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Feature article:

Oil market outlook for 2020

Organization of the Petroleum Exporting Countries

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Oil Market Highlights

Crude Oil Price Movements

The OPEC Reference Basket (ORB) fell sharply in June by about $7/b, or 10%, month-on-month (m-o-m) to $62.92/b, recording the second consecutive month of decline as all ORB component values dropped significantly, alongside their respective crude oil benchmarks. Crude oil futures prices plunged in June with both ICE Brent and NYMEX WTI falling about 10% m-o-m, posting their biggest monthly drop in six months. In June, ICE Brent was $7.27, or 10.3%, lower m-o-m at $63.04/b, while NYMEX WTI fell m-o-m by $6.16, or 10.1%, to average $54.71/b. DME Oman crude oil futures also declined in June, dropping by $8.01, or 11.5%, over the previous month to settle at $61.85/b. Both the Brent and Dubai markets continued this steep backwardation, while the WTI price structure remained in contango, specifically in the front months of the curve. Hedge funds and money managers continued more bullish positions, causing net long positions to reach their lowest levels since February for both ICE Brent and NYMEX WTI.

World Economy

The global GDP growth forecast for 2019 remains at 3.2%, followed by expected growth of 3.2% in 2020. The US economic growth forecast for 2019 remains unchanged at 2.6%, followed by 2.0% in 2020. The Euro-zone's growth estimate for 2019 remains at 1.2% and is also forecast at 1.2% in 2020. Japan's unchanged low growth of 0.5% in 2019 is forecast to continue at the same level in 2020. China's 2019 growth forecast remains at 6.2% and is expected to slow down further to 6.0% in 2020. India's growth forecast remains at 6.8% for 2019, and is anticipated to pick up in 2020 to 7.0%. Brazil's 2019 growth forecast is revised down to 0.9%, and is projected to reach 1.7% in 2020. Russia's growth forecast for 2019 remains unchanged at 1.4%, and is expected to remain at 1.4% in 2020. Although large uncertainties remain, current growth forecasts assume no further down-side risks, and, in particular, that trade-related issues do not escalate further.

World Oil Demand

In 2019, the global oil demand growth forecast remains at 1.14 mb/d, with expectations for global oil demand to reach 99.87 mb/d. In 2020, the initial forecast indicates growth of around 1.14 mb/d y-o-y, as global oil demand is anticipated to surpass the 100 mb/d threshold on an annual basis, to average 101.01 mb/d for the year. The OECD is forecast to register growth of 0.09 mb/d with the bulk of growth coming from OECD Americas. The non-OECD region is expected to continue leading oil demand growth in 2020 with initial projections indicating an increase of around 1.05 mb/d, most of which is attributed to Other Asia and China, with a combined oil demand growth of 0.68 mb/d.

World Oil Supply

The non-OPEC oil supply growth forecast for 2019 has been revised down by 95 tb/d to reach 2.05 mb/d y-o-y, standing at 64.43 mb/d. The downward revisions are mainly due to the extension of the voluntary production adjustments by participating oil producing countries of the Declaration of Cooperation, as well as downward revisions for Brazil and Norway in 2Q19. In 2020, non-OPEC oil supply is projected to grow by 2.4 mb/d, averaging 66.87 mb/d. The US, Brazil, Norway and Canada are forecast to be the main growth drivers, while Mexico, Colombia, the UK, Indonesia and Thailand are expected to see the largest declines. OPEC NGL production is expected to grow by 0.07 mb/d in 2019 to average 4.84 mb/d, and is forecast to increase by 0.03 mb/d in 2020 to average 4.87 mb/d. In June, OPEC crude oil production decreased by 68 tb/d to average 29.83 mb/d, according to secondary sources.

Product Markets and Refining Operations

Product markets in the Atlantic Basin weakened in June, pressured by strong product outputs, which led to downward pressure on product prices amid lower-than-expected demand. In the US, product markets benefitted from support coming from the middle of the barrel, while the gasoline market received a boost from a supply outage on the East Coast, despite a surge in refinery intakes. In Europe, product markets suffered the most, as the gasoline market plummeted and weakening at the middle of the barrel more than offset the solid positive performance at the bottom of the barrel. Meanwhile, in Asia, product markets received support from large refining capacities being offline, as well as firm jet/kerosene exports and a tighter fuel oil market which led to a shorter balance for these products.

Tanker Market

Average dirty tanker spot freight rates were broadly flat in June, with ample tonnage availability dampening the impact of increased activity as refineries returned from maintenance. In June, VLCCs edged higher, benefiting from the ramp-up in refinery capacity in China. Suezmax spot freight rates firmed in June, reversing the losses seen the month before, supported by gains on the West Africa-to-US East Gulf Coast route. Spot freight rates in the Aframax sector reversed direction from the previous month with declines on most routes. Meanwhile, clean spot tanker freight rates generally moved lower in June, with only the Northwest Europe-to-US East Coast route showing gains. However, with refineries coming out of maintenance, particularly in Asia, the clean market should start to see some improvement into the second half of the year, as preparations for IMO 2020 gather momentum.

Stock Movements

Preliminary data for May showed that total OECD commercial oil stocks rose by 41.5 mb m-o-m to stand at 2,925 mb, which is 96.8 mb higher than the same time one year ago and 25 mb above the latest five-year average. Within the components, crude stocks indicated a surplus of 35 mb, while product stocks were 10 mb below the latest five-year average. In terms of days of forward cover, OECD commercial stocks rose 0.2 days m-o-m in May to stand at 60.5 days, which was 2.0 days above the same period in 2018, but 0.9 days below the latest five-year average.

Balance of Supply and Demand

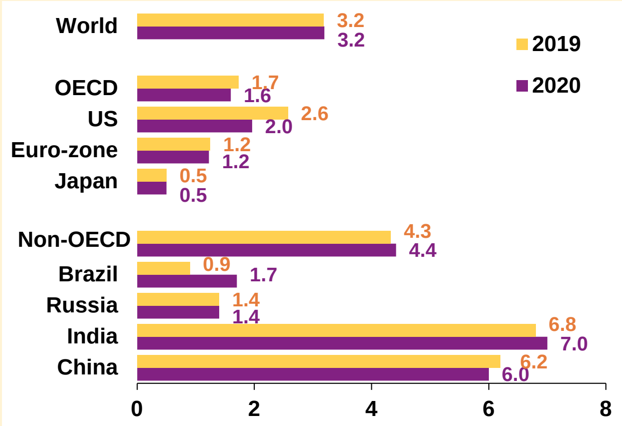
Demand for OPEC crude for 2019 was revised up by 0.1 mb/d from the previous report to stand at 30.6 mb/d, 1.0 mb/d lower than the 2018 level. Based on the first forecasts for world oil demand and non-OPEC supply for 2020, demand for OPEC crude for 2020 is projected at 29.3 mb/d, 1.3 mb/d lower than the 2019 level.

Feature Article

Oil market outlook for 2020

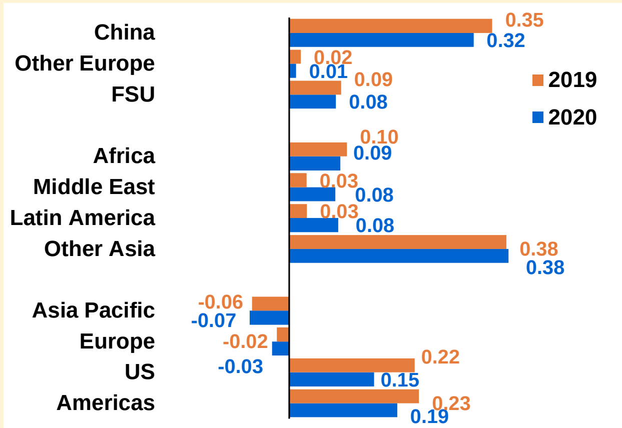
Global economic growth is expected to remain at 3.2% in 2020 (***Graph 1***). While the US and China are forecast to slow slightly, some severely hit economies – mainly in Latin America and Turkey – are forecast to recover, keeping the GDP growth momentum unchanged from the 2019 level. In the OECD, growth is forecast to slow to 1.6% in 2020, down from 1.7% in 2019, due to ongoing challenges in several key OECD economies and despite counter-balancing developments within the region. In the emerging economies, China is forecast to experience slower growth, while momentum in India and Brazil is expected to pick up. Meanwhile, Russia's growth is forecast to remain at the 2019 level. The 2020 forecast assumes that no further down-side risks materialize, particularly that trade-related issues do not escalate further. Growth risks also include ongoing challenges in several emerging and developing economies. High debt levels could pose serious challenges to the countries affected, not only due to limitations in fiscal space, but also if their credit ratings worsen. Brexit poses an additional risk, as does a continuation in the current slowdown in manufacturing activity. While further increases in US-China trade tariffs have been postponed, other trade-related uncertainties remain.

Graph 1: GDP growth forecast in selected countries/ regions, y-o-y changes, %



World oil demand in 2020 is forecast to grow by 1.14 mb/d y-o-y, in line with the current year estimates (***Graph 2***). The OECD is forecast to grow by 0.09 mb/d next year, with only OECD Americas showing positive growth, while OECD Europe and Asia Pacific are anticipated to continue to decline. In the non-OECD, oil demand is expected to increase by around 1.05 mb/d. Other Asia is projected to be the largest contributor to incremental oil demand in 2020, followed by China, which is forecast to be lower than in the current year. The transportation sector is anticipated to lead growth on strong demand for motor and aviation fuels. Demand from the petrochemical sector will remain strong, although it will ease slightly in the US due to lower ethane cracking capacity additions. Factors that could influence the pace of oil demand growth in 2020 include macroeconomic developments in major consuming countries, the displacements of heavy distillates with natural gas and other fuels, subsidy programmes and plans for their removal, the effect of commissioning/delays/closures of mega projects in the downstream and fuel efficiency programmes, especially in the transportation sector.

Graph 2: World oil demand growth forecast by region, y-o-y changes, mb/d



Non-OPEC oil supply is forecast to grow by 2.4 mb/d in 2020, higher than in the current year. This is mainly due to the debottlenecking of oil infrastructure in North America and new project ramp ups in Brazil, Norway and Australia. In contrast, natural decline in Mexico, Indonesia, Colombia and Egypt is foreseen to offset some of this growth. US tight crude production is anticipated to continue to grow as new pipelines will allow more Permian crude to flow to the US Gulf Coast export hub. More than 2.5 mb/d of new pipeline capacity in the Permian is expected to become operational by July 2020. Investment by exploration and production (E&P) companies in the US is expected to reach around $180 bn next year, with the tight oil sector forecast to spend some $124 bn. Meanwhile, non-OPEC supply growth is expected to be supported by startups of a number of fields in 2020, including Norway's Johan Sverdrup as well as assets in Lula, Lapa, Lara and the Buzios fields in Brazil. However, factors such as the drive for capex discipline, geopolitical tensions, unplanned outages, extended field maintenance, delays in infrastructure de-bottlenecking, as well as oil price developments will remain the key uncertainties affecting supply growth.

Based on the above forecasts, the **demand for OPEC crude** is expected to average 29.3 mb/d in 2020, down by around 1.3 mb/d from 2019. In light of the uncertainties affecting the global oil market and in an effort to avoid a destabilising build-up in oil inventories, OPEC and non-OPEC countries participating in the Declaration of Cooperation agreed to extend voluntary production adjustments until 31 March 2020, reaffirming their continued commitment to promote and enhance oil market stability.

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Crude Oil Price Movements

The **OPEC Reference Basket** (ORB) fell sharply in June by about $7/b, or 10%, m-o-m, recording the second consecutive month of decline as all ORB component values dropped significantly alongside their perspective crude oil benchmarks. On a monthly basis, the ORB value declined to $62.92/b, its lowest level since January, amid subdued economic data and a weakening global oil demand outlook.

Crude oil futures prices declined significantly in June with both ICE Brent and NYMEX WTI falling about 10% m-o-m, their biggest monthly drop in six months. Oil prices continued the downward trend registered in late May as market sentiment was dominated by concerns about a weakening global economic outlook and slowing oil demand growth amid actual disappointing global economic data and escalating trade disputes. In June, **ICE Brent** was $7.27, or 10.3%, m-o-m lower at $63.04/b, while **NYMEX WTI** fell m-o-m by $6.16, or 10.1%, to average $54.71/b. Year-to-date (Y-t-d), ICE Brent was $4.99, or 7.0%, lower at $66.17/b, while NYMEX WTI decreased by $8.02, or 12.2%, to $57.45/b. **DME Oman** crude oil futures also declined m-o-m by $8.01 in June, or 11.5%, over the previous month, to settle at $61.85/b. Y-t-d, DME Oman was down by $2.64, or 3.9%, at $65.77/b.

Hedge funds and other money managers continued to close out more bullish positions in June, and net long positions reached their lowest since February in both ICE Brent and NYMEX WTI amid bearish sentiment on the global economic outlook and oil demand growth this year, while most forecasters lowered their oil demand projections for 2019.

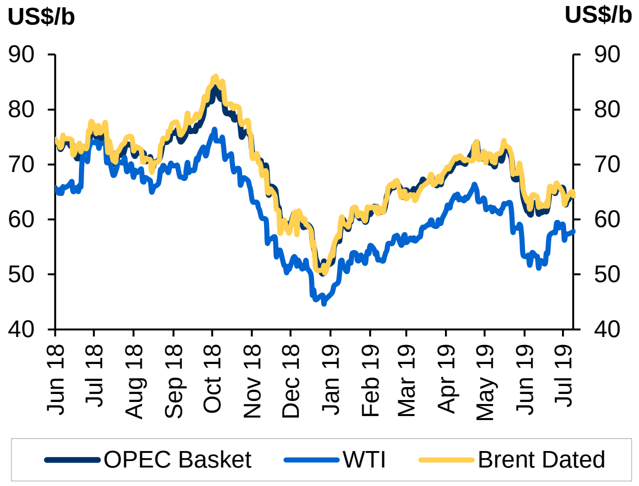
Although oil prices continued to decline in June, both the Brent and Dubai **price structures** remained in steep backwardation. Prompt oil prices were still supported by healthy physical crude oil demand and reduced supply due to planned outages as well as the voluntary supply adjustments from OPEC and participating non-OPEC countries in the Declaration of Cooperation. Heightened geopolitical tensions in the Middle East and concerns about potential supply disruptions also added support to prompt prices. However, the WTI price structure remained in contango, specifically in the front of the curve, mirroring the US oil market oversupply.

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

OPEC Reference Basket

The **ORB** fell sharply in June, dropping by about $7/b, or 10%, recording the second consecutive month of decline as all ORB component values declined significantly alongside their perspective crude oil benchmarks, although tight physical supplies continued to underpin the market. On a monthly basis, the ORB value declined to $62.92/b, its lowest level since January amid subdued economic data and a weakening global oil demand outlook. Expectations of softening oil demand in Asia due to refinery maintenance and weak refining margins weighed on oil prices. Nonetheless, higher official selling prices of medium and sour grades and sustained crude differentials limited the ORB value decline.

Graph 1 - 1: Crude oil price movement



Sources: Argus Media, OPEC Secretariat and Platts.

Crude oil physical benchmarks fell sharply in June, but at different paces. While North Sea Dated and WTI spot prices decreased m-o-m by $6.82/b and $6.05/b, respectively, the Dubai price fell by $8.05/b.

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

			Change		*Year-to-date*	
	May 19	Jun 19	Jun/May	%	2018	2019
Basket	**69.97**	**62.92**	**-7.05**	**-10.1**	**68.43**	**65.48**
Arab Light	70.78	63.45	-7.33	-10.4	69.07	66.38
Basrah Light	69.77	62.74	-7.03	-10.1	67.20	65.13
Bonny Light	72.24	65.59	-6.65	-9.2	71.52	67.40
Djeno	68.25	61.43	-6.82	-10.0	68.16	63.37
Es Sider	70.25	63.58	-6.67	-9.5	69.36	65.23
Girassol	72.95	65.69	-7.26	-10.0	70.93	67.39
Iran Heavy	67.86	60.88	-6.98	-10.3	66.89	63.24
Kuwait Export	70.07	62.58	-7.49	-10.7	67.12	65.59
Merey	59.15	53.98	-5.17	-8.7	62.04	56.12
Murban	69.70	62.75	-6.95	-10.0	70.92	66.44
Oriente	65.60	58.57	-7.03	-10.7	65.24	61.87
Rabi Light	70.10	63.28	-6.82	-9.7	69.61	65.22
Sahara Blend	71.20	64.83	-6.37	-8.9	71.03	66.24
Zafiro	72.10	65.48	-6.62	-9.2	70.51	67.12
Other Crudes						
Dated Brent	70.85	64.03	-6.82	-9.6	70.59	65.97
Dubai	69.64	61.59	-8.05	-11.6	68.07	65.48
Isthmus	69.04	62.95	-6.09	-8.8	68.40	65.17
LLS	69.02	61.29	-7.73	-11.2	69.51	64.78
Mars	66.68	59.45	-7.23	-10.8	66.01	63.17
Minas	67.52	59.83	-7.69	-11.4	64.49	60.62
Urals	71.68	62.47	-9.21	-12.8	69.02	66.19
WTI	60.73	54.68	-6.05	-10.0	65.50	57.39
Differentials						
Brent/WTI	10.12	9.35	-0.77	-	5.09	8.58
Brent/LLS	1.83	2.74	0.91	-	1.08	1.19
Brent/Dubai	1.21	2.44	1.23	-	2.52	0.49

Sources: Argus Media, Direct Communication, OPEC Secretariat and Platts.

Light sweet crude **ORB components from West and North Africa**, including Bonny Light, Djeno, Es Sider, Girassol, Rabi Light, Sahara Blend and Zafiro, declined $6.74 on average, or 9.5%, m-o-m to $64.27/b in June, despite high West African crude differentials, which were supported by healthy demand in Europe and outages in North Sea fields. However, high freight costs, sustained Brent backwardation and rising US crude oil exports limited gains, squeezing grades linked to Brent in the Atlantic Basin.

Latin American ORB components Venezuelan Merey and Ecuador's Oriente fell m-o-m by $5.17, or 8.7%, to $53.98/b, and by $7.03, or 10.7%, to $58.57/b, respectively. Sour grades were under further pressure amid weakening fuel oil margins and lower demand as some refiners reduced their high sulphur fuel oil output ahead of the upcoming new IMO 2020 regulation. Also, the spread between high sulphur fuel oil and low sulphur fuel oil widened significantly in June.

The value of **multi-region destination grades**, including Arab Light, Basrah Light, Iran Heavy and Kuwait Export, declined by $7.21, or 10.4%, m-o-m to $62.41/b in June, declining more than other components despite geopolitical risks in the Middle East and growing concerns about oil trade disruptions, as well as high conformity levels of OPEC and non-OPEC producer's voluntary oil production adjustments. Middle Eastern grades fell on lower Dubai benchmark values and softening Asian demand amid expectations of refinery maintenance and weak refining margins that prompted some refiners to cut runs. The Brent-Dubai Exchange of Futures for Swaps spread remained above $3/b on average in June, which limited competitiveness of grades linked to Brent in Asia.

Middle Eastern spot component Murban, a light sour grade, also edged lower on lower Asia Pacific demand and poor light distillate refining margins. In mid-June, Murban spot cargoes traded even at discounts to the official selling prices for the first time since March. Murban crude values declined m-o-m by $6.95, or 10.0%, to settle at $62.75/b.

On 10 July, the ORB stood at $66.10/b, $3.18 above the June average.

The oil futures market

Crude oil futures prices declined significantly in June with both ICE Brent and NYMEX WTI falling about 10% m-o-m, posting their biggest monthly drops in six months. Oil prices continued the downward trend registered in late May as market sentiment was dominated by concerns about weakening global economic and oil demand growth amid disappointing global economic data and escalating trade disputes between the US and China, as well as plans from the US administration to impose new tariffs on imports from Mexico. Furthermore, most of the forecasting agencies revised down their global oil demand projections for 2019, highlighting uncertainties about trade disputes and their impacts on energy demand. Subdued performances in global equity markets also weighed on oil futures prices. Oil prices, specifically WTI, remained under pressure as US crude oil stocks continued to increase for the fifth time in six weeks, rising to their highest level since July 2017. Additionally, refining margins remained weak.

However, oil prices recovered in the second part of June supported by heightened geopolitical tensions in the Middle East, as well as declining US crude oil and product stocks for two consecutive weeks after US crude exports hit a new record high of 3.8 mb/d, according to EIA data. In the week ending 21 June, US crude oil stocks fell by about 13 mb, larger than expected by analysts, as US crude oil exports increased, crude imports declined and US refinery runs rose. Nonetheless, the oil price steadied as the market awaited the outcomes of the US-China meeting on the sidelines of the G-20 summit in late June, as well as the OPEC and Non-OPEC ministerial meetings in early July.

In June, **ICE Brent** was $7.27, or 10.3%, m-o-m lower at $63.04/b, while **NYMEX WTI** fell m-o-m by $6.16, or 10.1%, to average $54.71/b. Y-t-d, ICE Brent was $4.99, or 7.0%, lower at $66.17/b, while NYMEX WTI decreased by $8.02, or 12.2%, to $57.45/b.

DME Oman crude oil futures also declined m-o-m by $8.01, or 11.5%, in June, over the previous month, to settle at $61.85/b. Y-t-d, DME Oman was down by $2.64, or 3.9%, at $65.77/b.

On 10 July, ICE Brent stood at $67.01/b and NYMEX WTI at $60.43/b.

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

			Change		*Year-to-date*	
	May 19	Jun 19	Jun/May	%	2018	2019
NYMEX WTI	60.87	54.71	-6.16	-10.1	65.46	57.45
ICE Brent	70.30	63.04	-7.27	-10.3	71.16	66.17
DME Oman	69.85	61.85	-8.01	-11.5	68.40	65.77
Transatlantic spread (ICE Brent-NYMEX WTI)	*9.44*	*8.33*	*-1.11*	*-11.7*	*5.70*	*8.72*

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

Hedge funds and other money managers continued to close out more bullish positions in June, and net long positions reached their lowest levels since February in both ICE Brent and NYMEX WTI amid bearish sentiment on the global economic outlook and oil demand growth this year, while most forecasters lowered their oil demand projections for 2019.

Hedge funds and money managers cut again their long positions in US crude WTI, and net long positions declined for seven consecutive weeks as speculators continued to be bearish on the US oil market. This bearish sentiment stemmed mainly from increasing US crude oil supply and rising US crude oil stocks, which reached their highest level since July 2017, as well as lower-than-expected oil demand growth. NYMEX WTI long positions reached 204,712 contracts in the week of 25 June, a decline of 18.9% compared to late May's level. Nonetheless, money managers recovered some of their bullish positions after EIA data showed a larger-than-expected decline in US crude oil stocks.

Speculator groups reduced their net long positions for futures and options positions in NYMEX WTI by 54,951 contracts, or 27.4%, to 145,439 contracts for the week ending 25 June, according to the US Commodity Futures Trading Commission (CFTC).

Hedge funds and other money managers continued to reduce futures and options net long positions linked to ICE Brent for seven consecutive weeks to reach 254,754 contracts for the week ending 25 June, according to the ICE Exchange, a decline of 97,982 contracts, or 27.8%, compared to late May's level.

The **long-to-short ratio** in ICE Brent speculative positions decreased again to about 5:1 in late June, compared to 8:1 in late May, while the NYMEX WTI long to short ratio decreased to 3:1 for the week ending 25 June, compared to 5:1 in late May.

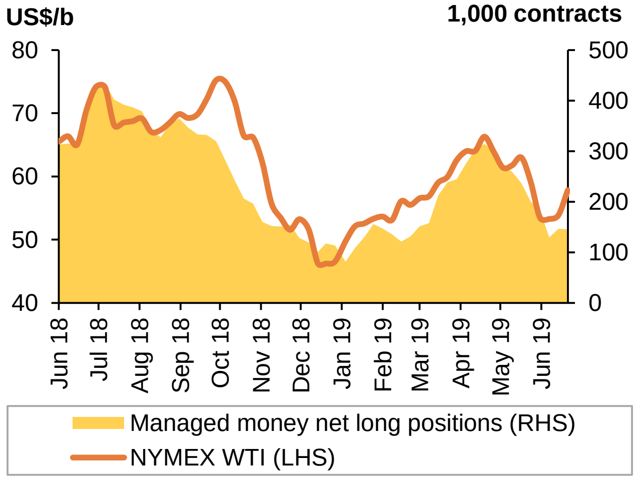
The **total futures and options open interest volume** in the two exchanges rose slightly by 36,069 contracts to stand at 5.7 million contracts in the week ending 25 June.

The **daily average traded volume** for NYMEX WTI contracts fell by 118,728 lots in June, or 9.2%, to 1,171,704 contracts. The daily average traded volume for ICE Brent rose by 18,165 contracts, or 1.9%, to 970,611 lots.

The **daily aggregate traded volume** for both crude oil futures markets decreased in June by 100,563 contracts m-o-m to stand at 2.1 million futures contracts, or about 2.1 billion b/d of crude oil.

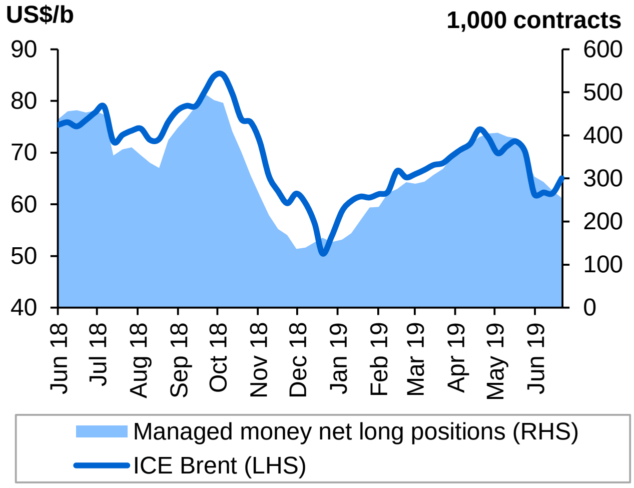
The June **total traded volume** in NYMEX WTI was significantly lower at 23.4 million contracts, or 21.0%, while that of ICE Brent was also lower by 11.4% at 19.4 million contracts, partly due to less trading days in June compared to the previous month.

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



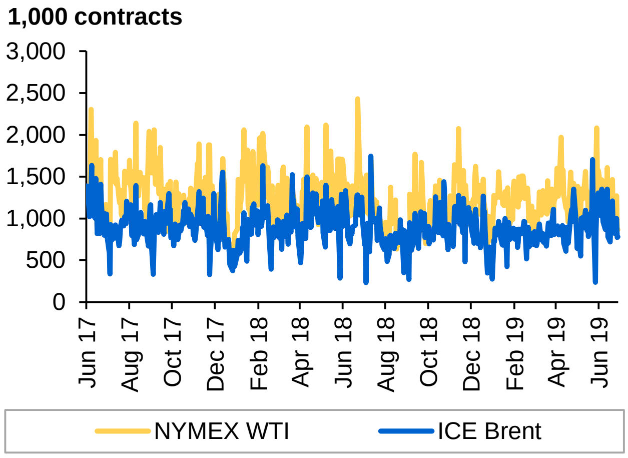
Sources: CFTC, CME Group and OPEC Secretariat.

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



Sources: Intercontinental Exchange and OPEC Secretariat.

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



Sources: CME Group, Intercontinental Exchange and OPEC Secretariat.

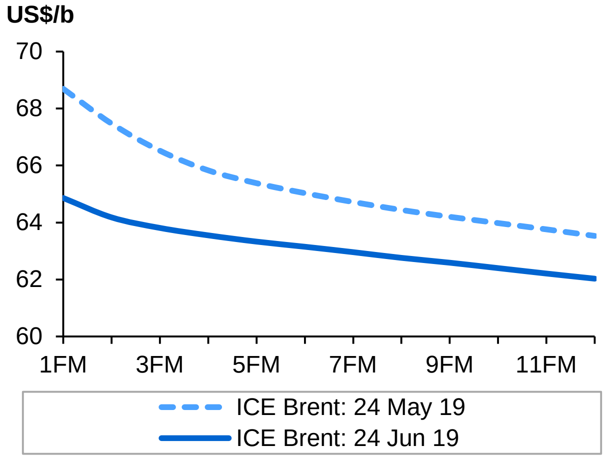
The futures market structure

Although oil prices continued to decline in June, both the Brent and Dubai markets remained in steep backwardation. Prompt oil prices were still supported by healthy crude oil demand and reduced supply due to planned outages as well as the voluntary supply adjustments from OPEC and participating non-OPEC countries in the Declaration of Cooperation. Geopolitical tensions in the Middle East and concerns about potential supply disruptions also added support to prompt prices. However, the WTI price structure remained in contango, specifically in the front of the curve, mirroring US oil market oversupply.

The **Brent forward price structure** remained in backwardation in June as prompt prices remained higher than forwards, underpinned by concerns about oil supply disruptions. Lower oil supply and loading crude programmes in Northwest Europe, due to outages in North Sea oilfields also supported prompt prices. Nonetheless, the ICE Brent spread for the first six months narrowed from $3.66/b in 24 May to $1.71 in 24 June as some unplanned supply outages in the North Sea recovered and the Urals contamination was resolved.

The **DME Oman backwardation structure** was significant in June amid a tight medium and heavy sour market, lower supply from the Middle East in May and strong crude demand from Asian refiners, despite planned refinery turnarounds and run cuts in the Asia Pacific.

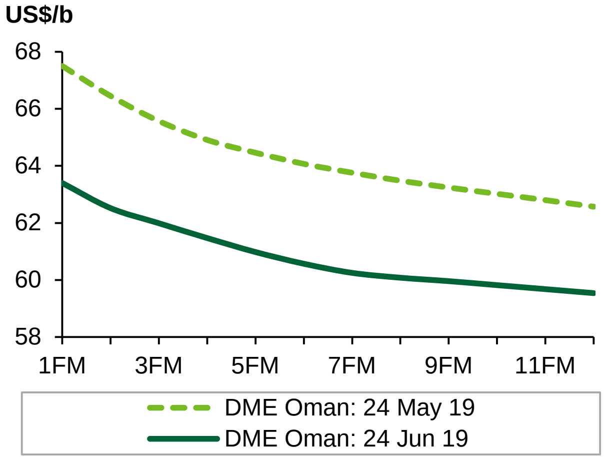
Graph 1 - 5: ICE Brent forward curves



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

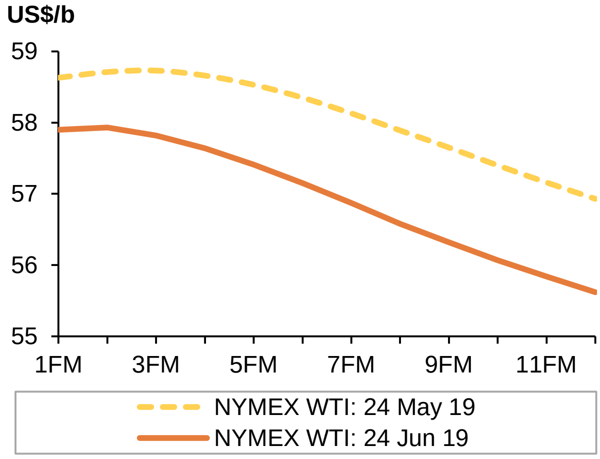
The front of the **WTI price forward curve** remained in contango in June, mirroring weak market fundamentals in the oil trading hub of Cushing, Oklahoma. Prompt WTI prices were under pressure as US crude oil stocks continued to increase for the fifth time in six weeks to reach their highest level since July 2017, while US crude oil production sustained above 12 mb/d in June, according to EIA weekly data. However, the back of the forward curve slipped into backwardation as new pipeline capacity from the Permian basin to the USGC, which is expected to come on line in coming months, should reduce crude oil flow to Cushing, Oklahoma. Also, the NYMEX WTI spread for the first six months widened from 28¢/b on 24 May to 75¢/b on 24 June.

Graph 1 - 6: DME Oman forward curves



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

Graph 1 - 7: NYMEX WTI forward curves



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

Regarding the **M1/M3 structure**, the North Sea Brent M1/M3 backwardation narrowed to $1.74/b in June, a decline of 39¢. The DME Oman M1 premium to M3 decreased to plus $1.92/b in June, down by 45¢ on a monthly average. In the US, the WTI contango widened to 26¢/b, with the M1-M3 spread decreasing by 4¢.

The **spread between the ICE Brent and NYMEX WTI** benchmarks narrowed by $1.11 in June to average $8.33/b as the NYMEX WTI price declined less than ICE Brent. The NYMEX WTI price was supported by higher US crude oil exports, which remained above 3 mb/d in June and reached a record high of 3.8 mb/d in the week of 21 June, according to EIA data. In the second part of June, the Brent/WTI spread narrowed further and settled below $7/b for the first time since April, supported by strong demand, while WTI spot prices strengthened in Cushing and Midland compared to light sweet WTI and LLS prices in the USGC. The strengthening of inland grades was due to declining US crude oil stocks for two consecutive weeks as well as expectation that new pipeline capacity from the Permian to the USGC will start operations in the coming months, with some sources saying that pipeline filling will begin soon. Nonetheless, the narrowing Brent/WTI spread pushed USGC crude differentials to their lowest levels in more than six months.

Table 1 - 3: Crude oil futures forward curves, US$/b

		1FM	2FM	3FM	6FM	12FM	12FM-1FM
NYMEX WTI	24 May 19	58.63	58.71	58.73	58.35	56.93	-1.70
	24 Jun 19	57.90	57.93	57.82	57.15	55.62	-2.28
	Change	**-0.73**	**-0.78**	**-0.91**	**-1.20**	**-1.31**	**-0.58**
ICE Brent	24 May 19	68.69	67.47	66.52	65.03	63.53	-5.16
	24 Jun 19	64.86	64.18	63.81	63.15	62.03	-2.83
	Change	**-3.83**	**-3.29**	**-2.71**	**-1.88**	**-1.50**	**2.33**
DME Oman	24 May 19	67.50	66.45	65.57	64.07	62.57	-4.93
	24 Jun 19	63.40	62.52	61.99	60.57	59.54	-3.86
	Change	**-4.10**	**-3.93**	**-3.58**	**-3.50**	**-3.03**	**1.07**

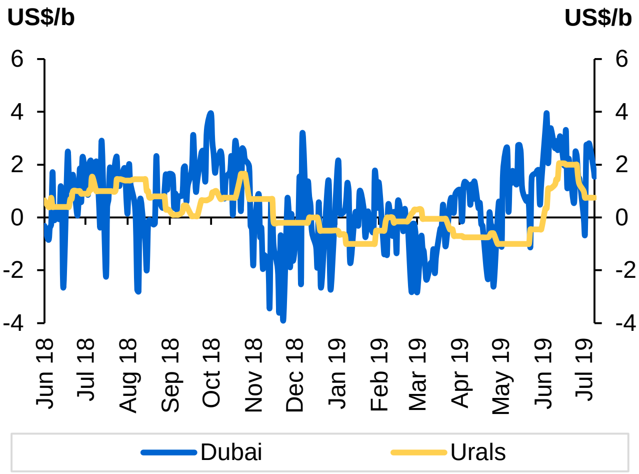
Note: FM = future month.
Sources: CME Group, Dubai Mercantile Exchange, Intercontinental Exchange and OPEC Secretariat.

The light sweet/medium sour crude spread

Sweet/sour crude differentials widened in both Europe and Asia, while they narrowed slightly in the USGC.

In **Europe**, the Urals medium sour crude discount to Brent widened significantly in June from high premiums registered in previous months amid Urals supply disruptions and lower seaborne crude exports due to the organic chloride contamination that affected the Druzhba pipeline system in April, as well as lower supply of sour crude from other regions. Urals crude differentials declined significantly in June and reached their lowest levels this year, dropping to minus $2/b to Dated Brent as high availability of unsold cargoes for June loading in the market as well as steep backwardation in Brent put downward pressure on crude differentials. Weak demand for July-loading cargoes added more pressure to differentials. On the other hand, crude differentials for light sweet grades in the North Sea improved in June, supported by lower availability and improving refining margins.

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



Sources: Argus Media, OPEC Secretariat and Platts.

In **Asia**, the Tapis/Dubai spread widened further as the large Brent/Dubai spread continued to make local sweet crude such as Tapis more attractive compared to arbitrage volumes from outside the region, particularly for grades linked to Brent in the Atlantic Basin. The Brent/Dubai EFS spread remained wide, above $3/b on average in June, which limited arbitrage opportunities of light sweet crudes from the Atlantic Basin to Asia and supported shorter-haul cargoes. Meanwhile, the medium sour Middle East crudes were under pressure with spot differentials for some grades declining on lower demand from Asia due to refinery maintenance and lower runs. The light sweet Tapis premium over medium sour Dubai increased $1.46 to a hefty $6.83/b.

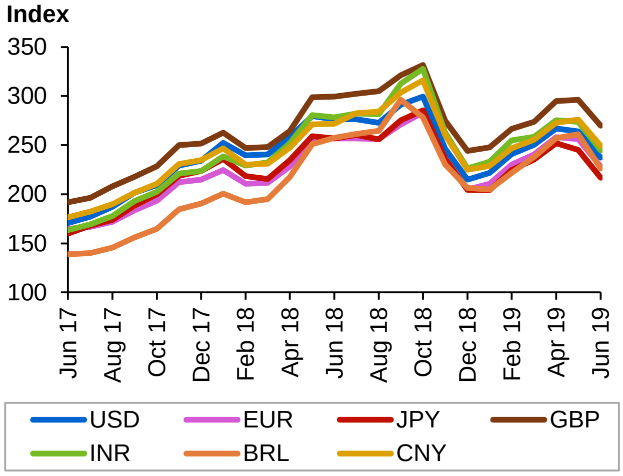
In the **USGC**, the Light Louisiana Sweet (LLS) premium over medium sour Mars fell slightly to $1.84/b, shrinking by about 50¢. Meanwhile, most USGC grade differentials weakened as the Brent/WTI spread narrowed and even settled below $7/b, in the second part of June, for the first time since April.

The impact of the US dollar (USD) and inflation on oil prices

The **USD** generally weakened against both major and emerging market currencies in June with firming market expectation for interest rate reductions by the US Federal Reserve (US Fed).

Again the **major currency counterparts**, in fact the latest economic projections of the US Fed released at the end of its June meeting showed around half of its policymakers projecting at least one interest rate cut this year. Against the euro, the USD declined on average by 1.0%. While the ECB signalled that it expects to keep interest rates unchanged until at least the first half of 2020, the market perceived the overall statement as less accommodative than anticipated, leading to euro appreciation. Against the Swiss franc, it was flat during the month. Against the Japanese Yen, the dollar lost 1.6%, with strong demand for safe assets due to the persistent uncertainties related to the trade disputes, and the aforementioned outlook for lower interest rates in the US. Meanwhile, on the contrary, the dollar gained by 1.3% against the pound sterling on increasing uncertainties regarding Brexit in view of the ongoing leadership contest in a major government coalition party.

Graph 1 - 9: ORB crude oil price index compared with different currencies (base January 2016 = 100)



Sources: IMF and OPEC Secretariat.

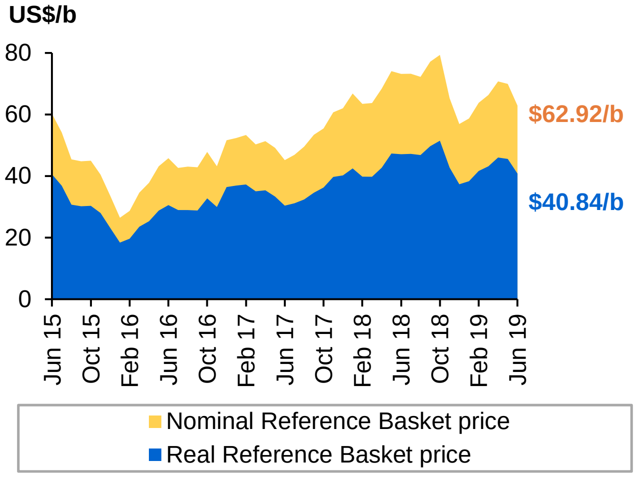
With regard to the **emerging market currencies**, on average, the USD advanced against the Chinese Yuan by 0.4% m-o-m, but was generally stable during the month in anticipation of the G20 summit meeting between the US and Chinese authorities. Against the Indian rupee, the dollar decreased by 0.5%, despite an interest rate cut by the Reserve Bank of India. Against the Brazilian real, the US dollar decreased by 3.6%, mainly on increasing optimism regarding the discussions of the government pension reform package in the country's congress; this outweighed economic data showing deceleration in the first half of 2019. Against the Russian ruble, the dollar decreased by 0.9% despite an interest rate cut by the Central Bank and retreating oil prices, amid overall weakness of the USD, and increasing demand of local currency for dividend payments. Against the currencies of Turkey and Argentina, the dollar decreased by 3.9% and by 2.5%, respectively, helped by the outlook of lower interest rates in the US and local political developments.

In **nominal terms**, the price of the ORB decreased by $7.05, or 10.1%, from $69.97/b in May to $62.92/b in June.

In **real terms**, after accounting for inflation and currency fluctuations, the ORB decreased to $40.84/b in June from a revised $45.60/b (base June 2001=100) in the previous month.

Over the same period, the **USD** decreased by 0.5% against the import-weighted modified Geneva I + USD basket, while inflation decreased by around 0.1% m-o-m.

Graph 1 - 10: Impact of inflation and currency fluctuations on the spot ORB price (base June 2001 = 100)



Source: OPEC Secretariat.

Commodity Markets

***Energy commodities** showed broad-based declines in June with crude oil, coal and natural gas prices declining across regions for the second consecutive month.*

*In the group of **non-energy commodities**, base metals fell for the third-consecutive month amid deteriorating global manufacturing activity, although the prospect of a truce in the trade dispute between China and the US provided a respite. Among precious metals, gold jumped recently on the expectation of interest rate cuts by the US Federal Reserve.*

Trends in selected commodity markets

The **energy price index** declined by around 11% m-o-m in June and was down on average by 8.7% y-t-d compared to the same period last year. The non-energy index was up by 1.9% m-o-m, mainly as a result of increases in some agricultural commodities; however, the index declined by 7.0% y-t-d compared to last year.

Table 2 - 1: Commodity prices

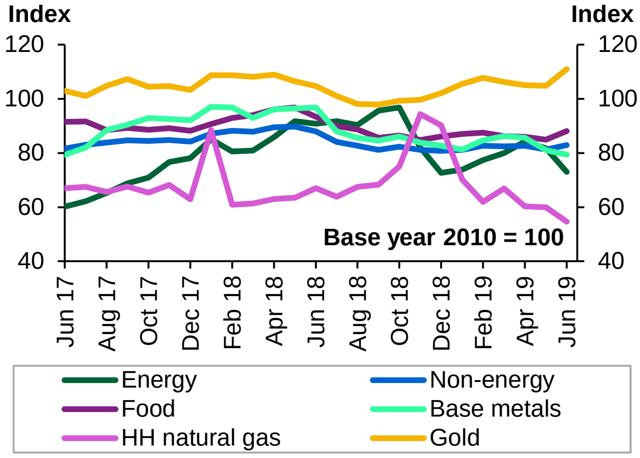
Commodity	Unit	Monthly averages			% Change	Year-to-date	
		Apr 19	May 19	Jun 19	Jun 19/May 19	2018	2019
Energy*		**84.2**	**81.8**	**73.0**	**-10.7**	**85.8**	**78.4**
Coal, Australia	US$/mt	86.8	82.3	72.5	-11.9	103.7	88.1
Crude oil, average	US$/b	68.6	66.8	59.8	-10.6	68.0	62.8
Natural gas, US	US$/mbtu	2.6	2.6	2.4	-8.8	3.0	2.7
Natural gas, Europe	US$/mbtu	4.9	4.3	3.6	-17.3	7.0	5.2
Non-energy*		**82.7**	**81.3**	**82.9**	**1.9**	**88.4**	**82.2**
Base metal*		**85.6**	**81.0**	**79.4**	**-1.9**	**96.0**	**83.0**
Precious metals*		**97.6**	**97.0**	**102.1**	**5.2**	**101.3**	**99.0**

*Note: * World Bank commodity price indices (2010 = 100).*
Sources: World Bank, Commodity price data; OPEC Secretariat.

In May, the **Henry Hub natural gas index** decreased on average by 8.8% to $2.40/mmbtu. Y-t-d, the index was 7.5% lower in the first half of 2019 compared to the same period last year. The inventories deficit to the previous five-year average continued to shrink amid moderate temperatures and growing production, which was around 10% higher y-o-y. According to the US Energy Information Administration (EIA), utilities added 89 bcf to working gas underground storage during the week ending 28 June. The build left total working gas in underground storage at 2,390 bcf, which was 6.0% lower than the previous five-year average. By the last week of May, inventories were 10.8% below the latest five-year average, while three months ago they were at 30.9% below that average.

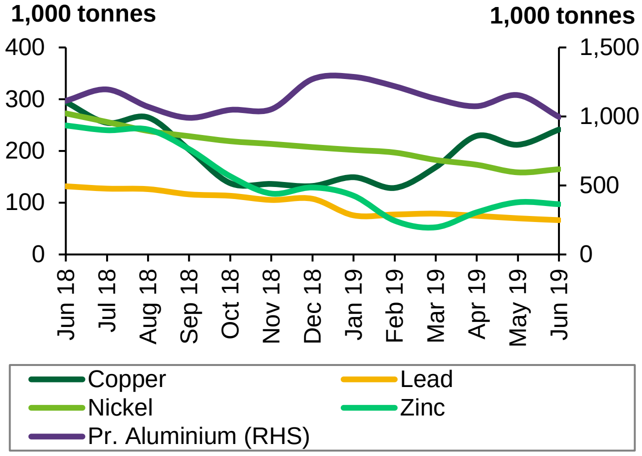
Natural gas prices in Europe declined sharply with the **Title Transfer Facility price** falling by 17.3% to $3.59/mmbtu in June. This is 62% below their September 2018 average. Prices weakened as inventories continued to fill up to very comfortable levels. Natural gas inventories for EU Member States were around 73% of capacity at the end of June, versus 60% at the end of May. Last year, inventories were 49% of capacity at the end of June, according to Gas Infrastructure Europe.

Graph 2 - 1: Major commodity price indices



Sources: World Bank, Commodity price data; S&P Goldman Sachs; Haver Analytics and OPEC Secretariat.

Graph 2 - 2: Inventories at the LME



Sources: LME, Thomson Reuters and OPEC Secretariat.

Australian thermal coal prices decreased in June by 11.9% m-o-m to an average of $72.5/mt. Mild weather and slowing industrial activity have weakened demand so far this year. Indeed, thermal power output in China declined by 4.9% y-o-y in May, and was relatively flat in the January-May period y-o-y. This decline has been compensated partly by rising hydro-power generation, which rose 12.8% y-o-y in China during the January-May period, along with other sources. At the same time, China's coal output increased in May by 3.5% y-o-y and by 0.9% y-o-y in the January-May period. Chinese imports were up by 5.6% this year but have failed to support prices.

The **base metal price index** declined on average by 1.9% m-o-m in June. Prices weakened during the month on the continuation of the slowdown in manufacturing activity. Indeed, the JP Morgan global manufacturing PMI declined to 49.4 in June from a final reading of 49.8 the previous month, suggesting a contraction in the activity for the second consecutive month. However, prices had a respite on expectation of a restart in trade negotiations between the US and China at the G-20 meeting.

Copper prices declined by 2.3% m-o-m in June, mainly as result of the above mentioned slowdown in manufacturing activity. However, the prospects of a more accommodative monetary policy by the US Federal Reserve, the potential of some kind of agreement regarding trade disputes in the above mentioned G-20 meeting, and the two-week-long strike at one of Chile's largest mines provided some support. Meanwhile, inventories on the London Metal Exchange rose to around 241,000 tonnes from around 212,000 tonnes the previous month, suggesting weakening demand. Moreover, the International Copper Study estimates that in 1Q19 their preliminary refined balance showed a 30,000t deficit, but when adjusted by the estimation of unreported Chinese inventories, a surplus of 105,000 tonnes is foreseen.

Iron ore prices increased by 8.0% in June and were up by 31.5% y-o-y in the January-June period. Prices have risen this year due to supply disruptions, mainly arising from Brazilian Vale's reduced output after the Brumadinho Dam accident, which lowered the company's output by around 20%, and by weather-related disruptions to Australian supplies. Indeed, at the end of the month, the government of Australia cut its exports estimate by 6% for the current year.

In the group of **precious metals**, the index advanced by 5.2%, with gold and silver up by 5.9% and 2.6%, respectively, while platinum declined by 3.0%. Gold was supported by the uncertainties related to the imposition of US tariffs on Mexico, a dispute that was solved through a border security agreement, and later by expectation of interest rate cuts by the US Federal Reserve, especially after the June meeting.

Investment flows into commodities

Open interest (OI) increased on average in June for selected US commodity futures, such as natural gas, copper and precious metals, but decreased for crude oil. On average, speculative net long positions decreased for crude oil, natural gas and copper, but increased for precious metals.

Table 2 - 2: CFTC data on non-commercial positions, 1,000 contracts

	Open interest		*Net length*			
	May 19	Jun 19	May 19	% OI	Jun 19	% OI
Crude oil	2,119	2,036	246	12	151	7
Natural gas	1,288	1,318	-3	0	-127	-10
Precious metals	703	748	2	0	138	18
Copper	259	273	-35	-14	-45	-16
Total	**4,369**	**4,376**	**-452**	**3**	**71**	**7**

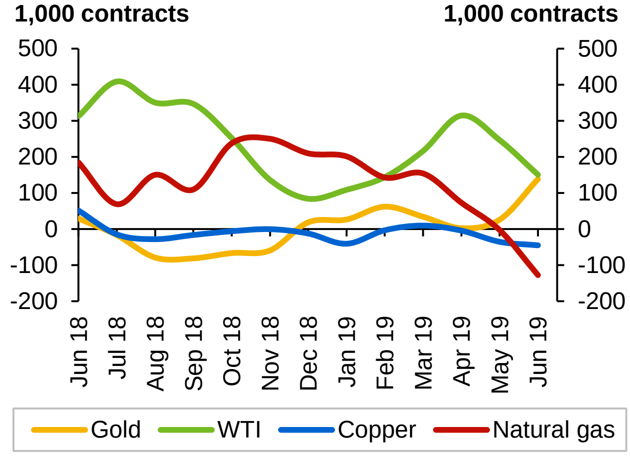
Note: Data on this table is based on monthly average.
Sources: CFTC and OPEC Secretariat.

Henry Hub's natural gas OI increased in June by 2.4%, while money managers sharply increased their net short position to 127,467 contracts from just 2,705 contracts the previous month. This took place amid a continuing shrinkage of the deficit versus the five-year average of underground storage, according to the EIA.

Copper's OI increased in June by 5.4%. Money managers increased their net short position by 27% to 44,914 contracts from an average net short position of 35,243 contracts in the previous month following a persistent slowdown in global manufacturing activity and rising inventories.

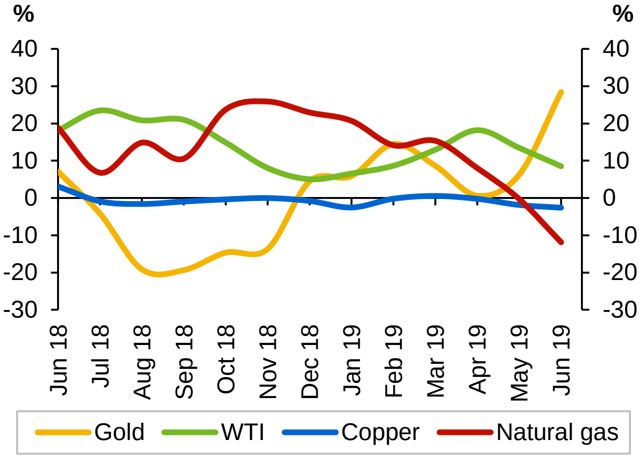
Precious metals' OI increased by 6.4%. Money managers net long position increased to 138,395 contracts from 2,132 contracts the previous month on the outlook for lower interest rates in the US.

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



Note: Data on this graph is based on monthly average.
Sources: CFTC and OPEC Secretariat.

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



Note: Data on this graph is based on monthly average.
Sources: CFTC and OPEC Secretariat.

World Economy

*The 2019 **global economic growth forecast** remains at 3.2%. After the most recent agreement between the US and China to not further raise tariffs, downward momentum has somewhat stabilised. Moreover, the ongoing commitment to a stable oil market by OPEC and non-OPEC producing countries participating in the 'Declaration of Cooperation' provides a further stabilising factor to economic growth in the near term. While selective key economies are forecast to slow down in 2020, some severely hit emerging and developing economies are forecast to recover, keeping GDP growth in 2020 at 3.2% This assumes that no further down-side risk materialises, and particularly that trade-related issues do not escalate further.*

*Considering the ongoing challenges in several key **OECD economies**, especially the expected deceleration in the US and some counter-balancing developments in other OECD economies, OECD growth is forecast to slow to 1.6% in 2020, compared with 1.7% in 2019. The 2019 US economic growth forecast remains unchanged at 2.6%, while in 2020 slowing underlying growth, no longer supported by fiscal stimulus, is forecast, reaching only 2.0%. After low 2019 growth of 1.2%, unchanged from the previous month, GDP growth in the Euro-zone is forecast to slightly recover in 2020 to 1.2%. Japan's low growth, unchanged at 0.5% in 2019, is forecast to continue at the same level in 2020.*

*In the **emerging economies**, China's 2019 growth forecast remains at 6.2%. As the economy is expected to further slow, 2020 growth is forecast at 6.0%, but the outcome of trade-related negotiations may alter these forecasts. India's growth forecast remains at 6.8% for 2019, and is anticipated to pick up again in 2020 to 7.0%, depending on further reforms by the newly elected government. Brazil's 2019 growth forecast was revised down to stand at 0.9%, followed by projected growth of 1.7% in 2020. Further upside may come from the outcome of the ongoing structural reforms agenda. Russia's growth forecast for 2019 remains unchanged at 1.4%, followed by projected growth of 1.4% in 2020, which is subject not only to commodity prices, but also to political developments.*

***Growth risks** pertain not only to trade issues, but also to ongoing challenges in several emerging and developing economies. Also, high debt levels in several important economies could post serious challenges to affected countries, not only due to limitations in fiscal space, but also as those economies credit rating situations may worsen. Brexit may pose additional risks. Moreover, the slowdown in manufacturing activity seems to be continuing, and while trade negotiations between the US and China are continuing and the raising of tariffs has been postponed, other trade-related uncertainties remain.*

Table 3 - 1: Economic growth rate and revision, 2019-2020*, %

	World	OECD	US	Japan	Euro-zone	UK	China	India	Brazil	Russia
2019	**3.2**	**1.7**	**2.6**	**0.5**	**1.2**	**1.4**	**6.2**	**6.8**	**0.9**	**1.4**
Change from previous month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.5	0.0
2020	**3.2**	**1.6**	**2.0**	**0.5**	**1.2**	**1.4**	**6.0**	**7.0**	**1.7**	**1.4**

*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

OECD

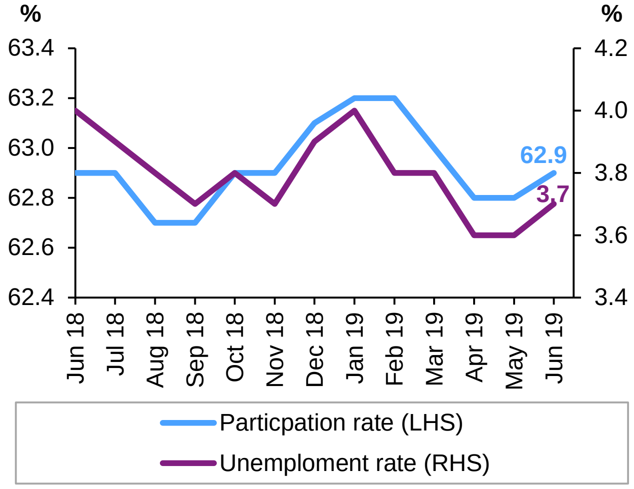
OECD Americas

US

US 1Q19 growth was confirmed at 3.1% q-o-q seasonally-adjusted annualized rate (SAAR) in the final estimate of the Bureau of Economic Analysis. While this shows a strong growth trend and a pick-up from the 2.2% q-o-q SAAR evident in 4Q18, growth in the remainder of the year seemed to slow, as support from fiscal stimulus is fading, manufacturing activity is decelerating and political uncertainty, particularly in the area of trade, may all dent US growth going forward. Also, high 1Q19 growth figures hide the fact that personal consumption expenditures grew by only 0.9% q-o-q SAAR, considerably lower than 2018 consumption growth, when it reached 2.4%. Given that private household consumption accounts for up to 70% of GDP in the US, the 1Q19 contribution of less than a third is very low and does not bode well for the near future. Forecasts for 2Q19 GDP growth now stand below 2% on an annualised basis. The most recent data from consumer sentiment and expectation indices point at a near-term slowdown. While the services sector will continue to support 2Q19 growth, it is also expected to slow. Positively, the US and China have agreed to resume trade negotiations and to hold back with raising tariffs for now. However, it remains to be seen whether negotiations will lead to a positive outcome. Trade disputes with Mexico, the EU and Japan are also on hold, but may re-emerge quickly again. In addition to trade issues, ongoing domestic political uncertainties and the fading effects of fiscal stimulus accentuate the downside risk for US economic growth. Importantly, limited capacity for improvement in the labour market – given a multi-decade low unemployment rate – is also providing less room to the upside.

The **labour market** remained sound in June, with the unemployment rate rising slightly to stand at 3.7%. **Non-farm payrolls** in June increased by 224,000, after 72,000 job additions were seen in May. Growth in average hourly earnings for the private sector remained well above 3% for the ninth consecutive month, standing at 3.1% y-o-y in June, unchanged from May levels. Long-term unemployment rose a little to stand at 23.7% in June, compared with 22.4% in May and 21.1% in April. The participation rate rose to 62.9%, after reaching 62.8% in May.

Graph 3 - 1: US monthly labour market



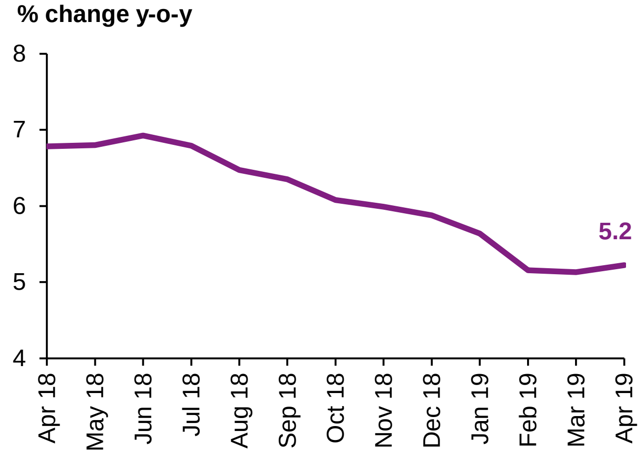
Sources: Bureau of Labor Statistics and Haver Analytics.

Considering the latest comments by US Federal Reserve (the Fed) officials and market expectations, a reduction in the key interest rate in 2019 seems likely. Such a move may materialise as early as the upcoming July meeting. In this respect, inflation constitutes a key element.

Overall **inflation** fell slightly in May to 1.8% y-o-y, compared with 2.0% in April, following 1.9% y-o-y in March. Core inflation – excluding volatile items such as food and energy – stood at 2.0% y-o-y as well, down from 2.1% in April. The Fed’s favoured inflation index, the personal consumption expenditure price index (PCE index), retracted slightly to stand at 1.5% in May, compared with 1.6% in April. This ongoing, relatively low inflation — in combination with softening underlying US growth — provides the Fed with more flexibility, as inflation does not currently seem to be a major challenge.

After the critically important **housing sector** exhibited mixed developments over the last months, some areas that were on a downward trend stabilised. Prices were almost flat this month, existing home sales picked up and only new home sales were showing a slowdown. The S&P CoreLogic Case-Shiller Home Price Index Composite 20 for metropolitan areas showed almost the same level of price increase in April, compared with the previous month. The April rise stood at 2.5% y-o-y, compared with 2.6% y-o-y in March. Also, the yearly change in the house pricing index of the Federal Housing Finance Agency (FHFA) was almost flat, with a monthly price rise of 5.2% y-o-y in April, following growth of 5.1% y-o-y in March and 5.2% y-o-y in February. However, this compares with a yearly average of 6.7% in 2018.

Graph 3 - 2: US house prices

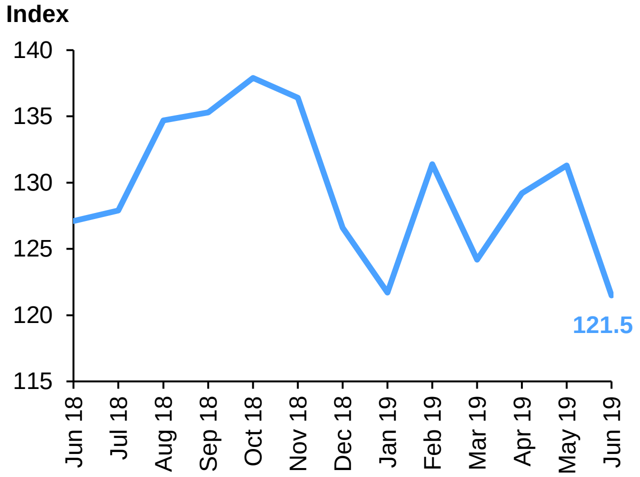


Sources: Federal Housing Finance Agency and Haver Analytics.

Existing home sales remained relatively strong in May, when they increased by 5.43 million at an annualised level, compared with 5.21 million in both March and April. However, new home sales fell to 626,000 in May, albeit after strong March and April levels of 705,000 and 679,000, respectively. However, the lower May level is still above that seen in the months towards the end of last year.

After some ups and downs in the past months, **consumer sentiment decelerated again**. The lead indicator, published by the Conference Board, fell in June, to now stand at 121.5, compared with 131.3 in May and 129.2 in April.

Graph 3 - 3: US consumer confidence index



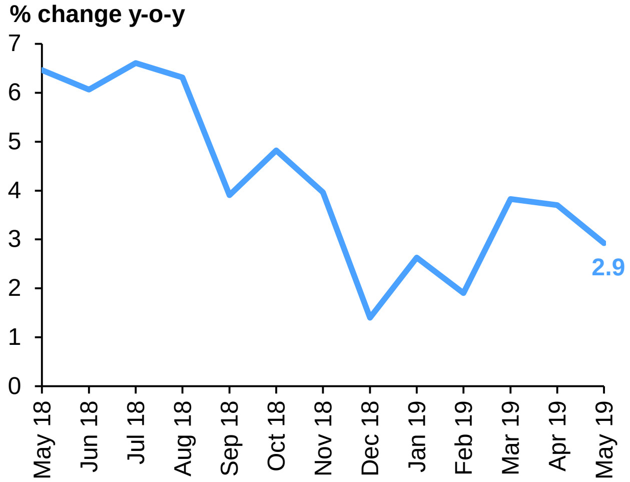
Sources: The Conference Board and Haver Analytics.

The trend in consumer sentiment **retail sales** growth slowed in May, rising by 2.9% y-o-y, compared with 3.7% y-o-y in April and 3.8% y-o-y in March. The 2019 levels are significantly lower than last year's high growth environment, when annual growth of retail sales stood at 4.9% y-o-y. It is expected that with limited room for improvements in the labour market, among other domestic challenges, this lacklustre trend will continue.

The same applies to **industrial production** growth. This picked up again in May, to rise by 2.1% y-o-y, compared with only 0.9% y-o-y in April. Despite this pick-up, the May number reflected the second- lowest growth, after April, in about two years.

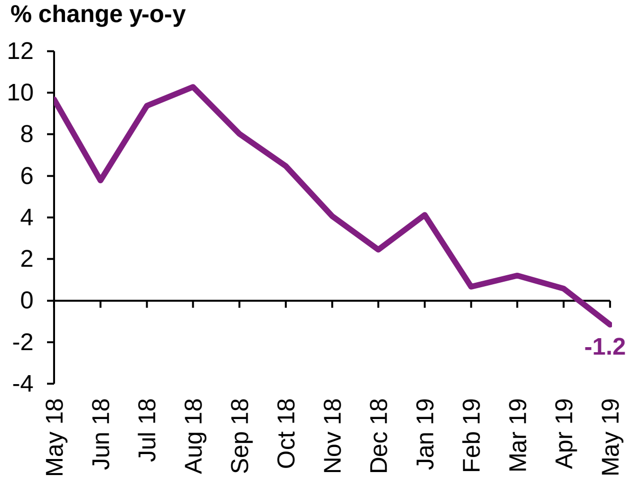
This slowdown seems to be continuing, when considering **manufacturing orders**, a good lead indicator for future manufacturing activity. Manufacturing orders fell in May, declining by 1.2% y-o-y, compared with growth of only 0.6% y-o-y in April.

Graph 3 - 4: US retail sales



Sources: Census Bureau and Haver Analytics.

Graph 3 - 5: US manufacturing orders

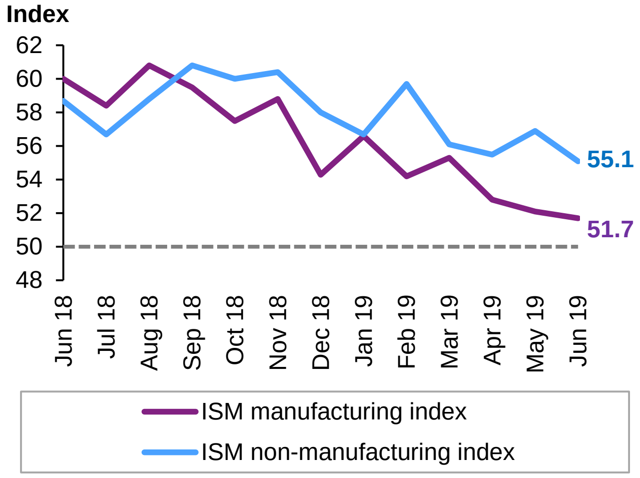


Sources: Census Bureau and Haver Analytics.

June's **Purchasing Managers' Index (PMI)**, as provided by the Institute of Supply Management (ISM) indicated an ongoing deceleration, especially in the manufacturing sector, while the services sector continued to perform relatively better, though it decelerated as well.

The manufacturing PMI fell to stand at 51.7 in June after reaching 52.1 in May and 52.8 in April. The index for the services sector retracted to 55.1 in June, after reaching 56.9 in May and 55.5 in April. While the services sector outperformed the manufacturing sector in 2019, compared with a figure of more than 60 at the end of 2018, there are also signs that the services sector is slowing. However, it is holding up better and considering that it accounts for around 70% of the US economy, support from the services sector is vital for growth going forward. However weakness in the manufacturing sector will require close monitoring in the coming months, as a spillover of weakness to the services sector seems likely.

Graph 3 - 6: US-ISM manufacturing and non-manufacturing indices



Sources: Institute for Supply Management and Haver Analytics.

With mixed developments in the underlying economy, it remains to be seen how 2Q19 growth will develop. High growth at the beginning of the year is seen as temporary and is expected to slow over the remainder of the year. **GDP growth** in 2019 is now forecast to reach 2.6% – unchanged from the previous month – compared with 2.9% in 2018. This decelerating trend is forecast to continue in 2020. The effects of the fiscal stimulus that was initiated to support growth in 2018 and 2019 are fading and the fiscal space has become more limited. Monetary policies are expected to remain relatively accommodative, but will not provide the same support as in past years, also due to their reduced effectiveness. Domestic policy issues will continue and underlying domestic demand is slowing. Taking this into consideration, 2020 GDP growth is forecast to slow to 2.0%. Many uncertainties remain, and trade-related issues, in particular, will require further monitoring.

Canada

A growth rebound in 2Q19 seemed to stabilise the downward trend in the Canadian economy. Monthly April GDP grew by 0.3% m-o-m, compared with 0.1% q-o-q SAAR in 1Q19. Output is still dampened by crude oil production cuts in the Province of Alberta, while slightly rising oil prices seem to have helped counterbalance this impact.

Some recovery has also become apparent in April **industrial production** figures, showing a rise of 1.8% y-o-y, compared with 0.2% y-o-y in March and -0.7% y-o-y in February. Moreover, retail trade also recovered, rising by 3.8% y-o-y in April, after climbing 2.9% y-o-y in March and 2.1% y-o-y in February. The latest **PMI** index for manufacturing points at a slight improvement, though remaining in contraction territory with a level of 49.2 in June compared with 49.1 in May — the lowest numbers since the end of 2015.

New house prices continued to decline, falling by 0.1% y-o-y in April, a trend that started in 2H18, pointing at an overheated Canadian housing market, and potential challenges for the economy coming from this important sector. With relatively high debt levels in the housing sector, it remains an area that should be closely monitored, along with external trade, as Canada's most important trading partners are facing decelerating economies and the country is also being impacted by various trade disputes around the world, including its own with China.

Given that the downward trend is already being reflected in growth forecast numbers, the **GDP growth** forecast for 2019 remains unchanged at 1.3%. This compares with GDP growth of 1.8% in 2018. GDP growth in 2020 is forecast to pick up slightly to stand at 1.4%.

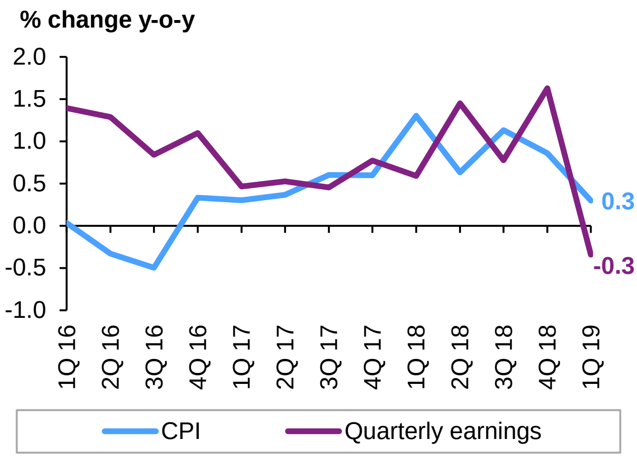
OECD Asia Pacific

Japan

While **GDP growth in 1Q19** was confirmed at an exceptionally good level, underlying growth continues to be sluggish. GDP growth in 1Q19 was confirmed at 2.2% q-o-q SAAR. However, the high growth number was distorted by the trade component. It seems that underlying growth in domestic consumption may improve slightly in 2Q19, albeit from a low level. Given the ongoing weakness in domestic demand and continued challenges in global trade, the remainder of the year is expected to show significantly lower growth numbers. Growth is forecast to turn considerably negative, especially in 4Q19, as it seems that the government will pursue the increase of the sales tax in 4Q19, which in the past has had a significantly negative impact in the quarter of implementation. In the meantime, domestic developments have improved very slightly, with retail sales showing some improvement and industrial production picking up. However, exports have continued to decline, and continue their significant negative trend.

Total inflation remained supported – at a low level – by energy prices, but also by some improvements in domestic pricing. May inflation retracted to 0.8% y-o-y, after standing at 0.9% y-o-y in April, the highest inflation rate so far this year. The upside trend in inflation seems to be very slightly supported by a rise in earnings in April, when they rose by -0.2% y-o-y, after two consecutive months of decline. So far, the negative earnings trend has kept core inflation, which excludes food and energy, stagnating. Core inflation rose slightly in May, growing by 0.5% y-o-y, compared with 0.6% y-o-y in April. Given labour market tightness, the unemployment rate remained at an extremely low level of 2.4% in May. The Bank of Japan (BoJ) is expected to continue its accommodative monetary policies, given the economic growth trend and low inflation. There is even some possibility that it will increase its monetary support.

Graph 3 - 7: Japan's CPI vs earnings



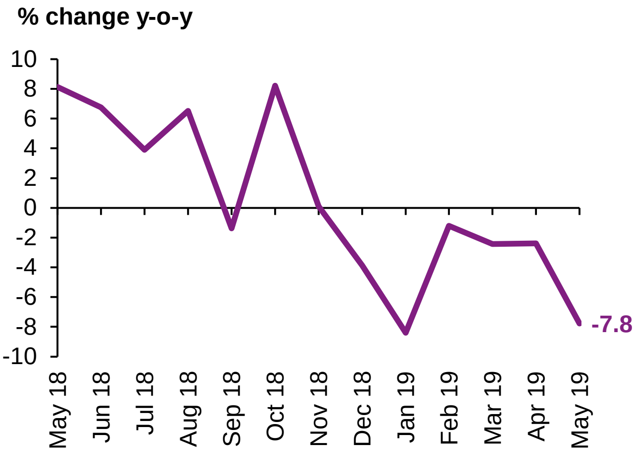
Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Haver Analytics.

Given ongoing trade disputes and the rising fragility in global economic growth momentum, **export** growth slowed again in May, declining by 7.8% y-o-y, non-seasonally adjusted. This compares with -2.4% y-o-y in both April and March.

Some improvement in the generally weak trend was seen for **industrial production**, which rose by 0.4% y-o-y in May, compared with -1.6% y-o-y in April and -2.8% y-o-y in March. The lead indicator for manufacturing orders points to a further challenging near-term development, with a decline of 4.3% y-o-y in April, down from 0.2% y-o-y in March. All four available months in 2019 now show a decline in manufacturing orders.

Domestic retail demand mirrored the only slightly improving trend in the Japanese economy, expanding by 1.2% y-o-y in May, compared with an April increase of 0.4% y-o-y.

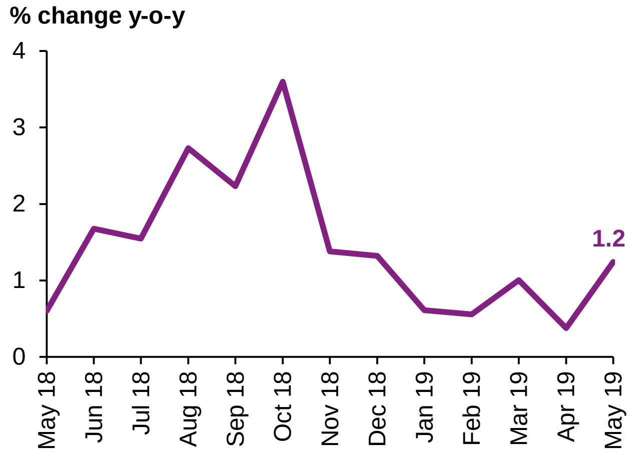
Graph 3 - 8: Japan's exports



Sources: Ministry of Finance, Japan Tariff Association and Haver Analytics.

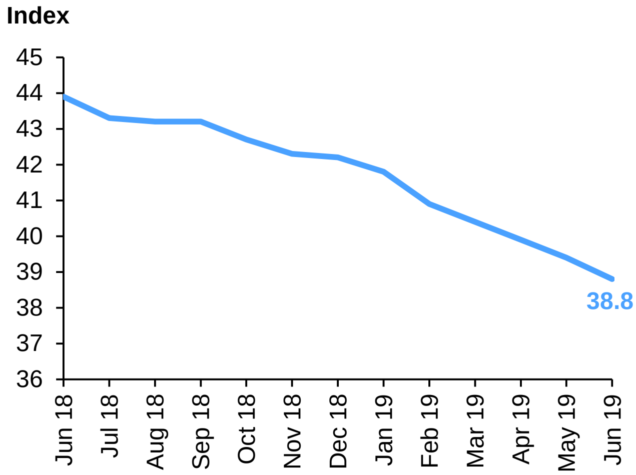
Consumer confidence fell further and now stands at 38.8, the lowest level since 2015. This compares with 39.4 in May and 39.9 in April, based on the Cabinet Office's index level.

Graph 3 - 9: Japan's retail trade



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

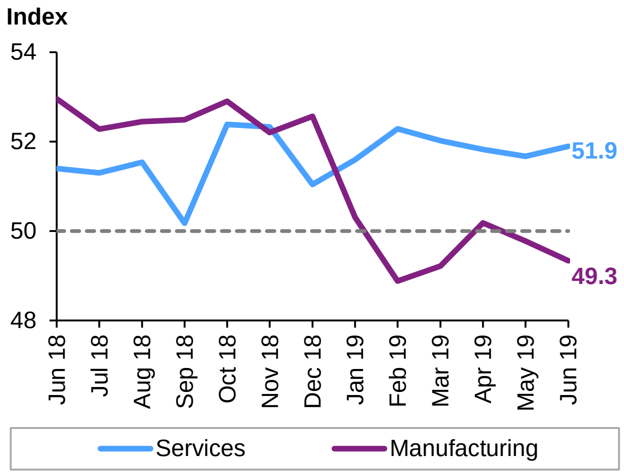
Graph 3 - 10: Japan's consumer confidence index



Sources: Cabinet Office of Japan and Haver Analytics.

The latest **June PMI numbers** confirm the low growth trend for manufacturing, while the non-manufacturing sector continues to perform relatively better. The manufacturing PMI stood at 49.3, after reaching 49.8 in May and 50.2 in April, indicating a decelerating trend. Hence, four out of six months since the beginning of the year showed an index level of below 50, which amounts to a contraction in the sector. The services sector PMI – the sector that constitutes around two-thirds of the Japanese economy – remained almost unchanged at 51.9, after reaching 51.7 in May and 51.8 in April.

Graph 3 - 11: Japan's PMIs



Sources: IHS Markit, Nikkei and Haver Analytics.

Japan's 2019 **GDP growth** forecast remains unchanged at 0.5%. This compares to growth of 0.8% in 2018. The generally sluggish growth trend is expected to continue and given the envisaged sales tax increase later this year, 4Q19 growth is forecast to be significantly negative. This low growth momentum is forecast to carry over into 2020, supported by some domestic demand. However, external trade will remain a challenging area. GDP growth for 2020 is forecast at 0.5%, the same level as in the current year.

South Korea

The **South Korean economy** continues to be supported by domestic demand, while external trade remains a challenging area. After exports declined in May by 0.5% y-o-y, they fell considerably more in June, by 7.2% y-o-y. In 1Q19, exports already declined by 4.0% y-o-y. This compares with a 2Q19 decline of 1.1% y-o-y. Consequently, industrial production (IP) declined by 0.6% y-o-y in May, compared with -0.2% in April. Of the first five months this year, three months showed a decline in IP. The latest **PMI number** for the manufacturing sector showed an ongoing challenging environment, with 47.7 in June, after reaching 48.4 in May. This indicator also shows contractions in the sector – an index level below 50 – in five of the first six months of the year.

The 1Q19 slowdown seems to be continuing in 2Q19, as expected. It remains to be seen how developments will continue. For this month, the 2019 **GDP growth** forecast remains at 2.1%. This follows growth of 2.7% in 2018. The 2020 growth forecast assumes a slight acceleration, due to improving sentiment in global trade. However, this remains uncertain and could provide a further downside if it does not materialize.

OECD Europe

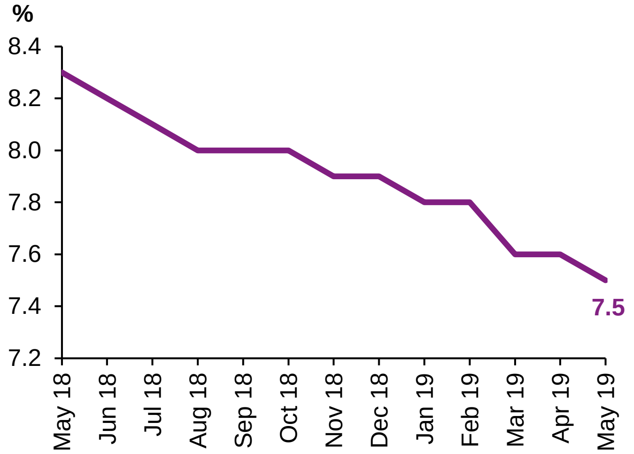
Euro-zone

The slowdown seems to continue in the Euro-zone in this year. Growth is expected to remain low, particularly impacted by weakness in Germany, which is feeling the deceleration in global investments and consequently a decline in external demand for its products, leading to a slowdown in manufacturing. Moreover, Italy remains weak, though somewhat stabilising its economic activity at a very low level. Positively for Italy, the EU Commission refrained from starting the "Excessive Deficit Procedure", a process it intended to launch. This is an action by the European Commission against any EU member state that exceeds the budgetary deficit ceiling or fails to reduce its debts. Ongoing uncertainties also surround Brexit, adding another layer of uncertainty.

Positively, the European Central Bank (ECB) has indicated that it will continue to provide monetary stimulus and that it may again expand again its monetary policies in order to counterbalance a downward trend. However it seems that monetary policies are becoming less effective on a global level, as interest rates are either very low or even negative, and unconventional policies have already been exploited to a large extent.

In the **labour market**, the Euro-zone's unemployment rate retracted to stand at 7.5%, an improvement and the lowest rate since 2008. Germany recorded a low level of 3.1% in May, unchanged from April. France's unemployment rate stood at 8.6%, also a multi-year low, unchanged from April. Spain's labour market improved further as its unemployment rate declined to 13.6% in May, compared with 13.8% in April. The Italian unemployment rate also continued improving as it fell below 10% for the first time since 2012, standing at 9.9% in May. However, in terms of countries, large level differences in the unemployment rate continue.

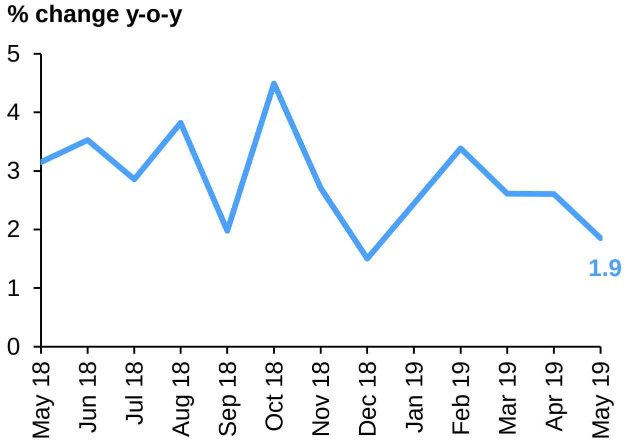
Graph 3 - 12: Euro-zone unemployment rate



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

In line with labour market improvements, developments in the area of **retail trade** held up well, but retracted. Given the past month's support of the retail sector, retail trade growth will need to be monitored in the near term. In value terms it stood at 1.9% y-o-y in May, compared with 2.6% in April.

Graph 3 - 13: Euro-zone retail sales

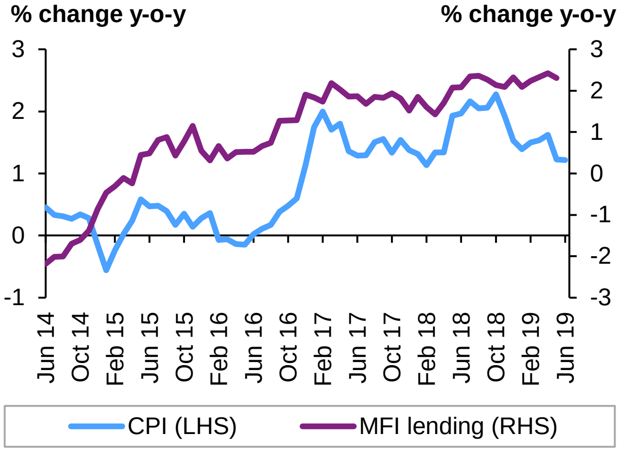


Sources: Statistical Office of the European Communities and Haver Analytics.

Industrial production (IP) in the Euro-zone fell again. April's IP declined by 0.4% y-o-y, compared with a decline of 0.6% y-o-y in March, still very much influenced by the downward trend in Germany, where IP fell by 4.4% y-o-y in May and 3.5% y-o-y in April. Also in Italy, IP declined by 1.3% y-o-y in April, after a decline of 1.8% in March. With the expectation of some pick-up in global trade and a recovery in investments, this trend may turn in 2H19, though it remains uncertain.

Inflation remained low in June at only 1.2% y-o-y, unchanged from May. Given the improvements in the labour market, this may be a temporary development. Increasing tightness in the labour market and rising consumption may support near-term prices in the coming months. However, for the moment, important core inflation – the CPI, excluding energy and food – stood at only 1.1% y-o-y in June, a rise from 0.8% y-o-y in May.

Graph 3 - 14: Euro-zone CPI and lending activity

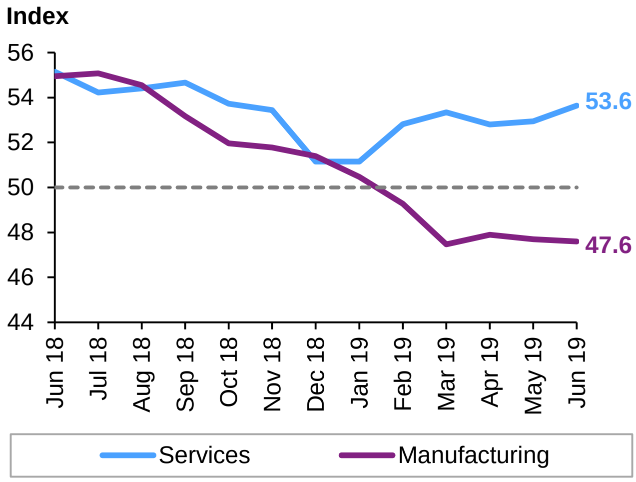


Sources: Statistical Office of the European Communities, European Central Bank and Haver Analytics.

Developments in **lending activity** – as a motor for investment – remained supportive. The latest growth numbers from May stood at 2.3% y-o-y, a gradual slowdown from the 2.4% y-o-y growth seen in April and unchanged from March. While some areas of the Euro-zone's banking sector remain weak, the growth dynamic of liquidity lines continued fuelling the Euro-zone, and with the ongoing support of the European Central Bank (ECB), is expected to continue to do so.

The Euro-zone's latest June **PMI indicators** generally point to mixed developments. The manufacturing PMI fell again slightly to stand at 47.6, compared with 47.7 in May. The important PMI for the service sector, which constitutes the largest sector in the Euro-zone, improved to 53.6 in June, compared with 52.9 in May.

Graph 3 - 15: Euro-zone PMIs



Sources: IHS Markit and Haver Analytics.

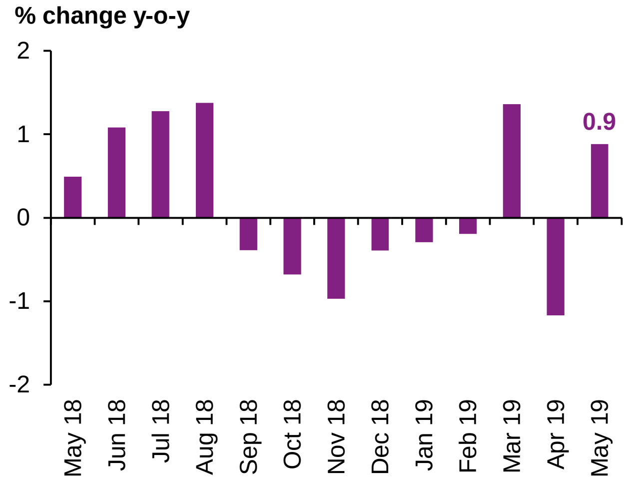
Developments will need to be closely observed as numerous uncertainties remain, including economic and political developments in Italy, Brexit and weaknesses in the banking sector, as well as monetary policies and high sovereign debt levels in some economies. A somewhat slowing momentum has been confirmed and the **2019 GDP growth forecast** remains unchanged at 1.2%. This comes after growth of 1.8% in 2018. In **2020, GDP growth** is forecast to recover from this year's low, supported by improvements in Germany and particularly Italy, and ongoing good growth in France and Spain. The 2020 GDP growth forecast stands at 1.2%.

UK

Brexit uncertainties continue to drag on the UK's economy. There is still the likelihood of a no-deal Brexit, a scenario which is forecast to potentially cause a recession in the UK, but would also have a negative impact on EU Member Countries. The UK's departure date is 31 October 2019, by when an agreement should be found. In the meantime, the UKs' economy has already been severely hit by Brexit uncertainties.

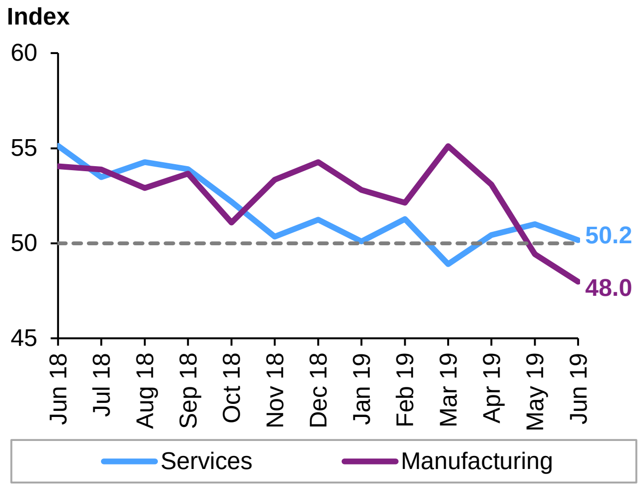
Retail trade in value terms decelerated and fell to its lowest level since 2016. It was up by only 2.7% y-o-y in May, compared with 5.4% y-o-y in April and 7.3% y-o-y in March. **Exports** decelerated slightly in May as growth was recorded at 2.5% y-o-y, compared with 2.8% y-o-y in April and 9.5% y-o-y in March. **Industrial production** increased in May by 0.9% y-o-y, after a decline of 1.2% y-o-y in April.

Graph 3 - 16: UK industrial production



Sources: Office for National Statistics and Haver Analytics.

Graph 3 - 17: UK PMIs



Sources: CIPS, IHS Markit and Haver Analytics.

June **PMI lead indicators** showed a downward trend. The PMI for manufacturing retracted further in June to stand at 48.0, compared with an already low May level of 49.4, below the growth-indicating level of 50. This is a considerable drop from 53.1 in April and 55.1 in March. The very important PMI of the services sector, which constitutes the majority of the UK's economy, held up relatively better to stand at 50.2 in June, compared with 51.0 in May and 50.4 in April.

Despite ongoing Brexit uncertainties, 2019 **GDP growth** remains at 1.4%, taking into consideration the high 1Q19 growth number, which was better than expected. This follows GDP growth of 1.4% in 2018. However, this year's growth will depend very much on further Brexit-related developments. A GDP growth level of 1.4% is also forecast for 2020. This, however, assumes, a non-disruptive and soft Brexit, which given the ongoing uncertainties remains to be seen.

Non-OECD

BRICs

Table 3 - 2: Summary of macroeconomic performance of BRIC countries, 2019-2020*

	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	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Brazil	0.9	1.7	4.0	3.7	-19.5	-25.3	-5.8	-4.9	82.2	83.6
Russia	1.4	1.4	4.9	4.3	115.1	108.0	2.1	1.5	9.5	9.4
India	6.8	7.0	3.6	4.1	-54.9	-53.3	-3.4	-3.5	48.0	47.5
China	6.2	6.0	2.9	3.1	23.6	-43.2	-4.5	-4.5	22.3	25.2

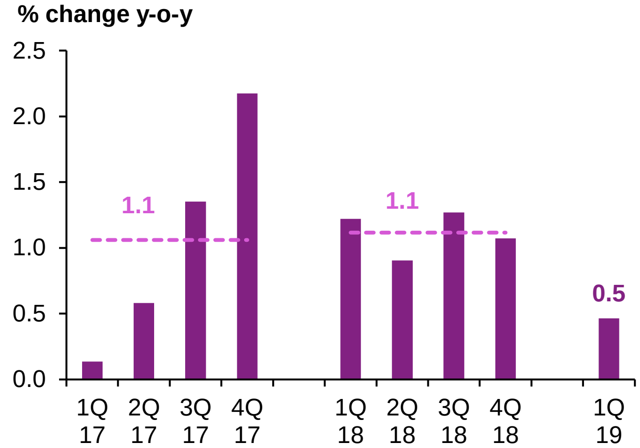
*Note: * 2019-2020 = Forecast.*

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

Brazil

The trade surplus narrowed to $5 billion in June 2019 from $5.9 billion in June 2018. **Exports** decreased by 10.3% y-o-y. **Imports** declined by 9.1% y-o-y, due to lower imports of consumption goods, intermediate products, and capital goods. The drop in exports was mainly driven by lower exports of manufactured goods, in particular airplanes, auto parts, iron and steel products, motor vehicles and parts, cargo vehicles, and light vehicles. Considering the first six months of 2019, Brazil recorded a $27.1 billion of trade surplus. The **GDP** growth had its weakest rate in 1Q19 since 1Q17, when the economy emerged from its deepest and longest recession in modern history. The GDP grew by only 0.5% y-o-y in 1Q19 as a result of the weak performance of GFCF and exports.

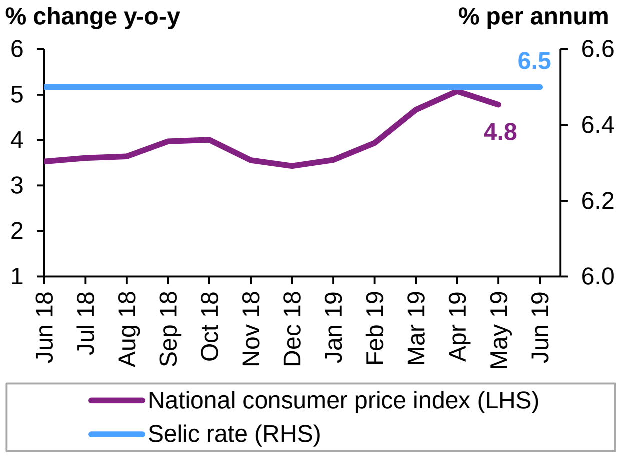
Graph 3 - 18: Brazil's GDP growth



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

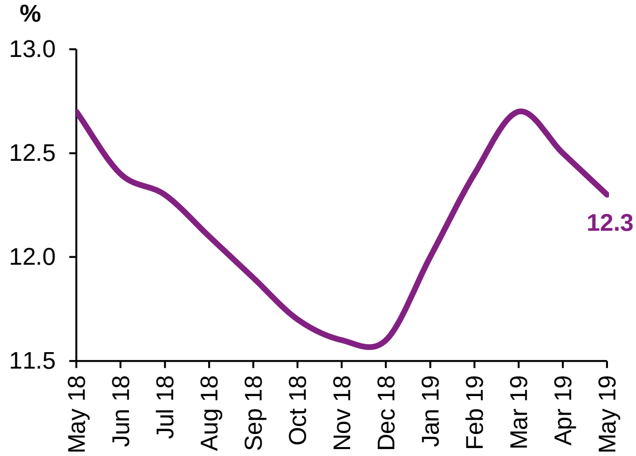
Economic hardships in neighbouring Argentina have materialized in the form of a downward swing in Brazil's exports to Argentina, its third largest trading partner. Exports to Argentina dropped by 41% y-o-y on average during January-May 2019.

Graph 3 - 19: Brazil's inflation vs. interest rate



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

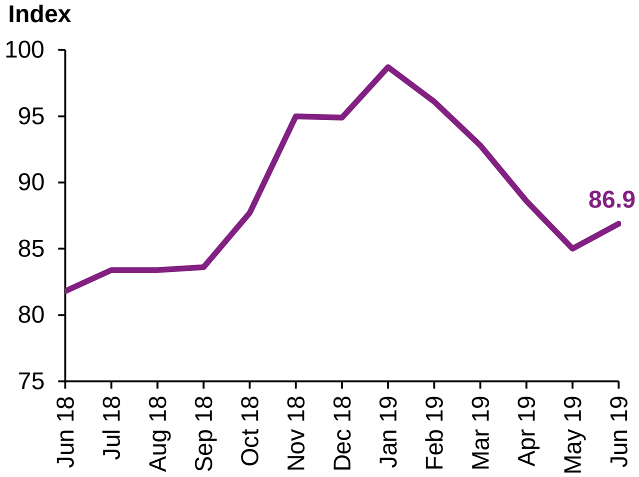
Graph 3 - 20: Brazil's unemployment rate



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

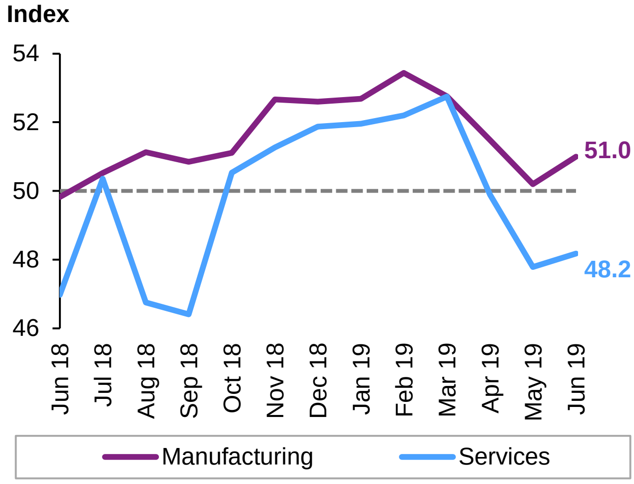
The health of the Brazilian **manufacturing** industry strengthened in June, after improving only fractionally during May. On a less upbeat tone, exports contracted at the sharpest pace in nearly two-and-a-half years and there were back-to-back cuts to employment. Also, charge inflation reached an eight-month high as firms sought to protect margins amid a sharp rise in cost burdens. The IHS Markit Brazil Manufacturing PMI rose from 50.2 in May, to 51.0 in June. Last month saw a renewed increase in new work intakes, after growth came to a halt in May. Firms indicated that demand conditions improved at the end of the second quarter. Data suggested that the domestic market was the key source of sales growth, as exports contracted at the fastest rate in 29 months. The IHS Markit Brazil **Services** Business Activity Index showed that services activity remained in contraction in June, as new orders declined after growth had slowed for two successive months. Consequently, employment continued to fall, with job shedding accelerating to the fastest level since August 2018. On the price front, there was a slower rise in input costs and a quicker upturn in selling charges. Inflation of the former continued to outpace the latter, but the gap seen in June was the narrowest in three months. Registering 48.2 in June, the index highlighted a third consecutive monthly contraction in output. That said, rising from 47.8 in May, the latest figure showed a slower pace of reduction.

Graph 3 - 21: Brazil's consumer confidence index



Sources: Fundação Getúlio Vargas and Haver Analytics.

Graph 3 - 22: Brazil's PMIs



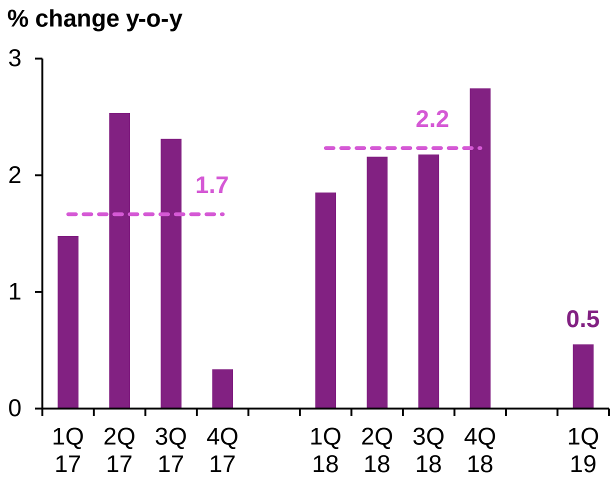
Sources: IHS Markit and Haver Analytics.

The private sector weakness during 2Q19 and weak economic growth in 1Q19 together with high unemployment rate and falling exports to Argentina since May 2018 have shed more negativity on the short-term path of the economy. Furthermore, significant uncertainty regarding the government's plan to revamp the country's pension system added to the dampening forces to growth in 2019. **GDP** is forecast to grow by 0.9% in 2019, from the 1.1% growth achieved in 2018. For 2020, Brazil's GDP is not expected to continue posting below potential growth at around 1.7%, unless the government succeeds in reducing the deficit and reforming the pension system.

Russia

The **GDP** of Russia has grown in 1Q19 by its slowest pace in more than a year, data from the Federal Statistics Service has shown. GDP grew by 0.5% y-o-y in 1Q19, compared to 2.7% in 4Q18. Household consumption, government spending, investment, and exports have all caused this growth deceleration. While household consumption and government spending registered growth, albeit at a smaller rate in 1Q19, both investments and exports were in contraction territory. Imports, on the other hand, dropped by a larger magnitude, being the only pro-growth factor in the GDP equation. It is worth noting that Russia revised Russia's quarterly GDP back to Q1 2014. Those revisions brought the GDP growth figure for 2018 to 2.3% y-o-y, which is the highest rate of growth since 2012 and higher than the 1.8% y-o-y growth estimated by the Ministry of Economics and the 1.5% y-o-y growth estimated by the central bank.

Graph 3 - 23: Russia's GDP growth

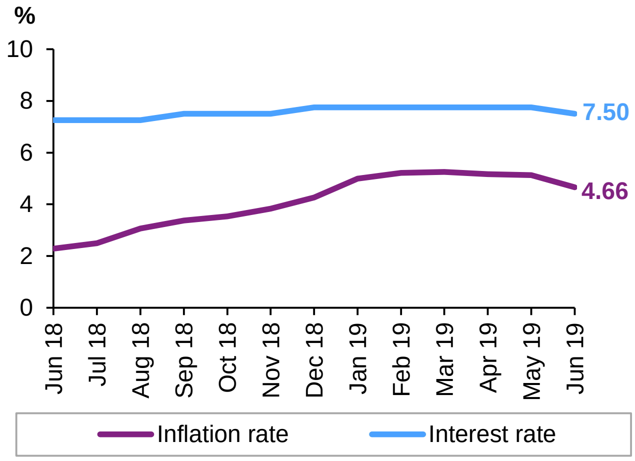


Sources: Federal State Statistics Service and Haver Analytics.

The statistics service has revised construction growth in the first 11 months of 2018 from 0.5% to 5.7% y-o-y, accounting for the third phase of the Yamal LNG fields in the Far East of Russia.

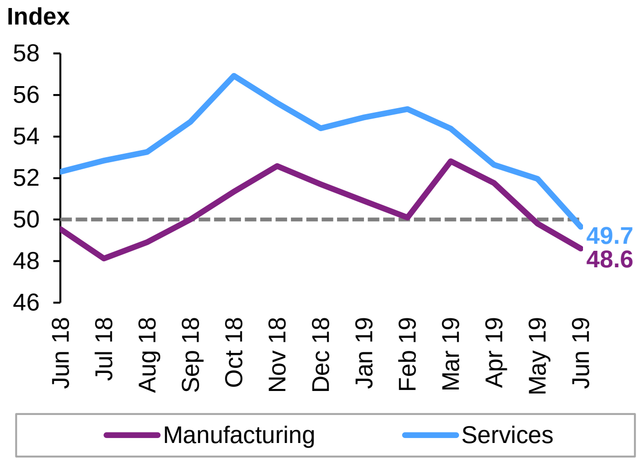
The **ruble** appreciated by 0.9% m-o-m in June, after depreciating by 0.3% m-o-m in May, and by 0.8% m-o-m in April. On a year-on-year comparison, the ruble was 2.4% lower in June 2019 from its level a year earlier. Consumer price **inflation** eased for the first time in nine months in April, posting 5.2% y-o-y, down from 5.3% in March which was the highest inflation rate since December 2016. In January, inflation accelerated to 5.0% y-o-y, up from December's posted 4.3% and November's 3.8%, as a result of the VAT increase. In August, inflation surpassed 3% y-o-y for the first time in 12 months. The central bank reduced its benchmark **one-week repo rate** to 7.50% in June, from May's 7.75%.

Graph 3 - 24: Russia's inflation vs. interest rate



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

Graph 3 - 25: Russia's PMIs

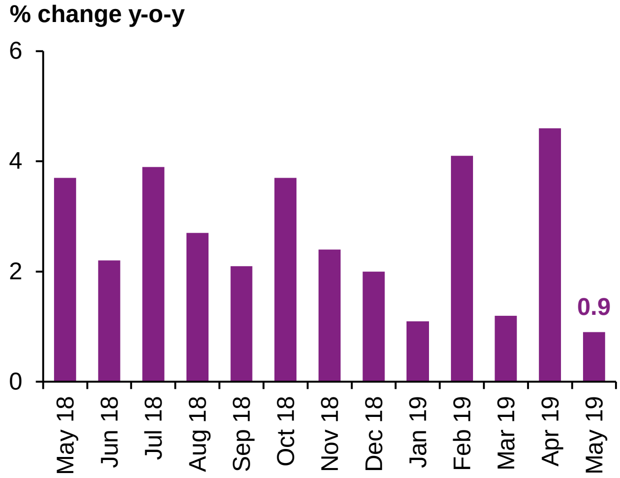


Sources: IHS Markit and Haver Analytics.

The IHS Markit Russia **manufacturing** PMI indicated that the manufacturing sector deteriorated for the second successive month. The contraction stemmed from downturns in output and new business. The slowdown in client demand resulted in a further fall in workforce numbers. Firms also reacted to lacklustre demand by increasing output charges at the slowest pace since March 2018, with some highlighting discounting and promotional activity. The index registered 48.6 in June, down from 49.8 in May and signalling a slight deterioration in the health of the Russian manufacturing sector. The latest headline figure was the lowest since July 2018 and indicated downward pressure on growth at the end of the second quarter of 2019.

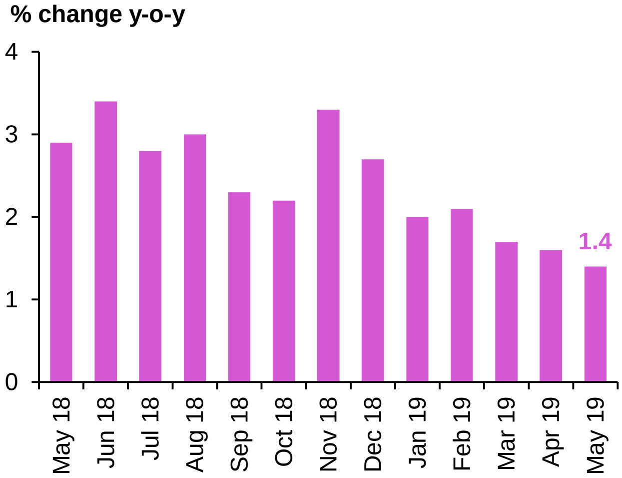
The IHS Markit Russia **Services** Business Activity Index showed a fractional contraction in business activity across the service sector. Although slight, the fall was the first since the start of 2016 and largely stemmed from a similar contraction in new business. Weaker demand conditions had the effect of reducing workforce numbers at a solid rate that was the fastest since April 2016. The notable turnaround in client demand also caused a drop in business confidence. Meanwhile, rates of input cost and output charge inflation eased further amid a slowdown in demand. In April, **retail trade** posted an expansion of 1.4% y-o-y in May, compared to 1.6% a month earlier.

Graph 3 - 26: Russia's industrial production



Sources: Federal State Statistics Service and Haver Analytics.

Graph 3 - 27: Russia's retail sales



Sources: Federal State Statistics Service and Haver Analytics.

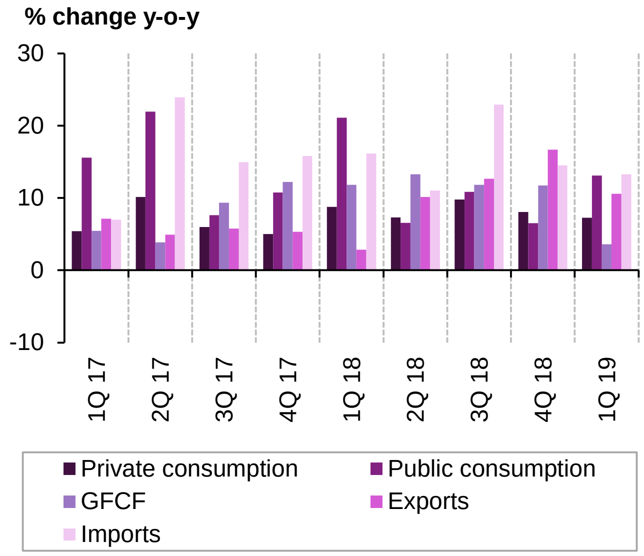
GDP growth expectations for 2019 are being challenged by a number of factors, including the slowing business conditions in the private sector – manufacturing and services - together with the base-line effect of strong harvest, impact of higher inflation and interest rate on domestic demand, commodity prices uncertainties, geopolitical risk, and conservative public spending. GDP growth forecast points to 1.4% y-o-y in 2019 and 2020.

India

Slower than expected GDP growth in the January-March period, dragged overall growth to a five-year low in FY19. However, it seems average GDP growth in 2019 continues to slow and is expected to remain tepid as consumption, the safeguard of the Indian economy, is showing signs of slowing.

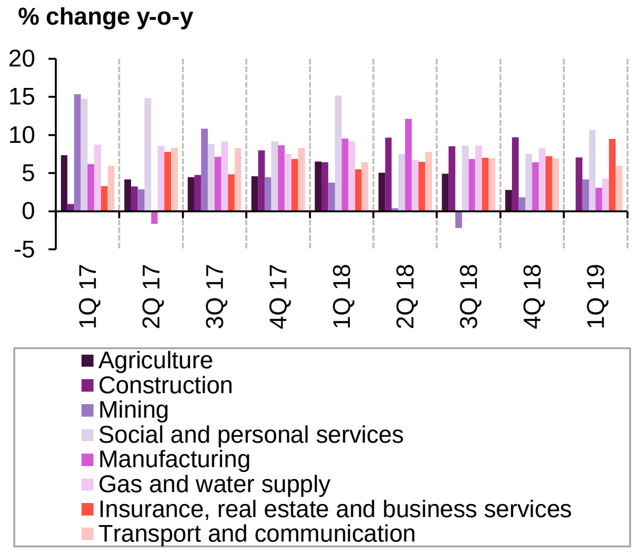
After a pre-election and Budget in February 2019, India's new government in first week of July 2019 presented the Union Budget to boost infrastructure and foreign investment. India's Finance Minister announced no changes in personal income tax rates but levied additional surcharge on the super-rich and sought to spur growth with reduction in corporate tax and taxes to housing sector, start-ups and electric vehicles. India's Budget will stimulate economic growth as it lays stress on the development of infrastructure and confers several benefits on Small & Medium Enterprises (MSMEs).

Graph 3 - 28: India's GDP growth by demand side



Sources: Central Statistics Office and Haver Analytics.

Graph 3 - 29: India's GDP growth by supply side



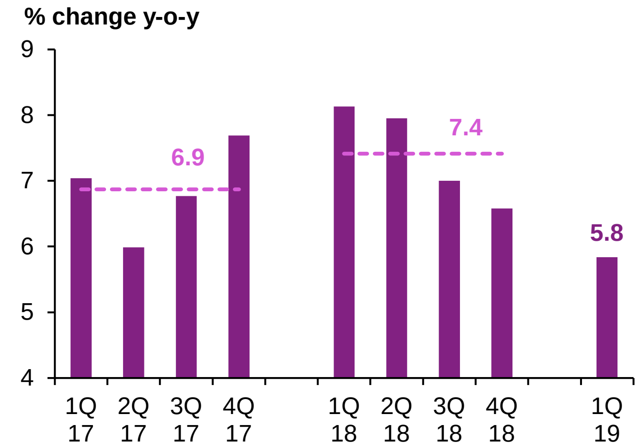
Sources: Central Statistics Office and Haver Analytics.

The Reserve Bank of India (RBI) lowered its growth forecast to 7% for 2019 from the 7.2% previously estimated and raised its retail inflation outlook for the 1H19 to a range of 3% to 3.1% from a range of 2.9% to 3%.

The new administration's fiscal space was very constrained. While the central government has been cutting its deficit, gradually bringing it down to about 3.4% of GDP, state deficits have continued to rise (~ 3% of GDP) and off-balance sheet borrowings have increased in recent years by more than 2% of GDP. Consequently, total public sector borrowing requirements (PSBR) is almost 9% of GDP, which is eating up all net household financial savings (~8-9% of GDP) and putting pressure on market interest rates, manifested in a steep yield curve. Against this backdrop, there is little space for any fiscal stimulus to respond to the slowdown.

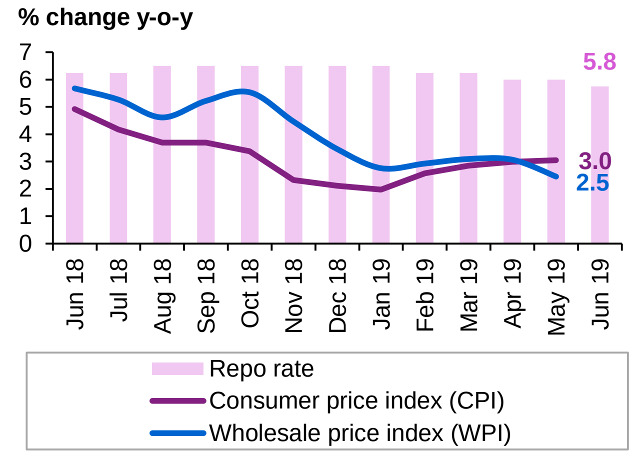
The recent Indian government's economic survey, shows that India will face a challenge on the fiscal front following an economic slowdown which impacts tax returns, amid rising state expenditure on the farm sector. However, the investment rate was expected to pick up following improvements in consumer demand and bank lending. The growth in the economy is expected to pick up in 2019 as macroeconomic conditions continue to be stable. The government report said the accommodative monetary policy of the central bank could help decrease real lending rates and push investments.

Graph 3 - 30: India's GDP growth



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

Graph 3 - 31: Repo rate and inflation in India



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

India's **CPI inflation** rose to 3.05% y-o-y in May 2019 from an upwardly revised 2.99% in the previous month and slightly above market expectations of 3.01%. That was the highest rate since October last year, mainly supported by higher food prices. Nevertheless, inflation has come in below the Reserve Bank of India's medium-term target of 4% for ten consecutive months.

India's **WPI** fell by 2.45% y-o-y in May 2019, easing from a 3.07% gain in the previous month and below market expectations of 3.1%. It was the lowest wholesale inflation rate since July 2017, amid a slowdown in the cost of food, fuel and manufactured products. On a monthly basis, WPI increased by 0.2% in May, after a 0.8% gain in April.

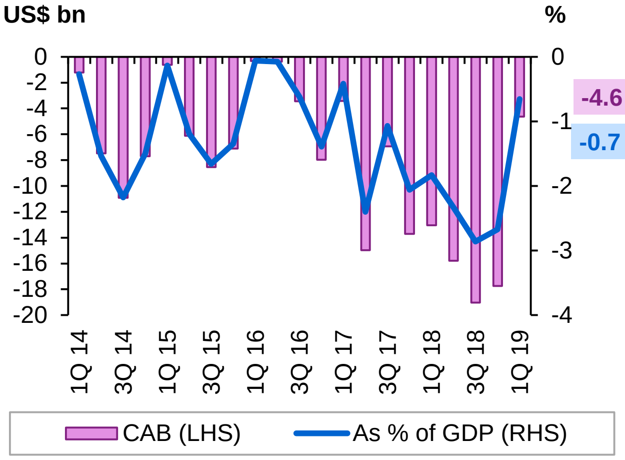
The RBI lowered its **policy interest rate** by 25 basis points (bps) to 5.75% during its June meeting and changed its monetary policy stance to "accommodative" from "neutral". It was the third straight interest rate cut so far this year, as policymakers voiced concerns about the sharp slowdown in investment activity along with a continuing moderation in private consumption growth. The economy grew by 5.8% in 1Q19, the slowest pace in more than four years.

India's **trade deficit** widened to $15.36 billion in May 2019 from $ 14.62 billion in the same month last year. Imports were up 4.31% to an all-time high of $45.35 billion, boosted by purchases of gold (37.43%) and oil (8.23%). Meanwhile, exports rose at a softer 3.93% to $29.99 billion.

The US announced its decision to terminate preferential access to India under the Generalized System of Preference (GSP) programme. The US indicated that India had been unable to offer assurances that it would provide equitable and reasonable access to its markets. India was the largest beneficiary of the GSP programme, with $5.7 billion in duty-free exports (1.2% of total goods and services export basket). Exports of textiles, engineering, gems, jewellery and chemical products benefited the most from this program. India has a $27 billion trade surplus with the US (1% of GDP) and has decided to impose retaliatory tariffs on 29 goods amounting to ~$250 million imported from the US from June 16, 2019. India is also the fastest growing major market for American goods.

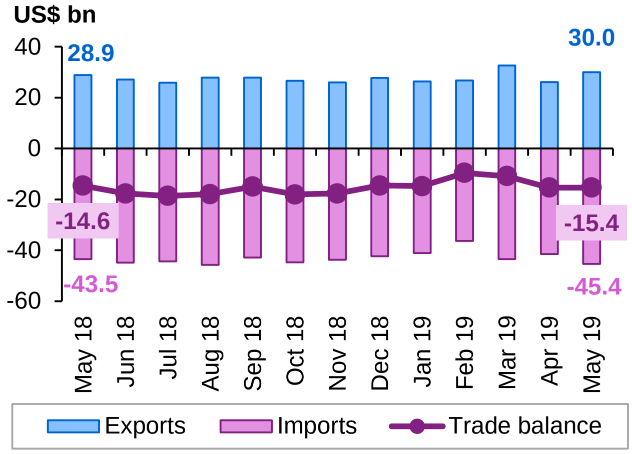
India's **current account deficit (CAD)** narrowed sharply to 0.7% of GDP in 4Q18, from 2.7% in the 3Q18, primarily on account of a lower trade deficit, even as foreign portfolio inflows remained robust. In absolute terms, the CAD stood at $4.6 billion in the 4Q18, compared with $13 billion y-o-y and $17.7 billion in the 3Q18. Foreign portfolio investment recorded a net inflow of $9.4 billion in 4Q FY19, as compared to a net outflow of $2.1 billion in the 4Q18. In the 4Q FY18, the net inflow was close to $2.3 billion. Net foreign direct investment at $6.4 billion in 1Q FY19 remained at the same level as in 4Q FY18.

Graph 3 - 32: India's current account deficit (CAD)



Sources: Reserve Bank of India and Haver Analytics.

Graph 3 - 33: India's trade balance

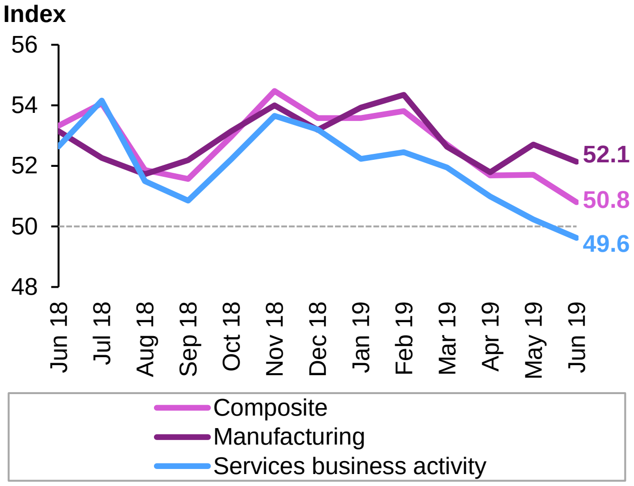


Sources: Ministry of Commerce and Industry and Haver Analytics.

The **Nikkei India Manufacturing PMI** fell to 52.1 in June 2019 from a three month-high of 52.7 in the previous month. Also, new export order growth eased to the second slowest in over a year. Meantime, quantities of purchases strengthened to a four-month high, with input stocks rising the most in over two years, while there was another decline in inventories of finished goods. In terms of prices, June data continued to show only a moderate increase in input costs, which in turn supported another round of selling charges discounting. Finally, sentiment remained upbeat, though weakened slightly from that recorded in May.

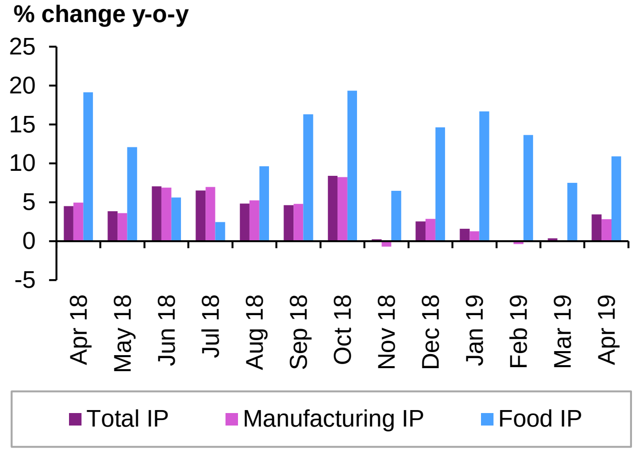
The **Nikkei India Services PMI** fell unexpectedly to 49.6 in June 2019 from 50.2 in May. This was the first contraction in services activity since May 2018 when the reading was also 49.6. New orders were broadly stagnant amid competitive pressure and unfavourable taxation. Meanwhile, foreign sales grew for the fourth straight month, despite the slowest pace in this sequence, and employment growth slowed to a 22-month low.

Graph 3 - 34: India's PMI



Sources: Nikkei, IHS Markit and Haver Analytics.

Graph 3 - 35: India's industrial production (IP) breakdown



Sources: Ministry of Statistics and Program Implementation of India and Haver Analytics.

GDP growth in 2019 remains unchanged from last month at 6.8% and GDP growth for 2020 is forecast at 7.0%.

China

China's GDP growth momentum remained soft in May as overall domestic demand was weak, though external demand grew modestly. Growth is forecast to stabilise later in the year in response to the macro policy easing. GDP growth is forecast at 6.2% this year and 6.0% in 2020. However, the meeting of the American and Chinese presidents at the G20 summit saw both sides agree to a trade truce, with no new import tariffs to be imposed during negotiations. This is a positive development and should help contain downside risks to China and the rest of Asia's growth outlook for the time being.

China's domestic demand has increasingly become more important for Asian trade. Hence, exports from the rest of Asia are likely to benefit as growth in the mainland finds a floor and Chinese imports revive. Alongside expansionary macroeconomic policies, this should help the region's growth stabilise in the second half of the year, with some economies even receiving a boost.

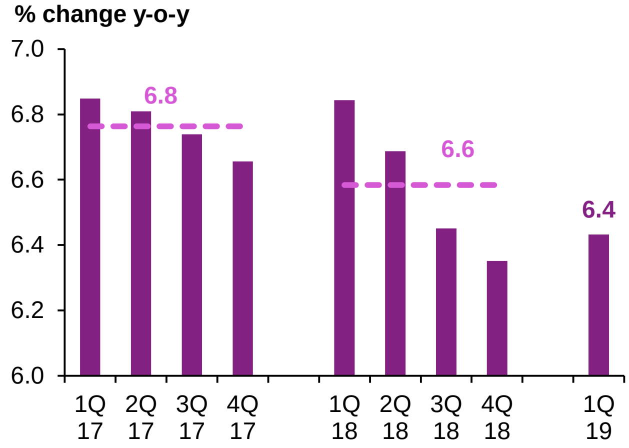
Investment growth and real estate activities cooled in May. On a more positive note, consumption growth picked up, bucking the downward trend seen over the past few months. Exports improved but only modestly amid tepid global trade. New rules were announced in June to lower the restrictions on the use of proceeds from local government special bonds – this will relax financial constraints on infrastructure projects.

While credit growth remained stable in May and overall interbank liquidity has been ample, the risk of an interbank funding squeeze has risen recently, particularly among small and medium-sized banks, following the government takeover of a regional commercial bank in late May. The authorities have been injecting liquidity and taking measures such as setting up rules to resolve interbank defaults to calm market fears.

The restarting of trade talks does not mean that the US and China will reach a final deal any time soon. Negotiations will continue to be difficult, given the tough stance that the two sides will likely assume. It seems China will continue to gradually open market access to foreign companies, including the US, which should help the situation. After G20 meeting China's government said there will be no trade deal unless existing tariffs are stripped.

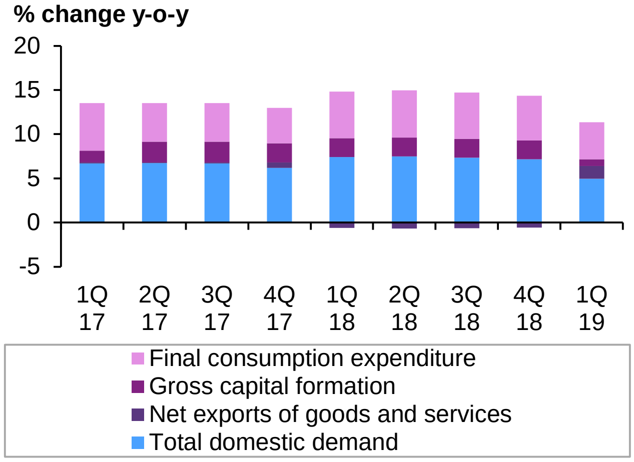
Chinese authorities will focus on stabilising China's domestic growth through policy easing while keeping a close eye on the macro leverage. Besides boosting infrastructure investment, the government is looking into deepening market-oriented interest rate reform and lowering interest rates for SME financing, which can also be seen as a targeted move to support growth. This should help growth stabilise in 2H19. Accordingly, the GDP growth forecast at 6.2% this year is maintained. A stabilisation in Chinese economic growth should also have a positive spillover impact on the rest of the region.

Graph 3 - 36: China's GDP growth



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

Graph 3 - 37: China's GDP breakdown

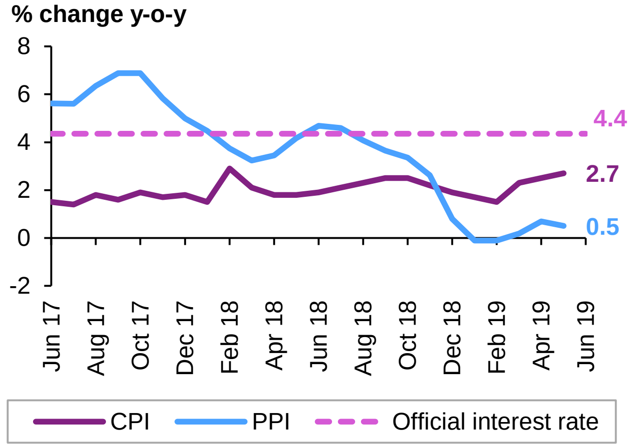


Sources: China National Bureau of Statistics and Haver Analytics.

China's **CPI** inflation rose to 2.7 % y-o-y in May 2019 from 2.5 % in April and matches market consensus. China's **PPI** increased by 0.6 % y-o-y, easing from a 0.9% rise in the previous month.

The **Official NBS Manufacturing PMI** (Business Confidence) unexpectedly was unchanged at 49.4 in June 2019 and missed market expectations of 49.5. This marked the second straight month of contraction in manufacturing activity, amid declines in new orders (49.6 vs 49.8 in May), new export orders (46.3 vs 46.5) and employment (46.9 vs 47.0).

Graph 3 - 38: China's CPI and PPI

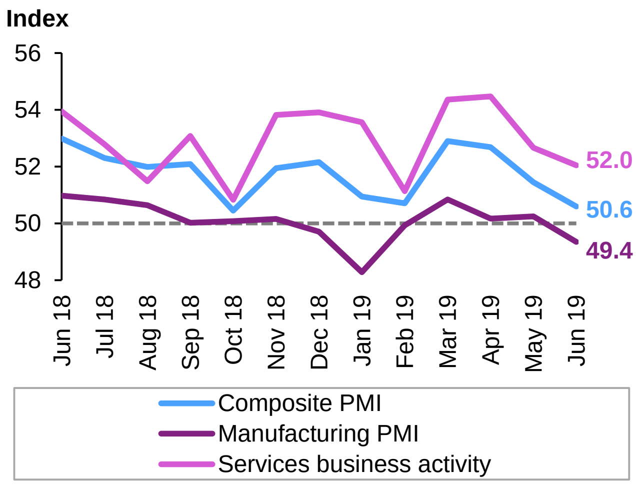


Sources: China Index Academy, China National Bureau of Statistics, Soufan and Haver Analytics.

The **Caixin China General Manufacturing PMI** fell to 49.4 in June 2019, from 50.2 in the previous month. This marked the first contraction in factory activity since February, as new orders, overseas sales and output all declined amid persistent trade disputes with the US. In addition, employment shrank further, with evidence suggesting that voluntary leavers were not being replaced. Also, buying activity fell following the upturn noted in May.

On the price front, input cost inflation hit its highest level in seven months, though the rate remained mild in the context of historical survey data. Similarly, there was a slight rise in factory gate charges, following no change in May.

Graph 3 - 39: China's PMIs



Sources: Caixin, IHS Markit and Haver Analytics.

The **official Non-Manufacturing PMI** in China unexpectedly inched lower to 54.2 in June, the lowest in six months, from 54.3 in the previous month and missing market consensus of 54.5.

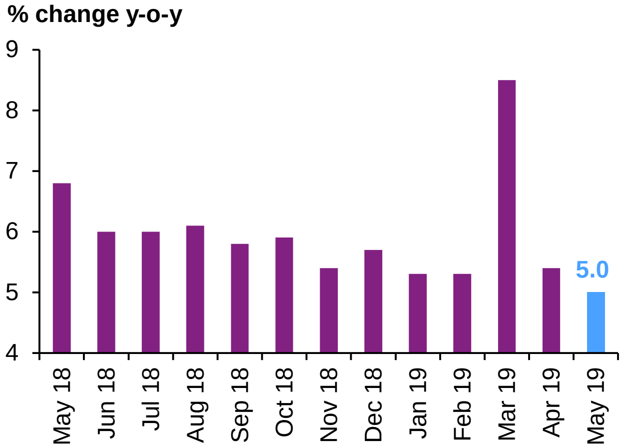
The **Caixin China General Services PMI** dropped to a four-month low of 52.0 in June 2019 from 52.7 in the previous month. Overseas sales shrank for the first time in nine months, with companies citing subdued global demand and tariffs. At the same time, new orders grew slightly faster, supported by fiscal policies that boosted client spending.

China's **industrial production** increased 5% y-o-y in May 2019, easing from a 5.4% advance in April and missing market consensus of 5.5%.

China's **GDP growth** expectation was kept unchanged at 6.2% in 2019. GDP growth is forecast to decelerate through 2020 on slowing investment and industrial activity.

Overall, we expect GDP growth in 2020 to average 6.0%, roughly achieving the government target of doubling GDP and per capita income by 2020 (the objective set in 2010). The main factors affecting the short-term forecast are the trade conflict with the US, domestic demand; policy easing to moderate the slowdown; and the decreasing current account surplus. GDP growth is forecast to decelerate through 2020 on slowing investment and industrial activity, however continued healthy consumption and service sector growth is forecast.

Graph 3 - 40: China's industrial production



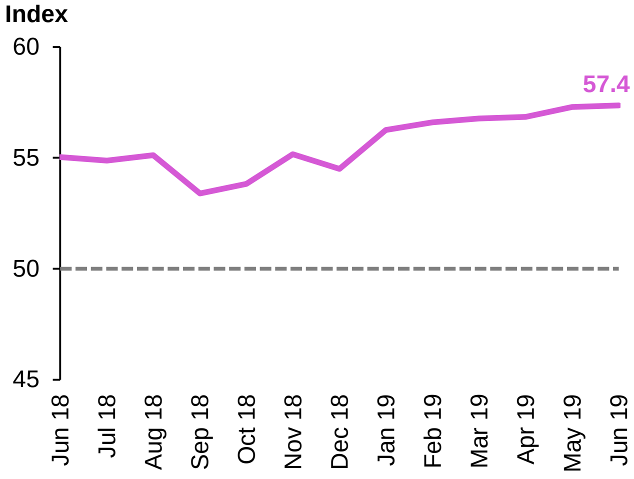
Sources: China National Bureau of Statistics and Haver Analytics.

OPEC Member Countries

Saudi Arabia

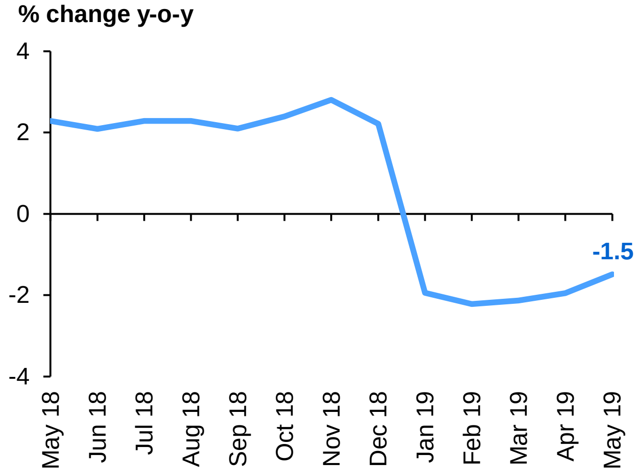
In **Saudi Arabia**, consumer price inflation dropped by 1.5% y-o-y in May, from a 2.0% drop in April, continuing the easing streak started at the beginning of the year. Prices for housing, water, electricity, gas and other fuels dropped by 7.5% y-o-y in May, which was a major factor in easing inflation. Food prices inched up by 2.1% y-o-y in May, from 1.1% in April. Furthermore, the category of communication saw a 0.9% y-o-y decrease in May, from a 1.1% drop in prices during April. Cement deliveries, which are an indication of the construction sector, dropped by nearly 26% y-o-y in May, from an 8.6% decrease in April. The monetary agency's repo rate was unchanged at 3% in June. The repo rate remains unchanged since December 2018 when it was raised from 2.75% to 3.00%. The country's foreign reserves excluding gold increased to $516.6 billion in May, from $504.6 billion in April and $499.1 billion in March. Gold holdings remain unchanged at $433 million in May. The Emirates NBD Saudi Arabia PMI rose to 19-month high of 57.4 in June, from 57.3 in May. While both output and new work increased at a solid rate in June, there was almost no change in private sector employment. Reflecting stronger new business growth, firms ramped up their input buying at a marked pace during June. However, the rate of growth eased from May's 17-month high.

Graph 3 - 41: Saudi Arabia's composite PMI



Sources: Emirates NBD, IHS Markit and Haver Analytics.

Graph 3 - 42: Saudi Arabia's inflation

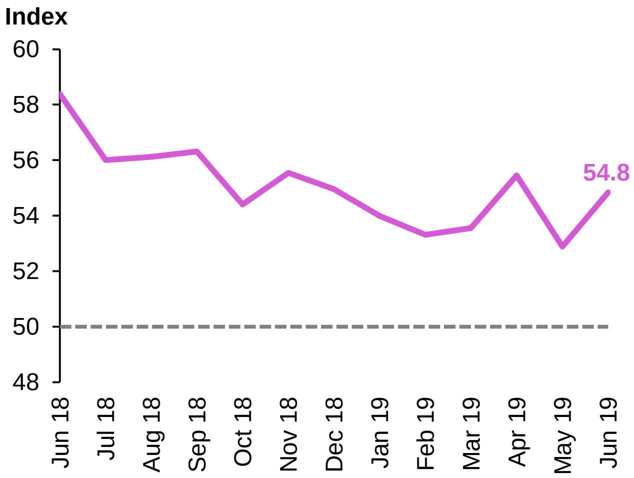


Sources: General Authority for Statistics and Haver Analytics.

Nigeria

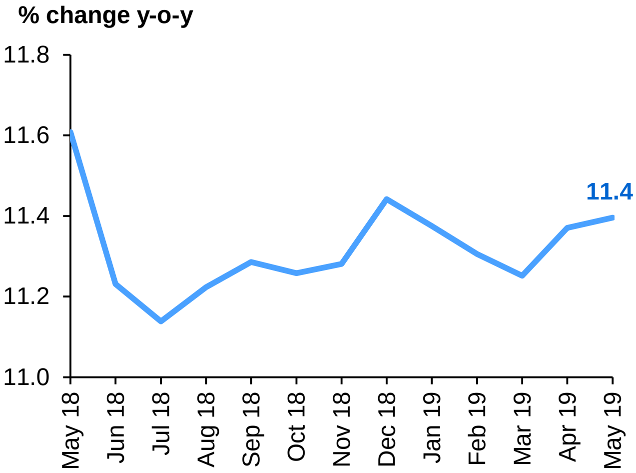
In **Nigeria**, the Stanbic IBTC Bank Nigeria PMI pointed to a marked monthly improvement in business conditions in the Nigerian private sector in June. The index rose to 54.8 in June, from May's 52.9, with output and new orders both rising more quickly than was seen in May. The rate of job creation slowed and was only marginal, however, it contributed to a build-up of outstanding business. Cost inflationary pressures showed further signs of softening, and output prices increased at the weakest pace for almost a year. GDP registered growth of 2% y-o-y in 1Q19, from 2.4% in 4Q18, according to the National Bureau Statistics. The country's general elections were held in 1Q19. Agriculture posted a higher rate of growth in 1Q19 at 3.2% y-o-y, compared to 2.5% in the previous quarter. Whereas growth in the industry slowed from 0.9% y-o-y in 4Q18 to nearly 0.1% in 1Q19. Growth in services also slowed to 2.4% in 1Q19, from 2.9% in 4Q18.

Graph 3 - 43: Nigeria's composite PMI



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

Graph 3 - 44: Nigeria's inflation

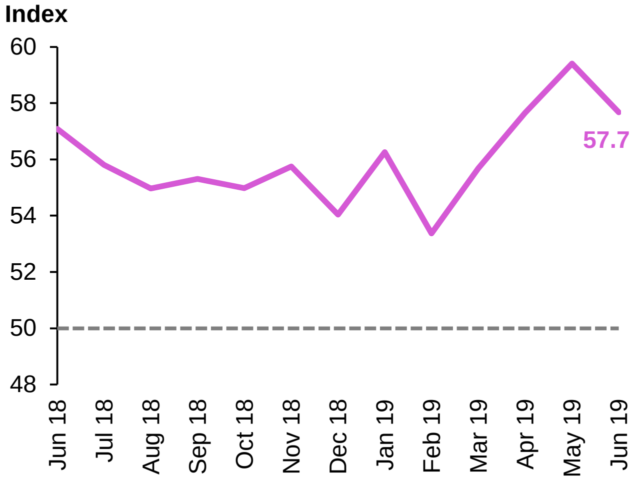


Sources: National Bureau of Statistics and Haver Analytics.

The United Arab Emirates (UAE)

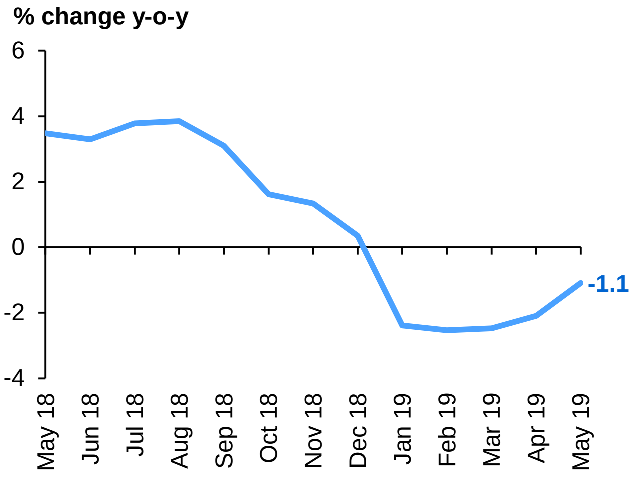
In the **UAE**, business conditions in the non-oil private sector during 2Q19 were the highest since 4Q14, according the Emirates NBD UAE PMI. The index posted 57.7 in June, down from 59.4 in May but still signalling a marked monthly improvement in business conditions. June data pointed to a sharp expansion of business activity, and one that was only slightly weaker than May's survey record. A similar picture was seen with regards to new orders, with growth remaining substantial despite softening from the previous month. The recent trend of only marginal changes in workforce numbers continued in June. Purchasing activity grew at a record pace for the second month running as companies responded to rising new orders. Stocks of purchases also increased, albeit at a reduced pace that was the softest since February.

Graph 3 - 45: UAE's composite PMIs



Sources: Emirates NBD, IHS Markit and Haver Analytics.

Graph 3 - 46: UAE's inflation



Sources: National Bureau of Statistics and Haver Analytics.

Other Asia

Philippines

In the **Philippines**, annual inflation rate fell to a 22-month low of 2.7% in June 2019 from 3.2 percent in the previous month. Food inflation hits its lowest in near two-and-a half-year low, while there was a slowdown in cost of both housing and transport. The central bank set an inflation target range of between 2% to 4% from 2018 to 2020. The central bank left its key overnight reverse repurchase facility rate unchanged at 4.5% in its June meeting. Policymakers said the decision remains consistent with the manageable inflation outlook and firm domestic growth prospects, unveiling that a prudent pause allows it to observe and assess the impact of prior monetary adjustments. The bank noted the uptick in inflation to 3.2% in May from 3% in April, which is likely to be temporary and still within the 2-4% target range. Also, the bank cut its inflation forecasts for 2019 to 2.7% from 2.9% and for 2020 to 3% from 3.1%, amid declining energy prices and the prospect of a stronger peso. In the manufacturing sector, stronger output growth offset slower demand gains during June, as suggested by the IHS Markit Philippines manufacturing PMI. The index rose slightly from 51.2 in May to 51.3 in June. The latest figure signalled a still subdued picture for the manufacturing sector, with the reading among the lowest in the three-and-a-half year history despite being the highest seen since March. GDP advanced 5.6% y-o-y in 1Q19, easing from an upwardly revised 6.3% expansion in the previous quarter. It was the weakest growth rate since 1Q15, as government spending and fixed investment slowed, and net exports contributed negatively to the GDP.

Africa

In **South Africa**, the trade surplus registered at 1.74 billion rand in May 2019, compared to a 3.43 billion rand deficit in the previous month. Exports went up by 8.1% m-o-m to 112.07 billion rand in May, boosted by sales of precious metals and stones, vegetable products, chemical products, machinery and electronics, and base metals (5%). By contrast, exports of vehicles and transport equipment dropped in May. The most important export partners were China, the US, Germany, the UK and Japan. Imports increased at a slower 3.0% to 110.33 billion rand, mainly due to imports of vehicles and transport equipment, machinery and electronics, and base metals. On the other hand, imports of vegetable products and mineral products declined in May. The main import partners were China, Germany, the US, India, and Nigeria. The annual inflation rate in South Africa rose to 4.5% in May 2019 from 4.4% in the previous month in the mid-point of the reserve bank's target range of 3-6%. Main upward pressure came from prices of housing and utilities and food, while those of transport slowed. GDP decelerated by 0.3% y-o-y in 1Q19, following the 0.1% drop in 4Q18, according to South Africa's reserve bank. Private consumption growth decelerated from 1.1% y-o-y in 4Q18 to 0.5% in 1Q19. Public consumption growth also had a similar trend, falling to 1.1% y-o-y in 1Q19, from 1.9% in the previous quarter. GFCF continued falling for the fourth consecutive quarter in 1Q19. GFCF dropped by 2.9% y-o-y in 1Q19. Exports rose by 1.8% y-o-y in 1Q19, from a 5.4% rise in 4Q18. Imports, on the other hand, decreased by 0.1% y-o-y in 1Q19, after posting growth of 1.2% in 4Q18.

Latin America

Argentina

In **Argentina**, GDP decelerated 5.8% y-o-y in 1Q19, from a 6.1% drop in 4Q18. In 2018, GDP fell by 2.4% y-o-y. Private consumption declined by 10.5% y-o-y in 1Q19, the largest drop since 2Q09. Government consumption registered slower deceleration in 1Q19 by 0.2% y-o-y, from a 5.3% in 4Q18. GFCF went down by 24.6% y-o-y in 1Q19, from a 24.4 drop in the previous quarter. While exports went up by 1.7% y-o-y in 1Q19, imports continued the downward trend, falling by 24.6% y-o-y in the same quarter. The peso depreciated by 3.9% m-o-m in May, after a 4.5% depreciation in April. The central bank's one-day repo rate stood at 79.9% in June from 88.7% a month earlier. Inflation posted 57.3% y-o-y in May, up from 55.8% in April, both drastically higher than the 17% inflation target set by the central bank. The capacity utilization of industrial production slightly increased to 61.6% y-o-y in April, from 58.8% in March. Industrial production witnessed slower pace of contraction in May of 6.1% y-o-y, compared to April's 9.3%. Capital goods production went down by 17.0% y-o-y. The unemployment rate registered 10.1% in 1Q19, the highest since 3Q06.

Transition region

Poland

In **Poland**, GDP grew by 4.7% y-o-y in 1Q19, up from 4.6% in 4Q18, as a result of faster growth in public consumption, which increased by 5.3% y-o-y in 1Q19, up from 5.0% in the previous quarter. Growth in private consumption slowed from 4.8% in 4Q18 to 4.0% in 1Q19. Gross capital formation rose by 2.6% y-o-y in 1Q19, down from 6.4% in the previous quarter. Exports also showed smaller rate of growth in 1Q19 at 6.0%y-o-y, from 6.8% in 4Q18, whereas imports rose by 5.8% y-o-y in 1Q19, from 6.0% in 4Q18. The zloty appreciated by 1.7% m-o-m in June, after depreciating by 0.7% in May. The central bank's seven-day market operations interest rate was unchanged in June at 1.5%. The unemployment rate slightly eased in June to 5.3%, from 5.4% a month earlier. Total retail sales improved by 7.3% y-o-y in May, from 13.6% in April. The IHS Markit Poland manufacturing PMI fell to a four-month low of 48.4 in June, from 48.8 in May. This reflected faster declines in output and new orders, partly offset by renewed job creation, longer suppliers' delivery times and a faster increase in stocks of purchases.

World Oil Demand

World oil demand in 2019 *is forecast to increase by 1.14 mb/d, unchanged from the previous month's assessment, with total world demand averaging 99.87 mb/d.*

Oil demand growth in the ***OECD*** *region is projected to rise by more than 0.14 mb/d, led by OECD America, with the petrochemical sector providing strong support to oil requirements.*

In the ***non-OECD****, projections show oil demand increasing by around 1.0 mb/d in 2019 with Other Asia, followed by China, dominating oil demand growth amid steady requirements from the transportation sector.*

In ***2020****,* ***world oil demand*** *is forecast to grow by 1.14 mb/d y-o-y, similar to the current year rate of growth.*

The ***OECD*** *is projected to increase by 0.09 mb/d with Americas being the only OECD region in positive growth territory; OECD Europe and Asia-Pacific oil demand will drop by 0.03 mb/d and 0.07 mb/d, respectively, y-o-y.*

In the ***non-OECD*** *region, oil demand is anticipated to add 1.05 mb/d with most of the support coming from Other Asia, particularly India, followed by China. Total global oil demand is projected to exceed the 100 mb/d threshold to register 101.01 mb/d.*

World oil demand in 2019

Table 4 - 1: World oil demand in 2019*, mb/d

	2018	1Q19	2Q19	3Q19	4Q19	2019	Change 2019/18 Growth	%
Americas	25.53	25.29	25.65	26.07	26.01	25.76	0.23	0.88
of which US	*20.73*	*20.69*	*20.86*	*21.21*	*21.03*	*20.95*	*0.22*	*1.05*
Europe	14.32	13.97	14.19	14.69	14.31	14.29	-0.02	-0.15
Asia Pacific	7.99	8.40	7.60	7.67	8.04	7.93	-0.06	-0.81
Total OECD	**47.84**	**47.66**	**47.44**	**48.43**	**48.36**	**47.98**	**0.14**	**0.29**
Other Asia	13.64	13.91	14.21	13.72	14.22	14.01	0.38	2.77
of which India	*4.73*	*5.03*	*4.93*	*4.58*	*5.15*	*4.92*	*0.19*	*4.05*
Latin America	6.53	6.36	6.51	6.85	6.50	6.56	0.03	0.47
Middle East	8.12	8.25	8.01	8.47	7.88	8.15	0.03	0.37
Africa	4.33	4.45	4.42	4.36	4.50	4.43	0.10	2.31
Total DCs	**32.62**	**32.97**	**33.16**	**33.40**	**33.10**	**33.16**	**0.54**	**1.65**
FSU	4.82	4.75	4.74	5.03	5.11	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	12.71	12.63	13.19	13.00	13.43	13.06	0.35	2.77
Total "Other regions"	**18.27**	**18.13**	**18.64**	**18.78**	**19.38**	**18.74**	**0.46**	**2.53**
Total world	**98.73**	**98.76**	**99.24**	**100.61**	**100.84**	**99.87**	**1.14**	**1.15**
Previous estimate	98.73	98.76	99.24	100.61	100.84	99.87	1.14	1.15
Revision	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

OECD

OECD Americas

US

US data for April 2019 imply a return to a positive oil demand growth after losses in March 2019, y-o-y. **US oil demand** in April 2019 grew by 0.8% compared to the same month in 2018. In the first four months of the year, oil requirements were steadily higher, around 0.09 mb/d, compared to the same period last year.

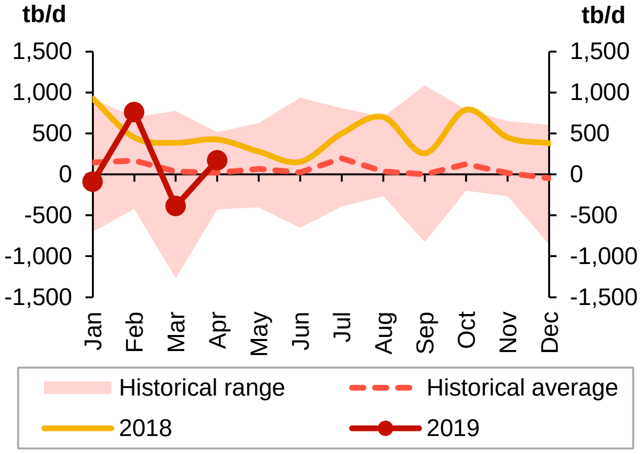
Table 4 - 2: US oil demand, tb/d

			Change 2018/17	
	Apr 19	Apr 18	tb/d	%
LPG	2,713	2,749	-36	-1.3
Naphtha	220	206	14	6.8
Gasoline	9,356	9,187	169	1.8
Jet/kerosene	1,752	1,635	117	7.2
Diesel oil	3,980	4,154	-174	-4.2
Fuel oil	169	409	-240	-58.7
Other products	2,213	1,892	321	17.0
Total	**20,403**	**20,232**	**171**	**0.8**

Sources: US EIA and OPEC Secretariat.

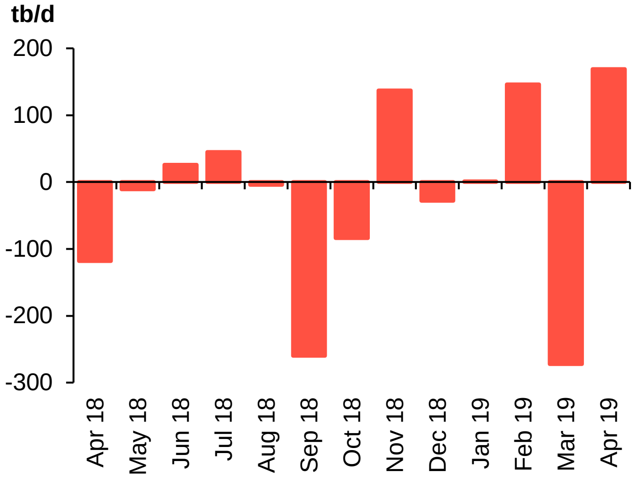
The main oil demand-related characteristics in the first four months of 2019 are the slight growth of gasoline, as a result of a low historical baseline and the price environment; higher diesel and jet fuel requirements, supported by a growing economy in combination with solid momentum in industrial production; and bullish LPG/NGLs demand in response to healthy developments in the country's petrochemical industry. During the same period, residual fuel oil and naphtha demand fell mainly as a result of increasing fuel substitution. Rising road transportation mileage and higher employment figures during the first four months of 2019 have also contributed to the overall rise in oil demand.

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



Sources: Joint Organisations Data Initiative and OPEC Secretariat.

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



Sources: US EIA and OPEC Secretariat.

Preliminary weekly data for May and June 2019 show, on average, a slight decline in oil demand y-o-y and largely following the pattern of the first four months of 2019 – i.e. increasing gasoline, diesel, LPG/NGLs and jet fuel demand together with falling residual fuel oil requirements. The risks in the development of 2019 US oil demand are mainly dependent on the development of the US economy, the pace of developments in the country's petrochemical industry and the oil price environment. The risks are estimated to be slightly skewed to the downside compared to the risks during last month MOMR publication, mainly caused by trade-related economic issues.

Mexico

Oil demand in Mexico decreased by 7.8% y-o-y in May 2019. As during the first four months of 2019, all main product categories declined with diesel accounting for the bulk of the losses. Oil demand in 2019 is expected to fall slightly y-o-y, as positive expectations for economic growth are projected to partially offset declines in oil demand, particularly in the transportation and industrial fuel sectors.

In 2019, **OECD Americas** oil demand is projected to grow by 0.23 mb/d as compared to 2018.

Canada

April marked the first month in 2019 when oil demand rose in **Canada**, in contrast to the overall 2.7% decline in the first four months of the year. Gains in April were largely attributed to bullish diesel requirements in the industrial sector.

Projections for 2019 Canadian oil demand remain unchanged from those of the previous month, leaving oil requirements during 2019 around the same levels of 2018.

OECD Europe

Following sharp declines during February and March 2019, **European oil demand** increased in April y-o-y, in line with continuing improvements in the economic performance of many countries in the region.

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

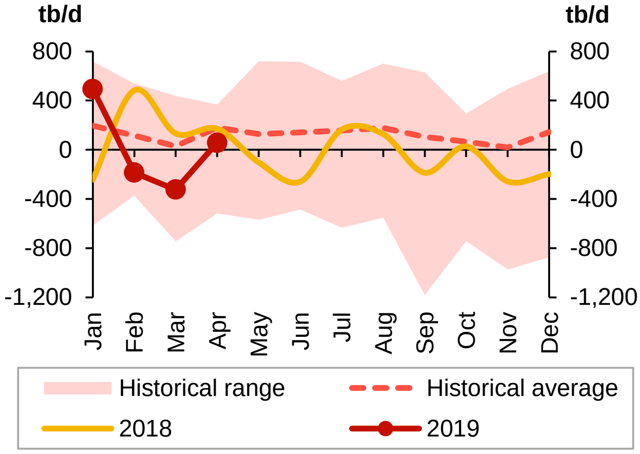
			Change 2019/18	
	May 19	May 18	tb/d	%
LPG	458	447	11	2.4
Naphtha	634	663	-29	-4.4
Gasoline	1,192	1,194	-2	-0.2
Jet/kerosene	830	841	-11	-1.3
Diesel oil	3,000	3,020	-20	-0.7
Fuel oil	238	236	2	1.0
Other products	634	646	-12	-1.8
Total	**6,986**	**7,047**	**-61**	**-0.9**

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

Sources: JODI, UK Department for Business, Energy & Industrial Strategy, Unione Petrolifera and OPEC Secretariat.

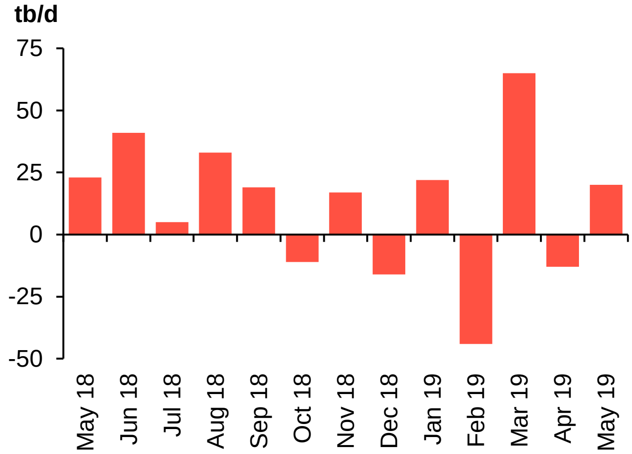
The magnitude of the increase was smaller than the same month last year, mainly due to baseline effects. Early indications for May 2019 showed some declines in Germany, France and Italy, while demand in the UK grew. Moreover, there was positive momentum in auto sales in May 2019, with a slight increase after eight months of continuous declines. The general expectations for the region's oil demand during the remainder of 2019 have remained stable since the previous month's projections. Improvements in the economies of the majority of countries are counter-balanced by concerns about high levels of debt, while in the UK, concerns about Brexit could weigh on demand.

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



Sources: Joint Organisations Data Initiative and OPEC Secretariat.

Graph 4 - 4: UK diesel fuel demand, y-o-y change



Sources: Joint Organisations Data Initiative, UK Department for Business, Energy & Industrial Strategy and OPEC Secretariat.

Furthermore, fuel substitution and efficiencies in the road transportation sector, as well as the high historical baseline, could dampen demand growth in 2019.

European oil demand is projected to decrease in 2019 by 0.02 mb/d.

OECD Asia Pacific

Japan

In **Japan**, May 2019 y-o-y oil demand fell in the majority of main petroleum product categories, notably LPG, gasoline, naphtha and jet kerosene, as well as fuel and crude oil used for electricity generation.

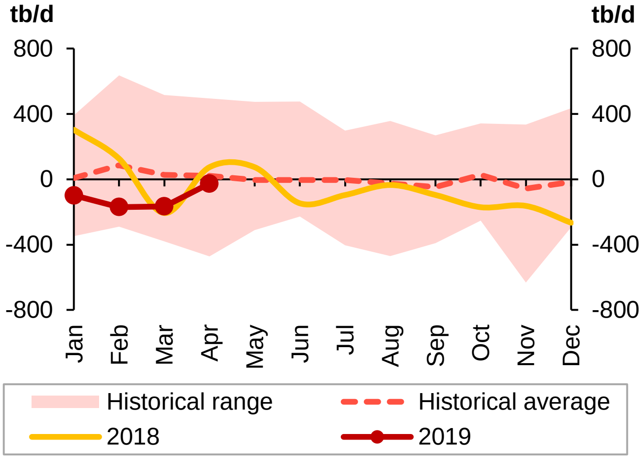
Table 4 - 4: Japan's domestic sales, tb/d

			Change 2019/18	
	May 19	May 18	tb/d	%
LPG	351	372	-21	-5.7
Naphtha	683	704	-21	-3.0
Gasoline	814	861	-47	-5.5
Jet/kerosene	362	391	-29	-7.5
Diesel oil	712	695	17	2.4
Fuel oil	191	233	-42	-18.2
Other products	285	327	-42	-12.8
Total	**3,397**	**3,583**	**-186**	**-5.2**

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

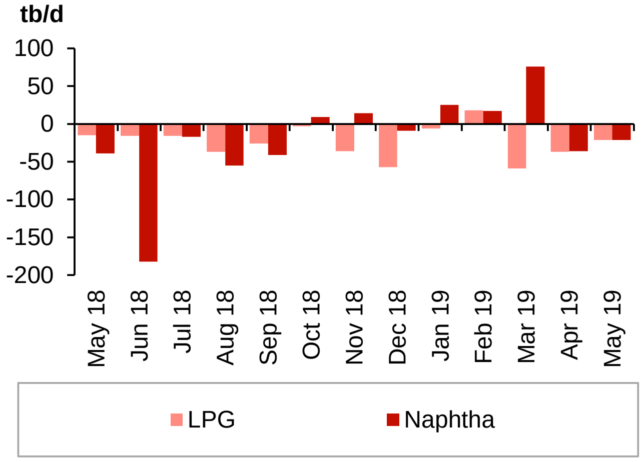
The only exception was diesel in the transportation sector, which is in line with the increase in auto registrations during the first five months of 2019, particularly April and May y-o-y.

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



Sources: Joint Organisations Data Initiative and OPEC Secretariat.

Graph 4 - 6: Japan's LPG and naphtha demand, y-o-y change



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

As far as the outlook for 2019, current indications remain roughly unchanged from last month's oil demand forecasts, with the risks being skewed to the downside as a result of slow economic growth and fuel substitution.

South Korea

Oil demand in South Korea edged downward in April, declining by a 0.02 mb/d, y-o-y. Demand for most key petroleum product categories grew y-o-y, particularly LPG, gasoline, diesel, and jet kerosene. However, these gains have been more than offset by declining naphtha requirements for the petrochemical industry – the actual motor of oil demand increases in the country during the last five years. The outlook for South Korean oil consumption during 2019 remained nevertheless positive, under the assumption of a growing economy and increasing petrochemical activities.

OECD Asia Pacific oil demand is expected to fall in 2019 by 0.07 mb/d.

Non-OECD

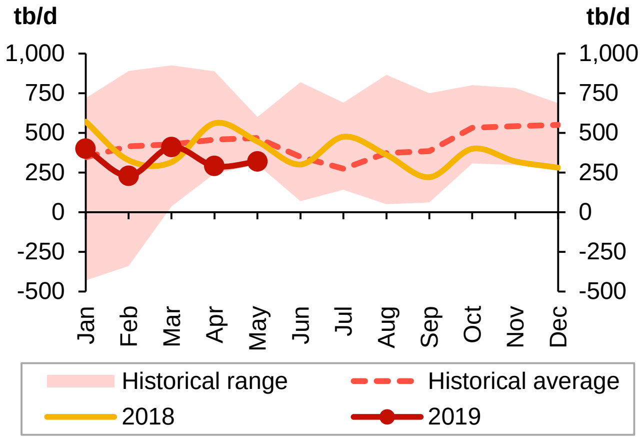
China

During May 2019, most of the product mix has shown healthy growth y-o-y with the exception of diesel fuel.

Oil demand in China rose by 0.32 mb/d, equating to a 3% rise y-o-y. In May 2019, LPG demand was higher y-o-y by 0.03 mb/d, lifting total consumption close to 1.88 mb/d – the second highest level of total product demand.

Demand for LPG was supported by higher propane dehydrogenations plant (PDH) utilization rates and demand is expected to remain on the positive side going forward, encouraged by the start-up of 0.60 mt/y Shenzhen Grand Resource PDH plant in June.

Graph 4 - 7: Changes in China's apparent oil demand, y-o-y change



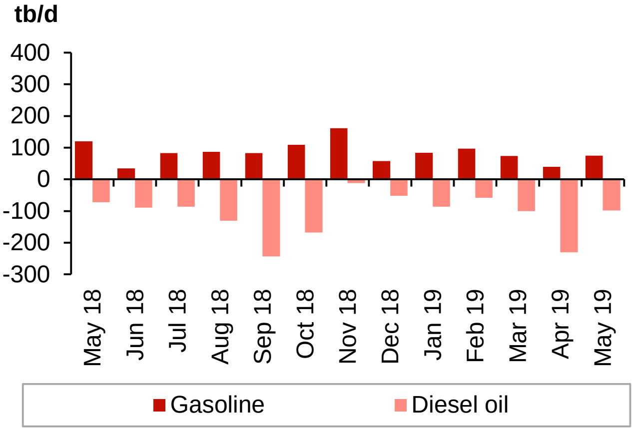
Sources: Argus Global Markets, China OGP (Xinhua News Agency), Facts Global Energy, JODI, National Bureau of Statistics of China and OPEC Secretariat.

Gasoline demand averaged 3.06 mb/d in May, higher by 0.08 mb/d or 2% as compared to a year earlier. Car sales data continued to decline with a double-digit drop of nearly 18% y-o-y, according to the China Passenger Car Association. Sales of sport utility vehicles (SUVs) and multipurpose vehicles (MPVs) declined yet again, with SUVs sales dropping by a steep 15% y-o-y while sales of MPVs plunged 23% compared to the same period in 2018.

Diesel fuel demand fell by 0.10 mb/d or around 3% y-o-y. This decline was mainly driven by heavy rains in southern China and slower manufacturing momentum in the country.

Jet kerosene demand grew by a solid 0.13 mb/d, which equates to a more than 17% increase y-o-y, spurred by healthy air travel.

Graph 4 - 8: China's diesel oil and gasoline demand growth, y-o-y change



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

The outlook for oil consumption in China appears balanced. Downside risks are linked to slower economic activity as well as policies aimed at reducing the consumption of transportation fuels. On the other hand, the expansion of the petrochemical sector, especially in PDH plants, as well as government spending on infrastructure projects, bodes well for oil demand growth.

In 2019, China oil demand is projected to grow by 0.35 mb/d as compared to 2018.

Other Asia

India

For the month of May 2019, **Indian oil demand** recorded marginal growth of 2 tb/d compared to the same period in 2018, with total consumption standing at 4.50 mb/d.

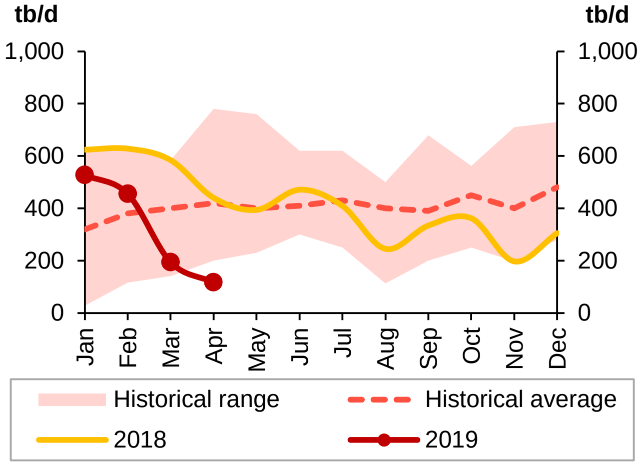
Table 4 - 5: India's oil demand, tb/d

			Change 2019/18	
	May 19	May 18	tb/d	%
LPG	882	879	4	0.4
Naphtha	337	313	24	7.7
Gasoline	786	706	80	11.3
Jet/kerosene	336	335	1	0.3
Diesel oil	1,736	1,687	49	2.9
Fuel oil	185	194	-9	-4.5
Other products	235	383	-147	-38.5
Total	**4,499**	**4,497**	**2**	**0.0**

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

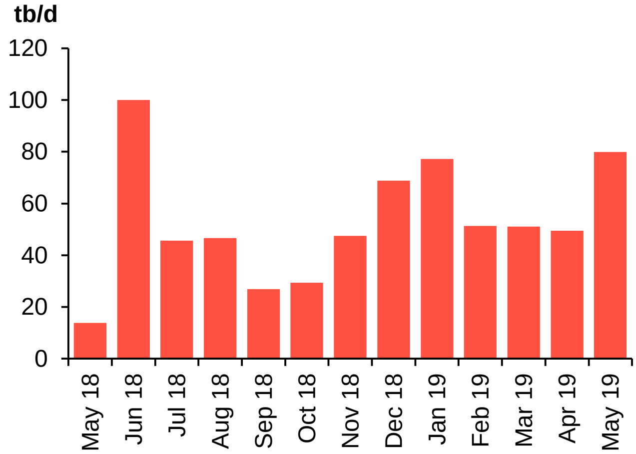
Solid gains in diesel fuel and gasoline were offset by steep declines in the heavy distillates, particularly bitumen. LPG demand rose slightly y-o-y largely affected by the high baseline of comparison in May 2018 as residential LPG consumption remained intact. Total LPG demand reached historical highs of 0.88 mb/d in May 2019. Gasoline demand increased by 0.08 mb/d or by around 11% y-o-y. This increase came despite a 20% y-o-y drop in car sales in May, with two-wheeler sales falling by nearly 7% y-o-y. Diesel fuel demand grew by 0.05 mb/d in May as drought conditions stimulated consumption of diesel fuel in the agricultural sector. Additionally, India's industrial production grew over the past few months after a slight dip in February 2019, rising 2.8% y-o-y in April.

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



Sources: Joint Organisations Data Initiative and OPEC Secretariat.

Graph 4 - 10: India's gasoline demand, y-o-y change



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

Indonesia

In April, the latest available data, **Indonesia's demand** for all products other than fuel oil rose. LPG and jet kerosene led the gains, rising 2% and 1% y-o-y, respectively. Total consumption reached 1.60 mb/d, an increase of around 0.01 mb/d y-o-y.

Malaysia

In **Malaysia**, oil demand rose 2% y-o-y, with LPG accounting for the bulk of the increase. Oil demand in the country is expected to grow steadily over the course of the year in line with stable macroeconomic indicators.

Thailand

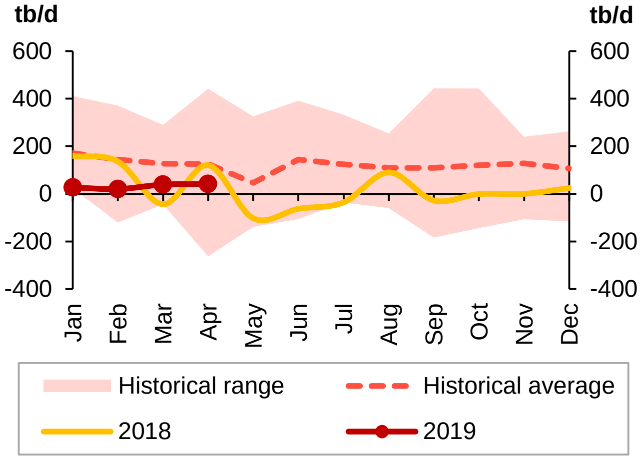
In **Thailand**, oil demand grew by 0.02 mb/d in April 2019 compared with the same period last year, with gasoline, diesel fuel and LPG leading the way. Total demand in the country reached 1.44 mb/d.

For the remainder of 2019, **Other Asia's oil demand** is expected to grow at a steady pace, fuelled by stable economic growth coupled with steady retail prices. India is seen to be the largest contributor to the growth. Other countries in the region – such as Indonesia, Thailand, Singapore and the Philippines – are projected to also contribute positively to oil demand growth in 2019. Light distillate products, which include LPG, naphtha and gasoline, will lead oil demand growth next year.

Other Asia oil demand is expected to increase by 0.38 mb/d in 2019.

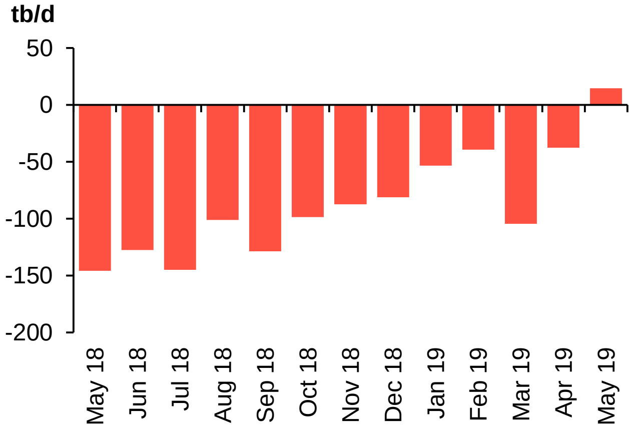
Latin America

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



Sources: Joint Organisations Data Initiative and OPEC Secretariat.

Graph 4 - 12: Brazil's gasoline demand, y-o-y change



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

Brazil

In May 2019, product demand increased sharply in **Brazil** compared to a year earlier, adding around 0.36 mb/d or 16% y-o-y.

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

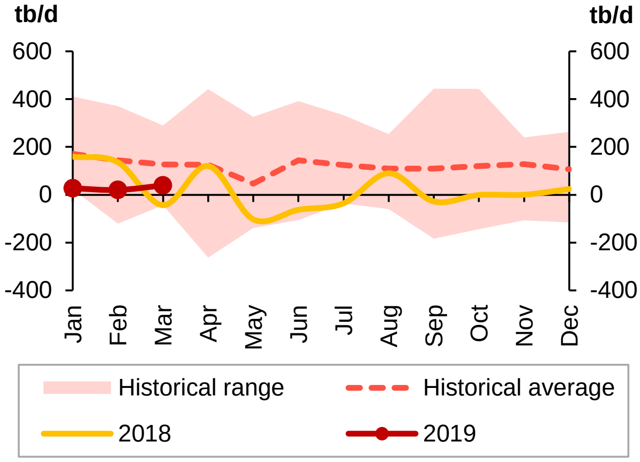
			Change 2019/18	
	May 19	May 18	tb/d	%
LPG	230	210	20	9.8
Naphtha	147	146	1	0.7
Gasoline	638	623	15	2.4
Jet/kerosene	112	118	-6	-5.1
Diesel oil	973	765	208	27.1
Fuel oil	77	72	6	8.0
Other products	423	310	112	36.2
Total	**2,599**	**2,243**	**356**	**15.9**

*Note: * = Inland deliveries.*

Sources: JODI, Agencia Nacional do Petroleo, Gas Natural e Biocombustiveis and OPEC Secretariat.

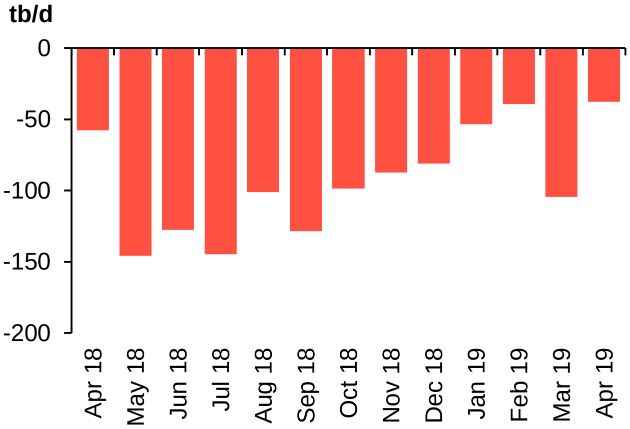
This marks the highest monthly y-o-y increase since October 2011. All products showed steady increases with the exception of jet/kerosene. Diesel fuel and ethanol led with gains of around 0.21 mb/d and 0.11 mb/d, respectively. Total diesel fuel total consumption reached 0.97 mb/d as sluggish requirements during the month of the May 2018 due to truck drivers' strike led to lower demand. Brazil's PMI composite output for May 2019 fell to 48.4. Driven by lower prices in major cities, ethanol demand surged 50% y-o-y, lifting total consumption to 0.38 mb/d.

Graph 4 - 13: Latin America oil demand, y-o-y change



Sources: Joint Organisations Data Initiative and OPEC Secretariat.

Graph 4 - 14: Brazil's gasoline demand, y-o-y change



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

Three other sectors also drove demand. LPG rose due to demand from the petrochemical industry, while consumption of gasoline and fuel oil also grew, the latter driven by an increase in power generation.

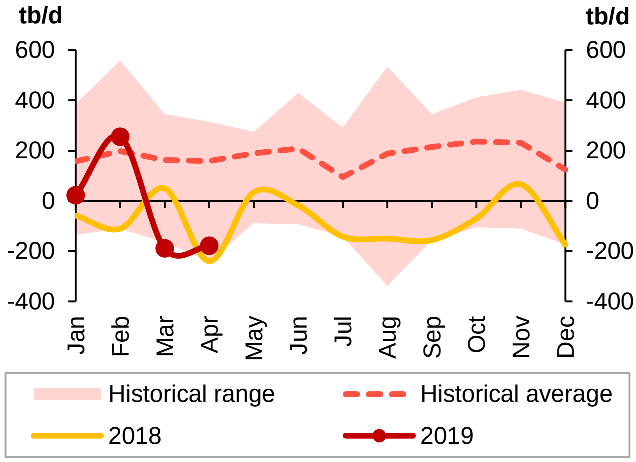
Argentina

Argentina, which accounts for around 11% of Latin America's oil needs, saw demand for oil products decline by around 0.02 b/d, or 3% y-o-y, in April 2019. In terms of product performance, LPG, naphtha and jet/kerosene posted marginal increases while gasoline, diesel fuel and fuel oil decreased.

In 2019, **Latin America oil demand** is anticipated to rise by 0.03 mb/d compared to 2018.

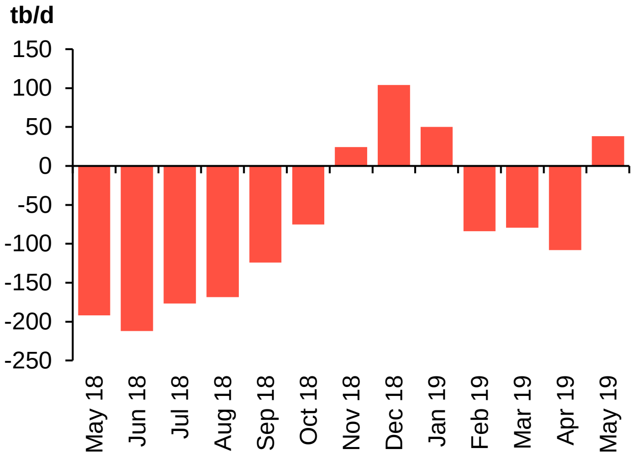
Middle East

Graph 4 - 15: Middle East oil demand, y-o-y change



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

Graph 4 - 16: Saudi Arabia's direct crude burning, y-o-y change



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

Saudi Arabia

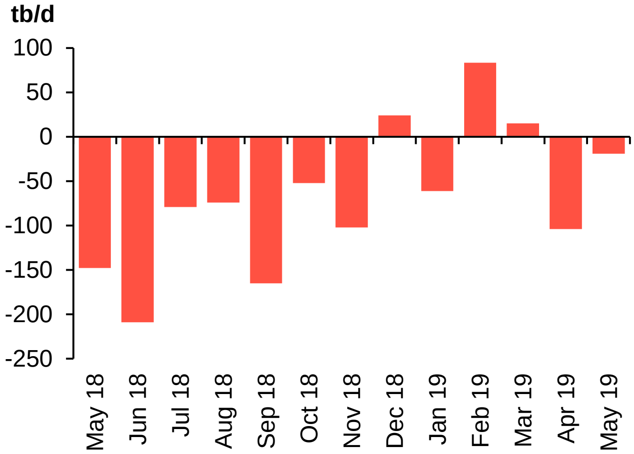
In **Saudi Arabia**, oil demand slid in May 2019 for the third consecutive month, down by around 0.35 mb/d, or more than 14%, compared to the same month in 2018. All products declined at different rates with the exception of direct crude for burning, which posted moderate gains. The biggest decline occurred in industrial and power generation fuels, with fuel oil plunging by 0.29 mb/d – or around 40% y-o-y. However, crude oil used for power generators was up by around 0.04 mb/d y-o-y, after three months of consecutive y-o-y declines.

Higher air conditioning use stemming from a heat wave in most of the country contributed to higher demand for fuel for electricity generation. In contrast, all transportation fuels, including gasoline, jet/kerosene and diesel fuel, dropped at similar rate of around 8% y-o-y. Slower air travel activities at the beginning of the summer holiday season, combined with lower consumption in the transportation and industrial sectors, discouraged demand for middle distillate.

Iraq

Iraqi oil consumption declined for the second consecutive month, led by fuel oil, naphtha and jet/kerosene. The overall demand decreased by around 0.02 mb/d or by 3% y-o-y.

Graph 4 - 17: Iraq's direct crude burning, y-o-y change



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

UAE and Kuwait

Oil demand also grew in UAE and Kuwait by 3% and 2% y-o-y, respectively. While diesel fuel supported oil demand growth in UAE, the Other Product category was responsible for y-o-y increases in Kuwait.

Looking ahead, oil demand is expected to grow marginally in 2019, with the transportation and industrial sectors anticipated to perform better than in 2018 in light of recovering economic activities.

In 2019, **Middle East oil demand** is anticipated to expand by 0.03 mb/d as compared to 2018.

World oil demand in 2020

World oil demand in 2020 is projected to increase by 1.14 mb/d y-o-y, in line with the current year growth.

The **OECD** is forecast to grow by 0.09 mb/d with Americas being the only OECD region in positive growth territory. OECD Europe and Asia-Pacific oil demand will drop by 0.03 mb/d and 0.07 mb/d y-o-y, respectively.

In the **non-OECD** region, oil demand is anticipated to add 1.05 mb/d with most of the growth coming from Other Asia, particularly India, followed by China.

Total **global oil demand** is projected to exceed the 100 mb/d threshold to reach 101.01 mb/d. However, several factors associated with 2020 oil demand projections could influence oil demand behaviour going forward. These factors include: macroeconomic developments in major consuming countries; the strength of substitution with natural gas and other fuels; subsidy programmes and their removal; the effect of commissioning/delays/closure of mega projects in the downstream; and fuel-efficiency programmes, especially in the transportation sector.

Table 4 - 7: World oil demand in 2020*, mb/d

							Change 2020/19	
	2019	1Q20	2Q20	3Q20	4Q20	2020	Growth	%
Americas	25.76	25.51	25.83	26.24	26.19	25.94	0.19	0.73
of which US	*20.95*	*20.87*	*21.00*	*21.33*	*21.18*	*21.10*	*0.15*	*0.70*
Europe	14.29	13.92	14.16	14.67	14.29	14.26	-0.03	-0.21
Asia Pacific	7.93	8.32	7.53	7.61	7.98	7.86	-0.07	-0.87
Total OECD	**47.98**	**47.76**	**47.52**	**48.52**	**48.46**	**48.07**	**0.09**	**0.18**
Other Asia	14.01	14.28	14.58	14.11	14.62	14.40	0.38	2.72
of which India	*4.92*	*5.21*	*5.09*	*4.75*	*5.34*	*5.10*	*0.17*	*3.54*
Latin America	6.56	6.45	6.60	6.94	6.59	6.64	0.08	1.30
Middle East	8.15	8.31	8.07	8.56	7.98	8.23	0.08	0.98
Africa	4.43	4.53	4.52	4.46	4.59	4.52	0.09	2.00
Total DCs	**33.16**	**33.57**	**33.76**	**34.06**	**33.78**	**33.79**	**0.63**	**1.91**
FSU	4.91	4.83	4.81	5.11	5.20	4.99	0.08	1.65
Other Europe	0.76	0.76	0.72	0.76	0.85	0.77	0.01	1.54
China	13.06	12.92	13.51	13.31	13.78	13.38	0.32	2.45
Total "Other regions"	**18.74**	**18.51**	**19.04**	**19.18**	**19.83**	**19.15**	**0.41**	**2.20**
Total world	**99.87**	**99.84**	**100.32**	**101.76**	**102.07**	**101.01**	**1.14**	**1.14**

*Note: * 2019-2020 = Forecast.*
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

OECD

OECD Americas

In **OECD Americas**, oil demand is projected to grow by 0.19 mb/d, lower than projected growth in the current year and in line with softening economic developments in the region.

Canadian oil demand in 2019 is expected to fall marginally y-o-y, while for 2020 expectations for economic growth are projected to push oil demand growth upwards by around 1% y-o-y.

The growth in **Mexican oil requirements** in 2020 is projected to be only slightly higher than in 2019.

In terms of sectors, transportation is anticipated to lead oil demand growth in the US and OECD America as a whole in 2020. Road transportation and aviation sectors are projected to grow in line with economic activities. Further support is expected from the petrochemical sector with additional ethane cracking capacity in the **US** anticipated to be around 3.0 mtpa in 2020 compared to more than 4.0 mtpa in 2019. In terms of products, light distillates and NGL/LPG are projected to grow the most in the following year with the middle distillates also recording solid gains. However, the heavy part of the barrel is projected to decline in light of the new IMO regulations and constant fuel substitution programmes.

The 2020 forecast is mainly dependent on the growth in OECD Americas economy – particularly the US – and on oil prices. Another factor that could push up US oil demand is the further expansion of the petrochemical industry, while downside risks include the increase of fuel substitution with natural gas and implementation of fuel efficiencies in the road transportation sector.

Total oil consumption in 2020 for OECD Americas is expected to reach 25.94 mb/d.

OECD Europe

In **OECD Europe**, oil demand in 2020 is projected to contract by 0.03 mb/d, while overall economic activity in the region is projected to be in line with 2019 levels.

The transportation, petrochemicals and industrial sectors are projected to grow marginally in 2020. However, fuel efficiency, substitution programmes and economic uncertainties will counterbalance those gains. As such, petrochemical feedstock, naphtha and LPG are the anticipated leaders in product consumption in 2020. Potential risks include economic turbulence and budget cuts while diesel fuel and gasoline in the transportation sector are anticipated to be affected more by efficiency gains.

Total oil consumption for OECD Europe is expected to reach 14.26 mb/d.

OECD Asia Pacific

In **OECD Asia Pacific,** oil demand is projected to contract by 0.07 mb/d, as slower oil requirements in **Japan** due to substitution and efficiency gains are expected to be partially offset by gains in **South Korea** and **Australia**.

Projections for 2020 are based on the assumption that a handful of nuclear plants will return to operation in Japan, and that economic conditions will remain similar to those projected for 2019. Petrochemical plants and their utilization rates are driving oil demand while there is also a slight uptick in the need for transportation fuels. Fuels for the industrial sector will receive support from South Korea and Australia, largely as a result of a lower baseline and steady economic momentum. Fuel oil and crude oil for direct burning will drag oil demand requirements lower in light of fuel substitution programmes in the power generation sector as well as the new IMO regulations.

In South Korea, the expectations for 2020 are slightly better than the current year with total anticipated hydrocarbons demand expected to be in the range of 7.86 mb/d.

Non-OECD

China

Oil demand growth in **China** is expected to slow marginally from the current year's growth levels, in line with the projected macroeconomic picture in the country, to stand at 0.32 mb/d. Oil demand for the transportation and industrial sectors is projected to continue rising. In terms of products, middle distillates are anticipated to lead demand growth with jet fuel a main contributor, while diesel fuel will be affected positively by the low baseline estimated for 2019 other sectors. Light distillates, particularly LPG, are also projected to provide strong support for oil demand growth in 2020 with the anticipation of continued expansion of propane dehydrogenation (PDH) plants. However, factors to be watched include slightly lower GDP growth compared to 2019, the extension of emission-reduction programmes, and the continuation of fuel substitution with natural gas.

Total oil consumption for China is anticipated to be around 13.38 mb/d.

Other Asia

In **Other Asia**, oil demand is projected to increase from 2019 levels by 0.38 mb/d due to steady economic activity in the region's major countries. Similar GDP growth is expected in 2020 compared to the current year. In addition, stable retail prices are assumed in 2020 oil demand projections in Other Asia. In terms of sectors, most of the gains are projected to be driven by transportation as gasoline is anticipated to continue growing. Passenger car stocks are anticipated to exceed 32 million units compared to 24 million units in 2017, lending support to gasoline demand going forward. The petrochemical sector is foreseen growing in 2020, encouraging demand for naphtha while LPG will receive support from the residential sector as expansion in LPG supply system is anticipated to continue in 2020 in India. India is expected to be the main driver of growth with smaller contributions from Indonesia, Thailand, Pakistan, Vietnam and Singapore. Middle distillate, followed by gasoline, will lead oil demand next year.

Total oil consumption for Other Asia is expected to reach 14.40 mb/d.

Latin America

In **Latin America**, the growth in oil demand in 2020 is likely to be higher than in 2019, at around 0.09 mb/d, mainly a reflection of economic developments in the region. In terms of sectors, transportation will lead demand growth in the region followed by industry. As a result, diesel fuel demand in the transportation and industrial sectors is projected to rise the most in 2020, while steady growth in the transportation fuel requirements also is expected. Brazil is anticipated to be the largest contributor to oil demand growth in Latin America in 2020 despite easing growth compared to 2019. Oil demand growth potential in Ecuador, Argentina and Venezuela is projected to improve compared to the current year.

Total oil consumption for Latin America is expected to reach 6.64 mb/d.

Middle East

In the **Middle East**, oil demand is expected to rise by 0.08 mb/d over 2019, mainly as a result of the assumed improvement in the economy. In terms of sectors, petrochemicals and transportation are foreseen providing support to oil demand growth in 2020. Light distillates are forecast to grow the most in 2020, with diesel fuel filliping to positive growth in light of improving economic projections and the low baseline of comparison. Fuel oil is projected to decline in 2020 as fuel displacement programmes challenge demand. Saudi Arabia is expected to account for the biggest growth in demand, driven by the need for gasoline and diesel oil, petrochemical feedstock, construction fuel and crude oil for direct use. On the downside, geopolitical issues could have a negative impact on oil demand next year, as could further subsidy reductions or major substitution programmes.

Total oil consumption for the Middle East is expected to reach 8.23 mb/d.

Africa

In **Africa**, oil demand is expected to rise by 0.09 mb/d compared to a potential 0.10 mb/d in 2019, mainly the result of a projected economic softening. In terms of sectors, transportation will stimulate demand for on road diesel oil and gasoline compared to the current year. Nigeria, Egypt, Algeria, Morocco, Tunisia and East African countries are projected to be positive contributors to oil demand next year.

Total oil consumption for Africa is expected to reach 4.52 mb/d.

World Oil Supply

The non-OPEC oil supply growth forecast for 2019 *was revised down by 95 tb/d from the previous MOMR to 2.05 mb/d y-o-y and average 64.43 mb/d. The main reason for this downward revision is the extension of the production adjustments by the OPEC and non-OPEC countries participating in the Declaration of Cooperation (DoC) for the next nine months (3Q19-1Q20), as well as lower-than-expected oil output in Brazil and Norway and Russia in 2Q19. The downward revision comes despite robust m-o-m growth in the US of 0.32 mb/d in April, with US liquids supply growth now forecast at 1.90 mb/d, y-o-y.*

Non-OPEC oil supply in 2020 *is projected to grow by 2.44 mb/d for an average 66.87 mb/d. The US (1.7 mb/d), Brazil (0.4 mb/d), Norway (0.2 mb/d), Canada, Russia, Australia and Kazakhstan are the main growth drivers, while Mexico, Colombia, the UK, Indonesia and Thailand are expected to see the largest declines. The 2020 non-OPEC supply forecast, despite an expected increase in new pipeline takeaway from the Permian Basin by July 2020 of more than 2.5 mb/d, is subject to many uncertainties, including oil prices, investment discipline, hedging, cost inflation, unplanned outages related to technical issues, delayed start-ups and maintenance duration.*

OPEC NGLs production *in 2019 and 2020 is expected to grow by 0.07 mb/d and 0.03 mb/d to average 4.84 mb/d and 4.87 mb/d, respectively.*

In June, OPEC crude oil production *decreased by 68 tb/d to average 29.83 mb/d, according to secondary sources.* ***Non-OPEC supply, including OPEC NGLs****, rose by 0.54 mb/d m-o-m, to average 68.73 mb/d, which was higher by 1.97 mb/d y-o-y. As a result, preliminary data indicates that* ***global oil supply*** *increased in June by 0.47 mb/d m-o-m to average 98.56 mb/d.*

Table 5 - 1: Non-OPEC supply forecast comparison in 2019-2020*, mb/d

Region	2019	Change 2019/18	2020	Change 2020/19
OECD Americas	25.75	1.76	27.39	1.64
OECD Europe	3.78	-0.05	3.95	0.17
OECD Asia Pacific	0.47	0.06	0.54	0.07
Total OECD	**30.00**	**1.77**	**31.88**	**1.88**
Other Asia	3.49	-0.07	3.45	-0.03
Latin America	5.44	0.24	5.77	0.33
Middle East	3.21	0.00	3.24	0.03
Africa	1.58	0.06	1.60	0.02
Total DCs	**13.71**	**0.24**	**14.05**	**0.34**
FSU	14.23	-0.06	14.40	0.16
Other Europe	0.12	0.00	0.11	-0.01
China	4.09	0.07	4.09	0.00
Non-OPEC production	62.15	2.02	64.54	2.39
Processing gains	2.28	0.03	2.33	0.05
Non-OPEC supply	**64.43**	**2.05**	**66.87**	**2.44**

*Note: * 2019-2020 = Forecast.*

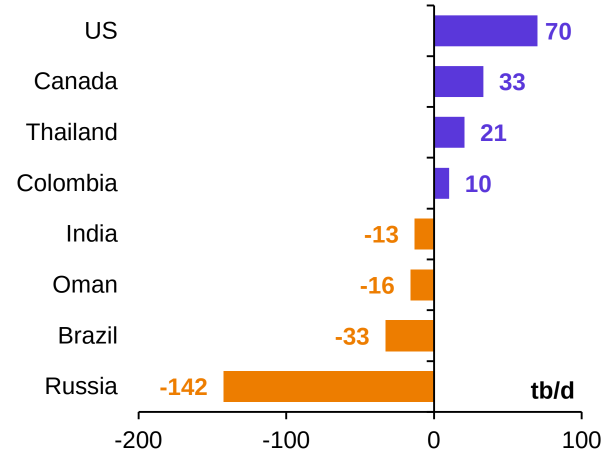
Source: OPEC Secretariat.

Monthly revisions to non-OPEC supply growth forecast

Non-OPEC supply in 2019 is forecast to grow by 2.05 mb/d, revised down by 95 tb/d from the previous assessment, and is expected to average 64.43 mb/d for the year.

On a country-by-country basis, the US supply growth forecast was revised up by 70 tb/d compared to last month's assessment due to an upward revision of 25 tb/d in 1Q19 and 250 tb/d for 2Q19, as actual data came in higher than forecast – particularly in April. At the same time, Canada's oil production was revised up by 33 tb/d on a yearly basis, as production levels in 1Q19 exceeded the mandated production cuts by the Alberta government in 1Q19 and higher output expectations for 2Q19. On the other hand, oil production was revised down in Russia, Brazil and Oman (***Graph 5 - 1***) due to lower-than-expected output in 2Q19.

Graph 5 - 1: Monthly oil market report Jul 19/Jun 19 revisions in 2019* annual supply changes

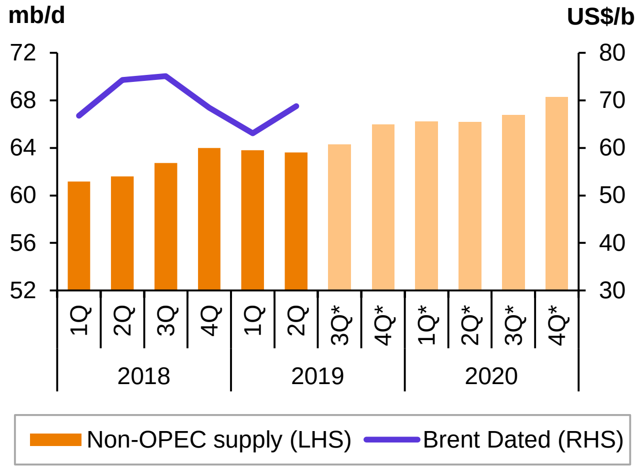


*Note: * 2019 = Forecast.*
Source: OPEC Secretariat.

The decision by OPEC and non-OPEC countries participating in the DoC to extend current production adjustments by another nine months, has caused the overall non-OPEC supply forecast to be revised down compared to last month's assessment.

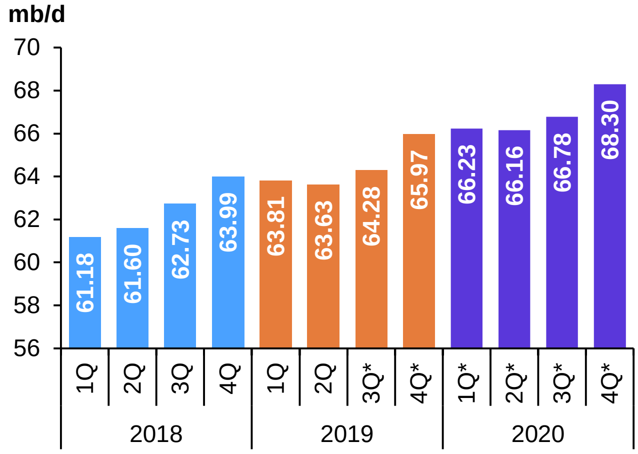
The revised non-OPEC 2H19 supply forecast of 65.13 mb/d is forecast to be around 1.41 mb/d higher than 1H19, mainly due to returns from maintenance in some countries, the opening of new pipelines in the Permian Basin, production ramp ups of new projects in Brazil and possible higher oil output in Canada. Compared to the same period a year earlier, 2H19 is forecast to show growth of 1.77 mb/d.

Graph 5 - 2: Non-OPEC quarterly liquids supply and Dated Brent



*Note: * 3Q19-4Q20 = Forecast.*
Source: OPEC Secretariat.

Graph 5 - 3: Non-OPEC quarterly oil supply



*Note: * 3Q19-4Q20 = Forecast.*
Source: OPEC Secretariat.

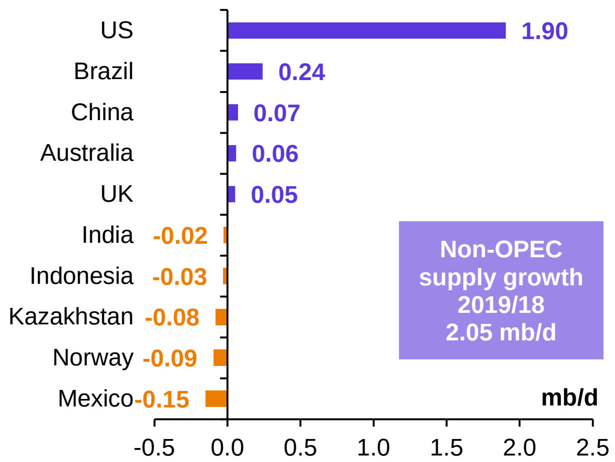
Non-OPEC oil supply in 2019 and 2020

Table 5 - 2: Non-OPEC oil supply in 2019*, mb/d

	2018	1Q19	2Q19	3Q19	4Q19	2019	Change 2019/18 Growth	%
Americas	23.99	25.03	25.28	25.91	26.77	25.75	1.76	7.34
of which US	*16.66*	*17.79*	*18.36*	*18.64*	*19.46*	*18.57*	*1.90*	*11.43*
Europe	3.83	3.82	3.61	3.71	3.97	3.78	-0.05	-1.34
Asia Pacific	0.41	0.43	0.46	0.48	0.50	0.47	0.06	14.36
Total OECD	**28.23**	**29.28**	**29.36**	**30.10**	**31.23**	**30.00**	**1.77**	**6.26**
Other Asia	3.55	3.55	3.48	3.47	3.45	3.49	-0.07	-1.87
Latin America	5.19	5.17	5.35	5.55	5.67	5.44	0.24	4.70
Middle East	3.21	3.22	3.22	3.20	3.20	3.21	0.00	-0.01
Africa	1.52	1.54	1.55	1.59	1.62	1.58	0.06	3.89
Total DCs	**13.47**	**13.48**	**13.59**	**13.82**	**13.95**	**13.71**	**0.24**	**1.76**
FSU	14.29	14.55	14.17	13.92	14.30	14.23	-0.06	-0.40
of which Russia	*11.35*	*11.53*	*11.36*	*11.34*	*11.34*	*11.39*	*0.05*	*0.40*
Other Europe	0.12	0.12	0.12	0.12	0.12	0.12	0.00	-1.15
China	4.02	4.10	4.11	4.05	4.10	4.09	0.07	1.79
Total "Other regions"	**18.43**	**18.77**	**18.41**	**18.09**	**18.52**	**18.44**	**0.01**	**0.08**
Total non-OPEC production	**60.13**	**61.53**	**61.35**	**62.00**	**63.70**	**62.15**	**2.02**	**3.36**
Processing gains	2.25	2.28	2.28	2.28	2.28	2.28	0.03	1.24
Total non-OPEC supply	**62.38**	**63.81**	**63.63**	**64.28**	**65.97**	**64.43**	**2.05**	**3.28**
Previous estimate	62.37	63.70	63.49	64.54	66.28	64.51	2.14	3.43
Revision	0.02	0.11	0.15	-0.25	-0.31	-0.08	-0.10	-0.15

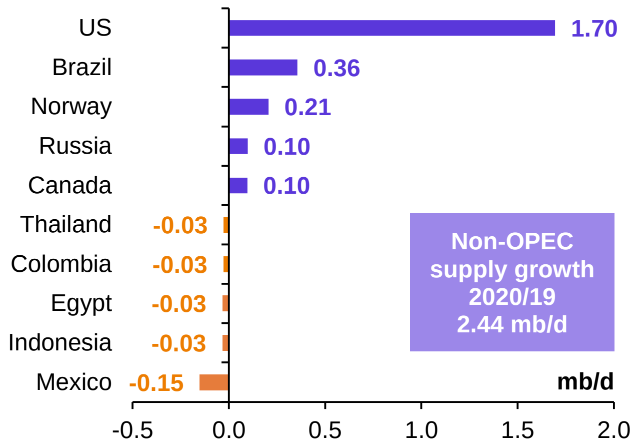
*Note: * 2019 = Forecast.*
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

Graph 5 - 4: Annual supply changes for selected countries in 2019*



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

Graph 5 - 5: Annual supply changes for selected countries in 2020*



*Note: * 2020 = Forecast.*
Source: OPEC Secretariat.

Table 5 - 3: Non-OPEC oil supply in 2020*, mb/d

	2019	1Q20	2Q20	3Q20	4Q20	2020	Change 2020/19 Growth	%
Americas	25.75	26.89	26.89	27.53	28.25	27.39	1.64	6.37
of which US	*18.57*	*19.64*	*19.96*	*20.39*	*21.06*	*20.26*	*1.70*	*9.13*
Europe	3.78	3.98	3.83	3.85	4.13	3.95	0.17	4.47
Asia Pacific	0.47	0.53	0.52	0.56	0.56	0.54	0.07	15.76
Total OECD	**30.00**	**31.40**	**31.25**	**31.94**	**32.94**	**31.88**	**1.88**	**6.28**
Other Asia	3.49	3.44	3.46	3.45	3.46	3.45	-0.03	-0.99
Latin America	5.44	5.73	5.71	5.73	5.90	5.77	0.33	6.02
Middle East	3.21	3.20	3.24	3.25	3.27	3.24	0.03	0.93
Africa	1.58	1.61	1.60	1.59	1.59	1.60	0.02	1.33
Total DCs	**13.71**	**13.98**	**14.00**	**14.02**	**14.21**	**14.05**	**0.34**	**2.51**
FSU	14.23	14.29	14.40	14.31	14.59	14.40	0.16	1.14
of which Russia	*11.39*	*11.34*	*11.49*	*11.50*	*11.63*	*11.49*	*0.10*	*0.86*
Other Europe	0.12	0.12	0.12	0.11	0.11	0.11	-0.01	-4.97
China	4.09	4.11	4.07	4.07	4.12	4.09	0.00	0.07
Total "Other regions"	**18.44**	**18.52**	**18.58**	**18.49**	**18.82**	**18.60**	**0.16**	**0.86**
Total non-OPEC production	**62.15**	**63.89**	**63.83**	**64.45**	**65.97**	**64.54**	**2.39**	**3.84**
Processing gains	2.28	2.33	2.33	2.33	2.33	2.33	0.05	2.37
Total non-OPEC supply	**64.43**	**66.23**	**66.16**	**66.78**	**68.30**	**66.87**	**2.44**	**3.79**

*Note: * 2019-2020 = Forecast.*
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

OECD

Following robust growth of 2.54 mb/d in 2018, **OECD oil supply in 2019** is forecast to grow by 1.77 mb/d to average 30.00 mb/d, representing an upward revision of 90 tb/d compared with last month's assessment.

For **2020**, yearly growth of 1.88 mb/d is anticipated for OECD oil supply, to average 31.88 mb/d. OECD Americas, Europe and Asia Pacific are forecast to grow next year by 1.64 mb/d, 0.17 mb/d and 0.07 mb/d, respectively.

OECD Americas

US

US liquids output in April (excluding processing gains) showed an increase of 0.32 mb/d m-o-m to average 18.30 mb/d, up by 2.26 mb/d y-o-y. Production of NGLs in April was up by 59 tb/d m-o-m to average 4.79 mb/d, higher by 0.53 mb/d y-o-y. Preliminary data shows that the output of other non-conventional liquids, mainly ethanol, was up in April by 15 tb/d m-o-m to average 1.35 mb/d and was higher by 53 tb/d compared to a year ago.

US crude oil output (including lease condensate) in April 2019 was up m-o-m by 246 tb/d to average 12.16 mb/d, which is 60 tb/d higher than previously forecast for this month. Y-o-y, output was higher by 1.69 mb/d. While crude oil output increased in the East Coast (PADD 1), Midwest (PADD 2), mainly in Oklahoma, Gulf Coast (PADD 3) mainly in Texas and in the Rocky Mountains (PADD 4), oil production in the West Coast (PADD 5) declined.

The m-o-m rise of crude oil output in April came mainly from **Texas,** where output rose by 107 tb/d to average 4.97 mb/d, while the **Gulf of Mexico** (GoM) added 77 tb/d m-o-m to average 1.98 mb/d. The monthly production in GoM was primarily boosted by two new wells that connected to the Phoenix complex in April. Moreover, new wells with continuous production had come online in March, particularly North Thunder Horse and Mars-Ursa, boosting output in April. Total output for the Gulf Coast (PADD3) indicates growth of 179 tb/d to average 8.03 mb/d in April, up by 1.37 mb/d y-o-y.

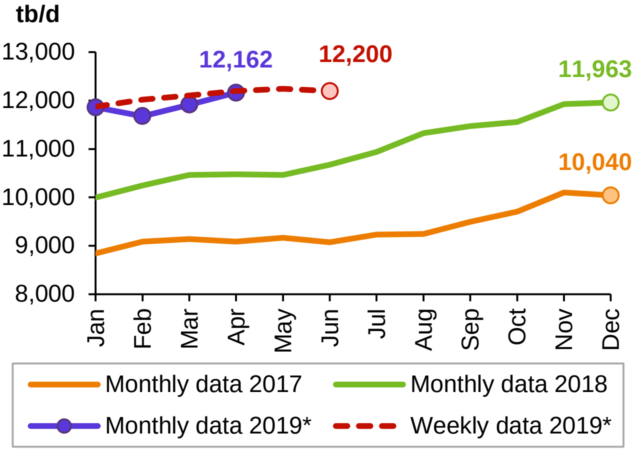
New Mexico's crude oil output was almost flat at an average of 0.88 mb/d. Meanwhile, oil production in **Texas** was mainly supported from Permian tight oil output in Delaware and Midland. In April 2019, oil production in **North Dakota** showed a marginal decline of 2 tb/d and output remained at an average of 1.36 mb/d, mainly from the Bakken shale in the Williston Basin. Oil production in **Colorado**, **Oklahoma** and **Wyoming** rose m-o-m, while oil output in **Alaska** declined to average 475 tb/d.

Table 5 - 4: US crude oil production by state, tb/d

State	Mar 19	Apr 19	*Change* Apr 19/Mar 19
Colorado	469	483	*14*
Alaska	481	475	*-6*
Oklahoma	585	617	*32*
New Mexico	886	883	*-3*
North Dakota	1,361	1,359	*-2*
Federal Offshore - Gulf of Mexico (GoM)	1,905	1,982	*77*
Texas	4,860	4,967	*107*
Total US crude oil production	**11,916**	**12,162**	***246***

Sources: US EIA and OPEC Secretariat.

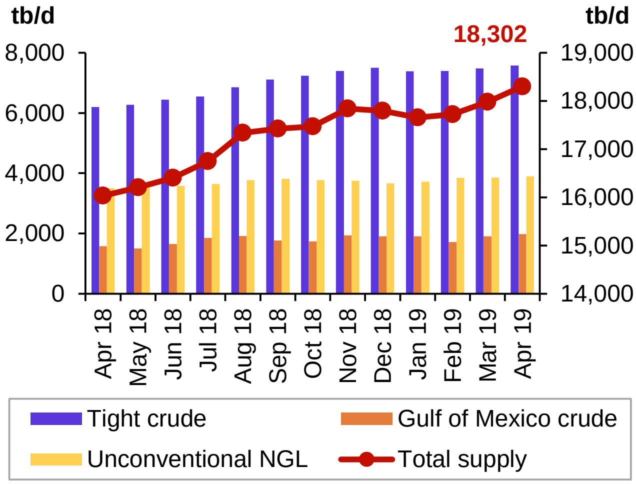
Graph 5 - 6: US monthly crude oil production in 2017-2019 vs. weekly forecast in 2019



*Note: * 2019 = Forecast.*
Sources: US EIA and OPEC Secretariat.

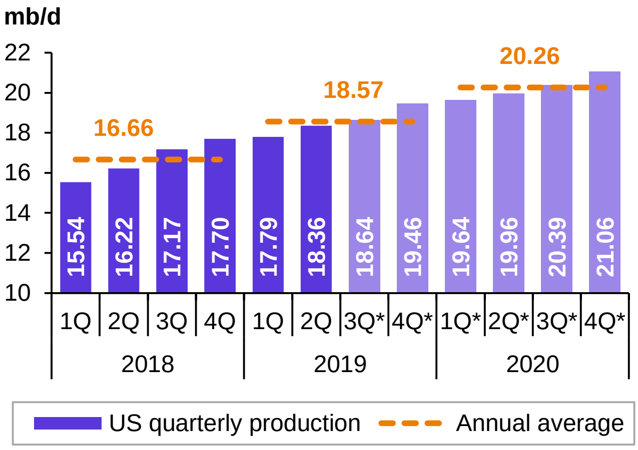
US crude oil production in 2019 is likely to grow by 1.37 mb/d y-o-y to average 12.33 mb/d. The share of tight crude, out of the forecast growth of 1.37 mb/d in 2019, is projected at 1.30 mb/d, to average 7.90 mb/d; and for the Gulf of Mexico it is 0.15 mb/d, averaging 1.89 mb/d, while conventional crude (non-shale) is projected to decline by 0.09 mb/d, to average 2.54 mb/d.

Graph 5 - 7: US monthly liquids supply by key component



Source: US EIA and OPEC Secretariat.

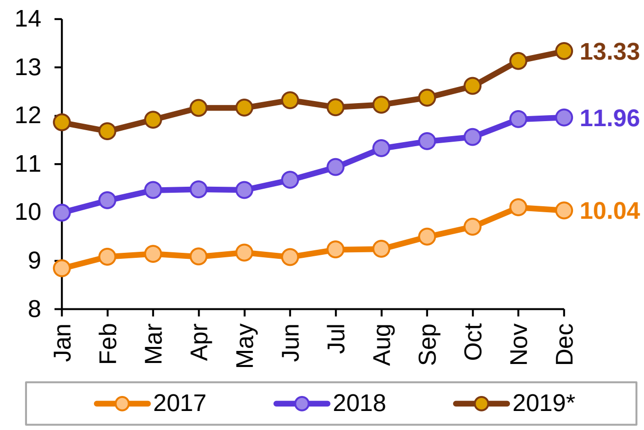
Graph 5 - 8: US total liquids supply quarterly



*Note: * 3Q19-4Q20 = Forecast.*
Sources: US EIA and OPEC Secretariat.

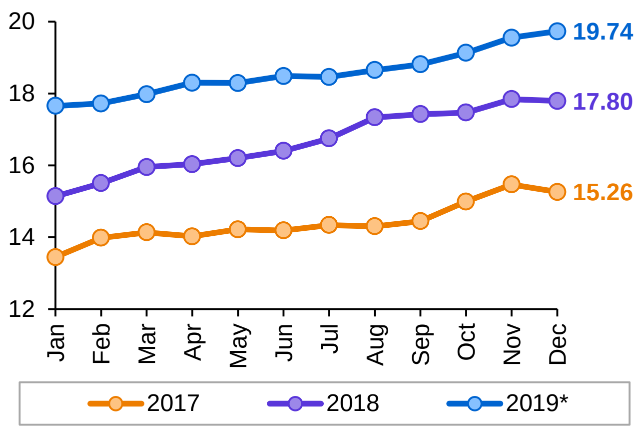
US crude oil production is expected to soar in 4Q19 following the opening of new pipelines leading from the Permian Basin to the US Gulf Coast. Crude output by the end of the year is forecast at 13.33 mb/d and US liquids production is likely to stand at 19.74 mb/d in December 2019.

Graph 5 - 9: US monthly crude oil supply



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

Graph 5 - 10: US monthly total liquids supply



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

US liquids supply in **2019** is forecast to average 18.57 mb/d, representing y-o-y growth of 1.90 mb/d, revised up by 0.07 mb/d. This is due to higher-than-expected NGLs output by 622 tb/d in the first four months of the year, compared to the same period a year ago.

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

	2017	2018	Change 2018/17	2019*	Change 2019/18	2020*	Change 2020/19
Tight crude	4.94	6.60	*1.66*	7.90	*1.30*	9.21	*1.31*
Gulf of Mexico crude	1.68	1.74	*0.06*	1.89	*0.15*	1.87	*-0.02*
Conventional crude oil	2.74	2.63	*-0.11*	2.54	*-0.09*	2.46	*-0.08*
Unconventional NGLs	3.02	3.58	*0.56*	4.08	*0.50*	4.56	*0.48*
Conventional NGLs	0.76	0.77	*0.01*	0.78	*0.01*	0.78	*0.00*
Biofuels + Other liquids	1.27	1.35	*0.08*	1.38	*0.03*	1.38	*0.00*
US total supply	**14.40**	**16.66**	***2.26***	**18.57**	***1.90***	**20.26**	***1.70***

*Note: * 2019-2020 = Forecast.*
Sources: US EIA, Rystad Energy and OPEC Secretariat.

US tight crude output in April 2019 increased by an estimated 120 tb/d m-o-m to average 7.60 mb/d, an increase of 1.40 mb/d y-o-y, according to preliminary estimates. The main m-o-m growth in US tight crude output from shale and tight formations through horizontal wells came from the Permian Midland tight as well as the Delaware tight in Texas. In the Permian, 440 out of 484 spudded wells were completed in April, adding 57 tb/d to average 3.50 mb/d. Tight crude output from the Bakken shale in the Williston Basin declined by 2 tb/d, remaining almost flat at an average of 1.36 mb/d. Tight crude production in the Niobrara shale play located in Colorado and Wyoming grew by 20 tb/d to average 0.55 mb/d, while output in the Eagle Ford play in New Mexico rose by 10 tb/d to average 1.25 mb/d. Production in other US shale plays showed a rise of 35 tb/d to average 0.95 mb/d. US tight oil production grew by 1.6 mb/d, or 25%, in the first four months of the year compared to the same period a year earlier, to average 7.47 mb/d.

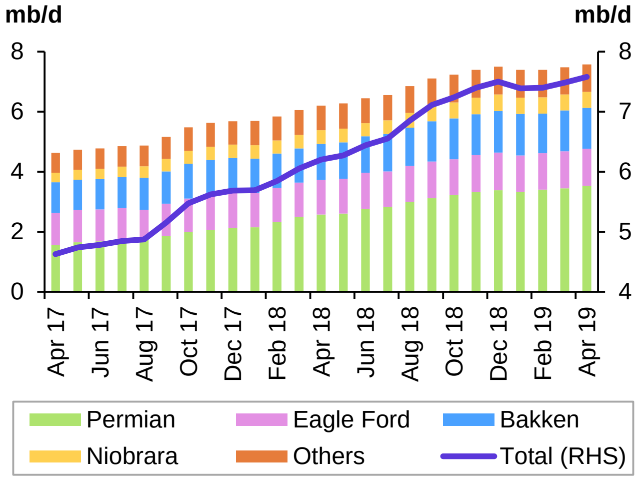
Table 5 - 6: US tight oil production growth, mb/d

Shale play	2018		2019*		2020*	
tb/d	Production	*Y-o-y change*	Production	*Y-o-y change*	Production	*Y-o-y change*
Permian tight	2.81	*1.08*	3.45	*0.64*	4.37	*0.92*
Bakken shale	1.25	*0.20*	1.48	*0.23*	1.59	*0.11*
Eagle Ford shale	1.18	*0.10*	1.34	*0.16*	1.42	*0.08*
Niobrara shale	0.48	*0.12*	0.63	*0.15*	0.69	*0.06*
Other tight plays	0.86	*0.17*	1.00	*0.14*	1.14	*0.14*
Total	**6.60**	***1.66***	**7.90**	***1.30***	**9.21**	***1.31***

*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

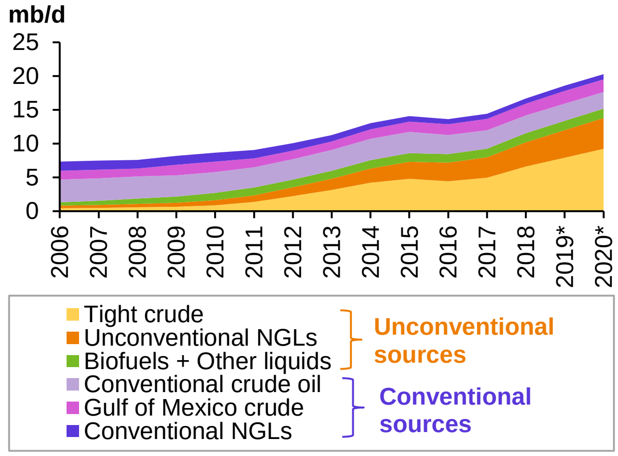
US tight crude output in 2019 is forecast to grow at a slower pace of 1.30 mb/d y-o-y to average 7.90 mb/d, which is 0.36 mb/d less than estimated for 2018 and unchanged from last month's assessment. The slower growth is due to fundamental constraints, mainly limited pipeline capacity to transfer oil from the Permian to the US Gulf Coast as well as lower drilling and completion activity in other main shale plays.

Graph 5 - 11: US tight crude breakdown



Souces: US EIA and OPEC Secretariat.

Graph 5 - 12: US liquids production breakdown



*Note: * 2019-2020 = Forecast.*
Sources: US EIA, Rystad Energy and OPEC Secretariat.

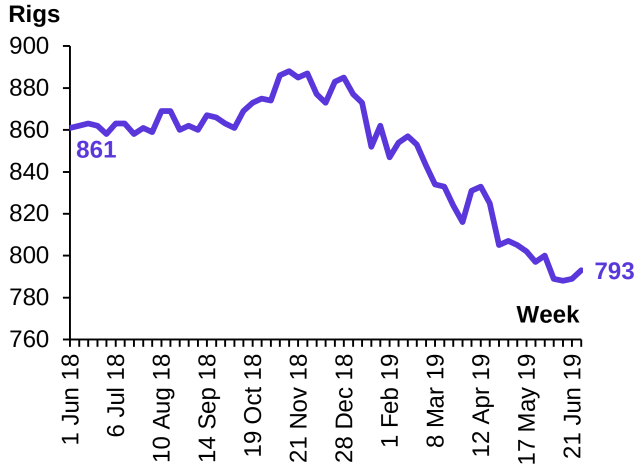
US rigs, wells and drilled-but-uncompleted wells (DUCs)

The overall **US rig count** declined by 80 rigs, or 7.6%, y-o-y, to 967 rigs in the week ending 28 June. Out of the active 967 rigs, 938 were onshore and 26 were offshore. Y-o-y, oil rigs dropped by 65 at the end of June 2019 to average 793 oil rigs.

With regard to **drilling and completion** (D&C) in all US shale plays, 1,046 wells were spudded in May, up by 18 wells m-o-m, while completed wells increased by 106 to average 1,043. This compares to 31 completed wells in April. The increase in completed wells pushed oil output higher in most regions in April and that trend is expected to continue in May. Looking at basins, on a yearly basis, the DJ-Niobrara remained steady with 26 oil rigs, the Eagle Ford Basin showed a decline of seven to 64 oil rigs, and the Williston Basin added only one rig, reaching 55 units.

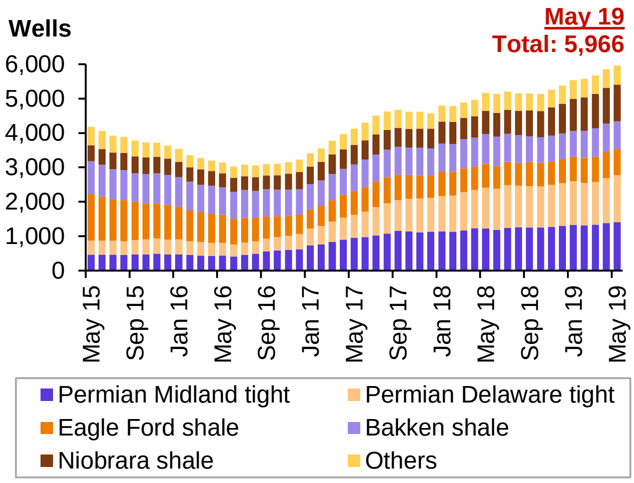
The **US oil rig count** rose by 4 units w-o-w to average 793 rigs. The oil rig count in the **Permian Basin** was up by two units to stand at 441 rigs, but lower by 32 units y-o-y. Since October 2018, drilling and well completion in the Permian region has changed due to pipeline constraints. Lower well completion compared to the number of spudded wells has led to increasing **DUCs** in this prolific region to average **2,724 uncompleted wells in May 2019**, which is likely to continue into 2H19 until new pipelines come online.

Graph 5 - 13: US weekly oil rig count



Sources: Baker Hughes and OPEC Secretariat.

Graph 5 - 14: US DUCs count by shale plays



Sources: Rystad Energy and OPEC Secretariat.

At the same time, a total of 520 **horizontal (oil and gas) wells** were spudded in Permian Midland tight and Delaware tight in May, an increase of 36 wells m-o-m, while in comparison, the number of total completed wells at 490 shows an addition of 50 wells compared to April. Wells starting to produce oil increased by 104 wells over the previous month. Hence, average crude oil production in May from the Permian Basin should be more than April.

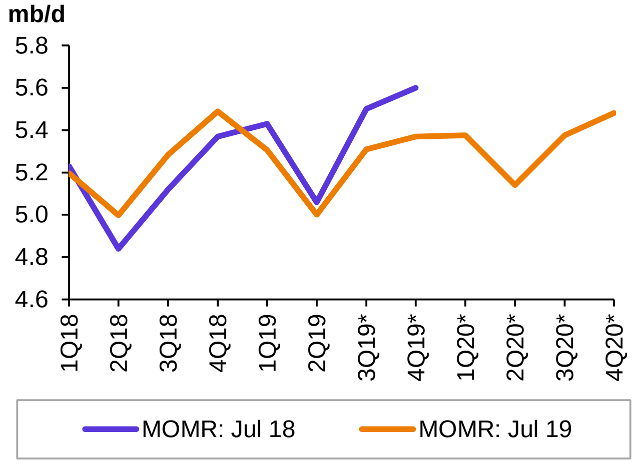
For **2020,** US tight crude and unconventional NGLs are forecast to continue to dominate non-OPEC supply growth, as has been seen since the onset of the shale boom**.** In 2018, around 96% of US liquids (crude & NGLs) supply growth came from tight plays. In 2019, this share will decline to 91%, owing to a slowdown in output in the Permian. Infrastructure constraints – particularly pipeline capacity in the Permian, the downward trend in rig counts, lower activity by service companies and less fracking – indicate a growth slowdown in 2019. However, for the next year, we expect that tight crude production will grow more than in the current year, after infrastructure debottlenecking in the Permian region. With 2.5 mb/d of expected new pipeline capacity from the Permian to the USGC, production from the booming Permian Basin is forecast to grow without any constraints. The pipeline expansion along with port enhancements for more exports – particularly in Corpus Christi – is expected to increase from a current level of about 1 mb/d to around 2.9 mb/d by the end of 2020. Nevertheless, other factors – such as company profitability, spending discipline and oil price levels – could impact the forecast for the US supply in 2020.

In 2018, Free Cash Flow (FCF) in non-OPEC reached a historic record of $310 billion, a jump by almost 100%, y-o-y. Non-OPEC FCF in 2019 is expected to decline by around $46 billion (-15%) while **it is likely to rise again by 23% to $324 billion in 2020.** With regard to investment, non-OPEC countries are anticipated to spend around $468 billion next year. Total capex of $180 billion – a rise of 13.2% y-o-y – is expected to be spent by E&P companies in the US in 2020, around **$124 billion of which is likely to be invested in the US tight oil sector.**

Canada

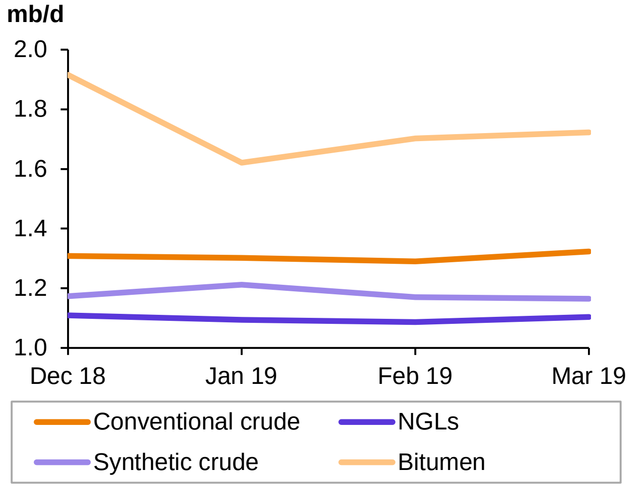
Canada's liquids supply in March 2019 rose by 0.07 mb/d m-o-m to average 5.36 mb/d, 0.09 mb/d higher than a year earlier. According to official data, oil production in 1Q19 declined 0.19 mb/d to average 5.31 mb/d, with reference to the baseline of December 2018. However, the mandate of the Alberta government' was to cut production by 0.32 mb/d, due to pipeline constraints in transferring Western Canadian crude, which was subsequently eased somewhat. Preliminary production data indicates a decline to 5.00 mb/d in 2Q19, either due to planned maintenance or reduction by producers. Based on actual production data in 1Q19 as well as the upward revision to the supply forecast of 2Q19, Canada's oil supply in 2019 was revised up by 34 tb/d to average 5.25 mb/d, representing a stagnant output compared to 2018. Preliminary April production indicates lower output by 0.2 mb/d versus March, as seasonal maintenance was scheduled to start in 2Q19. Despite the mandated production cuts, Canada's crude production in 2Q19 is forecast at 5.0 mb/d, unchanged compared to the same period a year earlier.

Graph 5 - 15: Impact of Alberta mandate for production adjustment on 2019 supply forecast



*Note: * 3Q19-4Q20 = Forecast.*
Source: OPEC Secretariat.

Graph 5 - 16: Canada production curtailment



Sources: National Energy Board and OPEC Secretariat.

The increase in March came mainly from conventional crude, despite steady output in offshore, which was higher by 33 tb/d m-o-m to average 1.32 mb/d, and NGLs output rose 17 tb/d to average 1.10 mb/d. With regard to unconventional oil sands, while synthetic crude oil (SCO) saw a minor decrease of 5 tb/d m-o-m to average 1.16 mb/d, production of bitumen rose by 20 tb/d to average 1.72 mb/d. As a result, oil sands output in March increased by 15 tb/d m-o-m from 60 tb/d a month earlier. This happened after mandatory production cuts were eased in Alberta by 75 tb/d for February and March, and will be reduced by another 25 tb/d in April, May and June.

As noted in last month's report, a delay in permission for Enbridge's 370 tb/d Line 3 replacement project and further delays for the 830 tb/d Keystone XL pipeline resulted in oil sands producers pulling back on the completion of new projects. Several new projects have been delayed, but remain flexible on start-up, including Cenovus's Christina Lake Phase G. However, some projects such as Kirby North, Primrose and Dee Valley are expected to start up in 2Q19, 3Q19 and 4Q19, respectively. Following robust growth of 0.41 mb/d y-o-y in 2018 to average 5.24 mb/d, Canada's liquids supply in 2019, following higher-than-expected output in 1Q19 and 2Q19, is now forecast to average of 5.25 mb/d in 2019.

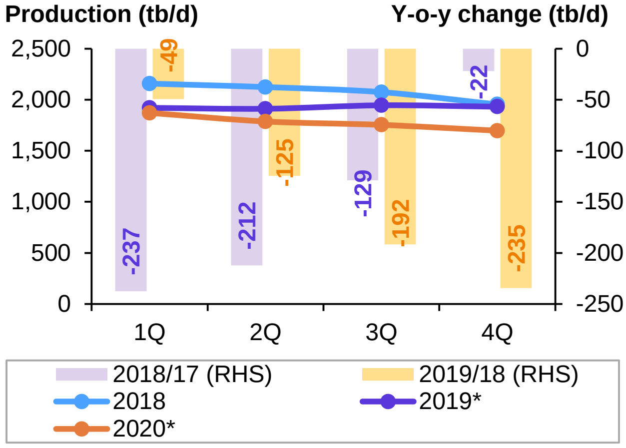
For **2020**, Canadian oil production is forecast to grow by 0.1 mb/d to average 5.34 mb/d. About half of 0.22 mb/d of production ramp ups from new projects will be offset by planned maintenance. Concerns regarding investment continue as investors face more pipeline obstacles. Enbridge's Line 3 project has already been pushed to the second half 2020, with Husky reportedly reducing spending in Western Canada until sufficient pipeline capacity becomes available.

Mexico

Mexico's average liquids output in May 2019 decreased by 0.01 mb/d m-o-m to average 1.91 mb/d, down by a massive 0.21 mb/d y-o-y with crude production falling by 12 tb/d to average 1.66 mb/d, down by 187 tb/d y-o-y. Despite a Pemex announcement that 20 new offshore fields were planned for drilling operations this year, Mexico liquids supply is forecast to contract by 0.15 mb/d to average 1.93 mb/d in 2019.

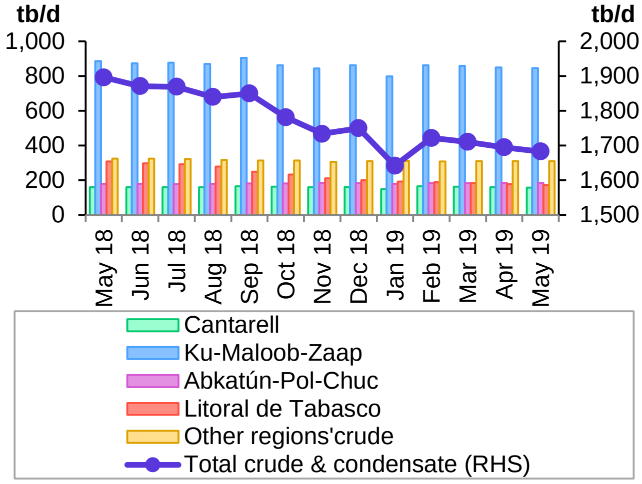
For **2020**, production from mature fields is expected to fall by 260 tb/d in 2020. Half of the 2020 declines are from the Cantarell, Abkatún-Pol-Chuc and Tsimin-Xux projects. New production capacity of 25 tb/d is forecast to be added in 2020, with 80% coming from the Balam field. Maintenance is expected to occur in 2Q20 with production returning in the 3Q20. Overall, Mexico's oil supply in 2020 will decline further by 0.15 mb/d to average 1.78 mb/d.

Graph 5 - 17: Mexico's quarterly liquids supply



*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

Graph 5 - 18: Mexico's crude and condensate monthly output by region



Sources: Pemex and OPEC Secretariat.

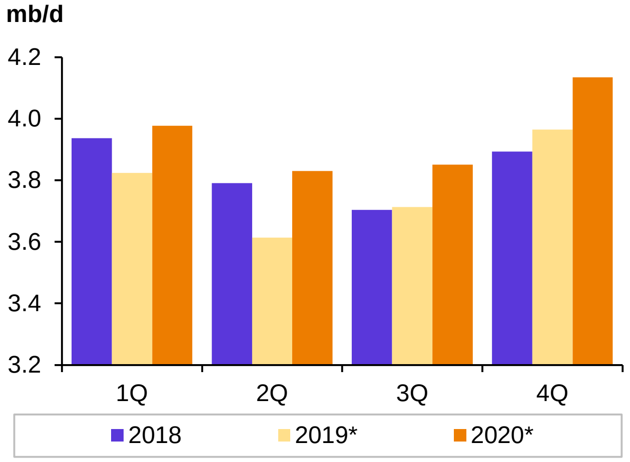
OECD Europe

OECD Europe's preliminary oil supply in **May** declined by 0.21 mb/d m-o-m to average 3.58 mb/d, down by 0.06 mb/d y-o-y, due to lower m-o-m oil output in Norway and the UK, by a combined 0.2 mb/d.

For 2019, **OECD Europe's oil supply** is forecast to see a contraction of 0.05 mb/d to average 3.78 mb/d, following growth of 0.01 mb/d in 2018. The projected increase of 0.05 mb/d for the UK is expected to be offset by production declines in other countries, particularly Norway. North Sea oil production is forecast to see a gradual ramp-up from 4Q19 onward, owing to the startup of the giant Norwegian Johan Sverdrup field.

Therefore for **2020**, total growth of 0.17 mb/d y-o-y and average oil supply of 3.95 mb/d is forecast. While Norway's output is forecast to grow by 0.21 mb/d, the UK and Denmark's production is projected to decline by 0.02 mb/d each.

Graph 5 - 19: OECD Europe quarterly liquids supply



*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

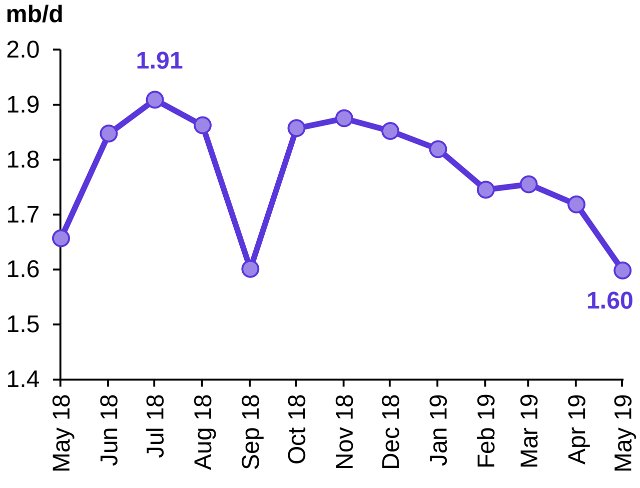
Norway

Contrary to reports that **North Sea production** returned to normal levels in May, oil output in Norway was disappointing despite the restart of the Maria field with output of 18 tb/d and the start-up of a tie-back with 20 tb/d in the Åsgard field.

In April, Equinor had announced that production of 110 tb/d in the Oseberg field was expected to come back on line in the third week of May, along with a return to production of the Statfjord field of 140 tb/d after completing maintenance.

May's output was affected by unplanned outages lasting 10 days at both the Oseberg and Statfjord platforms, while loadings in Statfjord already were expected to be lower by three cargoes compared to April, and Oseberg loadings declined from a planned 130 tb/d to around 70 tb/d.

Graph 5 - 20: Norway monthly liquids output



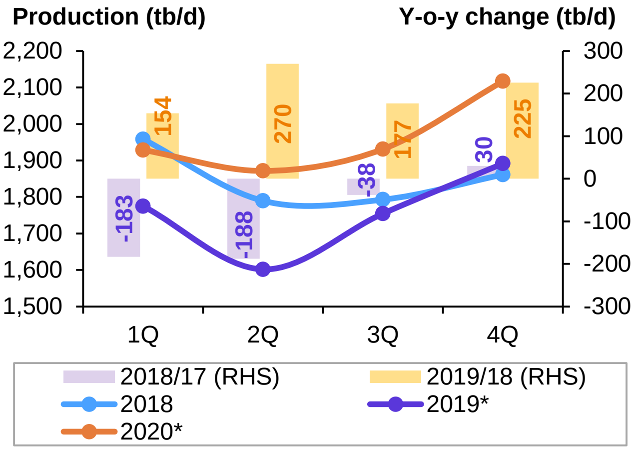
Source: OPEC Secretariat.

Norway's preliminary liquids production for May 2019, according to the Norwegian Petroleum Directorate (NPD), showed average daily production of 1.60 mb/d of crude, NGLs and condensate, indicating a decrease of 0.12 mb/d m-o-m and lower by 0.06 mb/d, y-o-y. This includes a m-o-m drop of 118 tb/d in crude oil production to average 1.25 mb/d, lower by 69 tb/d y-o-y, while NGLs output was more or less flat at 0.35 mb/d.

For **2019**, **total liquids output** is forecast to decline by 0.09 mb/d, to average 1.76 mb/d, revised down by 0.01 mb/d compared to the previous month's assessment. The annual decline rate for crude oil is expected to be around 10% in 2019.

For **2020**, oil production is forecast to rise by 0.21 mb/d to average 1.96 mb/d, approximately the level of average liquids production in 2017. Field-by-field studies indicate that an additional production of 0.31 mb/d will come on stream in Norway in 2020, while the total production decline is estimated to be 88 tb/d. Half of this decline is from the Edvard Grieg, Grane and Gudrun projects.

Graph 5 - 21: Norway's quarterly liquids supply



*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

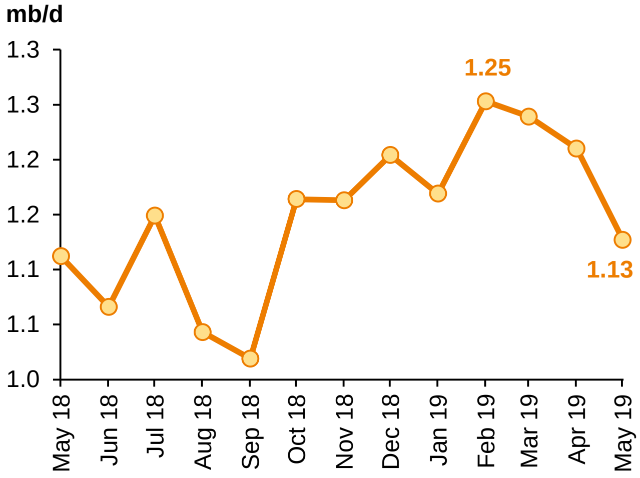
Johan Sverdrup will account for 50% of the new production. In addition, 20% of the new production will come from the ramp up of the Valhall, and Oseberg projects and the start-up of Njord, Yme, and Martin Linge. Maintenance is scheduled for 2Q20 and again for 4Q20.

UK

UK crude oil output in May 2019 decreased by 83 tb/d to average 0.98 mb/d, but was higher by 7 tb/d y-o-y. NGLs output was steady at an average of 116 tb/d. Consequently, liquids output in May decreased by 0.08 mb/d to average 1.13 mb/d.

The 2Q19 forecast for UK oil supply shows a drop of 0.08 mb/d compared to 1Q19. According to the latest information, loadings in June are set to drop m-o-m by 0.31 mb/d to 0.78 mb/d. This would negatively affect the forecast for y-o-y growth of 0.05 mb/d. The main reason for this drop is planned work at Ekofisk. The new Culzean gas field started production with peak output of 25 tb/d of condensate anticipated in 2021.

Graph 5 - 22: UK monthly liquids output



Source: OPEC Secretariat.

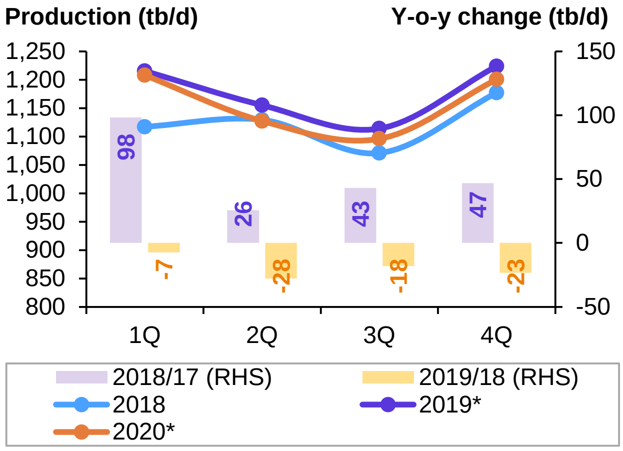
Further work in fields such as Kraken, Scolty-Crathes and Heather-Broom will impact the rest of 3Q19. In 4Q19, a q-o-q recovery of production by 0.11 mb/d is anticipated, with production for the year forecast at 1.22 mb/d.

For **2019**, **UK liquids supply growth** is forecast at a slower pace compared to a year ago at 0.05 mb/d, reaching 1.18 mb/d, unchanged from last month's projection.

For 2020, production from new projects – Mariner, Clair, Lancaster and the start-up of Liberator – will account for 75% of new UK production, which is forecast at 130 tb/d. However, UK production in other fields is expected to decline by 153 tb/d. The main projects in decline include Buzzard, Elgin/Franklin, Golden Eagle Area, Western Isles, Greater Catcher and ETAP. These will account for more than 40% of total UK decline in 2020. Maintenance is expected to occur in 2Q20 and 3Q20 and return in 4Q20.

Taking the growth and expected declines together, UK oil supply is forecast to see an overall contraction of 0.02 mb/d in 2020, to average 1.16 mb/d.

Graph 5 - 23: UK quarterly liquids supply



*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

OECD Asia Pacific

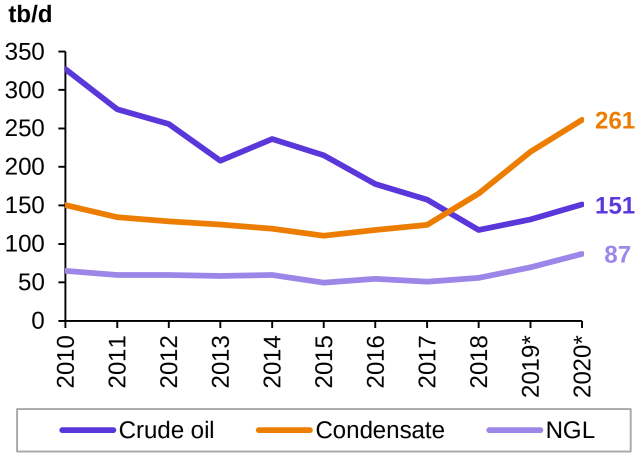
Following consecutive years of declines, **OECD Asia Pacific's oil supply** showed y-o-y growth of 0.02 mb/d in 2018, and liquids supply in 2019 is forecast to grow by 0.06 mb/d, to average 0.47 mb/d, with Australia being the only driver for this growth. For **2020**, continuous new project ramp ups in Australia will lead to further y-o-y growth of 0.07 mb/d in this region.

Australia

Preliminary Australis's liquids production in May stood at 0.38 mb/d, representing a decline of 0.02 mb/d m-o-m, but a rise of 0.09 mb/d y-o-y. Crude and condensate output declined by 26 tb/d to average 0.33 mb/d, while **NGL** output was steady at 46 tb/d.

Australia's oil supply in **2019** is forecast to be supported by new project start-ups in 2018, such as Great Gorgon, Ichthys, Kipper, Tuna Turrum, North West Shelf Venture and Greater Western, Prelude, Wheatstone and other small fields. The Great Enfield project will add about 40 tb/d of new capacity this year and represents the start of plans to significantly boost output from the offshore Vincent oil field. As a result, liquids production in Australia through the development of gas/condensate fields, is expected to reach 0.40 mb/d in 2019, showing growth of 0.06 mb/d.

Graph 5 - 24: Australia liquids supply development



*Note: * 2019-2020 = Forecast.*
Sources: Rystad Energy and OPEC Secretariat.

For **2020,** development of natural gas resources for domestic consumption and LNG exports dominate Australia's E&P sector with ageing fields and overall regional decline, but prospects for crude and condensate production growth are materializing in Western Australia. The Ichthys LNG T1-T2, Greater Enfield, and Prelude (FLNG) projects will contribute up to 90% of Australia's new production in 2020, which is estimated at 84 tb/d. Furthermore, the Cliff Head in shallow waters offshore in the Perth Basin is projected to see development. New prospects in multi-phased development could extend the life of the Cliff head field into the 2030s, adding about 29 mb of prospective oil in place. Key projects with declining production are Pyrenees and Bass Strait, accounting for 30% of the total decline in 2020. Production declines from North West Shelf LNG T3, T4 and T5 will be offset by additional volumes from T1 and T2. Overall, Australian oil production is expected to grow to average 0.48 mb/d in 2020.

Developing Countries (DCs)

Total developing countries' (DCs) oil supply for 2019 is expected to grow by 0.24 mb/d y-o-y to average 13.71 mb/d, revised down by 0.03 mb/d, mainly due to downward revisions in Latin America's supply forecast compared with the previous monthly assessment. Latin America is now forecast to see y-o-y growth of 0.24 mb/d, owing to planned new project start-ups and ramp ups at recently installed FPSOs in Brazil. Moreover, oil production in Africa is forecast to grow by 0.06 mb/d y-o-y to average 1.58 mb/d. In Africa, growth will come mainly from Ghana and the Sudans. While oil supply in the Middle East is expected to remain unchanged y-o-y at 3.21 mb/d, oil production in the Other Asia region will decline by 0.07 mb/d y-o-y as was seen in the last three years (2016-2018), to average 3.49 mb/d, mainly in Indonesia (-0.03 mb/d), Vietnam (-0.02 mb/d) India (-0.02 mb/d) and Thailand (-0.02 mb/d).

Table 5 - 7: Developing countries' liquids supply, mb/d

	1Q	2Q	3Q	4Q	Yearly	*Change* *Y-o-y*
2018	13.45	13.53	13.40	13.51	13.47	*0.08*
2019*	13.48	13.59	13.82	13.95	13.71	*0.24*
2020*	13.98	14.00	14.02	14.21	14.05	*0.34*

*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

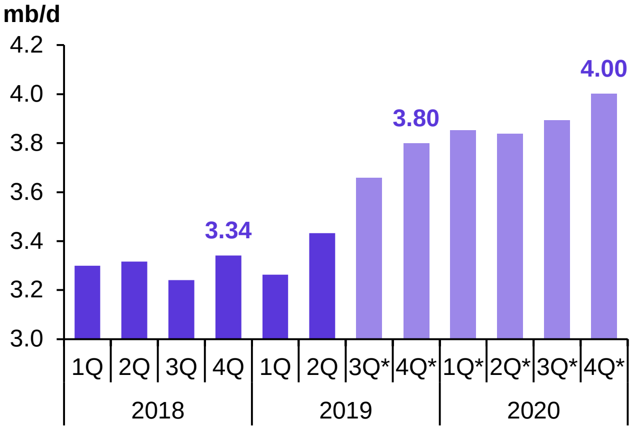
For **2020**, oil supply in Developing Countries is expected to increase by 0.34 mb/d to average 14.05 mb/d. The key driver remains Latin America with y-o-y forecast growth of 0.33 mb/d due to new projects in Brazil. Moreover, while production is forecast to increase in the Middle East and Africa by 0.03 mb/d and 0.02 mb/d to average 3.24 mb/d and 1.60 mb/d, respectively, production in Other Asia, despite projected growth in India and Malaysia, is forecast to decline by 0.03 mb/d to average 3.45 mb/d.

Latin America

Brazil

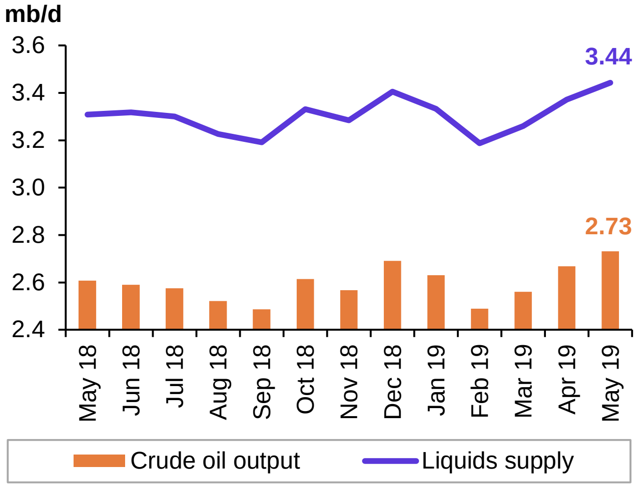
Brazil's crude oil output in May 2019 rose by 0.13 mb/d m-o-m to average **2.73 mb/d**, up by 0.12 mb/d y-o-y, **a new record for crude oil production**, supported by the start-up of new production units mainly in the Lula and Búzios fields in the Santos Basin. Output of NGLs also grew by 7 tb/d in May to average 103 b/d, while biofuels output was unchanged m-o-m at 0.61 mb/d. In terms of total liquids, oil supply in May averaged 3.44 mb/d.

Graph 5 - 25: Brazil's quarterly liquids supply



*Note: * 3Q19-4Q20 = Forecast.*
Sources: National Agency of Petroleum, Natural Gas and Biofuels; and OPEC Secretariat.

Graph 5 - 26: Brazil's monthly liquids supply



Source: OPEC Secretariat.

Strong production growth is forecast for **2019** based on the six 150 tb/d capacity FPSOs that started in 2018 and which have continued to ramp up so far this year. Four FPSOs started production in the Búzios field – the latest on 19 March – according to Petrobras. The P-68 FPSO is also projected to start production from the Berbgao/Sururu oil field by the end of this year. Brazilian oil supply is expected to grow by 0.24 mb/d to average 3.54 mb/d in 2019, revised down by 33 tb/d compared to the previous month's forecast, due to lower than expected output in 2Q19.

For **2020**, based on field-by-field studies, a total of 465 tb/d is expected from project ramp-ups. More than 80% of the estimated addition from new projects is expected to come from Buzios (x-Franco), Lara and Lula. Mature fields such as Parque das Baleia, Marlim Sul (South), Roncador, Mero (Libra NW), and Marlim Leste account for more than 50% of the estimated 0.12 mb/d total decline for Brazil in 2020. Annual maintenance is expected to slow growth starting from 2Q20 and 3Q20. The oil supply forecast for 2020 shows y-o-y growth of 0.36 mb/d to average 3.90 mb/d.

FSU

FSU oil supply is forecast to decrease by 0.06 mb/d y-o-y in 2019 to average 14.23 mb/d, following the nine-month extension of output adjustments of the OPEC and non-OPEC countries participating in the DoC. Oil supply in Russia in 2019, based on the voluntary adjustment levels for 2H19, is expected to increase by 0.05 mb/d y-o-y to average 11.39 mb/d. Kazakhstan, Azerbaijan and FSU others supply is likely to see a contraction of 0.08 mb/d, 0.01 mb/d and 0.02 mb/d, respectively, in 2019.

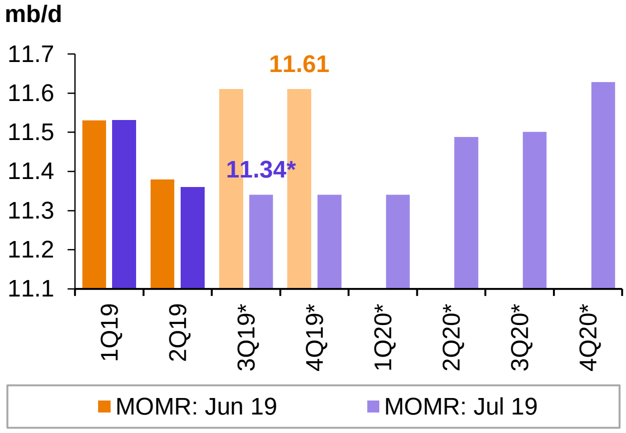
For **2020**, FSU oil supply is forecast to grow by 0.16 mb/d y-o-y and average 14.40 mb/d. Oil production in Russia is forecast to grow by 0.10 mb/d to average 11.49 mb/d, assuming that production is adjusted to 11.34 mb/d in 1Q20. Oil supply in Kazakhstan is likely to grow by 0.09 mb/d, but in Azerbaijan will remain stagnant versus 2019 and is forecast to decline in FSU others.

Russia

Preliminary data for Russian liquids supply in **June 2019** shows an increase of 0.04 mb/d m-o-m to average 11.34 mb/d, up by 0.10 mb/d y-o-y. This assumption is based on the reopening of the Druzhba pipeline. The nine-month extension of the DoC between OPEC and non-OPEC covering 2H19 and 1Q20,has led to a revision in the Russian oil supply forecast for 2H19 to 11.34 mb/d. Taking this into account, Russia's oil supply is forecast to grow by only 0.05 mb/d in 2019 to average 11.39 mb/d.

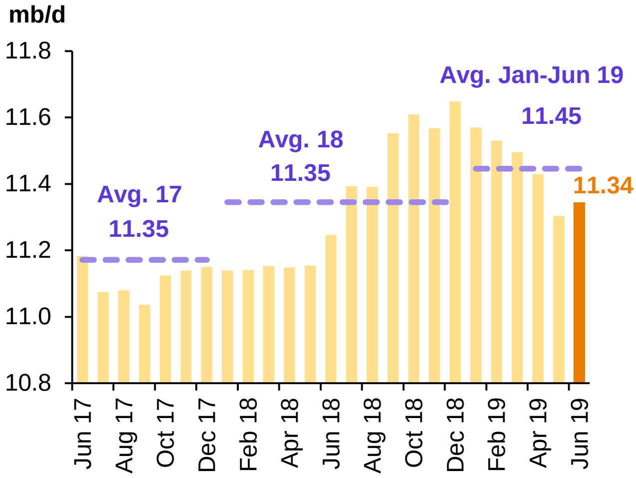
For 2020, following the extension of the DoC to 1Q20 and considering other project output, growth of 0.10 mb/d is anticipated in 2020, representing average yearly supply of 11.49 mb/d.

Graph 5 - 27: Russia's quarterly supply forecast



*Note: * 3Q19-4Q20 = Forecast.*
*** June production carry over for the next nine months.*
Source: OPEC Secretariat.

Graph 5 - 28: Russia's monthly liquids supply



Sources: Nefta Compass and OPEC Secretariat.

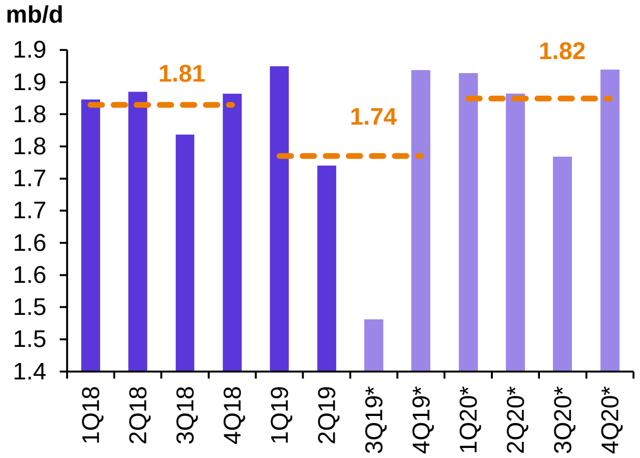
Caspian

Kazakhstan

Kazakhstan's liquids output in **May** was up by 0.04 mb/d m-o-m to average 1.64 mb/d, but lower y-o-y by 0.21 mb/d, as maintenance ended at Kashagan. Since March 2019, oil output has dropped by 0.19 mb/d owing to a maintenance shutdown in the Kashagan field.

Crude oil production rose by 41 tb/d in May m-o-m to average 1.37 mb/d, following a drop of 228 tb/d m-o-m in April. The Kashagan field was shut down on 14 April and restarted on 19 May. Crude output at the giant Kashagan field in the Caspian Sea already reached 400 tb/d in early June, according to secondary sources. Moreover, an official source said that the field's average production is expected to reach 267 tb/d and further increase to average 309 tb/d in 2020. The North Caspian Operating Consortium (NCOC) plans to boost production in Kashagan through gas injection in order to ramp up production to as high as 470 tb/d.

Graph 5 - 29: Kazakhstan's quarterly liquids output



*Note: * 3Q19-4Q20 = Forecast.*
Source: OPEC Secretariat.

In **2019**, oil supply in Kazakhstanis is expected to decline by 0.08 mb/d to average 1.74 mb/d, due to maintenance in the Kashagan and further planned maintenance in 2H19 in the Tengiz and Karachaganak fields.

For **2020**, despite production declines expected from Tengiz, Mangistaumunaigaz, AktobeMunaiGas, and Petrokazakhstan projects, Kazakh oil supply is expected to **increase by 0.09 mb/d** to average 1.82 mb/d through production ramp-ups from projects such as; Kashagan, and Karachaganak and others.

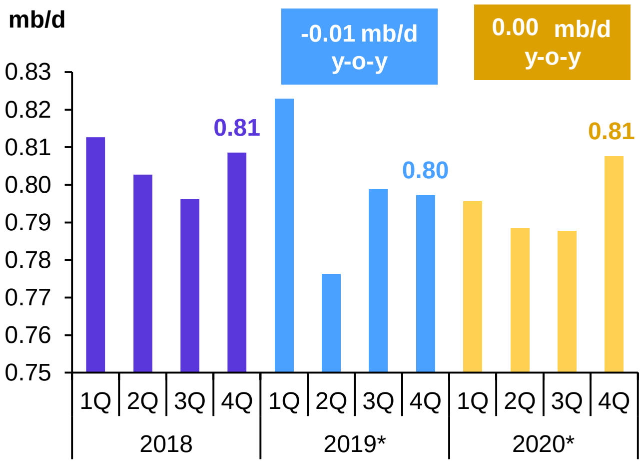
Azerbaijan

Azerbaijan's liquids output in May was up by 0.09 mb/d m-o-m to average 0.80 mb/d. Crude oil production recovered by 94 tb/d m-o-m to average 693 tb/d following the return from maintenance of the Central Azeri platform, down by 0.04 mb/d y-o-y. Maintenance is also planned for another BP platform in Western Chirag in October 2019. Condensate production accounted for 77 tb/d of total crude oil output in May, according to the country's energy ministry.

For **2019**, oil supply in Azerbaijan is expected to decline by 0.01 mb/d to average 0.80 mb/d, revised down from the last month's assessment.

For **2020**, production is forecast to slow compared to 2019 to average 0.79 mb/d, but in terms of y-o-y growth, no significant contraction is expected.

Graph 5 - 30: Azerbaijan's quarterly liquids supply

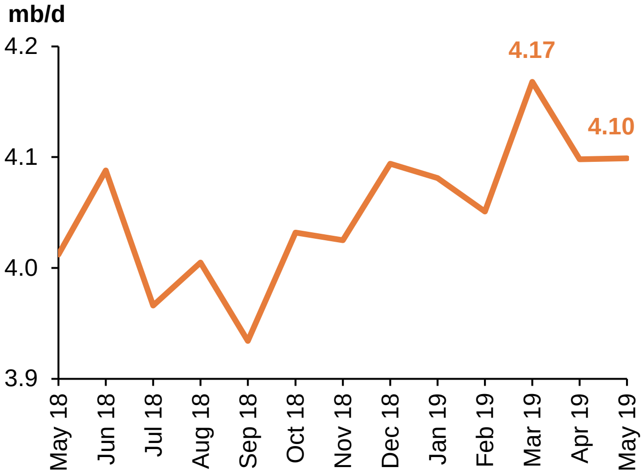


*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

China

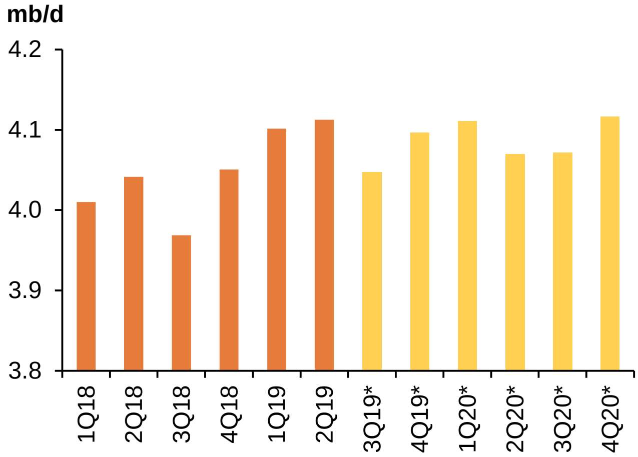
China's liquids production in May 2019 remained unchanged at an average 4.10 mb/d, according to official data, but was up by 0.09 mb/d y-o-y. Crude oil output in May was also at the same level as April at an average 3.82 mb/d, which was 38 tb/d higher y-o-y.

Graph 5 - 31: China's monthly liquids output



Source: OPEC Secretariat.

Graph 5 - 32: China's quarterly liquids output



*Note: * 3Q19-4Q20 = Forecast.*
Source: OPEC Secretariat.

Crude oil production in **2019** is expected to grow by 0.07 mb/d to average 4.09 mb/d, revised down by a slight 4 tb/d from the previous month's assessment, due to lower-than-expected oil production in 2Q19 at 4.11 mb/d.

For **2020**, oil production in China is forecast to remain stagnant at 4.09 mb/d.

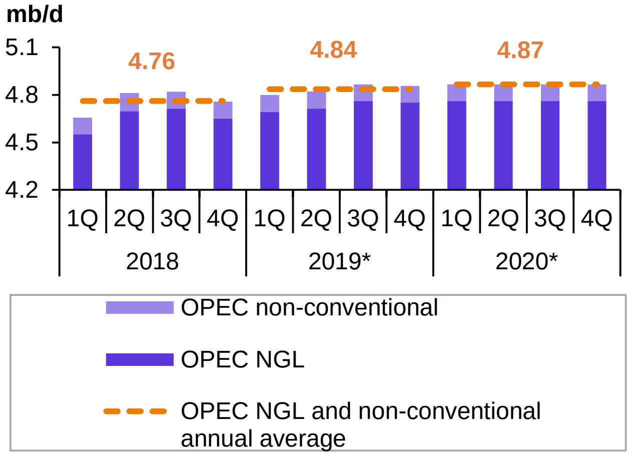
OPEC NGLs and non-conventional oils

OPEC NGLs and non-conventional liquids in 2019 are forecast to grow by 0.07 mb/d to average 4.84 mb/d, following growth of 0.13 mb/d in 2018.

Preliminary production data in **June 2019** showed minor growth of 0.02 mb/d to average 4.85 mb/d compared with a month earlier, and is up by 0.05 mb/d y-o-y.

For **2020**, the preliminary forecast indicates minor growth of 0.03 mb/d to average 4.87 mb/d.

Graph 5 - 33: OPEC NGL and non-conventional liquids output



*Note: * 2019-2020 = Forecast.*
Sources: OPEC Secretariat.

Table 5 - 8: OPEC NGL + non-conventional oils, mb/d

	2018	2019	Change 19/18	1Q20	2Q20	3Q20	4Q20	2020	Change 20/19
Total OPEC	**4.76**	**4.84**	0.07	4.87	4.87	4.87	4.87	**4.87**	0.03

Note: 2019-2020 = Forecast.
Source: OPEC Secretariat.

OPEC crude oil production

According to secondary sources, total **OPEC preliminary crude oil production** averaged 29.83 mb/d in June, lower by 68 tb/d m-o-m. Crude oil output decreased mostly in Iran IR, Libya and Angola, while production increased in Nigeria and, Saudi Arabia.

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

	2017	2018	4Q18	1Q19	2Q19	Apr 19	May 19	Jun 19	*Jun/May*
Algeria	1,047	1,042	1,055	1,026	1,019	1,023	1,029	1,005	*-24*
Angola	1,634	1,505	1,496	1,445	1,430	1,397	1,474	1,418	*-57*
Congo	252	317	318	326	333	341	326	331	*5*
Ecuador	530	519	517	526	529	530	530	528	*-2*
Equatorial Guinea	133	125	114	115	112	112	112	113	*1*
Gabon	200	187	188	208	205	192	214	208	*-7*
Iran, I.R.	3,813	3,553	2,982	2,725	2,396	2,597	2,367	2,225	*-142*
Iraq	4,446	4,550	4,669	4,631	4,701	4,640	4,745	4,718	*-27*
Kuwait	2,708	2,745	2,774	2,715	2,700	2,698	2,710	2,690	*-20*
Libya	811	951	1,056	965	1,152	1,172	1,170	1,113	*-58*
Nigeria	1,658	1,718	1,739	1,735	1,801	1,825	1,726	1,855	*129*
Saudi Arabia	9,954	10,311	10,749	10,019	9,754	9,764	9,687	9,813	*126*
UAE	2,916	2,986	3,236	3,066	3,067	3,058	3,060	3,083	*23*
Venezuela	1,911	1,354	1,191	970	753	776	750	734	*-16*
Total OPEC	**32,014**	**31,864**	**32,084**	**30,473**	**29,950**	**30,123**	**29,898**	**29,830**	***-68***

Notes: Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

Table 5 - 10: OPEC crude oil production based on *direct communication*, tb/d

	2017	2018	4Q18	1Q19	2Q19	Apr 19	May 19	Jun 19	*Jun/May*
Algeria	1,059	1,040	1,067	1,027	1,017	1,019	1,027	1,006	*-21*
Angola	1,632	1,473	1,434	1,421	1,424	1,392	1,462	1,418	*-44*
Congo	263	323	326	345	342	344	337	345	*7*
Ecuador	531	517	516	529	531	529	532	531	*-1*
Equatorial Guinea	129	120	112	108	114	114	113	114	*1*
Gabon	210	193	206	213	..	221	217	..	*..*
Iran, I.R.	3,867	..	..	..	..	..	..	..	*..*
Iraq	4,469	4,410	4,460	4,540	4,565	4,500	4,595	4,600	*5*
Kuwait	2,704	2,737	2,755	2,712	2,681	2,690	2,709	2,643	*-66*
Libya	..	..	..	..	..	..	..	..	*..*
Nigeria	1,536	1,602	1,631	1,689	1,771	1,713	1,649	1,956	*307*
Saudi Arabia	9,959	10,317	10,790	10,053	9,752	9,807	9,670	9,782	*112*
UAE	2,967	3,008	3,285	3,055	3,050	3,050	3,055	3,046	*-9*
Venezuela	2,035	1,510	1,470	1,289	1,045	1,037	1,050	1,047	*-3*
Total OPEC	**..**	**..**	**..**	**..**	**..**	**..**	**..**	**..**	***..***

Notes: .. Not available.
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

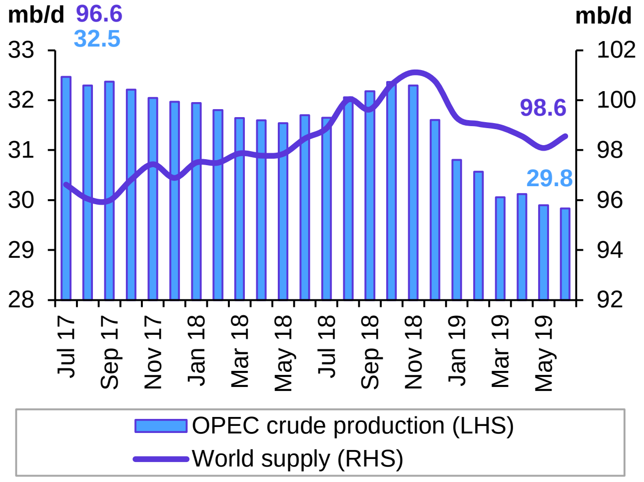
World oil supply

Preliminary data indicates that **global oil supply** increased slightly by 0.47 mb/d m-o-m to average 98.56 mb/d in June 2019, compared to the previous month.

An increase in **non-OPEC supply (including OPEC NGLs)** of 0.54 mb/d to average 68.73 mb/d, in June, compared to the previous month, higher by 1.97 mb/d, y-o-y. Incremental production in June was mainly driven by the US, Brazil, Kazakhstan, Russia and China.

The **share of OPEC crude oil in total global production** declined by 0.2 pp to 30.3% in June 2019 compared to 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 - 34: OPEC and world oil supply



Source: OPEC Secretariat.

Product Markets and Refinery Operations

Product markets in the Atlantic Basin weakened, pressured by strong outputs that led to downward pressure on prices amid lower-than-expected demand.

In the US, product markets were supported by the middle of the barrel, while the gasoline market received a boost from a gasoline supply outage on the East Coast, despite overall supply-side pressure resulting from higher refinery intakes in the region.

In Europe**,** product markets suffered as the gasoline market plummeted and weakening at the middle of the barrel more than offset the solid positive performance at the bottom of the barrel.

Meanwhile, in Asia, product markets received support from reduced refining capacities, firm jet/kerosene exports and a tighter fuel oil market.

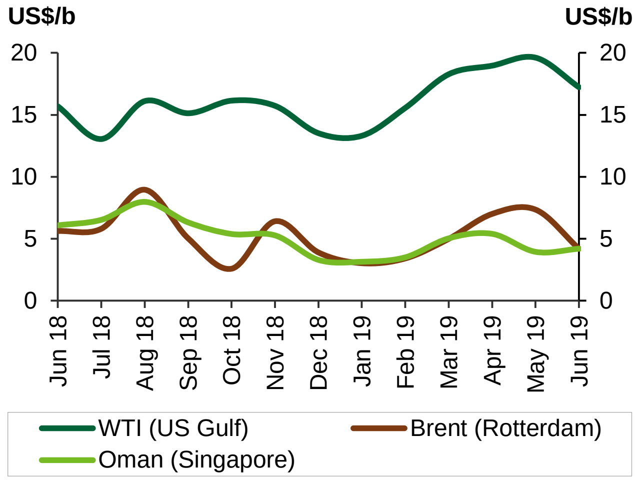
Refinery margins

US refinery margins edged lower in June, pressured by an uptick in feedstock prices that caused declines in product cracks, except for gasoline and fuel oil. A rise in refinery intakes drove throughputs to the highest level seen y-t-d. This contributed to higher product output, which exacerbated the pressure on product markets.

The expectation of increasing fuel demand with the onset of the summer driving season presents a positive outlook for the coming months, lending support to the gasoline and jet fuel markets, in particular. However, the strong refinery utilization rate could offset some of the expected bullishness.

US refinery margins for WTI averaged $17.23/b in June, down by $2.39 m-o-m but up by $1.54 y-o-y.

Graph 6 - 1: Refining margins



Sources: Argus Media and OPEC Secretariat.

Refinery margins in **Europe** fell, driven by sharp losses at the top of the barrel that can be attributed to weaker fundamentals, as refinery intakes and product availability continued to rise**.** However, unscheduled refinery outages put pressure on product output, helping to cap the downturn during the month. The subsequent return of these refining capacities will most likely lead to higher refinery utilization rates, weighing further on European product markets in the near term.

Refinery margins for Brent in Europe averaged $4.19/b in June, down by $3.16 compared with a month earlier and by 1.43 y-o-y.

Asian refinery margins showed a positive performance, supported by strong maintenance activities as offline capacity volumes in June stood at 2.4 mb/d, higher by 20% y-o-y. Most of the loss in refining margins were seen in gasoline and diesel.

Refinery margins for Oman in Asia gained 25¢ m-o-m to average $4.20/b in June, but were lower by $1.88 y-o-y.

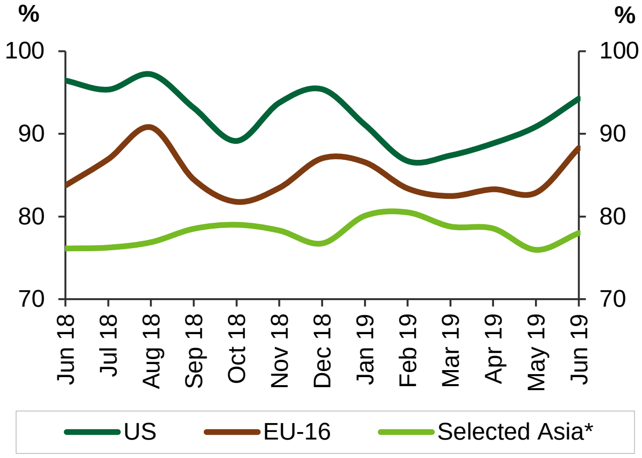
Refinery operations

In the **US**, refinery utilization rates soared in June to average 94.3%, which corresponds to a throughput of 17.73 mb/d. This represented a rise of 3.4 pp and 680 tb/d, respectively, compared with the previous month. Y-o-y, the June refinery utilization rate was down by 2.2 pp, with throughputs down by 316 tb/d.

European refinery utilization averaged 88.3% in June, corresponding to a throughput of 10.94 mb/d. This is a m-o-m rise of 5.4 pp, or 670 tb/d. Y-o-y, utilization rates increased by 4.5 pp and throughputs were also up by 692 tb/d.

In **selected Asia** — comprising Japan, China, India and Singapore — refinery utilization rates rose, averaging 78% in June, corresponding to a throughput of 21.88 mb/d. Compared to the previous month, throughputs were up by 2.0 pp and by 570 tb/d. Meanwhile, y-o-y they were up by 1.9 pp and up by 1.1 mb/d.

Graph 6 - 2: Refinery utilization rates



*Note: * Includes Japan, China, India and Singapore*
Sources: EIA, Euroilstock, PAJ and Argus Media.

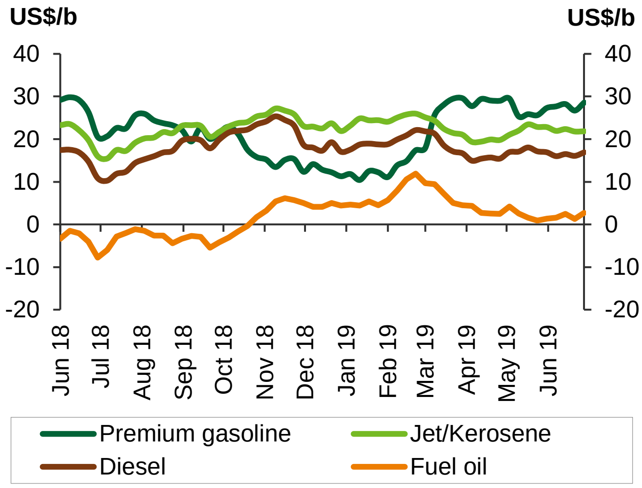
Product markets

US market

US gasoline cracks recovered some ground after declining in the previous month and remain at healthy levels. Gasoline stocks fell by 3.5 mb in June, mostly due to a supply outage in the USEC following a devastating fire that prompted the permanent closure of the region's largest refiner. This incentivised interregional flows to the East Coast. However, gasoline prices saw downward pressure as US refineries increased intakes and overall consumption in the US remained subdued, contrary to expectations.

The gasoline crack spreads gained $1.42 m-o-m to average $27.79 in June, up by $1.17 y-o-y.

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



Sources: Argus Media and OPEC Secretariat.

USGC **jet/kerosene crack spread** lost some ground as inventory levels were relatively flat on a monthly basis. The current peak demand season set the stage for a further upturn in the near term. The US jet/kerosene crack spread against WTI averaged $21.97/b, down by 67¢ m-o-m, but up by $1.46 y-o-y.

US **gasoil crack spreads** trended downwards, affected by bearish sentiment linked to rising output as refinery throughput in the US rose, leading to a 5.6 mb inventory build at the start of the month. This development led to declining gasoil prices in the US, which fell by $7.16/b in June compared to the previous month. The US gasoil crack spread averaged $16.37/b, down by $1.00 m-o-m but up by $1.24 y-o-y.

US **fuel oil crack spreads** remained flat for the second consecutive month, as closed arbitrage opportunities to Asia were offset by a pickup in exports to Europe. In June, the US fuel oil crack spread averaged $2.00/b, marginally up by 3¢ m-o-m but up by $5.75 y-o-y.

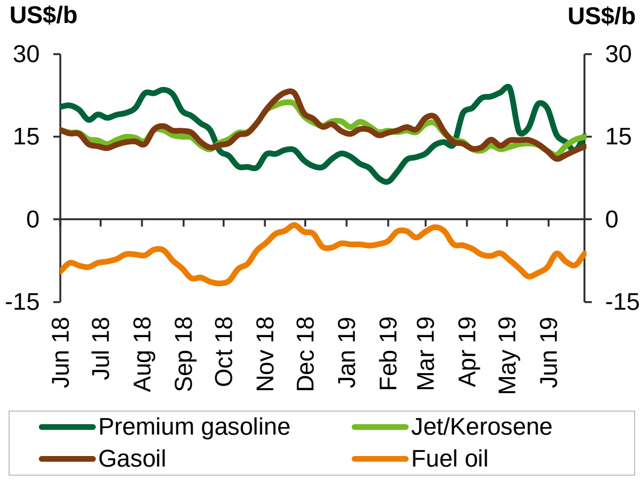
European market

The **gasoline crack spreads** in Rotterdam suffered the greatest losses across the barrel during June, pressured by lower overall deliveries to the US. Additional bearishness in the European gasoline market was derived from unusual arbitrage arrivals from the Mediterranean, which contributed to the rise in Amsterdam-Rotterdam-Antwerp (ARA) inventory levels, as per preliminary weekly data.

The gasoline crack spread averaged $14.26/b in June, down by $5.04 m-o-m and by $5.28 y-o-y.

The **jet/kerosene** crack spreads moved slightly upwards during the month, on the back of firm jet fuel demand and in line with seasonal trends despite higher ARA inventory levels that reached a two-year record high.

Graph 6 - 4: Rotterdam crack spreads vs. Brent



Sources: Argus Media and OPEC Secretariat.

In the near term, strong summer demand is expected to sustain the jet fuel market. The Rotterdam jet/kerosene crack spread averaged $13.62/b, up by 23¢ m-o-m but down by $1.51 y-o-y.

European **gasoil** crack spreads weakened in June, pressured by a strong pickup in ARA inventory levels as refinery throughput rose and contributed to higher gasoil output. The gasoil crack spread averaged $12.10/b, which was lower by $1.81 m-o-m and by $2.48 y-o-y.

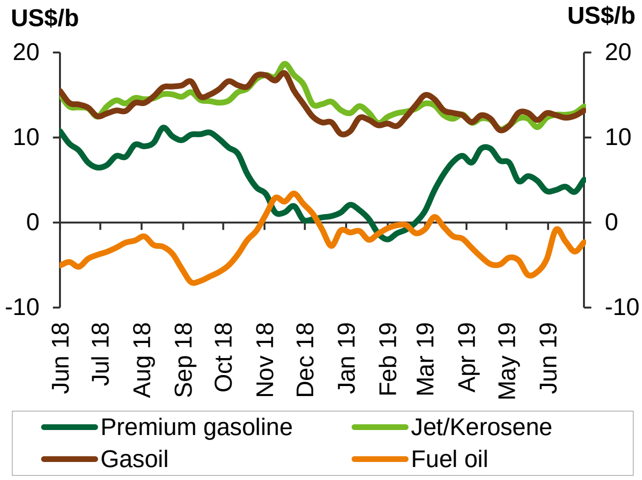
At the bottom of the barrel, **fuel oil 3.5% crack spreads** in Rotterdam showed solid gains supported by a strong arbitrage opening to the US, despite considerably lower exports to Asia. In Europe, fuel oil cracks averaged minus $10.00/b in June, gaining $2.17 m-o-m, and $1.47 y-o-y.

Asian market

The **Asian gasoline 92** crack spread against Dubai lost some ground, affected by lower overall gasoline exports, despite a decline in gasoline imports from China that fell by 42% m-o-m compared to May. This is mainly attributable to heavy refinery maintenance work and the resulting reduction in gasoline output. The Singapore gasoline crack spread against Oman averaged $4.29/b in June, down by 52¢ m-o-m and by $3.60 y-o-y.

Singapore light distillate **naphtha crack spreads** weakened slightly as pressure from additional demand associated with the most recent refining capacities offset support from a pickup in steam cracker demand, as refineries returned from maintenance. The Singapore naphtha crack spread against Oman averaged minus $9.80/b, having decreased by 30¢ m-o-m, and by $7.08 y-o-y.

Graph 6 - 5: Singapore crack spreads vs. Dubai



Sources: Argus Media and OPEC Secretariat.

In the middle of the barrel, the **jet/kerosene** crack spreads in Asia showed positive performance on the back of bullish sentiment in the market as the onset of the peak travel season pointed to rising jet fuel demand from the aviation sector. In addition, higher arbitrage flows on the India/Northwest Europe route amid supply disruptions in France, due to safety concerns which affected operations, offered support. The Singapore jet/kerosene crack spread against Oman averaged $13.08/b, up by $1.17 m-o-m but down by 22¢ y-o-y.

The Singapore **gasoil crack spread** in June moved slightly upwards, as healthy overall diesel demand provided support, despite the seasonal diesel requirement contraction in India due to lower agricultural activities during the ongoing monsoon season. The Singapore gasoil crack spread against Oman averaged $13.28/b, up by 48¢ m-o-m but down by 23¢ y-o-y.

The Singapore **fuel oil crack spread** showed the steepest rise across the barrel in the Asian product market. This is attributed to lower supplies, despite a recent arbitrage opening that could pressure fuel oil markets in the near term. Consequently, fuel oil stock levels reportedly declined as traders continue to stock IMO 2020 compliant fuel oil ahead of the implementation date in January. Singapore fuel oil cracks against Oman averaged minus $2.17/b, up by $3.04 m-o-m and by $2.29 y-o-y.

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

Event	Time frame	Asia	Europe	US	Observations
Peak travelling season	May 19 – Sep 19	↑ Some positive impact on product markets	↑ Some positive impact on product markets	↑ Some positive impact on product markets	Support expected to be softened by relatively high global stock levels, particularly at the top of the barrel, as well as relatively softer demand this year.
Monsoon season	Jun 19 – Oct 19	↓ Negative impact on gasoil markets	-	-	Gasoil markets in India are expected to come under pressure as seasonal rains curtail agricultural activities.
Lower heavy crude availability	Mid-term	↑ Some positive impact on product markets	↑ Some positive impact on product markets	↑ Some positive impact on product markets	May support prices of heavier products, and support cracks.
Preparations for IMO 2020	May 19 – Dec 19	↑ Some positive impact on product markets (short term)	↑ Some positive impact on product markets (short term)	↑ Some positive impact on product markets (short term)	Refineries are expected to include plant upgrades during this year's refinery maintenance season to accommodate upcoming IMO regulations. This could lead to pressure on crude intakes and declines in product availability.
Fuel quality standards	Aug 19	↑ Some positive impact on ULSF product markets	↑ Some positive impact on ULSF product markets	↑ Some positive impact on ULSF product markets	More stringent fuel quality standards in India and China will increase demand for cleaner products, which could also support prices and possibly encourage gasoline demand.
CDU additions	May 19 – Dec 19	↓ Negative impact on product markets	↓ Negative impact on product markets	↓ Negative impact on product markets	An overall increase in product output is to be expected and could further exacerbate the oversupply environment, leading to trade flow rearrangements or the reduction of exports as more nations head towards self-sufficiency.

Source: OPEC Secretariat.

Table 6 - 2: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				*Refinery utilization, %*			
	Apr 19	May 19	Jun 19	Change Jun/May	Apr 19	May 19	Jun 19	Change Jun/May
US	**16.67**	**17.05**	**17.73**	**0.68**	**88.86**	**90.88**	**94.26**	**3.4 pp**
Euro-16	**10.33**	**10.27**	**10.94**	**0.67**	**83.30**	**82.88**	**88.29**	**5.4 pp**
France	1.04	0.97	1.11	0.14	83.15	77.08	88.37	11.3 pp
Germany	1.70	1.61	1.87	0.26	77.79	73.72	85.68	12.0 pp
Italy	1.30	1.34	1.44	0.10	63.44	65.59	70.47	4.9 pp
UK	1.08	1.04	1.13	0.09	82.33	78.90	85.84	6.9 pp
Selected Asia*	**22.03**	**21.31**	**21.88**	**0.57**	**78.56**	**75.97**	**78.00**	**2.0 pp**

*Note: * Includes Japan, China, India and Singapore.*
Sources: EIA, Euroilstock, Petroleum Association of Japan and OPEC Secretariat.

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

	2016	2017	2018	2Q18	3Q18	4Q18	1Q19	2Q19
Total OECD	**37.43**	**38.13**	**37.99**	**37.58**	**38.89**	**37.89**	**37.45**	**37.96**
OECD Americas	**18.78**	**19.09**	**19.30**	**19.50**	**19.79**	**19.14**	**18.51**	**19.58**
of which US	16.51	16.88	17.32	17.50	17.68	17.33	16.46	17.15
OECD Europe	**11.91**	**12.24**	**11.99**	**11.69**	**12.44**	**11.92**	**12.09**	**11.78**
of which:								
France	1.14	1.17	1.10	0.94	1.21	1.15	1.12	1.04
Germany	1.93	1.91	1.80	1.86	1.78	1.65	1.76	1.73
Italy	1.30	1.40	1.35	1.33	1.37	1.35	1.24	1.36
UK	1.09	1.10	1.06	1.04	1.14	1.14	1.08	1.08
OECD Asia Pacific	**6.75**	**6.80**	**6.70**	**6.39**	**6.66**	**6.82**	**6.85**	**6.60**
of which Japan	3.28	3.22	3.11	2.85	3.07	3.20	3.19	2.94
Total Non-OECD	**41.41**	**42.27**	**43.68**	**43.53**	**44.14**	**44.41**	**44.41**	**44.28**
of which:								
China	10.77	11.35	12.03	12.04	12.10	12.25	12.63	12.46
Middle East	6.93	7.06	7.29	7.23	7.68	7.87	7.58	7.77
Russia	5.58	5.59	5.72	5.65	5.81	5.73	5.71	5.63
Latin America	4.66	4.54	4.43	4.50	4.42	3.96	3.92	4.17
India	4.68	4.73	4.83	4.80	4.78	4.83	5.23	5.26
Africa	2.20	2.21	2.21	2.26	2.23	2.50	2.42	2.31
Total world	**78.84**	**80.39**	**81.67**	**81.11**	**83.03**	**82.29**	**81.86**	**82.24**

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

		May 19	Jun 19	Change Jun/May	Average 2018	Year-to-date 2019
US Gulf (Cargoes FOB):						
Naphtha*		61.73	51.99	-9.74	68.51	58.38
Premium gasoline	*(unleaded 93)*	87.21	82.47	-4.74	85.78	80.32
Regular gasoline	*(unleaded 87)*	82.36	75.22	-7.14	80.17	73.71
Jet/Kerosene		83.48	76.65	-6.83	85.35	80.06
Gasoil	*(0.2% S)*	78.21	71.05	-7.16	80.99	75.22
Fuel oil	*(3.0% S)*	60.59	54.82	-5.77	60.17	60.22
Rotterdam (Barges FoB):						
Naphtha		60.11	52.08	-8.03	66.47	56.46
Premium gasoline	*(unleaded 98)*	90.26	78.29	-11.97	87.34	80.88
Jet/Kerosene		84.35	77.65	-6.70	86.93	80.61
Gasoil/Diesel	*(10 ppm)*	84.87	76.13	-8.74	85.94	80.55
Fuel oil	*(1.0% S)*	61.69	56.94	-4.75	62.33	60.48
Fuel oil	*(3.5% S)*	58.79	54.03	-4.76	59.04	56.93
Mediterranean (Cargoes FOB):						
Naphtha		59.16	51.15	-8.01	65.79	55.31
Premium gasoline**		80.17	70.57	-9.60	79.08	71.46
Jet/Kerosene		82.05	75.61	-6.44	85.10	78.34
Diesel		84.17	75.64	-8.53	85.66	80.14
Fuel oil	*(1.0% S)*	65.23	62.53	-2.70	63.53	63.32
Fuel oil	*(3.5% S)*	59.72	54.99	-4.73	60.36	58.24
Singapore (Cargoes FOB):						
Naphtha		60.14	51.79	-8.35	67.24	57.36
Premium gasoline	*(unleaded 95)*	76.25	67.49	-8.76	79.93	71.04
Regular gasoline	*(unleaded 92)*	74.45	65.88	-8.57	77.66	69.24
Jet/Kerosene		81.55	74.67	-6.88	84.81	78.06
Gasoil/Diesel	*(50 ppm)*	82.44	74.87	-7.57	84.67	78.57
Fuel oil	*(180 cst)*	64.43	59.42	-5.01	65.24	63.08
Fuel oil	*(380 cst 3.5% S)*	62.71	58.25	-4.46	64.74	62.37

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

Tanker Market

Average dirty tanker spot freight rates *were broadly flat in June, with ample tonnage availability dampening the impact of increased activity as refineries returned from maintenance. In June, Very Large Crude Carriers (VLCCs) edged higher, benefiting from the ramp-up in refinery capacity in China. The Suezmax spot freight rates firmed in June, reversing the losses seen the month before, supported by gains on the West Africa-to-US East Coast (USEC) route. Meanwhile, spot freight rates in the Aframax sector reversed direction with declines on most routes.*

Clean spot tanker freight rates *generally moved lower in June, with only the Northwest Europe (NWE)-to-USEC route showing gains. However, with refineries coming out of maintenance, particularly in Asia, the clean market should start to improve into the second half of the year as preparations for IMO 2020 begin to pick up steam.*

Spot fixtures

Global spot fixtures recovered somewhat in **June** following two consecutive declines in the previous months, rebounding 17% m-o-m, or 2.8 mb/d, but remained 6% lower than the same month a year ago. The pick-up came as refineries continued to come back from maintenance season, particularly in the Atlantic Basin.

In the **first half of the year**, the strong performances seen in February and March have kept y-t-d levels for global spot fixtures some 13% higher compared to the same period last year. The improvement seen in the first six months of 2019 has been driven by the steady increase in China crude imports, averaging above 10 mb/d over the first half of this year, driven by ongoing refinery expansions, among other factors.

Table 7 - 1: Spot fixtures, mb/d

	Apr 19	May 19	Jun 19	*Change* Jun 19/May 19
All areas	**18.99**	**17.11**	**19.95**	**2.84**
OPEC	13.15	11.62	13.39	1.78
Middle East/East	6.82	6.78	6.85	0.07
Middle East/West	1.78	1.15	1.92	0.77
Outside Middle East	4.55	3.68	4.62	0.94

Sources: Oil Movements and OPEC Secretariat.

OPEC spot fixtures experienced a recovery in line with global spot fixtures in June, increasing by 15%, or 1.78 mb/d. In the **first half of 2019**, OPEC spot fixtures were some 10% higher than the same period last year.

Turning to the individual routes, fixtures from the **Middle East-to-East** averaged 6.85 mb/d in June, broadly consistent with the previous month. In the first half of the year, fixtures on the route were 16% higher compared to the first half of 2018.

After three months of declines, rates on the **Middle East-to-West route** rebounded to 1.92 mb/d in June, a gain of 67%, or 0.8 mb/d, but were still below the levels seen last year. This is consistent with the performance on this route in the first half of the year, which was some 22% lower than the same period last year. The drop in crude flows to North America has been one of the key contributors to this decline.

Outside of the Middle East fixtures averaged 4.62 mb/d in June, an increase of 0.94 mb/d, or 26%, over the previous month, but were broadly in line with the same month last year. Once again, a high level of activity in February and March – when fixtures reached as high as 6.8 mb/d – resulted in the 1H19 averaging some 15% higher than the same period last year.

Sailings and arrivals

OPEC sailings declined by 0.5% in June, averaging 24.22 mb/d, and were down 1.2% y-o-y. Sailings from the **Middle East** rose 0.9% m-o-m, representing a gain of around 0.16 mb/d, but were still 1.0%, or 0.18 mb/d, lower compared to the same month last year.

Crude arrivals were mixed across regions. Arrivals in West Asia saw the biggest gain, with an increase of 8.7% or 0.39 mb/d. West Asian arrivals showed a similar increase y-o-y. Arrivals in Europe were also higher, up 2.7%, or 0.32 mb/d, but were 1.1%, or 0.13 mb/d, lower y-o-y.

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

	Apr 19	May 19	Jun 19	*Change* Jun 19/May 19
Sailings				
OPEC	24.65	24.33	24.22	-0.11
Middle East	17.45	17.47	17.63	0.16
Arrivals				
North America	10.65	10.19	9.84	-0.36
Europe	11.62	11.66	11.98	0.32
Far East	8.78	9.28	8.88	-0.40
West Asia	4.54	4.41	4.79	0.39

Sources: Oil Movements and OPEC Secretariat.

In contrast, arrivals in the Far East fell 4.3%, or 0.4 mb/d, in June, down from the high level seen in the previous month; however, they showed a marginal increase y-o-y. In North America, arrivals fell 3.5%, or 0.36 mb/d, but were 0.7% higher y-o-y.

Dirty tanker freight rates

VLCCs

VLCC spot freight rates edged up in June as the end to spring maintenance across various jurisdictions helped lift activity. However, ample availability kept a lid on rates.

Freight rates registered for tankers operating on the **Middle East-to-East** route rose 12% compared to the previous month to stand at WS44 points in June. Rates benefited from a ramp up of new capacity in China, as well as the gradual return of refineries from maintenance.

Middle East-to-West routes in June experienced a gain of 5% m-o-m to stand at WS20 points.

West Africa-to-East routes in June also showed gains, increasing 10% from a month ago, to average WS45 points. Despite these increases, VLCC freight rates in June were 12% lower than the same month a year ago.

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

	Size *1,000 DWT*	Apr 19	May 19	Jun 19	*Change* Jun 19/May 19
Middle East/East	230-280	40	39	44	5
Middle East/West	270-285	21	19	20	1
West Africa/East	260	43	41	45	4

Sources: Argus Media and OPEC Secretariat.

Suezmax

Suezmax average spot freight rates in June recovered the losses seen in the previous month. The increase came mainly from tankers operating on the West Africa-to-US Gulf Coast (USGC) route, which saw an 18% rise in spot freight rates to average WS65, the same level seen in the same month last year. Despite the increase in activity, the ample tonnage list is likely to weigh on any upward momentum heading into July. Meanwhile, NWE-to-USGC rates declined for the second month in a row; this time by 6% to average WS47 points.

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

	Size *1,000 DWT*	Apr 19	May 19	Jun 19	*Change* Jun 19/May 19
West Africa/US Gulf Coast	130-135	60	55	65	11
Northwest Europe/US Gulf Coast	130-135	51	50	47	-3

Sources: Argus Media and OPEC Secretariat.

Aframax

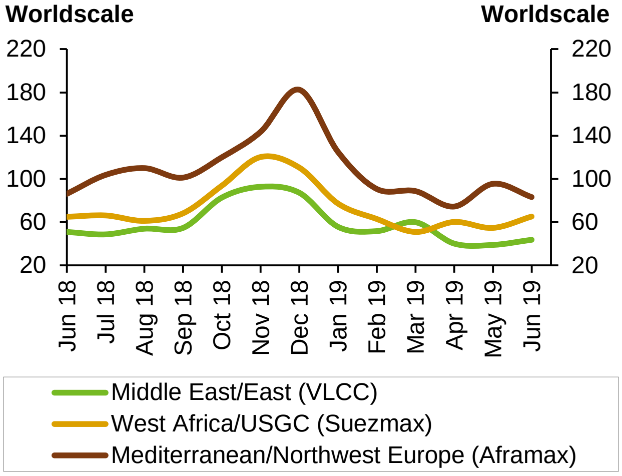
The **Aframax** sector in June reversed direction, showing declines on most routes. Both the intra-Med and Med-to-NWE fell by 14%, as increased activity was still no match for the ample tonnage list. The Caribbean-to-USEC route declined 3%, falling back from a short-lived rally in May. Meanwhile, the Indonesia-to-East route was unchanged from the previous month.

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

	Size *1,000 DWT*	Apr 19	May 19	Jun 19	*Change* Jun 19/May 19
Indonesia/East	80-85	98	98	98	0
Caribbean/US East Coast	80-85	78	90	87	-3
Mediterranean/Mediterranean	80-85	80	103	89	-15
Mediterranean/Northwest Europe	80-85	75	96	83	-12

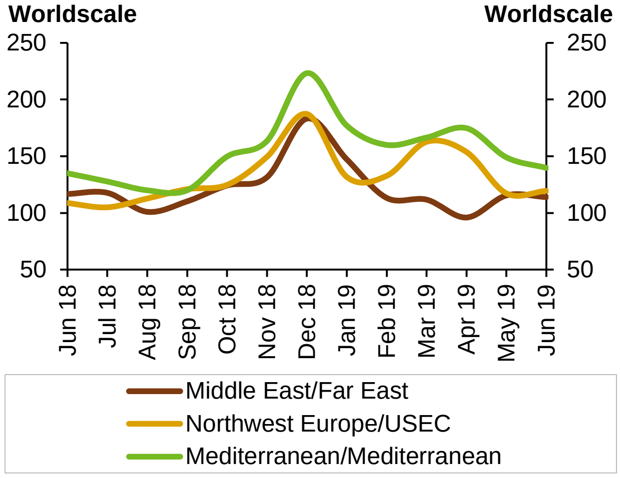
Sources: Argus Media and OPEC Secretariat.

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 spot tanker freight rates generally moved lower in June, with only the NWE-to-USEC route showing gains, up 2%.

To the **East of Suez**, clean tanker freight rates declined by around 1% in June from the previous month, with both the **Middle East-to-East** route and **Singapore-to-East** route edging lower.

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

	Size *1,000 DWT*	Apr 19	May 19	Jun 19	*Change* Jun 19/May 19
East of Suez					
Middle East/East	30-35	96	116	114	-2
Singapore/East	30-35	146	137	136	-1
West of Suez					
Northwest Europe/US East Coast	33-37	154	117	120	2
Mediterranean/Mediterranean	30-35	175	149	140	-9
Mediterranean/Northwest Europe	30-35	185	159	150	-9

Sources: Argus Media and OPEC Secretariat.

In the **West of Suez**, average spot freight rates declined 5%, with losses on the **Mediterranean-to-Mediterranean** and the **Med-to-NWE** routes overwhelming the 2% gains seen on the NWE-to-USEC route.

However, with refineries coming out of maintenance, particularly in Asia, the clean market should start to improve into the second half of the year as preparations for IMO 2020 begin to pick up steam.

Oil Trade

*With preliminary data for June, **US crude imports** in the first half of 2019 averaged 7.1 mb/d, compared to 7.9 mb/d over the same period last year, representing a decline of almost 11%. US crude exports averaged 2.9 mb/d in 1H19, an increase of 66% or 1.2 mb/d over the same period last year. Consequently, US net crude imports in 1H19 averaged 4.2 mb/d, compared to the 6.2 mb/d in 1H18. Net product exports averaged 3.2 mb/d in the first half of 2019, around 4% lower than 1H18. Combined, net crude and product imports averaged 1.0 mb/d in 1H19, compared to 2.9 mb/d in the same period of 2018.*

*According to the most recent available data, **China**'s crude oil imports fell back below 10 mb/d in May 2019, averaging 9.5 mb/d for the month. This represented a decline of 1.1 mb/d or 11% m-o-m. Still, China's crude imports managed to remain above 10 mb/d in the first five months of the year, representing an increase of 9% over the same period last year. China's product imports averaged 1.4 mb/d in May, a decline of 11% or 177 tb/d compared to the previous month. Product exports from China were 467 tb/d lower m-o-m in May, averaging 1.15 mb/d. The declines were led by diesel oil exports, which slipped 336 tb/d.*

***India**'s crude imports fell back to 4.5 mb/d in May after a high for the year of 4.8 mb/d the month before. Crude imports declined 0.3 mb/d m-o-m and were almost 0.2 mb/d lower y-o-y. Product imports were 110 tb/d lower m-o-m at 796 tb/d, with LPG as the main driver with a decline of 121 tb/d or 25%. Meanwhile, India's product exports rose 20% or 230 tb/d m-o-m at 1.4 mb/d, with strong gains across fuel oil, naphtha and gasoline.*

***Japan**'s crude oil imports in May were largely unchanged compared to the previous month, averaging 3.0 mb/d. Over the first five months of the year, crude imports averaged 3.1 mb/d, representing a slight decline of 1% compared to the same period last year. Product imports to Japan, including LPG, increased 3.5% m-o-m to average 875 tb/d in May. Gains were led by LPG, which rose 80 tb/d or 28%. Japan's product exports averaged 567 tb/d, representing an 11% increase m-o-m, supported by jet fuel.*

*According to the latest available data, **OECD Europe** crude imports averaged 11.4 mb/d in March, a decline of 190 tb/d or 2% from the previous month. In the same month, crude exports averaged 2.3 mb/d, representing a 4% increase m-o-m. In quarterly terms, OECD Europe net crude imports averaged 9.3 mb/d in 1Q19, compared to 9.3 mb/d in 1Q18. Meanwhile, OECD Europe net product imports averaged 740 tb/d in 1Q19 compared to 270 tb/d in 1Q18.*

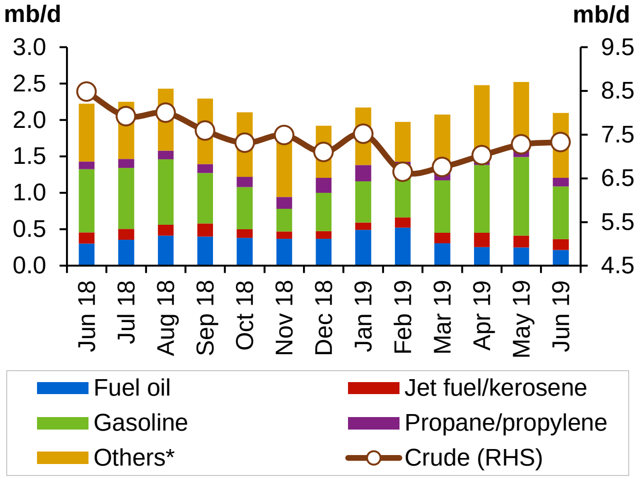
US

US crude oil imports rose for the fourth consecutive month in June, averaging 7.3 mb/d and representing a marginal gain over the previous month. However, imports were more than 13% lower than the same period last year. With preliminary data for June, US crude imports in the first half of 2019 averaged 7.1 mb/d, compared to 7.9 mb/d over the same period last year, representing a decline of almost 11%.

US crude exports averaged 3.3 mb/d in June, a gain of almost 0.2 mb/d or 6% over the previous month. Y-o-y, US crude exports were 51% or 1.1 mb/d higher compared to the same month last year. US crude exports moved above 2 mb/d for the first time in May 2018 and then above 3 mb/d in May 2019. In the first half of the year, crude exports from the US averaged 2.9 mb/d, an increase of 66%, or 1.2 mb/d, over the same period last year.

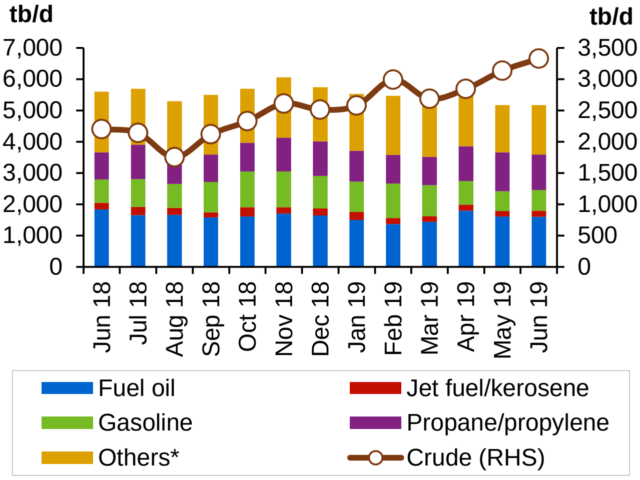
As a result, **US net crude imports** averaged 4.0 mb/d in June, down 0.1 mb/d from the previous month and almost 2.3 mb/d from the same month last year. Over the first half of the year, US net crude imports averaged 4.2 mb/d, compared to the 6.2 mb/d in the first six months of 2018.

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 Secretariat.

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 Secretariat.

On the product side, **US product imports** declined by almost 17% m-o-m or 0.4 mb/d to average 2.1 mb/d. Y-o-y, product imports into the US were 6% or 0.1 mb/d lower. However, preliminary data for the first half of 2019 shows US product imports at 2.2 mb/d, broadly stable compared to the same period last year.

US product exports remained at 5.2 mb/d in June, the same level as in May but 8% or 0.4 mb/d lower than in the same month last year. For the first half of the year, US product exports averaged 5.4 mb/d, compared to 5.5 mb/d in the first six months of 2018.

As a result, **US net product exports** averaged 3.2 mb/d in the first half of 2019, around 4% lower than the first six month of 2018. Combined, **net crude and product imports** averaged 1.0 mb/d in 1H19, compared to 2.9 mb/d in 1H18.

The most recent data for April shows Canada continued to extend its position as the leading **source of US crude imports**, reaching 55% of the total share or almost 3.9 mb/d, up more than 170 tb/d from the previous month. Mexico retained its second position with 9.3% or 0.7 mb/d. Crude imports from OPEC Member Countries were slightly lower m-o-m at 1.4 mb/d, but were some 56% lower y-o-y.

In terms of **US product imports**, Canada and Russia were the top two suppliers in April with 22% and 15% respectively, although imports from Canada declined 140 tb/d m-o-m to 550 tb/d. Meanwhile, product imports from Russia rose 117 tb/d to 384 tb/d. South Korea and India were third and fourth with 163 mb/d and 139 tb/d, respectively.

The share of **product imports from OPEC Member Countries** was broadly unchanged m-o-m at 6% or 155 tb/d in April.

Mexico remained the top destination for **US product exports** in April with 1.23 mb/d, or 22%, of the total share. Canada was second with 10%, or 546 mb/d, followed by Japan with 9%, or 486 mb/d. US product exports to OPEC Members represented less than 3% of the total share in April.

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

	Apr 19	May 19	Jun 19	*Change* Jun 19/May 19
Crude oil	4,182	4,140	4,004	-136
Total products	-3,164	-2,647	-3,071	-424
Total crude and products	**1,018**	**1,492**	**933**	**-560**

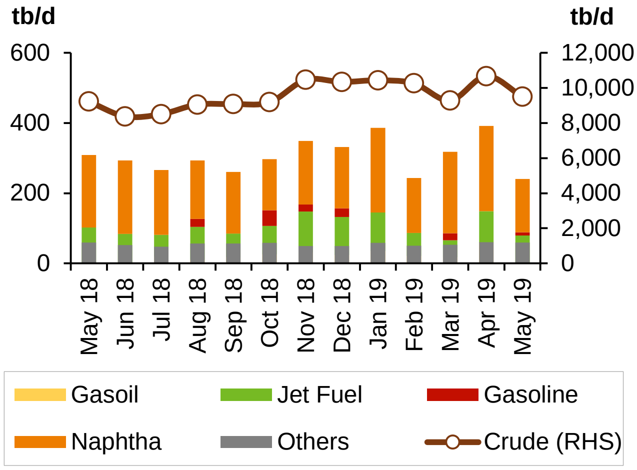
Sources: US EIA and OPEC Secretariat.

China

According to the most recent available data, **China's crude oil imports** fell back below 10 mb/d in May 2019, averaging 9.5 mb/d for the month. This represented a decline of 1.1 mb/d or 11% m-o-m and a slight increase y-o-y. Despite the decline, China's crude imports still manage to remain above 10 mb/d in the first five months of the year – an increase of 9% over the same period last year – due to record-high imports of just under 10.7 mb/d the month before.

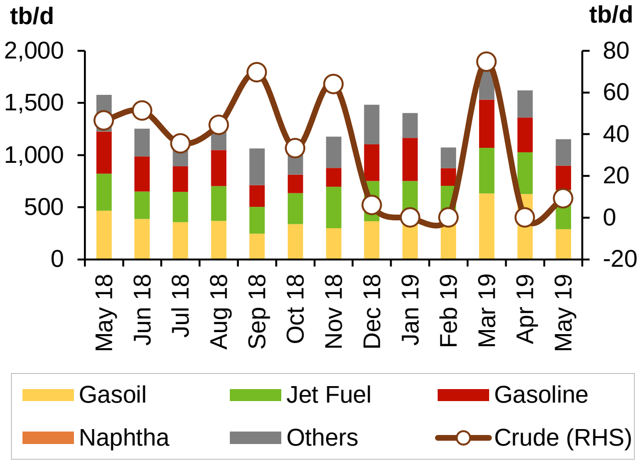
Russia regained its position as top **crude supplier** to China with a share of 16% or 1.5 mb/d, up from 14% in the previous month, followed by Saudi Arabia with 12% or 1.1 mb/d. Iraq was third with 11% and Angola followed with 9%.

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



Sources: Argus China Petroleum and China, Oil and Gas Petrochemicals and OPEC Secretariat.

Graph 8 - 4: China's exports of crude and petroleum products



Sources: Argus China Petroleum and China, Oil and Gas Petrochemicals and OPEC Secretariat.

China's product imports average 1.4 mb/d in May, representing a decline of 11% or 177 tb/d compared to the previous month. Product imports fell across the board, with naphtha down 38%, fuel oil declining 22% and jet fuel 15% lower. So far this year, China's product imports have averaged 1.4 mb/d in the first five months of the year, around 1% lower compared to the same period last year.

Product exports from China were 467 tb/d lower m-o-m in May, averaging 1.15 mb/d. The declines were led by diesel oil followed by gasoline, which were 336 tb/d and 100 tb/d lower m-o-m, respectively. Jet fuel also contributed to the decline, down some 6%. In the first five months of 2019, China's product exports averaged 1.4 mb/d, or 4% higher than the same period last year.

Consequently, China's **net product imports** averaged just 25 tb/d so far this year, compared to 100 tb/d in the same period last year.

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

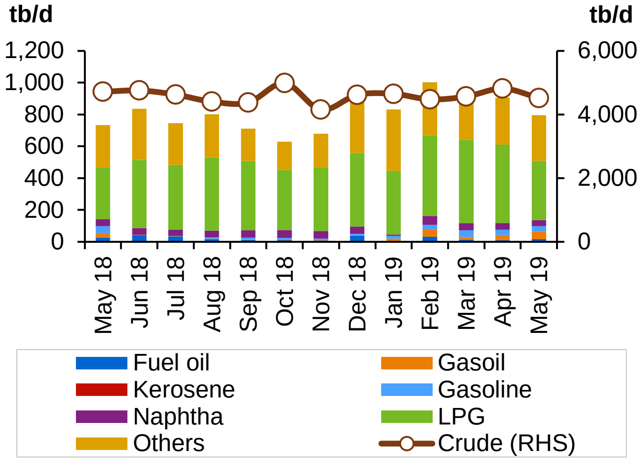
	Mar 19	Apr 19	May 19	Change May 19/Apr 19
Crude oil	9,214	10,670	9,490	-1,180
Total products	-454	-22	269	290
Total crude and products	**8,760**	**10,649**	**9,759**	**-890**

Sources: Argus China Petroleum and China, Oil and Gas Petrochemicals and OPEC Secretariat.

India

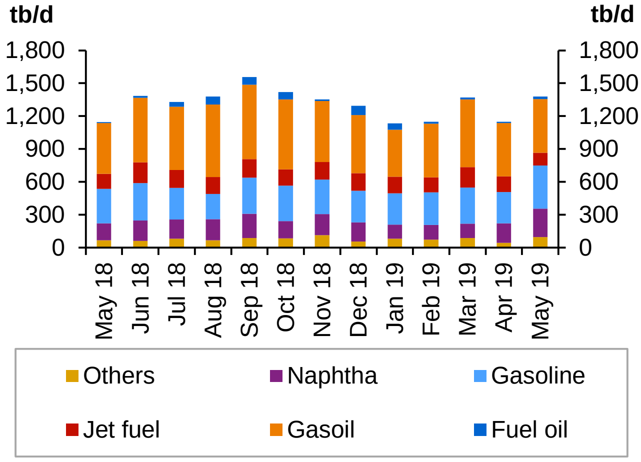
India's crude imports fell back to 4.5 mb/d in May after a high for the year of 4.8 mb/d the month before. Crude imports declined 0.3 mb/d m-o-m and were almost 0.2 mb/d lower y-o-y. Despite the monthly decline, India's crude imports were higher over the first five months of 2019, averaging 4.6 mb/d, representing an increase of 2% over the same period last year.

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.

In May, **product imports** were 110 tb/d lower m-o-m at 796 tb/d. LPG was the main driver of the decline as imports fell 121 tb/d or 25%. In the first five months of the year, product imports averaged 888 tb/d, representing a 10% gain over the same period of 2018.

In contrast, **India's product exports** were 20% higher m-o-m at 1.4 mb/d, a gain of 230 tb/d. The increase was driven by fuel oil, naphtha and gasoline, which rose 75%, 44% and 39%, respectively. In the first five months of 2019, India's product exports averaged 1.2 mb/d, down 4% compared to the same period in 2018.

As a result, **India's net product** export averaged 348 tb/d in the first five months of the year, compared to 477 tb/d in the same period last year, representing a decline of 27%.

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

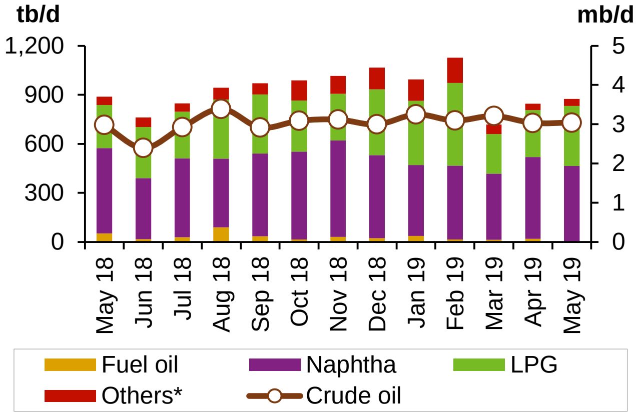
	Mar 19	Apr 19	May 19	*Change* May 19/Apr 19
Crude oil	4,562	4,813	4,517	-296
Total products	-469	-242	-582	-340
Total crude and products	**4,093**	**4,571**	**3,935**	**-636**

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.

Japan

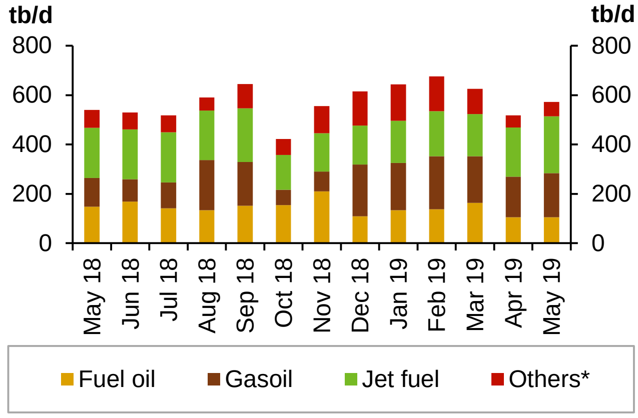
Japan's crude oil imports in May were largely unchanged compared to the previous month, averaging 3.0 mb/d. Over the first five months of the year, crude imports averaged 3.1 mb/d, representing a slight decline of 1% compared to the same period last year.

Graph 8 - 7: 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 - 8: 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.

The UAE was the top **supplier of crude** to Japan in May, with 1.0 mb/d or a share of 34% of total imports. This was up from a share of 24% in April. Saudi Arabia held the second spot with 32% followed by Qatar with 8%.

Product imports to Japan, including LPG, increased 3.5% m-o-m to average 875 tb/d in May. Gains were led by LPG, which rose 80 tb/d or 28%, offset by a 38% decline in naphtha. Gasoline and gasoil imports also increased. Over the first five months of 2019, total product imports averaged 912 tb/d, a decline of 11% compared to the same period in 2018.

In May, **Japan's product exports** averaged 567 tb/d, representing an 11% increase over the previous month. Jet fuel exports led gains, with a 30 tb/d increase, followed by gasoil and gasoline, which rose 14 tb/d and 8 mb/d, respectively. So far this year, Japan's product exports have averaged 601 mb/d, an increase of almost 13% compared to the same period last year.

Consequently, Japan's **net product imports** averaged 305 mb/d in the first five months of this year, down 37% or 178 tb/d compared to the same period last year.

Table 8 - 4: Japan's crude and product net imports, tb/d

	Mar 19	Apr 19	May 19	Change May 19/Apr 19
Crude oil	3,212	3,035	3,043	8
Total products	93	327	303	-24
Total crude and products	**3,305**	**3,361**	**3,346**	**-16**

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

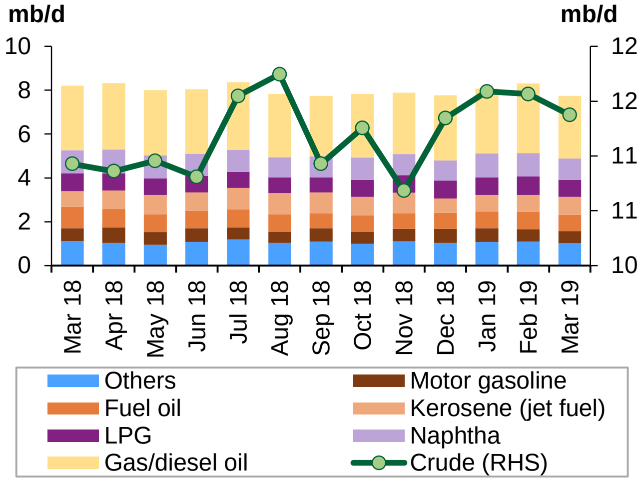
OECD Europe

According to the latest available data, **OECD Europe crude imports** averaged 11.4 mb/d in March. This represents a decline of 190 tb/d, or 2%, from the previous month, but an increase of 440 tb/d, or 4%, over the same month last year. In quarterly terms, OECD Europe crude imports averaged 11.5 mb/d, representing an increase of 210 tb/d, or 2%, over 1Q18.

Crude exports in March averaged 2.3 mb/d, representing a 4% increase m-o-m. In quarterly terms, exports from OECD Europe averaged 2.2 mb/d in 1Q19, some 2% higher than the same quarter last year.

As a result, OECD Europe **net crude imports** averaged 9.3 mb/d in 1Q19, compared to 9.3 mb/d in 1Q18.

Graph 8 - 9: OECD Europe imports of crude and petroleum products



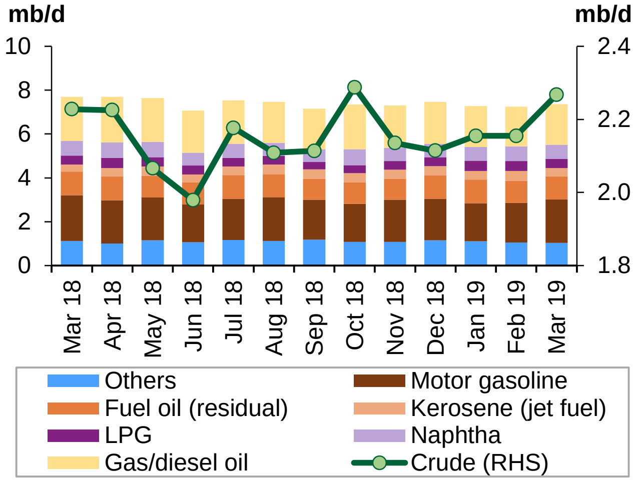
Sources: IEA and OPEC Secretariat.

Product imports averaged 7.7 mb/d in March, a decline of 572 tb/d, or 7%, from the previous month. Over the first three months of 2019, product imports into OECD Europe averaged 8.0 mb/d, representing a decline of 220 tb/d, or 3%.

OECD Europe **product exports** averaged 7.37 mb/d in March, an increase of 2%, or 120 tb/d, m-o-m. In quarterly terms, OECD Europe product exports averaged 7.3 mb/d in 1Q19, representing a decline of 470 tb/d or 6% compared to the same period last year.

Consequently, **OECD Europe net product imports** averaged 740 tb/d in 1Q19 compared to 270 tb/d in 1Q18.

Graph 8 - 10: OECD Europe exports of crude and petroleum products



Sources: IEA and OPEC Secretariat.

Table 8 - 5: OECD Europe's crude and product net imports, tb/d

	Jan 19	Feb 19	Mar 19	*Change* Mar 19/Feb 19
Crude oil	9,434	9,410	9,107	-303
Total products	802	1,060	376	-684
Total crude and products	**10,236**	**10,470**	**9,483**	**-987**

Sources: IEA and OPEC Secretariat.

FSU

Total crude oil exports from the Former Soviet Union (FSU) declined by 75 tb/d m-o-m, or around 1%, to average 6.9 mb/d in May 2019. Crude exports through Russian pipelines fell by 280 tb/d m-o-m to average 4.0 mb/d.

In the **Transneft system**, total shipments from the Black Sea increased by 105 tb/d m-o-m, or 18%, to average 699 tb/d in May. Total Baltic Sea exports rose by 154 tb/d m-o-m as shipments increased m-o-m by 154 tb/d from Primorsk while Ust-Luga remained flat. Meanwhile, shipments via the Druzhba pipeline continued to decline, falling a further 612 tb/d in May to just 121 tb/d amid ongoing fallout from contamination disruptions since mid-April. This compares to average shipments of 992 tb/d in 1Q19. Kozmino shipments increased by 73 tb/d m-o-m, or 11%, to average 637 tb/d.

In the **Lukoil system**, exports via the Barents Sea declined by 15 tb/d, while those from the Baltic Sea continued to average 6 tb/d.

Russia's Far East total exports increased 36 tb/d over the previous month to average 396 tb/d.

Central Asia's total exports stood at 226 tb/d in May, marginally lower than in the previous month.

Black Sea total exports fell by 83 tb/d m-o-m to average 1.2 mb/d as a result of declines in shipments from the Novorossiyk port terminal (CPC) and Supsa port terminal.

In the **Mediterranean**, BTC supplies fell compared with the previous month, down 135 tb/d m-o-m, or 23%, to average 733 tb/d.

FSU total product exports declined by 353 tb/d in May, averaging 2.5 mb/d for the month. Losses were seen in all categories except jet fuel.

Table 8 - 6: Recent FSU exports of crude and petroleum products by sources, tb/d

			2018	4Q18	1Q19	Apr 19	May 19
Transneft system							
	Europe	**Black Sea total**	**544**	**550**	**537**	**595**	**699**
		Novorossiysk port terminal - total	544	550	537	595	699
		of which: Russian oil	383	407	345	404	500
		Others	160	143	192	190	200
		Baltic Sea total	**1,306**	**1,413**	**1,381**	**1,630**	**1,785**
		Primorsk port terminal - total	758	803	772	911	1,066
		of which: Russian oil	758	803	772	911	1,066
		Others	0	0	0	0	0
		Ust-Luga port terminal - total	549	610	609	719	719
		of which: Russian oil	375	446	442	551	533
		Others	173	164	167	168	185
		Druzhba pipeline total	**997**	**1,009**	**992**	**733**	**121**
		of which: Russian oil	965	977	959	714	103
		Others	32	32	33	19	19
	Asia	**Pacific ocean total**	**619**	**628**	**644**	**657**	**730**
		Kozmino port terminal - total	619	628	644	657	730
		China (via ESPO pipeline) total	**577**	**601**	**618**	**637**	**637**
		China Amur	577	601	618	637	637
	Total Russia's crude exports		**4,043**	**4,202**	**4,172**	**4,252**	**3,973**
Lukoil system							
	Europe &	**Barents Sea total**	**135**	**121**	**152**	**155**	**140**
	North America	Varandey offshore platform	135	121	152	155	140
	Europe	**Baltic Sea total**	**7**	**7**	**6**	**6**	**6**
		Kalinigrad port terminal	7	7	6	6	6
Other routes							
	Asia	**Russian Far East total**	**371**	**395**	**407**	**432**	**396**
		Aniva Bay port terminal	119	119	111	125	119
		De Kastri port terminal	252	276	296	307	277
		Central Asia total	**233**	**222**	**220**	**227**	**276**
		Kenkiyak-Alashankou	233	222	220	227	276
	Europe	**Black Sea total**	**1,386**	**1,457**	**1,502**	**1,130**	**1,213**
		Novorossiysk port terminal (CPC)	1,323	1,392	1,421	1,090	1,155
		Supsa port terminal	61	65	81	40	58
		Batumi port terminal	2	0	0	0	0
		Kulevi port terminal	0	0	0	0	0
		Mediterranean Sea total	**693**	**707**	**675**	**598**	**733**
		Baku–Tbilisi–Ceyhan (BTC)	693	707	675	598	733
Russian rail							
		Russian rail	**32**	**35**	**39**	**39**	**28**
		of which: Russian oil	32	35	39	39	28
		Others	0	0	0	0	0
	Total FSU crude exports		**6,901**	**7,145**	**7,173**	**6,839**	**6,765**
Products							
		Gasoline	212	208	233	287	230
		Naphtha	517	487	609	494	441
		Jet	37	36	32	65	67
		Gasoil	1,006	920	1,044	852	832
		Fuel oil	930	885	974	947	778
		VGO	277	250	268	245	189
	Total FSU product exports		**2,980**	**2,786**	**3,160**	**2,890**	**2,537**
Total FSU oil exports			**9,881**	**9,931**	**10,332**	**9,729**	**9,302**

Sources: Argus Nefte Transport and Argus Global Markets.

Stock Movements

Preliminary data for May showed that total ***OECD commercial oil stocks*** *rose by 41.5 mb to stand at 2,925 mb, which was 96.8 mb higher than the same time one year ago and 25 mb above the latest five-year average. Within the components, crude stocks indicated a surplus of 35 mb, while product stocks were 10 mb below the latest five-year average. In terms of* ***days of forward cover****, OECD commercial stocks rose 0.2 days m-o-m in May to stand at 60.5 days, which was 2.0 days above the same period in 2018, but 0.9 days below the latest five-year average.*

Preliminary data for June showed that ***US total commercial oil stocks*** *fell slightly by 0.6 mb m-o-m to stand at 1,307.4 mb, which was 100.1 mb above the same period a year ago and 61.1 mb higher than the latest five-year average. Within the components, crude stocks fell by 14.8 mb, while product stocks rose by 14.2 mb, m-o-m.*

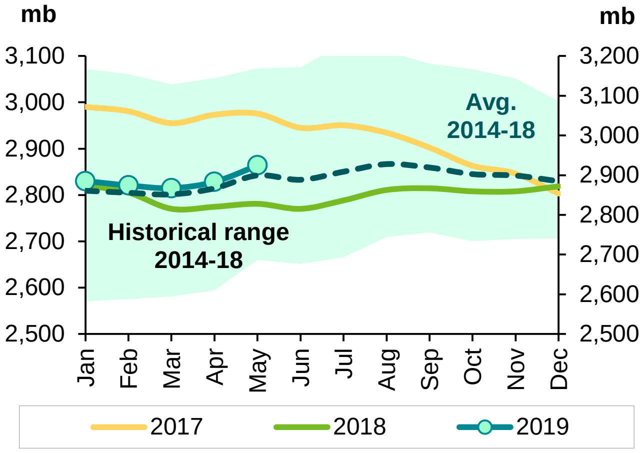
OECD

Preliminary data for May showed that **total OECD commercial oil stocks** rose by 41.5 mb m-o-m for the second consecutive month, to reach 2,925 mb, which was 96.8 mb higher than the same time one year ago and 25.1 mb above the latest five-year average.

Within the components, crude and product stocks rose m-o-m by 28.4 mb and 13.0 mb, respectively. It should be noted that the overhang of total OECD commercial oil stocks has been reduced by around 275 mb since the 'Declaration of Cooperation' began in December 2016.

Within the regions, total commercial oil stocks in OECD Americas and OECD Asia Pacific rose by 31.7 mb and 11.2 mb, m-o-m, respectively, while OECD Europe stocks fell by 1.5 mb.

Graph 9 - 1: OECD commercial oil stocks



Sources: Argus Media, Euroilstock, IEA, METI, OPEC Secretariat and US EIA.

Commercial crude stocks rose by 28.4 mb m-o-m in May, ending the month at 1,495 mb, which was 48.1 mb above the same time a year ago and 35.3 mb higher than the latest five-year average. Compared with the previous month, all OECD regions registered stock builds.

OECD **total product inventories rose** by 13.0 mb m-o-m in May to stand at 1,429 mb, which was 48.7 mb above the same time a year ago, but 10.2 mb below the latest five-year average. Within the OECD regions, OECD Americas and Asia Pacific stocks rose by 17.3 mb and 3.3 mb, m-o-m, respectively, while product stocks in OECD Europe fell by 7.6 mb.

In terms of **days of forward cover**, OECD commercial stocks rose by 0.2 days m-o-m in May to stand at 60.5 days, which was 2.0 days above the same period in 2018, but 0.9 days below the latest five-year average.

Within the regions, OECD Americas was 0.1 days higher than the historical average to stand at 59.9 days in May. OECD Europe's stocks were 1.5 days below the latest five-year average to finish the month at 66.4 days. OECD Asia Pacific stocks were 3.4 days below the latest five-year average to stand at 51.1 days.

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

	Mar 19	Apr 19	May 19	Change May 19/Apr 19	May 18
Crude oil	1,444	1,467	1,495	28.4	1,447
Products	1,423	1,416	1,429	13.0	1,380
Total	**2,867**	**2,883**	**2,925**	**41.5**	**2,828**
Days of forward cover	**60.4**	**60.2**	**60.5**	**0.2**	**58.4**

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

OECD Americas

OECD Americas total commercial stocks rose by 31.7 mb m-o-m in May to settle at 1,568 mb, which was 91.4 mb above a year ago and 58.6 mb above the latest five-year average. Within the components, crude and product stocks rose m-o-m by 14.4 mb and 17.3 mb, respectively.

Commercial crude oil stocks in OECD Americas rose by 14.4 mb m-o-m in May to stand at 834 mb, which was 56.0 mb higher than the same time a year ago and 49.0 mb above the latest five-year average. This build came from higher US crude production amid higher US crude imports.

Total product stocks in OECD Americas rose by 17.3 mb m-o-m in May to stand at 734 mb, which were 35.4 mb above the same time one year ago and 9.5 mb above the latest five-year average. Lower consumption, combined with higher refinery output in the region, were behind the product stock build.

OECD Europe

OECD Europe's total commercial stocks fell by 1.5 mb m-o-m in May, ending the month at 967 mb, which was 5.6 mb higher than the same time a year ago and 4.6 mb below the latest five-year average. Crude stocks rose by 6.1 mb m-o-m, while product stocks fell m-o-m by 7.6 mb.

OECD Europe's **commercial crude stocks** rose by 6.1 mb m-o-m in May, ending the month at 436 mb, which was 8.7 mb below a year earlier, but 11.4 mb higher than the latest five-year average. The build came mainly on the back of lower refinery throughput in OECD Europe.

OECD Europe's **commercial product stocks** fell by 7.6 mb m-o-m to end May at 531 mb, which was 14.2 mb above the same time a year ago, but 16.1 mb below the seasonal norm. The drop can be attributed to lower refined product output in the region.

OECD Asia Pacific

OECD Asia Pacific's total commercial oil stocks rose by 11.2 mb m-o-m in May to stand at 390 mb, which was 0.2 mb lower than a year ago and 28.8 mb below the latest five-year average. Within the components, crude and product stocks rose m-o-m by 7.9 mb and 3.3 mb, respectively.

OECD Asia Pacific's **crude inventories** rose by 7.9 mb m-o-m to end May at 226 mb, which was 0.8 mb higher than one year ago yet 25.1 mb below the latest five-year average.

OECD Asia Pacific's **total product inventories** rose by 3.3 mb m-o-m to end May at 164 mb, which was 1.0 mb below the same time a year ago and 3.7 mb below the latest five-year average.

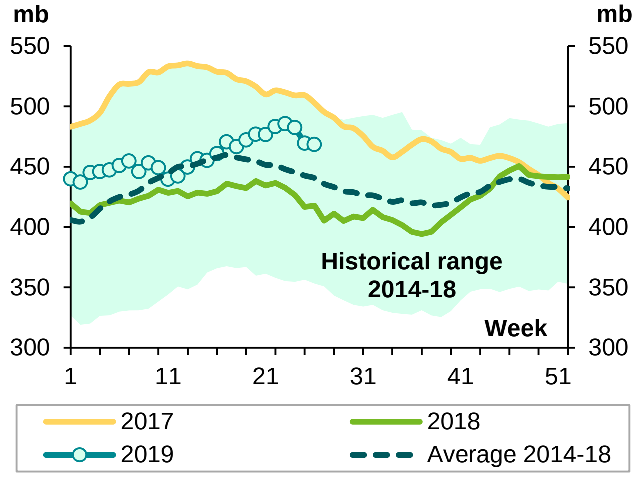
US

Preliminary data for June showed that **US total commercial oil stocks** fell slightly by 0.6 mb m-o-m to stand at 1,307.4 mb, which was 100 mb, or 8.3%, above the same period a year ago and 61.1 mb, or 4.9%, higher than the latest five-year average. Within the components, crude stocks fell by 14.8 mb, while products stocks rose by 14.2 mb.

US **commercial crude stocks** fell in June to stand at 468.5 mb, which was 53.7 mb, or 12.9%, above the same time last year and 26.4 mb, or 6.0%, above the latest five-year average. The drop came during the last two weeks of the month as refinery throughput rose. Inventories in Cushing, Oklahoma, also rose by nearly 2.0 mb to end May at 52.5 mb.

Total product stocks in June rose by 14.2 mb m-o-m to stand at 838.9 mb, which was 46.5 mb, or 5.9%, above the level seen at the same time in 2018, and 34.7 mb, or 4.3%, above the latest five-year average. Within products, the picture was mixed as gasoline, distillates and fuel oil stocks witnessed draws, while propylene and other unfinished product stocks registered builds.

Graph 9 - 2: US weekly commercial crude oil inventories



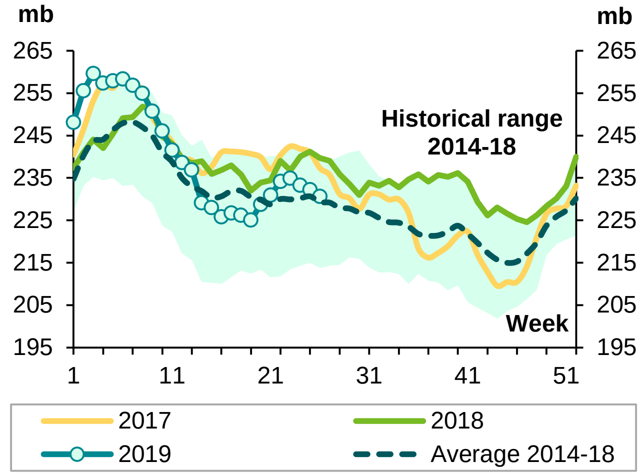
Sources: US EIA and OPEC Secretariat.

Gasoline stocks fell in June by 3.5 mb m-o-m, reversing the build of the last month, to settle at 230.6 mb, which was 9.7 mb, or 4.0%, lower than levels seen at the same time last year and 1.7 mb, or 0.7%, lower than the latest five-year average. This monthly drop came on the back of higher gasoline demand, which increased by around 350 tb/d to average 9.7 mb/d.

Distillate stocks also fell by 2.6 mb m-o-m in June to end the month at 126.8 mb, which was 6.4 mb, or 5.3%, above the same period a year ago, albeit 9.9 mb, or 7.2%, below the latest five-year average. The stock drop could be attributed to higher distillate demand, which increased by around 120 tb/d to average 4.1 mb/d.

Residual fuel stocks fell by 0.2 mb m-o-m to end June at 28.6 mb, which was 1.4 mb, or 4.6%, below the same time a year ago and 7.8 mb, or 21.4%, lower than the latest five-year average.

Graph 9 - 3: US weekly gasoline inventories



Sources: US EIA and OPEC Secretariat.

By contrast, **jet fuel oil stocks** were up by 0.6 mb m-o-m to stand at 39.4 mb in June, which was 1.4 mb, or 3.4%, lower than the same time a year ago and 1.3 mb, or 3.1%, below the latest five-year average.

Table 9 - 2: US onland commercial petroleum stocks, mb

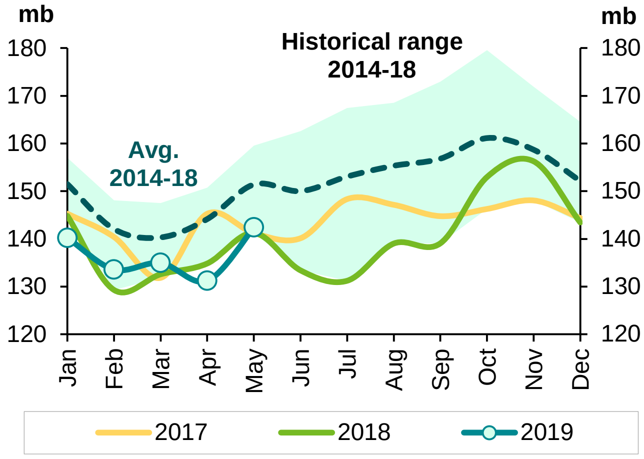
	Apr 19	May 19	Jun 19	Change Jun 19/May 19	Jun 18
Crude oil	**468.8**	**483.3**	**468.5**	**-14.8**	**414.8**
Gasoline	230.2	234.1	230.6	-3.5	240.3
Distillate fuel	128.2	129.4	126.8	-2.6	120.4
Residual fuel oil	27.9	28.8	28.6	-0.2	30.0
Jet fuel	40.9	38.7	39.4	0.6	40.8
Total products	**798.5**	**824.7**	**838.9**	**14.2**	**792.4**
Total	**1,267.3**	**1,307.9**	**1,307.4**	**-0.6**	**1,207.2**
SPR	**648.6**	**644.8**	**644.8**	**0.0**	**660.0**

Sources: US EIA and OPEC Secretariat.

Japan

In **Japan**, **total commercial oil stocks** rose by 11.2 mb m-o-m in May to settle at 142.4 mb, reversing the preivous month's draw. The level was 1.2 mb, or 0.9%, higher than one year ago and 9.0 mb, or 5.9%, below the latest five-year average. Within the components, crude and product stocks rose m-o-m by 7.9 mb and 3.3 mb, respectively.

Graph 9 - 4: Japan's commercial oil stocks



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

Japanese **commercial crude oil stocks** rose by 7.9 mb m-o-m in May to stand at 85.5 mb, which was 3.2 mb, or 3.9%, above the same period a year ago, but 3.9 mb, or 4.4%, below the latest five-year average. The build was driven by lower crude throughputs, which fell by around 340 tb/d, or 10.9% m-o-m, to average 2.8 mb/d.

Japan's **total product inventories** rose by 3.3 mb m-o-m to end May at 56.9 mb, which was 2.0 mb, or 3.4%, lower than the same month last year and 5.1 mb, or 8.2%, below the latest five-year average. All product components saw stock builds.

Gasoline stocks rose slightly by 0.04 mb m-o-m to stand at 9.9 mb in May, which was 1.7 mb, or 14.9%, lower than a year ago and 1.9 mb, or 16.1%, lower than the latest five-year average. The build was mainly driven by higher gasoline output, which increased by 0.6% from the previous month. Lower domestic sales, which fell by 1.9%, contributed further to this build.

Distillate stocks rose by 1.6 mb m-o-m to stand at 22.7 mb in May. This was 2.1 mb, or 8.4%, lower than the same time a year ago, and 3.3 mb, or 12.8%, lower than the latest five-year average. Within the distillate components, kerosene and gasoil rose by 29% and 3.0%, m-o-m respectively, while jet fuel oil declined m-o-m by 11%. The build in kerosene stocks was driven by lower domestic sales, while the build in gasoil stocks came on the back of higher gasoil output. Higher domestic sales combined with lower output were behind the drop in jet fuel oil stocks.

Total residual fuel oil stocks rose by 0.1 mb m-o-m in May to stand at 13.1 mb, which was 0.3 mb, or 2.3%, below the same period a year ago, and 1.0 mb, or 7.2%, lower than the latest five-year average. Within the components, fuel oil A fell m-o-m by 0.1% on the back of reduced output, while fuel B.C stocks rose m-o-m by 0.9% on the back of lower domestic sales.

Table 9 - 3: Japan's commercial oil stocks*, mb

	Mar 19	Apr 19	May 19	Change May 19/Apr 19	May 18
Crude oil	**80.1**	**77.6**	**85.5**	**7.9**	**82.4**
Gasoline	10.4	9.8	9.9	0.0	11.6
Naphtha	9.2	9.6	11.2	1.6	9.1
Middle distillates	21.9	21.1	22.7	1.6	24.8
Residual fuel oil	13.3	13.0	13.1	0.1	13.4
Total products	**54.8**	**53.6**	**56.9**	**3.3**	**58.9**
Total**	**134.9**	**131.2**	**142.4**	**11.2**	**141.2**

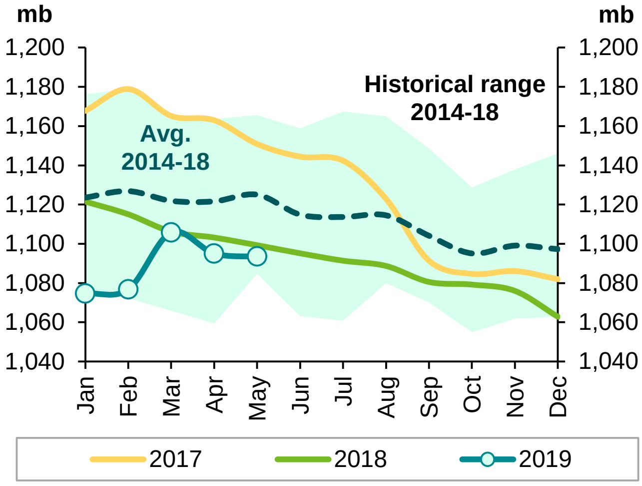
*Note: * At the end of the month.*
*** Includes crude oil and main products only.*
Sources: Ministry of Economy, Trade and Industry of Japan and OPEC Secretariat.

EU plus Norway

Preliminary data for May showed that **total European commercial oil stocks** fell by 1.5 mb m-o-m to stand at 1,093.5 mb, which was 5.8 mb, or 0.5%, below the same time a year ago, and 31.5 mb, or 2.8%, lower than the latest five-year average. Within the components, crude stocks rose by 6.1 mb, while product inventories fell m-o-m by 7.6 mb.

European **crude inventories** rose in May to stand at 485.6 mb, which was 17.8 mb, or 3.5%, lower than the same period a year ago and 9.1 mb, or 1.8%, lower than the latest five-year average. The build came on the back of lower refinery throughput in the EU-16 countries, which dropped by around 60 tb/d to stand at 10.3 mb/d.

Graph 9 - 5: EU-15 plus Norway's total oil stocks



Sources: Argus, Euroilstock and OPEC Secretariat.

In contrast, European **total product stocks** fell by 7.6 mb m-o-m, ending May at 607.9 mb, which was 12.1 mb, or 2.0%, higher than the same time a year ago, but 22.4 mb, or 3.6%, lower than the latest five-year average. Within products, gasoline, distillates and residual fuel witnessed stock draws, while naphtha experienced a stock build.

Gasoline stocks fell by 1.3 mb m-o-m in May to stand at 118.6 mb, which was 8.5 mb, or 7.7%, higher than the same time a year ago and 5.0 mb, or 4.4%, above the latest five-year average.

Distillate stocks fell by 6.9 mb m-o-m in May for the second consecutive month to stand at 398.4 mb, which was 6.8 mb, or 1.7%, higher than the same time last year, albeit 19.8 mb, or 4.7%, below the latest five-year average.

Residual fuel stocks dropped by 0.3 mb m-o-m to end May at 59.3 mb, which was 7.3 mb, or 11%, lower than the same time one year ago and 14.4 mb, or 19.5%, below the latest five year average.

In contrast, **naphtha stocks** rose by 0.9 mb m-o-m to end May at 31.7 mb, which was 4.1 mb, or 14.7%, higher than last year's May level and 6.8 mb, or 27%, higher than the latest five-year average.

Table 9 - 4: EU-15 plus Norway's total oil stocks, mb

	Mar 19	Apr 19	May 19	*Change* May 19/Apr 19	May 18
Crude oil	**482.3**	**479.5**	**485.6**	**6.1**	**503.4**
Gasoline	123.9	119.9	118.6	-1.3	110.1
Naphtha	31.2	30.8	31.7	0.9	27.6
Middle distillates	405.6	405.3	398.4	-6.9	391.6
Fuel oils	62.7	59.5	59.3	-0.3	66.6
Total products	**623.5**	**615.5**	**607.9**	**-7.6**	**595.9**
Total	**1,105.8**	**1,095.0**	**1,093.5**	**-1.5**	**1,099.3**

Sources: Argus, Euroilstock and OPEC Secretariat.

Singapore, Amsterdam-Rotterdam-Antwerp (ARA) and Fujairah

Singapore

At the end of May, **total product stocks in Singapore** fell by 2.9 mb m-o-m, reversing the slight build witnessed in April. The May level stood at 44.9 mb, which was 2.3 mb, or 5.4%, above the same period a year ago. Within products, light distillates and fuel oil stocks witnessed stock draws in May, while middle distillate stocks experienced a build

Most of the declines came from **light distillate stocks**, which fell by 2.3 mb m-o-m to end May at 11.3 mb, which was 3.2 mb, or 22%, below the same period a year ago. This decline may have been driven by higher exports from the hub.

Fuel oil stocks also fell in May by 1.8 mb to stand at 21.9 mb, which was 1.1 mb, or 5.3%, above the same time a year ago.

In contrast, **middle distillate** stocks rose by 1.2 mb to stand at 11.7 mb at the end of May, indicating a surplus of 4.4 mb, or 60%, compared with the same time a year ago.

ARA

Total product stocks in ARA fell slightly by 0.1 mb m-o-m in May to settle at 42.8 mb, which was 3.3 mb, or 8.4%, above the same time a year ago. Within products, the picture was mixed; gasoline, naphtha and jet oil witnessed stock draws, while fuel oil and gasoil stocks experienced stock builds.

Gasoline and naphtha stocks fell by 1.3 mb and 0.3 mb m-o-m, in May to stand at 7.2 mb and 1.7 mb, respectively. Jet fuel also fell by 0.1 mb m-o-m to end May at 5.9 mb, which was 0.7 mb, or 13.5%, above last year's level.

In contrast, **gasoil and fuel oil stocks** in May rose by 0.4 mb and 1.2 mb m-o-m, ending the month at 20.9 mb and 7.1 mb, respectively. Gasoil stocks stood at 5.3 mb, or 34%, above the same month last year, while fuel oil stocks remained unchanged when compared to the same time a year ago.

Fujairah

During the week ending 8 July 2019, **total oil product stocks in Fujairah** rose by 0.77 mb w-o-w to stand at 19.36 mb, according to data from FEDCom and S&P Global Platts. Within products, all products witnessed stock builds.

Most of the build came from middle distillate, which increased by 0.63 mb w-o-w to stand at 2.18 mb. Light and heavy distillates stocks rose by 0.12 mb and 0.03 mb, w-o-w, respectively, to stand at 7.32 mb and 9.87 mb.

Balance of Supply and Demand

Demand for OPEC crude in 2019 *was revised up by 0.1 mb/d from the previous report to stand at 30.6 mb/d, 1.0 mb/d lower than the 2018 level. In 1Q19, OPEC crude production averaged 30.5 mb/d, about 0.3 mb/d higher than the demand for OPEC crude in that quarter, while in 2Q19, OPEC crude production averaged 29.9 mb/d, around 0.8 mb/d lower than the demand for OPEC crude.*

Based on the first forecast for world oil demand and non-OPEC supply for 2020, ***demand for OPEC crude for 2020*** *is forecast at 29.3 mb/d, 1.3 mb/d lower than the 2019 level.*

Balance of supply and demand in 2019

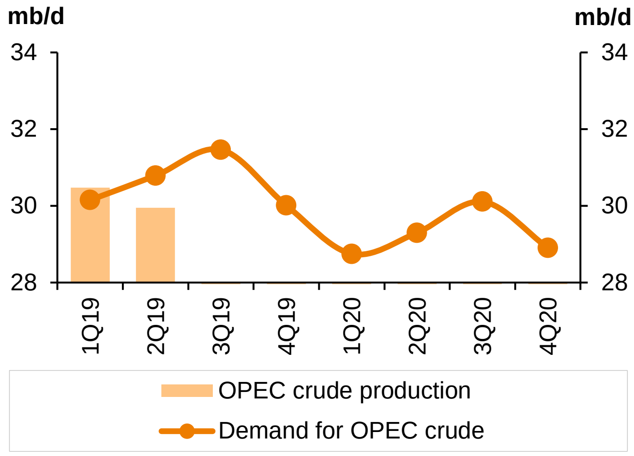
Demand for OPEC crude in 2019 was revised up by 0.1 mb/d from the previous report to stand at 30.6 mb/d, 1.0 mb/d lower than the 2018 level.

Compared with the last monthly report, both 1Q19, and 2Q19 were revised down by 0.1 mb/d each, while both 3Q19 and 4Q19 were revised up by 0.3 mb/d each.

When compared to the same quarter in 2018, demand for OPEC crude in 1Q19 was 1.8 mb/d lower, while 2Q19 and 3Q19 are expected to show a drop of 0.9 mb/d and 0.4 mb/d, respectively. 4Q19 is forecast to fall by 0.9 mb/d.

According to secondary sources, OPEC crude production averaged 30.5 mb/d in 1Q19, about 0.3 mb/d higher than the demand for OPEC crude in the same period, *while in 2Q19, OPEC crude production averaged 29.9 mb/d, around 0.8 mb/d lower than the demand for OPEC crude.*

Graph 10 - 1: Balance of supply and demand, 2019-2020*



*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

Table 10 - 1: Supply/demand balance for 2019*, mb/d

	2018	1Q19	2Q19	3Q19	4Q19	2019	Change 2019/18
(a) World oil demand	**98.73**	**98.76**	**99.24**	**100.61**	**100.84**	**99.87**	**1.14**
Non-OPEC supply	62.38	63.81	63.63	64.28	65.97	64.43	2.05
OPEC NGLs and non-conventionals	4.76	4.80	4.82	4.87	4.86	4.84	0.07
(b) Total non-OPEC supply and OPEC NGLs	**67.14**	**68.61**	**68.45**	**69.15**	**70.83**	**69.27**	**2.12**
Difference (a-b)	**31.59**	**30.15**	**30.79**	**31.46**	**30.01**	**30.61**	**-0.98**
OPEC crude oil production	**31.86**	**30.47**	**29.95**				
Balance	**0.28**	**0.32**	**-0.84**				

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

Balance of supply and demand in 2020

Based on the first forecast for world oil demand and non-OPEC supply for 2020**, demand for OPEC crude for 2020** is forecast at 29.3 mb/d, 1.3 mb/d lower than the 2019 level.

When compared to the same quarters in 2019, demand for OPEC crude in 1Q20 is forecast to be 1.4 mb/d lower, while 2Q20 and 3Q20 are forecast to decrease by 1.5 mb/d and 1.4 mb/d, respectively. 4Q20 is projected to show a decline of by 1.1 mb/d.

Table 10 - 2: Supply/demand balance for 2020*, mb/d

	2019	1Q20	2Q20	3Q20	4Q20	2020	Change 2020/19
(a) World oil demand	**99.87**	**99.84**	**100.32**	**101.76**	**102.07**	**101.01**	**1.14**
Non-OPEC supply	64.43	66.23	66.16	66.78	68.30	66.87	2.44
OPEC NGLs and non-conventionals	4.84	4.87	4.87	4.87	4.87	4.87	0.03
(b) Total non-OPEC supply and OPEC NGLs	**69.27**	**71.09**	**71.03**	**71.65**	**73.16**	**71.74**	**2.47**
Difference (a-b)	**30.61**	**28.75**	**29.30**	**30.11**	**28.91**	**29.27**	**-1.34**

*Notes: * 2019-2020 = Forecast.*
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

Appendix

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

	2016	2017	2018	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
World demand													
OECD	46.97	47.45	47.84	47.66	47.44	48.43	48.36	47.98	47.76	47.52	48.52	48.46	48.07
Americas	24.87	25.06	25.53	25.29	25.65	26.07	26.01	25.76	25.51	25.83	26.24	26.19	25.94
Europe	13.99	14.33	14.32	13.97	14.19	14.69	14.31	14.29	13.92	14.16	14.67	14.29	14.26
Asia Pacific	8.11	8.06	7.99	8.40	7.60	7.67	8.04	7.93	8.32	7.53	7.61	7.98	7.86
DCs	31.53	32.13	32.62	32.97	33.16	33.40	33.10	33.16	33.57	33.76	34.06	33.78	33.79
FSU	4.63	4.70	4.82	4.75	4.74	5.03	5.11	4.91	4.83	4.81	5.11	5.20	4.99
Other Europe	0.70	0.72	0.74	0.75	0.71	0.75	0.84	0.76	0.76	0.72	0.76	0.85	0.77
China	11.80	12.32	12.71	12.63	13.19	13.00	13.43	13.06	12.92	13.51	13.31	13.78	13.38
(a) Total world demand	**95.63**	**97.32**	**98.73**	**98.76**	**99.24**	**100.61**	**100.84**	**99.87**	**99.84**	**100.32**	**101.76**	**102.07**	**101.01**
Non-OPEC supply													
OECD	24.85	25.69	28.23	29.28	29.36	30.10	31.23	30.00	31.40	31.25	31.94	32.94	31.88
Americas	20.58	21.48	23.99	25.03	25.28	25.91	26.77	25.75	26.89	26.89	27.53	28.25	27.39
Europe	3.85	3.82	3.83	3.82	3.61	3.71	3.97	3.78	3.98	3.83	3.85	4.13	3.95
Asia Pacific	0.42	0.39	0.41	0.43	0.46	0.48	0.50	0.47	0.53	0.52	0.56	0.56	0.54
DCs	13.53	13.39	13.47	13.48	13.59	13.82	13.95	13.71	13.98	14.00	14.02	14.21	14.05
FSU	13.85	14.05	14.29	14.55	14.17	13.92	14.30	14.23	14.29	14.40	14.31	14.59	14.40
Other Europe	0.13	0.13	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.11	0.11	0.11
China	4.09	3.98	4.02	4.10	4.11	4.05	4.10	4.09	4.11	4.07	4.07	4.12	4.09
Processing gains	2.19	2.22	2.25	2.28	2.28	2.28	2.28	2.28	2.33	2.33	2.33	2.33	2.33
Total non-OPEC supply	**58.66**	**59.46**	**62.38**	**63.81**	**63.63**	**64.28**	**65.97**	**64.43**	**66.23**	**66.16**	**66.78**	**68.30**	**66.87**
OPEC NGLs + non-conventional oils	4.58	4.64	4.76	4.80	4.82	4.87	4.86	4.84	4.87	4.87	4.87	4.87	4.87
(b) Total non-OPEC supply and OPEC NGLs	**63.24**	**64.10**	**67.14**	**68.61**	**68.45**	**69.15**	**70.83**	**69.27**	**71.09**	**71.03**	**71.65**	**73.16**	**71.74**
OPEC crude oil production (secondary sources)	32.21	32.01	31.86	30.47	29.95								
Total supply	95.45	96.11	99.01	99.08	98.40								
Balance (stock change and miscellaneous)	-0.18	-1.21	0.28	0.32	-0.84								
OECD closing stock levels, *mb*													
Commercial	3,002	2,854	2,872	2,867									
SPR	1,600	1,568	1,547	1,552									
Total	**4,602**	**4,421**	**4,419**	**4,419**									
Oil-on-water	1,102	1,025	1,058	1,013									
Days of forward consumption in OECD, *days*													
Commercial onland stocks	63	60	60	60									
SPR	34	33	32	33									
Total	**97**	**92**	**92**	**93**									
Memo items													
(a) - (b)	**32.39**	**33.23**	**31.59**	**30.15**	**30.79**	**31.46**	**30.01**	**30.61**	**28.75**	**29.30**	**30.11**	**28.91**	**29.27**

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

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

	2016	2017	2018	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
World demand													
OECD	-	-	-	-	-	-	-	-					
Americas	-	-	-	-	-	-	-	-					
Europe	-	-	-	-	-	-	-	-					
Asia Pacific	-	-	-	-	-	-	-	-					
DCs	-	-	-	-	-	-	-	-					
FSU	-	-	-	-	-	-	-	-					
Other Europe	-	-	-	-	-	-	-	-					
China	-	-	-	-	-	-	-	-					
(a) Total world demand	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**					
Non-OPEC supply													
OECD	-	-	-	0.08	0.28	0.01	0.01	0.09					
Americas	-	-	-	0.08	0.32	-	-	0.10					
Europe	-	-	-	0.01	-0.05	0.01	0.01	-0.01					
Asia Pacific	-	-	-	-	-	-	-	-					
DCs	-	-	0.01	0.03	-0.09	0.01	-0.03	-0.02					
FSU	-	-	-	-	-0.03	-0.27	-0.28	-0.15					
Other Europe	-	-	-	-	-	-	-	-					
China	-	-	-	-	-0.01	-	-	-					
Processing gains	-	0.01	-	-	-	-	-	-					
Total non-OPEC supply	-	0.01	0.02	0.11	0.15	-0.25	-0.31	-0.08					
OPEC NGLs + non-conventionals	-	-	-	-	-0.01	-	-	-					
(b) Total non-OPEC supply and OPEC NGLs	**-**	**0.01**	**0.02**	**0.10**	**0.14**	**-0.25**	**-0.31**	**-0.08**					
OPEC crude oil production (secondary sources)	**-**	**-**	**-**	**-**	**-**								
Total supply	-	0.01	0.02	0.11	-								
Balance (stock change and miscellaneous)	-	0.01	0.02	0.11	-								
OECD closing stock levels (mb)													
Commercial	-	-	-	18									
SPR	-	-	-	-1									
Total	-	-	-	17									
Oil-on-water	-	-	-	-									
Days of forward consumption in OECD													
Commercial onland stocks	-	-	-	-									
SPR	-	-	-	-									
Total	**-**	**-**	**-**	**-**									
Memo items													
(a) - (b)	**-**	**-0.01**	**-0.02**	**-0.10**	**-0.14**	**0.25**	**0.31**	**0.08**					

*Note: * This compares Table 11 - 1 in this issue of the MOMR with Table 11 - 1 in the June 2019 issue.*
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

	2016	2017	2018	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Closing stock levels, mb												
OECD onland commercial	**3,002**	**2,854**	**2,872**	**3,031**	**3,019**	**2,969**	**2,854**	**2,815**	**2,815**	**2,867**	**2,872**	**2,867**
Americas	1,598	1,498	1,542	1,606	1,596	1,571	1,498	1,468	1,471	1,541	1,542	1,509
Europe	989	943	931	1,022	999	965	943	969	956	936	931	979
Asia Pacific	415	412	399	404	424	433	412	378	388	390	399	380
OECD SPR	**1,600**	**1,568**	**1,547**	**1,600**	**1,588**	**1,578**	**1,568**	**1,575**	**1,570**	**1,565**	**1,547**	**1,552**
Americas	697	665	651	694	681	676	665	667	662	662	651	651
Europe	481	480	476	484	484	479	480	485	486	481	476	483
Asia Pacific	421	423	420	422	423	423	423	422	422	422	420	417
OECD total	**4,602**	**4,421**	**4,419**	**4,630**	**4,608**	**4,547**	**4,421**	**4,390**	**4,385**	**4,432**	**4,419**	**4,419**
Oil-on-water	**1,102**	**1,025**	**1,058**	**1,043**	**1,052**	**998**	**1,025**	**1,036**	**1,014**	**1,041**	**1,058**	**1,013**
Days of forward consumption in OECD, days												
OECD onland commercial	**63**	**60**	**60**	**64**	**63**	**62**	**60**	**60**	**58**	**60**	**60**	**60**
Americas	64	59	60	64	63	62	59	58	57	60	61	59
Europe	69	66	65	71	68	67	67	68	65	65	67	69
Asia Pacific	51	52	50	53	54	52	48	49	50	48	48	50
OECD SPR	**34**	**33**	**33**	**34**	**33**	**33**	**33**	**33**	**33**	**33**	**32**	**33**
Americas	28	26	26	28	27	27	26	26	26	26	26	25
Europe	34	34	34	34	33	33	34	34	33	34	34	34
Asia Pacific	52	53	53	55	54	51	50	55	55	52	50	55
OECD total	**97**	**92**	**93**	**98**	**97**	**95**	**93**	**93**	**91**	**92**	**93**	**93**

Sources: Argus Media, Euroilstock, IEA, JODI, METI, OPEC Secretariat and US EIA.

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

	2016	2017	2018	3Q19	4Q19	2019	Change 19/18	1Q20	2Q20	3Q20	4Q20	2020	Change 20/19
US	13.6	14.4	16.7	18.6	19.5	18.6	1.9	19.6	20.0	20.4	21.1	20.3	1.7
Canada	4.5	4.8	5.2	5.3	5.4	5.2	0.0	5.4	5.1	5.4	5.5	5.3	0.1
Mexico	2.5	2.2	2.1	1.9	1.9	1.9	-0.1	1.9	1.8	1.8	1.7	1.8	-0.2
OECD Americas	**20.6**	**21.5**	**24.0**	**25.9**	**26.8**	**25.8**	**1.8**	**26.9**	**26.9**	**27.5**	**28.2**	**27.4**	**1.6**
Norway	2.0	2.0	1.9	1.8	1.9	1.8	-0.1	1.9	1.9	1.9	2.1	2.0	0.2
UK	1.0	1.0	1.1	1.1	1.2	1.2	0.1	1.2	1.1	1.1	1.2	1.2	0.0
Denmark	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
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	**3.9**	**3.8**	**3.8**	**3.7**	**4.0**	**3.8**	**-0.1**	**4.0**	**3.8**	**3.9**	**4.1**	**3.9**	**0.2**
Australia	0.3	0.3	0.3	0.4	0.4	0.4	0.1	0.5	0.5	0.5	0.5	0.5	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	**0.4**	**0.4**	**0.4**	**0.5**	**0.5**	**0.5**	**0.1**	**0.5**	**0.5**	**0.6**	**0.6**	**0.5**	**0.1**
Total OECD	**24.9**	**25.7**	**28.2**	**30.1**	**31.2**	**30.0**	**1.8**	**31.4**	**31.2**	**31.9**	**32.9**	**31.9**	**1.9**
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	0.8	0.8	0.8	0.0	0.8	0.8	0.9	0.9	0.9	0.0
Indonesia	0.9	0.9	0.9	0.8	0.8	0.8	0.0	0.8	0.8	0.8	0.8	0.8	0.0
Malaysia	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Thailand	0.5	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	0.2	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**	**3.6**	**3.6**	**3.5**	**3.5**	**3.5**	**-0.1**	**3.4**	**3.5**	**3.5**	**3.5**	**3.5**	**0.0**
Argentina	0.7	0.6	0.6	0.6	0.6	0.6	0.0	0.6	0.6	0.6	0.6	0.6	0.0
Brazil	3.1	3.3	3.3	3.7	3.8	3.5	0.2	3.9	3.8	3.9	4.0	3.9	0.4
Colombia	0.9	0.9	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.8	0.9	0.9	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	0.2	0.2	0.3	0.3	0.3	0.0
Latin America	**5.1**	**5.2**	**5.2**	**5.6**	**5.7**	**5.4**	**0.2**	**5.7**	**5.7**	**5.7**	**5.9**	**5.8**	**0.3**
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
Qatar	2.0	1.9	2.0	2.0	2.0	2.0	0.0	2.0	2.0	2.0	2.0	2.0	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	0.0	0.1	0.1	0.1	0.1	0.0
Middle East	**3.3**	**3.1**	**3.2**	**3.2**	**3.2**	**3.2**	**0.0**	**3.2**	**3.2**	**3.3**	**3.3**	**3.2**	**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	0.6	0.6	0.6	0.6	0.0
Ghana	0.1	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
South Africa	0.1	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	0.2	0.2	0.2	0.3	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	**1.5**	**1.5**	**1.5**	**1.6**	**1.6**	**1.6**	**0.1**	**1.6**	**1.6**	**1.6**	**1.6**	**1.6**	**0.0**
Total DCs	**13.5**	**13.4**	**13.5**	**13.8**	**13.9**	**13.7**	**0.2**	**14.0**	**14.0**	**14.0**	**14.2**	**14.1**	**0.3**
FSU	**13.9**	**14.1**	**14.3**	**13.9**	**14.3**	**14.2**	**-0.1**	**14.3**	**14.4**	**14.3**	**14.6**	**14.4**	**0.2**
Russia	11.1	11.2	11.3	11.3	11.3	11.4	0.0	11.3	11.5	11.5	11.6	11.5	0.1
Kazakhstan	1.6	1.7	1.8	1.5	1.9	1.7	-0.1	1.9	1.8	1.7	1.9	1.8	0.1
Azerbaijan	0.8	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	0.3	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	**4.1**	**4.0**	**4.0**	**4.0**	**4.1**	**4.1**	**0.1**	**4.1**	**4.1**	**4.1**	**4.1**	**4.1**	**0.0**
Non-OPEC production	**56.5**	**57.2**	**60.1**	**62.0**	**63.7**	**62.2**	**2.0**	**63.9**	**63.8**	**64.5**	**66.0**	**64.5**	**2.4**
Processing gains	2.2	2.2	2.3	2.3	2.3	2.3	0.0	2.3	2.3	2.3	2.3	2.3	0.1
Non-OPEC supply	**58.7**	**59.5**	**62.4**	**64.3**	**66.0**	**64.4**	**2.0**	**66.2**	**66.2**	**66.8**	**68.3**	**66.9**	**2.4**
OPEC NGL	4.5	4.5	4.7	4.8	4.8	4.7	0.1	4.8	4.8	4.8	4.8	4.8	0.0
OPEC Non-conventional	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
OPEC (NGL+NCF)	**4.6**	**4.6**	**4.8**	**4.9**	**4.9**	**4.8**	**0.1**	**4.9**	**4.9**	**4.9**	**4.9**	**4.9**	**0.0**
Non-OPEC & OPEC (NGL+NCF)	**63.2**	**64.1**	**67.1**	**69.1**	**70.8**	**69.3**	**2.1**	**71.1**	**71.0**	**71.6**	**73.2**	**71.7**	**2.5**

Note: OECD Americas includes Chile.
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

Table 11 - 5: World rig count, units

	2016	2017	2018	Change 2018/17	3Q18	4Q18	1Q19	2Q19	May 19	Jun 19	Change Jun/May
US	509	875	1,031	*157*	1,051	1,073	1,045	990	986	970	*-16*
Canada	131	207	191	*-15*	208	177	185	83	70	113	*43*
Mexico	26	17	27	*9*	30	32	26	34	34	32	*-2*
OECD Americas	665	1,099	1,249	*150*	1,289	1,282	1,257	1,106	1,090	1,115	*25*
Norway	17	15	15	*0*	14	17	15	17	14	18	*4*
UK	9	9	7	*-2*	8	8	13	16	16	16	*0*
OECD Europe	96	92	85	*-7*	84	90	92	159	186	193	*7*
OECD Asia Pacific	7	15	21	*5*	22	23	24	29	29	32	*3*
Total OECD	**768**	**1,206**	**1,355**	***149***	**1,395**	**1,396**	**1,372**	**1,295**	**1,305**	**1,340**	***35***
Other Asia*	204	208	222	*14*	228	224	232	225	223	219	*-4*
Latin America	111	112	123	*11*	126	123	128	122	117	123	*6*
Middle East	75	68	65	*-4*	64	62	66	69	69	69	*0*
Africa	43	38	45	*7*	50	50	54	52	51	51	*0*
Total DCs	**432**	**426**	**454**	***28***	**468**	**460**	**481**	**468**	**460**	**462**	***2***
Non-OPEC rig count	**1,200**	**1,632**	**1,809**	***177***	**1,863**	**1,855**	**1,853**	**1,763**	**1,765**	**1,802**	***37***
Algeria	54	54	50	*-4*	48	47	47	49	51	45	*-6*
Angola	6	3	4	*1*	4	5	5	5	5	5	*0*
Congo	2	2	3	*1*	3	4	4	4	4	4	*0*
Ecuador	4	6	8	*2*	9	11	9	8	6	10	*4*
Equatorial Guinea**	1	1	1	*0*	1	1	1	1	1	1	*0*
Gabon	1	1	3	*3*	3	4	7	6	6	6	*0*
Iran**	143	156	157	*2*	157	157	157	157	157	157	*0*
Iraq	43	49	59	*10*	58	61	65	75	77	75	*-2*
Kuwait	44	54	51	*-3*	50	45	44	44	45	45	*0*
Libya	1	1	5	*4*	7	9	11	15	15	15	*0*
Nigeria	6	9	13	*5*	15	12	14	14	14	14	*0*
Saudi Arabia	125	118	117	*-1*	119	123	118	115	111	114	*3*
UAE	51	52	55	*4*	56	57	58	59	60	61	*1*
Venezuela	58	49	32	*-17*	27	26	25	23	22	24	*2*
OPEC rig count	**537**	**553**	**558**	***5***	**557**	**563**	**565**	**576**	**574**	**576**	***2***
World rig count***	**1,737**	**2,185**	**2,368**	***183***	**2,419**	**2,418**	**2,418**	**2,338**	**2,339**	**2,378**	***39***
of which:											
Oil	1,313	1,678	1,886	*209*	1,945	1,934	1,936	1,827	1,804	1,840	*36*
Gas	370	466	448	*-17*	440	453	455	482	506	509	*3*
Others	54	42	33	*-9*	34	31	26	29	29	29	*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

OPEC Basket average price

US$/b

down 7.05 in June

June 2019	62.92
May 2019	69.97
Year-to-date	**65.48**

June OPEC crude production

mb/d, according to secondary sources

down 0.07 in June

June 2019	29.83
May 2019	29.90

Economic growth rate

per cent

	World	OECD	US	Japan	Euro-zone	China	India
2019	3.2	1.7	2.6	0.5	1.2	6.2	6.8
2020	3.2	1.6	2.0	0.5	1.2	6.0	7.0

Supply and demand

mb/d

2019		**19/18**	**2020**		**20/19**
World demand	99.9	1.1	World demand	101.0	1.1
Non-OPEC supply	64.4	2.0	Non-OPEC supply	66.9	2.4
OPEC NGLs	4.8	0.1	OPEC NGLs	4.9	0.0
Difference	**30.6**	**–1.0**	**Difference**	**29.3**	**–1.3**

OECD commercial stocks

mb

	Mar 19	Apr 19	May 19	May 19/Apr 19	May 18
Crude oil	1,444	1,467	1,495	28.4	1,447
Products	1,423	1,416	1,429	13.0	1,380
Total	**2,867**	**2,883**	**2,925**	**41.5**	**2,828**
Days of forward cover	60.4	60.2	60.5	0.2	58.4

Next report to be issued on 13 August 2019.