



Organization of the Petroleum Exporting Countries



# OPEC Monthly Oil Market Report

12 August 2020

## Feature article:

*Crude and product price movements*

Oil market highlights	i
Feature article	iii
Crude oil price movements	1
Commodity markets	6
World economy	9
World oil demand	24
World oil supply	35
Product markets and refinery operations	52
Tanker market	58
Crude and refined products trade	61
Commercial stock movements	66
Balance of supply and demand	71



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# Oil Market Highlights

## Crude Oil Price Movements

Spot crude oil prices rose further in July, the third consecutive monthly increase. The OPEC Reference Basket (ORB) averaged \$43.42/b in July, gaining \$6.37 over the previous month to reach its highest value since February this year. The ORB year-to-date average is \$39.85/b. Crude oil futures also rose in July, again for the third consecutive month. ICE Brent ended the month \$2.45 higher at \$43.22/b, while NYMEX WTI rose by \$2.45 to reach \$40.77/b. The Brent-WTI spread remained unchanged at \$2.46/b. Futures prices rose given continued improvement in oil market fundamentals and bullish economic data. All three futures market structures were in contango in July, with the forward curves steepening late in the month. Hedge funds and other money managers turned less positive on oil prices by the end of July, cutting their bullish bets on crude oil futures and options close to two-month lows.

## World Economy

The global economic growth forecast for 2020 is revised down to -4.0%, compared to last month's forecast of -3.7%, following a further negative impact from the COVID-19 pandemic. The recovery in 2021 is forecast to reach 4.7%, unchanged from the previous month. The US is revised down slightly and now forecast to contract by 5.3% in 2020, followed by growth of 4.1% in 2021. The Euro-zone is forecast to contract by 8.0% in 2020, but grow by 4.3% in 2021. Japan is forecast to contract by 5.1% in 2020 and recover to 3.2% in 2021. China's 2020 GDP growth is revised up to 1.8% from 1.3%, followed by growth of 6.9% in 2021. India's 2020 growth forecast is revised down from -2.5% to -4.6%, followed by growth of 6.8% in 2021. Brazil's 2020 GDP growth is revised down to -7.0% from -6.7%, before rebounding to 2.4% in 2021. Russia's 2020 forecast is revised down slightly to -4.7% from -4.5%, before recovering in 2021 to 2.9%.

## World Oil Demand

In 2020, global oil demand growth is forecast to decline by 9.1 mb/d. This is 0.1 mb/d lower than last month's forecast, mainly due to lower economic activity levels in a few major non-OECD countries. On a quarterly basis, the more-than-expected decline in the non-OECD countries in the 2Q20 was partially counterbalanced by better-than-expected demand in OECD Europe. The 2H20 is adjusted lower, compared to last month's assessment, in line with the expected softer economic momentum, mainly in a few non-OECD countries. Total oil demand is now projected to reach 90.6 mb/d. For 2021, world oil demand growth is forecast to rise by 7.0 mb/d, unchanged from last month. Total world consumption is now pegged at 97.6 mb/d in 2021. The forecast assumes that COVID-19 will largely be contained globally, with no further major disruptions to the global economy. Consequently, economic activities are projected to rebound steady in both OECD and non-OECD. As a result, the OECD countries are expected to witness oil demand growth of 3.5 mb/d, y-o-y, in 2021. The non-OECD countries are expected to witness similar growth, with China and Other Asia leading the gains.

## World Oil Supply

Despite the dramatic drop in oil output in 2Q20, particularly in OECD Americas, the non-OPEC liquids production growth forecast in 2020 (including processing gains) is revised up by 235 tb/d from the previous month's assessment, due to a better-than-expected recovery in 2H20, and now is expected to decline by 3.03 mb/d, y-o-y. Major oil companies have reported some significant 2Q20 supply losses due to the COVID-19 pandemic. With the downward production adjustments from the non-OPEC countries participating in the Declaration of Cooperation (DoC) and production shut-ins in countries outside of the DoC during the same quarter, total non-OPEC supply in 2Q20 dropped by around 6 mb/d. However, non-OPEC crude oil production in 3Q20 is expected to witness some growth, particularly as of August. Non-OPEC liquids production in 2021 is revised up by 66 tb/d and is now expected to grow by 0.98 mb/d, mainly due to a better-than-expected recovery in production of Canada. Nevertheless, uncertainty surrounding financial and logistical constraints for US production, as well as a potential second wave of COVID-19 infections globally, remains a concern. OPEC NGLs are estimated to decline by 0.10 mb/d, y-o-y in 2020, while the preliminary 2021 forecast indicates growth of 0.08 mb/d to average 5.13 mb/d. OPEC crude oil production in July increased by 0.98 mb/d, m-o-m, to average 23.17 mb/d, according to secondary sources.

### Product Markets and Refining Operations

Global refinery margins trended upwards last month, as a continued increase in mobility activities, amid the peak summer season, provided stimulus to product markets. Improvements were registered across almost the entire barrel, with Asian refining margins returning to positive territory. The strongest positive contribution came from the middle section of the barrel, although stronger refinery runs, led to higher inventory levels, and kept gains capped. Despite the positive m-o-m improvement, refining margins, in general, remain at unfavourably low levels, y-o-y.

### Tanker Market

Dirty tanker rates fell further last month from the high levels seen mid-March this year. In fact, tanker rates fell to the subdued levels seen in 1H19, following the historic production adjustments undertaken by OPEC and non-OPEC producers participating in the DoC, as well as other major producers. OPEC sailings continued to decline in July, hitting the lowest on record. Volumes are likely to remain at historically low levels for the remainder of the year, in line with DoC commitments. Lacklustre product exports, amid weak demand and low refinery runs, weighed on clean tanker rates. Floating storage continued to unwind, removing a factor that has supported rates in recent months.

### Crude and Refined Products Trade

Global crude and product trade remains muted compared to a year-ago levels. Preliminary data shows that US crude imports fell back in July, as the inflow of long haul tankers from the Middle East decreased. US crude exports edged up in July after four months of declines, averaging 2.8 mb/d, albeit remaining well below the peak of 3.7 mb/d observed back in February. Japan's crude imports hit their lowest level in more than a decade in June, down by 39% from the peak seen in March, amid reduced refinery runs, and weak product demand in the Asian region. China's crude imports surged to a record high of just under 13 mb/d in June as a wave of crude cargoes purchased at a time of low prices continued to be brought onshore. Crude inflows outpaced the country's import capacity resulting in port congestion that delayed unloadings, which should keep imports high in July. Product imports fell back in June from the record high seen in May, but at 1.65 mb/d, they were still the second highest on record. India's crude inflows continued to fall from the high levels seen in 1Q19, approaching a 9-year low of 3.3 mb/d in June.

### Commercial Stock Movements

Preliminary June data showed that total OECD commercial oil stocks rose by 24.3 mb, m-o-m, the fourth consecutive monthly rise. At 3,240 mb, they were 301.5 mb higher than the same time one year ago, and 291.2 mb above the latest five-year average. Within the components, crude and products stocks rose m-o-m by 12.8 mb and 11.5 mb, respectively. OECD crude stocks stood at 120.3 mb above the latest five-year average, while product stocks exhibited a surplus of 170.9 mb. In terms of days of forward cover, OECD commercial stocks fell m-o-m by 3.9 days in June to stand at 73.4 days. This was 12.5 days above the June 2019 level, and 11.7 days above the latest five-year average.

### Balance of Supply and Demand

Demand for OPEC crude in 2020 is revised down by 0.4 mb/d from the previous month to stand at 23.4 mb/d, around 5.9 mb/d lower than in 2019. Demand for OPEC crude in 2021 is also revised down by 0.5 mb/d from the previous month to stand at 29.3 mb/d, around 5.9 mb/d higher than in 2020.



## Feature Article

### Crude and product price movements

Crude and product prices have experienced excessive volatility in 2020, following the unprecedented oil demand shock in 1H20 caused by the COVID-19 pandemic. Crude oil prices reacted abruptly, with the NYMEX WTI front month collapsing to a negative price of minus \$37.63/b on 20 April 2020, for the first time ever. ICE Brent declined by more than 70% from the start of the year to stand at an 18-year low of \$19.33/b on 21 April 2020. The global oil market started to recover gradually since May, recording three consecutive months of increases, mainly supported by the historic decision of the OPEC and non-OPEC countries participating in the Declaration of Cooperation (DoC) to adjust production, with the goal to restore balance in the market. These efforts were further supported by a few key G20 producers, including the US, Canada and Norway. The oil market was also buoyed by the gradual recovery of global oil demand, particularly from China, and expectations of an inventory drawdown in 2H20. By late July, ICE Brent and NYMEX WTI had recovered by about \$24/b and \$78/b, respectively, from the excessive lows seen in April.

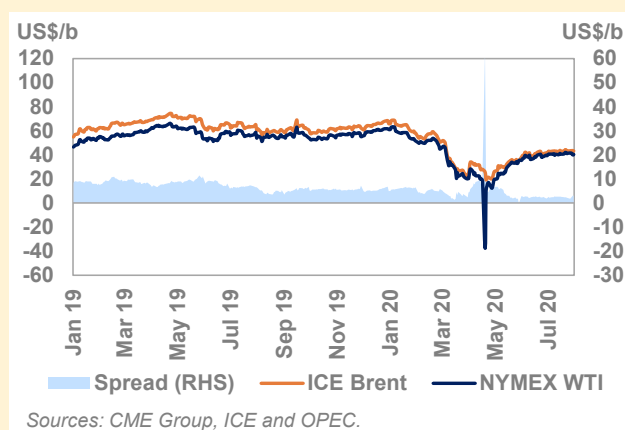
Oil prices steadied in July despite considerable uncertainties regarding the pace of the oil demand recovery amid a continued rise of COVID-19 infections worldwide, concerns about potential renewed lockdowns and as global oil stocks remained at high levels. Meanwhile, the futures price structures flattened in July, recovering from the super contango registered in March and April, amid a tightening supply surplus in the physical market and a declining crude oil stock overhang. The transatlantic Brent-WTI spread narrowed by the end of 2Q20 and remained below \$2.6/b in June and July, amid ample availability of pipeline takeaway capacity from the Permian Basin to the USGC (thus lessening flows to Cushing), declining US production and continued US crude oil exports (**Graph 1**).

On the product side, this year's fuel prices tumbled globally, due to the sudden collapse in fuel consumption, as lockdown measures were increasingly implemented to contain the spread of the COVID-19 pandemic. The downturn was particularly pronounced in jet fuel due to the suspension of air travel. Gasoil initially showed some short-term resilience but eventually suffered towards the end of the first quarter as winter-related support for space heating waned. In the US, the average product price on the USGC plummeted to record lows (**Graph 2**) and showed an almost 60% decline in April compared to February levels.

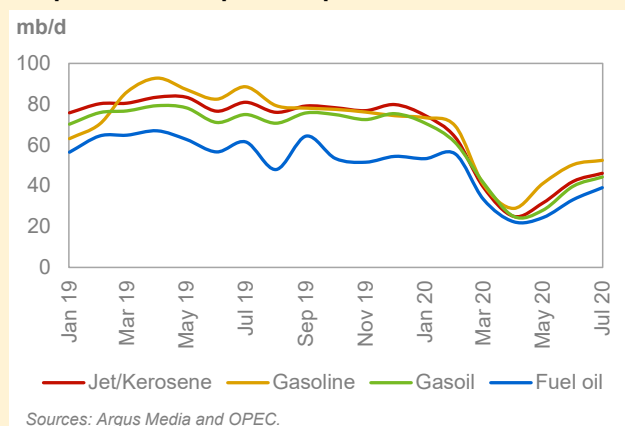
The sharp downturn in fuel prices was largely driven by an alarming growth in product inventory levels in May. This was despite the hefty refinery intake cuts which, combined with scheduled shutdowns, amounted to a global decline of over 10 mb/d of refinery oil demand in May, compared to pre-pandemic average levels. As lockdown measures eased, a pick-up in fuel consumption, amid positive sentiment regarding the summer season, supported prices and contributed to a limited recovery. As a result, average US product prices rebounded by \$20/d in July, although they remained well below their pre-pandemic levels.

Looking ahead, crude and product price developments in 2H20 will continue to be impacted by concerns over a second wave of infections and higher global stocks. Product inventories may remain elevated due to weak road and air transport fuel demand, while gasoil, fuel oil and naphtha prices are expected to continue to receive some support from sectors less affected by the pandemic such as the home heating and petrochemical sectors. This points to the need for continued efforts to support market rebalancing both on the supply side through production adjustments by OPEC and non-OPEC producers participating in the DoC and voluntary production adjustments by other producers, as well as on the demand side through government-led stimulus efforts to revive the global economy.

**Graph 1: Transatlantic spread between Brent and WTI**



**Graph 2: Refined product prices in the USGC**







# Table of Contents

<b>Oil Market Highlights</b>	<b>iii</b>
<b>Feature Article</b>	<b>v</b>
<i>Crude and product price movements</i>	v
<b>Crude Oil Price Movements</b>	<b>1</b>
Crude spot prices	1
The oil futures market	2
The futures market structure	4
Crude spreads	5
<b>Commodity Markets</b>	<b>6</b>
Trends in selected commodity markets	6
Investment flows into commodities	7
<b>World Economy</b>	<b>9</b>
Global	9
OECD	11
Non-OECD	16
The impact of the US dollar (USD) and inflation on oil prices	23
<b>World Oil Demand</b>	<b>24</b>
World oil demand in 2020 and 2021	25
OECD	26
Non-OECD	29
<b>World Oil Supply</b>	<b>35</b>
Main monthly revisions	36
Key drivers of growth and decline	36
Non-OPEC liquids production in 2020 and 2021	37
OECD	38
Non-OECD	46
OPEC NGL and non-conventional oils	50
OPEC crude oil production	50
World oil supply	51
<b>Product Markets and Refinery Operations</b>	<b>52</b>
Refinery margins	52
Refinery operations	53
Product markets	53

## Table of Contents

<b>Tanker Market</b>	<b>58</b>
Spot fixtures	58
Sailings and arrivals	58
Dirty tanker freight rates	59
Clean tanker freight rates	60
<b>Crude and Refined Products Trade</b>	<b>61</b>
US	61
China	62
India	63
Japan	63
OECD Europe	64
FSU	65
<b>Commercial Stock Movements</b>	<b>66</b>
OECD	66
US	67
Japan	68
EU-15 plus Norway	69
Singapore, Amsterdam-Rotterdam-Antwerp (ARA) and Fujairah	70
<b>Balance of Supply and Demand</b>	<b>71</b>
Balance of supply and demand in 2020	71
Balance of supply and demand in 2021	72
<b>Appendix</b>	<b>73</b>
<b>Glossary of Terms</b>	<b>79</b>
Abbreviations	79
Acronyms	79

## Crude Oil Price Movements

The spot market strengthened further in July. Spot crude prices rose, m-o-m, on sustained demand from refiners, reduced crude overhang, low loading programmes, gradual improvement in demand for oil products as more countries lifted lockdown measures, and the onset of the driving season that gave some support to transportation fuels. The ORB value rose firmly in July, increasing by more than other spot references. This was on the back of higher ORB component related benchmarks and a sharp increase in official selling prices, specifically sour components. The ORB value rose \$6.37 m-o-m, or 17.2%, to settle at an average of \$43.42/b, its highest level since February.

Oil futures prices also rose further in July, settling higher by about 6% on a monthly average. They were buoyed by further improvements in oil market fundamentals, bullish economic data, and an improved oil demand outlook after several countries eased lockdown measures. Futures prices increased for the third consecutive month, amid increasing evidence that the oil market is heading gradually toward rebalancing in 2H20, although both the ICE Brent and NYMEX WTI rally slowed over the month of July and remained range-bound, trading in a narrow interval. In July, ICE Brent rose \$2.45, or 6%, to average \$43.22/b, and NYMEX WTI increased by \$2.45, or 6.4%, to average \$40.77/b. Year-to-date (y-t-d), ICE Brent was \$23.59 lower, or 35.8%, at \$42.27/b, while NYMEX WTI was \$20.05 lower, or 34.9%, at \$37.41/b, compared with the same period a year earlier. DME Oman crude oil futures prices rose in July by \$1.93 m-o-m, or 4.6%, to settle at \$43.70/b. Y-t-d, DME Oman was lower by \$23.31, or 35.6%, at \$42.15/b.

Hedge funds and other money managers had turned less positive on oil prices by the end of July. They cut their bullish bets on related futures and options to about two-month lows, as the oil price rally stalled, and uncertainty remained high regarding the impact of rising COVID-19 cases, as well as the potential risk of new lockdowns, on the global economic recovery and oil demand.

The structure of all three futures markets remained in contango in July and the forward curves steepened late in the month as uncertainty about world oil demand, high global oil stocks, and the slow oil destocking rate, continued to put downward pressure on front prices.

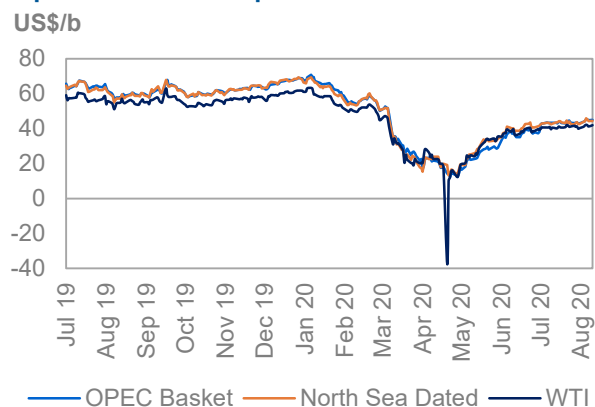
Despite a tight sour crude market, the sweet/sour crude differentials widened in all markets, especially in Asia and Europe, as outright prices of light sweet crudes improved markedly compared to sour grades.

## Crude spot prices

The spot market strengthened further in July. Spot crude oil prices rose m-o-m on sustained demand from refiners, a reduced crude overhang and low loading programs, a gradual improvement in demand for oil products as more countries lifted lockdown measures, and the onset of the driving season gave some support to transportation fuels. Refining activity continued to increase gradually in China, India and the US. The weekly US refiner net input of crude oil rose to 14.6 mb/d in late July, according to EIA data, however, it remained well below pre-COVID-19 crisis levels. North Sea Dated rose 8% in July, on a monthly average, buoyed by healthy demand from European buyers and lower North Sea loading programs in August and September, in addition to lower August loading programs of Urals.

The Dubai value rose 6.1% in July. It was supported by firm demand and a tight sour crude market, a consequence of OPEC and non-OPEC production adjustments in the Declaration of Cooperation, while US WTI prices increased by 6.4% on signs of recovering oil demand, declining US crude production and falling crude oil stocks.

Graph 1 - 1: Crude oil price movement



Sources: Argus, OPEC and Platts.

## Crude Oil Price Movements

However, the rise in spot prices slowed over the month of July due to high global oil stock levels, plentiful offers of crude oil from floating storage, which effectively increases supply, and waning buying interest from Chinese refiners, specifically independent refiners. Indeed, congestions in some Chinese oil ports and severe flooding in China softened oil demand, and contributed to lessening Chinese crude purchases.

All physical crude oil benchmarks rose m-o-m in July, with North Sea Dated rising by \$3.19, or 8%, to settle at \$43.27/b, while the Dubai and WTI first months increased by \$2.48 and \$2.45, or 6.1% and 6.4%, respectively, to settle at \$43.19/b and \$40.75/b.

## OPEC Reference Basket (ORB)

The ORB value rose firmly in July increasing more than other spot references. This was on the back of higher ORB component related benchmarks and a sharp increase in official selling prices, specifically sour components. The ORB value rose \$6.37 m-o-m, or 17.2%, to settle at an average of \$43.42/b, its highest level since February. The increase in the ORB value took place amid a robust physical crude market and strengthening crude differentials in the first part of July, in addition to a tightening sour crude market, particularly in the Middle East and Europe. However, compared to the previous year, the ORB was down 39%, from \$65.37/b in 2019 to an average of \$39.85/b so far this year.

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

	Jun 20	Jul 20	Change		Year-to-date	
			Jul/Jun	%	2019	2020
<b>OPEC Reference Basket</b>	<b>37.05</b>	<b>43.42</b>	<b>6.37</b>	<b>17.2</b>	<b>65.37</b>	<b>39.85</b>
Arab Light	36.12	43.52	7.40	20.5	66.27	40.42
Basrah Light	37.23	44.63	7.40	19.9	65.01	39.53
Bonny Light	39.03	43.46	4.43	11.4	67.18	40.15
Djeno	32.63	35.82	3.19	9.8	63.05	35.54
Es Sider	38.68	42.17	3.49	9.0	64.95	38.83
Girassol	43.10	45.78	2.68	6.2	67.17	41.20
Iran Heavy	36.26	43.30	7.04	19.4	63.15	38.54
Kuwait Export	35.58	43.31	7.73	21.7	65.48	39.69
Merey	24.73	28.32	3.59	14.5	57.00	26.87
Murban	39.33	43.73	4.40	11.2	66.20	42.11
Rabi Light	40.70	43.56	2.86	7.0	64.90	38.43
Sahara Blend	40.48	44.12	3.64	9.0	65.88	40.92
Zafiro	40.79	43.82	3.03	7.4	66.88	39.82
<b>Other Crudes</b>						
North Sea Dated	40.08	43.27	3.19	8.0	65.65	40.33
Dubai	40.71	43.19	2.48	6.1	65.13	41.21
Isthmus	35.07	38.45	3.38	9.6	64.92	33.54
LLS	39.49	42.34	2.85	7.2	64.46	39.74
Mars	39.22	41.77	2.55	6.5	63.02	38.21
Minas	38.42	41.01	2.59	6.7	60.77	40.25
Urals	42.36	44.28	1.92	4.5	65.81	40.31
WTI	38.30	40.75	2.45	6.4	57.41	37.56
<b>Differentials</b>						
North Sea Dated/WTI	1.78	2.52	0.74	-	8.25	2.77
North Sea Dated/LLS	0.59	0.93	0.34	-	1.20	0.59
North Sea Dated/Dubai	-0.63	0.08	0.71	-	0.52	-0.88

Sources: Argus, Direct Communication, OPEC and Platts.

## The oil futures market

**Crude oil futures prices** rose further in July, settling up by about 6% on a monthly average. They were supported by further improvements in oil market fundamentals, bullish economic data, and an improved oil demand outlook after several countries eased lockdown measures. Futures prices increased for the third consecutive month amid increasing evidence that the oil market is heading gradually toward rebalancing in

2H20, although both the ICE Brent and NYMEX WTI rally slowed over July and remained range-bound, trading in a narrow interval. Over July, ICE Brent front month oscillated between \$42.00 and \$44.40/b, while NYMEX WTI first month was trading between \$39.50/b and \$42.00/b. On a monthly average, ICE Brent ended July higher by \$2.45, to settle at \$43.22/b, and NYMEX WTI rose \$2.45 to \$40.77/b.

Futures prices were buoyed in July by a series of supportive economic data from the US, Europe and China, suggesting a steady economic recovery, in addition to massive economic stimulus packages in the US and Europe to shore up the economy. In the second part of July, oil prices climbed to their highest levels since early March after EU leaders agreed on a historical economic stimulus deal to support its member countries hit by COVID-19. Furthermore, prices rose on the back of data showing increasing crude demand from refiners in the US, India and China, falling US crude oil stocks from the high levels in June, and a drop in US drilling activity to a record low in July, which suggests a further decline in US shale supply in the coming months. According to Baker Hughes weekly data, the oil and gas rig count fell for the fifth consecutive month in July. Furthermore, an EIA monthly report showed that US crude oil production fell in May by 2 mb/d compared to April levels, the largest monthly decline on record.

Oil prices were also boosted by a weakening in the US dollar value against a set of other currencies, which increased demand for commodities traded in the US dollar like crude oil. The value of the US dollar index fell in July to its lowest in two years. News about COVID-19 vaccine trials in several laboratories also added optimism to the market.

However, the oil price rally was capped last month amid signs of a fragile recovery in the global economy and continuing uncertainties regarding the COVID-19 pandemic. The significant rise in the number of new cases worldwide, particularly in some large economies like the US, India and Brazil, have added worries about a slowdown in economic activity and the recovery in oil demand. In India, several states have extended lockdown periods to stem the spread of the virus and the EU has again tightened its travel recommendation restrictions on non-essential travelers. Tensions between the US and China continued, and the domestic political uncertainty in the US, following the elections-delay suggestion, added to concerns. Investors were also weighing the entry into force of the second phase of the OPEC+ agreement from 1 August, although part of the additional supply will be taken up by DoC participants' domestic demand and part will be offset by some countries compensating for overproduction in previous months.

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

	Jun 20	Jul 20	Change		Year-to-date	
			Jul/Jun	%	2019	2020
<b>Future crude</b>						
NYMEX WTI	38.31	40.77	2.45	6.4	57.46	37.41
ICE Brent	40.77	43.22	2.45	6.0	65.87	42.27
DME Oman	41.77	43.70	1.93	4.6	65.45	42.15
<b>Spread</b>						
ICE Brent-NYMEX WTI	2.46	2.46	0.00	-0.1	8.41	4.86

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

Sources: CME, DME, ICE and OPEC.

In July, **ICE Brent rose** \$2.45, or 6%, to average \$43.22/b, and **NYMEX WTI** increased by \$2.45, or 6.4%, to average \$40.77/b. Y-t-d, ICE Brent was \$23.59 lower, or 35.8%, at \$42.27/b, while NYMEX WTI was \$20.05 lower, or 34.9%, at \$37.41/b, compared with the same period a year earlier. **DME Oman** crude oil futures prices rose in July by \$1.93 m-o-m, or 4.6%, to settle at \$43.70/b. Y-t-d, DME Oman was lower by \$23.31, or 35.6%, at \$42.15/b.

On 11 August, ICE Brent stood at \$44.50/b and NYMEX WTI at \$41.61/b.

The **ICE Brent/NYMEX WTI spread** remained narrow in July and was unchanged on a monthly average at \$2.46/b. The NYMEX WTI price was supported by declining crude oil production and expectation of a further decline in the coming months as drilling activity in the US fell for the fifth consecutive month in July, in addition to falling US crude oil stocks. However, the spread between North Sea Dated and WTI Houston widened again in July, by 72¢/b to \$1.55/b. The crude values in the US Gulf Coast (USGC) were under pressure from high crude oil stocks in US PADD3, in addition to continuing low crude oil exports at about 2.8 mb/d, according to EIA weekly data, despite the resumption of China's imports.

Hedge funds and other money managers had turned less positive on oil prices by the end of July. They cut their bullish bets on related futures and options to about two-month lows, as the oil price rally stalled, and uncertainty

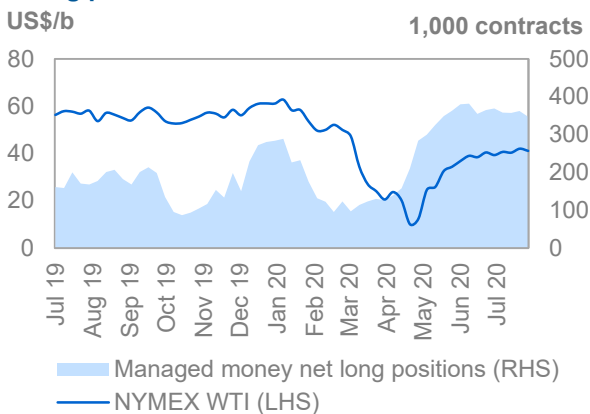
## Crude Oil Price Movements

remained high regarding the impact of rising COVID-19 cases, as well as the potential risk of new lockdowns and mobility restrictions, on the global economic recovery and oil demand.

In the last week of July, money managers reduced net long positions in ICE Brent futures and options to 191,625 contracts, which is 22,516 contracts, or 11% lower, compared to the 214,141 lots in late June, according to ICE exchange data. Speculators decreased their bullish positions as Brent prices steadied and the price direction in the coming months remained uncertain amid a persistent rise in COVID-19 infections in several key countries, and with oil production adjustments expected to ease from August. Gross short positions rose by 25,343 lots, or 50%, to 76,140 contracts, the highest since late April, while gross long positions fell by 2,827, or 1%, to 267,765 contracts, data showed.

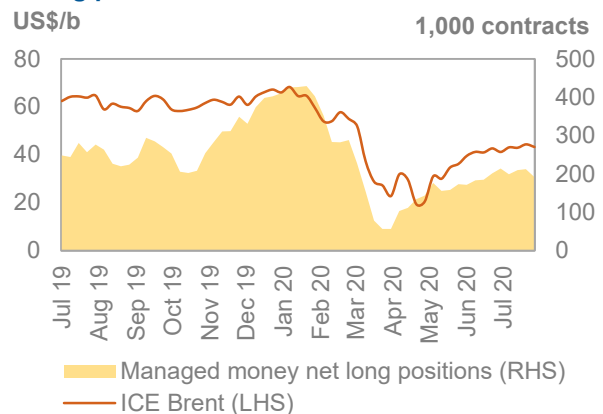
Similarly, speculators cut their NYMEX WTI net long positions in July by 6%, or 22,652 contracts, to stand at 346,683 lots in the week of 28 July. This is due to a decline in long positions of 20,024 lots, or 5%, to 409,201 contracts, and a rise of 4,768 contracts, or 4%, in short positions, to 62,518 contracts, the highest since late April, according to the US Commodity Futures Trading Commission (CFTC).

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



Sources: CFTC, CME and OPEC.

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



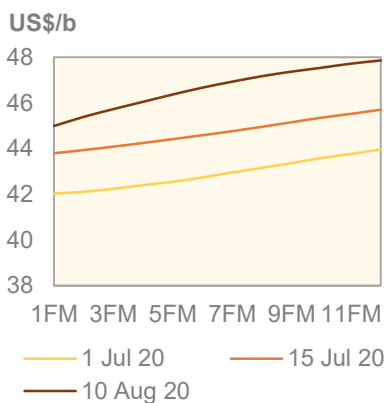
Sources: ICE and OPEC.

The long-to-short ratio of speculative positions in the ICE Brent contract fell in the second part of July to about 4:1, compared to around 5:1 in late June, reflecting a less bullish outlook for oil prices. The NYMEX WTI long-to-short ratio remained almost unchanged in July at 7:1, compared to late June, but the ratio was lower compared to a level of around 9:1 in early June. The **total futures and options open interest volume** on the two exchanges fell by 6% or 336,520 contracts in July to 5.7 million contracts in the week ending 28 July.

## The futures market structure

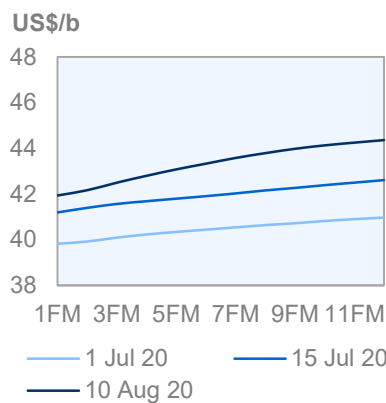
Although oil prices rose in July, the structure of all three futures markets remained in **contango** and the forward curves steepened late in the month as uncertainty about the recovery of world oil demand, high global oil stocks and the slow oil destocking rate, continued to put downward pressure on front prices.

**Graph 1 - 4: ICE Brent forward curves**



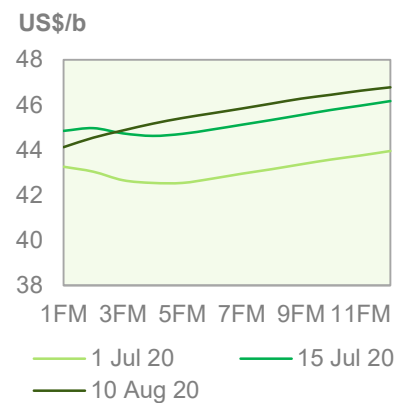
Sources: ICE and OPEC.

**Graph 1 - 5: NYMEX WTI forward curves**



Sources: CME and OPEC.

**Graph 1 - 6: DME Oman forward curves**



Sources: DME and OPEC.



The term structure of **ICE Brent** remained in a narrow contango at the front of the curve, reflecting tighter supplies. Prompt prices remained lower than the forward curve amid uncertainties about the recovery in oil demand growth in the coming months due to continuing rise in global COVID-19 cases, and the high level of global oil stocks. Oil supply is also expected to rise from August, albeit tempered by local demand and some countries compensating for previous overproduction, as part of the second phase of the OPEC and non-OPEC production adjustment decision. On a monthly average, the ICE Brent M1-M3 contango narrowed by 16¢, from 63¢/b in June to 47¢/b in July.

The **DME Oman price structure** was in backwardation in early July amid a tight physical market and firm demand for Middle East sour crude from Asian refiners. However, the structure flipped into contango in the second part of the month as demand from the Asia-Pacific waned, and Asian refining margins weakened, which put pressure on front prices. On a monthly average, the DME Oman M1-M3 widened 20¢ in July, and the spread flipped to a contango of 15¢/b, compared to a backwardation of 5¢/b in June.

In the US, the **NYMEX WTI** structure also was in contango in July, with the NYMEX WTI M1-M3 contango at 36¢/b on a monthly average, narrowing marginally from 42¢/b in June. The steady recovery in US refinery throughputs, the decline in US crude oil stocks in July, and the fast drop in US crude oil production and drilling activity kept the WTI forward curve in a shallow contango.

The physical market showed a stronger structure reflecting the reduction in the crude market overhang. Regarding the **M1/M3 structure**, the North Sea Brent M1/M3 contango narrowed again in July on a monthly average by 5¢ to 2¢/b. In the US, the WTI M1/M3 contango also narrowed in July by 7¢ to 35¢/b, compared to a contango of 42¢/b in June. The Dubai M1/M3 monthly average spread was in a backwardation of 60¢/b in July, narrowing from a backwardation of 76¢/b in June.

## Crude spreads

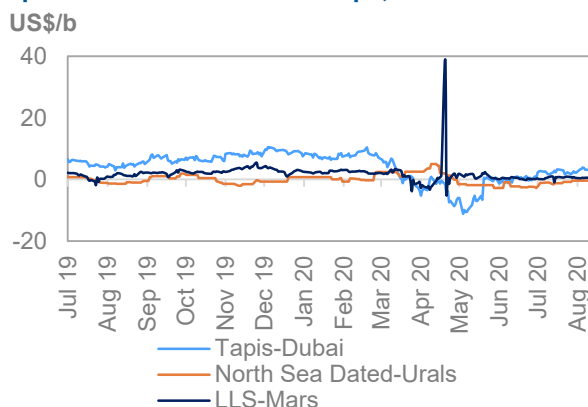
Despite a tight sour crude market, the **sweet/sour crude differential** widened in all markets, especially in Asia and Europe as outright prices of light sweet crudes improved markedly compared to sour grades. However, the spread remained narrow and the value of sour crude remained strong in July.

In **Europe**, the Urals value continued to price at a premium to North Sea Dated m-o-m in July, but the Brent-Urals spread narrowed by \$1.27/b, from a discount of \$2.28/b in June to a discount of \$1.01/b in July. The value of Urals and sour crudes in Europe continued to be supported by a significant decline in Urals crude volumes available for exports, in addition to the prospect of lower sour crude inflows to Europe from other regions amid tight global sour supply. Strengthening heavier distillates in Europe, such as high sulphur fuel oil (HSFO), also added support to the grade. Nonetheless, the Urals value weakened in late July amid softening demand for the grade, while European buyers looked for alternative grades amid a relatively high Urals value. North Sea Dated rose firmly and more than Urals, supported by healthy demand from European refiners and expectations of a significant decline in North Sea production in September due to maintenance.

In the **USGC**, the LLS-Mars spread remained narrow, widening by only 30¢ to 57¢/b in July, as medium sour Mars was still supported by the tight sour crude market in the USGC and expectations of lower exports from the Middle East. The rise of LLS against Mars was limited amid the high availability of light sweet crude in the USGC and a high level of crude oil stocks.

In **Asia**, the value of sweet/sour crude differentials also widened with the Tapis premium over Dubai increasing on a monthly average, despite continuing lower supply of sour crudes from the Middle East. The Brent/Dubai spread widened on an improving Brent value to a premium against Dubai on a monthly average in July, which further slowed the arbitrage opportunity for Atlantic Basin crudes to the Asian market. This made domestic Asian grades, such as Tapis, more attractive. Subdued US crude exports to Asia and firm crude differentials in the Atlantic Basin also helped in improving light sweet crude values in the Asia-Pacific. Furthermore, crude values in the Middle East came under pressure on lower China demand and weakening refining margins.

**Graph 1 - 7: Differential in Europe, Asia and USGC**



Sources: Argus, OPEC and Platts.



## Commodity Markets

Energy commodity prices followed the previous month's trends, with crude oil and natural gas advancing across all regions, but coal prices declining slightly. Natural gas hub-based prices rose in the US supported by warmer-than-average weather, while in Europe prices were supported by lower imports. Coal prices also fell as amid lower Chinese import demand

Base metals rose strongly on a recovery in global manufacturing, led by China, and amid improving sentiment in financial markets. In the group of precious metals, gold prices kept climbing as real interest rates dipped further in the US.

### Trends in selected commodity markets

The **energy price index** rose by about 6.1% m-o-m in July, led by higher oil prices. The index was down by 35.9% in the January-July period, compared to the same period last year.

The **non-energy index** rose by 2.7% m-o-m on the continued strong performance of the metals index, which increased almost 8%, while agriculture index edge slightly higher. Compared to the January–July 2019 period, the non-energy index was down by 3.3% in the first seven months of 2020.

**Table 2 - 1: Commodity prices**

Commodity	Unit	Monthly averages			% Change Jul 20/Jun 20	Year-to-date	
		May 20	Jun 20	Jul 20		2019	2020
<b>Energy*</b>	Index	38.8	48.3	51.3	6.1	77.8	49.9
Coal, Australia	US\$/mt	52.5	52.2	51.6	-1.2	85.8	59.8
Crude oil, average	US\$/b	30.4	39.5	42.1	6.6	62.6	40.0
Natural gas, US	US\$/mmbtu	1.7	1.6	1.7	7.3	2.7	1.8
Natural gas, Europe	US\$/mmbtu	1.6	1.8	1.8	2.8	5.0	2.4
<b>Non-energy*</b>	Index	76.6	79.8	81.9	2.7	82.2	79.7
<b>Base metal*</b>	Index	68.9	74.3	80.2	7.9	82.7	74.0
<b>Precious metals*</b>	Index	125.9	128.3	138.4	7.9	100.1	124.3

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

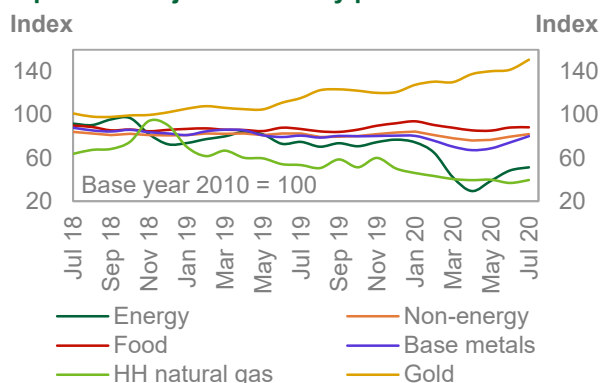
Sources: World Bank and OPEC.

The **Henry Hub natural gas index** rose by 7.3% m-o-m to average \$1.74/mmbtu in July, supported by warmer-than-average temperatures resulting in higher cooling demand; and hence, higher demand for power generation. At the same, despite a slight recovery towards the end of the month, lower demand for LNG exports due to unfavourable price differentials continued to act as a drag. Also supportive was lagging production, which is currently down by around 3% y-o-y due to curtailments. According to the US Energy Information Administration's (EIA) storage report, utilities added 33 bcf to working gas underground storage during the week ending 31 July. This injection left total working gas in underground storage at 3,274 bcf, which was 15.1% above the latest five-year average.

**Natural gas prices in Europe** rose in July. The average **Title Transfer Facility price** increased by 2.8% m-o-m to 1.75/mmbtu, amid continued support from lower LNG imports, especially from the US. Lower pipeline deliveries due to a series of maintenances also contributed to a smaller pace of inventory additions, although they remain at around 85.5% of capacity at the end of July, according to Gas Infrastructure Europe, a record level for the season and compared to 82.5% last year. As noted last month, bloated inventory levels are likely to limit the upside potential in coming months.

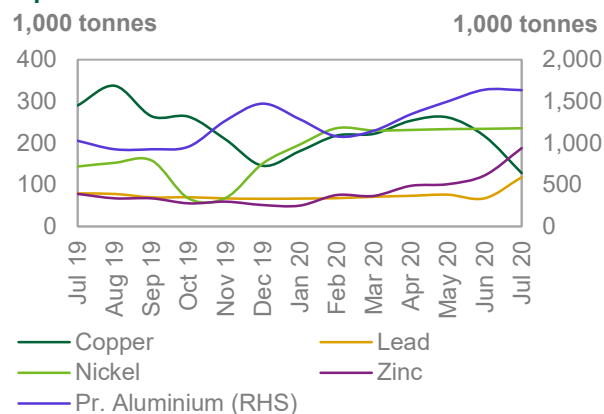
**Australian thermal coal prices** declined in July by 1.2% m-o-m, to average \$51.6/mt, as the pace of Chinese coal imports appears to have started to slow. According to the most recent trade data for July, coal imports rose slightly by 3.2% m-o-m, but compared to July 2019 they were down by 20.6%. Imports in the first seven months of 2020 have been higher by around 6.8% y-o-y, mainly in response to the slowdown in Chinese coal production at the beginning of the year due to COVID-19 restrictions. However, production has recovered since then, registering a 0.6% growth in the January-June period compared to 2019 according to the China National Bureau of Statistics. Thermal power generation rose by 5.4% y-o-y in June; however, was still down by 1.6% in the first half of the year compared to the same period last year.

Graph 2 - 1: Major commodity price indices



Sources: World Bank; S&P Goldman Sachs; Haver Analytics and OPEC.

Graph 2 - 2: Inventories at the LME



Sources: LME, Thomson Reuters and OPEC.

The **base metal price index** rose by 7.9% m-o-m, in July on improving prospects for global manufacturing, particularly in largest consumer, China. Financial market optimism and a weakening of the US dollar also contributed.

Average monthly **copper prices** rose in July by 10.7% m-o-m, to \$6,372.4/mt, its higher monthly average since April 2019. As it happened the previous month, both from physical market and financial market sentiment provided support. According to International Copper Study Group (ICGS) estimates, the refined copper balance (adjusted for unreported Chinese inventories) during January-April 2020 showed a surplus of around 100,000 tonnes, down from the January-March estimation of 220,000 tonnes. Furthermore, inventories at London Metal Exchange (LME)-designated warehouses plunged over the month of July to 128,125 from 216,000 tonnes at the end of June. Additionally, dollar weakness and increasing investor interest also supported prices.

**Iron ore prices** rose on average by 5% m-o-m in July, to around \$108.5/mt. Prices have been supported by growth in steel output in China, which rose by around 4.5% y-o-y to 91.6 mn mt in June and are up by 1.4% y-o-y in the January-June period, according to World Steel Association. It is worth noting that steel output has experienced negative growth in almost all countries, outside China. Chinese imports were also robust, up by around 24% y-o-y in June and by 11.8% y-o-y in the January-June period.

In the group of **precious metals**, gold was up by 6.6% m-o-m in July to average \$1,846.5/troy oz, as real interest rates expectations continued their descending path. Gold prices averaged 24.8% higher in July compared to December 2019.

## Investment flows into commodities

**Open interest (OI)** increased on average in July for US commodity futures for precious metals and copper, but declined for natural gas and crude oil. On average, speculative net long positions increased for natural gas, copper and precious metals but decline for crude oil.

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

Selected commodity	Open interest		Net length			
	Jun 20	Jul 20	Jun 20	% OI	Jul 20	% OI
Crude oil	2,069	1,985	382	18	361	18
Natural gas	1,305	1,296	-25	-2	31	2
Precious metals	681	768	141	21	173	23
Copper	186	223	15	8	47	21
<b>Total</b>	<b>4,240</b>	<b>4,272</b>	<b>202</b>	<b>44</b>	<b>603</b>	<b>70</b>

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

Sources: CFTC and OPEC.

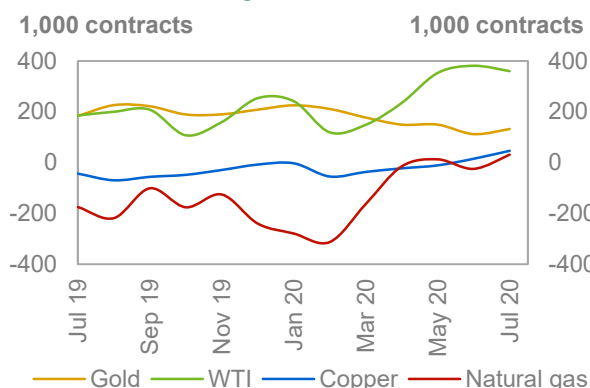
**Henry Hub's natural gas OI** decreased by 0.7% m-o-m in July. Money managers switched to a net long position of 31,295 contracts from a 24,788 net short position in June on the expectation of warmer-than-average temperatures and less LNG cargo cancellations in the fall.

## Commodity Markets

**Copper's OI** increased by 20% in July. Money managers tripled their net long position to 46,926 contracts from 15,434 contracts the previous month, on the continued recovery of global manufacturing positive financial market sentiment and declining inventories.

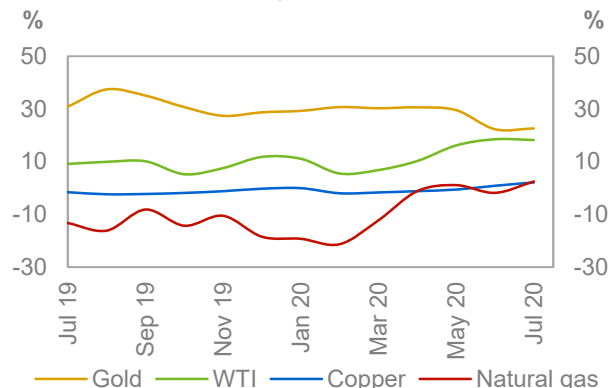
**Precious metals' OI** rose by 12.7% in July. Money managers increased net long positions slightly by 22% to 172,949 from 141,032 in the previous month. Money managers continued to be bullish for gold on the expectation of further declines in real interest rates.

**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.

**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.

# World Economy

As expected, the easing of lockdowns in major economies has continued leading to a global recovery, albeit a recovery of differing paces in various economies. It seems that while many advanced economies, and in addition China, are faring better, most emerging and developing economies remain in a downward trend. The continued weakness in particularly the latter ones has led to a downward revision of global economic growth for 2020, which now stands at -4.0%, compared to -3.7% in the previous month. Global GDP growth for 2021 remains unchanged at 4.7%.

So far available actual GDP growth numbers for 1H20 confirm the extremely deep contraction. Most recent output and sentiment numbers confirm a recovery in 2H20, though this will not be able to compensate for the extraordinarily large shortfall in 1H20. The momentum of the 2H20 rebound is forecast to carry over into 2021. Importantly, the forecast for both years assumes that COVID-19 will largely be contained on a global level by 4Q20, in a sense that infection rates and corresponding consequences are manageable. Therefore, consumer and business confidence would be able to recover sufficiently so that actual spending would gradually return to almost pre-COVID-19 levels by the end of the year. The forecast also assumes that no further significant issues will derail economic developments. However, given the latest surge of infections in the US, India, Brazil and other important economies, and considering the numerous additional challenges facing the global economy, ranging from debt-related issues to ongoing US-centred trade-related issues to partially re-emerging geopolitical risks and social instability and unrest in several countries, the forecast risk for both years is skewed to the downside. Upside potential does exist, primarily in the form of a sustainable solution to COVID-19, either in the form of a vaccination, its natural ceding, or a comprehensive treatment. Vital support to the global economic recovery will also come from the efforts of OPEC and non-OPEC nations in the DoC to rebalance the oil market.

OECD growth forecast for 2020 was revised down slightly to stand at -6.2% y-o-y, followed by growth of 4.0% y-o-y in 2021. In emerging economies, India's 2020 GDP growth was revised down to -4.6% y-o-y, from -2.5% the previous month. For 2021, growth is forecast at 6.8% y-o-y. Brazil's 2020 GDP growth forecast was revised down to -7.0% y-o-y, compared with -6.7% the previous month. The Brazilian economy is forecast to grow by 2.4% y-o-y in 2021. China's 2020 GDP growth forecast was revised up to 1.8% y-o-y, after stronger-than-expected growth in 2Q20 and signals of a solid recovery in 3Q20. In 2021, China is forecast to grow by 6.9% y-o-y. Russia's 2020 GDP growth forecast was revised down to -4.7%, compared with -4.5% y-o-y in the previous month. The 2021 recovery is forecast to reach 2.9%, with the country also benefiting from its ongoing efforts within the DoC process.

**Table 3 - 1: Economic growth rate and revision, 2020–2021\*, %**

	World	OECD	US	Euro-zone	UK	Japan	China	India	Brazil	Russia
<b>2020</b>	-4.0	-6.2	-5.3	-8.0	-8.8	-5.1	1.8	-4.6	-7.0	-4.7
Change from previous month	-0.3	-0.1	-0.1	0.0	-0.3	0.0	0.5	-2.1	-0.3	-0.2
<b>2021</b>	4.7	4.0	4.1	4.3	4.1	3.2	6.9	6.8	2.4	2.9
Change from previous month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Note: \* 2020–2021 = Forecast.

Source: OPEC.

## Global

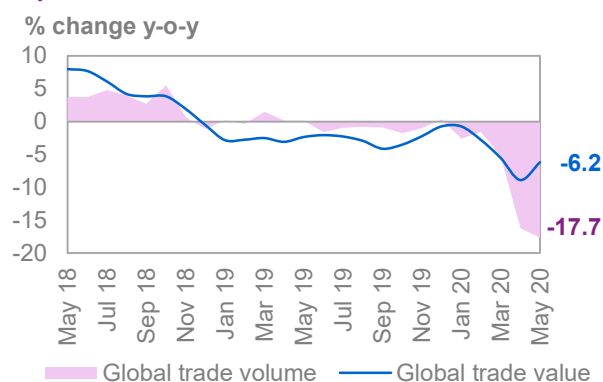
### Update on latest developments

Latest output and sentiment numbers have confirmed the anticipated assumption of an extraordinary decline in 1H20, followed by a recovery in 2H20. A positive economic trend has also been reflected in global asset markets. In this respect, it is important to note that it was especially the anticipated 2H20 recovery of the services sector, fuelled by above-expectation earnings growth, that was generally supportive to equity markets. Similar to other major economies' stock-market indices, almost two thirds of the S&P 500 account for services sector related segments, including IT, health and financials. Consequently, with much less services-sector exposure, the same positive development has not been reflected in the oil-market as oil-market sensitive sectors were so far lagging the ongoing recovery.

In the OECD, available 2Q20 GDP growth numbers were broadly in line with the Secretariat's estimates. Despite signals of a solid recovery in the US, rising COVID-19 infections, domestic political disagreement to implement additional fiscal stimulus and the potential slowing consumer and business confidence remain a concern. In the Euro-zone, the major 2Q20 decline was confirmed in the first release of actual GDP growth numbers, but selective positive developments in industrial activity, exports and also domestic demand provide encouraging signs that the recovery that has started at the end of 2Q20 has continued in 3Q20. In Japan, a gradual recovery seems to materialise as well, supported by domestic demand. In the emerging and developing economies, China has recovered well, after a strong decline in 1Q20. Contrary to this recovery, amid an obviously successful containment strategy, India's, Brazil's and also to some extent Russia's COVID-19 situation have remained challenging. This also led to a further softening of the economic activity beyond previous expectations. Economically, the oil sector recovery, supported by efforts of OPEC and non-OPEC oil-producing participants in the DoC to rebalance the market, has been an important contributor to further buoying global economic developments.

**Global trade levels**, available up to May, continued their slide. World trade volume levels declined by 17.7% y-o-y in May, after an already steep decline of 16.2% y-o-y in April, based on the CPB World Trade Index, provided by the Netherlands Bureau of Economic Policy Analysis. Trade in value terms was negative as well, falling by 6.2% y-o-y, compared to -8.9% y-o-y in April, improving with some support of a weakening US-dollar.

**Graph 3 - 1: Global trade**



Sources: Netherlands Bureau for Economic Policy Analysis, Haver Analytics and OPEC.

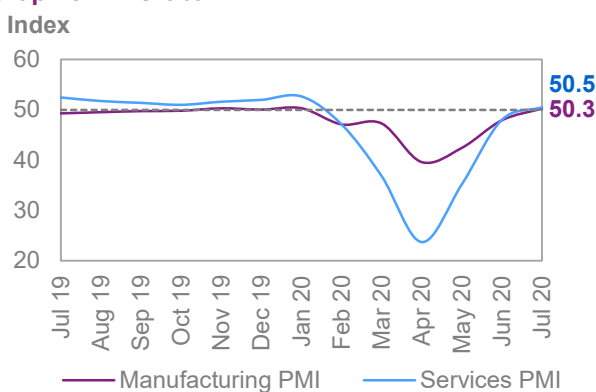
### Near-term expectations

Near-term expectation will very much depend on the path of COVID-19 and its development, especially in the major economies. The current forecast anticipates that lockdown-measures will continue to be eased and COVID-19 will be contained by 4Q20 at a level that will support a continued recovery of consumer and business sentiment. This is forecast to lead to quarterly GDP growth levels only slightly below the average 2019 levels by 4Q20. Partially this will also be supported by the extraordinary stimulus measures, pent-up demand and consequently inventory replenishing. The recovery in 2H20 will, however, not compensate the considerable decline in 1H20. Furthermore, it is assumed that no further challenges will derail this recovery. This includes the assumption that US-centred trade frictions do not escalate, especially with China, that no further geopolitical issue emerges, that ongoing social instabilities in selective economies do not escalate and that no debt related issues emerge. Given the magnitude of the ongoing challenges, the risk to global growth remains skewed to the downside. The important sectors of hospitality, travel and leisure are forecast to remain below 2019 activity in the current year, but are forecast to recover by 20% in 2H20 and by around 10% in 2021. This will constitute an important element in the recovery. Hence, it is obvious that a global resurgence of the virus could cause a continuation of the malaise witnessed in 1H20.

While an economic recovery in 2H20 is forecast for all major economies, the latest surge of infections in the US will need to be closely monitored, as a continuation of this trend may lead to an erosion in rebounding consumer confidence and spending behaviour. The same applies to developments in India and Brazil, the other two significantly impacted major economies. In Europe the COVID-19 situation is forecast to continue improving with a consequent positive effect on 2H20 economic growth. However, some Euro-zone Member Countries, particularly Spain, are facing considerable COVID-19 related challenges again. The probable stronger recovery in major OECD economies and China are forecast to halt the 2020 decline, while economies that less successfully contain the virus may see a less accentuated recovery in 2H20, though still experiencing a rebound. The global economic recovery is likely to be especially supported by a significant pick-up in private household consumption and to a lesser extent rising investment. An increase in capital expenditures is also foreseen in 2H20 and especially in 2021, along with a gradual improvement in global trade in 2H20, with a continuation of this trend in 2021. In this respect, the latest rising political and trade-related tensions between the US and China warrant particular close monitoring.

Global purchasing managers' indices (PMIs) in July continued reflecting the ongoing recovery. The global manufacturing PMI rose to 50.3 in July, compared with 47.9 in June. The services sector PMI recovered as well, to a level of 50.5 in July, after reaching 48 in June. Hence, both important indices are now again above the growth indicating level of 50.

Graph 3 - 2: Global PMI



Sources: JP Morgan, IHS Markit, Haver Analytics and OPEC.

Based on the assumption that a recovery will take place in 2H20 amid the containment of COVID-19 at a global level and major stimulus measures, the 2020 GDP growth forecast stands at -4.0%. This follows a revision of 0.3 percentage points compared with last month's forecast of -3.7% as especially India, Brazil and other developing economies mostly in Latin America and Africa have continued being impacted more than previously anticipated by COVID-19.

Table 3 - 2: World economic growth rate and revision, 2020–2021\*, %

	World
2020	-4.0
Change from previous month	-0.3
2021	4.7
Change from previous month	0.0

Note: \* 2020–2021 = Forecast.

Source: OPEC.

Supported by the improvements in 4Q20, the recovery is forecast to carry over into 2021. It is also assumed that the virus remains widely contained in 2021. In addition, the recovery next year foresees no further challenges that will impact economic growth. Further issues that may derail the recovery include potential consequences from rising debt levels, further social unrest in some economies, geopolitical issues and certainly trade-related challenges. With these assumptions, global GDP growth is forecast to reach 4.7% y-o-y in 2021, unchanged from the previous month. Any major upside may come from a final solution to COVID-19, be it a vaccination, natural cessation, or the establishment of a powerful treatment.

## OECD

### OECD Americas

#### US

##### Update on the latest developments

The US economy seems to rebound from the historical GDP decline of 32.9% q-o-q SAAR in 2Q20, after -5.0% q-o-q SAAR in 1Q20. The labour market continues improving, retail sales are picking up again, equities reflect the recovery in especially the services sector and business sentiment continues improving. While the momentum has been solid in the past weeks, since the lockdown measures have been eased around mid-May, the latest rise in COVID-19 infections and the rise in mortality in combination with the congressional dispute over further fiscal stimulus measures are the two main areas that will need close monitoring. Moreover, US business sentiment may potentially be affected by re-emerging trade-conflicts between the US and China. It has been announced that Phase-1 deal related negotiations will be held in mid-August, another important subject that will warrant observation. Despite improvements in the labour market, consumer confidence retracted slightly in July, potentially impacted by the rising COVID-19 infections over the past weeks. Consumer confidence, as measured by the Conference Board, fell to a level of 92.6 in July, after 98.3 in June, but still significantly above the 85.7 recorded in April and 85.9 in May. However, this compares with March levels of 118.8, reached just before the major impact of COVID-19.

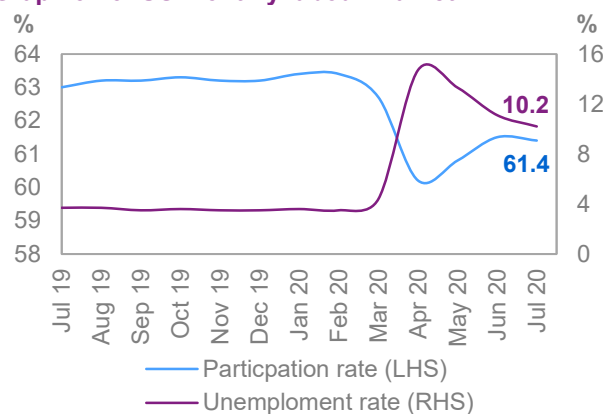


US industrial sector activity fell by a non-seasonally adjusted 10.9% y-o-y in June, a strong improvement from -15.4% y-o-y in May and -17.7% y-o-y in April. Similarly, exports declined by 24.3% y-o-y in June, after a decline of 32.0% y-o-y in May and -27.8% y-o-y in April.

The labour market showed continued signs of a recovery. In July, the unemployment rate improved to stand at 10.2%, from 11.1% in June.

Non-farm payrolls increased further by 1.763 million in July, after a rise of 4.791 million in June and 2.725 million job additions that were seen in May. This compares with a decline of 20.787 million in April, the largest in the history of the statistic.

**Graph 3 - 3: US monthly labour market**



Sources: Bureau of Labor Statistics and Haver Analytics.

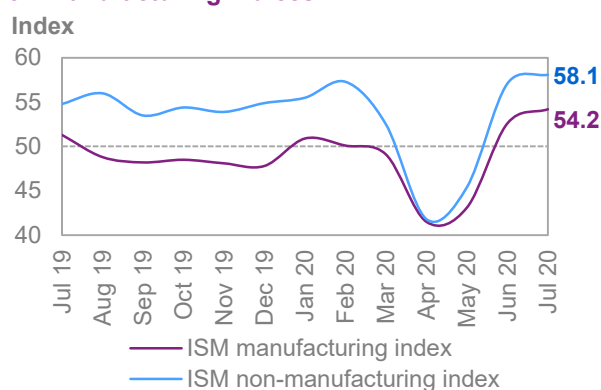
### Near-term expectations

The recovery of previous weeks, fuelled by the rebound in the labour market, amid strong monetary and fiscal stimulus is forecast to continue. After the lockdown’s impact on inventories, restocking will also play an important role in the 2H20 recovery. Certainly, the near-term development of COVID-19 and the magnitude of a potential further fiscal stimulus package by Congress will very much define the depth of the 2H20 recovery. For the time being, it is anticipated that COVID-19 will be widely contained in 2H20 and that while partial and localised lockdowns may be necessary, the larger spread will not increase further. A continuation of unemployment benefits is forecast as well for the coming months at such a level and in such a transparent manner that consumer confidence will not decline beyond the current level. However, with rising infection rates it remains to be seen whether this positive trend will continue. Experience from economies with low lockdown levels shows that despite the economies being kept open, consumption declined significantly amid rising uncertainty in the population. The domestic political uncertainty does certainly not help under these circumstances. Moreover, it remains to be seen how the US central bank will view the latest improvements in the US economy. The US Federal Reserve (Fed) seems to be following a flexible approach in its monetary policy to counterbalance COVID-19’s effects. It is forecast to keep stimulus measures in place at a least the current level or even increase them if necessary as long as the recovery seems not to be self-sustaining.

The 2H20 rebound is expected to be particularly fuelled by rising consumption and investment. After a decline of 5.0% q-o-q SAAR in 1Q20 and 32.9% q-o-q SAAR in 2Q20, the 2H20 rebound is forecast at a level of almost 13% SAAR average quarterly growth. Also the re-emergence of global trade will lead economic activity to recover not only in 2H20, but also in 2021. With reference to the ongoing trade related frictions between especially the US and China, trade related uncertainty remains. Finally, it remains to be seen how the outcome of the upcoming presidential election will impact economic growth in 2021.

The economy’s rebound is also reflected in July’s PMI levels as provided by the Institute for Supply Management (ISM). The manufacturing PMI rose to 54.2 in July, compared with 52.6 in June. The services sector index rose further as well, reaching 58.1 in July, after a level of 57.1 in June.

**Graph 3 - 4: US-ISM manufacturing and non-manufacturing indices**



Sources: Institute for Supply Management and Haver Analytics.



Given the ongoing grid-lock about further fiscal stimulus measures in Congress and the decline in consumer confidence amid the resurgence of COVID-19 infections, the annual GDP growth forecast for 2020 was revised down slightly. After an already significant slowdown in 1H20, a recovery in 2H20 will lead to an annual GDP decline of 5.3% y-o-y in 2020. Downside risk prevails, given that infection rates may continue to rise and impact consumption levels. With the assumption that COVID-19 will be contained, the rise in consumption and investments will lead to a strong recovery in the coming year, when US GDP growth is forecast at 4.1% y-o-y.

**Table 3 - 3: US economic growth rate and revision, 2020–2021\*, %**

	US
<b>2020</b>	<b>-5.3</b>
Change from previous month	-0.1
<b>2021</b>	<b>4.1</b>
Change from previous month	0.0

Note: \* 2020–2021 = Forecast.

Source: OPEC.

Potential upside could materialise if the virus's impact lessens and current improvements in the labour market continue. Moreover, greater stimulus measures and liquidity injections could push growth up more than is currently accounted for in the forecast.

## OECD Europe

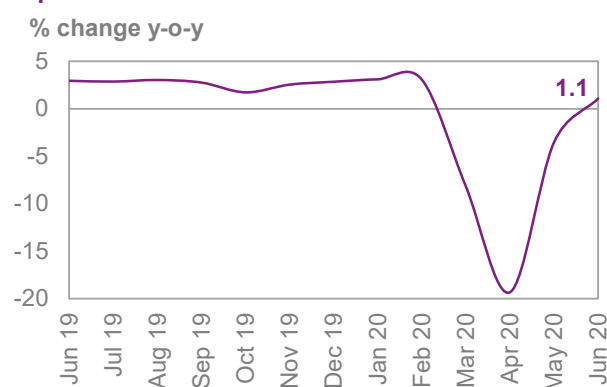
### Euro-zone

#### Update on the latest developments

The Euro-zone has been hit hard by COVID-19 and the 2Q20 GDP growth actual, as released by the EU statistical office, confirms the large decline that has been already expected. 2Q20 GDP declined by 12.1% q-o-q seasonally adjusted, translating to an annualised decline of 40.3% q-o-q SAAR, very much in line with the Secretariat's forecast. While this was expected, some economies' performances over the last months, including Germany's and also France's, indicate a potential stronger-than-expected recovery. However, with Spain and other parts of the Euro-zone showing a significant rise in COVID-19 infections, downside risk prevails. The extraordinary fiscal and monetary stimulus measures were very supportive to the Euro-zone's economy and also the broad-based labour market subsidy schemes in most economies have helped maintain reasonable income levels and provide the base for a quick rebound in consumption. In this respect, the agreement by EU-leaders to fund an additional 750 billion euro fiscal support fund is another important pillar for the expected 2H20 and 2021 economic recovery.

The labour market support measures in the Euro-zone have so far kept the unemployment rate at a relatively modest level. The latest available June numbers from Eurostat point to a relative modest increase in the unemployment rate to 7.8% from 7.7% in April. With this only gradual rise in connection with income related subsidies, retail sales recovered further in June in value terms, rising by 5.8% m-o-m, compared with 19.3% m-o-m in May. This translates to a yearly rise in retail sales of 1.1% in June. Industrial production (IP) recovered in May as well, rising by 12.3% m-o-m, after a decline of 18.2% m-o-m in April. On a yearly base the May number translates to a decline of 20.6% y-o-y in May and -28.8% y-o-y in June.

**Graph 3 - 5: Euro-zone retail sales**



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

The European Commission's overall business sentiment index recovered from very low levels in the past month, recording 82.3 in July, compared with 75.8 in June and 67.5 in May. The additional fiscal stimulus by the EU Commission via the 750 billion euro rescue fund has potentially also supported good confidence levels. Monetary stimulus by the European Central Bank (ECB) continues as well. The positive impact of monetary stimulus measures has continued lifting the Euro-zone's lending activity. Lending to the private sector increased by 4.4% in June, after lending activity had reached the highest growth level since the onset of the great financial crisis in 2008 in May, when growth stood at 4.8% y-o-y.

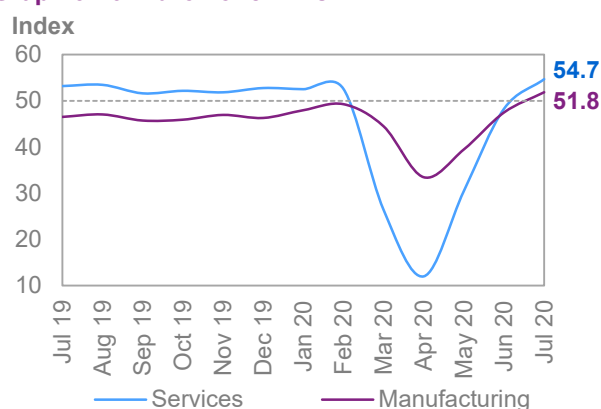
## Near-term expectations

As in other OECD economies the near-term growth trend will very much depend on the COVID-19 related developments. With the ongoing labour market subsidy measures in most Euro-zone economies and considering the additional fiscal stimulus accompanied by a very accommodative monetary policy of the ECB, the base is well established for a 2H20 recovery. If the past weeks' rebound continues and if COVID-19 could be contained at around the current levels, consumption may recover even better than currently anticipated. Currently, a solid 2H20 recovery is forecast, unchanged from the previous month. After a seasonally adjusted (SA) decline of GDP growth by 3.6% q-o-q in 1Q20 and 12.1% q-o-q SA in 2Q20, the 2H20 GDP growth rebound is forecast at 5.5% on average.

A further easing of lockdown measures into 4Q20 in most Euro-zone economies and also an adaption to the new situation by consumers will support private household consumption and investment. A gradual pick-up in the global economy is forecast to also support exports, which is particularly important for the German economy. The acceleration of the 4Q20 rebound is forecast to carry over into 2021. Some doubt, however, remains about further developments in the labour market as it remains unclear how the relative labour market stability may develop, after removing the current fiscal support measures. Another important area of uncertainty is the depth of the recovery in the leisure and hospitality sectors as tourism is a very important economic sector for most Euro-zone economies, particularly France, Italy and Spain. Finally, it remains to be seen how global trade will further develop, and while trade is forecast to recover in 2H20 and in 2021, it will probably remain subdued.

Improvements in the Euro-zone economy are also reflected in the latest July PMI figures. The manufacturing PMI rose to 51.8, after reaching 47.4 in June. The PMI for services, the largest sector in the Euro-zone rose strongly to reach 54.7 in July, compared with 48.3 in June, reflecting the ongoing rebound. Both levels are now well above the growth indicating level of 50, indicating an ongoing rebound in the very near term.

Graph 3 - 6: Euro-zone PMIs



Sources: IHS Markit and Haver Analytics.

The annual 2020 **GDP growth** forecast remains unchanged at -8.0%. While the GDP contraction in both 1Q20 and even more so in 2Q20 was considerable, the Euro-zone's economy is forecast to recover in 2H20. The recovery is forecast to carry over into 2021, when growth is forecast at 4.3%, based on the assumption of an especially well-managed containment of COVID-19.

Table 3 - 4: Euro-zone economic growth rate and revision, 2020–2021\*, %

	Euro-zone
<b>2020</b>	<b>-8.0</b>
Change from previous month	0.0
<b>2021</b>	<b>4.3</b>
Change from previous month	0.0

Note: \* 2020–2021 = Forecast.

Source: OPEC.

## OECD Asia Pacific

### Japan

#### Update on latest developments

After a major decline in 1H20, a gradual recovery seems to materialise in 2H20. So far the recovery has been mainly driven by domestic demand and less so by external demand and industrial production, based on latest available activity and sentiment measures. This may also be supported by the ongoing significant fiscal and monetary stimulus measures. The newly adapted tightening of lockdown measures in some parts of the country will need monitoring as it could lead to an again re-emerging slowdown in domestic activity levels. The government has indicated that it will utilise fiscal stimulus measures to compensate a shortfall. In the meantime the Bank of Japan (BoJ) continues its monetary easing efforts, while it has not increased its monetary support in the most recent July meeting. More stimulus may come in the future, as the BoJ has revised down its growth

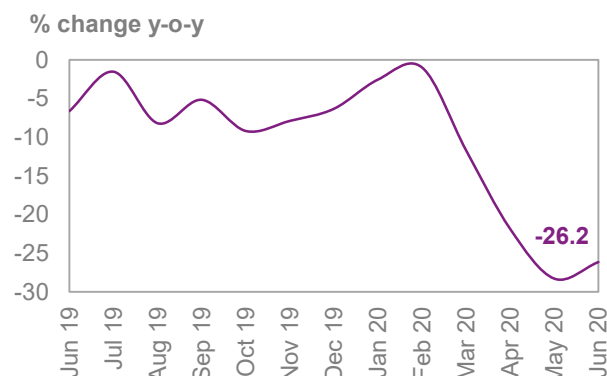
forecast in the same meeting and pointed out that the risk to economic growth is skewed to the downside. It estimates that growth in the fiscal year to March 2021 will stand at -4.7% and consumer prices to decline by 0.5%.

Meanwhile, industrial production declined by 19.3% y-o-y in June, a slight uptick from a decline of 23.4% y-o-y in May. In line with this, exports fell by 26.2% y-o-y in June on a non-seasonally adjusted basis. This comes after a decline of 28.3% y-o-y in May.

Retail sales recovered slightly on a monthly basis in June, down by only 1.2% y-o-y, compared with -12.5% y-o-y in May.

Consumer sentiment, as reported by the Cabinet Office, increased to an index level of 29.8 in July, a bit above the June level of 29.1.

**Graph 3 - 7: Japan's exports**



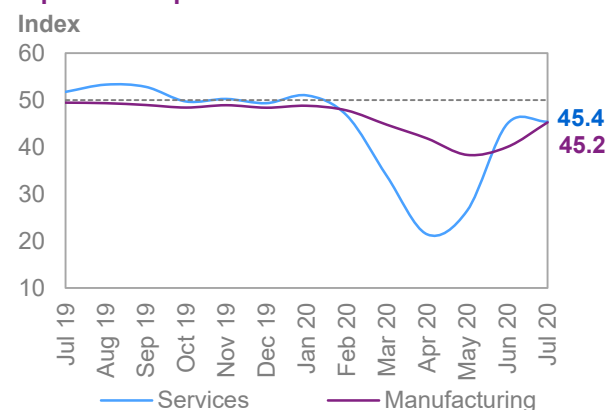
Sources: Ministry of Finance, Japan Tariff Association and Haver Analytics.

## Near-term expectations

Japan is forecast to recover in 2H20 in line with the other OECD economies. The magnitude will, however, depend on further developments of COVID-19 related trends and if an expected pick-up in external demand will materialise. This will mainly depend on China's and other major OECD economies ability to rebound. The underlying assumption for the recovery is, as with the rest of the major OECD economies, that COVID-19 remains well managed and contained and that infection rates decline further in 4Q20. Thus, the latest surge of COVID-19 cases in Japan and the consequent tightening of lockdown measures in some parts of the country requires close monitoring. The recovery is forecast to be accompanied by a rise in exports in 2H20, after experiencing a significant decline in 1H20. Following the 1Q20 GDP fall of 2.2% q-o-q SAAR, the decline is estimated to amount to -25% q-o-q SAAR in 2Q20, unchanged from last month. The recovery in 2H20 is anticipated to be strong, with GDP growth rates of 12% q-o-q SAAR in 3Q20 and 9% q-o-q SAAR in 4Q20, also unchanged from the previous month.

PMIs in July suggest that some rebound may take hold in the coming month in both the services and manufacturing sectors. The manufacturing PMI rose to 45.2, up from 40.1 in June. The PMI for the services sector — which constitutes around two-thirds of the Japanese economy — rose only marginally to 45.4, up from 45 in June.

**Graph 3 - 8: Japan's PMIs**



Sources: IHS Markit, Nikkei and Haver Analytics.

The underlying assumption of the GDP growth forecast considers that after the downturn in 1Q20 and 2Q20, some rebound may take hold in the coming month in especially the services sector and to a lesser extent in manufacturing. With ongoing uncertainties, the 2020 GDP growth forecast remains unchanged at -5.1%. Downside risk prevails, as the most recent rise in infections and the consequent tightening of lockdown measures may dampen the recovery currently anticipated for 2H20.

**Table 3 - 5: Japan's economic growth rate and revision, 2020–2021\*, %**

	Japan
<b>2020</b>	<b>-5.1</b>
Change from previous month	0.0
<b>2021</b>	<b>3.2</b>
Change from previous month	0.0

Note: \* 2020–2021 = Forecast.

Source: OPEC.

Assuming a containment of COVID-19, a rebound and its momentum are forecast to carry over into 2021, supported by stimulus measures and especially a recovery in private household consumption and investment. Hence, growth is forecast to reach 3.2% in 2021, unchanged from the previous month.

## Non-OECD

### China

#### Update on the latest developments

China's real GDP expanded by 3.2% y-o-y in 2Q20, rebounding from a 6.8% contraction in 1Q20. This recovery was driven by investment in infrastructure and real estate, marking the first recovery in a major economy around the world following the onset of the COVID-19 pandemic. Comparing 2Q20 to 1Q20, the secondary industry expended the most as it recorded growth of 4.7% compared to a contraction of -9.6%, while the primary industry expanded by 3.3% following a contraction of -3.2%. Services grew by 1.9% versus a contraction of -5.2%. GDP contribution on the demand side, the final consumption expenditure contribution to real GDP registered -0.1% y-t-d in 2Q20, compared with -4.4% at the end of 1Q20, suggesting a positive contribution during 2Q20. Over the same comparison period, on the supply side, agricultural activities expanded by 3.4% y-o-y in 2Q20, compared with -2.8% y-o-y in 1Q20, while manufacturing grew by 4.4% y-o-y in 2Q20, following a contraction of 10.2% y-o-y. Construction activities grew by 7.8% y-o-y in 2Q20, reversing a double-digit contraction of 17.5% y-o-y. Meanwhile, hotel and catering service activities recorded a contraction of 18% y-o-y in 2Q20, yet they grew by 17.3 percentage points on a quarterly basis. However, despite this recovery and the improvement in private consumption, spending remained weak amid consumer concerns about COVID-19 and the job market. In 1H20, China's real GDP contracted by 1.8% compared to the same period in 2019.

On the external demand outlook, China's trade surplus widened sharply to \$62.33 billion in July 2020 from \$44.02 billion in July 2019. This increase is a result of the strong bounce back in the exports, which rose by 7.2%, the highest increase since December 2019, while imports dropped by 1.4%. The trade surplus with the US widened to \$32.46 billion in July from \$29.41 billion in June. However, as the Phase 1 trade deal is set to be reviewed in mid-August, any unfavourable result could escalate trade tensions between the two countries and may hit trade figures prior to the US November presidential election.

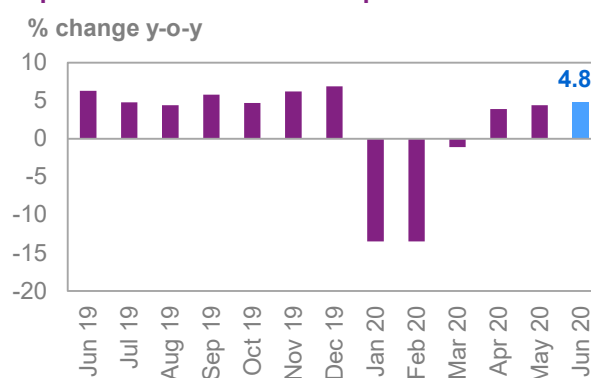
China's industrial production expanded by 4.8% y-o-y in June 2020, the largest expansion in 1H20, as the economy rebounded from the COVID-19 pandemic as more factories resumed business. Comparing the month of June to May 2020, manufacturing output expanded 5.1% compared to 5.2% while mining output increased 1.7% compared to 1.1% and utilities 5.5% versus to 3.6%.

Meanwhile, China's retail sales declined by 1.8% y-o-y in June 2020, recording the sixth straight month of contraction in retail trade amid the consumer concerns due to the COVID-19 crisis.

Recently released official data indicated that China's CPI rose to 2.7% y-o-y in July 2020 from 2.5% y-o-y in the prior month, driven by the jump in food inflation, which hit 13.2% y-o-y, the highest in three months.

In the meantime, China's factory deflation eased as producer prices dropped by 2.4% y-o-y in July 2020, after a 3% decline in June.

**Graph 3 - 9: China's industrial production**

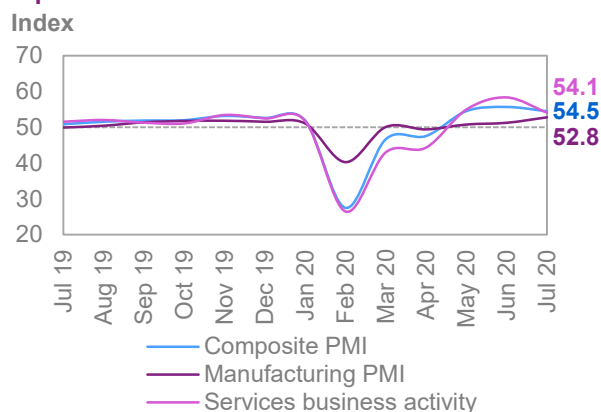


Sources: China National Bureau of Statistics and Haver Analytics.

## Near-term expectations

China's economy is expected to continue its recovery in 2H20 driven by positive sentiment after the containment of COVID-19 and strong support coming from fiscal and monetary policies. The near-term indicators of PMI support this recovery as the Caixin China General Manufacturing PMI recorded its sharpest increase on record in a decade, rising to 52.8 in July 2020 from 51.2 in June. This increase is driven mainly by rapid growth in domestic orders. Meanwhile, the Caixin China General Services PMI fell to 54.1 in July 2020 from a more than 10-year high record of 58.4 in June, affected by slow growth in external demand.

**Graph 3 - 10: China's PMI**



Sources: Caixin, IHS Markit and Haver Analytics.

Following the recent uptick in China's economy, China's GDP growth for 2020 has been revised upward to 1.8% from 1.3%, accounting for the higher-than-expected growth in 2Q20. However there is still high uncertainty around this forecast and downside risk exists. On the one hand, the current political-economic bilateral development with the US may escalate the trade tension between the two countries, which in turn could impact the external demand outlook. On the other hand, the soft growth in domestic demand as well as the increase in inventory levels may impact the outlook for industrial output.

**Table 3 - 6: China's economic growth rate and revision, 2020–2021\*, %**

	China
<b>2020</b>	<b>1.8</b>
Change from previous month	0.5
<b>2021</b>	<b>6.9</b>
Change from previous month	0.0

Note: \* 2020–2021 = Forecast.

Source: OPEC.

Meanwhile, the 2021 GDP forecast remains the same as in the previous month at 6.9%.

## Other Asia

### India

#### Update on the latest developments

India's economy is anticipated to record its first full-year contraction since 1979 as a result of the decision to impose a stringent lockdown last March, which might have failed to slow the spread of the COVID-19 outbreak as the country has been ranked fourth in the world amongst countries worst-affected. Meanwhile, the Indian government is counting on the recovery of the rural economy led by India's agriculture sector, which has been the thoroughbred despite the shrinking economy. However, any deficiency in the seasonal monsoon rains may hold back the rural economic recovery as half of Indian fields' watering depends on the seasonal rains.

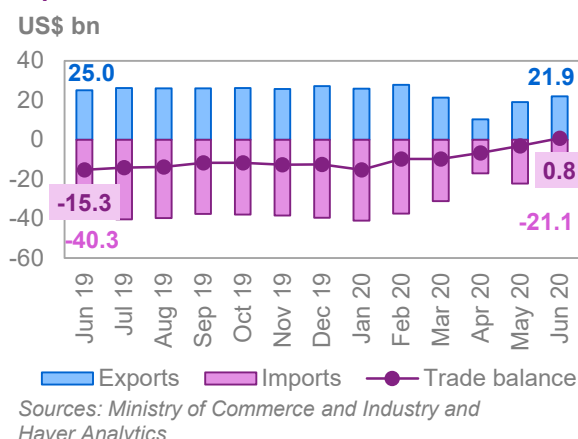
Meanwhile Reserve Bank of India (RBI) kept the benchmark interest rate unchanged at its low level of 4.0%, offering different measures to ease stress in the banking sector such as an additional special liquidity of about \$1.34 billion to the National Bank for Agriculture and Rural Development (NABARD) and the National Housing Bank. Also, the RBI allowed lenders to restructure some loans and made stressed small borrowers eligible to restructure their debt if they hadn't already defaulted. Moreover, it relaxed some rules for shadow banks that loans against gold as RBI has increased the loan-to-value (LTV) ratio for gold loans to 90%. However, India's loan growth has been sluggish despite the billions of dollars that the RBI has injected into the financial system, mainly due to bad loan concerns. According to a recent RBI report, the gross non-performing asset ratio could rise by 4 percentage points to 12.5% if the economy contracts by 4.4% in this fiscal year.

India's industrial production recorded a marginal pickup in May 2020 as it contracted by 34.7% y-o-y compared to 57.6% y-o-y in April. However, industrial output was still in the contraction zone as the majority of the industrial sector was still weak or closed in light of the stringent lockdown. Meanwhile, March data has been lowered to -18.3% y-o-y compared to the initial report of a 16.7%.



Regarding external demand, India recorded a \$0.79 billion trade surplus in June 2020, the first surplus since 2002, compared to a deficit of \$3.2 billion in May 2020, but this surplus is only a result of the sharp decline in imports, which were down by 47.6%, much more than the decline in exports, which fell by 12.4% to \$21.9 billion. Looking at the April-to-June period, the trade deficit narrowed sharply to \$9.12 billion from \$45.96 billion over the same period in 2019.

**Graph 3 - 11: India's trade balance**

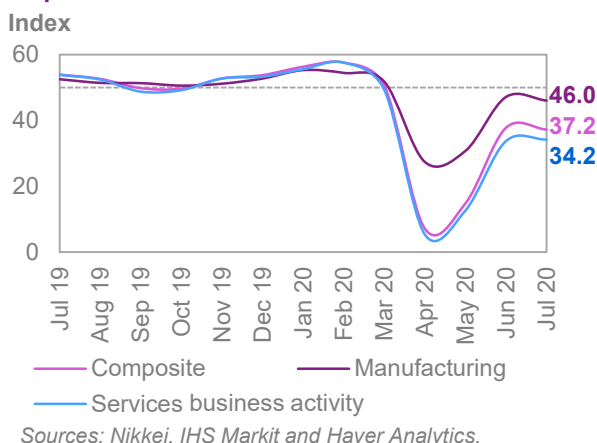


### Near-term expectations

The stringent lockdown resulted in a serious disruption in India's industrial output and private consumption. Despite the progressively easing of the nationwide lockdown, signs of the economic recovery are still modest. Even though the job shedding was a little slower, growth in new orders continued to decline. Meanwhile, the business confidence index declined to -33% y-o-y in 1Q20 from -12.4% y-o-y in 4Q19, reflecting the overall pessimistic business environment.

The IHS Markit India Manufacturing PMI continued to record a contraction, declining for the fourth month in a row as it declined to 46.0 in July 2020 from 47.2 in June. In the meantime, the services PMI increased to 34.2 in July 2020 from 33.7 in June. However, both upside and downside potential exists depending on developments of COVID-19, yet the upside potential is limited and the near-term outlook is more tilted to the down side with the significant increase in infection rates.

**Graph 3 - 12: India's PMIs**



Thus the 2020 GDP forecast has been revised down to -4.6%, compared to -2.5% in the previous month, while the 2021 GDP forecast was the same, at 6.8%, accounting for the upside potential resulting from the anticipated recovery in economy as well as support from fiscal and monetary policies.

**Table 3 - 7: India's economic growth rate and revision, 2020–2021\*, %**

	India
<b>2020</b>	<b>-4.6</b>
Change from previous month	-2.1
<b>2021</b>	<b>6.8</b>
Change from previous month	0.0

Note: \* 2020–2021 = Forecast.  
Source: OPEC.

## Latin America

### Brazil

#### Update on latest developments

Parts of the Brazilian economy are currently experiencing some recovery after lockdown measures were eased. This rebound seems to be mainly driven by pent-up demand and inventory replenishing. It remains to be seen, how sustainable this rebound is as the labour market continues weakening and domestic political challenges remain. Moreover and importantly, COVID-19 g has continued spreading at a fast pace in Brazil

and the country has been one of the worst hit in the world. Industrial production declined by 12.2% y-o-y in June on a seasonally-adjusted base. This compares with -20.2% y-o-y in May and -26% y-o-y in April. Retail sales declined by 11% y-o-y in June, compared with 22.5% y-o-y in May.

The government has provided fiscal stimulus that may be extended. In addition to the fiscal measures, the Brazilian central bank has again lowered its key interest-rate, the SELIC rate, to 2%, from 2.25%, while at the same time it has highlighted that among other things, inflation must remain well anchored to keep this accommodative monetary policy. Prices rose 2.7% y-o-y in July, well below the central bank's inflation target of around 4.25% for 2020.

The unemployment rate rose further to reach 13.3% in June, on the usual three-month average. This is another increase from the 12.9% May-level. Based on analysis by JP Morgan, the unemployment rate would reach 22% as a drop in the participation rate to a new multi-year low lowered the increase in the unemployment rate.

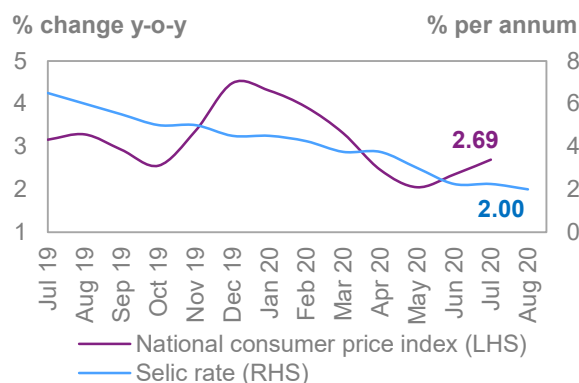
Further upside may come, however from the fact that the government announced plans for considerable structural reforms, including a tax-reform and the potential introduction of a minimum wage. Stimulus measures, however, may cause the need for circumventing the spending cap for the central government, a subject that would lead to extended negotiations in Congress.

### Near-term expectations

After a strong 1Q20 GDP decline of 6% q-o-q SAAR, the 2Q20 GDP impact is forecast at a much larger scale, given the lockdown measures in combination with severely declining consumer and business confidence amid the rapid spreading of COVID-19 in Brazil. 2Q20 GDP growth is forecast to decline at more than 50% q-o-q SAAR, before it will recover in 2H20. That however, will depend very much on the near-term development of COVID-19. The combination of a strongly declining economy, a further rise in COVID-19 infections, political tension and a currency that has weakened considerably, has so far provided a fragile base for a 2H20 recovery. The forecast also assumes that fiscal stimulus and the accommodative monetary policies by the central bank will continue. The government has provided fiscal stimulus of which important measures that especially support the very poor part of the population was originally planned to end by August. Another option that the government has considered was to maybe further increase public spending. However, it remains to be seen the extent to which further spending, without compensation from other fiscal areas, may be possible, given that public finances are reaching some constraint with a gross debt to GDP ratio this year forecast to stand at almost 100%. Further structural reform, including the envisaged tax reform, will be an important element in 2H20 and in 2021 to further support economic growth in Brazil.

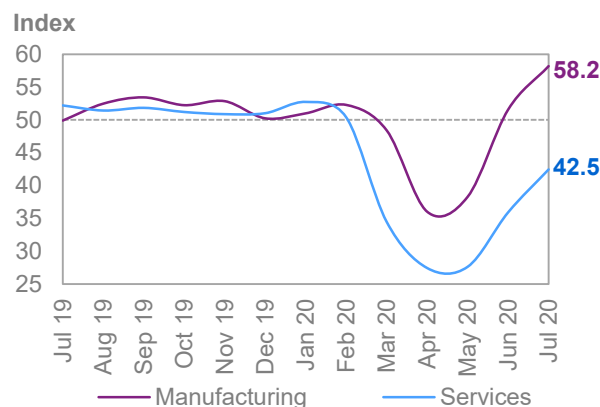
The July PMI indices reflect a strong pick-up in underlying activity and the hope that this will continue in the near future. The July manufacturing PMI rose to 58.2, compared with 51.6 in June. The important services PMI rose significantly as well, reaching a level of 42.5 in July, after 35.9 in June. However, it clearly remains below the growth-indicating level of 50.

Graph 3 - 13: Brazil's inflation vs. interest rate



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

Graph 3 - 14: Brazil's PMIs



Sources: IHS Markit and Haver Analytics.



Given the worsening COVID-19 situation in Brazil and the continuing need for ongoing relative stringent lockdown measures and social distancing, economic risk for the country remains skewed to the downside. Currently, the economy is forecast to recover to some extent in 2H20, but this bounce is not expected to compensate for the major decline in 1H20. There is also a risk that that COVID-19 infections will only peak in 4Q20 or even later, making a thorough GDP growth recovery in 2H20 less likely.

**Table 3 - 8: Brazil's economic growth rate and revision, 2020–2021\*, %**

	<b>Brazil</b>
<b>2020</b>	<b>-7.0</b>
<b>Change from previous month</b>	<b>-0.3</b>
<b>2021</b>	<b>2.4</b>
<b>Change from previous month</b>	<b>0.0</b>

Note: \* 2020–2021 = Forecast.

Source: OPEC.

Taking some of the ongoing risks into consideration, the 2020 GDP growth forecast was revised down to a decline of 7.0%, compared with a decline of 6.7% in the previous month. While the low recovery is forecast to continue in 2021, next year's forecast stands at 2.4%.

## Africa

### South Africa

#### Update on latest developments

South Africa's real GDP contracted by 0.1% y-o-y in 1Q20 following a contraction of 0.5% y-o-y in 4Q19. On a quarterly basis, real GDP contracted by 2% q-o-q (SAAR) in 1Q20 following a 1.4% contraction in the previous period. On the supply side, mining and quarrying contracted by 4.5% compared to a contraction of 1% in 4Q19. Meanwhile, manufacturing contracted by 3.5% y-o-y versus growth of 2.6%; construction activities dropped by 0.7 pp, contracting by 5.3% compared to 4.6%. On the demand side, private consumption grew by 1.03% y-o-y in 1Q20 compared to 0.92% y-o-y in 4Q19. Exports grew as well by 0.2% versus a contraction of 6.1% in 4Q19. Feasibly, the 20.5% q-o-q (SAAR) drop in gross fixed capital formation is the most concerning indicator out of the released data as it decreased to \$3.2 billion in 1Q20 from \$3.4 billion in 4Q19. Moreover, we need to keep in mind that 1Q20 witnessed only a total of five days of the country's nationwide lockdown, although the industrial sector was impacted by the lack of electricity.

Regarding monetary policy, South Africa's central bank lowered the policy interest rate in July by an additional 25 bps to 3.5%, yet a further reduction is unlikely since it may reduce stimulus spending while increasing inflationary pressures. Meanwhile, the consumer price index declined by 2.1% y-o-y in May, below the lower range of the central bank's target range of 3% to 6%.

Meanwhile, South Africa's manufacturing production disintegrated by 49.4% y-o-y in April 2020, following a revised up 5.5% contraction in March. This was the eleventh consecutive month of contraction as well as the sharpest, reflecting the substantial impact of COVID-19.

Regarding the trade outlook, South Africa's exports increased by 10.1% in June compared to the month of May to \$ 6.6 billion, driven by growth in sales of vehicles and transport equipment. Overall, South Africa's trade surplus widened sharply to \$2.6 billion in June 2020 following \$1.1 billion in May.

#### Near-term expectations

COVID-19 challenges are still keeping South Africa's economy away from a recovery despite the lockdown's easing, which indeed offered marginal improvement, but the severe economic strains may keep pressure on the labour market and business confidence. This is reflected by the deep drop in the RMB/BER Business Confidence Index, which slumped in 2Q20 to 5 from 18 in 1Q20. Moreover, South Africa's Absa Manufacturing PMI dropped to 51.2 in July 2020 from the record high level of 53.9 in June due to soft growth in both business activity and new orders. Meanwhile, the job loss rate continue to increase despite the reopening of the economy.

Considering these developments, South Africa's GDP growth for 2020 was revised down to -7.2% from -7.0% last month. South Africa's economic contraction for 2020 was at 7.0%.

The 2021 GDP forecast remained at 3.0%, the same as last month, reflecting the potential of hydrocarbon activities boosting the economy, although policy uncertainty is a deterrent.

**Table 3 - 9: South Africa's economic growth rate and revision, 2020–2021\*, %**

South Africa	
<b>2020</b>	<b>-7.2</b>
Change from previous month	-0.2
<b>2021</b>	<b>3.0</b>
Change from previous month	0.0

Note: \* 2020–2021 = Forecast.

Source: OPEC.

## FSU

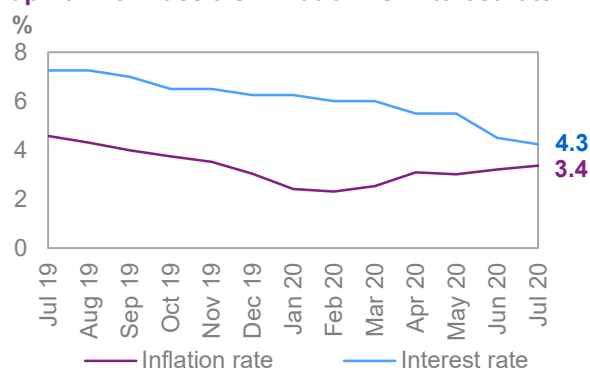
### Russia

#### Update on the latest developments

Similar to other major commodity producers, the Russian economy benefitted from the recovery in key-commodity prices, especially in the oil-market, which has been supported by the DoC process. Additionally, COVID-19 lockdowns were eased in mid-May. However, growth in infections remained relatively high and the impact on 2Q20 GDP growth will be felt, when actual numbers will be released. Industrial production continued declining in June, when it fell by 9.4% y-o-y, compared with -9.6% y-o-y in May. Retail sales somewhat recovered in June, declining by 4.3% y-o-y, compared with -16.5% y-o-y in May and -20.6% y-o-y in April.

The Russian rouble weakened noticeably in July, when it fell by 4.9% m-o-m, hence it lost around 20% against the US dollar since the end of last year. With again rising oil-prices, this decline in the rouble was accepted as a temporary support factor to the Russian economy. Consequently foreign reserves increased significantly in July, rising by \$22.9 billion after gaining \$2.7 billion in June. These increases lifted the reserve level to more than \$590 billion. At the same time the Russian central bank lowered its key interest rate further in July in order to support the recovery. The official policy rate was lowered to 4.25% in July, a 25 basis-points move from the 4.5% the key interest rate stood at in June. This is in continuation of a large monetary stimulus effort by the central bank, which lowered interest rates by a total of 175 basis-points since March.

**Graph 3 - 15: Russia's inflation vs. interest rate**



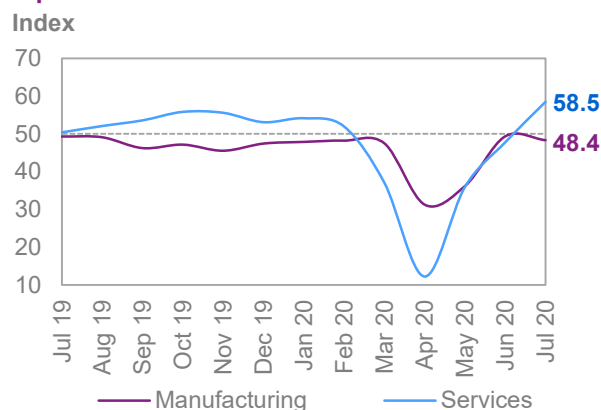
Sources: Federal State Statistics Service, Central Bank of Russia and Haver Analytics.

#### Near-term expectations

After GDP growth in 1Q20 was reported at 1.6% y-o-y, 2Q20 GDP growth is forecast to decline considerably, in line with other major emerging commodity producers, declining by more than 7% on an annual comparison. The recovery in the 2H20 will be gradual and also depend very much on further COVID-19 related developments and the oil-market situation particularly. The recovery will not be able to compensate for the 1H20 decline, but momentum from improving domestic demand, in combination with improving exports, mainly from the commodities sector, will provide a sound basis for rising growth in 2021.

The July PMIs reflect the still fragile situation in the economy. The PMI for the manufacturing sector fell to 48.4, compared with 49.4 in June, still a strong pick-up from 36.2 in May and 31.3 in April. The services sector PMI rose to 58.5 in July, after 47.7 in June, and compared with 35.9 in May and only 12.2 in April.

**Graph 3 - 16: Russia's PMIs**



Sources: IHS Markit and Haver Analytics.

With the slight additional weakness in 2Q20, 2020 GDP growth was revised down with the 2020 GDP decline forecast now at -4.7%, compared with -4.5% in the previous month. The momentum is forecast to pick up in 2H20 and continue in 2021. This will also be very much fuelled by a further rebalancing of the oil market, in combination with rising domestic investment demand. COVID-19 is forecast to be contained in the coming year as well. With these general assumptions, the recovery is forecast to reach GDP growth of 2.9% in 2021.

**Table 3 - 10: Russia's economic growth rate and revision, 2020–2021\*, %**

	Russia
<b>2020</b>	<b>-4.7</b>
Change from previous month	-0.2
<b>2021</b>	<b>2.9</b>
Change from previous month	0.0

Note: \* 2020–2021 = Forecast.

Source: OPEC.

## OPEC Member Countries

### Saudi Arabia

Saudi Arabia's non-oil GDP grew by 1.6% y-o-y in 1Q20 driven by an increase of about 8% in public consumption. Meanwhile, the IHS Markit Saudi Arabia PMI rose to 50.0 in July 2020 from 47.7 in June. This reading reflected signs of overall stability in business conditions as the non-oil private sector has not contracted. However, Industrial production in Saudi Arabia decreased by 15.50% in May of 2020 over the same month in the previous year. Considering the whole of 2020, non-oil GDP could decline sharply, especially in 2Q20, given the lockdown stringency that was in place until late-June as well as the drop in oil prices and the limited Hajj season. Real GDP is expected move back into positive territory in 2021, assuming a recovery in the global economy.

### Nigeria

The recent manufacturing PMI reading indicated a softer rate of contraction in manufacturing output in July, compared to the prior month, amid the easing of COVID-19 lockdown restrictions. The Central Bank of Nigeria Manufacturing PMI jumped to 44.9 in July 2020 from 41.1 in June. Meanwhile, the CPI jumped to the sharpest level since the start of 2020 by 20 percentage points to 12.6% y-o-y in June. In accordance, The Central Bank of Nigeria (CBN) kept all policy instruments stable at the Monetary Policy Committee (MPC) meeting in July. On the other hand, the official Nigerian Naira (NGN) exchange rate was devalued for the second time in 2020 in a move to unify its multiple exchange rates to improve the transparency of the currency-management system as Nigeria seeks roughly \$3 billion in loans from the World Bank. The trade balance in Nigeria flapped to a NGN 162.2 billion deficit in March of 2020, from a NGN 450 billion surplus in March 2019. Exports dropped over the same period by 33.5% to NGN 965.6 billion, the sharpest decline since March of 2017.

## The United Arab Emirates (UAE)

The IHS Markit United Arab Emirates non-oil sector PMI kept its increasing momentum, rising marginally to 50.8 in July 2020 from 50.4 in June 2020. This was the sharpest growth in the non-oil private sector since October 2019 resulting from efforts to stimulate and reopen the economy. Moreover, as the country has now reopened to international visitors, the economy has passed the worse point and is now on the path to normalization. On the policy front, the government and central bank increased the fiscal and monetary stimulus package by about 1.5% of GDP. The package is directed to help hotels and restaurants impacted by the slashed tourism activities as well as to support private school fees besides ensuring financial backup to construction and building activities. Meanwhile, as the non-oil economy in the UAE is highly integrated with the global economy, the global economy's rebound after the worst of the COVID-19 pandemic will be the main factor in the recovery progress.

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

The **USD declined against major currencies** in July. It dropped by 2.0% on average against the euro led by improving economic outlook in the Euro-zone on the expectation of the agreement of fiscal stimulus, which materialized at the end of the month. The dollar also fell against the Swiss franc by 1.9% and by 1.3% against the pound sterling. Against the Japanese yen the dollar dropped by 0.8%.

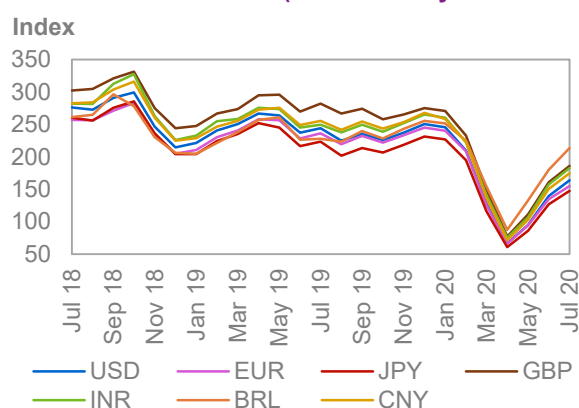
Meanwhile, the **US dollar was mixed against Emerging Market currencies**. Against the Yuan and the Indian rupee, it declined by 1.1% and 1.0% respectively m-o-m. However it advanced against the Russian ruble and the Brazilian Real by 3.0% and 1.6% respectively as their Central Banks cut interest rates to record lows and signalled potential further cuts ahead. Against the Mexican Peso the dollar rose slightly by 0.4% during the month.

In **nominal terms**, the price of the ORB increased by \$6.37, or 17.2% from \$37.05/b in June to reach \$43.42/b in July.

In **real terms**, after accounting for inflation and currency fluctuations, the ORB increased to \$27.81/b in July from a revised \$23.97/b (base June 2001=100) the previous month.

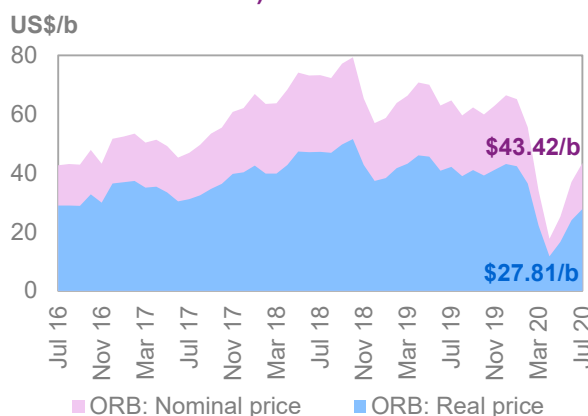
Over the same period, the **USD** decreased by 1.1% against the import-weighted modified Geneva I + USD basket, while inflation decreased by 0.2% m-o-m.

**Graph 3 - 17: ORB crude oil price index compared with different currencies (base January 2016 = 100)**



Sources: IMF and OPEC.

**Graph 3 - 18: Impact of inflation and currency fluctuations on the spot ORB price (base June 2001 = 100)**



Source: OPEC.

## World Oil Demand

World oil demand in 2020 is estimated to decrease by 9.1 mb/d, adjusted lower by around 0.1 mb/d as compared to last month's assessment. The downward revision is mainly to reflect weaker-than-expected data in 2Q20 in a few non-OECD countries, in addition to considering the recent adjustment to global GDP in 2020 from -3.7% in July to -4.0% in August.

On a quarterly basis, 1Q20 was revised up as compared to last month, mainly reflecting a higher-than-expected oil demand in China, OECD Europe and Asia Pacific. In 2Q20, weaker-than-expected demand data in the non-OECD was partially counterbalanced by better-than-expected demand in the OECD Europe region. The 2H20 was adjusted lower in line with expected softening in economic momentum as compared to last month, mainly in emerging economies.

As a result, oil demand growth in the OECD was revised higher by around 0.1 mb/d in 2020. The bulk of the upward adjustment was in OECD Europe, mainly accounting for better-than-expected demand for heating fuels in Germany and Italy. In OECD Asia Pacific, better-than-expected demand for transportation fuels and petrochemical feedstock in South Korea prompted an upward revision during 1H20.

Oil demand growth in the non-OECD was revised lower by 0.2 mb/d in 2020, more than offsetting the upward adjustment in OECD, mainly accounting for weaker-than-expected demand in the Other Asia region during 1H20 and reflecting softening economic activities as compared to last month. Total oil demand is now assumed to reach 90.6 mb/d during the current year.

World oil demand growth in 2021 was kept unchanged as compared to last month's report. Oil demand is foreseen increasing by around 7.0 mb/d with global total oil demand reaching 97.6 mb/d. The forecast assumes that COVID-19 will largely be contained globally with no major disruptions to the global economy.

Consequently, economic activities are projected to rebound steadily in both advanced and emerging economies. The outlook assumes an increase of 4.7% in economic activities next year. Additionally, uncertainties around the labour market as well as increased usage of teleworking and distance conferencing is assumed to hinder transportation fuels from bouncing back to pre-crisis levels.

Light distillates and diesel are projected to gain support from improving economic momentum, including infrastructure spending and improving y-o-y industrial activities, as well as capacity additions in the petrochemical sector, particularly in China and the US.

All products are assumed to grow albeit from very low levels reached in 2020. On the other hand, persistence in fuel efficiency gains, a continuation of oil displacement programmes and subsidy removals will cap oil demand growth next year.

## World oil demand in 2020 and 2021

Table 4 - 1: World oil demand in 2020\*, mb/d

	2019	1Q20	2Q20	3Q20	4Q20	2020	Change 2020/19	
							Growth	%
<b>World oil demand</b>								
Americas	25.63	24.31	19.47	24.43	24.91	23.29	-2.35	-9.15
of which US	20.79	19.66	15.61	19.98	20.49	18.94	-1.85	-8.90
Europe	14.25	13.34	10.32	13.19	13.53	12.60	-1.66	-11.61
Asia Pacific	7.79	7.75	6.25	6.51	7.33	6.96	-0.83	-10.64
<b>Total OECD</b>	<b>47.68</b>	<b>45.40</b>	<b>36.04</b>	<b>44.13</b>	<b>45.77</b>	<b>42.85</b>	<b>-4.83</b>	<b>-10.13</b>
Other Asia	13.87	12.99	11.80	12.28	13.55	12.66	-1.21	-8.73
of which India	4.84	4.77	3.60	3.85	4.74	4.24	-0.60	-12.44
Latin America	6.59	6.11	5.66	6.17	6.08	6.01	-0.59	-8.92
Middle East	8.20	7.88	6.96	7.88	7.50	7.56	-0.65	-7.87
Africa	4.45	4.37	4.07	4.07	4.20	4.18	-0.27	-6.08
<b>Total DCs</b>	<b>33.11</b>	<b>31.36</b>	<b>28.48</b>	<b>30.41</b>	<b>31.33</b>	<b>30.40</b>	<b>-2.71</b>	<b>-8.20</b>
FSU	4.84	4.50	4.03	4.43	4.59	4.39	-0.45	-9.38
Other Europe	0.76	0.71	0.55	0.47	0.56	0.57	-0.19	-25.17
China	13.30	10.70	12.75	12.67	13.58	12.43	-0.87	-6.55
<b>Total "Other regions"</b>	<b>18.91</b>	<b>15.91</b>	<b>17.32</b>	<b>17.57</b>	<b>18.74</b>	<b>17.39</b>	<b>-1.52</b>	<b>-8.03</b>
<b>Total world</b>	<b>99.69</b>	<b>92.67</b>	<b>81.84</b>	<b>92.10</b>	<b>95.83</b>	<b>90.63</b>	<b>-9.06</b>	<b>-9.09</b>
Previous estimate	99.67	92.41	81.95	92.22	96.22	90.72	-8.95	-8.98
Revision	0.02	0.26	-0.10	-0.12	-0.39	-0.09	-0.11	-0.11

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

Source: OPEC.

Table 4 - 2: World oil demand in 2021\*, mb/d

	2020	1Q21	2Q21	3Q21	4Q21	2021	Change 2021/20	
							Growth	%
<b>World oil demand</b>								
Americas	23.29	24.71	24.85	25.49	25.42	25.13	1.84	7.90
of which US	18.94	20.28	20.02	20.68	20.86	20.46	1.52	8.02
Europe	12.60	13.76	13.67	13.96	13.83	13.81	1.21	9.59
Asia Pacific	6.96	7.92	7.16	7.06	7.57	7.43	0.47	6.69
<b>Total OECD</b>	<b>42.85</b>	<b>46.39</b>	<b>45.68</b>	<b>46.51</b>	<b>46.82</b>	<b>46.36</b>	<b>3.51</b>	<b>8.20</b>
Other Asia	12.66	13.62	13.95	13.55	14.33	13.86	1.21	9.55
of which India	4.24	5.29	4.58	4.66	5.39	4.98	0.74	17.46
Latin America	6.01	6.21	6.32	6.37	6.31	6.31	0.30	4.99
Middle East	7.56	8.07	7.69	8.19	7.75	7.93	0.37	4.89
Africa	4.18	4.46	4.25	4.27	4.39	4.34	0.17	3.95
<b>Total DCs</b>	<b>30.40</b>	<b>32.36</b>	<b>32.21</b>	<b>32.39</b>	<b>32.78</b>	<b>32.44</b>	<b>2.04</b>	<b>6.72</b>
FSU	4.39	4.64	4.49	4.60	4.72	4.62	0.23	5.16
Other Europe	0.57	0.79	0.68	0.59	0.68	0.68	0.11	19.58
China	12.43	12.31	13.77	13.70	14.33	13.53	1.10	8.86
<b>Total "Other regions"</b>	<b>17.39</b>	<b>17.75</b>	<b>18.94</b>	<b>18.89</b>	<b>19.73</b>	<b>18.83</b>	<b>1.44</b>	<b>8.28</b>
<b>Total world</b>	<b>90.63</b>	<b>96.50</b>	<b>96.82</b>	<b>97.79</b>	<b>99.33</b>	<b>97.63</b>	<b>7.00</b>	<b>7.72</b>
Previous estimate	90.72	96.25	96.93	97.92	99.71	97.72	7.00	7.71
Revision	-0.09	0.26	-0.10	-0.12	-0.39	-0.09	0.00	0.01

Note: \* 2020-2021 = Forecast. Totals may not add up due to independent rounding.

Source: OPEC.



## OECD

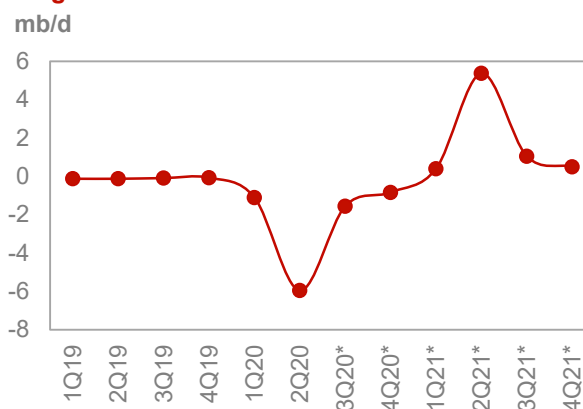
### OECD Americas

#### Update on the latest developments

Oil demand in OECD Americas showed decline of around 5.6 mb/d y-o-y in **May**, representing some improvement from April's revised decline levels of 7.1 mb/d y-o-y. Road transportation and aviation fuel demand were the main contributors to the declines seen across the region.

Latest released US monthly demand data for the month of May suggest a continuation of weak oil demand performance. May data indicate a strongly declining US oil demand, by around 4.1 mb/d y-o-y. However, the monthly decline was milder than April, supporting expectations that the worse oil demand loss is in the past. May's drop was the second largest monthly historical decline and came for the fifth consecutive month, stemming solely from the spread of COVID-19 and its massive effect on almost all sections of the economy. Unlike other main petroleum product categories, demand for light distillates continued to grow y-o-y, in particular for LPG/NGLs, up by 0.2 mb/d y-o-y, amid steady petrochemical margins and recent steam cracker capacity additions. Impacted by lower industrial activities, diesel demand shrank by approximately 0.4 mb/d y-o-y as the latest data for May confirms an expected drop in US industrial sector activity.

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



Note: \* 3Q20-4Q21 = Forecast. Source: OPEC.

According to the Federal Reserve Board, industrial production dropped by 15.4% y-o-y in May, following a decline of 16.3 % y-o-y in April. Additionally, transportation fuel, gasoline and jet fuel requirements remained in sharp decline, falling by 2.2 mb/d and 1.2 mb/d y-o-y, respectively. Gasoline was impacted by lower vehicle miles travelled, shrinking by 25.5% y-o-y in May as compared to a 40.2% y-o-y decline in April. On the other hand, the labour market showed positive signs of recovery. In May, the unemployment rate stood at 13.3% and improved further to stand at 11.1% in June.

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

By product	May 20	May 19	Change 2020/19	
			mb/d	%
LPG	2.75	2.53	0.21	8.4
Naphtha	0.16	0.21	-0.05	-23.4
Gasoline	7.19	9.40	-2.21	-23.5
Jet/kerosene	0.60	1.78	-1.19	-66.6
Diesel oil	3.53	4.04	-0.51	-12.6
Fuel oil	0.08	0.20	-0.12	-58.7
Other products	2.09	2.36	-0.27	-11.4
<b>Total</b>	<b>16.39</b>	<b>20.52</b>	<b>-4.13</b>	<b>-20.1</b>

Sources: EIA and OPEC.

Preliminary data for the month of **June** indicate hefty declines in oil demand of around 2.9 mb/d y-o-y, still driven by the considerable slowdown in transportation fuels, gasoline and jet fuel. This is despite the encouraging signs in the labour market, which is showing an improvement in the unemployment rate. This, in turn, will minimize the negative impact on gasoline demand going forward. Light distillate demand continued to surprise and remained in positive territory driven by ethane cracker capacity additions.

June data shows a y-o-y decline in Mexican oil demand. Demand for all of the main petroleum categories dropped sharply, particularly jet kerosene, diesel and gasoline, amid the spread of COVID-19. Overall June 2020 Mexican oil demand fell by approximately 0.4 mb/d y-o-y. Volume-wise, the decline is smaller than April and May 2020, yet the declining trend continued for the sixth-consecutive month.



## Near-term expectations

Going forward, current expectations for the 2020 oil demand outlook indicate a rebound in economic activities during 2H20 assuming that COVID-19 will be better managed in 2H20, although partial and localized lockdowns may be necessary, especially if the current rate of increase in COVID-19 infections continues in the coming weeks. This will be a major uncertainty factor for the remainder of the year and next year, and will depend on how the medical and health sector is able to manage possible major outbreaks without bringing the whole economy to a standstill. However, despite possible easing of the lockdown measures, oil consumption is projected to continue declining during 2H20 and only flip to positive in 2021. Gasoline and jet fuel are anticipated to be under pressure despite recent improvements in the labour market while support from light distillates is assumed to continue. As for 2021, oil demand projections in the whole region of OECD Americas assume localized impacts of COVID-19, but stimulus measures will support a rebound in economic development. Oil demand is assumed to return back to increase y-o-y in the base case but large uncertainties will remain across sectors, particularly the transportation sector. Developments in the labour market are also a source of doubt going into 2021. Petrochemical feedstocks are anticipated to provide strong support for demand growth next year.

## OECD Europe

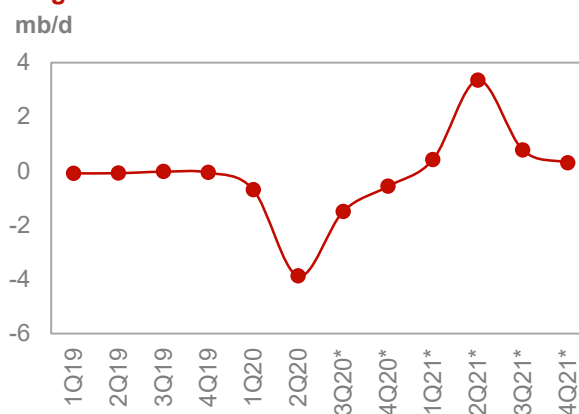
### Update on the latest developments

The latest available May oil demand data for OECD Europe indicates a sharp drop in oil demand, a continuation of similar monthly y-o-y declines since the beginning of 2020. The region shed off some 3.5 mb/d as compared to May of last year with most of the declines appearing in the four major consuming countries in the region. Demand for petroleum products dropped sharply in the region (in the UK by approximately 0.6 mb/d y-o-y; France and Italy by 0.4 mb/d y-o-y each and in Germany by 0.6 mb/d y-o-y), all showing improvements as compared to April. Oil demand losses were attributed to weaker demand for on road diesel, jet fuel and gasoline, in addition to slower light distillate requirements. The timing and magnitude of imposed measures aimed at containing COVID-19 resulted in declining oil consumption at different levels in various countries in the region. For example, while

measures in Germany were a little later than other countries in the region and less rigid, the impact remains relatively lower. On the other hand, measures in Italy were stricter and had a hefty impact on economic activities and oil consumption, particularly in April. Industrial production, despite marginally improving, remains steeply in the negative in all four major consumers, with France recording the lowest drop. April industrial production data, as reported by the Institut National de la Statistique/Economique and Haver Analytics indicate a drop of 23.4% y-o-y from a 35.0% in April. This has affected demand for industrial fuels negatively. Additionally, based on preliminary figures from the European Automobile Manufacturers Association (ACEA), June 2020 new passenger car registrations in the EU fell by 22% y-o-y, with large y-t-d declines of approximately 38% during 1H20.

Preliminary data for the European major oil consuming countries for June indicate continued y-o-y declines and marginal improvements in the trend. Transportation fuels are continuing to struggle such as jet fuel, on-road diesel and gasoline, which all recorded lower levels than last June 2019.

**Graph 4 - 2: OECD Europe's oil demand, y-o-y change**



Note: \* 3Q20-4Q21 = Forecast. Source: OPEC.

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

By product	May 20	May 19	Change 2020/19	
			mb/d	%
LPG	0.37	0.46	-0.09	-19.3
Naphtha	0.52	0.51	0.01	1.8
Gasoline	0.77	1.16	-0.39	-33.7
Jet/kerosene	0.27	0.84	-0.57	-68.2
Diesel oil	2.68	3.13	-0.46	-14.6
Fuel oil	0.15	0.20	-0.05	-25.1
Other products	0.41	0.62	-0.21	-34.0
<b>Total</b>	<b>5.16</b>	<b>6.93</b>	<b>-1.76</b>	<b>-25.5</b>

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

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

### Near-term expectations

The outlook for the region's oil demand in 2020 was adjusted to the upside for the third consecutive month, with the bulk of revisions originating in the first five months of 2020 and taking into consideration the most recent data. The remainder of 2020 is projected to exhibit continued economic pressure resulting from the spread of COVID-19. However, lockdown measures and a complete halt of economic activity is not projected in 2H20. Continued increases in the number of infections is a big uncertainty factor, and how governments will respond remains uncertain. The rescue fund, in addition to the current stimulus measure, is assumed to contribute positively to the recovery process during 2H20 and well into 2021, hence improving consumer spending. Similar to OECD Americas, developments in the labour market and increases in consumer confidence are the main components to get oil demand back onto the right trajectory for transportation and industrial fuels. As for 2021, the oil demand outlook is subject to a number of uncertainties and is therefore mainly skewed to the downside. The positive economic projections for OECD Europe will principally encourage oil demand returning to growth in addition to the low levels of oil demand anticipated to be registered this year. On the other hand, other factors such as a potential second wave of COVID-19 infections could cause major economic turbulences as well as debt-related and geopolitical issues. Additionally, ongoing development programs related to efficiencies and fuel substitutions are assumed to cap oil demand.

## OECD Asia Pacific

### Update on the latest developments

Oil demand data for the month of **May** indicate a drop of around 0.58 mb/d y-o-y, improving from April's revised decline of 1.35 mb/d y-o-y, with Japan leading the declines, followed by Australia, while South Korea posted a surprising y-o-y increase.

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

By product	Jun 20	Jun 19	Change 2020/19	
			mb/d	%
LPG	0.25	0.28	-0.02	-8.3
Naphtha	0.62	0.70	-0.08	-11.7
Gasoline	0.78	0.82	-0.04	-4.5
Jet/kerosene	0.22	0.33	-0.11	-32.6
Diesel oil	0.68	0.74	-0.06	-8.3
Fuel oil	0.19	0.20	-0.02	-7.7
Other products	0.33	0.34	-0.01	-4.1
<b>Total</b>	<b>3.07</b>	<b>3.42</b>	<b>-0.34</b>	<b>-10.0</b>

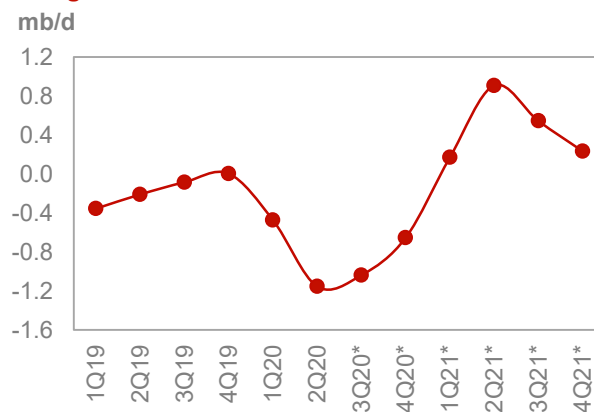
Sources: JODI, METI and OPEC.

In South Korea, latest available May data reveal a rebound in oil demand y-o-y for the first month in 2020. Most of the petroleum product category requirements rose, notably diesel, jet kerosene, gasoline, LPG and residual fuel oil demand, partly offset by losses for jet/kerosene.

In Australia, oil demand was sluggish during May y-o-y. Falling gasoline, jet kerosene and diesel requirements accounted for the bulk of oil demand losses.

The first indication of oil demand data for the month of **June** from the Japanese Ministry of Economy Trade, and Industry (METI), indicate falling Japanese oil demand, by approximately 0.4 mb/d, marking the twelfth consecutive monthly decline. In the first six months of 2020, Japanese oil demand fell considerably, by an average of 0.5 mb/d, or 12.3%, y-o-y. The June oil demand declines originate from sluggish demand for all main petroleum product categories, notably jet kerosene, naphtha, LPG, gasoline and diesel, in line with the COVID-19 pandemic developments and impacts on economic activities in the country.

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



Note: \* 3Q20-4Q21 = Forecast. Source: OPEC.

## Near-term expectations

It seems that the worst 2020 oil demand losses in the region are in the past. Despite the recent upsurge of COVID-19 cases in some countries of the region, oil demand losses remain smaller in magnitude than other regions as a result of successful containment resulting from additional measures taken. Driven by a healthy industrial sector, particularly petrochemicals, and a growing economy, the region's oil demand will grow in 2021 despite losses in recent years. The oil demand forecast risks remain balanced towards the upside and downside for both 2020 and 2021. As in other regions, oil use in the aviation sector is not expected to reach pre-COVID-19 levels during 2021.

## Non-OECD

### China

#### Update on the latest developments

China is assumed to have declined by more than 2.0 mb/d y-o-y during 1Q20 while at the same time GDP contracted by as much as 9% amid to the onset of COVID-19 and the unprecedented shutdown in economic activities. Oil demand data as well as economic indicators started recovering thereafter with oil consumption data indicating an increase of approximately 0.3 mb/d y-o-y in June, the first monthly increase in 2020 according to our data. Gasoline and jet fuel, however, are still in the negative territory with both exhibiting drops of around 0.07 mb/d y-o-y and 0.38 mb/d y-o-y, respectively. Road passenger traffic, as reported by China's National Bureau of Statistics, remained declining by around 43% y-o-y, but higher than May indication of -49.2%. The indicator is showing a significant development as compared to February's massive decline of 88.3% y-o-y. Similarly, passenger traffic in civil aviation declined by 42.5% y-o-y, but improving from the -52.6% y-o-y drop recorded during the month of May. On the other hand, vehicle sales showed signs of stability and increased for the second consecutive month in June, adding 13.3% after increasing by 10.9% y-o-y in May, as reported by China's Passenger Car Association and Haver Analytics. Industrial fuels, including light distillates, have showed growth in light of improving manufacturing activities. The Manufacturing PMIs, as reported by China's Federation of Logistics and Purchasing, rose to 50.9 in June from 50.6 in May, lending support to industrial fuel demand.

Table 4 - 6: China's oil demand\*, mb/d

By product	Jun 20	Jun 19	Change 2020/19	
			mb/d	%
LPG	2.02	1.93	0.09	4.7
Naphtha	1.38	1.17	0.21	18.3
Gasoline	3.00	3.07	-0.07	-2.4
Jet/kerosene	0.54	0.92	-0.38	-41.4
Diesel oil	3.49	3.24	0.25	7.6
Fuel oil	0.77	0.50	0.27	53.0
Other products	1.67	1.70	-0.03	-1.8
<b>Total</b>	<b>12.87</b>	<b>12.54</b>	<b>0.34</b>	<b>2.7</b>

Note: \* Apparent oil demand.

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

## Near-term expectations

Going forward, oil demand in China is highly dependent on the speed of economic recovery, which so far appears steady. However, petroleum product demand is anticipated to be driven by local consumption, supporting restoration in industrial output. Despite uncertainties around those factors, China's economic activities are anticipated to stabilize faster as compared to neighbouring countries and major economies globally. This, in turn, provides support to demand for industrial fuels as well as some transportation fuels. Light distillates have been performing against expectations and are projected to be a source of support for oil demand performance in 2H20 and 2021. In 2021, with estimated GDP growth of around 6.9% as compared to 1.8% during the current year compounded by historical declines in the baseline resulting in oil demand rebounding strongly to record historical gains. Transportation fuels are projected to lead gains as expansion in vehicle sales combined with improved miles travelled versus the current year will drive growth. Jet fuel is assumed to recover but not reaching pre-COVID-19 levels due to reductions in leisure and business travel. So far, the outlook assumes no significant outbreaks of COVID-19 and for the whole global economic momentum to return to normal.

## Other Asia

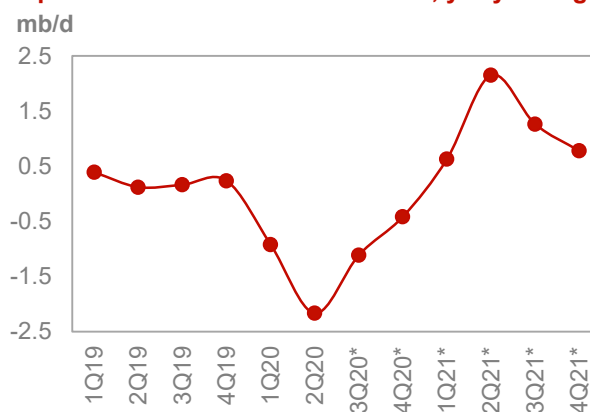
### Update on the latest developments

The ramifications of lockdowns and restrictions in mobility activities were apparent in the oil demand data for the month of **May** in the Other Asia region with a total reduction in oil demand of around 2.0 mb/d y-o-y. Nearly half of these declines, as highlighted in the previous month's MOMR, were seen in India as it registered a drop of around 1.0 mb/d y-o-y. Thailand, Philippines, Indonesia, Malaysia and Singapore have all recorded an aggregated reduction of around 1.0 mb/d y-o-y with Thailand registering around 30% of lost demand.

Transportation fuels were hit the hardest as mobility restrictions, in Thailand, eliminated a large portion of jet fuel as well as gasoline consumption. Light distillates, LPG and naphtha also faced pressure as industrial activities slowed down. The Manufacturing Production Index as reported by the Office of Industrial Economics and Haver Analytics dropped by 22.9% y-o-y in May, with a similar trend being observed in other countries in the region. However, it is worth noting that oil demand in the region has shown some positive signs of recovery m-o-m at around 1.7 mb/d.

Despite the mounting number of COVID-19 infections in India, oil demand showed signs of recovery in June as compared to May. Oil demand registered a drop of around 0.4 mb/d y-o-y, higher by 0.7 m-o-m. Total demand reached 4.1 mb/d in June. Full 2Q20 data indicate weakness in demand of around 1.2 mb/d with gradual improvements in the magnitude of the decline seen since the month of April.

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



Note: \* 3Q20-4Q21 = Forecast. Source: OPEC.

Economic activities showed large contractions in 2Q20 in line with the lost demand, however, the pace of recovery going forward is challenged by continued increases in infection rates. In June, transportation fuel performances showed positive momentum m-o-m but remained steeply in negative territory with both gasoline and jet/kerosene collectively shedding more than 0.2 mb/d y-o-y. Reductions in miles travelled due to mobility restrictions, increased telework activities, a ban on international air travel and severe restrictions in domestic travel in an attempt to contain the spread of COVID-19 had adverse effects on demand. Diesel demand was lower y-o-y by around 0.3 mb/d as manufacturing slowed. The IHS Markit Manufacturing PMI showed stabilization signs in June as the indicator increased to 47.2 from 30.8 in May, however remaining in the negative zone for the third consecutive month. On the other hand, LPG demand was in positive territory, increasing by more than 0.1 mb/d y-o-y, mostly due to demand for cooking fuel in the residential sector. LPG has been a source of oil demand growth over the previous years resulting from government plans to extend LPG connections to households.

**Table 4 - 7: India's oil demand, mb/d**

By product	Jun 20	Jun 19	Change 2020/19	
			mb/d	%
LPG	0.87	0.76	0.11	14.4
Naphtha	0.36	0.31	0.05	16.5
Gasoline	0.75	0.86	-0.10	-11.9
Jet/kerosene	0.10	0.23	-0.13	-54.9
Diesel oil	1.62	1.90	-0.28	-14.5
Fuel oil	0.25	0.24	0.01	2.9
Other products	0.18	0.21	-0.03	-14.1
<b>Total</b>	<b>4.14</b>	<b>4.50</b>	<b>-0.37</b>	<b>-8.1</b>

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

## Near-term expectations

Looking forward, from an economic prospective, the overall 2020 GDP for the region was revised lower led by a 2.1% downward revision to India, from negative 2.5% in July as demand for oil products is projected to follow suit and was adjusted lower in 2020. As such, oil demand, as compared to last year, is estimated to continue in negative territory for the remainder of the year in the entire Other Asia region pressured by reductions in transportation fuels and slower manufacturing momentum as compared to 2019. The tourism, construction, aviation and road transportation sectors are expected to be worst affected by COVID-19. Turning to 2021, the driver for oil demand is projected to be India in light of an anticipated strong rebound in economic activities. India's GDP is forecast to rise by a solid 6.8% in 2021, leading the region's economic momentum to rebound back fully. This increase is a reflection of positive policy measures promoting increases in private consumption and investments. When combined with the decline in 2020, oil demand is projected to record historical gains next year. Transportation fuels will be a major component for the increase, particularly in India. All other economies in the region are projected to record decent gains next year too.

## Latin America

### Update on the latest developments

Brazil led the decline in petroleum product requirements in Latin America during the month of **May**. A total drop of around 0.8 mb/d y-o-y was registered for the whole region, and 0.2 mb/d m-o-m. Brazil, Peru, Colombia, Argentina and Ecuador have the highest numbers of COVID-19 cases and are projected to be in economic recession in 2020. Manufacturing activity plummeted as a result of regional shutdowns in economic activities.

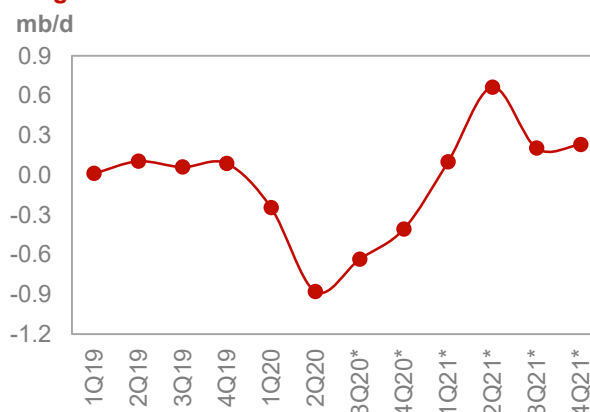
In Brazil, the country's Manufacturing PMI, as reported by IHS Markit, showed a decline of 23.7 in May, improving from the level recorded in April of -30.1. Diesel requirements responded to these developments and declined by around 0.1 mb/d y-o-y in Brazil and by approximately 0.2 mb/d y-o-y in Latin America.

## World Oil Demand

However, larger impacts were felt in the transportation sector, as gasoline and jet fuel demand collectively lost more than 0.2 mb/d y-o-y in Brazil and more than 0.4 mb/d y-o-y in the whole region due to region-wide lockdowns and limitations in individuals' mobility to contain the spread of COVID-19.

Additionally, new vehicle registrations plunged by 74.7% in May versus 76.1 in April. The level of this drop is anticipated to ease going into the 3Q20, however, and will largely depend on the development of COVID-19 infections.

**Graph 4 - 5: Latin America's oil demand, y-o-y change**



Note: \* 2Q20-4Q20 = Forecast. Source: OPEC.

**Table 4 - 8: Brazil's oil demand\*, mb/d**

By product	Jun 20	Jun 19	Change 2020/19	
			mb/d	%
LPG	0.24	0.22	0.02	9.0
Naphtha	0.15	0.15	0.00	0.0
Gasoline	0.57	0.62	-0.05	-7.9
Jet/kerosene	0.03	0.11	-0.08	-75.7
Diesel oil	0.98	0.98	0.01	0.9
Fuel oil	0.08	0.08	0.00	-1.3
Other products	0.37	0.45	-0.08	-18.3
<b>Total</b>	<b>2.42</b>	<b>2.60</b>	<b>-0.19</b>	<b>-7.2</b>

Note: \* = Inland deliveries.

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

### Near-term expectations

Going forward, economic activities in Latin America are expected to be pressured by a number of factors, including rising COVID-19 cases, political tensions and weakness in currency values, affecting labour market and tempering consumer confidence, leading to a downwardly adjusted GDP for the region as compared to last month's projection. As such, oil demand is foreseen to struggle for the remainder of 2020 with most of the impacts already having taken place in 2Q20, yet with a high possibility of them spilling over into 3Q20. The quarterly oil demand pattern going forward is projected to show signs of slow and gradual recovery, but overall demand is assumed to remain in negative territory.

In 2021, risks to regional economic development will be continuing, however, next year's GDP forecast now stands at 2.7% for the whole region as compared to a decline of 7.4% in 2020. This will lead to increasing oil demand, especially given the historically low demand during the current year. Brazil, the largest economy in the region will be have the lion's share in oil demand growth and provide support to growth. The outlook assumes no significant impacts from COVID-19 infections, similar to the current conditions. Diesel and transportation fuels are projected to lead gains next year with 2Q21 projected to see most of the gains.

## Middle East

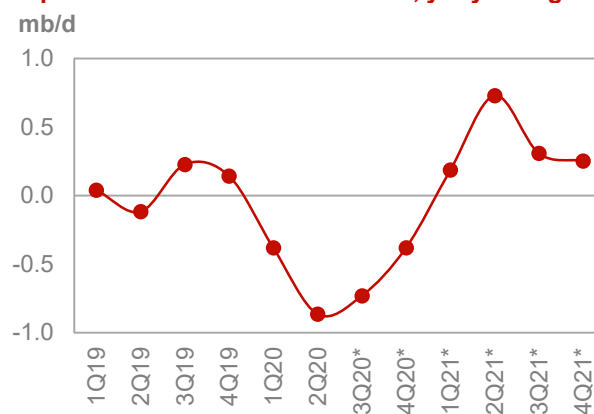
### Update on the latest developments

Oil demand in the region remained steeply declining in May with marginal improvements m-o-m. Demand for petroleum fuels dropped by 1.1 mb/d y-o-y in May as compared to a decline of 1.2 mb/d in April.



Declines were led by Saudi Arabia (-0.3 mb/d y-o-y), Iraq (-0.3 mb/d y-o-y), IR Iran (-0.2 mb/d y-o-y) and UAE (-0.1 mb/d y-o-y). The easing of COVID-19 measures toward the end of the quarter is projected to provide support to oil demand. Gasoline plunged in May in the region to -0.4 mb/d y-o-y with most of the declines appearing in Saudi Arabia (-0.2 mb/d y-o-y), while jet fuel demand struggled in light of large terminations of both domestic and international flights as announced by major airlines in the region. Jet fuel was down by -0.2 mb/d y-o-y. Diesel weakened by almost a similar quantity (-0.24 mb/d y-o-y), reflecting slower manufacturing activity. May's PMI data in Saudi Arabia were at 48.1, while the IHS Markit PMI for UAE recorded 46.7, also in negative territory.

**Graph 4 - 6: Middle East oil demand, y-o-y change**



Note: \* 3Q20-4Q21 = Forecast. Source: OPEC.

June's oil demand in Saudi Arabia showed signs of a m-o-m recovery as demand dropped by 0.24 mb/d y-o-y, nearly 0.1 mb/d higher than May's decline. Positive m-o-m developments were observed in most product categories, most notably in gasoline demand, which declined by around 0.1 mb/d y-o-y compared to 0.23 mb/d in May, while diesel demand actually flipped to positive territory despite slower m-o-m PMI data. The latest data were at 47.7, down from 48.1 in May, remaining in contraction territory for the fourth consecutive month. However, cement delivery skyrocketed in June, indicating an uptick in the construction sector, according to the Yammama Cement Company and Haver Analytics, indicating an increase of 93.4% y-o-y, which is partially attributed to the low baseline of comparison.

**Table 4 - 9: Saudi Arabia's oil demand, mb/d**

By product	Jun 20	Jun 19	Change 2020/19	
			mb/d	%
LPG	0.04	0.04	0.00	3.6
Naphtha	0.00	0.01	-0.01	-100.0
Gasoline	0.42	0.52	-0.10	-19.1
Jet/kerosene	0.03	0.10	-0.07	-67.8
Diesel oil	0.54	0.51	0.03	5.6
Fuel oil	0.57	0.59	-0.02	-3.4
Other products	0.55	0.62	-0.07	-11.0
<b>Total</b>	<b>2.16</b>	<b>2.39</b>	<b>-0.24</b>	<b>-9.8</b>

Sources: JODI and OPEC.

## Near-term expectations

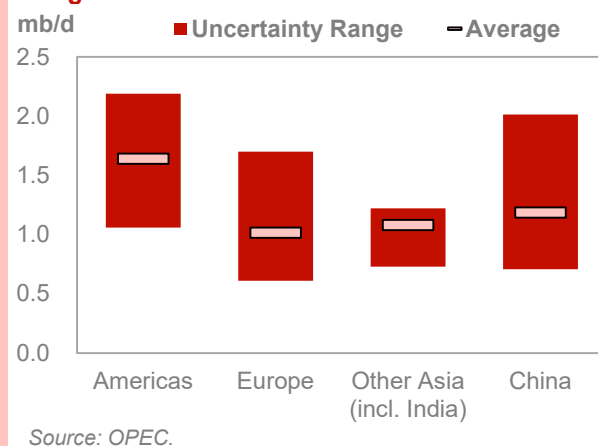
Going forward, oil demand is anticipated to continue on its recovery trajectory but remain in negative territory during 2H20. The Hajj season, which took place during the second half of July, is projected to provide minimal support to oil demand as measures to contain COVID-19 will limit the number of pilgrims visiting Saudi Arabia during the 2020 Hajj season as compared to the recent past. As such, the usual seasonal demand pick up for transportation fuels is not anticipated to occur this year. A downward adjustment to GDP is accounted for in the current oil demand projection for 2020, particularly in 2H20. However, policies by a number of governments in the region geared towards improving economic activity such as private sector stimulus programmes, support to small and medium business and infrastructure development and investment are expected to reduce the steepest oil demand declines growing forward.

In 2021, as GDP growth is expected to rebound, oil demand is projected to gain momentum and turn to growth next year. It is also assumed that the region will not face serious shutdowns of economic activity as part of containment measures for COVID-19. Most of the gains will be in middle distillates and both jet fuel as well diesel are projected to return to growth. Saudi Arabia will remain a vital component for oil demand performance in the whole region.

### When uncertainties are high

The 2021 oil demand outlook shows a wide range of growth projections among primary forecasting institutions. Looking at seven selected sources, including OPEC, the anticipated increase in 2021 petroleum product demand shows a range of nearly 2.9 mb/d between the highest and lowest projections, amounting to 46% of average projected growth for 2021. This observed variance further stresses the prevailing high uncertainty, as the forecasts are based on the expectation of world economic activities returning to pre-COVID-19 levels. The largest ranges are found in the regions with the highest oil demand and where economic uncertainties are most amplified (i.e. the US, Europe, China and Other Asia, including India). In 2019, those countries accounted for around 62% of global demand growth and made up about around two thirds of global GDP.

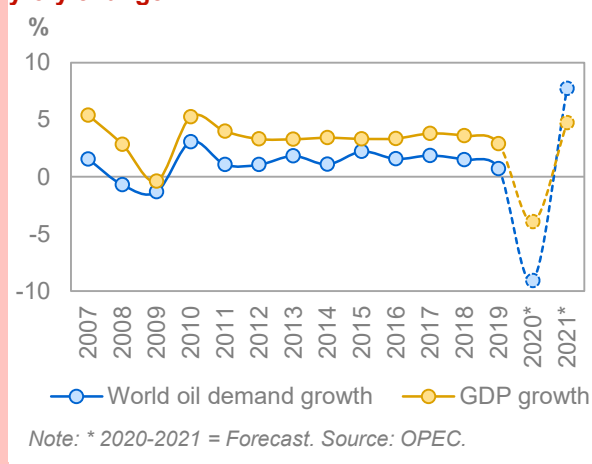
**Graph 4 - 7: Oil demand growth forecast in 2021 by selected agencies (for selected regions), y-o-y change**



Large uncertainties prevail, possibly resulting in a negative impact on petroleum consumption going forward. During exceptional times the normal relationship between disposable income and oil demand does not hold up. Nevertheless, the magnitude of the rebound in economic activity will determine oil demand growth for next year. The large scale of monetary and fiscal stimulus measures and the speed at which they reach end-users, in addition to their translation into petroleum product consumption, are critical and will be closely monitored. Developments in household income and the management of historically high unemployment rates over the next 12-16 months are expected to impact transportation fuel demand, particularly gasoline in the US and on-road diesel in Europe. The recovery of manufacturing and industrial activities will also be a challenge, and will depend on how quickly end-user confidence is restored along with the return to pre-COVID-19 spending behaviour. On the other hand, light distillate demand has so far fared relatively well during the crisis, limiting a decline in petrochemical feedstock requirements. Another inherent uncertainty factor is the ongoing spread of COVID-19 infections worldwide and how fast the scientific world can reach a permanent solution to the virus, by discovering a vaccine or a medicine that is effective in treating the disease.

Despite these large variances and high uncertainties, key assumptions are comparable between forecasters. Solid increases in GDP in all economic sectors and better management of COVID-19 in 2021, compared to the current year, with no meaningful halt to economic activities (similar to April-May 2020) are assumed by nearly all forecasters. Furthermore, the unparalleled downturn in 2020 oil demand creates a statistically low base year, allowing to significant oil demand rises in 2021. The most recent comparable event would be the decline in oil demand during the financial crisis in 2009 (-1.1 mb/d, y-o-y) and the rebound seen in 2010 (+2.6 mb/d, y-o-y). Additionally, similar rebounds were seen during historic events such as the first and second oil shocks, the Second World War and the Great Depression.

**Graph 4 - 8: World oil demand and GDP growth, y-o-y change**



Almost all forecasters expect jet fuel in 2021 to struggle to making up for lost demand. This is due to the fragile confidence in international leisure travel and reduced business travel due to the continued use of teleconferencing and teleworking. Gasoline demand will face pressure to return to 2019 levels amid high unemployment reducing commuter demand, an uptick in miles per gallon in modern combustion engines and rising competition from alternative fuel vehicles.

The persistence of these uncertainties will undoubtedly have significant ramifications on the current 2020/2021 oil demand projections, necessitating subsequent adjustments to the oil demand forecasts for both 2020 and 2021.

## World Oil Supply

Non-OPEC liquids production growth in 2020 was revised up by 235 tb/d from the previous month's assessment, mainly in OECD Americas, and is now expected to decline by 3.03 mb/d to average 62.11 mb/d. Major oil companies reported 2Q20 supply losses in the wake of the COVID-19 pandemic. In the US, in Texas alone, employment in the upstream oil and gas sector fell by 30% between December 2018 and June 2020, with oil service companies leading the massive job cuts among other firms. Nevertheless, crude oil production in 3Q20 is expected to begin picking up from August onward. In addition to the downward adjustments of the 10 non-OPEC countries participating in the DoC by 1.82 mb/d, production reductions and shut-ins in countries outside of the DoC, are estimated to average 4.16 mb/d, leading to a total drop in non-OPEC supply of around 6 mb/d in 2Q20.

Many companies have reduced their production since the beginning of the current turmoil in the oil market. However, some US shale oil producers are showing signs of restarting output that was shut in when demand plummeted in April as crude prices have risen since. The US production growth forecast, despite the drastic fall in May by 2 mb/d m-o-m, has been revised up slightly by 46 tb/d, owing to higher-than-anticipated production in 2H20 to now show a decline of 1.32 mb/d y-o-y. Canada's liquids production was also up in June, following a monthly increase in Alberta's bitumen output. Oil supply in 2020 is forecast to decline mainly in the US (-1.32 mb/d), Russia, Canada, Kazakhstan, Malaysia, Colombia and Azerbaijan, while oil production is projected to grow in Norway, Brazil, Guyana and Australia.

Non-OPEC liquids production in 2021 was also revised up by 66 tb/d and is now expected to grow by 0.98 mb/d to average 63.10 mb/d (including a recovery of 0.13 mb/d in processing gains). The main drivers for supply growth are expected to be the US (0.24 mb/d), Canada, Brazil and Norway, whereby the majority of this increase represents a recovery of production from 2020 rather than new projects. Nevertheless, uncertainty regarding financial and logistical aspects of US production, as well as a likelihood of a second wave of COVID-19 infections globally, remains high.

OPEC NGLs and non-conventional liquids production in 2020 is estimated to decline by 0.10 mb/d to average 5.16 mb/d, and is forecast to grow by 0.08 mb/d to average 5.24 mb/d in 2021. OPEC-13 crude oil production in July was up by 0.98 mb/d m-o-m to average 23.17 mb/d, according to secondary sources. Preliminary non-OPEC liquids production in July, including OPEC NGLs, is estimated to have increased by 0.31 mb/d m-o-m to average 65.58 mb/d, while it was lower by 4.06 mb/d y-o-y. As a result, preliminary data indicates that global oil supply increased in July by 1.29 mb/d m-o-m to average 88.75 mb/d, down by 9.98 mb/d y-o-y. Global supplies are rising, but not as much as demand, based on the recent update.

**Table 5 - 1: Non-OPEC liquids production forecast comparison in 2020–2021\*, mb/d**

Non-OPEC liquids production	2020	Change 2020/19	2021	Change 2021/20
OECD Americas	24.13	-1.63	24.55	0.42
OECD Europe	3.98	0.27	4.11	0.13
OECD Asia Pacific	0.57	0.04	0.59	0.02
<b>Total OECD</b>	<b>28.67</b>	<b>-1.32</b>	<b>29.24</b>	<b>0.57</b>
Other Asia	3.36	-0.16	3.37	0.01
Latin America	6.19	0.14	6.45	0.26
Middle East	3.11	-0.10	3.14	0.03
Africa	1.46	-0.07	1.44	-0.03
<b>Total DCs</b>	<b>14.13</b>	<b>-0.19</b>	<b>14.41</b>	<b>0.28</b>
FSU	13.05	-1.34	13.07	0.02
Other Europe	0.12	0.00	0.11	-0.01
China	4.08	0.02	4.07	-0.01
<b>Non-OPEC production</b>	<b>60.04</b>	<b>-2.84</b>	<b>60.90</b>	<b>0.85</b>
Processing gains	2.07	-0.19	2.20	0.13
<b>Non-OPEC liquids production</b>	<b>62.11</b>	<b>-3.03</b>	<b>63.10</b>	<b>0.98</b>

Note: Non-OPEC liquids production includes the Republic of Ecuador. \* 2020-2021 = Forecast.

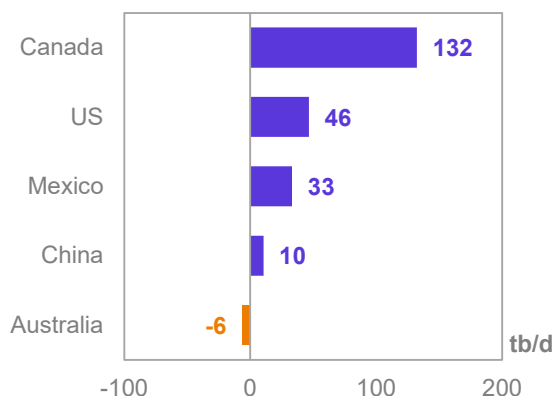
Source: OPEC.

## Main monthly revisions

Non-OPEC liquids production growth in **2019** was revised up by a minor 14 tb/d owing to an upward revision in US oil supply and is now estimated to have grown by 2.03 mb/d to average 65.14 mb/d for the year.

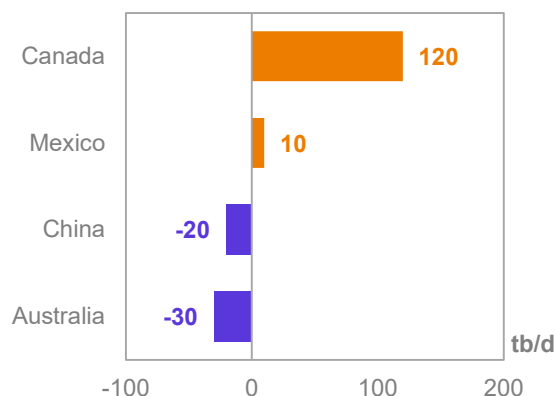
Non-OPEC liquids production growth in **2020** was revised up by 235 tb/d m-o-m and is now forecast to see a contraction of 3.03 mb/d (including processing gains), to average 62.11 mb/d. This was mainly due to upward revisions in the production forecasts of Canada (132 tb/d), the US (46 tb/d), Mexico (33 tb/d) and China (10 tb/d) (**Graph 5 – 1**).

**Graph 5 - 1: Revisions on annual supply growth forecast in 2020\*, August MOMR/July MOMR**



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

**Graph 5 - 2: Revisions on annual supply growth forecast in 2021\*, August MOMR/July MOMR**



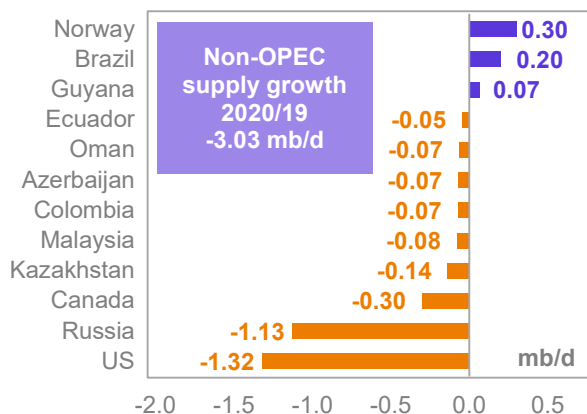
Note: \* 2021 = Forecast. Source: OPEC.

The **2021** production growth forecasts for Canada and Mexico were revised up by 120 tb/d and 10 tb/d, respectively, while the forecasts for Australia and China were revised down by 30 tb/d and 20 tb/d y-o-y (**Graph 5 – 2**).

## Key drivers of growth and decline

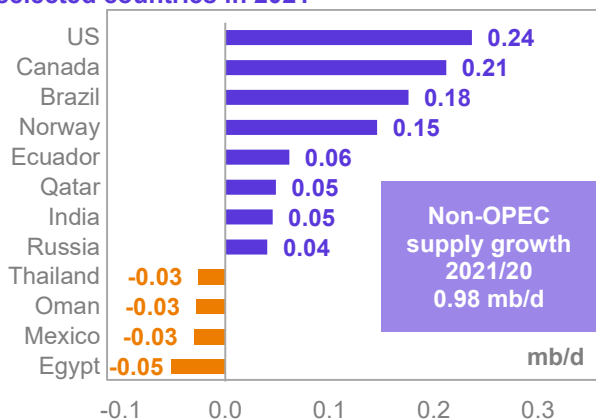
The **key drivers** for the non-OPEC liquids supply declines in **2020** are expected to be mainly the US, Russia, Canada, Kazakhstan, Malaysia, Colombia, Azerbaijan and Oman, while increases in oil production growth are forecast mainly in Norway, Brazil, Guyana and Australia (**Graph 5 – 3**).

**Graph 5 - 3: Annual liquids production changes for selected countries in 2020\***



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

**Graph 5 - 4: Annual liquids production changes for selected countries in 2021\***



Note: \* 2021 = Forecast. Source: OPEC.

For **2021**, the key drivers for non-OPEC supply growth are forecast to be the US, Canada, Brazil, Norway, Ecuador, Qatar, India and Russia, while oil production mainly in Egypt, Mexico, Oman and Thailand will decline (**Graph 5 – 4**).

In 2021 is expected to see a recovery in global oil demand, signalling a better price environment for next year, which would support a recovery of non-OPEC supply, particularly in the US. This is the main factor preventing a negative growth forecast for oil production in the next year. Secondly, going forward, oil supply from the 10 countries participating in DoC is not planned to undergo further adjustments in 2021, and total annual production will remain more or less flat at an average of 16.6 mb/d. Due to the easing of the adjustments under the DoC for 2021, production in 1Q21 is set to increase by 0.75 mb/d, q-o-q.

Oil supply in countries outside of the DoC will gradually increase relative to their potential, financial conditions, capital expenditure discipline, logistics, operational possibilities and number of FID projects. In the US, the pace of oil rig count declines has gradually slowed since late April to a single-digit drop per week to now stand at a level of 180 in the week ended 31 July 2020. "Shale activity gained momentum in July" Rystad Energy wrote in a commentary. "US fracking has recovered by 43% in July from a month earlier, to 464 wells, versus 324 in June. The increase was most apparent in the Permian, where the number of wells fracked increased by 114% month-on-month."

## Non-OPEC liquids production in 2020 and 2021

Table 5 - 2: Non-OPEC liquids production in 2020\*, mb/d

Non-OPEC liquids production	2019	1Q20	2Q20	3Q20	4Q20	2020	Change 2020/19	
							Growth	%
<b>Americas</b>	25.76	26.59	23.13	23.30	23.51	24.13	-1.63	-6.34
of which US	18.41	19.05	16.34	16.40	16.60	17.09	-1.32	-7.17
<b>Europe</b>	3.71	4.03	3.87	3.94	4.07	3.98	0.27	7.27
<b>Asia Pacific</b>	0.53	0.53	0.55	0.59	0.59	0.57	0.04	7.63
<b>Total OECD</b>	<b>29.99</b>	<b>31.16</b>	<b>27.55</b>	<b>27.83</b>	<b>28.16</b>	<b>28.67</b>	<b>-1.32</b>	<b>-4.41</b>
<b>Other Asia</b>	3.52	3.47	3.26	3.36	3.36	3.36	-0.16	-4.59
<b>Latin America</b>	6.05	6.34	5.81	6.19	6.41	6.19	0.14	2.27
<b>Middle East</b>	3.21	3.21	3.13	3.05	3.07	3.11	-0.10	-3.01
<b>Africa</b>	1.53	1.50	1.47	1.44	1.45	1.46	-0.07	-4.46
<b>Total DCs</b>	<b>14.32</b>	<b>14.51</b>	<b>13.67</b>	<b>14.05</b>	<b>14.28</b>	<b>14.13</b>	<b>-0.19</b>	<b>-1.32</b>
<b>FSU</b>	14.40	14.53	13.00	12.23	12.46	13.05	-1.34	-9.34
of which Russia	11.44	11.51	10.21	9.71	9.85	10.32	-1.13	-9.84
<b>Other Europe</b>	0.12	0.12	0.12	0.11	0.11	0.12	0.00	-3.14
<b>China</b>	4.05	4.15	4.16	3.99	4.01	4.08	0.02	0.61
<b>Total "Other regions"</b>	<b>18.57</b>	<b>18.80</b>	<b>17.27</b>	<b>16.33</b>	<b>16.58</b>	<b>17.24</b>	<b>-1.32</b>	<b>-7.13</b>
<b>Total non-OPEC production</b>	62.88	64.47	58.49	58.21	59.03	60.04	-2.84	-4.51
<b>Processing gains</b>	2.26	2.07	2.07	2.07	2.07	2.07	-0.19	-8.48
<b>Total non-OPEC liquids production</b>	<b>65.14</b>	<b>66.54</b>	<b>60.56</b>	<b>60.28</b>	<b>61.10</b>	<b>62.11</b>	<b>-3.03</b>	<b>-4.65</b>
<b>Previous estimate</b>	65.02	66.43	60.99	59.47	60.19	61.76	-3.26	-5.02
<b>Revision</b>	0.12	0.12	-0.43	0.81	0.90	0.35	0.23	0.37

Note: Non-OPEC liquids production includes the Republic of Ecuador.

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

Source: OPEC.

Table 5 - 3: Non-OPEC liquids production in 2021\*, mb/d

Non-OPEC liquids production	2020	1Q21	2Q21	3Q21	4Q21	2021	Change 2021/20	
							Growth	%
Americas	24.13	23.91	24.01	24.72	25.52	24.55	0.42	1.73
of which US	17.09	16.82	17.10	17.40	18.00	17.33	0.24	1.38
Europe	3.98	4.10	4.00	4.03	4.30	4.11	0.13	3.33
Asia Pacific	0.57	0.58	0.57	0.60	0.59	0.59	0.02	3.78
<b>Total OECD</b>	<b>28.67</b>	<b>28.59</b>	<b>28.59</b>	<b>29.36</b>	<b>30.41</b>	<b>29.24</b>	<b>0.57</b>	<b>1.99</b>
Other Asia	3.36	3.37	3.34	3.39	3.38	3.37	0.01	0.30
Latin America	6.19	6.44	6.40	6.36	6.59	6.45	0.26	4.24
Middle East	3.11	3.13	3.14	3.15	3.16	3.14	0.03	0.97
Africa	1.46	1.45	1.44	1.43	1.42	1.44	-0.03	-1.79
<b>Total DCs</b>	<b>14.13</b>	<b>14.39</b>	<b>14.33</b>	<b>14.34</b>	<b>14.56</b>	<b>14.41</b>	<b>0.28</b>	<b>1.96</b>
FSU	13.05	13.08	13.07	13.07	13.06	13.07	0.02	0.15
of which Russia	10.32	10.36	10.36	10.36	10.36	10.36	0.04	0.39
Other Europe	0.12	0.11	0.11	0.11	0.11	0.11	-0.01	-6.92
China	4.08	4.04	4.03	4.07	4.14	4.07	-0.01	-0.12
<b>Total "Other regions"</b>	<b>17.24</b>	<b>17.22</b>	<b>17.21</b>	<b>17.24</b>	<b>17.31</b>	<b>17.25</b>	<b>0.01</b>	<b>0.04</b>
<b>Total non-OPEC production</b>	<b>60.04</b>	<b>60.21</b>	<b>60.13</b>	<b>60.94</b>	<b>62.29</b>	<b>60.90</b>	<b>0.85</b>	<b>1.42</b>
Processing gains	2.07	2.20	2.20	2.20	2.20	2.20	0.13	6.18
<b>Total non-OPEC liquids production</b>	<b>62.11</b>	<b>62.41</b>	<b>62.33</b>	<b>63.14</b>	<b>64.49</b>	<b>63.10</b>	<b>0.98</b>	<b>1.58</b>
Previous estimate	61.76	61.61	61.75	62.86	64.46	62.68	0.92	1.48
Revision	0.35	0.80	0.57	0.28	0.03	0.42	0.07	0.10

Note: Non-OPEC liquids production includes the Republic of Ecuador.

\* 2020-2021 = Forecast. Totals may not add up due to independent rounding.

Source: OPEC.

Considering a higher WTI price level of \$40-45/b, access to more than 5,280 uncompleted horizontal wells in DUC inventories, and a recovery in the oil rig count within the coming months, could potentially reverse the production trend from 4Q20 onwards. However, the pace of recovery would not be fast, considering the current price level, financial considerations in terms of E&P capex discipline, which emerged in 2H19, as well as debt levels incurred by US producers. Nevertheless, in the short term, everything depends on whether a second wave of global lockdowns due to rising infection rates will hit the oil market, or not.

## OECD

**OECD liquids production in 2020** is forecast to decline by 1.32 mb/d to average 28.67 mb/d, revised up by 204 tb/d m-o-m, owing to an upward revision in the production forecast for OECD Americas, which is now projected to decline by 1.63 mb/d to average 24.13 mb/d. Oil supply in OECD Europe and OECD Asia Pacific were both revised down by a minor 4 tb/d m-o-m. OECD Europe is now forecast to grow by 0.27 mb/d, with average supply at 3.98 mb/d, while oil production in OECD Asia Pacific is forecast to grow by 0.04 mb/d to average 0.57 mb/d.

For **2021**, oil production growth in the OECD was revised up by 94 tb/d and is now expected to grow by 0.57 mb/d, representing an average of 29.24 mb/d on an annual basis, with growth from OECD Americas at 0.42 mb/d to average 24.55 mb/d. Oil production in OECD Europe and OECD Asia Pacific is anticipated to grow by 0.13 mb/d and 0.02 mb/d y-o-y to average 4.11 mb/d and 0.59 mb/d, respectively.



## OECD Americas

### US

**US liquids production in May 2020** was lower by 2.03 mb/d m-o-m to average 15.75 mb/d as the EIA reported a massive drop in US crude and condensate production in May, by 1.99 mb/d m-o-m, down to 10 mb/d, a y-o-y drop of 2.16 mb/d. Production of NGLs declined by 189 tb/d m-o-m to average 4.75 mb/d, while other unconventional liquids, particularly ethanol, increased by 155 tb/d, m-o-m, to average 1.01 mb/d. As the current decline in legacy tight crude output is steeper than in 2015-2016, any production recovery is not likely to be able to offset this trend in the near term. Hence, tight crude production is only expected to recover to pre-pandemic levels by 2022.

Nevertheless, **US liquids production** was revised up by 46 tb/d due to the reassessment of the supply forecast 2H20 and is now forecast to decline by 1.32 mb/d y-o-y to average 17.10 mb/d in **2020** (**Graph 5 – 5**).

Production of crude oil, including field condensates, decreased in all five Petroleum Administration for Defense Districts (PADDs) in May, similar to April, by a total of 1,989 tb/d compared to a month earlier.

Crude oil output in the USGC, Midwest and Rocky Mountain regions saw the deepest declines by 1,276 tb/d, 507 tb/d and 129 tb/d, respectively, mainly due to production shut-ins (**Graph 5 – 6**).

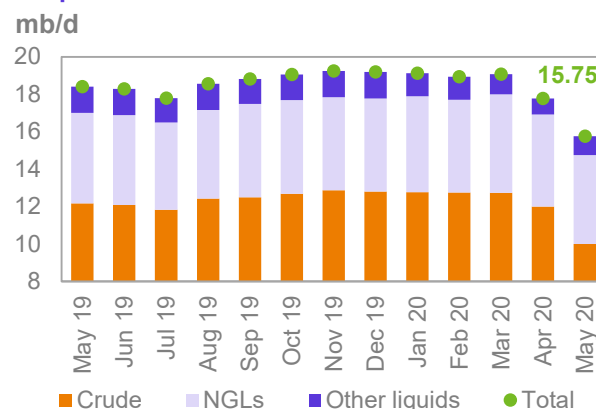
Crude oil output declined in Texas by 764 tb/d to average 4.4 mb/d and in the GoM, production declined by 300 tb/d to average 1.61 mb/d. Oil output in New Mexico fell by 168 tb/d to average 0.89 mb/d. In the Midwest, production in North Dakota and Oklahoma declined by 353 tb/d and 132 tb/d to average 0.86 mb/d and 0.36 mb/d, respectively (**Table 5 – 4**).

In PADD 4, oil output in Colorado, which is home to the Niobrara shale, declined in May by 23 tb/d m-o-m to average 0.47 mb/d. Crude production in Wyoming declined by 80 tb/d in May to average 0.17 mb/d.

And finally, on the West Coast, production in Alaska and California declined by 59 tb/d and 17 tb/d m-o-m to average 0.40 mb/d and 0.39 mb/d, respectively.

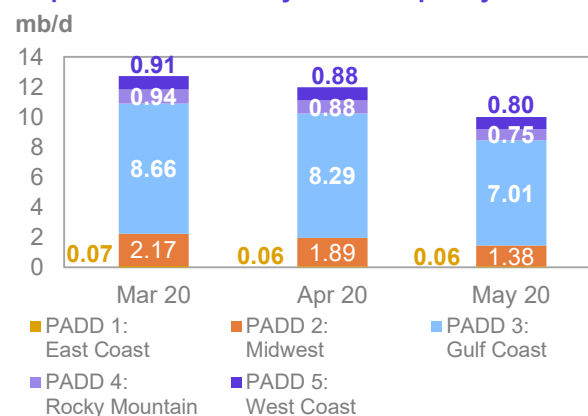
Many companies have reduced their production since the beginning of current turmoil in the oil market. For example; Diamondback Energy - the Midland-based company - forecasts crude production falling almost 12% this year, a notable U-turn for a once fast-growing Permian Basin producer and an early indication of what to

**Graph 5 - 5: US monthly liquids output by key component**



Source: OPEC.

**Graph 5 - 6: US monthly crude output by PADDs**



Sources: EIA and OPEC.

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

State	Change		
	Apr 20	May 20	May 20/Apr 20
Oklahoma	495	363	-132
Alaska	463	404	-59
Colorado	494	471	-23
New Mexico	1,053	885	-168
North Dakota	1,215	862	-353
Gulf of Mexico (GoM)	1,913	1,613	-300
Texas	5,159	4,395	-764
<b>Total</b>	<b>11,990</b>	<b>10,001</b>	<b>-1,989</b>

Sources: EIA and OPEC.

expect from shale's upcoming earnings season. Diamondback Energy shut in wells and froze most fracking activity in 2Q20 to save cash and avoid selling oil at a time when prices were plunging toward zero.

A number of firms took severe losses, including some 24 oil and gas producers who were forced to file for bankruptcy. However, some US shale oil producers are showing signs of restarting output that was shut in when demand plummeted in April as crude prices have risen. For instance, according to Argus, "ConocoPhillips said at the end of June that it would restart most of the 145 tb/d of oil equivalent of net US oil output that it had idled in July. Key Bakken producer Continental aims to return July output to 50% of its pre-pandemic level. Continental cut output by 70% in May."

In North Dakota, the US District Judge on 6 July ordered Energy Transfer to halt oil flow from the 570 tb/d Dakota Access pipeline (DAPL), which would impact the transfer of crude from the Bakken shale in North Dakota to the US midcontinent and the USGC. Now the DAPL may continue to pump crude oil through South Dakota after a federal appellate court on 14 July temporarily blocked a shutdown ordered by the lower court that was to begin next month.

Regarding the difference between the **US weekly and monthly production data**, US crude oil production in May averaged 11,419 tb/d, based on EIA weekly data, a drop of 741 tb/d m-o-m, while actual monthly output data indicates a higher drop by 1,418 tb/d. Average monthly production in June based on US weekly production data shows a decrease of 519 tb/d to average 10,900 tb/d, and for July, an increase of 100 tb/d to average 11.0 mb/d.

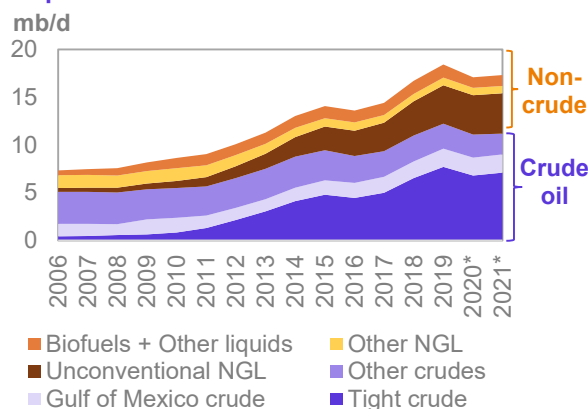
The **US liquids production growth forecast for 2020**, despite a drastic fall in 2Q20 by 2.7 mb/d q-o-q due to deeper-than-expected production curtailments, was revised up by 46 tb/d due to higher expected production in 2H20, and is now forecast to contract by 1.32 mb/d y-o-y for an average of 17.09 mb/d.

Accordingly, tight oil output will see the largest contraction among liquids components in 2020, by 0.93 mb/d, followed by a decline of 0.25 mb/d in conventional crude production.

The US biofuels and other non-conventional liquids production forecast was also revised up by 0.01 mb/d to average 1.10 mb/d, and shows a contraction of 0.26 mb/d y-o-y.

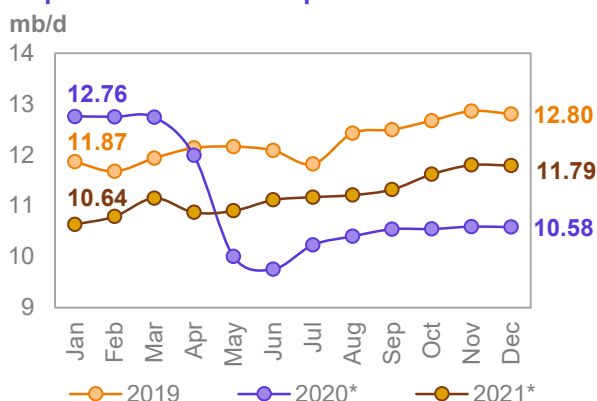
On the other hand, the US NGL production forecast was revised up by 0.12 mb/d, representing y-o-y growth of 0.11 mb/d to average 4.92 mb/d.

**Graph 5 - 7: US liquids supply developments by component and forecast of 2020 and 2021**



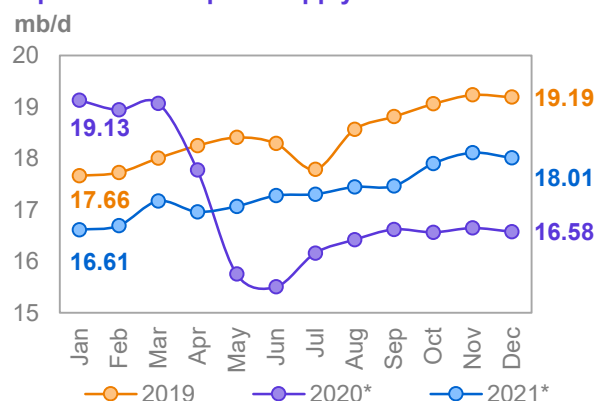
Note: \* 2020-2021 = Forecast. Source: OPEC.

**Graph 5 - 8: US crude oil production forecast**



Note: \* 2020-2021 = Forecast. Source: OPEC.

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



Note: \* 2020-2021 = Forecast. Source: OPEC.

Oil output in the GoM is likely to show minor growth of 0.01 mb/d to average 1.89 mb/d. Sanctioning levels are expected to drop from the highs seen in 2019, where King's Quay and Anchor contributed with an estimated \$8 billion in the sanctioned greenfield capex. No new platforms are expected to be sanctioned in 2020, which means no large greenfield commitments, according to Rystad Energy's UCube database. Tieback projects

such as Esso, Genovesa and Bulleit are expected to move forward as they offer economics closer to infill drilling, with low capital requirements and will quickly contribute to revenue generation in 2020.

**US crude oil production in 2021**, including condensates, tight crude, oil output from the GoM and onshore conventional crude, is forecast to grow by only 0.13 mb/d y-o-y to average 11.20 mb/d.

With the recent slowdown in the declining trend of the oil rig count, which is now expected to increase from late in 3Q20, and at the same time with higher well completion (where fracking has recovered by 43% in July from a month earlier, to 464 wells, versus 324 in June, according to Rystad Energy's Frac Monitoring), US operators with access to a remarkable number of DUCs (around 5,300 uncompleted wells that can be completed at lower cost by at least 30%) are forecast to be able to produce 7.08 mb/d with growth of 0.30 mb/d of tight crude on a yearly basis in 2021 with prices being at breakeven or higher compared to the level in 1H20. On the other hand, declines in production of conventional crude by 0.22 mb/d will partially offset the growth in tight crude output.

Oil production ramp ups from existing projects in the GoM are likely to increase by 0.05 mb/d y-o-y in 2021, higher than the current year, to average 1.94 mb/d.

**US NGL production** for the next year is expected to grow by a minor 0.05 mb/d to average 4.97 mb/d, while production of biofuels and other non-conventional liquids in 2020 is likely to increase by 0.07 mb/d to average 1.17 mb/d (**Table 5 – 4**).

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

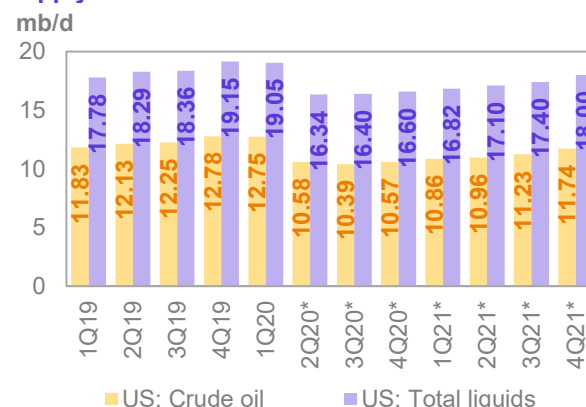
US liquids	Change			Change			
	2018	2019	2018/17	2020*	2020/19	2021*	2021/20
Tight crude	6.51	7.71	1.19	6.78	-0.93	7.08	0.30
Gulf of Mexico crude	1.76	1.88	0.13	1.89	0.01	1.94	0.05
Conventional crude oil	2.72	2.65	-0.07	2.40	-0.25	2.18	-0.22
Unconventional NGLs	3.58	4.01	0.44	4.14	0.13	4.21	0.07
Conventional NGLs	0.79	0.80	0.01	0.78	-0.03	0.76	-0.02
Biofuels + Other liquids	1.35	1.36	0.00	1.10	-0.26	1.17	0.07
<b>US total supply</b>	<b>16.71</b>	<b>18.41</b>	<b>1.70</b>	<b>17.10</b>	<b>-1.32</b>	<b>17.33</b>	<b>0.24</b>

Note: \* 2020-2021 = Forecast.

Sources: EIA, OPEC and Rystad Energy.

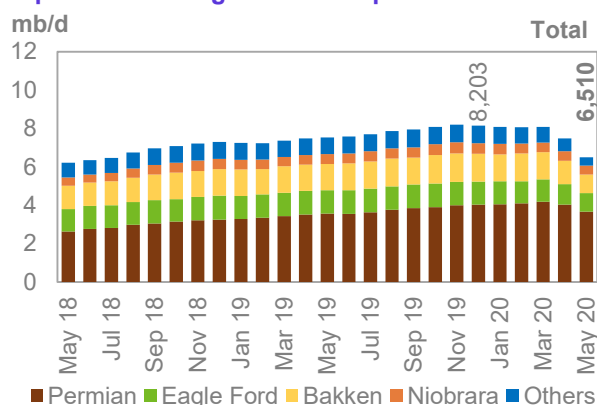
**US tight crude** production had already started to decline from December 2019, although it showed minor growth in March 2020. Since April, though, it has reported a continuous decline, even in the Permian Basin, and production is expected to continue to decrease up to the middle of 3Q20. US tight crude declined in May by 976 tb/d m-o-m to average 6.51 mb/d following a drop of 604 tb/d in April. Permian's oil output in May (only tight crude produced from horizontal wells in Permian Midland and Delaware), declined by 377 tb/d m-o-m to average 3.67 mb/d. Oil production by Pioneer Natural Resources, which has the largest activities in Permian Basin, was lower than expected during 2Q20, and company managers plan to continue voluntary production curtailments of 6 tb/d, particularly in legacy wells.

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



Note: \* 2Q20-4Q21 = Forecast. Sources: EIA and OPEC.

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



Sources: EIA, Rystad Energy and OPEC.

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

US tight oil	Change		Change		Change	
	2019	2019/18	2020*	2020/19	2021*	2021/20
Permian tight	3.66	0.84	3.78	0.12	4.05	0.27
Bakken shale	1.41	0.16	1.15	-0.26	1.19	0.04
Eagle Ford shale	1.22	0.04	0.93	-0.29	0.91	-0.02
Niobrara shale	0.53	0.06	0.33	-0.20	0.37	0.04
Other tight plays	0.89	0.08	0.59	-0.30	0.56	-0.03
<b>Total</b>	<b>7.71</b>	<b>1.19</b>	<b>6.78</b>	<b>-0.93</b>	<b>7.08</b>	<b>0.30</b>

Note: \* 2020-2021 = Forecast.

Source: OPEC.

The US liquids production forecast for 2021 remained unchanged compared to last month's projection and is expected to grow by 0.24 mb/d y-o-y to average 17.33 mb/d, which is 1.08 mb/d below average liquids production seen in 2019.

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

The cumulative US rig count declined by 674 units, or 74%, y-o-y, to 247 rigs in the week ending 7 August, as operators kept their wells shut-in. About three-fourths of the American onshore rig fleet has been shut down since mid-March. US operators idled 507 oil rigs in the 21 weeks since crude prices started plummeting from 13 March (**Graph 5 – 12**). The pace of the declining oil rig count has slowed since June compared to April and May, and from mid-June, the weekly changes declined to single digit levels.

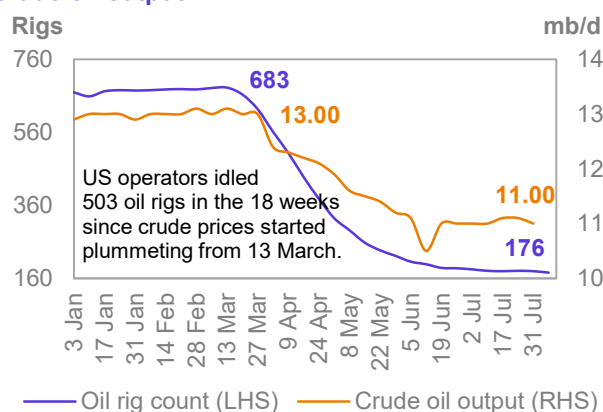
The oil rig count dropped by four rigs w-o-w to 176 rigs, while gas rigs remained unchanged w-o-w at 69 rigs. While the US oil rig count dropped by 588 rigs, or 77% y-o-y, US gas rigs dropped by 100 units or 59%. Total horizontal rigs (oil and gas) decreased by 606 units, or 74%, y-o-y to stand at 211 rigs. The horizontal rig count dropped by 5 rigs w-o-w.

Regarding major basins, the vast majority of US rigs continue to be in the Permian Basin, at 122 rigs, as of 7 August, lower by 322 rigs (-73%) y-o-y. At the same time, the number of active rigs was 11 units in the Eagle Ford Basin (-83% y-o-y), 11 units (-77% y-o-y) in the Williston Basin and 4 units (-86% y-o-y) in the Niobrara Basin.

With regard to spudding, completion and starting wells in all US shale plays as reported by Rystad Energy, only 183 horizontal wells were spudded in July (preliminary) compared to 978 spudded wells in July 2019, down by 36 wells m-o-m and 795 wells y-o-y.

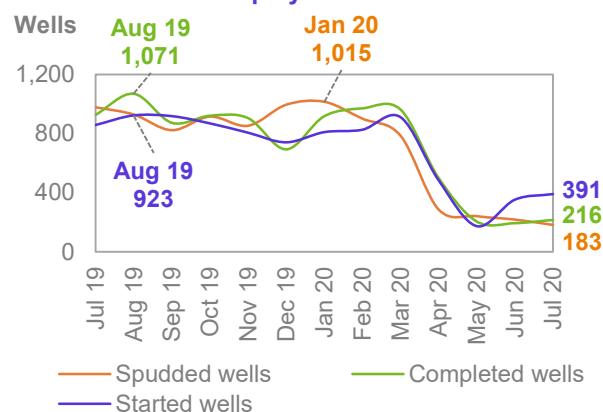
However, in the same month, 216 wells were completed either of the new drilled wells or uncompleted wells from DUC inventories. This was higher by 22 wells m-o-m but lower by 712 wells y-o-y. The revenue of Halliburton, one of the major service companies, fell from the first quarter by 57% to \$1bn, only in North America, less than a third of the region's revenue in the same quarter of 2019. "Drilling activity of the company should reach its lowest level during the current quarter and not meaningfully recover for some time. Completion activity should see a "modest uptick" during the third quarter and typical seasonal decline in the fourth quarter", according to Argus. Regarding started new horizontal wells, which have been in decline since August 2019, a total of 391 wells started to produce in July in all US shale regions compared to 353 started wells in June, but this was lower by 467 started wells y-o-y (**Graph 5 – 13**).

**Graph 5 - 12: US weekly rig count vs US weekly crude oil output**



Sources: Baker Hughes, EIA and OPEC.

**Graph 5 - 13: Spudded, completed and started wells in the US shale plays**

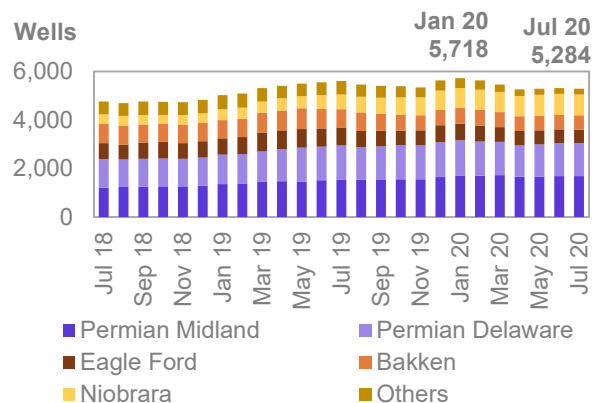


Sources: Rystad Energy and OPEC.

The number of **DUC horizontal wells** in US shale plays in **July**, which has shown a gradual rise from April, decreased by 32 units m-o-m to 5,284 wells, as per preliminary data.

Increasing fracking activities in July and a steady number of active oil rigs, led to a drop in DUCs by two units in the Permian Midland, four units in the Permian Delaware, four units in the DJ Basin, one unit in the Bakken shale, 13 units in the Eagle Ford, and a decline of 14 units in other regions (**Graph 5 – 14**).

**Graph 5 - 14: US horizontal DUC count by shale play**



Sources: Rystad Energy and OPEC.

## Canada

**Canada's liquids production** in June, following a monthly increase of 0.19 mb/d in Alberta's bitumen output, rose by 0.07 mb/d to average 4.83 mb/d, which is still 0.57 mb/d lower y-o-y.

However, production of synthetic crude was down by 0.02 mb/d m-o-m to average 1.11 mb/d in June, following steady production in May.

Preliminary production data for conventional oil output and NGLs in June shows a decline of 0.09 mb/d m-o-m to average 1.09 mb/d and 0.02 mb/d to average 1.04 mb/d, respectively (**Graph 5 – 15**).

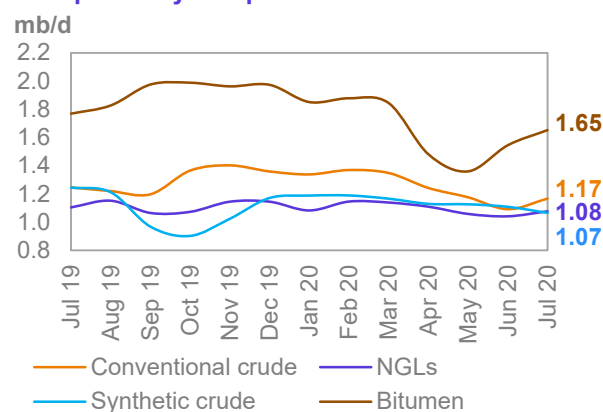
Western Canadian oil companies are restoring all of the production that they shut in due to COVID-19 on the back of improving prices. Alberta curtailed some 1 mb/d of crude this spring. At the same time, Western

Canadian output declined by 1.1 mb/d in 2Q20 compared with the first quarter, with a recovery anticipated to follow prices and inland refinery demand. In May 2020, y-o-y overall western Canadian rail loadings of petroleum products (including crude) were down by more than 50%, according to IHS Markit.

Canada's oil supply in **2020** was revised up by 0.13 mb/d following higher-than-expected output in 2H20 and is now estimated to decline by 0.30 mb/d y-o-y for an average of 5.11 mb/d.

For **2021**, the Canadian production forecast was revised up by 0.12 mb/d to average 5.32 mb/d, now expecting growth of 0.12 mb/d. Oil production recovery in Canada, particularly from shut-in wells in Alberta, is forecast to gradually increase amid higher demand in the next year, most likely in 2H21, where output is expected to reach 5.5 mb/d. Canada is still facing pipeline constraints and railroad capacity limits for oil exports.

**Graph 5 - 15: Canada monthly liquids production development by component**



Sources: National Energy Board and OPEC.

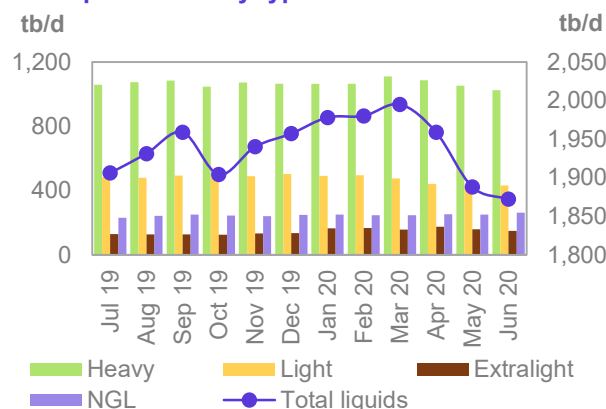


## Mexico

**Mexico's liquids output in June** dropped by 0.02 mb/d m-o-m to average 1.87 mb/d, following a downward production adjustment of crude oil by 148 tb/d in accordance with the DoC agreement, compared to crude output in October 2018.

NGL production in June rose by 12 tb/d m-o-m to average 263 tb/d, higher by 25 tb/d y-o-y, including an increase of 31 tb/d of condensate y-o-y. Mexico's crude production declined by 0.08 mb/d q-o-q to average 1.65 mb/d in 2Q20, lower by 0.02 mb/d y-o-y, despite production from recently launched fields. The final crude production levels given by Pemex are 1,633 tb/d and 1,605 tb/d for May and June, respectively.

**Graph 5 - 16: Mexico's monthly liquids and crude production by type**



Sources: PEMEX and OPEC.

In July, preliminary production indicated higher liquids output by 0.04 mb/d m-o-m to average 1.91 mb/d, and a higher production level is expected to be seen in August, supported by the ramp-up of new fields that will produce light crude and condensate. Pemex had started up 23 wells across 13 fields with combined output of 67 tb/d by the end of 2Q20, and expects to add a further 95 tb/d by December, adding 28 more wells. Pemex has already spent 42% of the planned capital expenditures for 2020, but it is unclear whether they will spend the full allocated amount by the end of year.

"Of all the companies around the world affected by COVID-19, none has disclosed a worse death toll than Pemex, Mexico's state-owned oil producer. Pemex said that 202 employees and five contractors have died of the disease so far. No other company has reported fatalities that come anywhere near that number", according to data reviewed by Bloomberg.

Mexico's total liquids production in **2020** is forecast to see less of a contraction, by 0.01 mb/d y-o-y, revised up by 0.04 mb/d compared to the previous assessment, representing average production of 1.91 mb/d.

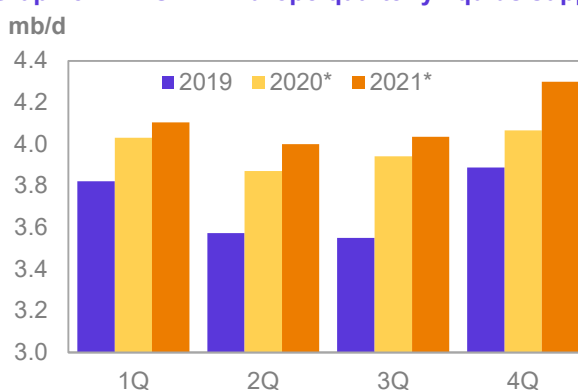
For **2021**, oil production declines in Mexico are forecast to continue by 0.03 mb/d to average 1.88 mb/d.

## OECD Europe

**OECD Europe's liquids production in 2020** is projected to grow by 0.27 mb/d to average 3.98 mb/d, mainly due to production growth in Norway amid production ramp ups in the giant Johan Sverdrup field. The outlook, however, is somewhat gloomier in other countries, particularly in the UK, where project sanctions have dried up or field closures and natural declines have destroyed production growth. Except Norway, oil output in other countries of the region will remain unchanged, or decline, in the current year.

For **2021**, the production forecast is likely to surge to 4.11 mb/d through continued production ramp ups in Norway, representing y-o-y growth of 0.13 mb/d for the region (**Graph 5 - 17**).

**Graph 5 - 17: OECD Europe quarterly liquids supply**



Note: \* 2020-2021 = Forecast.  
Source: OPEC.



## Norway

Norwegian **liquids production** in **June** fell by 0.18 mb/d m-o-m to 1.86 mb/d, following the government's announcement on 29 April 2020 that it would introduce oil production adjustments. The production figures for crude oil in June include this adjustment of 250 tb/d, according to the Norwegian Petroleum Directorate (NPD) monthly report.

The basis for the announced regulation was a reference crude production of 1,859 tb/d. Thus, an adjustment of 250 tb/d in June 2020 would be an upper limit for oil production on the Norwegian Continental Shelf of 1,609 tb/d, according to the NPD. Production of crude oil was adjusted down to a deeper level at 1,543 tb/d – an extra adjustment of 66 tb/d – but according to the Petroleum and Energy Ministry,

those fields that produced less than their permit may move those volumes forward to the second half of the year.

However, preliminary July liquids output is 190 tb/d higher m-o-m. Moreover, production of NGLs and condensate was up by 32 tb/d m-o-m to average 315 tb/d in June.

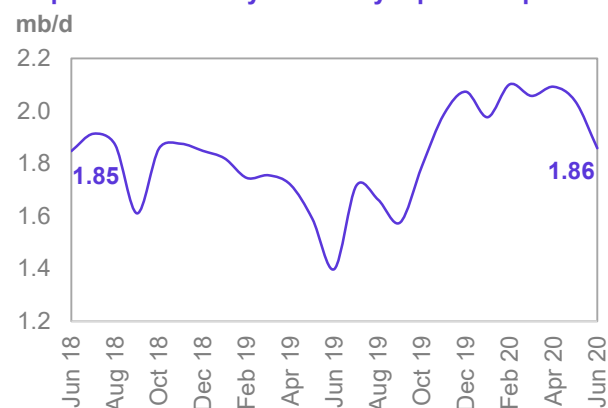
For 2H20, as per the announcement, an adjustment of 134 tb/d is planned to be implemented for oil production on the Norwegian Continental Shelf up to 1,725 tb/d. Preliminary crude production data in July also indicates the same level, in line with the Norwegian government's adjustment mandate.

"The Norwegian Petroleum Directorate's oil production forecasts have been updated in the Government's proposed Revised National Budget for 2020. This was presented on 12 May. The update takes the authorities' oil production regulation into account, as well as delayed start-up of fields under development and oil production in the first quarter", according to the NPD's monthly report. Hence, production ramp ups from those fields which were planned to start up in 2H20 such as; Snøhvit-Askeladd phase-2 (August), Martin Linge (September), Njord (October), Dvalin (December), YME-redeveloped phase-2 and Tor II oil fields (November and December) are now postponed by the Norwegian government to 2021.

Norway's liquids supply in **2020** is expected to grow by 0.30 mb/d to average 2.04 mb/d. In addition to the incremental production from the first phase of development of the Johan Sverdrup field, which is planned to plateau by August 2020, higher output is expected to come on stream in Norway from the Skogul field, which started up in February and the Skarv field, which was planned to come on stream in May.

Norway's liquids supply in **2021** is expected to grow by 0.15 mb/d to average 2.18 mb/d. Following Oslo's decision to introduce temporary tax changes for the offshore sector in June that allow companies to defer tax payments and improve liquidity, thereby stimulating investment, and upstream projects in Norway offshore are set to grow in the coming years. Rystad Energy also noted in this regard, "Oslo's tax changes will slash break-even prices for projects by an average 40%. This should fast-track new projects over the next two years, and also help boost demand for harsh-environment floating rigs in 2020 and maintain stable levels in years to come". Apart from those projects that were deferred to 2021, two other projects, namely Snorre (capacity of 31 tb/d) and Bauge (capacity of 22 tb/d), are planned to start-up in the next year.

**Graph 5 - 18: Norway's monthly liquids output**



Sources: NPD and OPEC.

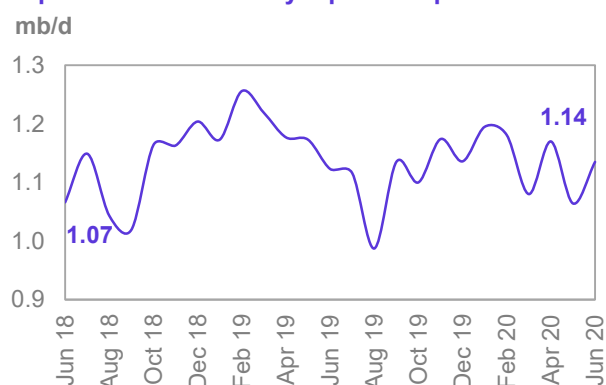
## UK

**UK liquids production** recovered in **June** by 0.08 mb/d m-o-m to average 1.14 mb/d following the return of production at the Buzzard field and the resolution of production outages at the Catcher field.

Although some companies began to close or halt production from small fields with production of less than 5 tb/d, it seems that production ramp-up in the new fields such as Utgard, Mariner and Culzean will compensate for this gap.

Crude oil output was up by 72 tb/d to average 1.01 mb/d in June, while NGL output and non-conventional liquids were flat at 103 tb/d and 19 tb/d, respectively.

**Graph 5 - 19: UK monthly liquids output**



Sources: Department of Energy & Climate Change and OPEC.

Regarding investment in offshore, in contrast with Norway, the UK is expected to see the largest drop in sanctioning capital expenditures among the main offshore oil and gas regions this year, partly due to higher production costs. “Eight rig contracts have been cancelled in the UK this year, compared to just three off Norway. Four final investment decisions have been delayed in the UK, while just seven exploration wells are expected to be drilled, down from 32 last year”, according to Energy Intelligence.

For 2020, despite expected growth from new projects, UK oil production is forecast to remain at 1.15 mb/d due to planned closures of several small fields and routine planned maintenance by the end of the year.

For 2021, UK liquids production is likely to show minor growth of 0.01 mb/d.

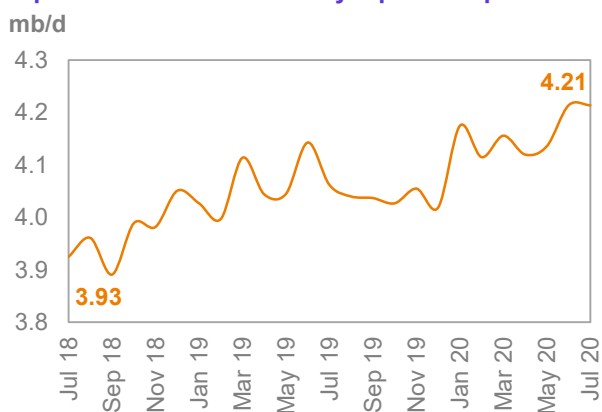
## Non-OECD

**Non-OECD liquids production for 2020** is forecast to decline by 1.51 mb/d y-o-y to average 31.37 mb/d, revised up by 0.12 mb/d m-o-m. China is expected to grow by 0.02 mb/d to average 4.08 mb/d. Developing countries (DCs) are likely to decline by 0.19 mb/d to average 14.13 mb/d, including Other Asia (-0.16 mb/d to average 3.36 mb/d), Latin America (0.14 mb/d to average 6.19 mb/d), the Middle East (-0.10 mb/d to average 3.11 mb/d), and Africa (-0.07 mb/d to average 1.46 mb/d). Oil production in FSU is estimated to decline by 1.34 mb/d y-o-y to average 13.05 mb/d, and oil output in Other Europe will remain stagnant at 0.12 mb/d.

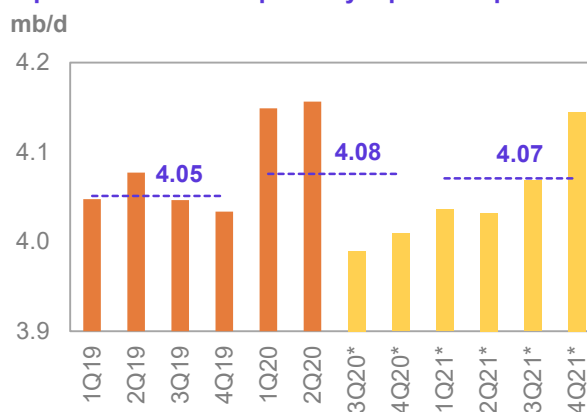
For **2021**, liquids production in non-OECD countries is forecast to grow by 0.28 mb/d to average 31.65 mb/d, revised down by 0.02 mb/d. For next year, China is expected to show a minor decline by 0.01 mb/d to average 4.07 mb/d. In DCs, the key driver remains Latin America with y-o-y forecast growth of 0.26 mb/d to average 6.45 mb/d. Oil production is also projected to increase in the Middle East and Other Asia by 0.03 mb/d and 0.01 mb/d to average 3.14 mb/d and 3.37 mb/d, respectively, while production in Africa will decline by 0.03 mb/d to average 1.44 mb/d. Oil production in FSU will show a minor growth of 0.02 mb/d to average 13.07 mb/d, while Other Europe is anticipated to decline by 0.01 mb/d to average 0.11 mb/d in 2021.

## China

China's **liquids production** in **June** rose by 0.07 mb/d m-o-m to average 4.21 mb/d, higher by 0.07 mb/d y-o-y, according to official data. Crude oil output in June was up by 76 tb/d m-o-m to average 3.95 mb/d, higher by 34 tb/d y-o-y, mainly from Bohai Bay and Xinjiang province. CNOOC also started production from the Qinhuangdao 33-1S oilfield phase I project in the central and western Bohai region offshore China on 12 June. Oil production from this field is projected to peak at 6 tb/d of crude in 2021. The more or less stagnant oil production in 2Q20 at 4.16 mb/d compared to 1Q20 shows the commitment of Chinese NOCs under the country's strategy for increasing domestic production, despite the low oil price environment. Preliminary liquids production data in **July** indicates flat output, however, oil production in 2H20 is projected to decline by 0.15 mb/d to average 4.0 mb/d due to maintenance season and capex discipline.

**Graph 5 - 20: China's monthly liquids output**

Sources: CNPC and OPEC.

**Graph 5 - 21: China's quarterly liquids output**

Note: \* 3Q20-4Q21 = Forecast. Sources: CNPC and OPEC.

The oil production forecast in **2020** was revised up by 10 tb/d and is now expected to increase by 0.02 mb/d to average 4.08mb/d.

For **2021**, China's liquids supply was revised down by 20 tb/d and is now projected to see a contraction of 0.01 mb/d to average 4.07 mb/d.

## Latin America

**Total liquids production for Latin America** after declining in April and May by 0.47 mb/d and 0.12 mb/d m-o-m, respectively, has now recovered by 0.37 mb/d m-o-m to average 6.02 mb/d in June, only from Brazil and Ecuador. Latin America's oil supply in 2Q20 declined by 0.53 mb/d to average 5.81 mb/d. In June, oil production in Argentina declined by 0.01 mb/d m-o-m to average 0.63 mb/d, and is likely to see growth in July, where part of the Vaca Muerta shale has been recovered. Maximum oil production in Argentina was registered at 0.71 mb/d in 1Q20. In Colombia, oil production remained unchanged m-o-m at 0.76 mb/d, while production in Ecuador recovered from outages in April and May by 0.14 mb/d m-o-m in June to average 0.50 mb/d. Oil output was down by 0.02 mb/d m-o-m in Latin America others to average 0.38 mb/d.

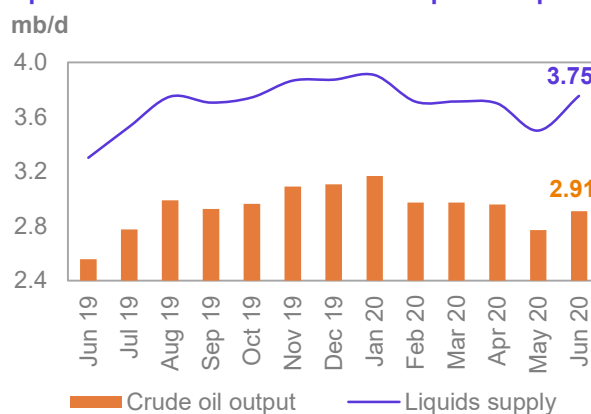
As a result, the oil supply forecast of Latin America in **2020** and **2021** is projected to grow by 0.14 mb/d and 0.26 mb/d to average 6.19 mb/d and 6.45 mb/d, respectively.

## Brazil

**Brazil's crude oil production in June**, following declines during February-May, recovered by 0.25 mb/d m-o-m to average 3.01 mb/d, as the oil price recovered to above \$40/b. Output in pre-salt areas was the main reason for production recovery in June, particularly from the Lula field (**Graph 5 - 22**).

The number of producing offshore wells in Brazil fell by more than 15% in April and May compared to levels seen at the start of 2020. This drop may be due to operators preferring to maintain the minimum number of personnel required to sustain production and safe operations amid the COVID-19 pandemic.

"The spectacular return to production indicates Brazil did a good job selecting which wells – onshore vs. offshore, deepwater vs. ultra-deepwater, pre-salt vs. not pre-salt – to put offline", Rystad Energy noted. In June, total liquids production was pegged at an average of 3.75 mb/d, including biofuels and NGLs.

**Graph 5 - 22: Brazil's crude oil and liquids output**

Sources: ANP and OPEC.

Petrobras started production from the Atapu field in the eastern part of the presalt area close to the Búzios field through the FPSO P-70 (on the lara cluster in the presalt Santos basin offshore Brazil) on 25 June 2020. P-70, the fifth in a series of larger FPSOs commissioned by Petrobras, is designed to process up to 150 tb/d of oil and to treat up to 6 mcm/d of natural gas. It is operating around 200 km from the coast of Rio de Janeiro state at a depth of 2,300 m below sea level. As such, oil production in 2H20 could be higher than in 1H20 as new projects continue to ramp up.

Brazil's liquids production in **2020** is forecast to increase by 0.20 mb/d y-o-y to average 3.74 mb/d (**Graph 5 – 23**).

For **2021**, liquids supply is projected to grow by 0.18 mb/d to average 3.92 mb/d, mainly crude oil from pre-salt.

## FSU

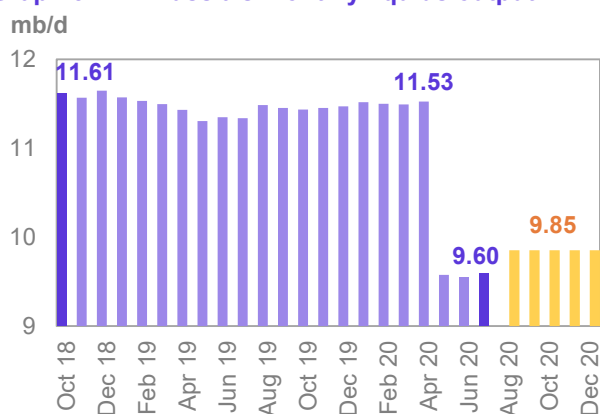
The **FSU** oil supply forecast for **2020** was revised up by 35 tb/d following higher-than-expected output in Russia and Kazakhstan in 2Q20 and also due to an upward supply adjustment for FSU others, to average 13.05 mb/d, which led to a total upward revision of 9 tb/d in terms of growth, representing a contraction by 1.34 mb/d in oil supply. Production in three countries – Russia, Kazakhstan and Azerbaijan - participating in the DoC will decline in 2020 due to the production adjustments agreed for the current year.

For **2021**, oil production in the region, assuming 100% conformity with the agreed adjustments by the participating countries of the DoC, will increase by a minor 0.02 mb/d y-o-y to average 13.07 mb/d, of which Russia is forecast to grow by 0.04 mb/d.

## Russia

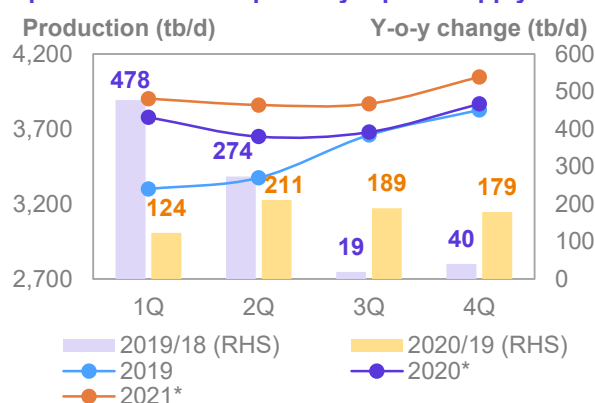
Preliminary data for **Russia's liquids production in July** shows an increase of 0.05 mb/d m-o-m for an average of 9.60 mb/d based on the Ministry's report for crude oil. This is lower by 1.74 mb/d y-o-y. Preliminary crude oil production in July averaged 8.80 mb/d up from 8.75 mb/d in June (actual). This represents an adjustment of 1.95 mb/d in May, 1.98 mb/d in June, and 1.93 mb/d in July, all compared to April, in accordance with the agreement of the DoC. Production of condensate and NGLs from gas condensate fields was unchanged from April at 0.80 mb/d (**Graph 5 – 24**).

**Graph 5 - 24: Russia's monthly liquids output**



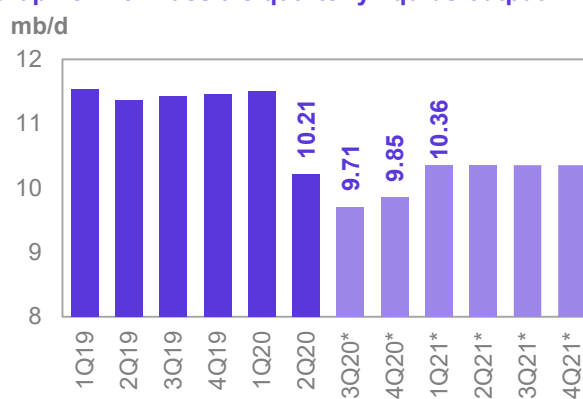
Sources: Nefte Compass and OPEC.

**Graph 5 - 23: Brazil's quarterly liquids supply**



Note: \* 2020-2021 = Forecast. Source: OPEC

**Graph 5 - 25: Russia's quarterly liquids output**



Note: \* 3Q20-4Q21 = Forecast. Sources: Nefte Compass and OPEC.

Russia could increase crude output by about 500 tb/d in August under the DoC agreement, bringing output close to 9.0 mb/d in August-December. However, Russia's Minister of Energy, Alexander Novak, said in an interview with the Rossiya24 TV channel that Russia's output would increase by only 400 tb/d in August, rather than the 500 tb/d rise that would have occurred if the country had hit its targets in May and June. The production adjustment of 2,508 tb/d for May-July will be reduced to 2,007 tb/d for August-December 2020 under the DoC agreement. For the purposes of this forecast, and considering full incremental crude production of 500 tb/d,

including condensate and NGL production, Russia's liquids supply is forecast to average 9.71 mb/d and 9.85 mb/d for 3Q20 and 4Q20, respectively.

Annual liquids production in **2020** is forecast to decrease by 1.13 mb/d y-o-y to average 10.32 mb/d. Russia carries the largest share of production adjustments of the non-OPEC countries participating in the DoC.

For **2021**, Russian liquids supply is expected to grow by 0.04 mb/d y-o-y to average 10.36 mb/d based on the agreed crude oil production adjustments, with equal production levels at 10.36 mb/d for all quarters (**Graph 5 – 25**).

## Caspian

### Kazakhstan

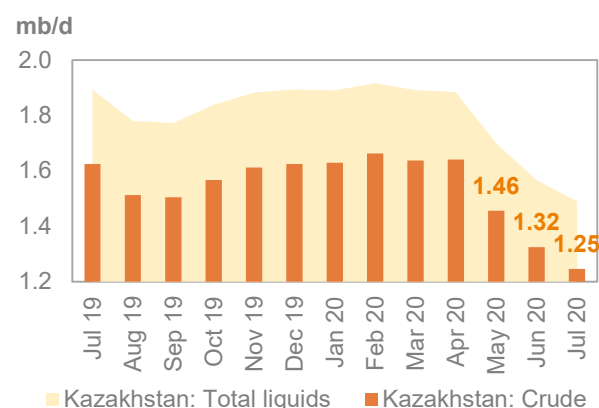
**Kazakhstan's preliminary liquids production in July** shows a decrease of 0.08 mb/d m-o-m to average 1.49 mb/d, lower by 0.40 mb/d y-o-y. The final liquids output in June was at 1.57 mb/d, a decline of 0.13 mb/d m-o-m.

With final data for June, 2Q20 was revised up by 24 tb/d, leading to an upward revision in supply of 6 tb/d to 1.68 mb/d, still showing a contraction by 0.14 mb/d y-o-y.

**Crude oil production** in June declined by 132 tb/d m-o-m to average 1.42 mb/d following a decline of 185 tb/d in May m-o-m, according to Nefte Compass.

Preliminary crude oil production in July indicates lower output, at 1.25 mb/d, representing a drop of 78 tb/d m-o-m.

**Graph 5 - 26: Kazakhstan monthly crude and total liquids output**



Sources: Nefte Compass and OPEC.

For **2021**, Kazakhstan's production is forecast at 1.68 mb/d to remain flat y-o-y.

### Azerbaijan

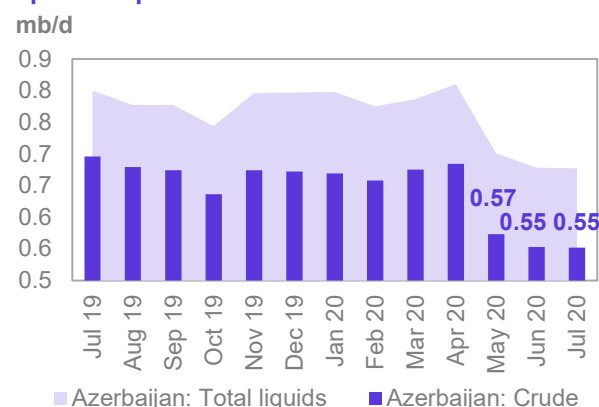
The final **liquids output in Azerbaijan in May and June** shows m-o-m declines of 0.11 mb/d and 0.02 mb/d, respectively.

Liquids output declined to 0.68 mb/d in June as per preliminary data. **Crude oil production** was adjusted down by 111 tb/d in May to average 0.57 mb/d, and decreased by another 20 tb/d in June to average 0.55 mb/d. Preliminary crude oil production in July remained unchanged m-o-m, representing average production of 0.55 mb/d.

For **2020**, in line with the decisions of the DoC, liquids production is forecast to decline by 0.07 mb/d to average 0.72 mb/d.

For **2021**, production is forecast to be flat at 0.72 mb/d.

**Graph 5 - 27: Azerbaijan monthly crude and total liquids output**



Sources: Nefte Compass and OPEC.

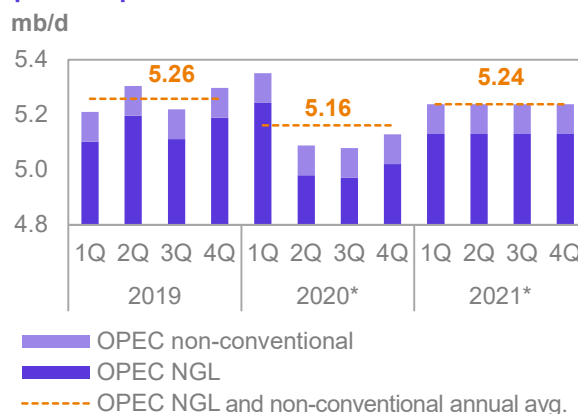
## OPEC NGL and non-conventional oils

**OPEC NGLs and non-conventional liquids** declined by 0.04 mb/d to average 5.04 mb/d in July due to lower NGL output at 4.93 mb/d, which was 0.29 mb/d lower than a year ago.

For **2020**, a contraction of 0.10 mb/d y-o-y and average output of 5.16 mb/d are anticipated. OPEC NGLs production is projected to decline by 0.10 mb/d to average 5.05 mb/d, while OPEC non-conventional liquids will remain unchanged at 0.11 mb/d.

For **2021** growth of 0.08 mb/d is forecast to average 5.24 mb/d. NGL production is expected to grow by 0.08 mb/d to average 5.13 mb/d, while non-conventional liquids will remain unchanged at 0.11 mb/d.

**Graph 5 - 28: OPEC NGLs and non-conventional liquids output**



Note: \* 2020-2021 = Forecast. Source: OPEC.

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

OPEC NGL and non-conventional oils	Change		Change				Change			
	2019	19/18	2020	20/19	1Q21	2Q21	3Q21	4Q21	2021	21/20
OPEC NGL	5.15	-0.08	5.05	-0.10	5.13	5.13	5.13	5.13	5.13	0.08
OPEC non-conventional	0.11	0.00	0.11	0.00	0.11	0.11	0.11	0.11	0.11	0.00
<b>Total</b>	<b>5.26</b>	<b>-0.08</b>	<b>5.16</b>	<b>-0.10</b>	<b>5.24</b>	<b>5.24</b>	<b>5.24</b>	<b>5.24</b>	<b>5.24</b>	<b>0.08</b>

Note: 2020-2021 = Forecast.

Source: OPEC.

## OPEC crude oil production

According to secondary sources, total **OPEC-13 crude oil production** averaged 23.17 mb/d in July 2020, higher by 0.98 mb/d m-o-m. Crude oil output increased mainly in Saudi Arabia, UAE, Kuwait and Iraq, while production decreased primarily in Angola, Congo and Gabon. In July, production of Libya increased to average 100 tb/d (**Table 5 - 8**). OPEC crude oil production based on direct communication is shown in **Table 5 - 9**.

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

Secondary sources	2018	2019	4Q19	1Q20	2Q20	May 20	Jun 20	Jul 20	Change Jul/Jun
Algeria	1,042	1,022	1,022	1,016	877	819	807	808	1
Angola	1,505	1,401	1,350	1,388	1,271	1,275	1,224	1,173	-51
Congo	317	324	313	295	293	285	302	284	-18
Equatorial Guinea	125	117	122	122	110	90	114	110	-4
Gabon	187	208	210	195	198	194	204	189	-15
Iran, I.R.	3,553	2,356	2,113	2,059	1,958	1,954	1,947	1,936	-11
Iraq	4,550	4,678	4,633	4,560	4,126	4,160	3,714	3,752	39
Kuwait	2,745	2,687	2,688	2,741	2,464	2,198	2,085	2,158	73
Libya	951	1,097	1,163	348	85	80	92	100	8
Nigeria	1,718	1,786	1,777	1,800	1,619	1,584	1,497	1,488	-9
Saudi Arabia	10,311	9,771	9,846	9,796	9,212	8,479	7,540	8,406	866
UAE	2,986	3,094	3,135	3,208	2,879	2,478	2,332	2,430	98
Venezuela	1,354	796	724	730	507	558	336	339	3
<b>Total OPEC</b>	<b>31,344</b>	<b>29,337</b>	<b>29,095</b>	<b>28,258</b>	<b>25,598</b>	<b>24,154</b>	<b>22,193</b>	<b>23,172</b>	<b>980</b>

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

Source: OPEC.



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

Direct communication	2018	2019	4Q19	1Q20	2Q20	May 20	Jun 20	Jul 20	Change Jul/Jun
Algeria	1,040	1,023	1,023	1,018	874	812	807	809	2
Angola	1,473	1,373	1,330	1,402	1,267	1,222	1,230	1,275	45
Congo	323	329	307	308	311	311	309	303	-6
Equatorial Guinea	120	110	110	126	107	86	114	116	3
Gabon	193	218	212	224	227	228	225	207	-18
Iran, I.R.	..	..	..	..	..	..	..	..	..
Iraq	4,410	4,576	4,568	4,490	4,088	4,068	3,698	3,697	-1
Kuwait	2,737	2,678	2,683	2,744	2,474	2,191	2,088	2,158	70
Libya	..	..	..	..	..	..	..	..	..
Nigeria	1,602	1,737	1,734	1,761	1,516	1,436	1,411	1,373	-38
Saudi Arabia	10,317	9,808	9,929	9,755	9,317	8,486	7,484	8,479	995
UAE	3,008	3,058	3,058	3,173	2,921	2,443	2,303	2,406	103
Venezuela	1,510	1,013	859	821	568	573	393	392	-1
<b>Total OPEC</b>	..	..	..	..	..	..	..	..	..

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

Source: OPEC.

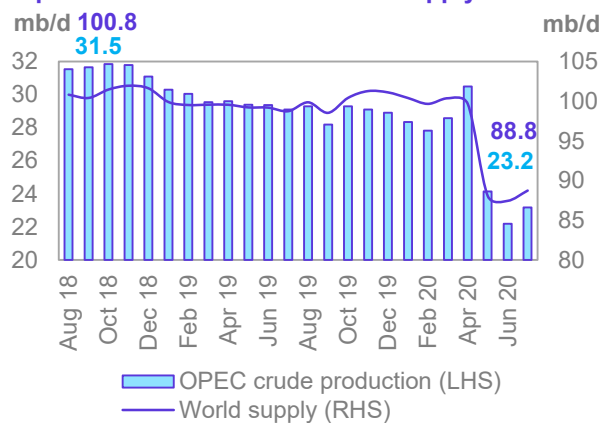
## World oil supply

Preliminary data indicates that **global liquids production in July** increased by 1.29 mb/d to average 88.75 mb/d, compared with the previous month (**Graph 5 – 29**).

**Non-OPEC liquids production (including OPEC NGLs)** increased in July by 0.31 mb/d compared with the previous month to average 65.58 mb/d, lower by 4.06 mb/d y-o-y. The preliminary increases in production during July 2020, by 0.40 mb/d m-o-m, were mainly driven by the OECD, particularly Canada and Norway.

The **share of OPEC crude oil in total global production** increased by 0.7 pp to 26.1% in July compared with the previous month. Estimates are based on preliminary data from direct communication for non-OPEC supply, OPEC NGLs and non-conventional oil, while estimates for OPEC crude production are based on secondary sources.

Graph 5 - 29: OPEC and world oil supply



Source: OPEC.

## Product Markets and Refinery Operations

In July, refinery margins globally trended upwards as continued personal transport activities amid the peak summer season provided stimulus to product markets. Improvements were registered nearly all across the barrel, while Asian refining margins returned to positive territory. The strongest positive contribution came from the middle section of the barrel. Stronger refinery runs led to higher inventory levels, and kept gains capped. Despite the positive m-o-m improvement, refining margins in general remain at unfavourably low levels y-o-y.

### Refinery margins

**US** refinery margins trended slightly higher as inventory levels for all products with the exception of gasoline increased. This reflected the positive seasonal support despite the upturn in new COVID-19 cases and re-implementation of lockdown measures that had already been previously relaxed. Robust market performance linked to the bottom of the barrel offered an economical advantage to simple refinery configurations as high sulphur fuel oil supplies dropped in July.

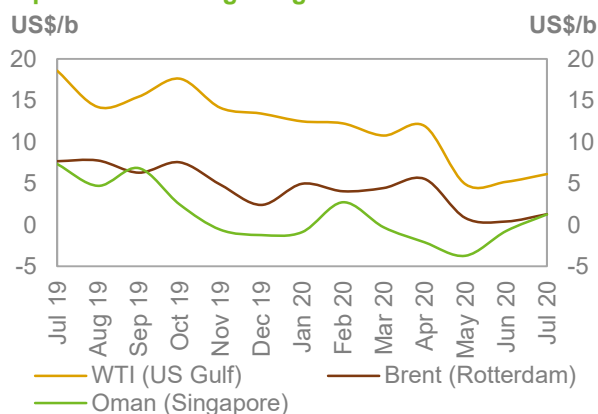
Recent announcements of four permanent refinery closures due to weak margins and exacerbated financial hardships brought by COVID-19 point to over 300 tb/d of lost capacity. However, as these refineries were already under pressure, and thus, idled this capacity loss had insignificant impact on the monthly refinery intake.

Positive seasonal market sentiment incentivized stronger refinery runs that rose by 770 tb/d in July in the US. The resulting incremental product output weighed on product prices and likely hindered additional gains in crude processing economics. US refinery margins against WTI averaged \$6.13/b in July, up by 93¢ m-o-m but down by \$12.44 y-o-y.

**European** margins gained some ground in July, with positive performances registered all across the barrel supported by product exports as well as summer travel activities albeit to a limited extent. The gasoil market, as the main margin leader in July, showed solid gains as lower imports from the Middle East as well as healthy exports to the Mediterranean sustained prices. In addition, jet fuel markets further extended the growth registered in the previous month as travel activities showed progress. However, the relapse of new COVID-19 cases in Europe has already led to the reimplementation of travel restrictions during the month, particularly to some of the preferred holiday destinations in Europe. Further expansion of this trend could set Jet/kerosene markets to face some challenge in the near term. Refinery margins for Brent in Europe averaged \$1.30/b in July, up by 88¢ compared to a month earlier but down by \$6.37 y-o-y.

In **Asia**, margins showed the strongest positive performance compared to the other regions, and the solid gains witnessed lifted figures back into positive territory following four consecutive month below the zero mark. Peak refinery maintenance season in India, as well as strong product import requirements from Japan and the Philippines lent support. On the other hand, the heavy floods across China and South Asia witnessed during the month could very likely keep fuel consumption under pressure in the coming month. Refinery margins for Oman gained \$2.00/b m-o-m to average minus \$1.26/b in July, and were lower by \$6.06 y-o-y.

Graph 6 - 1: Refining margins



Sources: Argus and OPEC.

## Refinery operations

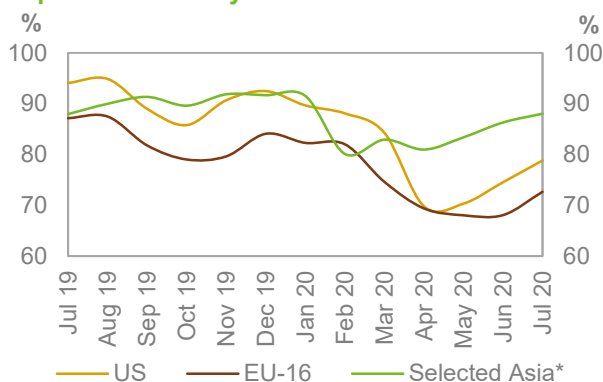
**US** refinery utilization rates increased, averaging 78.82%, which corresponds to a throughput of 14.96 mb/d. This represented a rise of 4.3 pp and 770 tb/d compared to the previous month. Y-o-y, the July refinery utilization rate was down by 15.3 pp, with throughputs down by 2.7 mb/d.

**Euro-16** refinery utilization averaged 72.69% in July, corresponding to a throughput of 9.0 mb/d. This is a m-o-m increase of 4.6 pp, or 570 tb/d. Y-o-y, utilization rates decreased by 14.5 pp and throughputs were down by 1.8 mb/d.

In selected **Asia** – comprising Japan, China, India, Singapore and South Korea – refinery utilization rates fell, averaging 88.03% in July, which corresponds to a throughput of 24.93 mb/d.

Compared to the previous month, throughputs were up by 1.7 pp and by 490 tb/d. Meanwhile, y-o-y they were up by 0.1 pp, which corresponded to an increase of 375 tb/d.

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



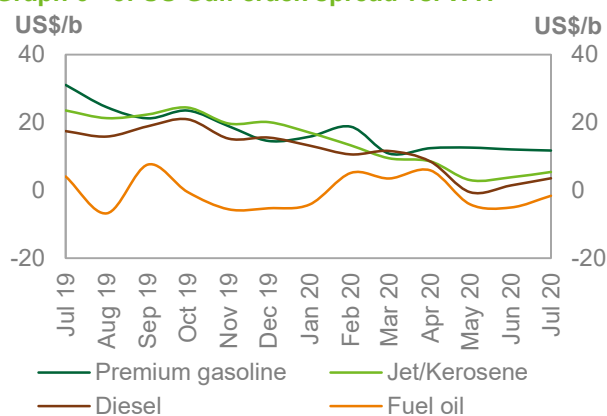
Note: \* Japan, China, India, Singapore and South Korea.  
Sources: Argus, EIA, Euroilstock, PAJ and OPEC.

## Product markets

### US market

**US gasoline crack spreads** moved slightly lower in response to the upturn of new COVID-19 cases and re-implementation of lockdowns measures that exerted pressure on the seasonal support. Consequently, the recovery in gasoline consumption attributed to the summer related driving activities slowed down in July and this hindered a positive performance in gasoline markets. In addition, stronger gasoline supplies in July as well as weaker conversion economics due to stronger fuel oil prices to feed secondary units further contributed to the poor performance in US gasoline markets. In July, the gasoline crack spreads lost 32¢ m-o-m to average \$11.76/b, and were down by \$19.28 y-o-y.

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



Sources: Argus and OPEC.

The USGC **jet/kerosene crack spreads** saw an extension of the upward trend registered in the previous month. The slow recovery of jet fuel consumption for the aviation sector although lower than expected, has since June led to much needed inventory drawdowns providing some relief to the over supplied environment and provided support to jet/kerosene markets. The US jet/kerosene crack spread against WTI averaged \$5.42/b, up by \$1.56 m-o-m, but down by \$18.09 y-o-y.

US **gasoil** crack spreads rose considerably and turned into the strongest margin contributor to US refining margins. Strong exports to Brazil, despite inventory levels in the region moving from record high to a new record high in July. The US gasoil crack spread averaged \$3.58/b, up by \$2.09 m-o-m but down by \$13.85 y-o-y.

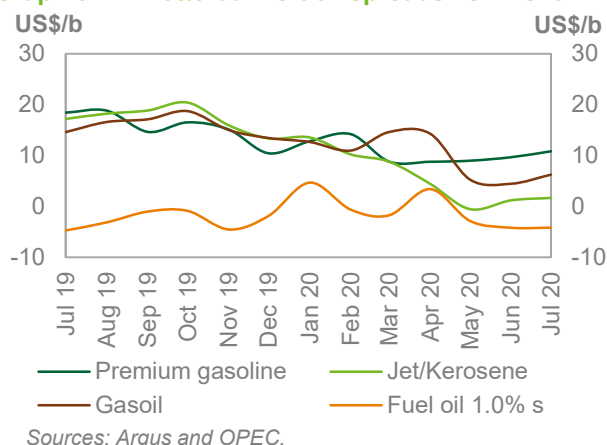
US high sulphur **fuel oil crack spreads** showed further improvement in July, as reduced supplies from refiners led to a net short balance in the country. This provided an arbitrage opportunity which translated into a 16% rise of Russian high sulphur fuel oil imports as feedstock to replace lost heavy crude oil volumes from South America. Another supporting factor was the reduction in global heavy crude oil production in July, and a pick-up in Middle Eastern fuel oil consumption for the power generation. Both factors, combined with higher buying interest from India contributed to global fuel oil shortage, and thus a stronger market for the same product. In July, the US fuel oil crack spread averaged minus \$1.63/b, up by \$3.45 m-o-m but down by \$5.69 y-o-y.

## European market

**Gasoline crack spreads** moved upwards as total gasoline inventories, onshore and offshore, fell by 1.75 mb m-o-m to 10.7 mb on 31 July, which is 25% lower y-o-y. Onshore storage declined by 1.45 mb m-o-m to 7.04 mb on 31 July, while floating storage fell by just 0.29 mb m-o-m to 3.70 mb. This onshore stock draw suggested that gasoline demand was up by 15 tb/d m-o-m in July at 0.36 mb/d, partly due to the continued easing of Nigeria's social distancing measures announced in early July. Demand was also inflated by marketers stockpiling gasoline in late July in anticipation of the price hike.

The gasoline crack spread averaged \$10.83/b in July, up by \$1.16 m-o-m but down by \$7.58 y-o-y.

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



The **jet/kerosene crack spreads** held on to the previous months' gains, showing moderate but steady improvement as air travel activities picked up. However, the re-introduction of travel restrictions to popular summer holiday destinations in Europe suggest downside risk to jet/kerosene markets in the near term. The Rotterdam jet/kerosene crack spread averaged minus \$1.65/b, up by 47¢ m-o-m but down by \$15.53 y-o-y.

European **gasoil crack spreads** witnessed solid gains as lower imports into the region, as well as stronger refinery outputs weighed on gasoil markets. Moreover, inventory levels for the same product at the Amsterdam-Rotterdam-Antwerp storage hub showed decline towards the end of the month attributed to firm exports to the Mediterranean. The gasoil crack spread averaged \$6.26/b, which was higher by \$1.78 m-o-m but down by \$8.36 y-o-y.

At the bottom of the barrel, **fuel oil 3.5% crack spreads** in Rotterdam saw limited gains and benefitted from the global tightness driven by stronger import requirements from the US and higher demand pull from the Middle East. Robust demand for conversion feedstock on both sides of the Atlantic backed by attractive economics as well as lower exports from Russia were supportive. The fuel oil crack spread against Brent averaged minus \$7.31/b, which was slightly higher by 21¢ m-o-m and was also up by 42¢ y-o-y.

## Asian market

The **Asian gasoline 92 crack spread** against Dubai weakened, pressured by the increasing oversupply environment with heavy floods across parts of China and South Asia posing a risk to consumption recovery in the coming month. In addition, expectations of large volume deliveries from Chinese-state owned refineries which raised exports to reduce large domestic stockpiles of motor fuels further contributed to the downturn in refining margins for gasoline in Asia. Reports of a rare Japanese cargo buying move in July, given the low domestic run rates in the country proved insufficient to push gasoline cracks to show positive m-o-m change. The Singapore gasoline crack spread against Oman averaged \$1.55/b in July, down by 49¢ m-o-m and by \$6.35 y-o-y.

Singapore **naphtha crack spreads** continued to trend upwards supported by strong demand, as petrochemical feedstock requirements continue to outpace refinery output contributing to a tighter naphtha balance in the region. In July, Asian naphtha crack spreads showed the strongest positive performance in Asia, and entered positive territory following over 25 months of consecutive negative marks. Furthermore, the return of 1.5 mt/y cracking capacity from maintenance in China offered further support, leading to a net short regional balance. The Singapore naphtha crack spread against Oman averaged 41¢/b, up by \$2.06 m-o-m and by \$7.94 y-o-y.

In the middle of the barrel, the **jet/kerosene crack spreads** against Oman continue to trend upwards as the still limited air travel activities provided support. In China, The Civil Aviation Authority reported air passenger numbers up by 19% m-o-m reaching almost 60% of the levels witnessed a year ago.

The Singapore jet/kerosene crack spread against Oman averaged 73¢/b, up by 28¢ m-o-m but down by \$14.49 y-o-y.

The Singapore **gasoil crack spreads** trended upwards, supported record July imports into the Philippines, which were up by over 29% y-o-y, amid low refinery runs in that country. The Singapore gasoil crack spread against Oman averaged \$6.63/b, up by \$1.29 m-o-m, however lower by \$8.69 y-o-y.

The Singapore **fuel oil 3.5% crack spread** weakened marginally pressured by strong volume inflows into the region amid, strong secondary unit feedstock requirements, and a pick-up in demand from the Middle East for the utility sector. Singapore fuel oil cracks against Oman averaged minus \$4.76, marginally down by 9¢ m-o-m and by \$7.63 y-o-y.

Graph 6 - 5: Singapore crack spreads vs. Dubai

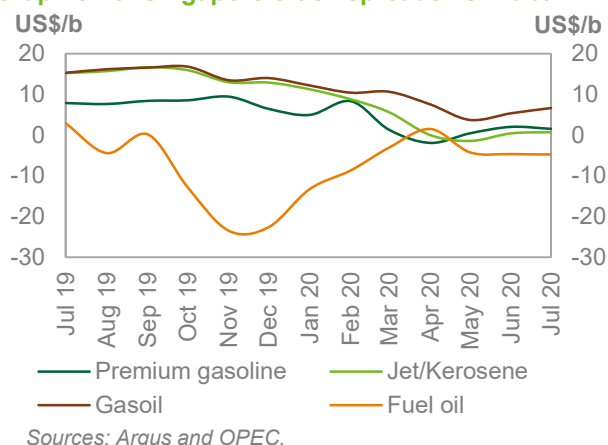


Table 6 - 1: Short-term prospects for product markets and refinery operations

Event	Time frame	Asia	Europe	US	Observations
End of summer driving season	Sep 20	↓ Negative impact on product markets	↓ Negative impact on product markets	↓ Negative impact on product markets	The end of seasonal boost in transport fuel consumption will most likely leave product markets weaker and refinery margins under added pressure.
Maintenance season	2020	↓ Negative impact on product markets	↓ Negative impact on product markets	↓ Negative impact on product markets	The supportive factor from heavy turnarounds is expected to be vastly muted this year due to demand contraction. A large number of refineries have anticipated or deferred maintenance due to the pandemic.
High product inventory levels	1Q20	↓ Negative impact on product markets	↓ Negative impact on product markets	↓ Negative impact on product markets	The low crude price environment should drive refiners to process every barrel they can. This will maintain the product oversupply while floating storage will need to be cleared first due to high costs.

Source: OPEC.

## Product Markets and Refinery Operations

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

	Refinery throughput, mb/d				Refinery utilization, %			
	May 20	Jun 20	Jul 20	Change Jul/Jun	May 20	Jun 20	Jul 20	Change Jul/Jun
<b>US</b>	<b>13.34</b>	<b>14.18</b>	<b>14.96</b>	<b>0.77</b>	<b>70.31</b>	<b>74.53</b>	<b>78.82</b>	<b>4.3 pp</b>
<b>Euro-16</b>	<b>8.44</b>	<b>8.44</b>	<b>9.01</b>	<b>0.57</b>	<b>68.07</b>	<b>68.10</b>	<b>72.69</b>	<b>4.6 pp</b>
France	0.55	0.68	0.75	0.07	43.85	54.40	60.16	5.8 pp
Germany	1.74	1.68	1.74	0.06	79.62	76.74	79.50	2.8 pp
Italy	0.97	1.03	1.15	0.11	47.17	50.54	56.15	5.6 pp
UK	0.83	0.84	0.87	0.03	62.83	63.98	66.40	2.4 pp
<b>Selected Asia*</b>	<b>23.62</b>	<b>24.45</b>	<b>24.93</b>	<b>0.49</b>	<b>83.39</b>	<b>86.31</b>	<b>88.03</b>	<b>1.7 pp</b>

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

Sources: EIA, Euroilstock, PAJ, FGE, and OPEC.

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

	2017	2018	2019	3Q19	4Q19	1Q20	2Q20	3Q20
<b>Total OECD</b>	<b>38.35</b>	<b>38.26</b>	<b>37.63</b>	<b>38.60</b>	<b>37.26</b>	<b>36.37</b>	<b>30.51</b>	<b>33.81</b>
<b>OECD Americas</b>	<b>19.10</b>	<b>19.31</b>	<b>18.96</b>	<b>19.55</b>	<b>18.87</b>	<b>18.27</b>	<b>14.83</b>	<b>17.33</b>
US	16.88	17.32	16.98	17.43	16.87	16.36	13.62	15.67
<b>OECD Europe</b>	<b>12.44</b>	<b>12.21</b>	<b>12.13</b>	<b>12.54</b>	<b>12.02</b>	<b>11.68</b>	<b>10.41</b>	<b>10.91</b>
France	1.17	1.10	1.00	1.06	0.82	0.65	0.58	0.76
Germany	1.91	1.80	1.78	1.83	1.83	1.80	1.66	1.75
Italy	1.40	1.35	1.35	1.48	1.33	1.22	1.00	1.10
UK	1.10	1.06	1.08	1.07	1.14	1.11	0.83	0.90
<b>OECD Asia Pacific</b>	<b>6.82</b>	<b>6.74</b>	<b>6.54</b>	<b>6.52</b>	<b>6.36</b>	<b>6.42</b>	<b>5.28</b>	<b>5.58</b>
Japan	3.22	3.11	3.02	3.03	2.97	2.94	2.24	2.38
<b>Total Non-OECD</b>	<b>42.20</b>	<b>43.45</b>	<b>44.05</b>	<b>44.33</b>	<b>44.64</b>	<b>42.86</b>	<b>39.21</b>	<b>41.40</b>
China	11.35	12.03	12.98	12.95	13.68	11.97	13.76	13.65
Middle East	7.12	7.30	7.11	7.17	6.80	6.30	5.93	6.18
Russia	5.59	5.72	5.70	5.89	5.83	5.88	5.10	5.21
Latin America	4.49	4.22	4.02	4.11	3.99	3.98	3.33	3.53
India	4.79	4.89	5.03	4.96	5.08	5.09	3.96	4.75
Africa	2.24	2.24	2.28	2.32	2.40	2.40	2.00	2.05
<b>Total world</b>	<b>80.55</b>	<b>81.71</b>	<b>81.67</b>	<b>82.93</b>	<b>81.90</b>	<b>79.23</b>	<b>69.72</b>	<b>75.21</b>

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

Sources: AFREC, APEC, EIA, IEA, Euroilstock, PAJ, Ministry data, including Ministry of Energy of the Russian Federation, Ministry of Petroleum and Natural Gas of India, OPEC and JODI.



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

	Jun 20	Jul 20	Change Jul/Jun	Annual avg. 2019	Year-to-date 2020
<b>US Gulf (Cargoes FOB)</b>					
Naphtha*	38.01	40.73	2.72	56.86	35.46
Premium gasoline (unleaded 93)	50.38	52.51	2.13	79.66	50.94
Regular gasoline (unleaded 87)	46.58	49.03	2.45	72.70	46.00
Jet/Kerosene	42.16	46.17	4.01	79.32	46.10
Gasoil (0.2% S)	39.79	44.33	4.54	74.61	44.38
Fuel oil (3.0% S)	32.77	37.02	4.25	52.55	31.39
<b>Rotterdam (Barges FoB)</b>					
Naphtha	37.59	42.04	4.45	55.71	36.59
Premium gasoline (unleaded 98)	49.75	54.10	4.35	79.52	50.80
Jet/Kerosene	41.26	44.92	3.66	80.22	45.82
Gasoil/Diesel (10 ppm)	44.56	49.53	4.97	79.50	50.03
Fuel oil (1.0% S)	35.88	39.08	3.20	60.15	39.43
Fuel oil (3.5% S)	35.84	39.40	3.56	54.19	34.92
<b>Mediterranean (Cargoes FOB)</b>					
Naphtha	36.60	41.56	4.96	54.48	34.53
Premium gasoline**	42.98	46.73	3.75	71.36	43.83
Jet/Kerosene	38.62	42.64	4.02	77.77	42.63
Diesel	44.80	49.69	4.89	79.03	48.97
Fuel oil (1.0% S)	38.36	41.68	3.32	63.42	42.58
Fuel oil (3.5% S)	32.68	36.18	3.50	50.55	30.00
<b>Singapore (Cargoes FOB)</b>					
Naphtha	39.06	43.60	4.54	57.10	38.75
Premium gasoline (unleaded 95)	45.21	46.56	1.35	72.45	45.37
Regular gasoline (unleaded 92)	42.75	44.74	1.99	69.45	43.50
Jet/Kerosene	41.16	43.92	2.76	77.26	44.74
Gasoil/Diesel (50 ppm)	46.36	50.00	3.64	77.78	50.08
Fuel oil (180 cst)	36.04	38.43	2.39	57.29	35.78
Fuel oil (380 cst 3.5% S)	34.66	38.43	3.77	56.70	34.86

Note: \* Barges. \*\* Cost, insurance and freight (CIF).

Sources: Argus and OPEC.

## Tanker Market

Dirty tanker rates fell further in July from the high levels seen since mid-March. In fact, tanker rates fell to the subdued levels seen in 1H19, following the historic production adjustments by OPEC and non-OPEC producers participating in the Declaration of Cooperation (DoC), as well as other major producers.

Meanwhile, lacklustre product exports, amid weak demand and low refinery runs, weighed on clean tanker rates.

Floating storage continued to unwind, removing a factor that has supported rates in recent months.

### Spot fixtures

**Global spot fixtures** continued to contract in July m-o-m, falling 1.7 mb/d, or 33%, to average 13.3 mb/d. Spot fixtures were down a massive 6.5 mb/d or 37% compared to the same month last year. The decline in fixtures came amid ongoing efforts to rebalance the market by OPEC and OPEC + countries, as well as some G20 producers.

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

	May 20	Jun 20	Jul 20	Change Jul 20/Jun 20
<b>All areas</b>	<b>16.91</b>	<b>15.03</b>	<b>13.34</b>	<b>-1.69</b>
OPEC	10.96	9.89	9.25	-0.64
Middle East/East	6.82	6.16	5.73	-0.43
Middle East/West	1.03	0.69	0.52	-0.17
Outside Middle East	3.11	3.04	3.00	-0.04

Sources: Oil Movements and OPEC.

**OPEC spot fixtures** averaged 9.25 mb/d in July, down 0.6 mb/d or 7% from the previous month and 4.73 mb/d or 34% y-o-y.

Fixtures from the **Middle East-to-East** fell 7% or 0.4 mb/d m-o-m to average 5.73 mb/d in July. Y-o-y, this represented decline of 1.9 mb/d or 25%.

**Middle East-to-West** fixtures dropped 25% m-o-m in July m-o-m. Fixtures on the route averaged 0.5 mb/d, down 1.3 mb/d compared to the same month last year.

**Outside of the Middle East**, fixtures edged lower, declining 1% m-o-m to average 3.0 mb/d. In annual terms, fixtures were down 1.6 mb/d or 35%.

### Sailings and arrivals

**OPEC sailings** declined a further 0.1 mb/d m-o-m in July to average 20.0 mb/d and declined 4.6 mb/d, or 19% compared to July 2019. **Middle East** sailings were broadly flat at 14.3 mb/d but showed a y-o-y decline of 3.2 mb/d, or 19%.

**Crude arrivals** were mixed in July. Arrivals in the Far East saw the biggest increase, rising 10% m-o-m and 8% y-o-y to average 9.2 mb/d. North America arrivals rose 3% m-o-m to average 7.9 mb/d in July but were 20% lower compared to the same month last year. Europe led declines in July, falling 11% m-o-m to average 8.9 mb/d, representing a decline of 25% y-o-y. Arrivals in West Asia declined 3% m-o-m to average 4.6 mb/d in July. Y-o-y, arrivals were 7% higher on the route.

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

	May 20	Jun 20	Jul 20	Change Jul 20/Jun 20
<b>Sailings</b>				
OPEC	21.36	20.13	20.03	-0.10
Middle East	14.51	14.27	14.25	-0.02
<b>Arrivals</b>				
North America	7.85	7.65	7.86	0.21
Europe	10.04	9.95	8.90	-1.05
Far East	8.24	8.42	9.22	0.80
West Asia	4.56	4.74	4.58	-0.16

Sources: Oil Movements and OPEC.

## Dirty tanker freight rates

### Very large crude carriers (VLCCs)

VLCC spot rates fell further in July, dropping a further 20% m-o-m on average, as slowing exports lengthened tonnage lists.

Rates on the **Middle East-to-East** route led m-o-m losses in July, down 23% m-o-m to average WS40 points, and showed a 10% decline compared to the same month last year.

The **Middle East-to-West** route also showed a decline in rates, falling 17% to average WS25 points. Y-o-y, rates were 23% higher.

Rates also fell on the **West Africa-to-East** route, with a decline of almost 19% m-o-m, to WS43 points, and declined 7% compared with July 2019.

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

	Size 1,000 DWT	May 20	Jun 20	Jul 20	Change Jul 20/Jun 20
<b>VLCC</b>					
Middle East/East	230-280	60	52	40	-12
Middle East/West	270-285	35	30	25	-5
West Africa/East	260	58	53	43	-10

Sources: Argus and OPEC.

### Suezmax

Suezmax rates edged lower in July, with **average spot freight rates** slipping 2% m-o-m on average in July. However, rates were 27% lower y-o-y.

Rates for tankers operating on the **West Africa-to-US Gulf Coast** (USGC) route averaged WS43 points in July, a down just 2% from the month before. Y-o-y, rates were 27% higher than in July last year.

The **Northwest Europe (NWE)-to-USGC** route also fell 2% m-o-m to average WS44 points in July, representing a 3% decline from the same month last year.

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

	Size 1,000 DWT	May 20	Jun 20	Jul 20	Change Jul 20/Jun 20
<b>Suezmax</b>					
West Africa/US Gulf Coast	130-135	76	44	43	-1
Northwest Europe/US Gulf Coast	130-135	72	45	44	-1

Sources: Argus and OPEC.

## Aframax

**Aframax** rates were relatively steady in July, edging down just 1% m-o-m amid offsetting movements. Compared to the same month last year, rates were 24% lower. The **Indonesia-to-East** route experienced a 10% m-o-m decline to average WS66 and was 29% lower y-o-y.

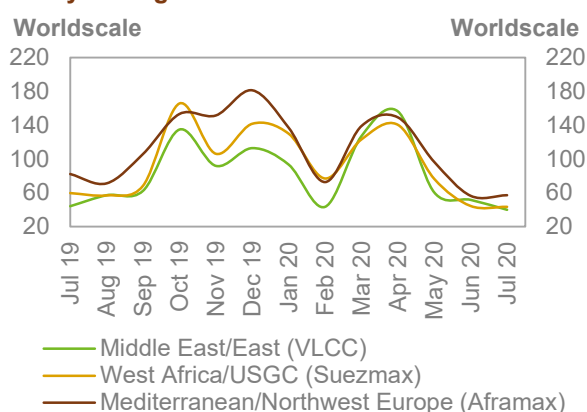
**Table 7 - 5: Dirty Aframax spot tanker freight rates, WS**

	Size 1,000 DWT				Change Jul 20/Jun 20
		May 20	Jun 20	Jul 20	
<b>Aframax</b>					
Indonesia/East	80-85	130	73	66	-7
Caribbean/US East Coast	80-85	123	68	72	3
Mediterranean/Mediterranean	80-85	106	63	63	1
Mediterranean/Northwest Europe	80-85	96	56	57	1

Sources: Argus and OPEC.

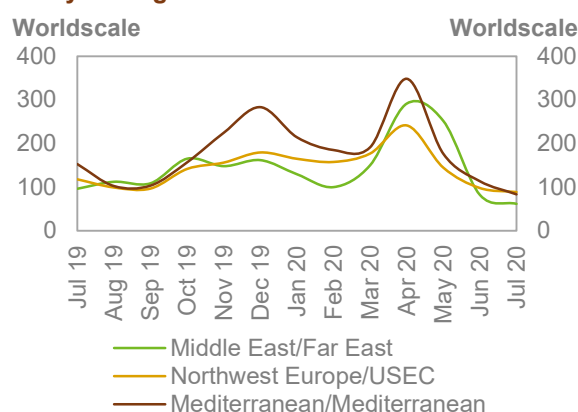
In contrast, the **Caribbean-to-US East Coast (USEC)** route rose 5% to average WS72 points in July, but was around 5% lower y-o-y. The **Mediterranean-to-NWE** and the **Cross-Med route** edged up 1% each to average WS57 and WS63, respectively. Y-o-y, rates were around 30% lower.

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



Sources: Argus and Platts.

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



Sources: Argus and OPEC.

## Clean tanker freight rates

Freight rates for **clean spot tankers** declined 23%. Y-o-y, rates were 48% higher.

On the **East of Suez** route, clean tanker spot freight rates declined 20% m-o-m in July but were just 2% lower compared to the same month last year. The **Middle East-to-East** route fell by around 25% m-o-m in July to average WS62 points. The **Singapore-to-East** route also declined in July by around 26% to average WS89 points. Y-o-y, rates on the route were 31% lower.

**West of Suez**, clean tanker spot freight rates declined 21% in July m-o-m and were 39% lower compared to the same month last year. Rates on the **Cross-Med** and **Med-to-NWE** routes fell by 26% and 24% m-o-m in July, respectively, to average WS84 and WS94 points. Meanwhile, July's rates on the **NWE-to-USEC** route declined 9% to WS88 points.

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

	Size 1,000 DWT				Change Jul 20/Jun 20
		May 20	Jun 20	Jul 20	
<b>East of Suez</b>					
Middle East/East	30-35	252	82	62	-21
Singapore/East	30-35	244	121	89	-32
<b>West of Suez</b>					
Northwest Europe/US East Coast	33-37	144	98	88	-9
Mediterranean/Mediterranean	30-35	177	114	84	-30
Mediterranean/Northwest Europe	30-35	186	124	94	-30

Sources: Argus and OPEC.

## Crude and Refined Products Trade

Global crude and product trade remains muted compared to year-ago levels. Preliminary data shows US crude imports fell back in July, as the inflow of long haul tankers from the Middle East wound down. US crude exports edged up in July after four months of declines, averaging 2.8 mb/d, albeit well below the peak of 3.7 mb/d in February 2020.

Japan's crude imports hit their lowest level in more than a decade in June, down 39% from the peak seen in March, amid reduced refinery runs and weak product demand in the Asian region. Refiners are expected to maintain low runs in 3Q20 to avoid further builds in already high jet inventories. This is despite a recovery in domestic demand for other refined products.

China's crude imports surged to a record high of just under 13 mb/d in June as a wave of crude cargoes purchased at a time of low prices continued to be brought onshore. Crude inflows outpaced the country's import capacity resulting in port congestion that delayed unloadings, which should keep imports high in July. Product imports fell back in June from the record high seen in May, but at 1.65 mb/d they were still the second highest on record.

India's crude inflows continued to fall from the high levels seen in 1Q19, approaching a 9-year low of 3.3 mb/d in June.

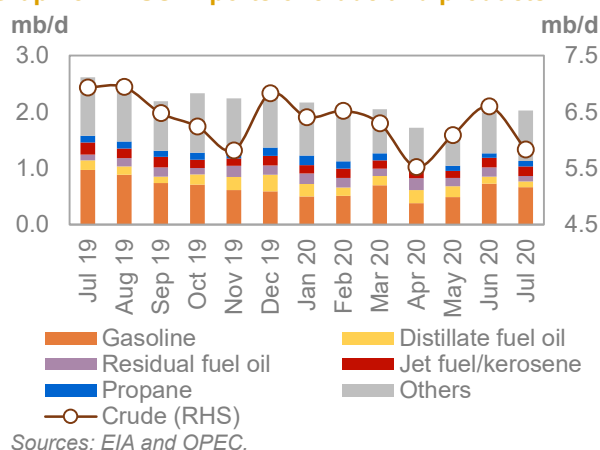
### US

Preliminary data shows **US crude imports** fell back in July, as the inflow of long-haul tankers winded down, leaving imports 0.8 mb/d lower m-o-m at 5.8 mb/d. Compared to the same month last year, US crude imports were 1.1 mb/d lower, reflecting a general decline in import needs.

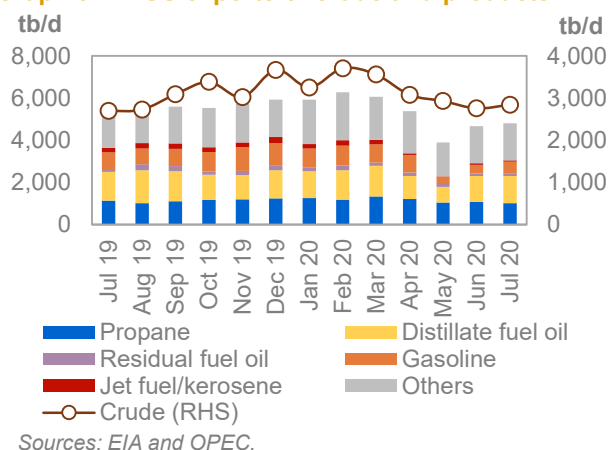
**US crude exports** showed a marginal increase over the previous month, averaging 2.8 mb/d in July. Outflows rose amid low freight rates, which supported arbitrage to Asia, with continued heavy buying by China. Crude exports were around 0.2 mb/d higher than July 2019.

The latest data shows a massive jump in buying of US crude by China in May, making the country the **top destination** for US crude exports for the month. In May, US crude exports to China averaged 1.3 mb/d, up from a negligible 60 tb/d over the first five months of the year, and came as low prices, excess supplies and declining freight rates supported arbitrage. Canada came in second, with US crude exports to the country remaining steady at 0.3 mb/d. For most destinations, US crude exports were generally flat to lower in May, making Chinese buying all the more important in preventing US exports from experiencing a sharp contraction.

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



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



As a result, **US net crude imports** averaged just under 3.0 mb/d in July, representing a decline of 0.9 mb/d or 22% compared with the previous month. Y-o-y, US net crude imports were almost 1.3 mb/d or almost 30% lower than the same period last year.

On the product side, preliminary data showed **US product exports** averaged 4.8 mb/d in July, representing an increase of 0.9 mb/d or 24% compared to the low seen in May 2020, as exports to Latin America continued to recover. Product exports were still 0.5 mb/d lower than the same month last year.

## Crude and Refined Products Trade

**US product imports** edged up by about 2% in July to average 2.0 mb/d, supported by continued healthy inflows from Russia. Compared to the same month last year, US product imports were 0.6 mb/d or around 22% lower.

As a result, **US net product exports** averaged 2.8 mb/d in July, some 0.1 mb/d or 4% higher than in the previous month. Y-o-y, net product exports were some 3% higher.

Combined, **net crude and product imports** moved closer to balance, averaging 0.2 mb/d in July, according to preliminary data, with the US remaining as a net importer for the third consecutive month.

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

US				Change
	May 20	Jun 20	Jul 20	Jul 20/Jun 20
Crude oil	3,158	3,841	2,991	-851
Total products	-2,219	-2,677	-2,785	-108
<b>Total crude and products</b>	<b>939</b>	<b>1,164</b>	<b>206</b>	<b>-959</b>

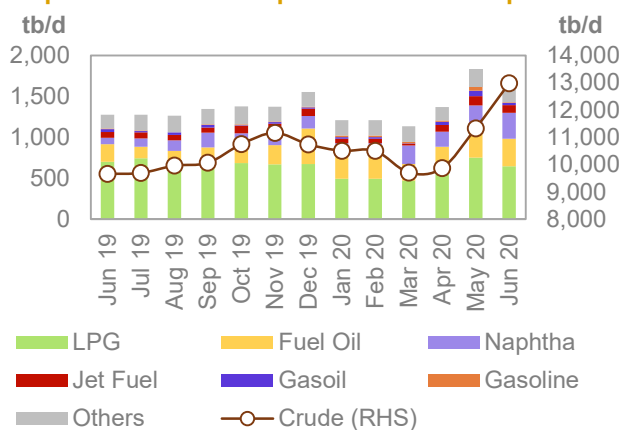
Sources: EIA and OPEC.

## China

**China's crude imports** in June were just shy of 13.0 mb/d, marking a new record high, as the country brought in crude from a range of suppliers. Crude imports in June surged by 1.7 mb/d or 14% and were a massive 3.3 mb/d or 34% higher y-o-y. Preliminary customs data for July shows the country's crude imports easing slightly to average 12.0 mb/d for the month, the second-highest on record.

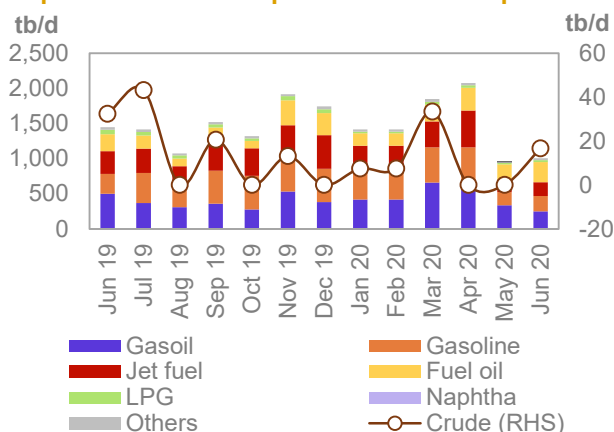
Saudi Arabia was the top **crude supplier** to China in June, with a share of almost 17% representing almost 2.2 mb/d in imports. Russia was second with 1.9 mb/d, representing a 13% share, followed by Iraq, Brazil and Angola, all of which sent more than 1.0 mb/d of crude to China.

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



Sources: China, Oil and Gas Petrochemicals and OPEC.

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



Sources: China, Oil and Gas Petrochemicals and OPEC.

China's **product imports** remained at high levels in June, averaging 1.7 mb/d for the month, representing the second highest on record, lower than only the previous month. M-o-m, product imports slipped 0.2 mb/d, but were 0.4 mb/d higher than the same month last year. Naphtha and fuel oil were the key contributors to the strong import levels. Customs data showed China's product imports in June hitting a 12-month low.

**Product exports** from China remained at lower levels seen in the previous month, aimed limited buying from most destinations. Product exports averaged 1.0 mb/d in June, steady with July levels but 0.4 mb/d lower y-o-y. Jet fuel, gasoline and fuel oil saw gains, while diesel exports experienced a decline. Customs data showed product exports in June falling to the lowest since January 2017.

As a result, China remained a **net product importer** for the second-month in a row in June, with net imports of 0.6 mb/d. This compared to net imports of 0.9 mb/d in May 2020 and net exports of 0.2 mb/d in June 2019.



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

China	Apr 20	May 20	Jun 20	Change Jun 20/May 20
Crude oil	9,865	11,327	12,959	1,633
Total products	-706	868	646	-222
<b>Total crude and products</b>	<b>9,159</b>	<b>12,195</b>	<b>13,606</b>	<b>1,411</b>

Sources: China, Oil and Gas Petrochemicals and OPEC.

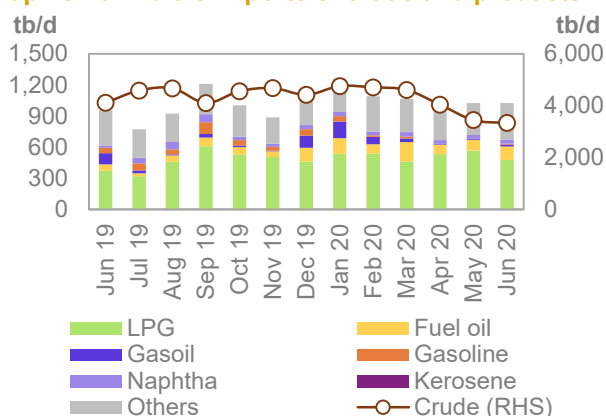
## India

India's **crude imports** averaged 3.3 mb/d in June, represent the lowest in almost nine years. The decline was mainly due to reduced import needs as inventories remained high and extended lockdown measures continued to weigh on demand. Imports were 0.1 mb/d, or 3%, lower m-o-m and down 0.8 mb/d or almost 19% y-o-y.

India's **product imports** were broadly unchanged at 1.0 mb/d in June and relatively unchanged compared to the same month last year. Gains in fuel oil and the other product category provided support, while LPG saw declines.

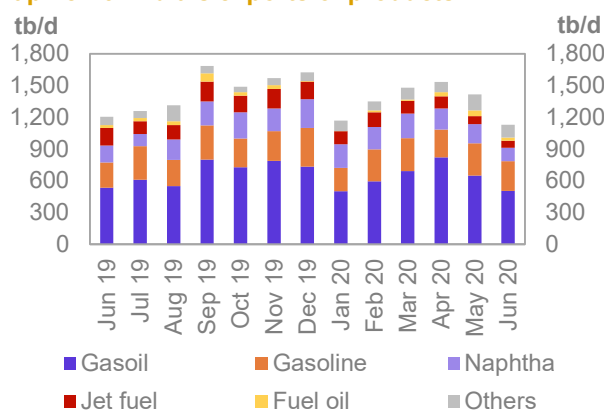
India's **product exports** averaged 1.1 mb/d in June, representing a more than 12 month low. Exports were 0.3 mb/d lower than the previous month but down slightly y-o-y. The decline was driven primarily by diesel, although naphtha and fuel oil exports also declined.

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



Sources: PPAC and OPEC.

Graph 8 - 6: India's exports of products



Sources: PPAC and OPEC.

As a result, India's **net product exports** averaged 0.1 mb/d June, presenting a decline of 0.3 mb/d m-o-m and a drop of 0.1 mb/d compared to the same month last year.

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

India	Apr 20	May 20	Jun 20	Change Jun 20/May 20
Crude oil	4,039	3,449	3,337	-112
Total products	-546	-392	-102	290
<b>Total crude and products</b>	<b>3,493</b>	<b>3,057</b>	<b>3,235</b>	<b>178</b>

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

Sources: PPAC and OPEC.

## Japan

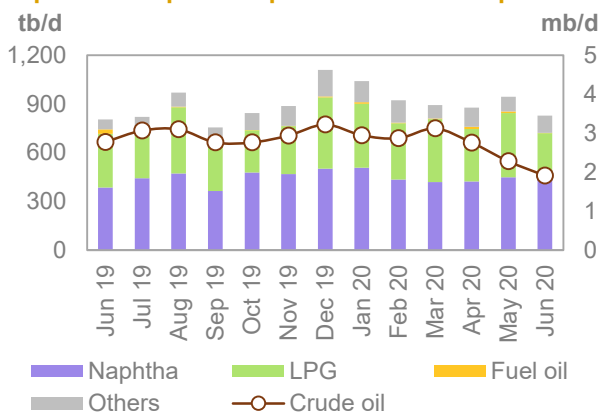
Japan's **crude imports** fell to the lowest in more than a decade in June, down 39% from the peak seen in March. The decline was driven by reduced refinery runs and weak product demand both in Japan and across the Asian region. Crude oil imports averaged 1.9 mb/d for the month, representing an m-o-m decline of 0.4 mb/d or 16%. Y-o-y, crude oil imports were 0.9 mb/d or 31% lower.

Saudi Arabia remained the **top supplier of crude** to Japan in June, averaging 0.8 mb/d, representing a share of almost 40%, but slightly lower than in the previous month. The UAE stood at second place with a share of around 35%, followed by Kuwait with 11%.

## Crude and Refined Products Trade

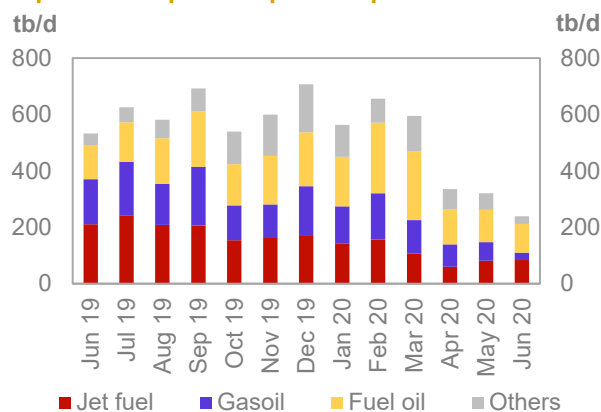
**Product imports** to Japan, including LPG, averaged 0.8 mb/d in June, some 12% lower from the previous month, due to continued weakness in domestic product sales. In product terms, the declines were driven LPG imports, which contracted by almost 40% m-o-m.

**Graph 8 - 7: Japan's imports of crude and products**



Sources: METI and OPEC.

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



Sources: METI and OPEC.

**Product exports**, including LPG, declined for the fourth-consecutive month, averaging 0.2 mb/d in June, representing a 25% decline compared with the previous month and a y-o-y drop of 55%.

As a consequence, Japan's **net product imports** averaged 590 tb/d in June, down marginally m-o-m but some 0.3 mb/d higher than the same month last year.

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

Japan	Apr 20	May 20	Jun 20	Change Jun 20/May 20
Crude oil	2,761	2,282	1,911	-371
Total products	543	625	590	-34
<b>Total crude and products</b>	<b>3,304</b>	<b>2,907</b>	<b>2,501</b>	<b>-405</b>

Sources: METI and OPEC.

## OECD Europe

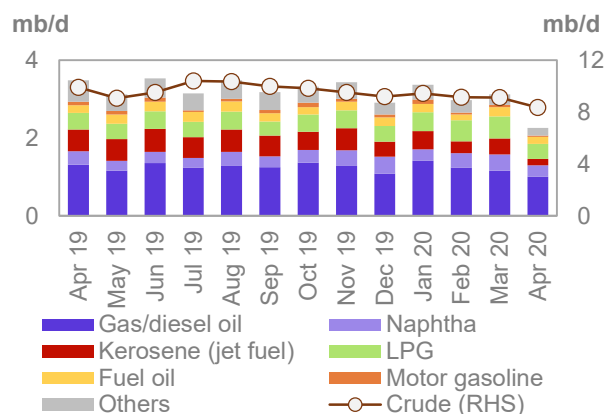
The latest available data shows **OECD Europe crude imports**, excluding intra-regional trade, averaged 8.3 mb/d in April, representing a decline of 0.8 mb/d m-o-m and a drop of 1.6 mb/d y-o-y.

**OECD Europe crude exports** rose sharply in April, increasing by 0.6 mb/d to average 0.8 mb/d. The increase was due to increased flows to Norwegian crude to China.

OECD Europe **net crude imports** averaged 8.3 mb/d in April, representing a decline of 0.8 mb/d from the same month last year.

OECD Europe **product imports** averaged 2.3 mb/d in April, representing a decline of 0.9 mb/d or 28% m-o-m and a decline of 1.2 mb/d or 35% y-o-y. Declines were seen across all major products.

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



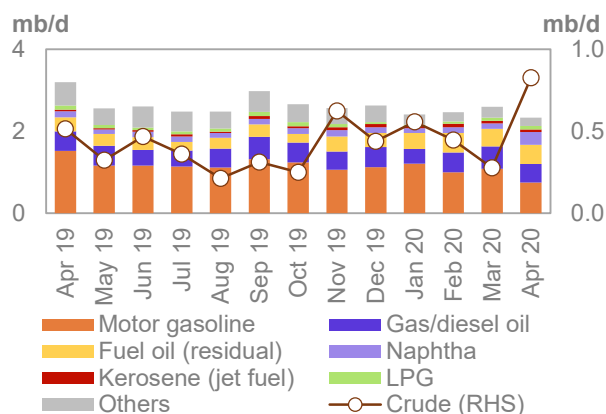
Sources: IEA and OPEC.

**Product exports** averaged 2.3 mb/d in April, down 0.3 mb/d or 10% from the previous month and some 0.9 mb/d lower than in April 2019. Motor gasoline exports continued to fall and diesel was also lower. These declines were partially offset by a jump in naphtha exports, as well as an increase in fuel oil exports.

As a result, OECD Europe was a **net product exporter** in April, compared to the previous month when the region had net product imports of 0.5 mb/d.

Combined, **net crude and product imports** averaged 7.4 mb/d in April, compared to 9.4 mb/d the month before and 9.7 mb/d in the same month last year.

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



Sources: IEA and OPEC.

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

OECD Europe	Feb 20	Mar 20	Apr 20	Change Apr 20/Mar 20
Crude oil	8,689	8,851	7,518	-1,332
Total products	503	516	-75	-591
<b>Total crude and products</b>	<b>9,192</b>	<b>9,367</b>	<b>7,443</b>	<b>-1,923</b>

Sources: IEA and OPEC.

## FSU

**Total crude oil exports from the Former Soviet Union (FSU)** edged up from the low levels seen in May to average 6.0 mb/d in June. However, FSU crude exports were 1.0 mb/d or 15% lower than the same month last year, mainly due to the production adjustments carried out in the previous month.

Crude exports through the **Transneft system** also moved higher in June, up 156 tb/d or around 5% m-o-m to average 3.7 mb/d. Compared to the same month last year, exports were down 0.6 mb/d or 14%.

Total shipments from the Black Sea increased 43 tb/d m-o-m, or around 16%, to average 308 tb/d in June. In contrast, total Baltic Sea exports declined 62 tb/d m-o-m to average 1.1 mb/d in June, with shipments from Ust-Luga down 3% to 472 tb/d and Primorsk exports declining by 8% or 579 tb/d. Meanwhile, shipments via the Druzhba pipeline increased 19% m-o-m to average 933 tb/d in June. Kozmino shipments slipped 12% m-o-m to average 678 tb/d. Exports to China via the ESPO pipeline averaged 635 tb/d in June, some 118 tb/d higher m-o-m.

In the **Lukoil system**, exports via the Barents Sea edged up 2% to 68 tb/d in June, while those from the Baltic Sea were 16% higher.

On other routes, **Russia's Far East** exports declined some 2% m-o-m to average 340 tb/d, representing an increase of 1% compared to June last year.

**Central Asia's** total exports averaged 227 tb/d in June, a decline of 13% compared with the previous month but a gain of 16% lower y-o-y.

**Black Sea** total exports averaged 1.5 mb/d in June, representing a decline of 4% m-o-m, with Novorossiysk port terminal (CPC) driving the decline, down 5%, while the Supsa port terminal saw a m-o-m increase of 16%.

**FSU** total product exports declined 345 tb/d or around 11% m-o-m to average 2.7 mb/d in June. Declines were seen across most major products, except fuel oil and naphtha. Y-o-y, FSU product exports were 33 tb/d or 1% lower in June.

## Commercial Stock Movements

Preliminary June data showed that total OECD commercial oil stocks rose m-o-m by 24.3 mb, the fourth consecutive monthly rise. At 3,240 mb, they were 301.5 mb higher than the same time one year ago and 291.2 mb above the latest five-year average. Within the components, crude and products stocks rose m-o-m by 12.8 mb and 11.5 mb, respectively.

In terms of days of forward cover, OECD commercial stocks in June fell m-o-m by 3.9 days to stand at 73.4 days. This was 12.5 days above the June 2019 level, and 11.7 days above the latest five-year average

Preliminary data for July showed that total US commercial oil stocks fell m-o-m by 9.0 mb, reversing the build of the last four months, to stand at 1,452.6 mb. This was 143.6 mb, above the same month a year ago, and 161.4 mb, higher than the latest five-year average. Crude stocks fell m-o-m by 20.6 mb, while products stocks rose by 11.5 mb.

### OECD

Preliminary June data showed that **total OECD commercial oil stocks** rose m-o-m by 24.3 mb, the fourth consecutive monthly rise. At 3,240 mb, they were 301.5 mb higher than the same time one year ago and 291.2 mb above the latest five-year average.

Within the components, crude and product stocks rose m-o-m by 12.8 mb and 11.5 mb, respectively. Commercial oil stocks in June rose m-o-m in OECD Americas, but fell in OECD Europe and OECD Asia Pacific.

OECD **commercial crude stocks** rose in June by 12.8 mb, the fifth consecutive monthly rise, to stand at 1,607 mb. This was 129.6 mb higher than the same time a year ago and 120.3 mb above the latest five-year average.

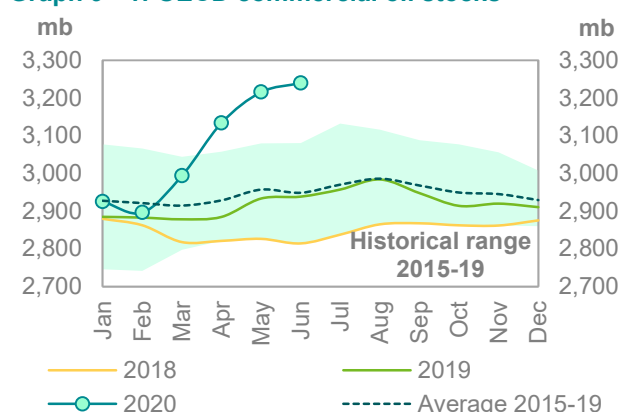
Compared with the previous month, OECD Americas crude stocks in June rose by 18.2 mb, while in OECD Europe and OECD Asia Pacific; they fell by 0.5 mb and 4.9 mb respectively.

OECD **total product inventories** rose m-o-m by 11.5 mb in June to stand at 1,633 mb. This was 171.8 mb above the same time a year ago, and 170.9 mb higher than the latest five-year average. Within the OECD regions, product stocks in OECD Americas increased by 17.9 mb, while product stocks in OECD Europe fell m-o-m by 6.4 mb. Stocks in OECD Asia Pacific remained unchanged.

In terms of **days of forward cover**, OECD commercial stocks fell m-o-m by 3.9 days in June to stand at 73.4 days. This was 12.5 days above the June 2019 level, and 11.7 days above the latest five-year average.

Within the regions in June, OECD Americas was 10.7 days above the latest five-year average at 71.6 days; OECD Europe was 14.7 days higher than the latest five-year average at 82.1 days; and OECD Asia Pacific was 9.4 days above the latest five-year average at 62.8 days.

Graph 9 - 1: OECD commercial oil stocks



Sources: Argus, EIA, Euroilstock, IEA, METI and OPEC.

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

	Jun 19	Apr 20	May 20	Jun 20	Change Jun 20/May 20
<b>OECD stocks</b>					
Crude oil	1,477	1,577	1,594	1,607	12.8
Products	1,461	1,557	1,621	1,633	11.5
<b>Total</b>	<b>2,938</b>	<b>3,134</b>	<b>3,216</b>	<b>3,240</b>	<b>24.3</b>
<b>Days of forward cover</b>	<b>60.9</b>	<b>81.4</b>	<b>77.3</b>	<b>73.4</b>	<b>-3.9</b>

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

Sources: Argus, EIA, Euroilstock, IEA, METI and OPEC.

## OECD Americas

**OECD Americas total commercial stocks** increased by 36.1 mb m-o-m in June to settle at 1,748 mb. This was 182.9 mb above the same month last year and 197.1 mb higher than the latest five-year average.

**Commercial crude oil stocks** in OECD Americas rose by 18.2 mb m-o-m in June to stand at 911 mb. This was 89.7 mb higher than June 2019 and 103.1 mb above the latest five-year average. The build was driven by higher US crude imports of around 0.4 mb/d m-o-m in June to an average of 6.48 mb/d. However, higher crude runs, which increased by 0.8 mb/d to 14.18 mb/d, helped limit any further build,

**Total product stocks** in OECD Americas rose m-o-m by 17.9 mb in June, the fourth consecutive monthly rise, to stand at 837 mb. This was 93.2 mb higher than the same month one year ago and 94.0 mb above the latest five-year average. Lower regional consumption was behind the product stock build.

## OECD Europe

**OECD Europe's total commercial stocks** fell m-o-m by 6.9 mb in June to end the month at 1,083 mb. This was 100.3 mb higher than the same time a year ago and 98.9 mb above the latest five-year average.

OECD Europe's **commercial crude stocks** declined slightly m-o-m by 0.5 mb in June to end the month at 464 mb. This was 23.7 mb higher than the level one-year ago, and 29.3 mb above the latest five-year average. The fall came despite flat refinery throughput m-o-m in the EU-16.

OECD Europe's **commercial product stocks** fell m-o-m by 6.4 mb to end June at 619 mb. This was 76.6 mb higher than the same time a year ago, and 69.6 mb above the latest five-year average. The fall came on the back of increasing demand in the region.

## OECD Asia Pacific

**OECD Asia Pacific's total commercial oil stocks** fell m-o-m by 4.9 mb in June to stand at 409 mb. This was 18.3 mb higher than a year ago, but 4.8 mb below the latest five-year average.

OECD Asia Pacific's **crude inventories** fell m-o-m by 4.9 mb to end June at 232 mb. This was 16.3 mb higher than one year ago, but 12.0 mb below the latest five-year average.

OECD Asia Pacific's **total product inventories** remained unchanged m-o-m to end June at 177 mb. This was 2.0 mb higher than the same time a year ago and 7.3 mb above the latest five-year average.

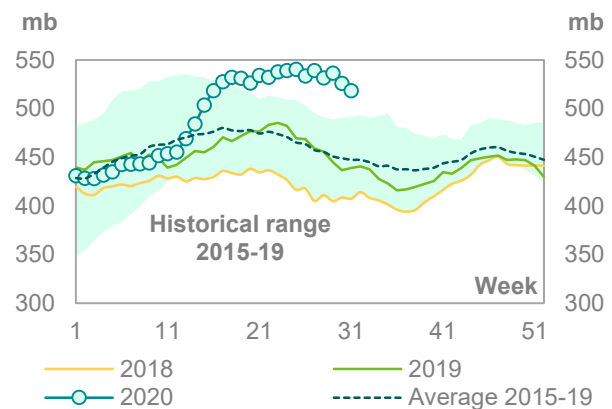
## US

Preliminary data for July showed that **total US commercial oil stocks** fell m-o-m by 9.0 mb, reversing the build of last four months, to stand at 1,452.6 mb. This was 143.6 mb, or 11%, above the same month a year ago, and 161.4 mb, or 12.5%, higher than the latest five-year average. Crude stocks fell m-o-m by 20.6 mb, while products stocks rose by 11.5 mb.

US **commercial crude stocks** fell by 20.6 m in July to stand at 518.6 mb. This was 76.5 mb, or 17.3%, above the same month last year, and 67.9 mb, or 15.1%, above the latest five-year average. The fall was driven mainly by higher crude runs, which increased by around 0.8 mb/d to stand at 14.96 mb/d. Lower crude imports, which declined by 0.8 mb/d to average 5.8 mb/d also contributed to the drop in crude oil stocks.

In contrast, **total product stocks** in July rose m-o-m by 11.5 mb to stand at 934.0 mb. This was 67.1 mb, or 7.7%, above July 2019 levels, and 93.5 mb, or 11.1% above the latest five-year average. Within the components, the picture was mixed, distillates, propylene and other unfinished products registered stock builds, while gasoline, residual fuel oil and jet fuel experienced stock draws.

**Graph 9 - 2: US weekly commercial crude oil inventories**



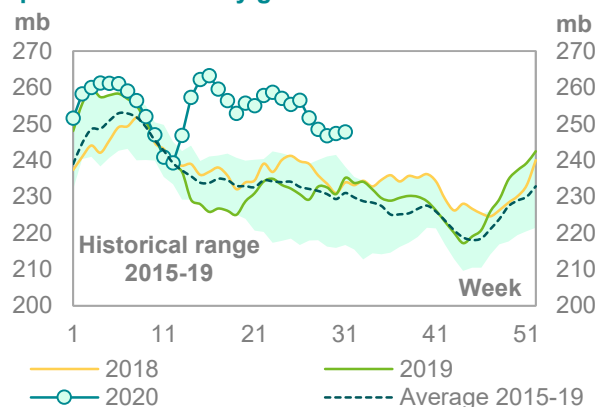
## Commercial Stock Movements

**Distillate stocks** rose m-o-m by 2.7 mb in July to reach 180.0 mb. This was 42.2 mb, or 30.6%, higher than the same month a year ago, and 37 mb, or 25.8%, above the latest five-year average. The build was driven by higher distillate production, which increased by around 220 tb/d to stand at 4.8 mb/d.

In contrast, **gasoline stocks** fell in July by 3.9 mb m-o-m to settle at 247.8 mb. This was 12.6 mb, or 5.3%, higher than the same month last year, and 15.6 mb, or 6.7%, above the latest five-year average. The monthly stock draw came mainly on the back of higher gasoline demand, which increased by more than 200 tb/d to average 8.65 mb/d. Higher July gasoline production limited further declines in gasoline stocks.

Both **residual fuel oil and jet fuel stocks** decreased m-o-m in July by 4.3 mb and 3.0 mb, respectively. At 36.0 mb, residual fuel oil was 5.4 mb, or 17.7%, higher than the same month a year ago, and 2.1 mb, or 6.1%, above the latest five-year average. Jet fuel stocks ended July at 39.6 mb, which is 3.7 mb, or 8.5%, lower than the same month last year, and 2.7 mb, or 6.3%, below the latest five-year average.

**Graph 9 - 3: US weekly gasoline inventories**



Sources: EIA and OPEC.

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

	Jul 19	May 20	Jun 20	Jul 20	Change Jul 20/Jun 20
<b>US stocks</b>					
Crude oil	442.1	521.0	539.2	518.6	-20.6
Gasoline	235.2	258.2	251.7	247.8	-3.9
Distillate fuel	137.8	175.9	177.3	180.0	2.7
Residual fuel oil	30.6	39.4	40.4	36.0	-4.3
Jet fuel	43.3	40.4	42.6	39.6	-3.0
Total products	866.9	904.5	922.4	934.0	11.5
Total	1,308.9	1,425.5	1,461.6	1,452.6	-9.0
<b>SPR</b>	644.8	648.3	656.0	656.1	0.1

Sources: EIA and OPEC.

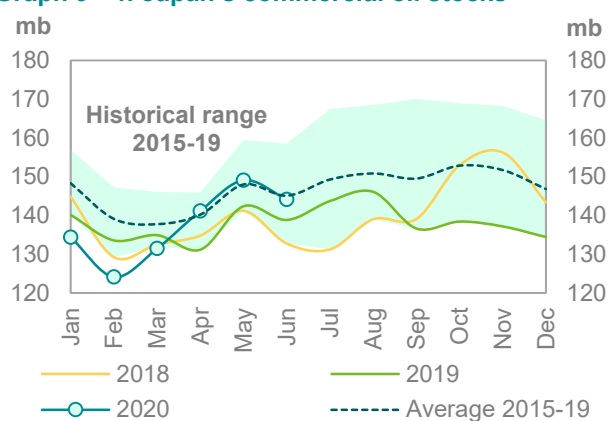
## Japan

In **Japan**, total commercial oil stocks fell m-o-m in June by 4.9 mb, reversing the builds of the previous three months, to settle at 144.2 mb. This was 5.3 mb, or 3.8%, higher than the same month last year, but 1.0 mb, or 0.7%, below the latest five-year average. Crude stocks fell m-o-m by 4.9 mb, while products stocks remained unchanged when compared to the previous month.

Japanese **commercial crude oil stocks** fell in June to stand at 83.5 mb. This was 1.3 mb, or 1.6%, above the same month a year ago, but 3.5 mb, or 4.0%, lower than the latest five-year average. This fall came on the back of lower crude imports, which declined by 372 tb/d, or 16.3% to stand at 1.91 mb/d. Higher refinery crude runs, which increased by 0.3% also contributed to the build in crude oil stocks.

Japan's **total product inventories** remained unchanged to end June at 60.7 mb. This was 4.0 mb, or 7.0%, higher than the same month last year, and 2.5 mb, or 4.4%, above the latest five-year average. Within the products, the picture was mixed. Distillates showed builds, while gasoline and naphtha inventories registered draws. Residual fuel oil stocks remained unchanged.

**Graph 9 - 4: Japan's commercial oil stocks**



Sources: METI and OPEC.



**Distillate stocks** rose by 1.3 mb m-o-m to end June at 27.3 mb. This was 3.4 mb, or 14.3%, higher than the same month a year ago, and 2.3 mb, or 9.4%, above the latest five-year average. Within distillate components, kerosene and gasoil stocks increased m-o-m by 8.2% and 11.2%, respectively, while jet fuel stocks fell 1.6%.

**Gasoline stocks** fell m-o-m by 1.0 mb to stand at 11.6 mb in June. This was 2.0 mb, or 21.3%, higher than a year ago, and 1.0 mb, or 9.9%, above the latest five-year average. The fall in gasoline stocks was driven by higher gasoline demand.

**Total residual fuel oil stocks** remained unchanged in June at 12.4 mb. This was 0.1 mb, or 1.1 %, lower than the same month last year, and 0.5 mb, or 4.0%, below the latest five-year average. Within the components, fuel oil A stocks increased by 2.5%, while fuel oil B.C stocks fell by 1.1%.

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

	Jun 19	Apr 20	May 20	Jun 20	Change Jun 20/May 20
<b>Japan's stocks</b>					
Crude oil	82.1	81.7	88.4	83.5	-4.9
Gasoline	9.5	13.2	12.6	11.6	-1.0
Naphtha	10.7	9.3	9.6	9.4	-0.3
Middle distillates	23.9	24.5	26.0	27.3	1.3
Residual fuel oil	12.6	12.5	12.4	12.4	0.0
Total products	56.7	59.5	60.7	60.7	0.0
<b>Total**</b>	<b>138.9</b>	<b>141.2</b>	<b>149.1</b>	<b>144.2</b>	<b>-4.9</b>

Note: \* At the end of the month. \*\* Includes crude oil and main products only.

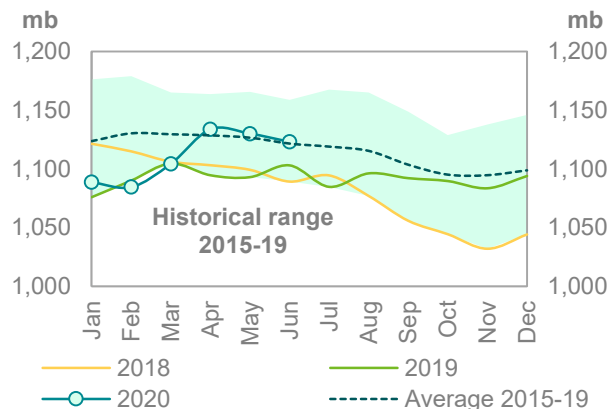
Sources: METI and OPEC.

## EU-15 plus Norway

Preliminary data for June showed that **total European commercial oil stocks** fell by 6.9 mb m-o-m, the second consecutive monthly drop. At 1,123.1 mb, they were 20.0 mb, or 1.8%, above the same month a year ago, and 1.4 mb, or 0.1%, higher than the latest five-year average. Crude and product stocks decreased m-o-m by 0.5 mb and 6.4 mb, respectively.

European **crude inventories** fell in June to stand at 486.6 mb. This was 1.0 mb, or 0.2 %, lower than the same month a year ago, and 7.3 mb, or 1.5%, below the latest five-year average. The fall in June's crude oil inventories came despite flat refinery throughputs m-o-m in the EU-16.

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



Sources: Argus, Euroilstock and OPEC.

European **total product stocks** fell m-o-m by 6.4 mb to end June at 636.5 mb. This was 21.1 mb, or 3.4%, higher than the same month a year ago, and 8.7 mb, or 1.4%, above the latest five-year average. The fall in product stocks was attributed to an increase in demand in the region during June.

**Gasoline stocks** fell m-o-m by 9.7 mb in June to stand at 110.3 mb. This was in line with the level registered the same time a year ago, but 1.7 mb, or 1.5 %, below the latest five-year average.

**Distillate stocks** dropped m-o-m by 3.7 mb in June to stand at 420.1 mb. This was 4.9 mb, or 1.2 %, higher than the same month last year, and 0.1 mb, or 0.1%, higher than the latest five-year average.

**Residual fuel stocks** rose m-o-m by 1.1 mb in June to 69.0 mb. This was 8.1 mb, or 13.3%, higher than the same month one year ago, but 0.4 mb, or 0.6 %, below the latest five-year average.

**Naphtha stocks** rose m-o-m by 5.9 mb in June, ending the month at 37.1 mb. This was 8.0 mb, or 27.6%, above the June 2019 level, and 10.8 mb, or 40.8 %, higher than the latest five-year average.

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

	Jun 19	Apr 20	May 20	Jun 20	Change Jun 20/May 20
<b>EU stocks</b>					
Crude oil	487.6	482.5	487.1	486.6	-0.5
Gasoline	110.3	122.5	120.0	110.3	-9.7
Naphtha	29.1	34.8	31.2	37.1	5.9
Middle distillates	415.2	426.0	423.8	420.1	-3.7
Fuel oils	60.9	68.1	67.9	69.0	1.1
Total products	615.5	651.3	642.9	636.5	-6.4
<b>Total</b>	<b>1,103.0</b>	<b>1,133.8</b>	<b>1,130.0</b>	<b>1,123.1</b>	<b>-6.9</b>

Sources: Argus, Euroilstock and OPEC.

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

### Singapore

At the end of June, **total product stocks in Singapore** fell by 1.6 mb m-o-m, reversing the build witnessed in the five previous months, to stand at 53.9 mb. This was 10.2 mb, or 23.3%, higher than the same month a year ago. All products experienced stock draws.

**Middle distillates and fuel oil stocks** fell m-o-m in June by 1.3 mb and 0.3 mb, respectively. At 13.5 mb, middle distillates stood 2.6 mb, or 23.9%, higher than the same month one year ago.

**Residual fuel stocks** ended the month at 25.3 mb, which was 4.3 mb, or 20.5%, higher than in June 2019.

In contrast, **light distillate stocks** remained unchanged to end June at 15.1 mb. This was 3.3 mb, or 28%, higher than the same month a year ago.

### ARA

**Total product stocks in ARA** fell m-o-m by 1.7 mb in June, reversing the build seen in three consecutive months to stand at 52.6 mb.

**Gasoline and gasoil stocks** in June fell m-o-m by 0.5 mb and 0.1 mb, respectively. At 11.0 mb, gasoline stocks stood at 0.8 mb, or 7.8 %, above the same month one year ago. Gasoil stocks stood at 19.8 mb, which was 1.4 mb, or 6.6%, lower than June 2019.

**Residual fuel stocks** fell m-o-m by 1.2 mb to end June at 9.8 mb. This is 1.9 mb, or 24.1%, above the level registered one year ago.

In contrast, **jet oil stocks** rose m-o-m by 0.4 mb in June to stand at 7.4 mb. This is 0.9 mb, or 13.8%, above the level a year ago.

### Fujairah

During the week ending 27 July 2020, **total oil product stocks in Fujairah** rose by 0.37 mb w-o-w to stand at 25.71 mb, according to data from FEDCom and S&P Global Platts. At this level, total oil stocks were 7.46 mb higher than the same time a year ago. Within the products, middle distillates and heavy fuel rose, while light distillates fell.

Stocks of **light distillates** fell by 0.55 mb w-o-w to stand 6.77 mb, which was 0.96 mb lower than a year ago.

**Middle distillate stocks** rose by 0.45 mb. At 4.39 mb, they were 2.30 mb higher than a year ago.

**Heavy distillate stocks** increased by 0.47 mb. At 14.56 mb, they were 6.12 mb above the same time last year.

## Balance of Supply and Demand

Demand for OPEC crude in 2020 was revised down by 0.4 mb/d from the previous month to stand at 23.4 mb/d, around 5.9 mb/d lower than in 2019. According to secondary sources, OPEC crude production averaged 28.3 mb/d in 1Q20, about 7.5 mb/d higher than demand for OPEC crude in the same period. In 2Q20, OPEC crude production averaged 25.6 mb/d, 9.4 mb/d higher than demand for OPEC crude.

Demand for OPEC crude in 2021 was revised down by 0.5 mb/d from the previous month to stand at 29.3 mb/d, around 5.9 mb/d higher than in 2020.

## Balance of supply and demand in 2020

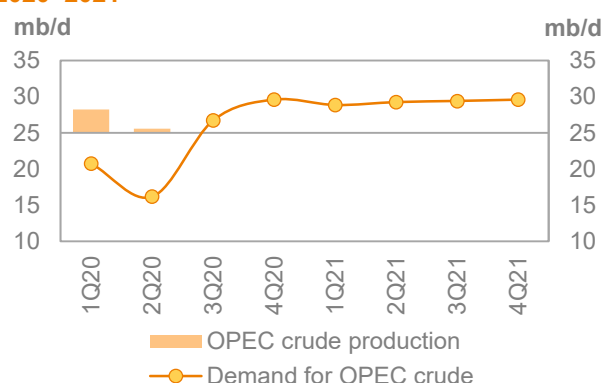
**Demand for OPEC crude in 2020** was revised down by 0.4 mb/d from the previous month to stand at 23.4 mb/d, around 5.9 mb/d lower than in 2019.

1Q20 and 2Q20 were revised up by 0.1 mb/d and 0.3 mb/d, respectively, while 3Q20 and 4Q20 were revised down by 0.9 mb/d and 1.3 mb/d, respectively, compared to the previous assessment.

When compared with the same quarters in 2019, demand for OPEC crude in 1Q20 and 2Q20 is expected to be 8.4 mb/d and 12.6 mb/d lower, respectively. 3Q20 shows a decline of 3.7 mb/d, while 4Q20 is expected to see a rise of 0.8 mb/d compared with 4Q19.

According to secondary sources, OPEC crude production averaged 28.3 mb/d in 1Q20, about 7.5 mb/d higher than demand for OPEC crude in the same period. In the 2Q20, OPEC crude production averaged 25.6 mb/d, 9.4 mb/d higher than demand for OPEC crude.

**Graph 10 - 1: Balance of supply and demand, 2020–2021\***



Note: \* 2020–2021 = Forecast.  
Source: OPEC.

**Table 10 - 1: Supply/demand balance for 2020\*, mb/d**

	2019	1Q20	2Q20	3Q20	4Q20	2020	Change 2020/19
<b>(a) World oil demand</b>	<b>99.69</b>	<b>92.67</b>	<b>81.84</b>	<b>92.10</b>	<b>95.83</b>	<b>90.63</b>	<b>-9.06</b>
Non-OPEC liquids production	65.14	66.54	60.56	60.28	61.10	62.11	-3.03
OPEC NGL and non-conventionals	5.26	5.35	5.09	5.08	5.13	5.16	-0.10
<b>(b) Total non-OPEC liquids production and OPEC NGLs</b>	<b>70.40</b>	<b>71.89</b>	<b>65.65</b>	<b>65.36</b>	<b>66.23</b>	<b>67.28</b>	<b>-3.12</b>
<b>Difference (a-b)</b>	<b>29.29</b>	<b>20.78</b>	<b>16.19</b>	<b>26.74</b>	<b>29.61</b>	<b>23.36</b>	<b>-5.94</b>
<b>OPEC crude oil production</b>	<b>29.34</b>	<b>28.26</b>	<b>25.60</b>				
<b>Balance</b>	<b>0.04</b>	<b>7.48</b>	<b>9.40</b>				

Note: Non-OPEC liquids production includes the Republic of Ecuador.

\* 2020 = Forecast. Totals may not add up due to independent rounding.

Source: OPEC.

## Balance of supply and demand in 2021

**Demand for OPEC crude in 2021** was revised down by 0.5 mb/d from the previous month to stand at 29.3 mb/d, around 5.9 mb/d higher than in 2020.

The 1Q21 and 2Q21 were revised down 0.5 mb/d and 0.7 mb/d, respectively, while both 3Q21 and 4Q21 were revised down by 0.4 mb/d each, compared to the previous assessment.

When compared to the same quarters in 2020, demand for OPEC crude in 1Q21 and 2Q21 is forecast to be 8.1 mb/d and 13.1 mb/d higher, respectively. 3Q21 is projected to show an increase of 2.7 mb/d, while 4Q21 is expected to remain at the same quarter a year ago.

**Table 10 - 2: Supply/demand balance for 2021\*, mb/d**

	2020	1Q21	2Q21	3Q21	4Q21	2021	Change 2021/20
<b>(a) World oil demand</b>	<b>90.63</b>	<b>96.50</b>	<b>96.82</b>	<b>97.79</b>	<b>99.33</b>	<b>97.63</b>	<b>7.00</b>
Non-OPEC liquids production	62.11	62.41	62.33	63.14	64.49	63.10	0.98
OPEC NGL and non-conventionals	5.16	5.24	5.24	5.24	5.24	5.24	0.08
<b>(b) Total non-OPEC liquids production and OPEC NGLs</b>	<b>67.28</b>	<b>67.65</b>	<b>67.56</b>	<b>68.38</b>	<b>69.73</b>	<b>68.33</b>	<b>1.06</b>
<b>Difference (a-b)</b>	<b>23.36</b>	<b>28.86</b>	<b>29.26</b>	<b>29.42</b>	<b>29.60</b>	<b>29.29</b>	<b>5.94</b>

Note: Non-OPEC liquids production includes the Republic of Ecuador.

\* 2020–2021 = Forecast. Totals may not add up due to independent rounding.

Source: OPEC.

# Appendix

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

	2017	2018	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21	3Q21	4Q21	2021
<b>World oil demand and supply balance</b>													
<b>World demand</b>													
<b>OECD</b>	47.67	47.99	47.68	45.40	36.04	44.13	45.77	42.85	46.39	45.68	46.51	46.82	46.36
Americas	25.11	25.73	25.63	24.31	19.47	24.43	24.91	23.29	24.71	24.85	25.49	25.42	25.13
Europe	14.41	14.32	14.25	13.34	10.32	13.19	13.53	12.60	13.76	13.67	13.96	13.83	13.81
Asia Pacific	8.15	7.95	7.79	7.75	6.25	6.51	7.33	6.96	7.92	7.16	7.06	7.57	7.43
<b>DCs</b>	32.16	32.63	33.11	31.36	28.48	30.41	31.33	30.40	32.36	32.21	32.39	32.78	32.44
<b>FSU</b>	4.64	4.76	4.84	4.50	4.03	4.43	4.59	4.39	4.64	4.49	4.60	4.72	4.62
<b>Other Europe</b>	0.72	0.74	0.76	0.71	0.55	0.47	0.56	0.57	0.79	0.68	0.59	0.68	0.68
<b>China</b>	12.32	12.86	13.30	10.70	12.75	12.67	13.58	12.43	12.31	13.77	13.70	14.33	13.53
<b>(a) Total world demand</b>	<b>97.52</b>	<b>98.98</b>	<b>99.69</b>	<b>92.67</b>	<b>81.84</b>	<b>92.10</b>	<b>95.83</b>	<b>90.63</b>	<b>96.50</b>	<b>96.82</b>	<b>97.79</b>	<b>99.33</b>	<b>97.63</b>
<b>Non-OPEC liquids production</b>													
<b>OECD</b>	25.71	28.33	29.99	31.16	27.55	27.83	28.16	28.67	28.59	28.59	29.36	30.41	29.24
Americas	21.49	24.08	25.76	26.59	23.13	23.30	23.51	24.13	23.91	24.01	24.72	25.52	24.55
Europe	3.83	3.84	3.71	4.03	3.87	3.94	4.07	3.98	4.10	4.00	4.03	4.30	4.11
Asia Pacific	0.39	0.41	0.53	0.53	0.55	0.59	0.59	0.57	0.58	0.57	0.60	0.59	0.59
<b>DCs</b>	14.01	14.12	14.32	14.51	13.67	14.05	14.28	14.13	14.39	14.33	14.34	14.56	14.41
<b>FSU</b>	14.07	14.32	14.40	14.53	13.00	12.23	12.46	13.05	13.08	13.07	13.07	13.06	13.07
<b>Other Europe</b>	0.13	0.12	0.12	0.12	0.12	0.11	0.11	0.12	0.11	0.11	0.11	0.11	0.11
<b>China</b>	3.97	3.98	4.05	4.15	4.16	3.99	4.01	4.08	4.04	4.03	4.07	4.14	4.07
<b>Processing gains</b>	2.22	2.25	2.26	2.07	2.07	2.07	2.07	2.07	2.20	2.20	2.20	2.20	2.20
<b>Total non-OPEC liquids production</b>	<b>60.10</b>	<b>63.11</b>	<b>65.14</b>	<b>66.54</b>	<b>60.56</b>	<b>60.28</b>	<b>61.10</b>	<b>62.11</b>	<b>62.41</b>	<b>62.33</b>	<b>63.14</b>	<b>64.49</b>	<b>63.10</b>
<b>OPEC NGLs + non-conventional oils</b>	5.18	5.33	5.26	5.35	5.09	5.08	5.13	5.16	5.24	5.24	5.24	5.24	5.24
<b>(b) Total non-OPEC liquids production and OPEC NGLs</b>	<b>65.28</b>	<b>68.45</b>	<b>70.40</b>	<b>71.89</b>	<b>65.65</b>	<b>65.36</b>	<b>66.23</b>	<b>67.28</b>	<b>67.65</b>	<b>67.56</b>	<b>68.38</b>	<b>69.73</b>	<b>68.33</b>
<b>OPEC crude oil production (secondary sources)</b>	31.48	31.34	29.34	28.26	25.60								
<b>Total liquids production</b>	96.76	99.79	99.74	100.15	91.25								
<b>Balance (stock change and miscellaneous)</b>	-0.75	0.81	0.04	7.48	9.40								
<b>OECD closing stock levels, mb</b>													
Commercial	2,860	2,875	2,911	2,994	3,240								
SPR	1,569	1,552	1,535	1,537	1,561								
<b>Total</b>	<b>4,428</b>	<b>4,427</b>	<b>4,446</b>	<b>4,531</b>	<b>4,800</b>								
<b>Oil-on-water</b>	1,025	1,058	1,011	1,186	1,329								
<b>Days of forward consumption in OECD, days</b>													
Commercial onland stocks	60	60	68	83	73								
SPR	33	33	36	43	35								
<b>Total</b>	<b>92</b>	<b>93</b>	<b>104</b>	<b>126</b>	<b>109</b>								
<b>Memo items</b>													
<b>(a) - (b)</b>	<b>32.24</b>	<b>30.53</b>	<b>29.29</b>	<b>20.78</b>	<b>16.19</b>	<b>26.74</b>	<b>29.61</b>	<b>23.36</b>	<b>28.86</b>	<b>29.26</b>	<b>29.42</b>	<b>29.60</b>	<b>29.29</b>

Note: Non-OPEC liquids production includes the Republic Ecuador.

Totals may not add up due to independent rounding.

Source: OPEC.



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

	2017	2018	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21	3Q21	4Q21	2021
<b>Changes from last month's table</b>													
<b>World demand</b>													
OECD	0.07	0.01	-0.20	-0.08	0.15	-0.16	-0.36	-0.11	-0.08	0.15	-0.16	-0.36	-0.11
Americas	0.04	0.12	0.02	-0.13	0.20	0.03	-0.15	-0.01	-0.13	0.20	0.03	-0.15	-0.01
Europe	0.03	0.01	-0.08	0.04	0.13	-0.07	-0.08	0.01	0.04	0.13	-0.07	-0.08	0.01
Asia Pacific	-	-0.12	-0.14	0.02	-0.18	-0.13	-0.12	-0.10	0.02	-0.18	-0.13	-0.12	-0.10
DCs	-	-	-	-0.10	-0.40	-0.24	-0.31	-0.26	-0.10	-0.40	-0.24	-0.31	-0.26
FSU	-	-	-	0.01	-0.05	-0.02	-0.02	-0.02	0.01	-0.05	-0.02	-0.02	-0.02
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	0.15	0.23	0.43	0.20	0.30	0.30	0.31	0.43	0.20	0.30	0.30	0.31
<b>(a) Total world demand</b>	<b>0.07</b>	<b>0.16</b>	<b>0.02</b>	<b>0.26</b>	<b>-0.10</b>	<b>-0.12</b>	<b>-0.39</b>	<b>-0.09</b>	<b>0.26</b>	<b>-0.10</b>	<b>-0.12</b>	<b>-0.39</b>	<b>-0.09</b>
<b>Non-OPEC liquids production</b>													
OECD	-	-	0.02	0.01	-0.66	0.71	0.80	0.22	0.70	0.47	0.18	-0.07	0.31
Americas	-	-	0.02	0.01	-0.62	0.71	0.80	0.23	0.74	0.51	0.22	-0.03	0.36
Europe	-	-	-	0.01	-0.02	-	-	-	-0.01	-0.01	-0.01	-0.01	-0.01
Asia Pacific	-	-	-	-	-0.02	-	-	-	-0.04	-0.04	-0.04	-0.04	-0.04
DCs	0.07	0.08	0.08	0.08	0.12	0.08	0.08	0.09	0.09	0.09	0.08	0.08	0.08
FSU	0.02	0.03	0.03	0.03	0.06	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	0.04	-	-	0.01	-0.01	-0.01	-0.01	-0.01	-0.01
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC liquids production	0.09	0.11	0.12	0.12	-0.43	0.81	0.90	0.35	0.80	0.57	0.28	0.03	0.42
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>(b) Total non-OPEC liquids production and OPEC NGLs</b>	<b>0.09</b>	<b>0.11</b>	<b>0.12</b>	<b>0.12</b>	<b>-0.43</b>	<b>0.81</b>	<b>0.90</b>	<b>0.35</b>	<b>0.80</b>	<b>0.57</b>	<b>0.28</b>	<b>0.03</b>	<b>0.42</b>
OPEC crude oil production (secondary sources)	-	-	-	-	-0.03	-	-	-	-	-	-	-	-
Total supply	0.09	0.11	0.12	0.12	-0.46	-	-	-	-	-	-	-	-
Balance (stock change and miscellaneous)	0.02	-0.05	0.09	-0.14	-0.36	-	-	-	-	-	-	-	-
<b>OECD closing stock levels, mb</b>													
Commercial	-	-	3.08	5.64	-	-	-	-	-	-	-	-	-
SPR	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	3.08	5.64	-	-	-	-	-	-	-	-	-
Oil-on-water	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Days of forward consumption in OECD, days</b>													
Commercial onland stocks	-0.01	0.25	0.25	-0.19	-	-	-	-	-	-	-	-	-
SPR	-0.01	0.14	0.09	-0.18	-	-	-	-	-	-	-	-	-
Total	-0.02	0.39	0.34	-0.36	-	-	-	-	-	-	-	-	-
<b>Memo items</b>													
<b>(a) - (b)</b>	<b>-0.02</b>	<b>0.05</b>	<b>-0.09</b>	<b>0.14</b>	<b>0.33</b>	<b>-0.94</b>	<b>-1.29</b>	<b>-0.44</b>	<b>-0.55</b>	<b>-0.67</b>	<b>-0.40</b>	<b>-0.42</b>	<b>-0.51</b>

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

This table shows only where changes have occurred.

Source: OPEC.

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

	2016	2017	2018	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
<b>OECD oil stocks and oil on water</b>												
<b>Closing stock levels, mb</b>												
<b>OECD onland commercial</b>	<b>3,007</b>	<b>2,860</b>	<b>2,875</b>	<b>2,814</b>	<b>2,868</b>	<b>2,875</b>	<b>2,878</b>	<b>2,938</b>	<b>2,948</b>	<b>2,911</b>	<b>2,994</b>	<b>3,240</b>
Americas	1,598	1,498	1,544	1,473	1,543	1,544	1,508	1,565	1,559	1,538	1,591	1,748
Europe	995	948	930	952	933	930	989	983	988	978	1,034	1,083
Asia Pacific	414	413	402	390	392	402	381	391	401	394	368	409
<b>OECD SPR</b>	<b>1,601</b>	<b>1,569</b>	<b>1,552</b>	<b>1,575</b>	<b>1,570</b>	<b>1,552</b>	<b>1,557</b>	<b>1,549</b>	<b>1,544</b>	<b>1,535</b>	<b>1,537</b>	<b>1,561</b>
Americas	697	665	651	662	662	651	651	647	647	637	637	658
Europe	483	481	481	491	486	481	488	485	482	482	484	486
Asia Pacific	421	423	420	422	422	420	417	417	416	416	416	416
<b>OECD total</b>	<b>4,608</b>	<b>4,428</b>	<b>4,427</b>	<b>4,389</b>	<b>4,438</b>	<b>4,427</b>	<b>4,435</b>	<b>4,487</b>	<b>4,492</b>	<b>4,446</b>	<b>4,531</b>	<b>4,800</b>
<b>Oil-on-water</b>	<b>1,102</b>	<b>1,025</b>	<b>1,058</b>	<b>1,014</b>	<b>1,041</b>	<b>1,058</b>	<b>1,013</b>	<b>995</b>	<b>1,012</b>	<b>1,011</b>	<b>1,186</b>	<b>1,329</b>
<b>Days of forward consumption in OECD, days</b>												
<b>OECD onland commercial</b>	<b>63</b>	<b>60</b>	<b>60</b>	<b>58</b>	<b>60</b>	<b>60</b>	<b>61</b>	<b>61</b>	<b>62</b>	<b>64</b>	<b>83</b>	<b>73</b>
Americas	64	58	60	57	60	61	59	60	61	63	82	72
Europe	69	66	65	65	66	66	70	67	70	73	100	82
Asia Pacific	51	52	52	51	49	49	51	52	50	51	59	63
<b>OECD SPR</b>	<b>34</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>32</b>	<b>32</b>	<b>34</b>	<b>43</b>	<b>35</b>
Americas	28	26	26	25	26	26	26	25	25	26	33	27
Europe	33	34	34	33	34	34	34	33	34	36	47	37
Asia Pacific	52	53	54	55	53	51	56	55	52	54	67	64
<b>OECD total</b>	<b>97</b>	<b>92</b>	<b>94</b>	<b>91</b>	<b>93</b>	<b>93</b>	<b>94</b>	<b>93</b>	<b>94</b>	<b>98</b>	<b>126</b>	<b>109</b>

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

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

	2017	2018	2019	3Q20	4Q20	2020	Change 20/19	1Q21	2Q21	3Q21	4Q21	2021	Change 21/20
<b>Non-OPEC liquids production and OPEC NGLs</b>													
US	14.4	16.7	18.4	16.4	16.6	17.1	-1.3	16.8	17.1	17.4	18.0	17.3	0.2
Canada	4.9	5.3	5.4	5.0	5.1	5.1	-0.3	5.2	5.1	5.4	5.6	5.3	0.2
Mexico	2.2	2.1	1.9	1.9	1.8	1.9	0.0	1.9	1.9	1.9	1.9	1.9	0.0
<b>OECD Americas</b>	<b>21.5</b>	<b>24.1</b>	<b>25.8</b>	<b>23.3</b>	<b>23.5</b>	<b>24.1</b>	<b>-1.6</b>	<b>23.9</b>	<b>24.0</b>	<b>24.7</b>	<b>25.5</b>	<b>24.5</b>	<b>0.4</b>
Norway	2.0	1.9	1.7	2.0	2.1	2.0	0.3	2.1	2.1	2.2	2.3	2.2	0.1
UK	1.0	1.1	1.1	1.1	1.2	1.1	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
<b>OECD Europe</b>	<b>3.8</b>	<b>3.8</b>	<b>3.7</b>	<b>3.9</b>	<b>4.1</b>	<b>4.0</b>	<b>0.3</b>	<b>4.1</b>	<b>4.0</b>	<b>4.0</b>	<b>4.3</b>	<b>4.1</b>	<b>0.1</b>
Australia	0.3	0.3	0.5	0.5	0.5	0.5	0.0	0.5	0.5	0.5	0.5	0.5	0.0
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
<b>OECD Asia Pacific</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.0</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.0</b>
<b>Total OECD</b>	<b>25.7</b>	<b>28.3</b>	<b>30.0</b>	<b>27.8</b>	<b>28.2</b>	<b>28.7</b>	<b>-1.3</b>	<b>28.6</b>	<b>28.6</b>	<b>29.4</b>	<b>30.4</b>	<b>29.2</b>	<b>0.6</b>
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	0.8	0.9	0.9	0.8	0.0	0.8	0.8	0.9	0.9	0.9	0.0
Indonesia	0.9	0.9	0.9	0.8	0.8	0.9	0.0	0.8	0.8	0.8	0.8	0.8	0.0
Malaysia	0.7	0.7	0.7	0.6	0.6	0.6	-0.1	0.6	0.6	0.6	0.6	0.6	0.0
Thailand	0.5	0.5	0.5	0.5	0.5	0.5	0.0	0.5	0.5	0.5	0.5	0.5	0.0
Vietnam	0.3	0.3	0.3	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Asia others	0.3	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
<b>Other Asia</b>	<b>3.7</b>	<b>3.6</b>	<b>3.5</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>	<b>-0.2</b>	<b>3.4</b>	<b>3.3</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>	<b>0.0</b>
Argentina	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Brazil	3.3	3.3	3.5	3.7	3.9	3.7	0.2	3.9	3.9	3.9	4.0	3.9	0.2
Colombia	0.9	0.9	0.9	0.8	0.8	0.8	-0.1	0.8	0.8	0.8	0.8	0.8	0.0
Ecuador	0.5	0.5	0.5	0.5	0.5	0.5	0.0	0.5	0.6	0.6	0.6	0.6	0.1
Latin America others	0.4	0.4	0.4	0.5	0.5	0.4	0.1	0.5	0.5	0.5	0.5	0.5	0.0
<b>Latin America</b>	<b>5.7</b>	<b>5.8</b>	<b>6.1</b>	<b>6.2</b>	<b>6.4</b>	<b>6.2</b>	<b>0.1</b>	<b>6.4</b>	<b>6.4</b>	<b>6.4</b>	<b>6.6</b>	<b>6.5</b>	<b>0.3</b>
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	0.8	0.8	0.9	-0.1	0.9	0.9	0.9	0.9	0.9	0.0
Qatar	1.9	2.0	2.0	2.0	2.0	2.0	0.0	2.0	2.0	2.0	2.0	2.0	0.0
Syria	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yemen	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
<b>Middle East</b>	<b>3.1</b>	<b>3.2</b>	<b>3.2</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>-0.1</b>	<b>3.1</b>	<b>3.1</b>	<b>3.2</b>	<b>3.2</b>	<b>3.1</b>	<b>0.0</b>
Cameroon	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.0	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	0.6	0.0	0.6	0.6	0.6	0.6	0.6	-0.1
Ghana	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
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	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
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
<b>Africa</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.4</b>	<b>1.4</b>	<b>1.5</b>	<b>-0.1</b>	<b>1.5</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>0.0</b>
<b>Total DCs</b>	<b>14.0</b>	<b>14.1</b>	<b>14.3</b>	<b>14.0</b>	<b>14.3</b>	<b>14.1</b>	<b>-0.2</b>	<b>14.4</b>	<b>14.3</b>	<b>14.3</b>	<b>14.6</b>	<b>14.4</b>	<b>0.3</b>
<b>FSU</b>	<b>14.1</b>	<b>14.3</b>	<b>14.4</b>	<b>12.2</b>	<b>12.5</b>	<b>13.1</b>	<b>-1.3</b>	<b>13.1</b>	<b>13.1</b>	<b>13.1</b>	<b>13.1</b>	<b>13.1</b>	<b>0.0</b>
Russia	11.2	11.3	11.4	9.7	9.9	10.3	-1.1	10.4	10.4	10.4	10.4	10.4	0.0
Kazakhstan	1.7	1.8	1.8	1.5	1.6	1.7	-0.1	1.7	1.7	1.7	1.7	1.7	0.0
Azerbaijan	0.8	0.8	0.8	0.7	0.7	0.7	-0.1	0.7	0.7	0.7	0.7	0.7	0.0
FSU others	0.4	0.4	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
<b>Other Europe</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>
<b>China</b>	<b>4.0</b>	<b>4.0</b>	<b>4.1</b>	<b>4.0</b>	<b>4.0</b>	<b>4.1</b>	<b>0.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>	<b>0.0</b>
<b>Non-OPEC production</b>	<b>57.9</b>	<b>60.9</b>	<b>62.9</b>	<b>58.2</b>	<b>59.0</b>	<b>60.0</b>	<b>-2.8</b>	<b>60.2</b>	<b>60.1</b>	<b>60.9</b>	<b>62.3</b>	<b>60.9</b>	<b>0.9</b>
<b>Processing gains</b>	<b>2.2</b>	<b>2.3</b>	<b>2.3</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>-0.2</b>	<b>2.2</b>	<b>2.2</b>	<b>2.2</b>	<b>2.2</b>	<b>2.2</b>	<b>0.1</b>
<b>Non-OPEC liquids production</b>	<b>60.1</b>	<b>63.1</b>	<b>65.1</b>	<b>60.3</b>	<b>61.1</b>	<b>62.1</b>	<b>-3.0</b>	<b>62.4</b>	<b>62.3</b>	<b>63.1</b>	<b>64.5</b>	<b>63.1</b>	<b>1.0</b>
<b>OPEC NGL</b>	<b>5.1</b>	<b>5.2</b>	<b>5.1</b>	<b>5.0</b>	<b>5.0</b>	<b>5.1</b>	<b>-0.1</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>0.1</b>
<b>OPEC Non-</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>
<b>OPEC (NGL+NCF)</b>	<b>5.2</b>	<b>5.3</b>	<b>5.3</b>	<b>5.1</b>	<b>5.1</b>	<b>5.2</b>	<b>-0.1</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>0.1</b>
<b>Total Non-OPEC production and OPEC NGLs</b>	<b>65.3</b>	<b>68.4</b>	<b>70.4</b>	<b>65.4</b>	<b>66.2</b>	<b>67.3</b>	<b>-3.1</b>	<b>67.6</b>	<b>67.6</b>	<b>68.4</b>	<b>69.7</b>	<b>68.3</b>	<b>1.1</b>

Note: Non-OPEC liquids production includes the Republic of Ecuador and OECD Americas includes Chile.

Totals may not add up due to independent rounding.

Source: OPEC.

Table 11 - 5: World rig count, units

	2017	2018	2019	Change 2019/18	3Q19	4Q19	1Q20	2Q20	Jun 20	Jul 20	Change Jul/Jun
<b>World rig count</b>											
US	875	1,031	944	-88	920	819	784	396	274	255	-19
Canada	207	191	134	-57	131	138	196	25	18	33	15
Mexico	17	27	37	10	38	48	46	43	40	38	-2
<b>OECD Americas</b>	<b>1,099</b>	<b>1,249</b>	<b>1,114</b>	<b>-135</b>	<b>1,089</b>	<b>1,005</b>	<b>1,026</b>	<b>464</b>	<b>332</b>	<b>326</b>	<b>-6</b>
Norway	15	15	17	2	18	18	16	16	16	14	-2
UK	9	7	15	7	16	13	8	4	4	4	0
<b>OECD Europe</b>	<b>92</b>	<b>85</b>	<b>149</b>	<b>63</b>	<b>190</b>	<b>154</b>	<b>129</b>	<b>111</b>	<b>110</b>	<b>105</b>	<b>-5</b>
<b>OECD Asia Pacific</b>	<b>15</b>	<b>21</b>	<b>29</b>	<b>8</b>	<b>31</b>	<b>30</b>	<b>30</b>	<b>22</b>	<b>18</b>	<b>16</b>	<b>-2</b>
<b>Total OECD</b>	<b>1,206</b>	<b>1,355</b>	<b>1,292</b>	<b>-64</b>	<b>1,310</b>	<b>1,189</b>	<b>1,184</b>	<b>597</b>	<b>460</b>	<b>447</b>	<b>-13</b>
Other Asia*	208	222	221	-1	217	212	214	190	196	192	-4
Latin America	119	131	129	-2	132	119	107	26	30	35	5
Middle East	68	65	68	3	67	69	69	59	52	50	-2
Africa	38	45	55	11	51	63	61	46	39	33	-6
<b>Total DCs</b>	<b>432</b>	<b>462</b>	<b>474</b>	<b>12</b>	<b>467</b>	<b>463</b>	<b>451</b>	<b>321</b>	<b>317</b>	<b>310</b>	<b>-7</b>
<b>Non-OPEC rig count</b>	<b>1,638</b>	<b>1,817</b>	<b>1,766</b>	<b>-52</b>	<b>1,777</b>	<b>1,652</b>	<b>1,635</b>	<b>917</b>	<b>777</b>	<b>757</b>	<b>-20</b>
Algeria	54	50	45	-5	42	41	38	33	29	30	1
Angola	3	4	4	1	4	3	6	2	0	0	0
Congo	2	3	3	0	3	2	2	1	0	0	0
Equatorial Guinea**	1	1	2	1	1	1	1	1	1	1	0
Gabon	1	3	7	4	7	9	9	2	0	0	0
Iran**	156	157	117	-40	117	117	117	117	117	117	0
Iraq	49	59	74	14	77	77	74	54	41	32	-9
Kuwait	54	51	46	-5	46	48	53	52	50	49	-1
Libya	1	5	14	10	16	16	14	11	12	11	-1
Nigeria	9	13	16	2	16	18	19	11	9	6	-3
Saudi Arabia	118	117	115	-2	118	109	113	108	100	92	-8
UAE	52	55	62	7	64	67	66	58	54	53	-1
Venezuela	49	32	25	-8	25	25	25	6	1	1	0
<b>OPEC rig count</b>	<b>547</b>	<b>550</b>	<b>529</b>	<b>-21</b>	<b>536</b>	<b>534</b>	<b>537</b>	<b>455</b>	<b>414</b>	<b>392</b>	<b>-22</b>
<b>World rig count***</b>	<b>2,185</b>	<b>2,368</b>	<b>2,295</b>	<b>-73</b>	<b>2,313</b>	<b>2,185</b>	<b>2,172</b>	<b>1,373</b>	<b>1,191</b>	<b>1,149</b>	<b>-42</b>
<i>of which:</i>											
Oil	1,678	1,886	1,800	-87	1,794	1,717	1,707	1,027	873	842	-31
Gas	466	448	464	15	486	431	411	288	261	268	7
Others	42	33	31	-2	32	38	54	57	57	39	-18

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 and OPEC.

# 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
DoC	Declaration of Cooperation
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

## Glossary of Terms

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



up 6.37 in July

July 2020	43.42
June 2020	37.05
<b>Year-to-date</b>	<b>39.85</b>

## July OPEC crude production

mb/d, according to secondary sources



up 0.98 in July

July 2020	23.17
June 2020	22.19

## Economic growth rate

per cent

	World	OECD	US	Euro-zone	Japan	China	India
<b>2020</b>	-4.0	-6.2	-5.3	-8.0	-5.1	1.8	-4.6
<b>2021</b>	4.7	4.0	4.1	4.3	3.2	6.9	6.8

## Supply and demand

mb/d

<b>2020</b>		<b>20/19</b>	<b>2021</b>		<b>21/20</b>
World demand	90.6	-9.1	World demand	97.6	7.0
Non-OPEC liquids production	62.1	-3.0	Non-OPEC liquids production	63.1	1.0
OPEC NGLs	5.2	-0.1	OPEC NGLs	5.2	0.1
<b>Difference</b>	<b>23.4</b>	<b>-5.9</b>	<b>Difference</b>	<b>29.3</b>	<b>5.9</b>

## OECD commercial stocks

mb

	<b>Jun 19</b>	<b>Apr 20</b>	<b>May 20</b>	<b>Jun 20</b>	<b>Jun 20/May 20</b>
Crude oil	1,477	1,577	1,594	1,607	13
Products	1,461	1,557	1,621	1,633	11
<b>Total</b>	<b>2,938</b>	<b>3,134</b>	<b>3,216</b>	<b>3,240</b>	<b>24</b>
Days of forward cover	60.9	81.4	77.3	73.4	-3.9

Next report to be issued on 14 September 2020.