OPEC

Monthly Oil Market Report

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Feature article:

Assessment of the global economy

Organization of the Petroleum Exporting Countries

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Oil market highlights

Crude Oil Price Movements

The OPEC Reference Basket recovered in February for the first time in three months, gaining 8.4% or $2.22 to reach $28.72/b. Crude oil futures were mixed, with ICE Brent ending up $1.60 to reach $33.53/b, while Nymex WTI fell by $1.16 to stand at $30.62/b. The Brent-WTI spread halted its narrowing trend, widening by $2.76 to $2.91/b.

World Economy

World economic growth has been revised down for this year to 3.1%, after estimated growth of 2.9% in 2015. OECD growth in 2016 has been revised lower to 1.9%, slightly below the 2.0% seen in 2015. In the emerging economies, India and China are seen continuing to expand at a considerable pace of 7.5% and 6.3%, respectively. Brazil and Russia, however, are now forecast to see a larger than expected contraction in 2016.

World Oil Demand

World oil demand growth for 2015 stands at 1.54 mb/d to average 92.98 mb/d, in line with the previous report. Global oil demand growth for 2016 also remains unchanged at around 1.25 mb/d to average 94.23 mb/d.

World Oil Supply

Non-OPEC oil supply growth for 2015 has been revised up by 100 tb/d to 1.42 mb/d for an average of 57.09 mb/d. This revision was mostly driven by upward adjustments to 4Q15 data in the OECD. In 2016, non-OPEC oil supply is forecast to contract by 0.70 mb/d to average 56.39 mb/d. OPEC NGLs are expected to increase by 0.17 mb/d this year, following growth of 0.15 mb/d in 2015. In February, OPEC crude production, according to secondary sources, decreased by 175 tb/d to average 32.28 mb/d.

Product Markets and Refining Operations

Despite strong gasoline demand, the oversupply environment exerted pressure on the product market and caused margins to weaken in the Atlantic basin. Meanwhile, in Asia light distillates oversupply caused the gasoline and naphtha crack spreads to suffer a sharp fall. This, along with the continued weakening at the middle of the barrel, caused refinery margins to exhibit a sharp loss in the region.

Tanker Market

Dirty tanker spot freight rates declined in February, with rates falling for almost all vessels on all reported routes. The drop was mainly due to limited activity and holidays in the East. The only exception was Aframax rates for Caribbean's loadings, which were supported by bad weather conditions. The clean tanker market experienced the same general negative trend in February, as rates dropped both East and West of Suez by 14% and 18%, respectively.

Stock Movements

OECD commercial oil stocks rose in January to stand at 3,023 mb. At this level, inventories were around 328 mb higher than the five-year average, with crude and products showing a surplus of around 244 mb and 84 mb, respectively. In days of forward cover, OECD commercial stocks stood at 65.3 days in January, some 6.8 days higher than the five-year average.

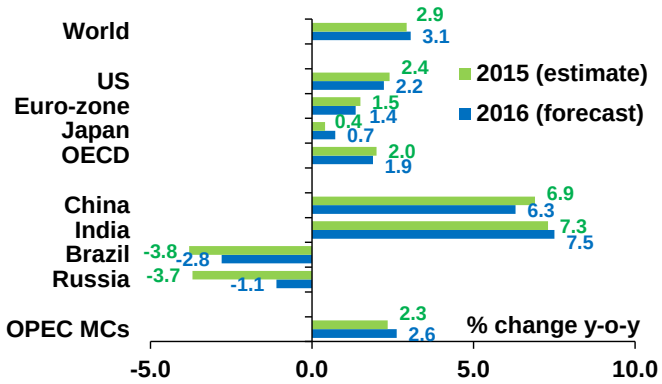
Balance of Supply and Demand

Demand for OPEC crude in 2015 is estimated to average 29.7 mb/d, following a downward revision of 0.1 mb/d from last month's report and broadly unchanged from the previous year. In 2016, demand for OPEC crude is expected to stand at 31.5 mb/d, 0.1 mb/d, lower than last month, and representing an increase of 1.8 mb/d over the previous year.

Assessment of the global economy

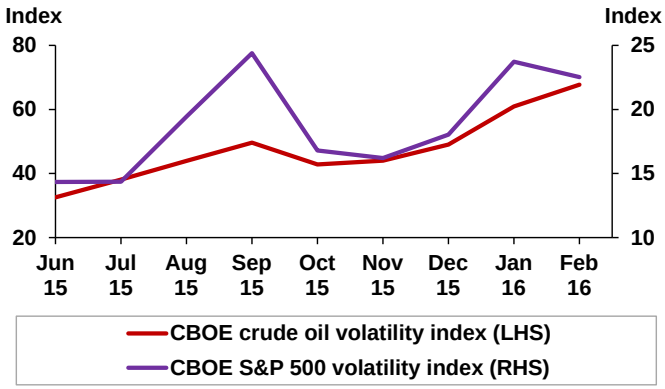
After estimated global GDP growth in 2015 of 2.9%, the global economy is forecast to grow by 3.1% in the current year **(*Graph 1*)**. The current 2016 growth forecast is somewhat below the initial figure of 3.4% in July 2015. Major revisions to this number have just materialized in the past two months, when it became clearer that challenges in the emerging and developing economies are becoming more pronounced and that OECD economies are also dealing with an increasing number of issues. While some upside potential exists, the growth risk remains skewed to the downside. Increasing volatility in various asset markets such as equities and crude oil **(*Graph 2*)** reflects the rising uncertainties about the future**.** This situation is also attracting short-term speculators and, as a result, price swings may become increasingly exaggerated and not reflect developments in the real economy.

Graph 1: GDP growth forecast



Source: OPEC Secretariat.

Graph 2: CBOE market & crude oil volatility indices



Sources: Haver Analytics and Wall Street Journal.

In the US, labour market improvements have continued to support the economy. At the same time, industrial production has been affected by low oil prices, which has led not only to a declining value in output, but also to a significant cut in investments in the energy sector. The negative effect of the decline in output in the energy sector, in combination with the loss of some momentum in manufacturing and services, will weigh on growth numbers this year.

Meanwhile, the Euro-zone has enjoyed a cyclical recovery, partly supported by the ECB. However, the ongoing weakness in the banking sector, re-emerging deflation, continuing sovereign debt-related issues in Greece and the uncertain outcome of the upcoming Brexit referendum will weigh on the region this year. Together with the deceleration in domestic demand growth, this is likely to lead to slightly lower economic growth in the current year.

Japan has just recently reported negative GDP growth in 2Q15 and 4Q15. Moreover, the economy is facing numerous issues, ranging from declining exports, the rising value of the yen to the US dollar, slowing domestic demand and low inflation. Hence, GDP is expected to rise only marginally in the current year.

Within emerging and developing countries, the growth trends are increasingly different. Brazil and Russia are expected to see a second year of recession. Despite slowing momentum, China's GDP growth is holding up relatively well, while India is expanding its growth level this year. For several developing countries, the significant slow-down in commodity prices has put a considerable strain on their economies. This will make it difficult for them to improve their economic growth substantially. The decline in global trade, partly due to sluggish demand from major economies for raw materials and products, as well as lower commodity prices in general, is particularly harmful to these economies, making it necessary to provide governmental-led support.

Despite the ongoing challenges, the global economy is expected to improve in the current year, especially in countries where GDP is more oil intensive, such as in major emerging economies. Given the current price trend, oil demand is likely to grow this year, broadly in line with the average of the last three years. Provided some of the existing upside potentials materialize, improving global economic growth can lead to higher oil demand later this year.

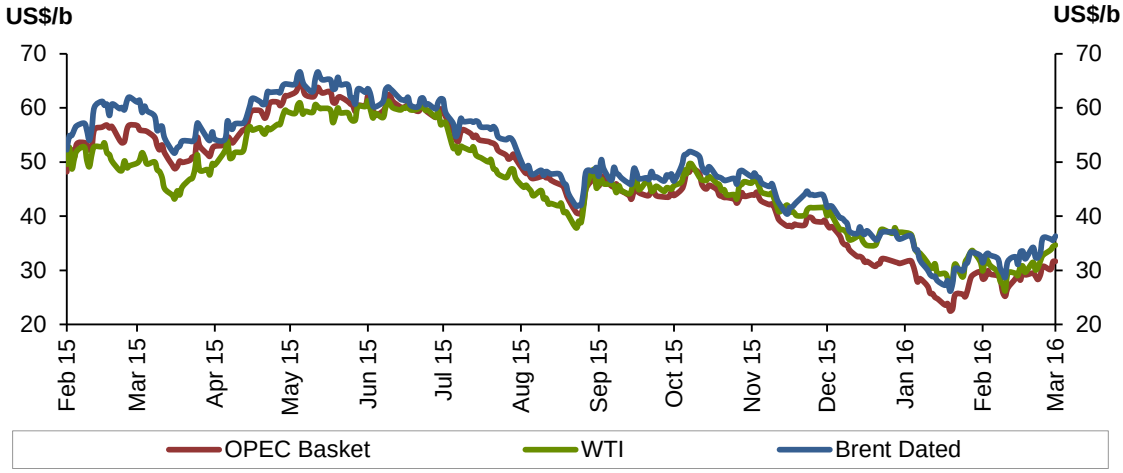
Crude Oil Price Movements

The OPEC Reference Basket (ORB) value recovered in February for the first time in three months, gaining more than 8%. It was supported by numerous positive factors, such as a fairly healthy physical oil market and especially a proposal by major oil exporters to freeze production levels, despite ongoing oversupply, a slowing global economy, record high inventories and a strengthening US dollar. The ORB gained $2.22 to $28.72/b for the month, but slipped about 45% compared to the same period last year. As for crude oil futures, ICE Brent ended the month gaining, while Nymex WTI – more impacted by US fundamentals, specifically Cushing stockbuilds – eased its sharp deterioration over recent months. ICE Brent ended up $1.60 at $33.53/b, while Nymex WTI fell by $1.16 to $30.62/b. Compared to 2015, both contracts lost about 36-40% of their values. Meanwhile, hedge funds turned more positive about the outlook for crude oil prices, as indicated by latest data from the futures exchanges. By the end of the month, they held a combined net long position amounting to over 430 mb. Moreover, the Brent-WTI spread halted its narrowing trend to widen amid storage constraints in the US versus supply tightness in Europe. The ICE Brent-Nymex WTI (transatlantic) spread widened by $2.75 to $2.90/b.

OPEC Reference Basket

The ORB value rebounded in February for the first time since October last year. It was up more than 8%, supported by a number of positive factors over the month, despite the overwhelming oversupply, slowing global economy, record high inventories and a rising US dollar. Apart from positive market sentiment, arising from the efforts of major producers to trim output and expectations of dwindling US production, support came from healthy physical oil markets. This was particularly the case in Asia, which was buoyed by robust demand after the Chinese New Year holiday and supportive margins earlier in the month. European physical crude oil markets were also supported by supply distributions and tighter avails. On a monthly basis, the ORB increased $2.22 to $28.72/b, on average, up by 8.4%. Compared to the previous year, the ORB lost 44% from its $49.10/b value last year to average $27.64/b.

Graph 1.1: Crude oil price movement, 2015-2016



Source: OPEC Secretariat.

Table 1.1: OPEC Reference Basket and selected crudes, US$/b

	Jan 16	Feb 16	Change Feb/Jan	Year-to-date 2015	Year-to-date 2016
Basket	**26.50**	**28.72**	**2.22**	**49.10**	**27.64**
Arab Light	26.35	28.77	2.42	48.95	27.71
Basrah Light	24.73	27.08	2.35	47.17	26.15
Bonny Light	30.40	32.24	1.84	54.00	34.00
Es Sider	29.75	31.46	1.71	51.57	32.87
Girassol	29.95	32.28	2.33	53.00	31.15
Iran Heavy	24.07	27.28	3.21	48.64	25.96
Kuwait Export	23.92	26.77	2.85	47.22	25.86
Qatar Marine	26.95	29.41	2.46	50.33	28.21
Merey	20.80	21.38	0.58	42.97	21.55
Minas	30.80	29.49	-1.31	51.02	30.13
Murban	31.57	34.15	2.58	53.36	32.89
Oriente	24.03	24.70	0.67	44.57	24.37
Sahara Blend	31.28	33.26	1.98	53.21	34.22
Other Crudes					
Brent	30.75	32.46	1.71	52.87	31.63
Dubai	26.81	29.44	2.63	50.59	28.16
Isthmus	30.03	28.68	-1.35	49.02	29.34
LLS	32.72	32.31	-0.41	51.96	32.51
Mars	27.51	27.70	0.19	47.91	27.61
Urals	29.15	30.87	1.72	52.29	29.46
WTI	31.46	30.33	-1.13	48.99	30.88
Differentials					
Brent/WTI	-0.71	2.13	2.84	3.88	0.74
Brent/LLS	-1.97	0.15	2.12	0.91	-0.88
Brent/Dubai	3.94	3.02	-0.92	2.28	3.47

Note: As of January 2016, Argus data is being used.
Sources: Argus Media, Direct Communication, OPEC Secretariat and Platts.

Apart from Minas, the value of all ORB components improved, along with their prospective major crude benchmarks. Dated Brent and Dubai prices rose $1.71 and $2.63, respectively, while WTI spot prices dropped $1.13.

Amid a jump of around 10% in the value of Dubai and Oman, all Middle East and multi-destination Basket components performed much better than the remaining components. Healthy Asian crude demand, particularly Chinese, buoyed this market. Middle Eastern spot component grades Murban and Qatar Marine rose $2.52 to average $31.78/b, and multi-destination grades, Arab light, Basrah light, Iran heavy and Kuwait export, increased on average by $2.71 to $27.48/b.

Meanwhile, in addition to following the increase in the outright Dated Brent prices, the value of Brent-related components also gained from improvements in their price differentials over the month. Numerous spot and tenders related to buying from India and China, as well as limited arbitrage to the US, supported these crudes out of Africa. The value of West and Northern African light sweet grades, as well as Basket components Saharan Blend, Es Sider, Girassol and Bonny Light, increased $1.97 to $32.32/b in February.

In contrast, Indonesian Minas slipped, following the light sweet crudes in Asia, weighed down by weakening refining margins mid-month onward, even as oil prices hovered near their lowest in a decade. Refining margins in the Singapore hub have shed nearly $4/b in February, on average, compared with last month. Minas dropped $1.31, or 4.3%, to $29.49/b.

Latin American ORB components were slightly up despite the decline in the US market, Merey was up 58¢, or 2.8%, at $21.38/b while Oriente edged up about 67¢, or 2.8%, to $24.70/b.

On 11 March, the OPEC Reference Basket stood at $35.62/b, $6.90 above the February average.

The oil futures market

After three months of sharp declines, crude oil futures recovered amid numerous positive factors that ignited speculations that oil markets would soon be balanced. This suggested that the 20-month sell-off could be hitting bottom. ICE Brent ended the month gaining, while Nymex WTI, more impacted by crude stock-builds in the US and specifically in Cushing, eased its sharp deterioration over recent months. A proposal for a production freeze at January's level by major oil exporters, and more news about an additional oil producer meeting in March, as well as further layoffs by service companies and related reports about a complete halt of fracking activities by some companies, all lent support to the market.

Market sentiment was also helped by an eighth-straight weekly drop in the number of US rigs drilling for oil, project deferments in the US shale industry and job cuts that will slow production. Crude oil futures also rose after the IEA estimated US crude production will decline this year and next, helping the market rebalance gradually. Disruptions to crude supplies in Europe and higher equity prices on Wall Street on the back of positive US economic data also supported oil.

Crude futures also drew support from China's move to boost its slowing economy, injecting an estimated $100 billion worth of long-term cash into the economy to cushion the pain from job layoffs and bankruptcies in industries plagued by overcapacity. Oil futures also got a boost from the rally in global equity markets.

Nevertheless, over the month, oil futures, particularly Nymex WTI, encountered headwind resistance resulting from various consecutive weeks of crude stock building in the US, specifically at the delivery point for US crude futures in Cushing, Oklahoma, and a stronger US dollar.

ICE Brent ended February up $1.60, or 5%, at $33.53/b on a monthly basis, while Nymex WTI fell by $1.16, or 3.6%, to $30.62/b. Year-to-date, ICE Brent lost $21.42, or about 39.5%, while Nymex WTI declined $17.8, or 36.3%, from the values over the same period last year at $54.17/b and $48.98/b, respectively.

Crude oil futures prices improved in the 2nd week of March. On 11 March, ICE Brent stood at $40.39/b and Nymex WTI at $38.50/b.

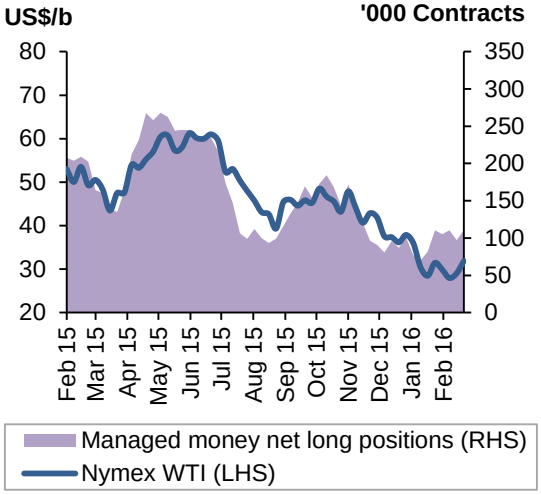
Hedge funds turned more positive about the outlook for crude oil prices, according to the latest positioning data from the US CFTC and the ICE. Hedge funds and other money managers held a combined net long position in the two main crude oil futures and options contracts amounting to over 430 mb in the last week of February.

Although the combined net long position has increased from recent lows in December, the increase in hedge fund and other money manager net long positions has been concentrated in ICE Brent rather than Nymex WTI. Hedge funds increased their net long positions in Nymex WTI to around 110,560 contracts, or 110 mb. However, speculators were extremely bullish on ICE Brent futures given higher oil prices with

their net length almost doubling by the end of February, compared to the end of December. Net length positions for ICE Brent increased 157,617 contracts to 320,289 lots, ICE data showed.

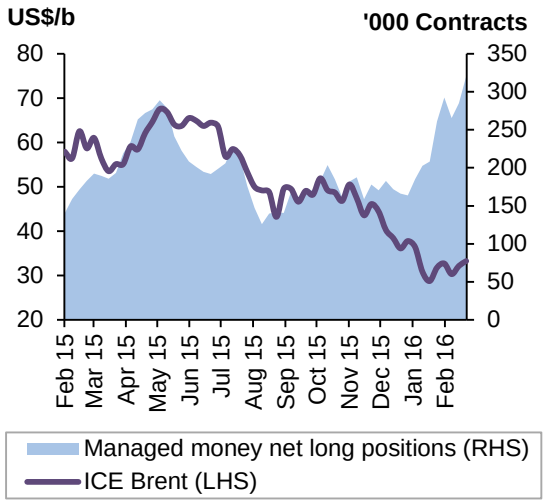
Meanwhile, total futures and options open interest volume in the two markets increased by 118,646 contracts, or 2.3%, since the end of January to 5.3 million contracts at the end of February.

Graph 1.2: Nymex WTI price vs. Speculative activity, 2015-2016



Sources: CFTC and CME Group.

Graph 1.3: ICE Brent price vs. Speculative activity, 2015-2016



Source: IntercontinentalExchange.

During February, Nymex WTI **oil futures trading volume** surged to its highest level on record again, while that of ICE Brent dropped from its record high registered last month. The daily average traded volume during February for Nymex WTI contracts increased 160,000 lots, or 14%, to average 1,293,980 contracts, while ICE Brent daily traded volume decreased 205,321 contracts, or 19%, to 873,988 lots.

The daily aggregate traded volume for both crude oil futures markets decreased 44,933 contracts to around 2.17 million future contracts, equivalent to around 2.2 billion barrels per day. The total traded volume in Nymex WTI was up at 27.17 million contracts, while traded volume for ICE Brent was down to 18.35 million contracts.

The futures market structure

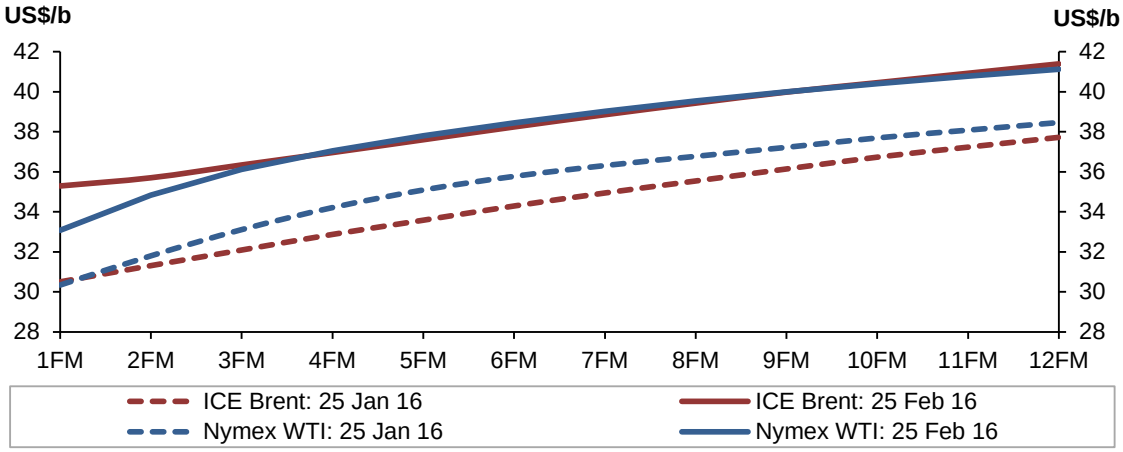
Inevitably, the three markets – WTI, Brent and Dubai – remained in contango in February, due to the prolonged global oil glut.

However, while the contango in the Dubai and Brent markets eased, the **WTI** contango deepened significantly over the month. This reflected growing fears about onshore storage space running out, with US stocks at an all-time high. For the month, WTI contango widened and remain steep, where the spread between the first (M1) and third month (M3) contract was $3.40/b, $1 wider than in January. That's quite different from the level reached in early 2009 that helped traders make billions of dollars from storing oil in supertankers. The contango has steepened as prices have climbed higher, indicating that healthy incentives for storage are still needed amid the limited availability of storage in the US. At the same time, given that the change in stock levels at Cushing have been relatively stable for month, this trend may be reflective of increasing expectations of higher prices when refinery runs build up during the 2Q.

In Europe, the **Brent** M1 discount to the M3 eased slightly. Outages around the Mediterranean, with Turkey's Ceyhan pipeline down, and in West Africa, with force majeure imposed on shipments of Nigeria's Forcados until April, have helped boost North Sea prompt prices. Supply distribution in the North Sea itself has also helped. The Brent market contango narrowed further in February by 25¢, with the M1-M3 spread at $1.27/b.

In the **Dubai** market, spot premiums continued to rise, supported by robust demand from China. Low outright prices also stoked demand in Asia and as maintenance at oilfields in the UAE and Qatar tightened supplies. More refining capacity is also expected to stay online in the 2Q from the same period a year ago, supporting crude demand. For February, the Dubai contango eased, where the $1.85/b M1 discount to M3 in January decreased to around $1.20/b.

Graph 1.4: Nymex WTI and ICE Brent forward curves, 2015-2016



Note: FM = future month.
Sources: CME Group and Intercontinental Exchange.

The **Brent-WTI spread** halted its narrowing trend to widen in February amid storage constraints in the US versus supply tightness in Europe. The ICE Brent-Nymex WTI (transatlantic) spread widened by a hefty $2.76 to $2.91/b in February, on a monthly average basis. The record Cushing stocks pressured WTI's performance relative to Brent. The situation worsened for WTI fundamentals as US Midwest refining margins were dragged into negative territory by gasoline. This led to a sharp increase in planned works and economic refinery run cuts. On the other hand, the Brent market was supported by regional supply outages as well as restricted supply in the North Sea amid outages along the Forties Pipeline System.

Table 1.2: Nymex WTI and ICE Brent forward curves, US$/b

Nymex WTI						
	1FM	**2FM**	**3FM**	**6FM**	**12FM**	**12FM-1FM**
25 Jan 16	30.34	31.80	33.11	35.77	38.46	8.12
25 Feb 16	33.07	34.83	36.12	38.44	41.12	8.05
Change	**2.73**	**3.03**	**3.01**	**2.67**	**2.66**	**-0.07**
ICE Brent						
	1FM	**2FM**	**3FM**	**6FM**	**12FM**	**12FM-1FM**
25 Jan 16	30.50	31.31	32.09	34.29	37.72	7.22
25 Feb 16	35.29	35.70	36.34	38.24	41.39	6.10
Change	**4.79**	**4.39**	**4.25**	**3.95**	**3.67**	**-1.12**

Note: FM = future month.
Sources: CME Group and Intercontinental Exchange.

The light sweet/medium sour crude spread

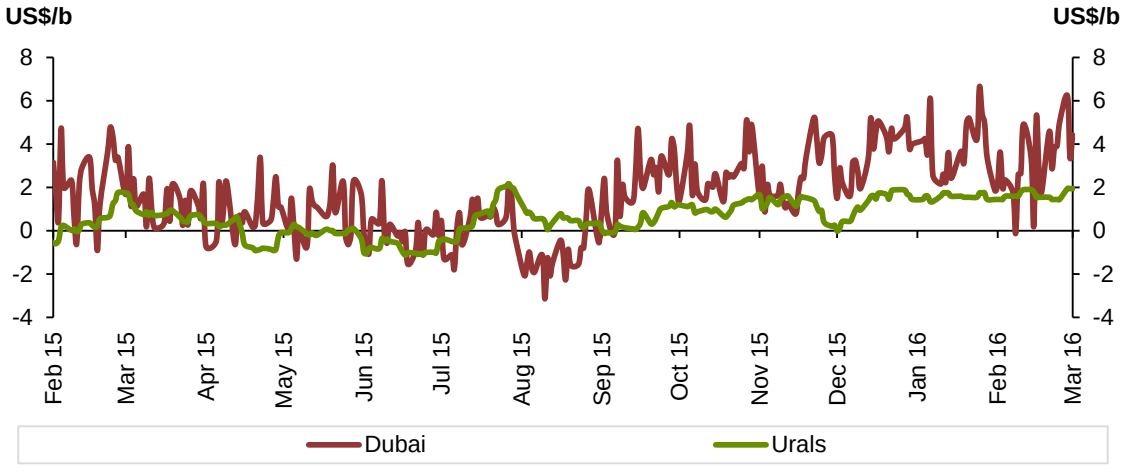
Sweet/sour differentials narrowed in Asia and the US Gulf Coast (USGC) amid easing gasoline margins. In Europe the spread remained unchanged.

In **Asia**, light sweet Tapis premium over medium sour Dubai decreased for the second month in a row, dropping $1.57 to $4.73/b amid weakening refinery margins in the Asia-Pacific region, even as oil prices hovered near their lowest level in a decade. Refining margins in the Singapore hub shed nearly $4/b in February, on average, compared with last month. They are now on track to post their lowest monthly average since August. Lower refinery demand during the spring maintenance season also weighed on the values of regional light sweet crudes. On the other hand, the medium sour Dubai market strengthened over the month as low outright prices stoked demand in Asia and as maintenance at oilfields in the UAE and Qatar tightened supplies. Robust demand from China also underpinned the Middle East sour crude benchmark.

In **Europe**, Urals medium sour crude discount to light sweet Brent, which was relatively steep, remained unchanged in February amid supply hitches in the logistical systems of both crudes. Outages around the Mediterranean, with Turkey's Ceyhan pipeline down, kept the Urals differential steady despite expected additional supply from Iran to the region. Meanwhile, supply distribution in West Africa, with force majeure imposed on shipments of Nigeria's Forcados and an outage in Forties pipeline, helped to steady the light sweet Brent market. The spread between Dated Brent to Med Urals in February was unchanged at $1.60/b.

In the **USGC**, the premium of Light Louisiana Sweet (LLS) over medium sour Mars decreased about 60¢ to $4.60/b. Sweet crude premiums over sour grades corrected downwards over the month, after a strong period for gasoline cracks over December and January eased. Meanwhile, USGC crude differentials to WTI firmed as Brent crude futures held a wide premium to WTI, where the spread between LLS to WTI and Mars to WTI improved by 70¢ and $1.30, respectively.

Graph 1.5: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2015-2016



Source: OPEC Secretariat.

Commodity Markets

In February, commodity prices generally advanced, with recovery also seen in energy commodities as crude oil recovered due to talks about potential coordination between major producing countries. Meanwhile, in non-energy commodities, metals experienced a broad-based advance on improving market sentiment, while agriculture prices were supported by a strong recovery in palm oil. Precious metals saw their best performance since 2012 on higher demand of safe assets.

Trends in selected commodity markets

Commodity market sentiment turned positive during the second half of the month, helped by the Chinese yuan support through the People's Bank of China, as well as news of potential coordination among major oil suppliers. Further support was provided by weakness in the US dollar, which generally declined on the expectation of a flatter path for interest rate increases in the US as a result of market turmoil experienced since the beginning of the year. This, in fact, translated into the best performance for gold prices since 2012, as expectations for real interest rates in the medium and long term were sharply reduced.

In **agriculture**, food prices were supported by a rally in vegetable oils, led by a jump in palm oil prices due to drought in Southeast Asia, which has resulted in a large drop in output and stocks in Malaysia – the word second largest producer – according to the Malaysia Palm Oil Board. Nonetheless, the high stock levels of some grains and oilseeds have prevented their price recovery, with forecasts by the US Department of Agriculture of plentiful global stocks of wheat, corn and soybeans. Sugar prices were highly volatile, coming in lower in the first half of the month on reports of greater output in January from Brazil according to country's Sugarcane Industry Association UNICA. However, forecasts of a higher global deficit by the International Sugar Organization, mainly due to lower expected output from India and Thailand, triggered a spike in prices at the end of the month.

Metals showed the best performance among commodities, with price increases among the majority of components, with the exception of nickel. The stabilization of the Chinese yuan and further recovery in the property market, in which prices increased in 38 of the 70 largest cities in January according to the National Bureau of Statistics, improved sentiment in the metals market. However, manufacturing prospects in February continued to point to a contraction in Chinese activity, with a manufacturing Purchasing Managers' Index (PMI) reading of 48.0 versus 48.4 in January, which could pressure prices in the near term. Meanwhile, the World Steel Association reported a y-o-y drop of 7.1% in world steel output for the month of January; it also went down by 7.8% y-o-y in China, which translated into a price spike. Iron ore prices increased despite lower steel output.

In the group of **energy commodities**, crude oil recovered on the expectation of coordination among major suppliers, while output in the US was reportedly slowing. Natural gas prices continued to retreat as adequate levels remain though the majority of the winter season is over. Higher winter temperatures as a result of El Niño limited demand in both the US and Europe. Moreover, contracts in Europe linked to the price of oil also dropped. Inventories in the EU-28 were at 39.3 bcm at the end of February, around 19% above the previous year's figures, according to data from Gas Infrastructure Europe.

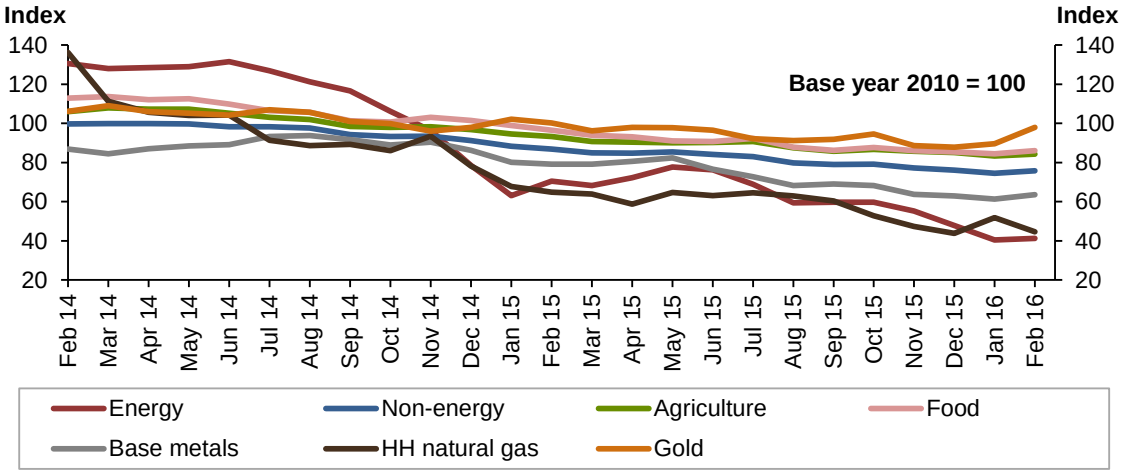
Table 2.1: Commodity price data, 2015-2016

Commodity	Unit	Monthly averages			% Change	Year-to-date	
		Dec 15	Jan 16	Feb 16	Feb/Jan	2015	2016
World Bank commodity price indices (2010 = 100)							
Energy		47.8	40.5	41.3	1.8	66.75	40.90
Coal, Australia	$/mt	52.1	49.8	50.9	2.2	61.8	50.4
Crude oil, average	$/bbl	36.6	29.8	31.0	4.2	50.9	30.4
Natural gas, US	$/mmbtu	1.9	2.3	2.0	-13.9	2.9	2.1
Non-energy		76.2	74.5	75.8	1.7	87.7	75.2
Agriculture		85.1	83.3	84.3	1.2	94.0	83.8
Food		85.4	84.5	86.1	1.8	97.7	85.3
Soybean meal	$/mt	338.0	333.0	326.0	-2.1	445.0	329.5
Soybean oil	$/mt	761.0	727.0	758.0	4.3	787.5	742.5
Soybeans	$/mt	372.0	367.0	369.0	0.5	415.5	368.0
Grains		82.4	82.1	82.8	0.8	96.1	82.5
Maize	$/mt	163.9	161.0	159.7	-0.8	174.2	160.4
Wheat, US, HRW	$/mt	173.7	173.7	173.7	0.0	242.8	173.7
Sugar, world	$/kg	0.3	0.3	0.3	-5.5	0.3	0.3
Base Metal		62.9	61.4	63.6	3.7	79.7	62.5
Aluminum	$/mt	1,497.2	1,481.1	1,531.3	3.4	1,816.3	1,506.2
Copper	$/mt	4,638.8	4,471.8	4,598.6	2.8	5,779.9	4,535.2
Iron ore, cfr spot	$/dmtu	41.0	42.0	47.0	11.9	65.5	44.5
Lead	$/mt	1,706.6	1,646.2	1,765.8	7.3	1,819.4	1,706.0
Nickel	$/mt	8,707.8	8,507.3	8,298.5	-2.5	14,711.5	8,402.9
Tin	$/mt	14,691.7	13,808.1	15,610.1	13.1	18,844.0	14,709.1
Zinc	$/mt	1,527.8	1,520.4	1,709.9	12.5	2,105.4	1,615.1
Precious Metals							
Gold	$/toz	1,075.7	1,097.9	1,199.5	9.3	1,238.9	1,148.7
Silver	$/toz	14.1	14.1	15.2	7.5	17.0	14.6

Source: World Bank, Commodity price data.

Average **energy prices** in February increased by 1.8% m-o-m due to a 4.2% increase in crude oil. Natural gas prices decreased in the US by 13.9% m-o-m, while average prices in Europe declined by 8.4%.

Graph 2.1: Major commodity price indices, 2014-2016



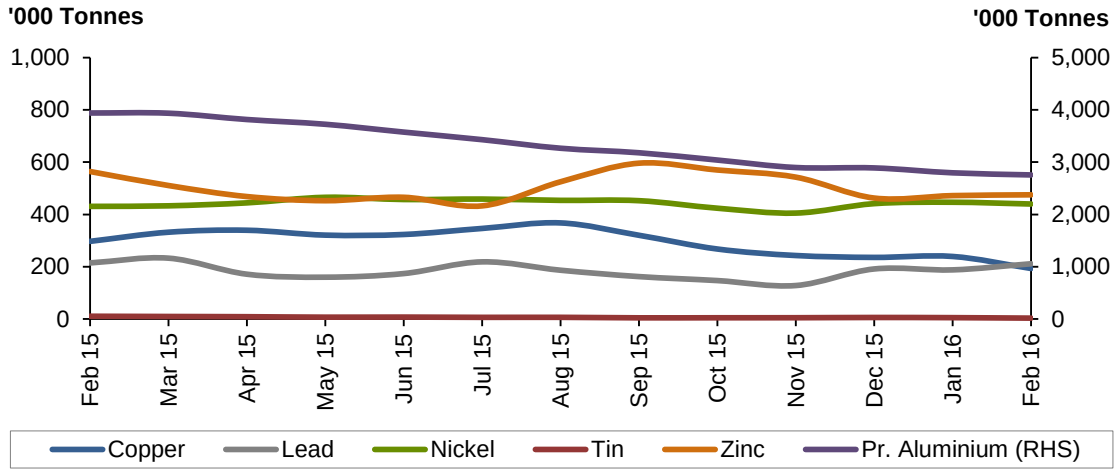
Source: World Bank, Commodity price data.

Agricultural prices advanced due to a 1.8% increase in food, and 0.8% increase in raw material (timber, cotton, rubber and tobacco). In contrast, beverage prices dropped by 1.1%. Palm oil and soybean oil prices advanced by 12.9% and 4.3%, respectively.

Average **base metal prices** increased by 3.3%, with advances among all group components. Copper and aluminium prices were up by 2.8% and 3.4%, respectively. Average iron ore prices rebounded by 11.9%, in spite of lower steel output.

In the group of **precious metals**, gold prices experienced their best performance since 2012, with a 9.3% advance on safe assets demand, while silver prices advanced by 7.5% m-o-m.

Graph 2.2: Inventories at the LME



Sources: London Metal Exchange and Thomson Reuters.

In February, the **Henry Hub natural gas** index increased. The average price was down 32¢, or 13.9%, to $1.96 per million British thermal units (mmbtu) after trading at an average of $2.27/mmbtu the previous month.

The US Energy Information Administration (EIA) said utilities withdrew 48 billion cubic feet (bcf) of **gas from storage** during the week ending 29 January. This was above the market expectation of a 40 bcf decrease; however it was significantly lower than the previous five-year average of 137 bcf for that week. Total working gas in storage stood at 2,536 bcf, or 45.6% higher than at the same time the previous year and 35.6% higher than the previous five-year average. The EIA noted that temperatures during the reported week were “significantly above normal”.

Investment flows into commodities

Open interest volume (OIV) increased in February for select US commodity markets such as agriculture, crude oil, natural gas, livestock and precious metals, while it decreased for copper. Meanwhile, monthly average speculative net length positions increased for crude oil and precious metals, while decreasing for agriculture, natural gas, copper and livestock.

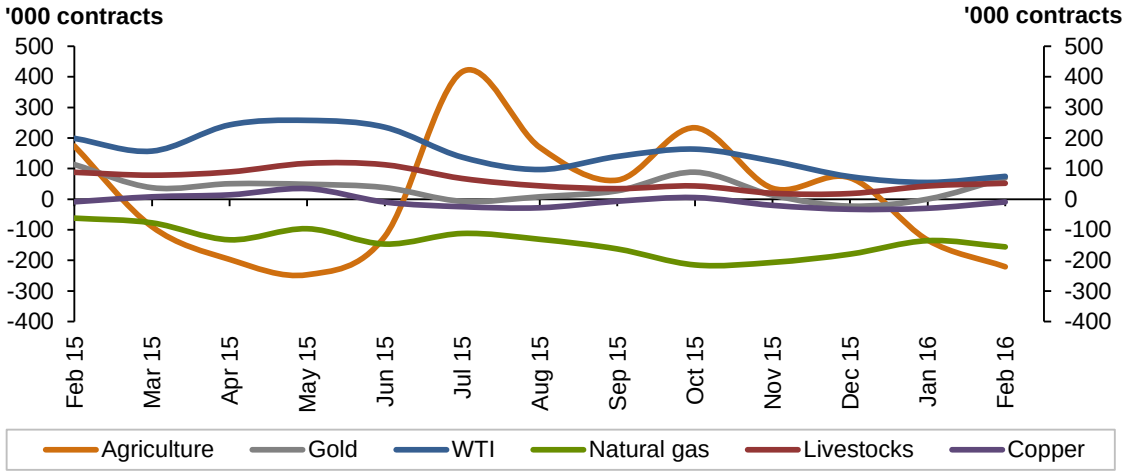
Table 2.2: CFTC data on non-commercial positions, '000 contracts

	Open interest		*Net length*			
	Jan 16	Feb 16	Jan 16	% OIV	Feb 16	% OIV
Crude oil	1,727	1,832	125	8	74	4
Natural gas	911	987	-207	-20	-179	-18
Agriculture	4,936	5,062	36	1	70	1
Precious metals	563	582	38	6	-14	-3
Copper	192	189	-20	-11	-33	-19
Livestock	481	510	20	4	19	4
Total	**8,810**	**9,162**	**-9**	**-13**	**-65**	**-29**

Source: US Commodity Futures Trading Commission.

Agriculture's OIV increased by 2.6% to 5,062,233 contracts in February. Meanwhile, money managers increased their combined net short positions to 220,854 lots, largely because of decreasing net length in sugar.

Graph 2.3: Speculative activity in key commodities, net length

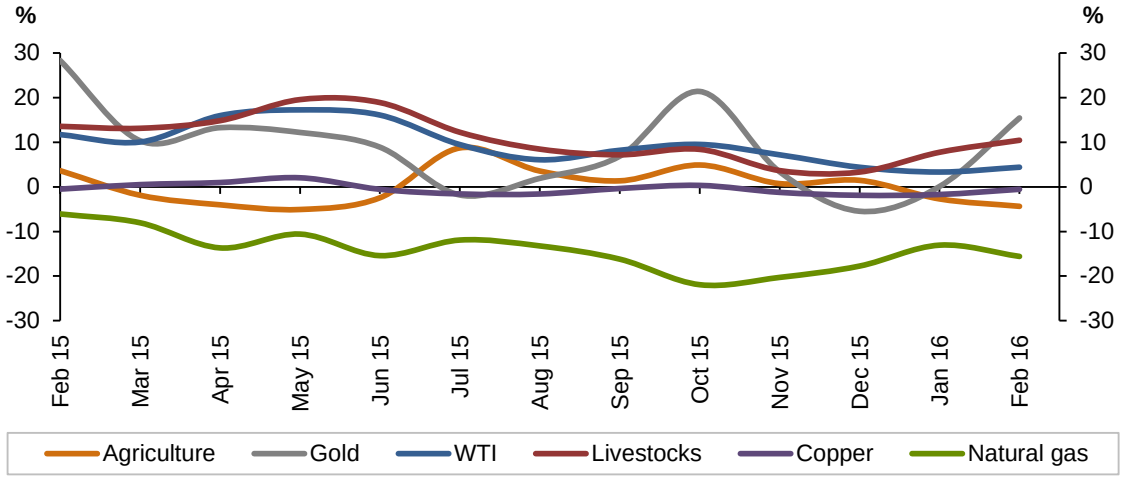


Source: US Commodity Futures Trading Commission.

Henry Hub's natural gas OIV increased by 8.3% m-o-m to 987,046 contracts in February. Money managers increased their net short positions by 65.4% to reach 220,854 lots on warmer weather during the month. Money managers' sentiment is very bearish ahead of the end of the winter season.

Copper's OIV decreased by 1.5% m-o-m to 188,968 contracts in February. Money managers cut their net short positions by 70% to 8,966 lots after following the rally observed in industrial metals during the month.

Graph 2.4: Speculative activity in key commodities, as% of open interest



Source: US Commodity Futures Trading Commission.

Precious metals' OIV advanced by 3.3% m-o-m to 582,040 contracts in February. Money managers increased their net long positions by more than six times to 110,821 lots on safe assets demand.

World Economy

Global economic growth remains moderate and uneven. Numerous challenges in emerging and developing economies, as well as some weakness in OECD economies, have led to a downward revision of the 2016 GDP growth forecast to 3.1% from 3.2% in the previous assessment. This is only slightly higher than the estimated growth of 2.9% in 2015. In the OECD, the US seems to be better positioned to weather global economic challenges, while the growth forecasts for both Japan and the Euro-zone have been lowered. This is not only because the growth dynamic for both has slowed down since the beginning of the year, but also in consideration of the numerous challenges that remain, which could further dent this year's growth. India and China continue to expand at a considerable rate. However, in China some areas of the economy seem to be affected by the global economic slowdown, particularly exports. Brazil and Russia are now forecast to move further into recession this year, amid declining commodity prices and a variety of domestic issues. Despite these most recent adjustments, the risk to global economic growth remains skewed towards the downside. Many country-specific economic challenges remain and geopolitical issues – and their potential to spill over into the real economy – may add to this risk. The upside potential of the current global GDP growth forecast is limited, but could come from the US, India and the Euro-zone. Also, central bank policies will continue to constitute an influential factor amid lower global inflation.

Table 3.1: Economic growth rate and revision, 2015-2016, %

	World	OECD	US	Japan	Euro-zone	China	India	Brazil	Russia
2015*	**2.9**	**2.0**	**2.4**	**0.4**	**1.5**	**6.9**	**7.3**	**-3.8**	**-3.7**
Change from previous month	0.0	0.0	0.0	-0.3	0.0	0.0	0.0	-0.3	0.0
2016*	**3.1**	**1.9**	**2.2**	**0.7**	**1.4**	**6.3**	**7.5**	**-2.8**	**-1.1**
Change from previous month	-0.1	-0.1	0.0	-0.2	-0.1	0.0	0.0	-0.6	-0.8

*Note: * 2015 = estimate and 2016 = forecast.*
Source: OPEC Secretariat.

OECD

OECD Americas

US

The relatively weak performance of the 4Q15 US GDP has been confirmed in its second estimate. While it has been revised up slightly to a seasonally adjusted annualised rate (SAAR) of 1.0%, it underscores that some weak spots are currently weighing on the economy, despite relatively robust private household consumption. The decline in investments, particularly in the energy sector, is one important factor, while high inventories leading to less production, is another. Personal consumption expenditures remained healthy at 2.0% q-o-q SAAR. This is the biggest bright spot in the US economy and the most recent improvements in the US labour market are supporting this positive trend. It remains to be seen how much of the negative counterbalancing factors – such as fewer investments, relatively high inventories and a strong US dollar – will weigh on growth this year.

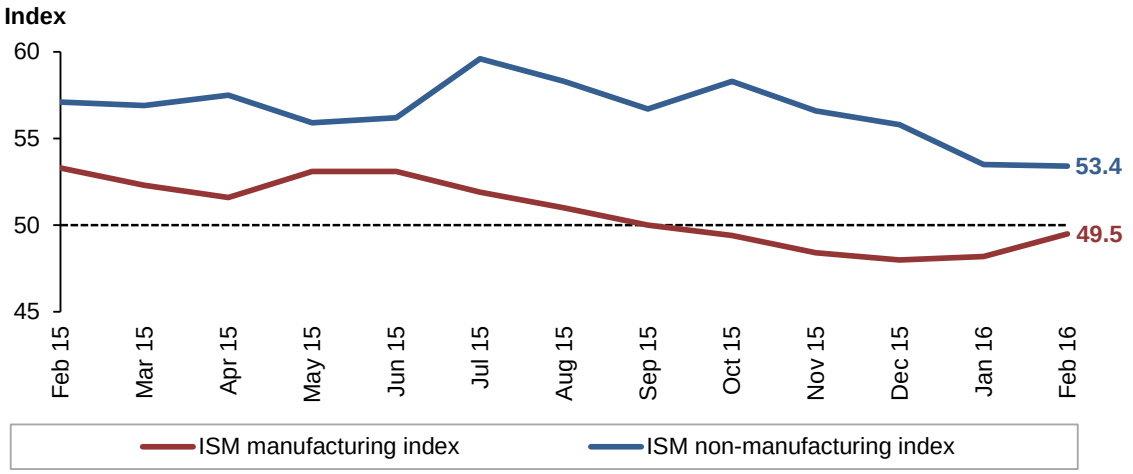
Again, **industrial production** was weak on a yearly base in January, registering a declining rate of 0.7% y-o-y. Within this number, manufacturing held up relatively well at 1.2% y-o-y, improving from the past two months. But mining, including oil sector-related output, again fell considerably, dropping 9.8% y-o-y. This, however, was better than the December decline of 11.3% y-o-y. The output of electricity and gas utilities also declined, falling by 2.8% y-o-y.

The important driver in the US economy in past quarters, however, was not the industrial sector, but the services sector, which has seemed to gradually slow down. This has been the engine of job growth in the past and its obvious slowdown, in combination with the weakness of the industrial sector, will need close monitoring. This current uncertainty in near-term output trends, in combination with the ongoing challenges in emerging and developing economies, may keep the US Federal Reserve (Fed) from further lifting interest rates at its upcoming meeting. This expectation has already led to some weakness of the US dollar in February, which, in the short-run, could turn out to be beneficial for US exports. Exports declined by 2.7% q-o-q SAAR in the 4Q15 and net exports impacted GDP growth negatively by 0.3 percentage points (pp) in the same period.

Retail sales increased by a healthy 3.4% y-o-y in January, picking up from an already solid rise of 2.4% y-o-y in December. Support from the continuously improving situation in the **labour market** remains intact. The unemployment rate remained below 5.0% in January, registering 4.9% for the second consecutive month. Also, non-farm payroll additions grew by a considerable 242,000, after an upwardly revised December figure of 172,000. Despite these improving measures in the labour market, **consumer confidence** fell in February. The Conference Board's Consumer Confidence Index retraced its recent climb to 92.2 from 97.8, the lowest level since last July.

Some ongoing weakness is signalled also by the **Purchasing Manager's Index** (PMI) for the manufacturing sector, as provided by the Institute of Supply Management (ISM). The ISM remained below the growth-indicating level of 50 for the fifth consecutive month in February, standing now at 49.5. However, this was better than the 48.2 seen in January. Importantly, the non-manufacturing sector index fell again in February, albeit only very slightly, to 53.4 from 53.5 in January. While this is still a healthy level, it is the lowest in almost a year.

Graph 3.1: Manufacturing and non-manufacturing ISM indices



Sources: Institute for Supply Management and Haver Analytics.

The GDP growth forecast for the current year remains unchanged at 2.2%, given that most of the ongoing slowing growth dynamic is already anticipated. This growth level is slightly lower than the last estimate for 2015 growth of 2.4%. It remains to be seen if the weakening growth pattern of the last quarter of 2015 will continue. Some lead indicators point at moderation in growth, compared to last year's level. However, the upside is that there may be positive impacts from ongoing improvements in the labour market. This, in combination with the support from lower oil prices, may lead to some upside in GDP growth of the US economy.

Canada

While the Canadian economy remains in a rather weak spot, it seems to have recovered somewhat. After being affected by relatively sluggish domestic demand amid falling oil prices and a decline in investments in the energy sector, some improvements are becoming apparent. Exports have improved by 7.3% y-o-y in January, the strongest appreciation in more than a year. This was mainly supported by Canada's industrial sector. However, the latest available number for industrial production from December still points at a challenging environment, with production declining by 1.3% y-o-y. Positively, retail trade improved by 2.6% y-o-y in December, after registering 3.0% y-o-y in November. Despite some positive elements in the economy, the weak trend of the PMI for manufacturing continues. In February, it reached 49.4, which is still below the growth-indicating level of 50 and almost unchanged from January. Given these indications, the GDP forecast for 2016 remains clearly above the estimated GDP growth of 1.1% in 2015, but has been slightly lowered to 1.5% from 1.6%.

OECD Asia Pacific

Japan

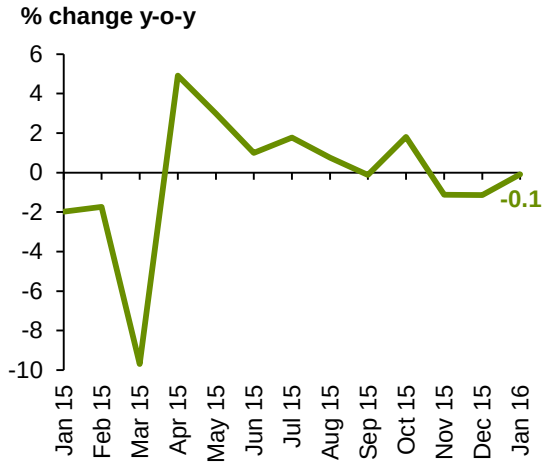
The economy in Japan is still characterised by only very moderate annual growth. After the latest data release of 2015 GDP numbers, it has become apparent that the economy still struggles to move beyond a very low-growth/no-growth level. This is despite large stimulus efforts – both fiscal and monetary – over the past several years which, so far, seem to not have been as effective as originally envisaged. The weakness in the country's external trade and the continued weak dynamic of domestic consumption, in combination with still considerably high sovereign debt levels, pose multiple challenges to the economy. Domestic demand is again weakening amid re-emerging deflation and declining real income. So far, a large degree of support for domestic economic activities came from the services sector. However, it remains to be seen whether, amid the challenges that lie ahead, this will continue. At the same time, the ongoing slowdown in the economy of neighbouring China continues to have an effect on Japanese exports.

Moreover, while the **Bank of Japan** (BoJ) reiterated that it aims to achieve an **inflation rate** of 2%, additional monetary easing seems to have become less effective, given that consumer prices fell again in January. This area will need careful monitoring since the BoJ has already pushed down interest rates into a negative territory of -0.1%. This poses the question of which additional measures may be introduce by the BoJ. While their interest rate policy has added some credibility to its inflation-fighting measures, consumer prices fell again in January by 0.2%. This was a significant decline compared to the slightly positive numbers seen in December and November. Excluding the two volatile groups of energy and food, the country's overall inflation figures have performed better, rising 0.7% in January. But this, too, is lower than the 0.9% level seen in November and the 0.8% of December. An encouraging sign came from the January data for real income, which, despite having declined considerably in 2015, suggests that this trend may turn in 2016. Also, given the extremely tight labour market,

which had an unemployment rate of only 3.2% in January, it seems likely that some support will come from this area in 2016. Average monthly earnings increased by 1.2% y-o-y in January, compared with a yearly decline of 1.5% in 2015.

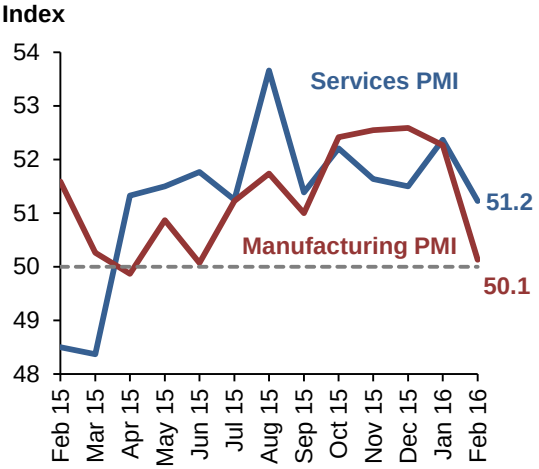
Japanese exports have slowed down again significantly. They declined for the fourth consecutive month in January, falling by 12.9% y-o-y, compared to an already significant decline of 8.0% y-o-y on a non-seasonally adjusted base in December. Also, **industrial production** fell again in January by 2.3% y-o-y, following a decline of 2.5% y-o-y in December. **Domestic demand** has remained weak in the past months, as retail sales remained in negative territory in January, when they declined by 0.1% y-o-y. This, however, was better than the larger decline of 1.1% y-o-y seen in December.

Graph 3.2: Japanese retail trade



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

Graph 3.3: Japanese PMI indices



Sources: Markit, Japan Materials Management Association and Haver Analytics.

Amid signals in past months of a slowdown in the Japanese economy as a whole, the **latest PMI numbers,** provided by Markit, point at a slowdown in manufacturing activity. February's manufacturing PMI fell and now stands at 50.1, only slightly above the growth-indicating level of 50. The momentum of the important services sector also suggests a slowdown in activity. The services sector PMI fell to 51.2, compared to 52.4 in January.

After relatively sluggish growth of 0.4% in 2015, the growth forecast for 2016 has been revised down. This has also taken into consideration the slowing growth trend from the 4Q15, and is based on the assumption of a continued drag on the economy stemming from anticipated weak domestic demand and ongoing challenges from exports. Taking these assumptions into consideration, the 2016 growth forecast has been revised down to 0.7%, from 0.9% previously.

South Korea

While the growth level of South Korea's economy remains relatively healthy, it continues to face challenges from the recent global slowdown. Domestic consumption is holding up well, but exports are in considerable decline. After having turned positive in September 2015, exports have continued their considerable decline in February, falling 2.7% y-o-y, after having declined by 10.2% y-o-y in January. The latest revision in industrial output data confirms this weakness in the economy. Industrial production fell by 0.5% in January and by 2.3% y-o-y in December. This weakness has been also confirmed by the latest PMI number for February, which fell to 48.7 from 49.5 a month earlier. This slowing dynamic has led to a downward revision of this year's growth

forecast to 2.7% from 2.8% in the past month. This is slightly higher than the estimated growth of 2.6% in 2015.

OECD Europe

Euro-zone

While the Euro-zone enjoyed a solid cyclical recovery in 2015, signs have appeared that the momentum may be slowing down. In this respect, positive data from Germany might again somewhat counterbalance the relatively weaker performance of the economies of France and Italy. However, the underlying fundamentals in some areas of the economy point at some other challenges ahead. Not only is the labour market still weak and industrial production moving back into negative territory, but there is still a weak banking system, the potential impact of the upcoming referendum on the exit of the UK from the European Union and the still unresolved sovereign debt issues in Greece. Some support may come from the weak euro, which has generated a more competitive export situation on global markets, particularly for the two largest Euro-zone exporters, Germany and France. Moreover, additional monetary stimulus from the European Central Bank (ECB) may provide further support for economic growth in the Euro-zone.

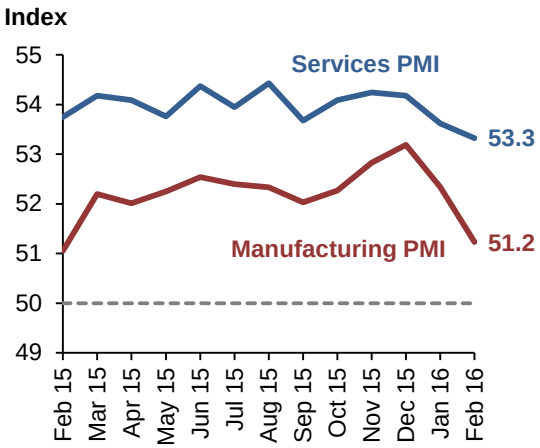
The latest **industrial production** numbers show a declining trend, reaching the lowest level in more than a year, with December's growth contracting by 0.3% y-o-y, compared to growth of 1.4% in November. The momentum of most of the economic sectors that contribute to industrial production is slowing down or has turned negative. Manufacturing growth was reported at only 0.3% y-o-y, compared to 1.8% in November. Also, mining and quarrying has declined considerably, amid falling commodity prices in the past months. In December, the mining and quarrying sector declined by 20.5% y-o-y, the same level of decline as in November. Moreover, construction turned negative again as well, falling 0.8% y-o-y. Since 2009, the sector has been on a decline for most of the time.

Retail sales performed well, but fell from their higher levels in January. Consumers increased spending in the retail sector by 2.0% in January, almost the same level as in December. This, however, compares to 2.5% on average in 2015. Some slowdown in the coming months is expected as growing uncertainties about the development of the Euro-zone's economy, in combination with ongoing challenges in the labour market, may dent private household consumption. This has been reflected in the latest consumer confidence surveys. The unemployment rate stood at 10.3% in January, compared to 10.4% in December.

Despite the latest round of ECB stimulus, **inflation** has turned negative again. It declined by 0.2% in February, according to the first flash estimate. The lessening effectiveness of ECB stimulus has also become increasingly apparent in the latest figures of credit supply. An encouraging sign has been the expansion of private sector credit since the beginning of 2015; but recently the expansion has tapered off. This is important to note since the banking sector is the most important source of financing for small- and medium-sized enterprises in the Euro-zone, the backbone of the industrial sector. January's growth stood at 0.3%, which was again lower than the December figure of 0.8% y-o-y and the healthier level of 2.1% y-o-y in November. This may also be the outcome of the ongoing challenges in the banking system, with the volatile developments in the credit supply seen in the past months pointing at some continuing fragility.

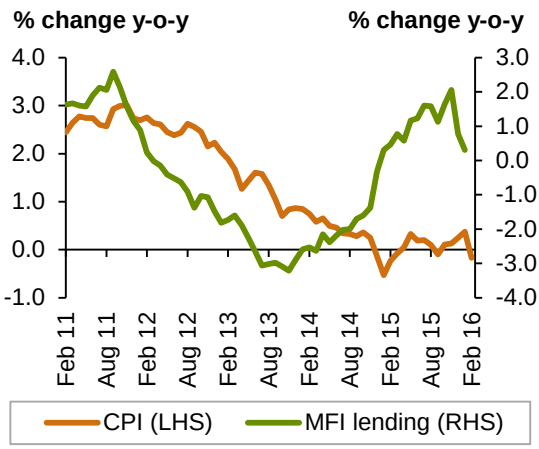
The softening situation is also reflected in the latest **PMI indicators**. The manufacturing PMI for January held up well, but fell back to 51.2 in February from 52.3 in January. The services PMI declined only slightly to 53.3 from 53.6 in January.

Graph 3.4: Euro-zone PMI indices



Sources: Markit and Haver Analytics.

Graph 3.5: Euro-zone consumer price index and lending activity



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

While the recovery in the Euro-zone is ongoing, several uncertainties remain. It currently seems that the growth dynamic from the past year is slowing down somewhat. Moreover, the challenges of an ongoing weak banking system, as well as continuing issues in Greek's sovereign debt, the likelihood of increasing border controls due to the refugee crisis and, finally, the potential impact of an exit of the UK from the European Union are issues that have the potential to dent this recovery. It remains to be seen how the Euro-zone will deal with these issues – and also how the Euro-zone's economy will able to digest the slightly slowing trend. Considering the currently slowing dynamic in economic activity, the growth forecast for 2016 has been lowered to 1.4% from 1.5%. This is only slightly lower than the estimated growth of 1.5% in the past year.

UK

The UK economy continues on a relatively healthy growth trajectory, while some softening in the economy is becoming obvious. Industrial production turned negative in December. Lead indicators also have pointed at some cooling down and trade has further declined at the end of last year. In addition, industrial production growth turned negative in December, declining by 0.3% y-o-y, the first negative number in more than two years. A major contributor was the manufacturing sector, where growth declined by 1.8% y-o-y. Although the PMI numbers for the past months all indicated growth in the sector, the trend of a slowdown has become quite apparent. The latest PMI number for the manufacturing sector was 50.8, the lowest since May 2013. Also, the services sector PMI fell considerably from 55.6 to 52.7. On a positive note, the headline series of retail sales in January grew by a significant 5.3% y-o-y, compared to 2.3% y-o-y in December. Amid the mentioned slowdown in the economy, the 2016 GDP growth forecast has been revised down slightly to 2.1% from 2.3%, just below the estimated growth of 2.2% in 2015.

Emerging and Developing Economies

The contraction in **Brazil**'s GDP worsened in 4Q15 to 5.9% y-o-y, bringing shrinkage for the entire year to 3.8%, according to the national statistics agency IBGE. Furthermore, the downturn in the economy was manifested in the decline of the country's composite output index, which reached a record low in February. The manufacturing sector posted deeper job cuts last month on weak new orders and rising input costs. Considering the ongoing downward trend in the economy, Brazil is expected to remain in recession this year with the GDP forecast to shrink by 2.8%.

In **Russia**, the monthly GDP y-o-y percentage change published by the Ministry of Economic Development was 2.5% lower in January. While the services PMI reading in February brought some hope of a recovery in the services sector, the manufacturing sector remained in contraction territory as suggested by the respective PMI readings. Despite the fact that the economy of Russia sent a few positive signals in January and February, the overwhelming trend still points to the downside. There are still plenty of challenges to deal with before seeing reliable economic growth. GDP is thus forecast to contract by 1.1% in 2015, after the 3.7% decline in 2014.

India's economy expanded by 7.6% y-o-y in the last three months of 2015. This was higher than in the previous quarter. GDP growth in 2015 is likely to expand by 7.3% compared to the growth rate of 7.0% in 2014. India's second full-year budget was a positive surprise, with authorities targeting fiscal consolidation in line with the fiscal road map, and given measures being taken to boost the struggling rural economy without losing the focus on infrastructure investment. India's industrial output contracted for a second successive month in December 2015.

China's economy is slowing, with growth easing to a 25-year low of 6.9% in 2015. China lowered nearly every quantitative macroeconomic target, with 2016 GDP growth targeted at 6.5-7.0%. The latest "work report" also makes clear that the government is expecting a challenging year ahead, and is adjusting its targets and the intensity of its policy measures. China's exports registered their biggest drop in more than five years as weak global demand continues to undercut growth momentum. Also, the PBoC continued its easing of monetary policy. In spite of the authorities' stance on the yuan, they want to keep it "relatively stable and strong". It seems that two more interest rate cuts may be considered once sentiment on the currency improves.

Table 3.2: Summary of macroeconomic performance of BRIC countries

	GDP growth rate		Consumer price index, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Brazil	-3.8	-2.8	9.0	8.9	-58.9	-47.8	-10.5	-7.4	65.9	71.8
Russia	-3.7	-1.1	15.5	7.5	66.7	42.5	-2.7	-3.8	10.1	13.9
India	7.3	7.5	4.9	5.1	-21.2	-20.9	-4.0	-3.8	51.1	50.4
China	6.9	6.3	1.5	1.9	353.5	274.2	-2.8	-3.2	18.2	22.3

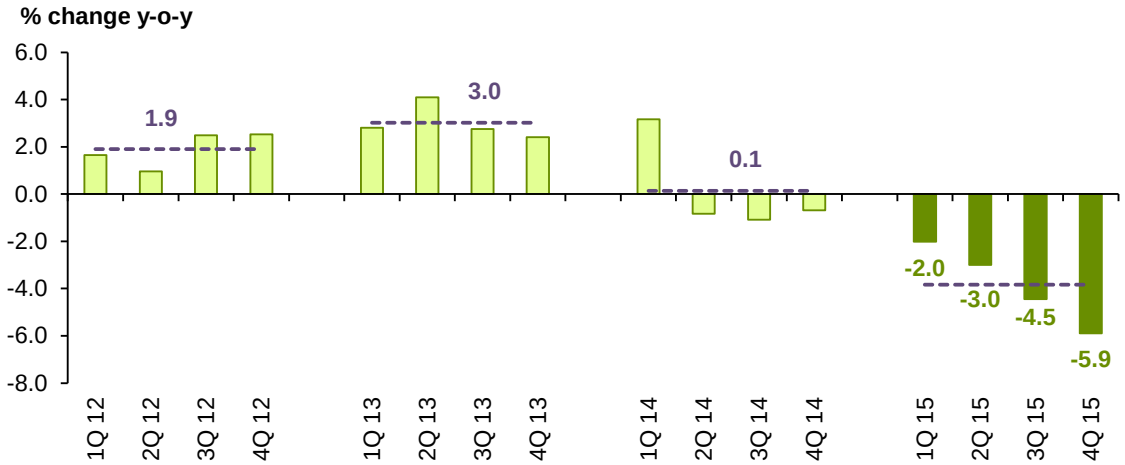
Note: 2015 = estimate and 2016 = forecast.

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

Brazil

GDP shrank by 3.8% y-o-y in 2015, according to the national statistics agency IBGE. The contraction accelerated in the 4Q15 to 5.9% y-o-y from the 4.5% decline seen in the previous quarter, signalling the sharpest contraction in data history since 1991. This also marks the seventh consecutive drop in GDP. The economic activity indicator published by the central bank was in contraction for the 11th consecutive month in December.

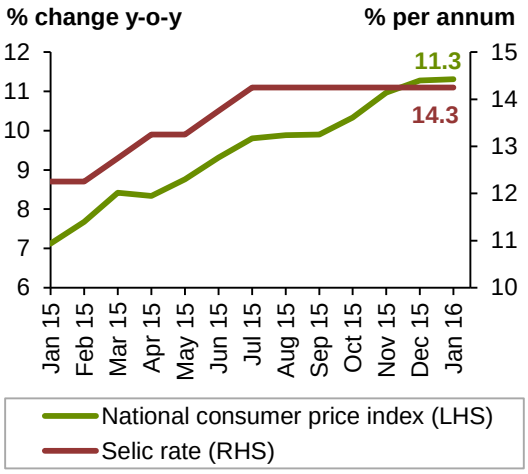
Graph 3.6: Brazilian quarterly GDP growth



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

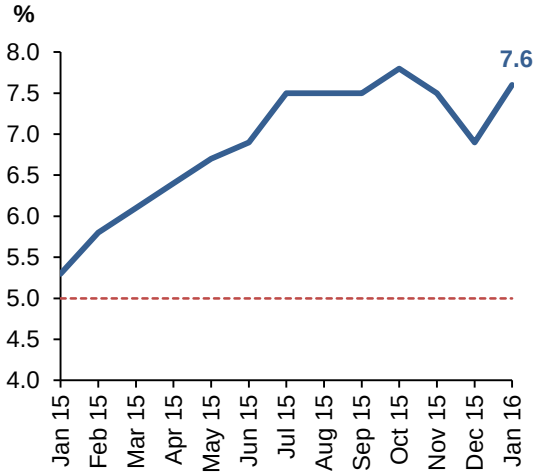
The central bank kept its benchmark **interest rate** on hold last month at 14.25%, its highest rate since July 2006, while **inflation** (national CPI) continued to post double-digit readings, recording 11.3% y-o-y in January, its highest since November 2003. The **consumer confidence index** continued to fluctuate at historically low readings, registering 70.4 points in February. The **unemployment rate** increased to 7.6% y-o-y in January, up from 6.9% a month earlier.

Graph 3.7: Brazilian inflation vs. Interest rate



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

Graph 3.8: Brazilian unemployment rate



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

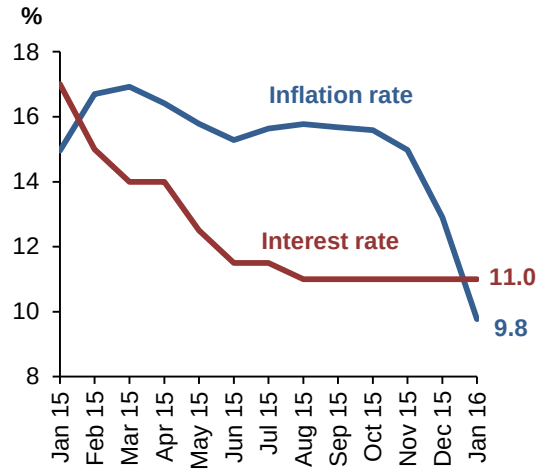
Furthermore, the downturn in the economy was manifest in the decline of the country's **composite output index,** which reached a record low in February. The **services PMI** survey highlighted the spare capacity in the sector on the back of a decrease in new

work. The index was down to 36.9 in February from 44.4 in January. Similarly, the **manufacturing sector** posted deeper job cuts last month on weak new orders and rising input costs. The respective PMI fell to 44.5 in February from 47.4 in January. Considering the ongoing downward trend in the economy, Brazil is expected to remain in recession this year with the GDP forecast to shrink by 2.8%.

Russia

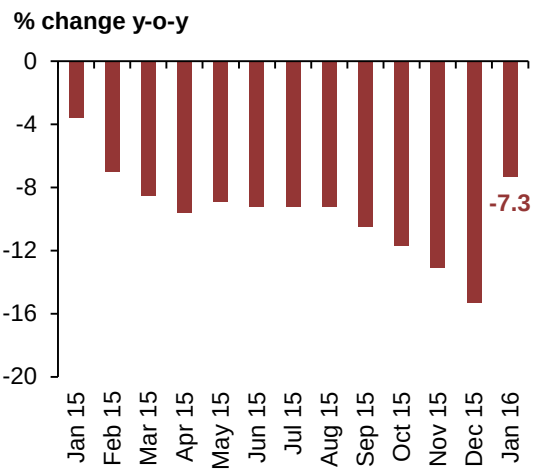
GDP declined 3.7% y-o-y in 2015. The monthly GDP y-o-y percentage change published by the Ministry of Economic Development was 2.5% lower in January. The key **interest rate** stood at 11.0% in February for the seventh month in a row, while **inflation** registered a 9.8% y-o-y increase for the first time since December 2014 on slower increases in the prices of food, housing and transportation. The **ruble** depreciated by 1.4% m-o-m in February, following a 9.5% depreciation in January. The **unemployment rate** remained unchanged at 5.8% y-o-y in January.

Graph 3.9: Russian inflation vs. Interest rate



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

Graph 3.10: Russian retail sales



Sources: Federal State Statistics Service and Haver Analytics.

Retail sales dropped by 7.3% y-o-y in January, signalling the first single-digit decline in five months. However, it is much higher than the 3.6% decrease in retail sales in January 2014. The services PMI reading in February brought some hope of a recovery in the **services sector**. The survey showed the first rise in the sector in five months, with the index returning to growth territory at 50.9, up from 47.1 in January. The pace of growth in new business was the fastest since July 2015. In a closely related development, the **manufacturing sector** remained in contraction territory in February as suggested by its respective PMI. The survey showed acceleration in new export orders at the sharpest rate in 19 months, while production remained largely unchanged. The index posted 49.3 last month, down from 49.8 the previous month.

Data on **industrial production** showed a deceleration of 2.7% y-o-y in January, marking the 12th consecutive month of contraction in industrial output. Despite that, the economy of Russia sent few positive signals in January and February, with the overwhelming trend still pointing to the downside. There are still plenty of challenges to deal with before seeing reliable economic growth.

GDP is forecast to contract 1.1% in 2015, after the 3.7% decline in 2014.

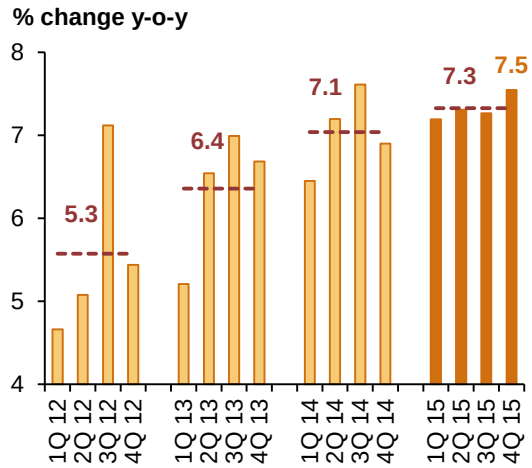
India

The Indian economy expanded by 7.6% y-o-y in 4Q15, higher than the previous quarter. GDP growth in 2015 is likely to expand by 7.3%, compared to the growth rate of 7.0% in 2014. The government's advance estimate of 7.6% growth for the year ending March 2016 will be challenging to meet, as this implies that quarterly growth in the January-March period will reach 7.8%. Given the forward-looking indicators of investment and production, full-year growth is unlikely to exceed 7.5%.

India's second full-year budget was a positive surprise, with authorities targeting fiscal consolidation, in line with the fiscal road map and given measures to boost the struggling rural economy without losing the focus on infrastructure investment. The government decided to keep the budget deficit target for FY16 at 3.5% of **GDP**, while for FY15 it amounted 3.9%. Despite some apparent trade-offs, India's second full-year budget is a well-rounded offering that balances the immediate need to support near-term growth and secure sufficient political capital for further reforms, with a continued focus on longer-term reforms. Private consumption will receive an additional boost from the government's social spending and should gain further momentum as rural consumers catch up with fast-growing urban demand. From an investment perspective, public spending will continue to outpace that of the private sector, while the latter will struggle to gain momentum.

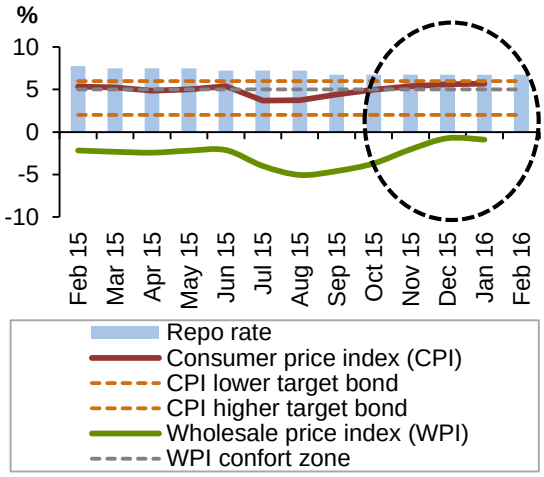
CPI went up 5.8% y-o-y in January of 2016, higher than the 5.7% rate seen in December 2015 and accelerating for the sixth straight month. It is the highest figure since September 2014 and above market expectations of 5.4%. Food inflation increased to 6.7% from 6.3% a month earlier, also the highest in 17 months. The wholesale price index (WPI) decreased to -0.84% y-o-y in January 2016 from -0.72% in the previous month.

Graph 3.11: Indian quarterly GDP growth



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

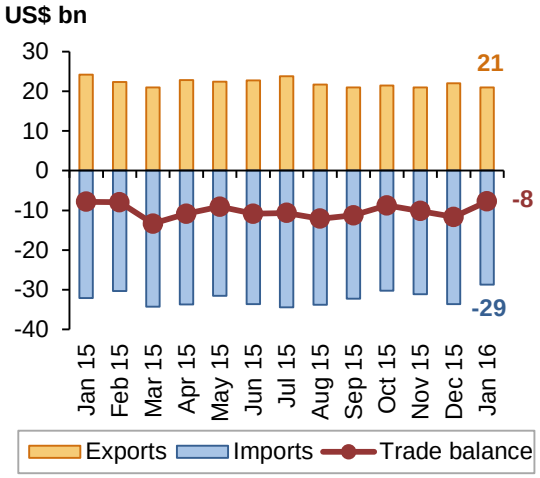
Graph 3.12: Indian inflation vs. Repo rate



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

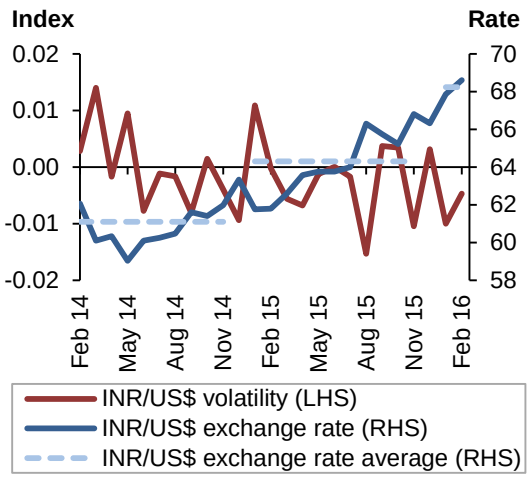
India's **merchandise exports** contracted for the 14th straight month in January, dropping by 13.5% y-o-y. With the severity of export weakness already exceeding that experienced during the financial crisis of 2008-2009, Indian exporters may be poised for further hardship. Merchandise imports stood at $29 bn in January, 10.5% down from the same period one year previously.

Graph 3.13: Indian net exports



Sources: Ministry of Commerce and Industry and Haver Analytics.

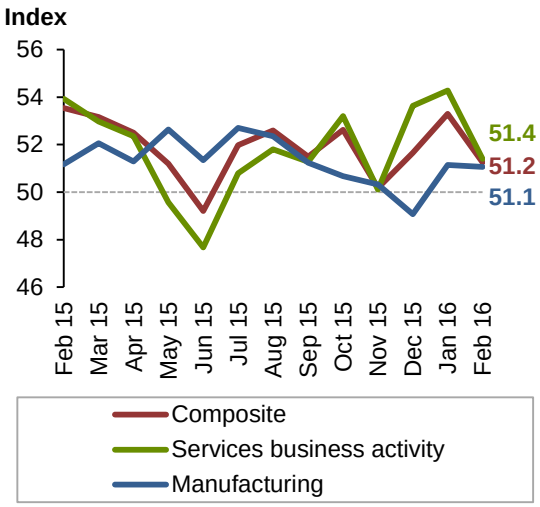
Graph 3.14: US$ and Indian rupee exchange rate



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

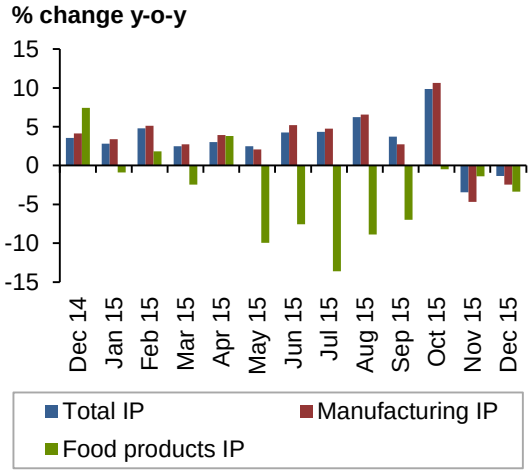
India's **industrial output** contracted for a second successive month in December 2015, down 1.3% y-o-y, due to declining manufacturing and capital goods production. The manufacturing PMI remained flat at 51.1 in February with the activity sub-indices moving in diverging directions. The output index declined from 51.3 in January to 51.0 in February, but new orders picked up from 51.7 to 52.3. Leaving aside month-to-month volatility, the headline PMI was higher in the 1Q16 at 51.1 compared to 50.0 in the 4Q15, with increases in both the output and new order indices.

Graph 3.15: Indian PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.16: Indian industrial production (IP) breakdown



Sources: Central Statistical Organisation of India and Haver Analytics.

The **GDP growth** expectation for 2016 remained unchanged at 7.5%.

China

China's economy is slowing, with growth easing to a 25-year low of 6.9% in 2015, as the world's second-largest economy continues to pursue a reform agenda to open its capital markets and shift away from its manufacturing roots. This slowdown has renewed fears of a hard landing for China's economy. In spite of China's slowdown, its contribution to global demand in many markets remains high, with the country contributing almost one-third to global GDP growth in 2015. China's economic data, especially GDP growth data, has been the subject of criticism for decades. There are two concerns: One worry is that in terms of trends, over long periods of time China's GDP data overstates actual growth. Another worry is that during economic downturns (and upturns), the reported growth is too smooth, according to cycle analysis.

Consistent with changes in 2015, China has lowered nearly every quantitative macroeconomic target, with 2016 GDP growth targeted at 6.5-7.0%. The latest "work report" makes it clear that the government is expecting a challenging year ahead, and is adjusting its targets and policy intensity accordingly. At the same time, the economy's recent performance as measured against its stated growth targets provides ample room for doubt about the feasibility of those targets. This would be the second consecutive year that China decreased the annual growth target – and the first time it considered a range rather than a numeric target.

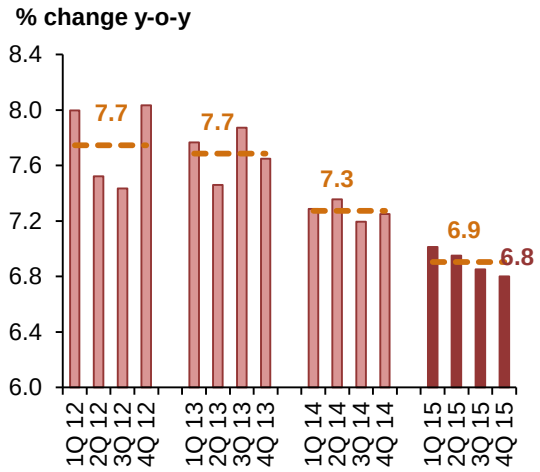
Table 3.3: Chinese macroeconomic targets, 2012-2016

		Government targets				
Growth rate, y-o-y change	**Units**	**2012**	**2013**	**2014**	**2015**	**2016**
GDP	%	7.5	7.5	7.5	7.0	6.5-7.07
Fixed asset investment	%	16.0	18.0	17.5	15.0	10.5
Retail sales	%	14.0	14.5	14.5	13.0	11.0
CPI	%	4.0	3.5	3.5	3.0	3.0
Money supply	%	14.0	13.0	13.0	12.0	13.0
Foreign trade growth	%	10.0	8.0	7.5	6.0	> 6.0
Levels		**2012**	**2013**	**2014**	**2015**	**2016**
Central government fiscal deficit	CN¥ billion	550	850	950	1,120	1,400
Local government fiscal deficit	CN¥ billion	250	350	400	500	780
Unemployment rate	%	< 4.6	< 4.6	< 4.6	< 4.5	< 4.5

Sources: State Council, National Development and Reform Commission and IHS.

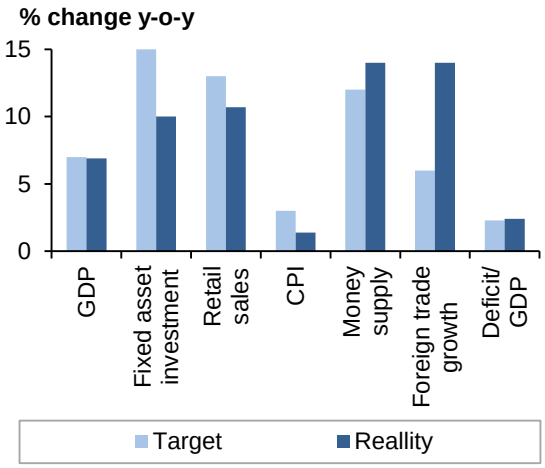
The **PBoC** has continued easing its monetary policy, in spite of the authorities' stance on the Chinese yuan which they want to keep "relatively stable and strong". It seems two more interest rate cuts may be considered once sentiment on the currency improves. .Also, the PBoC has continued efforts to keep interbank rates low by making further cuts in the required reserve ratio (**RRR**) – or the amount of cash banks need to hold – and further encouraging bank lending. Accordingly, the PBoC cut the RRR by 0.5 percentage points. The cut, which came into effect promptly, means that most large Chinese banks will have a reserve ratio of 17%. This is the fifth time in the past year that the PBoC has cut the RRR, with the last cut on 23 October. RRR cuts are designed to increase liquidity in the economy in the hope of boosting consumer spending and capital investment. The aim clearly is to support the economy at a time when downward pressures on growth remain strong and uncertainty is elevated.

Graph 3.17: Chinese GDP growth rate, SAAR



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

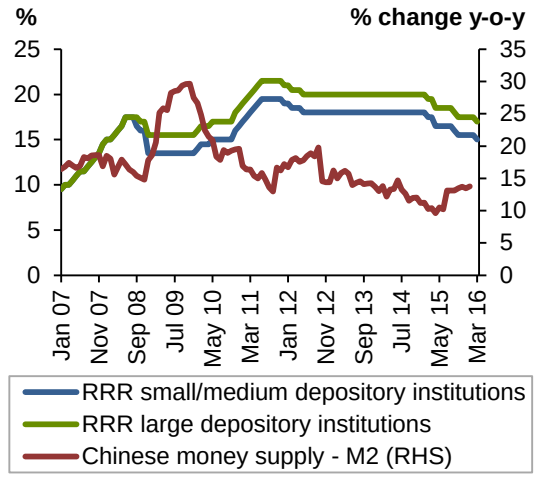
Graph 3.18: Chinese 2015 target and reality in comparison



Sources: State Council, National Development and Reform Commission and IHS.

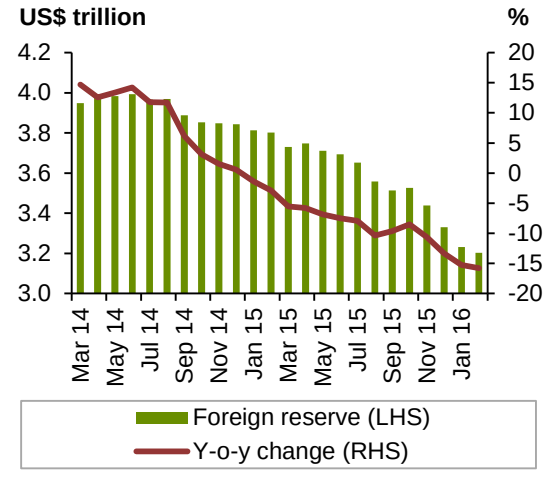
China's **foreign exchange reserves** declined again in January, falling by $99 bn to reach $3.23 trillion, and again in February, falling by $29 bn to reach $3.20 trillion, following a record drop of $108.3 bn in December 2015. Since their peak in mid-2014, foreign exchange reserves have fallen by $762 bn as capital flows have turned sharply negative. However, nearly one-quarter of overall outflows were linked to temporary factors such as repayment of foreign loans. China's structural current account surplus and its net FDI position have helped to moderate the impact of financial outflows, and several types of flows are likely to come down in 2016. The authorities will need to ensure that overall financial outflows are moderate in order to prevent a nasty cycle of outflows and currency weakness. China needs to support the exchange rate is affecting macroeconomic policy.

Graph 3.19: Chinese Reserve Requirement ratio (RRR) vs. Money supply



Sources: People's Bank of China and Haver Analytics.

Graph 3.20: Chinese foreign reserves



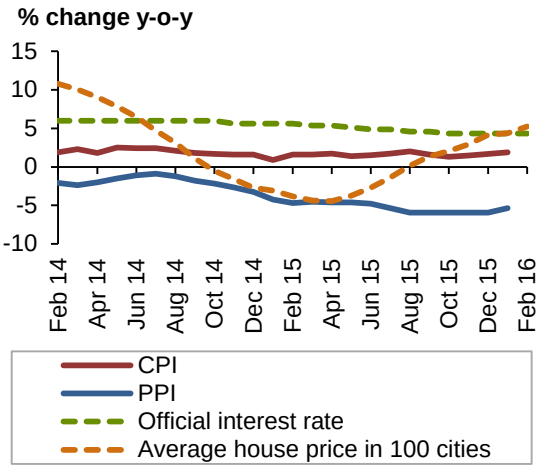
Sources: People's Bank of China and Haver Analytics.

Merchandise exports fell by 25.4% in dollar terms y-o-y last month, compared with a drop of 11.4% in January. Merchandise imports also declined, falling 13.8% last month, compared with a 19.0% drop in January, in a further cooling of demand in China that is affecting its Asian neighbours. China's trade surplus narrowed in February to $32.59 bn from $63.34 bn in January. Although trade data is always bumpy at the start of the year

because of the shifting timing of the Chinese New Year, January data indicates that global trade remains subdued.

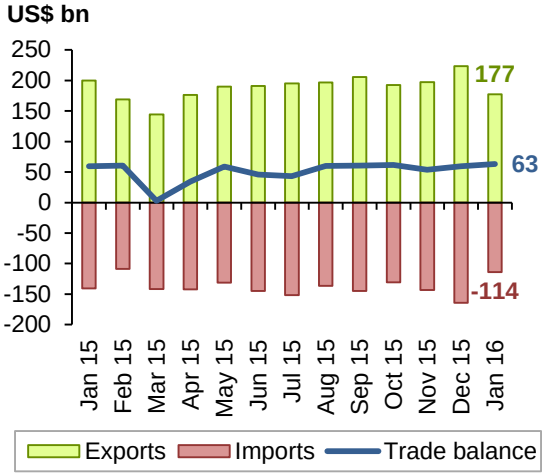
CPI inflation increased from 1.7% in December 2015 to 1.9% in January 2016, and producer price index (PPI) deflation continues to be a major challenge for the corporate sector, improving to -5.3% y-o-y in January.

Graph 3.21: Chinese CPI vs. PPI



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

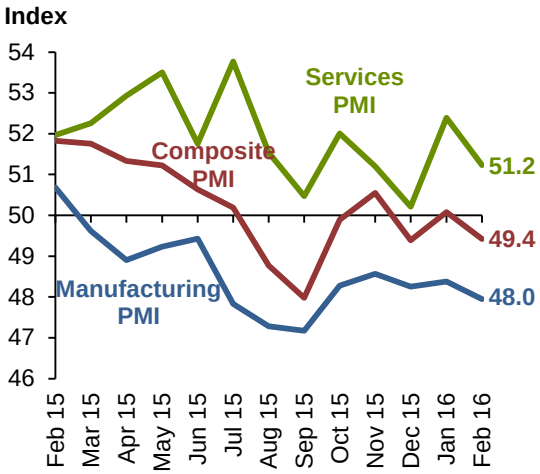
Graph 3.22: Chinese trade balance



Sources: China Customs and Haver Analytics.

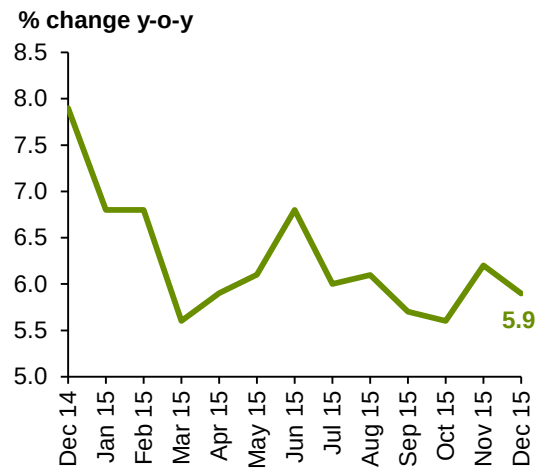
The **PMI** for February is 48, down 0.4 points from the previous month. The index readings for all key categories – including output, new orders and employment – signalled that conditions have worsened, in line with signs that the economy's road to stability remains bumpy. The government needs to press ahead with reforms, while adopting moderate stimulus policies and strengthening support for the economy in other ways to prevent it from falling off a cliff.

Graph 3.23: Chinese PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.24: Chinese industrial production



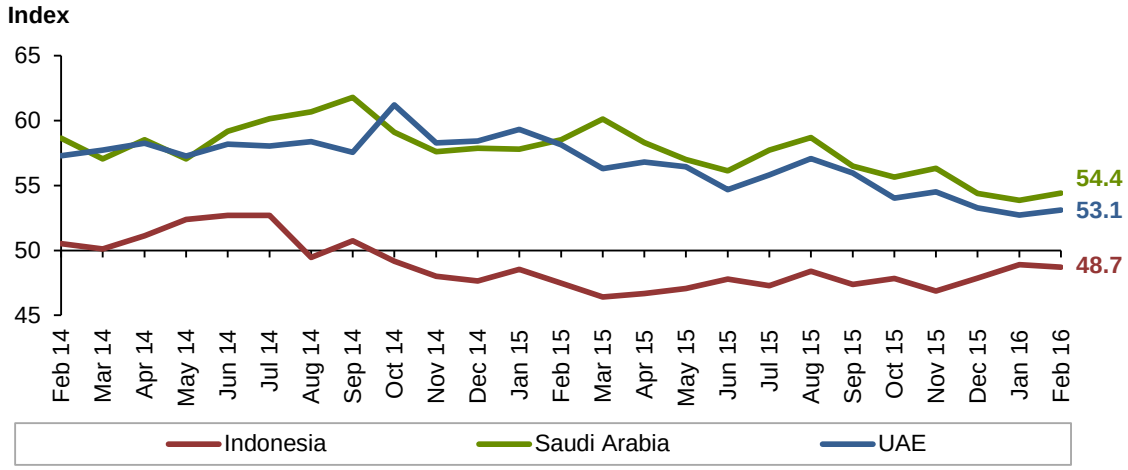
Sources: China National Bureau of Statistics and Haver Analytics.

Overcapacity in heavy industry and real estate destocking may continue to drag on industrial profit growth in 2016. Moreover, the upstream mining sector will remain weak, although a cyclical rebound is possible in the next year. The GDP growth expectation remains unchanged at 6.3% this year.

OPEC Member Countries

GDP growth in **Saudi Arabia** in 2015 stood at 3.4% after posting an expansion of 3.6% in the 4Q15. The non-oil private sector showed encouraging improvements in business conditions last month on growth in output and new orders. The PMI reading of February registered 54.2, up from January's 53.9. Furthermore, the employment rate posted the highest increase in four months.

Graph 3.25: PMIs of Indonesia, Nigeria, Saudi Arabia and UAE



Sources: HSBC, Markit, Nikkei, SAAB, Stanbic IBTC Bank and Haver Analytics.

The economy of **Indonesia** grew by 5.0% y-o-y in the 4Q15, signalling the highest growth in the year and bringing full-year growth to 4.8%. Acceleration in both government spending and investments offset the declines in private consumption and exports. The manufacturing sector continued moderating in February on slightly lower production on the back of a decrease in new orders.

In the **United Arab Emirates**, the momentum in the non-oil private sector increased in February on improving rates of growth in both output and new business. The respective PMI posted 53.1 last month, up from 52.7 in January. The survey also noted an improvement in employment at the quickest pace in three months.

Other Asia

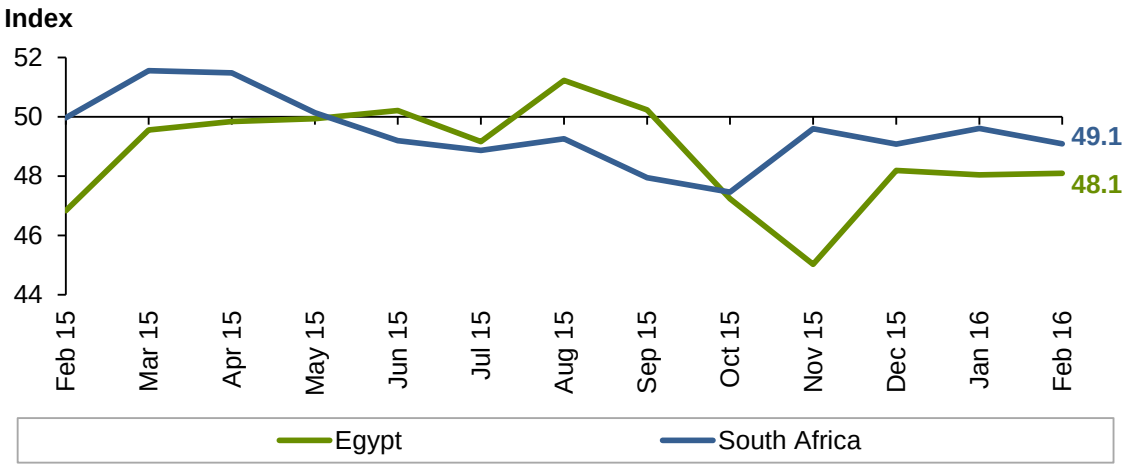
In **Vietnam**, GDP grew by 6.7% y-o-y in 2015, higher than 2014's growth of 6.0%. Growth accelerated in the 4Q15 to 6.7% y-o-y, up from 6.5%. The State Bank of Vietnam left its official interest rate – its refinance rate – unchanged at 6.5% in February. The manufacturing PMI survey for February showed a continued rise in production, though at a slower pace, while new business and job creation also increased. The index posted 50.3 points in February, down from 51.5 in the previous month.

The economy of **Malaysia** expanded by 5.0% y-o-y in 2015 from 6.0% in 2014 on lower private and public consumption, investment and net exports. Inflation increased 3.6% y-o-y in January, marking the highest rate since March 2009. The manufacturing sector posted another below-50 reading of its PMI in February at 47.8, which was down from 48.6 a month earlier. The survey showed a sharp decline in output together with a slower drop in new work orders received. This led to a decrease in buying activities and employment by manufacturers.

Africa

In **South Africa**, GDP expanded by 0.6% y-o-y in the 4Q15, down from 1.0% in the 3Q15. For the full year 2015, growth stood at 1.3% y-o-y, the lowest level since 2009. Mining and construction activities were in decline, while the agricultural and finance sectors also decelerated. The manufacturing PMI reading on business conditions in February also sent a negative signal. The survey showed steep declines in both production and new orders. The index posted 49.1 last month, down from 49.6 in January.

Graph 3.26: PMIs in Egypt and South Africa



Sources: Emirates NBD, Standard Bank, Markit and Haver Analytics.

Inflation in **Egypt** increased by 10.7% y-o-y in January, falling from December's 11.9%, its highest reading in 17 months. In February, business conditions in the non-oil private sector worsened for the fifth consecutive month with the PMI posting 48.1, compared to 48.0 in January. However, the decline in output, as well as new orders from the domestic market and new export orders, were all slower than the previous month. The survey also showed that the depreciation in the Egyptian pound pushed input costs up last month.

Latin America

Argentina has been undergoing a big shift in economic policies since December 2015, which are aimed at restoring foreign investor confidence and returning the country to the global capital markets. The floating of the country's currency has led to a 46.6% depreciation in the past three months. However, the pace of depreciation clearly slowed in February to 8.5%, compared to 18.7% and 19.4% in December and January, respectively. The government has also reached an accord with creditors, paving the way to its return to the international capital markets.

In **Chile**, the central bank kept the key interest rate on hold at 3.5% for the third consecutive month in February. On the back of increasing expectations for inflation to rise to more than the target limit of 4%, the central bank increased the rate in December. The economy of Chile expanded by 2.2% y-o-y in the 3Q15, following growth of 1.9% in the previous quarter.

Transition region

In the **Czech Republic**, GDP grew by 4.2% y-o-y in the 4Q15, signalling the second fastest pace of growth in the year. For the full year, GDP growth accelerated notably to 4.2%, up from 2.0% in 2014. Growth in gross fixed capital formation increased significantly, rising more than three times in 2015, growing by 7.2% y-o-y, compared to 2.0% in 2014. Household and government consumption also increased notably from the rate reached in 2014. The manufacturing sector generally signalled strong growth in February, with the respective PMI at 55.5, though this was lower than January's 56.9.

In **Poland**, growth in GDP accelerated slightly last year, rising 3.6% y-o-y, compared to 2014's 3.3%. Both public consumption and investment grew at a slower pace than in 2015. However, household consumption grew by 3.0% versus 2.7% in 2014.

Oil prices, US dollar and inflation

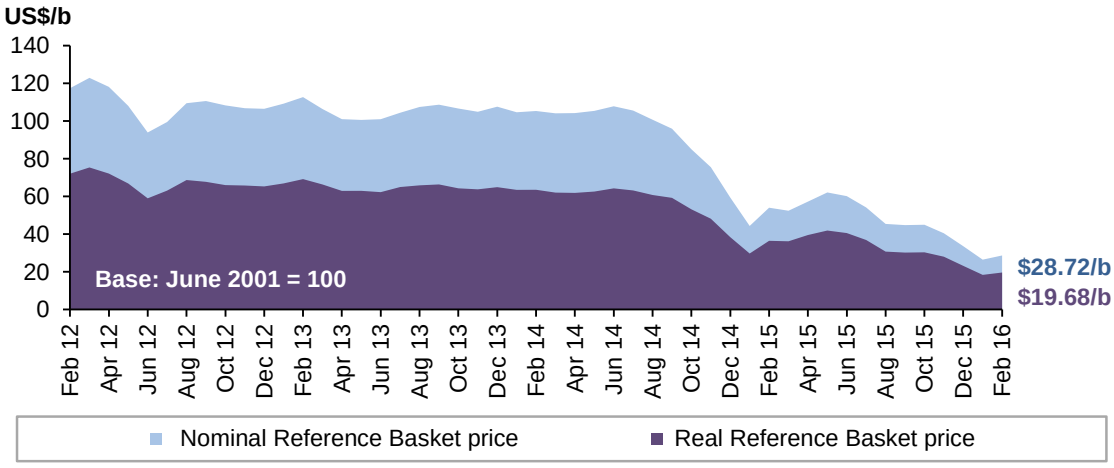
Compared to its most important currency counterparts, the US dollar weakened on average in February, with the exception of the pound sterling. The US dollar also weakened against the Chinese yuan and the Brazilian real. It fell by 2.1% against the euro, declined by 2.7% against the yen and lost 1.3% of its value compared to the Swiss franc – but rose by 0.8% versus the pound sterling.

Compared to the Chinese yuan, the US dollar fell by 0.3% m-o-m on average in February. This comes after several months of the yuan's weakening, having declined by around 7% since August compared to the US dollar. Also, the Brazilian real gained strength against the US dollar in February, which weakened by 1.9% m-o-m on average in February. However, the Russian rouble continued weakening, falling 1.4% m-o-m versus the US dollar in February. Also, the Indian rupee fell by 1.5% m-o-m compared to the US dollar.

Given the re-emergence of some fragility in the global economy, a rate hike by the Fed seems unlikely in the very near-term. This has supported the expectation of a continued low interest rate environment in the US, weakening the US dollar. While the US dollar is expected to remain strong in general, the short-term weakness might continue as long as challenges in the global economy – and other factors – continue to keep the Fed from hiking interest rates further.

In nominal terms, the price of the **OPEC Reference Basket (ORB)** rose by a monthly average of $2.22, or 8.4%, from $26.50/b in January to $28.72/b in February. In real terms, after accounting for inflation and currency fluctuations, the ORB rose by 6.8%, or $1.25, to $19.68/b from $18.42/b (base June 2001=100). Over the same period, the US dollar fell by 1.3% against the import-weighted modified Geneva I + US dollar basket*, while inflation rose by 0.2%.

Graph 3.27: Impact of inflation and currency fluctuations on the spot OPEC Reference Basket price*



Source: OPEC Secretariat.

* *The 'modified Geneva I+US$ basket' includes the euro, the Japanese yen, the US dollar, the pound sterling and the Swiss franc, weighted according to the merchandise imports of OPEC Member Countries from the countries in the basket.*

World Oil Demand

World oil demand grew by 1.54 mb/d in 2015, unchanged from previous monthly report, to average 92.98 mb/d despite adjustments based on the most up-to-date data from regions around the world.

In 2016, world oil demand is anticipated to rise by 1.25 mb/d to average 94.23 mb/d, unchanged from previous month's report. Some upward revisions were considered in Other Asia, Asia Pacific and Europe due to better-than expected oil demand data. While some downward adjustment comes from weaker-than-expected oil demand data and a slower economic outlook for Latin America and FSU.

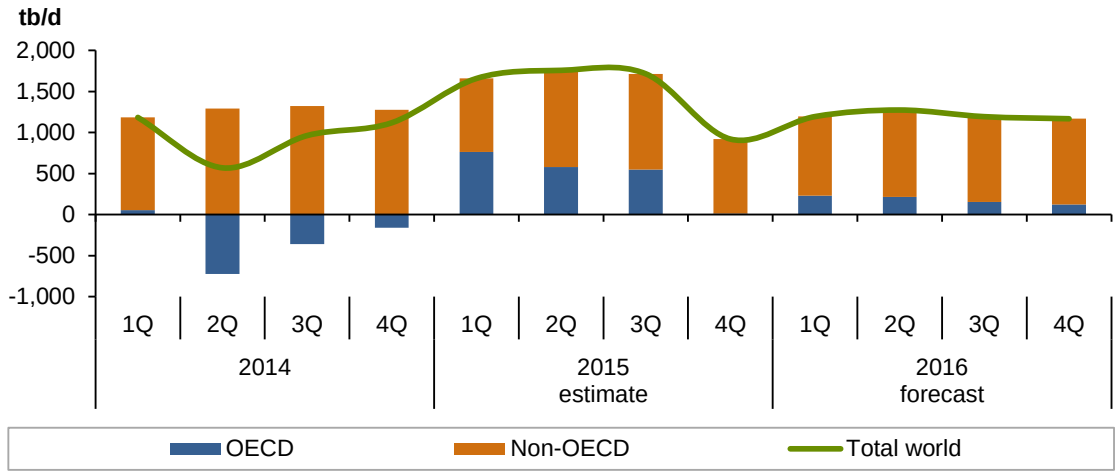
World oil demand in 2015 and 2016

Table 4.1: World oil demand in 2015, mb/d

							Change 2015/14	
	2014	1Q15	2Q15	3Q15	4Q15	2015	Growth	%
Americas	24.14	24.25	24.10	24.75	24.49	24.40	0.26	1.08
of which US	*19.41*	*19.60*	*19.47*	*19.99*	*19.78*	*19.71*	*0.30*	*1.55*
Europe	13.45	13.56	13.59	14.10	13.69	13.74	0.28	2.09
Asia Pacific	8.14	8.75	7.71	7.63	8.24	8.08	-0.06	-0.69
Total OECD	**45.73**	**46.55**	**45.41**	**46.48**	**46.41**	**46.21**	**0.49**	**1.06**
Other Asia	11.47	11.46	12.03	11.89	12.20	11.90	0.42	3.70
of which India	*3.79*	*4.01*	*3.98*	*3.91*	*4.26*	*4.04*	*0.25*	*6.69*
Latin America	6.60	6.40	6.66	6.88	6.44	6.60	-0.01	-0.12
Middle East	8.14	8.24	8.21	8.74	8.22	8.35	0.21	2.59
Africa	3.78	3.88	3.85	3.79	3.94	3.86	0.09	2.25
Total DCs	**30.00**	**29.99**	**30.74**	**31.30**	**30.81**	**30.71**	**0.71**	**2.37**
FSU	4.59	4.43	4.27	4.66	4.98	4.59	0.00	-0.08
Other Europe	0.65	0.66	0.62	0.66	0.75	0.67	0.02	2.79
China	10.46	10.44	11.06	10.69	10.98	10.79	0.33	3.15
Total "Other regions"	**15.71**	**15.53**	**15.95**	**16.01**	**16.70**	**16.05**	**0.34**	**2.19**
Total world	**91.44**	**92.06**	**92.11**	**93.79**	**93.92**	**92.98**	**1.54**	**1.69**
Previous estimate	91.42	92.06	92.05	93.80	93.92	92.96	1.54	1.69
Revision	0.01	0.00	0.06	0.00	0.01	0.02	0.00	0.00

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

Graph 4.1: Quarterly world oil demand growth



Source: OPEC Secretariat.

OECD Americas

The most recent monthly **US** oil demand data pertains to **December 2015** and implies y-o-y gains in oil requirements of around 0.1 mb/d, or 0.5% y-o-y, on an overall robust 3Q15 despite decreasing in October and November 2015. Monthly data for December 2015 reversed its downward trend and dispelled gloomy expectations, which had been based on preliminary weekly data and implied shrinking oil demand.

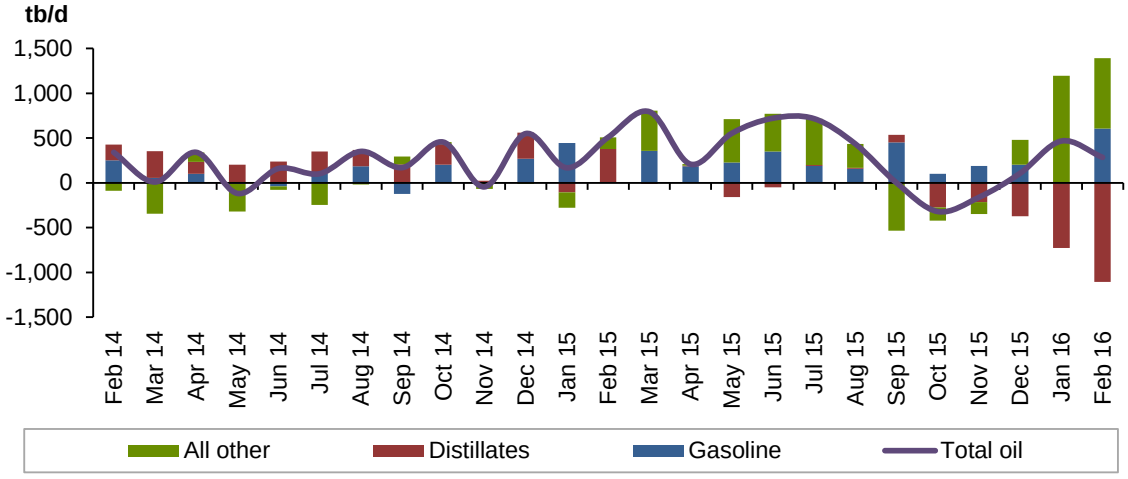
December 2015 growth was largely attributed to transportation demand, especially road transportation. Gasoline demand was once more supported by continuing low fuel prices and robust auto sales, showing a growth of 9% y-o-y in December and making 2015 out to be the strongest year in US auto sales since 2000. Gasoline demand increased by more than 0.2 mb/d or 2% y-o-y.

During December 2015, distillates fuel demand fell strongly, 9% lower y-o-y, mainly as a result of warmer-than-expected weather compared both with the previous year and the historical norm. This was in line with an expanding US economy. Jet fuel and residual fuel oil also showed gains y-o-y.

The overall **2015** picture shows solidly growing US oil demand, which is dominated by rising gasoline and jet fuel requirements, in combination with declining distillate fuel demand.

Preliminary weekly data implies bullish oil demand in January and February **2016**, with strong growth in gasoline and jet fuel requirements that is more than offset by sluggish distillate demand (mainly as a result of the overall mild winter). The picture of US oil demand seems to be also in line with the country's economic performance. The development of 2016 US oil demand remains strongly dependent on the US economy and fuel oil prices, with risks remaining balanced between the upside and the downside as compared to last month.

Graph 4.2: US oil consumption, y-o-y changes



Source: US Energy Information Administration.

In **Mexico**, January 2016 came up decreasing and was characterized by shrinking oil demand in all main petroleum product categories, with the exception of diesel and LPG. For the whole of 2015, oil demand in Mexico was declining, with the majority of product categories in negative territory, particularly residual fuel oil which saw the largest decline. The only exception was seen in gasoline requirements, which grew.

The latest December 2015 **Canadian** data showed falling oil requirements, notably in gasoline, LPG and residual fuel oil requirements.

In **2015**, **OECD Americas** oil demand grew by 0.26 mb/d compared with a year earlier. For **2016**, OECD Americas oil demand is projected to grow by 0.29 mb/d compared with the previous year.

OECD Europe

The latest available and partly preliminary data for the **European Big 4** oil consuming countries in January 2016 displays a slightly decreasing trend y-o-y. Data showed a decline of 50 tb/d or around 1% y-o-y. Gains in requirements for diesel oil and fuel oil have been more than offset by losses in demand for jet fuel/kerosene and LPG.

The year **2015** closed showing an increase for the whole region of around 0.27 mb/d with the bulk of gains seen in the 1Q15 of the year and with continuous improvement thereafter.

Nevertheless, there is considerable uncertainty for **2016**, as there are a number of factors pointing in opposite directions. Expected improvements in the economy and the current low oil price environment could provide support to oil demand, though unsolved budget deficits in several countries – and policies aimed at increasing fuel taxation – pose substantial downside risks. Nevertheless, the current oil demand picture is in line with leading indicators such as increasing industrial production and rising car sales. The latter has seen an increase for 29 months in a row. In fact, passenger car sales grew around 6% y-o-y in January 2016 for the largest part of the region. The expectations for 2016 oil demand in the region, however, remain unchanged since last month. The downside risks seem to be balanced by the continuing low oil price environment and the fact that the economies of most countries seem to be improving. However, there are also some significant downside risks that are directly related to the economies of some countries during 2016.

Table 4.2: Europe Big 4* oil demand, tb/d

	Jan 16	Jan 15	Change from Jan 15	Change from Jan 15, %
LPG	427	453	-26	-5.7
Gasoline	975	975	0	0.0
Jet/Kerosene	697	700	-3	-0.4
Gas/Diesel oil	3,082	3,072	11	0.3
Fuel oil	283	271	11	4.2
Other products	1,200	1,244	-44	-3.5
Total	**6,664**	**6,715**	**-51**	**-0.8**

*Note: * Germany, France, Italy and the UK.*
Sources: JODI, OPEC Secretariat, UK Department of Energy and Climate Change and Unione Petrolifera.

In **2015**, **OECD Europe** oil demand grew by 0.30 mb/d, while oil demand during **2016** will basically rise marginally from the previous year.

OECD Asia Pacific

Japanese oil demand decreased by 0.2 mb/d y-o-y in January 2016. The only petroleum product category with y-o-y gains was naphtha. This was a result of increased usage in the petrochemical industry. Demand in all other petroleum product categories shrank, particularly for LPG and residual fuel oil. Oil requirements in crude and fuel oil for direct burning as well as electricity generation fell for another month as a result of substitution with other commodities and warmer weather during January 2016.

For the whole of **2015**, Japanese oil demand fell by 2% y-o-y, with naphtha being the only product in positive territory.

The outlook risks for **2016** indicate that Japanese oil demand remains slightly skewed to the downside and could be determined by the development of the country's economy, as well as the re-activation of some of the country's nuclear plants during 2016.

In a strong start for 2016, and in continuation of the solid oil demand seen during 2015, **South Korean** oil demand recorded robust growth during the month of January, rising by more than 0.11 mb/d or around the 5% y-o-y. South Korea recorded substantial growth levels in 2015 with more than 0.13 mb/d.

Delving into products, diesel demand led growth in January 2016, rising by around 0.05 mb/d, or 12% y-o-y, mainly feeding into the transportation sector as the market share of diesel vehicles in the country continued to post good data. In 2015, diesel vehicles increased by around 9% in contrast to gasoline-powered vehicles which rose by only 3%. Another positive contributor to oil demand growth in South Korea was fuel oil, which recorded a y-o-y rise of around 0.05 mb/d or a bullish 45%. Increased demand from the bunkering and power generation sectors supported an increase in demand for the product. On the other hand, naphtha demand recorded a decline for the first time since mid-2015 with a decline of around 0.06 mb/d, or 5% y-o-y, mainly as a result of the unplanned outage of petrochemical units.

Generally, South Korea holds a positive picture going forward, particularly as most assumptions – i.e. economic development as well as the expansion in the petrochemical and transportation sectors – seem to be pointing to the upside.

Table 4.3: Japanese domestic sales, tb/d

	Jan 16	Change from Jan 15	Change from Jan 15, %
LPG	392	-30	-7.1
Gasoline	837	-1	-0.1
Naphtha	865	32	3.8
Jet fuel	82	9	12.9
Kerosene	556	-3	-0.6
Gasoil	506	-39	-7.1
Fuel oil	504	-125	-19.9
Other products	48	-10	-16.6
Direct crude burning	154	-13	-7.7
Total	**3,944**	**-180**	**-4.4**

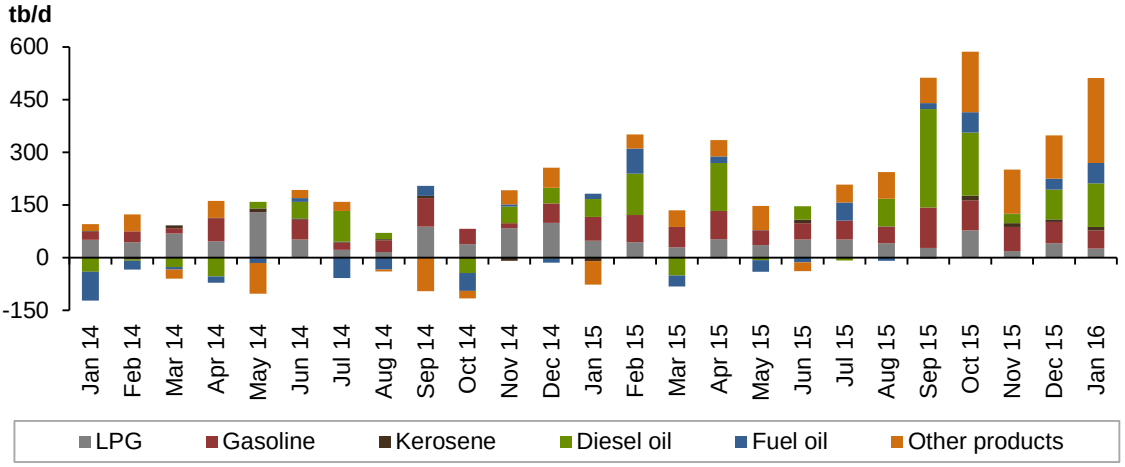
Source: Ministry of Economy Trade and Industry of Japan.

2015 OECD Asia Pacific oil consumption shrank by 0.06 mb/d. The downward trend will continue also in **2016** with a decline of 0.10 mb/d.

Other Asia

Indian oil consumption started 2016 on a solid note. Oil demand in January showed massive growth of more than 0.50 mb/d, which is roughly around 13% y-o-y, with total consumption remaining around 4.54 mb/d. This rise was led by strong demand for gasoline, fuel oil and diesel oil.

Graph 4.3: Changes in Indian oil demand, y-o-y



Sources: OPEC Secretariat and PPAC.

Indian gasoline demand rose in January, maintaining December's healthy growth levels of more than 50 tb/d. Gasoline demand increased by more than 50 tb/d, or around 11% y-o-y, in January. This was largely in line with the expected impacts of expanding two-wheeler sales in the country. With domestic sales of more than 1.3 million units in January, two-wheeler sales recorded a rise of around 3% y-o-y, despite subdued overall car sales, marginally growing at around 1% y-o-y. A similar trend could be seen in fuel oil demand, along with an apparent lift in utility requirements for power generation, which increased by more than 50 tb/d or around 14% y-o-y.

Continuing with the positive momentum, diesel oil jumped by more than 0.12 mb/d or around 8% y-o-y. The ban on diesel trucks and large cars in main areas of the country seemingly had no impact on demand for diesel – at least during the month of January. Demand was obviously spurred on by overall developments in the economy, specifically in the manufacturing sector. Demand growth for diesel is anticipated to be elevated going forward as expectations for the economy remain positive, encouraging the manufacturing and construction sectors.

Total consumption of LPG remained above 0.60 mb/d, beating the seasonal norm in which demand for the products tends to ease, especially at the beginning of the year. LPG was higher by 25 tb/d or 4% y-o-y.

Total products demand in India is anticipated to grow by around 180 tb/d, or 4%-5%, in **2016**, mainly as a result of better economic conditions in the country. This will promote steady growth for diesel oil and gasoline.

Table 4.4: Indian oil demand by main products, tb/d

	Jan 16	Jan 15	Change	Change, %
LPG	604	578	25	4.4
Gasoline	508	456	52	11.4
Kerosene	266	256	10	3.9
Diesel oil	1,709	1,585	124	7.8
Fuel oil	483	424	58	13.7
Other products	970	728	242	33.2
Total oil demand	**4,540**	**4,028**	**512**	**12.7**

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

Indonesian oil consumption inched up during the month of December 2015. Product demand registered a rise of 40 tb/d from the levels seen in December the previous year, which equates to around 3% y-o-y. Total demand consumption for the country stood at 1.41 mb/d. The rise in oil consumption can be mainly attributed to better-than-expected data in the manufacturing sector as well as in transportation sectors. Cumulative data for the whole of 2015 hints towards flat performance, with oil demand growing by a mere 4 tb/d from a year before.

In **Taiwan**, total consumption growth for the month of December 2015 averaged 21 tb/d, or more than 2% y-o-y, and was supported by most products, with fuel oil and diesel oil rising the most. Cumulative data for the whole of 2015 indicates that oil consumption was 13 tb/d higher, or more than 1% y-o-y, than year ago levels.

Looking forward, the risks for 2016 in **Other Asian** oil demand growth are currently expected to be skewed to the upside as the outlook for the Indian economy suggests stable to improving economic activities. Transportation fuels are expected to be the main providers of growth. In other countries in the region, factors such as subsidies on transportation fuels, and the degree of their reduction, may influence oil demand growth. However, the lower international prices at this stage should moderate the impact of this.

Other Asia's oil demand grew by 0.43 mb/d in **2015**. As for **2016**, oil demand is forecasted to remain firm, hovering around 0.36 mb/d. However, this is lower than the levels seen in 2015.

Latin America

Brazilian oil demand had a sluggish start in 2016 with oil demand dipping by more than 0.3 mb/d y-o-y. This was in line with weakening macroeconomic data. This has brought total consumption in Brazil down to 2.13 mb/d.

Declines were witnessed across all products, with fuel oil, diesel oil and gasoline weakening the most. Fuel oil demand declined by more than 22 tb/d, or more than 22% y-o-y, to reach total consumption of 76 tb/d in January. Consumption declined in January 2016 on a high base line effect, which had shown high fuel demand in January 2015, due to persisting drought conditions increasing the use of fuel oil to compensate for a reduction in hydroelectric power generation. Additionally, deteriorating economic factors contributed negatively to fuel oil demand numbers as less consumption was seen in the power generation sector and in the use of fuel oil in as a bunker.

Diesel oil demand was lower by a massive 0.16 mb/d, or around 17% y-o-y, registering the deepest decline since 2000. Potential diesel oil demand growth appeared to be

waning at this stage as supporting economic factors disappeared. The industrial sector recorded sluggish numbers, which were coherent with poor manufacturing activities.

Similarly, gasoline demand dropped sharply, declining by 0.11 mb/d or around 14% y-o-y. Gasoline declined despite being economically more viable for consumers than ethanol as the economics for ethanol consumption weakened in January. Ethanol demand also decreased by around 8 tb/d, or 3% y-o-y, as prices increased and as ethanol reduced its competitiveness to gasoline.

Table 4.5: Brazilian inland deliveries, tb/d

	Jan 16	Jan 15	Change	Change, %
LPG	203	210	-7	-3.5
Gasoline	675	785	-110	-14.0
Jet/Kerosene	133	136	-3	-2.3
Diesel	800	960	-160	-16.7
Fuel oil	76	99	-22	-22.7
Alcohol	246	254	-8	-3.2
Total	**2,133**	**2,444**	**-311**	**-12.7**

Source: Agência Nacional do Petróleo, Gás Natural e Biocombustíveis of Brazil.

Oil consumption in **Argentina** was slightly in the positive territory during the month of December 2015. However, it recorded a significant rise for 2015 on a cumulative basis. Oil demand increased in the country by around 30 tb/d or more than 4% y-o-y in 2015. On a cumulative basis, all transportation fuels were in positive territory, with gasoline and diesel oil rising around 6% and 5% y-o-y, respectively. Fuel oil also recorded significant progress in 2015, adding some 20% from the levels witnessed in 2014. Total consumption reached 0.69 mb/d in 2015.

Looking forward, the risks for oil demand potentials for **2016** are currently skewed to the downside, with economic conditions in Brazil – and other countries in the region – anticipated to weaken and as government spending on projects is anticipated to be reduced. The Olympic Games in Brazil in August 2016 are currently the only bright spot in the region, with demand for transportation fuels projected to provide support towards the end of 2Q16 and 3Q16. On the other hand, the presence of lower oil prices, in addition to unusual weather conditions in the region, should support demand for power generation.

Latin American oil demand declined by 8 tb/d in **2015**. During **2016**, oil demand growth is forecasted be slightly higher than 2015 to record growth of 51 tb/d.

Middle East

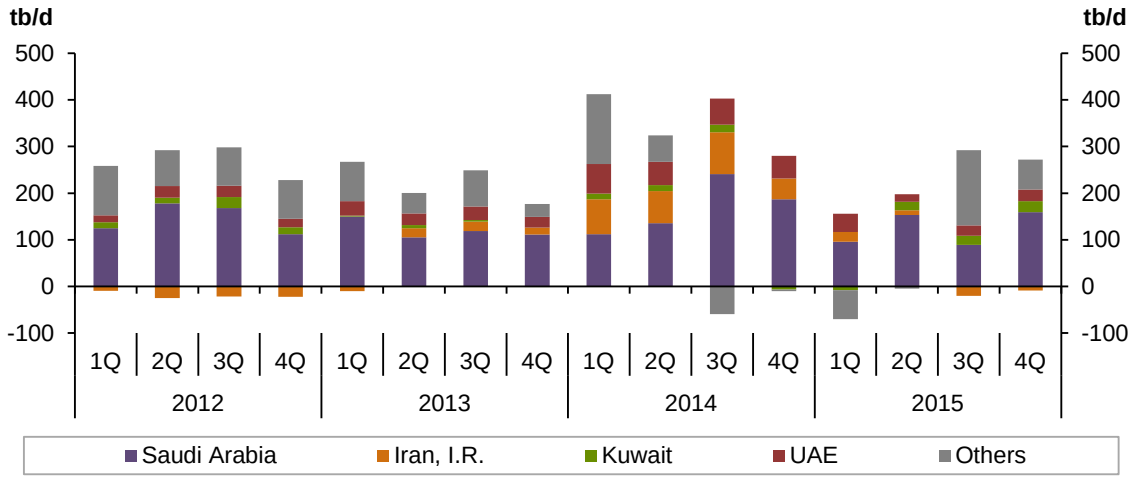
In 2016, Middle East oil consumption is expected to remain steady, increasing by 0.18 mb/d from its 2015 levels.

Saudi Arabia is seen as being the main contributor to this growth, contributing to a rise of 0.10 mb/d, despite flat oil demand growth numbers in January 2016. All products were on the rise, with the exception of fuel oil and the “other products’ category, both of which declined sharply. Fuel oil demand was lower on a y-o-y basis. This was possibly a result of lower product usage and less burning fuel for power generation, in line with seasonal norms. Demand from the power generation sector slowed down, which is usual going into the winter season, as consumption requirements for air conditioning usage declined. Another factor is the reduction of subsidies for electricity in the

residential and industrial sectors, which might have some impact on the numbers. Nevertheless, it is too early to determine if this is the case or not.

On the other hand, consumption for direct crude burning rose by more than 17 tb/d, or around 6% y-o-y, but stayed far below the 4Q15 average of around 0.1 mb/d. Transportation fuels grew robustly on the first complete month of data after the government announced a reduction of subsidies. Jet/kerosene, gasoline and diesel oil have all registered firm gains, increasing by 30%, 9% and 4% y-o-y, respectively. Cumulative data for 2015 indicates a slightly-lower-than-expected growth in the country, with an increase of around 0.12 mb/d, or more than 9% y-o-y, as compared to the initial expectation of 0.14 mb/d growth.

Graph 4.4: Oil demand growth in the Middle East, y-o-y



Sources: Direct communication, JODI and OPEC Secretariat.

Other countries in the region showed positive performances in January 2016. Oil demand in **Iraq** increased by more than 6% y-o-y, as did consumption in **UAE**, **Kuwait** and **Qatar**. Going forward, Middle East oil demand will be subject to the performance of various economies in the region, with the impact of lower oil prices on government spending plans to be closely monitored. The impact of a reduction in subsidies is also an important factor to monitor going forward, with most countries in the region having reduced subsidies.

For **2015**, **Middle East** oil demand grew at around 0.21 mb/d, while oil demand in **2016** is projected to increase by 0.18 mb/d.

China

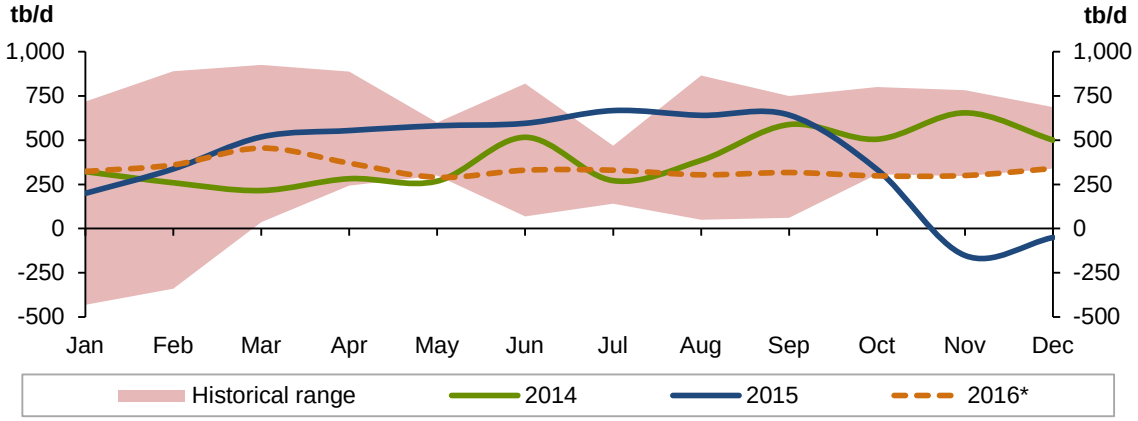
Chinese oil demand is back to growth figures in January 2016 after two months of declines. Demand growth for the country registered growth of around 0.3 mb/d as compared to January 2015. In absolute figures, total oil demand for the country stood at 10.68 mb/d.

Oil demand growth was determined by increases in jet/kero, LPG and gasoline, each rising by around 11%, 10% and 7% y-o-y, respectively. On the other hand, fuel and diesel oil consumption dropped, shedding around 18% and 3% y-o-y, respectively. It is worth mentioning that due to the Lunar New Year holiday and delays in the publication of official data, all analyses were based on preliminary data.

Jet/kero total consumption is now estimated to be at 0.63 mb/d, up by 60 tb/d. This was boosted by domestic air travel and the Lunar New Year travel season, despite some economic growth concerns in the country. Direct network connections increased by around 8% in 2015, lending support to healthy air travel demand growth.

LPG demand hit total consumption of around 1.14 mb/d, increasing by around 0.1 mb/d. This was not only supported by an expansion in capacity of propane dehydrogenations but also by household usage as weather conditions turned out to be colder-than-anticipated in parts of the country where LPG is consumed as a heating fuel.
Gasoline growth continued to grow robustly in January 2016, adding some 0.19 mb/d to reach total consumption of 2.76 mb/d. Demand was supported by additional driving ahead of the Lunar New Year holiday as well as car sales data which continue to grow based on initial sales data. Chinese car sales reached a new high in 2015, rising by around 7% y-o-y to 21.2 million units. For 2016, the China Association of Automobile Manufacturers expects car sales to rise by around 8% y-o-y to 22.8 million units. Car manufacturers have built factories with associated facilities in China to increase production and to take advantage of the demand being created by an expanding middle class and rapid urbanization.

Graph 4.5: Changes in Chinese apparent oil demand, y-o-y changes



Note: 2016 = forecast.
Sources: Argus Global Markets, China OGP (Xinhua News Agency), Facts Global Energy, JODI, National Bureau of Statistics of China and OPEC Secretariat.

Consumption of fuel oil largely reversed its earlier trend as initial data seemed to suggest a decrease in growth of around 0.1 mb/d y-o-y. Slower industrial and manufacturing activities, as well as less consumption from teapot refineries, appear to be the largest contributors to this slowdown. Similarly, diesel oil consumption decreased by around 90 tb/d, which was mainly in line with slower manufacturing activities. Based on the latest economic data, the official Purchasing Managers' Index (PMI) for manufacturing fell to 49.4 in January from 49.7 in December 2015, which largely contributed to the lower demand for diesel oil.

China ended 2015 with very solid oil demand growth data, driven mainly by LPG feeding into the growing petrochemicals sector, as well as gasoline supported by lower oil prices and robust car sales.

For 2016, the outlook is currently balanced between positive and negative risks. The downside risks are concentrated on a probable weakening in the economic environment as well as on policies encouraging a reduction in the consumption of transportation fuels. In contrast, the upside risks are mainly posed by growth trends in

the petrochemicals sector and expansion projects in the refinery sectors, which offer plenty of potential for growth in Chinese oil demand.

For **2015**, **Chinese oil demand** is anticipated to grow by 0.33 mb/d, while oil demand in **2016** is projected to increase by 0.29 mb/d.

Table 4.6: World oil demand in 2016, mb/d

							Change 2016/15	
	2015	**1Q16**	**2Q16**	**3Q16**	**4Q16**	**2016**	**Growth**	**%**
Americas	24.40	24.54	24.42	25.03	24.76	24.69	0.29	1.20
of which US	*19.71*	*19.86*	*19.75*	*20.24*	*20.00*	*19.96*	*0.25*	*1.27*
Europe	13.74	13.60	13.61	14.10	13.68	13.75	0.01	0.08
Asia Pacific	8.08	8.64	7.62	7.55	8.15	7.98	-0.09	-1.18
Total OECD	**46.21**	**46.78**	**45.65**	**46.68**	**46.58**	**46.42**	**0.21**	**0.45**
Other Asia	11.90	11.84	12.38	12.24	12.56	12.26	0.36	3.01
of which India	*4.04*	*4.21*	*4.15*	*4.08*	*4.44*	*4.22*	*0.18*	*4.46*
Latin America	6.60	6.41	6.73	6.94	6.50	6.65	0.05	0.78
Middle East	8.35	8.39	8.39	8.93	8.40	8.53	0.18	2.11
Africa	3.86	3.98	3.95	3.89	4.05	3.97	0.11	2.75
Total DCs	**30.71**	**30.63**	**31.46**	**32.00**	**31.51**	**31.40**	**0.69**	**2.25**
FSU	4.59	4.45	4.32	4.70	5.03	4.63	0.04	0.82
Other Europe	0.67	0.68	0.64	0.68	0.77	0.69	0.02	2.98
China	10.79	10.73	11.35	10.99	11.27	11.09	0.29	2.72
Total "Other regions"	**16.05**	**15.86**	**16.31**	**16.37**	**17.07**	**16.40**	**0.35**	**2.19**
Total world	**92.98**	**93.27**	**93.42**	**95.05**	**95.15**	**94.23**	**1.25**	**1.34**
Previous estimate	92.96	93.33	93.34	95.03	95.13	94.21	1.25	1.34
Revision	0.02	-0.06	0.08	0.02	0.03	0.02	0.00	0.00

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

World Oil Supply

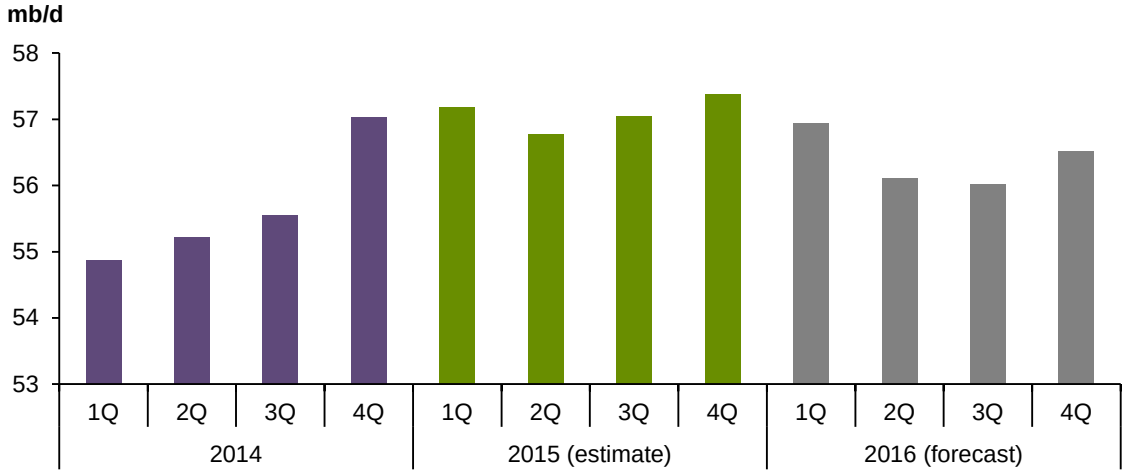
Non-OPEC oil supply growth for 2015 was revised up by 100 tb/d to 1.42 mb/d from the previous report to stand at 57.09 mb/d. This was mostly driven by upward 4Q15 revisions in the OECD (+258 tb/d), Developing Countries (+48 tb/d) and the Former Soviet Union (+26 tb/d). Non-OPEC oil supply for 2016, despite several upward and downward revisions, remained unchanged to contract by 0.70 mb/d and average 56.39 mb/d compare to last month *MOMR*. However, this forecast is subject to many uncertainties. OPEC NGLs production, which is estimated to grow by 0.15 mb/d in 2015 to average 6.15 mb/d, is also expected to grow by 0.17 mb/d to reach 6.32 mb/d in 2016. In February, OPEC crude production decreased by 175 tb/d to average 32.28 mb/d, according to secondary sources. As a result, preliminary data indicates that global oil supply decreased by 0.21 mb/d in February to average 95.73 mb/d.

World oil supply in 2015 and 2016

Non-OPEC supply

According to the latest historical data for 4Q15, total **non-OPEC oil supply in 2015** was revised up by 110 tb/d to average 57.09 mb/d. This revision was mostly driven by upward changes in 4Q15 for OECD countries such as the US, Canada, Norway and the UK, as well as Malaysia, Thailand, Brunei and Colombia. Russia, Brazil, Azerbaijan and FSU others showed revisions in all quarters. These figures were partially offset by downward revisions for Australia, Argentina and the Sudans by a total of 0.33 mb/d. Despite weaker oil prices, non-OPEC supply in 1Q16 was a higher-than-expected by 0.41 mb/d to average 56.94 mb/d.

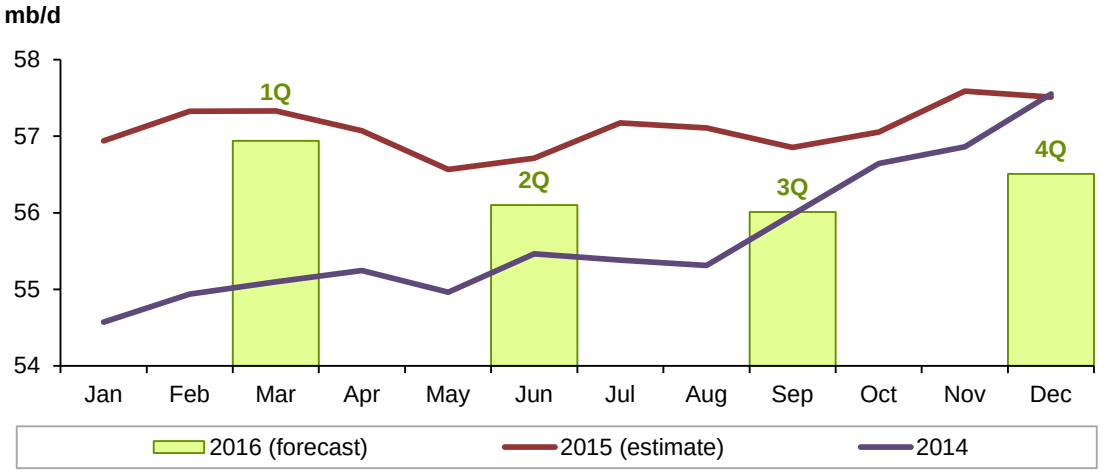
Graph 5.1: Non-OPEC quarterly oil supply, 2014-2016



Source: OPEC Secretariat.

Non-OPEC oil supply in **2015** is estimated to have averaged growth of 1.42 mb/d over the previous year. Updated production data for 4Q15 primarily led to this upward adjustment of 330 tb/d, with the OECD experiencing the greatest increase of 258 tb/d, followed by 48 tb/d in developing countries (DCs) and 26 tb/d in the FSU. There were also upward revisions to non-OPEC supply figures for 1Q15 and 2Q15 of 63 tb/d and 31 tb/d, respectively.

Graph 5.2: Non-OPEC monthly and quarterly supply, 2014-2016



Source: OPEC Secretariat.

Table 5.1: Non-OPEC oil supply in 2015, mb/d

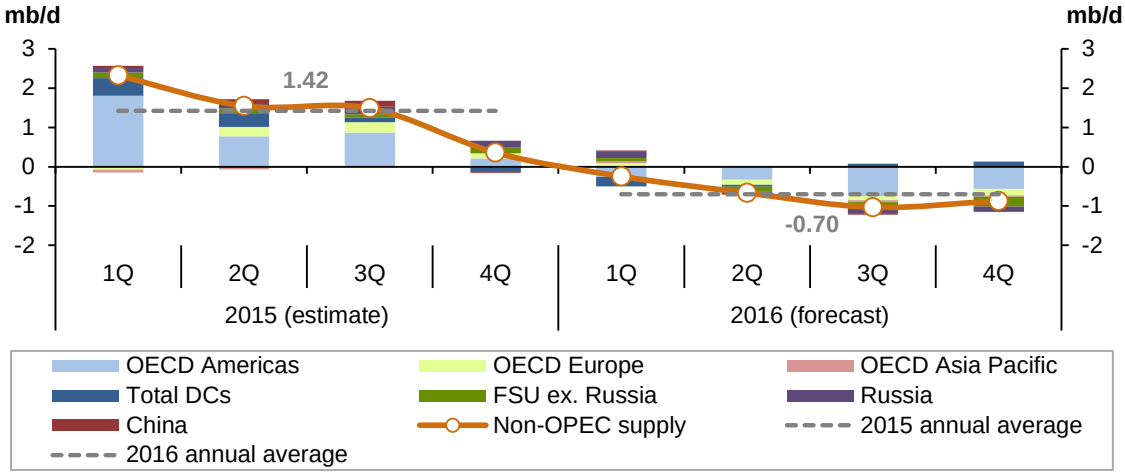
	2014	1Q15	2Q15	3Q15	4Q15	2015	Change 15/14
Americas	20.08	21.04	20.69	21.14	21.10	20.99	0.91
of which US	*12.96*	*13.78*	*14.05*	*14.06*	*14.06*	*13.99*	*1.03*
Europe	3.61	3.69	3.77	3.68	3.88	3.75	0.14
Asia Pacific	0.51	0.43	0.45	0.50	0.48	0.46	-0.04
Total OECD	**24.20**	**25.16**	**24.90**	**25.32**	**25.46**	**25.21**	**1.01**
Other Asia	2.60	2.71	2.71	2.65	2.73	2.70	0.10
Latin America	5.01	5.23	5.16	5.17	5.18	5.18	0.18
Middle East	1.34	1.30	1.27	1.24	1.24	1.26	-0.08
Africa	2.38	2.39	2.37	2.36	2.35	2.37	-0.01
Total DCs	**11.33**	**11.63**	**11.51**	**11.43**	**11.50**	**11.52**	**0.19**
FSU	13.55	13.75	13.65	13.59	13.73	13.68	0.13
of which Russia	*10.68*	*10.81*	*10.80*	*10.81*	*10.89*	*10.83*	*0.15*
Other Europe	0.13	0.13	0.13	0.13	0.13	0.13	0.00
China	4.30	4.33	4.39	4.38	4.37	4.37	0.07
Total "Other regions"	**17.98**	**18.21**	**18.17**	**18.11**	**18.24**	**18.18**	**0.20**
Total Non-OPEC production	**53.51**	**55.00**	**54.58**	**54.86**	**55.19**	**54.91**	**1.40**
Processing gains	2.16	2.19	2.19	2.19	2.19	2.19	0.02
Total non-OPEC supply	**55.67**	**57.19**	**56.77**	**57.04**	**57.38**	**57.09**	**1.42**
Previous estimate	55.67	57.12	56.74	57.04	57.05	56.99	1.32
Revision	0.00	0.06	0.03	0.00	0.33	0.11	0.10

Source: OPEC Secretariat.

The expectation of reduced cash flow in **2016** has prompted many companies to reduce investments, deferring major new projects until a sustained price recovery can be maintained. Hence, a strong contraction of 0.70 mb/d is expected for 2016. Although this contraction remained unchanged, however the absolute supply level was revised up by 0.11 mb/d to average 56.39 mb/d due to 2015 based level change. However, this forecast is subject to many uncertainties. On the one hand, the oil market has witnessed lower capital expenditure on the part of IOCs, as well as a decline in the US rig count, higher output from legacy wells than new tight oil wells and increased geopolitical tension. On the other hand, there has been a reduction in production costs, mainly in the US, as well as increased hedging, with producers choosing to produce with losses rather than stopping production. This has caused the non-OPEC supply forecast in 2016 to become more uncertain.

On a **regional basis**, OECD Americas' oil supply saw the greatest increase among all non-OPEC regions in **2015** at 0.91 mb/d. But in **2016**, this region is expected to see the greatest decline among regions at minus 0.48 mb/d. FSU's output is expected to see the second-highest decline in 2016 at minus 0.12 mb/d on a regional basis.

Graph 5.3: Non-OPEC quarterly supply growth, 2015-2016, y-o-y change



Source: OPEC Secretariat.

In **2015**, on a **country basis**, following the US at more than 1 mb/d of growth, Brazil, Russia, UK, Canada, China, Norway, Malaysia, Oman and Vietnam were the main contributors to growth, while Mexico, Yemen and Kazakhstan witnessed the main declines. In **2016**, the US, Mexico, UK, Kazakhstan, Azerbaijan, Russia, China and Colombia are all expected to see large declines, while Brazil, Canada, Malaysia and Australia will see the biggest growth.

Table 5.2: Non-OPEC oil supply in 2016, mb/d

							Change
	2015	**1Q16**	**2Q16**	**3Q16**	**4Q16**	**2016**	**16/15**
Americas	20.99	20.78	20.35	20.39	20.54	20.52	-0.48
of which US	*13.99*	*13.79*	*13.49*	*13.42*	*13.56*	*13.57*	*-0.42*
Europe	3.75	3.78	3.64	3.57	3.71	3.67	-0.08
Asia Pacific	0.46	0.47	0.46	0.46	0.44	0.46	-0.01
Total OECD	**25.21**	**25.04**	**24.45**	**24.42**	**24.69**	**24.65**	**-0.56**
Other Asia	2.70	2.71	2.71	2.75	2.78	2.74	0.03
Latin America	5.18	5.11	5.17	5.21	5.32	5.20	0.02
Middle East	1.26	1.23	1.22	1.21	1.21	1.22	-0.05
Africa	2.37	2.36	2.36	2.34	2.33	2.34	-0.02
Total DCs	**11.52**	**11.39**	**11.46**	**11.51**	**11.63**	**11.50**	**-0.02**
FSU	13.68	13.83	13.52	13.41	13.48	13.56	-0.12
of which Russia	*10.83*	*10.99*	*10.79*	*10.71*	*10.76*	*10.81*	*-0.02*
Other Europe	0.13	0.13	0.13	0.13	0.13	0.13	0.00
China	4.37	4.35	4.34	4.33	4.38	4.35	-0.02
Total "Other regions"	**18.18**	**18.31**	**17.99**	**17.88**	**17.99**	**18.04**	**-0.14**
Total Non-OPEC production	**54.91**	**54.74**	**53.90**	**53.81**	**54.31**	**54.19**	**-0.72**
Processing gains	2.19	2.20	2.20	2.20	2.20	2.20	0.01
Total non-OPEC supply	**57.09**	**56.94**	**56.10**	**56.01**	**56.51**	**56.39**	**-0.70**
Previous estimate	56.99	56.53	56.08	56.00	56.51	56.28	-0.70
Revision	0.11	0.41	0.02	0.01	0.00	0.11	0.00

OECD

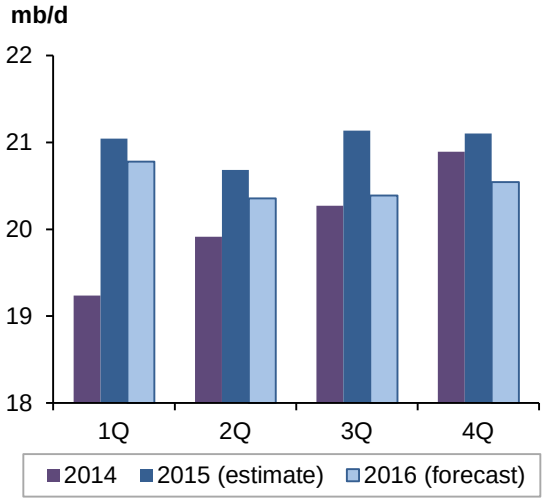
Total OECD oil supply in 2016 is projected to decline by 0.56 mb/d over the previous year, unchanged compared with the previous *MOMR* to average 24.65 mb/d, despite a downward revision in OECD America and an upward revision in OECD Asia Pacific which offset each other. This is driven partially by adjustments carried over from historical data in January and February. Overall, the OECD supply profile remains relatively unchanged, with a strong decline expected from OECD Americas and OECD Europe. Based on the 4Q15 revision, the OECD's oil supply in 2015 was revised up by 60 tb/d to average 25.21 mb/d, indicating growth of 1.01 mb/d.

OECD Americas

Oil production in **OECD Americas** is projected to decline by 0.48 mb/d y-o-y to average 20.52 mb/d in 2016, revised down by 10 tb/d compared with the previous month. The oil production outlook for this region in 2016 remains uncertain due to the high break-even costs, which are estimated to be higher than current oil prices in most areas of the US and Canada as well as Mexico, although the upstream industry has seen a remarkable reduction in drilling and completion costs during 2015.

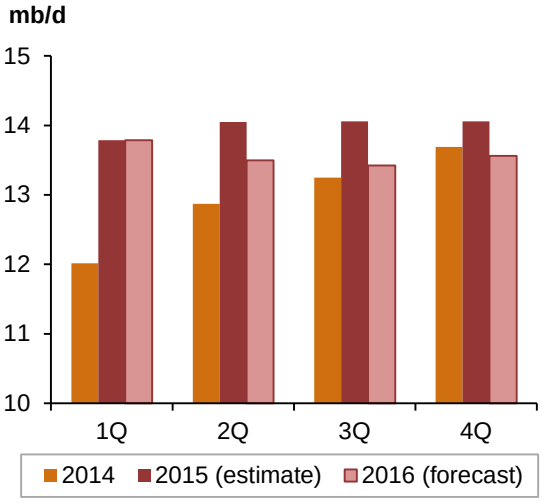
Oil production in OECD Americas is estimated to grow by 0.91 mb/d to average 20.99 mb/d in 2015. Production during 1H15 and 2H15 increased by 1.29 mb/d and 0.54 mb/d, respectively, over the same period a year earlier.

Graph 5.4: OECD Americas quarterly oil supply, 2014-2016



Source: OPEC Secretariat.

Graph 5.5: US quarterly oil supply, 2014-2016



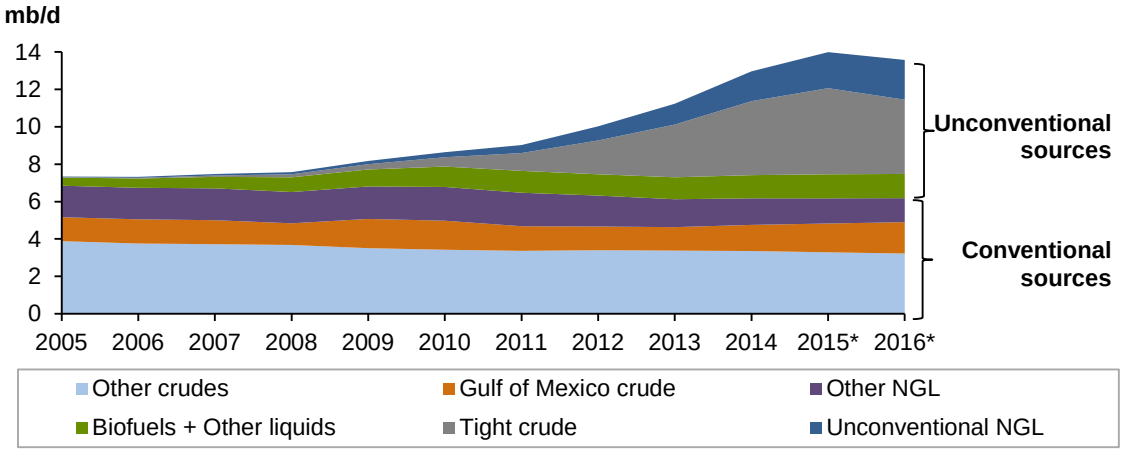
Source: OPEC Secretariat.

US

US total liquids production, excluding processing gains, was pegged at 13.97 mb/d in December 2015, down by 135 tb/d m-o-m, with crude output lower by 43 tb/d at 9.26 mb/d. The slowdown came mainly from Texas, North Dakota, New Mexico and Colorado, while oil production in Gulf of Mexico (GoM) increased by 112 tb/d in December to 1.63 mb/d, higher by 0.18 mb/d y-o-y. On a yearly basis, crude oil output mainly increased in Texas, GoM and North Dakota by 291 tb/d, 143 tb/d and 87 tb/d, respectively. At the same time, production in Alaska, Louisiana, Kansas and Utah all declined y-o-y. Total NGLs production in December after seven consecutive months of increasing dropped by 61 tb/d to approximately 3.38 mb/d from the previous month, according to national source data.

Total US liquids production for 2015 is estimated at 13.99 mb/d, revised up by 50 tb/d m-o-m. With this, US oil supply growth in 2015 reached 1.03 mb/d, down by 700 tb/d y-o-y. Crude oil output averaged 9.43 mb/d, of which tight crude is estimated at 4.6 mb/d. The remainder of 4.83 mb/d was conventional crude oil, including 1.54 mb/d of GoM production. According to this data, US crude oil grew by 725 tb/d in 2015 of which only 77 tb/d was the growth of conventional crude. The annual average output of conventional NGLs, with a decline of 73 tb/d, is estimated at 1.35 mb/d while the growth of US unconventional NGLs was 0.33 mb/d in 2015, reaching 1.93 mb/d. The average of total other liquids like biofuels is estimated at 1.28 mb/d and grew by 46 tb/d in 2015.

Graph 5.6: Trend of US oil production components, 2005-2016



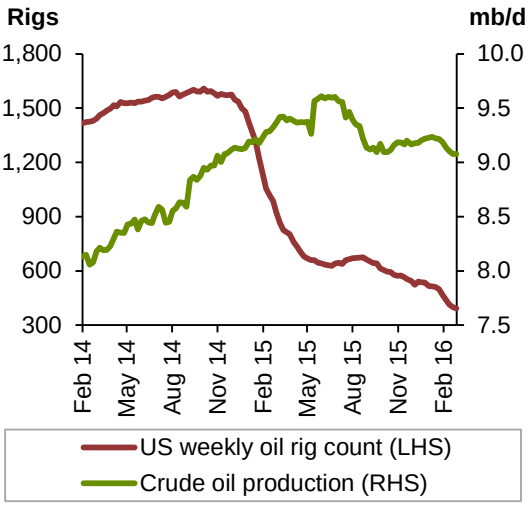
*Note: * 2015 = estimate and 2016 = forecast.*
Source: OPEC Secretariat.

Despite an annual increase in US liquids production in 2015, mainly from unconventional sources, y-o-y production growth was 0.70 mb/d lower, compared to the previous year. In 2016, US total liquids output is expected to decline by 0.42 mb/d to average 13.57 mb/d, revised down by 20 tb/d m-o-m, with the fall coming primarily from a drop in tight crude production in different regions of the US.

The planned capital expenditure (capex) of several operators in North America was reduced for 2016 compared to 2015. For instance, EOG Resources Inc. showed a y-o-y reduction of 45-50% to reach $2.4-2.6 billion, cutting 2016 capex in half. Elsewhere, Encana Corp. of Calgary will further cut its capex for 2016 to around $900 million to $1 billion, a drop of 55% compared to a year earlier. Similarly, Chesapeake reported planned total capital expenses for 2016 will be $1.3-$1.8 billion, 57% lower than its year ago level. It further announced that its programme of activities will be dedicated to more completions and less drilling, with total completion spending representing 70% of the company's total drilling and completion programme.

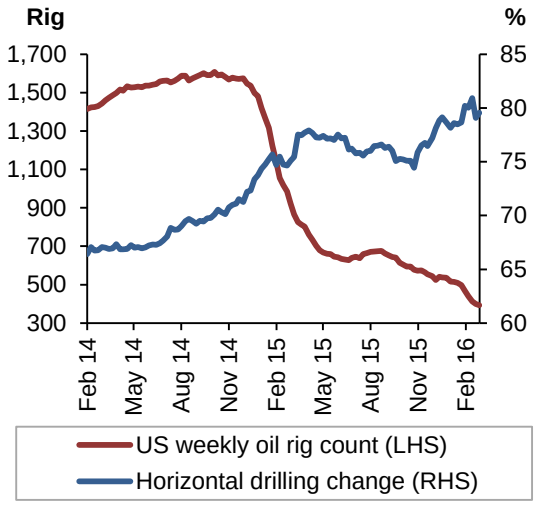
According to Baker Hughes, the latest survey for the week ended 26 February 2016 indicated that the number of active US oil rigs fell for the tenth consecutive week, despite an increase of one rig in the GoM, falling by another 13 rigs to reach a total of 400 following last week's decline of 26. Moreover, the total rig count, including natural gas rigs, fell by 12 to 502, approximately 68% below the peak of 1,609 reached in October 2014. The oil rig count compared to a year ago fell by 59% and this percentage is down 60% y-o-y from a previous total rig count of 1,267 rigs.

Graph 5.7: US weekly oil rig count vs. Crude oil production



Sources: Baker Hughes and EIA.

Graph 5.8: US weekly oil right count vs. Horizontal drilling change

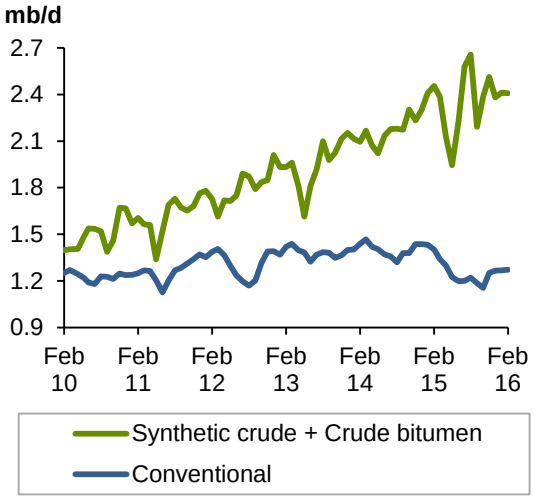


Source: Baker Hughes.

Canada and Mexico

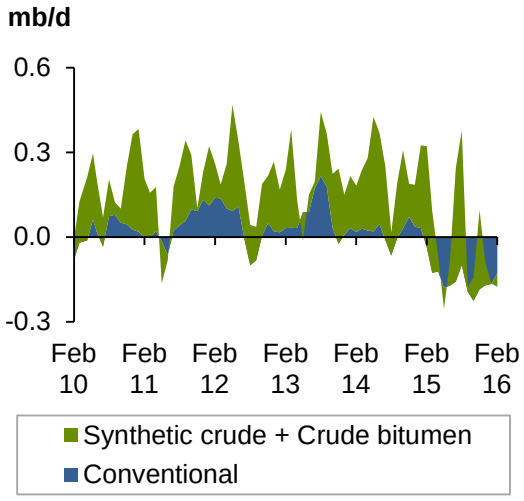
Canadian oil production in 2016 is expected to increase by 70 tb/d y-o-y to average 4.47 mb/d, unchanged from the previous *MOMR*. The expected growth is supported by oil sands developments. Oil output in December 2015 declined by 0.14 mb/d from the previous month to average 4.44 mb/d, due to lower production from conventional oil fields. Conventional crude oil was 0.22 mb/d lower than in the same month a year earlier. On the contrary, synthetic oil from bitumen extraction increased in November m-o-m but declined by 0.12 mb/d in December. This may extend to the months of January and February due to Long Lake, which was taken offline following a recent explosion.

Graph 5.9: Canada production by product type



Source: OPEC Secretariat.

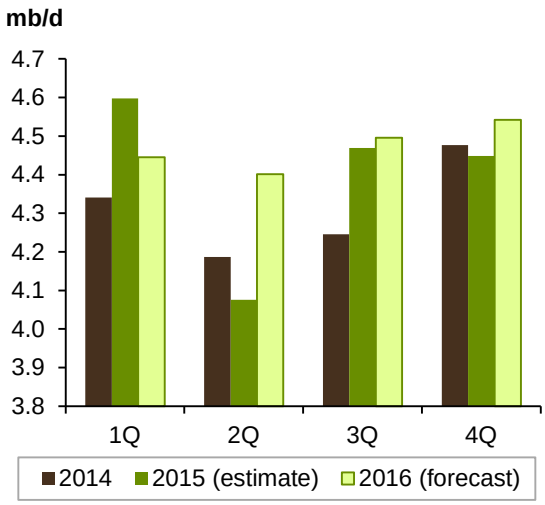
Graph 5.10: Canada production by product type, y-o-y change



Source: OPEC Secretariat.

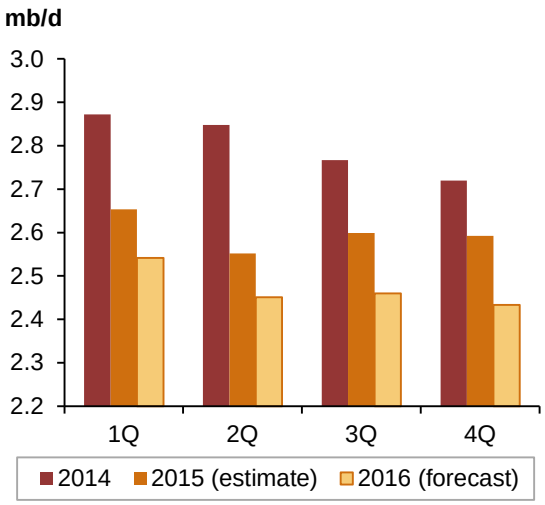
Canada's 2015 oil supply growth was lower than expected, with annual output growing only by 90 tb/d to average 4.40 mb/d due to weak output in 2Q15 because of wildfires.

Graph 5.11: Canada quarterly oil supply, 2014-2016



Source: OPEC Secretariat.

Graph 5.12: Mexico quarterly oil supply, 2014-2016



Source: OPEC Secretariat.

Mexico's oil supply is estimated to decline by 0.2 mb/d to average 2.60 mb/d in 2015, unchanged from the previous month. Annual oil production for 2016 is expected to decline at a slower pace of 0.13 mb/d, with average supply anticipated at 2.47 mb/d. Mexican liquids production in January was unchanged at 2.59 mb/d compared to last November and December, although crude oil output declined by 16 tb/d m-o-m. NGLs production increased by 16 tb/d to average 0.32 mb/d in January. A y-o-y comparison of Mexico's oil production in January indicates an increase by 8 tb/d in crude oil. This was mainly due to maintenance issues in January 2015 that affected the KMZ complex. Output of NGLs in Mexico declined by 32 tb/d compared to January 2015.

According to a preliminary production data from Pemex provided by other sources, in February a heavy production decline was seen in Cantarel, KMZ and Ligero Marino as well as in fields such as Chuc, Homol and Ixtal linked to the Abkatun platform due to fire at the beginning of the month. As a result, crude output declined to 2.22 mb/d.

OECD Europe

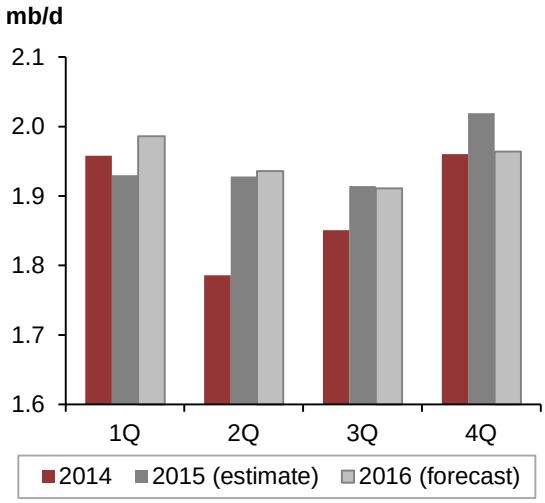
OECD Europe's oil production is anticipated to decline by 0.08 mb/d to average 3.67 mb/d in 2016, remained unchanged compared with the previous *MOMR*, following more-than-expected oil production in 1Q16 from Norway. The expected decline will mainly come from the UK, although supply difficulties are being encountered in the North Sea due to deep cuts in capex, following the sharp decline in oil prices. Nevertheless, OECD Europe's oil supply grew by 0.14 mb/d to average 3.75 mb/d in 2015, registering remarkable growth of 100 tb/d and 60 tb/d in the UK and Norway, respectively.

Preliminary January total liquids output figures for **Norway** indicate a decrease of 9 tb/d m-o-m to average 2.04 mb/d. Of this, 1.63 mb/d was crude oil and the remainder consisted of 0.38 mb/d of NGLs and 0.03 mb/d of condensate, according to the Norwegian Petroleum Directorate (NPD). Norway decreased investment in oil and gas development and production for 2016 by 9.3% y-o-y. Moreover, the country is planning to start production from only three projects with a total capacity of 0.13 mb/d, exactly half the capacity of a year ago. Hence, minor growth is expected in 2016, assuming the natural annual decline of mature fields. At the beginning of March 2016, the Deepsea

Atlantic drilling rig commenced on the first of a total of 35 wells to be drilled in the first phase of the Johan Sverdrup field development.

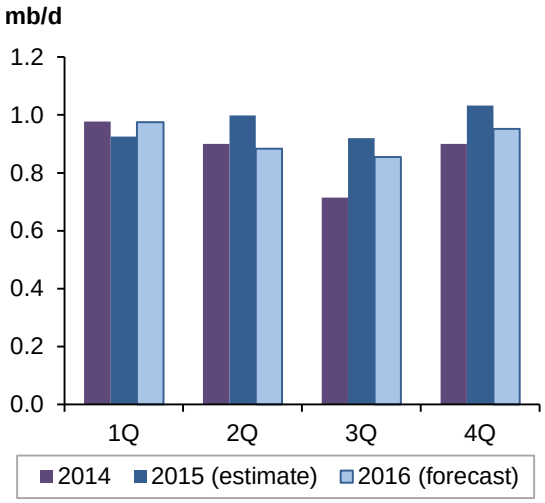
Preliminary annual production rates indicate Norwegian output in 2015 saw growth of 60 tb/d reaching an average of 1.95 mb/d. Output is anticipated to be unchanged at 1.95 mb/d in 2016.

Graph 5.13: Norway quarterly oil supply, 2014-2016



Source: OPEC Secretariat.

Graph 5.14: UK quarterly oil supply, 2014-2016



Source: OPEC Secretariat.

The **UK's** oil supply, with around 40% less capex compare to 2014, is expected to decline by 50 tb/d to average 0.92 mb/d in 2016, following robust growth of 100 tb/d despite low oil price conditions in 2015. Throughout 2015, UK liquids production grew at a surprising rate of 10%, despite an observed average yearly decline rate of 12%. This was mainly due to stable output from the Buzzard field and less maintenance during the year. Oil production in January declined by 60 tb/d m-o-m to 0.97 mb/d. The decline in output was due to several reasons in different fields – from leakage of gas in the Brae Alpha platform to an unplanned shutdown at the Kinneil terminal. Prospects for 2016 production are negative due to more expected maintenance, annual decline rates similar to those of 2015 and a lack of big new project start-ups.

OECD Asia Pacific

Oil production in the **OECD Asia Pacific** region is seen decreasing by 40 tb/d in 2015 to average 0.46 mb/d, indicating no change compared with the previous *MOMR*. OECD Asia Pacific's total oil supply in 2016 is anticipated to decline by 10 tb/d to average 0.46 mb/d.

Australia's crude oil production fell 9.1% in 2015 to 209 tb/d, the lowest level seen since 1970. According to EnergyQuest, condensate production fell by 8.5% in 2015 to average 113 tb/d with lower production in all basins except Bass and Perth. Australia's total liquids supply declined by 50 tb/d to average 0.38 mb/d in 2015. For this year, expected growth of 20 tb/d is seen leading to an average output of 0.40 mb/d. This could boost the country's oil supply. It is expected that the Crux oil field in the Bonaparte basin will start production in 2016 with output of 32.5 tb/d at peak.

Production in other Asia Pacific will decline by 20 tb/d to average 0.06 mb/d in 2016.

Developing Countries

Total oil production in **DCs** grew by 0.19 mb/d in 2015 to average 11.52 mb/d, indicating an upward revision of 10 tb/d in historical data from the previous *MOMR*. In 2016, a decline of 20 tb/d is expected for DCs. In fact, the expected growth from Other Asia and Latin America will be offset by declines in the Middle East and Africa.

Other Asia

Other Asia's historical oil supply data was revised up by 10 tb/d and grew by 100 tb/d y-o-y to average 2.70 mb/d in 2015. Expected growth for this year will be slower at 30 tb/d following weak oil prices. Total oil supply is forecast to reach 2.74 mb/d in 2016. In this region, oil production is expected to increase mainly in Malaysia and to a lesser degree in Asia others, in the current year.

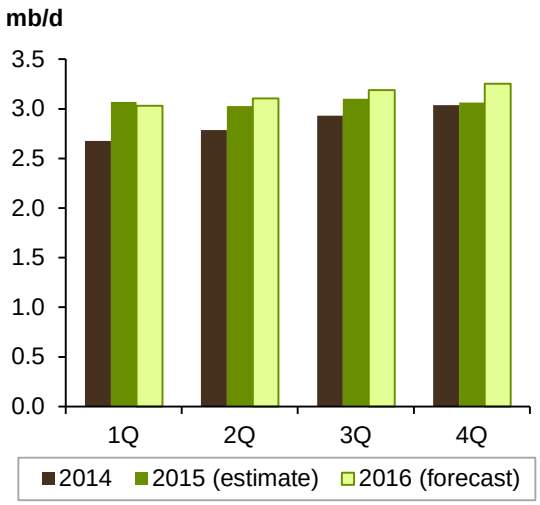
Latin America

Latin America's oil supply historical data saw a negligible upward revision and growth of 0.18 mb/d in 2015, making it the second strongest region following OECD Americas, with an average supply of 5.18 mb/d. The growth forecast was lowered by 20 tb/d compared to last month. In 2016, growth is expected to shrink to only 20 tb/d, reaching average supply of 5.20 mb/d, with the growth coming only from Brazil.

Brazil's supply is estimated to average 3.06 mb/d in 2015, indicating an increase of 0.21 mb/d over the previous year, revised up by 20 tb/d due to the upward revision in 4Q15 historical data from the previous *MOMR*. Liquids output in December increased by 150 tb/d m-o-m to average 3.15 mb/d, with y-o-y growth remaining broadly flat. Crude oil output, NGLs and biofuels production in December registered output of 2.53 mb/d, 0.087 mb/d and 0.53 mb/d, respectively. Due to a continuation of declines in oil production from post-salt reservoirs, led by the Marlim Sul field, Brazil plans to have more pre-salt activity. It thus needs more investment and partnerships. Hence, Shell, the second largest oil producer in Brazil, has partnered with Petrobras in the 8-12 bn barrel Libra block, which is expected to start producing 27°API crude in 1Q17. Lower oil prices continue to present a challenge to sub-salt economics.

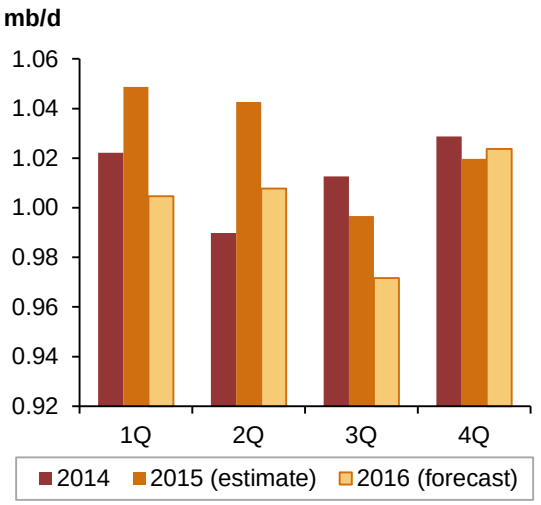
In 2016, the addition of 0.38 mb/d at peak capacity will be implemented through three new floating production storage and offloading (FPSO) terminals, all in the Santos basin. Nevertheless, growth in 2016 is not expected to be more than 80 tb/d to average 3.14 mb/d, revised down by 20 tb/d compared to the previous forecast due to preliminary lower-than-expected oil production in 1Q16, according to Petrobras. In February, the 0.15 mb/d Cidade de Maricá field started up, as did a smaller 20 tb/d early production system in Sépia in March, according to Energy Aspects.

Graph 5.15: Brazil quarterly oil supply, 2014-2016



Source: OPEC Secretariat.

Graph 5.16: Colombia quarterly oil supply, 2014-2016



Source: OPEC Secretariat.

Colombia produced 1.03 mb/d of crude on average the previous year to register growth of 10 tb/d, unchanged from the last estimation in February. Colombia's total oil output in January declined by 10 tb/d to 1.01 mb/d due to pipeline restrictions and field maintenance, according to the Hydrocarbons Ministry. The Finance Ministry recently revised down its 2016 oil production target on sustained low oil prices. Assuming the new official production target and oil prices of $30-40/b, Colombian oil services chamber Campetrol estimates the country's reserves-to-production ratio at 4.9 years, compared with 6.4 years at the end of 2014, according to Argus. It is anticipated that total oil supply will decline by 20 tb/d y-o-y to 1 mb/d in 2016.

Middle East

Middle East oil supply declined by 80 tb/d y-o-y to average 1.26 mb/d in 2015. The main decline of 100 tb/d in the previous year came from Yemen. The total decline for 2016 is expected to be 50 tb/d, revised down by 10 tb/d due to ongoing geopolitical conflicts. Thus, total oil supply is expected to fall to 1.22 mb/d.

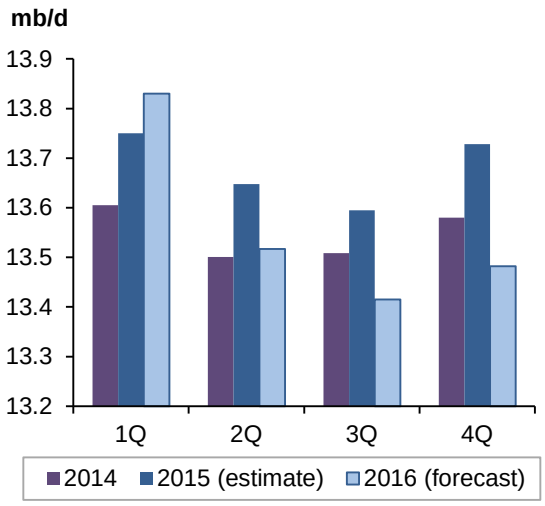
Africa

Africa's oil supply decreased by 10 tb/d y-o-y to average 2.37 mb/d in 2015 and is expected to experience a further decline of about 20 tb/d in 2016 to average 2.34 mb/d. This has been revised up by 10 tb/d over last month's estimation. Declines are expected from Egypt, Equatorial Guinea, Gabon and the Sudans.

FSU, other regions

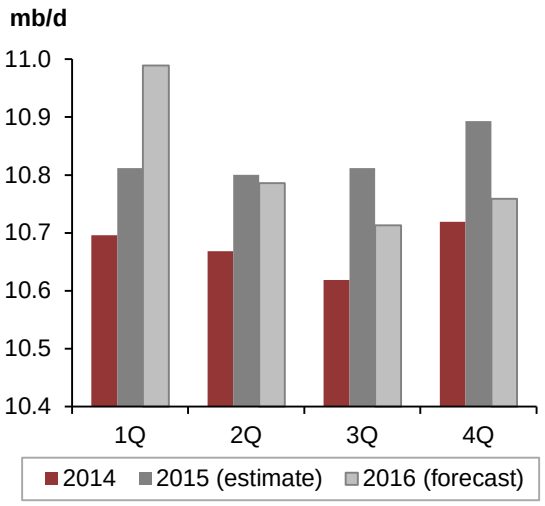
Total FSU oil production is seen averaging 13.68 mb/d in 2015, an increase of 0.13 mb/d over a year earlier. This indicates an upward revision in historical production data of all quarters compared with the previous *MOMR*. The main growth came from Russia, with minor growth from other FSU regions. The FSU remains the leading region next to OECD Americas, Latin America and OECD Europe in terms of production growth among non-OPEC regions in 2015. However, FSU's total supply despite of an upward revision by 50 tb/d in this month, is forecast to decline in 2016 by 0.12 mb/d. This was due to an upward revision of 40 tb/d in 1Q16 in Russia, the second highest on a regional basis. Thus, the area will average 13.56 mb/d. The greatest decline is expected to be seen in Kazakhstan and Azerbaijan at 40 tb/d each, followed by Russia and FSU and other regions.

Graph 5.17: FSU quarterly oil supply, 2014-2016



Source: OPEC Secretariat.

Graph 5.18: Russia quarterly oil supply, 2014-2016



Source: OPEC Secretariat.

Russia

Russian oil production is estimated to grow by 0.15 mb/d to average 10.83 mb/d in **2015**, revised up by 30 tb/d from the previous *MOMR,* due to upward revisions in the historical production data for all quarters. There was robust incremental production that came onstream from Russian oil companies in 2015, for instance. Also, the launch of the Yaro-Yakhinskoye, Termokarstovoye and Yarudeiskoye fields contributed to a record 51% growth in Novatek's liquids production in 2015, according to Nefte Compass.

Russian oil supply in January **2016** reached an average of 11.07 mb/d, up by 100 tb/d m-o-m, following the start-up of the Yarudeiskoye field with a peak capacity of 70 tb/d. Following this new high level record in January, total oil output in February again grew by 10 tb/d to 11.08 mb/d, according to the Energy Ministry. For 2016, Russia's oil supply saw an upward revision due to higher-than-expected oil output in 1Q16. For the whole year, Russia's oil supply is expected to decline by 20 tb/d to average 10.81 mb/d, revised up by 40 tb/d.

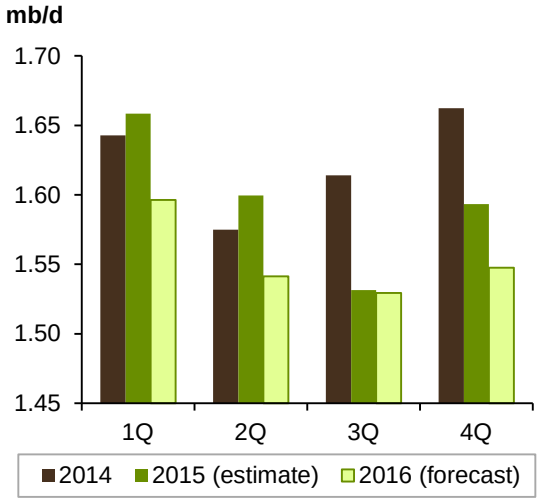
Caspian

Oil production in **Kazakhstan** in 2015 declined by 30 tb/d to average 1.60 mb/d and is anticipated to see a further decline of 40 tb/d in 2016 to reach 1.55 mb/d, both years unchanged from the last evaluation. In January, crude oil output decreased by 24 tb/d to 1.35 mb/d and NGLs production remained steady at 0.27 mb/d. Therefore, total oil supply in January declined by 22 tb/d to 1.62 mb/d. According to Nefte Compass, the biggest producer, Chevron-operated joint venture Tengizchevroil, was 8% higher at 0.59 mb/d. But other major players were mostly flat or lower than the previous year. Oil production in Kazakhstan will continue to decline until the start-up of Kashagan oil field in 2017.

In **Azerbaijan,** the total oil supply declined by 10 tb/d to average 0.86 mb/d in 2015. Despite higher output in January 2016 of 20 tb/d m-o-m due to a return from maintenance at ACG's oil field complex, the y-o-y decline is anticipated to increase to 40 tb/d in 2016 to average 0.82 mb/d, due to higher maintenance expectations and the lack of replacement for mature field losses.

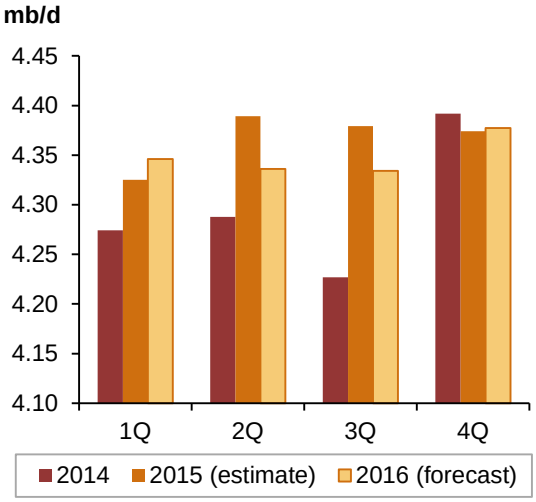
Other Europe's supply is expected to remain steady, averaging 0.13 mb/d in 2015 as well as in 2016.

Graph 5.19: Kazakhstan quarterly oil supply, 2014-2016



Source: OPEC Secretariat.

Graph 5.20: China quarterly oil supply, 2014-2016



Source: OPEC Secretariat.

China

China's oil supply is seen growing by 70 tb/d to average 4.37 mb/d in 2015, unchanged from the last *MOMR*. Despite a remarkable volume of 110 tb/d coming from production ramp-ups of Bozhong, Kenli, Weizhou and other small fields offshore, as well as the incremental output from onshore fields (mainly from Daqing and Changqing), no growth is expected for 2016 in China. Despite new volume coming from old projects' ramp-ups, a decline of 20 tb/d is expected for the current year to average 4.35 mb/d.

As mentioned last month, in the context of a reduction of capex by Chinese companies in 2016, Sinopec has decided to shut down four small sized oilfields having around 0.2% of annual output (440 tb) with the onshore Shengli oilfield this year reducing its losses. According to Sinopec, in January of 2016 alone, the Shengli oilfield posted additional losses of 2.9 billion yuan amid low oil prices. Daqing oilfield, which is operated by PetroChina, has embarked on a reduction of annual crude oil output by 11 mb for the next couple of years. The annual decline rate in the Daqing oilfield is around 4%. China National Offshore Oil Corporation (CNOOC) also plans to produce less than last year's production.

OPEC NGLs and non-conventional oils

OPEC NGLs and non-conventional oils were estimated to average 6.15 mb/d in 2015, representing growth of 0.15 mb/d over the previous year. In 2016, OPEC NGLs and non-conventional oils are projected to average 6.32 mb/d, an increase of 0.17 mb/d over the previous year. There are no changes in 2015 estimations and 2016 expectations for OPEC NGLs and non-conventional production compared with the previous *MOMR*.

Table 5.3: OPEC NGLs + non-conventional oils, 2013-2016

			Change						*Change*		*Change*
	2013	**2014**	14/13	1Q15	2Q15	3Q15	4Q15	**2015**	15/14	**2016**	16/15
Total OPEC	**5.82**	**6.00**	0.17	6.02	6.11	6.18	6.29	**6.15**	0.15	**6.32**	0.17

Source: OPEC Secretariat.

OPEC crude oil production

According to secondary sources, total OPEC crude oil production in February averaged 32.28 mb/d, a decrease of 175 tb/d over the previous month. Crude oil output decreased mostly from Iraq, Nigeria and UAE, while production increased in Iran, Saudi Arabia and Kuwait.

Table 5.4: OPEC crude oil production based on *secondary sources*, tb/d

	2014	2015	2Q15	3Q15	4Q15	Dec 15	Jan 16	Feb 16	Feb/Jan
Algeria	1,151	1,109	1,107	1,109	1,108	1,104	1,087	1,084	*-2.6*
Angola	1,660	1,753	1,718	1,759	1,787	1,787	1,750	1,754	*4.8*
Ecuador	542	544	546	540	540	539	538	541	*2.8*
Indonesia	696	696	702	695	710	716	702	705	*3.4*
Iran, I.R.	2,766	2,837	2,828	2,860	2,880	2,887	2,944	3,132	*187.8*
Iraq	3,265	3,929	3,866	4,160	4,238	4,343	4,419	4,156	*-263.2*
Kuwait	2,774	2,728	2,726	2,721	2,718	2,728	2,760	2,774	*13.8*
Libya	473	404	450	381	402	391	393	396	*2.8*
Nigeria	1,911	1,851	1,814	1,851	1,852	1,775	1,848	1,754	*-94.2*
Qatar	716	668	667	659	666	656	649	652	*2.8*
Saudi Arabia	9,683	10,108	10,253	10,259	10,106	10,046	10,128	10,142	*14.0*
UAE	2,761	2,853	2,838	2,880	2,878	2,877	2,909	2,859	*-49.2*
Venezuela	2,373	2,369	2,376	2,368	2,365	2,358	2,325	2,327	*2.2*
Total OPEC	**30,771**	**31,850**	**31,891**	**32,241**	**32,249**	**32,208**	**32,452**	**32,278**	***-174.8***

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

Table 5.5: OPEC crude oil production based on *direct communication*, tb/d

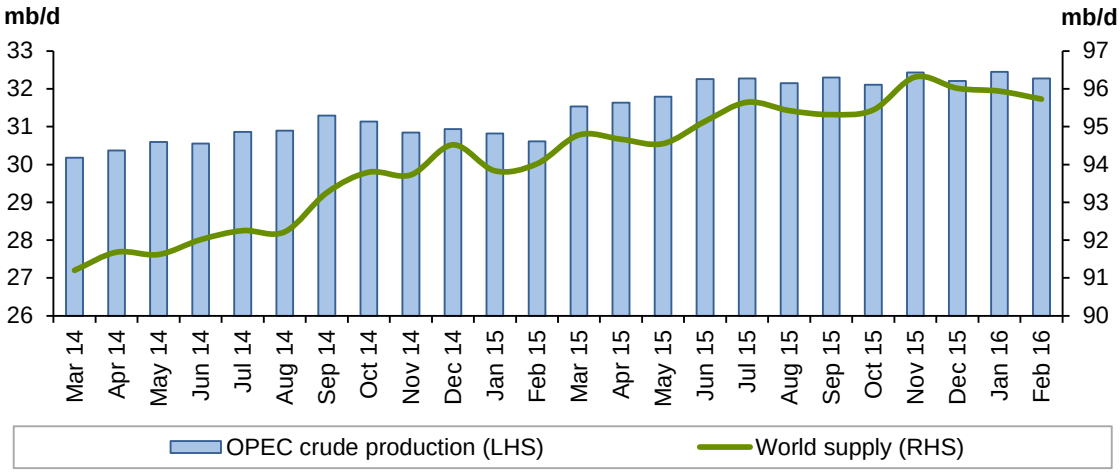
	2014	2015	2Q15	3Q15	4Q15	Dec 15	Jan 16	Feb 16	Feb/Jan
Algeria	1,193	1,156	1,147	1,159	1,179	1,185	1,123	1,125	*2.0*
Angola	1,654	1,767	1,784	1,777	1,742	1,740	1,770	1,767	*-3.0*
Ecuador	557	542	544	538	536	533	534	559	*24.7*
Indonesia	..	..	..	..	..	..	..	..	..
Iran, I.R.	3,117	3,152	3,103	3,170	3,313	3,350	3,370	3,385	*15.0*
Iraq	3,110	3,504	3,351	3,744	3,846	4,130	4,775	4,458	*-317.0*
Kuwait	2,867	2,859	2,838	2,870	2,876	2,930	3,000	3,000	*0.0*
Libya	480	..	..	..	..	..	..	..	..
Nigeria	1,807	1,733	1,622	1,780	1,768	1,697	1,757	1,881	*123.7*
Qatar	709	656	647	640	651	632	637	692	*54.2*
Saudi Arabia	9,713	10,193	10,401	10,285	10,202	10,144	10,230	10,220	*-9.8*
UAE	2,794	2,987	2,973	3,030	2,998	2,993	3,133	2,780	*-353.9*
Venezuela	2,683	2,655	2,683	2,631	2,587	2,591	2,558	2,529	*-28.6*
Total OPEC	**..**	**..**	**..**	**..**	**..**	**..**	**..**	**..**	**..**

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

World oil supply

Preliminary data indicates that global oil supply in February 2016 decreased by 0.21 mb/d, compared with the previous month, to average 95.73 mb/d. Non-OPEC supply declined by 0.04 mb/d, while OPEC production decreased by 0.17 mb/d. The share of OPEC crude oil in total global production decreased slightly to 33.7% in February compared with the previous month. Estimates are based on preliminary data from direct communications for non-OPEC supply, OPEC NGLs and non-conventional oil, while estimates for OPEC crude production are based on secondary sources.

Graph 5.21: OPEC and world oil supply

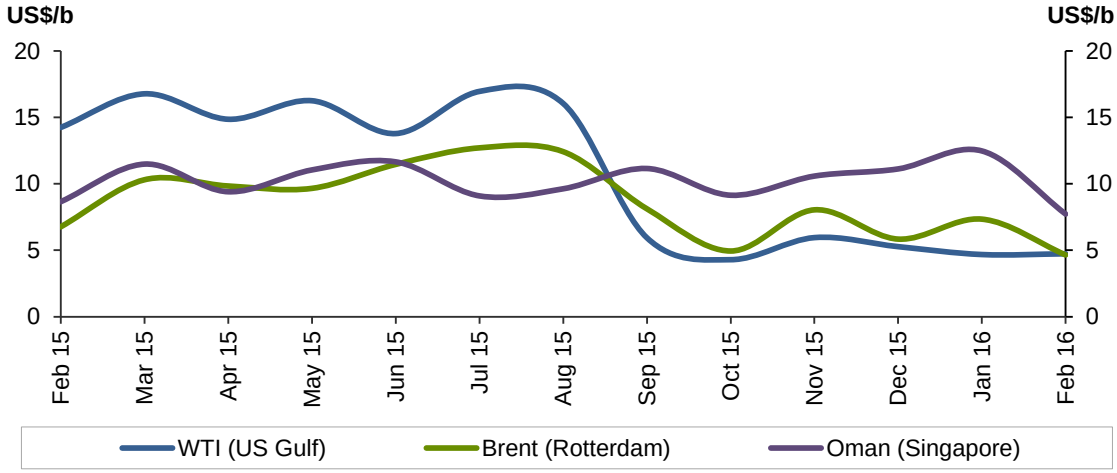


Source: OPEC Secretariat.

Product Markets and Refinery Operations

Despite strong gasoline demand, the oversupply environment, boosted by the transitioning to summer grades, exerted pressure on product markets and caused margins to weaken in the Atlantic Basin. Meanwhile, in Asia, light distillate oversupply caused the gasoline and naphtha crack spreads to suffer sharp falls. This, along with the continued weakening at the middle of the barrel, caused refinery margins to exhibit sharp losses in the region.

Graph 6.1: Refinery margins, 2015-2016



Source: Argus Media.

US product markets continued to weaken in February, impacted by negative performance at the top of the barrel, along with continued weakness seen in middle distillate markets. Despite strong domestic gasoline demand, gasoline crack spreads lost some ground, pressured by the oversupply environment in the Atlantic Basin amid rising inventories. US Gulf Coast (USGC) refinery margins for WTI crude remained flat versus the previous month's levels to average around $5/b in February. Some temporary support seen at the bottom of the barrel with open arbitrage to Singapore prevented margins from falling further.

Product markets in **Europe** were impacted by the lack of export opportunities for light distillates and fuel oil, amid rising inventories exerting pressure on the market. Meanwhile, the oversupply environment continued to weigh on middle distillate fundamentals. The refinery margin for Brent crude in Northwest Europe (NWE) showed a decrease of more than $2 versus the previous month to average $5/b in February.

Asian product markets weakened sharply due to losses witnessed across the barrel, mainly at the top of the barrel, as higher light distillate inventories in Singapore amid the oversupply environment caused the gasoline and naphtha crack spreads to suffer sharp falls.

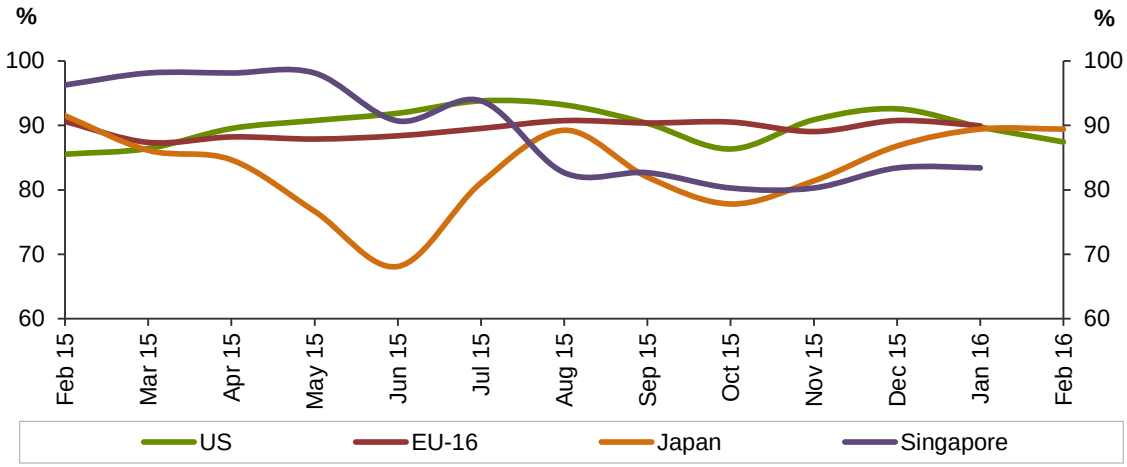
Refinery margins in Singapore lost more than $4 to average $8/b in February.

Refinery operations

Refinery utilization rates continued a downward correction, mainly in the Atlantic Basin, as some refiners have been cutting runs for economic reasons due to the downward trend seen in the last months as the spring season impacted refineries, mainly in the US. In the coming month, more run cuts are expected, with the spring maintenance season peaking worldwide, along with the product oversupply environment.

Refinery utilization in the **US** averaged around 87% in February, corresponding to 15.7 mb/d, and was 400 tb/d lower than a month earlier. The refinery level has been impacted by maintenance and some unscheduled shutdowns, mainly in PADD1. Pressure from high inventories has caused refineries to minimize gasoil production during the last weeks. However, middle distillate inventories continued to exert pressure on the market and could lead to further cuts.

Graph 6.2: Refinery utilisation rates, 2015-2016



Source: Argus Media.

European refinery runs averaged around 90% of capacity in January, corresponding to a throughput of 10.5 mb/d. This was around 100 tb/d lower than in the previous month and around 200 tb/d higher than the same month a year ago. European refineries have continued to increase throughputs, taking advantage of healthy margins. However, product overhangs impacting margins could encourage run cuts during the maintenance season.

Asian refinery utilization has been on the rise during the last months, with Chinese refineries hitting a new record of around 10.77 mb/d during December. However, during January, a downward correction in response to the oversupply of products has impacted refinery margins across the region. During January, refinery runs in China averaged 10.5 mb/d, a reduction of almost 300 tb/d versus the previous month. Refinery runs in Singapore for January averaged around 83%, a similar level to a month earlier. Meanwhile, Japanese throughputs remained at around 89% of capacity in February.

US market

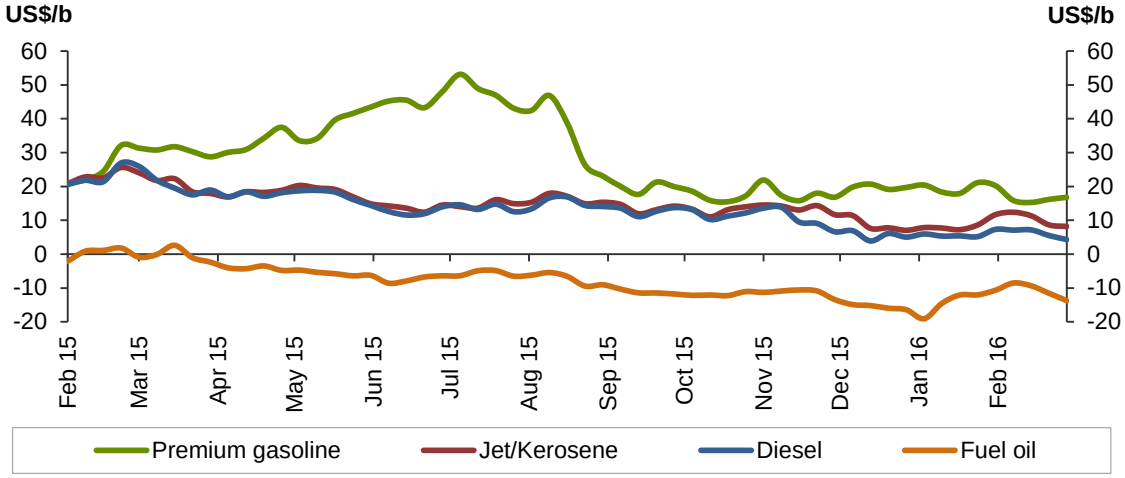
US **gasoline** demand stood at around 9.3 mb/d in February, which is approximately 500 tb/d higher than in the previous month and more than 600 tb/d higher than in the same month a year earlier.

Despite the strong domestic gasoline demand, the gasoline crack spreads lost some ground, pressured by the oversupply environment in the Atlantic Basin, with floating storage being reported in USGC and NWE. The transition to the summer gasoline grade is contributing to the bearish environment.

Another bearish factor was the continued rise in gasoline inventories, which hit a record-high figure of about 255 mb in February.

The gasoline crack spread lost almost $3 versus the previous month's level to average $17/b in February.

Graph 6.3: US Gulf crack spread vs. WTI, 2015-2016



Source: Argus Media.

Middle distillate demand stood at around 3.4 mb/d in February, some 80 tb/d lower than in the previous month and more than 900 tb/d lower than in the same month a year earlier.

The middle distillate market continued to exhibit very weak fundamentals, with demand remaining at multi-year lows. However, some support came from the supply side with lower distillate production on the back of lower refinery runs seen in the last weeks.

The USGC gasoil market got additional support from higher exports to Latin America, along with open arbitrage to the NYH. Firmer Nymex futures also added support ahead of the spring refinery season.

The USGC gasoil crack averaged around $7/b in February, recovering around $1 from the previous month, when it had hit its lowest level in more than five years.

At the **bottom of the barrel**, the fuel oil market continued its recovery trend from a slump suffered at the end of the year. An open arbitrage to Singapore has lent strong support to the HSFO market. Meanwhile, the VGO market has been under pressure due to increasing inflows over the region amid some FCC units being in maintenance, which has cut demand.

The USGC high sulphur fuel oil crack gained more than $3/b in February to average around minus $10/b.

European market

Product markets in Europe weakened during February as crack spreads were under pressure across the barrel due to the oversupply environment amid a lack of export opportunities for light distillates and fuel oil. Meanwhile, the oversupply environment continued to weigh on middle distillate fundamentals.

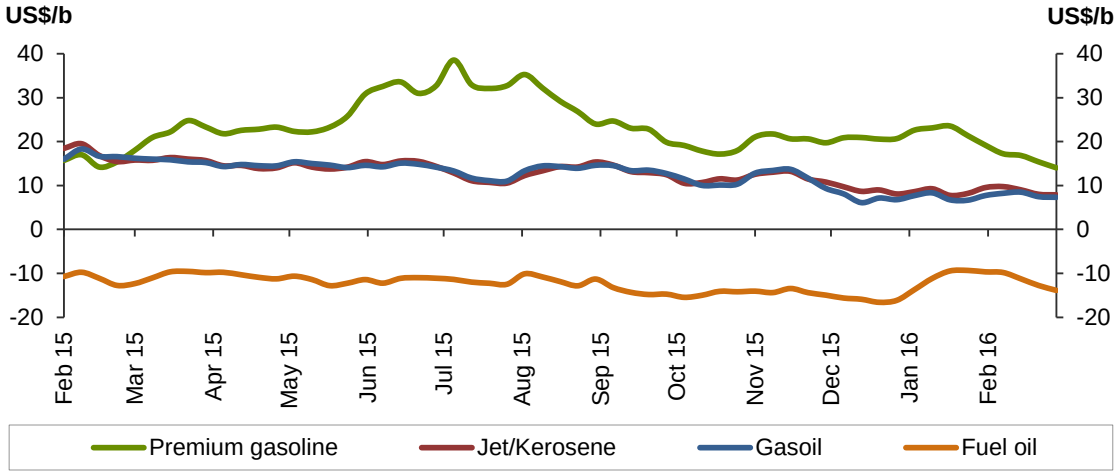
The **gasoline** market weakened during February, and NWE gasoline crack spreads lost some ground due to reduced export opportunities, not only to the US, where inventories remained high, but also to West Africa, with some unloading delays seen in Nigeria.

In addition, elevated gasoline production has kept gasoline inventories in Europe on the rise, thus exerting further pressure on the market. Meanwhile, the upcoming switch to summer-grade quality has caused many players to start emptying tanks of winter-specification gasoline, thus increasing prompt availability.

The gasoline crack spread against Brent lost about $5 to average around $17/b in February.

The light distillate naphtha crack continued to decline during February, losing almost $4, due to reduced arbitrage volumes to Asia and lower domestic demand for the petrochemical sector and gasoline blenders.

Graph 6.4: Rotterdam crack spreads vs. Brent, 2015-2016



Source: Argus Media.

The European **gasoil** market has been oversupplied since the end of the year amid elevated production and high inventories.

During February, the improvement seen in heating oil demand amid relatively colder temperatures has lent some support to the gasoil market. Additional support came with the lower inflows seen from the US in the last weeks, as arbitrage from the USGC has been somewhat limited.

However, this improvement was capped by high inventories and increasing inflows from Russia and India, which continued to weigh on the market. Gasoil crack spreads remained weak.

The gasoil crack spread against Brent crude at Rotterdam averaged around $8/b in February, similar to the previous month's level.

At the **bottom of the barrel**, the fuel oil market retained the ground it recovered during the previous month on the back of a balanced market and some temporary tightening sentiment fueled by lower inflows from Russia, where higher domestic heating demand has limited exports to Europe, thus helping to ease oversupply.

The NWE fuel oil crack remained fairly flat versus the previous month to average around minus $11/b in February, a similar level to a month earlier.

A potential crack spread uptick was limited due to arbitrage opportunities to Asia, although the continued drawing of volumes from the region has been relatively reduced during the last weeks.

Asian market

The Asian market weakened in February. Higher light distillate inventories in Singapore amid the oversupply environment caused the gasoline and naphtha crack spreads to suffer a sharp fall. This, along with the continued weakening at the middle of the barrel, caused refinery margins to exhibit a sharp loss in the region.

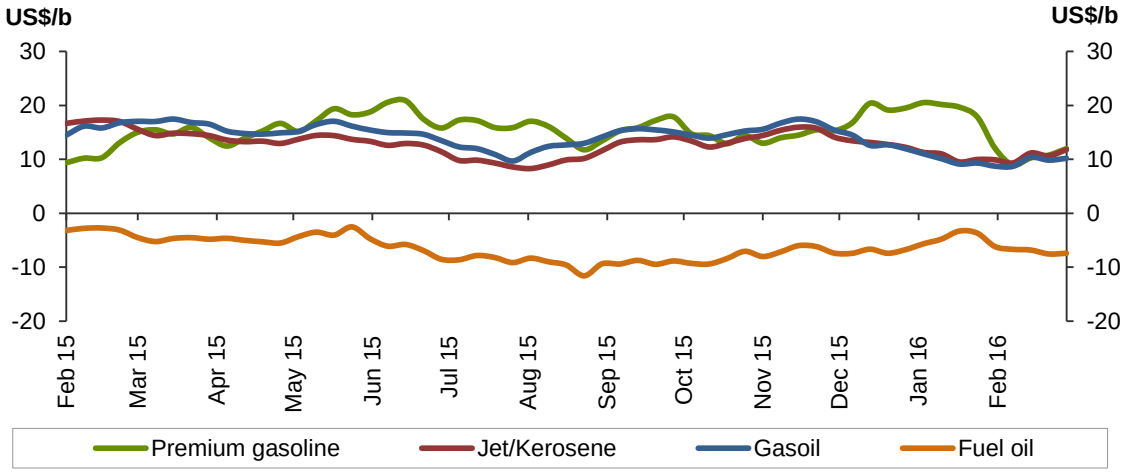
The gasoline market has become bearish due to the higher inventories in Singapore amid increasing supplies from northeast Asia, mainly from Japan and India.

The Singapore **gasoline** crack spread reversed the upward trend seen in the last months and suffered a sharp loss, despite higher demand reported from the Middle East and Africa. The worldwide gasoline market was impacted by the oversupply environment seen in the Atlantic Basin, amid the continued increase in Singapore light distillate inventories, which hit a multiyear-high record level.

The gasoline crack spread against Oman crude in Singapore averaged around $11/b in February, losing more than $8 versus the previous month's level.

The Singapore naphtha crack continued losing ground over the month, dropping almost $5/b, impacted by the oversupply environment amid expectations of lower demand with the upcoming seasonal steam cracker maintenance in Japan and South Korea.

Graph 6.5: Singapore crack spread vs. Oman, 2015-2016



Source: Argus Media.

At the **middle of the barrel**, the gasoil market continued under supply pressure, and the crack spreads continued at the low level hit in January.

Increasing inflows from the Middle East have contributed to gasoil inventories in Singapore continuing to rise, which has kept pressure on the market.

However, the supply pressure was somewhat offset by the support coming from strong demand emerging from South Africa. Additional support came from the tightening sentiment fueled by the upcoming refinery maintenance amid some reductions seen in Chinese exports, along with expectations of a seasonal demand increase over the coming weeks.

The gasoil crack spread in Singapore against Oman remained at the previous month's level to average around $10/b.

The Asian fuel oil market weakened during February as crack spreads were pressured by thin bunker demand ahead of the Chinese Lunar New Year celebrations. Another bearish factor was the expectation of higher arrivals of inflows to the region in the coming weeks.

However, some support remained from firm demand in the power generation sector, mainly in South Korea and Pakistan.

The fuel oil crack spread in Singapore against Oman lost more than $2 to average about minus $7/b in February.

Table 6.1: Refined product prices, US$/b

		Jan 16	Feb 16	Change Feb/Jan	Year-to-date 2015	Year-to-date 2016
US Gulf (Cargoes FOB):						
Naphtha*		36.87	33.03	-3.84	61.14	34.90
Premium gasoline	*(unleaded 93)*	51.15	47.32	-3.82	69.51	49.19
Regular gasoline	*(unleaded 87)*	43.42	39.74	-3.67	61.27	41.53
Jet/Kerosene		39.49	41.20	1.71	68.64	40.37
Gasoil	*(0.2% S)*	37.07	36.98	-0.09	69.00	37.02
Fuel oil	*(3.0% S)*	19.12	20.55	1.44	43.47	19.85
Rotterdam (Barges FoB):						
Naphtha		35.13	32.32	-2.81	49.36	33.69
Premium gasoline	*(unleaded 98)*	53.41	49.48	-3.94	67.61	51.40
Jet/Kerosene		39.21	41.48	2.28	71.07	40.37
Gasoil/Diesel	*(10 ppm)*	38.11	40.41	2.30	68.99	39.29
Fuel oil	*(1.0% S)*	19.85	21.45	1.61	42.00	20.67
Fuel oil	*(3.5% S)*	15.08	17.91	2.83	42.67	16.53
Mediterranean (Cargoes FOB):						
Naphtha		33.42	30.99	-2.43	46.07	32.17
Premium gasoline**		47.01	42.98	-4.03	62.42	45.00
Jet/Kerosene		37.33	39.89	2.57	68.42	38.61
Diesel		39.48	41.88	2.40	70.36	40.68
Fuel oil	*(1.0% S)*	21.22	22.53	1.31	44.13	21.90
Fuel oil	*(3.5% S)*	18.35	21.14	2.79	42.29	19.78
Singapore (Cargoes FOB):						
Naphtha		36.78	33.97	-2.81	50.84	35.41
Premium gasoline	*(unleaded 95)*	50.33	44.33	-6.01	63.44	47.41
Regular gasoline	*(unleaded 92)*	47.04	41.29	-5.75	60.38	44.24
Jet/Kerosene		37.93	40.98	3.05	68.09	39.41
Gasoil/Diesel	*(50 ppm)*	37.37	40.07	2.69	67.54	38.68
Fuel oil	*(180 cst 2.0% S)*	26.77	25.92	-0.84	49.32	26.33
Fuel oil	*(380 cst 3.5% S)*	22.77	23.27	0.51	47.04	23.01

*Note: * Barges.*

*** Cost, insurance and freight (CIF).*

Sources: Argus Media and OPEC Secretariat.

Table 6.2: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				Refinery utilization, %			
	Dec 15	Jan 16	Feb 16	Change Feb/Jan	Dec 15	Jan 16	Feb 16	Change Feb/Jan
US	16.60	16.10	15.68	-0.42	92.59	89.76	87.44	-2.32
France	1.07	1.13	-	-	76.17	80.37	-	-
Germany	1.90	1.87	-	-	86.65	85.56	-	-
Italy	1.37	1.31	-	-	66.76	63.88	-	-
UK	1.14	1.13	-	-	86.62	85.71	-	-
Euro-16	10.63	10.53	-	-	90.77	89.94	-	-
Japan	3.40	3.50	3.50	0.00	86.81	89.44	89.44	0.00

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

Tanker Market

Following a drop the previous month, average dirty tanker spot freight rates declined further in February by 15% to stand at WS77 points. Lower rates were seen in all reported dirty classes in February and are partially attributed to holidays in the East, a well-populated tonnage list and limited activity in several areas. Factors that contributed to the freight rate drop were seen on most major shipping routes, with the only exception being the Caribbean, where rough weather conditions and uncertain itineraries supported freight rates. In general, dirty tankers were lacking volumes in February. The VLCC class showed the highest drop, compared with Suezmax and Aframax, which declined by 26%, 17% and 6%, respectively. The clean tanker market was mostly quiet in February, falling under general bearish sentiment as spot freight rates weakened on all reported routes. Product trade was limited on both directions from Suez during the holidays, and a quiet market was seen to dampen tonnage demand.

Spot fixtures

According to preliminary data, **global fixtures** increased by 14% in February compared with the previous month. **OPEC spot fixtures** were up by 11.5%, or 1.21 mb/d, to average 11.78 mb/d. Fixtures on the Middle East-to-East route averaged 6.24 mb/d in February, increasing by 1.10 mb/d from one month ago, while those on the Middle East-to-West route averaged 2.13 mb/d. Outside of the Middle East, fixtures averaged 3.42 mb/d, showing an increase of 0.24 mb/d compared with the same period a year earlier. Global fixtures dropped by 9% in February.

Table 7.1: Tanker chartering, sailings and arrivals, mb/d

	Dec 15	Jan 16	Feb 16	*Change* Feb 16/Jan 16
Spot Chartering				
All areas	15.92	14.40	16.45	2.05
OPEC	11.05	10.57	11.78	1.21
Middle East/East	4.92	5.14	6.24	1.10
Middle East/West	2.40	2.26	2.13	-0.13
Outside Middle East	3.74	3.17	3.42	0.24
Sailings				
OPEC	23.66	23.87	24.16	0.29
Middle East	17.05	17.27	17.56	0.28
Arrivals				
North America	10.19	10.49	10.02	-0.47
Europe	11.99	11.31	12.18	0.87
Far East	8.30	8.59	8.27	-0.31
West Asia	4.86	4.47	4.79	0.32

Source: Oil Movements.

Sailings and arrivals

Preliminary data shows **OPEC sailings** increasing in February by 1.2%, averaging 24.16 mb/d, still 0.33 mb/d below the same month a year ago. Middle East sailings were up from the previous month by 1.6%, but less than 3% from a year before. February arrivals were mixed, registering declines in North American and far eastern ports of 4.5% and 3.7%, respectively, from one month ago, while arrivals to Europe and West Asia increased by 7.7% and 7.1%, respectively, to average 12.18 mb/d and 4.79 mb/d.

Spot freight rates

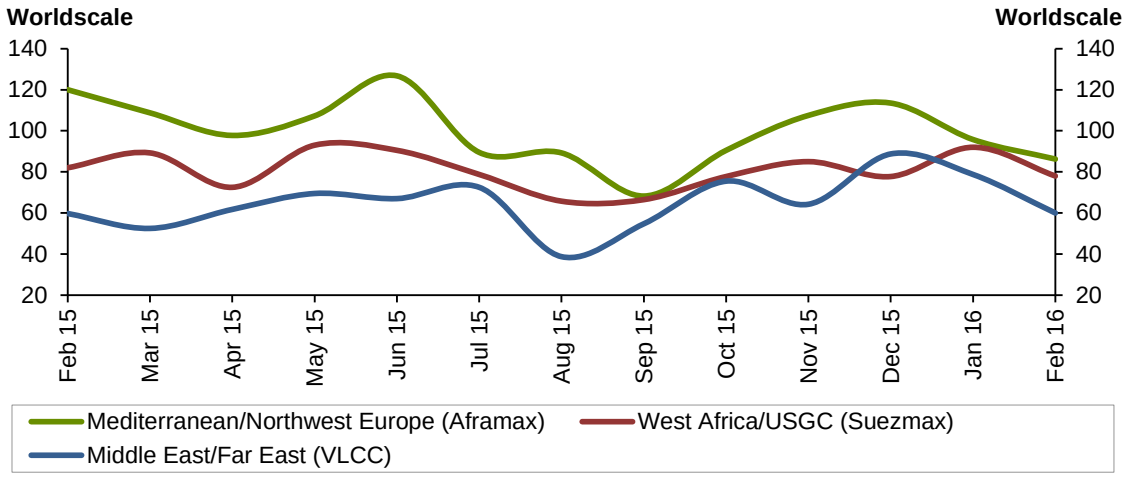
VLCC

Despite a relatively active start for **VLCC** tankers at the beginning of the month, freight rates dropped on average from the previous month as activity thinned, partially on the back of Chinese New Year in the East and market events in the West. Activity picked up somewhat following the holidays, however the amount was incapable of supporting freight rates, or only managed to prevent further drops.

VLCC requirements were limited on most major routes. The tonnage market in the Middle East showed volatility, with drops on average to both eastern and western destinations. Despite uncertainty and berthing delays in the East, freight rates registered for tankers operating on the Middle East-to-East route went down by 24% from a month before to stand at WS60 points. Middle East-to-West routes declined by 39% from a month before to stand at WS35 points, influenced by the downward pressure in the region. Similarly, West Africa-to-East routes dropped by 19% from a month earlier to average WS67, also influenced by a lack of firm inquiries and low activity for transatlantic shipments.

Generally, VLCC spot freight rates experienced the highest drop among tankers in the dirty tanker market. Average spot freight rates for VLCCs declined by 26% in February from the previous month to average WS54 points.

Graph 7.1: Monthly averages of crude oil spot freight rates



Sources: Argus and Platts.

Suezmax

Suezmax spot freight rates dropped to a lesser extent than those of VLCCs in February. Rates for tankers operating on the West Africa-to-US route decreased by 15% to average WS78 points. Rates on the Northwest Europe (NWE)-to-US route fell by 20% in February from the previous month to average WS67 points.

A soft trend was dominant for Suezmax in February, with lower rates and limited demand in many chartering markets such as the Black Sea, the North Sea and the Mediterranean. In West Africa, Suezmax requirements varied during the course of the month. However, rates edged down on most days, as market activity did not pick up significantly enough to support them, with the exception of some deals done at higher levels for deferred loadings, which came on the back of port delays in Spain.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size				Change
	1,000 DWT	Dec 15	Jan 16	Feb 16	Feb 16/Jan 16
Crude					
Middle East/East	230-280	89	79	60	-19
Middle East/West	270-285	53	58	35	-23
West Africa/East	260	80	83	67	-16
West Africa/US Gulf Coast	130-135	78	92	78	-14
Northwest Europe/US Gulf Coast	130-135	62	83	67	-16
Indonesia/East	80-85	123	126	111	-15
Caribbean/US East Coast	80-85	124	122	132	9
Mediterranean/Mediterranean	80-85	120	102	91	-11
Mediterranean/Northwest Europe	80-85	114	96	86	-10

Sources: Argus and Platts.

Aframax

The **Aframax** sector saw the least decline in freight rates compared with other tankers in the dirty segment. Freight rates on most reported routes showed a drop from the previous month, with the exception being Caribbean loadings. Still, Aframax owners ended the month of February with low earnings, not fully benefiting from the ice season.

In the Mediterranean, the Aframax market suffered from a lack of firm orders and an increase in tonnage buildup, which eventually led to a drop in freight rates to levels not seen for some time. Freight rates for Aframax operating on both Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes showed a decline of 11% and 10%, respectively.

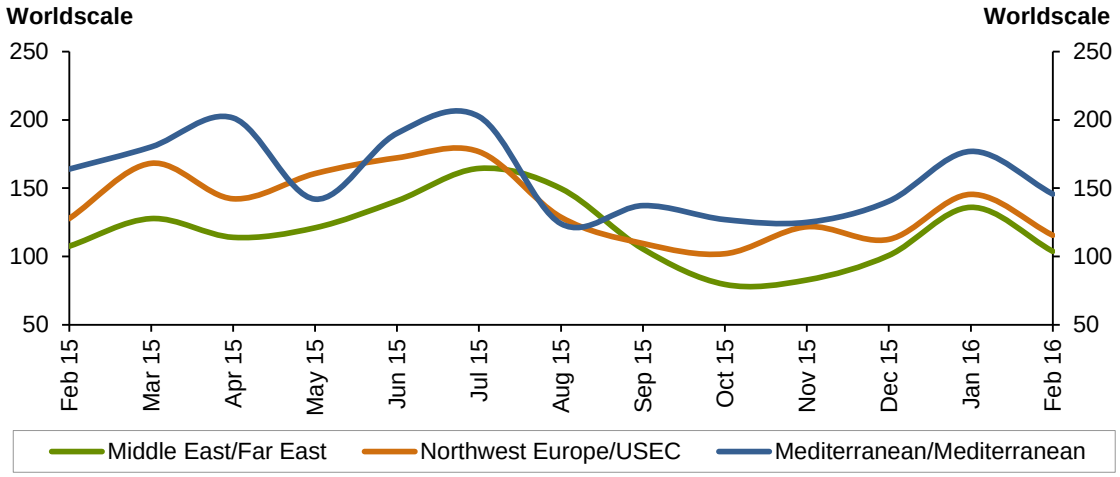
In the Caribbean, Aframax freight rates increased from the previous month, the only positive monthly performance for all reported dirty tankers. Higher rates in February came on the back of replacement fixtures and increased delays as a result of bad weather conditions in the US Gulf region. Aframax rates on Caribbean-to-US routes reported an increase of 8% to stand at WS132 points. On the other hand, rates dropped in the North Sea and the Baltics, mainly due to a lack of activity, combined with tonnage surplus.

Clean spot freight rates

In the **clean** tanker market, spot freight rates weakened on all reported routes in February. As seen in the dirty market, freight rates for clean tankers in different classes were under pressure as activity in the clean tanker market was affected by holidays.

Clean tanker rates declined by an average of 17% as both East and West of Suez fixtures dropped by 14% and 18%, respectively. Tanker availability was ample for both long-range 1 (LR1) and LR2 vessels, with freight rates weakening mainly in the East. Limited activity led to an increase in vessel surplus, which was the main factor behind the freight rate decline; medium-range tankers were no exception.

Graph 7.2: Monthly average of clean spot freight rates



Sources: Argus and Platts.

A large rate drop was registered for tankers trading on the NWE-to-US East Coast (USEC) route, down by 21% from the month before, as the tonnage list grew. Mediterranean chartering market performance ended negative as well, despite a steady flow of requirements seen at month's end, combined with replacement orders for the Mediterranean-to-Mediterranean and Mediterranean-to-NWE routes; they dropped by 18% and 17%, respectively. In East of Suez, the drop was greater; the Middle East market suffered from a shortage of naphtha shipments to Japan. Thus, the Middle East-to-East route rate was down by 24%, while the Singapore-to-East route dropped by 4%, to stand at WS104 points and WS109 points, respectively.

Table 7.3: Spot tanker product freight rates, Worldscale

	Size				Change
	1,000 DWT	Dec 15	Jan 16	Feb 16	Feb 16/Jan 16
Products					
Middle East/East	30-35	101	136	104	-32
Singapore/East	30-35	109	134	129	-5
Northwest Europe/US East Coast	33-37	113	146	116	-30
Mediterranean/Mediterranean	30-35	141	177	146	-31
Mediterranean/Northwest Europe	30-35	151	188	156	-32

Sources: Argus and Platts.

Oil Trade

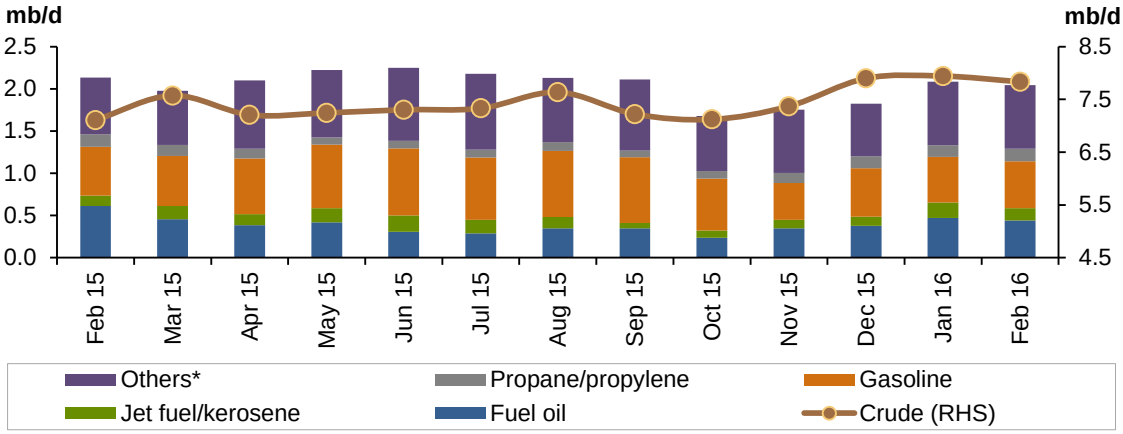
US preliminary data shows that February crude oil imports dropped by 108 tb/d or 1% from the previous month to average 7.8 mb/d, though on an annual basis the figure rose by 726 tb/d, or 10%, from a year earlier. US product imports fell by 39 tb/d, or 2%, m-o-m to average 2 mb/d, while y-o-y dropping by 88 tb/d, or 4%. Japan's crude oil imports fell in January by 106 tb/d, or 3%, to average 3.4 mb/d. Y-o-y, crude imports declined in January by 87 tb/d, or 3%. However, product imports increased in January by 21 tb/d to average 698 tb/d, reflecting a gain of 3% m-o-m and 1% y-o-y. China crude oil imports dropped in January by 1.533 mb/d, or 20%, from the previous month to average 6.3 mb/d. In an annual comparison, China's crude imports went down by 304 tb/d, or 5% lower than levels seen the previous year. The country showed less product imports over the previous month by 321 tb/d, while staying above the previous year's level by 118 tb/d or 13%. In January, Indian crude imports rose slightly to reach their highest level, increasing by 62 tb/d, or 2%, from the previous month to average 4.2 mb/d, an annual increase of 64 tb/d, or 3%. Regarding products, Indian imports in January rose slightly by 33 tb/d, or 5%, m-o-m to average 678 tb/d, rising y-o-y by 189 tb/d, or 39%.

US

Preliminary data for February shows **US crude oil imports** declining by 108 tb/d, or 1%, from the previous month to average 7.8 mb/d, though this reflects an annual gain of 726 tb/d, or 10%, from a year earlier.

US product imports dropped by 39 tb/d, or 2%, m-o-m in February to average 2 mb/d, while dropping y-o-y by 88 tb/d, or 4%. **US product exports** registered an increase of 176 tb/d, or 5%, to average 4 mb/d from the previous month. In an annual comparison, the figures reflected a drop of 193 tb/d, or 5%. As a result, **US total net imports declined in February to average 5.4 mb/d**, 5% lower than the previous month and 19% higher than the previous year's level.

Graph 8.1: US imports of crude and petroleum products



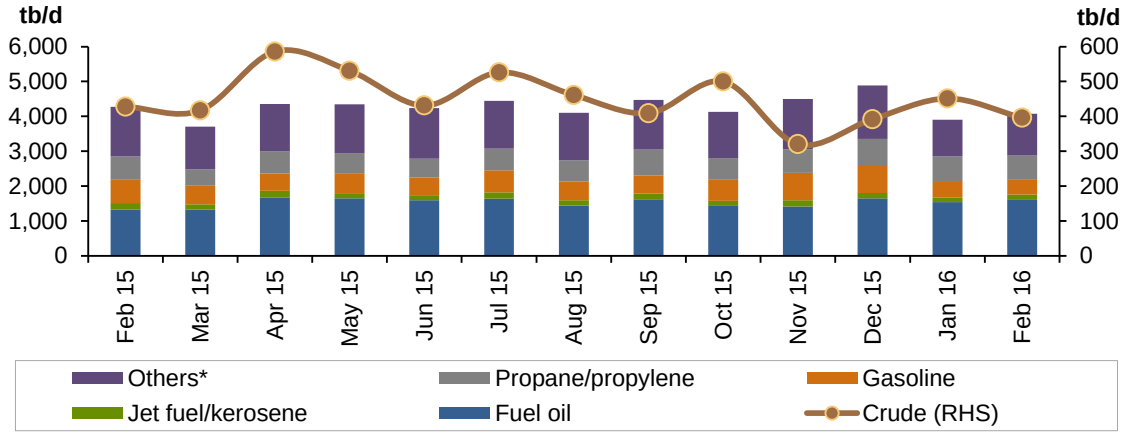
*Note: *Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene.*
Sources: US Energy Information Administration and OPEC Secretatiat.

According to December data, Canada remained the **premier crude supplier to the US**, accounting for 43% of total US crude imports; its monthly values were 242 tb/d or 8% higher than a month ago. Saudi Arabia came in as second-largest supplier, holding

a share of 14% of total US crude imports. Venezuela was third, with higher volumes than seen the previous month by 41 tb/d, or 5%.

Crude imports from OPEC Member Countries in December rose by 6% from a month earlier, on increased volumes from Iraq by 178 tb/d, while fewer volumes were imported from Saudi Arabia and Angola. Conversely, **US product imports from OPEC Member Countries** dropped by 67% from the previous month. Canada and Russia maintained their positions as first and second product suppliers to the US, while the UK came in third with shares of 34%, 9% and 6%, respectively.

Graph 8.2: US exports of crude and petroleum products



*Note: *Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene.*
Sources: US Energy Information Administration and OPEC Secretatiat.

US crude imports by region: December US crude imports from North America averaged 3.4 mb/d, thus the region held its position as premier supplier, followed by Latin America, which exported 2.3 mb/d to the US. Imports from the Middle East increased in December from a month before, averaging 1.76 mb/d, while those from Africa stood at the same level as a month earlier, averaging 332 tb/d.

Regarding crude imports by PADD: PADD 1 imports dropped from Latin America and the Middle East by 21 tb/d and 35 tb/d, respectively. The highest crude imports to the US East Coast continued to come from North America and averaged 306 tb/d, up by 56 tb/d from the previous month. Imports to PADD 2 remained mainly mostly covered by North America, averaging 2.33 mb/d in December and up by 208 tb/d from a month before. PADD 3 imports came primarily from Latin America, followed by the Middle East. Imports from both regions were up from a month earlier by 226 tb/d and 195 tb/d, respectively. PADD 4 typically sourced its imports only from North America, averaging 271 tb/d. In PADD 5, the US West Coast received diversified imports. As seen earlier, the largest imports came from the Middle East and North America, which averaged 405 tb/d and 301 tb/d, respectively.

Table 8.1: US crude and product net imports, tb/d

	Dec 15	Jan 16	Feb 16	*Change* Feb 16/Jan 16
Crude oil	7,508	7,491	7,439	-52
Total products	-3,057	-1,817	-2,033	-215
Total crude and products	**4,451**	**5,674**	**5,407**	**-267**

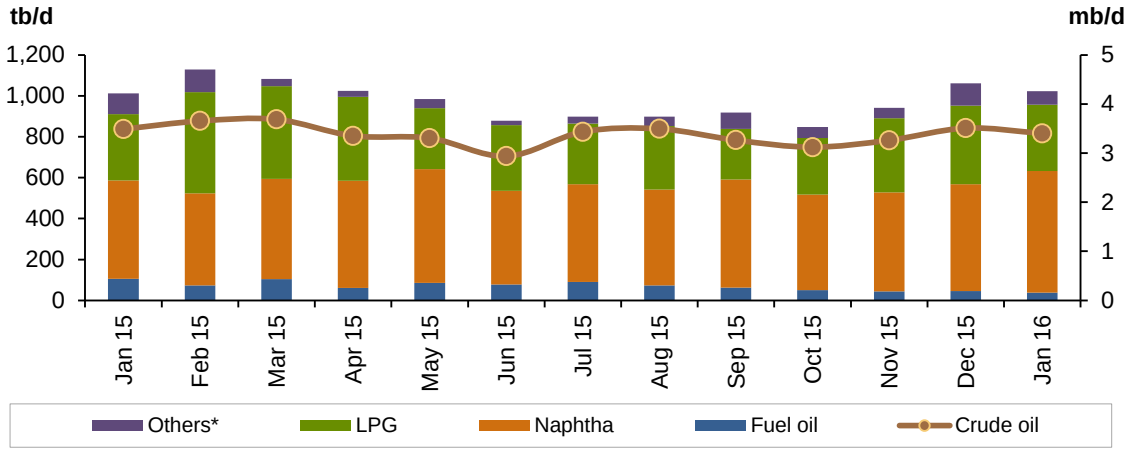
Sources: US Energy Information Administration and OPEC Secretatiat.

Japan

Japan's crude oil imports dropped in January by 106 tb/d, or 3%, to average 3.4 mb/d. In a y-o-y comparison imports declined for the month by 87 tb/d, or 3%.

Saudi Arabia, the UAE and Qatar were **top suppliers** to Japan in January, with Saudi Arabia coming in as the main crude supplier again, with a share of 40%. The UAE came in as second-largest supplier to Japan with a share of 25% of total crude exports, while Qatar held third position with a share of 8%. Both Saudi Arabia and the UAE saw an increase in volumes exported to Japan from the previous month of 14% and 9%, respectively, while Qatar's exports to the country decreased by 17 tb/d, or 6%, from the previous month.

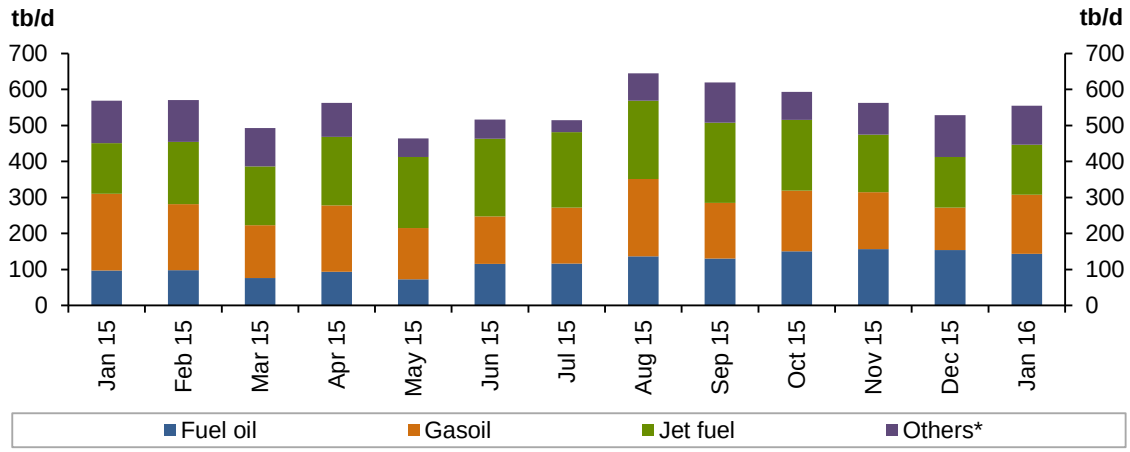
Graph 8.3: Japan's imports of crude and petroleum products



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

In contrast, **product imports** increased in January by 21 tb/d to average 698 tb/d, reflecting a gain of 3% m-o-m and 1% y-o-y. **Product exports** from Japan increased by 26 tb/d or 5% to average 554 tb/d. In a y-o-y comparison exports fell by 14 tb/d or 3%. Accordingly, **Japan's net imports dropped in January by 112 tb/d to average 3.5 mb/d**, reflecting a monthly and annual drop of 3% and 2%, respectively.

Graph 8.4: Japan's exports of petroleum products



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

Table 8.2: Japan's crude and product net imports, tb/d

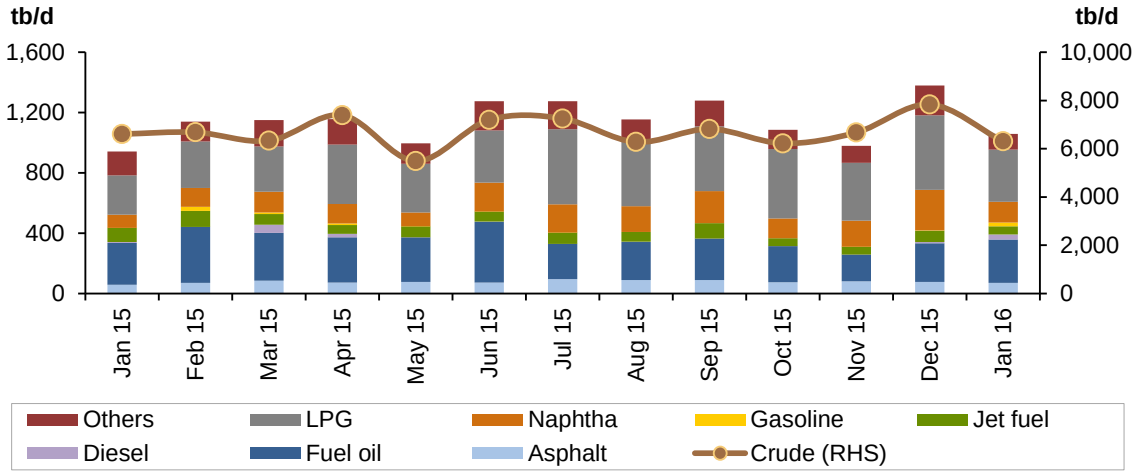
	Nov 15	Dec 15	Jan 16	Change Jan 16/Dec 15
Crude oil	3,260	3,508	3,402	-106
Total products	16	149	143	-5
Total crude and products	**3,276**	**3,657**	**3,545**	**-112**

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

China

Following a substantial increase in **crude oil imported** by China in December, the amount dropped in January by 1.533 mb/d or 20% from the previous month to average 6.3 mb/d. In an annual comparison, the country's crude imports went down by 304 tb/d, or 5%, lower than levels seen the previous year.

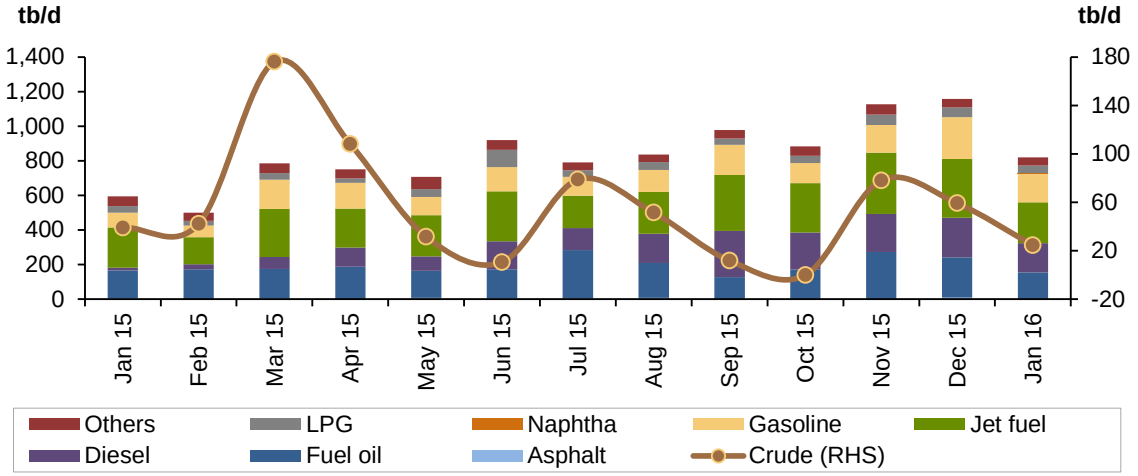
Graph 8.5: China's imports of crude and petroleum products



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

Saudi Arabia, Russia and Angola were the **top suppliers** to China in January, accounting for 16%, 13% and 11%, respectively. However, all top suppliers showed lower volumes exported to China by 5%, 30% and 11%, respectively, from the previous month. China also showed less **product imports** from the previous month by 321 tb/d, while staying above previous year's levels by 118 tb/d, or 13%.

Graph 8.6: China's exports of crude and petroleum products



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

Chinese crude exports declined in January by 35 tb/d to average 25 tb/d. Similarly, **Chinese product exports** dropped by 339 tb/d, or 29%, m-o-m mainly due to a decline in exports of jet fuel, diesel and gasoline, though the amount increased by 225 tb/d, or 38% y-o-y. As a result, **Chinese net oil imports dropped by 1.5 mb/d, or 19%, from the previous month to average 6.5 mb/d** and 397 tb/d, or 6%, from a year earlier.

Table 8.3: China's crude and product net imports, tb/d

	Nov 15	Dec 15	Jan 16	*Change* Jan 16/Dec 15
Crude oil	6,592	7,777	6,278	-1,499
Total products	-149	221	240	18
Total crude and products	**6,443**	**7,998**	**6,518**	**-1,481**

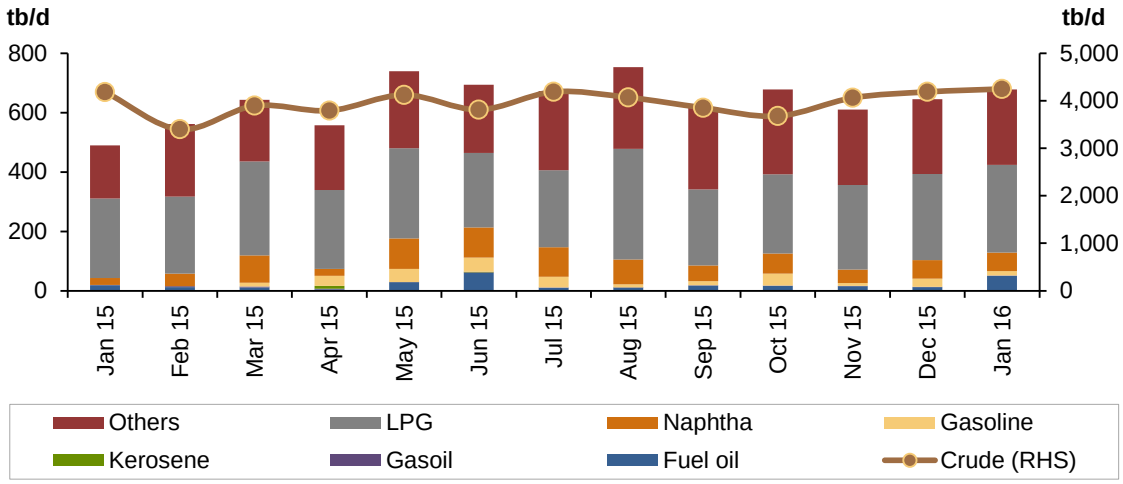
Sources: Argus China Petroleum and China, Oil and Gas Petrochemicals and OPEC Secretariat.

India

In January, **Indian crude imports** rose slightly to reach the highest level seen to date, increasing by 62 tb/d, or 2%, from the previous month to average 4.2 mb/d, exhibiting an annual increase of 64 tb/d, or 3%.

Indian **imports of products** in January rose slightly by 33 tb/d, or 5%, m-o-m to average 678 tb/d, climbing y-o-y by 189 tb/d, or 39%. The increase is attributed mainly to higher imports of fuel oil.

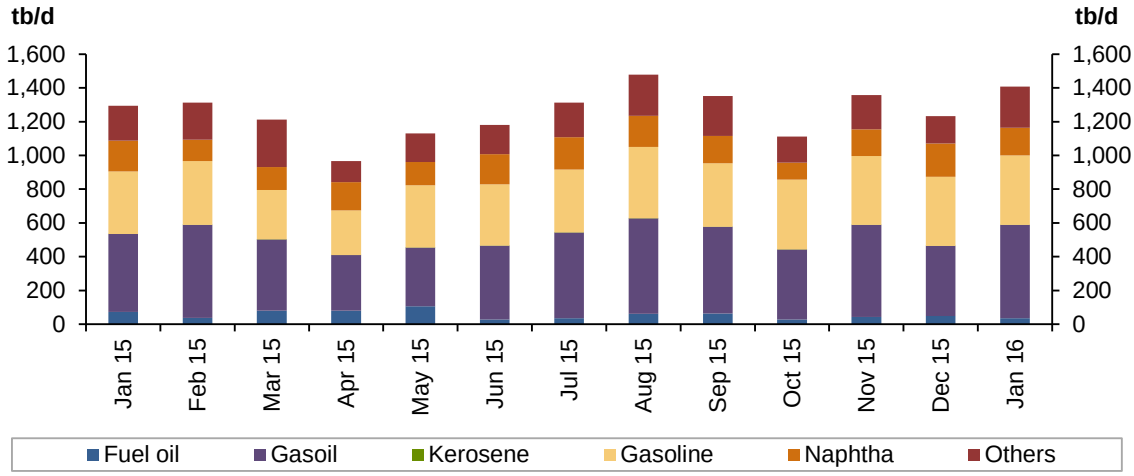
Graph 8.7: India's imports of crude and petroleum products



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

Indian **product exports** went up in January by 175 tb/d, or 14%, to average 1.4 mb/d. Y-o-y, product exports increased by 113 tb/d, or 9%. Higher monthly product exports were seen mainly as a result of higher diesel exports.

Graph 8.8: India's exports of petroleum products



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

Consequently, **India's net imports declined by 80 tb/d to average 3.5 mb/d**, down by 2%, though still above the same month a year ago by 4%.

Table 8.4: India's crude and product net imports, tb/d

	Nov 15	Dec 15	Jan 16	*Change* Jan 16/Dec 15
Crude oil	4,059	4,185	4,247	62
Total products	-747	-589	-731	-142
Total crude and products	**3,312**	**3,596**	**3,516**	**-80**

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

FSU

Total crude oil exports from the former Soviet Union in January increased by 223 tb/d, or 4%, to average 6.7 mb/d, while crude exports through Russian pipelines increased by 241 tb/d, or 6%, to average 4.1 mb/d.

Total shipments from the **Black Sea** rose by 241 tb/d, or 58%, to average 657 tb/d, while total **Baltic Sea** exports increased by 53 tb/d in January, as shipments from the Ust Luga port terminal rose by 142 tb/d. Total shipments from the **Druzhba** pipeline declined by 35 tb/d to average 1 mb/d and Kozmino shipments declined by 23 tb/d, or 3%, to average 652 tb/d.

Exports through the **Lukoil system** saw nearly no change from the previous month either in the Barents Sea, where the Varandey offshore platform reported the same exports as in December, averaging 152 tb/d, or in the Baltic Sea, where the Kalinigrad port terminal showed a marginal increase of 7 tb/d.

In the **Russian Far East**, total exports for January declined by 20 tb/d, or 5%, from the previous month as a result of lower exports from both Aniva Bay and De Kastri port terminals.

Black Sea total exports dropped by 39 tb/d as the Novorossiyk (cbc) and Supsa port terminals showed lower exports by 36 tb/d and 20 tb/d, respectively, from December.

In the **Mediterranean Sea**, BTC supplies showed an increase of 26 tb/d, or 4%, from the previous month to average 686 tb/d.

FSU total product exports increased by 197 tb/d, or 6%, from the previous month to average 3.3 mb/d. Higher product exports came mainly as a result of larger exported volumes of gasoil, gasoline and fuel oil, which increased from one month earlier by 171 tb/d, 69 tb/d and 39 tb/d, respectively.

Table 8.5: Recent FSU exports of crude and petroleum products by source, tb/d

Transneft system		2014	3Q15	4Q15	Dec 15	Jan 16
Europe	**Black sea total**	**605**	**594**	**533**	**416**	**657**
	Novorossiysk port terminal - total	605	594	533	416	657
	of which: Russian oil	438	433	396	289	489
	Others	166	160	137	127	168
	Baltic sea total	**1,304**	**1,358**	**1,492**	**1,404**	**1,456**
	Primorsk port terminal - total	842	836	955	959	870
	of which: Russian oil	834	836	955	959	870
	Others	8	0	0	0	0
	Ust-Luga port terminal - total	462	522	536	445	586
	of which: Russian oil	284	356	323	234	352
	Others	177	166	213	210	234
	Druzhba pipeline total	**1,005**	**1,058**	**1,077**	**1,047**	**1,012**
	of which: Russian oil	973	1,026	1,045	1,015	980
	Others	32	32	32	32	32
Asia	**Pacific ocean total**	**507**	**592**	**647**	**675**	**652**
	Kozmino port terminal - total	507	592	647	675	652
	China (via ESPO pipeline) total	**342**	**338**	**341**	**344**	**349**
	China Amur	342	338	341	344	349
Total Russian crude exports		**3,763**	**3,939**	**4,090**	**3,886**	**4,127**
Lukoil system		**2014**	**3Q15**	**4Q15**	**Dec 15**	**Jan 16**
Europe & N. America	**Barents sea total**	**120**	**137**	**136**	**152**	**152**
	Varandey offshore platform	120	137	136	152	152
Europe	**Baltic sea total**	**12**	**15**	**14**	**12**	**19**
	Kalinigrad port terminal	12	15	14	12	19
Other routes		**2014**	**3Q15**	**4Q15**	**Dec 15**	**Jan 16**
Asia	**Russian Far East total**	**275**	**301**	**347**	**365**	**346**
	Aniva bay port terminal	112	105	114	134	115
	De Kastri port terminal	162	196	233	231	231
	Central Asia total	**228**	**217**	**211**	**202**	**201**
	Kenkiyak-Alashankou	228	217	211	202	201
Europe	**Black sea total**	**982**	**736**	**1,068**	**1,140**	**1,101**
	Novorossiysk port terminal (CPC)	855	649	961	1,027	991
	Supsa port terminal	80	79	96	107	88
	Batumi port terminal	39	8	11	5	23
	Kulevi port terminal	9	0	0	0	0
	Mediterranean sea total	**602**	**471**	**613**	**660**	**686**
	BTC	602	471	613	660	686
Russian rail		**2014**	**3Q15**	**4Q15**	**Dec 15**	**Jan 16**
	Russian rail	**46**	**13**	**13**	**16**	**24**
	of which: Russian oil	8	*8*	*9*	*13*	*11*
	Others	38	4	3	3	12
Total FSU crude exports		**6,028**	**5,829**	**6,492**	**6,431**	**6,654**
Products		**2014**	**3Q15**	**4Q15**	**Dec 15**	**Jan 16**
	Gasoline	124	115	145	108	177
	Naphtha	485	457	519	576	578
	Jet	5	29	23	26	4
	Gasoil	933	888	863	857	1,028
	Fuel oil	1,487	1,253	1,204	1,185	1,224
	VGO	245	270	264	316	254
Total FSU product exports		**3,280**	**3,012**	**3,018**	**3,068**	**3,265**
Total FSU oil exports		**9,308**	**8,842**	**9,510**	**9,499**	**9,919**

Sources: Argus Nefte Transport and Argus Global Markets.

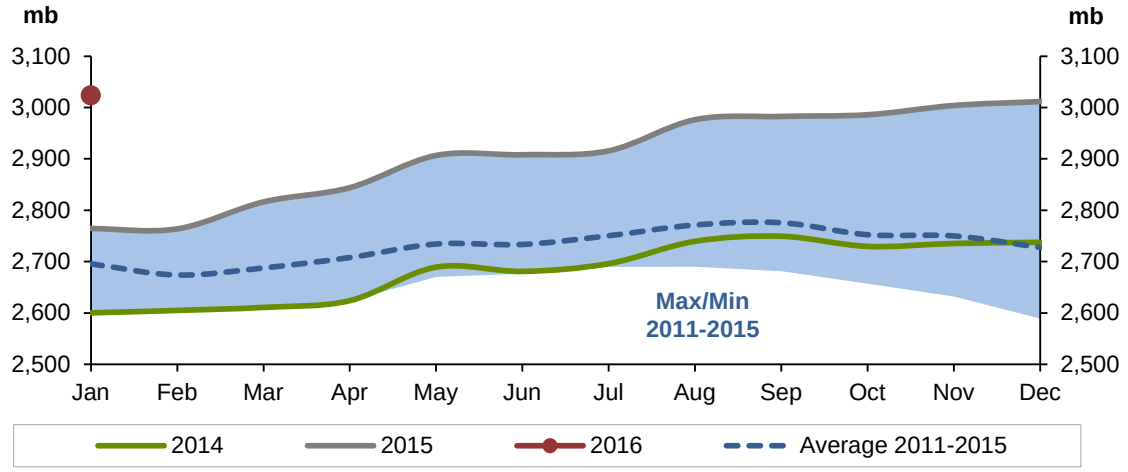
Stock Movements

OECD commercial oil stocks rose in January to stand at 3,023 mb, which was around 328 mb higher than the latest five-year average. Crude and products indicated surpluses of around 244 mb and 84 mb, respectively, above the seasonal norm. In terms of days of forward cover, OECD commercial stocks stood at 65.3 days, which was 6.8 days higher than the latest five-year average. Preliminary data for February showed that total commercial oil stocks in the US rose by 8.7 mb to stand at 1,346 mb, which was 257 mb higher than the latest five-year average. Within the components, crude rose by 15.3 mb, while products fell by 6.6 mb. The latest information for China showed a decline in total commercial oil inventories of 3.3 mb in January to stand at 380.8 mb, which was around 16.9 mb higher than the previous year at the same time. Within the components, commercial crude oil fell by 8.9 mb, while product inventories rose by 5.6 mb.

OECD

The latest information for January shows that total OECD commercial oil stocks rose by 11.8 mb to end the month at 3,023 mb, which was around 259 mb higher than the same time one year ago and 328 mb above the latest five-year average. Within the components, crude rose by 14.5 mb, while products fell by 2.7 mb.

Graph 9.1: OECD's commercial oil stocks



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

OECD commercial crude stocks rose by 14.5 mb to end January at 1,527 mb, which was 176 mb above the same time one year earlier and nearly 244 mb higher than the latest five-year average. OECD North America experienced a build, while OECD Asia Pacific saw a drop. OECD Europe's stocks experienced a slight build.

OECD product inventories fell in January by 2.7 mb for the second consecutive month to stand at 1,497 mb, which was 83 mb higher than a year ago at the same time and 84 mb above the seasonal norm. OECD Americas and OECD Asia Pacific experienced stock draws, while OECD Europe witnessed builds.

In terms of **days of forward cover**, OECD commercial stocks rose by 0.8 days in January to stand at 65.3 days, which was 5.8 days above the previous year in the same period and 6.8 days higher than the latest five-year average. Within the regions,

OECD Americas' days of forward cover were 9.6 days higher than the historical average to stand at 66.7 days in January. OECD Asia Pacific stood 3.5 days above the seasonal average to finish the month at 50.4 days. At the same time, OECD Europe indicated a surplus of 3.7 days above the seasonal norm, averaging 71.6 days in January.

Commercial stocks in **OECD Americas** rose by 17.9 mb in January to end the month at 1,620 mb, which was a surplus of 160 mb above a year ago and 261 mb higher than the seasonal norm. Within the components, crude stocks rose by 21.3 mb, while product stocks fell by 3.4 mb.

At the end of January, **commercial crude oil stocks** in **OECD Americas** rose, ending the month at 851 mb, which was 108 mb above the same time one year ago and 185 mb above the latest five-year average. This build was mainly driven by lower US refinery runs, combined with higher crude oil imports.

In contrast, **product stocks in OECD Americas** declined by 3.4 mb to end January at 769 mb, which was 52 mb above the same time one year ago and 75 mb higher than the seasonal norm. This decline came mainly from lower refinery output.

OECD Europe's commercial stocks rose by 1.4 mb in January to stand at 985 mb, which was 79 mb higher than the same time a year ago and 49 mb above the latest five-year average. Crude stocks and product stocks rose by 0.5 mb and 0.9 mb, respectively.

OECD Europe's commercial crude stocks rose slightly in January to end the month at 422 mb, which was 45 mb above the same period a year earlier and 36 mb higher than the latest five-year average. This slight build came from lower crude throughput.

OECD Europe's commercial product stocks also rose by 0.9 mb to end January at 563 mb, which was 34 mb higher than a year ago at the same time and 13 mb higher than the seasonal norm. This fall was mainly driven by lower product demand in the region.

OECD Asia Pacific's commercial oil stocks fell by 7.5 mb in January for the fifth consecutive month to stand at 418 mb, which was 20 mb higher than a year ago and 18 mb above the five-year average. Within the components, crude and product stocks fell by 7.3 mb and 0.2 mb, respectively. In January, crude inventories ended the month at 254 mb, which was 22 mb higher than a year ago and 23 mb above the seasonal norm. OECD Asia Pacific's total product inventories ended January at 164 mb, indicating a slight deficit of 2.9 mb below a year ago and 4.8 mb lower than the seasonal norm.

Table 9.1: OECD's commercial stocks, mb

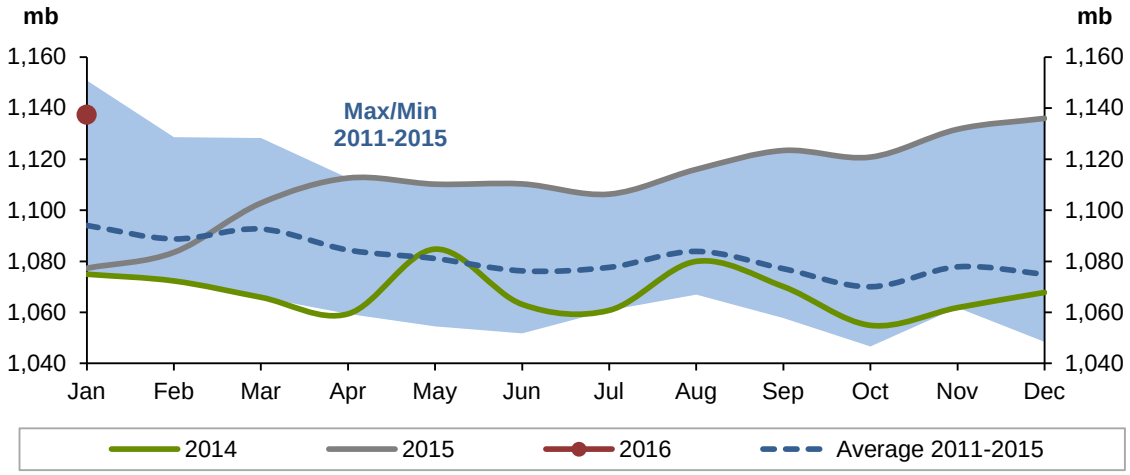
				Change	
	Nov 15	Dec 15	Jan 16	Jan 16/Dec 15	Jan 15
Crude oil	1,503	1,512	1,527	14.5	1,351
Products	1,501	1,499	1,497	-2.7	1,413
Total	**3,004**	**3,012**	**3,023**	**11.8**	**2,764**
Days of forward cover	**64.2**	**64.5**	**65.3**	**0.8**	**59.4**

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

EU plus Norway

Preliminary data for January shows that **total European stocks** rose by 1.4 mb to stand at 1,137.4 mb, which was 60.1 mb, or 5.6%, above the same time a year ago and 43.4 mb, or 4.0%, higher than the latest five-year average. Crude and products rose by 0.5 mb and 0.9 mb, respectively.

Graph 9.2: EU-15 plus Norway's total oil stocks



Source: Euroilstock .

European crude inventories rose slightly in January to stand at 482.9 mb, which was 22.1 mb, or 4.8%, above the same period a year ago and 24.1 mb, or 5.3%, higher than the seasonal norm. This increase came from lower refinery runs, which declined by 50,000 b/d to average 10.6 mb/d.

European product stocks rose by 0.9 mb to end January at 654.5 mb, which was 38.0 mb, or 6.2%, above the same time a year ago and 19.3 mb, or 3.0%, above the seasonal norm. Within products, the picture was mixed, with gasoline and distillate stocks showing builds, while naphtha and residual fuel experienced stock draws.

Distillate stocks rose by 1.8 mb to end January at 441.1 mb, reversing the stock draw of last month. With this stock build, distillate stocks were 51.0 mb, or 13.1%, higher than the previous year at the same time and 40.1 mb, or 10.0%, above the latest five-year average. This build could be attributed to lower demand in the region.

Gasoline stocks also rose by 1.0 mb in January to stand at 112.5 mb, which was 10.0 mb, or 8.2%, below a year earlier, and 3.8 mb, or 3.3%, less than the seasonal norm. This build was mainly driven by lower apparent consumption in major European countries.

In contrast, residual fuel oil stocks fell by 1.5 mb in January to stand at 78.0 mb, which was 0.7 mb, or 0.9%, above the same month a year ago, but remained 9.6 mb, or 11.0%, lower than the latest five-year average.

Naphtha stocks also fell by 0.4 mb in January to end the month at 22.9 mb, which was 3.6 mb, or 13.6%, less than the same time a year ago and 7.3 mb, or 24.3%, lower than the seasonal average.

Table 9.2: EU-15 plus Norway's total oil stocks, mb

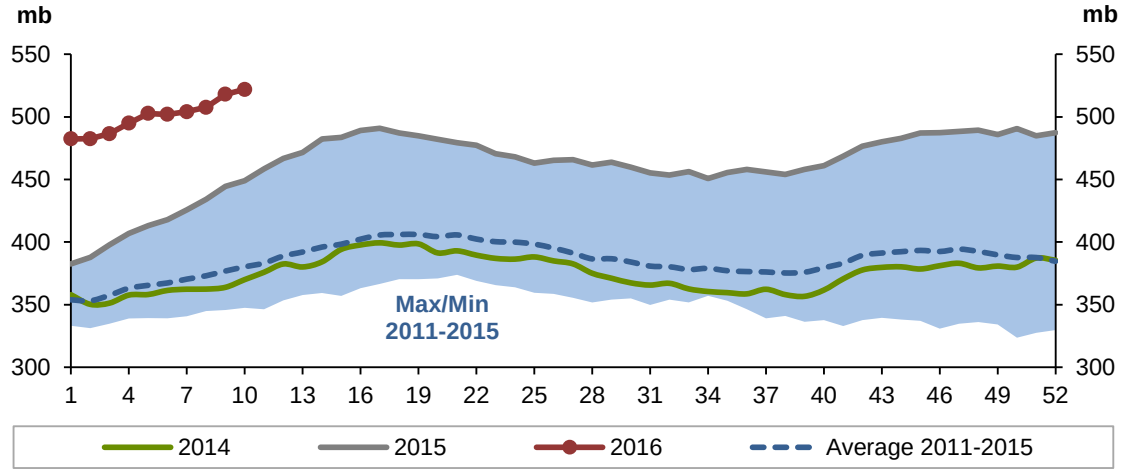
	Nov 15	Dec 15	Jan 16	Change Jan 16/Dec 15	Jan 15
Crude oil	**474.3**	**482.4**	**482.9**	**0.5**	**460.8**
Gasoline	112.0	111.5	112.5	1.0	122.6
Naphtha	22.4	23.3	22.9	-0.4	26.5
Middle distillates	441.4	439.3	441.1	1.8	390.1
Fuel oils	81.6	79.5	78.0	-1.5	77.3
Total products	657.4	653.6	654.5	0.9	616.5
Total	**1,131.7**	**1,136.0**	**1,137.4**	**1.4**	**1,077.3**

Sources: Argus and Euroilstock.

US

Preliminary data for February shows that **total commercial oil stocks** in the US rose by 8.7 mb, following the increase of 18.0 mb in January. At 1,346 mb, they were 159.4 mb, or 13.4%, above the same period a year ago and 257.0 mb, or 23.6%, higher than the latest five-year average. Within the components, crude rose by 15.3 mb, while products fell by 6.6 mb.

Graph 9.3: US weekly commercial crude oil stocks



Sources: US Energy Information Administration and OPEC Secretariat.

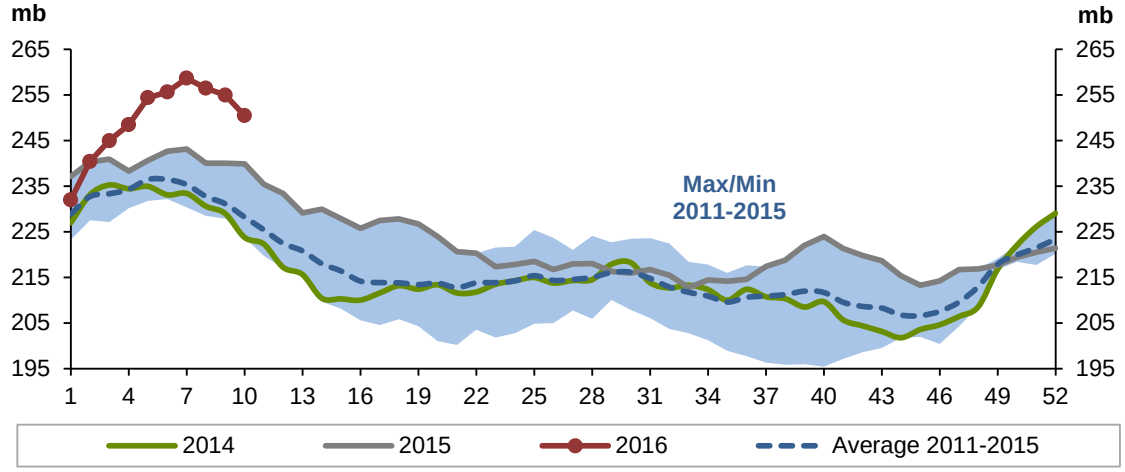
US commercial crude stocks rose in February to reach a new record high at 518.0 mb. Over the last two months, US commercial crude stocks accumulated 36.6 mb, and stood at 70 mb, or 15.6%, above the same time one year ago and 137 mb, or 35.9%, above the latest five-year average. This build was mainly driven by lower crude runs, which declined by around 240,000 b/d to average 15.7 mb/d. Refineries were running at 87.5%, or 1.4 percentage points (pp) less than in the previous month. The bulk of the build in US commercial crude stocks occurred in the last week of the month as inventories jumped by 10.4 mb, the largest build since April 2015. This build was driven by higher imports, which were up by 490,000 b/d to average 8.3 mb/d. Commercial crude inventories at Cushing, Oklahoma, also rose by 2.1 mb to reach a record high of 66.3 mb.

In contrast, **total product stocks** fell by 6.6 mb in February to stand at 828.3 mb, which was around 89.5 mb, or 12.1%, above the level seen at the same time a year ago and 120.1 mb, or 16.2%, above the seasonal norm. Within products, the picture was mixed. All major products saw builds, while propylene saw a substantial stock draw.

Distillate stocks rose by 3.9 mb in February to end the month at 163.6 mb, which was 40.5 mb, or 32.9%, above the same period a year ago and 33.4 mb, or 25.6%, above the latest five-year average. The build in middle distillate stocks was mainly driven by lower demand, which fell by around 90,000 b/d to stand at 3.4 mb/d. Distillate stocks remained almost unchanged at 4.5 mb/d versus the previous month.

In February, **gasoline stocks** rose slightly by 0.6 mb to stand at 255.0 mb, which was 14.3 mb, or 5.9%, higher than the same period a year ago and 23.8 mb, or 10.3%, higher than the latest five-year average. This build came mainly from higher gasoline output, which increased by nearly 600,000 b/d to stand at 9.6 mb/d. Higher gasoline demand limited further builds in gasoline stocks.

Graph 9.4: US weekly gasoline stocks



Sources: US Energy Information Administration and OPEC Secretariat.

Residual fuel oil inventories rose by 2.9 mb to 46.8 mb, which was 10.1 mb, or 27.6%, higher than the previous year at the same time and 10.3 mb, or 2.9%, above the seasonal norm. **Jet fuel** stocks rose by 0.2 mb to end February at 42.4 mb, which was 3.8 mb, or 10%, higher than the same month a year ago and 2.9 mb, or 7.3%, higher than the latest five-year average.

Table 9.3: US onland commercial petroleum stocks, mb

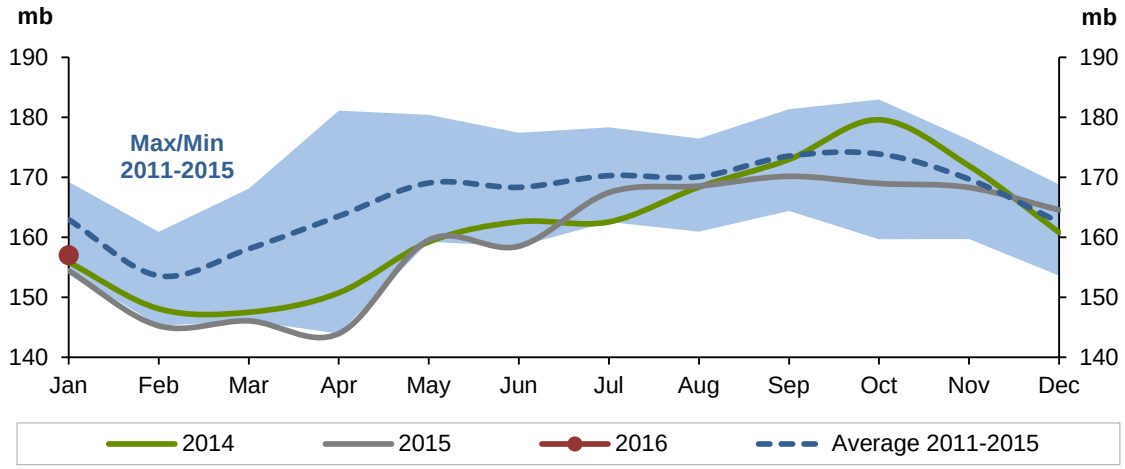
				Change	
	Dec 15	Jan 16	Feb 16	Feb 16/Jan 16	Feb 15
Crude oil	481.4	502.7	518.0	15.3	448.0
Gasoline	235.0	254.4	255.0	0.6	240.7
Distillate fuel	160.7	159.7	163.6	3.9	123.1
Residual fuel oil	42.2	43.8	46.8	2.9	36.7
Jet fuel	40.3	42.2	42.4	0.2	38.6
Total	**1,319.7**	**1,337.7**	**1,346.3**	**8.7**	**1,186.9**
SPR	695.1	695.1	695.1	0.0	691.0

Source: US Energy Information Administration.

Japan

In Japan, total **commercial oil stocks** fell by 7.5 mb in January for the fourth consecutive month. At 157 mb, Japanese commercial oil inventories stood at 2.6 mb, or 1.7%, above a year ago at the same time and 5.9 mb, or 3.9%, below the five-year average. Within the components, crude and product stocks went down by 7.3 mb and 0.2 mb, respectively.

Graph 9.5: Japan's commercial oil stocks



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

In January, Japanese commercial **crude oil stocks** fell, ending the month at 91.2 mb, which was 4.3 mb, or 4.9%, above a year ago at the same time, yet 2.9 mb, or 3.1%, below the seasonal norm. This fall reflects mainly the decline in imports as crude throughput experienced an increase. Indeed, crude oil imports declined by around 100,000 b/d, or 3.0%, to stand at 3.4 mb/d, while crude throughput rose by 80,000 b/d to average 3.5 mb/d. In January, refiners were running at 88.9%, which was 2.1 pp higher than the previous month, yet 1.4 pp lower than a year ago at the same time.

Japan's **total product inventories** fell slightly by 0.2 mb in January to end the month at 65.8 mb, which was 1.7 mb, or 2.5%, below the same time a year ago and 3.0 mb, or 4.4%, below the five-year average. This fall was driven mainly by lower refinery output, which declined by 120,000 b/d, or 3.7%, to average 3.2 mb/d. The drop in domestic sales limited further stock draws in Japanese total product inventories. Indeed, oil product sales in January fell by nearly 230,000 b/d to stand at 3.4 mb/d, which was 3.6% lower than last year at the same time. Within products, the picture was mixed, with gasoline and naphtha experiencing builds, while distillates and residual fuel oil witnessed draws.

Gasoline stocks rose by 1.5 mb to end January at 11.3 mb, which was 0.4 mb, or 3.3%, above the same time a year ago, yet 1.5 mb, or 12.0%, below the latest five-year average. This build was mainly driven by lower gasoline demand, which declined by 125,000 b/d to average 0.8 mb/d. Lower gasoline output limited further builds in gasoline stocks.

Naphtha inventories rose by 1.6 mb in January to stand at 10.8 mb, which was 0.6 mb, or 4.2%, below a year ago at the same time and 1.3 mb, or 8.3%, less than the seasonal norm. This build was driven mainly by lower domestic sales, which declined by 5.7%.

In contrast, **distillate stocks** fell by 2.6 mb in January to stand at 29.7 mb, which was 0.2 mb, or 0.6%, below the same period a year ago and 0.5 mb, or 1.7%, less than the seasonal average. Within the components, jet fuel and kerosene inventories fell by 0.2% and 11.8%, respectively, while gasoil stocks rose by 6.3%. The fall in kerosene inventories was driven by higher kerosene sales, which increased by 50,000 b/d, or 7.3%, to average 0.6 mb/d.

Total residual **fuel oil stocks** also fell by 0.8 mb in January to stand at 14.0 mb, which was 0.6 mb, or 4.2%, below a year ago and 1.3 mb, or 8.3%, lower than the latest five-year average. Within the components, fuel oil A rose by 0.2% on the back of lower consumption, while fuel B.C stocks fell by 6.9%, driven by higher domestic sales, which increased by almost 3.7%.

Table 9.4: Japan's commercial oil stocks*, mb

	Nov 15	Dec 15	Jan 16	Change Jan 16/Dec 15	Jan 15
Crude oil	**98.5**	**98.5**	**91.2**	**-7.3**	**86.9**
Gasoline	10.5	9.8	11.3	1.5	11.0
Naphtha	10.0	9.2	10.8	1.6	12.1
Middle distillates	34.2	32.2	29.7	-2.6	29.8
Residual fuel oil	15.0	14.8	14.0	-0.8	14.6
Total products	**69.8**	**66.0**	**65.8**	**-0.2**	**67.5**
Total**	**168.3**	**164.5**	**157.0**	**-7.5**	**154.4**

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

China

The latest information for China showed a decline in total commercial oil inventories of 3.3 mb in January to stand at 380.8 mb, which was around 16.9 mb higher than the previous year at the same time. Within the components, commercial crude oil fell by 8.9 mb, while product inventories rose by 5.6 mb.

At 234.6 mb, **commercial crude stocks** represented a deficit of around 26.1 mb below the same period a year earlier. The fall was mainly attributed to lower crude imports, which declined by 1.5 mb/d to 6.3 mb/d. A slight increase in crude throughput also contributed to the crude stock draw in China.

In contrast, total **product stocks** in China rose by 5.6 mb for the third consecutive month to stand at 146.3 mb, which was 9.3 mb higher than a year ago at the same time. All products witnessed builds. Gasoline stocks went up by 0.8 mb to end the month of January at 61.0 mb. This build was mainly driven by higher gasoline output. However, improvement in demand ahead of the lunar New Year limited further builds in gasoline inventories. Diesel stocks rose by 4.4 mb to stand at 69.3 mb, driven mainly by lower distillate demand. Kerosene stocks rose by 0.4 mb to end January at 16.0 mb, which was 2.7 mb higher than last year at the same time.

Table 9.5: China's commercial oil stocks, mb

	Nov 15	Dec 15	Jan 16	Change Jan 16/Dec 15	Jan 15
Crude oil	**245.2**	**243.4**	**234.6**	**-8.9**	**260.7**
Gasoline	56.3	60.2	61.0	0.8	56.2
Diesel	63.1	64.9	69.3	4.4	67.5
Jet kerosene	14.4	15.6	16.0	0.4	13.3
Total products	**133.7**	**140.7**	**146.3**	**5.6**	**137.0**
Total	**378.9**	**384.1**	**380.8**	**-3.3**	**397.7**

Sources: China Oil and Gas Pterochemicals and OPEC Secretariat.

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of January, product stocks in **Singapore** fell by 1.9 mb to stand at 47.0 mb, which was 0.7 mb, or 1.4%, below the same period a year ago. Within products, the picture was mixed.

Light distillate stocks rose by 1.0 mb to stand at 13.6 mb, which was 1.0 mb, or 6.7%, below the previous year at the same time. In contrast, middle distillate stocks fell by 0.3 mb to finish the month at 11.1 mb, which was 0.6 mb, or 4.9%, below the same time a year ago. This fall was mainly driven by an improvement in demand in the region. Residual fuel oil stocks fell by 2.6 mb in January to end the month at 22.3 mb, which was 0.9 mb, or 4.9%, higher than the same time a year ago. The fall in fuel oil stocks could be attributed to higher bunker demand in the region.

Product stocks in **Amsterdam-Rotterdam-Antwerp (ARA)** rose by 3.8 mb in January to stand at 50.9 mb, which was 8.6 mb, or 20.3%, higher than at the same time a year ago. Within products, the picture was mixed.

Gasoil rose by 1.7 mb to end the month at 26.2 mb, which was 4.3 mb, or 19.5%, above last year at the same time. Gasoline also rose by 3.2 mb to end January at 10.0 mb, which was 1.7 mb, or 19.7%, above the same month last year. This build was mainly driven by high demand in the region. In contrast, fuel oil stocks fell by 0.4 mb to stand at 7.4 mb, which was 1.5 mb, or 25.4%, higher than a year ago.

Balance of Supply and Demand

Demand for OPEC crude in 2015 was revised down by 0.1 mb/d from the previous report to stand at 29.7 mb/d, which is in line with 2014 level. In 2016, the demand for OPEC crude is projected at 31.5 mb/d, 0.1 mb/d lower than previous report and around 1.8 mb/d higher than last year.

Estimate for 2015

Demand for OPEC crude for 2015 was revised down by 0.1 mb/d from the previous month to stand at 29.7 mb/d, representing a decline of 0.1 mb/d from 2014 level. Within the quarters, the first and the fourth quarters were revised down by 0.1 mb/d and 0.3 mb/d, respectively, while the other quarters remained unchanged. This downward revision reflects mainly the upward adjustment in non-OPEC supply as world oil demand remained unchanged. The first quarter fall by 0.8 mb/d, while the second quarter grew by 0.1 mb/d. The third and the fourth quarters rose by 0.1 mb/d and 0.4 mb/d, respectively, versus the same quarter last year.

Table 10.1: Summarized supply/demand balance for 2015, mb/d

	2014	1Q15	2Q15	3Q15	4Q15	2015
(a) World oil demand	**91.44**	**92.06**	**92.11**	**93.79**	**93.92**	**92.98**
Non-OPEC supply	55.67	57.19	56.77	57.04	57.38	57.09
OPEC NGLs and non-conventionals	6.00	6.02	6.11	6.18	6.29	6.15
(b) Total non-OPEC supply and OPEC NGLs	**61.67**	**63.21**	**62.87**	**63.22**	**63.67**	**63.24**
Difference (a-b)	**29.77**	**28.85**	**29.23**	**30.58**	**30.25**	**29.74**
OPEC crude oil production	30.77	31.00	31.89	32.24	32.25	31.85
Balance	1.00	2.14	2.66	1.66	1.99	2.11

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

Forecast for 2016

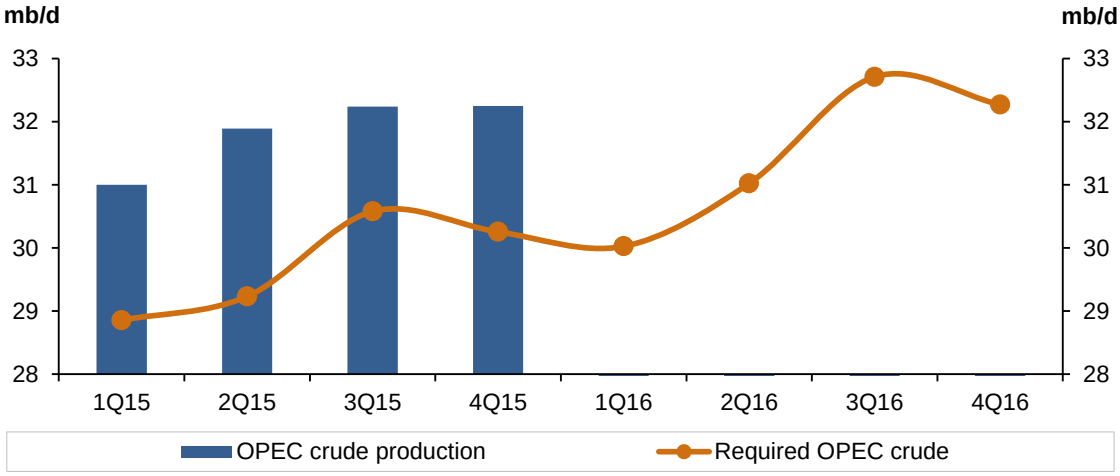
Demand for OPEC crude for 2016 was revised down by 0.1 mb/d from the previous report and projected to increase by 1.8 mb/d to average 31.5 mb/d. Within the quarters, the first quarter was revised down by 0.5 mb/d reflecting the combined upward revision in non-OPEC supply and slight downward revision in demand. The second quarter was revised up by 0.1 mb/d. The third and the fourth quarters remained unchanged. The first and the second quarters are expected to increase by 1.2 mb/d and 1.8 mb/d respectively, while the third and the fourth quarter is projected to increase higher by 2.1 mb/d and 2.0 mb/d, respectively.

Table 10.2: Summarized supply/demand balance for 2016, mb/d

	2015	1Q16	2Q16	3Q16	4Q16	2016
(a) World oil demand	**92.98**	**93.27**	**93.42**	**95.05**	**95.15**	**94.23**
Non-OPEC supply	57.09	56.94	56.10	56.01	56.51	56.39
OPEC NGLs and non-conventionals	6.15	6.30	6.30	6.33	6.37	6.32
(b) Total non-OPEC supply and OPEC NGLs	**63.24**	**63.24**	**62.40**	**62.34**	**62.88**	**62.71**
Difference (a-b)	**29.74**	**30.03**	**31.02**	**32.71**	**32.27**	**31.52**
OPEC crude oil production	31.85					
Balance	2.11					

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

Graph 10.1: Balance of supply and demand



Source: OPEC Secretariat.

Table 10.3: World oil demand and supply balance, mb/d

	2012	2013	2014	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16	4Q16	2016
World demand													
OECD	45.9	46.0	45.7	46.5	45.4	46.5	46.4	46.2	46.8	45.6	46.7	46.6	46.4
Americas	23.6	24.1	24.1	24.2	24.1	24.7	24.5	24.4	24.5	24.4	25.0	24.8	24.7
Europe	13.8	13.6	13.5	13.6	13.6	14.1	13.7	13.7	13.6	13.6	14.1	13.7	13.7
Asia Pacific	8.5	8.3	8.1	8.7	7.7	7.6	8.2	8.1	8.6	7.6	7.5	8.1	8.0
DCs	28.3	29.2	30.0	30.0	30.7	31.3	30.8	30.7	30.6	31.5	32.0	31.5	31.4
FSU	4.4	4.5	4.6	4.4	4.3	4.7	5.0	4.6	4.4	4.3	4.7	5.0	4.6
Other Europe	0.6	0.6	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.6	0.7	0.8	0.7
China	9.7	10.1	10.5	10.4	11.1	10.7	11.0	10.8	10.7	11.4	11.0	11.3	11.1
(a) Total world demand	**89.1**	**90.5**	**91.4**	**92.1**	**92.1**	**93.8**	**93.9**	**93.0**	**93.3**	**93.4**	**95.0**	**95.2**	**94.2**
Non-OPEC supply													
OECD	21.1	22.2	24.2	25.2	24.9	25.3	25.5	25.2	25.0	24.5	24.4	24.7	24.6
Americas	16.7	18.2	20.1	21.0	20.7	21.1	21.1	21.0	20.8	20.4	20.4	20.5	20.5
Europe	3.8	3.6	3.6	3.7	3.8	3.7	3.9	3.8	3.8	3.6	3.6	3.7	3.7
Asia Pacific	0.6	0.5	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.5
DCs	11.0	11.1	11.3	11.6	11.5	11.4	11.5	11.5	11.4	11.5	11.5	11.6	11.5
FSU	13.4	13.6	13.5	13.7	13.6	13.6	13.7	13.7	13.8	13.5	13.4	13.5	13.6
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	4.2	4.2	4.3	4.3	4.4	4.4	4.4	4.4	4.3	4.3	4.3	4.4	4.3
Processing gains	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	51.9	53.4	55.7	57.2	56.8	57.0	57.4	57.1	56.9	56.1	56.0	56.5	56.4
OPEC NGLs + non-conventional oils	5.7	5.8	6.0	6.0	6.1	6.2	6.3	6.1	6.3	6.3	6.3	6.4	6.3
(b) Total non-OPEC supply and OPEC NGLs	**57.6**	**59.2**	**61.7**	**63.2**	**62.9**	**63.2**	**63.7**	**63.2**	**63.2**	**62.4**	**62.3**	**62.9**	**62.7**
OPEC crude oil production (secondary sources)	31.9	31.0	30.8	31.0	31.9	32.2	32.25	31.8					
Total supply	89.6	90.2	92.4	94.2	94.8	95.5	95.9	95.1					
Balance (stock change and miscellaneous)	0.5	-0.3	1.0	2.1	2.7	1.7	2.0	2.1					
OECD closing stock levels (mb)													
Commercial	2,683	2,589	2,738	2,816	2,908	2,983	3,012	3,012					
SPR	1,547	1,584	1,579	1,582	1,584	1,578	1,583	1,583					
Total	4,230	4,174	4,317	4,398	4,492	4,561	4,594	4,594					
Oil-on-water	879	909	924	864	916	924	1,017	1,017					
Days of forward consumption in OECD													
Commercial onland stocks	58	57	59	62	63	64	64	65					
SPR	34	35	34	35	34	34	34	34					
Total	92	91	93	97	97	98	98	99					
Memo items													
FSU net exports	8.9	9.0	9.0	9.3	9.4	8.9	8.8	9.1	9.4	9.2	8.7	8.5	8.9
(a) - (b)	**31.4**	**31.3**	**29.8**	**28.9**	**29.2**	**30.6**	**30.3**	**29.7**	**30.0**	**31.0**	**32.7**	**32.3**	**31.5**

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

Source: OPEC Secretariat.

Table 10.4: World oil demand/supply balance: changes from last month's table* , mb/d

	2012	2013	2014	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16	4Q16	2016
World demand													
OECD	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-
Americas	-	-	-	-	-	-	-0.3	-0.1	-	-	-	-0.3	-0.1
Europe	-	-	-	-	-	-	0.2	-	-	-	-	0.2	0.1
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	0.1	-	0.3	0.1	-0.1	0.1	-	0.3	0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-0.2	-	-	-	-	-0.2	-
(a) Total world demand	-	-	-	-	0.1	-	-	-	-0.1	0.1	-	-	-
World demand growth	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Non-OPEC supply													
OECD	-	-	-	-	-	-	0.3	0.1	0.2	-	-	-	0.1
Americas	-	-	-	-	-	-	0.2	0.1	0.2	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	0.1	-	-	-	-	0.2	0.1	-	-	0.1
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	0.1	-	-	0.3	0.1	0.4	-	-	-	0.1
Total non-OPEC supply growth	-	-	-	0.1	-	-	0.3	0.1	0.3	-	-	-0.3	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	0.1	-	-	0.3	0.1	0.4	-	-	-	0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-					
Total supply	-	-	-	0.1	-	-	0.3	0.1					
Balance (stock change and miscellaneous)	-	-0.1	-	0.1	-	-	0.3	0.1					
OECD closing stock levels (mb)													
Commercial	-	-	-	1	1	2	38	38					
SPR	-	-	-	-	-	-	2	2					
Total	-	-	-	1	1	2	40	40					
Oil-on-water	-	-	-	-	-	-	-	-					
Days of forward consumption in OECD													
Commercial onland stocks	-	-	-	-	-	-	1	1					
SPR	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	1	1					
Memo items													
FSU net exports	-	-	-	0.1	-	-	-	-	0.3	0.1	-	-	0.1
(a) - (b)	-	0.1	-	-0.1	-	-	-0.3	-0.1	-0.5	0.1	-	-	-0.1

*Note: * This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the February 2016 issue.*
This table shows only where changes have occurred.

Source: OPEC Secretariat.

Table 10.5: OECD oil stocks and oil on water at the end of period

	2012	2013	2014	2015	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
Closing stock levels, mb												
OECD onland commercial	**2,683**	**2,589**	**2,738**	**3,012**	**2,611**	**2,681**	**2,749**	**2,738**	**2,816**	**2,908**	**2,983**	**3,012**
Americas	1,365	1,316	1,446	1,602	1,317	1,387	1,416	1,446	1,483	1,537	1,572	1,602
Europe	912	881	886	984	885	889	898	886	941	941	966	984
Asia Pacific	405	392	405	426	409	405	436	405	392	430	445	426
OECD SPR	**1,547**	**1,584**	**1,579**	**1,583**	**1,585**	**1,580**	**1,577**	**1,579**	**1,582**	**1,584**	**1,578**	**1,583**
Americas	696	697	692	696	697	692	692	692	692	695	696	696
Europe	436	470	470	471	470	469	469	470	470	471	467	471
Asia Pacific	415	417	417	415	418	419	417	417	420	418	415	415
OECD total	**4,230**	**4,174**	**4,317**	**4,594**	**4,196**	**4,261**	**4,327**	**4,317**	**4,398**	**4,492**	**4,561**	**4,594**
Oil-on-water	**879**	**909**	**924**	**1017**	**954**	**914**	**952**	**924**	**864**	**916**	**924**	**1017**
Days of forward consumption in OECD												
OECD onland commercial	**58**	**57**	**58**	**57**	**58**	**58**	**59**	**59**	**62**	**63**	**64**	**64**
Americas	55	55	57	54	55	57	57	60	61	62	63	65
Europe	68	66	67	65	66	64	67	65	69	67	71	72
Asia Pacific	48	46	49	48	53	53	52	46	51	56	54	49
OECD SPR	**34**	**33**	**34**	**35**	**35**	**34**	**34**	**34**	**35**	**34**	**34**	**34**
Americas	30	29	29	29	29	28	28	29	29	28	28	28
Europe	30	31	32	35	35	34	35	35	35	33	34	35
Asia Pacific	50	49	50	51	54	54	50	48	54	55	50	47
OECD total	**92**	**90**	**92**	**91**	**94**	**93**	**93**	**93**	**97**	**97**	**98**	**98**

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

Table 10.6: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2012	2013	2014	3Q15	4Q15	2015	Change 15/14	1Q16	2Q16	3Q16	4Q16	2016	Change 16/15
US	10.0	11.2	13.0	14.1	14.1	14.0	1.0	13.8	13.5	13.4	13.6	13.6	-0.4
Canada	3.8	4.0	4.3	4.5	4.4	4.4	0.1	4.4	4.4	4.5	4.5	4.5	0.1
Mexico	2.9	2.9	2.8	2.6	2.6	2.6	-0.2	2.5	2.5	2.5	2.4	2.5	-0.1
OECD Americas*	**16.7**	**18.2**	**20.1**	**21.1**	**21.1**	**21.0**	**0.9**	**20.8**	**20.4**	**20.4**	**20.5**	**20.5**	**-0.5**
Norway	1.9	1.8	1.9	1.9	2.0	1.9	0.1	2.0	1.9	1.9	2.0	1.9	0.0
UK	1.0	0.9	0.9	0.9	1.0	1.0	0.1	1.0	0.9	0.9	1.0	0.9	-0.1
Denmark	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.1	0.2	0.2	0.2	0.2	0.0
Other OECD Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.6	0.6	0.7	0.0
OECD Europe	**3.8**	**3.6**	**3.6**	**3.7**	**3.9**	**3.8**	**0.1**	**3.8**	**3.6**	**3.6**	**3.7**	**3.7**	**-0.1**
Australia	0.5	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.0	0.1	0.0
OECD Asia Pacific	**0.6**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**	**0.5**	**0.5**	**0.5**	**0.4**	**0.5**	**0.0**
Total OECD	**21.1**	**22.2**	**24.2**	**25.3**	**25.5**	**25.2**	**1.0**	**25.0**	**24.5**	**24.4**	**24.7**	**24.6**	**-0.6**
Brunei	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
India	0.9	0.9	0.9	0.9	0.9	0.9	0.0	0.9	0.8	0.9	0.9	0.9	0.0
Malaysia	0.7	0.6	0.7	0.7	0.7	0.7	0.1	0.7	0.8	0.8	0.8	0.8	0.0
Thailand	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Vietnam	0.3	0.3	0.3	0.3	0.4	0.4	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Asia others	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.3	0.3	0.2	0.0
Other Asia	**2.6**	**2.6**	**2.6**	**2.7**	**2.7**	**2.7**	**0.1**	**2.7**	**2.7**	**2.7**	**2.8**	**2.7**	**0.0**
Argentina	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Brazil	2.6	2.6	2.9	3.1	3.1	3.1	0.2	3.0	3.1	3.2	3.3	3.1	0.1
Colombia	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0	1.0	0.0
Trinidad & Tobago	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Latin America others	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Latin America	**4.7**	**4.8**	**5.0**	**5.2**	**5.2**	**5.2**	**0.2**	**5.1**	**5.2**	**5.2**	**5.3**	**5.2**	**0.0**
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	0.9	0.9	0.9	1.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0	1.0	0.0
Syria	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yemen	0.2	0.1	0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Middle East	**1.5**	**1.4**	**1.3**	**1.2**	**1.2**	**1.3**	**-0.1**	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**	**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
Congo	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
Egypt	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Equatorial Guinea	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
Gabon	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	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Sudans	0.1	0.2	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Africa other	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
Africa	**2.3**	**2.4**	**2.4**	**2.4**	**2.4**	**2.4**	**0.0**	**2.4**	**2.4**	**2.3**	**2.3**	**2.3**	**0.0**
Total DCs	**11.0**	**11.1**	**11.3**	**11.4**	**11.5**	**11.5**	**0.2**	**11.4**	**11.5**	**11.5**	**11.6**	**11.5**	**0.0**
FSU	**13.4**	**13.6**	**13.5**	**13.6**	**13.7**	**13.7**	**0.1**	**13.8**	**13.5**	**13.4**	**13.5**	**13.6**	**-0.1**
Russia	10.5	10.6	10.7	10.8	10.9	10.8	0.2	11.0	10.8	10.7	10.8	10.8	0.0
Kazakhstan	1.6	1.6	1.6	1.5	1.6	1.6	0.0	1.6	1.5	1.5	1.5	1.6	0.0
Azerbaijan	0.9	0.9	0.9	0.9	0.8	0.9	0.0	0.9	0.8	0.8	0.8	0.8	0.0
FSU others	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	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	4.2	4.2	4.3	4.4	4.4	4.4	0.1	4.3	4.3	4.3	4.4	4.3	0.0
Non-OPEC production	**49.8**	**51.2**	**53.5**	**54.9**	**55.2**	**54.9**	**1.4**	**54.7**	**53.9**	**53.8**	**54.3**	**54.2**	**-0.7**
Processing gains	2.1	2.1	2.2	2.2	2.2	2.2	0.0	2.2	2.2	2.2	2.2	2.2	0.0
Non-OPEC supply	**51.9**	**53.4**	**55.7**	**57.0**	**57.4**	**57.1**	**1.4**	**56.9**	**56.1**	**56.0**	**56.5**	**56.4**	**-0.7**
OPEC NGL	5.5	5.6	5.7	5.9	6.0	5.9	0.2	6.0	6.0	6.0	6.1	6.0	0.2
OPEC non-conventional	0.2	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
OPEC (NGL+NCF)	**5.7**	**5.8**	**6.0**	**6.2**	**6.3**	**6.1**	**0.2**	**6.3**	**6.3**	**6.3**	**6.4**	**6.3**	**0.2**
Non-OPEC & OPEC (NGL+NCF)	**57.6**	**59.2**	**61.7**	**63.2**	**63.7**	**63.2**	**1.6**	**63.2**	**62.4**	**62.3**	**62.9**	**62.7**	**-0.5**

*Note: * Chile has been included in OECD Americas.*
Totals may not add up due to independent rounding.

Source: OPEC Secretariat.

Table 10.7: World Rig Count

	2012	2013	2014	2015	Change 15/14	1Q15	2Q15	3Q15	4Q15	Jan 16	Feb 16	Change Feb/Jan
US	1,919	1,761	1,862	977	-885	1,380	909	866	754	643	532	-111
Canada	364	354	380	192	-188	309	99	191	169	218	211	-7
Mexico	106	106	86	52	-34	67	59	42	39	43	39	-4
Americas	2,390	2,221	2,327	1,221	-1,107	1,755	1,067	1,098	962	904	782	-122
Norway	17	20	17	17	1	17	18	18	15	18	18	0
UK	18	17	16	14	-2	18	14	13	12	8	8	0
Europe	119	135	145	117	-28	132	116	109	110	108	107	-1
Asia Pacific	24	27	26	17	-9	21	17	16	15	14	9	-5
Total OECD	**2,533**	**2,383**	**2,499**	**1,355**	**-1,144**	**1,908**	**1,200**	**1,222**	**1,087**	**1,026**	**898**	**-128**
Other Asia	217	219	228	202	-26	214	203	201	191	179	173	-6
Latin America	180	166	172	145	-27	161	143	149	128	90	83	-7
Middle East	136	102	108	102	-6	103	98	100	106	104	97	-7
Africa	7	16	28	11	-16	22	12	8	3	4	2	-2
Total DCs	**539**	**503**	**536**	**460**	**-75**	**499**	**456**	**458**	**428**	**377**	**355**	**-22**
Non-OPEC rig count	**3,071**	**2,886**	**3,034**	**1,815**	**-1,219**	**2,408**	**1,656**	**1,681**	**1,516**	**1,403**	**1,253**	**-150**
Algeria	36	47	48	51	3	52	52	51	49	51	52	1
Angola	9	11	15	11	-4	15	12	8	11	10	8	-2
Ecuador	20	26	24	12	-12	17	15	12	4	1	4	3
Iran**	54	54	54	54	0	54	54	54	54	54	54	0
Iraq**	58	83	79	52	-27	57	53	47	51	49	49	0
Kuwait**	31	32	38	47	8	51	49	44	42	40	43	3
Libya**	9	15	10	3	-8	6	3	1	1	1	1	0
Nigeria	36	37	34	30	-4	35	29	28	28	28	25	-3
Qatar	8	9	10	8	-3	9	8	7	6	9	6	-3
Saudi Arabia	112	114	134	155	21	154	155	154	158	155	159	4
UAE	24	28	34	42	8	38	39	41	52	50	50	0
Venezuela	117	121	116	110	-6	108	105	114	112	109	111	2
OPEC rig count	**513**	**576**	**596**	**574**	**-22**	**595**	**575**	**561**	**566**	**557**	**562**	**5**
Worldwide rig count* of which:	**3,584**	**3,462**	**3,631**	**2,389**	**-1,241**	**3,002**	**2,231**	**2,242**	**2,082**	**1,960**	**1,815**	**-145**
Oil	2,594	2,611	2,795	1,727	-1,068	2,214	1,616	1,606	1,471	1,392	1,284	-108
Gas	886	746	743	563	-180	690	516	536	509	465	426	-39
Others	106	109	95	100	5	100	98	99	102	103	105	2

Note: *Totals may not add up due to independent rounding.*
na: *Not available.*
Sources: *Baker Hughes Incorporated & Secretariat's estimates.*

* *Excludes China and FSU.*
** *Estimated figure when Baker Hughes Incorporated did not reported the data.*

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OPEC Basket average price

US$/b

up 2.22 in February

February 2016	28.72
January 2016	26.50
Year-to-date	**27.64**

February OPEC crude production

mb/d, according to secondary sources

down 0.17 in February

February 2016	32.28
January 2016	32.45

Economic growth rate

per cent

	World	OECD	US	Japan	Euro-zone	China	India
2015	2.9	2.0	2.4	0.4	1.5	6.9	7.3
2016	3.1	1.9	2.2	0.7	1.4	6.3	7.5

Supply and demand

mb/d

2015		**15/14**	**2016**		**16/15**
World demand	93.0	1.5	World demand	94.2	1.3
Non-OPEC supply	57.1	1.4	Non-OPEC supply	56.4	–0.7
OPEC NGLs	6.1	0.2	OPEC NGLs	6.3	0.2
Difference	**29.7**	**0.0**	**Difference**	**31.5**	**1.8**

OECD commercial stocks

mb

	Nov 15	Dec 15	Jan 16	Jan 16/Dec 15	Jan 15
Crude oil	1,503	1,512	1,527	14.5	1,351
Products	1,501	1,499	1,497	–2.7	1,413
Total	**3.004**	**3.012**	**3,023**	**11.8**	**2,764**
Days of forward cover	64.2	64.5	65.3	0.8	59.4

Next report to be issued on 13 April 2016.