

O P E C

Monthly Oil Market Report

12 February 2020

Feature article:
Review of the global oil demand trend

<i>Oil market highlights</i>	I
<i>Feature article</i>	III
<i>Crude oil price movements</i>	1
<i>Commodity markets</i>	9
<i>World economy</i>	12
<i>World oil demand</i>	31
<i>World oil supply</i>	41
<i>Product markets and refinery operations</i>	56
<i>Tanker market</i>	63
<i>Oil trade</i>	67
<i>Stock movements</i>	74
<i>Balance of supply and demand</i>	81



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Oil Market Highlights

Crude Oil Price Movements

The January OPEC Reference Basket (ORB) value ended \$1.38, or 2.1%, lower, month-on-month (m-o-m), averaging \$65.10/b. In January, ICE Brent averaged \$1.50, or 2.3%, m-o-m lower at \$63.67/b, while NYMEX WTI dropped \$2.28, or 3.8%, averaging \$57.53/b. Year-to-date (y-t-d), ICE Brent was \$3.43, or 5.7%, higher at \$63.67/b, while NYMEX WTI was up by \$5.98, or 11.6%, at \$57.53/b, compared to a year earlier. The market structure of both ICE Brent and DME Oman remained in backwardation in January, despite the sharp decline in oil prices due to expectations of slowing global oil demand, while NYMEX WTI slipped to contango in late January. However, by early February Brent switched to contango as well. Hedge funds and other money managers reduced their net long positions in January as geopolitical tensions receded and focus turned to concerns about the impact of the Coronavirus on global economy and oil demand growth.

World Economy

Slowing 2H19 output led to a downward economic growth revision for 2019 to 2.9%. The Coronavirus-related impact, in combination with a weakening economy in the Euro-zone and India, triggered the 2020 GDP growth downward revision by 0.1 pp, reaching 3.0%. US growth remains at 2.3% for 2019 and at 1.9% for 2020. Euro-zone growth remains at 1.2% for 2019, but was lowered by 0.1 pp to 0.9% for 2020. Similarly, Japan's growth is unchanged at 1.1% for 2019, but was revised down by 0.1 pp to reach 0.6% for 2020. China's growth was revised down by 0.1 pp to 6.1% for 2019 and by 0.5 pp to 5.4% for 2020. Also, India's growth was revised down by 0.3 pp to 5.2% for 2019 and down by 0.3 pp to 6.1% for 2020. Brazil's growth remains unchanged at 1.0% for 2019 and at 2.0% for 2020. Russia's growth remains unchanged at 1.1% for 2019 and at 1.5% for 2020. While the magnitude of the coronavirus-related impact remains to be seen, ongoing solid economic performance in the US and other important OECD economies, improving global trade relations in combination with stimulus measures in China and continuing accommodative monetary policies are expected to support global growth.

World Oil Demand

In 2019, world oil demand growth is revised down by 0.02 mb/d, from last month's assessment; amid weaker-than-expected oil demand growth data from OECD America in most parts of the year. Now, world oil demand is estimated to have grown by 0.91 mb/d and average 99.74 mb/d in 2019. Oil demand growth in 2020 is revised down by 0.23 mb/d from the previous month's assessment. With this, global oil demand is now forecast to grow by 0.99 mb/d and average 100.73 mb/d for 2020, with OECD oil demand growing by 0.01 mb/d in 2020, while non-OECD oil demand is growing by 0.98 mb/d. The outbreak of the Coronavirus in China during 1H20 is the major factor behind this downward revision.

World Oil Supply

The non-OPEC liquids production growth for 2019 is revised up by 0.02 mb/d from the previous month's assessment and is now estimated at 1.88 mb/d, to average 64.36 mb/d. With this, US liquids production growth y-o-y is revised up by 11 tb/d to average 1.68 mb/d. In contrast, the non-OPEC liquids production growth forecast for 2020 is revised down by 0.10 mb/d from last month's assessment and is projected to grow by 2.25 mb/d to average 66.60 mb/d. The large downward revisions to the US liquids production forecast are partially offset by other regions' upward adjustments. The US liquids production growth forecast for 2020 is revised down by 166 tb/d, to grow by 1.26 mb/d y-o-y. The US is expected to remain the main growth driver in 2020, along with Norway, Brazil, Canada, Guyana and Australia. OPEC NGLs production in 2019 is estimated to have grown by 0.04 mb/d to average 4.80 mb/d and for 2020 is forecast to grow by 0.03 mb/d to average 4.83 mb/d. In January, OPEC crude oil production has fallen by 509 tb/d m-o-m to average 28.86 mb/d, according to secondary sources.

Product Markets and Refining Operations

Product markets in January showed mixed results. In the USGC, high product inventory levels – particularly for gasoline – and poor heating oil demand continued to weigh on US refining economics. In Europe, product markets witness considerable gains, as all products – except for gasoil – were supported by firm exports to the Middle East on the back of heavy turnarounds in that region. Meanwhile in Asia, product markets witnessed a mild upside, driven by solid high sulphur fuel oil (HSFO) gains although all other product crack spreads experienced losses. High sulphur fuel oil markets continued the upward trend for the second consecutive month, supported by increasingly tighter supplies from refineries amid lower feedstock prices and stronger import requirements from the Middle East.

Tanker Market

Dirty tanker spot freight rates in January continued the roller coast movement seen since September, this time giving back almost half the gains seen the month before. However, rates remained some 50% higher than the same month last year, as the market remained optimistic about an improvement in rates in 2020. Seasonal factors were a key contributor to the decline. The outbreak and rapid spread of the coronavirus temporarily upended the tanker market starting at the end of January, disrupting trade with China, the world's largest crude importer. It remains to be seen when and how this health challenge will be resolved, but is certain to weigh on rates in February. After rising steadily since September 2019, clean tanker rates fell back in January, but remain slightly higher than the same month last year. Rates benefited from a strong start to the year, but have fallen in recent weeks driven by seasonal factors.

Stock Movements

Preliminary data for December showed that total OECD commercial oil stocks rose by 6.8 mb m-o-m to stand at 2,918 mb, which was 45 mb higher than the same time one year ago, and around 30 mb above the latest five-year average. Within the components, crude stocks fell by 15 mb m-o-m to stand at 38 mb above the latest five-year average, while product stocks rose by 22 mb, m-o-m to remain 9 mb below the latest five-year average. In terms of days of forward cover, OECD commercial stocks rose by 0.6 days m-o-m in December to stand at 61 days, which was 0.8 days above the same period in 2018, but 0.1 days below the latest five-year average.

Balance of Supply and Demand

Demand for OPEC crude in 2019 remained unchanged from the previous report to stand at 30.6 mb/d, 1.0 mb/d lower than the 2018 level. Demand for OPEC crude in 2020 was revised down by 0.2 mb/d from the previous report, to stand at 29.3 mb/d, around 1.3 mb/d lower than the 2019 level. The main reason behind the oil demand growth revision and hence the demand for OPEC crude, is the outbreak of the Coronavirus and its expected impact on China's oil demand and, by extension, global oil demand.

Feature Article

Review of the global oil demand trend

World oil demand in 2020 is forecast to grow by 0.99 mb/d y-o-y, a downward revision of 0.2 mb/d from the assessment in January 2020. This follows a downward revision to global economic growth, which was lowered by 0.1 pp to 3.0% for 2020. OECD oil demand is projected to grow by 0.01 mb/d, while the non-OECD is anticipated to add 0.98 mb/d.

Within OECD, in OECD Americas, oil demand is expected to increase, supported mainly by the petrochemical sector in the US. Transportation fuel demand is also expected to grow y-o-y, despite ongoing efficiency gains and vehicle electrification programmes. Oil demand in OECD Europe is forecast to contract this year. Meanwhile, in OECD Asia Pacific, substitution programmes and efficiency gains in Japan will only partly be offset by increases in South Korea and Australia, with the region seeing a contraction. Overall, petrochemical and also the transportation sectors in the OECD region are expected to lend some support to oil demand growth in 2020.

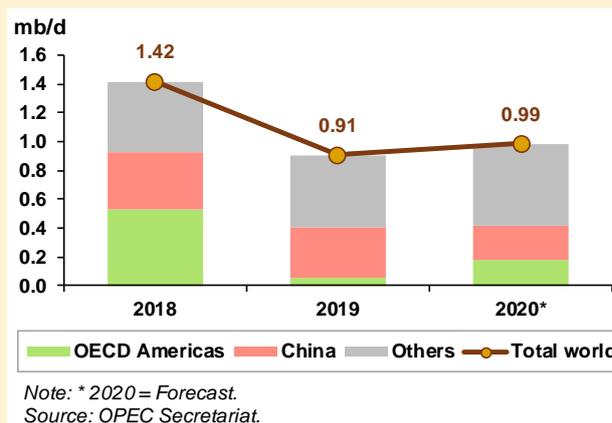
In the non-OECD, oil demand growth in both Latin America and the Middle East is forecast higher y-o-y, mainly due to improved economic developments, while in Other Asia and particularly in India, steady economic activity in the region is forecast to support oil demand growth amid healthy transportation and industrial sectors. Oil demand growth in China in 2020 is forecast to slow down, y-o-y, reflecting lower economic activities. The recent outbreak of the coronavirus in China necessitated a further downward revision to the country's oil demand growth forecast compared to last month, as transportation fuels, notably aviation fuels, are expected to be impacted in 1H20. Evidently, the timing of the outbreak exacerbated the impact on transportation fuel demand in China, as it coincided with the Chinese Lunar New Year holidays, as millions of Chinese return home to celebrate with family members and friends, or travel abroad.

It is worth noting that, in recent years, transportation fuels, particularly jet fuel and gasoline, have been major sources of oil demand growth in China. Since 2003, the share of Chinese jet fuel consumption to global jet fuel demand has almost tripled, standing at around 10% in 2019. Similarly, the share of China's gasoline consumption in global gasoline demand increased from 4.7% to 12% (**Graph 2**). In fact, in 2019, jet fuel was the largest growing petroleum product in the transportation sector in percentage terms, not just in China, but also globally. In fact, growth in jet fuel demand in China is mainly due to the significant expansions to existing, and additions of new domestic airports, as well as a general increase in air travel activity. The Coronavirus outbreak has also affected the industrial sector.

All in all, Chinese oil demand is now revised down by 0.2 mb/d in 1H20 from the previous monthly assessment, resulting in an overall downward revision of 0.4 mb/d in global oil demand growth in 1H20 and hence a downward revision of 0.2 mb/d for the whole year. This is in line with a downward revision to China's economic growth for 2020 by 0.5 pp to now stand at 5.4%.

The impact of the Coronavirus outbreak on China's economy has added to the uncertainties surrounding global economic growth in 2020, and by extension global oil demand growth in 2020. Clearly, the ongoing developments in China require continuous monitoring and assessment to gauge the implications on the oil market in 2020.

Graph 1: World oil demand growth in selected regions



Graph 2: Share of China's transportation fuel demand in global transportation demand, %

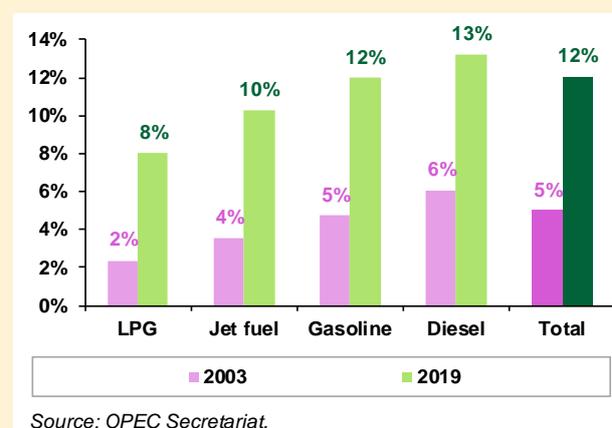


Table of Contents

Contributors to the OPEC Monthly Oil Market Report	i
Oil Market Highlights	iii
Feature Article	v
<i>Review of the global oil demand trend</i>	v
Crude Oil Price Movements	1
OPEC Reference Basket	1
The oil futures market	3
The futures market structure	5
The light sweet/medium sour crude spread	7
The impact of the US dollar (USD) and inflation on oil prices	8
Commodity Markets	9
Trends in selected commodity markets	9
Investment flows into commodities	11
World Economy	12
OECD	13
Non-OECD	20
World Oil Demand	31
World oil demand in 2019 and 2020	31
OECD	32
Non-OECD	36
World Oil Supply	41
Main monthly revisions	42
Key drivers of growth and decline	42
Non-OPEC liquids production in 2019 and 2020	43
OECD	44
OECD Americas	44
OECD Europe	48
Developing Countries	50
OPEC NGL and non-conventional oils	53
OPEC crude oil production	54
World oil supply	55
Product Markets and Refinery Operations	56
Refinery margins	56
Refinery operations	57
Product markets	57

Table of Contents

Tanker Market	63
Spot fixtures	63
Sailings and arrivals	63
Dirty tanker freight rates	64
Clean tanker freight rates	66
Oil Trade	67
US	67
China	69
India	70
Japan	71
OECD Europe	72
FSU	73
Stock Movements	74
OECD	74
US	76
Japan	77
EU plus Norway	78
Singapore, Amsterdam-Rotterdam-Antwerp (ARA) and Fujairah	79
Balance of Supply and Demand	81
Balance of supply and demand in 2019	81
Balance of supply and demand in 2020	82
Appendix	83
Glossary of Terms	89
Abbreviations	89
Acronyms	90

Crude Oil Price Movements

The OPEC Reference Basket (ORB) value in January declined by \$1.38, or 2.1%, month-on-month (m-o-m) to average \$65.10/b. This was on the back of concerns about the outbreak of the Coronavirus in China, as well as its potential spread to other countries, the risk of softening oil demand and a further weakening in refining margins, particularly in the Asia Pacific and Europe, along with easing geopolitical tensions in the Middle East.

Crude oil futures prices ended January lower, erasing all the gains accumulated over the previous two months. ICE Brent fell at the end of January to reach the lowest daily level in three months. Easing risks of supply disruption and the outbreak of the Coronavirus in China significantly affected oil futures prices and brought about a sell-off across markets. **ICE Brent** in January was \$1.50, or 2.3% lower, m-o-m at \$63.67/b, while **NYMEX WTI** fell \$2.28, or 3.8%, m-o-m to average \$57.53/b. Year-to-date (Y-t-d), ICE Brent was \$3.43, or 5.7%, higher at \$63.67/b, while NYMEX WTI was up \$5.98, or 11.6%, at \$57.53/b, compared to the same period a year earlier. **DME Oman** crude oil futures prices fell m-o-m by \$1.36, or 2.1%, to settle at \$64.41/b. Y-t-d, DME Oman was up by \$4.76, or 8.0%, at \$64.41/b.

Hedge funds and other money managers reduced their net long positions in January for both ICE Brent and NYMEX WTI, as geopolitical tensions and the risk of supply disruptions in the Middle East receded, and the focus turned to concerns about the global economy and oil demand growth amid the outbreak of the Coronavirus in China. Over the month, money managers declined their combined bullish positions in ICE Brent and NYMEX WTI by 16.7%, to a level of 578,057 contracts in late January.

The **market structure** of both **ICE Brent** and **DME Oman** remained in backwardation in January. Prompt prices continued to be supported in the first part of January by risks of supply disruptions in the Middle East and lower supply from North Africa. However, the backwardation price structure of **NYMEX WTI** narrowed and slipped to contango in late January on weak US market fundamentals. In early February, ICE Brent switched to contango as well.

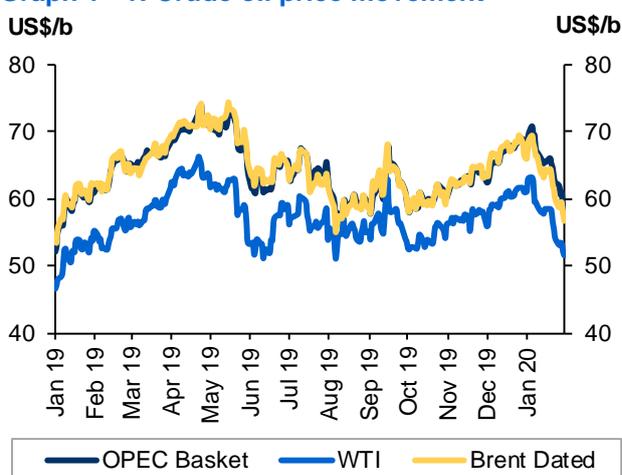
The **sweet/sour crude differentials** narrowing significantly in Asia due to a shrinking product quality spread between light and heavy distillates. Sweet/sour differentials also narrowed in the USGC, while the spread widened in Europe on a weak sour crude market.

OPEC Reference Basket

After two consecutive months of significant gains, the **ORB** ended January down by \$1.38, or 2.1% lower m-o-m, to stand at \$65.10/b. The ORB followed the downward trend across all other crude benchmarks, amid growing concerns about slowing global oil demand growth in 1H20, on the back of the Coronavirus outbreak in Wuhan, China, and its possible spread to other countries. Lower refinery runs amid refinery maintenance season in several regions also weighed on oil prices.

Early in January, oil prices rose to their highest since September 2019, supported by positive momentum following the US and China's announcement of an interim trade deal, which would help ease trade tensions and support the global economy. In addition, prices received some support from escalating geopolitical tensions in the Middle East.

Graph 1 - 1: Crude oil price movement



Sources: Argus Media, OPEC Secretariat and Platts.

The ORB started to witness a downward trend as of 7 January, on easing tensions in the Middle East, softening oil demand in Asia and weakening refining margins. The ORB value fell further in the second part of the month

Crude Oil Price Movements

to reach its lowest level in more than three months, as the Coronavirus outbreak in China – and its possible spread to other countries – raised concerns about the economy and a further slowing of oil demand growth in China and in the Asia Pacific. The oil price continued its decline at the end of the month amid signs of a further softening in China's oil demand, particularly for transportation fuel, after Chinese authorities implemented travel restrictions in cities where the Coronavirus outbreak had been confirmed. It should be noted that the significant decline in Libyan oil production and exports in January have had a limited effect on oil prices.

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

	<u>Dec 19</u>	<u>Jan 20</u>	<u>Change</u> <u>Jan/Dec</u>	<u>%</u>	<u>Year-to-date</u>	
					<u>2019</u>	<u>2020</u>
Basket	66.48	65.10	-1.38	-2.1	58.74	65.10
Arab Light	67.45	66.56	-0.89	-1.3	59.63	66.56
Basrah Light	65.83	64.06	-1.77	-2.7	58.20	64.06
Bonny Light	68.18	65.89	-2.29	-3.4	60.51	65.89
Djeno	66.05	62.95	-3.10	-4.7	56.77	62.95
Es Sider	67.60	63.63	-3.97	-5.9	58.27	63.63
Girassol	69.69	65.41	-4.28	-6.1	59.98	65.41
Iran Heavy	63.80	62.61	-1.19	-1.9	56.29	62.61
Kuwait Export	66.26	65.37	-0.89	-1.3	58.65	65.37
Merey	49.94	56.21	6.27	12.6	50.90	56.21
Murban	66.66	66.09	-0.57	-0.9	60.81	66.09
Oriente	67.54	64.40	-3.14	-4.6	55.10	64.40
Rabi Light	64.08	60.80	-3.28	-5.1	58.62	60.80
Sahara Blend	68.10	65.28	-2.82	-4.1	59.27	65.28
Zafiro	69.74	65.31	-4.43	-6.4	60.09	65.31
Other Crudes						
Dated Brent	66.90	63.38	-3.52	-5.3	59.37	63.38
Dubai	64.86	64.10	-0.76	-1.2	59.07	64.10
Isthmus	60.28	55.93	-4.35	-7.2	58.13	55.93
LLS	63.57	61.45	-2.12	-3.3	58.50	61.45
Mars	60.81	58.95	-1.86	-3.1	56.71	58.95
Minas	62.78	62.10	-0.68	-1.1	51.72	62.10
Urals	67.09	62.86	-4.23	-6.3	60.26	62.86
WTI	59.81	57.56	-2.25	-3.8	51.63	57.56
Differentials						
Brent/WTI	7.09	5.82	-1.27	-	7.74	5.82
Brent/LLS	3.33	1.93	-1.40	-	0.88	1.93
Brent/Dubai	2.04	-0.72	-2.76	-	0.31	-0.71

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

All **ORB component values**, except Venezuela's Merey, declined in January on low refinery utilization rates due to maintenance, in addition to poor refining economics for almost all products, particularly jet fuel, gasoline and diesel, which translated into modest crude oil demand from refiners in the Asia Pacific, Europe and the US. Brent-related Basket components declined the most, despite high official selling prices (OSP). The key crude oil physical benchmarks fell m-o-m in January, with North Sea Dated and WTI tumbling by \$3.52 and \$2.25, respectively, to settle at \$63.38/b and \$57.56/b, while Dubai declined by 76¢ to settle at \$64.10/b.

Light sweet crude ORB components from **West and North Africa** – including Bonny Light, Djeno, Es Sider, Girassol, Rabi Light, Sahara Blend and Zafiro – fell by \$3.45 on average, or 5.1% m-o-m, to \$64.18/b, tracking the sharp decline of North Sea Dated. Furthermore, crude differentials for February loadings weakened in the Atlantic Basin. This was due to higher availability, lower demand from the Asia Pacific and weak refining margins in Asia and Europe, particularly for light and middle distillate products. The sharp decline in Libyan oil supply and the declaration of force majeure on Bonny Light crude oil exports in Nigeria had a limited impact on crude values in January 2020.

In terms of **Latin American** ORB components, Venezuela's Merey rose around 13% m-o-m in January, registering the second consecutive monthly gain, supported by higher fuel oil values in the Asia Pacific. Merey

crude's value rose by \$6.27, m-o-m, to \$56.21/b. Ecuador's Oriente fell in January to \$64.40/b, a decrease of \$4.52, or 7.2%.

The value of **multiple-region destination grades**, including Arab Light, Basrah Light, Iran Heavy and Kuwait Export, fell by \$1.18 in January, or 1.8%, to stand \$64.65/b. Middle Eastern crude values declined less than other component values as the related Dubai and Oman benchmarks continued to be supported by geopolitical tensions during the first week of January, which raised concerns about supply disruptions, in addition to recovering fuel margins in almost all regions. However, crude values weakened in the second half of the month on easing tensions and the expectation of higher supply amid refinery maintenance in the Middle East, and lower demand from Asian refiners. At the same time, the relatively high value of Middle Eastern crude weighed on demand. The front-month Brent/Dubai Exchange for Swaps (EFS Dubai) fell again m-o-m in January by 49¢, to average \$2.22/b. This mirrored a healthier Middle East sour crude complex compared to Atlantic Basin crudes.

The **Middle Eastern spot component**, Murban, fell by 57¢ m-o-m, or 0.9%, to \$66.09/b in January, performing better than other crudes of similar quality. However, Murban crude for March loading traded at a discount to its OSP amid weak refining margins, particularly for naphtha, and expected higher supply due to refinery maintenance.

On 11 February, the ORB stood at \$54.16/b, \$10.93 below the January average.

The oil futures market

Oil futures prices erased all the gains accumulated over the previous two months, with ICE Brent falling at the end of January, to reach its lowest daily level in three months. This was on the back of easing geopolitical tensions in the Middle East later in the month and the risk of slowing oil demand growth in the coming months amid growing concerns about the Coronavirus outbreak in Wuhan and the risk of it spreading throughout China and to other countries.

Oil prices started to decline during the second week of January on easing risk of supply disruptions from geopolitical tensions in the Middle East, a slowdown in refinery runs, and a significant increase in US gasoline and distillate fuel oil stocks. The International Monetary Fund (IMF) also further downgraded its forecast for 2020 global economic growth to 3.3%, a drop of 0.1 pp, compared to its October forecast. This was the sixth consecutive downward revision for global GDP, despite the agreed interim trade deal between the US and China.

The Coronavirus outbreak in China has significantly affected oil prices and brought about a market sell-off, with ICE Brent tumbling to \$58.16/b at the end of the month, which is around 11% lower than the level of 20 January. Oil prices reacted strongly to the Coronavirus outbreak in China, given that it is the world's largest crude oil importer, and due to the possibility of it spreading further across China and around the world, with potential for knock-on impacts to the global economy and oil demand growth in the 1H20. The potential risk for a further slowing in transportation and manufacturing activities in China, which could weigh on crude runs and oil demand, also added downward pressure. Prompt oil prices fell further on softening demand from the Asia Pacific and weak refining margins, particularly in the Asia Pacific and Europe, as well as expectations of higher crude availability, amid lower runs and refinery maintenances in the Middle East in 1Q20.

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

	Dec 19	Jan 20	Change		Year-to-date	
			Jan/Dec	%	2019	2020
NYMEX WTI	59.80	57.53	-2.28	-3.8	51.55	57.53
ICE Brent	65.17	63.67	-1.50	-2.3	60.24	63.67
DME Oman	65.77	64.41	-1.36	-2.1	59.64	64.41
Transatlantic spread (ICE Brent-NYMEX WTI)	5.37	6.14	0.78	14.4	8.69	6.14

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

Sources: CME Group, Dubai Mercantile Exchange, Intercontinental Exchange and OPEC Secretariat.

Crude Oil Price Movements

ICE Brent in January was \$1.50, or 2.3% lower, at \$63.67/b, while **NYMEX WTI** fell \$2.28, or 3.8%, to average \$57.53/b. Compared to a year earlier, ICE Brent was up \$3.43, or 5.7%, while NYMEX WTI was higher by \$5.98, or 11.6%. **DME Oman** crude oil futures prices fell m-o-m in January by \$1.36, or 2.1%, to settle at \$64.41/b. Compared to a year earlier, DME Oman was higher by \$4.76, or 8.0%, at \$64.41/b.

On 11 February, ICE Brent stood at \$54.01/b and NYMEX WTI at \$49.94/b.

Hedge funds and other money managers lowered their net long positions over January as the risk of supply disruptions in the Middle East receded. Focus turned to concerns about the global economy and oil demand growth for 2020, which was accentuated by the outbreak of the Coronavirus in China, and its potential negative impact on the global economy and oil demand. Over the month, money managers saw a 16.7% drop in their combined ICE Brent and NYMEX WTI bullish positions, falling to 578,057 contracts in late January.

Speculators were heavily selling their positions in **NYMEX WTI** contract in the second half of January. During the four weeks of January, they reduced their net long position by 38.1%, or 108,023 contracts, to stand at 175,700 lots for the week of 28 January, according to the US Commodity Futures Trading Commission (CFTC).

Money managers were more bearish about US crude oil prices due to weak US oil market fundamentals, declining refinery runs and increasing gasoline and distillate fuel oil stocks over the month, as well as worries about oil demand given the Coronavirus outbreak in China.

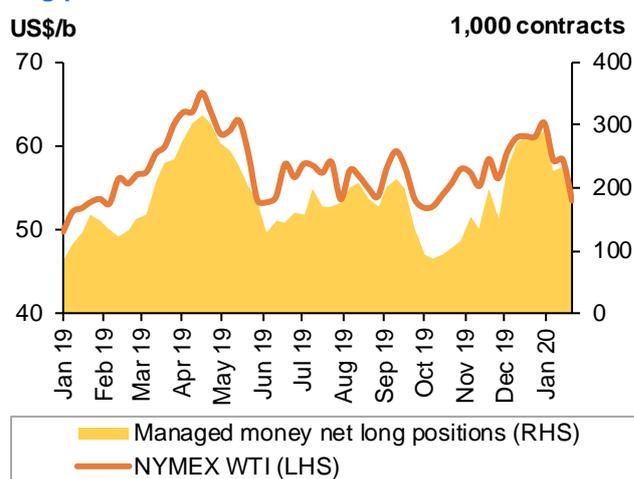
The decline in net long positions to 175,700 contract – the lowest level since November 2019 – is due to a decline of 69,299 lots in long positions and an increase of 38,724 contracts in short positions.

Hedge funds and money managers also reduced their net long positions in ICE Brent, but at a lower rate than for NYMEX WTI. Speculators increased their bullish positions in ICE Brent in early January to reach 425,763 contracts in the week of 7 January, betting on higher prices amid geopolitical developments in the Middle East and North Africa. Net long positions rose slightly in the following two weeks to reach 428,990 lots, its highest level in more than a year, despite the declining oil price trend. However, in the last week of the month, money managers heavily reduced their bullish positions, amid falling oil prices and growing concerns about the Coronavirus outbreak in China.

Long speculative positions in ICE Brent fell by only 5,970 lots, or 3.6%, during the four weeks of January, while short positions increased by 2,203 lots, or 2.9%, according to the Intercontinental Exchange (ICE).

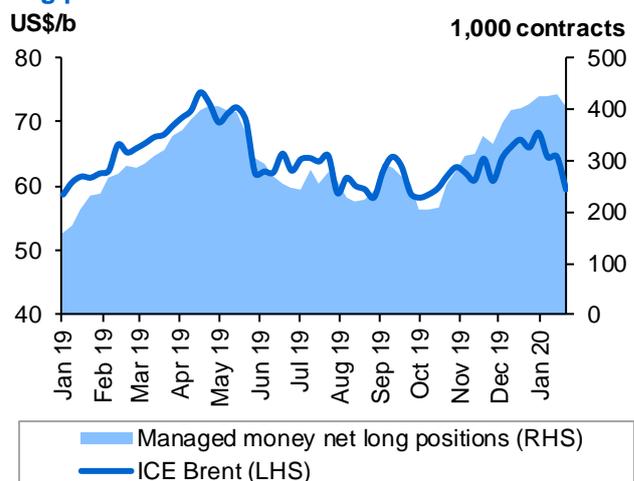
Consequently, the **long-to-short ratio** in both ICE Brent and NYMEX WTI contract speculative positions decreased. For ICE Brent, it fell to about 6:1 in January, on average, compared to around 7:1 in December. The NYMEX WTI long-to-short ratio fell significantly to 3:1 for the week ending 28 January from around 8:1 in the last week of December.

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.

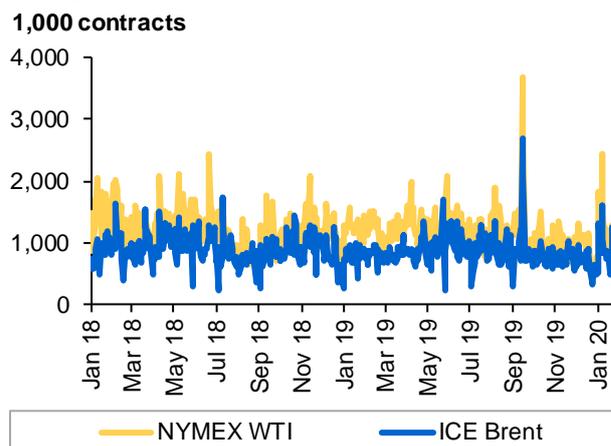
Total futures and options open interest volume on the two exchanges rose by 69,792 contracts from late December to stand at 5.8 million contracts in the week ending 28 January.

The **daily average traded volume** for NYMEX WTI contracts rose significantly in January by 301,467 lots, or 32.8%, to 1,221,810 contracts. The daily average traded volume for ICE Brent increased by 307,114 contracts, or 44.2%, to 1,002,678 lots.

The **daily aggregate traded volume** for both crude oil futures markets rose by 608,581 contracts m-o-m to stand at 2.2 million futures contracts, or about 2.2 billion b/d of crude oil.

The **total traded volume** for NYMEX WTI was higher in January at 26.9 million contracts, an increase of 39.1%, and that of ICE Brent was 51.0% higher at 22.1 million contracts.

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



Sources: CME Group, Intercontinental Exchange and OPEC Secretariat.

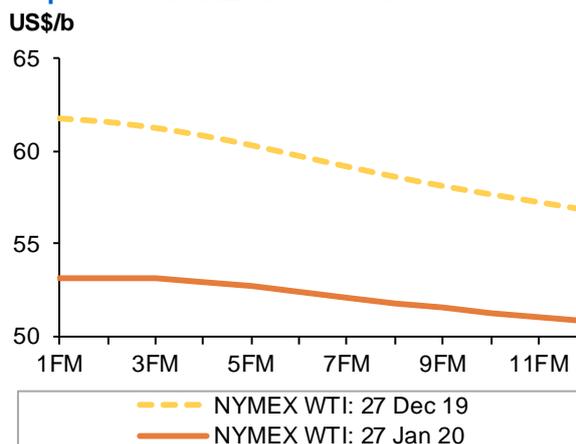
The futures market structure

The **market structure** of both ICE Brent and DME Oman remained in backwardation in January, despite the sharp oil price decline and the risk of slowing oil demand, particularly in China. Prompt prices remained supported in the first part of January by risks of supply disruptions in the Middle East and lower supply from North Africa. However, the backwardation price structure of NYMEX WTI narrowed and slipped to contango in late January on weak US market fundamentals. In early February, ICE Brent switched to contango as well.

The **NYMEX WTI** forward curve flattened in January. Prompt prices were under pressure from lower US crude demand amid low US refinery runs that fell by more than 1 mb/d over two weeks to reach 15.9 mb/d in the week to 26 January, as well as from rising US gasoline and distillate fuel oil stocks. The first-to-third month time spread narrowed m-o-m by 27¢ in January, to average 15¢. However, on a daily basis, the first-to-third month spread was in a contango of 21¢, and continued to move deeper into contango in early February, as prices continued to fall sharply amid worries of a rapid spread of the Coronavirus and its potential impact on oil demand.

High US crude availability for exports and lower demand from Asian refiners also weighed on prompt oil prices, hence, narrowing the US crude time spread.

Graph 1 - 5: NYMEX WTI forward curves



Note: FM = future month.

Sources: CME Group and OPEC Secretariat.

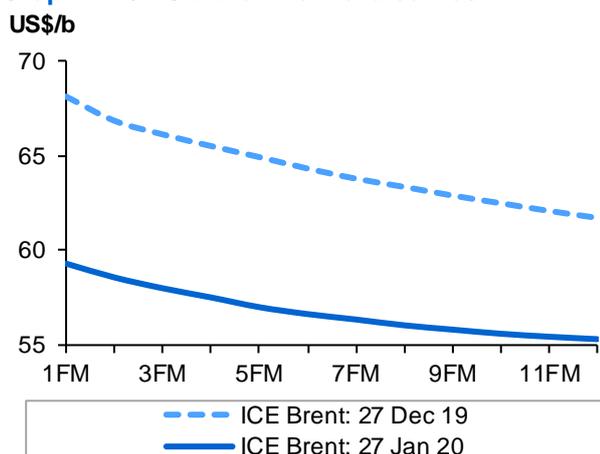
The **ICE Brent** crude futures structure remained in backwardation during January. The first-to-third month spread was in a backwardation of around \$1.4/b, on average, as the risk of supply disruptions due to geopolitical developments in the Middle East and North Africa continued to support prompt oil prices early in the month. By the end of the month, however, the backwardation structure had flattened slightly at the front, after prompt prices declined sharply, by about \$7, between 20 January and the end of the month, following the Coronavirus outbreak.

The structure of **DME Oman** remained in steep backwardation in January, despite risks of lower demand in the coming months due to the Coronavirus outbreak of in China. The premium of the prompt-to-third month widened 12¢, m-o-m, to stand at \$2.61/b. However, the DME Oman first-to-third month spread narrowed significantly in early February on expectations of lower demand from Asian refiners, particularly from China, amid lower runs and refining margins in the Asia Pacific.

Crude Oil Price Movements

By early February, all markets had switched to contango.

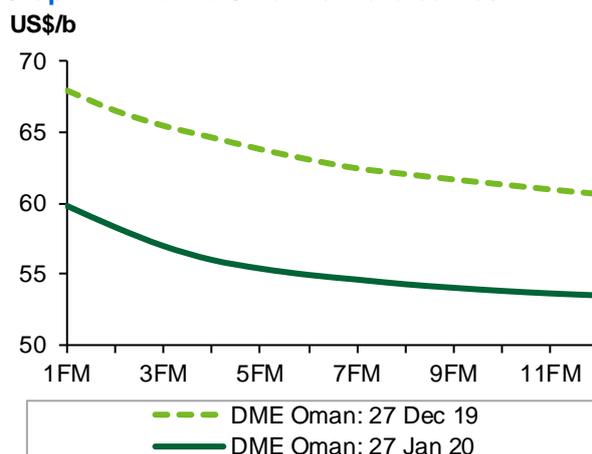
Graph 1 - 6: ICE Brent forward curves



Note: FM = future month.

Sources: Intercontinental Exchange and OPEC Secretariat.

Graph 1 - 7: DME Oman forward curves



Note: FM = future month.

Sources: Dubai Mercantile Exchange and OPEC Secretariat.

However, the risk of slowing oil demand due to the Coronavirus outbreak has had more impact on physical crude price time spreads, compared to futures prices. Indeed, in terms of the **M1/M3 structure**, North Sea Dated M1/M3 backwardation narrowed by \$1.00 in January, to average \$1.55/b, as prompt prices continued to weaken on high crude availability in the Atlantic Basin and lower demand from the Asia Pacific. The drop in refining margins in Asia and in Europe, as well as refinery maintenances, weighed on crude demand and on prompt oil prices, resulting in narrowing Brent time spreads. Similarly, the Dubai M1/M3 premium narrowed to \$2.02/b on a monthly average, down by 62¢, on expectations of higher crude supply due to regional refineries and as demand for Middle Eastern crude from Asian refiners weakened. However, the price structure of sour crude remained in steep backwardation. In the US, the WTI M1/M3 backwardation spread narrowed by 26¢ to 12¢/b on lower US domestic crude demand and low refinery runs, as well as high oil product stocks.

The **spread between the ICE Brent and NYMEX WTI** benchmarks widened in January amid higher US shale oil production, lower US refinery runs, and a significant build in US oil product stocks, according to EIA data. US gasoline and distillate fuel oil stocks rose by a hefty 46 mb between the week ending 6 December and the week ending 31 January, putting downward pressure on margins and crude oil prices. Lower demand of US crude from the Asia Pacific also undermined US crude values. The first-month ICE Brent/NYMEX WTI spread widened to \$6.14/b, up 78¢.

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

		1FM	2FM	3FM	6FM	12FM	12FM-1FM
NYMEX WTI	27 Dec 19	61.72	61.53	61.21	59.70	56.78	-4.94
	27 Jan 20	53.14	53.18	53.13	52.44	50.84	-2.30
	Change	-8.58	-8.35	-8.08	-7.26	-5.94	2.64
ICE Brent	27 Dec 19	68.16	66.87	66.14	64.32	61.69	-6.47
	27 Jan 20	59.32	58.58	58.00	56.62	55.28	-4.04
	Change	-8.84	-8.29	-8.14	-7.70	-6.41	2.43
DME Oman	27 Dec 19	67.90	66.49	65.43	63.07	60.65	-7.25
	27 Jan 20	59.77	58.26	56.93	54.89	53.44	-6.33
	Change	-8.13	-8.23	-8.50	-8.18	-7.21	0.92

Note: FM = future month.

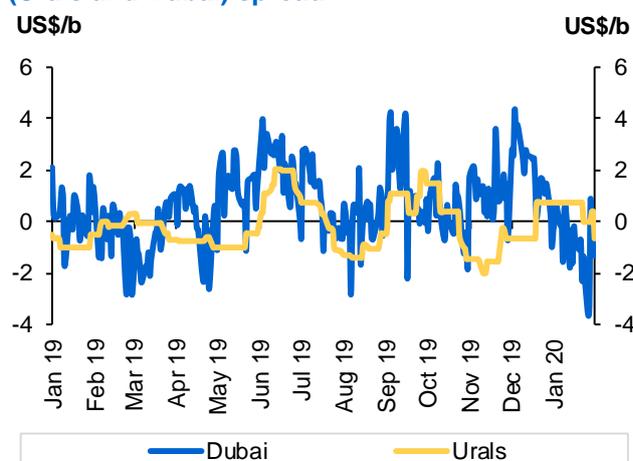
Sources: CME Group, Dubai Mercantile Exchange, Intercontinental Exchange and OPEC Secretariat.

The light sweet/medium sour crude spread

Sweet/sour crude differentials narrowed significantly in Asia due to the products quality spread between light and heavy distillates. Sweet/sour differentials also narrowed in the USGC, while the spread widened in Europe given the weak sour crude market.

In **Europe**, the discount of Urals medium sour crude differentials to light sweet North Sea Dated fell again in January, as the Urals crude values weakened on ample supply of the Russian crude for February loadings. Additional volumes of Urals were expected to come to the market after a halt in Russian supplies to Belarus. Furthermore, scheduled refinery maintenance in Russia planned for March are also expected to add to the availability of Urals in the market. Weak Urals margins for European refiners also weighed on the crude's value. However, the light sweet crude market performed better than the medium sour, as lower production and exports of Libyan crude, and the declaration of force majeure on Bonny Light crude oil exports in Nigeria, reduced the availability of light sweet crude in the region and provided support for similar grades. The Urals spread to North Sea Dated rose from a discount of 19¢/b, on average, to a premium of 52¢/b.

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



Sources: Argus Media, OPEC Secretariat and Platts.

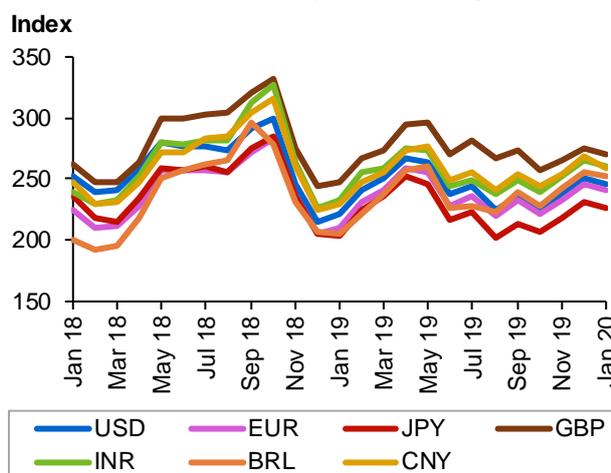
In **Asia**, however, the Tapis premium over Dubai fell significantly m-o-m in January, with the Tapis/Dubai spread narrowing by \$2.98 to \$6.35/b. The sour crude market was supported by higher fuel oil margins, while refining margins of light distillates fell. The risk of lower supply from the Middle East earlier in the month due to geopolitical developments supported the sour crude market in early January, in addition to the OPEC and non-OPEC voluntary production adjustments through the 'Declaration of Cooperation'. The Dubai first month spread to the Brent first month widened from a premium of 9¢/b in December to 47¢/b in January, a rise of 38¢/b.

In the **USGC**, the premium of Light Louisiana Sweet (LLS) over medium sour Mars narrowed further in January by 26¢/b, to \$2.50/b, as the spread between light and heavy products narrowed. The higher availability of light sweet crude in the USGC, softening demand from Asia, weak gasoline margins and strengthening fuel margins contributed to a narrowing the LLS-Mars spread.

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

The **USD** was mixed in January against **major currencies**. The dollar increased against the euro by an average 0.1% m-o-m. The euro has declined steadily since the start of the year, weakened by the relative underperformance compared with the US economy and the worsening economic outlook in 2020 due to the Coronavirus outbreak. Against the pound sterling, the dollar increased on average by 0.4% m-o-m, while against the Swiss franc, the dollar declined strongly by 1.4% as the US Treasury Department warned Switzerland against supporting its currency through interventions. Against the Japanese yen, the dollar increased slightly by 0.1%. However, there was significant intra-month volatility following swings in risk aversion amid increased geopolitical tensions in the Middle East, and uncertainties surrounding the Coronavirus outbreak.

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



Sources: IMF and OPEC Secretariat.

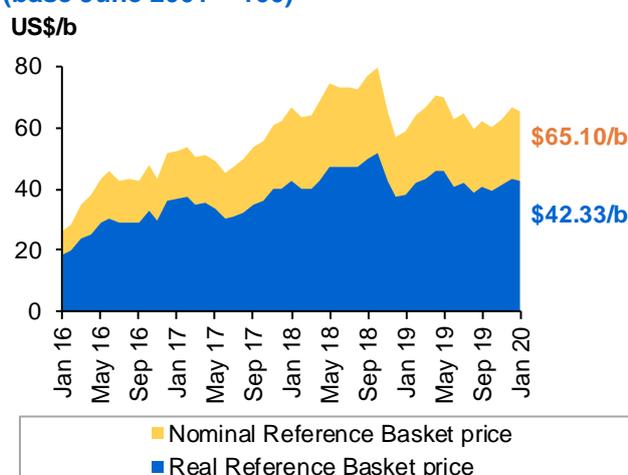
The dollar was mixed against currencies of the largest **emerging market economies**. On average, the dollar decreased by 1.4% against the yuan m-o-m, as the People's Bank of China (PBOC) guided the yuan higher since the end of December in anticipation of the phase-one trade deal between China and the US. However, later in the month, the PBOC reversed a significant part of the appreciation of the yuan in view of the economic impact of the Coronavirus outbreak. Against the rupee, the dollar increased by 0.2%, first declining amid positive emerging market sentiment at the beginning of the year, then strengthening as market sentiment soured following the virus outbreak in China. Against large commodity exporters, the dollar was mixed, increasing by 1.0% against the Brazilian real but declining by 1.8% against the Russian ruble. However, both currencies weakened amid declining commodity prices in the second half of the month, and the countries' central banks cut rates in February.

In **nominal terms**, the price of the ORB decreased by \$1.38, or 2.1%, from \$66.48/b in December to \$65.10/b in January.

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

In **real terms**, after accounting for inflation and currency fluctuations, the ORB decreased to \$42.33/b in January from a revised \$43.11/b (base June 2001=100) in the previous month.

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



Source: OPEC Secretariat.

Commodity Markets

In the group of **Energy commodities** persistently above-average temperatures have limited heating demand resulting in steep drops in natural gas hub base prices both in Europe, the US and east Asia. However, coal has advanced, supported by severe weather in Australia and the potential drop in Chinese mining production due to the Coronavirus outbreak.

Among **base metals**, prices were initially supported by signs of recovery in global manufacturing, and the positive financial market sentiment surrounding the phase-one trade deal between China and the US. However, steep drops of around 8% were registered at the end of the month after the virus outbreak. Meanwhile, amid increasing risk aversion, **precious metals** gained, with gold prices rising by 5.5% to reach their highest monthly average since early 2013 on the expectation that the ongoing virus outbreak will result in lower interest rates in the US.

Trends in selected commodity markets

The **energy price index** decreased by around 3.2% m-o-m in January, but it was up by 1% compared to January 2019. Oil prices were higher than last year's levels, but natural gas and coal prices were significantly lower.

The **non-energy index** was up by 1.1% m-o-m, mainly due to rising prices of agricultural commodities, but the base metals index retreated. Compared to January 2019, the non-energy index has increased by 4.1%, with prices of agricultural commodities higher than last year's levels while base metals were slightly down y-o-y in January.

Table 2 - 1: Commodity prices

Commodity	Unit	Monthly averages			% Change	Year-to-date	
		Nov 19	Dec 19	Jan 20	Jan 20/Dec 19	2019	2020
Energy*		74.6	76.9	74.5	-3.2	73.8	74.5
Coal, Australia	US\$/mt	67.0	66.2	70.5	6.5	98.6	70.5
Crude oil, average	US\$/b	60.4	63.4	61.6	-2.7	56.6	61.6
Natural gas, US	US\$/mmbtu	2.7	2.2	2.0	-9.5	3.1	2.0
Natural gas, Europe	US\$/mmbtu	5.2	4.6	3.6	-21.4	7.3	3.6
Non-energy*		82.3	83.9	84.7	1.1	81.2	84.7
Base metal*		80.4	80.7	80.5	-0.3	81.3	80.5
Precious metals*		111.4	111.9	118.0	5.4	98.4	118.0

Note: * World Bank commodity price indices (2010 = 100).

Sources: World Bank, Commodity price data; OPEC Secretariat.

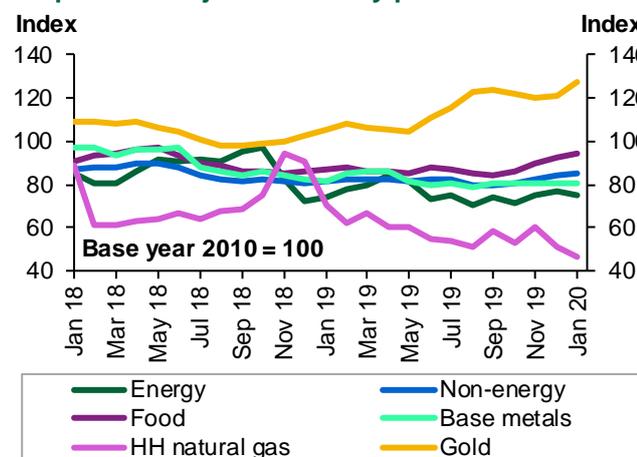
In January, the **Henry Hub natural gas index** decreased on average by 9.5% to \$2.02/mmbtu. Prices weakened as warmer winter temperatures coupled with robust increases in production resulted in comfortable inventory levels. According to the US Energy Information Administration's (EIA) January storage report, utilities withdrew 137 bcf from working gas underground storage during the week ending 31 January. The withdrawal left total working gas in underground storage at 2,609 bcf, which was 8.3% above the five-year average. At the end of December, inventories were at 3,192 bcf or 1.2% below the five-year average. At the beginning of February prices dropped further to around \$1.8/mmbtu as weather forecasts suggested little support from lower temperatures, while at the same time, lower LNG prices in Europe and Asia complicated the economics of US LNG exports going forward this year.

Natural gas prices in Europe dropped sharply with the **Title Transfer Facility price** down by 21% to \$3.63/mmbtu in January. Prices were down around 50% y-o-y in January. Prices dropped after one of the

warmest Decembers on record was followed by the warmest January since 1981, according to the European Earth Observation Programme. Inventories in some countries were still above 80% of working capacity at the end of January. Inventories for EU member states were at 71% at the end of January, according to Gas Infrastructure Europe, compared to around 52% at the end of January 2019. Prices are trading as low as \$3/mmbtu, and considering the very high inventory levels, the upside potential is considerably limited. Furthermore, spot prices in Asia below \$4/mmbtu are likely to result in more spot LNG cargoes in Europe, which would accelerate the inventory replenishment this year, and potentially result in close to full inventories earlier in the summer.

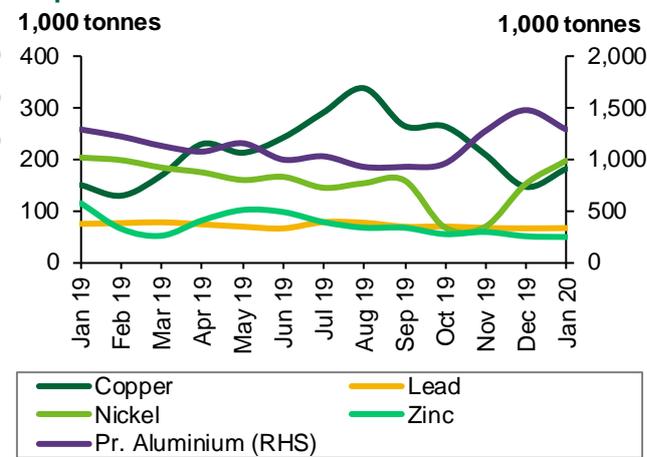
Australian thermal coal prices advanced in January by 6.5% m-o-m to average \$70.5/mt. Prices rose, supported by concerns of supply delays due to severe weather in Australia, Indonesia and South Africa, and Indonesia announcement of output restrictions this year. At the same time official data showed some deceleration in the growth of raw coal production to 2.4% y-o-y, much slower than the 4.5% increase registered in November. However, mining output in the January-February period is expected to be subdued due to the impact of the Coronavirus outbreak. The Chinese government has decided to delay the release of customs data, meaning it could take until the next month to find out the extent of the supply disruptions due to the Coronavirus outbreak. December data had shown imports declining by around 78% y-o-y to 2.27 million tonnes. However, 2019 coal imports rose by around 6.3% compared to 2018. As mentioned in the previous month's report, weak natural gas prices amid mild temperatures are likely to keep pressure on coal prices in Asia. Thermal power generation, meanwhile, increased by 4.0% y-o-y in December, and by 1.9% during the year 2019.

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.

The **base metal price index** decreased on average by 0.3% m-o-m in January. In the first half of the month, prices were supported by the phase-one trade deal between China and the US, and by signs of stabilization in global manufacturing. Indeed, the global manufacturing PMI rose to 9-month high of 50.4 in January from 50.1 in December. However, metals declined steeply after the outbreak of Coronavirus delayed the resumption of industrial and construction activities in several regions of China after the Lunar New Year holiday.

Copper monthly average prices declined on average by 0.8% to 6031.2/mt during the month. However, prices plunged around 10% during the last two weeks of January and remained near 3-year lows at the beginning of February, on the above mentioned measures to contain the Coronavirus outbreak. Inventories on the London Metal Exchange-designated warehouses rose during the month, to 180,725 tonnes from 145,700 tonnes in December – the lowest in ten months. However, it is too early to establish a trend of weakening in the physical market. According to International Copper Study Group estimates, the refined copper balance (adjusted for unreported Chinese inventories) point to a deficit in the first ten months of 2019 of around 615,000 tonnes and a tighter market. Nickel prices, meanwhile, declined on average by 2.3% m-o-m, but during the last two weeks of the month they fell around 10% on the uncertainty about the restart of smelting operations in China. At the same time, nickel inventories increased by a third in the LME warehouses to reach 190,000 and have almost tripled in the last two months.

Iron ore prices increased on average by 3.4% in January to around \$95.7/mt mainly in the first half of the month, supported by the improved outlook for manufacturing after the phase-one trade deal, along with

concerns about a temporary supply disruption due to severe weather in Australia. However, prices fell around 10% as steel-making activity was expected to be disrupted by the measures to contain the Coronavirus outbreak in China.

In the group of **precious metals**, gold, silver and platinum were up by 5.5%, 4.9% and 6.8%, respectively. Gold prices were supported first by the geopolitical developments in the Middle East at the beginning of the month and afterwards by the uncertainties related to the impact of the Coronavirus outbreak, which has translated in market expectation of additional interest rate reductions by the US Federal Reserve later this year.

Investment flows into commodities

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

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

	Open interest		Net length			
	Dec 19	Jan 20	Dec 19	% OI	Jan 20	% OI
Crude oil	2,164	2,195	254	12	242	11
Natural gas	1,297	1,447	-240	-19	-279	-19
Precious metals	942	1,007	253	27	281	28
Copper	246	271	-7	-3	-2	-1
Total	4,649	4,919	333	28	559	35

Note: Data on this table is based on monthly average.

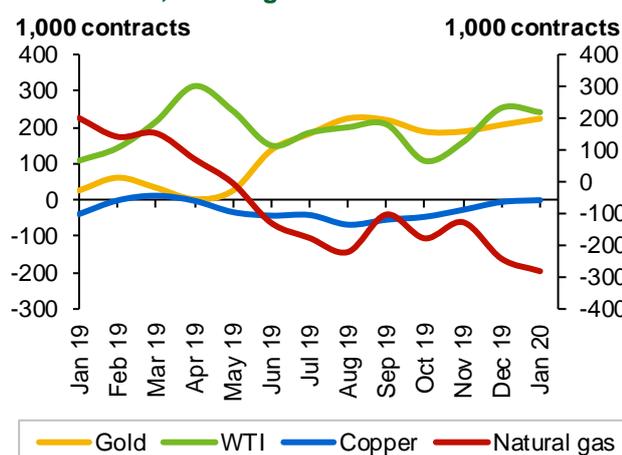
Sources: CFTC and OPEC Secretariat.

Henry Hub's natural gas OI rose by 9.2% m-o-m in December as money managers increased their net short position by around 16% to reach an average of 279,262 contracts from 240,289 contracts in December. This activity came amid increasingly comfortable inventory levels due to above-average temperatures, which will reduce upside potential in the months ahead.

Copper's OI increased by 10% in January on average. Money managers cut their net short position by around two-thirds to 2,500 contracts from around 7,500 contracts the previous month. However, the monthly average was lifted by positive momentum in the first half of the month. Money managers went deeper into a bearish stance at the end of the month amid news of the Coronavirus outbreak and its economic impact on main consumer China.

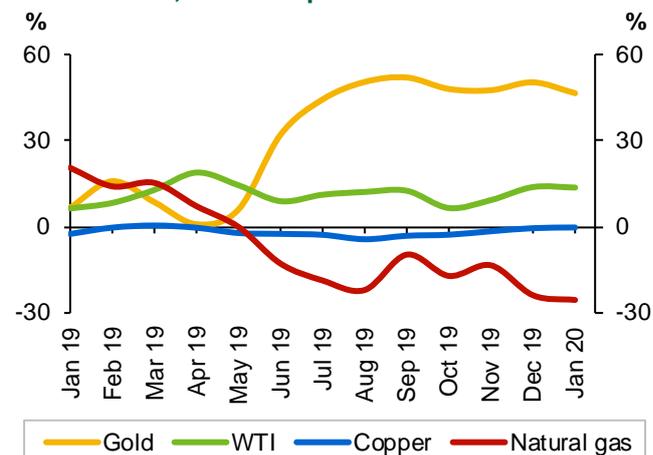
Precious metals' OI increased by 6.9%. Money managers' net long position increased by 10.9% to 280,676 contracts from 253,108 the previous month. Money managers remained bullish for gold, in view of geopolitical concerns, and the expectation of further interest rate cuts by the US Federal Reserve.

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

While there have been **numerous important developments in the global economy over the few past weeks**, the overarching topic was the development of the new coronavirus and its potential impact on China's and global economic growth. By assuming that the spreading may be contained by the 2Q20, supply chain disruptions remain limited and by mid 2Q20 by the latest, consumer and business confidence is recovering, China's growth is forecast to slow down significantly in 1H20. This is also impacting other Asian economies and China's main global trading partners. In addition to the coronavirus related developments, the slow-down in India in 2019 seems to have been more significant than initially forecast and the Euro-zone economy was also slowing down considerably in 4Q19. These developments are leading the **global economic growth estimate for 2019 to be 2.9%**, compared to 3.0% in the previous month. The **2020 GDP growth forecast was revised down to 3.0%**, compared to 3.1% in the previous month. An ongoing solid service sector in the US and other important OECD economies, and improving global trade relations in combination with stimulus measures in China and ongoing accommodative monetary policies are supporting global growth.

With the services sector remaining solid in the US and other important OECD economies, global trade relations improving and monetary policies remaining accommodative **OECD growth remains at 1.6% for 2019 and at 1.5% for 2020**. The 2019 US economic growth estimate remains at 2.3%, while ongoing developments led to the expectation that 2020 US GDP growth will slow-down slightly achieving 1.9%. Euro-zone growth remains at 1.2% for 2019, however, the accentuated slow-down in 4Q19 and the expected carry-over into 1Q20 in combination with some coronavirus related impact causes a downward revision of 2020 GDP growth to 0.9%, compared to 1.0% in the previous month. After signs of better-than-expected growth in 4Q19, the UK's 2019 estimate was lifted to 1.2%, from 1.1% and in anticipation of greater clarity about Brexit, the forecast for 2020 was also revised up slightly to 1.2%. Japan's 2019 growth estimate remains at 1.1%, while the 2020 economic growth forecast was revised down slightly to 0.6% from 0.7%, taken into account some negative 1Q20 effects, impacted by developments in China.

In the **emerging economies**, China's 2019 growth estimate was revised down to the published actual number of 6.1%. Growth in 1H20 is now forecast to be significantly impacted by ongoing coronavirus related developments. Hence growth has been lowered to 5.4%, compared to last month's forecast of 5.9%. India's 2019 GDP growth was also revised down, to now stand at 5.2% and consequently the 2020 GDP growth forecast was also revised down to 6.1%, compared to 6.4% in the previous month. Growth estimates for Brazil and Russia remain unchanged at 1.0% and 1.1% for 2019, and 2.0% and 1.5% for 2020, respectively.

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

	World	OECD	US	Japan	Euro-zone	UK	China	India	Brazil	Russia
2019	2.9	1.6	2.3	1.1	1.2	1.2	6.1	5.2	1.0	1.1
Change from previous month	-0.1	0.0	0.0	0.0	0.0	0.1	-0.1	-0.3	0.0	0.0
2020	3.0	1.5	1.9	0.6	0.9	1.2	5.4	6.1	2.0	1.5
Change from previous month	-0.1	0.0	0.0	-0.1	-0.1	0.1	-0.5	-0.3	0.0	0.0

Note: * 2019 = Estimate and 2020 = Forecast.

Source: OPEC Secretariat.

OECD

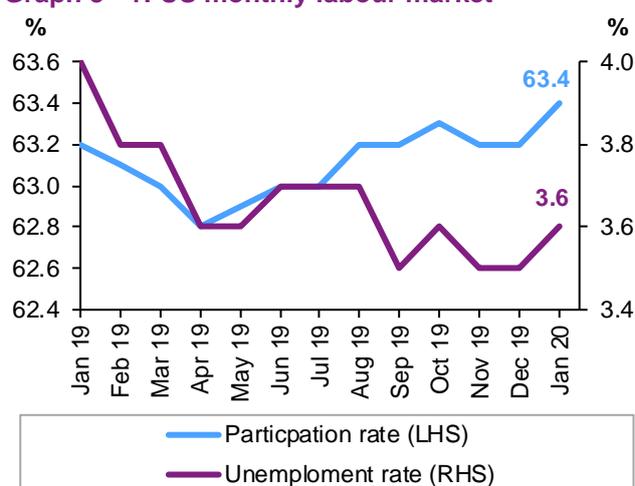
OECD Americas

US

4Q19 US GDP growth was reported at 2.1% at a seasonally adjusted rate (SAAR), according to the Bureau of Economic Analysis, the same level as in 3Q19 and a confirmation of solid growth in the US economy. This trend could provide some upside from the current US growth forecast for 2020. However, when reviewing the details of this solid growth level, some less strong growth factors need to be highlighted. Firstly, consumer spending was less buoyant than in previous quarters, growing at only 1.8% q-o-q SAAR, compared to 3.6% q-o-q SAAR in 3Q19 and 4.2% q-o-q SAAR in 2Q19. Imports dropped considerably, reflecting the volatile trade-related developments. This helped net exports to contribute significantly to GDP growth. A strong services sector and an anticipated recovery in manufacturing should help the US to sustain solid growth in 2020. The impact of the coronavirus related developments are expected to remain minor, assuming that the situation will be contained by 2Q20 and supply-chain impacts remain limited. Monetary policy is forecast to remain accommodative, with one further rate cut in 2020.

The **labour market is an important source** for the ongoing solid economic growth level, mainly supported by healthy domestic consumption. The unemployment rate stood at 3.6% in January, marginally above the 3.5% in December 2019. **Non-farm payrolls** in January increased by 225,000, after job additions of 147,000 in December. Average hourly earnings for the private sector rose again, to stand at 3.1% y-o-y in January, after 3.0% y-o-y in December. Long-term unemployment declined again as well, reaching a 6-month low at a level of 19.9% in January, compared to 20.5% in December and 20.8% in November. Finally, the participation rate rose as well to stand at 63.4% in January.

Graph 3 - 1: US monthly labour market

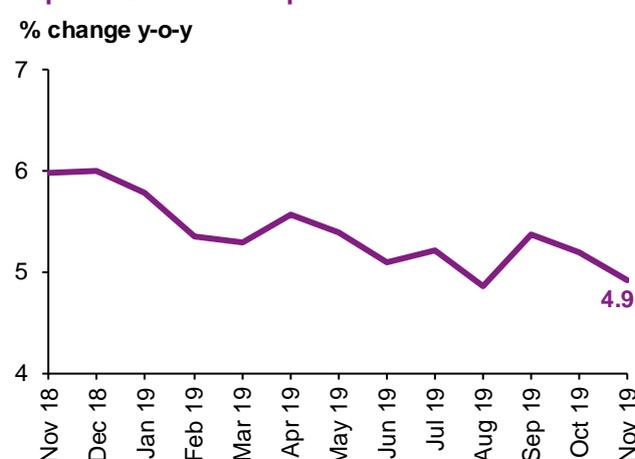


Sources: Bureau of Labor Statistics and Haver Analytics.

Total inflation, one important measurement for central bank policy, rose strongly again in December to stand at 2.3% y-o-y, compared to 2.0% y-o-y in November and 1.8% y-o-y in October. Core inflation – excluding volatile items such as food and energy – retracted slightly to stand at 2.2% in December, which is still a solid level. The Fed's favoured inflation index, the personal consumption expenditure price index (PCE index), rose as well to stand at 1.6% y-o-y in December.

The critically important **housing sector** remained relatively well supported, both in price development and home sales. The yearly change in the **house pricing index** of the Federal Housing Finance Agency (FHFA) stood at 4.9% y-o-y in November compared to 5.2% y-o-y in October.

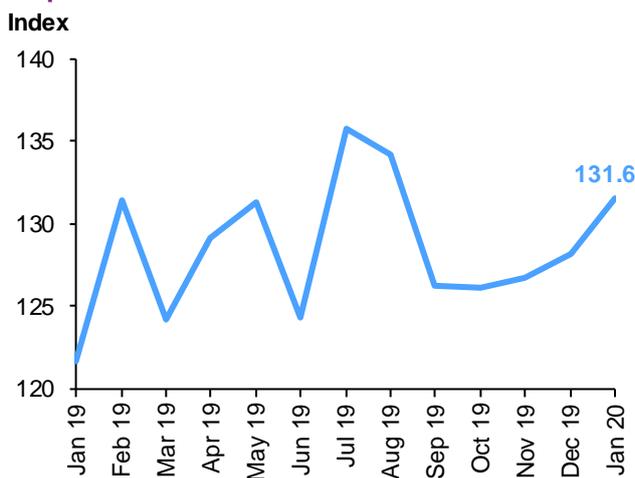
Graph 3 - 2: US house prices



Sources: Federal Housing Finance Agency and Haver Analytics.

Consumer sentiment increased again in January, reflecting the continued positive trend in the labour market and the economy in general. The lead indicator, published by the Conference Board, stood at 131.6 in January, compared to 128.2 in December, and 126.8 in November. Given the ongoing supportive momentum in the labour market, in combination with robust housing and equity markets, this is forecast to continue to be well supported into 1Q20.

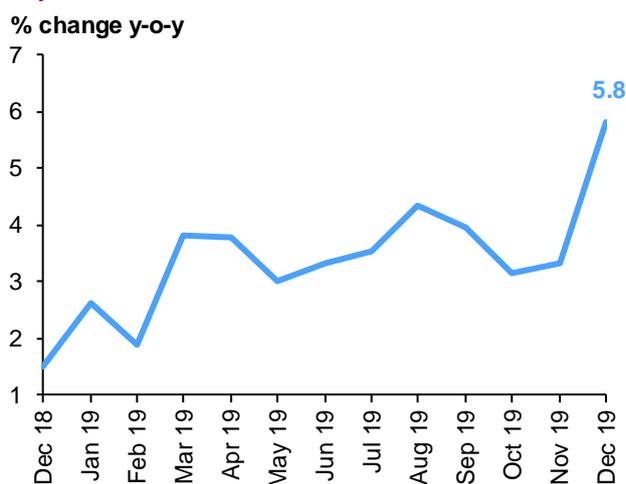
Graph 3 - 3: US consumer confidence index



Sources: The Conference Board and Haver Analytics.

Retail sales growth showed a strong trend. It increased by 5.8% y-o-y in December, the largest rise since August 2018 and compared to 3.3% y-o-y in November, already a good level. This is also a reflection of the ongoing positive trend in the economy, which is forecast to continue in 1Q20.

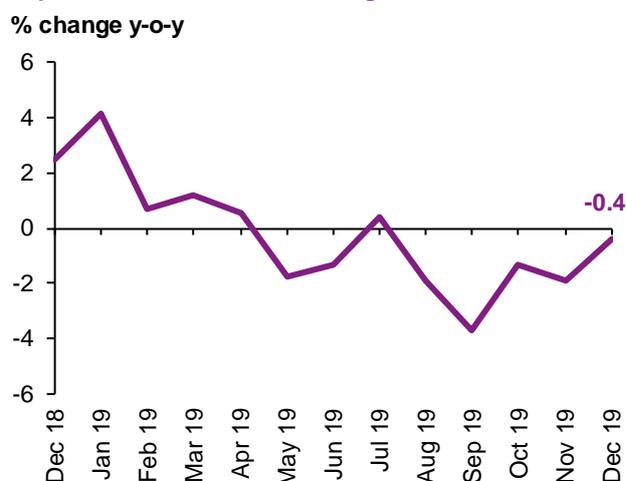
Graph 3 - 4: US retail sales



Sources: Census Bureau and Haver Analytics.

While the services-led consumer side of the economy provides encouraging signals, **manufacturing orders**, a good lead indicator of future manufacturing activity, pointed to continued weakness in the industrial sector, albeit at an improved level. After a considerable declining trend since September, the latest number from December showed a decline of only 0.4% y-o-y, after -3.7% y-o-y in September, an October decline of 1.3% y-o-y and -1.9% y-o-y in November.

Graph 3 - 5: US manufacturing orders

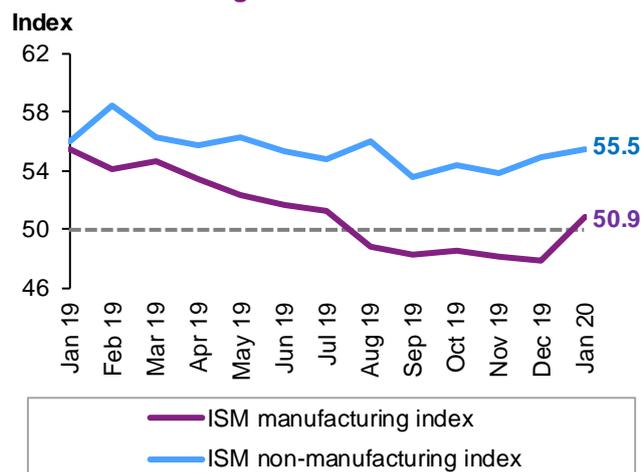


Sources: Census Bureau and Haver Analytics.

The backward looking **Industrial production (IP)** number remained weak, decelerating further in December by 1.0% y-o-y, after a decline of 0.7% y-o-y in November. However, this trend is also expected to reverse given the trend in orders and business and consumer sentiment.

January's **Purchasing Managers' Index (PMI)**, as provided by the Institute for Supply Management (ISM), indicated a recovery in the manufacturing sector, while the services sector held up better. The manufacturing PMI moved back above the growth indicating 50-level, as it stood at 50.9 in January, compared to 47.8 in December and 48.1 in November. The services sector index rose to 55.5 in January, compared to 54.9 in December. However, the surveys do not include the potential shift in sentiment due to the coronavirus impact, although the impact is assumed to be small for US businesses.

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



Sources: Institute for Supply Management and Haver Analytics.

The **GDP growth** estimate for 2019 remains unchanged at 2.3% for 2019 and 1.9% for 2020. This takes into consideration a somewhat weakening trend in 1Q20. Given the ongoing strong trend in underlying growth numbers in the economy and the likelihood of a recovery in industrial production, some upside may become apparent from the current forecast level. Monetary policies are expected to remain relatively accommodative as well. However, this trend may be counterbalanced by the negative impact and the consequent spill-overs that the developments of the coronavirus may have on the US economy.

Canada

Canada's economy slow-down has continued stabilising over the last weeks of 2019. Monthly GDP data implies that 4Q19 GDP growth will be below the first three quarters growth levels of around 1.7% on average. October monthly GDP was recorded at 1% y-o-y, while November GDP data saw a pick-up and stood at 1.3% y-o-y. For 2020 it remains to be seen to which extent the economy will be impacted by coronavirus developments, a possibly continued spill-over into oil-markets and the expected slow-down in the US economy in 2020. House prices continue to recover on a monthly base, after they have started to decline in October 2018. They declined only by 0.1% y-o-y in December, the lowest decline since April. As building permits and dwelling starts have continued to decline, lowering additional supply in the market, the sector is forecast to become more balanced.

Some continued support is also coming from the labour market. The unemployment rate stood at 5.5% in January, compared to 5.6% and 5.9% in December and November, respectively. **Inflation** stood at 2.2% y-o-y in December

Some recovery was also reflected in the November **industrial production** number, as it declined by 1.6% y-o-y, compared to -2.4% y-o-y in October. Moreover, **retail trade growth** increased to stand at 1.6% y-o-y in November, after 0.1% y-o-y in September and 0.4% y-o-y in October. The latest **PMI** index for manufacturing was reported almost unchanged at 50.6 in January, compared to 50.4 in December.

Given the partial economic recovery, the **2020 GDP growth** forecast was revised up slightly to 1.5%, compared to 1.4% in the previous month. This compares to estimated GDP growth of 1.5% in 2018.

OECD Asia Pacific

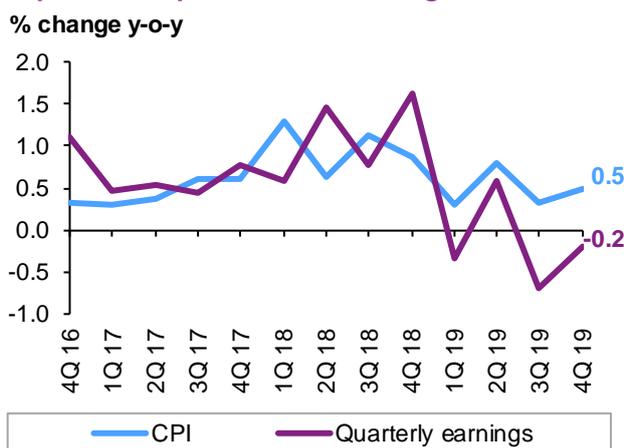
Japan

Japan's economy has just started to recover a bit over the last months and weeks, when in the second half of January the developments of the new coronavirus started to increasingly impact the Japanese economy. 1Q20 growth is affected by tourism, export relations with China and via disruptions in the supply chain. Finally, consumer and business sentiment is also forecast to be affected and hence may further push down growth. The impact may be temporary but a 1Q20 hit seems to be very likely. This also comes at a time when Japan's economy was already facing a variety of challenges, including a decline in global trade, the 4Q19 sales tax increase and lacklustre domestic consumption. However, a 13.2 trillion yen fiscal stimulus package by the government, measures to counterbalance the impact from the new coronavirus by China's government and a continued strong US economy may limit the negative effects. In the meantime, the Bank of Japan (BoJ) continued its monetary easing efforts, however, these seem to have become less effective.

After some months of relatively anaemic inflation, total **inflation** improved again and increased to 0.8% y-o-y in December, the highest inflation rate since May last year and compares to 0.5% y-o-y in November. Core inflation also increased, standing at 0.6% y-o-y in December, compared to 0.4% y-o-y in November.

Tightness in the **labour market** continues, with the unemployment rate unchanged at 2.2% in December, signalling very limited upside to economic growth from this area. Despite employment growth, earnings declined by 0.3% in December. This compares with no growth in November and a decline of 0.2% y-o-y in October.

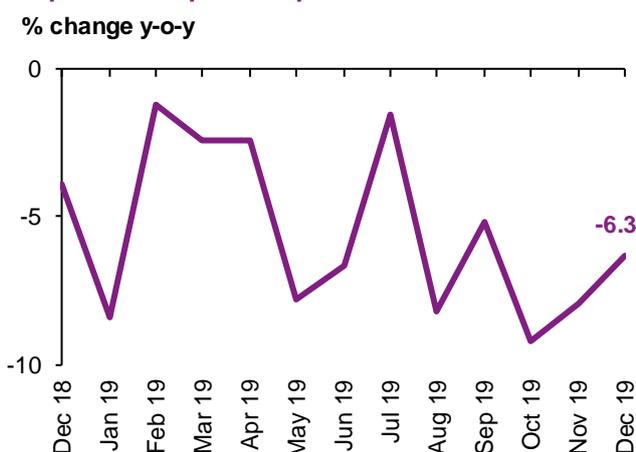
Graph 3 - 7: Japan's CPI vs earnings



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

Ongoing trade disputes into the end of last year continued impacting Japanese **export** growth, which slowed again in December, declining by 6.3% y-o-y on a non-seasonally adjusted rate. This compares to a decline of 7.9% y-o-y in November and 9.2% y-o-y in October.

Graph 3 - 8: Japan's exports

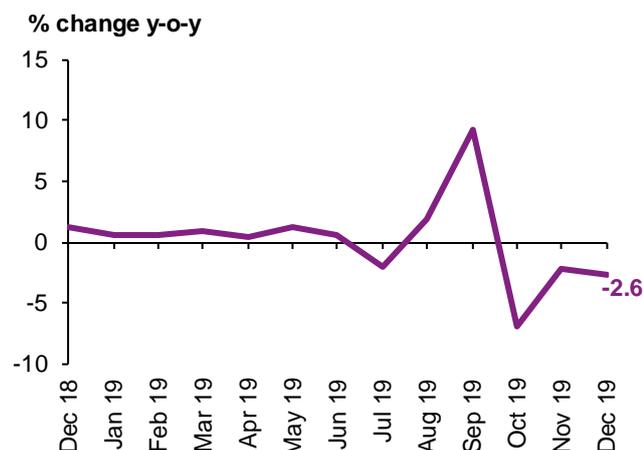


Sources: Ministry of Finance, Japan Tariff Association and Haver Analytics.

Industrial production was affected by the weakness in exports and the sales tax increase and declined significantly in December, falling by 5.5% y-o-y. This comes after November and October growth numbers declining by 6.2% y-o-y, respectively. Machinery orders fell by 9.7% y-o-y in November, after a decline of 14.3% y-o-y in October and a decline of 8.1% y-o-y in September. Considering the additional new coronavirus-related impacts, this is pointing to a further slowdown in the manufacturing sector.

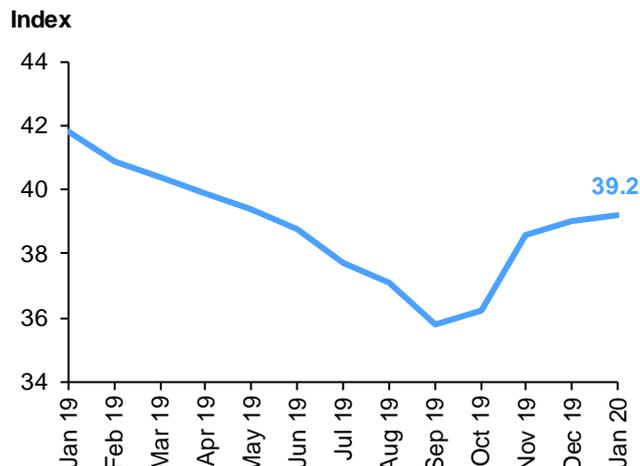
Domestic retail demand continued falling in December, declining by 2.6% y-o-y, impacted by the sales tax increase. This is forecast to recover in the consecutive months, but this will also depend on not only supply-chain related factors that may be impacted by the coronavirus, but also by consumer sentiment. Thus far, consumer confidence continued to improve, independently of the sales tax increase.

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



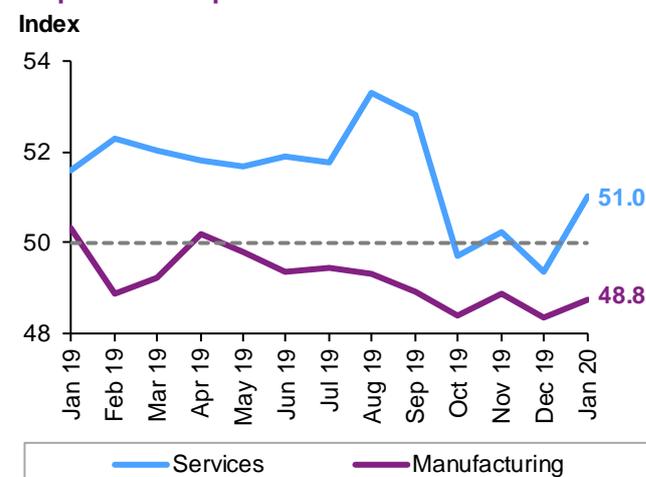
Sources: Cabinet Office of Japan and Haver Analytics.

The **consumer confidence** index, published by the Cabinet Office, stood at 39.2 in January, the highest level in five months. However, this was surveyed before the spread of the coronavirus.

The manufacturing PMI was 48.8 in January, compared to 48.4 in December. The PMI for the services sector – which constitutes around two-thirds of the Japanese economy – rose as well, standing at 51.0 in January, compared to 49.4 in December. These surveys were taken before the spread of the coronavirus.

The coronavirus is likely to affect Japan, due to tourism, exports to China and impacted supply chain. Japan's **2020 GDP growth forecast** is at a lower level of 0.6%, compared to last month's forecast of 0.7%. This compared to an unchanged **2019 GDP growth estimate** of 1.1%.

Graph 3 - 11: Japan's PMIs



Sources: IHS Markit, Nikkei and Haver Analytics.

South Korea

Following months of an improving **South Korean economy**, **coronavirus** related developments are forecast to impact 1Q20 growth negatively. In the meantime, growth in industrial production improved significantly towards the end of last year as it reached its highest growth rate since 2017, rising by 2.9% y-o-y. While exports continued declining on a monthly basis, they fell much less in December and January when compared to previous months. January exports fell by 2.2% y-o-y, while they declined by 0.8% y-o-y in December. However, the January **PMI number** for the manufacturing sector retracted and fell again below the growth-indicating level of 50, standing at 49.8, compared to 50.1 in December.

It seems that the improvement towards the end of the year may have been temporary, given the challenges that may arise with the spreading of the coronavirus. Some improvement have already been reflected in the past month's forecast levels. As the impact on South Korea remains to be seen, the 2019 **GDP growth** figure remains unchanged at 1.9%, while in 2020, GDP growth is forecast at 2.1%.

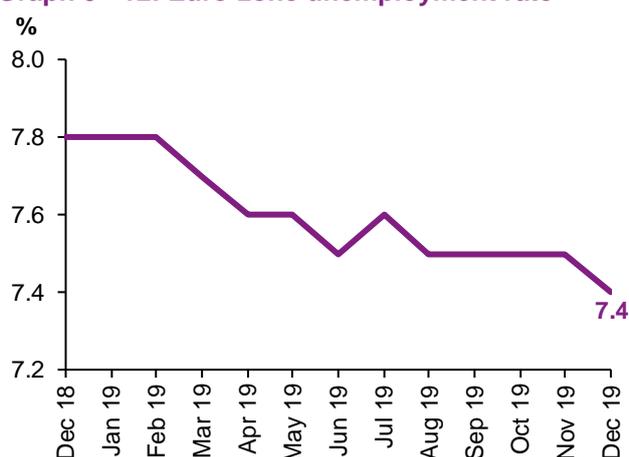
OECD Europe

Euro-zone

Euro-zone's GDP growth in 4Q19 decelerated sharply to stand at only 0.1% q-o-q seasonally adjusted (SA). This comes after already slowing growth in the preceding two quarters. Growth in 3Q19 and 2Q19 stood at 0.3% q-o-q SA and at 0.2% q-o-q SA. This compares to 0.5% q-o-q growth in 1Q19. Given this ongoing deceleration of growth in 2H19 in combination with an obvious still fragile growth trend in the Euro-zone and adding to this the latest coronavirus related impact that may particularly effect the German economy, the slowing trend is likely to carry over into 2020. German exports and output continued their downward trend, the latest available numbers show and unfulfilled orders are pointing at a continuation of this trend. Although up to 3Q19 France had an improving performance, industrial production declined sharply in December. This ties into the 4Q19 GDP growth estimate by France's statistical office, which shows slightly negative growth of 0.1% q-o-q SA in this period. The services sector in the Euro-zone continued to improve. As the Euro-zone economy is forecast to continue to decelerate in 2020, the ECB is maintaining its accommodative monetary policies.

In the **labour market**, the Euro-zone's unemployment rate improved to stand at 7.4% in December, the lowest level since 2008. Unemployment in Germany remained very low at an unchanged 3.2% in December. France's unemployment rate remained also unchanged at 8.4%. Spain's jobless rate continued declining, standing at 13.7% in December. Unemployment in Italy remained at 9.8% for a second consecutive month.

Graph 3 - 12: Euro-zone unemployment rate

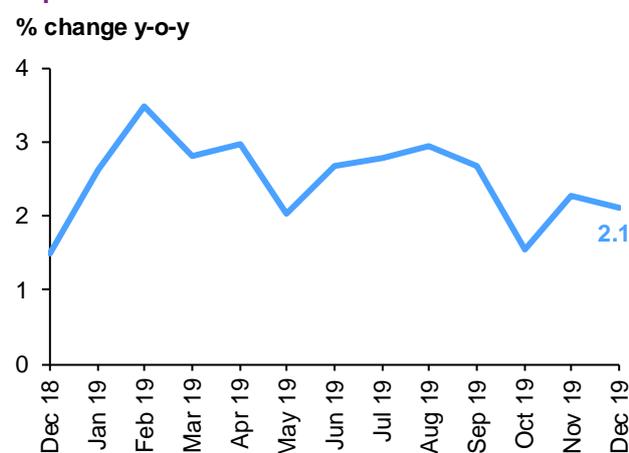


Sources: Statistical Office of the European Communities and Haver Analytics.

The trend in **retail trade** did not entirely follow the uptick in the labour market. In value terms, it rose by 2.1% y-o-y in December, compared to 2.3% y-o-y in November. However, this is still a sound level and an important support factor for the Euro-zone economy at the current level of relatively low growth.

Industrial production declined in all three large Euro-zone economies in December, declining by 7% y-o-y in Germany, by 3% y-o-y in France and falling by 3.8% y-o-y in Italy. Only the November aggregation is available, but that already declined by 1.5% y-o-y and given the downward trend of the major economies in December, this momentum is likely to continue.

Graph 3 - 13: Euro-zone retail sales



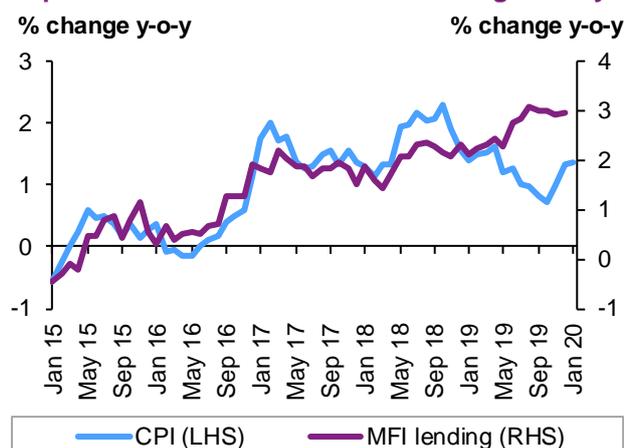
Sources: Statistical Office of the European Communities and Haver Analytics.

A continuation of this downward trend is also indicated by the decline in **manufacturing orders** for the Euro-zone, which declined by 8.3% y-o-y in November, compared to an already large decline of 4.8% y-o-y in October and a decline of 4.5% y-o-y in September.

Inflation remained unchanged in January, standing at 1.4% y-o-y, a sound level and the highest in 9 months. The important core inflation rate – the core CPI, excluding energy and food – retracted slightly. It stood at 1.3% y-o-y in January, compared to 1.4% y-o-y in December.

Lending activity – a motor for investment and a signal for the health of the ECB's transmission channel – continued to grow at an almost unchanged level in December, when it increased by 2.9% y-o-y, the same level as in November. This compares to 3.0% y-o-y, in both October and September.

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

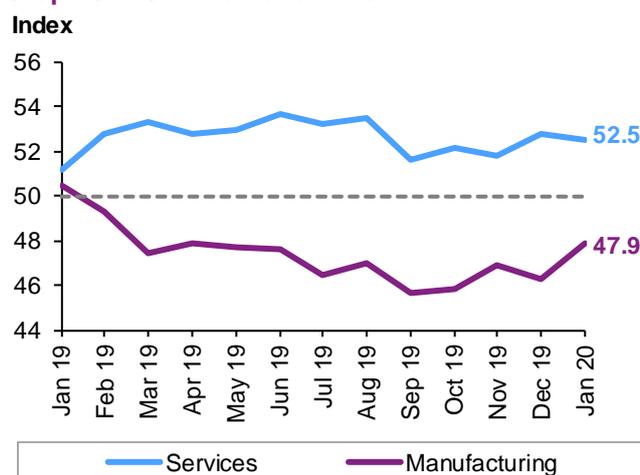


Sources: Statistical Office of the European Communities, European Central Bank and Haver Analytics.

The Euro-zone's latest January **PMI indicators** reflected a tender improvement in January. Albeit this is providing sentiment before the coronavirus related impact of the Euro-zone economy. The manufacturing PMI stood at 47.9, compared to 46.3 in December. However, this is still significantly below the growth indicating level of 50. The important PMI for services, the largest sector in the Euro-zone, remained almost unchanged to stand at 52.5 in January, compared to 52.8 in December.

Given the weakness in the 4Q19 and the likelihood of a continuation of this trend into the current year in combination with the likely impact of coronavirus related developments, the 2020 **GDP growth forecast** was revised down to 0.9%, compared to 1.0% in the previous month. The 2019 GDP growth estimate remains unchanged at 1.2%.

Graph 3 - 15: Euro-zone PMIs



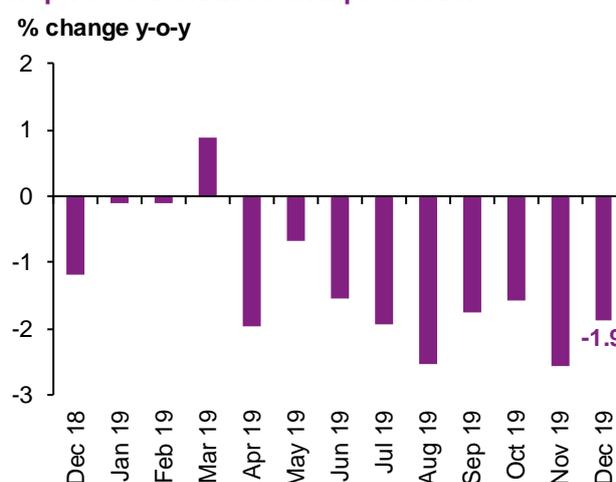
Sources: IHS Markit and Haver Analytics.

UK

Although Brexit officially happened on 31 January, many questions remain unanswered some indicators have pointed at an improvement in the UK's economic performance in 4Q19 and a stabilisation of the slowing trend in the near-term.

Retail sales in value terms recovered, growing by 1.5% y-o-y in December, compared to a rise of 1.0% y-o-y in November. **Exports** in goods and services increased considerably again, rising by 6.3% y-o-y in November, after already strong growth of 4.3% y-o-y in October. However, **industrial production** fell again in December, declining by 1.9% y-o-y, after a decline of 2.5% y-o-y in November.

Graph 3 - 16: UK industrial production

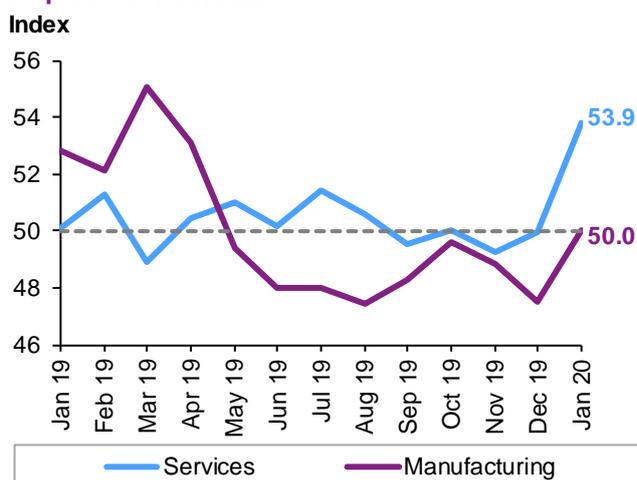


Sources: Office for National Statistics and Haver Analytics.

January **PMI lead indicators** improved. The PMI for manufacturing stood at 50, compared to 47.5 in December, pointing at an uptick in the manufacturing sector for the economy. The very important services sector PMI, which constitutes the majority of the UK's economy, improved to stand at 53.9, a considerable increase from 50.0 in December.

Given some improvements in 4Q19, GDP growth for 2019 was revised up to 1.2%. Increasing clarity on Brexit and an associated recovery in output in 2020, the 2020 growth forecast was lifted slightly as well to stand at 1.2% compared to 1.1% in the previous month.

Graph 3 - 17: UK PMIs



Sources: CIPS, IHS Markit and Haver Analytics.

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	1.0	2.0	3.7	3.5	-44.5	-49.5	-5.7	-4.7	76.5	78.7
Russia	1.1	1.5	4.5	4.6	105.8	113.1	2.3	1.5	10.3	9.5
India	5.2	6.1	3.6	4.7	-53.9	-58.7	-3.9	-3.6	44.2	44.3
China	6.1	5.4	2.9	4.9	211.6	161.3	-4.3	-4.5	15.2	18.4

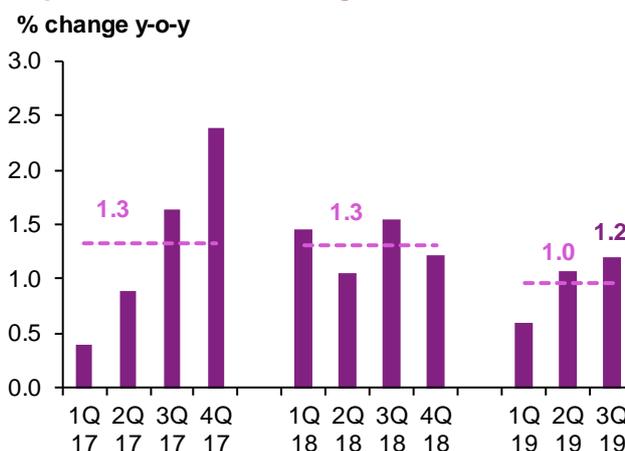
Note: * 2019 = Estimate and 2020 = Forecast.

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

Brazil

Total **foreign reserves** stood at \$357 billion in December 2019, down from \$377 billion in January 2019. **GDP** registered growth of 1.2% y-o-y in 3Q19, up from 1.1% in the previous quarter. The **economic activity indicator** registered growth of 1.1% y-o-y in November 2019, down from a 2.0% rise in October. Imports stood at \$1.3 billion in December, lower by 2.8% y-o-y. **Imports** of primary products, semi-manufactured products, and manufactured products all fell in December. **Exports** dropped by 6.2% y-o-y in December, totaling \$1.8 billion. **The trade balance** posted a surplus of \$5.6 billion in December 2019, compared to \$6.4 billion in December 2018.

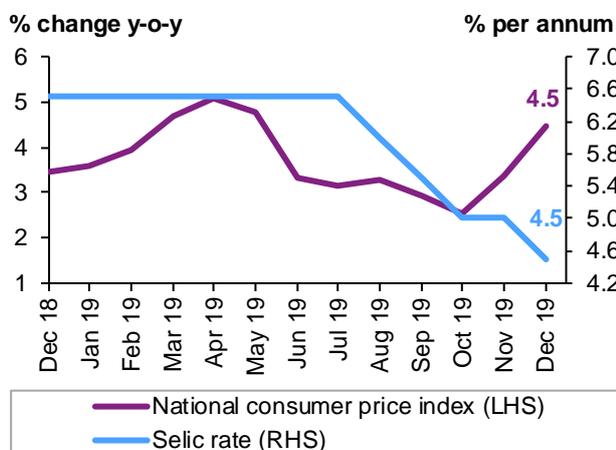
Graph 3 - 18: Brazil's GDP growth



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

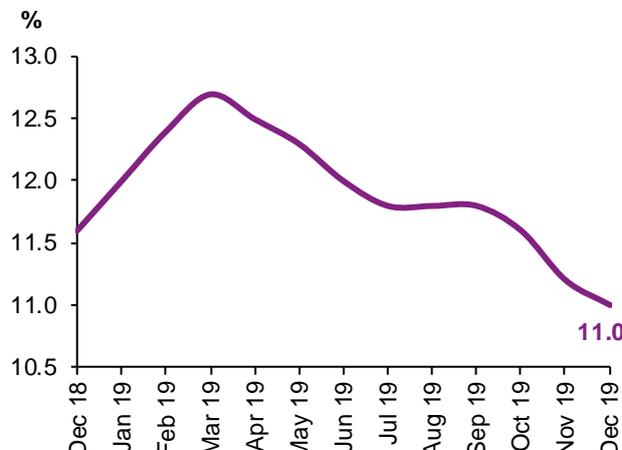
In January 2020, the **real** depreciated by 1.0% m-o-m, after appreciating by 1.1% m-o-m a month earlier. On a year-on-year comparison, the real was lower by 10.9% compared to the dollar in January 2020. The real depreciated by 18% and 6.1% in 2018 and 2019, respectively. **Inflation** increased from 3.4% y-o-y in November to 4.5% in December 2019. Average inflation increased from 2.9% in 2018 to 3.8% in 2019. The central bank lowered its benchmark **interest rate** in December 2019 to 4.50%, from 5.00%. The current rate is the lowest on record. The interest was reduced in October from 5.50% to 5.00%. Reducing interest rates was a result of sluggish GDP growth. The **unemployment rate** was lower in December 2019 at 11.0%, from November's 11.2% and October's 11.6%. **Consumer confidence** index went fractionally up in January 2020 to 93.8 from 93.5 in the previous month.

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



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

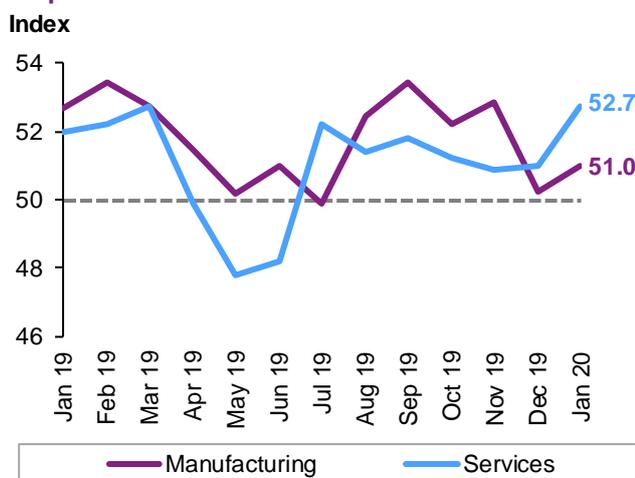
Graph 3 - 20: Brazil's unemployment rate



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

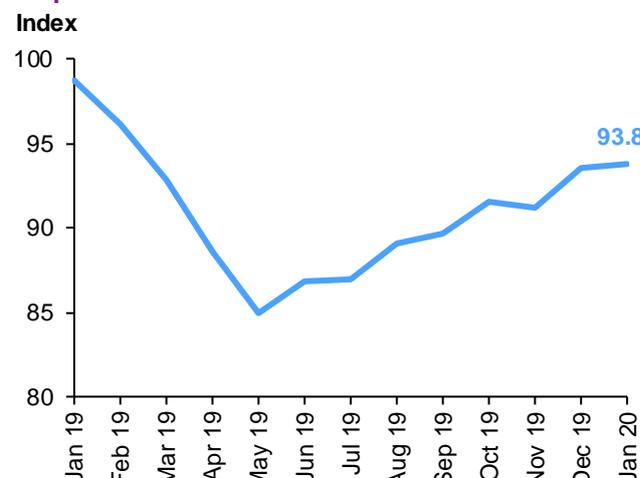
In January 2020, operations conditions in the **manufacturing sector** improved from a five-month low in December 2019, according to the IHS Markit Brazil manufacturing PMI. The index went up to 51.0 from 50.2 in December. The index survey showed that “While comfort can be taken from the fact that Brazil's manufacturing industry remains in expansion mode, the latest PMI results suggest that growth failed to gain meaningful traction. But, while the picture for new work wasn't as bright as hoped for, firms were prepared to increase capacity in anticipation of better conditions over the course of the coming 12 months.”

Graph 3 - 21: Brazil's PMIs



Sources: IHS Markit and Haver Analytics.

Graph 3 - 22: Brazil's consumer confidence index



Sources: Fundação Getúlio Vargas and Haver Analytics.

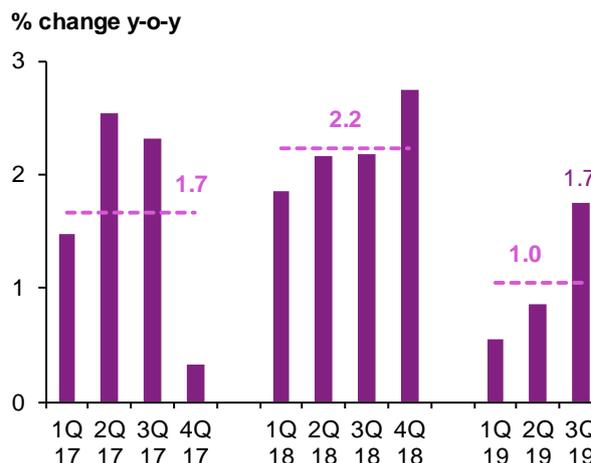
Brazil's **GDP growth** is expected to post growth of 1.0% and 2.0% y-o-y in 2019 and 2020, respectively.

Russia

The **balance of trade** in goods posted a surplus of \$12.3 billion in November 2019, from \$13.0 billion in October 2019. Exports registered a drop of 12.0% y-o-y in November 2019, to \$35.4 billion, whereas imports of goods went up by 8.9% y-o-y, reaching \$23.2 billion. The **GDP** expanded by 1.8 % y-o-y in 3Q19, up from 0.9% in the previous quarter, according to the Federal State Statistics Service. **Household consumption** increased by 3.1% y-o-y in 3Q19, from 2.8% in the previous quarter. **Government consumption** rose by 0.2% y-o-y in 3Q19, from 0.2% in 2Q19.

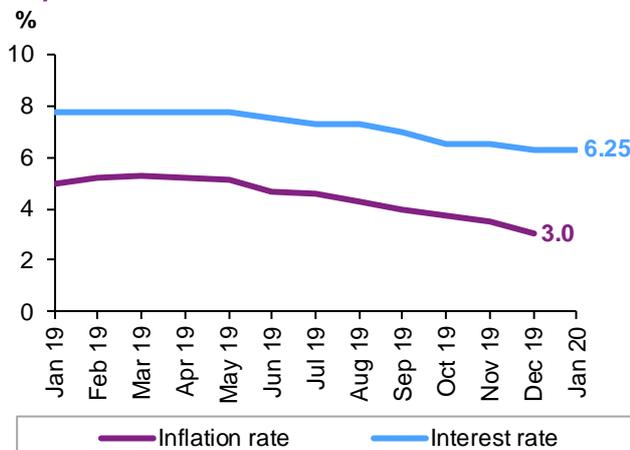
The **ruble** appreciated by 1.8% m-o-m in January 2020, after a 1.4% m-o-m appreciation in December 2019. On a year-on-year comparison, the ruble was 8.2% higher in January 2020 from its level a year earlier. Consumer price **inflation** stood at 3.0% y-o-y in December, down from 3.5% in November. At the beginning of 2019, inflation stood at 5.0% y-o-y, because of the VAT increase. In March 2019, inflation reached its highest rate since the end of 2016 at 5.3% y-o-y. The central bank maintained its benchmark **one-week repo rate** at 6.25% in January 2020, after reducing it from 6.50% in the previous month.

Graph 3 - 23: Russia's GDP growth



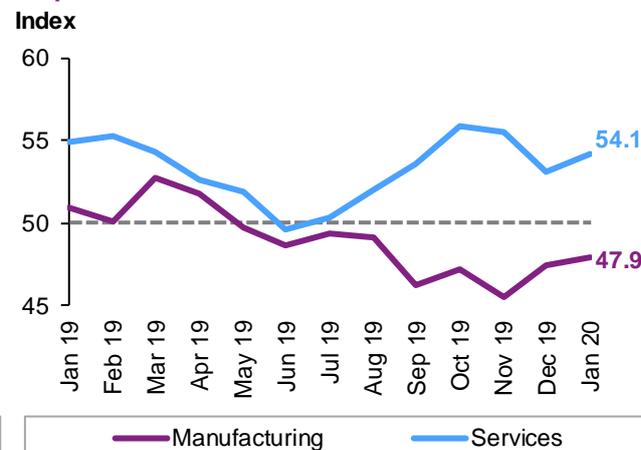
Sources: Federal State Statistics Service and Haver Analytics.

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



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

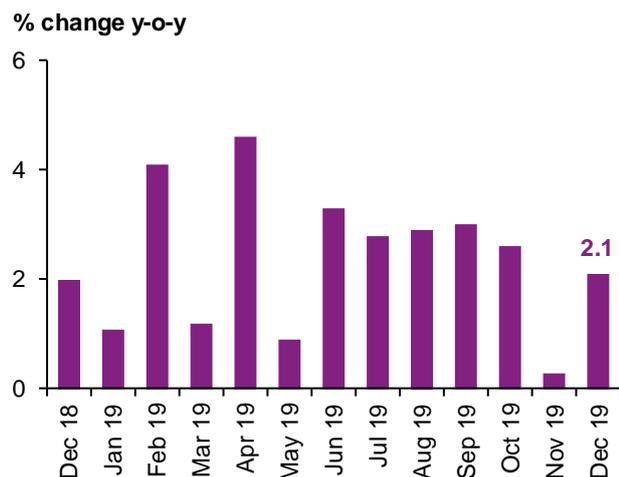
Graph 3 - 25: Russia's PMIs



Sources: IHS Markit and Haver Analytics.

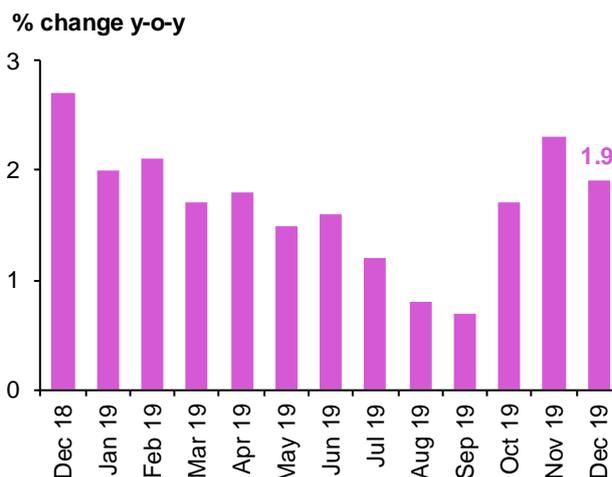
January data continued to signal a deterioration in operating conditions across the **manufacturing sector**. The IHS Markit Russia manufacturing PMI stood at 47.9 in January 2020, up from 47.5 in December 2019. The survey report stated that "Russian manufacturers started 2020 on a low note as production and new business continued to decline. That said, paces of contraction eased for the second month running, with firms signalling slow and tentative moves towards a potential recovery in operating conditions." **Industrial production** increased by 2.1% y-o-y in December 2019, from a 0.3% y-o-y in November. Industrial production has stood in the expansion territory since January 2018. **Retail trade** posted an expansion of 1.9% y-o-y in December 2019, down from 2.3% y-o-y in November. Retail trade stood in the expansion territory since February 2017.

Graph 3 - 26: Russia's industrial production



Sources: Federal State Statistics Service and Haver Analytics.

Graph 3 - 27: Russia's retail sales



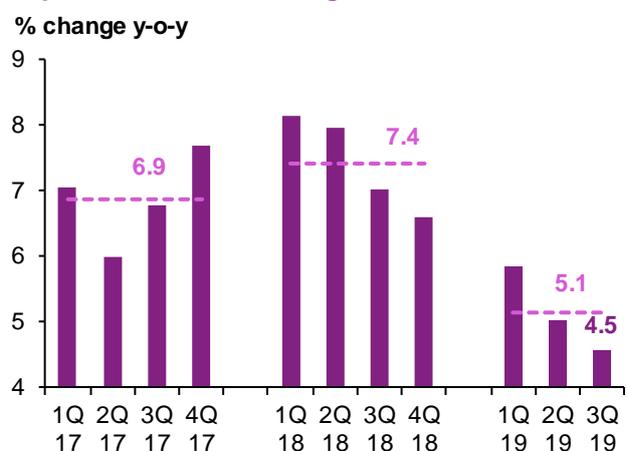
Sources: Federal State Statistics Service and Haver Analytics.

Russia's **GDP growth** forecast points to 1.1% y-o-y in 2019 and 1.5% in 2020.

India

India's gross domestic product (GDP) growth in 4Q19 is expected to drop below its 3Q19 rate of 4.5% despite the slight recovery in the industrial production and the positive manufacturing PMI mainly due to the low growth in manufacturing and construction as well as the private consumption. Additionally, the bank credit, imports and exports, continued to decelerate in 4Q19, indicating that the growth rate may decline further. According to the National Statistics Office the forecast of India's GDP growth is to slip to an 11-year low of 5% in FY20 following that the World Bank lower its forecast for the fiscal year 2020 to 5% which is the slowest growth forecast since the 3.1% rate of the financial year of 2008-09. Moreover, the recent government announcement to limit the government spending as an aim to limit fiscal slippage in FY20 raised concerns about India economic performance in 2H FY20. Yet, the RBI estimated a 6% real GDP growth for the 2020-2021 fiscal year predicting a 6.2% growth in the 3QFY21.

Graph 3 - 28: India's GDP growth



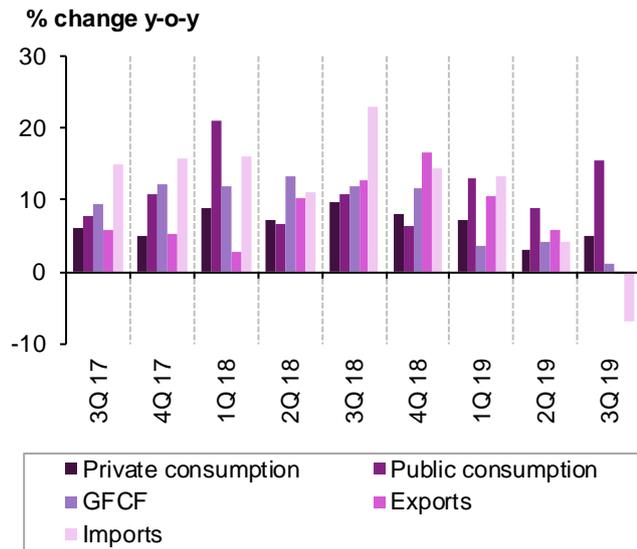
Sources: National Informatics Centre (NIC) and Haver Analytics.

Consumer confidence in India decreased to 89.40 Index points in 3Q19 from 97.30 Index points in 2Q19 reflecting a slow revival in consumption, as measured by urban and rural demand. The consumer confidence might improve in the short-run considering the policy measures to stimulate personal credit growth.

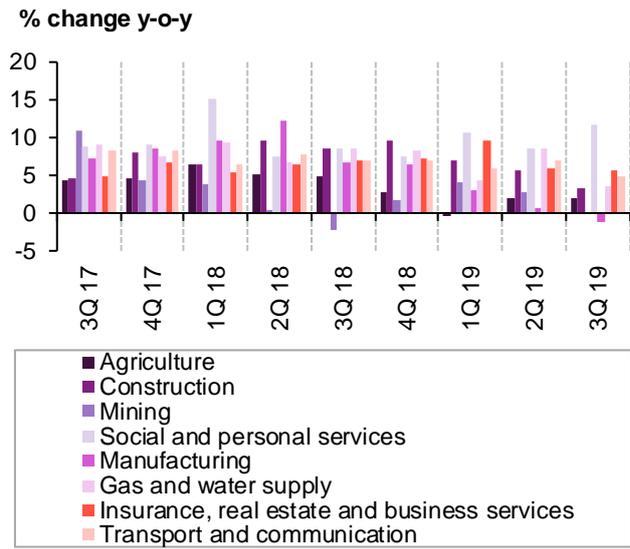
Notwithstanding the high expectations of further fiscal stimulus, the ongoing income tax cuts has limited impact on simulating the growth as the tax multiplier is well below 1pp according to oxford economics estimation. On the other hand, the surge in the inflation rate above the upper bound of the RBI target range in December 2019 restrained any monetary policy easing in the short run, and as a result the Monetary Policy Committee voted in favour of maintaining status quo on the key interest rate for the short- run. As a result the Monetary Policy Committee voted in favour of maintaining the status quo on the key interest rate for the short- run. The decreased lending ability, resulting from the large non-banking financial companies, including Infrastructure Leasing & Financial Services Ltd's default, is still stressing the financial sector and negatively impact the future economic outlook.

Furthermore the ongoing external ramifications led the Coronavirus breakout, might relatively effect India's economic prospects due to the exposure to this key global risk.

Graph 3 - 29: India's GDP growth by demand side **Graph 3 - 30: India's GDP growth by supply side**



Sources: Central Statistics Office and Haver Analytics.

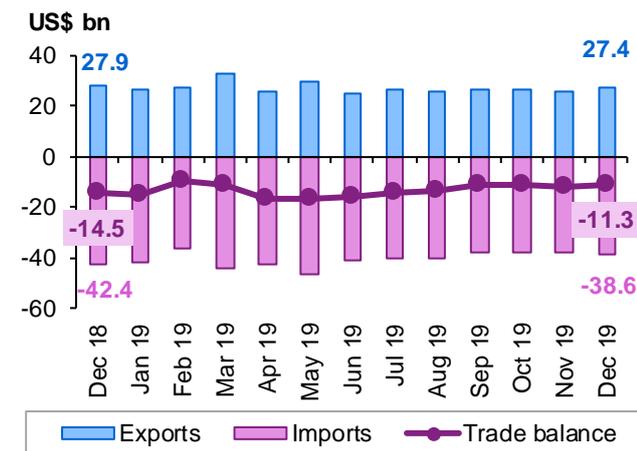


Sources: Central Statistics Office and Haver Analytics.

India's **CPI inflation** increased to its highest rate since July 2016 to reach 7.4% y-o-y in December 2019 from 5.5% in the previous month. Which is a 1.4pp above the RBI's upper bound target of 6%. The inflationary surge are derived by the food inflation as well as the fuel inflation which has turned positive in December for the first time in 6 months. That was the highest rate since May, as food inflation accelerated as well as the fuel inflation as we mentioned before.

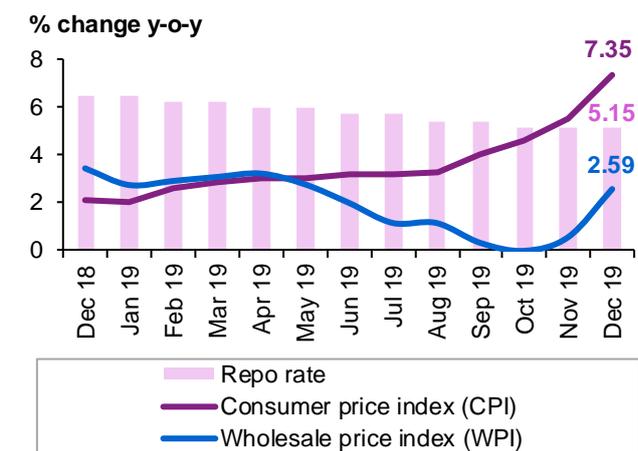
India's **trade deficit** narrowed to \$11.25 billion in December 2019 from \$12.16 billion in November 2019 and compare to \$14.5 billion in December 2018 as a result of a sharp decline in the imports which slumped to 8.8% y-o-y led by decline in transports equipment purchases. Export drop as well by 1.87% y-o-y to \$27.36 billion which the 5th straight annual fall.

Graph 3 - 31: India's trade balance



Sources: Ministry of Commerce and Industry and Haver Analytics.

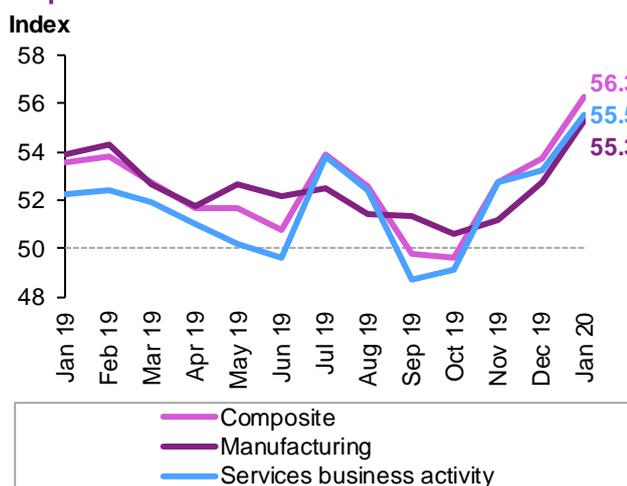
Graph 3 - 32: Repo rate and inflation in India



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

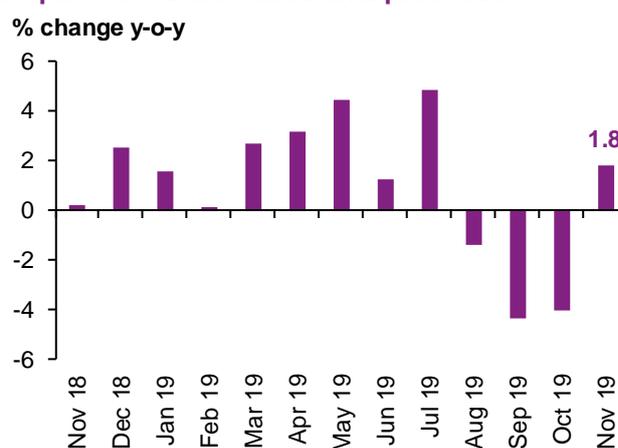
IHS Markit India Manufacturing PMI increased to 55.3 in January 2020 from 52.7 in December 2019 indicating the manufactured output improvement due to a sharp improvement in demand and the upturn in new business intakes. Yet, business confidence is still weak, as reported by the Oxford economics survey.

Graph 3 - 33: India's PMIs



Sources: Nikkei, IHS Markit and Haver Analytics.

Graph 3 - 34: India's industrial production



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

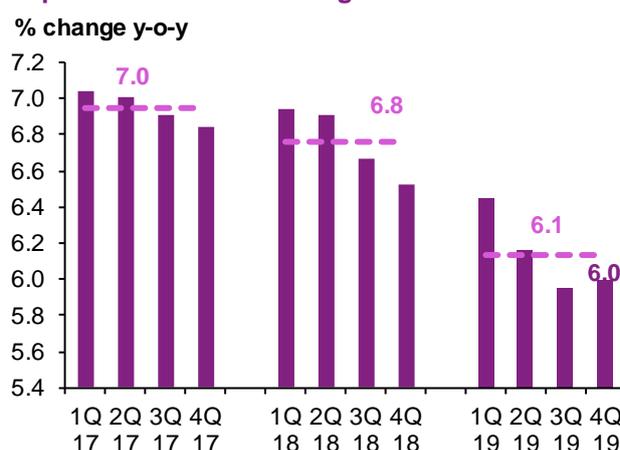
India's **industrial productions** growth rose to 1.82% y-o-y in November 2019 from a downward rate of -3.99% in October 2019 led by the surge in the intermediate goods output and the, however this gradual improvement may still be affected by the slowdown in credit growth to manufacturing companies.

Taking these latest developments into consideration the 2019 **GDP growth** forecast was revised down to 5.2% from 5.5% in the previous month. Also, the 2020 GDP growth forecast was lowered to 6.1% from 6.4% in the previous month.

China

China's economic growth remained at 6.0% y-o-y growth rate in 4Q19, the same rate as in the previous quarter. This was the weakest growth rate since 1Q92, derived by trade pressure from the US and weak local and international demand. China's annual economic growth for 2019 was 6.1%, the slowest pace in 29 years, yet it achieved the government's target of 6.0–6.5%. Although the Phase One trade deal with the US eased trade disputes and increased business optimism, the 2020 trade driven growth remains under pressure as a great percentage of the existing tariffs will remain in place. Unfortunately, the positive sentiment driven by the trade dispute did not live long as China is facing the Coronavirus which is quickly jeopardizing any bullish economic outlook for China in 2020.

Graph 3 - 35: China's GDP growth



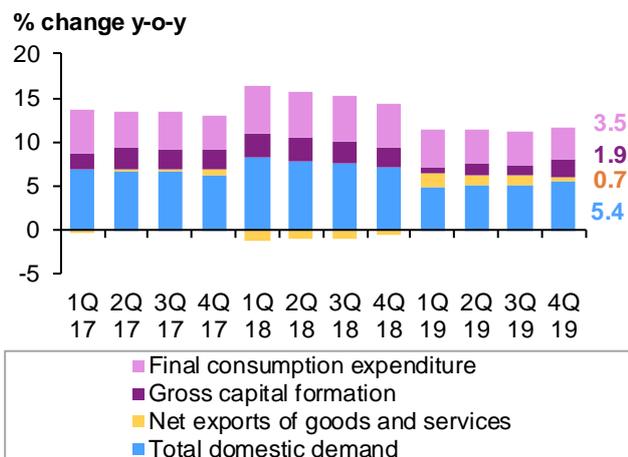
Sources: China's National Bureau of Statistics and Haver Analytics.

The majority of economic shocks are expected to be felt in the 1Q20, as the Coronavirus outbreak coincided with the Chinese New Year (25 January). It is worth noting that the Hubei province accounted for about 4% of China's GDP in 2018, moreover the city of Wuhan is a major transportation hub and the second largest host for car manufactures in China.

Based on the Severe Acute Respiratory Syndrome (SARS) experience and on the information that is available up to the writing, it is expected that the impact of the Coronavirus would mostly hit consumption (through the retail and leisure sectors) and to a lesser degree on other economic drivers (such as investment and industrial value added). However, considering the extended business closure of major regions in China, it appears that supply-chain related disruptions might increase the negative impact to China's economy and trade-related partners compared to SARS.

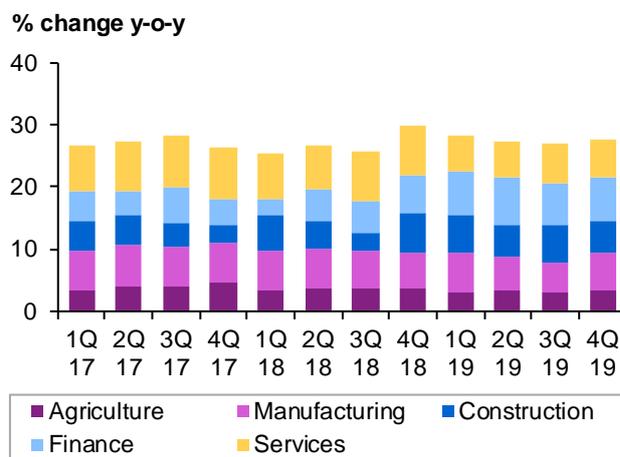
The Peoples' Bank of China (PBoC) has announced the injection of CNY1.7 trillion into the economy throughout open market operations as a monetary easing measure to support the economy. Furthermore, fiscal policies are being considered by the government, such as tax concessions and government subsidies for companies directly affected and manufacturers of medical supplies and medicines.

Graph 3 - 36: Contribution to China's GDP growth on the demand side



Sources: China National Bureau of Statistics, Haver Analytics and OPEC Secretariat.

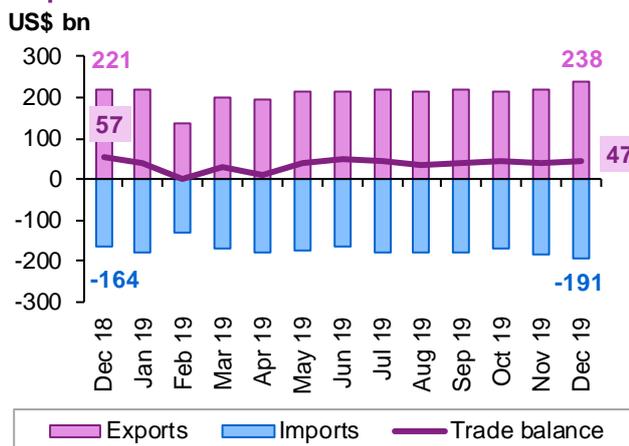
Graph 3 - 37: Contribution to China's GDP growth on the supply side



Sources: China National Bureau of Statistics, Haver Analytics and OPEC Secretariat.

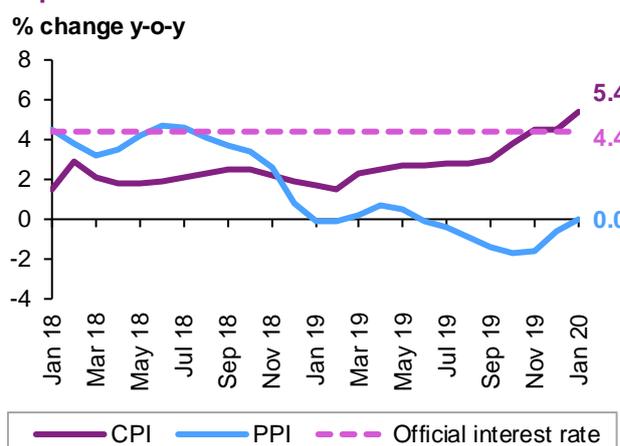
China's **CPI inflation rate** increased to 5.4% y-o-y in January 2020, from 4.5% y-o-y in December 2019. This was the highest inflation rate since October 2011, due to the impact of Coronavirus as well as the previous increase in pork prices caused by prolonged African swine fever epidemic. The **producer price index (PPI)** increased 0.6 pp in January 2020, compared to -0.61% y-o-y in December 2019. The inflation rate may increase significantly in 1Q20 due to food shortages caused by the Coronavirus, in addition to the concerns regarding the central bank's liquidity injections that could cause the yuan to weaken, a combination that may lead to considerably rising inflation.

Graph 3 - 38: China's trade balance



Sources: General Administration of Customs of China and Haver Analytics.

Graph 3 - 39: China's CPI and PPI

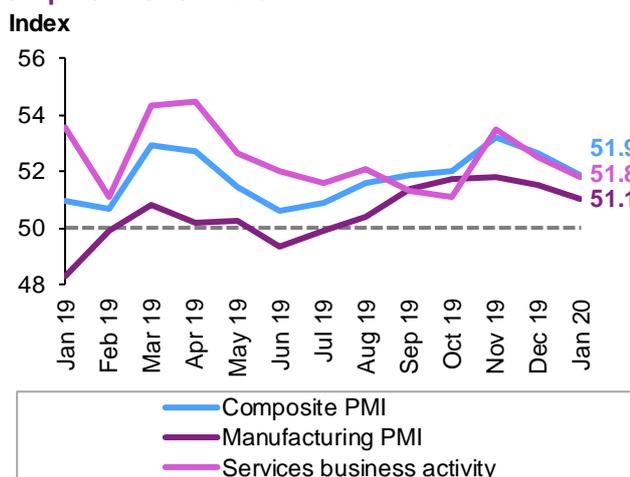


Sources: China Index Academy, China National Bureau of Statistics, Soufan and Haver Analytics.

Before the signing of the **Phase One Trade Agreement** between Beijing and Washington, China's trade surplus narrowed to \$47.21 billion in December 2019 from \$56.80 billion a year earlier. Exports rose to 7.9%, the first increase in 5 months. In addition, imports increased by 16.5%, the most since October 2018, boosted in part by higher commodity prices. China's trade surplus with the US declined to \$23.18 billion in December from \$24.6 billion in November. Nevertheless, it is expected that the Coronavirus has a sizable impact on China's exports and import. Despite boosted business confidence by the China - US trade deal, the **Official NBS Manufacturing PMI** dropped from 51.5 in December 2019 to 51.1 in January 2020, reflecting the slowest expansion pace of the manufacturing sector since August due to limited improvement in domestic and foreign demand. However, Chinese industrial production rose by 6.9% y-o-y in December, showing an increase

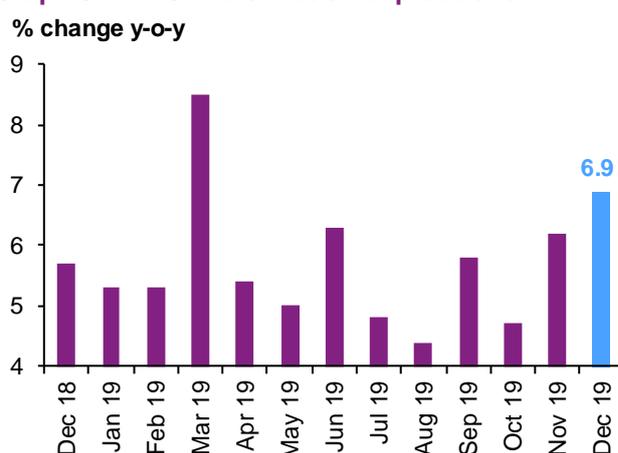
compared to the previous month's rise of 6.2% y-o-y. The **Caixin China General Services PMI** dropped to 51.8 in January from 52.5 in the month before, indicating that the services sector expansion is slowing due to the a spill-over from the decelerating manufacturing sector.

Graph 3 - 40: China's PMI



Sources: Caixin, IHS Markit and Haver Analytics.

Graph 3 - 41: China's industrial production



Sources: China National Bureau of Statistics and Haver Analytics.

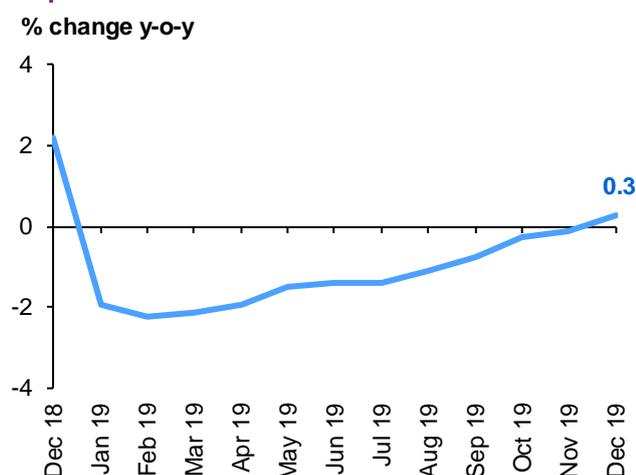
In summary, the combined direct and indirect economic effects of the Coronavirus would be high, yet short-lived and by applying lessons learned from the SARS impact it forecast that **China's 2020 GDP growth** would drop to 5.4%, from the level in last month's report, when the growth forecast stood at 5.9%.

OPEC Member Countries

Saudi Arabia

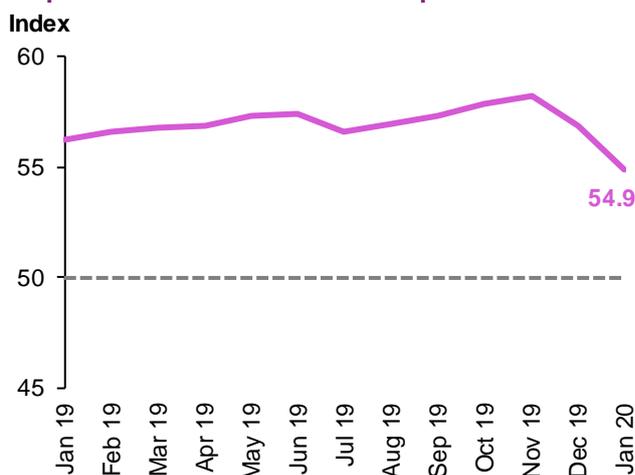
In **Saudi Arabia**, the trade balance registered a surplus of 42 billion riyal in November 2019, up from 31.9 billion riyal in October. In November 2018, the trade surplus was 54.9 billion riyal. Exports amounted to 79.8 billion riyal in November 2019, whereas imports stood at 37.8 billion riyal. Out of total exports, non-oil exports were 17.5 billion riyal, while oil exports posted 62.3 billion riyal. The non-oil and gas sector registered a healthy rate of growth at 4.3% y-o-y in 3Q19, up from 2.9% in the previous quarter. GDP contracted by 0.5% y-o-y in 3Q19, mainly due to fact that the value added in mining and quarrying decreased by 6.4% y-o-y. Inflation increased in December 2019 for the first time since December 2018. Inflation posted 0.3% y-o-y in December 2019, from a 0.1% drop a month earlier. External debt registered 668.3 billion riyal in 3Q19, up from 627.8 billion riyal in 2Q19.

Graph 3 - 42: Saudi Arabia's inflation



Sources: General Authority for Statistics and Haver Analytics.

Graph 3 - 43: Saudi Arabia's composite PMI



Sources: Emirates NBD, IHS Markit and Haver Analytics.

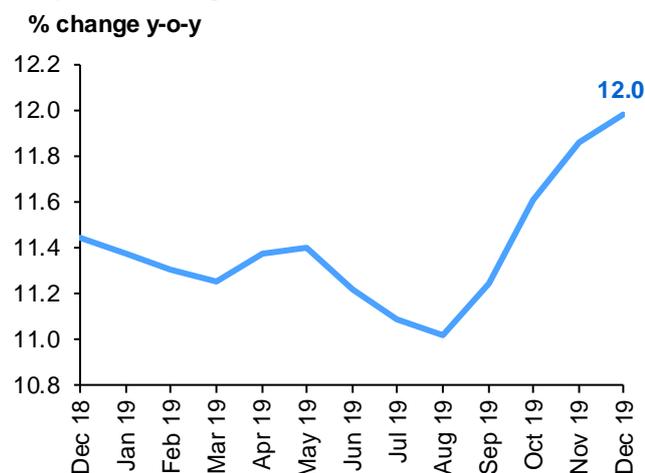
The performance of non-oil private sector dropped to a thirteen-month low in January, according to the IHS Markit Saudi Arabia PMI. The index registered 54.9 in January 2020, down from 56.9 in December 2019. The survey report highlighted that “January data suggested that non-oil private sector companies remained in expansion mode.

However, business activity was again constrained by a slowdown in new order growth. The latest rise in sales volumes was the softest recorded for 13 months. Non-oil firms in Saudi Arabia are optimistic about the business outlook for 2020, but levels of confidence have dropped since December, which acted as a brake on staff hiring and input buying at the start of the year.”

Nigeria

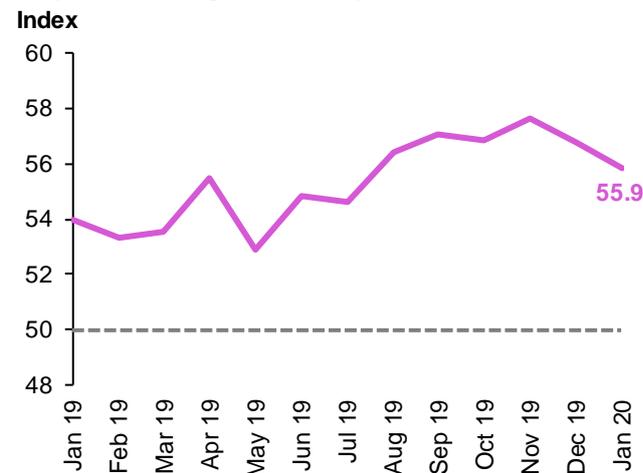
Nigeria’s GDP posted growth of 2.1% y-o-y in 3Q19, similar to the previous quarter. This brings GDP growth in the first three quarters of 2019 to 2.1% y-o-y. Inflation posted 12.0% y-o-y in December 2019, from 11.9% in November. The country’s liquid foreign reserves stood at \$37.2 billion in January 2020, from \$37.8 billion in December 2019. At the beginning of 2019, total liquid foreign reserves posted \$42.1 billion. The Nigerian stock exchange index increased by an average of 8.7% m-o-m in January 2020, after falling by 0.1% in December 2019. The private sector performance remained in the expansion territory during January 2020, according to Stanbic IBTC Bank Nigeria PMI. The index posted 55.9 in January 2020, from 56.8 in December 2019.

Graph 3 - 44: Nigeria’s inflation



Sources: National Bureau of Statistics and Haver Analytics.

Graph 3 - 45: Nigeria’s composite PMI



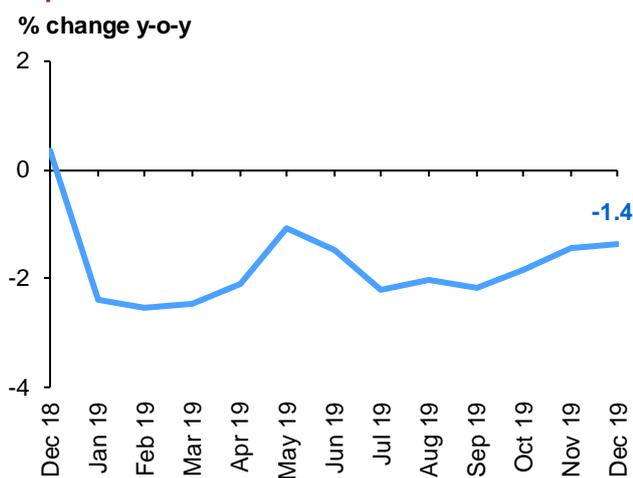
Sources: IHS Markit, Stanbic IBTC Bank and Haver Analytics.

The survey report indicated that “Nigerian companies continued to experience improving business conditions at the start of 2020, despite growth momentum softening. New orders and business activity rose sharply again, but a relatively modest increase in employment led to a build-up of outstanding business. The rate of input cost inflation accelerated, with firms raising their selling prices at a solid pace as a result.”

The United Arab Emirates (UAE)

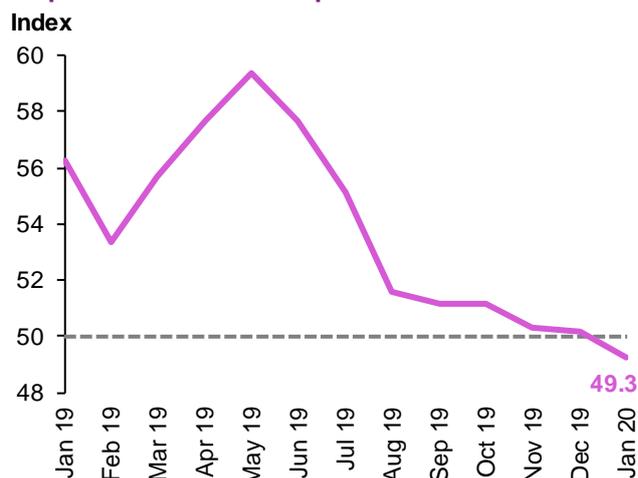
In the **UAE**, the GDP of Dubai grew by 2.1% y-o-y in 2Q19, from 2.2% in the previous quarter. The fastest growing sectors in 2Q19 were human health and social activities, which grew by 7.4% y-o-y; and transportation and storage, which increased by 6.2% y-o-y. Electricity, gas and water supply declined by 1.0% y-o-y in 2Q19, and manufacturing grew by only 0.3%. Inflation decreased by 1.4% y-o-y in December 2019, similar to the previous month. This marks the twelfth consecutive month of slowdown in consumer prices. Net international reserves increased by 10.0% y-o-y in December 2019, after growing by 14.1% y-o-y in the previous month. The net international reserves amounted to 394.2 billion dirham in December 2019. The performance of the non-oil private in January 2020 deteriorated for the first time since 2009, according to the IHS Markit UAE PMI. The index went from 50.2 in December. The survey report stated that “key to the decline were firms' efforts to reduce employment at one of the fastest rates on record in order to streamline costs. Input prices continued to rise while output charges dropped, placing notable pressure on margins. Despite lower prices, new orders fell for the second time in three months in January, adding extra pressure on businesses and halting output growth.”

Graph 3 - 46: UAE's inflation



Sources: National Bureau of Statistics and Haver Analytics.

Graph 3 - 47: UAE's composite PMI



Sources: Emirates NBD, IHS Markit and Haver Analytics.

Other Asia

Malaysia

In **Malaysia**, the merchandise trade balance registered a surplus of \$3.0 billion in December 2019, compared to \$1.6 billion in November 2019 and \$2.6 billion in December 2018. Exports went up by 3.3% y-o-y in December 2019, following a 4.8% contraction in November. Imports rose by 1.5% y-o-y in December 2019, up from a 3.0% decline a month earlier. The country's official reserve assets registered \$103.6 billion at the end of 2019, compared with \$102.1 billion at the beginning of 2019. GDP grew by 4.4% y-o-y in 3Q19, from 4.9% and 4.5% in 2Q19 and 1Q19, respectively. Exports went down by 1.4% y-o-y in 3Q19, following a fractional increase of 0.1% in the previous quarter. Imports of goods and services declined for the third quarter in a row during 3Q19, at a rate of 3.3% y-o-y, compared with 2Q19's 2.1% drop. The manufacturing sector contracted in January 2020, according to the IHS Markit Malaysia manufacturing PMI. The index declined from 50.0 in December 2019 to 48.8 in January 2020. The survey report highlighted that "Malaysia's manufacturers started 2020 on a softer footing. Much of the renewed weakness was a function of deteriorating external demand, with export orders under further pressure as a result of slower growth in key trading partners."

Africa

Egypt

In **Egypt**, the Egyptian pound appreciated by 1.2% m-o-m in January 2020. On the year-on-year comparison, the pound was 11.1% higher in January 2020. The country's official reserve assets amounted to \$44.6 billion at the end of 2019, compared with \$41.9 billion at the beginning of the year. GDP grew by 5.6% y-o-y in 3Q19, after growing by 5.7% and 5.6% in 2Q19 and 1Q19, respectively. In 2Q19, exports declined by 11.7% y-o-y, after decelerating by 3.5% in 1Q19. Imports went from a 8.7% contraction in 1Q19 to a drop of 12.9% in 2Q19. The IHS Markit Egypt PMI showed that business conditions in the private sector softened in January 2020. The survey reported that "January PMI data brought unwelcome news for Egypt's non-oil private sector. The headline index posted 46.0, the lowest in 34 months, indicating a solid deterioration in operating conditions. Firms squarely linked this to falling sales, with customers increasingly cautious about their expenditure and new contracts dwindling. This led to softer output, reduced employment and a marked drop in overall purchases."

Latin America

Colombia

In **Colombia**, the government budget deficit registered 1.5% in 2Q19 and 3Q19, compared with 1.3% in 1Q19. In November 2019, government revenues increased by 7.7% y-o-y, while expenditures rose by 26.3% y-o-y. The peso appreciated in the last two months of 2019 by 1.6%. The central bank's intervention rate was kept at 4.25% in January 2020. The country's stock price index was 18.0% y-o-y higher in January 2020. The net international reserves stood at \$53.7 billion in December 2019, compared with \$49.2 billion at the beginning of 2019. The unemployment rate eased from 10.6% in November 2019, to 10.2% in December. Colombia's manufacturing sector started 2020 on a positive note, according to DAVIVIENDA Colombia manufacturing PMI. The index rose from 52.4 in December 2019, to 53.4 in January 2020 on the back of acceleration in sales and production by the highest rate in seventeen months, alongside growth in hiring and input buying.

Transition region

Poland

In **Poland**, GDP expanded by 3.1% y-o-y in 4Q19, down from 4.2% in the previous quarter. Details on the GDP components are not available yet. This brings 2019's economic growth to 4.1%, down from 5.2% in 2018. Gross capital formation grew by only 0.3% y-o-y in 3Q19, down from 6.7% in the previous quarter. Household consumption increased by 3.9% y-o-y in 3Q19, from 4.1% in 2Q19. Exports went up by 5.1% y-o-y in 3Q19, from a 3.1% increase in 2Q19. Imports growth slightly changed in 3Q19. Imports accelerated by 3.7% y-o-y in 3Q19, from 3.6% in 2Q19. Public consumption expenditure was supportive to growth in 3Q19, rising by 4.9% y-o-y, up from 2.6% in 2Q19. The manufacturing sector remained in the contraction territory during January 2020, according to the IHS Markit Poland manufacturing PMI. The index registered 47.4 in January 2020, from 48.0 in December 2019, on the back of fast drop in employment, new orders, and output.

World Oil Demand

World oil demand growth for 2019 is now estimated at 0.91 mb/d, revised lower by around 0.02 mb/d compared to last month's projections. The downward adjustment reflects slower-than-expected data from the OECD region, primarily OECD Americas. Oil demand growth in the **OECD** regions was revised down by 0.02 mb/d in 2019, across all four quarters. All of the downward revisions were in OECD America as a result of slower industrial fuel demand, slower-than-expected gasoline demand and warmer weather in 4Q19. Meanwhile, OECD Europe was revised higher. Oil demand growth in the **non-OECD** regions was revised marginally lower in 2019, mainly accounting for the slower-than-expected demand in Other Asia in 2H19.

World oil demand growth in 2020 was revised lower by 0.23 mb/d to 0.99 mb/d. The Coronavirus outbreak in China and its impact on transportation and industrial fuels in China and other regions accounted for most of the downward revision. The world is now projected to consume 100.73 mb/d in 2020, with 2H20 recording higher consumption than 1H20. **OECD** oil demand was revised down by 0.08 mb/d, mainly due to lower economic projections for OECD Asia Pacific compared with last month, and a warmer-than-expected winter in the Northern Hemisphere, denting heating fuel requirements. The possible effect of Coronavirus on neighbouring countries in OECD Asia Pacific is also accounted for. In **non-OECD**, 2020 oil demand projections were also revised lower, mainly in China and Other Asia to reflect the Coronavirus and its impact on transportation fuels, with jet fuel being impacted the most, as well as industrial fuels in China and nearby Other Asia countries. Oil demand was revised lower by 0.15 mb/d in non-OECD in 2020 with most of the downward revisions in 1H20. The slower economic expectations for China and India were also accounted for.

World oil demand in 2019 and 2020

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

	2018	1Q19	2Q19	3Q19	4Q19	2019	Change 2019/18 Growth	%
Americas	25.60	25.14	25.29	26.05	26.14	25.66	0.06	0.22
of which US	20.82	20.65	20.66	21.15	21.17	20.91	0.09	0.42
Europe	14.33	14.09	14.25	14.75	14.25	14.34	0.01	0.06
Asia Pacific	8.08	8.50	7.61	7.68	8.12	7.97	-0.10	-1.27
Total OECD	48.01	47.72	47.15	48.48	48.51	47.97	-0.04	-0.08
Other Asia	13.64	13.91	13.96	13.51	14.18	13.89	0.25	1.85
of which India	4.73	5.03	4.75	4.49	5.14	4.85	0.12	2.57
Latin America	6.53	6.35	6.58	6.87	6.53	6.58	0.06	0.87
Middle East	8.12	8.25	7.87	8.67	8.00	8.20	0.08	0.93
Africa	4.33	4.45	4.42	4.36	4.50	4.43	0.10	2.31
Total DCs	32.62	32.96	32.84	33.41	33.20	33.10	0.48	1.48
FSU	4.76	4.70	4.68	4.96	5.04	4.84	0.09	1.84
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	12.95	13.48	13.06	0.35	2.77
Total "Other regions"	18.21	18.08	18.58	18.66	19.36	18.67	0.46	2.52
Total world	98.84	98.75	98.56	100.55	101.07	99.74	0.91	0.92
Previous estimate	98.84	98.79	98.56	100.60	101.07	99.77	0.93	0.94
Revision	0.00	-0.04	0.00	-0.06	0.00	-0.02	-0.02	-0.02

Note: * 2019 = Estimate.

Totals may not add up due to independent rounding.

Source: OPEC Secretariat.

Table 4 - 2: World oil demand in 2020*, mb/d

	2019	1Q20	2Q20	3Q20	4Q20	2020	Change 2020/19	
							Growth	%
Americas	25.66	25.34	25.47	26.23	26.33	25.84	0.18	0.72
of which US	20.91	20.82	20.80	21.29	21.34	21.07	0.15	0.74
Europe	14.34	13.99	14.20	14.73	14.23	14.29	-0.05	-0.33
Asia Pacific	7.97	8.34	7.43	7.57	8.05	7.85	-0.13	-1.59
Total OECD	47.97	47.67	47.09	48.53	48.61	47.98	0.01	0.02
Other Asia	13.89	14.18	14.24	13.86	14.57	14.21	0.32	2.31
of which India	4.85	5.14	4.85	4.64	5.32	4.99	0.14	2.82
Latin America	6.58	6.46	6.70	6.99	6.64	6.70	0.11	1.75
Middle East	8.20	8.34	7.96	8.78	8.12	8.30	0.10	1.28
Africa	4.43	4.53	4.52	4.46	4.59	4.52	0.09	2.00
Total DCs	33.10	33.51	33.41	34.09	33.93	33.73	0.63	1.90
FSU	4.84	4.80	4.78	5.07	5.15	4.95	0.11	2.19
Other Europe	0.76	0.76	0.72	0.76	0.85	0.77	0.01	1.54
China	13.06	12.77	13.37	13.17	13.84	13.29	0.23	1.74
Total "Other regions"	18.67	18.33	18.87	19.00	19.85	19.02	0.35	1.85
Total world	99.74	99.51	99.36	101.62	102.38	100.73	0.99	0.99
Previous estimate	99.77	99.95	99.73	101.83	102.38	100.98	1.22	1.22
Revision	-0.02	-0.44	-0.37	-0.21	0.00	-0.25	-0.23	-0.23

Note: * 2019 = Estimate and 2020 = Forecast.

Totals may not add up due to independent rounding.

Source: OPEC Secretariat.

OECD

OECD Americas

US

US oil demand fell in November 2019 by approximately 0.16 mb/d, y-o-y, for the first time in three months and in line with less optimistic economic reports for 4Q19.

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

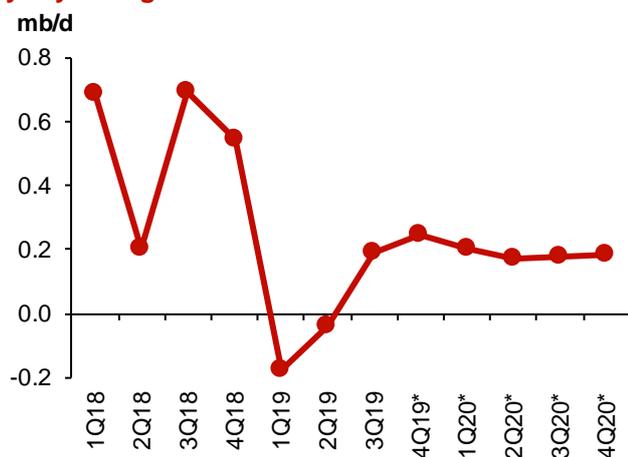
	Nov 19	Nov 18	Change 2019/18	
			tb/d	%
LPG	3,124	3,120	4	0.1
Naphtha	183	224	-41	-18.3
Gasoline	9,199	9,290	-91	-1.0
Jet/kerosene	1,721	1,757	-36	-2.0
Diesel oil	4,186	4,204	-18	-0.4
Fuel oil	220	342	-122	-35.7
Other products	2,248	2,101	147	7.0
Total	20,881	21,038	-157	-0.7

Sources: US EIA and OPEC Secretariat.

Unlike previous months, which showed strong growth, demand for light hydrocarbons fell compared to the same month in 2018. Requirements for the majority of other petroleum product categories also declined – notably gasoline, jet kerosene, diesel, naphtha and fuel oil. The latter was affected to some extent as a result of warmer weather. Monthly data for the first 11 months in 2019 and preliminary weekly data for December

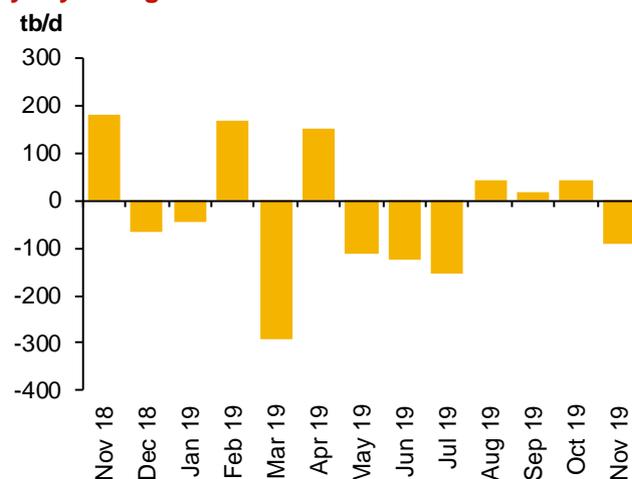
implies that US oil demand will have risen by approximately 0.1 mb/d y-o-y, in line with initial forecasts and supported by the ongoing healthy economy in the country. The country's flourishing petrochemical industry, supported by growing domestic oil and natural gas production, is the main contributor to overall growth. Furthermore, the aviation and industrial sectors accounted for the lion's share of the growth for another year.

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



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

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



Sources: US EIA and OPEC Secretariat.

The outlook for 2020 US oil demand strongly depends on a number of key variables: the strength of the US economy; the degree of substitution, particularly in the road transportation sector; and the oil price level, which influences oil demand in both directions. Higher oil prices tend to support activities in the petrochemical industry; however, they also restrain oil consumption in all other sectors, particularly transportation. The US 2020 forecast risks remain balanced towards the upside and downside.

Canada

November 2019 **Canadian** data shows increasing oil demand, compared to the same month a year before. Demand for the majority of the main petroleum product requirements rose y-o-y, though naphtha and diesel were an exception.

2020 projections for Canada's oil demand are unchanged from the previous month's report and foresee slight growth y-o-y, with the risks being equally balanced towards the upside and downside. The key risks relate to the country's economic development and in particular the industrial and transportation sectors.

Mexico

With complete monthly data for the year, **Mexican oil demand** remained flat in 2019 compared to a year earlier. Naphtha and diesel usage implied gains, but have been offset by shrinking demand in all other petroleum product categories.

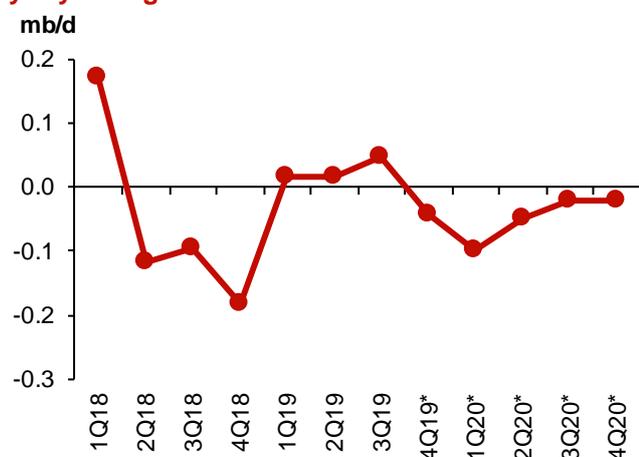
Mexican oil demand is expected to grow only slightly in 2020, with risks being somewhat skewed to the downside compared to last month's projections. These risks are mainly associated with the degree of fuel substitution with other energy commodities, as well as the country's economy and the oil price environment.

In 2019, **OECD Americas oil demand** grew by 0.06 mb/d as compared to 2018. 2020 OECD Americas oil demand is forecast to grow by 0.18 mb/d compared to 2019.

OECD Europe

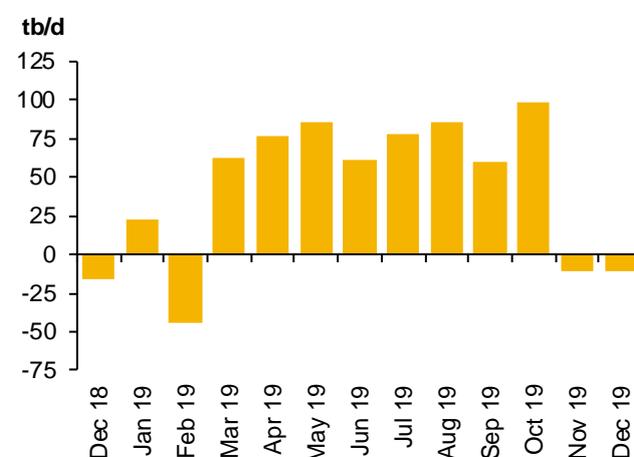
European oil demand plunged by more than 0.35 mb/d y-o-y in November 2019, marking the steepest monthly decline during the previous six months. The declines are largely attributed to weak naphtha requirements, as well as gasoline and diesel demand for the transportation and residential sectors. The latter occurred despite colder weather across the continent. The bulk of falling naphtha demand volumes originated in Germany and the UK, while weaker diesel demand was seen across several countries in the region.

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



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

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



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

November 2019 oil demand fell y-o-y for the majority of countries in the region, particularly in **Europe's Big 4** oil consumers – Germany, France, Italy and the UK. The latest data for the region's automobile fleet shows increases in new car registrations during 4Q19 and an overall slight increase in 2019.

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

	Dec 19	Dec 18	Change 2019/18	
			tb/d	%
LPG	524	474	50	10.5
Naphtha	536	530	6	1.1
Gasoline	1,127	1,123	4	0.4
Jet/kerosene	782	791	-9	-1.1
Diesel oil	3,071	3,057	14	0.5
Fuel oil	193	212	-19	-9.2
Other products	481	582	-101	-17.4
Total	6,713	6,769	-56	-0.8

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

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

The outlook for **OECD Europe's oil demand** in 2020 continues to decline. The fundamental assumptions in support of this outlook are the structure of oil demand in the region, as well as efficiencies, fuel substitution and the oil price environment. Also, considerable uncertainty is associated with the withdrawal of the UK from the European Union, as it could influence European oil demand towards the upside or the downside, depending on the outcome of bilateral negotiations.

2019 OECD Europe's oil demand was flat y-o-y; in 2020 European oil demand is projected to fall by 0.05 mb/d.

OECD Asia Pacific

Japan

Preliminary December 2019 data from the Japanese Ministry of Economy Trade and Industry (METI) shows another monthly drop, the sixth consecutive, in **Japan's oil demand** by roughly 0.11 mb/d, y-o-y.

Table 4 - 5: Japan's domestic sales, tb/d

	Dec 19	Dec 18	Change 2019/18	
			tb/d	%
LPG	413	418	-5	-1.3
Naphtha	806	812	-6	-0.7
Gasoline	887	918	-31	-3.4
Jet/kerosene	719	743	-24	-3.3
Diesel oil	850	847	3	0.4
Fuel oil	237	256	-19	-7.6
Other products	344	375	-31	-8.3
Total	4,255	4,369	-114	-2.6

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

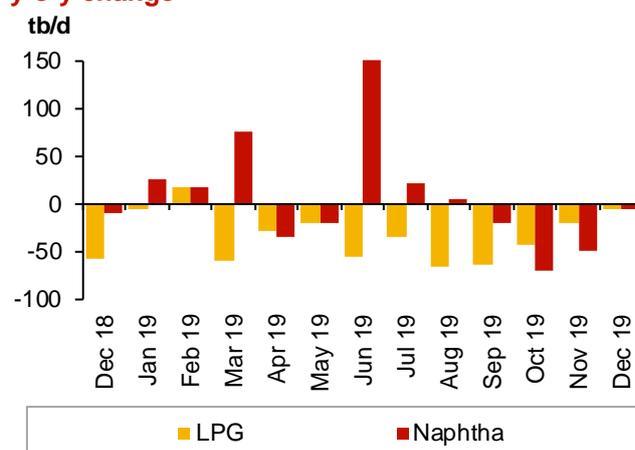
The December 2019 monthly decrease is attributed to declining requirements for all main petroleum product categories, particularly for gasoline, LPG, jet/kerosene as well as residual fuel oil for electricity generation. The latter appeared in line with warmer weather compared to the historical normal, and to the same month in 2018.

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



Note: * 4Q19-4Q20=Forecast.
Source: 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.

Based largely on projections for the overall Japanese economy during 2020 and the overall structure of oil needs in the country, Japanese oil demand is estimated to decline further in the current year. Expectations for the risk of this projection are further skewed to the downside as a result of increasing efficiencies, fuel substitution and regional spill-over effects from the Coronavirus outbreak in China.

South Korea

In **South Korea**, November 2019 data shows bullish oil demand growth, y-o-y. The majority of petroleum product requirements increased, notably LPG and naphtha, as well as jet kerosene. In Australia, oil demand fell slightly in November 2019 y-o-y, mainly as a result of weaker gasoline and jet kerosene requirements.

World Oil Demand

The outlook for South Korean oil demand during 2020 is driven by positive economic expectations and an expanding industrial sector. An additional boost in South Korea's short-term oil demand would result from the low historical baseline in oil use for the petrochemical sector during 2019. However, some spillover from the Coronavirus outbreak in China is assumed to affect industrial fuels requirements during 1H20.

2019 **OECD Asia Pacific oil demand** shrank by 0.10 mb/d. The decline in oil demand will be slightly larger in 2020, at 0.13 mb/d.

Non-OECD

China

In December 2019, **China's oil consumption** increased significantly by around 0.78 mb/d, driven by solid transportation fuel demand and petrochemical feedstock. Total 2019 oil demand growth for China is estimated at around 0.35 mb/d.

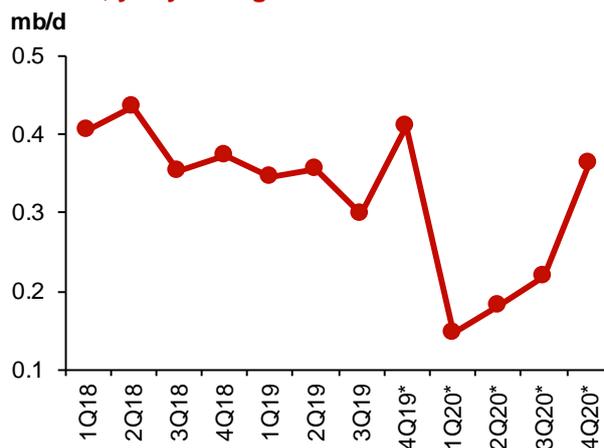
In December 2019, rising LPG, jet/kerosene and gasoline consumption supported demand growth, while naphtha demand fell marginally, offsetting some of the gains. Increases in LPG demand can be attributed to the growing petrochemical industry in general, and the seasonal uptick in petrochemical demand in December. LPG requirements rose for the second consecutive month by around 0.34 mb/d. Demand for gasoline during the same month was also higher by 0.09 mb/d y-o-y as retailers built up stocks ahead of year-end holidays. Jet/kerosene demand rose by around 0.09 mb/d, with total demand at approximately 0.83 mb/d. This development may relate to the uptick in travel activities during the year-end holidays.

In recent years, transportation fuels, jet fuel in particular, has been an important factor for Chinese oil demand growth. The recent Coronavirus outbreak will inevitably affect oil demand, particularly during 1H20. At the same time, jet fuel demand is also very vulnerable during 1Q20. The virus outbreak is also likely to have a significant impact on the transportation and industrial sectors. Light distillates, gasoline, middle distillate and residual fuel oil are forecast to decline by around 0.10 mb/d in 2020, with most of the declines happening in 1H20. The impact of the Coronavirus on oil demand has so far been limited mostly to the first half of the year.

The impact on China's economy has added to the uncertainties affecting expectations for global oil demand. As a result, the ongoing developments in China require close monitoring to evaluate the full impact on global oil demand projections going forward.

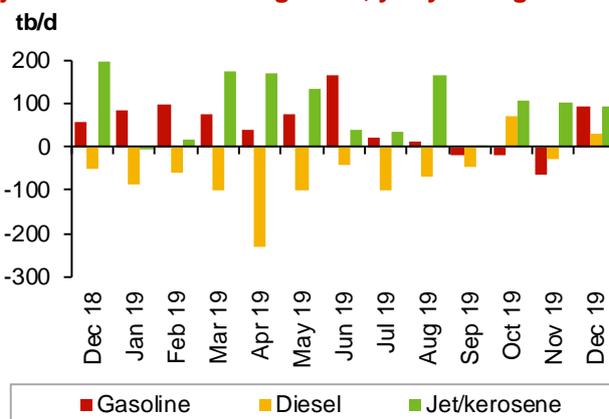
For 2019, China's oil demand is estimated to have grown by 0.35 mb/d, while for 2020 oil demand growth is now projected at 0.23 mb/d.

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



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

Graph 4 - 8: China's gasoline, diesel and jet/kerosene 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.

Other Asia

India

Following bullish oil demand growth in November 2019, **Indian oil requirements** remained stagnant in December 2019, y-o-y.

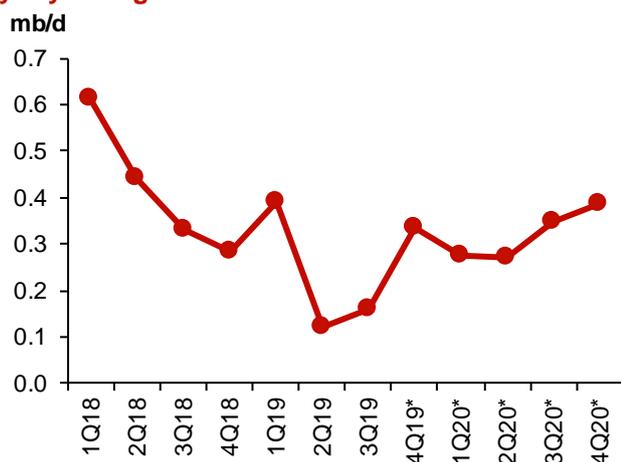
Table 4 - 6: India's oil demand, tb/d

	Dec 19	Dec 18	Change 2019/18	
			tb/d	%
LPG	919	843	76	9.0
Naphtha	301	319	-18	-5.6
Gasoline	780	756	24	3.2
Jet/kerosene	220	249	-29	-11.5
Diesel oil	1,857	1,872	-15	-0.8
Fuel oil	250	284	-35	-12.2
Other products	860	872	-11	-1.3
Total	5,188	5,195	-7	-0.1

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

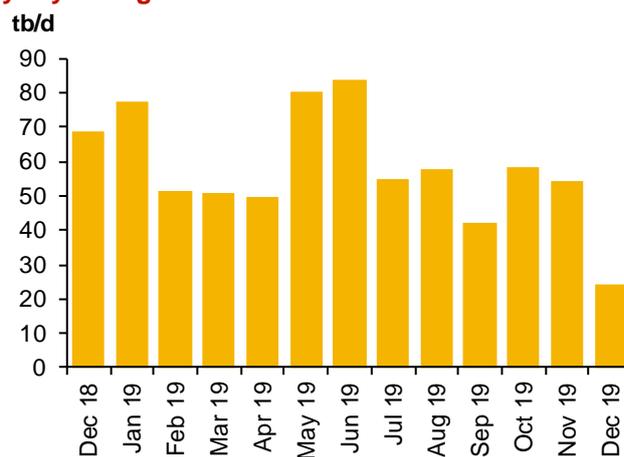
LPG use grew strongly in the residential, transportation and industrial sectors, while gasoline demand also remained in positive territory, y-o-y. These gains, however, were offset by lower demand for naphtha, jet/kerosene, diesel and residual fuel oil. Weather conditions impacted the demand for diesel, while weaker jet/kerosene demand can be attributed to less consumption of kerosene in the residential sector. With complete data for 2019, India's oil demand is estimated to have grown by approximately 0.12 mb/d, in line with initial forecasts. LPG, gasoline and diesel accounting for the largest share of overall growth.

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



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

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



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

India's oil demand in 2020 will be determined by the transportation, residential and industrial sectors, with the low per-capita oil consumption providing additional support. Oil demand in 2020 is forecast to grow by 0.14 mb/d. The risk expectations for India's oil demand in 2020 remain balanced.

Thailand

In **Thailand**, the latest available data shows stagnant oil demand y-o-y in November 2019. Demand for gasoline, jet kerosene and diesel grew, while LPG, naphtha and residual fuel oil requirements declined and roughly offset gains.

World Oil Demand

For the remaining countries in **Other Asia**, the transportation, residential and industrial sectors are expected to drive oil demand growth in 2020. Additional attention should be given to the degree of fuel substitution and subsidy removals, which affect the use of LPG and kerosene in the residential sectors of many countries in the region. In general, Other Asia's oil demand forecast risks remain balanced. Economic activities in the biggest oil consumers in the region, as well as oil prices and subsidies supporting some petroleum product categories, are the main underlying factors.

Oil demand in Other Asia is estimated to have increased by 0.25 mb/d during 2019. For 2020, oil demand in the region is forecast to increase by 0.32 mb/d.

Latin America

Brazil

In **Brazil**, latest available data shows that oil demand grew by almost 1% during December 2019 compared to the same month in 2018.

Table 4 - 7: Brazil's oil demand*, tb/d

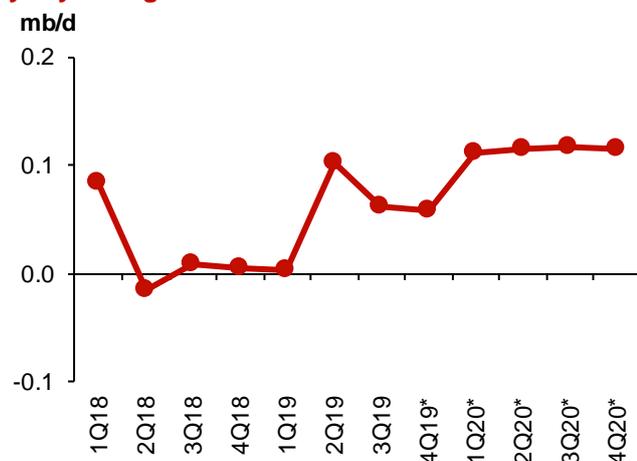
	Dec 19	Dec 18	Change 2019/18	
			tb/d	%
LPG	228	216	12	5.3
Naphtha	147	147	0	0.0
Gasoline	724	702	21	3.0
Jet/kerosene	126	131	-5	-4.0
Diesel oil	870	894	-25	-2.8
Fuel oil	68	72	-4	-6.2
Other products	502	485	17	3.4
Total	2,663	2,648	15	0.6

Note: * = Inland deliveries.

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

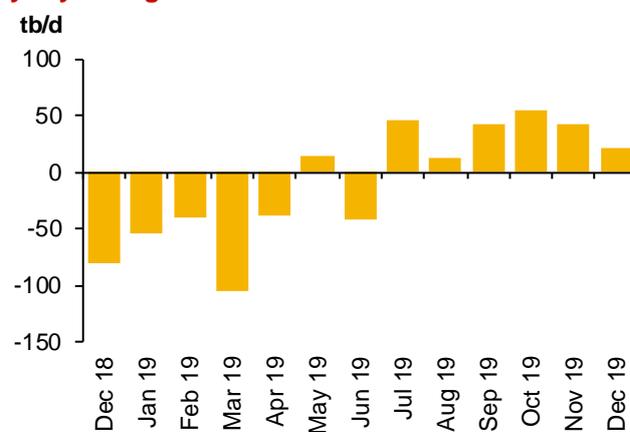
Oil demand gains were led by LPG, gasoline and ethanol, while requirements fell for all other petroleum product categories, offsetting the gains. With complete monthly data for the year, Brazil's oil demand is estimated to have grown robustly during 2019, y-o-y, with the bulk of gains in middle distillates.

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



Note: * 4Q19-4Q20 = Forecast.
Source: 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.

The expectations for 2020 Brazilian oil demand remain unchanged since the previous month, with risks being balanced. Projected oil demand growth for Brazil is strongly dependent on the development of the country's economy in addition to the degree of fuel substitution.

Argentina

Argentina's oil demand grew in December 2019, y-o-y, after two monthly consecutive declines. LPG, naphtha, gasoline, diesel and residual fuel oil requirements grew and were slightly offset by declining demand for jet/kerosene. In Argentina, 2020 oil demand is expected to return to positive territory, following three years of contraction.

Ecuador

In Ecuador, rising demand for the majority of petroleum product categories has been offset by decreasing residual fuel oil demand. Complete monthly data suggests robust growth of around 4% y-o-y in Ecuadorian oil demand in 2019. For 2020, oil demand in Ecuador is also projected to increase.

2020 oil demand growth in Latin America shows upside potential, mainly as a result of expected economic improvements in a number of countries in the region.

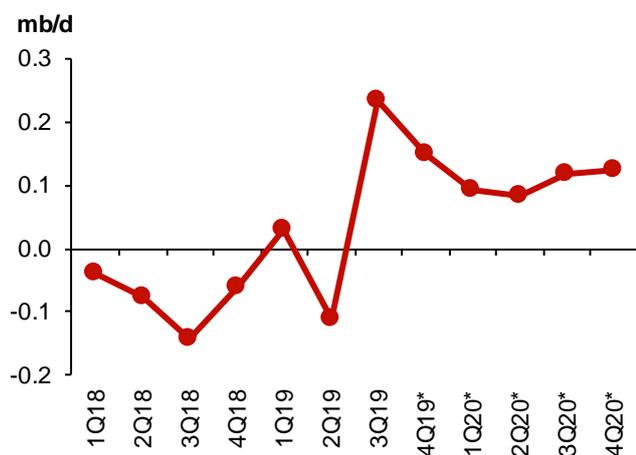
Latin America's oil demand is estimated to have increased by 0.06 mb/d in 2019. During 2020, oil demand growth in the region is forecast to rise by 0.11 mb/d from a year earlier.

Middle East

Saudi Arabia

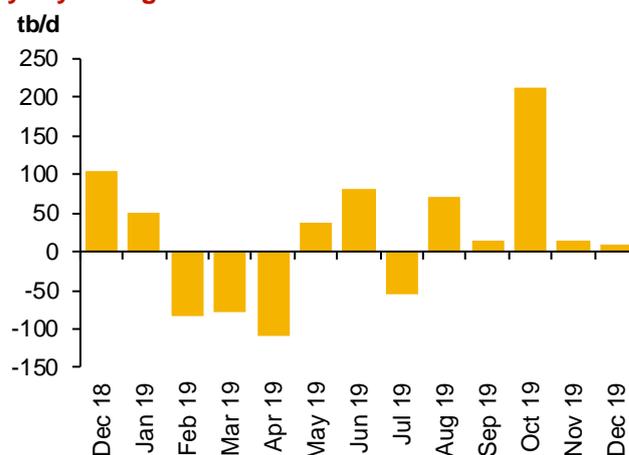
In Saudi Arabia, December 2019 oil demand remained stagnant y-o-y; gains in jet/kerosene and diesel requirements have been offset by declines in demand for gasoline and residual fuel oil. With complete monthly data for the whole of 2019, Saudi Arabia's oil demand is estimated to have remained stagnant y-o-y.

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



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

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



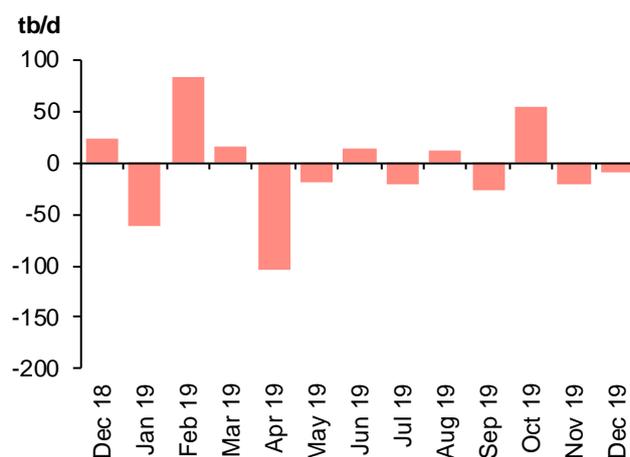
Sources: Joint Organisations Data Initiative, direct communication and OPEC Secretariat.

Iraq

Iraq's oil demand in December 2019 declined y-o-y; the majority of petroleum product requirements fell y-o-y, with the exception of LPG and gasoline, which remained stagnant. Available oil demand data for all months of 2019 shows a decline in Iraq's oil demand of around 0.1 mb/d y-o-y. Demand for residual fuel oil and crude for direct use fell, driven by fuel substitution to natural gas.

Y-t-d, 2019 **Middle East oil demand** is estimated to have grown, yet still significantly lower than growth registered prior to 2014. The structure of oil demand in the region has evolved as the majority of countries have applied energy efficiency programmes, resulting in the region no longer being a main contributor to world oil demand growth. Furthermore, fuel substitution with natural gas – which has replaced fuel oil and crude for direct use for electricity generation – has been established in the region's energy mix. This substitution trend continued during 2019 in main oil consuming countries such as Saudi Arabia, Iraq and Kuwait.

Graph 4 - 15: Iraq's crude direct use, y-o-y change



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

Going forward in 2020, oil demand growth in the Middle East will be subject to a number of challenges that point mostly towards the downside. The challenges include substitution with natural gas; partial subsidy removals in several countries; and government fuel efficiency programmes in the road transportation sector. The already high average energy and oil use per capita further supports a more conservative oil demand forecast. On the other hand, developments in economic and industrial activities in various countries of the regions may also lend some upward support for future oil demand. One of the main contributors to oil demand growth is the flourishing petrochemical industry across several countries in the region, which is strongly supported by domestic feedstock.

Oil demand in the Middle East is estimated to have increased by 0.08 mb/d during 2019. For 2020, oil demand in the region is anticipated to grow by 0.10 mb/d.

World Oil Supply

The **non-OPEC liquids production growth** for 2019 (including processing gains) has been revised up by 0.02 mb/d from the previous MOMR and is now estimated at 1.88 mb/d, for an average of 64.36 mb/d. Upward revisions were made to production data from the US, Canada, Brazil and Latin America others (Guyana), mainly in 4Q19. Y-o-y US liquids output growth was revised up by 11 tb/d to average 1.68 mb/d. The US, Brazil, Canada, Russia, China, Australia and the UK are estimated to have been the key drivers of growth in 2019, while Mexico and Norway have seen the largest declines.

The **non-OPEC liquids production growth** for 2020 (including processing gains) has been revised down by 0.10 mb/d from last month's assessment and is forecast at 2.25 mb/d, for an average of 66.60 mb/d. A large downward revision to the US liquids production forecast was partially offset by downward revisions in the production forecasts of Norway, Brazil and Latin America others (Guyana). The US liquids production growth forecast for the current year was revised down again by 166 tb/d, following last month's downward revision, as US shale output growth slowed to 1.26 mb/d y-o-y. The US is expected to be the main growth driver in 2020 along with Norway, Brazil, Canada, Guyana and Australia, while Indonesia, Thailand, Egypt and Colombia are forecast to see the largest declines.

OPEC NGLs and non-conventional liquids production in 2019 are estimated to have grown by 0.04 mb/d to average 4.80 mb/d. In 2020, OPEC NGLs are forecast to grow by 0.03 mb/d y-o-y to average 4.83 mb/d.

In January, **OPEC crude oil production** fell by 509 tb/d m-o-m to average 28.86 mb/d, according to secondary sources. As a result, preliminary data indicates that **global oil supply** decreased in January by 0.01 mb/d m-o-m to average 100.12 mb/d, and was up by 0.78 mb/d y-o-y. OPEC crude oil production in 2019 declined by 2.0 mb compared to a year earlier.

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

Region	2019	Change 2019/18	2020	Change 2020/19
OECD Americas	25.71	1.63	27.04	1.32
OECD Europe	3.72	-0.12	4.03	0.31
OECD Asia Pacific	0.49	0.08	0.56	0.07
Total OECD	29.92	1.59	31.62	1.71
Other Asia	3.43	-0.13	3.38	-0.04
Latin America	5.42	0.23	5.81	0.39
Middle East	3.21	0.00	3.26	0.04
Africa	1.50	0.00	1.53	0.03
Total DCs	13.57	0.10	13.98	0.42
FSU	14.37	0.08	14.42	0.06
Other Europe	0.12	0.00	0.12	-0.01
China	4.10	0.08	4.12	0.02
Non-OPEC production	62.08	1.85	64.27	2.19
Processing gains	2.28	0.03	2.33	0.05
Non-OPEC liquids production	64.36	1.88	66.60	2.25

Note: * 2019 = Estimate and 2020 = Forecast.

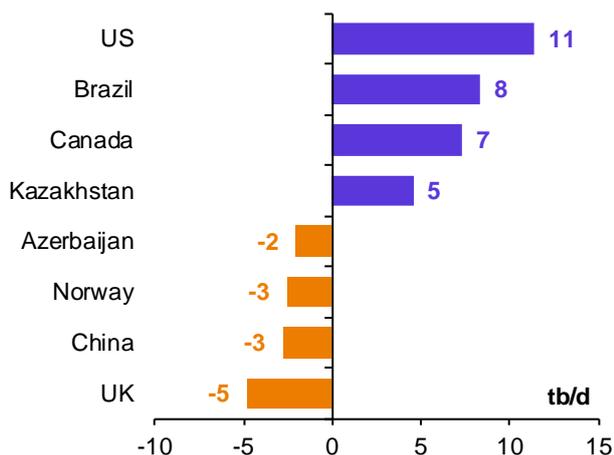
Source: OPEC Secretariat.

Main monthly revisions

Non-OPEC liquids production growth in 2019 was revised up by 20 tb/d, mainly due to upward revisions on production estimates in 4Q19. Non-OPEC liquids production is now estimated to have grown by 1.88 mb/d to average 64.36 mb/d for the year (including processing gains).

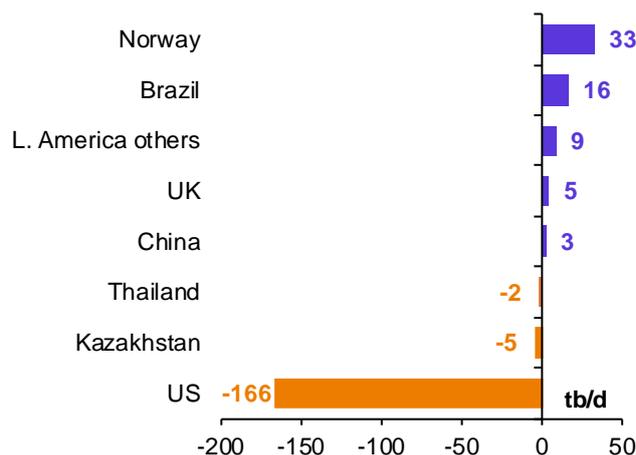
On the other hand, **non-OPEC liquids production growth in 2020** was revised down by 100 tb/d and is now forecast at 2.25 mb/d (including processing gains), for an average of 66.60 mb/d of production. This was mainly due to a downward revision in the production forecast of the US, by 166 tb/d, owing to independent shale oil companies facing financial challenges and a slowdown in drilling and well completion, resulting in average growth of 1.26 mb/d y-o-y. This downward revision in the US was partially offset by upward revisions in Norway, Brazil and Latin America others (Guyana).

Graph 5 - 1: Monthly oil market report Feb 20/Jan 20 revisions in 2019* annual liquids production changes



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

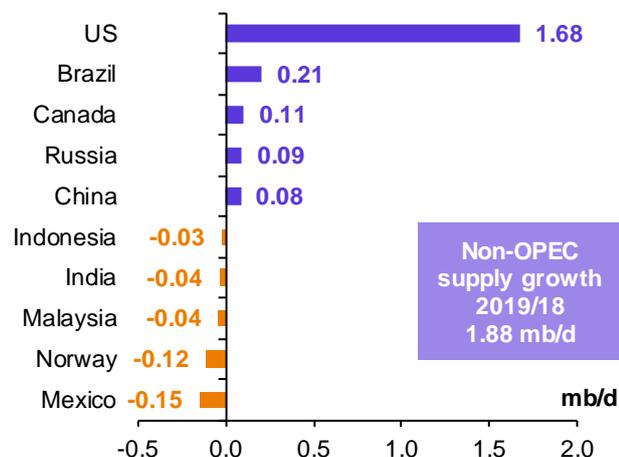
Graph 5 - 2: Monthly oil market report Feb 20/Jan 20 revisions in 2020* annual liquids production changes



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

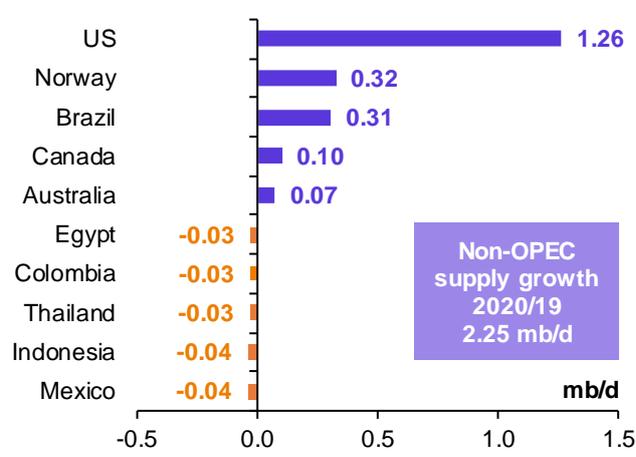
Key drivers of growth and decline

Graph 5 - 3: Annual liquids production changes for selected countries in 2019*



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

Graph 5 - 4: Annual liquids production changes for selected countries in 2020*



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

Non-OPEC liquids production in 2019 and 2020

Table 5 - 2: Non-OPEC liquids production in 2019*, mb/d

	2018	1Q19	2Q19	3Q19	4Q19	2019	Change 2019/18	
							Growth	%
Americas	24.08	25.07	25.59	25.68	26.50	25.71	1.63	6.77
of which US	16.71	17.78	18.29	18.36	19.11	18.39	1.68	10.03
Europe	3.84	3.84	3.57	3.55	3.90	3.72	-0.12	-3.19
Asia Pacific	0.41	0.43	0.48	0.51	0.55	0.49	0.08	20.52
Total OECD	28.33	29.34	29.64	29.74	30.94	29.92	1.59	5.62
Other Asia	3.56	3.51	3.46	3.34	3.41	3.43	-0.13	-3.56
Latin America	5.19	5.17	5.25	5.53	5.73	5.42	0.23	4.39
Middle East	3.21	3.22	3.21	3.21	3.21	3.21	0.00	0.04
Africa	1.50	1.51	1.51	1.51	1.49	1.50	0.00	0.10
Total DCs	13.46	13.41	13.43	13.59	13.84	13.57	0.10	0.77
FSU	14.29	14.55	14.16	14.34	14.42	14.37	0.08	0.53
of which Russia	11.35	11.53	11.36	11.42	11.45	11.44	0.09	0.82
Other Europe	0.12	0.12	0.12	0.12	0.12	0.12	0.00	-2.34
China	4.02	4.10	4.13	4.10	4.08	4.10	0.08	2.10
Total "Other regions"	18.43	18.77	18.41	18.56	18.62	18.59	0.16	0.85
Total non-OPEC production	60.22	61.52	61.48	61.89	63.41	62.08	1.85	3.08
Processing gains	2.25	2.28	2.28	2.28	2.28	2.28	0.03	1.24
Total non-OPEC liquids production	62.47	63.80	63.76	64.17	65.68	64.36	1.88	3.01
Previous estimate	62.47	63.80	63.76	64.17	65.60	64.34	1.86	2.98
Revision	0.00	0.00	0.00	-0.01	0.08	0.02	0.02	0.03

Note: * 2019 = Estimate. Totals may not add up due to independent rounding.

Source: OPEC Secretariat.

Table 5 - 3: Non-OPEC liquids production in 2020*, mb/d

	2019	1Q20	2Q20	3Q20	4Q20	2020	Change 2020/19	
							Growth	%
Americas	25.71	26.45	26.78	27.32	27.58	27.04	1.32	5.15
of which US	18.39	18.97	19.60	19.92	20.11	19.65	1.26	6.87
Europe	3.72	4.06	3.91	3.96	4.18	4.03	0.31	8.37
Asia Pacific	0.49	0.55	0.54	0.58	0.58	0.56	0.07	14.22
Total OECD	29.92	31.06	31.23	31.86	32.34	31.62	1.71	5.70
Other Asia	3.43	3.38	3.39	3.39	3.38	3.38	-0.04	-1.28
Latin America	5.42	5.78	5.79	5.79	5.89	5.81	0.39	7.23
Middle East	3.21	3.24	3.25	3.26	3.28	3.26	0.04	1.35
Africa	1.50	1.50	1.55	1.54	1.54	1.53	0.03	1.69
Total DCs	13.57	13.90	13.98	13.98	14.08	13.98	0.42	3.07
FSU	14.37	14.23	14.45	14.37	14.65	14.42	0.06	0.38
of which Russia	11.44	11.27	11.50	11.51	11.64	11.48	0.04	0.37
Other Europe	0.12	0.12	0.12	0.12	0.11	0.12	-0.01	-4.32
China	4.10	4.12	4.13	4.10	4.13	4.12	0.02	0.53
Total "Other regions"	18.59	18.47	18.70	18.59	18.89	18.66	0.07	0.38
Total non-OPEC production	62.08	63.43	63.91	64.42	65.32	64.27	2.19	3.53
Processing gains	2.28	2.33	2.33	2.33	2.33	2.33	0.05	2.37
Total non-OPEC liquids production	64.36	65.76	66.24	66.75	67.65	66.60	2.25	3.49
Previous estimate	64.34	65.94	66.34	66.74	67.70	66.68	2.35	3.65
Revision	0.02	-0.18	-0.10	0.01	-0.05	-0.08	-0.10	-0.16

Note: * 2019 = Estimate and 2020 = Forecast. Totals may not add up due to independent rounding.

Source: OPEC Secretariat.

OECD

OECD liquids production in 2019 is estimated to have grown by 1.59 mb/d y-o-y, revised up by 0.01 mb/d m-o-m, for an average of 29.92 mb/d. OECD Americas was revised up by 17 tb/d and is now estimated to have grown by 1.63 mb/d, while OECD Europe was revised down by 7 tb/d, which led to a deeper y-o-y decline of 0.12 mb/d. OECD Asia Pacific remained unchanged with growth of 0.08 mb/d y-o-y.

For **2020**, the OECD growth forecast was revised down by 0.13 mb/d to 1.71 mb/d, averaging 31.62 mb/d, mainly due to a downward revision in the supply forecast of OECD Americas by 165 tb/d to average 1.32 mb/d. The oil production growth forecast in OECD Europe was revised up m-o-m by 0.04 mb/d to average 0.31 mb/d due to the expected higher growth in Norway. Oil production in OECD Asia Pacific is forecast to grow by 0.07 mb/d to average 0.56 mb/d, remaining unchanged compared to the previous month's forecast.

OECD Americas

US

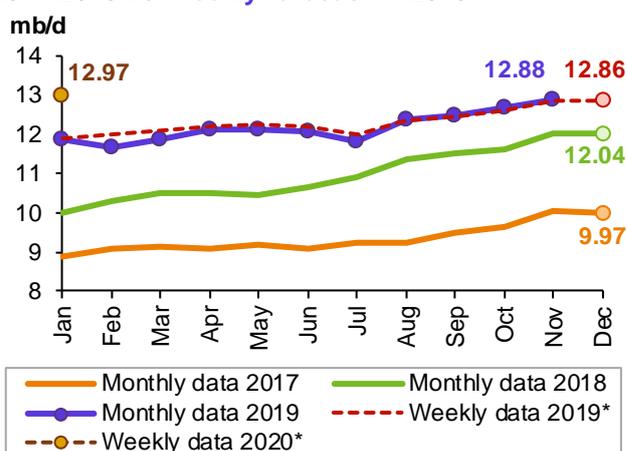
US liquids output in November (excluding processing gains) showed an increase of 0.17 mb/d m-o-m to average 19.23 mb/d, up by 1.32 mb/d y-o-y. Crude oil output increased by 0.20 mb/d m-o-m to average 12.88 mb/d, higher by 0.88 mb/d y-o-y, while production of NGLs in November declined by 0.05 mb/d m-o-m to average 4.97 mb/d, higher by 0.41 mb/d y-o-y. Output of other non-conventional liquids, mainly ethanol, was up in November (preliminary) by 11 tb/d m-o-m to average 1.37 mb/d, and higher by 28 tb/d compared with a year ago. The actual production data of other non-conventional liquids has been officially reported by the US Energy Information Administration (EIA) at 1.36 mb/d for October.

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

State	Oct 19	Nov 19	Nov 19/Oct 19
Alaska	475	485	10
Colorado	555	562	7
Oklahoma	592	575	-17
New Mexico	1,004	1,063	59
North Dakota	1,482	1,479	-3
Federal Offshore -			
Gulf of Mexico (GoM)	1,904	1,995	91
Texas	5,264	5,329	65
Total US crude oil production	12,676	12,879	203

Sources: US EIA and OPEC Secretariat.

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

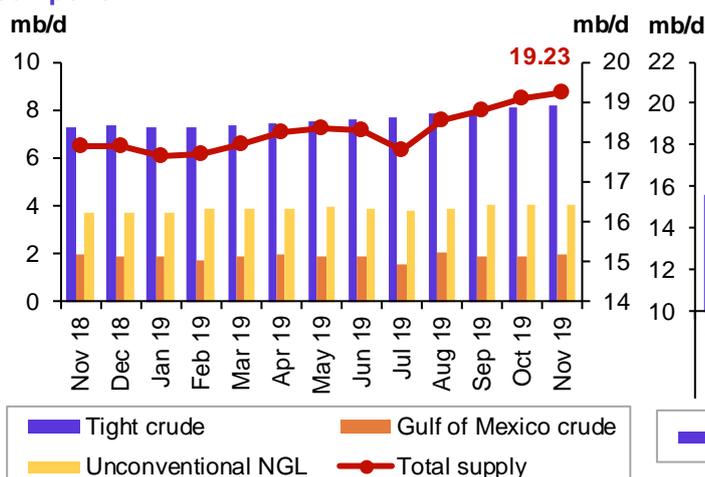


Note: * 2019 = Estimate and 2020 = Forecast.
Sources: US EIA and OPEC Secretariat.

US crude oil production in 2020 is forecast to grow by 0.88 mb/d y-o-y to average 13.12 mb/d. Of this, tight crude output is forecast to increase y-o-y by 0.86 mb/d to average 8.56 mb/d, mainly in the Permian Basin. As US crude oil production grew from an average of 5.36 mb/d in 2009 to 12.18 mb/d in 2019 (through November), crude oil imports dropped from an average of 9.0 mb/d in 2009 to around 6.8 mb/d in 2019 (through November).

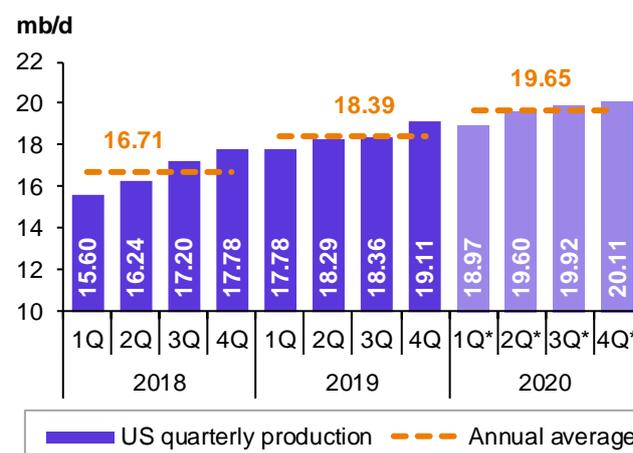
According to the EIA, "US net imports of crude oil and petroleum products fell from an average of 2.3 mb/d in 2018 to an average of 0.5 mb/d in 2019". The EIA forecasts that the **US will be a net exporter of total crude oil and petroleum products by 0.8 mb/d in 2020** and by 1.4 mb/d in 2021. Production is continuing to increase, despite the pullback in drilling, as companies are running through their inventories of drilled but uncompleted (DUC) wells. Oil production from offshore fields in the GoM is expected to grow by 0.10 mb/d to average 1.99 mb/d, while Lower 48 onshore non-tight crude oil production, including from Alaska, is forecast to decline by around 0.08 mb/d to average 2.58 mb/d.

Graph 5 - 6: US monthly liquids supply by key component



Source: US EIA and OPEC Secretariat.

Graph 5 - 7: US total liquids supply quarterly



Note: * 1Q20-4Q20=Forecast.

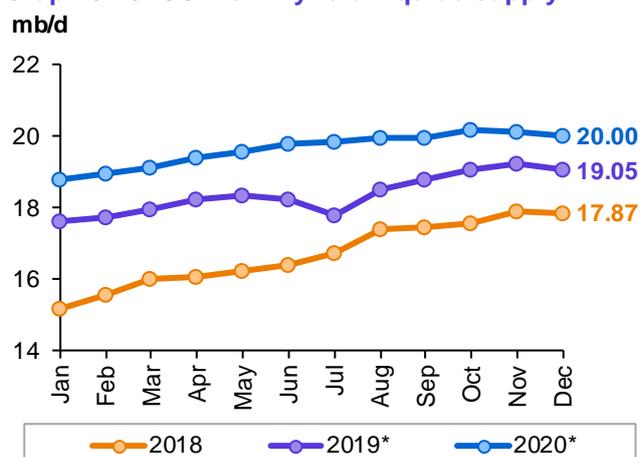
Sources: US EIA and OPEC Secretariat.

US liquids production in 2020 is forecast to average 19.65 mb/d, representing y-o-y growth of 1.26 mb/d, revised down by 0.17 mb/d from the previous month's assessment. Crude oil production is forecast to grow by 0.88 mb/d to average 13.12 mb/d, while NGLs and other unconventional liquids, mainly ethanol, are projected to grow by 0.36 mb/d and 0.02 mb/d to average 5.16 mb/d and 1.37 mb/d, respectively. Downward assessments for US crude and NGL production are due to weak indications of well completion as well as the acceleration in restructuring plans of US oil service companies amid a second year of E&P spending slashes, particularly at US independent oil companies.

"Bankruptcies among US and Canadian oil companies last year rose by 50 percent and could continue rising this year", according to Haynes and Boon. "Shareholders have been getting impatient with oil companies, demanding higher returns and less of a focus on production expansion.

As a result of this impatience, oil stocks have suffered one of their worst years in 2019, and the pain will likely continue this year as well", Haynes and Boon reported.

Graph 5 - 8: US monthly total liquids supply



Note: * 2019 = Estimate and 2020 = Forecast.

Source: OPEC Secretariat.

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

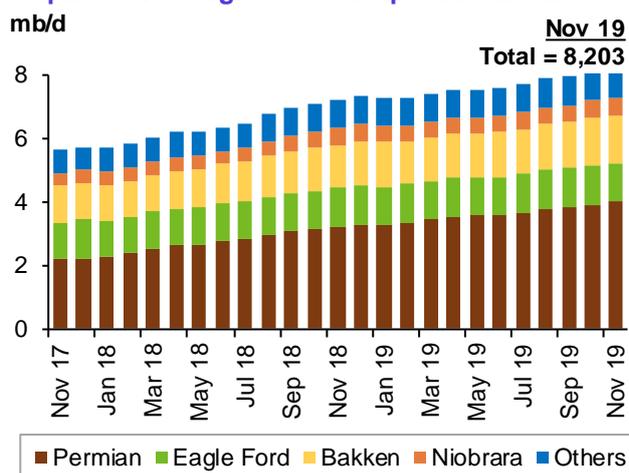
	2017	2018	Change 2018/17	2019*	Change 2019/18	2020*	Change 2020/19
Tight crude	4.97	6.51	1.55	7.69	1.19	8.56	0.86
Gulf of Mexico crude	1.68	1.76	0.08	1.89	0.13	1.99	0.10
Conventional crude oil	2.71	2.72	0.01	2.66	-0.07	2.58	-0.08
Unconventional NGLs	3.02	3.60	0.57	4.00	0.42	4.38	0.38
Conventional NGLs	0.76	0.77	0.01	0.80	0.01	0.78	-0.02
Biofuels + Other liquids	1.27	1.35	0.08	1.35	0.00	1.37	0.02
US total supply	14.40	16.71	2.31	18.39	1.68	19.65	1.26

Note: * 2019 = Estimate and 2020 = Forecast.

Sources: US EIA, Rystad Energy and OPEC Secretariat.

US tight crude output in November increased by an estimated 112 tb/d m-o-m to average 8.20 mb/d, an increase of 0.99 mb/d y-o-y. The main m-o-m growth in US tight crude output from shale and tight formations through horizontal wells came from the Permian Midland, as well as the Delaware Basin in Texas, adding a total of 90 tb/d to average 4.00 mb/d. Tight crude output in the Eagle Ford declined to 1.22 mb/d while output in the Bakken and Niobrara rose m-o-m to average 1.49 mb/d and 0.58 mb/d, respectively. Production from other tight plays was up by 12 tb/d in November m-o-m to average 0.92 mb/d.

Graph 5 - 9: US tight crude output breakdown



Sources: US EIA, Rystad Energy and OPEC Secretariat.

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

Shale play tb/d	2018		2019*		2020*	
	Production	Y-o-y change	Production	Y-o-y change	Production	Y-o-y change
Permian tight	2.81	0.97	3.66	0.85	4.26	0.60
Bakken shale	1.25	0.20	1.42	0.16	1.54	0.13
Eagle Ford shale	1.18	0.09	1.23	0.05	1.26	0.03
Niobrara shale	0.46	0.12	0.53	0.07	0.57	0.04
Other tight plays	0.80	0.17	0.87	0.07	0.93	0.06
Total	6.51	1.55	7.70	1.19	8.56	0.86

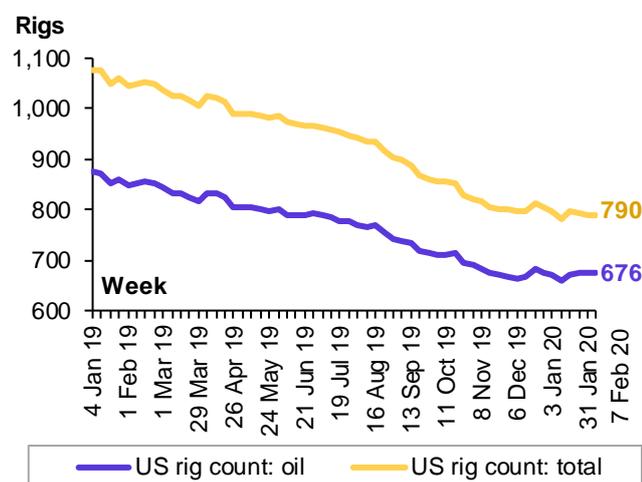
Note: * 2019 = Estimate and 2020 = Forecast.

Source: OPEC Secretariat.

US rig count, spudded, completed, DUC wells and fracking activity

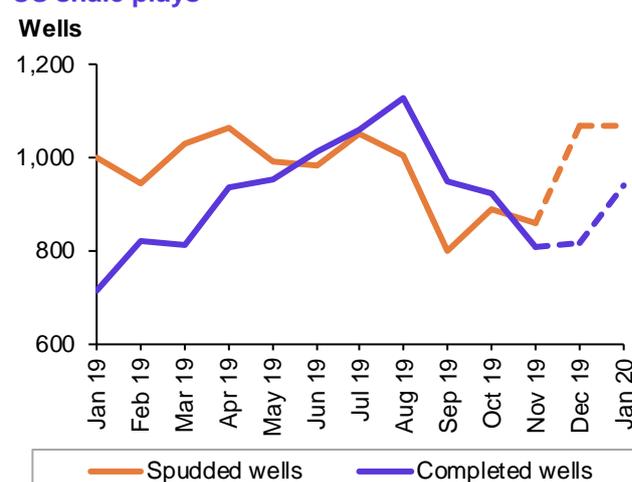
The overall **US rig count** declined by 259 units, or 24.7%, y-o-y to 790 rigs in the week ending 7 February. Out of 790 active rigs, 767 rigs were onshore and 23 rigs were offshore. US oil rigs dropped by 178 units, or 20.8% y-o-y to average 676 rigs (**Graph 5 - 10**).

Graph 5 - 10: US weekly rig count



Sources: Baker Hughes and OPEC Secretariat.

Graph 5 - 11: Spudded and completed wells in the US shale plays



Sources: Rystad Energy and OPEC Secretariat.

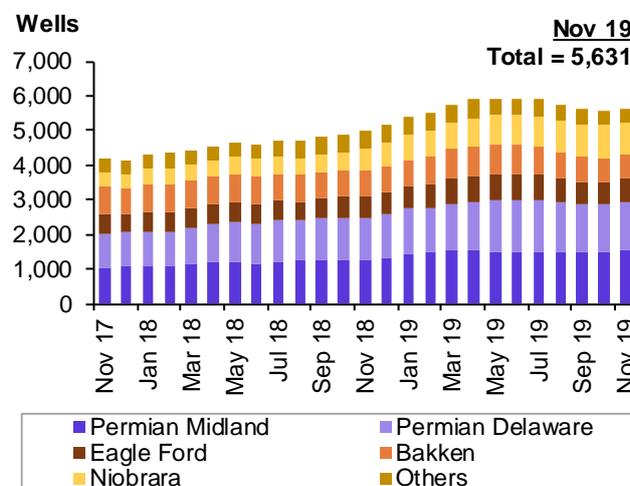
The Permian continues to have the vast majority of US rigs, at 405 as of 7 February, lower by 73 rigs (-15.3%) y-o-y. US gas rigs dropped by 84 units, or 43%, y-o-y to 111 rigs. Total horizontal rigs (oil and gas) decreased by 212 units, or 23% y-o-y to stand at 711 rigs.

With regard to drilling and completion (D&C) in all US shale plays, 857 wells were spudded in November, down by 32 wells m-o-m. At the same time, 809 wells were completed in the same month, a drop of 115 wells m-o-m. However, preliminary spudded and completed horizontal wells in December and January show an rising trend, according to data by Rystad Energy (**Graph 5 - 11**).

US fracking activity for November shows a continuation of the declining trend from September to October. However, Permian activity increased to an all-time high in October and subsequently declined in November. New data released by the FracFocus Chemical Disclosure Registry shows a shallower m-o-m decline for US fracking activity in December 2019.

The number of **DUC wells in November** increased m-o-m in the Permian Midland and Eagle Ford by a total of 125 wells, which was offset by declines of DUCs in other regions, resulting in a total increase in DUCs by 53 units to 5,631 uncompleted wells.

Graph 5 - 12: US horizontal DUC count by shale play



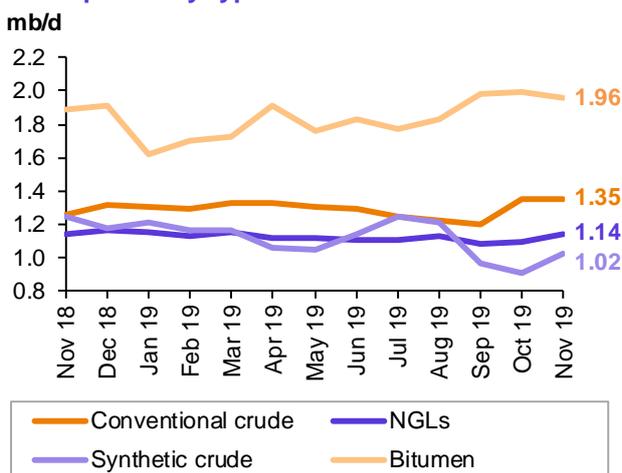
Sources: Rystad Energy and OPEC Secretariat.

Canada

Canada's liquids production in October was up by 0.11 mb/d m-o-m to average 5.38 mb/d, according to official data, which is 0.12 mb/d lower y-o-y. Total synthetic crude and bitumen production fell by 0.05 mb/d m-o-m to average 2.89 mb/d in October, down by 0.17 mb/d y-o-y, while conventional oil output increased by 0.15 mb/d m-o-m to average 1.35 mb/d, the highest level since February 2015, mainly due to higher output from offshore oil fields. NGL output rose by 17 tb/d to average 1.10 mb/d.

In November, production of Canadian oil sands increased by 0.10 mb/d to average 3.03 mb/d, mainly from the state of Alberta. While synthetic crude production rose by 122 tb/d to average 1.02 mb/d as upgraders returned from maintenance, crude bitumen declined by 26 tb/d to average 1.96 mb/d due to lower output from in situ projects.

Graph 5 - 13: Canada monthly production development by type



Sources: National Energy Board and OPEC Secretariat.

The preliminary liquids output in November is estimated at 5.51 mb/d, indicating a higher output by 134 tb/d m-o-m. Canada's oil supply growth estimate for **2019** was revised up by 7 tb/d following higher-than-expected output in 4Q19, and is now forecast to represent 0.11 mb/d y-o-y for an average of 5.39 mb/d.

For **2020**, liquids production is expected to grow by 0.10 mb/d y-o-y to average 5.49 mb/d, remaining unchanged from last month's assessment.

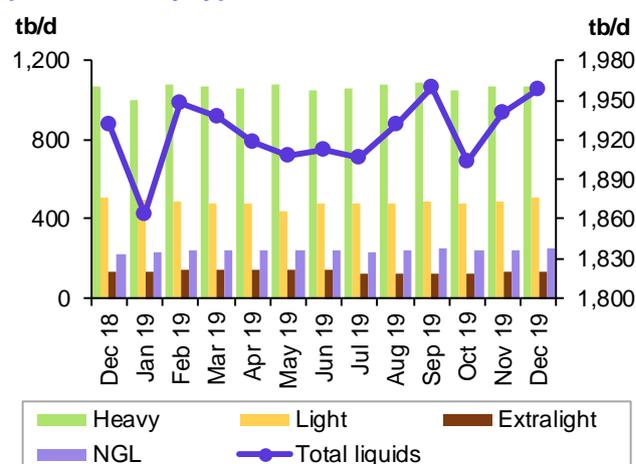
Mexico

Mexico’s liquids output in December was up by 0.02 mb/d m-o-m to average 1.96 mb/d, a rise of 0.03 mb/d y-o-y. Crude oil production, mainly light crude, increased by 10 tb/d m-o-m to average 1.71 mb/d. NGL output was up by 8 tb/d m-o-m to average 248 tb/d.

According to **preliminary production data for January**, output remained unchanged at 1.96 mb/d. Production ramp ups from four fields out of 20 priority fields for development that started in 2H19 led to a reversal in the production trend of Mexico.

Oil output in **2019** declined by 0.15 mb/d y-o-y. However, with start-ups of new fields such as Xanab, operated by state owned oil company Pemex, and private producers like Eni, the decreasing trend of annual natural decline of 7.2% in 2019 will slow down in 2020. Mexico’s liquids output, through production ramp ups at several small offshore fields, could offset part of the heavy declines in mature fields, resulting in a milder decline of 0.04 mb/d to settle at 1.89 mb/d in 2020.

Graph 5 - 14: Mexico’s monthly liquids and crude production by type



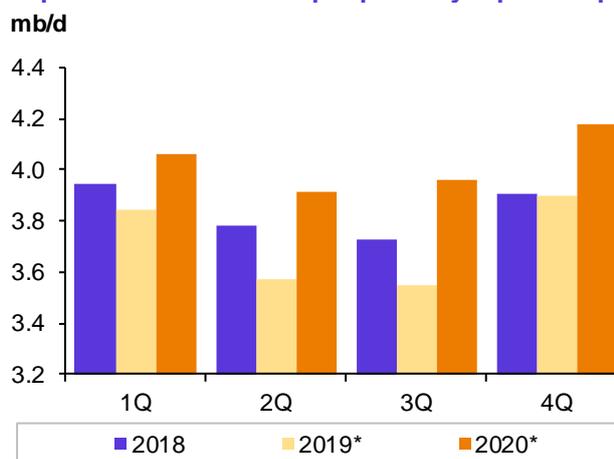
Sources: PEMEX and OPEC Secretariat.

OECD Europe

OECD Europe’s liquids production in 2019 declined by 0.12 mb/d to average 3.72 mb/d due to heavy declines in Norway (6.2% pa).

On the other hand, for **2020**, production is expected to surge to 4.03 mb/d through the production ramp up in the giant Johan Sverdrup offshore field in Norway, representing y-o-y growth of 0.31 mb/d for the region.

Graph 5 - 15: OECD Europe quarterly liquids supply



Note: * 2019 = Estimate and 2020 = Forecast.
Source: OPEC Secretariat.

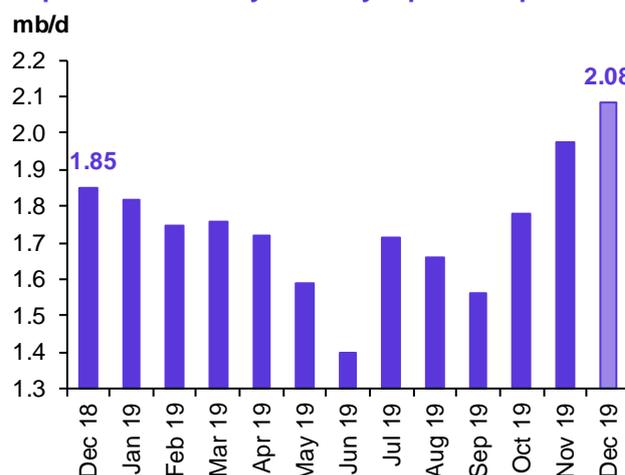
Norway

Norway’s liquids production in December rose by 0.10 mb/d m-o-m to average 2.08 mb/d, following m-o-m growth in November of 0.20 mb/d. Average daily liquids production in December included 1.76 mb/d of crude oil and 0.32 mb/d of NGLs (including 27 tb/d of condensate). Oil production in December is 12.7% higher than the NPD’s forecast, and 0.5% below their forecast for 2019.

Aker BP, the operator for development of the Valhall Flank West, which is located in the southern Norwegian North Sea, aims to produce a similar volume over the next 40 years. Valhall Flank West will contribute close to 80 mboe (million barrel of oil equivalent). Valhall has produced over 1 billion boe since it started up in 1982.

Norway's liquids supply in 2020 is expected to grow by 0.32 mb/d to average 2.06 mb/d, revised up by 33 tb/d from the previous month. Regardless of the incremental production from the Norwegian Johan Sverdrup, higher output is expected to come onstream in 1H20 from other small fields that started up in 2019, such as Maria and Oda. Moreover, production from the Martin Linge field is projected to come onstream in 3Q20.

Graph 5 - 16: Norway monthly liquids output



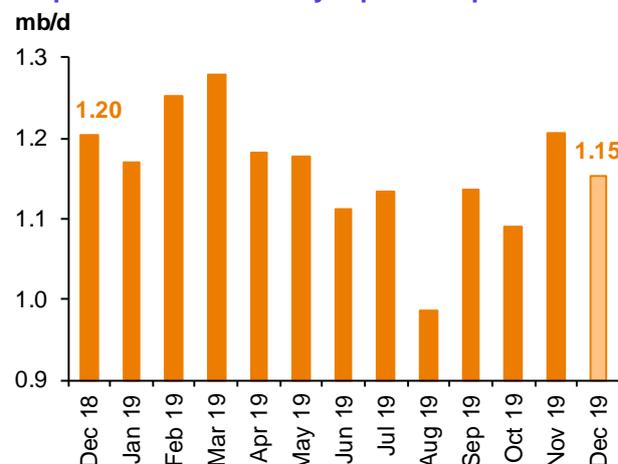
Sources: Norwegian Petroleum Directorate OPEC Secretariat.

UK

UK liquids production in December fell by 0.06 mb/d m-o-m to average 1.15 mb/d, lower by 0.05 mb/d y-o-y. Crude oil output declined by 47 tb/d to average 1.02 mb/d, down y-o-y by 52 tb/d, despite full production from the Buzzard field and full operational capacity through the Forties Pipeline System (FPS), while NGL output was up by 8 tb/d to average 248 tb/d in December. Non-conventional liquids were also pegged at 51 tb/d in December.

As a result, annual growth in 2019 is estimated at a slower pace compared with a year ago, at 0.03 mb/d y-o-y, to average 1.16 mb/d.

Graph 5 - 17: UK monthly liquids output

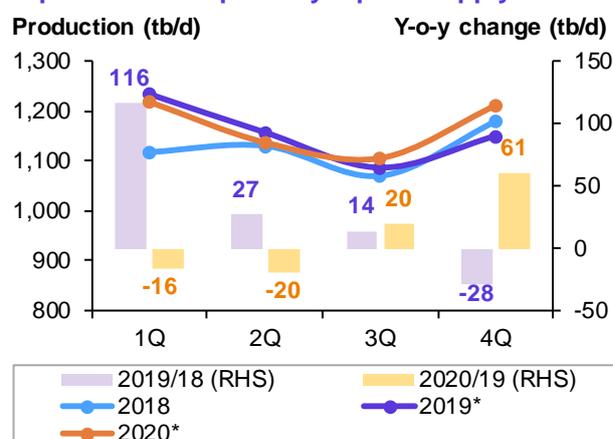


Sources: Oil and Gas Authority and OPEC Secretariat.

The observed decline in crude oil output in December may be due to a production shut-in at the Thistle field and a continuation of inspections on sub-sea equipment, which could continue even into February 2020. Moreover, production from the Quad field was expected to recover from the low level recorded in October.

For 2020, despite expected growth from new projects, the UK oil supply is forecast to see minor growth of 0.01 mb/d to average 1.17 mb/d.

Graph 5 - 18: UK quarterly liquids supply



Note: * 2019 = Estimate and 2020 = Forecast.
Source: OPEC Secretariat.

Developing Countries

Total developing countries' (DCs) liquids production for 2019 is estimated to have grown by 0.10 mb/d y-o-y to an average of 13.57 mb/d. Latin America recorded y-o-y growth of 0.23 mb/d, driven by new production ramp ups in Brazil. Meanwhile, oil supply is estimated to remain unchanged y-o-y in Africa and the Middle East; and to decline by 0.13 mb/d y-o-y in Other Asia.

For **2020**, DCs' liquids production is forecast to grow by 0.42 mb/d and average 13.98 mb/d, revised up by 27 tb/d compared with the previous monthly assessment. This was due to an upward revision in the production forecast for Latin America on the back of new production coming on stream in Guyana and Brazil. The key driver remains Latin America with y-o-y forecast growth of 0.39 mb/d. While production is forecast to increase in the Middle East and Africa by 0.04 mb/d and 0.03 mb/d to average 3.26 mb/d and 1.53 mb/d, respectively, production in Other Asia, despite projected growth in India and Malaysia, is forecast to decline by 0.04 mb/d to average 3.38 mb/d.

Latin America

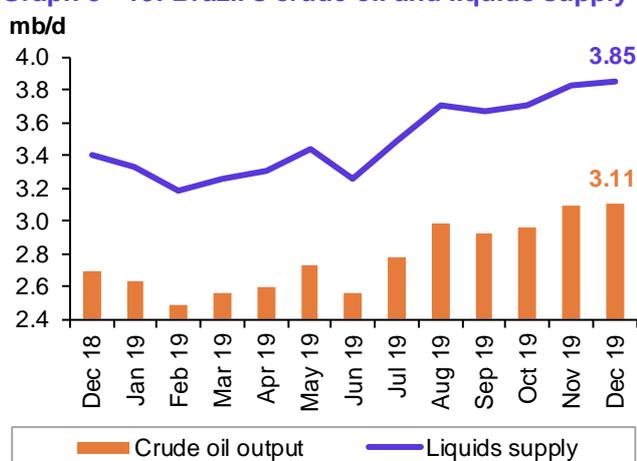
Brazil

Brazil's crude oil output in December rose by 16 tb/d m-o-m to average 3.11 mb/d — for a second consecutive monthly record of more than 3 mb/d — showing robust y-o-y growth of 415 tb/d from pre-salt fields, including the Lula and Buzios, and representing 0.62 mb/d higher output y-o-y, according to the Agência Nacional do Petróleo (ANP). Nevertheless, robust growth from the pre-salt horizon in the Santos Basin was partially offset by heavy declines of 190 tb/d y-o-y (more than 17%) reported from fields located in post-salt reservoirs in the Campos Basin, particularly the Roncador field.

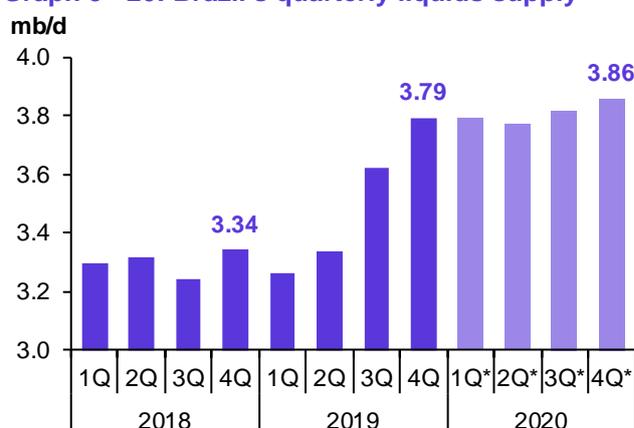
In 2019, average output for biofuels, mainly ethanol, reached 615 tb/d, increasing by a minor 8 tb/d y-o-y. Since June 2019, crude oil production surged by 0.55 mb/d within six months supported by five main fields, including the Lula, Buzios, Sapinhoá, Jubarte and Sul De Lula fields, which boosted production from the pre-salt horizon in the Deepwater Santos Basin through 14 FPSOs and 11 Petrobras platforms to average 1.74 mb/d in 2019. According to official data, 0.63 mb/d out of 1 billion barrels of crude produced in 2019 came from the prolific pre-salt zone off Brazil's coast.

Brazil's liquids production in 2019 is estimated to have increased by 0.21 mb/d y-o-y, revised up by 0.01 mb/d, to an average of 3.51 mb/d (including biofuels).

Graph 5 - 19: Brazil's crude oil and liquids supply **Graph 5 - 20: Brazil's quarterly liquids supply**



Sources: National Agency of Petroleum, Natural Gas and Biofuels; and OPEC Secretariat.



Note: * 1Q20-4Q20=Forecast.

Sources: National Agency of Petroleum, Natural Gas and Biofuels; and OPEC Secretariat.

The **production forecast for 2020** shows y-o-y growth of 0.31 mb/d for an average of 3.81 mb/d, revised up by 0.02 mb/d from last month's assessment. Annual maintenance is expected to slow growth in 2Q20 and 3Q20.

FSU

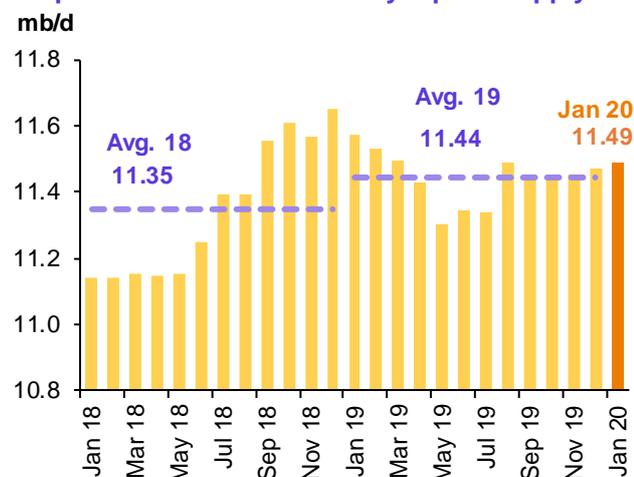
FSU's oil supply in 2019 is estimated to have increased by 0.08 mb/d y-o-y to average 14.37 mb/d, unchanged from last month's assessment. In Russia, oil production is estimated to have increased by 0.09 mb/d to average 11.44 mb/d, while oil output in Azerbaijan is estimated to have declined by 0.02 mb/d y-o-y to average 0.79 mb/d. Oil output was revised up by a minor 5 tb/d in Kazakhstan, remaining unchanged at an average output of 1.82 mb/d in 2019. FSU Others recorded average output of 0.32 mb/d.

For **2020**, the FSU oil supply forecast remained unchanged and is expected to grow by 0.06 mb/d y-o-y to average 14.42 mb/d, including downward adjustments in Russia, Kazakhstan and Azerbaijan crude oil production in 1Q20 to meet levels agreed upon in the Declaration of Cooperation. However, oil production for 2020 in Russia, Kazakhstan and Azerbaijan is projected to grow by 0.04 mb/d, 0.02 mb/d and 0.01 mb/d, respectively, while FSU Others' supply will decline by 0.01 mb/d y-o-y.

Russia

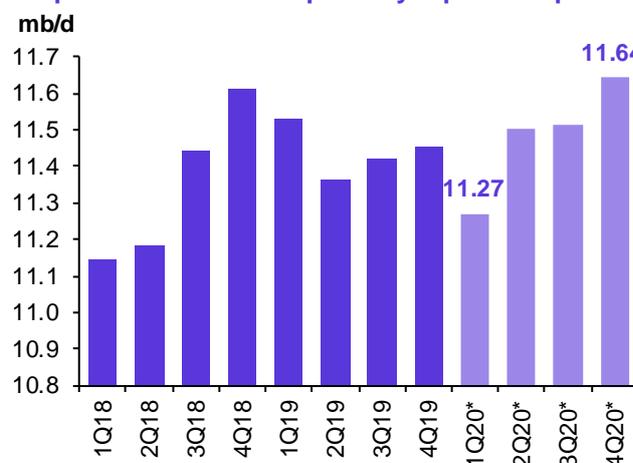
Preliminary data for **Russia's liquids production in January** shows slightly higher crude oil production by 0.02 mb/d, to average 11.49 mb/d. Crude oil production in January rose by 0.02 mb/d to average 10.67 mb/d, the same level as in January 2019, while total condensate and NGL output from gas condensate fields has increased from 0.73 mb/d in July 2019 to average 0.82 mb/d for four consecutive months (Sep 2019-Jan 2020) due to seasonal patterns in West Siberia from projects such as Yamal LNG, Rospan plant, North Russkoye and the Chayandinskoye gas field.

Graph 5 - 21: Russia's monthly liquids supply



Sources: Nefte Compass and OPEC Secretariat.

Graph 5 - 22: Russia's quarterly liquids output



Note: * 1Q20-4Q20=Forecast.

Sources: Nefte Compass and OPEC Secretariat.

The annual liquids production in **2019** is estimated to have increased by 0.09 mb/d y-o-y to average 11.44 mb/d, the highest level since 1987.

For **2020**, Russian liquids supply is expected to grow by 0.04 mb/d y-o-y to average 11.48 mb/d, considering a downward adjustment for 1Q20. The average over the other three quarters is forecast at 11.55 mb/d.

Caspian

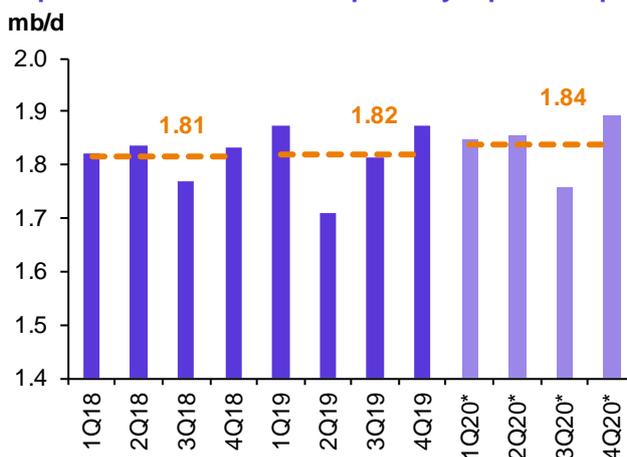
Kazakhstan

Kazakhstan's liquids output in December recovered by 0.02 mb/d m-o-m to average 1.90 mb/d, higher y-o-y by 0.01 mb/d. Crude oil production in December increased by 17 tb/d to average 1.63 mb/d, up by 13 tb/d compared with a year ago. NGL output was flat m-o-m at 0.27 mb/d, and the same as a year ago.

Kazakhstan’s oil production in **2019** is not estimated to have grown y-o-y due to heavy maintenance at the Kashagan, Tengiz and Karachaganak fields throughout the year and is expected to have remained broadly unchanged at an average of 1.82 mb/d.

For **2020**, due to expected heavy maintenance at the main fields and no new projects forecast to come on stream, total liquids production is forecast to grow by 0.02 mb/d to average 1.84 mb/d. Kazakhstan’s oil production forecast for 1Q20 was adjusted down to average 1.85 mb/d in line with voluntary commitments of the Declaration of Cooperation.

Graph 5 - 23: Kazakhstan’s quarterly liquids output



Note: * 1Q20-4Q20=Forecast.
Sources: Nefte Compass and OPEC Secretariat.

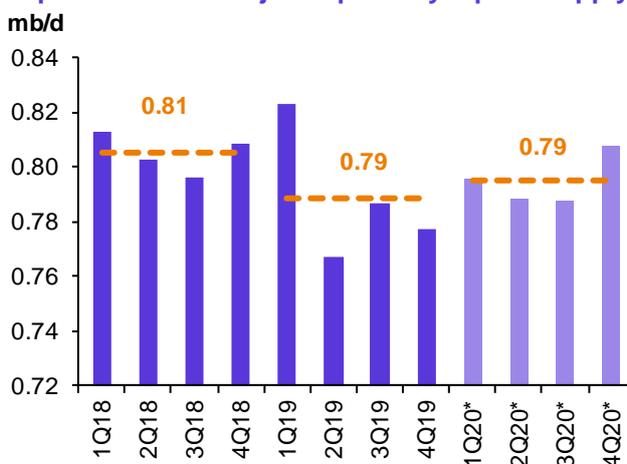
Azerbaijan

Azerbaijan’s liquids output in December was down by 5 tb/d m-o-m to average 0.79 mb/d, lower by 0.02 mb/d y-o-y, with a decrease in crude oil production by 7 tb/d to average 667 tb/d and higher output by only 2 tb/d for NGLs to average 124 tb/d.

For **2019**, Azerbaijan’s oil production is estimated to have declined by 0.02 mb/d to average 0.79 mb/d.

For **2020**, oil production is forecast to grow by 0.01 mb/d. The forecast was adjusted to 796 tb/d in 1Q20, in line with voluntary commitments of the Declaration of Cooperation.

Graph 5 - 24: Azerbaijan’s quarterly liquids supply



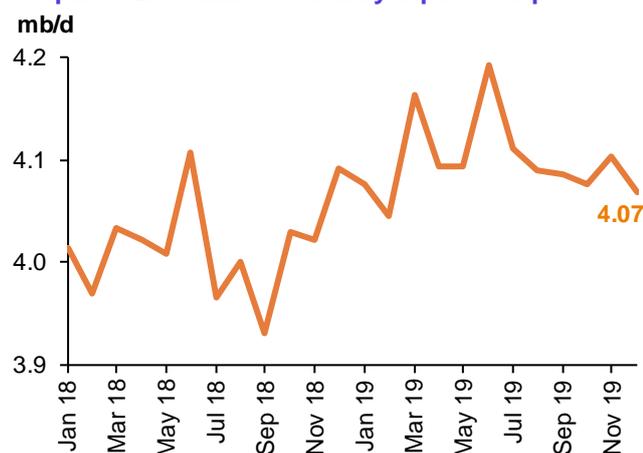
Note: * 1Q20-4Q20=Forecast.
Sources: JODI and OPEC Secretariat.

China

China’s liquids production in December was down by 38 tb/d m-o-m to average 4.07 mb/d, lower by 23 tb/d y-o-y, according to official data.

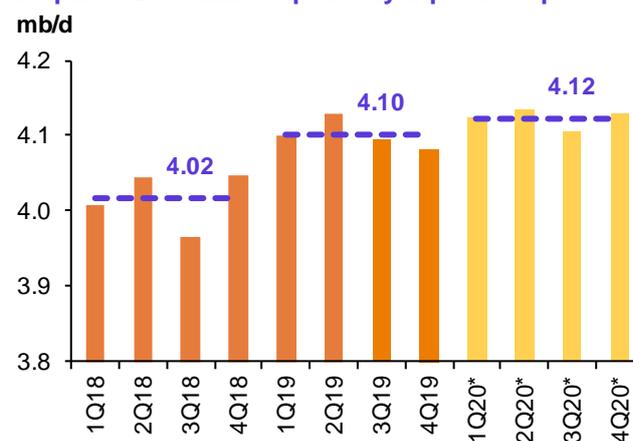
Crude oil output in December decreased by 38 tb/d to average 3.78 mb/d, which was 63 tb/d lower y-o-y. As a result, domestic crude oil production is estimated to have edged up to 3.8 mb/d in 2019 from 3.79 mb/d in 2018. Three major companies, China National Petroleum Corp., Sinopec and China National Offshore Oil Corp., have increased investment in domestic oil and gas E&P in 2019 by 22%, or around \$48 billion, compared with a year ago. CNOOC plans to drill 227 exploration wells (including overseas activities). Ten new projects such as; Penglai 19-3 oil field block 4 adjustment, Penglai 19-9 oil field Phase II, Bozhong 19-6 gas field, Luda 16-3/21-2 joint development, Qinhuangdao 33-1 South oil field Phase I, Jinzhou 25-1 oil field 6/11 area; Liuhua 29-1 gas field development; Nanbao 35-2 oil field S1 area; and Liuhua 16-2 oil field/20-2 oil field are expected to come onstream in 2020.

Graph 5 - 25: China's monthly liquids output



Sources: China National Petroleum Corporation and OPEC Secretariat.

Graph 5 - 26: China's quarterly liquids output



Note: * 1Q20-4Q20=Forecast.
Sources: China National Petroleum Corporation and OPEC Secretariat.

China's liquids production in **2019** is estimated to have grown by 0.08 mb/d to average 4.10 mb/d. For **2020**, oil production growth is forecast to slow to 0.02 mb/d, for an average of 4.12 mb/d.

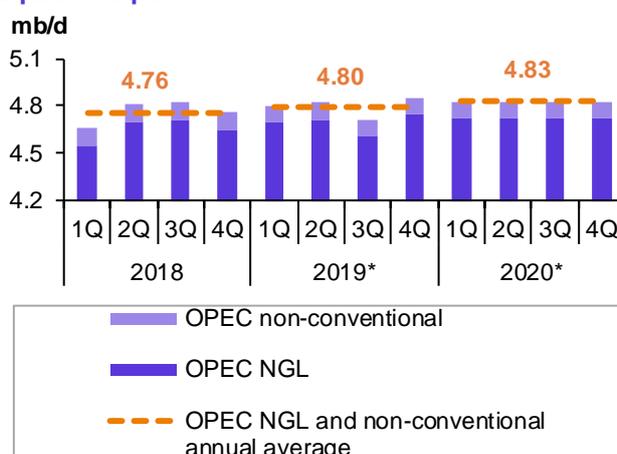
OPEC NGL and non-conventional oils

OPEC NGLs and non-conventional liquids are estimated to have grown by 0.04 mb/d in **2019** to average 4.80 mb/d, unchanged from last month's assessment, following growth of 0.12 mb/d in 2018.

OPEC NGL output in **November and December** showed increases of 0.02 mb/d m-o-m to average 4.86 mb/d and 4.88 mb/d, respectively. Preliminary production in January also indicates m-o-m growth of 0.01 mb/d to average 4.89 mb/d.

The preliminary **2020** forecast indicates growth of 0.03 mb/d to average 4.83 mb/d.

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



Note: * 2019= Estimate and 2020= Forecast.
Sources: OPEC Secretariat.

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

	2018	2019	Change 19/18	1Q20	2Q20	3Q20	4Q20	2020	Change 20/19
Total OPEC	4.76	4.80	0.04	4.83	4.83	4.83	4.83	4.83	0.03

Note: 2019 = Estimate and 2020 = Forecast.
Source: OPEC Secretariat.

OPEC crude oil production

According to secondary sources, total **OPEC-14 preliminary crude oil production** averaged 28.86 mb/d in January, lower by 509 tb/d m-o-m. Crude oil output increased mainly in Saudi Arabia and Nigeria, while production decreased mainly in Libya, Iraq and Kuwait.

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

	2018	2019	2Q19	3Q19	4Q19	Nov 19	Dec 19	Jan 20	Jan/Dec
Algeria	1,042	1,022	1,019	1,021	1,021	1,027	1,017	1,012	-5
Angola	1,505	1,401	1,420	1,390	1,351	1,283	1,408	1,374	-34
Congo	317	326	332	325	322	314	327	293	-35
Ecuador	519	528	530	545	511	535	541	537	-3
Equatorial Guinea	125	117	114	119	122	120	121	124	3
Gabon	187	208	212	204	208	198	220	196	-24
Iran, I.R.	3,553	2,357	2,404	2,189	2,116	2,107	2,095	2,086	-9
Iraq	4,550	4,680	4,699	4,752	4,634	4,641	4,569	4,501	-68
Kuwait	2,745	2,687	2,693	2,655	2,688	2,707	2,709	2,665	-44
Libya	951	1,097	1,154	1,103	1,163	1,183	1,140	796	-344
Nigeria	1,718	1,786	1,786	1,842	1,780	1,782	1,751	1,776	25
Saudi Arabia	10,311	9,771	9,769	9,452	9,848	9,868	9,676	9,733	57
UAE	2,986	3,077	3,067	3,082	3,093	3,110	3,063	3,034	-29
Venezuela	1,354	793	776	714	712	719	732	733	1
Total OPEC	31,864	29,851	29,974	29,392	29,569	29,595	29,368	28,859	-509

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

Source: OPEC Secretariat.

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

	2018	2019	2Q19	3Q19	4Q19	Nov 19	Dec 19	Jan 20	Jan/Dec
Algeria	1,040	1,023	1,017	1,025	1,023	1,026	1,021	1,011	-10
Angola	1,473	1,377	1,424	1,318	1,345	1,273	1,369	1,414	45
Congo	323	339	340	333	339	309	389	..	..
Ecuador	517	531	531	546	518	546	542	..	..
Equatorial Guinea	120	110	114	109	110	90	121	130	9
Gabon	193	218	225	220	212	211	217	..	..
Iran, I.R.	..	..	..	..	..	..	..	..	..
Iraq	4,410	4,576	4,565	4,630	4,568	4,595	4,535	4,470	-65
Kuwait	2,737	2,678	2,681	2,636	2,683	2,706	2,711	2,660	-51
Libya	..	..	..	..	..	..	..	..	..
Nigeria	1,602	1,727	1,721	1,794	1,702	1,664	1,659	1,697	38
Saudi Arabia	10,317	9,808	9,752	9,503	9,929	9,890	9,594	9,748	154
UAE	3,008	3,058	3,050	3,068	3,058	3,065	3,040	2,990	-50
Venezuela	1,510	1,013	1,045	864	859	912	907	882	-25
Total OPEC	..	..	..	..	..	..	..	..	..

Notes: .. Not available.

Totals may not add up due to independent rounding.

Source: OPEC Secretariat.

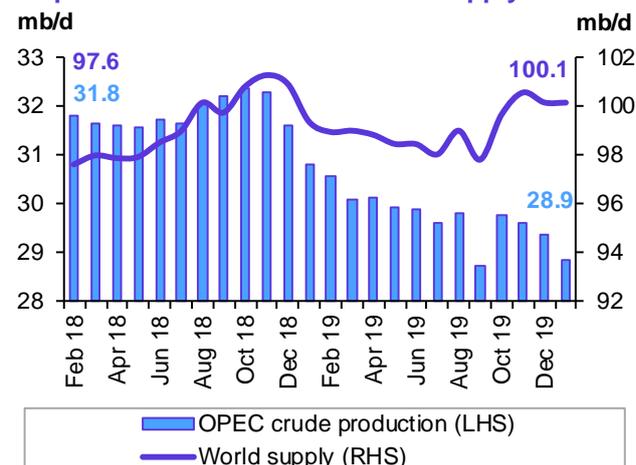
World oil supply

Preliminary data indicates that the **global liquids production** in January decreased by 0.01 mb/d to average 100.12 mb/d, compared with the previous month.

Non-OPEC liquids production (including OPEC NGLs) increased by 0.50 mb/d compared with the previous month to average 71.26 mb/d in January, higher by 2.74 mb/d y-o-y. Preliminary incremental production in January 2020 was mainly driven by the US, the UK, Canada, Malaysia, Qatar and Russia.

The **share of OPEC crude oil in total global production** decreased by 0.5 pp to 28.8% in January compared with the previous month. Estimates are based on preliminary data from direct communication for non-OPEC supply, OPEC NGLs and non-conventional oil, while estimates for OPEC crude production are based on secondary sources.

Graph 5 - 28: OPEC and world oil supply



Source: OPEC Secretariat.

Product Markets and Refinery Operations

Product markets in January showed mixed results. In the **USGC**, high product inventory levels, with gasoline reaching a record high, and weak heating oil demand continued to weigh on US refining economics. In **Europe**, product markets witnessed considerable gains with all products across the barrel (except gasoil) exhibiting positive performance, backed by firm exports and heavy turnarounds in the Middle East. In **Asia**, product markets saw a mild upside driven by solid high sulphur fuel oil (HSFO) gains, although all other product crack spreads experienced losses. The negative impact of the **coronavirus** outbreak on Asian product markets during late January triggered negative demand-side signals. However, the effects of the outbreak are expected in the coming month, particularly in the jet fuel and gasoline markets, although some of the downside could be partly offset with refiners considering run cuts to minimize losses.

The **HSFO** market continued to trend upward, showing considerable gains for the second consecutive month, supported by increasingly tighter supplies from refineries and lower feedstock prices, amid stronger import requirements from the Middle East. In addition, a considerable downward correction in freight rates during the month triggered positive sentiment in the bunker fuel market and offered additional support.

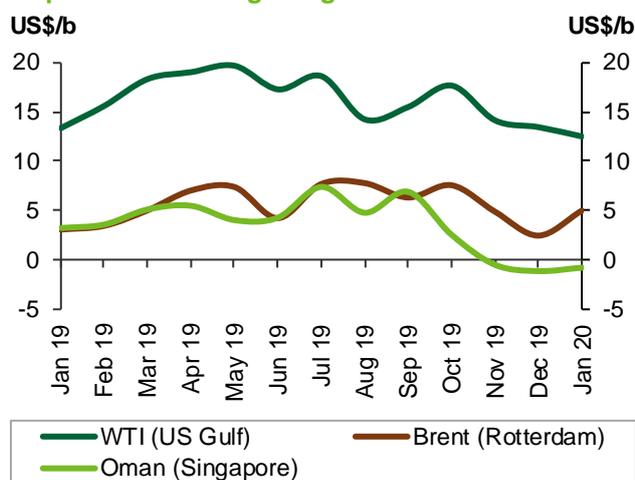
Refinery margins

US refinery margins extended their downward trend as hefty losses in the middle of the barrel outstripped gains registered in the gasoline and HSFO segments.

Although refinery crude intakes were lower in January, gross refinery input showed a considerable additional 500 tb/d, which justified the growth in product inventory levels and the poor market performance.

During the month, gasoline inventory levels reached record highs on a weekly basis. This was a consequence of the strong runs and seasonally lower demand that weighed on US refining economics. US refinery margins for WTI averaged \$12.47/b in January, down by 94¢ m-o-m, and by 84¢ y-o-y.

Graph 6 - 1: Refining margins



Sources: Argus Media and OPEC Secretariat.

European refining economics trended upwards and gained the most ground relative to the other main trading hubs, supported by a strengthening at the top and bottom of the barrel. Product markets in Rotterdam continued to benefit from exports as the ongoing heavy turnarounds in the Middle East supported the naphtha, gasoline and HSFO markets that contributed to solid margin gains. Refinery margins for Brent in Europe averaged \$4.96/b in January, up by \$2.54 compared to a month earlier, and by \$1.92 y-o-y.

Asian refining margins saw marginal gains, supported by positive performance at the bottom of the barrel. This was driven by robust fuel oil demand from within the region, and lower volume arrivals in Singapore, amid declining HSFO production from Asian refineries, particularly the Chinese independent refineries. At the same time, weakness was registered across the barrel affected due to slower regional product demand, amid strong product output in the US and Europe. The poor performance recorded at the top and middle of the barrel was exacerbated by the negative market sentiment triggered by demand-side concerns over the coronavirus outbreak in China and the expected poor performance in the transportation fuel markets. The coronavirus outbreak is expected to mainly impact the Asian jet fuel and gasoline markets due to the suspension of flights and select road transportation services in China. However, the full extent of the coronavirus impact on product

markets should be more evident in the coming months. In addition, strong product stock builds recorded over the month most likely also hindered any further upside. Refinery margins for Oman in Asia gained 35¢ m-o-m to average minus 88¢/b in January, but were lower by \$4.02 y-o-y.

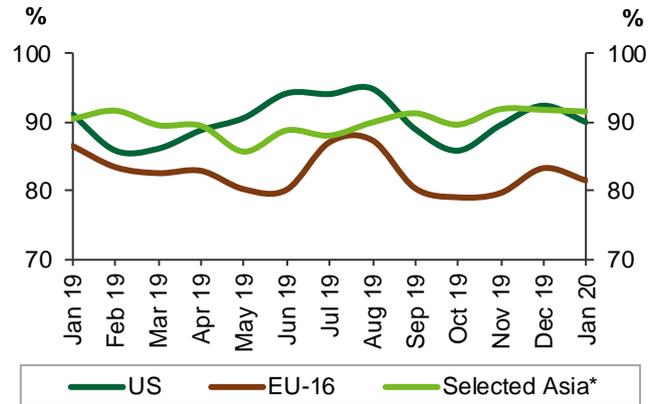
Refinery operations

In the **US**, refinery utilization rates fell in January, averaging 90.00%, which corresponds to a throughput of 16.93 mb/d. This represented a drop of 2.4 pp and 450 tb/d compared to the previous month. Y-o-y, the refinery utilization rate was down by 1.1 pp, with throughputs marginally down by 170 tb/d.

European refinery utilization averaged 81.52% in January, corresponding to a throughput of 10.10 mb/d. This is a m-o-m drop of 1.8 pp, or 220 tb/d. Y-o-y, utilization rates fell by 5.07 pp and throughputs were down by 360 tb/d.

In **Selected Asia** – comprising Japan, China, India and Singapore – refinery utilization rates declined, averaging 91.62% in January, corresponding to a throughput of 25.95 mb/d. Compared to the previous month, throughputs were down by 0.26 pp, or 70 tb/d. Meanwhile, y-o-y they were up by 1.07 pp, or 1.03 mb/d.

Graph 6 - 2: Refinery utilization rates



Note: * Includes Japan, China, India, Singapore and South Korea.

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

Product markets

US market

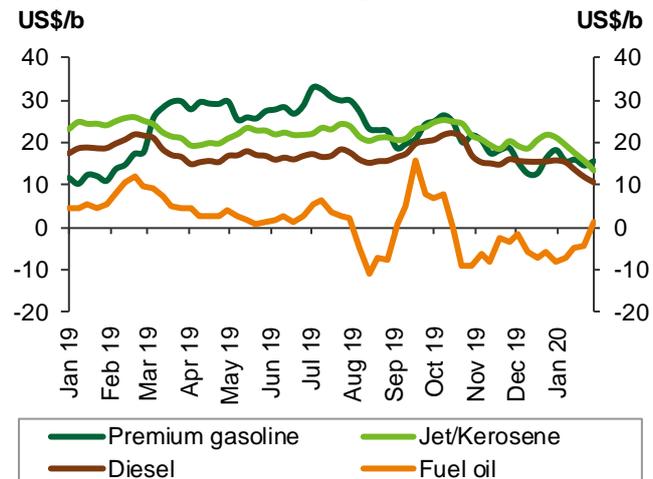
US gasoline cracks changed direction in January and trended upwards as the cut in refinery runs over the month triggered some bullish sentiment in the market, despite the considerable build-up in inventory levels. In January, the gasoline crack spread gained \$1.26 m-o-m to average \$15.84/b, and was up by \$4.32 y-o-y.

The USGC **jet/kerosene crack spread** continued to weaken, affected by a surge in jet/kerosene availability across the Pacific due to lower consumption in Asia – related to flight cancellations – as a result of the coronavirus outbreak. The US jet/kerosene crack spread against WTI averaged \$17.00/b, down by \$3.09 m-o-m and by \$7.22 y-o-y.

US **gasoil crack spreads** performed negatively, with the US gasoil balance expanding as the continued warmer winter weather kept heating oil under pressure alongside concerns over the negative impact of the coronavirus outbreak on product markets. The US gasoil crack spread averaged \$13.18/b, down by \$2.37 m-o-m and by \$5.39 y-o-y.

US **fuel oil crack spreads** strengthened further in January and moved deeper into negative territory, supported by healthy domestic demand for crude blending, as well as lower freight rates that triggered positive bunker fuel market sentiment. In January, the US fuel oil crack spread averaged minus \$4.20/b, up by \$1.11 m-o-m, but lower by \$9.11 y-o-y.

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



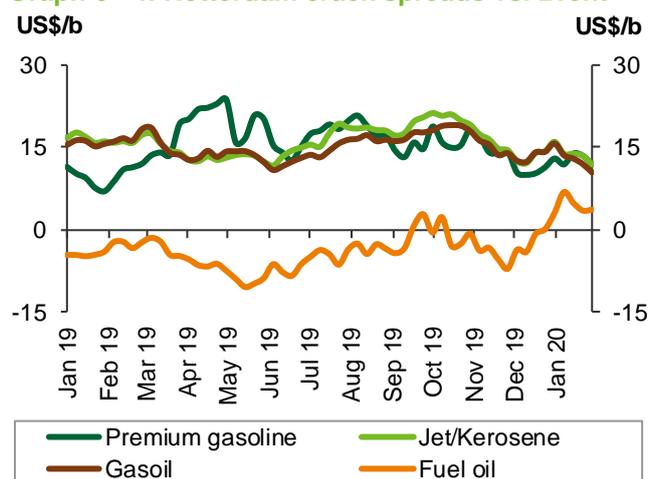
Sources: Argus Media and OPEC Secretariat.

European market

Gasoline crack spreads witnessed solid gains as firm exports to Nigeria were slightly up by 30 tb/d in January, compared with the previous month. In addition, healthy exports to the Middle East and the Caribbean, amid a slight reduction in gasoline outputs attributed to lower refinery runs, further contributed to a stronger gasoline market.

A considerable y-o-y decline in gasoline stock levels recorded mid-January triggered strong bullish signals providing further support. In addition, market dynamics, as well as feedstock and product price signals, encouraged European refiners to partially divert atmospheric and vacuum distillation residue towards bunker fuel production for higher profits, as opposed to gasoline production. This led to tighter regional gasoline supply and provided a lift in gasoline cracks witnessed over the month.

Graph 6 - 4: Rotterdam crack spreads vs. Brent



Sources: Argus Media and OPEC Secretariat.

The gasoline crack spread averaged \$12.81/b in January, up by \$2.36 m-o-m and by \$3.95 y-o-y.

The **jet/kerosene crack spreads** edged higher during the month backed by lower volume arrivals in Singapore as arbitrage economics proved unfavourable and discouraged jet/kerosene inflows. At the same time, a decline of jet/kerosene outputs from the Middle East continued to support the market as imports from there into Asia remained under pressure. However, lower than expected consumption from within the region, particularly lower kerosene for space heating, continues to disappoint. This prevented any further upside in jet/kerosene crack spreads. The Rotterdam jet/kerosene crack spread averaged \$13.55/b, up by 20¢ m-o-m and by \$3.15 y-o-y.

European **gasoil crack spreads** in January were the only product spreads that showed negative performance across the barrel. This weakening is attributed to ample volume arrivals into the region that led to high product availability, and consequently, weighed on Rotterdam gasoil prices. Inventories received support from higher product outputs from Russia, as well as firm deliveries from East of Suez. In addition, healthy stock levels in the US and unfavourable arbitrage economics contributed to the downside in European gasoil cracks. The combined stocks of diesel and gasoil in Amsterdam-Rotterdam-Antwerp (ARA) were reported to have risen by 6.12%. The gasoil crack spread averaged \$12.69/b, which was lower by 78¢ m-o-m and by \$3.18 y-o-y.

At the bottom of the barrel, **fuel oil 3.5% crack spreads** in Rotterdam reversed trend. They regained the ground lost in the previous month and exhibited a sharp rise supported by lower feedstock prices amid a tighter market attributed to diminishing supplies. Moreover, the decline in freight rates recorded during January, combined with HSFO prices that jumped by \$6.42/b m-o-m. In Europe, fuel oil cracks averaged minus \$24.81/b in January, gaining \$9.94 m-o-m, but losing \$15.82 y-o-y.

Asian market

The **Asian gasoline 92 crack spread** against Dubai declined to a seven month low pressured by ample inflows into the Singapore trading hub while prices for the same product declined by \$2.26/b compared to December. At the end of the month, gasoline imports from India were reported to have risen, surprising several market participants as these cargoes generally flow towards the Gulf. In addition, lower octane gasoline shipments from Brunei that arrived in Singapore further weighed on the regional supply side gasoline fundamentals.

Another bearish factor was fed by concerns over four January loading from Malaysia's Pengerang refinery and demand disruptions in China due to road travel restrictions to contain the Coronavirus outbreak. This was despite an arbitrage opening to the USWC.

The Singapore gasoline crack spread against Oman averaged \$4.98/b in January, down by \$1.50 m-o-m, but up by \$4.93 y-o-y.

Singapore light distillate **naphtha crack spreads** continued to perform negatively as slower blending requirements that reflected the regional gasoline market weakness suppressed naphtha prices. The tighter regional naphtha balance was the result of lower cargo shipments to Singapore due to the ongoing heavy refinery maintenance in the Middle

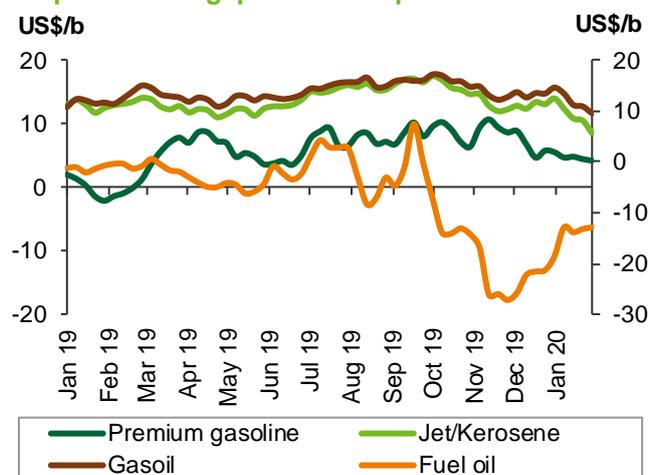
East. Further weakness in the naphtha market could lead to new opportunities for blenders; incentivising them to simply buy lower octane gasoline and take advantage of the naphtha vs. Oman discounts for higher profits. The Singapore naphtha crack spread against Oman averaged minus \$3.04/b, having fallen by \$1.80 m-o-m, but increased by \$4.07 y-o-y.

In the middle of the barrel, the **jet/kerosene crack spreads** in Asia took a hit as the Coronavirus outbreak in China caused flight cancellations during the peak holiday travel season. This resulted in a 25% drop in jet fuel sales at the end of January due to domestic and international air traffic restrictions. Moreover, the continued weak counter seasonal kerosene demand for heating in Japan, due to warmer weather, further weighed on the regional cracks and contributed to a significant loss in jet/kerosene crack spreads compared to the previous year. The Singapore jet/kerosene crack spread against Oman averaged \$11.24/b, down by \$1.65 m-o-m and by \$1.44 y-o-y.

The Singapore **gasoil crack spread** lost some ground and dropped to levels not seen since April 2019. This was due to inventory levels remaining healthy amid firm supplies from Russia, while a closed arbitrage to Europe due to unfavourable price signals weighed further on diesel markets. The Singapore gasoil crack spread against Oman averaged \$12.20/b, down by \$1.82 m-o-m and 74¢ y-o-y.

The Singapore **fuel oil 3.5% crack spread** gained more ground with the extension of the upward trend witnessed in December although it remained in negative territory. The positive performance is attributed to increasingly tighter supplies from refineries and lower feedstock prices, amid stronger import requirements from the Middle East. In addition, a considerable downward correction in freight rates recorded during the month triggered positive sentiment in the bunker fuel market. Furthermore, the recent tax rebates granted by the Chinese authorities will boost demand and encourage additional domestic VLSFO production, which could place some pressure on HSFO in the near term. Singapore fuel oil cracks against Oman averaged minus \$13.28, up by \$9.36 m-o-m, but down by \$12.00 y-o-y.

Graph 6 - 5: Singapore crack spreads vs. Dubai



Sources: Argus Media and OPEC Secretariat.

Product Markets and Refinery Operations

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

<u>Event</u>	<u>Time frame</u>	<u>Asia</u>	<u>Europe</u>	<u>US</u>	<u>Observations</u>
High refinery runs	February 2020	↓ Some negative impact on product markets	↓ Some negative impact on product markets	↓ Some negative impact on product markets	Will most likely continue to pressure product markets globally as product outputs rise, while providing some support to crude markets.
Start of peak maintenance season	March 2020	↑ Some positive impact on product markets	↑ Some positive impact on product markets	↑ Some positive impact on product markets	Should provide some support to product markets as product inventory levels decline, amid higher bunker fuel demand.
Tax rebate for VLSFO sale	1Q20	↓ Some negative impact on product markets	-	-	Could incentivize higher VLSFO production, which should place bunker fuel prices under pressure.

Source: OPEC Secretariat.

Table 6 - 2: Refinery operations in selected OECD countries

	<i>Refinery throughput, mb/d</i>				<i>Refinery utilization, %</i>			
	<u>Nov 19</u>	<u>Dec 19</u>	<u>Jan 20</u>	<u>Change Jan/Dec</u>	<u>Nov 19</u>	<u>Dec 19</u>	<u>Jan 20</u>	<u>Change Jan/Dec</u>
US	16.84	17.37	16.93	-0.45	89.54	92.40	90.00	-2.4 pp
Euro-16	9.87	10.33	10.10	-0.22	79.64	83.32	81.52	-1.8 pp
France	0.81	1.00	1.08	0.08	64.78	79.96	86.65	6.7 pp
Germany	1.82	1.81	1.72	-0.09	83.04	82.86	78.73	-4.1 pp
Italy	1.35	1.39	1.23	-0.16	66.18	67.89	60.12	-7.8 pp
UK	1.13	1.05	1.16	0.11	85.83	79.82	88.33	8.5 pp
Selected Asia*	26.06	26.03	25.95	-0.07	91.99	91.88	91.62	-0.3 pp

Note: * Includes Japan, China, India, Singapore and South Korea.

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

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

	2017	2018	2019	1Q19	2Q19	3Q19	4Q19	1Q20
Total OECD	38.33	38.21	37.65	37.45	37.34	38.53	37.13	36.64
OECD Americas	19.10	19.31	18.95	18.36	19.07	19.55	18.70	18.21
of which US	16.88	17.32	16.95	16.46	17.14	17.43	16.78	16.30
OECD Europe	12.41	12.15	12.14	12.22	11.82	12.44	12.04	11.99
of which:								
France	1.17	1.10	1.01	1.12	0.98	1.06	0.88	1.03
Germany	1.91	1.80	1.78	1.76	1.70	1.83	1.83	1.72
Italy	1.40	1.35	1.36	1.24	1.33	1.48	1.36	1.21
UK	1.10	1.06	1.07	1.08	1.03	1.07	1.10	1.08
OECD Asia Pacific	6.82	6.74	6.56	6.87	6.45	6.54	6.39	6.43
of which Japan	3.22	3.11	3.04	3.19	2.94	3.05	3.00	3.17
Total Non-OECD	42.12	43.37	44.07	43.78	43.25	44.49	44.71	44.67
of which:								
China	11.35	12.03	12.98	12.62	12.66	12.95	13.68	13.42
Middle East	7.04	7.26	7.03	7.23	7.12	7.17	6.96	6.83
Russia	5.59	5.72	5.70	5.71	5.38	5.89	5.83	5.62
Latin America	4.49	4.18	4.03	4.01	4.01	4.12	3.97	4.03
India	4.79	4.89	5.03	5.11	4.97	4.96	5.08	5.24
Africa	2.24	2.24	2.25	2.16	2.23	2.34	2.28	2.29
Total world	80.45	81.58	81.72	81.23	80.59	83.02	81.84	81.31

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

	Dec 19	Jan 20	Change Jan/Dec	Annual avg. 2019	Year-to-date 2020
US Gulf (Cargoes FOB):					
Naphtha*	59.36	55.99	-3.37	56.86	55.99
Premium gasoline (unleaded 93)	74.38	73.40	-0.98	79.66	73.40
Regular gasoline (unleaded 87)	68.93	67.35	-1.58	72.70	67.35
Jet/Kerosene	79.89	74.56	-5.33	79.32	74.56
Gasoil (0.2% S)	75.35	70.74	-4.61	74.61	70.74
Fuel oil (3.0% S)	39.09	41.67	2.58	52.55	41.67
Rotterdam (Barges FoB):					
Naphtha	59.70	58.21	-1.49	55.71	58.21
Premium gasoline (unleaded 98)	77.35	76.19	-1.16	79.52	76.19
Jet/Kerosene	80.25	76.93	-3.32	80.22	76.93
Gasoil/Diesel (10 ppm)	80.37	76.07	-4.30	79.50	76.07
Fuel oil (1.0% S)	65.03	68.08	3.05	60.15	68.08
Fuel oil (3.5% S)	32.15	38.57	6.42	48.90	38.57
Mediterranean (Cargoes FOB):					
Naphtha	56.98	56.03	-0.95	54.48	56.03
Premium gasoline**	70.32	69.05	-1.27	71.36	69.05
Jet/Kerosene	76.42	73.68	-2.74	77.77	73.68
Diesel	79.16	74.91	-4.25	79.03	74.91
Fuel oil (1.0% S)	69.69	71.66	1.97	63.42	71.66
Fuel oil (3.5% S)	32.85	40.11	7.26	50.55	40.11
Singapore (Cargoes FOB):					
Naphtha	63.62	61.06	-2.56	57.10	61.06
Premium gasoline (unleaded 95)	74.82	71.13	-3.69	72.45	71.13
Regular gasoline (unleaded 92)	71.34	69.08	-2.26	69.45	69.08
Jet/Kerosene	77.75	75.34	-2.41	77.26	75.34
Gasoil/Diesel (50 ppm)	78.88	76.30	-2.58	77.78	76.30
Fuel oil (180 cst)	42.22	50.82	8.60	57.29	50.82
Fuel oil (380 cst 3.5% S)	41.20	49.41	8.21	56.70	49.41

Note: * Barges.

** Cost, insurance and freight (CIF).

Sources: Argus Media and OPEC Secretariat.

Tanker Market

Dirty tanker spot freight rates in January continued the roller coast movement seen since September, this time giving back almost half the gains made in the previous month. However, rates remained some 50% higher than the same month last year, as the market remained optimistic about an improvement in rates in 2020. Seasonal factors were a key contributor to the decline. The outbreak and rapid spread of the Coronavirus temporarily upended the tanker market starting at the end of January, disrupting trade with China, the world's largest crude importer, and is certain to weigh on rates in February.

After rising steadily since September 2019, **clean tanker rates** fell back in January, but remained slightly higher than the same month last year. Rates benefited from a strong start to the year, but have fallen in recent weeks, driven by seasonal factors.

Spot fixtures

Global spot fixtures edged down slightly in January, declining around 0.10 mb/d or 0.5% m-o-m, but down 1.6 mb/d, or 8%, compared to the previous year's levels.

Table 7 - 1: Spot fixtures, mb/d

	Nov 19	Dec 19	Jan 20	Change Jan 20/Dec 19
All areas	19.97	18.23	18.13	-0.10
OPEC	14.11	12.41	12.58	0.18
Middle East/East	8.09	6.71	7.71	1.00
Middle East/West	1.60	1.46	1.13	-0.33
Outside Middle East	4.42	4.24	3.75	-0.49

Sources: Oil Movements and OPEC Secretariat.

OPEC spot fixtures averaged 12.58 mb/d in January, up 1.4% or 180 tb/d higher than the previous month, but still almost 9% or 1.2 mb/d lower y-o-y.

Fixtures from the **Middle East-to-East** jumped by almost 15%, or 1 mb/d, to average 7.71 mb/d in January, but fell 3% below last year's level.

Middle East-to-West fixtures were sharply lower, down nearly 30% to 1.1 mb/d. Compared to the same month last year, rates on the route fell by over 18% or 260 tb/d.

Outside of the Middle East fixtures averaged 3.75 mb/d in January, a decline of 0.5 mb/d, or over 11%, from the previous month, and were down 16%, or 0.7 mb/d, compared to the same month last year.

Sailings and arrivals

OPEC sailings declined by less than 1% m-o-m in January to average 24.93 mb/d. Sailings from the **Middle East** were 2%, or 120 tb/d, higher to average 18.36 mb/d in January.

Crude arrivals were largely positive in January. Arrivals in the Far East increased 3% m-o-m and remained broadly in line with levels seen the same month last year. Arrivals in Europe were up 1% or 140 tb/d higher m-o-m but showed a stronger 9% or 1 mb/d increase y-o-y. Arrivals in North America were broadly unchanged from the previous month but were 12% or 1.3 mb/d lower y-o-y. West Asia was the only route showing a decline, down 200 tb/d or almost 5% m-o-m, but 130 mb/d or 3% higher y-o-y.

Tanker Market

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

	<u>Nov 19</u>	<u>Dec 19</u>	<u>Jan 20</u>	<u>Change Jan 20/Dec 19</u>
Sailings				
OPEC	25.51	25.10	24.93	-0.17
Middle East	18.70	18.02	18.36	0.34
Arrivals				
North America	9.37	9.22	9.23	0.01
Europe	11.65	11.73	11.86	0.14
Far East	8.22	8.45	8.71	0.26
West Asia	4.48	4.33	4.11	-0.21

Sources: Oil Movements and OPEC Secretariat.

Dirty tanker freight rates

Very large crude carriers (VLCCs)

VLCC spot freight rates declined 17% in January, erasing the gains seen in the previous month to stand at WS79 points. The **Middle East-to-East** route has been up-and-down over the past four months, averaging WS93 points in January.

Freight rates registered for tankers operating on the **Middle East-to-West** routes in January were down 16% m-o-m. At WS53 points, rates on the route were more than twice as high as the same month last year.

West Africa-to-East routes in January also showed a similar pattern, down 17% m-o-m to stand at WS90 points, representing a gain of almost 60% compared to January 2019.

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

	<u>Size 1,000 DWT</u>	<u>Nov 19</u>	<u>Dec 19</u>	<u>Jan 20</u>	<u>Change Jan 20/Dec 19</u>
Middle East/East	230-280	92	113	93	-20
Middle East/West	270-285	56	63	53	-10
West Africa/East	260	95	108	90	-19

Sources: Argus Media and OPEC Secretariat.

Suezmax

Suezmax average spot freight rates edged lower in January, declining 7% following a gain of 36% the month before. Y-o-y, Suezmax rates were 67% higher in January.

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

	<u>Size 1,000 DWT</u>	<u>Nov 19</u>	<u>Dec 19</u>	<u>Jan 20</u>	<u>Change Jan 20/Dec 19</u>
West Africa/US Gulf Coast	130-135	106	142	130	-12
Northwest Europe/US Gulf Coast	130-135	90	104	108	3

Sources: Argus Media and OPEC Secretariat.

Rates for tankers operating on the West Africa-to-US Gulf Coast (USGC) route averaged WS130 points, representing a m-o-m decline of 8% in January. Y-o-y, however, rates were 68% higher in January compared to the same month last year.

The Northwest Europe-to-USGC route edged down 3% m-o-m to average WS108 points, which was some 66% higher than the same month last year.

Aframax

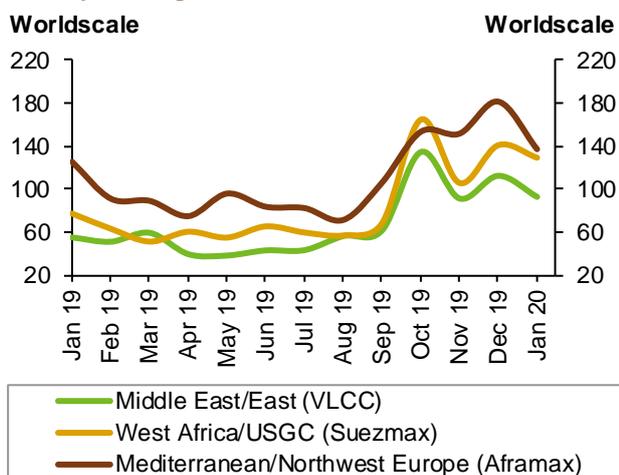
After a strong finish to the year, **Aframax** rates fell back some 7% to average WS119 points, but remained 42% higher than the same month last year. The Indonesia-to-East route was 18% lower to average WS151 points, but still represented a gain of 35% y-o-y. Both the intra-Med and the Med-to-Northwest Europe routes fell 24% to average WS151 points. Both routes, however, saw y-o-y gains of 15% and 9%, respectively. Only the Caribbean-to-US East Coast route enjoyed a m-o-m increase, up 29% to average WS320 points, which was 90% higher y-o-y.

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

	Size 1,000 DWT	Nov 19	Dec 19	Jan 20	Change Jan 20/Dec 19
Indonesia/East	80-85	137	185	151	-34
Caribbean/US East Coast	80-85	155	249	320	71
Mediterranean/Mediterranean	80-85	156	199	151	-48
Mediterranean/Northwest Europe	80-85	151	181	137	-44

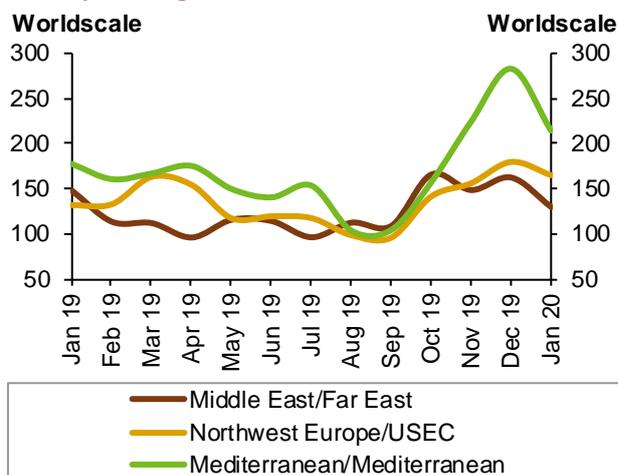
Sources: Argus Media and OPEC Secretariat.

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

The **clean spot tanker** market declined for the first time since August, down 19% but still 7% higher than the same month last year.

Clean tanker spot freight rates **West of Suez** averaged WS251 points, representing a decline of 20% since the previous month. The **Mediterranean-to-Mediterranean** and **Mediterranean-to-Northwest Europe** routes saw declines of around 24% to average WS214 points and WS224 points, respectively.

Meanwhile, rates on the **Northwest Europe-to-USEC** route fell 8% to WS165 points. However, rates on West of Suez routes all showed improvements of up to 25% compared to the same month last year.

On the **East of Suez** route, clean tanker spot freight rates fell 17% m-o-m in January to average WS170 points, with the **Singapore-to-East** route declining 14% m-o-m to average WS152 points, while the **Middle East-to-East** route declined 20% m-o-m to average WS130 points.

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

	Size 1,000 DWT	<u>Nov 19</u>	<u>Dec 19</u>	<u>Jan 20</u>	<i>Change</i> <u>Jan 20/Dec 19</u>
East of Suez					
Middle East/East	30-35	148	162	130	-32
Singapore/East	30-35	168	177	152	-25
West of Suez					
Northwest Europe/US East Coast	33-37	156	179	165	-15
Mediterranean/Mediterranean	30-35	225	283	214	-69
Mediterranean/Northwest Europe	30-35	235	292	224	-68

Sources: Argus Media and OPEC Secretariat.

Oil Trade

*Preliminary data indicates that **US** crude oil imports edged down 1% m-o-m in January to average 6.58 mb/d. Y-o-y, imports were more than 12% or 0.9 mb/d lower than the same period last year. In 2019, US crude oil exports averaged 6.78 mb/d, representing a decline of 13% compared to the previous year and the second consecutive year of declining imports. US crude exports averaged 3.4 mb/d in January, according to preliminary data, down from the record high of 3.6 mb/d achieved in the final month of 2019. Y-o-y, crude exports were 0.8 mb/d or 33% higher. In 2019, US crude exports averaged just under 3.0 mb/d, representing an increase of more than 0.9 mb/d or 45% from the previous year, supported by a massive expansion in export infrastructure, particularly on the US Gulf Coast.*

*According to the most recent data, **China's** crude oil imports average 10.7 mb/d in December, down 0.4 mb/d compared to the previous month when the country's imports reached a record high of more than 11 mb/d. China's crude imports were 0.4 mb/d or around 4% higher compared with the same month in 2018. For the year, China's crude oil imports averaged 10.2 mb/d in 2019, representing a gain of 0.9 mb/d over the previous year. In 2019, China's product imports averaged 1.40 mb/d, broadly in line with the previous year, while product exports averaged 1.46 mb/d, an increase of 187 tb/d or 15% over 2018, reflecting in part the strong increase in the country's refinery capacity over last two years.*

***India's** crude imports averaged 4.4 mb/d in December, representing a decline of over 5% or 0.3 mb/d m-o-m. Compared with December 2018, India's crude imports were 4% or 0.2 mb/d lower. For the year, India's crude oil imports averaged 4.5 mb/d in 2019, broadly in line with the previous year. India's product exports in 2019 averaged 1.4 mb/d, representing a gain of 1% over the 2018 average. India's product exports averaged 1.4 mb/d, representing a gain of 1% over the 2018 average. As a result, India's net product exports averaged 382 tb/d in 2019, some 33% lower than in 2018, as the increase in imports vastly outpaced a marginal rise in exports.*

***Japan's** crude oil imports in December increased by 282 tb/d or around 10% compared with the previous month to average 3.2 mb/d. Crude oil imports were up some 8% or 228 tb/d y-o-y. For the year, Japan's crude imports averaged 3.0 mb/d, some 1% lower than in the previous year's average. In 2019, total product imports averaged 896 tb/d, representing a decline of 80 tb/d or 8% compared with 2018, while product exports averaged 609 mb/d, an increase of just over 11% over the same period.*

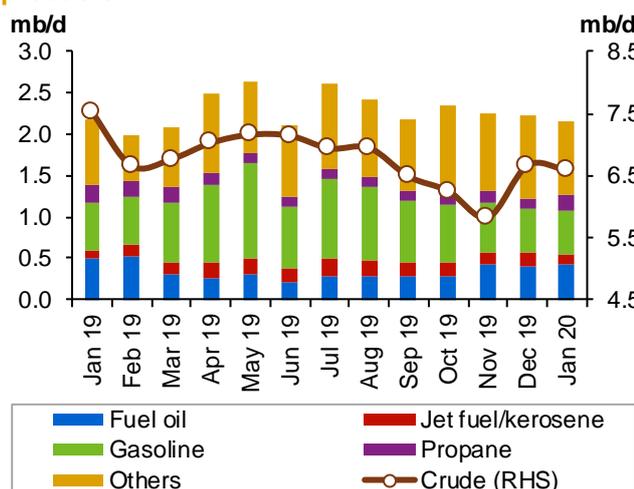
*The latest data shows **OECD Europe** crude imports averaged 11.3 mb/d in October, reflecting a marginal decline of 57 tb/d m-o-m and a heftier 399 tb/d drop y-o-y. Crude exports averaged 1.9 mb/d in October, representing a decline of 282 tb/d or 13% m-o-m, and a drop of 278 tb/d or 13% y-o-y.*

US

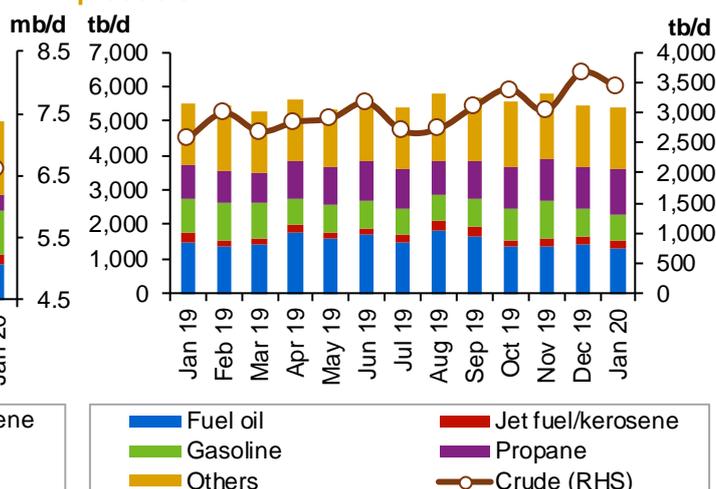
Preliminary data indicates that **US crude oil imports** edged down 1% m-o-m in January to average 6.58 mb/d. Imports were more than 12% or 0.9 mb/d lower y-o-y. In 2019, US crude oil exports averaged 6.78 mb/d, representing a decline of 13% compared to the previous year and the second consecutive year of declining imports.

US crude exports averaged 3.4 mb/d in January, according to preliminary data, down from the record high of 3.6 mb/d achieved in the final month of 2019. Y-o-y, crude exports were 0.8 mb/d or 33% higher. In 2019, US crude exports averaged just under 3.0 mb/d, representing an increase of more than 0.9 mb/d or 45% from the previous year.

As a result, **US net crude imports** averaged 3.16 mb/d in December, an increase of 0.1 mb/d m-o-m. Y-o-y, US net crude exports were down 36% or 1.8 mb/d.

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

Sources: US EIA and OPEC Secretariat.

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

Sources: US EIA and OPEC Secretariat.

On the product side, **US product imports** slipped 72 tb/d or around 3% in January to average 2.2 mb/d. Compared to the same month last year, US product imports were 20 tb/d or less than 1% lower. In 2019, product imports into the US have averaged 2.3 mb/d, representing a gain of 5% compared with 2018.

US product exports averaged 5.4 mb/d in January, broadly stable with the previous month, but a decline of 2% or 0.1 mb/d y-o-y. In 2019, product exports from the US averaged 5.5 mb/d, broadly even with levels achieved in 2018.

As a result, **US net product exports** averaged 3.3 mb/d in January, around 2% or 54 tb/d lower than in the same month of 2018.

Combined, **net crude and product exports** averaged 0.1 tb/d in January, according to preliminary data, compared with 1.6 mb/d in net imports in January 2018 and 3.8 mb/d in net imports in the same month of 2017. It was the fifth consecutive month in which the US was a net crude and petroleum product exporter.

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

	<u>Nov 19</u>	<u>Dec 19</u>	<u>Jan 20</u>	<u>Change</u> <u>Jan 20/Dec 19</u>
Crude oil	2,793	3,010	3,164	154
Total products	-3,565	-3,212	-3,266	-55
Total crude and products	-772	-201	-102	99

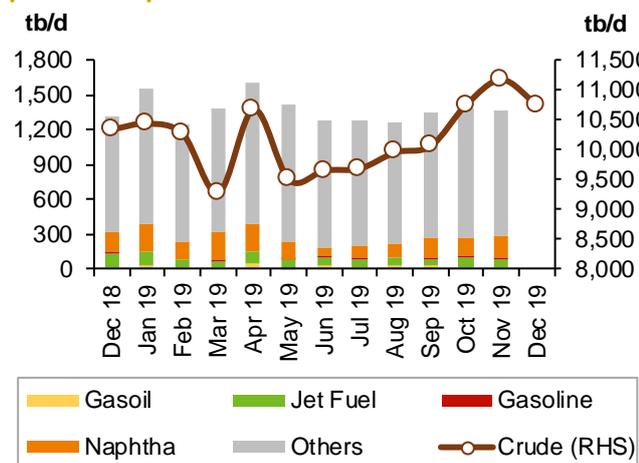
Sources: US EIA and OPEC Secretariat.

China

China's crude oil imports average 10.7 mb/d in December, down 0.4 mb/d compared to the previous month when the country's imports reached a record high above 11 mb/d. Compared with the same month in 2019, China's crude imports were 0.4 mb/d or around 4% higher. As a result, China's crude oil imports averaged 10.2 mb/d in 2019, representing a gain of 0.9 mb/d over the previous year.

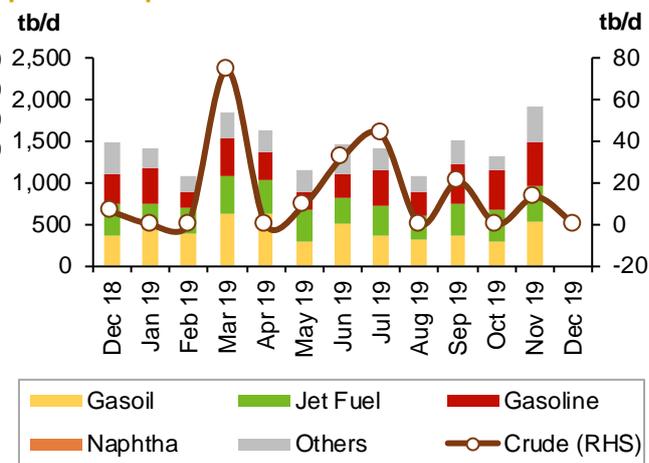
Russia was the **top crude supplier to China** in December, with a share of 18.3% or 2.0 mb/d in imports, an increase of 5% over the previous month. Saudi Arabia came in second with a 17.5% share followed by Angola with 10.3%, Oman with 9.9% and Iraq with 9.6%.

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 averaged 1.7 mb/d in December, representing a 21% or 0.3 mb/d increase over the previous month. In 2019, China's product imports averaged 1.40 mb/d, broadly in line with the previous year.

Product exports from China fell back from a strong performance the month before, averaging 1.8 mb/d. This represented a decline of 7% or 139 tb/d m-o-m, but an increase of 20% or 294 tb/d y-o-y. In 2019, China's product exports averaged 1.46 mb/d, an increase of 187 tb/d or 15% over the previous year.

As a result, China was a **net product exporter** in December – for the seventh month in 2019 – with net exports of 119 tb/d, compared with net exports of 543 tb/d in November and 170 tb/d in the same month in 2018.

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

	Oct 19	Nov 19	Dec 19	Change Dec 19/Nov 19
Crude oil	10,746	11,147	10,739	-408
Total products	54	-543	-119	424
Total crude and products	10,801	10,605	10,620	16

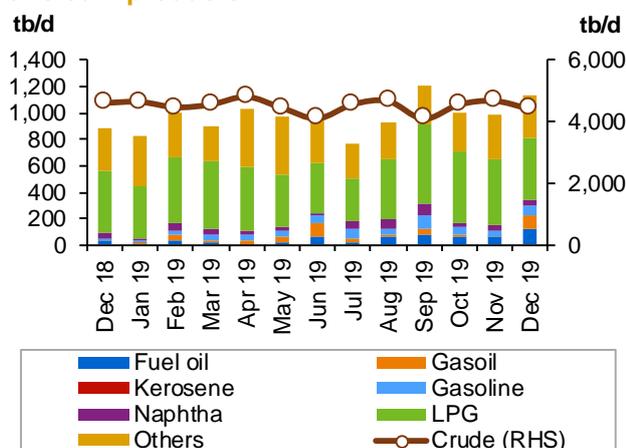
Sources: Argus China Petroleum and China, Oil and Gas Petrochemicals and OPEC Secretariat.

India

India's crude imports averaged 4.4 mb/d in December, representing a decline of over 5% or 0.3 mb/d m-o-m. Compared with the same month of the previous year, India's crude imports were 4% or 0.2 mb/d lower. For the year, India's crude oil imports averaged 4.5 mb/d in 2019, broadly in line with the previous year.

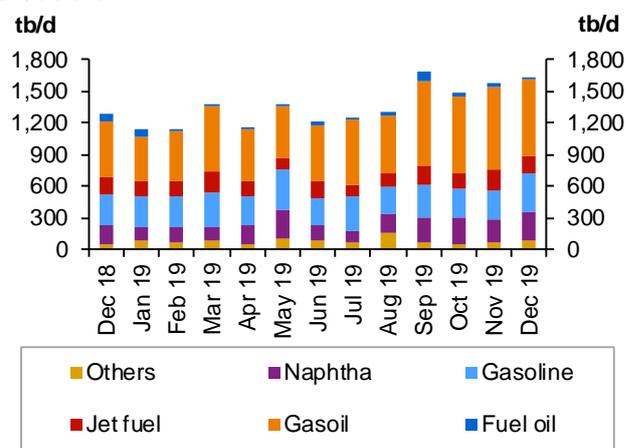
Meanwhile, **India's product imports** rebounded from the previous month's slight decline to average 1.2 mb/d in December. This represents an increase of 16% m-o-m and a considerable gain of 29% y-o-y. Diesel imports surged while gasoline and fuel oil also saw strong growth. In 2019, India's product imports averaged 1.0 mb/d, an increase of 26% over the previous 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.

India's product exports continued to strengthen in December, reaching 1.6 mb/d, a gain of 3% m-o-m and 25% y-o-y. In terms of major products, gasoline and naphtha increased, while fuel saw a sharp decline. In 2019, India's product exports averaged 1.4 mb/d, representing a gain of 1% over the 2018 average.

As a result, **India's net product exports** averaged 382 tb/d in 2019, some 33% lower than in 2018, as the increase in imports vastly outpaced a marginal rise in exports.

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

	Oct 19	Nov 19	Dec 19	Change Dec 19/Nov 19
Crude oil	4,558	4,678	4,419	-259
Total products	-483	-587	-486	101
Total crude and products	4,075	4,091	3,934	-158

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.

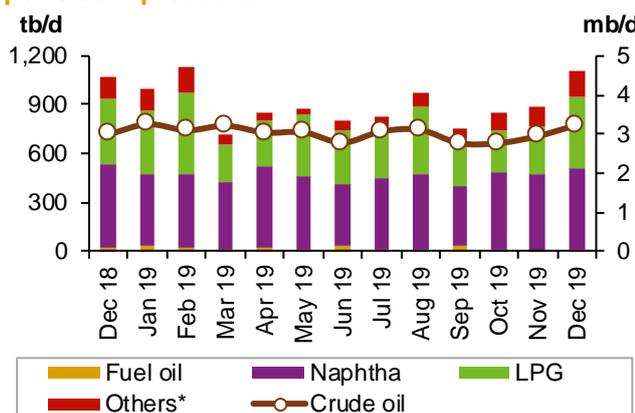
Japan

Japan's crude oil imports in December increased by 282 tb/d, or around 10% compared with the previous month, to average 3.2 mb/d. Crude oil imports were up some 8% or 228 tb/d y-o-y. For the year, Japan's crude imports averaged 3.0 mb/d, some 1% lower than in the previous year's average.

Saudi Arabia was the **top supplier of crude to Japan** in December, averaging 1.1 mb/d, representing a share of 34%. The UAE held the second spot with around 30% followed by Qatar with just under 11%.

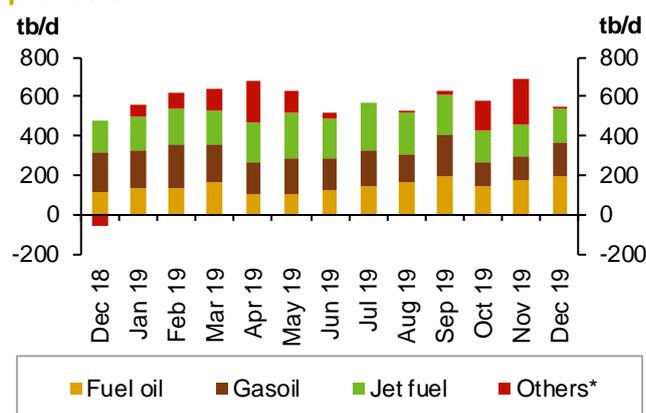
Product imports to Japan, including LPG, averaged 1.1 mb/d in December, representing a gain of 25%, or 224 mb/d, compared with the previous month. Gains were seen in kerosene, gasoline and naphtha, while fuel oil led declines. In 2019, total product imports averaged 896 tb/d, representing a decline of 80 tb/d, or 8%, compared with 2018.

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.

Meanwhile, **product exports**, including LPG, averaged 708 tb/d in December, representing an increase of 108 tb/d or 18% from the previous month. While LPG saw a sharp drop of 69% from the high levels seen in the previous month, the other major products experienced increases, led by gasoil, gasoline and fuel oil. Japan's product exports in 2019 averaged 609 mb/d, an increase of just over 11% over 2018.

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

	Oct 19	Nov 19	Dec 19	Change Dec 19/Nov 19
Crude oil	2,764	2,942	3,223	282
Total products	264	195	571	377
Total crude and products	3,028	3,137	3,795	658

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

As a consequence, **Japan's net product imports** averaged 287 tb/d in 2019, representing a decline of 141 tb/d or 33% compared to the previous year.

OECD Europe

The latest available data shows **OECD Europe crude imports** averaged 11.3 mb/d in October, reflecting a marginal decline of 57 tb/d m-o-m and a heftier 399 tb/d drop y-o-y. In the first ten months of this year, OECD Europe crude imports have averaged 11.5 mb/d, representing an increase of 1% compared with the same period in 2018.

Crude exports averaged 1.9 mb/d in October, representing a decline of 282 tb/d or 13% m-o-m and a drop of 278 tb/d or 13% y-o-y. So far this year, OECD Europe crude exports have averaged just under 2.1 mb/d in the first ten months of the year, down 95 tb/d from the same period in 2018.

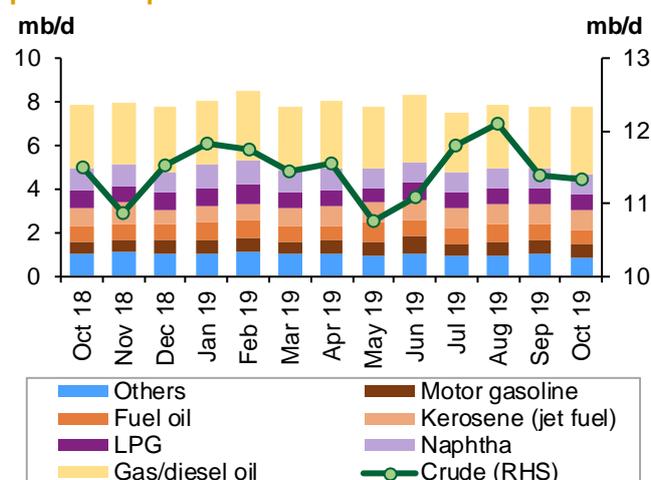
As a result, **OECD Europe net crude imports** averaged 9.4 mb/d year-to-date through to October.

OECD Europe product imports averaged 7.8 mb/d in October, broadly flat m-o-m but some 8% lower compared to the same month in the previous year. Gasoil led gains with an increase of 9% or 267 tb/d m-o-m, while naphtha and LPG also saw gains, offset by losses in gasoline, kerosene and fuel oil. In the first ten months of the year, OECD Europe product imports averaged 7.9 mb/d, representing a decline of 194 tb/d or around 2% compared to the same period in 2018.

Product exports declined by 86 tb/d, or 1%, m-o-m to average 7.4 mb/d in October. Gains were led by kerosene, gasoil and LPG, while naphtha and fuel oil saw declines. So far this year, product exports from OECD Europe have averaged 7.4 mb/d, representing a decline of 323 tb/d or 4% compared to the same period in 2018.

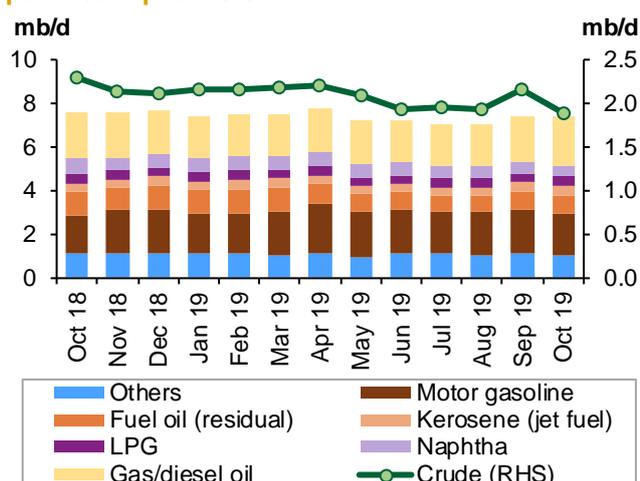
Consequently, **OECD Europe net product imports** averaged 570 tb/d year-to-date to October.

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



Sources: IEA and OPEC Secretariat.

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

	Aug 19	Sep 19	Oct 19	Change Oct 19/Sep 19
Crude oil	10,182	9,243	9,468	225
Total products	770	322	429	106
Total crude and products	10,952	9,566	9,897	331

Sources: IEA and OPEC Secretariat.

FSU

Total crude oil exports from the Former Soviet Union (FSU) rose 1.9% m-o-m in December to average 4.1 mb/d, representing an increase of 126 t/bd. In 2019, total FSU crude oil exports averaged 7.0 mb/d, a gain of 3% or 187 tb/d over the average in 2018.

Crude exports through the **Transneft system** increased by 128 tb/d or 3% in December compared to the previous month, to average 4.1 mb/d. For the year, crude exports through the Transneft system averaged 4.2 mb/d in 2019, representing an increase of 4% over the previous year.

Total shipments from the Black Sea declined 13 tb/d m-o-m, or 2%, to average 506 tb/d in December. Total Baltic Sea exports increased 149 tb/d m-o-m or around 13%, with shipments from Ust-Luga increasing by 23% to 441 tb/d, while Primorsk exports fell 68 tb/d or 9%. Meanwhile, shipments via the Druzhba pipeline fell 118 tb/d to average 935 tb/d. Kozmino shipments increased 75 tb/d m-o-m, or 12%, to average 703 tb/d. Exports to China via the ESPO pipeline averaged 637 tb/d, an increase of 34 tb/d or 6% m-o-m.

In the **Lukoil system**, exports via the Barents Sea declined 30 tb/d to 126 tb/d in December, while those from the Baltic Sea remained broadly unchanged at 6 tb/d.

Russia's Far East total exports rose 38 tb/d from the previous month to average 394 tb/d.

Central Asia's total exports averaged 208 tb/d, a 13 tb/d or 7% increase from the previous month.

Black Sea total exports rose 26 tb/d m-o-m to average 1.5 mb/d, with Novorossiysk port terminal (CPC) driving the increase while the Supsa port terminal saw a marginal decline.

In the **Mediterranean**, BTC supplies fell compared to the previous month, down 51 tb/d m-o-m or 8%, to average 562 tb/d.

FSU total product exports edged 14 mb/d higher in December to average 3.4 mb/d for the month. Movements were mixed with jet, gasoil and VGO seeing gains, while naphtha, gasoline and fuel oil experienced losses. In 2019, FSU product exports averaged 3.1 mb/d, an increase of 80 tb/d or 3% over 2018 average.

Stock Movements

Preliminary data for December 2019 showed that **total OECD commercial oil stocks** rose by 6.8 mb m-o-m to stand at 2,918 mb. This was 45.3 mb higher than the same time one year ago and 29.5 mb above the latest five-year average. Within the components, crude stocks fell by 15.4 mb, while products stocks rose by 22.2 mb m-o-m. OECD crude stocks stood at 38.4 mb above the latest five-year average, while product stocks exhibited a deficit of 8.8 mb. In terms of days of forward cover, OECD commercial stocks rose m-o-m by 0.6 days to stand at 61.0 days, which was 0.8 days above the same month in 2018, but 0.1 days below the latest five-year average.

Preliminary data for January 2020 showed that **US total commercial oil stocks** rose by 12.7 mb m-o-m to stand at 1,294.5 mb. This was 24.0 mb, above the same period a year ago, and 30.2 mb higher than the latest five-year average. Within the components, crude and products stocks rose by 3.9 mb and 8.7 mb, respectively.

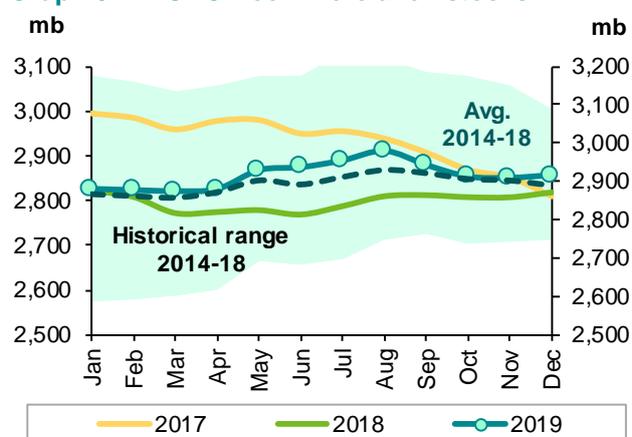
OECD

Preliminary data for December showed that total OECD commercial oil stocks rose by 6.8 mb m-o-m to stand at 2,918 mb. This was 45.3 mb higher than the same time one year ago and 29.5 mb above the latest five-year average.

Within the components, crude stocks fell by 15.4 mb, while products stocks rose by 22.2 mb m-o-m. It should be noted that the overhang of total OECD commercial oil stocks has been reduced by around 270 mb since the 'Declaration of Cooperation' started at the beginning of 2017.

Within the regions, OECD America and OECD Europe witnessed stock builds, while OECD Asia Pacific saw a stock draw.

Graph 9 - 1: OECD commercial oil stocks



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

OECD **commercial crude stocks** fell by 15.4 mb m-o-m in December, ending the month at 1,463 mb. This was up 36.3 mb compared to the same time a year ago and 38.4 mb higher than the latest five-year average. Compared to the previous month, OECD Asia Pacific rose by 1.8 mb, while crude stocks in OECD America and OECD Europe stocks fell by 15.9 mb and 1.3 mb, respectively.

In contrast, OECD **total product inventories** rose by 22.2 mb m-o-m in December to stand at 1,455 mb. This was 9.0 mb above the same time a year ago, but 8.8 mb lower than the latest five-year average. Within the OECD regions, product stocks in OECD Asia Pacific fell by 4.6 mb m-o-m, while OECD Americas and OECD Europe stocks rose by 19.1 mb and 7.7 mb, respectively.

In terms of **days of forward cover**, OECD commercial stocks rose by 0.6 days m-o-m in December to stand at 61.0 days. This was 0.8 days above the same period in 2018, but 0.1 days below the latest five-year average. Within the regions, OECD Americas was 0.7 days below the latest five-year average at 60.5 days. OECD Europe's stocks were 1.3 days higher than the latest five-year average, to finish the month at 70.2 days. OECD Asia Pacific stocks were 1.2 days below the latest five-year average at 46.8 days.

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

	Oct 19	Nov 19	Dec 19	Change Dec 19/Nov 19	Dec 18
Crude oil	1,474	1,478	1,463	-15.4	1,427
Products	1,441	1,433	1,455	22.2	1,446
Total	2,915	2,912	2,918	6.8	2,873
Days of forward cover	60.7	60.4	61.0	0.6	60.1

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 3.2 mb m-o-m in December to settle at 1,539 mb. This was 4.6 mb below a year ago and 16.0 mb above the latest five-year average. Within the components, crude stocks fell by 15.9 mb, while product stocks rose by 19.1 mb, m-o-m.

Commercial crude oil stocks in OECD Americas fell by 15.9 mb m-o-m in December to stand at 799 mb. This was 4.8 mb higher than the same time a year ago and 28.5 mb higher than the latest five-year average. The drop have been driven by higher refinery throughput, combined with lower crude imports.

In contrast, **total product stocks** in OECD Americas rose by 19.1 mb m-o-m in December to stand at 740 mb. This was 9.4 mb lower than the same time one year ago and 12.5 mb below the latest five-year average. Lower regional consumption was behind the product stock build.

OECD Europe

OECD Europe's total commercial stocks rose by 6.4 mb m-o-m in December to end the month at 986 mb. This was 56.4 mb higher than the same time a year ago and 33.4 mb above the latest five-year average. Crude stocks fell by 1.3 mb, while product stocks rose by 7.7 mb, m-o-m.

OECD Europe's **commercial crude stocks** fell by 1.3 mb m-o-m in December to end the month at 446 mb. This was 32.1 mb above the level a year earlier and 36.4 mb higher than the latest five-year average. The drop was driven by higher refinery throughput in the EU-16 countries, which rose by 460 tb/d to stand at 10.3 mb/d.

In contrast, OECD Europe's **commercial product stocks** rose by 7.7 mb m-o-m to end December at 540 mb. This was 24.3 mb higher than the same time a year ago, but 3.0 mb lower than the latest five-year average. The build came on the back of lower regional consumption.

OECD Asia Pacific

OECD Asia Pacific's total commercial oil stocks fell by 2.7 mb m-o-m in December to stand at 393 mb. This was 6.5 mb lower than a year ago, and 19.8 mb below the latest five-year average. Within the components, crude stocks rose by 1.8 mb, while product stocks fell by 4.6 mb, m-o-m.

OECD Asia Pacific's **crude inventories** rose by 1.8 mb m-o-m to end December at 218 mb. This was 0.7 mb lower than one year ago and 26.5 mb below the latest five-year average.

In contrast, OECD Asia Pacific's **total product inventories** fell by 4.6 mb m-o-m to end December at 175 mb. This was 5.8 mb lower than the same time a year ago, but 6.7 mb above the latest five-year average.

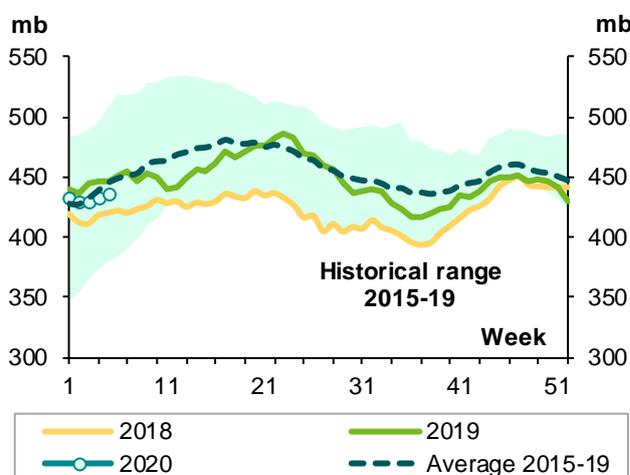
US

Preliminary data for January showed that **US total commercial oil stocks** rose by 12.7 mb m-o-m to stand at 1,294.5 mb. This was 24.0 mb, or 1.9%, above the same period a year ago, and 30.2 mb, or 2.4%, higher than the latest five-year average. Within the components, crude and products stocks rose by 3.9 mb and 8.7 mb respectively.

US commercial crude stocks rose in January to stand at 435.0 mb. This was 13.8 mb, or 3.1%, below the same time last year, and 12.5 mb, or 2.8%, below the latest five-year average. The build has been driven by lower refinery throughput, which dropped by 2.4 p.p to a utilization rate of 90 %. This corresponds to crude runs of 16.93 mb/d, down by 450 tb/d m-o-m. Lower crude imports, which decreased by 0.1 mb/d to average 6.6 mb/d, limited the crude oil stock build. Inventories in Cushing, Oklahoma, fell by around 1.0 mb to end January at 36.7 mb.

Total product stocks rose in January by 8.7 mb m-o-m to stand at 859.5 mb. This was 37.8 mb, or 4.6%, above the level of January 2019, and 42.7 mb, or 5.2%, above the latest five-year average. Within the components, gasoline, jet fuel, distillate and residual fuel oil saw stock builds, while, propylene and other unfinished oil products registered stock draws.

Graph 9 - 2: US weekly commercial crude oil inventories



Sources: US EIA and OPEC Secretariat.

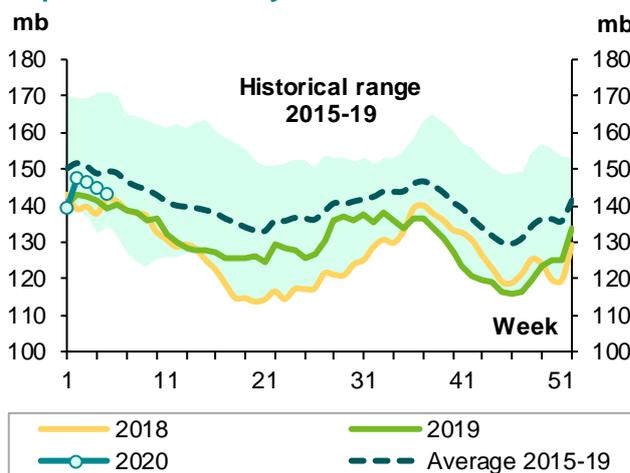
Gasoline stocks rose in January by 9.5 mb m-o-m to settle at 261.1 mb. This was 0.2 mb, or 0.1%, lower than levels seen in the same month last year, and 5.8 mb, or 2.3%, higher than the latest five-year average. This monthly increase came mainly on the back of lower demand, which fell by more than 300 tb/d to average 8.74 mb/d.

Distillate stocks rose by 4.2 mb m-o-m in January to end the month at 143.2 mb. This was 3.1 mb, or 2.2%, higher than the same period a year ago, and 5.8 mb, or 3.9%, below the latest five-year average.

Residual fuel stocks rose by 2.6 mb m-o-m to end January at 30.9 mb. This was 1.5 mb, or 5.2%, higher than the same month a year ago, but 4.9 mb, or 13.6%, lower than the latest five-year average.

Jet fuel stocks rose by 2.6 mb m-o-m to stand at 42.6 mb. This was 1.4 mb, or 3.4%, higher than the same period a year ago and 0.9 mb, or 2.2%, above the latest five-year average.

Graph 9 - 3: US weekly distillate inventories



Sources: US EIA and OPEC Secretariat.

Table 9 - 2: US commercial petroleum stocks, mb

	Nov 19	Dec 19	Jan 20	Change Jan 20/Dec 19	Jan 19
Crude oil	446.9	431.1	435.0	3.9	448.8
Gasoline	233.7	251.6	261.1	9.5	261.3
Distillate fuel	126.3	139.1	143.2	4.2	140.1
Residual fuel oil	32.5	28.3	30.9	2.6	29.4
Jet fuel	40.6	40.0	42.6	2.6	41.2
Total products	843.7	850.8	859.5	8.7	821.7
Total	1,290.7	1,281.8	1,294.5	12.7	1,270.5
SPR	635.0	635.0	635.0	0.0	649.1

Sources: US EIA and OPEC Secretariat.

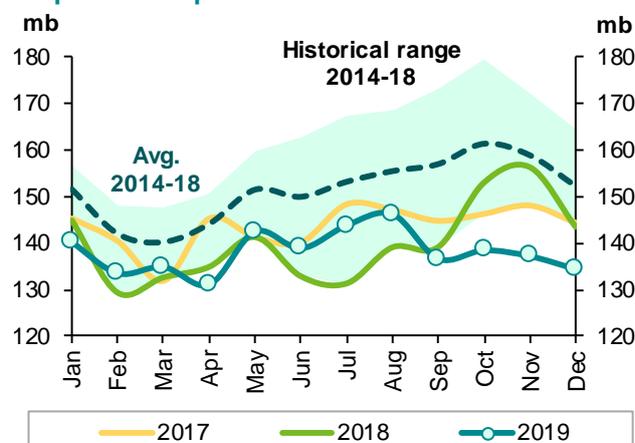
Japan

In Japan, total commercial oil stocks fell by 2.7 mb m-o-m in December to settle at 134.5 mb. This was 9.0 mb, or 6.2%, lower than one year ago and 17.7 mb, or 11.6%, below the latest five-year average. Within the components, crude stocks rose by 1.8 mb, while products stocks fell by 4.6 mb.

Japanese commercial crude oil stocks rose by 1.8 mb m-o-m in December to stand at 73.7 mb. This was 5.7 mb, or 7.2%, below the same period a year ago, and 15.7 mb, or 17.6%, below the latest five-year average. The build was driven mainly by higher crude imports, which increased by more than 280 tb/d, or 9.6%, m-o-m to average 3.2 mb/d. However, higher crude oil runs limited a further build in crude oil stocks.

In contrast, Japan's total product inventories fell by 4.6 mb m-o-m to end December at 60.8 mb. This was 3.3 mb, or 5.1%, lower than the same month last year, and 2.0 mb, or 3.1%, below the latest five-year average. Within the products, gasoline and naphtha saw stock builds, while distillates and residual fuel oil experienced stock draws.

Graph 9 - 4: Japan's commercial oil stocks



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

Gasoline stocks rose by 0.3 mb m-o-m to stand at 10.9 mb in December. This was 1.2 mb, or 11.9%, higher than a year ago, and 1.3 mb, or 13.2%, above the latest five-year average. The build was mainly driven by higher gasoline output, which rose by 11.9% compared to November. However, higher gasoline sales that increased by 8.7%, limited a further build in gasoline stocks.

In contrast, **distillate stocks** fell by 4.0 mb m-o-m to end December at 28.6 mb. This was 1.0 mb, or 3.3%, lower than the same time a year ago, and 1.2 mb, or 3.9%, below the latest five-year average. Within the distillate components, jet fuel, kerosene and gasoil stocks fell m-o-m by 13.1%, 14.7% and 7%, respectively. The drop in all products was driven by higher domestic sales.

Total residual fuel oil stocks fell by 1.3 mb m-o-m in December to stand at 12.2 mb. This was 2.0 mb, or 14.2%, lower than the same month last year, and 1.8 mb, or 13.0%, below the latest five-year average. Within the components, fuel oil A and fuel oil B.C stocks fell m-o-m by 0.3% and 14.4%, respectively. This was on the back of higher domestic sales.

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

	<u>Oct 19</u>	<u>Nov 19</u>	<u>Dec 19</u>	<u>Change</u> <u>Dec 19/Nov 19</u>	<u>Dec 18</u>
Crude oil	74.1	71.9	73.7	1.8	79.4
Gasoline	10.2	10.5	10.9	0.3	9.7
Naphtha	9.5	8.8	9.2	0.4	10.6
Middle distillates	31.4	32.5	28.6	-4.0	29.5
Residual fuel oil	13.3	13.5	12.2	-1.3	14.2
Total products	64.4	65.3	60.8	-4.6	64.0
Total**	138.5	137.2	134.5	-2.7	143.4

Note: * At the end of the month.

** Includes crude oil and main products only.

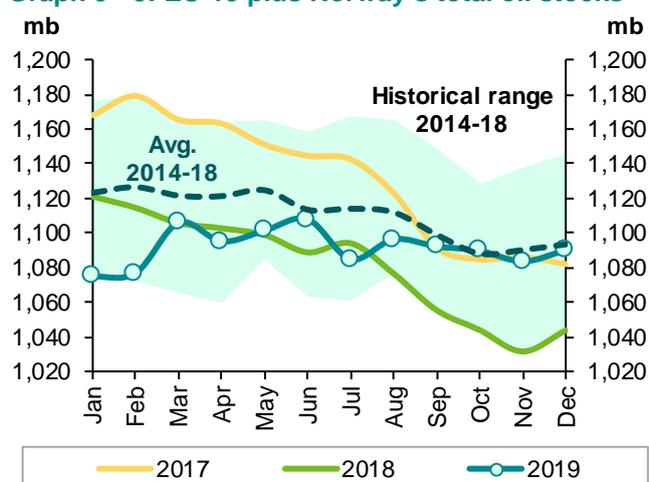
Sources: Ministry of Economy, Trade and Industry of Japan and OPEC Secretariat.

EU plus Norway

Preliminary data for December showed that **total European commercial oil stocks** rose by 6.4 mb m-o-m to stand at 1,089.9 mb. This was 45.7 mb, or 4.4%, above the same time a year ago, but 3.7 mb, or 0.3%, lower than the latest five-year average. Within the components, crude stocks fell by 1.3 mb, while product stocks rose by 7.7 mb.

European **crude inventories** fell in December to stand at 482.0 mb. This was 22.6 mb, or 4.9%, higher than the same period a year ago, and 10.3 mb, or 2.2%, above the latest five-year average. The drop was driven by higher refinery throughput in the EU-16 countries, which rose by 460 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** rose by 7.7 mb m-o-m to end December at 607.9 mb. This was 23.2 mb, or 4.0%, higher than the same month a year ago, but 13.9 mb, or 2.2%, lower than the latest five-year average. The build in product stocks could be attributed to relatively lower demand in the region. Within the products, residual fuel experienced a stock draw, while gasoline, distillates and naphtha witnessed stock builds versus the previous month.

Gasoline stocks rose by 0.5 mb m-o-m in December to stand at 108.0 mb. This was 4.9 mb or 4.4%, lower than the same time a year ago, and 8.5 mb, or 7.3%, below the latest five-year average.

Distillate stocks rose by 6.4 mb m-o-m in December, reversing the drop seen in the previous three months, to stand at 414.0 mb. This was 26.1 mb, or 6.7%, higher than the same time last year, and 3.6 mb, or 0.9%, above the latest five-year average.

Naphtha stocks rose by 1.3 mb in December to end the month at 24.2 mb. This was 3.1 mb, or 11.2%, below last year's November level, and 1.6 mb, or 1.6%, lower than the latest five-year average.

In contrast, **residual fuel stocks** fell m-o-m in December by 0.5 mb to stand at 61.7 mb. This was 5.1 mb, or 8.9%, higher than the same time one year ago, but 7.4 mb, or 10.8%, below the latest five-year average.

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

	Oct 19	Nov 19	Dec 19	Change Dec 19/Nov 19	Dec 18
Crude oil	481.1	483.3	482.0	-1.3	459.4
Gasoline	107.9	107.5	108.0	0.5	113.0
Naphtha	26.0	22.9	24.2	1.3	27.3
Middle distillates	412.3	407.6	414.0	6.4	387.9
Fuel oils	62.4	62.2	61.7	-0.5	56.6
Total products	608.5	600.3	607.9	7.7	584.8
Total	1,089.7	1,083.5	1,089.9	6.4	1,044.2

Sources: Argus, Euroilstock and OPEC Secretariat.

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

Singapore

At the end of November, **total product stocks in Singapore** fell by 1.1 mb m-o-m, the second consecutive monthly drop, to stand at 42.9 mb. This was 4.3 mb, or 9.1%, lower than the same period a year ago. Within products, light distillate stocks experienced a stock build, while middle distillates and fuel oil registered a stock draw.

Light distillate stocks rose by 0.5 mb m-o-m to end December at 11.70 mb. This was 4.0 mb, or 25.5%, lower than the same period a year ago. This build may have been driven by higher imports to the hub.

In contrast, **middle distillate and fuel oil stocks** fell m-o-m in December by 0.1 mb and 1.5 mb, respectively. At 10.8 mb, middle distillates stood at 0.6 mb, or 5.3%, lower than the same time one year ago. Fuel oil stocks ended December at 20.4 mb, which was 0.3 mb, or 1.5%, higher than the December 2018 level.

ARA

Total product stocks in ARA rose by 4.4 mb m-o-m in December, reversing the drop witnessed over the previous four months to settle at 41.6 mb. This was 0.7 mb, or 1.7%, higher than the same period a year ago. All products, with the exception of jet fuel, registered stock builds compared with the previous month.

Gasoline and gasoil stocks rose in December by 3.0 mb and 1.0 mb m-o-m to stand at 9.4 mb and 18.5 mb, respectively. Gasoline stocks were 2.0 mb, or 17.5%, lower than last year's December level. Gasoil stocks were 3.2 mb, or 20.9%, higher than last year's level.

Naphtha and residual fuel stocks rose in December by 0.6 mb and 0.7 mb m-o-m to stand at 1.9 mb and 5.6 mb, respectively. Naphtha stocks were 0.3 mb, or 13.6%, higher than the same period a year ago. Residual fuel oil stocks were 0.9 mb, or 12.2%, lower than last year's level.

In contrast, **jet oil stocks** in December fell by 0.9 mb m-o-m to stand at 4.7 mb. This was 0.1 mb, or 2.2%, higher than the same time a year ago.

Fujairah

During the week ending 3 February 2020, **total oil product stocks in Fujairah** rose by 2.51 mb w-o-w to stand at 24.07 mb, according to data from FEDCom and S&P Global Platts. At this level, total oil stocks were 1.77 mb higher than the same time a year ago. All products witnessed stock builds compared with the previous week's data.

Light distillate stocks rose by 0.22 mb w-o-w to stand at 7.33 mb, which was 3.97 mb lower than a year ago.

Stock Movements

Middle distillate stocks also rose by 0.06 mb to stand at 4.06 mb, which was 1.79 mb higher than the same week one year ago.

Heavy distillates rose by 2.23 mb w-o-w to stand at 12.68 mb, which was 3.95 mb higher than the same week in 2019.

Balance of Supply and Demand

Demand for OPEC crude in 2019 remained unchanged from the previous report to stand at 30.6 mb/d, 1.0 mb/d lower than the 2018 level. 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 30.0 mb/d, in line with demand for OPEC crude. In 3Q19, OPEC crude production averaged 29.4 mb/d, around 2.3 mb/d lower than the demand for OPEC crude. In 4Q19, OPEC crude oil production stood at 29.6 mb/d, around 1.0 mb/d below the demand for OPEC crude. For 2019, OPEC crude oil production therefore averaged 29.9 mb/d, around 0.7 mb/d below the demand for OPEC crude.

Demand for OPEC crude in 2020 was revised down by 0.2 mb/d from the previous report to 29.3 mb/d, which is around 1.3 mb/d lower than the 2019 level. The main reason behind the oil demand growth revision and hence the demand for OPEC crude is the outbreak of the Coronavirus and its expected impact on China's oil demand and, by extension, global oil demand.

Balance of supply and demand in 2019

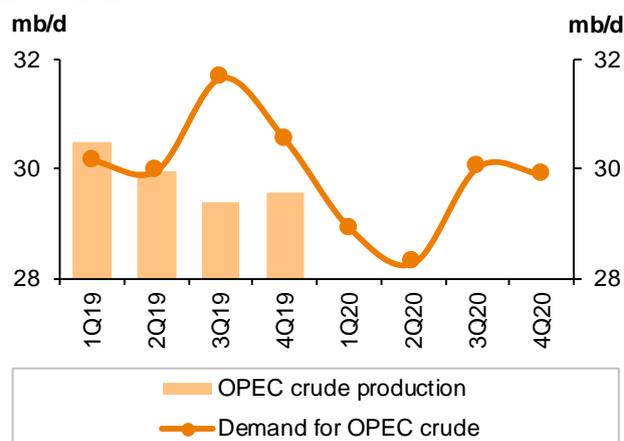
Demand for OPEC crude in 2019 remained unchanged from last month to stand at 30.6 mb/d, which is 1.0 mb/d lower than the 2018 level.

Compared to the previous monthly report, both 1Q19 and 2Q19 were unchanged, while both 3Q19 and 4Q19 were revised down by 0.1 mb/d each.

When compared to the same quarters in 2018, demand for OPEC crude in 1Q19 and 2Q19 were 2.0 mb/d and 1.6 mb/d lower, respectively. 3Q19 and 4Q19 show a drop of 0.1 mb/d and 0.3 mb/d, respectively.

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 30.0 mb/d, in line with demand for OPEC crude. In 3Q19, OPEC crude production averaged 29.4 mb/d, around 2.3 mb/d lower than the demand for OPEC crude. In 4Q19, OPEC crude oil production stood at 29.6 mb/d, around 1.0 mb/d below the demand for OPEC crude. For 2019, OPEC crude oil production therefore averaged 29.9 mb/d, around 0.7 mb/d below the demand for OPEC crude.

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



Note: * 2019 = Estimate and 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	98.84	98.75	98.56	100.55	101.07	99.74	0.91
Non-OPEC liquids production	62.47	63.80	63.76	64.17	65.68	64.36	1.88
OPEC NGL and non-conventionals	4.76	4.80	4.82	4.71	4.86	4.80	0.04
(b) Total non-OPEC liquids production and OPEC NGLs	67.24	68.60	68.58	68.88	70.54	69.15	1.92
Difference (a-b)	31.60	30.16	29.98	31.67	30.53	30.59	-1.01
OPEC crude oil production	31.86	30.48	29.97	29.39	29.57	29.85	-2.01
Balance	0.26	0.33	-0.01	-2.27	-0.96	-0.74	-1.00

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

Balance of supply and demand in 2020

Demand for OPEC crude in 2020 was revised down by 0.2 mb/d from the previous report to 29.3 mb/d, which is around 1.3 mb/d lower than the 2019 level. The main reason behind the oil demand growth revision and hence the demand for OPEC crude is the outbreak of the Coronavirus and its expected impact on China's oil demand and, by extension, global oil demand.

Compared to the previous monthly report, both 1Q20 and 2Q20 were revised down by 0.3 mb/d each, while 3Q20 was revised down by 0.2 mb/d. Demand for OPEC crude in 4Q20 remained unchanged compared to the previous assessment.

When compared to the same quarters in 2019, demand for OPEC crude in 1Q20 and 2Q20 were 1.2 mb/d and 1.7 mb/d lower, respectively. 3Q20 and 4Q20 show declines of 1.6 mb/d and 0.6 mb/d, respectively.

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

	2019	1Q20	2Q20	3Q20	4Q20	2020	Change 2020/19
(a) World oil demand	99.74	99.51	99.36	101.62	102.38	100.73	0.99
Non-OPEC liquids production	64.36	65.76	66.24	66.75	67.65	66.60	2.25
OPEC NGL and non-conventionals	4.80	4.83	4.83	4.83	4.83	4.83	0.03
(b) Total non-OPEC liquids production and OPEC NGLs	69.15	70.59	71.07	71.58	72.48	71.43	2.28
Difference (a-b)	30.59	28.92	28.29	30.04	29.90	29.30	-1.29

Notes: * 2019 = Estimate and 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	47.07	47.61	48.01	47.72	47.15	48.48	48.51	47.97	47.67	47.09	48.53	48.61	47.98
Americas	24.89	25.07	25.60	25.14	25.29	26.05	26.14	25.66	25.34	25.47	26.23	26.33	25.84
Europe	14.04	14.38	14.33	14.09	14.25	14.75	14.25	14.34	13.99	14.20	14.73	14.23	14.29
Asia Pacific	8.14	8.15	8.08	8.50	7.61	7.68	8.12	7.97	8.34	7.43	7.57	8.05	7.85
DCs	31.56	32.13	32.62	32.96	32.84	33.41	33.20	33.10	33.51	33.41	34.09	33.93	33.73
FSU	4.57	4.64	4.76	4.70	4.68	4.96	5.04	4.84	4.80	4.78	5.07	5.15	4.95
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	12.95	13.48	13.06	12.77	13.37	13.17	13.84	13.29
(a) Total world demand	95.70	97.42	98.84	98.75	98.56	100.55	101.07	99.74	99.51	99.36	101.62	102.38	100.73
Non-OPEC liquids production													
OECD	24.86	25.71	28.33	29.34	29.64	29.74	30.94	29.92	31.06	31.23	31.86	32.34	31.62
Americas	20.59	21.49	24.08	25.07	25.59	25.68	26.50	25.71	26.45	26.78	27.32	27.58	27.04
Europe	3.85	3.82	3.84	3.84	3.57	3.55	3.90	3.72	4.06	3.91	3.96	4.18	4.03
Asia Pacific	0.43	0.39	0.41	0.43	0.48	0.51	0.55	0.49	0.55	0.54	0.58	0.58	0.56
DCs	13.54	13.40	13.46	13.41	13.43	13.59	13.84	13.57	13.90	13.98	13.98	14.08	13.98
FSU	13.85	14.05	14.29	14.55	14.16	14.34	14.42	14.37	14.23	14.45	14.37	14.65	14.42
Other Europe	0.13	0.13	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.11	0.12
China	4.09	3.97	4.02	4.10	4.13	4.10	4.08	4.10	4.12	4.13	4.10	4.13	4.12
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 liquids production	58.68	59.48	62.47	63.80	63.76	64.17	65.68	64.36	65.76	66.24	66.75	67.65	66.60
OPEC NGLs + non-conventional oils	4.58	4.64	4.76	4.80	4.82	4.71	4.86	4.80	4.83	4.83	4.83	4.83	4.83
(b) Total non-OPEC liquids production and OPEC NGLs	63.26	64.12	67.24	68.60	68.58	68.88	70.54	69.15	70.59	71.07	71.58	72.48	71.43
OPEC crude oil production (secondary sources)	32.21	32.01	31.86	30.48	29.97	29.39	29.57	29.85					
Total liquids production	95.47	96.13	99.10	99.08	98.55	98.27	100.11	99.01					
Balance (stock change and miscellaneous)	-0.23	-1.29	0.26	0.33	-0.01	-2.27	-0.96	-0.74					
OECD closing stock levels, mb													
Commercial	3,007	2,860	2,873	2,877	2,939	2,945	2,918	2,918					
SPR	1,601	1,569	1,552	1,557	1,549	1,544	1,538	1,538					
Total	4,608	4,428	4,425	4,434	4,488	4,489	4,456	4,456					
Oil-on-water	1,102	1,025	1,058	1,013	995	1,012	1,007	1,007					
Days of forward consumption in OECD, days													
Commercial onland stocks	63	60	60	61	61	61	61	61					
SPR	34	33	32	33	32	32	32	32					
Total	97	92	92	94	93	93	93	93					
Memo items													
(a) - (b)	32.44	33.31	31.60	30.16	29.98	31.67	30.53	30.59	28.92	28.29	30.04	29.90	29.30

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	-	-	-	-0.04	-	0.02	-0.06	-0.02	-0.19	-0.13	-0.01	-0.06	-0.10
Americas	-	-	-	-0.05	-0.03	-0.02	-0.02	-0.03	-0.08	-0.05	-0.02	-0.02	-0.04
Europe	-	-	-	0.01	0.03	0.04	-0.04	0.01	-0.04	0.01	0.04	-0.04	-0.01
Asia Pacific	-	-	-	-	-	-	-	-	-0.07	-0.09	-0.03	-	-0.05
DCs	-	-	-	-	-	-0.05	0.01	-0.01	-0.09	-0.08	-0.08	0.01	-0.06
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-0.03	0.05	0.01	-0.16	-0.15	-0.13	0.05	-0.10
(a) Total world demand	-	-	-	-0.04	-	-0.06	-	-0.02	-0.44	-0.37	-0.21	-	-0.25
Non-OPEC liquids production													
OECD	-	-	-	-	-	-	0.04	0.01	-0.23	-0.15	-0.03	-0.06	-0.12
Americas	-	-	-	-	-	-	0.07	0.02	-0.26	-0.18	-0.06	-0.09	-0.15
Europe	-	-	-	-	-	-	-0.03	-0.01	0.03	0.03	0.03	0.03	0.03
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-0.01	0.05	0.01	0.05	0.05	0.05	0.01	0.04
FSU	-	-	-	-	-	-	0.01	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-0.01	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC liquids production	-	-	-	-	-	-0.01	0.08	0.02	-0.18	-0.10	0.01	-0.05	-0.08
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC liquids production and OPEC NGLs	-	-	-	-	-	-0.01	0.08	0.02	-0.18	-0.10	0.01	-0.05	-0.08
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-0.03	-0.01					
Total liquids production	-	-	-	-	-	-0.01	0.05	0.01					
Balance (stock change and miscellaneous)	-	-	-	0.04	-	0.05	0.05	0.04					
OECD closing stock levels (mb)													
Commercial	-	-	3	-	-	9							
SPR	-	-	-	-	-	-							
Total	-	-	3	-	-	9							
Oil-on-water	-	-	-	-	-	-							
Days of forward consumption in OECD													
Commercial onland stocks	-	-	-	-	-	-							
SPR	-	-	-	-	-	-							
Total	-	-	-	-	-	-							
Memo items													
(a) - (b)	-	-	-	-0.04	-	-0.05	-0.08	-0.05	-0.26	-0.26	-0.22	0.05	-0.17

Note: * This compares Table 11 - 1 in this issue of the MOMR with Table 11 - 1 in the January 2020 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

	2017	2018	2019	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
Closing stock levels, mb												
OECD onland commercial	2,860	2,873	2,918	2,860	2,816	2,812	2,865	2,873	2,877	2,939	2,945	2,918
Americas	1,498	1,544	1,539	1,498	1,471	1,473	1,543	1,544	1,508	1,565	1,559	1,539
Europe	948	930	986	948	968	952	933	930	989	985	987	986
Asia Pacific	413	400	393	413	378	388	390	400	379	389	399	393
OECD SPR	1,569	1,552	1,538	1,569	1,577	1,575	1,570	1,552	1,557	1,549	1,544	1,538
Americas	665	651	637	665	667	662	662	651	651	647	647	637
Europe	481	481	484	481	487	491	486	481	488	485	482	484
Asia Pacific	423	420	416	423	422	422	422	420	417	417	416	416
OECD total	4,428	4,425	4,456	4,428	4,393	4,387	4,435	4,425	4,434	4,488	4,489	4,456
Oil-on-water	1,025	1,058	1,007	1,025	1,036	1,014	1,041	1,058	1,013	995	1,012	1,007
Days of forward consumption in OECD, days												
OECD onland commercial	60	60	61	60	60	58	59	60	61	61	61	61
Americas	59	60	60	59	58	57	60	61	60	60	60	61
Europe	66	65	69	67	68	65	65	66	69	67	69	70
Asia Pacific	51	50	50	48	49	50	48	47	50	51	49	47
OECD SPR	33	33	33	33	33	33	32	33	33	32	32	32
Americas	26	26	26	26	26	26	26	26	26	25	25	25
Europe	34	34	34	34	34	33	34	34	34	33	34	35
Asia Pacific	52	53	54	49	55	54	52	49	55	54	51	50
OECD total	92	93	94	92	93	91	92	93	94	93	93	93

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

Table 11 - 4: Non-OPEC liquids production 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	18.4	19.1	18.4	1.7	19.0	19.6	19.9	20.1	19.7	1.3
Canada	4.5	4.9	5.3	5.4	5.4	5.4	0.1	5.5	5.3	5.5	5.6	5.5	0.1
Mexico	2.5	2.2	2.1	1.9	1.9	1.9	-0.2	2.0	1.9	1.9	1.8	1.9	0.0
OECD Americas	20.6	21.5	24.1	25.7	26.5	25.7	1.6	26.4	26.8	27.3	27.6	27.0	1.3
Norway	2.0	2.0	1.9	1.7	1.9	1.7	-0.1	2.0	2.0	2.1	2.2	2.1	0.3
UK	1.0	1.0	1.1	1.1	1.1	1.2	0.0	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	3.6	3.9	3.7	-0.1	4.1	3.9	4.0	4.2	4.0	0.3
Australia	0.3	0.3	0.3	0.4	0.5	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	0.6	0.5	0.6	0.6	0.6	0.1
Total OECD	24.9	25.7	28.3	29.7	30.9	29.9	1.6	31.1	31.2	31.9	32.3	31.6	1.7
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	0.8	0.8	0.8	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	0.6	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	3.3	3.4	3.4	-0.1	3.4	3.4	3.4	3.4	3.4	0.0
Argentina	0.7	0.6	0.6	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Brazil	3.1	3.3	3.3	3.6	3.8	3.5	0.2	3.8	3.8	3.8	3.9	3.8	0.3
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	0.3	0.4	0.4	0.4	0.4	0.1
Latin America	5.1	5.2	5.2	5.5	5.7	5.4	0.2	5.8	5.8	5.8	5.9	5.8	0.4
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Oman	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0	1.0	0.0
Qatar	2.0	1.9	2.0	1.9	1.9	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	3.3	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	0.6	0.6	0.7	0.0	0.6	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	0.3	0.2	0.2	0.0	0.2	0.3	0.3	0.3	0.2	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	1.5	1.5	1.5	0.0	1.5	1.5	1.5	1.5	1.5	0.0
Total DCs	13.5	13.4	13.5	13.6	13.8	13.6	0.1	13.9	14.0	14.0	14.1	14.0	0.4
FSU	13.9	14.1	14.3	14.3	14.4	14.4	0.1	14.2	14.5	14.4	14.6	14.4	0.1
Russia	11.1	11.2	11.3	11.4	11.5	11.4	0.1	11.3	11.5	11.5	11.6	11.5	0.0
Kazakhstan	1.6	1.7	1.8	1.8	1.9	1.8	0.0	1.8	1.9	1.8	1.9	1.8	0.0
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	4.1	4.1	4.1	0.1	4.1	4.1	4.1	4.1	4.1	0.0
Non-OPEC production	56.5	57.3	60.2	61.9	63.4	62.1	1.9	63.4	63.9	64.4	65.3	64.3	2.2
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 liquids production	58.7	59.5	62.5	64.2	65.7	64.4	1.9	65.8	66.2	66.8	67.6	66.6	2.2
OPEC NGL	4.5	4.5	4.7	4.6	4.8	4.7	0.0	4.7	4.7	4.7	4.7	4.7	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	4.7	4.9	4.8	0.0	4.8	4.8	4.8	4.8	4.8	0.0
Total non-OPEC liquids production and OPEC NGLs	63.3	64.1	67.2	68.9	70.5	69.2	1.9	70.6	71.1	71.6	72.5	71.4	2.3

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

Source: OPEC Secretariat.

Table 11 - 5: World rig count, units

	2017	2018	2019	Change 2019/18	1Q19	2Q19	3Q19	4Q19	Dec 19	Jan 20	Change Jan/Dec
US	875	1,031	944	-88	1,045	990	920	819	804	792	-12
Canada	207	191	134	-57	185	83	131	138	135	205	70
Mexico	17	27	37	10	26	34	38	48	49	46	-3
OECD Americas	1,099	1,249	1,114	-135	1,257	1,106	1,089	1,005	988	1,043	55
Norway	15	15	17	2	15	17	18	18	17	18	1
UK	9	7	15	7	13	16	16	13	11	10	-1
OECD Europe	92	85	149	63	92	159	190	154	139	133	-6
OECD Asia Pacific	15	21	29	8	24	29	31	30	29	28	-1
Total OECD	1,206	1,355	1,292	-64	1,372	1,295	1,310	1,189	1,156	1,204	48
Other Asia*	208	222	221	-1	232	225	217	212	212	211	-1
Latin America	112	123	121	-2	128	122	123	113	112	102	-10
Middle East	68	65	68	3	66	69	67	69	70	69	-1
Africa	38	45	54	10	54	52	50	62	63	62	-1
Total DCs	426	454	465	11	481	468	457	455	457	444	-13
Non-OPEC rig count	1,632	1,809	1,757	-53	1,853	1,763	1,767	1,644	1,613	1,648	35
Algeria	54	50	45	-5	47	49	42	41	42	41	-1
Angola	3	4	4	1	5	5	4	3	5	6	1
Congo	2	3	3	0	4	4	3	2	2	2	0
Ecuador	6	8	8	0	9	8	9	6	5	6	1
Equatorial Guinea**	1	1	1	0	1	1	1	1	1	1	0
Gabon	1	3	7	4	7	6	7	9	9	9	0
Iran**	156	157	157	0	157	157	157	157	157	157	0
Iraq	49	59	74	14	65	75	77	77	77	77	0
Kuwait	54	51	46	-5	44	44	46	48	50	53	3
Libya	1	5	14	10	11	15	16	16	16	16	0
Nigeria	9	13	16	2	14	14	16	18	17	14	-3
Saudi Arabia	118	117	115	-2	118	115	118	109	115	111	-4
UAE	52	55	62	7	58	59	64	67	66	66	0
Venezuela	49	32	25	-8	25	23	25	25	25	25	0
OPEC rig count	553	558	576	18	565	576	585	580	587	584	-3
World rig count***	2,185	2,368	2,333	-35	2,418	2,338	2,352	2,224	2,200	2,232	32
<i>of which:</i>											
Oil	1,678	1,886	1,838	-48	1,936	1,827	1,833	1,756	1,735	1,758	23
Gas	466	448	464	15	455	482	486	431	423	432	9
Others	42	33	31	-2	26	29	32	38	42	42	0

Note: * Other Asia includes Indonesia.

** Estimated data when Baker Hughes Incorporated did not report 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 1.38 in January

January 2020	65.10
December 2019	66.48
Year-to-date	65.10

January OPEC crude production

mb/d, according to secondary sources



down 0.51 in January

January 2020	28.86
December 2019	29.37

Economic growth rate

per cent

	World	OECD	US	Japan	Euro-zone	China	India
2019	2.9	1.6	2.3	1.1	1.2	6.1	5.2
2020	3.0	1.5	1.9	0.6	0.9	5.4	6.1

Supply and demand

mb/d

	2019	19/18		2020	20/19
World demand	99.7	0.9	World demand	100.7	1.0
Non-OPEC liquid production	64.4	1.9	Non-OPEC liquid production	66.6	2.2
OPEC NGLs	4.8	0.0	OPEC NGLs	4.8	0.0
Difference	30.6	-1.0	Difference	29.3	-1.3

OECD commercial stocks

mb

	Oct 19	Nov 19	Dec 19	Dec 19/Nov 19	Dec 18
Crude oil	1,474	1,478	1,463	-15.4	1,427
Products	1,441	1,433	1,455	22.2	1,446
Total	2,915	2,912	2,918	6.8	2,873
Days of forward cover	60.7	60.4	61.0	0.6	60.1

Next report to be issued on 11 March 2020.