



Organization of the Petroleum Exporting Countries



OPEC Monthly Oil Market Report

14 July 2020

Feature article:

The outlook for the oil market in 2021

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Oil Market Highlights

Crude Oil Price Movements

Spot crude oil prices continued rising in June for the second consecutive month, given the continued improvement in physical crude market fundamentals and gradual reductions in global supply overhang. The OPEC Reference Basket (ORB) value rose by \$11.88, m-o-m, to \$37.05/b, up by 47.2%. In June, ICE Brent rose by \$8.36, or 25.8%, to average \$40.77/b, while NYMEX WTI rose by \$9.79, or 34.3%, to average \$38.31/b. The increase was driven by a drop in global oil surplus, signs of further improvements in oil market fundamentals, as well as prospects that the oil market would tighten further in 2H20. The contango structure of Brent and WTI continued to ease, while the DME Oman structure flipped into mild backwardation. Hedge funds and other money managers slightly raised their bullish bets on futures and options contracts in June, amid concerns about the spike of COVID-19 cases worldwide and potential impact on economic activity and oil demand.

World Economy

World economic growth in 2020 is revised down to -3.7%, compared to -3.4% in the previous month, following a more pronounced impact of COVID-19 on a few emerging and developing economies. The major contraction in 2020 is forecast to be followed by a recovery in 2021, with global economic growth forecast at 4.7%. The US is projected to contract by 5.2% in 2020, followed by growth of 4.1% in 2021. The Euro-zone is forecast to contract by 8.0% in 2020, and grow by 4.3% in 2021. Japan is expected to decline by 5.1% in 2020 and recover by 3.2% in 2021. China's 2020 GDP is forecast to still grow by 1.3%, followed by growth of 6.9% in 2021. India's 2020 growth is forecast to decline by 2.5%, followed by growth of 6.8% in 2021. Brazil's 2020 GDP is forecast to drop by 6.7%, but rebound to growth of 2.4% in 2021. Russia's economy is forecast to contract by 4.5% in 2020, and recover in 2021, growing by 2.9%.

World Oil Demand

Global oil demand growth in 2020 is revised up by 0.1 mb/d from the previous month's assessment, to show a decline of around 8.9 mb/d. Better-than-expected data in the OECD region in 2Q20 slightly eased the historically steep drop, and more than offset the downward adjustment, in non-OECD oil demand, mainly in Other Asia. In 2021, oil demand is forecast to partially recover from the current year to show historic high growth of 7.0 mb/d. Regionally, both the OECD and the non-OECD regions are forecast to grow by 3.5 mb/d, y-o-y. In terms of products, gasoline and diesel are anticipated to record the highest y-o-y gains, although, ongoing efficiency gains, including tele-working and tele-conferencing, may cap oil demand gains in 2021 to remain below pre-crisis levels of 2019.

World Oil Supply

Non-OPEC liquids production growth in 2020 (including processing gains) is revised down by a minor 30 tb/d from the previous assessment, and is expected to decline by 3.26 mb/d, y-o-y. In addition to the downward adjustments of the ten non-OPEC countries participating in the Declaration of Cooperation (DoC) by 1.89 mb/d in 2Q20, production shut-ins due to the Covid-19 pandemic, low oil prices and storage or offtake issues in countries outside of the DoC, are estimated to average 3.55 mb/d during the same quarter. US production growth is revised up by 68 tb/d, due higher-than-initially expected production in 2H20, now showing a decline of 1.37 mb/d in 2020, y-o-y. For 2021, non-OPEC liquids production is forecast to grow by 0.92 mb/d. The US, Brazil, Norway, Canada, and Australia are forecast to be the main drivers for growth in 2021. 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 June decreased further by 1.89 mb/d m-o-m to average 22.27 mb/d, in compliance with the Conference decisions and above 100% conformity, according to secondary sources.

Product Markets and Refining Operations

In June, refinery margins in the Atlantic Basin came under pressure, affected by stronger crude prices and growing concerns over a second wave of the COVID-19 pandemic, which offset earlier gains in refining economics towards the end of the month. This downturn was particularly pronounced in Europe, while in the USGC, margins managed to improve slightly owing to stronger diesel exports. In Asia, margins rebounded and showed large gains in complex configurations as gasoline cracks jumped in line with positive consumption indicators, particularly in South Korea and India, amid hefty refinery intake cuts and stronger fuel import requirements from Japan.

Tanker Market

Dirty tanker rates broadly trended lower across most routes in June, receding from higher levels seen earlier in the year. The decline in rates was driven by production adjustments to address the oversupply in the market, increased tonnage availability amid the gradual unwinding of floating storage, and lower import needs globally as product demand remained weak. Similar factors kept clean spot freight rates muted in June.

Crude and Refined Products Trade

Preliminary data for June shows US crude imports continued to recover, reaching 6.5 mb/d, up from the low of 5.5 mb/d seen in April. Product imports also improved, led by a recovery in gasoline. US crude exports declined to average 2.8 mb/d; meanwhile, product exports improved, led by diesel. China's crude imports surged to a record 11.3 mb/d in May, as a wave of crude cargoes purchased at a time of low prices began to arrive in Chinese waters. Product imports also saw record highs of 1.8 mb/d, with LPG and naphtha both showing gains. China's product exports fell by more than half to just under 1 mb/d, for the first time since April 2017. India's crude inflows approached a 6-year low of 3.4 mb/d in May, amid reduced refinery runs and swelling commercial inventories.

Commercial Stock Movements

Preliminary May data showed that total OECD commercial oil stocks rose by 29.9 mb, m-o-m, to stand at 3,167 mb. This was 232 mb higher than the same time one year ago, and 210 mb above the latest five-year average. Within the components, crude and product stocks rose by 9.7 mb and 20.2 mb, m-o-m, respectively. OECD crude stocks stood at 91 mb above the latest five-year average, while product stocks showed a surplus of 119 mb. In terms of days of forward cover, OECD commercial stocks fell by 5.2 days m-o-m in May to stand at 75.8 days. This was 14.9 days above May 2019, and 13.9 days above the latest five-year average.

Balance of Supply and Demand

Demand for OPEC crude in 2020 was revised up by 0.2 mb/d from the previous month to stand at 23.8 mb/d, which is around 5.6 mb/d lower than in 2019. Based on the preliminary forecast for world oil demand and non-OPEC supply for 2021, demand for OPEC crude for 2021 is forecast at 29.8 mb/d, which will be 6.0 mb/d higher than the 2020 level.

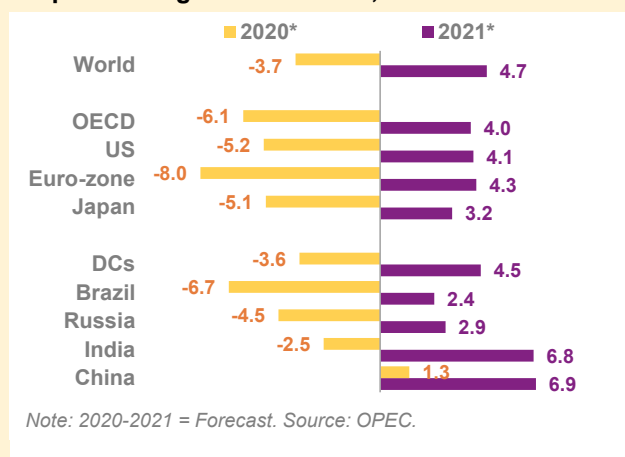
Feature Article

The outlook for the oil market in 2021

The outbreak of COVID-19 pandemic had an unprecedented and devastating impact on the global economy and oil market fundamentals in 2020. While the market still finds itself in the midst of the crisis, gradual stabilization is expected to begin in 2H20, leading to a cautious forecast of renewed growth in the year to come.

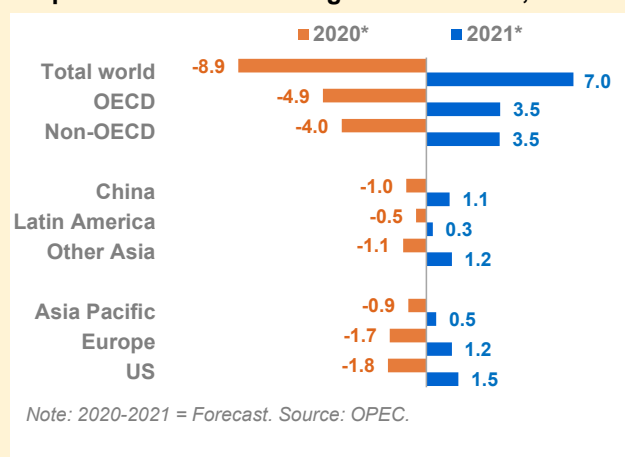
GDP growth in 2021 is forecast at 4.7%, following a contraction of 3.7% seen this year (**Graph 1**). This assumes that COVID-19 is contained, especially in major economies, allowing for recovery in private household consumption and investment, supported by the massive stimulus measures undertaken to combat the pandemic. The 2021 forecast assumes no further downside risks materialize, particularly from trade-related issues. Growth risks include high debt levels, which could pose serious challenges for anticipated growth, not only due to general limitations in fiscal space, but also a rise in debt-services. Indeed, the magnitude of the recovery in the travel and hospitality sector, along with general leisure services and transportation will be significant to economic recovery in 2021.

Graph 1: GDP growth forecasts, %



Global oil demand in 2021 is projected to recover strongly from the downturn seen in 2020 (**Graph 2**), registering historical high growth of 7.0 mb/d although remaining far below the pre-COVID-19 level. Encouraging improvements in economic momentum are assumed to be the driving factors for increasing demand in 2021. In regional terms, the OECD is estimated to contribute around 3.5 mb/d to growth, driven by positive developments in OECD Americas. In the non-OECD, growth in petroleum product demand is also estimated at 3.5 mb/d with Other Asia and China contributing a combined increase of more than 2.4 mb/d. Gasoline and diesel are anticipated to record the highest y-o-y gains as both products are foreseen rising by more than 3.8 mb/d. Jet fuel is expected to only partially recover, growing by 0.8 mb/d, as international travel will remain under pressure for the whole of 2021; lower travel and commuting activities will affect transportation fuel demand in general.

Graph 2: World oil demand growth forecasts, mb/d



Non-OPEC oil supply is forecast to grow by 0.92 mb/d in 2021, following a deep contraction in the current year. This is mainly driven by an expected recovery in demand and a likely improvement in oil prices to levels that would lead to increased activities by US producers. US production in 2021 will see only a minor growth of 0.24 mb/d, compared to the growth of 2.3 mb/d seen in 2018 and the 1.7 mb/d seen in 2019. US tight crude is expected to grow by 0.24 mb/d, mainly from the Permian Basin, offset by declines in onshore conventional crude. In North America, Canadian production is expected to recover, although pipeline constraints are likely to persist. Oil production in countries such as Norway, Brazil, and Australia is expected to increase through the ramping up of existing projects and new field start-ups. In contrast, natural decline in Egypt, Mexico, Thailand, Colombia and Kazakhstan is expected to offset some of this growth.

Investment in Exploration and Production (E&P) in non-OPEC countries is expected at around \$323 bn in 2021, with US shale at around \$63 bn, down by \$100 bn from the peak levels seen in 2014.

Overall, the outlook for 2021 remains dependent on the considerable uncertainties in 2021, both to the upside and the downside. At the same time, the historic cooperation between OPEC Member Countries and non-OPEC countries participating in the Declaration of Cooperation (DoC), together with the supportive actions of many of the G20 producers, have helped the global oil market, and hence the world economy, to overcome recent unprecedented challenges. The historic decisions taken amid a vast range of uncertainty have provided a substantial and highly effective contribution, paving the road for the global economic and energy markets recovery in 2021.

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Crude Oil Price Movements

Spot crude oil prices rose in June and continued to move higher for the second consecutive month, with the North Sea Dated benchmark up by 39% on a monthly average, while both Dubai and WTI front month rose by 34% on the continued improvement in physical crude oil market fundamentals and gradual easing of the global oil supply overhang. Furthermore, a pick-up in crude demand from refiners supported the market. The OPEC Reference Basket (ORB) value performed better than spot benchmarks, underpinned by the sharp increase of its component values, particularly light sweet components. The ORB value was up by 47% in June for the second month in a row, ending above \$37/b for the first time since February.

Crude oil futures prices increased sharply in June and reached three-month highs. Crude futures prices were buoyed by bullish market sentiment due to the gradual easing of the oil market surplus, signs of further improvement in global oil demand and supply fundamentals, as well as prospects of further improvement of the oil market in the second half of this year. Consequently, hedge funds and other money managers raised their bullish bets on oil prices and increased their futures and options positions in both ICE Brent and NYMEX WTI contracts. However, the continued spread of COVID-19 limited gains in prices. In June, ICE Brent climbed by \$8.36, or 25.8%, to average \$40.77/b, and NYMEX WTI rose by \$9.79, or 34.3%, to average \$38.31/b. Year-to-date (y-t-d), ICE Brent was \$24.06 lower at \$42.10/b, a drop of 36.4%, while NYMEX WTI was lower by \$20.63, or 35.9%, at \$36.82/b compared to the same period a year earlier. DME Oman crude oil futures prices rose in June by \$8.01, or 23.7%, m-o-m, to settle at \$41.77/b. Y-t-d, DME Oman was lower by \$23.90, or 36.3%, at \$41.87/b.

The contango structure of the global oil market continued to ease last month, suggesting a pick-up in oil demand and gradual alleviation of global oversupply, while the DME Oman structure flipped into a mild backwardation for the first time since it turned into contango in early March. Flattening of the contango structure has contributed to releases of crude volumes from floating storage.

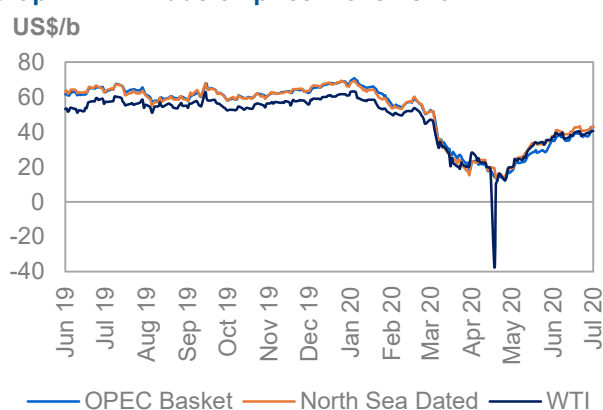
The sweet/sour crude differentials narrowed in Europe and in the USGC on a tightening sour market. In Asia, however, the spread remained narrow, but widened m-o-m, as seen in the Tapis-Dubai spread, after the value of light sweet crude rebounded sharply from low levels registered in May.

Crude spot prices

Spot crude oil prices rose in June and continued to move higher for the second consecutive month, with the North Sea Dated benchmark up by 39% on a monthly average, while both the Dubai and WTI front month rose by 34% on continued improvements in physical crude oil market fundamentals. Physical market conditions improved as the oversupply eased. The ongoing rebalancing process was supported by a good conformity level of production adjustments in May from OPEC and participating non-OPEC producers in the DoC, in addition to extending the first phase of the production adjustment agreement by one month, to the end of July. In addition, announcements of individual compensatory adjustments by several producing countries that had not been able to meet full conformity underpinned market sentiment.

The spot market was also supported in June by a gradual recovery in crude demand and rising refinery throughputs in the main refinery hubs, amid increased mobility, as lockdowns and travel restrictions eased in many countries and cities. Indeed, data showed a significant rebound in refinery operations in June in the US, China, India and in many European countries. However, high global oil stock levels limited oil price gains, while the narrowing contango structure of Brent and Dubai has made floating storage unprofitable, which induced increasing crude offers from floating storage.

Graph 1 - 1: Crude oil price movement



Sources: Argus, OPEC and Platts.

Crude Oil Price Movements

All physical crude oil benchmarks rose m-o-m in June, with North Sea Dated increasing by \$11.27, or 39.1%, to settle at \$40.08/b, while the Dubai and WTI first months rose by \$10.36 and \$9.73, or 34.1% each, respectively, to settle at \$40.71/b and \$38.30/b.

OPEC Reference Basket (ORB)

The ORB value performed better than spot benchmarks, underpinned by a sharp increase of its component values, particularly light sweet grades. The ORB value was up by 47% in June for the second month in a row, ending above \$37/b for the first time since February. Its value has more than doubled from the April low. On a monthly basis, the ORB rose \$11.88 to \$37.05/b, up by 47.2%. However, compared to the previous year, the ORB was down 40.1%, from \$65.48/b in 2019 to an average \$39.20/b this year. All ORB component values rose sharply in June, on higher related crude references, official selling prices, and crude differentials for almost all grades as the market overhang continued to ease.

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

	May 20	Jun 20	Change		Year-to-date	
			Jun/May	%	2019	2020
OPEC Reference Basket	25.17	37.05	11.88	47.2	65.48	39.20
Arab Light	24.99	36.12	11.13	44.5	66.38	39.86
Basrah Light	24.73	37.23	12.50	50.5	65.13	38.60
Bonny Light	24.86	39.03	14.17	57.0	67.40	39.55
Djeno	21.36	32.63	11.27	52.8	63.37	35.49
Es Sider	24.56	38.68	14.12	57.5	65.23	38.23
Girassol	28.62	43.10	14.48	50.6	67.39	40.37
Iran Heavy	23.55	36.26	12.71	54.0	63.24	37.68
Kuwait Export	24.54	35.58	11.04	45.0	65.59	39.04
Merey	16.33	24.73	8.40	51.4	56.12	26.61
Murban	28.23	39.33	11.10	39.3	66.44	41.82
Rabi Light	26.08	40.70	14.62	56.1	65.22	37.50
Sahara Blend	26.31	40.48	14.17	53.9	66.24	40.34
Zafiro	26.76	40.79	14.03	52.4	67.12	39.09
Other Crudes						
North Sea Dated	28.81	40.08	11.27	39.1	65.97	39.80
Dubai	30.35	40.71	10.36	34.1	65.48	40.86
Isthmus	25.17	35.07	9.90	39.3	65.17	32.65
LLS	31.56	39.49	7.93	25.1	64.78	39.27
Mars	30.39	39.22	8.83	29.1	63.17	37.56
Minas	29.66	38.42	8.76	29.5	60.62	40.11
Urals	30.65	42.36	11.71	38.2	66.19	39.59
WTI	28.57	38.30	9.73	34.1	57.39	36.98
Differentials						
North Sea Dated/WTI	0.24	1.78	1.54	-	8.58	2.82
North Sea Dated/LLS	-2.75	0.59	3.34	-	1.19	0.53
North Sea Dated/Dubai	-1.54	-0.63	0.91	-	0.49	-1.06

Sources: Argus, Direct Communication, OPEC and Platts.

The oil futures market

Crude oil futures prices increased sharply again in June with ICE Brent and NYMEX WTI reaching three-month highs to average \$40.77/b and \$38.31/b, respectively. The rise was driven by bullish market sentiment coming from gradually easing oil surpluses, signs of further improvements in global oil demand, as well as prospects that the oil market will tighten further in 2H20. Most forecasters expect a significant deficit in the global supply/demand balance in 2H20, which should draw the global oil stocks from the high levels registered recently. ICE Brent and NYMEX WTI rose respectively m-o-m in June by \$8.36 and \$9.79 to average \$40.77/b and \$38.31/b.

Global oil demand and economic activity were showing signs of recovery with the latest data showing rising road traffic in several countries as COVID-19-related lockdowns and mobility restrictions eased, which could further boost oil demand. Furthermore, data showed a recovery in refining activity in the main refining hubs that could prompt crude demand. The oil market also strengthened on lower supply from major producers, which contributed to a gradual rebalancing of the global oil market. Furthermore, the EIA forecast that the US shale supply in July would fall to the lowest level since July 2018, while data from Baker Hughes indicated a sharp decline in drilling activity in the US, with the number of active oil and gas rigs falling for 16 consecutive weeks. At the end of June, the number of active oil and gas rigs in the US fell to an all-time low of 265 units, 73% below the level of this time last year.

The price rally was limited, however, as uncertainty remains and investors are still cautious about the speed of oil demand recovery, amid a rise of COVID-19 infections worldwide and the risk of a second wave that could jeopardize the recovery in oil demand and the world economy. Indeed, data in June showed emerging new clusters in many countries and cities where lockdowns and restrictions were relaxed. The persistent high level of global oil stocks, and the record increase of US crude oil stocks in June, also added downward pressure.

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

	May 20	Jun 20	Change		Year-to-date	
			Jun/May	%	2019	2020
Future crude						
NYMEX WTI	28.53	38.31	9.79	34.3	57.45	36.82
ICE Brent	32.41	40.77	8.36	25.8	66.17	42.10
DME Oman	33.76	41.77	8.01	23.7	65.77	41.87
Spread						
ICE Brent-NYMEX WTI	3.88	2.46	-1.43	-36.7	8.72	5.29

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

Sources: CME, DME, ICE and OPEC.

In June, **ICE Brent** climbed by \$8.36, or 25.8%, to average \$40.77/b, and **NYMEX WTI** rose by \$9.79, or 34.3%, to average \$38.31/b. Y-t-d, ICE Brent was \$24.06 lower at \$42.10/b, a drop of 36.4%, while NYMEX WTI was lower by \$20.63, or 35.9%, compared to the same period a year earlier, at \$36.82/b. **DME Oman** crude oil futures prices rose m-o-m in June by \$8.01, or 23.7%, to settle at \$41.77/b. Y-t-d, DME Oman was lower by \$23.90, or 36.3%, at \$41.87/b.

On 13 July, ICE Brent stood at \$42.72/b and NYMEX WTI at \$40.10/b.

The **ICE Brent/NYMEX WTI spread** continued to narrow in June for the second consecutive month and remained trading below \$3/b over the month on an easing supply overhang around Cushing, Oklahoma, the delivery point for NYMEX crude oil futures, and prospects of reduced US oil production this year in response to lower oil prices. US crude oil stocks at Cushing continued to decline for eight consecutive weeks to stand at 45.6 mb in the week of 26 June, a decline of 19.9 mb since early May, according to EIA data, mirroring improved market fundamentals. The ICE Brent/NYMEX WTI spread narrowed by \$1.43 m-o-m to average \$2.46/b in June, compared to \$3.88/b in May. However, the spread between North Sea Dated and WTI Houston first month widened in June, and the value of North Sea Dated was 83¢/b higher than WTI Houston on a monthly average, compared to a discount of \$2.13/b in May. The value of WTI Houston and other similar crudes in the US Gulf Coast (USGC) was under downward pressure from high stock levels in PADD3 and lower crude exports that stood below 2.5 mb/d in the first half of June, according to EIA data.

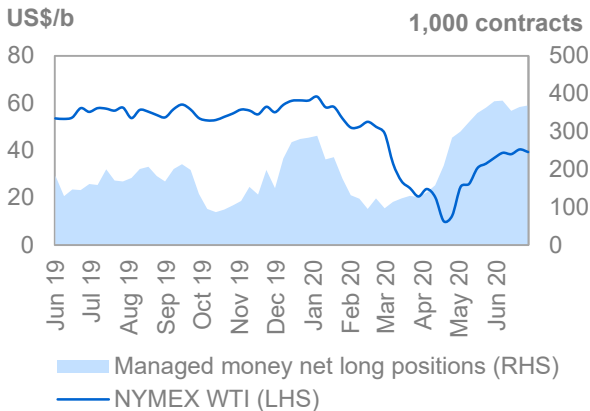
As oil prices recovered in June to their highest since early March and the market outlook improved, **hedge funds and other money managers** raised their bullish bets on futures and options contracts (ICE Brent and NYMEX WTI). Nonetheless, speculators were more or less cautious amid concerns about the spike of COVID-19 cases worldwide and its potential impact on oil demand and economic activity. By the end of the week of 30 June, money managers held net long positions equivalent to about 583 mb in the two main crude oil futures and options contracts. Hedge funds have more than doubled their net long positions from just 202 mb in mid-March 2020.

At the end of June, money managers raised net long positions in ICE Brent futures and options to 214,141 contracts, or 25% higher compared to 171,482 lots earlier in the month, adding 42,659 contracts, ICE exchange data showed. Speculators increased their bullish positions over June as Brent prices rose to a three-month high amid continuing improvement in global oil market fundamentals. However, the pace of increasing net long positions was moderate and the volume in late June of about 214 mb remained about half of the 426 mb level early this year.

Crude Oil Price Movements

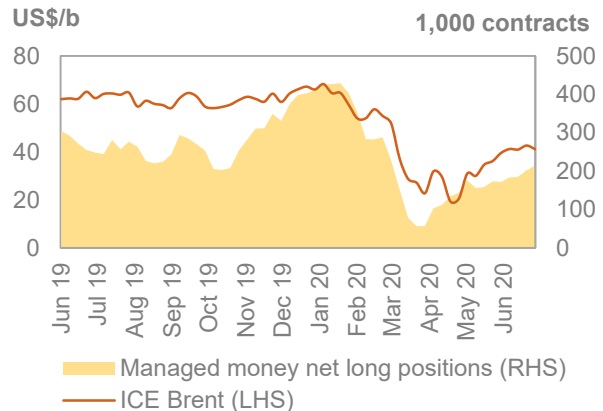
Speculators remained bullish in June on the WTI futures price but the trend of net long positions showed no clear direction over the month, as some participants took profits. The rising number of COVID-19 cases in the US and high US crude oil stock levels added uncertainty on price uptrends. Money managers raised their bullish positions in NYMEX WTI to 381,345 contracts in the week to 9 June, their highest level since August 2018. However, net long positions fell in the week to 30 June to stand at 369,335 lots, only 1.8%, or 6,611 contracts higher compared to the week of 26 May at 362,724. This is due to a rise of 17,752 lots in long positions, and a drop of 11,141 contracts in short positions, according to the 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



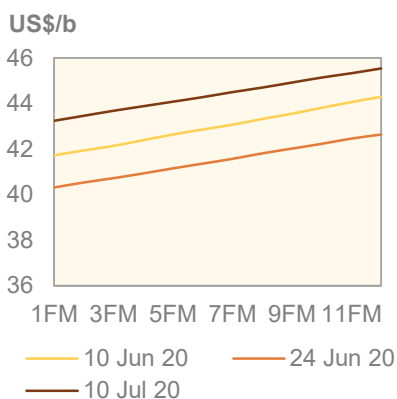
Sources: ICE and OPEC.

The long-to-short ratio of speculative positions in the ICE Brent contract rose to an average 5:1 in June, compared to 3:1 in May. However, the NYMEX WTI long-to-short ratio remained almost unchanged at 8:1 contracts in June, on average, the same level recorded in May. Total futures and options open interest volume on the two exchanges was little changed in June, decreasing by 81,473 contracts to stand at 6.0 million contracts in the week ending 30 June.

The futures market structure

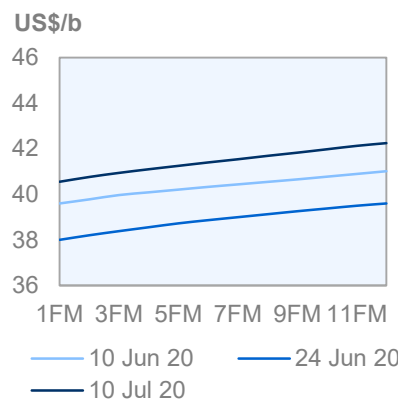
The **contango structure** of the global oil market continued to ease last month, suggesting a pick-up in oil demand and gradual alleviation of global oversupply. The DME Oman structure flipped into mild **backwardation** for the first time since it slumped into contango in March and April, when the oil market faced a severe demand shock and high global oil supply. Narrowing of the contango structure has contributed to releases of crude volumes from floating storage.

Graph 1 - 4: ICE Brent forward curves



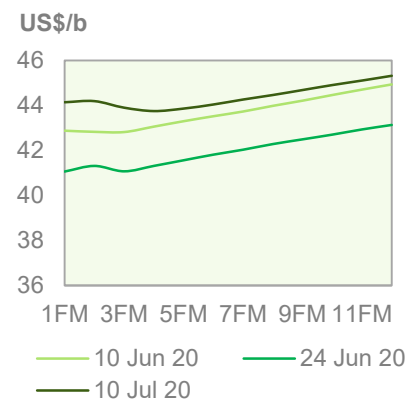
Sources: ICE and OPEC.

Graph 1 - 5: NYMEX WTI forward curves



Sources: CME and OPEC.

Graph 1 - 6: DME Oman forward curves



Sources: DME and OPEC.

The **ICE Brent** forward curve continued to flatten over June, particularly in the front, as the prompt crude availability in the Atlantic Basin diminished, while demand from refiners continued to recover gradually in Europe, the US and Asia, which supported the value of prompt prices and narrowed the gap between prompt and forward prices. Lower availability of crude supply from Russia and from crude oil producers in the

Mediterranean and West Africa under the framework of the DoC also contributed to narrowing intermonth spreads. On a monthly average, the ICE Brent M1-M3 contango narrowed by \$2.61, from \$2.92/b in May to 31¢/b in June.

In the US, the **NYMEX WTI** contango structure also narrowed in June compared to May, amid signs of easing supply surplus, improvement in oil demand, an increase in US refinery runs, and forecasts of declining US crude oil production. Furthermore, crude oil stocks at the Cushing, Oklahoma, trading hub fell for several weeks, which lessened the downward pressure on WTI futures prompt values. NYMEX WTI M1-M3 contango stood at 43¢/b in June on a monthly average, narrowing by \$3.99 from \$4.42/b in May.

The **DME Oman** market structure flipped into backwardation in the second half of June, with prompt prices holding at a premium to forward months, amid a significant supply adjustment from Middle East producers participating in the DoC, and a pick-up in crude demand for prompt Middle East sour crude, specifically from Asia-Pacific refiners. The increase of official selling prices of Middle East crudes encouraged refiners to return to the spot market, helping to support prompt prices of Dubai and DME Oman and to sustain the backwardation curve. Consequently, floating storage economics became unprofitable, leading to crude destocking from floating storage. On a monthly average, the DME Oman M1-M3 flipped to backwardation of 5¢/b in June, compared to a contango of \$1.85/b in May.

Regarding the **M1/M3 structure**, the North Sea M1/M3 contango narrowed in June on a monthly average by \$1.35 to 8¢/b. In the US, the WTI M1/M3 contango narrowed in June by \$1.24 to 42¢/b, compared to a contango of \$1.66/b in May. The Dubai M1/M3 spread flipped to a backwardation of 76¢/b in June, from a contango of \$2.53/b on a monthly average in May.

Crude spreads

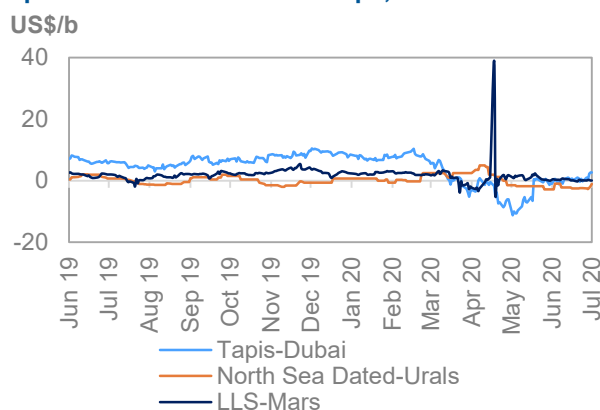
The **sweet/sour crude differentials** narrowed in Europe and in the USGC on a tightening sour market. In Asia, however, the spread remained narrow, but widened m-o-m, as seen in the Tapis-Dubai spread, after the value of light sweet crude rebounded sharply from low levels registered in May.

In **Europe**, the sour crude market tightened further in June, after Russia adjusted lower its crude supply, and Urals loading programmes for July showed a large drop in volumes. The inflow from other regions is expected to ease as large producers of medium sour crude also adjusted lower their supply. Therefore, lower availability of Urals prompted buyers to compete for available cargoes and to bid higher prices. The value of Urals against North Sea Dated rose to high premiums. Urals premium to North Sea Dated in the Mediterranean rose to \$2.75/b in late June, while the Urals premium in Northwest Europe hit \$2.45/b. Firm demand of Urals crude from European refiners and healthy refining margins of the grade added support. On a monthly average, the premium of Urals to North Sea Dated rose by 44¢ in June to \$2.28/b.

In the **USGC**, the premium of Light Louisiana Sweet (LLS) over medium sour Mars narrowed significantly in June on a higher Mars value. This was supported by robust demand from US refiners and resumption of demand for exports, specifically from Asia-Pacific refiners, amid high prices of similar grades in Europe and East Suez markets, and tight global sour crude markets as OPEC+ producers adjusted lower their supply. The spread also narrowed on high availability of light sweet crude and high crude oil stock levels in PADD3. The premium of LLS against Mars sour narrowed by 90¢ in June, m-o-m, to average 27¢/b in June.

In **Asia**, despite a tightening sour crude market and lower supply from Middle East, the spread of Tapis to Dubai narrowed from a discount of \$5.13/b in May to a premium of 5¢/b in June. This is due to the significant rise of Tapis and other light sweet values from low levels registered in March, as demand from regional refiners picked up after many Asian countries eased COVID-19 lockdowns. However, the spread was narrow as the Dubai value remained supported by tighter sour crude supply and a rebound of oil demand from Asian refiners. The Brent/Dubai Exchange of Futures for Swaps (EFS) also rose in June to stand at a premium compared to the discount levels in recorded in the three previous months, on stronger ICE Brent value against Dubai. The Brent-Dubai spread also narrowed further in June by 91¢ to an average discount of 63¢/b.

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



Sources: Argus, OPEC and Platts.

Commodity Markets

Energy commodity prices were mixed in June, as was the case in May, with a continued recovery in crude oil, varied developments in natural gas and a further decline in coal prices. Natural gas hub-based prices recovered some ground in Europe partly as LNG imports slowed. However, sentiment was bearish for prices in the US, which was a main source of the reduced imports. Coal prices declined slightly as Chinese coal production increased for the third consecutive month.

Base metals recovered after three months of declines, following the recovery in industrial activities in China and improving sentiment in financial markets. In the **precious metals** group, gold prices continued to rise in June, as in the previous month, on the back of lower real interest rates.

Trends in selected commodity markets

The **energy price index** rose by around 24.7% m-o-m in June, mainly as a result further recovery in crude oil prices. It was down by 37% in the January-Jun period compared to 2019.

The **non-energy index** rose m-o-m by 4.0%, led by the recovery in metals, while agricultural commodities also advanced. Compared to the January-Jun 2019 period, the non-energy index was down by 3.3% over the first five months of 2020.

Table 2 - 1: Commodity prices

Commodity	Unit	Monthly averages			% Change	Year-to-date	
		Apr 20	May 20	Jun 20	Jun 20/May 20	2019	2020
Energy*	Index	29.4	38.8	48.4	24.7	78.4	49.7
Coal, Australia	US\$/mt	58.6	52.5	52.2	-0.5	88.1	61.2
Crude oil, average	US\$/b	21.0	30.4	39.5	29.9	62.8	39.7
Natural gas, US	US\$/mmbtu	1.7	1.8	1.6	-8.2	2.7	1.8
Natural gas, Europe	US\$/mmbtu	2.1	1.6	1.8	11.2	5.2	2.5
Non-energy*	Index	76.2	76.7	79.8	4.0	82.1	79.4
Base metal*	Index	67.3	68.9	74.3	7.9	83.0	72.9
Precious metals*	Index	122.6	125.9	128.3	2.0	99.0	121.9

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

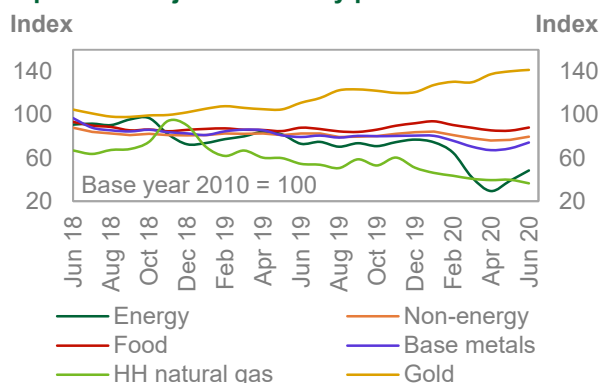
Sources: World Bank and OPEC.

In June, the **Henry Hub natural gas index** dropped on average by around 8% m-o-m to \$1.61/mmbtu, with inventories remaining at comfortable levels. Demand for LNG exports linked to Henry Hub fell sharply due to unfavourable price differentials. However, robust demand for power generation and lower production provided support to prices. According to the US Energy Information Administration's (EIA) storage report, utilities added 56 bcf to working gas underground storage during the week ending 3 July. This injection left total working gas in underground storage at 3,133 bcf, which was 16.9% above the latest five-year average.

Natural gas prices in Europe gained in June. The average **Title Transfer Facility price** rose by 11% m-o-m to \$1.75/mmbtu, partly supported by lower imports of LNG (especially those from the US). Inventories remained at record levels for the season – around 80% full at the end of June, according to Gas Infrastructure Europe, compared to 73% last year. In some countries, such as Germany, inventories are already 90% full with most of the summer months ahead. This is likely to put a cap on natural gas prices in the coming few months.

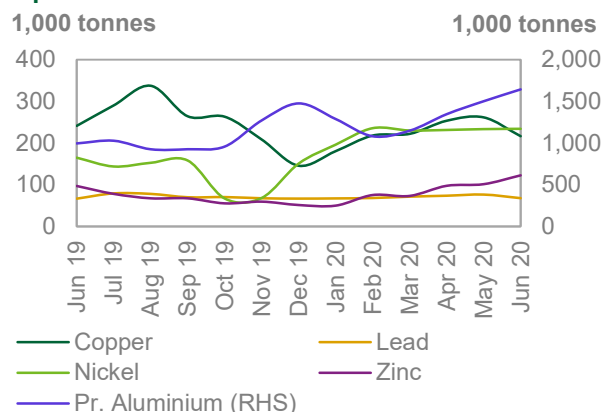
Australian thermal coal prices declined in June by 0.5% m-o-m, to average \$52.5/mt on the expectation of some slowdown in the pace of Chinese coal imports in the second half, following a strong performance in the first five months. Imports in the first five months of 2020 were higher by around 17% y-o-y according to customs data, though some deceleration in imports was already evident in May. Coal production fell in the first two months of 2020 by 6.3% y-o-y, before recovering during March-May. The average increase between January and May registered 0.9% y-o-y, according to the China National Bureau of Statistics.

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 a strong 7.9% m-o-m in June on continued optimism surrounding the recovery in industrial activities in China and financial market optimism.

Average monthly **copper prices** rose in June by 9.8% m-o-m, to \$5,754.6/mt, with support both from physical market and financial market sentiment. According to International Copper Study Group estimates, the refined copper balance (adjusted for unreported Chinese inventories) during January–March 2020 showed a surplus of around 220,000 tonnes. However, inventories at London Metal Exchange (LME)-designated warehouses declined over the month of June to 216,000 tonnes from 261,800 tonnes at the end of May, signalling some physical market tightening. The trend of declines in LME stocks continued into July, supported further by the copper price rally, and at the time of writing, prices were up around 40% from March lows and slightly positive y-t-d.

Iron ore prices rose on average by 10% m-o-m in June, to around \$103.3/mt. Prices were supported again by continued growth in crude steel output in China, which rose by around 4% y-o-y to \$92.3 mn mt in May and are up by 1.9% y-o-y in the January-May period, according to World Steel Association. As in the previous month, the risk of reductions in supplies from Brazil as a result of COVID-19 also supported prices.

In the group of **precious metals**, gold was up by 1.0% m-o-m in June, as real interest rates kept declining during the month to average \$1,732/troy oz. This is 17% higher than the December 2019 average.

Investment flows into commodities

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

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

Selected commodity	Open interest		Net length			
	May 20	Jun 20	May 20	% OI	Jun 20	% OI
Crude oil	2,197	2,069	354	16	382	18
Natural gas	1,245	1,305	13	1	-25	-2
Precious metals	653	681	142	22	141	21
Copper	169	186	-11	-6	15	8
Total	4,264	4,240	225	31	202	44

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

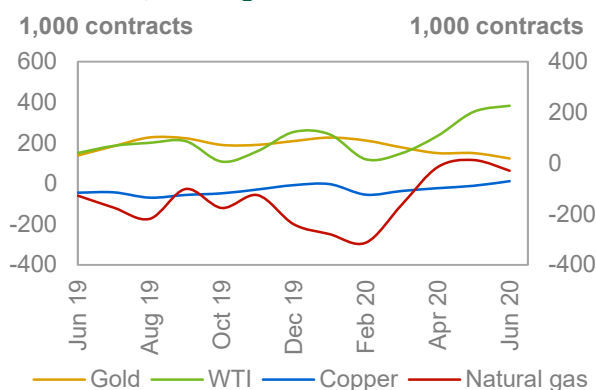
Sources: CFTC and OPEC.

Henry Hub's natural gas OI increased by 4.8% m-o-m in June. Money managers switched to a net short position of 24,788 from a net long of 12,780 lots in May, following robust inventory increases and dwindling LNG exports.

Copper's OI increased by 9.5% in June. Money managers switched to a net long position of 15,434 from a net short position of 10,700 contracts the previous month, following continued recovery of manufacturing activities in China and improving financial market sentiment.

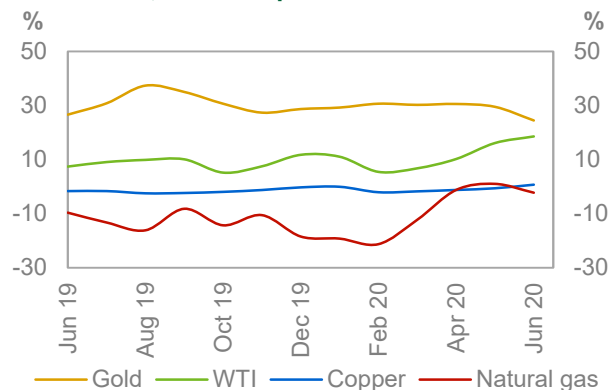
Precious metals' OI rose by 4.3% in June. Money managers decreased their net long positions slightly by 0.6% to 141,032 from 141,897 contracts the previous month. Money managers remained bullish for gold on the expectation of further declines in real interest rates.

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

The most recent developments confirm that — supported by extraordinary stimulus measures — a recovery of the global economy is in the making, with the advanced economies and China, in particular, leading the way. This trend was already anticipated in the forecasts of these economies, thus their 2020 GDP growth expectations remain unchanged this month. While also forecast to recover, a number of emerging and developing economies have continued to be significantly impacted by a rise in COVID-19 infections and hence are showing a lower-than-expected rebound. This has led to a downward revision in GDP growth, especially for India and Brazil. These downward revisions are the main reason 2020 global GDP growth has been lowered from -3.4% to -3.7%. While 1H20 saw extremely negative growth, the recovery in 2H20 is anticipated to be noticeable, though not able to compensate for the extraordinarily large shortfall in 1H20. The momentum of the 2H20 rebound is forecast to carry over into 2021, leading to economic growth of 4.7% in the coming year. The forecast for both years assumes that COVID-19 will largely be contained on a global level by 4Q20 and that no further significant issues will derail economic developments. However, given the latest surge of infections in the US, and considering the numerous additional challenges facing the global economy, ranging from debt-related issues to ongoing US-centred trade-related issues, 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 useful 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 is unchanged to stand at -6.1% 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 -2.5% y-o-y, from -0.8% the previous month. For 2021, growth is forecast at 6.8% y-o-y. Brazil's 2020 GDP growth forecast was revised down to -6.7% y-o-y, compared with -6.0% the previous month. The Brazilian economy is forecast to grow by 2.4% y-o-y in 2021. China's 2020 GDP growth forecast remains unchanged at 1.3% y-o-y. The latest improvements in economic development deserve close monitoring, as a continuation of this trend could lead to higher growth in the current year. In 2021, China is forecast to grow by 6.9% y-o-y. Russia's 2020 GDP growth forecast remains unchanged as well at -4.5% y-o-y. The 2021 recovery is forecast to reach 2.9%, with the country also benefiting from its work together with OPEC and non-OPEC countries in the DoC to rebalance the oil market.

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

	World	OECD	US	Euro-zone	UK	Japan	China	India	Brazil	Russia
2020	-3.7	-6.1	-5.2	-8.0	-8.5	-5.1	1.3	-2.5	-6.7	-4.5
Change from previous month	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	-1.7	-0.7	0.0
2021	4.7	4.0	4.1	4.3	4.1	3.2	6.9	6.8	2.4	2.9

Note: * 2020–2021 = Forecast.

Source: OPEC.

Global

Update on latest developments

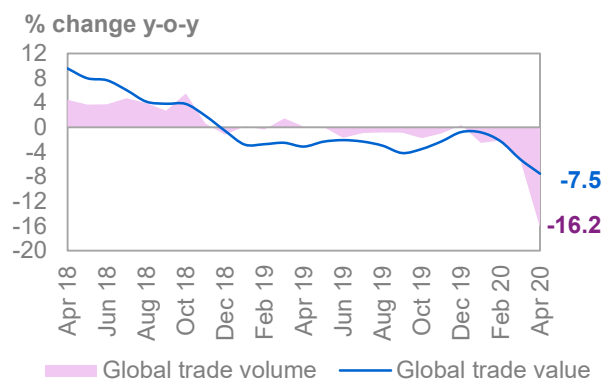
The latest output trends confirm that the world economy is recovering to varying degrees across the globe. Large monetary and fiscal stimulus measures that now account for more the 25% of the global GDP have supported a quick rebound in activity amid the easing of lockdowns, especially in major economies. Domestic demand has picked up, particularly in the major OECD economies, while investment-bound parts of the economy remain impacted. Additionally, improvements in the US unemployment rate have supplied very important support for market confidence. Fiscal and monetary backing have clearly strongly reinforced confidence in major OECD economies, as confidence indices show continuing improvement, and retail sales are consequently rebounding as well. However, COVID-19 infections in the US have recently been on the rise again. While the easing of lockdown measures is forecast to continue, it remains to be seen if this trend can be continued and if it will impact spending behaviour. COVID-19 infection rates are also continuing to rise in India and Brazil. In these economies, lockdown measures were also eased, but it seems to not have been sufficiently supportive to lead to a broad-based underlying recovery, according to analysis by the Coronavirus

Government Response Tracker provided by Oxford University. The trend of only gradually easing lockdown measures has also been seen in other developing economies in Africa and Latin America. China experienced the major impact of COVID-19 in 1Q20 and seems to have since managed to successfully control the further spread of the virus. The latest evidence shows that China's economic activity may have recovered more significantly than currently anticipated, which may be confirmed in the coming weeks when further economic indicators become available. Importantly, 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, only available up to April, continued their slide, as expected. World trade volume levels declined by 16.2% y-o-y in April, based on the CPB World Trade Index, provided by the Netherland Bureau of Economic Policy Analysis. This compares with an already large decline of -5.4% y-o-y in March.

Trade in value terms was negative as well, falling by 7.5% y-o-y in April, after seeing a decline of 5.2% y-o-y in March.

Graph 3 - 1: Global trade



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

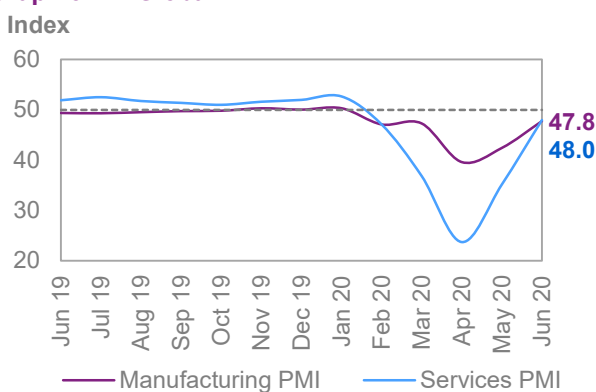
Near-term expectations

Near-term developments for the global economy will largely depend on the impact of further developments regarding COVID-19, which is clearly an overarching issue. With some encouraging developments in the OECD economies and China, this year's decline in economic activity could be halted. However, 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. It is forecast that the rise in global infections rates eases towards mid-3Q20 and that by 4Q20 COVID-19 will be widely contained, especially in the major economies. Hence the severe decline in 1H20 would be followed by a strong recovery in 2H20. The probable stronger recovery in major OECD economies and China could 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. While the 2H20 recovery is forecast to be significant, it will not compensate for the very large decline in 1H20. The 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.

This positive economic trend has also been reflected in global asset markets and is similarly important in major housing markets. While equity and house price rises in some economies, such as the US, have retracted somewhat, they remain comfortably supported by ample monetary stimulus measures. Global trade is forecast to pick up, but remains burdened by US-cantered trade disputes, especially with China. Moreover, the trend in domestic sourcing and replacement of international supply chains by domestic business may dampen global trade to some extent. The important sectors of hospitality, travel and the leisure are forecast to remain below 2019 activity, 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 would cause a continuation of the malaise witnessed in 1H20.

Global purchasing managers' indices (PMIs) in June continued reflecting the ongoing recovery. After levels troughed in April, especially in the badly hit services sector, May and June levels consequently showed improvement. While the global manufacturing PMI stood at 39.6 in April, it rose to 42.4 in May and reached 47.8 in June. The services sector PMI recovered very significantly as well, to a level of 48 in June, after reaching 23.7 in April and 35.1 in May.

Graph 3 - 2: Global PMI



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

Based on the assumption that a strong recovery will take place in 2H20 amid the containment of COVID-19 at a global level, the 2020 GDP growth forecast stands at -3.7%. This follows a revision of 0.3 percentage points compared with last month's forecast of 3.4% as especially India, Brazil and other developing economies mostly in Latin America and Africa have been impacted more than previously anticipated by COVID-19.

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

	World
2020	-3.7
Change from previous month	-0.3
2021	4.7

Note: * 2020–2021 = Forecast.

Source: OPEC.

The 2H20 recovery is forecast to carry over into 2021. It is also forecast that the virus remains widely contained in 2021. 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. An 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

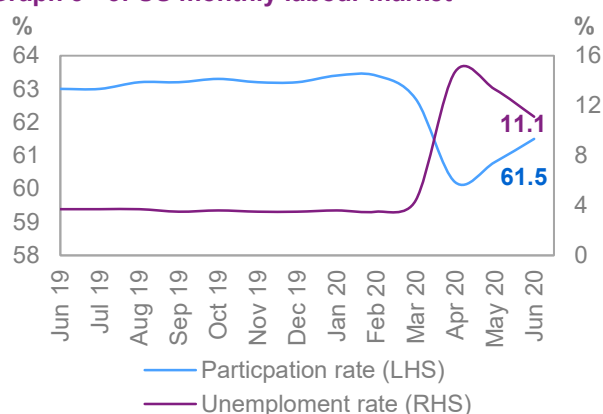
Update on the latest developments

The latest US data shows a solid rebound. Labour markets improved positively, and consequently consumer confidence and domestic spending picked up. In the meantime, however, COVID-19 infections are rising again and it remains to be seen how this trend will continue and what the impact may be. Lockdown measures have been eased and, in combination with initially retracting infection rates, supported a rebound in economic activity. This has been considerably helped by monetary and fiscal stimulus measures enacted in the past months. The quick recovery in the US labour market was unexpected, though stimulus measures had a strong positive impact. With improvements in the labour market, consumer confidence also developed positively and the well-supported equity market and ongoing rise in housing prices all point to a continuation of the rebound. Consumer confidence, as measured by the Conference Board, recovered to a level of 98.1, after falling to 85.7 in April and 85.9 in May. This compares with March levels of 118.8, reached just before the major impact of COVID-19. Price levels in the very important housing market continue to hold up well, while sales and building activity will need some time to recover. Existing home sales fell further up to the latest available month of May, when they stood at an annualized level of 3.91 million, compared with 5.27 million in March and 4.33 million in April. New home sales already recovered, having reached 676,000 in May, after seeing 612,000 in March and 580,000 in April. The S&P CoreLogic Case-Shiller Home Price Index Composite 20 for metropolitan housing rose further to reach 4.0% y-o-y in April, the highest level since 2019. The house pricing index of the Federal Housing Finance Agency (FHFA) fell slightly y-o-y to stand at 5.5% in April, which is above the 2019 average price level increase of 5.3% y-o-y.

However, the latest investment data from May confirms an expected fall in US industrial sector activity, where production fell by a non-seasonally adjusted 15.4% y-o-y. This compares with a decline of -17.7% y-o-y in April, both the largest declines since 2019. Similarly, exports declined by 36.3% y-o-y in May, after experiencing an already hefty decline of 29% y-o-y in April.

The labour market showed encouraging signs of a recovery. In June, the unemployment rate improved to stand at 11.1% from 13.3% in May. However, this compares with a January pre-COVID-19 level of 3.6%, reflecting the dramatic and extreme deterioration in the US economy that occurred in 2Q20. Non-farm payrolls increased further by 4.800 million in June, after a recovery of 2.699 million job additions 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.

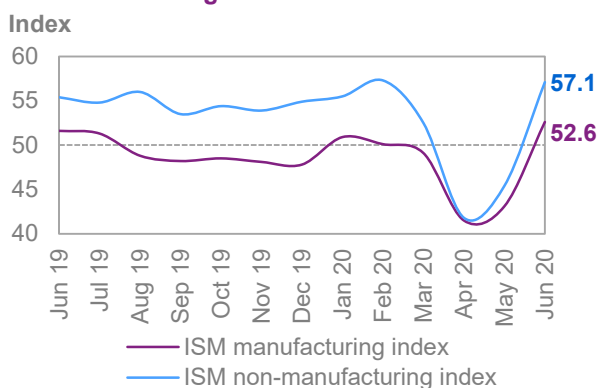
Near-term expectations

The 2H20 recovery seems to be on track, with domestic demand improving, international trade expected to recover and oil markets rebalancing, all supported by ongoing fiscal and monetary stimulus. With the support of the labour market and a recovery in business sentiment, also accompanied by a strong recovery in asset markets and the robustness of the housing sector, a rebound from very low 1H20 activity levels in 2H20 is forecast, unchanged from last month. 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. This will be an important element to follow, as the forecast rebound in 2H20 assumes 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. Also, 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. In that sense it will most probably keep stimulus measures in place as long as there are no strong indications that the recovery is becoming self-sustaining.

Importantly, the 2H20 rebound is expected to be particularly fuelled by rising consumption and investment. As inflation levels are forecast to remain well below the Fed's envisaged target level of around 2% in the coming months, monetary stimulus measures are expected to continue at the current elevated level. This recovery in consumption and investment, in combination with the re-emergence of global trade, will lead economic activity to recover strongly in 2021. Next year's recovery anticipates that economic activity in 2021 will face no further challenges to growth after the presidential election later this year.

Positively, the economy's rebound is reflected in June PMI levels as provided by the Institute for Supply Management (ISM). The manufacturing PMI rose to 52.6 in June from 43.1 in May, while the services sector index came back very strongly to reach 57.1 in June, compared with 45.4 in May.

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



Sources: Institute for Supply Management and Haver Analytics.

The annual GDP growth forecast for 2020 remains unchanged. After an already significant slowdown in 1Q20, it is forecast that COVID-19's impact will peak in 2Q20, causing a decline of 5.2% y-o-y in 2020. Downside risk prevails, given that infection rates have been on the rise again recently. However, a 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. 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
2020	-5.2
Change from previous month	0.0
2021	4.1

Note: * 2020–2021 = Forecast.

Source: OPEC.

OECD Europe

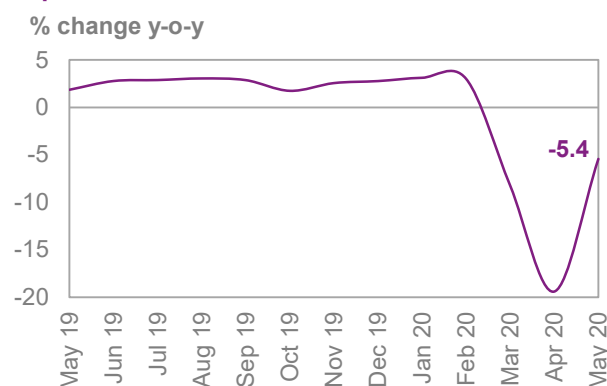
Euro-zone

Update on the latest developments

Economic indicators in the Euro-zone confirm that amid the wider containment of COVID-19 and the consequent easing of lockdowns, a 2H20 recovery is in the making, certainly widely supported by extraordinary fiscal and monetary stimulus measures. 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

With many support measures in place for the labour market, the unemployment rate in the Euro-zone remained at relatively modest levels until now. The latest available May numbers from Eurostat point to only a slight increase in the unemployment rate to 7.4% from 7.3% in April. Consequently, retail sales recovered in May in value terms, rising by 16.8% m-o-m compared with a monthly decline of 11.7% in April and 10.9% in March. On a yearly basis, retail sales are still below last year's level, declining by 5.4% y-o-y, but recovering strongly from an April decline of -19.4% y-o-y.

Graph 3 - 5: Euro-zone retail sales



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

As expected, industrial production (IP) fell further in April, the latest available month, and the month that probably represents the peak level of COVID-19's impact in the Euro-zone. The April decline stood at 27.9% y-o-y compared with -13.4% in March. The European Commission's overall business sentiment index recovered from very low levels in the past month, recording 75.7 in June compared with 67.5 in May and 64.8 in April. Further, major stimulus by the EU Commission is still under discussion. A 750 billion euro rescue fund is in particular being negotiated; it will be vital for a further recovery in the hardest-hit Euro-zone economies, especially Italy. This, together with ongoing stimulus measures, is forecast to provide a good basis for recovery in 2H20. The positive impact of monetary stimulus measures can already be seen in Euro-zone lending activity. Lending to the private sector increased by 4.8% in May, the highest growth level since the onset of the great financial crisis in 2008.

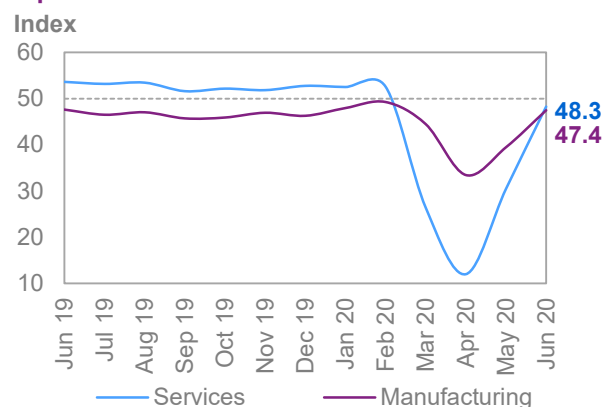
Near-term expectations

With the expectation of the EU rescue fund implementation, ongoing stimulus measures and the continuation of some subsidy schemes for the Euro-zone labour market, recovery is forecast to be significant in 2H20. Importantly, this assumes that COVID-19 will remain contained. This is also a base assumption for 2021, when it is expected that consumption in the services sector will continue to recover. It is important to note that a 2H20 recovery will not compensate the massive losses of 1H20. After a seasonally adjusted (SA) decline of 3.6% q-o-q in 1Q20, the 2Q20 slowdown is forecast — unchanged from the previous month — at -11.4% q-o-q SA. This is forecast to be followed by a 2H20 recovery of 5.5% on average. After the easing of lockdown measures in most Euro-zone economies, the recovery will be mainly lifted by a comeback in consumption,

investment and exports. Additional stimulus measures, some resilience in Asian export markets, and increased European Central Bank (ECB) monetary stimulus will provide further support for a 2H20 recovery. While uncertainties remain about the depth and magnitude of the recovery, the rebound is forecast to carry over into 2021. Some doubt remains about further developments on the labour market. While the Euro-zone's unemployment rate of only 7.4% in May is moderate, it is forecast worsen in the coming months. Another area of uncertainty is the depth of the recovery in the leisure and hospitality sectors. Tourism is a very important economic sector for most Euro-zone economies, particularly the large economies of 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 likely remain subdued.

Improvements in the Euro-zone economy are also reflected in the latest June PMI figures. The manufacturing PMI rose to 47.4, after reaching 39.4 in May and 33.4 in April. The PMI for services, the largest sector in the Euro-zone, declined sharply to stand at 12.0 in April, but rose to 30.5 in May and 48.3 in June, reflecting the ongoing rebound. Both levels remain below the growth indicating level of 50, but the strong uptick points to a solid rebound in a monthly comparison.

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 1Q20 was considerable, the Euro-zone's economic recession is forecast to peak in 2Q20, assuming a strong decline of almost 40% q-o-q SAAR before recovering in 2H20. The recovery is forecast to carry over into 2021, when growth is forecast at 4.3%, based on the assumption of especially well-managed containment of COVID-19.

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

	Euro-zone
2020	-8.0
Change from previous month	0.0
2021	4.3

Note: * 2020–2021 = Forecast.

Source: OPEC.

OECD Asia Pacific

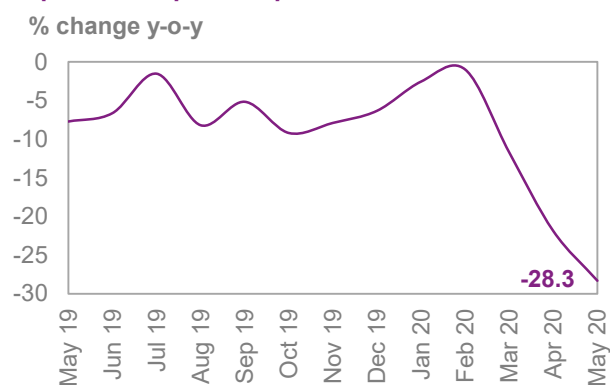
Japan

Update on latest developments

The rebound in Japan is ongoing, but some uncertainties remain about the depth and strength of the recovery. Positively, the economy has been strongly supported by fiscal and monetary stimulus, which led to a recovery in domestic spending. The government announced multi-trillion yen fiscal stimulus that now accounts for more than 20% of the GDP. The Bank of Japan (BoJ) continued to accompany fiscal stimulus measures through the unlimited buying of government bonds and by substantially lifting its purchase of corporate debt. But it remains to be seen how much of this rebound is sustainable or due to pent-up demand. Japan's economy was already in a recession entering 2020 and domestic consumption had already started weakening in 4Q19, after last October's sales tax increase.

Meanwhile, industrial production declined by 25.9% y-o-y in May, after reaching a decline of -15% in April. In line with this, exports fell by 28.3% y-o-y in May on a non-seasonally adjusted basis. This comes after a decline of 21.9% y-o-y in April. Retail sales recovered slightly on a monthly basis in May, down by only 12.3% y-o-y, compared with 13.9% y-o-y in April. Consumer sentiment, as reported by the Cabinet Office, increased to an index level of 29.1 in June, after reaching 24.6 in May and 22.2 in April. It stood at 30.9 in March and 38.3 in February before the spread of COVID-19.

Graph 3 - 7: Japan's exports



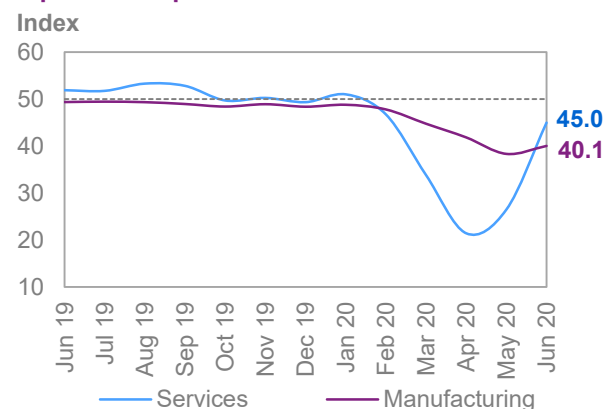
Sources: Ministry of Finance, Japan Tariff Association and Haver Analytics.

Near-term expectations

With large stimulus measures in place and an expected rebound in global investments and accompanying pick-up in global trade, Japan should be well positioned for a recovery in 2H20. 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 requires close monitoring, as further lockdown measures may become necessary. Even if these are not pursued, an erosion in consumer confidence may once again occur, if infections start to pick up again. As China is seen to recover and a continuation of the ongoing rebound in OECD economies is expected, exports from Japan are forecast to pick-up again 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 hit -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.

PMIs in June suggest that some rebound may take hold in the coming month in both the services and manufacturing sectors. The manufacturing PMI rose to 40.1, up from 38.4 in May. The PMI for the services sector — which constitutes around two-thirds of the Japanese economy — recovered to 45, up from 26.5 in May and 21.5 in April.

Graph 3 - 8: Japan's PMIs



Sources: IHS Markit, Nikkei and Haver Analytics.

The current underlying assumption suggests that after the downturn in 1Q20 and 2Q20, some rebound may take hold in the coming month in 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 may dampen the recovery currently anticipated for 2H20. 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.

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

	Japan
2020	-5.1
Change from previous month	0.0
2021	3.2

Note: * 2020–2021 = Forecast.

Source: OPEC.

Non-OECD

China

Update on the latest developments

Despite a contraction of -6.8% y-o-y in 1Q20, China's real GDP growth might recover faster than expected, as recently released data show that the country's economy embarked on a probationary resumption over the last three months. On the supply side, COVID-19 disruptions and constraints are no longer holding back added industrial value. While consumption recovery is still weak, it is gradually building momentum. Regarding policy, the government extended the GDP boosting and relief measures it has been following since earlier this year, specifically in support of infrastructure technical investments, such as 5G projects, as well as consumption and health care. Nevertheless, the government is still cautious about increasing its stimulus package due to financial instability concerns.

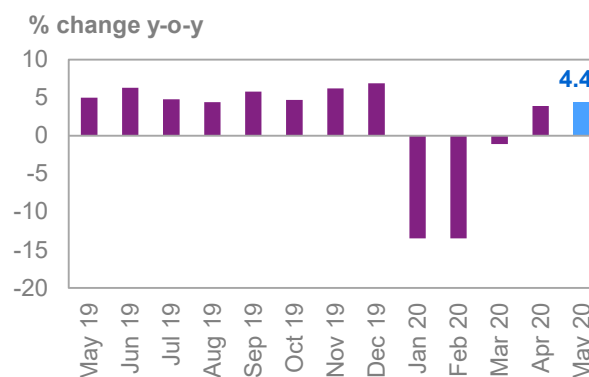
On the external demand outlook, exports are still under pressure, as global demand may first recover later this year. In May, China's exports dropped to \$206.81 billion, while its imports slumped to \$143.89 billion. Overall, the country's trade surplus widened to \$62.93 billion in May from \$41.20 billion the same month one year earlier. This was the largest trade surplus since January 1981, the start of the record series, amid growing tension with the US. China's trade surplus with the US stood at \$27.89 billion in May. In the first five months of the year, the country's trade surplus narrowed to \$121.36 billion from \$127.09 billion over the same period in 2019.

Inflationary pressure continued to decline in China. The CPI fell to 2.5% y-o-y in May, while the producer price index (PPI) declined by 3.7% y-o-y in May. This was the sharpest deflation rate since April 2016.

China's industrial production continued to increase its momentum since last month, rising by 4.4% y-o-y in May, up from 3.9% growth in April.

Meanwhile, retail sales continued to contract by -2.8% y-o-y, though that was an improvement from the -7.5% seen in April.

Graph 3 - 9: China's industrial production



Sources: China National Bureau of Statistics and Haver Analytics.

Near-term expectations

Throughout the coming months, China's economy is expected to experience a disjointed recovery, with industrial output recovering faster than private demand both at home and abroad. The consumption recovery is being challenged by weak domestic demand growth, while the recovery in external demand is being tested by tension with the US and difficulties with main trading partners amid COVID-19 effects. It's worth mentioning that most recently China–Australian bilateral trade relations have soured, with China imposing sanctions on some Australian exports in response to Australia's decision to call for a probe into the origins and spread of COVID-19. Meanwhile, border tension between India and China rose, as the Indian government has targeted Chinese trade and investment by banning 59 Chinese mobile applications, including TikTok and WeChat.

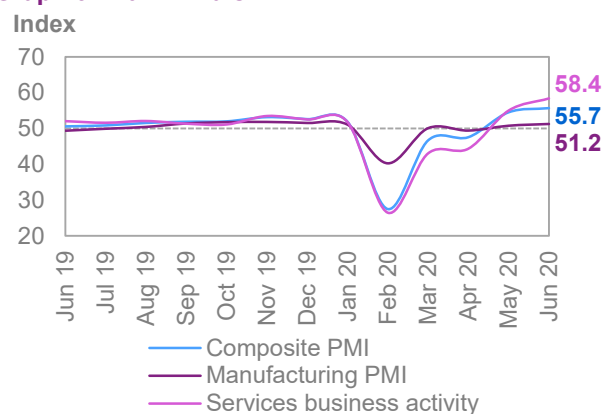
Nevertheless, output will most likely hang on to its recovery, as the Caixin China General Manufacturing PMI rose to 51.2 in June from 50.7 in May — the highest reading since December 2019. This increase reflects growth in output driven by increased new orders, primarily domestic orders, considering weak global demand. In the meantime, the Caixin China General Services PMI rose to 58.4 in June from 55.0 in May, recording the strongest growth in the services sector since April 2010, amid the easing of COVID-19 restrictions and tenacious services demand.

World Economy

Overall, while the government has not set an official growth target for 2020, China's supply side economy is maintaining stable economic performance that will see modest growth for 2020, despite weak domestic and external demand challenges. The main threat to this recovery would be a second COVID-19 wave, but given the decisive measures China has taken, including with the recent outbreak in Beijing, economic impact may be limited. In the meantime, 2021 is anticipated to see China's economic growth get back on track, pushed by a recovery in private consumption as well as government policy support, assuming no second COVID-19 outbreak forces economic activity to hold back further. GDP growth for 2020 GDP has been kept the same as last month's forecast at 1.3%.

Meanwhile, China's economy is forecast to grow by 6.9% in 2021, when both local and external demand are likely to rebound tenaciously.

Graph 3 - 10: China's PMI



Sources: Caixin, IHS Markit and Haver Analytics.

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

	China
2020	1.3
Change from previous month	0.0
2021	6.9

Note: * 2020–2021 = Forecast.

Source: OPEC.

Other Asia

India

Update on the latest developments

Other Asia is anticipated to contract significantly in 2Q20, as increased numbers of COVID-19 infections pose a significant challenge to getting the economy back on a recovery path. India's private consumption is still being dragged down by effects of the lockdown. For instance, vehicle sales in May registered 36,536 units, which is a 85% y-o-y decline, though this is still better than in April, which registered a 100% y-o-y decline when the country was under the lockdown. Other consumption indicators, such as energy and motor fuel consumption, acted similarly. For example, electricity generation fell by 14.3% y-o-y in May following a decline of 24% y-o-y in April. Meanwhile, petrol and diesel sales slumped by 35% and 29% y-o-y in April and May, respectively. On the bright side, India's unemployment rate dropped to 11% in June from 23.5% in May and April. The unemployment rate in urban areas dropped slightly more than in rural areas, down to 12.0% from 25.8%, while the rural unemployment rate dropped to 10.5% from 22.5%. Nevertheless, the unemployment rate is still high compared with pre-pandemic levels.

On the fiscal policy side, the economic costs of the lockdown will most likely exceed the government's fiscal ability to contain them. So far, only 12% of government-announced fiscal measures have been directly allocated to individuals and businesses to handle lockdown and pandemic costs. Moreover, although there is a demand to increase government spending, any additional funding might be disappointing, since the country has been under credit growth stress as well as receiving a negative economic outlook from credit rating agencies, including the risk of a lowering of the sovereign credit rating, which Moody places at (Baa3).

According to different estimates, the Indian government may face a budget deficit of 7% of the GDP by the end of this fiscal year, which would be considered the greatest deficit in more than two decades. Meanwhile, the International Monetary Fund (IMF) expected India's public debt to increase to 85.7% of the GDP in FY20-21 from around 70% in FY19-20.

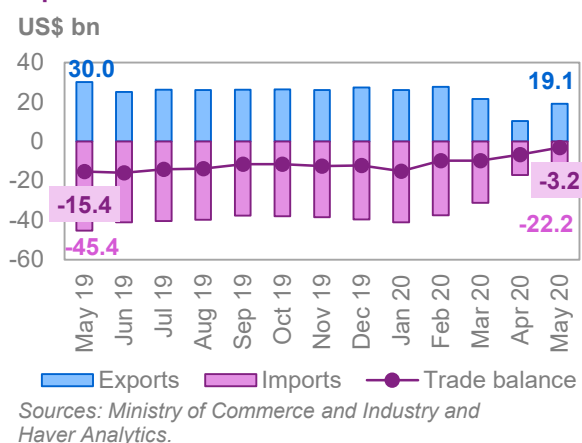
On the monetary policy side, India's central bank cut benchmark interest rates in May to 4.0%, from 4.4% in April, the lowest point since at least 2000. The drop in borrowing costs may boost domestic rupee bond sales. In this regard, the RBI may lower the repo rate by another 25 basis points (bp) in 3Q20.

In the meantime, India's industrial production recorded a double-digit contraction of 55.5% in April, which was the steepest decline in almost two decades, due to the freezing of economic activities in light of the stringent lockdown. Meanwhile, the March index has been revised down to -18.3 instead of -16.7% y-o-y, with manufacturing receiving the worst hit, as well as mining and electricity generation.

On the external outlook, India's trade deficit narrowed to \$3.15 billion in May from \$15.36 billion in May 2019. This is the smallest trade gap since February 2009, as the coronavirus pandemic hit global demand. Both exports and imports came up slightly, though continuing to record double-digit contractions. Exports plunged to \$19.05 billion, a 36.5% decline compared with May 2019, while imports slumped to \$22.20 billion — a decline of around 51.05% over the previous year.

Combining the first two months of the 2020-21 fiscal year, India's trade deficit narrowed to \$9.91 billion from \$30.69 billion in the first two months of the previous fiscal year.

Graph 3 - 11: India's trade balance



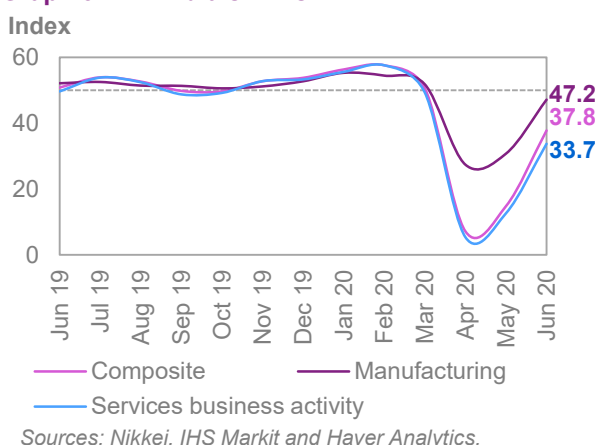
Near-term expectations

Economic conditions in India may continue to deteriorate in the near term as the overall economic outlook remains pessimistic. The latest PMI reading signalled a continued contraction in private sector activity, but at a softer rate. The IHS Markit India Manufacturing PMI June reading indicated the sector moved notably towards stabilisation, as it rose to 47.2 from 30.8 the previous month, though it is still within contraction territory for the third month in a row. Meanwhile, the IHS Markit Services PMI rose to 33.7 in June 2020 from a record low of 12.6 in May, recording another decline in services output, driven by weak demand.

Recent border tension with China may add another headwind to its economic outlook. On 29 June, the government banned 59 Chinese mobile applications, including TikTok and WeChat in the wake of recent political tension. The move may escalate tension between the two nations, as the likelihood of China retaliating to restrictions on India's goods and services might be higher, which may result in a significant increase in input costs for industries like electronics and pharma that depend mainly on China for intermediate imports.

Looking forward, the bounce back of economic activity to pre-pandemic levels in India is anticipated in 3Q20, though considering recent developments, the 2020 GDP forecast has been revised down to -2.5% from -0.8 the previous month.

Graph 3 - 12: India's PMIs



Meanwhile, India's GDP is forecast to grow positively by 6.8% in 2021, driven by policy measures, as well as consumption and investment.

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

	India
2020	-2.5
Change from previous month	-1.7
2021	6.8

Note: * 2020–2021 = Forecast.

Source: OPEC.

Latin America

Brazil

Update on latest developments

Brazil has remained largely impacted by COVID-19 and was facing rising infections and hence only a gradual easing of lockdowns. As a result, consumer and business confidence fell sharply in the past months, but recovered somewhat in June. With recent political challenges amid the COVID-19 crisis, economic indicators highlight the ongoing economic tensions the country is facing. In the meantime, it was reported that 1Q20 GDP declined by 6.0% q-o-q SAAR, according to the Brazilian statistical office. More recent data shows that the 2Q20 downturn has continued. As Brazil's economy had a very low level of lockdown in the first three months of the year and considering that at a global level COVID-19 only started to significantly impact the economy in the second half of 1Q20, a much larger decline may be expected in 2Q20. Industrial production declined by 27.3% y-o-y in April and 21.8% y-o-y in May. Brazil's commodity-driven export figures declined by 13.8% y-o-y in April and 1.9% y-o-y in May in US-dollar terms. Retail sales declined by 23.8% y-o-y in April and 12.2% y-o-y in May.

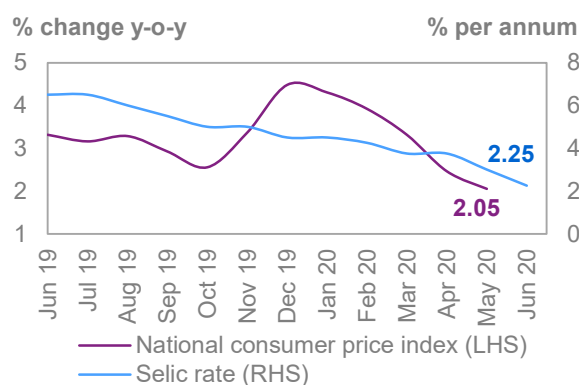
The government has announced stimulus measures to counterbalance the downturn, while the central bank expanded its monetary easing efforts and Congress allowed the central bank to engage in quantitative easing (QE) measures in May. QE has not yet been used, but the central bank lowered the key interest rate, the Selic rate, further. It currently stands at 2.25%, down by 75 basis points in June. Inflation, the reference level, recovered to growth of 0.26% y-o-y in May, after declining by 0.38% y-o-y in April. While the central bank is trying to support local growth, the currency development is also an important aspect of its policy.

In this respect the Brazilian real continued declining versus the US dollar in June. Thus the central bank's supervision of the currency, along with maintenance of sufficient foreign reserves, is another challenging area in which continue to require its involvement.

Near-term expectations

The combination of a strongly declining economy, further rising COVID-19 infections, political tension and a currency that is continuously weakening, has so far provided a fragile base for a 2H20 recovery. The strong rise in COVID-19 infection rates in Brazil, in particular, will dampen consumption and investment going forward, and while pent-up demand may provide some short-term relief, the recovery is forecast to remain at a low level. In a yearly comparison, 2H20 will continue to see a decline. The quarterly pattern shows that a tender recovery will take place in 2H20, with growth of around 10% in 3Q20 and more than 3% in 4Q20. However, in a yearly comparison to 2H19, GDP is anticipated to decline by around 6%. This assumes that peak infection rates will only be reached in the first half of 3Q20.

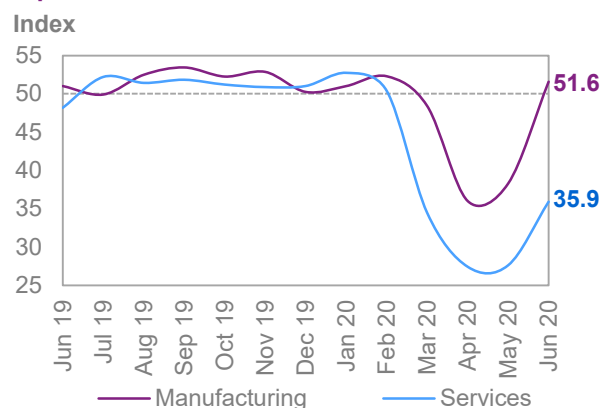
Graph 3 - 13: Brazil's inflation vs. interest rate



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

Labour markets and consumption, as well as investment, are all forecast to remain impacted, and this is expected to dampen the recovery in 3Q20, with only slight acceleration in 4Q20. The June PMI indices reflect the expectation of a recovery in manufacturing from very low 1H20 levels to materialise in the coming months, but the services sector remains impaired. The June manufacturing PMI rose to 51.6, after dropping to 36.0 in April and 38.3 in May. The important services PMI rose only slightly to a level of 35.9, after seeing 27.4 in April and 27.6 in May.

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 lockdown measures and social distancing, economic risk for the country is 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 political tensions will continue and that COVID-19 infections will only peak in 4Q20 or even later, making a recovery in 2H20 less likely.

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

	Brazil
2020	-6.7
Change from previous month	-0.7
2021	2.4

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 6.7%, compared with a decline of 6.0% 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

The latest available economic data highlights that South Africa's economy has suffered severe negative impacts from the lockdown. The RMB/BER Business Confidence Index (BCI) slumped from a two-decade low of 18 points in 1Q20 to an all-time low of five points in 2Q20. Additionally, bankruptcy claims jumped to 195 companies in May from 0 companies in April. Meanwhile, industrial activity declined for the 10th consecutive month, as South Africa's manufacturing production fell by 5.4% y-o-y in March, after being upwardly revised by a 2.3% decline in the previous month. Mining production, which accounts for around 8% of South Africa's GDP, declined noticeably by 47.3% y-o-y in April, reflecting the largest annual decline on record. Considering the current Level 3 lockdown, April's decline will probably be the steepest this year, as all mining sectors are returning back to normal operating levels. The National Association of Automobile Manufacturers of South Africa (Naamsa) stated vehicle sales bounced back in June, after weak sales were seen in both May and April. June new vehicle sales rose to 31,867 from 12,932 in May and 574 in April. However, this is still 30.7% lower than the level in June 2019.

The country's fiscal budget is set to be adjusted on 24 June, as the Finance Ministry needs to accommodate a significant revenue decline, as well as justifying R160bn in savings from the public sector wage reduction bill. This bill initiated a dispute with unionised public sector workers; five labour unions, including the powerful Public Servants Association (PSA), approached the Labour Court in Johannesburg to challenge the decision. It is worth mentioning that recently South Africa is for the first time ever paying more than Nigeria to borrow in its local currency, as its credit rating is four points lower than Nigeria's, according to Moody's investor services.

Regarding the trade outlook, South Africa's exports increased by 96.1% to ZAR101.8 billion in May, while imports fell by 2.2% to ZAR85.9 billion. As a result, South Africa recorded a trade surplus of ZAR15.9 billion in May compared with an upwardly revised deficit of ZAR36 billion in April.

Near-term expectations

The 2Q20 outlook for South Africa's economy might be considerably negative and the recovery thereafter only gradual, despite further monetary loosening and the easing of lockdown restrictions. However, the move to "Level 3 lockdown" allowed large parts of the economy to reopen. This led to a quick expansion in the country's manufacturing sector, with the Absa Manufacturing PMI jumping to 53.9 in June from 50.2 in May.

We kept our forecast for South Africa's economic contraction for 2020 at 7.0%, the same as last month, with a 3% expansion seen in 2021.

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

	South Africa
2020	-7.0
Change from previous month	0.0
2021	3.0

Note: * 2020–2021 = Forecast.

Source: OPEC.

FSU

Russia

Update on the latest developments

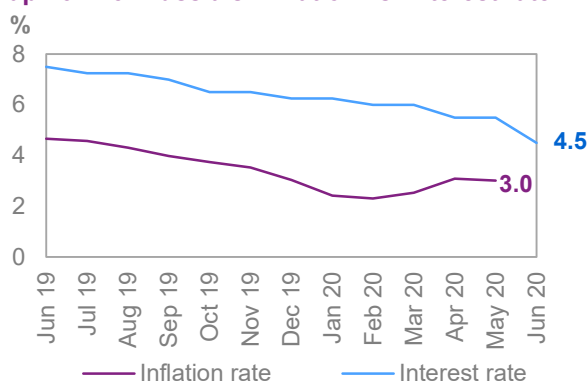
While it seems that economic development has improved, Russia remains impacted by COVID-19. Meanwhile, the government has started to lift lockdown measures as infection rates seem to have peaked at the end of 2Q20. However, some uncertainty prevails. The slowdown amid COVID-19's impact has become visible in last month's output measures. Industrial production declined further in May, falling by 9.6% y-o-y after a decline of 6.6% y-o-y was seen in April. Given the severity of lockdown measures in April and May and the need for social distancing, retail sales plunged by 16.5% y-o-y in May and 20.6% y-o-y in April. Positively, the improving oil market situation added some support to the fragile situation. GDP growth in 1Q20 was reported at 1.6% y-o-y.

The Russian rouble lost around 20% against the US dollar up to March, but has recovered since then, rising by around 5% in April, 4% in May and 1% in June. With fiscal discipline and rising oil prices, foreign reserves increased in June, rising by \$2.7 billion after gaining \$0.1 billion in May and \$2.5 billion in April. This compares to a loss of almost \$7 billion in March. With a reserve level of almost \$570 billion, the downturn is forecast to be well cushioned, if needed. With the again improving currency situation, the Russian central bank lowered its key interest rate in order to support the recovery. The official policy rate was lowered to 4.5% in June a 100 basis-points move from the 5.5% the key interest rate stood at in May.

Near-term expectations

With the potential peak in infection growth past, the economy is forecast to see a tender recovery in 2H20. However, the magnitude of rising infection rates until very recently is forecast to continue dampening domestic demand in the coming months. Also, though the oil market situation has improved, income from this important sector remains impaired in a yearly comparison. Currently, infection rates are continuing to rise at a daily rate of around 1%, an improvement from last month, when the growth rate stood at around 2%, a dynamic that is forecast to support a 2H20 rebound. After the likelihood of a severe economic downturn in 2Q20 of up to around 40% q-o-q SAAR, the forecast assumes that the pandemic peaked by the end of June and that a recovery will take place in 2H20. 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.

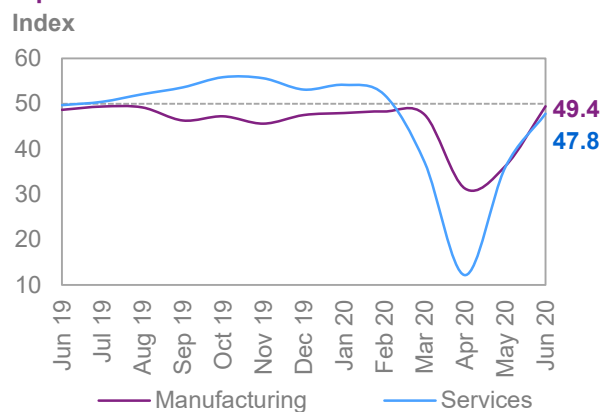
Graph 3 - 15: Russia's inflation vs. interest rate



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

June PMIs reflect an improvement in the economy as well. The PMI for the manufacturing sector rose to 49.4 compared with 36.2 in May and 31.3 in April. The services sector PMI rose to 47.7, after seeing 35.9 in May and only 12.2 in April. These improvements in sentiment point to a well-supported recovery in the coming months.

Graph 3 - 16: Russia's PMIs



Sources: IHS Markit and Haver Analytics.

As the improvements that materialised in the last month were already anticipated, the 2020 GDP growth forecast remains unchanged at negative 4.5%. The positive momentum in 2H20 is forecast to 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
2020	-4.5
Change from previous month	0.0
2021	2.9

Note: * 2020–2021 = Forecast.

Source: OPEC.

OPEC Member Countries

Saudi Arabia

Real GDP contracted by 1% y-o-y in 1Q20, down from -0.3% in 4Q19. The decline marks the third successive quarter of economic contraction and the lowest point since 4Q17. Meanwhile, non-oil private sector firms in Saudi Arabia saw another decline in business activity in June, as the latest PMI data were at 47.7, down from 48.1 in May and still in contraction territory for the fourth consecutive month. Meanwhile, industrial production in Saudi Arabia increased by 7% y-o-y in April. On the policy end, the Saudi government sustained its commitment to support economic growth through private sector stimulus for 2017-2021, allocated to housing loans, private economic projects, SME support, infrastructure development and investment and export financing. As for 2021, GDP growth is expected to rebound, assuming most economic activity would resume, rapidly driven by fiscal and monetary policy support.

Nigeria

Nigeria's GDP grew by 1.9% y-o-y in 1Q20 following 2.6% growth in 4Q19, marking the slowest pace of economic growth since 3Q18. The data most probably reflects early COVID-19 disruptions, which led to restrictions in Nigeria's activities with its main trading partners. The non-oil sector grew by only 1.5% compared with 2.3% in 4Q19. Meanwhile, internal trade declined to -2.8% following a contraction of only -0.5% in 4Q19. Public administration contracted by -8.7% in 1Q20, while administrative and support services contracted by -1.9% following expansion of 1.3% in 4Q19. Nigeria's manufacturing sector expanded only by 0.4% compared with 1.3% in 4Q19, and agriculture grew by 2.2% following growth of 2.3% in 4Q19. Most importantly, the oil sector advanced by only 5.1% following 6.4% growth in 2019.

The recent manufacturing PMI reading indicated the steepest contraction in Nigeria's manufacturing activity since July 2014, as it fell to 41.1 in June from 42.4 the previous month. In the meantime, responding to the recent crash in oil prices and the economic fallout of COVID-19, Nigeria's central bank devalued the local currency as it adjusted the official peg against the dollar to 360 from 307 in March. The step was taken to converge a multiple exchange rate regime which it has used to manage pressure on the naira. Meanwhile, according to a Debt Management Office statement published on 2 July, Nigeria's public debt increased by around 15% y-o-y by the end of March to US\$79.3bn, driven by growth in both domestic and foreign borrowing due to a shortage caused by a decline in internal revenues and lower global crude oil prices. Moreover, despite

Nigeria's debt-to-GDP ratio, which is moderate by international standards at about 20%, the federal government's debt service-to-revenue ratio is already high due to low tax revenue. As a result, debt servicing might limit the government's ability to increase economic productivity, and the fiscal account may remain in deficit throughout the medium term.

The United Arab Emirates (UAE)

The latest PMI data reflects that the UAE non-private oil sector has taken a sizeable step back to normality and it is already on a recovery path. The IHS Markit PMI rose to 50.4 in June from 46.7 in May, as private business activity growth increased, driven by growing new orders. Moreover, most COVID-19 social distancing and other restrictive measures have been lifted. Despite this recent development and extensive stimulus measures, the UAE's economy is expected to contract in 2020, given the fall in oil prices and output as well as the impact of COVID-19 on UAE's travel and tourism sector, which accounts for over 10% of the GDP.

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

The **US dollar (USD)** generally declined **against major currencies**. The dollar decreased by 3.1% on average against the euro, as mentioned the previous month, on the expectation of additional fiscal and monetary stimulus in the Euro-zone and improving economic readings. The dollar also fell against the Swiss franc by 1.9% and by 1.7% against the pound sterling. Against the yen, the dollar rose by 0.3% m-o-m on receding safe haven demand.

Meanwhile, the US dollar also retreated **against emerging market currencies** amid receding risk aversion. It declined against the yuan by 0.2%, while rising slightly against the Indian rupee by 0.1% m-o-m. The dollar declined against the Russian ruble by 4.6%, as the oil price consolidated gains. It also declined by 7.9% against the Brazilian real on better-than-expected economic data in the country.

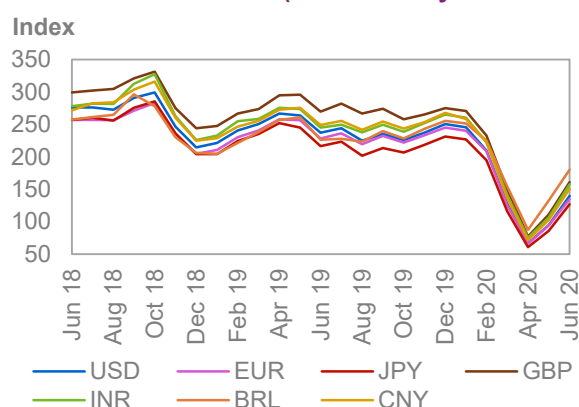
The dollar declined against the Mexican peso by 5.2% on further improving financial market sentiment and better-than-expected US economic data.

In **nominal terms**, the price of the ORB increased by \$11.88, or 47.2% from \$25.17/b in May to reach \$37.05/b in June.

In **real terms**, after accounting for inflation and currency fluctuations, the ORB increased to \$23.98/b in June from a revised \$16.62/b (base June 2001=100) the previous month.

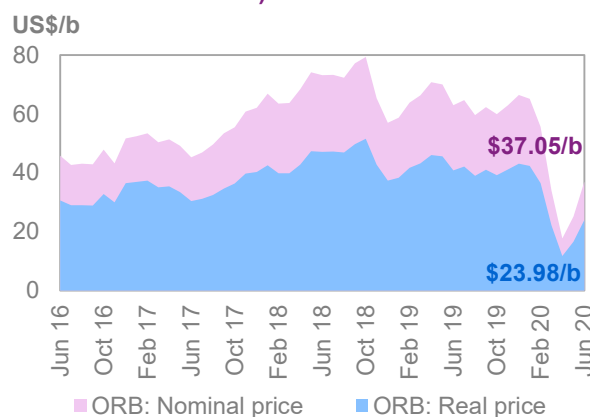
Over the same period, the **USD** decreased by 1.8% against the import-weighted modified Geneva I + USD basket, while inflation increased by 0.2% m-o-m.

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 drop by 8.9 mb/d, adjusted up by 0.1 mb/d from last month's MOMR. The upward revision reflects slightly better-than-expected oil demand from the OECD region in 2Q20, which more than offset downward adjustments to non-OECD oil demand during the same quarter, mainly due to weaker-than-expected data from the Other Asia region.

Oil demand growth in the OECD region was revised higher by around 1.0 mb/d for the year, and by approximately 0.3 mb/d in 2020. The upward adjustment was mainly the result of better-than-expected data for diesel in OECD Europe and Asia Pacific, as well as for petrochemical feedstock in OECD Americas.

Oil demand growth in the non-OECD region was revised lower by 0.2 and 0.4 mb/d in 1Q20 and 2Q20, respectively — around 0.1 mb/d on average for 2020, mainly accounting for weaker-than-expected demand in the Other Asia region (including India, Indonesia, Thailand and Singapore) during 1H20. Weakness in manufacturing activities and the transportation sector was greater than expected in those countries, hence the reduction in industrial and transportation fuels was larger than anticipated. Total global oil demand is estimated at 90.7 mb/d in 2020, with higher demand expected in 2H20 compared with 1H20.

In 2021, oil demand is projected to partially recover from the downturn exhibited in 2020 and still register historically high growth of around 7.0 mb/d y-o-y. Total liquids demand is projected to reach 97.7 mb/d in 2021. The demand for oil is estimated to see significant y-o-y developments, however it will remain far below pre-COVID-19 levels.

Encouraging improvements in economic momentum compared with the current year, in addition to a large drop in the 2020 baseline, are assumed to be the driving factors behind increasing demand in 2021. An assumption of no major COVID-19 outbreaks is also integrated in the current outlook for 2021. Regionally, the OECD is estimated to add around 3.5 mb/d y-o-y in light of positive developments in all sub-regions, though most profoundly in OECD Americas.

In the non-OECD region, growth in petroleum product demand is estimated to reach 3.5 mb/d y-o-y, with Other Asia and China leading the pack, for a combined increase of more than 2.3 mb/d y-o-y. Gasoline and diesel are anticipated to record the highest y-o-y gains, as both products are foreseen to rise by more than 3.8 mb/d. Jet fuel is estimated to partially recover, though intercontinental flights will remain under pressure for the whole of 2021. Individuals are anticipated to exercise caution when travelling and commuting, and reduced trips will affect transportation fuel demand in general. From a sectorial perspective, the transportation sector will account for the bulk of gains, followed by the petrochemical and industrial sectors. At the same time, ongoing efficiency gains in various sectors in both OECD and non-OECD countries, enhanced teleworking/ teleconferencing, including technological developments, petroleum product displacement policies and subsidy reductions mechanisms, are assumed to partially limit oil demand gains in 2021.

Uncertainty regarding the outlook assumptions both for this year and the next remain unusually high, particularly with regard to economic growth, (unemployment rates, size and effectiveness of stimulus measures, sectoral recovery in manufacturing and services, etc.) as well as the COVID-19 pandemic developments, related restrictions and their impact on oil consumption.

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	%
World oil demand								
Americas	25.62	24.44	19.27	24.39	25.06	23.30	-2.31	-9.04
of which US	20.81	19.86	15.51	20.04	20.49	18.99	-1.82	-8.76
Europe	14.33	13.30	10.19	13.25	13.61	12.59	-1.74	-12.13
Asia Pacific	7.93	7.73	6.43	6.64	7.46	7.06	-0.87	-10.92
Total OECD	47.88	45.47	35.89	44.29	46.13	42.96	-4.92	-10.28
Other Asia	13.87	13.05	11.90	12.40	13.67	12.76	-1.11	-8.01
of which India	4.84	4.74	3.70	3.94	4.83	4.31	-0.54	-11.10
Latin America	6.59	6.20	5.81	6.24	6.15	6.10	-0.49	-7.47
Middle East	8.20	7.83	7.01	7.93	7.62	7.60	-0.60	-7.36
Africa	4.45	4.38	4.17	4.07	4.20	4.20	-0.24	-5.49
Total DCs	33.11	31.46	28.88	30.65	31.64	30.66	-2.45	-7.40
FSU	4.84	4.50	4.08	4.45	4.61	4.41	-0.43	-8.94
Other Europe	0.76	0.71	0.55	0.47	0.56	0.57	-0.19	-25.18
China	13.07	10.27	12.55	12.37	13.28	12.12	-0.95	-7.29
Total "Other regions"	18.68	15.48	17.17	17.29	18.46	17.10	-1.58	-8.45
Total world	99.67	92.41	81.95	92.22	96.22	90.72	-8.95	-8.98
Previous estimate	99.67	92.39	81.30	92.28	96.30	90.59	-9.07	-9.10
Revision	0.00	0.02	0.65	-0.06	-0.08	0.13	0.13	0.13

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	%
World oil demand								
Americas	23.30	24.84	24.65	25.46	25.57	25.14	1.84	7.89
of which US	18.99	20.48	19.92	20.74	20.86	20.50	1.52	8.00
Europe	12.59	13.72	13.54	14.03	13.91	13.80	1.21	9.59
Asia Pacific	7.06	7.90	7.34	7.19	7.69	7.53	0.47	6.59
Total OECD	42.96	46.47	45.53	46.67	47.17	46.47	3.51	8.18
Other Asia	12.76	13.68	14.05	13.67	14.45	13.96	1.21	9.47
of which India	4.31	5.27	4.68	4.75	5.48	5.05	0.74	17.20
Latin America	6.10	6.31	6.47	6.44	6.38	6.40	0.30	4.92
Middle East	7.60	8.01	7.74	8.24	7.87	7.97	0.37	4.86
Africa	4.20	4.47	4.35	4.27	4.39	4.37	0.17	3.93
Total DCs	30.66	32.47	32.61	32.63	33.09	32.70	2.04	6.66
FSU	4.41	4.64	4.54	4.62	4.74	4.64	0.23	5.13
Other Europe	0.57	0.79	0.68	0.59	0.68	0.68	0.11	19.58
China	12.12	11.88	13.57	13.40	14.03	13.22	1.10	9.09
Total "Other regions"	17.10	17.31	18.79	18.61	19.45	18.54	1.44	8.42
Total world	90.72	96.25	96.93	97.92	99.71	97.72	7.00	7.71

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

Source: OPEC.

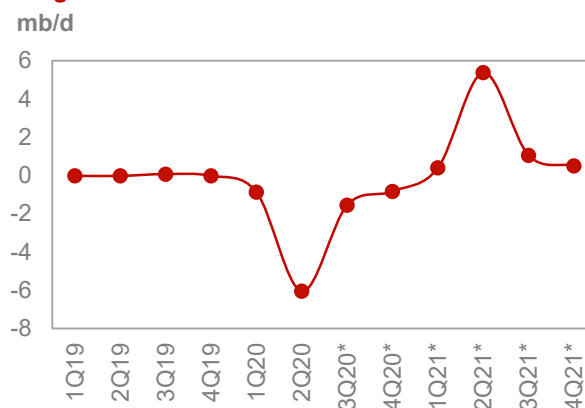
OECD

OECD Americas

Oil demand in OECD Americas dropped drastically in **April**, by around 6.2 mb/d y-o-y, led by a massive reduction in road transportation and aviation fuel requirements in the US.

As anticipated, the latest available **US** monthly demand data for April imply sharply declining US oil demand, down by approximately 5.4 mb/d y-o-y. This represents the largest monthly historical decline and for the fourth consecutive month. The April decline stems almost solely from the spread of COVID-19 and its severe impact on all sectors of the economy. Unlike other main petroleum product categories, demand for lighter hydrocarbons grew y-o-y, in particular for LPG/NGLs, i.e. for petroleum products mostly utilized as feedstock for the petrochemical sector. Colder weather over the month compared with the historical normal only slightly offset strongly declining diesel demand, while gasoline and jet kerosene requirements remained deep in negative territory, y-o-y. Gasoline plummeted by 3.5 mb/d, while jet/kerosene fell by 1.1 mb/d y-o-y.

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



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

According to the Federal Highway Administration, vehicle miles travelled plunged by more than 41% y-o-y in April, recoding the lowest-ever y-o-y decline. Additionally, April light vehicle retail sales were down by more than 47% as reported by Autodata and Haver Analytics. Industrial production — a gauge for industrial fuel demand — was also down by approximately 16% y-o-y for the month.

Initial weekly data for **May** indicate a continuation of deteriorating transportation fuel performance with gasoline and jet kerosene dropping by more than 3.3 mb/d y-o-y cumulatively. Diesel is foreseen to perform poorly and decline by around 0.7 mb/d y-o-y.

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

By product	Apr 20	Apr 19	Change 2020/19	
			mb/d	%
LPG	2.83	2.70	0.13	4.8
Naphtha	0.15	0.22	-0.07	-32.7
Gasoline	5.85	9.36	-3.50	-37.4
Jet/kerosene	0.69	1.75	-1.06	-60.4
Diesel oil	3.51	3.98	-0.48	-11.9
Fuel oil	0.13	0.17	-0.04	-26.0
Other products	1.83	2.21	-0.39	-17.4
Total	14.98	20.39	-5.41	-26.5

Sources: EIA and OPEC.

May data show sluggish **Mexican** oil demand, y-o-y. Demand for all main petroleum categories fell sharply, particularly for products in the transportation sector, including jet kerosene, diesel and gasoline, amid the spread of COVID-19. Overall, Mexican oil demand in April fell by approximately 0.5 mb/d y-o-y. Volume-wise the decline is similar to that of April, with the trend continuing for the fifth consecutive month.

The latest April **Canadian** data imply falling oil demand, y-o-y, mainly attributed to falling gasoline, jet kerosene and diesel requirements.

For the remainder of **2020**, the COVID-19 epidemic, including its further development and impact on the economy, will determine the outlook for US oil demand for the year, in particular oil use in the transportation and industrial sectors. While the COVID-19 pandemic showed some signs of improvement during the second half of May and June, the latest deteriorating developments in additional COVID-19 cases do not engender optimism going forward. Most recently, lockdowns have been reinstated in some parts of the country. Consequently, the economy will continue to pose further downside risks for 2020 oil demand growth in the region, due to impaired economic activity and high unemployment.

OECD Americas oil demand projections for **2021** rely on the assumption of no major second COVID-19 pandemic wave and general containment. Even with these positive expectations, US oil demand is not expected to reach pre-pandemic levels in 2021. Additionally, risks point to the downside and relate to the structure of the aviation sector, measures for social distancing, as well as the labour structure shifting towards teleworking and thus less travel. Looking at the product mix, gasoline and diesel are estimated to lead demand growth in 2021, followed by light distillates, in line with rebounding economic activities and recent expansion in petrochemical capacity. The transportation sector is foreseen to gain the most over the year, though remaining below pre-COVID-19 levels. Ongoing efficiency gains and substitution by natural gas are believed to limit petroleum product demand in the transportation sector.

In 2020, **OECD Americas oil demand** will fall by 2.3 mb/d compared with 2019, though in 2021 consumption is projected to increase by 1.8 mb/d compared with 2020.

OECD Europe

European oil demand is thought to have reached its lowest point in **April**, with available data implying unprecedented losses of 4.8 mb/d y-o-y for the fourth consecutive month and during the peak of the COVID-19 spread in the region. Demand for petroleum products dropped sharply in for major consuming nations in the region with the UK recording the highest declines of 0.9 mb/d y-o-y. Consumption in France plunged by more than 0.7 mb/d y-o-y, in Italy by approximately 0.6 mb/d y-o-y and in Germany by 0.5 mb/d y-o-y. Hefty oil demand declines were mostly connected to weaker gasoline, jet kerosene, diesel and residual fuel oil demand, in addition to warmer weather conditions across the continent. Based on preliminary figures from the European Automobile Manufacturers Association (ACEA), new vehicle registrations in the EU in the month of May fell by more than

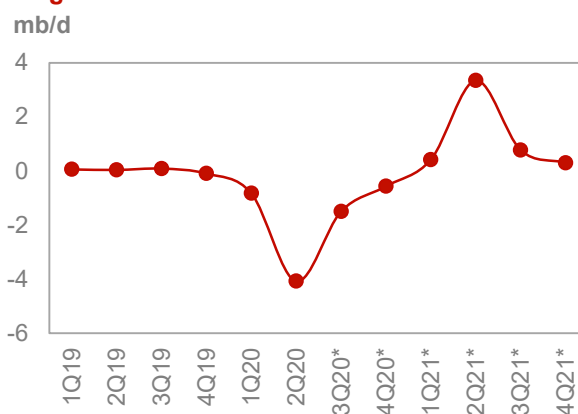
52% y-o-y, with large year-to-date declines of approximately 39% in the first months of 2020. The monthly drop in oil demand was the largest in history.

Going forward, the outlook for the region's oil demand in **2020** was adjusted slightly to the upside, with the bulk of revisions originating in the first four months of 2020 and taking into consideration the most recent data. Strict lockdowns imposed during the peak of the pandemic in the region in April and May have been completely removed in many countries. However, the picture going ahead remains cloudy regarding specific economic sectors such as aviation and services.

Oil demand in OECD Europe is estimated to record high gains in **2021** as a result of projected improvement in economic activity, in addition to the historically low baseline recorded in 2020 in all countries within the region. The outlook assumes that there will not be another major outbreak for COVID-19 requiring major lockdowns of cities around the region. All sectors are anticipated to record decent gains led by gasoline and road diesel. Jet fuel is projected to rebound, albeit remain far below pre-COVID-19 levels, as international airports in countries such as Germany and the UK will be pressured by reduced international and intercontinental flight operations, thus negatively impacting jet fuel requirements. The petrochemical sector is also projected to bounce back in light of increased demand for manufacturing and an improved picture for chemicals margins compared with the current year. On the other hand, fuel efficiency gains, reduced international travel, teleworking enhancement and limitations in petroleum product demand due to displacement by other energy sources are all assumed in the outlook.

In 2020, **European oil demand** is projected to fall by 1.7 mb/d, y-o-y. During 2021, oil demand in Europe will grow by 1.2 mb/d, y-o-y.

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	Apr 20	Apr 19	Change 2020/19	
			mb/d	%
LPG	0.37	0.47	-0.10	-21.6
Naphtha	0.57	0.52	0.05	9.4
Gasoline	0.45	1.16	-0.71	-60.9
Jet/kerosene	0.25	0.89	-0.63	-71.4
Diesel oil	2.24	3.30	-1.06	-32.1
Fuel oil	0.13	0.23	-0.09	-41.2
Other products	0.39	0.63	-0.24	-37.7
Total	4.41	7.19	-2.78	-38.7

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

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

OECD Asia Pacific

Complete data for the month of **April** indicate a significant decline in oil consumption in the Asia Pacific region, reaching 1.2 mb/d y-o-y, with Japan leading the drop, followed by Australia.

The most recent available preliminary **May** oil demand data from the **Japanese** Ministry of Economy Trade, and Industry (METI) show Japanese oil demand falling by almost 0.5 mb/d, marking the eleventh consecutive monthly decline. In the first five months of 2020, Japanese oil demand fell sharply by an average of 0.5 mb/d, or equivalent to 13.4%, y-o-y. Weak May monthly oil demand resulted from declining requirements for all main petroleum product categories, particularly LPG, naphtha, gasoline and diesel, and stems from the impact of COVID-19 on economic activity in the country.

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

By product	May 20	May 19	Change 2020/19	
			mb/d	%
LPG	0.31	0.35	-0.05	-13.0
Naphtha	0.61	0.68	-0.07	-10.4
Gasoline	0.63	0.81	-0.18	-22.4
Jet/kerosene	0.44	0.33	0.11	33.9
Diesel oil	0.62	0.70	-0.07	-10.6
Fuel oil	0.19	0.19	0.00	0.2
Other products	0.15	0.35	-0.20	-56.3
Total	2.96	3.41	-0.46	-13.4

Sources: JODI, METI and OPEC.

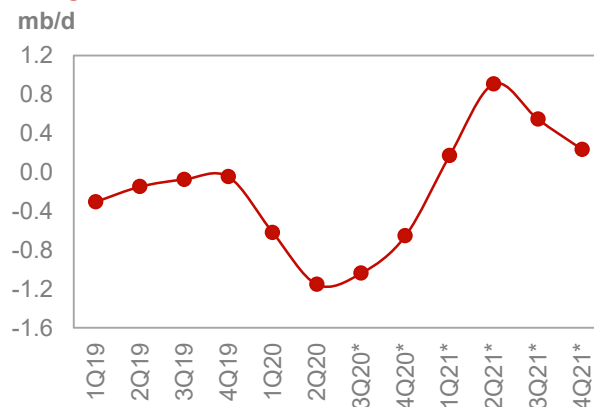
In **South Korea**, the latest available April data show declining oil demand y-o-y for the fourth consecutive month. Most petroleum product category requirements fell, notably diesel, jet kerosene, gasoline and naphtha, while rising LPG and residual fuel oil demand partly offset overall losses. In Australia, oil demand was also sluggish during April y-o-y, with soft gasoline, diesel and jet kerosene requirements accounting for the bulk of oil demand losses.

Losses in **2020** oil demand in the region have most likely stabilized and will be smaller in magnitude than in other regions.

For **2021**, OECD Asia Pacific will return to positive growth for the first time since 2017. Japanese oil demand is expected to account for the bulk of losses in the region during 2020, though it is expected to grow out of a low base in 2021. Forecast risks are currently estimated to be balanced towards the upside and downside for both 2020 and 2021. The outlook for South Korean oil demand in 2020 remains unchanged compared with last month's projections. South Korean oil demand is also projected to grow in 2021, led by a healthy petrochemical industry and positive economic momentum.

OECD Asia Pacific oil demand will decline by 0.9 mb/d in 2020. In 2021, it will grow by 0.5 mb/d, y-o-y.

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



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

Non-OECD

China

Recent key oil market developments include easing pressure on petroleum product demand in China. Oil demand indicators show some recovery over the month of **May** compared with April. In China, recently available data highlighted improvements in oil demand compared with April, though they are still negative compared with May 2019. Oil consumption is foreseen shrinking by 0.47 mb/d, some 0.9 mb/d above the observed April drop. Selected key indicators continue to show positive momentum, for example the manufacturing PMI nearly held April levels at 50.6. Furthermore, motor vehicle sales as reported by the Chinese Association for Automobile Manufacturers increased by around 13% y-o-y, marking the greatest gain since early 2018, and proving to be a good sign for gasoline demand, as well as vehicle miles travelled. Diesel requirements slightly increased y-o-y, while gasoline demand fell by 0.41 mb/d y-o-y. Demand for petrochemical feedstock performed better than expected, as both LPG and naphtha registered positive gains of 0.04 mb/d and 0.06 mb/d y-o-y, respectively. Movement in manufacturing activity appears to be on the right track and is assumed to continue going forward. Demand for LPG in propane dehydrogenation plants (PDH) is assumed to continue improving in 3Q20 and 4Q20. Fuel oil was also in positive territory during the month of May in light of improving bunkering demand and electricity requirements. Fuel oil was higher by 0.15 mb/d y-o-y.

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

By product	May 20	May 19	Change 2020/19	
			mb/d	%
LPG	1.91	1.87	0.04	2.1
Naphtha	1.00	0.94	0.06	6.9
Gasoline	2.65	3.06	-0.41	-13.5
Jet/kerosene	0.63	0.91	-0.28	-30.5
Diesel oil	3.19	3.16	0.03	0.9
Fuel oil	0.65	0.50	0.15	29.1
Other products	2.31	2.36	-0.05	-2.1
Total	12.33	12.80	-0.47	-3.7

Note: * Apparent oil demand.

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

For the remainder of **2020**, oil demand is projected to post a y-o-y decline in 2H20, though at a much improved pace compared with 1H20. This will result in an overall decline in petroleum product demand in China for the first time. Demand for petrochemical feedstock is estimated to recover the fastest, particularly for LPG, and is estimated to come back to positive territory in 2H20. Other products will be under pressure, due mainly to a reduction in economic activity compared with last year. The least decline is estimated for 4Q20, with a possible

uptick towards the very end of the year. This is based on the assumption that there will be no significant outbreak of COVID-19 for the remainder of the year.

In China, oil demand growth is anticipated to flip back into positive territory in **2021**, mainly driven by a solid rebound in economic activity in addition to a historically low baseline of comparison in 2020. All economic sectors are projected to experience decent gains, led by the transportation, petrochemical and industrial sectors. As such, 2021 oil demand projections are based on a significant y-o-y increase in gasoline consumption driven by steady developments in the economy sector, an increase in vehicle sales compared with the current year, and growth in vehicles miles travelled. Diesel is also projected to increase y-o-y, particularly in 1H21 amid anticipated developments in industrial activity and the low baseline initiated in 2020. Additionally, demand for light distillates will follow track and record positive gains, as PDH plants respond to the increase in economic momentum. On the other hand, fuel substitution, efficiency gains and vehicle electrification are projected to erode some petroleum product gains. Additionally, government policies and legislation, particularly in the area of reducing carbon emissions, are expected to reduce some transportation fuel growth.

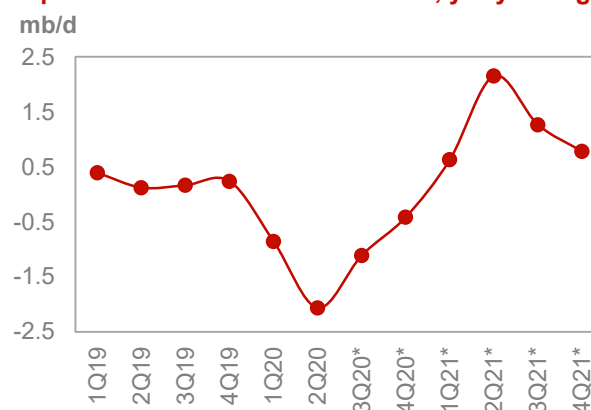
For 2020, **China's oil demand** is foreseen dropping by around 0.95 mb/d compared with 2019. During 2021, consumption is projected to increase by 1.1 mb/d compared with 2020.

Other Asia

In **April**, oil demand plummeted in the Other Asia region, recording a historical drop of around 4.2 mb/d y-o-y. This marks the greatest monthly oil demand drop for the region ever recorded. The decline in petroleum product consumption was primarily led by an unprecedented erosion in oil requirements in India (-2.30 mb/d), while other countries in the region also exhibited severe declines. In Indonesia demand plunged by 0.30 mb/d y-o-y, in Thailand by 0.27 mb/d y-o-y and in Singapore by 0.25 mb/d y-o-y. The remaining countries in the region have all exhibited significant weakness in oil requirements, with a cumulative drop of around 0.97 mb/d. In terms of products, jet/kerosene declined the most in nearly every single country within the region, with the sharpest declines appearing in India, followed by Thailand. Indonesia also saw its jet/kerosene demand drop sharply, with Malaysia following a similar pattern. An unprecedented reduction in both domestic and international flights in response to various countries attempting to contain COVID-19 from spreading resulted in sharp drops in jet fuel demand. Requirements also plunged due to reduced economic activity, particularly in manufacturing and construction. Diesel also exhibited declines throughout the region, as a result of a significant slowdown in trucking activities and mobility restrictions in response to the spread of COVID-19.

India's **May** oil demand inched higher by 1.10 mb/d m-o-m, though remaining substantially lower compared with May 2019, down by 1.1 mb/d y-o-y. This is mainly in line with a gradual easing of restrictions in various sectors such as the manufacturing, construction and industrial sectors. The May manufacturing PMI in India improved marginally from 27.4 in April to 30.8 in May. This signifies that the economy remained in contraction, but also supports a slow recovery going forward. Various developments suggest that preliminary data for June indicate a further recovery m-o-m. The path of recovery is assumed to continue during 2H20, though there is wariness of potentially stalling momentum.

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



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

For the remainder of **2020**, oil demand is estimated to continue slowly on the path of recovery, assuming no major outbreak of COVID-19 in 2H20. A gradual easing of lockdown measures in India and elsewhere in the region will slowly have a positive effect on oil demand for various sectors, particularly transportation and industry. LPG demand is expected to continue rising throughout 2020, despite slower economic activity, primarily in response to steady growth in residential demand. Gasoline and diesel are projected to decline as vehicle miles driven are projected to weaken. Vehicle sales data are to remain below expectations and industrial activities to soften compared with last year.

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

By product	May 20	May 19	Change 2020/19	
			mb/d	%
LPG	0.98	0.88	0.10	11.2
Naphtha	0.31	0.23	0.08	34.7
Gasoline	0.52	0.79	-0.27	-33.8
Jet/kerosene	0.18	0.33	-0.15	-46.4
Diesel oil	1.21	1.74	-0.53	-30.5
Fuel oil	0.18	0.19	-0.01	-3.9
Other products	0.13	0.44	-0.31	-70.1
Total	3.51	4.59	-1.09	-23.7

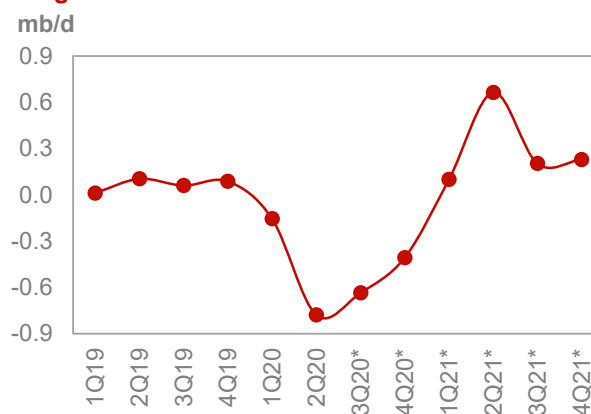
Sources: JODI, Petroleum Planning and Analysis Cell of India and OPEC.

The transportation sector is anticipated to lead oil demand growth in Other Asia in **2021**. Gasoline is assumed to be the key product for transportation fuel consumption growth, followed by on-road diesel. Transportation fuel demand will be driven by a recovery in economic activity promoting vehicle sales and miles travelled compared with 2020. Additionally, the extremely low consumption incurred during the current year will be a strong supportive factor for product growth next year. Diesel is estimated to steadily rise, as consumption is projected to gain momentum in all sectors, including transportation, industrial, construction and agriculture — all of which are estimated to grow in the following year. The petrochemical sector will gain some speed, supported by naphtha requirements for steam crackers, with most of the gains projected to appear in 2Q21. India is estimated to lead the region in terms of total growth, while Malaysia, Indonesia, Thailand, Singapore and the Philippines are also projected to increase at various magnitudes.

Other Asia's oil demand is estimated to decline by 1.1 mb/d y-o-y in 2020. In 2021, oil demand in Other Asia is estimated to rise by around 1.2 mb/d, y-o-y.

Latin America

Fuel oil demand statistics for the month of **April** indicate a significant decline in oil requirements in Latin America. Demand for petroleum products showed a decline of around 1.4 mb/d y-o-y, mainly attributed to a steep slowdown in Brazilian oil consumption, which fell by 0.56 mb/d y-o-y. All countries within Latin America showed notable drops, with Argentina tumbling by 0.27 mb/d y-o-y followed by Columbia shedding off 0.19 mb/d y-o-y and Venezuela dipping by 0.1 mb/d y-o-y. Product performance indicated a large drop in transportation fuels, as gasoline and jet kerosene showed demand weakness of 0.38 mb/d and 0.14 mb/d y-o-y, respectively. Mobility restrictions, which have affected global transportation requirements, also influenced demand growth for transportation in Latin America. Moreover, in line with slower macroeconomic indicators, diesel and fuel oil requirements both witnessed y-o-y reductions of around 0.26 mb/d and 0.02 mb/d, respectively. The other product category was deep in negative territory, decreasing by more than 0.20 mb/d y-o-y.

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	May 20	May 19	Change 2020/19	
			mb/d	%
LPG	0.22	0.23	-0.01	-3.0
Naphtha	0.15	0.15	0.00	0.0
Gasoline	0.51	0.64	-0.13	-20.4
Jet/kerosene	0.02	0.11	-0.09	-81.2
Diesel oil	0.88	0.97	-0.09	-9.1
Fuel oil	0.08	0.08	0.00	1.5
Other products	0.30	0.42	-0.12	-28.8
Total	2.16	2.60	-0.44	-16.8

Note: * = Inland deliveries.

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

For the remainder of **2020**, oil demand in Latin America is anticipated to weaken y-o-y, then experience a gradual slow recovery, though lingering in negative territory. COVID-19 is assumed to affect the region during 3Q20 and shrink oil requirements as a result of less transportation fuel demand and slower economic activity. As a result, gasoline and jet fuel are estimated to be under pressure in most parts of the year going forward, in addition to diesel.

In **2021**, oil demand in Latin America is projected to rise significantly compared with the latest five-year average. It is estimated to record the highest level of annual growth since 2013. Most countries within the region are expected to record growth, with Brazil leading the pack. In terms of products, diesel will see the lion's share of growth, followed by transportation fuels gasoline and ethanol. LPG will also be strongly supported by a growing petrochemical sector. Similar to most non-OECD regions, most of the oil demand gains are assumed to appear in 2Q21, mainly as a result of the historical drop exhibited during the current year. Positive developments are also projected for 3Q21 in response to steady growth in economic activity.

Latin American oil demand is anticipated to decline by 0.5 mb/d in 2020. In 2021, oil demand in the region is projected to rebound and record growth of around 0.3 mb/d.

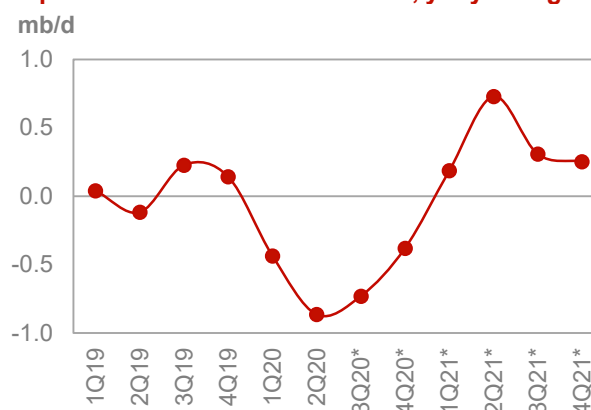
Middle East

Middle East oil demand data for the month of **April** is now complete, and indicate a deterioration in requirements of around 1.3 mb/d y-o-y, with declines seen in almost all countries within the region.

The bulk of the drop is from Saudi Arabia and IR Iran, with each losing around 0.3 mb/d y-o-y. Additionally, oil requirements fell substantially in Iraq and the UAE, with each down by more than 0.2 mb/d y-o-y. In terms of products, the magnitude of the jet kerosene drop was the largest in percentage terms, 68% or approximately 0.3 mb/d y-o-y. Flight operations, both domestic and international, were halted as a result of containment measures to prevent the further spread of COVID-19. Gasoline dropped the most in absolute terms, shedding off a staggering 0.60 mb/d y-o-y as a result of restrictions to mobility. Diesel was lower y-o-y by 0.24 mb/d, in response to a slowdown in manufacturing activity, as well as a weakening construction sector. Heavy distillates also registered drops, with fuel oil lower by 0.14 mb/d y-o-y due to less power generation demand.

In Saudi Arabia, oil consumption for the month of **May** exhibited a steep drop of around 0.33 mb/d y-o-y, marking the highest decline in monthly oil demand so far in current year. All product categories plunged lower with the exception of fuel oil, which increased by 0.16 mb/d y-o-y in response to higher air conditioning usage and an increase in power generation demand. Transportation fuels led product declines, as demand for jet kerosene and gasoline plummeted in May. The products shed approximately 0.31 mb/d each y-o-y, mainly due to mobility restrictions hindering the public's movement and reducing demand. Diesel, used in the manufacturing and construction sectors, dropped by around 0.07 mb/d y-o-y. Cement deliveries, as reported

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



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

World Oil Demand

by Yamama Cement Company and Haver analytics, continued to be in negative territory for the second consecutive month, dropping by around 22% y-o-y. Crude oil in the power generation sector, as well as light distillates, dropped by 0.04 mb/d and 0.08 mb/d y-o-y, respectively.

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

By product	May 20	May 19	Change 2020/19	
			mb/d	%
LPG	0.04	0.05	-0.01	-18.2
Naphtha	0.00	0.07	-0.07	-100.0
Gasoline	0.27	0.50	-0.23	-45.7
Jet/kerosene	0.02	0.10	-0.08	-77.3
Diesel oil	0.42	0.49	-0.07	-13.4
Fuel oil	0.60	0.43	0.16	37.3
Other products	0.48	0.52	-0.04	-8.4
Total	1.83	2.16	-0.33	-15.3

Sources: JODI and OPEC.

Oil demand in the Middle East is foreseen to remain declining for the remainder of **2020**, as transportation fuels are estimated to cap any likely growth in demand due to mobility restrictions and sluggish macroeconomic indicators. The effects of COVID-19 on oil demand — mainly transportation fuels — in various countries in the region, along with ongoing fuel substitution plans, are assumed to remain for the rest of 2020.

Similar to other regions, oil demand in the Middle East is projected to bounce back in **2021** and record significant growth. Oil demand is expected to be driven by diesel consumption as economic activity, particularly in industry and construction, is foreseen rising y-o-y. Most growth will be concentrated in 2Q21, climbing up from the steep decline during the current year and stemming from a low baseline. All other products are estimated to be firmly positive, with good developments especially in the transportation and petrochemical sectors. As such, gasoline and jet/kerosene will change directions compared with the current year and register solid growth in 2021. Petrochemical feedstock, or light distillates, are estimated to increase y-o-y as ethane crackers are assumed to make up for most losses in 2020, in addition to a projected steady rise in petrochemical margins. On the other hand, ongoing fuel substitution, especially of heavy distillates, efficiency gains in various sectors, as well as subsidy reductions are all foreseen capping oil demand gains in 2022. In terms of countries, Saudi Arabia is projected to lead demand growth, with some increases from other countries in the region such as Iraq, the UAE, Kuwait and IR Iran.

In 2020, **Middle East oil demand** is projected to decline by 0.6 mb/d. In 2021, oil demand is seen increasing by around 0.4 mb/d.

World Oil Supply

Non-OPEC liquids production growth in **2020** (including processing gains) is revised down by a minor 30 tb/d from the previous assessment, despite upward revisions to the US and China, and is now expected to decline by 3.26 mb/d to average 61.76 mb/d. In addition to the downward adjustments of the ten non-OPEC countries participating in the DoC by 1.89 mb/d in 2Q20, production shut-ins in countries outside of the DoC, are estimated to average 3.55 mb/d during the same quarter. Furthermore, non-OPEC countries participating in the DoC, who were not able to meet the required production levels in May, have committed to compensatory production adjustments in 3Q20. The upwardly revised oil demand projection for 2020, due to better-than-expected data for 2Q20 in OECD, in addition to higher oil demand growth expectations for 2021, are leading to an expected gradual recovery in non-OPEC supply. The oil price drop and the Covid-19 pandemic have put investment plans on hold. Some firms have gone a step further and decided to halt production at mature fields to reduce their costs. The US production growth forecast has been revised up slightly by 68 tb/d owing to higher-than-anticipated production in 2H20 to now show a decline of 1.37 mb/d y-o-y. Oil supply in 2020 is forecast to decline mainly in the US, Russia, Canada and Kazakhstan, and projected to grow in Norway, Brazil, Guyana and Australia.

Non-OPEC liquids production in **2021** is expected to grow by 0.92 mb/d, to average 62.68 mb/d (including a recovery of 0.13 mb/d in processing gains). Including OPEC NGLs, y-o-y growth is forecast at 0.99 mb/d. The main drivers for supply growth are expected to be the US (0.24 mb/d), Brazil, Norway, Canada, Australia, Ecuador, and Qatar, 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, revised down by 67 tb/d compared to the previous forecast. For 2021, OPEC NGLs are likely to grow by 0.08 mb/d to average 5.24 mb/d, including non-conventional liquids. **OPEC-13 crude oil production** in June declined by 1.89 mb/d m-o-m to average 22.27 mb/d, according to secondary sources. Additional voluntary production adjustments by Saudi Arabia, the UAE and Kuwait further contributed to this decline.

Preliminary non-OPEC liquids production in June, including OPEC NGLs, is estimated to have fallen by 1.06 mb/d m-o-m to average 64.02 mb/d. As a result, preliminary data indicates that global oil supply decreased by 2.95 mb/d m-o-m to average 86.29 mb/d, down by 12.76 mb/d y-o-y.

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	23.90	-1.84	24.19	0.29
OECD Europe	3.98	0.27	4.12	0.14
OECD Asia Pacific	0.57	0.04	0.62	0.05
Total OECD	28.45	-1.53	28.93	0.48
Other Asia	3.33	-0.16	3.34	0.01
Latin America	6.14	0.13	6.41	0.26
Middle East	3.11	-0.10	3.14	0.03
Africa	1.46	-0.07	1.43	-0.03
Total DCs	14.04	-0.20	14.32	0.28
FSU	13.02	-1.35	13.04	0.02
Other Europe	0.12	0.00	0.11	-0.01
China	4.07	0.01	4.08	0.02
Non-OPEC production	59.69	-3.07	60.48	0.79
Processing gains	2.07	-0.19	2.20	0.13
Non-OPEC liquids production	61.76	-3.26	62.68	0.92

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

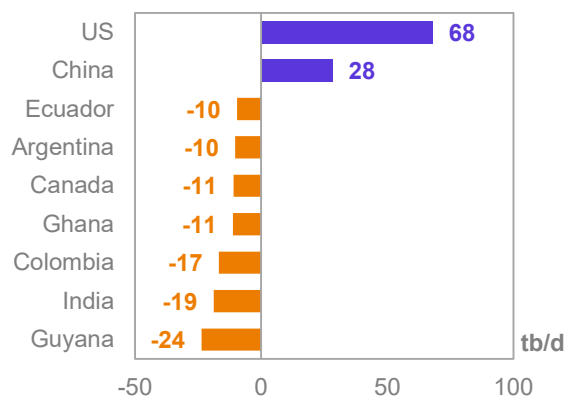
Source: OPEC.

Main monthly revisions

Non-OPEC liquids production growth in 2019 was revised down by a minor 11 tb/d owing to a downward revision in processing gains in all quarters, and is now estimated to have grown by 2.01 mb/d to average 65.02 mb/d for the year.

Non-OPEC liquids production growth in 2020 was revised down by 15 tb/d m-o-m and is now forecast to see a contraction of 3.25 mb/d (including processing gains), to average 61.78 mb/d. This was due to minor downward revisions in the production forecasts of Guyana, India, Colombia, Ghana, Canada, Argentina Ecuador, and others. Meanwhile, the production forecasts for the US and China were revised up compared to the previous assessment. All of the main revisions for 2020 are shown in **Graph 5 – 1**.

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



Note: * 2020 = Forecast. Source: OPEC.

Key drivers of growth and decline

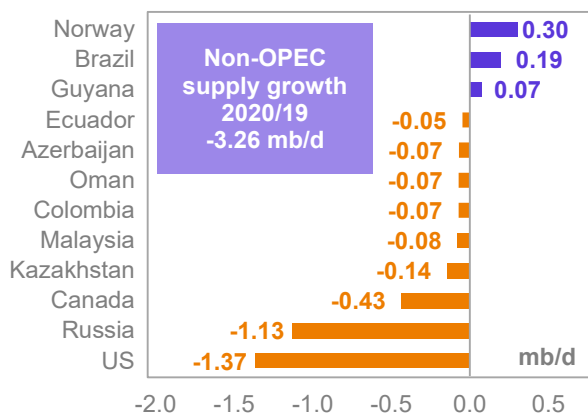
The **key drivers for the non-OPEC liquids supply declines in 2020** are expected to be the US, Russia, Canada, and Kazakhstan, while oil production is expected to increase mainly in Norway, Brazil, and Guyana.

For **2021**, the key drivers for non-OPEC supply growth are forecast to be the US, Brazil, Norway and Canada, while oil production mainly in Egypt, Mexico and Thailand will decline.

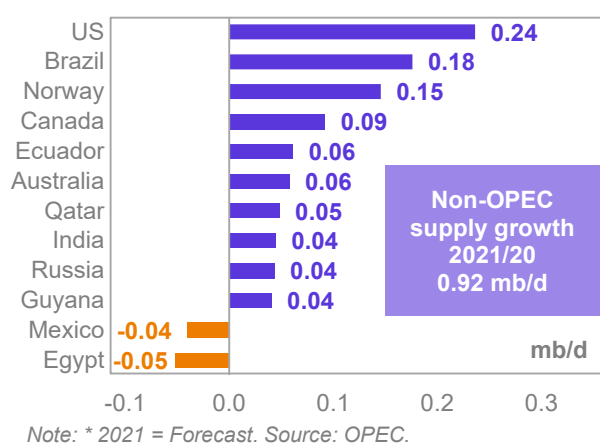
Many institutes and agencies have forecast a second consecutive y-o-y production contraction for the US next year. Their near-term outlooks are mainly based on the continuation of production declines of 2020 into 2H21. The best indicator for tight oil production growth slowdowns has been the drastic decline in the active oil rig count in most shale regions, including the Permian Basin. However, 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 185 in the week ended 2 July 2020. Therefore, with a higher WTI price level of \$40-45/b, access to around 6,000 DUCs, and recovery in the oil rig count within the coming months, potentially reversing the production trend in 4Q20.

Nevertheless, financial considerations in terms of E&P capex discipline which emerged in 2H19, as well as debt levels incurred by US producers are likely to continue. In addition, the most recent decision to close down the 570 tb/d Dakota Access pipeline (DAPL) may also have a negative impact on the US forecast for 2021. Furthermore, the likelihood of a second wave of COVID-19 infections poses large uncertainty on near-term developments globally.

Graph 5 - 2: Annual liquids production changes for selected countries in 2020*



Graph 5 - 3: Annual liquids production changes for selected countries in 2021*



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	%
Americas	25.75	26.59	23.74	22.59	22.71	23.90	-1.84	-7.17
of which US	18.40	19.04	17.12	15.92	16.07	17.03	-1.37	-7.42
Europe	3.71	4.02	3.89	3.94	4.07	3.98	0.27	7.38
Asia Pacific	0.53	0.53	0.57	0.59	0.59	0.57	0.04	8.43
Total OECD	29.98	31.14	28.20	27.12	27.36	28.45	-1.53	-5.09
Other Asia	3.48	3.43	3.24	3.32	3.32	3.33	-0.16	-4.48
Latin America	6.01	6.30	5.74	6.16	6.37	6.14	0.13	2.17
Middle East	3.21	3.21	3.11	3.05	3.07	3.11	-0.10	-3.16
Africa	1.53	1.50	1.45	1.44	1.45	1.46	-0.07	-4.83
Total DCs	14.24	14.44	13.55	13.97	14.20	14.04	-0.20	-1.41
FSU	14.37	14.51	12.93	12.20	12.43	13.02	-1.35	-9.42
of which Russia	11.44	11.51	10.20	9.71	9.85	10.31	-1.13	-9.87
Other Europe	0.12	0.12	0.12	0.11	0.11	0.12	0.00	-3.14
China	4.05	4.15	4.11	3.99	4.01	4.07	0.01	0.35
Total "Other regions"	18.54	18.78	17.16	16.31	16.56	17.20	-1.34	-7.25
Total non-OPEC production	62.76	64.36	58.92	57.40	58.12	59.69	-3.07	-4.89
Processing gains	2.26	2.07	2.07	2.07	2.07	2.07	-0.19	-8.48
Total non-OPEC liquids production	65.02	66.43	60.99	59.47	60.19	61.76	-3.26	-5.02
Previous estimate	65.03	66.54	61.44	59.31	59.97	61.80	-3.23	-4.97
Revision	-0.01	-0.11	-0.45	0.16	0.23	-0.04	-0.03	-0.05

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	23.90	23.17	23.50	24.50	25.55	24.19	0.29	1.21
of which US	17.03	16.38	16.88	17.47	18.32	17.27	0.24	1.39
Europe	3.98	4.11	4.01	4.04	4.31	4.12	0.14	3.42
Asia Pacific	0.57	0.62	0.61	0.64	0.63	0.62	0.05	9.33
Total OECD	28.45	27.90	28.12	29.18	30.49	28.93	0.48	1.68
Other Asia	3.33	3.34	3.31	3.36	3.35	3.34	0.01	0.29
Latin America	6.14	6.40	6.36	6.32	6.55	6.41	0.26	4.27
Middle East	3.11	3.13	3.14	3.15	3.16	3.14	0.03	1.12
Africa	1.46	1.45	1.44	1.43	1.42	1.43	-0.03	-1.81
Total DCs	14.04	14.31	14.24	14.25	14.48	14.32	0.28	2.00
FSU	13.02	13.04	13.04	13.04	13.03	13.04	0.02	0.17
of which Russia	10.31	10.36	10.36	10.36	10.36	10.36	0.04	0.42
Other Europe	0.12	0.11	0.11	0.11	0.11	0.11	-0.01	-6.92
China	4.07	4.05	4.04	4.08	4.15	4.08	0.02	0.38
Total "Other regions"	17.20	17.20	17.19	17.22	17.29	17.23	0.03	0.17
Total non-OPEC production	59.69	59.41	59.55	60.66	62.26	60.48	0.79	1.32
Processing gains	2.07	2.20	2.20	2.20	2.20	2.20	0.13	6.18
Total non-OPEC liquids production	61.76	61.61	61.75	62.86	64.46	62.68	0.92	1.48

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

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

Source: OPEC.

Production ramp ups and new projects' start-ups for 2021

The oil price drop, market uncertainty, expenditure cuts and production shut-ins by both countries participating in the DoC and producers outside of the DoC, particularly US shale producers, are expected to reshape the short-term oil supply forecast.

The COVID-19 outbreak caused a drastic drop in oil demand leading to a sharp decline in oil prices, which impacted investment in the oil and gas upstream sector. The previous upstream investment plans show drastic cuts to spending. In the near-term, oil and gas companies are expected to increase their focus on economically viable fields and their core areas and to postpone costly projects to the future.

Currently, there are only 16 new projects of more than 10 tb/d in non-OPEC countries which are expected to start up in 2021. The total planned production for these projects is forecast to reach around 300 tb/d. Norway with six projects is the main driver for new production in 2021.

Table 5 - 4: New projects planned to start production in 2021 in non-OPEC countries

Country	Field	Location	Project	Planned production, tb/d	Liquid type
China	Liuhua	Offshore	Liuhua 16-2	23	Crude oil
China	Luda	Offshore	Luda 21-2	17	Crude oil
China	Caofeidian	Offshore	Caofeidian 6-4	11	Crude oil
Malaysia	Baram Delta	Offshore	Baram Delta, EOR	14	Crude oil
Malaysia	Bardegg	Offshore	Integrated BARDEGG2-Baronia EOR	16	Crude oil
Qatar	Al Shaheen	Offshore	Gallaf	15	Crude oil
Brazil	Peregrino	Offshore	Peregrino, Phase 2	21	Crude oil
Mexico	Ichalkil-Pekoch	Offshore	Ichalkil-Pekoch	12	Crude oil
Mexico	Hokchi	Offshore	Hokchi	11	Crude oil
Norway	Tor	Offshore	Tor	18	Crude oil
Norway	Martin Linge	Offshore	Martin Linge	34	Crude oil
Norway	Martin Linge	Offshore	Martin Linge	12	NGLs
Norway	Snorre	Offshore	Snorre	31	Crude oil
Norway	YME	Offshore	YME	17	Crude oil
Norway	Bauge	Offshore	Bauge	22	Crude oil
Russia	Vankorneft	Offshore	Vankorneft	25	Crude oil
Total production planned from new projects in 2021*				298	

Note: * Status as of 26 June 2020.

Sources: Rystad Energy and OPEC.

According to the latest information on project ramp ups in 2021 based on Rystad Energy's UCube database, 2.42 mb/d is estimated to come on stream through already existing project ramp ups. As a result, a total of 2.72 mb/d of new production is planned for 2021, which will be partially offset by natural declines. However, the large portion of this incremental production will just compensate the curtailed volumes that were lost in 2020. As a result, non-OPEC liquids supply in 2021 is likely to grow by 0.92 mb/d, y-o-y.

OECD

OECD liquids production in **2020** is forecast to decline by 1.53 mb/d to average 28.45 mb/d, revised up by 46 tb/d m-o-m owing to an upward revision in the production forecast for OECD Americas, which is now projected to decline by 1.84 mb/d to average 23.90 mb/d. OECD Europe was revised down by 10 tb/d m-o-m and 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 remained unchanged and is forecast to grow by 0.04 mb/d to average 0.57 mb/d.

For **2021**, oil production in the OECD is likely to grow by 0.48 mb/d to average 28.93 mb/d with growth from OECD Americas at 0.29 mb/d to average 24.19 mb/d. Oil production in OECD Europe and OECD Asia Pacific is anticipated to grow by 0.14 mb/d and 0.05 mb/d y-o-y to average 4.12 mb/d and 0.62 mb/d, respectively.

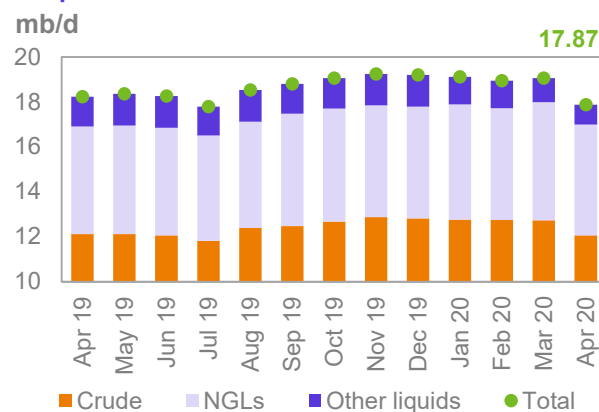
OECD Americas

US

US liquids production in April 2020 was lower by 1.19 mb/d m-o-m to average 17.87 mb/d, while a year earlier, in April 2019, it was higher by 0.37 mb/d m-o-m.

All liquids components declined in April compared to March. While crude oil and condensate output declined by 669 tb/d m-o-m to average 12.06 mb/d, production of NGLs and other liquids, particularly ethanol, declined by 319 tb/d and 205 tb/d to average 4.93 mb/d and 0.87 mb/d, respectively.

Graph 5 - 4: US monthly liquids output by key component



Source: OPEC.

Production of crude oil, including field condensates, decreased in all five PADDs in April by a total of 669 tb/d compared to a month earlier.

Crude oil output in the Gulf Coast, Midwest and Rocky Mountain regions saw the deepest declines by 296 tb/d, 280 tb/d and 59 tb/d, respectively, mainly due to production shut-ins. The output declined in Texas by 234 tb/d to average 5.2 mb/d and in the GoM, production declined by 16 tb/d to average 1.92 mb/d. Oil output in New Mexico fell by 26 tb/d to average 1.08 mb/d. In the Midwest, production in North Dakota and Oklahoma declined by 195 tb/d and 54 tb/d to average 1.21 mb/d and 0.50 mb/d, respectively.

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

State	Change		
	Mar 20	Apr 20	Apr 20/Mar 20
Alaska	470	463	-7
Colorado	491	493	2
Oklahoma	553	499	-54
New Mexico	1,108	1,082	-26
North Dakota	1,409	1,214	-195
Gulf of Mexico (GoM)	1,931	1,915	-16
Texas	5,434	5,200	-234
Total	12,730	12,061	-669

Sources: EIA and OPEC.

Oil output in Colorado, which is home to the Niobrara shale, increased in April by a minor 2 tb/d m-o-m to average 0.49 mb/d, while production in Wyoming declined by 38 tb/d to average 0.25 mb/d. And finally, on the West Coast, production in Alaska declined by 7 tb/d m-o-m to average 0.46 mb/d.

As the current decline in legacy tight crude output is steeper than seen 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.

The Federal Reserve Bank of Dallas' quarterly survey, reports that the largest share of participants surveyed – 41% – expects pre-coronavirus production levels to be reached in 2021, with 39% predicting 2022 or later, and 16% saying they do not foresee production ever fully recovering. Regarding the price range for restarting horizontal wells, the biggest share of 30% replied that a range of \$36-40/b was needed, while 27% say \$41-45/b, 24% say above \$46/b and 19% say below \$36/b. Indeed, a complete return of US producers to pre-pandemic levels depends on a stable recovery in the oil market, particularly sufficient demand and a higher sustained oil price.

The most recent decision regarding the impending shut down of the 570 tb/d Dakota Access pipeline, which would impact the transfer of crude from the Bakken shale in North Dakota to the US midcontinent and the Gulf coast, was not yet taken into account in this forecast, as the operator Energy Transfer has announced its intention to appeal.

US crude oil production in April averaged 12,160 tb/d, based on EIA weekly data, while actual monthly output data indicates a lower level of 12,055 tb/d. Average monthly production in May based on US weekly production data shows a decrease of 741 tb/d to average 11,419 tb/d.

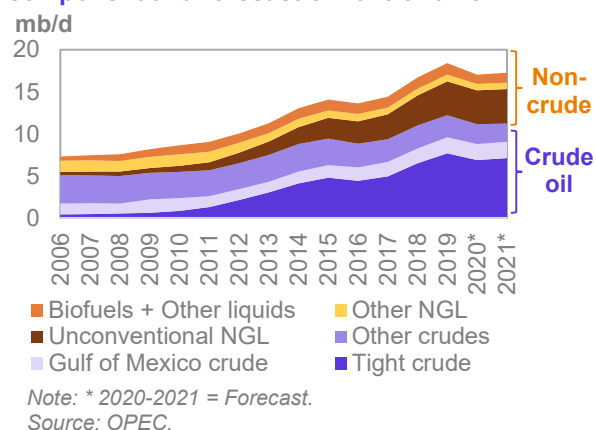
The **US liquids production growth forecast for 2020** was revised up by 68 tb/d and now is forecast to contract by 1.37 mb/d y-o-y for an average of 17.03 mb/d.

The onshore conventional **crude production** forecast for 2020 was revised up by 0.04 mb/d from the previous month's assessment to average 2.34 mb/d, representing a contraction of 0.30 mb/d. While tight crude averaged 6.88 mb/d, it is forecast to decline by 0.81 mb/d y-o-y, with oil output from the GoM expected to grow by 0.03 mb/d y-o-y to average 1.92 mb/d in 2020. As a result, US crude oil production in 2020 is forecast to decline by 1.08 mb/d y-o-y to average 11.14 mb/d.

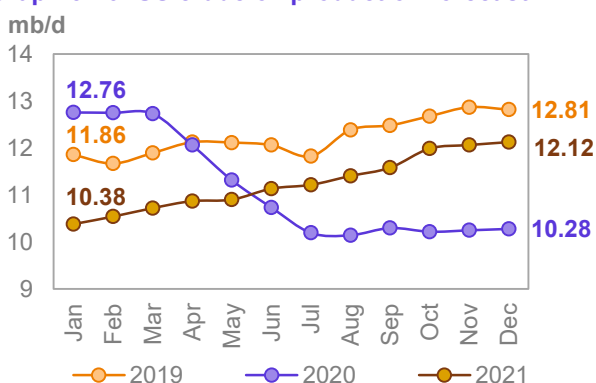
The **US biofuels and other non-conventional liquids production** forecast was also revised up by 0.09 mb/d to average 1.09 mb/d, and show a contraction of 0.27 mb/d y-o-y.

On the other hand, the **US NGL production** forecast was revised down by 0.07 mb/d to average 4.80 mb/d, representing a y-o-y decline of 0.02 mb/d.

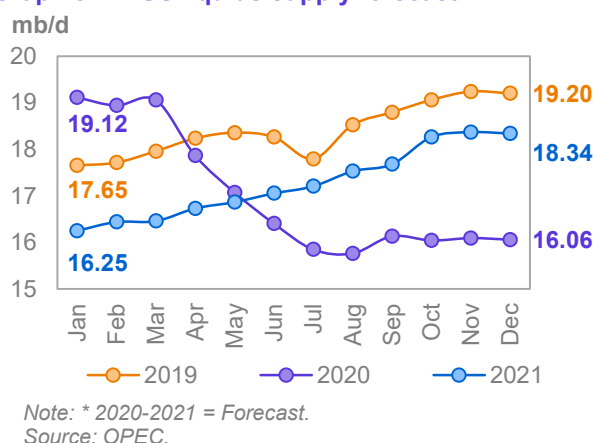
Graph 5 - 5: US liquids supply developments by component and forecast of 2020 and 2021



Graph 5 - 6: US crude oil production forecast



Graph 5 - 7: US liquids supply forecast

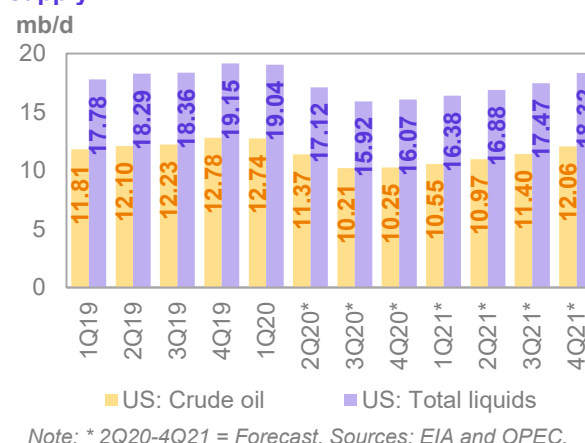


US crude oil production in 2021, including condensates, tight crude, oil output from the GoM and onshore conventional crude, is forecast to grow by only 0.10 mb/d y-o-y to average 11.24 mb/d.

With the recent slowdown in the declining trend of the oil rig count, which is now expected to increase from late in 3Q20, and also with access to a remarkable number of DUCs (around 6,000 uncompleted wells that can be completed at lower cost by at least 30%) in addition to prices being at breakeven or higher compared to the level in 1H20, US operators are forecast to be able to produce 0.24 mb/d on a yearly basis in 2021.

Oil production ramp ups from existing projects in the GoM are likely to increase by 0.03 mb/d y-o-y in 2021, similar to the current year. However, conventional crude oil production declines in onshore fields, including Alaska, will partially offset the expected growth coming from shale and the GoM.

Graph 5 - 8: US crude and total liquids quarterly supply



US tight crude 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 September. As a result, US tight crude production is forecast to drop by 0.81 mb/d y-o-y to average 6.88 mb/d in 2020. Production of onshore conventional crude will decline by 0.30 mb/d.

US NGL production for the current year is expected to decline by a minor 0.02 mb/d to average 4.80 mb/d, while for **2021**, growth of 0.06 mb/d is anticipated and is now forecast to average 4.86 mb/d. Production of biofuels and other non-conventional liquids in 2020 is likely to drop by 0.27 mb/d due to low oil prices and disappointing output in 2Q20, while for **2021**, it is likely to recover by 0.08 mb/d to average 1.17 mb/d.

Table 5 - 6: US liquids production breakdown, mb/d

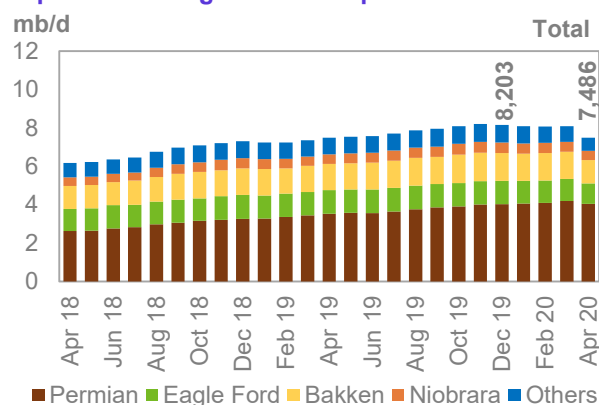
US liquids			Change		Change		Change
	2018	2019	2018/17	2020*	2020/19	2021*	2021/20
Tight crude	6.52	7.70	1.18	6.88	-0.81	7.12	0.24
Gulf of Mexico crude	1.76	1.88	0.13	1.92	0.03	1.94	0.03
Conventional crude oil	2.72	2.65	-0.07	2.34	-0.30	2.18	-0.16
Unconventional NGLs	3.58	4.01	0.44	4.02	0.01	4.10	0.08
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	1.09	-0.27	1.17	0.08
US total supply	16.71	18.40	1.69	17.03	-1.37	17.27	0.24

Note: * 2020-2021 = Forecast.

Sources: EIA, OPEC and Rystad Energy.

US tight crude output in April decreased by an estimated 604 tb/d m-o-m to average 7.49 mb/d, matching the production level of April 2019. The main m-o-m decline in US tight crude output from shale and tight formations through horizontal wells came from the Permian, Midland, as well as the Delaware Basin in Texas and New Mexico, dropping a total of 146 tb/d to average 4.04 mb/d, higher by 0.53 mb/d y-o-y. Tight crude output in the Eagle Ford declined by 100 tb/d to average 1.06 mb/d; output in the Bakken dropped by 194 tb/d to average 1.22 mb/d; in the Niobrara, output declined by 18 tb/d to average 0.49 mb/d; while in other regions production fell m-o-m by 146 tb/d to average 0.67 mb/d.

Graph 5 - 9: US tight crude output breakdown



Sources: EIA, Rystad Energy and OPEC.

US tight crude production in 2020 and 2021 is expected to show continuous y-o-y growth in the Permian Basin by 0.22 mb/d and 0.17 mb/d, respectively.

Table 5 - 7: US tight oil production growth, mb/d

US tight oil			Change		Change		Change
	2019	2019/18	2020*	2020/19	2021*	2021/20	
Permian tight	3.66	0.84	3.88	0.22	4.05	0.17	
Bakken shale	1.41	0.16	1.15	-0.26	1.23	0.08	
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	
Total	7.70	1.18	6.88	-0.81	7.12	0.24	

Note: * 2020-2021 = Forecast.

Source: OPEC.

As a result, **US liquids production** is forecast to grow by 0.24 mb/d y-o-y to average 17.27 mb/d in **2021**. This will remain to be 1.13 mb/d below average liquids production seen in 2019.

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

The **overall US rig count** declined by 700 units, or 73%, y-o-y to 263 rigs in the week ending 2 July, as operators kept their wells shut-in. US operators idled 498 oil rigs in the 16 weeks since crude prices started plummeting from 13 March (**Graph 5 – 10**). The pace of the declining oil rig count has slowed in May compared to April and, in June, the weekly changes decline to single digit levels.

The **oil rig count** dropped by 3 rigs w-o-w to 185 rigs, while **gas rigs** declined by 2 units w-o-w to 76 rigs. While the US oil rig count dropped by 603 rigs, or 77%, US gas rigs dropped by 98 units or 56%. Total horizontal rigs (oil and gas) decreased by 308 units, or 34%, y-o-y to stand at 593 rigs. The horizontal rig count dropped by 60 rigs w-o-w.

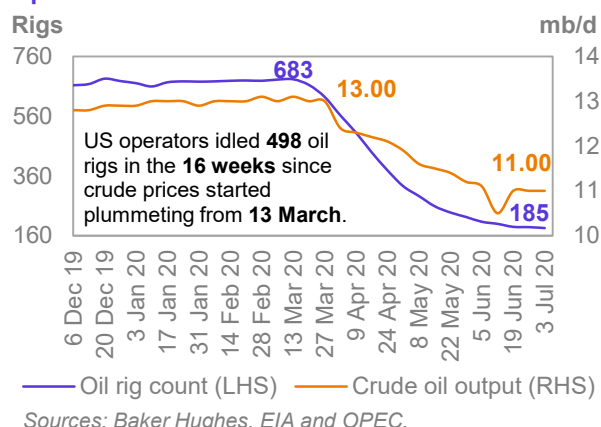
Regarding major basin variances, the vast majority of US rigs continue to be in the Permian Basin, at 126 rigs as of 2 July, lower by 317 rigs (-72%) y-o-y. At the same time, the number of active rigs was 11 units in the Eagle Ford Basin (-85% y-o-y), 10 units (-82% y-o-y) in the Williston Basin and 4 units (-85% y-o-y) in the Niobrara Basin.

With regard to **drilling and completion**, in all US shale plays, only 198 horizontal wells were spudded in June compared to 932 spudded wells in June 2019, down by 69 wells m-o-m. In the same month, only 140 wells were completed, lower by 764 compared to a year ago and down by 113 wells m-o-m.

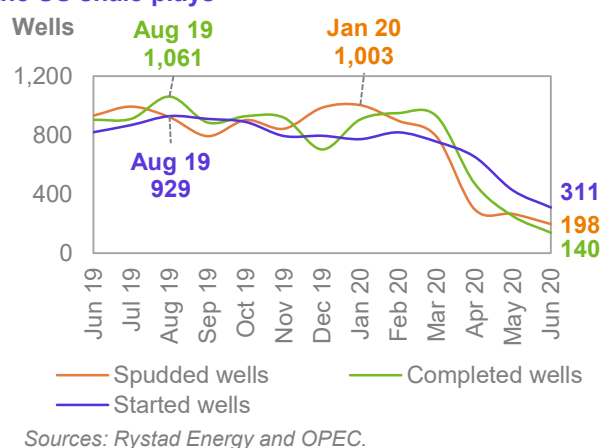
Regarding started new horizontal wells, which have been in decline since August 2019, a total of 311 wells started to produce in June in all US shale regions compared to 820 started wells in June 2019, according to data by Rystad Energy (**Graph 5 – 11**).

The number of **DUC wells in June** increased by 56 wells m-o-m to 5,380 (preliminary data). DUCs increased by 11 units in the Permian Midland, 30 units in Delaware, 2 units in the DJ Basin, 15 units in the Bakken shale, 4 units in the Eagle Ford, while there was a decline of 6 units in other regions (**Graph 5 – 12**).

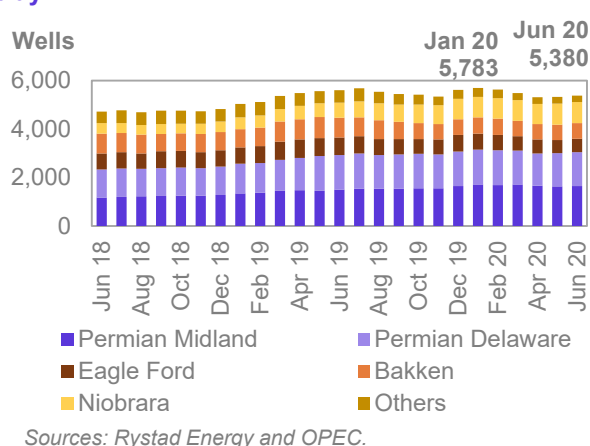
Graph 5 - 10: US weekly rig count vs US crude oil output



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



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



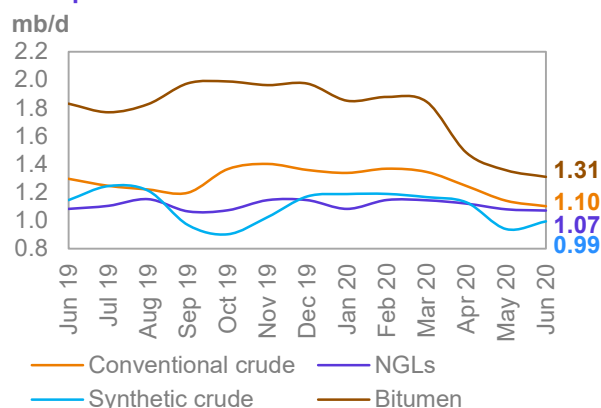
Canada

Canada's liquids production in June, following a monthly drop of 0.52 mb/d in April and 0.46 mb/d in May, decreased by 0.04 mb/d m-o-m to average 4.52 mb/d (preliminary), which is 0.88 mb/d lower y-o-y. Total synthetic crude and bitumen production was up by a minor 8 tb/d m-o-m to average 2.30 mb/d in June, following a reduction of 0.32 mb/d in May. Preliminary production data for conventional oil output and NGLs in June shows a decline of 0.04 mb/d m-o-m to average 1.10 mb/d and 0.01 mb/d to average 1.07 mb/d, respectively.

Canada's oil supply in **2020**, was revised down by a further 11 tb/d following lower-than-expected output in 2Q20 and is now estimated to decline by 0.43 mb/d y-o-y for an average of 4.98 mb/d.

For **2021**, Canadian production is forecast to gradually increase amid higher demand in the coming months with output expected to average 5.07 mb/d, representing y-o-y growth of 0.09 mb/d. Indeed, this incremental production is a recovery of oil output from Alberta's oil sands resources that was previously shut in in 2020. Canada is still facing pipeline constraints and railroad capacity limits for oil exports.

Graph 5 - 13: Canada monthly production development



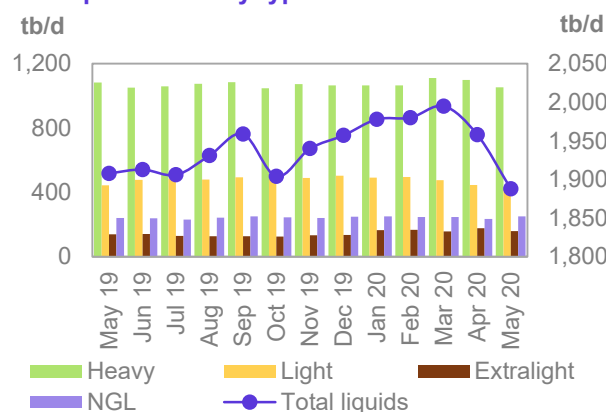
Sources: National Energy Board and OPEC.

Mexico

Mexico's liquids output in May dropped by 70 tb/d m-o-m to average 1.89 mb/d, following a downward production adjustment of crude oil by 114 tb/d to average 1.63 mb/d in accordance with the DoC agreement. Crude oil production in June was also adjusted lower by 100 tb/d to average 1.65 mb/d (preliminary) in line with the required production adjustment cut for June.

In May, production of heavy crude declined by 45 tb/d to average 1.05 mb/d, while light and extra light crude declined by 25 tb/d and 18 tb/d m-o-m to average 0.42 mb/d and 0.16 mb/d, respectively, according to Pemex.

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



Sources: PEMEX and OPEC.

The government of Mexico has announced a fresh review of upstream oil and gas contracts. Since 2014, the National Hydrocarbons Commission (CNH) has awarded more than 100 upstream contracts to 73 firms from 20 countries, with forthcoming investments of up to \$161 bn, if all licenses prove feasible. According to the Mexican upstream review in June 2020 as part of Mexico's 2020-24 energy policy for evaluating contracts in an "integral manner", they are going to be paying close attention to the tax revenues and oil rents secured to ensure they are providing "maximum benefits for Mexican development", the government said. In the short-to-medium term, private sector companies originally pledged 0.28 mb/d of crude oil production during 2019–2024.

In comparison with declines in 2018 and 2019, total liquids production in **2020** is forecast to see less of a contraction, by 0.05 mb/d y-o-y, to average 1.88 mb/d.

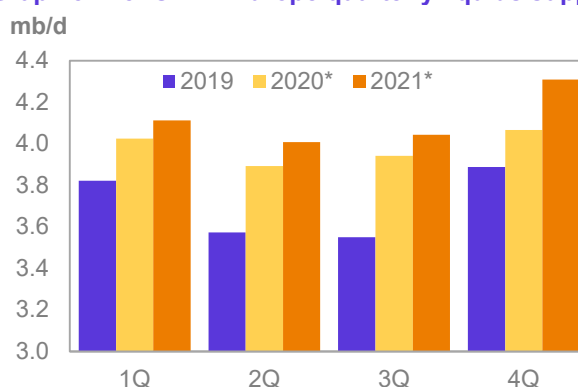
For **2021**, oil production declines in Mexico are forecast to continue by 0.04 mb/d to average 1.84 mb/d. Two new offshore fields are projected to start up in the next year – Ichalkil-Pokoch and Hojchi – with a production capacity of 23 tb/d of crude oil.

OECD Europe

OECD Europe's liquids production in 2020 is projected to grow by 0.27 mb/d to average 3.98 mb/d, owing to production growth in Norway amid production ramp ups in the giant Johan Sverdrup field. While oil production in the UK and Norway is expected to see growth of 0.02 mb/d and 0.30 mb/d in the current year, respectively, oil output in other countries of the region will remain unchanged or decline.

For 2021, production is expected to surge to 4.12 mb/d through continued production ramp ups in Norway, representing y-o-y growth of 0.14 mb/d for the region.

Graph 5 - 15: OECD Europe quarterly liquids supply



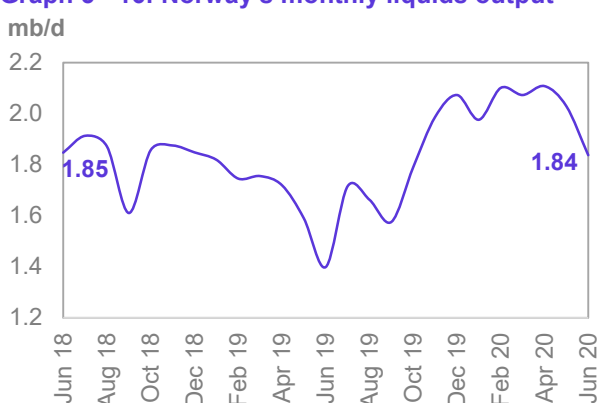
Note: * 2020-2021 = Forecast.
Source: OPEC.

Norway

Norwegian crude production in May fell by 37 tb/d m-o-m to 1.74 mb/d. Production of NGLs and condensate declined by 42 tb/d m-o-m in May to average 0.29 mb/d following maintenance at the Snøhvit field, which began in mid-May and ended in late June.

Preliminary crude production data in June indicates a m-o-m decline by 0.19 mb/d to average 1.55 mb/d in line with the Norwegian government's announcement for production adjustments from June onwards.

Graph 5 - 16: Norway's monthly liquids output



Sources: NPD and OPEC.

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 (Feb), Skarv (May), Snøhvit-Askeladd phase-2 (August), Martin Linge (September), Njord (October), Dvalin (December), YME-redeveloped phase-2 and Tor II oil fields in November and December, respectively. However, production ramp ups from those fields which were planned to start up in 2H20 are now postponed by the Norwegian government into 2021, in accordance with mandated production curtailments in the country following the demand shock in the oil market.

Norway's liquids supply in 2021 is expected to grow by 0.15 mb/d to average 2.18 mb/d. Apart from those projects that were deferred into 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. It goes without saying that part of this incremental production will be offset by mature fields' natural declines, which are estimated to be up to 13% in some fields. However, there is an upside potential for increasing production in 2021, compared to the initial forecast.

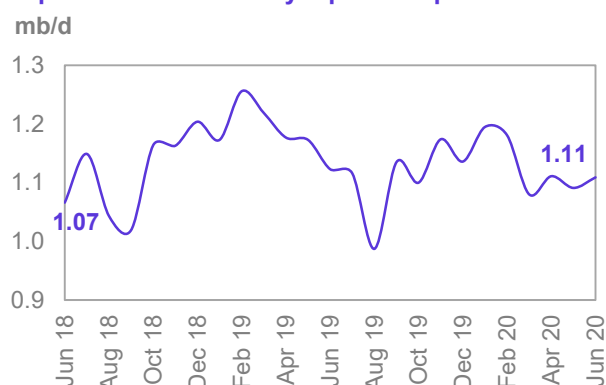
UK

UK liquids production in **May** was down by 0.02 mb/d m-o-m to average 1.09 mb/d, lower by 0.08 mb/d y-o-y. Crude oil output declined by 24 tb/d to average 0.95 mb/d in May, while NGL output was up by minor 4 tb/d to average 97 tb/d. Non-conventional liquids were flat at 44 tb/d. However, preliminary output data in **June** shows a rising trend.

For **2020**, despite expected growth from new projects, UK oil production is forecast to remain almost stagnant in the current year at 1.14 mb/d due to planned maintenance from April to September.

For **2021**, UK liquids production is forecast to grow by 0.01 mb/d to average 1.15 mb/d following production ramp ups in some small fields.

Graph 5 - 17: UK monthly liquids output



Sources: Department of Energy & Climate Change and OPEC.

Non-OECD

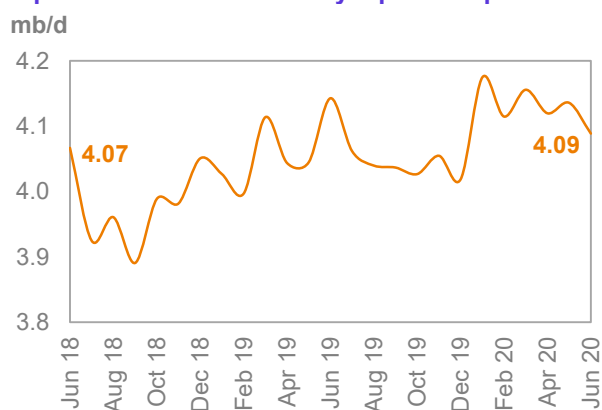
Non-OECD liquids production for 2020 is projected to decline by 1.53 mb/d y-o-y to average 31.25 mb/d. China is expected to grow by 0.01 mb/d to average 4.07 mb/d. Developing countries (DCs) are likely to decline by 0.20 mb/d to average 14.04 mb/d, including Other Asia (-0.15 mb/d to average 3.33 mb/d), Latin America (0.13 mb/d to average 6.14 mb/d), 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 13.03 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 0.29 mb/d to average 31.55 mb/d. For the next year, China is expected to grow by 0.02 mb/d to average 4.08 mb/d. In DCs, the key driver remains Latin America with a y-o-y forecast growth of 0.26 mb/d to average 6.41 mb/d. Oil production is also forecast 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 3.34 mb/d, respectively, while production in Africa will decline by 0.03 mb/d to average 1.43 mb/d. Oil production in FSU will return to the positive with minor growth of 0.01 mb/d, while Other Europe is anticipated to decline by 0.01 mb/d to average 0.11 mb/d in 2021.

China

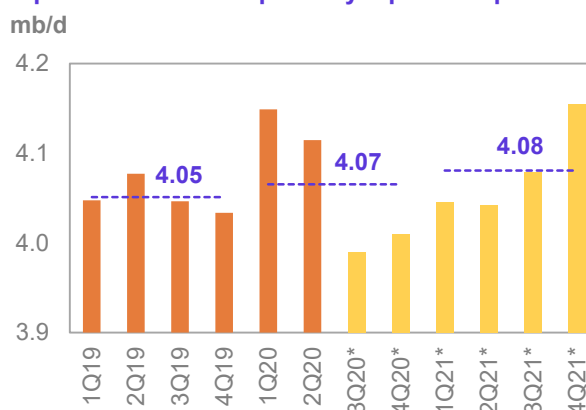
China's **liquids production** in **May** was up by 0.02 mb/d m-o-m to average 4.14 mb/d, and higher by 0.09 mb/d y-o-y, according to official data. Crude oil output in May increased by 14 tb/d to average 3.88 mb/d, and higher by 54 tb/d y-o-y. Preliminary liquids production data in **June** indicates a m-o-m decline by 0.05 mb/d to average 4.09 mb/d. The low oil price environment was not likely to lead to a big drop in crude output in the short term due to the predetermined production target to ensure the security of energy supply, as the Chinese President reiterated the importance of investment and increasing domestic oil production. During the COVID-19 pandemic so far, China's upstream industry has been less affected.

Graph 5 - 18: China's monthly liquids output



Sources: CNPC and OPEC.

Graph 5 - 19: China's quarterly liquids output



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

Oil production in **2020** is expected to increase by 0.01 mb/d to average 4.07 mb/d. However, if crude prices remain low for a prolonged period of time, the main Chinese E&P companies will take bigger hits to revenue, and they are likely to cut capex plans for 2020. This will place more downside pressure on domestic output in 2020-2021.

For **2021**, China's liquids supply is projected to see growth of 0.02 mb/d to average 4.08 mb/d. According to the list of new projects for the next year, three projects (namely Lihua 16-2, Luda 21-2 and Caofeidian 6-4), all offshore, are planned to start production in 2021.

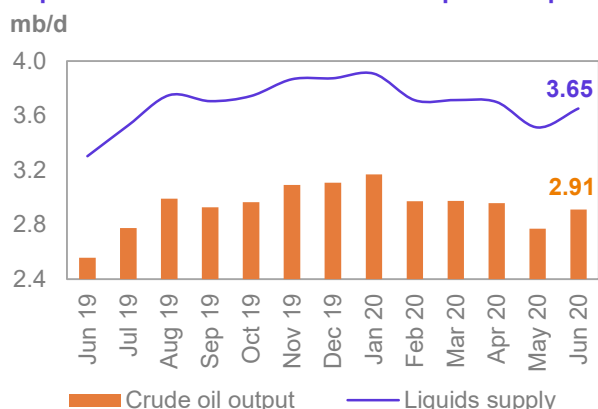
Latin America

Brazil

Brazil's crude oil output in **May** fell by 0.19 mb/d m-o-m to average 2.77 mb/d as total production in pre-salt areas declined by 0.18 mb/d. 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. Preliminary data for **June** shows an increase to 2.91 mb/d of crude production.

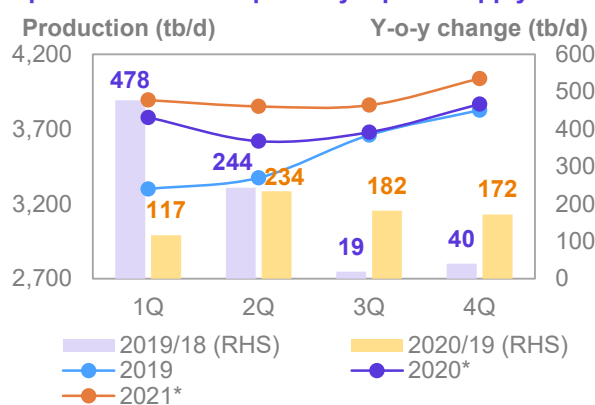
As such, oil production in 2H20 could be expected to be higher than in 1H20, as new projects continue to ramp up. Moreover, first crude oil flow from the **P-70 FPSO** was reported on 25 June, according to Petrobras. P-70 with 150 tb/d of oil processing capacity and a processing capacity of 6 mcm of natural gas per day, was installed in the **Atapu** field within the Santos Basin pre-salt. With lower breakeven prices and improving oil prices, Brazil's pre-salt production appears to be better positioned. In May, total liquids production was pegged at an average of 3.51 mb/d, including biofuels and NGLs.

Graph 5 - 20: Brazil's crude oil and liquids output



Sources: ANP and OPEC.

Graph 5 - 21: Brazil's quarterly liquids supply



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

Brazil's liquids production in **2020** is forecast to increase by 0.19 mb/d y-o-y to average 3.74 mb/d.

For **2021**, liquids supply is projected to grow by 0.18 mb/d to average 3.91 mb/d, mainly crude from pre-salt.

FSU

The **FSU oil supply forecast for 2020** was revised up by 25 tb/d following higher-than-expected output by 111 tb/d. All countries in the region had some portion of this increase. However, 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. As a result, oil production of the FSU is forecast to decline by 1.34 mb/d to average 13.03 mb/d in 2020.

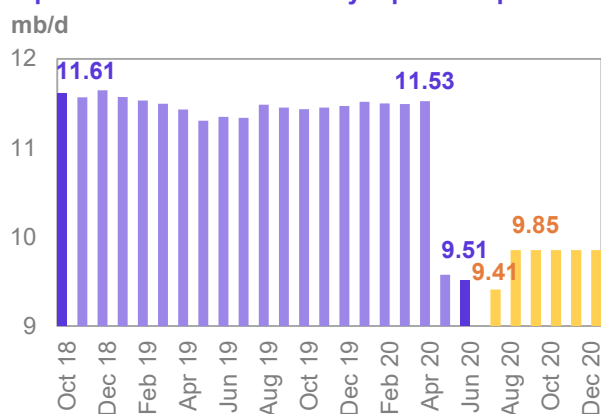
For **2021**, oil production in the region, assuming 100% conformity with the agreed adjustments by the participating countries of the DoC, will increase by a minor 0.01 mb/d y-o-y to average 13.04 mb/d, of which Russia is forecast to grow by 0.04 mb/d.

Russia

Preliminary data for **Russia's liquids production in June** shows a decline of 0.07 mb/d m-o-m to an average of 9.51 mb/d, lower by 1.84 mb/d y-o-y. Crude oil production in May averaged 8.73 mb/d and in June it was at 8.66 mb/d (preliminary), representing a cut by 1.95 mb/d and 2.02 mb/d, compared to April, respectively, in

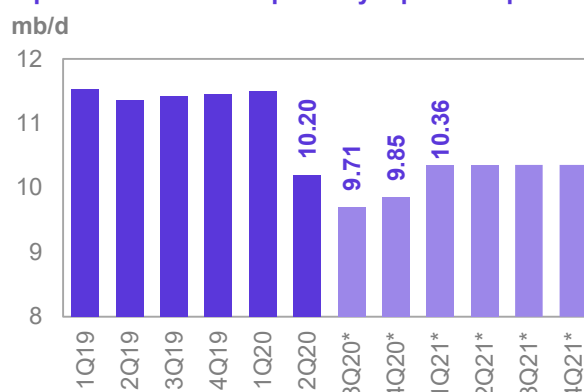
accordance with the agreement of the DoC. In May and June, total condensate and NGL output from gas condensate fields was unchanged from April at 0.85 mb/d.

Graph 5 - 22: Russia's monthly liquids output



Sources: Nefte Compass and OPEC.

Graph 5 - 23: Russia's quarterly liquids output



Note: * 3Q20-4Q21 = Forecast.

Sources: Nefte Compass and OPEC.

Annual liquids production in **2020** is forecast to decrease by 1.13 mb/d y-o-y to average 10.31 mb/d. Russia carries the largest share of the 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.

Caspian

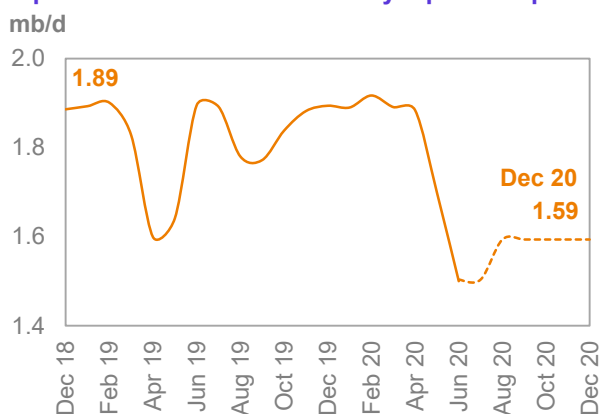
Kazakhstan

Preliminary **Kazakhstan liquids production in June** shows a decrease of 0.20 mb/d m-o-m to average 1.50 mb/d, lower by 0.40 mb/d y-o-y. The final liquids output in May was at 1.70 mb/d, a decline of 0.18 mb/d m-o-m to average 1.88 mb/d. **Crude oil production** in May declined by 185 tb/d m-o-m to average 1.45 mb/d, while in June, output is estimated to have declined by 199 tb/d m-o-m to average 1.25 mb/d.

For **2020**, liquids, production is forecast to decline by 0.14 mb/d to average 1.67 mb/d.

For **2021**, Kazakhstan's production is forecast at 1.67 mb/d and will remain flat, y-o-y.

Graph 5 - 24: Kazakhstan monthly liquids output



Sources: Nefte Compass and OPEC.

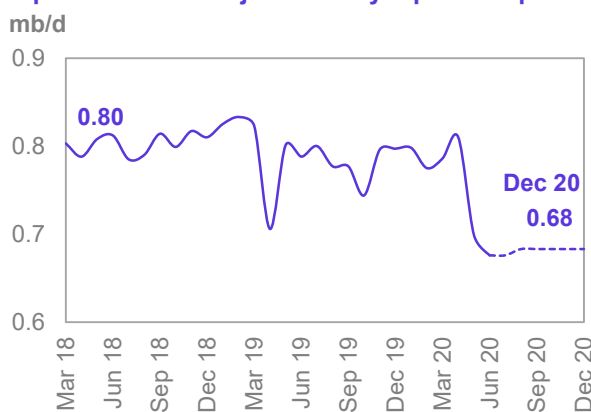
Azerbaijan

The final **liquids output in Azerbaijan in May** shows a m-o-m decline of 0.11 mb/d to average 0.70 mb/d, and a decrease of 0.20 mb/d in June, as per preliminary data. **Crude oil production** was adjusted down by 112 tb/d in May to average 0.57 mb/d, and decreased by another 0.02 mb/d in June to average 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 - 25: Azerbaijan monthly liquids output



Sources: Nefte Compass and OPEC.

OPEC NGL and non-conventional oils

OPEC NGLs and non-conventional liquids are estimated to have declined by 0.08 mb/d in **2019** to average 5.26 mb/d, revised down from last month's assessment by 9 tb/d, following growth of 0.16 mb/d in 2018.

For **2020**, a contraction of 0.10 mb/d y-o-y and average output of 5.16 mb/d are anticipated. The OPEC NGL production forecast was revised down for 2Q20 and 3Q20. As a result, the 2020 forecast was revised down by 65 tb/d. OPEC NGL output in 1Q20 grew by 0.05 mb/d to average 5.35 mb/d but preliminary output in 2Q20 represented a decline of 0.26 mb/d to average 5.09 mb/d. Preliminary production in June indicates the same level as in May at 5.08 mb/d.

The preliminary **2021** forecast indicates growth of 0.08 mb/d 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 - 26: OPEC NGLs and non-conventional liquids output

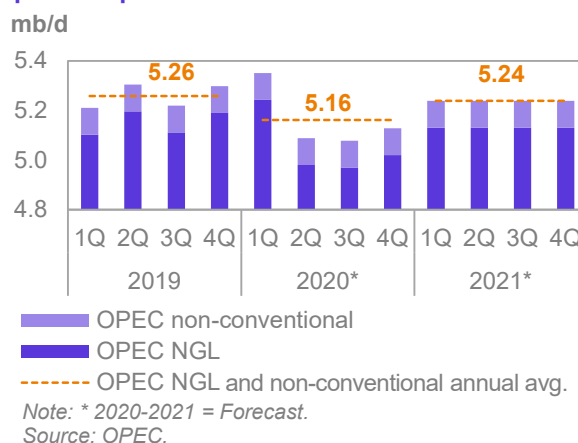


Table 5 - 8: OPEC NGL + non-conventional oils, mb/d

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
Total	5.26	-0.08	5.16	-0.10	5.24	5.24	5.24	5.24	5.24	0.08

Note: 2020-2021 = Forecast.

Source: OPEC.

OPEC crude oil production

According to secondary sources, total **OPEC-13 crude oil production** averaged 22.27 mb/d in June 2020, lower by 1.89 mb/d m-o-m. Crude oil output decreased mainly in Saudi Arabia, Iraq, Venezuela, UAE, and Kuwait, while production increased primarily in Equatorial Guinea and Libya. In June, additional voluntary production adjustments by Saudi Arabia, the UAE and Kuwait were noted. Furthermore, compensatory production adjustments for the countries not able to meet their production levels in May were announced following the 19th Joint Ministerial Monitoring Committee (JMMC) on Thursday, 18 June 2020, which are scheduled to take effect in 3Q20.

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

Secondary sources	2018	2019	4Q19	1Q20	2Q20	Apr 20	May 20	Jun 20	Change Jun/May
Algeria	1,042	1,022	1,022	1,018	877	1,006	819	809	-10
Angola	1,505	1,401	1,350	1,388	1,271	1,313	1,275	1,224	-51
Congo	317	324	313	295	291	293	285	295	10
Equatorial Guinea	125	117	122	122	110	125	90	114	24
Gabon	187	208	210	194	198	196	194	204	10
Iran, I.R.	3,553	2,356	2,113	2,059	1,958	1,973	1,954	1,947	-8
Iraq	4,550	4,678	4,633	4,560	4,129	4,505	4,165	3,716	-449
Kuwait	2,745	2,687	2,688	2,741	2,470	3,118	2,198	2,103	-94
Libya	951	1,097	1,163	348	85	82	80	93	13
Nigeria	1,718	1,786	1,777	1,800	1,624	1,777	1,592	1,504	-88
Saudi Arabia	10,311	9,771	9,846	9,796	9,218	11,642	8,479	7,557	-923
UAE	2,986	3,094	3,135	3,208	2,885	3,841	2,478	2,349	-129
Venezuela	1,354	796	724	730	512	624	555	356	-199
Total OPEC	31,344	29,337	29,095	28,258	25,627	30,495	24,164	22,271	-1,893

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

Source: OPEC.

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

Direct communication	2018	2019	4Q19	1Q20	2Q20	Apr 20	May 20	Jun 20	Change Jun/May
Algeria	1,040	1,023	1,023	1,018	874	1,004	812	807	-5
Angola	1,473	1,373	1,330	1,402	1,267	1,352	1,222	1,230	8
Congo	323	329	307	308	319	314	320	321	1
Equatorial Guinea	120	110	110	126	107	122	86	114	27
Gabon	193	218	212	224	..	..	..	..	..
Iran, I.R.	..	..	..	..	..	..	..	..	..
Iraq	4,410	4,576	4,568	4,490	4,082	4,480	4,068	3,698	-370
Kuwait	2,737	2,678	2,683	2,744	2,474	3,151	2,191	2,088	-103
Libya	..	..	..	..	..	..	..	..	..
Nigeria	1,602	1,737	1,734	1,761	1,516	1,705	1,436	1,411	-25
Saudi Arabia	10,317	9,808	9,929	9,755	9,317	12,007	8,486	7,484	-1,002
UAE	3,008	3,058	3,058	3,173	2,921	4,033	2,443	2,303	-140
Venezuela	1,510	1,013	859	821	568	737	573	393	-180
Total OPEC	..	..	..	..	..	..	..	..	..

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

Source: OPEC.

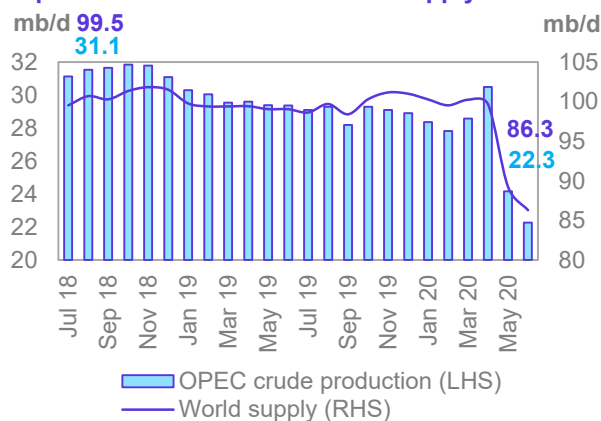
World oil supply

Preliminary data indicates that **global liquids production in June** decreased by 2.95 mb/d to average 86.29 mb/d, compared with the previous month.

Non-OPEC liquids production (including OPEC NGLs) decreased in June by 1.06 mb/d compared with the previous month to average 64.02 mb/d, lower by 5.67 mb/d y-o-y. Preliminary declines in production during June 2020 were mainly driven by OECD, by 0.88 mb/d m-o-m, while oil output declined by 0.18 mb/d in non-OECD countries, including participants in the DoC, because production had already been adjusted in May.

The **share of OPEC crude oil in total global production** decreased by 1.3 pp to 25.8% in June 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 - 27: OPEC and world oil supply



Source: OPEC.

Product Markets and Refinery Operations

Refinery margins in the Atlantic Basin came under pressure in June amid stronger crude prices and growing concerns about a potential second wave of the COVID-19 pandemic, which towards the end of the month offset gains in refining economics registered in early June. This downturn was particularly pronounced in Europe, while in the US Gulf Coast (USGC) margins managed to move slightly higher thanks to stronger diesel exports.

In Asia, margins rebounded and showed solid gains linked to complex refinery configurations as gasoline cracks jumped in line with positive consumption indicators for the same product, particularly in South Korea and India, amid hefty refinery intake cuts and consequently stronger fuel imports from Japan.

Refinery margins

US refining margins trended flat to slightly upwards with mainly complex refinery configurations benefitting from the limited gains. The ongoing downturn in the jet fuel markets due to disrupted air travel, as well as fuel oil market weakness attributed to higher refinery outputs, limited the upside in refining economics.

Strengthening in the naphtha and road fuel markets, with gasoil in particular showing the strongest performance across the barrel, sustained refinery margins. Gasoil cracks jumped back into positive territory on the back of higher exports to north-west Europe following the multi-year low reached in the previous month.

US refinery margins against WTI averaged \$5.19/b in June, up by 27¢ m-o-m but down by \$12.04 y-o-y.

European margins suffered losses in June, as end-user consumption remained insufficiently strong to lift margins, which were weighed down by weakness in the middle and bottom sections of the barrel. Fierce competition for diesel market share amid capped demand within the region has led to a significant diesel surplus y-o-y.

In addition, weaker Mediterranean prices for high sulphur fuel oil relative to North Western Europe have encouraged Mediterranean arbitrage volumes to Asia in the US, squeezing the market share for European supplies. Weak import requirements from Europe, and growing exposure to an increasingly oversupplied market, point to further weakness in the coming month.

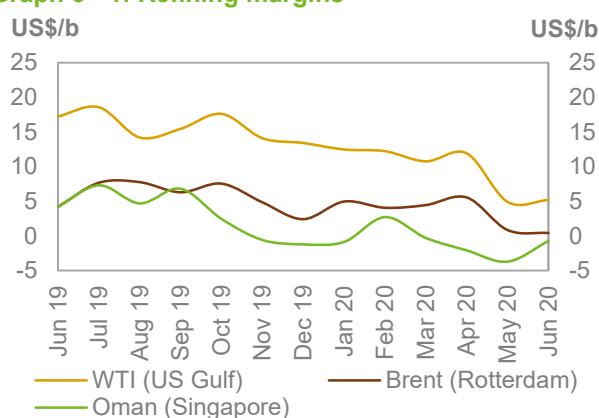
Refinery margins for Brent in Europe averaged 42¢/b in June, down by 43¢ compared to a month earlier and also down by \$3.77 y-o-y.

In **Asia**, margins rebounded in June with large gains attributed to complex refinery configurations. Gasoline cracks jumped as fuel consumption picked up, in line with positive gasoline consumption indicators, particularly in South Korea and India.

In Japan, refiners have resorted to importing gasoline, rather than producing it, due to strong gasoil stock builds with gasoil yields accounting for 40% of the Japanese refining capacity. At the same time, although there are signs of recovery in fuel consumption, the magnitude of this recovery proved rather fragile and was outpaced by the product surplus in China resulting from the upward trend in refining capacity witnessed in the previous month.

This, coupled with renewed worries about rising new COVID-19 cases in South Korea, Australia and Thailand, and reinforcement of lockdown measures in Beijing, point to downside risks for product markets in the near future. Refinery margins for Oman gained \$2.98/b m-o-m to average minus 74¢/b in June, and were lower by \$4.94 y-o-y.

Graph 6 - 1: Refining margins



Sources: Argus and OPEC.

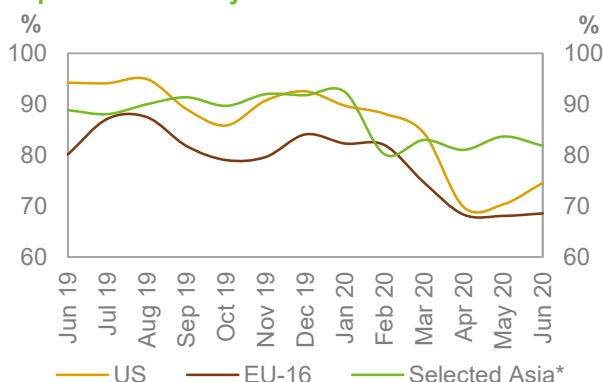
Refinery operations

US refinery utilization rates increased, averaging 74.53%, which corresponds to a throughput of 14.15 mb/d. This represented a rise of 4.2 pp and 810 tb/d compared to the previous month. Y-o-y, the June refinery utilization rate was down by 19.7 pp, with throughputs down by 3.5 mb/d.

Euro-16 refinery utilization averaged 68.55% in June, corresponding to a throughput of 8.5 mb/d. This is a m-o-m increase of 0.5 pp, or 60 tb/d. Y-o-y, utilization rates decreased by 11.6 pp and throughputs were down by 1.4 mb/d.

In **selected Asia** – comprising Japan, China, India, Singapore and South Korea – refinery utilization rates fell, averaging 81.83% in June, which corresponds to a throughput of 23.18 mb/d. Compared to the previous month, throughputs were down by 1.8 pp and by 520 tb/d. Meanwhile, y-o-y they were down by 7.0 pp, which corresponded to a decline of 1.4 mb/d.

Graph 6 - 2: Refinery utilization rates



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

Product markets

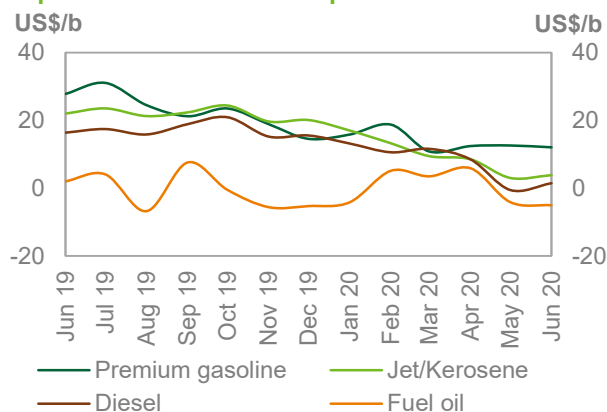
US market

US gasoline crack spreads reversed course and lost the gains registered in the previous month. Gasoline stock levels rose in the first half of the month as demand improved.

However, in the second half of the month, fears of a second wave of the pandemic exerted pressure on gasoline consumption levels, coupled with a \$11.95/b price rise over the month, ultimately weighed on gasoline crack spreads.

In June, the gasoline crack spreads lost 54 ¢ m-o-m to average \$12.08/b, and were down by \$15.71 y-o-y.

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



Sources: Argus and OPEC.

The USGC **jet/kerosene crack spread** reversed course for the first time y-t-d and showed signs of revival following six consecutive months of losses, although it remained at very low levels y-o-y. This development was in line with the restart of domestic aviation activities in the previous month as lockdown measures eased, which, along with reported previous efforts made by US refiners to minimize jet fuel yields, provided some relief to inventory levels. The US jet/kerosene crack spread against WTI averaged \$3.86/b, up by 83¢ m-o-m, but down by \$18.11 y-o-y.

US gasoil crack spreads increased significantly and had the strongest positive performance amongst all core products in the region, supported by higher exports to Europe amid inventory drawdowns registered during the month. The US gasoil crack spread averaged \$1.49/b, up by \$2.00 m-o-m but down by \$14.88 y-o-y.

US fuel oil crack spreads remained volatile. They lost some ground as fuel oil markets were pressured by higher supplies, which led to a nearly 4.0 mb inventory stock build over the month in response to higher refinery processing rates. This is in part due to the weak conversion margin signals recorded in recent months, which provided little incentive for refiners to redirect residue back into the refining system. Whilst the US is a key market for this activity, transport fuel markets appear to be gradually recovering to pre-COVID-19 levels. However, they continue to lag far behind the usual seasonal marks, thus affecting fuel oil uptake. The US fuel oil crack spread in June averaged minus-\$5.08/b, down by 93¢ m-o-m and by \$7.08 y-o-y.

European market

Gasoline crack spreads gained ground, supported by import requirements from West Africa, which saw the highest weekly volume of bookings since March, according to secondary sources. The gasoline crack spread averaged \$9.67/b in June, slightly up by 69¢ m-o-m but down by \$4.59 y-o-y.

The **jet/kerosene crack spreads** defied gravity and bounced back from their five-month downward trend as air travel activities picked up and jet fuel demand slowly recovered.

Refiners were also reported to have been blending jet fuel into the gasoil pool given the high inventory levels of the former and considerably slower consumption recovery relative to the latter.

This practice may have contributed to the decline in stock levels which in turn helped jet fuel cracks exhibit some long-awaited improvement. The Rotterdam jet/kerosene crack spread averaged minus \$1.18/b, up by \$1.75 m-o-m but down by \$12.44 y-o-y.

European **gasoil crack spreads** weakened due to ample volume arrivals into the region, given favourable arbitrage incentives recorded over the month. The gasoil crack spread averaged \$4.48/b, which was lower by 80¢ m-o-m and by \$7.62 y-o-y.

At the bottom of the barrel, **fuel oil 3.5% crack spreads** in Rotterdam gained ground, supported by an uptick in exports to the East, driven by favourable arbitrage incentives. The fuel oil crack spread against Brent averaged minus \$7.52/b, which was slightly higher by 38¢ m-o-m and was also up by \$2.48 y-o-y.

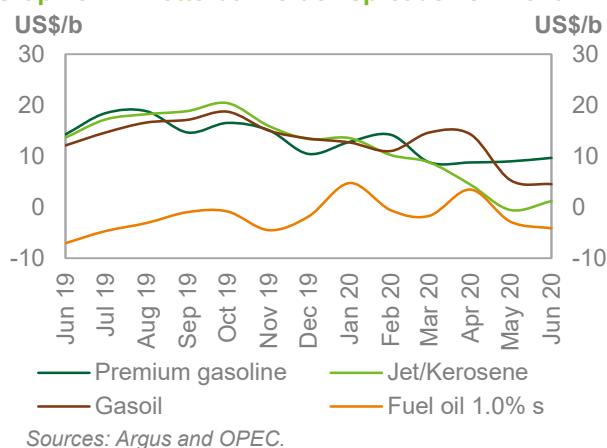
Asian market

The **Asian gasoline 92 crack spread** rose against Dubai, further extending the upward trend that begun in the previous month and backed by relatively stronger gasoline consumption in South Korea and India. In June, gasoline prices in Singapore rose by nearly \$10/b, representing the largest positive gain y-t-d. This was supported by a pick-up in Chinese exports which around mid-June outpaced import figures and returned to above-2019 levels. In addition, the more optimistic market sentiment linked to expectations of strong seasonal driving activity contributed to the positive outcome, although signs of returning lockdowns towards the end of the month placed a cap on the upside in gasoline cracks. The Singapore gasoline crack spread against Oman averaged \$2.04/b in June, up by \$1.58 m-o-m but down by \$2.25 y-o-y.

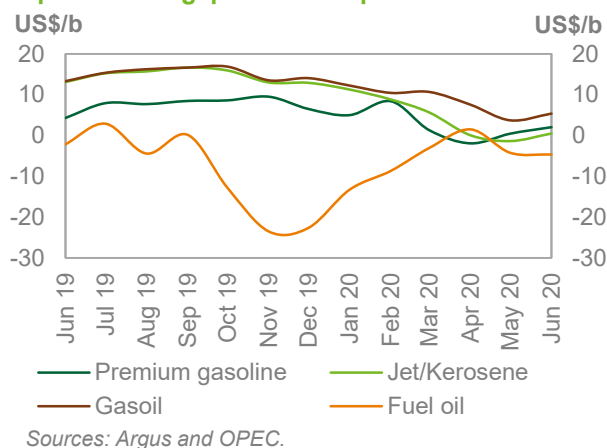
Singapore **naphtha crack spreads** showed solid gains. They were supported by strong demand as petrochemical feedstock requirements continue to outpace refinery output, thus contributing to a tighter naphtha balance in the region. Despite of this positive performance, naphtha cracks remained in negative territory. As a result of the tightening naphtha balance in the region, Singapore prices for the same product rose further. However, further upside in prices could push the petrochemical sector to switch to LPG as a more economically viable choice of feedstock going forward. The Singapore naphtha crack spread against Oman averaged minus \$1.65/b, up by \$2.21 m-o-m and by \$8.15 y-o-y.

In the middle of the barrel, the **jet/kerosene crack spreads** against Oman trended upwards for the first time this year, as domestic air travel activities were gradually restored and domestic Chinese flights reached 66% of levels registered a year ago. The Singapore jet/kerosene crack spread against Oman averaged 45¢/b, up by \$1.86 m-o-m but down by \$12.63 y-o-y.

Graph 6 - 4: Rotterdam crack spreads vs. Brent



Graph 6 - 5: Singapore crack spreads vs. Dubai



Product Markets and Refinery Operations

The Singapore **gasoil crack spreads** trended upwards, supported by lower Chinese deliveries into Singapore which contributed to inventory drawdowns although they still remain high y-o-y. The Singapore gasoil crack spread against Oman averaged \$5.34/b, up by \$1.65 m-o-m, however lower by \$7.94 y-o-y.

The Singapore **fuel oil 3.5% crack spread** moved moderately lower in line with narrow simple vs complex margin spreads, which averaged around \$2.00/b in the past three months. Consequently, the uneconomical implications of running conversion units in some locations have contributed to fuel oil stock builds and weakening of its markets. However, as the summer progresses, positive market sentiment linked to the power generation sector, particularly in the Middle East, should provide some support. Singapore fuel oil cracks against Oman averaged minus-\$4.67, down by 41¢ m-o-m and by \$2.50 y-o-y.

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

Event	Time frame	Asia	Europe	US	Observations
Summer driving season	Jun 20– Aug 20	↓ Negative impact on product markets	↓ Negative impact on product markets	↓ Negative impact on product markets	Further easing of lockdowns could incentivize refiners to increase runs, worsening the product supply/demand balance, and fuel consumption is expected to pick up very gradually.
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 deferred maintenance.
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.

Table 6 - 2: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				Refinery utilization, %			
	Apr 20	May 20	Jun 20	Change Jun/May	Apr 20	May 20	Jun 20	Change Jun/May
US	13.23	13.34	14.15	0.81	69.80	70.31	74.53	4.2 pp
Euro-16	8.47	8.44	8.50	0.06	68.32	68.07	68.55	0.5 pp
France	0.50	0.55	0.68	0.13	40.02	43.85	54.40	10.5 pp
Germany	1.48	1.71	1.68	-0.03	67.69	78.02	76.74	-1.3 pp
Italy	1.00	1.04	1.03	0.00	48.83	50.64	50.54	-0.1 pp
UK	0.83	0.88	0.84	-0.04	62.91	67.25	63.98	-3.3 pp
Selected Asia*	22.95	23.70	23.18	-0.52	81.03	83.66	81.83	-1.8 pp

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	2Q19	3Q19	4Q19	1Q20	2Q20
Total OECD	38.35	38.26	37.65	37.38	38.62	37.29	36.41	31.23
OECD Americas	19.10	19.31	18.96	19.07	19.55	18.87	18.29	15.17
US	16.88	17.32	16.98	17.14	17.43	16.87	16.36	13.57
OECD Europe	12.44	12.21	12.13	11.85	12.54	12.02	11.68	10.54
France	1.17	1.10	1.00	0.98	1.06	0.82	0.65	0.56
Germany	1.91	1.80	1.78	1.70	1.83	1.83	1.79	1.63
Italy	1.40	1.35	1.35	1.33	1.48	1.33	1.22	1.06
UK	1.10	1.06	1.08	1.03	1.07	1.14	1.11	0.88
OECD Asia Pacific	6.82	6.74	6.56	6.45	6.54	6.40	6.44	5.52
Japan	3.22	3.11	3.04	2.94	3.05	3.00	2.96	2.24
Total Non-OECD	42.13	43.51	44.15	43.27	44.43	44.71	42.91	39.04
China	11.35	12.03	12.98	12.66	12.95	13.68	12.04	13.51
Middle East	7.05	7.36	7.18	7.19	7.24	6.87	6.30	5.90
Russia	5.59	5.72	5.70	5.38	5.89	5.83	5.88	5.12
Latin America	4.49	4.22	4.03	3.98	4.10	3.99	3.97	3.30
India	4.79	4.89	5.03	4.97	4.96	5.08	5.09	3.85
Africa	2.24	2.24	2.30	2.23	2.36	2.40	2.39	1.99
Total world	80.49	81.78	81.80	80.65	83.05	82.00	79.31	70.27

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.

Product Markets and Refinery Operations

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

	May 20	Jun 20	Change Jun/May	Annual avg. 2019	Year-to-date 2020
US Gulf (Cargoes FOB)					
Naphtha*	27.13	38.01	10.88	56.86	34.58
Premium gasoline (unleaded 93)	41.19	50.38	9.19	79.66	50.68
Regular gasoline (unleaded 87)	35.61	46.58	10.97	72.70	45.50
Jet/Kerosene	31.60	42.16	10.56	79.32	46.09
Gasoil (0.2% S)	28.06	39.79	11.73	74.61	44.39
Fuel oil (3.0% S)	23.88	32.77	8.89	52.55	30.46
Rotterdam (Barges FoB)					
Naphtha	24.74	37.59	12.85	55.71	35.68
Premium gasoline (unleaded 98)	37.80	49.75	11.95	79.52	50.25
Jet/Kerosene	28.25	41.26	13.01	80.22	45.97
Gasoil/Diesel (10 ppm)	34.10	44.56	10.46	79.50	50.11
Fuel oil (1.0% S)	25.95	35.88	9.93	60.15	39.49
Fuel oil (3.5% S)	24.85	35.84	10.99	54.19	34.17
Mediterranean (Cargoes FOB)					
Naphtha	22.71	36.60	13.89	54.48	33.36
Premium gasoline**	31.10	42.98	11.88	71.36	43.35
Jet/Kerosene	25.01	38.62	13.61	77.77	42.63
Diesel	33.57	44.80	11.23	79.03	48.86
Fuel oil (1.0% S)	28.78	38.36	9.58	63.42	42.73
Fuel oil (3.5% S)	21.71	32.68	10.97	50.55	28.97
Singapore (Cargoes FOB)					
Naphtha	26.49	39.06	12.57	57.10	37.94
Premium gasoline (unleaded 95)	33.44	45.21	11.77	72.45	45.17
Regular gasoline (unleaded 92)	30.81	42.75	11.94	69.45	43.29
Jet/Kerosene	28.94	41.16	12.22	77.26	44.87
Gasoil/Diesel (50 ppm)	35.83	46.36	10.53	77.78	50.09
Fuel oil (180 cst)	26.09	36.04	9.95	57.29	35.34
Fuel oil (380 cst 3.5% S)	24.92	34.66	9.74	56.70	34.27

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

Sources: Argus and OPEC.

Tanker Market

Dirty tanker rates broadly trended lower across most routes in June, as the stellar rates seen earlier in the year receded. The decline in rates was driven by production adjustments to address the oversupply in the market, increased tonnage availability amid the gradual unwinding of floating storage, and lower import needs globally as product demand remains relatively weak. Similar factors have kept clean spot freight rates muted in June.

Spot fixtures

Global spot fixtures fell further in June, declining by 3.0 mb/d, or 18%, m-o-m to average 13.9 mb/d. Spot fixtures were down by a massive 5.8 mb/d, or 30%, compared with the same month last year. The continued decline came as tanker demand remained weak amid production adjustments by exporting countries, high crude and product inventories weighing on import needs and an unwinding of floating storage which released ships into an already moribund market.

Table 7 - 1: Spot fixtures, mb/d

	Apr 20	May 20	Jun 20	Change Jun 20/May 20
All areas	20.73	16.98	13.94	-3.04
OPEC	14.49	11.03	9.50	-1.53
Middle East/East	8.13	6.89	5.83	-1.06
Middle East/West	2.85	1.03	0.65	-0.38
Outside Middle East	3.51	3.11	3.02	-0.09

Sources: Oil Movements and OPEC.

OPEC spot fixtures averaged 9.5 mb/d in June, down 1.5 mb/d or 14% from the previous month and 3.7 mb/d, or 28%, y-o-y.

Middle East-to-West fixtures plunged 37% m-o-m in June, extending an even sharper fall the month before. Fixtures on the route averaged 0.65 mb/d, down 1.2 mb/d, or almost 65% lower than the performance seen in the same month last year.

Fixtures from the **Middle East-to-East** fell by 15% or 1.0 mb/d m-o-m to average 5.8 mb/d in June. Y-o-y, this represented a decline of just under 1 mb/d, or 14%.

Outside of the Middle East, fixtures were slightly lower, declining by less than 0.1 mb/d, or just under 3% m-o-m, to average 3.0 mb/d. In annual terms, fixtures were down by 1.5 mb/d, or 34%.

Sailings and arrivals

OPEC sailings declined by a further 0.5 mb/d or 2.5% in June, following a drop of 1.8 mb/d the month before. OPEC sailings averaged 21.2 mb/d and declined by 3 mb/d, or 12%, compared with June 2019. **Middle East** sailings decreased by 0.2 mb/d or 1.4% in June, building on a 1.85 mb/d decline the month before, to average 15 mb/d. This was 2.3 mb/d or 13% lower than the same month last year.

Crude arrivals were mixed in June. Arrivals in West Asia increased by just under 4% m-o-m to average 4.7 mb/d, which was only marginally higher than in the previous year. Far East arrivals increased 2% m-o-m to average 8.4 mb/d in June and were 2.7% higher compared with the same month last year. In contrast, arrivals in North America declined 2.5% m-o-m to average 7.65 mb/d; y-o-y, arrivals were 26% lower on the route. After a sharp fall in May, arrivals in Europe were only marginally lower m-o-m in June to average just under 10.0 mb/d.

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

	Apr 20	May 20	Jun 20	Change Jun 20/May 20
Sailings				
OPEC	25.49	21.75	21.21	-0.54
Middle East	18.73	15.14	14.93	-0.21
Arrivals				
North America	7.87	7.85	7.65	-0.20
Europe	11.01	10.04	9.95	-0.09
Far East	8.09	8.24	8.41	0.17
West Asia	4.38	4.56	4.73	0.17

Sources: Oil Movements and OPEC.

Dirty tanker freight rates

Very large crude carriers (VLCCs)

VLCC spot rates continued to decline in June, although at a slower pace than in the month before. VLCC rates declined 12% m-o-m on average but were 24% higher than the sluggish rates seen in the same month last year.

Rates on the **Middle East-to-East** route led to m-o-m losses in June, down by 15% m-o-m to average WS52 points, but were still some 18% higher compared with the same month last year.

The **Middle East-to-West** route also showed an m-o-m decline in rates, down by 13% to average WS30 points. However, rates were 49% higher y-o-y.

Rates fell on the **West Africa-to-East** route, decreasing by 9% to WS53 points, but this still represented a gain of 18% compared with June 2019.

The decline in rates was driven by production adjustments to address the oversupply in the market, increased tonnage availability amid the gradual unwinding of floating storage, and lower import needs globally as product demand remained relatively weak due to COVID-19 disruptions.

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

	Size 1,000 DWT	Apr 20	May 20	Jun 20	Change Jun 20/May 20
VLCC					
Middle East/East	230-280	156	60	52	-9
Middle East/West	270-285	103	35	30	-5
West Africa/East	260	145	58	53	-5

Sources: Argus and OPEC.

Suezmax

Suezmax rates were further impacted by a sluggish market, with **average spot freight rates** falling 40% m-o-m on average in June. Y-o-y, rates were 20% lower.

Rates for tankers operating on the **West Africa-to-US Gulf Coast** (USGC) route averaged WS44 points in June, a decline of 42% from the month before. Y-o-y, rates were 32% higher than in June last year.

The **Northwest Europe (NWE)-to-USGC** route fell 38% m-o-m to average WS45 points, representing just a 4% decline from the same month last year.

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

	Size 1,000 DWT	Apr 20	May 20	Jun 20	Change Jun 20/May 20
Suezmax					
West Africa/US Gulf Coast	130-135	140	76	44	-32
Northwest Europe/US Gulf Coast	130-135	102	72	45	-27

Sources: Argus and OPEC.

Aframax

Aframax rates fell by 43% in June and were 27% lower than the same month last year.

The **Med-to-NWE** route decreased 42% m-o-m to average WS56 points, while the **Cross-Med** route dropped by 41% to average WS63 points.

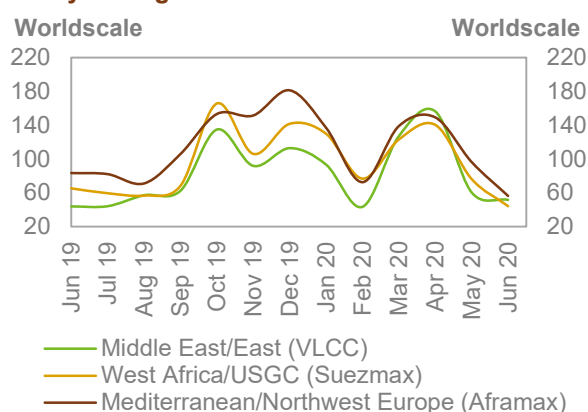
Table 7 - 5: Dirty Aframax spot tanker freight rates, WS

Aframax	Size	Apr 20	May 20	Jun 20	Change
	1,000 DWT				Jun 20/May 20
Indonesia/East	80-85	154	130	73	-57
Caribbean/US East Coast	80-85	153	123	68	-55
Mediterranean/Mediterranean	80-85	156	106	63	-43
Mediterranean/Northwest Europe	80-85	149	96	56	-40

Sources: Argus and OPEC.

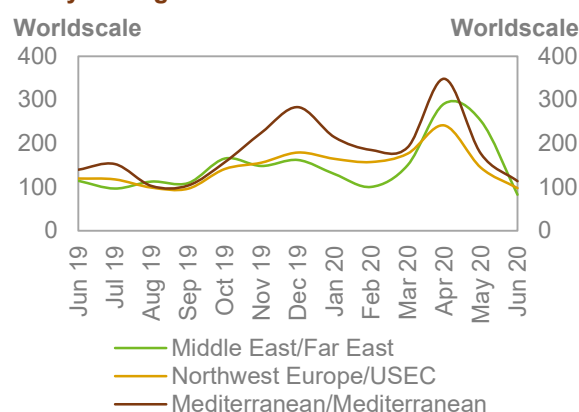
The **Caribbean-to-US East Coast** (USEC) route fell a further 45% to average WS68 points in June. Y-o-y, rates on the route declined 22%. The **Indonesia-to-East** route declined by 44% m-o-m to average WS73 but was 26% higher y-o-y.

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

The **clean spot tanker** market also experienced declines in June, down 46% m-o-m and 18% y-o-y. On the **East of Suez** route, clean tanker spot freight rates dropped 59% m-o-m in June and were 19% lower than the same month last year. The **Middle East-to-East** route led m-o-m declines, falling 67% m-o-m to average WS82 points. Similarly, the **Singapore-to-East** route fell 50% m-o-m to average WS121. Y-o-y, rates on the route decreased 11%.

Clean tanker spot freight rates for **West of Suez** declined by around 34% in June compared with the previous month and were 18% lower than the same month last year. Rates on the **Cross-Med** and **Med-to-NWE** routes fell by 36% and 34%, respectively, to average WS114 and WS124 points. Meanwhile, rates on the **NWE-to-USEC** route declined by 32% to WS98 points.

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

East of Suez	Size	Apr 20	May 20	Jun 20	Change
	1,000 DWT				Jun 20/May 20
Middle East/East	30-35	291	252	82	-169
Singapore/East	30-35	237	244	121	-123
West of Suez					
Northwest Europe/US East Coast	33-37	241	144	98	-47
Mediterranean/Mediterranean	30-35	348	177	114	-63
Mediterranean/Northwest Europe	30-35	358	186	124	-63

Sources: Argus and OPEC.

Crude and Refined Products Trade

Preliminary data for June shows US crude imports continued to recover, reaching 6.5 mb/d, up from a low of 5.5 mb/d seen in April. Product imports also improved, led by a recovery in gasoline. US crude exports slipped to average 2.8 mb/d; however, product exports improved, led by diesel.

Meanwhile, China's crude imports surged to a record 11.3 mb/d in May, as a wave of crude cargoes purchased at a time of low prices began to arrive in Chinese waters. Product imports also saw record highs of 1.8 mb/d, with LPG and naphtha both showing gains. Product exports fell by more than half to just under 1 mb/d, for the first time since April 2017.

India's crude inflows dropped to an almost 6-year low of 3.4 mb/d in May, amid reduced refinery runs and swelling commercial inventories.

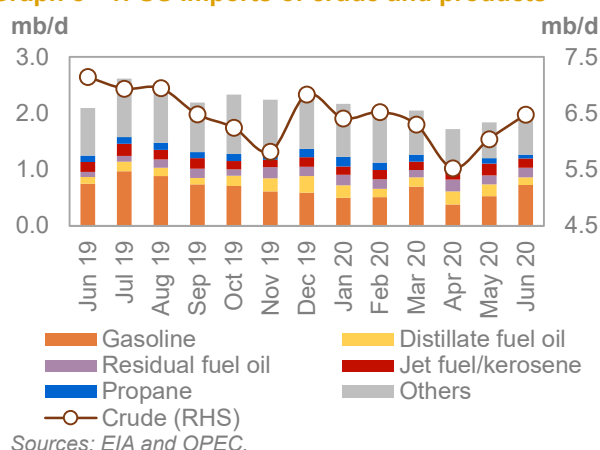
US

Preliminary data for June shows **US crude imports** recovered further, averaging 6.48 mb/d for the month, representing around a 1 mb/d increase from the multi-decade low seen in April 2020. Imports were 0.4 mb/d higher m-o-m in June, but were 0.67 mb/d lower y-o-y due to the general declining trend in US imports since 2018.

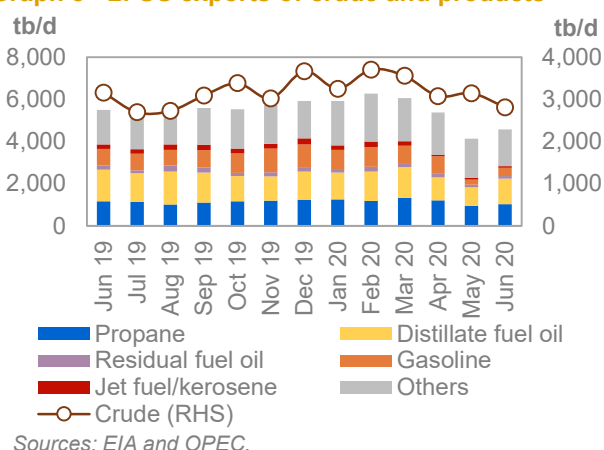
US crude exports averaged 2.8 mb/d in June, the lowest level since August 2019 before the ramping up of new US takeaway capacity out of the Permian, and well below the February peak of 3.7 mb/d. Compared to the previous month, US crude outflows were 0.3 mb/d lower. The forecast decline in US production combined with the massive expansion in export takeaway capacity over the last two years leaves the Permian with ample pipeline capacity for the next years.

The latest data shows Canada managed to remain the top **destination** for US crude exports in April at 0.30 mb/d, despite dropping 31% over the previous two months to the lowest level since October 2017. The Netherlands came in second with 0.28 mb/d, despite registering a slight decline m-o-m. Korea, which has emerged as a key destination for US crude exports in recent years, cut inflows of US crude by more than half m-o-m, to 0.13 mb/d, the lowest since April 2018. US crude exports to China were steady at 0.11 mb/d, after taking US crude for the first time the month before. US exports to Singapore recovered after falling by half the month before to average 0.22 mb/d in April. As regional trading hubs, both the Netherlands and Singapore serve as good locations for floating storage or re-export.

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 3.7 mb/d in June, representing an increase of 0.77 mb/d, or 27%, compared with the previous month, and the highest since August 2019. Y-o-y, US net crude imports were 0.3 mb/d, or 8%, lower than in the same period last year.

On the product side, preliminary data showed **US product exports** averaged 4.6 mb/d in June, recovering from the five-year low seen the month before. Product exports increased by 0.4 mb/d m-o-m but were 0.9 mb/d lower y-o-y.

US product imports averaged just under 2 mb/d in June, representing an increase of 0.1 mb/d, or 6%, m-o-m but declined by 0.1 mb/d compared to the same month last year.

As a result, **US net product exports** averaged 2.6 mb/d in June, some 0.3 mb/d, or 14%, lower than the previous month. Y-o-y, net product exports were around 0.8 mb/d, or 23%, lower than in June 2019.

Combined, **net crude and product imports** averaged 1.0 mb/d in June, based on preliminary data, representing the second-consecutive month as a net importer, following an eight-month streak as a net exporter.

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

US	Apr 20	May 20	Jun 20	Change
				Jun 20/May 20
Crude oil	2,443	2,892	3,662	770
Total products	-3,659	-2,302	-2,630	-328
Total crude and products	-1,216	590	1,032	442

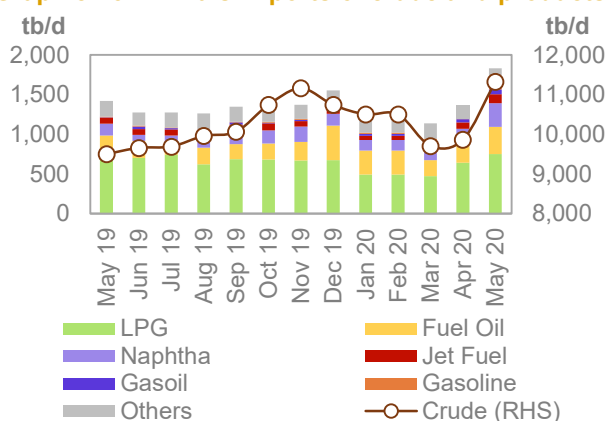
Sources: EIA and OPEC.

China

China's **crude imports** set a new record high in May, averaging 11.3 mb/d, following a remarkable increase of 1.5 mb/d or almost 15%, m-o-m, as refiners took advantage of low priced crude to boost inflows. Crude imports in May were 1.8 mb/d, or 19%, higher than the same month last year.

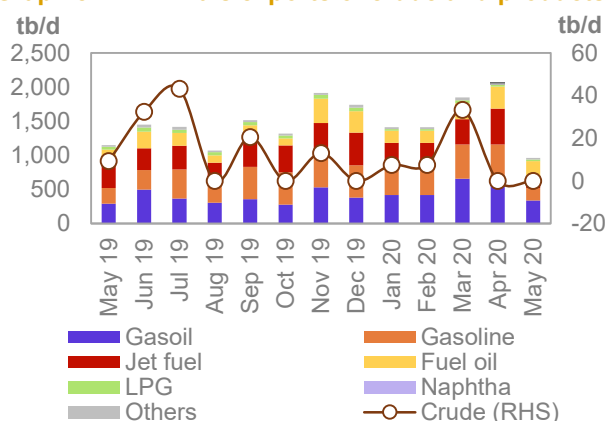
Saudi Arabia reclaimed the title as the top **crude supplier** to China in May, with a share of almost 19% that represented imports of 2.16 mb/d. The represented an m-o-m increase of nearly 72%. Russia slipped back into second place with a 16% share, followed by Iraq with 15% and UAE with 7%.

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 averaged 1.8 mb/d in May, representing an increase of 0.5 mb/d, or 34%, compared to the previous month. LPG, fuel oil and naphtha led the m-o-m gains. Compared to the same month last year, product imports were up 0.4 mb/d, or 29%.

Product exports from China fell by more than half to just under 1 mb/d for the first time since 2017. Declines were seen across all major products, particularly jet, diesel and gasoline.

As a result, China was a **net product importer** in May for the first time in sixth months, with net imports of 0.87 mb/d compared to 0.7 mb/d in net exports in April 2020.

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

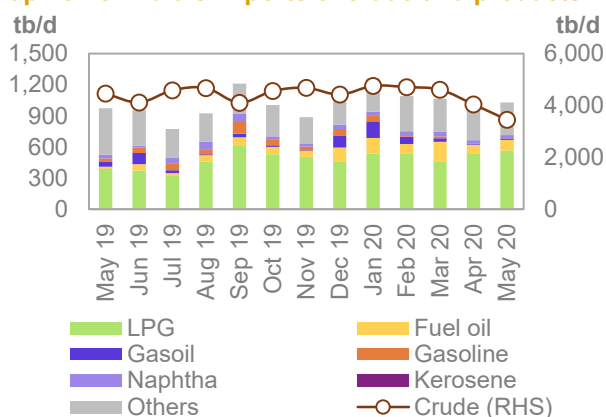
China	Mar 20	Apr 20	May 20	Change
				May 20/Apr 20
Crude oil	9,672	9,865	11,327	1,462
Total products	-711	-706	868	1,574
Total crude and products	8,961	9,159	12,195	3,036

Sources: China, Oil and Gas Petrochemicals and OPEC.

India

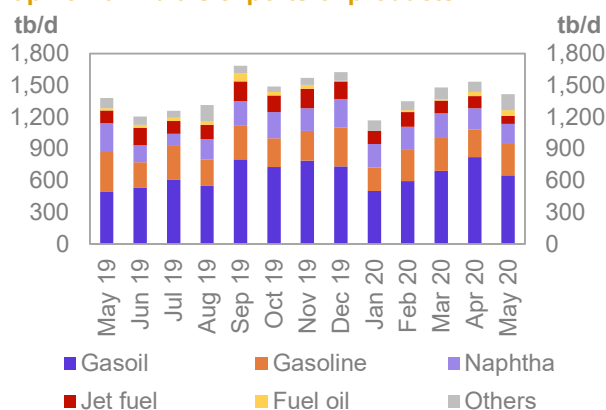
India's **crude imports** dropped to 3.4 mb/d in May, a level last seen in 2015. The decline came amid reduced refinery runs and swelling commercial inventories. Imports were around 0.6 mb/d, or 15%, lower m-o-m and down 23% y-o-y.

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.

India's **product imports** edged up 4% m-o-m in May, averaging 1.0 mb/d for the month, recovering from an eight-month low in the previous month. Compared to the same month last year, product imports were 6% higher. The increase was mainly driven by LPG, which is used as a fuel for home cooking in India and is part of the targeted anti-poverty program.

India's **product exports** fell 0.1 mb/d, or 8%, m-o-m in May, to average 1.4 mb/d. The decline was mainly driven by diesel and to a lesser extent naphtha, while gasoline were higher. Y-o-y, product exports rose 3%.

As a result, India's **net product exports** averaged 0.4 mb/d in May, down from 0.5 mb/d the month before and slightly lower than the same month last year.

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

India	Mar 20	Apr 20	May 20	Change May 20/Apr 20
Crude oil	4,608	4,039	3,449	-590
Total products	-415	-542	-389	154
Total crude and products	4,193	3,496	3,060	-436

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

Sources: PPAC and OPEC.

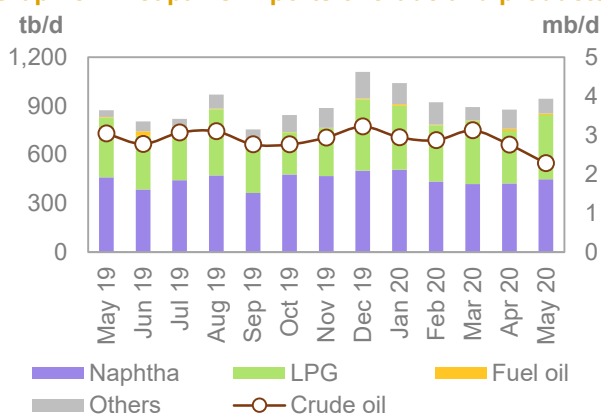
Japan

Japan's crude imports continued to decline in May, down 25% year-to-date, amid reduced refinery runs and weak product demand overall in the Asian region. Crude oil imports averaged 2.3 mb/d for May, representing an m-o-m decline of 0.5 mb/d, or 17%. The decline came amid weak demand for Japanese refined products at home and abroad. Refiners were also reluctant to boost runs amid high jet fuel inventories.

Saudi Arabia remained the **top crude supplier** to Japan in May, averaging 0.9 mb/d, representing a share of around 40%, although volumes were down slightly from the previous month. The UAE secured second place with a higher share of around 32.0%, followed by Kuwait with 10.6%.

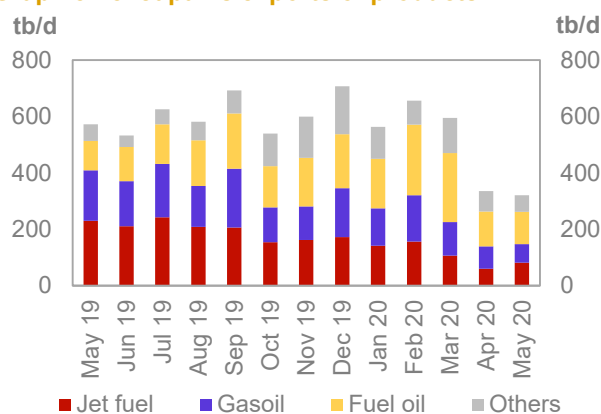
Product imports to Japan, including LPG, averaged 0.9 mb/d in May. This was almost 8% higher than in April. LPG led m-o-m gains, up 23%. However, y-o-y, imports of gasoline, kerosene and gasoil all saw gains.

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, averaged 320 tb/d in May, representing a 5% decline compared with the previous month and a drop of 44% y-o-y.

As a consequence, Japan's **net product imports** averaged 625 tb/d in May, representing an increase of 15% m-o-m and more than double the same level seen last year.

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

Japan	Mar 20	Apr 20	May 20	Change May 20/Apr 20
Crude oil	3,124	2,761	2,282	-479
Total products	298	543	625	82
Total crude and products	3,422	3,304	2,907	-397

Sources: METI and OPEC.

OECD Europe

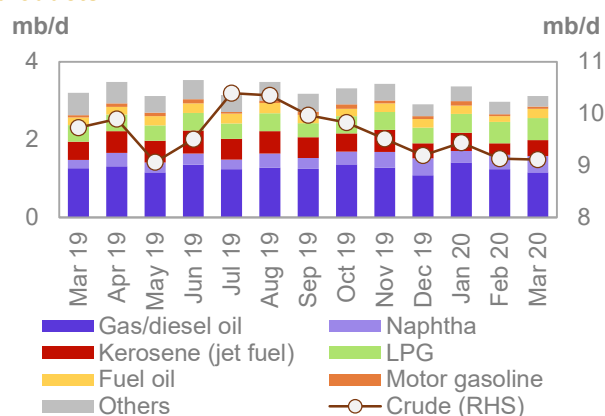
The latest available data shows **OECD Europe crude imports**, excluding intra-regional trade, averaged 9.1 mb/d in March, broadly unchanged from the previous month. Compared to the same month last year, imports were 617 tb/d lower.

OECD Europe crude exports in March declined by 0.2 mb/d, or 38%, to average 277 tb/d. The drop came amid lower demand for crude exports to Asia at a time when the market was awash in excess supplies.

OECD Europe **net crude imports** averaged 8.7 mb/d in March, representing a decline of 149 tb/d from the same month last year and some 558 tb/d lower y-o-y.

OECD Europe **product imports** averaged 3.1 mb/d in March, representing a m-o-m increase of 148 tb/d, or 5%, but still slightly lower y-o-y. Gains were seen in most products, particularly jet fuel and kerosene, while diesel showed a decline.

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



Sources: IEA and OPEC.

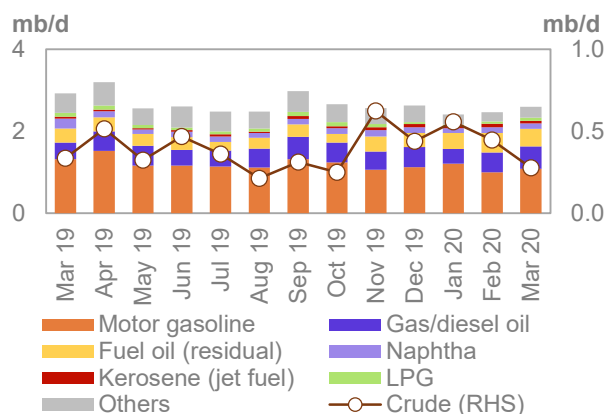
Crude and Refined Products Trade

Product exports averaged 2.5 mb/d in March, slightly higher than in the previous month and less than 0.1 mb/d lower than in March 2019. Motor gasoline exports were sharply lower, but were compensated by gains elsewhere, particularly for diesel.

As a result, **net product imports** in March from OECD Europe averaged 0.5 mb/d, broadly unchanged m-o-m but around 242 tb/d higher than the same month last year.

Combined, **net crude and product imports** averaged 9.4 mb/d in March, an increase of 165 tb/d from the previous month and down 316 mb/d, or around 3%, compared to 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	Jan 20	Feb 20	Mar 20	Change Mar 20/Feb 20
Crude oil	8,884	8,689	8,839	149
Total products	952	501	516	15
Total crude and products	9,836	9,190	9,355	165

Sources: IEA and OPEC.

FSU

Total crude oil exports from the Former Soviet Union (FSU) declined sharply in May, falling 20% m-o-m to average 5.9 mb/d. Compared to the same month last year, FSU crude exports were 0.85 mb/d, or 13%, lower.

Crude exports through the **Transneft system** also plunged in May, decreasing 0.93 mb/d m-o-m, or around 21%, to average 3.45 mb/d. Compared to the same month last year, exports declined 0.52 mb/d, or 13%.

Total shipments from the Black Sea declined 0.32 mb/d m-o-m, or around 55%, to average 0.27 mb/d in May. Similarly, total Baltic Sea exports declined 0.52 mb/d to 1.1 mb/d, with shipments from Ust-Luga decreasing 27% to 0.2 mb/d and Primorsk exports falling 35%, or 0.33 mb/d. Meanwhile, shipments via the Druzhba pipeline edged down 78 tb/d to average 785 tb/d. In contrast, Kozmino shipments rose 23 tb/d m-o-m, or 3%, to average 769 tb/d. Exports to China via the ESPO pipeline averaged 0.52 mb/d in May, some 41 tb/d lower than in the previous month.

In the **Lukoil system**, exports via the Barents Sea dropped 89 tb/d, or 57%, lower to average 66 tb/d in May, while those from the Baltic Sea were marginally lower.

On other routes, **Russia's Far East** exports declined by 38 tb/d m-o-m, some 10% lower, which is a drop of 13% compared to May last year.

Central Asia's total exports averaged 261 tb/d in May, a gain of 21% compared with the previous month and some 5% lower y-o-y.

Black Sea total exports fell 0.26 mb/d m-o-m to average 1.2 mb/d, with the Novorossiysk port terminal (CPC) down 15% and the Supsa port terminal declining 40% but with lesser volumes.

FSU total product exports rose 41 tb/d m-o-m, or around 1.4%, to average 3.02 mb/d in May. Movements were mixed, with VGO, gasoline and naphtha seeing gains, while gasoil experienced a sharp decline. Y-o-y, FSU product exports were 0.49 mb/d, or 19%, higher in May.

Commercial Stock Movements

Preliminary May data showed that total OECD commercial oil stocks rose m-o-m by 29.9 mb, the third consecutive monthly rise. At 3,167 mb, they were 233.2 mb higher than the same time one year ago and 209.5 mb above the latest five-year average. Within the components, crude and products stocks rose m-o-m by 9.7 mb and 20.2 mb, respectively.

In terms of days of forward cover, OECD commercial stocks fell m-o-m by 5.2 days in May to stand at 75.8 days. This was 14.9 days higher than the May 2019 level, and 13.9 days above the latest five-year average.

Preliminary data for June showed that total US commercial oil stocks surged by 31.7 mb m-o-m to stand at 1,462 mb. This was 158 mb above the same period a year ago, and 173 mb, higher than the latest five-year average. Crude and products stocks rose m-o-m by 6.8 mb and 24.9 mb, respectively.

OECD

Preliminary May data showed that **total OECD commercial oil stocks** rose m-o-m by 29.9 mb, the third consecutive monthly rise. At 3,167 mb, they were 233.2 mb higher than the same time one year ago and 209.5 mb above the latest five-year average.

Within the components, crude and products stocks rose m-o-m by 9.7 mb and 20.2 mb, respectively. Commercial oil stocks in May rose m-o-m in OECD Americas and OECD Asia Pacific, but they fell in OECD Europe.

OECD **commercial crude stocks** rose in May by 9.7 mb, the fourth consecutive monthly rise, to stand at 1,590 mb. This was 95.7 mb higher than the same time a year ago and 90.8 mb above the latest five-year average.

Compared with the previous month, OECD Americas and OECD Asia Pacific crude stocks in May rose by 3.2 mb and 6.7 mb, respectively, while in OECD Europe they fell slightly by 0.2 mb.

OECD **total product inventories** rose m-o-m by 20.2 mb in May to stand at 1,577 mb. This was 137.5 mb above the same time a year ago, and 118.7 mb higher than the latest five-year average. Within the OECD regions, product stocks in OECD Americas and OECD Asia Pacific increased by 29.3 mb and 1.2 mb m-o-m, respectively, while product stocks in OECD Europe fell m-o-m by 10.3 mb.

In terms of **days of forward cover**, OECD commercial stocks fell m-o-m by 5.2 days in May to stand at 75.8 days. This was 14.9 days above the May 2019 level, and 13.9 days above the latest five-year average.

Within the regions in May, OECD Americas was 13.6 days above the latest five-year average at 74.4 days; OECD Europe was 18.9 days higher than the latest five-year average at 87.3 days; and OECD Asia Pacific was 5.4 days above the latest five-year average at 59.0 days.

Graph 9 - 1: OECD commercial oil stocks

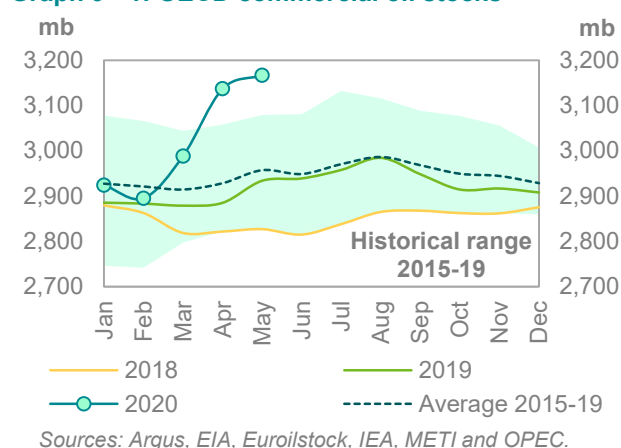


Table 9 - 1: OECD's commercial stocks, mb

	May 19	Mar 20	Apr 20	May 20	Change May 20/Apr 20
OECD stocks					
Crude oil	1,494	1,490	1,580	1,590	9.7
Products	1,439	1,498	1,557	1,577	20.2
Total	2,933	2,988	3,137	3,167	29.9
Days of forward cover	60.9	83.0	81.0	75.8	-5.2

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 32.4 mb m-o-m in May to settle at 1,707 mb. This was 135.5 mb above the same month last year and 153.3 mb higher than the latest five-year average.

Commercial crude oil stocks in OECD Americas rose by 3.2 mb m-o-m in May to stand at 896 mb. This was 57.3 mb higher than May 2019 and 78.5 mb above the latest five-year average. The build was driven by higher m-o-m US crude imports of around 0.5 mb/d in May to average just under 6.0 mb/d. However, higher crude runs, which increased by 0.1 mb/d to 13.34 mb/d helped limit any further build,

Total product stocks in OECD Americas rose m-o-m by 29.3 mb in May, the third consecutive monthly rise, to stand at 811 mb. This was 78.1 mb higher than the same month one year ago and 74.7 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 10.5 mb in May to end the month at 1,072 mb. This was 99.2 mb higher than the same time a year ago and 84.2 mb above the latest five-year average.

OECD Europe's **commercial crude stocks** declined slightly m-o-m by 0.2 mb in May to end the month at 477 mb. This was 37.6 mb higher than the level one-year ago, and 41.2 mb above the latest five-year average. The fall was despite marginally lower m-o-m refinery throughput in the EU-16 countries in May.

OECD Europe's **commercial product stocks** fell m-o-m by 10.3 mb to end May at 596 mb. This was 61.6 mb higher than the same time a year ago, and 43.0 mb above the latest five-year average. The build came on the back of a gradual demand recovery in the region.

OECD Asia Pacific

OECD Asia Pacific's total commercial oil stocks increased m-o-m by 7.9 mb in May to stand at 387 mb. This was 1.4 mb lower than a year ago and 28.0 mb below the latest five-year average.

OECD Asia Pacific's **crude inventories** rose m-o-m by 6.7 mb to end May at 217 mb. This was 0.8 mb higher than one year ago and 28.9 mb below the latest five-year average.

OECD Asia Pacific's **total product inventories** rose by 1.2 mb m-o-m to end May at 170 mb. This was 2.2 mb lower than the same time a year ago and 0.9 mb above the latest five-year average.

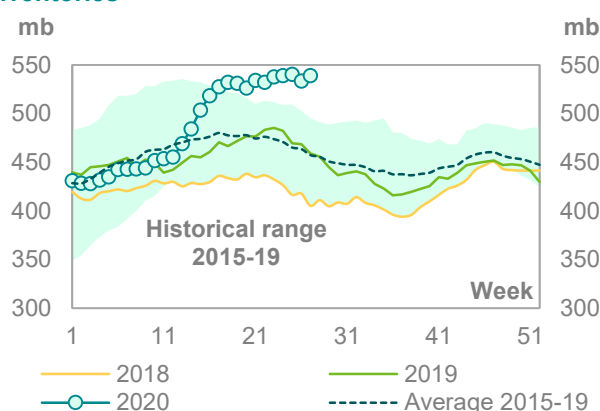
US

Preliminary data for June showed that **total US commercial oil stocks** surged m-o-m by 31.7 mb to stand at 1,462 mb. This was 158 mb, or 12.1%, above the same month a year ago, and 173 mb, or 13.4%, higher than the latest five-year average. Crude and products stocks rose m-o-m by 6.8 mb and 24.9 mb, respectively.

US **commercial crude stocks** rose in June to stand at 539.2 mb. This was 75.2 mb, or 16.2%, above the same month last year, and 75.1 mb, or 16.2%, above the latest five-year average. The build was driven mainly by higher crude imports and despite lower crude production. However, an increase in refinery throughput limited further builds.

Total product stocks climbed m-o-m by 24.9 mb in June to stand at 922.4 mb. This was 82.8 mb, or 9.9%, above June 2019 levels, and 98.0 mb, or 11.9%, above the latest five-year average. Within the components, all products, except gasoline, registered stocks builds in June.

Graph 9 - 2: US weekly commercial crude oil inventories

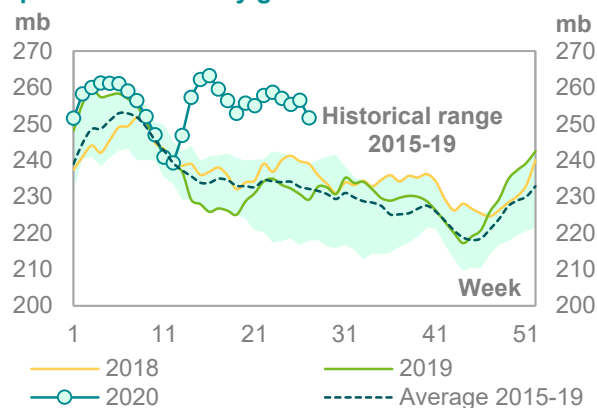


Sources: EIA and OPEC.

Gasoline stocks fell in June by 6.1 mb m-o-m to settle at 251.7 mb. This was 22.0 mb, or 9.6%, higher than the level in the same month last year, and 17.2 mb, or 7.3%, higher than the latest five-year average. This monthly stock draw came mainly on the back of higher gasoline demand, which increased by more than 1.0 mb/d to average 8.45 mb/d. Higher June gasoline production limited further declines in gasoline stocks.

Distillate stocks rose m-o-m by 3.0 mb in June to reach 177.3 mb. This was 46.4 mb, or 35.5%, higher than the same month a year ago, and 38.7 mb, or 27.9%, above the latest five-year average.

Graph 9 - 3: US weekly gasoline inventories



Sources: EIA and OPEC.

Both **residual fuel oil and jet fuel stocks** increased in June by 1.7 mb each, m-o-m. At 40.4 mb, residual fuel oil was 10.0 mb, or 33.1 %, higher than the same month a year ago, and 5.2 mb, or 14.8%, above the latest five-year average. Jet fuel stocks ended June at 42.6 mb, which is 2.0 mb, or 5.0%, higher than the same month last year, and 1.2 mb, or 2.9%, above the latest five-year average.

Table 9 - 2: US commercial petroleum stocks, mb

	Jun 19	Apr 20	May 20	Jun 20	Change Jun 20/May 20
US stocks					
Crude oil	464.0	529.2	532.3	539.2	6.8
Gasoline	229.7	257.3	257.8	251.7	-6.1
Distillate fuel	130.8	150.7	174.3	177.3	3.0
Residual fuel oil	30.3	36.5	38.7	40.4	1.7
Jet fuel	40.6	40.0	40.8	42.6	1.7
Total products	839.6	868.3	897.6	922.4	24.9
Total	1,303.6	1,397.5	1,429.9	1,461.6	31.7
SPR	644.8	637.8	647.8	656.0	8.2

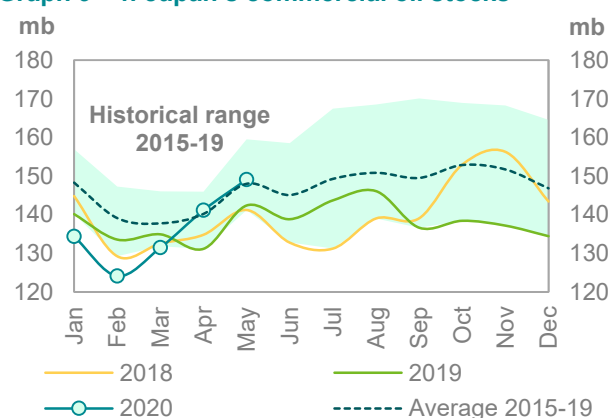
Sources: EIA and OPEC.

Japan

In **Japan, total commercial oil stocks** rose m-o-m in May by 7.9 mb, the third consecutive monthly increase, to settle at 149.1 mb. This was 6.7 mb, or 4.7%, higher than the month last year and 1.1 mb, or 0.7%, above the latest five-year average. Crude and products stocks climbed m-o-m by 6.7 mb and 1.2 mb, respectively.

Japanese **commercial crude oil stocks** climbed in May to stand at 88.4 mb. This was 2.9 mb, or 3.3%, above the same month a year ago, and 1.1 mb, or 1.3%, higher than the latest five-year average. This build came on the back of lower refinery crude runs, which dropped by more than 500 tb/d, or 20%, to average 2.07 mb/d. However, lower May crude imports, which fell by around 480 tb/d, or 17%, to stand at 2.28 mb/d, limited the crude oil stock build.

Graph 9 - 4: Japan's commercial oil stocks



Sources: METI and OPEC.

Japan's **total product inventories** rose m-o-m by 1.2 mb to end May at 60.7 mb. This was 3.8 mb, or 6.7%, higher than the same month last year, but 0.1 mb, or 0.1%, below the latest five-year average. Within the products, the picture was mixed. Distillates and naphtha showed stock builds, while gasoline and residual inventories registered draws.

Commercial Stock Movements

Distillate stocks rose by 1.6 mb m-o-m to end May at 26 mb. This was 3.3 mb, or 14.7%, higher than the same month a year ago, and 0.7 mb, or 2.9%, above the latest five-year average. Within distillate components, jet fuel and kerosene increased m-o-m by 7.6% and 16.5%, respectively, while gasoil stocks fell 4.1%.

Gasoline stocks fell m-o-m by 0.6 mb to stand at 12.6 mb in May. This was 2.7 mb, or 27.8%, higher than a year ago, and 1.4 mb, or 12.0%, above the latest five-year average.

Total residual fuel oil stocks in May fell m-o-m by 0.1 mb to stand at 12.4 mb. This was 0.7 mb, or 5.2%, lower than the same month last year, and 1.2 mb, or 8.9%, below the latest five-year average. Within the components, fuel oil A stocks decreased by 2.1%, while fuel oil B.C stocks inched up by 0.1%.

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

	May 19	Mar 20	Apr 20	May 20	Change May 20/Apr 20
Japan's stocks					
Crude oil	85.5	76.5	81.7	88.4	6.7
Gasoline	9.9	11.8	13.2	12.6	-0.6
Naphtha	11.2	9.0	9.3	9.6	0.4
Middle distillates	22.7	23.1	24.5	26.0	1.6
Residual fuel oil	13.1	11.1	12.5	12.4	-0.1
Total products	56.9	55.0	59.5	60.7	1.2
Total**	142.4	131.5	141.2	149.1	7.9

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 May showed that **total European commercial oil stocks** fell by 10.5 mb m-o-m reversing the build of the last two months. At 1,123.3 mb, they were 30.3 mb, or 2.8%, above the same month a year ago, but 3.4 mb, or 0.3%, lower than the latest five-year average. Crude and product stocks decreased m-o-m by 0.2 mb and 10.3 mb, respectively.

European **crude inventories** fell in May to stand at 482.2 mb. This was 2.0 mb, or 0.4%, lower than the same month a year ago, and 12.1 mb, or 2.5%, below the latest five-year average. The fall in May's crude oil inventories was driven by lower imports and despite refinery throughput dropping marginally m-o-m in the EU-16 to 8.44 mb/d.

European **total product stocks** fell m-o-m by 10.3 mb to end May at 641.0 mb. This was 32.3 mb, or 5.3%, 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 a gradual demand improvement in the region during May compared to April.

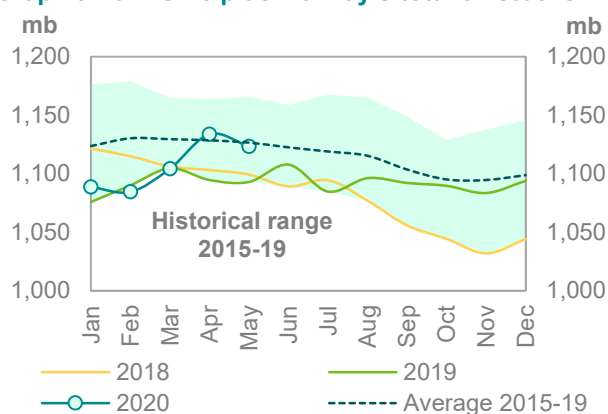
Gasoline stocks fell m-o-m by 3.6 mb in May to stand at 118.9 mb. This was 9.4 mb, or 8.6%, higher than the same time a year ago, and 4.8 mb, or 4.2%, higher than the latest five-year average.

Distillate stocks dropped m-o-m by 7.1 mb in May to stand at 418.9 mb. This was 9.2 mb, or 2.3%, higher than the same month last year, but 3.1 mb, or 0.7%, below the latest five-year average.

Naphtha stocks fell m-o-m by 0.6 mb in May, ending the month at 34.1 mb. This was 5.5 mb, or 19.1%, above the May 2019 level, and 8.2 mb, or 31.6%, higher than the latest five-year average.

In contrast, **residual fuel stocks** rose m-o-m by 1.0 mb in May to end the month at 69.1 mb. This was 8.1 mb, or 13.4%, higher than the same month one year ago, but 1.2 mb, or 1.7%, below the latest five-year average.

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



Sources: Argus, Euroilstock and OPEC.

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

	May 19	Mar 20	Apr 20	May 20	Change May 20/Apr 20
EU stocks					
Crude oil	484.2	470.2	482.5	482.2	-0.2
Gasoline	109.5	118.2	122.5	118.9	-3.6
Naphtha	28.7	29.6	34.8	34.1	-0.6
Middle distillates	409.6	418.8	426.0	418.9	-7.1
Fuel oils	61.0	67.5	68.1	69.1	1.0
Total products	608.8	634.1	651.3	641.0	-10.3
Total	1,093.0	1,104.3	1,133.8	1,123.3	-10.5

Sources: Argus, Euroilstock and OPEC.

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

Singapore

At the end of May, **total product stocks in Singapore** had risen m-o-m by 2.6 mb, a fifth consecutive monthly increase, to stand at 55.5 mb. This was 10.6 mb, or 23.6%, higher than the same month a year ago. Stocks of both middle distillates and fuel oil rose, whereas light distillates stocks decreased.

Middle distillate and fuel oil stocks rose m-o-m in May by 0.1 mb and 3.1 mb, respectively. At 14.8 mb, middle distillates stood at 3.1 mb, or 26.5%, higher than the same month one year ago. Residual fuel stocks ended the month at 25.6 mb, which was 3.7 mb, or 16.9%, higher than May 2019.

In contrast, **light distillate stocks** fell m-o-m by 0.6 mb to end May at 15.1 mb. This was 3.8 mb, or 33.6%, higher than the same month a year ago.

ARA

Total product stocks in ARA rose m-o-m by 6.1 mb in May, the third consecutive monthly increase, to a level of 54.3 mb. This was 11.5 mb, or 26.9%, above the same month a year ago. Stocks of all products increased m-o-m in May.

Gasoline and gasoil stocks in May rose m-o-m by 1.2 mb and 2.2 mb, respectively. At 11.5 mb, gasoline stocks stood at 4.3 mb, or 59.7%, above the same month one year ago. Gasoil stocks stood at 19.9 mb, which was 1.0 mb, or 4.8%, lower than May 2019.

Residual fuel stocks rose m-o-m by 0.7 mb to finish May at 11.0 mb. This is 3.9 mb, or 54.9%, above the level registered one year ago.

Jet oil stocks rose m-o-m by 1.4 mb in May to stand at 7.0 mb. This is 1.1 mb, or 18.6%, above the level a year ago.

Fujairah

During the week ending 29 June 2020, **total oil product stocks in Fujairah** fell by 1.72 mb w-o-w to stand at 28.50 mb, according to data from FEDCom and S&P Global Platts. At this level, total oil stocks were 8.47 mb higher than the same time a year ago. All products stocks registered drops w-o-w.

Light distillate stocks fell by 0.33 mb w-o-w to stand at 7.92 mb, which was 0.86 mb higher than a year ago.

Middle distillate stocks declined by 0.97 mb. At 4.10 mb, they were 2.07 mb higher than a year ago.

Heavy distillate stocks fell by 0.43 mb. At 16.47 mb, heavy distillate stocks were 5.54 mb above the same time last year.

Balance of Supply and Demand

Demand for OPEC crude in 2020 was revised up by 0.2 mb/d from the previous month to stand at 23.8 mb/d, around 5.6 mb/d lower than in 2019. According to secondary sources, OPEC crude production averaged 28.3 mb/d in 1Q20, about 7.6 mb/d higher than demand for OPEC crude in the same period. In the 2Q20, OPEC crude production averaged 25.6 mb/d, 9.8 mb/d higher than demand for OPEC crude.

Based on the first forecast for world oil demand and non-OPEC supply in 2021, demand for OPEC crude is forecast at 29.8 mb/d, 6.0 mb/d higher than the 2020 level.

Balance of supply and demand in 2020

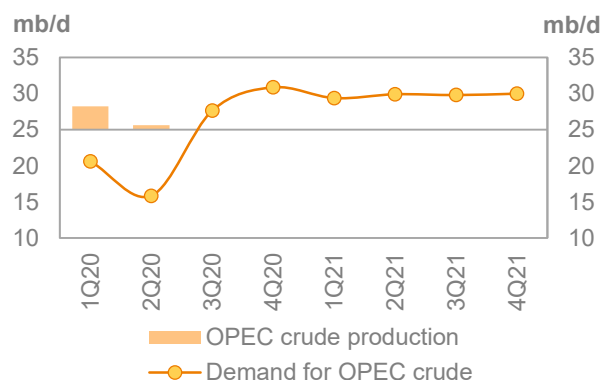
Demand for OPEC crude in 2020 was revised up by 0.2 mb/d from the previous month to stand at 23.8 mb/d, around 5.6 mb/d lower than in 2019.

The 1Q20 and 2Q20 were revised up by 0.1 mb/d and 1.3 mb/d, respectively, while the 3Q20 and 4Q20 were revised down by 0.1 mb/d and 0.3 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 8.7 mb/d and 13.0 mb/d lower, respectively. The 3Q20 shows a decline of 2.7 mb/d, while the 4Q20 is expected to see a rise of 1.9 mb/d compared with 4Q19.

According to secondary sources, OPEC crude production averaged 28.3 mb/d in 1Q20, about 7.6 mb/d higher than demand for OPEC crude in the same period. In the 2Q20, OPEC crude production averaged 25.6 mb/d, 9.8 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
(a) World oil demand	99.67	92.41	81.95	92.22	96.22	90.72	-8.95
Non-OPEC liquids production	65.02	66.43	60.99	59.47	60.19	61.76	-3.26
OPEC NGL and non-conventionals	5.26	5.35	5.09	5.08	5.13	5.16	-0.10
(b) Total non-OPEC liquids production and OPEC NGLs	70.28	71.78	66.08	64.55	65.32	66.92	-3.36
Difference (a-b)	29.39	20.63	15.87	27.67	30.90	23.80	-5.59
OPEC crude oil production	29.34	28.26	25.63				
Balance	-0.05	7.62	9.76				

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.

Balance of supply and demand in 2021

Based on the first forecast for world oil demand and non-OPEC supply in 2021, **demand for OPEC crude** is forecast at 29.8 mb/d, 6.0 mb/d higher than the 2020 level.

When compared to the same quarters in 2020, demand for OPEC crude in 1Q21 and 2Q21 is forecast to be 8.8 mb/d and 14.1 mb/d higher, respectively. The 3Q21 is projected to show an increase of 2.1 mb/d, while 4Q21 is expected to drop by 0.9 mb/d.

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

	2020	1Q21	2Q21	3Q21	4Q21	2021	Change 2021/20
(a) World oil demand	90.72	96.25	96.93	97.92	99.71	97.72	7.00
Non-OPEC liquids production	61.76	61.61	61.75	62.86	64.46	62.68	0.92
OPEC NGL and non-conventionals	5.16	5.24	5.24	5.24	5.24	5.24	0.08
(b) Total non-OPEC liquids production and OPEC NGLs	66.92	66.84	66.99	68.09	69.70	67.91	0.99
Difference (a-b)	23.80	29.40	29.93	29.82	30.02	29.80	6.00

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
World oil demand and supply balance													
World demand													
OECD	47.61	47.99	47.88	45.47	35.89	44.29	46.13	42.96	46.47	45.53	46.67	47.17	46.47
Americas	25.07	25.60	25.62	24.44	19.27	24.39	25.06	23.30	24.84	24.65	25.46	25.57	25.14
Europe	14.38	14.31	14.33	13.30	10.19	13.25	13.61	12.59	13.72	13.54	14.03	13.91	13.80
Asia Pacific	8.15	8.07	7.93	7.73	6.43	6.64	7.46	7.06	7.90	7.34	7.19	7.69	7.53
DCs	32.16	32.63	33.11	31.46	28.88	30.65	31.64	30.66	32.47	32.61	32.63	33.09	32.70
FSU	4.64	4.76	4.84	4.50	4.08	4.45	4.61	4.41	4.64	4.54	4.62	4.74	4.64
Other Europe	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
China	12.32	12.71	13.07	10.27	12.55	12.37	13.28	12.12	11.88	13.57	13.40	14.03	13.22
(a) Total world demand	97.45	98.82	99.67	92.41	81.95	92.22	96.22	90.72	96.25	96.93	97.92	99.71	97.72
Non-OPEC liquids production													
OECD	25.71	28.33	29.98	31.14	28.20	27.12	27.36	28.45	27.90	28.12	29.18	30.49	28.93
Americas	21.49	24.08	25.75	26.59	23.74	22.59	22.71	23.90	23.17	23.50	24.50	25.55	24.19
Europe	3.83	3.84	3.71	4.02	3.89	3.94	4.07	3.98	4.11	4.01	4.04	4.31	4.12
Asia Pacific	0.39	0.41	0.53	0.53	0.57	0.59	0.59	0.57	0.62	0.61	0.64	0.63	0.62
DCs	13.94	14.04	14.24	14.44	13.55	13.97	14.20	14.04	14.31	14.24	14.25	14.48	14.32
FSU	14.05	14.29	14.37	14.51	12.93	12.20	12.43	13.02	13.04	13.04	13.04	13.03	13.04
Other Europe	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
China	3.97	3.98	4.05	4.15	4.11	3.99	4.01	4.07	4.05	4.04	4.08	4.15	4.08
Processing gains	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
Total non-OPEC liquids production	60.02	63.01	65.02	66.43	60.99	59.47	60.19	61.76	61.61	61.75	62.86	64.46	62.68
OPEC NGLs + non-conventional oils	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) Total non-OPEC liquids production and OPEC NGLs	65.19	68.34	70.28	71.78	66.08	64.55	65.32	66.92	66.84	66.99	68.09	69.70	67.91
OPEC crude oil production (secondary sources)	31.48	31.34	29.34	28.26	25.63								
Total liquids production	96.68	99.69	99.62	100.04	91.71								
Balance (stock change and miscellaneous)	-0.77	0.86	-0.05	7.62	9.76								
OECD closing stock levels, mb													
Commercial	2,860	2,875	2,908	2,988									
SPR	1,569	1,552	1,535	1,537									
Total	4,428	4,427	4,443	4,525									
Oil-on-water	1,025	1,058	1,011	1,186									
Days of forward consumption in OECD, days													
Commercial onland stocks	60	60	68	83									
SPR	33	32	36	43									
Total	92	92	103	126									
Memo items													
(a) - (b)	32.26	30.48	29.39	20.63	15.87	27.67	30.90	23.80	29.40	29.93	29.82	30.02	29.80

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
Changes from last month's table													
World demand													
OECD	-	-0.02	-0.03	0.17	1.02	-0.08	-0.12	0.25	46.47	45.53	46.67	47.17	46.47
Americas	-	-	-	-0.03	0.33	-0.09	-0.10	0.03	24.84	24.65	25.46	25.57	25.14
Europe	-	-0.01	-	0.34	0.52	-	-0.07	0.20	13.72	13.54	14.03	13.91	13.80
Asia Pacific	-	-	-0.03	-0.14	0.18	-	0.06	0.02	7.90	7.34	7.19	7.69	7.53
DCs	0.03	0.01	0.03	-0.15	-0.58	0.02	0.03	-0.17	32.47	32.61	32.63	33.09	32.70
FSU	-	-	-	-	0.20	-	-	0.05	4.64	4.54	4.62	4.74	4.64
Other Europe	-	-	-	-	0.01	-	-	-	0.79	0.68	0.59	0.68	0.68
China	-	-	-	-	-	-	-	-	11.88	13.57	13.40	14.03	13.22
(a) Total world demand	0.03	-0.01	-	0.02	0.65	-0.06	-0.08	0.13	96.25	96.93	97.92	99.71	97.72
Non-OPEC liquids production													
OECD	-	-	-	-0.04	-0.29	0.26	0.26	0.05	27.90	28.12	29.18	30.49	28.93
Americas	-	-	-	-0.04	-0.25	0.26	0.26	0.06	23.17	23.50	24.50	25.55	24.19
Europe	-	-	-	-	-0.04	-	-	-0.01	4.11	4.01	4.04	4.31	4.12
Asia Pacific	-	-	-	-	-	-	-	-	0.62	0.61	0.64	0.63	0.62
DCs	-	-	-	-0.04	-0.36	-0.02	-0.01	-0.11	14.31	14.24	14.25	14.48	14.32
FSU	-	-	-	-0.01	0.11	-0.05	-	0.01	13.04	13.04	13.04	13.03	13.04
Other Europe	-	-	-	-	-	-	-	-	0.11	0.11	0.11	0.11	0.11
China	-	-	-	-	0.11	-	-	0.03	4.05	4.04	4.08	4.15	4.08
Processing gains	-	-	-0.01	-0.02	-0.02	-0.02	-0.02	-0.02	2.20	2.20	2.20	2.20	2.20
Total non-OPEC liquids production	-	-	-0.01	-0.11	-0.45	0.16	0.23	-0.04	61.61	61.75	62.86	64.46	62.68
OPEC NGLs + non-conventionals	-	-	-	-	-0.18	-0.09	-	-0.07	5.24	5.24	5.24	5.24	5.24
(b) Total non-OPEC liquids production and OPEC NGLs	-	-	-0.01	-0.11	-0.62	0.08	0.23	-0.10					
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-					
Total supply	-	-	-0.01	-0.11									
Balance (stock change and miscellaneous)	-0.03	0.01	-0.01	-0.13									
OECD closing stock levels, mb													
Commercial	-	2.05	-0.15	27.10									
SPR	-	0.01	0.01	-1.95									
Total	-	2.06	-0.14	25.15									
Oil-on-water	-	-	-	-									
Days of forward consumption in OECD, days													
Commercial onland stocks	0.02	0.08	-0.39	-1.67									
SPR	0.01	0.02	-0.21	-1.31									
Total	0.04	0.10	-0.60	-2.98									
Memo items													
(a) - (b)	0.03	-0.01	0.01	0.13	1.27	-0.14	-0.31	0.23					

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

	2017	2018	2019	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
OECD oil stocks and oil on water												
Closing stock levels, mb												
OECD onland commercial	2,860	2,875	2,908	2,818	2,814	2,868	2,875	2,878	2,938	2,948	2,908	2,988
Americas	1,498	1,544	1,538	1,471	1,473	1,543	1,544	1,508	1,565	1,559	1,538	1,590
Europe	948	930	975	968	952	933	930	989	983	988	975	1,029
Asia Pacific	413	402	394	380	390	392	402	381	391	401	394	369
OECD SPR	1,569	1,552	1,535	1,577	1,575	1,570	1,552	1,557	1,549	1,544	1,535	1,537
Americas	665	651	637	667	662	662	651	651	647	647	637	637
Europe	481	481	482	487	491	486	481	488	485	482	482	484
Asia Pacific	423	420	416	422	422	422	420	417	417	416	416	416
OECD total	4,428	4,427	4,443	4,395	4,389	4,438	4,427	4,435	4,487	4,492	4,443	4,525
Oil-on-water	1,025	1,058	1,011	1,036	1,014	1,041	1,058	1,013	995	1,012	1,011	1,186
Days of forward consumption in OECD, days												
OECD onland commercial	60	60	68	60	58	59	60	61	61	61	64	83
Americas	59	60	66	58	57	60	61	59	60	61	63	82
Europe	66	65	77	68	65	65	66	69	67	70	73	101
Asia Pacific	51	51	56	49	50	48	48	50	51	49	51	57
OECD SPR	33	33	37	33	33	32	32	33	32	32	34	43
Americas	26	26	29	26	26	26	26	26	25	25	26	33
Europe	34	34	38	34	33	34	34	34	33	34	36	47
Asia Pacific	52	53	60	55	54	52	50	55	54	51	54	65
OECD total	92	94	105	93	91	92	92	94	93	94	97	126

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	Change		2020	20/19	1Q21	2Q21	3Q21	4Q21	Change	
						2020	20/19							2021	21/20
Non-OPEC liquids production and OPEC NGLs															
US	14.4	16.7	18.4	15.9	16.1	17.0	-1.4	16.4	16.9	17.5	18.3	17.3	0.2		
Canada	4.9	5.3	5.4	4.8	4.9	5.0	-0.4	5.0	4.8	5.2	5.4	5.1	0.1		
Mexico	2.2	2.1	1.9	1.8	1.8	1.9	0.0	1.8	1.8	1.8	1.9	1.8	0.0		
OECD Americas	21.5	24.1	25.7	22.6	22.7	23.9	-1.8	23.2	23.5	24.5	25.6	24.2	0.3		
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	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0		
OECD Europe	3.8	3.8	3.7	3.9	4.1	4.0	0.3	4.1	4.0	4.0	4.3	4.1	0.1		
Australia	0.3	0.3	0.5	0.5	0.5	0.5	0.0	0.6	0.5	0.6	0.6	0.6	0.1		
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0		
OECD Asia Pacific	0.4	0.4	0.5	0.6	0.6	0.6	0.0	0.6	0.6	0.6	0.6	0.6	0.1		
Total OECD	25.7	28.3	30.0	27.1	27.4	28.5	-1.5	27.9	28.1	29.2	30.5	28.9	0.5		
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	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0		
Asia others	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0		
Other Asia	3.6	3.6	3.5	3.3	3.3	3.3	-0.2	3.3	3.3	3.4	3.3	3.3	0.0		
Argentina	0.6	0.6	0.7	0.6	0.7	0.6	0.0	0.7	0.6	0.6	0.6	0.6	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	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		
Latin America	5.7	5.7	6.0	6.2	6.4	6.1	0.1	6.4	6.4	6.3	6.5	6.4	0.3		
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0		
Oman	1.0	1.0	1.0	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		
Middle East	3.1	3.2	3.2	3.1	3.1	3.1	-0.1	3.1	3.1	3.2	3.2	3.1	0.0		
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		
Africa	1.5	1.5	1.5	1.4	1.4	1.5	-0.1	1.4	1.4	1.4	1.4	1.4	0.0		
Total DCs	13.9	14.0	14.2	14.0	14.2	14.0	-0.2	14.3	14.2	14.3	14.5	14.3	0.3		
FSU	14.0	14.3	14.4	12.2	12.4	13.0	-1.4	13.0	13.0	13.0	13.0	13.0	0.0		
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	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0		
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0		
China	4.0	4.0	4.1	4.0	4.0	4.1	0.0	4.0	4.0	4.1	4.2	4.1	0.0		
Non-OPEC	57.8	60.8	62.8	57.4	58.1	59.7	-3.1	59.4	59.6	60.7	62.3	60.5	0.8		
Processing gains	2.2	2.3	2.3	2.1	2.1	2.1	-0.2	2.2	2.2	2.2	2.2	2.2	0.1		
Non-OPEC liquids production	60.0	63.0	65.0	59.5	60.2	61.8	-3.3	61.6	61.8	62.9	64.5	62.7	0.9		
OPEC NGL	5.1	5.2	5.1	5.0	5.0	5.1	-0.1	5.1	5.1	5.1	5.1	5.1	0.1		
OPEC Non-	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0		
OPEC (NGL+NCF)	5.2	5.3	5.3	5.1	5.1	5.2	-0.1	5.2	5.2	5.2	5.2	5.2	0.1		
Total Non-OPEC production and OPEC NGLs	65.2	68.3	70.3	64.5	65.3	66.9	-3.4	66.8	67.0	68.1	69.7	67.9	1.0		

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	1Q20	May 20	Jun 20	Change Jun/May
World rig count											
US	875	1,031	944	-88	920	819	784	396	348	274	-74
Canada	207	191	134	-57	131	138	196	25	23	18	-5
Mexico	17	27	37	10	38	48	46	43	42	40	-2
OECD Americas	1,099	1,249	1,114	-135	1,089	1,005	1,026	464	413	332	-81
Norway	15	15	17	2	18	18	16	16	17	16	-1
UK	9	7	15	7	16	13	8	4	4	4	0
OECD Europe	92	85	149	63	190	154	129	111	111	110	-1
OECD Asia Pacific	15	21	29	8	31	30	30	22	21	18	-3
Total OECD	1,206	1,355	1,292	-64	1,310	1,189	1,184	597	545	460	-85
Other Asia*	208	222	221	-1	217	212	214	190	192	196	4
Latin America	119	131	129	-2	132	119	107	26	18	30	12
Middle East	68	65	68	3	67	69	69	59	61	52	-9
Africa	38	45	55	11	51	63	61	46	46	39	-7
Total DCs	432	462	474	12	467	463	451	321	317	317	0
Non-OPEC rig count	1,638	1,817	1,766	-52	1,777	1,652	1,635	917	862	777	-85
Algeria	54	50	45	-5	42	41	38	33	27	29	2
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	2	2	2	2	2	2	0
Gabon	1	3	7	4	7	9	9	2	0	0	0
Iran**	156	157	157	0	157	157	157	157	157	157	0
Iraq	49	59	74	14	77	77	74	54	51	41	-10
Kuwait	54	51	46	-5	46	48	53	52	52	50	-2
Libya	1	5	14	10	16	16	14	11	11	12	1
Nigeria	9	13	16	2	16	18	19	11	8	9	1
Saudi Arabia	118	117	115	-2	118	109	113	108	109	100	-9
UAE	52	55	62	7	64	67	66	58	54	54	0
Venezuela	49	32	25	-8	25	25	25	6	2	1	-1
OPEC rig count	547	550	569	19	577	575	578	496	473	455	-18
World rig count***	2,185	2,368	2,335	-33	2,354	2,226	2,213	1,414	1,335	1,232	-103
<i>of which:</i>											
Oil	1,678	1,886	1,840	-46	1,835	1,758	1,748	1,068	1,001	914	-87
Gas	466	448	464	15	486	431	411	288	280	261	-19
Others	42	33	31	-2	32	38	54	57	54	57	3

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

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

Glossary of Terms

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 11.88 in June

June 2020	37.05
May 2020	25.17
Year-to-date	39.20

June OPEC crude production

mb/d, according to secondary sources



down 1.89 in June

June 2020	22.27
May 2020	24.16

Economic growth rate

per cent

	World	OECD	US	Euro-zone	Japan	China	India
2020	-3.7	-6.1	-5.2	-8.0	-5.1	1.3	-2.5
2021	4.7	4.0	4.1	4.3	3.2	6.9	6.8

Supply and demand

mb/d

2020		20/19	2021		21/20
World demand	90.7	-8.9	World demand	97.7	7.0
Non-OPEC liquids production	61.8	-3.3	Non-OPEC liquids production	62.7	0.9
OPEC NGLs	5.2	-0.1	OPEC NGLs	5.2	0.1
Difference	23.8	-5.6	Difference	29.8	6.0

OECD commercial stocks

mb

	May 19	Mar 20	Apr 20	May 20	May 20/Apr 20
Crude oil	1,494	1,490	1,580	1,590	10
Products	1,439	1,498	1,557	1,577	20
Total	2,933	2,988	3,137	3,167	30
Days of forward cover	60.9	83.0	81.0	75.8	-5.2

Next report to be issued on 12 August 2020.