# OPEC

# Monthly Oil Market Report

*13 August 2018*

## *Feature article:*

*Crude and product price movements*

Organization of the Petroleum Exporting Countries

Helferstorferstrasse 17, A-1010 Vienna, Austria
E-mail: prid(at)opec.org
Website: www.opec.org

# Oil Market Highlights

## Crude Oil Price Movements

In July, the OPEC Reference Basket increased marginally by 5¢ m-o-m to settle at $73.27/b. Oil futures saw mixed movement over the month, while US oil inventories continued to drain, particularly in Cushing, Oklahoma. ICE Brent averaged 99¢ m-o-m lower at $74.95/b, while NYMEX WTI rose $3.26 m-o-m to $70.58/b. Year-to-date (y-t-d), ICE Brent is $19.53 higher at $71.72/b compared to the same period a year earlier, while NYMEX WTI climbed $16.70 to $66.20/b. The ICE Brent/NYMEX WTI spread narrowed by $4.25/b to $4.37/b in July. Speculative net long positions ended the month lower, particularly for ICE Brent. The Dubai market backwardated structure eased again, while Brent flipped into contango for the remainder of the year. In the US, WTI backwardation increased significantly for the second successive month. Apart from the USGC costal grades, the global sour discount to sweet crudes increased due to a surplus of sour crudes.

## World Economy

The global GDP growth forecast remains at 3.8% for 2018 and 3.6% for 2019, unchanged from the previous assessment. After a strong 2Q18, US growth was revised up by 0.1 pp in both 2018 and 2019, reaching 2.9% and 2.5%, respectively. Euro-zone growth slowed and the forecasts were revised down by 0.2 pp to 2% for 2018 and by 0.1 pp to 1.9% in 2019. Growth in Japan remains at 1.2% in 2018, and the same level is projected for 2019. India's forecasts are unchanged at 7.3% for 2018 and 7.4% for 2019. After solid growth in 1H18, China's growth forecast was revised up by 0.1 pp to now stand at 6.6% for 2018 and remains at 6.2% for 2019. Growth in Brazil was revised down by 0.1 pp, reaching 1.6% in 2018, but a mild rebound to 2.1% is anticipated in 2019. Russia's GDP growth forecast remains unchanged at 1.8% in both 2018 and 2019.

## World Oil Demand

In 2018, oil demand growth is anticipated to increase by 1.64 mb/d, 20 tb/d lower than last month's projections, mainly due to weaker-than-expected oil demand data from Latin America and the Middle East in 2Q18. Total oil demand is anticipated to reach 98.83 mb/d. For 2019, world oil demand is forecast to grow by 1.43 mb/d, also some 20 tb/d lower than last month's assessment. Total world consumption is anticipated to reach 100.26 mb/d. The OECD region will contribute positively to oil demand growth, rising by 0.27 mb/d y-o-y, yet with growth of 1.16 mb/d, non-OECD nations will account for the majority of growth expected.

## World Oil Supply

Non-OPEC oil supply in 2018 was revised up by 73 tb/d from the previous MOMR to average 59.62 mb/d, representing an increase of 2.08 mb/d y-o-y. The main reason for this upward revision was an adjustment for the Chinese supply forecast due to the higher-than-expected oil output in 1H18. Non-OPEC oil supply in 2019 is projected to reach an average of 61.75 mb/d, indicating an upward revision by 106 tb/d, mostly due to a re-assessment of the Chinese supply forecast for the next year. However, y-o-y growth was revised up by only 34 tb/d, to average 2.13 mb/d, owing to downward revisions in the US and Australian supply forecasts. The US, Brazil, Canada, the UK, Kazakhstan, Australia and Malaysia are the main growth drivers; while Mexico and Norway are expected to see the largest declines. The 2019 forecast remains subject to many uncertainties. OPEC NGL production in 2018 and 2019 is expected to grow by 0.12 mb/d and 0.11 mb/d to average 6.36 mb/d and 6.47 mb/d, respectively. In July, OPEC production increased by 41 tb/d to average 32.32 mb/d, according to secondary sources.

## Product Markets and Refining Operations

In July, US margins recorded solid losses as crack spreads for all products with the exception of fuel oil declined, due to weaker fundamentals and higher feedstock costs. Strong middle distillate stock builds and an all-time record breaking jet fuel output further pressured USGC refining margins. In Europe, product markets recorded moderate gains on the top and bottom of the barrel, supported by firm exports outweighing losses seen in the middle of the barrel. Meanwhile, product markets in Asia strengthened, supported by robust gasoline demand from India, lower fuel oil arrivals from Europe and lower crude prices, which led to reduced feedstock costs for refiners, while gasoil output in China hit new highs.

## Tanker Market

Dirty tanker spot freight rates declined on average in July. This was mainly on the back of the continued weak trend persisting in the market across all classes. VLCC spot freight rates declined on all reported routes, while Suexmax spot freight rates remained flat, suffering from limited activity in general. Aframax saw mixed freight rates; however, average rates went down, pressured by the drop seen in the Caribbean and despite a firmer market in the Mediterranean. Clean tanker average spot freight rates declined as a result of lower freights West of Suez. Generally, the market remained uneventful, with limited demand on tonnage.

## Stock Movements

Preliminary data for June showed that total OECD commercial oil stocks fell by 12.8 mb m-o-m to stand at 2,822 mb. This was 197 mb lower than seen during the same time one year ago, and 33 mb below the latest five-year average. However, OECD commercial oil stocks remain 251 mb above the January 2014 level. In terms of days of forward cover, OECD commercial stocks fell in June to stand at 58.8 days, which is 2.1 days lower than the latest five-year average.

## Balance of Supply and Demand

In 2018, demand for OPEC crude is expected at 32.9 mb/d, 0.6 mb/d lower than the 2017 level. In 2019, demand for OPEC crude is forecast at 32 mb/d, around 0.8 mb/d lower than the 2018 level.

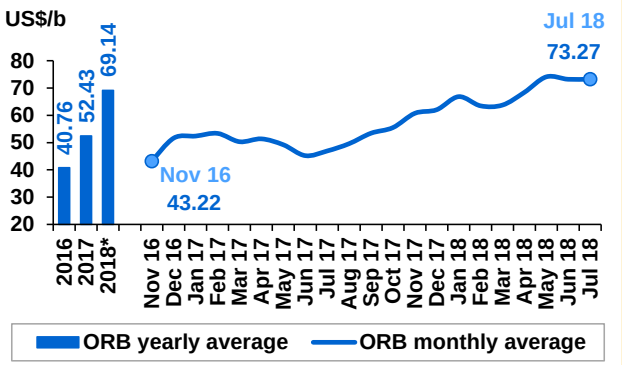
# Feature Article

## Crude and product price movements

Compared to a year earlier, there has been an overall improvement in crude oil prices in 2018. The extent of the increases in the benchmarks has varied, impacted by different market fundamentals on each side of the Atlantic. At the same time, product prices have generally followed the upward trajectory of crude oil prices.

Since the end of 2016, the OPEC Reference Basket has increased by nearly 70%, gaining $30 to average $73.27/b in July 2018. During the same period, ICE Brent improved by 60% to reach $75/b, while NYMEX WTI rose by 55% to settle above $70/b, for the first time since late 2014, at $70.58/b. Oil prices increased during this period amid decreasing oil inventories, which have switched from showing a huge overhang to the five-year average at the end of 2016, to now stand at a deficit. Furthermore, robust global demand and growing geopolitical tension have supported the rise in crude oil prices. In addition, an all-time record increase in financial market trader activity also contributed to bullish sentiment.

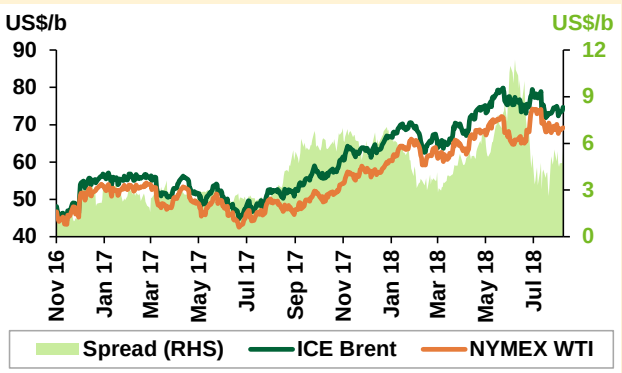
**Graph 1: OPEC Reference Basket (ORB) movement**




*Note: * Year-to-date.*
*Source: OPEC Secretariat.*

The transatlantic spread between ICE Brent and NYMEX WTI widened significantly since the end of 2016, reaching as much as $12/b in May, helping to raise US crude exports to Asia and Europe to record levels. The lack of pipeline capacity from the Permian Basin weighed on WTI prices and caused bigger discounts relative to Brent, which was buoyed by rising concerns over potential supply disruptions caused by geopolitical tension. However, in recent weeks the spread narrowed, as crude stocks at Cushing saw significant draws to reach the lowest level in almost four years after an outage at an oil sands facility in northern Alberta, Canada, reduced flows to the hub.

**Graph 2: Transatlantic spread between Brent and WTI**




*Source: Intercontinental Exchange, CME Group and OPEC Secretariat.*

On the product side, fuel prices globally trended upwards in 2018 in response to rising crude prices. In the US, gasoline prices reached a 33-month record high of $96/b in May, up by 30% compared to $75/b a year earlier. At the same time, refinery margins performed well, reaching a high of $18.55/b during the same month, both due to refineries being offline during peak maintenance, as well as healthy product demand. Since then, US gasoline prices have retreated slightly, as refineries came back online and refinery margins dropped to an average of $13.05/b in July. However, it should be noted that monthly demand data for US gasoline has shown some weakness so far this year, with three out of five months showing year-on-year declines. While gasoline demand growth appears to be softening, diesel in the US, on the other hand, managed to remain bullish with positive year-on-year demand growth, reaching 300 tb/d in May.

Meanwhile, refining margins in Europe did not see the usual seasonal upward trend at the end of 2017, dropping to multiyear lows of $4.15/b in March, with y-o-y changes remaining in negative territory for eight consecutive months. This was mainly driven by lower product demand, as requirements for diesel, particularly during the winter season, remained lower than expected.

Looking ahead, healthy global economic developments and increased industrial activity should support the demand for distillate fuels in the coming months, leading to a further drawdown in diesel inventories, which already stand well below the five-year average in the OECD region. Additionally, the lack of investments in fuel oil desulphurization units, to accommodate the IMO 2020 regulations amid the declining high-sulphur fuel-oil refinery output will likely boost diesel requirement, as a cleaner substitute for bunker fuel oil. These two factors could lead to further market tightness for diesel, thus exacerbating pressure on diesel prices.

# Table of Contents

Table of Contents

# Crude Oil Price Movements

*The OPEC Reference Basket (ORB) ended July marginally higher from the previous month, remaining well above the $70/b for the third month in a row. M-o-m, the ORB value increased slightly by 5¢ to settle at $73.27/b. The ORB component values showed mixed movement, reflecting the performance of their respective crude oil benchmarks. Year-to-date, the ORB value was $19.38 higher, compared to the same period in 2017, to stand at $69.14/b.*

*Oil futures saw a mixed performance over the month. ICE Brent crude oil futures ended the month lower, for the second month in succession, but persisted near $75/b, as a result of perceived oversupply. NYMEX WTI futures surged near 5%, to settle above $70/b for the first time since November 2014, supported by bullish US demand data and as US crude stocks fell to their lowest since February 2015. ICE Brent averaged 99¢ m-o-m lower at $74.95/b, while NYMEX WTI rose by $3.26 to $70.58/b. Year-to-date, ICE Brent was $19.53 higher at $71.72/b, while NYMEX WTI climbed $16.70 to $66.20/b, compared to the same period in 2017. The NYMEX WTI/ICE Brent spread was halved from the June level of $8/b, as crude stocks in the US, particularly at Cushing, continued to fall. The first-month ICE Brent/NYMEX WTI spread narrowed by $4.25 m-o-m to average $4.37/b in July.*

*Speculative net long positions were lower on 31 July compared to the end of June in both benchmark crude oil futures. Net long positions in NYMEX WTI decreased by 4,031 contracts to 386,764 lots, while in ICE Brent they dropped by 80,872 lots to 372,346 contracts. The long-to-short ratio in ICE Brent speculative positions increased slightly, from 8:1 to 9:1, while the ratio in NYMEX WTI decreased from 21:1 to 19:1. In the meantime, the total futures and options open interest volume in the two exchanges was lower by 232,714 contracts, or 3.7%, to stand at 6.1 million contracts.*

*The backwardation in the Dubai market structure eased again in July, amid ample supply and lower demand. Brent flipped into contango for the remainder of this year, due to perceived oversupply. In the US, WTI backwardation increased significantly this month amid tightness in supply at Cushing. Meanwhile, apart from the US Gulf Coast (USGC) costal grades, the discount of global sour to sweet crudes increased amid ample supply of sour crudes.*

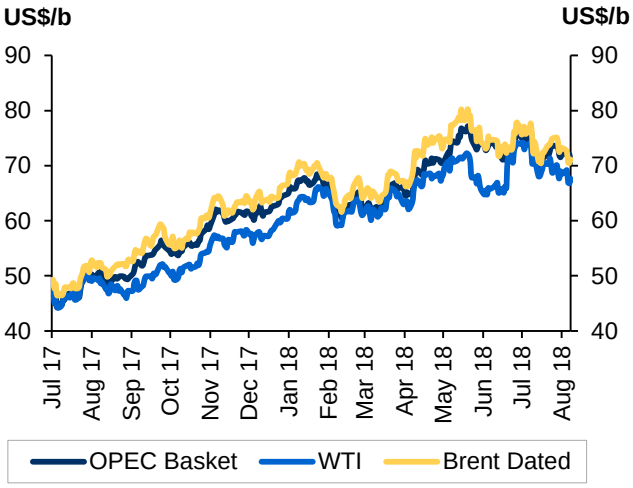
# OPEC Reference Basket

The **ORB** ended the month marginally higher, remaining well above $70/b for the third month in a row. The ORB component values were mixed reflecting their respective crude oil benchmarks.

Crude oil physical benchmarks Dated Brent and WTI spot rose 16¢ and $3.33, respectively, m-o-m in July. Dubai spot prices fell by 52¢ m-o-m.

The **light sweet crude ORB components from West and North Africa –** Saharan Blend, Es Sider, Girassol, Bonny Light, Equatorial Guinea's Zafiro, Gabon's Rabi and Congo's Djeno – values increased on average by 33¢, or 0.4%, m-o-m to $73.41/b in July. In addition to the slight lift in the value of the Brent benchmark, these crudes were supported by positive West African/Asia arbitrage economics amid a contraction of more than $2/b in the Brent/Dubai spread.

**Graph 1 - 1: Crude oil price movement**




*Sources: Argus Media, OPEC Secretariat and Platts.*

The performance of the **Latin American ORB components,** Venezuelan Merey and Ecuador's Oriente, was mixed despite the notable improvement in the US benchmark. Merey ended the month for the first time above the $70/b since October 2014. It was up $1.12, or 1.6%, m-o-m at $70.37/b in July, while Oriente was down by 94¢, or 1.3%, m-o-m at $69.11/b in July.

The value of **multiple-region destination grades** Arab Light, Basrah Light, Iran Heavy and Kuwait Export, was reduced because of weaker backwardation in Dubai, slipping marginally by less than 7¢, or less than 0.1% m-o-m, to $72.49/b in July.

With regard to **Middle Eastern spot ORB components**, Murban decreased by 18¢, or 0.2%, m-o-m to $76.00/b, while Qatar Marine improved by 12¢, or 0.2% m-o-m, to $73.06/b.

On a monthly basis, the **July ORB value** increased 5¢, or 0.1%, m-o-m to settle at $73.27/b. Year-to-date, the ORB value was 39%, or $19.38, higher at $69.14/b compared with the same period in 2017.

On 10 August, the ORB stood at $70.60/b, $2.67 below the July average.

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

| | | | *Change* | | *Year-to-date* | |
|---|---|---|---|---|---|---|
| | Jun 18 | Jul 18 | Jul/Jun | % | 2017 | 2018 |
| **Basket** | **73.22** | **73.27** | **0.05** | **0.1** | **49.75** | **69.14** |
| Arab Light | 74.26 | 74.16 | -0.10 | -0.1 | 49.90 | 69.81 |
| Basrah Light | 71.90 | 72.02 | 0.12 | 0.2 | 49.13 | 67.91 |
| Bonny Light | 74.86 | 75.06 | 0.20 | 0.3 | 51.56 | 72.04 |
| Djeno* | 70.58 | 70.91 | 0.33 | 0.5 | 49.33 | 68.56 |
| Es Sider | 72.27 | 72.43 | 0.16 | 0.2 | 49.68 | 69.81 |
| Girassol | 73.54 | 74.40 | 0.86 | 1.2 | 51.31 | 71.44 |
| Iran Heavy | 71.69 | 71.44 | -0.25 | -0.3 | 49.36 | 67.56 |
| Kuwait Export | 72.38 | 72.33 | -0.05 | -0.1 | 49.10 | 67.88 |
| Qatar Marine | 72.94 | 73.06 | 0.12 | 0.2 | 50.61 | 68.67 |
| Merey | 69.25 | 70.37 | 1.12 | 1.6 | 44.97 | 63.26 |
| Murban | 76.18 | 76.00 | -0.18 | -0.2 | 52.54 | 71.67 |
| Oriente | 70.05 | 69.11 | -0.94 | -1.3 | 46.99 | 65.81 |
| Rabi Light | 73.11 | 73.07 | -0.04 | -0.1 | 50.20 | 70.12 |
| Sahara Blend | 73.37 | 73.93 | 0.56 | 0.8 | 50.91 | 71.45 |
| Zafiro | 73.84 | 74.05 | 0.21 | 0.3 | 50.83 | 71.03 |
| **Other Crudes** | | | | | | |
| Dated Brent | 74.17 | 74.33 | 0.16 | 0.2 | 51.23 | 71.14 |
| Dubai | 73.61 | 73.09 | -0.52 | -0.7 | 50.79 | 68.81 |
| Isthmus | 70.92 | 69.63 | -1.29 | -1.8 | 52.48 | 68.58 |
| LLS | 74.31 | 72.91 | -1.40 | -1.9 | 51.42 | 70.01 |
| Mars | 70.26 | 69.14 | -1.12 | -1.6 | 47.91 | 66.46 |
| Minas | 76.72 | 73.51 | -3.21 | -4.2 | 47.17 | 65.82 |
| Urals | 73.55 | 73.20 | -0.35 | -0.5 | 50.05 | 69.63 |
| WTI | 67.70 | 71.03 | 3.33 | 4.9 | 49.48 | 66.31 |
| **Differentials** | | | | | | |
| Brent/WTI | 6.47 | 3.30 | -3.17 | - | 1.76 | 4.83 |
| Brent/LLS | -0.14 | 1.42 | 1.56 | - | -0.19 | 1.13 |
| Brent/Dubai | 0.56 | 1.24 | 0.68 | - | 0.44 | 2.33 |

*Note: * As of June 2018, the ORB includes the Congolese crude "Djeno".*
*Sources: Argus Media, Direct Communication, OPEC Secretariat and Platts.*

# The oil futures market

**Crude oil futures** experienced mixed movement in July. For the second successive month, ICE Brent crude oil futures ended the month lower, but remained near $75/b. Brent was also pressured by concerns that global trade tensions could crimp global economic growth. On the other hand, NYMEX WTI futures surged near 5%, to settle above the $70/b for the first time since November 2014, supported by bullish US demand data on the back of strong US economic growth figures and as crude stocks in the US fell to their lowest since February 2015. Oil prices were also supported by the temporary suspension of oil shipments through a strait in the Red Sea and an easing of trade tensions between the US and the European Union.

**ICE Brent** averaged 99¢, or 1.3%, m-o-m lower at $74.95/b in July, while **NYMEX WTI** rose $3.26/b, or 4.8%, m-o-m to average $70.58/b. Year-to-date, ICE Brent is $19.53, or 37.4%, higher at $71.72/b, while NYMEX WTI climbed $16.70, or 33.7%, to $66.20/b, compared to the same period a year earlier.

In line with the weakening of Brent, **DME Oman** also dropped 71¢, or 1%, m-o-m to settle at $72.92/b. Year-to-date, DME Oman was up $18.12/b, or 35.6%, to stand at $68.93/b, compared to the same period in 2017.

Crude oil futures prices slipped in the second week of August. On 10 August, ICE Brent stood at $72.81/b and NYMEX WTI at $67.63/b.

**Table 1 - 2: Crude oil futures, US$/b**

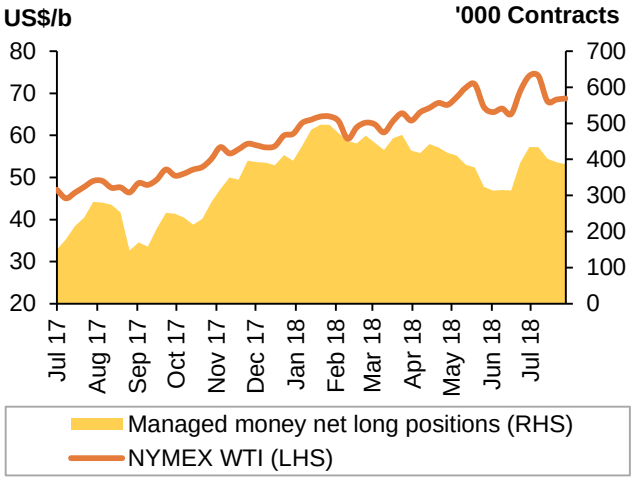
| | | | *Change* | | *Year-to-date* | |
|---|---|---|---|---|---|---|
| | Jun 18 | Jul 18 | Jul/Jun | % | 2017 | 2018 |
| **NYMEX WTI** | 67.32 | 70.58 | 3.26 | 4.8 | 49.50 | 66.20 |
| **ICE Brent** | 75.94 | 74.95 | -0.99 | -1.3 | 52.18 | 71.72 |
| **DME Oman** | 73.63 | 72.92 | -0.71 | -1.0 | 50.93 | 69.05 |
| **Transatlantic spread (ICE Brent-NYMEX WTI)** | ***8.62*** | ***4.37*** | ***-4.25*** | ***-49.3*** | ***2.69*** | ***5.52*** |

*Note: Totals may not add up due to independent rounding.*
*Sources: CME Group, Dubai Mercantile Exchange, Intercontinental Exchange and OPEC Secretariat.*

An end of the month, a snapshot of **speculative activity** showed that speculative net long positions were lower on 31 July compared to the end of June in both crude oil futures, NYMEX WTI and ICE Brent.

Hedge funds and money managers decreased their combined futures and options net long positions in **NYMEX WTI** by 4,031 lots, or 1%, to 386,764 contracts on 31 July, the US Commodity Futures Trading Commission (CFTC) said.

**Graph 1 - 2: NYMEX WTI vs. Managed money net long positions**



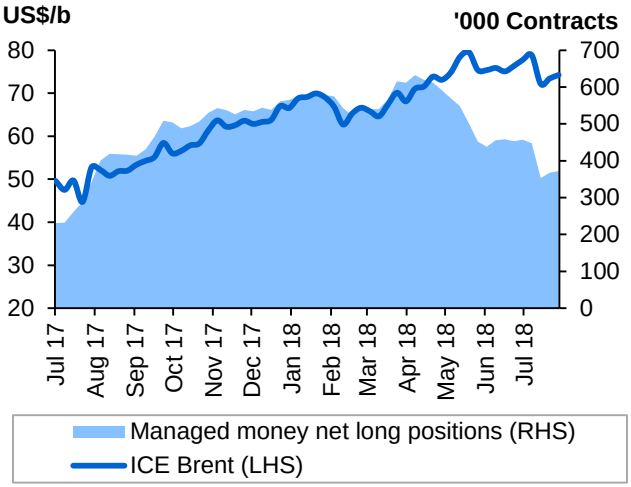

*Sources: CFTC , CME Group and OPEC Secretariat.*

In **ICE Brent**, hedge funds and money managers cut their combined futures and options net long positions substantially by 80,872 contracts, or 17.8%, from 453,218 contracts at the end of June to 372,346 lots on 31 July, according to Intercontinental Exchange.

The **long-to-short ratio** in ICE Brent speculative positions increased slightly, from 8:1 to 9:1, while the ratio in NYMEX WTI decreased from 21:1 to 19:1.

Meantime, the **total futures and options open interest volume** in the two exchanges was lower by 232,714 contracts, or 3.7%, to stand at 6.1 million contracts.

**Graph 1 - 3: ICE Brent vs. Managed money net long positions**

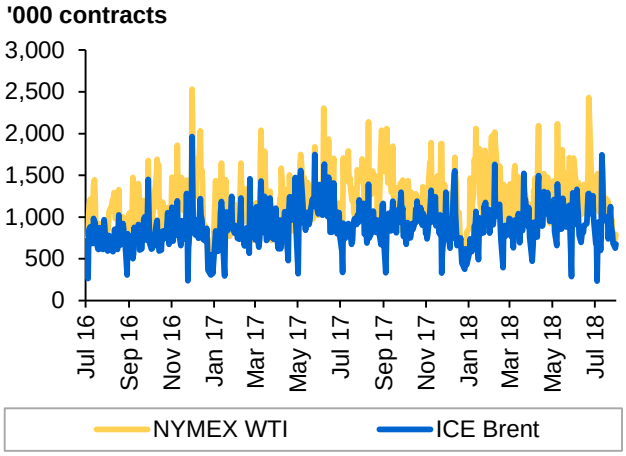



*Sources: Intercontinental Exchange and OPEC Secretariat.*

The **daily average traded volume** for NYMEX WTI contracts decreased by 264,770 lots, or 19.5%, m-o-m to 1,096,068 contracts in July, while that of ICE Brent was 159,010 lots lower, down by 15.5% m-o-m to stand at 864,864 contracts.

**Daily aggregate traded volume** for both crude oil futures markets decreased by 423,781 contracts, or 17.8%, to 1.96 million futures contracts, or about 2 billion b/d of crude oil. Due to fewer trading days, the total traded volume in NYMEX WTI was 19.5% lower at 23 million contracts, while that of ICE Bent was 11.5% lower at 19 million contracts.

**Graph 1 - 4: NYMEX WTI and ICE Brent daily trading volumes**




*Sources: CME Group, Intercontinental Exchange and OPEC Secretariat.*

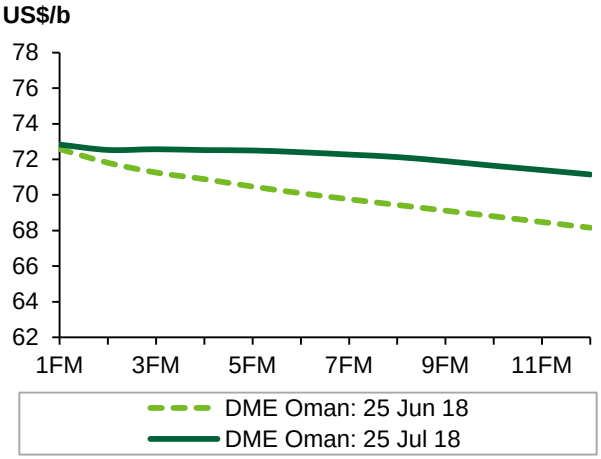
# The futures market structure

The backwardation in the **Dubai** market structure eased again in July as ample supply and expected lower demand during the refinery maintenance season in autumn weighed on the market. The market remained challenged by rising arbitrage supplies in Asia amid pressure from a narrower Brent premium to Dubai swaps, which has slipped further to a 12-month low.

**Brent** flipped into contango with activity running low amid a perceived rise in oil supply and increasing floating storage levels in Europe.

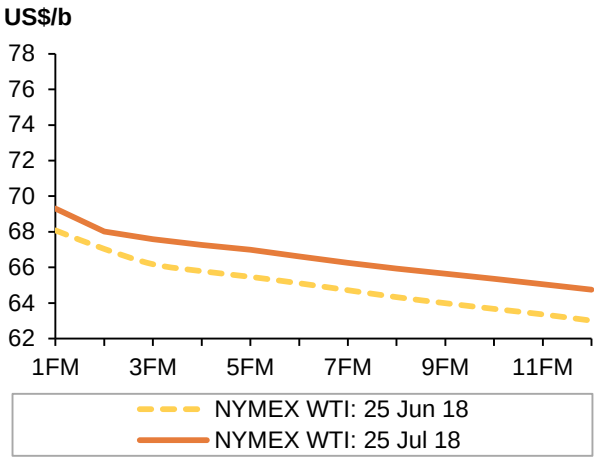
In the **US**, the WTI backwardation increased significantly again this month as the tightness in supplies at Cushing further pushed the M1 premium to M2, resulting in a fresh four-year high.

**Graph 1 - 5: DME Oman forward curves**



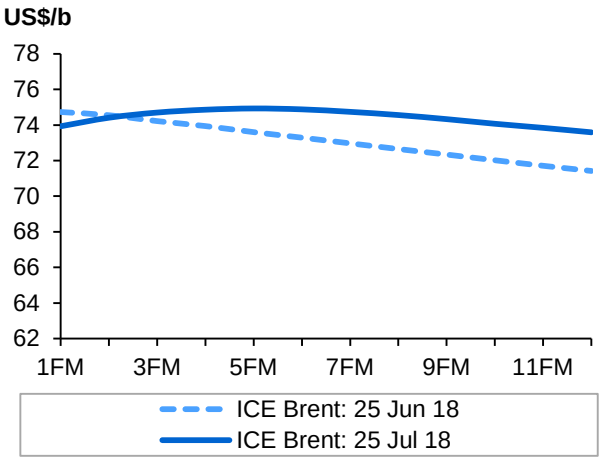

*Note: FM = future month.*
*Sources: Dubai Mercantile Exchange and OPEC Secretariat.*

**Graph 1 - 6: NYMEX WTI forward curves**




*Note: FM = future month.*
*Sources: CME Group and OPEC Secretariat.*

**Graph 1 - 7: ICE Brent forward curves**




*Note: FM = future month.*
*Sources: Intercontinental Exchange and OPEC Secretariat.*

Regarding the **M1/M3 structure**, the North Sea Brent M1/M3 22¢/b backwardation flipped back to contango of 9¢/b, down 32¢.The Dubai M1/M3 $1.13/b premium decreased to 48¢/b, a 64¢ drop. In the US, the WTI backwardation of $1.35/b surged to $3.17/b, where M1/M3 widened by $1.82.

The June **spread between the benchmarks NYMEX WTI and ICE Brent** of $8/b was halved in July as crude stocks in the US, particularly at Cushing, continue to fall. In the last week of July, crude stocks at the Cushing, Oklahoma, delivery hub fell by 1.3 mb, according to the EIA, the lowest level since October 2014. Inventories at the delivery point for US crude futures have plunged after an outage at Syncrude's oil sands facility in northern Alberta, Canada, in June dented flows to the hub. The narrowing of the Brent/WTI spread typically impacts exports on a lagged basis. Weekly crude exports dropped by about 1.4 mb/d at the end of July. Meanwhile, rising supplies and fears of a slowdown in global economic growth pressured the global benchmark Brent.

The first-month **ICE Brent/NYMEX WTI spread** narrowed m-o-m by $4.25 to stand at $4.37/b in July, from $8.62/b in June.

**Table 1 - 3: NYMEX WTI and ICE Brent forward curves, US$/b**

| | | 1FM | 2FM | 3FM | 6FM | 12FM | 12FM-1FM |
|---|---|---|---|---|---|---|---|
| NYMEX WTI | 25 Jun 18 | 68.08 | 67.04 | 66.18 | 65.11 | 63.01 | -5.07 |
| | 25 Jul 18 | 69.30 | 68.01 | 67.59 | 66.61 | 64.75 | -4.55 |
| | ***Change*** | **1.22** | **0.97** | **1.41** | **1.50** | **1.74** | **0.52** |
| ICE Brent | 25 Jun 18 | 74.73 | 74.55 | 74.22 | 73.29 | 71.42 | -3.31 |
| | 25 Jul 18 | 73.93 | 74.41 | 74.70 | 74.88 | 73.59 | -0.34 |
| | ***Change*** | **-0.80** | **-0.14** | **0.48** | **1.59** | **2.17** | **2.97** |
| DME Oman | 25 Jun 18 | 72.58 | 71.81 | 71.26 | 70.10 | 68.16 | -4.42 |
| | 25 Jul 18 | 72.83 | 72.53 | 72.57 | 72.40 | 71.15 | -1.68 |
| | ***Change*** | **0.25** | **0.72** | **1.31** | **2.30** | **2.99** | **2.74** |

*Note: FM = future month.*
*Sources: CME Group, Dubai Mercantile Exchange, Intercontinental Exchange and OPEC Secretariat.*

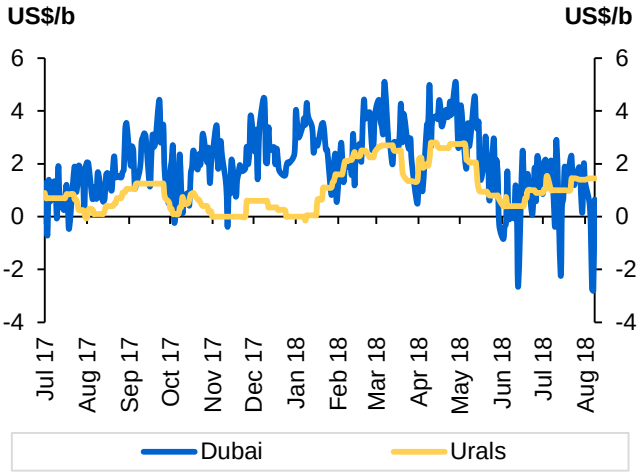
# The light sweet/medium sour crude spread

Apart from the USGC costal grades, the global discount of sour to sweet crudes increased amid ample supply of sour crudes, despite good fuel oil cracks.

In **Europe**, the light sweet North Sea Brent premium to Urals medium sour crude doubled on ample Urals supplies. The spread increased by 51¢, to the advantage of Brent, to average $1.13/b. Urals differentials eased in Mediterranean, as the demand for July volumes was low. Urals in Mediterranean were under pressure, along with the volumes traded in Northwest Europe, on the back of additional supply after Russian Urals crude exports from Baltic Sea ports increased by 93 tb/d in July.

In **Asia**, the Tapis premium over Dubai widened. The Asia-Pacific crude market was firm, helped by a narrower Brent-Dubai price spread. Brent crude oil's premium to Dubai quotes stayed low as the global benchmark continued to weaken. A narrower price spread between the two benchmarks will encourage Asian buyers to buy more oil from the Atlantic Basin and curb demand for Dubai-linked grades. The Tapis/Dubai spread widened by 30¢ m-o-m to $2.99/b in July.

**Graph 1 - 8: Brent Dated vs. sour grades (Urals and Dubai) spread**




*Sources: Argus Media, OPEC Secretariat and Platts.*

In the **USGC**, the Light Louisiana Sweet (LLS) premium over medium sour Mars slipped by 28¢ m-o-m to $3.77/b in July, amid sustained demand for the grade from exporters, particularly VLCC exports from the Louisiana Offshore Oil Port. Meanwhile, both Mars sour and LLS differentials to WTI futures eased by around $4.45/b in July as the WTI crude futures' discount to global benchmark Brent narrowed significantly. Furthermore, WTI at Midland traded as low as $16.25/b below WTI futures, the lowest level since August 2014, amid ongoing pipeline takeaway capacity constraints in the Permian basin.

# Impact of US dollar and inflation on oil prices

On average, the **US dollar (USD)** consolidated its gains from the previous month against other major currencies. The performance of the US economy – recently confirmed by US economic data – supports the relatively faster pace of monetary tightening by the US Federal Reserve, compared with other major economies' Central Banks.

The Japanese and European Central Banks are expected to remain significantly more accommodative as core inflation readings remain far from their target. The dollar was relatively unchanged against the **euro** on a monthly average comparison, and fluctuated on the speculation surrounding the expected first rate hike by the ECB, which should occur after the summer of 2019. Meanwhile, against the **Swiss franc**, the dollar gained on average 0.5%, and against the **Japanese yen** the USD gained 1.2%.

The dollar gained 0.9% against the **pound sterling**, despite the anticipated rate hike by the Bank of England materializing at the beginning of August. Uncertainties remained regarding the outcome of Brexit negotiations.

Comparing the USD with currencies in **emerging markets**, on average, the USD advanced against the **Chinese yuan** (RMB) in July by 3.8% m-o-m, and currently is up by 1.7% y-o-y. It's worth noting that foreign reserves of China increased by $5.8b during the month. The dollar advanced by 1.2% m-o-m against the **Indian rupee**, and traded in a very tight range during the month. The increase in interest rates by the Reserve Bank of India at the beginning of August was anticipated by the market and did not result in appreciation of the rupee. Against commodity exporters' currencies, the dollar advanced by 1.5% m-o-m against the **Brazilian real**, 16.3% this year, while against the **Russian rouble** it increased slightly by 0.2%, 7.3% this year. At the beginning of August, the potential of additional sanctions also resulted in additional depreciation of the rouble of around 10%.

At the time of writing this report, the **Turkish lira** had depreciated around 30% in August so far, amid concerns about ongoing external imbalances and the potential imposition of sanctions, which adds to the 2.6% depreciation against the USD in July. The dollar experienced further increases against the **Argentinean peso**, up on average by 4.1% m-o-m in July, and by around 56% year-to-date.

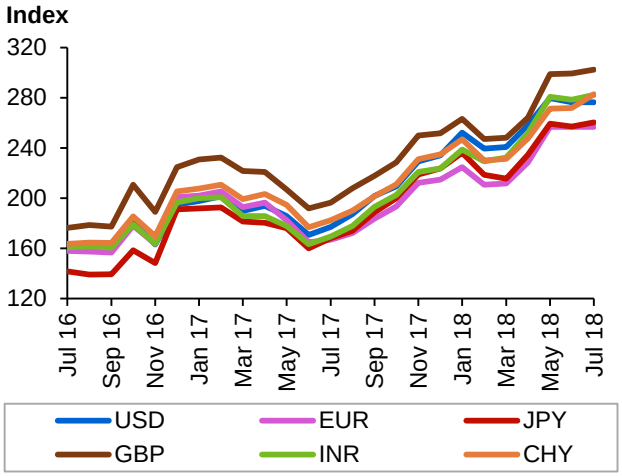
Against the **North American Free Trade Agreement (NAFTA)** member's currencies, the USD decreased by 5.9% against the **Mexican Peso**, a reaction to the formation of a new government in Mexico. In addition, trade talks between the US and Mexico appear to have advanced in recent weeks, especially with regard to the automobile production sector. The USD was relatively flat on average against the **Canadian dollar**, but it increased toward the end of the month as progress in trade talks appear to have slowed.

In **nominal terms**, the price of the ORB increased marginally by 5¢, or 0.1%, from $73.22/b in June to $73.27/b in July.

In **real terms**, after accounting for inflation and currency fluctuations, the ORB increased to $47.29/b in July from a revised $47.18/b (base June 2001=100) in the previous month.

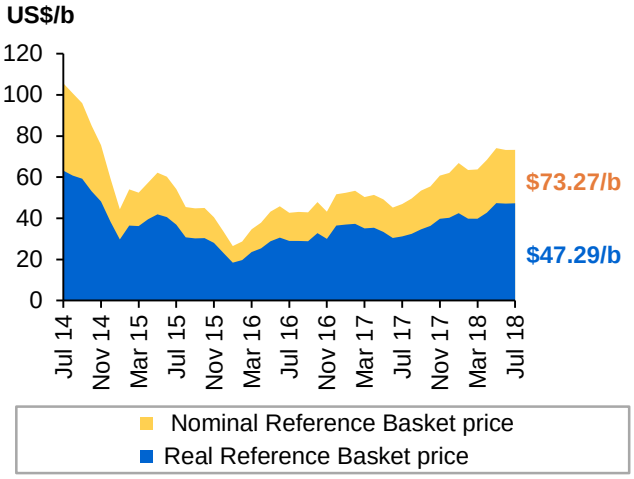
Over the same period, the **USD** increased by 0.3% against the import-weighted modified Geneva I + USD basket[1], while inflation was relatively stable m-o-m.

**Graph 1 - 9: ORB crude oil price index comparing to different currencies (Base January 2016 = 100)**




*Sources: IMF and OPEC Secretariat.*

**Graph 1 - 10: Impact of inflation and currency fluctuations on the spot OPEC Reference Basket price[1] (base June 2001 = 100)**




*Source: OPEC Secretariat.*

[1] *The "Modified Geneva I + USD Basket" includes the euro, the Japanese yen, the US dollar, the pound sterling and the Swiss franc, weighted according to merchandise imports by OPEC Member Countries from the countries in the basket.*

# Commodity Markets

*In July, energy prices increased slightly on average, with mixed performance of natural gas prices, which declined in the US market but rose in Europe. Meanwhile, coal prices improved across all regions. In the group of non-energy commodities, metal prices declined sharply, as concerns regarding global manufacturing and trade disputes soured market sentiment, triggering an increasingly bearish stance by money managers. Precious metals declined as well, due to the impact of higher interest rates in the US.*

## Trends in selected commodity markets

**Average energy prices** generally advanced in July, with the energy index increasing by around 1.2%. Year-to-date in July, energy prices were on average around 33% higher than in the same period last year.

**Table 2 - 1: Commodity prices**

| Commodity | Unit | Monthly averages | | | % Change | Year-to-date | |
|---|---|---|---|---|---|---|---|
| | | May 18 | Jun 18 | Jul 18 | Jul 18/Jun 18 | 2017 | 2018 |
| **Energy*** | | **94.1** | **93.1** | **94.3** | **1.2** | **65.4** | **88.0** |
| Coal, Australia | US$/mt | 105.4 | 116.5 | 118.3 | 1.6 | 81.8 | 106.0 |
| Crude oil, average | US$/b | 73.4 | 71.6 | 72.6 | 1.4 | 50.7 | 68.6 |
| Natural gas, US | US$/mbtu | 2.8 | 3.0 | 2.8 | -4.6 | 3.0 | 2.9 |
| Natural gas, Europe | US$/mbtu | 7.2 | 7.5 | 7.8 | 3.6 | 5.5 | 7.4 |
| **Base metal*** | | **96.4** | **96.5** | **87.1** | **-9.8** | **80.4** | **94.7** |
| **Precious metals*** | | **100.1** | **98.5** | **95.3** | **-3.3** | **96.7** | **100.4** |

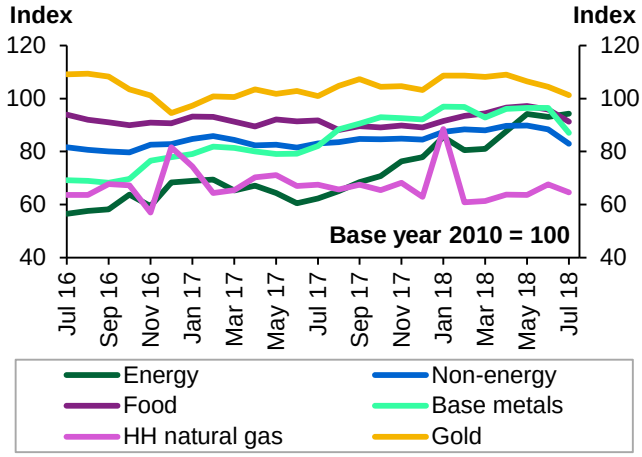
*Note: * World Bank commodity price indices (2010 = 100).*
*Source: OPEC Secretariat, World Bank, Commodity price data, S&P Goldman Sachs, Haver Analytics.*

In July, the **Henry Hub natural gas index** declined by 13¢, or 4.6%, compared to the previous month, to average $2.83/mmbtu. While temperatures remained above average for most of the month, the weather cooled somewhat in the Eastern part of the country, which translated into lower prices in the first half of the month. Nonetheless, according to the EIA, the higher temperatures have resulted in close-to-record high demand for power generation, which has considerably slowed the pace of refill of underground inventories. The EIA reported that utilities added 35 bcf to working gas underground storage during the week ending 27 July. The median analysis expectation was for a 43 bcf build. The build left total working gas in underground storage at 2,308 bcf, which was 19.7% lower than the previous five-year average. One month ago it was 18.6% lower than that average. Despite the low inventory levels, the market continued to focus on production running around 10% higher than in the previous year and the low inventory levels were mostly not considered.

On the other hand, **natural gas** import prices in Europe increased in July. Average border prices increased by 3.6% to $7.8/mmbtu. Spot prices also surged, supported by increased consumption due to higher temperatures, and further increases in coal prices, though the expectation of the arrival of cooler weather in the second half of August and a sustained pace of inventory replenishment prevented further increases. Natural gas inventories for EU Member States were around 61.7% full at the end of July – close to last year's July level of around 63.7%, according to *Gas Infrastructure Europe*. Inventory levels have increased significantly from lows seen at the end of March, when inventories where just 18.4% full.

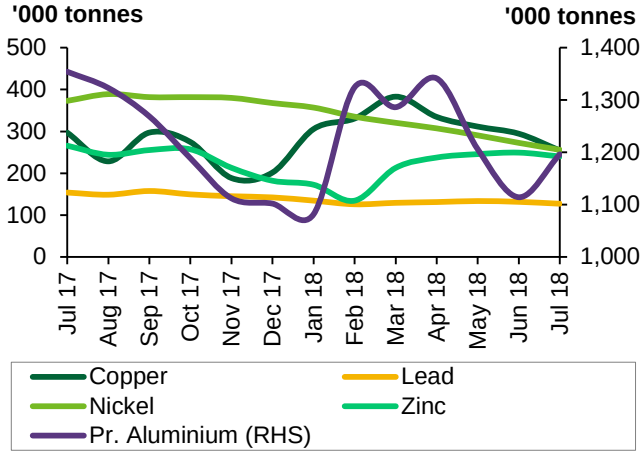
**Thermal coal prices** increased to an average of $118.3/mt in July, or 1.6% m-o-m, reaching levels not seen since January 2012. Demand for power generation has increased significantly during the summer due to the heat wave in East Asia, and particularly in China, where thermal power output increased by 8% during the first half of the year according to the National Bureau of Statistics. At the same time, restrictions to coal mining activities have limited the supply response in China, thereby spurring a surge in imports from Australia and Indonesia. Import volumes from China were 49% higher in June and 15% higher in the January-June period y-o-y.

**Graph 2 - 1: Major commodity price indices**




*Source: OPEC Secretariat, World Bank, Commodity price data, S&P Goldman Sachs, Haver Analytics.*

**Graph 2 - 2: Inventories at the LME**




*Sources: London Metal Exchange and Thomson Reuters.*

**Base metal prices** experienced a sharp and broad-based decline in July of around 10% on average – the largest drop since 2010. Copper prices plunged the most, by around 10% compared to the previous month, amid concerns about the slowing in the pace of the expansion of global manufacturing and the potential impact of trade-related disputes. The JP Morgan Global Manufacturing Purchasers Managers Index reached a 12-month low of 52.7 in July and 53 in June, with further declines in the new exports sub-component – which reached 50.3 – closing further to the 50 expansion/contraction mark. However, the import demand of China remains strong, with unwrought copper imports slightly up in July by 2.7%, but up by 15.9% compared to the same month a year earlier, and up by 16.2% y-t-d. Copper inventories at both the London Metal Exchange and Shanghai Metal exchange warehouses fell during the month, also suggesting some stability in demand despite the deceleration in global manufacturing mentioned above. On the supply side, the market has received some support from the still unsolved dispute at the Escondida mine in Chile, which could result in another strike. Aluminium prices declined by around 9% during the month, due to trade-related and global manufacturing concerns, but also weakened by a surge in exports from China, which were up 13.6% in the January to June period y-o-y, and the delay in the implementation – and potential lifting - of US sanctions on Russian aluminium producing companies. Chinese exports of aluminium increased further in July by 1.8% m-o-m, up by 18.0% y-o-y.

In the group of **precious metals**, gold prices declined on average by 3.3%, due to rising interest rates in the US. Speculators currently have a combined net short position in gold. Meanwhile, platinum prices declined by 6.2%.

# Investment flows into commodities

**Open interest (OI)** increased on average in July for selected US commodity futures markets, such as copper and precious metals, while it was relatively flat for natural gas and declined for crude oil. Meanwhile, in monthly average terms, speculative net long positions decreased for natural gas, precious metals and copper, but increased for crude oil.

**Table 2 - 2: CFTC data on non-commercial positions, '000 contracts**

| | *Open interest* | | *Net length* | | | |
|---|---|---|---|---|---|---|
| | Jun 18 | Jul 18 | Jun 18 | % OI | Jul 18 | % OI |
| **Crude oil** | 2,488 | 2,423 | 313 | 13 | 404 | 17 |
| **Natural gas** | 1,511 | 1,511 | 184 | 12 | 64 | 4 |
| **Precious metals** | 679 | 708 | 53 | 8 | -24 | -3 |
| **Copper** | 272 | 292 | 51 | 19 | -16 | -6 |
| **Total** | **4,950** | **4,935** | **703** | **56** | **190** | **14** |

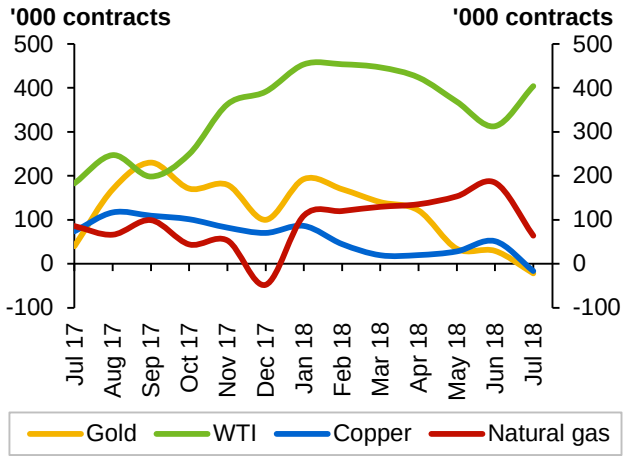
*Note: Data on this table is based on monthly average.*
*Source: US Commodity Futures Trading Commission.*

**Henry Hub's natural gas OI** was flat in July, while money managers' average net long positions decreased by around 65% m-o-m to 63,899 contracts.

**Copper's OI** increased by 7.6% m-o-m in July. In terms of the monthly average, money managers switched their stance to a net short position of 16,480 contracts. This decrease in speculators positions appeared to be the main driver behind base metal weakness.

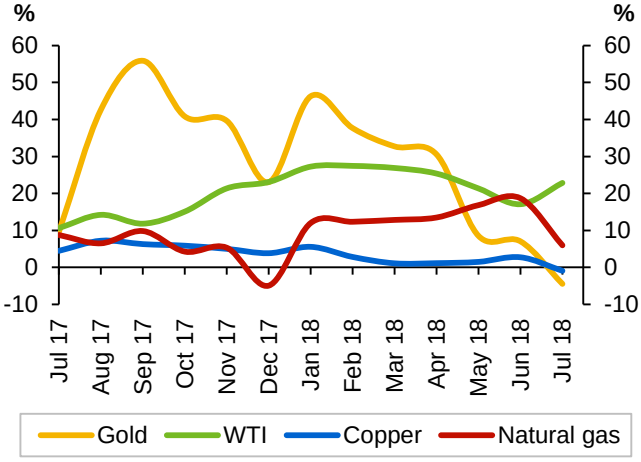
**Precious metals' OI** increased by 4.3% m-o-m in July. Money managers switched to a net short position of 24,110 lots, with net short positions in both gold and silver.

**Graph 2 - 3: Money managers' activity in key commodities, net length**




*Note: Data on this graph is based on monthly average.*
*Source: US Commodity Futures Trading Commission.*

**Graph 2 - 4: Money managers' activity in key commodities, as % of open interest**




*Note: Data on this graph is based on monthly average.*
*Source: US Commodity Futures Trading Commission.*

# World Economy

*After growth in major OECD economies slowed in 1Q18, the growth dynamic has since diverged. Very strong 2Q18 growth in the US contrasts with a continued slow-down in the Euro-zone and the UK. Japan's growth is picking up, albeit from a very weak 1Q18. In the emerging economies, China has done better than expected in 1H18 and India is maintaining a solid and relatively high growth momentum. On the other hand, Brazil is facing ongoing challenges and Russia is continuing its low growth pattern. These counterbalancing trends have kept the global growth forecast at 3.8% for 2018 and 3.6% for 2019.*

*Diverging growth trends in the OECD have kept the group of countries' growth forecast unchanged at 2.4% for 2018 and 2.2% for 2019. The consequences of monetary tightening in the US, to some extent in the Euro-zone, and to a lesser extent in Japan, are reducing the OECD growth dynamic in the coming year. After some softening of the growth trend in 1Q18, US growth rebounded considerably in 2Q18, driven by fiscal stimulus measures and still relatively accommodative monetary policies. GDP growth is expected to reach 2.9% in 2018, an upward revision from last month's 2.8%. In 2019, US economic growth is forecast to slow down to 2.5%, due to monetary tightening and a cyclical slow-down, albeit this also represents a 0.1 pp upward revision from last month's forecast. As a result of significantly slowing growth in 1H18, the Euro-zone's 2018 growth forecast was revised down to 2%, compared to 2.2% in the past month. The 2019 growth forecast was revised down by 0.1 pp to 1.9%. Japan's 2018 forecast remained unchanged to stand at 1.2%, the same level that is projected for 2019.*

*Among emerging economies, China's growth forecast was revised up by 0.1 pp to now stand at 6.6% for 2018, followed by 6.2% in 2019. India's forecasts are unchanged at 7.3% for 2018 and 7.4% for 2019. Amid recent slowing activity, growth in Brazil was revised down by 0.1 pp to 1.6% in 2018, followed by a rebound to 2.1% in 2019. Russia's GDP growth forecast remains unchanged at 1.8% in 2018, the same level as is forecast for 2019.*

*While the relative strong global growth trend seems to continue, numerous challenges have emerged. The main areas of concern include political uncertainties. Among these, it is trade-related developments in particular that warrant close monitoring in the near-term. The forecast considers that there will be no significant rise in trade tariffs and current disputes will be resolved soon. Rising trade tensions, leading to mounting uncertainties, translating into falling business and consumer sentiment, may provide a significant downside risk to the current relatively positive outlook. Negative impacts on global investments, capital flows and consumer spending may also have a detrimental effect on the global oil market. Moreover, the consequences of further potential monetary policy decisions by the G4 central banks, in combination with rising global debt levels, will need close attention.*

**Table 3 - 1: Economic growth rate and revision, 2018-2019*, %**

| | World | OECD | US | Japan | Euro-zone | UK | China | India | Brazil | Russia |
|---|---|---|---|---|---|---|---|---|---|---|
| **2018** | **3.8** | **2.4** | **2.9** | **1.2** | **2.0** | **1.3** | **6.6** | **7.3** | **1.6** | **1.8** |
| Change from previous month | 0.0 | 0.0 | 0.1 | 0.0 | -0.2 | -0.1 | 0.1 | 0.0 | -0.1 | 0.0 |
| **2019** | **3.6** | **2.2** | **2.5** | **1.2** | **1.9** | **1.4** | **6.2** | **7.4** | **2.1** | **1.8** |
| Change from previous month | 0.0 | 0.0 | 0.1 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

*Note: * 2018 and 2019 = Forecast.*
*Source: OPEC Secretariat.*

# OECD

## OECD Americas

### US

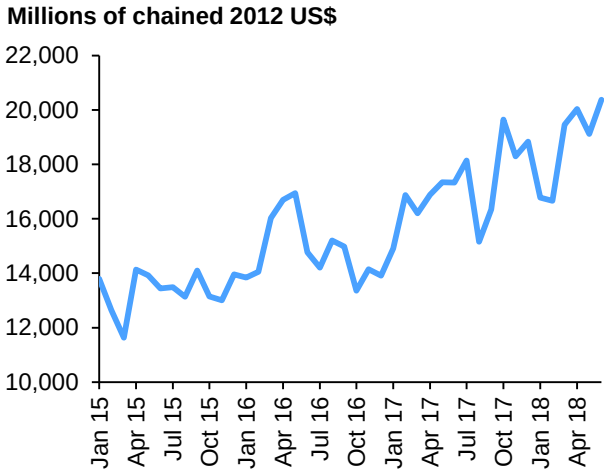
After three quarters of slowdown, US economic growth rebounded considerably. **2Q18 GDP growth** was reported at a very high level of 4.1% quarter-on-quarter (q-o-q) at a seasonally adjusted annualized rate (SAAR), which compares to 2.2% in 1Q18. The pick-up was supported by considerable fiscal stimulus measures. However, while the fiscal stimulus is forecast to have a clear positive effect on US growth, rising uncertainties about trade barriers could cloud the momentum in the future. Also, strong growth in the remainder of the year, in combination with well supported inflation, may very well lead the Fed to a more substantial tightening path, probably dampening growth going forward.

**Consumption** and **exports** have supported 2Q18 growth significantly. Private household consumption expanded by 4.0% q-o-q SAAR, contributing 2.7 percentage points (pp) to total 2Q18 GDP growth. Net exports provided a 1 pp growth contribution as exports expanded by 9.3% y-o-y, while imports increased only by 0.5%. Moreover, the ongoing strength in the labour market is forecast to continue supporting private household consumption for the remainder of the year. Rising trade barriers may also lead to ongoing contributions from net exports.

Additionally, energy sector-related investments are forecast to continue, supporting US GDP growth. Trade in oil products has also continued supporting the US economic development. June's petroleum product exports rose to $20.37 billion, a significant yearly increase of 17.5% y-o-y.

Some improvements in the labour market continued in July, as indicators remained mixed, but pointed at ongoing positive developments. The **unemployment rate** fell slightly to 3.9%, compared to 4% in June. The labour market is also supported by improvements in the participation rate, which stood at 62.9% in July for the second consecutive month, only slightly below this year's peak level of 63% in January. The average hourly earnings growth for the private sector remained at 2.7% y-o-y in July, a solid level, only slightly below this year's highest level of 2.8% in January.

**Graph 3 - 1: US petroleum exports, seasonally adjusted**




*Sources: Census Bureau and Haver Analytics.*

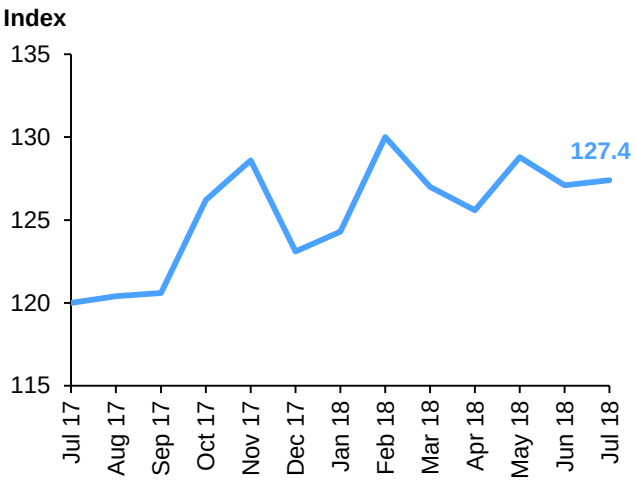
**Non-farm payrolls** increased by 157,000, after an upwardly revised 248,000 in June. However, long-term unemployment numbers remained high. While long-term unemployment had fallen for successive months until May, it rose sharply to stand at 23% in June and retreated only slightly in July to stand at 22.7%. This compares to 19.4% in May, which marked the lowest number since August 2008.

The Fed kept its key-interest rate unchanged at its latest meeting, but indicated that as the economy is doing very well, further interest rate hikes will be likely. The Fed had increased the key interest rates by 25 basis points (bp) already in its June rate-setting meeting. **Inflation** numbers remain an important key indicator for monetary policy, particularly in light of the potentially rising budget deficit. Overall inflation stood at 2.8% in June, compared to 2.7% in May. The important core inflation – excluding volatile items such as food and energy – remained at 2.2%, still a healthy level. Additionally, the Fed's favoured inflation index, the personal consumption expenditure price index (PCE index) also remained at a healthy level of 2.2% in June, above the Fed's inflation target of around 2%.

This strength in the overall economy was also reflected in **consumer sentiment**, according to the index published by the Conference Board. The index stood at 127.4 in July, compared to 127.1 in June. Consequently, domestic demand held up very well in June, with retail sales growing by 6.6% y-o-y, compared to 6.5% y-o-y in May on a nominal and seasonally adjusted basis.

**Industrial production** increased in June, rising by 3.8% y-o-y, a significant rise from May, when growth stood at a healthy 3.2% y-o-y on a seasonally adjusted basis.

**Graph 3 - 2: US consumer confidence index**



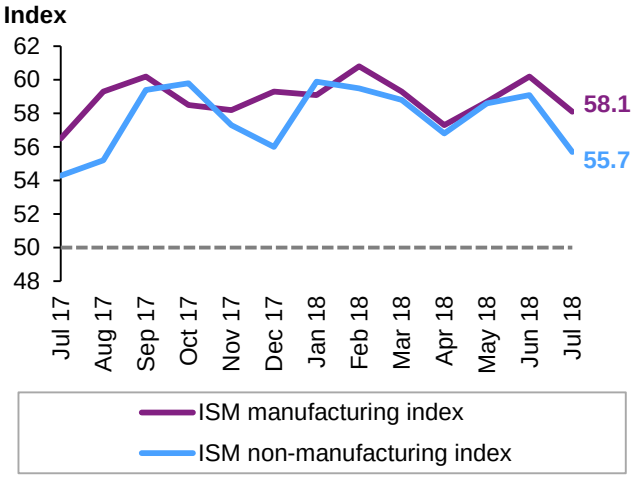

*Sources: The Conference Board and Haver Analytics.*

June's **Purchasing Managers' Index (PMI)**, as provided by the Institute of Supply Management (ISM), also indicated support for the underlying economy, while slowing down slightly for both the services and the manufacturing sector. The manufacturing PMI declined to 58.1 in July, compared to 60.2 in June. The important index for the services sector fell as well, to stand at 55.7, compared to 59.1 in June.

As the underlying economic growth momentum picked up strongly in 2Q18, the 2018 growth forecast was raised to 2.9%, 0.1 pp higher than in the previous month.

However, fiscal and monetary challenges remain, and the softening of some lead and business indicators will need to be closely monitored in the near future.

**Graph 3 - 3: US-ISM manufacturing and non-manufacturing indices**




*Sources: Institute for Supply Management and Haver Analytics.*

Importantly, the fiscal deficit, in combination with the considerable momentum in the economy, is forecast to lead to further monetary tightening, which will counterbalance some of the economic growth dynamic. Hence, some moderation in growth levels is expected in 2019 when US economic growth is forecast to stand at 2.5%, albeit this has also been revised up by 0.1 pp, when compared to the previous month's forecast.

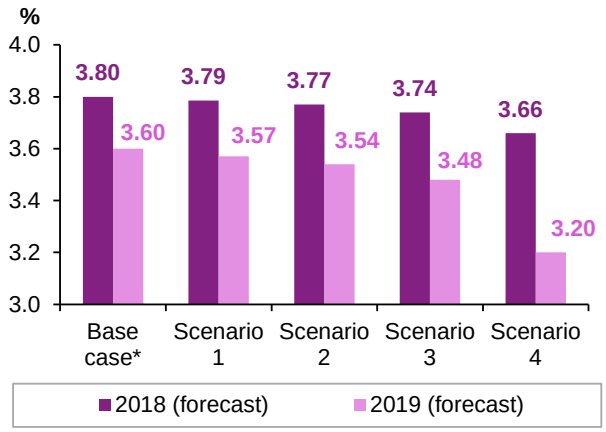
## *Impact of US-China trade friction on global GDP and global oil demand*

The US Administration has followed through with its plans to impose the first round of a 25% tariff on $34 billion - $38 billion in goods imported from China. Currently, a second round of tariffs on $16 billion worth of goods is expected to take effect by September 2018, if not sooner.

Four different scenarios were developed to determine the likely impact of imposing higher trade tariffs on the global economy and world oil demand. The first scenario is the most likely (mostly between the US and China), while the fourth one represents the worst case (to include other regions). The data frequency used is a quarterly time series. The assumptions for all scenarios are based on the US importing goods worth $500 billion from China, while the US exports nearly $130 billion in goods to China.

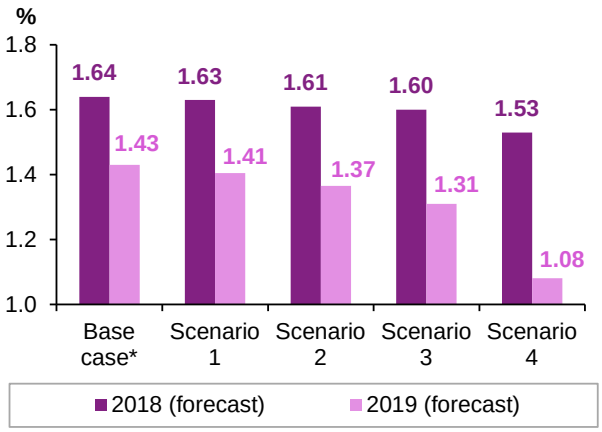
Modelling results for the four scenarios show that the tariffs under the most likely case will not have a significant impact on global GDP or oil demand growth in 2018 and 2019. However, the worst case scenario shows a much stronger impact on global GDP and global oil demand, especially in 2019.

**Graph 3 - 4: Impact on global GDP**




*Note: * Based on OPEC Secretariat.*
*Sources: Model results and OPEC Secretariat.*

**Graph 3 - 5: Impact on global oil demand**




*Note: * Based on OPEC Secretariat.*
*Sources: Model results and OPEC Secretariat.*

## Canada

Reasonable output numbers continue supporting a healthy growth trend in Canada; however, further potential trade disputes with the US could impact the economic development of the country negatively. While the actual impact may be minor for now, the impact that the ongoing unresolved trade disputes may have on business sentiment and investment may dampen economic growth going forward. **NAFTA** negotiations need continued monitoring. While the Bank of Canada lifted its key interest rate at its July meeting, Canadian inflation rose further to stand at 2.5% y-o-y in June, compared to 2.2% in May. **Industrial production** continued expanding at a high level in May, rising by 3.6% y-o-y. However, this is much lower than the number in April, when it rose by 5.1% y-o-y. **Retail trade** recovered in May to stand at 3.6% y-o-y, after it decelerated sharply in April, when growth stood at 2.1% y-o-y, all at a nominal seasonally-adjusted level. While some output numbers in 1H18 appear to have decelerated, the June PMI index for manufacturing sees strong momentum. It points to an ongoing and improving dynamic in the near future as the index stood at a high level of 56.9 in July, compared to 57.1 in June.

The slight slow-down in Canada's growth dynamic means the **GDP growth** forecast for 2018 was revised down to 1.9%, compared to 2% in the previous month. Growth for 2019 was also revised down by 0.1 pp to now stand at 1.8%.

# OECD Asia Pacific

## Japan

After a significant **slow-down in 1Q18**, 2Q18 GDP growth in Japan has recovered. Domestic demand and exports have improved. While inflation remains low, wages have continued to pick up, supported by a tight labour market. Growth is expected to pick-up for the remainder of the year and inflation is forecast to increase due to rising real wages. While some indications have emerged over the past months that the Bank of Japan (BoJ) could tighten monetary policies, the BoJ has firmly highlighted that it will continue its accommodative monetary policies in the near future. Numerous uncertainties with regard to the growth dynamic of the Japanese economy remain as potentially rising US tariffs and ongoing sluggish domestic demand may continue to dampen the growth momentum.

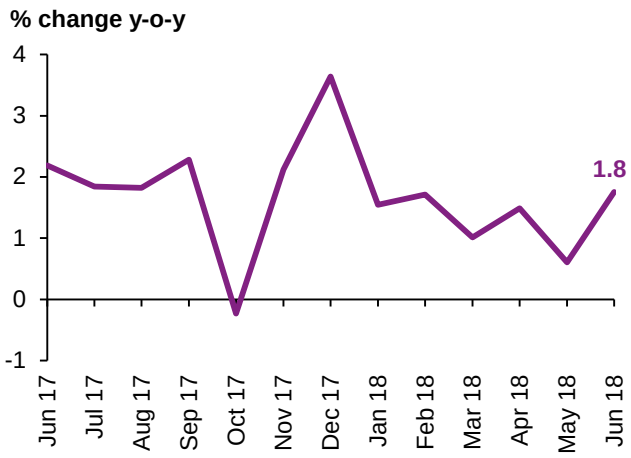
The **BoJ** has made clear that it will continue its accommodative **monetary policy** for an extended period. After it had faced the need in past weeks to intervene in the markets in order to cap bond yields around the BoJ's target levels, the central bank was eager to allow little interpretation about its intentions after its last meeting at the end of July. Hence it titled its monetary policy statement "Strengthening the Framework for Continuous Powerful Monetary Easing", which is unusual, signalling its willingness to pursue ongoing unorthodox monetary policies. Additionally, the Bank's policy board decided to strengthen its commitment to achieving the price stability target by introducing forward guidance for policy rates. The BoJ governor highlighted that these powerful monetary policies are aimed at countering speculation among market participants and that the bank is heading towards an early exit from quantitative easing or an increase in key interest rates. The BoJ also reflected on the likelihood of a 2019 tax hike, saying that the Bank intends to maintain the current extremely low levels of short- and long-term interest rates for an extended period of time, taking into account uncertainties regarding economic activity and prices including the effects of the consumption tax hike scheduled to take place in October 2019. It continued to also highlight that it will keep the short-term interest rate at minus 0.1% and the cap on 10-year bond yields at "around zero", while also continuing to buy assets at a pace of ¥80 trillion a year. It will continue expanding the monetary base until the y-o-y rate of increase in the observed consumer price index (CPI) – that is, all items except fresh food – exceeds 2% and then remains above this target in a stable manner.

**Inflation** has picked up only slightly recently and it may still take some time until the BoJ will achieve its goal of raising inflation to healthier levels. After a considerable increase at the beginning of the year, inflation stood at clearly below the BoJ's target of 2%. Support came again from rising energy prices and from wage growth momentum. In June, monthly earnings rose by a very high level of 3.4%, after already a considerable move of 2.3% y-o-y in May. This brings quarterly earnings growth to 2.2%, the highest since 2010 and a third consecutive quarterly increase, fuelling the hope that the trend continues and will be able to lift core inflation, which is still very low. Core inflation, which excludes food and energy and is more wage-dependent, fell to 0.2% y-o-y in June, after it stood at 0.3% y-o-y in May. Given the tightness in the labour market, the unemployment rate remained at an ultra-low level of 2.4% y-o-y in June, slightly above the May level of 2.2%.

**Exports** continued their recovery and showed solid growth. June's exports growth stood at 6.7% y-o-y non-seasonally adjusted. This comes after a rise of 8.1% y-o-y in May. However, after a strong recovery of May's **industrial production**, when growth stood at 3.5% y-o-y, the industrial output growth slowed down considerably in June, growing by only 0.5% y-o-y. Signs of continued challenges are coming from manufacturing orders, which fell by 2.5% y-o-y in June. This compared with May and April, which saw growth of 15.1% y-o-y and 10.0% y-o-y respectively.

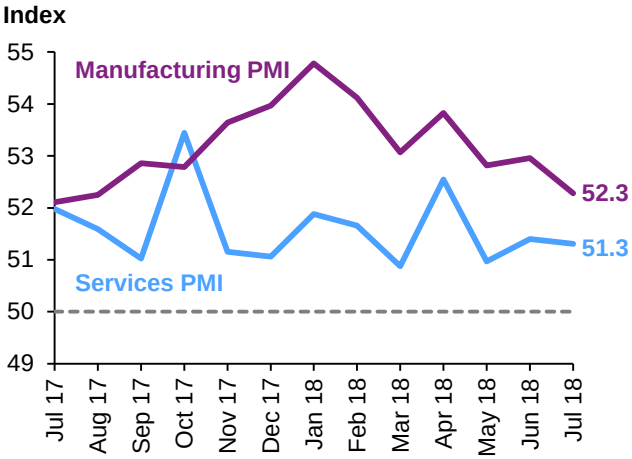
**Domestic retail demand** remained sluggish in June, despite recovering slightly to stand at 1.8% y-o-y, after amounting to 0.6% y-o-y in May. This low June level is still the highest growth rate in the current year, underscoring the ongoing apathy in local demand. With further real income growth and appreciation likely, this could rebound further in the coming months.

**Graph 3 - 6: Japanese retail trade**




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

**Graph 3 - 7: Japanese PMIs**




*Sources: IHS Markit, Nikkei and Haver Analytics.*

The latest **PMI numbers** were holding up well in July, despite being slightly lower this month for both the manufacturing sector and the services sector. The manufacturing PMI retreated to 52.3 from 53.0 in June and the services sector PMI stood at 51.3, compared to 51.4 a month earlier.

As the slowing growth pattern of the Japanese economy has already been taken into account in past months, the **GDP growth** forecast for both 2018 and 2019 remains unchanged to stand at 1.2% for both years. For next year, it remains to be seen how and when the sales tax increase will be implemented, which, for the time being, is envisaged to be introduced in October. Hence, the 2019 forecast now assumes that the sales tax level will be increased from 8% to 10% in 4Q19. Challenges in the economy remain, and given the tight labour market situation and high capacity utilization rates, the downside risks to the current growth forecast have risen slightly.

## South Korea

The **South Korean economy** continues to expand at healthy levels. 2Q18 GDP growth stood at 2.9% y-o-y, slightly higher than 1Q18 GDP growth of 2.8% y-o-y. Consumption is holding up particularly well, rising by 3.3% in 2Q18, compared to 4.1% y-o-y in 1Q18. However, investments declined by 1% in the last quarter, a development that needs to be monitored. As South Korea is very export driven, this decline in investments may also be the outcome of uncertainties in the global economy due to rising trade barriers. Exports, however, have risen sharply in 2Q18, showing growth of 5.1% y-o-y, after 1.5% y-o-y in 1Q18.

**Industrial production** held up well, but retreated slightly, rising by 1.2% y-o-y in June, compared to 1.6% y-o-y in May and 2.1% y-o-y in April. These output numbers in the months of the 2Q18 show a considerable level shift, as 1Q18 average growth for industrial production stood at 0.8% y-o-y. Interestingly, the latest PMI number for the manufacturing sector is still pointing at a contraction in the sector, standing at 48.3 in July, compared to 49.8 in June and 48.9 in May. However, this seems to reflect only one part of the economic development. Improvements in the economy are forecast to continue, as domestic developments and external trade are forecast to pick up further over the year. However, the prospect of increased trade protectionism could potentially pose some headwinds for South Korea's economy as well.

Taking the solid 2Q18 momentum into consideration, South Korea's 2018 **GDP growth** forecast was revised up to 2.8%. Growth in 2019 is unchanged and forecast to slow down slightly, in line with the developments in the OECD economies and China – its most important trading partners -- and to stand at 2.4%.

## Euro-zone

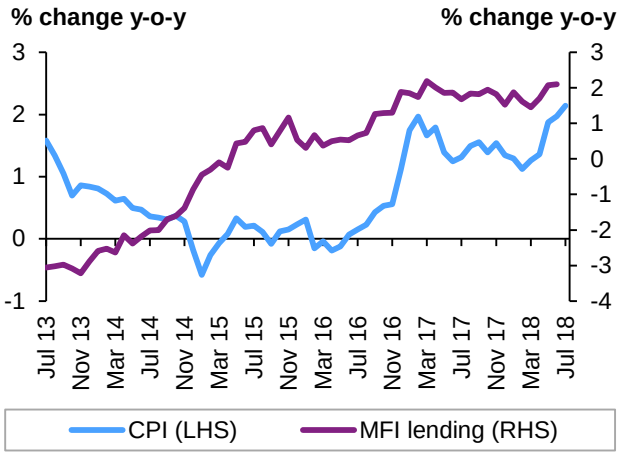
The **Euro-zone's economy** faced a clear slow-down in 1H18. Following 2017 annualised quarterly growth rates of between 2.5% and 2.9%, growth rates in 2018 have clearly slowed-down. 1Q18 growth stood at 1.5% and 1.4% in 2Q18. While detailed data is not yet available for 2Q18, the low 1Q18 growth number was significantly impacted by a decline in exports, probably caused by the global trade disputes. In terms of economies that were showing low growth in 1H18, available data shows that France had below-average growth of only 0.6% q-o-q SAAR. Italy saw 1H18 growth of only 0.9% q-o-q SAAR and while comparable data on Germany has not become available yet, it seems that the country also grew below average. Hence, a solid recovery in 2H18 is needed to sustain healthy growth levels in the Euro-zone. While the European Central Bank (ECB) continues to consider monetary tightening towards the end of the year and to be continued in 2019, the low Euro-zone growth, in combination with ongoing low core inflation, may keep the bank from pursuing a significantly less accommodative policy in the near future. Furthermore, sovereign debt levels remain high across the Euro-zone. Italy, in particular, which has the third-highest sovereign debt level in the world, will need to be carefully monitored. With numerous challenges to economic development remaining, policy and banking sector-related issues rank among the most important. Moreover, growing uncertainty amid the possible rise in trade protectionism and the slow pace of improved income growth, may also weigh on future growth levels.

The improvements in the **labour market** have continued in the past months, as unemployment has reached the lowest levels since 2009. However, there is still room to the upside with June's unemployment rate of 8.3%, the same as in May, compared to 8.4% in April and 8.5% in March. The consumer confidence balance – based on the European Commission's consumer confidence survey data – continued at an index level of minus 0.6 for the second consecutive month, the lowest since October 2017. However, retail trade was picking up in the current year as growth stood at 3.3% y-o-y in June, a bit above the May number of 3.1% y-o-y. Industrial production rose somewhat in May as it grew by 2.3% y-o-y after standing at 1.8% y-o-y in April.

**Inflation** recovered to reach 2.1% y-o-y in July. This compares to 1.3% y-o-y growth in 1Q18. This dynamic was largely due to rising energy prices. Hence, **core inflation** – that is, the CPI, excluding energy and food – has remained flat since about the beginning of the year and also stood at a much lower level to reach 1.1% in July, almost unchanged since January. The positive momentum in general inflation, in combination with the expected pick-up in core inflation, as well as the expected 2H18 pick-up in the Euro-zone's economy, is forecast to support the current **ECB's monetary policy**. The ECB plans to stop expanding the monetary stimulus programme in December 2018 and from September to December will buy €15 bn in bonds each month, half of the €30 bn it is buying currently. The deposit rate, which is now at minus 0.4%, and also the other core rates are expected to remain on hold until September 2019. While the ECB will stop buying new bonds by January 2019, it is expected to reinvest the proceeds of securities that it has already bought under the quantitative easing programme. A positive trend in core inflation may also be supported by rising income in an ongoing tightening labour market.

As usual, an important aspect in the Euro-zone economy is the development of lending activity. Although some areas of the Euro-zone's banking sector remained weak, the growth dynamic of the liquidity line picked up by 2.1% y-o-y in June, the same level as in May. With **lending activity and inflation** picking up, the positive economic dynamic seems to have gained pace.

**Graph 3 - 8: Euro-zone CPI and lending activity**

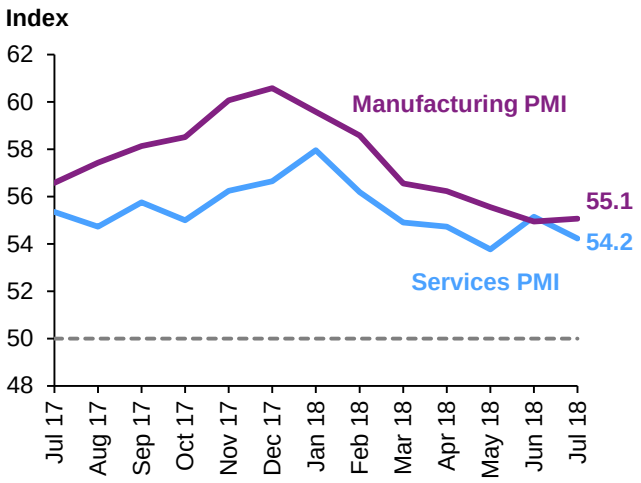



*Sources: Statistical Office of the European Communities, European Central Bank and Haver Analytics.*

The Euro-zone's latest **PMI** indicators in July generally point to a continuation of solid growth in the economy. The manufacturing PMI rose slightly to stand at 55.1, compared to 54.9 in June. The important PMI for the services sector, which constitutes the largest sector in the Euro-zone, remained unchanged at 55.2 in July.

By taking into consideration the latest slow-down in 1H18, the **GDP growth** forecast was revised down this month. The **2018** GDP growth forecast now stands at 2.0%, compared to 2.2% in the previous assessment. This is forecast to be followed by slightly lower growth in **2019**, growing by 1.9%, a downward revision of 0.1 pp compared to last month. Political uncertainties, Brexit procedures, weakness in the banking sector, as well as monetary policies remain important factors to monitor.

**Graph 3 - 9: Euro-zone PMIs**




*Sources: IHS Markit and Haver Analytics.*

## UK

Considerable uncertainty about the Brexit process continues and the likelihood of a hard Brexit remains. This would have a significant impact on the UK's economy, but also for the rest of the EU. With about slightly more than half a year remaining before the formal exit from the EU in March 2019, numerous sensitive issues remain unresolved. Rising uncertainty for business and consumers alike is likely to negatively impact in the near-term. Given rising inflation and the declining UK pound, the Bank of England (BoE) has decided to raise interest rates by another 25 bp in its latest rate-setting meeting at the beginning of August. The key interest rate is now at the highest level since the financial crisis in 2009 and stands at 0.75%. The BoE suggested that it views the UK's economic weakness to be temporary and that it would be advisable to focus on taming inflation rather than supporting job growth.

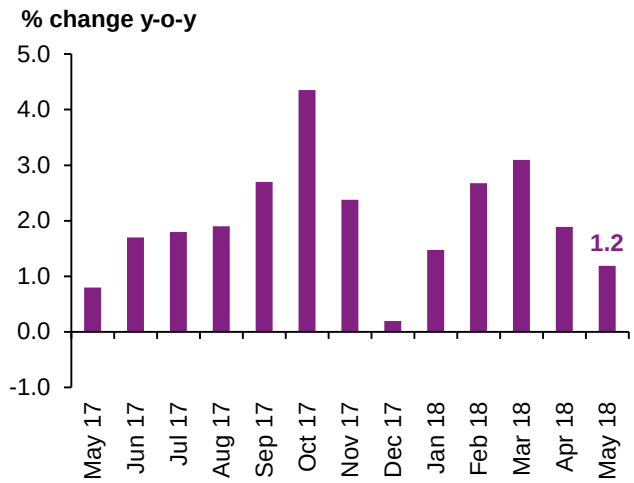
In the latest release from the national statistical office, the **2Q18 GDP growth** number was reported at 1.5% q-o-q SAAR, a recovery from the 0.9% q-o-q SAAR growth rate in 1Q18. The 1H18 number clearly shows the impact that the Brexit referendum result has had on the UK's economy. Amid a weak pound sterling, export growth has continued decelerating and was negative in 2Q18. It fell by 1.8% y-o-y in 2Q18. While the BoE has tried to counterbalance the negative impacts after the Brexit decision and is looking into normalising interest rates, it is likely to continue to closely follow the inflation trend, which stood at a high level of 2.4% y-o-y in June, the same level as in the previous two months, but the lowest level in more than a year.

**Industrial production** retreated further in May, according to the latest available monthly data, growing only 0.8% y-o-y, after an already sluggish 1.6% y-o-y in April. Following a substantial y-o-y decline of 6.3% in April, exports continued to decline by 0.6% y-o-y in May.

However, **retail trade** in value terms was still growing considerably, rising by 5.4% y-o-y in June, after an increase of 6.5% y-o-y in May.

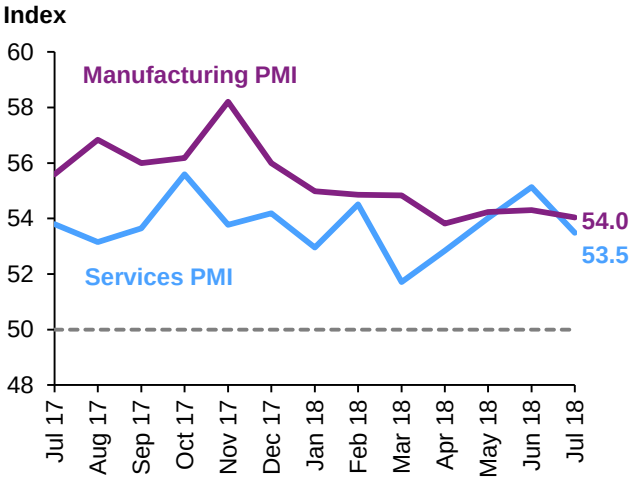
The most recent **PMI** lead indicators point to an ongoing expansion of both the manufacturing and the services sector. The PMI for manufacturing was almost unchanged in July, standing at 54.0, compared to 54.3 in June. The very important services sector, which constitutes the majority of the UK's economy, dropped to 53.5 in July, after it stood at 55.1 in June.

**Graph 3 - 10: UK industrial production**




*Sources: Office for National Statistics and Haver Analytics.*

**Graph 3 - 11: UK PMIs**




*Sources: CIPS, IHS Markit and Haver Analytics.*

While a recovery is forecast to take place in 2H18, the slowing activity in 1H18 has led to a slight downward revision of the **2018 GDP growth** forecast. 2018 GDP growth now stands at 1.3%, compared to 1.4% in the previous month's assessment. The GPD growth forecast for **2019** remained unchanged at 1.4%.

# Non-OECD

## BRICs

**Table 3 - 2: Summary of macroeconomic performance of BRIC countries, 2018-2019***

| | 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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| **Brazil** | 1.6 | 2.1 | 3.4 | 4.3 | -32.2 | -34.3 | -7.1 | -5.6 | 74.0 | 78.7 |
| **Russia** | 1.8 | 1.8 | 3.5 | 4.3 | 62.9 | 59.8 | 0.3 | 0.4 | 11.4 | 10.2 |
| **India** | 7.3 | 7.4 | 4.8 | 4.9 | -83.0 | -72.5 | -3.6 | -3.2 | 49.8 | 49.2 |
| **China** | 6.6 | 6.2 | 2.2 | 3.0 | 63.0 | 39.2 | -3.5 | -3.8 | 16.3 | 18.4 |

*Note: * 2018 and 2019 = Forecast.*

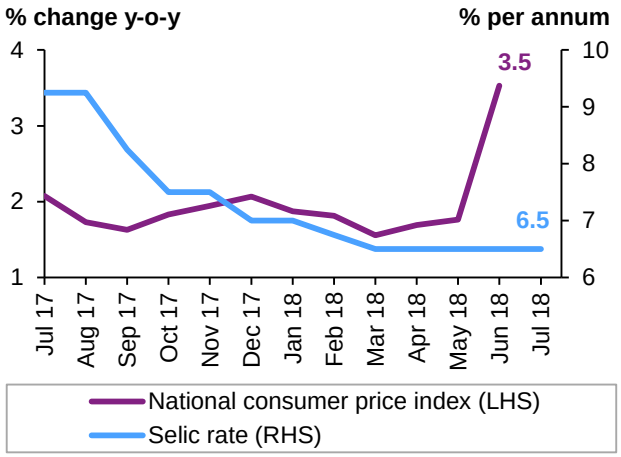
*Sources: Consensus Economics, Economic Intelligence Unit, Financial Times, OPEC Secretariat and Oxford.*

## Brazil

In July, Brazil's **trade surplus** decreased to $4.2 billion from $6.3 billion a year earlier. The purchase of an oil-extraction platform pushed **imports** to their highest value since November 2014. Imports rose by nearly 50% y-o-y to $18.6 billion in July. Imports from China went up by nearly 91% y-o-y, while those from the EU and the US rose by 29% and 20% y-o-y, respectively. **Exports** went up by nearly 22% y-o-y in July. This marks the fastest growth since July 2014. Exports were supported by soybeans, which increased by more than 60% y-o-y, as well as iron ore, oil and meat. Exports to China ramped up by 73% y-o-y, and to the EU and US by 30% and 6% y-o-y, respectively.

**Inflation** doubled in June to 3.5% y-o-y, up from 1.8% in May. The central bank also held its benchmark **interest rate** unchanged at 6.5% in July for the fifth month in a row.

**Graph 3 - 12: Brazil's inflation vs. interest rate**



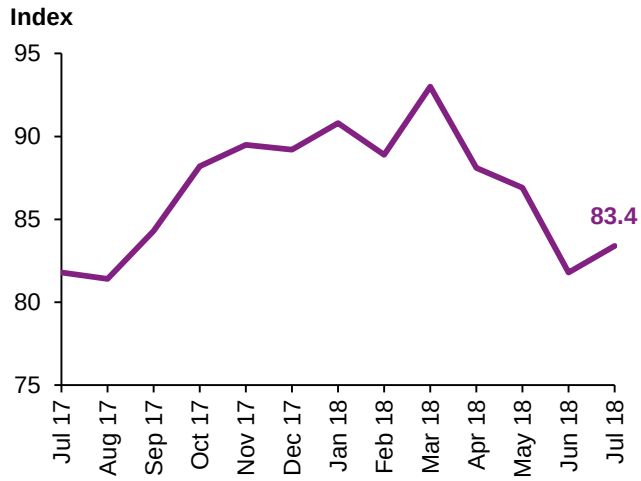

*Sources: Banco Central do Brasil, Instituto Brasileiro de Geografia e Estatística and Haver Analytics.*

**Graph 3 - 13: Brazil's unemployment rate**


*Sources: Instituto Brasileiro de Geografia e Estatística and Trading Economics.*

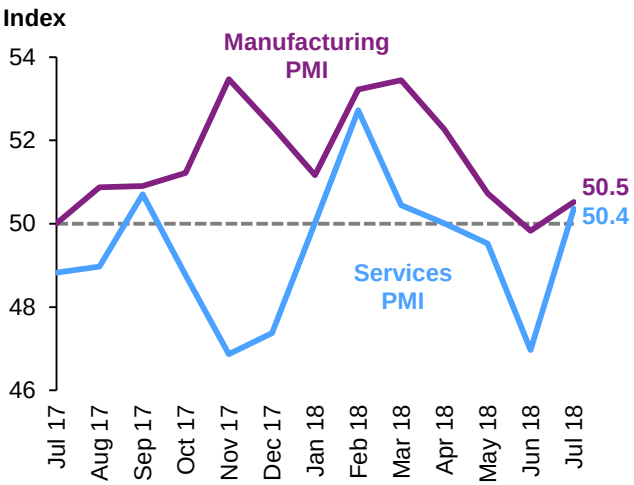
The **unemployment rate** fell to 12.4% in June from 12.7% in May. The **consumer confidence index** slightly increased in July to 83.4 after falling over three consecutive months to June, when it stood at 81.8.

**Graph 3 - 14: Brazil's consumer confidence index**




*Sources: Fundação Getúlio Vargas and Haver Analytics.*

**Graph 3 - 15: Brazil's PMIs**




*Sources: IHS Markit and Haver Analytics.*

The **IHS Markit Brazil manufacturing PMI** reading for July showed that the contraction seen in June as a result of the truckers' strikes was short-lived. The index was back in growth territory in July at 50.5, up from June's 49.8. The survey showed a renewed increase in production, factory orders and employment. As for the outlook for the next 12 months, surveyed firms highlighted that output is expected to go up in light of forecast demand growth and business expansion plans, together with investment. Uncertainties surrounding economic policies remain the foremost source of risk to business confidence in Brazil. That said, the overall level of positive sentiment declined to a nine-month low in July.

The **Brazil services business activity index** also returned to expansion in July, registering 50.4, up from 47.0 in June. Service providers reported a strong comeback in new orders received. Inflows of new business increased to the greatest extent in four months, with the rate of expansion surpassing its long-run average. Service sentiment improved in July on the back of expectations of better market conditions after the elections. Firms also predicted that projects in pipelines, diversification, investment and marketing initiatives would all support output growth over the coming 12 months.

Renewed growth momentum in the manufacturing and services sectors last month was simply a correction from the impact of the truckers' protests as seen in the previous two months. Yet, it remains to be seen how the impact on inflation is going to influence economic activities alongside currency depreciation and the central bank's unchanged interest rate. The economic recovery in Brazil is still slower than initially expected, with a series of downbeat data releases confirming slower-than-expected GDP growth in 1Q18 and less encouraging signals for 2Q18, especially in May and June following the truckers' strikes and the aftermath thereof.

**Brazil's GDP** grew by 1.0% in 2017 and is expected to grow by 1.6% and 2.1% in 2018 and 2019, respectively.

## Russia

The **trade surplus** in nominal terms rose by about 76% y-o-y in May to $15.2 billion. **Exports** went up by about 30% y-o-y in May, while **imports** increased by around 9% y-o-y. The trade surplus increased to $75.1 billion over the first five months of 2018 vs $50.9 billion during the same period in 2017.

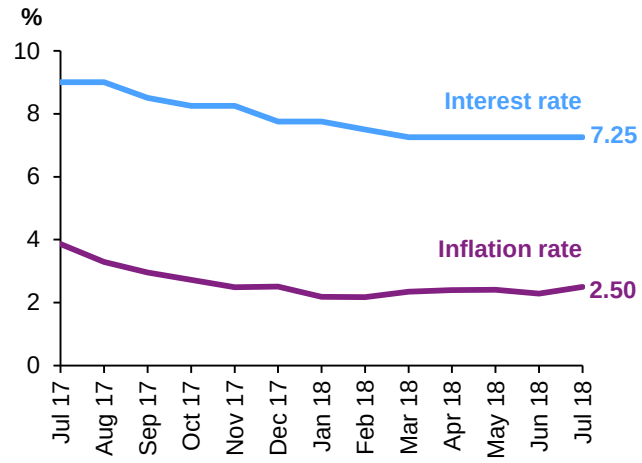
**GDP** posted growth of 1.3% y-o-y in 1Q18, down from 4.3% y-o-y in 4Q17. Household consumption expanded by 2.8% y-o-y in 1Q18 compared with 4.3% the previous quarter, while government consumption growth slightly increased from 0.4% y-o-y in 4Q17 to 0.5% in 1Q18. Growth in gross fixed capital formation (GFCF) also slowed to 1.8% y-o-y in 1Q18, from 3.4% in 4Q17.

Acceleration in imports continued to surpass export growth rates in 1Q18. Exports increased by 6.8% y-o-y, whereas imports grew by 9.6% in the same period. GDP growth in 2017 stood at 1.5% y-o-y.

Depreciation of the **ruble** slowed in July, down only 0.2% m-o-m vs the dollar, following 0.8%, 3.0%, and 6.0% in June, May, and April, respectively, as a result of new US sanctions. The ruble was 5.4% lower in July 2018 than in the same month a year earlier. Yet, changes in consumer price inflation in July were less acute when compared with the ruble's depreciation.

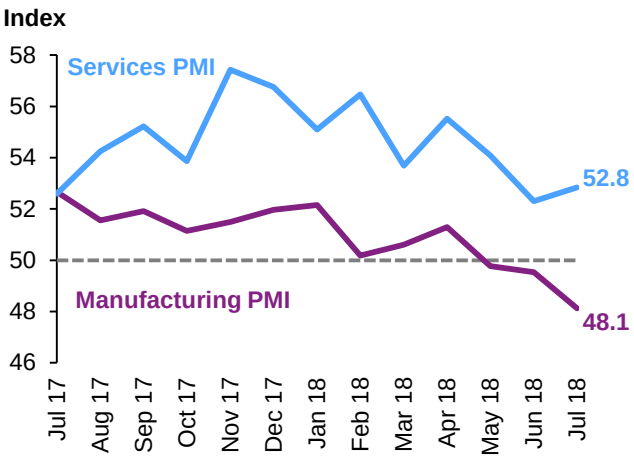
**Inflation** posted 2.5% and 2.3% y-o-y in July and June. In July, the central bank kept its benchmark one-week repo rate unchanged at 7.25%.

**Graph 3 - 16: Russia's inflation vs. interest rate**




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

**Graph 3 - 17: Russia's PMIs**

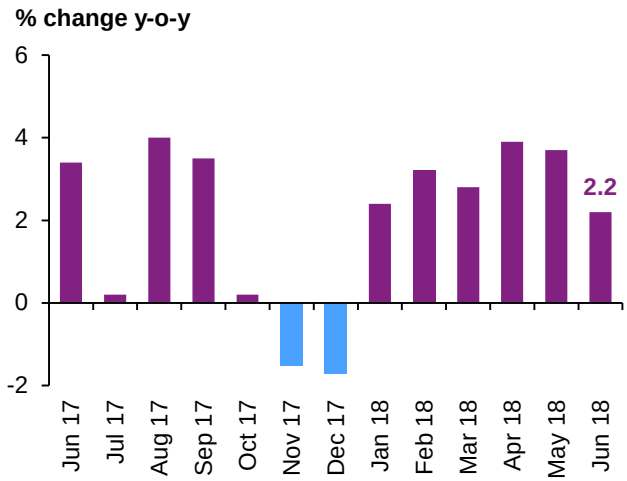



*Sources: IHS Markit and Haver Analytics.*

Performance in the manufacturing sector further declined in July, according to the **IHS Markit Russia manufacturing PMI**. The index registered 48.1 from 49.5 in June, as a result of a production drop and decrease in new orders. July marks the second consecutive month of a decline in new business. This fed through to a further cut in employment, along with a reduction in the backlog of orders at the fastest pace since January 2016. Accordingly, the level of optimism in the manufacturing sector softened to a seven-month low in July due to weak demand. **Industrial production** grew by 2.2% y-o-y in June, the lowest rate of growth this year, down from an expansion of 3.7% in May.

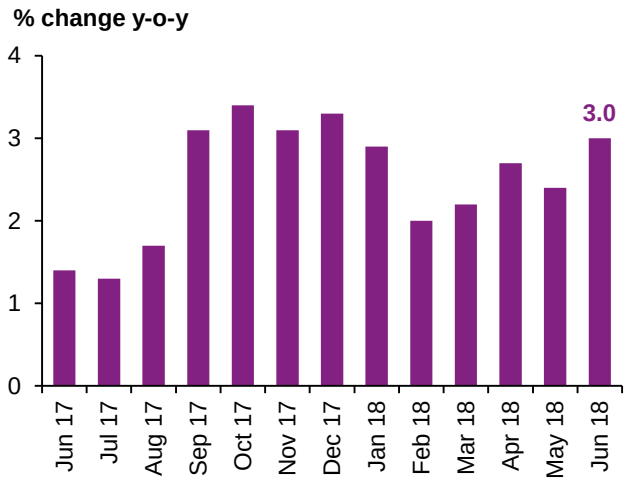
Momentum in the services sector picked up in July as the **IHS Markit Russia services business activity PMI** increased to 52.8, up from June's 52.3. The latest improvement was linked by surveyed firms to a rise in new orders and activity after the football World Cup. However, a drop in the backlog of orders was reported for the eighth month in a row in July. Employment in the services sector decreased over the month, with the job-shedding rate increasing to its highest point since April 2016. For the 14th month in a row, **retail sales** continued to increase in June to 3.0% y-o-y from 2.4% in May.

**Graph 3 - 18: Russia's industrial production**




*Sources: Federal State Statistics Service and Haver Analytics.*

**Graph 3 - 19: Russia's retail sales**




*Sources: Federal State Statistics Service and Haver Analytics.*

As the **ruble exchange rate** moved further towards stabilization in July, the risk of an inflation spike has become largely muted. Yet, mixed indications from the private sector in July have reinforced doubts regarding notably faster economic growth figures for the rest of 2018.

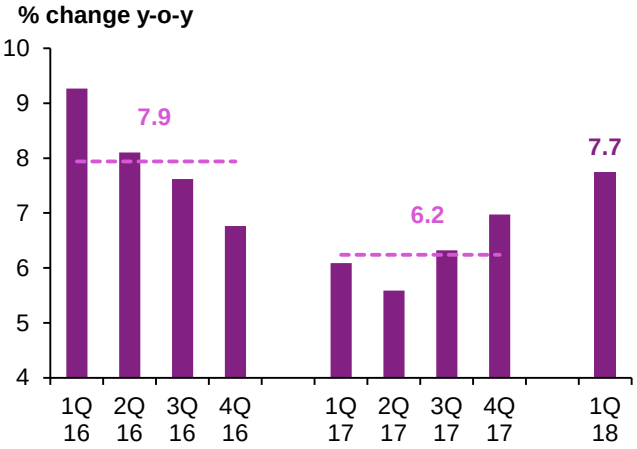
The **GDP growth** forecast remains unchanged at 1.8% y-o-y for both 2018 and 2019.

## India

India's **2Q18 GDP growth rate** remained resilient, little changed from 1Q18. With a weak rupee adding to inflationary pressures, it seems consumer price index (CPI) inflation is likely to remain above the Reserve Bank of India's (RBI) target rate for 2H18.

The decision to further tighten policy came after India's retail **inflation** climbed to 5.0% y-o-y in June, from 4.3% y-o-y in March. The increase was driven by a surge in transportation and fuel costs after global crude oil prices briefly crossed $80/b in late May. Indian domestic petrol and diesel prices have been subsidised by the government for decades, but became subject to excise duties in 2016, when global crude oil prices fell to about $40/b. India's government subsequently came to depend heavily on these tax revenues, but with global oil prices starting to rise, domestic fuel costs have also increased sharply.

**Graph 3 - 20: India's GDP growth**




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

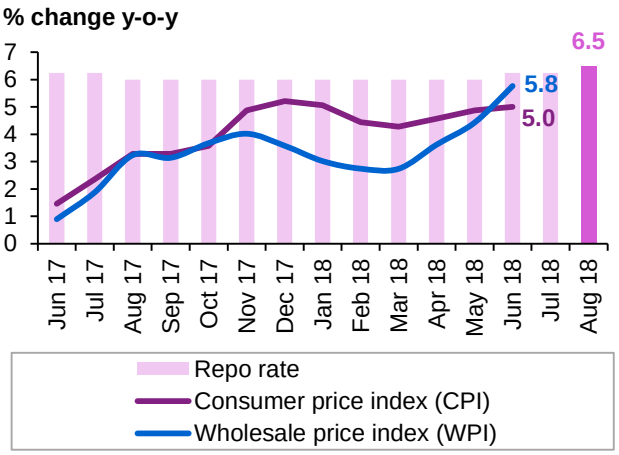
The depreciation of the **Indian rupee** since April has also contributed to a rise in inflation, as imported goods have become more expensive for Indian buyers. Rising oil prices are also contributing to a widening in India's trade and current account deficits.

India's economy started to recover after a slowdown caused by a ban on high-value currency notes in November 2016, followed by the quick implementation of a **goods and services tax (GST)** in July last year. According to India's financial policy, 4 million additional taxpayers have registered since the demonetisation, with the GST resulting in a 50% increase in new taxpayer registrations.

India will remain the fastest-growing major economy this year, supported by increased government spending ahead of next year's general election. Rising oil prices pose the biggest downside risk. However, the RBI increased its **key policy repo rate** by 25 bp to 6.5% on 1 August 2018, in line with market expectations and following a similar hike at the previous meeting.

India's **CPI inflation** edged up to 5.0% y-o-y in June, from 4.9% in May. Core-core inflation (CPI excluding food, fuel and motor fuels) remained above 6.0% and fuel inflation jumped to 7.1% (from 5.8%). But more stable food inflation dampened upside pressure on the headline rate.

**Graph 3 - 21: Repo rate and inflation in India**



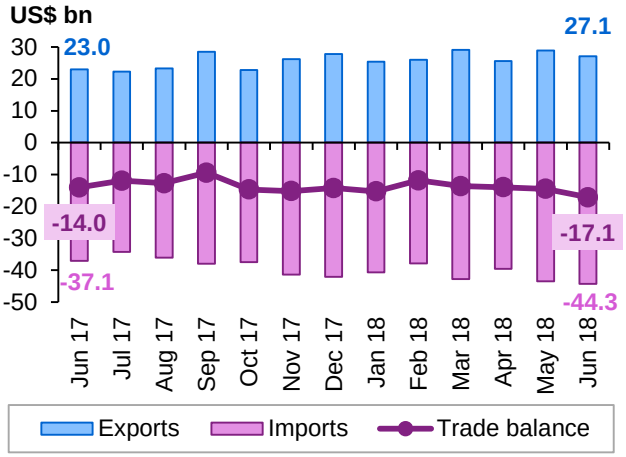

*Sources: Ministry of Commerce and Industry, Reserve Bank of India and Haver Analytics.*

India's **wholesale price index (WPI)** inflation rose by 5.8% y-o-y in June, after a 4.4% gain in May. It is the highest wholesale inflation seen since March 2017, due to faster rises in the cost of food, manufactured products and fuel.

India's **trade deficit** widened to $17.1 billion in June, from $14.5 billion in May, the highest trade deficit since May 2013. **Imports** surged 19.5% y-o-y to $44.3 billion in June, reaching their highest value since January 2013, as a 60.5% rise in oil prices led to a higher bill for petroleum, crude and products (56.6%). **Exports** rose by 18.0% y-o-y to $27.1 billion in June.

Reduced **India-China tariffs** will expand the market for Indian pharmaceuticals and broaden Indian start-ups' access to venture capital. The reduction in tariffs is probably triggered by seemingly strong US policy. For China, it is likely to be triggered by US tariffs on Chinese goods, where tariffs on $34 billion worth of Chinese goods came into effect on 6 July.

**Graph 3 - 22: India's trade balance**



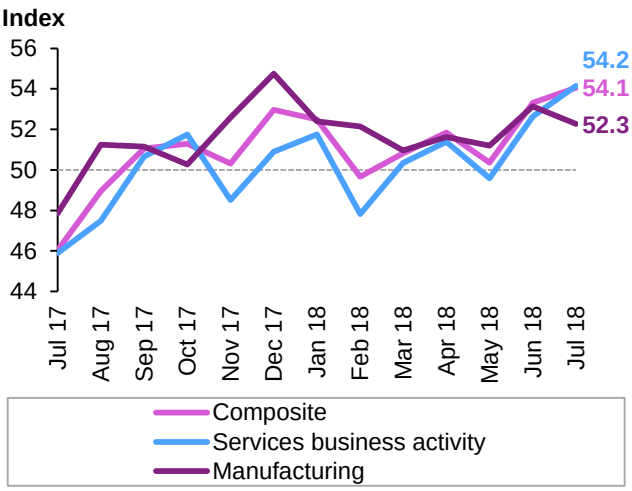

*Sources: Ministry of Commerce and Industry and Haver Analytics.*

The Nikkei India **manufacturing PMI** dropped to 52.3 in July from a six-month high of 53.1 in June, as output, new orders and employment increased less than in the previous month. On the price front, input cost inflation eased from June's multi-year high and was broadly in line with the series trend.

The Nikkei India **services PMI** rose to 54.2 in July, from 52.6 in June. It was the second-straight month of growth in the services sector and the fastest rate since October 2016.

Relatively higher interest rates, high oil prices, uncertainties about the exchange rate and gradually building political risks ahead of the 2019 elections could slow down growth momentum. For now, **India's GDP** forecast remains unchanged at 7.3% for 2018 and at 7.4% for 2019.

**Graph 3 - 23: India's PMIs**



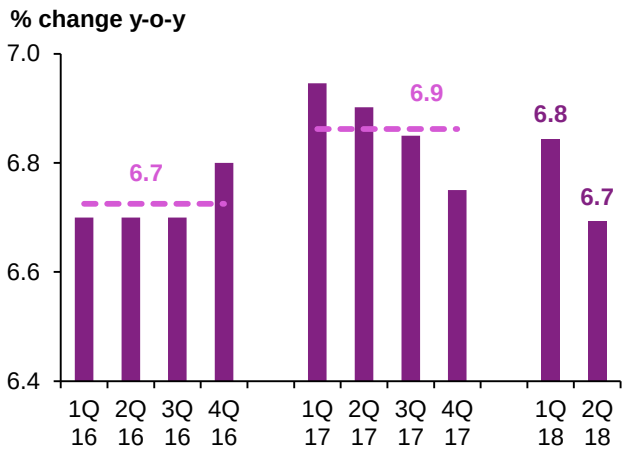

*Sources: Nikkei, IHS Markit and Haver Analytics.*

## China

China posted **2Q18 GDP growth** of 6.7% y-o-y, slightly lower than the 6.8% of 1Q18, as China has been cracking down on risky credit amid escalating trade tensions with the US. GDP growth will be further challenged in 2H18 by the trade conflict and slow credit growth.

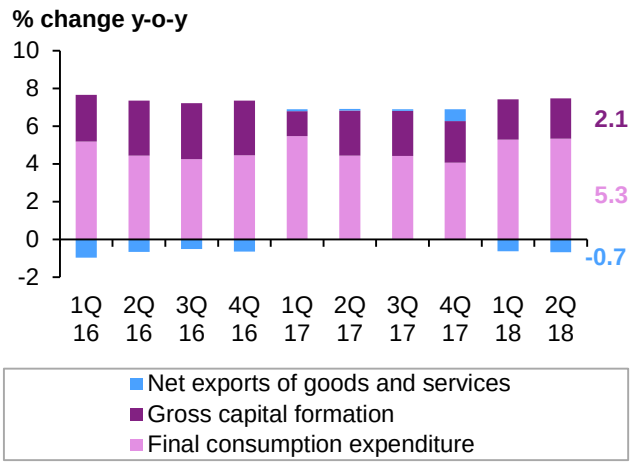
GDP growth eased in 2Q18 on softer global demand and tighter financial policy. Weaker exports and investment dragged down industry growth, with a further slowdown in June output underscoring downward pressure on growth in 2H18. Despite a pick-up in June, overall investment growth declined in 2Q18 on slower infrastructure investment growth amid Beijing's efforts to tighten up the financing of local government investment vehicles. However, the slowdown expected in 2H18 will likely be modest, given still solid overall global demand, robust consumption and some further easing of the macro stance.

**Graph 3 - 24: China's GDP growth**




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

**Graph 3 - 25: China's GDP breakdown**




*Sources: China National Bureau of Statistics and Haver Analytics.*

Amid slowing growth and the trade conflict with the US, China's policymakers have recently taken several steps to shift the emphasis of the **macro policy stance** towards supporting GDP growth. This includes raising liquidity, issuing guidelines for asset management products that are less strict than expected and growth-supporting policy guidance from the State Council.

Following a modest easing of macro policy in 2Q18, China's policymakers have indicated that they are ready to ease further if growth slows sharply. However, after GDP growth of 6.8% in 1H18, the economy can slow quite a bit before the "around 6.5%" target for 2018 as a whole is threatened. Monetary easing measures over the past month and the scheduled local government bond issuance supported broad credit growth in July. In particular, the level of Chinese yuan loans will extend to the real economy in July, according to the latest Goldman Sachs forecast. On the upside, fiscal expenditure growth is likely to accelerate, along with policy intention for "more proactive" fiscal policies. On the other hand, there could be a modest rise in the amount of FX outflows, which could lower money supply M2 growth.

It seems China's economy is likely to experience a mild slowdown in 2H18 as financial market risks become "obvious" and demand is expected to decline.

Faced with a slowdown in domestic demand and potential fallout from the trade dispute, Chinese policymakers are likely to step up policy support for the economy and soften their stance on deleveraging. The People's Bank of China (PBOC), which has cut banks' **reserve requirements ratio (RRR)** three times this year, has recently replaced its use of the term "deleveraging" with "structural deleveraging", a change that suggests less harsh controls on debt.

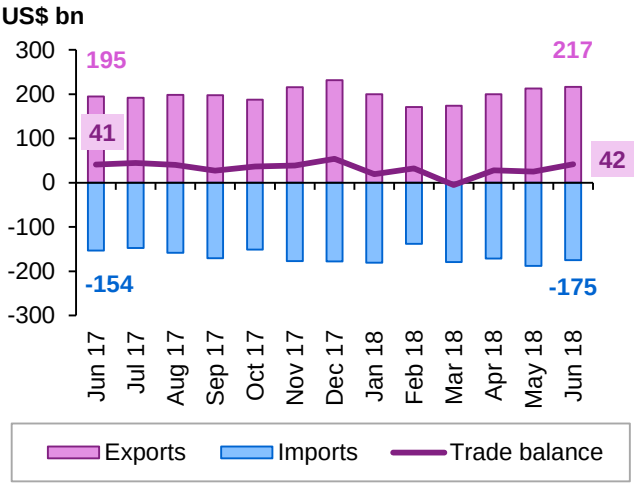
From the **demand side**, investment, net exports, and consumption growth all slowed in 2Q18, when compared with the previous quarter. The **gross fixed capital formation (GFCF)** contributed to 31.4% of real growth, basically unchanged from the previous quarter. Consumption contributed to 78.5% of GDP growth, equal to the contribution made in 1Q18, but 14.2 pp above the contribution made in the same period last year.

Cumulative **industrial production** growth was reported at 6.7% in 1H18, down by 0.1 pp from 1Q18.

China's **trade surplus** widened to $41.6 billion in June, from $41.3 billion y-o-y. The surplus came in well above the market consensus of $27.9 billion, as exporters were rushing shipments before US tariffs went into effect. **Imports** to China decreased by 14.1% y-o-y to $175.1 billion in June, compared with a 26% y-o-y rise in May. China's coal imports rose 18% y-o-y to 25.47 million tonnes (mt) in June, and were above May's 22.33 mt, as utilities went on a buying spree to shore up electricity generation. The **export** of goods rose by 11.2% y-o-y to $216.7 billion in June, beating forecasts for a 10% increase, and following a 12.6% gain in May.

**China's trade surplus with the US**, China's largest export market, reached a record high in June of $28.9 billion – a record monthly figure since data became available in 1999. China's **exports to the US** rose by 12.5% y-o-y to $42.6 billion in June, while Chinese **imports of US** products rose by 9.6% y-o-y to $13.7 billion.

**Graph 3 - 26: China's trade balance**




*Sources: China Customs and Haver Analytics.*

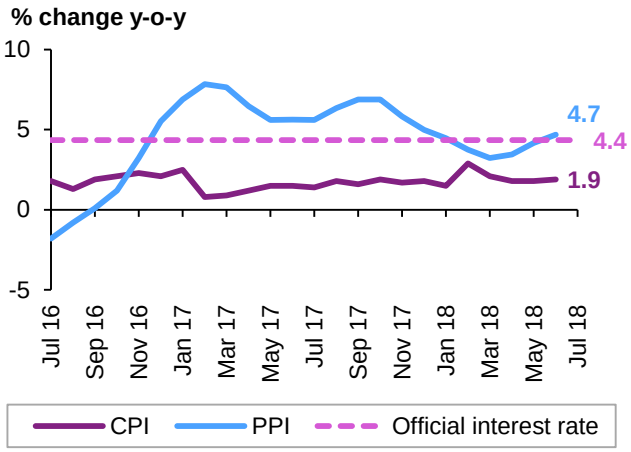
Global demand has been broadly stable over the past five months, though trade sub-indices under PMI surveys have been pointing to weaker export growth. Higher tariffs from the US might have posed headwinds to export growth, although the amount is likely to be small compared with overall exports. For 1H18, the trade surplus narrowed to $144.4 billion from $184.7 billion in the same period of 2017.

China's **CPI** rose by 1.9% y-o-y in June, from 1.8% in May, matching market consensus. It is the highest rate since March, as prices of food went up at a faster pace and cost of non-food products continued to increase. China's **producer price index (PPI)** continued to increase to 4.7% y-o-y in June, from 4.2% in May, the highest producer inflation rate since last December.

The **official NBS manufacturing PMI** slipped to 51.2 in July, down by 0.3 pp from June. It is the weakest reading since February, affected by adverse weather, intensifying global trade tensions and weaker domestic demand.

The **non-manufacturing PMI** dropped by 1 pp from June to 54.0 in July, ending four consecutive months of increase. The services activities sub-index also fell by 1 pp in July compared with June.

**Graph 3 - 27: China's CPI and PPI**




*Sources: China Index Academy, China National Bureau of Statistics, Soufan and Haver Analytics.*

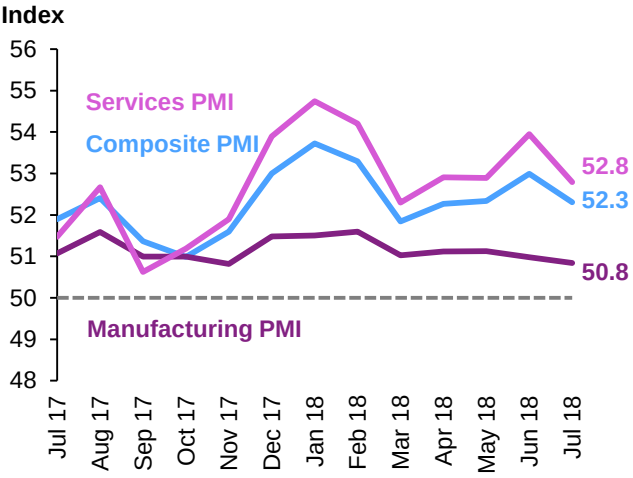
The China **Caixin composite PMI output index** fell by 0.7 pp m-o-m to 52.3 in July, driven by slower expansion in manufacturing and non-manufacturing activities.

The **manufacturing PMI** fell to an eight-month low of 50.8 in July from 51.0 in June. Both output and new orders grew at softer rates, while new export orders shrank at the steepest pace in 25 months. Meanwhile, a further reduction in staffing levels contributed to a sustained increase in backlogs of work.

The China **Caixin services PMI** fell 1.2 pp to a four-month low of 52.8 in July, from 53.9 in June.

After resilient 2Q18 data, the 2018 **GDP growth** estimate has been revised up to 6.6%, from 6.5% in last month's report. The GDP growth forecast for 2019 remained unchanged at 6.2%.

**Graph 3 - 28: China's PMIs**




*Sources: Caixin, IHS Markit and Haver Analytics.*

# OPEC Member Countries

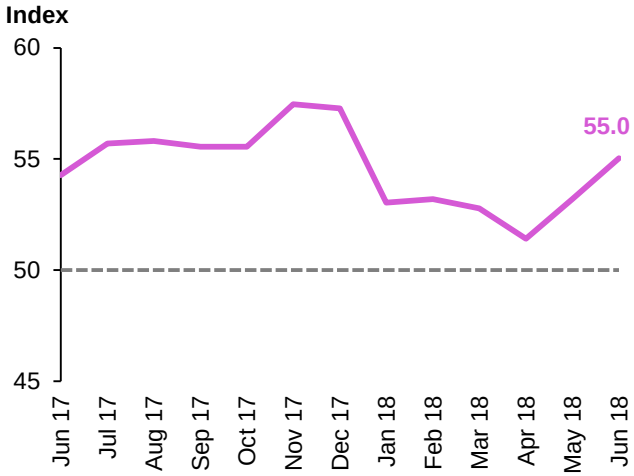
## Saudi Arabia

In **Saudi Arabia**, foreign reserves started to stabilize in August 2017, following a three-year downward trend. Following August 2017, they gradually increased. For June 2018, foreign reserves (excluding gold) were estimated at $505.96 billion, compared with $487.23 billion in August 2017. The economy of Saudi Arabia emerged from recession in 1Q18, with GDP returning to growth territory at 1.2% y-o-y. Gross value added for crude oil and natural gas rose by 0.7% y-o-y in 1Q18, after declining by 5.3% y-o-y the previous quarter. The manufacturing sector's gross value added also showed notable improvement in 1Q18, growing by 3.3% y-o-y, up from only 0.8% y-o-y in 4Q17.

Similarly, gross value added to electricity, gas and water went up by 1.1% y-o-y in the first three months of 2018 vs 0.8% y-o-y in the last three months of 2017.

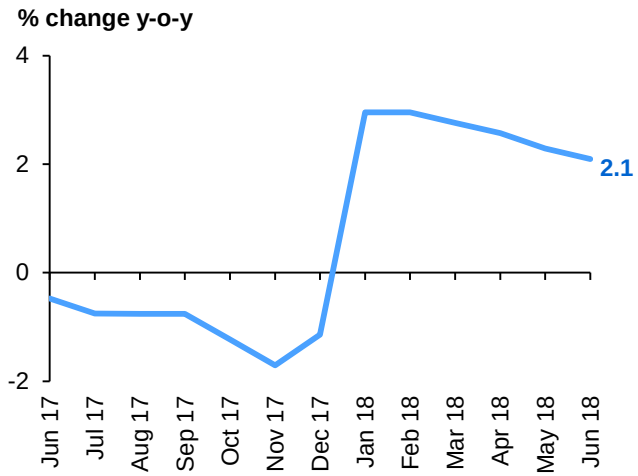
Inflation sustained its downward trend for the fifth month in a row in June, positing 2.1% y-o-y, down from 2.3% y-o-y in May and 2.6% in April.

**Graph 3 - 29: Saudi Arabia's composite PMI**




*Sources: Emirates NBD, IHS Markit and Haver Analytics.*

**Graph 3 - 30: Saudi Arabia's inflation**




*Sources: General Authority for Statistics and Haver Analytics.*

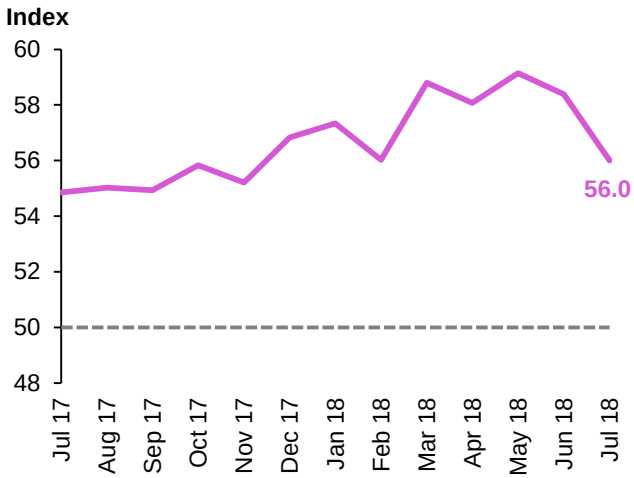
## Nigeria

In **Nigeria**, inflation in June reached its lowest reading since January 2016, posting 11.2% y-o-y for the month, down from 11.6% the previous month and down from a high of 19% y-o-y increase reached in January 2017. All categories of goods and services witnessed a general slowdown in inflation over the past several months, except for communications, the cost of which has been on an upward path since October 2017, rising by 5.4% y-o-y in June from 5.1% in May.

The country's private sector continued posting improvements in operating conditions in July as suggested by Stanbic IBTC Bank Nigeria PMI. The index stood at 56.0 for July from 58.4 in June, signalling somewhat of a moderation in growth, though business and economic sentiment remained largely positive. The survey revealed that output continued to see a healthy rise in July, while being at its softest pace since February.

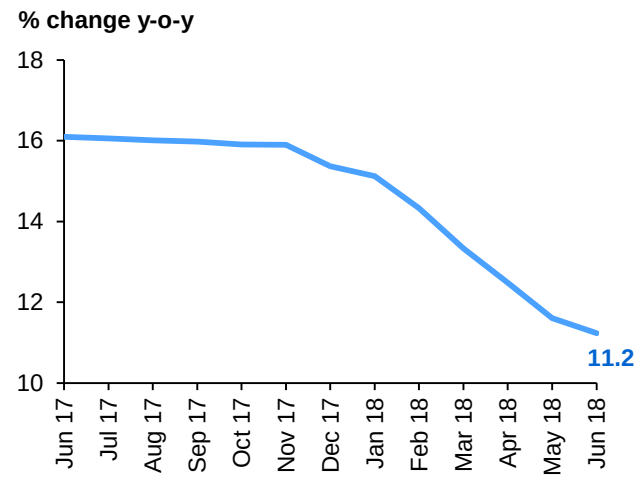
Improvements in new orders received from abroad and domestically were reported by surveyed firms, which reinforced overall output during July. The somewhat moderating momentum was also seen in job creation, where additions to employment were at a six-month low for the month.

**Graph 3 - 31: Nigeria's composite PMI**




*Sources: IHS Markit, Stanbic IBTC Bank and Haver Analytics.*

**Graph 3 - 32: Nigeria's inflation**



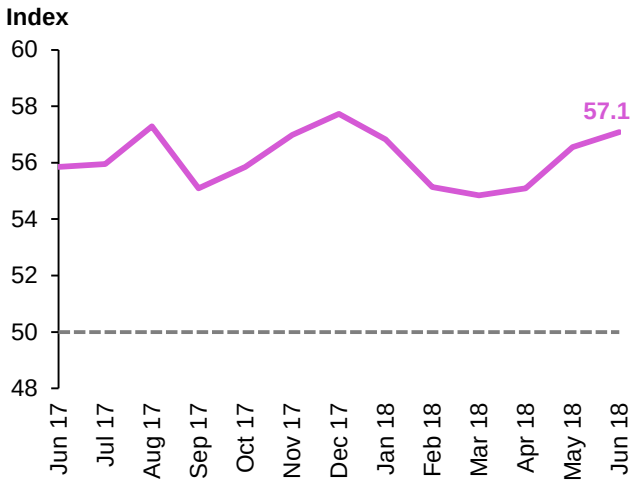

*Sources: National Bureau of Statistics and Haver Analytics.*

## The United Arab Emirates (UAE)

In the **UAE**, net international reserves increased in 1H18 by 9.92 billion AED to stand at 328.72 billion AED in June 2018, up from 318.80 billion AED in January 2018. The GDP of Abu Dhabi grew by 9% y-o-y in 1Q18 and amounted to 223.5 billion AED, according to Statistics Centre-Abu Dhabi. Non-oil GDP rose by 3.9% y-o-y in 1Q18 and oil GDP increased by 18% y-o-y. Oil constituted 38.8% of Abu Dhabi's GDP in 1Q18, while non-oil GDP accounted for 61.2%.

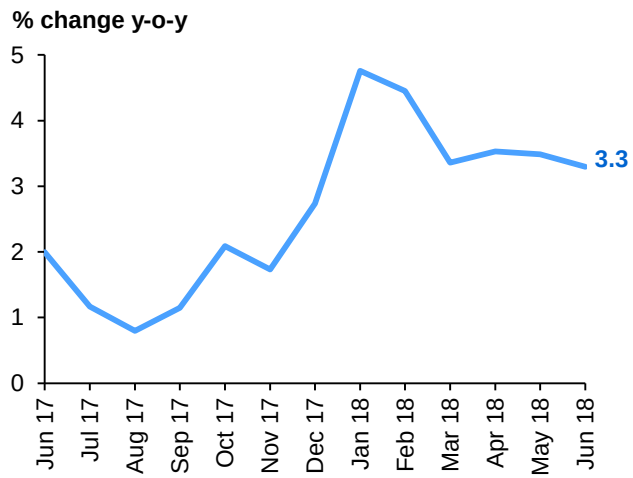
Inflation eased in June to 3.3% y-o-y, down from 3.5% a month earlier. Changes in the cost of housing, water, electricity and gas were further in the negative during June at -3.0% y-o-y, compared with May's -2.5%. In addition, inflation in the transportation sector slowed to 10.8% y-o-y in June, from 12.2% in May.

**Graph 3 - 33: UAE's composite PMIs**




*Sources: Emirates NBD, IHS Markit and Haver Analytics.*

**Graph 3 - 34: UAE's inflation**

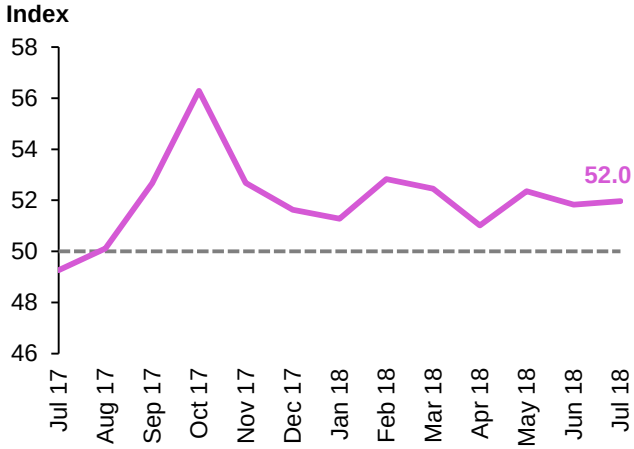



*Sources: National Bureau of Statistics and Haver Analytics.*

## Qatar

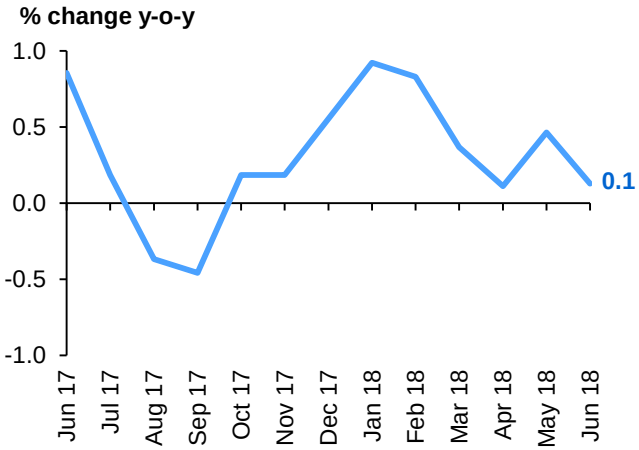
In **Qatar**, GDP grew by 1.4% y-o-y in 1Q18. Gross value added in the construction sector accelerated by 17.2% y-o-y in 1Q18, up from 16.5% in the previous quarter. Transportation and storage expanded by 3.0% y-o-y in 1Q18, up from 0.9% in 4Q17. The Qatar Financial Centre PMI showed that the non-hydrocarbon private sector started the third quarter on a positive note as new business growth hit a nine-month high in July. The index rose to 52.0 that month, from 51.8 the previous month. Improvements in domestic economic conditions were linked by surveyed firms to stronger demand. Hence, output increased in July, reflecting the upbeat momentum in new work received. In addition, more positive future prospects stimulated firms to increase employment in July. Both business optimism and job creation were at survey-record highs in July.

**Graph 3 - 35: Qatar's composite PMI**




*Sources: Qatar Financial Centre, IHS Markit and Haver Analytics.*

**Graph 3 - 36: Qatar's inflation**




*Sources: Ministry of Development Planning and Statistics and Haver Analytics.*

# Other Asia

## Indonesia

In **Indonesia**, quarterly GDP grew by its strongest rate in four and a half years — by 5.3% y-o-y in 2Q18 from 5.1% y-o-y in 1Q18. This represents the highest rate of growth since 4Q13. Private consumption expenditure rose by 5.2% y-o-y in 2Q18, up from 5.0% in 1Q18, reaching its highest point since 2Q14. Moreover, general government expenditure grew notably by 5.3% y-o-y in 2Q18, nearly double as fast as growth of 2.7% registered in 1Q18. Gross capital formation was largely stable at 8.4% y-o-y in 2Q18, only posting a marginal rise in the second-digit figure. Exports increased from 6.1% y-o-y in 1Q18 to 7.7% in 2Q18. Imports, on the other hand, accelerated more, by 15.2% y-o-y in 2Q18, up from 12.7% in 1Q18.

The trade surplus registered $1.70 billion in June 2018, compared with $1.67 in the same month a year earlier. This also marks the first trade surplus since March 2018. In June 2018, the total value of exports rose by 11.3% y-o-y, while that of imports grew by 12.8% y-o-y. In volume terms, exports jumped in June by the highest rate since July 2013, up by nearly 25% y-o-y, whereas imported volumes dropped by 7.1% y-o-y. The manufacturing sector in Indonesia continued to grow in July, albeit only slightly, as suggested by the Nikkei Indonesia Manufacturing PMI reading in July, when the index registered 50.5, up from 50.3 in June. The index survey showed that lacklustre demand resulted in lowering of the country's manufacturing production in July, signalling the first output drop in six months. New orders were reported to have risen only marginally in July, in light of a fall in export sales. Furthermore, business sentiment remained close to June's 68-month low.

# Africa

## South Africa

In **South Africa**, the trade surplus widened to 12.0 billion rand in June from 3.8 billion in May. This was the largest trade surplus since December 2017 on the back of a rise in exports and fall in imports. Both exports and imports increased in June by 10.0% and 7.3% y-o-y, respectively. In a m-o-m comparison, exports increased by 7.1%, while imports dropped by 0.9%. In 1H18, the trade balance stood at a deficit of nearly 1.8 billion rand.

In 2Q18, the unemployment rate rose to 27.2%, up from 26.7% in 1Q18, yet lower than 27.7% in 2Q17. The reserve bank left its benchmark interest rate unchanged at 6.5% last month, citing its expectation of headline inflation to average 4.8% in 2018 and 5.6% in 2019.

The rand's depreciation seems to have eased in July; it lost only 0.9% of its value to the dollar m-o-m, depreciating by a total of nearly 12% during April–June. The private sector in South Africa slipped into contraction territory in July for the first time in six months, according to the Standard Bank South Africa PMI. The survey showed declines in output, new orders and employment, which pushed the index down to 49.3 in July, from 50.9 in June.

# Latin America

## Colombia

In **Colombia**, the central bank kept its benchmark interest rate unchanged at 4.25% at the end of July. The central bank noted uncertainties regarding oil prices and economic growth and added that inflation might remain above 3%. Inflation posted a 3.2% y-o-y increase in June. The Davivienda Colombia Manufacturing PMI showed that the manufacturing sector gained momentum in July. The index rose to its highest mark in two and a half years to 53.5 for the month from 53.0 in June. The improvement was extended to three out of the five indicators that are part of the PMI: production, new orders and employment. Employment reached its highest point since December 2015. However, manufacturers' future sentiment was at a three-month low in July, in light of uncertainty about investment and the sustainability of economic growth. On the other hand, some manufacturers expect that production will improve in the coming months of the back of marketing efforts, new clients, opening of new branches and product diversification. In May 2018, the trade deficit increased to $830 million from $250 million one year earlier as imports rose by more than 21% y-o-y, while exports rose by 5% y-o-y.

# Transition region

## Czech Republic

Industrial production in the **Czech Republic** rose by 3.4% y-o-y in June 2017 from 1.4% y-o-y in May, supported by faster growth in the production of electricity, gas, steam and air conditioning, in addition to mining and quarrying, together with manufacturing. In 2Q18, industrial production was up by 3.4% y-o-y. Operating conditions in the manufacturing sector improved at the weakest pace in July 2018 since August 2017. The respective PMI index stood at 55.4 in July, down from 56.8 in June, signalling strong, but slowing, manufacturing growth. The survey showed that production and new orders rose at the slowest rate in 11 months in July, whereas input prices rose at the quickest pace since November 2017. Yet, the manufacturers' outlook remained robust in July in light of optimism related to access to new markets. GDP growth decelerated in 1Q18 to 3.7% y-o-y from 5.5% in the previous quarter, the result of a slower rise in household consumption and exports. Household consumption went up by 3.8% y-o-y in 1Q18 vs 4.3% in 4Q17. Exports increased by 2.6% y-o-y in 1Q18 vs 7.6% in 4Q17. Government consumption growth, however, accelerated to 3.8% y-o-y in 1Q18, up from 1.5% in 4Q17, while import growth dropped to 4.7% y-o-y in 1Q18 from 8.1% in 4Q17. In 2017, the economy grew by 4.3% y-o-y.

# World Oil Demand

*World oil demand is anticipated to increase by 1.64 mb/d in **2018**, revised down by 20 tb/d as compared to last month's MOMR. World oil demand is now projected to average 98.83 mb/d. Oil demand growth in the **OECD region** was revised higher by 50 tb/d in 1Q18 and 10 tb/d in 2Q18, mainly as a result of a continued better-than-expected performance from the petrochemical and industrial sectors in the US. A downward revision of 40 tb/d in the OECD Asia Pacific region in 2Q18 resulted from lower heavy fuel demand in Japan. In the **non-OECD region**, oil demand growth saw some upward adjustments in 1Q18, while 2Q18 was revised down by 0.14 mb/d. Weaker-than-expected data from the Middle East and Latin America on the back of fuel substitution, subsidy reduction policies as well as slower overall industrial activities impacted oil demand data negatively, mostly in 2Q18. On the other hand, positive economic momentum in the Other Asia region, including India, supported a positive upward revision in the region.*

*For **2019**, world oil demand growth is expected at 1.43 mb/d, a downward revision of 20 tb/d from last month's projection. Within the **OECD region**, growth is projected to originate from OECD Americas with the total OECD region expected to add around 0.27 mb/d of potential oil demand growth in 2019. In the **non-OECD region**, oil demand growth is anticipated to improve in Latin America and the Middle East from the levels seen in 2018, despite minor downward adjustments as compared to last month's assessment to now stand at 1.16 mb/d in 2019. China and India are forecast to see the highest growth levels among the non-OECD countries in 2019.*

# World oil demand in 2018 and 2019

**Table 4 - 1: World oil demand in 2018*, mb/d**

| | | | | | | | Change 2018/17 | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 2018 | Growth | % |
| Americas | 24.97 | 25.10 | 25.31 | 25.31 | 25.44 | 25.29 | 0.32 | 1.29 |
| *of which US* | *20.19* | *20.51* | *20.58* | *20.47* | *20.58* | *20.53* | *0.35* | *1.71* |
| Europe | 14.30 | 13.95 | 14.34 | 14.80 | 14.49 | 14.40 | 0.10 | 0.68 |
| Asia Pacific | 8.06 | 8.54 | 7.62 | 7.77 | 8.33 | 8.06 | 0.00 | 0.04 |
| **Total OECD** | **47.33** | **47.59** | **47.27** | **47.89** | **48.26** | **47.75** | **0.42** | **0.90** |
| Other Asia | 13.24 | 13.50 | 13.79 | 13.43 | 13.96 | 13.67 | 0.43 | 3.22 |
| *of which India* | *4.53* | *4.83* | *4.74* | *4.40* | *5.02* | *4.75* | *0.22* | *4.76* |
| Latin America | 6.51 | 6.37 | 6.53 | 6.89 | 6.55 | 6.58 | 0.08 | 1.20 |
| Middle East | 8.17 | 8.19 | 7.98 | 8.63 | 7.97 | 8.19 | 0.02 | 0.25 |
| Africa | 4.20 | 4.35 | 4.32 | 4.27 | 4.38 | 4.33 | 0.13 | 3.06 |
| **Total DCs** | **32.13** | **32.41** | **32.62** | **33.23** | **32.86** | **32.78** | **0.65** | **2.03** |
| FSU | 4.70 | 4.66 | 4.50 | 4.89 | 5.21 | 4.82 | 0.12 | 2.45 |
| Other Europe | 0.72 | 0.73 | 0.69 | 0.73 | 0.82 | 0.74 | 0.03 | 3.48 |
| China | 12.32 | 12.28 | 12.84 | 12.71 | 13.12 | 12.74 | 0.42 | 3.40 |
| **Total "Other regions"** | **17.74** | **17.68** | **18.03** | **18.33** | **19.15** | **18.30** | **0.56** | **3.15** |
| **Total world** | **97.20** | **97.67** | **97.91** | **99.44** | **100.27** | **98.83** | **1.64** | **1.68** |
| Previous estimate | 97.20 | 97.66 | 98.04 | 99.42 | 100.25 | 98.85 | 1.65 | 1.70 |
| Revision | 0.00 | 0.01 | -0.12 | 0.03 | 0.02 | -0.02 | -0.02 | -0.02 |

*Note: * 2018 = Forecast.*
*Totals may not add up due to independent rounding.*
*Source: OPEC Secretariat.*

**Table 4 - 2: World oil demand in 2019*, mb/d**

| | 2018 | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 2019 | Change 2019/18 Growth | Change 2019/18 % |
|---|---|---|---|---|---|---|---|---|
| Americas | 25.29 | 25.36 | 25.54 | 25.59 | 25.69 | 25.55 | 0.26 | 1.01 |
| *of which US* | *20.53* | *20.75* | *20.78* | *20.72* | *20.81* | *20.76* | *0.23* | *1.13* |
| Europe | 14.40 | 14.01 | 14.37 | 14.85 | 14.53 | 14.44 | 0.05 | 0.32 |
| Asia Pacific | 8.06 | 8.52 | 7.58 | 7.75 | 8.30 | 8.03 | -0.03 | -0.34 |
| **Total OECD** | **47.75** | **47.90** | **47.49** | **48.18** | **48.52** | **48.03** | **0.27** | **0.57** |
| Other Asia | 13.67 | 13.88 | 14.18 | 13.81 | 14.35 | 14.06 | 0.39 | 2.82 |
| *of which India* | *4.75* | *5.04* | *4.95* | *4.60* | *5.23* | *4.95* | *0.21* | *4.36* |
| Latin America | 6.58 | 6.48 | 6.64 | 7.01 | 6.66 | 6.70 | 0.12 | 1.78 |
| Middle East | 8.19 | 8.27 | 8.06 | 8.72 | 8.05 | 8.28 | 0.08 | 1.03 |
| Africa | 4.33 | 4.46 | 4.43 | 4.37 | 4.49 | 4.44 | 0.11 | 2.45 |
| **Total DCs** | **32.78** | **33.09** | **33.31** | **33.92** | **33.56** | **33.47** | **0.69** | **2.11** |
| FSU | 4.82 | 4.75 | 4.59 | 4.98 | 5.31 | 4.91 | 0.09 | 1.87 |
| Other Europe | 0.74 | 0.75 | 0.71 | 0.75 | 0.84 | 0.76 | 0.02 | 2.69 |
| China | 12.74 | 12.62 | 13.20 | 13.07 | 13.48 | 13.09 | 0.36 | 2.79 |
| **Total "Other regions"** | **18.30** | **18.12** | **18.49** | **18.79** | **19.64** | **18.77** | **0.47** | **2.54** |
| **Total world** | **98.83** | **99.11** | **99.29** | **100.90** | **101.72** | **100.26** | **1.43** | **1.45** |
| Previous estimate | 98.85 | 99.12 | 99.43 | 100.90 | 101.72 | 100.30 | 1.45 | 1.47 |
| Revision | -0.02 | -0.01 | -0.14 | 0.01 | 0.00 | -0.04 | -0.02 | -0.02 |

*Note: * 2018 and 2019 = Forecast.*
*Totals may not add up due to independent rounding.*
*Source: OPEC Secretariat.*

# OECD

## OECD Americas

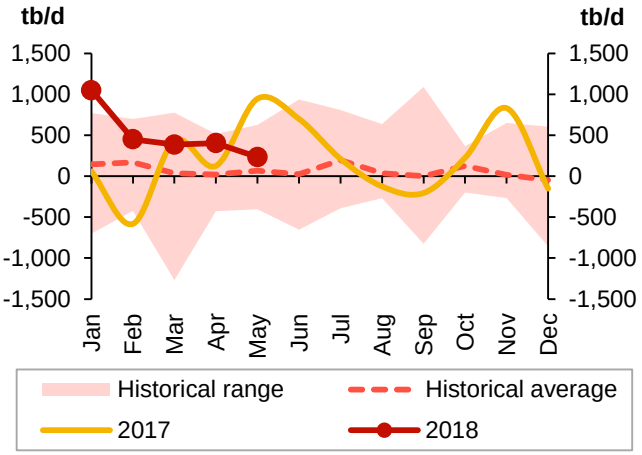
### US

The latest available **US** monthly data for May 2018 implied a solid increase in oil demand by around 0.3 mb/d y-o-y, yet this amount is the smallest y-o-y increase in terms of volume since December 2017.

In line with the general trend of the country's economy, oil demand growth has been substantial, mainly in the industrial sector. Industrial diesel, to a significant extent consumed for the country's rising crude oil production activities, in addition to NGLs/LPG as feedstock for the petrochemical industry, were the products with the largest increases in demand y-o-y.

Gas/diesel oil demand increased in May 2018 by a robust 0.3 mb/d y-o-y, while LPG/NGL requirements added another 0.2 mb/d during the same month, y-o-y. In line with expanding requirements for the transport sector, jet kerosene demand continued to rise y-o-y for the tenth consecutive month.

**Graph 4 - 1: OECD Americas oil demand, y-o-y change**

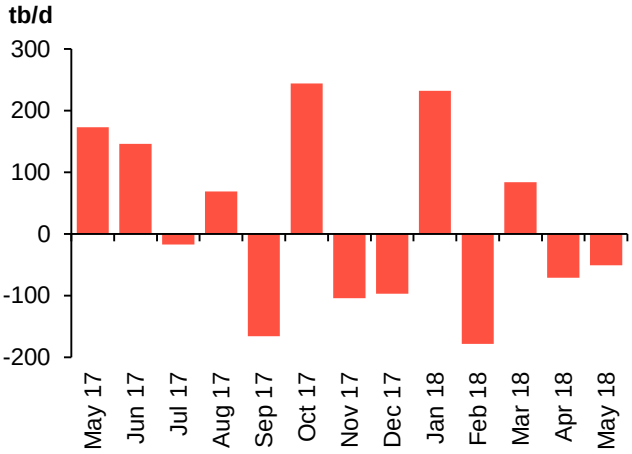



*Sources: National, Joint Organisations Data Initiative and OPEC Secretariat.*

During May 2018, motor gasoline requirements remained sluggish for another month, in line with the observed flat levels of vehicle miles travelled in the country as compared to the same month in 2017 and continuing weak gains in auto sales. Gasoline demand fell by around 0.1 mb/d y-o-y in addition to increasing retail prices of above 19% y-o-y.

Residual fuel oil requirements also increased during May 2018 as a result of improving industrial sector activities. With available data for seven months in 2018 – monthly data until May and preliminary weekly data for June and July – US oil demand was shown to have grown strongly by around 0.6 mb/d, while the bulk of growth came from the lighter and middle parts of the barrel (NGLS/LPG and distillates, gas/diesel oil and jet kerosene for the industrial and transportation sectors), while gasoline demand to date remains remarkably weak.

**Graph 4 - 2: US gasoline demand, y-o-y change**




*Source: US Energy Information Administration.*

For the remainder of 2018 and 2019, US oil demand is anticipated to be predominantly determined by healthy economic activities, particularly supporting the industrial and transportation sectors, with distillates, NGLs/LPG and jet kerosene expected to be the petroleum product categories in highest demand. Gasoline requirements are expected to be lower than initially anticipated, with fuel prices playing a major role in future developments. Hence, the overall implied risk for the future development of the US oil demand during 2018 and 2019 is mostly balanced. Upside risks originate in the projected growth of the economy and oil usage in the industrial and transportation sectors, while fuel substitution, fuel prices and vehicle efficiencies are the main downside risks.

**Table 4 - 3: US oil demand, tb/d**

| | | | *Change 2018/17* | |
|---|---|---|---|---|
| | May 18 | May 17 | tb/d | % |
| LPG | 2,442 | 2,288 | 154 | 6.7 |
| Naphtha | 200 | 240 | -40 | -16.7 |
| Gasoline | 9,550 | 9,601 | -51 | -0.5 |
| Jet/kerosene | 1,715 | 1,674 | 41 | 2.4 |
| Diesel oil | 4,273 | 3,969 | 304 | 7.7 |
| Fuel oil | 312 | 368 | -56 | -15.2 |
| Other products | 2,156 | 2,190 | -35 | -1.6 |
| **Total** | **20,648** | **20,330** | **317** | **1.6** |

*Sources: US Energy Information Administration and OPEC Secretariat.*

## Mexico

Despite expanding **Mexican** manufacturing activity in June 2018 and increasing LPG, naphtha and jet kerosene demand, Mexican oil requirements declined by more than 4% y-o-y. Shrinking gasoline, gas/diesel oil and residual fuel oil demand accounted for the overwhelming share in losses. The risks for 2018 and 2019 Mexican oil demand are skewed to the downside and are connected to the development of the country's overall economy, in addition to fuel substitution.

## Canada

In **Canada**, May 2018 came up declining y-o-y with demand for some petroleum product categories registering gains, particularly gas/diesel oil, gasoline and naphtha. These increases, however, have been more than offset by declining LPG and residual fuel oil demand, with fuel substitution accounting for a significant part of the losses. 2018 and 2019 Canadian oil demand is projected to remain roughly flat with only marginal increases. The risks are equally distributed to the upside and downside, and depend on the development of the country's economy and fuel substitution.

In 2018, **OECD Americas oil demand** is expected to grow by 0.32 mb/d as compared to 2017. 2019 OECD Americas oil demand is projected to increase by 0.26 mb/d as compared to 2018.

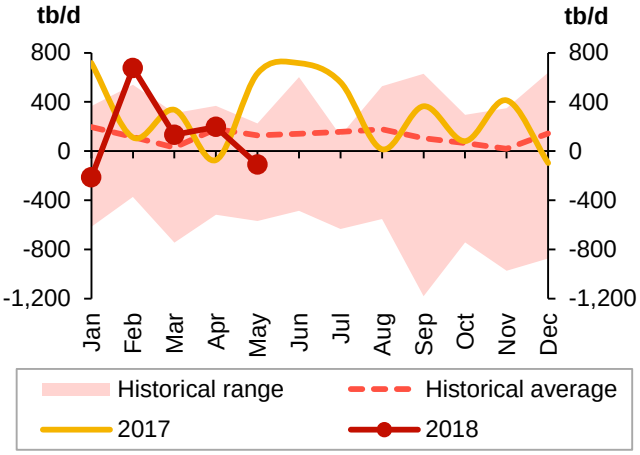
## OECD Europe

Following strong growth for the whole of 2017, the 1Q18 and April 2018 y-o-y, **European oil demand** fell to negative territory in May 2018.

Demand for the majority of petroleum product categories rose during May 2018 y-o-y, notably LPG, naphtha, gasoline and jet/kerosene but this has been counterbalanced by shrinking gas/diesel oil demand mainly as a result of reduced requirements in the road transportation sector. During May 2018, oil demand shrank in Germany, France Italy, the Netherlands and Turkey y-o-y, while it showed gains y-o-y in the UK, Spain and Poland.

Preliminary June 2018 data implies slight losses y-o-y for the European Big 4 – Germany, France Italy and the UK – while European oil demand remained in the positive during 1H18, y-o-y.

**Graph 4 - 3: OECD Europe oil demand, y-o-y change**




*Sources: National, Joint Organisations Data Initiative and OPEC Secretariat.*

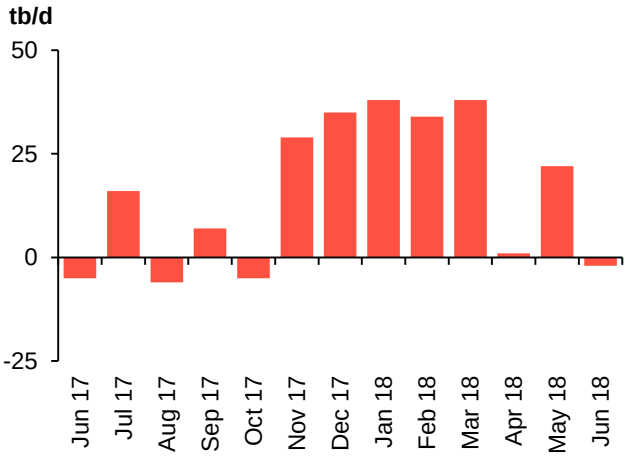
The main reasons behind increasing oil demand during 1H18 were the steady economic momentum particularly in the manufacturing sector, in addition to colder-than-normal temperatures as compared to last year.

The general expectations for the region's oil demand growth during the remainder of 2018 imply continuing growing demand, largely supported by a healthy economy and consequently flourishing industrial and transportation sectors.

Gasoline, and middle distillates, gas/diesel oil and jet kerosene are expected to account for the bulk of increases, with the large majority of countries in the region forecast to show increasing oil demand y-o-y.

The general expectations for the region's oil demand growth during 2019 are more conservative than those for 2018, mainly due to the high historical baseline and the risks that traditionally relate to the region's oil demand structure, such as high taxation polices in oil use and fuel substitution.

**Graph 4 - 4: UK diesel oil demand, y-o-y change**




*Sources: Joint Organisations Data Initiative, UK Department of Energy Climate and Change and OPEC Secretariat.*

**OECD Europe's oil demand** is projected to grow by 0.10 mb/d in 2018, while 2019 oil demand will grow slightly, by 0.05 mb/d, as compared to 2018.

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

| | Jun 18 | Jun 17 | Change 2018/17 tb/d | Change 2018/17 % |
|---|---|---|---|---|
| LPG | 481 | 448 | 33 | 7.3 |
| Naphtha | 665 | 678 | -13 | -1.9 |
| Gasoline | 1,136 | 1,170 | -34 | -2.9 |
| Jet/kerosene | 878 | 859 | 19 | 2.3 |
| Diesel oil | 3,373 | 3,397 | -24 | -0.7 |
| Fuel oil | 212 | 220 | -8 | -3.6 |
| Other products | 689 | 728 | -39 | -5.4 |
| **Total** | **7,435** | **7,500** | **-65** | **-0.9** |

*Note: * Germany, France, Italy and the UK.*
*Sources: JODI, UK Department for Business, Energy & Industrial Strategy, Unione Petrolifera and OPEC Secretariat.*

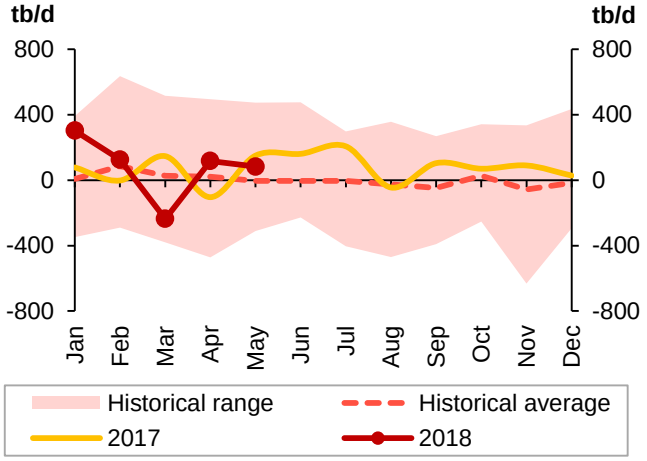
# OECD Asia Pacific

## Japan

Preliminary June 2018 data implies that **Japanese oil demand** shrank sharply by almost 0.3 mb/d y-o-y. This marks the fourth consecutive month of declines in 2018 and follows continuing losses for each month last year.

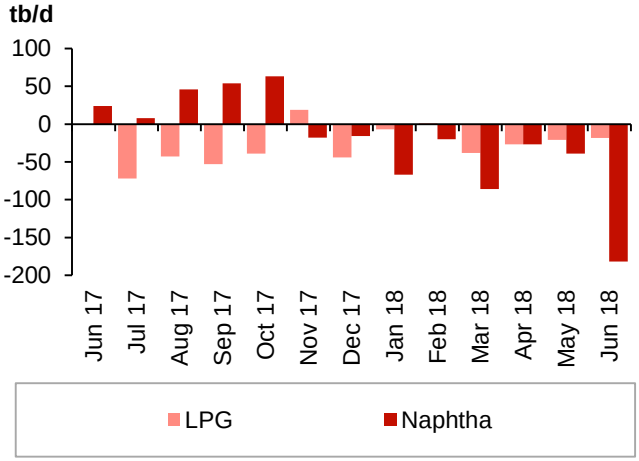
The demand picture during June 2018 was bearish for the majority of petroleum product categories. LPG and naphtha requirements registered losses y-o-y, similar to sluggish demand for jet kerosene and residual fuel oil in the transportation and industrial sectors; for gasoline, demand remained stagnant y-o-y, while requirements for industrial diesel registered marginal gains compared with the same month in 2017. Moreover, required volumes for direct use of crude oil and residual fuel oil for electricity generation declined for another month y-o-y, as a result of fuel substitution with other primary energy commodities.

**Graph 4 - 5: OECD Asia Pacific oil demand, y-o-y change**




*Sources: Joint Organisations Data Initiative, national and OPEC Secretariat.*

**Graph 4 - 6: Japanese LPG and naphtha demand, y-o-y change**




*Sources: Ministry of Economy Trade and Industry of Japan, Joint Organisations Data Initiative and OPEC Secretariat.*

The outlook for Japan's oil demand in 2018 and 2019 remains unchanged from last month's forecasts with the risks continuing to be skewed towards the downside, mainly due to weaker economic forecasts, increasing efficiencies in the road transportation sector, as well as fuel substitution. Projections for 2019 assume a firm likelihood that an additional number of nuclear plants will restart.

**Table 4 - 5: Japanese domestic sales, tb/d**

| | Jun 18 | Jun 17 | Change 2018/17 tb/d | Change 2018/17 % |
|---|---|---|---|---|
| LPG | 331 | 349 | -18 | -5.2 |
| Naphtha | 554 | 736 | -182 | -24.7 |
| Gasoline | 867 | 867 | 0 | 0.0 |
| Jet/kerosene | 311 | 329 | -18 | -5.5 |
| Diesel oil | 765 | 760 | 5 | 0.6 |
| Fuel oil | 194 | 224 | -30 | -13.6 |
| Other products | 248 | 320 | -72 | -22.4 |
| **Total** | **3,270** | **3,585** | **-315** | **-8.8** |

*Sources: JODI, Ministry of Energy and Trade and Industry of Japan and OPEC Secretariat.*

## South Korea and Australia

Positive expectations for oil demand in the region, however, can be seen mainly in South Korea and Australia.

The latest available **Korean** data for May 2018 indicates a solid oil demand increase of 0.1 mb/d compared with the same month last year, with demand for some of the main petroleum product categories increasing, particularly those used in the country's petrochemical sector – naphtha and LPG, as well as jet/kerosene. Furthermore, gas/diesel oil, gasoline and residual fuel oil demand fell during May 2018, y-o-y, partly offsetting overall gains.

The outlook for South Korean oil demand during 2018 and 2019 remains positive with further upside potential compared with last month's projections, mainly due the country's growing petrochemical industry.

In **Australia**, gas/diesel oil utilized heavily for the mining industry continued to be the motor behind rising oil demand during May 2018, y-o-y.

The risks for 2018 and 2019 oil demand in OECD Asia Pacific are balanced towards the upside and downside. The petrochemical and mining industries are factors pointing to the upside, while fuel substitution and efficiencies are pointing to the downside.

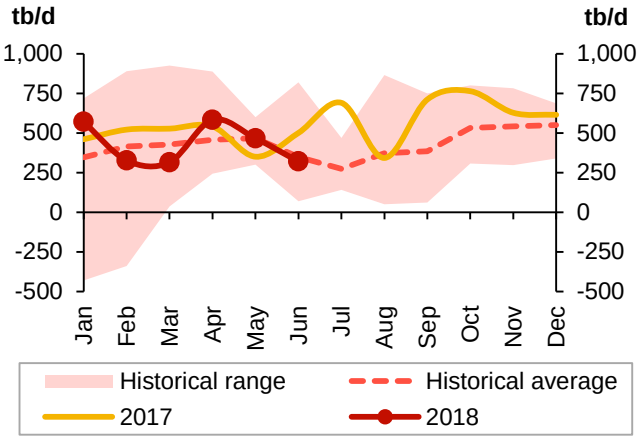
**OECD Asia Pacific oil demand** is projected to be flat in 2018, while 2019 oil demand is forecast to drop by 0.03 mb/d, y-o-y.

# Non-OECD

## China

The growth in **China's oil demand** in June 2018 continued its solid upward momentum with an increase of 2.7% y-o-y, in line with strong economic growth, which mainly lifted oil demand in the transportation and industrial sectors. As in previous months, demand for LPG and jet kerosene grew for one more month, mainly on account of healthy growth in the petrochemical and aviation sectors. Gasoline demand remained flat y-o-y, substantially lower than the growth in similar months and in line with declining auto sales and travelling activities. Residual fuel oil demand declined by almost 8% y-o-y; moreover, diesel demand grew for another month, y-o-y, as a result of increasing usage in the transportation and industrial sectors.

**Graph 4 - 7: Changes in Chinese apparent oil demand, y-o-y**

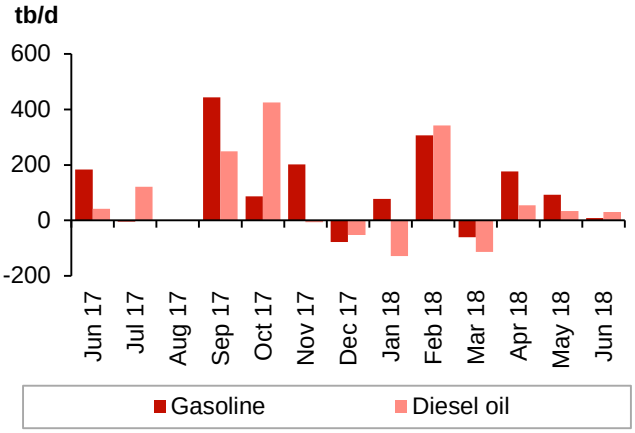



*Sources: Argus Global Markets, China OGP (Xinhua News Agency), Facts Global Energy, JODI, National Bureau of Statistics of China and OPEC Secretariat.*

The overall outlook for China's oil demand for 2018 and 2019 is positive with further upside potential, mainly as a result of the projected economic growth in combination with a flourishing petrochemical industry and room for growth in the country's transportation sector. Some downside risks relate to fuel substitution in the industrial sector in addition to efficiencies and alternative vehicle penetration (electric cars and bicycles) in the road transportation sector.

For 2018, China's oil demand is expected to grow by 0.42 mb/d, while oil demand in 2019 is projected to increase by 0.36 mb/d.

**Graph 4 - 8: Chinese diesel oil and gasoline demand growth y-o-y**




*Sources: Facts Global Energy, China OGP (Xinhua News Agency), Argus Global Markets, JODI, National Bureau of Statistics, China and OPEC Secretariat.*

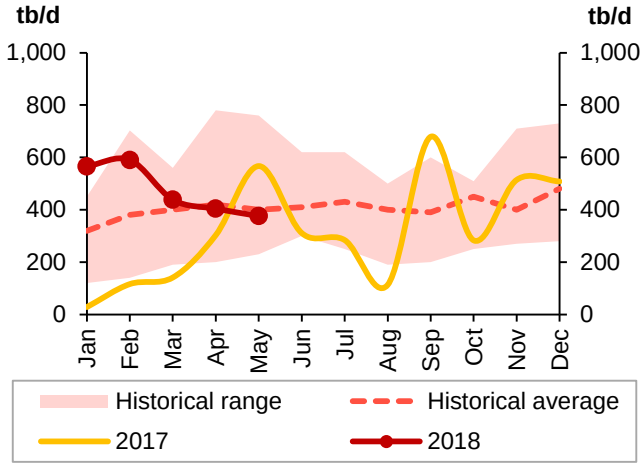
# Other Asia

## India

In **India**, similar to the strong oil demand growth witnessed at the beginning of the new financial year 2018/19, June 2018 came up strongly increasing, y-o-y. During the month, gasoline demand grew to stand at 0.1 mb/d, or 14.9%, y-o-y, in line with rising vehicle sales as well as steady economic growth. LPG requirements in the residential, industrial and transportation sectors continued to be solid. Gas/diesel oil demand also grew during June 2018 at a remarkable 7.8% y-o-y, mainly impacted by weather conditions, growing port traffic, as well as rising commercial vehicle sales and particularly power generation, despite being partly offset by declines in the industrial sector. High growth in domestic aviation sector passenger traffic resulted in bullish jet kerosene requirements, while residual fuel oil demand was on the decline, mostly as a result of fuel substitution in the industrial and fertilizer sectors. Moreover, naphtha demand grew during

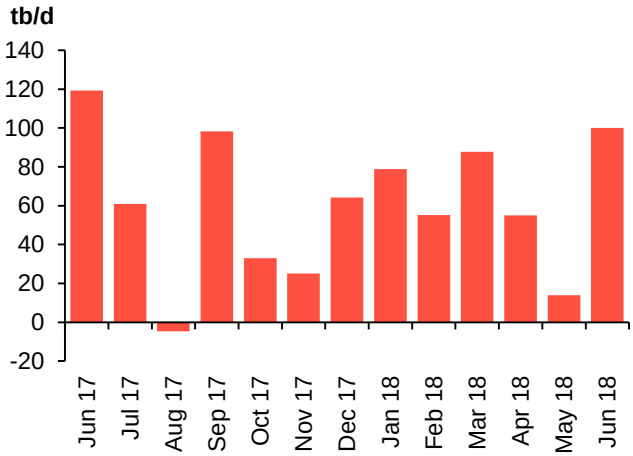
June 2018 y-o-y. On the back of expanding road infrastructure, bitumen consumption remained bullish during 2018 y-o-y.

**Graph 4 - 9: Other Asia's oil demand, y-o-y change**




*Sources: Joint Organisations Data Initiative, national and OPEC Secretariat.*

**Graph 4 - 10: Indian gasoline demand, y-o-y change**




*Sources: OPEC Secretariat, and Petroleum Planning and Analysis Cell of India.*

India's oil demand overall forecast for 2018 and 2019 remained unchanged compared with the projections of last month with risks being skewed towards the upside due to the expectations for strong economic growth and the large potential for oil demand in the country. Downside risks pertain to subsidy reductions and fuel substitution.

**Table 4 - 6: India's oil demand, tb/d**

| | | | *Change 2018/17* | |
|---|---|---|---|---|
| | Jun 18 | Jun 17 | tb/d | % |
| LPG | 820 | 800 | 21 | 2.6 |
| Naphtha | 324 | 292 | 32 | 10.9 |
| Gasoline | 772 | 672 | 100 | 14.9 |
| Jet/kerosene | 245 | 237 | 9 | 3.7 |
| Diesel oil | 1,868 | 1,732 | 136 | 7.8 |
| Fuel oil | 260 | 267 | -7 | -2.8 |
| Other products | 288 | 213 | 75 | 35.3 |
| **Total** | **4,577** | **4,212** | **365** | **8.7** |

*Sources: JODI, Petroleum Planning and Analysis Cell of India and OPEC Secretariat.*

## Indonesia

In **Indonesia**, slightly increasing demand for road transportation fuels, notably gas/diesel oil, as well as LPG in the residential sector, was partly offset by decreasing residual fuel and gasoline requirements, resulting in an overall 0.4% increase in oil demand during May 2018 y-o-y. As Indonesian oil demand, particularly transportation fuels and LPG, is substantially connected to domestic retail pricing policies, possible additional reductions in subsidized diesel, gasoline and LPG may curb oil demand for 2018 and 2019.

## Thailand

In **Thailand**, the latest available data implies increasing oil demand in May 2018 y-o-y; jet kerosene, LPG and naphtha demand grew solidly in addition to rather stagnant residual fuel oil and gasoline requirements.

## Malaysia

In **Malaysia**, oil demand for May 2018 increased y-o-y with the majority of petroleum product categories' demand growing, notably gas/diesel oil and LPG.

## Hong Kong

May 2018 oil demand growth was strong for another month in **Hong Kong/China.** The bulk of additional volumes came from gas/diesel oil and jet kerosene and were mostly driven by industrial activities and transportation.

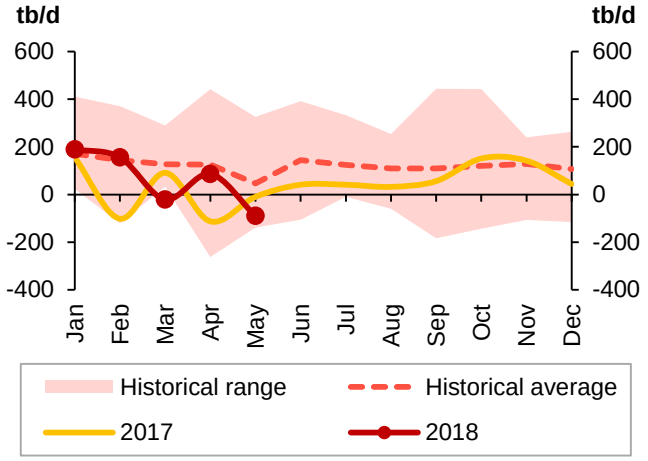
The forecast risks for **Other Asia oil demand** during the remainder of 2018 and 2019 remain strongly dependent on the level of oil prices, the development of the economy, as well as the degree of fuel substitution. The 2018 and 2019 forecast risks are balanced to the upside and downside. Other Asia's oil demand is expected to increase by 0.43 mb/d y-o-y in 2018. As for 2019, oil demand is forecasted to grow solidly at 0.39 mb/d.

# Latin America

## Brazil

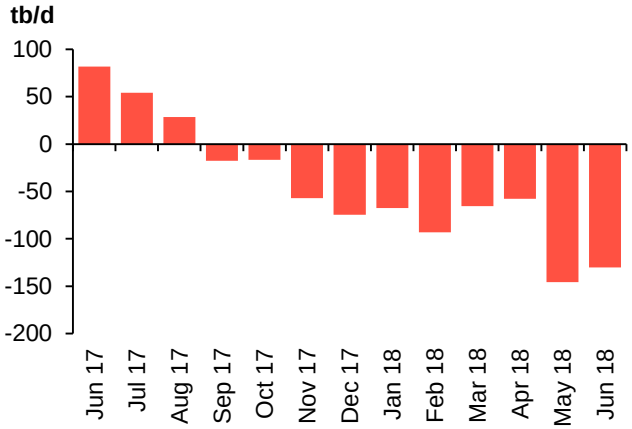
In **Brazil**, June 2018 oil demand growth was slightly positive y-o-y, following a sluggish May 2018 and providing further support to some positive indications already seen in 1Q18. June 2018 gas/diesel oil, LPG, jet/kerosene and ethanol demand grew firmly, while naphtha requirements increased only marginally during the same month y-o-y. Gains, however, have been partly offset by sluggish gasoline demand, mainly as a result of substitution with ethanol. Brazil's oil demand for 2018 and 2019 is expected to remain unchanged since the last month with expected growth depending on the recovery of the country's economy.

**Graph 4 - 11: Latin American oil demand, y-o-y change**




*Sources: Joint Organisations Data Initiative, national and OPEC Secretariat.*

**Graph 4 - 12: Brazilian gasoline demand, y-o-y change**




*Sources: Agencia Nacional do Petroleo, Gas e Biocombustiveis of Brazil, Joint Organisations Data Initiative and OPEC Secretariat.*

**Table 4 - 7: Brazilian oil demand*, tb/d**

| | | | Change 2018/17 | |
|---|---|---|---|---|
| | Jun 18 | Jun 17 | tb/d | % |
| LPG | 266 | 246 | 20 | 8.1 |
| Naphtha | 146 | 144 | 2 | 1.4 |
| Gasoline | 659 | 789 | -130 | -16.5 |
| Jet/kerosene | 120 | 110 | 9 | 8.6 |
| Diesel oil | 1,053 | 981 | 73 | 7.4 |
| Fuel oil | 79 | 93 | -14 | -15.0 |
| Other products | 400 | 307 | 93 | 30.2 |
| **Total** | **2,723** | **2,670** | **53** | **2.0** |

*Note: * = Inland deliveries.*
*Sources: JODI, Agencia Nacional do Petroleo, Gas Natural e Biocombustiveis and OPEC Secretariat.*

## Argentina

In **Argentina**, oil demand in May 2018 increased solidly y-o-y with gains in gasoline, jet/kerosene and gas/diesel oil demand having been only marginally offset by losses in residual fuel oil and LPG requirements.

## Ecuador

Preliminary **Ecuadorian oil demand** data for June 2018 shows firm gains y-o-y that were dominated by strong gasoline, LPG and naphtha demand. Gasoline requirements grew strongly, while demand for all other product categories remained flat.

**Table 4 - 8: Ecuador's oil demand, tb/d**

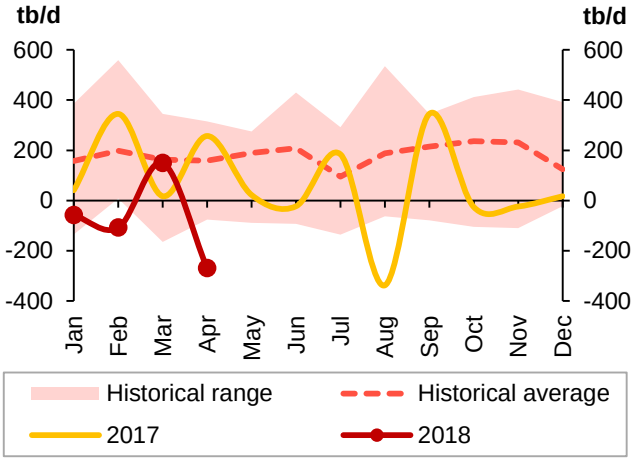
| | | | *Change 2018/17* | |
|---|---|---|---|---|
| | Jun 18 | Jun 17 | tb/d | % |
| LPG | 38 | 34 | 4 | 11.8 |
| Naphtha | 14 | 13 | 1 | 7.7 |
| Gasoline | 70 | 41 | 29 | 70.7 |
| Jet/kerosene | 8 | 7 | 1 | 14.3 |
| Diesel oil | 92 | 88 | 4 | 4.5 |
| Fuel oil | 28 | 25 | 3 | 12.0 |
| Other products | 18 | 21 | -3 | -14.3 |
| **Total** | **268** | **229** | **39** | **17.0** |

*Sources: JODI and OPEC Secretariat.*

The risks for 2018 and 2019 **Latin American oil demand** are estimated to be skewed to the downside, mainly due to the development of the region's economy. Latin American oil demand is forecast to grow in 2018 by 0.08 mb/d, while in 2019, it is projected to increase again by 0.12 mb/d.

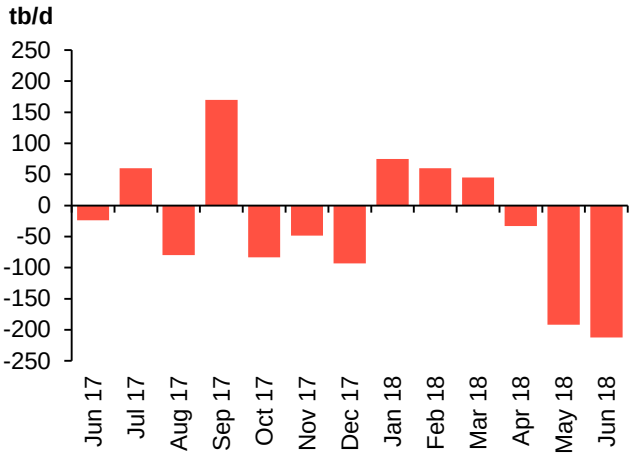
## Middle East

**Graph 4 - 13: Middle East oil demand, y-o-y change**




*Sources: Joint Organisations Data Initiative, national, direct communication and OPEC Secretariat.*

**Graph 4 - 14: Saudi Arabia's direct crude burning, y-o-y change**




*Sources: Joint Organisations Data Initiative, direct communication and OPEC Secretariat.*

## Saudi Arabia

In **Saudi Arabia**, the first six months of 2018 indicate around 4% y-o-y decline in oil requirements, due mainly to sluggish volumes for crude direct use, as well as diesel oil and residual fuel oil mainly in the industrial sector, in addition to substitution with natural gas.

## Iraq

Weak oil demand in the first six months of 2018 was also observed in **Iraq**. Demand for all the main petroleum product categories was solid, except for jet kerosene, which fell slightly. Losses were substantial in crude direct use, largely as a result of fuel substitution with natural gas and, to some extent, residual fuel oil.

## Other countries in the region

Year-to-date in 2018 oil demand fell in **Qatar**, while it grew in the **UAE** and **Kuwait**.

The outlook for 2018 and 2019 **Middle East oil demand** is still positive however, with risks skewed to the downside. Some factors that may curb oil demand in the region during 2018 and 2019 are domestic petroleum product retail prices, fuel substitution, as well as developments in the economies of the region's main oil consumers.

For 2018, Middle East oil demand is forecast to grow by 0.02 mb/d, while oil demand in 2019 is projected to increase by 0.08 mb/d.

# World Oil Supply

*Non-OPEC oil supply in 2018 was revised up by 73 tb/d from the previous MOMR to average 59.62 mb/d, mainly due to an upward adjustment to China's supply forecast on higher-than-expected output in 1H18. Y-o-y growth was also revised up by 0.08 mb/d to now stand at 2.08 mb/d.*

*Non-OPEC oil supply in 2019 saw an upward revision of 106 tb/d following a re-assessment of the Chinese supply forecast for next year and is now projected to reach an average of 61.75 mb/d, However, in terms of y-o-y growth, it was revised up by only 34 tb/d to now stand at 2.13 mb/d, owing to downward revisions in the supply forecast for the US and Australia. The US (1.4 mb/d), Brazil (0.4 mb/d), Canada (0.3 mb/d), the UK, Kazakhstan, Australia and Malaysia are the main growth drivers; while Mexico and Norway are expected to see the largest declines. The 2019 forecast is subject to many uncertainties.*

*OPEC NGLs production in 2018 and 2019 is expected to grow by 0.12 mb/d and 0.11 mb/d to average 6.36 mb/d and 6.47 mb/d, respectively. In July, OPEC production increased by 41 tb/d to average 32.32 mb/d, according to secondary sources.*

*Non-OPEC supply in July, including OPEC NGLs, rose by 0.64 mb/d to average 66.20 mb/d, higher by 2.41 mb/d y-o-y. As a result, preliminary data indicates that the global oil supply increased in July by 0.68 mb/d m-o-m to average 98.53 mb/d.*

**Table 5 - 1: Non-OPEC supply forecast comparison in 2018-2019*, mb/d**

| Region | 2018 | Change 2018/17 | 2019 | Change 2019/18 |
|---|---|---|---|---|
| **OECD Americas** | 23.29 | 1.83 | 24.83 | 1.54 |
| **OECD Europe** | 3.86 | 0.03 | 3.86 | 0.00 |
| **OECD Asia Pacific** | 0.41 | 0.01 | 0.45 | 0.04 |
| **Total OECD** | **27.55** | **1.87** | **29.13** | **1.58** |
| **Other Asia** | 3.58 | -0.03 | 3.59 | 0.01 |
| **Latin America** | 5.26 | 0.12 | 5.62 | 0.36 |
| **Middle East** | 1.23 | -0.01 | 1.24 | 0.01 |
| **Africa** | 1.52 | 0.02 | 1.61 | 0.09 |
| **Total DCs** | **11.60** | **0.11** | **12.06** | **0.46** |
| **FSU** | 14.10 | 0.04 | 14.14 | 0.04 |
| **Other Europe** | 0.12 | 0.00 | 0.12 | 0.00 |
| **China** | 4.00 | 0.02 | 4.02 | 0.03 |
| **Non-OPEC production** | 57.37 | 2.04 | 59.47 | 2.11 |
| **Processing gains** | 2.25 | 0.04 | 2.28 | 0.03 |
| **Non-OPEC supply** | **59.62** | **2.08** | **61.75** | **2.13** |

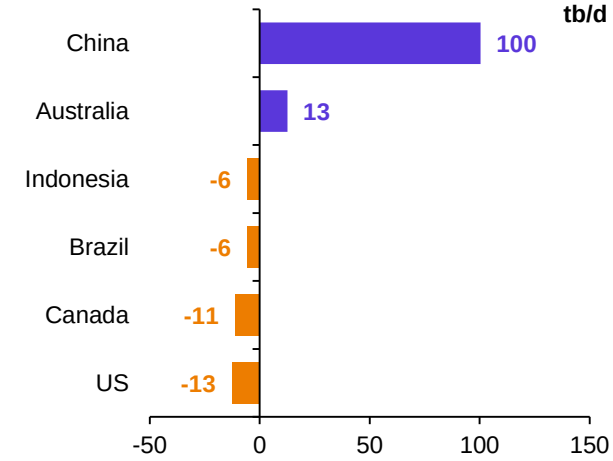
*Note: * 2018 and 2019 = Forecast.*
*Source: OPEC Secretariat.*

## Monthly revisions to non-OPEC supply growth forecast

The **non-OPEC oil supply growth** forecast for **2018** was revised up by 0.08 mb/d to average 2.08 mb/d.

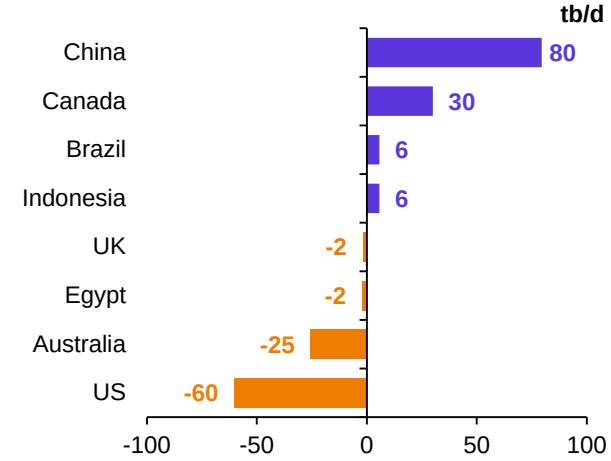
On a country basis, a downward revision of a minor 0.01 mb/d to US oil supply growth for 2018 is due to a base change and rounding issues. Expected growth in Canada and Indonesia was also revised down by a minor 0.01 mb/d, while the oil supply forecast for China and Australia was revised up by 0.10 mb/d and 0.01 mb/d, respectively (***Graph 5 – 1***).

**Graph 5 - 1: MOMR Aug 18/Jul 18 revisions in 2018* annual supply changes**




*Note: * 2018 = Forecast.*
*Source: OPEC Secretariat.*

**Graph 5 - 2: MOMR Aug 18/Jul 18 revisions in 2019* annual supply changes**



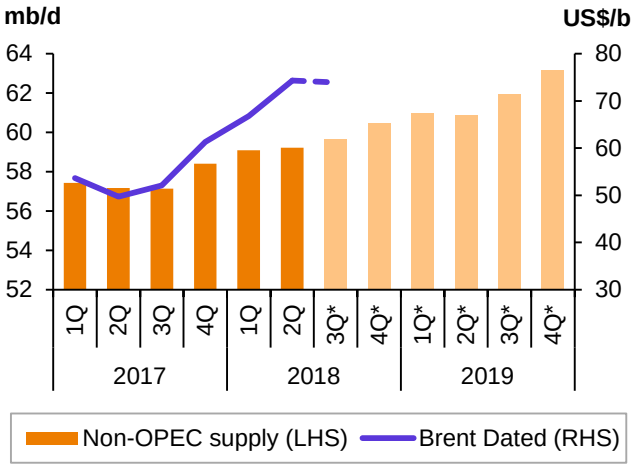

*Note: * 2019 = Forecast.*
*Source: OPEC Secretariat.*

Monthly revisions to non-OPEC oil supply growth for **2019**, as seen in ***Graph 5 - 2***, indicate a downward revision in the US by 0.06 mb/d and Australia by 0.03 mb/d, while the oil supply forecasts in China and Canada were revised up by 0.08 mb/d and 0.03 mb/d, respectively.

As a result, y-o-y growth for non-OPEC supply in 2019 was revised up by 0.03 mb/d to average 2.13 mb/d.

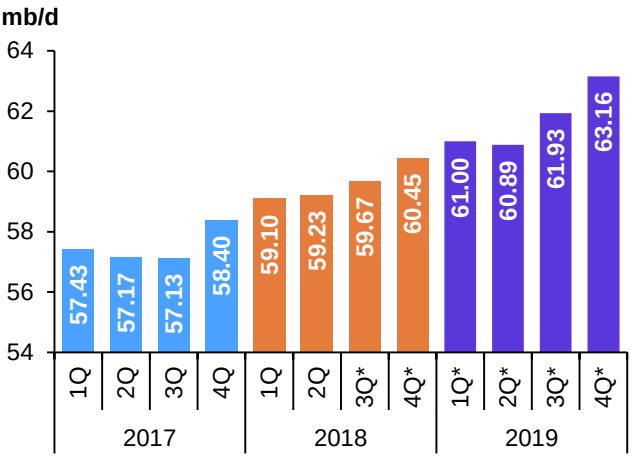
Oil supply in North America, particularly in the US, is growing strongly and remains an engine of supply growth among non-OPEC producers, benefiting from higher oil prices, lower costs and appropriate investment in shale. Moreover, Brazil is also boosting oil production, with significant growth expected from the start-up of some 11 projects in the prolific Santos Basin in 2018 and 2019, in addition to growth in oil production from oil sands projects in Canada and in Russia. However, if any unexpected supply outages should occur due to natural disasters/technical shortcomings and these coincide with any geopolitical supply disruption, it could bring the market into an imbalanced situation. Furthermore, investment has not yet returned to the levels seen prior to the price crash of 2014.

**Graph 5 - 3: Non-OPEC quarterly liquids supply and Dated Brent**




*Note: * 3Q18-4Q19 = Forecast.*
*Source: OPEC Secretariat.*

**Graph 5 - 4: Non-OPEC quarterly oil supply**




*Note: * 3Q18-4Q19 = Forecast.*
*Source: OPEC Secretariat.*

# Non-OPEC oil supply in 2018 and 2019

### Table 5 - 2: Non-OPEC oil supply in 2018*, mb/d

| | | | | | | | Change 2018/17 | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 2018 | Growth | % |
| Americas | 21.46 | 22.93 | 23.18 | 23.34 | 23.71 | 23.29 | 1.83 | 8.53 |
| *of which US* | *14.37* | *15.54* | *16.12* | *16.32* | *16.26* | *16.06* | *1.69* | *11.74* |
| Europe | 3.83 | 3.91 | 3.70 | 3.80 | 4.01 | 3.86 | 0.03 | 0.80 |
| Asia Pacific | 0.39 | 0.40 | 0.37 | 0.42 | 0.43 | 0.41 | 0.01 | 3.40 |
| **Total OECD** | **25.68** | **27.24** | **27.26** | **27.56** | **28.15** | **27.55** | **1.87** | **7.30** |
| Other Asia | 3.61 | 3.60 | 3.53 | 3.60 | 3.60 | 3.58 | -0.03 | -0.85 |
| Latin America | 5.14 | 5.11 | 5.15 | 5.32 | 5.46 | 5.26 | 0.12 | 2.40 |
| Middle East | 1.24 | 1.21 | 1.25 | 1.23 | 1.22 | 1.23 | -0.01 | -0.70 |
| Africa | 1.50 | 1.52 | 1.53 | 1.52 | 1.53 | 1.52 | 0.02 | 1.66 |
| **Total DCs** | **11.49** | **11.43** | **11.46** | **11.67** | **11.81** | **11.60** | **0.11** | **0.95** |
| FSU | 14.06 | 14.11 | 14.14 | 14.05 | 14.09 | 14.10 | 0.04 | 0.29 |
| *of which Russia* | *11.17* | *11.14* | *11.18* | *11.13* | *11.13* | *11.15* | *-0.02* | *-0.22* |
| Other Europe | 0.13 | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 | 0.00 | -2.76 |
| China | 3.97 | 3.94 | 3.99 | 4.02 | 4.03 | 4.00 | 0.02 | 0.55 |
| **Total "Other regions"** | **18.16** | **18.17** | **18.25** | **18.19** | **18.25** | **18.22** | **0.06** | **0.33** |
| **Total non-OPEC production** | **55.32** | **56.85** | **56.98** | **57.42** | **58.20** | **57.37** | **2.04** | **3.69** |
| Processing gains | 2.21 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 0.04 | 1.67 |
| **Total non-OPEC supply** | **57.54** | **59.10** | **59.23** | **59.67** | **60.45** | **59.62** | **2.08** | **3.61** |
| Previous estimate | 57.54 | 59.10 | 59.13 | 59.69 | 60.23 | 59.54 | 2.00 | 3.48 |
| Revision | -0.01 | 0.00 | 0.09 | -0.02 | 0.22 | 0.07 | 0.08 | 0.14 |

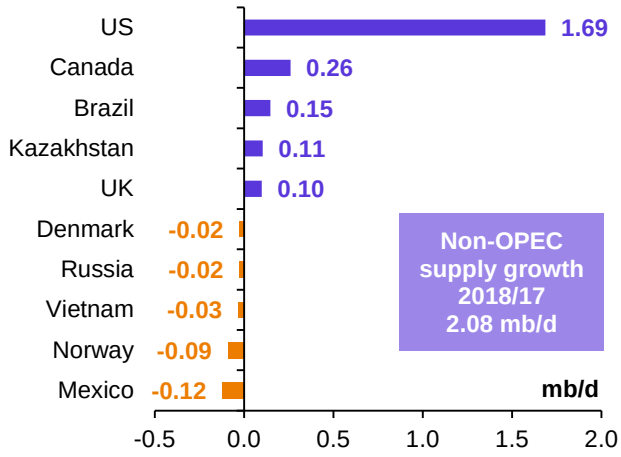
*Note: * 2018 = Forecast.*
*Non-OPEC supply figures excluding the Republic of Congo.*
*Source: OPEC Secretariat.*

### Table 5 - 3: Non-OPEC oil supply in 2019*, mb/d

| | 2018 | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 2019 | Change 2019/18 Growth | Change 2019/18 % |
|---|---|---|---|---|---|---|---|---|
| Americas | 23.29 | 24.12 | 24.32 | 25.12 | 25.73 | 24.83 | 1.54 | 6.60 |
| *of which US* | *16.06* | *16.62* | *17.26* | *17.65* | *18.20* | *17.44* | *1.38* | *8.56* |
| Europe | 3.86 | 3.98 | 3.67 | 3.79 | 4.00 | 3.86 | 0.00 | 0.04 |
| Asia Pacific | 0.41 | 0.42 | 0.44 | 0.46 | 0.47 | 0.45 | 0.04 | 10.28 |
| **Total OECD** | **27.55** | **28.52** | **28.42** | **29.37** | **30.21** | **29.13** | **1.58** | **5.73** |
| Other Asia | 3.58 | 3.60 | 3.59 | 3.59 | 3.58 | 3.59 | 0.01 | 0.16 |
| Latin America | 5.26 | 5.46 | 5.52 | 5.60 | 5.88 | 5.62 | 0.36 | 6.76 |
| Middle East | 1.23 | 1.25 | 1.25 | 1.24 | 1.24 | 1.24 | 0.01 | 1.22 |
| Africa | 1.52 | 1.57 | 1.60 | 1.62 | 1.65 | 1.61 | 0.09 | 5.71 |
| **Total DCs** | **11.60** | **11.88** | **11.95** | **12.06** | **12.35** | **12.06** | **0.46** | **4.00** |
| FSU | 14.10 | 14.14 | 14.11 | 14.12 | 14.18 | 14.14 | 0.04 | 0.27 |
| *of which Russia* | *11.15* | *11.17* | *11.17* | *11.17* | *11.17* | *11.17* | *0.02* | *0.20* |
| Other Europe | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 | 0.00 | -1.06 |
| China | 4.00 | 4.06 | 4.01 | 4.00 | 4.03 | 4.02 | 0.03 | 0.68 |
| **Total "Other regions"** | **18.22** | **18.33** | **18.24** | **18.24** | **18.32** | **18.28** | **0.06** | **0.35** |
| **Total non-OPEC production** | **57.37** | **58.72** | **58.61** | **59.66** | **60.88** | **59.47** | **2.11** | **3.67** |
| Processing gains | 2.25 | 2.28 | 2.28 | 2.28 | 2.28 | 2.28 | 0.03 | 1.25 |
| **Total non-OPEC supply** | **59.62** | **61.00** | **60.89** | **61.93** | **63.16** | **61.75** | **2.13** | **3.58** |
| Previous estimate | 59.54 | 60.85 | 60.83 | 61.75 | 63.11 | 61.64 | 2.10 | 3.53 |
| Revision | 0.07 | 0.15 | 0.06 | 0.18 | 0.04 | 0.11 | 0.03 | 0.05 |

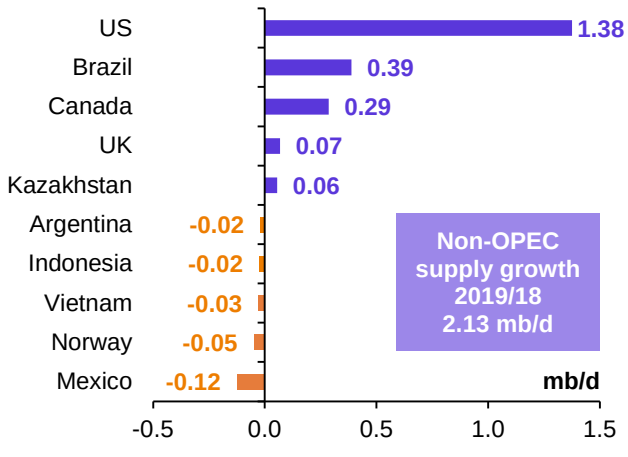
*Note: * 2018 and 2019 = Forecast.*
*Non-OPEC supply figures excluding the Republic of Congo.*
*Source: OPEC Secretariat.*

### Graph 5 - 5: Annual supply changes for selected countries in 2018*




*Note: * 2018 = Forecast.*
*Source: OPEC Secretariat.*

### Graph 5 - 6: Annual supply changes for selected countries in 2019*




*Note: * 2019 = Forecast.*
*Source: OPEC Secretariat.*

# OECD

**Total OECD oil supply** in **2018** is expected to grow by 1.87 mb/d to average 27.55 mb/d. This has been revised down by 17 tb/d since the last *MOMR*. OECD Americas is forecast to see an increase of 1.83 mb/d y-o-y to average 23.29 mb/d, while oil supply in OECD Europe will show minor growth of 0.03 mb/d to average 3.86 mb/d (of which 3.1 mb/d from the North Sea) and the supply for OECD Asia Pacific is expected to grow by 0.01 mb/d y-o-y to average 0.41 mb/d.

Yearly growth of 1.58 mb/d is anticipated for OECD oil supply in **2019**, with an average of 29.13 mb/d. OECD Americas and Asia Pacific are both expected to grow next year by 1.54 mb/d and 0.04 mb/d to average 24.83 mb/d and 0.45 mb/d, respectively. Oil supply in OECD Europe is expected to be stagnant at 3.86 mb/d.

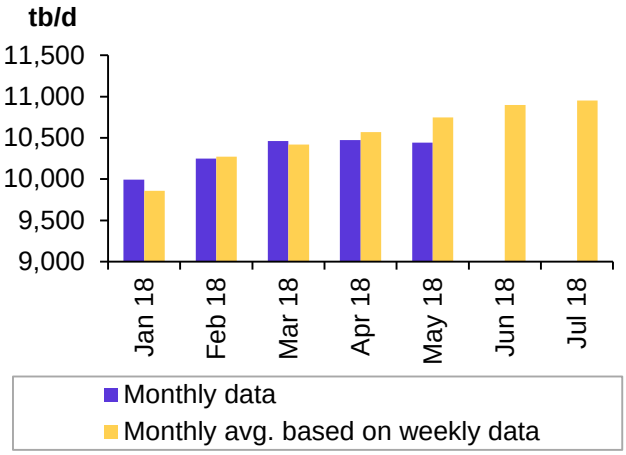
# OECD Americas

## US

**US crude oil output in May**, based on monthly data, was down by 30 tb/d to average 10.44 mb/d following minor growth of 11 tb/d in April. Previously, the estimated average monthly output based on preliminary weekly data in May had shown an increase of by 304 tb/d m-o-m to 10.75 mb/d. The main reason for the m-o-m contraction was declining output in the Gulf of Mexico (GoM) for the third consecutive month in May by 75 tb/d, to reach 1.51 mb/d. Output outages in the GoM are due to planned maintenance programmes, or forced weather-related shut-ins. Moreover, according to US data, m-o-m growth of crude oil output in Texas slowed from 170 tb/d in March to 38 tb/d in April and 25 tb/d in May. Despite pipeline-related bottlenecks in the Permian Basin, production keeps growing. This was also seen in North Dakota, where crude output increased by 25 tb/d to average 1.24 mb/d, following growth of 67 tb/d in April. All other major liquids basins continued to follow a consistent, gradual growth trend. US crude oil production is expected to reach 10.86 mb/d for December 2018.

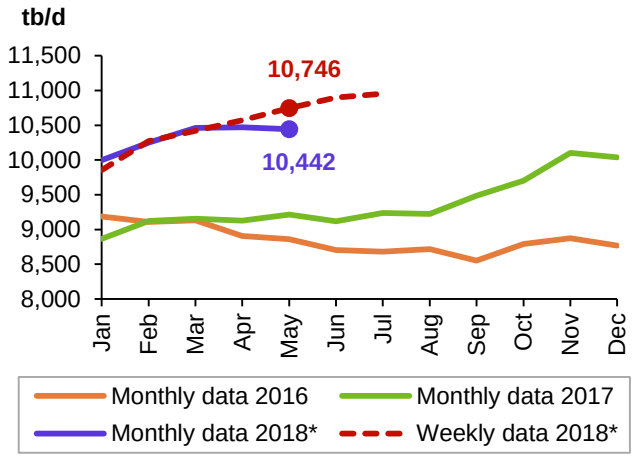
**US liquids output in May** witnessed an increase of 50 tb/d m-o-m to average 16.08 mb/d, and was higher by 1.86 mb/d y-o-y. According to the US Energy Information Administration (EIA), m-o-m US liquids supply growth in May was supported by NGLs production, while crude oil output showed a m-o-m decline of 30 tb/d. NGLs output in May was up by 61 tb/d to average 4.32 mb/d. The output of other non-conventional liquids, mainly biofuels, increased m-o-m by 14 tb/d to 1.31 mb/d.

**Graph 5 - 7: US crude production, average weekly vs. monthly data**




*Souces: EIA and OPEC Secretariat.*

**Graph 5 - 8: US monthly crude oil production in 2016-2018 vs. weekly forecast in 2018**

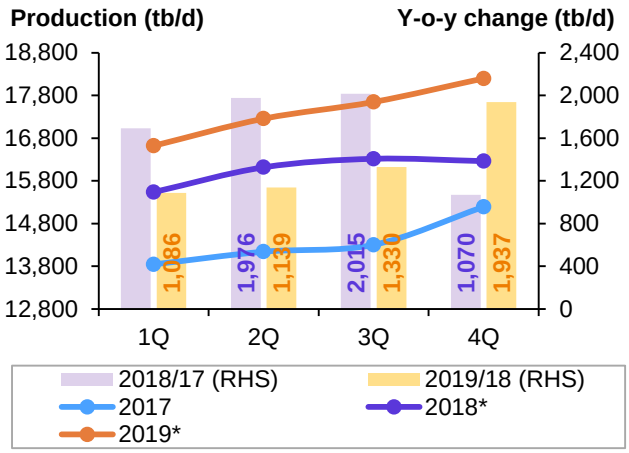



*Note: * 2018 = Forecast.*
*Souces: EIA and OPEC Secretariat.*

**US liquids supply** is expected to average 16.06 mb/d **in 2018**, unchanged from the previous *MOMR*. However, y-o-y growth was revised down by 0.01 mb/d to average 1.69 mb/d, due to a base change and rounding issues.

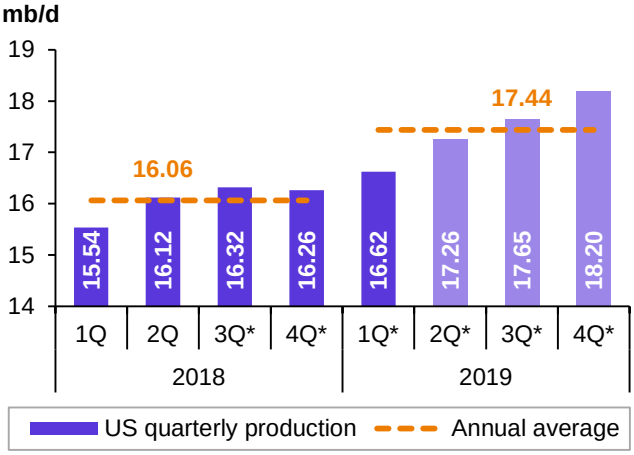
The **US liquids supply** is forecast to reach an average of 17.44 mb/d in **2019**, representing y-o-y growth of 1.38 mb/d, indicating a downward revision by 0.06 mb/d, based on changes made to the forecast for all quarters.

**Graph 5 - 9: US quarterly liquids supply**




*Note: * 2018 and 2019 = Forecast.*
*Source: OPEC Secretariat.*

**Graph 5 - 10: US total quarterly liquids supply**




*Note: * 3Q18-4Q19 = Forecast.*
*Sources: EIA and OPEC Secretariat.*

**US tight crude output in May 2018** is estimated to have grown by 0.10 mb/d m-o-m to average 5.79 mb/d, an increase of 1.26 mb/d y-o-y, according to the EIA. Tight crude output from shale and tight formations in the Permian Basin was up by 52 tb/d in May m-o-m to average 2.59 mb/d, followed by an increase of 16 tb/d m-o-m at Eagle Ford, to average 1.19 mb/d. The Niobrara play added 9 tb/d to average 0.44 mb/d, and m-o-m growth of 21 tb/d was also seen in the Bakken play to average 1.22 mb/d. Tight crude output in other shale plays increased by a total of 6 tb/d m-o-m in May to average 0.35 mb/d. The preliminary estimate for June 2018 showed an increase of 0.09 mb/d m-o-m.

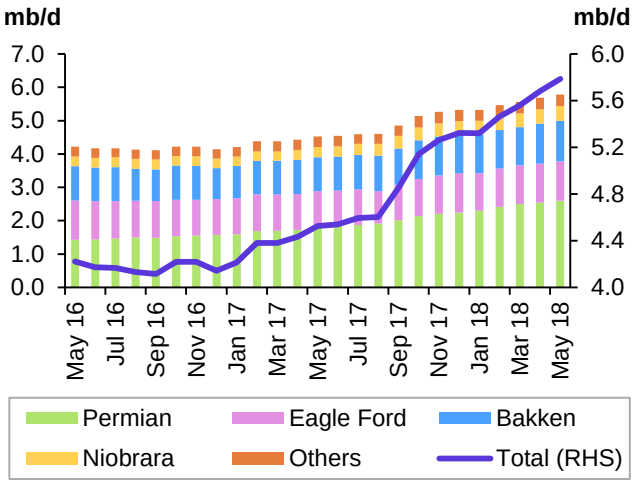
**Table 5 - 4: US liquids production breakdown, mb/d**

| | 2016 | 2017 | Change 2017/16 | 2018* | Change 2018/17 | 2019* | Change 2019/18 |
|---|---|---|---|---|---|---|---|
| **Tight crude** | 4.24 | 4.69 | 0.45 | 5.91 | 1.22 | 6.91 | 1.00 |
| **Gulf of Mexico crude** | 1.60 | 1.68 | 0.08 | 1.68 | 0.00 | 1.71 | 0.03 |
| **Conventional crude oil** | 3.00 | 3.00 | 0.00 | 2.94 | -0.06 | 2.86 | -0.08 |
| **Unconventional NGLs** | 2.58 | 2.74 | 0.16 | 3.18 | 0.44 | 3.53 | 0.35 |
| **Conventional NGLs** | 0.93 | 0.99 | 0.07 | 1.06 | 0.07 | 1.13 | 0.07 |
| **Biofuels + Other liquids** | 1.27 | 1.27 | 0.00 | 1.29 | 0.02 | 1.30 | 0.01 |
| **US total supply** | **13.62** | **14.37** | **0.76** | **16.06** | **1.69** | **17.44** | **1.38** |

*Note: * 2018 and 2019 = Forecast.*
*Sources: EIA, Rystad Energy and OPEC Secretariat.*

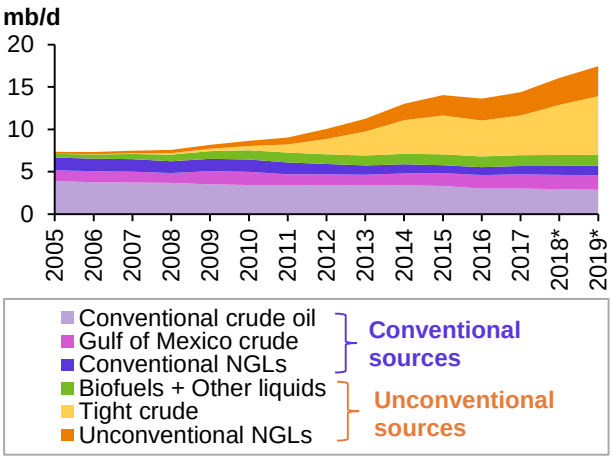
On a yearly basis, **US tight crude for 2018** is forecast to grow by 1.22 mb/d to average 5.91 mb/d, unchanged from last month's assessment. Unconventional NGLs and tight crude combined constitute a share of more than 98% of total supply growth. It is worth pointing out that tight crude production from the Bakken shale play in North Dakota increased by 0.16 mb/d in the first five months of the year to average 1.17 mb/d compared with the same period a year ago. In the same period, tight oil output in the Permian, Eagle Ford and Niobrara-Codell plays increased by 0.76 mb/d to average 2.47 mb/d, 0.08 mb/d to average 1.16 mb/d and 0.13 mb/d to average 0.42 mb/d, respectively.

**Graph 5 - 11: US tight crude breakdown**




*Souces: EIA and OPEC Secretariat.*

**Graph 5 - 12: US liquids production breakdown**




*Note: * 2018 and 2019 = Forecast.*
*Sources: EIA, Rystad Energy and OPEC Secretariat.*

For **2019**, y-o-y growth in US tight crude will occur at a slower pace due to several fundamental constraints, mainly limited pipeline capacity to transfer Permian oil to the Gulf coast. Tight crude production from the Permian Basin is likely to grow by 0.64 mb/d to average 3.40 mb/d, about 200 tb/d less than expected growth for the current year. In North Dakota, production growth from the Bakken shale is expected to remain stable for 2018, with y-o-y growth of 0.12 mb/d, while higher growth of 0.13 mb/d from Eagle Ford shale is anticipated, compared with 0.09 mb/d in 2018. For Niobrara and other shale regions, total y-o-y growth of 0.11 mb/d is forecast, as is shown in ***Table 5 - 5*** below.

**Table 5 - 5: US tight oil production growth**

| Shale play | 2017 | | 2018* | | 2019* | |
|---|---|---|---|---|---|---|
| *tb/d* | Production | *Y-o-y change* | Production | *Y-o-y change* | Production | *Y-o-y change* |
| **Permian tight** | 1.90 | *0.44* | 2.76 | *0.86* | 3.40 | *0.64* |
| **Bakken shale** | 1.06 | *0.03* | 1.18 | *0.12* | 1.30 | *0.12* |
| **Eagle Ford shale** | 1.08 | *-0.09* | 1.17 | *0.09* | 1.30 | *0.13* |
| **Niobrara shale** | 0.33 | *0.04* | 0.43 | *0.10* | 0.50 | *0.07* |
| **Other tight plays** | 0.31 | *0.02* | 0.38 | *0.07* | 0.41 | *0.03* |
| **Total** | **4.69** | ***0.45*** | **5.91** | ***1.22*** | **6.91** | ***1.00*** |

*Note: * 2018 and 2019 = Forecast.*
*Source: OPEC Secretariat.*

## US oil rig count

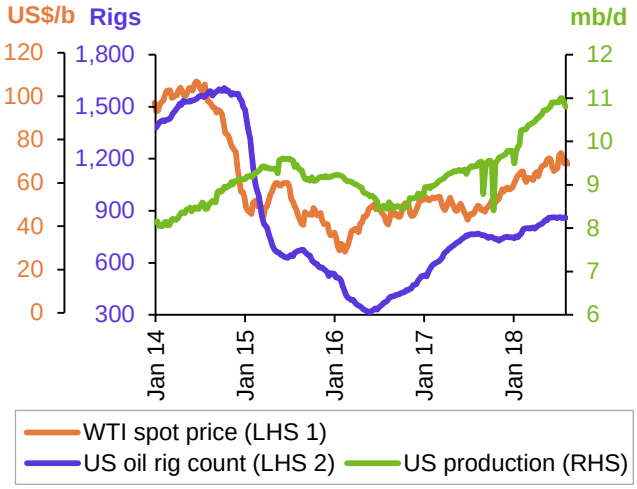
The **total US oil and gas rig count** was down by four units w-o-w to 1,044 rigs in the week ended 3 August.

Oil rigs decreased by two units w-o-w to reach 859 rigs, while gas rigs also dropped by three units to 183 rigs. The corresponding y-o-y increase for oil rigs was 94 units, or 12%.

The number of **horizontal rigs** (active in oil and gas fields) fell by 10 units w-o-w to reach 912.

**By basin**, the oil rig count in the Permian, Eagle Ford and DJ-Niobrara basins remained unchanged at 480 rigs, 80 rigs and 25 rigs, respectively. In Williston, the oil rig count decreased by one unit w-o-w to 56 rigs. However, the rig count was up in Granite Wash by two units to 16 rigs in the same week.

**Graph 5 - 13: The comparison between WTI price, US oil rig count and US crude oil production**

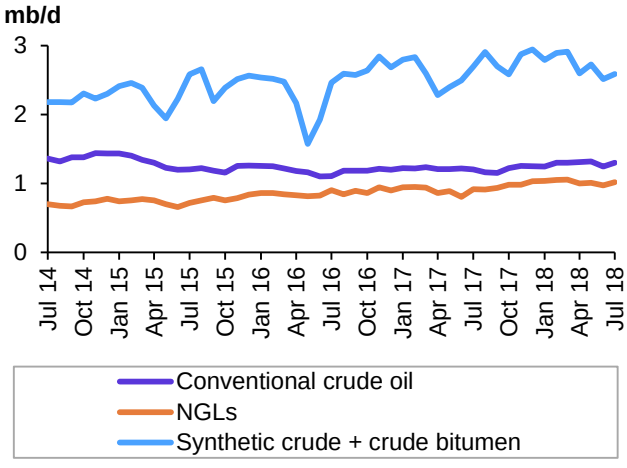



*Sources: Baker Hughes, EIA and OPEC Secretariat.*

# Canada

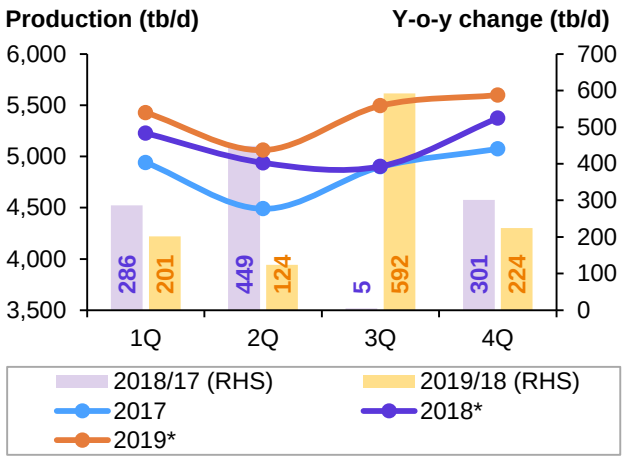
**Canada's liquids supply** decreased by 0.36 mb/d in April based on official data, mainly due to maintenance at Syncrude upgraders, to average 4.94 mb/d, including 2.63 mb/d from oil sands (Syncrude and non-upgraded bitumen), 1.31 mb/d from conventional crude (including tight crude) and 1.0 mb/d of NGLs. The assessment, according to preliminary information, shows liquids production in Canada increased by 0.15 mb/d m-o-m to average 5.09 mb/d in May, representing y-o-y growth of 0.56 mb/d, mainly due to low production levels in 2Q17 following last year's wildfire in Alberta. Incremental output in May was mainly due to an increase in synthetic crude production by 133 tb/d after upgraders partly returned from maintenance to average 2.76 mb/d. Conventional crude oil was up by 7 tb/d to average 1.32 mb/d, while NGLs output also grew by 9 tb/d to average 1.01 mb/d.

**Graph 5 - 14: Canada production by product type**




*Source: OPEC Secretariat.*

**Graph 5 - 15: Canada quarterly liquids supply**



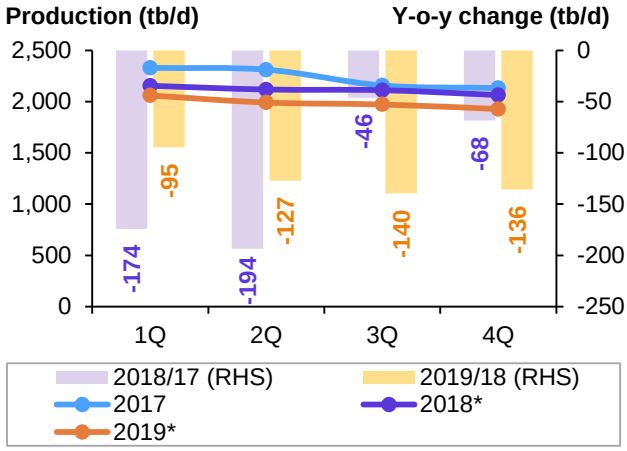

*Note: * 2018 and 2019 = Forecast.*
*Source: OPEC Secretariat.*

Canada's liquids supply is expected to increase by 0.26 mb/d y-o-y to average 5.11 mb/d in 2018, while slightly higher growth of 0.29 mb/d is anticipated next year to reach 5.40 mb/d. Canada is the fourth-largest oil producer in the world since 2015.

## Mexico

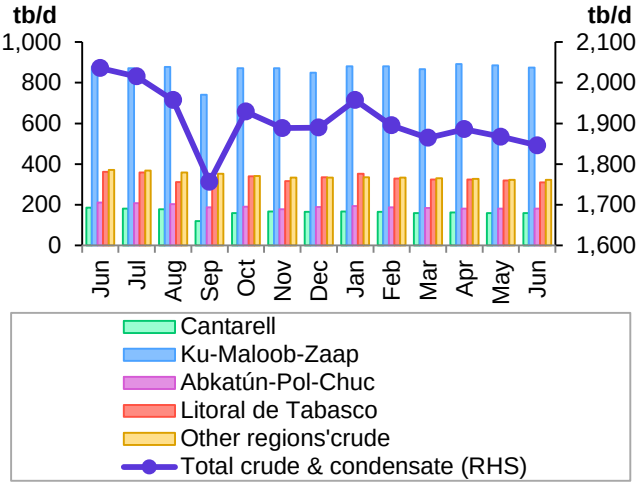
**Mexico's liquids supply in 2018** is expected to decline by 0.12 mb/d to average 2.11 mb/d, unchanged compared with last month's assessment. Mexico's total liquids output in June decreased by 0.03 mb/d, m-o-m to reach an average of 2.09 mb/d, down by 0.21 mb/d y-o-y.

**Graph 5 - 16: Mexico's quarterly liquids supply**




*Note: * 2018 and 2019 = Forecast.*
*Source: OPEC Secretariat.*

**Graph 5 - 17: Mexico crude and condensate monthly output by region**




*Sources: Pemex and OPEC Secretariat.*

Mexico's **crude oil production** in 1H18 averaged 1.88 mb/d, lower by 134 tb/d than in the same period in 2017, though in comparison with 2H17, production remained steady. In general, crude oil output in the Northeastern Marine region, in the Ku-Maloob-Zaap complex, increased in 1H18 compared with 1H17 and 2H17 by 11 tb/d and 33 tb/d, respectively. In other oil fields, production declined in 1H18 compared with both halves of 2017, though less than in 2H17.

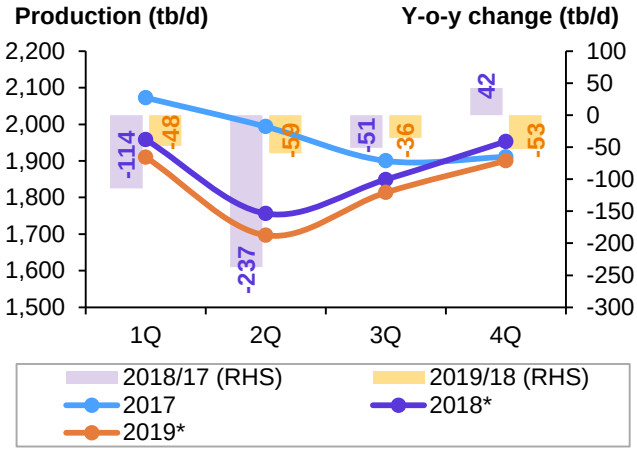
The outlook for Mexico's liquids supply in **2019** indicates a further decline of 0.12 mb/d, with annual average output at 1.99 mb/d.

# OECD Europe

## Norway

**Norway's oil supply** for **2018** is expected to decline by 0.09 mb/d y-o-y to average 1.88 mb/d, unchanged from the previous MOMR. Preliminary production figures for June 2018 show average daily production of 1.75 mb/d of crude, NGLs and condensate, indicating an increase of 0.09 mb/d m-o-m, mainly from fields returning from seasonal maintenance, including the Oseberg, Grane and Heidrun. Liquids production in June is approximately 143 tb/d, or 7.6%, lower than the forecast by the Norwegian Petroleum Directorate (NPD). In June, crude oil output was up by 50 tb/d m-o-m to average 1.53 mb/d, but lower by 22 tb/d, y-o-y. According to the NPD, the main reason production in June was below forecast levels was due to technical problems at some fields. Actually, liquids output was down by 0.17 mb/d in 1H18, averaging 1.86 mb/d compared with 1H17.

**Graph 5 - 18: Norway's quarterly liquids supply**




*Note: * 2018 and 2019 = Forecast.*
*Source: OPEC Secretariat.*

However, it is expected that production in 2H18 will be at the same level as in 2H17 at 1.90 mb/d. Otherwise, the expected y-o-y contraction of 0.09 mb/d could be deeper. Oil production in July is expected to rise m-o-m to 1.82 mb/d, mainly owing to recovery at Statfjord and despite the shutdown of the Knarr field due to strikes.

For **2019**, Norway's oil supply is forecast to see another y-o-y decline by 0.05 mb/d. Total production is expected to be around 1.83 mb/d. The natural decline in mature fields will be partially offset by expansions in the Martin Linge and Oseberg fields.

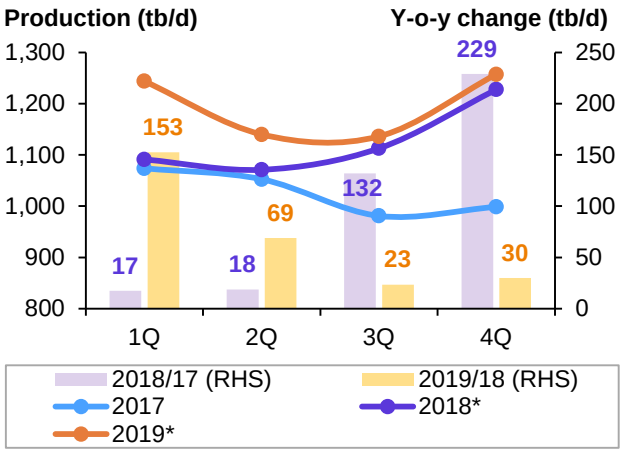
## UK

The **UK's oil supply** is predicted to rise by 0.10 mb/d y-o-y to average 1.13 mb/d in **2018**.

The UK's liquids production in June 2018 decreased by 0.03 mb/d m-o-m to average 1.01 mb/d and output was also lower by 0.04 mb/d, y-o-y. Crude oil output in June accounted for 0.86 mb/d, down by 35 tb/d compared with a month earlier. Crude oil output in June was also lower y-o-y by 57 tb/d.

Overall, crude oil output in 1H18 was higher by 0.07 mb/d over 2H17, but compared with 1H17, it was only 14 tb/d higher. A 24-hour strike on the Alwyn, Elgin and Dunbar platforms in the British territories of the North Sea curbed flows to shore. Their oil production contributes about 45 tb/d to 50 tb/d to the Forties and Brent Blend crude streams, though their shutdown is not expected to have a remarkable impact on crude oil delivery. Moreover, Equinor's Mariner oil platform in the UK North Sea is facing further strike action after the union said its members had voted to stop work in a dispute over pay, probably between August and October. Mariner is a new heavy oil project that is due to start production in 2H18 with a target plateau output of 55 tb/d.

**Graph 5 - 19: UK quarterly liquids supply**




*Note: * 2018 and 2019 = Forecast.*
*Source: OPEC Secretariat.*

**Production ramp ups in 2019** are expected to come from the Catcher field, Western Isles, Clair Ridge, Beryl, Mariner and Quad 204 WoS. The total liquids supply is forecast to reach an average of 1.19 mb/d in 2019, adding 0.07 mb/d y-o-y.

# OECD Asia Pacific

## Australia

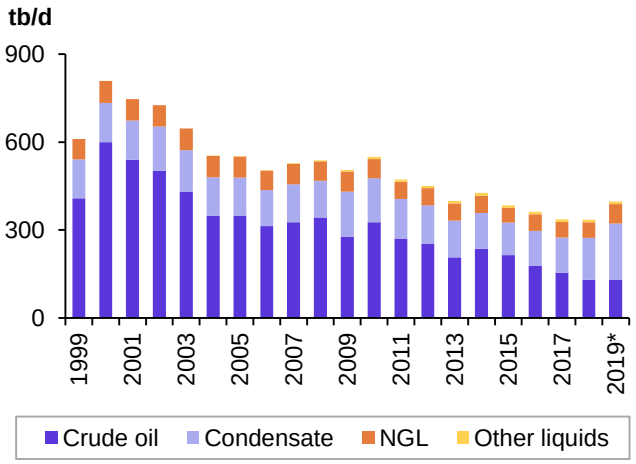
**Australia's** annual oil production saw a decline of 7.9% in 2016, which dipped to 9.1% in 2017, or a y-o-y contraction of 0.03 mb/d. ***Graph 5 - 20*** shows the decline in Australian liquids supply since 2000. It peaked at 0.81 mb/d, and particularly crude oil output dropped from 0.60 mb/d in 2000 to 0.15 mb/d in 2017.

For **2018**, liquids supply in 1Q18 rose by 0.02 mb/d q-o-q while production in 2Q18 was down by 0.02 mb/d, due to maintenance. However, the start-up of offshore production at Ichthys LNG project – a gas-condensate field – is likely to add condensate of around 0.03 mb/d to average 0.15 mb/d in 2H18, further increasing to average 0.19 mb/d in 2019, y-o-y growth of 45 tb/d. Part of this growth will be offset by a natural decline in crude oil production. Thus, liquids production in Australia is expected to reach 0.34 mb/d, representing growth of 0.02 mb/d y-o-y in 2018.

Australia's oil supply in **2019** is expected to be boosted by new project production ramp-ups, such as Ichthys, Kipper Tuna Turrum, Prelude and Wheatstone, all producing condensate with a small amount of NGLs.

Incremental output of condensate will partially offset declines in crude oil production. Through development of new gas-condensate offshore projects in Australia, y-o-y growth of 0.05 mb/d is anticipated for next year, representing a liquids supply of 0.39 mb/d.

**Graph 5 - 20: Australia liquids supply development**




*Note: * 2018 and 2019 = Forecast.*
*Sources: Rystad Energy and OPEC Secretariat.*

# Developing Countries

The **total oil supply of developing countries (DCs) for 2018** is expected to reach an average of 11.60 mb/d, representing growth of 0.11 mb/d, revised down by 0.01 mb/d compared with last month's assessment. While production is expected to increase in Latin America by 0.12 mb/d to average 5.26 mb/d and in Africa by 0.02 mb/d to average 1.52 mb/d, a y-o-y decline for Other Asia and the Middle East by 0.03 mb/d and 0.01 mb/d to average 3.58 mb/d and 1.23 mb/d, respectively, is anticipated.

For **2019**, growth of 0.46 mb/d is anticipated for DCs' oil supply due to continued field development in Latin America, particularly Brazil and Africa, to average 12.06 mb/d. The oil supply forecast next year for DCs is expected to increase in all regions; in Other Asia by 0.01 mb/d to average 3.59 mb/d, in Latin America by 0.36 mb/d to average 5.62 mb/d, in the Middle East by 0.01 mb/d to average 1.24 mb/d and finally in Africa by 0.09 mb/d to average 1.61 mb/d, mainly coming from Ghana and the Sudans.

**Table 5 - 6: Developing countries' liquids supply, mb/d**

| | 1Q | 2Q | 3Q | 4Q | Yearly | *Change* Y-o-y |
|---|---|---|---|---|---|---|
| **2017** | 11.53 | 11.47 | 11.45 | 11.50 | 11.49 | *-0.05* |
| **2018*** | 11.43 | 11.46 | 11.67 | 11.81 | 11.60 | *0.11* |
| **2019*** | 11.88 | 11.95 | 12.06 | 12.35 | 12.06 | *0.46* |

*Note: * 2018 and 2019 = Forecast.*
*Source: OPEC Secretariat.*

# Latin America

**Latin America's oil supply for 2018** is estimated to increase by 0.12 mb/d to average 5.26 mb/d. This was revised down by 0.01 mb/d from the previous *MOMR*. Latin America has been the largest growth driver thus far in 2018 among DCs. Brazil is the main country in the region set to witness growth this year, at 0.15 mb/d, while Argentina will see minor growth of 0.01 mb/d, to average 0.66 mb/d. Oil production in Colombia is expected to decline by 0.02 mb/d to average 0.86 mb/d. Declines of 0.01 mb/d are also forecast for Latin America others, representing a yearly supply of 0.26 mb/d, while oil supply in Trinidad and Tobago remained unchanged y-o-y, averaging 0.10 mb/d.

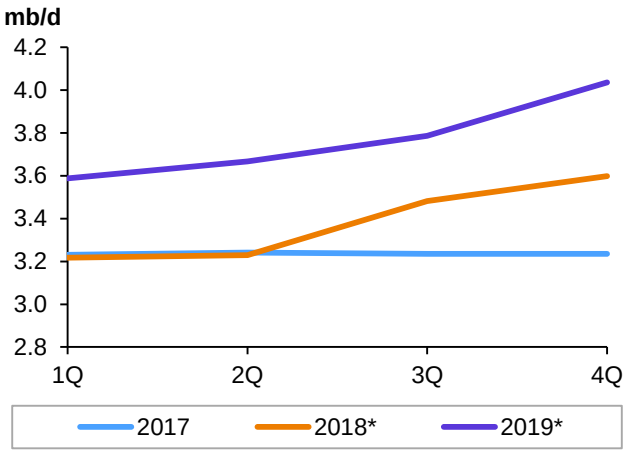
For **2019**, oil supply in the region is estimated to grow by 0.36 mb/d, mainly in Brazil, with average output at 5.62 mb/d. Y-o-y declines are expected in Colombia, Argentina and Latin America others, where mature oil fields are in heavy decline and where no new fields are expected to bring additional volumes on stream. Oil production is likely to be raised in Trinidad and Tobago by 0.02 mb/d.

## Brazil

The most recent start-up in Brazil was the Cidade de Campos dos Goytacazes FPSO, which began production on the Tartaruga Verde field in June. The first of the Buzios floaters, the P-74 FPSO started production in April – a pre-salt development covered by a transfer of rights to Petrobras. Meanwhile, the P-76 is undergoing topside integration at a Techintrun yard in Brazil and is due to start production later this year. Two more units are already on their way from China. One of them, the P-75 FPSO, will be the third FPSO to be installed on Buzios. The P-75 was delivered by China's Offshore Oil Engineering Company (COOEC). The fourth Buzios unit, P-77, is expected to sail from COOEC's Quingdao facility in September and go online in 2019. Each floater can produce 150 tb/d of oil and 7 mcm/d of natural gas.

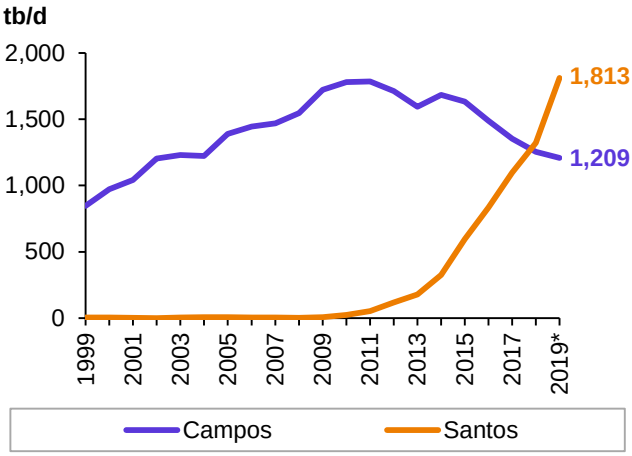
The other FPSO currently on its way from COOEC is the P-67, which is set to produce up to 150 tb/d on Lula North. The P-67 was among the "replica" units that were originally meant to have received new build hulls from Brazil's shipyard company, Engevix. Another unit nearly ready for field deployment, the P-69, underwent topside integration at the BrasFels shipyard in Rio de Janeiro and was expected to leave the yard for the Lula Extreme South field in July. Yet another unit, the P-68 FPSO, is undergoing integration work at the Jurong Aracruz yard and was due to start producing before the end of 2018, though heavy carryover could result in a month or two of slippage before it heads for the Berbigao field. The P-70 FPSO is due at the Atapu field in early 2019. Petrobras is aiming to have four new FPSOs enter production during 2H18 in the Búzios and Lula fields in the deepwater Santos Basin, three of which will come online by the end of 3Q18.

**Graph 5 - 21: Brazil's quarterly liquids supply, 2016-2018**




*Note: * 2018 and 2019 = Forecast.*
*Source: OPEC Secretariat.*

**Graph 5 - 22: Brazil's crude oil production in Campos and Santos Basins**




*Note: * 2018 and 2019 = Forecast.*
*Source: OPEC Secretariat.*

According to the ANP (Agência Nacional do Petróleo, Gás Natural e Biocombustíveis), Brazil's National Agency of Petroleum, Natural Gas and Biofuels, pre-salt production continues to increase m-o-m. Output reached 1.84 mboe/d in May and pre-salt well flows have been averaging more than 20 tboe/d, with some on Lula and Sapinhoa flowing routinely above 30 tboe/d. At the newer Mero field development, an extended well test sustained flows of more than 50 tboe/d.

Petrobras is increasingly turning to international partnerships to boost recovery rates on maturing oil fields in the Campos Basin. The company plans to install two new floating production, storage and offloading vessels in Marlim and replace seven older production systems in the field. The project looks set to become a key element of a partnership formed between Petrobras and China National Petroleum Corporation (CNPC). Petrobras is also teaming up with Norway's Equinor to boost recovery from the giant Roncador field by at least 5% and help boost recoverable volumes from 1 billion to 1.5 billion barrels of oil equivalent. Outside the pre-salt province, Roncador remains Brazil's largest-producing field with output of about 210 tb/d of oil, but its facilities have plenty of spare capacity available.

# FSU

**FSU oil production for 2018** is expected to grow by 0.04 mb/d to average 14.10 mb/d, the same as the previous forecast. Russia's oil output is expected to see a contraction of 0.02 mb/d in 2018 to average 11.15 mb/d. Oil production in Kazakhstan will grow by 0.11 mb/d to average 1.84 mb/d, while it will decline in Azerbaijan and FSU others by 0.01 mb/d and 0.03 mb/d to average 0.79 mb/d and 0.32 mb/d, respectively.

For **2019**, FSU's oil supply is estimated to grow by 0.04 mb/d, mainly coming from Kazakhstan (0.06 mb/d) and Russia (0.02 mb/d). Azerbaijan and FSU Others are expected to see contractions of 0.02 mb/d each.

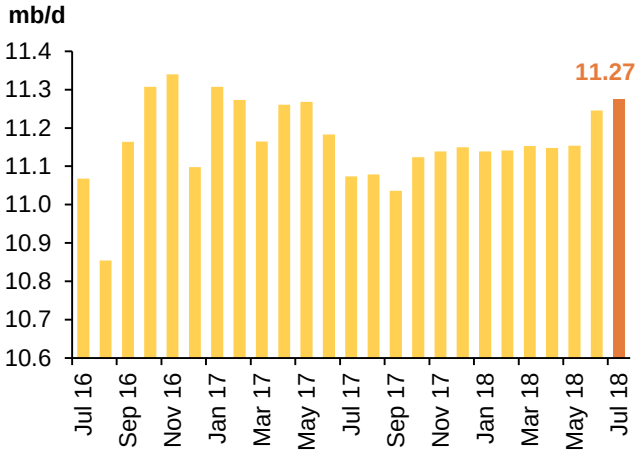
## Russia

**Russian liquids output** stood at 11.25 mb/d in June, up by 0.10 mb/d from a month earlier. Moreover, output is estimated to have risen by 0.02 mb/d m-o-m in July to average 11.27 mb/d, based on preliminary data.

Crude oil production based on preliminary estimations grew by 92 tb/d in June m-o-m to average 10.44 mb/d followed by another addition in July of 28 tb/d, to average 10.47 mb/d.

**Russian oil supply** is expected to average 11.15 mb/d in 2018, representing a y-o-y contraction of 0.02 mb/d, unchanged from the previous assessment. For 2H18, Russian liquids output is forecast to average 11.13 mb/d.

**Graph 5 - 23: Russia's liquids supply monthly**




*Sources: Ministry of Energy of the Russian Federation and OPEC Secretariat.*

Regarding upstream plans, three new projects are expected to start oil production in 4Q18, all belonging to Rosneft. The **Tagulskoye** field with peak production of 83 tb/d is set to start-up in November 2018. The **Russkoye** field with 110 tb/d and Phase 2 of the **Srednebotuobinskoye** project with 66 tb/d are both expected to start up in December 2018.

In 2019, Russian oil companies have the potential to increase production through green field development. Incremental production of oil, NGLs and condensate could come from several projects, such as Uvat, East-Siberian, Vankorneft, Messoyakha and Yamal LNG.

For **2019**, yearly growth of 0.02 mb/d is expected for Russia's oil supply, to average 11.17 mb/d.

# Caspian

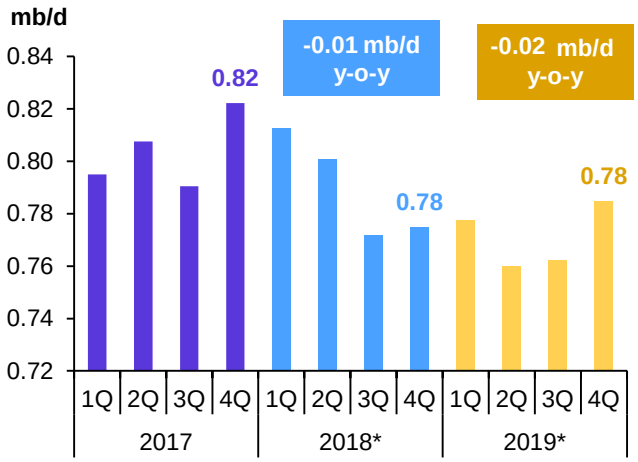
## Azerbaijan

**Azerbaijan liquids output** in June decreased by 0.01 mb/d m-o-m to average 0.80 mb/d and will likely remain steady in July, according to preliminary production data. Crude oil figures based on direct communication showed a decline in June of 9 tb/d to average 728 tb/d, lower by 9 tb/d, y-o-y.

Oil supply in **2018** is expected to decline by a minor 0.01 mb/d to average 0.79 mb/d.

For **2019**, oil production in Azerbaijan is forecast to decline by 0.02 mb/d to average 0.77 mb/d.

**Graph 5 - 24: Azerbaijan quarterly liquids supply**




*Note: * 2018 and 2019 = Forecast.*
*Source: OPEC Secretariat.*

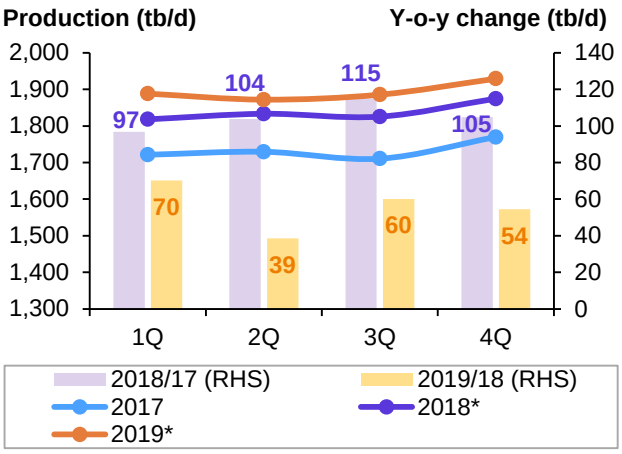
## Kazakhstan

In **Kazakhstan**, liquids output in June declined by 0.02 mb/d to average 1.83 mb/d, despite the continued production ramp-up of the Kashagan offshore field. The decline is estimated to have continued in July by another 30 tb/d, causing production to decrease to 1.80 mb/d.

For **2018**, the country's average annual output is expected to grow by 0.11 mb/d to reach 1.84 mb/d, unchanged from the previous month. Crude oil output decreased by 26 tb/d in June to average 1.56 mb/d while NGLs output was flat at 0.27 mb/d.

In **2019**, oil supply is forecast to grow by 0.06 mb/d to reach 1.89 mb/d, due to the ongoing Kashagan field ramp up.

**Graph 5 - 25: Kazakhstan quarterly liquids supply**




*Note: * 2018 and 2019 = Forecast.*
*Source: OPEC Secretariat.*

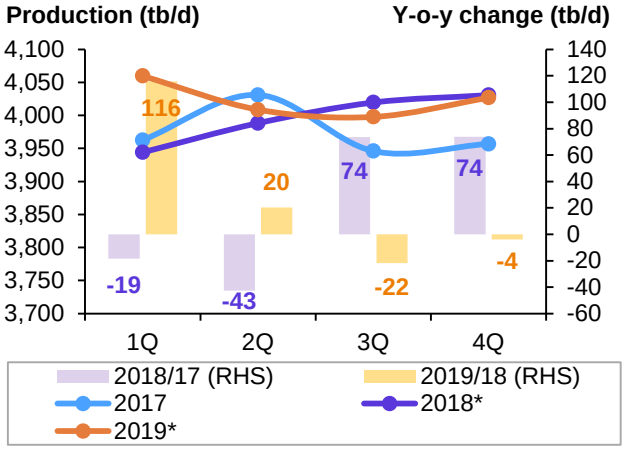
US refiners reported record monthly import volumes of crude from the Caspian region in July after snapping up cargoes when prices reached near six-year lows, according to market sources and Thomson Reuter's shipping data. That oil is pumped through the CPC pipeline and loaded in the Mediterranean. US East Coast refiners, which rely on crude imports, have bought most of the 3.7 mb of CPC crude that will reach the US in July, according to Thomson Reuter's data. This source added that record exports of crude from the US to Europe and Asia have pushed down the price of comparable oil, such as the crude produced near the Caspian in Kazakhstan and Russia.

# China

**China's oil supply in** June was up by 0.10 mb/d m-o-m to average 4.05 mb/d, but lower by 0.04 mb/d y-o-y. It was the first time oil output passed the 4.0 mb/d level since July 2017.

Incremental production in **2018** vs last year's output indicates that while oil prices are strengthening, Chinese companies could increase oil production, particularly at large onshore fields, via higher spending. CNPC said recently its first-half overseas equity oil and gas production rose by 7.3% from the same period a year earlier, with operations profits increasing "substantially". Oil output in 1H18 remains unchanged at 3.97 mb/d compared with average supply in 2017 and oil production is expected to rise by 0.05 mb/d in 2H18 to average 4.02 mb/d. Through this, it seems the annual production decline – which registered at 2.9% in 2017 – will not only slowdown in 1H18, but a y-o-y growth of 0.02 mb/d is anticipated for the current year, representing an annual average supply of 4.0 mb/d.

**Graph 5 - 26: China quarterly liquids supply**




*Note: * 2018 and 2019 = Forecast.*
*Source: OPEC Secretariat.*

For **2019**, following an upward revision in 2018's forecast, a smooth increase in oil production is expected to continue next year and bring annual growth of 0.03 mb/d. Average oil output will rise to 4.02 mb/d.

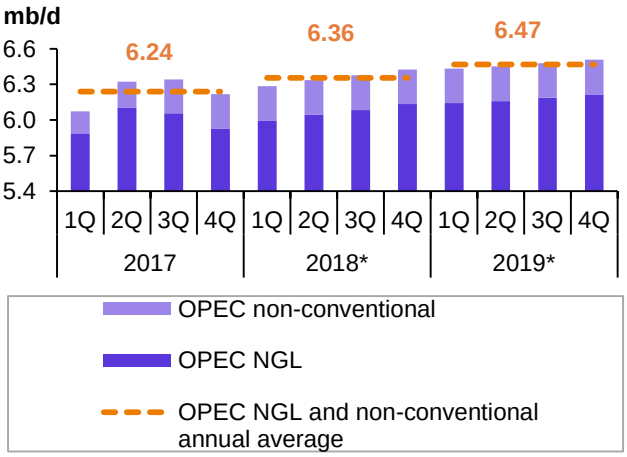
# OPEC NGL and non-conventional oils

**OPEC NGLs and non-conventional liquids production** was revised down by 0.01 mb/d from 2015 to 2017, but shows no change in terms of y-o-y growth. OPEC NGLs registered at 6.05 mb/d, 6.15 mb/d and 6.24 mb/d in 2015, 2016 and 2017, respectively.

According to the latest revision, the OPEC NGLs and non-conventional liquids production growth forecast is expected to grow by 0.12 mb/d to average 6.36 mb/d in 2018, and 0.11 mb/d to average 6.47 mb/d in 2019, unchanged from last month's assessment.

Preliminary production data in July shows an increase of 0.05 mb/d m-o-m to average 6.40 mb/d.

**Graph 5 - 27: OPEC NGL and non-conventional liquids output**




*Note: * 2018 and 2019 = Forecast.*
*Sources: OPEC Secretariat.*

**Table 5 - 7: OPEC NGL + non-conventional oils, mb/d**

| | 2016 | 2017 | Change 17/16 | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 2018* | Change 18/17 | 2019* | Change 19/18 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total OPEC** | **6.15** | **6.24** | 0.09 | 6.29 | 6.34 | 6.38 | 6.43 | **6.36** | 0.12 | **6.47** | 0.11 |

*Note: * 2018 and 2019 = Forecast.*
*Source: OPEC Secretariat.*

# OPEC crude oil production

According to *secondary sources*, **total OPEC-15 crude oil production** averaged 32.32 mb/d in July, an increase of 41 tb/d over the previous month. Crude oil output increased mostly in Kuwait, Nigeria, UAE and Iraq, while production showed declines in Libya, I.R. Iran, Saudi Arabia and Venezuela.

**Table 5 - 8: OPEC crude oil production based on *secondary sources*, tb/d**

| | 2016 | 2017 | 4Q17 | 1Q18 | 2Q18 | May 18 | Jun 18 | Jul 18 | *Jul/Jun* |
|---|---|---|---|---|---|---|---|---|---|
| **Algeria** | 1,090 | 1,043 | 1,014 | 1,014 | 1,024 | 1,035 | 1,048 | 1,062 | *13.8* |
| **Angola** | 1,725 | 1,637 | 1,628 | 1,562 | 1,490 | 1,516 | 1,444 | 1,456 | *11.7* |
| **Congo** | 216 | 252 | 296 | 306 | 325 | 318 | 331 | 313 | *-17.8* |
| **Ecuador** | 545 | 530 | 525 | 515 | 519 | 520 | 521 | 525 | *4.2* |
| **Equatorial Guinea** | 160 | 133 | 129 | 134 | 127 | 129 | 126 | 126 | *-0.3* |
| **Gabon** | 221 | 200 | 199 | 195 | 188 | 187 | 191 | 188 | *-3.4* |
| **Iran, I.R.** | 3,515 | 3,811 | 3,822 | 3,813 | 3,813 | 3,822 | 3,793 | 3,737 | *-56.3* |
| **Iraq** | 4,392 | 4,446 | 4,401 | 4,441 | 4,476 | 4,461 | 4,532 | 4,556 | *24.1* |
| **Kuwait** | 2,853 | 2,708 | 2,704 | 2,704 | 2,708 | 2,703 | 2,713 | 2,791 | *78.5* |
| **Libya** | 390 | 817 | 967 | 991 | 889 | 962 | 721 | 664 | *-56.7* |
| **Nigeria** | 1,556 | 1,658 | 1,760 | 1,780 | 1,656 | 1,608 | 1,597 | 1,667 | *70.5* |
| **Qatar** | 656 | 607 | 604 | 593 | 601 | 602 | 612 | 616 | *3.8* |
| **Saudi Arabia** | 10,406 | 9,954 | 9,975 | 9,949 | 10,117 | 10,017 | 10,440 | 10,387 | *-52.8* |
| **UAE** | 2,979 | 2,915 | 2,892 | 2,850 | 2,873 | 2,862 | 2,890 | 2,959 | *69.2* |
| **Venezuela** | 2,154 | 1,911 | 1,762 | 1,538 | 1,382 | 1,388 | 1,325 | 1,278 | *-47.7* |
| **Total OPEC** | **32,859** | **32,625** | **32,679** | **32,384** | **32,188** | **32,129** | **32,283** | **32,323** | ***40.7*** |

*Notes: Totals may not add up due to independent rounding.*
*OPEC production figure includes the Republic of the Congo.*
*Source: OPEC Secretariat.*

**Table 5 - 9: OPEC crude oil production based on *direct communication*, tb/d**

| | 2016 | 2017 | 4Q17 | 1Q18 | 2Q18 | May 18 | Jun 18 | Jul 18 | *Jul/Jun* |
|---|---|---|---|---|---|---|---|---|---|
| **Algeria** | 1,146 | 1,059 | 1,012 | 1,004 | 1,025 | 1,040 | 1,054 | 1,064 | *10.0* |
| **Angola** | 1,722 | 1,632 | 1,588 | 1,519 | 1,477 | 1,486 | 1,448 | 1,455 | *7.0* |
| **Congo** | 225 | 263 | 301 | 320 | 334 | 332 | 342 | .. | *..* |
| **Ecuador** | 549 | 531 | 522 | 512 | 516 | 516 | 517 | 523 | *6.2* |
| **Equatorial Guinea** | .. | 129 | 126 | 127 | 124 | 126 | 124 | 119 | *-4.7* |
| **Gabon** | 229 | 210 | 202 | 192 | 182 | 187 | 181 | .. | *..* |
| **Iran, I.R.** | 3,651 | 3,867 | 3,833 | 3,811 | 3,804 | 3,806 | 3,802 | 3,806 | *4.0* |
| **Iraq** | 4,648 | 4,469 | 4,361 | 4,360 | 4,360 | 4,360 | 4,360 | 4,460 | *100.0* |
| **Kuwait** | 2,954 | 2,704 | 2,702 | 2,702 | 2,704 | 2,700 | 2,707 | 2,800 | *93.0* |
| **Libya** | .. | .. | .. | .. | .. | .. | .. | .. | *..* |
| **Nigeria** | 1,427 | 1,536 | 1,613 | 1,611 | 1,526 | 1,500 | 1,450 | 1,573 | *123.2* |
| **Qatar** | 652 | 600 | 608 | 594 | 600 | 601 | 622 | 619 | *-2.8* |
| **Saudi Arabia** | 10,460 | 9,959 | 9,977 | 9,942 | 10,128 | 10,030 | 10,489 | 10,288 | *-200.5* |
| **UAE** | 3,088 | 2,967 | 2,904 | 2,841 | 2,876 | 2,870 | 2,890 | 2,975 | *85.0* |
| **Venezuela** | 2,373 | 2,035 | 1,741 | 1,623 | 1,523 | 1,533 | 1,531 | 1,469 | *-62.0* |
| **Total OPEC** | **..** | **..** | **..** | **..** | **..** | **..** | **..** | **..** | **..** |

*Notes: .. Not available.*
*Totals may not add up due to independent rounding.*
*OPEC production figure includes the Republic of the Congo.*
*Source: OPEC Secretariat.*

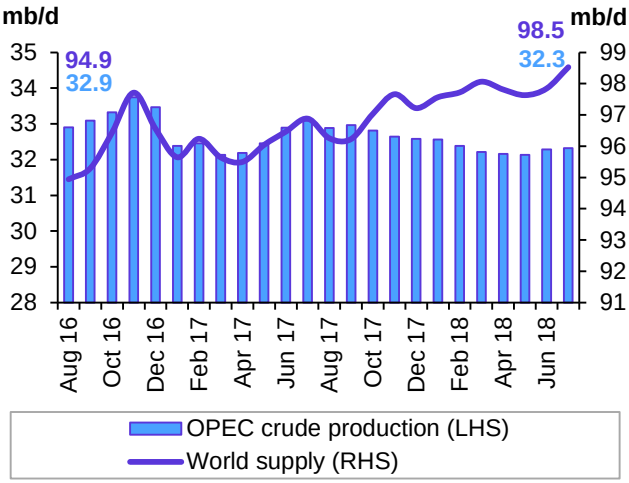
# World oil supply

Preliminary data indicates that **global oil supply** increased by 0.68 mb/d to average 98.53 mb/d in July 2018, compared with the previous month.

An increase in non-OPEC supply (including OPEC NGLs) of 0.64 mb/d was mainly driven by the OECD. Along with a rise in OPEC crude oil production of 0.04 mb/d in July, this equates a total increase in global oil output.

The **share of OPEC crude oil in total global production** decreased by 0.2 pp to 32.8% in July compared with the previous month. Estimates are based on preliminary data from direct communication for non-OPEC supply, OPEC NGLs and non-conventional oil, while estimates for OPEC crude production are based on secondary sources.

**Graph 5 - 28: OPEC and world oil supply**




*Source: OPEC Secretariat.*

# Product Markets and Refinery Operations

*Refinery margins in the Atlantic Basin saw mixed movement in July. US margins recorded losses as crack spreads declined for all products, with the exception of fuel oil. This development was due to weaker fundamentals along with stock builds, despite lower refinery crude intakes.*

*In Europe, product markets recorded moderate gains as support from the top and bottom of the barrel outweighed losses seen in the middle of the barrel.*

*Meanwhile, product markets in Asia strengthened, supported by solid product demand from India, lower fuel oil arrivals from Europe and lower crude prices leading to reduced feedstock costs for refiners.*

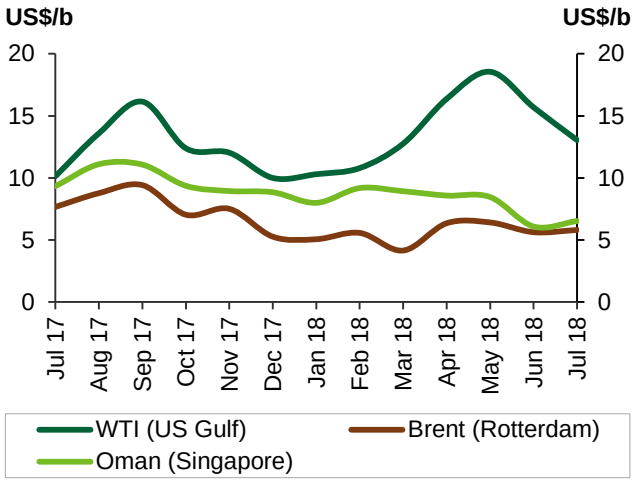
## Refinery margins

In July, **US** refinery margins fell with losses registered on the top and the middle of the barrel. Heavy pressure stemmed from strong gasoil stock builds and record-breaking jet fuel refinery output, which in July reached an all-time high.

Moreover, several FCC unit outages in the USGC, caused by the high summer temperatures, temporarily pressured gasoline production during the month, thereby affecting refinery utilization rates and gasoline output. This factor, combined with the lower-than-expected gasoline demand witnessed thus far in the ongoing driving season, contributed to the losses in refining margins recorded.

US refinery margins for WTI averaged $13.1/b in July, down by $2.6/b m-o-m, but up by $2.9/b y-o-y.

**Graph 6 - 1: Refining margins**




*Sources: Argus Media and OPEC Secretariat.*

In **Europe**, refinery margins strengthened slightly, supported by the positive performance of the naphtha complex, backed by higher demand from the petrochemical sector. The European fuel oil market strengthened significantly, further extending growth, supported by solid volume requirements from the Middle East and Asia. This development prevented losses in refining margins backed by robust fuel oil drawdowns and a tightening balance. Refinery margins for Brent in Europe averaged $5.8/b in July, marginally up by 18¢ compared to a month earlier, and were lower by $1.9/b y-o-y.

**Asian** refinery margins gained some ground on the back of stronger naphtha, jet/kerosene and fuel oil fundamentals. Strong product demand from India and lower crude prices lent some additional support. This occurred despite higher refinery crude intake in China, which supported product flows from East of Suez to the Atlantic Basin. Refinery margins for Oman in Asia gained 45¢ m-o-m to average $6.50/b in July, but were lower by $2.80 y-o-y.

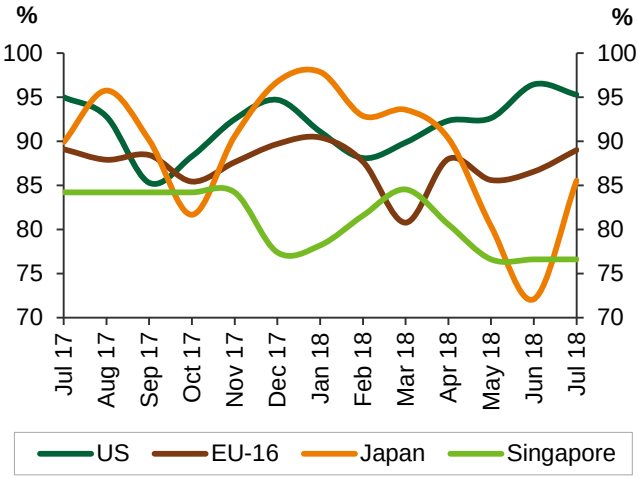
# Refinery operations

In the **US**, refinery utilization rates decreased in July to average 95.3%, which corresponds to a throughput of 17.8 mb/d. This represented a drop of 1.2 pp and 280 tb/d, respectively, compared with the previous month. On a yearly basis, the July refinery utilization rate was up by 0.3 pp, with throughputs showing a rise of 115 tb/d.

**European** refinery utilization averaged 89%, corresponding to a throughput of 10.9 mb/d. This is a m-o-m rise of 2.4 pp and 300 tb/d, respectively. Compared to the same month a year earlier, utilization was up by 3.6 pp with throughputs remaining broadly unchanged.

In **Asia**, refinery utilization in Japan increased, averaging 85.5% in July, corresponding to a throughput of 3 mb/d. Compared to the previous month, throughputs were up by 470 tb/d, while y-o-y, they were down by 300 tb/d. In China, refinery utilization rates averaged 87.6%, corresponding to a throughput of 11.6 mb/d. This is down m-o-m by 1.3 pp and 343 tb/d, respectively, but up by 2.3 pp, and up 374 tb/d y-o-y. In Singapore, refinery runs averaged 76.6%, with a throughput of 1.3 mb/d, thereby remaining unchanged m-o-m, while being lower by 7.6 pp and 115 tb/d y-o-y.

**Graph 6 - 2: Refinery utilization rates**



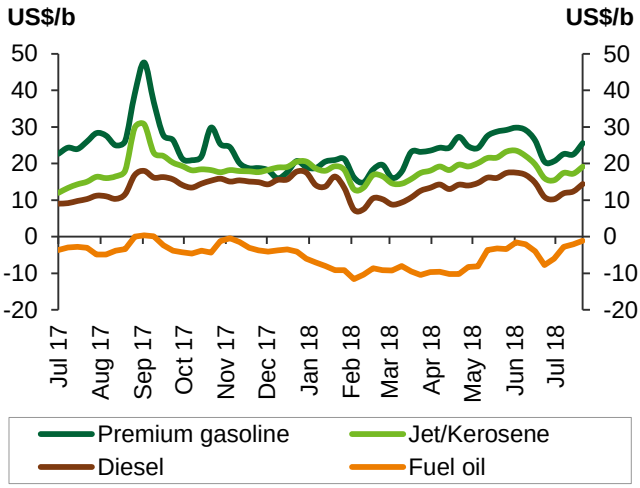

*Sources: EIA, Euroilstock, PAJ and Argus Media.*

# Product markets

## US market

**US gasoline crack spreads** declined, pressured by closed arbitrage opportunities at the New York harbour, despite robust exports to Mexico. During the month, a high number of unscheduled shutdowns took place in the US, as the unusually high summer temperatures caused problems with the refinery infrastructure and pressured refinery utilization rates. Some of the problems reported were strains on power grids resulting in power outages and insufficient cooling capacity, which limited crude throughputs. In the USGC, 8 refineries experienced outages of gasoline producing units, which led to reduced gasoline output by 5 mb in the USGC. This development, coupled with lower-than-expected domestic gasoline demand in the USGC, contributed to a loss of $3.4 m-o-m in, the US gasoline crack spread against WTI averaging $26.6/b in July, but up by $4.9/b y-o-y.

**Graph 6 - 3: US Gulf crack spread vs. WTI**




*Sources: Argus Media and OPEC Secretariat.*

The **USGC jet/kerosene market** weakened as stocks trended upwards and increased by 152 tb, as of the week ending 27 July. Furthermore, US jet fuel production increased to 1.97 mb/d in the week ended 27 July, reaching an all-time record high level. This was most likely motivated by anticipation of a pick-up in demand in the ongoing summer season as suggested by historical trends. The US jet/kerosene crack spread against WTI averaged $20.5/b, marginally down by 60¢ m-o-m but higher by $10.7 y-o-y.

**US gasoil crack spreads** lost some ground, pressured by weaker fundamentals on slower demand and market bearishness as strong stock builds were reported despite lower refinery throughputs. As of the week ended 27 July, gasoil stocks declined by 6.8 mb to stand at 124.2 mb according to EIA data. The US gasoil crack spread against WTI averaged $15.1/b, slightly down by 49¢ m-o-m, but higher by $7.7 y-o-y. In the near term, gasoil crack spreads are expected to strengthen as strong demand from South America is anticipated and several southbound export diesel tenders have been issued.

At the bottom of the barrel, the **fuel oil crack spread** was the only main product performing positively in the USGC market in July. This came on the back of lower refinery output attributed to lighter overall average refinery crude grades being fed into US refineries, as well as lower crude prices. Modifications by US refineries to process lighter crudes led to a tightening fuel oil balance, further supporting fuel oil cracks. Moreover, the recent strengthening in FCC margins after a strong recovery from the weakening witnessed in June, also encouraged higher fuel oil processing. In July, the US fuel oil crack spread against WTI averaged minus $2.7/b, up by $1.1/b m-o-m and slightly higher by 38¢ y-o-y.

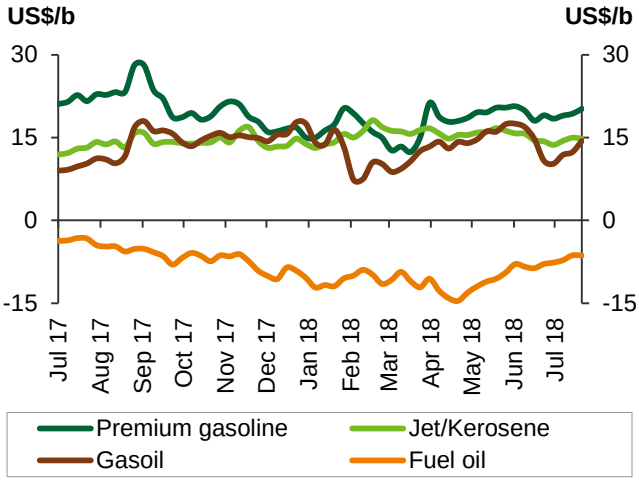
## European market

The **gasoline market** in Europe remained broadly unchanged. Amsterdam-Rotterdam-Antwerp (ARA) gasoline inventory levels fell 12.6% to 8 mb as of 26 July. A wide arbitrage opening and a pick-up in demand from West Africa, US East Coast and the Middle East provided some support.

However, the ongoing heat wave across Europe, lack of rain along with low Rhine river levels continue to hinder fuel flows into key inland regions in Germany and Switzerland, driving barge freight rate costs to new highs. This may have capped further upside on European gasoline cracks as demand suffers pressure.

The gasoline crack spread against Brent averaged $19.5/b in July, remaining nearly unchanged m-o-m, but down by $2.3 y-o-y.

**Graph 6 - 4: Rotterdam crack spreads vs. Brent**




*Sources: Argus Media and OPEC Secretariat.*

The **jet/kerosene market** performed negatively, pressured by ample exports from the US and East of Suez. The Rotterdam jet/kerosene crack spread against Brent averaged $14.5/b, down by 67¢ m-o-m, but was up by $1.8 y-o-y.

The **gasoil market** lost some ground, although remained at healthy levels, pressured by higher arbitrage inflows as Russian deliveries into the region continued to rise. As a result of the oversupplied environment, ARA gasoil inventories increased. Flow disruptions to inland markets have kept European gasoil in the coastline in a contango market structure, encouraging traders to build stocks.

Gasoil crack spreads against Brent averaged $13.7/b, which was 91¢ lower m-o-m and $1.3 higher y-o-y.

At the bottom of the barrel, the **fuel oil 3.5% crack spread** continued to strengthen on the back of a seasonal pick-up in power generator demand in the Middle East due to higher home cooling requirements.

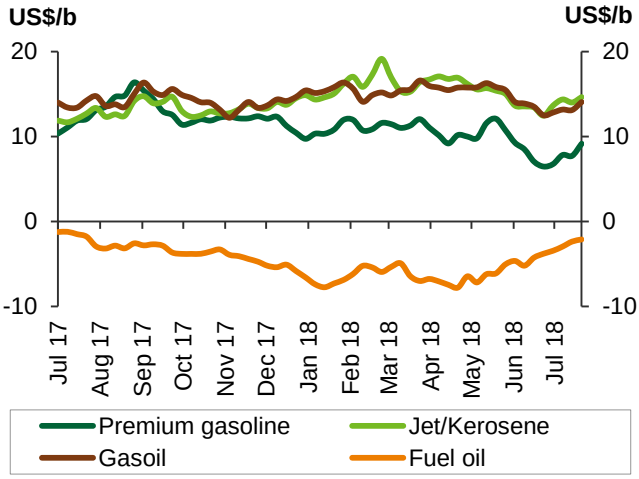
Furthermore, the positive performance witnessed in July can also be attributed to an uptick in fuel oil demand from Japan, as oil-fired power generators have restarted in response to additional cooling requirements, caused by the current heat wave in that region. In Europe, fuel oil cracks averaged minus $9.9/b in July, gaining $1.6 m-o-m, but losing $3.6 y-o-y.

# Asian market

The **Asian gasoline 92 market** showed a trend reversal in July as cracks rebounded slightly from the decline witnessed in the previous month. This improvement was due to higher gasoline demand from Sri Lanka, despite firm supply from China and other parts of North Asia. Additional support emerged from higher delivery requirements from the Atlantic Basin. The Singapore gasoline 92 crack spread against Oman averaged $8/b, up by 10¢ m-o-m, but down by $3.4 y-o-y.

The **Singapore light distillate naphtha crack spread** exhibited the strongest performance across the barrel in July, as the crack moved closer to reaching positive territory. This development was attributed to an uptick in trading activities and strong fundamentals. Additionally, higher regional demand due to bullish sentiment fuelled by expectations of lower naphtha supplies into the region and higher LPG prices further supported the crack. The Singapore naphtha crack spread against Oman averaged minus 84¢/b, up by $1.90 m-o-m and by 83¢ y-o-y.

**Graph 6 - 5: Singapore crack spreads vs. Dubai**




*Sources: Argus Media and OPEC Secretariat.*

The **jet/kerosene market** strengthened, supported by market tightness which was further boosted by consumer tax exemptions and strong domestic demand growth in China. Firm volume requirements from the US West Coast also provided an outlet for jet fuel in Northeast Asia.

The Singapore jet/kerosene crack spread against Oman averaged $14.2/b, up by 92¢ m-o-m, and by $2 y-o-y.

Asian **gasoil crack spreads** dipped due to pressure from weaker demand in India, Taiwan and China. At the same time, gasoil production in China reached record-breaking levels in response to rising refinery crude intake rates, which rose to 12 mb/d, a four-month high. This contributed to growing gasoil stock levels and weakening in Asian gasoil crack spreads.

Some bullish sentiment is expected in the near term as rainfalls in India begin to wane and local demand recovers, giving way to stronger gasoil inventory drawdowns. This in turn, could pressure exports in the region, which have, to date, kept Asia well supplied and most likely hindered a further upside in gasoil cracks during the month. The Singapore gasoil crack spread against Oman averaged $13.4/b, down by 14¢ m-o-m and by 48¢ y-o-y.

The **Singapore fuel oil crack spread** against Oman saw an extension of the upward trend seen in the previous months, climbing for the third consecutive month. A reduction in crude prices along with declining refinery output, particularly from Iran, contributed to the upside and pushed fuel oil futures onto a steeper backwardation market structure.

The ongoing heatwave in many countries has also been supportive, as fuel oil demand has picked up in Northeast Asia due to a surge in cooling requirements, and Japan's Kansai Electric was forced to restart two old fuel oil-fired units in order to meet stronger demand for electricity. The Singapore fuel oil crack spread against Oman averaged minus $2.6/b, up by $1.8 m-o-m but lower by $1.2 y-o-y.

### Table 6 - 1: Short-term prospects in product markets and refinery operations

| Event | Time frame | Asia | Europe | US | Observations |
|---|---|---|---|---|---|
| **End of monsoon season** | 3Q18 | ↑ High impact on gasoil cracks | - | - | Some support is expected in the near term as rainfalls in India started to wane and local demand recovers. |
| **CDU additions** | 3Q18-4Q18 | ↓ High impact on refining margins | - | - | The startup of Saudi Aramco's new 400 tb/d Jazan refinery will most likely support the crude market in the region. |
| **Gasoline and diesel price adjustments in China** | 3Q18 | ↓ High impact on refining margins despite support for fuel oil cracks. | - | - | National Development and Reform Commission (NDRC) in China plans to increase fuel prices due to weakening of the national currency and crude oil price fluctuation.<br>Prices are estimated to go up by CNY70 per tonne (US$10.0 per tonne) |

*Source: OPEC Secretariat.*

### Table 6 - 2: Refinery operations in selected OECD countries

| | *Refinery throughput, mb/d* | | | | *Refinery utilization, %* | | | |
|---|---|---|---|---|---|---|---|---|
| | May 18 | Jun 18 | Jul 18 | Change Jul/Jun | May 18 | Jun 18 | Jul 18 | Change Jul/Jun |
| **US** | **17.20** | **18.04** | **17.76** | **-0.28** | **92.63** | **96.45** | **95.27** | **-1.2 pp** |
| **Euro-16** | **10.44** | **10.56** | **10.86** | **0.30** | **85.61** | **86.57** | **89.01** | **2.4 pp** |
| **France** | 0.75 | 1.01 | 1.16 | 0.15 | 60.23 | 80.68 | 92.79 | 12.1 pp |
| **Germany** | 1.78 | 1.80 | 1.86 | 0.06 | 81.26 | 82.31 | 85.04 | 2.7 pp |
| **Italy** | 1.33 | 1.33 | 1.44 | 0.11 | 65.00 | 64.81 | 70.22 | 5.4 pp |
| **UK** | 0.99 | 1.07 | 0.96 | -0.12 | 75.32 | 81.57 | 72.76 | -8.8 pp |
| **Japan** | **2.83** | **2.54** | **3.01** | **0.47** | **80.36** | **72.11** | **85.55** | **13.44 pp** |

*Sources: EIA, Euroilstock, Petroleum Association of Japan and OPEC Secretariat.*

**Table 6 - 3: Refinery crude throughput, mb/d**

| | 2015 | 2016 | 2017 | 3Q17 | 4Q17 | 1Q18 | 2Q18 | 3Q18* |
|---|---|---|---|---|---|---|---|---|
| **Total OECD** | **37.71** | **37.49** | **38.18** | **38.49** | **38.34** | **37.68** | **37.58** | **38.99** |
| **OECD Americas** | **19.00** | **18.78** | **19.09** | **19.02** | **18.99** | **18.79** | **19.45** | **19.74** |
| of which US | 16.43 | 16.51 | 16.88 | 16.89 | 17.01 | 16.75 | 17.45 | 17.52 |
| **OECD Europe** | **12.11** | **11.94** | **12.27** | **12.66** | **12.40** | **11.93** | **11.86** | **12.63** |
| *of which:* | | | | | | | | |
| France | 1.17 | 1.14 | 1.17 | 1.22 | 1.23 | 1.12 | 0.92 | 1.19 |
| Germany | 1.91 | 1.93 | 1.91 | 1.97 | 1.97 | 1.89 | 1.80 | 1.92 |
| Italy | 1.35 | 1.30 | 1.40 | 1.48 | 1.45 | 1.35 | 1.35 | 1.45 |
| UK | 1.14 | 1.09 | 1.10 | 1.13 | 1.09 | 0.93 | 1.04 | 1.02 |
| **OECD Asia Pacific** | **6.60** | **6.78** | **6.82** | **6.80** | **6.95** | **6.97** | **6.27** | **6.62** |
| *of which Japan* | 3.26 | 3.28 | 3.23 | 3.24 | 3.19 | 3.33 | 2.85 | 2.84 |
| **Total Non-OECD** | **40.64** | **41.32** | **42.06** | **42.08** | **43.07** | **42.86** | **43.10** | **43.67** |
| *of which:* | | | | | | | | |
| China | 10.44 | 10.77 | 11.35 | 11.27 | 11.92 | 11.75 | 11.86 | 11.75 |
| Middle East | 6.69 | 6.91 | 7.05 | 7.14 | 7.21 | 7.00 | 7.13 | 7.35 |
| Russia | 5.64 | 5.58 | 5.59 | 5.62 | 5.64 | 5.78 | 5.77 | 5.95 |
| Latin America | 4.91 | 4.59 | 4.48 | 4.50 | 4.47 | 4.35 | 4.47 | 4.35 |
| India | 4.56 | 4.93 | 4.98 | 4.82 | 5.21 | 5.19 | 5.05 | 5.05 |
| Africa | 2.12 | 2.10 | 2.09 | 2.10 | 2.02 | 2.10 | 2.18 | 2.10 |
| **Total world** | **78.35** | **78.81** | **80.24** | **80.57** | **81.41** | **80.54** | **80.67** | **82.66** |

*Note: * Includes OPEC Secretariat's estimates.*
*Totals may not add up due to independent rounding.*
*Source: OPEC Secretariat, Jodi, AFREC, APEC, EIA, IEA, Euroilstock, Petroleum Association of Japan, Ministry data, including Ministry of Energy of the Russian Federation, Ministry of Petroleum and Natural Gas of India.*

**Table 6 - 4: Refined product prices, US$/b**

| | | Jun 18 | Jul 18 | Change Jul/Jun | 2017 | Year-to-date 2018 |
|---|---|---|---|---|---|---|
| **US Gulf (Cargoes FOB):** | | | | | | |
| Naphtha* | | 74.02 | 76.78 | 2.76 | 55.09 | 70.12 |
| Premium gasoline | *(unleaded 93)* | 94.32 | 94.24 | -0.08 | 74.42 | 89.09 |
| Regular gasoline | *(unleaded 87)* | 87.20 | 88.51 | 1.31 | 68.57 | 83.16 |
| Jet/Kerosene | | 88.21 | 88.62 | 0.41 | 66.07 | 84.63 |
| Gasoil | *(0.2% S)* | 82.83 | 83.53 | 0.70 | 62.31 | 79.48 |
| Fuel oil | *(3.0% S)* | 63.52 | 66.15 | 2.63 | 47.05 | 59.15 |
| **Rotterdam (Barges FoB):** | | | | | | |
| Naphtha | | 69.92 | 71.04 | 1.12 | 53.66 | 67.44 |
| Premium gasoline | *(unleaded 98)* | 93.71 | 93.79 | 0.08 | 75.13 | 88.93 |
| Jet/Kerosene | | 89.30 | 88.79 | -0.51 | 66.84 | 86.48 |
| Gasoil/Diesel | *(10 ppm)* | 88.75 | 88.00 | -0.75 | 66.35 | 84.54 |
| Fuel oil | *(1.0% S)* | 65.94 | 67.51 | 1.57 | 48.71 | 60.82 |
| Fuel oil | *(3.5% S)* | 62.70 | 64.45 | 1.75 | 44.31 | 57.69 |
| **Mediterranean (Cargoes FOB):** | | | | | | |
| Naphtha | | 69.53 | 70.74 | 1.21 | 52.81 | 66.77 |
| Premium gasoline** | | 85.08 | 85.97 | 0.89 | 66.56 | 80.76 |
| Jet/Kerosene | | 87.45 | 87.49 | 0.04 | 65.12 | 84.56 |
| Diesel | | 88.17 | 88.16 | -0.01 | 66.92 | 84.44 |
| Fuel oil | *(1.0% S)* | 67.38 | 68.37 | 0.99 | 49.55 | 61.98 |
| Fuel oil | *(3.5% S)* | 64.27 | 65.88 | 1.61 | 46.18 | 59.10 |
| **Singapore (Cargoes FOB):** | | | | | | |
| Naphtha | | 70.89 | 72.25 | 1.36 | 54.04 | 67.96 |
| Premium gasoline | *(unleaded 95)* | 83.53 | 83.11 | -0.42 | 68.01 | 81.21 |
| Regular gasoline | *(unleaded 92)* | 81.50 | 81.08 | -0.42 | 65.43 | 78.77 |
| Jet/Kerosene | | 86.91 | 87.31 | 0.40 | 65.32 | 84.19 |
| Gasoil/Diesel | *(50 ppm)* | 87.12 | 86.46 | -0.66 | 66.33 | 83.68 |
| Fuel oil | *(180 cst)* | 69.15 | 70.45 | 1.30 | 49.67 | 63.07 |
| Fuel oil | *(380 cst 3.5% S)* | 68.15 | 69.98 | 1.83 | 49.24 | 62.33 |

*Note: * Barges.*
*** Cost, insurance and freight (CIF).*
*Sources: Argus Media and OPEC Secretariat.*

# Tanker Market

*Dirty tanker spot freight rates mostly showed negative developments in July. The general sentiment in the tanker market remained weak, as per the usual trend during the summer months.*

*On average, dirty tanker freight rates were down by 1% in July from the previous month. VLCC and Aframax classes registered lower rates, while Suezmax average freight rates remained flat, maintaining the weak levels seen a month before. This was a continuation of the decline seen in the past few months, with no recovery witnessed in July amid falling rates on all reported routes. VLCC rates dropped by 6% as the market in the Middle East and West Africa was weak, affected mostly by the persisting tonnage availability. Suexmax spot freight rates showed no recovery, standing at WS61 points in July. Aframax freight rates were mixed, though the average rate showed a decline from the month before, suffering from a drop in rates in the Caribbean. In general, limited activities and a long positions list continue to drive the losses in the tanker market, where vessels mostly operate with earnings at near operational cost.*

*The clean tanker market showed weak sentiment on both directions of Suez, as thin tonnage demand prevented rates from registering gains. Clean tanker rates dropped by 1% on average from the previous month.*

## Spot fixtures

In July, **OPEC spot fixtures** increased by 0.32 mb/d, or 2.2%, compared with the previous month to stand at 14.82 mb/d. Global chartering activities worldwide showed increases from the previous month, mainly as fixtures from Middle East-to-East increased by 4.8% m-o-m and Middle East-to-West fixtures increased by 2.5% m-o-m to stand at 2.19 mb/d in July. Outside of the Middle East, fixtures were down from last month by 2.2%.

**Table 7 - 1: Spot fixtures, mb/d**

| | May 18 | Jun 18 | Jul 18 | Change Jul 18/Jun 18 |
|---|---|---|---|---|
| **All areas** | **20.38** | **21.20** | **21.89** | **0.69** |
| OPEC | 13.52 | 14.50 | 14.82 | 0.32 |
| Middle East/East | 7.13 | 7.71 | 8.08 | 0.37 |
| Middle East/West | 2.17 | 2.14 | 2.19 | 0.05 |
| Outside Middle East | 4.23 | 4.65 | 4.55 | -0.10 |

*Sources: Oil Movements and OPEC Secretariat.*

## Sailings and arrivals

**OPEC sailings** increased by 0.46 mb/d, or 1.9%, in July from a month ago and by 0.85 mb/d from a year before. Sailings from the Middle East also went up from last month by 0.46 mb/d.

According to preliminary data, **arrivals** at ports in the main importing regions of North America and West Asia showed increases from a month earlier by 6.5% and 3.0%, respectively. In contrast, vessel arrivals in Europe and the Far East declined from last month by 2.0% and 2.5%, respectively.

**Table 7 - 2: Tanker sailings and arrivals, mb/d**

| | May 18 | Jun 18 | Jul 18 | Change Jul 18/Jun 18 |
|---|---|---|---|---|
| **Sailings** | | | | |
| OPEC | 24.41 | 24.51 | 24.97 | 0.46 |
| Middle East | 17.71 | 17.81 | 18.27 | 0.46 |
| **Arrivals** | | | | |
| North America | 10.04 | 9.79 | 10.43 | 0.63 |
| Europe | 11.87 | 11.98 | 11.75 | -0.24 |
| Far East | 9.15 | 8.84 | 8.63 | -0.22 |
| West Asia | 4.34 | 4.43 | 4.56 | 0.13 |

*Sources: Oil Movements and OPEC Secretariat.*

# Dirty tanker freight rates

## Very large crude carrier (VLCC)

Following the gains registered in June, **VLCC freight rates** dropped on average in July from the month before, down by 6% from the previous month, to stand at WS39 points.

VLCCs had a fair amount of activity at the beginning of July mainly in the Middle East, however tonnage built up, causing freight rates to soften. Moreover, limited tonnage demand in different areas such as the US Gulf Coast (USGC) and West Africa put further pressure on rates.

VLCC freight rates on different reported routes showed declines in July, despite ship owners' constant attempts to increase freight rates even by a few points. However, the VLCC chartering market in July was not supported, as tonnage demand was reduced from Chinese charterers and the market remained oversupplied with ships. Thus, Middle East-to-East freight rates dropped by 4% m-o-m to stand at WS49 points in July. West Africa-to-East freight rates followed the same pattern, reflecting a similar drop of 3% m-o-m, to stand at WS50 points. Freight rates for tankers operating on the Middle East-to-West route also dropped by 10% from one month before.

VLCC freight rates stabilized at the end of the month as chartering requirements for August loadings were handled, showing healthy tonnage demand at that point. Nevertheless, no firming trend was detected as tonnage oversupply persisted in different areas. Furthermore, declining bunker prices had no impact on freight rates, as these were already close to operational cost.

**Table 7 - 3: Dirty VLCC spot tanker freight rates, Worldscale (WS)**

| | Size *1,000 DWT* | May 18 | Jun 18 | Jul 18 | Change Jul 18/Jun 18 |
|---|---|---|---|---|---|
| Middle East/East | 230-280 | 44 | 51 | 49 | -2 |
| Middle East/West | 270-285 | 19 | 22 | 19 | -2 |
| West Africa/East | 260 | 45 | 52 | 50 | -2 |

*Sources: Argus Media and OPEC Secretariat.*

# Suezmax

Similar to what was seen in the VLCC sector, **Suezmax spot freight rates** were mostly weak in July, ending the month flat with an average of WS61 points.

In West Africa, the Suezmax chartering market was active, however freight rates remained broadly unchanged as a result of high tonnage availability. Spot freight rates for tankers operating on the West Africa-to-USGC route rose slightly by WS1 point to stand at WS66 points.

Spot freight rates for tankers operating on the Northwest Europe (NWE)-to-USGC route dropped by 2% m-o-m, to average WS56 points in July. A constant availability of ships continued to prevent increases in freight rates in the Black Sea, despite high loading requirements in the area.

In the Mediterranean, Suezmax freight rates registered no significant gains, despite attempts by ship owners to push for higher rates as the Aframax market in the Mediterranean firmed.

**Table 7 - 4: Dirty Suezmax spot tanker freight rates, WS**

| | Size | | | | Change |
|---|---|---|---|---|---|
| | *1,000 DWT* | May 18 | Jun 18 | Jul 18 | Jul 18/Jun 18 |
| West Africa/US Gulf Coast | 130-135 | 62 | 65 | 66 | 1 |
| Northwest Europe/US Gulf Coast | 130-135 | 56 | 57 | 56 | -1 |

*Sources: Argus Media and OPEC Secretariat.*

# Aframax

**Aframax freight rates** were mixed in July, with spot freight rates on most reported routes showing increases from the previous month. Nevertheless, these gains were offset by a significant drop in rates seen in the Caribbean. On average, Aframax spot freight rates dropped by a slight WS1 point from the previous month to average WS102 points.

Generally, Aframax rates softened in the Caribbean gradually at the beginning of the month, following US holidays, as a build in tonnage and low inquiries together created further downward pressure. Aframax freight rates registered on the Caribbean-to-US East Coast (USEC) route dropped remarkably, down by WS40 points m-o-m, to average WS98 points in July.

Rates in the Baltics and North Sea fluctuated dramatically, increasing by almost WS20 points and showing a swing at the beginning of the month before dropping afterwards and gaining again rapidly as a result of high activity versus limited tonnage supply at that point.

**Table 7 - 5: Dirty Aframax spot tanker freight rates, WS**

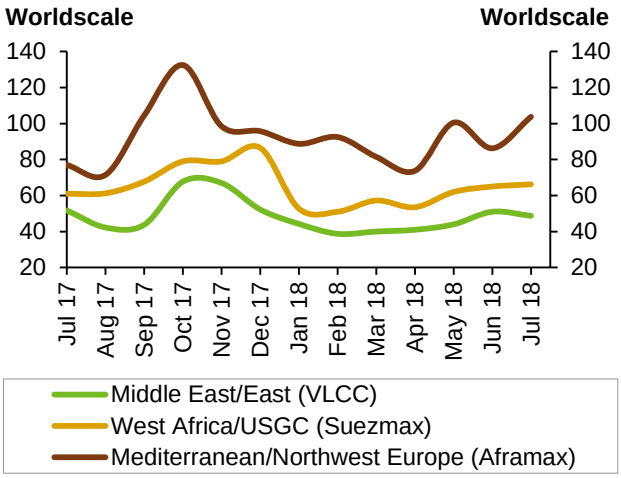
| | Size | | | | Change |
|---|---|---|---|---|---|
| | *1,000 DWT* | May 18 | Jun 18 | Jul 18 | Jul 18/Jun 18 |
| Indonesia/East | 80-85 | 94 | 95 | 97 | 2 |
| Caribbean/US East Coast | 80-85 | 109 | 137 | 98 | -40 |
| Mediterranean/Mediterranean | 80-85 | 110 | 93 | 111 | 17 |
| Mediterranean/Northwest Europe | 80-85 | 101 | 86 | 104 | 18 |

*Sources: Argus Media and OPEC Secretariat.*

The lifting of force majeure at some ports led to higher rates in the Mediterranean, providing an opportunity for increased cargo liftings and tonnage demand. Nevertheless, rates declined later in the same region as cancellations of some fixtures affected rates negatively.

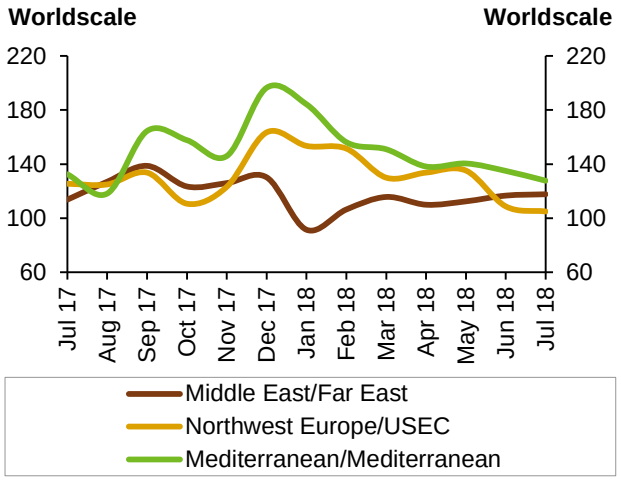
Additionally, operational delays at Italian ports supported the increase in rates. Therefore, freight rates for tankers operating on the Mediterranean-to-NWE route and the Mediterranean-to-Mediterranean route rose by WS18 points and WS17 points on average to stand at WS104 points and WS111 points, respectively.

**Graph 7 - 1: Crude oil spot tanker freight rates, monthly average**




*Sources: Argus Media and Platts.*

**Graph 7 - 2: Products spot tanker freight rates, monthly average**




*Sources: Argus Media and OPEC Secretariat.*

# Clean tanker freight rates

**Clean tanker market** sentiment saw differing trends on different routes in July, though mostly remaining weak. On average, clean spot tanker freight rates dropped by 1% from the month before to stand at WS125 points, mostly due to a decline in average freight rates on the West of Suez route, which declined by 5% m-o-m. Overall, clean tanker developments in different regions were best described as uneventful, showing mostly no changes in rates.

Rates in the East increased marginally following flat developments at the beginning of the month, indicating the beginning of a positive trend as the Far East market showed some improvements in freight rates.

Middle East-to-East spot freight rates rose by 1% in July over a month earlier to average WS118 points, while the rate for tankers trading on the Singapore-to-East route went up by 9% m-o-m to average WS135 points.

Overall, clean tanker developments in different regions were best described as uneventful, showing mostly no changes in rates.

**Table 7 - 6: Clean spot tanker freight rates, WS**

| | Size | | | | Change |
|---|---|---|---|---|---|
| | *1,000 DWT* | May 18 | Jun 18 | Jul 18 | Jul 18/Jun 18 |
| ***East of Suez*** | | | | | |
| Middle East/East | 30-35 | 113 | 117 | 118 | 1 |
| Singapore/East | 30-35 | 133 | 124 | 135 | 12 |
| ***West of Suez*** | | | | | |
| Northwest Europe/US East Coast | 33-37 | 135 | 109 | 105 | -4 |
| Mediterranean/Mediterranean | 30-35 | 141 | 135 | 128 | -7 |
| Mediterranean/Northwest Europe | 30-35 | 151 | 145 | 138 | -7 |

*Sources: Argus Media and OPEC Secretariat.*

NWE-to-USEC spot freight rates dropped by 4% in July compared with the previous month to average WS105 points. The rates for the Mediterranean-to-Mediterranean and the Mediterranean-to-NWE routes declined, each dropping by WS7 points, to stand at WS128 points and WS138 points, respectively.

# Oil Trade

*In July, preliminary data shows that US crude oil imports dropped to average 8 mb/d, which is 388 tb/d lower than the previous month, yet higher than a year earlier by 188 tb/d, or 2%. US monthly product imports showed almost no change from the previous month, averaging 2.2 mb/d, while on an annual basis, they increased by 169 tb/d, or 8%.*

*Japan's crude oil imports dropped significantly in June, falling by 585 tb/d, or 20%, to average 2.4 mb/d, while on a yearly basis, they declined in June by 412 tb/d, or 15%. Similarly, Japan's product imports dropped in June by 174 tb/d to average 450 tb/d, down by 28% m-o-m and 18% y-o-y.*

*China's crude oil imports showed a drop in June, down by 690 tb/d for an average of 8.6 mb/d, following an increase from the month before. On an annual basis, they were 260 tb/d, or 3%, lower than a year before.*

*India's crude imports rose by 39 tb/d, or 1%, from the previous month to average 4.8 mb/d in June — a new record level. Annually, crude imports were up from the previous year by 442 tb/d. Product imports increased by 58 tb/d m-o-m to average 876 tb/d. On a yearly basis, they increased by 120 tb/d compared to the same month in the previous year.*

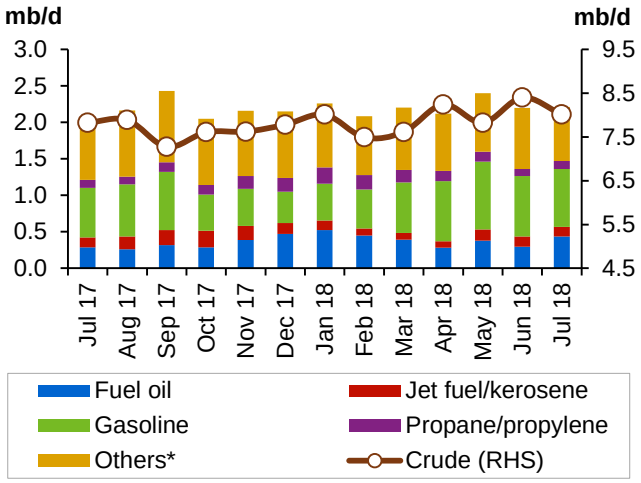
## US

In July, preliminary data shows that **US crude oil imports** dropped to average 8 mb/d, down by 388 tb/d from the previous month yet higher by 188 tb/d, or 2%, than a year earlier. On a year-to-date (y-t-d) basis, crude oil imports were down by 162 tb/d in July.

**US product imports** showed almost no change m-o-m from the previous month, averaging 2.2 mb/d. On an annual basis, they increased by 169 tb/d, or 8%. Y-t-d, product imports increased by 66 tb/d.

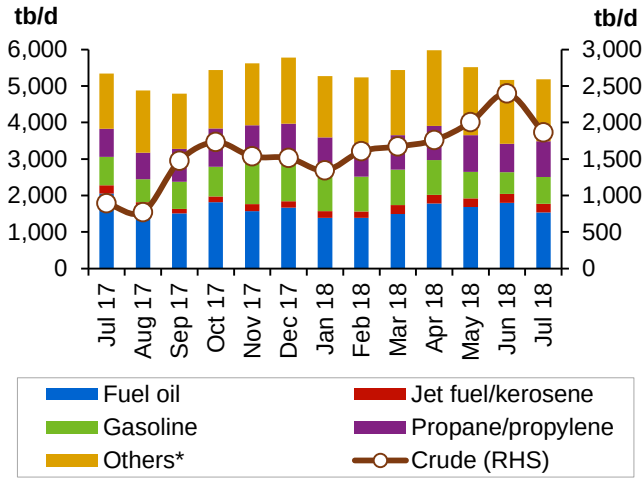
**US product exports** were slightly lower in July, dropping by only 6 tb/d, to average 5.2 mb/d. On an annual basis, product exports were 163 tb/d, or 3%, lower than a year before.

**Graph 8 - 1: US imports of crude and petroleum products**




*Note: * 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.*
*Sources: US EIA and OPEC Secretatiat.*

**Graph 8 - 2: US exports of crude and petroleum products**




*Note: * 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.*
*Sources: US EIA and OPEC Secretatiat.*

As a result, **US total net imports increased in July to average 3.2 mb/d, up by 150 tb/d m-o-m**, while y-o-y, they dropped by 438 tb/d.

**Table 8 - 1: US crude and product net imports, tb/d**

| | May 18 | Jun 18 | Jul 18 | Change Jul 18/Jun 18 |
|---|---|---|---|---|
| Crude oil | 5,820 | 6,004 | 6,150 | 146 |
| Total products | -3,109 | -2,972 | -2,968 | 3 |
| **Total crude and products** | **2,711** | **3,032** | **3,182** | **150** |

*Sources: US Energy Information Administration and OPEC Secretariat.*

Regarding **crude suppliers to the US**, the first and second suppliers in May maintained the same order as seen a month earlier. Canada remained the premier crude supplier to the US, accounting for 49% of total US crude imports. Canada's export volumes to the US showed an increase of 136 tb/d m-o-m in May. Saudi Arabia, which maintained its status as the second largest supplier to the US, had a stable share compared to a month earlier and averaged 873 tb/d. Iraq came in as the third top supplier, accounting for 8% of total US crude imports despite its exports to the US being lower by 242 tb/d, or 29%, from the previous month.

**Crude imports from OPEC Member Countries (MCs)** dropped by 745 tb/d, or 23%, in May from the previous month. Imports from OPEC MCs accounted for 32% of total US crude imports.

**US product imports from OPEC MCs** were up by 67 tb/d, or 25%, in May from a month earlier and 131 tb/d, or 66%, from the previous year.

As for the **product suppliers' share**, Mexico, Canada and Brazil were the top suppliers to the US, accounting for 18%, 13% and 5%, respectively. Mexico's product exports to the US in May showed a drop of 275 tb/d, while Canada's product exports to the US were higher by 55 tb/d.

As for **US crude imports by region** in May 2018, US crude imports from North America increased from the previous month and averaged 3.9 mb/d. North America, which maintained its status as the top region for US crude imports, followed by Latin America, exported a similar amount as in the previous month to stand at 1.8 mb/d in May. Imports from the Middle East dropped by almost 300 tb/d in May, coming in as the third region with an average of 1.5 mb/d. Imports from Africa dropped by almost half from last month to average 357 tb/d, while imports from the Former Soviet Union (FSU) increased by 158 tb/d from last month to average 198 tb/d.

# Japan

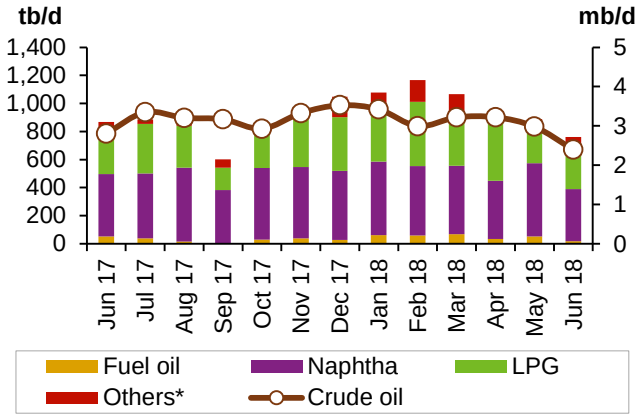
**Japan's crude oil imports** dropped significantly in June, down by 585 tb/d, or 20%, m-o-m to average 2.4 mb/d. On a yearly basis, crude imports declined in June by 412 tb/d, or 15%.

As for the **crude suppliers' share**, Saudi Arabia, the UAE and Kuwait were the top suppliers to Japan in June. Saudi Arabia was the first crude supplier to Japan, holding a share of 38% of total crude exports. The UAE came in as the second largest supplier to Japan with a share of 23% of the country's total crude imports. Kuwait held the third position in June with a share of 7%. Nevertheless, crude imports from all top suppliers were down from the previous month, dropping by 219 tb/d, 69 tb/d and 28 tb/d, respectively.

Similarly, **Japan's product imports,** excluding LPG, dropped in June by 174 tb/d to average 450 tb/d, down by 28% m-o-m and 18% y-o-y. At the same time, with the drop in imports, Japan's domestic oil product sales dropped by 8.8% in June from a year earlier.

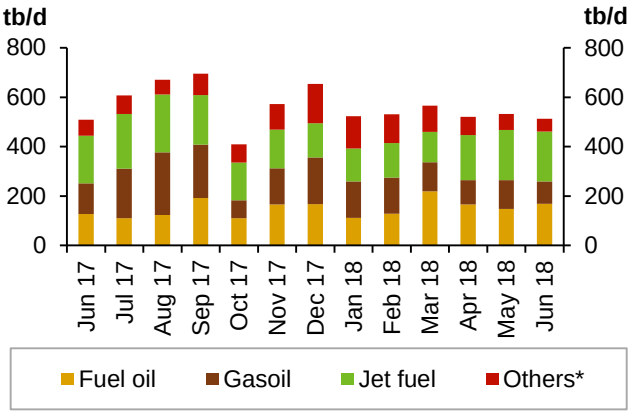
**Japan's total product exports** went down by 20 tb/d, or 4%, m-o-m to average 513 tb/d in June. On a yearly basis, they showed a drop of only of 3 tb/d, or 1%.

**Graph 8 - 3: Japan's imports of crude and petroleum products**




*Note: * Others: Contains gasoline, jet fuel, kerosene, gasoil, asphalt and paraffin wax.*
*Sources: Ministry of Economy, Trade and Industry of Japan and OPEC Secretariat.*

**Graph 8 - 4: Japan's exports of petroleum products**




*Note: * Others: Contains LPG, gasoline, naphtha, kerosene, lubricating oil, asphalt and paraffin wax.*
*Sources: Ministry of Economy, Trade and Industry of Japan and OPEC Secretariat.*

Accordingly, **Japan's net imports dropped by 0.7 mb/d in June to average 2.3 mb/d, less by 24% from one month before** and 18% lower than in the same month last year.

**Table 8 - 2: Japan's crude and product net imports, tb/d**

| | Apr 18 | May 18 | Jun 18 | Change Jun 18/May 18 |
|---|---|---|---|---|
| Crude oil | 3,220 | 2,981 | 2,395 | -585 |
| Total products | -22 | 91 | -63 | -154 |
| **Total crude and products** | **3,198** | **3,072** | **2,332** | **-739** |

*Sources: Ministry of Economy, Trade and Industry of Japan and OPEC Secretariat.*

# China

**China's crude imports** showed a drop in June following an increase the month before, declining by 690 tb/d to average 8.6 mb/d. On an annual basis, they were 260 tb/d, or 3%, lower than a year before.

Looking at the **crude oil supplier share**, Russia, Saudi Arabia and Iraq were the top suppliers to China in June, accounting for 15%, 111% and 10%, respectively. Crude imports from Russia and Iraq in June were higher than during the previous month by 50 tb/d and 30 tb/d, respectively, while imports from Saudi Arabia dropped by 270 tb/d.

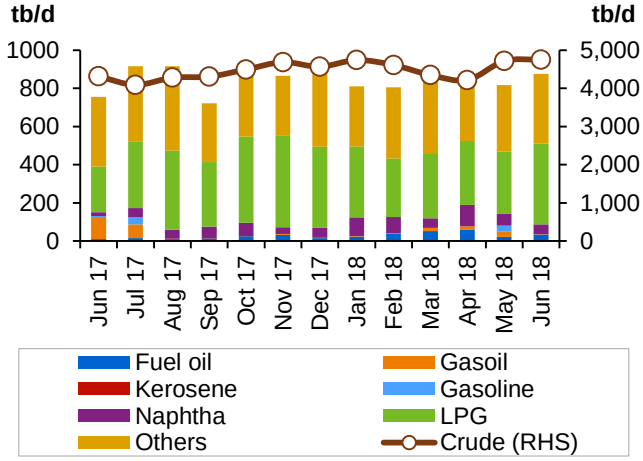
# India

In June, **India's crude imports** rose by 39 tb/d, or 1%, from the previous month to average 4.8 mb/d – a new record level. Annually, crude imports were up from the previous year by 442 tb/d due to refinery throughputs showing increases from the previous month.

**India's total product imports** increased by 58 tb/d m-o-m to average 876 tb/d, while y-o-y, they rose by 120 tb/d. Monthly product imports were higher, mainly in LPG, which increased by 99 tb/d from the previous month to average 423 tb/d.

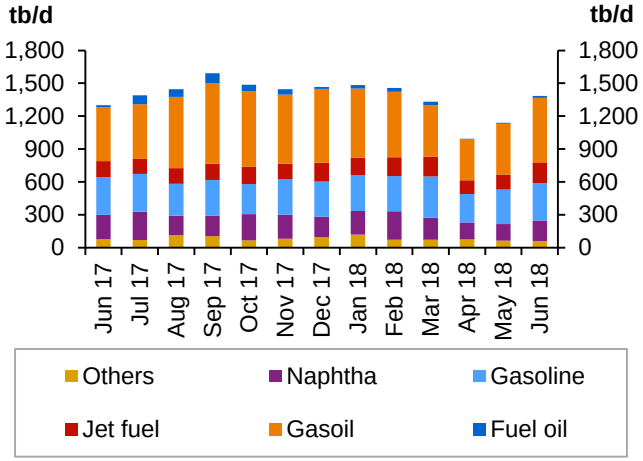
**India's total product exports** were higher in June by 244 tb/d, or 21%, to average 1.4 mb/d, while y-o-y, they were up by 84 tb/d, or 6%. India exported higher amounts of all products, but mainly diesel and naphtha.

**Graph 8 - 5: India's imports of crude and petroleum products**




*Sources: Petroleum Planning & Analysis Cell of India and OPEC Secretariat.*

**Graph 8 - 6: India's exports of petroleum products**




*Sources: Petroleum Planning & Analysis Cell of India and OPEC Secretariat.*

As a result, **India's net imports dropped by 147 tb/d from one month before**, while they increased by 478 tb/d y-o-y.

**Table 8 - 3: India's crude and product net imports, tb/d**

| | Apr 18 | May 18 | Jun 18 | Change Jun 18/May 18 |
|---|---|---|---|---|
| Crude oil | 4,216 | 4,714 | 4,753 | 39 |
| Total products | -154 | -322 | -508 | -186 |
| **Total crude and products** | **4,062** | **4,392** | **4,245** | **-147** |

*Note: India data table does not include information for crude import and product export by Reliance Industries.*
*Sources: Petroleum Planning & Analysis Cell of India and OPEC Secretariat.*

# FSU

**Total crude oil exports from the FSU** remained stable in June compared to the previous month, averaging 6.8 mb/d. **Total crude exports through Russian pipelines** declined by 70 tb/d, or 1.8%, m-o-m to average 3.9 mb/d.

In the **Transneft system**, in June total shipments from the Black Sea rose by 23 tb/d, or 4%, m-o-m to average 546 tb/d. This increase came as shipments from Novorossiysk increased. On the other hand, total Baltic Sea exports dropped by 101 tb/d m-o-m, mainly as shipments from the Primorsk port terminal declined by 94 tb/d m-o-m. The Druzhba pipeline's total shipments increased by 60 tb/d m-o-m to average 1 mb/d, while Kozmino shipments declined by 33 tb/d, or 5%, m-o-m to average 596 tb/d.

Exports through the **Lukoil system** stayed mostly flat in June from the previous month, standing at 119 tb/d and 7 tb/d, respectively, in the Barents Sea and Baltic Sea.

As for the **other routes**, the Russia Far East's total exports in June were up by 40 tb/d, or 12%, m-o-m. The increases came mainly as volumes from the De Kastri port terminal increased by 53 tb/d m-o-m. Central Asia's total exports through the Kenkiyak-Alashankou dropped by 21 tb/d m-o-m to average 202 tb/d. In the Mediterranean Sea, BTC supplies showed an increase by 64 tb/d, or 9%, m-o-m to average 747 tb/d.

**FSU's total product exports** rose by 255 tb/d, or 9%, m-o-m to average 3.0 mb/d. This rise came as a result of increases in all product exports with the only exception being jet and VGO, which dropped m-o-m by 14 tb/d and 5 tb/d, respectively.

**Table 8 - 4: Recent FSU exports of crude and petroleum products by sources, tb/d**

| | | 2017 | 1Q18 | 2Q18 | May 18 | Jun 18 |
|---|---|---|---|---|---|---|
| **Transneft system** | | | | | | |
| **Europe** | **Black Sea total** | **605** | **521** | **536** | **523** | **546** |
| | Novorossiysk port terminal - total | 605 | 528 | 536 | 523 | 546 |
| | *of which: Russian oil* | 424 | 362 | 375 | 384 | 344 |
| | Others | 181 | 171 | 162 | 139 | 202 |
| | **Baltic Sea total** | **1,516** | **1,289** | **1,297** | **1,299** | **1,199** |
| | Primorsk port terminal - total | 871 | 755 | 783 | 789 | 696 |
| | *of which: Russian oil* | 871 | 755 | 783 | 789 | 696 |
| | Others | 0 | 0 | 0 | 0 | 0 |
| | Ust-Luga port terminal - total | 645 | 538 | 514 | 510 | 503 |
| | *of which: Russian oil* | 470 | 351 | 316 | 325 | 312 |
| | Others | 175 | 176 | 198 | 185 | 192 |
| | **Druzhba pipeline total** | **1,009** | **987** | **987** | **973** | **1,032** |
| | *of which: Russian oil* | 977 | 953 | 955 | 940 | 999 |
| | Others | 32 | 32 | 32 | 33 | 33 |
| **Asia** | **Pacific ocean total** | **645** | **593** | **623** | **629** | **596** |
| | Kozmino port terminal - total | 645 | 608 | 623 | 629 | 596 |
| | **China (via ESPO pipeline) total** | **336** | **552** | **554** | **550** | **531** |
| | China Amur | 336 | 553 | 554 | 550 | 531 |
| **Total Russian crude exports** | | **4,111** | **3,940** | **3,997** | **3,974** | **3,904** |
| **Lukoil system** | | | | | | |
| **Europe &** | **Barents Sea total** | **170** | **144** | **125** | **117** | **119** |
| **North America** | Varandey offshore platform | 170 | 134 | 125 | 117 | 119 |
| **Europe** | **Baltic Sea total** | **13** | **7** | **7** | **7** | **7** |
| | Kalinigrad port terminal | 13 | 7 | 7 | 7 | 7 |
| **Other routes** | | | | | | |
| **Asia** | **Russian Far East total** | **343** | **364** | **372** | **347** | **388** |
| | Aniva bay port terminal | 127 | 134 | 137 | 139 | 126 |
| | De Kastri port terminal | 216 | 235 | 235 | 208 | 261 |
| | **Central Asia total** | **262** | **237** | **225** | **223** | **202** |
| | Kenkiyak-Alashankou | 262 | 231 | 225 | 223 | 202 |
| **Europe** | **Black Sea total** | **1,277** | **1,397** | **1,393** | **1,389** | **1,363** |
| | Novorossiysk port terminal (CPC) | 1,194 | 1,325 | 1,337 | 1,351 | 1,323 |
| | Supsa port terminal | 72 | 66 | 53 | 39 | 40 |
| | Batumi port terminal | 11 | 3 | 3 | 0 | 0 |
| | Kulevi port terminal | 0 | 0 | 0 | 0 | 0 |
| | **Mediterranean Sea total** | **707** | **677** | **693** | **683** | **747** |
| | BTC | 707 | 685 | 693 | 683 | 747 |
| **Russian rail** | | | | | | |
| | **Russian rail** | **40** | **33** | **32** | **29** | **33** |
| | *of which: Russian oil* | 40 | 32 | 32 | 29 | 33 |
| | Others | 0 | 0 | 0 | 0 | 0 |
| **Total FSU crude exports** | | **6,923** | **6,798** | **6,844** | **6,769** | **6,763** |
| **Products** | | | | | | |
| | Gasoline | 193 | 234 | 169 | 150 | 204 |
| | Naphtha | 549 | 532 | 544 | 544 | 560 |
| | Jet | 35 | 36 | 36 | 40 | 26 |
| | Gasoil | 980 | 1,102 | 1,010 | 945 | 1,043 |
| | Fuel oil | 1,025 | 996 | 932 | 852 | 958 |
| | VGO | 308 | 327 | 275 | 247 | 242 |
| **Total FSU product exports** | | **3,089** | **3,271** | **2,967** | **2,778** | **3,033** |
| **Total FSU oil exports** | | **10,012** | **10,069** | **9,811** | **9,547** | **9,796** |

*Sources: Argus Nefte Transport and Argus Global Markets.*

# Stock Movements

*Preliminary data for June showed that total **OECD commercial oil stocks** fell by 12.8 mb m-o-m to stand at 2,822 mb. This was 197 mb lower than the same time a year ago and 33 mb below the latest five-year average. Compared to the seasonal norm, crude and product stocks indicated a deficit of 18 mb and 15 mb, respectively. In terms of days of forward cover, OECD commercial stocks fell by 0.1 days m-o-m in June to stand at 58.8 days. This was 4.5 days below the same period in 2017 and 2.1 days lower than the latest five-year average.*

*Preliminary data for July showed that **US total commercial oil stocks** fell slightly by 0.3 mb m-o-m, to stand at 1,206.6 mb. This was 112.4 mb lower than the same period a year ago and 17.8 mb lower than the latest five-year average. Within the components, crude stocks fell m-o-m by 9.1 mb, while product inventories rose by 8.8 mb.*

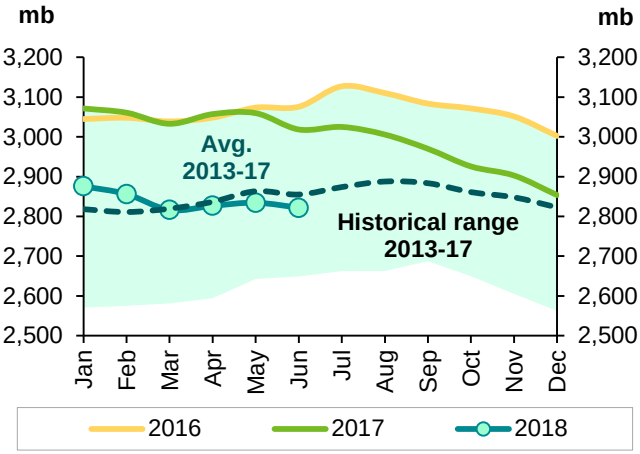
## OECD

Preliminary data for June showed that **total OECD commercial oil stocks** fell by 12.8 mb m-o-m, reversing the build of last two months. At 2,822 mb, total OECD commercial oil stocks were 197 mb lower than the same time one year ago and 33 mb below the latest five-year average.

Within the components, crude and product stocks indicated a deficit of 18 mb and 15 mb below the latest five-year average, respectively. It should be noted that the overhang has been reduced by more than 371 mb since January 2017. In June, crude stocks fell by around 22 mb while product stocks rose by more than 9 mb, m-o-m.

Within the regions, OECD Americas and OECD Asia Pacific fell by 5.2 mb and 7.8 mb, respectively, while OECD Europe inventories rose slightly by 0.2 mb, m-o-m.

**Graph 9 - 1: OECD commercial oil stocks**




*Sources: Argus Media, Euroilstock, IEA, METI, OPEC Secretariat and US Energy Information Administration.*

OECD **commercial crude stocks** fell by 22.1 mb m-o-m in June, ending the month at 1,404 mb. This was 128 mb lower than the same time a year ago and 18 mb lower than the latest five-year average. Compared to the previous month, the three OECD regions experienced crude stock draws.

In contrast, OECD **product inventories** rose by 9.4 mb m-o-m in June to stand at 1,418 mb. This was 69 mb below the same time a year ago and 15 mb below the seasonal norm. Within the OECD regions, OECD Americas and OECD Europe experienced product stock builds, while OECD Asia Pacific witnessed a stock draw.

In terms of **days of forward cover**, OECD commercial stocks fell by 0.1 days m-o-m in June to stand at 58.8 days. This was 4.5 days below the same period in 2017 and 2.1 days lower than the latest five-year average.

Within the regions, OECD Americas had one fewer day of forward cover than the historical average to stand at 58.9 days. OECD Europe stocks stood at 2.2 days below the latest five-year average to finish the month of June at 64.2 days. OECD Asia Pacific indicated a deficit of 5.5 days below the seasonal norm to stand at 48.5 days.

# OECD Americas

**OECD Americas total commercial stocks** fell by 5.2 mb m-o-m in June, reversing the build of last month. At 1,485 mb, they stood at 110 mb below a year ago, but remained 0.9 mb above the five-year average. Within the components, crude stocks fell 15.4 mb, while product stocks rose 10.2 mb, m-o-m.

Commercial **crude oil stocks** in OECD Americas fell by 15.4 mb m-o-m in June to stand at 756 mb. This was 87 mb lower than the same period a year ago, but 0.9 mb higher than the latest five-year average. This drop came from higher US crude throughput, which increased by more than 800,000 b/d to stand at 18 mb/d. Higher crude imports limited a further drop in crude oil stocks.

In contrast, **product stocks** in OECD Americas rose by 10.2 mb m-o-m in June to stand at 729 mb. This was 24 mb below the same time one year ago, but in line with the seasonal norm. Lower product consumption in the US was behind the product stock build.

# OECD Europe

**OECD Europe's total commercial stocks** rose slightly by 0.2 mb m-o-m in June, ending the month at 954 mb. This was 45 mb lower than the same time a year ago, but 5.5 mb above the latest five-year average. Crude stocks fell by 2.6 mb, while product inventories rose by 2.8 mb, m-o-m.

OECD Europe's **commercial crude stocks** fell by 2.6 mb m-o-m in June, ending the month at 427 mb. This was 8.7 mb lower than a year earlier, but 15 mb higher than the latest five-year average. The drop in crude oil stocks could be attributed to higher refinery throughput in EU countries, which increased by 120,000 b/d to stand at 10.6 mb/d.

In contrast, OECD Europe's **commercial product stocks** rose by 2.8 mb m-o-m to end June at 528 mb. This was 36 mb below the same time a year ago and 9.5 mb lower than the seasonal norm. The build in product stocks could be attributed to lower demand in OECD Europe.

# OECD Asia Pacific

**OECD Asia Pacific's total commercial oil stocks** fell by 7.8 mb m-o-m in June, reversing the build of the last two months to stand at 382 mb. At this level, they were 42 mb lower than a year ago and 40 mb below the five-year average. Within the components, crude and product inventories fell by 4.2 mb and 3.6 mb, m-o-m, respectively.

OECD Asia Pacific's **crude inventories** fell by 4.2 mb m-o-m to end the month of June at 221 mb, which was 33 mb below a year ago and 34 mb under the seasonal norm.

OECD Asia Pacific's **total product inventories** also fell by 3.6 mb m-o-m to end June at 161 mb, standing 8.6 mb below the same time a year ago, and 6.0 mb less than the seasonal norm.

**Table 9 - 1: OECD's commercial stocks, mb**

| | | | | *Change* | |
|---|---|---|---|---|---|
| | Apr 18 | May 18 | Jun 18 | Jun 18/May 18 | Jun 17 |
| **Crude oil** | 1,430 | 1,426 | 1,404 | -22.1 | 1,532 |
| **Products** | 1,397 | 1,409 | 1,418 | 9.4 | 1,486 |
| **Total** | **2,827** | **2,834** | **2,822** | **-12.8** | **3,018** |
| **Days of forward cover** | **59.2** | **59.0** | **58.8** | **-0.1** | **63.4** |

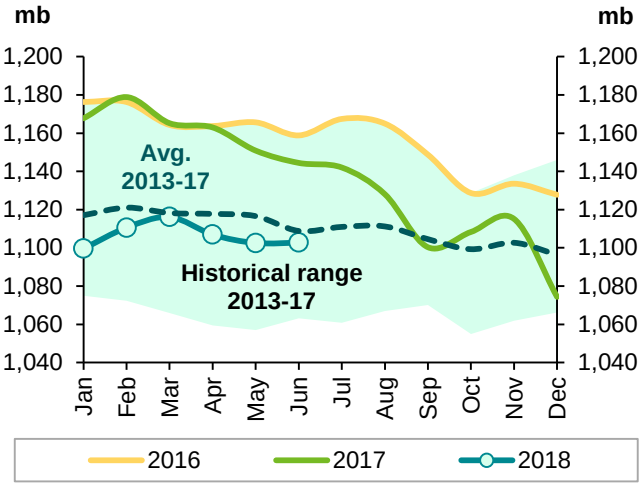
*Note: Totals may not add up due to independent rounding.*
*Sources: Argus Media, Euroilstock, IEA, METI, OPEC Secretariat and US Energy Information Administration.*

# EU plus Norway

Preliminary data for June showed that **total European commercial oil stocks** rose slightly by 0.2 mb m-o-m to stand at 1,103 mb. This was 41.7 mb, or 3.6%, lower than the same time a year ago, and 6.1 mb, or 0.5%, lower than the latest five-year average. Within the components, crude stocks fell by 2.6 mb, while products stocks rose by 2.8 mb, m-o-m.

European **crude inventories** fell in June to stand at 483 mb. This was 18 mb, or 3.6%, lower than the same period a year ago and they are 0.7 mb, or 0.2%, below the latest five-year average. The drop in crude oil stocks could be attributed to higher refinery throughput in EU countries, which increased by 120,000 b/d to stand at 10.6 mb/d.

**Graph 9 - 2: EU-15 plus Norway's total oil stocks**




*Source: Euroilstock.*

In contrast, European **product stocks** rose by 2.8 mb m-o-m, ending June at 619 mb. This was 24 mb, or 3.7%, lower than the same time a year ago, and 5.3 mb, or 0.9%, higher than the seasonal norm. Within products, gasoline and distillates stocks witnessed builds, while residual fuel experienced a stock draw. The build in gasoline and distillates inventories was driven mainly by lower demand in Europe.

**Gasoline stocks** in June rose by 0.6 mb m-o-m to stand at 119 mb. This was 4.9 mb, or 4.2%, higher than the same time one year ago, and 8.0 mb, or 7.2%, above the seasonal norm.

**Distillate stocks** also rose by 3.1 mb m-o-m to end June at 403 mb, which indicates a deficit of 31 mb, or 7.2%, below the same time a year ago, and 8.9 mb, or 2.2%, below the latest five-year average.

In contrast, **residual fuel** fell by 1.8 mb m-o-m in June to stand at 67 mb, which indicates a deficit of 1.5 mb, or 2.1%, below the same time a year ago, and 8.7 mb, or 11.4%, below the latest five-year average.

**Table 9 - 2: EU-15 plus Norway's total oil stocks, mb**

| | | | | *Change* | |
|---|---|---|---|---|---|
| | Apr 18 | May 18 | Jun 18 | Jun 18/May 18 | Jun 17 |
| **Crude oil** | **482.5** | **485.9** | **483.3** | **-2.6** | **501.1** |
| **Gasoline** | 120.5 | 118.8 | 119.4 | 0.6 | 114.6 |
| **Naphtha** | 29.9 | 28.6 | 29.5 | 0.9 | 25.4 |
| **Middle distillates** | 404.4 | 400.0 | 403.1 | 3.1 | 434.4 |
| **Fuel oils** | 69.6 | 69.2 | 67.5 | -1.8 | 68.9 |
| **Total products** | **624.4** | **616.6** | **619.4** | **2.8** | **643.3** |
| **Total** | **1,106.9** | **1,102.5** | **1,102.8** | **0.2** | **1,144.4** |

*Sources: Argus and Euroilstock.*

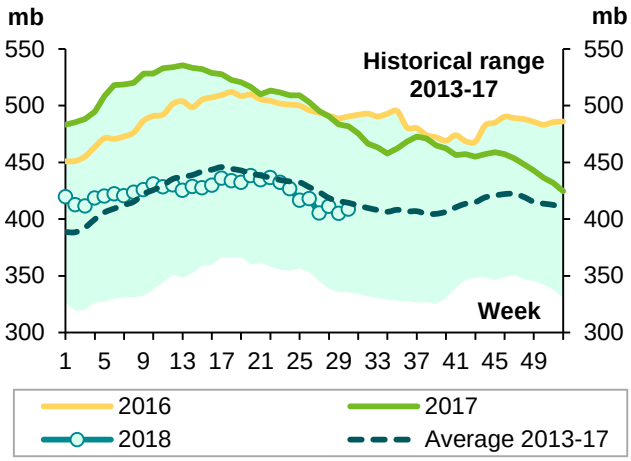
# US

Preliminary data for July showed that **US total commercial oil stocks** fell slightly by 0.3 mb m-o-m, for the second consecutive month. At 1,206.6 mb, total US commercial stocks stood at 112.4 mb, or 8.5%, lower than the same period a year ago, and 17.8 mb, or 1.4%, lower than the latest five-year average. Within the components, crude stocks fell by 9.1 mb, while products inventories rose by 8.8 mb, m-o-m.

US commercial crude stocks fell in July to stand at 408.7 mb, which was 73.7 mb, or 15.3%, below last year at the same time, and 7.0 mb, or 1.7%, under the latest five-year average. This drop came mainly from lower crude imports, which declined by around 390,000 b/d to average 8 mb/d in July. Lower crude throughput limited a further drop in crude oil stocks. Indeed, refiners were running at 95.3% in July, 1.2 percentage points less than in the previous month. In July, crude inventories in Cushing, Oklahoma, fell by around 6 mb to end the month at 21.8 mb, which is the lowest since October 2014.

In contrast, **total product stocks** rose by 8.8 mb m-o-m in July to stand at 797.8 mb, which is 38.8 mb, or 4.6%, down from the level seen at the same time in 2017, and 10.7 mb, or 1.3%, below the seasonal average. Within products, gasoline and residual fuel experienced stock draws, while distillates and jet fuel saw builds.

**Graph 9 - 3: US weekly commercial crude oil inventories**




*Sources: US Energy Information Administration and OPEC Secretariat.*

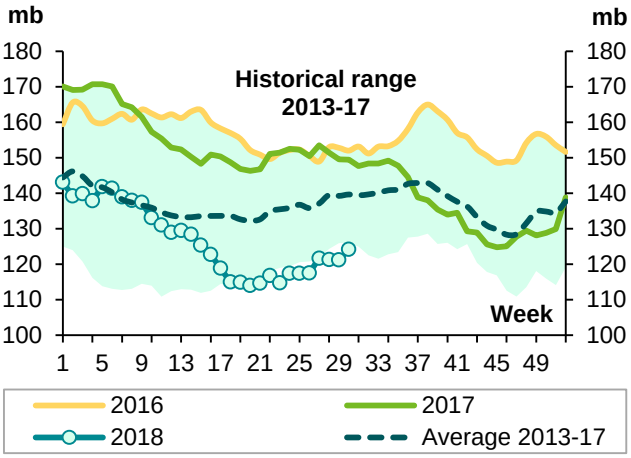
In contrast, **gasoline stocks** fell by 8.7 mb m-o-m in July, reversing the stock build of last month. At 231.0 mb, they were 2.1 mb, or 0.9%, below the level at the same time last year, and 4.6 mb, or 2.1%, higher than the seasonal norm. This monthly drop came mainly from lower gasoline output. Higher gasoline consumption in July also contributed to the drop in gasoline stocks.

**Jet fuel stocks** rose also by 0.2 mb m-o-m in July, to stand at 41.1 mb, which is 0.1 mb, or 0.3%, above the level of a year ago at the same time and 0.8 mb, or 1.9%, below the latest five year average.

**Distillate stocks** rose by 6.6 mb m-o-m in July for the second month. At 124.2 mb, distillates stocks stood at 26.9 mb, or 17.8%, below the same period a year ago, and 16.0 mb, or 11.4%, below the latest five-year average. The build came mainly on the back of higher output combined with relatively lower demand.

**Residual fuel stocks** also fell by 0.9 mb in July compared to the previous month, ending the month at 28.7 mb. At this level, they stand at 4.9 mb, or 14.5%, below the same time a year ago and 8.4 mb or 22.7% below the latest five year average.

**Graph 9 - 4: US weekly distillate inventories**




*Sources: US Energy Information Administration and OPEC Secretariat.*

**Table 9 - 3: US onland commercial petroleum stocks, mb**

| | May 18 | Jun 18 | Jul 18 | Change Jul 18/Jun 18 | Jul 17 |
|---|---|---|---|---|---|
| **Crude oil** | **433.3** | **417.9** | **408.7** | **-9.1** | **482.4** |
| **Gasoline** | 242.2 | 239.7 | 231.0 | -8.7 | 233.1 |
| **Distillate fuel** | 115.2 | 117.6 | 124.2 | 6.6 | 151.1 |
| **Residual fuel oil** | 31.9 | 29.6 | 28.7 | -0.9 | 33.6 |
| **Jet fuel** | 41.4 | 41.0 | 41.1 | 0.2 | 41.0 |
| **Total products** | **777.0** | **789.0** | **797.8** | **8.8** | **836.6** |
| **Total** | **1,210.3** | **1,206.9** | **1,206.6** | **-0.3** | **1,319.0** |
| **SPR** | **660.2** | **660.0** | **660.0** | **0.0** | **678.9** |

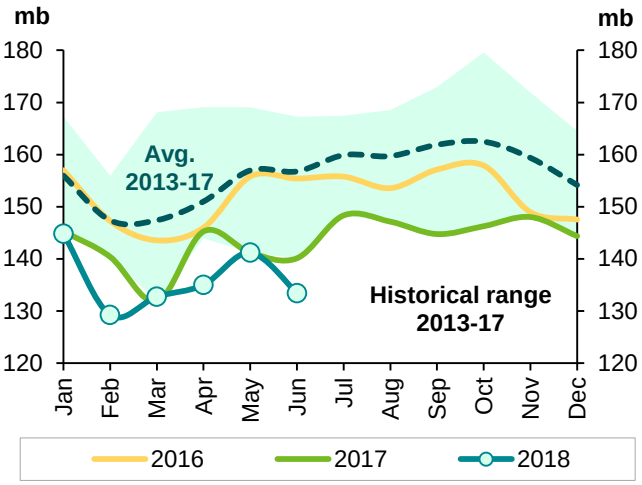
*Sources: US Energy Information Administration and OPEC Secretariat.*

# Japan

In **Japan**, **total commercial oil stocks** fell by 7.8 mb m-o-m in June, reversing the build of the last three consecutive months to stand at 133.4 mb. At this level, they were 6.7 mb, or 4.8%, below the level of a year ago, and 23 mb, or 15%, below the latest five-year average. Within the components, crude and product inventories fell by 4.2 mb and 3.6 mb, m-o-m, respectively.

Japanese **commercial crude oil stocks** fell in June to stand at 78.1 mb. This was 2.9 mb, or 3.6%, below the same period a year ago, and 18 mb, or 18.5 %, below the seasonal norm. The drop was driven by lower crude imports, which plunged by 585 tb/d, or 29.6%, to average at 2.4 mb/d. Lower refinery throughput, which fell by 304 tb/d, or 10.8%, to average 2.5 mb/d, limited a further drop in crude oil stocks.

**Graph 9 - 5: Japan's commercial oil stocks**




*Source: Ministry of Economic, Trade and Industry of Japan.*

Japan's **total product inventories** also fell m-o-m by 3.6 mb to end June at 55.3 mb. This was 3.8 mb, or 6.4%, lower than the same month last year, and 5.7 mb, or 9.3%, lower than the seasonal norm. Within products, all products experienced stock draws.

**Gasoline stocks** declined by 1.6 mb m-o-m to stand at 10 mb in June. This was 1.3 mb, or 11.8%, lower than the same time a year ago, and 1.5 mb, or 12.8%, below the latest five-year average. The drop was mainly driven by lower gasoline output, which declined by 13.1% from the previous month. Lower domestic gasoline sales limited any further drop in gasoline stocks.

**Distillate stocks** also dropped by 1 mb m-o-m to stand at 23.8 mb in June. This was 1.8 mb, or 6.9%, lower than the same time a year ago, and 2.1 mb, or 8.1%, below the seasonal average. Within the distillate components, jet fuel, kerosene and gasoil stocks fell m-o-m by 2.4%, and 2.2% and 6.6%, respectively in June. Lower output was behind the fall in distillate component inventories.

**Total residual fuel oil stocks** also fell by 0.4 mb m-o-m to stand at 13.0 mb in June. This was 0.5 mb, or 3.4%, below the same period a year ago, and 0.7 mb, or 4.9%, less than the latest five-year average. Within the fuel oil components, fuel oil A and fuel B.C fell by 1.5% and 3.9%, respectively. The drop was driven by lower output outpacing the reduction in domestic sales.

**Table 9 - 4: Japan's commercial oil stocks*, mb**

| | Apr 18 | May 18 | Jun 18 | Change Jun 18/May 18 | Jun 17 |
|---|---|---|---|---|---|
| **Crude oil** | **77.9** | **82.3** | **78.1** | **-4.2** | **81.1** |
| **Gasoline** | 10.8 | 11.6 | 10.0 | -1.6 | 11.3 |
| **Naphtha** | 8.4 | 9.1 | 8.5 | -0.6 | 8.7 |
| **Middle distillates** | 25.2 | 24.8 | 23.8 | -1.0 | 25.6 |
| **Residual fuel oil** | 12.7 | 13.4 | 13.0 | -0.4 | 13.5 |
| **Total products** | **57.1** | **58.9** | **55.3** | **-3.6** | **59.0** |
| **Total**** | **135.0** | **141.2** | **133.4** | **-7.8** | **140.1** |

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

# Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

## Singapore

At the end of June, **total product stocks in Singapore** fell 3 mb m-o-m to stand at 39.6 mb. This was 3.9 mb, or 9%, below the same period a year ago. Refined product stocks show a mixed picture, with light distillates and fuel oil showing a m-o-m drop, while middle distillates indicated a stock build.

**Light distillate** and **fuel oil stocks** fell by 2.4 mb and 2.6 mb, m-o-m, ending the month of June at 12.1 mb and 18.2 mb respectively. Light distillate stocks were above the same period a year ago, while residual fuel stock remained a deficit when compared to the same period last year.

In contrast, **middle distillate stocks** rose by 2 mb m-o-m to stand at 9.3 mb in June. This was 1.2 mb, or 11%, below the same time a year ago.

## Amsterdam-Rotterdam-Antwerp (ARA)

**Total product stocks in ARA** rose by 3.1 mb in June m-o-m. At 42.5 mb, product stocks in ARA were 1.6 mb, or 3.6%, lower than at the same time a year ago. Within products, gasoline and fuel oil witnessed stock builds, while gasoil stocks saw a drop.

Both **gasoline** and **fuel oil stocks** rose by 0.1 mb m-o-m each in June to stand at 8.7 mb and 10.2 mb, respectively. At this level, they remained above the level of the same time last year.

In contrast, **gasoil stocks** fell by 0.4 mb from the previous month ending June at 15.2 mb. This was 6.7 mb, or 30%, below the same period a year earlier.

# Balance of Supply and Demand

*Demand for OPEC-15 crude in 2018 is estimated at 32.9 mb/d, 0.1 mb lower than last month's report, and 0.6 mb/d lower than a year earlier. In comparison, according to secondary sources, OPEC crude production averaged 32.4 mb/d in 1Q18, which is 0.1 mb/d higher than the demand for OPEC crude during that same period. In 2Q18, OPEC crude production stood at 32.2 mb/d, which is 0.2 mb/d lower than the demand for OPEC crude during that time.*

*The demand for OPEC-15 crude next year is forecast to decline by 0.8 mb/d to average 32.0 mb/d, around 0.1 mb/d lower than the last assessment.*

## Balance of supply and demand in 2018

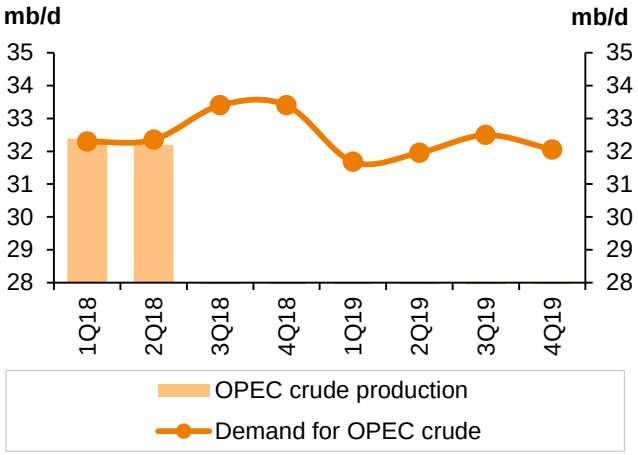
**Demand for OPEC-15 crude for 2018** was revised down by 0.1 mb/d from the previous month to stand at around 32.9 mb/d, 0.6 mb/d lower than a year earlier.

Compared with the last *MOMR*, the first quarter remained unchanged. The second and the third quarters were revised down by 0.2 mb/d each and the fourth quarter was revised down by 0.1 mb/d.

Compared with 2017, the first quarter was 0.1 mb/d higher than the same quarter last year, while the second and fourth quarters are expected to fall by 0.7 mb/d each. The third quarter is also projected to fall by 0.1 mb/d.

According to secondary sources, OPEC crude production averaged 32.4 mb/d in 1Q18, which is 0.1 mb/d higher than the demand for OPEC crude. In 2Q18, OPEC-15 crude production stood at 32.2 mb/d, which is 0.2 mb/d lower than the demand for OPEC crude.

**Graph 10 - 1: Balance of supply and demand, 2018-2019***




*Note: * 2018 and 2019 = Forecast.*
*Source: OPEC Secretariat.*

**Table 10 - 1: Supply/demand balance for 2018*, mb/d**

| | 2017 | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 2018 | Change 2018/17 |
|---|---|---|---|---|---|---|---|
| **(a) World oil demand** | **97.20** | **97.67** | **97.91** | **99.44** | **100.27** | **98.83** | **1.64** |
| Non-OPEC supply | 57.54 | 59.10 | 59.23 | 59.67 | 60.45 | 59.62 | 2.08 |
| OPEC NGLs and non-conventionals | 6.24 | 6.29 | 6.34 | 6.38 | 6.43 | 6.36 | 0.12 |
| **(b) Total non-OPEC supply and OPEC NGLs** | **63.78** | **65.38** | **65.56** | **66.05** | **66.88** | **65.97** | **2.20** |
| **Difference (a-b)** | **33.42** | **32.29** | **32.35** | **33.40** | **33.40** | **32.86** | **-0.56** |
| **OPEC crude oil production** | **32.62** | **32.38** | **32.19** | | | | |
| **Balance** | **-0.80** | **0.09** | **-0.16** | | | | |

*Notes: * 2018 = Forecast.*
*Totals may not add up due to independent rounding.*
*Non-OPEC supply figure excludes the Republic of the Congo.*
*Source: OPEC Secretariat.*

# Balance of supply and demand in 2019

The **demand for OPEC-15 crude for 2019** was revised down by 0.1 mb/d from the previous report to stand at around 32.0 mb/d, 0.8 mb/d lower than the 2018 level.

Compared to the last *MOMR*, the first quarter was revised down by 0.1 mb/d and the second and third quarters were revised down by 0.2 mb/d each. The fourth quarter remained unchanged.

Compared to the same quarter in 2018, the first and second quarters are forecast to fall by 0.6 mb/d and 0.4 mb/d, respectively. The third and fourth quarters are expected to fall by 0.9 mb/d and 1.3 mb/d, respectively.

**Table 10 - 2: Supply/demand balance for 2019*, mb/d**

| | 2018 | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 2019 | Change 2019/18 |
|---|---|---|---|---|---|---|---|
| **(a) World oil demand** | **98.83** | **99.11** | **99.29** | **100.90** | **101.72** | **100.26** | **1.43** |
| Non-OPEC supply | 59.62 | 61.00 | 60.89 | 61.93 | 63.16 | 61.75 | 2.13 |
| OPEC NGLs and non-conventionals | 6.36 | 6.43 | 6.45 | 6.48 | 6.51 | 6.47 | 0.11 |
| **(b) Total non-OPEC supply and OPEC NGLs** | **65.97** | **67.43** | **67.34** | **68.41** | **69.67** | **68.22** | **2.25** |
| **Difference (a-b)** | **32.86** | **31.68** | **31.95** | **32.49** | **32.05** | **32.05** | **-0.82** |

*Notes: * 2018 and 2019 = Forecast.*
*Totals may not add up due to independent rounding.*
*Non-OPEC supply figure excludes the Republic of the Congo.*
*Source: OPEC Secretariat.*

# Appendix

## Table 11 - 1: World oil demand and supply balance, mb/d

| | 2015 | 2016 | 2017 | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 2018 | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **World demand** | | | | | | | | | | | | | |
| **OECD** | 46.5 | 47.0 | 47.3 | 47.6 | 47.3 | 47.9 | 48.3 | 47.8 | 47.9 | 47.5 | 48.2 | 48.5 | 48.0 |
| Americas | 24.6 | 24.9 | 25.0 | 25.1 | 25.3 | 25.3 | 25.4 | 25.3 | 25.4 | 25.5 | 25.6 | 25.7 | 25.5 |
| Europe | 13.8 | 14.0 | 14.3 | 13.9 | 14.3 | 14.8 | 14.5 | 14.4 | 14.0 | 14.4 | 14.8 | 14.5 | 14.4 |
| Asia Pacific | 8.1 | 8.1 | 8.1 | 8.5 | 7.6 | 7.8 | 8.3 | 8.1 | 8.5 | 7.6 | 7.7 | 8.3 | 8.0 |
| **DCs** | 30.9 | 31.5 | 32.1 | 32.4 | 32.6 | 33.2 | 32.9 | 32.8 | 33.1 | 33.3 | 33.9 | 33.6 | 33.5 |
| **FSU** | 4.6 | 4.6 | 4.7 | 4.7 | 4.5 | 4.9 | 5.2 | 4.8 | 4.8 | 4.6 | 5.0 | 5.3 | 4.9 |
| **Other Europe** | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.8 | 0.7 | 0.8 | 0.7 | 0.7 | 0.8 | 0.8 |
| **China** | 11.5 | 11.8 | 12.3 | 12.3 | 12.8 | 12.7 | 13.1 | 12.7 | 12.6 | 13.2 | 13.1 | 13.5 | 13.1 |
| **(a) Total world demand** | **94.2** | **95.6** | **97.2** | **97.7** | **97.9** | **99.4** | **100.3** | **98.8** | **99.1** | **99.3** | **100.9** | **101.7** | **100.3** |
| **Non-OPEC supply** | | | | | | | | | | | | | |
| **OECD** | 25.3 | 24.9 | 25.7 | 27.2 | 27.3 | 27.6 | 28.1 | 27.6 | 28.5 | 28.4 | 29.4 | 30.2 | 29.1 |
| Americas | 21.1 | 20.6 | 21.5 | 22.9 | 23.2 | 23.3 | 23.7 | 23.3 | 24.1 | 24.3 | 25.1 | 25.7 | 24.8 |
| Europe | 3.8 | 3.9 | 3.8 | 3.9 | 3.7 | 3.8 | 4.0 | 3.9 | 4.0 | 3.7 | 3.8 | 4.0 | 3.9 |
| Asia Pacific | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.4 |
| **DCs** | 11.8 | 11.5 | 11.5 | 11.4 | 11.5 | 11.7 | 11.8 | 11.6 | 11.9 | 12.0 | 12.1 | 12.4 | 12.1 |
| **FSU** | 13.7 | 13.9 | 14.1 | 14.1 | 14.1 | 14.0 | 14.1 | 14.1 | 14.1 | 14.1 | 14.1 | 14.2 | 14.1 |
| **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** | 4.4 | 4.1 | 4.0 | 3.9 | 4.0 | 4.0 | 4.0 | 4.0 | 4.1 | 4.0 | 4.0 | 4.0 | 4.0 |
| **Processing gains** | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| **Total non-OPEC supply *** | **57.5** | **56.7** | **57.5** | **59.1** | **59.2** | **59.7** | **60.5** | **59.6** | **61.0** | **60.9** | **61.9** | **63.2** | **61.7** |
| **OPEC NGLs + non-conventional oils** | 6.0 | 6.1 | 6.2 | 6.3 | 6.3 | 6.4 | 6.4 | 6.4 | 6.4 | 6.5 | 6.5 | 6.5 | 6.5 |
| **(b) Total non-OPEC supply and OPEC NGLs** | **63.6** | **62.8** | **63.8** | **65.4** | **65.6** | **66.0** | **66.9** | **66.0** | **67.4** | **67.3** | **68.4** | **69.7** | **68.2** |
| **OPEC crude oil production (secondary sources)** | 31.9 | 32.9 | 32.6 | 32.4 | 32.2 | | | | | | | | |
| **Total supply** | 95.5 | 95.7 | 96.4 | 97.8 | 97.7 | | | | | | | | |
| **Balance (stock change and miscellaneous)** | 1.3 | 0.1 | -0.8 | 0.1 | -0.2 | | | | | | | | |
| **OECD closing stock levels, *mb*** | | | | | | | | | | | | | |
| Commercial | 2,989 | 3,002 | 2,854 | 2,816 | 2,822 | | | | | | | | |
| SPR | 1,588 | 1,600 | 1,568 | 1,575 | 1,568 | | | | | | | | |
| **Total** | **4,577** | **4,602** | **4,421** | **4,391** | **4,390** | | | | | | | | |
| **Oil-on-water** | 1,017 | 1,102 | 1,025 | 1,036 | 1,012 | | | | | | | | |
| **Days of forward consumption in OECD, *days*** | | | | | | | | | | | | | |
| Commercial onland stocks | 63.6 | 63.4 | 59.8 | 59.6 | 58.9 | | | | | | | | |
| SPR | 33.8 | 33.8 | 32.8 | 33.3 | 32.7 | | | | | | | | |
| **Total** | **97.4** | **97.2** | **92.6** | **92.9** | **91.7** | | | | | | | | |
| **Memo items** | | | | | | | | | | | | | |
| **(a) - (b)** | **30.6** | **32.8** | **33.4** | **32.3** | **32.4** | **33.4** | **33.4** | **32.9** | **31.7** | **32.0** | **32.5** | **32.1** | **32.0** |

*Note: Totals may not add up due to independent rounding.*
** Non-OPEC supply figures excluding the Republic of the Congo.*
*Source: OPEC Secretariat.*

## Table 11 - 2: World oil demand and supply balance, changes from last month's table*, mb/d

| | 2015 | 2016 | 2017 | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 2018 | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **World demand** | | | | | | | | | | | | | |
| **OECD** | 0.1 | 0.1 | -0.1 | -0.1 | -0.1 | -0.1 | - | -0.1 | -0.1 | -0.1 | -0.1 | - | -0.1 |
| Americas | - | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Europe | - | - | -0.1 | -0.1 | -0.1 | -0.1 | - | -0.1 | -0.1 | -0.1 | -0.1 | - | -0.1 |
| Asia Pacific | - | - | -0.1 | -0.1 | -0.2 | -0.1 | -0.1 | -0.1 | -0.1 | -0.2 | -0.1 | -0.1 | -0.1 |
| **DCs** | - | - | 0.1 | 0.1 | - | 0.1 | 0.1 | 0.1 | 0.1 | -0.1 | 0.1 | - | - |
| **FSU** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Other Europe** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **China** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **(a) Total world demand** | **0.1** | **0.1** | **-** | **-** | **-0.1** | **-** | **-** | **-** | **-** | **-0.1** | **-** | **-** | **-** |
| **Non-OPEC supply** | | | | | | | | | | | | | |
| **OECD** | - | - | - | - | 0.1 | -0.2 | - | - | - | -0.1 | - | -0.1 | -0.1 |
| Americas | - | - | - | - | 0.1 | -0.2 | - | - | -0.1 | -0.1 | - | -0.1 | -0.1 |
| Europe | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Asia Pacific | - | - | - | - | - | - | - | - | - | - | - | -0.1 | - |
| **DCs** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **FSU** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Other Europe** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **China** | - | - | - | - | - | 0.2 | 0.2 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| **Processing gains** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total non-OPEC supply **** | - | - | - | - | 0.1 | - | 0.2 | 0.1 | 0.1 | 0.1 | 0.2 | - | 0.1 |
| **OPEC NGLs + non-conventionals** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **(b) Total non-OPEC supply and OPEC NGLs** | **-** | **-** | **-** | **-** | **0.1** | **-** | **0.2** | **0.1** | **0.1** | **-** | **0.2** | **-** | **0.1** |
| ***OPEC crude oil production (secondary sources)*** | **-** | **-** | **-** | **-** | **-** | | | | | | | | |
| **Total supply** | - | - | - | - | 0.1 | | | | | | | | |
| **Balance (stock change and miscellaneous)** | -0.1 | -0.1 | - | - | 0.2 | | | | | | | | |
| **OECD closing stock levels (mb)** | | | | | | | | | | | | | |
| Commercial | - | - | - | 4 | - | | | | | | | | |
| SPR | - | - | - | - | - | | | | | | | | |
| **Total** | - | - | - | 4 | - | | | | | | | | |
| **Oil-on-water** | - | - | - | - | - | | | | | | | | |
| **Days of forward consumption in OECD** | | | | | | | | | | | | | |
| Commercial onland stocks | - | - | - | - | - | | | | | | | | |
| SPR | - | - | - | - | - | | | | | | | | |
| **Total** | **-** | **-** | **-** | **-** | **-** | | | | | | | | |
| **Memo items** | | | | | | | | | | | | | |
| **(a) - (b)** | **0.1** | **0.1** | **-** | **-** | **-0.2** | **0.1** | **-0.2** | **-0.1** | **-0.1** | **-0.2** | **-0.2** | **-** | **-0.1** |

*Note: * This compares Table 11 - 1 in this issue of the MOMR with Table 11 - 1 in the July 2018 issue.*

*** Non-OPEC supply figures excluding the Republic of the Congo.*

*This table shows only where changes have occurred.*

*Source: OPEC Secretariat.*

## Table 11 - 3: OECD oil stocks and oil on water at the end of period

| | 2015 | 2016 | 2017 | 2Q16 | 3Q16 | 4Q16 | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Closing stock levels, mb** | | | | | | | | | | | | |
| **OECD onland commercial** | **2,989** | **3,002** | **2,854** | **3,076** | **3,084** | **3,002** | **3,033** | **3,018** | **2,970** | **2,854** | **2,816** | **2,822** |
| Americas | 1,561 | 1,598 | 1,499 | 1,611 | 1,621 | 1,598 | 1,608 | 1,595 | 1,572 | 1,499 | 1,468 | 1,485 |
| Europe | 993 | 989 | 943 | 1,026 | 1,013 | 989 | 1,022 | 999 | 965 | 943 | 970 | 954 |
| Asia Pacific | 435 | 414 | 412 | 438 | 450 | 414 | 404 | 424 | 433 | 412 | 378 | 382 |
| **OECD SPR** | **1,588** | **1,600** | **1,568** | **1,592** | **1,596** | **1,600** | **1,600** | **1,588** | **1,578** | **1,568** | **1,575** | **1,568** |
| Americas | 697 | 697 | 665 | 697 | 697 | 697 | 694 | 681 | 676 | 665 | 667 | 662 |
| Europe | 475 | 481 | 480 | 474 | 477 | 481 | 484 | 484 | 479 | 480 | 485 | 484 |
| Asia Pacific | 416 | 421 | 423 | 421 | 421 | 421 | 422 | 423 | 423 | 423 | 422 | 422 |
| **OECD total** | **4,577** | **4,602** | **4,421** | **4,668** | **4,679** | **4,602** | **4,632** | **4,607** | **4,548** | **4,421** | **4,391** | **4,390** |
| **Oil-on-water** | **1,017** | **1,102** | **1,025** | **1,094** | **1,068** | **1,102** | **1,043** | **1,052** | **998** | **1,025** | **1,036** | **1,012** |
| **Days of forward consumption in OECD, days** | | | | | | | | | | | | |
| **OECD onland commercial** | **64** | **64** | **60** | **65** | **65** | **64** | **65** | **63** | **62** | **60** | **60** | **59** |
| Americas | 63 | 65 | 59 | 64 | 65 | 65 | 64 | 64 | 62 | 59 | 58 | 59 |
| Europe | 73 | 72 | 67 | 71 | 72 | 72 | 72 | 68 | 67 | 67 | 68 | 65 |
| Asia Pacific | 51 | 49 | 48 | 56 | 54 | 49 | 53 | 54 | 52 | 48 | 50 | 50 |
| **OECD SPR** | **34** | **34** | **33** | **34** | **34** | **34** | **34** | **33** | **33** | **33** | **33** | **33** |
| Americas | 28 | 28 | 26 | 28 | 28 | 28 | 28 | 27 | 27 | 26 | 26 | 26 |
| Europe | 35 | 35 | 34 | 33 | 34 | 35 | 34 | 33 | 33 | 34 | 34 | 33 |
| Asia Pacific | 48 | 50 | 50 | 54 | 50 | 50 | 55 | 54 | 51 | 50 | 56 | 55 |
| **OECD total** | **98** | **98** | **92** | **99** | **99** | **98** | **99** | **97** | **95** | **92** | **93** | **92** |

*Sources: Argus Media, Euroilstock, IEA, JODI, METI, OPEC Secretariat and US Energy Information Administration.*

## Table 11 - 4: Non-OPEC supply and OPEC natural gas liquids, mb/d

| | 2015 | 2016 | 2017 | 3Q18 | 4Q18 | 2018 | Change 18/17 | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 2019 | Change 19/18 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| US | 14.0 | 13.6 | 14.4 | 16.3 | 16.3 | 16.1 | 1.7 | 16.6 | 17.3 | 17.6 | 18.2 | 17.4 | 1.4 |
| Canada | 4.4 | 4.5 | 4.9 | 4.9 | 5.4 | 5.1 | 0.3 | 5.4 | 5.1 | 5.5 | 5.6 | 5.4 | 0.3 |
| Mexico | 2.6 | 2.5 | 2.2 | 2.1 | 2.1 | 2.1 | -0.1 | 2.1 | 2.0 | 2.0 | 1.9 | 2.0 | -0.1 |
| **OECD Americas** | **21.1** | **20.6** | **21.5** | **23.3** | **23.7** | **23.3** | **1.8** | **24.1** | **24.3** | **25.1** | **25.7** | **24.8** | **1.5** |
| Norway | 1.9 | 2.0 | 2.0 | 1.8 | 2.0 | 1.9 | -0.1 | 1.9 | 1.7 | 1.8 | 1.9 | 1.8 | 0.0 |
| UK | 1.0 | 1.0 | 1.0 | 1.1 | 1.2 | 1.1 | 0.1 | 1.2 | 1.1 | 1.1 | 1.3 | 1.2 | 0.1 |
| Denmark | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 |
| Other OECD Europe | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.0 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.0 |
| **OECD Europe** | **3.8** | **3.9** | **3.8** | **3.8** | **4.0** | **3.9** | **0.0** | **4.0** | **3.7** | **3.8** | **4.0** | **3.9** | **0.0** |
| Australia | 0.4 | 0.3 | 0.3 | 0.4 | 0.4 | 0.3 | 0.0 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.1 |
| 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** | **0.5** | **0.4** | **0.4** | **0.4** | **0.4** | **0.4** | **0.0** | **0.4** | **0.4** | **0.5** | **0.5** | **0.4** | **0.0** |
| **Total OECD** | **25.3** | **24.9** | **25.7** | **27.6** | **28.1** | **27.6** | **1.9** | **28.5** | **28.4** | **29.4** | **30.2** | **29.1** | **1.6** |
| Brunei | 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 |
| India | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.0 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.0 |
| Indonesia | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.0 | 0.9 | 0.9 | 0.8 | 0.8 | 0.9 | 0.0 |
| Malaysia | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 | 0.7 | 0.0 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.0 |
| Thailand | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.0 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| Vietnam | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.0 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.0 |
| Asia others | 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 |
| **Other Asia** | **3.7** | **3.7** | **3.6** | **3.6** | **3.6** | **3.6** | **0.0** | **3.6** | **3.6** | **3.6** | **3.6** | **3.6** | **0.0** |
| Argentina | 0.7 | 0.7 | 0.6 | 0.7 | 0.7 | 0.7 | 0.0 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.0 |
| Brazil | 3.1 | 3.1 | 3.2 | 3.5 | 3.6 | 3.4 | 0.1 | 3.6 | 3.7 | 3.8 | 4.0 | 3.8 | 0.4 |
| Colombia | 1.0 | 0.9 | 0.9 | 0.8 | 0.9 | 0.9 | 0.0 | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 | 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 |
| Latin 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** | **5.2** | **5.1** | **5.1** | **5.3** | **5.5** | **5.3** | **0.1** | **5.5** | **5.5** | **5.6** | **5.9** | **5.6** | **0.4** |
| 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 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0.0 |
| Syria | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Yemen | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 |
| **Middle East** | **1.3** | **1.3** | **1.2** | **1.2** | **1.2** | **1.2** | **0.0** | **1.2** | **1.2** | **1.2** | **1.2** | **1.2** | **0.0** |
| Cameroon | 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 |
| 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 |
| Egypt | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.0 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.0 |
| Ghana | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.0 | 0.2 | 0.2 | 0.2 | 0.3 | 0.2 | 0.0 |
| South Africa | 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 |
| Sudans | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.0 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.0 |
| Africa other | 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 |
| **Africa** | **1.6** | **1.5** | **1.5** | **1.5** | **1.5** | **1.5** | **0.0** | **1.6** | **1.6** | **1.6** | **1.7** | **1.6** | **0.1** |
| **Total DCs** | **11.8** | **11.5** | **11.5** | **11.7** | **11.8** | **11.6** | **0.1** | **11.9** | **12.0** | **12.1** | **12.4** | **12.1** | **0.5** |
| **FSU** | **13.7** | **13.9** | **14.1** | **14.0** | **14.1** | **14.1** | **0.0** | **14.1** | **14.1** | **14.1** | **14.2** | **14.1** | **0.0** |
| Russia | 10.8 | 11.1 | 11.2 | 11.1 | 11.1 | 11.1 | 0.0 | 11.2 | 11.2 | 11.2 | 11.2 | 11.2 | 0.0 |
| Kazakhstan | 1.6 | 1.6 | 1.7 | 1.8 | 1.9 | 1.8 | 0.1 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 0.1 |
| Azerbaijan | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.0 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.0 |
| FSU others | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.0 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 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** | **4.4** | **4.1** | **4.0** | **4.0** | **4.0** | **4.0** | **0.0** | **4.1** | **4.0** | **4.0** | **4.0** | **4.0** | **0.0** |
| **Non-OPEC production** | **55.3** | **54.5** | **55.3** | **57.4** | **58.2** | **57.4** | **2.0** | **58.7** | **58.6** | **59.7** | **60.9** | **59.5** | **2.1** |
| Processing gains | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 0.0 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 0.0 |
| **Non-OPEC supply **** | **57.5** | **56.7** | **57.5** | **59.7** | **60.5** | **59.6** | **2.1** | **61.0** | **60.9** | **61.9** | **63.2** | **61.7** | **2.1** |
| OPEC NGL | 5.8 | 5.9 | 6.0 | 6.1 | 6.1 | 6.1 | 0.1 | 6.1 | 6.2 | 6.2 | 6.2 | 6.2 | 0.1 |
| OPEC Non-conventional | 0.3 | 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)** | **6.0** | **6.1** | **6.2** | **6.4** | **6.4** | **6.4** | **0.1** | **6.4** | **6.5** | **6.5** | **6.5** | **6.5** | **0.1** |
| **Non-OPEC & OPEC (NGL+NCF)** | **63.6** | **62.8** | **63.8** | **66.0** | **66.9** | **66.0** | **2.2** | **67.4** | **67.3** | **68.4** | **69.7** | **68.2** | **2.2** |

*Note: * OECD Americas includes Chile.*

*** Non-OPEC supply figures excluding the Republic of the Congo.*

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

*Source: OPEC Secretariat.*

## Table 11 - 5: World rig count, units

| | 2015 | 2016 | 2017 | Change 2017/16 | 3Q17 | 4Q17 | 1Q18 | 2Q18 | Jun 18 | Jul 18 | Change Jul/Jun |
|---|---|---|---|---|---|---|---|---|---|---|---|
| US | 977 | 509 | 875 | *366* | 947 | 921 | 964 | 1,037 | 1,056 | 1,050 | *-6* |
| Canada | 192 | 131 | 207 | *76* | 208 | 204 | 273 | 106 | 136 | 203 | *67* |
| Mexico | 52 | 26 | 17 | *-8* | 18 | 12 | 19 | 25 | 26 | 28 | *2* |
| OECD Americas | 1,221 | 665 | 1,099 | *434* | 1,174 | 1,137 | 1,257 | 1,168 | 1,218 | 1,281 | *63* |
| Norway | 17 | 17 | 15 | *-2* | 13 | 15 | 15 | 14 | 14 | 13 | *-1* |
| UK | 14 | 9 | 9 | *0* | 11 | 6 | 6 | 6 | 7 | 10 | *3* |
| OECD Europe | 117 | 96 | 92 | *-4* | 88 | 88 | 86 | 82 | 78 | 80 | *2* |
| OECD Asia Pacific | 17 | 7 | 15 | *9* | 15 | 16 | 16 | 21 | 23 | 22 | *-1* |
| **Total OECD** | **1,355** | **768** | **1,206** | ***438*** | **1,277** | **1,240** | **1,359** | **1,271** | **1,319** | **1,383** | ***64*** |
| Other Asia* | 202 | 180 | 186 | *6* | 178 | 199 | 196 | 193 | 192 | 207 | *15* |
| Latin America | 145 | 68 | 70 | *2* | 75 | 82 | 80 | 77 | 78 | 83 | *5* |
| Middle East | 102 | 88 | 74 | *-14* | 75 | 70 | 73 | 75 | 74 | 79 | *5* |
| Africa | 29 | 17 | 16 | *-1* | 17 | 15 | 16 | 24 | 25 | 26 | *1* |
| **Total DCs** | **478** | **353** | **346** | ***-7*** | **346** | **365** | **365** | **368** | **369** | **395** | ***26*** |
| **Non-OPEC rig count** | **1,833** | **1,121** | **1,552** | ***431*** | **1,622** | **1,606** | **1,724** | **1,639** | **1,688** | **1,778** | ***90*** |
| Algeria | 51 | 54 | 54 | *0* | 54 | 53 | 53 | 52 | 50 | 45 | *-5* |
| Angola | 11 | 6 | 3 | *-4* | 2 | 2 | 3 | 3 | 4 | 4 | *0* |
| Ecuador | 12 | 4 | 6 | *2* | 5 | 6 | 6 | 6 | 7 | 8 | *1* |
| Equatorial Guinea** | 1 | 1 | 1 | *0* | 1 | 1 | 1 | 1 | 1 | 2 | *1* |
| Gabon | 4 | 1 | 1 | *0* | 1 | 2 | 3 | 4 | 3 | 4 | *1* |
| Iran** | 54 | 59 | 61 | *2* | 61 | 61 | 61 | 61 | 61 | 61 | *0* |
| Iraq** | 52 | 43 | 49 | *6* | 54 | 52 | 58 | 60 | 60 | 59 | *-1* |
| Kuwait** | 47 | 44 | 54 | *9* | 53 | 52 | 54 | 54 | 54 | 50 | *-4* |
| Libya** | 3 | 1 | 1 | *0* | 1 | 1 | 1 | 1 | 1 | 5 | *4* |
| Nigeria | 30 | 25 | 28 | *3* | 27 | 28 | 32 | 32 | 32 | 35 | *3* |
| Qatar | 8 | 8 | 10 | *2* | 10 | 7 | 8 | 11 | 10 | 9 | *-1* |
| Saudi Arabia | 155 | 156 | 149 | *-7* | 148 | 147 | 145 | 143 | 139 | 148 | *9* |
| UAE | 42 | 51 | 52 | *1* | 53 | 53 | 53 | 54 | 54 | 55 | *1* |
| Venezuela | 110 | 100 | 91 | *-9* | 89 | 85 | 88 | 72 | 68 | 70 | *2* |
| **OPEC rig count** | **579** | **552** | **558** | ***6*** | **561** | **550** | **566** | **554** | **544** | **555** | ***11*** |
| **World rig count*** ** | **2,412** | **1,673** | **2,110** | ***437*** | **2,183** | **2,156** | **2,289** | **2,193** | **2,232** | **2,333** | ***101*** |
| *of which:* | | | | | | | | | | | |
| Oil | 1,750 | 1,189 | 1,541 | *352* | 1,608 | 1,591 | 1,727 | 1,667 | 1,720 | 1,803 | *83* |
| Gas | 563 | 370 | 466 | *96* | 478 | 466 | 468 | 432 | 417 | 435 | *18* |
| Others | 100 | 113 | 103 | *-10* | 98 | 98 | 94 | 95 | 95 | 95 | *0* |

*Note: * Other Asia includes Indonesia.*
*** Estimated data when Baker Hughes Incorporated did not reported the data.*
**** Data excludes China and FSU.*
*Totals may not add up due to independent rounding.*

*Sources: Baker Hughes Incorporated and OPEC Secretariat's estimates.*

# Glossary of Terms

## Abbreviations

| | |
|---|---|
| b | barrels |
| b/d | barrels per day |
| bp | basis points |
| bb | billion barrels |
| bcf | billion cubic feet |
| cu m | cubic metres |
| mb | million barrels |
| mb/d | million barrels per day |
| mmbtu | million British thermal units |
| mn | million |
| m-o-m | month-on-month |
| mt | metric tonnes |
| q-o-q | quarter-on-quarter |
| pp | percentage points |
| tb/d | thousand barrels per day |
| tcf | trillion cubic feet |
| y-o-y | year-on-year |
| y-t-d | year-to-date |

# Acronyms

| | |
|---|---|
| ARA | Amsterdam-Rotterdam-Antwerp |
| BoE | Bank of England |
| BoJ | Bank of Japan |
| BOP | Balance of payments |
| BRIC | Brazil, Russia, India and China |
| CAPEX | capital expenditures |
| CCI | Consumer Confidence Index |
| CFTC | Commodity Futures Trading Commission |
| CIF | cost, insurance and freight |
| CPI | consumer price index |
| DCs | developing countries |
| DUC | drilled, but uncompleted (oil well) |
| ECB | European Central Bank |
| EIA | US Energy Information Administration |
| Emirates NBD | Emirates National Bank of Dubai |
| EMs | emerging markets |
| EV | electric vehicle |
| FAI | fixed asset investment |
| FCC | fluid catalytic cracking |
| FDI | foreign direct investment |
| Fed | US Federal Reserve |
| FID | final investment decision |
| FOB | free on board |
| FPSO | floating production storage and offloading |
| FSU | Former Soviet Union |
| FX | Foreign Exchange |
| FY | fiscal year |
| GDP | gross domestic product |
| GFCF | gross fixed capital formation |
| GoM | Gulf of Mexico |
| GTLs | gas-to-liquids |
| HH | Henry Hub |
| HSFO | high-sulphur fuel oil |
| ICE | Intercontinental Exchange |
| IEA | International Energy Agency |
| IMF | International Monetary Fund |
| IOCs | international oil companies |
| IP | industrial production |
| ISM | Institute of Supply Management |
| LIBOR | London inter-bank offered rate |
| LLS | Light Louisiana Sweet |
| LNG | liquefied natural gas |
| LPG | liquefied petroleum gas |
| LR | long-range (vessel) |
| LSFO | low-sulphur fuel oil |

| | |
|---|---|
| MCs | (OPEC) Member Countries |
| MED | Mediterranean |
| MENA | Middle East/North Africa |
| MOMR | (OPEC) Monthly Oil Market Report |
| MPV | multi-purpose vehicle |
| MR | medium-range or mid-range (vessel) |
| NBS | National Bureau of Statistics |
| NGLs | natural gas liquids |
| NPC | National People's Congress (China) |
| NWE | Northwest Europe |
| NYMEX | New York Mercantile Exchange |
| OECD | Organisation for Economic Co-operation and Development |
| OPEX | operational expenditures |
| OIV | total open interest volume |
| ORB | OPEC Reference Basket |
| OSP | Official Selling Price |
| PADD | Petroleum Administration for Defense Districts |
| PBoC | People's Bank of China |
| PMI | purchasing managers' index |
| PPI | producer price index |
| RBI | Reserve Bank of India |
| REER | real effective exchange rate |
| ROI | return on investment |
| SAAR | seasonally-adjusted annualized rate |
| SIAM | Society of Indian Automobile Manufacturers |
| SRFO | straight-run fuel oil |
| SUV | sports utility vehicle |
| ULCC | ultra-large crude carrier |
| ULSD | ultra-low sulphur diesel |
| USEC | US East Coast |
| USGC | US Gulf Coast |
| USWC | US West Coast |
| VGO | vacuum gasoil |
| VLCC | very large crude carriers |
| WPI | wholesale price index |
| WS | Worldscale |
| WTI | West Texas Intermediate |
| WTS | West Texas Sour |

# Contributors to the OPEC Monthly Oil Market Report

## Editor-in-Chief

Dr. Ayed S. Al-Qahtani, Director, Research Division
email: aalqahtani(at)opec.org

## Editor

Behrooz Baikalizadeh, Head, Petroleum Studies Department
email: bbaikalizadeh(at)opec.org

## Analysts


| | |
|---|---|
| Crude Oil Price Movements | Eissa Alzerma<br>email: ealzerma(at)opec.org |
| Commodity Markets | Hector Hurtado<br>email: hhurtado(at)opec.org |
| World Economy | Afshin Javan<br>email: ajavan(at)opec.org<br>Imad Al-Khayyat<br>email: ial-khayyat(at)opec.org<br>Joerg Spitzy<br>email: jspitzy(at)opec.org |
| World Oil Demand | Hassan Balfakeih<br>email: hbalfakeih(at)opec.org |
| World Oil Supply | Mohammad Ali Danesh<br>email: mdanesh(at)opec.org |
| Product Markets and Refinery Operations | Tona Ndamba<br>email: tndamba(at)opec.org |
| Tanker Market *and* Oil Trade | Anisah Almadhayyan<br>email: aalmadhayyan(at)opec.org |
| Stock Movements | Aziz Yahyai<br>email: ayahyai(at)opec.org |
| Technical team | Nadir Guerer<br>email: nguerer(at)opec.org<br>Aziz Yahyai<br>email: ayahyai(at)opec.org<br>Viveca Hameder<br>email: vhameder(at)opec.org |


## Statistical services

Adedapo Odulaja, Head, Data Services Department (aodulaja(at)opec.org),
Hossein Hassani, Statistical Systems Coordinator (hhassani(at)opec.org),
Pantelis Christodoulides (World Oil Demand), Klaus Stoeger (World Oil Supply),
Mohammad Sattar (Crude Oil Price Movements, Tanker Market, Oil Trade),
Ryszard Pospiech (Commodity Markets, Tanker Market, Stock Movements),
Mihni Mihnev (World Economy, Product Markets and Refinery Operations)

## Editing, production, design and circulation

James Griffin, Fantini, Alvino-Mario Fantini, Maureen MacNeil, Scott Laury, Matthew Quinn,
Hataichanok Leimlehner, Liane-Sophie Hamamciyan, Andrea Birnbach

# *Disclaimer*

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

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

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

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

## OPEC Basket average price

*US$/b*

**up 0.05 in July**

| | |
|---|---|
| July 2018 | 73.27 |
| June 2018 | 73.22 |
| **Year-to-date** | **69.14** |

## July OPEC crude production

*mb/d, according to secondary sources*

**up 0.04 in July**

| | |
|---|---|
| July 2018 | 32.32 |
| June 2018 | 32.28 |

## Economic growth rate

*per cent*

| | World | OECD | US | Japan | Euro-zone | China | India |
|---|---|---|---|---|---|---|---|
| **2018** | 3.8 | 2.4 | 2.9 | 1.2 | 2.0 | 6.6 | 7.3 |
| **2019** | 3.6 | 2.2 | 2.5 | 1.2 | 1.9 | 6.2 | 7.4 |

## Supply and demand

*mb/d*

| **2018** | | **18/17** | **2019** | | **19/18** |
|---|---|---|---|---|---|
| World demand | 98.8 | 1.6 | World demand | 100.3 | 1.4 |
| Non-OPEC supply | 59.6 | 2.1 | Non-OPEC supply | 61.7 | 2.1 |
| OPEC NGLs | 6.4 | 0.1 | OPEC NGLs | 6.5 | 0.1 |
| **Difference** | **32.9** | **–0.6** | **Difference** | **32.0** | **–0.8** |

## OECD commercial stocks

*mb*

| | Apr 18 | May 18 | Jun 18 | Jun 18/May 18 | Jun 17 |
|---|---|---|---|---|---|
| Crude oil | 1,430 | 1,426 | 1,404 | –22.1 | 1,532 |
| Products | 1,397 | 1,409 | 1,418 | 9.4 | 1,486 |
| **Total** | **2,827** | **2,834** | **2,822** | **–12.8** | **3,018** |
| Days of forward cover | 59.2 | 59.0 | 58.8 | –0.1 | 63.4 |

**Next report to be issued on 12 September 2018.**