



Organization of the Petroleum Exporting Countries



OPEC Monthly Oil Market Report

14 September 2020

Feature article:
Review of the world economic development

Oil market highlights	i
Feature article	iii
Crude oil price movements	1
Commodity markets	7
World economy	10
World oil demand	26
World oil supply	36
Product markets and refinery operations	52
Tanker market	57
Crude and refined products trade	60
Commercial stock movements	65
Balance of supply and demand	71



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60th Anniversary Remarks by the Secretary General

This year, the Organization of the Petroleum Exporting Countries will mark its Diamond Anniversary in September, celebrating six decades of unparalleled success and laying the groundwork for future achievements.

I would like to take this opportunity to extend my congratulations, as well as my gratitude and appreciation, to our Member Countries for their continuous support; the Heads of Delegation for their distinctive leadership, particularly during challenging times; the Members of the Governing Boards for their wise guidance; and the Secretariat's Members of Management and staff for their tireless efforts.

The year 2020 has been marked by one of the greatest global challenges of modern times, the COVID-19 pandemic. Beyond the terrible human suffering it has caused, it has triggered one of the worst global economic recessions and oil market downturns in OPEC's history.

These unfortunate circumstances propelled OPEC's 13 Member Countries to intensify our efforts in coordination with non-OPEC oil-producing countries participating in the Declaration of Cooperation. Together, we have reduced volatility and supported the return of much-needed stability in the global oil market. In the face of the COVID-19 market slump, this historic cooperation resulted in the largest and longest production adjustments in the history of the oil sector.

The importance of these efforts was recognised at the highest levels of government and by other organisations, including the **G20 Energy Ministers, Argentina, Brazil, Canada, Colombia** and **Norway**, along with the **African Petroleum Producers' Organization (APPO)** and the **IEA**.

These noble efforts, which have been undertaken in the interest of producers, consumers and the world economy at large, followed the principles of inclusiveness, transparency, equity and fairness. These are the same principles that have underpinned OPEC throughout its first 60 years.

OPEC was founded on **14 September 1960 in Baghdad, Iraq**, by five oil-exporting countries – **Iran, Iraq, Kuwait, Saudi Arabia** and **Venezuela**. They decided to join forces to safeguard their legitimate rights and exercise control over their petroleum resources.

Looking back to its early days, very few thought that the OPEC would evolve and emerge as a strong and influential actor in the energy industry. The solid foundation built by its foresighted Founder Members has served the Organization as guiding values during periods of prosperity, as well as challenges, enlightening its path to recognition within the global energy community.

Statutorily, OPEC has been committed to three key objectives since its founding. These objectives are: **securing a steady income for the producing countries; ensuring an efficient, economic and regular supply of petroleum to the consuming nations; and bringing about a fair return on capital for those investing in the petroleum industry**. Almost six decades after their initial endorsement, they still form the key foundation for the Organization's decisions and discussions.

The serious responsibilities and duties of the Organization were recognized and further supported at the Summits of OPEC's Heads of State and Government, which were held in **Algiers in 1975; Caracas in 2000;** and **Riyadh in 2007**. These Summits saw our Member Countries issuing sets of recommendations in the form of **Solemn Declarations**, which have set out a visionary future for OPEC.

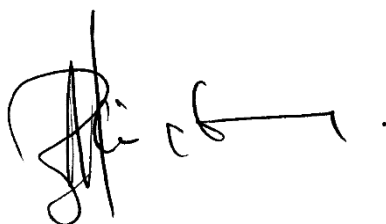
As OPEC continues to grow, the Organization remains committed to these great traditions by maintaining its current channels of dialogue with producing and consuming countries, as well as identifying new partners to further expand it. Dialogue and cooperation have been key instruments in OPEC's efforts to ensure market stability; this is best exemplified through the **Declaration of Cooperation**, which brings together **23** oil-producing nations to work together for the benefit of oil market stability, and more recently the **Charter of Cooperation**, which expands collaboration beyond the market-balancing efforts. OPEC also holds regular dialogues with **China**, **India**, the **Russian Federation**, the **EU** and **independent producers**, among others.

These solid principles and developed instruments have helped OPEC to overcome various challenges that emerged over time, including the oil shocks in 1970s and 1980s, the Asian economic crisis in 1990s, the global financial crisis that began in 2007, the downturn in the oil sector in 2014-2016, and, most recently, the unprecedented collapse of the oil market due to the impact of COVID-19.

As we turn a new chapter in our great history, we continue to gain experience, wisdom and global respect as we carry out our duty to act in the interests of all stakeholders in a complex global oil market.

The slogan of the Diamond Anniversary is **"Successful past, sustainable future,"** a reminder that the Organization's policy in the coming years will continue to embrace the principle of sustaining a forward-looking and optimistic future, building on the success achieved during the last six decades.

It is therefore not surprising that OPEC has been widely praised during the last six decades. In fact, I truly believe OPEC will remain a pivotal actor in the energy sector for decades to come, driven by the leadership, vision and commitment that led to the Organization's founding 60 years ago.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end, followed by a period.

Mohammad Sanusi Barkindo
OPEC Secretary General

Link to the goodwill message from HE Mohammad Sanusi Barkindo, OPEC Secretary General:
<https://bcove.video/2F1cc2d>

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Oil Market Highlights

Crude Oil Price Movements

Crude oil spot prices extended gains in August, reaching a six-month high. The OPEC Reference Basket (ORB) value rose in August, increasing more than other spot references. On a monthly basis, the ORB increased by \$1.77 to \$45.19/b, up by 4.1%. Crude oil futures prices rose further in August by about 4% m-o-m, supported by positive market sentiment, steadily improving market fundamentals, positive economic indicators, and a weaker US dollar. On a monthly average, the ICE Brent front month rose by \$1.80, or 4.2%, to average \$45.02/b, while NYMEX WTI increased by \$1.62, or 4.0%, to average \$42.39/b. The price structures of the three main futures markets moved into a deeper contango. Hedge funds and other money managers showed no clear positioning trend in August amid the uncertain outlook on economic and oil demand recovery. The sweet/sour crude differential remained narrow in all markets.

World Economy

The global economic growth forecast is revised down to -4.1% for 2020 from -4.0% in the previous month, amid a further slowing momentum in especially emerging and developing economies. GDP growth in 2021 remains unchanged at 4.7%. The US is revised up slightly and forecast to contract by 5.1% in 2020, followed by growth of 4.1% in 2021. The Euro-zone is revised up as well and forecast to contract by 7.7% in 2020, but grow by 4.3% in 2021. Japan is revised down and forecast to contract by 5.5% in 2020 and recover to 3.2% in 2021. China's 2020 GDP growth remains at 1.8% followed by growth of 6.9% in 2021. India's 2020 growth forecast is revised down further from -4.6% to -6.2%, followed by growth of 6.8% in 2021. Brazil's 2020 GDP growth is revised up to -6.5%, before rebounding to 2.4% in 2021. Russia's 2020 forecast is revised down to -4.9%, while it is expected to recover in 2021 with a level of 2.9%. In addition to COVID-19-related developments, numerous uncertainties remain, including high debt levels, inflation, ongoing geopolitical risks, trade-related challenges, as well as the possibility of a hard Brexit.

World Oil Demand

In 2020, the global oil demand contraction is revised down further by 0.4 mb/d, now contracting by 9.5 mb/d, to average 90.2 mb/d. In the OECD, demand is revised higher by around 0.1 mb/d due to lesser-than-expected declines in all sub-regions during 2Q20. In the non-OECD, the 2020 oil demand outlook is revised lower by around 0.5 mb/d, due to weaker oil demand performance in Other Asia, particularly in India. Turning to 2021, the negative impact on oil demand in Other Asia is projected to spill over into 1H21. At the same time, a slower recovery in transportation fuel requirements in the OECD will limit oil demand growth potential in the region. Additionally, risks remain elevated and skewed to the downside, particularly in relation to the development of COVID-19 infection cases and potential vaccines. Furthermore, the speed of recovery in economic activities and oil demand growth potential in Other Asian countries, including India, remain uncertain. As such, 2021 world oil demand is now forecast to grow by 6.6 mb/d, some 0.4 mb/d lower compared with the previous month's assessment to average 96.9 mb/d.

World Oil Supply

The non-OPEC liquids production forecast in 2020 is revised up by 360 tb/d, due to a higher-than-expected recovery in the US in June, which added 1.0 mb/d m-o-m, and now contracting by 2.7 mb/d, y-o-y. A production recovery has already begun in the US, Canada and Latin America in 3Q20, although Hurricane Laura partially impacted production in the US Gulf of Mexico (GoM). The main declines in 2020 are expected to be in the US with 1.0 mb/d, Russia with 1.1 mb/d and Canada. The non-OPEC liquids production forecast for 2021 is adjusted up by 371 tb/d and now is expected to grow by 1.0 mb/d. The US with 0.4 mb/d, Canada, Brazil and Norway will be the main drivers of growth. OPEC NGLs are estimated to decline by 0.1 mb/d, y-o-y, in 2020, with the preliminary 2021 forecast indicating growth of 0.1 mb/d, averaging 5.2 mb/d. OPEC crude oil production in August increased by 0.76 mb/d m-o-m to average 24.05 mb/d, according to secondary sources.

Product Markets and Refining Operations

In August, refinery margins globally witnessed a trend reversal and lost ground due to a growing surplus of products, as seen by higher product inventory levels. Consequently, product markets at the top and middle sections of the barrel weakened, particularly in Europe where refining economics hit record-breaking lows and remained barely positive, despite the positive performance at the bottom of the barrel witnessed in all regions.

Tanker Market

Dirty tanker rates in August settled at lowest levels seen since the end of June, and are likely to remain at these new levels for the coming months, amid ample tonnage and sluggish demand for tankers. Floating storage continued to unwind, removing the support to the high rates observed in recent months. Clean tanker freight rates picked up from the poor performance seen in the previous month, but remained below levels seen in the same month last year due to continued sluggish demand for product trade flows.

Crude and Refined Products Trade

Preliminary data shows US crude imports declined further in August, averaging 5.5 mb/d, approaching the quarter-century low seen in April of this year. US crude exports edged up last month, turning positive after five months of declines, to average 2.9 mb/d, well below the peak of 3.7 mb/d seen in February 2020. The latest monthly data showed continued strong flows of US crude to China in June, down from the massive 1.3 mb/d seen in May but still strong at 0.7 mb/d. China crude imports averaged the second-highest on record at 12.1 mb/d in July, down from a record high of 13.0 mb/d in the previous month. Customs data shows a further scale-back in crude imports in August to around 11.2 mb/d, but still 13% higher than last year's levels. Product imports fell sharply in July, down from an all-time high in May 2020, as naphtha and fuel oil imports contracted. Product exports edged lower with declines in gasoil and jet fuel outweighing an increase in gasoline. India crude inflows in July fell below 3.0 mb/d for the first time in more than a decade, following a sixth consecutive monthly decline. The decline came as state-run refiners maintained runs at 75% of capacity compared to 90% in June. Preliminary tanker tracking data points to a slight recovery in crude imports in August. Japan's crude imports picked up in July after bottoming out at the lowest in more than a decade the month before.

Commercial Stock Movements

Preliminary July data showed that total OECD commercial oil stocks fell by 4.5 mb m-o-m. At 3,231 mb, they were 273.7 mb higher than the same time a year ago and 260.6 mb above the latest five-year average. Within the components, crude stocks went down by 9.7 mb m-o-m, while product stocks increased by 5.3 mb m-o-m. OECD crude stocks stood at 95.6 mb above the latest five-year average, while product stocks showed a surplus of 165.1 mb. In terms of days of forward cover, OECD commercial stocks fell by 1.2 days m-o-m in July to stand at 72.2 days. This was 10.8 days above the July 2019 level and 9.9 days above the latest five-year average.

Balance of Supply and Demand

Demand for OPEC crude in 2020 is revised down by 0.7 mb/d from the previous month to stand at 22.6 mb/d, around 6.7 mb/d lower than in 2019. Demand for OPEC crude in 2021 is revised down by 1.1 mb/d from the previous month to stand at 28.2 mb/d, around 5.5 mb/d higher than in 2020.

Feature Article

Assessment of the global economy in 2020 and 2021

The **global economy** has witnessed unprecedented upheaval in 2020. After a tentative pick-up at the start of the year, the emergence of the COVID-19 pandemic led to broad-based economic dislocation across the world and in all sectors. The lockdown measures implemented brought the global economy to an almost stand-still between mid-March and mid-May. This is reflected in the sharp decline in global economic activities, which in 1H20 heavily impacted the energy market, with huge demand drops and crude oil prices hitting historical lows in April. Since mid-May, lockdown measures have gradually eased. Curbed demand and forced 1H20 savings, in combination with exceptional fiscal and monetary stimulus, are now supporting a strong 2H20 global economic recovery, although this will not compensate for the large decline in 1H20.

As a result, 2020 global GDP is forecast to decline by 4.1%. China is expected to be the only major economy showing positive growth this year, although the recovery in the US and Euro-zone appears to be gaining traction. This momentum is forecast to carry over into 2021, when global growth is forecast to reach 4.7%. Given the ongoing global economic challenges, the oil sector recovery, supported by the efforts of OPEC and non-OPEC oil-producing nations participating in the Declaration of Cooperation (DoC) to stabilise the market, is vital in fuelling global economic developments.

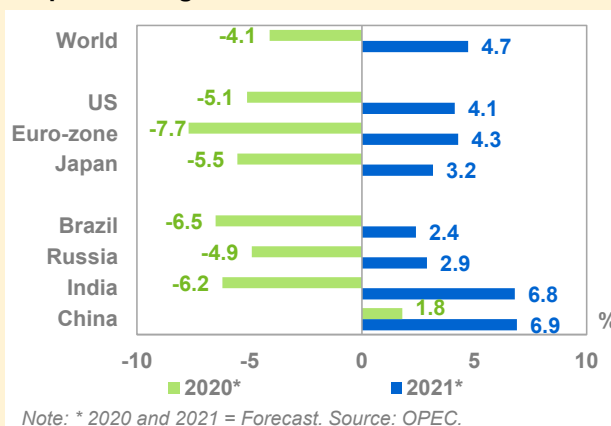
While the forecast considers no further deterioration of the COVID-19 situation, a lasting solution to the pandemic – natural end or a vaccine – will provide upside to the current forecast. Major risks that could dampen the current growth forecast include high-debt levels, ongoing geopolitical risks, trade-related challenges, and a hard Brexit.

In terms of a geographical breakdown, the **OECD** group of countries' saw an unprecedented 9.8% q-o-q drop in 2Q20, following a 1.8% q-o-q GDP decline in 1Q20. Since lockdown measures eased, however, a recovery has become visible. Labour market improvements and a recovery in consumption suggest the US economy may suffer less than others in the OECD, despite the large number of infections. The US GDP is forecast to contract by 5.1% in 2020, followed by growth of 4.1% in 2021. The Euro-zone's economy is gaining some momentum, but it is still forecast to contract by 7.7% in 2020, before an expansion of 4.3% in 2021. Japan is forecast to contract by 5.5% in 2020, but the 2021 rebound is anticipated to gain less traction than others in the OECD, with growth at 3.2%.

In the **emerging economies**, China has managed to minimise the impact of COVID-19, leading to expected growth of 1.8% in 2020 and 6.9% in 2021. India's economy has been significantly impacted, not only by lockdown measures, but the continuing uncertainty amid the rise of COVID-19 infections. India's GDP is forecast to decline by 6.2% in 2020 but recover to 6.8% growth in 2021. Brazil's 2020 GDP growth is forecast to decline by 6.5% and grow mildly by 2.4% in 2021, impacted by ongoing domestic challenges and external trade. Russia's economy is forecast to decline by 4.9% in 2020, but then benefit from the oil market recovery with expected growth of 2.9% in 2021. The effect of the COVID-19 outbreak on economic growth has significantly impacted oil demand growth in 1H20. This has led to a projected

global oil demand decline of 9.5 mb/d for 2020, followed by growth of 6.6 mb/d in 2021. The non-OPEC supply is expected to decline by 2.7 mb/d in 2020, while growth of 1.0 mb/d is anticipated for 2021. The impact of COVID-19 related developments on an already fragile global economic conditions remain challenging and will require coordinated global policy action from all market participants, including the efforts undertaken by OPEC and non-OPEC oil producers participating in the DoC.

Graph 1: GDP growth forecast for 2020–21



Graph 2: World oil demand growth in 2020–21

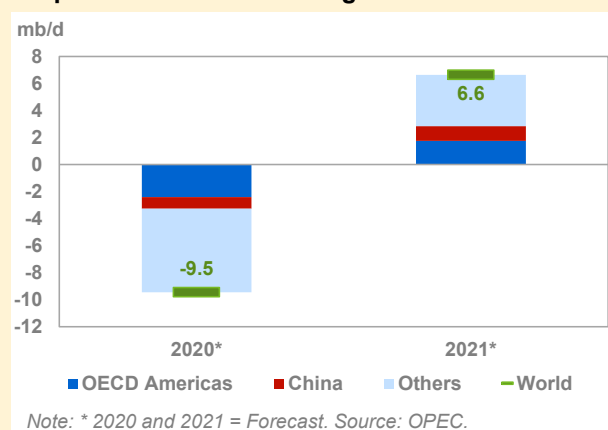


Table of Contents

Oil Market Highlights	v
Feature Article	vii
<i>Assessment of the global economy in 2020 and 2021</i>	<i>vii</i>
Crude Oil Price Movements	1
Crude spot prices	1
The oil futures market	3
The futures market structure	4
Crude spreads	5
Commodity Markets	7
Trends in selected commodity markets	7
Investment flows into commodities	8
World Economy	10
Global	10
OECD	12
Non-OECD	17
The impact of the US dollar (USD) and inflation on oil prices	25
World Oil Demand	26
World oil demand in 2020 and 2021	27
OECD	28
Non-OECD	31
World Oil Supply	36
Main monthly revisions	37
Key drivers of growth and decline	37
Non-OPEC liquids production in 2020 and 2021	38
OECD	39
Non-OECD	46
OPEC NGL and non-conventional oils	50
OPEC crude oil production	50
World oil supply	51
Product Markets and Refinery Operations	52
Refinery margins	52
Refinery operations	53
Product markets	53

Table of Contents

Tanker Market	57
Spot fixtures	57
Sailings	57
Dirty tanker freight rates	58
Clean tanker freight rates	59
Crude and Refined Products Trade	60
US	60
China	61
India	62
Japan	62
OECD Europe	63
FSU	64
Commercial Stock Movements	65
OECD	65
US	67
Japan	68
EU-15 plus Norway	69
Singapore, Amsterdam-Rotterdam-Antwerp (ARA) and Fujairah	69
Balance of Supply and Demand	71
Balance of supply and demand in 2020	71
Balance of supply and demand in 2021	72
Appendix	73
Glossary of Terms	79
Abbreviations	79
Acronyms	79

Crude Oil Price Movements

Crude oil spot prices extended their gains in August, climbing to a six-month high as physical market fundamentals continued to recover, and the surplus in the market eased further, which was reflected in the decline in crude oil stocks, in addition to a recovery in refinery operations and utilization rates in the main regions. The ORB value rose in August, increasing more than other spot references. On a monthly basis, the ORB increased \$1.77 to \$45.19/b, up by 4.1%.

Crude oil futures prices rose further in August, up by about 4% m-o-m, reaching levels not seen since February, with ICE Brent and NYMEX WTI hovering around \$45/b and \$42/b, respectively, amid positive market sentiment that was fuelled by steadily improving market fundamentals and positive economic indicators, such as manufacturing activity data in the US and China, in addition to a weak US dollar. In August, the ICE Brent front month rose by \$1.80 m-o-m, or 4.2%, to average \$45.02/b, and NYMEX WTI increased by \$1.62 m-o-m, or 4.0%, to average \$42.39/b. Y-t-d, ICE Brent was \$22.45 lower, or 34.5%, at \$42.61/b, while NYMEX WTI was lower by \$19.09, or 33.4% compared with the same period a year earlier, at \$38.03/b. DME Oman futures prices rose in August by 71¢ m-o-m, or 1.6%, to settle at \$44.41/b. Y-t-d, DME Oman was lower by \$22.22, or 34.4% compared with the same period a year earlier, at \$42.43/b.

Hedge funds and other money managers showed some cautiousness in August and had no clear positioning trend amid an uncertain outlook on economic and oil demand recovery, while COVID-19 cases continued to rise globally and virus restrictions tightened again in some countries.

The price structure of the three main futures markets moved into deeper contango amid renewed concerns about the recovery of global oil demand, while the increase of oil supply from August is expected to keep the market well supplied.

The sweet/sour crude differential remained narrow in all markets as the supply of sour crude remained tight, due to planned and unplanned cuts, in addition to better performance of heavy product margins.

Crude spot prices

Crude oil spot prices extended their gains in August, climbing to a six-month high, as physical market fundamentals continued to recover and the surplus in the market continued to ease, which was reflected in the decline in crude oil stocks, particularly in the US, as well as in floating storage around the world. Furthermore, refinery operations and utilization rates continued to recover in August in the main regions, including China, Japan, South Korea and the EU-16, although they remained below pre-COVID-19 levels. In the US, the refinery utilization rate also increased over the first three weeks of August before a hurricane forced refineries in the USGC to reduce operations.

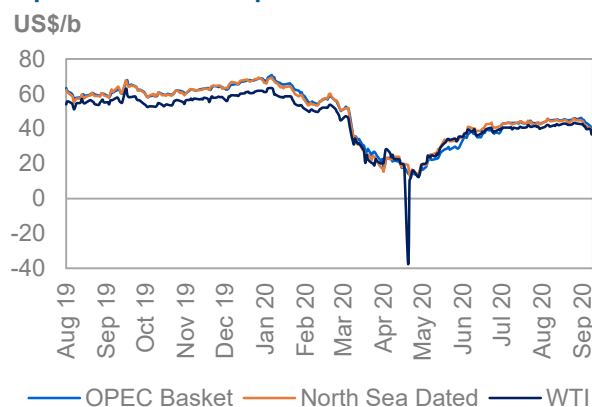
US crude oil stocks continued to drop for six consecutive weeks, falling by about 38 mb to the week

of 28 August, according to the US Energy Information Administration (EIA). In the second half of the month, prices kept on an upward trend, finding some temporary support from Hurricane Laura, which made landfall in the US Gulf Coast (USGC) without causing significant damage to oil and gas infrastructure, while the impact on US oil production was limited and less severe than expected.

All physical crude oil benchmarks increased m-o-m in August, with North Sea Dated and WTI first-month rising by \$1.52 and \$1.61/b, or 3.5% and 4.0%, respectively, to settle at \$44.79/b and \$42.36/b, while the Dubai first month rose by 70¢, or 1.6%, to settle at \$43.89/b.

However, the rise in oil prices slowed in August compared to previous months, due to concerns about signs of stalling oil demand growth and weak refining margins in all regions, as well as prospects of higher crude production as of August. Furthermore, spot prices eased on a well-supplied crude market and lower demand for September and October loading cargoes, particularly from China, inducing high availability of unsold

Graph 1 - 1: Crude oil price movement



Sources: Argus, OPEC and Platts.

Crude Oil Price Movements

volumes. High oil stock levels in China, congestion at China's east coast oil ports and depressed refining margins contributed to reducing refiners' appetites for crude imports.

The North Sea Dated benchmark increased by 3.5% in August, on a monthly average, amid firm values for its component values. Despite high availability of light sweet crude in the Atlantic Basin and limited demand from the Asia Pacific, North Sea crude differentials remained relatively steady over the month, buoyed by prospects for lower supply in August and September due to maintenance in production fields in the North Sea. However, Brent-related grades in the West African and Mediterranean markets were under pressure from high volumes of unsold cargoes amid weak European and Asian Demand, in addition to higher crude flows from the US to Europe, which limited gains of light sweet crude values in the Atlantic Basin and Mediterranean.

WTI rose by 4.0%, supported by sustained US crude oil exports in August, standing at about 2.9 mb/d on a monthly average, according to the EIA's weekly data. Hurricane Laura caused the evacuation of offshore platforms in the Gulf of Mexico (GoM) and reduced crude production, lending some support to the WTI price.

In the East of Suez market, the Dubai crude benchmark rose by only 1.6%, performing less than other European and US benchmarks, amid subdued demand from the main importers in Asia Pacific, specifically China, and weak refining margins. In addition, higher supply of sour crude from Middle East producers is expected as of August, although rising domestic crude burning in the summer season should limit increases in crude volumes available for export. Crude differentials of several regional grades, like Oman and Al Shaheen, fell to a discount against the Dubai benchmark.

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

	Jul 20	Aug 20	Change		Year-to-date	
			Aug/Jul	%	2019	2020
OPEC Reference Basket	43.42	45.19	1.77	4.1	64.63	40.50
Arab Light	43.52	45.33	1.81	4.2	65.57	41.02
Basrah Light	44.63	46.10	1.47	3.3	64.27	40.34
Bonny Light	43.46	45.40	1.94	4.5	66.32	40.79
Djeno	35.82	37.34	1.52	4.2	62.18	35.76
Es Sider	42.17	43.69	1.52	3.6	64.11	39.43
Girassol	45.78	45.83	0.05	0.1	66.46	41.77
Iran Heavy	43.30	45.07	1.77	4.1	62.46	39.34
Kuwait Export	43.31	45.08	1.77	4.1	64.83	40.36
Merey	28.32	35.21	6.89	24.3	56.00	27.89
Murban	43.73	45.49	1.76	4.0	65.43	42.53
Rabi Light	43.56	43.75	0.19	0.4	64.03	39.09
Sahara Blend	44.12	45.64	1.52	3.4	64.91	41.50
Zafiro	43.82	45.19	1.37	3.1	66.11	40.48
Other Crudes						
North Sea Dated	43.27	44.79	1.52	3.5	64.78	40.88
Dubai	43.19	43.89	0.70	1.6	64.33	41.54
Isthmus	38.45	41.24	2.79	7.3	64.13	34.49
LLS	42.34	44.08	1.74	4.1	63.71	40.27
Mars	41.77	43.77	2.00	4.8	62.24	38.90
Minas	41.01	42.78	1.77	4.3	60.34	40.56
Urals	44.28	45.03	0.75	1.7	65.06	40.89
WTI	40.75	42.36	1.61	4.0	57.08	38.15
Differentials						
North Sea Dated/WTI	2.52	2.43	-0.09	-	7.70	2.73
North Sea Dated/LLS	0.93	0.71	-0.22	-	1.07	0.61
North Sea Dated/Dubai	0.08	0.90	0.82	-	0.45	-0.67

Sources: Argus, Direct Communication, OPEC and Platts.

OPEC Reference Basket (ORB)

The **ORB** value rose in August, increasing by more than other spot references, due to sharp increases of the Venezuela Merey component, which increased by \$6.89, or 24.3%, on a monthly average. All other components increased m-o-m alongside their perspective crude oil benchmarks and on higher official selling prices for almost all grades. On a monthly basis, the ORB increased by \$1.77 to \$45.19/b, up by 4.1%. However, compared to the previous year, the y-t-d ORB was down 37.3% from \$64.63/b in 2019 to average \$40.50/b so far this year.

The oil futures market

Crude oil futures prices rose further in August, by about 4% m-o-m, to reach levels not seen since February. ICE Brent and NYMEX WTI hovered around \$45/b and \$42/b, respectively, amid positive market sentiment fueled by steadily improving market fundamentals and strong conformity levels of OPEC and participating non-OPEC producing countries in the Declaration of Cooperation (DoC), which contributed to reducing the market overhang. According to the 21st Meeting of the Joint Ministerial Monitoring Committee (JMMC) held on 19 August, the overall conformity level was recorded at 97% in July 2020. Futures prices were also supported by better-than-expected manufacturing activity data in the US and China that gave some optimism to investors on economic and oil demand recovery. In the second half of August, oil futures prices were also temporarily buoyed by the potential for lower supply from offshore platforms in the GoM ahead of Hurricane Laura, which made landfall in the USGC without causing severe damage to oil infrastructure.

However, the increase in oil prices remained limited amid lingering uncertainties regarding the recovery of economic activity and the sustainability of countries' opening up amid continuing increases of COVID-19 cases worldwide in the eve of returning from holidays. Signs of weakening oil demand, weaker refining margins as well as softening buying interest from China added downward pressure on prices. Furthermore, investors were assessing expected higher crude supply from OPEC and non-OPEC producers within the framework of the second phase of their production adjustment decision, as well as a faster-than-expected return of tight oil production in the US.

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

	Jul 20	Aug 20	Change		Year-to-date	
			Aug/Jul	%	2019	2020
Future crude						
NYMEX WTI	40.77	42.39	1.62	4.0	57.12	38.03
ICE Brent	43.22	45.02	1.80	4.2	65.05	42.61
DME Oman	43.70	44.41	0.71	1.6	64.64	42.43
Spread						
ICE Brent-NYMEX WTI	2.46	2.63	0.18	7.2	7.94	4.58

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

Sources: CME, DME, ICE and OPEC.

In August, **ICE Brent** front month rose \$1.80, or 4.2%, to average \$45.02/b, and **NYMEX WTI** increased by \$1.62, or 4.0%, to average \$42.39/b. Y-t-d, ICE Brent was \$22.45 lower, or 34.5%, at \$42.61/b, while NYMEX WTI was \$19.09 lower, or 33.4%, at \$38.03/b, compared with the same period a year earlier. **DME Oman** crude oil futures prices rose in August by 71¢ m-o-m, or 1.6%, to settle at \$44.41/b. Y-t-d, DME Oman was lower by \$22.22, or 34.4%, at \$42.43/b.

On 11 September, ICE Brent stood at \$39.83/b and NYMEX WTI at \$37.33/b.

The **ICE Brent/NYMEX WTI spread** was little changed over August, remaining narrow at just over \$2/b as the value of WTI remained supported by low US oil supply and large declines in US crude oil stocks, as well as temporary support from closures of production due to Hurricane Laura, while the rise of the Brent value was curbed by a well-supplied market in the Atlantic Basin. In August, the ICE Brent/NYMEX WTI spread widened slightly on a monthly average by 18¢ to stand at \$2.46/b. The spread between North Sea Dated and WTI Houston also remained narrow in August, widening marginally by 4¢/b to \$1.59/b, as crude values in the USGC were supported by lower production in the GoM and a lower availability of volumes for export, while Brent-related grades were pressured by the high availability of unsold volumes.

Hedge funds and other money managers showed some cautiousness in August and had no clear positioning trend amid an uncertain outlook on economic and oil demand recovery, while COVID-19 cases continued to rise globally and virus restrictions tightened again in some countries, increasing the potential for renewed

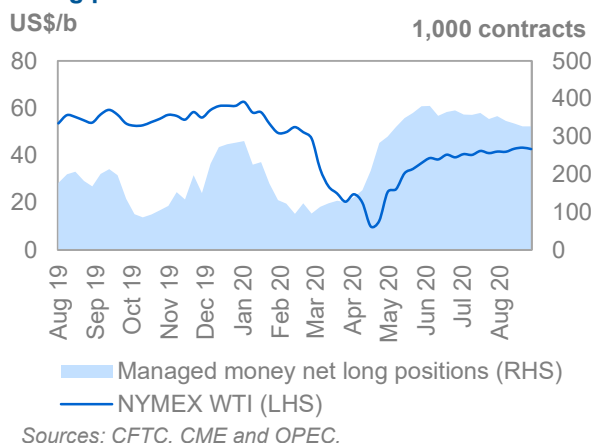
Crude Oil Price Movements

lockdowns and disruptions in economic activity. Speculators turned less positive again on oil prices in August, reducing their combined net long positions in ICE Brent and NYMEX futures and options by 3,464 lots to 534,844 contracts. Nonetheless, speculators had different perspectives on crude oil futures contracts. While they increased net long positions in ICE Brent futures and options, they cut bullish positions in NYMEX WTI. However, futures and options net long positions remained significantly higher in NYMEX WTI compared with ICE Brent by around 1.6 times.

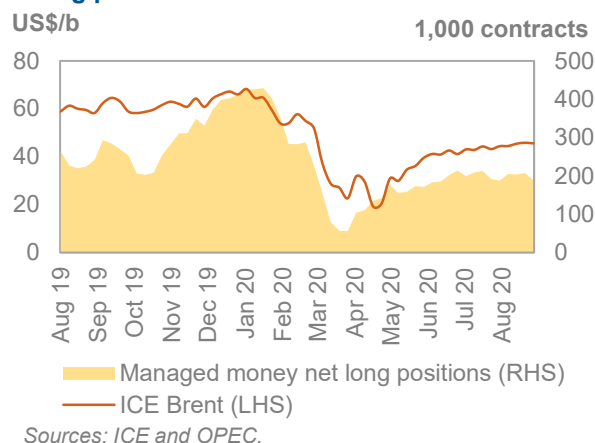
Compared to late July, money managers raised their combined futures and options net long positions in ICE Brent by 16,323 contracts, or 8.5%, to 207,948 lots, in the week of 25 August, according to the ICE Exchange. Speculators increased their bullish positions slightly with Brent prices remaining in relatively steady trading within a narrow interval, showing no clear direction. In the week to 25 August, gross short positions rose by 8,000 lots, or 10.5%, compared to late July, to 84,140 contracts, the highest since late April, while gross long positions rose by 24,323, or 9.1%, to 292,088 contracts, during the same period.

However, speculators cut their NYMEX WTI net long positions in August by 5.7%, or 19,787 contracts, to stand at 326,896 lots in the week of 25 August. This is due to a marginal rise in long positions of 1,169 lots, or 0.3%, to 410,370 contracts, and a rise of 20,956 contracts, or 33.5%, in short positions, to 83,474 contracts, the highest since mid-April, according to the US Commodity Futures Trading Commission (CFTC).

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



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



The **long-to-short ratio** of speculative positions in the ICE Brent contract fell further over the month to 5:1 in the week to 25 August, compared with 7:1 in July. Similarly, the NYMEX WTI long-to-short ratio fell to about 5:1, compared to about 7:1 in July, reflecting a less bullish outlook for oil prices compared to one month earlier.

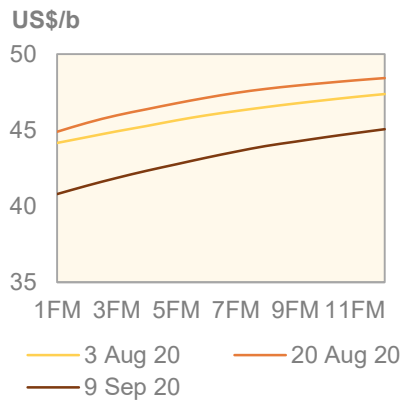
Total futures and options open interest volume on the two exchanges changed slightly in August, declining by 1.3%, or 76,089 contracts, to stand at 5.6 million contracts in the week ending 25 August.

The futures market structure

The **price structure** of the three main futures markets moved into a deeper contango with prompt prices holding at higher discounts to forward months compared to the previous month. This came amid renewed concerns about the recovery of global oil demand, while the increase of oil supply as of August was expected to keep the market well supplied. Prompt month prices came under further pressure ahead of the end of summer driving season, which could slow oil demand growth, and ahead of the autumn refinery maintenance season, that should reduce refinery crude demand.

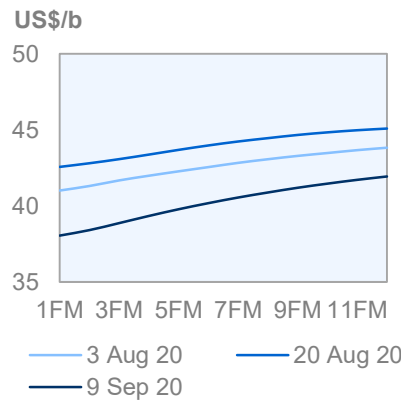
In the **Brent** market, the contango structure steepened in August on the back of some unsold cargoes for September and October loading programmes in the Atlantic Basin, in addition to maintaining floating volumes at high levels, although these decreased when compared to June and July levels. Prompt prices remained lower than forwards across the curve, due to signs of slowing oil demand recovery and a continuing rise in global COVID-19 cases, as well as the high level of global oil stocks. On a monthly average, the ICE Brent M1-M3 contango widened by 43¢, from 47¢/b in July, to 90¢/b in August.

Graph 1 - 4: ICE Brent forward curves



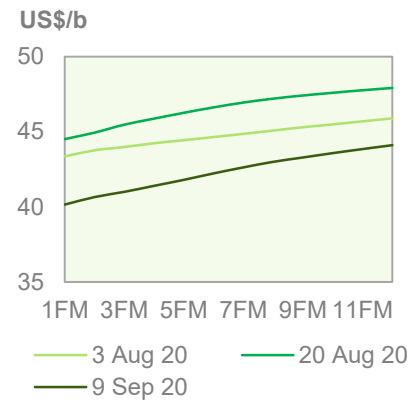
Sources: ICE and OPEC.

Graph 1 - 5: NYMEX WTI forward curves



Sources: CME and OPEC.

Graph 1 - 6: DME Oman forward curves



Sources: DME and OPEC.

In the US, the contango structure of **NYMEX WTI** also steepened slightly last month as prompt prices came under further pressure on concerns about US oil demand recovery and prospects for a faster-than-expected comeback of tight oil production, in addition to rising crude stocks at the Cushing Hub, the delivery point for the NYMEX WTI crude contract. Despite lower crude oil production in the US, stocks at Cushing rose to 52.5 mb in the week to 28 August, registering an increase of 4.7 mb compared to levels in early July, according to EIA data. The NYMEX WTI M1-M3 contango stood at 59¢/b in August on a monthly average, widening by 22¢/b m-o-m.

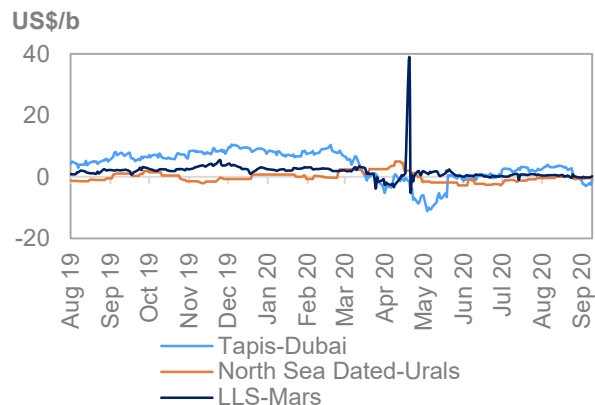
Similarly, the market structure of Middle East sour crude, represented by **Dubai** and **DME Oman**, moved into a larger contango in August as prompt prices were under pressure from softening crude buying from refiners in Asia Pacific, specifically from China, amid weak refining margins and sustained high levels of inland and offshore oil stocks. Higher supplies of sour crude from Middle East producers and from other producers like Russia added downward pressure to the sour crude market. On a monthly average, the DME Oman M1-M3 widened by 64¢, from 15¢/b in July to 79¢/b in August.

The structure of physical markets also deteriorated in August. Regarding the **M1/M3 structure**, the North Sea Brent M1/M3 contango widened in August on a monthly average by 66¢ to 68¢/b. In the US, the WTI M1/M3 contango also widened in August by 22¢ to 57¢/b compared to a contango of 35¢/b in July. The Dubai M1/M3 monthly average spread slipped from a backwardation of 60¢/b in July to a contango of 70¢/b in August, widening by \$1.30/b.

Crude spreads

The **sweet/sour crude differential** remained narrow in all markets in August as the supply of sour crude remained tight, due to planned and unplanned cuts, in addition to better performance of heavy product margins. Fuel oil margins performed better when compared to middle and light distillates. In Europe, the sweet/sour crude differential narrowed as the premium of Urals, the regional sour reference crude, to North Sea Dated weakened in August on lower demand from European buyers. In the USGC, the spread narrowed further on tighter sour supply in the GoM, while, in Asia, the sweet/sour differential was little changed amid expectations of higher supply of sour crude from Middle East producers in accordance with the second phase of the OPEC+ decision.

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



Sources: Argus, OPEC and Platts.

In **Europe**, the Urals premium to North Sea Dated continued to fall further in August on softening demand for the grade from European refiners as well as lower buying interest from Asian buyers, specifically from China. Expectations of higher supply of Urals as of August and availability of unsold cargoes for loading in the last week of August have contributed to the weakening of Urals, while the value of Urals crude differentials in

Crude Oil Price Movements

Northwest Europe to North Sea Dated fell to a discount for the first time since April. Meanwhile, the value of North Sea crudes remained buoyed by expectations of lower availability in August and September due to maintenance in some North Sea oil fields. The Brent-Urals spread narrowed by 77¢ in August on a monthly average, from a discount of \$1.01/b in July to a discount of 24¢/b in August.

In the **USGC**, the LLS-Mars spread also narrowed in August by 26¢ to 31¢/b as the value of medium sour crude, such as Mars, to the WTI sweet benchmark strengthened on expectations of lower offshore production in the GoM due to Hurricane Laura, while inland production of light sweet crude remained unaffected. Furthermore, weakening values of light sweet crude in the Atlantic Basin and subdued demand from Asia also limited increases of LLS values compared to Mars.

In **Asia**, the Tapis-Dubai differential was little changed m-o-m, standing at a premium of \$2.38/b on a monthly average, compared with \$2.40/b in July, despite a rising supply of sour crude from the Middle East and muted demand of sour crude from Asia. Light sweet crude, such as Tapis, was under further pressure from softer regional demand as well as high availability of similar grades in the Atlantic Basin, along with weak refining margins of middle distillates, such as gasoil and jet fuel.

Commodity Markets

In the group of energy, commodity prices followed the trend of the previous month, with crude oil and natural gas advancing, while coal prices declined. Natural gas hub-based prices rose across regions, mainly supported by warmer-than-average weather and uncertainty surrounding localized outages due to tropical cyclones in the US, along with safety reviews of a major production project in Australia. Coal prices fell as in the previous month, following lower Chinese import demand.

Base metals rose strongly on a further recovery in global manufacturing and bullish sentiment in financial markets. In the group of precious metals, gold prices rose on average due to a further decline in real interest in the US.

Trends in selected commodity markets

The **energy price index** rose by around 5.3% m-o-m in July, led by higher natural gas prices. It was down by 34.5% in the January-to-August period compared with 2019.

The **non-energy index** rose m-o-m by 4.0% as in the previous month, led by the advance in the base metals index, which was up by 4.3%, while the agriculture index rose by around 3.0%. Compared with the January-to-August 2019 period, the non-energy index was down by 1.7% over the eight months of 2020.

Table 2 - 1: Commodity prices

Commodity	Unit	Monthly averages			% Change	Year-to-date	
		Jun 20	Jul 20	Aug 20	Aug 20/Jul 20	2019	2020
Energy*	Index	48.3	51.2	53.9	5.3	76.9	50.4
Coal, Australia	US\$/mt	52.2	51.6	50.3	-2.4	83.3	58.6
Crude oil, average	US\$/b	39.5	42.1	43.4	3.3	62.0	40.4
Natural gas, US	US\$/mbtu	1.6	1.7	2.3	33.1	2.6	1.9
Natural gas, Europe	US\$/mbtu	1.8	1.8	2.9	58.9	4.8	2.4
Non-energy*	Index	79.7	81.9	85.2	4.0	81.8	80.4
Base metal*	Index	74.3	80.2	83.6	4.3	82.2	75.2
Precious metals*	Index	128.3	138.4	152.3	10.0	101.7	127.8

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

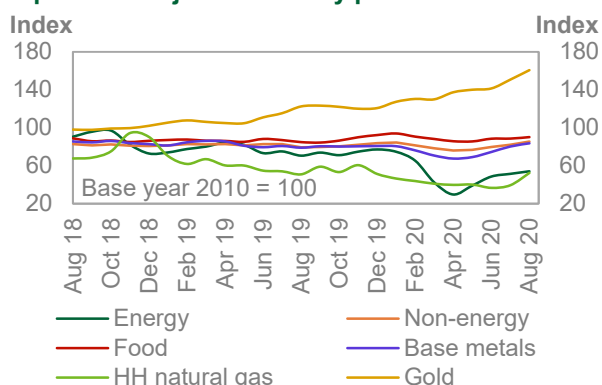
Sources: World Bank and OPEC.

In August, the **Henry Hub natural gas index** rose on average by 33.1% m-o-m to \$2.3/mmbtu, as in the previous month, supported by strong demand for power generation as a result of warmer-than-average temperatures. At the same time, there is the prospect of stronger LNG exports, as price differentials have become supportive. Production curtailments due to tropical cyclones in the Gulf of Mexico added to already lagging production. Production was last reported down more than 4% compared with last year, also helping fuel the price recovery. According to the US Energy Information Administration's (EIA) storage report, utilities added 34 bcf to working gas underground storage during the week ending 28 August. This injection left total working gas in underground storage at 3,455 bcf, which was 13.4% above the last five-year average. At the end of July, inventories were 15.1% above the latest five-year average.

Natural gas prices in Europe jumped in August. The average **Title Transfer Facility price** rose by 59% m-o-m to 2.86/mmbtu, supported by warmer-than-average weather, which has in turn supported demand. As in previous months, both lower LNG imports (especially those from the US) and reduced pipeline deliveries took place due to maintenance. This slowed the pace of inventory additions, though capacity limitations may also play a part. Inventories ended the month of August around 91% full, from around 85.5% at the end of July, according to Gas Infrastructure Europe, below the 91.8% seen at the end of August 2019. In Asia, warmer-than-average weather and the uncertainty surrounding a safety review of Australia's largest LNG facility supported Asian LNG prices vs European prices, and LNG exports to Asia.

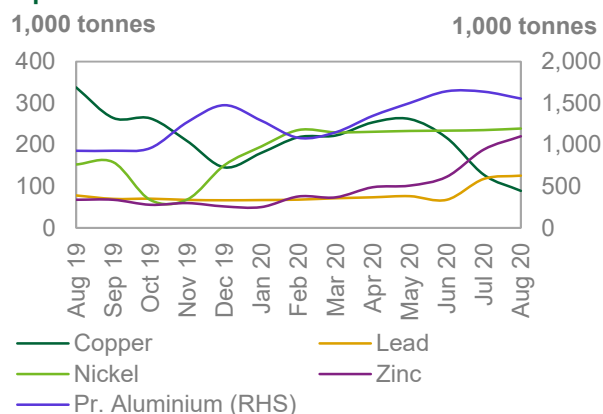
Australian thermal coal prices declined in August by 2.4% m-o-m, to average \$50.3/mt, with a further decline seen in the pace of Chinese coal imports, which dropped by 20.6% compared with July and by 37.2% compared with August 2019. They were flat in the January-to-August period compared with the same period last year. Coal output was down by 3.7% in that country in July, though it was relatively flat in the January-to-July period after a slow start in January and February due to COVID-19 related restrictions, according to data from the China National Bureau of Statistics. However, thermal power generation declined by 0.7% y-o-y in July, and was down in the January-to-July period by 1.5% compared with 2019, which was not supportive.

Graph 2 - 1: Major commodity price indices



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

Graph 2 - 2: Inventories at the LME



Sources: LME, Thomson Reuters and OPEC.

The **base metal price index** rose by 4.3% m-o-m in August, as manufacturing prospects continued to improve, while financial markets bullishness persisted during the month. Further weakening of the US dollar also contributed.

Average monthly copper prices rose in July by 2.0% m-o-m to \$6,499/mt with support from the physical and financial markets. According to International Copper Study Group (ICGS) estimates, the refined copper balance (adjusted for unreported Chinese inventories) in the January-to-May 2020 period showed a deficit of 30,000 tonnes from a surplus of around 100,000 tonnes in the January-to-April estimation. Furthermore, inventories at London Metal Exchange (LME)-designated warehouses fell further in August to 89,350 tonnes from 128,125 in July, providing support to prices. During the month, money managers increased their bullish bets in the metal.

Iron ore prices rose on average by 11.6% m-o-m in August to around \$121.1/mt, supported by strong demand from China. Prices were supported by growth in Chinese steel output, which rose by around 9.1% y-o-y to 93.4 mn mt in July and are up by 2.8% y-o-y in the January-to-July period, according to the World Steel Association. As noted in the previous report, steel output experienced negative growth in almost all countries outside China. Chinese imports declined by around 11% m-o-m in August according to customs data, however they were up by 5.8% compared with August 2019 and by 11.0% y-o-y in the January-to-August period.

In the group of **precious metals**, gold was up by 6.6% m-o-m in August to average \$1,968.7/ troy oz, following a further drop in real interest rates during the month. Silver prices meanwhile rose by 30%, while platinum prices advanced by 8.8%.

Investment flows into commodities

Open interest (OI) increased on average in August regarding US commodity futures for copper and crude oil, but declined for natural gas and gold. On average, speculative net long positions increased for natural gas and copper, but declined for gold and crude oil.

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

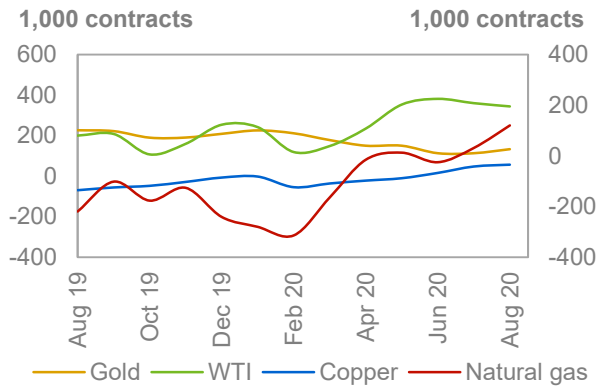
Selected commodity	Open interest		Net length			
	Jul 20	Aug 20	Jul 20	% OI	Aug 20	% OI
Crude oil	1,985	2,048	361	18	345	17
Natural gas	1,296	1,255	31	2	120	10
Gold	589	552	133	23	98	18
Copper	223	230	47	21	56	24
Total	4,272	4,281	603	70	904	85

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

Sources: CFTC and OPEC.

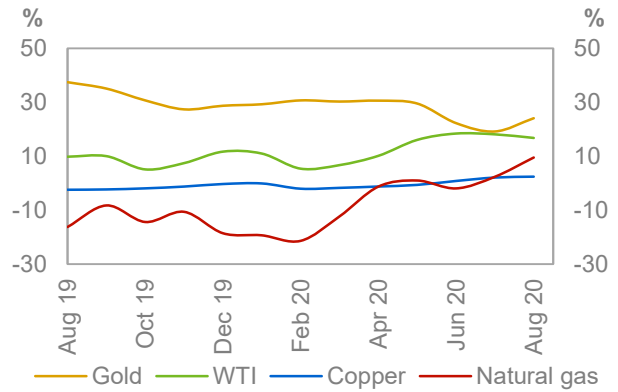
Henry Hub's natural gas OI decreased by 3.1% m-o-m in August. Money managers' net long position jumped almost three times to reach 120,055 contracts from 31,295 contracts in July, supported by warmer-than-average temperatures and the expectation of reduced LNG cargo cancellations in the months ahead.

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



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

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



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

Copper's OI decreased by 6.2% in August. Money managers' net long position rose to 55,965 contracts from 46,926 lots the previous month, following a further recovery in global manufacturing, declining inventories and bullish financial market sentiment.

Gold OI rose by 3.2% in August. Money managers remain bullish despite decreasing their net long positions to an average of 98,363 contracts from 132,930 lots the previous month.

World Economy

The growth patterns of various economies have continued to differ widely, depending very much on how COVID-19 developments have been handled over the past months, how effectively fiscal and monetary stimulus measures were applied and what the economic and fiscal situation was pre-COVID-19. Currently, it seems that the OECD group of countries are faring relatively better than emerging and developing economies, except China. Following a steep contraction in 1H20, the recovery in the US and the Euro-zone seems to have gained traction, despite rising infection rates in some of these areas. Japan's recovery does not seem to be accelerating as rapidly currently, as the economy was already in a challenging situation pre-COVID-19, but it will benefit from external trade in 2H20. China has implemented tight measures to contain COVID-19 and successfully managed to recover; it is thus forecast to be the only one of the major economies to show positive annual growth. Contrary to these positive developments, India is very much embattled by COVID-19, having entered the pandemic in an already fragile situation. Russia and Brazil have also been strongly impacted. Both seem to benefit currently from stimulus measures and a rise in commodity prices, though numerous challenges remain for both economies. These developments have led to a slight downward revision in global economic growth for 2020, which stands at -4.1%, compared with -4.0% the previous month.

The trend of relatively better performance in OECD economies and China is expected to continue in 2021. While India is also expected to post significant growth, risks are increasingly skewed to the downside. Japan is also expected to see relatively slower growth momentum compared with other OECD economies. Russia and Brazil are forecast to not significantly rebound towards pre-COVID-19 growth levels. This keeps the growth forecast for 2021 at 4.7%. Importantly, structural changes to the global economy are forecast to persist. Sectors severely impacted by the pandemic, such as travel and tourism, leisure and hospitality are not expected to achieve pre-COVID-19 levels of activity before the end of 2021. Compensating for some of this shortfall, sectors such as health, IT and communications are forecast to accelerate.

An upside to the forecast may come from any sustainable solution to the COVID-19 pandemic, be it a vaccination, an effective treatment or its natural end. Vital support to the global economic recovery will also come from the efforts of OPEC and non-OPEC nations in the DoC to rebalance the oil market. The uncertainties, however, remain high, ranging from large debt levels, ongoing geopolitical risks and trade-related challenges, to the possibility of a disorderly Brexit.

The OECD growth forecast for 2020 was revised up slightly to stand at -6.0% y-o-y, followed by growth of 4.0% y-o-y in 2021. In emerging economies, India's 2020 GDP growth was revised down to -6.2% y-o-y from -4.6% the previous month. For 2021, its growth is forecast at 6.8% y-o-y. Brazil's 2020 GDP growth forecast was revised up to -6.5% y-o-y, compared with -7.0% the previous month. The Brazilian economy is forecast to grow by 2.4% y-o-y in 2021. China's 2020 GDP growth forecast remains at 1.8% y-o-y, with further room to the upside as it signals a solid recovery in 3Q20. In 2021, China is forecast to grow by 6.9% y-o-y. Russia's 2020 GDP growth forecast was revised down slightly to -4.9%. The 2021 recovery is forecast to reach 2.9%, with the country additionally benefiting from ongoing efforts within the DoC process.

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

	World	OECD	US	Euro-zone	UK	Japan	China	India	Brazil	Russia
2020	-4.1	-6.0	-5.1	-7.7	-8.8	-5.5	1.8	-6.2	-6.5	-4.9
Change from previous month	-0.1	0.2	0.2	0.3	0.0	-0.4	0.0	-1.6	0.5	-0.2
2021	4.7	4.0	4.1	4.3	4.1	3.2	6.9	6.8	2.4	2.9
Change from previous month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Note: * 2020–2021 = Forecast.

Source: OPEC.

Global

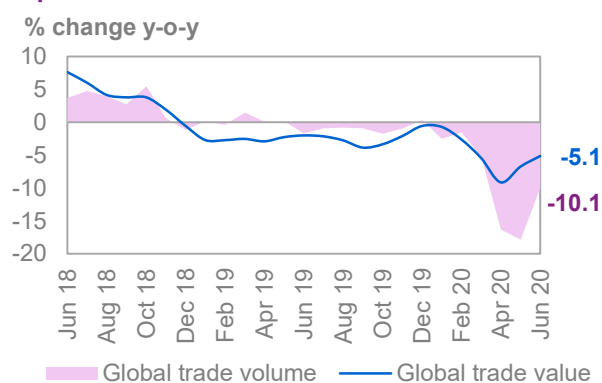
Update on latest developments

Slight improvements towards the end of 2Q20, in particular the US and the Euro-zone, have counterbalanced ongoing challenges in Japan, India other Asia and Africa. With most 2Q20 GDP numbers for major economies

released, it has become obvious that the depth of 1H20 contractions depended not only very much on the severity of lockdown measures, but also on the state of an economy prior to entering the pandemic in 1Q20. While infection rates have risen again, fatalities and hospitalisation rates have fallen in most key economies and mobility has risen again. Thus it seems that most economies have adapted to this new situation. In particular, manufacturing is picking up again, while the services sector sees some fragility in important sub-sectors, namely travel and tourism, leisure and hospitality. These sectors are forecast to remain impacted by COVID-19, not reaching pre-COVID-19 levels before the end of 2021. Positively, other service sectors are improving, especially the health sector, IT and communications. Due to extraordinary monetary easing, the financial sector is also doing well. Trade has recently recovered from lows, but given ongoing disputes between the US and China, other US-centred trade challenges and Brexit, trade will remain impacted and is not expected to be a driving force in the recovery. The fragility of the ongoing recovery has also become visible in volatile asset markets, with sharp declines seen in equities, after strong increases were noted following the start of the crisis in February and March. Another important area that will need close monitoring in the future is the performance of consumer confidence measures in key economies. While it has improved in general, the recovery in sentiment in several key economies has either slowed down or retracted. This may also be connected to consumers' fear of using services that are linked to personal and physical interaction. Given that these sectors account for around 15% of the global economy, an impact may be felt. Positively, savings rates in advanced economies have risen during the lockdown, as consumers were not able to spend and governmental-led support kept household incomes at sound levels.

Global trade levels, available up to June, started to recover from a very low level. World trade volume levels declined by 10.1% y-o-y, compared with a fall of 17.8% y-o-y in May and a decline of 16.3% y-o-y in April, based on the CPB World Trade Index, provided by the Netherlands Bureau of Economic Policy Analysis. Trade in value terms came up as well, falling by 5.1% y-o-y, compared with a drop of 6.7% y-o-y in May, improving with some support from a weakening US dollar.

Graph 3 - 1: Global trade



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

Near-term expectations

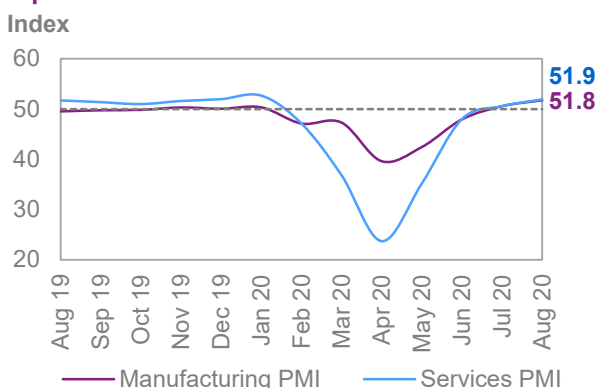
The strength of the 2H20 recovery is forecast at very different levels in various economies as it will be strongly driven by an economy's fiscal, monetary and structural ability to refuel growth momentum. Those economies that entered the pandemic on relatively weaker footing are expected to show a softer recovery, relative to the potential baseline. In particular, the US, the Euro-zone – supported by Germany and France – and China are forecast to fare relatively better among the major advanced and emerging economies. In general, the forecast incorporates no major further lockdown measures being put in place, given that fatality and hospitalisation rates in most economies have come down, despite an ongoing rise in infections. Another supportive factor is that savings rates in major advanced economies have lifted significantly, given the forced lockdown in the months of March to May, which kept consumers from spending. Savings rates in the US stood at more than 28% in 2Q20, compared with an average of around 11% in both 2019 and 2018. In the Euro-zone, the savings rate reached almost 17%, compared with around 13% in 2019 and 2018. Despite ongoing uncertainties, it is very likely that a large part of these additional savings will be spent on consumption in 2H20.

In addition to these factors, the 2H20 recovery will also be supported by extraordinary stimulus measures, pent-up demand and consequent inventory replenishing. The 2H20 recovery will, however, not compensate for the considerable decline in 1H20. Additionally, it is assumed that no further challenges will derail the rebound. This includes the assumption that US-centred trade frictions will not escalate, especially with China, that no further geopolitical issues emerge, that ongoing social instability in selective economies does not escalate and that no debt-related issues emerge. Another uncertainty that re-emerged very recently is the possibility of a disorderly Brexit. Sectoral-wise, the challenge will be for the services sector to rebound strongly, as the important sectors of hospitality, travel and tourism and leisure are forecast to remain below 2019 activity levels in the current year and to not achieve pre-COVID-19 levels before the end of 2021. Hence, it is obvious that the continuing rise in infections – despite the positive signs of slowing fatalities and falling hospitalisation rates – is creating an uncertainty that may keep consumers from spending in sectors that involve personal and

physical interaction. This caution can already be seen in the latest PMI numbers for the services sector in select economies.

Global purchasing managers' indices (PMIs) in August supported the recovery. However the country's PMIs and sectorial splits that feed into the global indicator become more diverse, showing a more heterogenous growth trend. The global manufacturing PMI rose to 51.8 in August, compared with 50.6 in July. The global services sector PMI recovered as well, to a level of 51.9 in August, compared with 50.6 in July. Hence both important indices remain well above the growth-indicating level of 50.

Graph 3 - 2: Global PMI



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

With somewhat further weakening growth trends in emerging and developing economies, the 2020 **GDP growth** forecast was revised down to -4.1%, compared with -4.0% the last month. However, a gradual pick-up is expected in 3Q20 and 4Q20, and the recovery is forecast to carry over into 2021. It is also assumed that the virus remains widely contained in 2021 and no further major lockdown measures will be required. In addition, the recovery next year foresees no further challenges that will impact economic growth.

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

	World
2020	-4.1
Change from previous month	-0.1
2021	4.7
Change from previous month	0.0

Note: * 2020–2021 = Forecast.

Source: OPEC.

Further issues that may derail the recovery in 2021 include potential consequences from rising debt levels, further social unrest in some economies, geopolitical issues, certainly trade-related challenges and Brexit. With these assumptions, global GDP growth is forecast to reach 4.7%, unchanged from the previous month. Any major upside may come from a final solution to COVID-19, be it a vaccination, its natural end, or the establishment of a powerful treatment.

OECD

OECD Americas

US

Update on the latest developments

Several parts of the US economy have experienced a good recovery, however some selective indicators point to ongoing fragility. The labour market recovery has been swift and, while it also led to rising domestic consumption, consumer confidence declined again sharply in August, most probably due to the lack of an agreement to continue social welfare payments beyond August. Despite improvements in the labour market, consumer confidence, as measured by the Conference Board, retracted significantly in August, falling to a level of 84.8, even below the April level of 85.9. This is in sharp contrast to the solid rise the consumer confidence index had just after the easing of lockdowns in June, when it stood at 91.7. Importantly, it should also be noted that last year's average index level stood at 128.3 and pre COVID-19 in March, it stood at 118.8, far higher. Despite the strong decline of 2Q20 GDP, the latest published growth number saw an upward revision to -31.7% q-o-q SAAR, compared to the previous estimate of the Bureau of Economic Analysis (BEA) that stood at -32.9% SAAR. The declines came across the board, with investments – or gross capital formation – being hit significantly, declining by 39.5%.

The **US industrial** sector activity fell by a non-seasonally adjusted 8.3% y-o-y in July, the third consecutive month of improvements and compared with -11.2% y-o-y in June. Similarly, exports improved, declining on an annual basis, falling by 20.1% y-o-y in July, compared with -25.7% y-o-y in June.

The labour market showed continued signs of a recovery. In August, the **unemployment rate** improved to stand at 8.4%, after a July level of 10.2% and a level of 11.1% in June.

Non-farm payrolls increased further by 1.371 million in August after a rise of 1.734 million in July and 4.781 million in June. Hence, since the sharp drop in April of 20.787 million, 10.611 million jobs were added again.

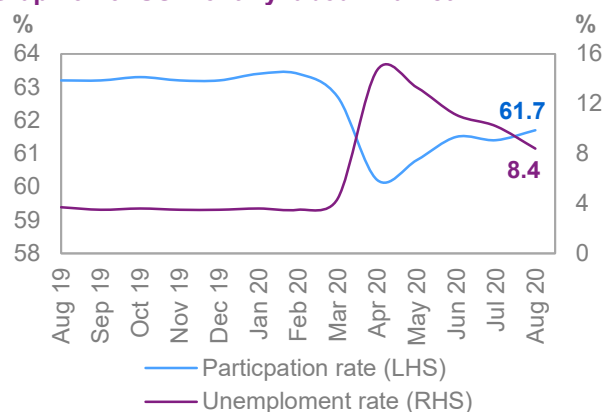
Near-term expectations

After the strong decline of almost 32% q-o-q SAAR in GDP, the recovery that started in June just after the easing of lockdown measures is forecast to lead to a strong recovery in 3Q20. Growth is forecast to reach almost 20% q-o-q SAAR in 3Q20, with further upside to this number, which – depending on the 4Q20 growth, forecast at almost 10% q-o-q SAAR growth – could provide substantial upside to annual growth in US GDP. However, this will also very much depend on near-term COVID-19 related developments. But as long as only localized lockdowns need to be implemented, if at all, and mobility continues to rise, economic activity is forecast to perform well in the US in 2H20. In the coming year, much will also depend on the outcome of presidential elections in November. In general, the depth of the US economy, in combination with the dominance of the US-dollar and the large capital market, the economy will be well placed for a recovery going forward. A concern may be rising debt levels, which will need close monitoring.

Additional support may come from further fiscal stimulus packages by Congress, but as there is no agreement likely, at least of a large magnitude, there is further upside potential if it materializes. For the time being, COVID-19 is anticipated to be widely contained in 2H20 and, while partial and localized lockdowns may be necessary, the larger spread will not increase further. The US Federal Reserve (Fed) is anticipated to continue its flexible approach with regard to its monetary policy to counterbalance COVID-19's effects. It is forecast to keep stimulus measures in place at the current level or even increase them, if necessary, as long as the recovery seems not to be self-sustaining. While still at a relatively low level, the re-emergence of global trade will partially support the recovery, not only in 2H20, but also in 2021, although US-centred trade frictions remain, especially with China.

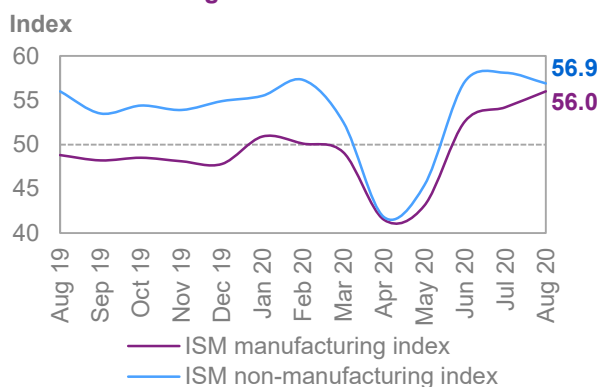
The economy's rebound is reflected in the **August PMI** levels as provided by the Institute for Supply Management (ISM). However, the index of the service sector in particular reflects limitations to expansion given the need for physical interaction in many parts of the services industry. The manufacturing PMI rose to 56.0 in August, after 54.2 in July and 52.6 in June. The services sector index fell to 56.9 in August, after reaching 58.1 in July and 57.1 in June.

Graph 3 - 3: US monthly labour market



Sources: Bureau of Labor Statistics and Haver Analytics.

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



Sources: Institute for Supply Management and Haver Analytics.

Given the upward revision of 2Q20 **GDP growth** by the BEA, the US 2020 GDP growth has been revised up to stand at -5.1% y-o-y, compared to -5.3% in the previous month. Given the strong performance in the labour market that may translate positively into domestic demand, the current growth forecast is slightly skewed to the upside. However, the extent to which the current low consumer confidence might impact the momentum of the recovery. With the assumption that COVID-19 will be contained, a further rise in consumption and investment could lead to a strong recovery in the coming year. US GDP growth is forecast at 4.1% y-o-y, unchanged from the previous month.

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

	US
2020	-5.1
Change from previous month	0.2
2021	4.1
Change from previous month	0.0

Note: * 2020–2021 = Forecast.

Source: OPEC.

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

OECD Europe

Euro-zone

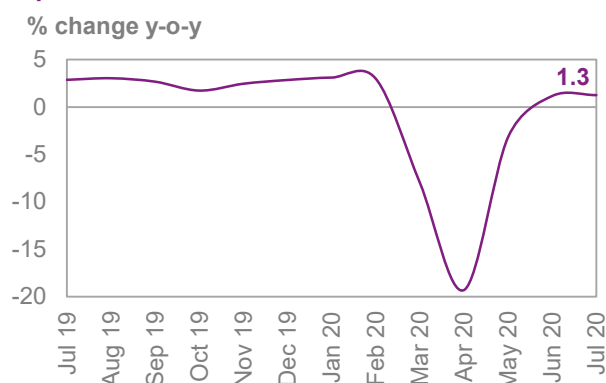
Update on the latest developments

Euro-zone member country economies have displayed differing dynamics over the past months. Somewhat better numbers came from Germany and France and also to some extent Italy, while Spain and other smaller member countries seem to be more impacted by current economic developments. Positively, fiscal stimulus increased recently in individual Euro-zone economies. This, in combination with an additional 750 billion euro fiscal support fund in 2H20 and 2021, well supports an economic recovery. In the meantime, the European Central Bank (ECB) has continued its monetary stimulus measures and indicated that it may even increase its support mechanism if necessary. The ECB highlighted in its latest September rate setting meeting that it continues to stand ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner. Inflation moved into negative territory in August for the first time since 2016, declining by 0.2% y-o-y, making a strong case for further monetary stimulus.

The most recent update regarding 2Q20 GDP growth, as released by the EU statistical office, shows a slightly better-than-expected decline. GDP in 2Q20 declined by 11.8% q-o-q seasonally adjusted (SA), translating to an annualised decline of 39.4% q-o-q seasonally adjusted annual rate (SAAR). Some economies' performance over the last months, including Germany's and France's, indicate a potential stronger-than-expected recovery. However, with Spain and other parts of the Euro-zone showing a significant rise in COVID-19 infections, downside risk prevails. The extraordinary fiscal and monetary stimulus measures were very supportive to the Euro-zone's economy, and broad-based labour market subsidy schemes in most economies helped maintain reasonable income levels and provide a base for a gradual rebound in consumption.

Measures supportive of the **labour market** in the Euro-zone have so far kept the unemployment rate at a relatively modest level. The latest available July numbers from Eurostat point to a relatively modest increase in the unemployment rate to 7.9% from 7.7% in June. Despite this gradual rise, income-related subsidies supported retail sales, which held up well in July, recovering further in value terms, up by 1.3% y-o-y compared with 1.2% y-o-y in June. Industrial production (IP) recovered in June as well, declining by 11.9% y-o-y, after a decline of 20.3% y-o-y was seen in May.

Graph 3 - 5: Euro-zone retail sales



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

Near-term expectations

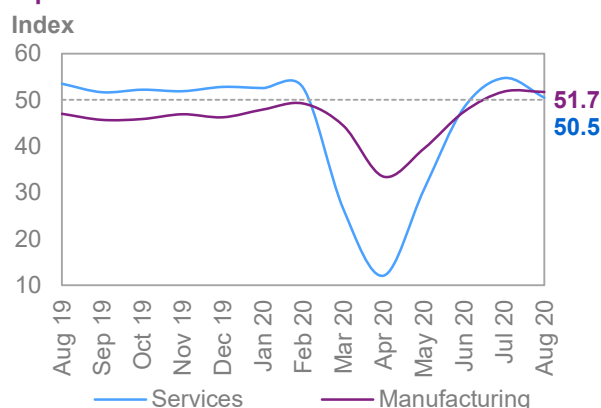
Going forward, the growth trend in the Euro-zone will very much depend on COVID-19 related developments, similar to other OECD economies. While the recovery is forecast to be stronger in Germany and France, given the large size of their stimulus packages and expected support from exports, other economies that were already in a fragile situation pre-COVID-19 are forecast to experience a softer recovery, especially Spain. Italy may also face ongoing challenges. Currently, a solid 2H20 recovery is forecast. After a SA decline in GDP growth by 3.7% q-o-q in 1Q20 and 11.8% q-o-q SA in 2Q20, the 2H20 GDP growth rebound is forecast at around 6.3% on average.

While COVID-19 infection rates have gone up in several parts of the Euro-zone, low fatality and hospitalisation rates have not led to further major lockdowns. While it forecast that infection rates will continue to go up, only localised action to contain the virus is anticipated in the forecast, similar to the current handling of lockdowns. Thus, the negative impact from localised 2H20 lockdowns will be relatively minor and consumption is expected to continue expanding. This will also be fuelled by forced savings from 2Q20 due to lockdown measures, when consumers were not able to go shopping. In the Euro-zone, the savings rate reached almost 17%, compared with around 13% in 2019 and 2018. A gradual pick-up in the global economy is forecast to support exports, which are particularly important for the German and French economies.

Acceleration of the 4Q20 rebound is forecast to carry over into 2021. Some doubt, however, remains as it is unclear how labour market stability will develop when current fiscal support measures are removed. Another important area of uncertainty is the depth of the recovery in travel and tourism, leisure and hospitality, as they are very important economic sectors for most Euro-zone economies, particularly France, Italy and Spain. Finally, it remains to be seen how global trade will further develop, and while trade is forecast to recover in 2H20 and in 2021, it will probably remain subdued.

The August **PMIs** for the Euro-zone economy reflect some slowing momentum in the recovery. The manufacturing PMI retracted to 51.7, compared with 51.8 in July. The PMI for services, the largest sector in the Euro-zone, fell strongly to a level of 50.5 in August, compared with 54.7 in July. Despite these declines, both sectorial levels remain above the growth-indicating level of 50, indicating an ongoing rebound in the very near term.

Graph 3 - 6: Euro-zone PMIs



Sources: IHS Markit and Haver Analytics.

The annual 2020 **GDP growth** forecast was revised up slightly, taking into account the somewhat better-than-expected 2Q20 GDP figure. The GDP for 2020 is now forecast to decline by 7.7%, compared with a drop of 8.0% the previous month. The recovery from 2H20 is forecast to carry over into 2021, when growth is forecast at 4.3%, unchanged from last month, based on the assumption of especially well-managed containment of COVID-19.

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

	Euro-zone
2020	-7.7
Change from previous month	0.3
2021	4.3
Change from previous month	0.0

Note: * 2020–2021 = Forecast.

Source: OPEC.

OECD Asia Pacific

Japan

Update on latest developments

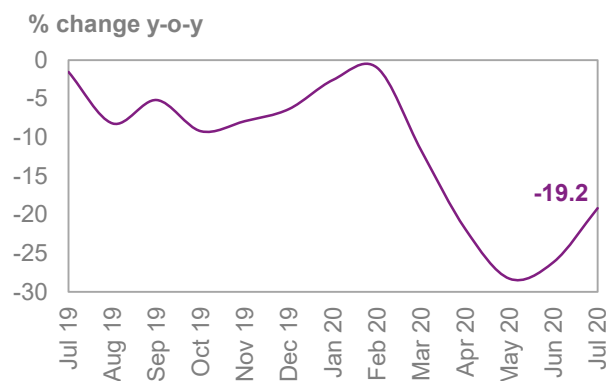
The Japanese economy has witnessed ongoing challenging economic developments over the past weeks. It entered the COVID-19 pandemic with fragile footing, and while parts of the economy are recovering, the depth and strength of the recovery is gaining less traction than anticipated. Domestic demand is still sluggish. Exports are still declining as are manufacturing orders, and domestic demand has not picked up significantly, despite

large fiscal and monetary stimulus impulses. Nonetheless, the recovery so far has been mainly driven by domestic demand, less so by external demand and industrial production, based on the latest economic indicators. The recently adapted tightening of lockdown measures in some parts of the country have most probably driven a re-emerging slowdown in domestic activity. While the government has re-emphasised that it will utilise fiscal stimulus measures to compensate a shortfall, the Bank of Japan (BoJ) continued its monetary easing efforts. There is still the likelihood of further monetary stimulus, as the BoJ sees the risk to economic growth as being skewed to the downside. Economic weakness is detectable even in the usually robust Japanese labour market, with the unemployment rate rising to 2.9% in July, the highest level of unemployment in more than three years. Some political uncertainty after the Prime Minister resigned due to health problems in late August may be added, given his central role in shaping the economic agenda of the country in past years.

Meanwhile, **industrial production** declined by 15.3% y-o-y in July, recovering from a decline of 21.0% y-o-y in June and 24.5% y-o-y in May. In line with this, **exports** fell by 21.0% y-o-y in July, compared with a drop of 26.3% y-o-y in June, all on a non-seasonally adjusted basis.

Retail sales retracted again, moving further into negative territory, declining by 2.8% y-o-y in July, compared with a fall of 1.3% y-o-y in June. **Consumer sentiment**, as reported by the Cabinet Office, retracted as well; another indicator that the pick-up is stalling. The index declined slightly to reach a level of 29.5 in August, compared with 29.8 in July and 29.2 in June.

Graph 3 - 7: Japan's exports



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

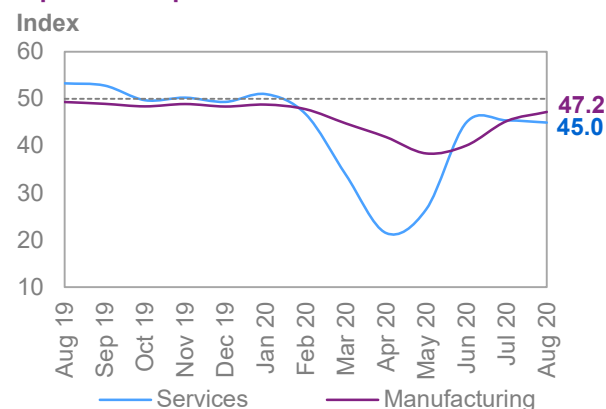
Near-term expectations

Japan is forecast to remain challenged by a variety of factors. First, domestic demand will continue to be sluggish as it was already prior to COVID-19, with the trend repeating now after the easing of lockdowns. Despite vast fiscal and monetary stimulus, domestic pick-up has clearly been behind expectations. Very important support from exports will also be limited, as global trade remains impaired in particular by ongoing US-centred trade issues. Finally, the necessity of ongoing – although localised - lockdown measures may keep the economy from recovering strongly. While these aspects have already been taken into account in the current forecast, the risk to recovery seems skewed to the downside. This situation also coincides with uncertainty about government leadership, after the Prime Minister resigned at the end of August.

Following a downward-revised 1Q20 GDP fall of 2.3% q-o-q SAAR, the 2Q20 decline was reported at a drop of 28.1% q-o-q SAAR in 2Q20, greater than the Secretariat's forecast of around -25%. The recovery in 2H20 is anticipated to be gradual, with GDP growth rates of 14.7% q-o-q SAAR in 3Q20 and 9% q-o-q SAAR in 4Q20. However, this will depend on a pick-up in domestic demand, in combination with an improving external trade environment.

August **PMIs** reflected re-emerging concern about the strength of the recovery in both the services and manufacturing sectors. The manufacturing PMI rose to 47.2 in August, up from 45.2 in July. However, the index remains clearly below the growth-indicating level of 50. The PMI for the services sector — which constitutes around two-thirds of the Japanese economy — retracted to 45.0 compared with 45.4 in July, falling further below the 50 level, indicating a contraction in this important sector as well.

Graph 3 - 8: Japan's PMIs



Sources: IHS Markit, Nikkei and Haver Analytics.

The underlying assumption for the **GDP growth** forecast considers that after the downturn in 1Q20 and 2Q20, some rebound may take hold in the coming month. This is particularly forecast to materialise in the services sector and to a lesser extent in manufacturing. However, taking lower-than-expected 1H20 GDP growth numbers into account and considering ongoing uncertainties, the 2020 GDP growth forecast was revised down to -5.5%, from -5.1% the previous month. Further downside risk prevails, with ongoing sluggishness in domestic activity and sentiment indicators.

Assuming the containment of COVID-19, a rebound and gradual positive momentum towards the end of the year, growth should pick up again in 2021. Supported by stimulus measures and especially by a recovery in private household consumption and investment, GDP growth in 2021 is forecast to reach 3.2%, unchanged from the previous month.

Non-OECD

China

Update on the latest developments

Even with **China's economy** expected to attain its weakest growth in decades in 2020, economic activity continued on the recovery path that started in 2Q20, pushed by robust real estate investment and industrial output. However, private consumption growth is still weak compared with pre-pandemic levels, with retail sales declining by 2.7% y-o-y in July. Compare to last month. The services sector showed a stronger growth rate recently, pushed by solid domestic demand growth. Meanwhile, auto sales – a broad proxy for overall consumer spending – continued to surge for the fourth month in a row in July, rising by 16.4% y-o-y to 2.1 million. Notable is that new energy vehicle (NEV) sales surged in July by 19.3% y-o-y to 98,000, the first increase in 13 months.

Nevertheless, China's **auto sales** are anticipated to drop between 10–20% in 2020, taking into account that they declined to 12.37 million vehicles over January–July; those sold are most likely to be used in the construction of infrastructure and property. Policy measures are expected to continue supporting the country's economic recovery in 2H20. For now, the government announced discretionary fiscal measures that account for approximately 4.5% of the GDP, and People's Bank of China (PBoC) policies have mainly been oriented towards safeguarding financial market stability. Recently, the PBoC injected a total of CNY200 billion (about \$29 billion) into the banking system to maintain liquidity. As economic recovery becomes more solid, the PBoC may slow the pace of the monetary easing, as the measures may put the Chinese banking industry under growing stress due to rapidly declining profits along with increasing bad loans and disintegrating capital buffers. According to official data, the non-performing loan ratio at China's biggest four banks jumped to an average 1.45% y-o-y in June from 1.26% y-o-y for the same month one year earlier.

On the external demand outlook, China's **exports** continued their momentum for the third consecutive month, surging by 9.5% y-o-y to \$235.3 billion in August following a 7.2% y-o-y increase the previous month. This is the fastest growth in overseas demand seen since March 2019 amid economic reopening in most countries around the globe. Robust external demand is being driven mainly by medical supply and electronics shipments. Geographically, compared with a month earlier, exports to the US jumped by 20% to \$44.8 billion, while shipments destined to the European Union dropped by 20.1% to \$35.7 billion.

Meanwhile, China's **imports** unexpectedly declined by 2.1% y-o-y to \$176.3 billion in August, recording a second straight drop, in this case caused by sluggish commodity prices. The decline included crude oil imports as well as raw materials and soybeans. Nevertheless, imports from the US rose by 2%, though purchases originating from the European Union dropped by 29.7%. Overall, China's trade surplus widened to

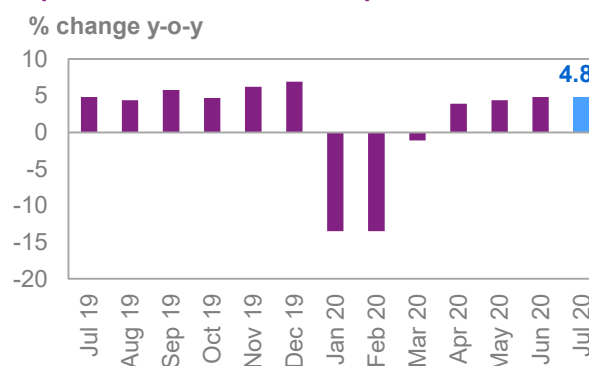
Table 3 - 5: Japan's economic growth rate and revision, 2020–2021*, %

	Japan
2020	-5.5
Change from previous month	-0.4
2021	3.2
Change from previous month	0.0

Note: * 2020–2021 = Forecast.

Source: OPEC.

Graph 3 - 9: China's industrial production



Sources: China National Bureau of Statistics and Haver Analytics.

World Economy

\$58.93 billion in August from \$34.72 billion in August last year. The trade surplus with the US widened to \$34.24 billion from \$32.46 billion in July. Meanwhile, despite a planned videoconference meeting on 15 August to discuss progress on the phase one deal six months in, discussions were suspended, though both Chinese and US officials confirmed their ongoing commitment to the deal.

China's **consumer price index (CPI)** declined marginally to 2.3% y-o-y in August 2020 following 2.7% y-o-y in July 2020 driven by the softer increase in food price. Meanwhile, factory price deflation eased as **producer price index (PPI)** rose to -1.9% following a -2.3% in July 2020.

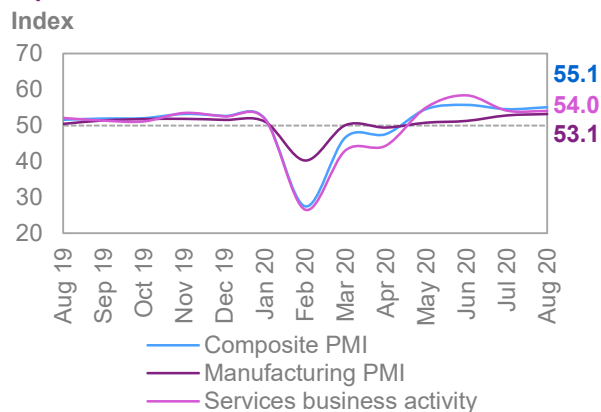
Near-term expectations

With the support of policy measures and a potential recovery in the services sector, China's economy is most likely to maintain its recovery progress, yet downside risk may exist mainly due to the unclear status of the phase one trade deal, along with soft growth in domestic demand and the fear of a rise in COVID-19 infection rates in winter.

Near-term **PMI** indicators supported this assumption, as the Caixin China General Manufacturing PMI continued to increase to 53.1 in August from 52.8 the previous month. However, the services PMI stood at 54.0 in August, compared with 54.1 the previous month, though it may still reflect an anticipated increase in service activities, pushed by the reopening of the global economy and normalization of domestic demand.

Taking near-term indicators into account, China's GDP growth for 2020 has been kept at last month's level of 1.8%. Meanwhile, the 2021 GDP forecast remains the same as the previous month at 6.9%.

Graph 3 - 10: China's PMI



Sources: Caixin, IHS Markit and Haver Analytics.

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

	China
2020	1.8
Change from previous month	0.0
2021	6.9
Change from previous month	0.0

Note: * 2020–2021 = Forecast.

Source: OPEC.

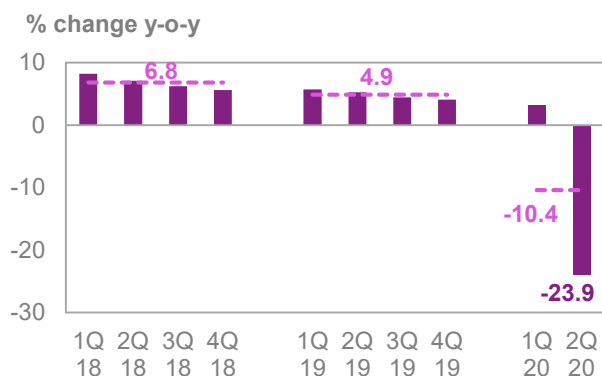
Other Asia

India

Update on the latest developments

In 2Q20, **India's economy** registered its sharpest contraction in decades of 23.9% y-o-y as a result of a COVID-19 lockdown that has halted economic activity since late March. Meanwhile, India remains the third-worst affected country in the world regarding COVID-19, which increased uncertainties regarding the country's economic capacity to recover. Both supply and demand side economic activities have recorded substantial shrinkage in 2Q20 compared with 2Q19.

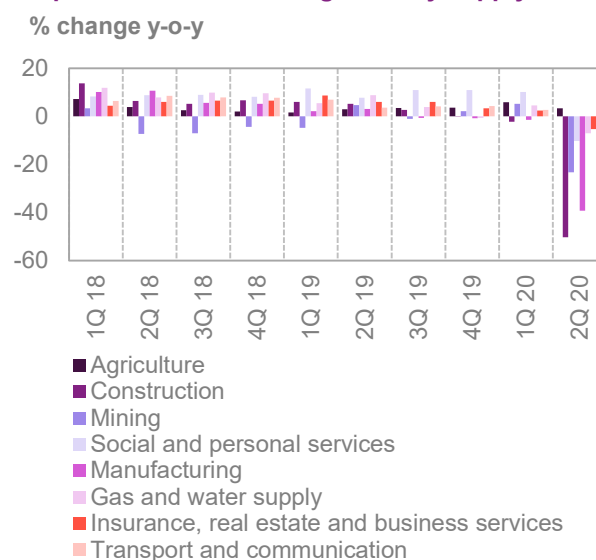
Graph 3 - 11: India's GDP quarterly growth



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

Regarding **supply-side contributions to the GDP**, construction fell by 50.3% y-o-y; hotels and transportation dropped by 47% y-o-y; and manufacturing recorded the biggest drop on record of 39.3% y-o-y. Meanwhile, mining and quarrying dropped by 23.3% y-o-y; finance, real estate and business services fell by 5.3% y-o-y; and utilities were down by 7% y-o-y. However, the agricultural sector grew by 3.4% y-o-y, mainly due to fewer restrictions imposed by the government on this sector compared with others. However, in nominal terms, agricultural GDP grew by only 5.7% in 2Q20 compared with an average of 13.5% over the previous six months. While positive sentiment is strong regarding the role of the farming sector in the desired economic recovery, it is worth noting that the sector's main support is primarily rural, not urban, demand. Thus, it may not have the capacity to compensate for shortages in the manufacturing and services sectors.

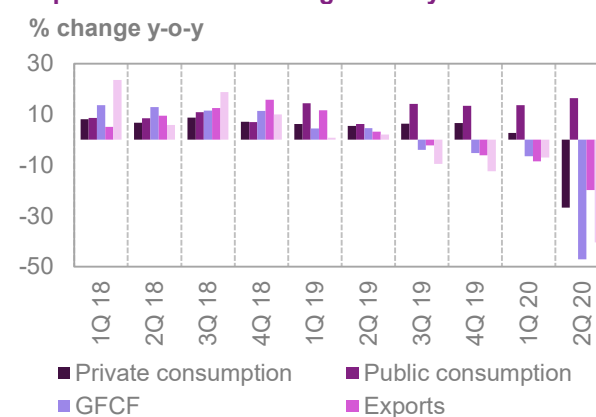
Graph 3 - 12: India's GDP growth by supply side



Sources: Central Statistics Office and Haver Analytics.

In examining **demand-side GDP contributions**, gross fixed capital formation recorded a decrease of 47.1%. Meanwhile, private consumption shrank by 26.7%, inventories dropped 20.8%, exports contracted 19.8% and imports slumped 40.4%. Only government consumption increased, by 16.4%, reflecting policy relief measures that have been taken to curb the aftermath of COVID-19.

Graph 3 - 13: India's GDP growth by demand side



Sources: Central Statistics Office and Haver Analytics.

Ad interim, the government and central bank offered several monetary and fiscal measures to support the economy, including revenue constrained fiscal support by the government and the sharpest cut yet of 115 basis points by the Reserve Bank of India (RBI), along with boosted liquidity and billions of rupees transferred in dividends to the state. However those measures may not halt the anticipated 2020 recession. The most recent consumer price data indicate that, unlike most emerging economies, India's inflation rate is increasing to above pre-pandemic levels, running beyond the RBI's 4% target, largely caused by a sharp increase in vegetable prices.

Near-term expectations

While the start of 3Q20 came with some positive economic sentiment resulting from the reopening of the economy, infection rates are increasing, as the imposed lockdown did not reduce the spread of the virus. Further downside risk and higher uncertainty in the economic outlook exist for the near term, as India's economy may not be through the worst of the situation yet. Within this in mind, it is likely that fiscal stimulus will require a large boost. Such an increase may force the government to spend regardless of its own constraints, as recent official reports indicate it had already spent beyond its full-year budget deficit target in the first four months of 2020.

In the meantime, the forward-looking **PMI** indicator pointed to a rise in both manufacturing and service activities, though the last is still within contraction territory. The composite PMI increased to 46 in August from 37.2 the previous month, though this marginal growth still indicates that private sector and business activities are declining for the fifth month in a row. The manufacturing PMI jumped to 52 in August from 46 in July, signalling the first monthly expansion in factory activity since March. Noticeable growth in manufacturing activities is being driven by the resumption of business following the easing of lockdown restrictions. Meanwhile, India's services PMI rose to its highest point since March, increasing to 41.8 in August from 34.2 the previous month. Nevertheless, the figure still represents a contraction.

Taking recent developments into account, as well as current published data, India's **GDP** forecast was revised down for 2020 to a contraction of 6.2% instead of the 4.6% calculated the previous month. Meanwhile, the 2021 GDP growth forecast has been kept at 6.8%. There is a high level of uncertainty around the forecast, as further upside and downside potential exists, depending on COVID-19 developments, with more weight given to the down side in the near-term outlook, considering the significant increase in infection rates.

Graph 3 - 14: India's PMIs

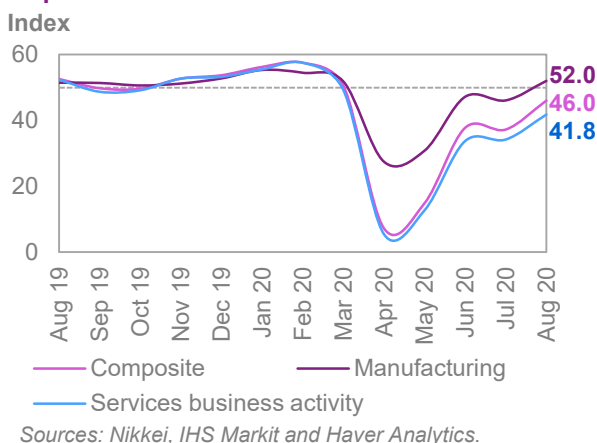


Table 3 - 7: India's economic growth rate and revision, 2020–2021*, %

	India
2020	-6.2
Change from previous month	-1.6
2021	6.8
Change from previous month	0.0

Note: * 2020–2021 = Forecast.

Source: OPEC.

Latin America

Brazil

Update on latest developments

Brazil's **GDP** shrank by 11.4% y-o-y in 2Q20, the sharpest decline on record amid anti-COVID-19 lockdown measures that slammed most economic activity. However, the economy might be past the worst effects, as some initial recovery has been derived through the growth of individual savings amid a cash transfer scheme entitled "corona voucher", which prevented personal income from dropping and supported private spending, even with employees leaving the labor force. Meanwhile, compared with the rest of the Latin American region, according to the Google mobility report, Brazil saw the lowest decline in mobility rates and the fastest rate of recovery among countries from March to August, due to the voluntary nature of the country's lockdown. On a quarterly basis, the economy shrank by 9.7% — the greatest decline on record — compared with an upwardly revised decline in 1Q20 of 2.5%. The magnitude of 2Q20's decline reached broadly across sectors. The services sector dropped by 11.2% y-o-y, following a fall of 0.5% y-o-y the prior quarter. Transportation and storage contracted by 20.8% y-o-y compared with -1.6% y-o-y in 1Q20; trade fell by 14.1% y-o-y compared with growth of 0.4% y-o-y in 1Q20. Moreover, industrial activity dropped by 12.7% y-o-y, following a decline of 0.1% y-o-y in 1Q20.

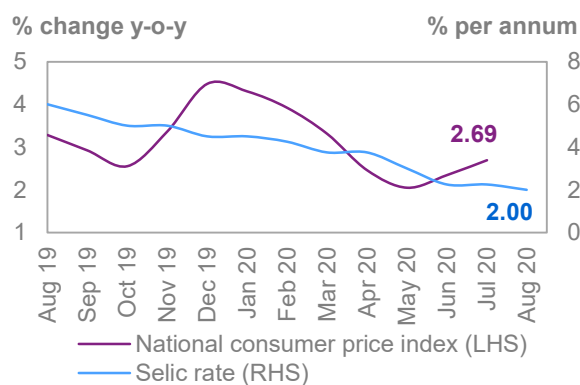
The government, as well as the central bank via its economic response, has played an instrumental role in averting the anticipated economic collapse in 2020. Fiscal stimulus, which totaled 32% of the GDP and boosted household savings, while Brazilian Development Bank (BNDES) opened credit channels, thus helping businesses. How and whether the government will be able to repay these bills, considering pre-existing economic vulnerabilities, remains unclear.

Brazil's **industrial production** declined by 3% y-o-y in July, which represents a sizable recovery in the sector after a downwardly revised fall of 8.8% y-o-y was seen in June. Nevertheless, this was the sixth month of contraction in industrial output amid the COVID-19 pandemic. On the other hand, Brazil's **retail sales** increased by 0.5% y-o-y in July, following a downward revision of 6.4% y-o-y in June, driven by the easing of COVID-19 lockdown restrictions.

In the meantime, since the external environment remains challenging, unsurprisingly both exports and imports fell. **Exports** dropped by 5.5% y-o-y to \$17.7 billion, while **imports** declined by 25.1% y-o-y to \$11.1 billion. Exports to both the EU and US dropped by 9.0% and 25% respectively, while Asian purchases from Brazil to Asia rose by 8.7%. Purchases from Asia plunged by 15.9%; from the EU by 22.7% and from the US by 46.1%.

Overall, Brazil's **trade surplus** widened to \$6.6 billion in August 2020 from \$4.1 billion in August 2019.

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



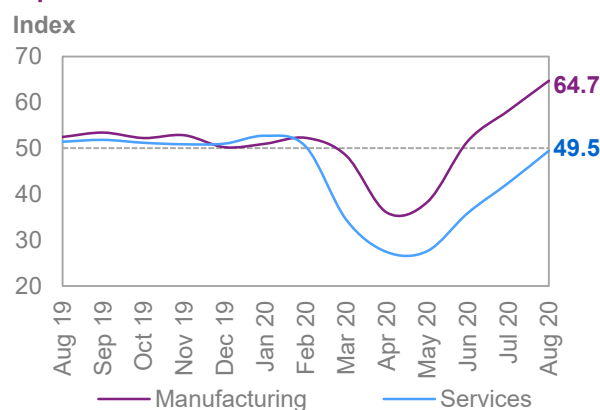
Sources: Banco Central do Brasil, Instituto Brasileiro de Geografia e Estatística and Haver Analytics.

Near-term expectations

There is still high uncertainty over Brazil's near-term economic outlook. However, a recovery in private spending, as well as government-announced plans for considerable structural reforms, including a tax reform and the potential introduction of a minimum wage, may bring further potential for a greater recovery level. Meanwhile, the shrinking economy, newly released data, along with a weakened currency and together with rising COVID-19 infections and political tension, may put the delicate recovery at risk. Additionally, there is risk of a second COVID-19 wave, which could lead to a partial lockdown that may consequently deepen the economic ramifications of the pandemic.

In the meantime, August **PMI** indices indicate that underlying activity continued to pick up for the third consecutive month and may continue on the same path in the near future. The manufacturing PMI rose to 64.7 in August, compared with 58.2 in June. While the services PMI remains below the growth-indicating level of 50, it also rose significantly, reaching a level of 49.5 in August from 42.5 in July.

Graph 3 - 16: Brazil's PMIs



Sources: IHS Markit and Haver Analytics.

Considering recent developments, the 2020 **GDP** growth forecast was revised up to a decline of -6.5%, compared with a decline of 7.0% the previous month. Given the signs of a pickup in consumer spending, as well as support from fiscal and monetary policies, a further upside has been added to the country's economic recovery, despite an ongoing increase in COVID-19 infections. Currently, the economy is forecast to recover to some extent in 2H20, but this bounce is not expected to compensate for the major decline in 1H20. Meanwhile, next year's forecast still stands at 2.4%, the same level as in the previous month.

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

	Brazil
2020	-6.5
Change from previous month	0.5
2021	2.4
Change from previous month	0.0

Note: * 2020–2021 = Forecast.

Source: OPEC.

Africa

South Africa

Update on latest developments

South Africa's COVID-19 lockdown put the economy into its longest downward cycle in 28 years; it slumped by 17.1% y-o-y in 2Q20, compared with revised growth of 0.1% in 1Q20. On a quarterly basis, **GDP** growth recorded a 51% contraction in the April–June period, following a downwardly revised 1.8% contraction in the January–March period. The primary sectors diminished by 23.7% y-o-y seasonally adjusted (SA) in 2Q20, following a contraction of 2% y-o-y (SA) in 1Q20, while secondary sectors contracted by 30% y-o-y in 2Q20 following a decline of 3.5% y-o-y (SA) in 1Q20. Additionally, the tertiary sector registered a contraction of -11.7% y-o-y (SA) in 2Q20 following growth of 1.1% y-o-y (SA) in 1Q20. Foreseeably, supply-side GDP activities dwindled exorbitantly in 2Q20 compared with 1Q20. Mining and quarrying shrunk by 33.4% y-o-y compared with a decline of 4.5% y-o-y, while manufacturing activities registered a steep decline of 31.8% y-o-y compared with a decline of only 3.5% y-o-y. Meanwhile agriculture was the only industry that expanded, with growth of 8.9% y-o-y in 2Q20 compared with 15.7% y-o-y in 1Q20. Likewise, on the demand side, a comparison of 2Q20 to 1Q20 external demand saw the steepest decline in GDP activities in 2Q20, as exports dropped 26.8% y-o-y following a decline of 0.11% y-o-y. Likewise, imports dropped by 25.2% y-o-y versus a decline of 5.0% y-o-y. Meanwhile, gross fixed capital formation contracted by 25.8% following a decline of 5.6% y-o-y. Gross domestic expenditure slumped by 17.3% y-o-y following a contraction of 2.0% y-o-y. Private consumption unashprisingly crashed by 15.7% y-o-y in 2Q20 following growth of 0.9% y-o-y in 1Q20. Public expenditure grew by only 0.5% y-o-y in 2Q20 compared with growth of 1.4% y-o-y in 1Q20.

Regarding lockdown restrictions, the government moved to level 2 in mid-August, allowing for the resumption of most business operations and domestic travel. However, many companies have permanently shut down, resulting in a surge of job losses during and stemming from the lockdown. The unemployment rate is anticipated to reach 35% in 2Q20 following a 30.1% increase in 1Q20. For now, the government aims to “build a new economy” by introducing recovery strategies that aim to fast-track reforms, boost infrastructure investment and promote localization.

South Africa's **manufacturing** fell 10.6% y-o-y in July of 2020, compared to the downwardly revised 15.8% y-o-y decline in June 2020. This decline was the softest decline rate in the industrial output since March 2020.

Near-term expectations

Recently released 2Q20 GDP data confirmed the fragility of the South African economy, which was already on its back foot before it was hit by the ramifications of measures taken to curb the spread of COVID-19. While some recovery is currently underway, the consumer confidence index jumped to -23 in 3Q20, following the steepest decline in 35 years of -33 in 2Q20. Rising consumer confidence was mainly driven by the resumption of economic activity and the easing of lockdown restrictions. However, 3Q20 consumer sentiment is at its weakest point since the first quarter of 1993.

Meanwhile, South Africa's Absa Manufacturing PMI jumped to 57.3 in August from 51.2 in July, recording the fourth consecutive month of expansion in manufacturing activity, driven by the easing of the nationwide lockdown.

Looking forward, there are signs of a partial recovery in the financial outlook of households and the purchases of buying durable goods. Yet, any current improvement may be hampered by a number of pre-existing structural constraints.

Meanwhile, South Africa's 2020 and 2021 **GDP** forecast was held at -7.2% and 3.0%, consecutively, unchanged from one month earlier.

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

	South Africa
2020	-7.2
Change from previous month	0.0
2021	3.0
Change from previous month	0.0

Note: * 2020–2021 = Forecast.

Source: OPEC.

FSU

Russia

Update on the latest developments

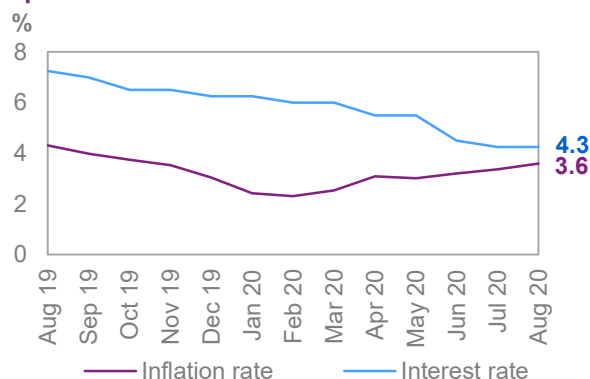
Russia's real GDP dropped by 8.5% y-o-y in 2Q20, the steepest contraction since 3Q19. However, this is less than the expected drop for the quarter, and early indicators from June-July reflect a smaller contraction. Thus, it is likely that the Russian economy has passed over the worst of its calamity and is benefiting from the easing of COVID-19 restrictions, as well as the recovery in oil prices, supported by the DoC. Moreover, according to the International Monetary Fund (IMF), Russia's economy ranked as number five among world economies this year, measured by purchasing power parity. Nevertheless, the dual shock of low oil prices in 1H20 and deteriorating local demand amid the COVID-19 outbreak will still lead to an economic contraction in 2020, considering that more than 1 million COVID-19 cases have been reported in the country and that the unemployment rate, which jumped to 6.3% in July from 6.2% in the previous month, has been increasing. This is the highest unemployment rate on record since March 2012.

Meanwhile, the Russian rouble slightly appreciated in August, when it fell only by 1.8% m-o-m compared with a decline of 4.9% m-o-m in July. Nevertheless, the declining rouble might be a support factor within the current economic environment. Meanwhile, foreign reserves increased significantly in August, by \$26.7 billion after gaining \$22.9 billion in July. The current foreign reserves increase pushed overall reserve levels to more than \$595 billion. Previously, as part of the large monetary stimulus effort by the central bank to support a financial system hit by the coronavirus pandemic, the Bank of Russia cut its benchmark one-week repo rate by an additional 25 basis points to 4.25% from 4.5%.

Russia's **retail sales** recovered marginally, falling by only 2.6% y-o-y in July, compared with a 7.7% y-o-y slump in June, as the country eased its lockdown restrictions. Despite this being the softest rate of decline, the country still recorded its fourth monthly downturn in retail activity. In the January-July period, it fell by 1.9% y-o-y.

Concurrently, Russia's **industrial production** dropped by 8.0% y-o-y in July, following a slump of 9.4% the previous month.

Graph 3 - 17: Russia's inflation vs. interest rate



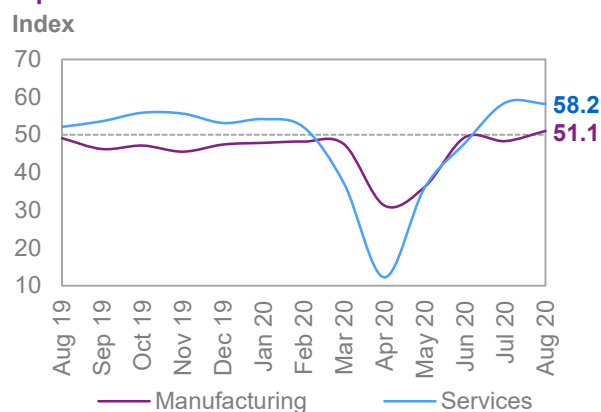
Sources: Federal State Statistics Service, Central Bank of Russia and Haver Analytics.

Near-term expectations

Whereas Russia's real GDP slumped in 2Q20, near-term indicators supported a modest but steady gradual recovery for 2H20, driven by renewed industrial growth, lower interest rates, currency stability and a gradually falling fiscal deficit due to low public debt and large pre-pandemic reserves. Yet the recovery cannot compensate for the 1H20 decline, as well as COVID-19-related developments, which shadows the recovery with the risk of a major second wave. This may dampen Russia's GDP, especially if it is mingled with another oil price shock.

In August, Russia's manufacturing **PMI** registered its first month of expansion since April, as it rose to 51.1 from 48.4 in July. However, the services PMI declined marginally to 58.2 from 58.5 in July, mainly due to low services exports.

Graph 3 - 18: Russia's PMIs



Sources: IHS Markit and Haver Analytics.

Accounting for the recently released **GDP** data, the GDP forecast for 2020 has been revised down to -4.9% while for 2021 it was kept unchanged at 2.9% from last month. This assumes COVID-19 will be contained in the coming year. Meanwhile, as the pandemic is still far from over across major economies around the globe, both domestic and global demand may remain suppressed in 2H20, imposing more downside risks to the forecast.

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

	Russia
2020	-4.9
Change from previous month	-0.2
2021	2.9
Change from previous month	0.0

Note: * 2020–2021 = Forecast.

Source: OPEC.

OPEC Member Countries

Saudi Arabia

Saudi Arabia's Primary Consumer Sentiment Index (PCSI) dropped to 57.7 in July compared with 59.7 the previous month. Likewise, industrial production dropped by 22.40% y-o-y in June 2020 compared with June 2019. In the meantime, the manufacturing PMI dropped to 48.8 in August from 50 in July, indicating a downturn in business conditions, after an uptick in July was affected partially through a rise in value-added tax (VAT) amid COVID-19 measures. Looking ahead, despite an anticipated contraction in 2020, Saudi Arabia's economic outlook saw positive sentiment, yet it is still restricted by concerns on the development of COVID-19.

Nigeria

Following a nationwide shutdown, combined with a crash in oil prices in 1H20, the economy of Nigeria recorded its first contraction since 1Q17, shrinking by 6.1% y-o-y in 2Q20 following growth of 1.9% y-o-y in 1Q19. The oil sector slumped by 6.6% y-o-y following growth of 5.1% in 1Q20. The non-oil sector posted its first decline since 3Q17 by 6.1% y-o-y compared with growth of 1.6% y-o-y in 1Q20 as anti-COVID-19 measures brought a halt to indispensable economic activities such as transportation and storage (-49% y-o-y in 2Q20 versus 2.8% y-o-y in 1Q20); accommodation and food services (-40.2% y-o-y in 2Q20 compared with -3% y-o-y in 1Q20); construction (-31.8% y-o-y in 2Q20 versus 1.7% y-o-y in 1Q20) and internal trade (-16.6% y-o-y in 2Q20 versus -2.8% y-o-y 1Q20). Moreover, according to the Central Bank of Nigeria, consumer confidence slumped to -29.20 points in 2Q20 compared with -0.30 points in 1Q20. Likewise, the unemployment rate surged to 27.1% in 2Q20 – the sharpest increase ever, according to Nigeria's national bureau of statistics records. Meanwhile, according to the national farmers' organization, floods destroyed about 2 million tons of rice harvest, which is more than 25% of the previously projected national output of 8 million tons in 2020. Other crops such as sorghum, millet and corn were also affected. Inflationary pressure is also rising in Nigeria; the consumer price index (CPI) reached its highest level since March 2018 in July 2020, up by 12.8% y-o-y compared with 12.5% in June. Unfortunately, the 2020 outlook for the unemployment rate remained pushed down, though it may start to slightly decline in 3Q20, accounting for an upturn in business activities according to the Stanbic IBTC Bank Nigeria PMI, which rose to 54.6 in August from 50.4 in July, the sharpest increase in non-oil private activity since February. The Central Bank of Nigeria Manufacturing PMI also rose in August to 48.5 from 44.9 in July, recording the smallest contraction in the sector since March. Overall, the Nigerian economy is set to slowly rebound in 2H20.

The United Arab Emirates (UAE)

United Arab Emirates real GDP contracted by 0.3% y-o-y in 1Q20 following growth of 0.8% in 4Q19. Non-oil sectors slumped by 1.9% y-o-y in 1Q20 compared with growth of 4.4% y-o-y in 4Q19. Meanwhile, the mining and quarrying sectors (including crude oil and natural gas) grew by 3.3% y-o-y after a decline of about 7.0% y-o-y was seen in the previous quarter. In the meantime, consumer deflation has eased slightly, as the CPI increased to -2.2% y-o-y in July compared with -2.4% y-o-y in June. In line with that, the ramifications of COVID-19 were broadly seen in housing market prices, which according to Reidin data dropped in July by approximately 7% y-o-y in Abu Dhabi and Dubai. The UAE's government and central bank introduced several additional monetary and fiscal measures to assist both consumers and private business, including offering UAE-based banks \$70 billion in collateralized loans at zero interest and allowing the deferment of loan repayments until the end of 2020. Moreover, support was offered to both businesses and households via lowered utility rates, custom and municipality fees and rental charges. Additionally, in Abu Dhabi the government is expediting Ghadan 21 projects and offering \$1.4 billion in credit guarantees for small and medium enterprises (SMEs). Meanwhile, Dubai offered stimulus of \$1.7 billion.

In the meantime, The IHS Markit United Arab Emirates PMI dropped to contraction level at 49.4 in August from 50.8 a month earlier, as non-oil private sector output grew at a softer rate amid COVID-19 developments, because the non-oil economy in the UAE is highly integrated with the global economy. As a result, the near-term outlook for the UAE's economy is highly related to a rebound in the global economy, mainly in other countries in the region as well as in trading partners. More important is a continuous recovery in oil prices.

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

The **US dollar (USD)** continued its declining trend against major currencies in August, weakened by the expectation of interest rates remaining close to zero for a longer than previously anticipated period of time due to a higher tolerance for inflation by the Fed. It declined by 3.0% against the euro, by 2.5% against the Swiss franc and by 3.4% against the pound sterling. Against the yen, the dollar dropped by 0.6%.

Also, as in the previous month, the US dollar was mixed against emerging market currencies. Against the Yuan and the Indian rupee, it declined by 1.1% and 0.4%, respectively, m-o-m. Meanwhile, it advanced against the Russian ruble by 3.5%, partly on geopolitical concerns, and at the same time, the expectation of additional cuts in interest rates by the Central Bank.

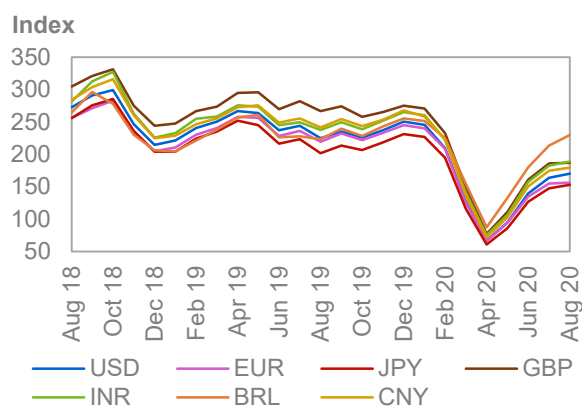
The dollar also advanced by 3.4% against the Brazilian Real as the Central Bank cut interest rates during the month, also leaving the door open for further easing. Against the Mexican Peso, the dollar declined by 0.8% during the month.

In **nominal terms**, the price of the ORB increased by \$1.77, or 4.1%, from \$43.42/b in July to reach \$45.19/b in August.

In **real terms**, after accounting for inflation and currency fluctuations, the ORB increased to \$28.30/b in August from a revised \$27.71/b (base June 2001=100) the previous month.

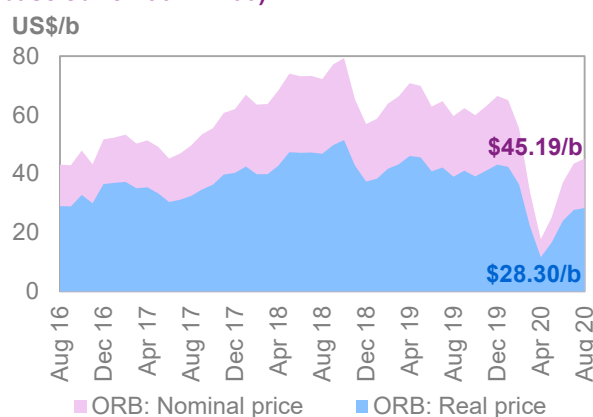
Over the same period, the **USD** decreased by 2.1% against the import-weighted modified Geneva I + USD basket, while inflation decreased by 0.2% m-o-m.

Graph 3 - 19: ORB crude oil price index compared with different currencies (base January 2016 = 100)



Sources: IMF and OPEC.

Graph 3 - 20: Impact of inflation and currency fluctuations on the spot ORB price (base June 2001 = 100)



Source: OPEC.

World Oil Demand

The 2020 world oil demand growth forecast was revised down by 0.4 mb/d, as compared to August MOMR, to a decline of 9.5 mb/d, leading to total demand of 90.2 mb/d.

In the OECD, demand forecast was adjusted higher by around 0.1 mb/d in 2020, to account for the latest available data. This was due to demand decline falling by less than expected in all sub-regions in 2Q20. OECD Americas posted less-than-expected declines, driven by stable petrochemical feedstock demand, while increases in heating fuel restocking eased demand impairment in OECD Europe. In the Asia Pacific region, South Korean performance was better than expected throughout 2Q20, despite marginally easing. This was supported by steady industrial activities, which in turn provided backing for petrochemical feedstock as well as diesel requirements. However, OECD America's 2H20 oil demand forecast was revised lower due to slower than originally assumed recovery in transportation fuels.

In the non-OECD, the 2020 oil demand outlook was adjusted lower by around 0.5 mb/d, compared with last month's forecast. Other Asia was the region primarily responsible for the downward revision, on the back of a slowdown in economic activity due to the rising COVID-19 infection cases. So far, oil demand in India, Indonesia, Thailand, and the Philippines performed far poorer than initially expected. Additionally, considering the latest adjustments to economic projections in main countries over the region, oil demand was adjusted lower in 2H20. On the other hand, 2Q20 oil demand in China was adjusted higher due better-than-expected data, marginally offsetting the downward revision.

For 2021, the world oil demand forecast was also revised lower by around 0.4 mb/d m-o-m. Oil demand is anticipated to rise solidly by around 6.6 mb/d in 2021, with global total demand reaching 96.9 mb/d. The negative impact of the current downbeat momentum on Other Asia oil demand is projected to spill over into 1H21. At the same time, a slower recovery in transportation fuel requirements in the OECD will limit oil demand growth potential in the region. Demand projections assume an increase of 4.7% in economic activities. Risks remain elevated and tilted to the downside, particularly related to the development of COVID-19 infection cases as well as possible cures. Furthermore, the speed of recovery in overall economic activity and oil demand growth potential in Other Asian countries including India remain uncertain. Increased usage of teleworking and distance conferencing is estimated to limit transportation fuels from fully recovering to 2019 levels.

Light distillates and diesel will receive support from improving overall economic momentum, particularly in infrastructure projects and improving industrial activities compared with the current year. The petrochemical sector in China and the US is foreseen to support those gains. All products are estimated to grow solidly from current year historically low levels. On the other hand, fuel efficiency gains in the transportation sector, oil substitution programmes in power generation and subsidy reduction policies will limit oil demand growth in 2021.

World oil demand in 2020 and 2021

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

	2019	1Q20	2Q20	3Q20	4Q20	2020	Change 2020/19	
							Growth	%
World oil demand								
Americas	25.63	24.31	19.57	24.23	24.71	23.21	-2.42	-9.45
of which US	20.79	19.66	16.11	19.78	20.29	18.97	-1.83	-8.78
Europe	14.25	13.35	10.62	13.19	13.53	12.68	-1.58	-11.07
Asia Pacific	7.79	7.75	6.45	6.51	7.33	7.01	-0.78	-10.01
Total OECD	47.68	45.41	36.64	43.93	45.57	42.90	-4.78	-10.02
Other Asia	13.87	12.99	11.30	11.88	13.05	12.31	-1.56	-11.26
of which India	4.84	4.77	3.50	3.55	4.34	4.04	-0.80	-16.59
Latin America	6.59	6.11	5.61	6.17	6.08	5.99	-0.60	-9.11
Middle East	8.20	7.88	6.91	7.88	7.50	7.54	-0.66	-8.02
Africa	4.45	4.37	3.77	4.07	4.20	4.10	-0.34	-7.76
Total DCs	33.11	31.36	27.58	30.01	30.83	29.95	-3.16	-9.56
FSU	4.84	4.50	4.03	4.38	4.54	4.36	-0.48	-9.90
Other Europe	0.76	0.71	0.55	0.47	0.56	0.57	-0.19	-25.17
China	13.30	10.70	12.85	12.67	13.58	12.45	-0.85	-6.36
Total "Other regions"	18.91	15.91	17.42	17.52	18.69	17.39	-1.52	-8.03
Total world	99.69	92.68	81.64	91.45	95.08	90.23	-9.46	-9.49
Previous estimate	99.69	92.67	81.84	92.10	95.83	90.63	-9.06	-9.09
Revision	0.00	0.01	-0.20	-0.65	-0.75	-0.40	-0.40	-0.40

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

Source: OPEC.

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

	2020	1Q21	2Q21	3Q21	4Q21	2021	Change 2021/20	
							Growth	%
World oil demand								
Americas	23.21	24.41	24.85	25.29	25.22	24.95	1.74	7.50
of which US	18.97	19.98	20.42	20.48	20.66	20.39	1.42	7.50
Europe	12.68	13.57	13.92	13.96	13.83	13.82	1.15	9.04
Asia Pacific	7.01	7.82	7.31	7.06	7.57	7.44	0.43	6.11
Total OECD	42.90	45.81	46.08	46.31	46.62	46.21	3.32	7.73
Other Asia	12.31	13.22	13.15	13.15	13.83	13.34	1.03	8.41
of which India	4.04	4.89	4.18	4.36	4.99	4.61	0.57	14.03
Latin America	5.99	6.21	6.27	6.37	6.31	6.29	0.30	5.00
Middle East	7.54	8.07	7.64	8.19	7.75	7.91	0.37	4.89
Africa	4.10	4.46	3.95	4.27	4.39	4.27	0.17	4.03
Total DCs	29.95	31.96	31.01	31.99	32.28	31.82	1.87	6.24
FSU	4.36	4.64	4.49	4.55	4.67	4.59	0.23	5.19
Other Europe	0.57	0.79	0.68	0.59	0.68	0.68	0.11	19.58
China	12.45	12.31	13.87	13.70	14.33	13.56	1.10	8.85
Total "Other regions"	17.39	17.75	19.04	18.84	19.68	18.83	1.44	8.28
Total world	90.23	95.52	96.12	97.14	98.58	96.86	6.62	7.34
Previous estimate	90.63	96.50	96.82	97.79	99.33	97.63	7.00	7.72
Revision	-0.40	-0.99	-0.70	-0.65	-0.75	-0.77	-0.37	-0.38

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

Source: OPEC.

OECD

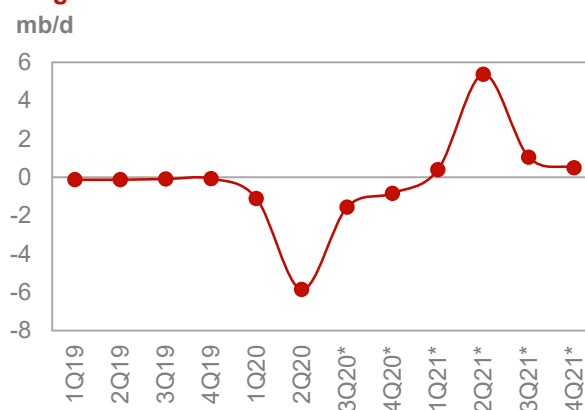
OECD Americas

Update on the latest developments

In **OECD Americas, June** oil demand data showed a considerable decrease of around 4.0 mb/d y-o-y, posting a m-o-m improvement of around 1 mb/d. In volumetric terms, demand in the US suffered the most, led by sharp weakness in transportation fuel consumption on the back of mobility restrictions to combat increases in COVID-19 infection cases. Canadian oil demand declined the most in percentage terms, also led by impairment of gasoline and middle distillate requirements.

The latest released US monthly demand data for June imply a decline in US oil demand by approximately 3.2 mb/d, y-o-y. The June decline was around 1.1 mb/d milder than in May and 2.4 mb/d less than in April, in line with previous assumptions that peak oil demand loss is in the past. The June drop was the third-largest monthly historical decline and the sixth consecutive month of decline, due to COVID-19 effects on almost all sections of the economy.

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



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

Unlike other main petroleum product categories, demand for lighter hydrocarbons continued to grow for another month y-o-y, in particular for LPG/NGLs, i.e. feedstock for the petrochemical sector. New ramp-ups in ethane cracker operations, as well as steady margins supported by improving consumer confidence, encouraged consumption of petrochemical feedstock. Consumer confidence indicators showed a m-o-m improvement, as reported by the Conference Board, falling to 98.3 in June, though remaining above the 85.7 recorded in April and 85.9 in May. Gasoline and jet/kerosene requirements fell sharply, y-o-y, on the back of mobility restriction measures, while diesel demand remained in negative territory, despite improving macroeconomic indicators. US industrial sector activity fell by 10.9% y-o-y in June, showing improvement from a decline of 15.4% y-o-y in May and 17.7% y-o-y in April. Similarly, exports declined by 24.3% y-o-y in June.

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

By product	Jun 20	Jun 19	Change 2020/19	
			mb/d	%
LPG	2.54	2.53	0.01	0.3
Naphtha	0.19	0.22	-0.03	-14.0
Gasoline	8.29	9.70	-1.42	-14.6
Jet/kerosene	0.79	1.80	-1.02	-56.4
Diesel oil	3.49	3.99	-0.50	-12.5
Fuel oil	0.23	0.32	-0.09	-28.0
Other products	2.21	2.38	-0.17	-7.3
Total	17.73	20.94	-3.22	-15.4

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

Sources: EIA and OPEC.

July data indicate strongly declining Mexican oil demand, y-o-y. Demand for all main petroleum categories fell, particularly for jet kerosene, diesel and gasoline, amid the continued spread of COVID-19. Overall, July oil demand fell by approximately 0.4 mb/d y-o-y in the country. Volume-wise the decline is similar to that of June and smaller than in April and May, with the downward trend continuing for the seventh consecutive month.

Near-term expectations

For the remainder of **2020**, the m-o-m recovery in US oil demand, largely as a result of rebounding labour market, recovered slightly to stand at 8.4% in August, based on the latest available data from the Bureau of Labour Statistics. Nevertheless, gasoline demand remained muted due to a reduction in commuter requirements for automobile fuels. However, as lockdown measures started to ease in late May and June, the gasoline demand seen in preliminary weekly statistics picked up to reach 8.7 mb/d in July, matching January–February levels, though remaining sharply below the 9.5 mb/d levels seen in July 2019. Various news and reports suggested that the reintroduction of mobility measures in major consuming states halted a potential recovery in gasoline demand during the peak summer driving season in the second half of July and August. This implies that weekly data is likely to be revised lower, given the high gasoline inventories in the US and lower exports to Latin America resulting from high COVID-19 infection rates and ongoing weakness in gasoline. As a result, the slower recovery in transportation fuel consumption relative to last month's figure, coupled with possible delays in some stem cracker start-ups, led to a downward revision to oil demand data in 2H20 and 1H21.

For **2021**, OECD America's oil demand expectations are based on the assumptions of limited COVID-19 impact and strong economic recovery, with solid stimulus measures being put into effect. As a result, industrial fuels will fully recover to match pre-COVID-19 levels, while transportation fuels will struggle to meet 2019 consumption. While it is too early to highlight upside potential, some gains could come from lessening COVID-19 numbers. Significant recovery in the labour market and consumer confidence could further support the oil demand growth outlook in 2021.

OECD Europe

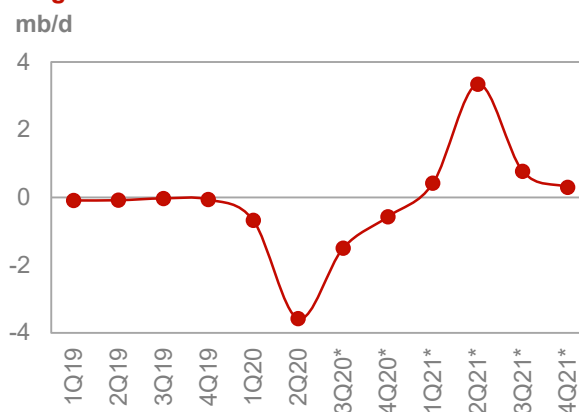
Update on the latest developments

Jet fuel consumption fell further in June compared with May, while other petroleum products showed a steady improvement in OECD Europe. Thus, the overall decline stood at 2.6 mb/d y-o-y compared with a decline of around 3.4 mb/d y-o-y in May.

Demand in June was lower across the big four consumers in the region; the UK led with a drop of around 0.6 mb/d y-o-y, Italy and Germany registered a decline of around 0.3 mb/d y-o-y each, while consumption in France fell by slightly more than 0.2 mb/d y-o-y. Low prices led to the restocking of heating fuel, which seems to have provided some, but not enough, support to diesel demand, despite showing growth in all four major consumers in the region.

Demand for all other products exhibited improving m-o-m declines according to major indicators. Industrial production recovered in June, increasing by 8.6% m-o-m, after a decline of 19.9% y-o-y was seen in May, and a drop in 27.7% in April.

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



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

Additionally, June's new passenger car registrations showed a 34.0% y-o-y decline compared with a 58.4% y-o-y drop in May and a historical 79.1% y-o-y decline in April, based on data from The European Automobile Manufacturers' Association (ACEA). The overall business sentiment index, as reported by The European Commission, recovered from low levels in the past month, seeing 75.8 in June compared with 67.5 in May. Outside the major four consumers in the region, oil demand was surprisingly positive in the Netherlands, led by healthy petrochemical feedstock demand, while demand in Turkey and Spain shed around 0.3 mb/d y-o-y each as COVID-19 infections cases remained elevated, capping recovery.

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

By product	Jun 20	Jun 19	Change 2020/19	
			mb/d	%
LPG	0.37	0.42	-0.05	-11.4
Naphtha	0.43	0.49	-0.06	-11.5
Gasoline	0.98	1.20	-0.22	-18.5
Jet/kerosene	0.22	0.90	-0.68	-75.8
Diesel oil	3.07	3.24	-0.17	-5.2
Fuel oil	0.15	0.22	-0.06	-29.4
Other products	0.46	0.65	-0.20	-30.3
Total	5.68	7.12	-1.44	-20.2

Note: * Germany, France, Italy and the UK. Totals may not add up due to independent rounding.

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

Near-term expectations

The EU agreement to pay for an additional 750 billion euro fiscal support fund is assumed to hit a positive note for overall economic projections, and thus oil demand recovery in 2H20 and possibly 2021. The outlook for the region's oil demand in **2020** was adjusted to the upside for the fourth consecutive month, with the bulk of revisions originating in the first six months of 2020 and taking into consideration the most recent data. The removal of lockdowns is already leading to some positive signs, largely related to the road transportation and industrial sectors. Yet, the massive impact of the pandemic resulted in very low leisure and travelling activities during 3Q20, posing substantial challenges as time moves forward. Consequently, the 2020 projected oil demand decline carries additional risks to the downside, particularly relating to 4Q20.

During **2021**, oil demand is projected to grow, strongly depending on COVID-19-related developments, which are currently tilted to the downside.

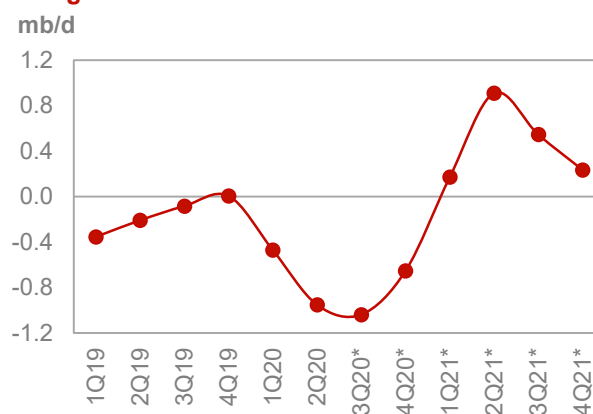
OECD Asia Pacific

Update on the latest developments

Complete data for the month of **June** show declining oil consumption in the Asia Pacific region, down by 0.6 mb/d y-o-y, with Japan and Australia responsible for most of the weakness, while South Korean demand dropped marginally.

The latest available South Korean data for June reveal slight oil demand declines y-o-y, following May gains. Most petroleum product category requirements rose, notably diesel, LPG and naphtha, which have been more than offset by losses seen in jet/kerosene and gasoline demand. Various indicators — partially industrial production indicators — signalled positive momentum. Industrial production dropped by a mere 0.3% y-o-y in July compared with a 4.7% y-o-y decline in May. The impact of COVID-19 on South Korean oil demand was less pronounced than for other countries in the region. Oil demand data for the month of May were significantly higher y-o-y, which led to basically flat performance during 2Q20. Industrial fuels supported the figures, despite sluggish performance from the transportation sector.

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



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

Preliminary **July** oil demand data from the Japanese Ministry of Economy Trade, and Industry (METI) indicate falling Japanese oil demand by approximately 0.3 mb/d, extending the declining trend by another month. In the first seven months of 2020, Japanese oil demand fell considerably by an average of 0.5 mb/d, or 12.9%, y-o-y. July oil demand losses originate from weak demand in all main petroleum product categories, particularly for jet/kerosene, naphtha, LPG, gasoline and diesel, in line with COVID-19's impact on economic activity in the country.

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

By product	Jul 20	Jul 19	Change 2020/19	
			mb/d	%
LPG	0.27	0.30	-0.03	-10.3
Naphtha	0.64	0.71	-0.07	-9.4
Gasoline	0.82	0.87	-0.05	-6.1
Jet/kerosene	0.31	0.32	-0.01	-2.3
Diesel oil	0.68	0.75	-0.07	-8.8
Fuel oil	0.20	0.22	-0.02	-9.1
Other products	0.29	0.34	-0.05	-14.8
Total	3.21	3.51	-0.29	-8.4

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

Sources: JODI, METI and OPEC.

Near-term expectations

While the worst of **2020** oil demand losses in the region seem to be in the past, recent rising cases pose challenges going ahead. Yet, oil demand losses will remain smaller in magnitude than in other regions — a result of successful containment resulting from additional measures taken at a very early stage in the pandemic.

Driven by a healthy industrial, particularly petrochemicals, sector and a growing economy, the region's **2021** oil demand will grow, despite losses seen over the last three years. Oil demand forecast risks remain balanced towards the upside and downside for both 2020 and 2021. As in other regions, oil use in aviation is not expected to reach pre-COVID-19 levels during 2021.

Non-OECD

China

Update on the latest developments

The recovery process in China's overall economy is reflected in oil demand data. The latest available monthly data for **July** indicate a further increase in oil demand growth of around 0.6 mb/d y-o-y, compared with growth of around 0.3 mb/d y-o-y in June.

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

By product	Jul 20	Jul 19	Change 2020/19	
			mb/d	%
LPG	2.12	1.94	0.18	9.5
Naphtha	1.84	1.69	0.14	8.5
Gasoline	2.84	2.74	0.10	3.8
Jet/kerosene	0.58	0.86	-0.28	-32.9
Diesel oil	3.28	3.02	0.26	8.6
Fuel oil	0.72	0.54	0.18	33.9
Other products	1.50	1.53	-0.03	-2.2
Total	12.88	12.32	0.56	4.5

Note: * Apparent oil demand. Totals may not add up due to independent rounding.

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

Total consumption of hydrocarbon products reached 12.9 mb/d in July — the highest level of consumption so far in 2020. Economic momentum appears to be on a good recovery trajectory, as most industrial fuels registered positive gains in July.

Oil demand was led by diesel, which grew substantially, adding around 0.3 mb/d y-o-y. The recovery appears to be driven by infrastructure projects as well as investment. Construction activity increased by 7.8% y-o-y in 2Q20 after contracting by 17.5% in 1Q20. This trend is assumed to have continued into 3Q20. Industrial production indicators saw an increase of 4.8% y-o-y in June, signalling the largest expansion in 1H20, as the economy rebounded from the COVID-19 pandemic and more factories and businesses returned to operation.

World Oil Demand

The manufacturing PMI also reported improved figures in July, as reported by the China Federation of Logistics and Purchasing/CNBS/Haver analytics. The indicator registered 51.1 points, further improving from 50.9 recorded in June and remaining in the expansion zone. The improvement in manufacturing activities supported demand for petrochemical feedstock.

Both LPG and naphtha have showed positive gains compared with the same month last year. LPG increased by around 0.2 mb/d y-o-y in July, while naphtha added more than 0.1 mb/d y-o-y. According to S&P Global, Northeast Asia Propane Dehydrogenation plants (PDH) margins were around \$200/mt in July, before increasing slightly thereafter. This level remains on the low side of the five-year average, but remained good enough to support healthy consumption in PDH plants.

Gasoline demand flipped into positive territory in July after five months of negative performance. Demand for vehicle fuel was up by more than 0.1 mb/d y-o-y in July, as traffic activities increased in various parts of China, together with high y-o-y gains in passenger vehicle sales. The latter added around 8% y-o-y in July, increasing for the third consecutive month, according to China's Association of Automobile Manufacturing. Jet fuel remains in the doldrums, impacted by the reduction in international flights and despite improvement in domestic flights. Non-commercial flight activity has come back to levels comparable to pre-COVID-19 times, but commercial flights are still lagging behind.

Near-term expectations

Going forward, economic projections show China's economy will continue on its recovery path throughout the remainder of **2020**. This will mostly be supported by better containment of COVID-19, as China reports few infection cases compared with the rest of the world. Fiscal and monetary programmes will also determine the strength of the recovery going forward.

Positive developments in industrial fuel requirements highlight positive oil demand growth in the coming months. The current forecast assumes the recovery in oil demand will continue for the remainder of the year. The magnitude of the recovery appears to be stronger and hence will provide upside potential for 2020 oil demand growth. As indicated last month, light distillates have been performing contrary to expectation and will be a key driver to monitor going forward.

In **2021**, economic growth is projected to reach 6.9% y-o-y compared with 1.8%, in 2020 providing solid ground for oil demand growth. This is coupled with the historical drop in 2020. The predicted strong rebound in oil demand next year will be led by transportation fuels. A full recovery in jet fuel is assumed to be lagging, in light of limitations to international travel.

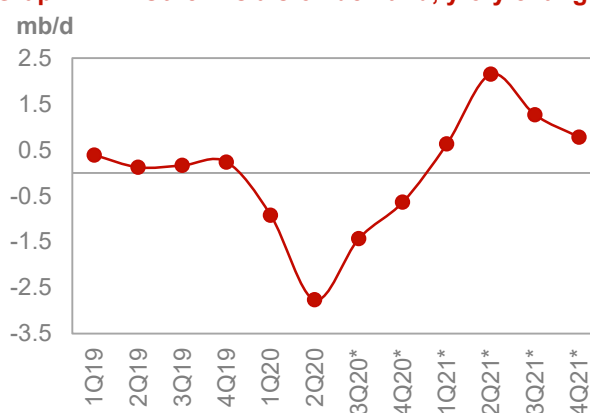
Other Asia

Update on the latest developments

Oil demand data in Other Asia indicate a decline of around 1.4 mb/d y-o-y over the month of **June**, a continuation of the poor performance trend since January. Despite some m-o-m improvement of nearly 0.9 mb/d, 2Q20 signalled a steep and historical drop in oil requirements in the region. So far, 2Q20 figures show a plunge of 2.7 mb/d y-o-y, a fall never seen before according to OPEC data. In addition to falling oil requirements in India, oil demand was impaired in Indonesia, Thailand, Malaysia and the Philippines. Looking at the product mix, June data highlight a similar impact from mobility restrictions and COVID-19 containment measures on transportation and industrial fuels. Jet fuel was down more than 0.6 mb/d y-o-y, gasoline declined by more than 0.2 mb/d y-o-y and diesel was lower by around 0.4 mb/d y-o-y.

The latest available oil demand data for India show a decrease of 0.5 mb/d y-o-y in **July**, lower m-o-m by more than 0.1 mb/d, with total product demand pegged at 3.93 mb/d. The Indian economy is apparently under pressure due to an increase in infection cases, leading the government to extend restrictive measures on citizens' mobility and reduce overall economic activity until the end of August. India's projected GDP for 2020 was reduced further to -4.6% in August, compared with -2.5% in July. Consequently, oil demand projections were adjusted lower for 2020 and now show a decline of 0.6 mb/d. However, LPG demand was in positive

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



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

territory, propelled by strong household requirements for cooking fuel. LPG is projected to remain afloat for the remainder of the year. The “other product” category showed a surprise increase too, mainly supported by increased bitumen consumption.

On the other hand, the remaining petroleum products illustrated significant weakness. Diesel suffered the most, declining by more than 0.3 mb/d y-o-y on the back of limited industrial output due to increased COVID-19 cases. The IHS Markit India Manufacturing PMI continued to contract, declining for the fourth consecutive month to 46.0 in July from 47.2 in June. Jet/kerosene consumption was severely hit during lockdown days, as international flights were suspended until the end of August. Jet/kerosene shed more than 0.1 mb/d y-o-y, remaining at levels comparable to the previous three months. Gasoline consumption weakened by 0.07 mb/d y-o-y in response to an increase in home office work and alternate employee policies. Additionally, schools, cinema halls, sport centres and entertainment parks remained closed, negatively affecting gasoline demand.

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

By product	Jul 20	Jul 19	Change 2020/19	
			mb/d	%
LPG	0.80	0.78	0.02	2.4
Naphtha	0.33	0.38	-0.05	-13.5
Gasoline	0.61	0.68	-0.07	-10.4
Jet/kerosene	0.10	0.22	-0.12	-52.8
Diesel oil	1.47	1.77	-0.31	-17.2
Fuel oil	0.28	0.29	-0.02	-5.1
Other products	0.35	0.32	0.03	9.5
Total	3.93	4.44	-0.51	-11.5

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

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

Near-term expectations

For the remainder of **2020**, the strength of monsoon season in India will add to the uncertainty of oil demand projections in the coming months. So far, rain levels have been unpredictable — around 17% above normal in June and down to 10% below normal in July. The agricultural sector is highly dependent on rain to water fields. Moreover, the heavy monsoon season tends to negatively affect transportation fuel demand due to reduced mobility, exacerbating movement limitations due to COVID-19 containment measures. For the whole region, Other Asia's oil consumption is projected to steeply decline in 2020, in light of high COVID-19 infection cases and possible further extensions to lockdown measures. Lacklustre transportation fuels and weaker manufacturing activities compared with 2019 will significantly impair demand for petroleum products during the 2H20 and 1H21.

In **2021**, regional oil demand is projected to be led by India, in light of an anticipated recovery in the overall economy. The positive expected rise in oil demand reflects the current year's decline, as well as measures taken by various governments to encourage private consumption and investment. Transportation fuels are assumed to account for a major component of the increase, particularly in India.

Latin America

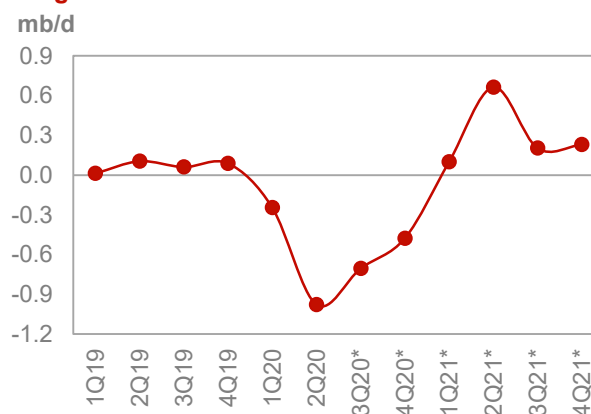
Update on the latest developments

Similar to other regions, oil demand in Latin America posted a decline of around 0.5 mb/d y-o-y in **June**, an increase of some 0.3 mb/d m-o-m. Brazil and Argentina led the drop, falling by around 0.2 mb/d y-o-y each.

World Oil Demand

Focusing on Brazil, the largest consuming country in the region, oil demand dropped by around 0.2 mb/d y-o-y and total consumption was pegged at 2.6 mb/d in July. Jet/kerosene and gasoline led declines, falling by around 0.1 mb/d y-o-y and 0.05 mb/d y-o-y, respectively. Rigid lockdown measures and social distancing policies reduced the need for transportation fuel demand. Vehicle registrations as reported by Associação Nacional dos Fabricantes de Veículos Automotores were lower by more than 40% y-o-y in July from a decline of more than 74% y-o-y in May. Diesel requirements showed surprisingly flat performance, staying marginally positive. This could be, in part, a result of low consumption in July 2019. Industrial production dropped by 3% y-o-y in July 2020 compared with -12.2% y-o-y in June and -20.2% y-o-y in May.

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



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

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

By product	Jul 20	Jul 19	Change 2020/19	
			mb/d	%
LPG	0.25	0.25	0.00	1.8
Naphtha	0.15	0.15	0.00	0.0
Gasoline	0.61	0.66	-0.05	-7.6
Jet/kerosene	0.03	0.12	-0.09	-72.9
Diesel oil	1.06	1.05	0.01	0.8
Fuel oil	0.07	0.08	-0.01	-7.4
Other products	0.43	0.50	-0.07	-14.4
Total	2.60	2.80	-0.20	-7.3

Note: * = Inland deliveries. Totals may not add up due to independent rounding.

Sources: JODI, Agência Nacional do Petróleo, Gas Natural e Biocombustíveis and OPEC.

Near-term expectations

Going forward, given the rapidly increasing COVID-19 infection cases in many countries of the region — led by Brazil, Peru and Colombia — and the continuing need for ongoing relatively stringent lockdown measures and social distancing, oil demand is projected to be under severe pressure throughout the rest of **2020**. Moreover, the region is projected to be in recession in 2020 with a high unemployment rate. In Brazil, for example, unemployment increased in June to reach 13.3%, up from the May level of 12.9%. On the other hand, the government announced plans for structural reforms, including a tax reform, which might provide some support for oil demand going forward. Oil demand is anticipated to improve in the coming months, but will inevitably remain in negative territory for the remainder of 2020.

In **2021**, oil demand is expected to recover, in light of the rebounding economy and historically low consumption in 2020. Moreover, risks are assumed to be to the downside, in light of no clear indication whether COVID-19 will continue to increase, in addition to the economic uncertainties in the region. Brazil is anticipated to lead oil demand recovery in 2021, taking advantage of rebounding transportation fuel demand. From a products point of view, diesel and transportation fuels are projected to lead in 2021.

Middle East

Update on the latest developments

Oil demand in the Middle East declined by 0.8 mb/d y-o-y in **June**, posting a slight improvement from May's decline of 0.1 mb/d y-o-y. Declines were led by both Saudi Arabia and Iraq, which both dropped by around 0.2 mb/d y-o-y. Complete 2Q20 data for the region signifies a hefty drop of more than 1.0 mb/d compared with the same period last year. Gasoline led those declines, with demand impaired on the back of strict mobility restriction measures across the region in light of large increases in COVID-19 infection cases. Not only gasoline declined due to COVID-19 restriction measures; jet fuel was hit as well, as major airlines in the region grounded both domestic and international flights during peak summer activity as well as the holy month of Ramadan.

Oil demand in Saudi Arabia improved m-o-m in **July** by 0.07 mb/d, but remained in negative territory on a y-o-y basis. Data for oil demand indicate a decrease of around 0.2 mb/d compared with July 2019. Direct crude burning for power generation usage was the only fuel posting a y-o-y rise of more than 0.1 mb/d. Increased air-conditioning utilization during the summer, together with required lockdown measures, supported the increase.

On the other hand, all other fuels have showed y-o-y declines, with middle distillates — both diesel and jet/kerosene — declining by a similar magnitude, around 0.09 mb/d y-o-y. Consumption traditionally showed a seasonal uptick during the month of July, supported by an increase in travelling activities

stemming from school holidays, as well as an increase in air-conditioning usage due to warm weather conditions. However, during July of this year demand was diminished on the back of restriction measures to control the spread of COVID-19, including reductions in mobility and flight operations. Industrial fuels also recorded negative performance amid slower industrial activities. Industrial production indicators recorded a 22% y-o-y decline in June, as reported by the general authority for statistics. They are not expected to significantly increase in July.

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

By product	Jul 20	Jul 19	Change 2020/19	
			mb/d	%
LPG	0.04	0.04	0.00	0.0
Naphtha	0.00	0.01	-0.01	-100.0
Gasoline	0.48	0.55	-0.08	-13.9
Jet/kerosene	0.04	0.13	-0.09	-68.8
Diesel oil	0.54	0.63	-0.09	-13.7
Fuel oil	0.56	0.59	-0.03	-4.8
Other products	0.72	0.60	0.12	19.8
Total	2.38	2.55	-0.17	-6.6

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

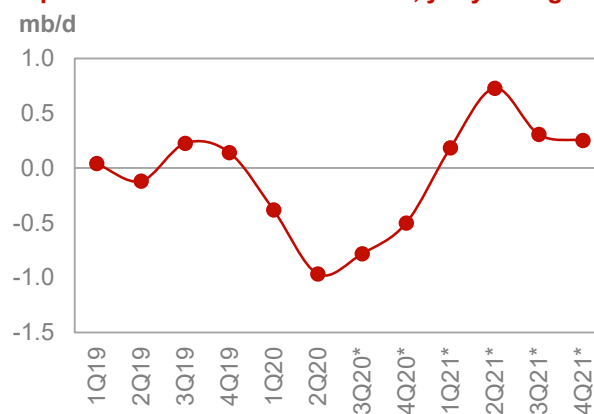
Sources: JODI and OPEC.

Near-term expectations

Going forward, oil demand is expected to continue declining throughout the rest of **2020** for the whole region. However, the magnitude of decline is projected to improve as limitation measures, particularly in the transportation sector, are anticipated to ease. The number of COVID-19 cases remains a key uncertainty going forward and will provide downward risk should infection rates re-emerge, along with containment policies. This is not assumed in the months ahead so far. In Saudi Arabia, the announcement of continued home-schooling for at least seven weeks will pressure gasoline demand. On the other hand, industrial fuel demand is assumed to gradually improve as overall economic momentum picks up. The IHS Markit Saudi Arabia PMI rose to 50.0 in July from 47.7 in June.

In **2021** oil demand is projected to recover sharply, as real GDP is projected to move back into positive territory, rising above this year's low baseline. Gains will be seen in middle distillates and both jet fuel and diesel are projected to return to growth.

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



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

World Oil Supply

Non-OPEC liquids production forecast in 2020 was revised up by 360 tb/d from the previous month's assessment, mainly in the US, due to a higher-than-expected recovery in liquids production in June by 1.0 mb/d m-o-m. Non-OPEC liquids supply is now estimated to contract by 2.7 mb/d, y-o-y to average 62.5 mb/d. Despite supply losses in 2Q20 in the wake of the COVID-19 pandemic, the decline in non-OPEC supply has been much smaller than the drop in demand. A recovery in non-OPEC supply has already begun in the US, Canada and Latin America in 3Q20, although Hurricane Laura partially impacted production in the US Gulf of Mexico (GoM). Non-OPEC liquids supply is forecast to gradually recover in 3Q20 and 4Q20 by 0.2 mb/d and 0.7 mb/d q-o-q, respectively. Liquids production of the 10 non-OPEC participants in the Declaration of Cooperation (DoC) is expected to average 15.86 mb/d in 2H20.

In the US, crude oil, NGLs and biofuels all showed increases in June compared to the drastic fall in May. Although the number of active rigs in July and August remained below June levels, yet initial production data indicates higher output, particularly in Texas. Oil output also recovered in June in Canada, Brazil, Ecuador, China and Oman. Oil supply in 2020 is forecast to decline mainly in the US with 1.0 mb/d, Russia with 1.1 mb/d, Canada, Kazakhstan, Malaysia, Colombia and Azerbaijan, and projected to grow in Norway, Brazil, Guyana and China.

The non-OPEC liquids production forecast for 2021 was adjusted up by 371 tb/d, and is now expected to grow by 1.0 mb/d, higher by 11 tb/d m-o-m, to average 63.47 mb/d (including a recovery of 0.13 mb/d in processing gains). The main drivers for supply growth are expected to be the US with 0.4 mb/d, Canada with 0.2 mb/d, Brazil with 0.1 mb/d, and Norway with 0.1 mb/d, whereby the majority of this growth represents a recovery of production from 2020, rather than new projects. Several sources predict a slow, but steady, recovery in oil prices into 2021, assuming an uptick in demand as well as OPEC+ adhering to production adjustments, although concerns for a second wave of COVID-19 pandemic remain high.

OPEC NGLs and non-conventional liquids production in 2020 is estimated to decline by 0.1 mb/d, and forecast to grow by 0.1 mb/d to average 5.2 mb/d in 2021. OPEC-13 crude oil production in August was up by 0.76 mb/d m-o-m to average 24.05 mb/d, according to secondary sources. Preliminary non-OPEC liquids production in August, including OPEC NGLs, is estimated to have increased by 0.6 mb/d m-o-m to average 65.83 mb/d, while it was lower by 4.8 mb/d y-o-y. As a result, preliminary data indicates that global oil supply increased in August by 1.32 mb/d m-o-m to average 89.88 mb/d, down by 10.01 mb/d y-o-y.

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

Non-OPEC liquids production	2020	Change 2020/19	2021	Change 2021/20
OECD Americas	24.46	-1.31	25.06	0.60
OECD Europe	3.96	0.25	4.08	0.12
OECD Asia Pacific	0.56	0.04	0.57	0.01
Total OECD	28.98	-1.03	29.71	0.74
Other Asia	3.32	-0.21	3.35	0.03
Latin America	6.21	0.15	6.46	0.25
Middle East	3.12	-0.07	3.12	0.00
Africa	1.45	-0.08	1.37	-0.08
Total DCs	14.12	-0.20	14.31	0.19
FSU	13.08	-1.31	13.07	-0.01
Other Europe	0.12	0.00	0.11	-0.01
China	4.11	0.06	4.07	-0.04
Non-OPEC production	60.40	-2.49	61.27	0.87
Processing gains	2.07	-0.19	2.20	0.13
Non-OPEC liquids production	62.47	-2.68	63.47	0.99

Note: * 2020-2021 = Forecast.

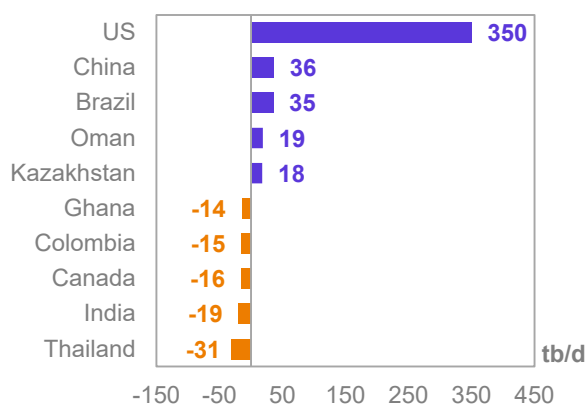
Source: OPEC.

Main monthly revisions

Non-OPEC liquids production growth in **2019** was revised up by a minor 23 tb/d, mainly due to an upward revision in the US by 38 tb/d, and is now estimated to have grown by 2.05 mb/d.

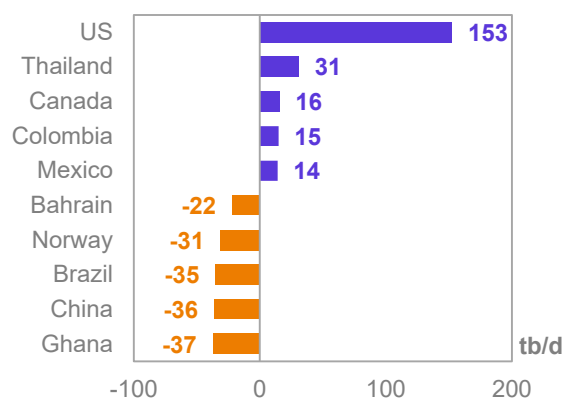
Non-OPEC liquids supply growth in **2020** was revised up by 348 tb/d m-o-m and is now forecast to see a contraction of 2.68 mb/d (including processing gains), to average 62.47 mb/d. This was mainly due to upward revisions in the production forecasts of the US (350 tb/d), China (36 tb/d), Brazil (35 tb/d), Oman (19 tb/d), Kazakhstan (18 tb/d) Bahrain (15 tb/d) and Sudans (12 tb/d).

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



Note: * 2020 = Forecast. Source: OPEC.

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



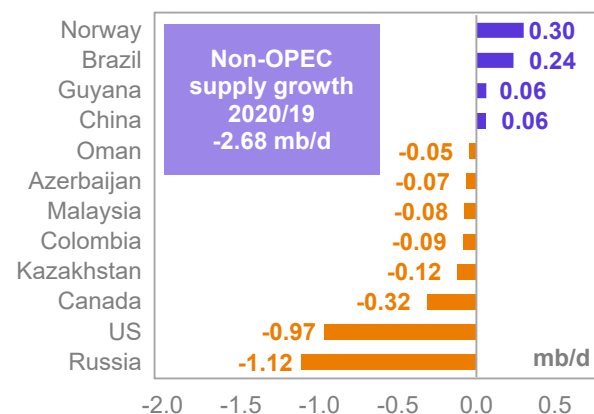
Note: * 2021 = Forecast. Source: OPEC.

The main upward revisions for **2021** production growth forecasts were for the US (153 tb/d), Thailand (31 tb/d), Canada (16 tb/d), Colombia (15 tb/d) and Mexico (14 tb/d), while the forecasts for Ghana, China, Brazil, Norway, Bahrain, Oman and Russia were revised down, compared to the previous month, (**Graph 5 – 2**).

Key drivers of growth and decline

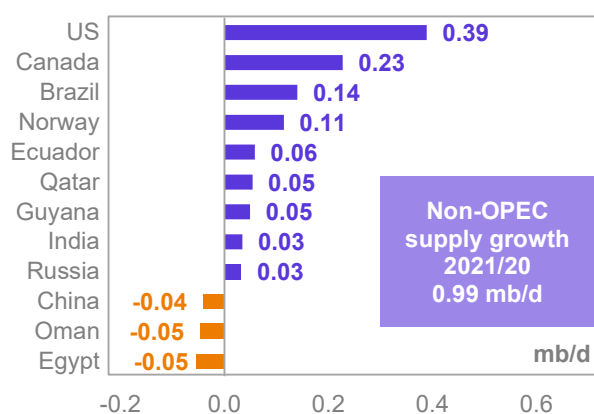
The **key drivers** for non-OPEC liquids supply declines in **2020** are expected to be Russia, the US, Canada, Kazakhstan, Colombia, Malaysia, Azerbaijan and Oman, while increases in oil production growth are forecast mainly in Norway, Brazil, Guyana and China (**Graph 5 – 3**).

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



Note: * 2020 = Forecast. Source: OPEC.

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



Note: * 2021 = Forecast. Source: OPEC.

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

Non-OPEC liquids production in 2020 and 2021

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

Non-OPEC liquids production	2019	1Q20	2Q20	3Q20	4Q20	2020	Change 2020/19	
							Growth	%
Americas	25.77	26.59	23.52	23.73	24.01	24.46	-1.31	-5.09
of which US	18.43	19.05	16.80	16.89	17.10	17.46	-0.97	-5.26
Europe	3.71	4.03	3.86	3.89	4.05	3.96	0.25	6.70
Asia Pacific	0.52	0.53	0.54	0.56	0.62	0.56	0.04	6.98
Total OECD	30.00	31.16	27.91	28.18	28.67	28.98	-1.03	-3.42
Other Asia	3.54	3.46	3.25	3.25	3.34	3.32	-0.21	-5.96
Latin America	6.06	6.36	5.85	6.24	6.42	6.21	0.15	2.54
Middle East	3.19	3.18	3.18	3.09	3.04	3.12	-0.07	-2.19
Africa	1.53	1.48	1.48	1.45	1.40	1.45	-0.08	-5.02
Total DCs	14.32	14.49	13.76	14.03	14.20	14.12	-0.20	-1.42
FSU	14.40	14.53	13.00	12.35	12.46	13.08	-1.31	-9.13
of which Russia	11.44	11.51	10.21	9.74	9.85	10.32	-1.12	-9.78
Other Europe	0.12	0.12	0.12	0.11	0.11	0.12	0.00	-3.14
China	4.05	4.15	4.16	4.13	4.01	4.11	0.06	1.50
Total "Other regions"	18.57	18.80	17.27	16.60	16.58	17.31	-1.26	-6.77
Total non-OPEC production	62.89	64.44	58.94	58.80	59.45	60.40	-2.49	-3.96
Processing gains	2.26	2.15	1.85	2.15	2.15	2.07	-0.19	-8.47
Total non-OPEC liquids production	65.15	66.59	60.79	60.95	61.60	62.47	-2.68	-4.11
Previous estimate	65.14	66.54	60.56	60.28	61.10	62.11	-3.03	-4.65
Revision	0.01	0.04	0.23	0.66	0.50	0.36	0.35	0.54

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

Source: OPEC.

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

Non-OPEC liquids production	2020	1Q21	2Q21	3Q21	4Q21	2021	Change 2021/20	
							Growth	%
Americas	24.46	24.32	24.62	25.20	26.08	25.06	0.60	2.45
of which US	17.46	17.24	17.70	17.88	18.55	17.85	0.39	2.23
Europe	3.96	4.07	3.97	4.00	4.27	4.08	0.12	3.12
Asia Pacific	0.56	0.57	0.56	0.59	0.58	0.57	0.01	2.17
Total OECD	28.98	28.96	29.14	29.79	30.93	29.71	0.74	2.54
Other Asia	3.32	3.35	3.32	3.37	3.36	3.35	0.03	0.80
Latin America	6.21	6.45	6.41	6.37	6.60	6.46	0.25	3.95
Middle East	3.12	3.10	3.11	3.13	3.14	3.12	0.00	-0.11
Africa	1.45	1.40	1.39	1.37	1.35	1.37	-0.08	-5.45
Total DCs	14.12	14.30	14.23	14.23	14.45	14.31	0.19	1.34
FSU	13.08	13.08	13.07	13.07	13.06	13.07	-0.01	-0.08
of which Russia	10.32	10.36	10.36	10.36	10.36	10.36	0.03	0.32
Other Europe	0.12	0.11	0.11	0.11	0.11	0.11	-0.01	-6.92
China	4.11	4.04	4.03	4.07	4.14	4.07	-0.04	-1.00
Total "Other regions"	17.31	17.22	17.21	17.24	17.31	17.25	-0.06	-0.35
Total non-OPEC production	60.40	60.49	60.59	61.27	62.69	61.27	0.87	1.43
Processing gains	2.07	2.20	2.20	2.20	2.20	2.20	0.13	6.17
Total non-OPEC liquids production	62.47	62.69	62.79	63.47	64.89	63.47	0.99	1.59
Previous estimate	62.11	62.41	62.33	63.14	64.49	63.10	0.98	1.58
Revision	0.36	0.28	0.46	0.33	0.40	0.37	0.01	0.01

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

Source: OPEC.

OECD

OECD liquids production in 2020 is forecast to decline by 1.03 mb/d y-o-y to average 28.98 mb/d, revised up by 306 tb/d m-o-m, owing to an upward revision of 332 tb/d in the production forecast for OECD Americas, which is now projected to decline by 1.31 mb/d to average 24.46 mb/d. Oil supply in OECD Europe was revised down by 21 tb/d is now forecast to grow by 0.25 mb/d, with average supply at 3.96 mb/d, and OECD Asia Pacific remains flat m-o-m and is expected to grow by 0.04 mb/d to average 0.56 mb/d.

For **2021**, OECD liquids production was therefore adjusted up by 470 tb/d, and is now expected to grow by 0.74 mb/d, representing an average of 29.71 mb/d on an annual basis. OECD Americas is expected to grow by 0.60 mb/d to average 25.06 mb/d, while oil production in OECD Europe and OECD Asia Pacific is anticipated to grow by 0.12 mb/d and 0.01 mb/d y-o-y to average 4.08 mb/d and 0.57 mb/d, respectively.

OECD Americas

US

US liquids production in June 2020 was higher by 1.0 mb/d m-o-m to average 16.81 mb/d as the EIA reported a remarkable recovery, following the drastic drop of 2.0 mb/d in May. However, US supply was down by 1.48 mb/d, y-o-y. The drastic fall in US oil production in May which was deeper than expected by any of the sources, was due predominantly to curtailments, including shut-ins, restricted flows and delayed start-ups of wells.

Crude oil and condensate production in June, increased by 420 tb/d, m-o-m, to average 10.44 mb/d, 1.65 mb/d lower than a year ago. More than crude, NGLs output showed a robust increase of 0.45 mb/d in June m-o-m, to average 5.2 mb/d, close to the production level of March 2020.

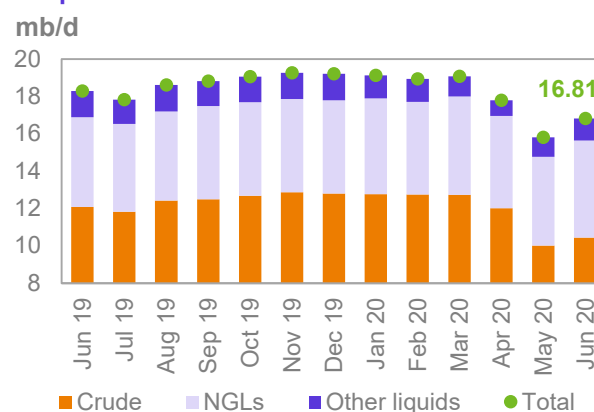
Non-conventional liquids, particularly ethanol, increased by 0.2 mb/d in May m-o-m, to average 1.05 mb/d and is expected to increase further in the coming months. Following the revision to US liquids production data for 2Q20, the production forecast for 2H20 has been revised up, now representing a lower annual decline of 0.97 mb/d compared to the contraction of 1.32 mb/d forecast in the previous month's assessment. As a result, the 2020 US liquids production forecast was revised up by 0.35 mb/d, to average 17.46 mb/d.

Production of crude oil, including field condensates, increased in four Petroleum Administration for Defence Districts (PADDs) in June, but production in the West Coast (PADD 5) declined by 50 tb/d m-o-m, to average 759 tb/d, mainly in Alaska by 43 tb/d.

Crude oil output in June increased by 264 mb/d m-o-m in the USGC, mainly in Texas, followed by the Midwest and Rocky Mountain regions with monthly increases of 148 tb/d and 49 tb/d, respectively. (**Graph 5 – 6**).

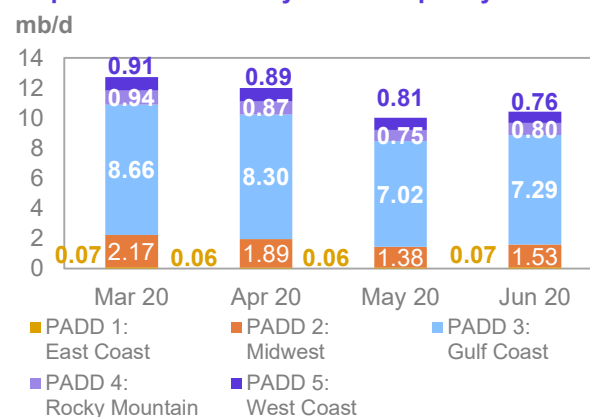
New Mexico's oil production in June rose by 51 tb/d m-o-m, as operators such as Mewbourne Oil Company, ExxonMobil and Chevron reactivated shut-in volumes, helping push the state's total up considerably, according to preliminary estimates. Final numbers could increase further as a result of first oil from wells that have been fracked recently.

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



Source: OPEC.

Graph 5 - 6: US monthly crude output by PADDs



Sources: EIA and OPEC.

Of the increase reported so far, Mewbourne reported growth of 40 tb/d, followed by a rise of 20 tb/d by ExxonMobil and 4t b/d from Chevron, according to preliminary data released by New Mexico’s Oil Conservation Division (OCD) and Rystad Energy forecasts.

“For both Chevron and Mewbourne, for example, wells that started production in 2020 remained quite productive and were largely left out of the curtailment plan. Wells that were brought online in 2018 and 2019 by Mewbourne were temporarily shut-in, but their output levels were bouncing back in June”, Rystad Energy reported.

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

State	Change		
	May 20	Jun 20	Jun 20/May 20
Alaska	404	361	-43
Oklahoma	361	463	102
Colorado	471	450	-21
North Dakota	864	872	8
New Mexico	886	937	51
Gulf of Mexico (GoM)	1,612	1,563	-49
Texas	4,410	4,637	227
Total	10,016	10,436	420

Sources: EIA and OPEC.

North Dakota’s oil production peaked in November at 1.6 mb/d and has fallen since late-March to the deepest level in May at 864 tb/d. However, in June it rose by minor 8 tb/d to average 872 tb/d and has continued to increase since then, with a remarkable recovery seen in August. In North Dakota, most operators have resumed production, with the notable exception of Continental Resources. Rystad Energy had previously forecast that production would increase by almost 100 tb/d in June, thus approaching, or even crossing, the 950 tb/d mark.

Crude oil output in June rose in Texas by 227 tb/d m-o-m to average 4.6 mb/d as operators reactivated shut-in production amid a steady recovery in oil prices, but was down by 340 tb/d, y-o-y. Previously, it had been reported that many wells that were fully or partially shut in during the worst of the Covid-19 crisis in April and May began to come back on stream in June, according to preliminary production reports filed to the Railroad Commission of Texas (RRC).

In PADD 4, oil output in Colorado, which is home to the Niobrara shale, declined in June by 21 tb/d m-o-m to average 0.45 mb/d, while crude production in Wyoming rose by 57 tb/d to average 0.22 mb/d. On the West Coast, production in Alaska and California declined by 43 tb/d and 4 tb/d m-o-m to average 0.36 mb/d and 0.39 mb/d, respectively.

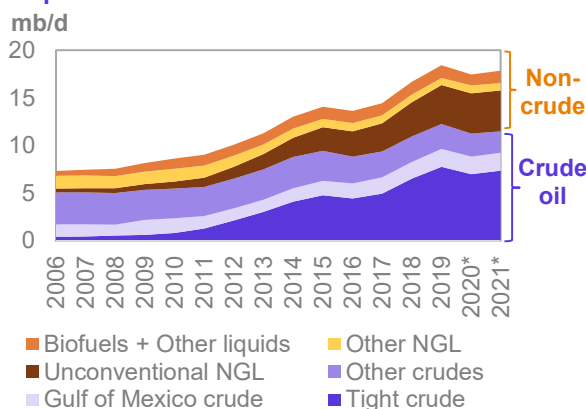
Following an increase of 1.0 mb/d m-o-m in June, 2Q20 was revised up by 454 tb/d to average 16.80 mb/d. This led to an upward revision of 489 tb/d for 3Q20 and of 500 tb/d for 4Q20. Therefore, **US liquids production for 2020** is revised up by 0.35 mb/d and forecast to contract by 0.97 mb/d y-o-y for an average of 17.46 mb/d.

Accordingly, tight oil output will see the largest contraction among liquids components in 2020, by 0.76 mb/d, revised up by 0.17 mb/d compared to a month earlier, followed by a decline of 0.19 mb/d in conventional crude production and 0.05 mb/d in Gulf of Mexico.

The US biofuels and other non-conventional liquids production forecast was also revised up by 0.01 mb/d to average 1.15 mb/d, and shows a contraction of 0.20 mb/d y-o-y.

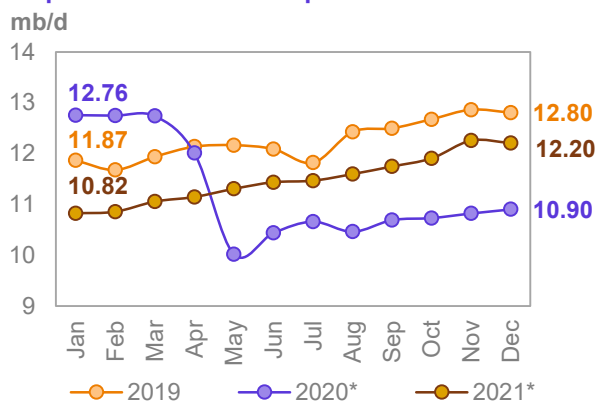
On the other hand, the US NGL production forecast was revised up by 0.14 mb/d, representing y-o-y growth of 0.24 mb/d to average 5.06 mb/d.

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



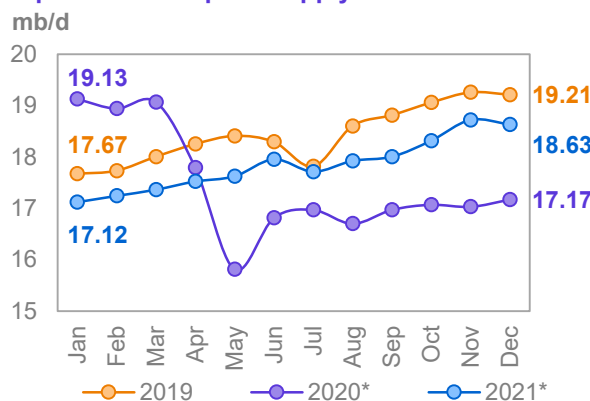
Note: * 2020-2021 = Forecast. Source: OPEC.

Graph 5 - 8: US crude oil production forecast



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

Graph 5 - 9: US liquids supply forecast



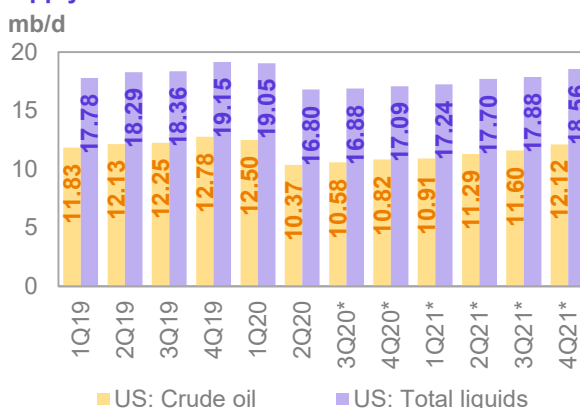
Note: * 2020-2021 = Forecast. Source: OPEC.

US crude oil production in 2021 is forecast to grow by 0.23 mb/d y-o-y to average 11.48 mb/d. This includes condensates averaging around 0.8 mb/d, tight crude increasing by 0.35 mb/d to average 7.35 mb/d, production from the GoM growing by 0.04 mb/d y-o-y to average 1.89 mb/d, and onshore conventional crude, which is forecast to decline by 0.16 mb/d, and average 2.24 mb/d.

US NGL production for the next year is expected to grow by a minor 0.02 mb/d to average 5.08 mb/d, while production of biofuels and other non-conventional liquids in 2021 is forecast to increase by 0.14 mb/d to average 1.29 mb/d.

The US liquids production forecast for 2021 was revised up by a minor 0.01 mb/d compared to last month's projection and is expected to grow by 0.39 mb/d y-o-y to average 17.85 mb/d, but still down by 0.58 mb/d from 2019.

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



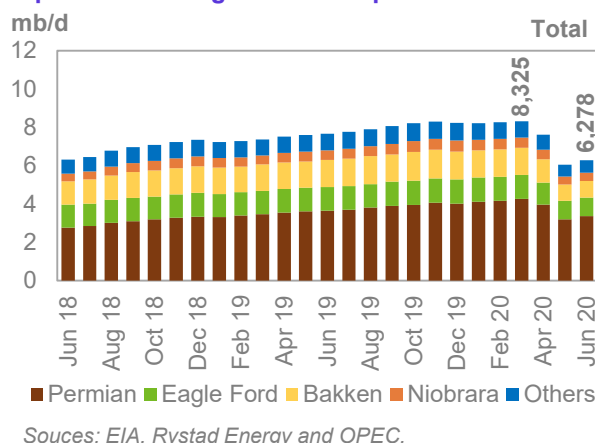
Note: * 3Q20-4Q21 = Forecast. Sources: EIA and OPEC.

US tight crude production peaked in March 2020 at 8.3 mb/d, followed by a drop in April by 713 tb/d and a drastic plunge in May by 1.56 mb/d to average 6.05 mb/d.

During this period, tight crude output fell in all shale regions, but has started to recover in most key regions in June. Tight crude production in 1H20 is estimated to have averaged 7.46 mb/d. Tight crude output rose by 166 tb/d in the Permian Basin to average 3.37 mb/d, 284 tb/d lower than a year ago.

In the Eagle Ford and Bakken shale in North Dakota, oil production increased by 4 tb/d and 24 tb/d to average 963 tb/d and 874 tb/d, respectively.

Graph 5 - 11: US tight crude output breakdown



Sources: EIA, Rystad Energy and OPEC.

Feature box: Hurricane Laura

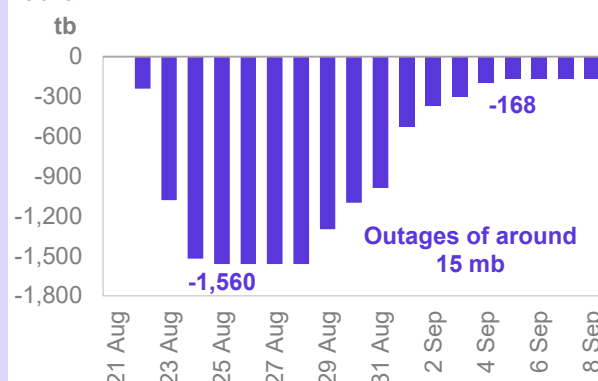
Hurricane Laura, a powerful category 4 storm that hit the Gulf region in August 2020, forced personnel to evacuate offshore platforms, rigs, and other production sites, reaching shut-in levels in the US GoM of 1.56 mb/d on 25 August as reported to the US Bureau of Safety and Environmental Enforcement (BSEE).

According to the daily monitoring report provided by the BSEE, oil producers had evacuated 310 offshore facilities in the Gulf of Mexico by 25 August. Shut-ins reached 84% of GoM oil production and more than 1.6 bcf of gas output. As of 2 September, the BSEE reported that around 19.9% of GoM production was still shut-in, while 59 offshore platforms remain evacuated. In the past, it has taken 5 to 10 days to restore widespread production shut-ins of a similar magnitude when there has been no major permanent damage to platforms and infrastructure.

Furthermore, refiners that had halted production of gasoline and diesel in the seven facilities that process nearly 2.34 mb/d of crude oil in the USGC, began checking for potential damage at refineries and chemical plants, but were still impacted by power outages.

According to the BSEE, personnel remained evacuated from a total of 40 production platforms (around 6%) out of 643, and from one rig out of total 12 rigs currently operating in the GoM. The BSEE estimates that approximately 9% or 168 tb/d of the current oil production as well as 213 mcf/d of gas, or 7.9%, remains shut-in as of 8 September. In the case of permanent damage to infrastructure, some of the shut-ins could last for months.

Graph 5 - 12: Gulf of Mexico shut-ins by Hurricane Laura



Sources: Bureau of Safety and Environmental Enforcement and OPEC.

The estimated US tight oil production breakdown as well as the US liquids production breakdown in 2019 and the forecasts for 2020 and 2021 are shown below.

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

US liquids	2018	2019	Change 2019/18	2020*	Change 2020/19	2021*	Change 2021/20
Tight crude	6.51	7.76	1.25	7.00	-0.76	7.35	0.35
Gulf of Mexico crude	1.76	1.90	0.14	1.85	-0.05	1.89	0.04
Conventional crude oil	2.69	2.59	-0.11	2.40	-0.19	2.24	-0.16
Unconventional NGLs	3.58	4.10	0.52	4.23	0.13	4.31	0.08
Conventional NGLs	0.79	0.73	-0.07	0.83	0.10	0.77	-0.06
Biofuels + Other liquids	1.35	1.35	0.00	1.15	-0.20	1.29	0.14
US total supply	16.69	18.43	1.74	17.46	-0.97	17.85	0.39

Note: * 2020-2021 = Forecast.

Sources: EIA, OPEC and Rystad Energy.

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

US tight oil	2019	Change 2019/18	2020*	Change 2020/19	2021*	Change 2021/20
Permian tight	3.70	0.87	3.87	0.17	4.15	0.28
Bakken shale	1.42	0.16	1.28	-0.14	1.35	0.07
Eagle Ford shale	1.24	0.05	0.93	-0.31	0.91	-0.02
Niobrara shale	0.52	0.07	0.33	-0.19	0.37	0.04
Other tight plays	0.88	0.10	0.59	-0.29	0.57	-0.02
Total	7.76	1.25	7.00	-0.76	7.35	0.35

Note: * 2020-2021 = Forecast.

Source: OPEC.

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

The **cumulative US rig count** declined by 642 units, or 71%, y-o-y, to 256 rigs in the week ending 4 September as most operators kept their wells shut-in. US operators idled 502 oil rigs in the 25 weeks since crude prices started plummeting from 13 March. The pace of the declining oil rig count has slowed since June, compared with April and May, and in July and August it has been more or less flat.

The **oil rig count** added one rig w-o-w to 181 rigs, while **gas rigs** remained unchanged w-o-w at 72 rigs. At the same time the US oil rig count dropped by 557 rigs, or 75% y-o-y, while gas rigs dropped by 88 units, or 55%. Total horizontal rigs (oil and gas) decreased by 563 units, or 72%, y-o-y to stand at 220 rigs. The horizontal rig count dropped by 1 rig w-o-w.

Regarding major basins, the vast majority of US rigs continue to be in the Permian Basin, at 125 rigs, as of 4 September, lower by 302 rigs, or 71%, y-o-y. At the same time, the number of active rigs was 9 units in the Eagle Ford Basin, down by 87% y-o-y, 9 units, down by 83% y-o-y, in the Williston Basin and 4 units, down by 83% y-o-y, in the Niobrara Basin.

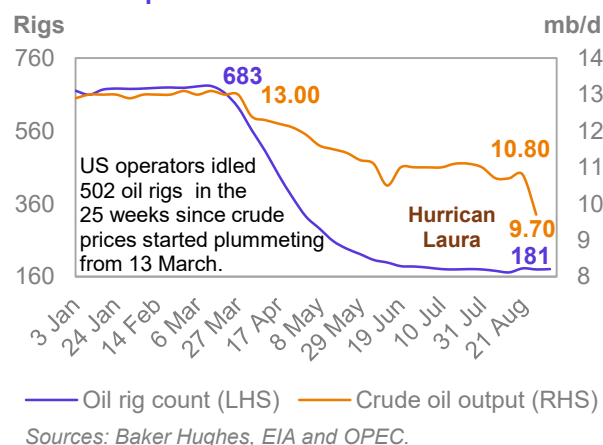
With regard to **spudding, completion and starting wells** in all US shale plays as reported by Rystad Energy, only 217 horizontal wells were spudded in August (as per preliminary information), a drop of 33 wells m-o-m and this compares to 929 spudded wells in August 2019.

The preliminary number of fracked wells is estimated at 450 wells in August, more or less flat after a significant rebound in June and July, based on latest satellite data and new FracFocus filings, according to Rystad Energy. The marginal decline reflects the timing of completions rather than indicating any structural slowdown in activity, Rystad Energy reported.

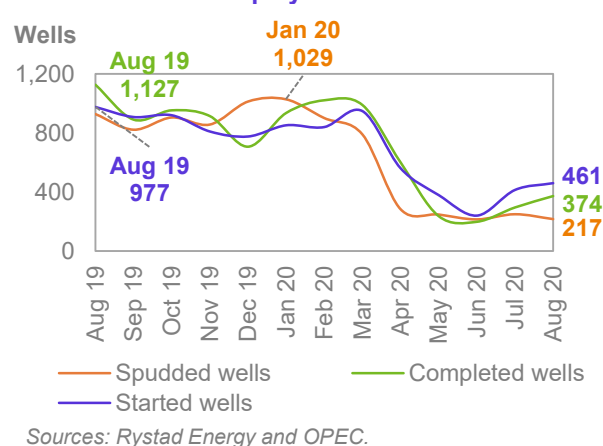
In August, 374 wells were completed, either of new drilled wells or uncompleted wells from DUC inventories. This was higher by 77 wells m-o-m, but lower by 753 wells y-o-y. Regarding started new horizontal wells, a total of 461 new wells started to produce in August in all US shale regions compared to 415 started wells in July, but this was lower by 515 started wells y-o-y.

The number of **DUC horizontal wells** in US shale plays in **August**, following a m-o-m decrease by 51 uncompleted wells in July, dropped again by 154 wells m-o-m to 5,003 wells, as per preliminary data.

Graph 5 - 13: US weekly rig count vs US weekly crude oil output



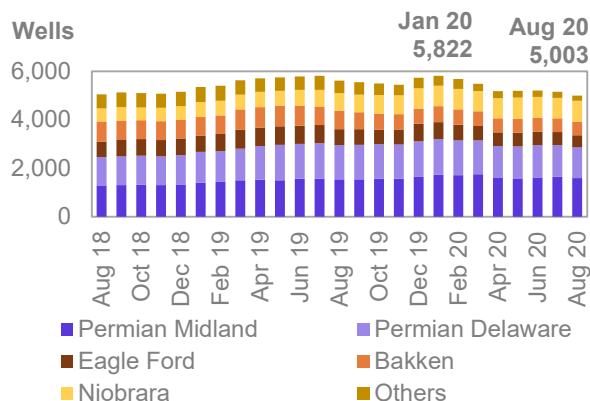
Graph 5 - 14: Spudded, completed and started wells in the US shale plays



As WTI oil prices hover around \$40/b and many companies stick with conservative capital budgets to focus on shoring up their balance sheets, Rystad Energy estimates that the existing backlog of drilled but uncompleted (DUC) wells will help sustain the current level of fracking without the industry adding more rigs to expand drilling well into 2021.

Increasing fracking activities in August, and a steady number of active oil rigs, have led to a drop in DUCs by 60 units in the Permian Midland, 40 units in the Permian Delaware, 28 units in Eagle ford, 18 units in the Bakken shale and 29 units in other shale plays. Meanwhile the number of DUCs increased by 21 units in DJ-Niobrara.

Graph 5 - 15: US horizontal DUC count by shale play



Sources: Rystad Energy and OPEC.

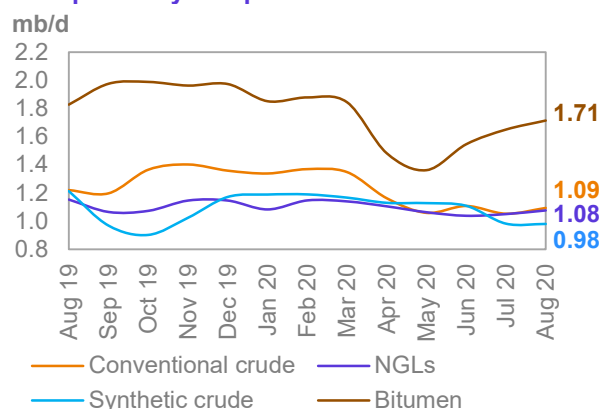
Canada

Canada's liquids production in July was down by 0.06 mb/d to average 4.78 mb/d, which is far from 5.41 mb/d of a year ago. This drop comes despite a monthly increase of 0.10 mb/d in Alberta's bitumen output.

According to official data, production of synthetic crude in July was down by 0.13 mb/d m-o-m to average 0.98 mb/d in July. Moreover, production of conventional crude in June rose by 0.05 mb/d to average 1.11 mb/d, while NGLs output was down by 0.02 mb/d to average 1.04 mb/d. Production of biofuels was flat at 0.04 mb/d.

Canada's liquids production in 2Q20 was revised down by 62 tb/d, mainly due to oil sands mining that dipped to 20-month low in May. Canada's crude oil production in May declined by 0.96 mb/d from the historical high of 4.5 mb/d recorded in December 2019.

Graph 5 - 16: Canada monthly liquids production development by component



Sources: National Energy Board and OPEC.

According to the Alberta Energy Regulator (AER), total mining output averaged 1.35 mb/d in May, down 119 tb/d y-o-y and the lowest since September 2018, mostly due to maintenance activity and voluntary curtailment. Mining output in May declined m-o-m in Kearl, Horizon, Suncor's Base Plant, Syncrude's Mildred Lake and Forth Hills, while production in Jackpine mine and Aurora mine showed a rebound.

Canadian oil and gas capital expenditures in 2Q20 declined by Canadian dollars (CAD) 4.7 billion to average CAD 3.9 billion compared to 2Q19. Total Canadian crude exports declined by 0.22 mb/d to average 3.5 mb/d in 2Q20, y-o-y, mainly heavy crude (<25 API degree). Oil exports through pipelines reached 2.2 mb/d in December 2019 and total railroad capacity for oil exports is estimated at 1.7 mb/d, according to the Canada Energy Regulator (CER) and StatsCan. Hence, Canada needs more infrastructure for oil exports if they want to expand beyond 4 mb/d. This is the main challenge for increasing oil production in Canada, unless Enbridge's new Line 3 project materialises.

Canada's oil supply in 2020 was revised down by a minor 16 tb/d following lower-than-expected output in 2Q20 and is now estimated to see a contraction of 0.32 mb/d y-o-y for an average of 5.10 mb/d.

For 2021, the Canadian production forecast was adjusted up by 16 tb/d to grow by 0.23 mb/d and average 5.32 mb/d. Oil production recovery in Canada, particularly from shut-in wells in Alberta, is forecast to gradually increase amid higher demand in the next year, most likely in 2H21, when output is expected to reach 5.5 mb/d. Canada is still facing pipeline constraints and railroad capacity limits for oil exports.

Mexico

Mexico's liquids output in July was down by 16 tb/d m-o-m to average 1.9 mb/d. Liquids output in 2Q20 declined by 0.08 mb/d q-o-q to average 1.9 mb/d. In 2H20, Mexico's production is likely to drop to average 1.85 mb/d.

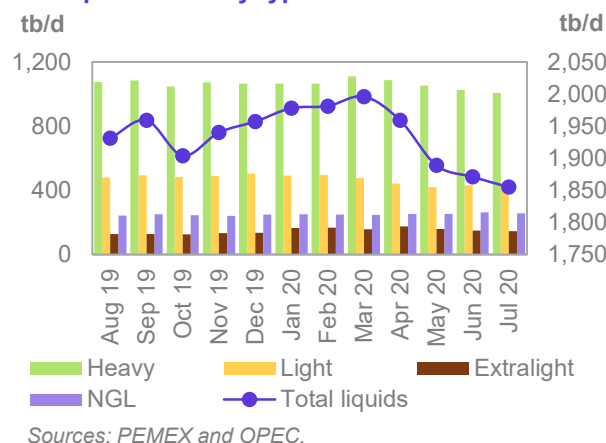
Crude oil output in July declined by 10 tb/d to average 1.6 mb/d, while NGLs production also inched down by 6 tb/d to average 256 tb/d.

Preliminary production data for August indicates an increase of 20 tb/d, which may be due to ramp ups in the 13 priority fields where Pemex had already started up production from 23 wells. However, the temporary stoppage of loadings due to COVID-19 restrictions at one of the FPSOs in the GoM may offset the expected growth from those fields.

Mexico's total liquids production in **2020** is forecast to see less of a contraction, by 0.03 mb/d y-o-y, revised down by 14 tb/d compared to the previous assessment, representing average production of 1.90 mb/d.

For **2021**, oil production declines in Mexico are forecast to continue by 0.02 mb/d to average 1.88 mb/d.

Graph 5 - 17: Mexico's monthly liquids and crude production by type

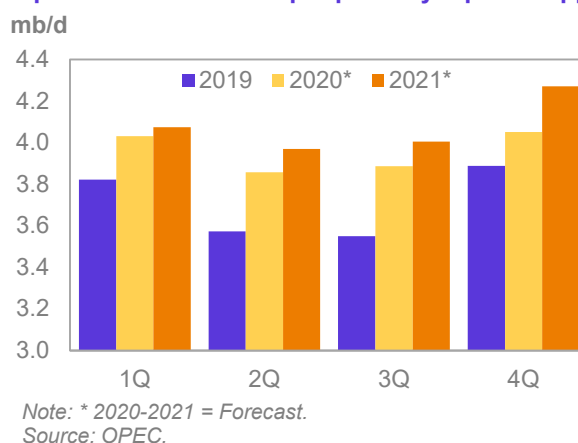


OECD Europe

OECD Europe's liquids production in 2020 is projected to grow by 0.25 mb/d to average 3.96 mb/d, revised down by 0.02 mb/d. Y-o-y growth is mainly coming from Norway amid production ramp ups in the giant Johan Sverdrup field. The outlook, however, is somewhat gloomier in other countries, particularly in the UK, where project sanctions have dried up or field closures and natural declines have destroyed production growth.

For **2021**, the production forecast was revised down by 0.03 mb/d is now likely to surge to 4.08 mb/d through continued production ramp ups in Norway, representing y-o-y growth of 0.12 mb/d for the region.

Graph 5 - 18: OECD Europe quarterly liquids supply

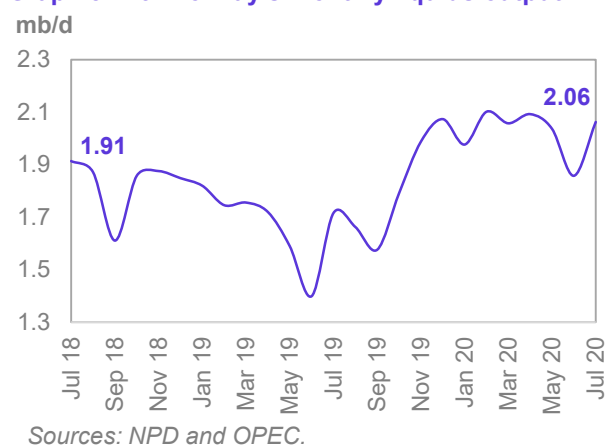


Norway

Norwegian liquids production in July rose by 0.20 mb/d m-o-m to 2.06 mb/d, after drop of 0.18 mb/d m-o-m in June, following the government's announcement on 29 April 2020 to curtail crude production.

From July to December, crude oil production on the Norwegian Continental Shelf will be adjusted down by 134 tb/d up to a maximum of 1,725 tb/d, based of the crude production benchmark of 1,859 tb/d. Preliminary crude production data in July was assessed at 1,739 tb/d close to the level, mandated by Norwegian government. Moreover, production of NGLs and condensate was up by 9 tb/d m-o-m to average 323 tb/d in July.

Graph 5 - 19: Norway's monthly liquids output



Norway's liquids supply in 2020 is expected to grow by 0.30 mb/d to average 2.04 mb/d. For **2021**, liquids supply was revised down by 31 tb/d and is forecast to grow by 0.11 mb/d to average 2.15 mb/d. Apart from those projects that were deferred to 2021, two other projects, namely Snorre (capacity of 31 tb/d) and Bauge (capacity of 22 tb/d), are planned to start-up in 2021.

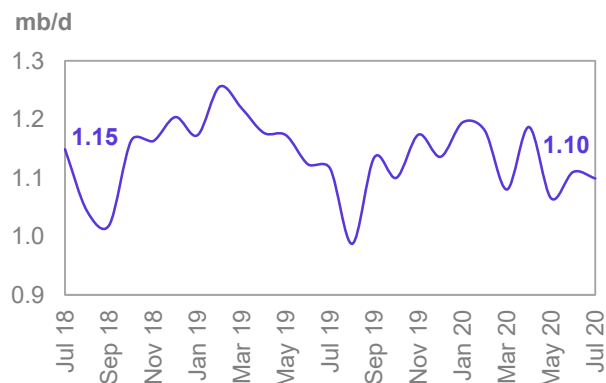
UK

UK liquids production in July was up by 0.01 mb/d m-o-m to average 1.10 mb/d. Crude oil output declined by 15 tb/d to average 0.97 mb/d, while NGLs production showed a minor increase of 4 tb/d to average 110 tb/d.

For **2020**, despite expected growth from new projects, UK oil production was revised down by 0.01 mb/d to average at 1.14 mb/d, a drop of 0.01 mb/d, y-o-y.

For **2021**, UK liquids production is forecast to show minor growth of 0.01 mb/d to average 1.15 mb/d.

Graph 5 - 20: UK monthly liquids output



Sources: Department of Energy & Climate Change and OPEC.

Non-OECD

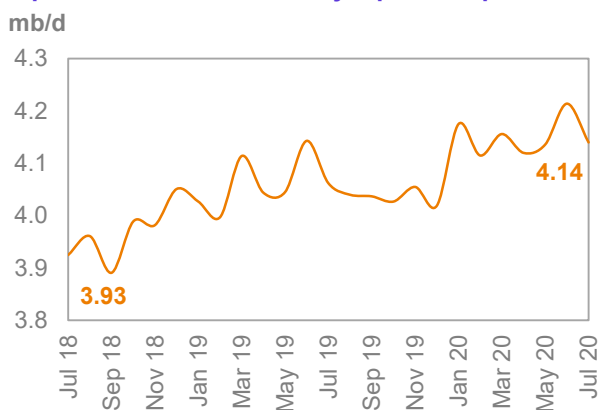
Non-OECD liquids production for 2020 is forecast to decline by 1.46 mb/d y-o-y to average 31.43 mb/d, revised up by 54 tb/d m-o-m. China is expected to grow by 0.06 mb/d to average 4.11 mb/d. Developing countries (DCs) are likely to decline by 0.20 mb/d to average 14.12 mb/d, including Other Asia (-0.21 mb/d to average 3.32 mb/d), Latin America (0.15 mb/d to average 6.21 mb/d), the Middle East (-0.07 mb/d to average 3.12 mb/d), and Africa (-0.08 mb/d to average 1.45 mb/d). Oil production in FSU is estimated to decline by 1.31 mb/d y-o-y to average 13.08 mb/d, and oil output in Other Europe will remain stagnant at 0.12 mb/d.

For **2021**, liquids production in non-OECD countries is forecast to grow by 0.13 mb/d to average 31.55 mb/d, revised down by 0.1 mb/d. China is likely to show a decline by 0.04 mb/d to average 4.07 mb/d. In DCs, the key driver remains Latin America with y-o-y forecast growth of 0.25 mb/d to average 6.46 mb/d. Oil production is also projected to increase in Other Asia by 0.03 mb/d to average 3.35 mb/d. Production in Africa will decline by 0.08 mb/d to average 1.37 mb/d and oil production in the Middle East is forecast to remain flat y-o-y at 3.12 mb/d. Oil production in the FSU is projected to show a minor decline of 0.01 mb/d to average 13.07 mb/d, while Other Europe is anticipated to decline by 0.01 mb/d to average 0.11 mb/d.

China

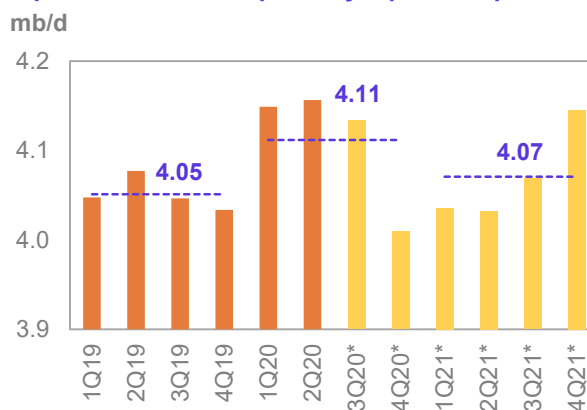
China's **liquids production in July** was down by 0.07 mb/d m-o-m to average 4.14 mb/d, up by 0.08 mb/d y-o-y, according to official data. Crude oil output in July despite production start-up in the Qinhuangdao 33-1S oilfield phase I project on 12 June, returned to the May level, dropping by 76 tb/d m-o-m to average 3.88 mb/d, up by 41 tb/d y-o-y.

Graph 5 - 21: China's monthly liquids output



Sources: CNPC and OPEC.

Graph 5 - 22: China's quarterly liquids output



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

Preliminary liquids production data in August indicates a flat output. Oil production in 2H20 is forecast to decrease further to average 4.07 mb/d due to maintenance and capex discipline. As a result, the **oil supply in 2020** is projected to grow by 0.06 mb/d to average 4.11 mb/d, revised up by 36 tb/d, and for **2021**, oil supply is forecast to contract by 0.04 mb/d.

Offshore oil output in China is heavily driven by brownfield activity, which makes up 54% of total FIDs in terms of investment planned for 2019-2022. The share of greenfields is 29%, while the offshore sector plans to spend around 17% of total allocated spending. Several large field development projects are scheduled for development, while exploration activity is increasingly geared towards adding natural gas reserves.

Rystad Energy previously forecast that total E&P expenditure in China's offshore sector would reach nearly \$11 billion in 2019, which represents an increase of about 25% from 2017 levels. Before this projection, China National Offshore Oil Company (CNOOC) had announced that it would boost total E&P spending in China to between 70 billion and 80 billion yuan (\$10.3 billion to \$11.8 billion). However, the level of spending in E&P companies for the current year, considering the pandemic and the low oil price environment is unclear, despite their commitment to the country's strategy to increase domestic production.

Latin America

Total liquids production in Latin America dropped by 0.5 mb/d q-o-q in 2Q20 to average 5.85 mb/d. This decline was not related to production curtailments, but rather to the outbreak of the COVID-19 pandemic and low oil prices during April and May. Production outages were seen in Argentina (-0.06 mb/d), Brazil (-0.13 mb/d), Colombia (-0.12 mb/d), Ecuador (-0.19 mb/d) and Latin America others (-0.02 mb/d). Production recovered in July in most countries of the region, up by 0.38 mb/d compared to 2Q20, to average 6.22 mb/d. Latin America's oil supply in 3Q20 and 4Q20 is likely to increase to 6.24 mb/d and 6.42 mb/d, respectively.

While oil production in Argentina, Colombia and Ecuador is expected to decline in **2020**, oil output in Brazil and Latin America other, mainly Guyana, will increase. Latin America's oil supply is forecast to grow by 0.15 mb/d y-o-y to average 6.21 mb/d.

For **2021**, oil production is projected to grow by 0.25 mb/d to average 6.46mb/d. Oil production in Brazil, Ecuador and Latin America others will increase, while production will remain flat in other countries.

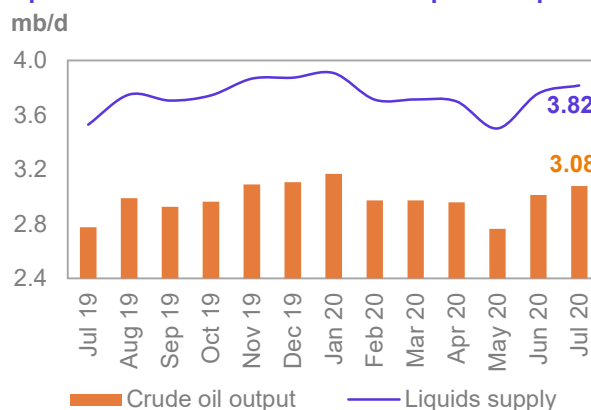
Brazil

Brazil's crude oil production in June and July, rose to 3.01 mb/d and 3.08 mb/d, respectively. This follows a decline of 0.19 mb/d in May.

Brazilian crude oil output in July is now back to the level of November 2019, mainly due to record high production by 0.10 mb/d m-o-m in the Búzios field to average 0.61 mb/d. Moreover, Petrobras had already started production from the Atapu field in the eastern part of the pre-salt area through the FPSO P-70 on 25 June.

According to official data, total liquids output including biofuels increased by 0.06 mb/d to average 3.82 mb/d in July.

Graph 5 - 23: Brazil's crude oil and liquids output

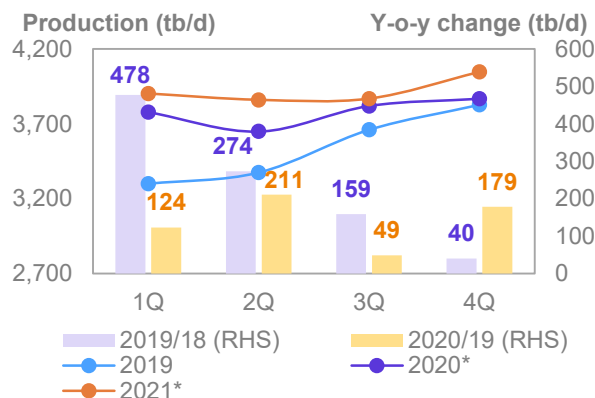


Sources: ANP and OPEC.

In **2020**, oil production is projected to grow by 0.24 mb/d to average 3.78 mb/d.

For **2021**, liquids supply is forecast to grow by 0.14 mb/d to average 3.92 mb/d, mainly crude oil from pre-salt areas.

Graph 5 - 24: Brazil's quarterly liquids supply



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

FSU

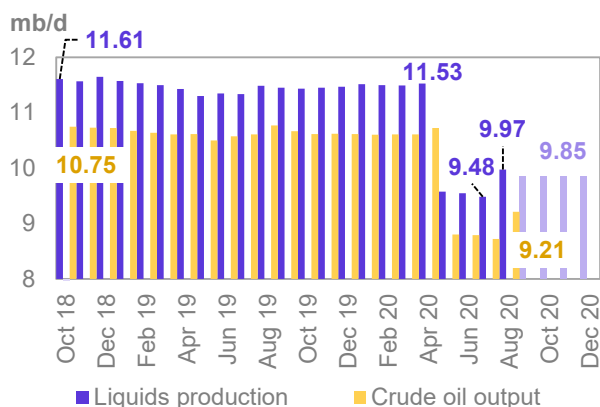
The **FSU** oil supply forecast for **2020** was revised up by 30 tb/d, due to an upward revision by 120 tb/d in 3Q20 on higher-than-expected output in the same quarter (based on production data in July and August) in Kazakhstan, Russia, Azerbaijan and FSU others, which led to a lower contraction by 1.31 mb/d. Production in three countries – Russia, Kazakhstan and Azerbaijan – participating in the DoC is forecast to decline by 1.12 mb/d, 0.12 mb/d and 0.07 mb/d, respectively in 2020.

For **2021**, oil production in the region, assuming 100% conformity with the agreed adjustments by the participating countries of the DoC, will decline by a minor 0.01 mb/d y-o-y to average 13.07 mb/d, of which Russia is forecast to grow by 0.03 mb/d.

Russia

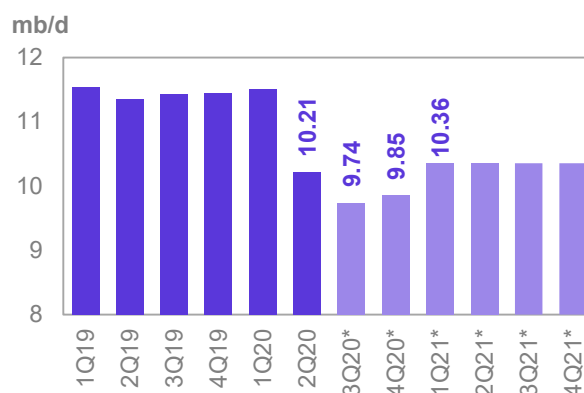
Preliminary data for **Russia's liquids production in August** shows an increase of 0.49 mb/d m-o-m for an average of 9.97 mb/d, based on official data. This is lower by 1.52 mb/d y-o-y. Preliminary crude oil production in August averaged 9.21 mb/d, up from 8.72 mb/d in July. Russia adjusted down crude oil production by 1.92 mb/d in May, 1.94 mb/d in June, 2.00 mb/d in July and now in August has adjusted down by 1.51 mb/d, all compared to April, in accordance with the agreement of the DoC. Production of condensate and NGLs from gas condensate fields was flat at 0.76 mb/d.

Graph 5 - 25: Russia's monthly liquids production and forecast



Sources: Nefte Compass and OPEC.

Graph 5 - 26: Russia's quarterly liquids output



Note: * 3Q20-4Q21 = Forecast.

Sources: Nefte Compass and OPEC.

Russia's liquids supply is forecast to average 9.74 mb/d and 9.85 mb/d for 3Q20 and 4Q20, respectively.

Annual liquids production in **2020** is forecast to decrease by 1.12 mb/d y-o-y to average 10.32 mb/d. Russia carries the largest share of production adjustments of the non-OPEC countries participating in the DoC.

For **2021**, Russian liquids supply is expected to grow by 0.03 mb/d y-o-y to average 10.36 mb/d based on the agreed crude oil production adjustments, with equal production levels at 10.36 mb/d for all quarters.

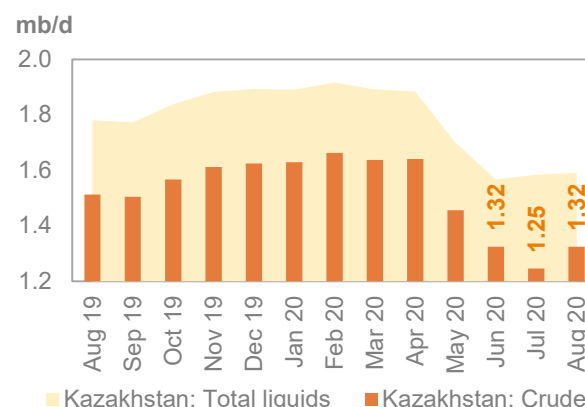
Caspian

Kazakhstan

Kazakhstan's preliminary liquids production in August shows a minor increase of 0.01 mb/d m-o-m to average 1.59 mb/d, lower by 0.19 mb/d y-o-y. Liquids output in three months of June, July and August was flat at 1.58 mb/d, a decline of 0.32 mb/d compared to 1Q20.

According to North Caspian Operating Co. (NCOC), "The giant offshore Kashagan project, has been largely untouched by the COVID-19 pandemic, in stark contrast to the Chevron-operated Tengizchevroil (TCO) joint venture that has struggled to cope with an outbreak of the virus". NCOC produced around 354 tb/d of crude in 1H20, according to official data, while crude output at Tengiz averaged out at around 625 tb/d.

Graph 5 - 27: Kazakhstan monthly crude and total liquids output



Sources: Nefte Compass and OPEC.

Crude oil production in June and July declined to 1.30 mb/d and 1.32 mb/d, respectively. The preliminary crude production data for August stands at 1.32 mb/d, flat m-o-m.

Kazakhstan's liquids production in **2020** is expected to decline by 0.12 mb/d to average 1.70 mb/d.

For **2021**, production is forecast to decline by 0.02 mb/d, y-o-y to average 1.68 mb/d.

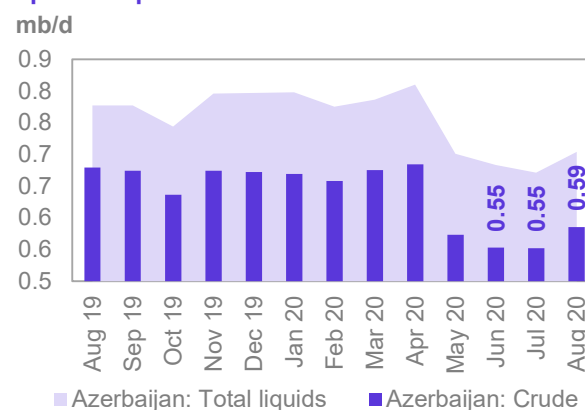
Azerbaijan

Liquids output in Azerbaijan in June shows a m-o-m decline of 0.02 mb/d to average 0.68 mb/d, and continues more or less at the same level in July while the preliminary output in August indicates m-o-m growth of 0.03 mb/d to average 0.70 mb/d.

Crude oil production was adjusted down to average 573 tb/d, 564 tb/d, 552 tb/d and 585 tb/d in May to August, respectively, compared to 684 tb/d in April.

For **2020**, in line with the decisions of the DoC for crude oil production adjustment, liquids production is forecast to decline by 0.07 mb/d to average 0.72 mb/d, while for **2021**, a minor decline of 0.01 mb/d is anticipated.

Graph 5 - 28: Azerbaijan monthly crude and total liquids output



Sources: Nefte Compass and OPEC.

OPEC NGL and non-conventional oils

OPEC NGLs and non-conventional liquids declined by 0.04 mb/d to average 5.04 mb/d in July and August due to lower NGLs output at 4.9 mb/d, compared to the average of 4.98 mb/d in 2Q20. This was also down by 0.24 mb/d from a year ago.

For **2020**, a contraction of 0.11 mb/d y-o-y and average output of 5.15 mb/d are anticipated. OPEC NGLs production is projected to decline by 0.11 mb/d to average 5.04 mb/d, while OPEC non-conventional liquids will remain unchanged at 0.11 mb/d.

For **2021** growth of 0.09 mb/d is forecast to average 5.24 mb/d. NGLs production is expected to grow by 0.09 mb/d to average 5.13 mb/d, while non-conventional liquids will remain unchanged at 0.11 mb/d.

Graph 5 - 29: OPEC NGLs and non-conventional liquids output

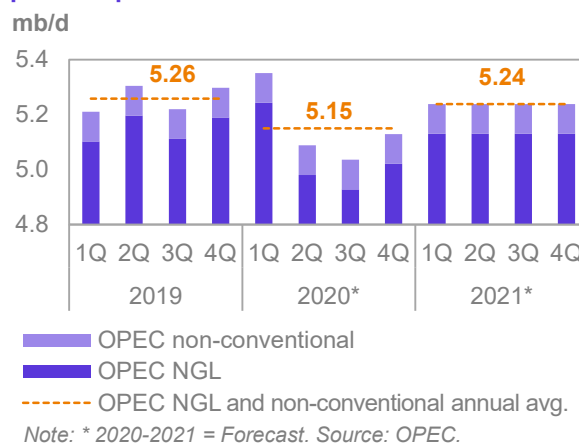


Table 5 - 7: OPEC NGL + non-conventional oils, mb/d

OPEC NGL and non-conventional oils	Change		Change		1Q21	2Q21	3Q21	4Q21	2021	Change
	2019	19/18	2020	20/19							21/20
OPEC NGL	5.15	-0.08	5.04	-0.11	5.13	5.13	5.13	5.13	5.13	0.09
OPEC non-conventional	0.11	0.00	0.11	0.00	0.11	0.11	0.11	0.11	0.11	0.00
Total	5.26	-0.08	5.15	-0.11	5.24	5.24	5.24	5.24	5.24	0.09

Note: 2020-2021 = Forecast.

Source: OPEC.

OPEC crude oil production

According to secondary sources, total **OPEC-13 crude oil production** averaged 24.05 mb/d in August 2020, higher by 0.76 mb/d m-o-m. Crude oil output increased mainly in Saudi Arabia, UAE, Kuwait, Algeria and Angola, while production decreased primarily in Iraq.

OPEC crude oil production based on direct communication is shown in **Table 5 - 9**.

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

Secondary sources	2018	2019	4Q19	1Q20	2Q20	Jun 20	Jul 20	Aug 20	Change Aug/Jul
Algeria	1,042	1,022	1,022	1,016	878	810	808	855	47
Angola	1,505	1,401	1,350	1,388	1,270	1,223	1,186	1,210	24
Congo	317	324	313	295	292	298	285	277	-8
Equatorial Guinea	125	117	122	122	111	117	106	118	11
Gabon	187	208	210	195	198	203	186	181	-5
Iran, I.R.	3,553	2,356	2,113	2,059	1,958	1,947	1,930	1,940	10
Iraq	4,550	4,678	4,633	4,560	4,127	3,715	3,752	3,652	-100
Kuwait	2,745	2,687	2,688	2,741	2,464	2,085	2,161	2,288	127
Libya	951	1,097	1,163	348	84	90	108	106	-2
Nigeria	1,718	1,786	1,777	1,800	1,617	1,492	1,480	1,482	2
Saudi Arabia	10,311	9,771	9,846	9,796	9,212	7,540	8,417	8,892	475
UAE	2,986	3,094	3,135	3,226	2,893	2,387	2,525	2,705	180
Venezuela	1,354	796	724	730	506	337	339	340	1
Total OPEC	31,344	29,337	29,095	28,276	25,610	22,243	23,283	24,045	763

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

Source: OPEC.

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

Direct communication	2018	2019	4Q19	1Q20	2Q20	Jun 20	Jul 20	Aug 20	Change Aug/Jul
Algeria	1,040	1,023	1,023	1,018	874	807	809	859	50
Angola	1,473	1,373	1,330	1,402	1,267	1,230	1,275	1,266	-9
Congo	323	329	307	308	311	309	301	309	9
Equatorial Guinea	120	110	110	126	107	114	116	117	1
Gabon	193	218	212	224	227	225	204	201	-3
Iran, I.R.	..	..	..	..	..	..	..	..	...
Iraq	4,410	4,576	4,568	4,490	4,088	3,698	3,697	3,578	-119
Kuwait	2,737	2,678	2,683	2,744	2,474	2,088	2,158	2,289	131
Libya	..	..	..	..	..	..	..	..	...
Nigeria	1,602	1,737	1,734	1,761	1,515	1,406	1,353	1,361	9
Saudi Arabia	10,317	9,808	9,929	9,755	9,317	7,484	8,479	8,984	505
UAE	3,008	3,058	3,058	3,173	2,921	2,303	2,406	2,693	287
Venezuela	1,510	1,013	859	821	568	393	392	396	4
Total OPEC	..	..	..	..	..	..	..	..	...

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

Source: OPEC.

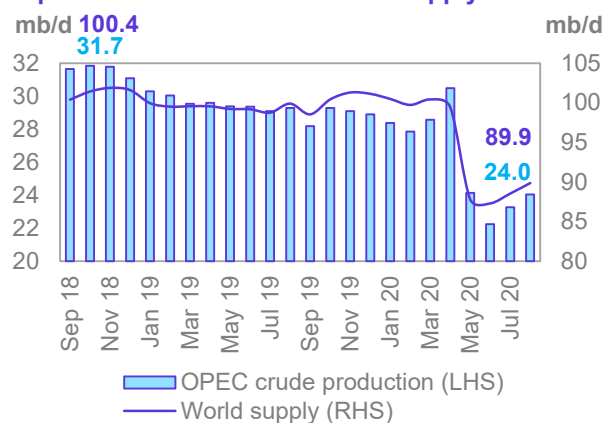
World oil supply

Preliminary data indicates that **global liquids production in August** increased by 1.32 mb/d to average 89.88 mb/d, compared with the previous month, and lower by 10.01 mb/d, y-o-y.

Non-OPEC liquids production (including OPEC NGLs) increased in August by 0.56 mb/d compared with the previous month to average 65.83 mb/d, lower by 4.76 mb/d y-o-y. The preliminary increases in production during August 2020, were mainly driven by Russia and Canada.

The **share of OPEC crude oil in total global production** increased by 0.5 pp to 26.8% in August compared with the previous month. Estimates are based on preliminary data from direct communication for non-OPEC supply, OPEC NGLs and non-conventional oil, while estimates for OPEC crude production are based on secondary sources.

Graph 5 - 30: OPEC and world oil supply



Source: OPEC.

Product Markets and Refinery Operations

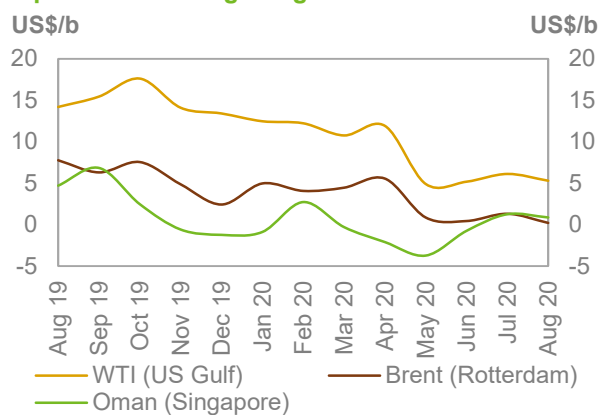
In August, refinery margins witnessed a trend reversal globally, affected by a growing surplus of products, which led to higher product inventory levels. Consequently, product markets at the top and middle sections of the barrel weakened, particularly in Europe, where refining economics hit record-breaking lows and remained barely positive, despite strong performance at the bottom of the barrel witnessed in all regions.

Refinery margins

US refinery margins trended lower, affected by increases in refinery runs, which in turn led to stronger product output in early August. As a result, product inventories grew considerably and product cracks came under pressure. Gasoline markets in particular were also affected in August by a rise in COVID-19 cases in some parts of the US, which directly impacted gasoline markets and led to flat performance relative to the previous month.

In the last week of August, refinery utilization rates tumbled to 76.7%, the lowest level registered since June due to plant shutdowns caused by the landfall of Hurricane Laura. US refinery margins against WTI averaged \$5.31/b in August, down by 82¢ m-o-m and \$8.89 y-o-y.

Graph 6 - 1: Refining margins



Sources: Argus and OPEC.

European margins fell in August, reaching a new multi-year record low as great losses at the top and middle of the barrel weighed on product markets in the region and drove the refining economic indicator closer to zero. Complex refinery configurations suffered the most, as gasoline demand recovery has slowed, failing to support margins. In addition, a hike in new COVID cases heightened containment measures in Spain.

In August, Europe showed the largest m-o-m rise in processing rates owing to several refineries in the region, returning online from turnarounds compared with other regions. Refinery margins for Brent in Europe averaged 19¢/b in August, down by \$1.10 compared with a month earlier and by \$7.56 y-o-y.

In **Asia**, margins declined, albeit to the smallest extent compared with other key regions, losing the recovery seen the previous month. Weakness came from the middle of the barrel amid a continued shortfall in gasoil consumption due to COVID-19 restrictions.

Gasoline markets, on the other hand, showed positive performance in line with reports of improvement in driving activity within the region. The overall bearishness surrounding Asian product markets due to an ongoing product overhang also filtered through to naphtha consumption, as requirements for naphtha-derived blending components decreased. In addition, a reported growing glut for plastics such as water bottles has exerted further pressure on the petrochemical feedstock naphtha, contributing to excess naphtha availability in the region.

Refinery margins for Oman lost 39¢ m-o-m to average 87¢/b in August, and were lower by \$3.83 y-o-y.

Refinery operations

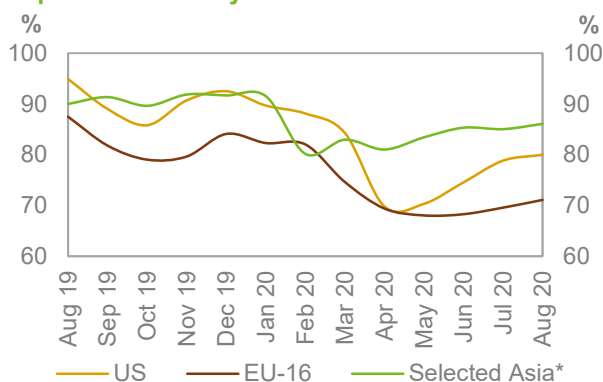
US refinery utilization rates rose, averaging 80%, which corresponds to a throughput of 14.91 mb/d. This represents a rise of 1.2 pp, while throughput remained nearly flat compared with the previous month. Y-o-y, the August refinery utilization rate was down by 14.9 pp, with throughput down by 2.9 mb/d.

Euro-16 refinery utilization averaged 74.76% in August, corresponding to a throughput of 9.3 mb/d. This is a m-o-m increase of 4.2 pp, or 520 tb/d. Y-o-y, utilization rates decreased by 12.7 pp and throughput was down by 1.6 mb/d.

In **selected Asia** – comprising Japan, China, India, Singapore and South Korea – refinery utilization rates increased, averaging 86.04% in August, which corresponds to a throughput of 24.37 mb/d.

Compared with the previous month, throughput was up by 1.0 pp and 290 tb/d. Meanwhile, y-o-y it was down by 3.9 pp, which corresponds to a decline of 751 tb/d.

Graph 6 - 2: Refinery utilization rates



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

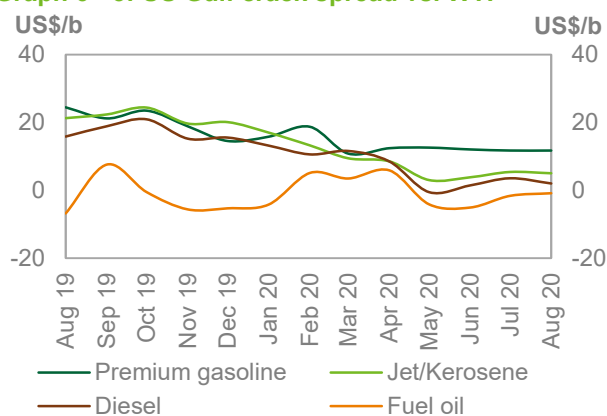
Product markets

US market

US gasoline crack spreads remained flat in August, pressured by lower consumption over the month as the summer season is slowly coming to an end and driving activity eased. Moreover, the landfall of Hurricane Laura, and the rise of new COVID-19 cases weighed further on mobility and exerted further pressure on gasoline crack spreads.

Several refineries on the US Gulf Coast (USGC) were reported to have gone offline due to Hurricane Laura, though most quickly returned online. This led to a decrease in product output and provided some relief regarding the gasoline surplus. However, the supporting factor from inventory drawdowns was completely outweighed by poor demand-side signals. In August, the gasoline crack spread remained flat m-o-m at \$11.76/b, and was down by \$12.73 y-o-y.

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



Sources: Argus and OPEC.

The USGC **jet/kerosene crack spread** declined slightly, affected by the already slow recovery of jet fuel consumption for the aviation sector and expanded inventory levels. The US jet/kerosene crack spread against WTI averaged \$5.04/b, down by only 38¢ m-o-m, but \$16.21 y-o-y.

US **gasoil crack spreads** lost ground in response to an intensified diesel glut caused by stronger refinery output which drove gasoil inventories up, despite higher export figures. The US gasoil crack spread averaged \$2.05/b, down by \$1.53 m-o-m and \$13.79 y-o-y.

The US high sulphur **fuel oil crack spread** showed a further improvement in August, as reduced supplies from refiners led to a net short balance in the country.

In August, the US fuel oil crack spread averaged minus 86¢/b, up by 77¢ m-o-m and \$5.96 y-o-y.

European market

Gasoline crack spreads trended downward as gasoline exports to Nigeria fell in August by 16 tb/d to 0.30 mb/d, with many of the arrivals held in floating storage towards the end of the month.

Gasoline floating storage in Nigeria grew by 3.68 mb to 5.16 mb in the last week of August, indicative of excess gasoline availability and limited European gasoline requirements.

The gasoline crack spread averaged \$8.63/b in August, down by \$2.20 m-o-m and \$10.18 y-o-y.

The **jet/kerosene crack spread** weakened as more than 16 mb of jet fuel was reported still parked in European waters and the region's peak summer vacation period drew to an end with air traffic still affected by the COVID-19 pandemic. In late August, European jet fuel cargo differentials reverted to the steep lockdown discounts seen in late May, with some major traders selling 30 kt on 25 August at a \$29 per ton discount to front-month ICE low sulphur gasoil futures. The Rotterdam jet/kerosene crack spread averaged minus 18¢/b, down by 47¢ m-o-m and \$18.41 y-o-y.

European **gasoil crack spreads** lost ground following the much-needed recovery witnessed the previous month, as the market for the same fuel came under pressure due to stagnating demand recovery, firm refinery output and higher stock levels. A reported 6 mb of diesel-type fuel is in floating storage off the coast of Northwest Europe, while in Amsterdam-Rotterdam-Antwerp, gasoil and jet fuel stocks were 4% higher in August y-o-y. This development may have been exacerbated by pressure to divert allowable jet/kerosene fractions to the diesel pool in order to minimize jet kerosene yields. With the constraint of a growing gasoil glut amid signs of weaker gasoil consumption, the coming months could force refiners to resort to intake cuts. The gasoil crack spread averaged \$4.92/b, which was lower by \$1.34 m-o-m and \$11.69 y-o-y.

At the bottom of the barrel, the **fuel oil 3.5% crack spread** in Rotterdam saw gains, benefitting from global tightness driven by stronger import requirements from the US and a higher demand pull from the Middle East. Robust demand for conversion feedstock on both sides of the Atlantic, backed by attractive economics as well as lower exports from Russia, were supportive. The fuel oil crack spread against Brent averaged minus \$5.13/b, which was higher by \$2.18 m-o-m and also up by \$10.28 y-o-y.

Asian market

The **Asian gasoline 92 crack spread** against Dubai strengthened, supported by a pick-up in demand from China as consumption recovered following floods witnessed the previous month.

The Singapore gasoline crack spread against Oman averaged \$3.07/b in August, up by \$1.52¢ m-o-m but lower by \$4.60 y-o-y.

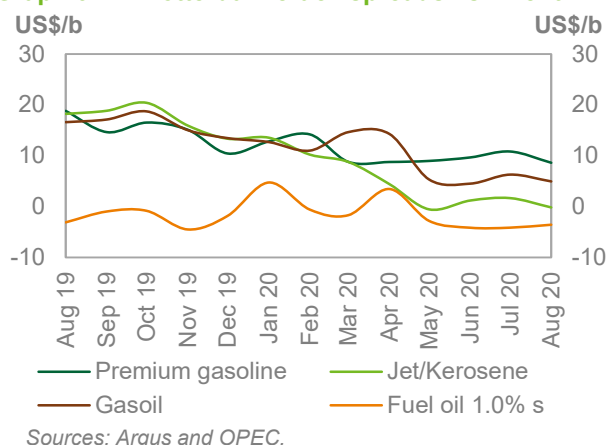
The Singapore **naphtha crack spread** trended downward, pressured by lower demand from the petrochemical sector in line with a reported glut in production of plastic bottles in China. The Singapore naphtha crack spread against Oman averaged minus 81¢/b, down by \$1.22 m-o-m but up by \$7.37 y-o-y.

At the middle of the barrel, **jet/kerosene crack spreads** against Oman lost ground as still limited air travel activities weakened further.

The Singapore jet/kerosene crack spread against Oman averaged minus 61¢/b, down by \$1.34 m-o-m and \$16.30 y-o-y.

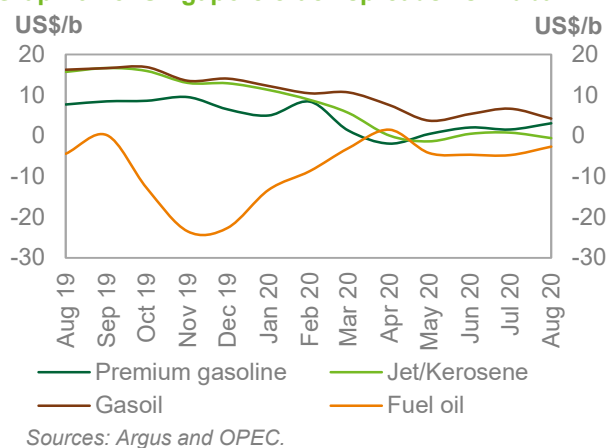
The Singapore **gasoil crack spread** weakened as gasoil inventories in Asia's oil trading hub reached multi-year record highs due to output from key suppliers such as India and South Korea, where output jumped by 37% and 22%, respectively, in August amid a prevailing consumption contraction brought on by the

Graph 6 - 4: Rotterdam crack spreads vs. Brent



Sources: Argus and OPEC.

Graph 6 - 5: Singapore crack spreads vs. Dubai



Sources: Argus and OPEC.

COVID-19 pandemic. In addition, Chinese diesel demand suffered added pressure attributed to flooding; it has been reported lower by 40% since the end of July.

The Singapore gasoil crack spread against Oman averaged \$4.21/b, down by \$2.42 m-o-m, and lower by \$11.99 y-o-y.

The Singapore **fuel oil 3.5% crack spread** increased, supported by healthy container ship trading activity amid declining supply as refineries continued to convert more high sulphur fuel oil barrels into very low sulphur fuel oil (VLSFO). Floating inventories of VLSFO material around the Singapore Strait have been rising steadily since mid-August, although current levels remain substantially lower than the average seen for much of the year. Singapore fuel oil cracks against Oman averaged minus \$2.68, up by \$2.08 m-o-m and \$1.76 y-o-y.

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

Event	Time frame	Asia	Europe	US	Observations
End of summer	Sep 20–Oct 20	↓ Negative impact on product markets	↓ Negative impact on product markets	↓ Negative impact on product markets	With the end of the driving season, gasoline consumption and markets could come under pressure going forward, in line with past trends, additionally exacerbated by the negative impact of COVID-19.
Maintenance season	Sep 20–Oct 20	↑ Positive impact on product markets	↑ Positive impact on product markets	↑ Positive impact on product markets	Restricted product output could provide relief to the oversupplied environment and improve the product supply/demand balance. Bunker fuel markets will also be a strong beneficiary, as product flow between regions tends to rise during peak maintenance.
COVID-19 (second wave)	Sep 20–Dec 20	↓ Negative impact on product markets	↓ Negative impact on product markets	↓ Negative impact on product markets	The potential for further lockdowns amid renewed concerns regarding the pandemic over the winter months could lead to an ongoing fuel glut and exert pressure on product markets.

Source: OPEC.

Table 6 - 2: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				Refinery utilization, %			
	Jun 20	Jul 20	Aug 20	Change Aug/Jul	Jun 20	Jul 20	Aug 20	Change Aug/Jul
US	14.21	14.92	14.91	-0.01	74.53	78.82	79.97	1.2 pp
Euro-16	8.47	8.63	8.81	0.19	68.30	69.59	71.11	1.5 pp
France	0.68	0.75	0.71	-0.04	54.40	59.59	56.39	-3.2 pp
Germany	1.68	1.71	1.74	0.04	76.74	77.93	79.66	1.7 pp
Italy	1.03	1.07	1.11	0.04	50.54	52.35	54.11	1.8 pp
UK	0.84	0.90	0.87	-0.02	63.98	68.16	66.34	-1.8 pp
Selected Asia*	24.16	24.08	24.37	0.29	85.30	85.01	86.04	1 pp

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

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

Product Markets and Refinery Operations

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

	2017	2018	2019	3Q19	4Q19	1Q20	2Q20	3Q20
Total OECD	38.35	38.26	37.63	38.60	37.26	36.37	30.58	33.48
OECD Americas	19.10	19.31	18.96	19.55	18.87	18.27	14.92	17.12
US	16.88	17.32	16.98	17.43	16.87	16.36	13.65	15.17
OECD Europe	12.44	12.21	12.13	12.54	12.02	11.68	10.41	10.81
France	1.17	1.10	1.00	1.06	0.82	0.65	0.58	0.75
Germany	1.91	1.80	1.78	1.83	1.83	1.80	1.66	1.74
Italy	1.40	1.35	1.35	1.48	1.33	1.22	1.00	1.09
UK	1.10	1.06	1.08	1.07	1.14	1.11	0.83	0.89
OECD Asia Pacific	6.82	6.74	6.54	6.52	6.36	6.42	5.25	5.55
Japan	3.22	3.11	3.02	3.03	2.97	2.94	2.24	2.31
Total Non-OECD	42.20	43.45	44.05	44.33	44.64	42.86	39.21	41.19
China	11.35	12.03	12.98	12.95	13.68	11.97	13.76	13.82
Middle East	7.12	7.30	7.11	7.17	6.80	6.30	5.93	6.15
Russia	5.59	5.72	5.70	5.89	5.83	5.88	5.10	5.24
Latin America	4.49	4.22	4.02	4.11	3.99	3.98	3.33	3.19
India	4.79	4.89	5.03	4.96	5.08	5.09	3.86	4.20
Africa	2.24	2.24	2.28	2.32	2.40	2.39	2.00	2.05
Total world	80.55	81.71	81.67	82.93	81.90	79.22	69.78	74.66

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

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

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

	Jul 20	Aug 20	Change Aug/Jul	Annual avg. 2019	Year-to-date 2020
US Gulf (Cargoes FOB)					
Naphtha*	40.73	41.27	0.54	56.86	36.19
Premium gasoline (unleaded 93)	52.51	54.11	1.60	79.66	51.33
Regular gasoline (unleaded 87)	49.03	51.02	1.99	72.70	46.63
Jet/Kerosene	46.17	47.39	1.22	79.32	46.27
Gasoil (0.2% S)	44.33	44.40	0.07	74.61	44.38
Fuel oil (3.0% S)	37.02	40.08	3.06	52.55	32.48
Rotterdam (Barges FoB)					
Naphtha	42.04	41.95	-0.09	55.71	37.26
Premium gasoline (unleaded 98)	54.10	53.41	-0.69	79.52	51.13
Jet/Kerosene	44.92	44.60	-0.32	80.22	45.67
Gasoil/Diesel (10 ppm)	49.53	49.70	0.17	79.50	49.99
Fuel oil (1.0% S)	39.08	41.17	2.09	60.15	39.65
Fuel oil (3.5% S)	39.40	41.49	2.09	54.19	35.74
Mediterranean (Cargoes FOB)					
Naphtha	41.56	41.49	-0.07	54.48	35.40
Premium gasoline**	46.73	48.29	1.56	71.36	44.39
Jet/Kerosene	42.64	42.56	-0.08	77.77	42.62
Diesel	49.69	49.54	-0.15	79.03	49.05
Fuel oil (1.0% S)	41.68	43.66	1.98	63.42	42.72
Fuel oil (3.5% S)	36.18	38.20	2.02	50.55	31.02
Singapore (Cargoes FOB)					
Naphtha	43.60	43.08	-0.52	57.10	39.29
Premium gasoline (unleaded 95)	46.56	48.18	1.62	72.45	45.72
Regular gasoline (unleaded 92)	44.74	46.96	2.22	69.45	43.93
Jet/Kerosene	43.92	43.28	-0.64	77.26	44.55
Gasoil/Diesel (50 ppm)	50.00	49.31	-0.69	77.78	49.98
Fuel oil (180 cst)	38.43	41.21	2.78	57.29	36.46
Fuel oil (380 cst 3.5% S)	38.43	40.60	2.17	56.70	35.58

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

Sources: Argus and OPEC.

Tanker Market

Dirty tanker rates in August settled into the lower levels seen since the end of June and are likely to remain for the coming months amid ample tonnage and sluggish demand for tankers. Floating storage continued to unwind, removing a factor supporting rates in recent months.

Clean tanker freight rates picked up from the poor performance seen in the previous month, but remained below levels seen in the same month last year due to continued sluggish demand for product trade flows.

Spot fixtures

Global spot fixtures remained muted m-o-m in August, declining 0.4 mb/d, or 3%, to average 13.4 mb/d. Spot fixtures were some 5.9 mb/d, or 30%, compared to the same month last year. This represents the change of fortunes in the tanker market relative the last year, as COVID-19 disruptions continue to weigh on demand amid high inventories in major demand centres.

Table 7 - 1: Spot fixtures, mb/d

	Jun 20	Jul 20	Aug 20	Change Aug 20/Jul 20
All areas	15.03	13.85	13.42	-0.43
OPEC	9.89	9.01	9.68	0.67
Middle East/East	6.16	5.37	6.09	0.72
Middle East/West	0.69	0.66	0.90	0.24
Outside Middle East	3.04	2.98	2.69	-0.29

Sources: Oil Movements and OPEC.

OPEC spot fixtures averaged 9.68 mb/d in August, an increase of 0.7 mb/d, or 7%, from the previous month, as some spare capacity returned back to the market. Y-o-y, OPEC spot fixtures averaged 3.9 mb/d, representing a decline of 28%, reflecting production adjustments taken in response to the collapse in demand seen since April.

After declining considerably over the previous months, fixtures from the **Middle East-to-East** rose 13%, or 0.7 mb/d, m-o-m in August to average 6.1 mb/d. Y-o-y, this represented decline of 2.0 mb/d, or 24%.

Middle East-to-West fixtures experienced a similar trend, increasing 36% m-o-m in August. Fixtures on the route averaged 0.9 mb/d, down 0.4 mb/d compared to the same month last year.

Outside of the Middle East, fixtures fell 10% m-o-m to average 2.7 mb/d. In annual terms, fixtures were down 1.6 mb/d, or 37%.

Sailings

OPEC sailings picked up m-o-m following three months of steep declines, averaging 20.5 mb/d in August, compared to a high in April of 25.5 mb/d. M-o-m, OPEC sailings rose 0.7 mb/d, or 4%, but were down 4.2 mb/d compared to August 2019.

Middle East sailings averaged 15.1 mb/d, representing an increase of 1.6 mb/d, or around 12% m-o-m, but a decline of 2.9 mb/d, or 16% y-o-y.

Table 7 - 2: Tanker sailings, mb/d

	Jun 20	Jul 20	Aug 20	Change Aug 20/Jul 20
Sailings				
OPEC	20.03	19.73	20.45	0.72
Middle East	14.20	13.52	15.09	1.57

Sources: Oil Movements and OPEC.

Dirty tanker freight rates

Very large crude carriers (VLCCs)

VLCC spot rates continued to edge lower in August, slipping 15% m-o-m on average, as sluggish exports lengthened tonnage lists.

Rates on the **Middle East-to-East** route led m-o-m losses in August, down 18% m-o-m to average WS33 points, and declined 43% compared to the same month last year.

The **Middle East-to-West** route fell by around 10% to average just below WS23 points. Y-o-y, rates were 17% lower.

Rates also dropped on the **West Africa-to-East** route, decreasing 14% m-o-m to WS37 points and falling 36% compared with August 2019.

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

VLCC	Size	Jun 20	Jul 20	Aug 20	Change
	1,000 DWT				Aug 20/Jul 20
Middle East/East	230-280	52	40	33	-7
Middle East/West	270-285	30	25	23	-3
West Africa/East	260	53	43	37	-6

Sources: Argus and OPEC.

Suezmax

Suezmax rates also declined in August, with average spot freight rates dropping 10% m-o-m on average in August. Rates were 24% lower y-o-y.

On the **West Africa-to-US Gulf Coast** (USGC) route, Suezmax rates averaged WS41 points in August, down 5% from the month before. Y-o-y, rates were 27% higher than in August last year.

The **Northwest Europe (NWE)-to-USGC** route fell by almost 15% m-o-m to average just under WS38 points, representing a 20% decline from the same month last year.

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

Suezmax	Size	Jun 20	Jul 20	Aug 20	Change
	1,000 DWT				Aug 20/Jul 20
West Africa/US Gulf Coast	130-135	44	43	41	-2
Northwest Europe/US Gulf Coast	130-135	45	44	38	-7

Sources: Argus and OPEC.

Aframax

Aframax rates held relatively steady in August, edging down an additional 1% m-o-m, and were some 18% lower y-o-y. However, mostly minor losses were seen across the board, except on the **Indonesia-to-East** route, which experienced a gain of more than 7% m-o-m to average slightly above WS70 points, while still managing to be 20% lower y-o-y.

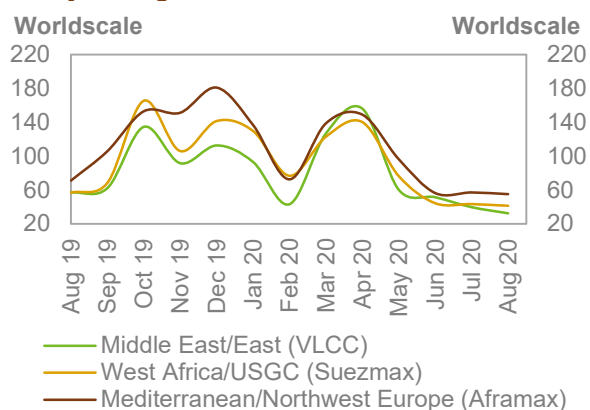
Table 7 - 5: Dirty Aframax spot tanker freight rates, WS

Aframax	Size	Jun 20	Jul 20	Aug 20	Change
	1,000 DWT				Aug 20/Jul 20
Indonesia/East	80-85	73	66	70	5
Caribbean/US East Coast	80-85	68	72	69	-2
Mediterranean/Mediterranean	80-85	63	63	60	-3
Mediterranean/Northwest Europe	80-85	56	57	55	-2

Sources: Argus and OPEC.

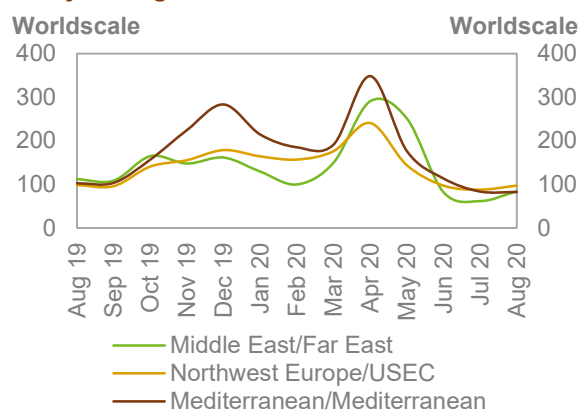
The **Caribbean-to-US East Coast (USEC)** route fell by more than 3% m-o-m to average WS69 points in August, but was some 8% lower y-o-y. The **Mediterranean-to-NWE** route edged up 4% m-o-m to average WS55 points, while the **Cross-Med** route was up 5% m-o-m at WS60 points. Y-o-y, rates were around 22% lower on both routes.

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



Sources: Argus and Platts.

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



Sources: Argus and OPEC.

Clean tanker freight rates

Freight rates for **clean spot tankers** improved by 8% in August, while still remaining 19% lower than the same month last year.

On the **East of Suez** route, clean tanker spot freight rates gained 16% m-o-m in August but were 28% lower compared to August 2019. The **Middle East-to-East** route increased more than 36% m-o-m to average WS84 points. The **Singapore-to-East** route edged up almost 3% to average WS92 points. Y-o-y, rates on the route were 30% lower.

West of Suez, clean tanker spot freight rates moved 3% higher m-o-m in August and were 13% lower compared to the same month last year. Rates on the **Cross-Med** and **Med-to-NWE** routes fell 1% each to average WS83 and WS93 points, respectively. Meanwhile, rates on the **NWE-to-USEC** route gained more than 10% to average WS98 points.

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

	Size 1,000 DWT	Jun 20	Jul 20	Aug 20	Change Aug 20/Jul 20
East of Suez					
Middle East/East	30-35	82	62	84	23
Singapore/East	30-35	121	89	92	2
West of Suez					
Northwest Europe/US East Coast	33-37	98	88	98	9
Mediterranean/Mediterranean	30-35	114	84	83	-1
Mediterranean/Northwest Europe	30-35	124	94	93	-1

Sources: Argus and OPEC.

Crude and Refined Products Trade

Preliminary data shows US crude imports declined further m-o-m in August, averaging 5.5 mb/d, approaching the quarter-century low seen in “Black April” of this year. US crude exports edged up last month, turning positive after five months of m-o-m declines, to average 2.9 mb/d, well below the peak of 3.7 mb/d seen in February 2020. The latest monthly data shows continued strong flows of US crude to China in July, down from the massive 1.3 mb/d in May but still strong at 0.7 mb/d.

China’s crude imports averaged the second-highest on record at 12.1 mb/d in July, down from a record high of 13.0 mb/d in the previous month. Customs data shows a further scale-back in crude imports in August to around 11.2 mb/d, still 13% higher than last year’s levels. Product imports fell sharply in July, down from an all-time high in May 2020, as naphtha and fuel oil imports contracted. Product export edged lower with declines in gasoil and jet fuel outweighing an increase in gasoline.

India’s crude inflows in July fell below 3.0 mb/d for the first time in more than a decade, following the 6th-consecutive monthly decline. The decline came as state-run refiners maintained runs at 75% of capacity, compared to 90% in July. Preliminary tanker tracking data points to a slight recovery in crude imports in August.

Japan’s crude imports picked up in July after bottoming out at the lowest in more than a decade the month before.

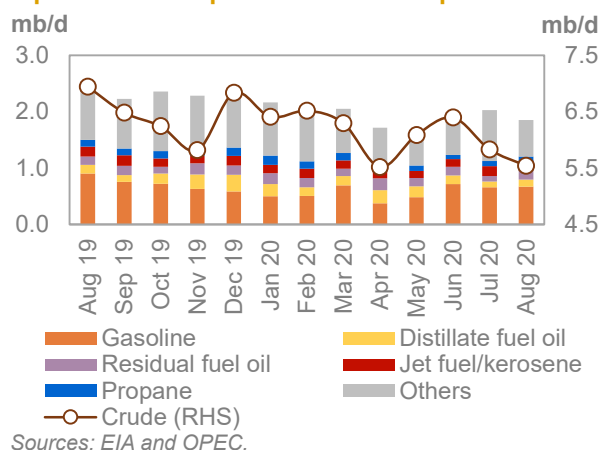
US

Preliminary data shows **US crude imports** fell back in August to just above the low levels seen in April 2020. Imports averaged 5.5 mb/d, representing a m-o-m decline of 0.3 mb/d. The decline came amid some disruptions in trade flows in the US Gulf due to storm activities, particularly during Hurricane Laura, which struck the west Louisiana coast. Y-o-y, US crude imports were 1.4 mb/d lower, reflecting a general decline in import needs as the COVID-19 pandemic weighs on economic activity and hence oil consumption.

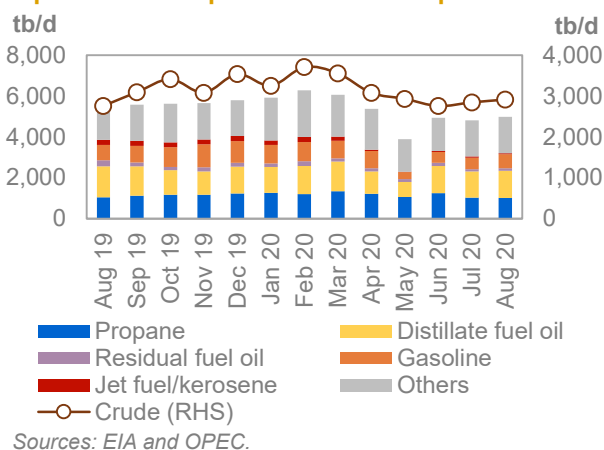
US crude exports ticked higher m-o-m, averaging 2.9 mb/d in August, following a marginal increase. Outflows rose amid low freight rates, which supported economics for Asian exports. Crude outflows were around 0.2 mb/d higher than August 2019.

The latest monthly data for crude flows by destination shows a continued buying of US crude by China in June, making the country the **top destination** for US crude exports for the second month in a row. In June, US crude exports to China averaged 0.7 mb/d, second only to the previous month when exports to China averaged 1.3 mb/d. India came in second, as US crude exports to the country averaged 0.4 mb/d. This was just below the record-high of US flows to India set in May 2019. The perennial top destination for US exports, Canada, fell to third place, receiving 0.3 mb/d, in line with the same month last year. For most destinations, US crude exports were generally flat to lower in June, making buying by China and India all the more important in preventing US exports from experiencing a sharp contraction.

Graph 8 - 1: US imports of crude and products



Graph 8 - 2: US exports of crude and products



As a result, US **net crude imports** averaged 2.6 mb/d in August, representing a decline of 0.4 mb/d or 12% compared with the previous month. Y-o-y, US net crude imports were almost 1.6 mb/d or 37% lower than the same period last year.

On the product side, preliminary data showed US **product exports** averaged 5.0 mb/d in August, representing a m-o-m increase of 0.2 mb/d or 3%, as exports to Latin America continued to recover. Product exports were still 0.7 mb/d lower than the same month last year.

US **product imports** declined 9% m-o-m in August to average 1.9 mb/d, as weather disruptions dampened inflows of some products including refinery feedstocks. Compared to the same month last year, US product imports were 0.6 mb/d or around 24% lower.

As a result, US **net product exports** averaged 3.1 mb/d in August, some 0.3 mb/d or 12% lower than in the previous month. Y-o-y, net product exports were down by less than 4%.

Preliminary data indicates that the US became a **net crude and product exporter** again for the first time since April 2020, with net outflows 0.5 mb/d in August. Both crude and products contributed to the country's shift from importer to exporter.

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

US	Jun 20	Jul 20	Aug 20	Change Aug 20/Jul 20
Crude oil	3,644	2,991	2,631	-360
Total products	-2,969	-2,785	-3,125	-340
Total crude and products	675	206	-494	-700

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

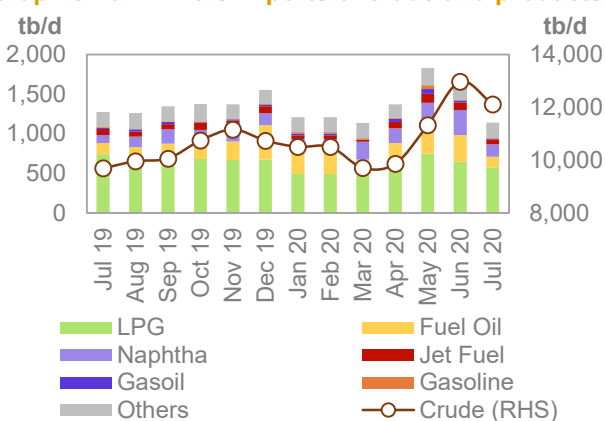
Sources: EIA and OPEC.

China

China's crude imports fell back in July to average 12.1 mb/d, although still managing secure the second-highest import level on record, after the 13.0 mb/d in crude inflows seen in the previous month. Although down 0.9 mb/d m-o-m, crude imports in July were 2.4 mb/d or 25% higher y-o-y.

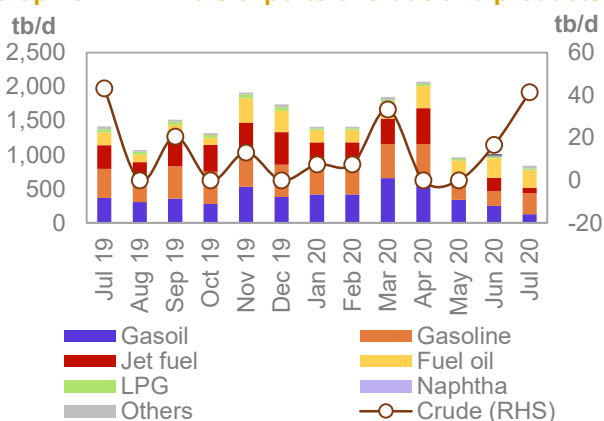
Russia was the top **crude supplier** to China in July, with a share of 14% representing 1.7 mb/d in imports. Iraq was second with 1.4 mb/d, representing an 11% share. The top supplier in the previous month, Saudi Arabia, fell to third place at 1.3 mb/d, down 0.9 mb/d from the month before. Brazil and the US came third and fourth, with 1.1 mb/d and 0.8 mb/d, respectively.

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



Sources: China, Oil and Gas Petrochemicals and OPEC.

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



Sources: China, Oil and Gas Petrochemicals and OPEC.

China's **product imports** fell back to lower levels in July, averaging 1.1 mb/d for the month, representing a decline of 0.5 mb/d from the previous month. Y-o-y, product imports were down 0.1 mb/d. Declines were seen across all major products, with the exception of naphtha. Gasoil and gasoline were particularly weaker m-o-m.

Product exports from China fell sharply to average 0.8 mb/d in July, representing an almost five-year low. In monthly terms, product exports from China were 0.2 mb/d lower while in yearly terms they were down 0.6 mb/d. Naphtha and LPG were considerably lower m-o-m.

As a result, China remained a **net product importer** for the third-month in a row in July, with net imports of 0.3 mb/d. This compared to net imports of 0.6 mb/d the month before and net exports of 0.1 mb/d in July 2019.

Crude and Refined Products Trade

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

China	May 20	Jun 20	Jul 20	Change Jul 20/Jun 20
Crude oil	11,327	12,959	12,070	-890
Total products	868	646	303	-343
Total crude and products	12,195	13,606	12,373	-1,233

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

Sources: China, Oil and Gas Petrochemicals and OPEC.

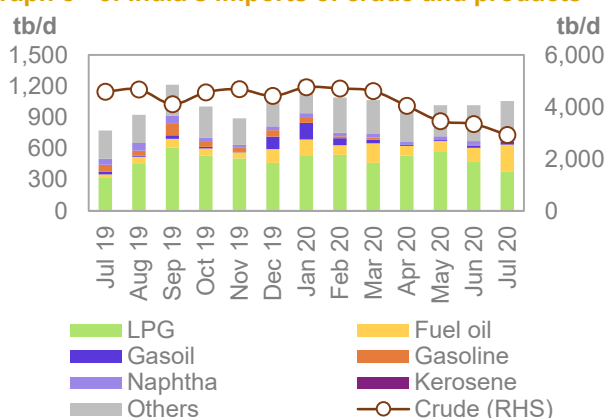
India

India's crude imports averaged 2.9 mb/d in July, represent the sixth-consecutive decline and the first time below 3 mb/d in more than a decade. The decline came as state-run refiners maintained runs at 75% of capacity, compared to 90% in June. Crude imports were 0.4 mb/d, or 13%, lower m-o-m and down 1.7 mb/d or almost 37% y-o-y.

India's **product imports** edged up m-o-m to average 1.1 mb/d in July and were some 0.3 mb/d higher than the same month last year. Gains were seen across most major product, particularly fuel oil and gasoil, while LPG saw a decline.

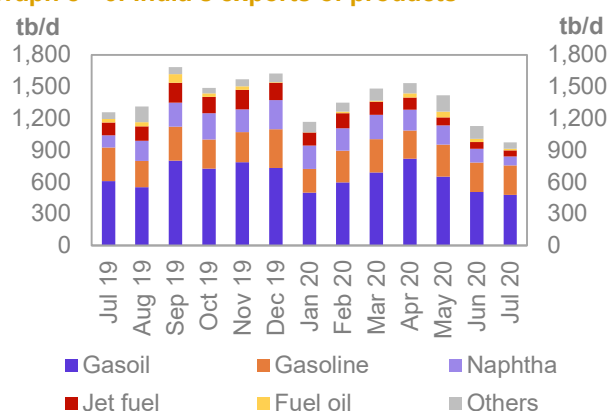
India's **product exports** averaged 1.0 mb/d in July, representing a more than five-year low. Declines were seen across the board, with Exports were 0.1 mb/d lower than the previous month and down 0.3 mb/d y-o-y. The decline was driven primarily by gasoil, gasoline and fuel oil noticeably lower.

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



Sources: PPAC and OPEC.

Graph 8 - 6: India's exports of products



Sources: PPAC and OPEC.

As a result, India turned into a net product importer in July, with **net product imports** averaging 0.1 mb/d, compared to net product exports of 0.3 mb/d the month before and net exports of 0.5 mb/d compared to the same month last year.

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

India	May 20	Jun 20	Jul 20	Change Jul 20/Jun 20
Crude oil	3,449	3,337	2,913	-424
Total products	-402	-112	81	194
Total crude and products	3,047	3,225	2,994	-231

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

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

Sources: PPAC and OPEC.

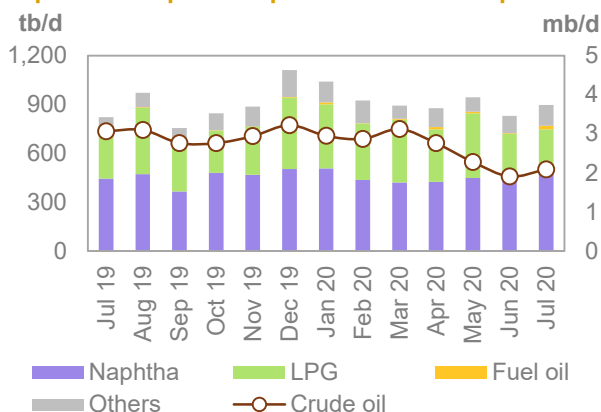
Japan

Japan's crude imports picked up in July, from the extreme lows seen the month before. The country's crude imports averaged 2.1 mb/d in July, up 0.2 mb/d or 9% from the previous month but some 0.9 mb/d or 32% lower than the same month last year. The decline was driven by reduced refinery runs and weak product demand both in Japan and across the Asian region, as a whole.

Saudi Arabia remained the **top supplier of crude** to Japan in July, averaging 0.9 mb/d, representing a share of 44%. The UAE stood at second place with a share of around 34%, followed by Qatar with 8%.

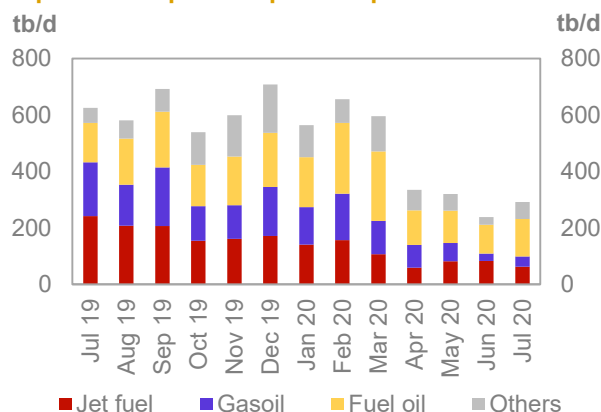
Product imports to Japan, including LPG, averaged 0.9 mb/d in July, some 9% higher than the previous month, as refiners preferred to import needed products in the face of high domestic inventories of middle distillates. In product terms, the increase were seen in most major products except gasoil.

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



Sources: METI and OPEC.

Graph 8 - 8: Japan's exports of products



Sources: METI and OPEC.

Product exports, including LPG, recovered somewhat following fourth-consecutive declines, averaging 0.3 mb/d in July, representing an increase of 22% compared with the previous month. Gasoil and fuel oil were the main products behind the increase. Y-o-y, product exports were 0.3 mb/d, or 53%, lower.

As a consequence, Japan's **net product imports** averaged 604 tb/d in July, down marginally m-o-m but some 0.4 mb/d higher than the same month last year.

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

Japan	May 20	Jun 20	Jul 20	Change Jul 20/Jun 20
Crude oil	2,282	1,911	2,090	179
Total products	625	590	604	14
Total crude and products	2,907	2,501	2,694	193

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

Sources: METI and OPEC.

OECD Europe

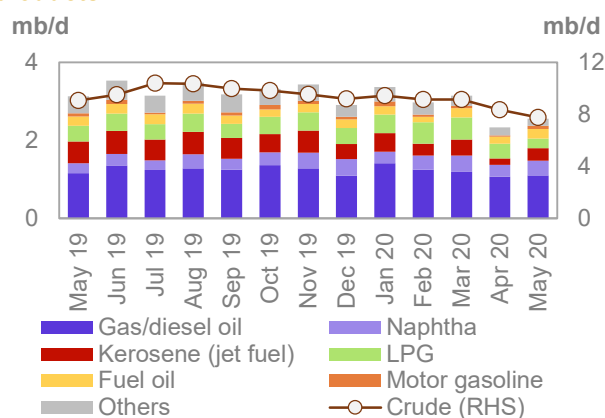
The latest available data shows **OECD Europe crude imports**, excluding intra-regional trade, averaged 7.7 mb/d in May, representing a decline of 0.6 mb/d m-o-m and a drop of 1.3 mb/d y-o-y.

OECD Europe **crude exports** fell back in May after a sharp increase the month before to average 0.4 mb/d, compared to 0.8 mb/d in the previous month. The decline came as Norwegian crude to China slipped from the elevated levels seen in the previous month. Y-o-y, crude exports were 31%, or 0.1 mb/d, higher.

OECD Europe **net crude imports** averaged 7.3 mb/d in May, representing a decline of 0.2 mb/d m-o-m and a sharper drop of 1.4 mb/d compared to the same month last year.

OECD Europe **product imports** averaged 2.6 mb/d in May, representing an increase of 0.2 mb/d or almost 10% m-o-m and a decline of 0.6 mb/d or 18% y-o-y.

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



Sources: IEA and OPEC.

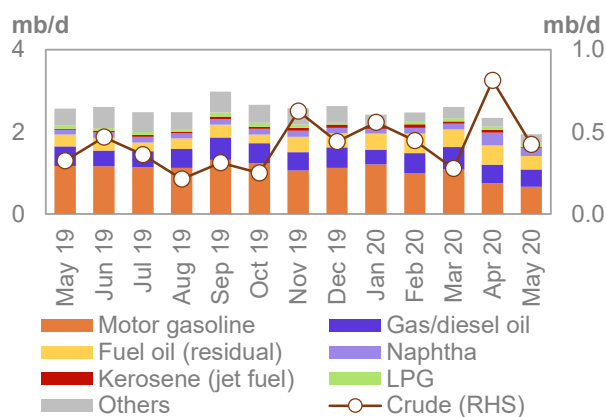
Crude and Refined Products Trade

Product exports averaged 1.9 mb/d in May, down 0.4 mb/d or almost 17% from the previous month and some 0.6 mb/d lower than in May 2019. Most major products saw declines, particularly naphtha and fuel oil.

As a result, OECD Europe returned to a **net product importer** in May, compared to the previous month when the region was marginal net product exporter.

Combined, **net crude and product imports** averaged 7.9 mb/d in May, compared to 7.5 mb/d the month before and 9.3 mb/d in the same month last year.

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



Sources: IEA and OPEC.

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

OECD Europe	Mar 20	Apr 20	May 20	Change May 20/Apr 20
Crude oil	8,851	7,532	7,335	-196
Total products	544	-3	609	611
Total crude and products	9,395	7,529	7,944	415

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

Sources: IEA and OPEC.

FSU

Total crude oil exports from the Former Soviet Union (FSU) averaged 5.5 mb/d in July, representing a decline of 0.5 mb/d m-o-m. However, compared to the same month last year, FSU crude exports were 1.8 mb/d or 25% lower.

Crude exports through the **Transneft system** also declined in July, down 526 tb/d or around 15% m-o-m to average 3.1 mb/d. Compared to the same month last year, exports were down 1.3 mb/d or almost 30%.

Total shipments from the Black Sea fell to 304 tb/d m-o-m in July, or less than 2% lower. In contrast, total Baltic Sea exports declined 474 tb/d, or almost 50%, m-o-m to average 581 tb/d in July, with shipments from Ust-Luga down 42% to 278 tb/d and Primorsk exports declining by 47% or 302 tb/d. Shipments via the Druzhba pipeline declined 3% m-o-m to average 903 tb/d in July. Kozmino shipments slipped around 3% m-o-m to average 659 tb/d. Exports to China via the ESPO pipeline were steady averaging 635 tb/d in July.

In the **Lukoil system**, exports via the Barents Sea increased 44% to 98 tb/d in July, while those from the Baltic Sea were 14% lower.

On other routes, **Russia's Far East** exports declined some 3% m-o-m to average 328 tb/d, representing an increase of 2% compared to July last year.

Central Asia's total exports averaged 199 tb/d in July, a decline of 12% compared with the previous month and a similar drop compared to the same month last year.

Black Sea total exports averaged 1.2 mb/d in July, representing increase of less than 2% m-o-m, with Novorossiysk port terminal (CPC) driving gains, up 2%, while the Supsa port terminal saw a m-o-m decline of more than 3%.

FSU total product exports declined 313 tb/d or almost 12% m-o-m to average 2.4 mb/d in July. The decrease was seen across most major products, except jet. Y-o-y, FSU product exports were 598 tb/d or 20% lower in July.

Commercial Stock Movements

Preliminary July data showed that total OECD commercial oil stocks fell by 4.5 mb m-o-m. At 3,231 mb, they were 273.7 mb higher than the same time one year ago and 260.6 mb above the latest five-year average. Within components, crude stocks fell m-o-m by 9.7 mb, while product stocks increased m-o-m by 5.3 mb.

In terms of days of forward cover, OECD commercial stocks fell m-o-m by 1.2 days in July to stand at 72.2 days. This was 10.8 days above the July 2019 level and 9.9 days above the latest five-year average.

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

Preliminary data for August showed that total US commercial oil stocks fell m-o-m by 24.3 mb to stand at 1,428.3 mb. This was 122.0 mb above the same month a year ago, and 131.0 mb higher than the latest five-year average. Crude and product stocks fell m-o-m by 20.2 mb and 4.1 mb, respectively.

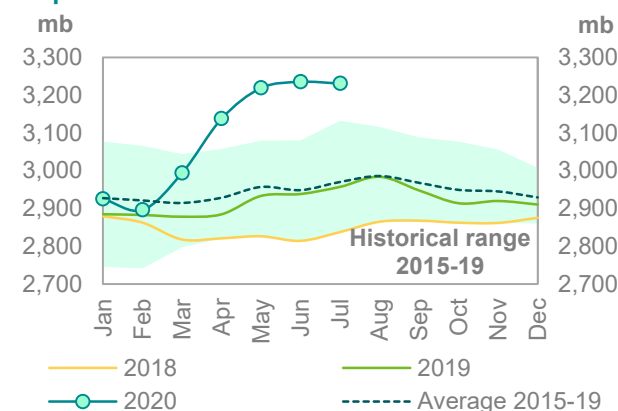
OECD

Preliminary July data sees **total OECD commercial oil stocks** down m-o-m by 4.5 mb. At 3,231 mb, they were 273.7 mb higher than the same time one year ago and 260.6 mb above the latest five-year average.

Within components, crude stocks declined m-o-m by 9.7 mb, while product stocks increased m-o-m by 5.3 mb. Commercial oil stocks in July rose m-o-m in OECD Europe, but fell in OECD America and OECD Asia Pacific.

OECD **commercial crude stocks** fell in July by 9.7 mb to stand at 1,580 mb. This was 107.8 mb higher than the same time a year ago and 95.6 mb above the latest five-year average.

Graph 9 - 1: OECD commercial oil stocks



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

Compared with the previous month, OECD Americas crude stocks in July fell by 13.3 mb, while in OECD Europe they rose by 3.6 mb. OECD Asia Pacific crude stocks remained unchanged compared with the previous month.

OECD **total product inventories** rose m-o-m by 5.3 mb in July to stand at 1,651 mb. This was 165.9 mb above the same time a year ago and 165.1 mb higher than the latest five-year average. Within the OECD regions, product stocks in the Americas and Europe increased by 1.1 mb and 4.3 mb, respectively, while those in Asia Pacific fell m-o-m by 0.1 mb.

In terms of **days of forward cover**, OECD commercial stocks fell m-o-m by 1.2 days in July to stand at 72.2 days. This was 10.8 days above the July 2019 level, and 9.9 days above the latest five-year average.

Within the OECD regions in July, the Americas were 8.1 days above the latest five-year average at 69.4 days; Europe was 14.8 days higher than the latest five-year average at 82.9 days; and Asia Pacific was 6.4 days above the latest five-year average at 60.9 days.

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

	Jul 19	May 20	Jun 20	Jul 20	Change Jul 20/Jun 20
OECD stocks					
Crude oil	1,473	1,602	1,590	1,580	-9.7
Products	1,485	1,618	1,645	1,651	5.3
Total	2,957	3,219	3,235	3,231	-4.5
Days of forward cover	61.4	76.8	73.3	72.2	-1.2

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

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

OECD Americas

OECD Americas total commercial stocks fell by 12.3 mb m-o-m in July to settle at 1,714 mb. This was 145.7 mb above the same month last year and 156.1 mb higher than the latest five-year average.

Commercial crude oil stocks in OECD Americas fell by 13.3 mb m-o-m in July to stand at 874 mb. This was 68.0 mb higher than July 2019 and 70.6 mb above the latest five-year average. The fall was driven by higher US crude runs, which increased by 0.7 mb/d to 14.92 mb/d.

Total product stocks in OECD Americas rose m-o-m by 1.1 mb in July, the fifth consecutive monthly rise, to stand at 840 mb. This was 77.7 mb higher than the same month one year ago and 85.5 mb above the latest five-year average. Lower regional consumption was behind the product stock build.

OECD Europe

OECD Europe's total commercial stocks rose m-o-m by 7.9 mb in July to end the month at 1,112 mb. This was 126.6 mb higher than the same time a year ago and 122.4 mb above the latest five-year average.

OECD Europe's **commercial crude stocks** rose m-o-m by 3.6 mb in July to end the month at 480 mb. This was 35.6 mb higher than the level one year ago, and 44.3 mb above the latest five-year average. The build in July's crude oil inventories came despite slightly higher refinery throughput m-o-m in the EU-16.

OECD Europe's **commercial product stocks** rose m-o-m by 4.3 mb to end July at 632 mb. This was 91 mb higher than the same time a year ago and 78.1 mb above the latest five-year average. The build came on the back of weakening demand in the region.

OECD Asia Pacific

OECD Asia Pacific's total commercial oil stocks fell slightly m-o-m by 0.1 mb in July to stand at 405 mb. This was 1.5 mb higher than a year ago, but 17.8 mb below the latest five-year average.

OECD Asia Pacific's **crude inventories** remained unchanged m-o-m to end July at 227 mb. This was 4.2 mb higher than one year ago, but 19.3 mb below the latest five-year average.

OECD Asia Pacific's **total product inventories** fell slightly by 0.1 mb m-o-m to end July at 178 mb. This was 2.7 mb lower than the same time a year ago, but 1.5 mb above the latest five-year average.

US

Preliminary data for August showed that **total US commercial oil stocks** fell m-o-m by 24.3 mb to stand at 1,428.3 mb. This was 122.0 mb, or 9.3%, above the same month a year ago, and 131.0 mb, or 10.1%, higher than the latest five-year average. Crude and product stocks fell m-o-m by 20.2 mb and 4.1 mb, respectively.

US **commercial crude stocks** fell by 20.2 mb in August to stand at 498.4 mb. This was 68.3 mb, or 15.9%, above the same month last year, and 56.4 mb, or 12.7%, above the latest five-year average. The fall was driven mainly by lower crude imports as crude runs remained almost unchanged compared with the previous month.

Total product stocks in August also fell m-o-m by 4.1 mb to stand at 929.9 mb. This was 59.3 mb, or 6.8%, above August 2019 levels, and 78.8 mb, or 9.3%, above the latest five-year average. Within components, the picture was mixed; gasoline and distillates registered stock draws, while residual fuel oil and propylene experienced stock builds.

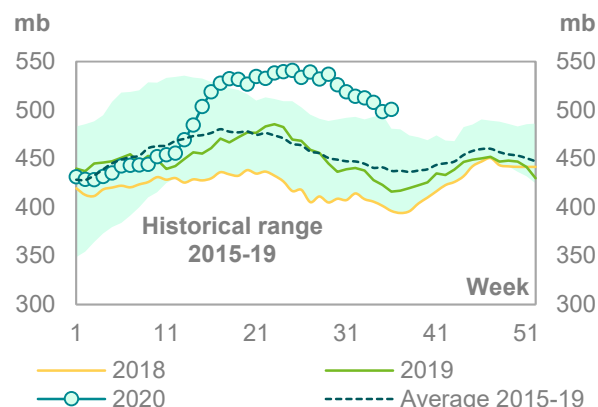
Distillate stocks fell m-o-m by 2.5 mb in August to stand at 177.5 mb. This was 41.9 mb, or 30.9%, higher than the same month a year ago, and 31.8 mb, or 21.8%, above the latest five-year average. The fall was driven by higher distillate demand, which increased by around 180 tb/d to stand at 3.75 mb/d.

Gasoline stocks fell in August by 12.9 mb m-o-m to settle at 234.9 mb. This was 4.5 mb, or 2.0%, higher than the same month last year, and 6.4 mb, or 2.8%, above the latest five-year average. The monthly stock draw came mainly on the back of higher gasoline demand, which increased by more than 200 tb/d to average 8.87 mb/d. Higher August gasoline production limited further declines in gasoline stocks.

In contrast, **residual fuel oil** rose m-o-m in August by 0.2 mb. At 36.2 mb, it was 7.5 mb, or 25.9%, higher than the same month a year ago, and 2.7 mb, or 8.0%, above the latest five-year average.

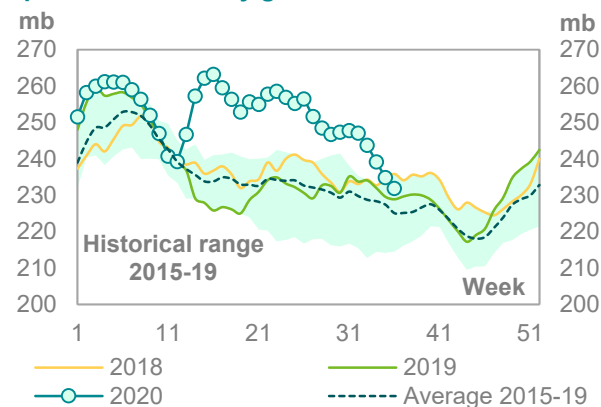
Jet fuel remained unchanged m-o-m, ending August at 39.6 mb, which is 3.5 mb, or 8.2%, lower than the same month last year, and 2.6 mb, or 6.2%, below the latest five-year average.

Graph 9 - 2: US weekly commercial crude oil inventories



Sources: EIA and OPEC.

Graph 9 - 3: US weekly gasoline inventories



Sources: EIA and OPEC.

Table 9 - 2: US commercial petroleum stocks, mb

	Aug 19	Jun 20	Jul 20	Aug 20	Change Aug 20/Jul 20
US stocks					
Crude oil	430.1	531.9	518.6	498.4	-20.2
Gasoline	230.4	253.3	247.8	234.9	-12.9
Distillate fuel	135.6	175.4	180.0	177.5	-2.5
Residual fuel oil	28.8	39.6	36.0	36.2	0.2
Jet fuel	43.2	41.5	39.6	39.6	0.0
Total products	870.6	920.9	934.0	929.9	-4.1
Total	1,306.3	1,452.8	1,452.6	1,428.3	-24.3
SPR	644.8	656.0	656.1	648.2	-8.0

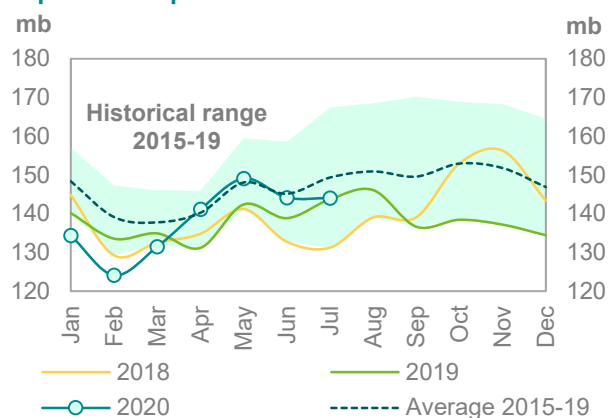
Sources: EIA and OPEC.

Japan

In **Japan**, **total commercial oil stocks** fell slightly m-o-m in July by 0.1 mb to settle at 144.1 mb. This was 0.3 mb, or 0.2%, higher than the same month last year, but 5.3 mb, or 3.5%, below the latest five-year average. Product stocks fell m-o-m by 0.1 mb, while crude stocks remained unchanged compared with the previous month.

Japanese **commercial crude oil stocks** remained unchanged in July to stand at 83.5 mb. This was 0.2 mb, or 0.2%, below the same month a year ago, and 4.8 mb, or 5.5%, lower than the latest five-year average. The fall came despite higher refinery crude runs, which increased by 9.4% m-o-m in July to average 2.09 mb/d.

Graph 9 - 4: Japan's commercial oil stocks



Sources: METI and OPEC.

Japan's **total product inventories** fell by 0.1 mb m-o-m to end July at 60.6 mb. This was 0.5 mb, or 0.8%, higher than the same month last year, but 0.4 mb, or 0.7, below the latest five-year average. Within products, the picture was mixed. Gasoline and distillates showed builds, while residual fuel oil and naphtha inventories registered draws.

Gasoline stocks rose m-o-m by 0.4 mb to stand at 12.0 mb in July. This was 2.3 mb, or 23.3%, higher than a year ago, and 2.0 mb, or 20.3%, above the latest five-year average. The build in gasoline stocks was driven by higher gasoline production, which increased by 11.9%.

Distillate stocks also rose by 1.3 mb m-o-m to end July at 28.6 mb. This was 1.9 mb, or 7.1%, higher than the same month a year ago, and 1.0 mb, or 3.6%, above the latest five-year average. Within distillate components, kerosene, gasoil and jet fuel stocks increased m-o-m by 8.4%, 1.4% and 2.8%, respectively.

Total residual fuel oil stocks fell by 0.2 mb in July to stand at 12.3 mb. This was 0.1 mb, or 1.0%, lower than the same month last year, and 0.8 mb, or 5.9%, below the latest five-year average. Within components, fuel oil A and fuel oil B.C stocks fell by 2.1% and 1.0%.

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

	Jul 19	May 20	Jun 20	Jul 20	Change Jul 20/Jun 20
Japan's stocks					
Crude oil	83.7	88.4	83.5	83.5	0.0
Gasoline	9.7	12.6	11.6	12.0	0.4
Naphtha	11.3	9.6	9.4	7.7	-1.6
Middle distillates	26.7	26.0	27.3	28.6	1.3
Residual fuel oil	12.4	12.4	12.4	12.3	-0.2
Total products	60.1	60.7	60.7	60.6	-0.1
Total**	143.7	149.1	144.2	144.1	-0.1

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

Sources: METI and OPEC.

EU-15 plus Norway

Preliminary data for July showed that **total European commercial oil stocks** rose by 7.9 mb m-o-m, reversing the last two consecutive monthly drops. At 1,133 mb, they were 35.5 mb, or 3.2%, above the same month a year ago, and 11.6 mb, or 1.0%, higher than the latest five-year average. Crude and product stocks rose m-o-m by 3.6 mb and 4.3 mb, respectively.

European **crude inventories** rose in July to stand at 490 mb. This was 5.8 mb, or 1.2%, higher than the same month a year ago, but 1.0 mb, or 0.2%, below the latest five-year average. The build in July's crude oil inventories came despite higher refinery throughputs m-o-m in the EU-16.

European **total product stocks** rose m-o-m by 4.3 mb to end July at 643 mb. This was 29.7 mb, or 4.9%, higher than the same month a year ago, and 12.5 mb, or 2.0%, above the latest five-year average. The build in product stocks was attributed to the demand decline in the region during July.

Distillate stocks rose m-o-m by 4.8 mb in July to stand at 427 mb. This was 10.8 mb, or 2.6%, higher than the same month last year, and 1.8 mb, or 0.4%, higher than the latest five-year average.

Residual fuel stocks also rose m-o-m by 0.4 mb in July to 69.0 mb. This was 7.0 mb, or 11.1%, higher than the same month one year ago, and 0.1 mb, or 0.2%, below the latest five-year average.

In contrast, **gasoline stocks** fell m-o-m by 0.4 mb in July to stand at 116 mb. This was 9.0 mb, or 8.4%, higher than the level registered the same time a year ago, and 6.1 mb, or 5.6%, above the latest five-year average.

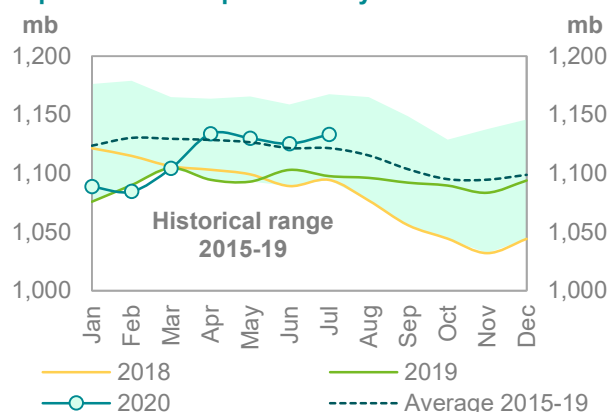
Naphtha stocks also dropped m-o-m by 0.4 mb in July, ending the month at 30.0 mb. This was 3.0 mb, or 11%, above the July 2019 level, and 0.3 mb, or 1.0%, higher than the latest five-year average.

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

	Jul 19	May 20	Jun 20	Jul 20	Change Jul 20/Jun 20
EU stocks					
Crude oil	484.7	487.1	486.9	490.5	3.6
Gasoline	107.2	120.0	116.6	116.2	-0.4
Naphtha	27.3	31.2	30.8	30.4	-0.4
Middle distillates	416.0	423.8	422.0	426.8	4.8
Fuel oils	62.5	67.9	69.0	69.4	0.4
Total products	613.0	642.9	638.4	642.7	4.3
Total	1,097.7	1,130.0	1,125.3	1,133.2	7.9

Sources: Argus, Euroilstock and OPEC.

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



Sources: Argus, Euroilstock and OPEC.

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

Singapore

At the end of July, **total product stocks in Singapore** fell by 0.2 mb m-o-m for the second consecutive month to stand at 53.7 mb. This was 14.2 mb, or 35.9%, higher than the same month a year ago. Within products, light and middle distillate stocks registered builds, while residual fuel oil experienced stock draws.

Light distillate stocks rose m-o-m in July by 0.9 mb. At 16.0 mb, light distillates stood 6.0 mb, or 60%, higher than the same month one year ago.

Middle distillate stocks also rose by 0.4 mb, ending the month of July at 13.9 mb, which was 3.5 mb, or 33.7%, higher than in July 2019.

Commercial Stock Movements

In contrast, **residual fuel oil stocks** fell by 1.5 mb in July to stand at 23.8 mb. At this level, they were 4.7 mb, or 24.6%, higher than in July 2019.

ARA

Total product stocks in ARA fell m-o-m by 2.8 mb in July for the second consecutive month to stand at 49.8 mb. This was 1.2 mb, or 2.5%, higher than the same month a year ago.

Gasoline stocks in July rose m-o-m by 0.8 mb. At 11.8 mb, gasoline stocks stood at 1.2 mb, or 11.3%, above the same month one year ago.

Gasoil stocks fell by 0.7 mb m-o-m in July to stand at 19.1 mb, which was 3.3 mb, or 14.7%, lower than in July 2019.

Residual fuel stocks fell m-o-m by 1.6 mb to end July at 8.2 mb. This was 0.6 mb, or 7.9%, above the level registered one year ago.

Jet oil stocks remained unchanged m-o-m, ending July at 7.4 mb. This was 1.2 mb, or 19.4%, above the year-ago level.

Fujairah

During the week ending 31 August, **total oil product stocks in Fujairah** fell by 1.56 mb w-o-w to stand at 25.12 mb, according to data from FEDCom and S&P Global Platts. At this level, total oil stocks were 5.23 mb higher than the same time a year ago. Within products, light and middle distillate stocks rose, while heavy fuel stocks fell.

Light distillate stocks rose by 0.51 mb w-o-w to stand 7.57 mb, which was 1.47 mb higher than a year ago.

Middle distillate stocks rose by 0.10 mb. At 4.24 mb, they were 2.28 mb higher than a year ago. In contrast, **heavy distillate stocks** fell by 2.17 mb. At 13.32 mb, they were 1.47 mb above the same time last year.

Balance of Supply and Demand

Demand for OPEC crude in 2020 was revised down by 0.7 mb/d from the previous month to stand at 22.6 mb/d, which is around 6.7 mb/d lower than in 2019. According to secondary sources, OPEC crude production averaged 28.3 mb/d in 1Q20, which is about 7.5 mb/d higher than demand for OPEC crude in the same period. In 2Q20, OPEC crude production averaged 25.6 mb/d, which is 9.8 mb/d higher than demand for OPEC crude.

Demand for OPEC crude in 2021 was revised down by 1.1 mb/d from the previous month to stand at 28.2 mb/d, which is around 5.5 mb/d higher than in 2020.

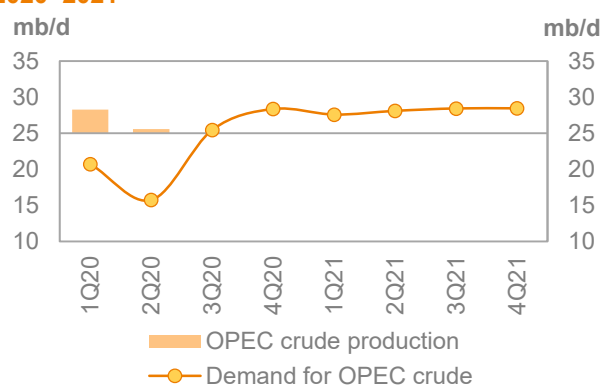
Balance of supply and demand in 2020

Demand for OPEC crude in 2020 was revised down by 0.7 mb/d from the previous month to stand at 22.6 mb/d, which is around 6.7 mb/d lower than in 2019.

Demand for OPEC crude in 1Q20 remained unchanged. 2Q20 was revised down by 0.4 mb/d, while 3Q20 and 4Q20 was revised down by 1.3 mb/d and 1.2 mb/d, respectively, when compared to the previous assessment.

When compared with the same quarters in 2019, demand for OPEC crude in 1Q20 and 2Q20 is expected to be 8.4 mb/d and 13.0 mb/d lower, respectively. 3Q20 shows a decline of 4.9 mb/d, while 4Q20 is expected to see a decline of 0.5 mb/d compared with 4Q19.

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



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

According to secondary sources, OPEC crude production averaged 28.3 mb/d in 1Q20, which is about 7.5 mb/d higher than demand for OPEC crude in the same period. In 2Q20, OPEC crude production averaged 25.6 mb/d, which is 9.8 mb/d higher than demand for OPEC crude.

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

	2019	1Q20	2Q20	3Q20	4Q20	2020	Change 2020/19
(a) World oil demand	99.69	92.68	81.64	91.45	95.08	90.23	-9.46
Non-OPEC liquids production	65.15	66.59	60.79	60.95	61.60	62.47	-2.68
OPEC NGL and non-conventionals	5.26	5.35	5.09	5.04	5.13	5.15	-0.11
(b) Total non-OPEC liquids production and OPEC NGLs	70.41	71.94	65.88	65.98	66.72	67.62	-2.79
Difference (a-b)	29.28	20.75	15.77	25.47	28.36	22.61	-6.67
OPEC crude oil production	29.34	28.28	25.61				
Balance	0.05	7.53	9.84				

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

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

Source: OPEC.

Balance of supply and demand in 2021

Demand for OPEC crude in 2021 was revised down by 1.1 mb/d from the previous month to stand at 28.2 mb/d, which is around 5.5 mb/d higher than in 2020.

1Q21 and 2Q21 were revised down by 1.3 mb/d and 1.2 mb/d, respectively, while 3Q21 and 4Q21 were revised down by 1.0 mb/d and 1.2 mb/d compared to the previous assessment.

When compared to the same quarters in 2020, demand for OPEC crude in 1Q21 and 2Q21 is forecast to be 6.8 mb/d and 12.3 mb/d higher, respectively. 3Q21 is projected to show an increase of 3.0 mb/d, while 4Q21 is expected to be slightly higher by 0.1 mb/d.

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

	2020	1Q21	2Q21	3Q21	4Q21	2021	Change 2021/20
(a) World oil demand	90.23	95.52	96.12	97.14	98.58	96.86	6.62
Non-OPEC liquids production	62.47	62.69	62.79	63.47	64.89	63.47	0.99
OPEC NGL and non-conventionals	5.15	5.24	5.24	5.24	5.24	5.24	0.09
(b) Total non-OPEC liquids production and OPEC NGLs	67.62	67.93	68.03	68.71	70.13	68.71	1.08
Difference (a-b)	22.61	27.59	28.10	28.43	28.45	28.15	5.54

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

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

Source: OPEC.

Appendix

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

	2017	2018	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21	3Q21	4Q21	2021
World oil demand and supply balance													
World demand													
OECD	47.67	47.99	47.68	45.41	36.64	43.93	45.57	42.90	45.81	46.08	46.31	46.62	46.21
Americas	25.11	25.73	25.63	24.31	19.57	24.23	24.71	23.21	24.41	24.85	25.29	25.22	24.95
Europe	14.41	14.32	14.25	13.35	10.62	13.19	13.53	12.68	13.57	13.92	13.96	13.83	13.82
Asia Pacific	8.15	7.95	7.79	7.75	6.45	6.51	7.33	7.01	7.82	7.31	7.06	7.57	7.44
DCs	32.16	32.63	33.11	31.36	27.58	30.01	30.83	29.95	31.96	31.01	31.99	32.28	31.82
FSU	4.64	4.76	4.84	4.50	4.03	4.38	4.54	4.36	4.64	4.49	4.55	4.67	4.59
Other Europe	0.72	0.74	0.76	0.71	0.55	0.47	0.56	0.57	0.79	0.68	0.59	0.68	0.68
China	12.32	12.86	13.30	10.70	12.85	12.67	13.58	12.45	12.31	13.87	13.70	14.33	13.56
(a) Total world demand	97.52	98.98	99.69	92.68	81.64	91.45	95.08	90.23	95.52	96.12	97.14	98.58	96.86
Y-o-y change	1.79	1.46	0.71	-6.15	-17.01	-9.16	-5.57	-9.46	2.83	14.48	5.69	3.50	6.62
Non-OPEC liquids production													
OECD	25.73	28.30	30.00	31.16	27.91	28.18	28.67	28.98	28.96	29.14	29.79	30.93	29.71
Americas	21.51	24.05	25.77	26.59	23.52	23.73	24.01	24.46	24.32	24.62	25.20	26.08	25.06
Europe	3.83	3.84	3.71	4.03	3.86	3.89	4.05	3.96	4.07	3.97	4.00	4.27	4.08
Asia Pacific	0.39	0.41	0.52	0.53	0.54	0.56	0.62	0.56	0.57	0.56	0.59	0.58	0.57
DCs	14.04	14.13	14.32	14.49	13.76	14.03	14.20	14.12	14.30	14.23	14.23	14.45	14.31
FSU	14.07	14.32	14.40	14.53	13.00	12.35	12.46	13.08	13.08	13.07	13.07	13.06	13.07
Other Europe	0.13	0.12	0.12	0.12	0.12	0.11	0.11	0.12	0.11	0.11	0.11	0.11	0.11
China	3.97	3.98	4.05	4.15	4.16	4.13	4.01	4.11	4.04	4.03	4.07	4.14	4.07
Processing gains	2.22	2.25	2.26	2.15	1.85	2.15	2.15	2.07	2.20	2.20	2.20	2.20	2.20
Total non-OPEC liquids production	60.15	63.10	65.15	66.59	60.79	60.95	61.60	62.47	62.69	62.79	63.47	64.89	63.47
OPEC NGLs + non-conventional oils	5.18	5.33	5.26	5.35	5.09	5.04	5.13	5.15	5.24	5.24	5.24	5.24	5.24
(b) Total non-OPEC liquids production and OPEC NGLs	65.33	68.44	70.41	71.94	65.88	65.98	66.72	67.62	67.93	68.03	68.71	70.13	68.71
Y-o-y change	0.87	3.11	1.98	2.22	-3.99	-4.22	-5.12	-2.79	-4.01	2.15	2.73	3.41	1.08
OPEC crude oil production (secondary sources)	31.48	31.34	29.34	28.28	25.61								
Total liquids production	96.81	99.78	99.75	100.22	91.49								
Balance (stock change and miscellaneous)	-0.71	0.80	0.05	7.53	9.84								
OECD closing stock levels, mb													
Commercial	2,860	2,875	2,911	2,994	3,240								
SPR	1,569	1,552	1,535	1,537	1,561								
Total	4,428	4,427	4,446	4,531	4,800								
Oil-on-water	1,025	1,058	1,011	1,186	1,329								
Days of forward consumption in OECD, days													
Commercial onland stocks	60	60	68	82	74								
SPR	33	33	36	42	36								
Total	92	93	104	124	109								
Memo items													
(a) - (b)	32.19	30.55	29.28	20.75	15.77	25.47	28.36	22.61	27.59	28.10	28.43	28.45	28.15

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

Source: OPEC.

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

	2017	2018	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21	3Q21	4Q21	2021
Changes from last month's table													
World demand													
OECD	-	-	-	0.01	0.60	-0.20	-0.20	0.05	-0.59	0.40	-0.20	-0.20	-0.15
Americas	-	-	-	-	0.10	-0.20	-0.20	-0.08	-0.30	-	-0.20	-0.20	-0.17
Europe	-	-	-	0.01	0.30	-	-	0.08	-0.19	0.25	-	-	0.02
Asia Pacific	-	-	-	-	0.20	-	-	0.05	-0.10	0.15	-	-	0.01
DCs	-	-	-	-	-0.90	-0.40	-0.50	-0.45	-0.40	-1.20	-0.40	-0.50	-0.62
FSU	-	-	-	-	-	-0.05	-0.05	-0.03	-	-	-0.05	-0.05	-0.03
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	0.10	-	-	0.02	-	0.10	-	-	0.02
(a) Total world demand	-	-	-	0.01	-0.20	-0.65	-0.75	-0.40	-0.99	-0.70	-0.65	-0.75	-0.77
Y-o-y change	-	-	-	0.01	-0.20	-0.65	-0.75	-0.40	-1.00	-0.50	-	-	-0.37
Non-OPEC liquids production													
OECD	0.02	-0.03	0.01	-	0.36	0.34	0.51	0.31	0.37	0.56	0.44	0.51	0.47
Americas	0.02	-0.03	0.01	-	0.39	0.43	0.50	0.33	0.42	0.60	0.48	0.56	0.51
Europe	-	-	-	-	-0.01	-0.06	-0.02	-0.02	-0.03	-0.03	-0.03	-0.03	-0.03
Asia Pacific	-	-	-	-	-0.01	-0.03	0.03	-	-0.01	-0.01	-0.01	-0.01	-0.01
DCs	0.03	0.02	-	-0.03	0.08	-0.02	-0.09	-0.01	-0.09	-0.09	-0.10	-0.11	-0.10
FSU	-	-	-	-	-	0.12	-	0.03	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	0.14	-	0.04	-	-	-	-	-
Processing gains	-	-	-	0.07	-0.22	0.07	0.07	-	-	-	-	-	-
Total non-OPEC liquids production	0.05	-0.01	0.01	0.04	0.23	0.66	0.50	0.36	0.28	0.46	0.33	0.40	0.37
OPEC NGLs + non-conventionals	-	-	-	-	-	-0.04	-	-0.01	-	-	-	-	-
(b) Total non-OPEC liquids production and OPEC NGLs	0.05	-0.01	0.01	0.04	0.23	0.62	0.50	0.35	0.28	0.46	0.33	0.40	0.37
Y-o-y change	0.03	-0.06	0.02	0.03	0.23	0.60	0.48	0.34	0.24	0.23	-0.29	-0.10	0.02
OPEC crude oil production (secondary sources)	0.00	0.00	0.00	0.02	0.01								
Total supply	0.05	-0.01	0.01	0.06	0.24								
Balance (stock change and miscellaneous)	0.05	-0.01	0.01	0.05	0.44								
OECD closing stock levels, mb													
Commercial	-	-	-	-	-								
SPR	-	-	-	-	-								
Total	-	-	-	-	-								
Oil-on-water	-	-	-	-	-								
Days of forward consumption in OECD, days													
Commercial onland stocks	-	-	-0.08	-1.36	0.33								
SPR	-	-	-0.04	-0.70	0.16								
Total	-	-	-0.13	-2.06	0.50								
Memo items													
(a) - (b)	-0.05	0.01	-0.01	-0.03	-0.43	-1.27	-1.25	-0.75	-1.27	-1.16	-0.98	-1.15	-1.14

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

This table shows only where changes have occurred.

Source: OPEC.

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

	2017	2018	2019	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
OECD oil stocks and oil on water												
Closing stock levels, mb												
OECD onland commercial	2,860	2,875	2,911	2,814	2,868	2,875	2,878	2,938	2,948	2,911	2,994	3,235
Americas	1,498	1,544	1,538	1,473	1,543	1,544	1,508	1,565	1,559	1,538	1,591	1,726
Europe	948	930	978	952	933	930	989	983	988	978	1,034	1,104
Asia Pacific	413	402	394	390	392	402	381	391	401	394	368	405
OECD SPR	1,569	1,552	1,535	1,575	1,570	1,552	1,557	1,549	1,544	1,535	1,537	1,561
Americas	665	651	637	662	662	651	651	647	647	637	637	657
Europe	481	481	482	491	486	481	488	485	482	482	484	487
Asia Pacific	423	420	416	422	422	420	417	417	416	416	416	416
OECD total	4,428	4,427	4,446	4,389	4,438	4,427	4,435	4,487	4,492	4,446	4,531	4,796
Oil-on-water	1,025	1,058	1,011	1,014	1,041	1,058	1,013	995	1,012	1,011	1,186	1,329
Days of forward consumption in OECD, days												
OECD onland commercial	60	60	68	58	60	60	61	61	62	64	82	73
Americas	58	60	66	57	60	61	59	60	61	63	81	71
Europe	66	65	77	65	66	66	70	67	70	73	97	84
Asia Pacific	52	52	56	51	49	49	51	52	50	51	57	62
OECD SPR	33	33	37	33	33	33	33	32	32	34	42	35
Americas	26	26	29	25	26	26	26	25	25	26	33	27
Europe	34	34	38	33	34	34	34	33	34	36	46	37
Asia Pacific	53	54	60	55	53	51	56	55	52	54	65	64
OECD total	92	94	105	91	93	93	94	93	94	98	124	109

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

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

	Change							Change					
	2017	2018	2019	3Q20	4Q20	2020	20/19	1Q21	2Q21	3Q21	4Q21	2021	21/20
Non-OPEC liquids production and OPEC NGLs													
US	14.4	16.7	18.4	16.9	17.1	17.5	-1.0	17.2	17.7	17.9	18.6	17.8	0.4
Canada	4.9	5.3	5.4	5.0	5.1	5.1	-0.3	5.2	5.1	5.4	5.6	5.3	0.2
Mexico	2.2	2.1	1.9	1.9	1.8	1.9	0.0	1.9	1.9	1.9	1.9	1.9	0.0
OECD Americas	21.5	24.0	25.8	23.7	24.0	24.5	-1.3	24.3	24.6	25.2	26.1	25.1	0.6
Norway	2.0	1.9	1.7	2.0	2.1	2.0	0.3	2.1	2.1	2.1	2.3	2.2	0.1
UK	1.0	1.1	1.1	1.1	1.2	1.1	0.0	1.2	1.1	1.1	1.2	1.2	0.0
Denmark	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Other OECD	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
OECD Europe	3.8	3.8	3.7	3.9	4.1	4.0	0.2	4.1	4.0	4.0	4.3	4.1	0.1
Australia	0.3	0.3	0.5	0.5	0.6	0.5	0.0	0.5	0.5	0.5	0.5	0.5	0.0
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
OECD Asia Pacific	0.4	0.4	0.5	0.6	0.6	0.6	0.0	0.6	0.6	0.6	0.6	0.6	0.0
Total OECD	25.7	28.3	30.0	28.2	28.7	29.0	-1.0	29.0	29.1	29.8	30.9	29.7	0.7
Brunei	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
India	0.9	0.9	0.8	0.8	0.9	0.8	0.0	0.8	0.8	0.9	0.9	0.8	0.0
Indonesia	0.9	0.9	0.9	0.9	0.8	0.9	0.0	0.8	0.8	0.8	0.8	0.8	0.0
Malaysia	0.7	0.7	0.7	0.6	0.6	0.6	-0.1	0.6	0.6	0.6	0.6	0.6	0.0
Thailand	0.5	0.5	0.5	0.5	0.5	0.5	0.0	0.5	0.5	0.5	0.5	0.5	0.0
Vietnam	0.3	0.3	0.3	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Asia others	0.3	0.3	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.3	0.2	0.0
Other Asia	3.7	3.6	3.5	3.2	3.3	3.3	-0.2	3.3	3.3	3.4	3.4	3.4	0.0
Argentina	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Brazil	3.3	3.3	3.5	3.8	3.9	3.8	0.2	3.9	3.9	3.9	4.0	3.9	0.1
Colombia	0.9	0.9	0.9	0.8	0.8	0.8	-0.1	0.8	0.8	0.8	0.8	0.8	0.0
Ecuador	0.5	0.5	0.5	0.5	0.5	0.5	0.0	0.5	0.6	0.6	0.6	0.6	0.1
Latin America	0.4	0.4	0.4	0.4	0.5	0.4	0.1	0.5	0.5	0.5	0.5	0.5	0.0
Latin America	5.7	5.8	6.1	6.2	6.4	6.2	0.2	6.5	6.4	6.4	6.6	6.5	0.2
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Oman	1.0	1.0	1.0	0.9	0.8	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Qatar	1.9	1.9	1.9	1.9	2.0	1.9	0.0	2.0	2.0	2.0	2.0	2.0	0.1
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	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Middle East	3.1	3.2	3.2	3.1	3.0	3.1	-0.1	3.1	3.1	3.1	3.1	3.1	0.0
Cameroon	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.0	0.1	0.0
Chad	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Egypt	0.7	0.7	0.7	0.6	0.6	0.6	0.0	0.6	0.6	0.6	0.6	0.6	-0.1
Ghana	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
South Africa	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Sudans	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Africa other	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Africa	1.5	1.5	1.5	1.4	1.4	1.5	-0.1	1.4	1.4	1.4	1.3	1.4	-0.1
Total DCs	14.0	14.1	14.3	14.0	14.2	14.1	-0.2	14.3	14.2	14.2	14.5	14.3	0.2
FSU	14.1	14.3	14.4	12.3	12.5	13.1	-1.3	13.1	13.1	13.1	13.1	13.1	0.0
Russia	11.2	11.3	11.4	9.7	9.9	10.3	-1.1	10.4	10.4	10.4	10.4	10.4	0.0
Kazakhstan	1.7	1.8	1.8	1.6	1.6	1.7	-0.1	1.7	1.7	1.7	1.7	1.7	0.0
Azerbaijan	0.8	0.8	0.8	0.7	0.7	0.7	-0.1	0.7	0.7	0.7	0.7	0.7	0.0
FSU others	0.4	0.4	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
China	4.0	4.0	4.1	4.1	4.0	4.1	0.1	4.0	4.0	4.1	4.1	4.1	0.0
Non-OPEC	57.9	60.9	62.9	58.8	59.5	60.4	-2.5	60.5	60.6	61.3	62.7	61.3	0.9
Processing gains	2.2	2.3	2.3	2.1	2.1	2.1	-0.2	2.2	2.2	2.2	2.2	2.2	0.1
Non-OPEC liquids production	60.2	63.1	65.2	60.9	61.6	62.5	-2.7	62.7	62.8	63.5	64.9	63.5	1.0
OPEC NGL	5.1	5.2	5.1	4.9	5.0	5.0	-0.1	5.1	5.1	5.1	5.1	5.1	0.1
OPEC Non-	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
OPEC (NGL+NCF)	5.2	5.3	5.3	5.0	5.1	5.2	-0.1	5.2	5.2	5.2	5.2	5.2	0.1
Total Non-OPEC production and OPEC NGLs	65.3	68.4	70.4	66.0	66.7	67.6	-2.8	67.9	68.0	68.7	70.1	68.7	1.1

Note: OECD Americas includes Chile. Totals may not add up due to independent rounding.

Source: OPEC.

Table 11 - 5: World rig count, units

	2017	2018	2019	Change 2019/18	3Q19	4Q19	1Q20	2Q20	Jul 20	Aug 20	Change Aug/Jul
World rig count											
US	875	1,031	944	-88	920	819	784	396	255	250	-5
Canada	207	191	134	-57	131	138	196	25	33	53	20
Mexico	17	27	37	10	38	48	46	43	38	35	-3
OECD Americas	1,099	1,249	1,114	-135	1,089	1,005	1,026	464	326	338	12
Norway	15	15	17	2	18	18	16	16	14	15	1
UK	9	7	15	7	16	13	8	4	4	4	0
OECD Europe	92	85	149	63	190	154	129	111	105	109	4
OECD Asia Pacific	15	21	29	8	31	30	30	22	16	17	1
Total OECD	1,206	1,355	1,292	-64	1,310	1,189	1,184	597	447	464	17
Other Asia*	208	222	221	-1	217	212	214	190	192	198	6
Latin America	119	131	129	-2	132	119	107	26	35	39	4
Middle East	68	65	68	3	67	69	69	59	50	53	3
Africa	38	45	55	11	51	63	61	46	33	37	4
Total DCs	432	462	474	12	467	463	451	321	310	327	17
Non-OPEC rig count	1,638	1,817	1,766	-52	1,777	1,652	1,635	917	757	791	34
Algeria	54	50	45	-5	42	41	38	33	30	30	0
Angola	3	4	4	1	4	3	6	2	0	1	1
Congo	2	3	3	0	3	2	2	1	0	0	0
Equatorial Guinea**	1	1	2	1	1	1	1	1	1	1	0
Gabon	1	3	7	4	7	9	9	2	0	0	0
Iran**	156	157	117	-40	117	117	117	117	117	117	0
Iraq	49	59	74	14	77	77	74	54	32	29	-3
Kuwait	54	51	46	-5	46	48	53	52	49	43	-6
Libya	1	5	14	10	16	16	14	11	11	13	2
Nigeria	9	13	16	2	16	18	19	11	6	8	2
Saudi Arabia	118	117	115	-2	118	109	113	108	92	83	-9
UAE	52	55	62	7	64	67	66	58	53	51	-2
Venezuela	49	32	25	-8	25	25	25	6	1	1	0
OPEC rig count	547	550	529	-21	536	534	537	455	392	377	-15
World rig count***	2,185	2,368	2,295	-73	2,313	2,185	2,172	1,373	1,149	1,168	19
<i>of which:</i>											
Oil	1,678	1,886	1,800	-87	1,794	1,717	1,707	1,027	842	870	28
Gas	466	448	464	15	486	431	411	288	268	269	1
Others	42	33	31	-2	32	38	54	57	39	29	-10

Note: * Other Asia includes Indonesia.

** Estimated data when Baker Hughes Incorporated did not report the data.

*** Data excludes China and FSU.

Totals may not add up due to independent rounding.

Sources: Baker Hughes and OPEC.

Glossary of Terms

Abbreviations

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

Acronyms

ARA	Amsterdam-Rotterdam-Antwerp
BoE	Bank of England
BoJ	Bank of Japan
BOP	Balance of payments
BRIC	Brazil, Russia, India and China
CAPEX	capital expenditures
CCI	Consumer Confidence Index
CFTC	Commodity Futures Trading Commission
CIF	cost, insurance and freight
CPI	consumer price index
DoC	Declaration of Cooperation
DCs	developing countries
DUC	drilled, but uncompleted (oil well)
ECB	European Central Bank
EIA	US Energy Information Administration
Emirates NBD	Emirates National Bank of Dubai
EMs	emerging markets
EV	electric vehicle

Glossary of Terms

FAI	fixed asset investment
FCC	fluid catalytic cracking
FDI	foreign direct investment
Fed	US Federal Reserve
FID	final investment decision
FOB	free on board
FPSO	floating production storage and offloading
FSU	Former Soviet Union
FX	Foreign Exchange
FY	fiscal year
GDP	gross domestic product
GFCF	gross fixed capital formation
GoM	Gulf of Mexico
GTLs	gas-to-liquids
HH	Henry Hub
HSFO	high-sulphur fuel oil
ICE	Intercontinental Exchange
IEA	International Energy Agency
IMF	International Monetary Fund
IOCs	international oil companies
IP	industrial production
ISM	Institute of Supply Management
LIBOR	London inter-bank offered rate
LLS	Light Louisiana Sweet
LNG	liquefied natural gas
LPG	liquefied petroleum gas
LR	long-range (vessel)
LSFO	low-sulphur fuel oil
MCs	(OPEC) Member Countries
MED	Mediterranean
MENA	Middle East/North Africa
MOMR	(OPEC) Monthly Oil Market Report
MPV	multi-purpose vehicle
MR	medium-range or mid-range (vessel)
NBS	National Bureau of Statistics
NGLs	natural gas liquids
NPC	National People's Congress (China)
NWE	Northwest Europe
NYMEX	New York Mercantile Exchange
OECD	Organisation for Economic Co-operation and Development
OPEX	operational expenditures
OIV	total open interest volume
ORB	OPEC Reference Basket
OSP	Official Selling Price
PADD	Petroleum Administration for Defense Districts
PBoC	People's Bank of China
PMI	purchasing managers' index
PPI	producer price index

RBI	Reserve Bank of India
REER	real effective exchange rate
ROI	return on investment
SAAR	seasonally-adjusted annualized rate
SIAM	Society of Indian Automobile Manufacturers
SRFO	straight-run fuel oil
SUV	sports utility vehicle
ULCC	ultra-large crude carrier
ULSD	ultra-low sulphur diesel
USEC	US East Coast
USGC	US Gulf Coast
USWC	US West Coast
VGO	vacuum gasoil
VLCC	very large crude carriers
WPI	wholesale price index
WS	Worldscale
WTI	West Texas Intermediate
WTS	West Texas Sour

OPEC Basket average price

US\$/b



up 1.77 in August

August 2020	45.19
July 2020	43.42
Year-to-date	40.50

August OPEC crude production

mb/d, according to secondary sources



up 0.76 in August

August 2020	24.05
July 2020	23.28

Economic growth rate

per cent

	World	OECD	US	Euro-zone	Japan	China	India
2020	-4.1	-6.0	-5.1	-7.7	-5.5	1.8	-6.2
2021	4.7	4.0	4.1	4.3	3.2	6.9	6.8

Supply and demand

mb/d

2020		20/19	2021		21/20
World demand	90.2	-9.5	World demand	96.9	6.6
Non-OPEC liquids production	62.5	-2.7	Non-OPEC liquids production	63.5	1.0
OPEC NGLs	5.2	-0.1	OPEC NGLs	5.2	0.1
Difference	22.6	-6.7	Difference	28.2	5.5

OECD commercial stocks

mb

	Jul 19	May 20	Jun 20	Jul 20	Jul 20/Jul 19
Crude oil	1,473	1,602	1,590	1,580	-10
Products	1,485	1,618	1,645	1,651	5
Total	2,957	3,219	3,235	3,231	-4
Days of forward cover	61.4	76.8	73.3	72.2	-1.2

Next report to be issued on 13 October 2020.