



Organization of the Petroleum Exporting Countries

OPEC Monthly Oil Market Report

15 July 2021

Feature article:
The outlook for the oil market in 2022

Oil market highlights	i
Feature article	iii
Crude oil price movements	1
Commodity markets	7
World economy	10
World oil demand	25
World oil supply	36
Product markets and refinery operations	51
Tanker market	58
Crude and refined products trade	61
Commercial stock movements	67
Balance of supply and demand	72



Organization of the Petroleum Exporting Countries

Helferstorferstrasse 17, A-1010 Vienna, Austria

E-mail: [prid\(at\)opec.org](mailto:prid(at)opec.org)

Website: www.opec.org

Disclaimer

The data, analysis and any other information (the “information”) contained in the Monthly Oil Market Report the “MOMR”) is for informational purposes only and is neither intended as a substitute for advice from business, finance, investment consultant or other professional; nor is it meant to be a benchmark or input data to a benchmark of any kind. Whilst reasonable efforts have been made to ensure the accuracy of the information contained in the MOMR, the OPEC Secretariat makes no warranties or representations as to its accuracy, relevance or comprehensiveness, and assumes no liability or responsibility for any inaccuracy, error or omission, or for any loss or damage arising in connection with or attributable to any action or decision taken as a result of using or relying on the information in the MOMR. The views expressed in the MOMR are those of the OPEC Secretariat and do not necessarily reflect the views of its governing bodies or Member Countries. The designation of geographical entities in the MOMR, and the use and presentation of data and other materials, do not imply the expression of any opinion whatsoever on the part of OPEC and/or its Member Countries concerning the legal status of any country, territory or area, or of its authorities, or concerning the exploration, exploitation, refining, marketing and utilization of its petroleum or other energy resources.

Full reproduction, copying or transmission of the MOMR is not permitted in any form or by any means by third parties without the OPEC Secretariat’s written permission, however, the information contained therein may be used and/or reproduced for educational and other non-commercial purposes without the OPEC Secretariat’s prior written permission, provided that it is fully acknowledged as the copyright holder. The MOMR may contain references to material(s) from third parties, whose copyright must be acknowledged by obtaining necessary authorization from the copyright owner(s). The OPEC Secretariat or its governing bodies shall not be liable or responsible for any unauthorized use of any third party material(s). All rights of the MOMR shall be reserved to the OPEC Secretariat, as applicable, including every exclusive economic right, in full or per excerpts, with special reference but without limitation, to the right to publish it by press and/or by any communications medium whatsoever; translate, include in a data base, make changes, transform and process for any kind of use, including radio, television or cinema adaptations, as well as a sound-video recording, audio-visual screenplays and electronic processing of any kind and nature whatsoever.

Chairman of the Editorial Board

HE Mohammad Sanusi Barkindo Secretary General

Editor-in-Chief

Dr. Ayed S. Al-Qahtani Director, Research Division *email: aalqahtani(at)opec.org*

Editor

Behrooz Baikalizadeh Head, Petroleum Studies Department *email: bbaikalizadeh(at)opec.org*

Contributors

Crude Oil Price Movements

Yacine Sariahmed Senior Oil Price Analyst, PSD *email: ysariahmed(at)opec.org*

Commodity Markets

Hector Hurtado Chief Financial Analyst, PSD *email: hhurtado(at)opec.org*

World Economy

Imad Al-Khayyat Chief Economic Analyst, PSD *email: ial-khayyat(at)opec.org*
Hector Hurtado Chief Financial Analyst, PSD *email: hhurtado(at)opec.org*
Dr. Asmaa Yaseen Modelling & Forecasting Analyst, PSD *email: ayaseen(at)opec.org*
Dr. Joerg Spitzzy Senior Research Analyst, PSD *email: jspitzzy(at)opec.org*

World Oil Demand

Hassan Balfakeih Chief Oil Demand Analyst, PSD *email: hbalfakeih(at)opec.org*

World Oil Supply

Mohammad Ali Danesh Chief Oil Supply Analyst, PSD *email: mdanesh(at)opec.org*

Product Markets and Refinery Operations

Tona Ndamba Senior Refinery & Products Analyst, PSD *email: tndamba(at)opec.org*

Tanker Markets

Douglas Linton Senior Research Specialist, PSD *email: dlinton(at)opec.org*

Crude and Refined Products Trade

Douglas Linton Senior Research Specialist, PSD *email: dlinton(at)opec.org*

Stock Movements

Dr. Aziz Yahyai Senior Research Analyst, PSD *email: ayahyai(at)opec.org*

Technical Team

Nadir Guerer Senior Research Analyst, DRDO *email: nguerer(at)opec.org*
Dr. Aziz Yahyai Senior Research Analyst, PSD *email: ayahyai(at)opec.org*
Douglas Linton Senior Research Specialist, PSD *email: dlinton(at)opec.org*
Viveca Hameder Research Specialist, PSD *email: vhameder(at)opec.org*

Statistical Services

Boshra Alseiari, Head, Data Services Department; Hossein Hassani, Statistical Systems Coordinator; Pantelis Christodoulides (World Oil Demand, Stock Movements); Klaus Stoeger (World Oil Supply); Mohammad Sattar (Crude Oil Price Movements, Commodity Markets, Tanker Market, Crude and Refined Products Trade); Mihni Mihnev (Product Markets and Refinery Operations); Justinas Pelenis (World Economy)

Editing and Design

Hasan Hafidh, Head, PR & Information Department; James Griffin; Maureen MacNeill; Scott Laury; Matthew Quinn; Timothy Spence; Carola Bayer; Andrea Birnbach; Hataichanok Leimlehner; Liane-Sophie Hamamciyan

Oil Market Highlights

Crude Oil Price Movements

Crude oil spot prices rose firmly in June, extending previous monthly gains, driven by a rally in futures markets, as well as a strengthening global physical crude market, amid higher crude demand from refiners. The OPEC Reference Basket (ORB) increased for the second-consecutive month in June, reaching its highest monthly average since October 2018. The ORB value rose \$4.98 m-o-m, or 7.4%, to settle at an average of \$71.89/b. Year-to-date (y-t-d), the ORB averaged \$63.85/b, representing a gain of \$24.64, or 62.9%, compared to the same month last year. In June, investors turned increasingly optimistic about the outlook for the oil demand recovery amid expectations for a tighter global oil market in 2H21. The ICE Brent front month rose \$5.10 m-o-m in June, or 7.5%, to average \$73.41/b, and NYMEX WTI increased \$6.20, or 9.5%, m-o-m to average \$71.35/b. Consequently, the ICE Brent and NYMEX WTI spread narrowed by \$1.10 m-o-m to average \$2.06/b in June, its lowest level since October 2020. The backwardation structure of all three major oil benchmarks strengthened in June on a tightening outlook for oil supply and demand fundamentals in the coming months. Hedge funds and other money managers boosted bullish positions related to crude in June, particularly in WTI, as speculators focus on expectations for rising oil prices.

World Economy

The global economic growth forecast for 2021 remains unchanged at 5.5%. In an initial assessment, global economic growth for 2022 is forecast at 4.1%. However, future global growth continues to be impacted by uncertainties, including the spread of COVID-19 variants and the pace of the global vaccine rollout. In addition, sovereign debt levels in many regions, together with inflationary pressures and central bank responses, remain key factors that require close monitoring. Nevertheless, upside potential could materialize as ongoing containment COVID-19 measures in combination with additional fiscal and monetary stimulus could turn out to be more effective than envisaged, leading to further gains in consumption and investments. US economic growth in 2021 remains at 6.4%, followed by growth of 3.6% in 2022. The Euro-zone economic growth in 2021 remains at 4.1%, followed by growth of 3.0% in 2022. Similarly, Japan's economic growth forecast remains at 2.8% for 2021, followed by growth of 2.0% in 2022. After an unchanged growth forecast of 8.5% in 2021, China's economic growth forecast for 2022 stands at 6.3%. India's 2021 growth forecast remains at 9.5%, followed by growth of 6.8% in 2022. Brazil's growth forecast for 2021 was revised up to 3.2%, followed by growth of 2.5% in 2022. Russia's forecast for 2021 remains at 3.0%, followed by growth of 2.3% in 2022.

World Oil Demand

World oil demand growth in 2021 is forecast at 6.0 mb/d, unchanged from last month's assessment, although there have been some regional revisions. Total oil demand is projected to average 96.6 mb/d. The 1Q21 was revised lower, amid slower than anticipated demand in the main OECD consuming countries. This was counterbalanced by better-than-expected data from OECD Americas in 2Q21, which is now projected to last through the 3Q21. Solid expectations exist for global economic growth in 2022. These include improved containment of COVID-19, particularly in emerging and developing countries, which are forecast to spur oil demand to reach pre-pandemic levels in 2022. World oil demand is anticipated to rise by 3.3 mb/d y-o-y in 2022, while total world oil demand is projected to average 99.86 mb/d, with the 100 mb/d mark exceeded in 2H22. OECD oil demand is anticipated to increase by 1.5 mb/d, as OECD Americas is expected to rise firmly with US oil demand only marginally below 2019 levels, mainly due to lagging transportation fuel demand. Non-OECD oil demand is projected to show an increase of 1.8 mb/d, with gains in China and India exceeding pre-pandemic levels, supported by a respectable recovery in transportation fuels and firm industrial fuel demand, including petrochemical feedstock.

World Oil Supply

Non-OPEC liquids supply in 2021 is revised down by 0.03 mb/d, despite upward revisions to the US and Canada. Growth is now at 0.81 mb/d for an average of 63.8 mb/d. The preliminary US liquids production recovery in 2Q21 indicates an increase of 1 mb/d, q-o-q. The main drivers for 2021 supply growth are expected to be Canada, China, Norway, Brazil and Guyana, with the US now expected to see y-o-y growth of 0.06 mb/d. The initial forecast for 2022 sees non-OPEC liquids supply growing by 2.1 mb/d, with a 1.1 mb/d expansion in the OECD, 0.8 mb/d growth in the non-OECD and a 0.1 mb/d recovery in processing gains. At the same time, uncertainty remains high regarding financial and operational aspects of US production. OPEC NGLs are

forecast to grow by 0.1 mb/d y-o-y in 2021 and 2022 to average 5.2 mb/d and 5.3 mb/d, respectively. OPEC crude oil production in June increased m-o-m by 0.59 mb/d, to average 26.03 mb/d, according to available secondary sources.

Product Markets and Refining Operations

Refinery margins in all main trading hubs declined in June as refineries ramped up processing rates following peak spring refinery maintenance season, which led to stronger product availability. This led to a longer overall product balance, as product output outpaced fuel consumption recovery, weighing on product crack spreads. The ongoing vaccination rollout and optimism following the relaxation of lockdown measures in many countries, leading to expectations of higher fuel consumption levels going forward, contributed to the rise in refinery runs, which are expected to remain strong in the near term.

Tanker Market

Dirty tanker rates remained at depressed levels in June as ample tonnage availability and limited tanker demand continued to weigh on the market. The search for better rates have even encouraged the use of new built VLCCs to carry clean products, eroding clean tanker rates. New deliveries, minimal scrapping and weak tanker demand point to a continued sluggish tanker market, possibly into next year.

Crude and Refined Products Trade

The US provided key seasonal support for global trade flows in June, according to preliminary data. US crude imports rose 0.7 mb/d m-o-m, or more than 11%, to average 6.7 mb/d in June, the highest since December 2019. US crude exports also rose sharply m-o-m in June, jumping 0.8 mb/d or almost 30%, to average 3.6 mb/d, the second-highest on record. China's crude oil imports averaged 9.7 mb/d in May, representing a further decline of 0.2 mb/d or 2% m-o-m and a cumulative decline of 2.1 mb/d or 18% over the last two months. Preliminary figures for June show the country's crude imports ticking up, but remaining below 10 mb/d. India's crude imports fell to a seven-month low in May, as the peak of the second COVID-19 wave arrived in the middle of that month. With reduced COVID-19 infections at the end of June, refiners in India have begun to slowly lift run rates which could strengthen crude inflows in July. Meanwhile, Japan's crude imports fell back in May from the strong levels seen the month before, averaging 2.4 mb/d, as renewed lockdown measures undermined expectations for product demand. The start of the 2021 Tokyo Olympics in July should provide some boost to crude and product imports, although uncertainty regarding COVID-19 measures are clouding product needs.

Commercial Stock Movements

Preliminary May data sees total OECD commercial oil stocks up by 8.3 mb m-o-m. At 2,934 mb, inventories were 276.9 mb lower than the same month last year; 86.6 mb lower than the latest five-year average; and 21.7 mb below the 2015-2019 average. Within components, crude and product stocks were up by 1.1 mb and 7.2 mb, respectively. At 1,466 mb, OECD crude stocks stood 60.8 mb below the latest five-year average and 32.5 mb below the 2015-2019 average. At 1,468 mb, OECD product stocks were 25.9 mb below the latest five-year average, but 10.8 mb above the 2015-2019 average. In terms of days of forward cover, OECD commercial stocks fell 0.8 days m-o-m in May to stand at 64.2 days. This is 13.4 days below the May 2020 level, 0.8 days below the latest five-year average, but 2.4 days above the 2015-2019 average.

Balance of Supply and Demand

Demand for OPEC crude in 2021 remains unchanged from the previous report at 27.7 mb/d, around 5.0 mb/d higher than in 2020. Based on the initial forecasts for world oil demand and non-OPEC supply in 2022, demand for OPEC crude is forecast at 28.7 mb/d, some 1.1 mb/d higher than the 2021 level.

Feature Article

The outlook for the oil market in 2022

Following a strong rebound in 2021, global economic growth in 2022 is forecast to grow by 4.1%, y-o-y (**Graph 1**).

This forecast assumes continued progress in the containment of the COVID-19 pandemic. Moreover, the ongoing broad-based stimulus measures and high saving rates in advanced economies are forecast to lead to a release of pent-up demand in 2H21, which will carry over into 2022. Consumption is forecast to improve, particularly in the contact-intensive sectors. However, a strong recovery could lead to a quick rise in inflation and consequently rising interest rates. Very high sovereign debt levels could thus become a considerable burden for the fiscal health of many economies.

The positive developments in the containment of the pandemic as well as the solid expectations for global economic growth are assumed to spur consumption for oil in 2022, with world oil demand forecast to grow by 3.3 mb/d y-o-y, to average 99.9 mb/d. World oil demand in 2H22 is expected to exceed 100 mb/d.

Within regions, OECD oil demand is forecast to rise by 1.5 mb/d. Of this, OECD Americas is expected to rise firmly, with US oil demand marginally below 2019 levels, mainly due to lagging transportation fuel demand. OECD Europe and Asia Pacific will grow, but remain below 2019 levels. Non-OECD oil demand is projected to show an increase of 1.8 mb/d, rising the most in China and India to exceed pre-pandemic levels, supported by a recovery in transportation fuels and firm industrial fuels demand, including petrochemical feedstocks.

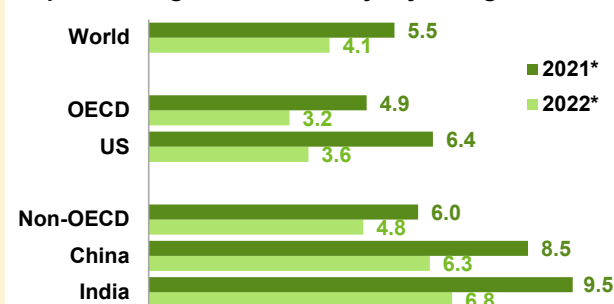
In terms of fuels, gasoline and diesel are expected to lead oil demand growth in 2022. The gradual return to

normalcy is expected to support mobility in major consuming countries, such as the US, China and India. Both on-road diesel, including trucking, as well as increasing industrial, construction and agricultural activities in OECD America, Europe and China will support diesel demand. Light distillates will be supported by capacity additions – NGL plants in the US, Propane Dehydrogenation (PDH) plants in China, and steady petrochemical margins. Jet fuel will continue to recover, as domestic and international air travel pick up, but business travel is expected to lag. Uncertainties remain, including COVID-19-related challenges and their impact on transportation fuels; the above-mentioned economic developments; extreme weather; technological advances, including digitalization; penetration of electric vehicles; and energy policy changes.

Non-OPEC oil supply is forecast to grow by 2.1 mb/d y-o-y in 2022, on stronger demand and higher oil price levels. Upstream investment in non-OPEC countries is expected at around \$348 billion, a minor increase from 2020-2021 levels, but still only half of the \$737 bn seen in 2013. The expected cumulative output from new projects has been decreasing, from 109 mb/d in 2013 to only 19 mb/d in 2021. US production is forecast to grow by 0.7 mb/d. Oil production growth in North America, forecast at 0.9 mb/d, will come from the Permian Basin, Gulf of Mexico and oil sands in Canada. Oil production in Brazil, Norway, Guyana, China, India and the UK is expected to increase through the ramping up of existing projects and new field start-ups. Moreover, OPEC NGLs are forecast to grow by 0.1 mb/d y-o-y.

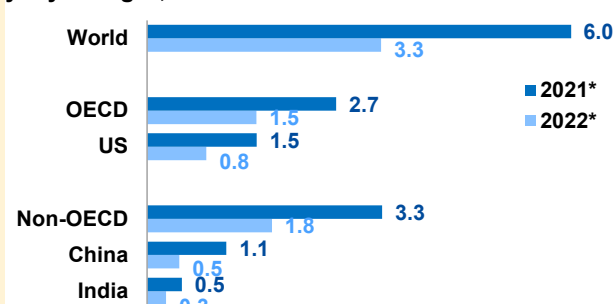
Looking ahead to 2022, risks and uncertainties loom large and require careful monitoring to ensure the recovery from the COVID-19 pandemic. OPEC and the non-OPEC countries participating in the Declaration of Cooperation (DoC) will continue to closely evaluate the various factors that could impact the ongoing developments on a monthly basis, thereby being able to act swiftly in a very timely manner to safeguard the delicate recovery of the market balance.

Graph 1: GDP growth forecast, y-o-y changes, %



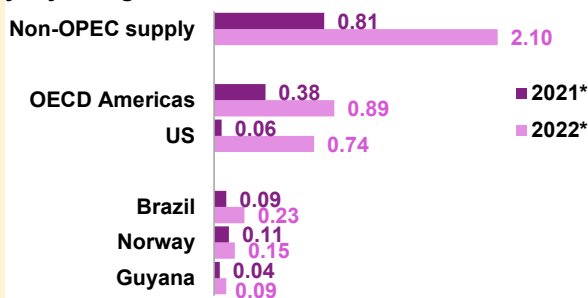
Note: * 2021-2022 = Forecast. Source: OPEC.

Graph 2: World oil demand growth forecast, y-o-y changes, mb/d



Note: * 2021-2022 = Forecast. Source: OPEC.

Graph 3: Non-OPEC supply growth forecast, y-o-y changes, mb/d



Note: * 2021-2022 = Forecast. Source: OPEC.

Table of Contents

Oil Market Highlights	iii
Feature Article	v
<i>The outlook for the oil market in 2022</i>	v
Crude Oil Price Movements	1
Crude spot prices	1
The oil futures market	3
The futures market structure	5
Crude spreads	6
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	24
World Oil Demand	25
World oil demand in 2021 and 2022	26
OECD	27
Non-OECD	30
World Oil Supply	36
Main monthly revisions	36
Key drivers of growth and decline	37
Non-OPEC liquids production in 2021 and 2022	37
OECD	38
Non-OECD	45
OPEC NGLs and non-conventional oils	48
OPEC crude oil production	49
World oil supply	50
Product Markets and Refinery Operations	51
Refinery margins	51
Refinery operations	52
Product markets	52

Tanker Market	58
Spot fixtures	58
Sailings and arrivals	58
Dirty tanker freight rates	59
Clean tanker freight rates	60
Crude and Refined Products Trade	61
US	61
China	62
India	63
Japan	64
OECD Europe	65
Eurasia	66
Commercial Stock Movements	67
OECD	67
US	68
Japan	69
EU-14 plus UK and Norway	70
Singapore, Amsterdam-Rotterdam-Antwerp (ARA) and Fujairah	71
Balance of Supply and Demand	72
Balance of supply and demand in 2021	72
Balance of supply and demand in 2022	73
Appendix	74
Glossary of Terms	80
Abbreviations	80
Acronyms	80

Crude Oil Price Movements

Crude oil spot prices extended the previous month's gains and rose firmly in June. The increases were driven by a rally in the futures markets and a strengthening of the global physical crude market amid higher crude demand from refiners and the prospect of further improvements in oil demand in the transportation sector during the summer driving season. In June, North Sea Dated increased by \$4.45 m-o-m, or 6.5%, to an average of \$72.96/b. The NYMEX WTI and Dubai first-month prices rose respectively by \$6.15 m-o-m and \$5.09, or 9.4% and 7.7%, to settle at \$71.38/b and \$71.50/b.

The ORB value also increased for the second consecutive month in June to its highest monthly average since October 2018, rising along with higher related crude benchmarks. The ORB value rose \$4.98 m-o-m, or 7.4%, to settle at an average of \$71.89/b.

Crude oil futures prices extended their rally in June for the second consecutive month and reached their highest levels since October 2018 on a daily basis, as investors turned increasingly optimistic about the outlook for oil demand recovery and expectations of a stronger global oil market in 2H21. The market optimism was bolstered by accelerating vaccination rates in several countries, the easing of travel restrictions and data indicating a continued recovery in road transportation, specifically in the US and Europe. The large decline in US crude stocks in June added support to the market. The ICE Brent front month rose by \$5.10 m-o-m, or 7.5%, in June to average \$73.41/b, and NYMEX WTI increased by \$6.20 m-o-m, or 9.5%, to average \$71.35/b. ICE Brent was \$23.13 higher y-t-d, or 54.9%, at \$65.23/b, while NYMEX WTI was \$25.40 higher, or 69.0%, at \$62.22/b, compared to the same period a year earlier. DME Oman crude oil futures prices rose in June by \$5.30 m-o-m, or 8.0%, to settle at \$71.75/b. Y-t-d, DME Oman was higher by \$22.01, or 52.6%, at \$63.88/b.

Hedge funds and other money managers boosted their net-long positions related to crude in June, particularly in NYMEX WTI, as speculators were betting on rising oil prices and anticipating a potentially stronger global oil market. Meanwhile, global oil supply growth, including in the US, was expected to be limited.

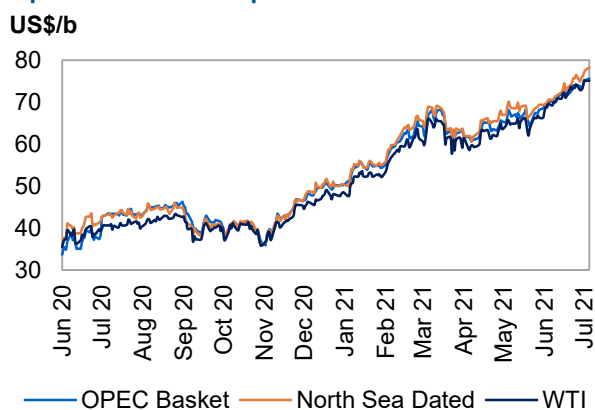
The backwardation structure of all three major oil benchmarks strengthened and the front-months continued to increase their premium over the future months' contracts on strengthening outlooks for the oil supply/demand fundamentals in coming months. This was driven by expectations of solid demand recovery during the summer holiday season and improving prompt crude demand from refiners.

Global sweet/sour crude differentials were mixed over the month, widening further in the US and Europe as differentials for most regional sweet grades rose on healthy light distillate margins and higher demand from refiners. They narrowed in Asia on a stronger sour market.

Crude spot prices

Crude oil spot prices rose firmly in June, extending the previous month's gains. The increase was driven by a rally in futures markets as well as a strengthening of the global physical crude market amid higher crude demand from refiners and the prospect for further improvements in oil demand in the transportation sector during the summer driving season. After lagging behind the futures market for several months, the physical market showed signs of strength in June, which was reflected in higher crude differentials and the easing of the crude overhang in most major regions. Spot prices were supported by the gradual increase of crude demand from refiners in the spot market, the ramp-up in throughputs, and rising oil demand as countries ease mobility restrictions.

Graph 1 - 1: Crude oil price movement



Sources: Argus, OPEC and Platts.

Crude Oil Price Movements

Asian crude was driven by robust demand from Chinese and Indian refiners, which strongly supported the value of Dubai and pushed its forward curve into deeper backwardation. According to market sources, Indian refiners raised gradually their crude runs in June from the May slump, in response to higher demand as the government eased lockdown and mobility restrictions. Preliminary data from Indian state refiners showed gasoline and gasoil sales rose 29.4% and 18.5%, respectively. The improving COVID-19 situation in India encouraged local refiners to increase runs. In Europe, refiners showed higher buying interest, particularly for crude in the Atlantic Basin, as many refiners completed their spring maintenance. In the US, the weekly refiner net input of crude oil rose to 16.3 mb/d in the week to 11 June, its highest since January 2020. Meanwhile, crude supply growth remained restrained, and supply from stocks probably eased. OECD oil stocks fell for several consecutive months and stood below the 2015-2019 average level in May. In June, North Sea Dated and Dubai front-month prices rose to their highest monthly average since October 2018, while the WTI front-month price settled at the highest monthly average since November 2014. The large drop in US crude oil stocks for six consecutive weeks, including in the Cushing trading hub, also supported oil prices, an evident sign that the market is strengthening.

In June, North Sea Dated increased by \$4.45, or 6.5%, to an average of \$72.96/b. The WTI and Dubai first month rose respectively by \$6.15 and \$5.09, or 9.4% and 7.7%, to settle at \$71.38/b and \$71.50/b.

Crude differentials of light sweet crude mostly strengthened in June, specifically in the West African, Mediterranean and Caspian markets, buoyed by healthier refining margins, specifically for gasoline, and firm demand from refiners in Europe and the Asia Pacific. Most light sweet crude differentials were priced at premiums against the North Sea Dated benchmark in the second half of June. Crude differentials of Bonny Light, Forcados, and Qua Iboe rose in June their highest premium against the Brent benchmark since July 2020, increasing on a monthly average to premiums of 34¢/b, 59¢/b and 54¢/b, respectively.

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

OPEC Reference Basket (ORB)			Change		Year-to-date	
	May 21	Jun 21	Jun/May	%	2020	2021
ORB	66.91	71.89	4.98	7.4	39.20	63.85
Arab Light	67.72	72.76	5.04	7.4	39.86	64.52
Basrah Light	66.96	71.79	4.83	7.2	38.60	64.10
Bonny Light	67.61	72.21	4.60	6.8	39.55	64.64
Djeno	61.04	65.51	4.47	7.3	35.49	57.47
Es Sider	66.16	71.01	4.85	7.3	38.23	62.96
Girassol	68.39	73.47	5.08	7.4	40.37	65.29
Iran Heavy	66.72	71.68	4.96	7.4	37.68	63.63
Kuwait Export	67.54	72.54	5.00	7.4	39.04	64.31
Merey	49.13	53.52	4.39	8.9	26.61	46.09
Murban	66.82	72.34	5.52	8.3	41.82	63.96
Rabi Light	68.03	72.50	4.47	6.6	37.50	64.46
Sahara Blend	67.81	72.31	4.50	6.6	40.34	64.73
Zafiro	68.49	73.50	5.01	7.3	39.09	65.22
Other Crudes						
North Sea Dated	68.51	72.96	4.45	6.5	39.80	64.92
Dubai	66.41	71.50	5.09	7.7	40.86	63.64
Isthmus	64.47	68.61	4.14	6.4	32.65	61.30
LLS	67.30	72.89	5.59	8.3	39.27	64.16
Mars	65.27	70.56	5.29	8.1	37.56	62.32
Minas	66.06	71.12	5.06	7.7	40.11	62.93
Urals	67.26	71.57	4.31	6.4	39.59	63.91
WTI	65.23	71.38	6.15	9.4	36.98	62.16
Differentials						
North Sea Dated/WTI	3.28	1.58	-1.70	-	2.82	2.76
North Sea Dated/LLS	1.21	0.07	-1.14	-	0.53	0.76
North Sea Dated/Dubai	2.10	1.46	-0.64	-	-1.06	1.28

Sources: Argus, Direct Communication, OPEC and Platts.

The CPC Blend differential also rose in June to a discount of \$1.43/b on average, rising 93¢/b m-o-m, and Saharan Blend averaged at a discount of 17¢/b, rising 76¢/b m-o-m. The crude differential of medium-heavy sweet crude Cabinda also rose in June by 62¢, m-o-m, to a premium of 41¢/b. Nonetheless, North Sea crude differentials weakened slightly in the first half of June amid higher competition from similar crude from other regions in the Atlantic Basin, and a limited arbitrage opportunity to the Asian market, as the Brent-Dubai spread widened significantly. The forties and Ekofisk crude differentials fell by 61¢ and 32¢, respectively, on a monthly average in June to settle at a premium of 19¢/b and 58¢/b.

In the US Gulf Coast (USGC), Light Louisiana Sweet (LLS) and Mars crude differentials weakened in June, falling by 56¢ and 86¢, respectively, on a monthly average, to a premium of \$1.51/b and a discount of 82¢/b. Nonetheless, in the Middle East, the value of Dubai-related crudes on the spot market remained supported by strong demand from Asia-Pacific refiners, specifically from China and India, as well as widening Brent-Dubai differentials that limited west-to-east arbitrage opportunities, thus supporting Dubai-related crude. The value of the Oman crude differential rose by 75¢ m-o-m in June to a premium of \$1.97/b, while the Upper Zakum crude differential fell slightly to a discount of 21¢/b in June.

OPEC Reference Basket (ORB)

The **ORB value** also increased in June for the second consecutive month to its highest monthly average since October 2018, rising along with higher related crude benchmarks. The ORB value rose \$4.98 m-o-m, or 7.4%, to settle at an average of \$71.89/b. Lower official selling prices for June loadings, particularly of medium and heavy sour components for Asia, limited the performance of the ORB value compared to other crude benchmarks. Compared to the previous year, the y-t-d ORB was up \$24.64, or 62.9%, from \$39.20/b in 2020, to an average of \$63.85/b so far this year. All ORB component values rose in June, with West and North African Basket components – Bonny Light, Djeno, Es Sider, Girassol, Rabi Light, Sahara Blend, and Zafiro – rising \$4.71, or 7.1% m-o-m on average, to \$71.50/b. The multiple regions' destination grades – Arab Light, Basrah Light, Iran Heavy, and Kuwait Export – increased by \$4.96, or 7.4% m-o-m on average, to settle at \$72.19/b. Murban crude rose by \$5.52, or 8.3% m-o-m on average, to settle at \$72.34/b. The Merey component also rose by \$4.39 or 8.9% m-o-m on average, to settle at \$53.52/b.

The oil futures market

Crude oil futures prices extended their rally in June for the second consecutive month and reached their highest levels since October 2018 on daily basis, as investors turned increasingly optimistic about the outlook for oil demand recovery and expectations of a stronger global oil market in 2H21. On a monthly average, ICE Brent front-month rose 7.5% higher to settle at its highest since October 2018, while NYMEX WTI rose 9.5% to its highest since November 2014. The market optimism was bolstered by accelerating vaccination rates in several countries and the easing of travel restrictions. Moreover, data indicated a continued recovery in road transportation, specifically in the US and Europe, which coincides with the start of the holiday driving season. Furthermore, supportive economic data, including US employment; higher vaccination rates; and the continued easing of COVID-19-related mobility restrictions are supporting demand higher.

Data showing a further global decline in new COVID-19 infections, including in India and other Asian countries, added confidence to the market, brightened the oil demand outlook and supported oil prices higher. The strengthening oil market was reflected in the continued drop in global oil stocks, specifically the sharp decline in US crude oil stocks in recent weeks. According to the EIA weekly report, US crude oil stocks fell for six consecutive weeks, declining by nearly 34 mb between the week to 14 May and the week to 25 June, amid limited growth of US oil supply and higher refinery intakes. The decision of OPEC and non-OPEC producers in the Declaration of Cooperation (DoC) on 1 June to maintain their production adjustments unchanged for July 2021 added support to the market.

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

Crude oil futures	May 21	Jun 21	Change		Year-to-date	
			Jun/May	%	2020	2021
NYMEX WTI	65.16	71.35	6.20	9.5	36.82	62.22
ICE Brent	68.31	73.41	5.10	7.5	42.10	65.23
DME Oman	66.44	71.75	5.30	8.0	41.87	63.88
Spread						
ICE Brent-NYMEX WTI	3.15	2.06	-1.10	-34.8	5.29	3.02

Note: Totals may not add up due to independent rounding. Sources: CME, DME, ICE and OPEC.

Crude Oil Price Movements

Nonetheless, the surge of daily infections of the COVID-19 Delta variant in several countries including in the UK, Russia, and some Asian and African countries raised concerns about a potential reinstatement of travel restrictions and slowing oil demand recovery, which weighed on market sentiment and limited oil price gains. The US dollar strengthened against other main currencies after the Federal Reserve signalled it might raise interest rates as soon as 2023, which also limited oil price gains. By late June, the US dollar index rose to its highest since mid-April against a basket of other currencies.

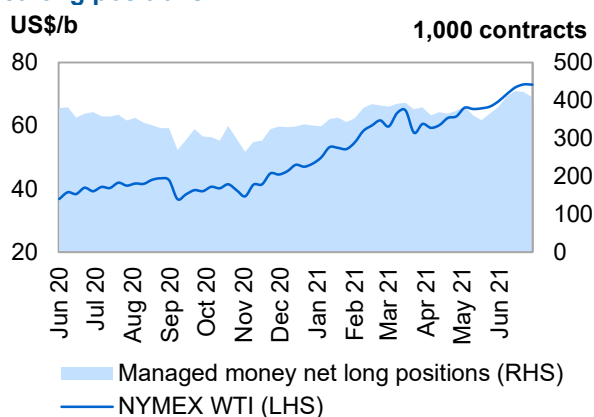
The **ICE Brent** front month rose by \$5.10 m-o-m, or 7.5%, in June to average \$73.41/b, and **NYMEX WTI** increased by \$6.20 m-o-m, or 9.5%, to average \$71.35/b. ICE Brent was \$23.13 higher y-t-d, or 54.9%, at \$65.23/b, while **NYMEX WTI** was \$25.40 higher, or 69.0%, at \$62.22/b, compared to the same period a year earlier. **DME Oman** crude oil futures prices rose in June by \$5.30 m-o-m, or 8.0%, to settle at \$71.75/b. Y-t-d, DME Oman was higher by \$22.01, or 52.6%, at \$63.88/b.

On 14 July, ICE Brent stood at \$74.76/b and NYMEX WTI at \$73.13/b.

The **ICE Brent and NYMEX WTI spread** narrowed further in June as the NYMEX WTI benchmark continued to perform better than ICE Brent. On a monthly average, the ICE Brent and NYMEX WTI spread narrowed by \$1.10 m-o-m in June to stand at \$2.06/b, its lowest level since October 2020. Traders were more optimistic about the NYMEX WTI benchmark on the prospect of strengthening supply/demand fundamentals in the US market and declining crude stocks, specifically in the Cushing, Oklahoma, trading hub, amid expectations of further US oil demand recovery. The EIA revised up its forecast for US gasoline demand for this year. Meanwhile, crude stocks at Cushing fell 5.4 mb between the week of 4 June and the week of 25 June, according to the EIA weekly data. The spread between the value of North Sea Dated and WTI Houston also narrowed in June by \$1.59/b on a monthly average to stand at \$1.02/b, compared to \$2.61/b in January. Crude value in the USGC was supported by robust crude demand from domestic refiners, as refinery output continued to recover in PADD2 and PADD3. According to EIA data, the weekly US refiner net input of crude oil rose to 16.3 mb/d in the week to 11 June, its highest since January 2020, and the weekly US utilization of refinery operable capacity increase to 92.9%. Higher crude exports from the USGC in June that average about 3.5 mb added support to domestic crude values.

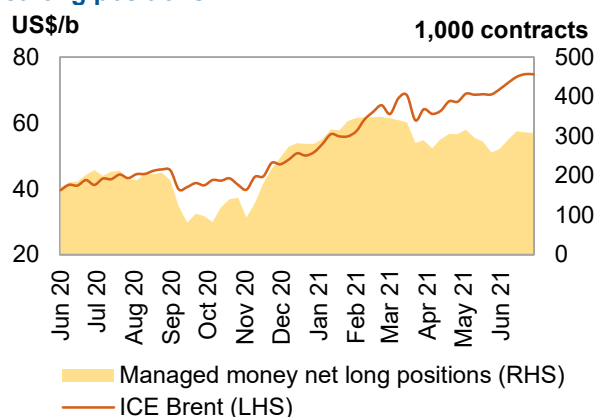
Hedge funds and other money managers boosted their net-long positions related to crude in June, particularly in NYMEX WTI, as speculators were betting on rising oil prices and anticipating a potential stronger global oil market in 2H21 amid signs of a swift global economic and oil demand recovery. Meanwhile, global oil supply growth, including in the US, was expected to be limited. Nonetheless, speculators showed some caution in the second half of June by reducing slightly their net long positions, probably prompted by worries about the resurgence of the COVID-19 cases in several countries, including the UK and some Asian countries. By late June, combined futures and options net long positions linked to ICE Brent and NYMEX WTI were 14.7%, or 91,650 contracts higher compared to the level in the week to 25 May at 624,307 contracts. Between the week ending 29 June and the week of 25 May, money managers were net buyers of about 92 mb in both ICE Brent and NYMEX WTI.

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



Sources: CFTC, CME and OPEC.

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



Sources: ICE and OPEC.

Money managers increased their net long positions in Brent in June to reach their highest since mid-February this year. Compared to the week to 25 May, combined futures and options net long positions in Brent increased by 49,949 contracts, or 19.3%, to reach 308,401 lots in the week to 29 June, according to the ICE Exchange.

In the week ending 29 June, gross short positions rose by 6,806 lots, or 6.5%, to 111,081 contracts, while gross long positions rose by 56,755 lots, or 15.6%, to 419,482 contracts during the same period.

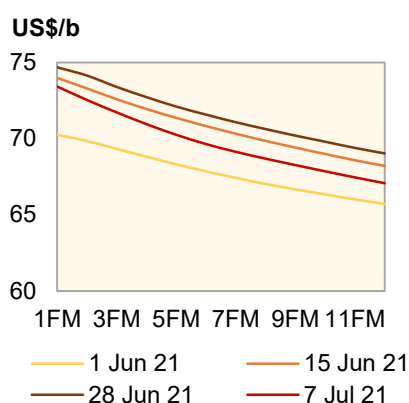
Money managers also raised their positions related to WTI in June and at a higher rate, as speculators turned more optimistic about the economic and oil demand recovery in the US amid the speeding up of vaccinations and lifting of virus-related restrictions.

Combined futures and options net long positions related to WTI increased by 41,701 contracts, or 11.4%, to 407,556 lots in the week to 29 June. This was due to a decline in short positions by 18,268 lots, or 41.2%, to 26,117 contracts, and long positions rose by 23,433 contracts, or 5.7%, to 433,673 contracts, according to the US Commodity Futures Trading Commission (CFTC).

The futures market structure

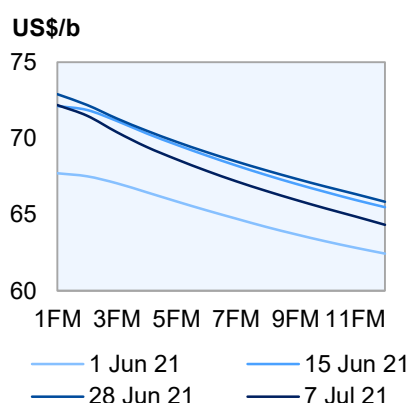
The **backwardation structure** of all three major oil benchmarks – ICE Brent, NYMEX WTI and DME Oman – strengthened in June and the front-months continue to increase their premium over the future-months contracts on the strengthening outlook for the oil supply/demand fundamentals in 2H21 amid expectations of solid demand recovery and a slow increase of global oil supply. Signs of solid oil demand recovery in the summer holiday season and improving prompt crude demand from European, Asian and US refiners also contributed to steepen futures forward curves.

Graph 1 - 4: ICE Brent forward curves



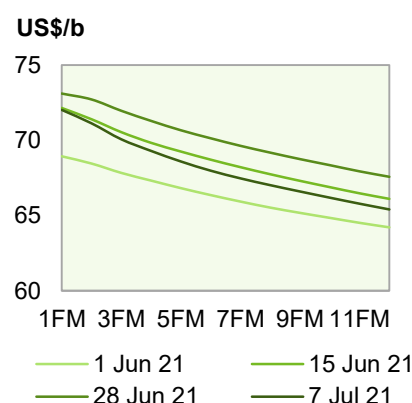
Sources: ICE and OPEC.

Graph 1 - 5: NYMEX WTI forward curves



Sources: CME and OPEC.

Graph 1 - 6: DME Oman forward curves



Sources: DME and OPEC.

The forward curve of Brent futures steepened in June compared to the previous month, evidence that the global market rebalancing is accelerating and reflecting the prospects of strengthening global oil market fundamentals in the coming months. Brent futures near-month prices were supported by declining global oil inventories, specifically in OECD countries, as well as an easing of the crude overhang in the Atlantic Basin as refiners raised runs, while some European refiners finished the spring maintenance season. The ICE Brent first-month premium to the third month rose by 62¢ m-o-m, to a backwardation of \$1.29/b. The ICE Brent's first to the sixth month also moved into deeper backwardation last month to settle at \$3.02 on average compared to a backwardation of \$1.98/b one month earlier.

The US NYMEX WTI forward curve also steepened in June as the supply overhang in the US significantly eased along with a large drop in US crude oil stocks in May and June. Firm oil demand in the US as a result of the summer driving season, along with the easing of COVID-19-related mobility restrictions and an accelerating vaccination trend in the country, boosted market optimism. Furthermore, the US refiners raised their throughputs in June to their highest since January 2020 in a sign they are anticipating higher oil demand in the coming months. Meanwhile, US crude supply growth is expected to remain limited. The NYMEX WTI first-to-third-month spread widened to a backwardation of \$1.07/b on average in June compared to a backwardation of 36¢/b one month earlier.

In Asia, strong crude demand from Chinese and Indian refiners and narrow arbitrage opportunities from the Atlantic Basin sharply supported the prompt Mideast crude value and largely contributed to strengthening DME Oman and Dubai price structures. Expectations of a stronger sour crude market in 2H21 also supported near-month prices. On a monthly average, the DME Oman M1/M3 spread widened to a backwardation of \$1.61/b in June, from a backwardation of \$1.09/b in May, or an increase of 52¢/b.

Crude spreads

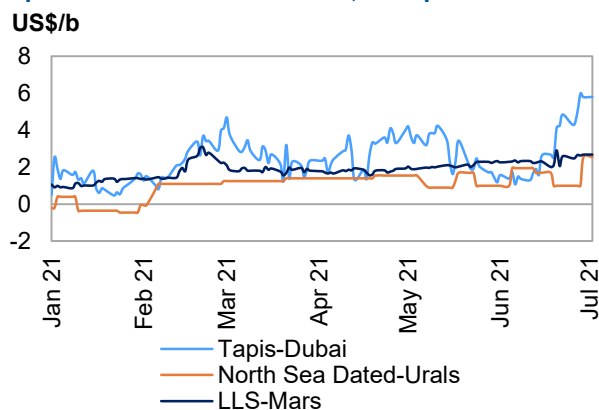
Global sweet/sour crude differentials were mixed over the month, widening further in the US and Europe as differentials for most regional sweet grades rose on healthy light distillate margins and higher demand from refiners. They narrowed in Asia on a stronger sour market.

The value of light sweet crude strengthened in **Europe** in June as refiners in Europe and the US increased demand for sweeter grades amid strong demand for light distillate products like gasoline. The easing supply overhang of light sweet crude in the Atlantic Basin also added support. Meanwhile, the value of sour crude Urals in Northwest Europe and the Mediterranean markets remained under pressure in June on soft demand for the grade from European refiners and an unfavourable arbitrage to the Asian market, as the Brent-Dubai spread widened, making Brent-related crudes less competitive in the east-Suez market. On a monthly average, the North Sea Dated-Urals spread in Northwest Europe rose to a premium of \$1.39/b in June, widening by 14¢, from a premium of \$1.25/b in May.

Similarly, in the **USGC** the LLS-Mars spread widened 30¢ m-o-m, to an average of \$2.33/b, in June as the LLS light sweet crude value rose more than Mars sour crude value. Strengthening light sweet crude margins in the USGC, driven by higher gasoline margins compared to sour crude, gave some support to the value of LLS crude. Higher demand for light sweet crude for exports from the USGC added support.

However, in **Asia** the Tapis/Dubai spread narrowed in June by 55¢ to average \$2.46/b compared to \$3.01/b in May. Strong demand for medium and heavy sour crude from Asian refiners, specifically China and India, pushed Dubai-related crude higher. The latter rose more than Tapis light sweet crude despite a wider Brent-Dubai front-month exchange of futures for swaps (EFS Dubai), which reduced west-to-east arbitrage opportunities and supported light sweet crude in East Suez market. The Brent-Dubai front-month exchange of futures for swaps (EFS Dubai) widened further on a monthly average in June, by 59¢, to \$3.63/b, compared to \$3.04/b in May.

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



Sources: Argus, OPEC and Platts.

Commodity Markets

Energy commodities continued their ascending trend in June, with broad-based increases in crude oil, coal and natural gas. Coal prices jumped to their highest point in a decade amid strong demand for power generation in Asia and restricted supplies. Natural gas prices rose across regions, supported by localized heat waves, lower than average inventory levels and rising demand based on the reopening of economies. Crude oil prices rose on the expectation of a solid demand recovery.

Base metals declined as the pace of expansion in global manufacturing eased during the month and some recovery was seen in the value of the US dollar. Gold prices declined on expectations of faster-than-anticipated interest rate increases in the US.

Trends in selected commodity markets

The **energy price index** rose m-o-m by 9.4% in June, with crude oil, natural gas and coal rising across all regions. The average index level was up by 63% in the period January–June 2021 compared with the same five months in 2020. As mentioned in the previous MOMR, the very low prices experienced in 2Q20 contributed to strong y-o-y comparisons.

The **non-energy index** declined by 1.4% m-o-m, with the base metals index showing its first decline since April 2020, while agricultural commodities also declined. The non-energy index was up by 36.5% in the January–June period, compared with the same period in 2020.

Table 2 - 1: Commodity prices

Commodity	Unit	Monthly averages			% Change Jun 21/May 21	Year-to-date	
		Apr 21	May 21	Jun 21		2020	2021
Energy*	Index	79.4	85.1	93.1	9.4	49.7	81.0
Coal, Australia	US\$/mt	92.2	107.0	130.0	21.4	61.2	99.6
Crude oil, average	US\$/b	63.0	66.4	71.8	8.1	39.7	63.2
Natural gas, US	US\$/mbtu	2.6	2.9	3.2	11.9	1.8	3.2
Natural gas, Europe	US\$/mbtu	7.1	8.9	10.3	15.6	2.5	7.7
Non-energy*	Index	108.6	115.7	114.1	-1.4	79.4	108.3
Base metal*	Index	113.5	121.9	119.0	-2.4	72.9	111.4
Precious metals*	Index	138.4	145.8	144.2	-1.1	121.9	142.0

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

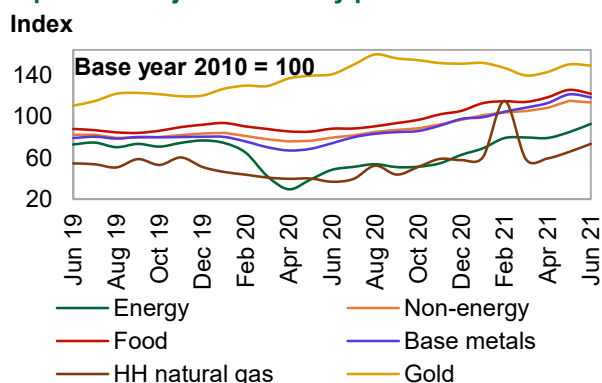
Sources: World Bank and OPEC.

In June, the **Henry Hub natural gas price** rose by around 12% m-o-m to \$3.2/mmbtu. Prices strengthened as warmer-than-average weather and strong LNG exports – in view of a favourable price differential – limited storage gains. Some localized disruptions also contributed to limiting storage builds. According to the Energy Information Administration, utilities added 76 bcf to working gas underground storage during the week ending 25 June 2021. This build left total working gas in underground storage at 2,558 bcf, around 5.3% below the latest five-year average. At the end of May, stocks were 2.6% below the five-year average.

Natural gas prices in Europe rose strongly in June, with the average **Title Transfer Facility price** up by around 16% m-o-m to \$10.3/mmbtu. Average prices in the January–June period are 2.1 times higher than the same period last year. Price were supported by low inventory levels and a further increase in carbon emission prices, which reached around \$66/mt, favouring natural gas usage versus coal. EU inventories ended June around 47.5% full, according to Gas Infrastructure Europe. Inventories were approximately 80% full at the end of June last year.

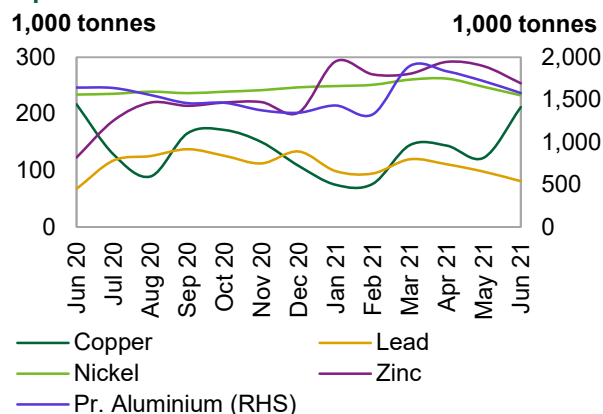
Australian thermal coal prices rose m-o-m by 21.4% in June to \$130.0/mt, the highest point in a decade. In the January–June period, prices were around 62% higher than the same period last year. They strengthened due to warmer-than-average weather in Northeast Asia, especially China, and strong industrial activity, resulting in higher thermal power demand – up by 5.6% y-o-y back in May. At the same time, growth in coal output in China has been limited in comparison – up by 0.6% y-o-y in May, while some restricted output across major exporters during the last few months due to extreme weather also contributed to tightening the market. According to the latest Chinese trade data, coal imports rose by 35% m-o-m in June to their highest level this year at 28.4 million tonnes.

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** declined m-o-m by 2.4% in June as the pace of expansion of global manufacturing cooled slightly and the value of the US dollar recovered during the month.

Average monthly **copper prices** declined m-o-m in June by 5.2% to average \$9,631.5/mt. Average prices in the January–June period were 65.5% higher than in the same period of 2020. Manufacturing activity expansion remained robust during the month, but the pace decelerated in some major economies, including China, the US and Japan. On the physical side, stock levels at the London Metal Exchange (LME) rose by 72% to 211,525 tonnes at the end of June from 122,425 tonnes at the end of May, suggesting a less tight market. Moreover, estimations from the International Copper Study Group (ICSG) show a surplus of 150,000 tonnes in the refined copper balance (adjusted for unreported Chinese inventories) in the first three months of 2021.

Iron ore prices further rose m-o-m in June by 3.2% to a monthly average of \$214.4/mt – a record high. Average prices in the January–June period were twice those observed over the same period last year. Steel-making activity rose globally by 16.5% in May compared with the same month last year, and by 14.5% in the January–May period compared with the same period last year. Iron ore imports in China declined slightly in June by 0.4% m-o-m, but were up by 2.6% in the January–June period compared with the same period last year.

In the group of **precious metals**, gold prices declined on average by 0.8% m-o-m in June, amid some increase in real interest rates in the US in the first half of the month, which subsequently faded away in the second half of the month, resulting in some recovery in prices. Meanwhile, silver and platinum prices declined by 1.9% and 7.4%, respectively.

Investment flows into commodities

Money Managers' net length positions increased in natural gas, crude oil and gold during the month, but decreased in copper. Despite that, investors continue to hold an optimistic view of commodities markets.

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

Selected commodity	Open interest		Net length		
	May 21	Jun 21	May 21	% OI	Jun 21
Crude oil	3,081	3,125	365	12	409
Natural gas	1,207	1,319	48	4	60
Gold	699	653	99	14	104
Copper	268	236	53	20	24

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

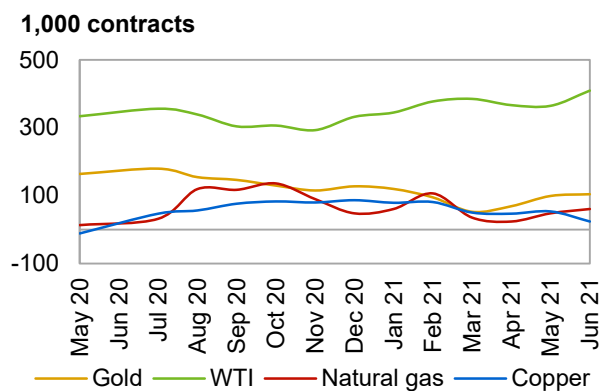
Sources: CFTC and OPEC.

Henry Hub's natural gas open interest (OI) rose m-o-m by 9.2% in June. Money managers' net long position rose by 26.5% to 60,246 from 47,610 contracts the previous month, on expectations of higher demand due to warmer-than-average summer temperatures, similar to the previous month.

Copper's OI decreased by 12% in June. Money managers decreased their net length by 55.5% m-o-m to 23,908 contracts from 53,330 contracts the previous month, as inventories rose significantly during the month, suggesting less tightness in the market.

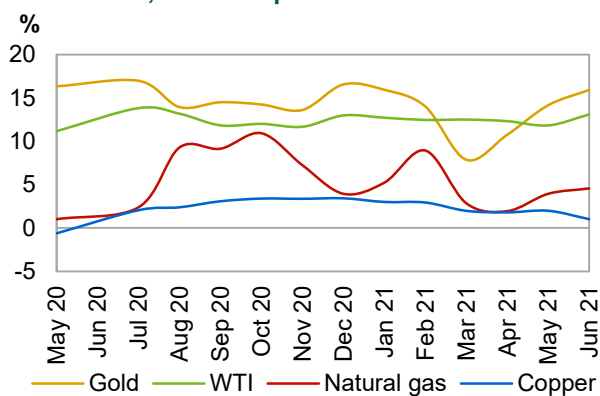
Gold's OI decreased by 6.5% in June. Money managers' net length rose by 5.2% to 104,008 from 98,879 contracts the previous month, with significant ups and downs seen during the month.

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



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

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



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

World Economy

The global economic recovery has continued, with generally strong improvements in key economies. While some challenges were already apparent in 2Q21, there are still some uncertainties about the path and the depth of 2H21 momentum, with the potential emergence of new COVID-19 variants and/or mutations posing a particular risk. Moreover, sovereign debt in most economies has risen to levels at which a lift in interest rates could cause severe fiscal strain. While key interest rates are still low and are assumed to stay at a very accommodative level in the near term, inflation scares have come to the forefront very recently, fuelling the debate about whether the low interest rate environment will have to end soon. It is still too early to conclusively define whether rising inflation, with a special focus on US developments, is indeed temporary. Certainly, the subject warrants close monitoring.

In the meantime, the underlying assumptions for world economic growth in 2021 are unchanged. This includes the assumption that COVID-19 will be largely contained in 2H21 in the sense that a large majority of the population in the advanced economies will be vaccinated sufficiently and that the pandemic will not pose a major obstacle for major emerging economies. In addition, 2H21 pent-up demand is forecast to accelerate, especially in the contact-intensive sectors. The positive dynamic in the US seems to have gained further pace in 2Q21, while the Euro-zone and Japan remained impacted by COVID-19-related social distancing measures to some extent. With the exception of China, the pandemic has continued to impact growth in emerging and developing economies. With these counterbalancing forces, the 2021 global economic growth forecast remains unchanged at 5.5%.

Some of the 2H21 growth dynamic is forecast to carry over into 2022. However, with less need for fiscal stimulus and a lessening dynamic in monetary stimulus, growth rates are anticipated to normalise to some extent, but remain supported by a variety of government-led stimulus efforts. While depending primarily on COVID-19 related developments, global economic growth is forecast at 4.1% in 2022.

Table 3 - 1: Economic growth rate and revision, 2021–2022*, %

	World	OECD	US	Euro-zone	UK	Japan	China	India	Brazil	Russia
2021	5.5	4.9	6.4	4.1	5.8	2.8	8.5	9.5	3.2	3.0
Change from previous month	0.0	0.1	0.0	0.0	0.8	0.0	0.0	0.0	0.2	0.0
2022	4.1	3.2	3.6	3.0	3.3	2.0	6.3	6.8	2.5	2.3

Note: * 2021-2022 = Forecast. The GDP numbers have been adjusted to reflect 2017 ppp.

Source: OPEC.

Global

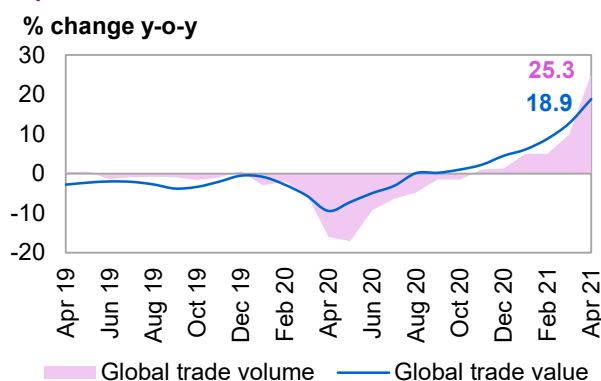
Update on latest developments

The combination of a generally **improving global situation in containing COVID-19**, especially in the wealthier economies and China, has led to a continuing recovery in global economic growth. While the US and China were already posting strong growth numbers in 1Q21, the reopening in the UK and the Euro-zone led to a further growth dynamic towards the end of 2Q21. However, ongoing COVID-19-related challenges in economies with high vaccination rates, like the UK and Chile, have again highlighted the potential difficulties that may continue in reining in the pandemic. Also, inflationary concerns, especially in the US, in combination with rising interest rates, have come to the forefront in past months. When disaggregating the reasons for the recent jump in inflation, it is obvious that the base effect from last year's pandemic pushes up inflation on a yearly comparison, which is the most-watched measure. Moreover, reopening effects and supply chain disruptions that may turn out to be temporary have pushed up inflation on a short-term basis. Particularly, US inflation, which is very important, was very much driven by automotive-related price rises, which were affected by a combination of two events — reopening and supply chain disruptions. A strong pick-up in US travel and transportation led to quickly rising demand for cars, light vehicles, trucks and related services, while at the same time a semiconductor shortage led to supply-related price rise. Moreover, a strong annual rise in energy and food prices drove inflation. Considering that US crude oil benchmarks turned negative in April 2020, price rises are forecast to moderate in the short term. In the meantime, that so-called reflation trade, resulting in rising US treasury yields, has abated somewhat as it seems that some of the inflationary effects could be transitory.

In general, the recovery of the **global economy** has continued, though at a diverging pace. After the US and to some extent China led to a global recovery in 1H21, the Euro-zone and Japan, along with India and to some extent Russia and Brazil, continued to remain negatively impacted by extended COVID-19-related social distancing measures in 1H21. Although, the easing of restrictions, especially in the EU and in Japan, towards the end of 2Q21 led to a strengthening global recovery. Moreover, Russia and Brazil have already started to benefit from the recovery in global trade and the rise in commodities demand, as well as an improving price environment. With the further easing of lockdown measures across the world, a gradual shift from manufacturing and non-contact intensive services to contact-intensive service is materialising. This applies primarily to the sectors of travel and tourism, hospitality and leisure. This has been an important support factor for the pick-up of activity in the Euro-zone, with many countries deeply invested in the tourism sector. Additionally, selective Asian economies benefitted from re-emerging activity in travel and tourism, further supported by the rebound in China.

As a very important driver, **global trade** continued its considerable rebound thanks to the base effects from large declines in last year, but also due to ongoing dynamic in global economic activity. In April, world trade volumes rose by 25.3% y-o-y, after a rise of 9.9% y-o-y was seen in March, based on the CPB World Trade Index provided by the CPB Netherlands Bureau for Economic Policy Analysis. This marks the sixth monthly rise in global trade volumes and constitutes by far the strongest increase. Trade improved in value terms as well, rising by 18.9% in April compared with 12.8% y-o-y in March.

Graph 3 - 1: Global trade



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

Near-term expectations

Momentum is forecast to accelerate in 2H21, and while the OECD economies and China took the lead in growth appreciation in 1H21, momentum will be accompanied by the so-far less successful emerging and developing economies. Moreover, it is assumed that the contact-intensive sector will contribute strongly to further economic improvements. The underlying assumption for short-term growth is that in 2H21 COVID-19 will be largely contained in the sense that the majority of the population in the advanced economies will be vaccinated and the pandemic will also not pose a major obstacle for large emerging economies. However, much lower vaccination rates in emerging and developing economies may also lead to a challenging situation going forward and the latest rise in infections in selective economies of the Euro-zone, Chile and others have shown that the recovery path will be tested by ongoing pandemic-related developments.

Another important key assumption is that **inflation** in the OECD economies will remain anchored in the sense that in 2021 it will not significantly exceed the 2% OECD average on an annual basis and will stand at around 4% in the US. For 2022, these levels are forecast to stand at slightly below 2% for OECD economies on average and at around 2.5% for the US. These levels would imply no unexpected interest rate hikes by G4 central banks before 2023.

The 2021 forecast has only seen **selective adjustments in the OECD**, including an upward GDP growth revision for the UK from 5% to 5.8% after the rebound in 2Q21 produced strengthening momentum. This, among other smaller revisions, lifted the 2021 OECD growth forecast to 4.9%, compared with 4.8% the previous month. In the emerging and developing economies, growth forecasts are also almost unchanged. Only Brazil was revised up to 3.2% from 3%, amid better progress in 1H21 growth.

With these base assumptions, 1Q21 global GDP growth is forecast to stand at 0.4% q-o-q and accelerate to 1.4% q-o-q in 2Q21. A major acceleration is then forecast to materialize in 2H21, with the 3Q21 growth forecast at 2.6% q-o-q and 4Q21 growth at 1.9% q-o-q. The growth pattern in 2022 is forecast to be relatively equally spread and in line with average historical patterns.

Global purchasing managers' indices (PMIs)

indicated ongoing strong momentum in the manufacturing sector. While the forecast of a gradual sector rotation from manufacturing to services remains well supported, it seems to be potentially less accentuated. This is certainly an area that will need to be closely monitored, as the recovery in the contact-intensive services sector constitutes a key assumption in the global economic recovery. In the US, the services sector recovery in June and possibly in July seems to be dampened by labour market supply shortages. In the Euro-zone and Japan, as well as in some emerging economies, ongoing social distancing necessities are keeping the rebound below its potential magnitude. The global manufacturing PMI stood at 55.5 in June compared with 56 in May and 55.9 in April. The global services sector PMI retracted by a considerable 2.1 index points to stand at 57.5, compared with 59.6 in May and 57 in April.

An acceleration of improvements in 2Q21 in OECD economies and a strengthening of the rebound in emerging and developing economies is anticipated to lift 2021 **GDP growth** to a level of 5.5%, unchanged from the previous month. Growth in 2022 is forecast to normalise to lower levels after a strong 2H21 recovery and lead to annual growth of 4.1%. This implies that COVID-19-related challenges will not derail the recovery. Numerous challenges remain and require close monitoring in the coming months.

Among the most pressing issues are the possibility of emerging new COVID-19 variants and the consequent efficacy of vaccines.

Additionally, inflationary developments will need to be followed, as the danger of rising interest rates, especially in the US, and consequent repercussions for the global economy could potentially derail the ongoing strong recovery.

OECD

OECD Americas

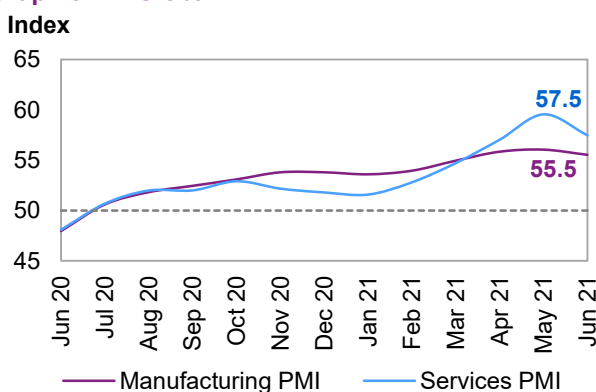
US

Update on the latest developments

US growth has seen a strong rebound in 1H21, supported by unprecedented fiscal and monetary stimulus in a combination with a relatively successful vaccination campaign. 1Q21 GDP growth was confirmed at 6.4% q-o-q seasonally adjusted annualised rate (SAAR) and most output indicators have confirmed an acceleration for 2Q21. The labour market has recovered and consequently consumer and business confidence has seen sharp reversals from last year's depressed levels. Pent-up demand is considered to be another important factor in the recovery. The net personal savings rate as a percentage of net disposable personal income is pointing to continued spending ability, standing at 12.4% in May, compared with 14.9% in April and a decline from 27.6% in March, but compared with an average of around 7% pre-COVID-19. Continuing consumer spending is also supported by a rise in **consumer confidence**, which maintained a supportive level in June when it rose to 127.3, compared with 120 in May, based on the index provided by the Conference Board.

The government announced that it found broad bipartisan agreement for a \$1.2 trillion infrastructure stimulus package planned for over eight years. Moreover, the US Federal Reserve (the Fed) also continued with its strong support, pointing to a continuation in its accommodative monetary policy. However, recently the topic of overheating and inflation in the US economy was widely discussed, as the possibility of rising interest rates to avoid overheating the economy could dampen ongoing growth. US CPI inflation stood at 5.3% y-o-y in June.

Graph 3 - 2: Global PMI



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

Table 3 - 2: World economic growth rate and revision, 2021-2022*, %

	World
2021	5.5
Change from previous month	0.0
2022	4.1

Note: * 2021-2022 = Forecast.

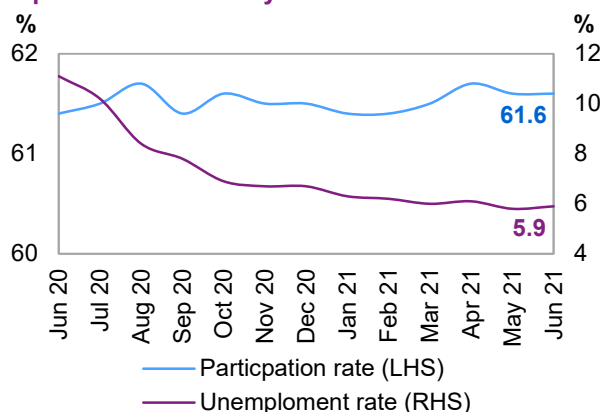
Source: OPEC.

The strongest appreciation came from the sub-sector of transportation, which rose by 21.3% y-o-y, indicating an ongoing price-lifting effect after the reopening of the economy and supply restrictions due to the semiconductor sector. Moreover, among other COVID-19-related inflation effects, the 2020 base was greatly distorted by the effects of pandemic-induced lockdowns. Last year's April and May inflation index levels declined due to the pandemic. With the two excluded volatile components of energy and food, inflation would have stood at 4.5% y-o-y in June, compared with 3.8% y-o-y in May. Reopening effects and temporary supply shortages seem to continue driving current inflation levels, and it remains to be seen if this is a continuing trend. In this regard, it also remains to be seen how the ongoing US labour supply shortage will develop. The extension of unemployment payments and childcare necessities during the still-ongoing pandemic and the fear of retuning back to the office amid infection risks has led the US participation rate to decline from more than 63% pre-pandemic to only 61.6% in June. If the trend continues, wages and earnings could see a sustained lift, with a real scare to rising and unhealthy inflation. Positively, it could also be argued that there is still significant slack in the US labour market and thus inflation pressures may ease in the near term.

The labour market gained partial strength again in June. The **unemployment rate** rose slightly to stand at 5.9% compared with 5.8% in May.

Non-farm payroll additions increased by 850,000 in June, compared with an upward revision of 583,000 in May and 269,000 for April. However, employers seem to have ongoing issues regarding recruiting, especially in the labour-intensive services sector, which is also reflected in the latest PMI readings.

Graph 3 - 3: US monthly labour market



Sources: Bureau of Labor Statistics and Haver Analytics.

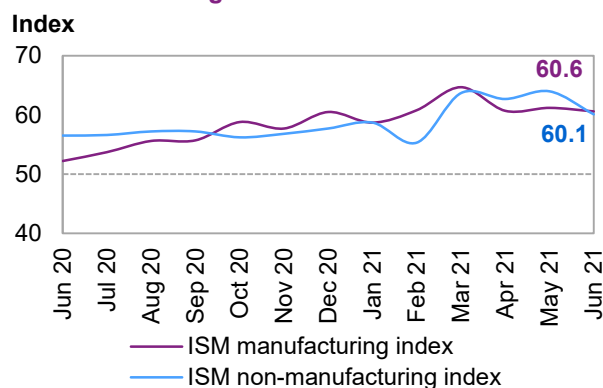
Near-term expectations

After 1Q21 GDP growth of 6.4% q-o-q SAAR, 2Q21 growth is forecast to accelerate to 9.0% q-o-q SAAR. Growth in 3Q21 is forecast to reach 6.8% q-o-q SAAR and then slow to 2.8% q-o-q SAAR in 4Q21. With this slowdown towards the end of the year, current inflationary pressures should taper off to some extent. Growth in 2H21 is forecast to remain supported by ongoing consumer spending and investment. A significant lift in growth will come from the contact-intensive service sectors, which have already seen a strong rebound in 2Q21.

Growth in 2021 remains significantly supported by fiscal and monetary stimulus. Findings from the Secretariat show that the 1.9 trillion USD fiscal stimulus plan, the American Rescue Plan, supports GDP growth up to around 7.5 pp for 2021. The effectiveness of these and other stimulus measures will determine how much US GDP growth will be supported in the end. With additional fiscal measures that may be implemented by the US administration over the year, US GDP growth could reach 7% or higher in 2021. The latest plan to invest \$1.2 trillion in US infrastructure over eight years, including an additional \$600 billion, is expected to be put into law towards the end of the year. The plan is forecast to support growth in 2022 and onwards. Assuming an eight-year period on this investment plan as indicated and an acceleration in spending towards the middle of the time-span, and by applying a multiplier of around 0.7 as a reasonable degree, a positive GDP growth impact, in addition to the US baseline forecast, would amount to 0.2 percentage points in 2022.

The economy's recovery continues to be reflected in **June's PMI** levels as provided by the Institute for Supply Management (ISM). The retraction in the services sector, due mainly to labour market concerns, will need careful monitoring. The services sector index level retracted to 60.1 in June, compared with 64 in May and 62.7 in April. The main drivers for the fall are worries in finding the right and sufficient personnel. The manufacturing PMI fell to 60.6 in June, compared with 61.2 in May and 60.7 in April.

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



Sources: Institute for Supply Management and Haver Analytics.

The current forecast anticipates that COVID-19 will be widely contained in 2H21. A strong rise in consumption and investment is forecast to provide the two main pillars for a solid recovery. Supported by fiscal and monetary stimulus, growth is forecast at 6.4%, unchanged from the previous month.

Table 3 - 3: US economic growth rate and revision, 2021-2022*, %

	US
2021	6.4
Change from previous month	0.0
2022	3.6

Note: * 2021-2022 = Forecast.

Source: OPEC.

Growth in **2022** is forecast to normalise towards the US economy's growth potential of around 2.5%. The economy remains well supported by fiscal and monetary stimulus in the next year and in addition ongoing rebounding momentum is forecast to lift growth to a level of 3.6%. Major uncertainties, mainly associated with the pandemic, remain. An important concern is that inflation will rise at such a pace that market rates will carry an unexpected dynamic, impairing the ongoing recovery.

OECD Europe

Euro-zone

Update on the latest developments

The **Euro-zone's growth dynamic** benefitted significantly from the reopening of large parts of the economic region towards the end of 2Q21. The important contact-intensive services sector, in particular, has seen strong support, a momentum that is forecast to carry over into 2H21. However, the latest COVID-19 infection numbers in some key economies, including Spain and the Netherlands, highlight the fragility of the Euro-zone's recovery, which is indeed very much impacted by the travel and tourism, leisure and hospitality sectors. In the meantime, vaccination rates have risen and the ratio of those who have at least received one dose is now well above 50%.

1Q21 GDP growth was reported at -1% q-o-q seasonally adjusted (SA), translating into a 1Q21 yearly decline of -1.6%. This is a slightly larger decline than previously estimated by the statistical office. As social distancing measures were kept relatively stringent in 2Q21, GDP is anticipated to show only moderate growth.

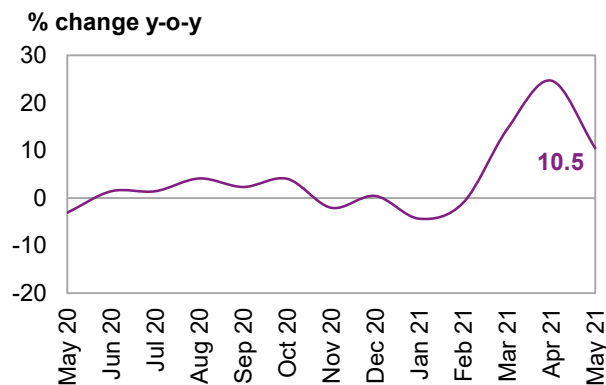
The European Central Bank (ECB), has continued its accommodative monetary policies. In addition, it has finalised its strategic review and indicated as an outcome of this exercise that it will likely tolerate slightly higher inflation, at least temporarily. The latest inflation level in the Euro-zone was recorded at 2% in June, following a level of 1.9% y-o-y in May. This is not at a worrying level so far. Even more so, when excluding the volatile items of food and energy, inflation stood at only 1% y-o-y in June and 0.8% y-o-y in May. So, while the ECB seems to have more flexibility in providing monetary support, it seems that monetary stimulus measures are becoming less effective. Lending to the private sector by monetary financial institutions stood at 2.2% y-o-y in May, after reaching 2.6% y-o-y in April and 3.2% y-o-y in March. Also, at least a third of lending activity ends up in the real estate sector, while lending to non-financial co-operations rose by only 0.6% y-o-y in May and 1.8% y-o-y in April.

The **labour market** has continued improving, a trend supported by the latest available April numbers from Eurostat — the unemployment rate stood at 7.9% y-o-y in May after reaching 8.1% in April and March. Certainly some improvements remain supported by ongoing social welfare measures in the Euro-zone, which are expected to taper off in the coming months as the recovery firms.

Retail sales have risen and stayed high, with growth of 10.5% y-o-y in May and 24.7% y-o-y in April, both on a seasonally adjusted base. This translates into a monthly rise of 4.6% y-o-y in May, following a decline of 3.9% in April.

Similarly, **industrial production (IP)** rose considerably on a yearly basis, up by 38.9% y-o-y in April after reaching 11.2% y-o-y in March.

Graph 3 - 5: Euro-zone retail sales



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

Near-term expectations

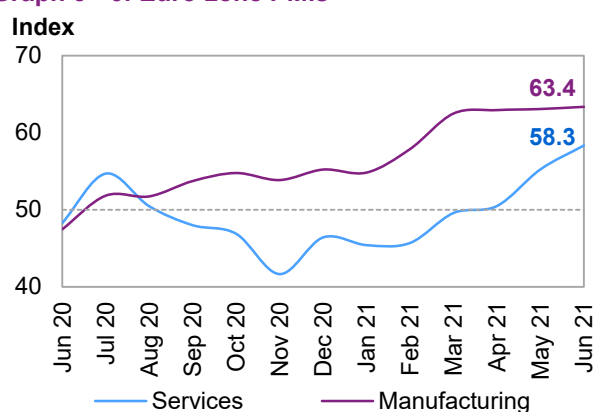
While the **assumption of COVID-19** containment in 2H21 and beyond is unchanged, the most recent rise in infections in some parts of the Euro-zone have highlighted the challenges connected to the pandemic. It remains to be seen whether vaccination rates will achieve sufficient levels towards the autumn and winter seasons in order to prevent further spreading of the new variants, which are apparently more contagious. However, it is sensible not to be carried away by overly optimistic assumptions, especially when considering that the recovery of the Euro-zone's contact-intensive sectors will be key to the overall recovery.

So far, the momentum of the **Euro-zone economy has gained pace** towards the end of 2Q21 and is forecast to accelerate further into 3Q21. Government-led stimulus also provides a sound financial base for 2H21 and consequently 2022 recovery. In addition, global trading – and especially momentum in the Euro-zone's major trading partners, the US and China – are forecast to accelerate in pace. 1Q21 GDP growth was reported at -2.5% q-o-q SAAR, affected by lockdowns and other COVID-19-related social-distancing measures. By 2Q21, growth is forecast to accelerate to 4.5% q-o-q SAAR. The main pick-up on a quarterly basis is forecast to materialize in 3Q21 when domestic consumption, investments and a rise in exports are all forecast to lift GDP growth to 10.8% q-o-q SAAR. 4Q21 is still expected to be strong and reach 5.7% q-o-q SAAR.

The June **PMI** for the Euro-zone economy pointed to an ongoing improving situation in the manufacturing and services sectors. Momentum in the services sector is forecast to gain significant pace in the coming months. The manufacturing PMI rose to 63.4, after reaching 63.1 in May. The PMI for services, the largest sector in the Euro-zone, rose to 58.3 after reaching 55.2 in May.

After the easing of lockdown measures led to an accelerating recovery at the end of 2Q21, the pace is forecast to continue. However, with the latest pandemic-related challenges in some parts of the Eurozone, it remains to be seen if growth can move beyond last month's growth forecast of 4.1%. Hence, the forecast level remains unchanged.

Graph 3 - 6: Euro-zone PMIs



Sources: IHS Markit and Haver Analytics.

Growth in **2022** is forecast to slow, similar to other OECD economies, and reach GDP growth of 3%. However, by making good progress in containing COVID-19 in 2H21 and possibly stronger-than-anticipated momentum towards the end of 2021 carrying over into the coming year, upside potential could materialise.

Table 3 - 4: Euro-zone economic growth rate and revision, 2021–2022*, %

	Euro-zone
2021	4.1
Change from previous month	0.0
2022	3.0

Note: * 2021-2022 = Forecast.

Source: OPEC.

OECD Asia Pacific

Japan

Update on latest developments

Japan's economy is gradually recovering, although the rebound remains held back by pandemic-related social distancing measures. Industrial production has performed well as this has been very much supported by external trade. So, while indicators point to an ongoing improving economy, the pandemic is preventing full growth potential from unfolding, as domestic activity will continue to be held back by renewed emergency measures in Tokyo from 12 July to 22 August. Numerous other prefectures are impacted as well by at least semi-emergency measures. This will especially effect the period of the Tokyo Olympics. The games will need to follow strict regulations and no spectators are allowed. Therefore, consumption is forecast to remain relatively depressed. To counterbalance these measures, a supplementary budget containing fiscal stimulus measures is expected. Just before the latest implementation of emergency measures, consumer sentiment surveys were pointing to a solid recovery in domestic consumption. As this is now moved back towards August, the rebound will be slightly delayed.

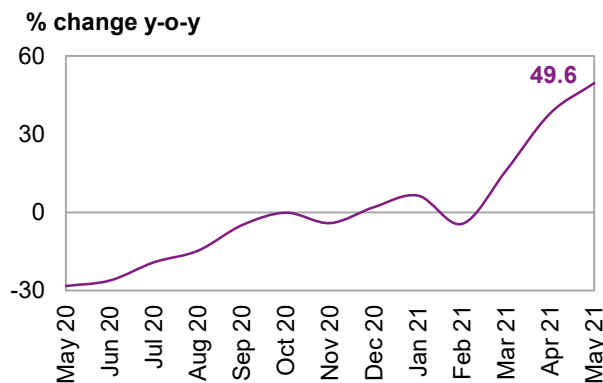
Growth in 1Q21 was reported at a slightly less impactful decline of 3.4% q-o-q SAAR. This is compared with -5.1% q-o-q SAAR in the previous estimate of Japan's statistical office. 2Q21 growth seems to be very limited, as growth during this period was impacted by extended lockdown measures. In the meantime, consumer confidence and business sentiment have improved, mainly reflecting the easing of lockdown measures in June, though they are expected to retract again in July.

Growth in **industrial production (IP)** was significantly positive in May on a yearly basis, also distorted by the sharp decline last year. May's growth stood at 20.7% y-o-y, after seeing a rise of 14.6% y-o-y in April. However, on a monthly basis the decline in IP was significant, falling by 5.3% m-o-m on a seasonally adjusted basis, pointing at ongoing fragility in Japan's economic recovery.

Growth in **exports** recovered strongly as well, rising by 49.6% y-o-y in May, after reaching 38% y-o-y in April on a non-seasonally adjusted basis. **Retail sales** picked up, expanding by 8.2% y-o-y in May after reaching 11.9% y-o-y in April and 5.2% y-o-y in March.

Consumer confidence rose slightly, as reported by the Cabinet Office. It stood at 37.6 in June, after reaching 34.3 in May and 34.8 in April. However, with newly implemented emergency measures in the Tokyo area it is expected to decline again in July.

Graph 3 - 7: Japan's exports



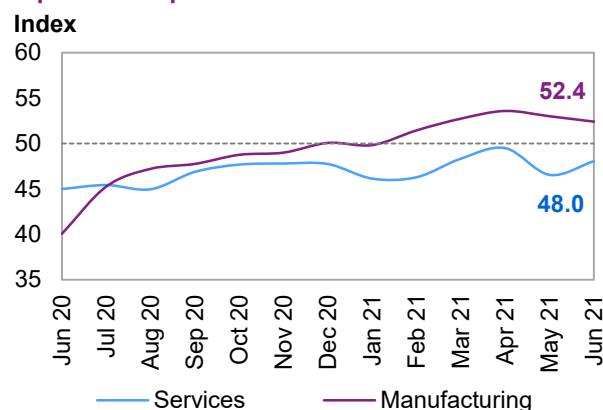
Sources: Ministry of Finance, Japan Tariff Association and Haver Analytics.

Near-term expectations

After seeing a decline in 1Q21, **Japan's economy is forecast to recover** somewhat and show slightly positive GDP growth in 2Q21, mainly driven and supported by external trade, as domestic developments have been muted due to the pandemic. Starting in August and after the lifting of current emergency measures, the rebound in domestic consumption is forecast to be strong and impactful. Hence, after the 1Q21 GDP decline of 3.9% q-o-q SAAR, it is assumed that the virus will be widely contained in Japan towards the end of 2Q21 and a strong rebound is expected to materialise in 2H21. Given the ongoing lockdown measures in 2Q21, growth is forecast at only 0.4% q-o-q SAAR in this period. This is lower than last month's expectation, when the quarterly growth forecast stood at 0.8% q-o-q SAAR. Quarterly growth in 3Q21 and 4Q21 should then pick up, with the global economy's recovery gaining pace and domestic demand in Japan expected to rise further. Hence, growth is forecast at 7% q-o-q SAAR in 3Q21 before slowing somewhat to reach 5% in 4Q21. However, pandemic-related uncertainties remain large.

The impact of the ongoing lockdown is also reflected in the latest **PMIs** from June, with manufacturing decelerating, while the services sector index improved, though clearly remaining below the growth-indicating level of 50. The manufacturing PMI retracted to 52.4 in June, after seeing 53 in May and 53.6 in April. The PMI for the services sector, which constitutes around two-thirds of the Japanese economy, rose to 48, compared with 46.5 in May and 49.5 in April, all still below the growth-indicating level of 50 since January 2020.

Graph 3 - 8: Japan's PMIs



Sources: IHS Markit, Nikkei and Haver Analytics.

Additional to the recovery in external trade, GDP growth is expected to remain supported by stimulus measures, leading to a recovery in private household consumption and investment later in the year and especially once emergency measures are lifted in August. **2021 GDP growth** remains unchanged and is forecast at 2.8%. This assumes that COVID-19 will be largely contained in 2H21.

Table 3 - 5: Japan's economic growth rate and revision, 2021–2022*, %

	Japan
2021	2.8
Change from previous month	0.0
2022	2.0

Note: * 2021-2022 = Forecast.

Source: OPEC.

Some of the 2H21 momentum is forecast to carry over into 2022, when GDP growth is anticipated to normalise towards pre-pandemic levels. **GDP growth in 2022** is forecast to slow to a level of 2%, supported by ongoing global growth momentum and restabilising domestic demand.

Non-OECD

China

Update on the latest developments

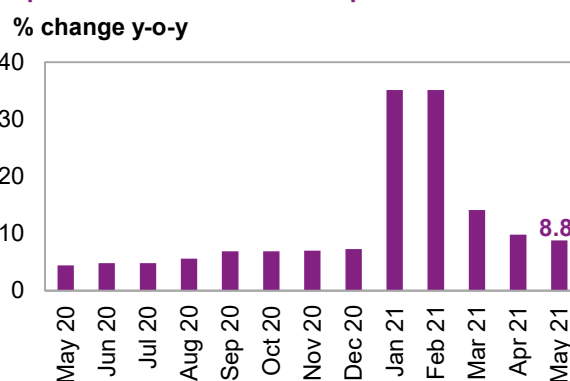
The latest **Chinese economic indicators** suggest a continued economic rebound from the COVID-19 pandemic, though at a slower pace. **Retail trade** growth edged down to 12.4% y-o-y in May, from 17.7% in the previous month, reflecting domestic demand weakness despite an increase in consumer confidence, which rose to 121.80 points in May from 121.50 in April. **Industrial production** posted a stable recovery, although May's growth of 8.8% y-o-y was the lowest in five months. The slowdown was probably driven by rising commodity prices and factory costs.

China's **trade surplus** expanded to \$51.53 billion in June 2021, compared with a surplus of \$44.79 billion in June 2020. This was the largest trade surplus since January 2021 amid the recovery in global demand and high commodity prices.

Exports rose 32.2% y-o-y to \$281.42 billion, while **imports** jumped 36.8% to \$229.89 billion. The unforeseen growth in exports detained the impact of port disruptions in southern China. The country's trade surplus with the US increased to \$32.58 billion in June from \$31.78 billion in May.

China's annual **inflation rate** dropped slightly to 1.1% y-o-y in June from May's eight-month high of 1.3% y-o-y amid a sharp 0.3% decline in the cost of food in May — pork prices dropped faster.

Graph 3 - 9: China's industrial production



Sources: China National Bureau of Statistics and Haver Analytics.

However, **producer prices** rose by 8.9% y-o-y in June 2021, after seeing a 9.0% gain in May in line with market expectations. This was the sixth straight monthly increase in factory prices, driven by a recovery in domestic production and rising commodity prices.

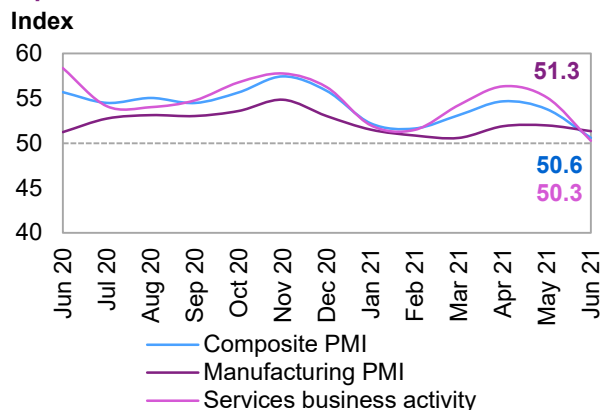
On the policy front, the People's Bank of China (PBoC) cut the amount of cash most banks must hold in reserve in order to boost lending, as economic growth began to falter. The PBoC trimmed the **reserve requirement ratio** by 0.5 pp for most banks, freeing up about 1 trillion yuan (\$155 billion) of long-term liquidity for the economy.

Near-term expectations

China's macroeconomic monthly and 1H21 indicators recorded a substantial recovery on a y-o-y basis, but on a m-o-m basis, signs of slower growth are obvious.

The forward-looking **PMI indices** were in line with flat or slow growth in major economic activities. The manufacturing PMI fell to 51.3 in June from 52 in May, the lowest reading in three months, amid a recent uptick in local COVID-19 cases and supply chain difficulties. Similarly, the services PMI fell to a 14-month low of 50.3 in June from 55.1 the prior month, amid an outbreak of the more infectious Delta variant of COVID-19 in Guangdong and the subsequent imposition of containment measures.

Graph 3 - 10: China's PMI



Sources: Caixin, IHS Markit and Haver Analytics.

Considering recent economic developments, China's real GDP growth for 2021 remains unchanged from the previous month at 8.5% y-o-y. Along with COVID-19 uncertainties, several downside risks at both the local and external levels may still threaten the recovery. On the domestic level, the growth rate may ease amid slowing consumption activities and labour market concerns.

Table 3 - 6: China's economic growth rate and revision, 2021–2022*, %

	China
2021	8.5
Change from previous month	0.0
2022	6.3

Note: * 2021-2022 = Forecast.

Source: OPEC.

Externally, the current political environment in China may elevate economic tensions. Trade tensions with the US would be a key risk for export and GDP growth.

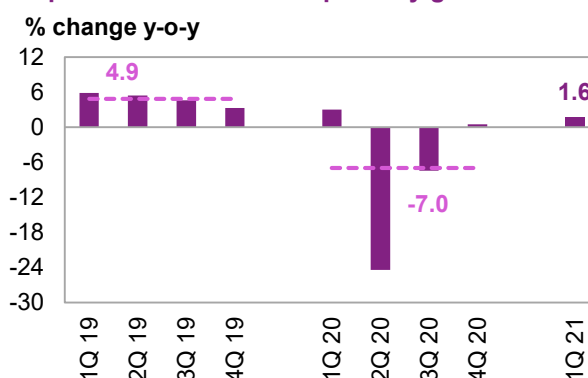
Other Asia

India

Update on the latest developments

The most recent official data suggested a slight improvement in economic conditions. Throughout the month of June both mobility and economic indicators recorded a sustained recovery as daily new infections declined and some easing restrictions were started to be gradually applied. Indeed, the local authorities' cautious approach of restriction easing might have helped keep infection rates below April 2021 levels. The **unemployment rate** also eased to 9.2% in June from 11.9% in May. However, the tightened social distancing measures have a significant impact on private consumption. **Passenger vehicle sales** fell 51% m-o-m in May. Moreover, **consumer confidence** dropped to 48.50 points in May from 53.10 in March 2021.

Graph 3 - 11: India's GDP quarterly growth



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

The **consumer price index** stood at 6.3% y-o-y in June, unchanged from May 2021. However, the inflation rate remained well above the central bank's target range of 2-6% for the second month amid high global commodity prices. **Wholesale prices** declined to 12.1% y-o-y in June 2021, from 12.9% in May 2021.

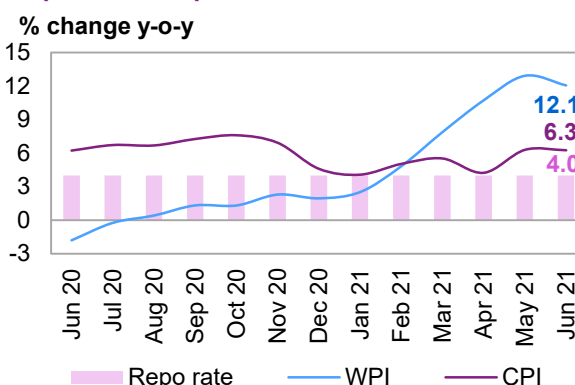
The Reserve Bank of India (RBI) left the **repo rate** at 4% and the reverse repo rate at 3.4%, maintaining an accommodative monetary policy stance aimed at supporting the economic recovery and helping to mitigate the negative impact of COVID-19. Meanwhile, the RBI announced that it would buy INR1.2 trillion worth of bonds in the 3Q21 along with the current quantitative easing programme called G-SAP 1.0.

India's **industrial production** increased 29.3% y-o-y in May 2021, following the jump of 134.6% y-o-y in April 2021. Based on the impact of the low comparison year, it is clear that the regional lockdowns to contain the new Delta variant of COVID-19 has slowed industrial activity.

With regard to external demand, preliminary estimates showed that India's **trade deficit** stood at \$9.4 billion in June 2021.

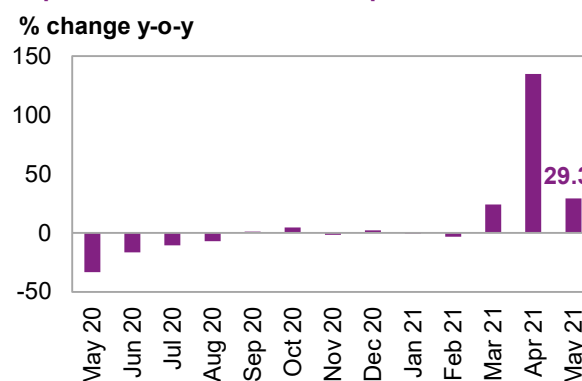
Exports increased to \$32.5 billion, while **imports** increased to \$41.9 billion. The preliminary data suggest robust domestic demand and sustained recovery in commercial activity.

Graph 3 - 12: Repo rate and inflation in India



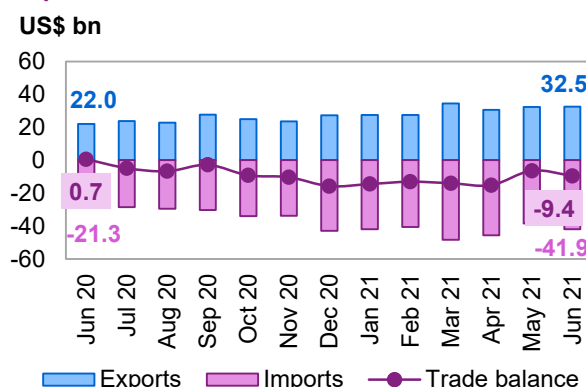
Sources: Ministry of Commerce and Industry, Reserve Bank of India and Haver Analytics.

Graph 3 - 13: India's industrial production



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

Graph 3 - 14: India's trade balance



Sources: Ministry of Commerce and Industry and Haver Analytics.

Near-term expectations

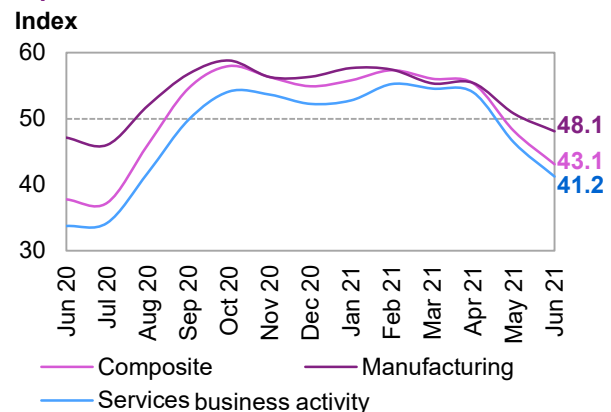
Recent COVID-19 developments suggest that the partial restrictions might last into 3Q21. Moreover, despite the faster rollout of vaccinations, more than half the population in the most populous and economically important states have yet to receive their first dose.

Meanwhile, the slowdown in economic activity was captured by the **PMI indices**. Both manufacturing and services PMI's retreated in June as the harsh resurgence of COVID-19 and stricter lockdown measures negatively impacted all the PMI's survey pillars. The manufacturing PMI fell to 48.1 in June 2021 from 50.8 in May. The services PMI declined to 41.2 in June 2021 from 46.4 in May reporting the second month of contraction.

Overall, despite the marginal improvement in economic conditions registered in June, the high level of cautiousness associated with the Delta variant of COVID-19 as well as the uncertainty surrounding its future development might slow the economic recovery. Additional hurdles to the recovery include the slow growth of credit as lenders become more risk-averse and hold back credit when the economy needs it the most. This could lead the RBI to maintain its stimulus efforts in order to support credit recovery and encourage lending.

The **growth forecast for India's economy** remains at 9.5% for 2021, while the economy is expected to grow by 6.8% in 2022. The major downside risks to this forecast remain the potential resurgence of COVID-19 and the pace of the in vaccination process.

Graph 3 - 15: India's PMIs



Sources: IHS Markit and Haver Analytics.

Table 3 - 7: India's economic growth rate and revision, 2021–2022*, %

	India
2021	9.5
Change from previous month	0.0
2022	6.8

Note: * 2021-2022 = Forecast.

Source: OPEC.

Latin America

Brazil

Update on latest developments

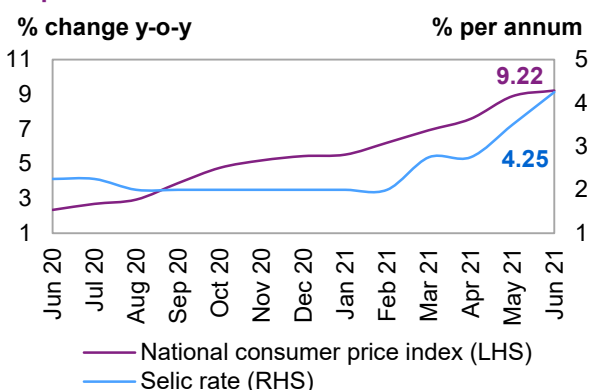
Recent economic indicators suggest a continuation of the pickup in economic activity supported by the increase in vaccination rates, which noticeably tempered the latest wave of COVID-19 fatalities. Industrial production returned to growth territory and rose by 1.4% in May in seasonally adjusted, m-o-m terms, according to the National Statistics Institute (IBGE).

The recent growth marked the end of a three-month contraction in manufacturing output. The **consumer confidence index** jumped to 80.3% in June from 76.5% in May. Similarly, **retail sales** rose 16% y-o-y in May 2021 following a gain of 23.7% y-o-y in April.

Pressures on the labour market have eased slightly. The most recent available **unemployment data** for April suggested that the jobless rate was 14.7%, unchanged from March. However, the three-month moving average of February- April 2021 hit a record high of 14.2% the three month moving average November-January. This is mainly due to the re-imposition of lockdowns across the country and the cancellation of the Carnival amid the resurgence of COVID-19 infections.

The **consumer price index** peaked at 9.22% in June 2021 from 8.90% in May. This was the highest inflation rate since September 2016 and also remarked the 13th consecutive month of CPI acceleration amid the effects of the COVID-19 pandemic. On a monthly basis, consumer prices increased 0.33 pp in June over May with housing costs recording the sharpest increase.

Graph 3 - 16: Brazil's inflation vs. interest rate



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

Brazil's central bank continued the policy rate normalization as it raised the **Selic rate** to 4.25% in June, from 3.50% in May. Earlier, the government approved a new round of support known as the “corona voucher” and this should contribute to the economic recovery. However, fiscal policy is anticipated to be highly contractionary in the short- and medium-terms to offset the 2020 massive spending.

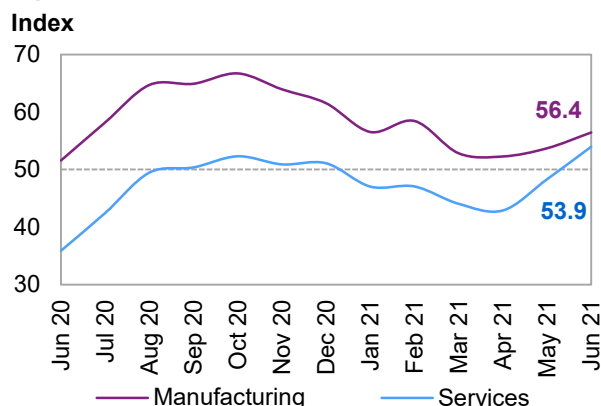
Near-term expectations

Brazil's real GDP in 1H21 appeared to be back to pre-pandemic levels and the economy was more resilient than expected despite the recent rise in COVID-19 infections.

The recent hike in **PMI indices** mirrored the ongoing expansion in activity. The IHS Markit Brazil manufacturing PMI surged to 56.4 in June from 53.7 in May, pointing to another acceleration in manufacturing activity. The services PMI moved into expansion territory as it jumped to 53.9 in June from 48.3 in the prior month. This was also the sharpest increase in the services PMI since January 2013.

Overall, the near-term outlook for Brazil's economy is more positive as its cyclical recovery is on track, supported by hopes of greater vaccine availability and a hopeful retreat of COVID-19.

Graph 3 - 17: Brazil's PMIs



Sources: IHS Markit and Haver Analytics.

Following the recent developments, the 2021 real **GDP growth** forecast revised up to 3.2% from 3.0% in the last MOMR.

In 2022, the GDP is forecast to advance 2.5%.

Table 3 - 8: Brazil's economic growth rate and revision, 2021–2022*, %

	Brazil
2021	3.2
Change from previous month	0.2
2022	2.5

Note: * 2021-2022 = Forecast.

Source: OPEC.

Africa

South Africa

Update on the latest developments

South Africa's real GDP contracted 3.20% y-o-y in 1Q21. Moreover, following the drastic increase of COVID-19 cases, South Africa in June 2021 applied an adjusted Level 4 lockdown with new containment measures for 14 days, commencing on 28 June. These new restrictions could weigh on the country's economic recovery. On a positive note, the vaccine rollout is gaining momentum and key economic reforms are rapidly proceeding after making sluggish progress.

Stress in the labour market continued. Indeed, in 1Q21 unemployment rose to 32.6%, the highest rate since comparable data started to be released in 2008. Total employment fell mostly in construction, private households and transportation services. The expanded definition of unemployment rose to 43.2% in 1Q21, up from 42.6% in 4Q20. Moreover, the unemployment rate among job-seekers between 15 and 24 years old hit a record high of 63.3%.

Upward pressure on overall consumer price levels continued to build in South Africa. The inflation rate rose to 5.2% y-o-y in May 2021 from 4.4% y-o-y in April, above the 4.5% midpoint of the South African Reserve Bank's monetary policy target range of 3-6%. Part of the higher price pressure is due to last year's low base. On a monthly basis, the consumer price index rose 0.1%, easing from a 0.7% increase in the previous month. Similarly, producer prices surged 7.4% y-o-y in May 2021, following an increase of 6.7% y-o-y in April. It was also the highest producer inflation rate since July 2016.

Near-term expectations

Despite the surge in new COVID-19 cases and the political tension following the recent riots, the impact of the new restrictions might be less severe on 2021 GDP growth as the mobility rate and economic activities were advancing at higher-than-anticipated rates prior to the recent decline in the COVID-19 situation. Moreover, vaccine coverage is gaining momentum. In 2Q21, the RMB/BER business confidence index increased well above pre-pandemic levels to 50 from 35 in 1Q21 as confidence rebounded sharply in the manufacturing, retail trade and moto industry. By contrast, the fresh concerns over rising COVID-19 cases and tighter restrictions have pushed the Absa manufacturing PMI down to 57.4 in June from 57.8 in May 2021.

South Africa's 2021 GDP forecast remains unchanged from last month at 3.3% and the economy is forecast to advance 2.5% in 2022. Downside risks include the acceleration in political tension and a fast-spreading third wave of COVID-19 infections leading to additional lockdowns.

Table 3 - 9: South Africa's economic growth rate and revision, 2021–2022*, %

	South Africa
2021	3.3
Change from previous month	0.0
2022	2.5

Note: * 2021-2022 = Forecast.

Source: OPEC.

Russia and Central Asia

Russia

Update on the latest developments

The Federal State Statistics Service (Rosstat) revised **Russia's real GDP growth** estimation for 1Q21 to -0.7% y-o-y from -1.0% y-o-y announced previously. The revision was supported by the slight improvements in industrial output and wholesale trade turnover. In May 2021, industrial production rose 11.8% y-o-y following a revised 7.6% y-o-y expansion in the previous month. The most recent industrial output growth was the biggest since December 2003. However, it was partially impacted by the low comparison base of 2020 when the country was under COVID-19 lockdown, and indeed, on a monthly basis (SA), industrial production grew only 1.1% in May 2021 following growth of 0.1% in April.

On the demand side, despite the low 2020 base of comparison, major demand indicators point to a sharp recovery in private consumption. Retail sales registered a sharp expansion for the second consecutive month as retail trade increased by 27.2% y-o-y in May 2021, following a revised 35.1% in April 2021. On a monthly basis, retail sales increased by 1.1%, after a 0.3% rise in April.

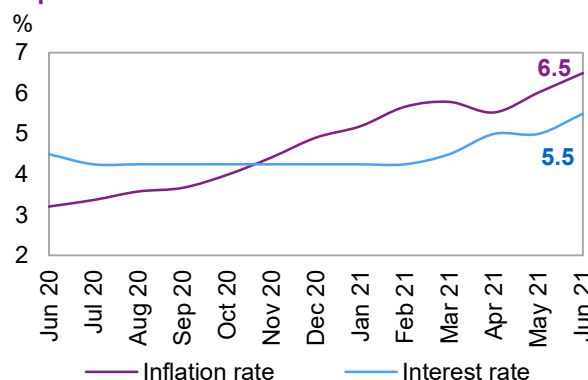
Inflationary pressures continued to weigh on the recovery. According to data released by Rosstat, inflation reached its highest level since August 2016 as **consumer prices** jumped 6.5% y-o-y in June driven mainly by the food inflation of 7.9% y-o-y. The current inflation level is higher than the Central Bank of Russia's (CBR) previous forecast.

In response to soaring inflation rates, the CBR raised the **policy rate** by 50 basis points to 5.5% in June 2021 and also anticipates that the inflation rate might not slow back down to the 4% target until mid-2022. The CBR noted that the global economy was recovering faster than most anticipated, driving demand for many key goods to outpace supply. It is worth noting in view of the inflationary pressures that real interest rates remain low.

Moreover, individual incomes and lending rates continued to expand at a rate close to historic highs. Therefore, the central bank might be tightening monetary policy further in 3Q21.

On external demand, the low base effect spectacular the trade data. In May 2021, **Russia's exports** surged by 48% y-o-y, while **imports** outpaced exports slightly, increasing by 49% y-o-y.

Graph 3 - 18: Russia's inflation vs. interest rate



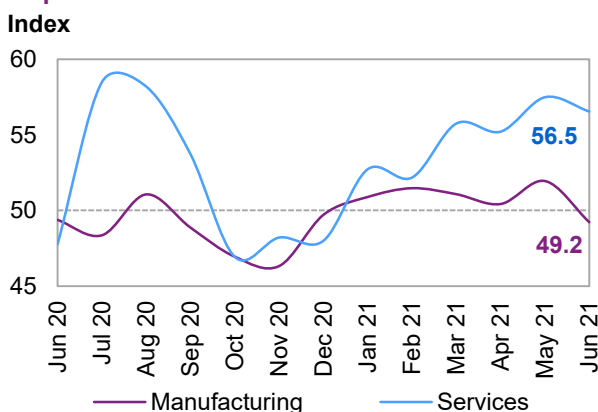
Sources: Federal State Statistics Service, Central Bank of Russia and Haver Analytics.

Near-term expectations

In the near term, Russia's economic recovery is more supported by higher oil prices. However, the third wave of the COVID-19 virus might weigh on the progress in economic activities.

In the meantime, the **PMI indices** have rolled back amid slower growth in both manufacturing and services output. The **manufacturing PMI** dropped to 49.2 in June from 51.9 in the previous month, recording a first-time contraction in the sector since December 2020. Similarly, the **services PMI** fell to 56.5 in June from 57.5 in May, however this reading marked the sixth straight month of services output holding above the 50-point threshold level.

Graph 3 - 19: Russia's PMI



Sources: IHS Markit and Haver Analytics.

Considering the recent developments related to macroeconomic indicators along with the ongoing increases in oil prices, Russia's GDP forecast remained unchanged from last month at 3%. Despite elevated inflationary pressures and a significant rise in the numbers of new COVID-19 cases in 2022, real GDP is forecast to advance by 2.3%. The vaccination programmes are gaining momentum amid increased governmental pressure on the population to be vaccinated. Additionally, the rebound in global demand might add another growth potential for the Russian economy.

Table 3 - 10: Russia's economic growth rate and revision, 2021–2022*, %

	Russia
2021	3.0
Change from previous month	0.0
2022	2.3

Note: * 2021-2022 = Forecast.

Source: OPEC.

OPEC Member Countries

Saudi Arabia

Non-oil economic activity continued to improve amid the expansion in non-oil exports, which advanced 46% y-o-y in April 2021. Indeed, non-oil sector activity was up 3.3% y-o-y amid the sector's noticeable recovery from the pandemic. June's PMI reading reflects this improvement and stood unchanged from May, at 56.4, which was the highest since January 2021, amid the strong recommencement of economic activity following the easing of COVID-19 restrictions. The government's comprehensive programme to develop the water sector might push the recovery further as it creates a host of investment opportunities to the domestic and foreign investors throughout asset sales and public-private partnerships (PPPs). In May 2021, the consumer price index (CPI) edged up to 5.7% y-o-y, the highest so far in 2021, from 5.3% in April, amid the upward pressure of increasing food and beverages prices. Nevertheless, the improvement in oil prices and the recent pickup in global economic activity support a further recovery in 2021 that also would continue into 2022, though at a slower pace.

Nigeria

Nigeria's real GDP grew by 0.5% y-o-y in 1Q21, driven by growth of 2.3% in the agriculture sector. Industrial activities registered growth of 0.9% y-o-y following a contraction of 5.6% y-o-y on average in 2020. Services sector activities stayed in contraction territory, although at a softer rate as the sector contracted by only 0.4% y-o-y in 1Q21. The inflation edged down to 17.9% y-o-y in May 2021 from 18.1% y-o-y in April and 18.2% y-o-y in March amid slower price increases for domestically produced food goods and services. On the policy front, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) recently decided to keep its policy rate at 11.5%, noting the marginal decline in overall price levels that started in April 2021 and driven by the stabilized growth in food prices. Nevertheless the structurally high inflation represents a serious impediment for the ongoing economic recovery as well as exchange rate stability. According to the Debt Management Office, by the end of March 2021, Nigeria's public debt went up to about US\$87.2 billion, a 15.6% y-o-y increase; domestic debt rose 10.7% y-o-y; and external debt jumped 18.8% with obligations of US\$32.9 bn. By international standards the 22% Debt-to-GDP ratio is moderate; however, the debt servicing costs are astronomical. In the near-term the high inflation and unemployment rate probably would weigh on the economic recovery.

The United Arab Emirates (UAE)

Growth of non-oil economic activity has moderated recently amid the spread of the new COVID-19 variant. In June 2021, the IHS Markit UAE PMI dropped to 52.2 from 52.3 a month earlier. However, the non-oil economy is anticipated to recover faster and stronger during the rest of the year, supported by a competitive tourism and travel sector; large-scale projects; new visa rules; the opening of the delayed Expo 2020; and expansionary government policy.

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

The **US dollar** (USD) advanced in June against majors on the prospect of a faster hike rate by the US Fed in view of recent above-target inflation readings. The dollar rose on average by 0.8% against the euro m-o-m, by 0.6% against the Swiss franc, by 0.4% against the pound sterling, and by 0.9% against the yen.

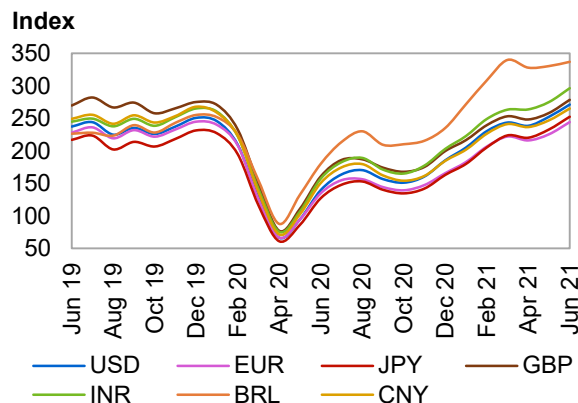
It was mixed against emerging market currencies, dropping slightly by 0.1% against the Chinese yuan, though it gained 0.4% against the Indian rupee. Meanwhile, against large commodity exporter currencies it dropped, falling by 2.1% against the Russian ruble on higher oil and gas prices, and by 4.9% against the Brazilian real for the second consecutive month on the expectation of further monetary policy tightening by the Central Bank and higher commodity prices. Against the Mexican peso the dollar rose by 0.3% during the month.

In **nominal terms**, the price of the ORB increased by \$4.98, or 7.4% from \$66.91/b in May to reach \$71.89/b in June.

In **real terms**, after accounting for inflation and currency fluctuations, the ORB increased to \$43.49/b from a revised \$40.21/b (base June 2001=100) the previous month.

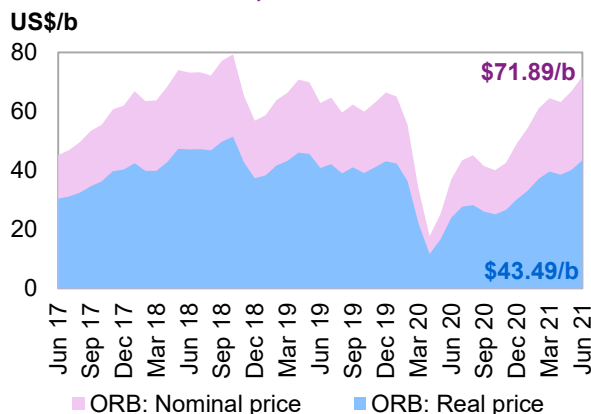
Over the same period, the **USD** increased by 0.5% against the import-weighted modified Geneva I + USD basket, while inflation was relatively stable m-o-m.

Graph 3 - 20: ORB crude oil price index compared with different currencies (base January 2016 = 100)



Sources: IMF and OPEC.

Graph 3 - 21: Impact of inflation and currency fluctuations on the spot ORB price (base June 2001 = 100)



Source: OPEC.

World Oil Demand

For 2021, world oil demand is foreseen to rise by 6.0 mb/d, unchanged from last month's estimate and despite some regional revisions. Total oil demand is projected to average 96.6 mb/d. 1Q21 was revised down amid slower-than-anticipated demand in the main OECD consuming countries. This was counterbalanced by better-than-expected data from OECD Americas in 2Q21, which is now projected to continue through 3Q21.

In the OECD region, oil demand is anticipated to rise by 2.7 mb/d to reach 44.7 mb/d of total demand. This is nearly 3.0 mb/d lower than total demand in 2019, mainly due to a limited recovery in transportation fuel, especially jet fuel. OECD Americas demand is anticipated to rise the most in 2021, led by the US on the back of recovering gasoline and diesel demand. Light distillates are also projected to support demand growth this year.

In the non-OECD region, oil demand is anticipated to rise by 3.3 mb/d to reach 51.9 mb/d of total demand in 2021. That is nearly 0.4 mb/d lower than 2019 total demand, despite expectations of fully recovering demand in China and India. A steady increase in industrial and transportation fuel demand supported by recovering economic activity is projected to boost demand in 2021.

In 2022, healthy expectations for global economic growth in addition to improved containment of COVID-19 through the acceleration of vaccination programmes, effective treatment and natural immunization, particularly in emerging and developing countries, along with frequent testing procedures, are assumed to spur consumption of oil next year to comparable pre-pandemic levels. World oil demand is anticipated to rise by 3.3 mb/d y-o-y, while total world oil demand is projected to reach 99.9 mb/d with 2H22 exceeding 100 mb/d.

In the OECD, oil demand is anticipated to rise by 1.5 mb/d, as OECD Americas is expected to climb firmly, with US oil demand marginally below 2019 levels mainly due to lagging transportation fuel demand. OECD Europe and Asia Pacific will grow but remain lingering below 2019 consumption levels.

In the non-OECD, oil demand is projected to show an increase of 1.8 mb/d with demand growth rising the most in China and India to exceed pre-pandemic levels, supported by a respectable recovery in transportation fuels and firm industrial fuel demand, including petrochemical feedstock. Other regions such as Other Asia, Latin America and the Middle East are also expected to see decent gains, supported by a positive economic outlook.

In terms of fuels, gasoline and diesel are assumed to lead oil demand growth next year. A gradual return to pre-COVID-19 normality is expected to continue into 2022, which in turn will further support mobility in major consuming countries such as the US, China and India. Diesel gains will stem from both on-road diesel, including trucking, as well as increasing momentum in industrial, construction and agricultural activities in OECD America, Europe and China. Light distillates will be supported by new capacity additions; NGL plants in the US, propane dehydrogenation (PDH) plants in China and steady petrochemical margins are assumed to additionally encourage demand for light-end products. Jet fuel will continue its recovery as domestic and international air travel pickup their pace, but slower demand for business travel will pressure this product category, forcing it to return to 2019 levels.

The forecast remains subject to uncertainties, most profoundly COVID-19-related challenges and their impact on transportation fuels, trade tension issues, developments on the economic front, unusual weather conditions, the impact of technological advancements including digitalization, penetration of electric vehicles and energy policy changes are principal factors that may influence the short-term forecast for oil demand.

World oil demand in 2021 and 2022

Table 4 - 1: World oil demand in 2021*, mb/d

World oil demand	2020	1Q21	2Q21	3Q21	4Q21	2021	Change 2021/20	
							Growth	%
Americas	22.56	23.09	24.73	24.84	24.75	24.36	1.80	7.99
of which US	18.44	18.99	20.11	20.34	20.45	19.98	1.54	8.33
Europe	12.43	11.88	12.73	13.61	13.71	12.99	0.56	4.49
Asia Pacific	7.07	7.61	7.17	7.16	7.51	7.36	0.29	4.16
Total OECD	42.06	42.58	44.63	45.61	45.97	44.72	2.65	6.31
China	13.19	12.95	14.27	14.93	15.05	14.30	1.11	8.43
India	4.51	4.94	4.52	4.91	5.61	5.00	0.49	10.82
Other Asia	8.13	8.36	8.93	8.54	8.59	8.61	0.47	5.83
Latin America	6.01	6.15	6.16	6.46	6.40	6.29	0.28	4.68
Middle East	7.55	7.95	7.67	8.24	7.97	7.96	0.42	5.51
Africa	4.08	4.39	3.96	4.16	4.48	4.25	0.16	4.03
Russia	3.37	3.57	3.37	3.57	3.74	3.56	0.19	5.77
Other Eurasia	1.07	1.18	1.19	1.14	1.28	1.20	0.12	11.43
Other Europe	0.65	0.73	0.62	0.68	0.74	0.69	0.05	6.97
Total Non-OECD	48.56	50.23	50.69	52.62	53.85	51.86	3.30	6.79
Total World	90.62	92.80	95.32	98.24	99.82	96.58	5.95	6.57
Previous Estimate	90.62	92.93	95.26	98.18	99.82	96.58	5.95	6.57
Revision	0.00	-0.13	0.06	0.06	0.00	0.00	0.00	0.00

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

Table 4 - 2: World oil demand in 2022*, mb/d

World oil demand	2021	1Q22	2Q22	3Q22	4Q22	2022	Change 2022/21	
							Growth	%
Americas	24.36	24.33	25.64	25.72	25.55	25.32	0.95	3.92
of which US	19.98	20.05	20.89	21.11	21.17	20.81	0.83	4.16
Europe	12.99	12.38	13.15	14.01	14.04	13.40	0.41	3.17
Asia Pacific	7.36	7.85	7.36	7.29	7.62	7.53	0.17	2.27
Total OECD	44.72	44.55	46.14	47.02	47.21	46.25	1.53	3.43
China	14.30	13.50	14.75	15.32	15.44	14.76	0.45	3.16
India	5.00	5.28	4.75	5.14	5.88	5.26	0.27	5.32
Other Asia	8.61	8.78	9.24	8.82	8.86	8.93	0.32	3.72
Latin America	6.29	6.39	6.34	6.61	6.56	6.48	0.18	2.89
Middle East	7.96	8.29	7.91	8.49	8.20	8.23	0.26	3.32
Africa	4.25	4.57	4.09	4.28	4.61	4.39	0.14	3.29
Russia	3.56	3.67	3.42	3.62	3.79	3.63	0.07	1.83
Other Eurasia	1.20	1.25	1.23	1.17	1.32	1.24	0.05	3.76
Other Europe	0.69	0.75	0.63	0.69	0.76	0.71	0.02	2.38
Total Non-OECD	51.86	52.48	52.37	54.15	55.41	53.61	1.75	3.38
Total World	96.58	97.03	98.52	101.17	102.62	99.86	3.28	3.40

Note: * 2021-2022 = Forecast. Totals may not add up due to independent rounding. Source: OPEC.

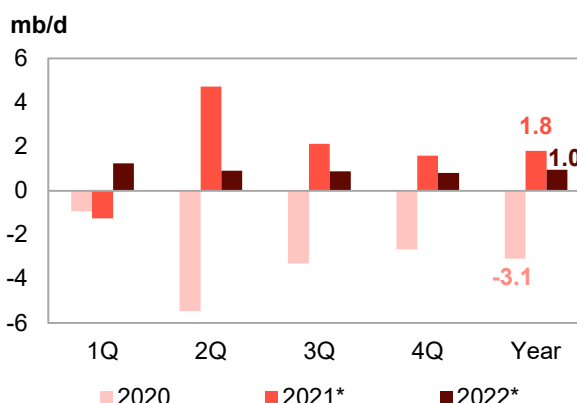
OECD

OECD Americas

Update on the latest developments

Oil demand in **OECD Americas** increased by 6.0 mb/d y-o-y in **April**, following an increase of 0.6 mb/d y-o-y in March. More than 60% of this increase is attributed to recovering transportation fuels, particularly gasoline and jet fuel requirements. Gasoline grew by a massive 3.3 mb/d y-o-y with rebounding miles travelled weighing in. A historical drop in April 2020 also contributed to this gain. Demand for transportation fuels, as well as total petroleum product demand, remained lingering below April 2019 as gasoline and jet fuel recorded a 1.6 mb/d drop compared with April 2019, while total petroleum product consumption was lower by 0.9 mb/d compared with April 2019. All countries in the region posted solid gains as demand rebounded most in the US, followed by Canada, Mexico and Chile.

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



Note: * 2021-2022 = Forecast. Source: OPEC.

The latest available **US** monthly demand data for **April** imply sharply increasing US oil demand by approximately 4.8 mb/d y-o-y, making up 85% of losses incurred during the historical drop of April 2020. Demand was lower than in April 2019 by almost 0.9 mb/d. Gasoline and jet kerosene requirements increased the most, with gasoline gaining 2.9 mb/d y-o-y, while jet/kerosene increased by 0.6 mb/d y-o-y in April 2021. Both fuels fell sharply during the April 2020 COVID-19 pandemic, by 3.6 mb/d and 1.1 mb/d y-o-y, respectively. According to the Federal Highway Administration, vehicle miles of travel in the US shot up by 54.6% y-o-y in April this year after rising by 18.8% y-o-y in March. In April 2020, the indicator plunged by more than 40% y-o-y, to the lowest y-o-y decline ever recorded. Additionally, light vehicle retail sales, as reported by Autodata and Haver Analytics, were at 18.7 million units according to seasonally adjusted annual rates (SAAR), compared with 18.1 million units in March. A quick recap of historical figures for the same index show total sales of 8.7 million units in April 2020 and 16.6 million units in April 2019. Industrial production, a gauge for industrial fuel demand, was also higher by 17.6% y-o-y in April after increasing by 1.5% y-o-y in March. The index dropped similarly in April 2019 by approximately 17.7% y-o-y, according to Federal Reserve Board data. Diesel demand was higher by 0.5 mb/d y-o-y in April 2021 following an increase of 0.1 mb/d in March. Diesel consumption was at par with April 2019 levels.

Preliminary data for May based on weekly input indicate the continuation of a recovery in transportation fuel performance, with both gasoline and jet kerosene increasing by more than 2.7 mb/d y-o-y collectively. Diesel is foreseen to increase by 0.5 mb/d y-o-y in May 2021.

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

By product	Apr 20	Apr 21	Change Apr 21/Apr 20	%
LPG	2.83	2.89	0.06	2.1
Naphtha	0.15	0.21	0.06	39.2
Gasoline	5.85	8.79	2.94	50.2
Jet/kerosene	0.69	1.29	0.59	85.7
Diesel	3.51	3.99	0.48	13.8
Fuel oil	0.13	0.14	0.02	14.4
Other products	1.83	2.44	0.62	33.8
Total	14.98	19.75	4.77	31.8

Note: Totals may not add up due to independent rounding. Sources: EIA and OPEC.

Near-term expectations

Going forward, the vaccination rollout has provided optimism regarding management of the COVID-19 pandemic, together with massive stimulus programmes, high household savings and improving unemployment

rates. This supports a positive outlook for oil demand prospects until the end of the year. The outlook remains pressured by COVID-19 developments, including the emergence of new variants and possible government countermeasures. A rebound in transportation fuels, including gasoline, is associated with labour market developments and gasoline retail prices, which currently are assumed to be limited due to high household savings. Risks stemming from the structural impact of COVID-19 on consumer behaviour, especially in the aviation sector, as well as the speed of vaccination programmes, are to be monitored closely going forward. Nevertheless, the aviation sector is projected to remain below 2019 levels.

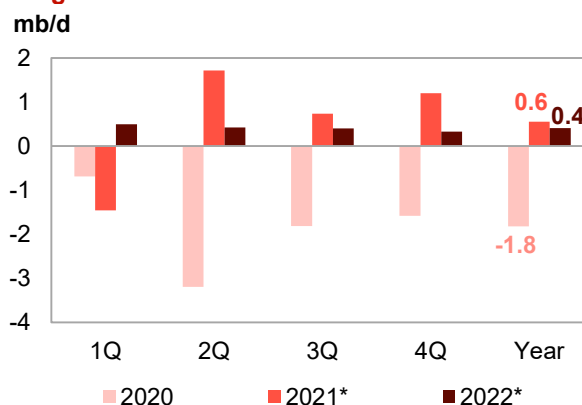
In **2022**, OECD Americas oil demand is projected to increase by around 1.0 mb/d y-o-y with the US leading the region, up by more than 0.8 mb/d y-o-y. Demand growth will be driven by healthy economic growth, supported by large stimulus packages. Additionally, a strong increase in household savings during the pandemic and improved unemployment data will lend support to oil demand next year. Gasoline is projected to continue recovering in 2022, supported by improved unemployment rates, higher miles driven y-o-y, and steady y-o-y increases in vehicle sales. However, gasoline demand is anticipated to lag in 2019, pressured by a number of factors such as penetration of alternative fuels vehicles, improved efficiency in combustion engines and the increased use of technology impacting mobility. Expansion in the petrochemical industry, coupled with healthy petrochemical margins, will provide additional support to light distillates in 2022. On the other hand, reduced business travel post-2021, a continuation in fuel substitution programmes, and fuel efficiency gains, particularly in the road transportation sector, are all factored into OECD America's 2022 oil demand outlook.

OECD Europe

Update on the latest developments

European oil demand recorded the first monthly y-o-y increase in **April**, for the first time since April 2019 and the third time since August 2018. Demand showed an increase of almost 1.9 mb/d y-o-y, following a decline of 0.4 mb/d in March. When contrasted with April 2019, oil demand remained drastically lower by 2.2 mb/d as impairment in jet fuel demand lagged April 2019 levels by nearly 1.0 mb/d. The y-o-y increase in April 2021 oil demand originated with diesel, primarily automotive diesel, and gasoline for road transportation, in addition to higher requirements for jet kerosene and fuel oil. Demand gains were marginally offset by declines in industrial diesel and the other product groups. Increases were the highest in France and Italy by 0.4 mb/d and 0.3 mb/d y-o-y, respectively.

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



Note: * 2021-2022 = Forecast. Source: OPEC.

Mobility inched higher in the region, moving from around 79% of pre-pandemic levels in March to 81% in April and continuing to edge higher in May and June as the main economies in the regions relaxed COVID-19 restriction measures amid falling infection cases. Mobility improved the most in the UK, Spain and Italy, while it stagnated in Germany and declined in France.

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

By product	Apr 20	Apr 21	Change Apr 21/Apr 20	Growth %
LPG	0.38	0.43	0.05	13.1
Naphtha	0.53	0.60	0.07	13.6
Gasoline	0.65	0.97	0.32	49.3
Jet/kerosene	0.26	0.34	0.09	33.5
Diesel	2.58	2.98	0.40	15.5
Fuel oil	0.12	0.16	0.03	26.0
Other products	0.38	0.38	0.00	-1.0
Total	4.90	5.86	0.96	19.5

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.

Certainly, the historical decline in consumption in April 2020 created a statistical gap in consumption data. Transportation fuel demand was steeply lower than in April 2019, as diesel and gasoline were 0.5 mb/d and 0.3 mb/d lower than April 2019 levels. One of the indicators of European oil demand, new passenger car registrations, increased in April by 222% y-o-y, after increasing by 91.7% in March. It's worth highlighting that the indicator recorded a decline of 78.8% y-o-y in April 2020 and 65.9% y-o-y in March 2020.

Near-term expectations

Going forward, the general expectations for the region's oil demand in May, June and 2H21 remain positive with some predominant downside risks, as a result of uncertainties in relation to unforeseen strong COVID-19 waves that could strain the medical system or/and possible disruption of vaccination programmes. On the one hand, projected improvements in the economy, particularly in the travel and tourism, hospitality and leisure sectors, government-led stimulus programmes, improved mobility – both road and air – and last year's low baseline call for a steady recovery in oil requirements throughout 2H21.

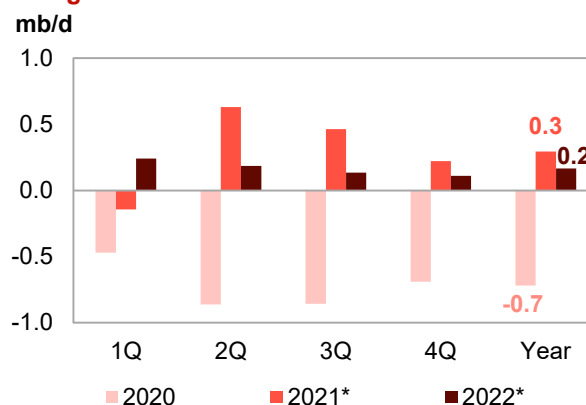
In **2022**, OECD Europe oil demand is anticipated to rise by around 0.4 mb/d. Estimated developments in the economy, along with better containment of COVID-19, are the main assumptions for OECD Europe oil demand growth in 2022. In terms of products, middle distillates – including automotive diesel, followed by gasoline – are anticipated to lead product consumption in 2022, supported by improvements in mobility amid better COVID-19 containment measures, along with positive developments in the industrial and construction sectors. Conversely, downward risks that might affect the 2022 oil demand outlook are mostly related to economic uncertainty, including high debt levels and budgetary constraints, in addition to fuel substitution and efficiencies in the road transportation sector. OECD Europe oil demand will continue to linger below 2019 levels, mainly due to a slower pace of recovery in the transportation sector leading to slowly growing jet fuel and on-road diesel requirements compared with pre-pandemic levels.

OECD Asia Pacific

Update on the latest developments

OECD Asia Pacific oil demand increased by 0.4 mb/d y-o-y in **April**, following an increase of more than 0.1 mb/d y-o-y in March. However, data showed significantly lower levels than in April 2019 by almost 1.0 mb/d, pressured by weak jet fuel, diesel and gasoline demand. Demand increased the most in Australia and South Korea during the month of April, adding 0.3 mb/d and 0.2 mb/d y-o-y, respectively, supported by improving mobility in Australia, encouraging a gasoline recovery, while strong demand for naphtha as a feedstock for steam crackers stimulated demand in South Korea. In Australia, all major product categories recorded steady gains in April, led by transportation fuels and diesel. In South Korea, product performance was mixed. Demand for naphtha and jet fuel sharply increased, diesel and gasoline were flat, while LPG and fuel oil declined compared with the same month last year.

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



Note: * 2021-2022 = Forecast. Source: OPEC.

Table 4 - 5: Japan's oil demand, mb/d

By product	May 20	May 21	Change May 21/May 20	
			Growth	%
LPG	0.32	0.33	0.02	5.9
Naphtha	0.60	0.67	0.08	12.8
Gasoline	0.63	0.72	0.09	14.3
Jet/kerosene	0.18	0.32	0.14	77.2
Diesel	0.65	0.63	-0.01	-1.7
Fuel oil	0.18	0.17	-0.01	-7.0
Other products	0.18	0.07	-0.11	-59.4
Total	2.73	2.92	0.20	7.2

Note: Totals may not add up due to independent rounding. Sources: JODI, METI and OPEC.

The most recent available preliminary oil demand data for **May** from the Japanese Ministry of Economy Trade, and Industry (METI), show rising demand by almost 0.2 mb/d y-o-y compared with an increase of 0.1 mb/d y-o-y in April. Demand was lower than in May 2019 by 0.5 mb/d, mainly due to a weaker transportation fuel recovery than expected. The May y-o-y increase in oil demand resulted from rebounding transportation fuels, coming from a low baseline, and steady mobility data. The mobility index hovered around 103%, using January 2020 as a reference.

Near-term expectations

Going forward, the recent lockdown measures by Australian authorities in an attempt to contain the spread of the Delta variant will hamper the oil demand recovery. However, the impact is anticipated to be limited to the months of June and July, and a positive rebound is projected thereafter. Generally, regional lockdown measures may occur to contain the spread of new COVID-19 variants, causing possible downside risks to the 2021 oil demand outlook. However, OECD Asia Pacific's 2021 oil demand is anticipated to rise, supported by a low baseline, along with steady petrochemical requirements and a transportation fuel recovery. Petrochemical feedstock demand is projected to encourage oil demand on the back of steady consumption for plastics and improving industrial sector requirements.

In **2022**, OECD Asia Pacific oil demand is anticipated increase by 0.2 mb/d, but remain below 2019 levels. Projections for 2022 are based on the assumption that the GDP will increase in all countries of the region, led by South Korea and Australia. Limited impact from COVID-19-related challenges on transportation fuel demand is anticipated, as herd immunity is projected to reach desired targets in 2022 amid an acceleration in vaccination rollouts. As such, gasoline is anticipated to increase the most, followed by diesel for the industrial sector. Petrochemical feedstock types LPG and naphtha are also projected to rise, supported by steady petrochemical margins and increased end-user demand.

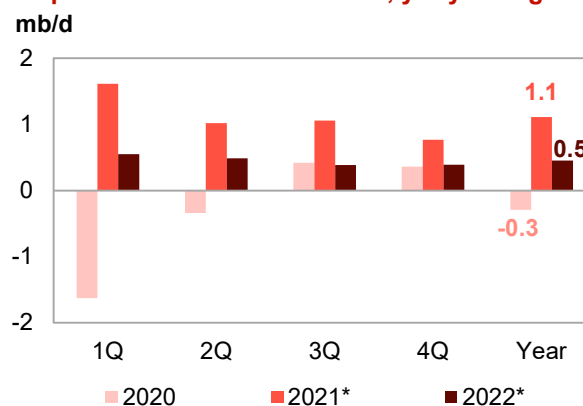
Non-OECD

China

Update on the latest developments

May oil demand data saw growth of around 1.0 mb/d y-o-y compared with a rise of 1.6 mb/d y-o-y in April, largely due to the size of the baseline decline in April and May of 2020. Additionally, when compared with May 2019, demand is nearly 0.7 mb/d higher amid healthy growth in light distillates. During May, gasoline consumption continued to increase, up by around 0.6 mb/d y-o-y boosted by improving mobility and despite marginally decreasing motor vehicle sales. Mobility exceeded pre-pandemic levels in May, posting 106% compared with 2019 after showing 100% in April, according to google and apple mobility indexes.

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



Note: * 2021-2022 = Forecast. Source: OPEC.

However, motor vehicle sales edged lower compared with May 2020, showing a drop of 2.7% after posting an increase of 9.9% y-o-y in April. It's worth highlighting that motor vehicle sales showed an increase of 13.5% in May, according to the China Association of Automobile Manufacturers. Jet fuel demand also posted gains of 0.3 mb/d y-o-y following an increase of 0.7 mb/d y-o-y in April and was at par with May 2019 levels. Improved air travel volume, especially in the domestic market, supported product recovery. Petrochemical feedstock, led by LPG, grew by roughly 0.4 mb/d y-o-y. LPG was supported by strong capacity additions at PDH plants and healthy cracker margins.

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

By product	May 20	May 21	Change Growth	May 21/May 20 %
LPG	1.91	2.27	0.36	18.8
Naphtha	1.00	1.08	0.08	8.4
Gasoline	2.75	3.32	0.58	21.0
Jet/kerosene	0.63	0.92	0.29	45.5
Diesel	3.29	3.15	-0.14	-4.2
Fuel oil	0.65	0.63	-0.02	-3.0
Other products	2.31	2.12	-0.19	-8.2
Total	12.53	13.49	0.96	7.7

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.

Near-term expectations

Going forward, oil demand growth is anticipated to rise strongly in 2H21, driven by a healthy economic outlook and mobility returning to pre-pandemic levels, with strong control expected over COVID-19 cases. The main sectors of the economy are projected to show steady growth mainly in 2H21, as the overall health of the global economy improves and the impact of a low baseline in 1H21 subsides. Generally, the oil demand outlook for 2021 is based on the assumptions of increasing gasoline demand driven by developments in the economy, rising vehicle sales compared with 2020 and improving vehicles miles travelled. In terms of products, diesel demand is projected to show growth in 2021 due to developments in industrial, construction and agricultural activity, and due to a low baseline in 2020. Additionally, demand for light distillates should record healthy gains, driven by capacity development.

In **2022**, China's oil demand is anticipated to increase by 0.5 mb/d for total demand to exceed 2019 figures, driven by robust economic growth projections. Oil demand in the transportation and industrial sectors is anticipated to continue increasing, supported by a steady rise in mobility, a growing passenger car fleet and firm industrial activity demand. Regarding fuels, gasoline is projected to increase the most next year followed by diesel. Petrochemical end-user demand is also anticipated to supported light distillate consumption. On the other hand, fuel quality programmes targeting fewer emissions and substitution by other fuels are projected to cap oil demand growth next year.

India

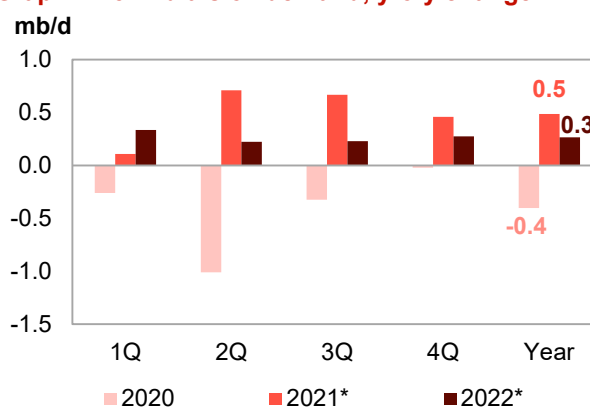
Update on the latest developments

In **May**, Indian oil demand inched lower by 0.03 mb/d y-o-y, after rising by nearly 1.6 mb/d y-o-y in April. May oil demand data showed a decline of 0.8 mb/d compared with May 2019. A resurgence of COVID-19 cases towards the end of April and during the month of May led to regional lockdowns in various parts of the country, which included limitations on mobility and the movement of people. However, due to a large decline in oil consumption in May 2020, most petroleum products edged higher y-o-y, with the exception of the LPG and other products' categories, which declined.

Mobility plummeted in May to a record 52% of pre-pandemic levels compared with 83% for the month of April and 108% in March, according to the google and apple maps mobility index.

Transportation fuels were largely impacted by this slowdown in mobility, resulting in gasoline increasing by only 0.06 mb/d y-o-y in May, following an increase by 0.4 mb/d in April. However, gasoline was at more than 0.2 mb/d below May 2019 levels. Diesel was marginally positive as construction, trucking and agricultural activities were hit by a resurgence of COVID-19 cases and containment measures. Nevertheless, various developments, as well as early indicators for June, indicate a further recovery m-o-m. The path of the recovery

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



Note: * 2021-2022 = Forecast. Source: OPEC.

is assumed to continue during 2H20, though there is still the possibility of momentum stalling should another resurgence of COVID-19 cases occur.

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

By product	May 20	May 21	Change Growth	May 21/May 20 Jan 00
LPG	0.98	0.93	-0.05	-4.9
Naphtha	0.31	0.38	0.07	22.8
Gasoline	0.52	0.58	0.06	11.6
Jet/kerosene	0.18	0.20	0.03	14.8
Diesel	1.21	1.22	0.01	0.9
Fuel oil	0.18	0.18	0.00	0.1
Other products	0.43	0.28	-0.15	-35.3
Total	3.81	3.77	-0.03	-0.8

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

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

Near-term expectations

Recent oil demand data indicate positive m-o-m momentum as May's surge in COVID-19 cases and accompanying challenges already started to ease. Improvements in mobility, industrial production activity and the resumption of overall economic activity are assumed to boost oil demand in 2H21. On the other hand, a resurgence of COVID-19 cases will pose a downside risk to oil demand until the end of the year. An acceleration in vaccination rates to reach targeted herd immunity will provide positive upside potential to oil demand over the short term. Oil demand is projected to pick up pace in 2H21, supported by diesel consumption in the construction and agricultural sectors and coming from a low 2020 baseline. Transportation fuels are anticipated to post respectable increases, though they will remain dependent on COVID-19 developments. Demand for transportation fuel is projected to account for the bulk of demand, followed by middle distillates.

For **2022**, India's oil demand growth is anticipated to rise by around 0.3 mb/d, with total volumes expected to exceed pre-pandemic levels on an annualized basis. COVID-19 containment measures are projected to improve, backed by an acceleration in vaccination rollouts, natural immunization and better treatment of COVID-19. On the economic front, the country's GDP is to increase solidly in 2022, supporting oil demand. From the product side, transportation fuels, led by gasoline, are projected to lead oil demand growth in 2022. Support will be driven by an increase in mobility through the use of private vehicles, particularly two wheelers that use gasoline as fuel. Diesel will gain strength in 2022, supported by healthy industrial, construction and agricultural activities.

Other Asia

Update on the latest developments

Oil consumption has increased in **Other Asia**, recording a rise of 0.8 mb/d y-o-y in **April** after increasing by 0.5 mb/d y-o-y in March. April data suggest a decline of 1.0 mb/d compared with April 2019, indicating that demand remained sharply lagging at 2019 levels. In Thailand, demand increased by 0.1 mb/d y-o-y, Malaysia by 0.3 mb/d y-o-y, the Philippines by 0.2 mb/d, y-o-y, while Indonesia showed a marginal increase of 0.04 mb/d y-o-y. The y-o-y increase in petroleum product demand was led by diesel and transportation fuels, including gasoline and jet fuel, on the back of a low baseline and despite declining m-o-m mobility. Miles driven decreased in main consuming countries such as Indonesia, Thailand and Singapore compared with a month earlier. Diesel, which grew the most, was supported by an increase in trucking and agricultural activities, but remained largely impaired compared with 2019 levels.

Near-term expectations

Going forward, oil demand is projected to improve y-o-y, supported by healthier y-o-y industrial development and a steady recovery in mobility. However, COVID-19 and the recent prevalence of a new variant in a number of countries in the region, such as Indonesia, will pose a downside risk to the forecast going into 2H21. In terms of countries, Malaysia, Indonesia, Singapore and the Philippines are projected to account for the bulk of gains. The transportation sector is projected to lead oil demand growth in Other Asia, with gasoline being the largest contributor, followed by on-road diesel. Additionally, demand for industrial fuels, including diesel and fuel oil, will be largely dependent on the recovery in economic activities in 2021.

In **2022**, Other Asia's oil demand growth is expected to firmly increase by around 0.3 mb/d, with expectations based on firm GDP growth almost matching this year's levels. Indonesia and Thailand are projected to be the

main contributors to growth, with respectable contributions from Malaysia, Singapore and the Philippines. Similar to other regions, transportation fuels are projected rise most in light of the projected better management of COVID-19 and improved mobility. Diesel will be the second product leading oil demand growth in 2022 and supporting the industrial sector.

Latin America

Update on the latest developments

Latin America's oil demand increased further in April to show a rise of 0.7 mb/d y-o-y, following an increase of more than 0.3 mb/d y-o-y in March. However, oil demand remained down compared with April 2019 by 0.3 mb/d, with transportation fuels causing most of the decline. The y-o-y increase in April was largely supported by transportation fuels recovering from last year's low baseline and some uptick in mobility data. Mobility in Brazil, the largest consuming country in the region, posted a marginal increase in April to reach 84% of pre-pandemic levels compared with 82% in March.

Gasoline and jet fuel recorded growth of around 0.2mb/d y-o-y collectively, after posting marginal growth in March. Both fuels remained largely below pre-pandemic levels and showed a drop of around 0.3 mb/d compared with April 2019.

Diesel demand was supported by a steady rebound in industrial and agricultural activities. Diesel was 0.3 mb/d higher y-o-y, even above April 2019 by around 0.1 mb/d.

In terms of regions, demand increased the most in Brazil (0.4 mb/d y-o-y) and Argentina (0.2 mb/d y-o-y), while other countries in the region posted marginal y-o-y gains.

Brazilian oil demand increased by 0.3 mb/d y-o-y in May 2021, though remaining below May 2019 levels by 0.1 mb/d. Positive increases in transportation fuels, coupled with an uptick in industrial fuel demand, supported the overall y-o-y increase. Diesel and gasoline demand grew most, supported by a pickup in the industrial sector, increased trucking movement and the low baseline of May 2020.

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

By product	May 20	May 21	Change Growth	May 21/May 20 %
LPG	0.22	0.23	0.00	2.1
Naphtha	0.15	0.14	0.00	-2.0
Gasoline	0.51	0.63	0.12	23.2
Jet/kerosene	0.02	0.06	0.04	181.2
Diesel	0.88	1.02	0.13	15.0
Fuel oil	0.08	0.08	0.00	1.8
Other products	0.30	0.35	0.05	15.1
Total	2.16	2.50	0.34	15.6

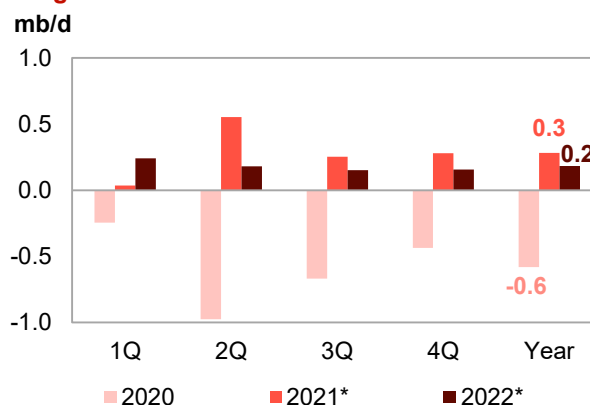
Note: * = Inland deliveries. Totals may not add up due to independent rounding.

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

Near-term expectations

Going forward, an improvement in the mobility rate after a recent easing of restrictions is assumed to support demand going into 2H21. Demand is assumed to be dependent on developments around COVID-19 cases and how well the virus stays controlled through progressing vaccination programmes. However, some downside risks may pressure the oil demand recovery process, including hiccups in vaccination programmes, high unemployment rates and overall political tension, which may weigh on oil demand recovery over the short term. Generally, oil demand in the region is projected to rise as economic conditions improve, supporting industrial fuel demand. In terms of products, diesel is anticipated to grow the most, followed by gasoline, as the economy and mobility improve y-o-y.

Graph 4 - 6: Latin America's oil demand, y-o-y change



Note: * 2021-2022 = Forecast. Source: OPEC.

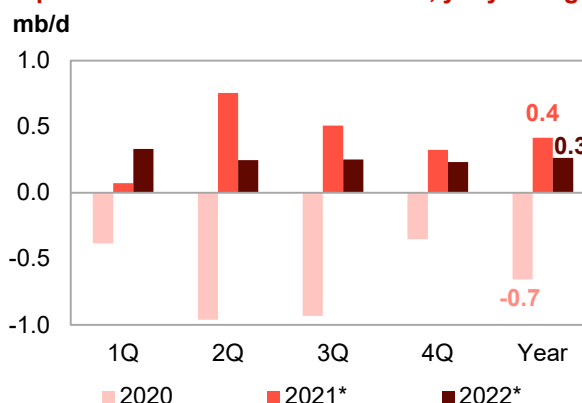
In **2022**, oil demand in Latin America is projected to increase by nearly 0.2 mb/d, but will remain below 2019 levels. Growth will be more fully determined by developments in economic activity. The largest economy in the region, Brazil, is anticipated to be the main contributor to growth, with some contribution from Argentina, Venezuela and Ecuador. Transportation fuels are projected to rise the most in 2022, stemmed by further developments in the transportation sector, as containment measures for COVID-19 improve and the overall economy gains momentum. Moreover, construction and industrial fuels are also anticipated to gain pace in 2022.

Middle East

Update on the latest developments

Middle Eastern oil demand rose by 1.0 mb/d, y-o-y in **April 2021** after increasing by around 0.7 mb/d y-o-y in March. However, compared with April 2019, demand posted a decline of some 0.1 mb/d, as transportation fuels were largely below pre-pandemic levels, though light distillate demand is already trending above pre-pandemic levels. All countries in the region recorded y-o-y growth, led by Saudi Arabia (0.4 mb/d y-o-y), Kuwait (0.2 mb/d y-o-y each) and Iraq (0.1 mb/d y-o-y). All other countries in the region also posted y-o-y gains. Transportation fuel led the recovery in April amid reduced movement restrictions and improved COVID-19 controls.

Graph 4 - 7: Middle East's oil demand, y-o-y change



Note: * 2021-2022 = Forecast. Source: OPEC.

Gasoline and jet fuel demand increased by more than 0.4 mb/d y-o-y collectively, following an increase of more than 0.2 mb/d y-o-y in March. Both fuels remained well below pre-pandemic levels of more than 0.4 mb/d compared with April of 2019. The increase in diesel demand is supported by an uptick in construction and truck movements, mainly in Saudi Arabia. Cement deliveries rose by 40.8% y-o-y in April, after posting growth of 4.1% y-o-y in March. It's worth highlighting that indicators dropped by 28.8% in April 2020, as reported by the Yamama cement company and Haver analytics. This shows the continuation of a positive trend in the construction sector.

In **May**, oil demand in **Saudi Arabia** continued to increase compared with the same time last year, adding 0.3 mb/d y-o-y, making up nearly 96% of lost demand from May 2020. Rebounding gasoline accounted for most of the gains, increasing by 0.2 mb/d y-o-y after posting similar gains in April. Middle distillate demand continued to expand, as both diesel and jet fuel gained around 0.1 mb/d y-o-y, showing comparable gains to those made in April.

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

By product	May 20	May 21	Change May 21/May 20	Growth %
LPG	0.04	0.05	0.01	25.0
Gasoline	0.27	0.46	0.18	67.6
Jet/kerosene	0.02	0.05	0.02	100.0
Diesel	0.42	0.46	0.04	9.0
Fuel oil	0.60	0.61	0.01	2.0
Other products	0.48	0.52	0.04	9.0
Total	1.83	2.15	0.32	17.4

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

Sources: JODI and OPEC.

Near-term expectations

Going forward, oil demand is anticipated to continue its recovery process and show respectable growth in 2021, with most consumption occurring in 2H21. On the other hand, the risk of a resurgence in COVID-19 cases and prevalence of new variants will continue to create a downside risk. Gasoline demand is anticipated to continue improving over the summer driving season, while gasoil also rose on improved industrial activity

and positive developments in infrastructure projects. A slow recovery in the aviation sector will continue to challenge jet fuel consumption and remain below 2019 levels.

In **2022**, Middle East oil demand growth is anticipated to gain further strength over the current year's levels, to increase by around 0.3 mb/d amid sustained economic growth. In terms of countries, Saudi Arabia is anticipated to lead the oil demand increase in the region, driven by steady economic expectations, controlled COVID-19 cases and a healthy petrochemical sector. As a result, transportation fuels gasoline and on-road diesel, in addition to light distillates for petrochemical usage and construction fuels, are anticipated to be the products leading oil demand growth next year.

World Oil Supply

Non-OPEC liquids supply growth in 2021 (including processing gains) was revised down by a minor 26 tb/d from the previous assessment, despite upward revisions to the US and Canada, and is now expected to grow by 0.81 mb/d to average 63.76 mb/d. The oil demand projection for 2021 was revised upward due to better-than-expected data for global vaccinations, in addition to higher oil demand growth expectations for 2022, which is leading to an expected gradual recovery in non-OPEC supply. Despite prices being higher than expected, none of the US independents raised capex guidance for 2021, as most available free cash flow was used to pay debts. Nevertheless, some US independents reinvested part of their operating cash flow, some kept investment plans in the exploration and production (E&P) sector on hold, and some have gone a step further and decided to halt production at mature fields to reduce cost. The US production growth forecast has been revised up slightly by 23 tb/d, owing to higher-than-anticipated production from April until now, with growth of 0.06 mb/d y-o-y. The 2021 oil supply forecast primarily sees growth in Canada, China, Norway and Brazil, and is projected to decline in the UK, Colombia, Egypt and the Sudans.

Non-OPEC liquids production in 2022 is expected to grow by 2.1 mb/d to average 65.85 mb/d (including a recovery of 0.11 mb/d in processing gains). The supply forecast, including expected growth of OPEC NGLs, should be at 2.2 mb/d. Liquids supply in the OECD countries is expected to increase next year by 1.1 mb/d, and growth of 0.8 mb/d in the non-OECD region is anticipated. The main drivers for liquids supply growth are expected to be the US (0.74 mb/d), Russia, Brazil, Norway, Canada, Guyana and Kazakhstan, whereby the majority of the increase in the US and some other countries represents a production recovery from the 2020 oil market downturn due to curtailments, rather than growth from new projects. Nevertheless, uncertainty regarding the financial and operational aspects of US production remains high.

OPEC NGLs and non-conventional liquids production in 2021 is estimated to grow by 0.12 mb/d to average 5.17 mb/d. For 2022, it is likely to grow by 0.13 mb/d to average 5.29 mb/d. OPEC-13 crude oil production in June increased by 0.59 mb/d m-o-m to average 26.03 mb/d, according to secondary sources.

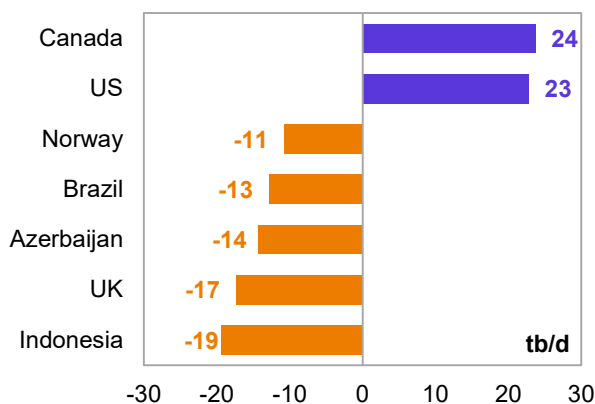
Preliminary non-OPEC liquids production in June, including OPEC NGLs, is estimated to have increased by 0.52 mb/d m-o-m to average 68.46 mb/d, up by 2.76 mb/d y-o-y. As a result, preliminary data indicates that global oil supply increased by 1.10 mb/d m-o-m to average 94.49 mb/d, down by 6.53 mb/d y-o-y.

Main monthly revisions

Non-OPEC liquids production growth in 2020 was revised down by 48 tb/d owing to a downward revision in processing gains in all quarters, as well as to historical production in Colombia and Canada, and is now estimated to have declined by 2.58 mb/d to average 62.94 mb/d for the year.

Non-OPEC liquids production growth in 2021 was revised down by 26 tb/d m-o-m and is now forecast to see growth of 0.81 mb/d (including processing gains), to average 63.76 mb/d. This was mainly due to downward revisions in production forecasts for Indonesia, the UK, Azerbaijan Brazil and Norway. Meanwhile, production forecasts for the US and Canada were revised up compared with the previous assessment, due to higher-than-expected output in 2Q21.

Graph 5 - 1: Revisions on annual supply growth forecast in 2021*, July MOMR/June MOMR

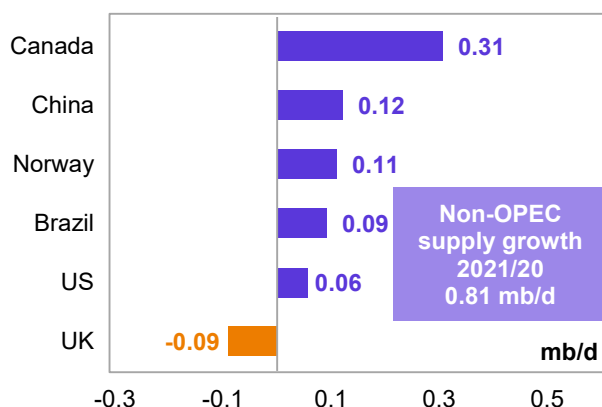


Note: * 2021 = Forecast. Source: OPEC.

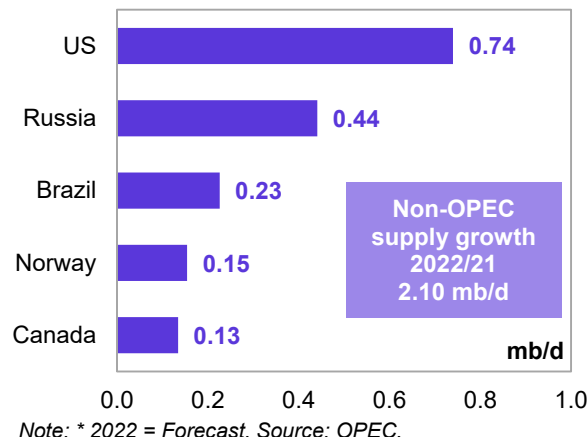
Key drivers of growth and decline

The **key drivers for non-OPEC liquids supply growth in 2021** are projected to be Canada, China, Norway, Brazil, the US, Guyana, Russia and Azerbaijan, while oil production is expected to decline mainly in the UK, Colombia, Egypt, and the Sudans.

Graph 5 - 2: Annual liquids production changes for selected countries in 2021*



Graph 5 - 3: Annual liquids production changes for selected countries in 2022*



For **2022**, the key drivers for non-OPEC supply growth are forecast to be the US, Russia, Brazil, Norway, Canada, Guyana, Kazakhstan, China, India, Oman, Qatar, the UK and Azerbaijan, while oil production will decline mainly in Egypt, Thailand, Indonesia and Malaysia.

Many institutes and agencies have forecast strong production growth for the next year, but with differing views of US and Russian production. Their near-term outlooks are mainly based on varying judgments regarding the continuation of financial and logistical circumstances in the US into 2022, and uncertainty over other countries' production.

Non-OPEC liquids production in 2021 and 2022

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

Non-OPEC liquids production	2020	1Q21	2Q21	3Q21	4Q21	2021	Change 2021/20	
							Growth	%
Americas	24.71	24.11	24.83	25.55	25.86	25.09	0.38	1.54
of which US	17.62	16.64	17.66	18.10	18.30	17.68	0.06	0.32
Europe	3.90	3.95	3.64	4.03	4.10	3.93	0.03	0.74
Asia Pacific	0.53	0.51	0.54	0.55	0.55	0.54	0.01	1.09
Total OECD	29.15	28.56	29.01	30.13	30.51	29.56	0.41	1.42
China	4.12	4.25	4.27	4.23	4.20	4.24	0.12	2.94
India	0.77	0.76	0.76	0.75	0.74	0.76	-0.01	-1.55
Other Asia	2.51	2.49	2.45	2.47	2.46	2.47	-0.04	-1.54
Latin America	6.04	5.94	6.02	6.31	6.50	6.19	0.15	2.50
Middle East	3.18	3.19	3.20	3.24	3.25	3.22	0.04	1.29
Africa	1.41	1.38	1.35	1.34	1.32	1.35	-0.07	-4.72
Russia	10.59	10.47	10.74	10.66	10.66	10.63	0.04	0.38
Other Eurasia	2.91	2.96	2.91	2.98	2.98	2.96	0.04	1.46
Other Europe	0.11	0.11	0.11	0.10	0.10	0.11	-0.01	-6.58
Total Non-OECD	31.64	31.54	31.82	32.08	32.22	31.91	0.27	0.86
Total Non-OPEC production	60.79	60.10	60.82	62.21	62.73	61.48	0.69	1.13
Processing gains	2.15	2.28	2.28	2.28	2.28	2.28	0.13	6.03
Total Non-OPEC liquids production	62.94	62.38	63.10	64.49	65.01	63.76	0.81	1.29
Previous estimate	62.89	62.41	63.06	64.30	65.10	63.73	0.84	1.33
Revision	0.05	-0.03	0.04	0.19	-0.09	0.03	-0.02	-0.04

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

Table 5 - 2: Non-OPEC liquids production in 2022*, mb/d

Non-OPEC liquids production	2021	1Q22	2Q22	3Q22	4Q22	2022	Change 2022/21	
							Growth	%
Americas	25.09	26.00	25.79	25.89	26.25	25.98	0.89	3.54
of which US	17.68	18.39	18.44	18.29	18.55	18.42	0.74	4.19
Europe	3.93	4.12	4.01	4.07	4.39	4.15	0.22	5.66
Asia Pacific	0.54	0.57	0.57	0.56	0.56	0.57	0.03	5.12
Total OECD	29.56	30.69	30.37	30.53	31.21	30.70	1.14	3.85
China	4.24	4.24	4.24	4.28	4.36	4.28	0.05	1.08
India	0.76	0.77	0.79	0.82	0.84	0.81	0.05	6.65
Other Asia	2.47	2.42	2.37	2.33	2.28	2.35	-0.12	-4.86
Latin America	6.19	6.54	6.48	6.42	6.63	6.52	0.33	5.27
Middle East	3.22	3.25	3.28	3.32	3.32	3.29	0.07	2.32
Africa	1.35	1.29	1.32	1.29	1.27	1.29	-0.05	-4.00
Russia	10.63	10.70	10.97	11.18	11.43	11.07	0.44	4.14
Other Eurasia	2.96	2.98	3.02	3.01	3.18	3.05	0.09	3.06
Other Europe	0.11	0.10	0.10	0.10	0.09	0.10	-0.01	-7.35
Total Non-OECD	31.91	32.29	32.59	32.75	33.40	32.76	0.85	2.65
Total Non-OPEC production	61.48	62.98	62.95	63.28	64.61	63.46	1.99	3.23
Processing gains	2.28	2.39	2.39	2.39	2.39	2.39	0.11	4.91
Total Non-OPEC liquids production	63.76	65.37	65.35	65.67	67.00	65.85	2.10	3.29

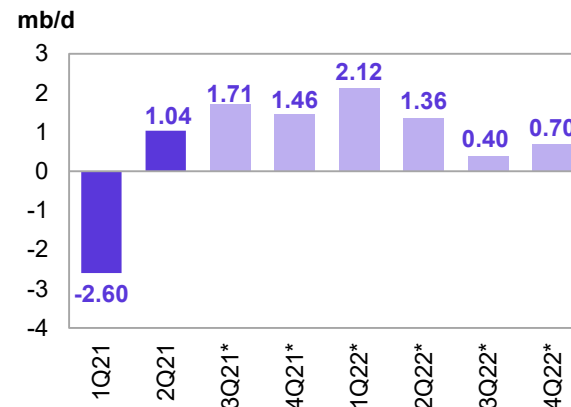
Note: * 2021-2022 = Forecast. Totals may not add up due to independent rounding. Source: OPEC.

OECD

OECD liquids production in 2021 is forecast to increase by 0.41 mb/d to average 29.56 mb/d. This is revised up by 21 tb/d m-o-m, owing to an upward revision of 46 tb/d in the production forecast for OECD Americas, which is now projected to grow by 0.38 mb/d to average 25.09 mb/d. OECD Europe was revised down by 21 tb/d m-o-m and is now forecast to grow by 0.03 mb/d, with an average supply of 3.93 mb/d, while oil production in OECD Asia Pacific remained unchanged and is forecast to grow by 0.01 mb/d to average 0.54 mb/d.

For 2022, oil production in the OECD is likely to grow by 1.14 mb/d to average 30.70 mb/d, with growth from OECD Americas of 0.89 mb/d to average 25.98 mb/d. Oil production in OECD Europe and OECD Asia Pacific is anticipated to grow by 0.22 mb/d and 0.03 mb/d y-o-y to average 4.15 mb/d and 0.57 mb/d, respectively.

Graph 5 - 4: OECD quarterly liquids supply, y-o-y changes



Note: * 3Q21-4Q22 = Forecast. Source: OPEC.

OECD Americas

US

US liquids production in April 2021 was higher by 0.29 mb/d m-o-m on the back of outperforming NGLs to average 17.73 mb/d, almost the same level of production as seen in April 2020.

Crude oil production declined in April by 19 tb/d m-o-m to average 11.17 mb/d, a drop of 841 tb/d y-o-y. Meanwhile, production of NGLs increased by 0.33 mb/d m-o-m to average 5.44 mb/d, and other liquids, particularly ethanol, declined by 22 tb/d, to average 1.12 mb/d.

The production of crude oil, including field condensates, decreased on the Gulf Coast, Midwest, and West Coast in April m-o-m, while production in the other two PADDs increased.

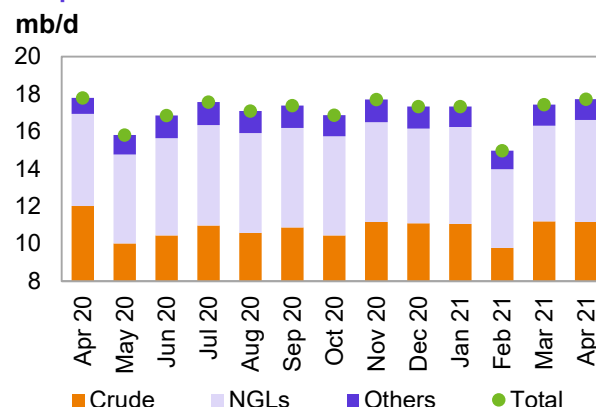
Crude oil output on the Gulf Coast declined, despite increasing production in Texas and New Mexico by 28 tb/d and 17 tb/d, respectively. However, oil output from the GoM declined by 92 tb/d to average 1.76 mb/d, offsetting gains elsewhere.

In the US Midwest, production in North Dakota was up by an average 6 tb/d for two consecutive months, while output in Oklahoma was down by a minor 2 tb/d. Rocky Mountain, Colorado – home to Niobrara shale – saw the largest growth in April by 31 tb/d to average 401 tb/d. Finally, on the west coast, production in Alaska declined by 7 tb/d m-o-m to average 0.45 mb/d (3.7% due to natural decline).

Average crude oil production in the first four months of the year from the US onshore Lower 48 (excluding Alaska), declined by 1.6 m/d y-o-y. Of this, 1.3 mb/d belongs to US tight oil. Production from the GoM also declined by 0.16 mb/d in the same period. From an operational point of view, US tight crude production improvements have been slowly progressing with the help of more oil rigs coming online. More than 200 oil rigs have been added since the lowest-ever point was reached in mid-August 2020, reaching 376 on 2 July 2021, although the figure is still far from the average of 671 seen in 1Q20 before the 2Q20 downturn in drilling activities. Meanwhile, despite fracking operations and well completions having shown a sudden jump of 25% in January 2021 from December 2020, they have not seen a remarkable rising trend so far in other months. On the contrary, the withdrawal of drilled, but uncompleted, (DUC) wells from the inventory of different shale regions indicates that shale operators are still struggling against a base decline and trying keep production flat through DUC completions.

Drilling and well completion activities continued at a slow pace and are unlikely to reach y-o-y growth until 2022. The US Lower 48 – the key growth region and near-term driver for non-OPEC supply growth – is a key area that will suffer from decline in the long term. Nevertheless, US Lower 48 crude oil and NGLs supply is expected to rebound faster in 2022 from 2020-2021 lows, mainly due to favourable oil prices.

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



Source: OPEC.

Table 5 - 3: US crude oil production by state, tb/d

State	Change		
	Mar 21	Apr 21	Apr 21/Mar 21
Colorado	370	401	31
Oklahoma	402	400	-2
Alaska	453	446	-7
North Dakota	1,023	1,029	6
New Mexico	1,155	1,172	17
Gulf of Mexico (GoM)	1,856	1,764	-92
Texas	4,763	4,791	28
Total	11,188	11,169	-19

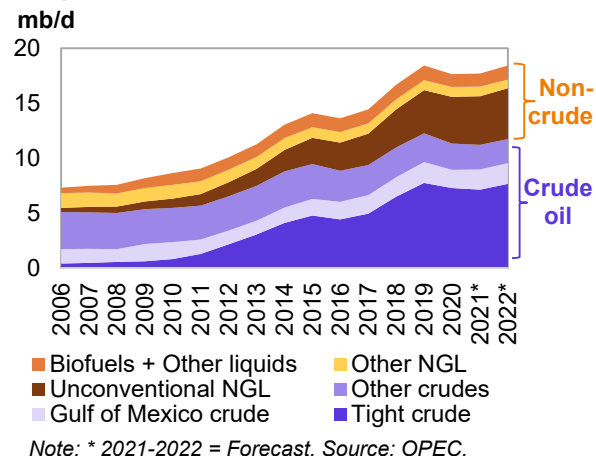
Sources: EIA and OPEC.

The **US liquids production growth forecast for 2021** was revised up by 23 tb/d and now is forecast to grow by 0.06 mb/d y-o-y to reach an average of 17.68 mb/d. Nevertheless, this is still 0.75 mb/d below the average supply seen in 2019.

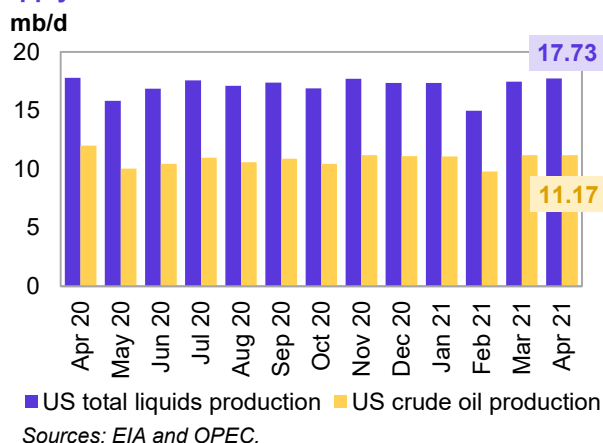
The US liquids supply in **2022**, excluding processing gains, is anticipated to grow by 0.74 mb/d, y-o-y to average 18.42 mb/d, assuming the current level of drilling and well completion remains steady as seen in 1H21, with possible higher spending in the prolific Permian Basin, Eagle Ford and Bakken shale sites.

US crude oil production in 2021 is expected to decline by 0.12 mb/d to average 11.20 mb/d. However, growth of 0.15 mb/d in the GoM is expected, to average 1.81 mb/d. US tight crude and conventional crude oil will see a contraction of 0.14 mb/d and 0.13 mb/d to average 7.15 mb/d and 2.24 mb/d, respectively.

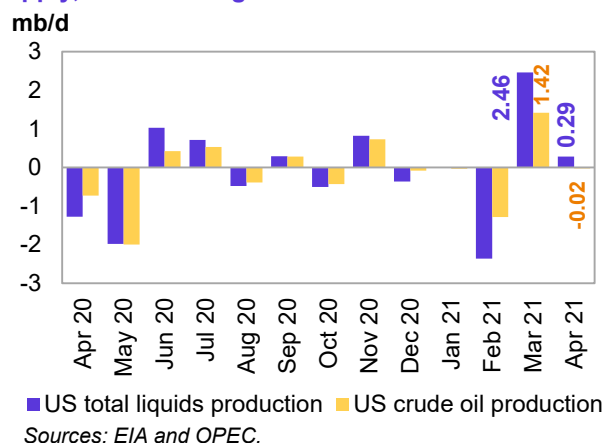
Graph 5 - 6: US liquids supply developments by component and forecast of 2021 and 2022



Graph 5 - 7: US monthly crude oil and total liquids supply



Graph 5 - 8: US monthly crude oil and total liquids supply, m-o-m changes

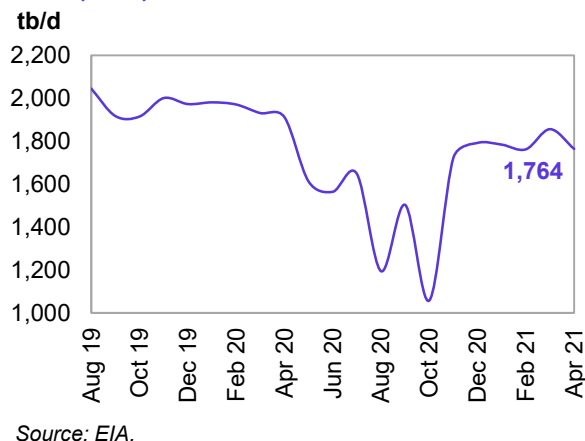


Contrarily, the **US NGLs production** forecast was revised up by 0.03 mb/d due to a remarkable increase of 327 tb/d in April m-o-m to average 5.44 mb/d. This represents y-o-y growth of 0.14 mb/d to average 5.30 mb/d. NGLs production, mainly from unconventional sources (around 85%), is forecast to grow to 5.42 mb/d in 2022, with the expectation of ethane rejection in gas plants remaining at the same level as in 2021.

US biofuels and other non-conventional liquids production are forecast to recover by 0.04 mb/d in 2021 to average 1.19 mb/d. They are expected to see more recovery in 2022 by 0.08 mb/d to average 1.27 mb/d.

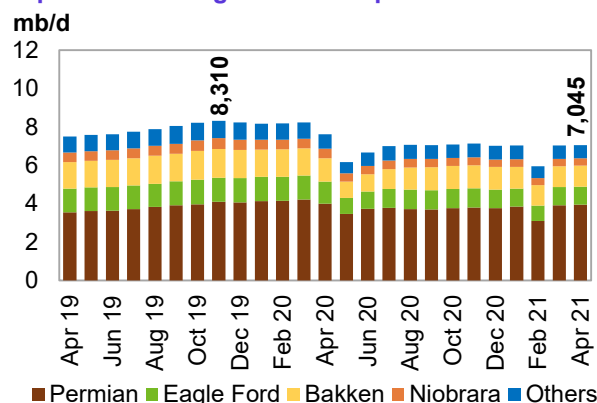
Crude oil production in the GoM in 2022 is expected to increase by 0.1 mb/d to average 1.91 mb/d, following a production recovery of 0.15 mb/d in 2021. The list of next year's assets which should bring new production on stream, apart from projects already in the ramp-up phase, includes the following five: Argos (Mad Dog Phase 2) with peak production of 120 tb/d, while Power Nap, Manuel, Samurai and Khaleesi are projected to produce around 45 tb/d in 2022, the first year of production. It is worth noting that production in the US GoM is usually affected during hurricane season. This took place in 2020 and recent predictions by the National Oceanic and Atmospheric Administration (NOAA) see a 60% chance of another active Atlantic hurricane season in 2021. Production from the GoM could be impacted by around 100 tb/d in 3Q21.

Graph 5 - 9: US crude oil production in Gulf of Mexico (GoM)



US tight crude output in April increased by an estimated 15 tb/d m-o-m according to EIA estimates to average 7,045 tb/d, 567 tb/d lower than in the same month a year earlier. The main m-o-m increase in US tight crude output from shale and tight formations through horizontal wells came from the Bakken shale in the Williston Basin by 15 tb/d m-o-m to average 1,106 tb/d, along with the Permian, Midland and Delaware Basins in Texas and New Mexico, which were up by 34 tb/d to average 3,951 mb/d, though lower by 50 tb/d y-o-y. Tight crude output at Eagle Ford declined by 16 tb/d to average 1936 tb/d; output in the Niobrara dropped by 8 tb/d to average 371 tb/d; while in other regions production fell m-o-m by 9 tb/d to average 680 tb/d.

Graph 5 - 10: US tight crude output breakdown



Sources: EIA, Rystad Energy and OPEC.

Table 5 - 4: US liquids production breakdown, mb/d

US liquids	2020	Change 2020/19	2021*	Change 2021/20	2022*	Change 2022/21
Tight crude	7.29	-0.46	7.15	-0.14	7.65	0.50
Gulf of Mexico crude	1.66	-0.24	1.81	0.15	1.91	0.10
Conventional crude oil	2.37	-0.23	2.24	-0.13	2.17	-0.07
Total crude	11.31	-0.93	11.20	-0.12	11.73	0.53
Unconventional NGLs	4.26	0.33	4.44	0.18	4.62	0.19
Conventional NGLs	0.90	0.00	0.86	-0.05	0.80	-0.06
Total NGLs	5.16	0.34	5.29	0.13	5.42	0.13
Biofuels + Other liquids	1.15	-0.20	1.19	0.04	1.27	0.08
US total supply	17.62	-0.80	17.68	0.06	18.42	0.74

Note: * 2021-2022 = Forecast. Sources: EIA, OPEC and Rystad Energy.

US tight crude production in 2021 and 2022 is expected to show continuous y-o-y growth in the Permian Basin by 0.12 mb/d and 0.38 mb/d, to average 3.98 mb/d and 4.36 mb/d, respectively. Bakken shale production fell by 0.23 mb/d in 2020 and is expected to contract by 70 tb/d in 2021, while growth of 68 tb/d for 2022 is anticipated, to average 1.18 mb/d. Eagle Ford in New Mexico is also a prolific shale region that is expected to grow this year and next by 18 tb/d and 90 tb/d to average 1.07 mb/d and 1.16 mb/d, respectively. Production in other shale plays is not expected to show growth in 2021 or 2022, given current drilling and completion activities. US tight crude saw a contraction of 461 tb/d in 2020 and is expected to see a y-o-y decline of 136 tb/d this year, but is forecast to grow by 0.5 mb/d in 2022 to average 7.65 mb/d.

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

US tight oil	2020	Change 2020/19	2021*	Change 2021/20	2022*	Change 2022/21
Permian tight	3.86	0.14	3.98	0.12	4.36	0.38
Bakken shale	1.18	-0.23	1.11	-0.07	1.18	0.07
Eagle Ford shale	1.05	-0.19	1.07	0.02	1.16	0.09
Niobrara shale	0.45	-0.06	0.42	-0.03	0.40	-0.02
Other tight plays	0.74	-0.12	0.56	-0.18	0.54	-0.02
Total	7.29	-0.46	7.15	-0.14	7.65	0.50

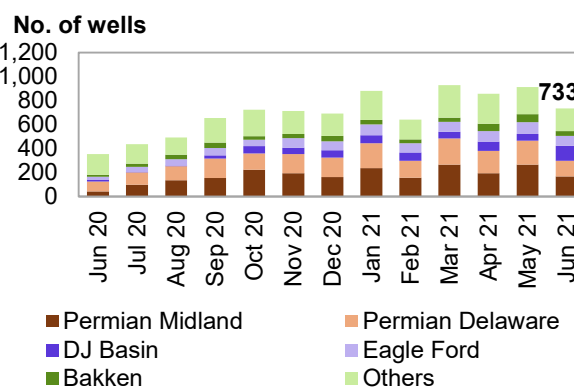
Note: * 2021-2022 = Forecast. Source: OPEC.

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

In terms of identified **US oil and gas fracking operations** by region, Rystad Energy reported that 733 wells started fracking in June. This preliminary number is based almost exclusively on analysis of high-frequency satellite data.

The number of frac starts in January touched 860, a jump of 28% from December. The total then plunged by 27% in February as freezing weather conditions halted operations across much of Texas and parts of New Mexico. March saw a renewed 45% surge with 927 frac jobs, the highest level seen since the same month a year earlier at 970 starts.

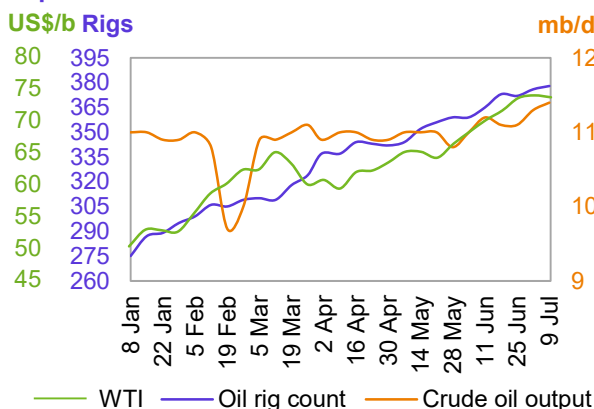
Graph 5 - 11: Fracked wells count per month



Total **US active drilling rigs** rose by 4 units w-o-w to 479 rigs, according to the Baker Hughes's weekly survey on 9 July. This includes 461 active onshore rigs, 17 offshore rigs and one rig in inland waters.

The **US oil rig count** increased by 19 units to 378 rigs since the last MOMR for the week ending 4 June, higher by 1,197 rigs y-o-y. The **gas rig count** reached 101 rigs, higher by two rigs w-o-w and up by 26 units compared with a year ago. Rigs targeting oil in the Permian Basin remained unchanged at 237, up by 112 y-o-y. The total rig count is 86% higher than this time last year and up nearly 50% since falling to a record low of 244 in August 2020.

Graph 5 - 12: US weekly rig count vs US crude oil output

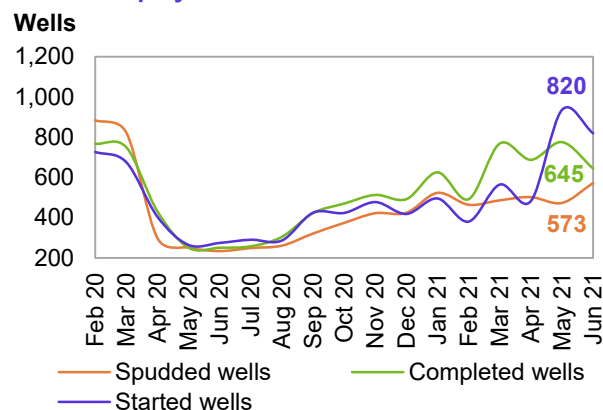


With the current trend in the weekly increase of drilling rigs, which is a good indicator for predicting future oil production, it does not seem that oil production in onshore fields will increase in 2021 compared to the previous year, and so long as the slope of this trend does not change, crude oil output will continue to grow steadily, but slowly in 2022, unless this trend accelerates significantly. Horizontal wells increased by 213 to now reach 433, and the overall drilling outlook remains healthy, but not sufficient to support strong growth.

With regard to **drilling and completion (D&C) activities for spudded, completed and started wells** in all US shale plays, 573 horizontal wells were spudded in June, compared with 932 in June 2019 when D&C was "normal". That is also a rise of 99 wells m-o-m.

In the same month, preliminary data indicates a lower number of completed and started wells at 645 and 820, respectively, m-o-m. The data shows that in total 3,026 horizontal wells were spudded in all shale regions. At the same time, 3,997 wells were completed, including 1,236 DUCs. Finally, on 1 July Rystad Energy reported that 3,681 wells had started production in 1H21.

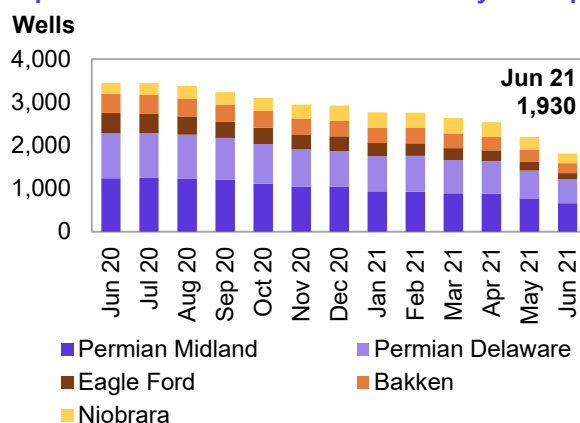
Graph 5 - 13: Spudded, completed and started wells in US shale plays



The number of withdrawn **DUCs in June** from inventories in different regions increased by 396 wells m-o-m (preliminary data) following the withdrawal of 327 DUCs in May. Out of 396 DUCs, 203 wells were completed in the Permian Basin, 64 in Eagle Ford, 44 in Bakken, 77 in Niobrara and 8 in other shale regions.

As a result, it is estimated that there are 1,930 economically feasible DUCs (wells which have been drilled over the past two years) which have remained in inventory by 1 July, according to the latest Rystad Energy data.

Graph 5 - 14: US horizontal DUC count by shale play

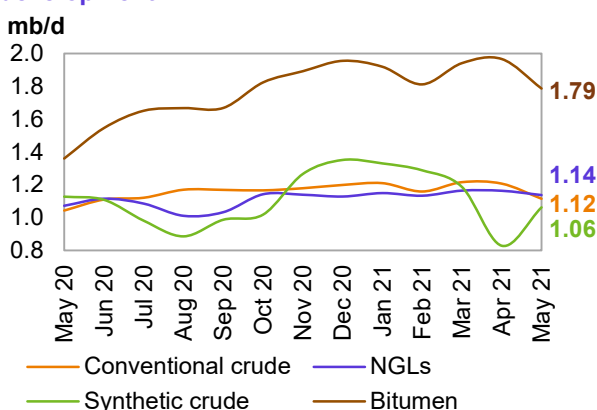


Sources: Rystad Energy and OPEC.

Canada

Canada's liquids production in May showed a decline by 0.06 mb/d m-o-m to 5.14 mb/d, following the continuation of maintenance and following a m-o-m drop of 0.34 mb/d in April. However, this was less than the planned curtailment assumed in the forecast. In May, while production of crude bitumen, conventional crude and NGLs declined by 179 tb/d, 92 tb/d, and 26 tb/d, respectively, some 233 tb/d of synthetic crude was recovered from upgraders m-o-m during the seasonal roundabout to average 1.06 mb/d. Thus, total liquids output was higher than expected by 62 tb/d. Hence, the forecast was revised up for 2Q21, leading to an overall upward revision of 24 tb/d in Canadian liquids output in 2021. This is now expected to grow by 0.31 mb/d y-o-y, which would make Canada the leader in non-OPEC supply growth for the current year.

Graph 5 - 15: Canada's monthly production development



Sources: National Energy Board and OPEC.

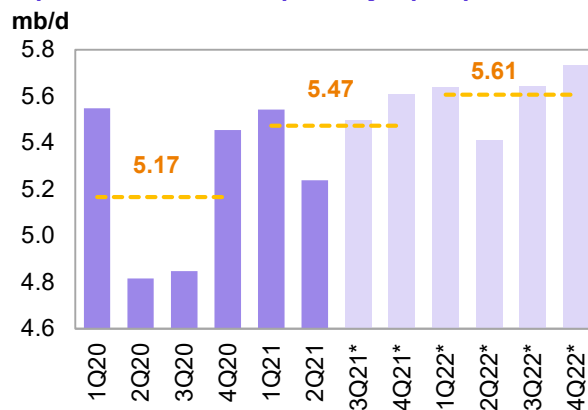
Canada's total oil sands output, mainly in Alberta, rose to 2.85 mb/d in May, up by 54 tb/d m-o-m and 0.36 mb/d y-o-y, but down by 0.4 mb/d compared with January 2021, due to maintenance schedules. Despite heavier-than-normal turnarounds at a number of oil sands projects in 1H21, the forecast is for Canada's total liquids to reach new record highs of 5.61 mb/d in 4Q21. Production will come from the expansion of existing, rather than new, projects. The lifting of Canadian government-ordered curtailments and the restart of oil sands expansion projects that were deferred in 2020 are the main drivers for increasing production in 2021.

Despite the US revoking the presidential permit authorizing construction of the Keystone XL pipeline in January 2021, which would have expanded Canadian crude oil capacity to the US by 830 tb/d, Canada's pipeline export capacity is projected to be adequate through to the end of 2025. It is worth noting that Enbridge's Line 3 replacement, with a capacity of 370 tb/d, will come online at the end of 2021. At the same time, the TransMountain expansion project, with a potential of 590 tb/d, will start transferring oil in 2022. These projects include additional expansion and optimization to Enbridge's existing pipeline system, which can add a total of 400 tb/d of export capacity.

For **2022**, Canadian production is forecast to gradually increase amid higher demand in the coming months, with output expected to average 5.61 mb/d, representing y-o-y growth of 0.13 mb/d.

Incremental production will come mainly from Alberta's oil sands, which saw average output of 3.16 mb/d in 1Q21 before the beginning of turnarounds.

Graph 5 - 16: Canada's quarterly liquid productions



Note: * 3Q21-4Q22 = Forecast. Source: OPEC.

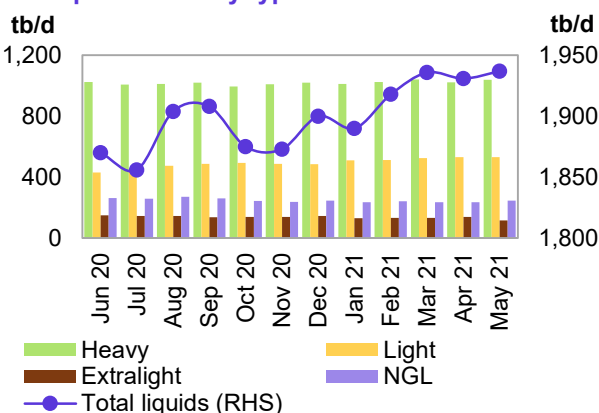
Mexico

Mexico's liquids output in May rose by a minor 6 tb/d m-o-m to average 1.94 mb/d, up by 0.05 mb/d y-o-y, following an increase of 11 tb/d in NGLs output to average 245 tb/d, while crude oil declined by a minor 5 tb/d to average 1.69 mb/d, according to national oil company PEMEX.

For **2021**, liquids production in Mexico is forecast to grow by 0.02 mb/d to average 1.93 mb/d. Production from new projects Ichalkil-Pokoch and Hokchi is supported by production ramp-ups from Integral Ek-Balam, Ixtal-Manik, Crudo Ligerio Marino, Litoral De Tabasco, Chalabi and Mulach, all located offshore. They will also be ramping up into 2022.

For **2022**, liquids production is forecast to grow by 0.02 mb/d to average 1.95 mb/d through another two new projects, Amoca FFD (Miami) with peak capacity of 55 tb/d and Mizton FFD with peak capacity of 26 tb/d, to be actualized in 2025 and 2024, respectively

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



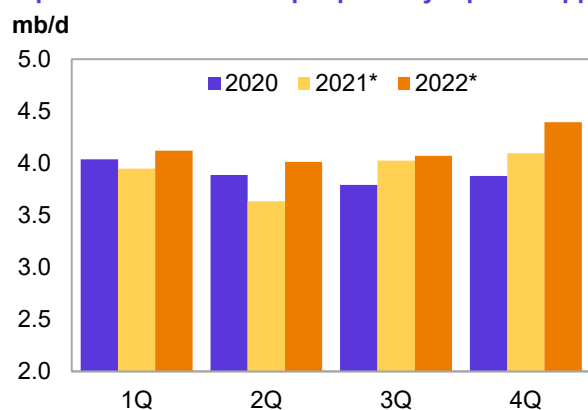
Sources: PEMEX and OPEC.

OECD Europe

OECD Europe's liquids production in 2021 is projected to grow by only 0.03 mb/d to average 3.93 mb/d, owing to a production contraction in the UK of 0.09 mb/d and a slowdown in Norway's production compared with remarkable growth of 0.26 mb/d in 2020. Oil production in Denmark will see a minor decline of 0.01 mb/d, while other OECD Europe will see growth of 0.02 mb/d. The early summer turnaround at the Troll and the Forties pipeline systems (FPS) bring with them a seasonally large drop in North Sea volumes in May and June, with production averaging about 2.43 mb/d.

For **2022**, production is expected to surge to 4.15 mb/d through continued production ramp-ups in Norway and the UK, representing y-o-y growth of 0.22 mb/d for the region.

Graph 5 - 18: OECD Europe quarterly liquids supply



Note: * 2021-2022 = Forecast. Source: OPEC.

Norway

Norwegian crude production in May fell by 61 tb/d m-o-m to 1.65 mb/d. Production of NGLs and condensate also declined by 74 tb/d m-o-m to average 0.21 mb/d following maintenance at some gas condensate fields. As a result, total liquids dropped by 0.14 mb/d in May m-o-m to average 1.86 mb/d.

For **2021**, the growth forecast has been revised down by 11 tb/d m-o-m, based on lower output than expected for 2Q21. Production is now expected to average 2.11 mb/d, with growth of 0.11 mb/d y-o-y. In terms of new projects for 2021, Martin Linge is planned for July and production is expected to reach 53 tb/d. Production from Johan Sverdrup phase-1, which passed the 500 tb/d level in January 2021, is expected to reach 535 tb/d in July and continue at this level until the end of year.

For **2022**, Norwegian liquids production is expected to grow by 0.15 mb/d to average 2.27 mb/d. There are plenty of small-to-large projects planning to start up in 2022. "Norway's tax incentives initiated last year in response to the pandemic are working as intended, with investment increasing in oil and gas projects, especially those tied to existing infrastructure," ESAI Energy reported. Part of Johan Sverdrup phase-2 is expected to come onstream in December 2022. A number of new crude oil projects, including Nova, Hod (redevelop), Njord Future, Bauge, and Fenja-phase 1 will start production in 2022; they are located offshore.

UK

UK liquids production in May was up by 0.05 mb/d m-o-m to average 0.86 mb/d on the back of increasing crude oil output by 49 tb/d to average 0.76 mb/d, lower by 0.21 mb/d y-o-y. NGLs output was almost flat at 0.06 mb/d m-o-m.

Average liquids output in the first five months of the year was at 0.95 mb/d, indicating a decline of 0.14 mb/d y-o-y. UK production was curbed by relatively high levels of maintenance work. The decline was even deeper regarding crude oil production, with output down by 17%, or 170 tb/d, over a year ago. Some maintenance programmes have been deferred from last year, including the planned three-week shutdown of the major (300 tb/d) Forties Pipeline System.

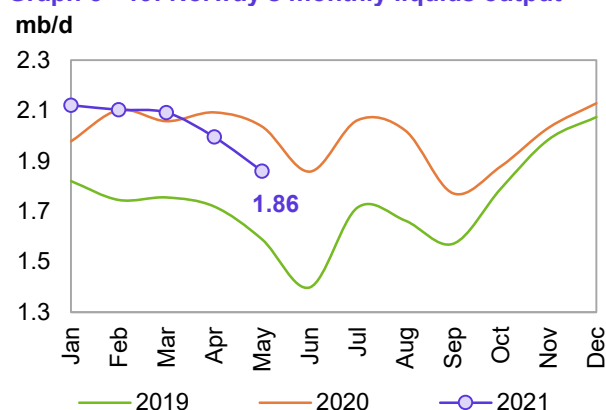
For **2021**, UK oil production is forecast to see a deep contraction of 0.09 mb/d to average 0.98 mb/d due to several outages on the back of maintenance during 1H21.

For **2022**, UK liquids production is forecast to grow by 0.04 mb/d to average 1.01 mb/d following two consecutive years of decline. Production ramp-ups will be seen in some small fields, as well as the start-up of Penguins oil field (Redevelop) and Buzzard Phase 2 (20/06-3), each with a peak capacity of 30 tb/d. Both are expected to peak in 2024 and are the drivers for annual growth in 2022.

Non-OECD

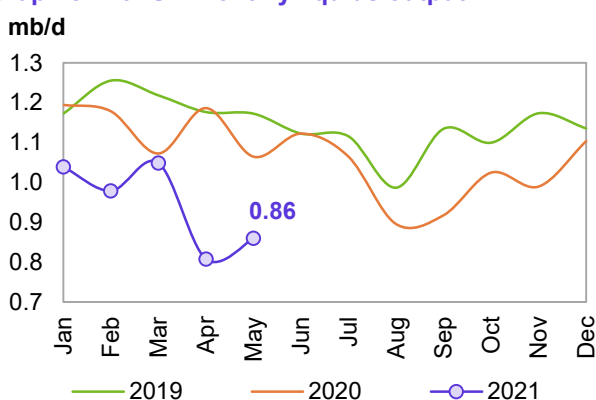
Non-OECD liquids production for 2021 is forecast to grow by 0.27 mb/d to average 31.91 mb/d. Production in China is expected to grow by 0.12 mb/d to average 4.24 mb/d. The key driver remains Latin America, with a y-o-y forecast growth of 0.15 mb/d to average 6.19 mb/d. Oil production is also forecast to increase in the Middle East by 0.04 mb/d to average 3.22 mb/d, while production is seen to decline in Africa and other Asia by 0.07 mb/d to average 1.35 mb/d, and 0.04 mb/d to average 2.47 mb/d, respectively. Oil production in Russia,

Graph 5 - 19: Norway's monthly liquids output



Sources: NPD and OPEC.

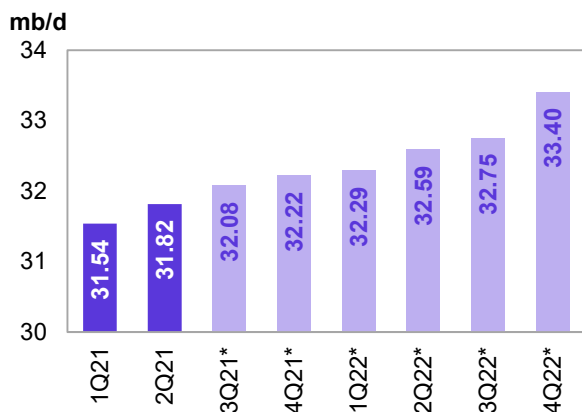
Graph 5 - 20: UK monthly liquids output



Sources: Department of Energy & Climate Change and OPEC.

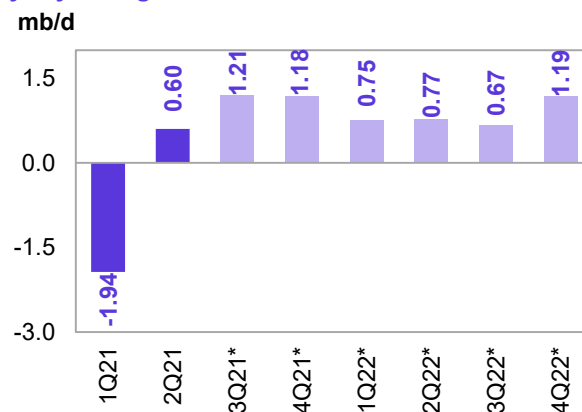
and other Eurasia is projected to return to positive territory, with minor growth of 0.04 mb/d for each, while other Europe is anticipated to decline by 0.01 mb/d to average 0.11 mb/d in 2021.

Graph 5 - 21: Non-OECD quarterly liquids supply



Note: * 3Q21-4Q22 = Forecast. Source: OPEC.

Graph 5 - 22: Non-OECD quarterly liquids supply, y-o-y changes



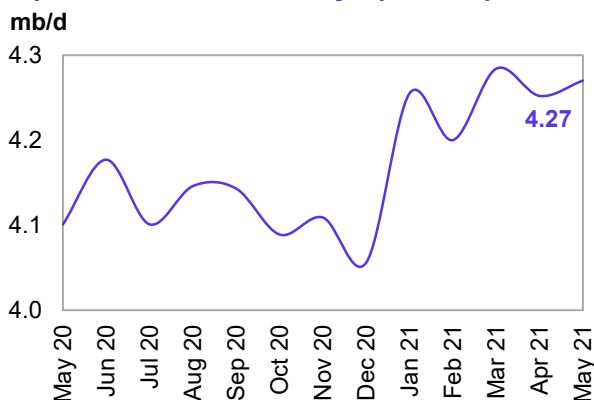
Note: * 3Q21-4Q22 = Forecast. Source: OPEC.

For **2022**, liquids production in non-OECD countries is forecast to grow by 0.85 mb/d to average 32.76 mb/d. China and India are expected to grow by 0.05 mb/d each to average 4.28 mb/d and 0.81 mb/d, respectively. The key drivers will be Russia, Latin America, other Eurasia and the Middle East.

China

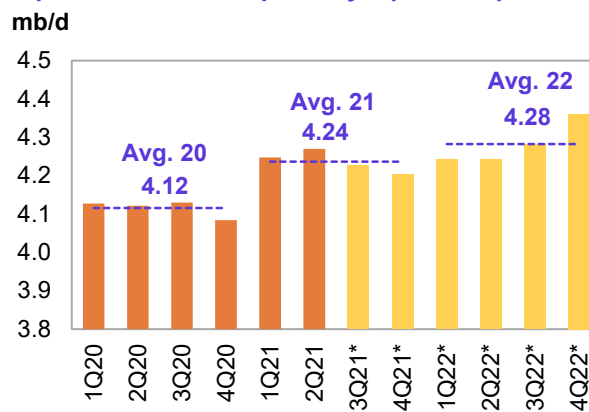
China's **liquids production in May** was up by 0.02 mb/d m-o-m to average 4.27 mb/d, higher by 0.17 mb/d y-o-y, according to official data. Crude oil output in May increased by 18 tb/d to average 4.01 mb/d, up by 134 tb/d y-o-y. Preliminary liquids production data in **June** indicates a m-o-m increase of 0.02 mb/d to average 4.29 mb/d. Overall production during the first five months of 2021 has been 3%, or 110 tb/d, higher than the corresponding period in 2020.

Graph 5 - 23: China's monthly liquids output



Sources: CNPC and OPEC.

Graph 5 - 24: China's quarterly liquids output



Note: * 3Q21-4Q22 = Forecast. Sources: CNPC and OPEC.

For **2021**, China's liquids supply is projected to see growth of 0.12 mb/d to average 4.24 mb/d. According to a list of new projects for the current year, three projects (namely Liuhua 16-2, Luda 21-2 and Caofeidian 6-4), all offshore, should start production in 2021.

For **2022**, y-o-y growth of 0.05 mb/d is anticipated to average 4.28 m/d. For the next year, two other offshore projects, Wushi 17-2, with peak capacity of 24 tb/d and Lufeng 14-4/14-8 with 23 tb/d at peak capacity, are planned to come on stream under CNNOC.

Latin America

Latin America's total liquids supply in May was down by 0.06 mb/d m-o-m to average 5.97 mb/d, mainly on the back of decreasing production in Brazil and Colombia. However, liquids output was up by 0.36 mb/d y-o-y.

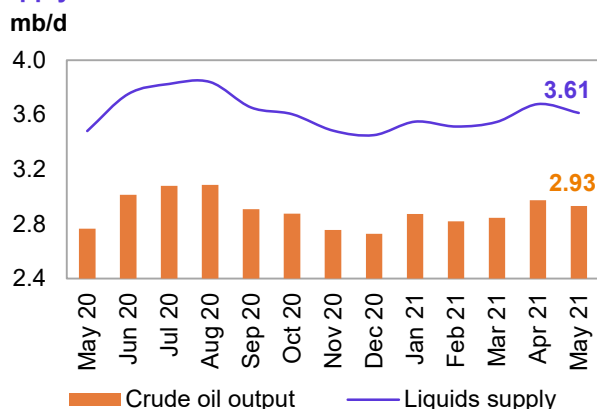
For **2021**, liquids production has been revised down by 18 tb/d m-o-m and is projected to grow by 0.15 mb/d y-o-y to average 6.19 mb/d. Oil production in Brazil, Guyana, Ecuador, Argentina and Peru is forecast to increase, while declines are expected in Colombia and other countries in the region. Production in Ecuador is projected to recover by 0.03 mb/d after outages seen in 2020 to average 0.52 mb/d. Following a national strike and protests across Colombia, crude oil production was impacted through May and June by 60 tb/d vs 1Q21. If protests escalate or go on beyond June, production will continue to drop during 3Q21 as well. Oil production is likely to decline in Colombia by 0.03 mb/d, which has been revised down by 0.05 mb/d m-o-m. Production from the offshore Liza-1 project in Guyana returned to 0.11 mb/d in May after the operator fixed issues in offshore platform's gas compressor in April. Oil production in Liza phase-1 in Guyana is expected to average 0.12 mb/d in 2021, with y-o-y growth of 0.04 mb/d. In Argentina, oil production is forecast to grow by 0.02 mb/d to average 0.68 mb/d. This should come mainly in the form of tight crude from Vaca Muerta, which is expected to grow by 29 tb/d in 2021 to average 137 tb/d. However, possible higher natural declines in mature fields may impact anticipated overall growth for the year.

For **2022**, Latin America's total liquids supply forecast is projected to grow by 0.33 mb/d y-o-y to average 6.52 mb/d. One of the key drivers is Brazil, with expected growth of 0.23 mb/d, including biofuels, to average 3.99 mb/d. Guyana would be the second country in the region experiencing growth next year, through the start-up of Liza phase-2. Oil production in other countries in the region will decline, or see only minor growth.

Brazil

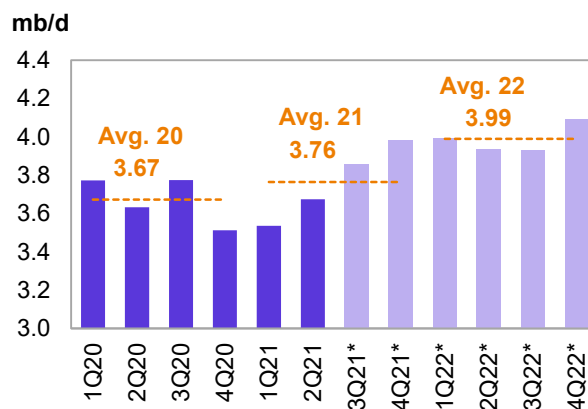
Brazil's crude oil output in May fell by 0.04 mb/d m-o-m to average 2.93 mb/d, as total production in pre-salt areas declined by 0.18 mb/d. Crude oil output averaged 2.89 mb/d in the first five months of the year, down 79 tb/d y-o-y. In May, total liquids production was pegged at an average of 3.61 mb/d, including biofuels and NGLs, up by 0.13 mb/d y-o-y. It is estimated that crude oil output in June already passed the 3 mb/d level. Higher production by 0.3 mb/d in 2H21 is expected through continuation of the ramp-up of Búzios and Atapu. Moreover, the Sépia field (formerly Northeast Tupi), which is located in the pre-salt horizon in the Santos Basin, is planned to start production in 2H21. Nevertheless, Brazilian liquids supply in 2021, including biofuels, is unlikely to see growth of more than 0.09 mb/d y-o-y, to average 3.8 mb/d, due to weaker-than-expected output in 1H21.

Graph 5 - 25: Brazil's monthly crude oil and liquids supply



Sources: ANP, Petrobras and OPEC.

Graph 5 - 26: Brazil's quarterly liquids output



Note: * 3Q21-4Q22 = Forecast. Sources: ANP and OPEC.

For **2022**, crude oil production is expected to increase through three new project start-ups. Mero-1 (Guanabara) which was initially planned to start up in 2021, but was deferred to the next year due to delays in delivery of the floating production storage and offloading unit (FPSO). A final investment decision for the development of the Mero-1 area was reached in December 2017. The FPSO Guanabara, to be deployed in the Mero-1 area, is currently under construction. The processing capacity of the FPSO will be 180 tb/d of oil and 12 mcm of gas per day. The water injection capacity will be 225 tb/d, while the oil storage capacity will be 1.4 mb. The FPSO will be connected to 17 wells.

Moreover, production in Brazil will be boosted through the restart of the Peregrino (South West) field, after operator Equinor halted production as a preventative measure to carry out safety inspections due to operational issues in a gas turbine and a riser in April 2020. Phase 2 will also be brought on stream in 2022 and will be developed through an additional wellhead platform, with production tied back to the existing FPSO.

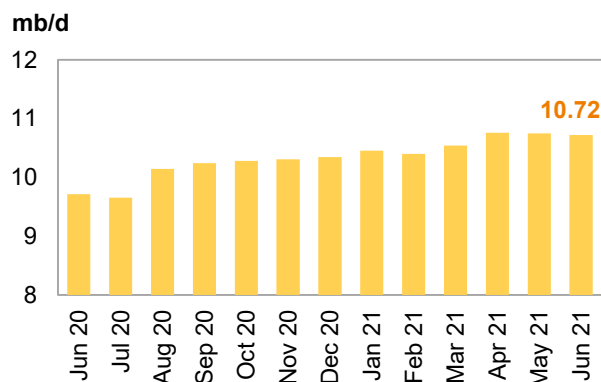
Brazil liquids supply forecast, including biofuels, is set to increase by 0.23 mb/d y-o-y in 2022 to average 3.99 mb/d.

Russia

Preliminary data for **Russia's liquids production in June** shows a decline of 0.03 mb/d m-o-m to reach an average of 10.72 mb/d, higher by 1.0 mb/d y-o-y. Hence, the second quarter is now estimated at 10.74 mb/d, up by 0.27 mb/d q-o-q. Crude oil production in June averaged 9.5 mb/d according to the Ministry of Energy, representing an increase of 0.81 mb/d y-o-y. Total condensate and NGLs output from gas condensate fields was pegged at 1.22 mb/d in 2Q21, up by 14 tb/d q-o-q.

Annual liquids production in **2021** is forecast to increase by a minor 0.04 mb/d y-o-y to average 10.63 mb/d, following a contraction of 1.0 mb/d in 2020.

Graph 5 - 27: Russia's monthly liquids production and forecast



Sources: Nefte Compass, The Ministry of Energy of the Russian Federation and OPEC.

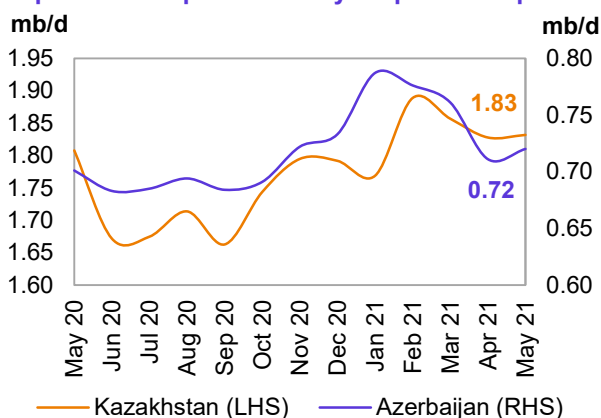
Caspian

Kazakhstan & Azerbaijan

Liquids production in **Kazakhstan** was flat in **May** at 1.83 mb/d, almost unchanged from a month ago. However, crude oil production for the month was down by 15 tb/d to average 1.48 mb/d. In contrast, NGLs output was up by 19 tb/d to average 354 tb/d in May. Kazakhstan liquids output is forecast to grow by 0.02 and 0.06 mb/d in 2021 and 2022 to average 1.84 mb/d and 1.90 mb/d, respectively.

Azeri liquids production in May rose by a minor 9 tb/d to average 0.72 mb/d, up by 0.02 mb/d y-o-y. While crude oil output increased to 0.59 mb/d, 0.01 mb/d higher than in April, NGLs production was flat at 0.13 mb/d. Azerbaijan NGLs output in 2Q21 was down from an average of 0.19 mb/d in 1Q21 to 0.13 mb/d. Azerbaijan's liquids supply is expected to show growth of 0.04 mb/d and 0.03 mb/d in 2021 and 2022 to average 0.77 mb/d and 0.80 mb/d, respectively.

Graph 5 - 28: Liquids monthly output in Caspian



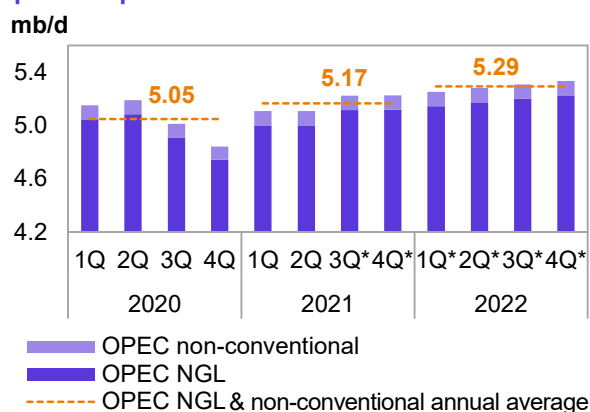
Sources: Nefte Compass and OPEC.

OPEC NGLs and non-conventional oils

OPEC NGLs and non-conventional liquids are estimated to grow by 0.12 mb/d in **2021** following a decline of 0.17 mb/d in 2020 to average 5.17 mb/d, revised down from last month's assessment by 24 tb/d.

The preliminary **2022** forecast indicates growth of 0.13 mb/d to average 5.29 mb/d. NGLs production is expected to grow by 0.13 mb/d to average 5.19 mb/d, while non-conventional liquids will remain unchanged at 0.11 mb/d.

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



Note: * 3Q21-4Q22 = Forecast. Source: OPEC.

Table 5 - 6: OPEC NGL + non-conventional oils, mb/d

OPEC NGL and non-conventional oils	Change		Change		1Q22	2Q22	3Q22	4Q22	Change	
	2020	20/19	2021	21/20					2022	22/21
OPEC NGL	4.94	-0.18	5.06	0.11	5.15	5.17	5.20	5.23	5.19	0.13
OPEC non-conventional	0.10	0.01	0.11	0.00	0.11	0.11	0.11	0.11	0.11	0.00
Total	5.05	-0.17	5.17	0.12	5.25	5.28	5.31	5.33	5.29	0.13

Note: 2021-2022 = Forecast. Source: OPEC.

OPEC crude oil production

According to secondary sources, total **OPEC-13 crude oil production** averaged 26.03 mb/d in June 2021, higher by 0.59 mb/d m-o-m. Crude oil output increased mainly in Saudi Arabia, UAE, Angola, IR Iran and Kuwait, while production decreased primarily in Iraq, Nigeria and Gabon.

Table 5 - 7: OPEC crude oil production based on secondary sources, tb/d

Secondary sources	2019	2020	4Q20	1Q21	2Q21	Apr 21	May 21	Jun 21	Change Jun/May
Algeria	1,022	897	857	870	886	870	886	903	17
Angola	1,401	1,248	1,164	1,135	1,111	1,140	1,080	1,115	36
Congo	324	288	273	271	265	270	259	265	6
Equatorial Guinea	117	115	112	107	111	115	109	110	2
Gabon	208	195	191	185	183	197	179	173	-7
IR Iran	2,356	1,988	2,003	2,214	2,443	2,422	2,437	2,470	33
Iraq	4,678	4,049	3,817	3,881	3,944	3,947	3,948	3,938	-10
Kuwait	2,687	2,432	2,293	2,327	2,356	2,326	2,358	2,383	25
Libya	1,097	367	911	1,175	1,152	1,136	1,157	1,163	7
Nigeria	1,786	1,579	1,434	1,410	1,420	1,455	1,407	1,399	-8
Saudi Arabia	9,794	9,182	8,962	8,445	8,503	8,122	8,481	8,906	425
UAE	3,094	2,802	2,515	2,610	2,644	2,613	2,640	2,680	40
Venezuela	796	500	408	517	507	481	510	529	19
Total OPEC	29,361	25,642	24,940	25,147	25,524	25,092	25,448	26,034	586

Notes: Totals may not add up due to independent rounding, given available secondary sources to date. Source: OPEC.

Table 5 - 8: OPEC crude oil production based on direct communication, tb/d

Direct communication	2019	2020	4Q20	1Q21	2Q21	Apr 21	May 21	Jun 21	Change Jun/May
Algeria	1,023	899	862	874	886	867	891	901	10
Angola	1,373	1,271	1,186	1,136	1,125	1,177	1,125	1,073	-52
Congo	329	300	285	275	266	264	266	268	2
Equatorial Guinea	110	114	106	104	99	98	99	100	2
Gabon	218	207	178	183	179	184	171	183	12
IR Iran	..	..	..	..	..	..	..	..	..
Iraq	4,576	3,997	3,796	3,846	3,890	3,930	3,879	3,862	-17
Kuwait	2,678	2,438	2,293	2,327	2,355	2,327	2,355	2,384	29
Libya	..	389	972	1,214	1,213	1,168	1,227	1,243	16
Nigeria	1,737	1,493	1,301	1,404	1,343	1,372	1,344	1,313	-31
Saudi Arabia	9,808	9,213	8,975	8,473	8,535	8,134	8,544	8,928	383
UAE	3,058	2,779	2,501	2,610	2,645	2,613	2,641	2,681	40
Venezuela	1,013	569	463	533	556	452	582	633	51
Total OPEC	..	..	..	..	..	..	..	..	..

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

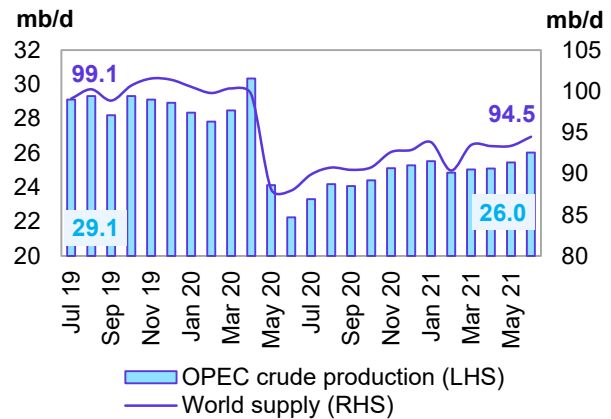
World oil supply

Preliminary data indicates that **global liquids production in June** increased by 1.10 mb/d to average 94.49 mb/d, compared with the previous month.

Non-OPEC liquids production (including OPEC NGLs) increased in June by 0.52 mb/d compared with the previous month to average 68.46 mb/d, higher by 2.76 mb/d y-o-y. Preliminary increases in production over June were mainly driven by the OECD, which saw 0.46 mb/d m-o-m more production compared with an increase of only 0.08 mb/d in non-OECD countries, including participants in the DoC, as production had already been adjusted in May.

The **share of OPEC crude oil in total global production** decreased by 0.3 pp to 27.6% in June compared with the previous month. Estimates are based on preliminary data from direct communication for non-OPEC supply, OPEC NGLs and non-conventional oil, while estimates for OPEC crude production are based on secondary sources.

Graph 5 - 30: OPEC and world oil supply



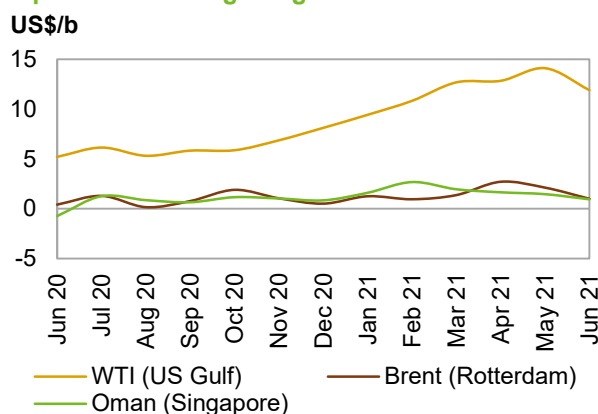
Product Markets and Refinery Operations

In June, refinery margins globally trended downwards in all main trading hubs affected by rising refinery processing rates as refiners continued to ramp up intakes following peak spring maintenance season. The subsequent increases in product outputs in all main regions led to slower inventory drawdowns despite the current fuel market optimism attributed to the summer season. This growth in product availability along with the strong crude price environment exerted pressure on product crack spreads of most refined products and ultimately weighed on refining economics.

Refinery margins

USGC refining margins trended downwards as refiners continued to increase run rates after a series of events constrained higher intakes over the previous months. With the worst of the pandemic-induced demand contraction, the Gulf Coast freeze, the Colonial pipeline shutdown, spring floods and, most recently, the major turnaround season all behind, utilization rates rose significantly over the month. Another supporting factor was the positive market sentiment surrounding gasoline markets given the summer season with reports of road traffic having recovered to pre-pandemic levels. In the near term, run rates are expected to remain high to allow product stock up ahead of hurricane season, however, eventually, this may be unsustainable. US refinery margins for WTI averaged \$11.90/b in June, down by \$2.20 m-o-m but up by \$6.71 y-o-y.

Graph 6 - 1: Refining margins



Sources: Argus and OPEC.

Refinery margins in **Europe** declined as rising refinery run rates led to stronger product output in the region. This had a negative impact on product crack spreads, particularly that of gasoline and fuel oil, despite the relaxation of lockdown measures, which provided some support, mainly to middle distillates. Meanwhile, European air travel continued to rise to eight-month highs in June, with commercial flights recovering to the highest level since early November 2020. Additional support stemmed from the gasoil segment as strong industrial activity prompted significant gasoil drawdowns. Nonetheless, the strength provided by middle distillate markets in the US was rather insufficient to offset the negative impact linked to weak regional demand and exports at the top and bottom sections of the barrel, which was exacerbated by the rise in product output as refineries returned from maintenance. Refinery margins for Brent in Europe averaged \$1.01/b in June, down by \$1.12 compared with a month earlier, but up by 59¢ y-o-y.

In **Asia**, margins lost some ground, although by the smallest magnitude relative to the other regions, pressured by stronger product outputs. China's state-run refineries' crude runs rose to 4-month highs with the average utilization rate of China's four state-owned refineries up by 2.0 pp to a four-month high of 82.4% in June as more plants restarted from scheduled maintenance. In India, domestic fuel sales by state refiners recovered in the first half of June, as lockdown restrictions eased, with gasoline sales up 13% and diesel sales up 12%, compared with the same period last month. Meanwhile, gasoil sales, which account for about two-fifths of India's overall refined fuel consumption and are directly linked to industrial activity in Asia's third-largest economy, rose by 18.5% from May to 5.36 million tonnes, but were down 1.84% from June 2020. Despite the improvement in fuel fundamentals in India, stronger crude prices were an additional factor, which, coupled with high throughputs in China and lower product exports as refiners in other regions returned from maintenance, all combined led to the weaker refining economics in the region. Refinery margins for Oman in Asia lost 52¢ m-o-m to average 94¢/b in June, which was higher by \$1.69 y-o-y.

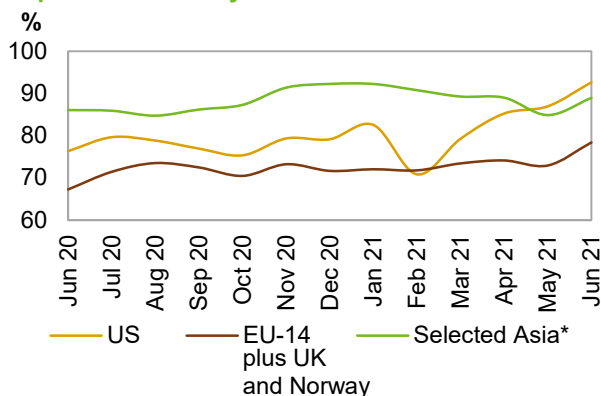
Refinery operations

US refinery utilization rates increased in June to average 92.6%, which corresponds to a throughput of 16.75 mb/d. This represented a rise of 5.7 pp and 1.0 mb/d, respectively, compared with the previous month. Y-o-y, the June refinery utilization rate was up by 16.3 pp, with throughputs showing a rise of 2.5 mb/d.

European refinery utilization averaged 78.4%, corresponding to a throughput of 9.4 mb/d. This is a m-o-m rise of 5.5 pp or 660 tb/d. On a y-o-y basis, utilization rates increased by 11.1 pp, while throughput was up by 1.1 mb/d.

In **selected Asia** - comprising Japan, China, India, Singapore and South Korea - refinery utilization rates rose, averaging 88.9% in June, corresponding to a throughput of 25.6 mb/d. Compared with the previous month, throughputs were up by 4.1 pp and by 1.2 mb/d. Meanwhile, y-o-y, they were up by 2.9 pp and by 974 tb/d.

Graph 6 - 2: Refinery utilization rates



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

Product markets

US market

US gasoline crack spreads weakened after six consecutive months of gains, pressured by an inventory build during the month despite robust US gasoline exports to Central and South America exceeding pre-pandemic levels. Volume deliveries to Mexico were particularly strong, while the country reportedly looks to replenish stocks amid summer and ahead of the hurricane season. Brazil also showed an uptick in buying interest with a significant m-o-m rise, likely due to high Brazilian ethanol prices, as well as refinery maintenance works in the country.

US gasoline prices continued to rise and reached in June the highest mark recorded since May 2018, at \$95.27/b, while average gasoline retail prices reached \$3.14/gallon for regular grade and \$3.76 for premium

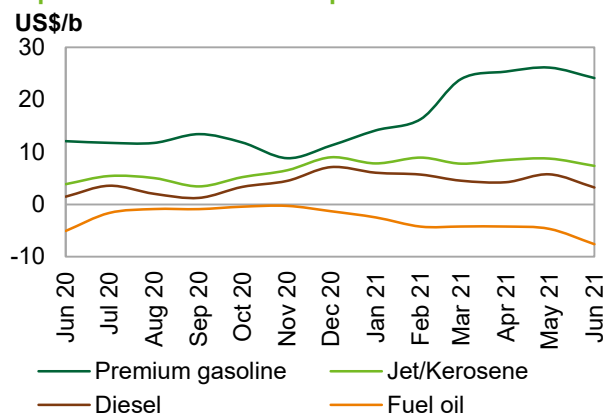
grade in line with rising feedstock prices. US gasoline crack spreads lost \$2.00 m-o-m to average \$24.16 in June, down by \$8.84/b y-o-y.

USGC **jet/kerosene crack spreads** lost some ground as jet fuel inventories grew further and showed an increase for the ninth consecutive week. Although air travel passenger counts were reported higher, the overshoot in throughput and the subsequent stock builds prevented any upturn in jet/kerosene markets in the US. The ongoing recovery in domestic flight activity is set to continue trending upward, although international travel segments appear to remain under pressure, exacerbated by the spread of the new Delta COVID variant. The US jet/kerosene crack spread against WTI averaged \$7.35/b, down by \$1.40 m-o-m, but up by \$20.30 y-o-y.

US **gasoil crack spreads** against WTI came under pressure, affected by weaker fundamentals, although the shift to higher light end yields by US refiners helped US diesel markets perform relatively better m-o-m compared to gasoline. The easing of lockdown restrictions in European markets may trigger additional export volumes out of the US and provide support to US gasoil markets in the near term. The US gasoil crack spread against WTI averaged \$4.25/b, down by 29¢ m-o-m and by \$4.27 y-o-y.

US **fuel oil crack spreads** against WTI weakened, affected by a sustained surplus of international fuel oil supplies due to higher crude runs. In addition, the lingering effect of strong HSFO imports from Europe/Russia recorded in the previous month also contributed to the downturn in HSFO crack spreads despite improvement in fuel oil processing rates in secondary units given supportive coker margins. Going forward, the weakness

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



Sources: Argus and OPEC.

in fuel oil markets could trigger additional fuel oil buying interest as secondary feedstock given the current strong gasoline pricing signals, as well as the transport fuel optimism linked to the summer season. This should limit the fuel oil downturn in the near term. In June, the US fuel oil crack spread against WTI averaged minus \$4.24/b lower m-o-m but was down by \$10.12 y-o-y.

European market

Gasoline crack spreads lost ground weighed down by stronger imports amid weakening export dynamics. The recent rise in US gasoline stocks caused by high gasoline yields and stronger run rates kept westbound

Transatlantic flows suppressed and added pressure on European gasoline cracks. Although regional gasoline consumption levels improved sharply, some of the excess gasoline volumes continued to face challenges to find an outlet in export markets. In addition, European gasoline deliveries from the US and West Africa were somewhat healthy, which helped cap losses in European gasoline markets. Moreover, additional weakness emerged from the UK government's position to postpone the ultimate lifting of all social restrictions for a few weeks due to

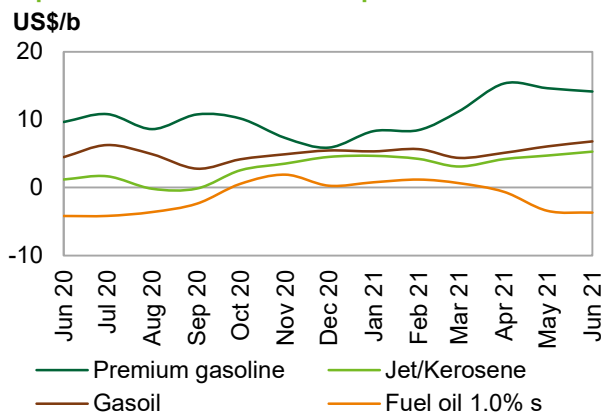
the spread of the COVID Delta variant. The gasoline crack spread against Brent averaged \$14.16/b in June, down by 48¢ m-o-m but up by \$4.49 y-o-y.

Jet/kerosene crack spreads against Brent managed to show gains, contrary to what was seen in other markets, and were supported by an improvement in fundamentals. The number of flights increased by nearly 75% between mid-May and late June across Europe's major countries. The number of daily flights in the UK and Germany is still 60 to 70% below 2019 levels, while flights in Greece and Turkey are recovering quicker. A fall in COVID cases as well as growing interest for summer travel have boosted air traffic to countries open for tourism. Moreover, Europe's jet fuel deficit increased due to lower imports from Asia and the Middle East. The Rotterdam jet/kerosene crack spread against Brent averaged \$5.29/b, up by 58¢ m-o-m and by \$4.11 y-o-y.

Gasoil crack spreads reached their highest outright value since December 2019 amid rallying crude oil prices and rapid COVID-19 vaccine rollout programmes. The gains seen since the start of June in the front-month swap have been driven by a positive outlook for global oil demand, as well as projections of higher fuel consumption in the US and Europe during summer. Gasoil crack spreads were the main driver for the support to margins with the strongest positive performance relative to other refined product market within the region, albeit limited in absolute terms. Further support may arise from lower gasoil/diesel departures from Russia. However, higher regional processing rates going forward could exert pressure on crack gains. The gasoil crack spread against Brent averaged \$6.80/b, which was higher by 74¢ m-o-m and higher by \$2.32 y-o-y.

At the bottom of the barrel, **fuel oil 1.0% crack spreads** continued to trend downwards in line with robust improvements in refinery throughput across Europe driven by a rapid recovery in transportation fuels demand, which is already exerting sizeable supply-side pressure to global HSFO markets. The recent improvement in clean product cracks have helped conversion margins move higher. Moreover, higher HSFO volume deliveries out of Europe/Russia to the US pointed to a sizeable increase in residue processing in the US refining system. In Europe, fuel oil cracks averaged minus \$3.70/b in June, having lost 26¢ m-o-m but gained 50¢ y-o-y.

Graph 6 - 4: Rotterdam crack spreads vs. Brent

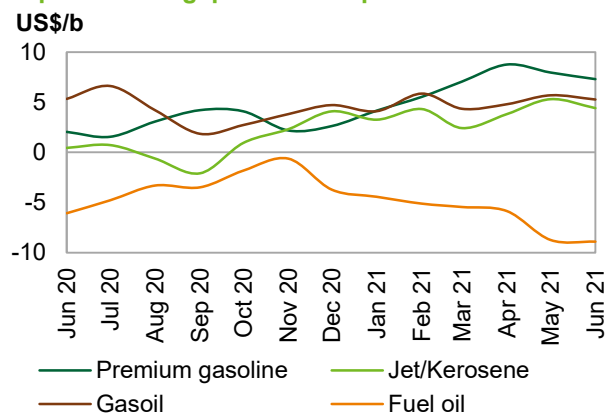


Sources: Argus and OPEC.

Asian market

The **Asian gasoline 92-crack spread** suffered losses as gasoline sales in India collapsed to the lowest level in a year as a devastating wave of Covid-19 infections suppressed consumption. Average daily sales in June declined by almost a fifth from the previous month as strict stay-at-home measures across large parts of the country crippled demand. While the situation in India has gained the focus, Vietnam, Taiwan and other countries have seen local mobility levels decline also as COVID-19 countermeasures were reintroduced. The Singapore gasoline crack spread against Oman in June averaged \$7.31/b, down by 66¢ m-o-m but up by \$5.27 y-o-y.

Graph 6 - 5: Singapore crack spreads vs. Dubai



Sources: Argus and OPEC.

Asia **naphtha crack spreads** weakened and entered negative territory affected by a sharp widening of the gasoline/naphtha spread to a 13-month high. Seasonal naphtha demand is relatively low due to regular steam cracker maintenance and has been further pressured by an unexpected slowdown of PTTGC's Mab Ta Phut steam crackers in Thailand due to problems with power supply, according to Argus Media. Japan has been increasingly importing naphtha over the last few months, with February and March imports averaging around 140,000 b/d (35%) higher than in 2020, and over 100,000 b/d (27%) higher vs. 2020 in May. Going forward, Asian naphtha markets are expected to remain well supported by the petrochemical industry with the conclusion of steam cracker maintenance. The Singapore naphtha crack spread against Oman averaged minus 86¢/b, having decreased by 39¢ m-o-m, but increased by 79¢ y-o-y.

In the middle of the barrel, the **jet/kerosene crack spreads** in Asia lost some ground pressured by stronger jet fuel availability, amid lower exports despite continued regional requirements for domestic air travel mainly in China. The majority of international flights remain suspended due to prolonged border restrictions amid outbreaks of the new COVID variant in many parts of Asia, while business travel is still being avoided as much as possible. Jet fuel supplies in the region have grown as refiners have increased jet/kerosene production. The Singapore jet/kerosene crack spread against Oman averaged minus \$4.41/b, down by 89¢ m-o-m but up by \$3.96 y-o-y.

The Singapore **gasoil crack spreads** moved lower as well with a strong rise in exports of gasoil/diesel from the region's largest exporters such as India, China, Korea and Taiwan. One country facing challenges to place barrels into export markets is Japan, where a lack of local demand has resulted in considerable diesel stock builds. The Singapore gasoil crack spread against Oman averaged \$4.81/b, up by \$0.46/b m-o-m but down by \$2.71 y-o-y.

The Singapore **fuel oil 3.5% crack spreads** continued to trend downwards, affected by stronger fuel oil output rates. Meanwhile, China's recent decision to impose consumption taxes on light cycle oil, mixed aromatics and diluted bitumen, as well as a regulatory push from the government to reduce crude import quotas for independent refiners will likely be supportive to domestic fuel oil markets going forward. In addition, a seasonal uptick in requirements from the power generation sector in the coming months should add to the support in the near term. Singapore fuel oil cracks against Oman averaged minus \$8.88/b, down by 17¢ m-o-m and by \$2.83 y-o-y.

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

Event	Time frame	Asia	Europe	US	Observations
Relaxation of the hard lockdowns	Aug 21	↑ Positive impact on product markets	↑ Positive impact on product markets	↑ Positive impact on product markets	Seasonality as well as relaxation of the lockdowns could support fuel markets in the immediate near term.
Refinery closures	2Q21–3Q21	↑ Positive impact on product markets	↑ Positive impact on product markets	↑ Positive impact on product markets	No impact is expected in the immediate near term. However, once markets recover and consumption levels are fully restored to pre-pandemic levels, the product deficit could support the market, particularly during summer months.
COVID-19 vaccine	Summer 2021	↑ Positive impact on product markets	↑ Positive impact on product markets	↑ Positive impact on product markets	Product markets are expected to show y-o-y improvement in product cracks, mainly during the 2021 driving season.

Source: OPEC.

Table 6 - 2: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				Refinery utilization, %			
	Apr 21	May 21	Jun 21	Change Jun/May	Apr 21	May 21	Jun 21	Change Jun/May
US	15.50	15.72	16.75	1.02	85.20	86.91	92.59	5.7 pp
Euro-14, plus UK and Norway	8.91	8.77	9.43	0.66	74.09	72.89	78.36	5.5 pp
France	0.62	0.60	0.70	0.10	53.78	52.13	60.51	8.4 pp
Germany	1.75	1.54	1.66	0.12	85.06	75.16	80.85	5.7 pp
Italy	1.12	1.06	1.17	0.11	58.89	55.79	61.62	5.8 pp
UK	0.83	0.87	0.91	0.04	70.50	74.25	77.27	3.0 pp
Selected Asia*	25.65	24.46	25.64	1.18	88.96	84.83	88.92	4.1 pp

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

Sources: Argus Media, EIA, Euroilstock, NBS, PAJ and OPEC.

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

Refinery crude throughput	2018	2019	2020	2Q20	3Q20	4Q20	1Q21	2Q21
OECD Americas	19.31	18.96	16.54	15.31	16.35	16.24	16.28	18.13
<i>of which US</i>	17.31	16.99	14.72	13.65	14.55	14.32	14.20	15.99
OECD Europe	12.17	12.13	10.64	9.90	10.65	10.39	10.17	10.51
<i>of which:</i>								
<i>France</i>	1.10	1.00	0.67	0.58	0.76	0.71	0.58	0.64
<i>Germany</i>	1.80	1.78	1.72	1.69	1.72	1.67	1.58	1.65
<i>Italy</i>	1.35	1.35	1.11	0.99	1.15	1.08	1.06	1.12
<i>UK</i>	1.06	1.08	0.92	0.81	0.87	0.89	0.75	0.87
OECD Asia Pacific	6.98	6.79	5.89	5.53	5.50	5.88	5.82	5.66
<i>of which Japan</i>	3.11	3.02	2.48	2.23	2.25	2.51	2.56	2.39
Total OECD	38.46	37.88	33.07	30.74	32.49	32.52	32.26	34.30
Latin America	4.31	4.11	3.34	2.94	3.28	3.45	3.53	3.54
Middle East	6.97	6.83	6.02	5.42	6.24	6.37	6.46	6.47
Africa	2.16	2.16	2.04	1.87	1.94	2.07	2.15	2.16
India	4.89	5.04	4.42	3.86	4.00	4.73	4.93	4.58
China	12.03	13.02	13.48	13.76	14.00	14.14	14.12	14.20
Other Asia	5.18	4.95	4.54	4.15	4.11	4.47	4.60	4.61
Russia	5.72	5.70	5.39	5.10	5.28	5.29	5.55	5.57
Other Eurasia	1.32	1.30	1.14	1.05	1.12	1.26	1.14	1.18
Other Europe	0.63	0.62	0.49	0.43	0.46	0.50	0.46	0.52
Total Non-OECD	43.22	43.73	40.85	38.57	40.44	42.29	42.93	42.82
Total world	81.68	81.60	73.92	69.31	72.93	74.81	75.19	77.12

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

		May 21	Jun 21	Change Jun/May	Annual avg. 2020	Year-to-date 2021
US Gulf (Cargoes FOB)						
Naphtha*		65.37	69.70	4.33	38.31	63.78
Premium gasoline	(unleaded 93)	91.34	95.27	3.93	51.89	83.61
Regular gasoline	(unleaded 87)	86.12	89.48	3.36	47.72	79.50
Jet/Kerosene		73.93	78.46	4.53	46.83	70.11
Gasoil	(0.2% S)	70.94	74.35	3.41	44.92	66.85
Fuel oil	(3.0% S)	56.56	60.55	3.99	34.72	54.74
Rotterdam (Barges FoB)						
Naphtha		65.58	70.13	4.55	39.00	62.89
Premium gasoline	(unleaded 98)	83.11	86.70	3.59	51.34	76.70
Jet/Kerosene		73.18	77.83	4.65	45.72	69.03
Gasoil/Diesel	(10 ppm)	74.53	79.34	4.81	49.17	70.22
Fuel oil	(1.0% S)	65.03	68.84	3.81	40.87	63.81
Fuel oil	(3.5% S)	58.46	62.43	3.97	37.71	57.16
Mediterranean (Cargoes FOB)						
Naphtha		64.72	69.56	4.84	37.58	62.08
Premium gasoline**		77.43	81.41	3.98	45.41	72.15
Jet/Kerosene		71.03	75.73	4.70	43.06	66.83
Diesel		73.84	78.78	4.94	48.55	69.66
Fuel oil	(1.0% S)	66.22	69.97	3.75	43.54	65.01
Fuel oil	(3.5% S)	56.01	59.94	3.93	33.31	54.50
Singapore (Cargoes FOB)						
Naphtha		65.94	70.64	4.70	40.66	63.62
Premium gasoline	(unleaded 95)	76.11	80.31	4.20	46.59	71.94
Regular gasoline	(unleaded 92)	74.38	78.81	4.43	44.99	70.27
Jet/Kerosene		71.71	75.91	4.20	44.75	67.39
Gasoil/Diesel	(50 ppm)	73.67	78.53	4.86	49.19	69.67
Fuel oil	(180 cst)	71.90	76.61	4.71	47.86	68.25
Fuel oil	(380 cst 3.5% S)	57.70	62.62	4.92	36.75	57.08

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

Sources: Argus and OPEC.

Tanker Market

Dirty tanker rates remained at depressed levels in June as ample tonnage availability and constrained demand continued to weigh on the market. The search for better rates has even encouraged the use of newly built very large crude carriers (VLCCs) to carry clean products, eroding clean tanker rates. New deliveries, minimal scrapping and weak tanker demand point to a continued sluggish tanker market, possibly into next year.

Spot fixtures

Global spot fixtures declined m-o-m in June, falling by 1.6 mb/d, or around 10%, to average around 14 mb/d. Declines in flows to East Asia and India were partly offset by a pickup in flows to Europe. Compared to the previous year, spot fixtures were around 1.0 mb/d, or almost 7%, lower than the same month last year.

Table 7 - 1: Spot fixtures, mb/d

Spot fixtures	Apr 21	May 21	Jun 21	Change Jun 21/May 21
All areas	16.02	15.68	14.05	-1.63
OPEC	10.16	10.42	8.93	-1.49
Middle East/East	5.23	6.11	5.09	-1.02
Middle East/West	1.19	0.99	1.02	0.03
Outside Middle East	3.74	3.32	2.82	-0.50

Sources: Oil Movements and OPEC.

OPEC spot fixtures fell m-o-m in June, down by 1.5 mb/d, or a little over 14%, to average 8.9 mb/d, amid lower flows to China and India. Compared with the same month last year, OPEC spot fixtures were almost 10% lower, down by just under 1.0 mb/d.

Fixtures from the **Middle East-to-West** provided a minor bright spot for the month, averaging 1.0 mb/d in June, representing a marginal increase of 3% m-o-m, amid increased flows to Europe. Y-o-y, the route saw an increase of 0.3 mb/d, or almost 48%.

Middle East-to-East fixtures declined by almost 17%, or around 1.0 mb/d m-o-m, to average close to 5.1 mb/d. The decrease came amid lower flows to China and India, which were offset by higher flows to Japan and South Korea. This was almost 1.1 mb/d, or 17%, lower than in the same month last year.

Outside Middle East fixtures fell by 0.5 mb/d, or close to 15% m-o-m, to average 2.8 mb/d. Y-o-y, fixtures were down by just over 7%, or around 0.2 mb/d.

Sailings and arrivals

OPEC sailings rose m-o-m in June, gaining 0.6 mb/d or almost 3% to average 21.5 mb/d. Y-o-y, OPEC sailings were 1.6 mb/d or 8% higher than the very low levels seen last year.

Middle East sailings edged up m-o-m in June to average 15.4 mb/d. This represents a slight gain of less than 1%. Y-o-y, sailings from the region increased 1.2 mb/d, or 9%, compared with the same month last year.

With the exception of West Asia, **crude arrivals** were higher m-o-m on all routes in June. Arrivals in North America averaged 8.9 mb/d, representing a gain of 0.4 mb/d m-o-m, or around 5%, and a 1.2 mb/d, or over 16% increase y-o-y. Arrivals in the Far East averaged 13.4 mb/d, an increase of 0.9 mb/d, or close to 7% m-o-m, and a massive 5.0 mb/d, or almost 60%, higher than the same month last year. European arrivals rose 0.8 mb/d or 7% m-o-m in June to average 12.8 mb/d, representing a y-o-y jump of 2.9 mb/d or 29%. Arrivals in West Asia saw the sole m-o-m decline, falling 0.2 mb/d, or close to 3%, to average 6.1 mb/d. Y-o-y, West Asia arrivals were 1.3 mb/d, or 28%, higher.

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

Sailings				Change
	Apr 21	May 21	Jun 21	Jun 21/May 21
OPEC	21.24	20.95	21.50	0.55
Middle East	15.31	15.27	15.36	0.09
Arrivals				Change
	Apr 21	May 21	Jun 21	Jun 21/May 21
North America	8.35	8.50	8.89	0.39
Europe	11.85	12.00	12.84	0.84
Far East	12.41	12.56	13.43	0.87
West Asia	6.44	6.26	6.08	-0.18

Sources: Oil Movements and OPEC.

Dirty tanker freight rates

Very large crude carriers (VLCCs)

VLCC spot rates edged lower m-o-m in June, down 7%, and were some 36% lower compared with the same month last year.

Rates on the **Middle East-to-East** declined 6% m-o-m to average WS32 points, as flows to China remained muted. Y-o-y, rates were 37% below the same month last year.

Rates on the **Middle East-to-West** route also declined m-o-m, dropping 5% in June to stand at WS21 points, as ample availability outweighed a slight increase in fixtures. Y-o-y, rates were 30% lower.

The **West Africa-to-East** route showed a loss of 8% m-o-m in June, averaging WS33, as uncertainties regarding crude import quotas constricted buying by Chinese independents. Rates were 38% lower compared with June 2020.

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

VLCC	Size				Change
	1,000 DWT	Apr 21	May 21	Jun 21	Jun 21/May 21
Middle East/East	230-280	33	34	32	-2
Middle East/West	270-285	22	22	21	-1
West Africa/East	260	35	36	33	-3

Sources: Argus and OPEC.

Suezmax

Suezmax rates were broadly flat m-o-m in June and were 7% lower compared to the same month last year.

On the **West Africa-to-USGC** route, rates averaged WS45, a decline of 2% compared to the month before. Y-o-y, rates were 2% higher than in June 2020.

Meanwhile, spot freight rates on the **USGC-to-Europe** route were unchanged at WS39 points. This was 15% lower compared with the same month last year.

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

Suezmax	Size				Change
	1,000 DWT	Apr 21	May 21	Jun 21	Jun 21/May 21
West Africa/US Gulf Coast	130-135	53	46	45	-1
US Gulf Coast/ Europe	150	44	39	39	0

Sources: Argus and OPEC.

Aframax

Aframax rates erased the previous month's gain in June, dropping 5% m-o-m, although some 31% higher than the same month last year.

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

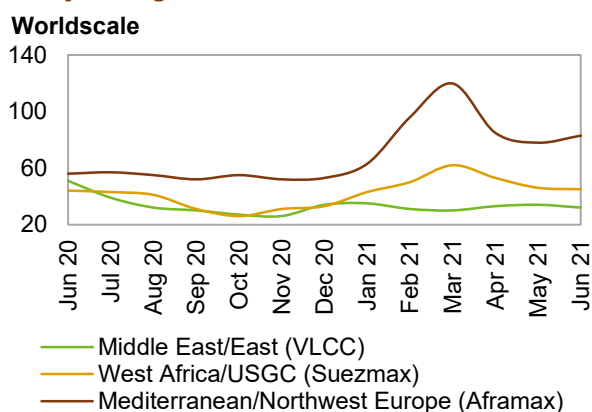
Aframax	Size				Change
	1,000 DWT	Apr 21	May 21	Jun 21	Jun 21/May 21
Indonesia/East	80-85	81	84	82	-2
Caribbean/US East Coast	80-85	90	103	81	-22
Mediterranean/Mediterranean	80-85	86	87	91	4
Mediterranean/Northwest Europe	80-85	85	78	83	5

Sources: Argus and OPEC.

Movements were mixed m-o-m, with the **Indonesia-to-East** route seeing a 2% decline m-o-m to average WS82. The **Caribbean-to-USEC** route erased the gains seen in the previous month, declining 21% m-o-m to average WS81 in June. However, y-o-y, rates on the route were 19% higher.

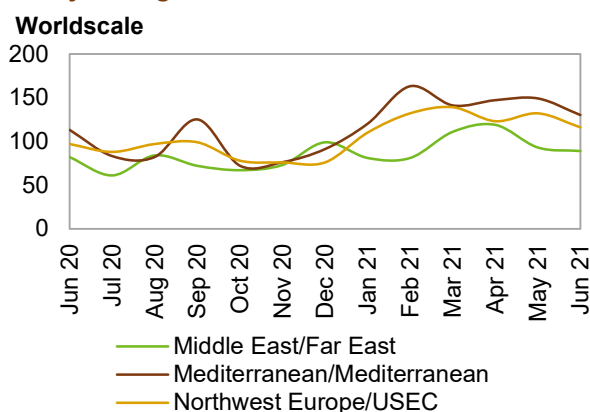
Med routes enjoyed m-o-m gains in June. The **Cross-Med** route averaged WS91 in June, representing an increase of 5% over the previous month. Compared to the same month last year, rates were 47% lower. On the **Mediterranean-to-Northwest Europe (NWE)** route, rates rose 6% m-o-m in June to average WS83. Compared with the same month last year, rates on the route were 48% higher.

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



Sources: Argus and OPEC.

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



Sources: Argus and OPEC.

Clean tanker freight rates

Clean spot freight rates declined for the second month in a row in June, down 10% m-o-m, with losses across the board. East of Suez rates declined 7% m-o-m and rates to the west fell 12% m-o-m, respectively. Compared to the same month last year, East of Suez rates were 10% higher, while West of Suez rates rose 15%.

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

East of Suez	Size				Change
	1,000 DWT	Apr 21	May 21	Jun 21	Jun 21/May 21
Middle East/East	30-35	119	93	89	-4
Singapore/East	30-35	147	146	133	-13
West of Suez					
Northwest Europe/US East Coast	33-37	123	132	116	-16
Mediterranean/Mediterranean	30-35	147	149	130	-19
Mediterranean/Northwest Europe	30-35	157	159	140	-19

Sources: Argus and OPEC.

In the West of Suez market, rates on the **Cross-Med** and **Med-to-NWE** routes declined by around 13% each, to average WS130 and WS140 points, respectively. Y-o-y, rates were around 15% higher on both routes.

Rates on the **NWE-to-USEC** route experienced a similar decline of around 12% m-o-m, to average WS116 points. Rates were 20% higher compared with the same month last year.

In the East of Suez, the **Middle East-to-East** route saw a lesser decline m-o-m in June, falling 4% to average WS89. This represented a 9% increase compared with the same month last year. Meanwhile, freight rates on the **Singapore-to-East** route declined 9% in June compared with the previous month to average WS133. Rates were 11% higher compared with June 2020.

Crude and Refined Products Trade

The US provided key seasonal support for global trade flows in June, according to preliminary data. US crude imports rose 0.7 mb/d m-o-m, or more than 11%, to average 6.7 mb/d in June, the highest since December 2019. US crude exports also rose sharply m-o-m in June, jumping 0.8 mb/d or almost 30%, to average 3.6 mb/d, the second-highest on record.

China's crude oil imports averaged 9.7 mb/d in May, representing a further decline of 0.2 mb/d or 2% m-o-m and a cumulative decline of 2.1 mb/d or 18% over the last two months. Preliminary customs figures for June show the country's crude imports ticking up, but remaining below 10 mb/d. Product imports moved higher for the second consecutive month, while product exports fell sharply m-o-m in May, down from an 11-month high the month before, driven by strong declines in gasoil as well as jet fuel and fuel oil.

India's crude imports fell to a seven-month low in May, as the peak of the second COVID-19 wave arrived in the middle of the month. With reduced COVID-19 infections at the end of June, refiners in India began to slowly lift run rates which could strengthen crude inflows in July. Signs that driving activity is picking up despite higher prices at the pump could help boost product imports and ease the high level of outflows in July.

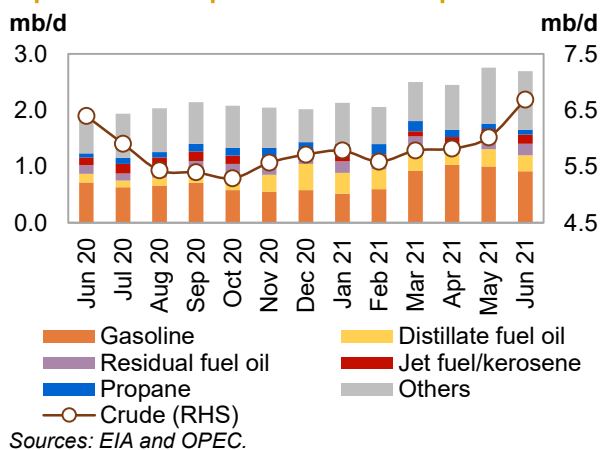
Japan's crude imports fell back in May from the strong levels seen the month before, averaging 2.4 mb/d, as renewed lockdown measures undermined expectations for product demand. The start of the 2021 Tokyo Olympics in July should provide some boost to crude and product imports, although uncertainty regarding COVID-19 measures are clouding product needs.

The most recent official data shows OECD Europe crude imports rebounded from an eight-month low the month before to average 7.8 mb/d in March. OECD Europe's waterborne crude imports were seen higher q-o-q in 2Q21 supported by stronger flows to Italy. Crude exports from OECD Europe are expected to remain below the high levels seen in January through 2Q21, amid reduced flows to China.

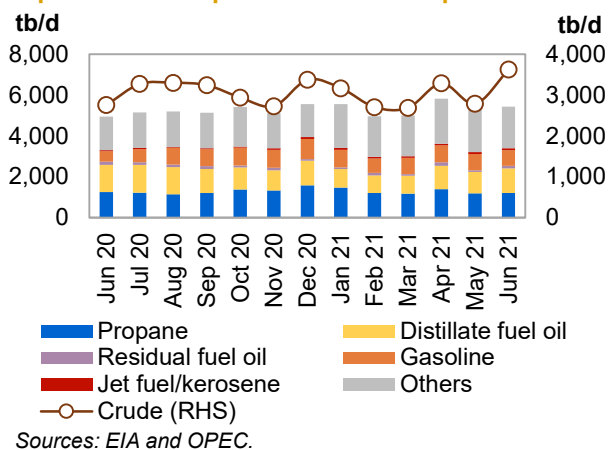
US

The US provided key seasonal support for global trade flows in June, according to preliminary data. **US crude imports** rose 0.7 mb/d m-o-m, or more than 11%, to average 6.7 mb/d in June, the highest since December 2019. The return of economic activity following the lifting of lockdown measures has boosted demand for crude and products, resulting in inventory draws and higher imports. Compared to the same month last year, crude imports were 0.3 mb/d or almost 5% higher.

Graph 8 - 1: US imports of crude and products



Graph 8 - 2: US exports of crude and products



US crude exports also rose m-o-m in June, jumping 0.8 mb/d, or almost 30%. As a result, crude outflows averaged 3.6 mb/d, the second-highest on record. The increase was led by higher flows to South Korea and well as further spot cargoes to India. Compared to the same month last year, crude exports were about 0.9 mb/d higher, a gain of around 32%.

Crude and Refined Products Trade

The latest monthly data for **US crude exports by destination** for April shows higher flows to Europe. The Netherlands' purchases of US crude averaged 400 tb/d, up from 200 tb/d the month before. Italy and the UK also received more flows of US crude. In contrast, US crude exports to China declined by 140 tb/d to 350 mb/d.

US net crude imports averaged 3.1 mb/d in June, compared to 3.2 mb/d the month before and 3.6 mb/d in the same month last year.

On the product side, preliminary data shows **US product imports** remaining close to an 11-month high in June, averaging 2.7 mb/d. M-o-m, imports were 2% lower, but were some 0.7 mb/d or 37% higher compared to the same month last year.

US product exports were broadly unchanged m-o-m in June, averaging 5.4 mb/d, representing a marginal increase of less than 1% m-o-m. Y-o-y, product exports were 0.5 mb/d, or almost 10%, higher. As a result, **US net product exports** averaged 2.7 mb/d in June, in line with the previous month but below the almost 3.0 mb/d registered in June 2020.

Preliminary data indicates that the US remained a **net crude and product importer** in June, with net inflows of over 0.3 mb/d. This compares with net imports of almost 0.6 mb/d the month before and 0.7 mb/d in June 2020.

Looking ahead, the ongoing economic recovery and easing of lockdown measures in the US are expected to continue to provide support for crude imports. Meanwhile, the narrowing Brent/WTI spread could weigh on Asia-bound crude exports in 3Q21, despite depressed freight rates.

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

US	Apr 21	May 21	Jun 21	Change Jun 21/May 21
Crude oil	2,536	3,232	3,069	-163
Total products	-3,379	-2,658	-2,733	-75
Total crude and products	-843	574	336	-238

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

Sources: EIA and OPEC.

China

China's crude oil imports averaged 9.7 mb/d in May, representing a further decline of 0.2 mb/d or almost 2% m-o-m and a cumulative decline of 2.1 mb/d or 18% over the last two months. Preliminary customs figures for June show the country's crude imports ticking up, but remaining below 10 mb/d. Crude flows into China were expected to be lower throughout 2Q21 before picking up again in 3Q21. Compared to the same month last year, crude imports in May were 1.7 mb/d or almost 15% lower than the elevated levels seen in the same month last year.

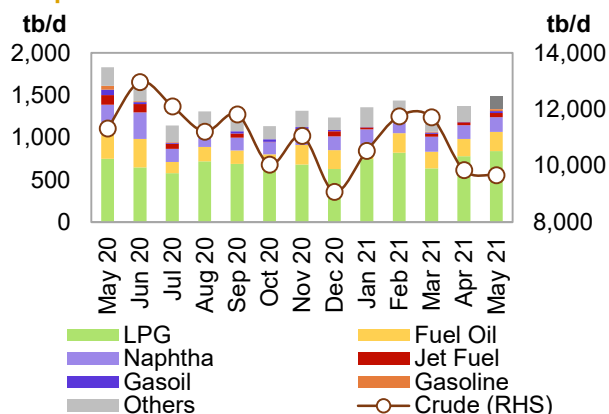
Refinery maintenance has been a factor limiting flows as well as higher inflows of blend- and feed-stocks, which are not included in the crude import numbers. China's independent refiners have increasingly been importing blend- and feedstocks, as until recently they have not been subject to import taxes and quotas. These include bitumen blend, which is used in asphalt production; mixed aromatics, which are used to produce gasoline; and light cycle oil (LCO), which is used to make an industrial gasoil. Combined imports of these blend/feed stocks have risen in recent years, increasing from 0.3 mb/d annually in 2019 to 0.7 mb/d in 2020, according to customs data reported by S&P Global Platts. Ahead of a new tax in June, combined imports surged in May to 1.4 mb/d, with preliminary data for June showing inflows sharply lower, but at a still-elevated level. With a new tax imposed on these blend and feedstocks as of 12 June 2021, imports should taper further in the months ahead, slightly boosting demand for crude imports and dampening gasoil exports as the blended version becomes less available for domestic consumption.

In terms of **crude imports by source**, Saudi Arabia remained in the top position in May, with a share of close to 18%. Russia came in second with 13% followed by Iraq and Oman with 11% and 10%, respectively.

Product imports moved higher for the second consecutive month, up 0.1 mb/d or 8% m-o-m to average almost 1.5 mb/d in May. Gains were seen across most major products, but particularly LPG. Compared to the same month last year, product imports in May were 0.4 mb/d or 19% lower.

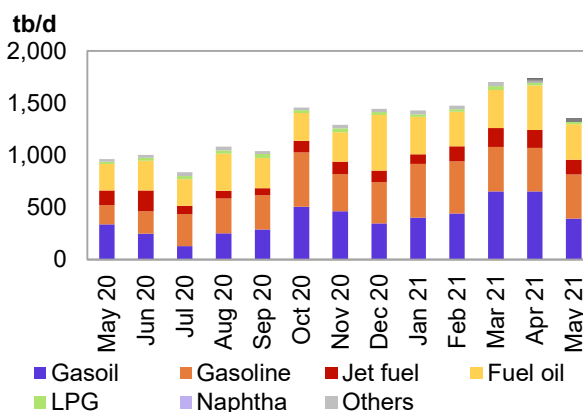
China's **product exports** fell sharply m-o-m in May, down from an 11-month high the month before. Product exports declined 0.4 mb/d or around 22% compared to the previous month, averaging 1.4 mb/d, driven by strong declines in gasoil as well as jet fuel and fuel oil. However, product exports were higher y-o-y, up 0.4 mb/d or 41%.

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



Sources: China, Oil and Gas Petrochemicals and OPEC.

Graph 8 - 4: China's exports of total products



Sources: China, Oil and Gas Petrochemicals and OPEC.

Taken together, China was a **net product importer** in May for the first time in six months. Net product imports averaged 0.1 mb/d, compared to net exports of 0.4 mb/d the month before and net imports of 0.9 mb/d in the same month last year.

Looking ahead, China's crude imports are expected to be capped close to current levels as refiners prefer to draw from available inventories. Meanwhile, stricter oversight of refinery activities is likely to support domestic consumption of major products, keeping product exports low.

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

China	Mar 21	Apr 21	May 21	Change May 21/Apr 21
Crude oil	11,710	9,847	9,674	-174
Total products	-450	-371	121	492
Total crude and products	11,261	9,476	9,795	318

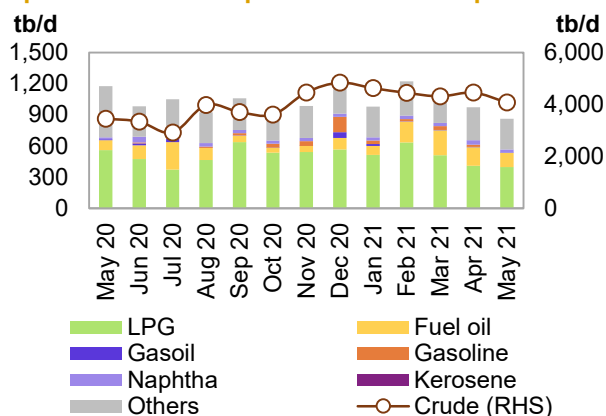
Note: Totals may not add up due to independent rounding.

Sources: China, Oil and Gas Petrochemicals and OPEC.

India

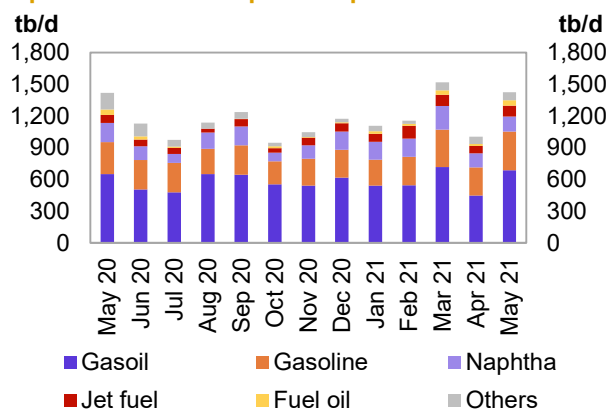
India's crude imports fell to a seven-month low in May, as the peak of the second COVID-19 wave arrived in the middle of the month. Crude inflows were 0.4 mb/d or almost 9% lower compared with the previous month. Y-o-y, crude imports were still 0.6 mb/d or 18% higher.

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.

Product imports fell to the lowest since January 2019, averaging 0.9 mb/d. Product inflows for the month were 0.1 mb/d or over 11% lower m-o-m with declines registered across all major products, particularly fuel oil and gasoline, reflecting the impact of lockdown measures. Y-o-y, product imports were 0.3 mb/d, or 27%, lower.

Crude and Refined Products Trade

In contrast, **product exports** jumped 42% m-o-m or 0.4 mb/d in May, to average 1.4 mb/d as constrained domestic consumption left products available for export. Gains were registered across all major categories, particularly gasoil and gasoline. Y-o-y, product exports were broadly flat.

As a result, May **net product exports** were the highest in 13 months, with net outflows rising to 562 tb/d. This compares to net exports of just 31 tb/d the month before and 241 tb/d in May 2020.

Looking ahead, with declining COVID-19 infections at the end of June, refiners have begun to slowly lift run rates, which could strengthen crude inflows in July. On the product side, signs that driving activity is picking up despite higher prices at the pump could help boost product imports in July.

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

India	Mar 21	Apr 21	May 21	Change May 21/Apr 21
Crude oil	4,312	4,455	4,075	-379
Total products	-397	-31	-562	-531
Total crude and products	3,915	4,424	3,513	-910

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.

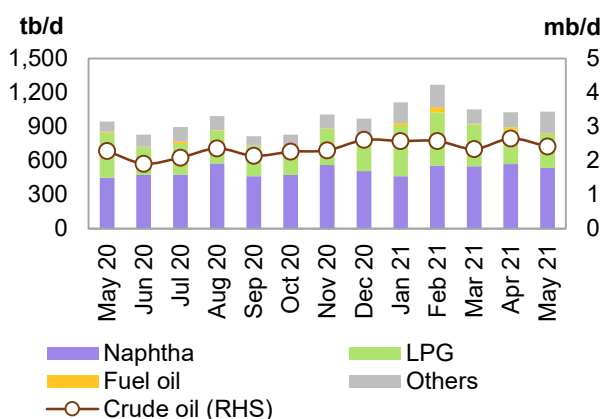
Sources: PPAC and OPEC.

Japan

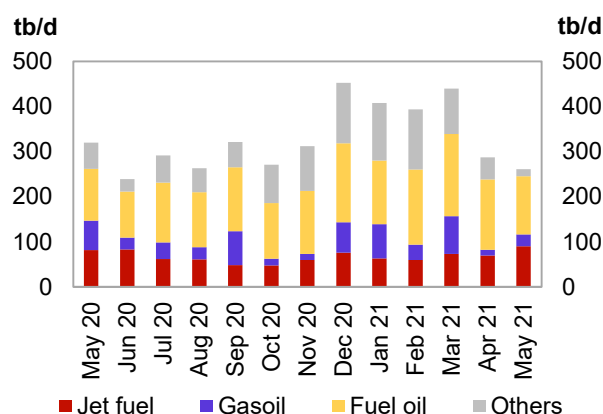
Japan's crude imports fell back in May from the strong levels seen the month before, averaging 2.4 mb/d, as renewed lockdown measures undermined expectations for product demand. Compared to the same month last year, crude imports declined 0.2 mb/d or almost 9%. Y-o-y, crude inflows were 0.1 mb/d, or 6%, higher.

Shares of **crude imports by source** were largely unchanged m-o-m. The United Arab Emirates (UAE) remained the top supplier of crude to Japan in May, with a share of 39%. Saudi Arabia was second, followed by Qatar and Kuwait, with shares of 34%, 10% and 7%, respectively.

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



Sources: METI and OPEC.



Sources: METI and OPEC.

Product imports including LPG were relatively steady for the third month in a row, averaging 1.0 mb/d, with the gains in gasoline and gasoil offsetting declines in naphtha and fuel oil. Compared to the same month last year, product imports rose by just over 9%.

Product exports including LPG declined 9% m-o-m to average 0.3 mb/d in May, led by losses in gasoline and fuel oil, which offset jet fuel exports which reached the highest in over a year. Compared to the previous year, product exports fell more than 18%.

As a consequence, Japan's **net product imports** averaged 0.8 mb/d in May, compared to 0.7 mb/d in the previous month and 0.6 mb/d in May 2020.

Looking ahead, preparations for the 2021 Tokyo Olympics, scheduled to begin on 23 July, may provide some boost to consumption, although uncertainty following recently announced lockdown measures is clouding product needs.

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

Japan	Mar 21	Apr 21	May 21	Change May 21/Apr 21
Crude oil	2,344	2,653	2,416	-237
Total products	612	739	771	31
Total crude and products	2,956	3,392	3,187	-205

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

Sources: METI and OPEC.

OECD Europe

The most recent official data shows **OECD Europe crude imports** rebounded from an eight-month low the month before to average 7.8 mb/d in March. This represents a gain of 0.4 mb/d or around 6% m-o-m. Compared to the same month last year, crude inflows were 1.3 mb/d or 14% lower.

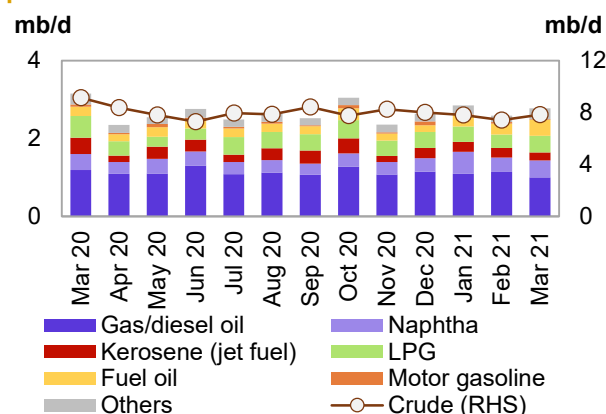
Crude exports to the OECD Europe slipped 2% in March to average 0.6 mb/d, on decreased Norway flows, particularly to China. Y-o-y, crude inflows were 0.1 mb/d, or more than 26%, higher.

As a result, **net crude imports** averaged almost 7.2 mb/d in March, up from 6.8 mb/d the month before but lower than the 8.7 mb/d recorded in the same month of 2020.

On the **product** side, **imports** recovered some of the decline seen in the previous month, averaging 2.8 mb/d. M-o-m, product inflows were 0.2 mb/d or 7% higher, with gains primarily driven by fuel oil. Y-o-y, OECD Europe product imports were 0.3 mb/d, or 12%, lower.

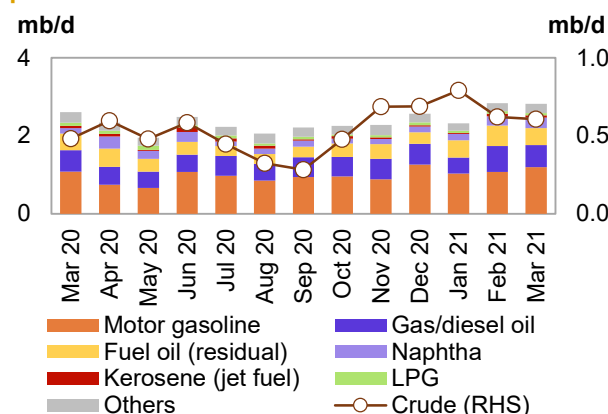
Product exports remained near 18-month highs, averaging 2.8 mb/d, as declines in diesel and fuel oil offset by increases in motor gasoline. Outflows were less than 1% lower m-o-m. Y-o-y, product exports rose 0.2 mb/d or over 8%.

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



Sources: IEA and OPEC.

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



Sources: IEA and OPEC.

As a result, the region was a marginal **net product exporter** in March, registering net outflows of 49 tb/d, compared to net exports of 0.3 mb/d the month before and net product imports of 0.6 mb/d in March 2020.

Combined, **net crude and product imports** averaged 7.2 mb/d in March, compared to 6.5 mb/d the month before and 9.2 mb/d in March 2020.

Looking ahead, recent tanker tracking data from Vortexa shows waterborne crude imports at higher levels through 2Q21, supported by stronger flows to Italy. Crude exports are expected to remain below the high levels seen at the start of the year, amid reduced flows to China.

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

OECD Europe	Jan 21	Feb 21	Mar 21	Change Mar 21/Feb 21
Crude oil	7,011	6,788	7,221	433
Total products	533	-255	-49	206
Total crude and products	7,544	6,534	7,172	638

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

Sources: IEA and OPEC.

Eurasia

Total crude oil exports from Russia and Central Asia rose 0.1 mb/d, or 1.3%, m-o-m to average 6.3 mb/d in May. Y-o-y, total crude exports from the region were 0.4 mb/d, or 7%, higher.

Crude exports through the **Transneft system** also saw m-o-m gains, increasing 0.1 mb/d or 4% to average 3.7 mb/d. Compared to the same month last year, exports were 0.2 mb/d, or 7% higher.

In May, total shipments from the Black Sea rose 9 tb/d m-o-m, or just over 2%, to average 426 tb/d. Baltic Sea exports saw a stronger gain of 80 tb/d m-o-m, or 7%, to average 1.2 mb/d, with shipments from Primorsk up 15% to 735 tb/d while Ust-Luga exports declined 3% to 437 tb/d. Meanwhile, shipments via the Druzhba pipeline rose 42 tb/d m-o-m, or around 6%, to average 756 tb/d. Kozmino shipments were broadly flat m-o-m at 0.7 mb/d. Exports to China via the ESPO pipeline were also unchanged m-o-m at 0.6 mb/d.

In the **Lukoil system**, exports via the Barents Sea fell 30% m-o-m to average 83 tb/d in May, while those from the Baltic Sea were unchanged.

On other routes, **Russia's Far East** exports declined 9% m-o-m in May to average 0.3 mb/d. This was around 6% lower compared with the same month last year.

Central Asia's total exports averaged almost 0.3 mb/d in May, a gain of about 37% compared with the month before and 9% higher y-o-y.

Black Sea total exports edged lower to average 1.4 mb/d in May, on mixed movement with Novorossiysk marginally higher and Supsa declining. Y-o-y, Black Sea flows were 0.1 mb/d, or 11% higher. Meanwhile, exports via the **Baku-Tbilisi-Ceyhan (BTC) pipeline** declined by almost 10% m-o-m to 0.5 mb/d, representing a drop of 2% y-o-y.

Total product exports from Russia and Central Asia declined 1% m-o-m to average 3.0 mb/d in May. M-o-m declines were seen in gasoline, jet, gasoil and VGO, while naphtha and fuel oil saw gains. Y-o-y, total product exports edged up 1%, in May, with higher outflows across major products except gasoline and gasoil.

Commercial Stock Movements

Preliminary May data sees total OECD commercial oil stocks up by 8.3 mb m-o-m. At 2,934 mb, they were 276.9 mb lower than the same time one year ago, 86.6 mb lower than the latest five-year average, and 21.7 mb below the 2015-2019 average. Within the components, crude and product stocks were up by 1.1 mb and 7.2 mb, m-o-m, respectively.

At 1,466 mb, OECD crude stocks stood 60.8 mb below the latest five-year average and 32.5 mb below the 2015-2019 average.

At 1,468 mb, OECD product stocks exhibited a deficit of 25.9 mb below the latest five-year average, but were 10.8 mb above the 2015-2019 average.

In terms of days of forward cover, OECD commercial stocks fell m-o-m by 0.8 days in May to stand at 64.2 days. This is 13.4 days below May 2020 levels, 0.8 days below the latest five-year average, but 2.4 days above the 2015-2019 average.

Preliminary data for June showed that total US commercial oil stocks rose slightly m-o-m by 0.4 mb to stand at 1,278 mb. This is 174.6 mb, or 12.0%, lower than the same month a year ago, and 50.3 mb, or 3.8%, below the latest five-year average. Crude stocks fell m-o-m by 26.9 mb, while product stocks rose by 27.4 mb.

OECD

Preliminary May data sees **total OECD commercial oil stocks** up by 8.3 mb m-o-m. At 2,934 mb, they were 276.9 mb lower than the same time one year ago and 86.6 mb lower than the latest five-year average.

Within the components, crude and product stocks were up by 1.1 mb and 7.2 mb, m-o-m, respectively. Total commercial oil stocks in May rose in OECD Asia Pacific and OECD Europe, while they fell in OECD Americas.

OECD **commercial crude stocks** rose m-o-m in May by 1.1 mb to stand at 1,466 mb. This is 128.0 mb lower than the same time a year ago and 60.8 mb below the latest five-year average. Compared with the previous month, OECD Asia Pacific and OECD Europe registered stock builds of 9.0 mb and 2.6 mb, respectively, while OECD America saw a stock draw of 10.5 mb.

Total product inventories also rose by 7.2 mb m-o-m in May to stand at 1,468 mb. This is 148.9 mb less than the same time a year ago, and 25.9 mb below the latest five-year average. Within the OECD regions, product stocks in OECD Europe fell by 1.8 mb, while OECD Americas and OECD Pacific rose by 4.0 mb and 5.1 mb, m-o-m, respectively.

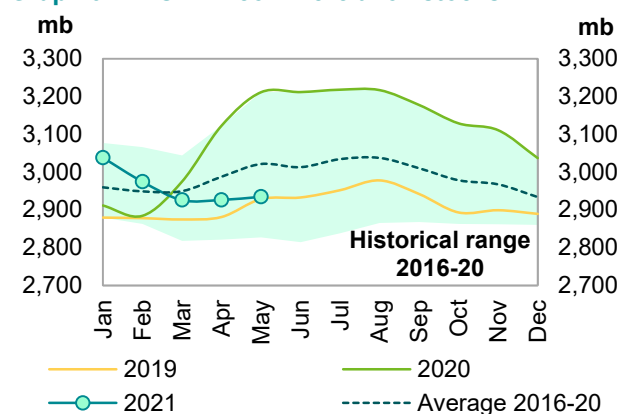
Table 9 - 1: OECD's commercial stocks, mb

OECD stocks	May 20	Mar 21	Apr 21	May 21	Change May 21/Apr 21
Crude oil	1,594	1,466	1,465	1,466	1.1
Products	1,617	1,460	1,461	1,468	7.2
Total	3,211	2,926	2,926	2,934	8.3
Days of forward cover	77.7	65.7	65.0	64.2	-0.8

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

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

Graph 9 - 1: OECD commercial oil stocks



In terms of **days of forward cover**, OECD commercial stocks fell m-o-m by 0.8 days in May to stand at 64.2 days. This is 13.4 days below May 2020 levels, and 0.8 days below the latest five-year average. OECD Americas and OECD Asia Pacific were below the latest five-year averages: the Americas by 1.7 days at 62.0 days and Asia Pacific by 3.3 days at 51.9 days. OECD Europe, however, showed a surplus of 2.3 days at 74.9 days.

OECD Americas

OECD Americas total commercial stocks fell m-o-m by 6.5 mb in May to settle at 1,553 mb. This is 137.8 mb less than the same month last year and 38.3 mb lower than the latest five-year average.

Commercial crude oil stocks in OECD Americas fell m-o-m by 10.5 mb in May to stand at 831 mb, which is 47.6 mb lower than in May 2020, and 7.8 mb less than the latest five-year average. The stock draw came on the back of higher crude runs in May.

In contrast, **total product stocks** in OECD Americas rose m-o-m by 4.0 mb in May to stand at 722 mb. This was 90.3 mb lower than the same month one year ago and 30.5 mb below the latest five-year average. Lower total consumption in the region was behind the stock build.

OECD Europe

OECD Europe total commercial stocks rose m-o-m by 0.7 mb in May to settle at 1,010 mb. This is 105.7 mb less than the same month last year, and 10.4 mb below the latest five-year average.

OECD Europe's **commercial crude stocks** in May rose m-o-m by 2.6 mb to end the month at 437 mb, which is 44.7 mb lower than one year ago and 11.3 mb below the latest five-year average. The increase in crude oil inventories was due to lower m-o-m refinery throughputs in the EU-14 plus UK and Norway, which decreased by 140 tb/d to 8.77 mb/d.

In contrast, OECD Europe's **commercial product stocks** fell m-o-m by 1.8 mb to end May at 573 mb. This is 61.0 mb lower than a year ago, and 0.9 mb above the latest five-year average.

OECD Asia Pacific

OECD Asia Pacific's total commercial oil stocks rose m-o-m by 14.1 mb in May to stand at 372 mb. This is 33.4 mb lower than a year ago, and 37.9 mb below the latest five-year average.

OECD Asia Pacific's **crude inventories** rose by 9.0 mb m-o-m to end May at 198 mb, which is 35.8 mb lower than one year ago, and 41.7 mb below the latest five-year average.

OECD Asia Pacific's **total product inventories** also rose by 5.1 mb m-o-m to end May at 174 mb. This is 2.4 mb higher than the same time a year ago, and 3.8 mb above the latest five-year average.

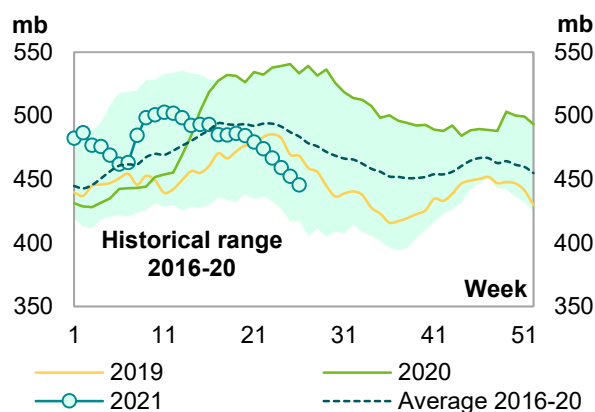
US

Preliminary data for June showed that **total US commercial oil stocks** rose slightly m-o-m by 0.4 mb to stand at 1,278 mb. This is 174.6 mb, or 12.0%, lower than the same month a year ago, and 50.3 mb, or 3.8%, below the latest five-year average. Crude stocks fell by 26.9 mb, while product stocks rose by 27.4 mb, m-o-m.

US **commercial crude stocks** in June fell m-o-m by 26.9 mb to stand at 452.3 mb. This is 79.6 mb, or 15.0%, lower than the same month last year, and 30.2 mb, or 6.3%, below the latest five-year average. The stock draw came on the back of higher crude runs.

In contrast, **total product stocks** in June rose m-o-m by 27.4 mb to stand at 825.9 mb. This is 95.0 mb, or 10.3%, below June 2020 levels, and 20.1 mb, or 2.4%, lower than the latest five-year average. The build was mainly driven by higher refinery output.

Graph 9 - 2: US weekly commercial crude oil inventories



Sources: EIA and OPEC.

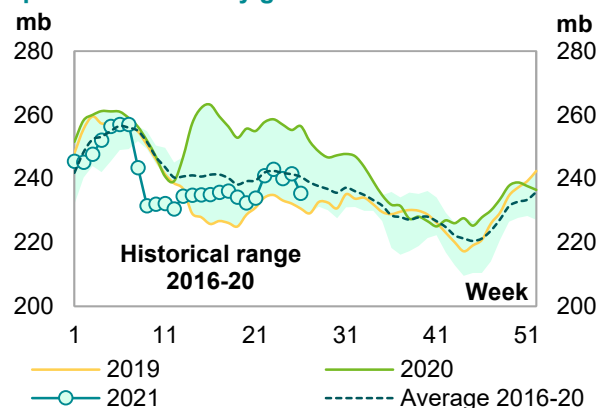
Gasoline stocks in June rose m-o-m by 7.6 mb to settle at 241.6 mb. This is 11.7 mb, or 4.6%, below the same month last year, but 0.6 mb, or 0.2%, higher than the latest five-year average. The monthly stock build came mainly on the back of higher gasoline output, which outpaced the increase in gasoline demand.

Distillate stocks also rose m-o-m by 4.3 mb in June to stand at 137.1 mb. This is 38.4 mb, or 21.9%, lower than a year ago, and 8.7 mb, or 6.0%, lower than the latest five-year average. The build in distillate stocks can be attributed to higher distillate production.

Jet fuel rose m-o-m by 2.4 mb, ending June at 44.7 mb. This is 3.2 mb, or 7.7%, higher than the same month last year, and 3.8 mb, or 9.2%, above the latest five-year average.

In contrast, **residual fuel oil stocks** fell m-o-m in June, decreasing by 1.6 mb. At 31.1 mb, this was 8.5 mb, or 21.5%, lower than a year ago, and 3.6 mb, or 10.5%, below the latest five-year average.

Graph 9 - 3: US weekly gasoline inventories



Sources: EIA and OPEC.

Table 9 - 2: US commercial petroleum stocks, mb

US stocks	Jun 20	Apr 21	May 21	Jun 21	Change Jun 21/May 21
Crude oil	531.9	489.7	479.3	452.3	-26.9
Gasoline	253.3	238.4	234.0	241.6	7.6
Distillate fuel	175.4	136.0	132.8	137.1	4.3
Residual fuel oil	39.6	31.3	32.7	31.1	-1.6
Jet fuel	41.5	40.5	42.3	44.7	2.4
Total products	920.9	799.6	798.6	825.9	27.4
Total	1,452.8	1,289.4	1,277.8	1,278.3	0.4
SPR	656.0	633.4	627.8	622.5	-5.3

Sources: EIA and OPEC.

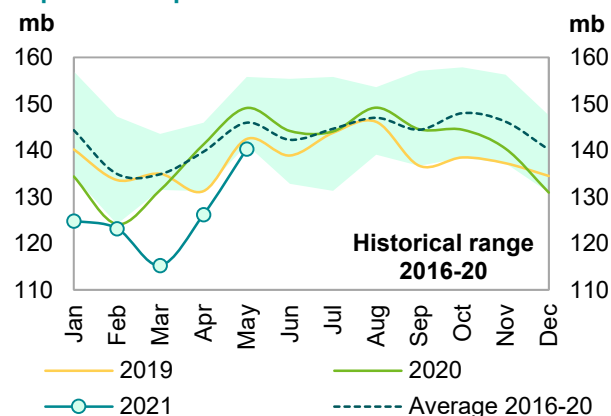
Japan

In **Japan**, **total commercial oil stocks** in May rose m-o-m by 14.1 mb to settle at 140.3 mb. This is 8.8 mb, or 5.9%, lower than the same month last year, and 5.7 mb, or 3.9%, below the latest five-year average. Crude and products stocks rose m-o-m by 9.0 mb and 5.1 mb, respectively.

Japanese **commercial crude oil stocks** rose in May to stand at 75.6 mb. This is 12.8 mb, or 14.5%, below the same month a year ago, and 10.6 mb, or 12.3%, lower than the latest five-year average. The build came on the back of lower crude throughput.

Japan's **total product inventories** rose m-o-m by 5.1 mb to end May at 64.7 mb. This is 4.0 mb, or 6.6%, higher than the same month last year, and 5.0 mb, or 8.3%, above the latest five-year average.

Graph 9 - 4: Japan's commercial oil stocks



Sources: METI and OPEC.

Gasoline stocks rose m-o-m by 1.9 mb to stand at 14.9 mb. This was 2.3 mb, or 18.3%, higher than a year ago, and 3.5 mb, or 30.9%, above the latest five-year average. Lower domestic gasoline sales, which fell by 4.6%, were behind the build in gasoline stocks.

Distillate stocks rose by 2.9 mb m-o-m to end May at 27.5 mb. This is 1.4 mb, or 5.6%, higher than the same month a year ago, and 2.4 mb, or 9.7%, above the latest five-year average. Within distillate components, both **kerosene and gasoil stocks** rose each m-o-m by 16.2%, while jet fuel stocks were down by 5.3%.

Total residual fuel oil stocks rose m-o-m by 0.6 mb in May to stand at 12.8 mb. This is 0.3 mb, or 2.7% higher than the same month last year, but 0.4 mb, or 3.2%, below the latest five-year average. Within components, fuel oil A and fuel oil B.C stocks rose by 3.4% and 5.2%, respectively.

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

Japan's stocks	May 20	Mar 21	Apr 21	May 21	Change May 21/Apr 21
Crude oil	88.4	60.0	66.6	75.6	9.0
Gasoline	12.6	12.5	13.0	14.9	1.9
Naphtha	9.6	8.6	9.8	9.5	-0.3
Middle distillates	26.0	23.0	24.6	27.5	2.9
Residual fuel oil	12.4	11.3	12.2	12.8	0.6
Total products	60.7	55.3	59.6	64.7	5.1
Total**	149.1	115.2	126.2	140.3	14.1

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

Sources: METI and OPEC.

EU-14 plus UK and Norway

Preliminary data for May showed that **total European commercial oil stocks** rose slightly m-o-m by 0.7 mb to stand at 1,148 mb. At this level, they were 59.6 mb, or 4.9%, below the same month a year ago, but 4.4 mb, or 0.4%, higher than the latest five-year average. Crude stocks went up by 2.6 mb, while total product stocks fell by 1.8 mb, m-o-m.

European **crude inventories** rose in May to stand at 473.6 mb. This is 43.8 mb, or 8.5% lower than the same month a year ago, and 24.8 mb, or 5.0%, lower than the latest five-year average. The increase in crude oil inventories was due to lower m-o-m refinery throughputs in the EU-14 plus UK and Norway, which decreased by 140 tb/d to 8.77 mb/d.

In contrast, **total European product stocks** fell m-o-m by 1.8 mb to end May at 674.0 mb. This is 15.8 mb, or 2.3%, lower than the same month a year ago, but 29.2 mb, or 4.5%, above the latest five-year average.

Gasoline stocks fell m-o-m by 1.3 mb in May to stand at 116.9 mb. This is 5.7 mb, or 4.7%, lower than the level registered the same time a year ago, but 1.0 mb/d, or 0.9%, higher than the latest five-year average.

Distillate stocks also fell m-o-m by 0.1 mb in May to stand at 456.9 mb. This is in line with the same month last year, and 26.7 mb, or 6.2%, above the latest five-year average.

Residual fuel stocks fell m-o-m by 1.1 mb in May to 68.7 mb. This is 6.3 mb, or 8.4%, lower than the same month one year ago, and 1.7 mb, or 2.4%, below the latest five-year average.

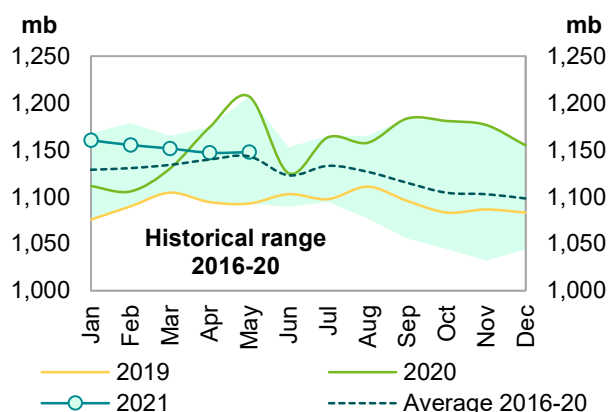
In contrast, **naphtha stocks** rose by 0.6 mb m-o-m in May, ending the month at 31.5 mb. This is 3.5 mb, or 10.1%, below May 2020 levels, but 3.2 mb, or 11.2%, higher than the latest five-year average.

Table 9 - 4: EU-14 plus UK and Norway's total oil stocks, mb

EU stocks	May 20	Mar 21	Apr 21	May 21	Change May 21/Apr 21
Crude oil	517.4	480.4	471.1	473.6	2.6
Gasoline	122.6	120.0	118.2	116.9	-1.3
Naphtha	35.0	31.2	30.9	31.5	0.6
Middle distillates	457.1	454.3	457.0	456.9	-0.1
Fuel oils	75.0	65.5	69.8	68.7	-1.1
Total products	689.8	671.1	675.8	674.0	-1.8
Total	1,207.2	1,151.5	1,146.9	1,147.6	0.7

Sources: Argus, Euroilstock and OPEC.

Graph 9 - 5: EU-14 plus UK and Norway's total oil stocks



Sources: Argus, Euroilstock and OPEC.

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

Singapore

In May, **total product stocks in Singapore** fell m-o-m by 0.8 mb at 49.9 mb. This is 5.6 mb, or 10.2%, lower than the same month a year ago.

Light distillate stocks rose m-o-m by 1.1 mb in May to stand at 13.3 mb. This is 1.8 mb, or 12.0%, lower than the same month one year ago.

In contrast, **middle distillate stocks** fell by 1.4 mb in May to stand at 11.7 mb. This is 3.0 mb, or 20.4%, lower than a year ago.

Residual fuel oil stocks also fell by 0.5 mb, ending May at 24.8 mb, which is 0.8 mb, or 3.2%, lower than in May 2020.

ARA

Total product stocks in ARA fell for the third consecutive month in May and were down by 0.1 mb to 46.8 mb. This is 7.6 mb, or 13.9%, lower than the same month a year ago.

Gasoline stocks in May fell m-o-m by 0.1 mb to stand 10.1 mb, which is 1.4 mb, or 12.4%, lower than the same month one year ago.

Residual fuel stocks also fell m-o-m by 1.4 mb to end May at 8.4 mb. This is 2.6 mb, or 23.6%, less than the level registered one year ago.

In contrast, **gasoil stocks** rose m-o-m by 0.7 mb in May to stand at 16.9 mb, which is 3.1 mb, or 15.4%, lower than in May 2020.

Jet oil stocks rose m-o-m by 1.4 mb to end May at 9.1 mb. This is 2.1 mb, or 29.5%, above the level seen one year ago.

Fujairah

During the week ending 28 June 2021, **total oil product stocks in Fujairah** rose by 0.44 mb w-o-w to stand at 23.06 mb, according to data from Fed Com and S&P Global Platts. At this level, total oil stocks were 5.43 mb lower than the same time a year ago. While light distillates witnessed a stock build w-o-w, middle and heavy distillate stocks showed a stock draw.

Light distillate stocks rose by 1.83 mb w-o-w to stand at 7.26 mb, which is 0.66 lower than the same period a year ago. In contrast, **middle distillate stocks** fell by 0.31 mb to stand at 3.94 mb, which is 0.16 mb lower than a year ago. **Heavy distillate stocks** also fell by 1.08 mb to stand at 11.86 mb, which is 4.61 mb lower than the same time last year.

Balance of Supply and Demand

Demand for OPEC crude in 2021 remained unchanged from the previous month at 27.7 mb/d, around 5.0 mb/d higher than the 2020 level. According to secondary sources, OPEC crude production averaged 25.1 mb/d in 1Q21, about 0.2 mb/d lower than demand for OPEC crude in the same period. In the 2Q21, OPEC crude production averaged 25.5 mb/d, 1.6 mb/d lower than demand.

Based on the first world oil demand and non-OPEC supply forecast in 2022, demand for OPEC crude is expected to reach 28.7 mb/d, 1.1 mb/d higher than the 2021 level.

Balance of supply and demand in 2021

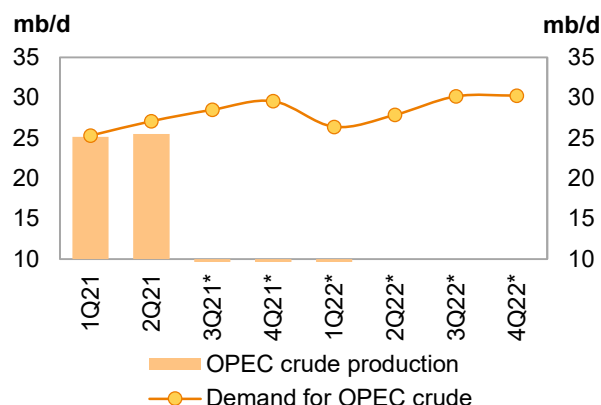
Demand for OPEC crude in 2021 remained unchanged from the previous month at 27.7 mb/d, around 5.0 mb/d higher than in 2020.

Both 1Q21 and 3Q21 were revised down by 0.1 mb/d, while 4Q21 was revised up by 0.2 mb/d, compared to the previous assessment. 2Q21 remained unchanged.

When compared with the same quarters in 2020, demand for OPEC crude in 1Q21 and 2Q21 is estimated to be 3.8 mb/d and 10.1 mb/d higher, respectively. 3Q21 and 4Q21 are expected to see a rise of 3.6 mb/d and 2.5 mb/d, respectively, compared with the same quarters a year earlier.

According to secondary sources, OPEC crude production averaged 25.1 mb/d in 1Q21, about 0.2 mb/d lower than demand for OPEC crude in the same period. In the 2Q21, OPEC crude production averaged 25.5 mb/d, 1.6 mb/d lower than demand.

Graph 10 - 1: Balance of supply and demand, 2021–2022*



Note: * 3Q21-4Q22 = Forecast. Source: OPEC.

Table 10 - 1: Supply/demand balance for 2021*, mb/d

	2020	1Q21	2Q21	3Q21	4Q21	2021	Change 2021/20
(a) World oil demand	90.62	92.80	95.32	98.24	99.82	96.58	5.95
Non-OPEC liquids production	62.94	62.38	63.10	64.49	65.01	63.76	0.81
OPEC NGL and non-conventionals	5.05	5.11	5.11	5.22	5.23	5.17	0.12
(b) Total non-OPEC liquids production and OPEC NGLs	67.99	67.49	68.21	69.71	70.24	68.92	0.93
Difference (a-b)	22.64	25.32	27.11	28.52	29.58	27.65	5.02
OPEC crude oil production	25.64	25.15	25.52				
Balance	3.01	-0.17	-1.58				

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

Balance of supply and demand in 2022

Based on the first world oil demand and non-OPEC supply forecast in 2022, **demand for OPEC crude** is expected to reach 28.7 mb/d, 1.1 mb/d higher than the 2021 level.

When compared to the same quarters in 2021, demand for OPEC crude in 1Q22 and 2Q22 is forecast to be 1.1 mb/d and 0.8 mb/d higher, respectively. The 3Q22 and 4Q22 are projected to show an increase of 1.7 mb/d and 0.7 mb/d, respectively.

Table 10 - 2: Supply/demand balance for 2022*, mb/d

	2021	1Q22	2Q22	3Q22	4Q22	2022	Change 2022/21
(a) World oil demand	96.6	97.0	98.5	101.2	102.6	99.9	3.3
Non-OPEC liquids production	63.8	65.4	65.3	65.7	67.0	65.9	2.1
OPEC NGL and non-conventionals	5.2	5.3	5.3	5.3	5.3	5.3	0.1
(b) Total non-OPEC liquids production and OPEC NGLs	68.9	70.6	70.6	71.0	72.3	71.1	2.2
Difference (a-b)	27.7	26.4	27.9	30.2	30.3	28.7	1.1

Note: * 2021-2022 = Forecast. Totals may not add up due to independent rounding. Source: OPEC.

Appendix

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

World oil demand and supply balance	2018	2019	2020	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22	4Q22	2022
World demand													
Americas	25.73	25.65	22.56	23.09	24.73	24.84	24.75	24.36	24.33	25.64	25.72	25.55	25.32
of which US	20.82	20.86	18.44	18.99	20.11	20.34	20.45	19.98	20.05	20.89	21.11	21.17	20.81
Europe	14.32	14.25	12.43	11.88	12.73	13.61	13.71	12.99	12.38	13.15	14.01	14.04	13.40
Asia Pacific	7.95	7.79	7.07	7.61	7.17	7.16	7.51	7.36	7.85	7.36	7.29	7.62	7.53
Total OECD	47.99	47.69	42.06	42.58	44.63	45.61	45.97	44.72	44.55	46.14	47.02	47.21	46.25
China	13.01	13.48	13.19	12.95	14.27	14.93	15.05	14.30	13.50	14.75	15.32	15.44	14.76
India	4.73	4.91	4.51	4.94	4.52	4.91	5.61	5.00	5.28	4.75	5.14	5.88	5.26
Other Asia	8.91	9.04	8.13	8.36	8.93	8.54	8.59	8.61	8.78	9.24	8.82	8.86	8.93
Latin America	6.53	6.59	6.01	6.15	6.16	6.46	6.40	6.29	6.39	6.34	6.61	6.56	6.48
Middle East	8.13	8.20	7.55	7.95	7.67	8.24	7.97	7.96	8.29	7.91	8.49	8.20	8.23
Africa	4.33	4.43	4.08	4.39	3.96	4.16	4.48	4.25	4.57	4.09	4.28	4.61	4.39
Russia	3.55	3.61	3.37	3.57	3.37	3.57	3.74	3.56	3.67	3.42	3.62	3.79	3.63
Other Eurasia	1.21	1.24	1.07	1.18	1.19	1.14	1.28	1.20	1.25	1.23	1.17	1.32	1.24
Other Europe	0.74	0.76	0.65	0.73	0.62	0.68	0.74	0.69	0.75	0.63	0.69	0.76	0.71
Total Non-OECD	51.14	52.27	48.56	50.23	50.69	52.62	53.85	51.86	52.48	52.37	54.15	55.41	53.61
(a) Total world demand	99.13	99.97	90.62	92.80	95.32	98.24	99.82	96.58	97.03	98.52	101.17	102.62	99.86
Y-o-y change	1.46	0.84	-9.34	-0.68	12.05	6.80	5.55	5.95	4.22	3.20	2.93	2.80	3.28
Non-OPEC liquids production													
Americas	24.05	25.77	24.71	24.11	24.83	25.55	25.86	25.09	26.00	25.79	25.89	26.25	25.98
of which US	16.69	18.43	17.62	16.64	17.66	18.10	18.30	17.68	18.39	18.44	18.29	18.55	18.42
Europe	3.84	3.71	3.90	3.95	3.64	4.03	4.10	3.93	4.12	4.01	4.07	4.39	4.15
Asia Pacific	0.41	0.52	0.53	0.51	0.54	0.55	0.55	0.54	0.57	0.57	0.56	0.56	0.57
Total OECD	28.30	30.01	29.15	28.56	29.01	30.13	30.51	29.56	30.69	30.37	30.53	31.21	30.70
China	3.98	4.04	4.12	4.25	4.27	4.23	4.20	4.24	4.24	4.24	4.28	4.36	4.28
India	0.86	0.82	0.77	0.76	0.76	0.75	0.74	0.76	0.77	0.79	0.82	0.84	0.81
Other Asia	2.72	2.69	2.51	2.49	2.45	2.47	2.46	2.47	2.42	2.37	2.33	2.28	2.35
Latin America	5.79	6.09	6.04	5.94	6.02	6.31	6.50	6.19	6.54	6.48	6.42	6.63	6.52
Middle East	3.21	3.20	3.18	3.19	3.20	3.24	3.25	3.22	3.25	3.28	3.32	3.32	3.29
Africa	1.51	1.51	1.41	1.38	1.35	1.34	1.32	1.35	1.29	1.32	1.29	1.27	1.29
Russia	11.52	11.61	10.59	10.47	10.74	10.66	10.66	10.63	10.70	10.97	11.18	11.43	11.07
Other Eurasia	3.08	3.07	2.91	2.96	2.91	2.98	2.98	2.96	2.98	3.02	3.01	3.18	3.05
Other Europe	0.12	0.12	0.11	0.11	0.11	0.10	0.10	0.11	0.10	0.10	0.10	0.09	0.10
Total Non-OECD	32.79	33.16	31.64	31.54	31.82	32.08	32.22	31.91	32.29	32.59	32.75	33.40	32.76
Total Non-OPEC production	61.09	63.16	60.79	60.10	60.82	62.21	62.73	61.48	62.98	62.95	63.28	64.61	63.46
Processing gains	2.34	2.36	2.15	2.28	2.28	2.28	2.28	2.28	2.39	2.39	2.39	2.39	2.39
Total Non-OPEC liquids production	63.43	65.53	62.94	62.38	63.10	64.49	65.01	63.76	65.37	65.35	65.67	67.00	65.85
OPEC NGL + non-conventional oils	5.29	5.22	5.05	5.11	5.11	5.22	5.23	5.17	5.25	5.28	5.31	5.33	5.29
(b) Total non-OPEC liquids production and OPEC NGLs	68.72	70.74	67.99	67.49	68.21	69.71	70.24	68.92	70.63	70.63	70.98	72.34	71.15
Y-o-y change	3.07	2.02	-2.75	-4.52	1.92	3.19	3.08	0.93	3.14	2.42	1.26	2.10	2.22
OPEC crude oil production (secondary sources)	31.34	29.36	25.64	25.15	25.52								
Total liquids production	100.07	100.10	93.63	92.64	93.73								
Balance (stock change and miscellaneous)	0.94	0.14	3.01	-0.17	-1.58								
OECD closing stock levels, mb													
Commercial	2,875	2,889	3,037	2,926									
SPR	1,552	1,535	1,541	1,546									
Total	4,427	4,425	4,578	4,471									
Oil-on-water	1,058	1,011	1,148	1,138									
Days of forward consumption in OECD, days													
Commercial onland stocks	60	69	68	66									
SPR	33	37	34	35									
Total	93	105	102	100									
Memo items													
(a) - (b)	30.41	29.22	22.64	25.32	27.11	28.52	29.58	27.65	26.40	27.89	30.19	30.28	28.71

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

World oil demand and supply balance	2018	2019	2020	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22	4Q22	2022
World demand													
Americas	-	-	-	-0.12	0.15	0.10	-	0.03					
of which US	-	-	-	-0.16	0.15	0.10	-	0.02					
Europe	-	-	-	-0.08	-0.05	-	-	-0.03					
Asia Pacific	-	-	-	-	-0.01	-0.01	-	-					
Total OECD	-	-	-	-0.19	0.09	0.09	-	-					
China	-	-	-	-	-	-	-	-					
India	-	-	-	-	-	-	-	-					
Other Asia	-	-	-	0.02	-0.03	-0.03	-	-0.01					
Latin America	-	-	-	-	-	-	-	-					
Middle East	-	-	-	0.03	-	-	-	0.01					
Africa	-	-	-	-	-	-	-	-					
Russia	-	-	-	-	-	-	-	-					
Other Eurasia	-	-	-	-	-	-	-	-					
Other Europe	-	-	-	0.02	-	-	-	-					
Total Non-OECD	-	-	-	0.06	-0.03	-0.03	-	-					
(a) Total world demand	-	-	-	-0.13	0.06	0.06	-	-					
Y-o-y change	-	-	-	-0.13	0.06	0.06	-	-					
Non-OPEC liquids production													
Americas	-	-	-0.01	-0.01	0.19	0.12	-0.17	0.04					
of which US	-	-	-	-	0.13	0.13	-0.16	0.02					
Europe	-	-	-	-	-0.10	-	-	-0.02					
Asia Pacific	-	-	-	-	-0.02	-	-	-					
Total OECD	-	-	-0.01	-0.01	0.07	0.12	-0.17	0.01					
China	-	-	-	-	0.01	-	-	-					
India	-	-	-	-	-	-	-	-					
Other Asia	-	-	-	-0.06	-0.04	-0.01	-0.01	-0.03					
Latin America	-	-	-0.01	-0.03	-0.09	-0.01	-0.01	-0.03					
Middle East	-	-	-	-0.01	-	-	-	-					
Africa	-	-	-	-	0.02	-	-	0.01					
Russia	-	-	-	-	0.03	-	-	0.01					
Other Eurasia	-	-	-	-	-0.05	-	-	-0.01					
Other Europe	-	-	-	-	-	-	-	-					
Total Non-OECD	-	-	-0.01	-0.10	-0.12	-0.01	-0.01	-0.06					
Total Non-OPEC production	-	-	-0.03	-0.11	-0.04	0.11	-0.17	-0.05					
Processing gains	0.09	0.10	0.08	0.08	0.08	0.08	0.08	0.08					
Total Non-OPEC liquids production	0.09	0.10	0.05	-0.03	0.04	0.19	-0.09	0.03					
OPEC NGL + non-conventional oils	-	-	-	-	-	-	-0.10	-0.03					
(b) Total non-OPEC liquids production and OPEC NGLs	0.09	0.10	0.05	-0.03	0.04	0.19	-0.20	-					
Y-o-y change	0.01	0.01	-0.05	-0.09	-0.01	0.15	-0.24	-0.05					
OPEC crude oil production (secondary sources)	-0.14	-1.98	-3.70	-3.08	-0.05								
Total liquids production	-0.05	-1.88	-3.65	-3.11	-0.01								
Balance (stock change and miscellaneous)	-0.05	-1.88	-3.65	-2.98	-0.07								
OECD closing stock levels, mb													
Commercial	-	-	-	-43									
SPR	-	-	-	1									
Total	-	-	-	-42									
Oil-on-water	-	-	-	-									
Days of forward consumption in OECD, days													
Commercial onland stocks	-	-	-	-1									
SPR	-	-	-	-									
Total	-	-	-	-1									
Memo items													
(a) - (b)	-0.09	-0.10	-0.05	-0.10	0.02	-0.13	0.20	-					

Note: * This compares Table 11 - 1 in this issue of the MOMR with Table 11 - 1 in the June 2021 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

OECD oil stocks and oil on water	2018	2019	2020	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
Closing stock levels, mb												
OECD onland commercial	2,875	2,889	3,037	2,875	2,932	2,942	2,889	2,974	3,212	3,177	3,037	2,926
Americas	1,544	1,518	1,613	1,504	1,559	1,553	1,518	1,575	1,713	1,687	1,613	1,571
Europe	930	978	1,044	989	983	988	978	1,033	1,099	1,079	1,044	1,008
Asia Pacific	402	394	380	381	391	401	394	366	400	411	380	346
OECD SPR	1,552	1,535	1,541	1,557	1,549	1,544	1,535	1,537	1,561	1,551	1,541	1,546
Americas	651	637	640	651	647	647	637	637	658	644	640	640
Europe	481	482	488	488	485	482	482	484	487	490	488	493
Asia Pacific	420	416	414	417	417	416	416	416	416	417	414	413
OECD total	4,427	4,425	4,578	4,432	4,481	4,486	4,425	4,511	4,773	4,729	4,578	4,471
Oil-on-water	1,058	1,011	1,148	1,013	995	1,012	1,011	1,186	1,329	1,174	1,148	1,138
Days of forward consumption in OECD, days												
OECD onland commercial	60	69	68	61	61	61	64	79	76	74	71	66
Americas	60	67	66	59	60	60	62	79	75	73	70	64
Europe	65	79	80	70	67	70	73	94	85	86	88	79
Asia Pacific	52	56	52	51	52	50	51	56	60	56	50	48
OECD SPR	33	37	35	33	32	32	34	41	37	36	36	35
Americas	26	30	27	26	25	25	26	32	29	28	28	26
Europe	34	39	38	34	33	34	36	44	38	39	41	39
Asia Pacific	54	60	57	56	55	52	54	64	62	57	54	58
OECD total	94	107	104	94	93	94	97	120	113	110	108	100

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

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

Non-OPEC liquids production and OPEC NGLs	Change							Change					
	2018	2019	2020	3Q21	4Q21	2021	21/20	1Q22	2Q22	3Q22	4Q22	2022	22/21
US	16.7	18.4	17.6	18.1	18.3	17.7	0.1	18.4	18.4	18.3	18.5	18.4	0.7
Canada	5.3	5.4	5.2	5.5	5.6	5.5	0.3	5.6	5.4	5.6	5.7	5.6	0.1
Mexico	2.1	1.9	1.9	1.9	1.9	1.9	0.0	2.0	1.9	2.0	2.0	1.9	0.0
Chile	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
OECD Americas	24.0	25.8	24.7	25.6	25.9	25.1	0.4	26.0	25.8	25.9	26.3	26.0	0.9
Norway	1.9	1.7	2.0	2.2	2.2	2.1	0.1	2.2	2.2	2.2	2.4	2.3	0.2
UK	1.1	1.1	1.1	1.0	1.0	1.0	-0.1	1.0	1.0	1.0	1.1	1.0	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	0.8	0.8	0.8	0.8	0.0	0.8	0.8	0.8	0.8	0.8	0.0
OECD Europe	3.8	3.7	3.9	4.0	4.1	3.9	0.0	4.1	4.0	4.1	4.4	4.1	0.2
Australia	0.3	0.5	0.5	0.5	0.5	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	0.5	0.5	0.6	0.6	0.5	0.0	0.6	0.6	0.6	0.6	0.6	0.0
Total OECD	28.3	30.0	29.1	30.1	30.5	29.6	0.4	30.7	30.4	30.5	31.2	30.7	1.1
China	4.0	4.0	4.1	4.2	4.2	4.2	0.1	4.2	4.2	4.3	4.4	4.3	0.0
India	0.9	0.8	0.8	0.8	0.7	0.8	0.0	0.8	0.8	0.8	0.8	0.8	0.1
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
Indonesia	0.9	0.9	0.9	0.9	0.9	0.9	0.0	0.8	0.8	0.8	0.8	0.8	0.0
Malaysia	0.7	0.7	0.6	0.6	0.6	0.6	0.0	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	0.4	0.4	0.4	0.4	0.4	0.0
Vietnam	0.3	0.3	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Asia others	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Other Asia	2.7	2.7	2.5	2.5	2.5	2.5	0.0	2.4	2.4	2.3	2.3	2.3	-0.1
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	3.6	3.7	3.9	4.0	3.8	0.1	4.0	3.9	3.9	4.1	4.0	0.2
Colombia	0.9	0.9	0.8	0.8	0.8	0.8	0.0	0.8	0.8	0.7	0.7	0.8	0.0
Ecuador	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
Guyana	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.2	0.2	0.2	0.3	0.2	0.1
Latin America	0.4	0.4	0.3	0.4	0.4	0.3	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Latin America	5.8	6.1	6.0	6.3	6.5	6.2	0.2	6.5	6.5	6.4	6.6	6.5	0.3
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Oman	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0	1.0	0.0
Qatar	1.9	1.9	1.9	2.0	2.0	2.0	0.0	2.0	2.0	2.0	2.0	2.0	0.0
Syria	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yemen	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.0	0.1	0.0
Middle East	3.2	3.2	3.2	3.2	3.2	3.2	0.0	3.2	3.3	3.3	3.3	3.3	0.1
Cameroon	0.1	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	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	0.6	0.6	0.6	0.6	0.0	0.6	0.6	0.5	0.5	0.5	0.0
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	1.4	1.3	1.3	1.3	-0.1	1.3	1.3	1.3	1.3	1.3	-0.1
Russia	11.5	11.6	10.6	10.7	10.7	10.6	0.0	10.7	11.0	11.2	11.4	11.1	0.4
Kazakhstan	1.9	1.9	1.8	1.8	1.8	1.8	0.0	1.9	1.9	1.9	2.0	1.9	0.1
Azerbaijan	0.8	0.8	0.7	0.8	0.8	0.8	0.0	0.8	0.8	0.8	0.8	0.8	0.0
Eurasia others	0.4	0.4	0.4	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Other Eurasia	3.1	3.1	2.9	3.0	3.0	3.0	0.0	3.0	3.0	3.0	3.2	3.0	0.1
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
Total Non-OECD	32.8	33.2	31.6	32.1	32.2	31.9	0.3	32.3	32.6	32.7	33.4	32.8	0.8
Non-OPEC	61.1	63.2	60.8	62.2	62.7	61.5	0.7	63.0	63.0	63.3	64.6	63.5	2.0
Processing gains	2.3	2.4	2.2	2.3	2.3	2.3	0.1	2.4	2.4	2.4	2.4	2.4	0.1
Non-OPEC liquids production	63.4	65.5	62.9	64.5	65.0	63.8	0.8	65.4	65.3	65.7	67.0	65.9	2.1
OPEC NGL	5.2	5.1	4.9	5.1	5.1	5.1	0.1	5.1	5.2	5.2	5.2	5.2	0.1
OPEC Non- conventional	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
OPEC (NGL+NCF)	5.3	5.2	5.0	5.2	5.2	5.2	0.1	5.3	5.3	5.3	5.3	5.3	0.1
Non-OPEC & OPEC (NGL+NCF)	68.7	70.7	68.0	69.7	70.2	68.9	0.9	70.6	70.6	71.0	72.3	71.1	2.2

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

Table 11 - 5: World rig count, units

World rig count	Change				Change						
	2018	2019	2020	2020/19	3Q20	4Q20	1Q21	2Q21	May 21	Jun 21	Jun/May
US	1,031	944	436	-508	254	311	393	452	454	464	10
Canada	191	134	90	-44	49	89	145	73	59	104	45
Mexico	27	37	41	4	36	38	46	42	40	45	5
OECD Americas	1,251	1,116	567	-549	339	438	585	568	554	614	60
Norway	15	17	16	-1	16	17	16	18	18	20	2
UK	7	15	6	-9	5	7	8	8	7	8	1
OECD Europe	62	74	59	-15	56	55	54	59	58	62	4
OECD Asia Pacific	21	29	22	-7	17	18	16	21	23	23	0
Total OECD	1,334	1,219	648	-571	412	511	656	648	635	699	64
Other Asia*	222	221	187	-34	184	160	161	170	174	175	1
Latin America	129	128	58	-70	40	60	76	89	95	97	2
Middle East	64	68	57	-11	50	48	57	56	59	56	-3
Africa	46	55	43	-12	35	32	33	39	39	44	5
Other Europe	13	14	12	-2	12	12	12	7	8	8	0
Total Non-OECD	474	486	357	-129	321	312	338	362	375	380	5
Non-OPEC rig count	1,808	1,705	1,005	-700	733	823	994	1,010	1,010	1,079	69
Algeria	50	45	31	-14	27	25	22	27	28	25	-3
Angola	4	4	3	-1	1	3	4	4	4	4	0
Congo	3	3	1	-2	0	0	0	0	0	0	0
Equatorial Guinea**	0	1	0	-1	0	0	0	0	0	0	0
Gabon	3	7	3	-4	0	0	1	1	1	2	1
Iran**	157	117	117	0	117	117	117	117	117	117	0
Iraq	59	74	47	-27	30	28	32	36	35	38	3
Kuwait	51	46	45	-1	44	29	28	23	23	22	-1
Libya	5	14	12	-2	11	10	12	12	12	12	0
Nigeria	13	16	11	-5	8	7	6	5	6	5	-1
Saudi Arabia	117	115	93	-22	87	63	62	62	66	59	-7
UAE	55	62	54	-8	50	40	43	44	43	45	2
Venezuela	32	25	24	-1	25	25	25	25	25	25	0
OPEC rig count	549	529	441	-88	400	347	352	356	360	354	-6
World rig count***	2,357	2,234	1,446	-788	1,133	1,170	1,346	1,366	1,370	1,433	63
<i>of which:</i>											
Oil	1,876	1,788	1,125	-663	866	896	1,044	1,076	1,071	1,140	69
Gas	448	415	275	-140	232	238	269	257	267	260	-7
Others	33	31	46	15	35	36	33	33	32	33	1

Note: * Other Asia includes India and offshore rigs for China.

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

*** Data excludes onshore China as well as Russia and other Eurasia.

Totals may not add up due to independent rounding.

Sources: Baker Hughes and OPEC.

Glossary of Terms

Abbreviations

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

Acronyms

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

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

Glossary of Terms

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

OPEC Basket average price

US\$/b



up 4.98 in June

June 2021	71.89
May 2021	66.91
Year-to-date	63.85

June OPEC crude production

mb/d, according to secondary sources



up 0.59 in June

June 2021	26.03
May 2021	25.45

Economic growth rate

per cent

	World	OECD	US	Euro-zone	Japan	China	India
2021	5.5	4.9	6.4	4.1	2.8	8.5	9.5
2022	4.1	3.2	3.6	3.0	2.0	6.3	6.8

Supply and demand

mb/d

2021		21/20	2022		22/21
World demand	96.6	6.0	World demand	99.9	3.3
Non-OPEC liquids production	63.8	0.8	Non-OPEC liquids production	65.9	2.1
OPEC NGLs	5.2	0.1	OPEC NGLs	5.3	0.1
Difference	27.7	5.0	Difference	28.7	1.1

OECD commercial stocks

mb

	May 20	Mar 21	Apr 21	May 21	May 21/Apr 21
Crude oil	1,594	1,466	1,465	1,466	1.1
Products	1,617	1,460	1,461	1,468	7.2
Total	3,211	2,926	2,926	2,934	8.3
Days of forward cover	78	66	65	64	-0.8

Next report to be issued on 12 August 2021.