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Monthly Oil Market Report

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Feature article:

Crude and product price movements

Organization of the Petroleum Exporting Countries

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Oil Market Highlights

Crude Oil Price Movements

The OPEC Reference Basket (ORB) averaged higher in July, up by $1.79, or 2.8%, m-o-m reaching $64.71/b, supported by a pick-up in Asian crude demand. Crude oil futures prices also rose from their low levels registered a month earlier as escalating geopolitical tensions offset bearish sentiment in global oil demand. In July, ICE Brent was $1.18, or 1.9%, m-o-m higher, averaging $64.21/b, while NYMEX WTI rose m-o-m by $2.84, or 5.2%, averaging $57.55/b. Year-to-date (y-t-d), ICE Brent was $5.85, or 8.2%, y-o-y lower at $65.87/b, while NYMEX WTI declined by $8.74, or 13.2%, to $57.46/b. The backwardation in both Brent and Dubai price structures flattened in July due to higher availability in the Atlantic Basin and softer crude demand in the first half of the month. Meanwhile, the contango structure of WTI flattened somewhat on significant declines in US crude oil stocks. Hedge funds and other money managers slightly raised their bullish positions on crude oil in July, with net long positions ending the month marginally higher compared to the low levels recorded in late June.

World Economy

The global GDP growth for 2019 is now forecast at 3.1%, a slight downward revision from the previous month's report, while growth remains forecast at 3.2% for 2020. The US economic growth forecast for 2019 is revised down by 0.2 pp to 2.4%, after significant data revisions by the US statistical office. GDP growth for 2020 remains at 2.0%. The Euro-zone's growth estimate remains at 1.2% for 2019 and is also forecast at 1.2% in 2020. Japan's unchanged low growth of 0.5% in 2019 is forecast to continue at the same level in 2020. China's 2019 growth forecast remains at 6.2% and is expected to slow down to 6.0% in 2020. India's growth forecast remains unchanged at 6.8% for 2019, and is anticipated to pick up in 2020 to 7.0%. Brazil's 2019 growth forecast is unchanged at 0.9%, and is projected to reach 1.7% in 2020. After low 1Q19 growth, Russia's growth forecast for 2019 was revised down by 0.1 pp reaching 1.3%, and remains at 1.4% through 2020. Large uncertainties remain. While the growth forecast currently assumes no further risks until they actually materialise, and, in particular, that trade-related issues do not escalate further, the downside risk to world economic growth is predominant.

World Oil Demand

In 2019, oil demand is anticipated to grow by 1.10 mb/d year-on-year (y-o-y), a downward revision of about 0.04 mb/d from the previous month's projection, mainly due to weaker-than-expected oil demand data from OECD Americas, Other Asia and the Middle East in 1H19. Total oil demand for the year is now anticipated to reach 99.92 mb/d. For 2020, world oil demand is expected to grow by 1.14 mb/d, in line with last month's projection, with total world consumption anticipated to average 101.05 mb/d. This forecast is subject to downside risks stemming from uncertainties with regard to global economic development. The OECD region is estimated to be in positive territory in 2020 as OECD Americas is projected to show growth, while OECD Europe and OECD Asia Pacific are projected to decline. However, non-OECD countries are forecast to continue to account for most of the growth at 1.05 mb/d. China and Other Asia are anticipated to lead demand growth both in the non-OECD region.

World Oil Supply

In 2019, non-OPEC oil supply is anticipated to grow by 1.97 mb/d y-o-y, a downward revision of 72 tb/d from the previous month's projection, due to lower-than-expected oil production in the US, Brazil, Thailand and Norway in 1H19, which were partially offset by higher production in Canada in 2Q19. US liquids output in May was up by 53 tb/d, despite a decline in crude oil production. However, US oil supply growth for 2019 was revised down to 1.87 mb/d, on lower revised historical production data. The US, Brazil, China and the UK are the key countries driving y-o-y growth in 2019, with mainly Mexico and Norway showing declines. For 2020, non-OPEC oil supply growth was also revised down by 50 tb/d from the last month assessment, and is now projected to grow by 2.39 mb/d y-o-y for an average 66.78 mb/d, mainly due to a downward revision in the oil supply growth forecast for Brazil. The US, Brazil and Norway are forecast to be the main growth drivers, while Mexico, Indonesia and Egypt are expected to see the largest declines. OPEC NGLs production in 2019 and 2020 is expected to grow by 0.07 mb/d and 0.03 mb/d to average 4.84 mb/d and 4.87 mb/d, respectively. In July, OPEC crude oil production decreased by 246 tb/d to average 29.61 mb/d, according to secondary sources.

Product Markets and Refining Operations

Product markets globally saw solid gains from the previous month, as a positive performance across the barrel in all main trading hubs lifted refinery margins, particularly in Europe and in Asia, where they jumped by more than $3.00/b. In the US, product markets were supported by continued strong demand from the US East Coast due to refining capacity losses, and firm overall domestic demand amid a slight decline in refinery runs. In Europe, product markets strengthened the most compared to other regions, mainly supported by an extension of the sharp recovery seen last month at the top and middle of the barrels, and strong export opportunities to the US Atlantic Coast. Meanwhile, product markets in Asia received support from reduced refined product outputs, amid several refinery outages and healthy export opportunities to the Middle East.

Tanker Market

Average dirty tanker spot freight rates edged lower in July as ample availability remained a hurdle to achieving a sustained recovery in rates, despite refineries returning from seasonal maintenance. In July, dirty tanker freight rates saw mixed movement compared to the previous month, with VLCCs enjoying only a slight 2% gain, while Aframax and Suezmax rates declined 6% each, with routes around the Atlantic Basin showing the worst performance. Meanwhile, clean tanker spot freight rates were unchanged in July due to offsetting developments on the East and West of Suez routes. East of Suez clean spot freight rates weakened due to declines on the Middle East-to-East and Singapore-to-East routes, while rates on the West of Suez route showed gains, particularly around the Mediterranean.

Stock Movements

Preliminary data for June showed that total OECD commercial oil stocks rose by 31.8 mb m-o-m to stand at 2,955 mb, which is 140 mb higher than the same time one year ago and 67 mb above the latest five-year average. Within the components, crude stocks fell by 8.2 mb, while product stocks rose by 40.0 mb, m-o-m. In terms of days of forward cover, OECD commercial stocks rose by 0.6 days m-o-m in June to stand at 60.9 days, which was 2.6 days above the same period in 2018 and 0.1 days below the latest five-year average.

Balance of Supply and Demand

Demand for OPEC crude in 2019 was revised up by 0.1 mb/d from the previous report to stand at 30.7 mb/d, 0.9 mb/d lower than the 2018 level. Demand for OPEC crude in 2020 was revised up by 0.1 mb/d from the previous report to stand at 29.4 mb/d, 1.3 mb/d lower than the 2018 level.

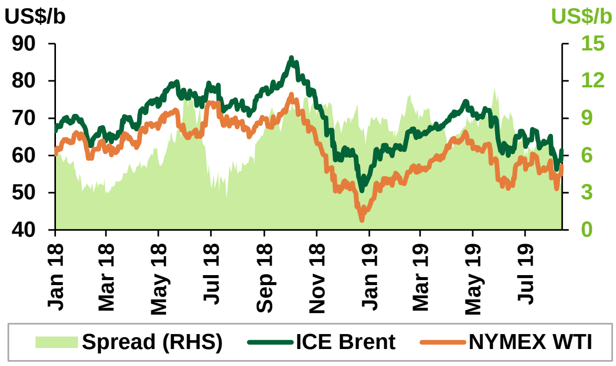
Feature Article

Crude and product price movements

Crude oil prices recovered in the first four months of 2019 from the low levels registered at the end of the previous year, boosted by positive market sentiment and a more balanced global oil market outlook. Despite bearish global oil demand, the unplanned oil supply outages and disruptions, amid geopolitical tensions in key oil-producing regions, gave further support to oil prices. Between January and May, ICE Brent and NYMEX WTI rose by $10.06 and $9.31, averaging $70.30/b and $60.87/b, respectively (***Graph 1***).

However, this upward trend reversed course in late May. Oil prices declined in June on bearish market sentiment fuelled by concerns about weakening global economic and oil demand growth amid an escalating trade dispute between the US and China. Moreover, rising OECD commercial oil stocks in April and May by 40 mb added to concerns about market balance. In terms of market structure, Brent prices flipped to backwardation in the beginning of March, mirroring the tight regional physical crude market, with prompt prices also supported by geopolitical tensions and concerns about supply disruptions, although the M1/M3 Brent spread narrowed again in July. Meanwhile, the WTI market structure remained broadly in contango since the beginning of the year, on the ongoing rise in US oil supply and crude oil stocks remaining above the latest five-year average. Following a slight recovery in July, crude oil prices dropped again in the first days of August, amid a flare-up in US-China trade tensions, to levels not seen since the beginning of the year.

Graph 1: Transatlantic spread between Brent and WTI

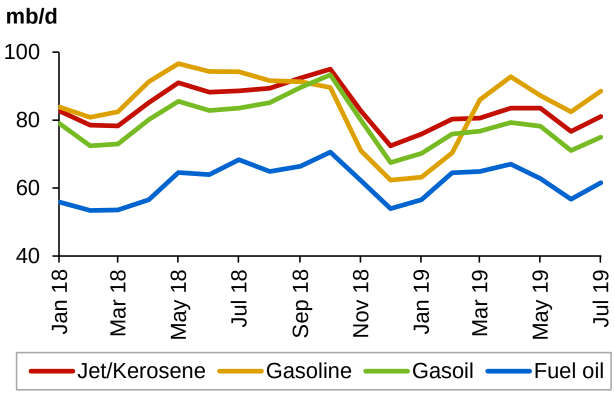


Source: CME Group, Intercontinental Exchange and OPEC Secretariat.

Product prices in 2018 also ended the year lower on average in global terms, caused by the seasonal winter slowdown in gasoline consumption as well as substantial product oversupply in Asia.

In 1Q19, product prices partially recovered in response to improving product market fundamentals. Unplanned refinery outages in the US led to further cuts in US product output and helped to erode the gasoline surplus, with inventories falling by more than 30 mb between January and April 2019. The resulting bullish sentiment pushed gasoline prices up by $30/b on the US Gulf Coast (USGC) (***Graph 2***), which opened up arbitrage opportunities for gasoline flows from Europe and led to a surge in gasoline cracks in all main trading hubs. However, in 2Q19, product prices reversed the rising trend as refineries returned from maintenance and product output rose in Europe and the US. Despite prevailing ample offline capacity in Asia, the ramping up of two new refineries in China – with a combined capacity of 800 tb/d – contributed to further concerns about product oversupply, exacerbating the bearishness in product markets globally.

Graph 2: Refined product prices in the USGC



Sources: Argus Media and OPEC Secretariat.

Looking ahead, global transport fuel consumption is expected to remain healthy, supporting overall oil demand in the second half of the year. Road transportation fuel consumption, and jet fuel demand from the aviation sector, are forecast to remain at the currently healthy levels. Regarding the upcoming IMO 2020 regulation, the impending changes in bunker fuel specifications will most likely continue to support low sulphur fuel oil (LSFO) markets as bunkers experiment with the marine fuel shift ahead of 1 January 2020. Meanwhile, high sulphur fuel oil (HSFO) supplies are expected to tighten as refineries increasingly expand or adapt their secondary processes to convert or de-sulphurise residual fuel in the next autumn peak maintenance season. Moreover, seasonal output cuts during autumn peak turnarounds in 3Q19 are expected to provide some support. However, a surge in overall product output, particularly in Asia, may place product prices under pressure in 2H19.

While the outlook for market fundamentals seems somewhat bearish for the rest of the year, given softening economic growth, ongoing global trade issues and slowing oil demand growth, it remains critical to closely monitor the supply/demand balance and assist market stability in the months ahead.

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Crude Oil Price Movements

*The **OPEC Reference Basket** (ORB) averaged higher in July, up by $1.79, or 2.8% m-o-m at $64.71/b, supported by an improvement in Asia's crude demand, specifically from China. The ORB component values showed mixed movement, reflecting their respective crude benchmarks, with lighter grades pressured by higher availability in the Atlantic Basin. Heavier grades performed better, supported by a tight sour market.*

***Crude oil futures prices** also rose in July, from the low levels registered in June, as risks of oil supply disruptions related to escalating geopolitical tensions in the Middle East offset bearish sentiment and concerns about lower global oil demand this year. In July, ICE Brent averaged $1.18, or 1.9%, m-o-m higher at $64.21/b, while NYMEX WTI rose m-o-m by $2.84, or 5.2%, to average $57.55/b. Year-to-date (y-t-d), ICE Brent is $5.85, or 8.2%, y-o-y lower at $65.87/b, while NYMEX WTI declined by $8.74, or 13.2%, to $57.46/b, compared to the same period a year earlier. DME Oman crude oil futures also increased m-o-m by $1.83 in July, or 3.0% over the previous month, to settle at $63.67/b. Y-t-d, DME Oman was down by $3.60, or 5.2%, compared to same period in the previous year, at $65.45/b.*

***Hedge funds and other money managers** raised their bullish positions in crude oil in July, and net long positions ended the month slightly higher compared to the low levels recorded in late June. Speculators increased their wagers on rising crude oil prices amid escalating geopolitical tensions in the Middle East.*

*The **backwardation** in both Brent and Dubai **price structures** flattened significantly in July, but mainly in the prompt prices, due to the high volume of unsold barrels in the Atlantic Basin and softer crude demand in the first half of the month. The closure of the Philadelphia Energy Solutions refinery on the US East Coast and planned refinery maintenance in Europe contributed to lower crude demand. Meanwhile, the contango structure of WTI flattened slightly on a significant decline in US crude oil stocks.*

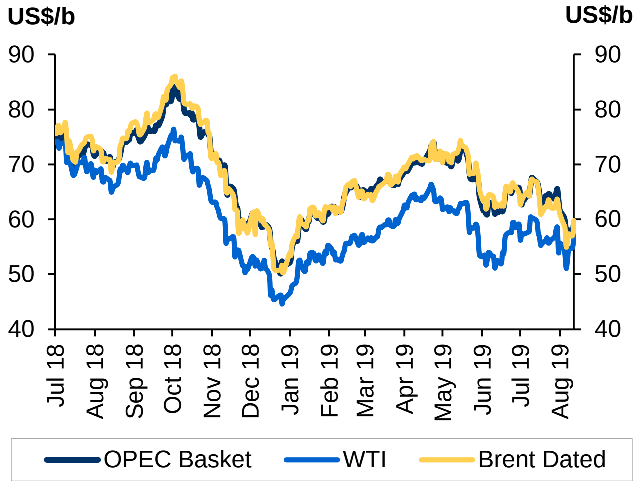
*The **premium of light sweet to medium sour crudes** narrowed significantly in July in all regions amid a tightening global sour market fuelled by planned and unplanned outages. The sour market tightened further on the US Gulf Coast after the shutdown of up to two-thirds of US Gulf of Mexico production due to Hurricane Barry. Sour grades were also supported by higher fuel oil margins.*

OPEC Reference Basket

The **OPEC Reference Basket (ORB)** averaged higher in July, up by $1.79, or 2.8% to $64.71/b, supported by tightening oil supply and higher Asian crude demand, specifically from China. Recovering refining margins also supported prices. Y-t-d, the ORB value was $3.77, or 5.5%, lower at $65.37/b compared to the same period in 2018.

The ORB component values showed mixed movement, reflecting their respective crude benchmarks, with lighter Brent-linked grades pressured by higher availability in the Atlantic Basin. Heavier grades performed better, supported by a tight sour market resulting in part from lower supply in the US Gulf of Mexico due to Hurricane Barry, which reduced the availability of sour crudes. However, declining crude differentials and lower official selling prices for some grades compared to the previous month had a negative effect on the ORB's value performance.

Graph 1 - 1: Crude oil price movement



Sources: Argus Media, OPEC Secretariat and Platts.

Physical crude oil benchmark values were mixed in July. Dated Brent was little changed, decreasing m-o-m by 12¢, or 0.2%, to settle at $63.91/b. WTI and Dubai spot prices rose m-o-m by $2.83 and $1.62, respectively, to settle at $57.51/b and $63.21/b.

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

			Change		*Year-to-date*	
	Jun 19	Jul 19	Jul/Jun	%	2018	2019
Basket	**62.92**	**64.71**	**1.79**	**2.8**	**69.14**	**65.37**
Arab Light	63.45	65.61	2.16	3.4	69.81	66.27
Basrah Light	62.74	64.39	1.65	2.6	67.91	65.01
Bonny Light	65.59	65.95	0.36	0.5	72.04	67.18
Djeno	61.43	61.31	-0.12	-0.2	68.56	63.05
Es Sider	63.58	63.36	-0.22	-0.3	69.81	64.95
Girassol	65.69	65.98	0.29	0.4	71.44	67.17
Iran Heavy	60.88	62.65	1.77	2.9	67.56	63.15
Kuwait Export	62.58	64.90	2.32	3.7	67.88	65.48
Merey	53.98	61.84	7.86	14.6	63.26	57.00
Murban	62.75	64.86	2.11	3.4	71.67	66.20
Oriente	58.57	61.46	2.89	4.9	65.81	61.81
Rabi Light	63.28	63.16	-0.12	-0.2	70.12	64.90
Sahara Blend	64.83	63.92	-0.91	-1.4	71.45	65.88
Zafiro	65.48	65.58	0.10	0.2	71.03	66.88
Other Crudes						
Dated Brent	64.03	63.91	-0.12	-0.2	71.14	65.65
Dubai	61.59	63.21	1.62	2.6	68.81	65.13
Isthmus	62.95	63.58	0.63	1.0	68.58	64.92
LLS	61.29	62.69	1.40	2.3	70.01	64.46
Mars	59.45	62.12	2.67	4.5	66.46	63.02
Minas	59.83	61.56	1.73	2.9	65.82	60.77
Urals	62.47	63.73	1.26	2.0	69.63	65.81
WTI	54.68	57.51	2.83	5.2	66.31	57.41
Differentials						
Brent/WTI	9.35	6.40	-2.95	-	4.83	8.25
Brent/LLS	2.74	1.22	-1.52	-	1.13	1.20
Brent/Dubai	2.44	0.70	-1.74	-	2.33	0.52

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

Light sweet crude **ORB components from West and North Africa** – including Bonny Light, Djeno, Es Sider, Girassol, Rabi Light, Sahara Blend and Zafiro – declined slightly by 9¢ on average, or 0.1%, m-o-m to $64.18/b in July, following the Dated Brent trend. Light sweet crude differentials, particularly in the West African, North Sea and Mediterranean markets, were under pressure from high availability of unsold cargoes of end-July and August loadings amid slower demand from Asian refiners and the closure of the Philadelphia Energy Solutions refinery, the largest refinery on the US Atlantic Coast. Nonetheless, West African crude values recovered in late July on increasing rising Asian demand, particularly from independent Chinese refiners.

Latin American ORB grades – Venezuela's Merey and Ecuador's Oriente – rose significantly in July, recording the best performance among the ORB components. Merey and Oriente rose m-o-m to $61.84/b and $61.46/b, respectively, increasing $7.86, or 14.6% and $2.89, or 4.9%.Their performance was supported by a tightening sour crude market in the Atlantic Basin and on the USGC after the Hurricane Barry caused the shutdown of several offshore production sites in the US Gulf of Mexico, which further reduced the availability of sour crude in the region. Meanwhile, the lower supply of sour crude from Latin America and the Middle East due to geopolitical tensions, and reduced Russian Urals supplies continued to support the sour market.

The value of **multiregional destination grades**, including Arab Light, Basrah Light, Iran Heavy and Kuwait Export, rose by $1.98, or 3.2%, m-o-m to $64.39/b. Middle East crude values increased on average in July, supported by healthy demand from Asia and a tight medium sour market. Asian oil demand surged on rising refining margins, particularly for heavy distillates, with Asian high sulphur fuel oil priced at a premium to the Dubai benchmark. However, the Brent/Dubai Exchange of Futures for Swaps spread (EFS) narrowed significantly in July compared to June, which somewhat dampened the competitiveness of Dubai-linked crudes compared to Atlantic Basin grades.

Middle Eastern spot component Murban edged higher on average in July to $64.86/b, a rise of $2.11 m-o-m, or 3.4%. Murban spot value was supported by strong Chinese demand for the grade amid robust Asian refining margins.

On 15 August, the ORB stood at $58.87/b, $5.84 below the July average.

The oil futures market

Crude oil futures prices rose slightly in July from the lower levels registered in June, as tightening oil supply and risks of oil supply disruptions related to escalating geopolitical tensions in the Middle East offset bearish sentiment and concerns about softening global oil demand this year. On a monthly average, both ICE Brent and NYMEX WTI rose, with ICE Brent up $1.18, or 2.0% to $64.21/b, recording the weakest performance among the benchmarks, while NYMEX rose the most by $2.84, or 5.2%, to $57.55/b.

Earlier in the month, the positive outcome of the meeting of OPEC and non-OPEC countries participating in the Declaration of Cooperation left oil prices little changed. Oil prices also shrugged off results of the G20 meetings in late June that offered a truce in the trade dispute between the US and China. Market participants remained focused on concerns about additional downward revisions for global oil demand growth by most forecasting agencies, and disappointing macroeconomic data that showed weaknesses in the manufacturing sectors of China, the US and major economies in Europe.

Nonetheless, oil prices rose again in mid-July, mainly supported by renewed geopolitical tensions in the Middle East and the shutdown of up to two-thirds of crude oil production in the US Gulf of Mexico due to Hurricane Barry. Oil prices were also supported by declining crude oil stocks, particularly in the US, that fell for seven consecutive weeks, or about a sizeable 49 mb. Oil prices steadied towards the end of the month on the fading impact and limited damage of Hurricane Barry on oil infrastructure, as well as demand worries after the International Monetary Fund (IMF) once again revised down its forecast for global economic growth for 2019 and 2020 by 0.1%.

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

			Change		Year-to-date	
	Jun 19	Jul 19	Jul/Jun	%	2018	2019
NYMEX WTI	54.71	57.55	2.84	5.2	66.20	57.46
ICE Brent	63.04	64.21	1.18	1.9	71.72	65.87
DME Oman	61.85	63.67	1.83	3.0	69.05	65.45
Transatlantic spread (ICE Brent-NYMEX WTI)	*8.33*	*6.67*	*-1.66*	*-20.0*	*5.52*	*8.41*

Note: Totals may not add up due to independent rounding.
Sources: CME Group, Dubai Mercantile Exchange, Intercontinental Exchange and OPEC Secretariat.

In July, **ICE Brent** was on average $1.18, or 1.9%, m-o-m higher at $64.21/b, while **NYMEX WTI** rose m-o-m by $2.84, or 5.2%, to average $57.55/b. Y-t-d, ICE Brent was $5.85, or 8.2%, y-o-y lower at $65.87/b, while NYMEX WTI declined by $8.74, or 13.2%, y-o-y to $57.46/b, compared to the same period a year earlier.

DME Oman crude oil futures also increased m-o-m by $1.83 in July, or 3.0% over the previous month, to settle at $63.67/b. Y-t-d, DME Oman was down by $3.60, or 5.2%, at $65.45/b, compared to the same period a year earlier.

On 15 August, ICE Brent stood at $58.23/b and NYMEX WTI at $54.47/b.

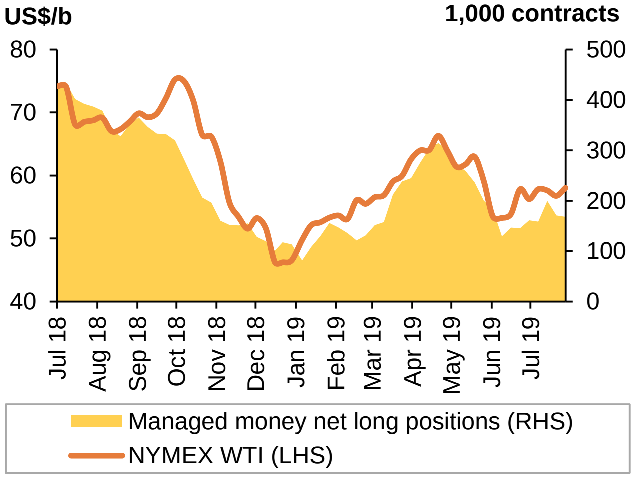
Hedge funds and other money managers raised their bullish positions on crude oil in July, and net long positions ended the month slightly higher compared to the low levels recorded in late June. Speculators increased their wagers on rising crude oil prices amid escalating geopolitical tensions in the Middle East and higher risks of supply disruptions. In the week of 16 July, hedge funds and other money managers were net buyers of more than 77,000 contracts of ICE Brent and NYMEX WTI futures and options contracts, showing the largest weekly build since August 2018. However, net long positions declined slightly in the week of 30 July as speculators remained cautious amid signs of slowing oil demand and ongoing trade tensions between the US and China.

Hedge funds and money managers raised their bullish wagers on US WTI crude to end the month at 250,432 contracts, or a rise of 18.0% compared to the beginning of the month.

During the same period, gross short positions rose by 29,853 contracts or 57.0%, to 82,317 contracts.

Speculator groups increased their net long positions in futures and options in the **NYMEX WTI** by 6,898 contracts, or 4.3%, to 168,115 contracts for the week ending 30 July, according to US Commodity Futures Trading Commission (CFTC).

Graph 1 - 2: NYMEX WTI vs. managed money net long positions



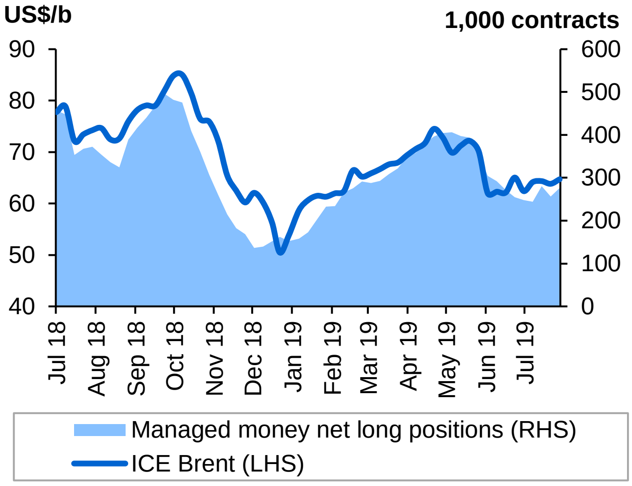
Sources: CFTC, CME Group and OPEC Secretariat.

Hedge funds and other money managers increased their futures and options net long positions linked to **ICE Brent**, by 28,334 contracts, or 11.4%, to 276,340 contracts for the week ending 30 July, according to the ICE Exchange.

The **long-to-short ratio** in ICE Brent speculative positions rose slightly to 5:1 in late July, compared with about 4:1 at the beginning of the month. The NYMEX WTI long-to-short ratio dropped to 3:1 for the week ending 30 July, from around 4:1 at the beginning of the month.

The **total futures and options open interest volume** in the two exchanges fell by 166,635 contracts from the beginning of the month to stand at 5.6 million contracts in the week ending 30 July.

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



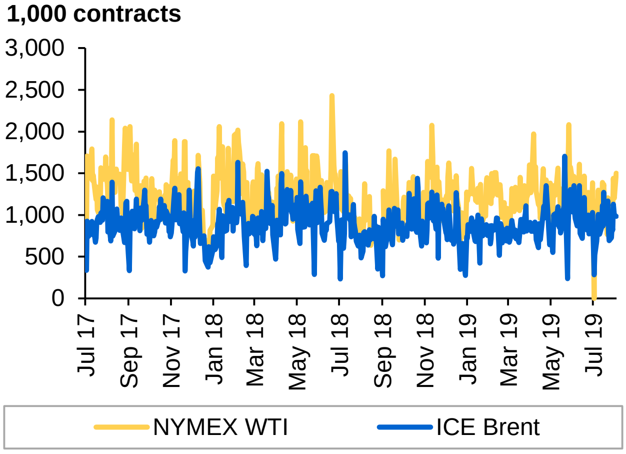
Sources: Intercontinental Exchange and OPEC Secretariat.

The **daily average traded volume** for NYMEX WTI contracts fell by 135,933 lots, or 11.6%, in July to 1,035,771 contracts. The daily average traded volume for ICE Brent declined by 120,935 contracts, or 12.5%, to 849,676 lots.

The **daily aggregate traded volume** for both crude oil futures markets decreased by 256,869 contracts m-o-m to stand at 1.9 million futures contracts, or about 1.9 billion b/d of crude oil.

The **total traded volume** for NYMEX WTI was lower again in July at 22.8 million contracts, or 2.8%, while that of ICE Brent was 0.7% higher at 19.5 million contracts. Traded volume was low in July compared to previous months, reflecting traders' caution amid high uncertainty about global oil demand and supply growth this year.

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



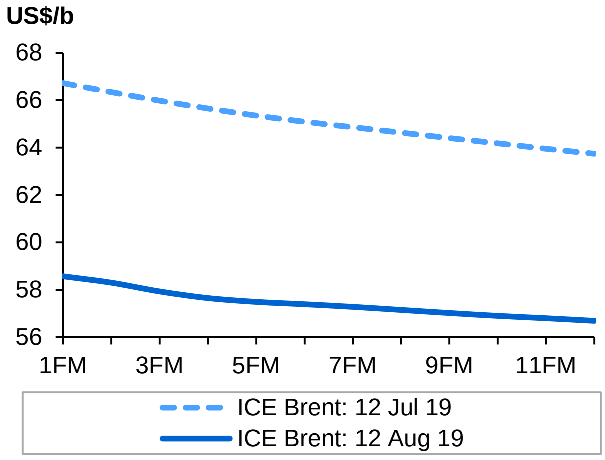
Sources: CME Group, Intercontinental Exchange and OPEC Secretariat.

The futures market structure

The **backwardation** in Brent **price structure** flattened significantly in July, mainly in the prompt prices, due to the high volume of unsold barrels in the Atlantic Basin and softer crude demand in the first half of the month. The closure of the Philadelphia Energy Solutions refinery on the US East Coast and planned refinery maintenance in Europe contributed to lower crude demand. Meanwhile, the contango structure of WTI flattened slightly on a sizeable decline in US crude oil stocks.

The **Brent** forward curve remained in backwardation in July, but flattened significantly in the front, where the ICE Brent first-to-third month spread narrowed 81¢ to 60¢/b on average, compared to $1.40/b in June. Prompt prices were under pressure from a rising number of unsold cargoes in the West African and North Sea markets and softening Asian demand in the first half of July. Signs of weakening global economic activity and renewed worries about oil demand growth for this year further undermined prompt prices. However, the ICE Brent forward structure remains in substantial backwardation in the back end of the curve, from the second front month onwards, as high conformity levels of production adjustments by OPEC and participating non-OPEC countries continue to contribute to the rebalancing of the oil market.

Graph 1 - 5: ICE Brent forward curves

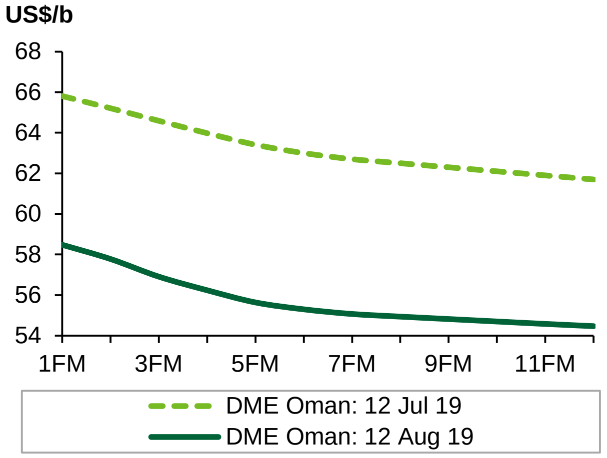


Note: FM = future month.
Sources: Intercontinental Exchange and OPEC Secretariat.

The forward structure of **DME Oman** remained in steep backwardation as prompt prices were supported by healthy Asian demand and lower supplies from the Middle East. Prices of Middle Eastern grades were further supported by tighter heavy and medium sour crude markets amid lower supply and exports from the Middle East and Latin America due to geopolitical tensions. Prices also got a lift from Hurricane Barry, which shut down production of several offshore oil platforms in the US Gulf of Mexico.

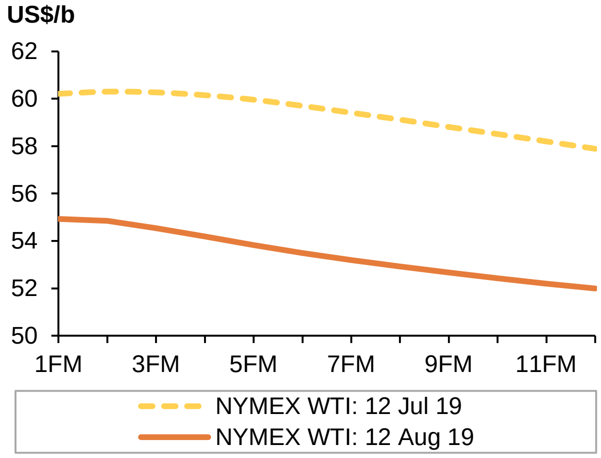
The contango structure in **NYMEX WTI** flattened slightly in the front with prompt prices partly supported by the significant decline in US crude oil stocks in July and lower production in the US Gulf of Mexico resulting from Hurricane Barry. On a monthly average, the first to third spread of NYMEX WTI narrowed 12¢ to 9¢/b. However, the WTI price structure remains in backwardation from the third month onwards and through to next year.

Graph 1 - 6: DME Oman forward curves



Note: FM = future month.
Sources: Dubai Mercantile Exchange and OPEC Secretariat.

Graph 1 - 7: NYMEX WTI forward curves



Note: FM = future month.
Sources: CME Group and OPEC Secretariat.

Regarding the **M1/M3 structure**, the North Sea Brent M1/M3 backwardation narrowed to 54¢/b in July, a decline of $1.20. The DME Oman M1 premium to M3 decreased to plus $1.25/b in July, down by 67¢ on a monthly average. In the US, the WTI contango narrowed to 11¢/b, with the M1-M3 spread falling by 15¢.

The **spread between the ICE Brent and NYMEX WTI** benchmarks narrowed further in July as the NYMEX WTI price rose more than ICE Brent. The Brent/WTI futures spread fell $1.66 in July to average at $6.67/b while NYMEX WTI was supported by declining US crude oil stocks that fell for seven consecutive weeks, or a hefty 49 mb. Lower production in the Gulf of Mexico and sustained demand for US crude oil exports also supported the WTI price.

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

		1FM	2FM	3FM	6FM	12FM	12FM-1FM
NYMEX WTI	12 Jul 19	60.21	60.30	60.27	59.70	57.89	-2.32
	12 Aug 19	54.93	54.85	54.54	53.49	52.00	-2.93
	Change	**-5.28**	**-5.45**	**-5.73**	**-6.21**	**-5.89**	**-0.61**
ICE Brent	12 Jul 19	66.72	66.34	65.98	65.09	63.74	-2.98
	12 Aug 19	58.57	58.30	57.93	57.39	56.69	-1.88
	Change	**-8.15**	**-8.04**	**-8.05**	**-7.70**	**-7.05**	**1.10**
DME Oman	12 Jul 19	65.81	65.21	64.59	63.00	61.70	-4.11
	12 Aug 19	58.48	57.78	56.91	55.30	54.47	-4.01
	Change	**-7.33**	**-7.43**	**-7.68**	**-7.70**	**-7.23**	**0.10**

Note: FM = future month.
Sources: CME Group, Dubai Mercantile Exchange, Intercontinental Exchange and OPEC Secretariat.

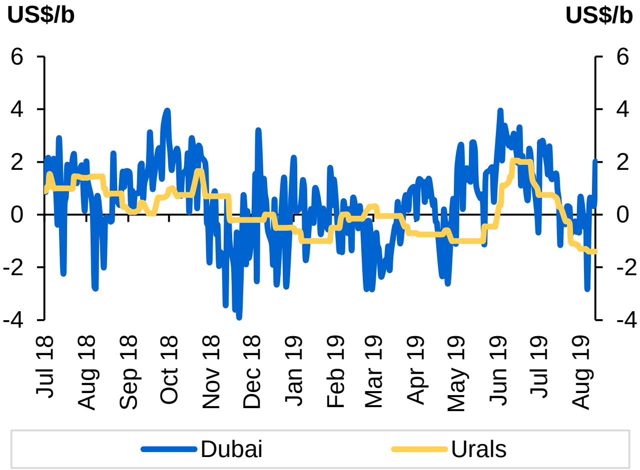
The light sweet/medium sour crude spread

The premium of light sweet to medium sour crudes narrowed significantly in July in all regions amid a tightening of the global sour market fuelled by planned and unplanned outages. The sour market tightened further on the US Gulf Coast after Hurricane Barry forced the shutdown of up to two-thirds of US Gulf of Mexico production. Sour grades were also supported by higher fuel oil margins.

In **Europe**, the light sweet North Sea Brent premium to Urals medium sour crude fell further in July, supported by lower Urals availability for August loading amid lower supply from the Middle East and Latin America due to geopolitical tensions. Recovering refining margins for heavy distillates and the return of refineries from maintenance in Russia added support to Urals value. Lower sour crude grades' supply on the USGC added support. On a monthly average, the Brent/Urals premium fell $1.38 to minus 18¢/b, in July.

The sweet/sour spread also narrowed in **Asia** on a tight sour crude market and strong Asian demand, particularly from China. Rising fuel oil margins in Asia also supported sour grades. Nonetheless, lower EFS Dubai value in July limited the competitiveness of Dubai-linked grades.

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



Sources: Argus Media, OPEC Secretariat and Platts.

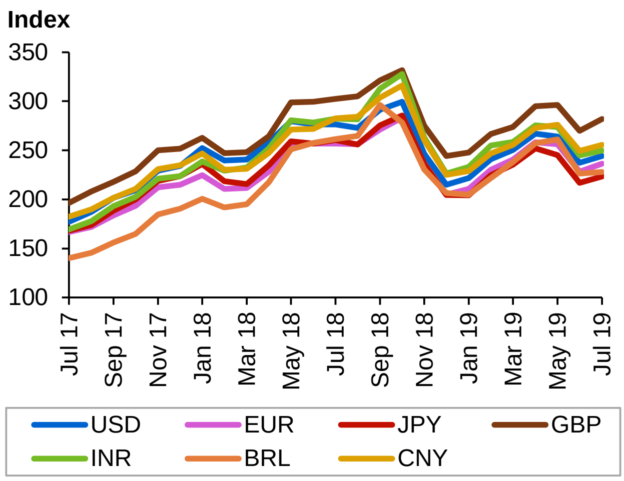
Similarly, on the **USGC**, the Light Louisiana Sweet (LLS) premium over Mars crude narrowed further in July by $1.27, on a monthly average, to 57¢/b, supported by reduced sour crude supply from Latin America and a tight sour crude market globally. The Mars crude differential was also supported by favourable arbitrage economics for exports, and strengthened further on lower supply due to the weather-related production shutdown in the US Gulf of Mexico.

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

The **USD** had a mixed performance in July, advancing against major currencies but generally declining against those in emerging markets. The US Federal Reserve cut interest rates at the end of the month, a move that was anticipated, providing relief to emerging market economies. Indeed, many emerging market central banks have cut their policy interest rates during the last few months.

Against the **major currencies**, the euro against the USD advanced on average by 0.7% m-o-m with the European Central Bank opening the door to further easing at its upcoming meetings, as the Euro-zone economy slowed in 2Q19 and Brexit uncertainties loomed. Against the Swiss franc the dollar advanced by 0.2% m-o-m. Against the Japanese yen the dollar advanced by 0.2% m-o-m, with the Bank of Japan refraining from interest rate cuts but emphasizing its willingness to further ease monetary policy should inflation momentum fade. However, the Japanese yen has appreciated around 2% on safe haven demand since the intensification of trade disputes. Meanwhile the USD rose by 1.7% against the pound sterling on concerns of rising probabilities of a no-deal Brexit following the leadership change in the UK.

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



Sources: IMF and OPEC Secretariat.

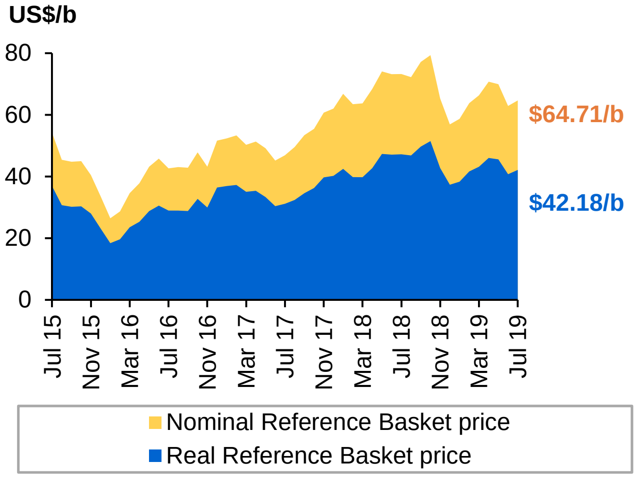
With regard to the **emerging market currencies**, on average, the USD declined by 0.1% m-o-m against the Chinese yuan, but it has recently appreciated by around 2% after the People's Bank of China let the yuan depreciate following the US announcement of additional tariffs on Chinese imports. Against the Indian rupee, the dollar decreased by 0.9%, despite interest rate cuts by the Reserve Bank of India; however, the dollar advanced by around 2% against the rupee after a larger than expected cut by the RBI at the beginning of August and the intensification of the trade dispute. Against the Brazilian real, the USD decreased by 2.1%, as the Brazilian government's pension reform package advanced in the country's legislature. But those gains have also recently been reversed amid financial market turmoil due to the escalation of the trade disputes, and to some extent a larger than expected interest rate cut from the central bank. Against the Russian ruble, the dollar decreased by 2.1%, though the gains were reversed after a sharp drop in crude oil prices during the last few weeks as a result of the increasing trade tensions. The USD fell by 2.4% and 2.9% respectively against the currencies of both Turkey and Argentina. However, in recent days, the dollar appreciated against the Argentinian peso by around 30%, due to ongoing domestic developments in Argentina.

In **nominal terms**, the price of the ORB increased by $1.79, or 2.8%, from $62.92/b in June to $64.71/b in July.

In **real terms**, after accounting for inflation and currency fluctuations, the ORB increased to $42.18/b in July from a revised $40.78/b (base June 2001=100) in the previous month.

Over the same period, the **USD** advanced by 0.6% against the import-weighted modified Geneva I + USD basket, while inflation was relatively stable m-o-m.

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



Source: OPEC Secretariat.

Commodity Markets

***Energy commodities** experienced mixed movements with some recovery in oil prices, while natural gas prices declined in the US but recovered some ground in Europe. Coal prices, meanwhile, declined in Australia but increased in South Africa.*

*In the group of **non-energy commodities**, base metals recovered after three months of declines on improving industrial production numbers from China and supply disruptions. Among precious metals, gold increased on the expectation of interest rate cuts by the US Federal Reserve.*

Commodities generally fell after the re-intensification of trade disputes between China and the US, with declines among all major commodity groups with the exception of precious metals.

Trends in selected commodity markets

The **energy price index** increased by around 2.4% m-o-m in July and was down on average by 10.1% y-t-d compared to the same period last year. The non-energy index was down by 0.2% m-o-m, as a result of decreases in agricultural commodities, while base metals increased. The non-energy index is down by 6.3% y-t-d compared to last year.

Table 2 - 1: Commodity prices

Commodity	Unit	Monthly averages			% Change	Year-to-date	
		May 19	Jun 19	Jul 19	Jul 19/Jun 19	2018	2019
Energy*		**81.8**	**73.1**	**74.8**	**2.4**	**86.7**	**77.9**
Coal, Australia	US$/mt	82.3	72.5	72.1	-0.6	106.0	85.8
Crude oil, average	US$/b	66.8	59.8	61.5	2.9	68.7	62.6
Natural gas, US	US$/mbtu	2.6	2.4	2.4	-1.5	2.9	2.7
Natural gas, Europe	US$/mbtu	4.3	3.6	3.6	0.9	7.1	5.0
Non-energy*		**81.2**	**82.9**	**82.8**	**-0.2**	**87.8**	**82.2**
Base metal*		**81.0**	**79.4**	**80.7**	**1.6**	**94.9**	**82.7**
Precious metals*		**97.0**	**102.1**	**106.3**	**4.1**	**100.4**	**100.1**

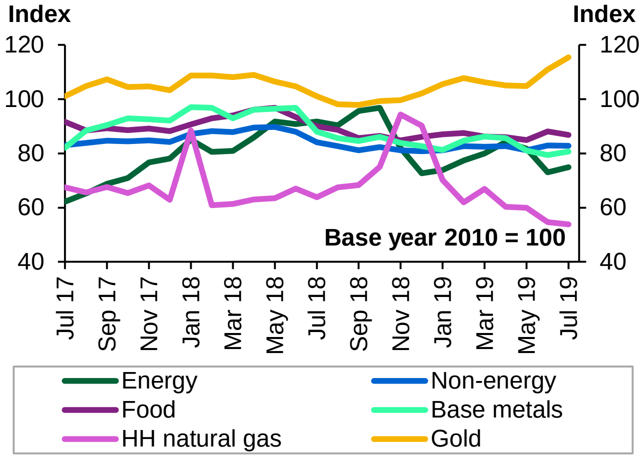
*Note: * World Bank commodity price indices (2010 = 100).*
Sources: World Bank, Commodity price data; OPEC Secretariat.

In July, the **Henry Hub natural gas index** decreased on average by 1.5% to $2.36/mmbtu. Prices were supported at the beginning of the month by higher than average temperatures - and to a minor extent to some small supply disruption in the Gulf of Mexico due to the impact of Hurricane Barry. These factors temporally slowed down the brisk replenishment of inventories observed this year. However, the inventories deficit to the previous five-year average shrank further during the month and prices resumed their weakening path. According to the US Energy Information Administration (EIA), utilities added 65 bcf to working gas underground storage during the week ending 26 July. The build left total working gas in underground storage at 2,634 bcf, which was 4.5% lower than the previous five-year average. By the last week of June, inventories were 6.0% below the latest five-year average, while four months ago they were at 30.9% below that average.

Natural gas prices in Europe recovered slightly with the **Title Transfer Facility price** increasing by 0.9% to $3.62/mmbtu in July. Prices strengthened mainly as a result of outages at some Norwegian gas facilities as and higher carbon prices which reached close to 30€/MT. However, the spike was short-lived as inventories continued to fill up to healthy levels, and market attention turned to the dynamics of near full inventories in the following months. Natural gas inventories for EU Member States were around 73% of capacity at the end of July, the same as at the end of June. Last year, inventories were 61% of capacity at the end of June, according to Gas Infrastructure Europe.

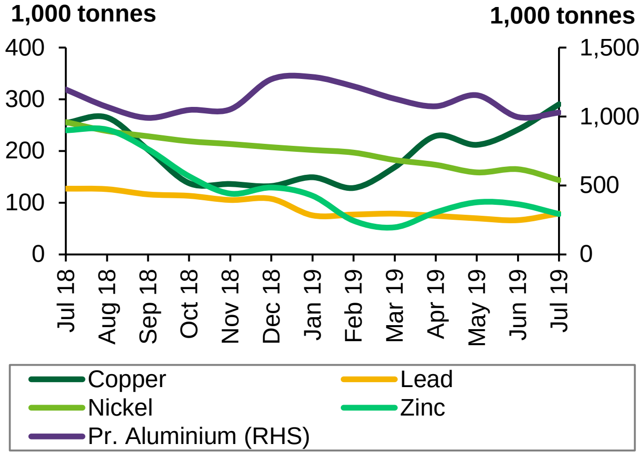
Australian thermal coal prices decreased slightly in July by 0.6% m-o-m to an average of $72.1/mt, with muted power demand so far this year as a result of mild weather and slowing economic growth in Asia. Indeed, in main consumer China, thermal power generation was relatively flat y-o-y in June, as has been the case for the first half of the year. This year's 3.3% y-o-y increase in electricity generation has been covered by renewables and other sources. Meanwhile, Chinese coal output increased significantly in June by 10.4% y-o-y and by 2.6% y-o-y in the first half of 2019. The most recent trade data showed that Chinese coal imports rose by by 27.1% m-o-m in July, and by 29.0% y-o-y. In the January-July period imports rose by 7.0% y-o-y in the January-July period.

Graph 2 - 1: Major commodity price indices



Sources: World Bank, Commodity price data; S&P Goldman Sachs; Haver Analytics and OPEC Secretariat.

Graph 2 - 2: Inventories at the LME



Sources: LME, Thomson Reuters and OPEC Secretariat.

The **base metal price index** advanced on average by 1.6% m-o-m in July amid a stronger-than-expected performance of the Chinese industrial activity in June, fears of supply disruption in South America, and the expectation of a looser monetary policy by the US Federal Reserve. However, the latest manufacturing surveys signalled a contraction in the activity for the third consecutive month. Indeed, the JP Morgan global manufacturing PMI declined to 49.3 in July from a final reading of 49.4 in June. Furthermore, the reintisification of the trade disputes between the US and China at the end of the month resulted in a sharp drop across metal with the exception of nickel.

Copper prices advanced by 1.0% m-o-m in July, buoyed by the aforementioned recovery in industrial production of China, the prospects of a more accommodative monetary policy by the US Federal Reserve, and the strike in southern Peru that has restricted copper exports. The International Copper Study estimates that in the January-April period their refined balance, adjusted for unreported Chinese inventories, showed a deficit of 15,000 tonnes, versus a surplus for the 1Q19 in its previous report. However, inventories on the London Metal Exchange rose further to around 290,500 tonnes form 241,000 tonnes the previous month, casting doubt on any potential strengthening of demand. Prices fell around 7% after the re-intensification of the trade dispute between US and China.

Iron ore prices increased by 10.4% in July, fostered due to supply disruptions from Brazilian Vale's reduced output after the Brumadinho Dam accident and by weather-related disruptions to Australian supplies. However, prices have fallen by around 23% after the recent trade dispute escalation and also were weakened by a surge in exports from Brazil after the resumption of the operation in one of its largest mines. Meanwhile, Chinese import data shows that iron ore imports surged by 21% in July. In the Jan-July period imports are down by 4.9% compared to last year.

In the group of **precious metals**, the index advanced by 4.1%, with gold, silver and platinum up by 4.0%, 5.0% and 4.4%, respectively. Prices were supported by the expectation of a more accommodative monetary policy by the US Federal Reserve, in view of slowing growth and trade-related uncertainties.

Investment flows into commodities

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

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

	Open interest		*Net length*			
	Jun 19	Jul 19	Jun 19	% OI	Jul 19	% OI
Crude oil	2,036	2,049	151	7	186	9
Natural gas	1,318	1,313	-127	-10	-175	-13
Precious metals	748	826	138	18	220	27
Copper	273	264	-45	-16	-43	-16
Total	**4,376**	**4,452**	**71**	**7**	**194**	**12**

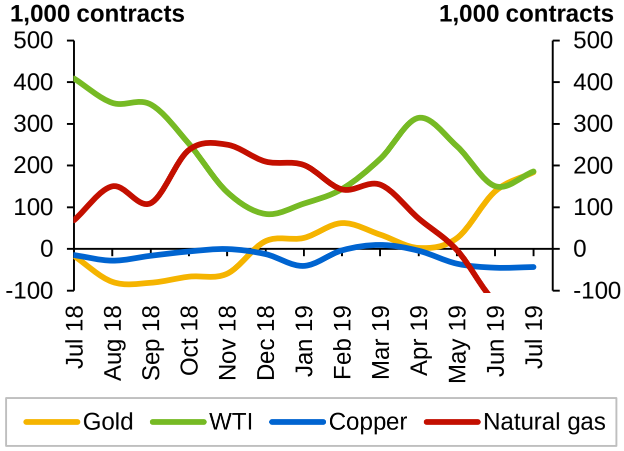
Note: Data on this table is based on monthly average.
Sources: CFTC and OPEC Secretariat.

Henry Hub's natural gas OI decreased in July by 0.4%, while money managers added to their net short position to reach 174,888 contracts from 127,467 contracts the previous month as inventories continued to replenish to comfortable levels in spite of warmer than average weather and supply disruptions in the Gulf of Mexico.

Copper's OI decreased in July by 3.3%. Money managers decreased their net short position slightly to 43,264 contracts from an average net short position of 44,914 contracts the previous month.

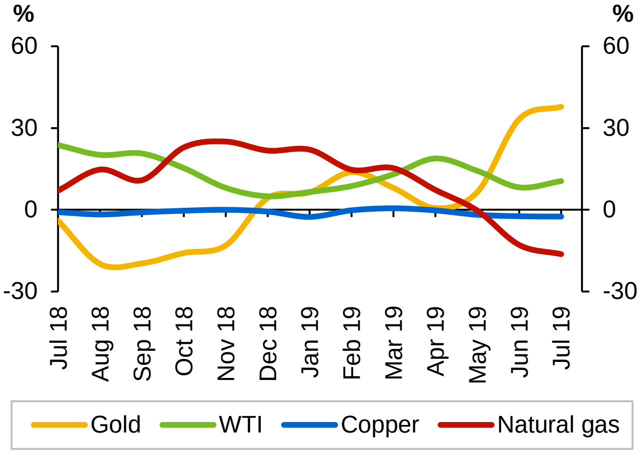
Precious metals' OI increased by 10.4%. Money managers' net long position rose by 59% to 220,015 contracts from 138,395 contracts the previous supported by the expectation of for lower interest rates in the US.

Graph 2 - 3: Money managers' activity in key commodities, net length



Note: Data on this graph is based on monthly average.
Sources: CFTC and OPEC Secretariat.

Graph 2 - 4: Money managers' activity in key commodities, as % of open interest



Note: Data on this graph is based on monthly average.
Sources: CFTC and OPEC Secretariat.

World Economy

Global economic growth for 2019 was revised down to 3.1% *from 3.2%. The 2020 GDP growth forecast remains unchanged at 3.2%, but the risk to global economic growth remains skewed to the downside. Especially trade-related developments will need to be thoroughly reviewed in the coming weeks with some likelihood of a further downward revision in September. Moreover, a stable commodities market, especially crude-oil market, will be important to economic growth.*

Considering the ongoing challenges in several ***OECD economies****, including the deceleration in the US, the 2019 OECD growth was revised down to 1.6%, compared to 1.7% in the previous month. Growth of the same magnitude is projected for 2020. The 2019 US economic growth forecast was revised down to 2.4% from 2.6%, after significant data revision in the national accounts in July. 2020 US growth is forecast reaching 2.0%, unchanged from the previous month. Euro-zone growth remains unchanged at 1.2% for both 2019 and 2020. Japan's low growth of 0.5% in 2019 is forecast to continue at the same level in 2020, also unchanged from the previous month. Given the ongoing Brexit-related uncertainties in the UK, investment is forecast to continue slowing, leading to a 2019 growth downward revision to 1.3% from 1.4%, followed by 1.4% in 2020. Another important revision was made to Mexico's growth due to a considerably weakening 1H19, now standing at 0.8% 2019 growth and 1.4% 2020 growth, compared to the past month's forecast of 1.4% and 1.5% respectively.*

In the ***emerging economies****, China's 2019 growth forecast remains at 6.2%. As the economy is expected to further slow, 2020 growth is forecast at 6.0%, but the outcome of trade-related negotiations may alter these forecasts. India's growth forecast remains at 6.8% for 2019, and is anticipated to pick up again in 2020 to 7.0%, depending on further reforms. Brazil's 2019 growth forecast remains at 0.9%, followed by projected growth of 1.7% in 2020. Further upside may come from the outcome of the ongoing structural reforms agenda. Russia's growth forecast for 2019 was revised down to 1.3%, compared to 1.4% in the previous month, followed by projected growth of 1.4% in 2020, which is subject not only to commodity prices, but also to political developments.*

Growth risks *pertain not only to trade issues, but also to Brexit developments and the ongoing slowdown in global manufacturing activity and lately also to the deceleration in the OECD's services sector. Moreover, challenges in Argentina and other emerging and developing economies and high debt levels in several important economies, including OECD, pose additional risks.*

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

	World	OECD	US	Japan	Euro-zone	UK	China	India	Brazil	Russia
2019	**3.1**	**1.6**	**2.4**	**0.5**	**1.2**	**1.3**	**6.2**	**6.8**	**0.9**	**1.3**
Change from previous month	-0.1	-0.1	-0.2	0.0	0.0	-0.1	0.0	0.0	0.0	-0.1
2020	**3.2**	**1.6**	**2.0**	**0.5**	**1.2**	**1.4**	**6.0**	**7.0**	**1.7**	**1.4**
Change from previous month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

OECD

OECD Americas

US

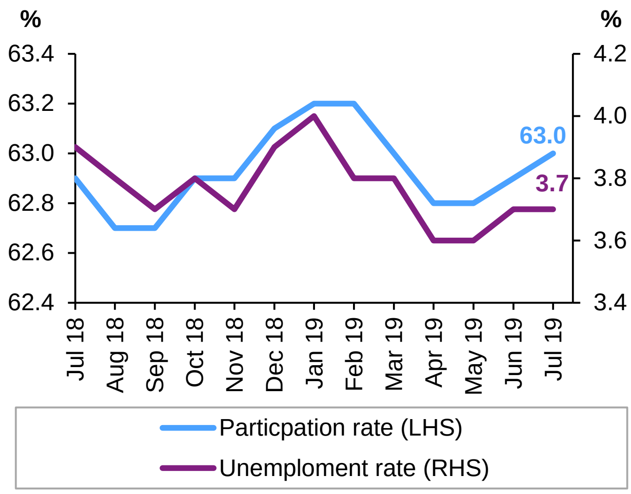
US 2Q19 growth was reported at 2.1% q-o-q seasonally-adjusted annualized rate (SAAR) in the final estimate of the Bureau of Economic Analysis. This compares to 3.1% q-o-q SAAR in 1Q19 and 1.1% q-o-q SAAR in 4Q19. As the statistical office pursued its usual data revision in July, some important changes were made in the history data. Especially the 4Q18 GDP growth was revised down considerably, to now stand at only 1.1% q-o-q SAAR, compared to the previous number of 2.2% q-o-q SAAR. The revised data also shows that personal consumption expenditures were rather low in 4Q18 and 1Q19, expanding by a mere 1.3% q-o-q and 1.4% q-o-q respectively, while recovering in 2Q19, growing by 4.3% q-o-q. As consumption is the main driver in US growth, it remains to be seen how it will develop in 2H19. When considering the latest consumer sentiment indices and labour market developments, it is forecast that consumption will hold up relatively well, expanding by more than 2% in the 2H19, supporting the growth momentum, albeit at a slower pace than in 2018, when it grew by 3.0%. Importantly, growth was negatively impacted by a drag in investments, which declined by 5.5% q-o-q SAAR, the possible outcome of the ongoing domestic and external political uncertainties as well as the tapering off of the fiscal stimulus package. While this trend will lead to also lower GDP growth in 2H19, growth will remain well supported by consumption. This will also be fuelled by an again more accommodative monetary policy, after the Fed cut its key-interest rate by 25 bp in its most recent meeting at the end of July and as it is expected to do so once again before the end of the year.

Trade-related issues will continue to constitute a very important aspect for the US growth forecast going forward. The Secretariat estimate that while the impact of a further trade-related escalation with China will be limited in 2019, it will be of a larger size in 2020. The estimated negative impact of a further trade-related escalation with China will negatively impact US GDP growth by around 0.1 percentage points in 2019 and by around 0.4 percentage points in 2020. A further escalation of trade-related issues with the EU or tariffs on cars and car parts will further drag down short-term economic growth. Positively, the US and China have agreed to resume trade negotiations and to postpone additional tariffs on consumer goods until 15 December. However, it remains to be seen whether negotiations will lead to a positive outcome as otherwise the suggested tariffs of 10% will be applied to the remaining $300 billion of imports from China that have so far not been affected. In addition to trade issues, ongoing domestic political uncertainties and the fading effects of fiscal stimulus accentuate the downside risk for US economic growth. Importantly, limited capacity for improvement in the labour market – given a multi-decade low unemployment rate – is also providing less room to the upside.

The **labour market** remained sound in July, with the unemployment rate to remain at 3.7%. **Non-farm payrolls** in July increased by 164.000, after downwardly revised 193,000 job additions were seen in June. Positively, growth in average hourly earnings for the private sector increased to 3.2% y-o-y and hence remained above or close at 3% for the 12th consecutive month. Long-term unemployment declined to the lowest level since the onset of the financial crisis in 2009 to stand a 19.2%. Also the participation rate rose to 63.0%, after reaching 62.9% in June.

Considering the slow-down in the US economy, the ongoing low inflation level and the continued trade tensions it seems likely that the **US Federal Reserve** (the Fed) will lower interest rates one more time in 2019. In this respect, inflation will be especially closely monitored as a key element.

Graph 3 - 1: US monthly labour market

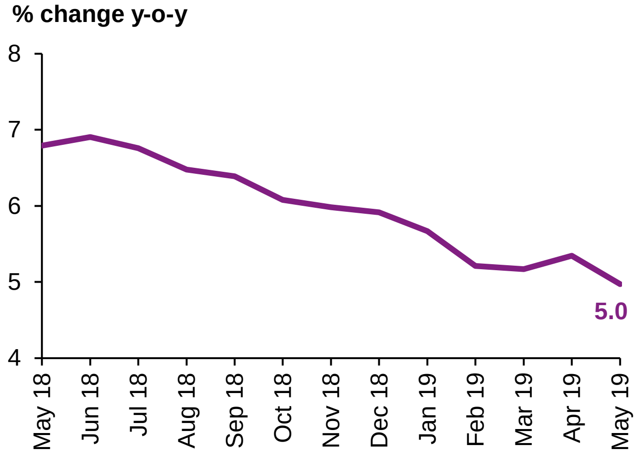


Sources: Bureau of Labor Statistics and Haver Analytics.

Overall **inflation** recovered from the low June level of 1.6% y-o-y to stand at 1.8% in July. On average y-t-d inflation therefore stood at 1.7% y-o-y, well below the level of 2.0% that the Fed wants to achieve. Core inflation – excluding volatile items such as food and energy – stood at 2.2% y-o-y in July, rising from 2.1% in June. The Fed's favoured inflation index, the personal consumption expenditure price index (PCE index), remained at 1.4% in June, the latest available month. This ongoing, relatively low inflation — in combination with softening underlying US growth — provides the Fed with more flexibility.

The critically important **housing sector** exhibited mixed developments in the sense that while price growth continued decelerating, home sales held up well. The S&P CoreLogic Case-Shiller Home Price Index Composite 20 for metropolitan areas retracted slightly. The May rise stood at 2.4% y-o-y, compared with 2.5% y-o-y in April. Also, the yearly change in the house pricing index of the Federal Housing Finance Agency (FHFA) declined to 5.0% y-o-y in May, following growth of 5.5% y-o-y in April. Existing home sales remained relatively strong in June, when they increased by 5.27 million at an annualised level, compared with 5.36 million in May. However, new home sales increased to 646,000 in June, after 604.000 in May.

Graph 3 - 2: US house prices

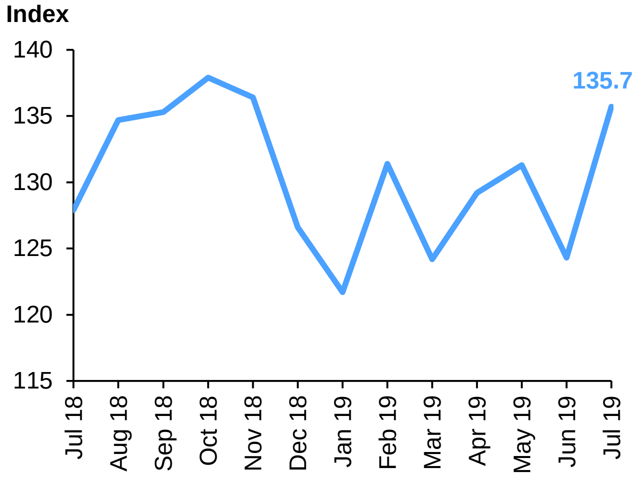


Sources: Federal Housing Finance Agency and Haver Analytics.

After some ups and downs in the past months, **consumer sentiment improved again**. The lead indicator, published by the Conference Board, increased in July, to now stand at 135.7, compared with 124.3 in June and 131.3 in May.

The trend in consumer sentiment was visible in **retail sales** growth as it improved as well in June, rising by 3.4% y-o-y, compared with 2.9% y-o-y in May. This is, however below the April and March levels, which both stood at 3.8%. The 2019 levels are also significantly lower than last year's high growth environment, when annual growth of retail sales stood at 4.9% y-o-y. It is expected that with limited room for improvements in the labour market, among other domestic challenges, this trend will continue.

Graph 3 - 3: US consumer confidence index

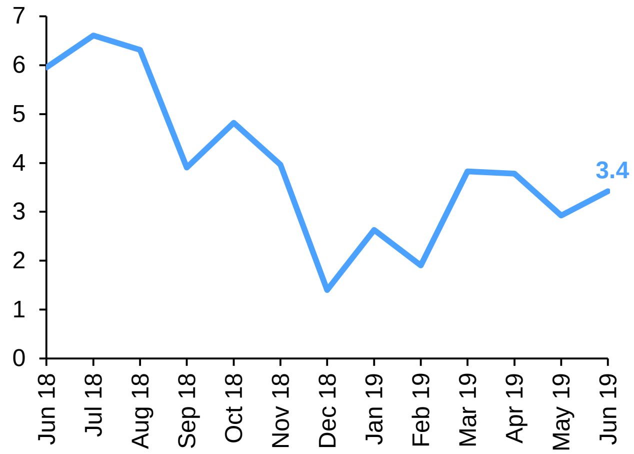


Sources: The Conference Board and Haver Analytics.

A low growth trend continued in **industrial production** growth. It rose by 1.3% y-o-y in June, compared to 2.1% y-o-y in May and only 0.9% y-o-y in April. This trend is clearly below the last one and a half years' averages, when growth stood between 3% and 5%.

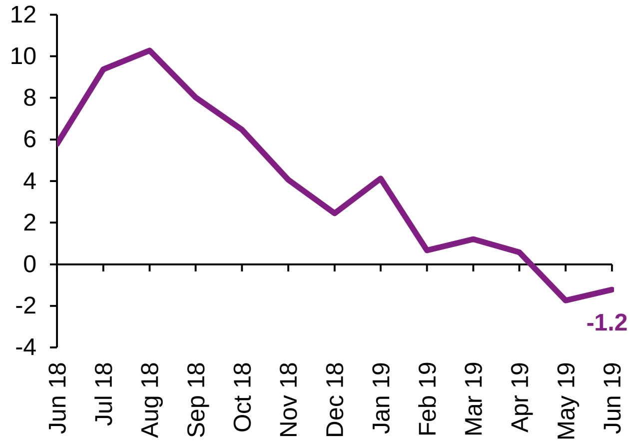
This slowdown in manufacturing output seems to be continuing, when considering **manufacturing orders**, a good lead indicator for future manufacturing activity. Manufacturing orders fell in June, declining by 1.2% y-o-y, compared with a decline of 1.7% y-o-y in May.

Graph 3 - 4: US retail sales



Sources: Census Bureau and Haver Analytics.

Graph 3 - 5: US manufacturing orders

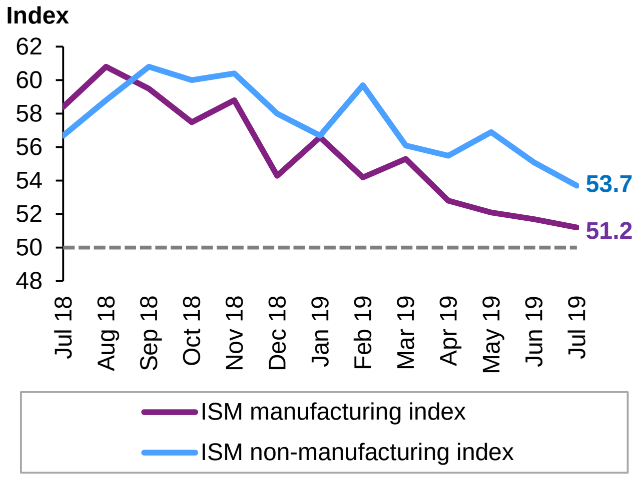


Sources: Census Bureau and Haver Analytics.

July's **Purchasing Managers' Index (PMI)**, as provided by the Institute of Supply Management (ISM) indicated an ongoing deceleration, in both the manufacturing and the services sector, while the services sector continued to perform relatively better.

The manufacturing PMI fell to stand at 51.2 in July, compared to 51.7 in June. The index for the services sector retracted to 53.7 in July, after reaching 55.1 in June. Importantly, the services sector index retracted for the second consecutive month and now stands at the lowest level since August 2016. Considering that it accounts for around 70% of the US economy, support from the services sector is vital for growth going forward. Now, weakness in both the manufacturing and the services sector will require close monitoring.

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



Sources: Institute for Supply Management and Haver Analytics.

Taking the latest data revision of the US statistical office into account and considering the especially weakening growth trend at the end of last year, the 2019 GDP growth forecast was revised down. **GDP growth** in 2019 is now forecast to reach 2.4%, compared to 2.6% in the previous month. A deceleration is forecast to continue in 2020 as the effects of the fiscal stimulus that was initiated to support growth in 2018 and 2019 are fading and the fiscal space has become more limited. Monetary policies are expected to remain relatively accommodative, but will not provide the same support as in past years, also due to their reduced effectiveness. Domestic policy issues will continue and underlying domestic demand is slowing. This leads to 2020 GDP growth of 2.0%, unchanged from the previous month. The risk to the forecast is skewed to the downside as many uncertainties remain, and trade-related issues, in particular, will require further monitoring.

Mexico

The **Mexican economy** continues to be impacted by the effects of a **slowdown** in domestic activity, a challenging external trade environment and falling commodity prices. 2Q19 GDP was reported at a much lower-than-expected 0.4% q-o-q SAAR, compared to only 0.7% q-o-q SAAR in 1Q19. The economic environment remains challenging for Mexico. The uncertainty in trade continues, the domestic trend of the Mexican economy shows a continued deceleration.

Industrial production continued to negatively impact the economy as declines in construction and mining compounded with sluggish manufacturing, showed a negative trend now for several months. The outlook for all sub-components of industrial production remains weak. Mining, which includes the oil sector, is also expected to be challenged by falling oil production and prices. Industrial production in June fell by 2.2% y-o-y, continuing a trend of monthly declines that started in October last year.

The latest **PMI** index for manufacturing also points to a sluggish trend in the sector. In July, the PMI recorded an index level of below the growth indicating level of 50, reaching a level of 49.8, following 49.2 in June.

Taking into consideration the 2Q19 GDP numbers and an ongoing challenging environment in 2019 for the Mexican economy, the **GDP growth forecast** for 2019 was revised down to stand at 0.8%, compared to 1.4% in the previous month. The growth forecast for 2020 was revised down as well to 1.4%, compared to 1.5% in the previous month.

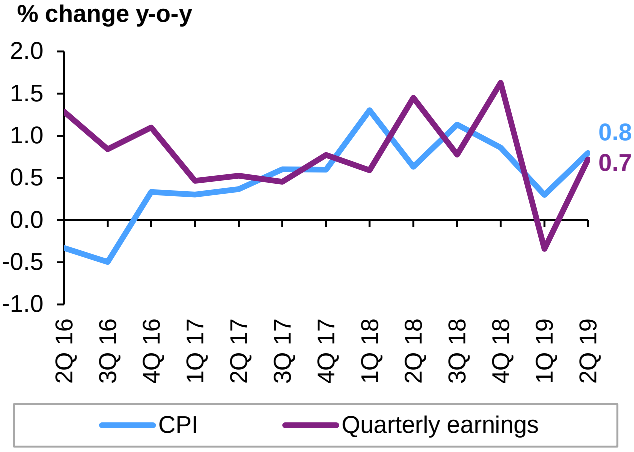
OECD Asia Pacific

Japan

The latest **release of Japan's GDP data** surprised to the upside. After the 1Q19 growth was initially estimated to have stood at 2.2% q-o-q SAAR, it was revised up to 2.8% q-o-q SAAR. Moreover, 2Q19 GDP stood at a much better-than-expected 1.8% q-o-q SAAR. As data from the Cabinet Office changes often, the data will need to be reviewed and will probably be again revised in the next release, but for the time being, it seems that the underlying growth reflected in monthly data releases of exports, industrial production and retail sales, among others, seems to be less buoyant than is reflected in the quarterly GDP numbers. It is also important to highlight that the high GDP growth numbers in both 1Q19 and 2Q19 were distorted by the trade components. Exports declined considerably in both quarters, impacted by the ongoing trade disputes between the US and its trade counterparts, particularly China. Exports, as recorded in the national accounts, declined by 2.1% q-o-q SAAR in 1Q19 and by 2.9% q-o-q SAAR in 2Q19. Imports declined as well, but at a lower level, by 1.1% y-o-y in 1Q19 and by 0.3% in 2Q19. While private consumption has already improved in 2Q19, also in anticipation of the envisaged 4Q19 sales tax increase, this trend is forecast to continue in 3Q19. Private consumption increased by 2.5% y-o-y SAAR in 2Q19, after 0.5% y-o-y SAAR in 1Q19. This 2Q19 jump was also positively impacted by the introduction of the new Reiwa era and 10 consecutive days of holidays. Growth is forecast to turn considerably negative in 4Q19, as the government will increase the sales tax in 4Q19, which in the past has had a significantly negative impact in the quarter of implementation.

Total inflation continued being supported – at a low level – by energy prices, but especially by some improvements in domestic pricing. June inflation retracted to 0.7% y-o-y, after standing at 0.9% y-o-y in April and 0.8% in May. The trend in inflation seems to be also supported by a rise in earnings in June, when they rose by 1.4% y-o-y. Core inflation rose slightly in June, growing by 0.6% y-o-y, compared with 0.5% y-o-y in May. Given labour market tightness, the unemployment rate fell to an extremely low level of 2.3% in June. The Bank of Japan (BoJ) is expected to continue its accommodative monetary policies, given the economic growth trend and low inflation. There is even some possibility that it will increase its monetary support as it indicated at its meeting at the end of July.

Graph 3 - 7: Japan's CPI vs earnings



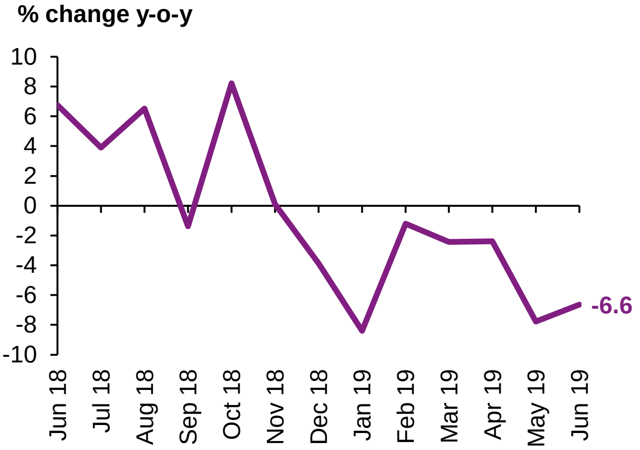
Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Haver Analytics.

Given ongoing trade disputes and the rising fragility in global economic growth momentum, **export** growth slowed again in June, declining by 6.6% y-o-y, non-seasonally adjusted. This compares to -7.8% y-o-y in May and -2.4% y-o-y in April.

Industrial production declined sharply in June, when it fell by 2.4% y-o-y, after a rise of 0.1% y-o-y in May and after a decline of 1.3% y-o-y in April and -2.7% y-o-y in March. The lead indicator for manufacturing orders points to a further challenging near-term development, with a decline of 12.8% y-o-y in May, after -4.3% y-o-y in April. All five available months in 2019 now show a decline in manufacturing orders.

Domestic retail demand rose only marginally in June, when it grew by 0.5% y-o-y, compared to 1.3% y-o-y in May.

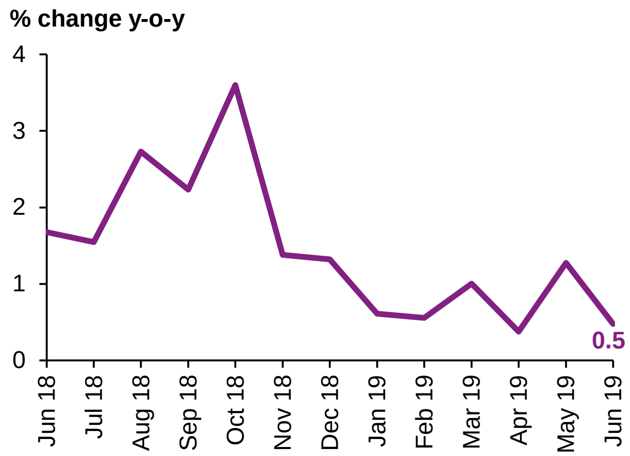
Graph 3 - 8: Japan's exports



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

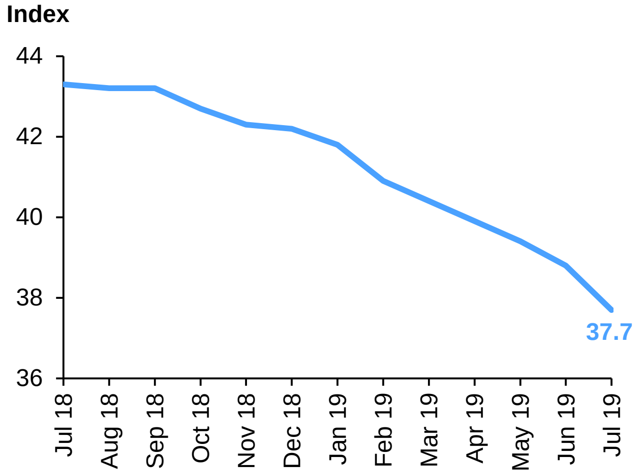
Consumer confidence fell further and now stands at 37.7 in July, the lowest level since December 2014. This compares to 38.8 in June and 39.4 in May, based on the Cabinet Office's index level.

Graph 3 - 9: Japan's retail trade



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

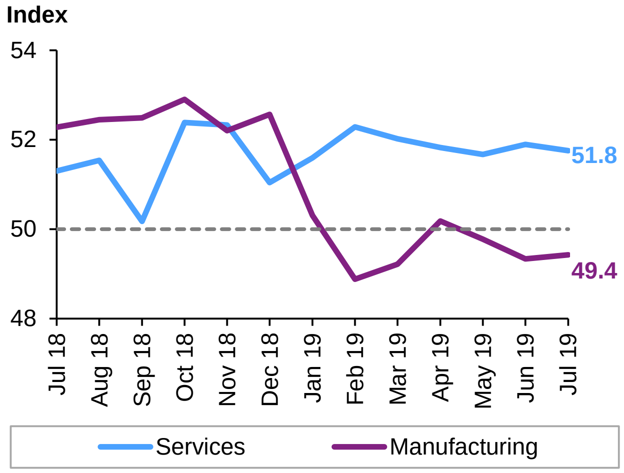
Graph 3 - 10: Japan's consumer confidence index



Sources: Cabinet Office of Japan and Haver Analytics.

The latest **July PMI numbers** confirm the low growth trend for both the manufacturing and the non-manufacturing sectors, while the non-manufacturing sector continues to perform relatively better. The manufacturing PMI stood at 49.4, after reaching 49.3 in June and 49.8 in May, indicating a decelerating trend. Hence, five out of seven months since the beginning of the year showed an index level of below 50, which amounts to a contraction in the sector. The services sector PMI – the sector that constitutes around two-thirds of the Japanese economy – remained almost unchanged at 51.8 in July, after reaching 51.9 in June and 51.7 in May.

Graph 3 - 11: Japan's PMIs



Sources: IHS Markit, Nikkei and Haver Analytics.

Japan's 2019 **GDP growth** forecast remains unchanged at 0.5%. However, it will be likely revised up if the surprisingly good 1H19 numbers will be confirmed by ongoing data releases. In general the underlying sluggish growth trend is expected to continue and given the envisaged sales tax increase later this year, 4Q19 growth is forecast to be significantly negative. This low growth momentum is forecast to carry over into 2020, supported by some domestic demand. However, external trade will remain a challenging area. GDP growth for 2020 is forecast at 0.5%, the same level as in the current year.

South Korea

The **South Korean economy** remains in a challenging situation, given slowing global trade and rising trade tensions with Japan. It remains supported by domestic demand, but with external trade to slow down, the domestic development may also be impacted in the coming months if external trade continues to decline. Exports fell considerably again in July, declining by 6.6% y-o-y, albeit slightly better than the June number of -7.4% y-o-y. In 1Q19, exports already declined by 4.0% y-o-y. This compares to a 2Q19 decline of 1.3% y-o-y. Consequently, industrial production (IP) declined by 1.0% y-o-y in June, after -0.4% y-o-y in May and -0.2% in April. This puts 2Q19 IP growth to -0.5% y-o-y. The latest **PMI number** for the manufacturing sector showed an ongoing challenging environment, with 47.3 in July, almost unchanged from the June level of 47.5. This indicator also shows contractions in the sector – an index level below 50 – in six of the first seven months of the year.

2Q19 GDP number stood at 2.1% y-o-y and was better than growth of 1.6% y-o-y in 1Q19. With the ongoing challenges in trade, it remains to be seen how developments will continue. Taking the ongoing slowing trend in underlying growth in consideration, the 2019 **GDP growth** forecast was revised down to 1.9%. This follows growth of 2.7% in 2018. The 2020 growth forecast assumes a slight acceleration. 2020 GDP growth is forecast at 2.2%.

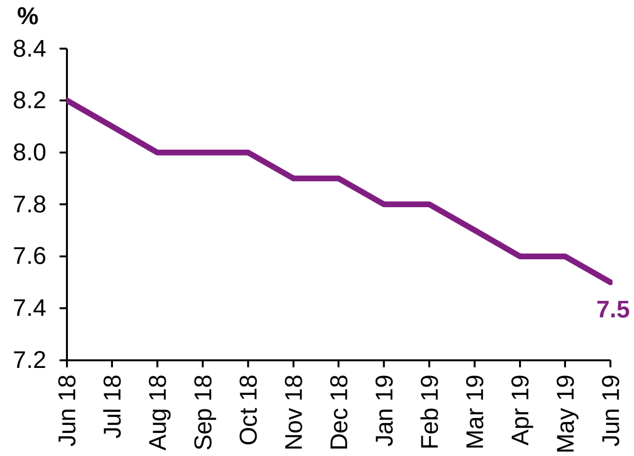
OECD Europe

Euro-zone

Growth in the Euro-zone is holding up, but remains at a low level, supported by an ongoing accommodative monetary policy by the European Central Bank (ECB), stimulating domestic investments and demand. However, the latest data releases on the German economy remain weak and the ongoing political tensions in Italy that may lead to snap elections have also added to the concerns. Germany's economy is impacted by the deceleration in global investments and consequently a decline in external demand for its products, leading to a slowdown in manufacturing. Italy remains weak and given the fragility of its banking sector, the near-term development will be important to follow. Positively, the ECB has indicated that it will continue to provide monetary stimulus and that it may expand again its monetary policies in order to counterbalance a downward trend.

In the **labour market**, the Euro-zone's unemployment rate retracted in June to stand at 7.5%, an improvement and the lowest rate since 2008. Germany recorded a low level of 3.1% in June, unchanged from May. France's unemployment rate stood at 8.7%, a slight increase from its multi-year low of 8.6% in May and April. Spain's labour market improved further as its unemployment rate declined to 14.0% in June compared with 14.1% in May. The Italian unemployment rate also continued improving as it remained below 10% for a second consecutive month, standing at 9.7% in June.

Graph 3 - 12: Euro-zone unemployment rate

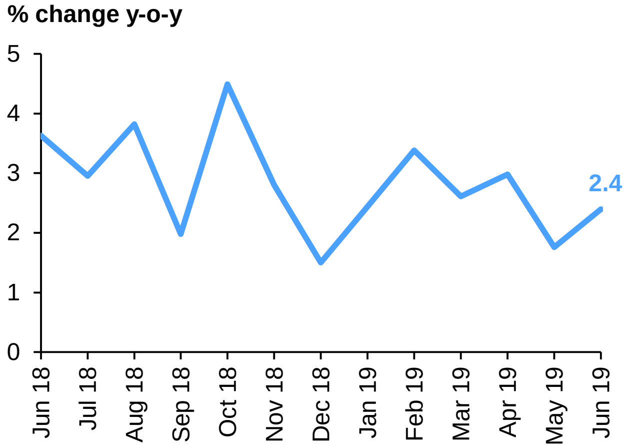


Sources: Statistical Office of the European Communities and Haver Analytics.

In line with labour market improvements, developments in **retail trade** held up well. Given the past month's support of the retail sector, retail trade growth remains an important support factor for the Euro-zone economy. In value terms it stood at 2.4% y-o-y in June, after 1.8% y-o-y in May and 3.0% in April.

Industrial production (IP) in the Euro-zone fell again. May's IP declined by 0.5% y-o-y, compared to a decline of 0.3% y-o-y in April, still very much influenced by the downward trend in Germany, where IP fell by a significant 6.2% y-o-y in June and 5.0% y-o-y in May. In Italy IP declined by 1.2% y-o-y in June, after a decline of 0.7% in May. France performed relatively better with IP growth being flat in May, after 3.9% y-o-y growth in April. With the expectation of some pick-up in global trade and a recovery in investments, this trend may turn in 2H19, though it remains uncertain.

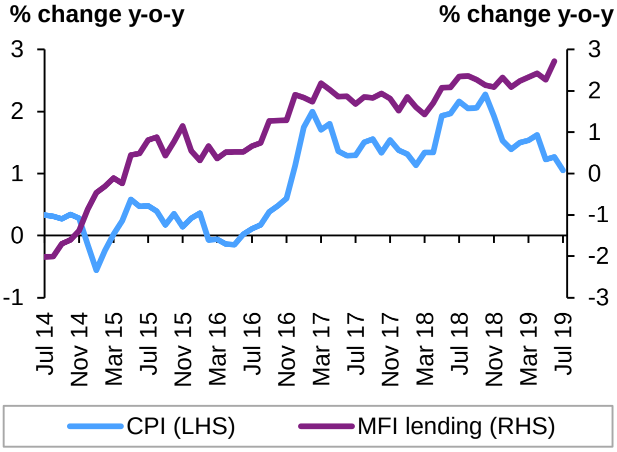
Graph 3 - 13: Euro-zone retail sales



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

Inflation remained low in July at only 1.1% y-o-y, compared to 1.2% y-o-y in June. Increasing tightness in the labour market and rising consumption may support near-term prices in the coming months. However, for the moment, important core inflation – the CPI, excluding energy and food – stood at only 0.9% y-o-y in July, compared to 1.1% y-o-y in June, and 0.8% y-o-y in May.

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

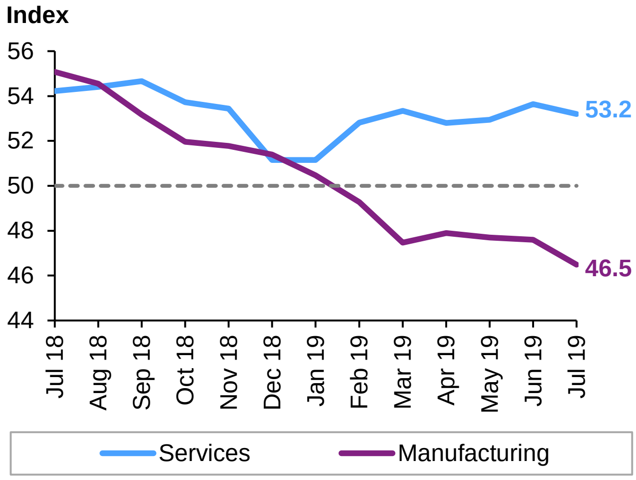


Sources: Statistical Office of the European Communities, European Central Bank and Haver Analytics.

Positively, developments in **lending activity** – as a motor for investment – remained supportive. The latest growth numbers from June stood at 2.7% y-o-y, a strong pick up from past months, when growth was hovering around 2.3%. While some areas of the Euro-zone's banking sector remain weak, the growth dynamic of liquidity lines continued fuelling the Euro-zone, and with the ongoing support of the ECB, is expected to continue to do so.

The Euro-zone's latest July **PMI indicators** generally point to mixed developments. The manufacturing PMI fell again to stand at 46.5 compared with 47.6 in June. The important PMI for the service sector, which constitutes the largest sector in the Euro-zone, retracted to 53.2 in July, compared with 53.6 in June.

Graph 3 - 15: Euro-zone PMIs



Sources: IHS Markit and Haver Analytics.

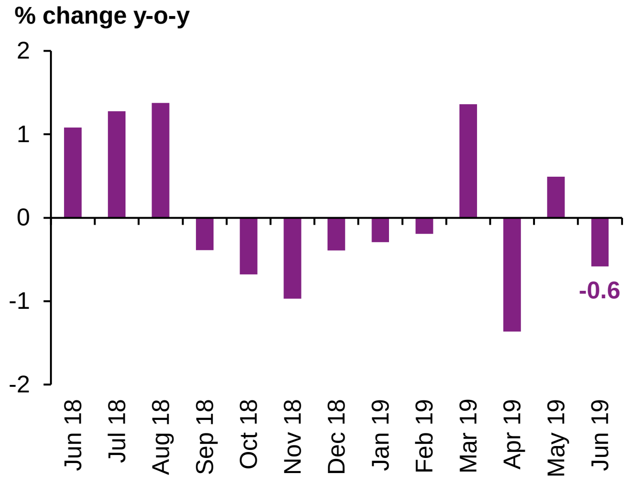
Developments in the Euro-zone remain uncertain, considering the slow-down in Germany, the economic and political developments in Italy, Brexit and weaknesses in the banking sector, as well as monetary policies and high sovereign debt levels in some economies. A somewhat slowing momentum has been confirmed and the 2019 **GDP growth** forecast remains unchanged at 1.2%. This comes after growth of 1.8% in 2018. In 2020, GDP growth remains unchanged as well at 1.2%

UK

Not only did GDP decline in 2Q19, certainly impacted by Brexit and the general 2Q19 weakness in the EU, but also the likelihood of a hard Brexit increased, leading to a less positive outlook for the UK's economy. 2Q19 GDP fell by 0.2% q-o-q seasonally adjusted, after growth of 0.5% q-o-q in 1Q19. There has been an anticipation of Brexit in 1Q19, pushing up 1Q19 growth as the original leave date was the 31 March, now postponed to 31 October. However, with the new government the likelihood of an agreement with the EU and a soft Brexit seems to be less certain. While a no-confidence vote in Parliament is a possibility in September and could force new elections, the new government may delay this election to just after the Brexit date. As a result, this poll would happen after Brexit and how the situation will develop after such an election remains inconclusive, given the current complexity of the UK's politics. A further delay of the exit date is also rather unlikely as this would need to be requested by the Prime Minister and he has said on several occasions recently that he will not delay the exit date, even with no deal.

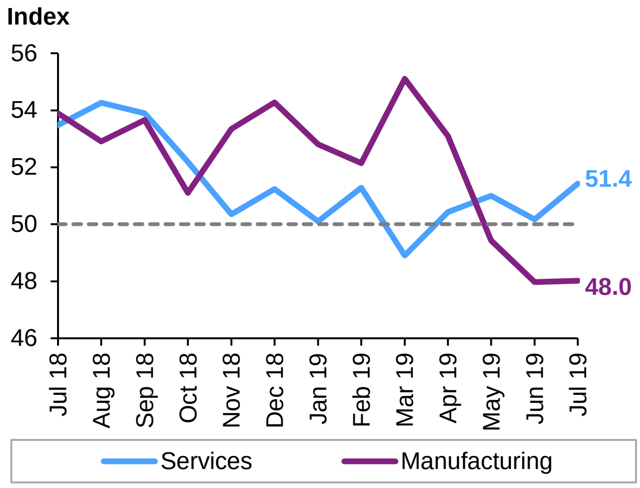
Retail trade in value terms recovered. It was up by 4.4% y-o-y in June, compared with 2.6% y-o-y in May and 5.4% y-o-y in April. **Exports** picked up as well in June as growth was recorded at 5.9% y-o-y, compared to 2.5% y-o-y in May. **Industrial production** fell in June, declining by 0.6% y-o-y, after rising by 0.5% y-o-y in May.

Graph 3 - 16: UK industrial production



Sources: Office for National Statistics and Haver Analytics.

Graph 3 - 17: UK PMIs



Sources: CIPS, IHS Markit and Haver Analytics.

June **PMI lead indicators** showed a downward trend. The PMI for manufacturing remained unchanged at 48.0 in July for the second consecutive month. This is a considerable drop from 53.1 in April and 55.1 in March. The very important PMI of the services sector, which constitutes the majority of the UK's economy, held up relatively better to stand at 51.4 in July, compared to 50.2 in June and 51.0 in May.

Given the ongoing Brexit uncertainties and the slowdown in the economy, 2019 **GDP growth** was revised down to 1.3% from 1.4%. Depending on the Brexit developments, further downside risk remains considerable, but more so for 2020. For the time being, the 2020 growth level remains at 1.4%, given the limited visibility of the Brexit-related developments. It is obvious that this 2020 forecast assumes a non-disruptive and soft Brexit, which given the ongoing uncertainties remains to be seen.

Non-OECD

BRICs

Table 3 - 2: Summary of macroeconomic performance of BRIC countries, 2019-2020*

	GDP growth rate, %		Consumer price index, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Brazil	0.9	1.7	4.0	3.7	-18.6	-28.6	-5.8	-4.6	81.8	82.2
Russia	1.3	1.4	4.9	4.3	115.9	108.7	2.1	1.5	9.5	9.4
India	6.8	7.0	3.6	4.1	-56.0	-55.2	-3.5	-3.5	47.0	46.7
China	6.2	6.0	2.9	3.1	22.9	-33.3	-4.5	-4.5	18.6	21.8

*Note: * 2019-2020 = Forecast.*

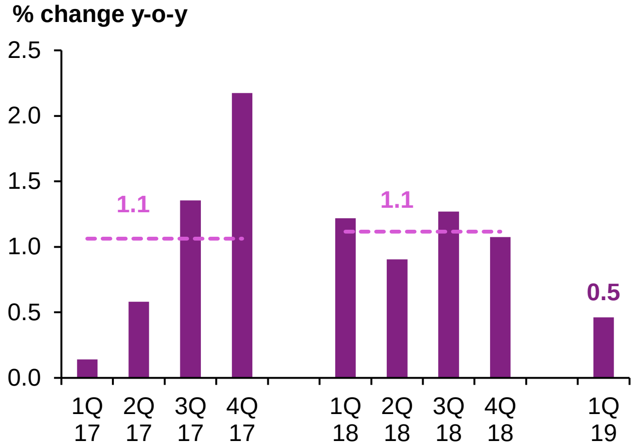
Sources: Consensus Economics, Economic Intelligence Unit, Financial Times, Oxford Economics and OPEC Secretariat.

Brazil

Brazil's trade surplus narrowed to $2.3 billion in July from $3.87 billion the previous year. It is the smallest trade surplus recorded for the month of July since 2014, as exports slipped 11% y-o-y and imports dropped by 4.8%.

GDP registered its weakest growth in 1Q19 since 1Q17 when the economy emerged from its deepest and longest recession in modern history. GDP grew by only 0.5% y-o-y in 1Q19 as a result of a weak performance by GFCF and exports. Economic hardships in neighbouring Argentina have hurt Brazil's exports to its third largest trading partner, with exports dropping by 41% y-o-y on average during January–May 2019.

Graph 3 - 18: Brazil's GDP growth

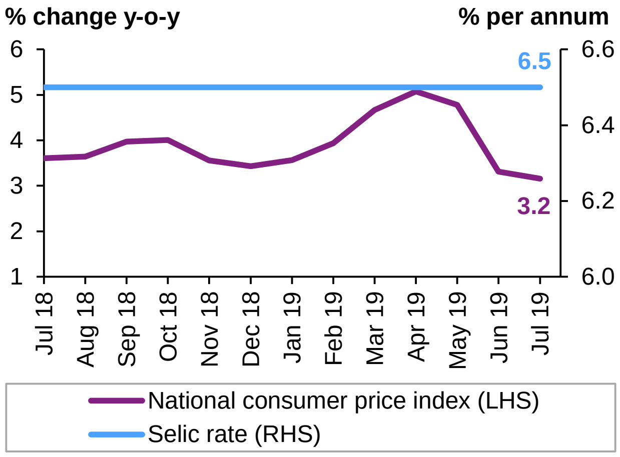


Sources: Instituto Brasileiro de Geografia e Estatística and Haver Analytics.

In July, the **real** appreciated by 2.1% m-o-m, following a 3.6% appreciation in the previous month. On a y-o-y comparison, the real was lower by 1.3% compared to the dollar in July 2019. The real had depreciated by 18% in 2018 to the dollar.

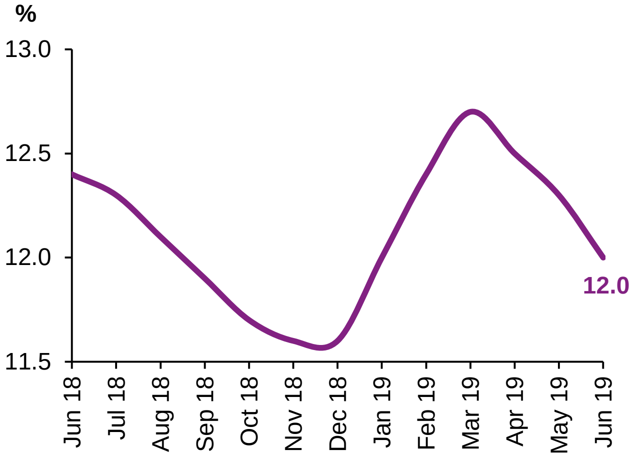
Inflation increased by 3.2% in July, from 3.3% in June and 4.8% in May. In 2018, average inflation stood at 2.9%. The central bank cut its benchmark **interest rate** at the end of July from 6.5% to 6.0%, the lowest rate since 1986. The lower rate came amid an economic slowdown that has been more notable than expected, and a government attempt at social security reforms, which are currently in the process of legislative debate and voting. The **unemployment rate** eased in June to 12.0%, from May's 12.3% and April's 12.5%. The **consumer confidence** index marginally improved in July to 87.0, from 86.9 in June.

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



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

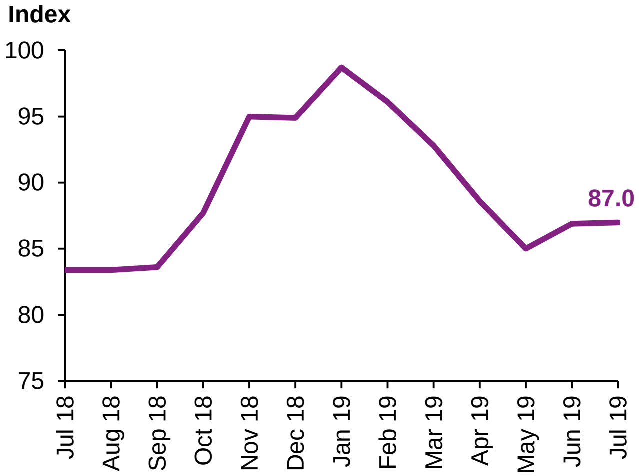
Graph 3 - 20: Brazil's unemployment rate



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

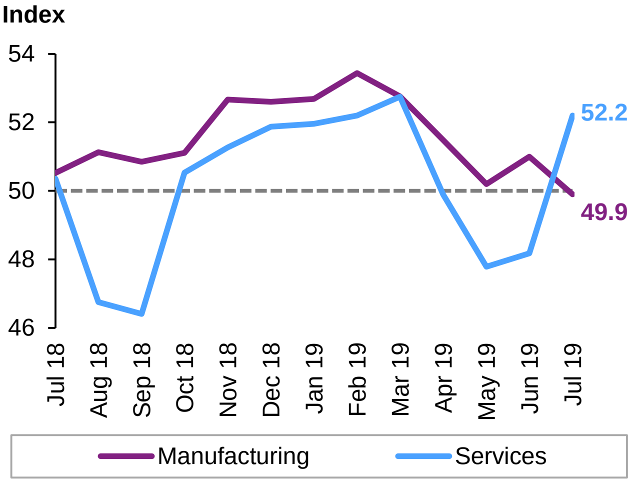
The health of the Brazilian **manufacturing** industry worsened marginally in July, after improving during the previous two months. The IHS Markit Brazil Manufacturing PMI fell to 49.9 in July, from 51.0 in June. Production dropped for the first time since June 2018. Firms trimmed expenditures through lower employment and input purchasing in the face of financial difficulties and subdued demand. Moreover, business confidence fell to a 21-month low. The positive takeaways from the latest PMI results came from cooling inflation rates. Production decreased in July, ending a 12-month sequence of expansion. Firms that reported lower output mentioned weak underlying demand as well as political and economic troubles. Reductions in employment were recorded for the third month running in July, with the contraction the most pronounced since mid-2017.

Graph 3 - 21: Brazil's consumer confidence index



Sources: Fundação Getúlio Vargas and Haver Analytics.

Graph 3 - 22: Brazil's PMIs



Sources: IHS Markit and Haver Analytics.

The IHS Markit Brazil **Services** Business Activity Index showed that services activity returned to expansion territory in July, as growth of business activity resumed in light of a solid upturn in new work orders. Moreover, firms expect this momentum to last, as highlighted by an uptick in business sentiment to its highest level in six years. In addition to improved demand conditions, a general lack of inflationary pressure supported growth. The Services Business Activity index climbed from 48.2 in June to 52.2 in July, pointing to the first expansion in output in four months.

After contracting in June for the first time in nine months, new business inflows rose in July. Sub-sector data indicated that growth in the Consumer Services and Finance & Insurance categories more than offset decreases in the other three segments. Brazilian companies reported lower external demand for their services, with particular mentions of weak sales to Argentina. The fall in exports was the largest since September 2018.

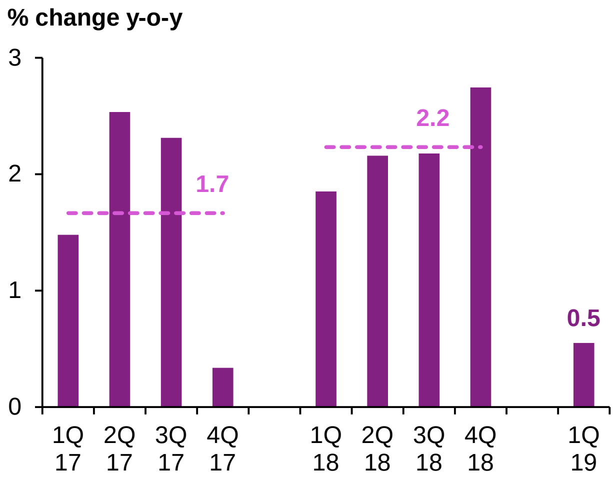
GDP is forecast to grow by 0.9% in 2019, compared to 1.1% in 2018. For 2020, Brazil's GDP is expected to continue posting below-potential growth at around 1.7%, unless the government succeeds in reducing the deficit and reforming the pension system. The pension system reform gained momentum during the previous month, with the bill's base text getting more than the required vote margin in the lower house – the Chamber of Deputies. The bill as it stands would save over 700 billion real over a decade. Despite being a cornerstone in the way forward for Brazil's economy, the pension system overhaul is not the silver bullet that will solve all the country's economic issues. Major improvements in the tax system, among other reforms, are also needed to make Brazil a better destination for FDI.

Russia

In Russia, the balance of **trade** in goods narrowed to $11.8 billion in May 2019, from $15.2 billion a year earlier. Exports of goods were 13.5% y-o-y lower in May 2019, while imports of goods were lower by 7.4% y-o-y. Exports of crude oil stood at 19.1 million tonnes in May 2019, lower by 5.5% when compared to the same month in the previous year.

GDP grew in 1Q19 at the slowest pace in more than a year, data from the Federal Statistics Service showed. GDP grew by 0.5% y-o-y in 1Q19, compared to 2.7% in 4Q18. Household consumption, government spending, investment, and exports have all contributed to this growth deceleration.

Graph 3 - 23: Russia's GDP growth



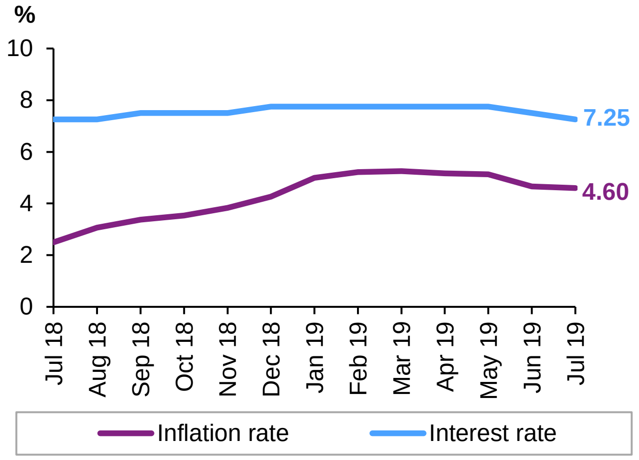
Sources: Federal State Statistics Service and Haver Analytics.

The **ruble** appreciated by 1.6% m-o-m in July, following an appreciation of 0.9% in June. On a y-o-y comparison, the ruble was 0.5% lower in July 2019 from th same month a year earlier. Consumer price **inflation** eased in July, posting 4.6% y-o-y, down from 4.7% in June.

In January 2019, inflation accelerated to 5.0% y-o-y, up from December's posted 4.3% and November's 3.8%, a result of the VAT increase. In March 2019, inflation rose to 5.3% y-o-y, which was the highest inflation rate since December 2016.

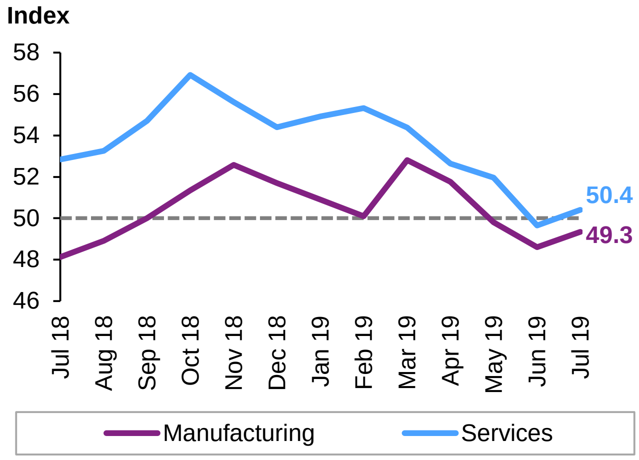
The central bank reduced its benchmark **one-week repo rate** by 25 basis points to 7.25% in July, following a similar reduction in June to 7.50%, from 7.75% the previous month. The central bank indicated that more cuts are likely later this year amid slowing inflation and global growth concerns.

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



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

Graph 3 - 25: Russia's PMIs

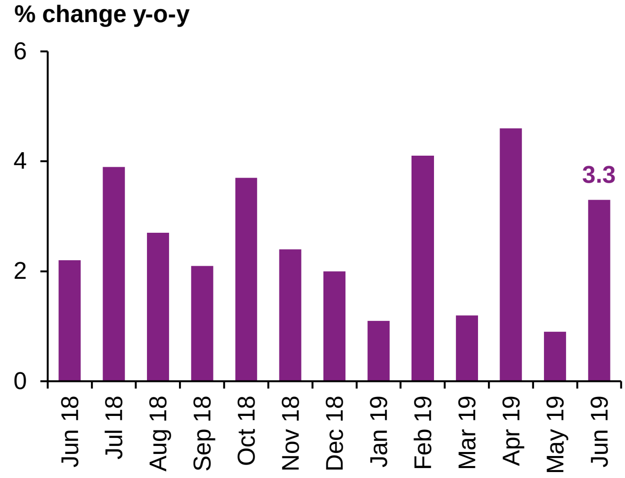


Sources: IHS Markit and Haver Analytics.

The IHS Markit Russia **manufacturing PMI** indicated that manufacturing sector deterioration continued in July. The contraction was driven by another decline in output and a drop in new business. The fall in client demand was seen among domestic and foreign customers, with new export orders decreasing at the fastest pace in five months. At the same time, optimism among manufacturers was the weakest in a year. Nevertheless, the survey showed that employment growth returned for the first time since March. The manufacturing PMI registered 49.3 in July, up slightly from 48.6 in June. The latest reading indicated a third successive contraction in operating conditions across the Russian manufacturing sector.

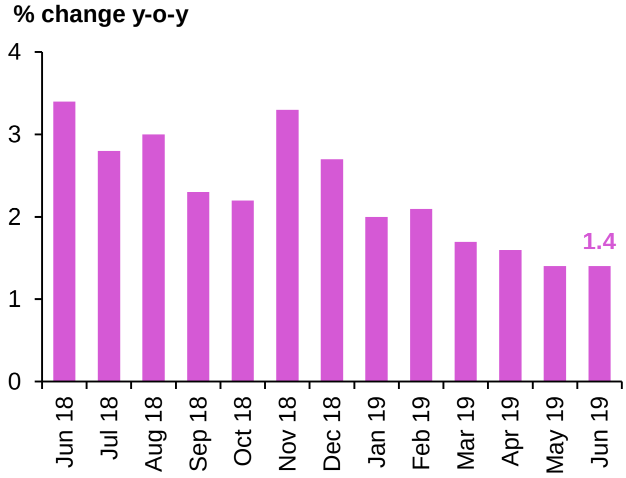
Industrial production increased by 3.3% y-o-y in June, from a 0.9% rise in May. Industrial production has stood in expansion territory since January 2018.

Graph 3 - 26: Russia's industrial production



Sources: Federal State Statistics Service and Haver Analytics.

Graph 3 - 27: Russia's retail sales



Sources: Federal State Statistics Service and Haver Analytics.

The IHS Markit Russia **Services Business Activity Index** showed a fractional increase in business activity across the Russian service sector following a slight contraction in June. The expansion in output was supported by a return to growth in new business. Although expectations among service providers for the year ahead strengthened slightly, firms reduced their workforce numbers at a quicker pace amid weak underlying demand. Backlogs of work also fell at the quickest pace since February 2016. The index posted 50.4 in July, up from 49.7 in June, to signal a minor improvement in business activity among Russian service providers. Greater output was generally attributed to an increase in new business and new client acquisitions. However, the rate of growth was well below the series average (since 2001) and the 2018 trend.

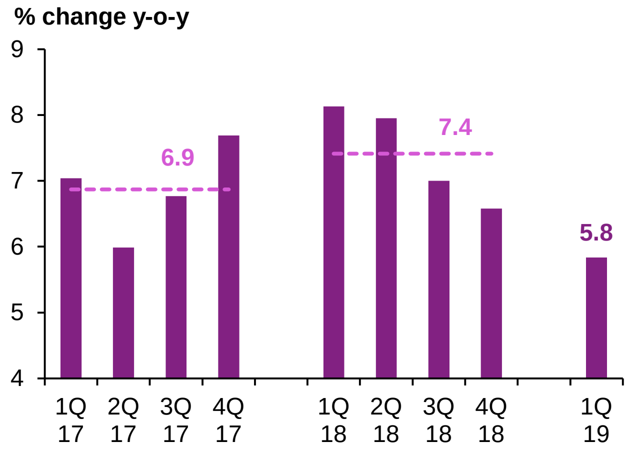
In June, **retail trade** posted an expansion of 1.4% y-o-y, similar to the previous month. Retail trade has stood in expansion territory since February 2017.

Russia's GDP is forecast to grow by 1.3% y-o-y in 2019 and 1.4% y-o-y in 2020. Expectations for economic growth are being challenged by a number of factors, including slowing business conditions in the manufacturing sector together with the baseline effect of strong harvest, commodity price uncertainties, geopolitical risk, and conservative public spending. On the other hand, easing inflation and reduced interest rates are expected to support growth in consumer spending.

India

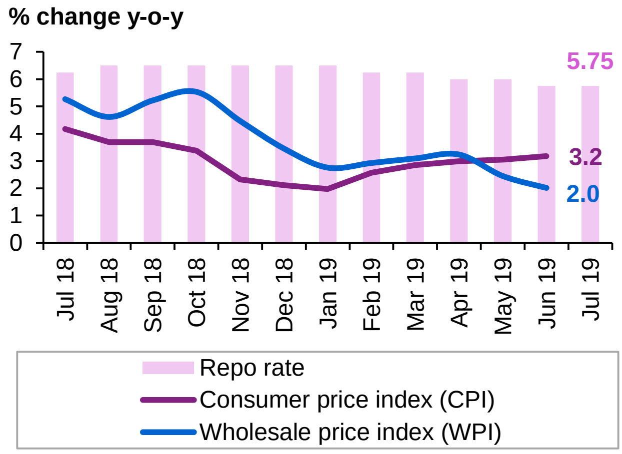
India's GDP growth slowed to a five-year low of 5.8% in 2Q19, according to the latest government data. For the year, it was down to 6.8% from 7.2% in FY18. Indian companies will seek to optimize costs and manage slow market conditions in the months ahead. The government has implemented reforms in recent years aimed at spurring demand, including the Insolvency and Bankruptcy Code and the Real Estate (Regulation and Development) Act, along with a renewed focus on micro, small and medium enterprises while also seeking to encourage start-ups.

Graph 3 - 28: India's GDP growth



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

Graph 3 - 29: Repo rate and inflation in India



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

The government reforms follow several challenges to the Indian economy over the past three years. The demonetization that took place in November 2016 delivered a severe blow to consumption, leading to a cycle of job loss and reduced income, which led to a further drop in demand. The rollout of the Goods and Services Tax (GST) in July 2017 was a second shock, affecting export growth because of delayed refunds to exporters. By the end of 2018, weakening global trade and GDP growth, fuelled by the US-China trade disputes, amplified the impact. Since 2016-17, monetary policy has focused on inflation control by the Reserve Bank of India (RBI), which ensured interest rates remained hard. The government, meanwhile, committed to lowering its fiscal deficit, leaving little room to increase spending to support the economy. Domestic issues coupled with international factors such as the simmering US-China trade dispute and looming Brexit uncertainties under the new British Prime Minister have further depressed economic outlook.

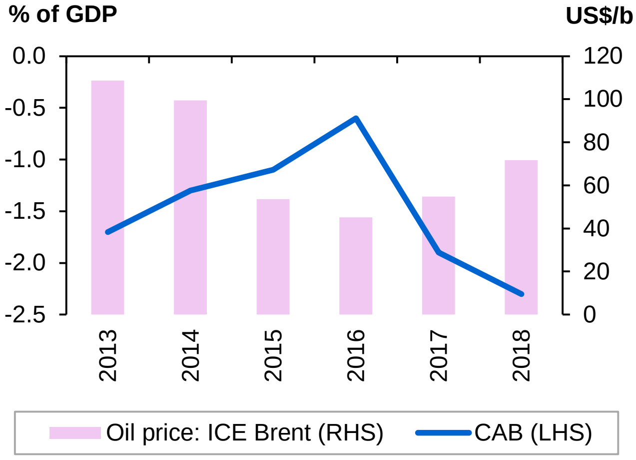
Crude oil prices favoured India's government in the first three years of the Prime Minister's first term, but prices have firmed up since, adding inflationary pressure. These sluggish conditions mean that India is no longer the world's fifth largest economy. The latest World Bank data shows that the UK and France have grown faster (in dollar terms) to rally ahead of India in 2018. One reason for that is the way the Indian rupee has moved against the dollar. In July 2019, in line with India's monetary policies, the RBI is expected to continue its accommodative policy. Meanwhile, insufficient rains are expected to have a suboptimal impact on the crop outlook, driving up prices of agricultural goods in 2H19. Not enough rain also poses a risk for India's GDP growth in 2020. Rural demand, in particular, will be impacted.

India's **CPI** inflation rose to 3.18% y-o-y in June 2019, the highest since October 2018, from 3.05% the previous month. Higher food prices were the biggest contributor. Still, inflation remained below the RBI's medium-term target of 4% for the eleventh consecutive month. **Gasoline prices** in India increased to $1.07/litre in July from $1.01/litre a month earlier.

India's **WPI** rose by 2.02% y-o-y in June 2019, easing from a 2.45% y-o-y gain in the previous month. It was the lowest wholesale inflation rate since July 2017, amid a slowdown in the cost of manufactured products and a marked decline in fuel prices.

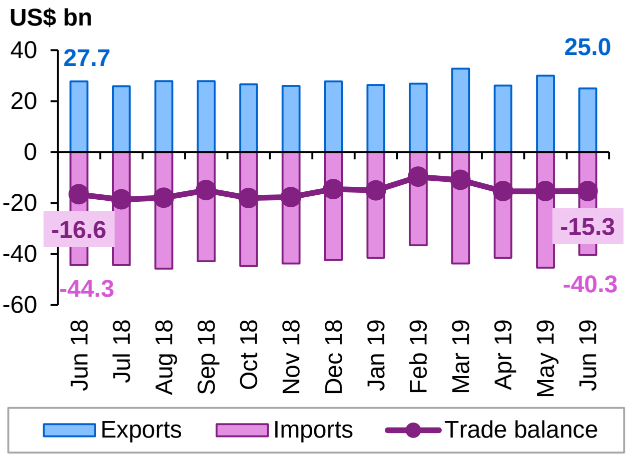
India's **trade deficit** narrowed to $15.28 billion in June 2019 from $16.60 billion in the same month last year. Exports plunged 9.71% to $25.01 billion, led by decreases in sales of petroleum products (-32.85%), rice (-28.05%), gems and jewellery (-10.67%) and engineering goods (-2.65%). Meanwhile, imports were down 9.06% to $40.29 billion as purchases fell for pearls, precious and semi-precious stones (-23.64%), petroleum products (-13.33%), machinery, electrical and non-electrical products (-9.03%), coal, coke and briquettes (-3.44%), and electronic goods (-1.66%). For April-June 2019 the trade deficit widened to $45.96 billion from $44.94 billion in the same period of the previous fiscal year.

Graph 3 - 30: India's current account balance (CAB) vs. oil price



Sources: Reserve Bank of India, Intercontinental Exchange and Haver Analytics.

Graph 3 - 31: India's trade balance

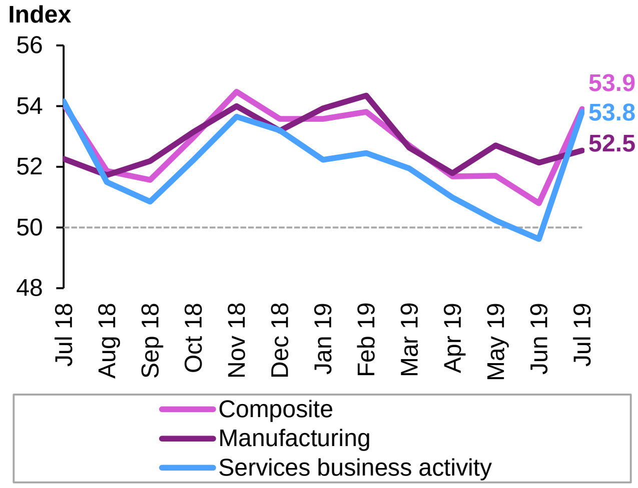


Sources: Ministry of Commerce and Industry and Haver Analytics.

Trade tensions between India and the US have been rising. India imposed retaliatory tariffs on 28 US products, including almonds and apples, from 5 June after the US Administration announced it would terminate preferential access to India under the Generalized System of Preferences (GSP) programme.

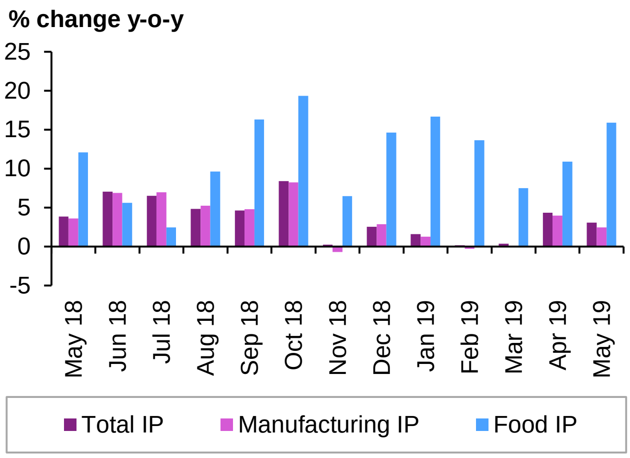
India recorded a current account deficit of 2.30% to GDP in 2018, the highest current account deficit since 2013.

Graph 3 - 32: India's PMI



Sources: Nikkei, IHS Markit and Haver Analytics.

Graph 3 - 33: India's industrial production (IP) breakdown



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

The **Nikkei India Manufacturing PMI** inched up to 52.5 in July 2019 from 52.1 in the previous month, as both output and new orders expanded. In addition, employment growth accelerated, while outstanding business increased for the first time in three months. Meantime, export sales grew the least since April 2018 as factories took a hit from subdued global trade flows, and buying levels advanced at a softer rate. On the price front, the manufacturing sector continued to register a general lack of inflationary pressure.

The **Nikkei India Services PMI** jumped to 53.8 in July 2019 from 49.6 in the prior month, solidly beating market consensus expectations of 50.4. This was the strongest growth in services activity since July 2018, amid a promising government budget and strengthening demand.

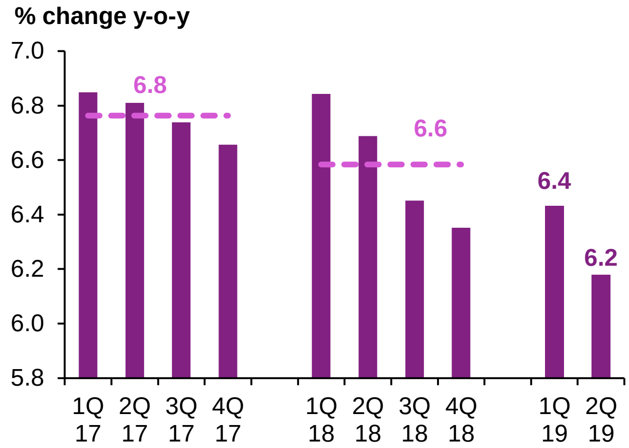
Consumer confidence in India decreased to 97 index points for 3Q19 from 105 index points in 2Q19.

India's GDP expectations for 2019 and 2020 are unchanged at 6.8% and 7.0%, respectively.

China

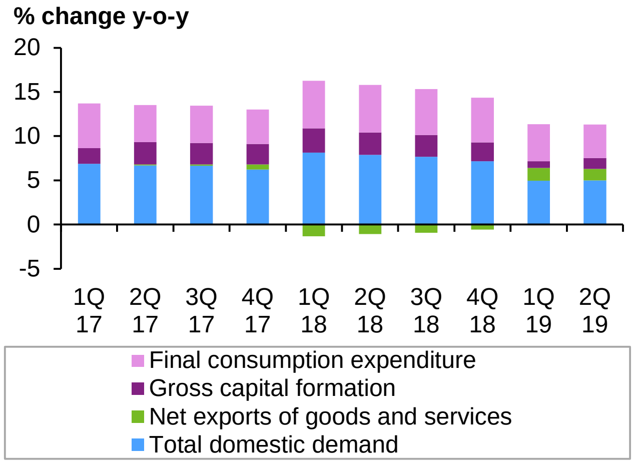
China's GDP growth moderated to 6.2% in 2Q19 from 6.4% in 1Q19, reflecting slowing momentum, while growth of industrial value-added fell to 5.6% y-o-y in 2Q19 from 6.4% in 1Q19. Fixed asset investment growth also weakened further to 5.5% from 6.2% in 1Q19. Meanwhile, household consumption growth fell to 5.4% from 5.8% in 1Q19, while real disposable income growth slowed to 6.5%, down from 7.1% in 1Q19. Real export growth also appeared to slow amid tepid global trade and the flare-up of US-China trade tensions during May and June 2019. Further policy easing is to be rolled out as needed to stabilise growth in 2H19, while the authorities will keep a close eye on macro leverage.

Graph 3 - 34: China's GDP growth



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

Graph 3 - 35: China's GDP breakdown



Sources: China National Bureau of Statistics and Haver Analytics.

China's economy expanded by 6.3% in the 1H19, with final consumption accounting for 60.1% of GDP growth. Primary industry was up by 3.0%, secondary industry by 5.8% and the tertiary industry by 7.0%.

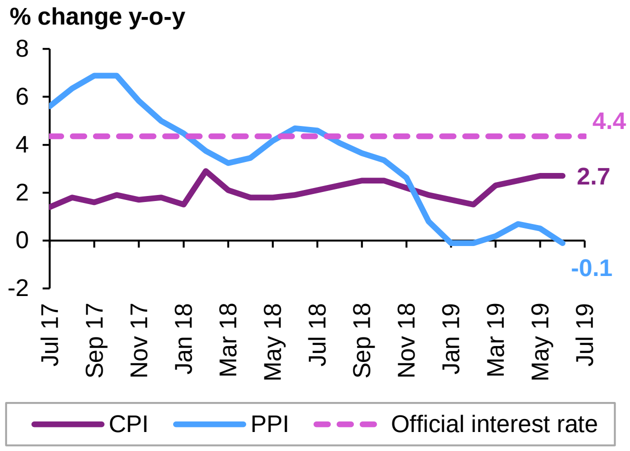
Industrial production grew 6.0% y-o-y in the January-to-June period. For June only, factory output expanded 6.3% y-o-y, accelerating from 5% y-o-y in the previous month. Retail sales rose 8.4% y-o-y in 1H19. China's fixed-asset investment increased 5.8% y-o-y to Yuan 29.91 trillion in 1H19. The negative effects of escalating tariffs and weakening external demand have added pressure to an economy already in the midst of a structural slowdown and in need of regulatory strengthening to rein in high dependence on debt. China's property investment slowed to its weakest pace this year in a sign the housing market's resilience may be waning as Beijing toughens its crackdown on speculative investments and holds back on new stimulus.

The latest business outlook data in China signals weaker confidence during June and July, with activity growth forecasts deteriorating to the lowest in the survey's history. Tax cuts, monetary easing and other state policies led to a slight improvement in the outlook earlier in 2019. The ongoing trade dispute with the US and stronger market competition added to firms' and investors' uncertainties. Employment is only expected to rise marginally in 2020, while increasing cost pressures are forecast to place a greater strain on company profits. Capital expenditure plans are also the weakest since the survey began, underpinning the lack of stability in Chinese markets that allows for new investment. Overall, the data suggest that businesses expect a difficult period ahead.

China's **CPI inflation** rate stood at 2.7% in June, unchanged from the previous month's 15-month high and matching market expectations.

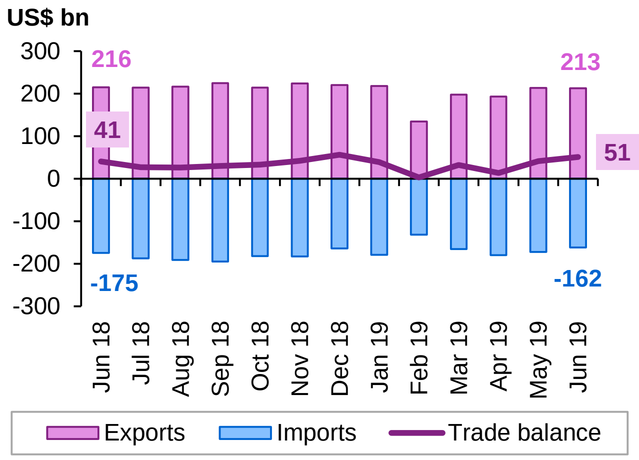
China's **producer prices index (PPI)** decreased to -0.1% in June 2019. It was the lowest producer inflation since August 2016, when prices declined by 0.8%.

Graph 3 - 36: China’s CPI and PPI



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

Graph 3 - 37: China's trade balance



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

China's **trade surplus** widened to $50.98 billion in June, from $40.91 billion y-o-y a month earlier. This was the largest trade surplus since December last year, as exports fell 1.3% and imports plunged at a faster 7.3%, y-o-y.

China's **trade surplus with the US** rose 11% to $29.92 billion in June, from $26.9 billion in the previous month, as imports plunged 31.4% and exports fell 7.8%.

Chinese **exports** fell 1.3% y-o-y to $212.84 billion in June 2019. It was the first full month of higher US tariffs on $200 billion worth of Chinese goods. Meanwhile, Beijing and Washington agreed to restart negotiations amid concerns that the ongoing trade tensions continue to weigh on global growth. US exports to China fell by 19%.

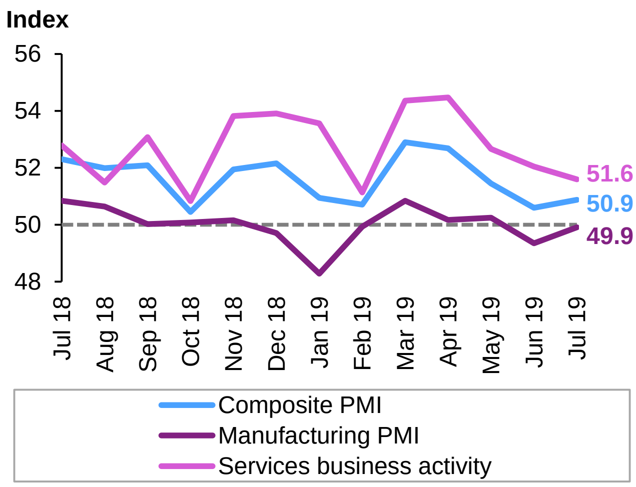
Imports to China plunged 7.3% y-o-y to $161.86 billion in June 2019, much worse than forecasts of a 4.5% drop and a further sign of weak domestic demand that could lead to further government stimulus. Chinese exports to the US dropped by 12%.

China’s manufacturing industry remained weak in July, with factory owners still downbeat about their prospects, as the pressures from the trade war continued to mount.

The **Official NBS Manufacturing PMI** (Business Confidence) rose to 49.7 in July 2019 from 49.4 in the previous month. The latest reading pointed to the third straight month of decline in factory activity, suggesting there will be more stimulus from the government to support the economy.

The **Caixin China General Manufacturing PMI** rose to 49.9 in July 2019 from 49.4 in the previous month, higher than market expectations of 49.6, but still pointing to a slight deterioration in business conditions. Output was little changed following a decline in June amid a slight increase in overall new orders, while new export sales were flat. At the same time, purchasing levels rose slightly, following a reduction in June. However, firms adopted a cautious approach to inventories in light of relatively soft demand conditions, with inputs of both purchased items and post-production goods falling. Meanwhile, employment dropped for the fourth month in a row and at the steepest rate since February. In terms of prices, input costs rose again, while output charges dropped for the first time since January amid efforts to stimulate customer demand and boost new order intakes.

Graph 3 - 38: China's PMIs



Sources: Caixin, IHS Markit and Haver Analytics.

The **official Non-Manufacturing PMI** fell to 53.7 in July 2019, the lowest since November last year, from 54.2 in the previous month.

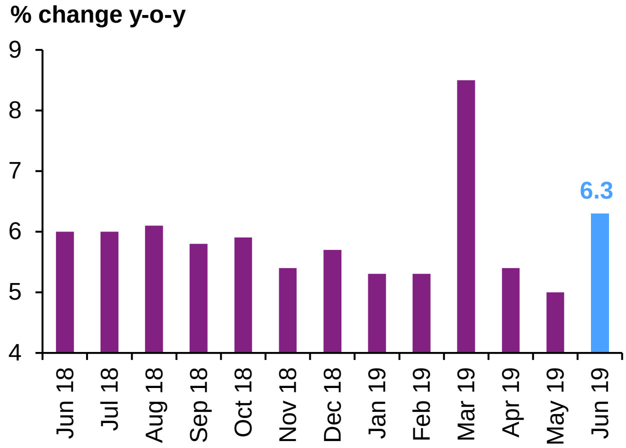
The **Caixin China General Services PMI** fell unexpectedly to 51.6 in July from 52.0 in the previous month, missing market expectations of 52.0. This was the weakest pace of expansion in the service sector since February, as new order growth slowed, while employment rose marginally. Meantime, there was an upturn in overseas sales, supported by strong demand across international markets. On the price front, operating expenses rose further, with the rate of inflation strengthening slightly from the prior month due to higher costs of materials, fuel and staff. Companies raised their charges slightly, with some indicating that competitive pressures had restricted pricing power.

The **Caixin China General Composite PMI** rose to 50.9 in July 2019 from 50.6 in the previous month.

China's industrial production expanded 6.3% y-o-y in June 2019, accelerating from a 5.0% growth rate in the previous month.

China's GDP growth expectation was kept unchanged at 6.2% in 2019 and at 6.0% for 2020.

Graph 3 - 39: China's industrial production



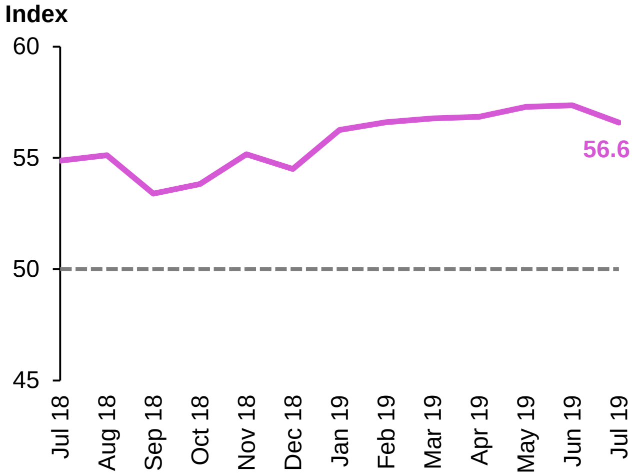
Sources: China National Bureau of Statistics and Haver Analytics.

OPEC Member Countries

Saudi Arabia

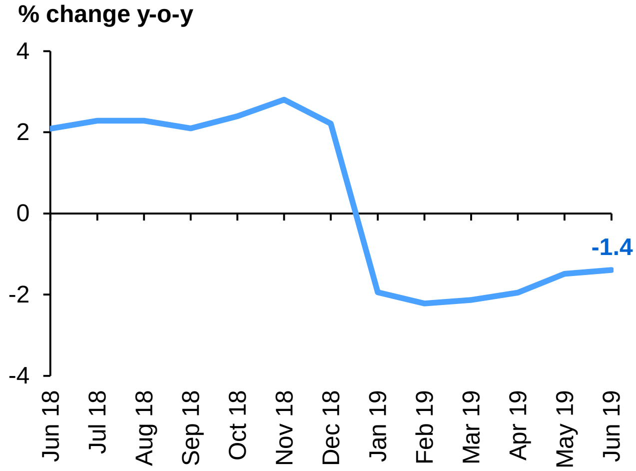
In **Saudi Arabia**, GDP grew by 1.7% y-o-y in 1Q19. Government consumption rose by 1.5% y-o-y in 1Q19, from -15.6% in 4Q18. Private consumption also grew by a higher rate of 4.8% y-o-y in 1Q19, compared to 0.1% in 4Q18. Gross capital formation declined by 7.1% y-o-y in 1Q19, following growth of 13.6% in the previous quarter. Exports increased by 5.1% y-o-y in 1Q19, from a 12.4% rise in 4Q18. Imports, on the other hand, went up by 1.0% y-o-y in 1Q19, largely unchanged from the growth rate registered in 4Q18. Saudi Arabia's non-oil private sector started the second half of the year with a healthy rate of growth, according to the latest PMI data. However, the survey's indicators for output, new orders and future expectations are all signalling some loss of momentum compared to 2Q19. The IHS Markit Saudi Arabia PMI ticked down to a five-month low of 56.6 in July. It marked the first time so far in 2019 that the index has declined. The decrease in the index from a 19-month high of 57.4 in June was due in part to a slower increase in output, though remaining strong overall.

Graph 3 - 40: Saudi Arabia's composite PMI



Sources: Emirates NBD, IHS Markit and Haver Analytics.

Graph 3 - 41: Saudi Arabia's inflation



Sources: General Authority for Statistics and Haver Analytics.

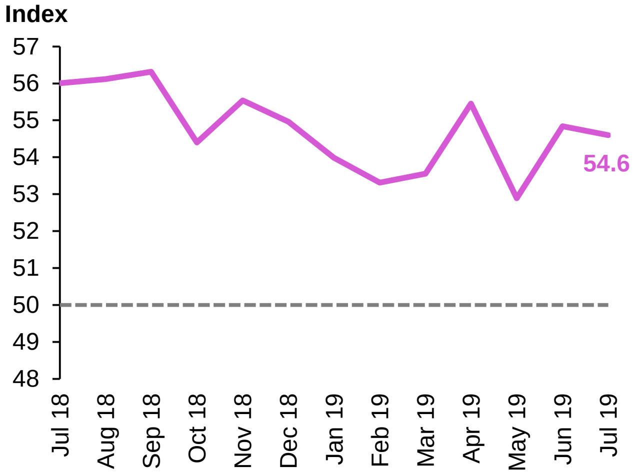
Nigeria

In **Nigeria**, the central bank held its monetary policy rate at 13.5% in July, as inflation remained well above the bank's target range of 6% to 9%. Inflation posted 11.2% y-o-y in June 2019.The bank will start reviewing the loan-to-deposit ratio after September aiming to increase lending and stimulate growth. Inflation dipped to 11.2% y-o-y in June 2019, from 11.4% in May, the lowest since July 2018. GDP grew by 2.0% y-o-y in 1Q19, from 2.4% in 4Q18, according to the National Bureau of Statistics. The country's general election was held in 1Q19.

Agriculture posted a higher rate of growth in 1Q19 at 3.2% y-o-y, compared to 2.5% in the previous quarter. Whereas growth in industry slowed from 0.9% y-o-y in 4Q18 to nearly 0.1% in 1Q19, growth in services slowed to 2.4% in 1Q19, from 2.9% in 4Q18.

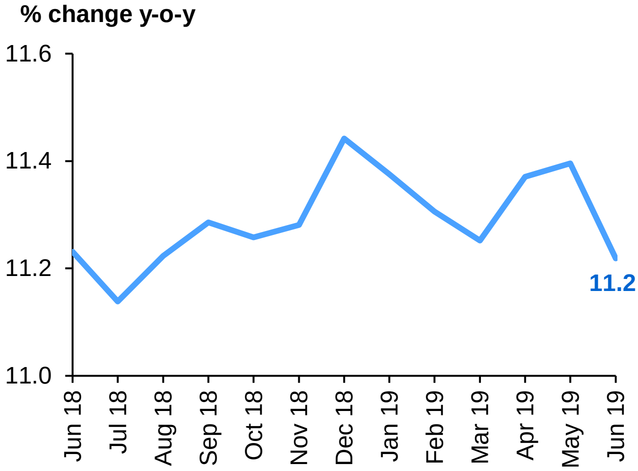
The Stanbic IBTC Bank Nigeria PMI showed a marked overall improvement in private-sector business conditions in July as stronger inflows of new business spurred business activity, employment and purchasing. Meanwhile, inflationary pressures remained relatively muted, despite both input costs and output prices rising at slightly faster rates than in June. The index was 54.6 in July, down fractionally from 54.8 in June, but still signalling a marked monthly improvement in business conditions across the Nigerian private sector. Although weaker than in much of 2018, the latest strengthening of operating conditions was still greater than the average since the survey began in January 2014.

Graph 3 - 42: Nigeria's composite PMI



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

Graph 3 - 43: Nigeria's inflation

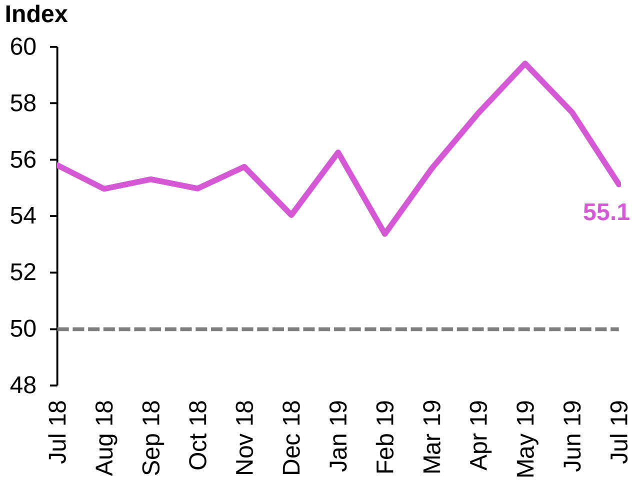


Sources: National Bureau of Statistics and Haver Analytics.

The United Arab Emirates (UAE)

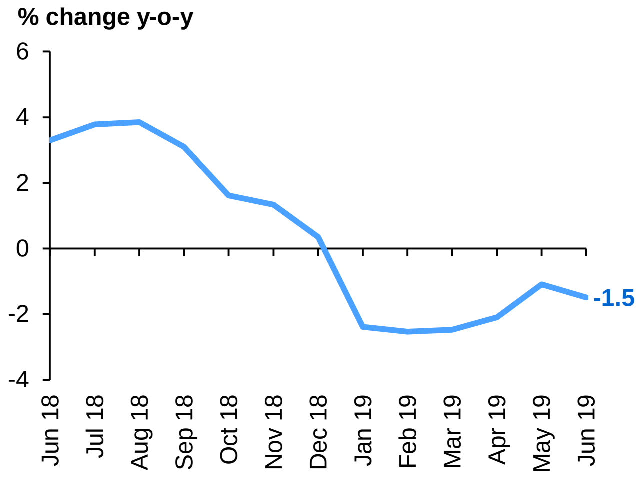
In the **United Arab Emirates**, the non-oil private sector remained in growth territory in July, according to the IHS Markit UAE PMI. The index stood at 55.1 in July, signalling a marked monthly improvement in business conditions in the non-oil private sector. The reading was down from 57.7 in June, however, and the lowest since February. Further marked increases in business activity and new orders were registered in July, although in both cases, rates of expansion continued to soften from recent highs. Output prices were reduced for the tenth successive month in July, with the pace of decline remaining modest. Non-oil companies were able to offer discounts thanks to a lack of upward pressure on input costs. Rising new orders encouraged companies to increase both their purchasing activity and inventory holdings in July. Improving market conditions, higher new orders and the Expo 2020 are all expected to support increases in business activity over the coming year. Non-oil companies remained optimistic regarding the outlook, with sentiment little changed from the previous month.

Graph 3 - 44: UAE's composite PMIs



Sources: Emirates NBD, IHS Markit and Haver Analytics.

Graph 3 - 45: UAE's inflation



Sources: National Bureau of Statistics and Haver Analytics.

Other Asia

Indonesia

In **Indonesia**, GDP registered growth of 5.1% y-o-y in 2Q19, largely similar to the previous quarter. This marks the weakest pace of expansion since 2Q17, as investment growth remained the slowest since early 2017. Private consumption rose by 5.4% y-o-y in 2Q19, from 5.3% in the previous quarter. General government consumption went up by 8.2% y-o-y in 2Q19, compared to 5.2% in 1Q19. Growth in gross capital formation slowed from 3.8% y-o-y in 1Q19, to 2.1% in 2Q19. Exports went down by 1.8% y-o-y in 2Q19, compared to a 1.9% decline in 1Q19. Imports dropped at a slower pace of 6.7% y-o-y in 2Q19, from a 7.4% decline in the previous quarter.

Considering the first half of the year, the economy expanded 5.1% y-o-y. For 2019, the government is targeting economic growth of between 5.2% and 5.3%, while the central bank has forecast 5.2% y-o-y growth. The IHS Markit Indonesia Manufacturing PMI reading in July showed the first deterioration in Indonesian manufacturing conditions since January. Mild growth of overall new orders, a build-up in stocks of final goods and signs of spare capacity prompted firms to cut back on production volumes. Staff numbers were meanwhile cut at the quickest rate in 19 months. Factories also reduced their purchasing activity and cut their input inventories. Meanwhile, input cost inflation was only modest, while selling prices were broadly unchanged. The Manufacturing PMI fell from 50.6 in June to 49.6 in July, signalling the first deterioration in the health of the sector in six months. Overall demand conditions remained subdued in July, as indicated by only a slight rise in total new orders despite rising exports. Notably, new export sales rose at the fastest pace since October 2017. Firms remained optimistic about the business outlook for the year ahead. Though the Future Output Index, a gauge of business confidence, dipped in July, it remained elevated and well above the 2018 average, suggesting that the current soft patch could be temporary.

Africa

In **Egypt**, 2Q19 GDP registered the fastest pace of growth since 1Q12, rising 5.7% y-o-y, up from 5.6% in the previous quarter. Further details on the drivers of growth in 2Q19 were not yet published. The IHS Markit Egypt PMI rose from 49.2 in June to 50.3 in July. This improvement in the country's non-oil private sector in July was a result of slight rise in output and growth of new orders. Export sales increased at the strongest rate since November 2017. Input cost inflation jumped due to a hike in fuel prices, which was partly passed on to consumers through higher output charges. Key to the improvement was a slight increase in activity at non-oil private-sector firms in July, only the second monthly expansion in 20 months. Moreover, total new business from abroad rose for the first time since August 2018 and at the sharpest pace for over a year-and-a-half. Employment continued to decline in July, although the latest decrease was marginal and broadly similar to that seen in June. Retirements and voluntary leavers mainly drove the overall reduction, whereas some firms increased their workforce numbers to meet higher sales volumes. Sentiment around future output improved from June's five-month low, as more businesses displayed a positive outlook due to hopes of higher market activity and a fall in the value of the US dollar.

Latin America

Chile

In **Chile**, GDP advanced by 1.6% y-o-y in 1Q19, from a 3.6% expansion in 4Q18. It was the weakest growth rate since 2Q17, as mining, fishing and agricultural activity shrank. Both household consumption and investment slowed in 1Q19. Household consumption registered a 3.2% y-o-y increase in 1Q19, from a 3.6% in 4Q18. Investment growth slowed from 5.6% y-o-y in 4Q18 to 2.9% in 1Q19, of which investment in machinery and equipment experienced the sharpest drop. On the other hand, government spending increased 1.7% y-o-y in 1Q19, faster than the 1.3% rise in 4Q18. Net external demand contributed negatively to growth, as exports dropped by 1.8% in 1Q19, mostly due to refined copper, other minerals and fruits while imports went up by 2.3% y-o-y in 1Q19, driven by iron, steel and petroleum. Mining activity contracted by 3.6% y-o-y in 1Q19, after growing by 1.3% in 4Q18, mainly due to lower copper production. Agriculture, fishing, and utilities went down in 1Q19. The central bank cut its benchmark interest rate to 2.5% in June, from 3.0%. Inflation increased to 2.3% in May from 2.0%, mostly explained by a climb in electricity prices.

Transition region

Czech-Republic

In the **Czech Republic**, the trade surplus widened to 45.4 billion koruna in June 2019, from 34.6 billion koruna a year earlier, as imports fell by 7.5%, dragged down by lower imports of machinery and transport equipment, manufactured goods, chemicals, and fuels and lubricants. Meanwhile, exports declined at a softer rate of 4%, mainly due to lower sales of machinery and transport equipment, manufactured goods, and chemicals. Mining production decreased by 12.4% y-o-y in June 2019. The IHS Markit Czech Republic manufacturing PMI in July pointed to the sharpest decline in business conditions faced by manufacturers since June 2009. The deterioration was driven by quicker falls in both output and new orders, as well as acceleration in the rate of job cuts. Firms reduced purchasing activity at the fastest pace in just over 10 years, as pre-production inventories contracted markedly. The manufacturing PMI registered 43.1 in July, falling from 45.9 in June to reach its lowest in just over a decade. Manufacturers were less optimistic towards the business outlook in July. The degree of positivity was the weakest since December 2012.

World Oil Demand

*World oil demand is projected to rise by 1.10 mb/d in **2019**, showing a downward revision of 0.04 mb/d from the previous month's projection. Total global consumption is expected to average 99.92 mb/d. Oil demand growth projections in the **OECD** region were adjusted lower by 0.05 mb/d in 1Q19 amid slower-than-expected performance during March in OECD Americas. In the **non-OECD** region, oil demand was revised downward during 2Q19 by around 0.13 mb/d. Weaker-than-expected data from Other Asia and the Middle East are linked to slower construction and overall economic activity in Other Asia, and a continuation of fuel substitution policies and subsidy reductions in the Middle East. On the positive side, diesel fuel demand growth in Latin America during 2Q19 partially offset some of the downward revisions.*

*For **2020**, world oil demand is forecast to increase by 1.14 mb/d, unchanged from last month's projection. OECD Americas is forecast to add around 0.19 mb/d compared to the current year and lead oil demand growth in the **OECD** region. OECD Europe and Asia Pacific are anticipated to decline by a collective 0.10 mb/d. In the **non-OECD,** oil demand growth is forecast to improve in Other Asia, the Middle East and Latin America from the current year's levels. Other Asia and China are projected to increase the most in 2020 with a combined growth of 0.70 mb/d. Non-OECD growth is expected to be around 1.05 mb/d in 2019.*

World oil demand in 2019 and 2020

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

	2018	1Q19	2Q19	3Q19	4Q19	2019	Change 2019/18 Growth	Change 2019/18 %
Americas	25.55	25.25	25.66	26.08	26.02	25.76	0.21	0.83
of which US	*20.73*	*20.69*	*20.86*	*21.21*	*21.03*	*20.95*	*0.22*	*1.05*
Europe	14.31	13.97	14.18	14.68	14.30	14.28	-0.02	-0.15
Asia Pacific	8.07	8.47	7.71	7.74	8.11	8.01	-0.06	-0.80
Total OECD	**47.92**	**47.68**	**47.55**	**48.51**	**48.44**	**48.05**	**0.13**	**0.26**
Other Asia	13.64	13.91	14.09	13.72	14.22	13.99	0.35	2.55
of which India	*4.73*	*5.03*	*4.83*	*4.58*	*5.15*	*4.90*	*0.17*	*3.53*
Latin America	6.53	6.36	6.58	6.85	6.50	6.57	0.05	0.74
Middle East	8.12	8.25	7.96	8.47	7.88	8.14	0.02	0.22
Africa	4.33	4.45	4.42	4.36	4.50	4.43	0.10	2.31
Total DCs	**32.62**	**32.97**	**33.06**	**33.40**	**33.10**	**33.13**	**0.51**	**1.57**
FSU	4.82	4.75	4.74	5.03	5.11	4.91	0.09	1.87
Other Europe	0.74	0.75	0.71	0.75	0.84	0.76	0.02	2.69
China	12.71	12.63	13.19	13.00	13.43	13.06	0.35	2.77
Total "Other regions"	**18.27**	**18.13**	**18.64**	**18.78**	**19.38**	**18.74**	**0.46**	**2.53**
Total world	**98.82**	**98.79**	**99.25**	**100.69**	**100.91**	**99.92**	**1.10**	**1.11**
Previous estimate	98.73	98.76	99.24	100.61	100.84	99.87	1.14	1.15
Revision	0.08	0.03	0.01	0.08	0.07	0.05	-0.04	-0.04

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

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

	2019	1Q20	2Q20	3Q20	4Q20	2020	Change 2020/19 Growth	%
Americas	25.76	25.48	25.85	26.25	26.20	25.95	0.19	0.73
of which US	*20.95*	*20.87*	*21.00*	*21.33*	*21.18*	*21.10*	*0.15*	*0.70*
Europe	14.28	13.92	14.15	14.66	14.28	14.25	-0.03	-0.21
Asia Pacific	8.01	8.39	7.63	7.68	8.05	7.94	-0.07	-0.86
Total OECD	**48.05**	**47.78**	**47.63**	**48.59**	**48.53**	**48.14**	**0.09**	**0.18**
Other Asia	13.99	14.28	14.46	14.11	14.62	14.37	0.38	2.72
of which India	*4.90*	*5.21*	*4.99*	*4.75*	*5.34*	*5.07*	*0.17*	*3.56*
Latin America	6.57	6.45	6.67	6.94	6.59	6.66	0.08	1.29
Middle East	8.14	8.31	8.02	8.56	7.98	8.22	0.08	0.98
Africa	4.43	4.53	4.52	4.46	4.59	4.52	0.09	2.00
Total DCs	**33.13**	**33.57**	**33.66**	**34.06**	**33.78**	**33.77**	**0.63**	**1.91**
FSU	4.91	4.83	4.81	5.11	5.20	4.99	0.08	1.65
Other Europe	0.76	0.76	0.72	0.76	0.85	0.77	0.01	1.54
China	13.06	12.92	13.51	13.31	13.78	13.38	0.32	2.45
Total "Other regions"	**18.74**	**18.51**	**19.04**	**19.18**	**19.83**	**19.15**	**0.41**	**2.20**
Total world	**99.92**	**99.87**	**100.33**	**101.83**	**102.14**	**101.05**	**1.14**	**1.14**
Previous estimate	99.87	99.84	100.32	101.76	102.07	101.01	1.14	1.14
Revision	0.05	0.03	0.01	0.08	0.07	0.05	0.00	0.00

*Note: * 2019-2020 = Forecast.*
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

OECD

OECD Americas

US

Following a rise in oil demand for 1Q19 and April 2019, the latest monthly data indicates negative oil demand growth y-o-y in May, with **US oil demand** for the month falling by 0.5% compared to the same month in 2018. The different product categories showed diverging performances.

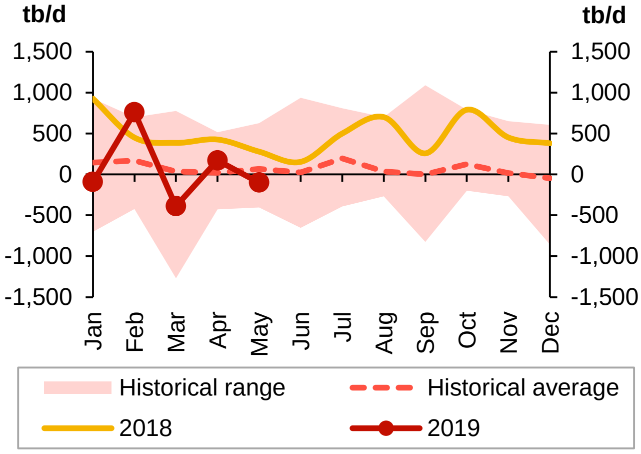
Table 4 - 3: US oil demand, tb/d

	May 19	May 18	Change 2019/18 tb/d	%
LPG	2,564	2,442	122	5.0
Naphtha	205	200	5	2.5
Gasoline	9,401	9,550	-149	-1.6
Jet/kerosene	1,782	1,715	67	3.9
Diesel oil	4,041	4,273	-232	-5.4
Fuel oil	196	312	-116	-37.2
Other products	2,361	2,156	205	9.5
Total	**20,550**	**20,648**	**-98**	**-0.5**

Sources: US EIA and OPEC Secretariat.

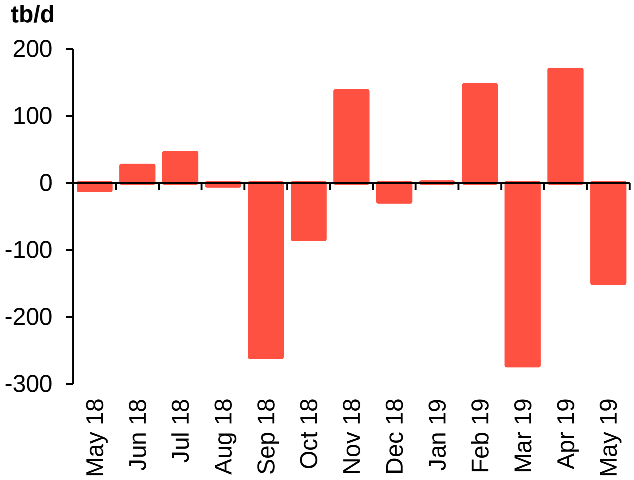
Diesel fuel and fuel oil demand declined as a result of a high historical baseline, only slight growth in industrial production, despite negative growth during the same month in 2018, and fuel substitution, notably with natural gas. Gasoline demand also remained sluggish as a result of fewer miles driven, weak auto sales and ongoing efficiency improvements. These losses have been partly offset by higher requirements for jet kerosene and lighter liquid hydrocarbons for the petrochemical industry. The first five months of 2019 show US oil demand higher by around 0.14 mb/d compared to the same period in 2018, with greater demand for jet and diesel fuel, while gasoline requirements fell slightly. These developments are in line with recent economic patterns.

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



Sources: Joint Organisations Data Initiative and OPEC Secretariat.

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



Sources: US EIA and OPEC Secretariat.

Preliminary weekly data for June and July 2019 implies a return to growth, leading to oil demand growing by 0.9% and 2.4%, respectively, compared to the same months last year. Rising diesel fuel, jet kerosene, and LPG/NGL requirements were partly offset by declining gasoline demand.

Going forward, **2019** US oil demand remains strongly dependent on domestic economic developments. Now, demand growth is rather skewed to the downside compared to last month's projections. This is mainly the result of the disappointing y-t-d demand in the road transportation sector, with trade- and economic-related issues posing additional downside risks. The US is the only contributor to OECD oil demand in 2019.

US oil demand projections for **2020** are lower than last month's estimates and indicate substantially lower growth than in the current year. In terms of sectors, transportation is expected to lead oil demand growth in the US and OECD America as a whole in 2020. Road transportation and aviation sectors are projected to grow in line with economic activity. Further support is expected from the petrochemical sector with additional ethane cracking capacity in the US.

Mexico

In **Mexico**, June marked another month of declining oil demand, falling by almost 3.2% y-o-y. The month was characterized by sluggish gasoline, diesel and LPG requirements, with naphtha and residual fuel oil the only product categories being in positive territory. Mexico's oil demand for 2019 is expected to decline slightly y-o-y, while for 2020 demand is projected to stay almost the same as in 2019 – both projections are unchanged from last month and with the risks slightly skewed to the downside.

Canada

Increased manufacturing activity and additional demand for transportation fuels were offset by losses in naphtha requirements, leading to overall stagnant y-o-y **Canadian** oil demand in May that extended the weakness seen in the first four months of the year. Canadian oil demand projections for 2019 are slightly lower than those for 2018.

In 2019, **OECD Americas** oil demand is projected to grow by 0.21 mb/d compared to 2018. OECD Americas oil demand in 2020 is forecast to be 0.19 mb/d higher than in 2019.

OECD Europe

Following a strong performance in April, **European oil demand** declined in May, y-o-y.

The decrease was similar in volume to declines seen earlier this year, particularly 1Q19, which reflected the impact of low baseline effects. Signs of economic stagnation in parts of the region pose considerable uncertainty about oil demand in 2019 and 2020, despite some positive developments in recent months.

Data for the first six months of 2019 showed a slight decline, approximately 0.02 mb/d compared to the same period a year earlier, in **European Big 4 oil demand**, with jet kerosene being the leading product with higher requirements.

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

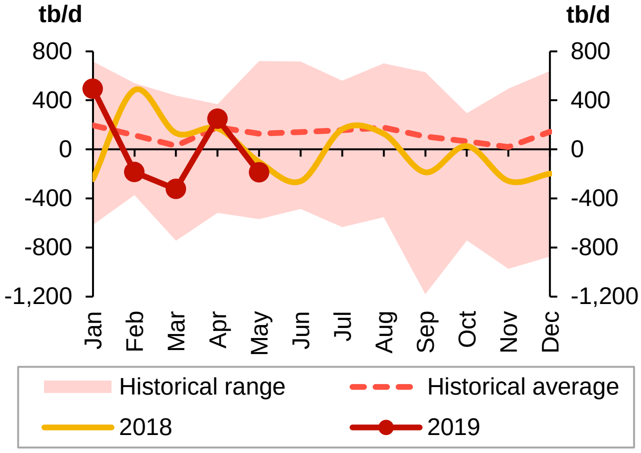
			Change 2019/18	
	Jun 19	Jun 18	tb/d	%
LPG	467	453	14	3.1
Naphtha	612	599	13	2.2
Gasoline	1,260	1,255	5	0.4
Jet/kerosene	858	856	2	0.3
Diesel oil	3,117	3,152	-35	-1.1
Fuel oil	247	235	12	5.1
Other products	699	713	-14	-1.9
Total	**7,260**	**7,263**	**-3**	**0.0**

*Note: * Germany, France, Italy and the UK.*
Sources: JODI, UK Department for Business, Energy & Industrial Strategy, Unione Petrolifera and OPEC Secretariat.

Weak y-t-d road transportation fuel demand in the region is in line with the negative momentum in auto sales, which fell by around 3% during the first six months of 2019 y-o-y, including some major auto markets.

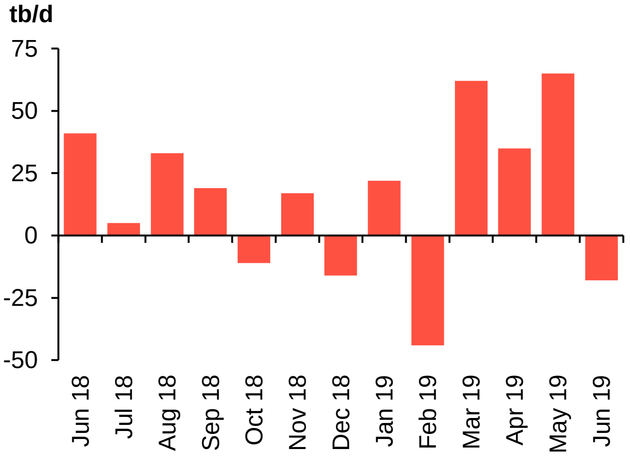
General expectations for the region's oil demand in **2019** have slightly improved since last month's projections, but are coupled with large uncertainties about the region's economic developments. Moreover, high taxation on oil use and fuel substitution – particularly electric vehicles – in some auto markets is the factor that could curb oil demand. Economic uncertainties in some countries, in combination with the high historical baseline and the current oil price environment, suggest that oil demand will fall by around 0.02 mb/d in 2019.

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



Sources: Joint Organisations Data Initiative and OPEC Secretariat.

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



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

Oil demand in **2020** is projected to contract due to fuel efficiency, substitution programmes and economic uncertainties and despite marginally growing transportation, petrochemicals and industrial sectors. Petrochemical feedstock, naphtha and LPG are the anticipated drivers of product consumption. In 2020, European oil demand is projected to decrease by 0.03 mb/d.

OECD Asia Pacific

Japan

Preliminary June data shows that **Japanese oil demand** increased for the first time in nine months, up by 0.16 mb/d y-o-y, with a mixed picture for the main product categories.

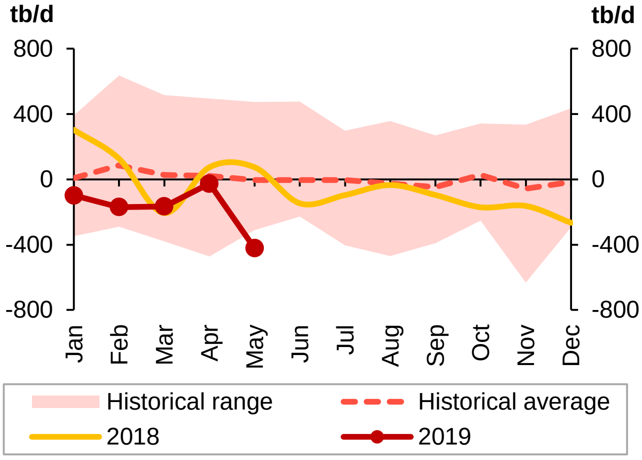
Table 4 - 5: Japan's domestic sales, tb/d

	Jun 19	Jun 18	Change 2019/18 tb/d	%
LPG	276	333	-57	-17.2
Naphtha	705	554	151	27.2
Gasoline	817	866	-49	-5.7
Jet/kerosene	360	325	35	10.8
Diesel oil	751	756	-5	-0.7
Fuel oil	197	195	2	1.2
Other products	415	330	85	25.8
Total	**3,520**	**3,359**	**161**	**4.8**

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

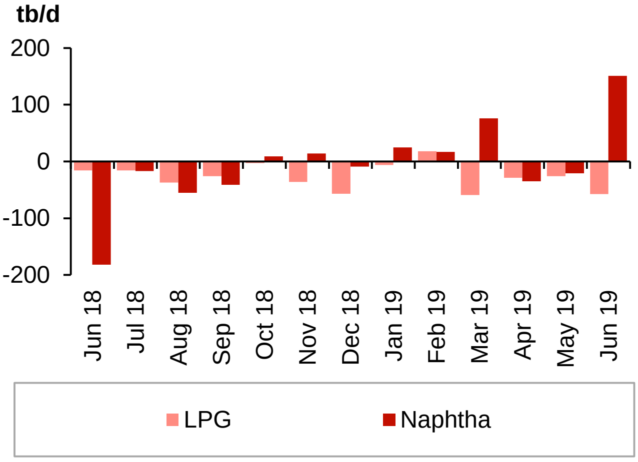
Demand for naphtha and jet kerosene rose strongly, while oil requirements in all other product categories fell.

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



Sources: Joint Organisations Data Initiative and OPEC Secretariat.

Graph 4 - 6: Japan's LPG and naphtha demand, y-o-y change



Sources: Ministry of Economy Trade and Industry of Japan, Joint Organisations Data Initiative and OPEC Secretariat.

South Korea

In **South Korea**, oil demand fell sharply in May, down by 7.2% y-o-y. All main product categories were down, led by gasoline, diesel and residual fuel oil. Losses were also observed in products used in the petrochemical industry, LPG and naphtha. However, oil consumption projections for 2020 remain positive, driven by economic expectations and a projected recovery in the petrochemical industry.

In **OECD Asia Pacific**, the outlook for 2019 oil demand remain skewed towards the downside based on projected economic activity, increasing efficiencies and fuel substitution, leading to a forecast for oil demand in the region to contract by 0.06 mb/d.

Oil demand projections for the region in 2020 imply an overall downward trend. OECD Asia Pacific oil consumption is projected to fall by 0.07 mb/d y-o-y in 2020.

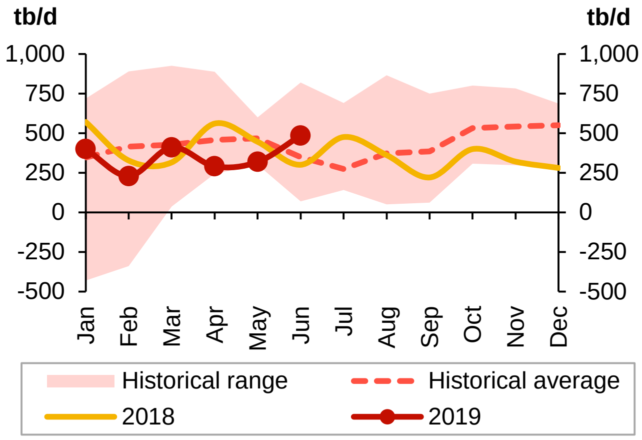
Non-OECD

China

Chinese oil demand grew by 0.49 mb/d in June, driven by gasoline and jet fuel use in the transportation sector and LPG demand in the petrochemical sector.

Gasoline consumption increased y-o-y, adding some 0.17 tb/d, or 6%, y-o-y despite dwindling passenger car sales. According to the China Passenger Car Association and Haver Analytics, auto sales fell by around 9% in June, the 12th consecutive monthly decline. Motor vehicle sales reached 1.7 million units. January-June data indicates sales of 10.1 million units compared to 11.8 million units during the same period in 2018, a decline of 14% y-o-y.

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



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

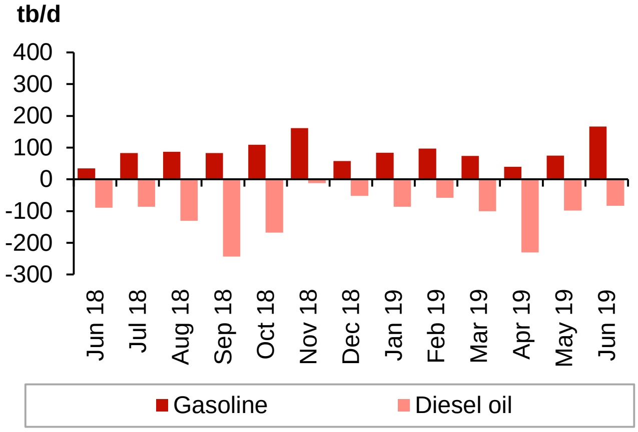
Jet/kerosene demand rose by 0.13 mb/d or around 13% y-o-y, as air passenger traffic increased by 8% y-o-y, according to the China National Bureau of Statistics.

LPG demand growth continued its anticipated gains, recording an increase of around 0.13 mb/d y-o-y and taking total consumption to a historical high of 2.1 mb/d, supported by operations at propane dehydrogenation (PDH) plants around the country.

Diesel fuel declined for yet another month, by 0.08 mb/d or 3% y-o-y. This is mainly due to slower overall industrial activity with the Manufacturing PMI dropping to 49.4 in June.

Consumption of fuel oil also inched lower by around 0.01 mb/d.

Graph 4 - 8: China's diesel oil and gasoline demand growth, y-o-y change



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

Projections for China's oil demand in 2019 and 2020 are firm and strong, largely driven by stable economic growth and further development of the petrochemical and transportation sectors. Middle distillates are anticipated to lead demand growth for products with jet fuel also contributing. Diesel fuel will be positively affected by the low baseline estimate for 2019 plus a slight pickup in other sectors. Light distillates, particularly LPG, are also projected to provide strong support for oil demand growth in 2020. However, factors to be closely monitored include economic developments, the extension of emission-reduction programmes, and the continuation of fuel substitution with natural gas.

For 2019, China's oil demand is expected to grow by 0.35 mb/d, while oil demand in 2020 is projected to increase by 0.32 mb/d.

Other Asia

While **Other Asia's oil demand** showed positive gains in Thailand, Indonesia and Malaysia, oil demand growth was lower than expected in India, Hong Kong, Taiwan and Singapore, leading to overall slower demand growth compared to the region's recent performance.

India

India's oil demand in June decreased by 0.08 mb/d, or 2%, to 4.5 mb/d. This weakness was driven by slower-than-expected demand from other products and bitumen, while the main products, namely gasoline and diesel fuel, recorded relatively steady growth. Bitumen dropped by as much as 11% y-o-y, amid a slowdown in construction activity – particularly road construction. LPG demand declined by 7% y-o-y, for the first time since August 2013, on the back of a higher baseline and ample LPG stocks at retailer sites.

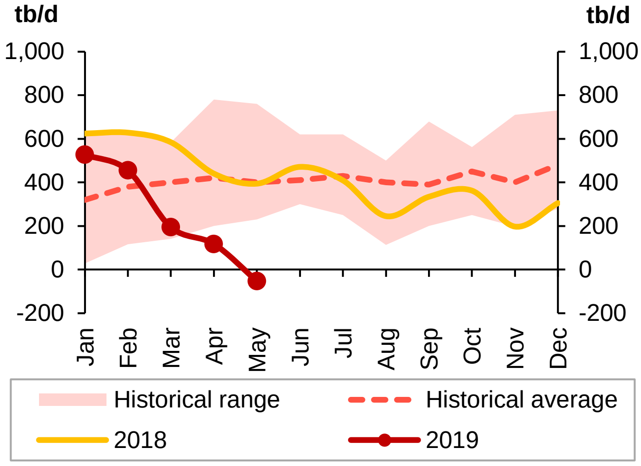
Table 4 - 6: India's oil demand, tb/d

			Change 2019/18	
	Jun 19	Jun 18	tb/d	%
LPG	762	820	-58	-7.1
Naphtha	322	324	-2	-0.7
Gasoline	855	772	83	10.8
Jet/kerosene	231	245	-14	-5.8
Diesel oil	1,896	1,868	29	1.5
Fuel oil	237	260	-23	-8.9
Other products	197	288	-91	-31.7
Total	**4,500**	**4,577**	**-77**	**-1.7**

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

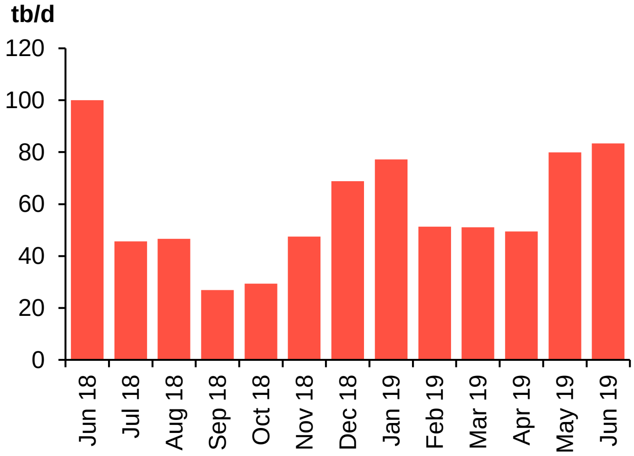
On the other hand, gasoline demand growth remained in the positive, increasing by nearly 11% compared to June 2018, despite weak passenger car sales. Passenger vehicle sales dropped by as much as 17.5% in June, with two-wheeler sales down by 11.7% y-o-y. Overall vehicle sales dropped by 12% y-o-y. Diesel demand increased by 1.5% y-o-y despite weak commercial vehicle sales and slower construction activity. The general election held in 2Q19 had a negative impact on oil demand.

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



Sources: Joint Organisations Data Initiative and OPEC Secretariat.

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



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

Indonesia

In **Indonesia**, May saw a slight increase in demand for road transportation fuels, notably gasoline, as well as LPG in the residential sector. Oil demand in the country increased by around 1.0% compared to May 2018.

Thailand

In **Thailand**, oil demand in May grew by around 0.03 mb/d y-o-y, despite decreases in jet/kerosene, LPG and fuel oil requirements. Diesel fuel and gasoline led oil demand growth in May, increasing by 0.02 mb/d and 0.01 mb/d, respectively.

Malaysia

In **Malaysia**, the latest May 2019 data shows oil demand rising 2% y-o-y, driven by LPG and fuel oil requirements in the industrial and residential sectors.

Oil demand growth in **Other Asia** is forecast to ease compared to last month's outlook in light of lower-than-expected data during 2Q19 that weighed on overall projections for 2019. The uncertainties for oil demand in Other Asia are currently balanced and are mainly linked to the overall economic improvement in the region's biggest oil consumer, India, where a rebound in construction activity is expected in 2H19. The rather stable economic conditions of most countries in the region are expected to provide extra support for oil demand. Other Asia's oil demand is expected to increase by 0.35 mb/d y-o-y in 2019.

For 2020, projections are unchanged from last month as similar GDP growth and stable retail prices are expected. In terms of sectors, transportation is projected to lead oil demand growth next year followed by the petrochemical sector, with encouraging demand for gasoline, diesel fuel and naphtha, while LPG will receive support from the residential sector. Oil demand in 2020 is forecast to grow solidly at 0.38 mb/d.

Latin America

Brazil

In **Brazil**, June oil demand flipped into negative territory following monthly y-o-y gains in April and May.

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

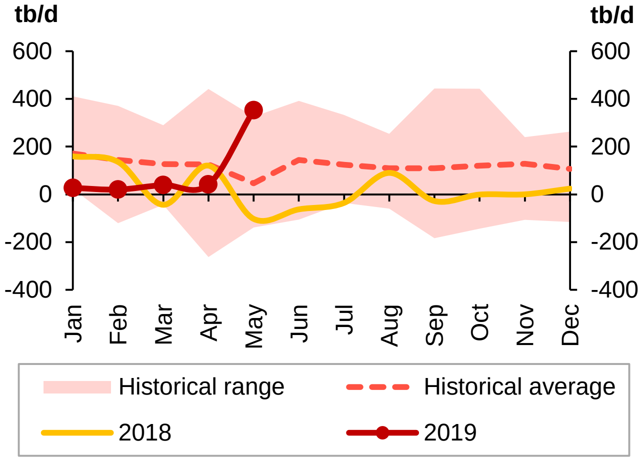
			Change 2019/18	
	Jun 19	Jun 18	tb/d	%
LPG	226	266	-40	-15.1
Naphtha	148	146	2	1.4
Gasoline	620	662	-41	-6.3
Jet/kerosene	111	120	-9	-7.6
Diesel oil	976	1,051	-75	-7.2
Fuel oil	79	79	1	0.9
Other products	450	401	49	12.3
Total	**2,610**	**2,724**	**-114**	**-4.2**

*Note: * = Inland deliveries.*

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

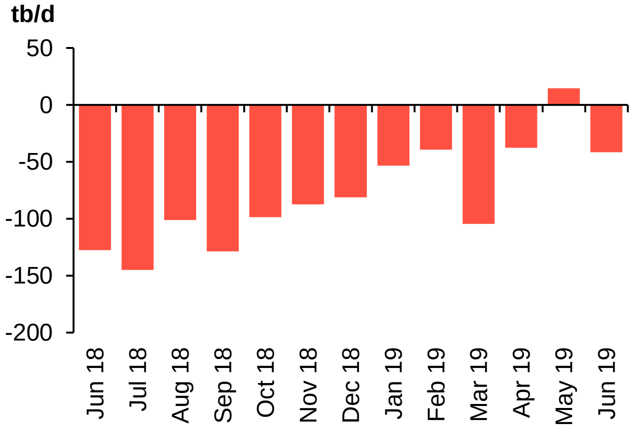
Oil demand declines were led by slower-than-expected consumption of diesel fuel, gasoline and LPG, while ethanol increases offset some of the overall declines. Demand for gasoline was challenged by higher retail prices that shifted drivers' preference to ethanol. Diesel fuel demand flipped into the negative territory on the back of a distorted baseline, despite improvement in the country's manufacturing PMI, which registered 51.00 in June 2019, above the 50-threshold and remaining in the expansion zone.

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



Sources: Joint Organisations Data Initiative and OPEC Secretariat.

Graph 4 - 12: Brazil's gasoline demand, y-o-y change



Sources: Agencia Nacional do Petroleo, Gas e Biocombustiveis of Brazil, Joint Organisations Data Initiative and OPEC Secretariat.

The expectations for Brazil's oil demand in 2019 remain unchanged from last month, with cautious optimism: projected oil demand growth is strongly dependent on economic performance in the coming months.

Argentina

In **Argentina**, oil demand continued to wane for the ninth consecutive month in May as slower economic activity took its toll. Oil demand growth was 3% lower y-o-y with gasoline, LPG, diesel fuel and fuel oil registering declines while naphtha and jet/kerosene showed improvement.

Ecuador

Preliminary **Ecuadorian oil demand** data for June showed a marginal decline y-o-y, as a result of slower fuel oil and naphtha consumption offsetting gains in diesel fuel and gasoline. Total demand in the country reached 0.27 mb/d in June.

Going forward, risks for **2019 Latin American oil demand** are mainly linked to the region's economic activity. Latin American oil demand is forecast to grow in 2019 by 0.05 mb/d.

In **2020**, oil demand growth is likely to be higher than in 2019, mainly reflecting better economic developments in the region. Transportation will lead demand growth next year, followed by the industrial sector, with diesel fuel consumption in the transportation and industrial sectors projected to rise the most. Oil demand growth potential in Ecuador, Argentina and Venezuela is projected to improve compared to the current year. For 2020, the region's oil demand is projected to increase by 0.09 mb/d.

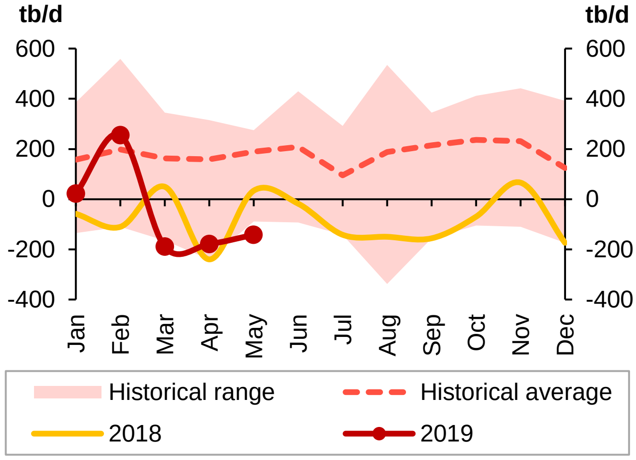
Middle East

Saudi Arabia

In **Saudi Arabia**, oil demand in June declined for the fourth consecutive month.

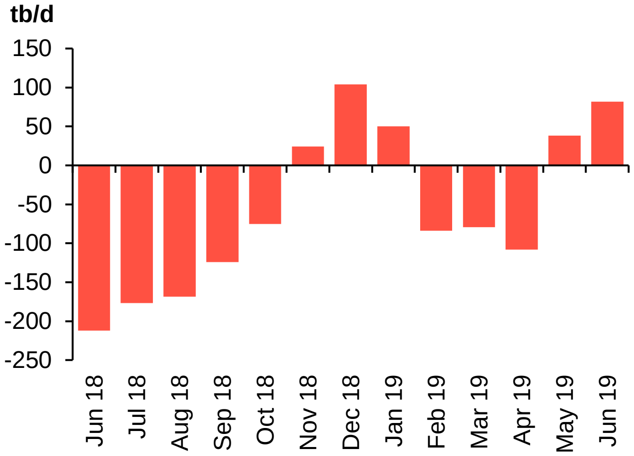
Oil demand fell by 0.20 mb/d, or 8%, in June y-o-y, for total product demand of 2.4 mb/d. All product categories fell during the month, except for crude oil for power generation and the other products category, which increased by around 17% and 15% y-o-y, respectively. Hefty declines were registered in jet/kerosene, gasoline and naphtha. The slump in jet/kerosene demand was in response to a higher baseline of comparison as demand for these products skyrocketed during the same month in 2018.

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



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

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



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

Jet/kerosene requirements declined by 0.20 mb/d y-o-y largely due to the exceptionally high base line and despite the increasing air travel during the summer holidays. Subsidy reductions have affected gasoline requirements in Saudi Arabia, with demand falling by 0.04 mb/d, while petrochemical unit turnarounds negatively affected naphtha. Demand for naphtha fell by 0.03 mb/d in June.

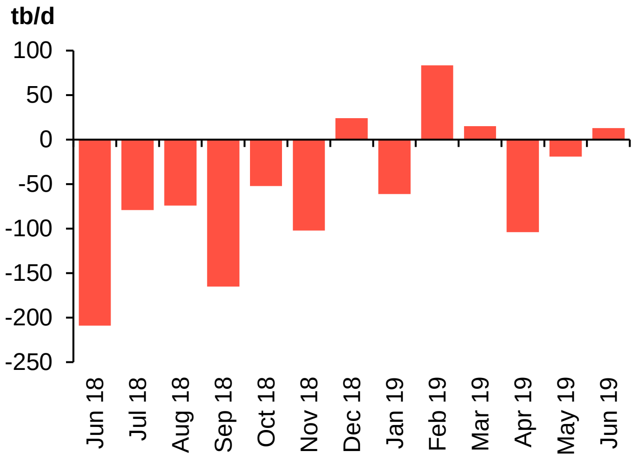
Based on January-June data, cumulative oil demand in Saudi Arabia declined by around 0.09 mb/d compared to the same period in 2018. Sluggish volumes of crude for direct use, as well as products other than fuel oil, have shown significant weakness so far this year. Subsidy reductions and other economic reforms, slower construction momentum and more substitution programmes have all sharply impacted demand for oil.

Iraq

Similarly, **oil demand in Iraq** declined in June for the third consecutive month as fuel oil use dropped sharply.

Total demand shrunk by 0.03 mb/d, or 4%, y-o-y with total demand at 0.66 mb/d in June. Mixed performances were observed among the product categories. Fuel oil, jet/kerosene and naphtha recorded declines, while diesel fuel and gasoline registered gains.

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



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

The outlook for **2019 oil demand in the Middle East** depends on overall economic developments and government spending plans, with risks currently balanced. Projections for 2019 have been revised down from the previous monthly report, in light of a notable slowdown in oil demand in the region during 1H19. Oil demand will depend on economic performance going forward and the overall reform plans of major oil producing countries in the region, as well as on the impact of fuel substitution programmes in a number of countries. For 2019, Middle East oil demand is forecast to grow by 0.02 mb/d.

In **2020**, oil demand is projected to show signs of improvement in light of assumed increases in economic activity. The petrochemical and transportation sectors are expected to support oil demand growth in 2020. On the other hand, geopolitical issues could have a negative impact on demand as could further subsidy reductions or major substitution programmes. Oil demand in 2020 is projected to increase by 0.08 mb/d.

World Oil Supply

*The **non-OPEC oil supply growth forecast for 2019** was revised down by 72 tb/d from the previous monthly report to 1.97 mb/d y-o-y and average 64.39 mb/d. The main reasons for this downward revision are lower-than-expected oil production in the US, Brazil, Thailand and Norway in 1H19. These downward revisions were partially offset by higher production in Canada in 2Q19, as the government of Alberta eased their mandatory production adjustments. Despite declining crude oil production in May, US liquids output was up by 53 tb/d, to average 18.30 mb/d. However, US oil supply growth in 2019 was revised down to 1.87 mb/d, to average 18.56 mb/d, due to lower-than-expected production in 2Q19 as well as a downward revision to historical production data in 1Q19. The US, Brazil, China, the UK, Australia and Canada are the key drivers of growth in 2019 while Mexico and Norway are projected to see the largest declines.*

*The **non-OPEC oil supply growth forecast for 2020** was also revised down by 50 tb/d from last month's assessment and is now projected to grow by 2.39 mb/d for an average of 66.78 mb/d. This is mainly due to the downward revision in Brazil's oil supply forecast. The US, Brazil, Norway, Russia, Canada, Kazakhstan and Australia are expected to be the main growth drivers for next year, while Mexico, Indonesia Egypt the UK and Colombia, are forecast to see the largest declines. The 2020 non-OPEC supply forecast remains subject to many uncertainties, including oil price movements, investment discipline, infrastructure debottlenecking in North America, drilling and completion (D&C) costs, unplanned outages, delayed start-ups and unexpected maintenance duration.*

***OPEC NGLs production** in 2019 and 2020 is expected to grow by 0.07 mb/d and 0.03 mb/d to average 4.84 mb/d and 4.87 mb/d, respectively.*

*In July, **OPEC crude oil production** decreased by 246 tb/d to average 29.61 mb/d, according to secondary sources. **Non-OPEC supply, including OPEC NGLs**, rose by 0.29 mb/d m-o-m, to average 69.14 mb/d, up by 1.95 mb/d y-o-y. As a result, preliminary data indicates that **global oil supply** increased in July by 0.23 mb/d m-o-m to average 98.71 mb/d.*

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

Region	2019	Change 2019/18	2020	Change 2020/19
OECD Americas	25.80	1.78	27.45	1.65
OECD Europe	3.78	-0.06	3.95	0.17
OECD Asia Pacific	0.47	0.06	0.54	0.07
Total OECD	**30.05**	**1.79**	**31.94**	**1.89**
Other Asia	3.46	-0.09	3.43	-0.03
Latin America	5.38	0.18	5.64	0.26
Middle East	3.21	0.00	3.24	0.03
Africa	1.58	0.06	1.60	0.02
Total DCs	**13.62**	**0.15**	**13.91**	**0.28**
FSU	14.23	-0.06	14.40	0.17
Other Europe	0.12	0.00	0.11	-0.01
China	4.09	0.08	4.09	0.00
Non-OPEC production	62.11	1.95	64.45	2.34
Processing gains	2.28	0.03	2.33	0.05
Non-OPEC supply	**64.39**	**1.97**	**66.78**	**2.39**

*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

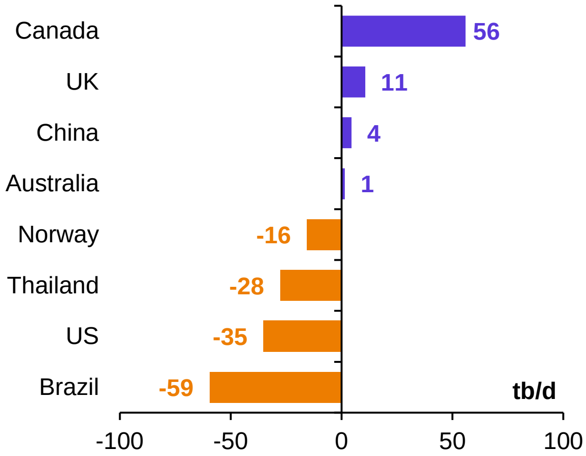
Monthly revisions to non-OPEC supply growth forecast

Non-OPEC supply in 2019 is forecast to grow by 1.97 mb/d, revised down by 72 tb/d from the previous assessment, and is expected to average 64.39 mb/d for the year.

The US supply growth forecast was revised down by 35 tb/d compared to last month's assessment, following downward revisions of 13 tb/d in 1Q19 and 13 tb/d for 2Q19. This was a result of the fact that actual data came in lower than forecast. Canada's oil production was revised up by 56 tb/d on a yearly basis, as production levels in 2Q19 exceeded the mandatory production cuts by the government of Alberta. Brazilian oil supply in 2019 was revised down by 59 tb/d, following disappointing oil output in Brazil in 2Q19, which saw a downward adjustment of 97 tb/d and a re-assessment of the forecast for 2H19. For other countries, oil production was revised down in Thailand by 28 tb/d and Norway by 16 tb/d (***Graph 5 - 1***).

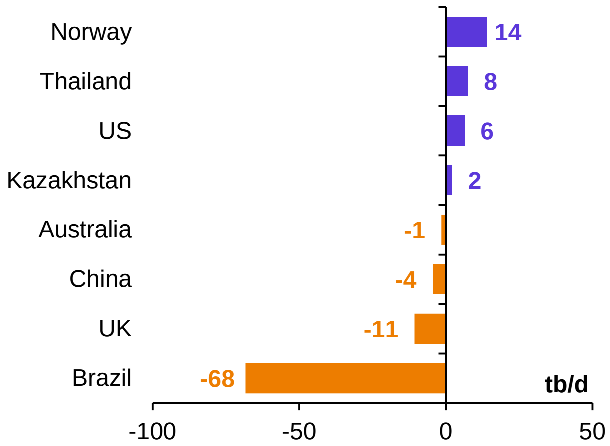
The revised non-OPEC 2H19 supply forecast of 65.02 mb/d is around 1.28 mb/d higher than 1H19, mainly due to the completion of maintenance work in some countries, the opening of new pipelines in the Permian Basin, production ramp-ups for new projects in Brazil and possible higher oil output in Canada. Compared to the same period a year earlier, 2H19 is forecast to show growth of 1.62 mb/d.

Graph 5 - 1: Monthly oil market report Aug 19/Jul 19 revisions in 2019* annual supply changes



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

Graph 5 - 2: Monthly oil market report Aug 19/Jul 19 revisions in 2020* annual supply changes

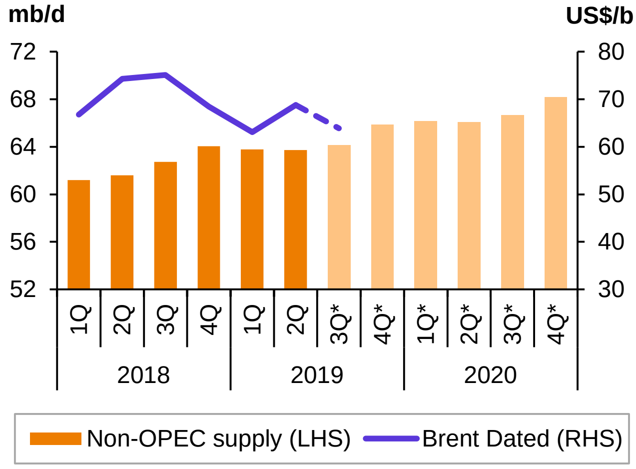


*Note: * 2020 = Forecast.*
Source: OPEC Secretariat.

Non-OPEC supply in 2020 is forecast to grow by 2.39 mb/d, revised down by 50 tb/d from the previous month's assessment, and is expected to average 66.78 mb/d for the year.

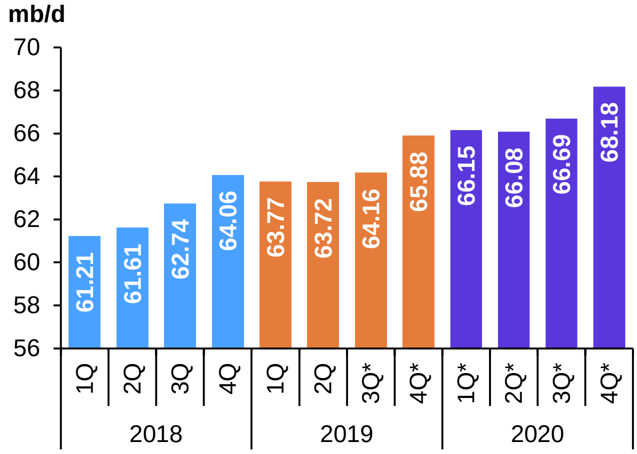
Norway's supply growth forecast was revised up by 14 tb/d compared to last month's assessment, while the y-o-y growth of the UK was revised down by 11 tb/d due to a higher baseline in 2019. In Thailand, a downward revision of historical data in 1H19 was partially carried over to 2020, leading to an upward revision by 8 tb/d in forecast supply growth for 2020. The main revision applied to next year's supply forecast was the downward adjustment of Brazil's growth forecast by 68 tb/d, as was done for 2019, due to lower-than-expected production performance in 2018, as well as in 1H19, which seems to be a fundamental problem in this country.

Graph 5 - 3: Non-OPEC quarterly liquids supply and Dated Brent



Note: * 3Q19-4Q20 = Forecast.
Source: OPEC Secretariat.

Graph 5 - 4: Non-OPEC quarterly oil supply



Note: * 3Q19-4Q20 = Forecast.
Source: OPEC Secretariat.

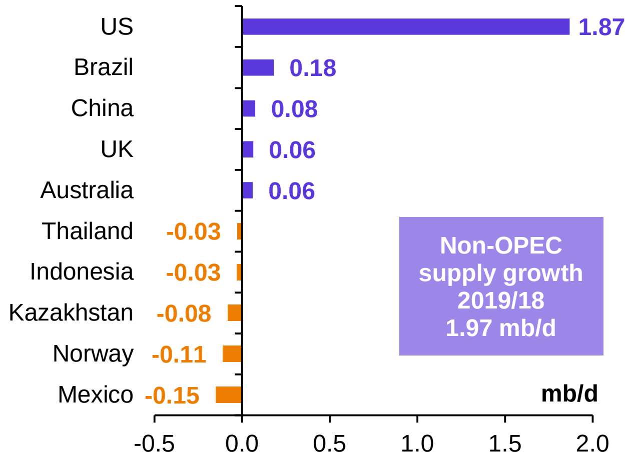
Non-OPEC oil supply in 2019 and 2020

Table 5 - 2: Non-OPEC oil supply in 2019*, mb/d

	2018	1Q19	2Q19	3Q19	4Q19	2019	Change 2019/18 Growth	%
Americas	24.02	25.01	25.49	25.91	26.77	25.80	1.78	7.42
of which US	*16.69*	*17.78*	*18.35*	*18.64*	*19.46*	*18.56*	*1.87*	*11.20*
Europe	3.83	3.84	3.61	3.69	3.97	3.78	-0.06	-1.47
Asia Pacific	0.41	0.43	0.47	0.48	0.50	0.47	0.06	14.73
Total OECD	**28.26**	**29.29**	**29.57**	**30.07**	**31.23**	**30.05**	**1.79**	**6.32**
Other Asia	3.55	3.51	3.45	3.45	3.43	3.46	-0.09	-2.65
Latin America	5.19	5.17	5.25	5.48	5.60	5.38	0.18	3.56
Middle East	3.21	3.21	3.22	3.20	3.20	3.21	0.00	-0.07
Africa	1.52	1.54	1.55	1.59	1.62	1.58	0.06	3.89
Total DCs	**13.47**	**13.43**	**13.46**	**13.73**	**13.86**	**13.62**	**0.15**	**1.09**
FSU	14.29	14.55	14.16	13.92	14.30	14.23	-0.06	-0.43
of which Russia	*11.35*	*11.53*	*11.36*	*11.34*	*11.34*	*11.39*	*0.05*	*0.40*
Other Europe	0.12	0.12	0.12	0.12	0.12	0.12	0.00	-1.15
China	4.02	4.10	4.13	4.05	4.10	4.09	0.08	1.90
Total "Other regions"	**18.43**	**18.77**	**18.41**	**18.09**	**18.52**	**18.44**	**0.01**	**0.08**
Total non-OPEC production	**60.16**	**61.49**	**61.44**	**61.89**	**63.61**	**62.11**	**1.95**	**3.24**
Processing gains	2.25	2.28	2.28	2.28	2.28	2.28	0.03	1.24
Total non-OPEC supply	**62.41**	**63.77**	**63.72**	**64.16**	**65.88**	**64.39**	**1.97**	**3.16**
Previous estimate	62.38	63.81	63.63	64.28	65.97	64.43	2.05	3.28
Revision	0.03	-0.04	0.09	-0.12	-0.09	-0.04	-0.07	-0.12

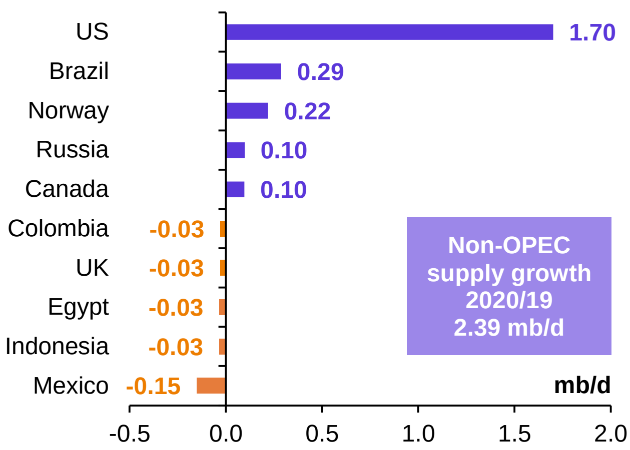
Note: * 2019 = Forecast.
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

Graph 5 - 5: Annual supply changes for selected countries in 2019*



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

Graph 5 - 6: Annual supply changes for selected countries in 2020*



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

Table 5 - 3: Non-OPEC oil supply in 2020*, mb/d

							Change 2020/19	
	2019	1Q20	2Q20	3Q20	4Q20	2020	Growth	%
Americas	25.80	26.95	26.95	27.58	28.30	27.45	1.65	6.39
of which US	*18.56*	*19.64*	*19.96*	*20.39*	*21.06*	*20.26*	*1.70*	*9.17*
Europe	3.78	3.98	3.83	3.85	4.13	3.95	0.17	4.57
Asia Pacific	0.47	0.53	0.52	0.56	0.56	0.54	0.07	15.39
Total OECD	**30.05**	**31.45**	**31.30**	**31.99**	**32.99**	**31.94**	**1.89**	**6.30**
Other Asia	3.46	3.42	3.44	3.43	3.44	3.43	-0.03	-0.77
Latin America	5.38	5.62	5.59	5.60	5.74	5.64	0.26	4.81
Middle East	3.21	3.20	3.24	3.25	3.27	3.24	0.03	0.99
Africa	1.58	1.61	1.60	1.59	1.59	1.60	0.02	1.33
Total DCs	**13.62**	**13.85**	**13.86**	**13.87**	**14.04**	**13.91**	**0.28**	**2.09**
FSU	14.23	14.29	14.40	14.31	14.59	14.40	0.17	1.17
of which Russia	*11.39*	*11.34*	*11.49*	*11.50*	*11.63*	*11.49*	*0.10*	*0.86*
Other Europe	0.12	0.12	0.12	0.11	0.11	0.11	-0.01	-4.97
China	4.09	4.11	4.07	4.07	4.12	4.09	0.00	-0.04
Total "Other regions"	**18.44**	**18.52**	**18.58**	**18.49**	**18.82**	**18.60**	**0.16**	**0.86**
Total non-OPEC production	**62.11**	**63.82**	**63.75**	**64.36**	**65.85**	**64.45**	**2.34**	**3.76**
Processing gains	2.28	2.33	2.33	2.33	2.33	2.33	0.05	2.37
Total non-OPEC supply	**64.39**	**66.15**	**66.08**	**66.69**	**68.18**	**66.78**	**2.39**	**3.71**
Previous estimate	64.43	66.23	66.16	66.78	68.30	66.87	2.44	3.79
Revision	-0.04	-0.07	-0.08	-0.09	-0.12	-0.09	-0.05	-0.08

*Note: * 2019-2020 = Forecast.*
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

OECD

Following robust growth of 2.57 mb/d in 2018, **OECD oil supply in 2019** is forecast to grow by 1.79 mb/d to average 30.05 mb/d, representing an upward revision of 17 tb/d compared with last month's assessment.

For **2020**, yearly growth of 1.89 mb/d is anticipated for OECD oil supply, to average 31.94 mb/d. OECD Americas, Europe and Asia Pacific are forecast to grow next year by 1.65 mb/d, 0.17 mb/d and 0.07 mb/d, respectively.

OECD Americas

US

US liquids output in May (excluding processing gains) showed an increase of 0.05 mb/d m-o-m to average 18.30 mb/d, up by 2.1 mb/d y-o-y, while crude oil output dropped by 26 tb/d, m-o-m to average 12.11 mb/d, higher by 1.65 mb/d, y-o-y. Production of NGLs in May was up by 51 tb/d m-o-m to average 4.84 mb/d, higher by 0.52 mb/d y-o-y. Preliminary data shows that the output of other non-conventional liquids, mainly ethanol, was up in May by 28 tb/d m-o-m to average 1.35 mb/d but was lower by 67 tb/d compared to a year ago.

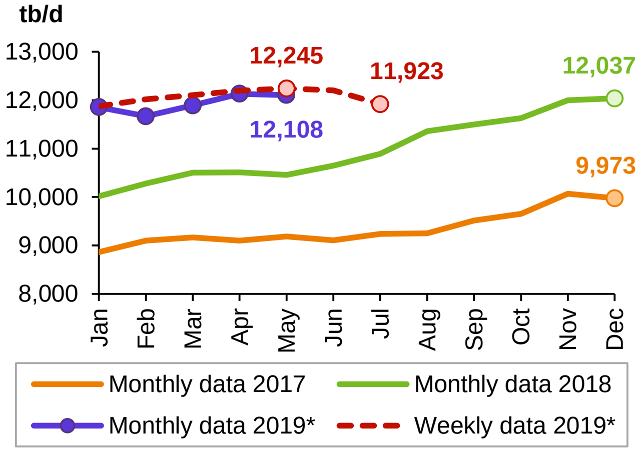
The EIA's latest US monthly production information showed a **slight decrease of 26 tb/d for crude oil production (including lease condensate) to average 12.11 mb/d in May 2019** compared to April, contrary to the weekly data, which would have suggested a m-o-m increase of 137 tb/d. Crude oil output increased in the Rocky Mountain (PADD 4) and West Coast (PADD 5). Oil production in the Midwest (PADD 2), primarily in Oklahoma; the Gulf Coast (PADD 3), mainly in Federal Offshore GoM; and in the East Coast (PADD 1) declined. Production in the GoM was boosted by two new wells that connected to the Phoenix complex in April and new projects that came online ahead of schedule, such as Shell's Appomattox.

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

State	Apr 19	May 19	Change May 19/Apr 19
Alaska	475	474	*-1*
Colorado	483	495	*12*
Oklahoma	615	603	*-12*
New Mexico	867	900	*33*
North Dakota	1,361	1,364	*3*
Federal Offshore - Gulf of Mexico (GoM)	1,982	1,904	*-78*
Texas	4,956	4,972	*16*
Total US crude oil production	**12,134**	**12,108**	***-26***

Sources: US EIA and OPEC Secretariat.

Graph 5 - 7: US monthly crude oil production in 2017-2019 vs. weekly forecast in 2019



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

As usual at this time of the year, the EIA has revisited historical data, leading to revisions in US monthly crude oil production information back to the year 2017. For 2017, up- and downward revisions for the months led to an unchanged annual average. However, crude production for 2018 was revised up by 29 tb/d to average 10.99 mb/d, representing growth of 1.64 mb/d, y-o-y. Production for Texas was adjusted downward, and for the Gulf of Mexico, Colorado and North Dakota was adjusted upward. Furthermore, production for the first four months of the year 2019 was revised lower by 16 tb/d to average 11.89 mb/d.

The m-o-m drop of crude oil output in May came mainly from the **Gulf of Mexico,** where output declined by 78 tb/d to average 1.9 mb/d. In Oklahoma, crude production declined by 12 tb/d to average 603 tb/d, while production increased in Texas by 16 tb/d to average 4.97 mb/d and in New Mexico by 33 tb/d to average

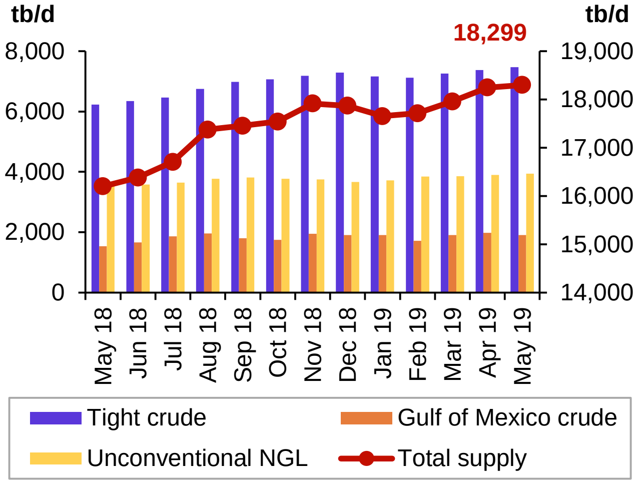
0.90 mb/d. Production in North Dakota remained relatively flat, increasing by just 3 tb/d to average 1.36 mb/d, and in Colorado by 12 tb/d to average 0.5 mb/d.

US crude oil production in 2019 is likely to grow by 1.31 mb/d y-o-y to average 12.30 mb/d. The share of tight crude, out of the forecast growth of 1.31 mb/d in 2019, is projected at 1.30 mb/d, to average 7.80 mb/d; and for the Gulf of Mexico it is 0.12 mb/d averaging 1.88 mb/d, as growth was revised down by 0.03 mb/d following production shut-ins in the GoM due to Hurricane Barry in July. Conventional crude (non-shale) is projected to decline by 0.11 mb/d, to average 2.62 mb/d.

A further slowdown in US oil production is likely as shale producers continue under pressure from their investors to cut spending, in particular related to exploration and production (E&P). Moody's Investors Service reports that E&P capital efficiency gains have stalled and may weaken in 2020. And while overall services costs have eased since late 2018 because of the declining rig count, some other expenses including labour, lease and steel are still trending higher.

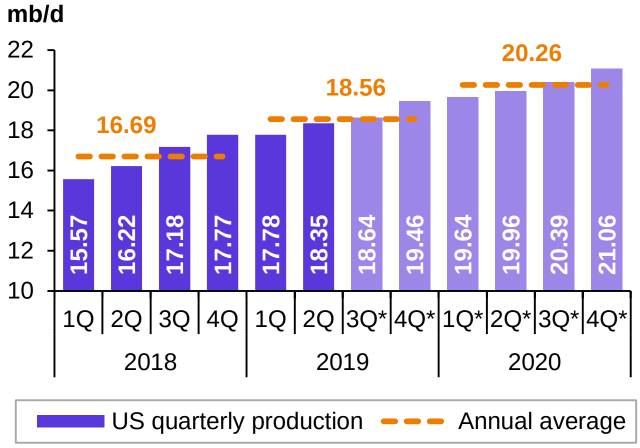
US crude oil production in 2020 is likely to grow by 1.24 mb/d y-o-y to average 13.54 mb/d. Despite the opening of new pipelines from the Permian, y-o-y overall tight crude growth is forecast at the same level of 1.30 mb/d for next year. The anticipated surge in Permian production will be offset by the need for capital discipline in other regions, particularly those regions with a marginal breakeven, which will impact drilling and completion activities leading to a slowdown in y-o-y growth in those areas. This could lead producers to try to maintain production growth by the completion of DUCs, which is associated with lower costs, as was also seen done in some regions in recent weeks.

Graph 5 - 8: US monthly liquids supply by key component



Source: US EIA and OPEC Secretariat.

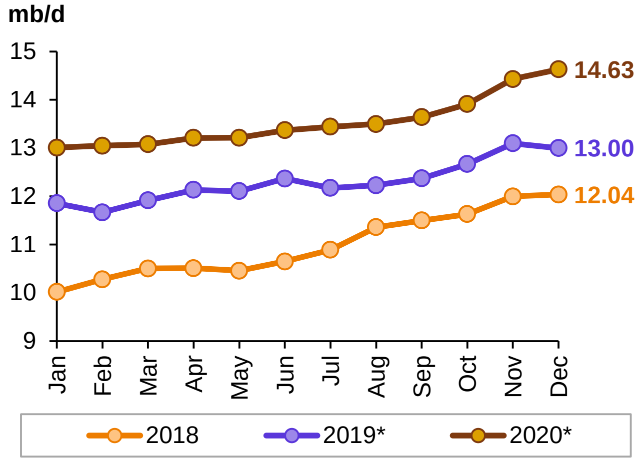
Graph 5 - 9: US total liquids supply quarterly



*Note: * 3Q19-4Q20 = Forecast.*
Sources: US EIA and OPEC Secretariat.

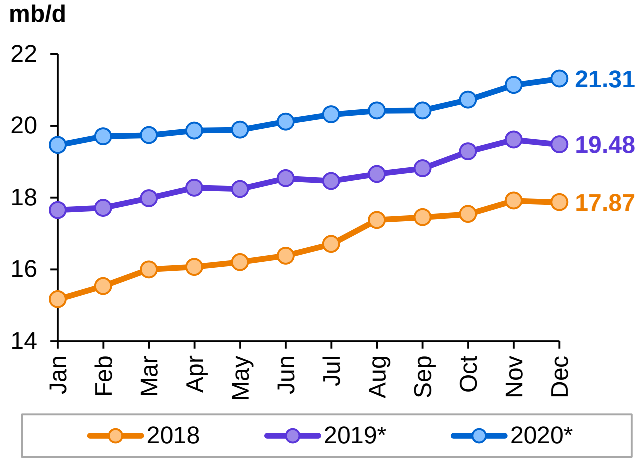
US crude oil production in 4Q19 is expected to soar, following the opening of new pipelines leading from the Permian Basin to the US Gulf Coast. Crude output by the end of the year is forecast at 13.0 mb/d and US liquids production is likely to stand at 19.48 mb/d in December 2019.

Graph 5 - 10: US monthly crude oil supply



*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

Graph 5 - 11: US monthly total liquids supply



*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

US liquids supply in 2019 is forecast to average 18.56 mb/d, representing y-o-y growth of 1.87 mb/d, revised down by 0.03 mb/d from the previous month's assessment, due to lower-than-expected crude output in the GoM.

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

	2017	2018	Change 2018/17	2019*	Change 2019/18	2020*	Change 2020/19
Tight crude	4.96	6.50	*1.54*	7.80	*1.30*	9.10	*1.30*
Gulf of Mexico crude	1.68	1.76	*0.08*	1.88	*0.12*	1.87	*-0.01*
Conventional crude oil	2.71	2.73	*0.02*	2.62	*-0.11*	2.57	*-0.05*
Unconventional NGLs	3.02	3.58	*0.56*	4.08	*0.50*	4.56	*0.48*
Conventional NGLs	0.76	0.77	*0.01*	0.80	*0.03*	0.78	*-0.02*
Biofuels + Other liquids	1.27	1.35	*0.08*	1.38	*0.03*	1.38	*0.00*
US total supply	**14.40**	**16.69**	***2.29***	**18.56**	***1.87***	**20.26**	***1.70***

*Note: * 2019-2020 = Forecast.*
Sources: US EIA, Rystad Energy and OPEC Secretariat.

US tight crude output in May 2019 increased by an estimated 97 tb/d m-o-m to average 7.47 mb/d (US tight crude for the first four months of 2019 was adjusted downward as more accurate data became available), an increase of 1.25 mb/d y-o-y, according to preliminary estimates. The main m-o-m growth in US tight crude output from shale and tight formations through horizontal wells came from the Permian Midland as well as Delaware basin in Texas. Rystad Energy estimates fracking in April in the Permian at 14 wells per day, with an increase to 17 wells per day, up by 20%, for frac operations in May and June and the June tally also marginally higher than in the previous month.

Tight crude output in the Eagle Ford was stagnant at 1.22 mb/d in May. Preliminary data suggests the Eagle Ford play is expected to realize a significant uptick in frac operations in June, jumping to more than 260 wells fracked in a single month, a whopping increase of about 30% compared to the average of about 207 monthly wells in the three spring months, according to Rystad Energy.

Production from the Bakken shale was almost flat at 1.37 mb/d. Fracking operations in the Bakken had already recovered to beyond 100 monthly wells in May, having bottomed out at only 37 wells in February earlier this year. Fracking in the play remained at a similarly robust level in June, yet no immediate recovery has been observed. However, some operators have intentionally delayed completions until 2H19 to wait for infrastructure improvements. Consquently, fracking in the Bakken is expected to grow in the two subsequent quarters, according to Rystad Energy's analysis.

Tight oil output increased m-o-m by 13 tb/d and 5 tb/d in Niobrara and other shale plays to average 525 tb/d and 906 tb/d in May, respectively.

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

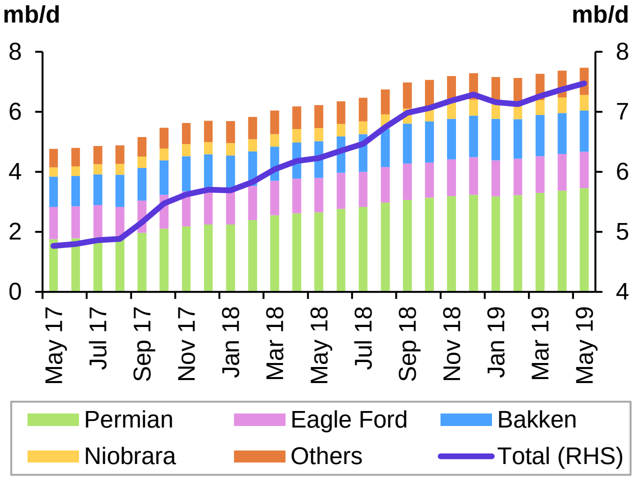
Shale play	2018		2019*		2020*	
tb/d	Production	*Y-o-y change*	Production	*Y-o-y change*	Production	*Y-o-y change*
Permian tight	2.80	*0.96*	3.44	*0.64*	4.36	*0.92*
Bakken shale	1.25	*0.20*	1.48	*0.23*	1.59	*0.11*
Eagle Ford shale	1.18	*0.09*	1.34	*0.16*	1.42	*0.08*
Niobrara shale	0.46	*0.12*	0.60	*0.14*	0.69	*0.09*
Other tight plays	0.80	*0.17*	0.94	*0.14*	1.04	*0.10*
Total	**6.50**	***1.54***	**7.80**	***1.30***	**9.10**	***1.30***

*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

In summary, Rystad Energy data suggests that fracking activity in the US saw a significant increase in June following an essentially flat trend throughout February to May.

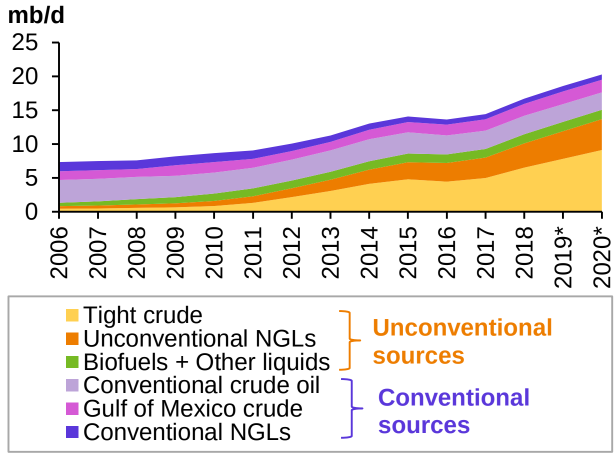
US tight crude output in 2019 is forecast to grow at a slower pace of 1.30 mb/d y-o-y to average 7.80 mb/d, which is 0.24 mb/d less than estimated for 2018. The slower growth is due to fundamental constraints, mainly limited pipeline capacity to transfer oil from the Permian to the US Gulf Coast as well as lower drilling and completion activity in other main shale plays.

Graph 5 - 12: US tight crude breakdown



Souces: US EIA and OPEC Secretariat.

Graph 5 - 13: US liquids production breakdown



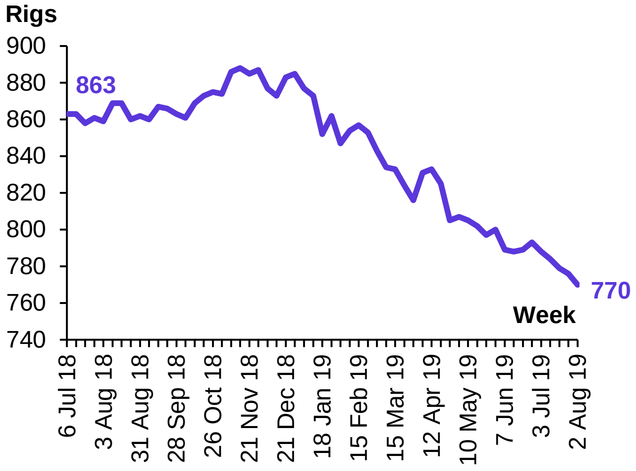
*Note: * 2019-2020 = Forecast.*
Sources: US EIA, Rystad Energy and OPEC Secretariat.

For 2020, US tight crude and unconventional NGLs are forecast to continue to dominate non-OPEC supply growth. However, infrastructure constraints – particularly pipeline capacity in the Permian, the downward trend in the rig count, lower activity by service companies and less fracking. Tight crude production is expected to grow at the same level as in the current year. Production in the Permian Basin will surge following infrastructure debottlenecking. However, drilling and completion slowdowns in other regions due to capital discipline will offset the sizeable growth in the Permian. With 2.5 mb/d of expected new pipeline capacity from the Permian to the USGC, production from the Permian Basin is forecast to grow by 0.92 mb/d assuming no transportation constraints. The pipeline expansion, along with port enhancements to enable higher exports – particularly in Corpus Christi – are expected to cause an increase in export capacity from a current level of about 1 mb/d to around 2.9 mb/d by the end of 2020.

US rigs, wells and drilled-but-uncompleted wells (DUCs)

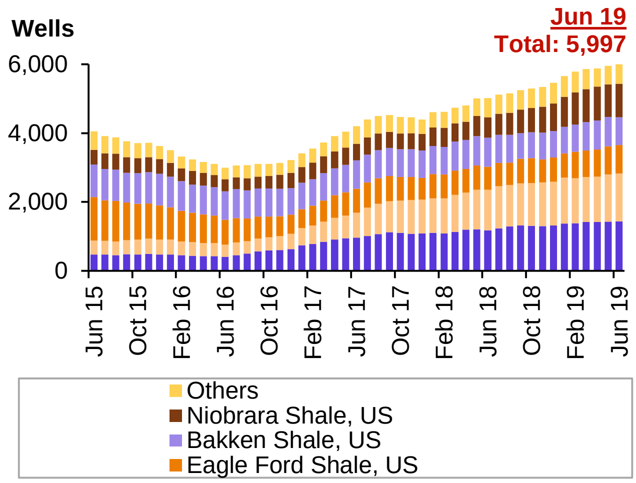
The overall **US rig count** declined by 102 rigs, or 9.8%, y-o-y, to 942 rigs in the week ending 2 August. Out of the active 942 rigs, 918 were onshore and 24 were offshore. US oil rigs dropped by 89 to average 770 oil rigs, y-o-y.

Graph 5 - 14: US weekly oil rig count



Sources: Baker Hughes and OPEC Secretariat.

Graph 5 - 15: US DUCs count by shale play



Sources: Rystad Energy and OPEC Secretariat.

With regard to D&C in all US shale plays, 1,018 wells were spudded in May, up by only 2 wells m-o-m, while 947 wells were completed out of those spudded in May. Moreover, the completed well count decreased by 47 compared to April. This led to the increase in DUCs. Looking at basins in terms of rig count, on a yearly basis, DJ-Niobrara was up by 4 to total 29 oil rigs, the Eagle Ford Basin showed a decline of 13 rigs to reach 57 oil rigs, and the Williston Basin also had 9 rigs less than a year ago, reaching 47 units.

The **US oil rig count** fell by 89 units y-o-y to 770 rigs at the beginning of August. The oil rig count in the Permian Basin was down by 39 units y-o-y to stand at 442 rigs, and lower by 1 unit, w-o-w. Since October 2018, drilling and well completion in the Permian region has changed due to pipeline constraints. Lower well completion compared to the number of spudded wells has led to an increase DUCs by 22 wells, m-o-m in this prolific region to average 2,825 uncompleted wells in June 2019, which is likely to continue into 2H19 until new pipelines come online. It should be noted that DUC stands for Drilled but Uncompleted horizontal wells count in all US shale plays which differs from the EIA's data published in its DPR (Drilling Productivity Report), which includes DUCs in all regions, even those not in "shale plays". The DUC count by Rystad Energy in shale plays in June is estimated at 5,997 wells, an increase of 46 units m-o-m, while the DUC count in the EIA-DPR is reported as 8,248 wells, showing a drop of 41 units m-o-m.

Canada

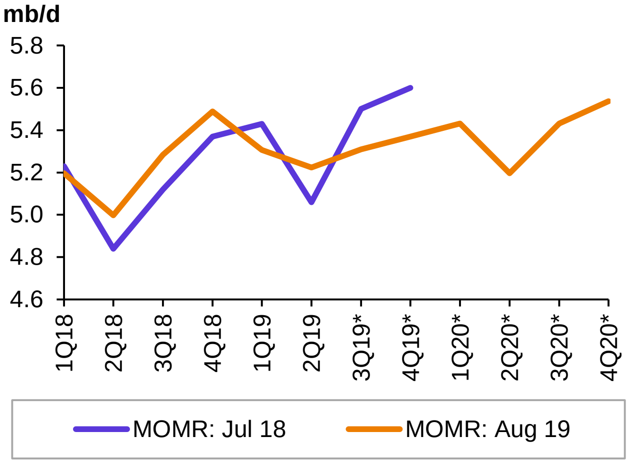
Canada's liquids supply in April 2019 rose by 0.02 mb/d m-o-m to average 5.38 mb/d, 0.4 mb/d higher than a year earlier.

According to official data, non-conventional oil production increased by 30 tb/d to average 2.92 mb/d in April, higher by 0.33 mb/d y-o-y, while conventional oil output declined by a minor 9 tb/d to average 1.32 mb/d. Preliminary production data shows that Canadian liquids output declined in May by 0.21 mb/d to average 5.17 mb/d. Although oil production in Canada in 2Q19 during the upgrader maintenance dropped by as much as seen in the same period a year earlier, nevertheless, the easing of the mandatory production cuts in Alberta resulted in much higher-than-expected production for the quarter. The upwardly revised preliminary production estimation for 2Q19 now stands at 5.22 mb/d, and shows a 0.22 mb/d increase y-o-y.

Therefore, Canada's oil supply in 2019 was revised up by 56 tb/d to average 5.30 mb/d, representing growth of 0.06 mb/d, y-o-y.

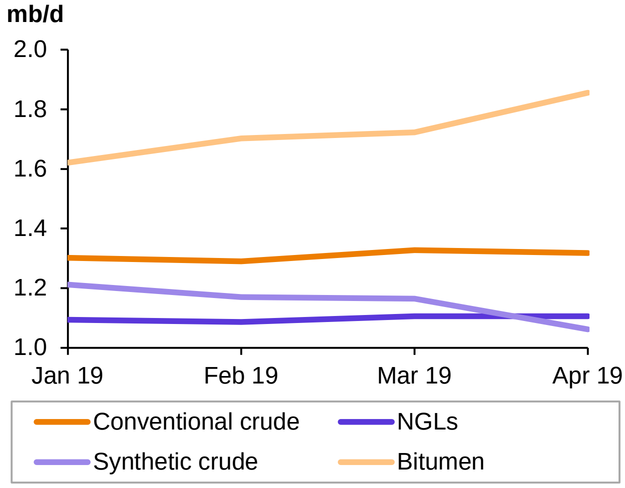
Oil sands production in May, based on preliminary data, is estimated to show a m-o-m decline due to maintenance. Output at the Surmont project was lower by 0.08 mb/d, by 0.03 mb/d in Christian Lake and by 0.02 mb/d in the Cold Lake project. Maintenance is planned at the Mildred Lake and Horizon upgraders later on in 3Q19.

Graph 5 - 16: Impact of Alberta mandate for production adjustment on 2019 supply forecast



*Note: * 3Q19-4Q20 = Forecast.*
Source: OPEC Secretariat.

Graph 5 - 17: Canada monthly production development by type



Sources: National Energy Board and OPEC Secretariat.

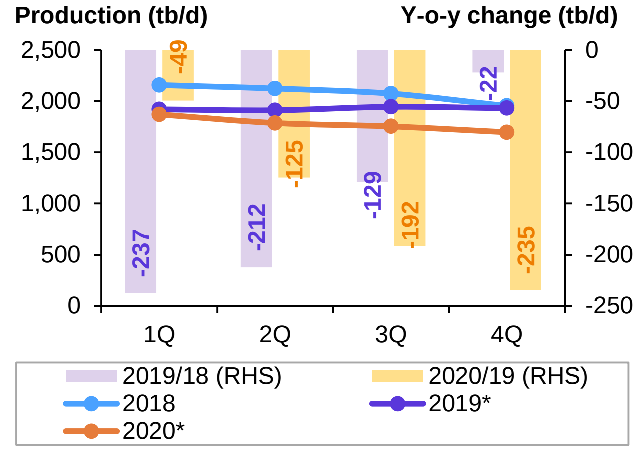
With regard to unconventional oil sands, while synthetic crude oil (SCO) saw a decrease of 103 tb/d m-o-m to average 1.06 mb/d, production of bitumen rose by 133 tb/d to average 1.86 mb/d in April, according to official data. As a result, oil sands output in April increased by 30 tb/d m-o-m to average 2.92 mb/d from growth of 15 tb/d m-o-m a month earlier. This follows the easing of mandatory production cuts in Alberta by 75 tb/d for February and March, and the reduction by another 25 tb/d in April, May and June. The production curtailment in Alberta has been further reduced by the local government for the month of August to just 0.15 mb/d compared to 0.18 mb/d in June and July.

For **2020**, Canadian oil production is forecast to grow by 0.1 mb/d to average 5.40 mb/d. About half of the 0.22 mb/d of projected production ramp ups from new projects will likely be offset by planned maintenance. Concerns regarding investment continue as investors face more pipeline obstacles. Enbridge's Line 3 project has already been pushed to the second half 2020, with Husky reportedly reducing spending in Western Canada until sufficient pipeline capacity becomes available.

Mexico

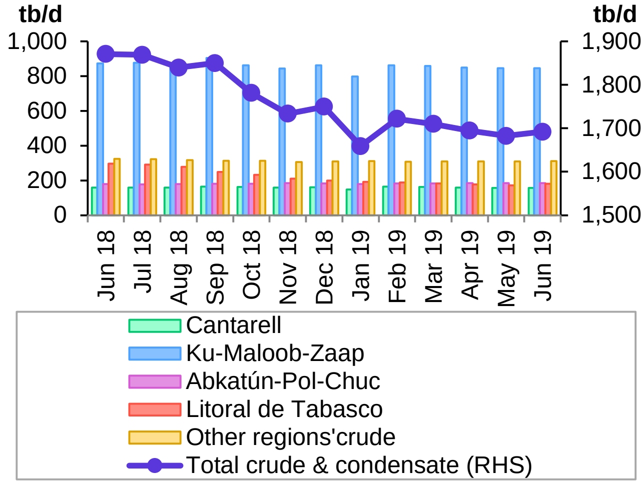
Mexico's average liquids output in June 2019 remained unchanged m-o-m and averaged 1.91 mb/d, down by a massive 0.19 mb/d y-o-y. While crude oil production was up by 8 tb/d to average 1.67 mb/d, it was down by 157 tb/d y-o-y. NGLs output dropped by a minor 3 tb/d m-o-m to 238 tb/d. Despite the start-up of Mitzón 2 oil field in 2H19, Mexico's liquids supply is forecast to contract by 0.15 mb/d and average 1.93 mb/d in 2019.

Graph 5 - 18: Mexico's quarterly liquids supply



*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

Graph 5 - 19: Mexico's crude and condensate monthly output by region



Sources: Pemex and OPEC Secretariat.

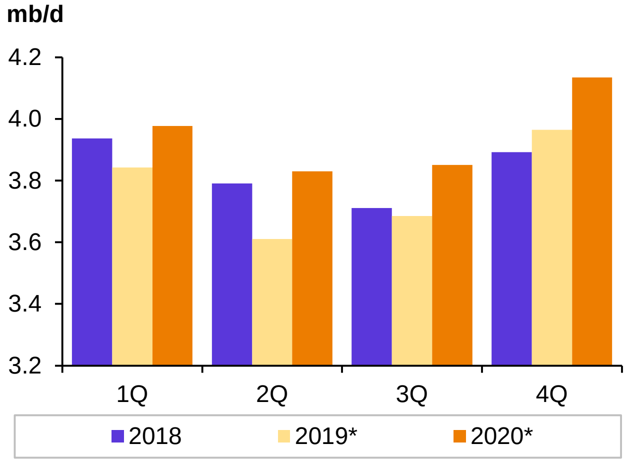
For **2020**, production from mature fields is expected to decline by 260 tb/d. Half of the declines next year are forecast from the Cantarell, Abkatún-Pol-Chuc and Tsimin-Xux projects. New production capacity of 25 tb/d is forecast to be added in 2020, with 80% coming from the Balam field. Maintenance is expected to occur in 2Q20 with production returning in the 3Q20. Overall, Mexico's oil supply in 2020 will decline further by 0.15 mb/d to average 1.78 mb/d.

OECD Europe

OECD Europe's preliminary oil supply in June declined by 0.18 mb/d m-o-m to average 3.43 mb/d, down by 0.35 mb/d y-o-y. This is due to lower m-o-m oil output in Norway and the UK by a combined 0.19 mb/d.

For **2019**, OECD Europe's oil supply is forecast to see a contraction of 0.06 mb/d to average 3.78 mb/d, following growth of 0.01 mb/d in 2018. The projected increase of 0.06 mb/d for the UK is expected to be offset by production declines in other countries, particularly Norway. North Sea oil production is forecast to see a gradual ramp-up from 4Q19 onward, owing to the start-up of the giant Norwegian Johan Sverdrup field.

Graph 5 - 20: OECD Europe quarterly liquids supply



*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

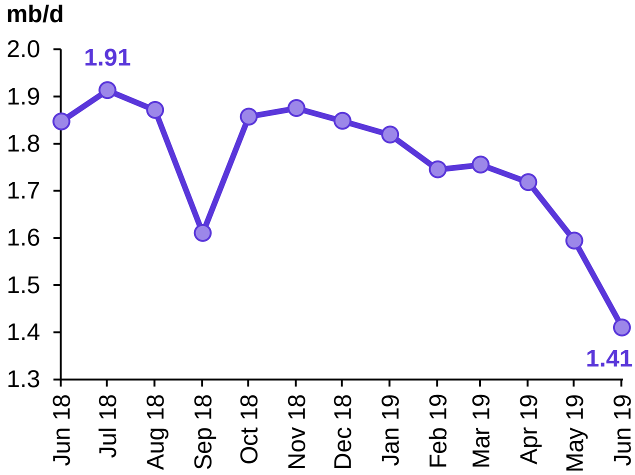
Therefore for **2020**, total growth of 0.17 mb/d y-o-y and average oil supply of 3.95 mb/d is forecast. While Norway's output is forecast to grow by 0.22 mb/d, the UK and Denmark's production is projected to decline by 0.02 mb/d each.

Norway

Despite the return of production in Oseberg and Statfjord in the second half of of May, **Norwegian crude oil output in June** declined by 0.2 mb/d m-o-m to average 1.07 mb/d. This was the lowest historical level since Norway's production peaked in 2001,and lower by 0.42 y-o-y, owing to the three-week production shut down for maintenance in the Greater Ekofisk Area. Although NGLs output grew by 14 tb/d to average 343 tb/d in June, this was lower by 17 tb/d, y-o-y.

Norwegian liquids supply in June fell by 0.18 mb/d m-o-m to average 1.41 mb/d. Liquids production for July 2019 is expected to recover as fields return from maintenance, mainly in Ekofisk and also in Gullfaks. Norway's liquids supply in 1H19 was was lower than expected and declined by 0.2 mb/d to average 1.67 mb/d, y-o-y.

Graph 5 - 21: Norway monthly liquids output



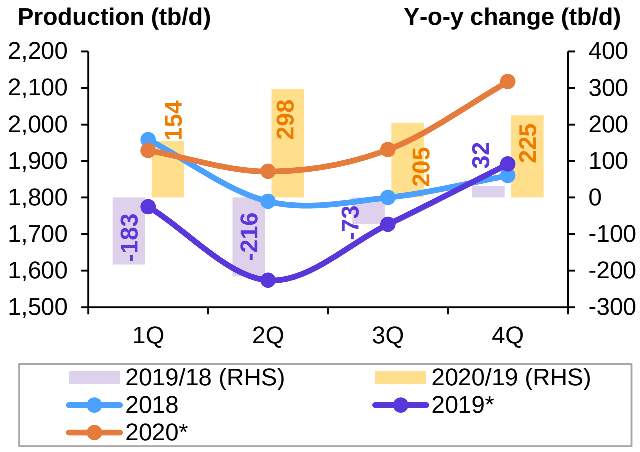
Source: OPEC Secretariat.

Production in 2H19 is forecast to grow by 0.14 mb/d compared to 1H19, leading to a y-o-y decline in total liquids output of 0.11 mb/d for the year of 2019, to average 1.74 mb/d, and showing a downward revision of 0.02 mb/d compared to the previous month's assessment. The annual decline rate for liquids supply in 1H19 was 10.7% compared to the same period a year earlier.

For **2020**, Norway's liquids supply growth was revised up by 14 tb/d and is expected to grow by 0.22 mb/d to average 1.96 mb/d, which is approximately the level of average liquids output in 2017.

Johan Sverdrup will account for 50% of the new production. In addition, 20% of the new production will come from the ramp up of the Valhall, and Oseberg projects and the start-up of Njord, Yme, and Martin Linge. Maintenance is scheduled for 2Q20 and again for 4Q20.

Graph 5 - 22: Norway's quarterly liquids supply



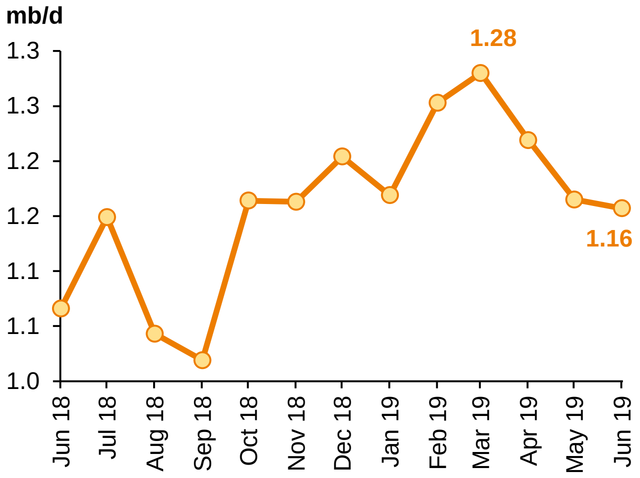
*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

UK

UK crude oil output in June 2019 was unchanged at an average of 1.02 mb/d, but was higher by 84 tb/d y-o-y. NGLs output declined by 11 tb/d to average 100 tb/d. Consequently, liquids output in June fell m-o-m by 8 tb/d to average 1.16 mb/d, higher by 0.01 mb/d y-o-y.

The 2Q19 forecast for UK oil supply shows a drop of 0.05 mb/d compared to 1Q19. According to the latest information, oil production in July is set to drop m-o-m, despite production re-starting in the Galley field in early July as well as the higher Brent loading m-o-m. However, total loadings in July are set to drop m-o-m due to combined lower export loading of Forties and Flotta, m-o-m by 0.06 mb/d.

Graph 5 - 23: UK monthly liquids output

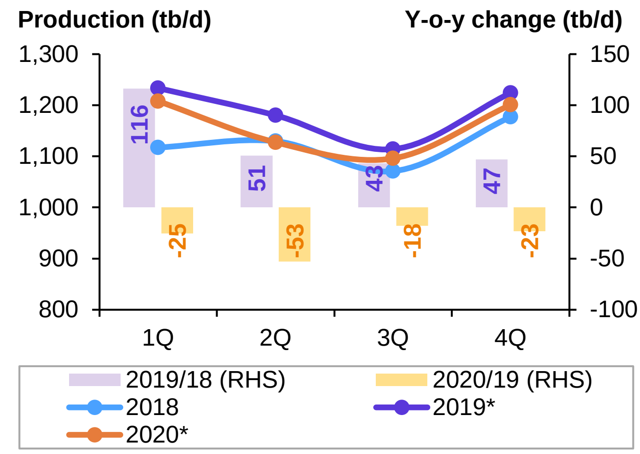


Source: OPEC Secretariat.

For **2019**, UK liquids supply growth is forecast at a slower pace compared to a year ago at 0.06 mb/d, revised up by 0.01 mb/d due to upward revisions in 1Q19 and 2Q19 by 18 tb/d and 25 tb/d, respectively, to average 1.19 mb/d.

For **2020**, taking into account the growth from new projects – Mariner, Clair, Lancaster and the start-up of Liberator – and expected declines together, UK oil supply is forecast to see an overall contraction of 0.03 mb/d in 2020, to average 1.16 mb/d. The main projects in decline include Buzzard, Elgin/Franklin, Golden Eagle Area, Western Isles, Greater Catcher and ETAP. These will account for more than 40% of total UK decline in 2020. Maintenance is expected to occur in 2Q20 and 3Q20 and return in 4Q20.

Graph 5 - 24: UK quarterly liquids supply



*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

Developing Countries (DCs)

Total developing countries' (DCs) oil supply for 2019 is expected to grow by 0.15 mb/d y-o-y to average 13.62 mb/d, revised down by 0.09 mb/d, mainly due to downward revisions in Latin America's supply forecast compared with the previous monthly assessment. Latin America is now forecast to see y-o-y growth of 0.18 mb/d, owing to disappointing crude oil output in 1H19 in Brazil. Moreover, oil production in Other Asia was also revised down by 0.03 mb/d following a downward revision in historical production data in Thailand and now is forecast to decline deeper by 0.09 mb/d y-o-y to average 3.46 mb/d, mainly in Indonesia (-0.03 mb/d), Thailand (-0.03 mb/d) Vietnam (-0.02 mb/d) India (-0.02 mb/d) and Malaysia (-0.02 mb/d). In Africa, the anticipated y-o-y growth of 0.06 mb/d will come mainly from Ghana and the Sudans. And finally, oil supply in the Middle East is expected to remain unchanged y-o-y at 3.21 mb/d.

Table 5 - 7: Developing countries' liquids supply, mb/d

	1Q	2Q	3Q	4Q	Yearly	Change Y-o-y
2018	13.45	13.53	13.40	13.51	13.47	*0.08*
2019*	13.43	13.46	13.73	13.86	13.62	*0.15*
2020*	13.85	13.86	13.87	14.04	13.91	*0.28*

*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

For **2020**, oil supply in Developing Countries is expected to increase by 0.28 mb/d to average 13.91 mb/d, following lower estimated growth for Brazil, which was revised down by 0.06 m/d. Nevertheless, the key driver remains Latin America with y-o-y forecast growth of 0.26 mb/d due to projects being ramped up in Brazil. Moreover, while production is forecast to increase in the Middle East and Africa by 0.03 mb/d and 0.02 mb/d to average 3.24 mb/d and 1.60 mb/d, respectively, production in Other Asia, despite projected growth in India and Malaysia, is forecast to decline by 0.03 mb/d to average 3.43 mb/d.

Latin America

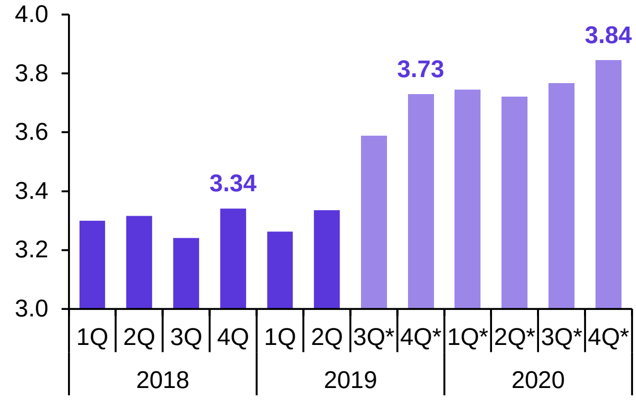
Brazil

Following heavy maintenance at the Lula offshore field in the Santos pre-salt as well as the accelerated declines in production from post-salt fields, Brazil's crude oil output in June 2019 fell by 174 tb/d m-o-m to average 2.56 mb/d, down by 33 tb/d y-o-y. Crude oil production in 1H19 remained unchanged at 2.60 mb/d compared to 1H18. The main reasons for the disappointing output in 1H19 were heavy maintenance on the platforms, ongoing slowdown of y-o-y growth in monthly production at the Lula field since July 2018, commissioning problems at gas plants at the Búzios field regarding large amounts of carbon dioxide and hydrogen sulphide, as well as continued heavy natural decline in oil fields located in the Campos Basin, that reached 14% in 2018. In 2018, pre-salt production accounted for around 1.43 mb/d of total output which averaged 2.59 mb/d, with the super-giant Lula alone accounting for 863 tb/d.

However, Brazilian state-run oil company Petrobras posted a long-awaited production boost in July after a disappointing June, as it ramped up production in the promising offshore pre-salt region. Petrobras reported it produced 2.76 mb/d of oil equivalent in July, up from 2.633 mb/d in 2Q19 and hitting a record of 3 mb/d of oil equivalent on 28 July. Petrobras has a share of 75% in Brazilian production in 1H19. However, this share has been declining steadily due to lower investment in mature fields and an increase of production-sharing contracts. Output of NGLs also declined by a minor 6 tb/d in June to average 97 tb/d, while biofuels output was unchanged m-o-m at 603 tb/d. In terms of total liquids, oil supply in June averaged 3.26 mb/d, a decrease of 0.18 mb/d m-o-m and was also lower by 0.06 mb/d, y-o-y.

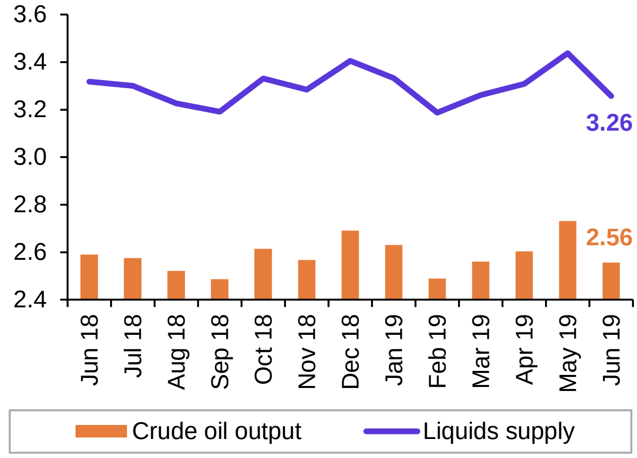
Despite the instalment of seven FPSOs, each with capacity of 150 tb/d since last year, four of which started production in the pre-salt Búzios field, supply from Buzios has only ramped up to 0.29 mb/d, around 25% of installed capacity. However, assuming full well productivity in the Búzios field with production in P-74 FPSO hitting 0.16 mb/d, and production in two FPSOs – P-67 and P-69 – located in the Lula field ramping up, crude oil output is likely to grow by 0.36 mb/d in 2H19 vs 1H19. Moreover, the P-68 FPSO is also projected to start production from the Berbgao/Sururu oil field by the end of this year. If all this planned production materializes, Brazil's liquids supply in **2019** is forecast to grow by 0.18 mb/d y-o-y to average 3.48 mb/d, revised down by 0.06 mb/d compared to the previous month's assessment.

Graph 5 - 25: Brazil's quarterly liquids supply



*Note: * 3Q19-4Q20 = Forecast.*
Sources: National Agency of Petroleum, Natural Gas and Biofuels; and OPEC Secretariat.

Graph 5 - 26: Brazil's crude oil and liquids supply



Source: OPEC Secretariat.

The supply forecast for **2020** was also revised down by 0.07 mb/d, showing y-o-y growth of 0.29 mb/d for an average of 3.77 mb/d. Indeed, based on field-by-field studies, a total of 465 tb/d is expected to be added from project ramp-ups that will be partially offset by mature fields' natural declines. More than 80% of the estimated addition from new projects is expected to come from the Búzios (x-Franco), Lara and Lula. Mature fields such as Parque das Baleia, Marlim Sul (South), Roncador, Mero (Libra NW), and Marlim Leste account for more than 50% of the estimated 0.12 mb/d total decline for Brazil's supply in 2020. Annual maintenance is expected to slow growth starting from 2Q20 and 3Q20.

FSU

FSU oil supply in **2019** is forecast to decrease by 0.06 mb/d y-o-y in 2019 to average 14.23 mb/d, unchanged from last month's assessment. In Russia, oil supply is expected to increase by 0.05 mb/d y-o-y to average 11.39 mb/d, while oil output is likely to decline in Kazakhstan, Azerbaijan and FSU others by 0.08 mb/d, 0.01 mb/d and 0.02 mb/d, respectively.

For **2020**, FSU oil supply is forecast to grow by 0.17 mb/d y-o-y and average 14.40 mb/d. Oil production in Russia is forecast to grow by 0.10 mb/d to average 11.49 mb/d, assuming that production remains adjusted to 11.34 mb/d in 1Q20. Oil supply in Kazakhstan is likely to grow by 0.09 mb/d, but in Azerbaijan is forecast remain unchanged compared to 2019 and is projected to decline by 0.02 mb/d in FSU others.

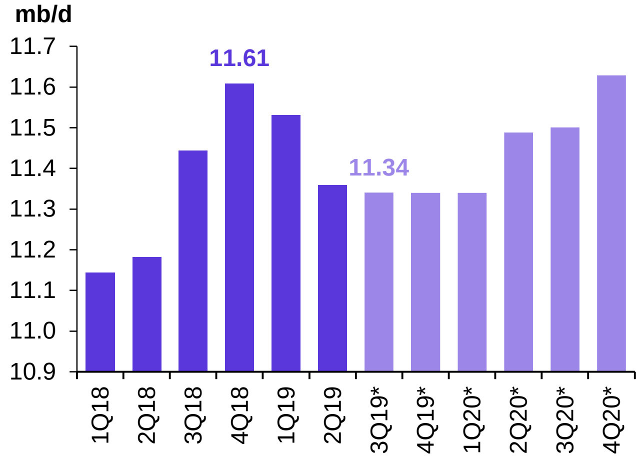
Russia

Preliminary data for Russian liquids supply in **July 2019** shows a decrease of 0.01 mb/d m-o-m to average 11.34 mb/d, down by 0.05 mb/d y-o-y.

The nine-month extension of the DoC between OPEC and non-OPEC covering 2H19 and 1Q20, has led to a revision in the Russian oil supply forecast for 2H19 to 11.34 mb/d, which is the same level as reported for July 2019. Taking this into account, Russia's oil supply is forecast to grow by only 0.05 mb/d in **2019** to average 11.39 mb/d. For **2020**, growth of 0.10 mb/d is anticipated for an average of 11.49 mb/d.

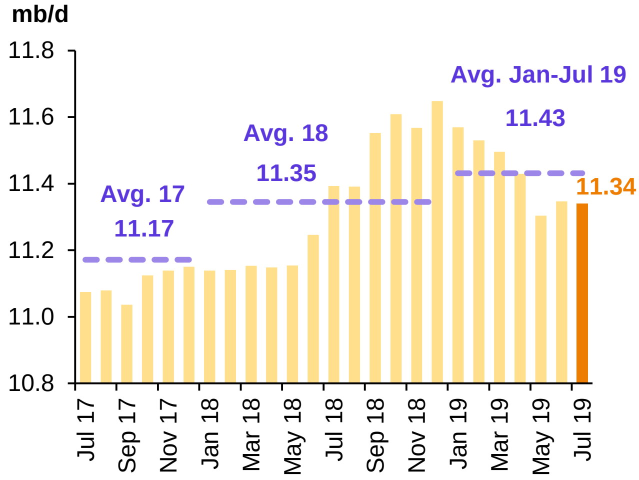
With regard to field development, Russian state-controlled Gazpromneft has completed a multilateral "fishbone" horizontal well in the East Messoyakh field, which should eventually lift output by 20% to approximately 0.11 mb/d, according to Petroleum Argus. Moreover, a further 25 fishbone wells are planned for the Yamal-Nenets region. Each fishbone well is reportedly 40% more productive than a standard well.

Graph 5 - 27: Russia's quarterly supply forecast



*Note: * 3Q19-4Q20 = Forecast.*
Source: OPEC Secretariat.

Graph 5 - 28: Russia's monthly liquids supply



Sources: Nefta Compass and OPEC Secretariat.

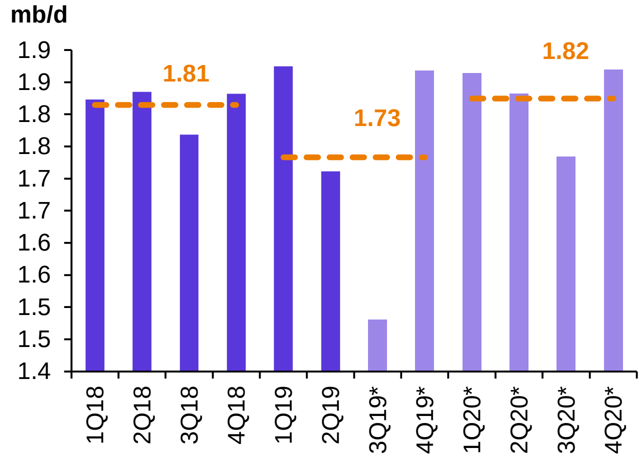
Caspian

Kazakhstan

Kazakhstan's liquids output in **June** was up by 0.26 mb/d m-o-m to average 1.90 mb/d, higher y-o-y by 0.07 mb/d, as maintenance ended at Kashagan. Nevertheless, oil production in 2Q19 was lower by 0.13 mb/d, y-o-y and even 1H19 was lower than 1H18 by 0.04 mb/d because of the production shut down in the Kashagan field during extensive maintenance from 14 April to 19 May.

Crude oil production rose by 253 tb/d in June m-o-m to average 1.63 mb/d. Crude output at the Kashagan field already reached 400 tb/d in early June, according to secondary sources. The North Caspian Operating Consortium (NCOC) plans to boost production in Kashagan through gas injection in order to ramp up production as high as 470 tb/d. Oil production rose in July, but production is planned to shut down in the Tengiz and Karachaganak fields for planned maintenance in August.

Graph 5 - 29: Kazakhstan's quarterly liquids output



*Note: * 3Q19-4Q20 = Forecast.*
Source: OPEC Secretariat.

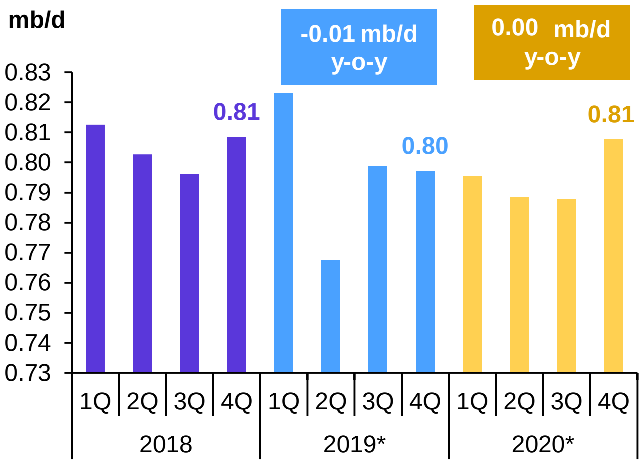
In **2019**, oil supply in Kazakhstan is expected to decline by 0.08 mb/d to average 1.73 mb/d, while it is forecast to grow by 0.09 mb/d y-o-y to average 1.82 mb/d in **2020,** mainly as a result of the Kashagan ramp-up.

Azerbaijan

Azerbaijan's liquids output in June decreased by 8 tb/d m-o-m to average 0.79 mb/d. Crude oil output fell by 4 tb/d m-o-m to average 687 tb/d and NGLs production also dropped by a minor 4 tb/d m-o-m to average 106 tb/d. Oil production in 2Q19 dropped by 0.06 mb/d q-o-q to average 0.77 mb/d, and shows a y-o-y decline of 0.03 mb/d. The main reason for the outages was maintenance in BP's platform in April. Maintenance is also planned for another BP platform in Western Chirag in October 2019.

For **2019**, oil supply in Azerbaijan is expected to decline by 0.01 mb/d to average 0.80 mb/d, and for **2020**, production it is forecast to slow further compared to 2019 to average 0.79 mb/d.

Graph 5 - 30: Azerbaijan's quarterly liquids supply



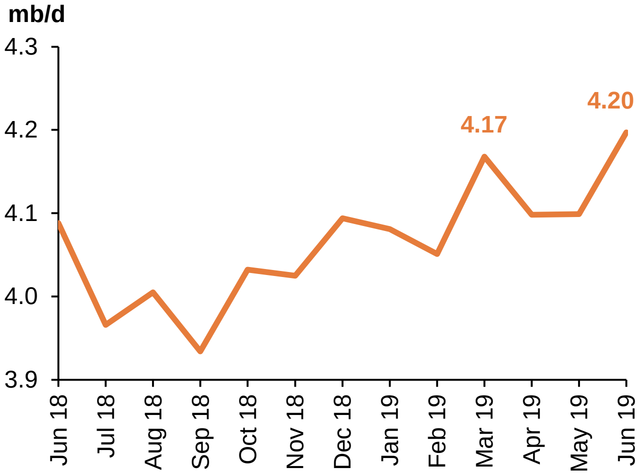
*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

China

China's liquids production in June 2019 rose by 0.1 mb/d to average 4.20 mb/d, according to official data, up by 0.11 mb/d y-o-y. Crude oil output in June increased by 96 tb/d at an average of 3.92 mb/d, which was 61 tb/d higher y-o-y. Production of non-conventional liquids, mainly CTL, was almost flat at 0.27 mb/d. China's liquids production in **2019** is expected to grow by 0.08 mb/d to average 4.09 mb/d, unchanged from the previous month's assessment. However, due to the maintenance and flooding in 3Q19, a drop of 0.08 mb/d q-o-q is anticipated to average 4.05 mb/d.

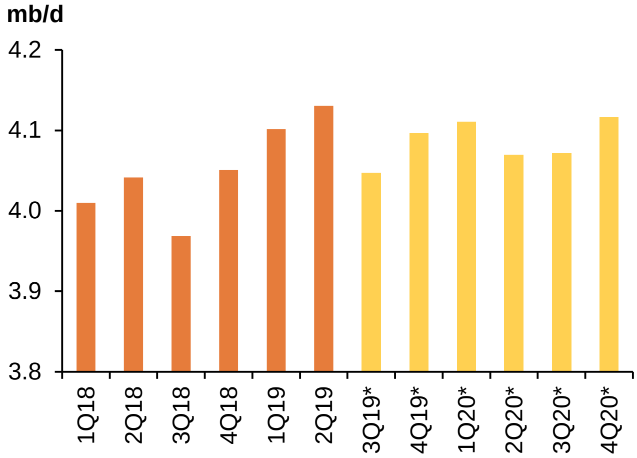
For **2020**, oil production in China is forecast to remain stagnant at 4.09 mb/d. However, oil production in the next years will depend on foreign investor spending in the upstream sector amid the US-China trade dispute.

Graph 5 - 31: China's monthly liquids output



Source: OPEC Secretariat.

Graph 5 - 32: China's quarterly liquids output



*Note: * 3Q19-4Q20 = Forecast.*
Source: OPEC Secretariat.

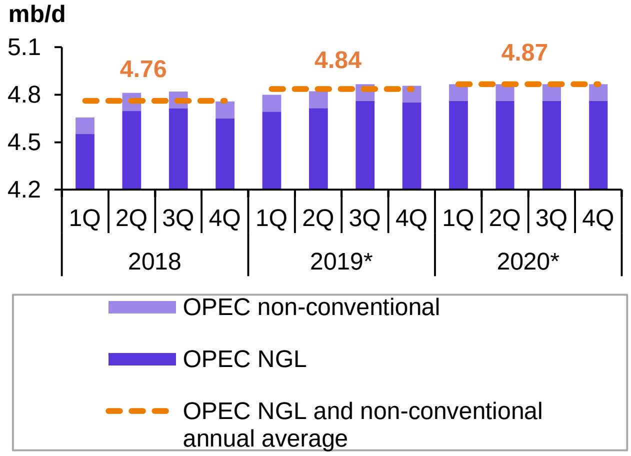
OPEC NGLs and non-conventional oils

OPEC NGLs and non-conventional liquids in 2019 are forecast to grow by 0.07 mb/d to average 4.84 mb/d, following growth of 0.12 mb/d in 2018.

Preliminary production data in **July 2019** showed minor growth of 0.01 mb/d to average 4.84 mb/d compared with a month earlier, and an increase of 0.22 mb/d y-o-y.

For **2020**, the preliminary forecast indicates minor growth of 0.03 mb/d to average 4.87 mb/d.

Graph 5 - 33: OPEC NGL and non-conventional liquids output



*Note: * 2019-2020 = Forecast.*
Sources: OPEC Secretariat.

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

	2018	2019	Change 19/18	1Q20	2Q20	3Q20	4Q20	2020	Change 20/19
Total OPEC	**4.76**	**4.84**	0.07	4.87	4.87	4.87	4.87	**4.87**	0.03

Note: 2019-2020 = Forecast.
Source: OPEC Secretariat.

OPEC crude oil production

According to secondary sources, total **OPEC-14 preliminary crude oil production** averaged 29.61 mb/d in July, lower by 246 tb/d m-o-m. Crude oil output decreased mostly in Saudi Arabia, IR Iran, Libya, Venezuela and Nigeria, while production increased in Iraq and Algeria.

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

	2017	2018	4Q18	1Q19	2Q19	May 19	Jun 19	Jul 19	Jul/Jun
Algeria	1,047	1,042	1,055	1,026	1,019	1,029	1,005	1,027	*22*
Angola	1,634	1,505	1,496	1,443	1,427	1,476	1,408	1,395	*-14*
Congo	252	317	318	326	334	327	337	326	*-10*
Ecuador	530	519	517	526	525	530	515	520	*5*
Equatorial Guinea	133	125	114	115	114	114	115	120	*5*
Gabon	200	187	188	208	209	216	217	200	*-16*
Iran, I.R.	3,813	3,553	2,982	2,725	2,407	2,367	2,260	2,213	*-47*
Iraq	4,446	4,550	4,669	4,631	4,705	4,749	4,721	4,753	*32*
Kuwait	2,708	2,745	2,774	2,715	2,694	2,710	2,674	2,678	*5*
Libya	811	951	1,056	965	1,154	1,170	1,120	1,078	*-42*
Nigeria	1,658	1,718	1,739	1,736	1,781	1,721	1,808	1,786	*-21*
Saudi Arabia	9,954	10,311	10,749	10,019	9,770	9,717	9,832	9,698	*-134*
UAE	2,916	2,986	3,236	3,066	3,063	3,060	3,070	3,071	*1*
Venezuela	1,911	1,354	1,191	975	772	762	774	742	*-32*
Total OPEC	**32,014**	**31,864**	**32,084**	**30,478**	**29,975**	**29,945**	**29,855**	**29,609**	***-246***

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

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

	2017	2018	4Q18	1Q19	2Q19	May 19	Jun 19	Jul 19	Jul/Jun
Algeria	1,059	1,040	1,067	1,027	1,017	1,027	1,006	1,032	*26*
Angola	1,632	1,473	1,434	1,421	1,424	1,462	1,418	1,259	*-159*
Congo	263	323	326	343	340	338	337	338	*1*
Ecuador	531	517	516	529	531	532	531	541	*11*
Equatorial Guinea	129	120	112	108	114	113	114	111	*-3*
Gabon	210	193	206	214	225	227	225	224	*-2*
Iran, I.R.	3,867	..	..	..	..	..	..	..	..
Iraq	4,469	4,410	4,460	4,540	4,565	4,595	4,600	4,620	*20*
Kuwait	2,704	2,737	2,755	2,712	2,681	2,709	2,643	2,652	*9*
Libya	..	..	..	..	..	..	..	..	..
Nigeria	1,536	1,602	1,631	1,689	1,721	1,649	1,802	1,948	*146*
Saudi Arabia	9,959	10,317	10,790	10,053	9,752	9,670	9,782	9,580	*-202*
UAE	2,967	3,008	3,285	3,055	3,050	3,055	3,046	3,068	*22*
Venezuela	2,035	1,510	1,470	1,289	1,045	1,050	1,047	906	*-141*
Total OPEC	**..**	**..**	**..**	**..**	**..**	**..**	**..**	**..**	**..**

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

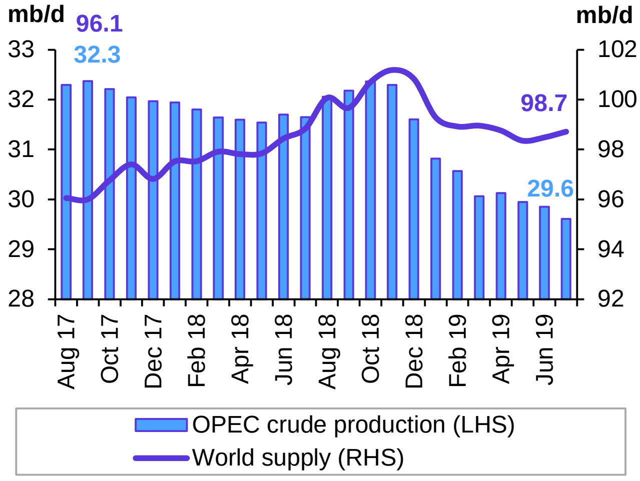
World oil supply

Preliminary data indicates that **global oil supply in July** increased slightly by 0.23 mb/d m-o-m to average 98.71 mb/d, compared to the previous month.

Non-OPEC supply (including OPEC NGLs) increased by 0.48 mb/d to average 69.11 mb/d in July, compared to the previous month, higher by 1.92 mb/d y-o-y. Preliminary incremental production in July was mainly driven by Canada, Norway, the UK, Australia, India, Brazil and Azerbaijan.

The **share of OPEC crude oil in total global production** declined by 0.3 pp to 30% in July 2019 compared to the previous month. Estimates are based on preliminary data from direct communication for non-OPEC supply, OPEC NGLs and non-conventional oil, while estimates for OPEC crude production are based on secondary sources.

Graph 5 - 34: OPEC and world oil supply



Source: OPEC Secretariat.

Product Markets and Refinery Operations

***Product markets** globally saw solid gains, as positive performance across the barrel in all main trading hubs lifted refinery margins, particularly in Europe and in Asia, where they jumped by more than $3/b.*

*In the **US**, product markets were supported by prevailing product requirements from the US East Coast due to capacity loss and firm overall domestic demand despite high refinery runs.*

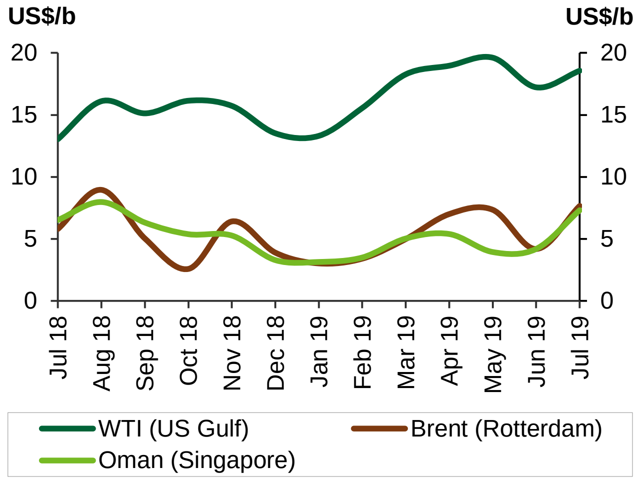
*In **Europe**, product markets strengthened to the greatest extent compared to the other main trading hubs, mainly supported by a continuation of the sharp recovery seen last month at the top and middle of the barrel, amid strong export opportunities to the US Atlantic Coast.*

*Meanwhile in **Asia,** product markets received support from reduced refined product outputs as several refinery outages weighed on regional intake amid firm export opportunities.*

Refinery margins

US refinery margins continued to move upwards in July, albeit not as strongly compared with margins in Europe and in Asia, underpinned by an uptick in product prices that resulted in higher product cracks. In addition, the market adjustments for the Philadelphia Energy Solutions (PES) refinery closure continued to prompt strong product pulls into the USEC, further supporting product cracks. The expectation of increasing fuel demand during the peak of the summer travel season presents a positive outlook for the coming month, lending support to the gasoline and jet fuel markets, in particular. However, the strong refinery utilization rate could offset some of the expected bullishness. US refinery margins for WTI averaged $18.57/b in July, up by $1.34 m-o-m and higher by $5.52 y-o-y.

Graph 6 - 1: Refining margins



Sources: Argus Media and OPEC Secretariat.

Refinery margins in **Europe** exhibited the strongest positive performance on a regional comparison, driven by sharp gains at the top of the barrel attributed to stronger exports. Refinery intakes continued to rise, supported by refinery restarts**,** despite continued pressure on Urals intakes at the Schwedt refinery due to high organic chloride content levels. Meanwhile, the middle and the bottom of the barrel continued to show strong positive performance amid solid export opportunities. The subsequent return of additional refining capacity could lead to higher refinery utilization rates, weighing on European product markets in the near term.

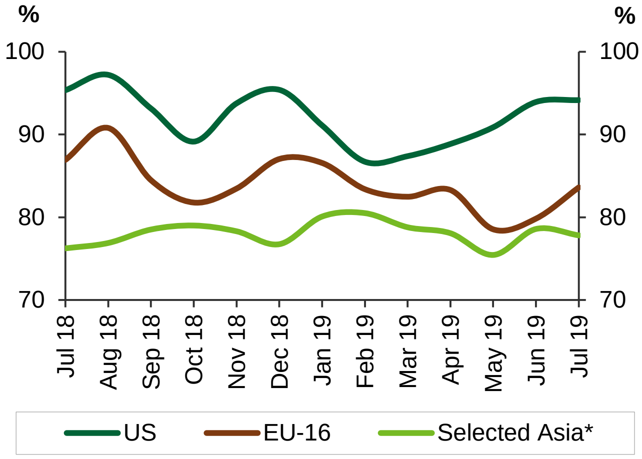
Refinery margins for Brent in Europe averaged $7.67/b in July, up by $3.47 compared to a month earlier and by 1.86 y-o-y.

Asian refinery margins rose, reaching the highest level in nearly one year, supported by robust performance at the top and bottom of the barrel. This was mainly backed by supply disruptions during the month as refinery issues and unplanned outages restricted supplies in China, India, Indonesia, Vietnam and the Philippines amid firm export opportunities to the Middle East. Moreover, the bullish sentiment generated by planned turnarounds in the previous month carried over, with a positive impact on Asian product market performance in July. Once operations are restored, however, product markets should come under pressure in the near term. Refinery margins for Oman in Asia gained $3.12 m-o-m to average $7.32/b in July, and were higher by 79¢ y-o-y.

Refinery operations

In the **US**, refinery utilization rates remained near the high levels witnessed a year earlier, averaging 94.16%, which corresponds to a throughput of 17.70 mb/d. This represented a slight rise of 0.2 pp and 30 tb/d compared to the previous month. Y-o-y, the July refinery utilization rate was down by 1.2 pp, with throughputs up by 14 tb/d.

Graph 6 - 2: Refinery utilization rates



*Note: * Includes Japan, China, India and Singapore*
Sources: EIA, Euroilstock, PAJ and Argus Media.

European refinery utilization averaged 83.61% in July, corresponding to a throughput of 10.36 mb/d. This is a m-o-m rise of 3.8 pp, or 470 tb/d. Y-o-y, utilization rates decreased by 3.33 pp and throughputs were down by 328 tb/d.

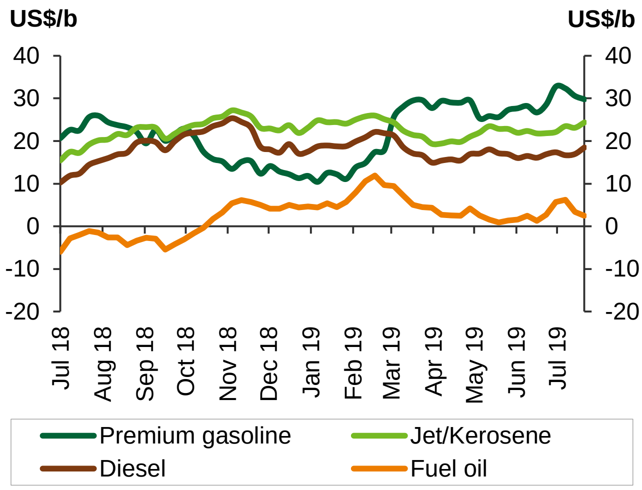
In **selected Asia** — comprising Japan, China, India and Singapore — refinery utilization rates rose, averaging 77.82% in July, corresponding to a throughput of 21.82 mb/d. Compared to the previous month, throughputs were down by 0.8 pp and by 220 tb/d. Meanwhile, y-o-y they were up by 1.57 pp and up by 994 mb/d.

Product markets

US market

US gasoline cracks trended upwards, supported by domestic reduction in outputs amid the gasoline tightness in the East Coast following the PES refinery closure. Gasoline prices recovered from the previous month's losses, and were $6/b higher m-o-m. US gasoline imports jumped in July compared to the previous month. This offset the bullishness linked to seasonal domestic demand and helped keep changes in inventory levels somewhat muted relative to the previous month.

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



Sources: Argus Media and OPEC Secretariat.

The gasoline crack spread gained $3.25 m-o-m to average $31.04 in July, up by $7.83 y-o-y.

The USGC **jet/kerosene crack spread** gained some ground despite a rise in US inventory levels over the month of July. Bullishness related to the onset of the summer peak air travel season — emerging from expectations of firm demand from the aviation sector amid a slight decline in refinery outputs — supported prices and contributed to the positive performance in jet fuel cracks on the USGC. The US jet/kerosene crack spread against WTI averaged $23.51/b, up by $1.54 m-o-m and higher by $5.92 y-o-y.

US **gasoil crack spreads** trended upwards, affected by bullish sentiment as the IMO 2020 implementation date approaches and demand for compliant marine fuels rise as ship owners and traders prepare for the fuel shift. This positive development offset the negative impact caused by considerable growth in US gasoil inventory levels in July. The US gasoil crack spread averaged $17.43/b, up by $1.06 m-o-m and by $4.93 y-o-y.

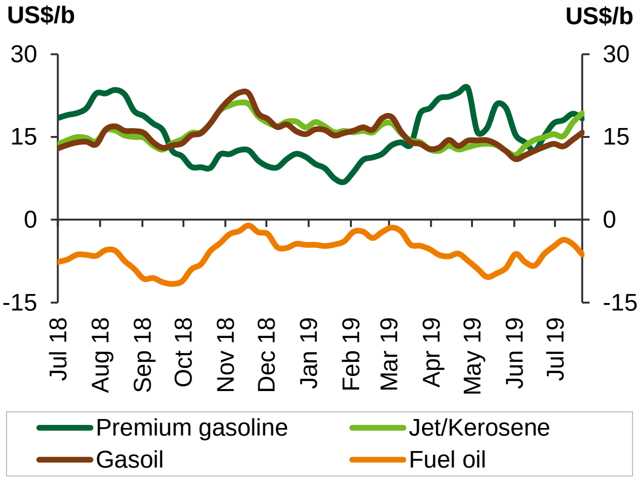
US **fuel oil crack spreads** trended higher, supported by firm demand amid a tightening global market. In July, the US fuel oil crack spread averaged $4.06/b, up by $2.06 m-o-m and higher by $6.74 y-o-y.

European market

Gasoline crack spreads exhibited the strongest positive performance across the barrel in Rotterdam, on the back of strong import requirements from the US linked to refinery outages there. The continuation of strong arbitrage incentives from Europe to the US Atlantic Coast contributed to the considerable lift of gasoline cracks in Europe. This positive development registered over the month came despite reports of short-term operational issues in Germany and Switzerland. However, the projected return of offline capacities regionally and globally could increase product availability and weigh on gasoline markets in the near term.

The gasoline crack spread averaged $18.42/b in July, up by $4.15 m-o-m but down by $1.04 y-o-y.

Graph 6 - 4: Rotterdam crack spreads vs. Brent



Sources: Argus Media and OPEC Secretariat.

The **jet/kerosene** crack spreads also performed strongly, backed by robust regional demand amid a tighter global balance. In the current European holiday season, jet fuel cracks are expected to be sustained in line with seasonal trends, although of the gains may be offset by possible supply-side pressure as refinery runs could increase runs regionally and globally in the near term. The Rotterdam jet/kerosene crack spread averaged $17.19/b, up by $3.56 m-o-m and higher by $2.73 y-o-y.

European **gasoil** crack spreads strengthened in July, supported by gasoil production cuts amid healthy regional demand. However, towards the end of July, a rise in ARA inventory levels, affected by the volumes of arrivals from the US and Asia, exerted some pressure and hindered further gains in European gasoil crack spreads. The gasoil crack spread averaged $14.63/b, which was higher by $2.52 m-o-m and by 96¢ y-o-y.

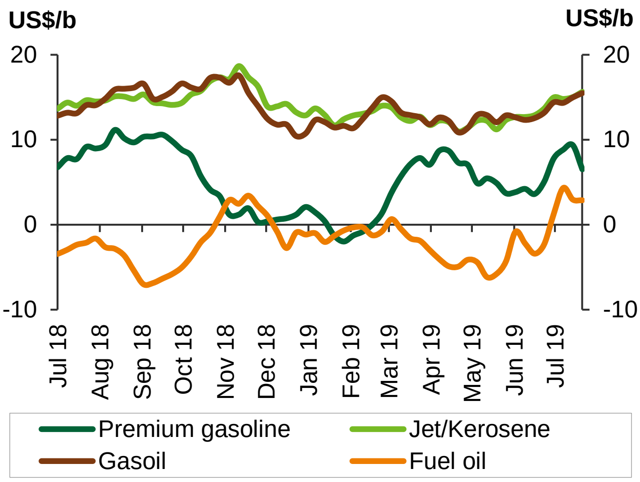
At the bottom of the barrel, **fuel oil 3.5% crack spreads** in Rotterdam showed solid gains supported by a strong arbitrage economics to the US and Asia, as the global fuel oil market remains tight and storage capacity continues to shift from high-sulphur fuel oil to very low sulphur fuel oil. In Europe, fuel oil cracks averaged minus $7.72/b in July, gaining $2.27 m-o-m and $2.16 y-o-y.

Asian market

The **Asian gasoline 92** crack spread against Dubai strengthened, affected by refinery outages in India and the Philippines, which led to limited supplies amid an uptick in gasoline deliveries to the US during the month. Corrections of the US gasoline price structure to the market reaction resulting from the closure of the PES refinery narrowed the arbitrage opening from Singapore to the USGC, which prevented further upside to Asian gasoline crack spreads.

Overall gasoline exports to the US were up by 42% m-o-m in mid-July. This is mainly attributable to the rise in Asian refining capacity, which grew considerably y-o-y. The Singapore gasoline crack spread against Oman averaged $7.90/b in July, up by $3.61 m-o-m but marginally down by 9¢ y-o-y.

Graph 6 - 5: Singapore crack spreads vs. Dubai



Sources: Argus Media and OPEC Secretariat.

Singapore light distillate **naphtha crack spreads** rose shadowing the positive performance in gasoline cracks, affected by the reductions in outputs due to refinery outages as well as firm regional demand. The Singapore naphtha crack spread against Oman averaged minus $7.53/b, having improved by $2.27 m-o-m, but dropped by $6.69 y-o-y.

In the middle of the barrel, the **jet/kerosene** crack spreads in Asia showed positive performance on the back of bullish sentiment in the market as the onset of the peak travel season pointed to rising jet fuel demand from the aviation sector. The Singapore jet/kerosene crack spread against Oman averaged $15.22/b, up by $2.14 m-o-m and by $1.00 y-o-y.

The Singapore **gasoil crack spread** in July moved upwards, as lower gasoil availability provided support to gasoil prices, despite the usual bearishness associated with the ongoing monsoon season. The Singapore gasoil crack spread against Oman averaged $15.32/b, up by $2.04 m-o-m and by $1.95 y-o-y.

The Singapore **fuel oil crack spread** continued to soar, showing the strongest positive performance across the barrel in Singapore. This is attributed to lower supplies linked to planned and unplanned outages. Moreover, fuel oil stock levels reportedly declined as low-sulphur fuel liquidity is on the rise and traders continue to stock IMO 2020 compliant fuel oil ahead of the implementation date in January. Singapore fuel oil cracks against Oman averaged $2.87/b, up by $5.04 m-o-m and by $5.51 y-o-y.

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

Event	Time frame	Asia	Europe	US	Observations
Peak travelling season	May 19 – Sep 19	↑ Some positive impact on product markets	↑ Some positive impact on product markets	↑ Some positive impact on product markets	Support expected to be softened by relatively high global stock levels, particularly at the top of the barrel, as well as relatively softer demand this year.
Monsoon season	Jun 19 – Oct 19	↓ Negative impact on gasoil markets	-	-	Gasoil markets in India are expected to come under pressure as seasonal rains curtail agricultural activities.
Lower heavy crude availability	Mid-term	↑ Some positive impact on product markets	↑ Some positive impact on product markets	↑ Some positive impact on product markets	May support prices of heavier products, and support cracks.
Preparations for IMO 2020	May 19 – Dec 19	↑ Some positive impact on product markets (short-term)	↑ Some positive impact on product markets (short-term)	↑ Some positive impact on product markets (short-term)	Refineries are expected to include plant upgrades during this year's refinery maintenance season to accommodate upcoming IMO regulations. This could lead to pressure on crude intakes and declines in product availability.
Fuel quality standards	Aug 19	↑ Some positive impact on ULSF product markets	↑ Some positive impact on ULSF product markets	↑ Some positive impact on ULSF product markets	More stringent fuel quality standards in India and China will increase demand for cleaner products, which could also support prices and possibly encourage gasoline demand.
CDU additions	May 19 – Dec 19	↓ Negative impact on product markets	↓ Negative impact on product markets	↓ Negative impact on product markets	An overall increase in product output is to be expected and could further exacerbate the oversupply environment, leading to trade flow rearrangements or the reduction of exports as more nations head towards self-sufficiency.

Source: OPEC Secretariat.

Table 6 - 2: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				Refinery utilization, %			
	May 19	Jun 19	Jul 19	Change Jul/Jun	May 19	Jun 19	Jul 19	Change Jul/Jun
US	**17.04**	**17.67**	**17.70**	**0.03**	**90.88**	**93.93**	**94.16**	**0.2 pp**
Euro-16	**9.74**	**9.90**	**10.36**	**0.47**	**78.55**	**79.84**	**83.61**	**3.8 pp**
France	0.97	0.88	1.05	0.17	77.08	69.97	83.71	13.7 pp
Germany	1.73	1.70	1.84	0.13	78.98	77.83	83.96	6.1 pp
Italy	1.33	1.27	1.25	-0.02	65.05	61.83	61.00	-0.8 pp
UK	0.84	0.97	1.04	0.06	63.98	74.11	78.90	4.8 pp
Selected Asia*	**21.16**	**22.04**	**21.82**	**-0.22**	**75.45**	**78.59**	**77.82**	**-0.8 pp**

*Note: * Includes Japan, China, India and Singapore.*
Sources: EIA, Euroilstock, Petroleum Association of Japan and OPEC Secretariat.

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

	2016	2017	2018	3Q18	4Q18	1Q19	2Q19	3Q19
Total OECD	**37.43**	**38.13**	**37.99**	**38.89**	**37.89**	**37.26**	**37.25**	**38.67**
OECD Americas	**18.78**	**19.09**	**19.30**	**19.79**	**19.14**	**18.36**	**19.03**	**19.81**
of which US	16.51	16.88	17.32	17.68	17.33	16.46	17.13	17.88
OECD Europe	**11.91**	**12.24**	**11.99**	**12.44**	**11.92**	**12.06**	**11.71**	**12.29**
of which:								
France	1.14	1.17	1.10	1.21	1.15	1.12	0.96	1.08
Germany	1.93	1.91	1.80	1.78	1.65	1.76	1.71	1.55
Italy	1.30	1.40	1.35	1.37	1.35	1.24	1.30	1.11
UK	1.09	1.10	1.06	1.14	1.14	1.08	0.96	1.09
OECD Asia Pacific	**6.75**	**6.80**	**6.70**	**6.66**	**6.82**	**6.85**	**6.51**	**6.57**
of which Japan	3.28	3.22	3.11	3.07	3.20	3.19	2.94	3.01
Total Non-OECD	**41.41**	**42.25**	**43.65**	**43.77**	**44.11**	**44.02**	**43.31**	**44.57**
of which:								
China	10.77	11.35	12.03	12.10	12.25	12.63	12.66	12.53
Middle East	6.93	7.04	7.26	7.34	7.46	7.17	7.22	7.44
Russia	5.58	5.59	5.72	5.81	5.73	5.71	5.38	5.77
Latin America	4.66	4.54	4.43	4.42	4.38	4.27	4.50	4.53
India	4.68	4.73	4.83	4.78	4.83	5.23	5.02	5.06
Africa	2.20	2.21	2.21	2.23	2.17	2.09	1.99	2.11
Total world	**78.84**	**80.37**	**81.63**	**82.66**	**82.00**	**81.28**	**80.56**	**83.24**

Note: Totals may not add up due to independent rounding.
Sources: OPEC Secretariat, JODI, AFREC, APEC, EIA, IEA, Euroilstock, Petroleum Association of Japan, Ministry data, including Ministry of Energy of the Russian Federation, Ministry of Petroleum and Natural Gas of India.

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

		Jun 19	Jul 19	Change Jul/Jun	Average 2018	Year-to-date 2019
US Gulf (Cargoes FOB):						
Naphtha*		51.99	57.89	5.90	68.51	58.31
Premium gasoline	*(unleaded 93)*	82.47	88.55	6.08	85.78	81.50
Regular gasoline	*(unleaded 87)*	75.22	80.39	5.17	80.17	74.66
Jet/Kerosene		76.65	81.02	4.37	85.35	80.20
Gasoil	*(0.2% S)*	71.05	74.94	3.89	80.99	75.18
Fuel oil	*(3.0% S)*	54.82	58.44	3.62	60.17	59.96
Rotterdam (Barges FoB):						
Naphtha		52.08	55.48	3.40	66.47	56.32
Premium gasoline	*(unleaded 98)*	78.29	82.33	4.04	87.34	81.09
Jet/Kerosene		77.65	81.10	3.45	86.93	80.68
Gasoil/Diesel	*(10 ppm)*	76.13	78.54	2.41	85.94	80.26
Fuel oil	*(1.0% S)*	56.94	59.18	2.24	62.33	60.29
Fuel oil	*(3.5% S)*	54.03	56.19	2.16	59.04	56.82
Mediterranean (Cargoes FOB):						
Naphtha		51.15	54.42	3.27	65.79	55.18
Premium gasoline**		70.57	75.46	4.89	79.08	72.03
Jet/Kerosene		75.61	78.97	3.36	85.10	78.43
Diesel		75.64	78.12	2.48	85.66	79.85
Fuel oil	*(1.0% S)*	62.53	64.77	2.24	63.53	63.52
Fuel oil	*(3.5% S)*	54.99	57.84	2.85	60.36	58.19
Singapore (Cargoes FOB):						
Naphtha		51.79	55.68	3.89	67.24	57.12
Premium gasoline	*(unleaded 95)*	67.49	73.61	6.12	79.93	71.40
Regular gasoline	*(unleaded 92)*	65.88	71.11	5.23	77.66	69.50
Jet/Kerosene		74.67	78.43	3.76	84.81	78.11
Gasoil/Diesel	*(50 ppm)*	74.87	78.53	3.66	84.67	78.56
Fuel oil	*(180 cst)*	59.42	66.08	6.66	65.24	63.50
Fuel oil	*(380 cst 3.5% S)*	58.25	65.49	7.24	64.74	62.81

*Note: * Barges.*

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

Sources: Argus Media and OPEC Secretariat.

Tanker Market

*Average **dirty tanker spot freight rates** edged lower in July as ample availability remained a hindrance to a sustained recovery in rates, despite refineries coming back on line following the end of the refinery maintenance season. In July, dirty tanker freight rates saw mixed movements compared to the previous month, with VLCCs enjoying only a slight 2% gain, while Aframax and Suezmax rates declined 6% each, with routes around the Atlantic Basin showing the worse performance.*

***Clean tanker spot freight rates** were unchanged in July due to offsetting developments on the East and West of Suez routes. East of Suez clean spot freight rates weakened due to declines on the Middle East-to-East and Singapore-to-East routes, while rates on the West of Suez route showed gains, particularly around the Mediterranean.*

Spot fixtures

Global spot fixtures in July broadly maintained the previous month's levels, but remained 9% lower than the same month a year ago. Spot fixtures continued to tread water as refineries returned from maintenance in Asia.

Y-t-d levels for global spot fixtures continued to rely on the strong performances seen in February and March to remain higher over the same period last year. However, as the last four months (April-July) have come in lower than the same months in 2018, fixtures will need to start picking up if 2019 is to be a better year than 2018.

Table 7 - 1: Spot fixtures, mb/d

	May 19	Jun 19	Jul 19	*Change* Jul 19/Jun 19
All areas	**17.11**	**19.73**	**19.80**	**0.07**
OPEC	11.62	13.17	14.08	0.90
Middle East/East	6.78	6.79	7.69	0.90
Middle East/West	1.15	1.84	1.77	-0.07
Outside Middle East	3.68	4.55	4.62	0.07

Sources: Oil Movements and OPEC Secretariat.

In contrast, **OPEC spot fixtures** in July continued to improve from the low point seen in May, increasing by 7%, or 0.9 mb/d, over the previous month, but remaining 5%, or 0.7 mb/d, lower y-o-y.

Turning to the individual routes, fixtures on the **Middle East-to-East** route experienced an uptick in July after remaining rather range-bound for the last three months. Fixtures on the route averaged 7.69 mb/d for the month, representing a gain of 13%, or 0.9 mb/d, m-o-m. Y-o-y, fixtures on this route were 5%, or 0.4 mb/d, lower in July.

The **Middle East-to-West route** fell back in July following a short-lived improvement the month before. Fixtures averaged 1.77 mb/d, representing a decline of 4% m-o-m and a steeper 19% decline compared to the same month last year.

Outside of the Middle East, fixtures averaged 4.62 mb/d in July, a gain of 1.5% m-o-m and 1.7% y-o-y.

Sailings and arrivals

OPEC sailings increased by 1.6% in July to average 24.60 mb/d but were down roughly the same amount in volume and percentage terms when compared to the same month in 2018. Sailings from the **Middle East** rose 1.4% m-o-m, representing a gain of around 0.25 mb/d, but were still 2.2%, or 0.40 mb/d, lower compared to the same month last year.

Crude arrivals saw mixed developments across regions in July. Arrivals in North America edged down marginally to 9.81 mb/d, while West Asia saw the biggest drop, with a decrease of 0.33 mb/d, or 6.8%, largely erasing the gains seen the month before.

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

	May 19	Jun 19	Jul 19	*Change* Jul 19/Jun 19
Sailings				
OPEC	24.33	24.22	24.60	0.38
Middle East	17.47	17.61	17.86	0.25
Arrivals				
North America	10.19	9.83	9.81	-0.02
Europe	11.66	11.97	12.22	0.25
Far East	9.28	8.88	9.20	0.32
West Asia	4.41	4.79	4.47	-0.33

Sources: Oil Movements and OPEC Secretariat.

The Far East showed the best performance, with an increase of 3.5%, or 0.32 mb/d, in arrivals. Europe also experienced an improved performance in July, averaging 12.22 mb/d for a gain of 2.1% or 0.25 mb/d.

Dirty tanker freight rates

Very large crude carriers (VLCCs)

VLCC spot freight rates edged higher in July as the end to spring maintenance across various jurisdictions helped lift activity. However, ample availability remained a hindrance to any stronger improvement.

Freight rates registered for tankers operating on the **Middle East-to-East** route maintained the previous month’s performance at WS44 in July. Rates continued to benefit from a ramp up of new refinery capacity in China, as well as the end of the maintenance season.

Middle East-to-West routes were also unchanged in July at WS20 points, but were 5% higher than the same month in 2018.

One of the few routes to show an improvement in July was the **West Africa-to-East** route, which increased 4% from a month ago, to average WS47 points. Still, freight rates in July remained 7% lower than those seen in the same month last year.

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

	Size *1,000 DWT*	May 19	Jun 19	Jul 19	*Change* Jul 19/Jun 19
Middle East/East	230-280	39	44	44	0
Middle East/West	270-285	19	20	20	0
West Africa/East	260	41	45	47	2

Sources: Argus Media and OPEC Secretariat.

Suezmax

Suezmax average spot freight rates fell back in July after a short-lived improvement the month before as the West Africa-to-US Gulf Coast (USGC) route experienced a 9% decline in spot freight rates to average WS60. Northwest Europe-to-USGC rates also declined for the third month in a row, down 3% to average WS46 points in July.

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

	Size 1,000 DWT	May 19	Jun 19	Jul 19	Change Jul 19/Jun 19
West Africa/US Gulf Coast	130-135	55	65	60	-6
Northwest Europe/US Gulf Coast	130-135	50	47	46	-1

Sources: Argus Media and OPEC Secretariat.

Aframax

The **Aframax** sector continued to see declines across the board in July. Both the intra-Med and Med-to-Northwest Europe slipped lower by 1% on top of a sharper decline in the previous month.

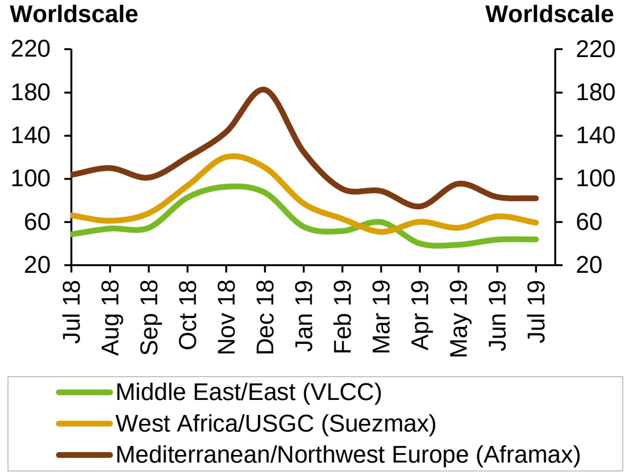
Table 7 - 5: Dirty Aframax spot tanker freight rates, WS

	Size 1,000 DWT	May 19	Jun 19	Jul 19	Change Jul 19/Jun 19
Indonesia/East	80-85	98	98	93	-6
Caribbean/US East Coast	80-85	90	87	75	-12
Mediterranean/Mediterranean	80-85	103	89	88	-1
Mediterranean/Northwest Europe	80-85	96	83	82	-1

Sources: Argus Media and OPEC Secretariat.

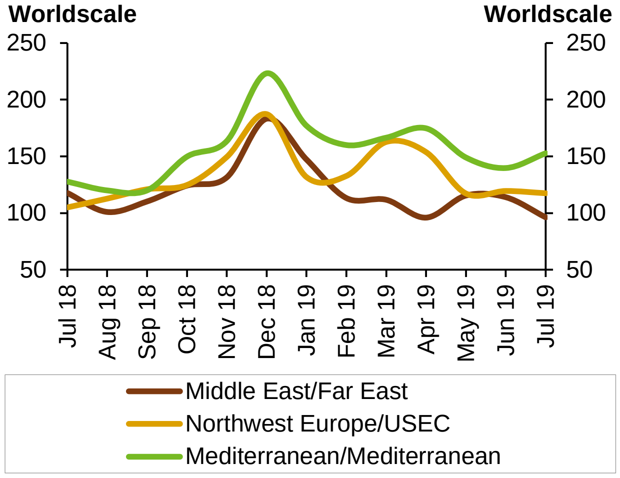
The Caribbean-to-US East Coast route fell 14%. Meanwhile, the Indonesia-to-East route declined 6% to WS93, after hovering around WS98 for the last four months.

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



Sources: Argus Media and Platts.

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



Sources: Argus Media and OPEC Secretariat.

Clean tanker freight rates

Clean spot tanker freight rates were broadly unchanged in July on average, with offsetting performances East and West of Suez.

To the **East of Suez**, clean tanker freight rates declined by around 10% in July from the previous month, with both the **Middle East-to-East** route and **Singapore-to-East** route seeing losses, down 16% and 4%, respectively, m-o-m.

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

	Size *1,000 DWT*	May 19	Jun 19	Jul 19	Change Jul 19/Jun 19
East of Suez					
Middle East/East	30-35	116	114	96	-18
Singapore/East	30-35	137	136	130	-6
West of Suez					
Northwest Europe/US East Coast	33-37	117	120	118	-2
Mediterranean/Mediterranean	30-35	149	140	153	13
Mediterranean/Northwest Europe	30-35	159	150	163	13

Sources: Argus Media and OPEC Secretariat.

In the **West of Suez**, average spot freight rates rose 6% m-o-m, with both the **Mediterranean-to-Mediterranean** and **Med-to-Northwest Europe** routes increasing 9% to WS153 and WS163, respectively. This was more than sufficient to offset a 2% m-o-m decline on the Northwest Europe-to-US East Coast route.

Oil Trade

*Preliminary data for July shows that **US** crude imports in the first seven months of 2019 averaged 7.1 mb/d, compared to 7.9 mb/d over the same period last year, representing a decline of almost 11%. In the first seven months of the year, crude exports from the US averaged 2.9 mb/d, an increase of 58% or 1.1 mb/d over the same period last year.*

*According to the most recent available data, **China**'s crude oil imports averaged 9.7 mb/d in June 2019, an increase of 158 tb/d, or 1.7%, m-o-m. Y-o-y, crude imports were a notable 1.3 mb/d, or 15%, higher. In quarterly terms, China's crude imports averaged just under 10 mb/d in 2Q19, representing a 10% gain over the same period last year. China's product imports averaged 1.3 mb/d in June, representing a decline of 10% from the previous month, with naphtha imports falling sharply for the second consecutive month. Meanwhile, product exports rose 296 tb/d m-o-m to average 1.4 mb/d in June, with gains led by diesel exports, which rose 72%.*

***India**'s crude imports continued to decline for the second consecutive month in June, averaging 4.1 mb/d for a drop of 340 tb/d, or 8%, m-o-m. In quarterly terms, India's crude imports averaged 4.5 mb/d, representing a decline of 2% both m-o-m and y-o-y. India's product import in June increased 134 tb/d, or 16%, compared to the previous month, to average 957 tb/d, with gains led by diesel and fuel oil imports.*

***Japan**'s crude imports were marginally higher in 2Q19, averaging just under 3 mb/d, broadly unchanged from the same period last year. In 2Q19, total product imports showed a solid performance, averaging 842 tb/d, some 34% higher than the same quarter of 2018. Japan's product exports averaged 539 mb/d in 2Q19, an increase of 3% compared to the same period last year.*

*According to the latest available data, crude imports into **OECD Europe** in the first four months of this year averaged 11.4 mb/d, an increase of 232 tb/d or 2% over the same period last year. Crude exports were 2% lower, averaging 2.2 mb/d. As a result, OECD Europe net crude imports averaged 9.3 mb/d in the first four months of 2019, compared to 9.0 mb/d in the same period of 2018.*

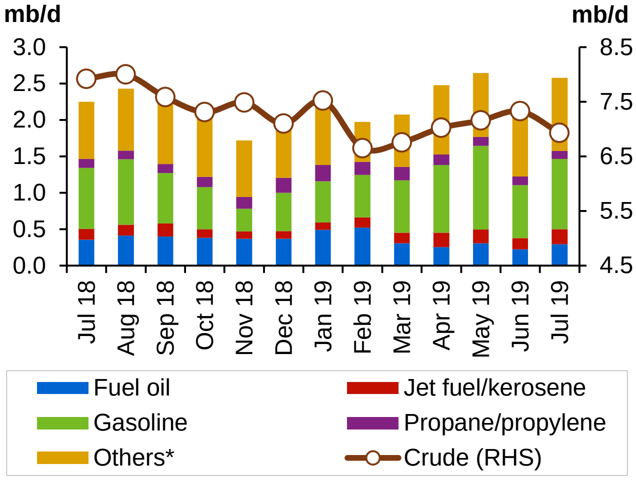
US

US crude oil imports declined in July, averaging 6.9 mb/d and representing a drop of 0.4 mb/d over the previous month. However, imports were more than 20% lower than the same period last year. With preliminary data for July, US crude imports in the first seven months of 2019 averaged 7.1 mb/d, compared to 7.9 mb/d over the same period last year, representing a decline of almost 11%.

US crude exports averaged 2.8 mb/d in July, a decline of almost 0.5 mb/d or 14% over the previous month. Y-o-y, US crude exports were 33% or 0.7 mb/d higher compared to the same month last year. US crude exports moved above 2 mb/d for the first time in May 2018 and then above 3 mb/d in June 2019. In the first seven months of the year, crude exports from the US averaged 2.9 mb/d, an increase of 58% or 1.1 mb/d over the same period last year.

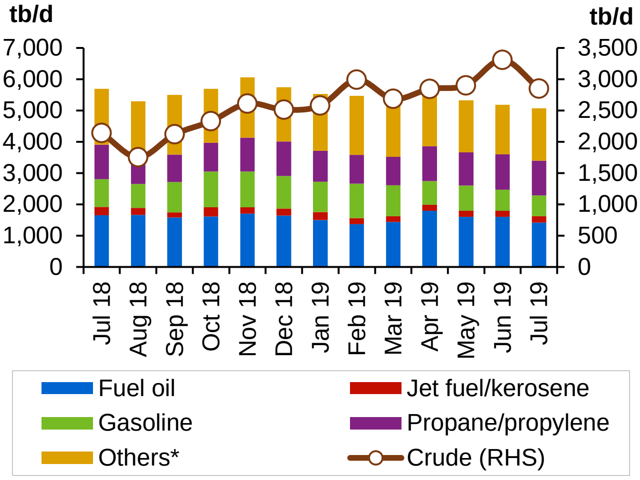
As a result, **US net crude imports** averaged 4.1 mb/d in July, up around 0.1 mb/d from the previous month and almost 1.7 mb/d down from the same month last year. Over the first seven months of the year, US net crude imports averaged 4.2 mb/d, compared to 6.1 mb/d in the same period of 2018.

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



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

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



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

On the product side, **US product imports** in July rose by almost 21% m-o-m or 0.4 mb/d to average 2.6 mb/d. Y-o-y, product imports into the US were 15%, or 0.3 mb/d, lower.

US product exports stood at 5.1 mb/d in July, a decline of 2.1% m-o-m or 0.1 mb, and 11% or 0.6 mb/d lower than in the same month last year.

As a result, **US net product exports** averaged 2.5 mb/d in July, around 28% lower than the same time in 2018. Combined, **net crude and product imports** averaged 1.6 mb/d in July, compared to 2.3 mb/d in July 2018.

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

	May 19	Jun 19	Jul 19	Change Jul 19/Jun 19
Crude oil	4,258	4,020	4,082	62
Total products	-2,675	-3,040	-2,489	551
Total crude and products	**1,583**	**981**	**1,593**	**612**

Sources: US EIA and OPEC Secretariat.

The most recent data for May shows that Canada remained the leading **importer of US crude**, reaching 53% of the total share or almost 3.8 mb/d, down by 96 tb/d compared to the previous month. Mexico retained its second position with the share of 8.5% to stand at 0.6 mb/d.

Crude imports from OPEC Member Countries (MCs) were higher in May to stand at 1.5 mb/d, up from 1.4 mb/d in the previous month. The share of US crude imports from OPEC MCs increased to 22%.

In terms of **US product imports**, Canada and Russia were the top two suppliers in May with 24% and 14%, respectively. Compared to the previous month, imports from Canada increased by 85 tb/d to 639 tb/d while product imports from Russia decreased by 11 tb/d to 373 tb/d. The Netherlands and South Korea were third and fourth suppliers with product imports of 180 mb/d and 149 tb/d, respectively.

US product imports from OPEC MCs decreased by 10.3% m-o-m to 139 tb/d in May. The share of product imports from OPEC MCs stood at 5.3% of the total share in May, compared to 6.2% in April.

In terms of **product exports**, Mexico remained the top destination in May with 19% of the total share. Japan and Canada were second and third, at 10% and 9%, respectively, of the total share.

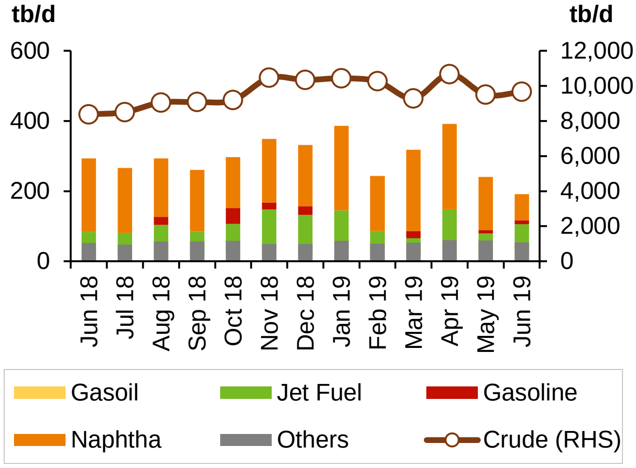
US product exports to OPEC MCs decreased by 4% m-o-m in May to 141 tb/d. However, the share has risen to 2.7% of total exports, compared to 2.6% the previous month.

China

China's crude oil imports averaged 9.7 mb/d in June 2019, indicating an increase of 158 tb/d or 1.7% m-o-m. Y-o-y, crude imports were a notable 1.3 mb/d, or 15%, higher. In quarterly terms, China's crude imports averaged just under 10 mb/d in 2Q19, representing a 10% increase over the same period last year.

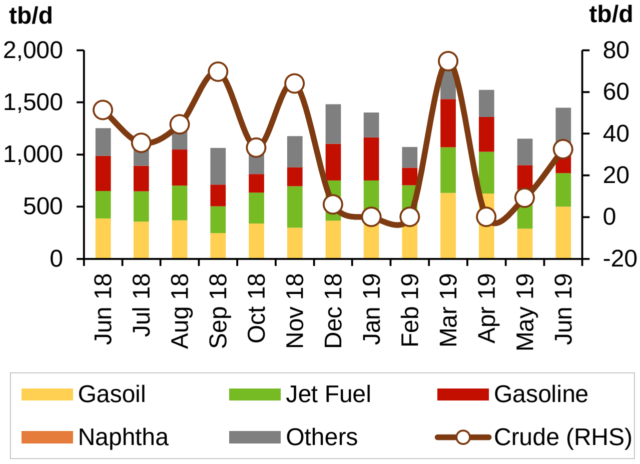
Saudi Arabia edged out Russia to regain the position of top **crude supplier** to China with a share of 19.5% or 1.9 mb/d in imports, representing an increase of almost 70% over the previous month. Russia came second with 18% followed by Angola with 11% and Iraq with 9%.

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



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

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



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

China's product imports averaged 1.3 mb/d in June, representing a decline of 10% or 147 tb/d compared to the previous month. Naphtha imports fell sharply for the second consecutive month, dropping over 50% m-o-m. Fuel oil imports also contracted, declining 26%, and jet fuel edged lower. Diesel oil rebounded from almost zero imports to average 33 tb/d. In quarterly terms, China's product imports averaged 1.4 mb/d in 2Q19, around 4% lower compared to the same period last year.

Product exports from China rose 296 tb/d m-o-m in June to average 1.4 mb/d. Gains were led by diesel exports, which rose 72%, followed by LPG and gasoline. Jet fuel declined from the high levels seen in the previous month. In quarterly terms, China's product exports averaged 1.4 mb/d, in the line with the previous quarter and the same period last year.

Consequently, China's **net product trade** has been broadly flat so far this year, with exports outpacing imports by 8 tb/d on average.

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

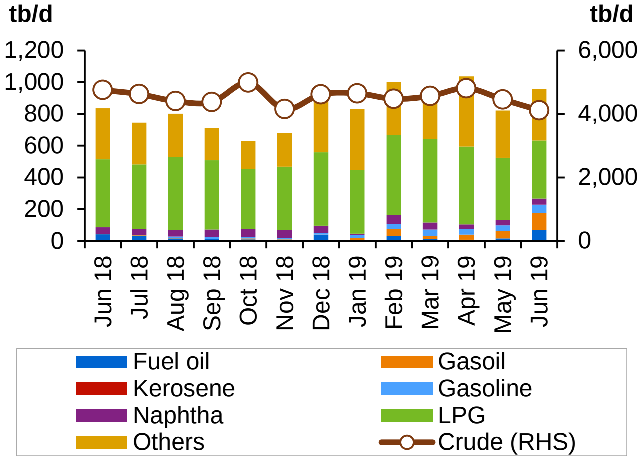
	Apr 19	May 19	Jun 19	Change Jun 19/May 19
Crude oil	10,670	9,490	9,625	135
Total products	-22	269	-174	-443
Total crude and products	**10,649**	**9,759**	**9,451**	**-308**

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

India

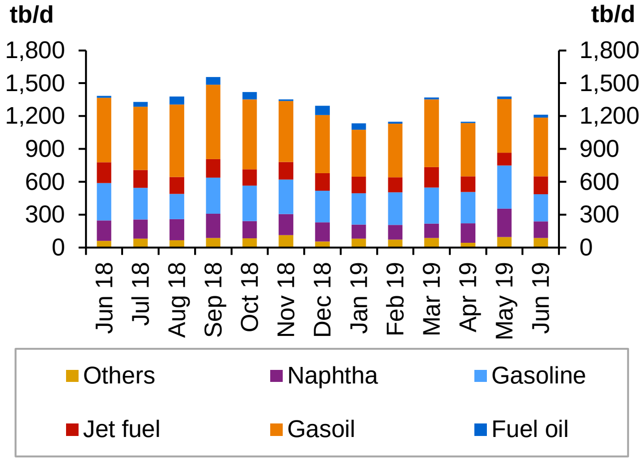
India's crude imports continued to decline for the second consecutive month in June, averaging 4.1 mb/d for a drop of 340 tb/d, or 8%, m-o-m. Compared to the same month last year, crude imports were 637 tb/d, or 13%, lower. In quarterly terms, India's crude imports averaged 4.5 mb/d, representing a decline of 2% both m-o-m and y-o-y.

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



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

Graph 8 - 6: India's exports of petroleum products



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

India's **product import** in June increased 134 tb/d or 16% compared to the previous month, to average 957 tb/d. Diesel and fuel oil imports saw the highest increase in volume terms, up 61 tb/d and 52 tb/d, respectively. Y-o-y, total product imports were 120 tb/d or 14% higher. In quarterly terms, India's product imports averaged 925 tb/d in 2Q19, amounting to an increase of 17% over the same period a year ago.

India's product exports, meanwhile, fell back from the previous month's strong levels, declining 165 tb/d, or 12%, m-o-m. Lower exports of gasoline and naphtha drove the declines, with these products down 147 tb/d or 37% and 106 tb/d, or 41%, respectively. In quarterly terms, India's product exports have edged higher in 2Q19, up 6% compared to the same period last year, to average 1.2 mb/d.

As a result, **India's net product** exports averaged 312 tb/d in 2Q19, compared to 371 tb/d in the same period last year, representing a decline of 16%.

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

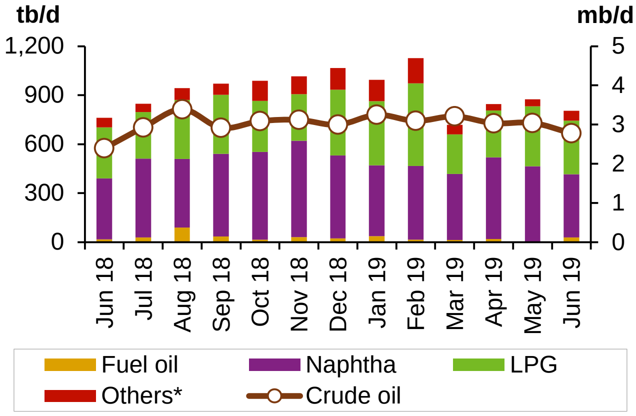
	Apr 19	May 19	Jun 19	Change Jun 19/May 19
Crude oil	4,810	4,456	4,115	-340
Total products	-112	-556	-257	299
Total crude and products	**4,697**	**3,900**	**3,859**	**-42**

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

Japan

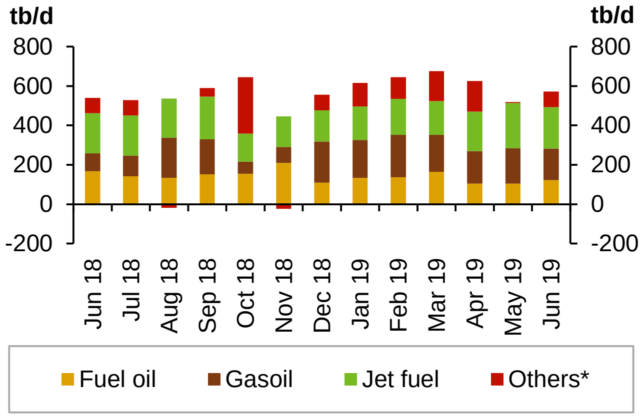
Japan's crude oil imports averaged 2.8 mb/d in June, representing a decline of 265 tb/d, or 9%, compared to the previous month. In quarterly terms, Japan's crude imports averaged just under 3 mb/d, marginally higher than the same quarter last year.

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



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

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



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

The UAE remained the top **supplier of crude** to Japan in June for the second month in a row. Crude imports from the UAE averaged 963 tb/d in June, representing 35% share of total imports similar to the previous month. Saudi Arabia held the second spot with just under 34% followed by Qatar with 9%.

Product imports to Japan, including LPG, averaged 805 tb/d in June, a decline of 70 tb/d, or 8%, compared to the previous month. Losses were led by naphtha which declined by 75 tb/d, followed by LPG, down 38 tb/d. In 2Q19, total product imports showed a solid performance, averaging 842 tb/d, some 34% higher than the same quarter last year.

Meanwhile, **product exports** averaged 533 tb/d in June, representing a decline of 39 tb/d from the previous month. Jet fuel exports fell back from the high levels seen the month before, down 20 tb/d, followed by gasoil and gasoline, which declined 18 tb/d and 14 mb/d, respectively. In 2Q19, Japan's product exports averaged 539 mb/d, an increase of 3% compared to the same period last year.

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

	Apr 19	May 19	Jun 19	Change Jun 19/May 19
Crude oil	3,035	3,043	2,778	-265
Total products	220	356	232	-124
Total crude and products	**3,255**	**3,399**	**3,010**	**-389**

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

OECD Europe

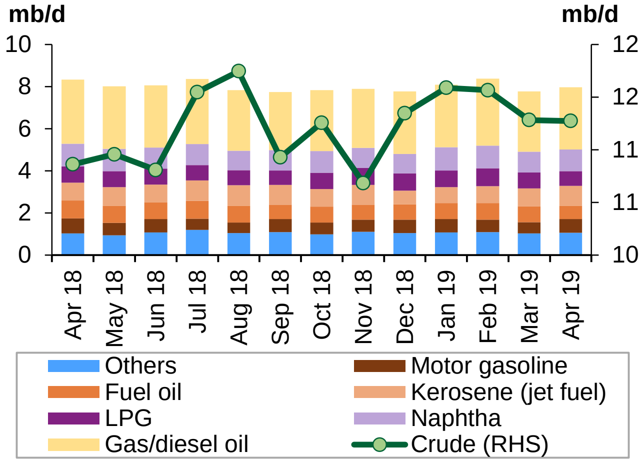
OECD Europe crude imports averaged 11.3 mb/d in April, according to the latest available data. This is broadly unchanged from the previous month and just 4% lower than the same month last year. In the first four months of this year, OECD Europe crude imports have averaged 11.4 mb/d, an increase of 232 tb/d or 2% over the same period last year.

Crude exports in April averaged 2.1 mb/d, representing a less than 2% decline m-o-m. In the first four months of this year, OECD Europe crude exports were 2% lower, compared to the same period last year.

As a result, **OECD Europe net crude imports** averaged 9.3 mb/d in the first four months of 2019, compared to 9.0 mb/d in the same period of 2018.

OECD Europe **product imports** rose 192 tb/d m-o-m in April, to average 8.0 mb/d, led by gains in motor gasoline and kerosene, which offset a drop in fuel oil. Taking a broader perspective, OECD Europe product exports in the first four months of this year declined by 264 tb/d or 3%, compared to the same period last year.

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

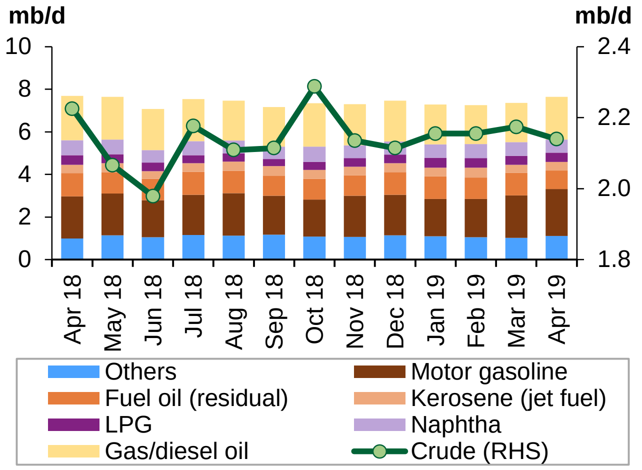


Sources: IEA and OPEC Secretariat.

Product exports increased by 284 tb/d, or 4%, to average 7.7 mb/d in April. Gains were led by a 10% jump in gasoline exports and higher gasoil outflows, which overwhelmed a decline in fuel oil. However, over the first four months of 2019, product imports into OECD Europe averaged 7.4 mb/d, representing a decline of 382 tb/d or almost 5%.

Consequently, **OECD Europe net product imports** averaged 662 tb/d in the first four months of 2019, compared to 536 tb/d in the same period last year.

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



Sources: IEA and OPEC Secretariat.

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

	Feb 19	Mar 19	Apr 19	*Change* Apr 19/Mar 19
Crude oil	9,410	9,127	9,006	-122
Total products	1,096	521	602	80
Total crude and products	**10,506**	**9,648**	**9,607**	**-41**

Sources: IEA and OPEC Secretariat.

FSU

Total crude oil exports from the Former Soviet Union (FSU) increased by 273 tb/d m-o-m, or 4%, to average 7.0 mb/d in June 2019. Crude exports through Russian pipelines rose 211 tb/d, or 5%, m-o-m to average 4.0 mb/d.

In the **Transneft system**, total shipments from the Black Sea declined by 57 tb/d m-o-m, or 8%, to average 643 tb/d in June. Total Baltic Sea exports slipped 36 tb/d m-o-m with shipments from Primorsk declining by 12 tb/d and Ust-Luga falling by 24 tb/d. Meanwhile, shipments via the Druzhba pipeline recovered somewhat from the fallout from contamination disruptions since mid-April, increasing by 429 tb/d to average 551 tb/d in June, still well below average shipments of 730 tb/d in 1Q19. Kozmino shipments declined by 24 tb/d m-o-m, or 3% to average 706 tb/d.

In the **Lukoil system**, exports via the Barents Sea declined by 59 tb/d in June, while those from the Baltic Sea continued to average 6 tb/d.

Russia's Far East total exports declined 59 tb/d over the previous month to average 337 tb/d.

Central Asia's total exports stood at 196 tb/d, some 80 tb/d lower than in the previous month.

Black Sea total exports increased by 363 tb/d m-o-m to average 1.6 mb/d as a result of higher shipments from the Novorossiyk port terminal (CPC) and Supsa port terminal.

In the **Mediterranean**, BTC supplies fell compared with the previous month, down 118 tb/d m-o-m, or 16%, to average 616 tb/d.

FSU total product exports declined by 221 tb/d in June, averaging 2.7 mb/d for the month. Losses were seen in gasoil (-149 tb/d) as to a lesser extent fuel oil and naphtha, with gasoline and jet fuels experiencing some gains.

Table 8 - 6: Recent FSU exports of crude and petroleum products by sources, tb/d

			2018	1Q19	2Q19	May 19	Jun 19
Transneft system							
	Europe	**Black Sea total**	**544**	**537**	**646**	**699**	**643**
		Novorossiysk port terminal - total	544	591	646	699	643
		of which: Russian oil	383	402	459	500	472
		Others	160	192	187	200	171
		Baltic Sea total	**1,306**	**1,381**	**1,721**	**1,785**	**1,749**
		Primorsk port terminal - total	758	891	1,010	1,066	1,054
		of which: Russian oil	758	891	1,010	1,066	1,054
		Others	0	0	0	0	0
		Ust-Luga port terminal - total	549	660	711	719	695
		of which: Russian oil	375	490	537	533	527
		Others	173	167	174	185	168
		Druzhba pipeline total	**997**	**730**	**468**	**121**	**551**
		of which: Russian oil	965	959	448	103	527
		Others	32	27	21	19	24
	Asia	**Pacific ocean total**	**619**	**644**	**698**	**730**	**706**
		Kozmino port terminal - total	619	671	698	730	706
		China (via ESPO pipeline) total	**577**	**618**	**603**	**637**	**535**
		China Amur	577	611	603	637	535
	Total Russia's crude exports		**4,043**	**4,172**	**4,136**	**3,973**	**4,183**
Lukoil system							
	Europe &	**Barents Sea total**	**135**	**152**	**130**	**140**	**95**
	North America	Varandey offshore platform	135	141	130	140	95
	Europe	**Baltic Sea total**	**7**	**6**	**6**	**6**	**6**
		Kalinigrad port terminal	7	6	6	6	6
Other routes							
	Asia	**Russian Far East total**	**371**	**407**	**388**	**396**	**337**
		Aniva Bay port terminal	119	112	114	119	98
		De Kastri port terminal	252	285	274	277	239
		Central Asia total	**233**	**220**	**233**	**276**	**196**
		Kenkiyak-Alashankou	233	226	233	276	196
	Europe	**Black Sea total**	**1,386**	**1,502**	**1,306**	**1,213**	**1,576**
		Novorossiysk port terminal (CPC)	1,323	1,334	1,247	1,155	1,496
		Supsa port terminal	61	70	59	58	80
		Batumi port terminal	2	0	0	0	0
		Kulevi port terminal	0	0	0	0	0
		Mediterranean Sea total	**693**	**675**	**649**	**733**	**616**
		Baku–Tbilisi–Ceyhan (BTC)	693	662	649	733	616
Russian rail							
		Russian rail	**32**	**39**	**32**	**28**	**28**
		of which: Russian oil	32	36	32	28	28
		Others	0	0	0	0	0
	Total FSU crude exports		**6,901**	**7,173**	**6,880**	**6,765**	**7,037**
Products							
		Gasoline	212	237	241	197	240
		Naphtha	517	557	505	542	480
		Jet	37	38	44	25	41
		Gasoil	1,006	976	908	1,010	861
		Fuel oil	930	943	913	927	864
		VGO	277	252	236	234	228
	Total FSU product exports		**2,980**	**3,160**	**2,846**	**2,935**	**2,714**
Total FSU oil exports			**9,881**	**10,332**	**9,727**	**9,700**	**9,751**

Sources: Argus Nefte Transport and Argus Global Markets.

Stock Movements

*Preliminary data for June showed that **total OECD commercial oil stocks** rose by 31.8 mb m-o-m to stand at 2,955 mb, which was 140 mb higher than the same time one year ago and 67 mb above the latest five-year average. Within the components, crude stocks fell by 8.2 mb, while product stocks rose by 40 mb, m-o-m. In terms of **days of forward cover**, OECD commercial stocks rose by 0.6 days m-o-m in June to stand at 60.9 days, which was 2.6 days above the same period in 2018, and 0.1 days below the latest five-year average.*

*Preliminary data for July showed that **US total commercial oil stocks** rose by 1.5 mb m-o-m to stand at 1,308.8 mb, which was 96.5 mb above the same period a year ago, and 60.2 mb higher than the latest five-year average. Within the components, crude stocks fell by 29.6 mb, while product stocks rose by 31.0 mb, m-o-m.*

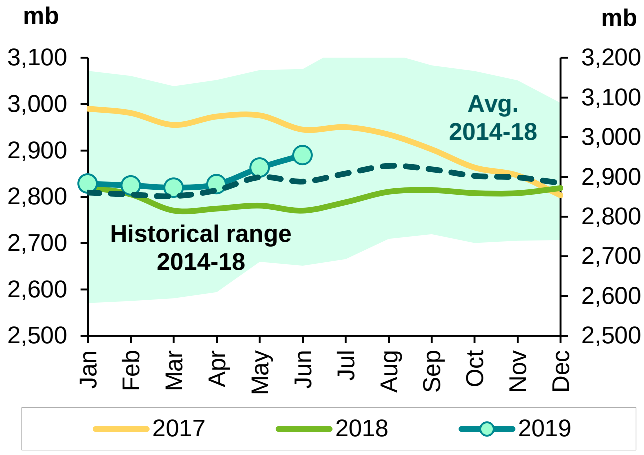
OECD

Preliminary data for June showed that **total OECD commercial oil stocks** fell rose 31.8 mb m-o-m for the third consecutive months, to stand at 2,955 mb, which was 140 mb higher than the same time one year ago, and 67 mb above the latest five-year average.

Within the components, crude stocks fell by 8.2 mb, while product stocks rose by 40 mb, m-o-m. It should be noted that the overhang of total OECD commercial oil stocks has been reduced by around 234 mb since the 'Declaration of Cooperation' began in December 2016.

Within the regions, all the regions witnessed stocks builds.

Graph 9 - 1: OECD commercial oil stocks



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

OECD **commercial crude stocks** fell by 8.2 mb m-o-m in June, ending the month at 1,468 mb, which was 45 mb above the same time a year ago, and 17 mb higher than the latest five-year average. Compared with the previous month, OECD Americas fell by 15.1 mb, while crude stocks in OECD Asia Pacific and OECD Europe rose by 1.9 mb and 5.0 mb, respectively.

In contrast, OECD **total product inventories rose** by 40 mb m-o-m in June to stand at 1,487 mb, which was 95 mb above the same time a year ago, and around 50 mb above the latest five-year average. Within the OECD regions, OECD Asia Pacific and Europe stocks rose by 3.2 mb and 4.0 mb, m-o-m, respectively, while product stocks in OECD America rose by 32.8 mb.

In terms of **days of forward cover**, OECD commercial stocks rose by 0.6 days m-o-m in June to stand at 60.9 days, which was 2.6 days above the same period in 2018, but 0.1 days below the latest five-year average. Within the regions, OECD Americas was 0.9 days above the latest five-year average to stand at 61.0 days in June. OECD Europe's stocks were 0.5 days below the latest five-year average to finish the month at 66.3 days. OECD Asia Pacific stocks were 3.1 days below the latest five-year average to stand at 50.5 days.

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

	Apr 19	May 19	Jun 19	Change Jun 19/May 19	Jun 18
Crude oil	1,466	1,476	1,468	-8.2	1,424
Products	1,415	1,447	1,487	40.0	1,392
Total	**2,881**	**2,923**	**2,955**	**31.8**	**2,815**
Days of forward cover	**60.1**	**60.3**	**60.9**	**0.6**	**58.3**

Note: Totals may not add up due to independent rounding.
Sources: Argus Media, Euroilstock, IEA, METI, OPEC Secretariat and US EIA.

OECD Americas

OECD Americas total commercial stocks rose by 17.6 mb m-o-m in June to settle at 1,591 mb, which was 119.7 mb above a year ago, and 82.5 mb above the latest five-year average. Within the components, crude stocks fell by 15.1 mb, while products stocks rose by 32.8 mb, m-o-m.

Commercial crude oil stocks in OECD Americas fell by 15.1 mb m-o-m in June to stand at 825 mb, which was 62.5 mb higher than the same time a year ago, and 47.6 mb above the latest five-year average. This drop could be attributed to lower US crude imports.

Total product stocks in OECD Americas rose by 32.8 mb m-o-m in June to stand at 766 mb, which was 57.2 mb above the same time one year ago, and 34.8 mb above the latest five-year average. Lower consumption, combined with higher refinery output in the region, were behind the product stock build.

OECD Europe

OECD Europe's total commercial stocks rose by 9.1 mb m-o-m in June, ending the month at 973 mb, which was 17.1 mb higher than the same time a year ago, and 10.2 mb above the latest five-year average. Crude and products stocks rose by 5.0 mb and 4.0 mb, respectively.

OECD Europe's **commercial crude stocks** rose by 5.0 mb m-o-m in June, ending the month at 426 mb, which was 111.8 mb below a year earlier, but 2.5 mb above the latest five-year average. The build came despite a decline in crude supply in the region.

OECD Europe's **commercial product stocks** rose also by 4.0 mb m-o-m to end June at 547 mb, which was 29.0 mb above the same time a year ago, and 7.7 mb above the latest five-year average. The build came on the back of lower consumption in the region.

OECD Asia Pacific

OECD Asia Pacific's total commercial oil stocks rose by 5.2 mb m-o-m in June to stand at 391 mb, which was 2.9 mb above a year ago, but 26.1 mb below the latest five-year average. Within the components, crude and product stocks rose m-o-m by 1.9 mb and 3.2 mb, respectively.

OECD Asia Pacific's **crude inventories** rose by 1.9 mb m-o-m to end June at 217 mb, which was 5.9 mb lower than one year ago, and 33.0 mb below the latest five-year average.

OECD Asia Pacific's **total product inventories** rose by 3.2 mb m-o-m to end June at 173 mb, which was 8.8 mb higher than the same time a year ago, and 6.9 mb above the latest five-year average.

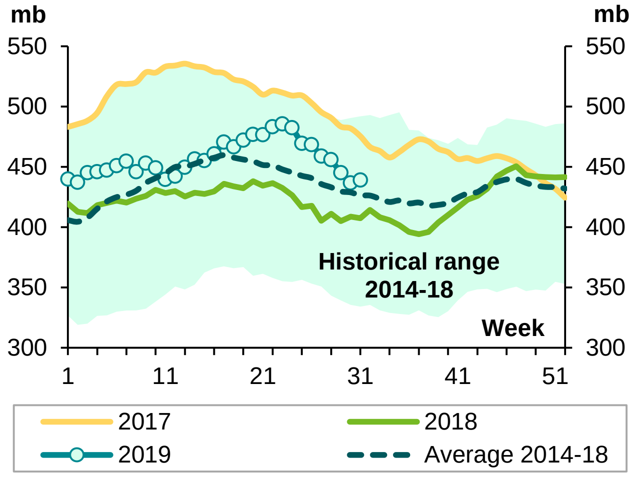
US

Preliminary data for July showed that **US total commercial oil stocks** rose by 1.5 mb m-o-m to stand at 1,308.8 mb, which was 96.5 mb, or 8.0%, above the same period a year ago, and 60.2 mb, or 4.8%, higher than the latest five-year average. Within the components, crude stocks fell by 29.6 mb, while products stocks rose by 31.0 mb, m-o-m.

US **commercial crude stocks** fell in July to stand at 438.9 mb, which was 29.6 mb, or 7.2%, above the same time last year, and 9.0 mb, or 2.1%, above the latest five-year average. The drop came amid stable m-o-m refinery throughput. Inventories in Cushing, Oklahoma, also fell by more than 5.0 mb to end July at 47.4 mb.

Total product stocks in July rose by 31.0 mb m-o-m to stand at 869.9 mb, which was 66.9 mb, or 8.3%, above the level seen at the same time in 2018, and 51.3 mb, or 6.3%, above the latest five-year average. Within products, all product categories witnessed stocks build.

Graph 9 - 2: US weekly commercial crude oil inventories



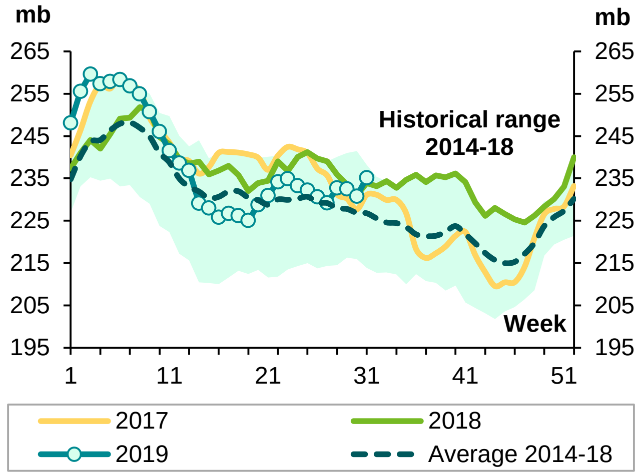
Sources: US EIA and OPEC Secretariat.

Gasoline stocks increased in July by 4.5 mb m-o-m, to settle at 235.2 mb, which was 1.3 mb, or 0.5%, higher than levels seen at the same time last year, and 6.6 mb, or 2.9%, above the latest five-year average. This monthly increase came on the back of lower gasoline demand combined with higher output.

Distillate stocks also rose by 10.7 mb m-o-m in July to end the month at 137.5 mb, which was 10.4 mb, or 8.2%, above the same period a year ago, albeit 3.1 mb, or 2.2%, below the latest five-year average. The stock build could be attributed to lower apparent demand.

Residual fuel stocks increased by 3.2 mb m-o-m to end July at 31.8 mb, which was 2.5 mb, or 8.5%, above the same time a year ago, and 3.1 mb, or 9.0%, lower than the latest five-year average.

Graph 9 - 3: US weekly gasoline inventories



Sources: US EIA and OPEC Secretariat.

Jet fuel stocks were up by 3.4 mb m-o-m to stand at 42.7 mb in July, which was 1.8 mb, or 4.4%, higher than the same time a year ago, and 2.0 mb, or 5.0%, above the latest five-year average.

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

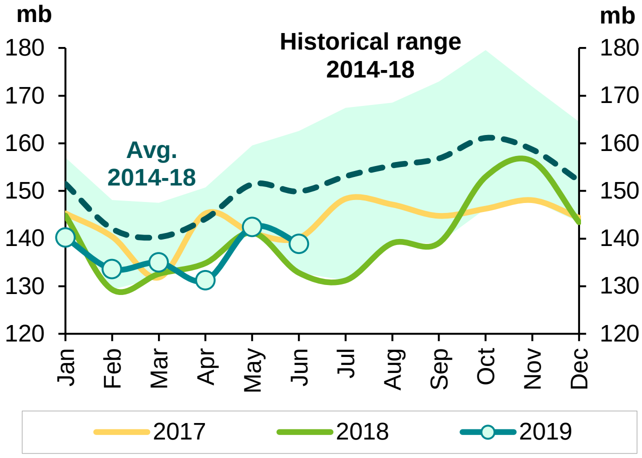
	May 19	Jun 19	Jul 19	Change Jul 19/Jun 19	Jul 18
Crude oil	**480.2**	**468.5**	**438.9**	**-29.6**	**409.3**
Gasoline	235.7	230.6	235.2	4.5	233.9
Distillate fuel	130.0	126.8	137.5	10.7	127.1
Residual fuel oil	30.0	28.6	31.8	3.2	29.3
Jet fuel	39.4	39.4	42.7	3.4	41.0
Total products	**832.1**	**838.9**	**869.9**	**31.0**	**802.9**
Total	**1,312.2**	**1,307.4**	**1,308.8**	**1.5**	**1,212.3**
SPR	**644.8**	**644.8**	**644.8**	**0.0**	**660.0**

Sources: US EIA and OPEC Secretariat.

Japan

In **Japan**, **total commercial oil stocks** fell by 3.5 mb m-o-m in June to settle at 138.9 mb, reversing the previous month's build. The level was 6.1 mb, or 4.6%, higher than one year ago, but 11.0 mb, or 7.3%, below the latest five-year average. Within the components, crude and product stocks fell m-o-m by 3.4 mb and 0.1 mb, respectively.

Graph 9 - 4: Japan's commercial oil stocks



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

Japanese **commercial crude oil stocks** fell by 3.4 mb m-o-m in June to stand at 82.2 mb, which was 4.6 mb, or 5.9%, above the same period a year ago, but 9.3 mb, or 10.2%, below the latest five-year average. The fall was driven by mainly by lower crude imports, which fell by around 270 tb/d, m-o-m, to average 2.8 mb/d.

Japan's **total product inventories** also fell by 0.1 mb m-o-m to end June at 56.7 mb, which was 1.5 mb, or 2.7%, higher than the same month last year, but 1.7 mb, or 2.9%, below the latest five-year average. Within the products, gasoline, residual fuel oil and naphtha saw stock draws, while distillate stocks experienced stock builds.

Gasoline stocks fell by 0.3 mb m-o-m to stand at 9.5 mb in June, which was 0.4 mb, or 4.3%, lower than a year ago, and 1.2 mb, or 11.5%, lower than the latest five-year average. The fall was mainly driven by lower gasoline output, which decreased by 6.7% from the previous month. Lower domestic sales, which fell by 2.7%, limited a further drop in gasoline stocks.

Total residual fuel oil stocks also fell by 0.5 mb m-o-m in June to stand at 12.6 mb, which was 0.4 mb, or 3.2%, below the same period a year ago, and 0.8 mb, or 6.0%, lower than the latest five-year average. Within the components, fuel oil A and fuel B.C stocks fell m-o-m by 7.0% and 2.3%, respectively. The fall in both products was driven by lower output combined with higher domestic sales.

In contrast, **distillate stocks** rose by 1.2 mb m-o-m to stand at 23.9 mb in June. This was 0.1 mb, or 0.3% higher than the same time a year ago, but 1.0 mb, or 4.1%, lower than the latest five-year average. Within the distillate components, kerosene and gasoil rose by 4.3% and 3.1%, m-o-m, respectively, while jet fuel oil rose m-o-m by 10.4%. The build in all components was driven by higher output.

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

	Apr 19	May 19	Jun 19	*Change* Jun 19/May 19	Jun 18
Crude oil	**77.6**	**85.5**	**82.2**	**-3.4**	**77.6**
Gasoline	9.8	9.9	9.5	-0.3	10.0
Naphtha	9.6	11.2	10.7	-0.5	8.5
Middle distillates	21.1	22.7	23.9	1.2	23.8
Residual fuel oil	13.0	13.1	12.6	-0.5	13.0
Total products	**53.6**	**56.9**	**56.7**	**-0.1**	**55.3**
Total**	**131.2**	**142.4**	**138.9**	**-3.5**	**132.8**

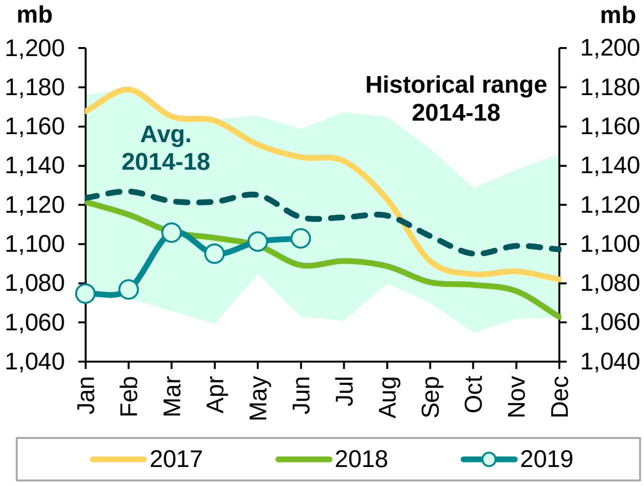
*Note: * At the end of the month.*
*** Includes crude oil and main products only.*
Sources: Ministry of Economy, Trade and Industry of Japan and OPEC Secretariat.

EU plus Norway

Preliminary data for June showed that **total European commercial oil stocks** rose slightly by 1.5 mb m-o-m to stand at 1,102.8 mb, which was 13.6 mb, or 1.2%, above the same time a year ago, yet 10.9 mb, or 1.0%, lower than the latest five-year average. Within the components, crude and products stocks rose by 1.1 mb and 0.4 mb, m-o-m, respectively.

European **crude inventories** rose in June to stand at 489.8 mb, which was 6.9 mb, or 1.4%, lower than the same period a year ago, and 1.7 mb, or 0.4%, lower than the latest five-year average. The build came despite higher refinery throughput in the EU-16 countries, which rose by around 160 tb/d to stand at 9.90 mb/d.

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



Sources: Argus, Euroilstock and OPEC Secretariat.

European **total product stocks** also rose by 0.4 mb m-o-m, ending June at 613.0 mb, which was 20.5 mb, or 3.5%, higher than the same time a year ago, but 9.1 mb, or 1.5%, lower than the latest five-year average. Within products, distillates stocks witnessed stock build, while gasoline, residual fuel and naphtha experienced stock draws.

Distillate stocks rose by 3.2 mb m-o-m in June reversing the fall of last two months to stand at 405.9 mb, which was 16.1 mb, or 4.1%, higher than the same time last year, albeit 7.8 mb, or 1.9%, below the latest five-year average.

In contrast, **gasoline stocks** fell by 0.6 mb m-o-m in June for the third consecutive month to stand at 114.2 mb, which was 5.6 mb, or 5.1%, higher than the same time a year ago, and 2.9 mb, or 2.6%, above the latest five-year average.

Residual fuel and naphtha stocks dropped in June by 1.8 mb and 0.4 mb, m-o-m, respectively. At 61.7 mb, residual fuel stood at 3.1 mb, or 4.8%, lower than the same time one year ago, and 10.3 mb, or 14.3%, below the latest five-year average. Naphtha stocks ended June at 31.2 mb, which was 1.9 mb, or 6.7%, higher than last year's June level and 6.0 mb, or 24%, higher than the latest five-year average.

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

	Apr 19	May 19	Jun 19	Change Jun 19/May 19	Jun 18
Crude oil	**479.5**	**488.7**	**489.8**	**1.1**	**496.8**
Gasoline	119.9	114.8	114.2	-0.6	108.6
Naphtha	30.8	31.7	31.2	-0.4	29.3
Middle distillates	405.3	402.7	405.9	3.2	389.8
Fuel oils	59.5	63.4	61.7	-1.8	64.8
Total products	**615.5**	**612.6**	**613.0**	**0.4**	**592.5**
Total	**1,095.0**	**1,101.3**	**1,102.8**	**1.5**	**1,089.2**

Sources: Argus, Euroilstock and OPEC Secretariat.

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

Singapore

At the end of June, **total product stocks in Singapore** fell by 1.2 mb m-o-m, for the second consecutive month. The June level stood at 43.7 mb, which was 4.1 mb, or 10.4%, above the same period a year ago. Within products, light distillates witnessed a stock build in June, while middle distillates and fuel oil stocks experienced a drop, when compared to the previous month.

Light distillate stocks rose by 0.5 mb m-o-m to end June at 11.8 mb, which was 0.3 mb, or 2.5%, below the same period a year ago. This build may have been driven by lower imports from the hub.

In contrast, **middle distillate and fuel oil stocks** fell by 0.8 mb and 0.9 mb, m-o-m, respectively. At 10.9 mb, middle distillates stood at 1.6 mb, or 17.2%, higher than the same time one year ago. Fuel oil stocks ended June at 21.0 mb, which was 2.8 mb, or 15.4%, higher than last year's June level.

ARA

Total product stocks in ARA rose by 5.6 mb m-o-m in June to settle at 47.2 mb, which was 4.7 mb, or 11.1%, above the same time a year ago. Within products, all products witnessed stock builds.

Gasoline and gasoil stocks rose by 3.0 mb and 0.3 mb, m-o-m, in June to stand at 10.2 mb and 21.2 mb, respectively. Gasoline stocks were 1.5 mb, or 17.2%, above last year's level. Gasoil stocks were 6.0 mb, or 39.5%, higher than last year's level.

Fuel oil stocks and jet oil rose in June by 1.6 mb and 0.6 mb, m-o-m, ending the month at 7.5 mb and 6.5 mb, respectively. Fuel oil stocks stood at 2.7 mb, or 26.5%, lower than the same month last year, while jet oil stocks remained at 1.2 mb, or 22.6%, higher when compared to the same time a year ago.

Fujairah

During the week ending 5 August 2019, **total oil product stocks in Fujairah** rose by 1.07 mb w-o-w to stand at 19.33 mb, according to data from FEDCom and S&P Global Platts. At this level, total oil stocks were 1.21 mb higher than the same time a year ago. Within products, light distillates witnessed a stock draw, while middle and heavy distillates registered stock builds.

Light distillate stocks fell by 0.03 mb w-o-w to stand at 7.69 mb, which was 2.9 mb higher than a year ago at the same time. Most of the build came from **heavy distillates**, which rose by 1.09 mb w-o-w to stand at 9.52 mb, while **middle distillate stocks** increased slightly by 0.02 mb w-o-w to stand at 2.11 mb.

Balance of Supply and Demand

***Demand for OPEC crude in 2019** was revised up by 0.1 mb/d from the previous report to stand at 30.7 mb/d, which is 0.9 mb/d lower than the 2018 level. In 1Q19, OPEC crude production averaged 30.5 mb/d, about 0.3 mb/d higher than the demand for OPEC crude in that quarter, while in 2Q19, OPEC crude production averaged 29.9 mb/d, around 0.8 mb/d lower than the demand for OPEC crude.*

***Demand for OPEC crude in 2020** was revised up by 0.1 mb/d from the previous report to stand at 29.4 mb/d, which is 1.3 mb/d lower than the 2019 level.*

Balance of supply and demand in 2019

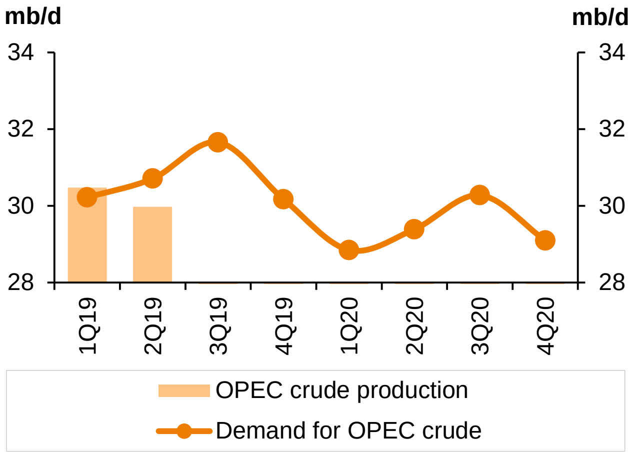
Demand for OPEC crude in 2019 was revised up by 0.1 mb/d from the previous report to stand at 30.7 mb/d, which is 0.9 mb/d lower than the 2018 level.

Compared with the last monthly report, 1Q19 was revised up by 0.1 mb/d, while both 3Q19 and 4Q19 were revised up by 0.2 mb/d each. In contrast, 2Q19 was revised down by 0.1 mb/d.

When compared to the same quarter in 2018, demand for OPEC crude in 1Q19 was 1.8 mb/d lower, while 2Q19 and 3Q19 are expected to show declines of 1.1 mb/d and 0.2 mb/d, respectively. 4Q19 is forecast to fall by 0.7 mb/d.

According to secondary sources, OPEC crude production averaged 30.5 mb/d in 1Q19, about 0.3 mb/d higher than the demand for OPEC crude in the same period, while in 2Q19, OPEC crude production averaged 29.9 mb/d, around 0.8 mb/d lower than the demand for OPEC crude.

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



*Note: * 2019-2020 = Forecast.*
Source: OPEC Secretariat.

Table 10 - 1: Supply/demand balance for 2019*, mb/d

	2018	1Q19	2Q19	3Q19	4Q19	2019	Change 2019/18
(a) World oil demand	**98.82**	**98.79**	**99.25**	**100.69**	**100.91**	**99.92**	**1.10**
Non-OPEC supply	62.41	63.77	63.72	64.16	65.88	64.39	1.97
OPEC NGLs and non-conventionals	4.76	4.80	4.82	4.87	4.86	4.84	0.07
(b) Total non-OPEC supply and OPEC NGLs	**67.17**	**68.57**	**68.54**	**69.03**	**70.74**	**69.22**	**2.05**
Difference (a-b)	**31.64**	**30.22**	**30.71**	**31.66**	**30.17**	**30.69**	**-0.95**
OPEC crude oil production	**31.86**	**30.48**	**29.97**				
Balance	**0.22**	**0.26**	**-0.73**				

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

Balance of supply and demand in 2020

Demand for OPEC crude in 2020 was revised up by 0.1 mb/d from the previous report to stand at 29.4 mb/d, which is 1.3 mb/d lower than the 2019 level.

Compared with the last monthly report, both 1Q20 and 2Q20 were revised up by 0.1 mb/d each, while both 3Q20 and 4Q20 were revised up by 0.2 mb/d.

When compared to the same quarter in 2019, demand for OPEC crude in 1Q20 was 1.4 mb/d lower, while 2Q20 and 3Q20 are expected to show declines of 1.3 mb/d and 1.4 mb/d, respectively. 4Q20 is forecast to fall by 1.1 mb/d.

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

	2019	1Q20	2Q20	3Q20	4Q20	2020	Change 2020/19
(a) World oil demand	**99.92**	**99.87**	**100.33**	**101.83**	**102.14**	**101.05**	**1.14**
Non-OPEC supply	64.39	66.15	66.08	66.69	68.18	66.78	2.39
OPEC NGLs and non-conventionals	4.84	4.87	4.87	4.87	4.87	4.87	0.03
(b) Total non-OPEC supply and OPEC NGLs	**69.22**	**71.02**	**70.94**	**71.56**	**73.04**	**71.64**	**2.42**
Difference (a-b)	**30.69**	**28.85**	**29.39**	**30.28**	**29.10**	**29.41**	**-1.29**

*Notes: * 2019-2020 = Forecast.*
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

Appendix

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

	2016	2017	2018	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
World demand													
OECD	46.99	47.53	47.92	47.68	47.55	48.51	48.44	48.05	47.78	47.63	48.59	48.53	48.14
Americas	24.89	25.07	25.55	25.25	25.66	26.08	26.02	25.76	25.48	25.85	26.25	26.20	25.95
Europe	13.98	14.32	14.31	13.97	14.18	14.68	14.30	14.28	13.92	14.15	14.66	14.28	14.25
Asia Pacific	8.12	8.14	8.07	8.47	7.71	7.74	8.11	8.01	8.39	7.63	7.68	8.05	7.94
DCs	31.56	32.13	32.62	32.97	33.06	33.40	33.10	33.13	33.57	33.66	34.06	33.78	33.77
FSU	4.63	4.70	4.82	4.75	4.74	5.03	5.11	4.91	4.83	4.81	5.11	5.20	4.99
Other Europe	0.70	0.72	0.74	0.75	0.71	0.75	0.84	0.76	0.76	0.72	0.76	0.85	0.77
China	11.80	12.32	12.71	12.63	13.19	13.00	13.43	13.06	12.92	13.51	13.31	13.78	13.38
(a) Total world demand	**95.68**	**97.41**	**98.82**	**98.79**	**99.25**	**100.69**	**100.91**	**99.92**	**99.87**	**100.33**	**101.83**	**102.14**	**101.05**
Non-OPEC supply													
OECD	24.85	25.69	28.26	29.29	29.57	30.07	31.23	30.05	31.45	31.30	31.99	32.99	31.94
Americas	20.58	21.48	24.02	25.01	25.49	25.91	26.77	25.80	26.95	26.95	27.58	28.30	27.45
Europe	3.85	3.82	3.83	3.84	3.61	3.69	3.97	3.78	3.98	3.83	3.85	4.13	3.95
Asia Pacific	0.42	0.39	0.41	0.43	0.47	0.48	0.50	0.47	0.53	0.52	0.56	0.56	0.54
DCs	13.53	13.39	13.47	13.43	13.46	13.73	13.86	13.62	13.85	13.86	13.87	14.04	13.91
FSU	13.85	14.05	14.29	14.55	14.16	13.92	14.30	14.23	14.29	14.40	14.31	14.59	14.40
Other Europe	0.13	0.13	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.11	0.11	0.11
China	4.09	3.98	4.02	4.10	4.13	4.05	4.10	4.09	4.11	4.07	4.07	4.12	4.09
Processing gains	2.19	2.22	2.25	2.28	2.28	2.28	2.28	2.28	2.33	2.33	2.33	2.33	2.33
Total non-OPEC supply	**58.66**	**59.46**	**62.41**	**63.77**	**63.72**	**64.16**	**65.88**	**64.39**	**66.15**	**66.08**	**66.69**	**68.18**	**66.78**
OPEC NGLs + non-conventional oils	4.58	4.64	4.76	4.80	4.82	4.87	4.86	4.84	4.87	4.87	4.87	4.87	4.87
(b) Total non-OPEC supply and OPEC NGLs	**63.24**	**64.10**	**67.17**	**68.57**	**68.54**	**69.03**	**70.74**	**69.22**	**71.02**	**70.94**	**71.56**	**73.04**	**71.64**
OPEC crude oil production (secondary sources)	32.21	32.01	31.86	30.48	29.97								
Total supply	95.45	96.11	99.04	99.05	98.51								
Balance (stock change and miscellaneous)	-0.23	-1.30	0.22	0.26	-0.73								
OECD closing stock levels, *mb*													
Commercial	3,002	2,854	2,872	2,873	2,955								
SPR	1,600	1,568	1,547	1,552	1,541								
Total	**4,602**	**4,421**	**4,419**	**4,425**	**4,495**								
Oil-on-water	1,102	1,025	1,058	1,013	1,010								
Days of forward consumption in OECD, *days*													
Commercial onland stocks	63	60	60	60	61								
SPR	34	33	32	33	32								
Total	**97**	**92**	**92**	**93**	**93**								
Memo items													
(a) - (b)	**32.43**	**33.31**	**31.64**	**30.22**	**30.71**	**31.66**	**30.17**	**30.69**	**28.85**	**29.39**	**30.28**	**29.10**	**29.41**

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

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

	2016	2017	2018	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
World demand													
OECD	0.02	0.08	0.08	0.03	0.11	0.08	0.07	0.07	0.03	0.11	0.08	0.07	0.07
Americas	0.02	0.01	0.01	-0.04	0.01	0.01	0.01	-	-0.04	0.01	0.01	0.01	-
Europe	-0.02	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01
Asia Pacific	0.02	0.08	0.08	0.07	0.10	0.07	0.07	0.08	0.07	0.10	0.07	0.07	0.08
DCs	0.03	-	-	-	-0.10	-	-	-0.02	-	-0.10	-	-	-0.02
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	**0.05**	**0.08**	**0.08**	**0.03**	**0.01**	**0.08**	**0.07**	**0.05**	**0.03**	**0.01**	**0.08**	**0.07**	**0.05**
Non-OPEC supply													
OECD	-	-	0.03	-	0.21	-0.03	-	0.05	0.06	0.06	0.06	0.06	0.06
Americas	-	-	0.03	-0.01	0.21	-	-	0.05	0.06	0.06	0.06	0.06	0.06
Europe	-	-	-	0.02	-	-0.03	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	0.01	-	-	-	-	-	-	-	-
DCs	-	-	-	-0.05	-0.13	-0.09	-0.09	-0.09	-0.13	-0.14	-0.15	-0.18	-0.15
FSU	-	-	-	-	-0.02	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	0.02	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	0.03	-0.04	0.09	-0.12	-0.09	-0.04	-0.07	-0.08	-0.09	-0.12	-0.09
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	**-**	**-**	**0.03**	**-0.04**	**0.09**	**-0.12**	**-0.09**	**-0.04**	**-0.07**	**-0.08**	**-0.09**	**-0.12**	**-0.09**
OPEC crude oil production (secondary sources)	**-**	**-**	**-**	**-**	**0.02**								
Total supply	-	-	0.03	-0.04	0.11								
Balance (stock change and miscellaneous)	-0.05	-0.08	-0.05	-0.06	0.10								
OECD closing stock levels (mb)													
Commercial	-	-	-	6	-								
SPR	-	-	-	-	-								
Total	-	-	-	6	-								
Oil-on-water	-	-	-	-	-								
Days of forward consumption in OECD													
Commercial onland stocks	-	-	-	-	-								
SPR	-	-	-	-	-								
Total	**-**	**-**	**-**	**-**	**-**								
Memo items													
(a) - (b)	**0.05**	**0.08**	**0.05**	**0.07**	**-0.08**	**0.19**	**0.16**	**0.09**	**0.10**	**0.09**	**0.17**	**0.19**	**0.14**

*Note: * This compares Table 11 - 1 in this issue of the MOMR with Table 11 - 1 in the July 2019 issue.*

This table shows only where changes have occurred.

Source: OPEC Secretariat.

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

	2016	2017	2018	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Closing stock levels, mb												
OECD onland commercial	**3,002**	**2,854**	**2,872**	**3,019**	**2,969**	**2,854**	**2,815**	**2,815**	**2,867**	**2,872**	**2,873**	**2,955**
Americas	1,598	1,498	1,542	1,596	1,571	1,498	1,468	1,471	1,541	1,542	1,508	1,591
Europe	989	943	931	999	965	943	969	956	936	931	985	973
Asia Pacific	415	412	399	424	433	412	378	388	390	399	380	391
OECD SPR	**1,600**	**1,568**	**1,547**	**1,588**	**1,578**	**1,568**	**1,575**	**1,570**	**1,565**	**1,547**	**1,552**	**1,541**
Americas	697	665	651	681	676	665	667	662	662	651	651	647
Europe	481	480	476	484	479	480	485	486	481	476	483	476
Asia Pacific	421	423	420	423	423	423	422	422	422	420	417	417
OECD total	**4,602**	**4,421**	**4,419**	**4,608**	**4,547**	**4,421**	**4,390**	**4,385**	**4,432**	**4,419**	**4,425**	**4,495**
Oil-on-water	**1,102**	**1,025**	**1,058**	**1,052**	**998**	**1,025**	**1,036**	**1,014**	**1,041**	**1,058**	**1,013**	**1,010**
Days of forward consumption in OECD, days												
OECD onland commercial	**63**	**60**	**60**	**63**	**62**	**60**	**59**	**58**	**59**	**60**	**60**	**61**
Americas	64	59	60	63	62	59	58	57	60	61	59	61
Europe	69	66	65	68	67	67	68	65	65	67	69	66
Asia Pacific	51	51	50	54	52	48	49	50	48	47	49	50
OECD SPR	**34**	**33**	**33**	**33**	**33**	**33**	**33**	**33**	**32**	**32**	**33**	**32**
Americas	28	26	26	27	27	26	26	26	26	26	25	25
Europe	34	34	34	33	33	34	34	33	34	34	34	32
Asia Pacific	52	52	53	54	50	49	54	54	52	50	54	54
OECD total	**97**	**92**	**93**	**96**	**94**	**93**	**93**	**91**	**92**	**93**	**93**	**93**

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

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

	2016	2017	2018	3Q19	4Q19	2019	Change 19/18	1Q20	2Q20	3Q20	4Q20	2020	Change 20/19
US	13.6	14.4	16.7	18.6	19.5	18.6	1.9	19.6	20.0	20.4	21.1	20.3	1.7
Canada	4.5	4.8	5.2	5.3	5.4	5.3	0.1	5.4	5.2	5.4	5.5	5.4	0.1
Mexico	2.5	2.2	2.1	1.9	1.9	1.9	-0.1	1.9	1.8	1.8	1.7	1.8	-0.2
OECD Americas	**20.6**	**21.5**	**24.0**	**25.9**	**26.8**	**25.8**	**1.8**	**26.9**	**27.0**	**27.6**	**28.3**	**27.4**	**1.6**
Norway	2.0	2.0	1.9	1.7	1.9	1.7	-0.1	1.9	1.9	1.9	2.1	2.0	0.2
UK	1.0	1.0	1.1	1.1	1.2	1.2	0.1	1.2	1.1	1.1	1.2	1.2	0.0
Denmark	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Other OECD Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
OECD Europe	**3.9**	**3.8**	**3.8**	**3.7**	**4.0**	**3.8**	**-0.1**	**4.0**	**3.8**	**3.9**	**4.1**	**3.9**	**0.2**
Australia	0.3	0.3	0.3	0.4	0.4	0.4	0.1	0.5	0.5	0.5	0.5	0.5	0.1
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
OECD Asia Pacific	**0.4**	**0.4**	**0.4**	**0.5**	**0.5**	**0.5**	**0.1**	**0.5**	**0.5**	**0.6**	**0.6**	**0.5**	**0.1**
Total OECD	**24.9**	**25.7**	**28.3**	**30.1**	**31.2**	**30.0**	**1.8**	**31.5**	**31.3**	**32.0**	**33.0**	**31.9**	**1.9**
Brunei	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
India	0.9	0.9	0.9	0.8	0.8	0.8	0.0	0.8	0.8	0.9	0.9	0.9	0.0
Indonesia	0.9	0.9	0.9	0.8	0.8	0.8	0.0	0.8	0.8	0.8	0.8	0.8	0.0
Malaysia	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Thailand	0.5	0.5	0.5	0.5	0.5	0.5	0.0	0.5	0.5	0.5	0.5	0.5	0.0
Vietnam	0.3	0.3	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Asia others	0.3	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Other Asia	**3.7**	**3.6**	**3.6**	**3.5**	**3.4**	**3.5**	**-0.1**	**3.4**	**3.4**	**3.4**	**3.4**	**3.4**	**0.0**
Argentina	0.7	0.6	0.6	0.6	0.6	0.6	0.0	0.6	0.6	0.6	0.6	0.6	0.0
Brazil	3.1	3.3	3.3	3.6	3.7	3.5	0.2	3.7	3.7	3.8	3.8	3.8	0.3
Colombia	0.9	0.9	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.8	0.9	0.9	0.0
Trinidad & Tobago	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Latin America others	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.2	0.2	0.3	0.3	0.3	0.0
Latin America	**5.1**	**5.2**	**5.2**	**5.5**	**5.6**	**5.4**	**0.2**	**5.6**	**5.6**	**5.6**	**5.7**	**5.6**	**0.3**
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Oman	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0	1.0	0.0
Qatar	2.0	1.9	2.0	2.0	2.0	2.0	0.0	2.0	2.0	2.0	2.0	2.0	0.0
Syria	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yemen	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0
Middle East	**3.3**	**3.1**	**3.2**	**3.2**	**3.2**	**3.2**	**0.0**	**3.2**	**3.2**	**3.3**	**3.3**	**3.2**	**0.0**
Cameroon	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Chad	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Egypt	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.6	0.6	0.6	0.6	0.0
Ghana	0.1	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
South Africa	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Sudans	0.3	0.2	0.2	0.2	0.3	0.2	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Africa other	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Africa	**1.5**	**1.5**	**1.5**	**1.6**	**1.6**	**1.6**	**0.1**	**1.6**	**1.6**	**1.6**	**1.6**	**1.6**	**0.0**
Total DCs	**13.5**	**13.4**	**13.5**	**13.7**	**13.9**	**13.6**	**0.1**	**13.8**	**13.9**	**13.9**	**14.0**	**13.9**	**0.3**
FSU	**13.9**	**14.1**	**14.3**	**13.9**	**14.3**	**14.2**	**-0.1**	**14.3**	**14.4**	**14.3**	**14.6**	**14.4**	**0.2**
Russia	11.1	11.2	11.3	11.3	11.3	11.4	0.0	11.3	11.5	11.5	11.6	11.5	0.1
Kazakhstan	1.6	1.7	1.8	1.5	1.9	1.7	-0.1	1.9	1.8	1.7	1.9	1.8	0.1
Azerbaijan	0.8	0.8	0.8	0.8	0.8	0.8	0.0	0.8	0.8	0.8	0.8	0.8	0.0
FSU others	0.4	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Other Europe	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.0**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.0**
China	**4.1**	**4.0**	**4.0**	**4.0**	**4.1**	**4.1**	**0.1**	**4.1**	**4.1**	**4.1**	**4.1**	**4.1**	**0.0**
Non-OPEC production	**56.5**	**57.2**	**60.2**	**61.9**	**63.6**	**62.1**	**1.9**	**63.8**	**63.7**	**64.4**	**65.8**	**64.4**	**2.3**
Processing gains	2.2	2.2	2.3	2.3	2.3	2.3	0.0	2.3	2.3	2.3	2.3	2.3	0.1
Non-OPEC supply	**58.7**	**59.5**	**62.4**	**64.2**	**65.9**	**64.4**	**2.0**	**66.2**	**66.1**	**66.7**	**68.2**	**66.8**	**2.4**
OPEC NGL	4.5	4.5	4.7	4.8	4.8	4.7	0.1	4.8	4.8	4.8	4.8	4.8	0.0
OPEC Non-conventional	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
OPEC (NGL+NCF)	**4.6**	**4.6**	**4.8**	**4.9**	**4.9**	**4.8**	**0.1**	**4.9**	**4.9**	**4.9**	**4.9**	**4.9**	**0.0**
Non-OPEC & OPEC (NGL+NCF)	**63.2**	**64.1**	**67.2**	**69.0**	**70.7**	**69.2**	**2.0**	**71.0**	**70.9**	**71.6**	**73.0**	**71.6**	**2.4**

Note: OECD Americas includes Chile.

Totals may not add up due to independent rounding.

Source: OPEC Secretariat.

Table 11 - 5: World rig count, units

	2016	2017	2018	Change 2018/17	3Q18	4Q18	1Q19	2Q19	Jun 19	Jul 19	Change Jul/Jun
US	509	875	1,031	*157*	1,051	1,073	1,045	990	970	955	*-15*
Canada	131	207	191	*-15*	208	177	185	83	113	120	*7*
Mexico	26	17	27	*9*	30	32	26	34	32	37	*5*
OECD Americas	665	1,099	1,249	*150*	1,289	1,282	1,257	1,106	1,115	1,112	*-3*
Norway	17	15	15	*0*	14	17	15	17	18	19	*1*
UK	9	9	7	*-2*	8	8	13	16	16	16	*0*
OECD Europe	96	92	85	*-7*	84	90	92	159	193	200	*7*
OECD Asia Pacific	7	15	21	*5*	22	23	24	29	32	33	*1*
Total OECD	**768**	**1,206**	**1,355**	***149***	**1,395**	**1,396**	**1,372**	**1,295**	**1,340**	**1,345**	***5***
Other Asia*	204	208	222	*14*	228	224	232	225	219	217	*-2*
Latin America	111	112	123	*11*	126	123	128	122	123	129	*6*
Middle East	75	68	65	*-4*	64	62	66	69	69	67	*-2*
Africa	43	38	45	*7*	50	50	54	52	51	46	*-5*
Total DCs	**432**	**426**	**454**	***28***	**468**	**460**	**481**	**468**	**462**	**459**	***-3***
Non-OPEC rig count	**1,200**	**1,632**	**1,809**	***177***	**1,863**	**1,855**	**1,853**	**1,763**	**1,802**	**1,804**	***2***
Algeria	54	54	50	*-4*	48	47	47	49	45	41	*-4*
Angola	6	3	4	*1*	4	5	5	5	5	5	*0*
Congo	2	2	3	*1*	3	4	4	4	4	4	*0*
Ecuador	4	6	8	*2*	9	11	9	8	10	10	*0*
Equatorial Guinea**	1	1	1	*0*	1	1	1	1	1	1	*0*
Gabon	1	1	3	*3*	3	4	7	6	6	6	*0*
Iran**	143	156	157	*2*	157	157	157	157	157	157	*0*
Iraq	43	49	59	*10*	58	61	65	75	75	77	*2*
Kuwait	44	54	51	*-3*	50	45	44	44	45	46	*1*
Libya	1	1	5	*4*	7	9	11	15	15	15	*0*
Nigeria	6	9	13	*5*	15	12	14	14	14	15	*1*
Saudi Arabia	125	118	117	*-1*	119	123	118	115	114	125	*11*
UAE	51	52	55	*4*	56	57	58	59	61	63	*2*
Venezuela	58	49	32	*-17*	27	26	25	23	24	25	*1*
OPEC rig count	**537**	**553**	**558**	***5***	**557**	**563**	**565**	**576**	**576**	**590**	***14***
World rig count* **	**1,737**	**2,185**	**2,368**	***183***	**2,419**	**2,418**	**2,418**	**2,338**	**2,378**	**2,394**	***16***
of which:											
Oil	1,313	1,678	1,886	*209*	1,945	1,934	1,936	1,827	1,840	1,855	*15*
Gas	370	466	448	*-17*	440	453	455	482	509	508	*-1*
Others	54	42	33	*-9*	34	31	26	29	29	31	*2*

*Note: * Other Asia includes Indonesia.*
*** Estimated data when Baker Hughes Incorporated did not reported the data.*
**** Data excludes China and FSU.*
Totals may not add up due to independent rounding.

Sources: Baker Hughes Incorporated and OPEC Secretariat's estimates.

Glossary of Terms

Abbreviations

b	barrels
b/d	barrels per day
bp	basis points
bb	billion barrels
bcf	billion cubic feet
cu m	cubic metres
mb	million barrels
mb/d	million barrels per day
mmbtu	million British thermal units
mn	million
m-o-m	month-on-month
mt	metric tonnes
q-o-q	quarter-on-quarter
pp	percentage points
tb/d	thousand barrels per day
tcf	trillion cubic feet
y-o-y	year-on-year
y-t-d	year-to-date

Acronyms

ARA	Amsterdam-Rotterdam-Antwerp
BoE	Bank of England
BoJ	Bank of Japan
BOP	Balance of payments
BRIC	Brazil, Russia, India and China
CAPEX	capital expenditures
CCI	Consumer Confidence Index
CFTC	Commodity Futures Trading Commission
CIF	cost, insurance and freight
CPI	consumer price index
DCs	developing countries
DUC	drilled, but uncompleted (oil well)
ECB	European Central Bank
EIA	US Energy Information Administration
Emirates NBD	Emirates National Bank of Dubai
EMs	emerging markets
EV	electric vehicle
FAI	fixed asset investment
FCC	fluid catalytic cracking
FDI	foreign direct investment
Fed	US Federal Reserve
FID	final investment decision
FOB	free on board
FPSO	floating production storage and offloading
FSU	Former Soviet Union
FX	Foreign Exchange
FY	fiscal year
GDP	gross domestic product
GFCF	gross fixed capital formation
GoM	Gulf of Mexico
GTLs	gas-to-liquids
HH	Henry Hub
HSFO	high-sulphur fuel oil
ICE	Intercontinental Exchange
IEA	International Energy Agency
IMF	International Monetary Fund
IOCs	international oil companies
IP	industrial production
ISM	Institute of Supply Management
LIBOR	London inter-bank offered rate
LLS	Light Louisiana Sweet
LNG	liquefied natural gas
LPG	liquefied petroleum gas
LR	long-range (vessel)
LSFO	low-sulphur fuel oil

MCs	(OPEC) Member Countries
MED	Mediterranean
MENA	Middle East/North Africa
MOMR	(OPEC) Monthly Oil Market Report
MPV	multi-purpose vehicle
MR	medium-range or mid-range (vessel)
NBS	National Bureau of Statistics
NGLs	natural gas liquids
NPC	National People’s Congress (China)
NWE	Northwest Europe
NYMEX	New York Mercantile Exchange
OECD	Organisation for Economic Co-operation and Development
OPEX	operational expenditures
OIV	total open interest volume
ORB	OPEC Reference Basket
OSP	Official Selling Price
PADD	Petroleum Administration for Defense Districts
PBoC	People’s Bank of China
PMI	purchasing managers’ index
PPI	producer price index
RBI	Reserve Bank of India
REER	real effective exchange rate
ROI	return on investment
SAAR	seasonally-adjusted annualized rate
SIAM	Society of Indian Automobile Manufacturers
SRFO	straight-run fuel oil
SUV	sports utility vehicle
ULCC	ultra-large crude carrier
ULSD	ultra-low sulphur diesel
USEC	US East Coast
USGC	US Gulf Coast
USWC	US West Coast
VGO	vacuum gasoil
VLCC	very large crude carriers
WPI	wholesale price index
WS	Worldscale
WTI	West Texas Intermediate
WTS	West Texas Sour

OPEC Basket average price *US$/b*

up 1.79 in July

July 2019	64.71
June 2019	62.92
Year-to-date	**65.37**

July OPEC crude production *mb/d, according to secondary sources*

down 0.25 in July

July 2019	29.61
June 2019	29.86

Economic growth rate *per cent*

	World	OECD	US	Japan	Euro-zone	China	India
2019	3.1	1.6	2.4	0.5	1.2	6.2	6.8
2020	3.2	1.6	2.0	0.5	1.2	6.0	7.0

Supply and demand *mb/d*

2019		**19/18**	**2020**		**20/19**
World demand	99.9	1.1	World demand	101.1	1.1
Non-OPEC supply	64.4	2.0	Non-OPEC supply	66.8	2.4
OPEC NGLs	4.8	0.1	OPEC NGLs	4.9	0.0
Difference	**30.7**	**–0.9**	**Difference**	**29.4**	**–1.3**

OECD commercial stocks *mb*

	Apr 19	May 19	Jun 19	Jun 19/May 19	Jun 18
Crude oil	1,466	1,476	1,468	–8.2	1,424
Products	1,415	1,447	1,487	40.0	1,392
Total	**2,881**	**2,923**	**2,955**	**31.8**	**2,815**
Days of forward cover	60.1	60.3	60.9	0.6	58.3

Next report to be issued on 11 September 2019.