight rates in the Caribbean. Clean tanker freight rates were mixed in October, with West of Suez rates increasing by 22%, while East of Suez rates remained weak, flat from one month earlier, due to the continuation of surplus tonnage availability. Compared annually, clean tanker freight rates for both Suez directions were up over one year ago, by 22% on average.

Spot fixtures

In October, **OPEC spot fixtures** increased by 12.5% from the previous month to average 18.22 mb/d, according to preliminary data. The increase came on the back of higher spot fixtures from the Middle East-to-East and Middle East-to-West routes and outside the Middle East region, and were up by 1.29 mb/d, 0.21 mb/d and 0.19 mb/d, respectively, in October to average 7.09 mb/d, 1.66 mb/d and 4.18 mb/d. Seasonal demand supported the fixture increase in October.

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

	Aug 14	Sep 14	Oct 14	*Change* Oct 14/Sep 14
Spot Chartering				
All areas	17.00	16.20	18.22	2.02
OPEC	12.00	11.23	12.92	1.69
Middle East/East	5.79	5.80	7.09	1.29
Middle East/West	2.08	1.44	1.66	0.21
Outside Middle East	4.14	3.99	4.18	0.19
Sailings				
OPEC	23.37	23.29	24.16	0.87
Middle East	17.04	16.98	17.80	0.82
Arrivals				
North America	8.77	8.70	9.59	0.88
Europe	12.42	12.46	12.62	0.16
Far East	8.26	8.09	8.38	0.29
West Asia	4.62	4.77	4.64	-0.13

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

Sailings and arrivals

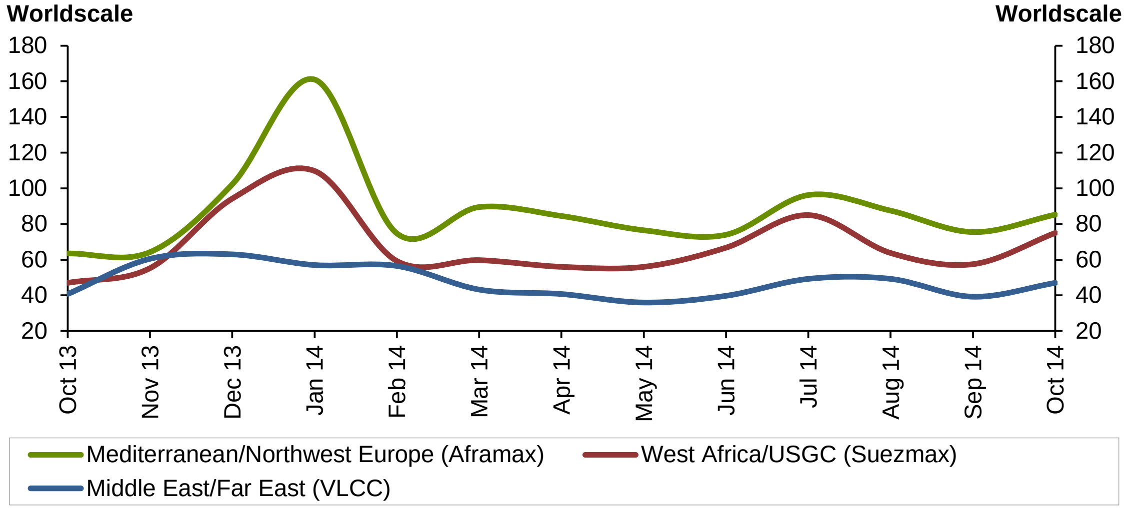
OPEC sailings increased by 0.87 mb/d or 4% in October to stand at 24.16 mb/d, supported by an increase in Middle East sailings, which rose by 0.82 mb/d or 5% over the previous month to average 17.80 mb/d. Crude oil arrivals increased in October in most regions. Arrivals at North American, European and Far Eastern ports increased by 10%, 1% and 4%, respectively, compared with the previous month, while arrivals in West Asia showed a drop of 3% from the previous month.

Spot freight rates

VLCC

In the dirty market, **VLCC** spot freight rates gained 15% on average in October, compared with the previous month, to stand at WS41 points. VLCC Middle East-to-East spot freight rates showed the strongest gain, up by 18% in October to stand at WS48 points, followed by freight rates registered for tankers trading on the West Africa-to-East route, which rose by 13% to average WS51 points. VLCC market and freight rates in October were supported by a lack of suitable vessels seen at the beginning of the month, while the following weeks often proved to be date sensitive. Higher activity shortened the tonnage list mainly for VLCC vessels loading in West Africa and the Middle East. VLCC spot freight rates on the Middle East-to-West route remained modest in October, increasing by a slight WS3 points to average 26 points, unaffected by increased activity in other regions. The Middle East-to-West route saw the only freight rate drop from the previous year among all routes, remaining 9% lower than in October 2013.

Graph 7.1: Monthly averages of crude oil spot freight rates



Suezmax

Suezmax spot freight rates showed the strongest gain in the dirty market as they rose by 19% on average in October compared with the previous month to average WS67 points. It is the highest Suezmax freight rate increase in four months. The average increase came mainly on the back of higher freight rates registered in West Africa.

Suezmax spot freight rates for tankers operating on the West Africa-to-US route increased by 30% in October to stand at WS75 points, and rates on the Northwest Europe-to-US route gained 6% to stand at WS60 points. Freight rates for both routes were remarkably higher than seen for the same month one year ago, up by 60% and 40%, respectively. Chartering activity remained high in West Africa in October for natural window fixtures and some prompt replacements, which pushed rates up, even breaking market ceiling rates.

Delays in the Mediterranean, mainly at the port of Trieste, also contributed to higher freight rates. Suezmax requirements were high in the Black Sea and the Mediterranean for crude and fuel oil loadings, while activities in both the North Sea and the Baltics varied, though remaining mostly limited. Suezmax market activity slowed towards the end of the month, while competition between owners increased. In October, freight rate gains were relatively dampened by the large number of VLCC fixtures, as an alternative.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	**Aug 14**	**Sep 14**	**Oct 14**	***Change*** **Oct 14/Sep 14**
Crude					
Middle East/East	230-280	49	39	47	8
Middle East/West	270-285	30	23	26	3
West Africa/East	260	51	45	51	6
West Africa/US Gulf Coast	130-135	64	58	75	18
Northwest Europe/US Gulf Coast	130-135	63	56	60	3
Indonesia/East	80-85	111	93	90	-3
Caribbean/US East Coast	80-85	113	83	129	45
Mediterranean/Mediterranean	80-85	95	83	93	10
Mediterranean/Northwest Europe	80-85	88	76	85	10

Sources: Galbraith's tanker market report and Platts.

Aframax

The Aframax market followed the same pattern as other dirty tankers. Spot freight rates for Aframax operating on the Caribbean-to-US route registered their highest gains over other reported routes, standing at WS127 points, up by 52% from one month before, mainly on the back of delays in the US Gulf combined with a tighter position list and an increase in lighterage vessel demand.

Spot freight rates on the Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes increased by 10% and 12%, respectively, from the previous month to stand at WS92 points and WS84 points.

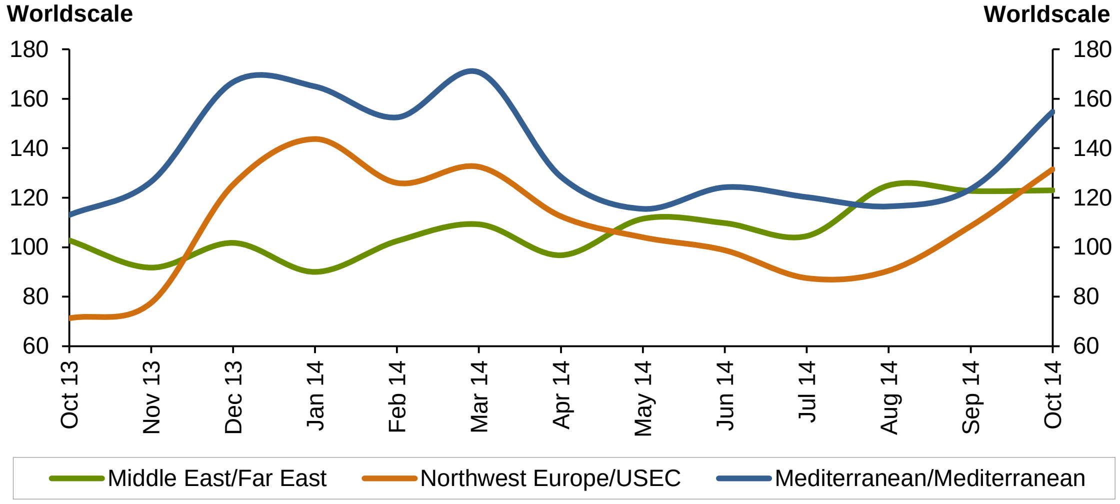
Compared with one month earlier, the positive trend did not impact freight rates on the Indonesia-to-East route, which declined on average by 4% to stand at WS90 points.

In other regions, Aframax freight rates firmed in the North Sea due to steady tonnage demand, while in the Mediterranean, tonnage supply remained less than demand, allowing ship owners to select their fixtures in view of the firming market. On average, Aframax spot freight rates gained 17% in October, compared with the previous month and 35% compared with the same month a year earlier.

Clean spot freight rates

Clean tanker spot freight rates gained 13% on average in October, compared with the previous month, mostly due to a firmer West-of-Suez market, as all reported routes reflected higher freight rates, though East-of-Suez rates remained at the same weak levels seen the previous month. Clean spot freight rates on the Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes increased by 123% and 22%, respectively, in October. This increase was supported by sufficient activity and a lack of vessels for prompt loadings.

Graph 7.2: Monthly average of clean spot freight rates



In the East, spot freight rates for tankers operating on the Middle East-to-East route dropped by WS1 point from the previous month, as demand remained stable in the clean tonnage market, particularly for long-range vessels (LRs). However, a continuous build of tonnage prevented freight rates from increasing. Similarly, freight rates on the Singapore-to-East route declined by a slight WS1 point from one month earlier to average WS115 in October, despite reported delays at Singapore.

Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	**Aug 14**	**Sep 14**	**Oct 14**	***Change*** **Oct 14/Sep 14**
Products					
Middle East/East	30-35	125	123	123	0
Singapore/East	30-35	111	116	115	-1
Northwest Europe/US East Coast	33-37	91	109	132	23
Mediterranean/Mediterranean	30-35	117	124	155	31
Mediterranean/Northwest Europe	30-35	127	134	165	31

Sources: Galbraith's tanker market report and Platts.

Oil Trade

In October, preliminary data shows that US crude oil imports dropped to average 7.29 mb/d, down by 168 tb/d from the previous month and 185 tb/d from the same month a year earlier. On a year-to-date basis, US crude imports were 387 tb/d lower. US product imports in October increased from the previous month to average 1.5 mb/d, but dropped by 577 tb/d or 27% on an annual comparison.

Japan's crude oil imports saw a slight decline of 12 tb/d, or 0.4%, in September to average 3.3 mb/d. Y-o-y, crude imports showed a stronger decline of 349 tb/d or 10%. Product imports dropped by 21 tb/d in September to average 566 tb/d, reflecting a loss of 4% m-o-m.

China's crude imports increased by 781 tb/d in September, averaging 6.7 mb/d to reach a level close to the peak of April 2014. This level is 13% higher than the previous month and up by 7% from the previous year. China's product imports went up by 133 tb/d to average 1 mb/d in September from a month ago. However, they remained 62 tb/d below last year's level.

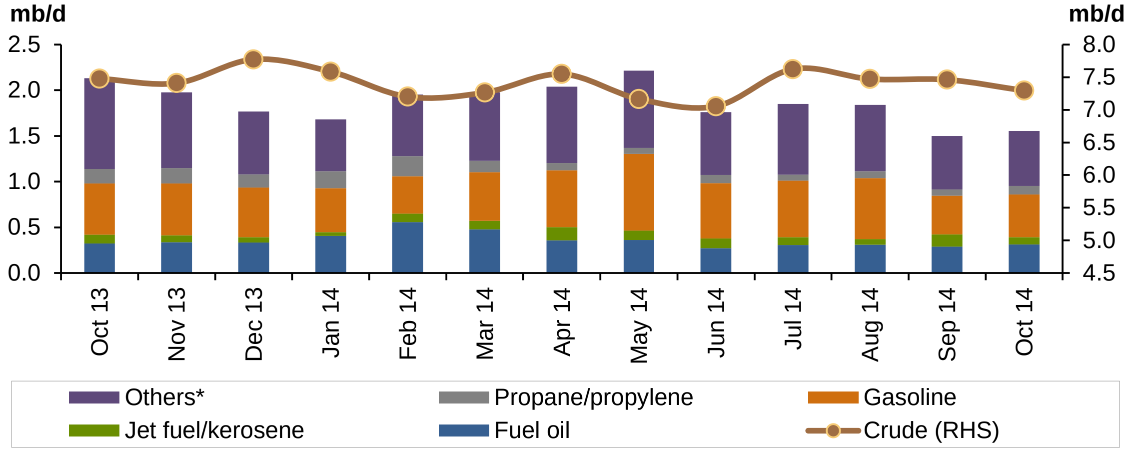
Indian crude imports remained at the same level seen a month earlier to average 3.8 mb/d. Furthermore, crude imports reflected an annual gain of 119 tb/d or 3%. Product imports in September increased by 57 tb/d from the previous month to average 500 tb/d while y-o-y they grew by 44 tb/d.

US

In October, preliminary data showed that **US crude oil imports** dropped to average 7.29 mb/d, down by 168 tb/d from last month and down 185 tb/d from the same month a year earlier. Year-to-date, US crude imports in October were 387 tb/d lower.

US product imports in October increased from last month's level to average 1.5 mb/d. On an annual comparison, it dropped by 577 tb/d or 27%. Year-to-date, product imports declined by 16%.

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.*

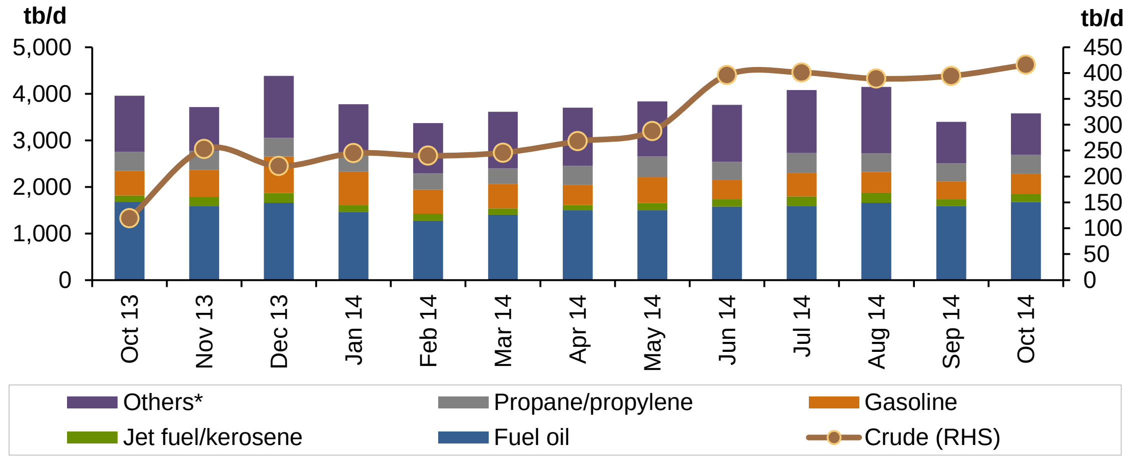
In October, **US product exports** were 183 tb/d higher than a month ago, averaging 3.6 mb/d. On an annual comparison, product exports were 377 tb/d, or 10%, lower than a year before. As a result, **US total net imports in October dropped to average 4.9 mb/d.**

In August the top first and second **crude suppliers** to the US remained the same as a month earlier. Canada was the premier supplier to the US, accounting for 40% of total US crude imports. Its export levels to the US were 154 tb/d higher than the previous month. Saudi Arabia was still the second largest supplier to the US, though it reflected a drop of 337 tb/d in its exports to the US. Venezuela came in as the third supplier, accounting for 11% of total US crude imports. Its exports to the US, however, were 84 tb/d, or 6%, lower than the previous month.

Crude imports from OPEC Member Countries fell in August over the previous month, dropping by 362 tb/d, or 11%, though still accounting for 40% of all US crude imports. On the other hand, US product imports from OPEC Member Countries were up by 35 tb/d, or15%, over last month.

As to the **product supplier share**, Canada and Russia maintained their position as first and second suppliers to the US accounting for 26% and 20%, respectively. Canadian product exports to the US in August maintained the same level they had last year, while Russian volumes were up by 43 tb/d from a month ago. Algeria came in as the third supplier to the US with its product exports up by 38 tb/d over a month earlier.

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.*

With regard to **US crude imports by region**, imports from North America averaged 2.9 mb/d in August and remained the premier supplier to the US as before, followed by Latin America, which exported 2.4 mb/d to the US in August. Imports from the Middle East and Africa declined from last month. The Middle East came in as the third region with an average of 1.7 mb/d, while US imports from Africa were down from last month to average 240 tb/d.

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

	Aug 14	Sep 14	Oct 14	*Change* Oct 14/Sep 14
Crude oil	7,082	7,066	6,877	-189
Total products	-2,306	-1,895	-2,025	-130
Total crude and products	**4,776**	**5,171**	**4,852**	**-319**

Looking at crude imports by **PADD region**, crude imports in PADD 1 were lower than almost all other regions. The highest crude imports to the US East Coast (USEC) continue to come from North America followed by Africa. These regions averaged 287 tb/d and 129 tb/d, respectively. Crude imports from North America were up by 17% from last month, while imports from Africa, the Middle East and Latin America declined by 20%, 12% and 23%, respectively. In August, PADD 1 did not import any crude from the Former Soviet Union (FSU). Imports from PADD 2 remain mostly sourced from North America, averaging 2 mb/d. PADD 2 imports from the Middle East averaged 26 tb/d unchanged from last month's level. However, these were 79% lower than the same month a year before. PADD 3 sourced their imports from Latin America and the Middle East. In August, imports from the Middle East were 22% lower than a month before, while imports from Latin America were 15% higher. Imports from both regions averaged 2.1 mb/d and 1.4 mb/d, respectively. PADD 4 continued to cover its imports from North America, with an average of 259 tb/d in August, reflecting a volume increase of 37 tb/d from a month ago. In the West Coast of the US, the largest imports originated from the Middle East, which exported 500 tb/d to PADD 5 in August. This was followed by Latin America and North America, which exported 256 tb/d and 223 tb/d, respectively.

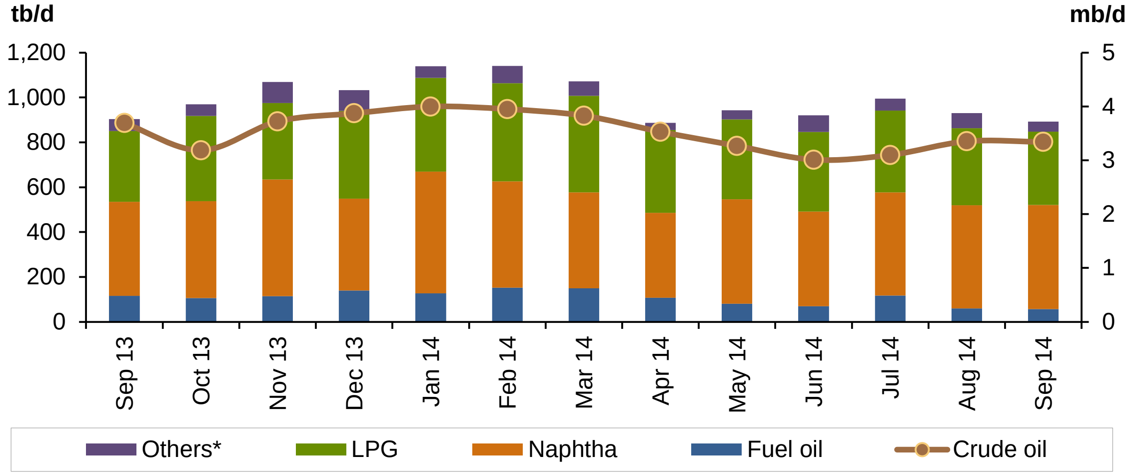
Japan

Japan crude oil imports saw a slight decline of 12 tb/d, or 0.4%, in September to average 3.3 mb/d. On a y-o-y comparison, crude imports showed a stronger decline of 349 tb/d or 10%.

As to the **suppliers' share**, as seen previously, Saudi Arabia, UAE and Qatar were the top suppliers to Japan in September. Saudi Arabia was the premier crude supplier to Japan holding a share of 31% of total crude exports to that country. The UAE came in as the second largest supplier to Japan with a share of 25% of total crude exports, while Qatar held the third position in September with a share of 9%. Imports from Saudi Arabia went up by 52 tb/d over the month before, while imports from both the UAE and Qatar declined by 80 tb/d and 124 tb/d, respectively.

Likewise, **product imports** dropped by 21 tb/d in September to average 566 tb/d, reflecting a loss of 4% m-o-m. Also, Japan's oil product sales fell 6.9% in September from a year before.

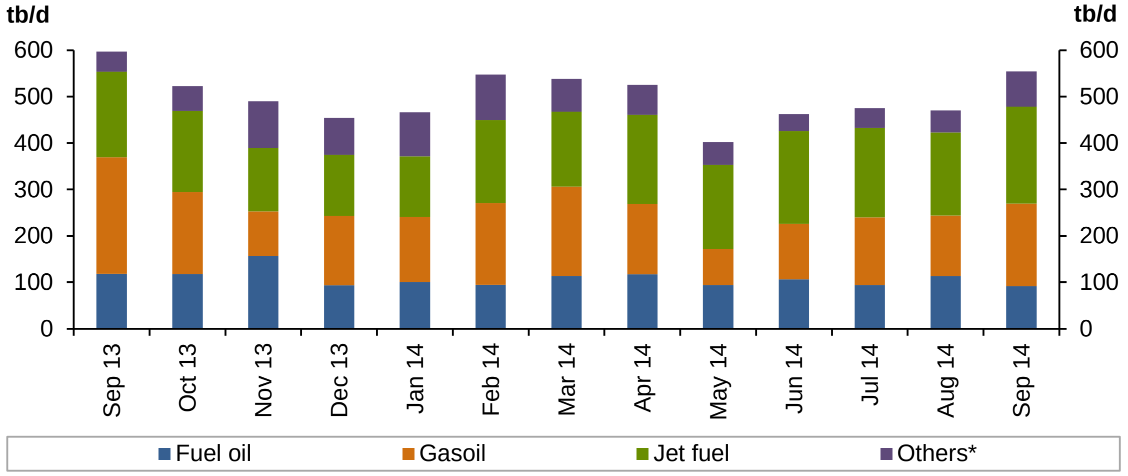
Graph 8.3: Japan's imports of crude and petroleum products



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

Regarding **product exports**, Japan's exports in September were the highest since September 2013, averaging 554 tb/d, as they increased by 84 tb/d, or 18%, m-o-m. On a y-o-y comparison, the figure shows a drop of 43 tb/d or 7%.

Graph 8.4: Japan's exports of petroleum products



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

Accordingly, **Japan's net imports dropped by 117 tb/d in September to average 3.3 mb/d,** down by 3% m-o-m and 9% y-o-y.

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

	Jul 14	Aug 14	Sep 14	*Change* Sep 14/Aug 14
Crude oil	3,097	3,352	3,340	-12
Total products	156	116	11	-105
Total crude and products	**3,254**	**3,468**	**3,351**	**-117**

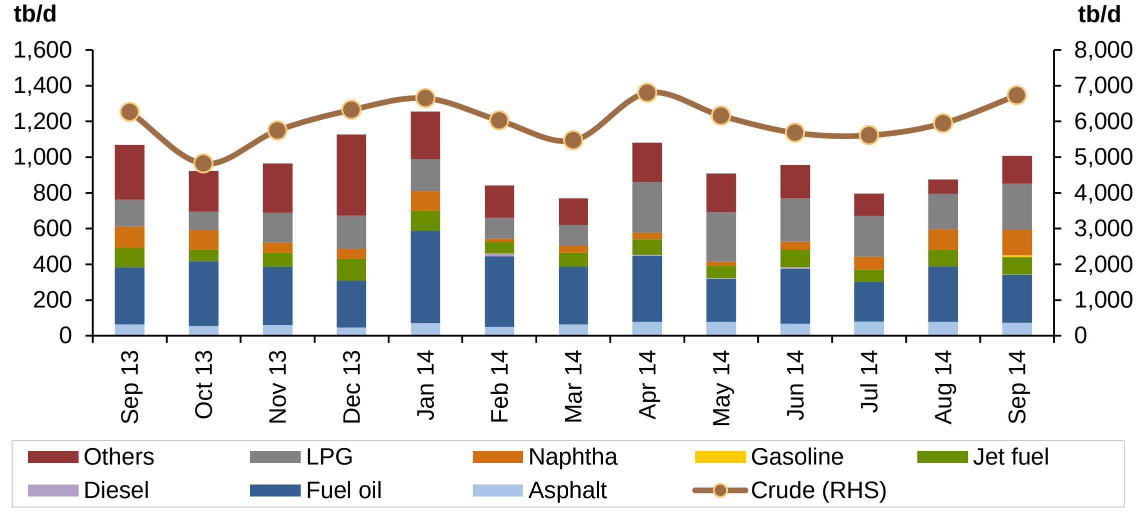
China

China's crude imports increased by 781 tb/d in September, reaching a level close to the peak seen back in April. China's crude imports averaged 6.7 mb/d in September, 13% higher than the previous month and 7% higher than the previous year. The country's crude imports increased in September as it reported second highest refinery runs and as stocks were seen higher as well. On a year-to-date basis, the figures reflect an increase of 452 tb/d or 8%.

Looking at the **crude supplier share**, Saudi Arabia, Angola and Russia were the top suppliers to China in September accounting for 17%, 12% and 10%, respectively. Crude imports from these three suppliers increased by 224 tb/d, 82 tb/d and 36 tb/d, respectively, over the previous month. Oman was the fourth largest supplier to China in September, with its imports to China dropping by 29 tb/d.

Separately, **China's product imports** went up by 133 tb/d from a month ago. However, they remain 62 tb/d below last year's level. China's product imports averaged 1 mb/d in September.

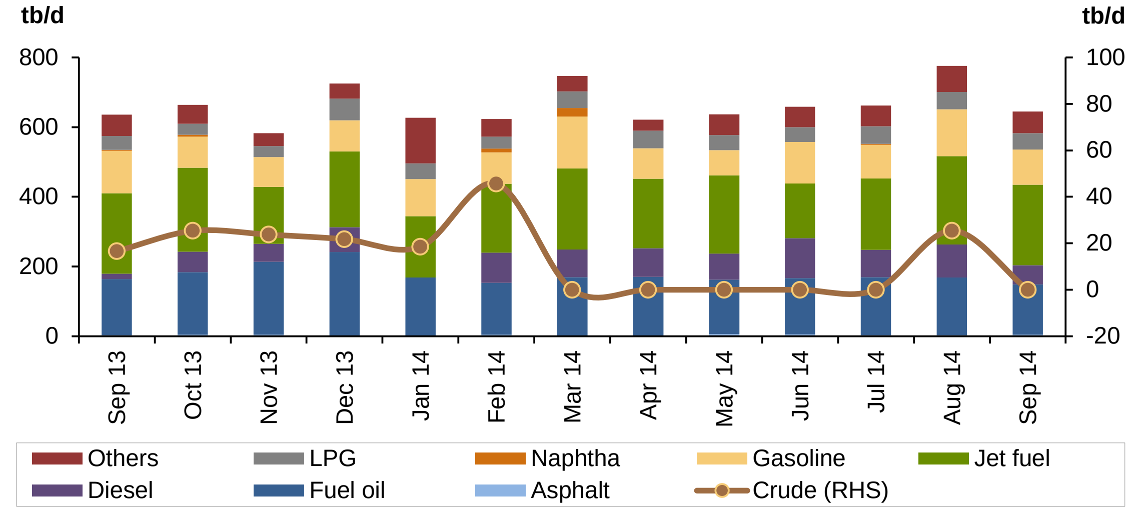
Graph 8.5: China's imports of crude and petroleum products



Following the resumption of **crude exports** seen in August after five months of no exports, China once more did not export any crude in September.

Its **product exports** also dropped, this time by 131 tb/d, or 17%, from last month. However, product exports stayed flat from the level seen a year earlier, averaging 645 tb/d.

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



As a result, **China's net oil imports increased by 1.1 mb/d from the previous month** and 408 tb/d from a year ago.

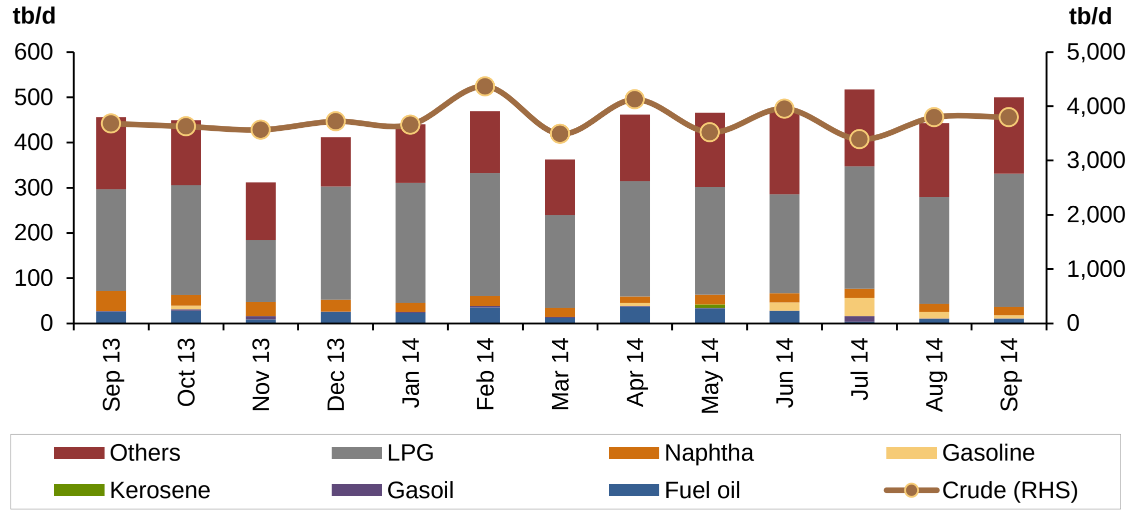
Table 8.3: China's crude and product net imports, tb/d

	Jul 14	Aug 14	Sep 14	Change Sep 14/Aug 14
Crude oil	5,610	5,923	6,729	806
Total products	135	99	363	264
Total crude and products	**5,745**	**6,022**	**7,092**	**1,070**

India

In September, **Indian crude imports** remained at the same level seen a month earlier to average 3.8 mb/d. Furthermore, crude imports reflected an annual gain of 119 tb/d or 3%.

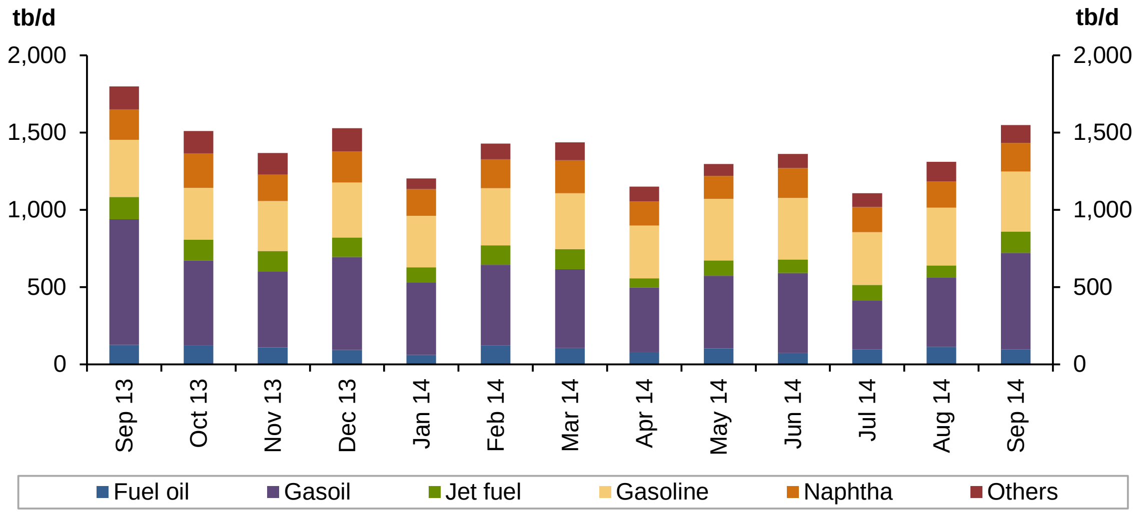
Graph 8.7: India's imports of crude and petroleum products



Product imports in September increased by 57 tb/d from the previous month to average 500 tb/d while y-o-y they grew by 44 tb/d. Local Indian product sales went up by 2.9% in September on an annual basis. Monthly products imports were mainly higher in LPG, which increased by 25% over a month earlier.

India's product exports were 236 tb/d, or 18%, higher in September to average 1.5 mb/d. On a y-o-y basis, product exports were 250 tb/d, or 14%, lower than last year. India's monthly product exports were higher in all products except for fuel oil, which declined by16 tb/d from last month.

Graph 8.8: India's exports of petroleum products



Consequently, **India's net imports declined by 178 tb/d to average 2.75 mb/d,** reflecting a drop of 6% m-o-m yet still reflecting a y-o-y gain of 413 tb/d or 18%.

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

	Jul 14	Aug 14	Sep 14	*Change* Sep 14/Aug 14
Crude oil	3,391	3,797	3,799	2
Total products	-592	-869	-1,049	-180
Total crude and products	**2,800**	**2,928**	**2,750**	**-178**

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

FSU

In September**, total crude oil exports from the FSU increased by 440 tb/d, or 7%, to average 6.2 mb/d** as crude exports through the Russian pipeline increased by 407 tb/d, or 11%, to average 4 mb/d.

Within the **Transneft system,** total shipments from the Black Sea increased as shipments from Novorossiysk went up by 137 tb/d, or 28%, to average 632 tb/d. Total Baltic Sea exports also increased by 81 tb/d in September as shipments from both Primorsk port terminal and Ust-Luga port terminal increased by 37 tb/d and 45 tb/d, respectively. Total shipments via the Druzhba pipeline increased by 87 tb/d to average 1 mb/d, while Kozmino shipments also increased by 92 tb/d, or 17%, to average 620 tb/d.

Exports through **Lukoil's pipeline system** increased from the previous month , with the Varandey offshore platform in the Barents Sea reporting a slight gain of 4 tb/d, while, the Kalinigrad port terminal in the Baltic Sea showed a drop of 7 tb/d.

Other routes showed mixed directions in September compared to last month. Russian Far East total exports were up by 34 tb/d, or 14%, from the previous month as a result of a 18 tb/d drop in exports from Aniva Bay port terminal. At the same time, there was a 52 tb/d increase from the Kastri port terminal from a month ago. Aniva Bay and Kastri thus averaged total exports of 99 tb/d and 168 tb/d, respectively.

Total exports from Central Asia stood at 193 tb/d, down by 14 tb/d through the Kenkiyak-Alashankou pipeline. Total Baltic Sea exports increased by 70 tb/d from August as all ports without exception showed an increase. Kulevi port terminal showed no exports in September as seen over the entire 3Q14. While all other ports in the Baltics showed higher volumes, the Novorossiyk, Batumi and Supsa port terminals all showed increased exports – of 53 tb/d, 17 tb/d and 1 tb/d, respectively, from August.

In the Mediterranean, Baku-Tbilisi-Ceyhan supplies showed a decline of 45 tb/d, or 6%, from the previous month to average 631 tb/d.

While looking into **product exports**, total FSU product exports dropped by 213 tb/d, or 6%, from last month to average 3.2 mb/d. This drop came as a result of a decline seen in all product exports with the exception of gasoline which exported 36 tb/d higher quantities than last month. Exports of gasoil, naphtha, jet fuel, fuel oil and VGO all dropped in September – by 2 tb/d, 37 tb/d, 7 tb/d, 174 tb/d and 36 tb/d, respectively – compared to the previous month.

Table 8.6: Recent FSU exports of crude and petroleum products by source, tb/d

			2013	2Q 14	3Q 14	Aug 14	Sep 14
Transneft system			**2013**	**2Q 14**	**3Q 14**	**Aug 14**	**Sep 14**
	Europe	**Black Sea total**	**739**	**672**	**570**	**496**	**632**
		Novorossiysk port terminal - total	739	672	570	496	632
		of which: Russian oil	535	494	409	335	481
		Others	204	178	162	160	152
		Baltic Sea total	**1,546**	**1,433**	**1,288**	**1,260**	**1,341**
		Primorsk port terminal - total	1,083	942	799	771	807
		of which: Russian oil	1,007	942	799	771	807
		Others	76	0	0	0	0
		Ust-Luga port terminal - total	463	490	489	489	534
		of which: Russian oil	342	295	315	302	363
		Others	121	196	174	187	171
		Druzhba pipeline total	**1,032**	**998**	**1,025**	**1,004**	**1,091**
		of which: Russian oil	1,000	966	993	972	1,060
		Others	32	32	32	32	32
	Asia	**Pacific ocean total**	**434**	**474**	**552**	**528**	**620**
		Kozmino port terminal - total	434	474	552	528	620
		China (via ESPO Pipeline) total	**321**	**304**	**321**	**315**	**324**
		China Amur	321	304	321	315	324
	Total Russian crude exports						
Lukoil system			**2013**	**2Q 14**	**3Q 14**	**Aug 14**	**Sep 14**
	Europe and North America	**Barents Sea Total**	**111**	**116**	**125**	**118**	**122**
		Varandey offshore platform	111	116	125	118	122
	Europe	**Baltic Sea Total**	**19**	**12**	**16**	**23**	**16**
		Kalinigrad port terminal	19	12	16	23	16
Other routes			**2013**	**2Q 14**	**3Q 14**	**Aug 14**	**Sep 14**
	Asia	**Russian Far East total**	**259**	**289**	**235**	**233**	**266**
		Aniva bay port terminal	114	116	103	117	99
		De Kastri port terminal	145	173	133	116	168
		Central Asia total	**239**	**233**	**230**	**207**	**193**
		Kenkiyak-Alashankou	239	233	230	207	193
	Europe	**Baltic sea total**	**853**	**943**	**1,003**	**967**	**1,038**
		Novorossiysk port terminal (CPC)	704	818	886	856	909
		Supsa port terminal	76	70	90	84	101
		Batumi port terminal	53	42	27	27	28
		Kulevi port terminal	20	14	0	0	0
		Mediterranean sea total	**641**	**594**	**683**	**675**	**631**
		BTC	641	594	683	675	631
Russian rail			**2013**	**2Q 14**	**3Q 14**	**Aug 14**	**Sep 14**
		Russian rail	**198**	**46**	**24**	**22**	**13**
		of which: Russian oil	*9*	*9*	*7*	*6*	*7*
		Others	189	38	17	15	7
	Total FSU crude exports						
Products			**2013**	**2Q 14**	**3Q 14**	**Aug 14**	**Sep 14**
		Gasoline	122	129	129	59	95
		Naphtha	390	515	515	512	475
		Jet	11	11	11	7	7
		Gasoil	857	1,005	1,005	868	866
		Fuel oil	1,415	1,522	1,522	1,684	1,510
		VGO	263	259	259	258	222
	Total FSU product exports		**3,058**	**3,441**	**3,441**	**3,388**	**3,175**
Total FSU oil exports			**9,450**	**9,557**	**9,557**	**9,236**	**9,464**

Sources: Argus Nefte Transport and Argus Global Markets.

Stock Movements

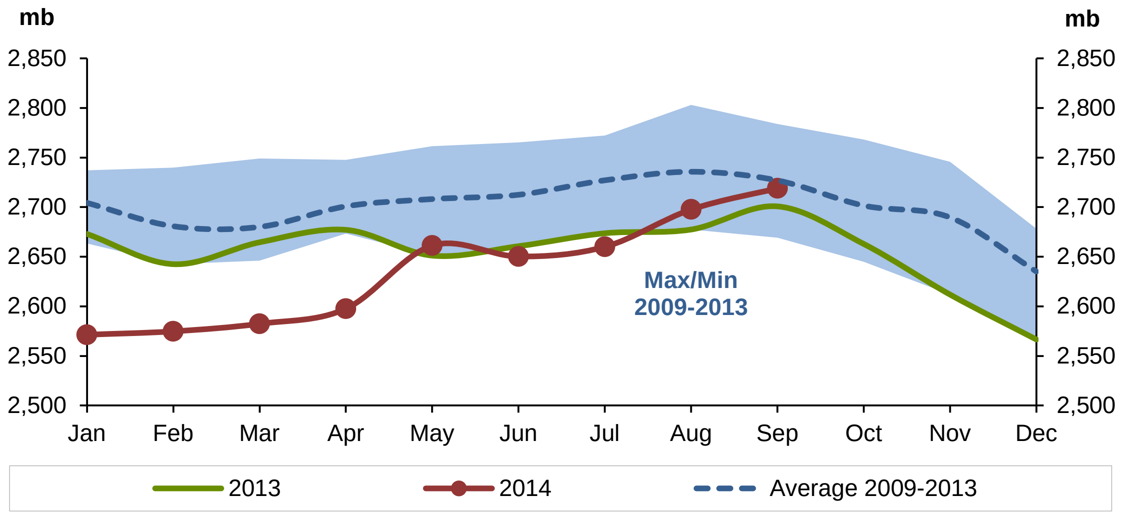
In September, OECD commercial oil stocks rose by 21.2 mb to stand at 2,719 mb, which is 18.0 mb higher than the same time a year ago, but 8.1 mb less than the latest five-year average. Crude stocks indicated a surplus of 17.8 mb, while product stocks remained 26 mb below the latest five-year average. In terms forward cover, OECD commercial stocks stood at 58.7 days, which is 0.4 days higher than the latest five-year average. Preliminary data for October shows that US total commercial oil stocks fell by 5.5 mb to stand at 1,132.2 mb. Despite this drop, they were 27.4 mb above the latest five-year average and 15.7 mb higher than the same period a year ago. Within components, crude commercial stocks saw a build of 18.6 mb, while product stocks fell by 24.0 mb. The latest information for September showed total oil commercial inventories in China fall by 2.5 mb to stand at 401.1 mb, but they were 24.5 mb above the level reached at the same time last year. Within components, commercial crude rose by 1.2 mb, while product inventories fell by 3.8 mb.

OECD

The latest information for September shows that total OECD commercial oil stocks rose by 21.2 mb, following a build of 37.6 mb in August and 9.7 mb in July. It should be noted that since the beginning of the year, total OECD stocks have accumulated around 150 mb. At 2,719 mb, inventories are 18.0 mb higher than the same time a year ago but 8.1 mb less than the latest five-year average.

Within components, both commercial crude and product stocks were up by 5.3 mb and 15.9 mb, respectively, in September versus the previous month. At 1,297 mb, OECD commercial crude stocks accumulated around 68 mb since the end of the previous year. They stood 5.0 mb above the same time a year earlier and 17.8 mb higher than the latest five-year average. With this build, crude commercial stocks in the OECD remained comfortable due mainly to the ongoing rise in non-OPEC supply and weaker demand in OECD countries.

Graph 9.1: OECD's commercial oil stocks



On the products side, the build in September puts OECD **product inventories** at 1,422 mb, the highest level since January 2012. This build is driven by higher refinery output, especially in the US. However, despite this build, OECD product stocks remained 26.0 mb below the seasonal norm, but reversed the deficit seen during the previous months to reach a surplus of 13.2 mb over the same time a year ago.

In terms of **days of forward cover**, OECD commercial stocks rose by 0.1 days in September from the previous month to stand at 58.7 days, and are 0.4 days higher than the latest five-year average. It should be noted that forward cover increased from 56.1 days at the end of the previous year to nearly 59 days in September, reflecting a combination of slow demand and strong build in the absolute level of OECD inventories during the same period. Within its regions, the days of forward cover in OECD Americas was 0.5 days higher than the historical average of 57.7 days in September, and OECD Asia Pacific stood at 1.3 days above the seasonal average to finish the month at 50 days. At the same time, OECD Europe indicated a surplus of 0.1 days, averaging 65.9 days in September.

In September, **commercial stocks** in **OECD Americas** rose by 15.0 mb following a build over the previous seven months to stand at 1,418 mb. Since January 2014, commercial stocks increased by nearly 102 mb, representing a surplus of 39 mb above the seasonal norm and 14.0 mb above the same time one year ago. Within components, both crude and product stocks saw a build of 1.0 mb and 14 mb, respectively.

At the end of September, **crude commercial oil stocks** in **OECD Americas** rose and ended the month at 688 mb, which is 17.8 mb above the latest five-year average and 4.8 mb higher than the same time a year ago. Ongoing increases in US domestic production contributed to the build in crude oil inventories. However, this build came despite an increase in US crude runs, which have been well above 16 mb/d for more than two months.

Product stocks in **OECD Americas** also rose by 14.0 mb in September for the sixth consecutive month to stand at 730 mb. Product stocks have accumulated nearly 43 mb since the beginning of this year. They have indicated a surplus of 14.5 mb above the seasonal norm and are 15.1 mb higher than at the same time one year ago. The build in product stocks came mainly from strong US refinery output as relatively higher exports limited a further build.

OECD Europe's commercial stocks rose by 1.6 mb in September for the second consecutive month to stand at 881 mb. This is 3.5 mb lower than the same time a year ago and 52.5 mb below the latest five-year average. The total stock build came from crude as it increased by 4.2 mb, while products offset this rise and fell by 2.6 mb.

OECD Europe's commercial crude stocks rose in September, reversing the decline in August and standing at 372 mb. At this level, crude inventories stood at 1.0 mb below the same period a year earlier and were 11.5 mb below the latest five-year average. The build came mainly from lower European refineries runs combined with higher supply and rising exports from Libya. At the same time, ICE Brent's contango structure also helped refiners build stocks.

In contrast, **OECD Europe's commercial product stocks** fell by 2.6 mb in September, reversing the build of the last two months. With this stock draw, European stocks were 2.5 mb below the same time a year ago and 41 mb below the five-year average. Lower refinery output was behind the drop in product inventories.

OECD Asia Pacific commercial oil stocks rose by 4.6 mb in September to stand at 420 mb, the highest level since November 2012. At this level, Japanese oil inventories are 7.5 mb higher than a year ago and 5.5 mb above the latest five-year average.

Within components, product stocks rose by 4.5 mb, while crude stocks rose slightly by 0.1 mb. Crude inventories ended the month of September at 237 mb, 6.9 mb above a year ago and were 4.9 mb less than the seasonal norm. OECD Asia Pacific's total product inventories ended September at 183 mb, indicating a slight surplus of 1.0 mb compared with both a year ago and the seasonal norm.

Table 9.1: OECD's commercial stocks, mb

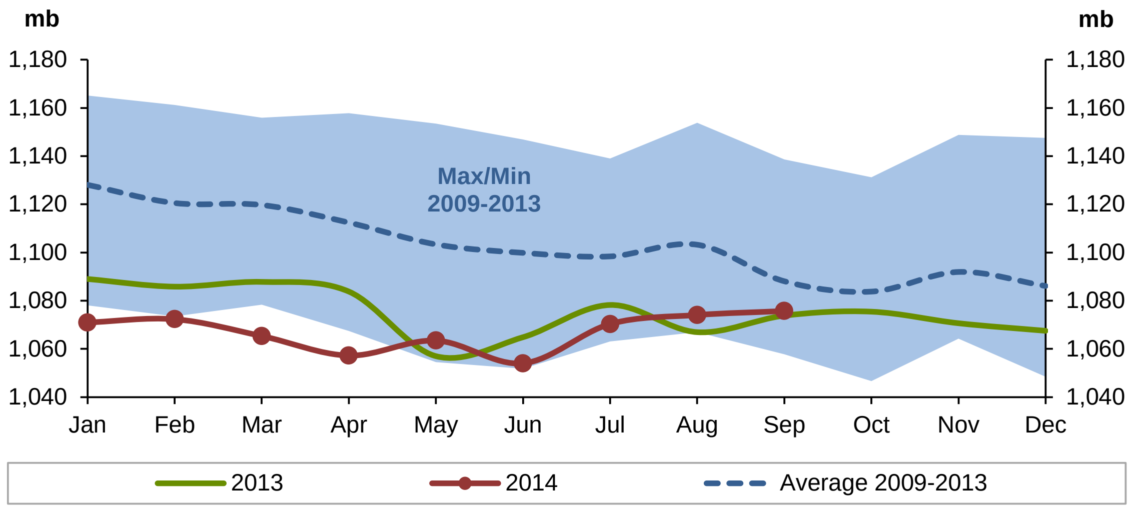
	Jul 14	Aug 14	Sep 14	*Change* Sep 14/Aug 14	Sep 13
Crude oil	1,299	1,291	1,297	5.3	1,292
Products	1,361	1,406	1,422	15.9	1,409
Total	**2,660**	**2,698**	**2,719**	**21.2**	**2,701**
Days of forward cover	**58.0**	**58.6**	**58.7**	**0.1**	**57.5**

EU plus Norway

Preliminary data for September shows that **European stocks** rose by 1.7 mb for the third consecutive month to stand at 1,075.7 mb, the highest level since July 2013. This is 1.9 mb, or 0.2%, higher than the same time a year ago, though still 12.4 mb, or 1.1%, below the latest five-year average. The total stock build came from crude, which increased by 4.2 mb, while products abated this build and fell by 2.6 mb.

European crude inventories rose in September, reversing the decline in August and stood at 477.5 mb. With this stock build, crude inventories stood at 15.3 mb, or 3.3%, above the same period a year earlier and were 21.3 mb, or 4.7%, above the latest five-year average. The build came mainly from lower European refineries runs as they declined by around 400,000 b/d from the previous month to stand at 9.8 mb/d. In September, refiners' utilization rates were around 76%, which was 3.4 percentage points (pp) lower than the previous month. Continued increasing crude supplies in the Atlantic Basin as well as rising exports from Libya also contributed to the build in crude oil inventories. At the same time, ICE Brent's contango structure also helped refiners build stocks.

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



In contrast, **OECD Europe's product stocks** fell by 2.6 mb in September, reversing the build of the last two months. With this stock draw, European stocks were 13.3 mb, or 2.2%, below a year ago at the same time and 33.6 mb, or 5.3%, below the seasonal norm. Within products, the picture was mixed: distillate and naphtha experienced builds, while gasoline and residual fuel oil stocks saw a draw.

Middle distillate stocks rose by 0.5 mb in September to stand at 391.7 mb. At this level, they still indicated a deficit of 5.2 mb, or 1.3%, compared with the same period a year ago and 3.1 mb, or 0.8%, below the five-year average. The build came mainly from higher imports from US and Russia. However, this build was limited by lower refinery output. **Naphtha** stocks also rose by 0.9 mb in September to stand at 25.1 mb, but still representing a deficit of 4.5 mb, or 15.2%, below the latest five-year average. They were 2.4 mb, or 10.4%, above the same period a year ago.

Gasoline stocks fell slightly by 0.3 mb in September to stand at 108.9 mb. At this level, gasoline stocks showed a deficit of 2.2 mb, or 1.9%, below a year ago and are 1.3 mb, or 1.2%, below the seasonal norm. The build reflects mainly lower gasoline output in Europe as demand in the region remains weak.

Residual fuel oil stocks also fell by 3.6 mb in September reversing a fourth consecutive month of build. At 72.6 mb, residual fuel oil stocks were 8.4 mb, or 10.3%, below the same time a year ago and 24.7 mb, or 25.4%, less than the seasonal average. The drop in residual fuel oil is attributed to lower refinery output combined with higher exports to Asia-Pacific.

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

	Jul 14	Aug 14	Sep 14	*Change* Sep 14/Aug 14	Sep 13
Crude oil	**475.9**	**473.3**	**477.5**	**4.2**	**462.2**
Gasoline	106.8	109.2	108.9	-0.3	111.0
Naphtha	24.6	24.2	25.1	0.9	22.7
Middle distillates	387.9	391.1	391.7	0.5	396.9
Fuel oils	75.1	76.3	72.6	-3.6	81.0
Total products	594.4	600.8	598.2	-2.6	611.6
Total	**1,070.3**	**1,074.1**	**1,075.7**	**1.7**	**1,073.8**

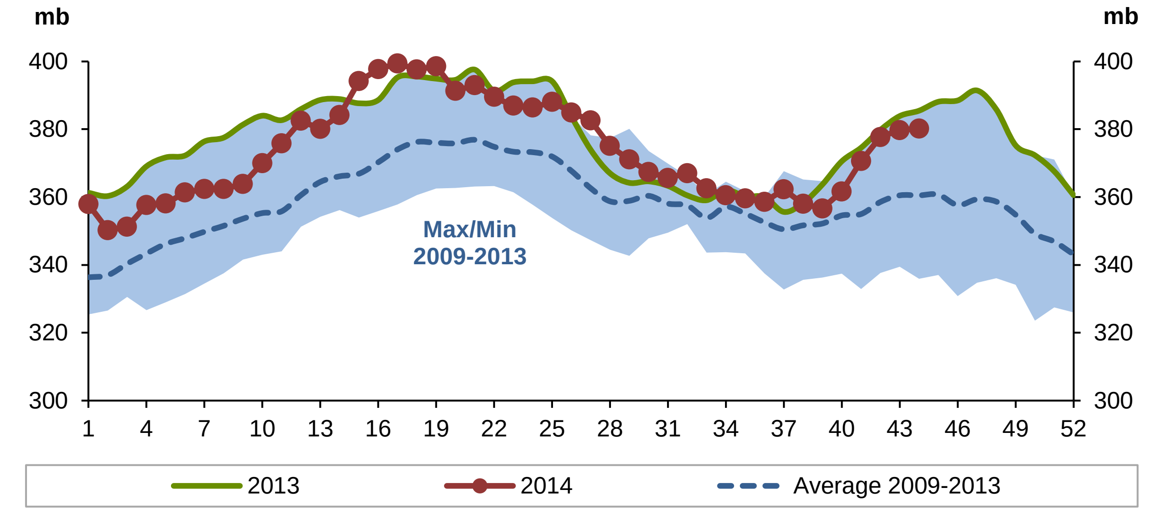
Sources: Argus and Euroilstock.

US

Preliminary data for October shows that **total commercial oil stocks** fell by 5.5 mb, reversing the build of last eight months to stand at 1,132.2 mb. Despite this drop, they were 27.4 mb, or 2.5%, above the latest five-year average and 15.7 mb, or 1.4%, higher than the same period a year ago. Within components, crude commercial stocks saw a build of 18.6 mb, while product stocks fell by 24.0 mb.

US commercial crude stocks rose in October to stand at 380.2 mb. Despite this stock build, crude oil commercial stocks finished the month of October at 3.7 mb, or 1.0%, below the same time last year, but remained 21.0 mb, or 5.8%, above the latest five-year average. The build in crude commercial stocks was mainly driven by lower US crude oil refinery input, averaging around 15.4 mb/d, which was nearly 400,000 tb/d less than a month earlier. Refineries operated at around 86.2% of operable capacity in October, 4.3 pp lower than the previous month. A further build in US commercial crude stocks was limited by lower crude imports. Indeed, US crude imports fell by around 170,000 b/d to stand at 7.3 mb/d. Crude at Cushing, Oklahoma, also rose by 1.9 mb in October to 20.8 mb but this was nearly 16.0 mb less than the same time a year ago. Cushing stocks have fluctuated within a tight band since mid-August between 18.9 mb and 21.4 mb after experiencing a considerable stock draw since the beginning of 2014.

Graph 9.3: US weekly commercial crude oil stocks

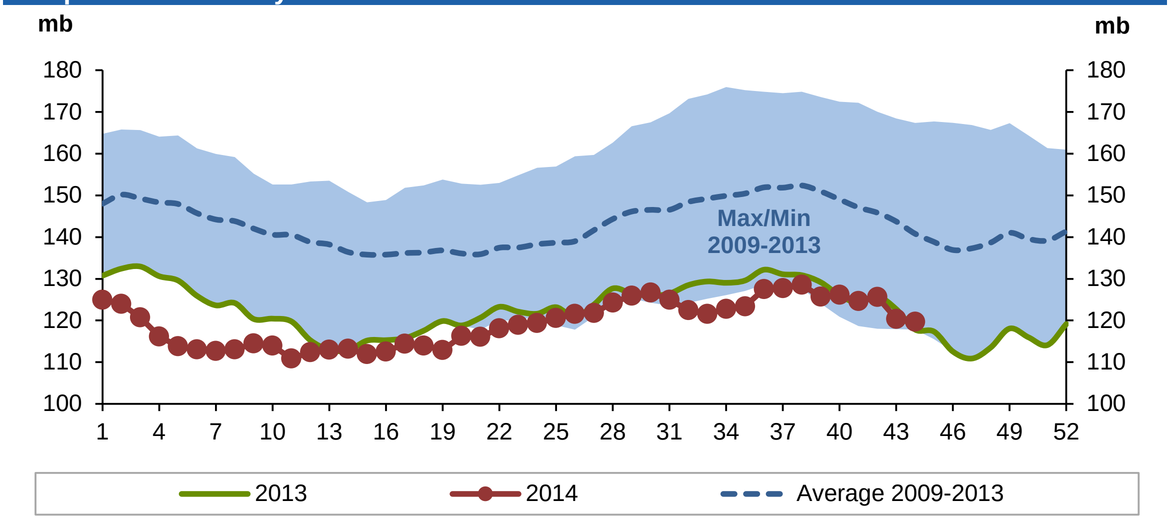


In October**, total product stocks** reversed the building trend of the last six months, indicating a drop of 24.0 mb, to stand at 752.0 mb. Despite this stock draw, US product stocks were 19.4 mb, or 2.6%, above the levels seen at the same time a year ago and showed a surplus of 6.4 mb, or 0.9%, above the seasonal norm. Within products, with the exception of residual fuel oil, all other products saw a stock draw.

Gasoline stocks fell by 7.9 mb in October to stand at 201.8 mb, which was 12.1 mb, or 5.7%, lower than the same period a year ago and 7.6 mb, or 3.6%, less than the latest five-year average. The decline came mainly from higher apparent demand which rose by around 220,000 b/d reaching 9.0 mb/d. Higher gasoline output, which rose by about 280,000 b/d to stand at 9.3 mb/d, limited a further stock draw in gasoline.

Distillate stocks also fell by 6.5 mb in October to stand at 119.7 mb, which was still 2.3 mb, or 2.0%, above the same period a year ago but indicated a deficit of 22.8 mb, or 16.0%, less than the five-year average. The fall in middle distillate stocks reflected lower output, which declined by 100,000 b/d to 4.6 mb/d. Lower apparent demand limited a further build in distillate stocks.

Graph 9.4: US weekly distillate stocks



Jet fuel stocks also fell by 3.6 mb ending October at 37.1 mb, which is 2.0 mb, or 5.1%, less than the same month a year ago and 6.5 mb, or 14.9%, below the latest five-year average. In contrast, residual fuel oil stocks rose by 0.6 mb to end October at 36.4 mb, which is slightly higher than last year in the same period, while they remained 0.9 mb, or 2.5%, less than the seasonal norm. This build is mainly attributed to lower apparent demand.

Table 9.3: US onland commercial petroleum stocks, mb

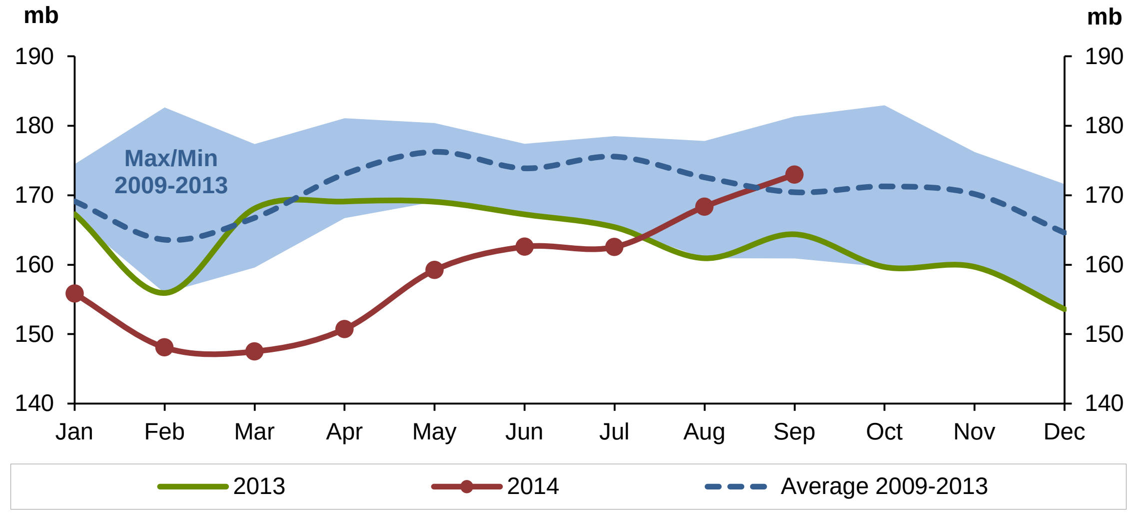
	Aug 14	Sep 14	Oct 14	*Change* Oct 14/Sep 14	Oct 13
Crude oil	360.6	361.7	380.2	18.6	381.7
Gasoline	211.8	209.7	201.8	-7.9	214.0
Distillate fuel	128.1	126.1	119.7	-6.5	118.0
Residual fuel oil	37.5	35.8	36.4	0.6	36.3
Jet fuel	35.6	40.7	37.1	-3.6	39.0
Total	**1,130.7**	**1,137.7**	**1,132.2**	**-5.5**	**1,114.0**
SPR	691.0	691.0	691.0	0.0	696.0

Source: US Energy Information Administration.

Japan

In Japan, total **commercial oil stocks** rose by 4.6 mb in September to stand at 173.0 mb, the highest level since October 2012. At this level, Japanese commercial oil inventories are 8.6 mb, or 5.2%, higher than a year ago and 2.5 mb, or 1.5%, above the five-year average. Within components, product stocks rose by 4.5 mb, while crude stocks rose slightly by 0.1 mb.

Graph 9.5: Japan's commercial oil stocks



Japanese commercial **crude oil stocks** rose little in September to stand at 98.2 mb. With a build they were 8.7 mb, or 9.7%, above levels at the same time a year ago and 4.5 mb, or 4.8%, above the seasonal norm. The stock build in crude oil was driven by lower crude runs, which fell by around 20 tb/d, or 0.6%, to average 3.9 mb/d and remained 3.4% lower than the same time a year ago. Lower crude oil imports limited a further build in crude oil stocks. Indeed, crude oil imports fell by around 12,000 b/d, or 8.2%, to average 3.3 mb/d and were down 9.5% over the same period a year ago. Direct crude burning in power plants fell by nearly 56% in September compared with the previous month, averaging 42 tb/d and showing a decline of 68% over the same period a year ago.

Japan's **total product inventories** rose by 4.5 mb in September for the third consecutive month to stand at 74.8 mb. At this level, product stocks are in line with the same time a year earlier but still showed a deficit of 2.0 mb, or 2.6%, with the five-year average. The build was driven by lower domestic sales, which declined by 40,000 b/d to average 2.9 mb/d in September, and which are 6.9% below the same period a year ago. The ongoing fall in domestic sale puts Japanese inland consumption at the lowest monthly level since 1985. With the exception of gasoline, all products witnessed a stock build.

Distillate stocks rose by 2.1 mb in September for the third consecutive month to stand at 35.0 mb. At this level, distillate stocks were still 1.0 mb, or 2.7%, below the same period a year ago and 1.1 mb, or 3.1%, lower than the seasonal average. Within distillate components, kerosene experienced a build, while jet fuel and gasoil saw a stock-draw. Kerosene inventories rose by 24.7% on the back of higher imports as domestic sales increased. Gasoil fell by 9.3% driven by lower output combined with higher domestic sales. Jet fuel stocks also fell by 3.0% on the back higher domestic sales.

Total residual **fuel oil stocks** rose by 0.4 mb for the third consecutive month to end September at 17.4 mb, which is 1.9 mb, or 12.0%, above a year ago and 0.6 mb, or 3.7%, higher than the latest five-year average. Within fuel oil components, both fuel oil A and fuel oil B.C stocks rose by 0.5% and 3.2%, respectively. The build in residual oil was driven by higher output in case of fuel oil A, while lower consumption pushed stocks of fuel oil B.C higher. **Naphtha** stocks rose by 2.1 mb to finish the month of September at 12.0 mb, indicating a surplus of 1.2 mb, or 11.2%, compared to the seasonal norm and 0.9 mb, or 8.5%, higher than the same period a year ago. The stock build came mainly from reduced domestic sales.

In contrast, **gasoline stocks** fell by 0.2 mb in September for the second consecutive month to stand at 10.4 mb, which is 1.9 mb, or 15.5%, less than at the same time the previous year and 2.7 mb, or 20.5%, below the five-year average. Higher domestic sales combined with lower refinery runs were behind the drop in gasoline stocks.

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

	Jul 14	Aug 14	Sep 14	*Change* Sep 14/Aug 14	Sep 13
Crude oil	**99.7**	**98.1**	**98.2**	**0.1**	**89.5**
Gasoline	11.0	10.6	10.4	-0.2	12.3
Naphtha	9.4	9.9	12.0	2.1	11.1
Middle distillates	26.3	32.8	35.0	2.1	35.9
Residual fuel oil	16.1	17.0	17.4	0.4	15.5
Total products	**62.8**	**70.3**	**74.8**	**4.5**	**74.8**
Total**	**162.6**	**168.4**	**173.0**	**4.6**	**164.4**

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

China

The latest information for September showed **Chinese total oil commercial inventories** fell by 2.5 mb to stand at 401 mb. Despite this stock drawn, Chinese inventories were 20.1 mb above the same time last year. Within components, commercial crude rose by 1.2 mb, while product inventories fell by 3.8 mb. At 267.0 mb, crude commercial stocks represent a surplus of 24.5 mb compared with the same period a year earlier. The build in **crude commercial stocks** came mainly from higher imports, which increased by 0.8 mb/d in September from the previous month, reaching 6.7 mb/d.

In contrast, total **product stocks** in China fell by 3.8 mb in September for the third consecutive month to stand at 134.0 mb. At this level, Chinese product stocks were 4.4 mb below the same time a year ago. The fall in product stocks could be attributed to improvements in Chinese demand in September, which rose by 0.1 mb/d to stand at 10.2 mb/d. Within products, gasoline inventories fell by 1.3 mb to stand at 59.0 mb. Diesel stocks also fell by 3.2 mb ending the month of September at 59.3 mb. while kerosene inventories indicated a build of 0.8 mb to stand at 15.8 mb.

Table 9.5: China's commercial oil stocks, mb

	Jul 14	Aug 14	Sep 14	*Change* Sep 14/Aug 14	Sep 13
Crude oil	**260.3**	**265.8**	**267.0**	**1.2**	**242.5**
Gasoline	62.5	60.3	59.0	-1.3	56.0
Diesel	69.6	62.5	59.3	-3.2	68.3
Jet kerosene	14.9	15.0	15.8	0.8	14.1
Total products	**147.0**	**137.8**	**134.0**	**-3.8**	**138.4**
Total	**407.3**	**403.6**	**401.1**	**-2.5**	**381.0**

Source: OPEC Secretariat analysis.

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of September, **product stocks in Singapore** rose slightly by 2.7 mb for the second consecutive month to stand at 43.1 mb. At this level, product stocks in Singapore indicate a surplus of 0.7 mb, or 1.6 %, more than the same time a year ago. Within products, middle distillates and fuel oil stocks rose, while gasoline dropped.

Middle distillate stocks rose by 0.2 mb in September, reversing the drop of the last two months to stand at 10.9 mb. At this level, middle distillate stocks remained 1.5 mb, or 16.1%, above their level at the same time a year ago. Residual fuel oil stocks also rose by 2.8 mb in September to stand 18.4 mb. This drop is mainly driven by lower marine bunkers. At this level, residual fuel oil stocks stood at 0.6 mb, or 2.5%, lower than the same period last year. In contrast, light distillates stocks fell by 0.3 mb to stand at 10.8 mb/d, and were 0.3 mb, or 2.6%, lower than the same period a year ago.

Product stocks in Amsterdam-Rotterdam-Antwerp (ARA) rose slightly by 0.2 mb in September to stand at 36.3 mb. Product stocks in ARA stood at 5.8 mb, or 18.8%, higher than the same time a year ago. Within products, the picture was mixed as gasoil, naphtha and jet oil experienced builds, while gasoline and residual fuel oil saw a drop.

Gasoil stocks rose by 0.2 mb for the sixth consecutive month ending September at 20.6 mb. At this level, they were 5.7 mb, or 38.2%, higher than the same period last year. This build was driven by higher imports from Russia. Naphtha stocks also rose by 0.7 mb to end the month of September at 2.3 mb, which is 1.3 mb higher than the same period last year. In contrast, gasoline stocks fell by 1.0 mb to stand at 5.0 mb, which is 1.5 mb, or 23%, lower than the same period last year. The fall was due to higher exports to the US. Residual fuel oil also fell by 1.0 mb. This was mainly attributed to higher exports. At 4.3 mb, residual fuel stood at 0.3 mb, or 6.1%, lower than the same time last year.

Balance of Supply and Demand

Demand for OPEC crude in 2014 remained unchanged from the previous report to stand at 29.5 mb/d, which is 0.8 mb/d lower than the 2013 level. Demand for OPEC crude in 2015 was also unchanged to average 29.2 mb/d, a decline of 0.3 mb/d from the current year.

Estimate for 2014

Demand for OPEC crude for 2014 has remained unchanged from the previous report. The demand for OPEC crude is estimated at 29.5 mb/d in 2014, representing a decrease of 0.8 mb/d from the year-ago level. The first and the second quarters are estimated to show a decline of 0.9 mb/d and 1.5 mb/d, respectively, versus the same period last year. The third quarter is expected to decline by 0.5 mb/d while the fourth quarter is forecast to increase by 0.2 mb/d compared with the same quarter last year.

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

	2013	1Q14	2Q14	3Q14	4Q14	2014
(a) World oil demand	**90.14**	**90.16**	**90.11**	**91.96**	**92.50**	**91.19**
Non-OPEC supply	54.23	55.59	55.77	55.86	56.42	55.91
OPEC NGLs and non-conventionals	5.65	5.73	5.79	5.86	5.93	5.83
(b) Total supply excluding OPEC crude	**59.88**	**61.32**	**61.56**	**61.71**	**62.35**	**61.74**
Difference (a-b)	**30.26**	**28.83**	**28.55**	**30.24**	**30.15**	**29.45**
OPEC crude oil production	30.20	29.84	29.76	30.23		
Balance	-0.06	1.00	1.21	-0.02		

Totals may not add up due to independent rounding.

Forecast for 2015

Demand for OPEC crude for 2015 also remained in line with the previous assessment. The demand for OPEC crude is projected at 29.2 mb/d, representing a decrease of 0.3 mb/d from the estimated 2014 level. The first quarter is expected to decline by 0.4 mb/d compared with the same period last year, while the second quarter is forecast to decline by 0.1 mb/d. The third and the fourth quarters are projected to see a contraction of 0.2 mb/d and 0.3 mb/d, respectively, from the same period in the previous year.

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

	2014	1Q15	2Q15	3Q15	4Q15	2015
(a) World oil demand	**91.19**	**91.36**	**91.31**	**93.18**	**93.64**	**92.38**
Non-OPEC supply	55.91	57.07	56.85	57.04	57.65	57.16
OPEC NGLs and non-conventionals	5.83	5.89	5.98	6.08	6.18	6.03
(b) Total supply excluding OPEC crude	**61.74**	**62.96**	**62.83**	**63.12**	**63.83**	**63.19**
Difference (a-b)	**29.45**	**28.40**	**28.49**	**30.06**	**29.81**	**29.20**

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

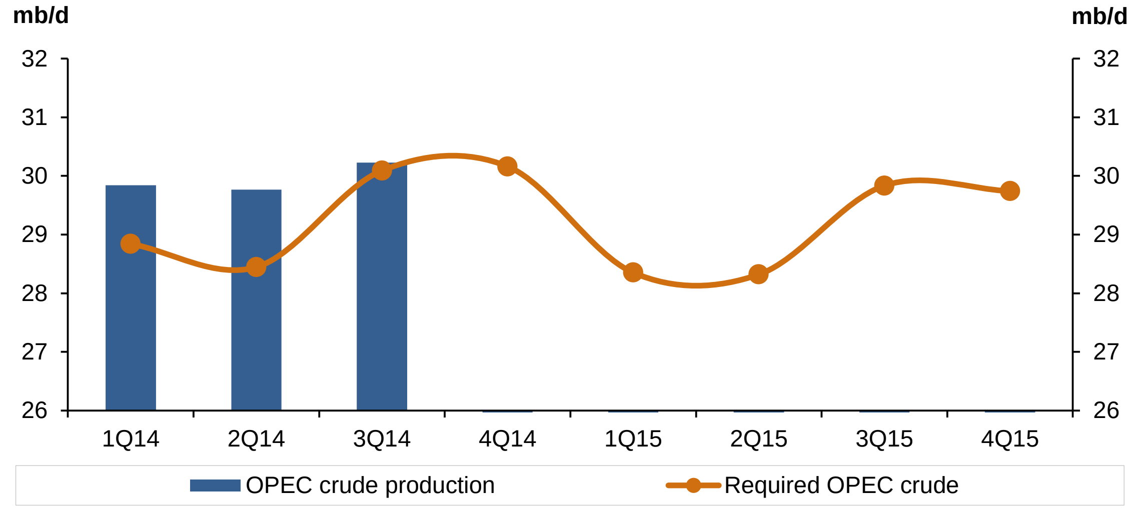


Table 10.3: World oil demand and supply balance, mb/d

	2011	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
World demand													
OECD	46.4	45.9	45.9	45.7	44.9	46.0	46.3	45.7	45.7	45.0	45.9	46.3	45.7
Americas	24.0	23.6	24.0	23.9	23.9	24.4	24.6	24.2	24.0	24.0	24.6	24.7	24.3
Europe	14.3	13.8	13.6	13.0	13.5	13.8	13.4	13.4	13.0	13.4	13.7	13.3	13.3
Asia Pacific	8.1	8.5	8.3	8.8	7.6	7.8	8.4	8.2	8.8	7.5	7.7	8.3	8.1
DCs	27.3	28.3	29.0	29.3	29.8	30.4	29.8	29.8	30.2	30.6	31.3	30.7	30.7
FSU	4.3	4.5	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	0.6	0.6	0.6	0.6	0.7	0.7
China	9.4	9.7	10.1	10.1	10.6	10.3	10.7	10.4	10.4	10.9	10.6	11.0	10.7
(a) Total world demand	**88.1**	**89.0**	**90.1**	**90.2**	**90.1**	**92.0**	**92.5**	**91.2**	**91.4**	**91.3**	**93.2**	**93.6**	**92.4**
Non-OPEC supply													
OECD	20.2	21.1	22.2	23.4	23.7	23.7	24.1	23.7	24.5	24.6	24.8	25.5	24.9
Americas	15.5	16.7	18.1	19.1	19.7	19.8	20.1	19.7	20.4	20.5	20.9	21.4	20.8
Europe	4.1	3.8	3.6	3.8	3.5	3.4	3.5	3.5	3.7	3.5	3.4	3.6	3.5
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	12.3	12.2	12.5	12.4	12.3	12.2	12.3
FSU	13.2	13.3	13.4	13.5	13.4	13.4	13.4	13.4	13.4	13.3	13.3	13.3	13.3
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	4.1	4.2	4.2	4.2	4.3	4.2	4.4	4.3	4.3	4.3	4.3	4.4	4.3
Processing gains	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	52.4	52.9	54.2	55.6	55.8	55.9	56.4	55.9	57.1	56.9	57.0	57.7	57.2
OPEC NGLs + non-conventional oils	5.4	5.6	5.6	5.7	5.8	5.9	5.9	5.8	5.9	6.0	6.1	6.2	6.0
(b) Total non-OPEC supply and OPEC NGLs	**57.8**	**58.4**	**59.9**	**61.3**	**61.6**	**61.7**	**62.4**	**61.7**	**63.0**	**62.8**	**63.1**	**63.8**	**63.2**
OPEC crude oil production (secondary sources)	29.8	31.1	30.2	29.8	29.8	30.2							
Total supply	87.6	89.6	90.1	91.2	91.3	91.9							
Balance (stock change and miscellaneous)	-0.5	0.5	-0.1	1.0	1.2	-0.1							
OECD closing stock levels (mb)													
Commercial	2,605	2,663	2,567	2,582	2,650	2,719							
SPR	1,536	1,547	1,584	1,586	1,581	1,582							
Total	4,141	4,210	4,150	4,168	4,232	4,301							
Oil-on-water	825	879	909	954	914	952							
Days of forward consumption in OECD													
Commercial onland stocks	57	58	56	57	58	59							
SPR	33	34	35	35	34	34							
Total	90	92	91	93	92	93							
Memo items													
FSU net exports	8.9	8.8	8.9	9.1	9.1	8.8	8.4	8.9	9.0	9.0	8.6	8.3	8.7
(a) - (b)	**30.3**	**30.6**	**30.3**	**28.8**	**28.6**	**30.3**	**30.2**	**29.5**	**28.4**	**28.5**	**30.1**	**29.8**	**29.2**

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

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

	2011	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
World demand													
OECD	-	-	-	-	-	-	-	-	-	-	-	-	-
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	-	-	-	-	-	-	-	-
World demand growth	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-OPEC supply													
OECD	-	-	-	-	-	-	-	-	-	0.1	-	0.2	0.1
Americas	-	-	-	-	-	-	-	-	-	0.1	-	0.2	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-0.1	-	-0.2	-0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply growth	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-							
Total supply	-	-	-	-	-	-							
Balance (stock change and miscellaneous)	-	-	-	-	-	-							
OECD closing stock levels (mb)													
Commercial	-1	-1	-1	-	-5	-							
SPR	-	-	-	-	-	-							
Total	-1	-1	-1	-	-5	-							
Oil-on-water	-	-	-	-	-	-							
Days of forward consumption in OECD													
Commercial onland stocks	-	-	-	-	-	-							
SPR	-	-	-	-	-	-							
Total	-	-	-	-	-	-							
Memo items													
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	-	-	-	-	-	-	-	-

* *This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the October 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**	**2,567**	**2,728**	**2,663**	**2,665**	**2,661**	**2,701**	**2,567**	**2,582**	**2,650**	**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	1,418
Europe	905	901	869	917	901	904	873	885	869	873	877	881
Asia Pacific	392	396	381	427	396	412	409	412	381	399	392	420
OECD SPR	**1,536**	**1,547**	**1,584**	**1,542**	**1,547**	**1,581**	**1,577**	**1,582**	**1,584**	**1,586**	**1,581**	**1,582**
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	472
Asia Pacific	414	415	417	414	415	413	409	413	417	418	419	419
OECD total	**4,141**	**4,210**	**4,150**	**4,271**	**4,210**	**4,246**	**4,238**	**4,283**	**4,150**	**4,168**	**4,232**	**4,301**
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	58
Europe	66	66	65	67	68	65	63	66	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	29	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

	2011	2012	2013	3Q14	4Q14	2014	Change 14/13	1Q15	2Q15	3Q15	4Q15	2015	Change 15/14
US	9.0	10.0	11.2	12.9	13.0	12.6	1.4	13.2	13.5	13.7	14.0	13.6	0.9
Canada	3.5	3.8	4.0	4.1	4.2	4.2	0.2	4.4	4.3	4.4	4.6	4.4	0.2
Mexico	2.9	2.9	2.9	2.8	2.8	2.8	-0.1	2.8	2.8	2.8	2.8	2.8	0.0
OECD Americas*	**15.5**	**16.7**	**18.1**	**19.8**	**20.1**	**19.7**	**1.5**	**20.4**	**20.5**	**20.9**	**21.4**	**20.8**	**1.1**
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	0.8	0.0	0.9	0.8	0.8	0.9	0.8	0.0
Denmark	0.2	0.2	0.2	0.2	0.1	0.2	0.0	0.2	0.1	0.1	0.1	0.1	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	0.6	0.7	0.0
OECD Europe	**4.1**	**3.8**	**3.6**	**3.4**	**3.5**	**3.5**	**0.0**	**3.7**	**3.5**	**3.4**	**3.6**	**3.5**	**0.0**
Australia	0.5	0.5	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
OECD Asia Pacific	**0.6**	**0.6**	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**
Total OECD	**20.2**	**21.1**	**22.2**	**23.7**	**24.1**	**23.7**	**1.5**	**24.5**	**24.6**	**24.8**	**25.5**	**24.9**	**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	0.8	0.9	0.9	0.0	0.9	0.9	0.9	0.8	0.9	0.0
Indonesia	1.0	1.0	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Malaysia	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.6	0.6	0.7	0.0
Thailand	0.3	0.4	0.4	0.4	0.3	0.4	0.0	0.4	0.4	0.4	0.3	0.3	0.0
Vietnam	0.4	0.4	0.4	0.3	0.4	0.4	0.0	0.4	0.4	0.4	0.4	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**	**3.5**	**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	3.0	2.9	0.2	3.0	3.0	3.0	3.0	3.0	0.1
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	0.3	0.3	0.3	0.3	0.3	0.0
Latin America	**4.7**	**4.7**	**4.8**	**5.1**	**5.1**	**5.0**	**0.2**	**5.2**	**5.1**	**5.1**	**5.1**	**5.1**	**0.1**
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Oman	0.9	0.9	0.9	1.0	1.0	0.9	0.0	1.0	1.0	1.0	0.9	1.0	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**	**1.3**	**1.3**	**1.3**	**1.3**	**0.0**
Chad	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Congo	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Egypt	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.6	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	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	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	0.4	0.3	0.3	0.3	0.3	0.0
Africa	**2.6**	**2.3**	**2.4**	**2.4**	**2.4**	**2.4**	**0.0**	**2.4**	**2.4**	**2.4**	**2.3**	**2.4**	**0.0**
Total DCs	**12.6**	**12.1**	**12.1**	**12.3**	**12.3**	**12.2**	**0.1**	**12.5**	**12.4**	**12.3**	**12.2**	**12.3**	**0.1**
FSU	**13.2**	**13.3**	**13.4**	**13.4**	**13.4**	**13.4**	**0.0**	**13.4**	**13.3**	**13.3**	**13.3**	**13.3**	**-0.1**
Russia	10.3	10.4	10.5	10.5	10.5	10.5	0.0	10.5	10.5	10.5	10.5	10.5	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	0.9	0.9	0.0	0.9	0.9	0.8	0.9	0.9	0.0
FSU others	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
China	4.1	4.2	4.2	4.2	4.4	4.3	0.0	4.3	4.3	4.3	4.4	4.3	0.1
Non-OPEC production	**50.3**	**50.7**	**52.1**	**53.7**	**54.3**	**53.7**	**1.6**	**54.9**	**54.7**	**54.9**	**55.5**	**55.0**	**1.2**
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**	**55.9**	**56.4**	**55.9**	**1.7**	**57.1**	**56.9**	**57.0**	**57.7**	**57.2**	**1.2**
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**	**61.7**	**62.4**	**61.7**	**1.9**	**63.0**	**62.8**	**63.1**	**63.8**	**63.2**	**1.4**

** Chile has been included in OECD Americas.*
Note: Totals may not add up due to independent rounding.

Table 10.7: World Rig Count

	2010	2011	2012	2013	*Change* 13/12	4Q13	1Q14	2Q14	3Q14	Sep 14	Oct 14	*Change* Oct/Sep
US	1,541	1,881	1,919	1,761	-158	1,758	1,780	1,852	1,904	1,930	1,930	0
Canada	347	423	366	354	-12	379	526	202	385	407	424	17
Mexico	97	94	106	106	0	101	93	87	85	87	83	-4
Americas	1,985	2,398	2,391	2,221	-170	2,238	2,400	2,140	2,374	2,424	2,437	13
Norway	18	17	17	20	2	18	17	18	15	15	16	1
UK	19	16	18	17	-1	14	15	17	15	13	15	2
Europe	94	118	119	135	16	133	135	146	148	148	148	0
Asia Pacific	21	17	24	27	3	25	28	27	25	25	25	0
Total OECD	2,100	2,532	2,534	2,383	-151	2,396	2,563	2,314	2,547	2,597	2,610	13
Other Asia	248	239	217	219	2	219	230	221	231	235	227	-8
Latin America	205	195	180	166	-14	168	164	176	174	170	170	0
Middle East	156	104	110	76	-33	86	84	85	82	82	79	-3
Africa	19	2	7	16	9	24	27	30	24	23	25	2
Total DCs	628	540	513	477	-36	497	504	512	511	510	501	-9
Non-OPEC rig count	**2,727**	**3,072**	**3,047**	**2,860**	**-187**	**2,894**	**3,067**	**2,826**	**3,058**	**3,107**	**3,111**	**4**
Algeria	25	31	36	47	11	47	49	46	48	45	45	0
Angola	9	10	9	11	2	14	16	16	14	14	14	0
Ecuador	11	12	20	26	6	26	25	25	26	24	25	1
Iran**	52	54	54	54	0	54	54	54	54	54	54	0
Iraq**	36	36	58	83	25	92	89	93	75	58	56	-2
Kuwait**	20	57	57	58	1	57	60	60	68	69	67	-2
Libya**	16	8	12	15	3	14	15	10	8	5	8	3
Nigeria	15	36	36	37	1	36	35	31	32	30	33	3
Qatar	9	8	8	9	1	8	11	11	11	10	11	1
Saudi Arabia	67	100	112	114	3	115	125	132	137	138	139	1
UAE	13	21	24	28	4	30	30	33	37	37	36	-1
Venezuela	70	122	117	121	3	121	121	114	122	121	115	-6
OPEC rig count	**342**	**494**	**542**	**602**	**60**	**614**	**629**	**624**	**631**	**605**	**603**	**-2**
Worldwide rig count*	**3,069**	**3,566**	**3,589**	**3,462**	**-127**	**3,508**	**3,696**	**3,450**	**3,689**	**3,712**	**3,714**	**2**
of which:												
Oil	1,701	2,257	2,654	2,611	-43	2,631	2,819	2,687	2,851	2,852	2,863	11
Gas	1,325	1,262	886	746	-140	769	780	671	744	766	761	-5
Others	43	49	52	109	57	110	99	95	96	96	92	-4

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

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

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Disclaimer

OPEC Basket average price *US$/b*

down 10.92 in October

October 2014	85.06
September 2014	95.98
Year to date	**101.79**

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

down 0.23 in October

October 2014	30.25
September 2014	30.48

Economic growth rate *per cent*

	World	OECD	US	Japan	Euro-zone	China	India
2014	3.2	1.8	2.1	0.8	0.7	7.4	5.5
2015	3.6	2.1	2.6	1.2	1.1	7.2	5.8

Supply and demand *mb/d*

2014		**14/13**	**2015**		**15/14**
World demand	91.2	1.1	World demand	92.4	1.2
Non-OPEC supply	55.9	1.7	Non-OPEC supply	57.2	1.2
OPEC NGLs	5.8	0.2	OPEC NGLs	6.0	0.2
Difference	**29.5**	**–0.8**	**Difference**	**29.2**	**–0.3**

OECD commercial stocks *mb*

	Jul 14	Aug 14	Sep 14	Sep 14/Aug 14	Sep 13
Crude oil	1,299	1,291	1,297	5.3	1,292
Products	1,361	1,406	1,422	15.9	1,409
Total	**2,660**	**2,698**	**2,719**	**21.2**	**2,701**
Days of forward cover	58.0	58.6	58.7	0.1	57.5

Next report to be issued on 10 December 2014.