OPEC

Monthly Oil Market Report

10 December 2014

Feature article:

Review of 2014

OPEC Monthly Oil Market Report 2015

Publishing schedule for 2015

Thursday, 15 January

Monday, 9 February

Monday, 16 March

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Tuesday, 12 May

Wednesday, 10 June

Monday, 13 July

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Monday, 14 September

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Thursday, 12 November

Thursday, 10 December

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Oil market highlights

Crude Oil Price Movements

The OPEC Reference Basket finished down $9.49 at $75.57/b in November, amid increasing supplies and sluggish global growth. ICE Brent fell $8.42 to $79.63/b, while Nymex WTI lost $8.53 to stand at $75.81/b. The Brent-WTI spread widened slightly to average $3.82/b in November.

World Economy

World economic growth for 2014 and 2015 remains unchanged from the previous month at 3.2% and 3.6% respectively. The OECD forecast has been maintained at 1.8% for 2014 and at 2.1% for 2015. Figures for both China and India remain unchanged from the previous report at 7.4% and 7.2% for China and 5.5% and 5.8% for India in 2014 and 2015, respectively.

World Oil Demand

World oil demand in 2014 is estimated to grow by 0.93 mb/d to average around 91.13 mb/d. These projections represent a decline of 0.12 mb/d from the previous report, mainly as a result of lower-than-expected consumption in the OECD region. For 2015, world oil demand is expected to increase by around 1.12 mb/d, some 70 tb/d lower than the estimation in the previous report, with total world oil demand expected to reach 92.26 mb/d.

World Oil Supply

Non-OPEC oil supply in 2014 is estimated to grow by 1.72 mb/d to average 55.95 mb/d. This represents an upward revision of 40 tb/d over the last report and is 0.58 mb/d higher than the initial forecast, of which 0.31 mb/d is due to an upward revision to the 2013 base-year figure. OECD Americas is expected to be the main driver for oil supply growth, followed by Latin America. In 2015, non-OPEC oil supply is forecast to increase by 1.36 mb/d to average 57.31 mb/d, representing an upward revision of 0.12 mb/d over the previous report. OPEC NGLs and non-conventional liquids are estimated to average 6.03 mb/d in 2015, up from 5.83 mb/d in 2014. In November, OPEC crude oil production averaged 30.05 mb/d, according to secondary sources, a drop of 0.39 mb/d over the previous month.

Product Markets and Refining Operations

Product markets showed a mixed performance in the Atlantic Basin in November. European margins were supported by middle distillates cracks. In contrast, US refinery margins fell as gasoline crack spreads declining sharply due to expectations of lower seasonal demand and rising US gasoline stocks. The Asian market showed a sharp recovery in November on support from seasonal winter demand, along with the positive performance seen at the top and bottom of the barrel.

Tanker Market

The tanker market experienced positive sentiment across its various classes in November. Freight rates in both dirty and clean tankers showed an improvement over the previous month, supported by increased tonnage demand from West of Suez, driven by winter requirements, as well as limited availability and weather delays.

Stock Movements

OECD commercial oil stocks fell in October by 5.1 mb to stand at 2,716 mb. At this level, inventories were around 15 mb higher than the five-year average. Crude stocks saw a surplus of 52 mb, while products remained 37 mb below the five-year average. In terms of days of forward cover, OECD commercial stocks stood at 59.0 days, around 0.9 higher than the five-year average.

Balance of Supply and Demand

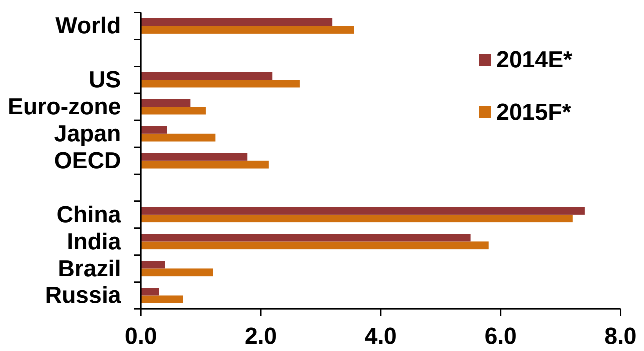
Demand for OPEC crude is estimated at 29.4 mb/d in 2014. In 2015, required OPEC crude is forecast at 28.9 mb/d.

Review of 2014

With 2014 coming to an end, a review of oil market developments since the initial forecasts can provide an indication of the likely way ahead in 2015.

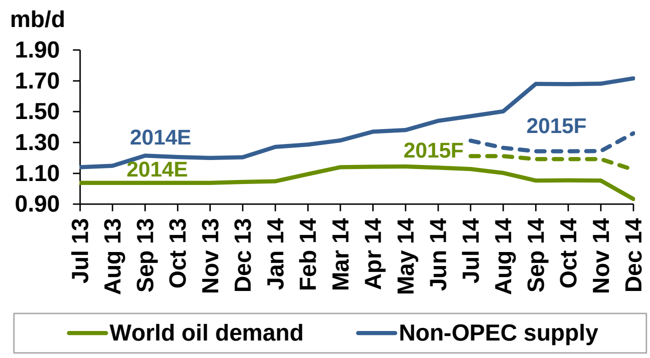
The world economy continued to recover in 2014, growing at 3.2%, and is expected to pick up pace to 3.6% in the coming year (***Graph 1***). The US, in particular, gained momentum in recent months amid an improving labour market. While the situation in the Euro-zone has remained tentative this year, some relative progress in peripheral countries has helped to lift growth. Japan has been negatively impacted by its April's sales tax increase and remains dependent on monetary stimulus. Overall, the OECD is seen growing by 1.8% in 2014, increasing to 2.1% next year. In the emerging economies, China's growth is expected to remain at around 7% in both 2014 and 2015. India's economy has been supported this year by reforms encouraging investments amid slowing inflation. This may lead to a more accommodative fiscal and monetary policy in 2015, providing further room to accelerate growth to 5.8% from 5.5% in 2014. Upside potential for global growth in 2015 is seen coming primarily from the US, while headwinds are seen to be low inflation in the Euro-zone and a further rise in volatility in foreign exchange markets. Uncertainties include the outcome of monetary policies from major OECD central banks and geopolitical tensions.

Graph 1: World economic growth,% change y-o-y



** E = estimate and F = forecast.*
Source: OPEC.

Graph 2: World oil demand and non-OPEC supply growth, y-o-y



E = estimate and F = forecast.
Source: OPEC.

World oil demand is estimated to grow by 0.93 mb/d in 2014, some 0.10 mb/d lower than the initial forecast first published in July 2013 (***Graph 2***). Demand in OECD Americas has been revised down as transportation and other sectors were impacted by greater efficiency and fuel substitution, despite improving economic activities and solid growth in distillate consumption in the US. In OECD Europe and Asia Pacific, a number of factors have contributed to the lower-than-anticipated oil demand growth this year, such as slower economic activity, the sales tax hike in Japan and increased fuel switching. In the non-OECD, oil demand was revised down mainly in Latin America, Other Asia and the Middle East. This was due to slower economic momentum, the partial removal of subsidies, and geopolitical tensions. At the same time, booming demand for petrochemical feedstocks, as well as an uptick in transportation fuel requirements, supported oil demand growth in China. In 2015, with global economic activity expected to increase, world oil demand is projected to grow at a higher rate of 1.12 mb/d.

Non-OPEC supply growth in 2014 has been revised up by 0.58 mb/d since the initial forecast to now stand at 1.72 mb/d. This adjustment is partly attributable to the upward revision to the 2013 base-year figure, which accounts for 0.31 mb/d of the increase, while higher-than-expected supply contributed 0.27 mb/d. Strong growth in US tight crude and non-conventional NGL production has further supported the upward revision, despite disruptions in some non-OPEC countries, mainly due to delays in new project start-ups; postponement of production volumes including Kazakhstan's Kashagan field; and declines in output in Mexico, the North Sea and Other Asia. In 2015, non-OPEC oil supply is forecast to grow at 1.36 mb/d. Growth is seen coming mainly from the US, Canada, and Brazil, while declines are expected in Mexico, Russia, and Kazakhstan. OPEC NGLs are seen increasing by 0.20 mb/d in 2015, following growth of 0.18 mb/d in 2014.

If the current price environment were to persist into the coming year, this could have implications for both the global economy and the world oil market over time, although to what degree is not yet clear. Therefore, developments in supply and demand, as well as investments and non-fundamental factors such as speculative activity, should be followed closely over the coming period.

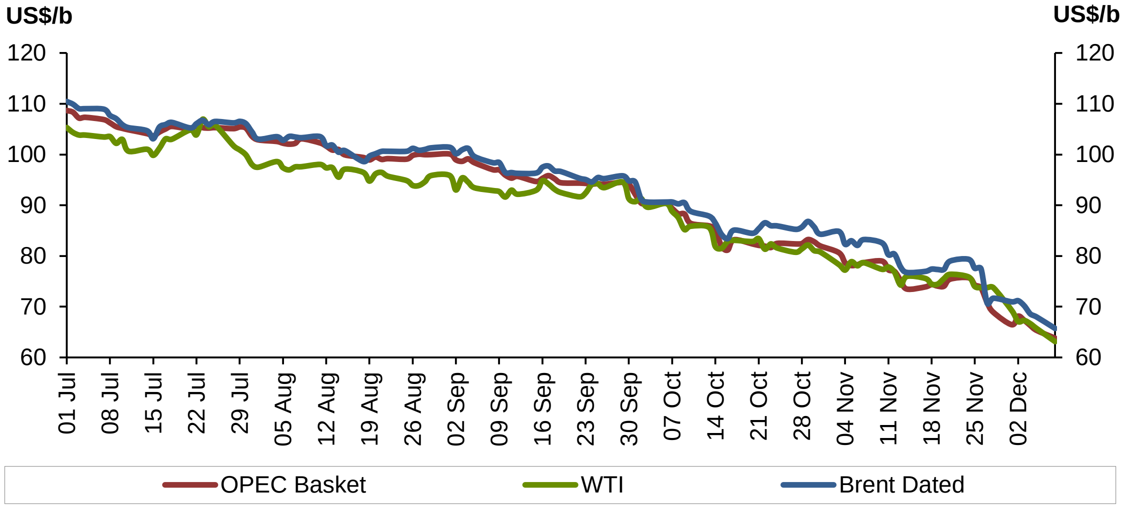
Crude Oil Price Movements

The OPEC Reference Basket (ORB) finished down 11% for November, the fifth straight month of declines. This is its longest losing streak since the 2008 financial crisis. Since June, the ORB has given up about 30% of its value, falling from around $108/b. In November, the ORB dropped $9.49 to $75.57/b and its year-to-date value was down to $99.57/b. Oil futures tumbled further, falling by a hefty 10% to their lowest values in more than four years amid the enduring bearish market environment – particularly from the supply side – that has been encompassing the oil market for five months now. The ICE Brent contract plunged $8.42 m-o-m to $79.63/b, ending at a year-to-date value of $102.82/b. The Nymex WTI contract lost $8.53 at $75.81/b, while its year-to-date value dropped to $96.12/b. Meanwhile, speculators bet that Brent crude will fall to $65/b in the first three months of the New Year. The Brent-WTI spread has widened slightly as the WTI front curve nearly flipped into contango, while the Brent curve remained flat, supporting its premium over WTI. The Brent-WTI spread increased to $3.82/b.

OPEC Reference Basket

In November, the **OPEC Reference Basket (ORB)** ended 11% lower for the fifth month in a row, the longest period of monthly deterioration in almost 6 years. The Basket value continues to reflect bearish global crude oil market fundamentals as abundant supply remains significantly higher than demand. Non-OPEC supply remains the driving force behind oil supply growth. US crude production hit 9 mb/d at the beginning of November, its highest since the early 1970s and 1.1 mb/d up on a year earlier. A steady increase in global supplies of natural gas liquid (NGLs) is also adding to the global surplus. World NGLs production in October was estimated at 12.4 mb/d, up from 11.9 mb/d in the same period last year. The Basket lost near $9.50 over the month, to accumulate a total loss of around $32 in the five months starting July 2014.

Graph 1.1: Crude oil price movement, 2014



Demand was also a factor. Leading indicators for China's manufacturing sector have fallen to their lowest level since May and GDP growth is slowing. A number of Asian countries are liberalizing their fuel subsidy plans, bringing retail price hikes (intended to reduce demand) with them. Also, Japan has slipped back into a technical recession and the Euro-zone appears poised to follow suit, pressuring demand even further.

On a monthly basis, the OPEC Reference Basket (ORB) fell to an average of $75.57/b in November, down $9.49, or 11.2%, below October. On a year-to-date basis, the ORB was lower compared to the same period in the previous year. The ORB year-to-date value stood at $99.57/b compared to the $105.72/b average of last year, $6.15 or 5.8% lower.

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

			Change	Year-to-date	
	Oct 14	Nov 14	Nov/Oct	2013	2014
OPEC Reference Basket	**85.06**	**75.57**	**-9.49**	**105.72**	**99.57**
Arab Light	85.93	76.07	-9.86	106.40	100.47
Basrah Light	83.57	73.94	-9.63	103.47	97.70
Bonny Light	88.51	80.10	-8.41	111.21	104.15
Es Sider	86.31	78.90	-7.41	108.35	101.80
Girassol	86.78	78.68	-8.10	108.96	102.52
Iran Heavy	84.61	74.46	-10.15	105.46	99.49
Kuwait Export	83.99	74.04	-9.95	104.85	98.62
Marine	86.14	75.43	-10.71	105.11	99.67
Merey	76.17	68.42	-7.75	96.66	90.06
Murban	89.10	77.85	-11.25	107.95	102.76
Oriente	76.84	69.52	-7.32	97.84	90.29
Saharan Blend	87.61	79.60	-8.01	109.10	102.95
Other Crudes					
Brent	87.41	78.90	-8.51	108.44	102.33
Dubai	86.73	76.33	-10.40	105.25	99.96
Isthmus	85.40	79.04	-6.36	105.73	96.67
LLS	87.60	79.64	-7.96	107.73	100.13
Mars	83.57	75.76	-7.81	102.62	96.11
Minas	84.46	75.92	-8.54	107.50	102.13
Urals	86.63	78.92	-7.71	107.80	101.34
WTI	84.43	76.04	-8.39	97.98	96.26
Differentials					
Brent/WTI	2.98	2.86	-0.12	10.46	6.07
Brent/LLS	-0.19	-0.74	-0.55	0.71	2.20
Brent/Dubai	0.68	2.57	1.89	3.19	2.38

Note: Arab Light and other Saudi Arabian crudes as well as Basrah Light preliminarily based on American Crude Market (ACM) and subject to revision.

Sources: Platt's, Direct Communication and Secretariat's assessments.

As outright crude prices tumbled to fresh lows, all ORB components' values slipped sharply over the month as oil prices continued to face growing surplus supply pressure. The Atlantic Basin's benchmark North Sea Dated Brent dropped by $8.50 to a four-year low of $78.90/b, while US light sweet marker WTI declined by $8.40 to $76.04/b. Middle East marker Dubai and Oman also fell, losing $10.40 and $8.96, respectively, to end at $76.33/b and $77.81/b.

Atlantic Basin markets remain well supplied with crude, despite lower Libyan production. Libyan output has fallen following the shutdown of El Sharara field, which was producing 270,000 b/d amid renewed unrest. But the CPC Blend, BTC Blend and North Sea crude were all plentiful. Firm middle distillate margins supported West

African grades although firmer freight rates and a wider Brent/Dubai spread undermined demand for longer-haul arbitrage volumes to Asia and even Europe.

Meanwhile, most of the month's demand for Middle East cargoes was subdued and supplies were abundant. Heavy sour Latin American grades were also under pressure from plentiful supplies. Brent-related Basket components Saharan Blend, Es Sider, Girassol and Bonny Light dropped $7.98 on average, or 9.1%, to $79.23/b and accumulated about $33 in losses since June. Middle Eastern spot components and multi-destination grades fell by $10.98 and $9.90, respectively, accumulating around $32 on average in losses since June 2014. For the Latin American ORB components, Oriente slipped $7.32 or 9.5%, while Merey dropped by $7.75, or 10.2%, in November.

On 9 December, the OPEC Reference Basket stood at $62.33/b.

The oil futures market

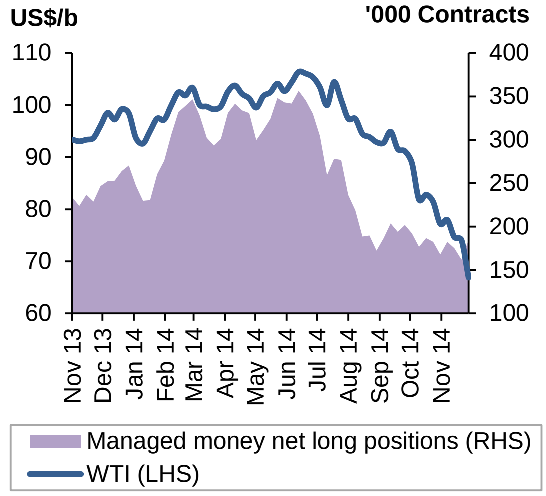
In November, the **ICE Brent** contract plunged 9.6% m-o-m, while the **Nymex WTI** contract lost 10.1% amid an enduring bearish market environment – particularly from the supply side – that has been encompassing the oil market for five months now as demand is still unable to keep pace with supply.

ICE Brent has now lost around 39% of its value since its mid-June spike of $115/b, while Nymex WTI has lost about the same. Crude oil futures tumbled as increasing supplies of crude oil from North America weighed heavily on prices. A mix of technical selling, a strong US dollar, and lower-than-expected Chinese and European economic data also pressured prices. Although growth in China's vast factory sector rose to a three-month high in October as smaller firms saw more orders, the numbers still pointed to a somewhat decelerating economy that is losing momentum. The US dollar touched seven-year peaks versus the yen and continued increasing compared to the euro, dragging on oil prices and making the commodity more expensive for buyers holding other currencies. During the last two days of the month, prices fell sharply as the market reacted to the OPEC decision to maintain the 30 mb/d crude output ceiling. Additionally, the EU Commission saw subdued growth in 2014 and 2015, while Japanese growth stalled. Commercial users and market makers hedging in both ICE and Nymex crude options markets also have continued to amplify the price drop.

The **Nymex WTI** front-month dropped $8.53 over the month to average $75.81/b, its weakest value in more than four years. Compared to the same period in 2013, the WTI value is lower by $1.52, or 1.6%, at $96.12/b. On the ICE exchange, Brent front-month collapsed $8.42 to an average of $79.63/b, the first time it fell below $80/b since September 2010. Year-to-date, ICE Brent was lower compared to the same period last year. It weakened by $5.87, or 5.4%, to $102.82/b from $108.69/b.

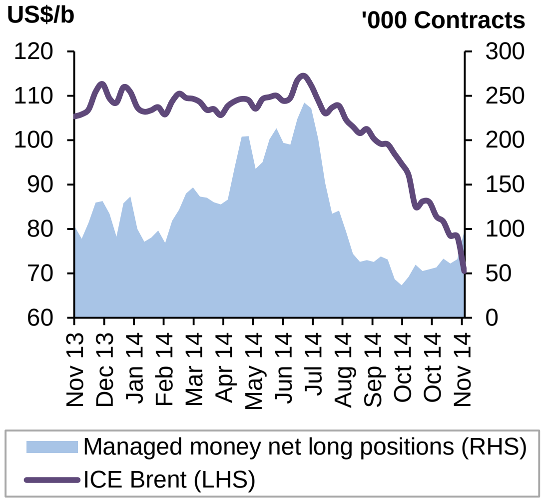
Crude oil futures prices weakened in the 2nd week of December. On 9 December, ICE Brent stood at $66.84/b and Nymex WTI at $63.82/b.

Graph 1.2: Nymex WTI price vs. speculative activity, 2013-2014



Source: CFTC.

Graph 1.3: ICE Brent price vs. speculative activity, 2013-2014



Source: IntercontinentalExchange, Inc.

Money managers' net wagers on rising **ICE Brent** prices rose 21% to 65,973 contracts during the last week in November, prior to the OPEC meeting, according to figures from the ICE Futures Europe exchange. Brent fell as much as 8.4% two days later, the steepest drop since May 2011. On the other hand, producers, consumers and end users of crude became more bearish during this period. They extended their net short positions – bets on falling prices – by 3.2% to 324,393 contracts. Data for ICE options showed that the open interest in put options at $65/b on the March 2015 contract soared to 15,673 lots from close to zero at the start of November, making it one of the largest expiries of 2015.

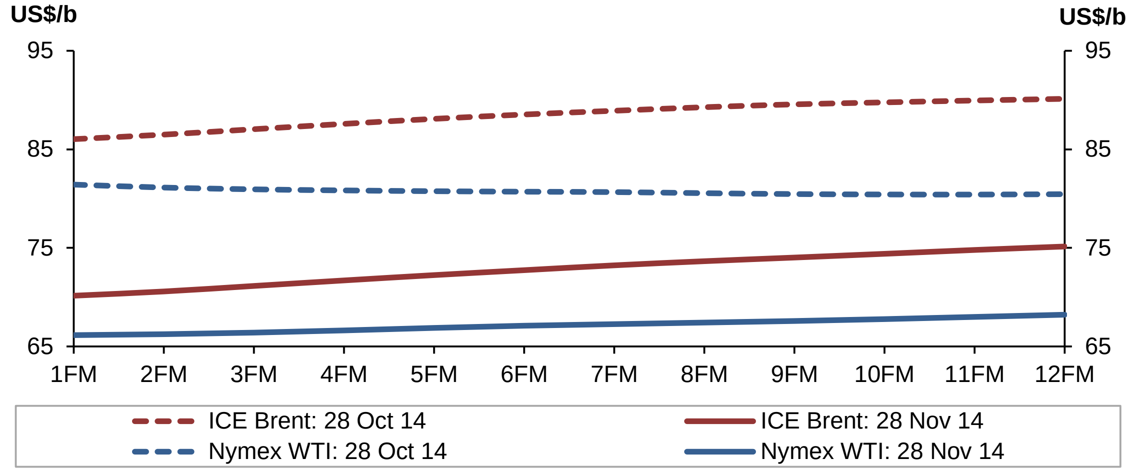
A put is an option which gives the holder the right to sell an asset at a particular price, and amounts to a hedge, or a bet, that prices will fall. In contrast, hedge funds and money managers continue to be bearish, decreasing their net long **US crude futures and options positions** during the month by almost 11% this past month to 162,009 lots, according to data from the US Commodity Futures Trading Commission (CFTC). Speculative long positions in Nymex WTI dropped 1.2% to 246,860 lots, while short positions increased by 26% to 84,851 lots. Moreover, total open interest volume in both Nymex and ICE Brent markets decreased in November by 286,162 contracts to 4.09 million contracts.

The daily average **traded volume** during November for **Nymex WTI** contracts decreased by 50,658 lots to average 642,340 contracts. **ICE Brent** daily traded volume also fell by 73,623 contracts to 662,303 lots. The daily aggregate traded volume in both crude oil futures markets decreased by 124,281 contracts in November to around 1.30 million futures contracts, equivalent to around 1.43 billion b/d. The total traded volume in Nymex WTI and ICE Brent contracts slipped to 12.20 billion and 13.25 million contracts, respectively, over the month.

The futures market structure

By the end of November, the Nymex WTI flipped into contango at the front, with prices below forward ones, signaling ample supply. The end-of-month selling also made the Nymex WTI futures curve flat for the first five contract months, wiping out all the remaining backwardation left in the curve after recent narrowing. Even with the increase in throughput, US crude inventories grew by more than 1.9 mb during the third week of November. Crude stocks at Cushing, Oklahoma, jumped more than 1.3 mb. With domestic crude production continuing to grow, averaging 9.08 mb/d for the third week of November, refineries are struggling to absorb new volumes.

Graph 1.4: Nymex WTI and ICE Brent forward curves, 2013-2014



FM = future month.

WTI had been in backwardation for some time – a sign of tight physical supply – but storage tanks in Cushing have been filling up again. The contango shape is considered evidence of ample crude supplies facing the physical market, which have pushed prices below future delivery. Over the month, the Nymex WTI front-month completely erased its 80¢ premium over the second month. It ended the month flat on average, as the time spread went back-and-forth between contango and backwardation. The new reality of the ICE Brent forward curve is a $10/b downwards-shift at the front end and a still quite substantial $4/b cut at the back end. The inter-month contango, however, has remained largely unchanged for the month. The first/second month spread remained in contango, with the ICE Brent first month discount to the second month standing at about 45¢/b in November. The ICE Brent contango that has been in place since July witnessed a gradual flattening throughout October amid enhanced prompt demand for North Sea crudes.

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

	1st FM	2nd FM	3rd FM	6th FM	12th FM
Nymex WTI					
28 Oct 14	81.42	81.12	80.94	80.70	80.45
28 Nov 14	66.15	66.26	66.41	67.10	68.22
ICE Brent					
28 Oct 14	86.03	86.49	87.04	88.53	90.12
28 Nov 14	70.15	70.58	71.14	72.74	75.14

FM = future month.

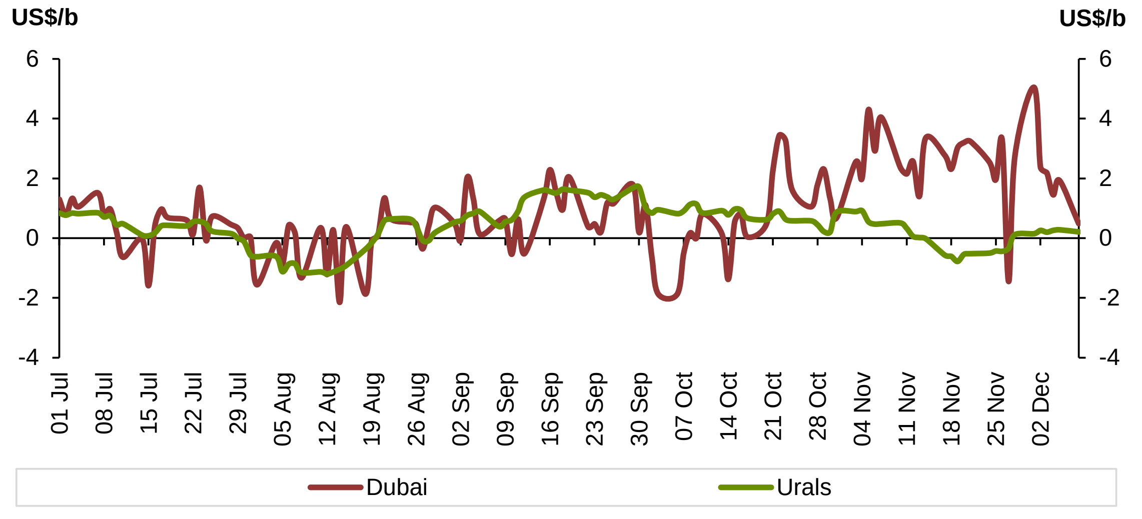
After reaching its narrowest value in the year in October, the Brent-WTI spread has widened slightly in November as the WTI front curve has nearly flipped into contango, while the Brent curve has remained flat. This has supported the Brent premium over WTI and reversed the trend witnessed in the past two months. The increase in US crude stocks has been affecting WTI, even as refineries have hiked output while crude imports have risen during the month, according to EIA data. Crude stocks at Cushing also rose. The Brent-WTI spread widened by 11¢ over the month to $3.82/b on average, after settling at $3.71/b in the previous month.

The light sweet/medium sour crude spread

Sweet/sour differentials narrowed in Europe and in the US Gulf Coast (USGC). However, in **Asia** the spread widened, as seen in the Tapis-Dubai spread, which was supported over the month by the uplift in Brent premium over Dubai. This has lent support to the Asia-Pacific light sweet crude as arbitrage opportunities to move West African crudes to Asia weakened. The Brent-Dubai spread widened from 70¢/b in October to around $2.60/b in November, on average, elevating the demand for regional crudes. Healthy gasoil margins also supported Malaysian Tapis crude, along with other regional sweet crude. Meanwhile, demand for Middle East cargoes was subdued and supplies were abundant, causing Dubai contango to blow out to its widest level since 2008 and its discount to Brent to widen sharply. The Tapis premium over Dubai increased sharply from $1.45/b to $5.65/b in November.

In **Europe**, Russian medium sour Urals discounts to North Sea Dated Brent narrowed to parity in the Mediterranean region as a result of tight Black Sea supplies and limited alternatives for sour crudes. Urals exports from the Baltic and the Black Sea fell 27% to 1.36 mb/d, compared to the previous month. Healthy demand for Mediterranean refiners also supported Urals, while higher freight rates made it uneconomic to move cheaper Baltic cargoes to the Mediterranean markets. Meanwhile, light sweet North Sea Dated Bent crude was under pressure from an abundant supply of light sweet crude, as well as slow demand and given that the loading schedule for the four grades that make up the benchmark was set to rise to a nine-month high of nearly 930,000 b/d. The 78¢/b Brent premium over Urals in October flipped into a 2¢/b discount in November.

Graph 1.5: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2014



In the **USGC**, the Light Louisiana Sweet (LLS) premium over medium sour Mars' narrowed by some 15¢ to about $3.90/b. Both US deepwater grades - LLS and Mars sour - firmed, as USGC refineries emerged from maintenance, boosting utilization rates in the region to 89.1% of capacity. Meanwhile, demand from Mediterranean refiners for Latin American medium sour crudes, such as Colombian Vasconia, supported the USGC sour markets.

Commodity Markets

Energy commodities declined due to falling oil prices, while average non-energy commodity prices were up due to recoveries in base metals and food prices. Precious metals were down on the prospects of higher interest rates in the US in 2015.

Trends in selected commodity markets

Energy prices experienced a notable decline during the month after the steep drop in crude oil, which also triggered sell offs in energy-intensive commodities. Moreover, the relative strength of the US economy versus other major developed economies drove further appreciation of the US dollar that continued its ascending trend during the month, adding to weakness for some commodities. While in the US the ISM Manufacturing PMI retained the high level of 58.7 from 59 the previous month, manufacturing prospects were lower than expected in China, Japan, and the Eurozone during the month, however, some supply tightness provided support to base metals. Finally, continuing positive economic readings of the US economy have translated into higher real interest rate expectations, thereby pushing down gold prices.

Base metal prices advanced during the month in spite of slowing manufacturing prospects in China – PMI at 50.0 versus 50.4 the previous month – and the Eurozone – PMI at 50.1 versus 50.6 the previous month – and additional cooling of China's property market, where sale prices of new homes declined in 69 of 70 cities according to the National Bureau of Statistics. Aluminium was the best performer among base metals, reaching its highest level since December 2012, as industry consolidation efforts have continued to translate into declining inventories. However, at the end of the month, metals declined following the drop in energy prices as this could potentially decrease their cost of production. Meanwhile, iron ore continued its decline on the prospects of additional supplies by major producing companies.

Agricultural prices advanced on top of recovering food prices, which had reached multi-year lows during October, and concerns about the impact of adverse weather conditions on winter cereals. Maize showed a large increase as the US Department of Agriculture reported increased usage for ethanol production and some minor revisions to current year harvest projections. Soybeans increased due to record exports from the US due to low prices and strong soybean meal demand from overseas. Wheat prices increased after colder-than-average weather in the US slowed planting and due to concerns of potential export restrictions from major exporter Russia.

Natural gas prices showed opposite trends in the US and Europe. In Europe, average gas import prices decreased on milder temperatures, lower oil prices and the effect of the agreement between Ukraine and Gazprom. Moreover, inventories at the end of the month as reported by Gas Infrastructure Europe were at 88.64% of storage capacity, versus 78.21% last year, but in absolute terms, they are around 20.7% larger than in 2013. In the US, prices increased as cold temperatures drove up heating demand and triggered larger-than-expected withdrawals from inventories.

Among factors that will require close monitoring are the impacts of falling energy prices on both supply and demand balances, and on other commodity groups where energy represents a large share of their cost structure. Divergent economic performances among major economies could add more pressure to commodity prices through further dollar appreciation, however, additional monetary and fiscal stimulus in China and Japan, if successful, could potentially support commodity prices.

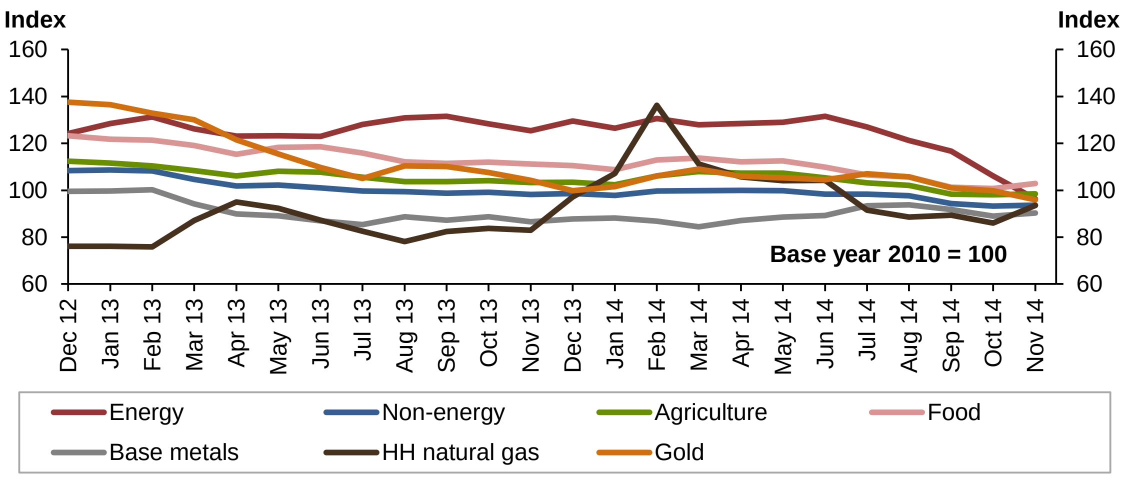
Table 2.1: Commodity price data, 2014

Commodity	Unit	Monthly averages			% Change		
		Sep 14	Oct 14	Nov 14	Sep/Aug	Oct/Sep	Nov/Oct
World Bank commodity price indices (2010 = 100)							
Energy		116.6	106.2	96.3	-3.8	-9.0	-9.3
Coal, Australia	$/mt	65.9	63.7	62.6	-4.4	-3.4	-1.8
Crude oil, average	$/bbl	95.9	86.1	77.0	-4.2	-10.2	-10.6
Natural gas, US	$/mmbtu	3.9	3.8	4.1	0.8	-3.7	8.7
Non Energy		94.3	93.3	93.6	-3.4	-1.1	0.4
Agriculture		98.4	98.0	98.4	-3.6	-0.4	0.4
Food		101.3	100.7	102.9	-4.1	-0.6	2.2
Soybean meal	$/mt	468.0	459.0	484.8	-8.1	-1.9	5.6
Soybean oil	$/mt	851.0	835.0	824.5	-0.7	-1.9	-1.3
Soybeans	$/mt	432.0	424.0	447.0	-6.1	-1.9	5.4
Grains		92.9	92.9	98.0	-6.3	0.0	5.5
Maize	$/mt	163.1	163.1	178.7	-7.6	0.0	9.6
Wheat, US, HRW	$/mt	243.7	245.4	258.7	-7.5	0.7	5.4
Sugar, world	$/kg	0.4	0.4	0.4	-6.9	4.5	-3.3
Base Metal		91.7	88.9	90.4	-2.2	-3.1	1.6
Aluminum	$/mt	1,990.4	1,946.2	2,055.6	-2.0	-2.2	5.6
Copper	$/mt	6,872.2	6,737.5	6,712.9	-1.9	-2.0	-0.4
Iron ore, cfr spot	$/dmtu	82.4	81.0	74.0	-11.1	-1.7	-8.6
Lead	$/mt	2,117.2	2,034.3	2,030.2	-5.3	-3.9	-0.2
Nickel	$/mt	18,034.8	15,812.4	15,807.1	-3.0	-12.3	0.0
Tin	$/mt	21,090.5	19,830.4	20,033.5	-5.1	-6.0	1.0
Zinc	$/mt	2,294.6	2,276.8	2,253.2	-1.4	-0.8	-1.0
Precious Metals							
Gold	$/toz	1,236.6	1,222.5	1,175.3	-4.5	-1.1	-3.9
Silver	$/toz	18.4	17.2	16.0	-6.9	-6.6	-7.0

Source: World Bank, Commodity price data.

Average **energy prices** decreased by 9.3% m-o-m in November due to a 10.6% decrease m-o-m in crude oil, on ample supply, easing demand and a strong US dollar. Natural gas prices increased in the US on average by 8.7% m-o-m as cold temperatures increased demand, while average import prices increased in Europe by 9% and coal prices declined on average by 1.8% m-o-m.

Graph 2.1: Major commodity price indices, 2012-2014

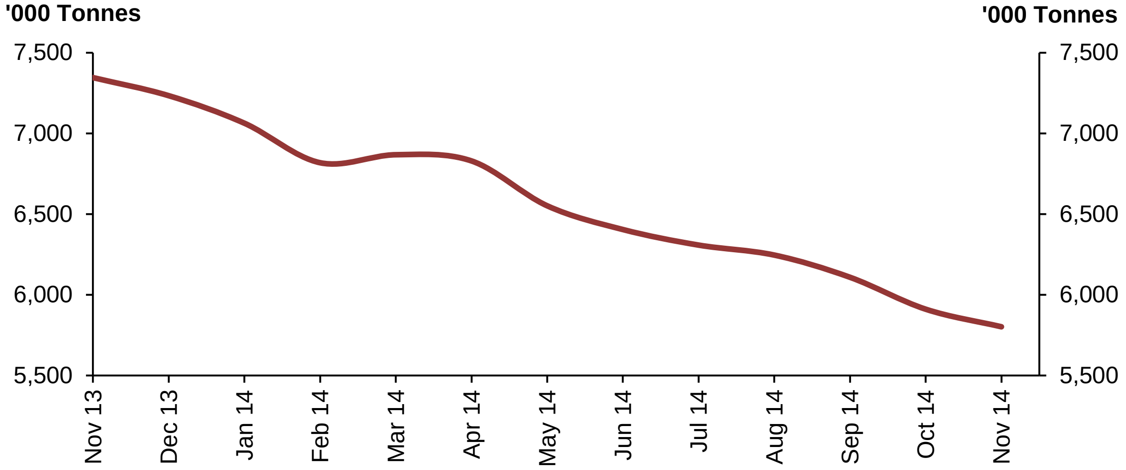


Source: World Bank, Commodity price data.

Agricultural prices experienced an increase of 0.4% due to a 2.2% increase in food, a 5.5% decrease in beverages and a 1.1% drop in raw materials. Grain and oilseed prices showed strong performances and rebounded from multi-year lows, with maize, soybeans and wheat up by 9.6%, 5.4% and 5.4%, respectively, due to strong biofuel production, export demand and adverse weather conditions. Sugar prices, down 3.3% from October, gave back some of the gains achieved the previous month as rains arrived to producing areas of Brazil affected by this year's drought.

Base metals increased by 1.6% m-o-m with different trends among group components. Aluminium increased by 5.6% m-o-m after LME inventories continued their declining trend due to industry consolidation efforts. Copper prices declined slightly, by 0.4%, as a drop in energy prices and slowing manufacturing in China more than compensated fears of a supply disruption from mining operations in Peru, a major exporter. Iron ore declined sharply, by 8.6%, as new production capacity continued to widen the surplus in the market.

Graph 2.2: Inventories at the LME



Sources: London Metal Exchange and Haver Analytics.

The **precious metals** group declined by 4.4% in October. Average gold prices decreased by 3.9% m-o-m as the strong GDP performance and improving employment situation in the US suggest that the US Federal Reserve could potentially increase interest rates in 1H15. Meanwhile, the sell-off in silver continued into November with average prices declining by 7.0% m-o-m.

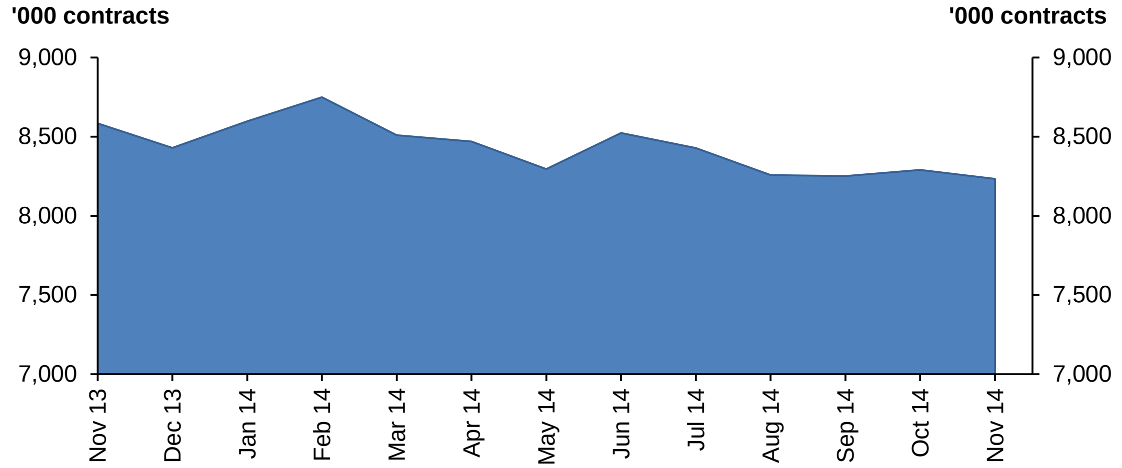
In November, the **Henry Hub natural gas price** increased after below-average temperatures in the middle of the month translated into large withdrawals from inventories. However, during the last week of the month, expectations for milder temperatures and declining oil prices pushed down prices. The average price increased by 33¢ or 8.7% to $4.1 per million British thermal units (mmbtu) after trading at an average of $3.77/mmbtu the previous month.

The US Energy Information Administration (EIA) said utilities withdrew 22 billion cubic feet (Bcf) of gas from storage during the week ending 28 November, 19 Bcf below the market expectation of a 41 Bcf decrease. Total gas in storage stands at 3,410 Bcf, which is 9.8% below the previous five-year average. Last month, it was 6.8% below that average. The EIA also reported "temperatures slightly warmer" than the 30-year average.

Investment flows into commodities

The total open interest volume (OIV) in major US commodity markets increased slightly to 8.4 million contracts in November, with the OIV declining for crude oil, agriculture, copper and livestock by 2.0%, 1.8%, 1.2% and 0.5%, respectively, while precious metals and natural gas both showed increases of 4.3%.

Graph 2.3: Total open interest volume



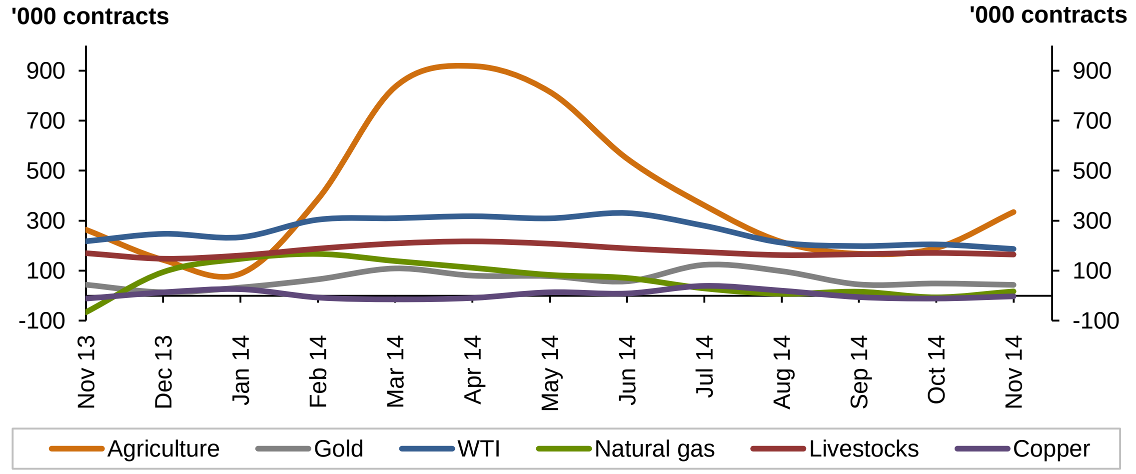
Source: US Commodity Futures Trading Commission.

Total net length speculative positions in select commodities increased by 26.2% m-o-m to 746,777 contracts in November due to increases in net long positions on agriculture, natural gas and precious metals, and a reduction in copper net shorts, while net length declined for crude oil and livestock.

Agricultural OIV was down 1.8% m-o-m to 4,626,588 contracts in November. Meanwhile, money manager net long positions in agriculture increased by 75.6% to 334,358 lots, continuing the upward trend started the previous month, as low prices have triggered strong export demand.

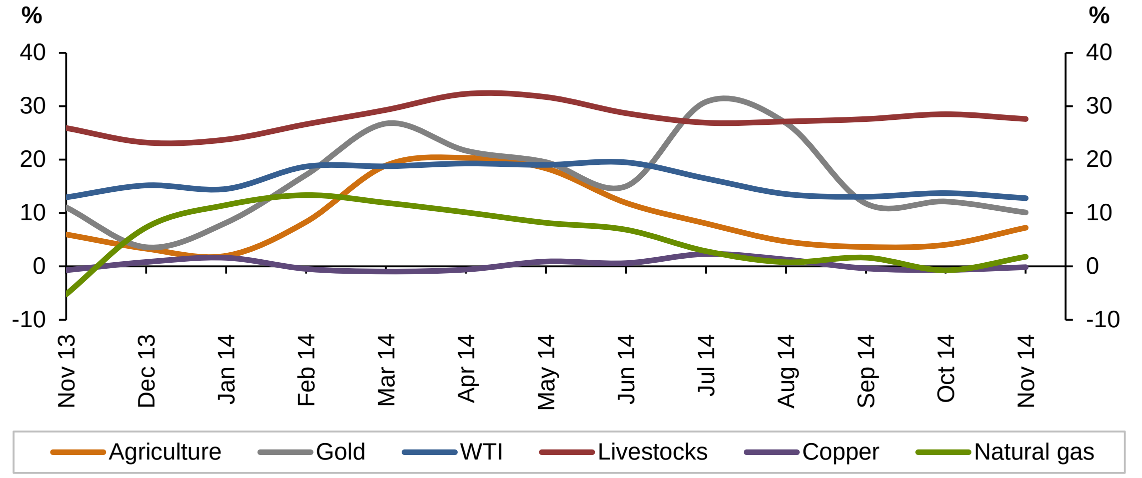
Henry Hub natural gas OIV increased by 4.3% m-o-m to 951,133 contracts in November. Money managers switched their stance to a net long position during the month from a net short of 6,758 lots in October to a net long of 16,985 contracts in November, as cold weather in the US translated into storage withdrawals.

Graph 2.4: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

Graph 2.5: Speculative activity in key commodities, as % of open interest



Source: US Commodity Futures Trading Commission.

Copper OIV declined by 1.2% m-o-m to 168,161 contracts in November. Money managers reduced their net short position to 2,739 lots versus 11,524 contracts the previous month.

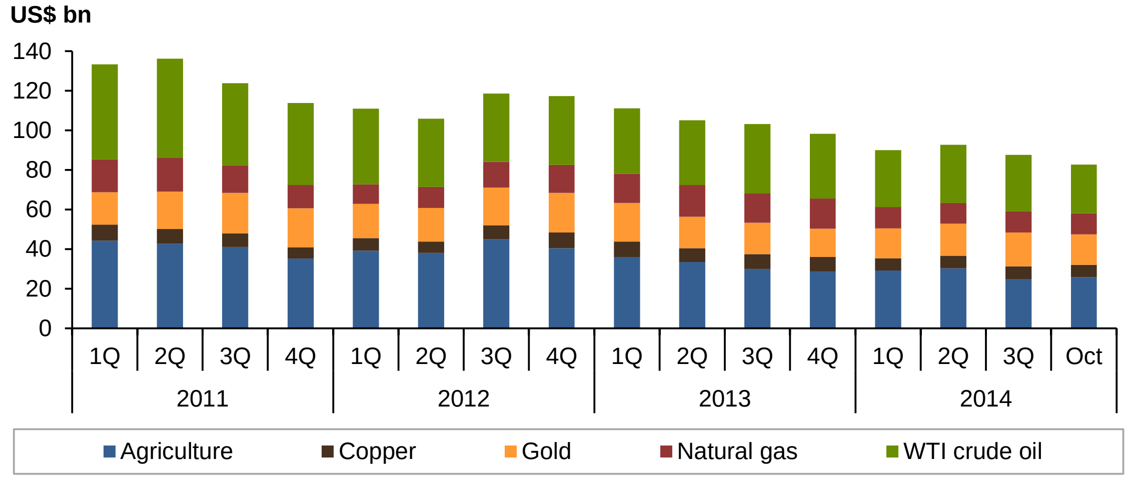
Table 2.2: CFTC data on non-commercial positions, '000 contracts

	Open interest		*Net length*			
	Oct 14	Nov 14	Oct 14	% OIV	Nov 14	% OIV
Crude oil	1,494	1,463	205	14	187	13
Natural gas	912	951	-7	-1	17	2
Agriculture	4,713	4,627	190	4	334	7
Precious metals	572	596	44	8	47	8
Copper	170	168	-12	-7	-3	-2
Livestock	600	596	171	28	165	28
Total	**8,461**	**8,402**	**592**	**7**	**747**	**9**

Source: US Commodity Futures Trading Commission.

Gold's OIV increased by 6.6% m-o-m to 427,150 contracts in October. Money managers decreased their net length in gold by 11.5% to 43,068 lots as strong GDP readings and employment reports in the US suggested an interest rate hike by the US Federal Reserve in 1H15.

Graph 2.6: Inflow of investment into commodities, 2011-2014



Source: US Commodity Futures Trading Commission.

World Economy

The global economy is expected to continue its recovery. The global growth forecast foresees a pick-up in GDP growth to 3.6% in 2015 from 3.2% in the current year, both unchanged from the previous month's forecast. The progress in the OECD is forecast to continue in 2015, lifting growth to 2.1%, from 1.8% this year. This dynamic will be facilitated by further progress in the US economy, in addition to the Euro-zone and Japan, which are both being lifted by ongoing monetary, as well as fiscal and structural, stimulus measures. China's growth is expected to remain at around 7% in both 2014 and 2015. India's momentum is also expected to pick up to 5.8% growth in 2015 from 5.5% in 2014. Brazil and Russia are currently seen to be lagging in terms of global momentum, although both economies should also see some improvement in the coming year. However, some growth risk will remain apparent with low inflation in the Euro-zone, a probably earlier-than-expected decision by the Fed to lift interest rates, as well as a potentially further increase in volatility in the foreign exchange markets and geopolitical risks.

Table 3.1: Economic growth rate and revision, 2014-2015, %

	World	OECD	US	Japan	Euro-zone	China	India	Brazil	Russia
2014E*	**3.2**	**1.8**	**2.2**	**0.4**	**0.8**	**7.4**	**5.5**	**0.4**	**0.3**
Change from previous month	0.0	0.0	0.1	-0.4	0.1	0.0	0.0	-0.2	0.0
2015F*	**3.6**	**2.1**	**2.6**	**1.2**	**1.1**	**7.2**	**5.8**	**1.2**	**0.7**
Change from previous month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2

** E = estimate and F = forecast.*

OECD

OECD Americas

US

The **US economy has gained considerable pace in the past two quarters** with 3Q GDP growth at a seasonally adjusted annualized rate (saar) of 3.9% q-o-q in 3Q14 and 4.6% in 2Q14. This dynamic should be expected to continue in the coming year, given that most of the important parameters in the labour market have supported this momentum and consumption should be expected to keep this positive trend going. Private consumption expenditures were the main contributor to this growth number at 1.5 percentage points (pp) growth contribution, followed by gross domestic private investments at 0.9 pp, and net exports and government consumption both contributing 0.8 pp. Some questions remain on the ability to avoid a potential political gridlock after the recent mid-term elections, but the now clear majority situation in both houses should provide a better base for future political negotiations.

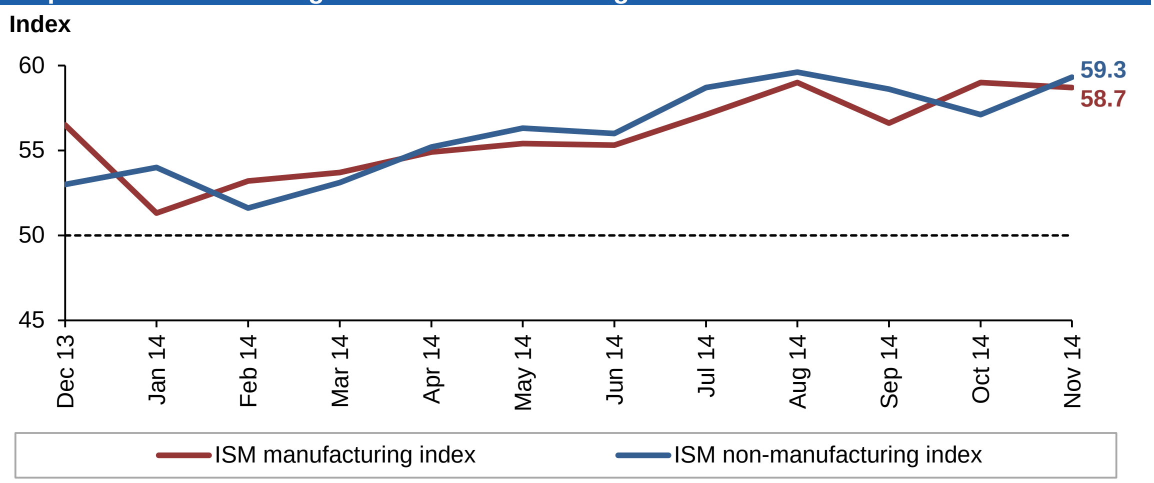
However, among some, one major uncertainty remains, which is how the Federal Reserve Board (Fed) may decide upon its monetary policy in the near future, given the current economic improvements in the US economy. This situation may lead to an earlier-than-expected start in the interest rate raising cycle. While currently it is generally expected that the Fed will not start before the middle of next year to raise interest rates, quicker-than-anticipated improvements in the economy may lead to an earlier lifting of interest rates, probably by the end of the 1Q15 meeting in mid-March or the beginning of the 2Q15 meeting at the end of April. This again may have some effect on emerging economies as this may lead to capital flows as seen in mid-2013. Emerging economies might be better prepared for an interest rate rise in the US dollar this time. However, parts of the private sector that are indebted in US dollar denominated loans might face considerable stress if interest rate rises are quick and higher than expected. This is a topic that has been highlighted recently by the Bank of International Settlement (BIS) in its quarterly review.

The **labour market** has improved significantly over the past months and the latest batch of data confirms this trend. The unemployment rate remained at 5.8% in November. Non-farm payrolls grew by 321,000 in November, after an upward revision of 243,000 in non-farm job additions in October. The share of long-term unemployed fell to its lowest point since June 2009 and recorded 30.7% in November after 32.0% in October. Some softness in the labour market remains, given the fact that the participation rate remained unchanged from the last month at a low level of 62.8%.

The **housing market** continues recovering, but at a slowing pace. Prices have risen by 4.3% y-o-y in September, after 4.8% y-o-y in August, as reported by the Federal Housing Finance Agency. Existing home sales have continued improving in October, when they rose by 2.5% y-o-y, the first yearly increase since October of last year. Vacancy rates have declined for both rentals and home-owner properties in 3Q14 to stand at 7.4% and 1.8%, respectively.

Consumer confidence remained at a high level of 88.7 in November, only slightly below the October 94.1 level, based on the Conference Board's consumer confidence index. The October level now marked the highest number since October 2007. The **purchasing manager's index** (PMI) for the manufacturing sector, as provided by the Institute of Supply Management (ISM), has also remained barely unchanged. It stood at 58.7 in November and almost matched the October number of 59.0. The ISM for the services sector, which contributes more than 70% to the economy, increased considerably to 59.3 in November, after an already high reading of 57.1 in October.

Graph 3.1: Manufacturing and non-manufacturing ISM indices



Sources: Institute for Supply Management and Thomson Reuters.

Some upside potential is becoming visible and the details of the GDP growth forecast will be reviewed in greater detail in the coming month, with the latest data also being available then. In the current month, the 2014 growth forecast has been lifted slightly to

2.2%, from 2.1% in the past month, while the 2015 growth expectation remains unchanged at 2.6%.

Mexico

While some improvements have become apparent in Mexico's economy, the drag coming from muted industrial activity and the impact from lower commodity prices is forecast to remain a challenge for the near future. The latest monthly industrial production number was showing a slight decline of 0.1% m-o-m and capacity utilisation also fell to 79.2%, the second lowest level since the beginning of the year. This slow momentum has been also reflected in the latest 3Q14 GDP growth number, which stood at 2.0% q-o-q saar. However, the PMI index for manufacturing points at a recovery as it rose to 54.3 in November, after 53.3 in October. Given the somewhat slowing momentum, the 2014 GDP growth forecast has been revised from 2.4% to 2.2%, while the growth forecast for the coming year remains unchanged at 3.3%.

OECD Asia-Pacific

Japan

The economic development of Japan continues to be impacted by the April sales tax increase on various fronts. **GDP growth rates** have now been negative for two consecutive quarters, putting the economy in a technical recession. Growth in the 2Q14 has been down by 6.7% q-o-q saar and while the decline in the 3Q improved to a contraction of 1.9% q-o-q saar, the situation remains challenging. This has become obvious as recently the 3Q GDP number was revised down from a decline of 1.6% q-o-q saar. The Bank of Japan (BoJ) had already announced, before the release of the negative 3Q growth number, a package of unprecedented monetary stimulus.

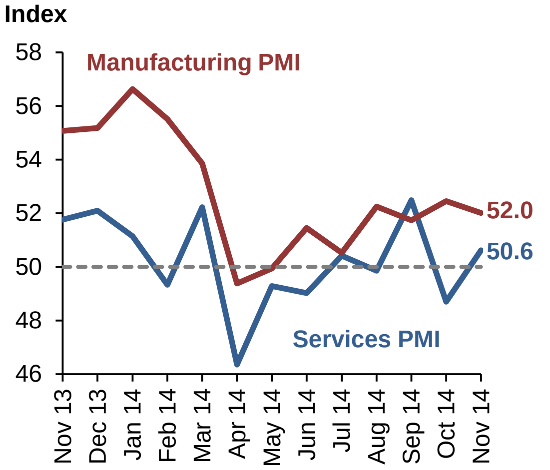
Shortly after the numbers were released, the government pushed forward with snap elections to be held at the end of this week. In connection with this, it has also been announced that the plan to raise the sales tax in October 2015 from 8% to 10%, as a second step following this past April's hike, has been postponed to a later stage in 2016, since it has become obvious that economic development this year has been greatly impacted by the April hike and the fragile Japanese economy does not currently provide much room for another rise.

Also, in connection with the sales tax increase, **earning** rises still lag behind total inflation, which now stands at 2.9%. Earnings rose considerably below this level, but this is now expected to normalize as earnings increases are forecast to continue. Core inflation, without the special effect of the sales tax hike, stands at only 0.9%, according to the latest official numbers and is thus considerably below the official inflation target of 2.0%. While the recent negative growth numbers are impacting full year growth significantly to the downside, the 4Q14 growth level is again forecast to recover to a higher level. Next year's GDP development is also forecast to improve. This will, however, also depend much on the success of the bold monetary policy of the BoJ, which expects to increase the monetary base to almost 80% of GDP in 2015, by far the highest of any developed economy. This compares to around 25% for the Fed, the European Central Bank (ECB) or the Bank of England (BoE).

While the monetary policy will need to unfold in the coming months, the domestic demand situation has improved and is expected to continue to do so, but has remained fragile. Retail trade increased by 1.4% y-o-y in October. This was slightly below the 2.3% y-o-y in September, which marked four months of consecutive monthly improvements. Foreign demand continued recovering in October, when exports rose by 9.6% y-o-y, after a rise of 6.9% y-o-y in September. **Industrial production**, however, remained somewhat sluggish on a yearly comparison. While it increased considerably in September by 2.9% m-o-m, its largest monthly increase since January, it was almost flat in October, with only a slight rise of 0.2% m-o-m.

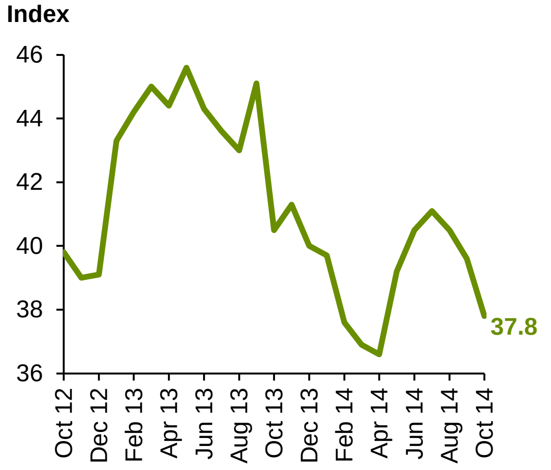
Business sentiment has improved in November. The **PMI numbers**, as provided by Markit, show that the manufacturing PMI in October fell slightly to 52.0 in November from 52.5 a month earlier. Also, the important services sector increased and moved above the growth indicating level of 50. While it stood at only 48.7 in October, it rose to 50.6 in November.

Graph 3.2: Japanese PMI indices



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

Graph 3.3: Japanese consumer confidence index, NSA



Sources: Cabinet Office of Japan and Haver Analytics.

While Japan continues its recovery, the near-term effects of its monetary stimulus programme will need close monitoring. The considerable decline in the 2Q and the 3Q has led to a downward revision of this year's growth expectation from 0.8% to 0.4%. Given the stimulus measures in place, expectations of a recovery remain unchanged and the growth forecast has been kept at 1.2%.

South Korea

The South Korean economy continues to grow at a solid pace, while slightly decelerating since it is also impacted by its most important trading partners in the Asian region. GDP in the 3Q14 has been measured at 3.3% y-o-y, which is slightly below the 2Q and the 1Q of the year. Export growth was at a low level but stood at 1.5% y-o-y in November and 1.8% y-o-y in October. The current dynamic confirms the 2014 growth forecast of 3.4%, which is expected to also stand at around this level in 2015. Hence, the growth forecast for 2015 has been revised upwards from 3.1% to 3.4%.

OECD Europe

Euro-zone

The situation in the Euro-zone remains uneven, but has slightly improved as shown in **recent growth numbers**. This slight improvement is mainly due to better-than-previously-announced growth numbers in Germany. It is also due to improvements in peripheral economies such as Spain, which is the fourth largest of the Euro-zone's economies. On the other hand, Italy, the third largest economy, continues its slow-down, while France, the second biggest economy in the Euro-zone, is also not growing considerably. But at least it has improved its growth level in the 3Q14. The German

Bundesbank has even significantly lowered its growth forecast for next year to only 1.0%, tying into the muted 2015 growth forecast of the ECB of only 1.0% for the entire Euro-zone. Some support for economic growth should come from the EU Commission's most recently announced plan to invest €315 billion in the EU's infrastructure over the next three years – i.e. up to 2017 – within the framework of private-public partnerships. This accounts for around 2.5% of the EU's GDP and would lift growth by around 0.8 pp per annum if equally spread, based on the EU's GDP. Within this framework, the EU will guarantee €16 billion with the European Investment Bank (EIB) contributing €5 billion. The commission hopes to support private lending via such a guarantee and to attract investments worth €315 billion. The success of this initiative will need to be seen as some potential business partners have been questioning the investment scheme.

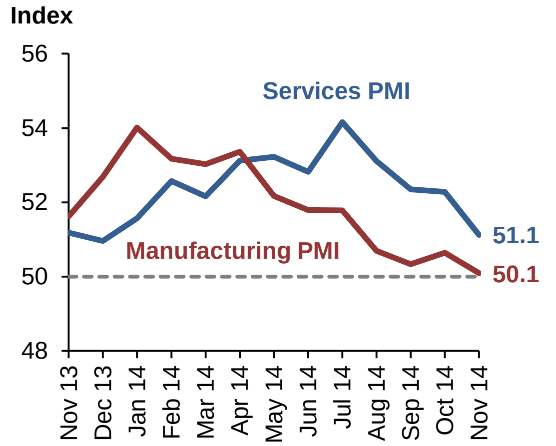
Also, the **ECB** has announced that it will further engage in supporting the Euro-zone and has indicated that it will increase the monetary base by around a third, from €2 trillion to €3 trillion. However, the implementation of this operation also needs close monitoring as past initiatives by the ECB to support lending have not been as successful as initially hoped for, given the weakness of the banking sector, among other factors. After the recent release of a thorough bank stress-test initiative by the ECB, the base for regaining confidence in the banking sector should have been provided. The banking sector is now able to fully understand its capital requirements, while investors on the other side are also able to judge financial risks involving banks when providing capital. Although uncertainty about potentially necessary capital requirements has kept banks from providing lending facilities, monetary facilities by the ECB are now expected to increasingly be channelled to the private sector. This will be of crucial importance as the banking sector is the main lifeline for the backbone of the Euro-zone's economy – the small- and medium-sized enterprises, which rely on bank financing. The transmission channel still seems to be impaired with loan growth rates to the private sector continuing to be negative on a yearly base. But the decline rates have become less negative; hence an improvement becomes visible.

Another important aim of the ECB is to lift **inflation**. This has been now at a very low level for a considerable amount of time and in November was still at 0.3%. The ECB's inflation forecast also stands at only 0.8% for next year, a level that is significantly below its target level of around 2%. While this low inflation is mainly influenced by the peripheral economies, as well as the large economies like Germany, the level has been relatively low.

Beside the impaired transmission channel of the banking sector and the impact of low inflation – both issues attributed to the ECB's work programme – low aggregate demand, significantly impacted by the high unemployment level, constitutes a serious issue. While the above described investment plan and further global economic improvements might lead to a better situation of the **labour market**, it remains in a challenging situation. Unemployment stood at 11.5% in October, for the third consecutive month, youth unemployment stood at 21.6%, and a total number of more than 18 million are unemployed in the Euro-zone – and more than 24 million in the entire EU.

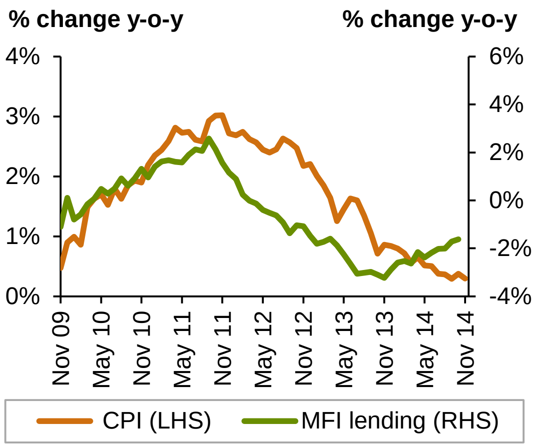
In general, the situation remains fragile. The **recent PMI numbers** point at a continuation of the modest growth level. The latest PMI for manufacturing, as provided by Markit, declined, but remains above the growth-indicating level of 50. It stood at 50.1 in November, compared to 50.6 in October. The PMI for the important services sector fell as well to 51.1 in November from 52.3 in October.

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 recovery in the Euro-zone has improved compared to last year, it remains fragile. Given the latest improved numbers, the **GDP growth forecast** for 2014 has been raised to 0.8%, while the growth forecast for 2015 remains at 1.1%, an only slightly higher level than in the current year.

UK

The **United Kingdom's economy continues recovering**. Lead indicators point at a continued strong momentum. The PMI for manufacturing increased for the second consecutive month to 53.5 in November from 53.3 in October and 51.6 in September, although it is still clearly below the average 1H14 level of more than 55. After a strong momentum in the 1H14, the dynamic is coming down slightly, while remaining strong, particularly when compared to the Euro-zone. While also somewhat lower than in the 1H14, industrial production grew by 1.4% in September, after 2.3% y-o-y in August. The 2014 GDP growth forecast remains unchanged at 2.9%. Given the strong dynamic, the forecast for 2015 has been lifted to 2.5% from 2.3% in the previous month.

Emerging and Developing Economies

For the second consecutive month, the economy of **Brazil** did not exhibit many encouraging signals. Negative yearly GDP growth in 3Q14, as well as shrinking exports' revenue, a widening trade deficit, sliding consumer confidence, persistently high inflation and slowing manufacturing sector have led to a 2 pp reduction in 2014's GDP growth forecast to 0.4%. For 2015, the forecast remains intact at 1.2%.

Economic indicators from **Russia** did not paint a better picture compared to the previous few months. The ruble continued its downwards path, losing nearly 13% of its value versus the dollar in November and putting more inflationary pressures on the economy. While the manufacturing sector seems to be benefiting from the country's import-substitution policy, the business activities in the services sector are in contraction, suffering from increasing inflation. Anticipation of 2014 GDP growth is unchanged at 0.3%, while the figure for 2015 is slightly lower this month at 0.7%, down from 0.9% predicted previously. Even so, the risk to this month's forecast for 2015 GDP growth remains skewed to the downside. Should the lack of positive breakthroughs in the geopolitical arena and the abating outlook for the country's 2015 trade balance continue, the current forecast for 2015 GDP growth of 0.7% might be revised down considerably next month.

India's GDP growth slowed from 5.7% y-o-y in 2Q14 to 5.3% in 3Q14, weaker than expected. Despite improving economic prospects, a weak investment environment, high corporate tax rates and fiscal policy rigidity are exerting a drag on growth. The easing in the consumer price index (CPI) in October was broad based, with all major categories included in India's price basket showing moderation. A robust degree of positive sentiment is again evident in India, contrasting with a global weakening of activity expectations in October.

Chinese economic activity continues to lose momentum. Fixed investment, industrial production, retail sales and new loan growth all slowed in October, confirming expectations that domestic demand will continue to decelerate. However, at the same time, the National Development and Reform Commission (NDRC) has reaffirmed a stance of using large-scale projects to stabilise growth and promote structural adjustment in the economy. Debt growth in China has slowed this year because of a slowing economy that has sapped corporate appetite for investment, as well as new regulations aimed at controlling risky off-balance-sheet financing. In addition, the People's Bank of China (PBoC) reduced its benchmark interest rates for the first time since June 2012, indicating that weakening growth has tipped decision-making towards an accommodative stance from a strongly prudent one earlier this year.

Table 3.2: Summary of macroeconomics 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	
	2014*	2015*	2014	2015	2014	2015	2014	2015	2014	2015
Brazil	0.4	1.2	6.3	6.7	-80.9	-81.7	-3.9	-3.9	59.3	59.2
Russia	0.3	0.7	7.5	7.2	56.4	47.8	0.4	-0.7	7.2	7.8
India	5.5	5.8	8.0	7.2	-43.0	-61.5	-4.5	-4.3	51.0	49.8
China	7.4	7.2	2.1	2.3	231.7	214.3	-3.0	-2.9	16.8	18.5

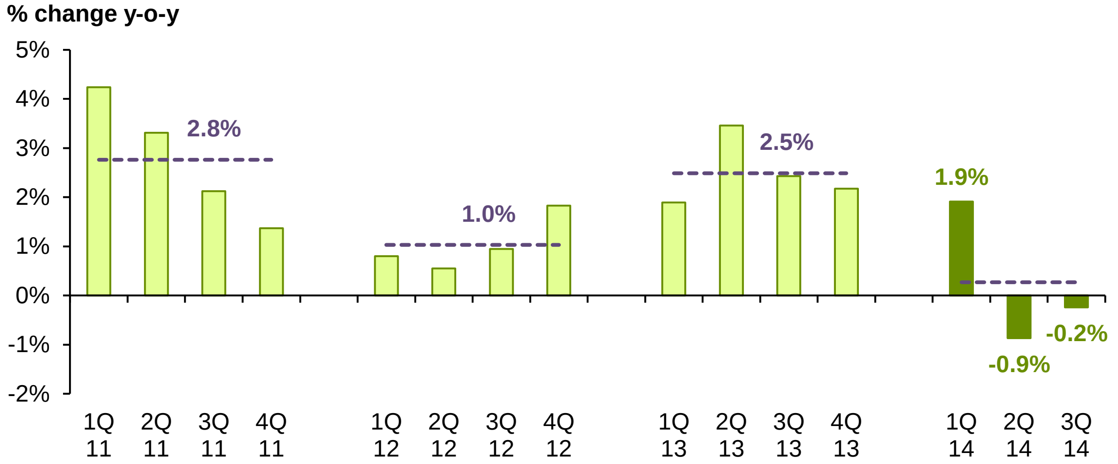
Sources: OPEC Secretariat, Consensus Economics, Economic Intelligence Unit, Financial Times and Oxford.
** Forecast.*

Brazil

Brazil avoided a long recession after its **GDP** posted growth of 0.1% q-o-q saar in the 3Q14, following two quarters of negative quarterly growth. Growth was basically supported by higher government consumption and gross fixed capital formation, with each rising 1.3% q-o-q.

Private consumption, on the other hand, contracted 0.3%. On a yearly comparison, GDP decelerated 0.2% in the 3Q, following a 0.9% contraction in the 2Q. Private consumption was nearly flat, growing just 0.1% y-o-y signalling the slowest pace of growth since the 4Q03, while growth of government consumption was at 1.9% compared to the previous year.

Graph 3.6: Brazilian quarterly GDP growth



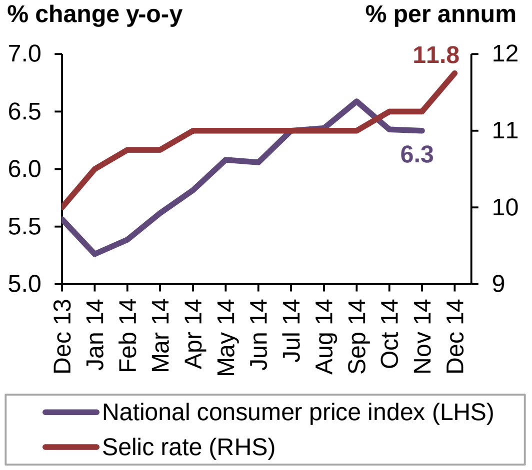
Sources: Instituto Brasileiro de Geografia e Estatística and Haver Analytics.

Exports from Brazil shrank in October 2014 nearly 20% y-o-y, from a 4.9% y-o-y increase in October 2013. As a result, the **trade deficit** increased to $1.2 billion in October from a $0.2 billion gap a year earlier, as lower prices for key exports kept dragging the value of exports down.

Consumer confidence slid further last month to 97.5, its lowest reading since February 2009. Concerns about high inflation, the job market and, more recently, interest rate increases have accelerated the trend of falling consumer confidence seen in the past 12 months. The central bank raised the benchmark **interest rate** 50 basis points to 11.75% in December 2014, compared to the previous month.

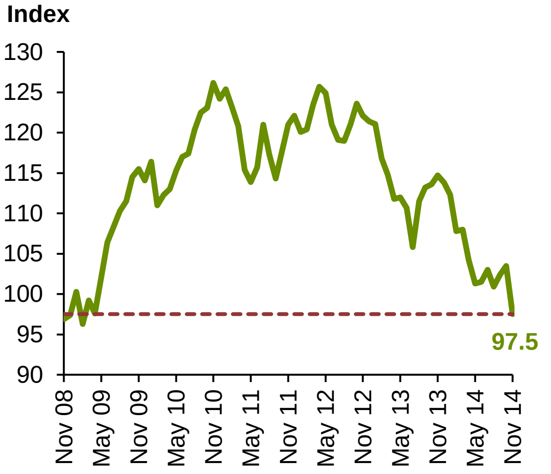
Inflation in October remained over 6%, though slightly lower than a month earlier. Inflation registered 6.3% in October, down from 6.6% in September. The **unemployment rate** followed the seasonal downwards pattern at year end. It fell to 4.7% in October from 4.9% a month earlier. The unemployment rate maintained its reading of no more than 5.0% since March of this year, highlighting the lowest average ever for the period of March-October.

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 consumer confidence index



Sources: Fundação Getúlio Vargas and Haver Analytics.

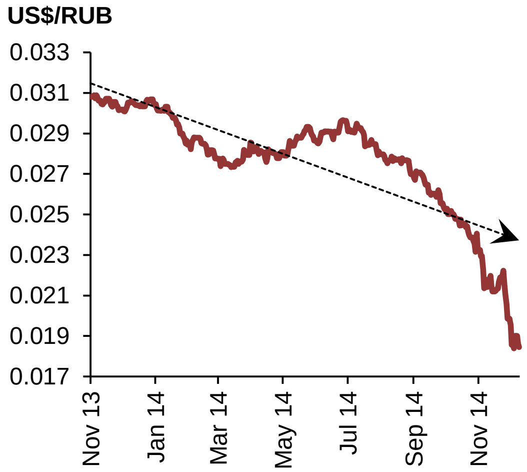
The **manufacturing sector** continued its disappointing performance last month, with the corresponding PMI falling to 48.7, down from October's 49.1. The latest reading was the lowest in 16 months. The survey showed faster contractions in output and employment as well as modest rates of decline in new business and foreign orders.

Observing the negative yearly growth of **GDP** in the 3Q14 and the continued disappointing signals in the past two months, GDP growth is anticipated now at 0.4% in 2014, down from previously anticipated 0.6%. For 2015, the forecast remains intact at 1.2%.

Russia

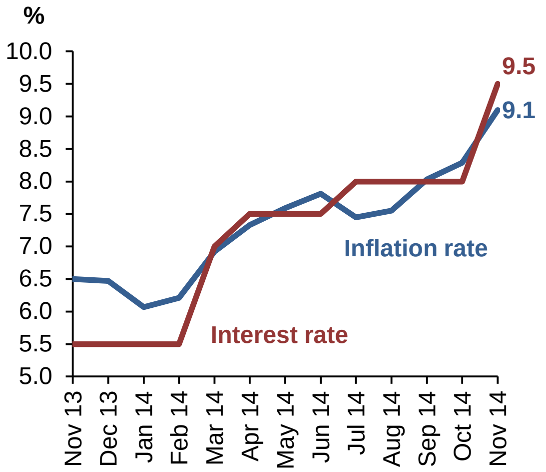
In November 2014, the **ruble** experienced its steepest depreciation since January 2009. It fell nearly 13% last month compared to the US dollar. This means the currency lost 30.4% of its value between July and November 2014. **Inflation** increased for the third consecutive month in October reaching 8.3% y-o-y. Inflation is expected to continue rising in the subsequent months on the back of persistent depreciating in the currency. The central bank's interest rate hike of 150 basis points to 9.50% in November did little to support the currency and controlling inflation.

Graph 3.9: US dollar and Russian ruble exchange rate



Source: Thomson Reuters.

Graph 3.10: Russian ruble inflation vs. interest rate

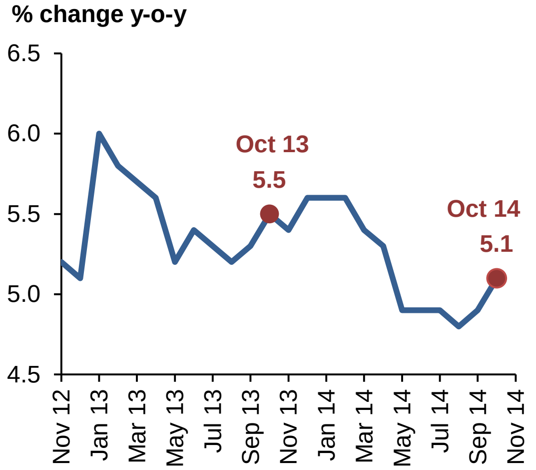


Sources: Federal State Statistics Service, Central Bank of Russia and Haver Analytics.

The **unemployment rate** increased for the second consecutive month to 5.1% in October 2014 from 4.9% in September. Nominal **wages** rose at a slower 8.6% y-o-y in October, following a revised 9.7% increase in September. Real wages increased 0.3% and real **disposable income** grew 2.1%.

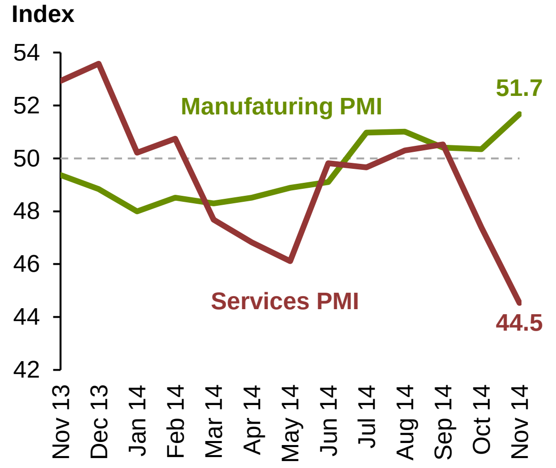
The **manufacturing sector** posted last month stronger growth of production and new business. The HSBC manufacturing PMI rose from 50.4 in October to 51.7 in November, a 13-month high. The latest reading of the index is the fifth consecutive in expansionary territory. The survey also showed the weakening currency drove up manufacturer's input prices. On the other hand, the **services sector** experienced a stronger fall in activity in November together with accelerating inflationary pressures. The HSBC Russia services business activity index fell to a five-and-a-half year low of 44.5 in November from 49.1 in October.

Graph 3.11: Russian unemployment rate



Sources: Central Bank od the Russian Federation and Haver Analytics.

Graph 3.12: Russian PMIs



Sources: HSBC, Markit and Haver Analytics.

Anticipation of **GDP growth** in 2014 is unchanged at 0.3%, while 2015's figure is slightly lower this month at 0.7%, down from the 0.9% previously predicted. Even so, the risk to this month's 2015 GDP growth forecast remains skewed to the downside. The situation of no positive breakthrough in the geopolitical arena and an abating outlook of the country's trade balance next year could, if continued, the current forecast for GDP growth in 2015 of 0.7% could be revised down considerably next month.

India

India's **GDP growth** rate slowed from 5.7% y-o-y in the 2Q14 to 5.3% in the 3Q14. Surprisingly strong agricultural production and government spending growth underpinned a sharp upside surprise to the 3Q. Unlike in the previous quarter, the **supply side** measure of Indian GDP showed unimpressive results during the September quarter, with services remaining the leading force for growth. The "community, social and personal services sector", which is mainly dependent on the government's planned expenditure, grew by 9.6% y-o-y in the 2Q, despite earlier calls for fiscal consolidation and sluggish banking activity. The **demand side** measure of GDP painted a slightly better picture, with the headline GDP growing 6.0% y-o-y in real terms, up from 5.8% y-o-y in the previous quarter. As a result of lower inflation, more favourable terms of trade, and improved business and consumer sentiment, growth in the first half of the fiscal year tracked 5.4% y-o-y.

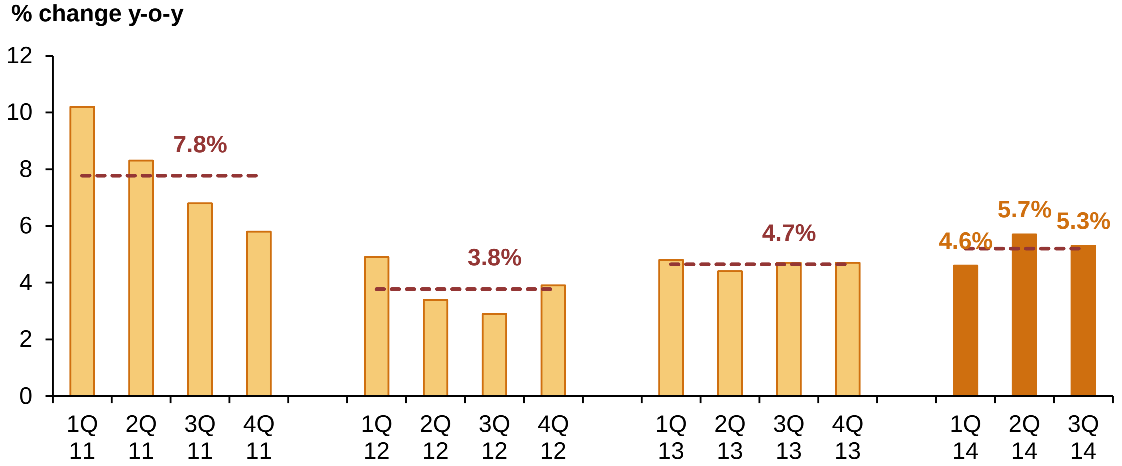
In terms of **business activity**, a robust degree of positive sentiment is again evident in India, contrasting with a global weakening of activity expectations in October. New government policies, anticipated growth in demand and the prospect of greater market stability are driving business optimism. Business confidence regarding output, new business and employment is being led by service providers. However, price pressures are set to accelerate faster at goods producers, suggesting tighter market conditions in the manufacturing sector. Nonetheless, the Indian economy looks set to perform strongly well into next year, with capital expenditure expected to grow at the sharpest rate globally.

In a bid to shore up its fiscal position for 2015, the government took advantage of the fall in global oil prices to increase the **excise duty on diesel and petrol** by INR1.5 per litre, increasing diesel and petrol prices by 2.8% and 2.3%, respectively. India paid out INR708 billion ($11.54 billion) in fuel subsidies in the last financial year.

India's Prime Minister in October 2014 began to roll out his bold reform agenda for the energy sector by ending state control over diesel prices and raising domestic natural gas rates by one-third, as he looks to trim the government's $11.5 billion fuel subsidy bill and boost investment in domestic oil and gas exploration. The move was cheered by diesel consumers as it led to prices being reduced by 7% to INR55 (90¢) per litre in New Delhi, the first price cut since January 2009.

In terms of price deregulation and trade facilitation, the Indian commerce minister in the middle of November announced that India and the US had reached a compromise that would enable the implementation of the World Trade Organization (WTO) Trade Facilitation Agreement (TFA). The TFA seeks to enhance transparency on customs procedures between WTO members, but India's Bharatiya Janata Party (BJP) government has refused to sign the agreement with the deadline passing on 31 July. Although India had originally agreed to the WTO Trade Facilitation deal reached in Bali in December 2013, it had also argued for a parallel deal on food subsidies and stockpiles.

Graph 3.13: Indian GDP growth

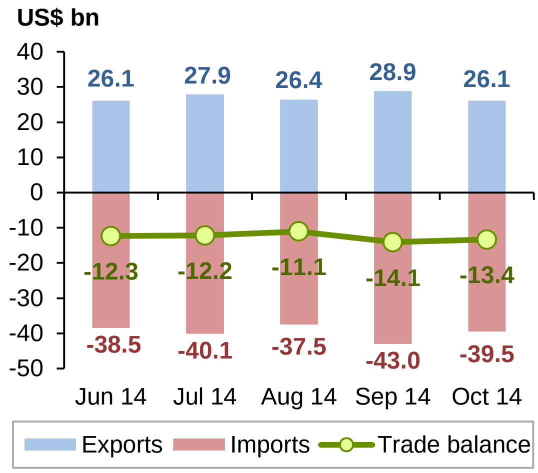


Sources: National Informatics Centre (NIC) and Haver Analytics.

India's October **trade deficit** narrowed along expected lines, reaching $13.4 billion. **Gold imports** surged in October, after which they seem to gradually revert to the mean. Despite the increase in the trade deficit over the last two months, external imbalances remain contained, with the current account deficit on track to register below 1.5% of GDP helped by lower oil and commodity prices and weak domestic demand. This compares to 1.7% of GDP last year and 4.7% of GDP the year before.

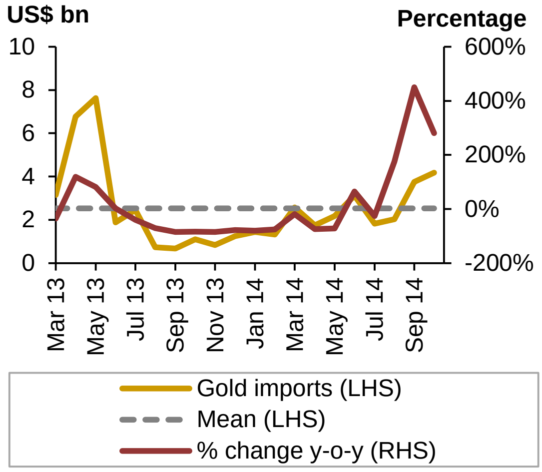
Exports were weak for the third successive month, declining 1.7% m-o-m. This weakness suggests that the near 10% real appreciation of the currency since the beginning of the year, underpinned by positive inflation differentials and a broadly stable rupee against the US dollar (which is appreciating against other currencies), is impinging on export growth. On the face of it, the higher trade deficits over the last two months might suggest that external imbalances are rising and the rupee could come under pressure.

Graph 3.14: Indian trade balance



Sources: Ministry of Commerce and Industry and Haver Analytics.

Graph 3.15: Indian gold imports

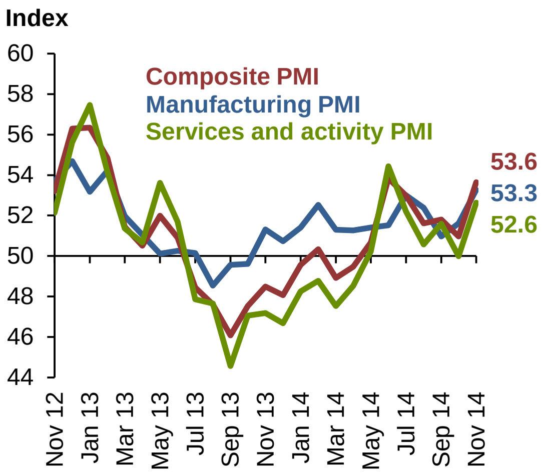


Sources: Ministry of Commerce and Industry and Haver Analytics.

The September recovery in **manufacturing** is encouraging, given that the sub-sector is a backbone of India's industry, accounting for two-thirds of the total industrial output. The gradual pick-up in investment should further drive manufacturing momentum. In addition, India's parliament convened on 24 November for its winter session with the government looking to pass legislation that entrenches the economic reforms that have been mentioned over the past few months. These include raising the **FDI** cap in the insurance sector from 26% to 49%, reducing rigidities in the labour market, increasing private involvement in the coal sector, and implementing the Goods and Services Tax.

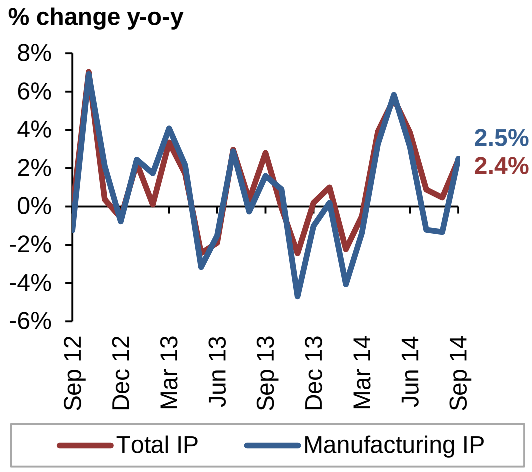
India's **industrial production** finally showed positive growth of 2.4% y-o-y move in September after three successive disappointing months. This is welcome news and provides a much needed boost to an otherwise dismal quarter on the industrial front. However, the factors underpinning the surge appear transitory and therefore the acceleration is unlikely to be sustained.

Graph 3.16: Indian PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.17: Indian industrial production breakdown

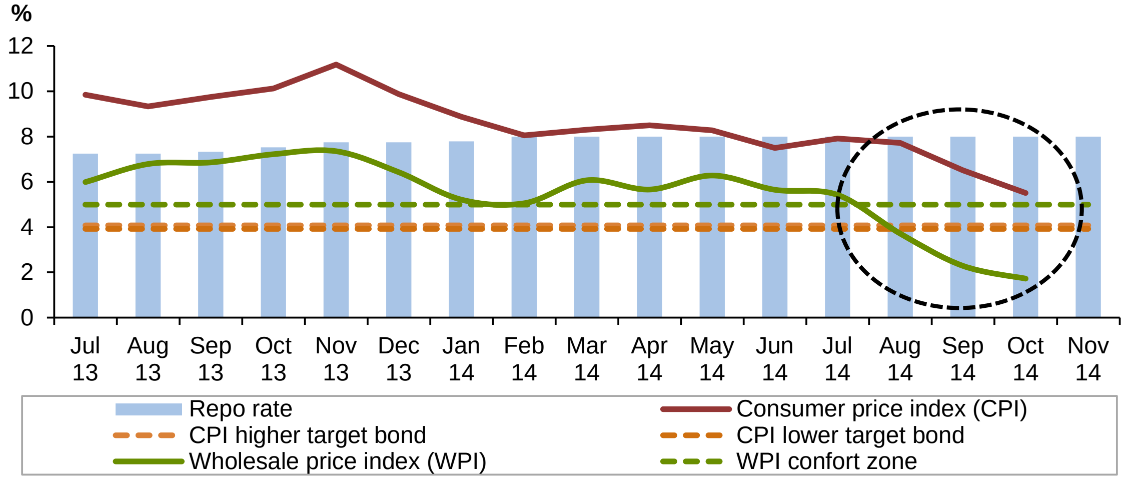


Sources: Central Statistical Organisation of India and Haver Analytics.

Manufacturing activity accelerated further in November led by higher output and new orders. Domestic orders saw the biggest increase, even as new export orders continued to be strong. The sharp rise in input prices was surprising, but future numbers may be lower as falling commodity prices eventually lead to softer intermediate good prices. Meanwhile, the pick-up in output prices could partly be signalling some revival in pricing power among businesses. Higher output and an uptick in final prices should convince the Reserve Bank of India (RBI) to keep rates on hold at its upcoming meeting. India's **manufacturing PMI** rose from 51.6 to 53.3 in November, reaching a 21-month peak. The latest improvement in business conditions was solid overall and was the thirteenth in consecutive months. Consumer goods were the best performing of the broad areas monitored.

The easing in **CPI inflation** in October was broad based, with all major categories included in India's consumer price basket showing moderation. Although it is still largely driven by the high base effects from the previous year, food and fuel inflation easing is particularly favourable. The festival season that began in September typically drives India's food inflation higher and the 30% natural gas price hike announced by the government in October could also spark inflation pressures. Given that the delayed impact of fuel price hikes coupled with vanishing base effects could still spark inflation episodes before the end of 2014, an interest rate cut is not expected during the next monetary policy meeting in December. However, provided CPI inflation remains under the 8% January 2015 target, the RBI could push through a repo rate cut as early as the 1H of 2015.

Graph 3.18: Indian inflation vs. repo rate



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

The October **Wholesale Price Index** (WPI) reading mirrors the CPI trend, with CPI inflation data released earlier this week also showing easing price pressures. Since January 2014, the RBI has shifted its focus on retail inflation to determine the monetary policy path but WPI remains an important inflation indicator, particularly for India's manufacturers. With the manufacturing sector struggling to recover from its two-year downturn, the easing WPI inflation strengthens the industry's demands for the RBI to cut interest rates. Not only is inflation poised to significantly undershoot the RBI's 8% intermediate target, but it seems markets believe that an approximate 6% medium-term target could be reached well before the January 2016 target date, potentially opening up some room for monetary easing.

The reasons behind the **inflation decline rate** are primarily two. Firstly, there is the monsoon was dramatically late in the game in September, which reduced the cumulative deficit to a more manageable 12%. But food price changes do not just reflect good fortune but also tactical and strategic government actions. The new government has been more pro-active in selling food grains from its buffer stocks to quell cereals inflation. Secondly, India is set to benefit from the decline in global commodity prices, particularly oil. Oil and related products account for around 40% of total goods imports. Therefore, the drop in oil prices over the past couple of months will help to narrow the current account deficit and will decrease the inflation trend.

The sharp falls in inflation have led to speculation about a cut in the policy **interest rate** as soon as next month. Despite these caveats, the fact is that headline inflation has now fallen below the RBI's 6% target for January 2016 and is at its lowest level since the new all-India CPI index was introduced in January 2011.

It seems that despite the improving economic prospects, India still has fundamental structural problems and supply side bottlenecks, which are exerting a drag on growth such as a weak investment environment, high corporate tax rates and fiscal policy rigidity.

The **growth expectation** for 2014 has remained unchanged at 5.5% for 2014 and 5.8% for 2015.

China

Chinese **economic activities** continue to lose momentum. Fixed investment, industrial production, retail sales and new loan growth all slowed in October, confirming our expectation that domestic demand will continue to decelerate. Short-term data for China continue to head downwards, confirming our view that domestic demand is slowing, although GDP growth will still be close to the official 7.5% target this year.

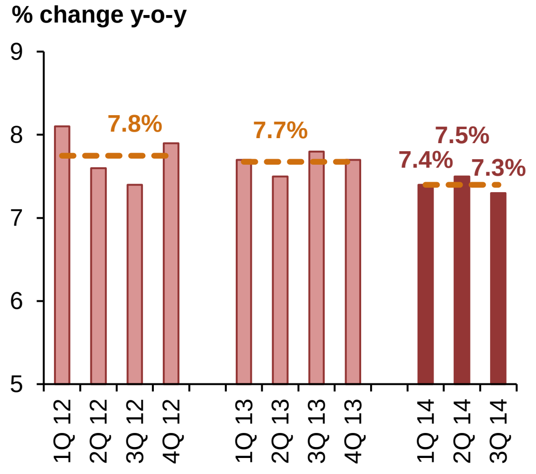
Non-performing loans surged 10% last quarter, the most since 2005, and soured loans may rise further as real estate prices slump and the economy slows. The PBoC's cash injections into selected banks failed to spur a pickup in lending. Aggregate financing in October was CN¥662.7 billion, down from CN¥1.05 trillion in September. New yuan loans were CN¥548.3 billion, down from CN¥857.2 billion, official data show.

The China Banking Regulatory Commission said non-performing loans rose CN¥72.5 billion in the 3Q from the previous three months to CN¥766.9 billion. Up to the end of June 2013, the governments at the provincial, municipal and county levels had their debt balance at CN¥10,578.905 billion, an increase of CN¥3,867.954 billion as compared with the figure at the year end of 2010, with an annual average increase of 19.97%. The increases at the provincial, municipal and county levels were 14.41%, 17.36% and 26.59%, respectively. China's central administration will impose hard caps on local government borrowing, its boldest move yet to control financial risks from an explosive rise in regional debt. That combined with a similar jump in corporate debt, helped push China's overall debt-to-GDP ratio to 261% in June this year, up from 148% in 2008. However, resolving the bad debt problem is eventually likely to require more extensive intervention by the government. It should be added that these debt problems aren't the same as in the West as these companies are all not only owned but also backed by either local governments or the national government, meaning that the state is ultimately responsible for the debt.

China's NDRC has reaffirmed a stance of using **large-scale projects** to stabilise growth and promote structural adjustment in the economy. The NDRC strongly affirmed that it will push forward such projects in the areas of network development, including information technology and energy networks, health and elderly-care facilities, environmental protection, clean energy, water supply and conservation in agriculture, transportation, and mineral and energy resource production. The NDRC also announced cancellation of the need for central approval on projects related to metals, cement, and fertilisers production, among others. The comments from the NDRC are in line with historic experience and current expectations that authorities will launch shovel-ready projects as growth sags. Evidence is ample of that approach in the past, as well as this year.

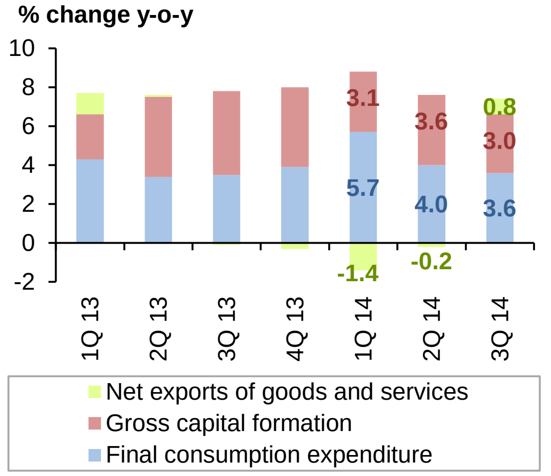
In October, the NDRC approved 21 transportation infrastructure projects worth CN¥693 billion ($113 billion). Year-to-date, government investment in all forms of infrastructure has grown 22.6%, roughly steady from previous years, while investment in railways has accelerated by over 14 percentage points during the 3Q to 23.5% growth in October.

Graph 3.19: Chinese GDP growth rate



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

Graph 3.20: Contribution to Chinese GDP growth

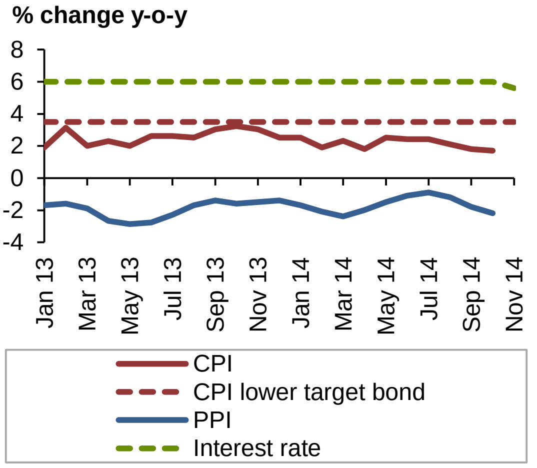


Sources: China National Bureau of Statistics and Haver Analytics.

The PBoC reduced its benchmark interest rates for the first time since June 2012, indicating that weakening growth has tipped decision-making towards an accommodative stance from a strongly prudent one earlier this year. On 21 November, the PBoC announced that benchmark interest rates for one-year loans would be lowered the next day – 22 November – by 40 basis points to 5.6%, and that benchmark one-year deposit rates would be lowered 25 basis points to 2.75%. Notably, an easing of the deposit rate ceiling to 1.2 from a prior 1.1 multiple of benchmark rates means the change is neutral, with banks still able to pay up to 3.3% on deposits. The change in interest rates may moderately stimulate the economy; but alone it is unlikely to fuel a sustained acceleration. The interest rate cut is the PBoC's first move since July 2012. The rate cut appears justified, given the weak growth momentum and low inflation environment. It seems this situation is signalling a policy shift toward more aggressive monetary easing. The latest rate cut could also be a response to the spectre of potentially weaker-than-expected economic activity in 4Q.

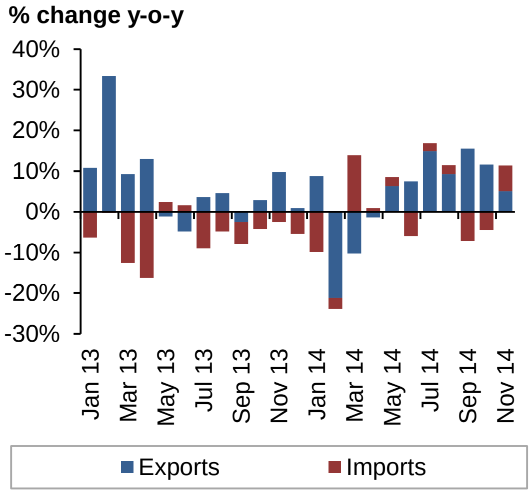
Price growth remains weak in China even as the government steps up targeted efforts to support the economy, highlighting the depth of heavy industrial overcapacity and the impact of low global oil prices. According to data issued yesterday (10 November) by the National Bureau of Statistics, China's **CPI** expanded by only 1.6% y-o-y in October, steady with readings a month prior. The **producer price index** (PPI) contracted by 2.2%, a steeper decline than the 1.8% contraction in September. Month-on-month CPI was flat, its slowest monthly gain in four months, while m-o-m PPI was steady at 0.4%. It seems the largest factor in the further weakening of the PPI in October was lower energy costs. The PPI within the petroleum and natural gas sector was -8.2% y-o-y, its lowest reading since June 2013 and representing a large downward shift from 3.1% growth in August. Aside from the recent change in oil prices, old stalwarts continue to lead industrial deflation, including mining and quarrying, raw materials and non-ferrous metals. While lower price growth could provide more space for policy easing, rhetoric from central leaders indicate broad monetary easing remains unlikely. An active fiscal policy will continue to be used to stoke demand for some employment intensive sectors while short duration liquidity injections may be used to ease financial sector strains. Weaker energy prices should also support stronger margins for some sectors, which may stimulate additional output without government intervention.

Graph 3.21: Chinese consumer price index (CPI) vs. producer price index (PPI)



Sources: China National Bureau of Statistics and Haver Analytics.

Graph 3.22: Chinese exports-imports



Sources: China Customs and Haver Analytics.

Chinese **export** growth slowed from a 19-month high in October, although it remained relatively buoyant. According to data issued by China's General Administration of Customs, on 8 November exports grew by 11.6% y-o-y in October, down from a blistering fast 15.3% in September.

Imports growth also moderated to 4.6% from 7.0% a month prior. Among major partners, moderately slower growth was most apparent in Hong Kong, which slowed from 34% to 24%, and the EU, which slowed from 14.9% to 4.1%. Hong Kong and the EU together account for just under half of China's nominal exports.

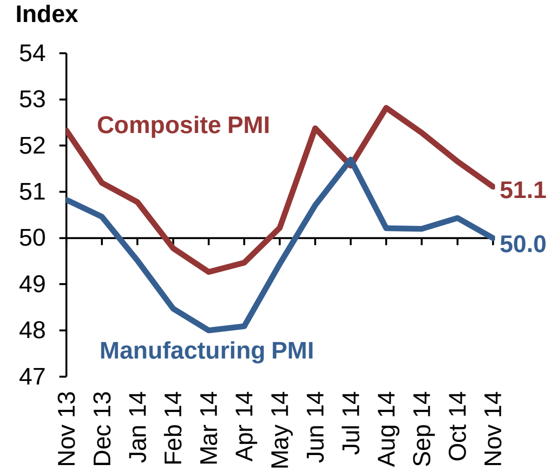
During October, China's **trade surplus** was $45.4 billion, compared to $31 billion a year prior. In October, China's various purchasing managers' indices all showed weakening export orders to varying degrees, indicating that external demand would soften in the 4Q after playing an instrumental role in sustain growth during the 3Q. While China's monthly trade surplus remains high, y-o-y gains have weakened relative to early in the 3Q. During July and August China's trade surplus was an average of $25 billion higher in levels than a year prior, while that narrowed to a $15.1 billion average gain in September and October.

Housing prices across major Chinese cities contracted at a slower pace in October compared to September, corroborating reports throughout October that sales volumes were improving to their highest weekly levels in months. According to data issued by the National Bureau of Statistics, in October prices in 69 of 70 cities declined m-o-m, the same as the previous month. In y-o-y terms, prices declined in 67 cities, compared to 58 in the previous month. Many headlines will obsess with deepening y-o-y declines, but those merely describe the cumulative impact of pricing over the last 12 months, rather than the current month and will almost certainly decline for at least one more quarter.

In terms of **business activity**, it seems inflationary pressures are forecast to ease further, although with both goods producers and service providers predicting a slower rate of input and output price inflation. A number of companies expect commodity prices, particularly for oil, to remain at relatively low levels in the year ahead due to expectations of softer global demand.

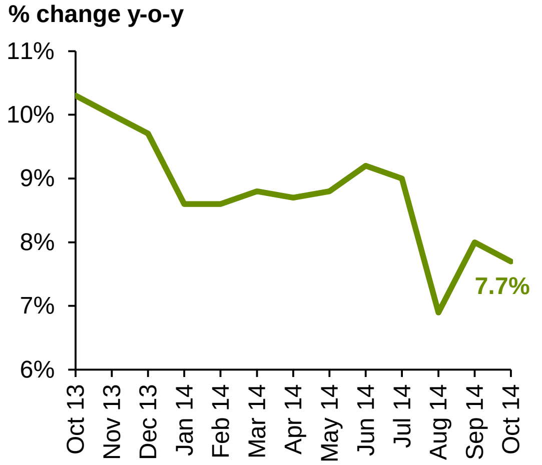
Manufacturing sentiments softened in November due to weakening external demand, consistent with other signs that Chinese growth remains shaky during the 4Q. According to data issued by the National Bureau of Statistics of China on 1 December, China's manufacturing PMI in November fell to 50.3 from 50.8 the previous month. While nearly every sub-index declined, by far the largest retreat was in new export orders, which fell from 49.9 to 48.4. Also notable is that output fell to 52.5 from 53.1, while total new orders shrank to 50.9 from 51.6. The China manufacturing HSBC PMI fell to a six-month low of 50 in the final reading for November, down from 50.4 in October and unchanged from the flash reading. **Domestic demand** expanded at a sluggish pace while new export order growth eased to a five-month low. Disinflationary pressures remain strong while the labour market weakened further. The data shows that the manufacturing sector lost momentum and point to weaker economic activity in November. The PBoC's rate cuts will help to stabilise property and manufacturing investment in the coming months. Further monetary and fiscal easing measures are still expected to offset downside risks to growth.

Graph 3.23: Chinese PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.24: Chinese industrial production



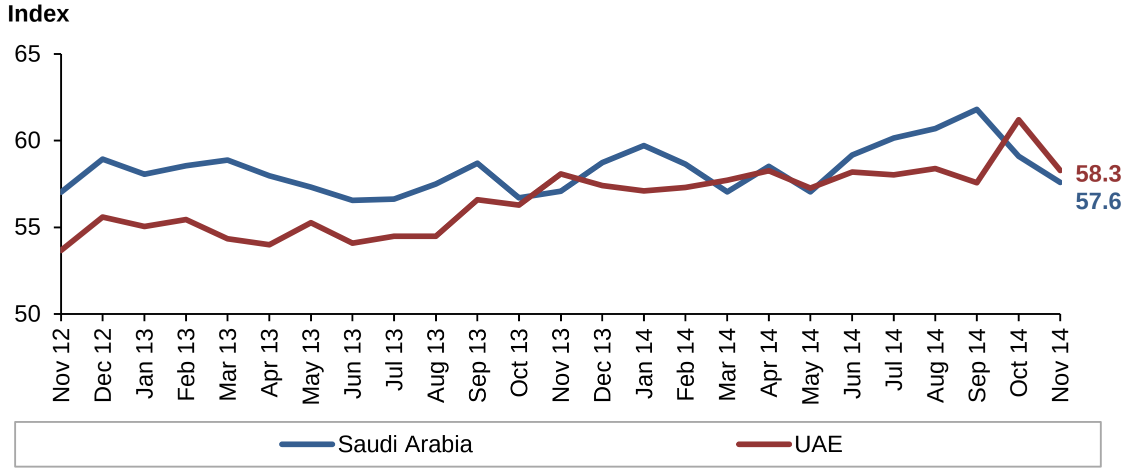
Sources: China National Bureau of Statistics and Haver Analytics.

The **GDP** expected **growth** for 2014 remains unchanged at 7.4%. The expectation for 2015 is 7.2% but a further weakening in manufacturing sentiments is yet another sign that the risk remains primarily on the downside for the remainder of the 4Q. Net exports played an outsized role in growth during the 3Q and were it not for China's trade surge during that period, real growth would have slipped below 7%.

OPEC Member Countries

The non-oil producing private sector of **Saudi Arabia** continued along its expansionary path in November with the SABB HSBC Saudi Arabia PMI posting 57.6, though this lower than October's 59.1. The survey showed a sustained but slower growth in output, new orders and employment.

Graph 3.25: Saudi Arabia and UAE: manufacturing PMIs



Sources: SAAB, HSBC, Markit and Haver Analytics.

In **IR Iran**, the inflation rate declined by 1.3% in the month to 21 November 2014 compared with the figures of one month earlier. A rise in production of goods and services has attracted liquidity to these sectors and led to the new fall in inflation rate.

In the **United Arab Emirates**, the non-oil private sector economy sustained its improving business conditions last month. The PMI of November registered 58.3, down from October's survey-record reading of 61.2. The survey highlighted continued, albeit with slower gains in output, new orders and employment.

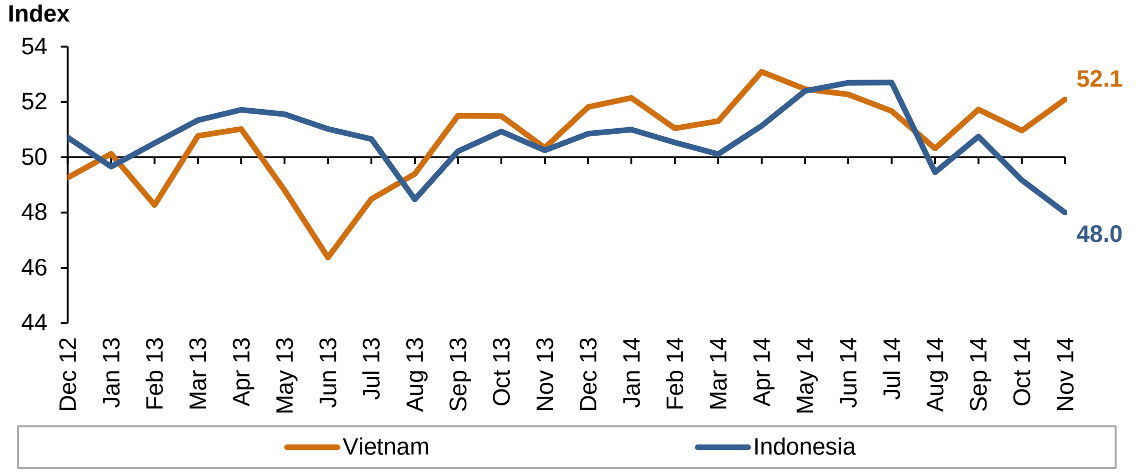
Other Asia

The currencies of both of **Indonesia** and **Malaysia** continued dropping against the US dollar last month. The Indonesian rupiah lost 0.25% m-o-m in November, devaluating 3.8% over the past three months. Meanwhile, the Malaysian ringgit depreciated 2.3% m-o-m in November, losing 5.1% of its value between September and November 2014.

Following the decrease in fuel subsidies, Indonesia's central bank increased its policy interest rate in November for the first time this year, raising it 25 basis points to 7.75%. This aimed at limiting inflation which rose 6.2% y-o-y in November, up from 4.8% y-o-y in October on rising fuel prices that led to steep rate of cost inflation. The manufacturing sector showed weakening signs last month with the manufacturing PMI sinking to a record low of 48.0 in November, down from 49.2 in October. The survey highlighted the quickest rate of contraction in production in 34 months alongside the sharpest reduction in new orders in the survey history.

In **Vietnam**, the manufacturing sector regained momentum last month on faster growth of both production and new business, while input costs declined for the first time since December 2012. The country's manufacturing PMI posted 52.1 in November, up from 51.0 in October.

Graph 3.26: Manufacturing PMIs in Other Asia



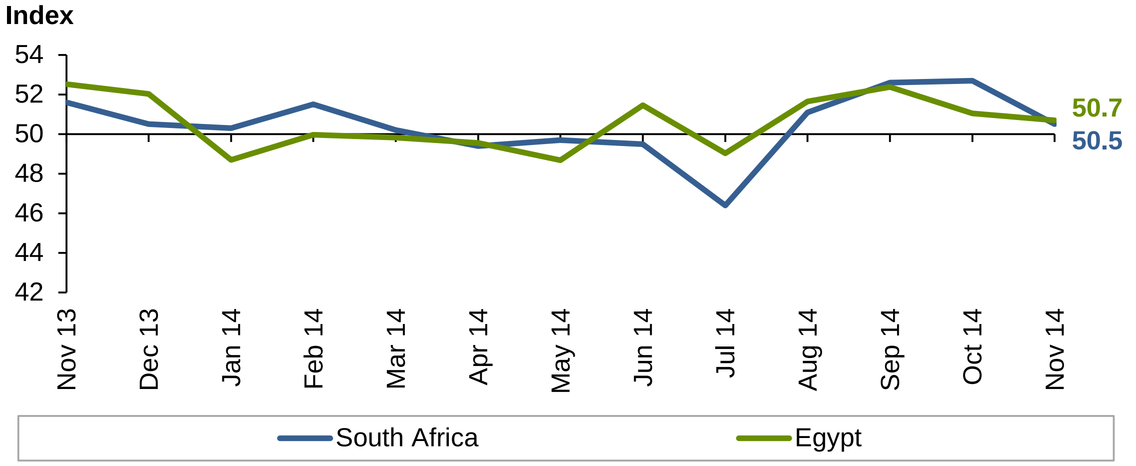
Sources: HSBC, Markit and Haver Analytics.

Africa

South Africa's GDP grew 1.4% y-o-y in the 3Q14 after platinum mines restarted production following a five-month strike. On a quarterly basis, GDP grew 0.4% in the 3Q from the previous quarter, compared with -0.4% and -0.1% in the 1Q and the 2Q, respectively. The latest improvement signals a recovery in the mining sector after a long interruption that ended in June and a four-week strike at factories a month later. Average GDP growth for the first three quarters stands at 1.5% y-o-y, notably lower than the annual growth of more than 2.2% in the past two years. Despite slight improvements, such a rate of growth remains too slow to significantly reduce the high rate of unemployment of more than 25% reported during January-September 2014.

In **Egypt**, the annual inflation rate increased to 11.8% in October of 2014 from 11.1% in September. It is the highest value since November of 2013, mainly due to a rise in food prices. In line with further political stability, the country's GDP growth started improving in the 4Q13, rising from 1.0% y-o-y growth in the 3Q13 to 1.4% and 2.5% in both the 4Q13 and the 1Q14, respectively. The economy expanded 3.7% y-o-y in the 2Q14, its fastest growth rate since the 2Q12.

Graph 3.27: Manufacturing PMI in South Africa and Egypt



Sources: HSBC, Reuters Telerate and Haver Analytics.

Latin America

In **Chile**, inflation continued its upward path started in October 2013. The country's CPI increased 5.6% y-o-y in October 2014, up from 4.9% in September. Inflation has stayed higher than the central bank's target range of 2-4% for seven months, even as the economy grows at its slowest pace since the 2009 recession. This was mainly an outcome of interest rate cuts since September of last year when interest rate was at 5.0%. Since then, the central bank reduced the borrowing cost by 2 pp to 3.0% last month. GDP growth in Chile decelerated to 0.8% in the 3Q14, down from 2.7% and 1.9% in the 1Q and the 2Q, respectively. The slowing momentum is attributed to the fall in capital expenditure of around 10% which was led by a nearly 25% drop in investment on machinery and equipment.

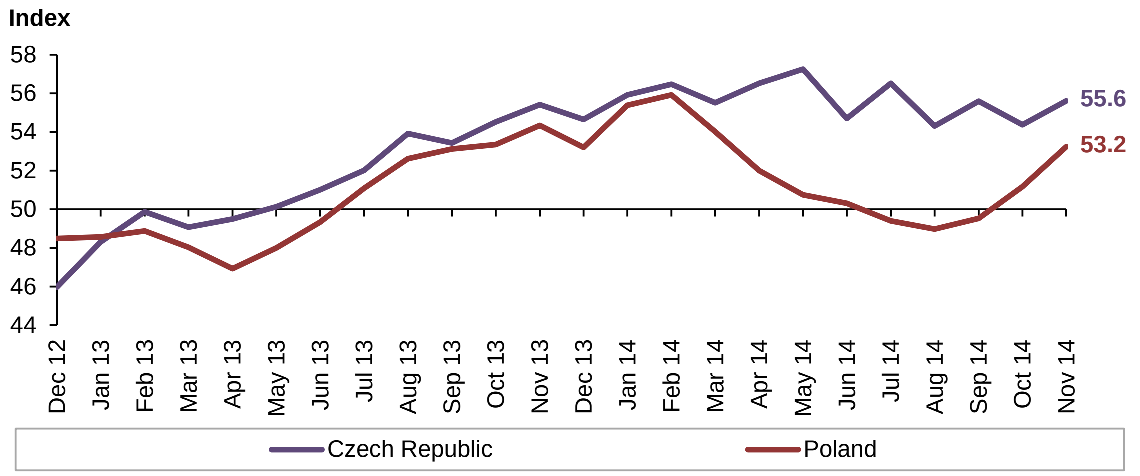
Consumer price inflation in **Colombia** increased to 3.3% in October, up from 2.9% a month earlier, while price increases slowed in **Uruguay** to 8.1% in October, down from 8.4% in September.

Transition region

In **Poland**, GDP growth improved slightly to 3.4% y-o-y in the 3Q14, compared with 3.3% y-o-y in the 2Q. However, growth rates this year are markedly higher than 2013 when the economy expanded 1.7% y-o-y, compared to 3.5% in the first nine months of 2014. The manufacturing economy signalled a strengthening recovery in business conditions in November, with the manufacturing PMI rising to 53.2, up from October's 51.2. The survey highlighted the fastest rates of expansion in production and new business since March. Furthermore, new export orders showed the first increase since April, while inflationary pressures remained weak.

In the **Czech Republic**, GDP growth improved to 2.7% y-o-y in the 3Q14, up from 2.3% y-o-y in the 2Q. The average growth over the first three quarters of 2014 was 2.5% y-o-y, signalling a recovery from 2013's contraction of 0.7%. The manufacturing PMI rose from 54.4 in October to 55.6 in November, highlighting a robust rate of improvement. The surveyed manufacturers reported their fastest growth in employment in over three-and-a-half years. In November, the volume of new orders received by Czech manufacturers increased for the eighteenth consecutive month.

Graph 3.28: Manufacturing PMIs in transition region



Sources: HSBC, Markit and Haver Analytics.

Oil prices, US dollar and inflation

The US dollar continued appreciating versus all major currency counterparts on average in November. It gained 7.4% versus the yen, 1.6% compared to the euro, 1.8% versus the pound sterling and 1.2% to the Swiss franc. Moreover, and of great importance, was the continuing decline of emerging market's currencies. The Russian ruble fell again in November, losing 13%. Also, the Brazilian real continued depreciating by 4.2% on average in November. While the Chinese yuan and the Indian rupee remained relatively stable, other currencies from emerging and developing economies have also been impacted. As there is some likelihood that the Fed might raise rates sooner than currently expected, the volatility in currency markets could continue.

In general, the US dollar should be expected to continue appreciating in the coming months. Given the likelihood of a further reduction of US monetary stimulus and a more accommodative approach by the ECB and the BoJ, the US dollar is forecast to continue appreciating in the future, though at a slightly slower pace and depending on the recovery in the Euro-zone and Japan. However, it also depends on the success of their own monetary supply measures.

In nominal terms, the price of the **OPEC Reference Basket (ORB)** declined by a monthly average of $9.49, or 11.2%, from $85.06/b in October to $75.57/b in November. In real terms, after accounting for inflation and currency fluctuations, the ORB fell by 9.4%, or $5.03, to $48.16/b from $53.19/b (base June 2001=100). Over the same period, the US dollar gained 1.9% against the import-weighted modified Geneva I + US dollar basket[*] while inflation remained flat**.**

[*] *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

The estimate for oil demand growth in 2014 has been revised lower by 0.12 mb/d from the October 2014 MOMR to stand at 0.93 mb/d. Oil demand growth in the OECD region has been trimmed down by 90 tb/d. Estimated non-OECD oil demand also experienced a downward revision, by 30 tb/d, largely due to less-than-expected oil consumption in Other Asia and the Middle East. In 2015, projected oil demand growth was revised lower by 0.07 mb/d from last month's report to settle at 1.12 mb/d. Downward adjustments took place in OECD Europe, Asia-Pacific, as well as in Latin America, leading to expected total world oil consumption of 92.26 mb/d.

World oil demand in 2014 and 2015

Table 4.1: World oil demand in 2014, mb/d

	2013	1Q14	2Q14	3Q14	4Q14	2014	*Change 2014/13* Growth	%
Americas	24.08	23.87	23.76	24.41	24.55	24.15	0.07	0.30
of which US	*19.27*	*19.16*	*19.02*	*19.52*	*19.67*	*19.34*	*0.08*	*0.40*
Europe	13.61	13.01	13.46	13.72	13.39	13.39	-0.21	-1.56
Asia Pacific	8.32	8.85	7.65	7.74	8.40	8.16	-0.16	-1.91
Total OECD	**46.01**	**45.73**	**44.87**	**45.88**	**46.34**	**45.71**	**-0.30**	**-0.65**
Other Asia	11.06	11.08	11.37	11.34	11.35	11.28	0.23	2.04
of which India	*3.70*	*3.85*	*3.80*	*3.63*	*3.86*	*3.78*	*0.09*	*2.32*
Latin America	6.50	6.42	6.69	6.98	6.78	6.72	0.22	3.45
Middle East	7.81	8.07	7.93	8.42	7.93	8.09	0.28	3.53
Africa	3.63	3.75	3.75	3.61	3.76	3.72	0.09	2.47
Total DCs	**29.00**	**29.31**	**29.74**	**30.35**	**29.82**	**29.81**	**0.81**	**2.81**
FSU	4.49	4.39	4.24	4.63	4.93	4.55	0.06	1.25
Other Europe	0.64	0.64	0.60	0.64	0.72	0.65	0.01	1.85
China	10.07	10.08	10.56	10.31	10.72	10.42	0.35	3.49
Total "Other regions"	**15.20**	**15.11**	**15.39**	**15.58**	**16.36**	**15.62**	**0.42**	**2.76**
Total world	**90.20**	**90.16**	**90.01**	**91.81**	**92.52**	**91.13**	**0.93**	**1.04**
Previous estimate	90.14	90.16	90.11	91.96	92.50	91.19	1.05	1.17
Revision	0.06	0.00	-0.11	-0.16	0.02	-0.06	-0.12	-0.13

Totals may not add up due to independent rounding.

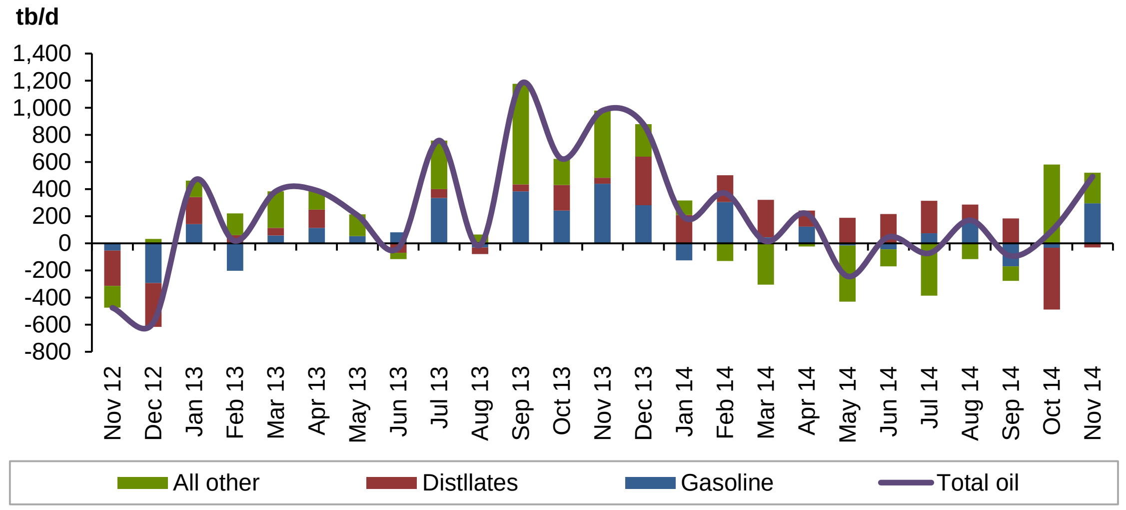
OECD Americas

The latest available September 2014 monthly **US** data showed a slight yearly decrease of 0.1 mb/d as compared to the same month a year earlier. The decline was driven by a drop in gasoline and residual fuel oil requirements, which were partly offset by solid gains in distillate demand.

Preliminary weekly data for October and November 2014 imply an increasingly positive trend in demand with improvements of 0.1 mb/d and 0.5 mb/d y-o-y. An important element worth highlighting, despite the preliminary nature of the data, is strong November 2014 gasoline demand, approximately 0.3 mb/d higher than in the same month a year earlier and the strongest monthly increase since February 2014. Available data for ten months in 2014 – monthly data until September and preliminary weekly data for October and November – shows US oil demand growing by around 0.1 mb/d. Distillates and gasoline take the largest share in gains, compared with the previous year, and are partly offset by sharp declines in demand for residual fuel oil and propane/propylene.

The overall risk for the development of 2015 US oil demand has been shifted to the upside since last month and relates to the economy and the price environment. Nevertheless, the assumed downside risks, such as fuel substitution and vehicle efficiencies, continue to exist.

Graph 4.1: US oil consumption, y-o-y changes

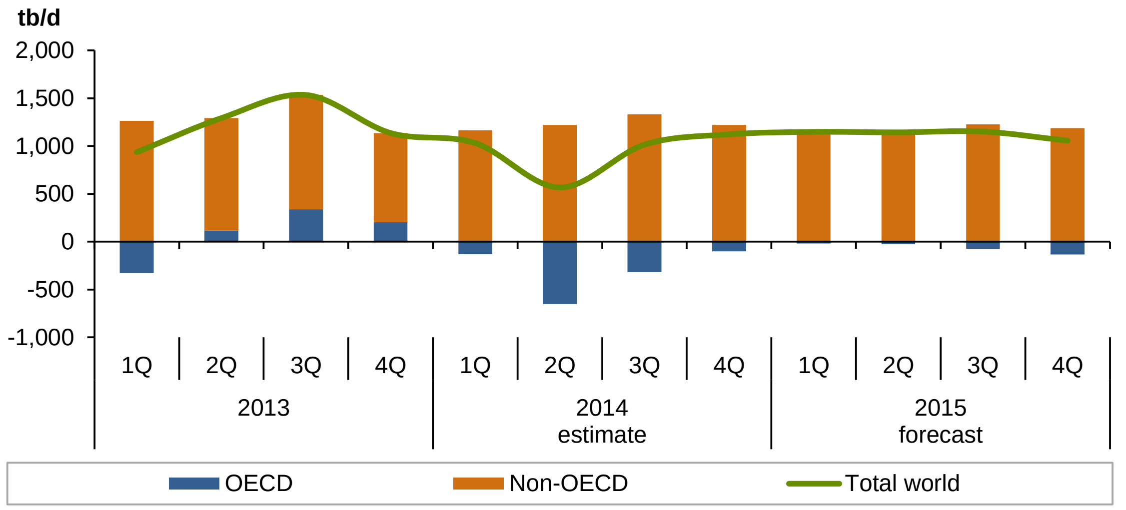


Following some recovery in September 2014 and after several continuously declining monthly figures in 2014, **Mexico's** oil demand growth switched again to the negative in October 2014 y-o-y, with almost all main product categories declining, particularly fuel and gasoline. The risk for 2015 Mexican oil demand remains skewed to the downside and depends mainly on the development of the overall economy and the degree of fuel substitution.

In **Canada**, September 2014 came up flat y-o-y. Declines in LPG, gasoline and fuel oil have been largely offset by increasing distillate requirements. 2015 Canadian oil demand is projected to remain roughly at the levels of 2014, marking only marginal increases, with the risks being unchanged from last month's balance.

In 2014, **OECD Americas' oil demand** is estimated to grow by 0.07 mb/d compared with 2013. 2015 OECD Americas' oil demand is projected to increase by 0.16 mb/d compared with 2014.

Graph 4.2: Quarterly world oil demand growth



OECD Europe

The bearish sentiment in European oil demand seems to have reversed in September with oil requirements being slightly in the positive y-o-y, as preliminary figures show. Moreover, early indications for October 2014 showed gains of approximately 0.1 mb/d in Germany, France, and the UK, while Italy declined.

With data available for ten months in 2014, oil demand in the **Big 4** shows losses of approximately 0.1 mb/d. From January to October 2014, gasoline remained flat, while LPG, distillates and fuel oil were on the decline. European auto sales continued their positive momentum in September 2014, with an overall 6.5% y-o-y increase and with positive momentum in almost all major markets, notably in Spain and Italy. This positive momentum is, however, only partially reflected in road transportation oil demand. Projected improvements in the economies of the region's main countries during 2015 anticipate a lower oil demand contraction than in 2014.

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

	Oct 14	Oct 13	Change form Oct 13	Change form Oct 13, %
LPG	397	351	47	13.3
Gasoline	1,139	1,134	5	0.5
Jet/Kerosene	773	781	-8	-1.0
Gas/Diesel oil	3,433	3,430	3	0.1
Fuel oil	297	313	-16	-5.1
Other products	1,033	1,008	25	2.5
Total	**7,072**	**7,016**	**56**	**0.8**

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

European oil demand is estimated to decrease by 0.21 mb/d in 2014. In 2015, the contraction in the region's oil demand would be at 0.10 mb/d.

OECD Asia-Pacific

Preliminary October 2014 data recorded a strong contraction of 0.2 mb/d y-o-y in **Japan's** oil demand for the seventh month in a row, affecting almost all the main categories, except for naphtha, which rose. The largest declines have appeared in the direct burning of crude and fuel oil, while the drops were also significant for gasoline, LPG and jet fuel/kerosene. The restarting of some nuclear plants seems to be most probably materializing during 2015, particularly those of two reactors at the Sendai nuclear plant. November 2014 new vehicle registrations are also bearish, which again show a decrease y-o-y of around 9%.

The outlook for 2015 Japanese oil demand has once more been lowered from last month's forecast with risks continuing to be skewed towards the downside, depending on the development of the economy.

Table 4.3: Japanese domestic sales, tb/d

	Oct 14	Change from Oct 13	Change from Oct 13, %
LPG	386	-10	-2.5
Gasoline	889	-27	-2.9
Naphtha	803	35	4.5
Jet fuel	82	-4	-4.1
Kerosene	200	-10	-4.6
Gasoil	589	-15	-2.5
Fuel oil	461	-57	-10.9
Other products	65	1	2.3
Direct crude burning	87	-109	-55.6
Total	**3,563**	**-195**	**-5.2**

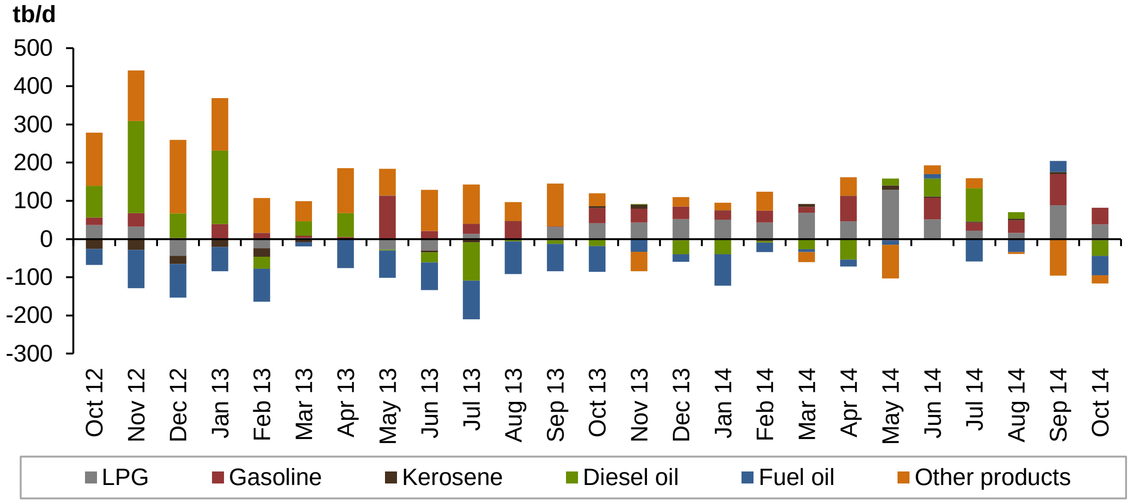
In **South Korea**, September 2014 showed strong oil demand y-o-y. All main product categories, particularly gasoline, naphtha and distillates, increased, with the exception of fuel oil. The outlook for South Korean oil consumption during 2015 remained unchanged compared with last month's projections.

OECD Asia-Pacific oil demand is estimated to fall by 0.16 mb/d in 2014, and the decline is forecast to continue in 2015, although to a lesser extent, by 0.12 mb/d y-o-y.

Other Asia

In October 2014, **India's** oil demand declined y-o-y by around 35 tb/d or 1.0%. In the transportation sector, gasoline usage grew; similarly, LPG usage increased in the residential sector. Gasoline consumption was higher despite slower growth in vehicle sales, which was lower than a year ago by less than 3%. The strong LPG usage in the residential sector has, in fact, a long tradition in India and is additionally supported by subsidized LPG prices. Consumption was higher in October y-o-y by 38 tb/d, or more than 7%.

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



On the other hand, jet/kerosene and gasoil demand declined y-o-y, losing more than 1% and 3%, respectively. This decline could be a result of flood conditions limiting fuel consumption for agriculture and fishing activities. Fuel oil requirements in various sectors were influenced by fuel substitution with natural gas and fell by almost 18% compared with the same time period in 2013. 2014 Indian oil demand growth year-to-date remained slightly lower than the historical norm, largely as a result of fuel substitution and despite solid economic growth.

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

	Oct 14	Oct 13	Change	Change, %
LPG	580	541	38	7.1
Gasoline	457	413	43	10.5
Kerosene	309	313	-4	-1.3
Diesel oil	1,224	1,264	-40	-3.1
Fuel oil	232	283	-51	-18.0
Other products	666	688	-22	-3.2
Total oil demand	**3,468**	**3,503**	**-35**	**-1.0**

In **Indonesia**, oil demand rose during the month of September 2014 by more than 75 tb/d or 5% y-o-y, with all products seeing higher growth. This improvement in consumption can be attributed to stockpiling ahead of the announced removal of subsides in November 2014. Indonesia has announced a 2,000 rupiah or US16.3¢/l rise in subsidized gasoline and diesel prices. This will leave retail prices for gasoline at 8,500 rupiah or US70¢/l and for diesel at 7,500 rupiah or US61¢/l.

In a similar move, **Malaysia** announced that it would eliminate subsidies for gasoline and diesel from December 2014 to potentially save the government as much as $6 billion of subsidy money annually. The retail prices of the RON95 grade gasoline and diesel will be in accordance with an automatically managed float system that moves in line with international prices. The removal of subsidies was announced, or already implemented, in three major Other Asian nations − India, Indonesia and Malaysia − taking advantage of declining oil prices.

Looking ahead, in all **non-OECD Asian countries**, the presence of subsidies is common for several petroleum products, and any future reductions may imply downward pressure on oil demand. Fuel substitution with natural gas and coal is an additional factor that may curb oil demand in the region as a result of available resources in some countries.

The risks for 2015 Other Asia oil demand growth are expected to be balanced. In India, oil demand is expected to be once more dominated by transportation fuels, particularly gasoline, while the falling trend in fuel oil requirements in the agricultural sector as a result of fuel substitution with natural gas is projected to continue during the year. Also, further developments related to fiscal issues in the country may have a substantial influence on oil demand. In Indonesia and Malaysia, subsidies on transportation fuels and the degree of their reduction may influence oil demand growth.

Total oil demand in the region is estiamted to reach 11.28 mb/d during 2014 with yearly growth of 0.23 mb/d, a trend that is expected to continue in 2015.

Latin America

In **Brazil**, oil demand grew strongly in October 2014 y-o-y, rising by almost 0.17 mb/d or just below 7%. This growth was achieved despite the overall unstable economic sentiment. All product requirements rose, with the exception of LPG. Similar to last month, growth was mainly weather-related as a drought affected oil consumption positively. Fuel oil rose the most in percentage terms, rising by more than 35%, while gasoline grew the most in absolute terms, growing by more than 70 tb/d. Brazil's dependence on hydroelectricity for power generation resulted in a shortage of power supply due to a lack of rainfall, boosting fuel oil and diesel demand. Diesel oil was on the rise, growing by around 5% y-o-y. October gasoline demand also picked up as a result, growing by almost 10% y-o-y, due to a shortage of ethanol.

Table 4.5: Brazilian inland deliveries, tb/d

	Oct 14	Oct 13	Change	Change, %
LPG	235	239	-4	-1.7
Gasoline	813	740	72	9.8
Jet/Kerosene	128	125	3	2.4
Diesel	1,163	1,110	53	4.7
Fuel oil	112	83	29	35.7
Alcohol	245	229	17	7.2
Total	**2,696**	**2,526**	**170**	**6.7**

In **Ecuador**, despite negative oil demand growth during October by around 12 tb/d y-o-y, demand was on the rise on a cumulative basis from January to October of 2014 by as much as 4% y-o-y. Gasoline, gasoil and fuel oil demand rose in line with all related indicators, car sales and industrial activity.

In **Argentina**, year-to-date (January-September 2014) oil demand growth levels were almost flat, falling marginally by a mere 2 tb/d or 0.3% y-o-y. All product categories were more or less neutral, to some extent increasing, or slightly decreasing. While LPG, jet/kerosene and fuel oil were positive, gasoline was flat, and diesel oil and other products were rather negative, inferring no significant developments in the country as compared to 2013.

Oil usage in the transportation and industrial sectors is projected to constitute the bulk of 2015 oil demand growth. Some downside risks are eminent, however, in the economic developments of the main oil consuming countries such as Brazil, Argentina and Venezuela.

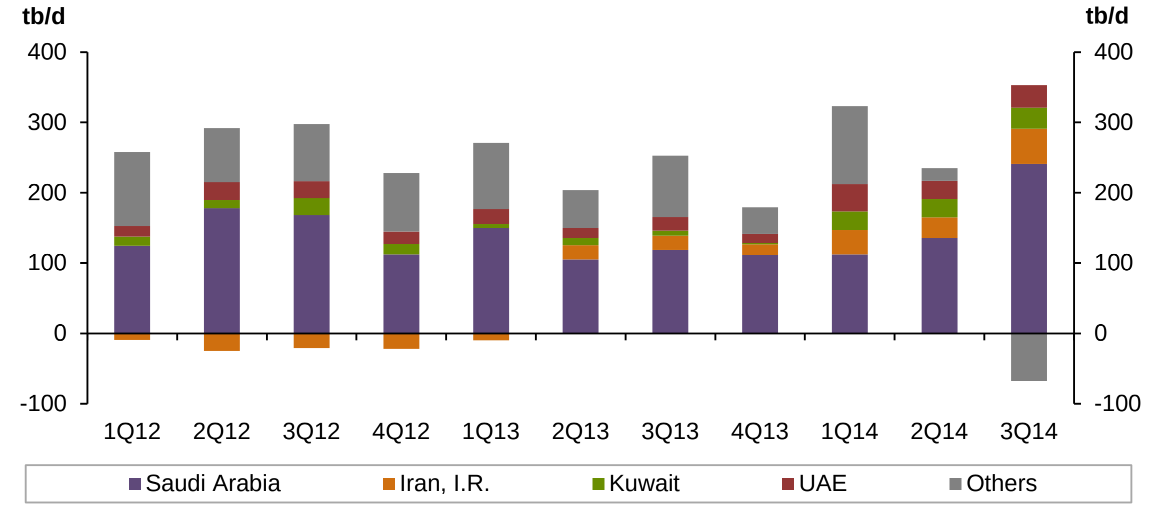
Total oil demand in the region is estimated to reach 6.72 mb/d during 2014 with yearly growth of 0.22 mb/d. The current outlook foresees oil demand growing by 0.21 mb/d in 2015.

Middle East

In the **Middle East**, yet again there were opposing trends in oil demand in October 2014. While oil demand in **Saudi Arabia** continues its positive momentum, growing by around 4% y-o-y, demand from Iraq contracted further, although at a lower pace than in the previous month.

Transportation, industrial fuels and direct crude burning were the contributing elements in rising Saudi Arabian oil demand in 2014, which continued to be the pattern of consumption during the month of October. In Iraq, oil requirements have been on a declining trend since July 2014, with all product category requirements falling, particularly transportation and industrial fuels, however, the pace of contraction has slowed from previous months, hinting at a bottoming-out. The contraction level reached its highest level in July 2014 when it shrunk by more than 0.16 mb/d y-o-y; it declined at a slower rate in October 2014, by 70 tb/d y-o-y.

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



Iraqi direct crude oil burning for electricity generation, however, increased compared with the same period in 2013. In **Kuwait**, weaker gasoline and fuel oil requirements implied overall flat oil demand growth year-to-date, compared with the same period in 2013. Oil demand also grew in **Qatar** and the **UAE**; in both countries, transportation fuels, notably gasoline, dominated this increase.

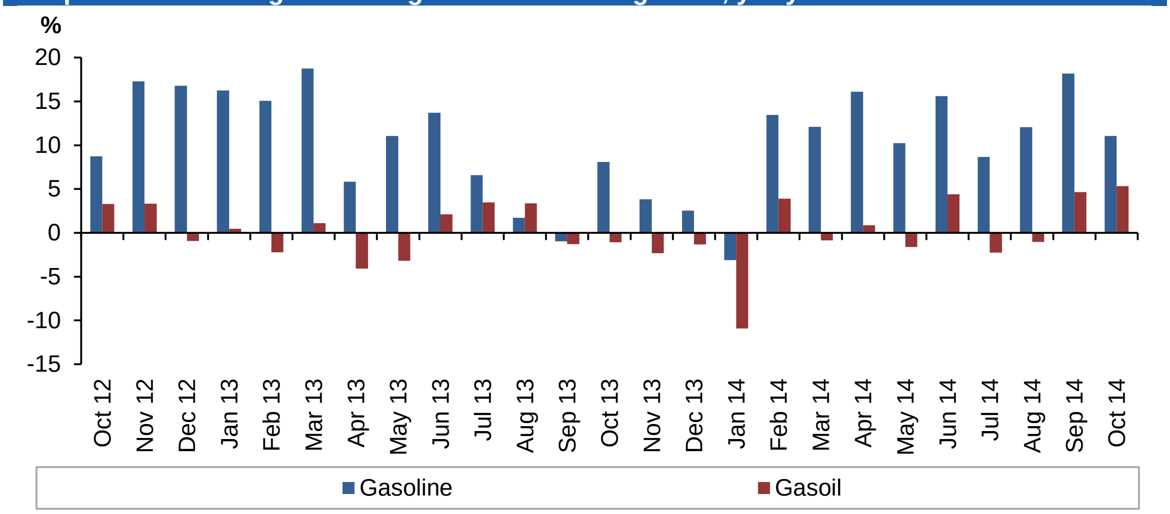
In 2015, the strength of Middle East oil demand is expected to originate from the growing road transportation sector, expanding manufacturing activity across the region, the direct use of oil for electricity generation and the petrochemical industry. The region has been one of the main contributors to world oil demand growth during the last 15 years, and this is expected to continue in 2015.

Total oil demand in the region is estimated to reach 8.09 mb/d during 2014 with yearly growth of 0.28 mb/d. In 2015, oil demand growth in the Middle East is forecast to record 0.30 mb/d growth.

China

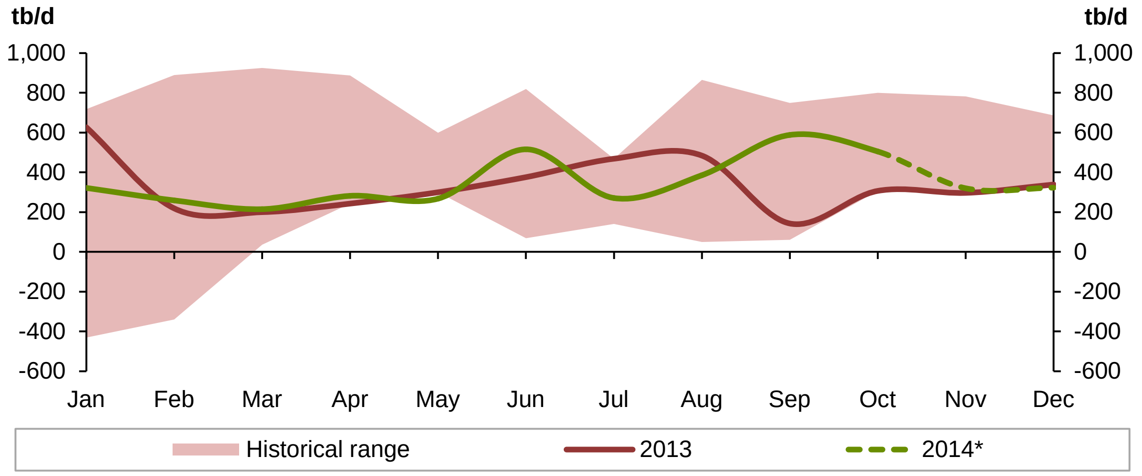
In **China**, 2014 oil demand growth remained robust at an estimated level of 0.35 mb/d for the full year, despite concerns over an overall weakening of the economy.

Graph 4.5: Chinese gasoil and gasoline demand growth, y-o-y



In October 2014, the structure of Chinese oil demand continued to be characterized by rising gasoline usage in the road transportation sector as well as high LPG demand for the petrochemical sector. The consumption of residual fuel oil declined, however, as a result of fuel substitution to natural gas and coal, particularly in the industrial sector.

Graph 4.6: Changes in Chinese apparent oil demand, y-o-y changes



** Forecast.*

LPG and gasoline demand increased in October by about 28% and 11% y-o-y, respectively. Fuel oil demand, on the other hand, fell by 31% as compared to the same period in 2013. In addition to an uptick in gasoline demand due to the Golden Week Festival, which provided support to short-term gasoline demand, consumption was also supported by increasing car sales. According to the China Association for Automobile Manufacturers (CAAM), in October, sales of passenger cars were at 1.7 million units, higher by more than 6% y-o-y. Cumulatively (from January to October), sales of passenger cars reached 15.7 million units, up by almost 10% as compared to last year with both SUV and MPV types increasing by more than 30%. LPG continues to be supported by consumption for petrochemical usage and is expected to continue its good performance well into 2015. Diesel oil recorded positive growth as well, growing by more than 0.18 mb/d, which translates to 5% y-o-y, supported by increasing demand in the construction and agriculture sectors. The fall in fuel oil demand during the month of October resulted from planned maintenance at teapot refineries that use fuel oil as feedstock.

Total oil demand in the country is estimated to reach 10.42 mb/d during 2014 with yearly growth of 0.35 mb/d. In 2015, oil demand growth is forecast to be at around 0.31 mb/d.

Table 4.6: World oil demand in 2015, mb/d

							Change 2015/14	
	2014	1Q15	2Q15	3Q15	4Q15	2015	Growth	%
Americas	24.15	24.03	23.90	24.59	24.71	24.31	0.16	0.64
of which US	*19.34*	*19.29*	*19.12*	*19.66*	*19.80*	*19.47*	*0.13*	*0.65*
Europe	13.39	12.92	13.38	13.61	13.29	13.30	-0.10	-0.71
Asia Pacific	8.16	8.76	7.57	7.61	8.22	8.04	-0.12	-1.51
Total OECD	**45.71**	**45.71**	**44.85**	**45.80**	**46.21**	**45.64**	**-0.06**	**-0.14**
Other Asia	11.28	11.30	11.61	11.59	11.56	11.52	0.23	2.06
of which India	*3.78*	*3.94*	*3.89*	*3.73*	*3.96*	*3.88*	*0.10*	*2.51*
Latin America	6.72	6.61	6.89	7.18	7.02	6.93	0.21	3.05
Middle East	8.09	8.36	8.20	8.73	8.22	8.38	0.30	3.65
Africa	3.72	3.84	3.84	3.70	3.85	3.81	0.09	2.42
Total DCs	**29.81**	**30.12**	**30.54**	**31.20**	**30.65**	**30.63**	**0.82**	**2.76**
FSU	4.55	4.44	4.28	4.68	4.98	4.60	0.05	1.10
Other Europe	0.65	0.65	0.60	0.65	0.72	0.66	0.01	1.08
China	10.42	10.39	10.87	10.63	11.01	10.73	0.31	2.95
Total "Other regions"	**15.62**	**15.47**	**15.76**	**15.96**	**16.71**	**15.98**	**0.36**	**2.33**
Total world	**91.13**	**91.30**	**91.15**	**92.96**	**93.58**	**92.26**	**1.12**	**1.23**
Previous estimate	91.19	91.36	91.31	93.18	93.64	92.38	1.19	1.31
Revision	-0.06	-0.06	-0.17	-0.23	-0.06	-0.13	-0.07	-0.07

Totals may not add up due to independent rounding.

World Oil Supply

Non-OPEC oil supply is estimated to grow by 1.72 mb/d in 2014 to average 55.95 mb/d. This represents an upward revision of 40 tb/d over the previous MOMR. OECD Americas is expected to be the main driver for growth, followed by Latin America. In 2015, non-OPEC oil supply is projected to grow by 1.36 mb/d to average 57.31 mb/d, representing an upward revision of 0.12 mb/d over the previous MOMR. OPEC NGLs and non-conventional liquids are estimated to average 6.03 mb/d in 2015, up from 5.83 mb/d in 2014. In November, OPEC crude oil production averaged 30.05 mb/d, according to secondary sources, a decrease of 0.39 mb/d over one month earlier.

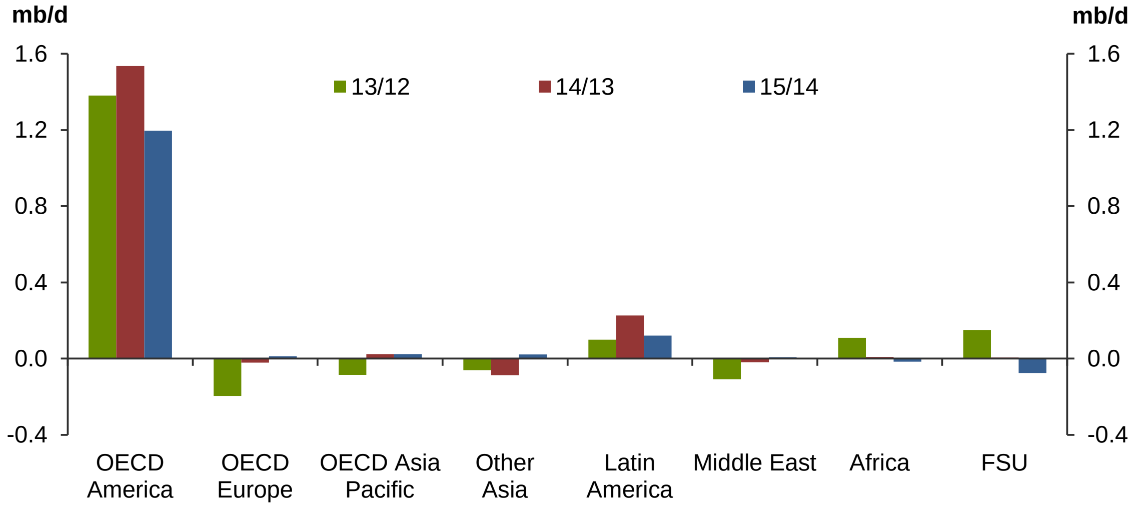
Estimate for 2014

Non-OPEC supply

Non-OPEC oil supply is expected to increase by 1.72 mb/d in 2014 to average 55.95 mb/d; this represents a minor upward revision of 40 tb/d from the previous *Monthly Oil Market Report* (*MOMR*). New production data at the end of November indicates that total non-OPEC liquids output in 2H14 increased by over 0.2 mb/d, more than anticipated in the previous *MOMR*. Total OECD oil supply growth was revised up by 20 tb/d m-o-m to 1.54 mb/d, averaging 23.72 mb/d. Similarly, total developing countries' (DCs') oil supply growth was revised up by 20 tb/d m-o-m to 0.13 mb/d, averaging 12.26 mb/d. Strong growth of almost 0.2 mb/d in total US oil production in September led to an upward revision for the whole year by 40 tb/d, to average 1.45 mb/d. The positive and negative revisions in other non-OPEC producers more or less offset each other.

The main driver of **non-OPEC supply growth** in 2014 is OECD Americas, which is forecast to increase by 1.54 mb/d, followed by Latin America by 0.23 mb/d, OECD Asia Pacific by 0.02 mb/d, and Africa, FSU and China by only 0.01 mb/d each. It is estimated that the oil supply in Other Asia, OECD Europe and the Middle East will decline by 0.09 mb/d, 0.02 mb/d and 0.02 mb/d, respectively. It is also expected that 4Q14 will yield the highest supply of the year at 56.50 mb/d and the highest q-o-q growth of 0.59 mb/d.

Graph 5.1: Regional non-OPEC supply growth, y-o-y



Regarding monthly changes on a regional basis, **OECD Americas** remains the region with the highest expected level of supply growth in 2014 at 1.54 mb/d, revised up by 10 tb/d m-o-m, followed by Latin America in second position, revised up by 30 tb/d m-o-m to average growth of 0.23 mb/d. Minor upward revisions of 0.02 mb/d in the FSU, and of 0.01 mb/d each in the Middle East and OECD Europe were seen. Oil supply growth in China was revised down by 0.02 mb/d and in Other Asia by 0.01 mb/d. Figures for OECD Asia Pacific and Africa remained unchanged. On a country basis, the US is expected to show the largest production increase among all non-OPEC producers in 2014, followed by Brazil, Canada, Norway, South Sudan, Russia and Australia. Oil supply from Mexico, the UK, Indonesia, Syria, Vietnam, Kazakhstan, Colombia and Other OECD Europe is seen to encounter the largest output drop among non-OPEC countries.

The supply profile of the US in 2014 was revised up by 0.04 mb/d due to total changes in 2Q14, 3Q14 and 4Q14. Non-OPEC oil supply in 2014 was also revised up for the month in Russia, Egypt, Yemen, Thailand, Malaysia, Australia, Brazil and Denmark, while production growth from Mexico, Brunei, Indonesia, Azerbaijan and China was revised down in December, m-o-m. However, total upward adjustment more than offset downward revisions, causing an upward revision in non-OPEC oil supply growth of 0.04 mb/d to average 1.72 mb/d. Continued strong growth from US tight oil production, although oil prices tumbled to fresh multi-year lows, supported the upward revision. According to preliminary actual and estimated data, total non-OPEC supply rose by 1.88 mb/d during the first three quarters of 2014, compared with the same period of 2013.

On a quarterly basis, non-OPEC supply in 2014 is expected to average 55.59 mb/d, 55.78 mb/d, 55.91 mb/d and 56.50 mb/d, respectively.

Table 5.1: Non-OPEC oil supply in 2014, mb/d

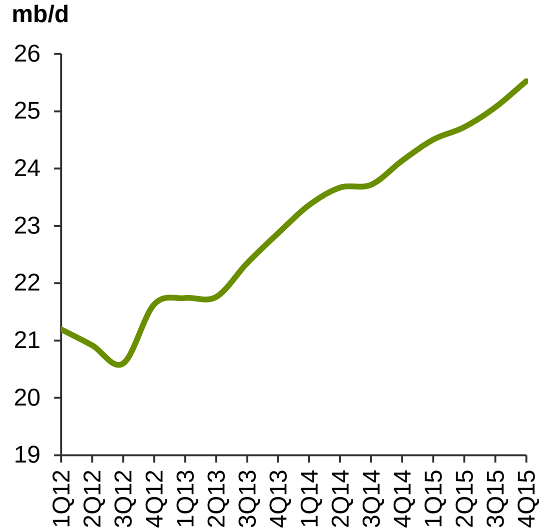
	2013	1Q14	2Q14	3Q14	4Q14	2014	*Change 14/13*
Americas	18.13	19.12	19.66	19.82	20.05	19.67	1.54
of which US	*11.22*	*11.96*	*12.69*	*12.91*	*13.10*	*12.67*	*1.45*
Europe	3.58	3.75	3.51	3.39	3.58	3.56	-0.02
Asia Pacific	0.48	0.50	0.50	0.51	0.51	0.50	0.02
Total OECD	**22.19**	**23.36**	**23.67**	**23.72**	**24.14**	**23.72**	**1.54**
Other Asia	3.59	3.55	3.52	3.46	3.49	3.51	-0.09
Latin America	4.78	4.86	4.92	5.10	5.14	5.01	0.23
Middle East	1.36	1.34	1.33	1.35	1.35	1.34	-0.02
Africa	2.40	2.44	2.41	2.40	2.38	2.41	0.01
Total DCs	**12.13**	**12.20**	**12.18**	**12.31**	**12.36**	**12.26**	**0.13**
FSU	13.41	13.48	13.36	13.38	13.43	13.41	0.01
of which Russia	*10.51*	*10.59*	*10.55*	*10.52*	*10.58*	*10.56*	*0.05*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.24	4.24	4.27	4.20	4.27	4.24	0.01
Total "Other regions"	**17.78**	**17.86**	**17.76**	**17.72**	**17.84**	**17.80**	**0.01**
Total Non-OPEC production	**52.10**	**53.43**	**53.61**	**53.75**	**54.34**	**53.78**	**1.68**
Processing gains	2.13	2.16	2.16	2.16	2.16	2.16	0.03
Total Non-OPEC supply	**54.23**	**55.59**	**55.78**	**55.91**	**56.50**	**55.95**	**1.72**
Previous estimate	54.23	55.59	55.77	55.86	56.42	55.91	1.68
Revision	0.00	0.00	0.01	0.05	0.08	0.04	0.04

OECD

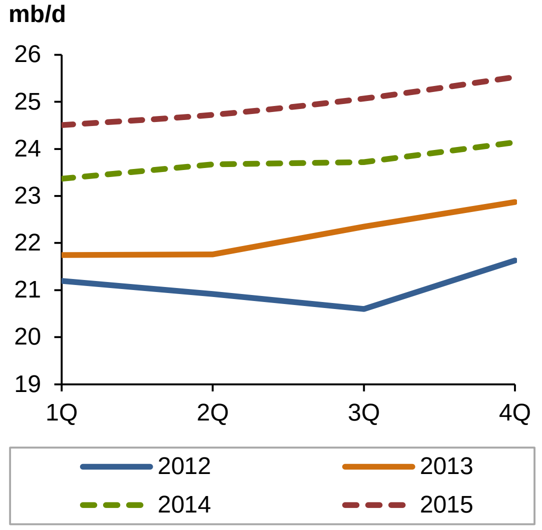
Total OECD oil output is seen to increase y-o-y by 1.54 mb/d in 2014 to average 23.72 mb/d, following an upward revision of 0.02 mb/d from the previous month. OECD Americas' oil supply is the driver for oil supply growth, which has been revised up by 0.04 mb/d compared with the previous monthly report, followed by OECD Asia Pacific, while the forecast for OECD Europe is seen to decline, though it was revised up by 0.01 mb/d compared with the previous *MOMR*. According to preliminary data, total OECD production stood at 24.42 mb/d during November, an increase of 80 tb/d from a month earlier.

On a quarterly basis, **OECD supply** in 2014 is estimated to average 23.36 mb/d, 23.67 mb/d, 23.72 mb/d and 24.14 mb/d, respectively.

Graph 5.2: OECD's quarterly production



Graph 5.3: OECD's quarterly production, annual comparison



OECD Americas

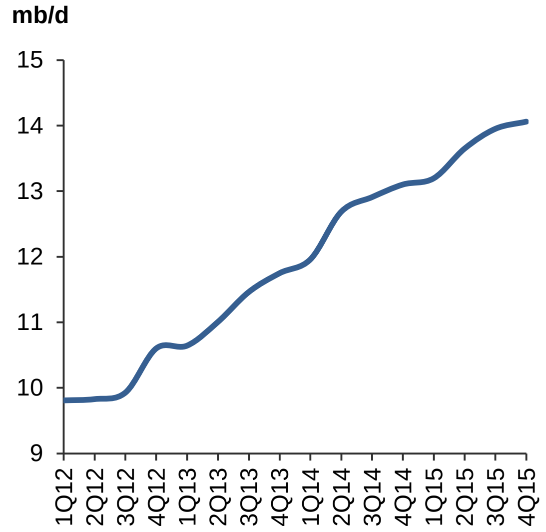
OECD Americas' oil production is estimated to increase by 1.54 mb/d in 2014 to average 19.67 mb/d, the highest among all non-OPEC regions, indicating an upward revision of 10 tb/d from the previous *MOMR*. Strong estimates for both the US and Canada constitute the main factor behind expected supply growth, while heavy declines are seen in Mexico.

On a quarterly basis, OECD Americas' oil supply in 2014 is expected to average 19.12 mb/d, 19.66 mb/d, 19.82 mb/d and 20.05 mb/d, respectively.

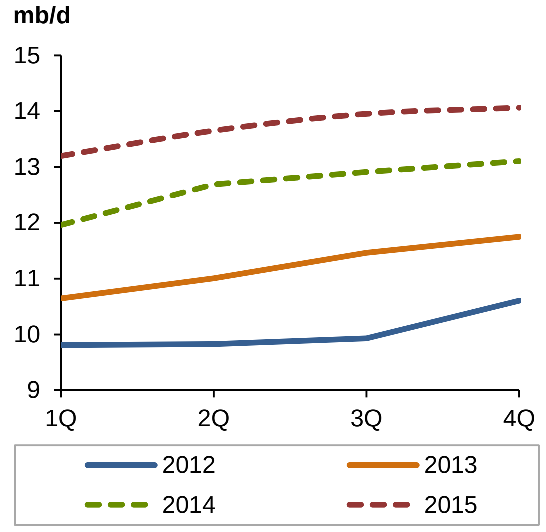
US

US oil production is estimated to increase by 1.45 mb/d in 2014, the largest growth among all non-OPEC countries and the largest in US history, to average 12.67 mb/d, constituting an upward revision of 0.04 mb/d from the previous month's estimation. This revision affected 2Q, 3Q and 4Q figures, with the highest impact occurring in the second half of the year, as updated production data showed stronger growth than previously expected. US oil production increased by 0.18 tb/d in September m-o-m, to average 13.04 mb/d. This amount consists of 8.86 mb/d of crude oil, 3.13 mb/d of NGLs and 1.04 mb/d of other liquids. The revision was supported by record-high crude production from main shale plays in September on the back of a continued increase in the development of tight oil output.

Graph 5.4: US quarterly production



Graph 5.5: US quarterly production, annual comparison



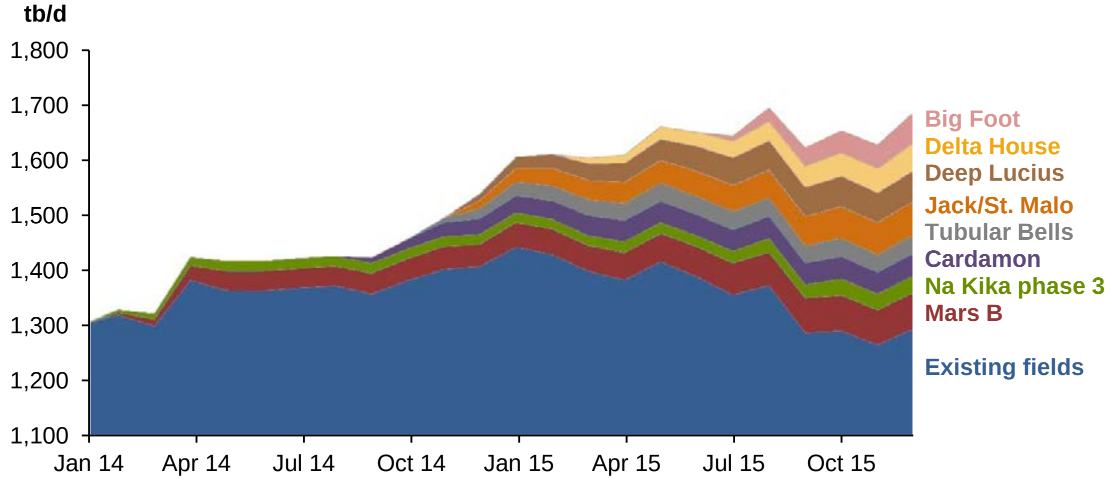
During the first nine months of 2014, North Dakota's crude output averaged 1.05 mb/d, an increase of 0.22 mb/d, which is a production growth of 26% compared with 31% over the same period one year earlier. The average of nine months of production in Texas indicates growth of 0.58 mb/d, 24% higher than same period in 2013 compared with 30% growth in 2013. Eagle Ford currently accounts for 16% of US oil production. More than half of Eagle Ford's production comes from 10% of its 20 thousand square miles. The Eagle Ford shale play in South Texas has produced more than 1 billion barrels of crude oil and condensate, based on a Wood Mackenzie estimate, having produced more than 70% of that total in the last two years. The Eagle Ford will produce 2.8 mboe/d in 2015. Analysts forecast capital expenditure of $30.8 billion for the Eagle Ford shale play during 2015 compared with Wood Mackenzie's forecast for $16.7 billion to be spent on the Bakken formation in North Dakota and Montana next year. Production contributing to the Eagle Ford 1-billion-barrels mark started in 2008.

Total crude oil production in September 2014 increased by 0.17 mb/d m-o-m, but a minor decrease was seen in Kentucky, New Mexico and the Gulf of Mexico (GOM). Nevertheless, crude oil and natural gas production has begun at the Jack/St. Malo project in the Lower Tertiary trend, deepwater GOM. Production from the first development stage is expected to ramp-up over the next several years to a total daily rate of 94 tb of crude oil and 21 mcf of natural gas. With a planned production life of more than 30 years, current technologies are anticipated to recover in excess of 500 million oil-equivalent barrels.

Since September, two other deepwater projects besides Chevron's Jack/St. Malo have commenced production; the Cardamom Deep and Tubular Bells fields. Production started up in Cardamom in early September and is expected to peak at nearly 40 tb/d by the second quarter of 2015, and Tubular Bells, which came online in mid-November, is expected to peak at near 35 tb/d, despite having a capacity of 60 tb/d. Since deepwater projects in GOM or any profitable projects in other offshore locations in the world – Brazil and Western Africa, for instance – have a long timeline with an average of four years between final investment and first production, these projects are not sensitive to short-term price pullbacks.

Moreover, it is forecast that oil output from three additional projects will come on stream next year with total capacity of 235 tb/d – Lucius is expected to commence production within the next couple of weeks, Delta House is expected to start up in the second quarter of 2015, and ramp-up to nearly 50 tb/d by year's end and Big Foot will not start until the third quarter of 2015. Nevertheless, the Big Foot project is expected to add 55 tb/d to GOM's output by the end of 2015. In addition to these new projects, output growth in 2015 will be driven by the continued ramp-up of Mars B, Na Kika phase 3, and the Atlantis phase 2 developments. Production will rise by 0.22 mb/d by the end of 2015.

Graph 5.6: Offshore Gulf of Mexico production by project

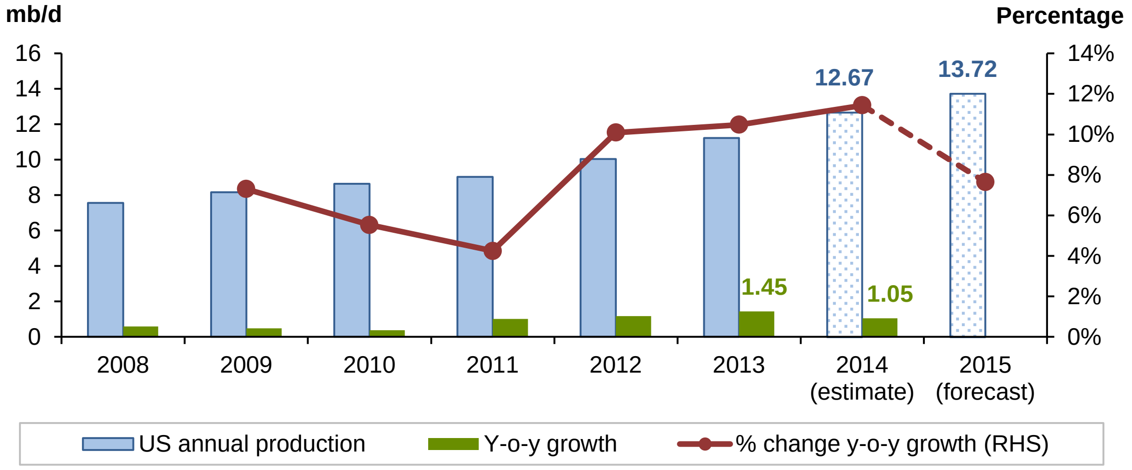


Sources: EIA, Wood Mackenzie and companies' report.

In addition, the US natural gas liquids (NGLs) supply experienced healthy growth, particularly NGLs produced from unconventional sources of shale and tight gas. During the third quarter, the US oil supply averaged 12.91 mb/d, a growth level of 1.45 mb/d from the same period a year earlier. Further revision to the US supply figure is possible in the coming months as more production data becomes available.

On a quarterly basis, the US oil supply in 2014 is seen to average 11.96 mb/d, 12.69 mb/d, 12.91 mb/d and 13.10 mb/d, respectively.

Graph 5.7: US annual liquids production and annual growth

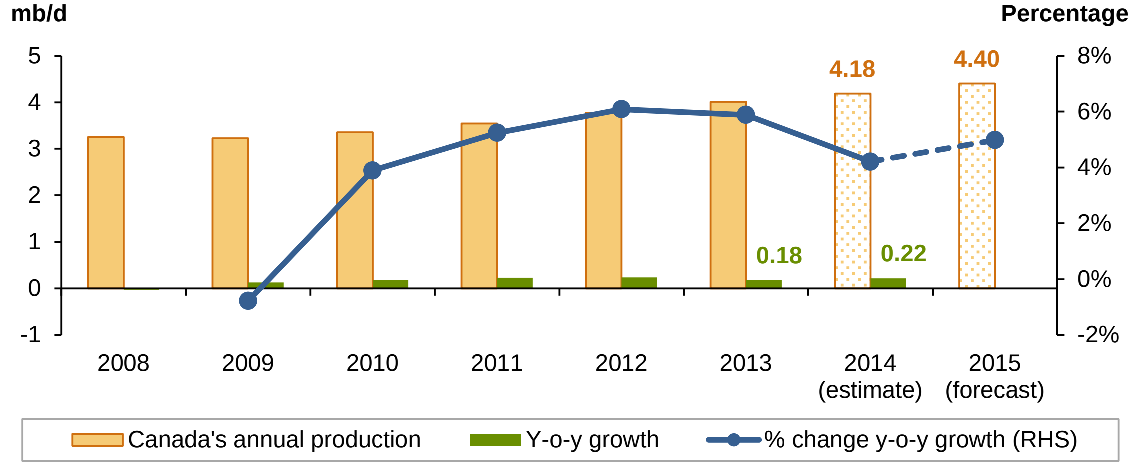


Source: OPEC Secretariat.

Canada and Mexico

Canada's oil output is expected to grow by 0.18 mb/d in 2014 to average 4.18 mb/d, a downward revision of 10 tb/d from the previous *MOMR*. Canada's supply growth remained the second-largest among all non-OPEC countries. Canada's supply growth in 2014 has been driven mostly by crude bitumen and synthetic crude, nevertheless outages at the Kearl oil sands project will impact the oil sands production forecast; technical problems have remained since 10 November. Repair work could take several weeks to complete and production will be offline for a month.

Graph 5.8: Canada's annual liquids production and annual growth



Source: OPEC Secretariat.

Production at the Syncrude oil sands project increased by 80 tb/d from September, continuing its climb from August. Moreover, the expected startup of the Mildred Lake mine train at Syncrude in the fourth quarter of 2014 should help improve reliability, given that it adds redundancy. In addition, production at the Horizon oil sands project, which averaged 82 tb/d during the third quarter of 2014, registered a strong 123 tb/d in October. This is thought to have helped keep overall oil sands production in October at close-to-record levels of 2.18 mb/d. During the first three quarters, Canada's supply averaged 4.17 mb/d, an increase of 0.21 mb/d from the same period one year earlier, but lower than growth of 0.24 mb/d achieved in 2013.

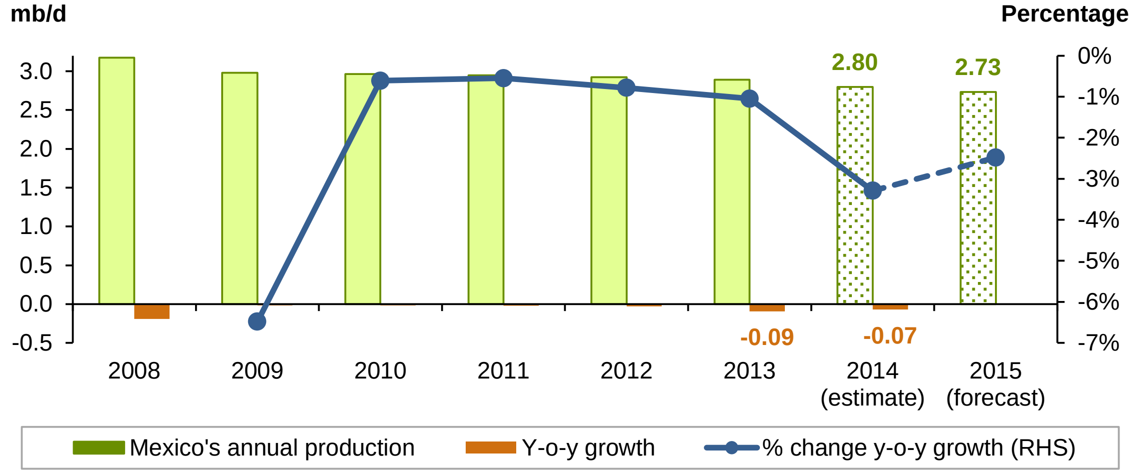
On a quarterly basis, production in 2014 is estimated to stand at 4.27 mb/d, 4.12 mb/d, 4.13 mb/d and 4.21 mb/d, respectively.

Mexico's oil supply is seen to average 2.80 mb/d in 2014, denoting a decline of 90 tb/d from 2013 and revised down by 20 tb/d from the previous *MOMR*. Mexico's liquids supply fell by 40 tb/d m-o-m to average 2.72 mb/d in October. During the first three quarters, Mexico's supply averaged 2.83 mb/d, a decline of 60 tb/d from the same period in 2013. This was led entirely by a heavy crude oil decline, particularly from Cantarell, which fell y-o-y by 85 tb/d to average 0.29 mb/d and also the beginning of a gradual decline in KMZ complex fields and Ligero Marino.

Mexico's recently enacted energy reform means that Pemex will face competition for the first time since it was created as a state monopoly in 1938. Since a reintegration in Mexican crude production seems unlikely before end-2015, large projects like Ayatsil-Tekel are unlikely to come online in 2015. Hence, it is anticipated with the recent sharp drop in oil prices that Mexican oil output will decline faster than expected.

On a quarterly basis, Mexico's production in 2014 is seen to average 2.87 mb/d, 2.85 mb/d, 2.77 mb/d and 2.73 mb/d, respectively.

Graph 5.9: Mexico's annual liquids production and annual growth



Source: OPEC Secretariat.

OECD Europe

Total OECD Europe's oil supply is estimated to drop by 20 tb/d in 2014 to average 3.56 mb/d, revised up by 10 tb/d from the previous *MOMR*. During the first three quarters, the region's supply dropped by around 17 tb/d from the same period one year earlier. The annual decline rate so far in 2014 is slower than it has been the last two years. Hence, OECD Europe is seen as the region with the lowest annual decline rate among all non-OPEC regions in 2014. North Sea production, which is expected to show much less decline in 2014 compared with 2013, is predicted to show positive growth in 2015, while the ramp-up of Gudrun and Brynhild will add new production in late 2014 and 2015. Nevertheless, some analysts believe that even new output from Goliat and Edvard Grieg will not offset expected declines in 2015. The oil production of this region in the third quarter has averaged 3.39 mb/d, the lowest quarterly level so far.

On a quarterly basis, OECD Western Europe's supply in 2014 is seen to stand at 3.75 mb/d, 3.51 mb/d, 3.39 mb/d and 3.58 mb/d, respectively.

Norway's oil supply is projected to increase by 50 tb/d in 2014 to average 1.89 mb/d, unchanged from the previous month. There was a minor downward revision that impacted 2Q14 data; but 3Q and 4Q saw minor upward revisions which, in total, did not affect the annual figure. Norwegian production increased in October by 0.15 mb/d to 1.95 mb/d, compared with the previous month, yet output did not reach the January and March levels of 1.96 mb/d. The Gaupe, Oseberg Sør, Skuld, Skarv, Tordis and Ula fields reduced production in October due to technical problems. During the first three quarters, Norway's production increased by more than 40 tb/d from the same period one year earlier.

On a quarterly basis, Norway's production in 2014 is expected to average 1.96 mb/d, 1.79 mb/d, 1.86 mb/d and 1.94 mb/d, respectively.

The **UK's** oil production is estimated to decline by 40 tb/d in 2014 to average 0.84 mb/d, the lowest level since 1977 and unchanged from the previous *MOMR*. During the first three quarters, UK production declined by only 10 tb/d from the same period one year earlier. Production is expected to recover in 4Q14 after a prolonged summer maintenance season. There have been several positive developments this month, which contributed to a recovery in production by year-end. The most important of these is the startup of Nexen's Golden Eagle Area Development (GEAD) project in the UK’s North Sea.

October production in **Denmark** increased to 0.18 mb/d due to development drilling on the Val d'Agri field.

OECD Asia Pacific

Total OECD Asia Pacific oil output is expected to increase by 20 tb/d in 2014 to average 0.50 mb/d, unchanged from the previous month.

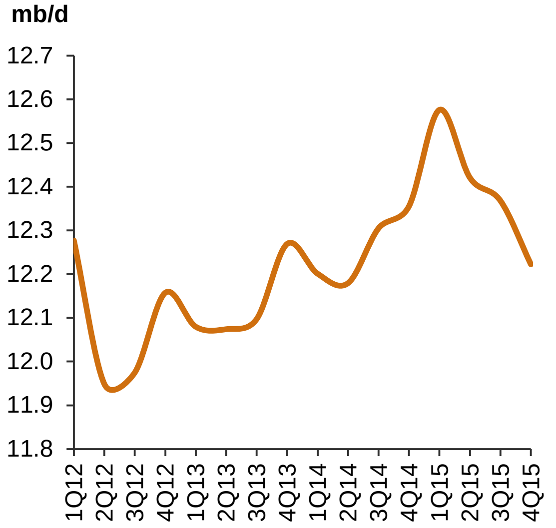
On a quarterly basis, its supply in 2014 is seen to stand at 0.50 mb/d, 0.50 mb/d, 0.51 mb/d and 0.51 mb/d, respectively.

Australia’s oil supply is expected to increase by 20 tb/d in 2014 to average 0.42 mb/d, no revision from the previous *MOMR*. During the first three quarters, Australia’s supply averaged 0.42 mb/d, an increase of 10 tb/d over the same period one year earlier. On a quarterly basis, Australia’s supply in 2014 is seen to average 0.41 mb/d, 0.42 mb/d, 0.42 mb/d and 0.42 mb/d, respectively.

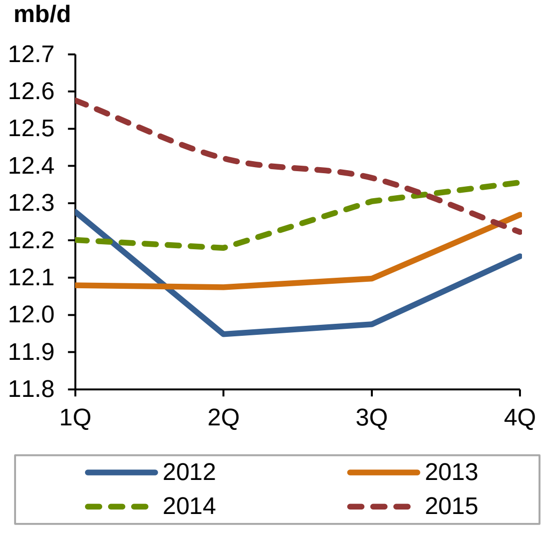
Developing countries

Developing countries’ total oil supply is estimated to increase by 0.13 mb/d in 2014 compared with the previous year to average 12.26 mb/d, the highest level since 2007; this represents an upward revision of 20 tb/d from the previous *MOMR*. The upward revision came from Latin American and Middle Eastern supply, while projections for African production remained steady, but those for Other Asia declined. Other Asia is expected to experience the highest supply decline among developing countries in 2014 from the previous year with a drop of 0.09 mb/d, followed by the Middle East with 20 tb/d.

Graph 5.10: Developing Countries’ quarterly production



Graph 5.11: Developing Countries’ quarterly production, annual comparison



Latin America is currently expected to be the region with the highest supply growth among developing country regions at 0.23 mb/d, followed by Africa at 10 tb/d. Developing countries' production is expected to experience a minor increase of 50 tb/d in the fourth quarter from the third, supported by expected growth from Latin America. During the first three quarters of 2014, developing countries' production averaged 12.23 mb/d, up by 0.15 mb/d from the same period one year earlier with healthy production from Brazil. During the third quarter, it averaged 12.31 mb/d, the highest level in the current year so far.

On a quarterly basis, developing countries' supply in 2014 averaged 12.20 mb/d, 12.18 mb/d, 12.31 mb/d and 12.36 mb/d, respectively.

Other Asia

Other Asia's oil supply is expected to average 3.51 mb/d in 2014, the lowest annual level since 1994. This represents a decline of 90 tb/d from the previous year and a downward revision of 10 tb/d from the previous month.

Among the region's countries, oil supply from **Malaysia** is expected to increase in 2014, while the rest of the countries are seen to decline, with the exception of **Thailand** and Asia Others, which remain unchanged compared with last year. It is expected most of the decline will come from **Indonesia** and **Vietnam**. During the first three quarters of this year, Other Asia's production dropped by 90 tb/d from the same period in 2013.

On a quarterly basis, its 2014 supply is expected to average 3.55 mb/d, 3.52 mb/d, 3.46 mb/d and 3.49 mb/d, respectively.

Oil supply from **Indonesia**, the region's largest producer, is expected to decline by 40 tb/d in 2014 to average 0.91 mb/d, revised down by 10 tb/d from the previous *MOMR*. The foreseen drop in Indonesia's oil supply is expected on the back of declines from mature producing areas and limited new developments.

Malaysia's oil output is estimated to average 0.67 mb/d in 2014, indicating an increase by 10 tb/d from the previous year and also from the *MOMR* of one month earlier.

Latin America

Latin America's oil supply is estimated to increase by 0.23 mb/d to average 5.01 mb/d in 2014, with an upward revision of 30 tb/d from the previous *MOMR*.

Argentina's production is expected to average 0.66 mb/d in 2014, a drop of 10 tb/d from the previous year.

Colombia's production is estimated to decrease by 20 tb/d in 2014 to average 1.01 mb/d, unchanged from the previous *MOMR*. On a quarterly basis, Colombia's production in the current year averaged 1.02 mb/d, 0.99 mb/d, 1.01 mb/d and 1.02 mb/d, respectively.

During the first three quarters of 2014, **Latin America's** supply increased by 0.20 mb/d compared with the previous year to average 4.76 mb/d. On a quarterly basis, Latin America's supply in 2014 is expected to average 4.86 mb/d, 4.92 mb/d, 5.10 mb/d and 5.14 mb/d, respectively.

Brazil's liquids production is projected to increase by 0.25 mb/d in 2014 to average 2.90 mb/d, including biofuels, indicating an upward revision of 10 tb/d from the previous *MOMR*. This revision was adjusted for updated production data in the third quarter as well as early indications of fourth quarter output. Brazil's supply in the third quarter reached 2.98 mb/d, an increase of 0.34 mb/d compared with the same quarter a year earlier, which was also higher by 0.14 mb/d, q-o-q. Crude and NGLs' output in October was at a record high of 2.49 mb/d, up m-o-m for the ninth straight month and 0.33 mb/d higher y-o-y.

Continuous growth was led by pre-salt output, which reached another record high of 0.64 mb/d on 28 October due to the addition of 10 new wells and higher well productivity, as well as the ramp-up of five key platforms and the startup of the 0.15 mb/d FPSO Mangaratiba by mid-month. Despite recent declines in oil prices, no near-term slowdown is expected in pre-salt output, given the new platforms and continuous wells being brought online by Petrobras, such as the 0.15 mb/d FPSO Ilhabela, which started up in November. But a sustained low oil price may force Petrobras to scale back capital expenditure in 2015, which would impact growth rates in 2H15. Output from offshore pre-salt reservoirs has climbed to 740,000 b/d, more than a quarter of Brazil's crude production.

Regarding biofuels production, the ongoing effects of drought on ethanol production in Brazil could impact recent crude oil production growth in 2015. Total biofuels output in the last ten months of 2014 was registered at 0.5 mb/d.

On a quarterly basis, Brazil's supply in 2013 is expected to average 2.73 mb/d, 2.84 mb/d, 2.98 mb/d and 3.03 mb/d, respectively.

Middle East

Middle Eastern oil supply is estimated to average 1.37 mb/d in 2014, a decline of 20 tb/d from the previous year, indicating a minor upward revision of 10 tb/d compared with the previous *MOMR*. This revision came in the second half of the year, adjusting for updated production data as well as higher expectations for the third and fourth quarters. **Oman's** production is estimated to average 0.95 mb/d in 2014, representing an increase of 10 tb/d from the previous year, unchanged from the previous *MOMR*. On a quarterly basis, Oman's supply in 2014 is expected to average 0.95 mb/d, 0.94 mb/d, 0.95 mb/d and 0.96 mb/d, respectively.

Yemen's oil supply is estimated to average 0.14 mb/d in 2014, unchanged from the previous year. Security issues remain the main factor impacting Yemen's oil supply, with attacks continuing on its oil infrastructure.

During the first three quarters of 2014, the Middle East's oil output decreased by 20 tb/d from the same period in 2013, though this was less than the drop in 2013 over 2012 of 90 tb/d. On a quarterly basis, 2014 Middle Eastern supply is estimated to average 1.34 mb/d, 1.33 mb/d, 1.35 mb/d and 1.35 mb/d, respectively.

Africa

Africa's oil supply is predicted to average 2.41 mb/d in 2014, an increase of 0.01 mb/d from the previous year, unchanged from one *MOMR* ago. **South Sudan's** oil supply is forecast to recover by 0.05 mb/d in 2014, due to shut-in wells coming back, to average 0.29 mb/d, unchanged from the previous month. Supply forecasts for the other countries in the region remained more or less steady from the previous *MOMR*. During the first three quarters of this year, Africa's supply increased by 60 tb/d compared with the same period in 2013.

On a quarterly basis, supply in 2014 is seen to stand at 2.44 mb/d, 2.41 mb/d, 2.40 mb/d and 2.36 mb/d, respectively.

FSU, other regions

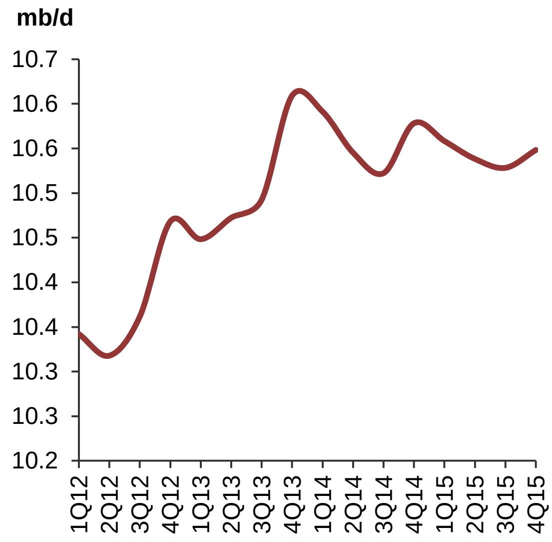
Total **FSU** oil supply is estimated to increase by only 10 tb/d in 2014 to average 13.41 mb/d, an upward revision of 20 tb/d from the previous MOMR. This was supported by Russia's oil supply forecast, while Azerbaijan's supply encountered a downward revision. Russia remained the driver of growth in the FSU, while supply from Kazakhstan, Azerbaijan and FSU Others is seen to decline in 2014. During the first three quarters of this year, FSU's supply increased by 50 tb/d over the same period in 2013.

On a quarterly basis, total FSU supply in 2014 is estimated to average 13.48 mb/d, 13.36 mb/d, 13.38 mb/d and 13.41 mb/d, respectively.

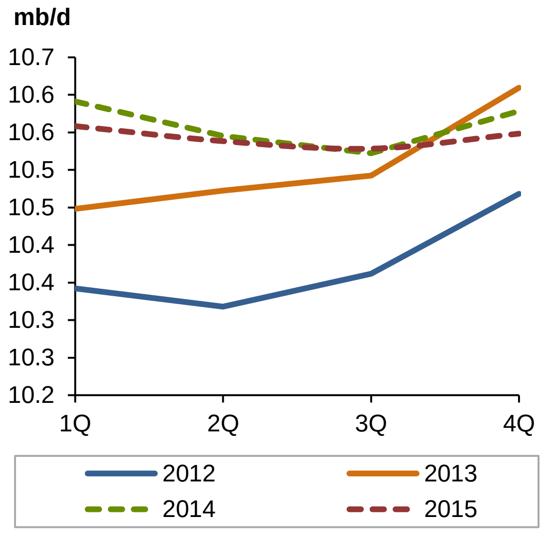
Russia

Russia's oil supply is estimated to increase by 0.05 mb/d in 2014 to average 10.56 mb/d, an upward revision of 20 tb/d from the previous *MOMR*. Production reached a record 10.67 mb/d in November as per preliminary data, an upward revision of 80 tb/d in 4Q14, with current production data for October and November indicating higher-than-expected output. Russia's production is expected to average 10.58 mb/d in 4Q14, an increase of 60 tb/d from 3Q14. Based on preliminary oil production by companies in November, not only was output not reduced, but there was an increase in volume. However, it is anticipated marginal barrel output in Russia for 2015 could decline y-o-y, given the impact of sanctions, low prices and lack of large projects expected to come online. Nevertheless, the approval of a tax overhaul by the Russian parliament, reducing crude export duty from its current 59% to 42% in January, could encourage oil producing companies in Russia to produce more.

Graph 5.12: Russia's quarterly production



Graph 5.13: Russia's quarterly production, annual comparison



On a quarterly basis, Russia's supply for 2014 is estimated to average 10.59 mb/d, 10.55 mb/d, 10.52 mb/d and 10.58 mb/d, respectively.

Caspian

Kazakhstan's oil output in October increased m-o-m by around 20 tb/d to 1.58 mb/d, but dropped on a yearly basis by 0.11 mb/d, due to continued maintenance at the Tengiz oil field. It is estimated that Kazakhstan's oil supply in 2014 will decline to average 1.61 mb/d, a decrease of 30 tb/d from the previous year and unchanged from the previous month. During the first three quarters of 2014, Kazakhstan's supply decreased by 20 tb/d from the same period in 2013. Regarding the pullback in oil prices, it is expected that output in the longer term will decline more than expected in brown fields, since there are no new projects coming on stream in the short term, except the Kashagan project, which is mired in technical issues and delays.

On a quarterly basis in 2014, Kazakhstan's oil supply is seen to average 1.68 mb/d, 1.60 mb/d, 1.61 mb/d and 1.68 mb/d, respectively.

Azerbaijan's oil supply is seen to decline by 10 tb/d in 2014 to average 0.86 mb/d, indicating a downward revision of 10 tb/d from the previous month. This revision was due to lower production in September, which was down by 10 tb/d, a trend which continued into October and most probably into November, thus affecting total output in the current year. During the first three quarters of 2014, Azerbaijan's supply decreased by 20 tb/d from the same period in 2013.

On a quarterly basis in 2014, Azerbaijan's oil supply is estimated to average 0.85 mb/d, 0.87 mb/d, 0.86 mb/d and 0.85 mb/d, respectively.

Other Europe's supply is estimated to remain flat from 2012 and average 0.14 mb/d in 2014.

China

China's oil supply is projected to average 4.24 mb/d in 2014, an increase of 10 tb/d over the previous year and a downward revision of 20 tb/d from the previous *MOMR*. Oil output in the fourth quarter is anticipated to increase by 70 tb/d to average 4.27 mb/d compared with the third quarter, nevertheless it was revised down by 80 tb/d compared with the previous month's assessment. During the first three quarters of this year, China's supply increased less than expected by 20 tb/d from the same period in 2013.

On a quarterly basis, China's oil output is estimated to stand at 4.24 mb/d, 4.27 mb/d, 4.20 mb/d and 4.27 mb/d, respectively.

In October, China's supply averaged 4.22 mb/d, a decrease of 0.11 mb/d compared with October 2013. According to preliminary data, oil production by CNPC/Petrochina, Sinopec and Yanchang increased in October, while output from CNOOC and other small companies declined in October. Moreover, total oil imports in October increased by 9% y-o-y to average 5.67 mb/d.

Forecast for 2015

Non-OPEC supply

Non-OPEC supply in 2015 is forecast to increase by 1.36 mb/d to average 57.31 mb/d.

Non-OPEC oil supply in 2015 is expected to increase by 1.36 mb/d over the current year to average 57.31 mb/d. The strong growth trend seen in 2014 is expected to continue into 2015 but at a slower pace, supported by OECD Americas, Latin America and China, and partly offset by declines in the FSU and Africa. However, the forecast is associated with a high level of risk. While the expectation of capital expenditure in 2014 and 2015 indicates a rising trend, other risk factors, such as geopolitics, the environment, fiscal regimes, oil policies, prices and technical developments, will continue to impact supply growth expectations. Non-OPEC supply is expected to experience an increase of 2.2 mb/d of gross capacity addition in 2015. The forecast growth in biofuels, which are expected to increase total output in 2015, is also connected to a high degree of risk. Other factors contributing to risk in both directions include weather conditions and decline rate developments. Hence, the forecast is subject to revisions. Should the current fall in crude prices continue over a longer period, it will impact the non-OPEC supply forecast for 2015, especially anticipated growth in tight crude and non-conventional NGLs production.

Non-OPEC oil supply is forecast to grow by 1.36 mb/d in 2015 to average 57.31 mb/d, representing an upward revision by 0.12 mb/d from the previous *MOMR*. There have been various upward and downward revisions to the 2015 supply forecast, coming from changes to the 2014 supply forecast and historical revisions from 2013. Non-OPEC supply is expected to experience increases in all quarters of 2015 on a y-o-y basis.

Table 5.2: Non-OPEC oil supply in 2015, mb/d

	2014	1Q15	2Q15	3Q15	4Q15	2015	*Change 15/14*
Americas	19.67	20.29	20.65	21.11	21.38	20.86	1.20
of which US	*12.67*	*13.20*	*13.65*	*13.95*	*14.06*	*13.72*	*1.05*
Europe	3.56	3.68	3.53	3.42	3.64	3.57	0.01
Asia Pacific	0.50	0.53	0.54	0.53	0.50	0.53	0.02
Total OECD	**23.72**	**24.50**	**24.72**	**25.07**	**25.52**	**24.96**	**1.23**
Other Asia	3.51	3.59	3.55	3.51	3.46	3.53	0.02
Latin America	5.01	5.18	5.12	5.14	5.07	5.13	0.12
Middle East	1.34	1.37	1.36	1.34	1.33	1.35	0.01
Africa	2.41	2.44	2.40	2.38	2.35	2.39	-0.02
Total DCs	**12.26**	**12.58**	**12.42**	**12.37**	**12.22**	**12.40**	**0.13**
FSU	13.41	13.41	13.32	13.29	13.34	13.34	-0.08
of which Russia	*10.56*	*10.56*	*10.54*	*10.53*	*10.55*	*10.54*	*-0.02*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.24	4.29	4.27	4.29	4.35	4.30	0.06
Total "Other regions"	**17.80**	**17.84**	**17.73**	**17.72**	**17.83**	**17.78**	**-0.02**
Total Non-OPEC production	**53.78**	**54.92**	**54.87**	**55.16**	**55.58**	**55.13**	**1.35**
Processing gains	2.16	2.17	2.17	2.17	2.17	2.17	0.01
Total Non-OPEC supply	**55.95**	**57.10**	**57.05**	**57.33**	**57.75**	**57.31**	**1.36**
Previous estimate	55.91	57.07	56.85	57.04	57.65	57.16	1.24
Revision	0.04	0.03	0.20	0.28	0.09	0.15	0.12

On a regional basis, OECD Americas is expected to have the highest growth, followed by Latin America, China, OECD Asia Pacific, Other Asia, OECD Europe and the Middle East, while FSU and Africa are seen to decline. Growth is expected to come mainly from the US, Canada, Brazil, China, Asia Others, Norway, South Sudan, and Australia, while oil supply from Mexico, Kazakhstan, Russia, Azerbaijan, Indonesia and the UK is seen to decline. Risks and uncertainties associated with the supply forecast remain high on both sides, especially for the US, Syria, South Sudan and Sudan.

On a quarterly basis, non-OPEC supply in 2015 is expected to average 57.10 mb/d, 57.05 mb/d, 57.33 mb/d and 57.75 mb/d, respectively.

OPEC NGLs and non-conventional oils

Production of OPEC NGLs and non-conventional oils is estimated to average 5.83 mb/d in 2014, representing growth of 0.18 mb/d over the previous year. In 2015, production is forecast to increase by 0.20 mb/d to average 6.03 mb/d.

Table 5.3: OPEC NGLs + non-conventional oils, 2012-2015

			Change						***Change***		***Change***
	2012	**2013**	13/12	1Q14	2Q14	3Q14	4Q14	**2014**	14/13	**2015**	15/14
Total OPEC	**5.57**	**5.65**	0.08	5.73	5.79	5.86	5.93	**5.83**	0.18	**6.03**	0.20

OPEC crude oil production

Total OPEC crude oil production dropped in November to average 30.05 mb/d, according to secondary sources, down by 0.39 mb/d from the previous month. Production from, Iraq increased, while crude oil output mainly in Libya, Saudi Arabia and Kuwait fell. According to secondary sources, OPEC crude oil production, not including Iraq, stood at 26.69 mb/d in November, down by 0.44 mb/d over the previous month.

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

	2012	**2013**	**1Q14**	**2Q14**	**3Q14**	**Sep 14**	**Oct 14**	**Nov 14**	***Nov/Oct***
Algeria	1,210	1,159	1,128	1,158	1,167	1,161	1,157	1,154	*-3.3*
Angola	1,738	1,738	1,600	1,646	1,688	1,724	1,703	1,661	*-41.8*
Ecuador	499	516	537	541	544	543	539	541	*1.7*
Iran, I.R.	2,977	2,673	2,774	2,768	2,758	2,754	2,750	2,750	*0.0*
Iraq	2,979	3,037	3,217	3,266	3,150	3,326	3,308	3,359	*50.8*
Kuwait	2,793	2,822	2,797	2,786	2,794	2,805	2,758	2,699	*-59.4*
Libya	1,393	928	371	222	614	783	887	638	*-248.3*
Nigeria	2,073	1,912	1,898	1,895	1,954	1,960	1,926	1,936	*9.8*
Qatar	753	732	733	729	733	722	714	691	*-22.7*
Saudi Arabia	9,737	9,586	9,702	9,675	9,747	9,673	9,650	9,590	*-60.1*
UAE	2,624	2,741	2,745	2,749	2,791	2,773	2,721	2,705	*-16.6*
Venezuela	2,359	2,356	2,341	2,337	2,329	2,336	2,331	2,331	*0.0*
Total OPEC	**31,135**	**30,198**	**29,841**	**29,772**	**30,268**	**30,560**	**30,443**	**30,053**	***-390.1***
OPEC excl. Iraq	**28,155**	**27,161**	**26,624**	**26,506**	**27,118**	**27,234**	**27,135**	**26,695**	***-440.9***

Totals may not add up due to independent rounding.

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

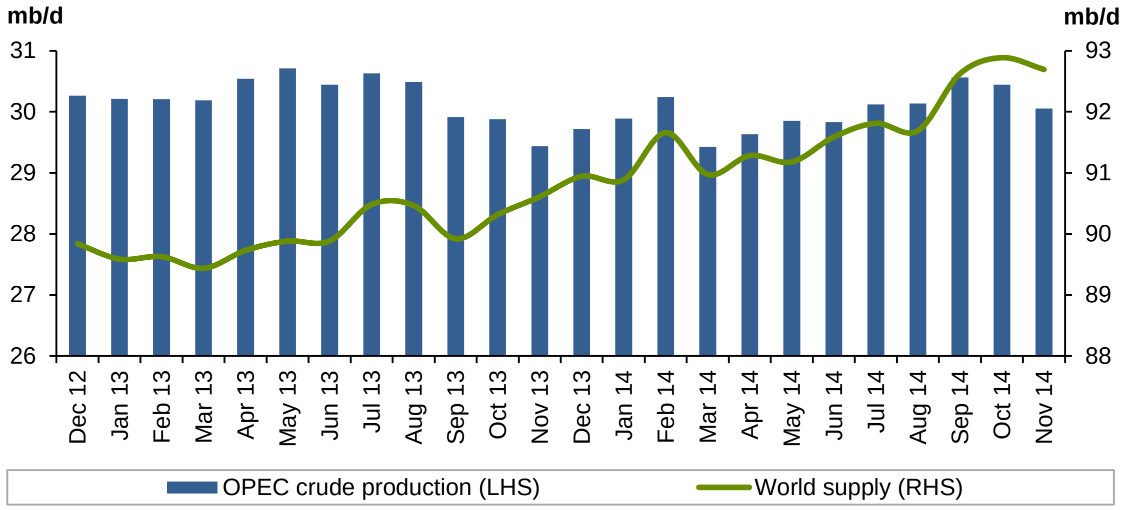
	2012	2013	1Q14	2Q14	3Q14	Sep 14	Oct 14	Nov 14	Nov/Oct
Algeria	1,203	1,203	1,202	1,190	1,196	1,183	1,175	1,190	*15.0*
Angola	1,704	1,701	1,553	1,616	1,709	1,703	1,751	1,691	*-60.0*
Ecuador	504	526	553	557	557	551	557	563	*5.6*
Iran, I.R.	3,740	3,576	3,270	3,194	3,003	3,000	3,010	3,000	*-10.0*
Iraq	2,944	2,980	3,106	3,118	3,076	3,198	3,054	3,009	*-45.0*
Kuwait	2,977	2,922	2,898	2,885	2,876	2,900	2,831	2,790	*-40.9*
Libya	1,450	993	384	228	522	768	903	762	*-141.6*
Nigeria	1,954	1,754	1,869	1,821	1,724	1,738	1,822	1,902	*79.9*
Qatar	734	724	725	710	720	690	680	681	*1.3*
Saudi Arabia	9,763	9,637	9,723	9,715	9,769	9,704	9,690	9,610	*-80.0*
UAE	2,652	2,797	2,733	2,770	2,881	2,837	2,691	..	*..*
Venezuela	2,804	2,786	2,870	2,826	..	..	..	..	*..*
Total OPEC	**32,429**	**31,599**	**30,886**	**30,629**	**..**	**..**	**..**	**..**	**..**
OPEC excl. Iraq	**29,485**	**28,619**	**27,781**	**27,511**	**..**	**..**	**..**	**..**	**..**

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

World oil supply

Preliminary data indicates that the global oil supply decreased 0.19 mb/d in November 2014 to average 92.69 mb/d. Non-OPEC supply experienced growth of 0.20 mb/d, while OPEC crude oil production decreased by 0.39 mb/d. The share of OPEC crude oil in the global supply declined to 32.4% in November. This estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude oil production from secondary sources.

Graph 5.14: OPEC and world oil supply

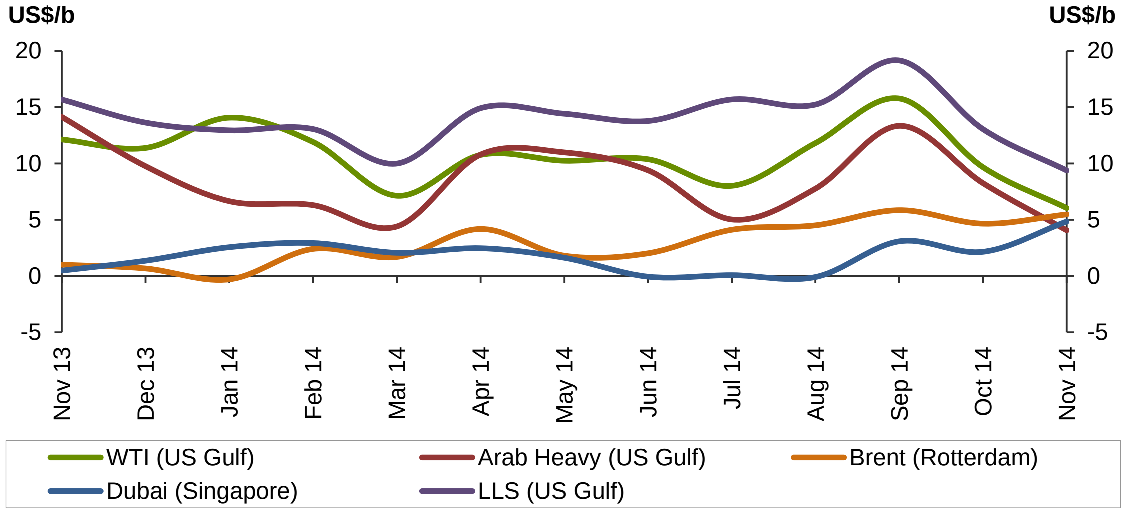


Product Markets and Refinery Operations

Product markets showed a mixed performance in the Atlantic Basin during November as European margins were supported by middle distillate cracks strengthening on the back of a tight market. Meanwhile in the US, refinery margins fell with gasoline crack spreads sharply declining as increasing imports from Latin America were outweighed by supply-side pressure with the restarting of several fluid catalytic cracking (FCC) units in the US Gulf Coast (USGC). The bearish sentiment was fuelled by expectations of lower seasonal demand amid rising refinery runs, following autumn maintenance and increasing US gasoline inventories.

The Asian market showed a sharp recovery during November, supported by middle distillate crack spreads, as seasonal winter demand in the region, along with the positive performance seen at the top and bottom of the barrel, allowed refinery margins to see a strong recovery.

Graph 6.1: Refinery margins, 2013-2014



US product markets continued weakening during November, as the tight gasoline market eased with the restarting of several FCC units. Bearish market sentiment was fuelled due to rising gasoline inventories amid expectations of lower domestic demand in coming weeks, despite higher requirements from Latin America. The refinery margin for WTI crude in the USGC showed a sharp loss of almost $4 to average $6/b in November. Meanwhile, the margin for Light Louisiana Sweet (LLS) crude in the USGC averaged $9/b during November, exhibiting a drop of around $4.

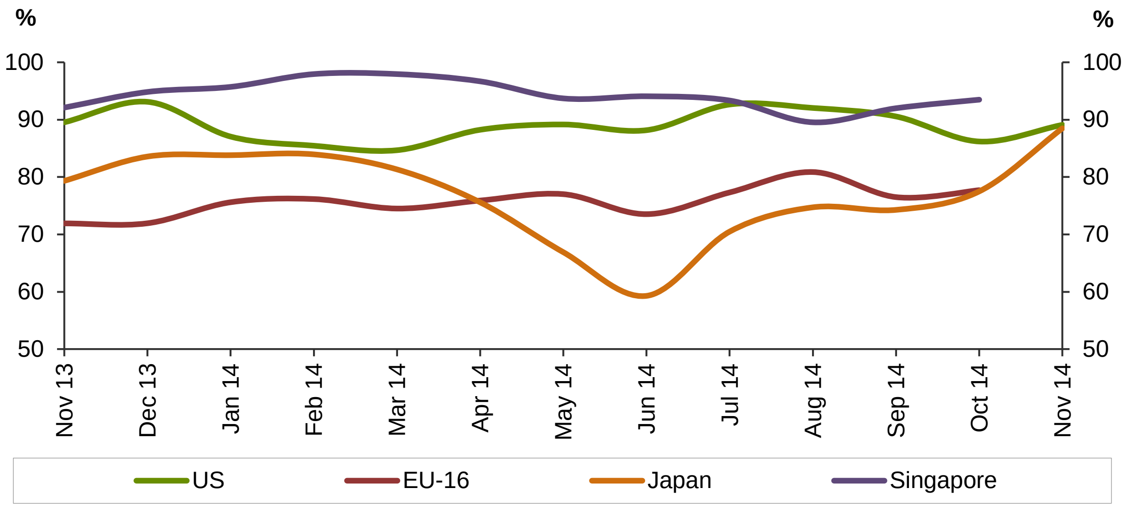
European refining margins strengthened with positive developments seen in middle distillates on the back of a tight market due to lower inflows to the region, while the continued drop in crude prices also played a role in rising margins. The refinery margin for Brent crude in Northwest Europe rose almost $1 to average $5.5/b in November.

Asian refining margins saw a sharp recovery during November on the back of strong seasonal demand within the region supporting the crack spread across the barrel. Refinery margins in Singapore showed a sharp increase of almost $3 versus the previous month to average around $5/b in November.

Refinery operations

Refinery utilization rates in the **US** continued their upward trend following autumn maintenance, with refinery utilization averaging 89.1%, an increase of about 2.9 percentage points (pp) from a month earlier. Refineries have started to focus on middle distillates as the winter season started to improve heating oil demand amid rising gasoline inventories.

Graph 6.2: Refinery utilisation rates, 2013-2014



European refinery runs averaged around 78% of refining capacity in October, corresponding to a throughput of 9.9 mb/d, some 150 tb/d higher than the previous month, after several refineries returned from autumn maintenance and the continuing recovery in margins. However, the refinery sector in Europe will remain under pressure due to weaker domestic demand along with increased competition, mainly in the middle distillates market.

Chinese refinery levels averaged around 10 mb/d in October, a similar level to the previous month, to meet increasing seasonal demand in the region. Refinery runs in Singapore for October averaged around 94%, up by 2 pp from the previous month. Japanese throughputs averaged 88% of capacity in November, 10 pp higher than a month earlier.

With several refineries returning from maintenance, amid increasing seasonal demand, refinery runs are expected to rise worldwide.

US market

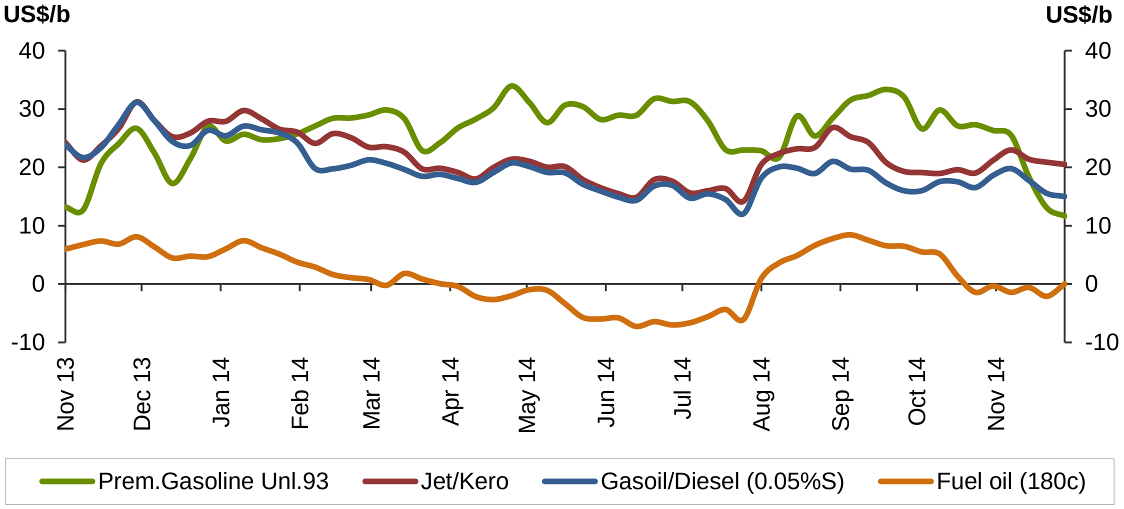
US gasoline demand stood at around 9.2 mb/d in November, about 230 tb/d higher than the previous month and 220 tb/d higher than the same month a year earlier.

The gasoline crack continued weakening in November due to pressure coming from the supply side, despite strong domestic demand and higher requirements from Latin America. Nationwide inventories continued to increase more than 4 mb during the month, due to rising refinery runs and the restarting of several catalytic cracker units.

In addition to growing inventories, sentiment became bearish due to expectations of seasonally softer domestic demand in the coming weeks amid higher production, with refineries back from maintenance raising throughputs, thus exerting pressure from the supply side.

The gasoline crack spread saw a sharp loss of $10 to average $18/b in November.

Graph 6.3: US Gulf crack spread vs. WTI, 2013-2014



Middle distillate demand stood at around 3.9 mb/d in November, around 370 tb/d higher than in the previous month and 70 tb/d higher than in the same month a year earlier.

The middle distillate market remained relatively stable, supported by increasing domestic demand. Diesel demand has been on the rise with the American Trucking Association index showing seasonally-adjusted October trucking index up by 4.5% y-o-y, a sign of strong demand in the transportation sector. On the other hand, colder weather and snowfall in the Northeast since mid-November has increased demand for heating oil.

The market was also supported by a tight environment with inventories falling more than 6 mb during this month.

Additional support came from the export side with stronger export opportunities to Canada, Latin America and West Africa, compensating lower volumes to Europe.

The USGC gasoil crack was stable during November and unchanged from the previous month to average around $18/b in November.

At the **bottom of the barrel**, the fuel oil crack remained relatively flat during the month as the reduction in the availability of vacuum gasoil (VGO), due to the re-starting of the fluid cracker units, was offset by ample supplies pushing stocks higher by around 3 mb.

Some support arose from rising export volumes to Latin America, mainly to Ecuador and Costa Rica, while imports from Mexico were down due to fuel substitution in the power generation sector.

The fuel oil crack in the USGC remained broadly unchanged from the previous month.

European market

Product markets in Europe saw a recovery, supported by the tight environment in middle distillates along with healthy gasoline cracks, which offset the fall seen at the bottom of the barrel and allowed margins to rise.

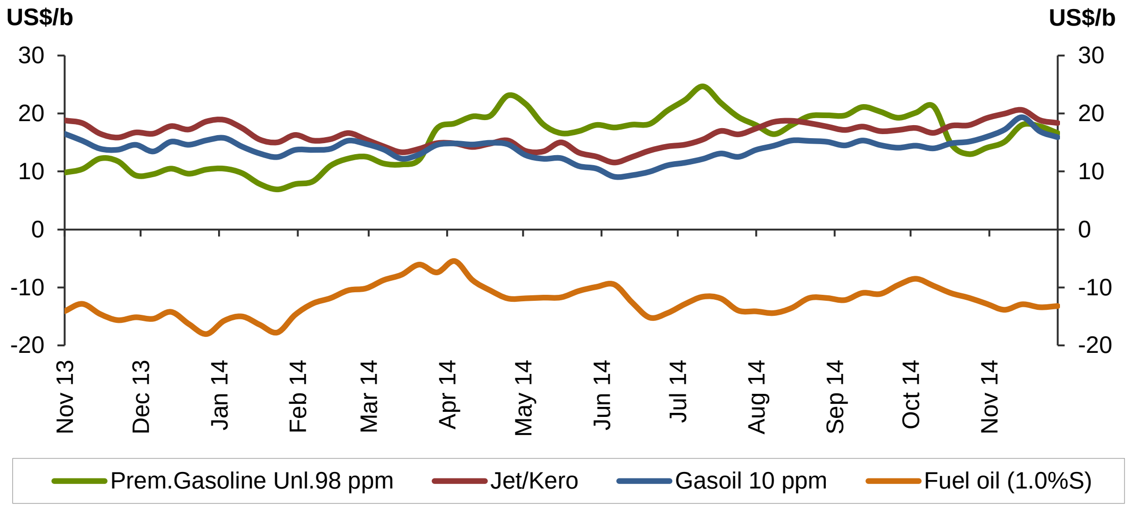
The gasoline market strengthened in Europe on the back of stronger export opportunities amid a tight environment fuelled by some catalytic cracker outages amid falling ARA gasoline inventories.

Fundamentals were improving in Northwest Europe's gasoline market on the back of strong export demand, with steady volumes to the US East Coast (USEC), Latin America and Africa (mainly Nigeria). Additional support came from the supply side with the tight availability of high-octane blending components as reformate, alkylate and MTBE volumes were limited amid open arbitrage to Asia.

The gasoline crack spread against Brent gained 40¢ to average $17/b in November.

The light distillate naphtha crack continued weakening as domestic petrochemical demand remained thin amid a limited arbitrage window to Asia.

Graph 6.4: Rotterdam crack spreads vs. Brent, 2013-2014



Middle distillate cracks continued recovering sharply during November on the back of a tight market.

The ultra-low sulphur diesel (ULSD) crack in Northwest Europe strengthened, fuelled by unscheduled hydrocracker shutdowns amid lower inflows from the US and Russia.

The arbitrage window for shipments of ULSD from the US to Europe has been closed for several weeks. Meanwhile, Russian ULSD exports to Europe have been falling as exporters wait for a reduction in the export duty which will take place in January. These reduced inflows from the US and Russia have offset increasing exports from the Middle East and India and have caused the ARA gasoil inventories to fall around 5% during November.

Support from the winter season has so far been limited as gasoil demand has been muted with much of Europe experiencing mild temperatures. Heating oil stock levels in Germany have remained around five-year highs. Meanwhile, last week some cargoes were sent to the USEC in an unusual arbitrage flow due to the colder weather in the US increasing demand for heating oil, amid stringent sulphur specifications for heating oil that have started this winter period in some cities in the US.

The gasoil crack spread against Brent crude at Rotterdam gained $2.5/b versus the previous month to average around $17/b in November.

At the **bottom of the barrel**, fuel oil cracks lost the ground recovered last month due to increasing supplies, along with weak demand and reduced export flows to Asia, as the limited availability of VLCCs has kept arbitrage flows to Asia almost closed during the last several weeks.

The Northwest European fuel oil crack lost around $2 versus the previous month's level to average around minus $13/b in November.

Asian market

The Asian market strengthened during November with middle distillate crack spreads exhibiting a sharp gain on the back of strong winter demand offsetting increasing supplies, which along with the positive performance seen at the top and bottom of the barrel, allowed refinery margins to show a sharp gain in Asia.

The Singapore gasoline crack maintained the recovery seen last month on the back of support coming from the demand side with higher requirements from Indonesia, India and China.

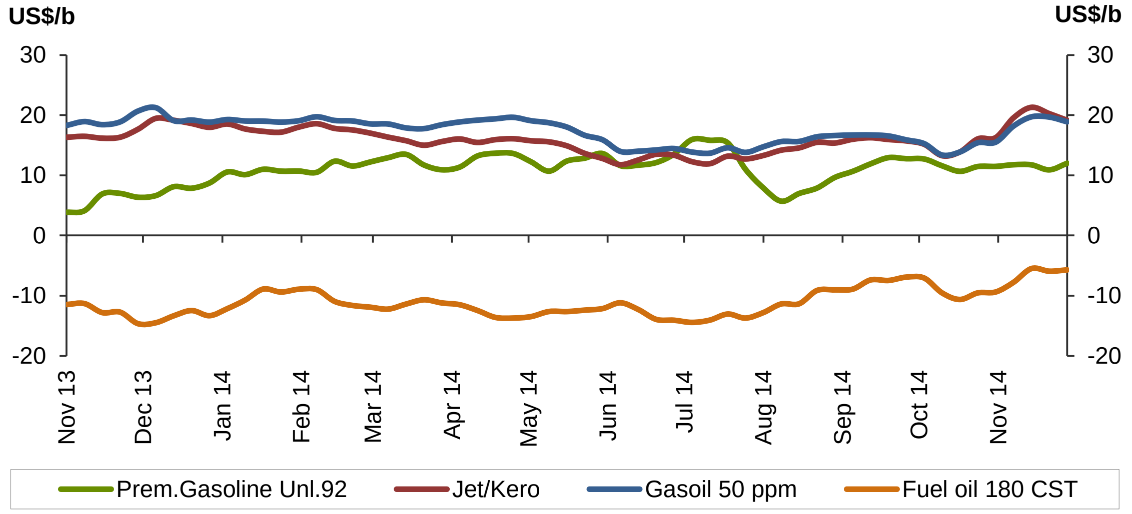
Meanwhile, the supply side continued exerting pressure with increasing export volumes seen from Japan and South Korea, and from other refineries back on line from peak autumn maintenance. However, during the last several weeks this was offset by the tight sentiment fuelled by disruptions at Taiwan's Formosa refinery.

The gasoline crack spread against Dubai crude in Singapore gained 20¢ to average $11.6/b in November.

The Singapore naphtha crack continued weak as market sentiment remained bearish due to a supply overhang in the region. However, the naphtha cracks recovered some ground on the back of stronger buying interest coming from Northeast Asian countries.

Looking ahead, the market is concerned about the potential impact on demand from subsidy cuts in Indonesia and Malaysia in December.

Graph 6.5: Singapore crack spread vs. Dubai, 2013-2014



At the **middle of the barrel**, cracks exhibited a sharp recovery during November on the back of strong seasonal demand within the region.

Despite several refineries being back from maintenance, the supply side was impacted by maintenance at a secondary unit at Taiwan's Formosa refinery, which has taken 450 tb/d of diesel off the export market during November. This, along with firm demand, has allowed the middle distillates crack spread to recover.

The middle distillates market was supported by higher seasonal demand for middle distillates from several countries in the region, mainly from Indonesia, India and the Philippines. The upside was also boosted by strong demand seen in most Northeast Asian countries.

The gasoil crack spread in Singapore against Dubai showed a gain of more than $4 versus the previous month's level to average around $19/b in November.

The **fuel oil** market recovered the ground lost in the previous month on the back of strong bunker demand from South Korea. This supported the market along with tightening sentiment fuelled by falling inventories in Singapore amid supply concerns arising from news about financial troubles at one on the major bunker suppliers in the region.

The fuel oil crack spread in Singapore against Dubai gained more than $3 to average minus $6/b in November.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				*Refinery utilization, %*			
	Sep 14	Oct 14	Nov 14	Change Nov/Oct	Sep 14	Oct 14	Nov 14	Change Nov/Oct
US	16.13	15.34	15.87	0.53	90.57	86.20	89.10	2.90
France	1.14	1.15	-	-	75.84	76.50	-	-
Germany	1.85	1.81	-	-	82.28	80.68	-	-
Italy	1.22	1.23	-	-	57.52	57.90	-	-
UK	1.11	1.10	-	-	72.62	71.83	-	-
Euro-16	9.79	9.95	-	-	76.50	77.71	-	-
Japan	3.29	3.06	3.28	0.23	74.28	77.50	88.50	11.00

Sources: OPEC statistics, Argus, Euroilstock inventory report, IEA, EIA/DoE, METI and PAJ.

Table 6.2: Refined product prices, US$/b

		Sep 14	Oct 14	Nov 14	Change Nov/Oct
US Gulf (Cargoes FOB):					
Naphtha		101.01	84.91	76.80	-8.11
Premium gasoline	*(unleaded 93)*	125.15	111.91	93.98	-17.93
Regular gasoline	*(unleaded 87)*	111.15	93.35	84.40	-8.95
Jet/Kerosene		115.27	104.05	97.79	-6.26
Gasoil	*(0.2% S)*	111.10	101.84	93.48	-8.36
Fuel oil	*(1.0% S)*	91.52	77.96	69.39	-8.57
Fuel oil	*(3.0% S)*	86.06	73.15	63.74	-9.41
Rotterdam (Barges FoB):					
Naphtha		93.04	78.61	69.44	-9.17
Premium gasoline	*(unleaded 98)*	117.23	103.90	95.79	-8.11
Jet/Kerosene		114.54	105.32	98.35	-6.97
Gasoil/Diesel	*(10 ppm)*	111.88	102.35	96.25	-6.10
Fuel oil	*(1.0% S)*	86.50	76.50	65.55	-10.95
Fuel oil	*(3.5% S)*	86.14	75.06	65.66	-9.40
Mediterranean (Cargoes FOB):					
Naphtha		90.97	75.96	66.15	-9.81
Premium gasoline*		113.54	99.57	91.37	-8.20
Jet/Kerosene		112.10	102.34	95.54	-6.80
Gasoil/Diesel*		112.15	101.58	95.41	-6.17
Fuel oil	*(1.0% S)*	88.60	76.56	66.33	-10.23
Fuel oil	*(3.5% S)*	85.92	75.70	65.65	-10.05
Singapore (Cargoes FOB):					
Naphtha		94.45	79.79	71.86	-7.93
Premium gasoline	*(unleaded 95)*	110.58	101.17	90.44	-10.73
Regular gasoline	*(unleaded 92)*	108.61	98.19	87.94	-10.25
Jet/Kerosene		112.48	101.56	96.41	-5.15
Gasoil/Diesel	*(50 ppm)*	112.90	101.30	95.46	-5.84
Fuel oil	*(180 cst 2.0% S)*	90.86	79.24	71.68	-7.56
Fuel oil	*(380 cst 3.5% S)*	89.14	77.41	70.38	-7.03

** Cost, insurance and freight (CIF).*
Sources: Platts and Argus Media.

Tanker Market

Gains seen in October continued this month as both crude and product spot freight rates registered growth in November. Spot freight rates recovered across all tanker sectors, as the month exhibited positive monthly performance on all reported routes with no exception. Dirty tanker spot freight rates registered high gains, particularly for Suezmax and Aframax tankers, while VLCC gains occurred to a lesser degree and on a monthly comparison only, still generally reflecting the lower rates seen the year before. On average, VLCC spot freight rates increased by 18%, while spot freight rates for both Suezmax and Aframax were up by a notable 27% and 49%, respectively, compared with the previous month. Occasional tight availability, increased weather delays and seasonal activity drove dirty tanker freights up in November. Clean tanker spot freight rates gained 15% on average in November, compared with the previous month, supported mostly by a firming market in West of Suez.

Spot fixtures

In November, **OPEC spot fixtures** declined by 0.6% from the previous month to average 12.84 mb/d, according to preliminary data. Spot fixtures from the Middle East-to-East were down by 12% from the previous month, while the Middle East-to-West route exhibited higher spot fixtures, up by 0.74 mb/d to average 2.39 mb/d. Supported by winter season demand, spot fixtures from outside the Middle East registered a smaller gain of 0.04 mb/d or 0.9% compared with a month earlier. On the whole, spot fixtures in all regions were higher than the same month a year before.

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

	Sep 14	Oct 14	Nov 14	*Change* Nov 14/Oct 14
Spot Chartering				
All areas	16.21	18.20	18.14	-0.05
OPEC	11.23	12.91	12.84	-0.07
Middle East/East	5.80	7.09	6.24	-0.85
Middle East/West	1.44	1.65	2.39	0.74
Outside Middle East	3.99	4.17	4.21	0.04
Sailings				
OPEC	23.29	24.16	23.72	-0.44
Middle East	16.98	17.80	17.37	-0.43
Arrivals				
North America	8.70	9.58	9.69	0.11
Europe	12.47	12.62	12.66	0.04
Far East	8.09	8.38	8.88	0.51
West Asia	4.77	4.64	4.35	-0.29

Sources: Oil Movements and Lloyd's Marine Intelligence Unit.

Sailings and arrivals

OPEC sailings dropped by 0.44 mb/d or 2% in November to stand at 23.72 mb/d. A similar drop was seen in Middle East sailings. In November, Middle East sailings were lower by 0.43 mb/d or 2.4% from the previous month to stand at 17.37 mb/d. Crude oil arrivals increased in November in Europe, the Far East and North America by 5%, 5% and 8.6%, respectively, compared with the previous month, while West Asia arrivals declined by 3.3%.

Spot freight rates

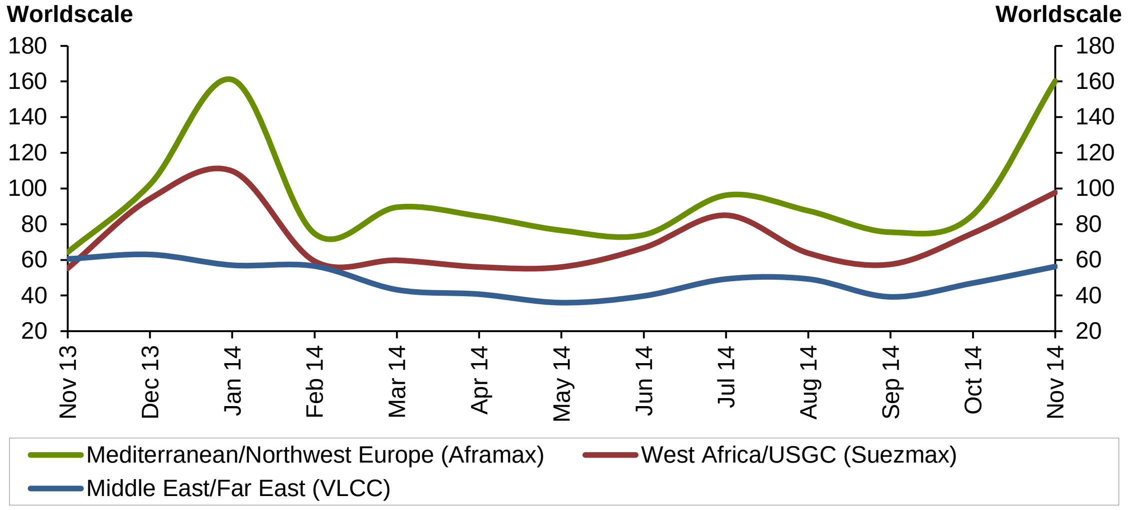
VLCC

In the dirty market, **VLCC** spot freight rates gained 18% on average in November in comparison with the previous month to stand at WS49 points, yet it was the only class remaining below the monthly rate of one year ago, reflecting a drop of 7% from November 2013. Tankers operating on the Middle East-to-East and Middle East-to-West routes increased by 20% and 25%, respectively, to average WS56 points and WS33 points, respectively, in November, while on average VLCC West Africa-to-East spot freight rates showed the least gain of 12% in November to stand at WS57 points.

VLCC freight rates fluctuated, depending on tonnage demand. The requirement for vessels in the Middle East region eased in the second week of November, leading to owners accepting last done levels, thus holding back any freight rate gains as tonnage supply and demand were balanced.

The Atlantic market remained mostly firm during the month, as vessel availability continued to be limited. VLCCs were taken on a co-loading basis when Suezmax freight rates were firming, which led to higher freight rates registered in that region. VLCC freight rates increased towards the end of the month on the back of higher chartering activities registered in many regions.

Graph 7.1: Monthly averages of crude oil spot freight rates



Suezmax

Suezmax spot freight rates followed the same pattern as VLCC freight rates, however Suezmax monthly freight rate gains were higher and exhibited an increase on an annual basis as well, showing a worthy gain of 61% from the same period one year ago. The freight rate increase in November marks the highest among Suezmax freight rates since a hike at the beginning of the year.

Suezmax spot freight rates for tankers operating on the West Africa-to-US route increased by 30% in November to stand at WS98 points, while rates on the Northwest Europe-to-US route gained 23% to stand at WS73 points. Support came mainly from a stronger Atlantic market. Meanwhile, the Black Sea market reflected strong activity and Middle East loadings also were at high levels, particularly to the West and India. Delays at the Turkish Straights were on the increase during the month, which also supported freight rates. West Africa loadings were active in November, despite losing some share to VLCCs.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size				Change
	1,000 DWT	Sep 14	Oct 14	Nov 14	Nov 14/Oct 14
Crude					
Middle East/East	230-280	39	47	56	9
Middle East/West	270-285	23	26	33	7
West Africa/East	260	45	51	57	7
West Africa/US Gulf Coast	130-135	58	75	98	23
Northwest Europe/US Gulf Coast	130-135	56	60	73	14
Indonesia/East	80-85	93	90	110	19
Caribbean/US East Coast	80-85	83	129	153	25
Mediterranean/Mediterranean	80-85	83	93	168	75
Mediterranean/Northwest Europe	80-85	76	85	160	75

Sources: Galbraith's tanker market report and Platts.

Aframax

Aframax spot freight rates showed the strongest gains in the dirty market by closing up 49% on average in November compared with the previous month, to stand at WS148 points, the highest since January 2014. The increase seen in November reflects a jump of 85% from the same month one year ago. Spot freight rates for Aframax on the Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes registered the highest gains of all reported routes.

Compared with one month ago, Mediterranean-to-Mediterranean Aframax spot freight rates increased by 81% in November to stand at WS168 points, while the Mediterranean-to-Northwest Europe route gained 88% to WS1160 points. Freight rates increased ahead of the approaching ice season, and gains were also driven by a bullish market in the Black Sea as demand for prompt tonnage increased. Stronger activities in the Mediterranean, weather delays in the Turkish Straits and several prompt replacements, in addition to delays in Trieste together supported freight rates in the region, which reflected a strong increase on both reported routes by 132% and 149% from the previous year.

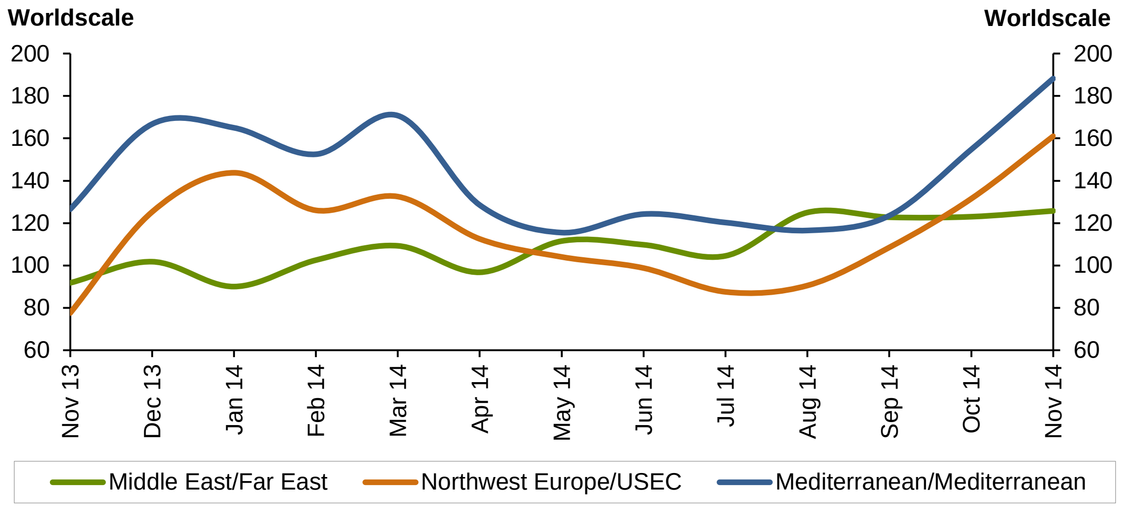
The positive trend also impacted Aframax spot freight rates on the Caribbean-to-US route; they stayed mostly stable during the month – the result of a balanced market. However, sufficient tonnage requirements kept freight rates at levels lower than seen on other routes, averaging WS153 points, up by 19% from the previous month. The Indonesia-to-East route was up by close to 21% in November to average WS110.

Clean spot freight rates

Clean tanker spot freight rates went up 15% on average in November compared with the previous month. The increase in freight rates was registered in both directions of the Suez, though more so in the West of Suez market, which firmed by 21% from the previous month and 60% from the same month a year ago.

The clean tonnage market firmed in the second half of the month on the back of tighter availability, as several prompt fixtures thinned the tonnage list, thus resulting in less available vessels for natural windows, while the number of ballasters to the region seemed less. Delays in the Turkish Straits further supported freight rates. As a result, clean spot freight rates on the Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes increased by 22% and 20%, respectively, in November.

Graph 7.2: Monthly average of clean spot freight rates



East of Suez spot freight rates did encounter some gains, however to a lesser degree than what was seen in the West. Clean spot freight rates on the Middle East-to-East and Singapore-to-East routes increased by 2% and 4% from the previous month, to stand at WS126 and WS119 points, respectively.

Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	**Sep 14**	**Oct 14**	**Nov 14**	***Change*** **Nov 14/Oct 14**
Products					
Middle East/East	30-35	123	123	126	3
Singapore/East	30-35	116	115	119	5
Northwest Europe/US East Coast	33-37	109	132	161	30
Mediterranean/Mediterranean	30-35	124	155	188	34
Mediterranean/Northwest Europe	30-35	134	165	198	34

Sources: Galbraith's tanker market report and Platts.

Oil Trade

Preliminary data shows that US crude oil imports increased to average 7.3 mb/d, up by 30 tb/d from the previous month, though still reflecting a drop over one year earlier of 85 tb/d or 1%. US monthly product imports were higher in November by 96 tb/d or 6% to average 1.6 mb/d. Japan crude oil imports dropped slightly in October by 30 tb/d or 0.9% to average 3.3 mb/d. In a y-o-y comparison, crude imports increased in October by 124 tb/d or 4%. Japan's product imports dropped in October by 54 tb/d to average 512 tb/d, the lowest level seen since June 2013. In October, China's crude imports declined following exceptional gains reached in September, down by 1 mb/d or 15% from the same month one year earlier to average 5.7 mb/d. Crude imports were lower than the same period one year ago by 868 tb/d or 18%. In October, Indian crude imports declined by 46 tb/d or 1% from the previous month to average 3.7 mb/d, but showed an annual gain of 108 tb/d or 3%. In the area of products, Indian imports in October dropped by 23 tb/d or 4% m-o-m to average 486 tb/d.

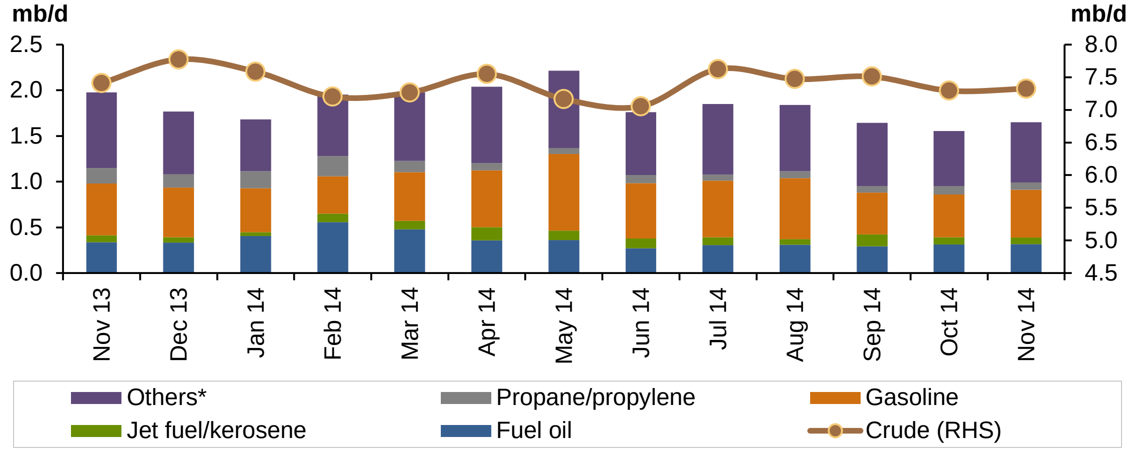
US

Preliminary data for November showed a rise in **US crude oil imports** to average 7.3 mb/d, up by 30 tb/d from the previous month, while still reflecting a drop from one year ago by 85 tb/d or 1%. On a year-to-date basis, US crude imports in November were down by 356 tb/d.

US monthly product imports were higher in November by 96 tb/d or 6% to average 1.6 mb/d, while in a year-to-date comparison, they declined by 17%.

Total **US product exports** in November were at 3.5 mb/d, down by 72 tb/d from one month earlier. In an annual comparison, the figures reflect a drop of 208 tb/d or 6%. As a result, **total net US imports were higher than the previous month to average 5.1 mb/d**. However, this still reflects a drop of 344 tb/d from one year earlier.

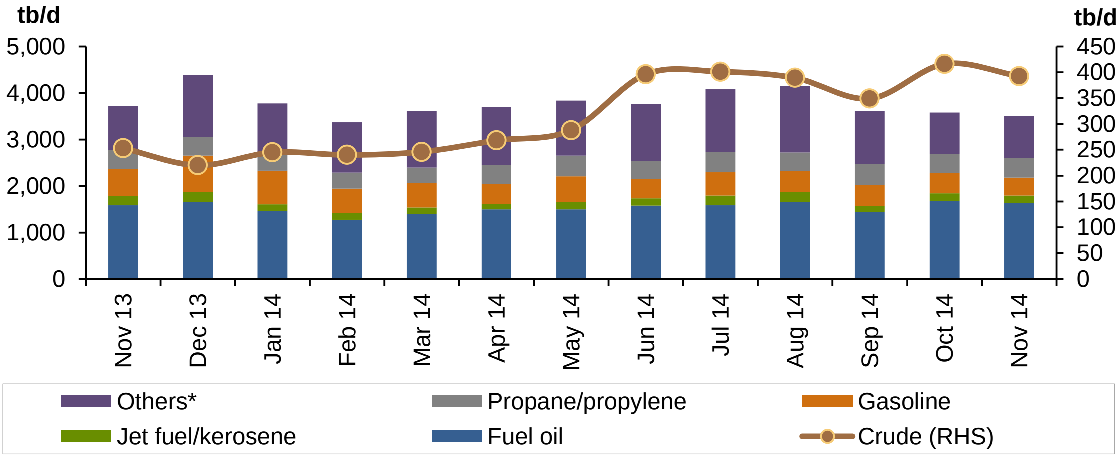
Graph 8.1: US imports of crude and petroleum products



**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.*

In September, the first and second **top crude suppliers** to the US maintained the same order as seen one month earlier, with Canada remaining the premier supplier, accounting for 42% of total imports, with monthly volumes increasing by 173 tb/d from one month earlier. Saudi Arabia maintained its position as second-largest supplier to the US in September, with exports up from the previous month by 110 tb/d or 12%. Mexico was third-top supplier, accounting for 11% of total US crude imports, with exports higher over the previous month by 82 tb/d or 11%.

Graph 8.2: US exports of crude and petroleum products



**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.*

Crude imports from OPEC Member Countries declined in September from the previous month by 98 tb/d or 3%, accounting for 38% of total US crude imports. US product imports from OPEC Member Countries in September were up by 41 tb/d or 15% from one month earlier and 85 tb/d from the same month one year ago. Canada and Russia maintained their positions as first and second product suppliers to the US, accounting for 25% and 15%, respectively, though both countries exported less to the US in September, down by 14% and 34%, respectively. Algeria came in as the third supplier to the US, increasing its exports by 48 tb/d or 35% over the previous month.

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

	Sep 14	Oct 14	Nov 14	*Change* Nov 14/Oct 14
Crude oil	7,159	6,877	6,930	53
Total products	-1,969	-2,025	-1,856	168
Total crude and products	**5,190**	**4,852**	**5,074**	**222**

Looking into **US crude imports by region**, September imports from North America averaged 3.1 mb/d, exceeding imports from both Latin America and the Middle East, which came in as second- and third-highest importing regions to stand at 2.3 mb/d and 1.6 mb/d, respectively. Imports from North America were higher than the same month a year earlier, while imports from Latin America declined in both monthly and annual comparisons.

By **PADD**: the top crude importer to the East Coast (PADD 1) at 283 tb/d was North America, followed by Africa, which averaged 238 tb/d. Crude imports from Africa were higher in September by 109 tb/d or 84% m-o-m, while they dropped from North America by a slight 4 tb/d. Imports to PADD 2 were mainly sourced from North America and averaged 2.1 mb/d, up by 143 tb/d from one month before, while the Middle East supplied only 20 tb/d in September. PADD 3 mainly sourced its imports from Latin America, followed by the Middle East and North America. Imports to the region were down from one month earlier, mainly from top importers, while marginal gains were made by other regions. PADD 4 continued to import only from North America, averaging 282 tb/d in September, up by 23 tb/d from the previous month. In PADD 5, imports to the

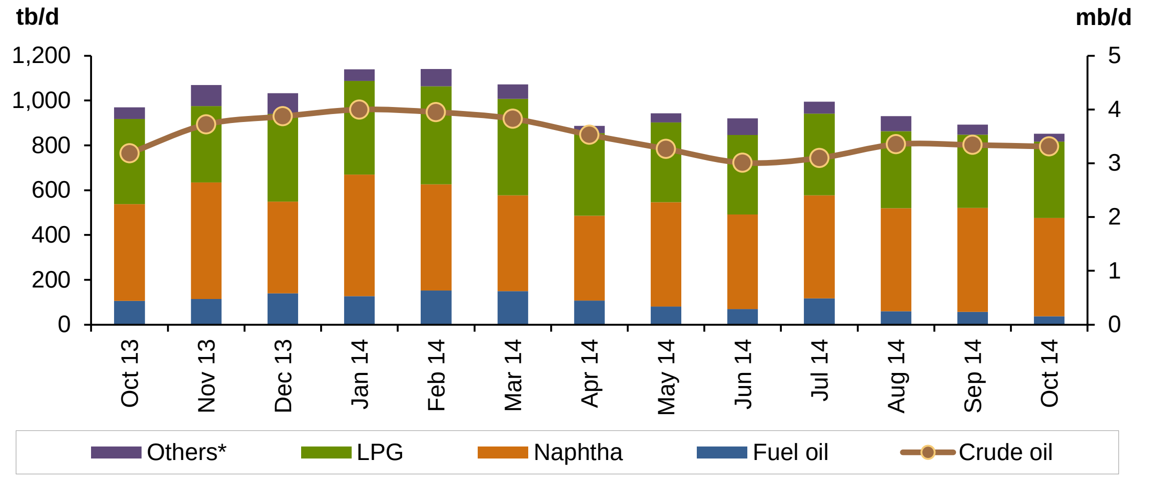
West Coast increased from Latin America and the Middle East by 101 tb/d and 13 tb/d, respectively, from one month earlier, while declining by 33 tb/d from Africa.

Japan

Japan's crude oil imports dropped slightly in October by 30 tb/d or 0.9% to average 3.3 mb/d. Y-o-y, crude imports increased in October by 124 tb/d or 4%. Saudi Arabia and the United Arab Emirates (UAE) remained the **main suppliers to Japan**, holding shares of 36% and 26%, respectively, while Russia held the third position in October with a share of 11% . Saudi Arabia, the UAE and Russia saw gains in volumes exported to Japan from a month ago of 15%, 4% and 14%, respectively.

On the other hand, **product imports** decreased in October by 54 tb/d to average 512 tb/d, the lowest level since June 2013, reflecting a drop of 9% m-o-m and 13% y-o-y. Domestic product sales were lower by 2.5% from the previous year.

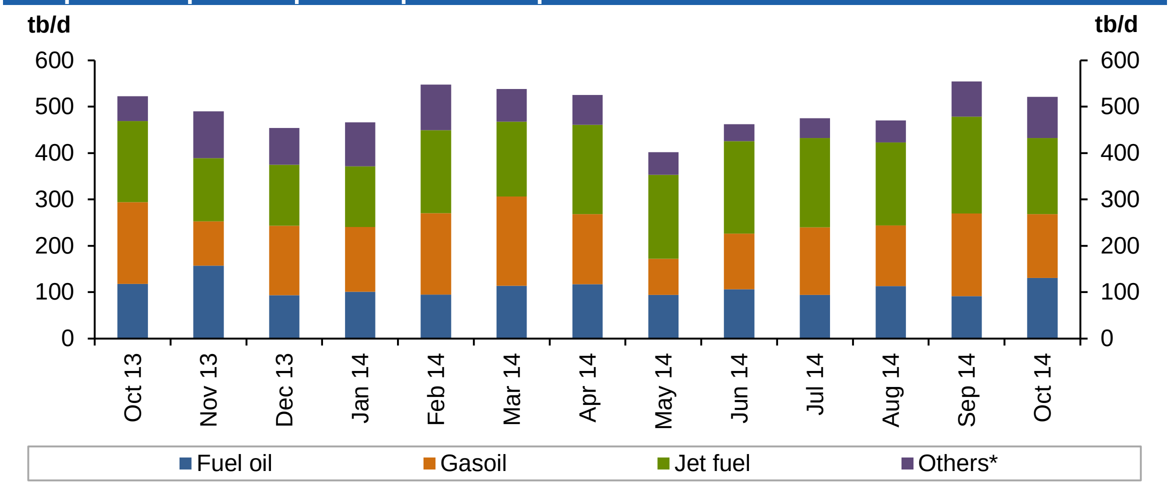
Graph 8.3: Japan's imports of crude and petroleum products



**Others: Contains gasoline, jet fuel, kerosene, gasoil, asphalt and paraffin wax.*

Meanwhile, **Japanese product exports** in October dropped by 33 tb/d or 6% to average 521 tb/d. In a y-o-y comparison they remained stable at the same levels as seen one year earlier. Accordingly, **Japanese net imports decreased in October by 50 tb/d to average 3.3 mb/d**, reflecting a monthly loss of 1.5% and an annual gain of 1.5%.

Graph 8.4: Japan's exports of petroleum products



**Others: Contains LPG, gasoline, naphtha, kerosene, lubricating oil, asphalt and paraffin wax.*

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

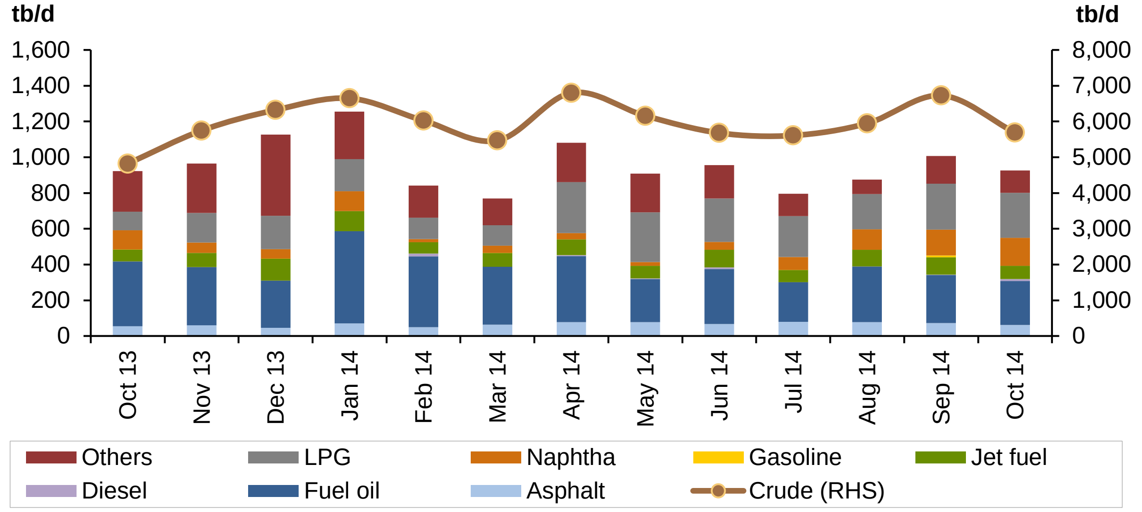
	Aug 14	Sep 14	Oct 14	*Change* Oct 14/Sep 14
Crude oil	3,352	3,340	3,310	-30
Total products	116	11	-9	-20
Total crude and products	**3,468**	**3,351**	**3,301**	**-50**

China

In October, **China's crude oil imports** declined following exceptional gains made in September, dropping by 1 mb/d or 15% to average 5.7 mb/d. At the same time, China's reported refinery runs were close to September's levels. In an annual comparison, China's crude imports were lower than the same period one year earlier by 868 tb/d or 18%.

On a year-to-date basis there was a gain of 494 tb/d or 9%. Saudi Arabia, Angola and Russia were the **top suppliers** to China in October, accounting for 19%, 13% and 11%, respectively. Saudi Arabia exported less volume to China than the previous month by 80 tb/d, while volumes from Angola dropped by 124 tb/d. Russian exports to China were down by 42 tb/d from one month earlier. Oman came in as the fourth-largest supplier to China in October with lower imports by 95 tb/d from the previous month. All top suppliers were affected by reduced imports in October.

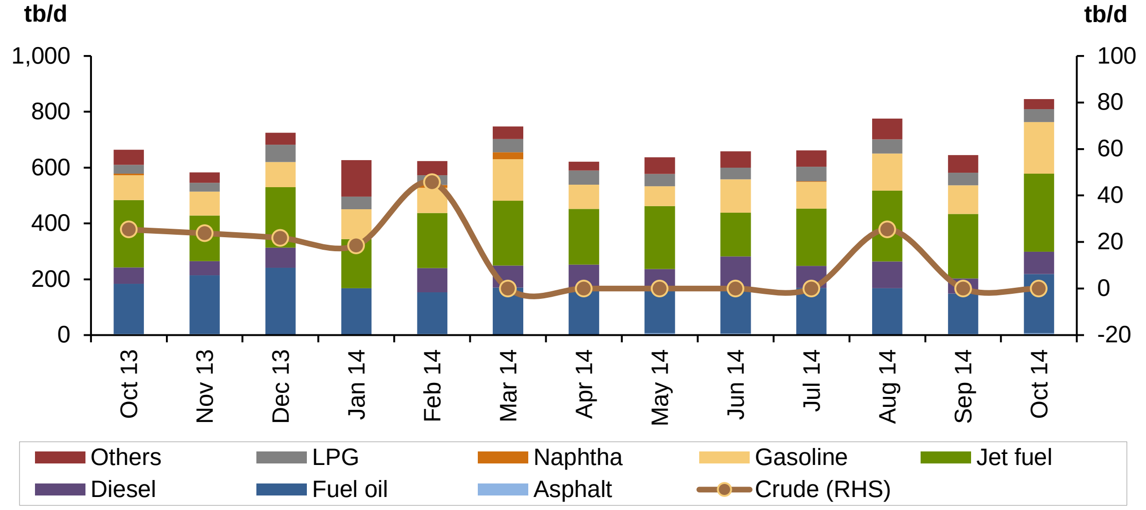
Graph 8.5: China's imports of crude and petroleum products



China did **not export any crude** in October, as was the case the previous month.

However, Chinese **product exports** increased by 201 tb/d to average 845 tb/d, the highest figure since December 2008. Y-o-y, this reflects an increase of 181 tb/d or 27%.

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



China's net oil imports decreased by 1.3 mb/d from the previous month and 715 tb/d from one year earlier.

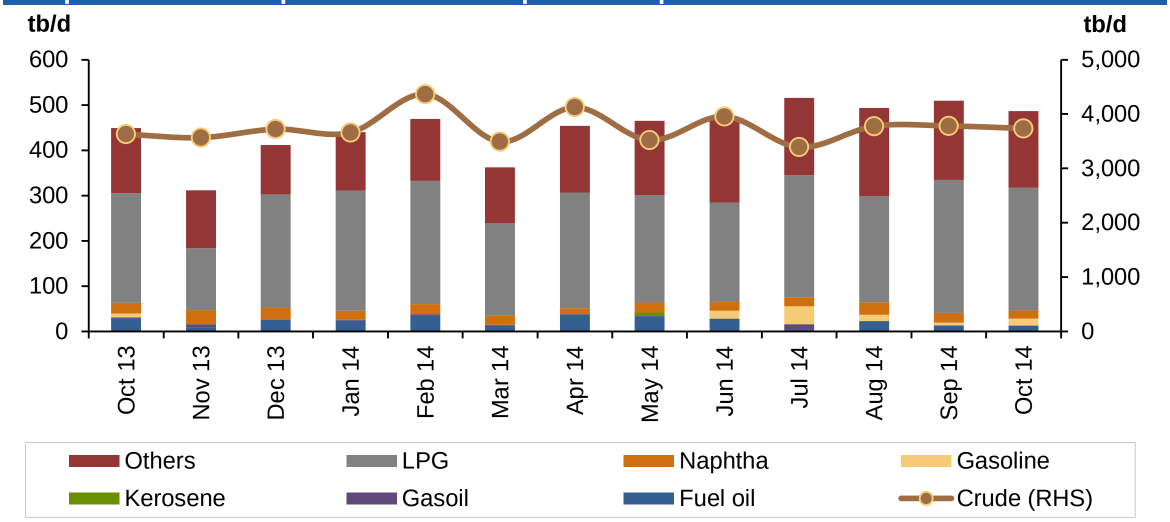
Table 8.3: China's crude and product net imports, tb/d

	Aug 14	Sep 14	Oct 14	*Change* Oct 14/Sep 14
Crude oil	5,923	6,729	5,688	-1,041
Total products	99	363	81	-282
Total crude and products	**6,022**	**7,092**	**5,769**	**-1,322**

India

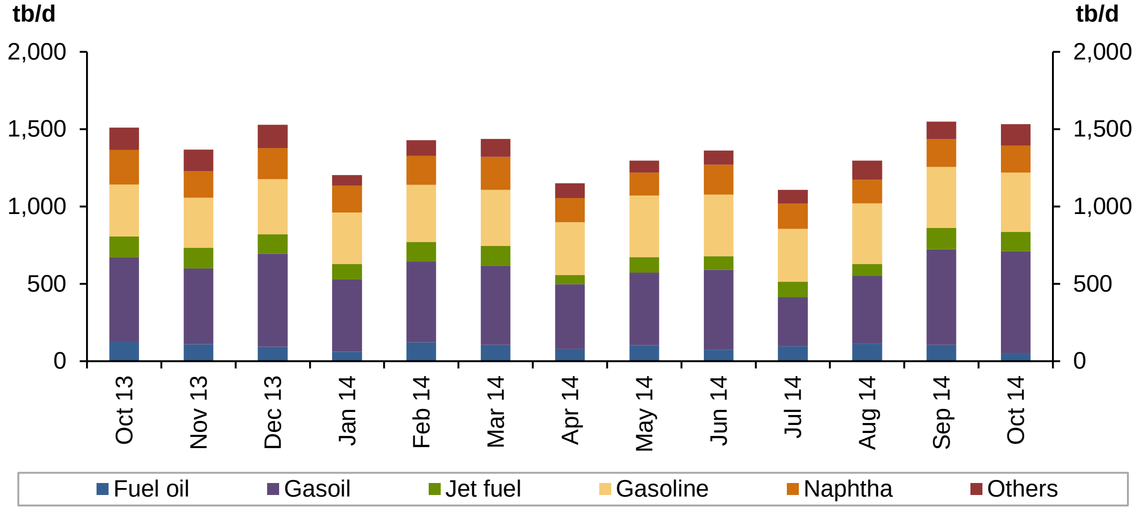
In October, **India's crude imports** declined by 46 tb/d or 1% from the previous month to average 3.7 mb/d, showing an annual gain of 108 tb/d or 3%. **India's product imports** in October dropped by 23 tb/d or 4% m-o-m to average 486 tb/d, while y-o-y they increased by 38 tb/d. At the same time, the country's product sales were down by 0.99%, the first drop in about 11 months. Lower product imports in October came on the back of lower LPG imports, while imports of petrol increased by 9 tb/d from the previous month.

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



India's product exports dropped in October by 15 tb/d or 1% to average 1.5 mb/d. In a y-o-y comparison, product exports were higher from one year ago by 22 tb/d or 1.5%. Monthly product export gains came on the back of higher diesel exports, which increased by 38 tb/d or 6% from the previous month.

Graph 8.8: India's exports of petroleum products



Consequentially, **India's net imports declined by 53 tb/d to average 2.7 mb/d**, reflecting a drop of 2% m-o-m and a gain of 123 tb/d or 5% y-o-y.

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

	Aug 14	Sep 14	Oct 14	*Change* Oct 14/Sep 14
Crude oil	3,776	3,781	3,735	-46
Total products	-803	-1,039	-1,047	-8
Total crude and products	**2,973**	**2,742**	**2,688**	**-53**

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

FSU

Total crude oil exports from the former Soviet Union dropped by 326 tb/d or 5% in October to average 5.96 mb/d. Crude exports through the Russian pipeline also dropped by 160 tb/d or 4% to average 3.8 mb/d.

Within the **Transneft system**, total shipments from the Black Sea dropped by 49 tb/d or 8% to average 584 tb/d, mainly because shipments from the Novorossiysk port terminal declined from the previous month, while total Baltic Sea exports increase by a slight 9 tb/d in October. This rise was due to increased shipments from Primorsk port terminal, which rose by 39 tb/d, while oil exports through the Ust Luga terminal dropped by 31 tb/d from one month before. Druzhba pipeline total shipments averaged 1 mb/d in October after dropping by 76 tb/d the previous month. Kozmino shipments also declined by 44 tb/d or 7% to average 575 tb/d.

Exports through the **Lukoil system** rose in October from the previous month. In the Barents Sea, the Varandey offshore platform showed a gain of 13 tb/d, however total Baltic Sea shipments fell by 5 tb/d to average 13 tb/d, the result of a drop seen at Kaliningrad port terminal.

The remaining **other routes** mostly reported drops in October from one month earlier. Russian far east total exports were lower by 13 tb/d or 33% from the previous month due to a decline in exports from both Aniva Bay and de Kastri port terminals, which declined by 6 tb/d and 7 tb/d from the previous month, respectively. However, central Asian total exports through Kenkiyak-Alashankou rose by 14 tb/d, to average 207 tb/d. Baltic Sea total exports declined by 143 tb/d, largely because exports through Novorossiysk port terminal (CPC) dropped by 125 tb/d. Additionally, exports from the Batumi and Supsa port terminals declined by 14 tb/d and 3 tb/d, respectively, from one month before. In the Mediterranean Sea, BTC supplies dropped by 32 tb/d or 5% from the previous month, to average 599 tb/d.

FSU total products exports dropped for all products, with the exception of VGO, which rose by a slight 2 tb/d. As a result, total FSU product exports averaged 3 mb/d in October.

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

Transneft system			**2013**	**2Q 14**	**3Q 14**	**Sep 14**	**Oct 14**
	Europe	**Black Sea total**	**739**	**672**	**570**	**632**	**584**
		Novorossiysk port terminal - total	739	672	570	632	584
		of which: Russian oil	535	494	409	481	437
		Others	204	178	162	152	146
		Baltic Sea total	**1,546**	**1,433**	**1,288**	**1,341**	**1,350**
		Primorsk port terminal - total	1,083	942	799	807	847
		of which: Russian oil	1,007	942	799	807	847
		Others	76	0	0	0	0
		Ust-Luga port terminal - total	463	490	489	534	503
		of which: Russian oil	342	295	315	363	339
		Others	121	196	174	171	164
		Druzhba pipeline total	**1,032**	**998**	**1,025**	**1,091**	**1,015**
		of which: Russian oil	1,000	966	993	1,060	983
		Others	32	32	32	32	32
	Asia	**Pacific ocean total**	**434**	**474**	**552**	**620**	**575**
		Kozmino port terminal - total	434	474	552	620	575
		China (via ESPO Pipeline) total	**321**	**304**	**321**	**324**	**325**
		China Amur	321	304	321	324	325
	Total Russian crude exports		**4,071**	**3,881**	**3,757**	**4,009**	**3,849**
Lukoil system			**2013**	**2Q 14**	**3Q 14**	**Sep 14**	**Oct 14**
	Europe and North America	**Barents Sea Total**	**111**	**116**	**125**	**122**	**135**
		Varandey offshore platform	111	116	125	122	135
	Europe	**Baltic Sea Total**	**19**	**12**	**16**	**16**	**12**
		Kalinigrad port terminal	19	12	16	16	12
Other routes			**2013**	**2Q 14**	**3Q 14**	**Sep 14**	**Oct 14**
	Asia	**Russian Far East total**	**259**	**289**	**235**	**266**	**254**
		Aniva bay port terminal	114	116	103	99	92
		De Kastri port terminal	145	173	133	168	161
		Central Asia total	**239**	**233**	**230**	**193**	**207**
		Kenkiyak-Alashankou	239	233	230	193	207
	Europe	**Baltic sea total**	**853**	**943**	**1,003**	**1,038**	**895**
		Novorossiysk port terminal (CPC)	704	818	886	909	784
		Supsa port terminal	76	70	90	101	97
		Batumi port terminal	53	42	27	28	14
		Kulevi port terminal	20	14	0	0	0
		Mediterranean sea total	**641**	**594**	**683**	**631**	**599**
		BTC	641	594	683	631	599
Russian rail			**2013**	**2Q 14**	**3Q 14**	**Sep 14**	**Oct 14**
		Russian rail	**198**	**46**	**24**	**13**	**12**
		of which: Russian oil	9	9	7	7	7
		Others	189	38	17	7	6
	Total FSU crude exports		**6,392**	**6,116**	**6,073**	**6,289**	**5,963**
Products			**2013**	**2Q 14**	**3Q 14**	**Sep 14**	**Oct 14**
		Gasoline	122	129	129	95	87
		Naphtha	390	515	515	475	472
		Jet	11	11	11	7	0
		Gasoil	857	1,005	1,005	866	797
		Fuel oil	1,415	1,522	1,522	1,510	1,420
		VGO	263	259	259	222	224
	Total FSU product exports		**3,058**	**3,441**	**3,441**	**3,175**	**3,000**
Total FSU oil exports			**9,450**	**9,557**	**9,557**	**9,464**	**8,963**

Sources: Argus Nefte Transport and Argus Global Markets.

Stock Movements

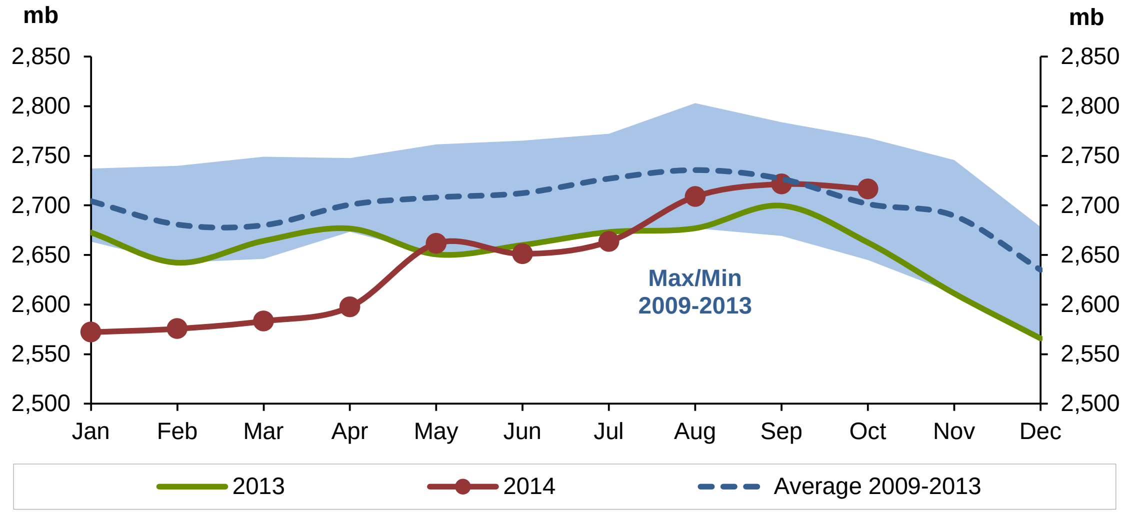
OECD commercial oil stocks fell by 5.1 mb in October to stand at 2,716 mb, which is 53.8 mb higher than the same time a year ago and 14.9 mb above the latest five-year average. Crude stocks indicated a surplus of around 52 mb, while product stocks remained 37 mb below the latest five-year average. In terms of days of forward cover, OECD commercial stocks stood at 59.0 days, 0.9 days higher than the latest five-year average. Preliminary data for November shows that total commercial oil stocks fell by 11.0 mb to stand at 1,121.2 mb. Despite this drop, they were 25.4 mb above the latest five-year average and 26.8 higher than the same period a year ago. Within components, product commercial stocks saw a drop of 10.1 mb, while crude commercial stocks fell slightly by 0.9 mb. The latest information for October showed that China's total commercial oil inventories fell by 9.8 mb to stand at 391.3 mb, but they were 23.2 mb higher than last year at the same time. Within the components, commercial crude and products fell by 1.9 mb and 7.9 mb, respectively.

OECD

The latest information for October shows that **total OECD commercial oil stocks** fell by 5.1 mb, reversing the build of the last three months. At 2,716 mb, inventories were 53.8 mb higher than the same time a year ago and 14.9 mb above the latest five-year average.

Within the components, commercial crude stocks were up by 30.8 mb, while product stocks fell by 35.9 mb in October versus the previous month. At 1,338 mb, OECD commercial crude stocks accumulated around 100 mb since the beginning of this year and stood at 28.5 mb above the same time a year earlier and 51.9 mb higher than the latest five-year average. With this build, commercial crude stocks in the OECD remained comfortable after a massive increase in 3Q. This large build was driven by the surge in non-OPEC supply, the improvement in Libyan exports as well as the Brent contango.

Graph 9.1: OECD's commercial oil stocks



On the product side, OECD **product inventories** fell by end the month of October to 1,379 mb, which is 25.3 mb higher than a year ago at the same time yet 37.1 mb below the seasonal norm. The decline in October is mainly due to typical maintenance patterns.

In terms of **days of forward cover**, OECD commercial stocks rose by 0.3 days in October from the previous month to stand at 59.0 days, and were 0.9 days higher than the latest five-year average. It should be noted that forward cover increased from 56.1 days at the end of the previous year to nearly 59 days in October, reflecting a combination of a strong build in absolute OECD inventories, combined with weak demand during the same period. Within the regions, OECD Americas' days of forward cover was 0.5 days higher than the historical average at 57.3 days in October, and OECD Asia-Pacific stood at 2.7 days above the seasonal average to finish the month at 49.4 days. At the same time, OECD Europe indicated a surplus of 1.0 day, averaging 68.6 days in October.

In October, **commercial stocks** in OECD Americas fell by 11.7 mb, reversing the build of the last eight months, to stand at 1,397 mb, which represents a surplus of 19.2 mb above the seasonal norm and 21.2 mb above the same time a year ago. Within the components, crude inventories rose by 19.3 mb, while product stocks fell by 31.0 mb.

At the end of October, **commercial crude oil stocks** in **OECD Americas** rose sharply, ending the month at 708 mb, which is 39.0 mb above the latest five-year average and 8.1 mb higher than the same time a year ago. This build is mainly due to lower US crude oil refinery input, averaging around 15.4 mb/d, nearly 400 tb/d less than the previous month. An increase in US domestic production also contributed to the build in crude oil inventories.

In contrast, **product stocks** in **OECD Americas** fell in October, reversing the build over the last six months, to stand at 689 mb, 4.5 mb below the seasonal norm but 12.4 mb higher than the same time a year ago. The fall in product stocks came mainly from lower US refinery output.

OECD Europe's commercial stocks rose slightly by 0.3 mb in October to stand at 889 mb, which is 5.5 mb higher than the same time a year ago, yet 38.8 mb below the latest five-year average. The total stock build came from crude, which increased by 3.4 mb, while products abated this build and fell by 3.1 mb.

OECD Europe's commercial crude stocks rose in October, following a build of 7.0 mb in September to stand at 381 mb. At this level, crude inventories stood at around 6.0 mb below both the same period a year earlier and the latest five-year average. This build was the result of an increase in supply from the North Sea along with a rise in exports from Libya and West Africa, while higher European refinery runs limited any further builds in crude oil stocks.

In contrast, **OECD Europe's commercial product stocks** fell by 3.1 mb in October, for the second consecutive month, to stand at 508 mb. Despite this stock draw, European stocks were 11.5 mb above a year ago at the same time, but still 32.3 mb lower than the seasonal norm.

OECD Asia-Pacific commercial oil stocks rose by 6.3 mb in October for the fourth consecutive month to stand at 431 mb. At this level, Japanese oil inventories were 27.1 mb higher than a year ago and 19.2 mb above the five-year average. Within components, crude stocks rose by 8.1 mb, while product inventories fell by 1.8 mb. Crude inventories ended the month of October at 249 mb and stood 25.7 mb above a year ago and 19.4 mb more than the seasonal norm. OECD Asia-Pacific's total product inventories ended October at 182 mb, indicating a surplus of 1.4 mb over a year ago and almost in line with the seasonal norm.

Table 9.1: OECD's commercial stocks, mb

	Aug 14	Sep 14	Oct 14	*Change* Oct 14/Sep 14	Oct 13
Crude oil	1,297	1,307	1,338	30.8	1,309
Products	1,412	1,414	1,379	-35.9	1,353
Total	**2,709**	**2,721**	**2,716**	**-5.1**	**2,663**
Days of forward cover	**58.8**	**58.7**	**59.0**	**0.3**	**57.3**

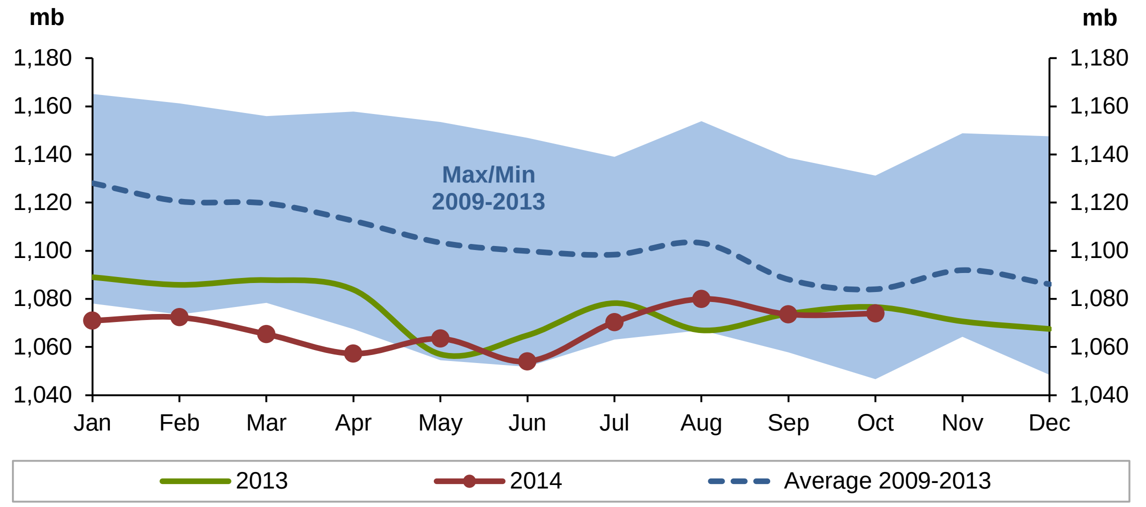
EU plus Norway

Preliminary data for October shows that **European stocks** rose slightly by 0.3 mb, reversing the build of last month to stand at 1,073.9 mb, which is 2.7 mb or 0.3% below the same time a year ago and 10.1 mb or 0.9% below the latest five-year average. The total stock build came from crude as it increased by 3.4 mb, while products abated this build and fell by 3.1 mb.

European crude inventories rose in October for the second consecutive month to stand at 476.0 mb. Despite this stock build, crude inventories stood at 1.4 mb or 0.3% below the same period a year earlier, yet were 13.4 mb or 2.9% above the latest five-year average. Higher supply from the North Sea, along with an increase in exports from Libya and West Africa, were behind the build in crude oil inventories. Higher European refinery runs, which rose by around 150,000 b/d from the previous month to stand at 9.95 mb/d, limited a further build in crude oil stocks. In October, refiners' utilization rates were around 77.7%, 1.2 percentage points (pp) higher than the previous month. At the same time, ICE Brent's contango structure also helped refiners build stocks.

In contrast, **OECD Europe's product stocks** fell by 3.1 mb in October, following a stock draw of 6.8 mb in September. At 597.9 mb, European stocks were 1.3 mb or 0.2% below a year ago at the same time and 23.5 mb or 3.8% below the seasonal norm. Within products, the picture was mixed with gasoline and residual fuel oil stocks experiencing builds, while distillates and naphtha saw a draw.

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



Gasoline stocks rose by 1.1 mb in October to stand at 108.5 mb, a deficit of 1.4 mb or 1.3% from a year ago and 2.3 mb or 2.1% below the seasonal norm. The build reflects mainly higher gasoline output in Europe, combined with weak demand in the region.

Residual fuel oil stocks also rose by 0.3 mb in October, reversing the build of the previous month. At 72.5 mb, stocks were 5.3 mb or 6.8% below the same time a year ago and 22.7 mb or 23.8% less than the seasonal average. Higher output, combined with a reduction in exports to Singapore, was behind the build.

Distillate stocks fell by 4.1 mb in October for the second month to stand at 392.8 mb. Despite this stock draw, there was still a surplus of 4.5 mb or 1.2% compared with a year ago at the same time and 6.5 mb or 1.7% above the five-year average. The drop came mainly from lower diesel imports from the US and Russia. A hydrocracker shutdown at Petroineos' Grangemouth refinery in the UK also contributed to the decline. **Naphtha** stocks fell by 0.4 mb in October to stand at 24.2 mb. This still represented a surplus of 0.9 mb or 3.7% above the latest five-year average and 5.1 mb or 17.3% above a year ago at the same time.

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

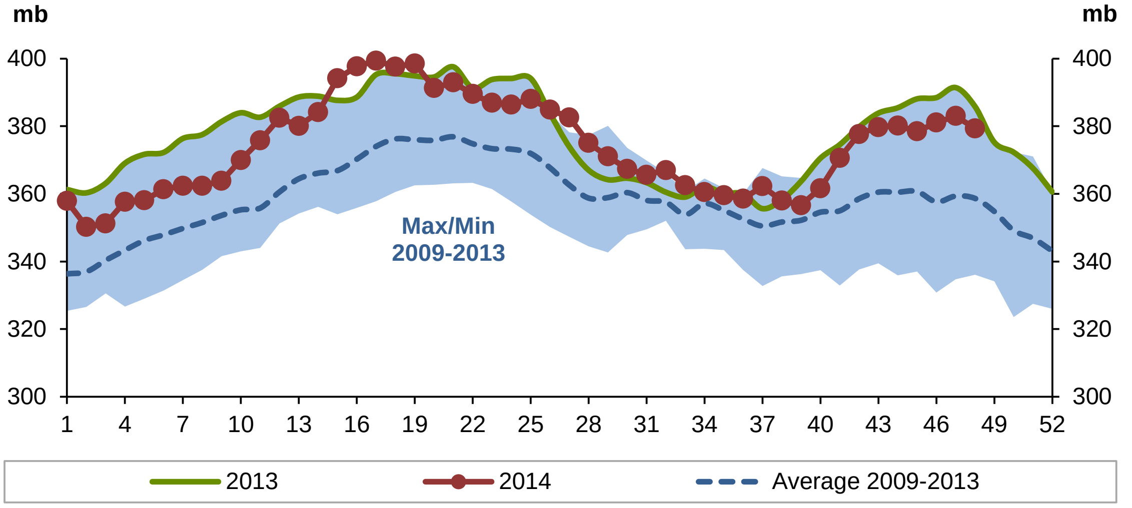
	Aug 14	Sep 14	Oct 14	*Change* Oct 14/Sep 14	Oct 13
Crude oil	**472.2**	**472.5**	**476.0**	**3.4**	**477.3**
Gasoline	108.0	107.4	108.5	1.1	109.9
Naphtha	23.3	24.6	24.2	-0.4	23.3
Middle distillates	399.4	396.9	392.8	-4.1	388.3
Fuel oils	77.2	72.2	72.5	0.3	77.8
Total products	607.8	601.1	597.9	-3.1	599.3
Total	**1,080.0**	**1,073.6**	**1,073.9**	**0.3**	**1,076.6**

Sources: Argus and Euroilstock.

US

Preliminary data for November shows that **total commercial oil stocks** fell by 11.0 mb for the second consecutive month to stand at 1,121.2 mb. Despite this drop, they were 25.4 mb, or 2.3%, above the latest five-year average and 26.8 mb, or 2.5%, higher than in the same period a year ago. Within components, commercial product stocks saw a drop of 10.1 mb, while commercial crude stocks fell slightly by 0.9 mb.

Graph 9.3: US weekly commercial crude oil stocks



US commercial crude stocks fell in November to stand at 379.3 mb. At this level, crude commercial stocks finished the month at 2.8 mb, or 0.8%, above the same time last year, and remained 23.3 mb, or 6.5%, above the latest five-year average. The fall in commercial crude stocks was mainly driven by higher US crude oil refinery input, averaging nearly 16.0 mb/d, which was about 500,000 b/d more than a month earlier. Refineries operated at around 89.1% of operable capacity in November, 2.9 pp higher than the previous month. A further drop in US commercial crude stocks was limited by higher crude imports. Indeed, US crude imports rose by around 30,000 b/d to stand at 7.3 mb/d. In contrast, crude at Cushing, Oklahoma, rose by 2.5 mb in November to 23.9 mb, but this was more than 19.0 mb down from the same time a year ago.

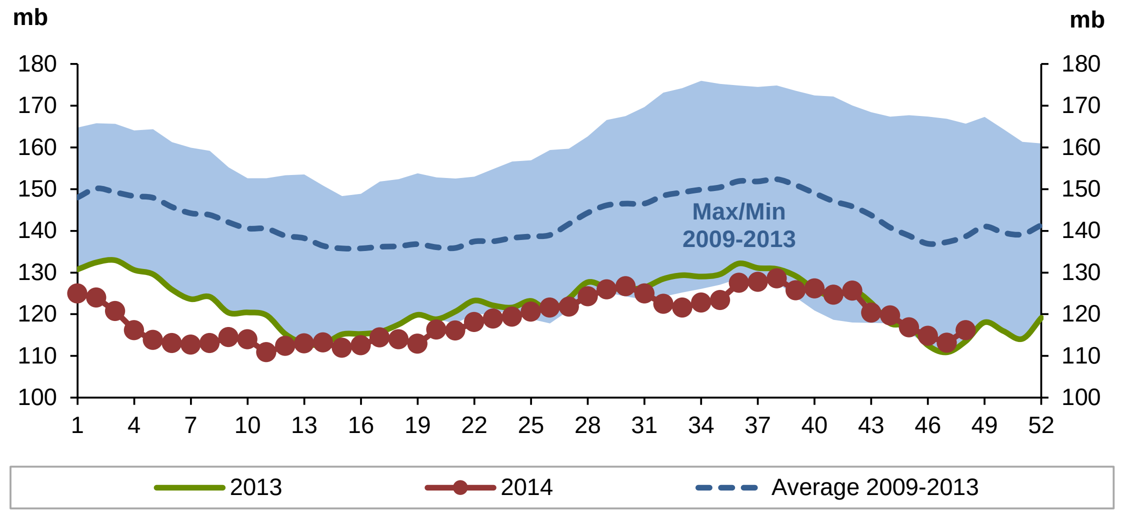
In November**, total product stocks** fell by 10.1 mb for the second consecutive month to stand at 741.9 mb. Despite this stock draw, US product stocks were 22.6 mb, or 3.1%, above the levels seen at the same time a year ago and showed a surplus of 3.5 mb, or 0.5%, above the seasonal norm. Within products, the picture was mixed, gasoline and residual fuel oil saw a stock build, while distillates and jet fuel experienced a stock draw.

Gasoline stocks rose by 3.8 mb reversing the drop of last month and ending November at 208.6 mb, which was 8.6 mb, or 3.9%, lower than the same period a year ago and 8.5 mb, or 3.9%, less than the latest five-year average. The build came mainly from higher gasoline output, which increase by around 220,000 b/d reaching 9.5 mb/d. Higher gasoline demand, which rose by about 230,000 b/d to stand at 9.2 mb/d, limited a further stock build in gasoline.

Residual fuel oil stocks also rose by 1.1 mb to end November at 37.6 mb, which is 1.8 mb or 5% higher than last year in the same period, while they remained 0.4 mb, or 1.0%, below than the seasonal norm. This build is mainly attributed to lower residual fuel demand.

In contrast, **distillate stocks** fell by 3.5 mb in November following a drop of 11.6 mb in October. At 116.2 mb, they were 5.1 mb, or 4.2%, less than the same period a year ago and indicated a deficit of 27.1 mb, or 18.9%, with the five-year average. The fall in middle distillate stocks reflected mainly higher apparent demand as increased output limited a further build in distillate stocks.

Graph 9.4: US weekly distillate stocks



Jet fuel stocks also fell by 1.4 mb, ending November at 35.7 mb, which is 1.3 mb, or 3.5%, less than the same month a year ago and 5.6 mb, or 13.5%, below the latest five-year average.

Table 9.3: US onland commercial petroleum stocks, mb

	Sep 14	Oct 14	Nov 14	*Change* Nov 14/Oct 14	Nov 13
Crude oil	360.9	380.2	379.3	-0.9	373.6
Gasoline	212.5	201.8	208.6	6.8	216.8
Distillate fuel	131.3	119.7	116.2	-3.5	121.1
Residual fuel oil	36.6	36.4	37.6	1.1	35.7
Jet fuel	39.6	37.1	35.7	-1.4	37.0
Total	**1,144.0**	**1,132.2**	**1,121.2**	**-11.0**	**1,093.4**
SPR	691.0	691.0	691.0	0.0	696.0

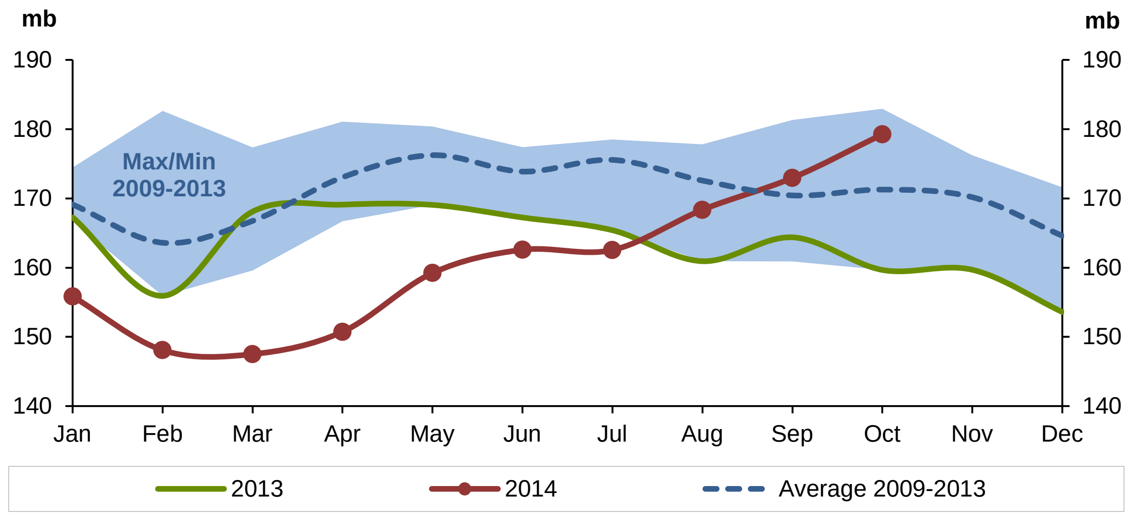
Source: US Energy Information Administration.

Japan

In Japan, total **commercial oil stocks** rose by 6.3 mb in October for the third consecutive month. At 179.3 mb, Japanese commercial oil inventories are 19.6 mb or 12.3% higher than a year ago, and 8.0 mb or 4.7% above the five-year average. Within the components, crude stocks rose by 8.1 mb, while product stocks fell by 1.8 mb.

Japanese commercial **crude oil stocks** rose in October to stand at 106.3 mb, the highest level since June 2012. With this build, they were 17.2 mb or 19.4% above a year ago at the same time and 11.7 mb or 12.4% above the seasonal norm. The build was driven by lower crude runs, which fell by around 270 tb/d or 8.2% to average 3.0 mb/d and remained 1.6% lower than the previous year at the same time. Lower crude oil imports limited a further build in crude oil stocks. Indeed, crude oil imports fell by around 30,000 b/d or 0.9% to average 3.3 mb/d, but were up 3.9% over the same period a year ago. Direct crude burning in power plants rose by more than double in October compared with the previous month, averaging 85.4 tb/d but still showing a decline of 56% over the same period a year ago.

Graph 9.5: Japan's commercial oil stocks



In contrast, Japan's **total product inventories** fell by 1.8 mb in October, reversing the build of the last three months, to stand at 73.0 mb. At this level, product stocks were 2.3 mb or 3.3% above the same time a year ago but still showed a deficit of 3.7 mb or

4.9% from the five-year average. The build was driven by higher domestic sales, which rose by 160,000 b/d or 5.6% to average around 3.0 mb/d in October, a decline of 2.5% compared to a year ago at the same time. Lower oil product imports also contributed to the fall in Japanese product stocks. Oil imports fell by about 60,000 b/d, ending the month of October at 507 tb/d. Within products, the picture was mixed. Gasoline and distillates saw builds, while residual fuel oil and naphtha witnessed draws.

Gasoline stocks rose by 0.3 mb in October to stand at 10.6 mb, which is 1.1 mb or 9.4% less than at the same time the previous year and 2.4 mb or 18.2% below the five-year average. Higher refinery output, combined with lower domestic sales, resulted in the drop in gasoline stocks. Lower gasoline imports limited a further build in gasoline stocks.

Distillate stocks rose slightly by 0.1 mb in October to stand at 35.1 mb, which was 1.0 mb or 3.1% above the same period a year ago and 1.1 mb or 3.0% lower than the seasonal average. Within distillate components, kerosene experienced a build, while jet fuel and gasoil saw stock draws. Kerosene inventories rose by 10.7% on the back of higher output, which increased by 8.5% from the previous month. In contrast, gasoil and jet fuel fell by 5.1% and 12.7%, respectively. Higher domestic sales combined with lower output resulted in the decline. The stock draw in jet fuel was attributed to lower production as the fall in domestic sales limited a further decline in jet fuel inventories.

Total residual **fuel oil stocks** fell by 1.7 mb in October to stand at 15.4 mb, which was 0.7 mb or 4.6% above a year ago and 0.5 mb or 2.8% lower than the latest five-year average. Within fuel oil components, fuel oil A rose slightly by 0.1%, while fuel oil B.C stocks fell by 13.8%. The build in fuel oil A was driven by higher output, while higher consumption pushed fuel oil B.C stocks lower. **Naphtha** stocks fell by 0.6 mb to finish the month of October at 11.5 mb, a surplus of 1.7 mb or 17.6% compared to a year ago at the same time and 0.2 mb or 1.7% higher than the seasonal norm. The stock draw came mainly from higher domestic sales, which increased by 25.8% in October from the previous month.

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

	Aug 14	Sep 14	Oct 14	*Change* Oct 14/Sep 14	Oct 13
Crude oil	**98.1**	**98.2**	**106.3**	**8.1**	**89.1**
Gasoline	10.6	10.4	10.6	0.3	11.8
Naphtha	9.9	12.0	11.5	-0.6	9.8
Middle distillates	32.8	35.0	35.1	0.1	34.1
Residual fuel oil	17.0	17.4	15.7	-1.7	15.0
Total products	**70.3**	**74.8**	**73.0**	**-1.8**	**70.6**
Total**	**168.4**	**173.0**	**179.3**	**6.3**	**159.7**

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

China

The latest information for October showed that **Chinese total commercial oil inventories** fell by 9.8 mb to stand at 391.3 mb, which was 23.2 mb above last year at the same time. Within the components, both commercial crude and product stocks fell by 1.9 mb and 7.9 mb, respectively. At 265.1 mb, commercial crude stocks represented a surplus of around 27 mb when compared to the same period a year earlier. The stock draw came mainly from lower imports, which decreased by around 1.0 mb/d in October from the previous month to stand at 5.7 mb/d.

Total **product stocks** in China also went down by 7.9 mb in October for the fourth consecutive month to stand at 126.2 mb, which was 3.8 mb below a year ago at the same time. The decline could be attributed to higher Chinese demand in October, combined with lower refinery output. All products declined with the bulk coming from gasoline and diesel, which went down by 3.2 mb and 2.9 mb to stand at 55.8 mb and 56.3 mb, respectively. Kerosene inventories indicated a drop of 1.7 mb, ending October at 14.0 mb

Table 9.5: China's commercial oil stocks, mb

	Aug 14	Sep 14	Oct 14	*Change* Oct 14/Sep 14	Oct 13
Crude oil	**265.8**	**267.0**	**265.1**	**-1.9**	**238.1**
Gasoline	60.3	59.0	55.8	-3.2	55.3
Diesel	62.5	59.3	56.3	-2.9	61.2
Jet kerosene	15.0	15.8	14.0	-1.7	13.5
Total products	**137.8**	**134.0**	**126.2**	**-7.9**	**130.0**
Total	**403.6**	**401.1**	**391.3**	**-9.8**	**368.1**

Source: OPEC Secretariat analysis.

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of October, **product stocks in Singapore** fell slightly by 0.9 mb, reversing the build of the last two months, to stand at 42.2 mb, which was a surplus of 3.7 mb or 9.7% over the same period the previous year. Within products, light and middle distillate stocks rose, while fuel oil stocks declined.

Light distillate stocks rose by 0.5 mb in October, reversing the drop of last month, to stand at 11.3 mb. At this level, light distillate stocks remained 0.8 mb or 7.2% above the same time a year ago. Middle distillate stocks also rose by 0.5 mb, ending October at 11.5 mb, which was 2.4 mb or 27% above the previous year at the same time. In contrast, residual fuel oil stocks fell by 1.9 mb in October to stand 19.4 mb, which was 0.5 mb or 2.9% below the same period last year. This drop was mainly driven by lower fuel oil imports.

Product stocks in Amsterdam-Rotterdam-Antwerp (ARA) fell by 2.6 mb in October to stand at 34.3 mb, which was 6.4 mb or 22.8% above a year ago at the same time. All products saw a stock draw, with the exception of jet fuel oil.

Gasoline stocks fell by 0.7 mb to stand at 4.3 mb, which was 0.7 mb or 13.7% lower than the same period last year. Gasoil also fell by 1.3 mb, reversing the build of the last six months and ending October at 19.9 mb, which was 5.2 mb or 35.0% higher than the same period last year. This build was driven by higher demand in the region. Residual fuel oil also fell by 0.6 mb, mainly due to higher exports. At 3.7 mb, residual fuel stood at 0.3 mb or 6.8% lower than last year at the same time. In contrast, jet fuel oil stocks rose by 0.6 mb to end October at 4.7 mb, which was more than 56% higher than the level seen a year ago at the same time.

Balance of Supply and Demand

Demand for OPEC crude in 2014 was revised down by 0.1 mb/d from the previous report to stand at 29.4 mb/d, which is 1.0 mb/d lower than the 2013 level. In 2015, demand for OPEC crude was revised down by 0.3 mb/d to stand at 28.9 mb/d, representing a decline of 0.4 mb from the estimated 2014 level.

Estimate for 2014

Demand for OPEC crude in 2014 was revised down by 0.1 mb/d from the previous report, reflecting the upward adjustment of non-OPEC supply as well as the downward revision in global demand. The second and fourth quarters were revised down by 0.1 mb/d. The third quarter was revised down by 0.2 mb/d, while the first quarter remained unchanged. Demand for OPEC crude is estimated at 29.4 mb/d in 2014, representing a decrease of 1.0 mb/d from last year's level. The first and second quarters are estimated to show declines of 0.9 mb/d and 1.7 mb/d, respectively, versus the same period last year. The third quarter is estimated to decline by 0.8 mb/d, while the fourth quarter is expected to fall by 0.4 mb/d when compared to the same quarter last year.

Table 10.1: Summarized supply/demand balance for 2014, mb/d

	2013	1Q14	2Q14	3Q14	4Q14	2014
(a) World oil demand	**90.20**	**90.16**	**90.01**	**91.81**	**92.52**	**91.13**
Non-OPEC supply	54.23	55.59	55.78	55.91	56.50	55.95
OPEC NGLs and non-conventionals	5.65	5.73	5.79	5.86	5.93	5.83
(b) Total supply excluding OPEC crude	**59.88**	**61.32**	**61.57**	**61.77**	**62.43**	**61.78**
Difference (a-b)	**30.32**	**28.83**	**28.44**	**30.04**	**30.09**	**29.36**
OPEC crude oil production	30.20	29.84	29.77	30.27		
Balance	-0.12	1.01	1.34	0.23		

Totals may not add up due to independent rounding.

Forecast for 2015

Demand for OPEC crude in 2015 was also revised down by 0.3 mb/d to stand at 28.9 mb/d, which is 0.4 mb/d less than the estimated level for 2014. All the quarters were revised down. This downward revision reflects the upward adjustment of non-OPEC supply as well as the downward revision in global demand. The first and third quarters are expected to decline by 0.5 mb/d when compared to the same period last year. The second and fourth quarters are projected to see a contraction of 0.3 mb/d and 0.4 mb/d, respectively.

Table 10.2: Summarized supply/demand balance for 2015, mb/d

	2014	1Q15	2Q15	3Q15	4Q15	2015
(a) World oil demand	**91.13**	**91.30**	**91.15**	**92.96**	**93.58**	**92.26**
Non-OPEC supply	55.95	57.10	57.05	57.33	57.75	57.31
OPEC NGLs and non-conventionals	5.83	5.89	5.98	6.08	6.18	6.03
(b) Total supply excluding OPEC crude	**61.78**	**62.99**	**63.02**	**63.41**	**63.93**	**63.34**
Difference (a-b)	**29.36**	**28.32**	**28.12**	**29.55**	**29.65**	**28.92**

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

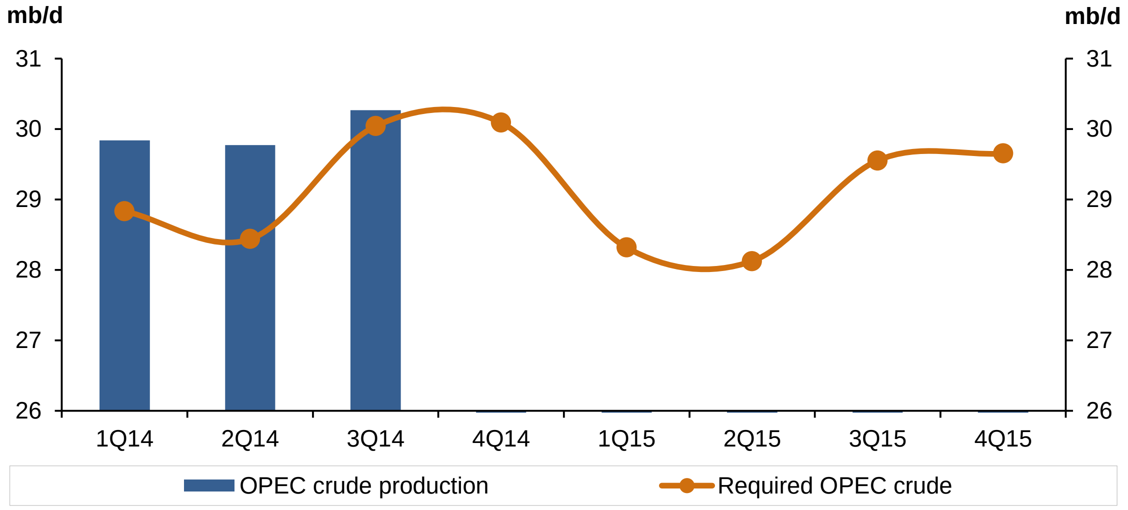


Table 10.3: World oil demand and supply balance, mb/d

	2011	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
World demand													
OECD	46.4	45.9	46.0	45.7	44.9	45.9	46.3	45.7	45.7	44.8	45.8	46.2	45.6
Americas	24.0	23.6	24.1	23.9	23.8	24.4	24.6	24.2	24.0	23.9	24.6	24.7	24.3
Europe	14.3	13.8	13.6	13.0	13.5	13.7	13.4	13.4	12.9	13.4	13.6	13.3	13.3
Asia Pacific	8.2	8.5	8.3	8.8	7.7	7.7	8.4	8.2	8.8	7.6	7.6	8.2	8.0
DCs	27.3	28.3	29.0	29.3	29.7	30.4	29.8	29.8	30.1	30.5	31.2	30.7	30.6
FSU	4.3	4.4	4.5	4.4	4.2	4.6	4.9	4.5	4.4	4.3	4.7	5.0	4.6
Other Europe	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.7
China	9.4	9.7	10.1	10.1	10.6	10.3	10.7	10.4	10.4	10.9	10.6	11.0	10.7
(a) Total world demand	**88.1**	**89.0**	**90.2**	**90.2**	**90.0**	**91.8**	**92.5**	**91.1**	**91.3**	**91.1**	**93.0**	**93.6**	**92.3**
Non-OPEC supply													
OECD	20.2	21.1	22.2	23.4	23.7	23.7	24.1	23.7	24.5	24.7	25.1	25.5	25.0
Americas	15.5	16.7	18.1	19.1	19.7	19.8	20.1	19.7	20.3	20.7	21.1	21.4	20.9
Europe	4.1	3.8	3.6	3.8	3.5	3.4	3.6	3.6	3.7	3.5	3.4	3.6	3.6
Asia Pacific	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
DCs	12.6	12.1	12.1	12.2	12.2	12.3	12.4	12.3	12.6	12.4	12.4	12.2	12.4
FSU	13.2	13.3	13.4	13.5	13.4	13.4	13.4	13.4	13.4	13.3	13.3	13.3	13.3
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	4.1	4.2	4.2	4.2	4.3	4.2	4.3	4.2	4.3	4.3	4.3	4.4	4.3
Processing gains	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	52.4	52.9	54.2	55.6	55.8	55.9	56.5	55.9	57.1	57.0	57.3	57.7	57.3
OPEC NGLs + non-conventional oils	5.4	5.6	5.6	5.7	5.8	5.9	5.9	5.8	5.9	6.0	6.1	6.2	6.0
(b) Total non-OPEC supply and OPEC NGLs	**57.8**	**58.4**	**59.9**	**61.3**	**61.6**	**61.8**	**62.4**	**61.8**	**63.0**	**63.0**	**63.4**	**63.9**	**63.3**
OPEC crude oil production (secondary sources)	29.8	31.1	30.2	29.8	29.8	30.3							
Total supply	87.6	89.6	90.1	91.2	91.3	92.0							
Balance (stock change and miscellaneous)	-0.5	0.6	-0.1	1.0	1.3	0.2							
OECD closing stock levels (mb)													
Commercial	2,605	2,663	2,566	2,583	2,651	2,721							
SPR	1,536	1,547	1,584	1,586	1,581	1,582							
Total	4,141	4,210	4,150	4,169	4,232	4,304							
Oil-on-water	825	879	909	954	914	952							
Days of forward consumption in OECD													
Commercial onland stocks	57	58	56	58	58	59							
SPR	33	34	35	35	34	34							
Total	90	92	91	93	92	93							
Memo items													
FSU net exports	8.9	8.8	8.9	9.1	9.1	8.8	8.5	8.9	9.0	9.0	8.6	8.4	8.7
(a) - (b)	**30.3**	**30.5**	**30.3**	**28.8**	**28.4**	**30.0**	**30.1**	**29.4**	**28.3**	**28.1**	**29.6**	**29.7**	**28.9**

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

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

	2011	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
World demand													
OECD	-	-	0.1	-	-0.1	-0.1	-	-	-	-0.1	-0.1	-	-0.1
Americas	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-0.1	-	-
Asia Pacific	-	-	-	-	0.1	-0.1	-	-	-	0.1	-0.1	-	-
DCs	-	-	-	-	-	-0.1	-	-	-	-0.1	-0.1	-	-0.1
FSU	-	-0.1	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-0.1	0.1	-	-0.1	-0.2	-	-0.1	-0.1	-0.2	-0.2	-0.1	-0.1
World demand growth	-	-0.1	0.1	-	-0.2	-0.3	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Non-OPEC supply													
OECD	-	-	-	-	-	-	-	-	-	0.2	0.2	-	0.1
Americas	-	-	-	-	-	0.1	-	-	-0.1	0.1	0.2	-	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	0.1	-	0.1	-	-	-	-
FSU	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	0.1	-	-	0.2	0.3	0.1	0.2
Total non-OPEC supply growth	-	-	-	-	-	-	0.1	-	-	0.2	0.2	-	0.1
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	0.1	-	-	0.2	0.3	0.1	0.2
OPEC crude oil production (secondary sources)	-	-	-	-	-	0.1							
Total supply	-	-	-	-	-	0.1							
Balance (stock change and miscellaneous)	-	0.1	-0.1	-	0.1	0.3							
OECD closing stock levels (mb)													
Commercial	-	-	-1	1	1	3							
SPR	-	-	-	-	-	-							
Total	-	-	-1	1	1	3							
Oil-on-water	-	-	-	-	-	-							
Days of forward consumption in OECD													
Commercial onland stocks	-	-	-	-	-	-							
SPR	-	-	-	-	-	-							
Total	-	-	-	-	-	-							
Memo items													
FSU net exports	-	0.1	-	-	-	-	0.1	-	-	-	-	-	-
(a) - (b)	-	-0.1	0.1	-	-0.1	-0.3	-0.1	-0.1	-0.1	-0.4	-0.5	-0.2	-0.3

* *This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the November 2014 issue.*
This table shows only where changes have occurred.

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

		2011	2012	2013	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14
Closing stock levels, mb													
OECD onland commercial		**2,605**	**2,663**	**2,566**	**2,728**	**2,663**	**2,664**	**2,660**	**2,700**	**2,566**	**2,583**	**2,651**	**2,721**
	Americas	1,308	1,365	1,316	1,385	1,365	1,349	1,378	1,404	1,316	1,311	1,382	1,408
	Europe	905	901	869	917	901	903	873	884	869	874	877	889
	Asia Pacific	392	396	381	427	396	412	409	412	381	399	392	424
OECD SPR		**1,536**	**1,547**	**1,584**	**1,542**	**1,547**	**1,581**	**1,577**	**1,582**	**1,584**	**1,586**	**1,581**	**1,582**
	Americas	697	696	697	696	696	697	697	697	697	697	692	692
	Europe	426	436	470	433	436	472	471	472	470	470	471	472
	Asia Pacific	414	415	417	414	415	413	409	413	417	418	419	419
OECD total		**4,141**	**4,210**	**4,150**	**4,271**	**4,210**	**4,246**	**4,237**	**4,282**	**4,150**	**4,169**	**4,232**	**4,304**
Oil-on-water		**825**	**879**	**909**	**844**	**879**	**942**	**871**	**932**	**909**	**954**	**914**	**952**
Days of forward consumption in OECD													
OECD onland commercial		**57**	**58**	**56**	**59**	**58**	**59**	**58**	**58**	**56**	**58**	**58**	**59**
	Americas	55	57	55	58	57	57	57	58	55	55	57	57
	Europe	66	66	65	67	68	65	63	65	67	65	64	66
	Asia Pacific	46	48	46	49	45	53	51	48	43	52	51	51
OECD SPR		**33**	**34**	**35**	**33**	**34**	**35**	**34**	**34**	**35**	**35**	**34**	**34**
	Americas	30	29	29	29	29	29	29	29	29	29	28	28
	Europe	31	32	35	32	33	34	34	35	36	35	34	35
	Asia Pacific	49	50	51	47	47	53	51	48	47	55	54	50
OECD total		**90**	**92**	**91**	**92**	**92**	**93**	**92**	**92**	**91**	**93**	**92**	**93**

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

	2011	2012	2013	3Q14	4Q14	2014	Change 14/13	1Q15	2Q15	3Q15	4Q15	2015	Change 15/14
US	9.0	10.0	11.2	12.9	13.1	12.7	1.4	13.2	13.6	14.0	14.1	13.7	1.0
Canada	3.5	3.8	4.0	4.1	4.2	4.2	0.2	4.4	4.3	4.4	4.6	4.4	0.2
Mexico	2.9	2.9	2.9	2.8	2.7	2.8	-0.1	2.7	2.7	2.7	2.7	2.7	-0.1
OECD Americas*	**15.5**	**16.7**	**18.1**	**19.8**	**20.1**	**19.7**	**1.5**	**20.3**	**20.7**	**21.1**	**21.4**	**20.9**	**1.2**
Norway	2.0	1.9	1.8	1.9	1.9	1.9	0.0	2.0	1.9	1.8	2.0	1.9	0.0
UK	1.1	1.0	0.9	0.7	0.8	0.8	0.0	0.9	0.8	0.8	0.9	0.8	0.0
Denmark	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.1	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	0.7	0.7	0.7	0.0
OECD Europe	**4.1**	**3.8**	**3.6**	**3.4**	**3.6**	**3.6**	**0.0**	**3.7**	**3.5**	**3.4**	**3.6**	**3.6**	**0.0**
Australia	0.5	0.5	0.4	0.4	0.4	0.4	0.0	0.4	0.5	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	0.1	0.1	0.0
OECD Asia Pacific	**0.6**	**0.6**	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**
Total OECD	**20.2**	**21.1**	**22.2**	**23.7**	**24.1**	**23.7**	**1.5**	**24.5**	**24.7**	**25.1**	**25.5**	**25.0**	**1.2**
Brunei	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
India	0.9	0.9	0.9	0.8	0.9	0.9	0.0	0.9	0.9	0.9	0.8	0.9	0.0
Indonesia	1.0	1.0	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Malaysia	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.6	0.7	0.0
Thailand	0.3	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	0.4	0.4	0.4	0.4	0.3	0.4	0.0	0.4	0.4	0.4	0.3	0.4	0.0
Asia others	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.3	0.3	0.3	0.3	0.0
Other Asia	**3.6**	**3.7**	**3.6**	**3.5**	**3.5**	**3.5**	**-0.1**	**3.6**	**3.5**	**3.5**	**3.5**	**3.5**	**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	2.6	3.0	3.0	2.9	0.3	3.0	3.0	3.1	3.0	3.0	0.1
Colombia	0.9	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
L. 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**	**4.7**	**4.8**	**5.1**	**5.1**	**5.0**	**0.2**	**5.2**	**5.1**	**5.1**	**5.1**	**5.1**	**0.1**
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	0.9	0.0	1.0	1.0	1.0	0.9	1.0	0.0
Syria	0.4	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yemen	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
Middle East	**1.7**	**1.5**	**1.4**	**1.4**	**1.3**	**1.3**	**0.0**	**1.4**	**1.4**	**1.3**	**1.3**	**1.3**	**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	0.3	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
South Africa	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.2	0.1	0.1	0.1	0.1	0.0
Sudans	0.4	0.1	0.2	0.3	0.3	0.3	0.1	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	**2.6**	**2.3**	**2.4**	**2.4**	**2.4**	**2.4**	**0.0**	**2.4**	**2.4**	**2.4**	**2.4**	**2.4**	**0.0**
Total DCs	**12.6**	**12.1**	**12.1**	**12.3**	**12.4**	**12.3**	**0.1**	**12.6**	**12.4**	**12.4**	**12.2**	**12.4**	**0.1**
FSU	**13.2**	**13.3**	**13.4**	**13.4**	**13.4**	**13.4**	**0.0**	**13.4**	**13.3**	**13.3**	**13.3**	**13.3**	**-0.1**
Russia	10.3	10.4	10.5	10.5	10.6	10.6	0.1	10.6	10.5	10.5	10.5	10.5	0.0
Kazakhstan	1.6	1.6	1.6	1.6	1.6	1.6	0.0	1.6	1.6	1.6	1.6	1.6	0.0
Azerbaijan	1.0	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	4.1	4.2	4.2	4.2	4.3	4.2	0.0	4.3	4.3	4.3	4.4	4.3	0.1
Non-OPEC production	**50.3**	**50.7**	**52.1**	**53.7**	**54.3**	**53.8**	**1.7**	**54.9**	**54.9**	**55.2**	**55.6**	**55.1**	**1.4**
Processing gains	2.1	2.1	2.1	2.2	2.2	2.2	0.0	2.2	2.2	2.2	2.2	2.2	0.0
Non-OPEC supply	**52.4**	**52.9**	**54.2**	**55.9**	**56.5**	**55.9**	**1.7**	**57.1**	**57.0**	**57.3**	**57.7**	**57.3**	**1.4**
OPEC NGL	5.2	5.4	5.4	5.6	5.7	5.6	0.2	5.6	5.7	5.8	5.9	5.8	0.2
OPEC non-conventional	0.1	0.2	0.2	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
OPEC (NGL+NCF)	**5.4**	**5.6**	**5.6**	**5.9**	**5.9**	**5.8**	**0.2**	**5.9**	**6.0**	**6.1**	**6.2**	**6.0**	**0.2**
Non-OPEC & OPEC (NGL+NCF)	**57.8**	**58.4**	**59.9**	**61.8**	**62.4**	**61.8**	**1.9**	**63.0**	**63.0**	**63.4**	**63.9**	**63.3**	**1.6**

** Chile has been included in OECD Americas.*

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

Table 10.7: World Rig Count

	2010	2011	2012	2013	*Change* 13/12	4Q13	1Q14	2Q14	3Q14	Oct 14	Nov 14	*Change* Nov/Oct
US	1,541	1,881	1,919	1,761	-158	1,758	1,780	1,852	1,904	1,930	1,925	-5
Canada	347	423	366	354	-12	379	526	202	385	424	421	-3
Mexico	97	94	106	106	0	101	93	87	85	83	79	-4
Americas	1,985	2,398	2,391	2,221	-170	2,238	2,400	2,140	2,374	2,437	2,425	-12
Norway	18	17	17	20	2	18	17	18	15	16	17	1
UK	19	16	18	17	-1	14	15	17	15	15	17	2
Europe	94	118	119	135	16	133	135	146	148	148	149	1
Asia Pacific	21	17	24	27	3	25	28	27	25	25	26	1
Total OECD	2,100	2,532	2,534	2,383	-151	2,396	2,563	2,314	2,547	2,610	2,600	-10
Other Asia	248	239	217	219	2	219	230	221	231	227	229	2
Latin America	205	195	180	166	-14	168	164	176	174	170	175	5
Middle East	156	104	110	76	-33	86	84	85	82	79	81	2
Africa	19	2	7	16	9	24	27	30	24	25	31	6
Total DCs	628	540	513	477	-36	497	504	512	511	501	516	15
Non-OPEC rig count	**2,727**	**3,072**	**3,047**	**2,860**	**-187**	**2,894**	**3,067**	**2,826**	**3,058**	**3,111**	**3,116**	**5**
Algeria	25	31	36	47	11	47	49	46	48	45	51	6
Angola	9	10	9	11	2	14	16	16	14	14	13	-1
Ecuador	11	12	20	26	6	26	25	25	26	25	19	-6
Iran**	52	54	54	54	0	54	54	54	54	54	54	0
Iraq**	36	36	58	83	25	92	89	93	75	56	60	4
Kuwait**	20	57	57	58	1	57	60	60	68	67	69	2
Libya**	16	8	12	15	3	14	15	10	8	8	9	1
Nigeria	15	36	36	37	1	36	35	31	32	33	38	5
Qatar	9	8	8	9	1	8	11	11	11	11	9	-2
Saudi Arabia	67	100	112	114	3	115	125	132	137	139	143	4
UAE	13	21	24	28	4	30	30	33	37	36	39	3
Venezuela	70	122	117	121	3	121	121	114	122	115	102	-13
OPEC rig count	**342**	**494**	**542**	**602**	**60**	**614**	**629**	**624**	**631**	**603**	**606**	**3**
Worldwide rig count*	**3,069**	**3,566**	**3,589**	**3,462**	**-127**	**3,508**	**3,696**	**3,450**	**3,689**	**3,714**	**3,722**	**8**
of which:												
Oil	1,701	2,257	2,654	2,611	-43	2,631	2,819	2,687	2,851	2,863	2,850	-13
Gas	1,325	1,262	886	746	-140	769	780	671	744	761	784	23
Others	43	49	52	109	57	110	99	95	96	92	90	-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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Disclaimer

OPEC Basket average price

US$/b

down 9.49 in November	November 2014	75.57
	October 2014	85.06
	Year to date	**99.57**

November OPEC crude production

mb/d, according to secondary sources

down 0.39 in November	November 2014	30.05
	October 2014	30.44

Economic growth rate

per cent

	World	OECD	US	Japan	Euro-zone	China	India
2014	3.2	1.8	2.2	0.4	0.8	7.4	5.5
2015	3.6	2.1	2.6	1.2	1.1	7.2	5.8

Supply and demand

mb/d

2014		**14/13**	**2015**		**15/14**
World demand	91.1	0.9	World demand	92.3	1.1
Non-OPEC supply	55.9	1.7	Non-OPEC supply	57.3	1.4
OPEC NGLs	5.8	0.2	OPEC NGLs	6.0	0.2
Difference	**29.4**	**–1.0**	**Difference**	**28.9**	**–0.4**

OECD commercial stocks

mb

	Aug 14	Sep 14	Oct 14	Oct 14/Sep 14	Oct 13
Crude oil	1,297	1,307	1,338	30.8	1,309
Products	1,412	1,414	1,379	–35.9	1,353
Total	**2,709**	**2,721**	**2,716**	**–5.1**	**2,663**
Days of forward cover	58.8	58.7	59.0	0.3	57.3

Next report to be issued on 15 January 2015.