Organization of the Petroleum Exporting Countries

OPEC Monthly Oil Market Report

13 September 2021

Feature article:
Assessment of the global economy in 2021 and 2022

Organization of the Petroleum Exporting Countries

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Oil Market Highlights

Crude Oil Price Movements

The OPEC Reference Basket (ORB) averaged $70.33/b in August, representing a decline of $3.20 m-o-m, or 4.4%. Year-to-date (y-t-d), ORB was $25.42, or 62.8%, higher, averaging $65.93/b. Crude oil futures prices on both sides of the Atlantic moved sharply lower in August, reaching their lowest levels since last May, as concerns about short-term Asian oil demand, mixed economic data, and the prospect of higher global oil supply triggered a sell-off. In August, the ICE Brent front-month declined $3.78 m-o-m, or 5.1%, to average $70.51/b, and NYMEX WTI fell $4.72 m-o-m, or 6.5%, to average $67.71/b. Consequently, the Brent/WTI front-month futures spread widened in August by 94¢ to average $2.80/b, its strongest since May. The market structure of all three major crude benchmarks – ICE Brent, NYMEX WTI, and DME Oman – remained in backwardation, however, their respective forward curves flattened on uncertainty about the oil demand outlook, lower seasonal crude demand in Asia, and the prospect of rising global oil supply. In August, hedge funds and other money managers extended the previous month's sell-off, reducing their net long positions to the lowest since November 2020.

World Economy

Global economic growth forecasts for both 2021 and 2022 remain unchanged from the last month's assessment at 5.6% and 4.2% respectively. However, this robust growth continues to be challenged by uncertainties such as the spread of COVID-19 variants and pace of vaccine rollouts worldwide, as well as ongoing global supply-chain disruptions. Additionally, sovereign debt levels in many regions, together with inflationary pressures and central bank responses, remain key factors requiring close monitoring. In the current recovery, the US economy forecasts are unchanged at 6.1% for 2021 and 4.1% for 2022. Euro-zone economic growth remains at 4.7% for 2021 and 3.8% for 2022. The forecast for Japan is also unchanged at 2.8% for 2021 and 2.0% in 2022. China's economy is seen to grow at 8.5% in 2021 and 6% in 2022, in line with the previous month's assessment. Meanwhile, India's 2021 growth forecast is revised slightly down to 9%, following a weaker-than-expected recovery in 2Q21, although growth for 2022 remains unchanged at 6.8%. Given strong growth in 2Q21, Brazil's growth forecast for this year is revised up to 4.7%, while grow in 2022 is unchanged at 2.5%. Russia's forecast for 2021 is revised up to 3.5%, benefitting from the stabilised oil market, while the forecast for 2022 remains unchanged at 2.5%.

World Oil Demand

World oil demand growth in 2021 remains unchanged from last month's assessment, showing growth of 6.0 mb/d despite some offsetting revisions. Oil demand in 3Q21 has proved to be resilient, supported by rising mobility and travelling activities, particularly in the OECD. At the same time, the increased risk of COVID-19 cases primarily fuelled by the Delta variant is clouding oil demand prospects going into the final quarter of the year, resulting in downward adjustments to 4Q21 estimates. As a result, 2H21 oil demand has been adjusted slightly lower, partially delaying the oil demand recovery into 1H22. Global oil demand in 2021 is now estimated to average 96.7 mb/d. In 2022, oil demand is expected to robustly grow by around 4.2 mb/d, some 0.9 mb/d higher compared to last month's assessment. Revisions were driven by both the OECD and non-OECD, as the recovery in various fuels is expected to be stronger than anticipated and further supported by a steady economic outlook in all regions. Oil demand in 2022 is now projected to reach 100.8 mb/d, exceeding pre-pandemic levels.

World Oil Supply

Non-OPEC liquids supply growth in 2021 is revised down by 0.17 mb/d from the previous month's assessment, due to a downward adjustment of 0.5 mb/d in 3Q21. The revisions are mainly due to outages in North America from a fire on a Mexico's offshore platform and the disruptions caused by Hurricane Ida. The estimate for North Sea production has also been revised down due to lower-than-expected output in 3Q21, resulting in an annual growth forecast of 0.9 mb/d to average 63.8 mb/d. The main drivers for 2021 supply growth remain to be Canada, Russia, China, the US, Brazil and Norway, with the US expected to see y-o-y growth of only 0.08 mb/d. The non-OPEC supply growth forecast for 2022 is unchanged at 2.9 mb/d, amid offsetting revisions, to average 66.8 mb/d. The main drivers of liquids supply growth are Russia and the US, followed by Brazil, Norway, Canada, Kazakhstan, Guyana and other countries in the DoC. OPEC NGLs are forecast to grow by

0.1 mb/d in both 2021 and 2022 to average 5.2 mb/d and 5.3 mb/d, respectively. OPEC crude oil production in August increased by 0.15 mb/d m-o-m, to average 26.76 mb/d, according to available secondary sources.

Product Markets and Refining Operations

Global refinery margins continued to trend upwards, supported by the seasonal strength in transportation fuels, amid easing mobility restrictions. In the US, product markets were supported by a reduction in total product inventory levels, while seasonal support pushed gasoline margins to new record highs. In Europe, refining margins benefitted from a positive performance across the barrel, while a contraction in fuel outputs from key traditional fuel suppliers within the region helped strengthen European product markets. Meanwhile, in Asia, weakness from rising regional fuel output levels were overshadowed by the robust performance in the jet fuel-kerosene and fuel oil markets, driven by an improvement in summer-related air travel and cooling requirements. Robust fuel consumption levels in India added to the upturn in regional refining economics.

Tanker Market

The VLCC tanker rates remained at depressed levels in August, weighed down by ample tonnage availability despite increased tanker demand. Suezmax and Aframax rates managed a better performance in intra-Asian routes, as well as the Atlantic basin, particularly from West Africa to the US Gulf. Clean tanker rates showed a healthy improvement East of Suez but slipped in the West. The arrival of Hurricane Ida in the Gulf of Mexico at the end of the month resulted in temporary dislocations, lending some support to dirty Aframax rates, while depressing clean rates in the early days of September as Gulf Coast refineries remain offline.

Crude and Refined Products Trade

Preliminary data shows US crude imports averaged 6.3 mb/d in August, while crude exports recovered to just under 3.0 mb/d. US product imports rose m-o-m to a robust 2.6 mb/d, while product exports averaged 5.3 mb/d in August, as lower demand from Latin America offset higher flows to Asia. Disruptions caused by Hurricane Ida at the end of August will likely impact these crude and product flows in September, as oil installations along the US Gulf Coast seek to restart. China's crude imports averaged 9.7 mb/d in July, remaining relatively flat since April, although recently released data for August shows crude inflows jumping to 10.5 mb/d now that refiners have a further round of quotas. India's crude imports continued to fall in July, averaging 3.6 mb/d, but positive expectations remain for a pick-up in August, as state-owned refiners look to increase runs to maximum capacity during 4Q21. Japan's crude imports averaged 2.1 mb/d in July, as the country's COVID-19 state of emergency continued to weigh on refinery runs amid uncertainty about product demand.

Commercial Stock Movements

Preliminary data shows total OECD commercial oil stocks up by 10.5 mb m-o-m in July. At 2,912 mb, inventories were 305.9 mb lower than the same month a year ago; 122 mb below the latest five-year average; and 57.2 mb lower than the 2015-2019 average. Within components, crude stocks fell by 5.6 mb m-o-m while product stocks rose by 16.1 mb. At 1,404 mb, crude stocks in the OECD were 106.9 mb below the latest five-year average and 80.0 mb below the 2015-2019 average. Meanwhile, OECD product stocks averaged 1,508 mb, representing a deficit of 15.1 mb compared with latest five-year average, but 22.7 mb above the 2015-2019 average. In terms of days of forward cover, OECD commercial stocks rose 0.1 day m-o-m to stand at 63.7 days in July. This is 11.6 days below the same month last year and 1.2 days below the latest five-year average, but 1.5 days above the 2015-2019 average.

Balance of Supply and Demand

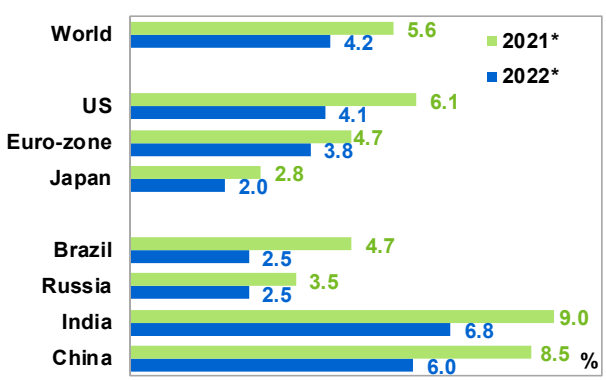
Demand for OPEC crude in 2021 is revised up by 0.3 mb/d from last month's assessment to stand at 27.7 mb/d, representing an increase of 4.9 mb/d over the previous year. Demand for OPEC crude in 2022 is revised up by 1.1 mb/d to stand at 28.7 mb/d, around 1.1 mb/d higher than in 2021.

Feature Article

Assessment of the global economy in 2021 and 2022

Although the **global economy** continues to be affected by developments related to COVID-19, 1H21 saw a healthy economic recovery. Following the strong quarterly economic growth in 3Q21, growth is forecast to slightly decelerate towards the end of the year. It should be noted that the recovery this year has been widely supported by unprecedented government-led stimulus, and global efforts done to contain COVID-19, particularly in Western economies and China. Assuming a recovery in global consumption and investment growth in 2021, global GDP growth is forecast at 5.6%. However, a further rise in COVID-19 infections, especially considering the upcoming winter season in the Northern Hemisphere, could dampen current growth projections. In addition, ongoing global supply chain disruptions, rising sovereign debt levels in many regions, together with inflationary pressures and central bank responses, remain key factors that require close monitoring. Healthy growth is also projected for 2022, with the GDP rising by 4.2%. This will be supported by ongoing fiscal and monetary stimulus and continued efforts to contain COVID-19 infections. Upside to both annual growth levels may come from further US fiscal stimulus and improvements in developments related to COVID-19.

Graph 1: GDP growth forecast for 2021-22

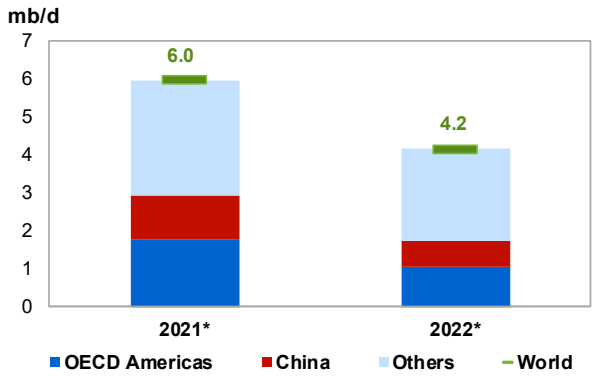


*Note: * 2021-2022 = Forecast. Source: OPEC.*

In terms of a geographical breakdown, the **OECD** shows a strong rebound in 2021, led by the US. US growth is forecast at 6.1% in 2021, supported by unprecedented fiscal and monetary stimulus. This is followed by projected growth of 4.1% in 2022, with further potential upside that may come from additional fiscal stimulus. Growth in the Euro-zone has also picked up strongly, especially in 2Q21, with economic growth for the entire year forecast at 4.7%, followed by 3.8% in 2022. Japan is facing ongoing COVID-19-related challenges and its economy is forecast to expand by 2.8% in 2021 and by 2% in 2022, albeit current domestic political changes and potential fiscal decisions may require revisions to these projections in the months to come.

In the **non-OECD**, the economic recovery has continued, though the pace and dynamics vary within the regions. China's 1H21 GDP figures confirmed a stable economic recovery, albeit the renewed COVID-19 variant outbreak is forecast to limit 2021 growth at 8.5%. China's anticipated softening of the 2H21 growth momentum is forecast to continue into 2022, leading to growth of 6%. India's growth is forecast at 9% for 2021 and 6.8% in 2022. Notwithstanding, there are still considerable uncertainties related to COVID-19 in India, as well as the likelihood of rising inflation. Growth forecasts for 2021 in Brazil and Russia stand at 4.7% and at 3.5%, respectively, followed by 2022 growth of 2.5% in both economies. However, rising inflationary pressures have already led Brazil and Russia to lift key interest rates in recent months, potentially dampening the recovery going forward.

Graph 2: World oil demand growth in 2021-22



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

The global economic recovery, in combination with a considerable rebound in mobility, significantly lifted oil demand growth in 1H21. While this dynamic is forecast to soften towards the end of 2021, the overall positive trend has led to projected global oil demand growth of 6.0 mb/d for 2021, followed by growth of 4.2 mb/d in 2022. Non-OPEC supply is expected to grow by 0.9 mb/d in 2021, followed by forecast growth of 2.9 mb/d in 2022. Nevertheless, numerous uncertainties, including the continued COVID-19 impact on the global economic recovery, will require continued coordinated policies, including the commendable efforts undertaken by OPEC and non-OPEC oil producers participating in the Declaration of Cooperation (DoC), to ensure stability and balance for the global oil market.

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Crude Oil Price Movements

The main crude spot benchmarks fell to their lowest monthly average since last May. In August, North Sea Dated and Dubai's first month dropped m-o-m by $4.19 and $3.46, respectively, or 5.6% and 4.8%, to settle at $70.80/b and $69.37/b. The WTI first month fell the most among benchmarks, declining by $4.85 m-o-m, or 6.7%, to settle at $67.73/b.

The ORB value fell by $3.20 on average in August to settle at $70.33/b, a m-o-m decline of 4.4%, and its largest drop since September 2020. ORB component values dropped on a sharp decline of their related crude benchmarks, offsetting a higher monthly change in their respective official selling price differentials for all components to the Asian market, and most components to the European market.

Crude oil futures prices on both sides of the Atlantic moved sharply lower during the first three weeks of August. They fell to their lowest levels since last May amid deteriorating market sentiment, as concerns about short-term oil demand outlooks in Asia, mixed economic data, and the prospects of higher global oil supply triggered a sharp sell-off. However, oil prices recouped some of their previous losses in the last week of August, after concerns about weakening oil demand eased. Large declines in US crude oil stocks and supply disruptions in Mexico and the Gulf of Mexico also contributed to support oil prices. The ICE Brent front-month in August fell m-o-m by $3.78, or 5.1%, to average $70.51/b, and NYMEX WTI dropped by $4.72 m-o-m, or 6.5%, to average $67.71/b. DME Oman crude oil futures prices declined by $3.42 m-o-m, or 4.7%, to settle at $69.31/b.

As oil prices dropped, hedge funds and other money managers extended the previous month's sell-off and massively reduced their net long positions in the first three weeks of August, hitting their lowest level since November 2020.

Although the market structure of all three major oil benchmarks – ICE Brent, NYMEX WTI, and DME Oman – remained in backwardation, uncertainty about the short-term oil demand outlook, lower seasonal crude demand in Asia, and the prospect of rising global oil supply flattened the backwardation forward curves.

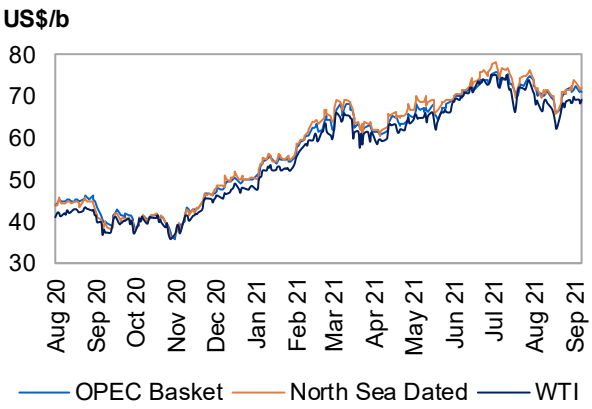
The sweet/sour crude differentials widened in Europe and the US Gulf Coast (USGC) on more robust margins of light sweet crudes compared to heavier crudes, and a plentiful supply of sour crude. Strong margins for naphtha and gasoline supported the value of light sweet grades. However, in Asia, the sweet/sour crude differentials narrowed as the sweet crude value fell more than that for sour crude.

Crude spot prices

Crude oil spot prices fell in August, the largest monthly drop since September 2020. The main crude spot benchmarks fell to their lowest monthly average since May 2021. In August, North Sea Dated and Dubai's first month dropped m-o-m by $4.19 and $3.46, respectively, or 5.6% and 4.8%, to settle at $70.80/b and $69.37/b. WTI first month fell the most among the benchmarks, declining by $4.85 m-o-m, or 6.7%, to settle at $67.73/b.

Spot prices were under pressure in August due to slowdown in buying interest from Asia, specifically from China, and rising volumes of unsold crude cargoes for August and September loadings, with sellers struggling to clear crude. The reinstatement of lockdown measures and mobility restrictions in several major Asia oil consumer countries, including Japan and China, resulted in softening demand for transportation fuels.

Graph 1 - 1: Crude oil price movement



Sources: Argus, OPEC and Platts.

Strong buying from Chinese refiners that supported the market in previous months slowed in August, amid limited crude import quotas for independent refiners in China, lower refinery runs, and prospects for weaker oil demand, due to lower mobility levels resulting from COVID-19 lockdowns, as well as bad weather.

Furthermore, data from China's National Bureau of Statistics (NBS) showed a m-o-m decline in China's processing volumes of crude oil to 59.06 million tons in July, compared to 60.82 million tons in June. The crude oil processing volumes in July was 0.9% lower compared to the same period last year.

Meanwhile, global oil production continued to rise gradually. OPEC and non-OPEC participating countries in the Declaration of Cooperation (DoC) have agreed to adjust upward their overall production by 0.4 mb/d on a monthly basis starting August 2021. Several other non-OPEC producers also raised their production in July.

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

			Change		Year-to-date	
OPEC Reference Basket (ORB)	Jul 21	Aug 21	Aug/Jul	%	2020	2021
ORB	**73.53**	**70.33**	**-3.20**	**-4.4**	**40.50**	**65.93**
Arab Light	74.15	71.36	-2.79	-3.8	41.02	66.64
Basrah Light	73.40	70.39	-3.01	-4.1	40.34	66.10
Bonny Light	75.37	71.23	-4.14	-5.5	40.79	66.87
Djeno	67.54	63.35	-4.19	-6.2	35.76	59.52
Es Sider	73.64	69.45	-4.19	-5.7	39.43	65.17
Girassol	75.45	70.93	-4.52	-6.0	41.77	67.32
Iran Heavy	72.98	70.34	-2.64	-3.6	39.34	65.70
Kuwait Export	73.80	71.06	-2.74	-3.7	40.36	66.40
Merey	54.49	51.76	-2.73	-5.0	27.89	47.90
Murban	73.64	69.89	-3.75	-5.1	42.53	65.97
Rabi Light	74.53	70.34	-4.19	-5.6	39.09	66.51
Sahara Blend	75.34	71.05	-4.29	-5.7	41.50	66.91
Zafiro	75.66	70.41	-5.25	-6.9	40.48	67.23
Other Crudes						
North Sea Dated	74.99	70.80	-4.19	-5.6	40.88	66.97
Dubai	72.83	69.37	-3.46	-4.8	41.54	65.56
Isthmus	69.61	65.25	-4.36	-6.3	34.49	62.88
LLS	73.15	68.55	-4.60	-6.3	40.27	65.88
Mars	70.58	65.93	-4.65	-6.6	38.90	63.84
Minas	72.24	68.45	-3.79	-5.2	40.56	64.84
Urals	73.09	68.14	-4.95	-6.8	40.89	65.63
WTI	72.58	67.73	-4.85	-6.7	38.15	64.22
Differentials						
North Sea Dated/WTI	2.41	3.07	0.66	-	2.73	2.76
North Sea Dated/LLS	1.84	2.25	0.41	-	0.61	1.09
North Sea Dated/Dubai	2.16	1.43	-0.73	-	-0.67	1.41

Sources: Argus, Direct Communication, OPEC and Platts.

The physical market's soft fundamentals were also reflected in the decline of many regional crude oil differentials, including in the North Sea, the Mediterranean, West Africa, and some East Suez crude markets.

West African, Mediterranean, and Caspian crude oil differentials extended their declines in August on weak crude demand from Asian refiners, particularly in China, the availability of prompt unsold cargoes, and the steady flow of light sweet crude from the US to Europe.

Despite a decline in EFS Dubai, making west-to-east arbitrage more favourable, it did not trigger strong demand from Asia, while firm refining margins for gasoline and naphtha in the US and Europe lent limited support to light sweet crude values. Bonny Light, Forcados and Qua Iboe crude differentials fell further in August and flipped to discount to North Sea Dated, falling by a monthly average of 81¢, 89¢, and 93¢, respectively, to stand at discounts of 50¢/b, 51¢/b, and 58¢/b. The crude differential of medium-heavy sweet Cabinda fell m-o-m by 53¢ in August to settle at a discount of 19¢/b. Saharan Blend crude differentials also averaged lower, dropping by 59¢/b m-o-m to stand at a discount of 64¢/b on average. However, the Caspian CPC Blend differential rose slightly m-o-m in August, increasing by 22¢, although it remained at a deep discount to North Sea Dated, averaging at $1.24/b.

In Northwest Europe, North Sea crude differentials weakened in August despite healthy refining margins, the prospect of a lower September loading programs, and strong gasoline cracks, although the decline in North Sea crude differentials was less than for similar crude in West African and Mediterranean markets. The Forties and Ekofisk crude differentials rose by 89¢ and 67¢, respectively, on a monthly average in July to settle at a premium of $1.09/b and $1.25/b.

In the Middle East, crude differentials to Dubai weakened slightly on the spot market in August amid soft demand from Asia Pacific refiners and weak middle distillate margins. The value of the Oman crude differential fell by 25¢ m-o-m in August to a premium of $2.20/b. In the USGC, however, coastal crude differentials of Light Louisiana Sweet (LLS) and Mars to WTI strengthened m-o-m in August, increasing by 26¢ and 20¢, respectively, on a monthly average, to a premium of 83¢/b and a discount of $1.81/b. The widening Brent-WTI spread helped support waterborne crude differentials.

Nonetheless, crude spot prices recovered part of their losses in the third decade of August as concerns about oil demand in Asia-Pacific regions eased and oil demand in the US and Europe continued to show signs of strength. Moreover, EIA weekly data showed a large drop in US crude oil stocks in August.

OPEC Reference Basket (ORB)

After a significant recovery for three consecutive months, the ORB value fell on average by $3.20 in August to settle at $70.33/b. This is a m-o-m decline of 4.4%, its largest monthly drop since September 2020. The ORB component values fell on a sharp decline of related crude benchmarks, which offset a higher monthly change in their respective official selling price differentials for all components to the Asian market, and most components to the European market. However, the y-t-d ORB was up by $25.42, or 62.8%, from $40.50/b in 2020 to an average of $65.93/b so far this year.

All ORB component values fell in August, with West and North African Basket components – Bonny Light, Djeno, Es Sider, Girassol, Rabi Light, Sahara Blend, and Zafiro – declining on average the most m-o-m, dropping by $4.40, or 5.9%, to $69.54/b. Multiple region destination grades – Arab Light, Basrah Light, Iran Heavy, and Kuwait Export – fell m-o-m by $2.80, or 3.8%, on average, to settle at $70.79/b. Murban crude fell m-o-m by $3.75, or 5.1%, on average, to settle at $69.89/b. The Merey component dropped m-o-m by $2.73, or 5.0%, on average, to settle at $51.76/b.

The oil futures market

Crude oil futures prices on both sides of the Atlantic moved sharply lower during the first three weeks of August. ICE Brent ticked down by $3.78, or 5.1%, on a monthly average, to settle at $70.51/b, while NYMEX WTI dropped by $4.72, or 6.5%, to stand at $67.71/b.

Downside pressure was witnessed on futures prices as the rapid spread of the COVID-19 Delta variant, along with renewed local lockdowns and tightening mobility restrictions, particularly in several Asian countries, including China, weighed on market sentiment and raised worries about the short-term oil demand outlook. This was in addition to signs of softening oil demand in major consuming countries, including China and Japan. ICE Brent and NYMEX WTI fell $11.15 and $11.63, respectively, or 14.6% and 15.7%, between late July and the end of the week to 20 August.

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

			Change		Year-to-date	
Crude oil futures	Jul 21	Aug 21	Aug/Jul	%	2020	2021
NYMEX WTI	72.43	67.71	-4.72	-6.5	38.03	64.23
ICE Brent	74.29	70.51	-3.78	-5.1	42.61	67.08
DME Oman	72.73	69.31	-3.42	-4.7	42.43	65.71
Spread						
ICE Brent-NYMEX WTI	1.86	2.80	0.94	50.5	4.58	2.85

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

The decline in oil prices came alongside a broader commodity sell-off as investors eyed the prospect of reduced US economic stimulus, as well as a strong US dollar against a basket of other major currencies that hit its highest level on a daily basis since November 2020. The sell-off from hedge funds and other money managers contributed to pushing oil prices lower.

Investors were also assessing the expected higher oil production from OPEC and non-OPEC participants in the DoC, as well as higher production from other non-OPEC producers, including the US. Additionally, the US Department of Energy (DoE) announced it intends to sell up to 20 mb of crude oil from the Strategic Petroleum Reserve (SPR) during 4Q21, and market sources indicated that China and India are drawing crude oil from their domestic stocks.

Oil prices, however, started to recover in the last decade of August and recouped part of the earlier monthly losses. This was after concerns about oil demand eased amid signs the latest surge of COVID-19 cases across Asia was slowing, and in China, the recent spread of the virus had been rapidly contained, which would help avoid further lockdowns and mobility restrictions. Market sentiment was bolstered further after the Pfizer-BioNTech COVID-19 vaccine received full regulatory approval from the US Food and Drug Administration, which could contribute to rising vaccination rates.

Oil prices were also positively supported by worries about short-term oil supply disruptions. Mexico witnessed an oil production disruption in August of about 421 kb/d, which lasted several days, due to a fire on an oil offshore platform operated by Pemex. In the US, oil and gas production in the Gulf of Mexico was shut for several days after energy companies evacuated platforms ahead of the arrival of Hurricane Ida. A decline in US crude oil stocks for four consecutive weeks in August, dropping to their lowest level since September 2019, also added support.

The ICE Brent front-month fell by $3.78 m-o-m, or 5.1%, in August to average $70.51/b, and NYMEX WTI declined m-o-m by $4.72, or 6.5%, to average $67.71/b. However, ICE Brent was $24.47 higher y-t-d, or 57.4%, at $67.08/b, and NYMEX WTI was $26.20 higher, or 68.9%, at $64.23/b, compared with the same period a year earlier. DME Oman crude oil futures prices declined in August by $3.42 m-o-m, or 4.7%, to settle at $69.31/b. Y-t-d, DME Oman was higher by $23.28, or 54.9%, at $65.71/b.

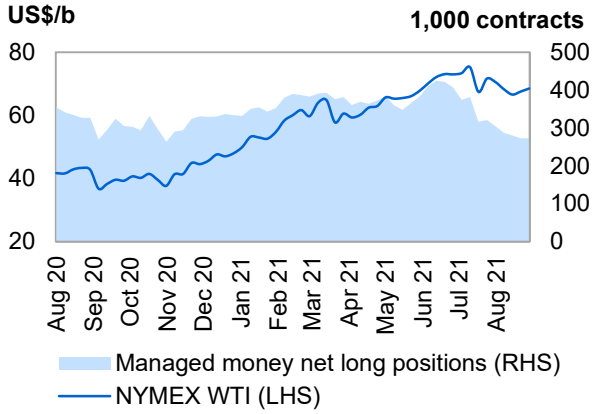
On 10 September, ICE Brent stood at $72.92/b and NYMEX WTI at $69.72/b.

After narrowing to below $2/b in July, **the transatlantic spread between the benchmarks** – **NYMEX WTI and ICE Brent** – widened significantly by 94¢ in August to average $2.80/b, its highest level since May. However, the spread remained relatively narrow, below $3/b on average. The Brent-WTI spread widened significantly in the second part of the month as the price recovery of NYMEX WTI was slower compared to ICE Brent, partly on the back of expectations for higher US shale oil output in September, according to EIA forecasts, the prospects of additional supply from the US SPR in 4Q21, and significant refinery capacity shutdowns and slowing crude demand due to Hurricane Ida. Additionally, signs of a possible decision by the US Federal Reserve to taper the stimulus sooner than market expectations probably weighed more on NYMEX WTI.

A wider Brent-WTI spread improved US export economics making US crude more competitive in Europe and Asia. In the first four weeks of August, US crude oil exports rose to 3.0 mb/d on average, according to EIA data, compared to 2.7 mb/d during the previous month. The North Sea Dated premium to WTI Houston also widened in August, by 37¢ m-o-m, to average $2.48/b.

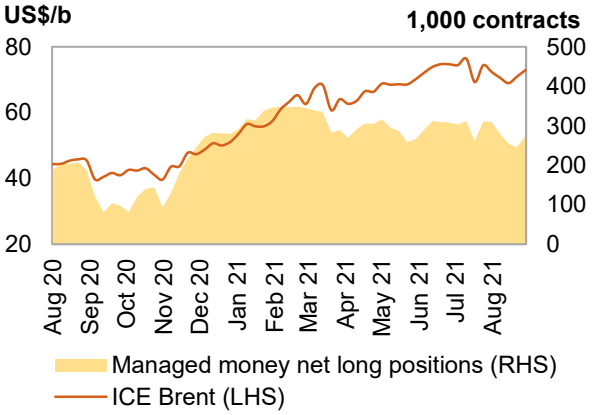
As oil prices fell, **hedge funds and other money managers** extended the previous month's sell-off and massively reduced their net long positions in the first three weeks of August, hitting their lowest level since November 2020. Speculators turned negative on deteriorating market sentiment and rising worries about deteriorating global oil demand amid the rapid spread of the COVID-19 Delta variant, while at the same time global oil supply is projected to increase. In the week to 24 August, combined futures and options net long positions linked to ICE Brent and NYMEX WTI were reduced by 197,067 contracts, or 27.5%, compared with the level in the week to 29 June. Nonetheless, speculators recovered some of their net long positions in the week to 31 August after oil prices rose. In terms of both ICE Brent and NYMEX WTI between the week of 27 July and the week ending 31 August, money managers were net sellers of about 86 mb.

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.

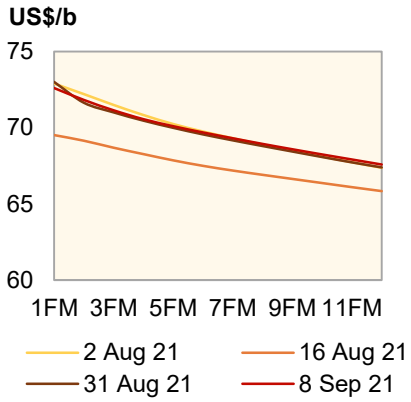
Compared with the week to 27 July, combined futures and options net long positions in Brent fell by 37,765 contracts, or 12.1%, to reach 273,894 lots in the week to 31 August, according to the ICE Exchange. In the week ending 31 August, gross short positions fell by 13,245 lots, or 16.6%, to 66,371 contracts, and gross long positions declined by 51,010 lots, or 13.0%, to 340,265 contracts during the same period.

Combined WTI futures and options net long positions fell by 48,318 contracts, or 15.0%, to 272,917 lots in the week to 31 August. This was due to a rise in short positions by 7,542 lots, or 16.1%, to 54,260 contracts, while long positions decreased by 40,776 contracts, or 11.1%, to 327,177 contracts, according to the US Commodity Futures Trading Commission (CFTC).

The futures market structure

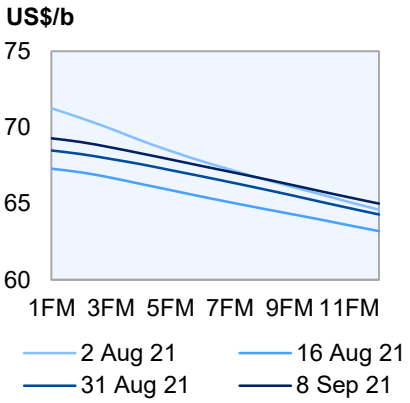
Although the market structure of all three major oil benchmarks – ICE Brent, NYMEX WTI and DME Oman – remained in backwardation, uncertainty about the short-term oil demand outlook, lower seasonal crude demand in Asia, and the prospect of rising global oil supply flattened the backwardation forward curves. Nonetheless, prospects of a supply/demand deficit in 2H21 kept the market structure in backwardation, despite the sharp oil price declines in August.

Graph 1 - 4: ICE Brent forward curves



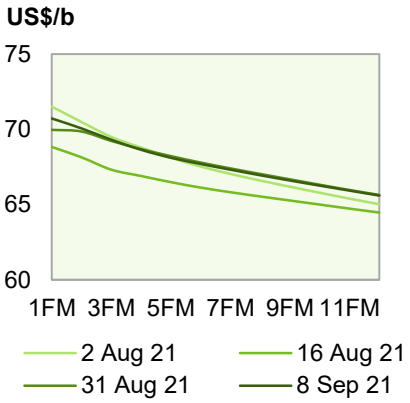
Sources: ICE and OPEC.

Graph 1 - 5: NYMEX WTI forward curves



Sources: CME and OPEC.

Graph 1 - 6: DME Oman forward curves



Sources: DME and OPEC.

Brent backwardation eased in August, coming under pressure from abundant crude supply in the Atlantic Basin and the availability of unsold volumes for prompt loading and softer demand, specifically from Asia-Pacific refiners, which pressured the value of nearest month prices. Worries about the spread of the COVID-19 Delta variant that threatened to dampen demand also contributed to flattening the futures forward curves. The ICE Brent first-to-third month spread narrowed m-o-m by 40¢, to stand at $1.15/b on average, compared with $1.55/b in July. ICE Brent's M1/M6 backwardation also eased in August to settle at $2.54/b on average, narrowing 96¢ m-o-m.

The backwardation forward curve of NYMEX WTI flattened in August despite a large US crude oil stocks decline, including in Cushing, Oklahoma, and refinery throughput remaining about 16.7 mb/d on average in the four weeks of August, according to EIA weekly data. The NYMEX WTI M1/M3 month spread narrowed by 81¢ to a backwardation of 67¢/b on average in August, compared with a backwardation of $1.48/b in July.

DME Oman and Dubai structures flattened last month moving into softer backwardation after prompt month prices came under pressure from weaker Asian demand and higher supply availability in the Middle East, in line with DoC decisions. Lower west-to-east arbitrage opportunities and a wide Brent-Dubai spread gave limited support to Dubai-related crude. On a monthly average, the DME Oman M1/M3 spread narrowed by 36¢ m-o-m to a backwardation of $1.43/b on average in August.

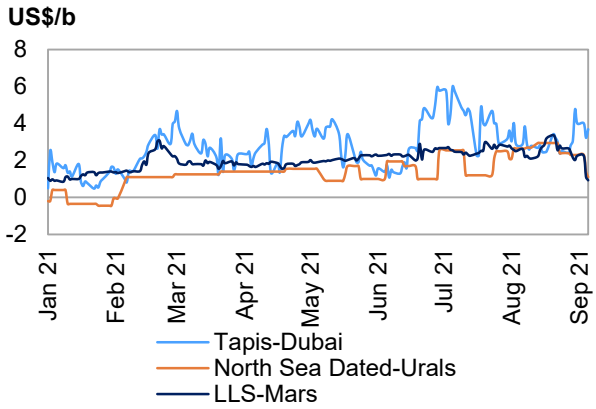
Regarding the M1/M3 structure, the North Sea Brent M1/M3 spread narrowed in August on a monthly average by 59¢ to a backwardation of 96¢/b, compared with $1.55/b in July. In the US, the WTI M1/M3 backwardation narrowed in August by 77¢ to 64¢/b, compared with a backwardation of $1.41b in July. The Dubai M1/M3 backwardation narrowed on average in August by 29¢ to a backwardation of $2.05/b.

Crude spreads

Sweet/sour crude differentials widened in Europe and the USGC on strong margins of light sweet crudes compared to heavier crudes, and a plentiful supply of sour crude. Strong margins of naphtha and gasoline supported the value of light sweet grades. However, in Asia, the sweet/sour crude differentials narrowed as the sweet crude value fell more than that for sour crude.

In **Europe**, the North Sea Dated-Urals crude differential widened further in August by 76¢ to average $2.66/b, its highest level this year. The value of medium sour crude Urals remained under pressure on the well-supplied market, amid expectations of higher sour crude supply, including from DoC producers, and soft demand for the grade, particularly in the Mediterranean. Meanwhile, the Brent-Dubai exchange of futures for swaps contract (EFS) remained wide in August, although on average the spread rose slightly in August, which makes the arbitrage of Urals to the Asian market unfavourable. Urals crude differentials in August remained in a deep discount to Brent, although the Urals crude differentials rose m-o-m by 37¢ to a discount of $2.17/b in Northwest Europe, while in the Mediterranean, the Urals crude differentials fell 77¢, on a monthly average, to a discount of $2.67/b. However, the decline in the value of light sweet crude was slower on strong light distillate margins, specifically naphtha and gasoline.

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



Sources: Argus, OPEC and Platts.

In the **USGC**, the value of sour crude fell significantly in August on the prospect of a higher global supply of sour crude, and the possible sale of 20 mb of sour crude from the US SPR in 4Q21. The LLS-Mars spread widened on 23 August to $3.38/b, its highest level since March 2020. However, supply disruptions in Mexico and worries about the impact of Hurricane Ida on crude production in the Gulf of Mexico, as well as the rise of sour crude flows from the USGC to Asia, contributed to limit the decline of Mars sour crude. The LLS premium over medium sour Mars rose on average in August by 5¢ to $2.62/b.

In **Asia**, however, the Tapis premium over Dubai fell last month as domestic light sweet crudes came under more pressure on low demand from regional refiners and became less competitive due to the weak value of similar crude in the Atlantic Basin and a narrower Brent-Dubai spread. The Brent-Dubai spread narrowed by 73¢ m-o-m in August to average $1.43/b. The Asia-Pacific crude oil market also weakened as refinery activity lessened, particularly for Chinese independent refiners, which reduced crude demand. Stronger fuel oil margins in Asia also lent support to heavier crude. The Tapis/Dubai spread narrowed by $1.03 to $4.31/b, while the Dated Brent/Dubai spread narrowed by 51¢ to $2.47/b, from $2.98/b in the previous month.

Commodity Markets

Energy commodity prices were mixed in August. There was a decline in crude oil prices on demand recovery uncertainties related to rising Covid-19 cases, while natural gas and coal prices continued their ascending trend supported by strong demand for power generation amid heatwaves, recovering industrial activities, lower power output from competing energy sources and some supply restrictions due to weather-related events.

Base metal prices followed a similar pattern as July, easing in the first half of the month on the back of the third consecutive monthly drop in the pace of global manufacturing expansion, and gains in the US dollar value. However, restricted output and a reversal in the dollar appreciation trend at the end of the month provided support. Gold prices declined for the third consecutive month on expectations for faster than anticipated US monetary policy tightening.

Trends in selected commodity markets

The **energy price index** declined m-o-m by 2.1% in August, mainly related to the retreat in crude oil prices over the month. However, natural gas and coal prices rose across all regions. The average index level was up by 69% in the period January–August 2021, compared with the same period in 2020.

The **non-energy index** declined slightly m-o-m by 1%, mainly due to a drop in agricultural commodity prices, but base metals advanced. The non-energy index was up by 36% in the January–August 2021 period, compared to the same months in 2020.

Table 2 - 1: Commodity prices

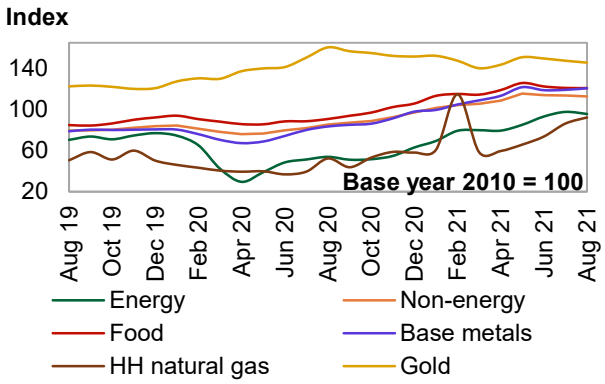
Commodity	Unit	*Monthly averages*			*% Change*	*Year-to-date*	
		Jun 21	Jul 21	Aug 21	Aug 21/Jul 21	2020	2021
Energy*	Index	**93.2**	**97.7**	**95.6**	**-2.1**	**50.4**	**84.9**
Coal, Australia	US$/mt	130.0	152.0	168.8	11.0	58.6	114.8
Crude oil, average	US$/b	71.8	73.3	68.9	-6.0	40.4	65.2
Natural gas, US	US$/mbtu	3.2	3.8	4.1	6.8	1.9	3.4
Natural gas, Europe	US$/mbtu	10.3	12.5	15.5	23.8	2.4	9.2
Non-energy*	Index	**114.0**	**113.8**	**112.6**	**-1.0**	**80.4**	**109.5**
Base metal*	Index	**119.0**	**119.3**	**120.9**	**1.3**	**75.2**	**113.5**
Precious metals*	Index	**144.2**	**141.2**	**138.0**	**-2.3**	**127.8**	**141.4**

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

In August, the **Henry Hub natural gas price** rose by around 11% m-o-m to average $4.1/mmbtu. Prices strengthened at the beginning of the month on expectations of increased demand due to warmer than average weather. Furthermore, towards the end of the month prices rose further on expectations for a drop in Gulf of Mexico production due to the arrival of Hurricane Ida, These factors limited storage gains and resulted in a further widening of the deficit vs. the five-year average. According to the Energy Information Administration, utilities added 20 bcf to working gas underground storage during the week ending 27 August 2021. This build left total working gas in underground storage at 2,871 bcf, around 7.2% below the latest five-year average. At the end of July, stocks were 6.4% below the five-year average.

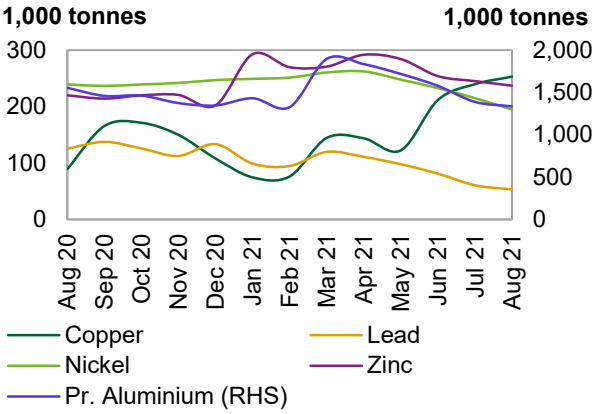
Natural gas prices in Europe rose to a record in August, with the average **Title Transfer Facility price** up by around 23.8% m-o-m to average $15.5/mmbtu. Average prices in the January-August period are around three times higher than the same period last year. The factors described in previous MOMRs continued to support prices, including low inventory levels, restricted supplies from Russia and Norway due to both unplanned outages and scheduled maintenance, strong carbon emission credit pricing that favours natural gas usage by the power sector vs. coal, and favourable Asia LNG differentials vs. Europe that supported export to that region. Limited wind power output has also contributed to greater requirements for thermal power generation. All these factors have contributed to record power prices in Europe. EU inventories ended August around 67% full vs. 57% full at the end of July, according to Gas Infrastructure Europe. Inventories were approximate 91% full at the end of August last year.

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.

Australian thermal coal prices rose m-o-m by 11.0% in August to average $168.8/mt, approaching the record level from 2008. In the January-August 2021 period, prices have been around 96% higher than in the same period last year. This has been driven by strong demand for power generation in Asia, especially in China, amid warmer than average weather, an expansion in industrial activities, and reduced hydropower generation due to drought. Additionally, reduced coal output from China, amid mine safety reviews, and supply limitations from major exporters, such as Australia, Indonesia, also played a role. In China, thermal power demand rose by 12.7% y-o-y in July, while at the same time coal output dropped by 3.3% y-o-y in July, amid the aforementioned mine safety reviews.. The strong demand for power generation has also translated into higher LNG prices in Asia.

The **base metal price index** rose m-o-m by 1.3% in August. As in the previous month, copper saw a decline, but other group components advanced. However, there were two trends across the month. Base metal prices generally weakened in the first half of August, on the back of evidence of a further deceleration in the expansion of global manufacturing with JP Morgan Global Manufacturing PMI dropping for the third consecutive month. Further appreciation of the dollar also added pressure. However, as witnessed in July, the trend reversed in the second half of the month on concerns about restricted base metals output from China (especially aluminium) amid power cuts, and the value of the US dollar eased.

Average monthly copper prices declined m-o-m in August by 0.9% to average $9,370.1/mt. Average prices in the January-August period were 60.1% higher than in the same period of 2020. Copper stock levels at the London Metal Exchange (LME) rose to 253,000 at the end of August, from 239,650 tonnes at the end of July suggesting a loosening in market conditions. Furthermore, estimations from the International Copper Study Group (ICGS) saw the refined copper balance (adjusted for unreported Chinese inventories) in the first five months of 2021 showing a surplus 130,000 tonnes – higher than the previous estimation for the January-April period which showed a 130,000-tonne surplus.

Iron ore prices dropped sharply m-o-m by 24% to a monthly average of $162.2/mt. Average prices in the January-August period were 89% higher than the average for the same period last year. Prices weakened as steel making activity dropped in China amid government restrictions. However, steel making activity rose at a global level by 3.3% in July 2021, compared to the same month last year, and by 12.4% in the January–July period, compared to the same period last year. Chinese output declined by 8.4% y-o-y in July – vs. growth of 1.5% y-o-y in June. According to China trade data, iron ore imports declined by 1.7% in the January–August period, compared to the same period last year.

In the group of **precious metals**, gold prices declined on average by 1.2% m-o-m in August, mainly due to declines in the first half of the month when expectations of rising real interest rates in the US firmed. However, it recovered in the second half as expectations for interest rates reversed trend. Meanwhile, silver and platinum prices declined by 6.6% and 7.2%, respectively.

Investment flows into commodities

Money Managers' net length positions decreased across the selected commodities, both in absolute and as share of open interest, Despite that, investors continue to hold a net long position in the selected commodities.

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

Selected commodity	*Open interest*		*Net length*			
	Jul 21	Aug 21	Jul 21	% OI	Aug 21	% OI
Crude oil	3,043	2,776	348	11	284	10
Natural gas	1,465	1,443	91	6	63	4
Gold	645	639	103	16	86	13
Copper	218	214	35	16	27	13

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

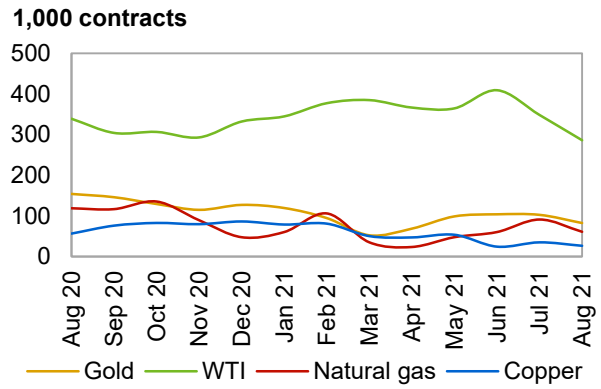
Sources: CFTC and OPEC.

Henry Hub's natural gas OI dropped m-o-m by 1.5% in August. Money managers' net long position declined by 30% to an average of 63,124 contracts from 91,121 contracts the previous month. This was mainly due to some weakening demand expectations before the arrival of Hurricane Ida.

Copper's OI dropped by 1.6% in August. Money managers' decreased their net length by 21.3% m-o-m to 27,193 contracts from 34,565 contracts the previous month in response to rising stocks.

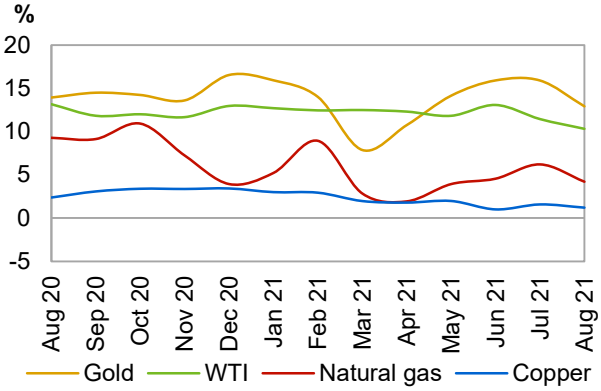
Gold's OI decreased by 1.1% in August. Money managers' net length dropped by 16.5% to 85,756 lots from 102,665 contracts the previous month. This drop occurred mainly in the first half of the month amid expectations of tighter US monetary policy.

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

Supported by unprecedented government-led stimulus measures and swift improvements in controlling the pandemic in the advanced economies and China, global growth has recovered well. After a healthy recovery in 1H21, global growth momentum has accelerated into 3Q21. Further upside potential may come from additional US fiscal stimulus, ongoing monetary easing and similar support measures in other major economies. At the same time, numerous challenges have become accentuated over the past weeks. With uncertainties in both directions, the global GDP growth forecast remains unchanged for now for both 2021 and 2022 at 5.6% and 4.2%, respectively.

The US economic forecast is unchanged at 6.1% for 2021 and 4.1% for 2022. Euro-zone economic growth remains at 4.7% for 2021 and 3.8% for 2022. The forecast for Japan is also unchanged at 2.8% for 2021 and 2.0% in 2022. China's economy is seen to grow at 8.5% in 2021 and 6% in 2022, in line with the previous month's assessment. Meanwhile, India's 2021 growth forecast has been revised down to 9%, following a weaker-than-expected recovery in 2Q21, although growth for 2022 remains unchanged at 6.8%. Given strong growth in 2Q21, Brazil's growth forecast for this year has been revised up to 4.7% from 4.2%, while growth in 2022 remains unchanged at 2.5%. Russia's forecast for 2021 has been revised up to 3.5%, benefitting from OPEC-non-OPEC efforts to stabilize the oil market, while the forecast for 2022 remains unchanged at 2.5%.

The underlying assumptions for world economic growth in 2021 and 2022 are largely unchanged. This includes, in particular, the assumption that COVID-19 will remain well contained in advanced economies in the sense that it will not dampen the recovery beyond current levels and the pandemic will also not pose a large obstacle to major emerging economies. While some softening of the 4Q21 growth dynamic has been reflected in the GPD growth forecast, it remains to be seen whether the recent rise in infections in selective major economies will continue, and whether this finally leads to a material softening in consumption. Another challenge is the ongoing global supply-chain issue. Tight labour markets may lead to rising inflation at the global level. Finally, very high debt levels, in both governments and the private sector, could provide substantial challenges going forward.

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

	World	OECD	US	Euro-zone	UK	Japan	China	India	Brazil	Russia
2021	**5.6**	**5.0**	**6.1**	**4.7**	**6.2**	**2.8**	**8.5**	**9.0**	**4.7**	**3.5**
Change from previous month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	0.5	0.3
2022	**4.2**	**3.6**	**4.1**	**3.8**	**3.9**	**2.0**	**6.0**	**6.8**	**2.5**	**2.5**
Change from previous month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

Source: OPEC.

Update on latest global developments

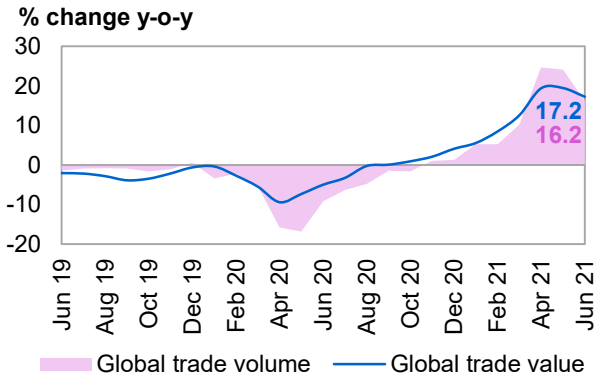
The **global economic situation has become more complex** over the past weeks. A rise in COVID-19 cases in the US and other advanced economies has demonstrated that the pandemic is likely to continue. This could even impact economies with high vaccination rates. However, Asian economies, which have relatively lower vaccination coverage among their populations and have so far relied more on usually economically impactful lockdown measures, as seen in past weeks, stand to be hit hardest. As was the case in China in 3Q21, lockdown measures were necessary to prevent the spread of COVID-19, negatively impacting economic growth. Another important matter that seems to have become more accentuated is supply-chain issues. In most major economies there is an ongoing mismatch between order backlogs and the ability to fulfil the current magnitude of orders, due to a lack of input goods and inventories. A shortage of semiconductors, among other input goods, has been ongoing. Bottlenecks in logistical capabilities have accentuated this problem. These factors have meanwhile put pressure on prices, lifting inflation. Selective labour market shortages have added to the problem and it remains to be seen if inflation will be a temporary issue. The labour shortage, in combination with once again rising infections, has also dampened the recovery in the services sector. With rising COVID-19 cases, the sectors of travel and tourism, hospitality and leisure may be particularly exposed. As the services sector is an important driver for a fully-fledged economic recovery, it will require close monitoring, including the situation in the US. With ongoing budgetary and debt ceiling negotiations in the US

Congress, including on additional fiscal stimulus, a softening labour market, and to some extent the ending of COVID-19-related social support systems, along with substantially rising COVID-19 cases, uncertainties have grown.

Inflation is a particular subject that will need to be observed, as it has risen across the world over the past months for different reasons. Initial major drivers came via re-opening effects in 1H21 and temporary supply shocks, especially in semi-conductors. It remains to be seen whether temporary supply shocks will be quickly overcome, as supply issues are building up and weather-related events have been lifting food prices. The latest inflation numbers in the US and the Euro-zone show no imminent easing of the situation.

A very important driver, **global trade** continued its rebound, but it may have become constrained by supply shortages. Another issue causing a retraction in yearly numbers is base effects from last year. In June, world trade volumes rose by 16.2% y-o-y, after a rise of 24.1% y-o-y was seen in May and 24.7% y-o-y in April, based on the CPB World Trade Index provided by the CPB Netherlands Bureau for Economic Policy Analysis. Trade retracted in value terms as well, rising by 17.2% y-o-y in June, compared with 19.4% y-o-y in both May and April.

Graph 3 - 1: Global trade



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

Near-term global expectations

After a healthy recovery was seen in 1H21, global economic growth has continued to accelerate in 3Q21. However, most recently the combination of rising COVID-19 infections, supply chain issues and growing inflation has led to a slowdown that is forecast to materialize in 4Q21. The underlying assumptions for world economic growth in 2021 and 2022 are so far largely unchanged. This includes, in particular, the assumption that COVID-19 remains well contained in the advanced economies in the sense that it will not dampen the recovery beyond current levels and that the pandemic will not pose a large obstacle to major emerging economies. With these base assumptions, 1Q21 global GDP growth is forecast to stand at 1.8% q-o-q and decelerate to 0.8% q-o-q in 2Q21. Some acceleration is then forecast to materialize in 2H21, with 3Q21 growth forecast at 1.1% q-o-q and 4Q21 growth at 1.0% q-o-q. The growth pattern in 2022 is forecast to be relatively equally spread and in line with average historical patterns. Regarding inflation, it is assumed that it will remain well anchored in the OECD economies 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 around 2.5% for the US. These levels would imply no unexpected interest rate hikes by G4 central banks prior to 2H23.

Entering the coming months and hence the northern hemisphere winter season, it will be critical that infection levels not rise too rapidly, especially in those economies where vaccine penetration is still low, as this may coincide with the seasonal flu and the usual arrival of the common cold. Overburdened health facilities may again lead to lockdown measures, negatively impacting affected economies, with consequent spill over effects on the global economy. Such an extended global health challenge would lead to an approximately -2 percentage point (pp) impact on global GDP in 2022. Besides the major issue of COVID-19, supply-chain problems and inflation scares, numerous other localized issues remain, including current fiscal discussions in the US Congress, the outcome of German and Japanese general elections and the potential of rising taxes in various economies amid the build-up of sovereign debt.

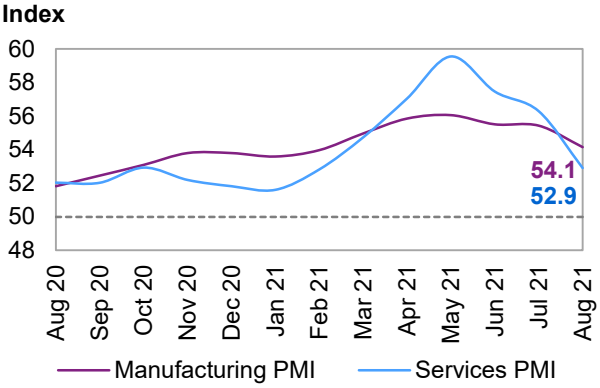
It also remains to be seen if supply chain issues and the rise in inflation will remain temporary. Labour shortages in select areas, most especially in the services sector, are leading to rising wages, which could have a more sustained effect on inflation. In this regard it will be important to see what the Federal Reserve (the Fed) in particular, as well as the European Central Bank (ECB) will decide in their tapering process. So far it is anticipated that the G4 central banks will continue their accommodative monetary policies.

The 2021 and 2022 forecasts have seen **selective adjustments in the non-OECD regions**. The US economy held its forecast unchanged at 6.1% for 2021 and 4.1% for 2022. Euro-zone economic growth remains at 4.7% for 2021 and 3.8% for 2022. The forecast for Japan is also unchanged at 2.8% for 2021 and 2.0% in 2022. China's economy is seen to grow at 8.5% in 2021 and 6% in 2022, in line with the previous month's

assessment. Meanwhile, India's 2021 growth forecast is revised down to 9%, following a weaker-than-expected recovery in 2Q21, although growth for 2022 remains unchanged at 6.8%. Given strong growth in 2Q21, Brazil's growth forecast for this year has been revised up to 4.7% from 4.2%, while growth in 2022 remains unchanged at 2.5%. Russia's forecast for 2021 has been revised up to 3.5%, benefitting from OPEC and non-OPEC efforts to stabilize the oil market, while the forecast for 2022 remains unchanged at 2.5%.

Global purchasing managers' indices (PMIs) for both the manufacturing and services sectors retracted slightly in August, reflecting ongoing challenges in supply chains, labour market constraints and rising price levels. The global manufacturing PMI stood at 54.1 in August, after reaching 55.4 in July and 55.5 in June. The global services sector PMI retracted slightly to stand at 52.9 in August, after reaching 56.3 in July and 57.5 in June.

Graph 3 - 2: Global PMI



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

The acceleration of improvements in 2Q21 in OECD economies and some strengthening of the rebound in emerging and developing economies is anticipated to lift 2021 **GDP growth** to 5.6%, unchanged from the previous month.

While growth in 2022 is forecast to normalize at lower levels, it is also seen to benefit from a built-up in momentum in 2021. GDP growth in 2022 is forecast at 4.2%, unchanged from the previous month. This implies that, among other issues, COVID-19-related challenges will not derail the recovery.

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

	World
2021	**5.6**
Change from previous month	0.0
2022	**4.2**
Change from previous month	0.0

*Note: * 2021-2022 = Forecast.*

Source: OPEC.

OECD

OECD Americas

US

Update on the latest developments

Momentum in the US economy seems to have slowed lately. Job creation in August was less than expected, consumer confidence is falling and rising inflation is eating into household incomes and spending abilities, all leading to a challenging situation for private household consumption. In the meantime, 2Q21 GDP growth was revised up slightly to stand at 6.6% q-o-q seasonally adjusted annualized rate (SAAR), according to the Bureau of Economic Analysis (BEA). This compares with the BEA's assessment last month of 6.5% q-o-q SAAR. Inventory drawdowns dragged growth down in 2Q21 and while this may support 2H21 growth, given ongoing strong underlying demand, current supply-chain issues may dent this dynamic. **Consumer confidence** retracted substantially to stand at 113.8 in August, compared with 125.1 in July and 128.9 in June, based on the index provided by the Conference Board.

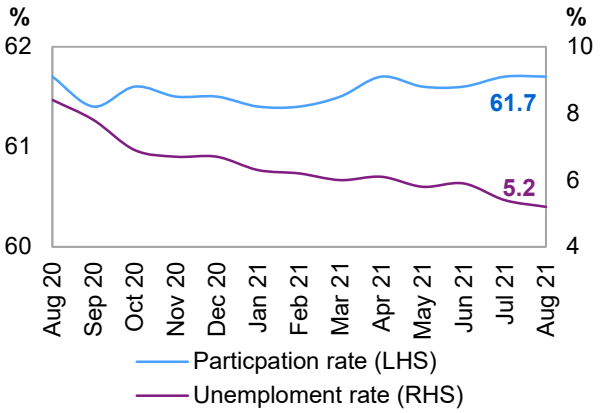
Ongoing budget and fiscal stimulus discussions in US Congress in the coming weeks will be important, as there is not only a debt ceiling that may cap US spending abilities if not lifted, but fiscal stimulus may also be needed to counterbalance the ongoing effects of COVID-19. The government would like to provide **further fiscal stimulus** at a magnitude of possibly $3 trillion or even more over a period of 8 to 10 years. Moreover,

the Fed continued providing strong support, pointing to a continuation in its accommodative monetary policy, albeit some officials of the of the Fed point at a potential tapering, given the strong rise in consumer prices. US inflation remained high at 5.3% y-o-y in July for a second consecutive month. The strongest appreciation came once again from the sub-sector of transportation, pointing at the possibility of a transitory effect after the reopening of the economy. Prices in the transportation sector rose by 19.1% y-o-y in July. Additionally, the 2020 base was greatly distorted by the effects of pandemic-induced lockdowns. Excluding the volatile components of energy and food, inflation would have stood at 4.2% y-o-y in July.

The **unemployment rate** fell to 5.2% in August, compared with 5.4% in July and 5.9% in June.

Non-farm payroll additions slowed considerably in August, increasing by 235,000, after reaching 1.053 million in July and 962,000 in June. In general, it seems the past month's labour market tightness is easing, but wage developments will also need close monitoring, as they could materially lift inflation. Hourly earnings rose by 4.3% y-o-y in August, compared with 4.1% y-o-y in July, substantially above pre-COVID-19 yearly growth of between 2% and 3%.

Graph 3 - 3: US monthly labour market



Sources: Bureau of Labor Statistics and Haver Analytics.

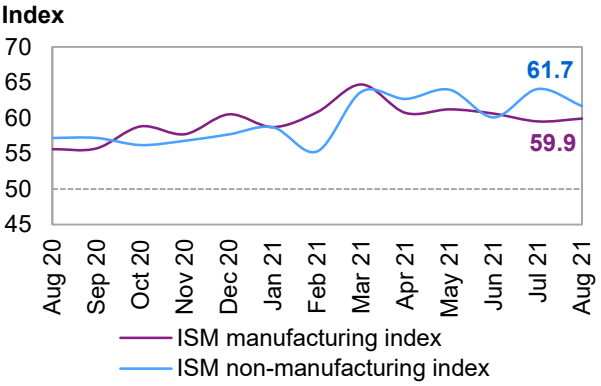
Near-term expectations

Near-term expectations are almost unchanged, while uncertainties have grown most recently, raising the potential for a downward revision in GDP growth in the coming month if the trend continues. A significant reason behind less-than-strong growth levels in 2Q21 came from a significant inventory draw-down. Given the considerable underlying momentum in the US economy, inventories will very likely be replenished in 2H21. However, supply chains will need to be monitored, as an ongoing shortage of vital input goods like semiconductors could dampen this expectation. While it is assumed that the labour market supply shortage will abate, it remains to be seen if job-seekers are able to enter the job market, considering the latest slowdown in job creation. Positively, further fiscal stimulus may provide an additional upside to the growth forecast.

In terms of **quarterly growth** developments, 1Q21 GDP growth stood at 6.3% q-o-q SAAR and 2Q21 growth was reported at 6.6% q-o-q SAAR, based on BEA numbers. With the expectation of inventory restocking in 2H21 and further stimulus measures, growth levels for 2H21 and 2022 are forecast to remain sound. Growth in 3Q21 is forecast to reach 8.4% q-o-q SAAR, compared with the previous estimate of 8.5% q-o-q SAAR. Growth in 4Q21 is forecast to reach 4.8% q-o-q SAAR, unchanged from last month's estimate. Quarterly growth in 2022 is forecast to be relatively equally distributed.

The economy's service's sector related slowdown is reflected in **August's PMI** levels as provided by the Institute for Supply Management (ISM). The index level for the services sector, representing around 70% of the US economy, saw a significant retraction. It fell to 61.7 in August, compared with 64.1 in July. The manufacturing PMI rose slightly to stand at 59.9 in August, compared with 59.5 in July, and 60.6 in June.

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



Sources: Institute for Supply Management and Haver Analytics.

The 2021 US GDP growth forecast remains at 6.1%. The **current forecast** anticipates that COVID-19 will not materially impact 2H21 and 2022 growth. A strong rise in consumption and investment is forecast to provide the two main pillars for a solid recovery. This will be accompanied not only by accommodative monetary policy, but also by further fiscal stimulus and inventory restocking. It remains to be seen if these assumptions need to be altered.

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

	US
2021	**6.1**
Change from previous month	0.0
2022	**4.1**
Change from previous month	0.0

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

Growth in **2022** is forecast to normalize, but will continue to be very well supported by fiscal stimulus, as well as ongoing accommodative monetary policies. These supporting factors and ongoing momentum are forecast to lift growth to 4.1%, unchanged from the previous month. Major uncertainties, mainly associated with the pandemic, but also supply chain issues and inflation, remain.

OECD Europe

Euro-zone

Update on the latest developments

Euro-zone growth performed well in 1H21 and the rising momentum stemming from the reopening of most of the region's economy carried over into 3Q21, which experienced accelerated momentum in July that will most likely be repeated in August as indicated by most economic indicators. However, the latest rise in infections in some economies highlights that there is ongoing COVID-19-related uncertainty heading into the coming colder months. Moreover, inflation has started to rise and this may lead to a less accommodative monetary policy in the near term. This development is also accentuated by global supply issues that have led to price rises in input goods, which has especially impacted the manufacturing sector in Germany, but as well in France, Italy and Spain. Passenger car production in Germany declined in the three months up to August, when output fell by a substantial 31.7% y-o-y, according to the German car industry association, the Verband der Automobilindustrie (VDA). In the meantime, improvements in the labour market and consumption have continued, albeit at a slower pace.

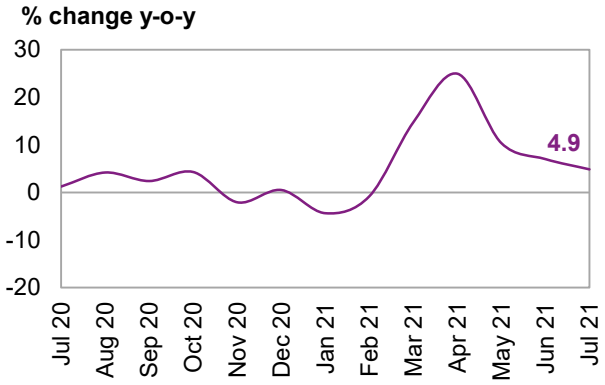
The European Central Bank (ECB) has maintained its **accommodative monetary policies**, but pointed to some tapering in the near-term, taking into consideration rising inflation**.** Inflation in the Euro-zone reached 3.2% y-o-y in August, up from 2.4% y-o-y in July and 2% y-o-y in June. When excluding the volatile items of food and energy, inflation stood at 1.9% y-o-y in August, up from 1.2% y-o-y in July. Positively, lending to the private sector by monetary financial institutions recovered slightly, rising to 2.6% y-o-y in July from 2.5% y-o-y in June and 2.2% y-o-y in May. However, the largest part of lending activity continues to flow into the real estate sector, while lending to non-financial corporations retracted further and stood at only 0.3% y-o-y in July compared with 0.6% y-o-y in both June and May.

The **labour market** has continued to improve. According to the latest numbers from Eurostat, the unemployment rate stood at 7.6% in July, comparing with 7.8% y-o-y in June and down from 8% in May.

Retail sales in value terms have risen, albeit at a slower pace than in the past months, with growth of 4.9% y-o-y compared with 7% y-o-y in June, both on a seasonally adjusted basis. This translates into a monthly decline of 1.7% y-o-y in July.

Industrial production (IP) retracted as well in June, rising by 10% y-o-y compared with 20.7% y-o-y in May and 39.2% y-o-y in April. And while the base effect needs to be taken into consideration, the slowdown is also very much impacted by current supply issues.

Graph 3 - 5: Euro-zone retail sales



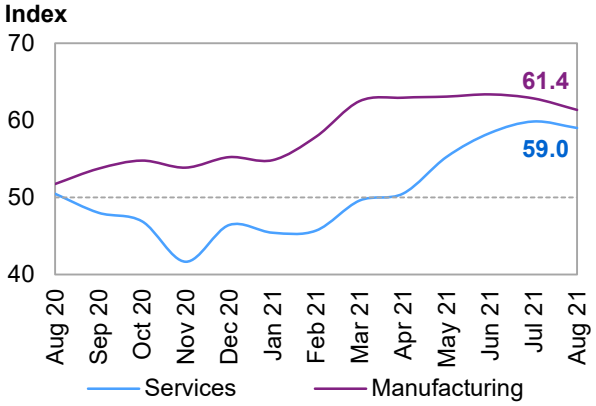
Sources: Statistical Office of the European Communities and Haver Analytics.

Near-term expectations

The **healthy dynamic in 1H21** seems to have carried over into 3Q21, supported by pent-up demand after the end of lockdown measures and an apparent recovery in contact-intensive sectors. The latest indicators show that some of the services momentum may have slowed somewhat due to a recent rise in COVID-19 infections, which highlight the ongoing challenges connected to the pandemic in some parts of the Euro-zone. It remains to be seen whether vaccination rates will achieve sufficient levels towards the autumn and winter to prevent the further spread of new – and apparently more contagious – variants. It is too early to say if the situation is worsening in such a way that it will materially impact consumption and investment, the two main pillars of the recovery. Fiscal stimulus and the ongoing accommodative monetary policy by the ECB are counterbalancing the negative impact of the COVID-19 situation. Accordingly, the underlying assumptions for the forecast have not changed. It is anticipated that COVID-19 containment efforts in 2H21 will be effective enough to support the recovery and not derail the economy. GDP growth in 2H21 is forecast to slow on a quarterly basis after reported growth of 1.3% q-o-q SAAR in 1Q21 and 8.2% in 2Q21. GDP growth in 3Q21 is anticipated to reach 7.8% q-o-q SAAR, slightly below the 2Q21 level. In 4Q21, growth is forecast at 3.2% q-o-q SAAR.

The August **PMI** for the Euro-zone economy pointed to an ongoing improvement in the manufacturing and services sectors, though at a slightly slower pace. The PMI for services, the largest sector in the Euro-zone, retracted slightly to 59 from 59.8 in July. The manufacturing PMI retracted only slightly as well to stand at 61.4 from 62.8 in July.

Graph 3 - 6: Euro-zone PMIs



Sources: IHS Markit and Haver Analytics.

After the easing of lockdown measures led to a strong recovery in 1H21, the pace is expected to continue and **2021 GDP growth** is forecast at 4.7%, unchanged from the previous month.

GDP growth in **2022** is forecast to slow, similar to other OECD economies, and reach 3.8%, also unchanged from the previous month. Hence, the momentum is forecast to remain solid, driven by strong underlying demand in the Euro-zone and general improvements in the global economy.

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

	Euro-zone
2021	**4.7**
Change from previous month	0.0
2022	**3.8**
Change from previous month	0.0

*Note: * 2021-2022 = Forecast.*

Source: OPEC.

OECD Asia Pacific

Japan

Update on latest developments

Japan's economy performed better than expected in 2Q21 given the COVID-19-related emergency measures in Tokyo and other areas that were affected by a surge in infections. It also appears that domestic demand performed better than expected in 3Q21, signalling some resilience in the Japanese economy as consumption continues at a good pace despite the emergency measures. The latest mobility indicators, however, point to some negative impact towards the end of August, potentially influenced by the rise in infections.

In the meantime, the Prime Minister announced that he would not run again for the leadership of his party, the LDP, and that he would resign by the end of September. Elections will be held in the coming weeks. It was expected that the government would announce new stimulus measures and, while further fiscal stimulus will depend on political developments, further fiscal support may be likely after the elections. Ongoing supply

issues that are significantly impacting the auto sector, among others, could continue to be a drag on growth in 3Q21.

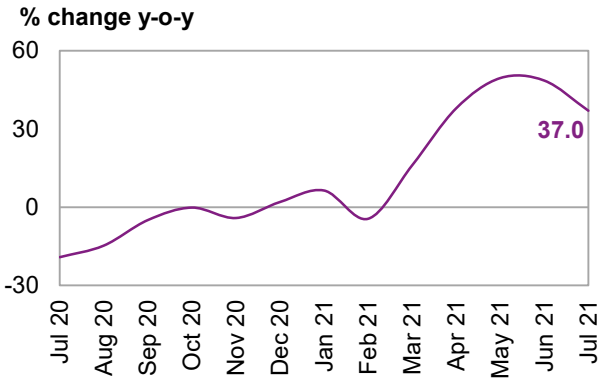
Growth in **industrial production (IP)** retracted in July on a yearly basis, however, the numbers continue to be distorted by the sharp declines last year. July's growth stood at 13% y-o-y, compared with 21.6% y-o-y in June. On a monthly basis, IP fell by 1% in July following an increase of 6.4% m-o-m in June on a seasonally adjusted basis.

Exports continued to stage a strong recovery, rising by 37% y-o-y in July, compared with 48.6% y-o-y in June, all on a non-seasonally adjusted basis.

Retail sales recovered as well, expanding by 2.4% y-o-y in July, compared with growth of 0.1% y-o-y in June. The Summer Olympics supported the lift and counterbalanced some negative effects of the pandemic.

Consumer confidence retreated slightly to an index level of 36.4 as reported by the Cabinet Office. It stood at 37.4 in July and 37.6 in June, but still remains above the May level of 34.3. This points to ongoing resilience in domestic consumption.

Graph 3 - 7: Japan's exports



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

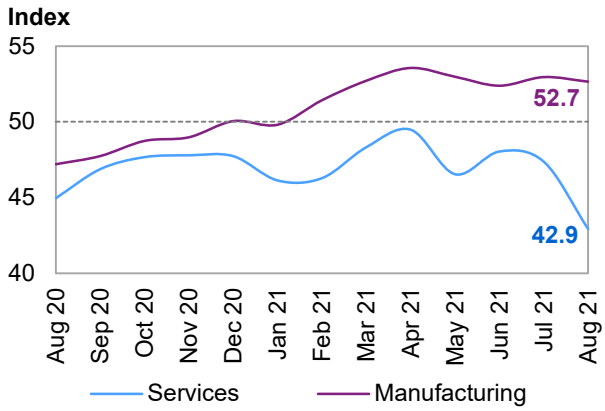
Near-term expectations

Japan's economy is forecast to remain resilient and to benefit from healthy exports and solid domestic demand. Some slowdown in September is anticipated, however, amid the slowing activity in mobility as shown by the latest data. The trend will also very much depend on COVID-19-related developments. Moreover, politics may prove to be influential, given the upcoming general elections in either October or November. In this respect it remains to be seen what further stimulus measures will be undertaken and their magnitude.

With the ongoing positive momentum and by taking into consideration the near-term uncertainties, the GDP growth forecasts for both 2021 and 2022 remain unchanged. The economic situation will be monitored closely over the coming weeks to see which direction the GDP growth dynamic will take. As reported by Japan's statistical office, 1Q21 GDP declined by 3.7% q-o-q SAAR. Despite the lockdown measures in 2Q21, growth was reported to have recovered and reached 1.3% q-o-q SAAR. This is better than the Secretariat's expectation of 0.4% q-o-q SAAR for this quarter. Quarterly growth in 3Q21 and 4Q21 should then pick up further, with the global economy's recovery having gained pace in 3Q21. Hence, growth is forecast at 7% q-o-q SAAR in 3Q21 before slowing somewhat to reach 5% in 4Q21. However, pandemic-related uncertainties loom large.

The impact of ongoing lockdowns is also reflected in the August **PMIs**, especially in the services sector, which remains below the growth-indicating level of 50. The PMI for the services sector, which constitutes around two-thirds of the Japanese economy, retracted considerably to 42.9 in August, compared with 47.4 in July and 48 in June. Also, all PMIs since January were below 50. The manufacturing PMI was almost unchanged at 52.7 in August, compared with 53 in July and 52.4 in June, and there shows resilience.

Graph 3 - 8: Japan's PMIs



Sources: IHS Markit, Nikkei and Haver Analytics.

In addition to the ongoing recovery in external trade, GDP growth is expected to remain supported by domestic demand in the near term, although COVID-19-related developments remain influential. Ongoing stimulus measures are expected to support the recovery in private household consumption and investment. **GDP growth in 2021** remains unchanged and is forecast at 2.8%. This assumes that COVID-19 will be widely 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**
Change from previous month	0.0

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

GDP growth is expected to normalize towards pre-pandemic levels next year. GDP growth in **2022** is forecast to slow to 2%, supported by ongoing global growth momentum and stabilising domestic demand. This is also unchanged from the previous month.

Non-OECD

China

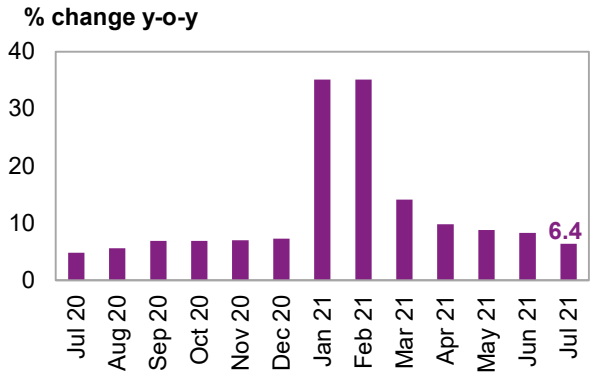
Update on the latest developments

China's economic recovery slowed considerably in July, reflecting new restrictions that took effect between late July and mid-August to curb with the Delta variant of COVID-19. However, the "zero-tolerance" approach to containing the spread of COVID-19 has slowed new infections, leading to a gradual lifting of restrictions that could stabilize the recovery process.

On the consumption side, the recovery has been weak and mostly suffered a setback from the re-imposition of stringent restrictions. Indeed **retail trade** advanced only 8.5% y-o-y in July 2021 following the 12.5% y-o-y gain recorded in the previous month. But the easing of restrictions, coupled with accumulated individual savings, might support further recovery in household spending in the coming quarter.

China's **industrial production** growth slowed in July, falling to 6.4% y-o-y from 8.3% y-o-y in June. The slowdown was caused partially by the base year effects considering the rapid recovery of China's industrial sector from its February to July 2020 lockdown. Nevertheless, the July Delta variant outbreak has significantly weakened manufacturing output.

Graph 3 - 9: China's industrial production



Sources: China National Bureau of Statistics and Haver Analytics.

External demand momentum continued to build, with **China's trade surplus** standing at $58.34 billion in August 2021 compared with a surplus of $57.14 billion in the same month of 2020. Exports surged by 25.6% y-o-y to $294.32 billion, while imports jumped 33.1% to $235.98 billion. Nevertheless, the unforeseen growth in external demand might be slowed by global and localized increases in COVID-19 infections. Moreover, global consumption might shift primarily towards service demand, which might result in a drop in external purchases of goods. China's trade surplus with the US expanded in August to $37.68 billion from $35.43 billion in July.

On the policy front, the People's Bank of China (PBoC) recently 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, as economic growth began to falter. Nevertheless, this move might not translate into a broader shift towards monetary policy easing given that policymakers are prioritizing the containment of leverage and financial risks.

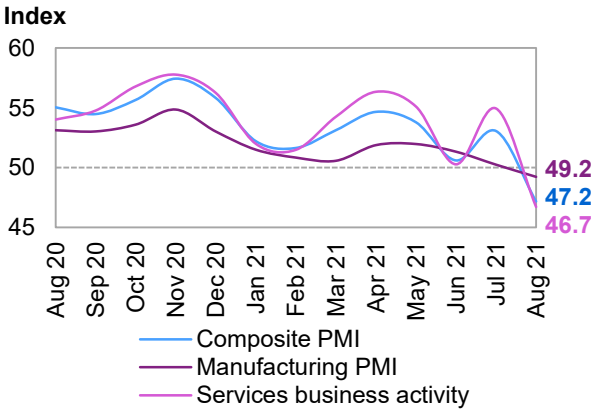
Near-term expectations

The slump in economic activity might be highly pronounced in 3Q21. Indeed, the economic recovery was already flattening prior to the recent outbreak. Yet the slowdown in infections, along with progress on vaccinations, might keep support the official growth target of above the 6%.

The recent **PMI** indices mirrored the slowdown in economic activity in 2H21, which was not only limited to manufacturing activity in August but also skipped to services. Supply bottlenecks contributed to the decline in the manufacturing PMI, which fell into contraction territory to 49.2 in August from 50.3 in July and from 51.3 in June. This was the lowest reading since April 2020. Similarly, the services PMI dropped to 46.7 in August from 54.9 in July.

Nevertheless, business confidence remains positive. Indeed, the increasing downturn pressure of the economic activities might push policymakers to increase the near-term policy support to boost growth which keep business sentiment positive.

Graph 3 - 10: China's PMI



Sources: Caixin, IHS Markit and Haver Analytics.

China's **real GDP growth** for 2021 and 2022 remains unchanged from the previous month at 8.5% and 6.0%, y-o-y, respectively. The uncertainties surrounding these forecasts are high amid the development of the new outbreak on a domestic level and the uncertain pandemic path at the global level.

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

	China
2021	**8.5**
Change from previous month	0.0
2022	**6.0**
Change from previous month	0.0

*Note: * 2021-2022 = Forecast.*

Source: OPEC.

Other Asia

India

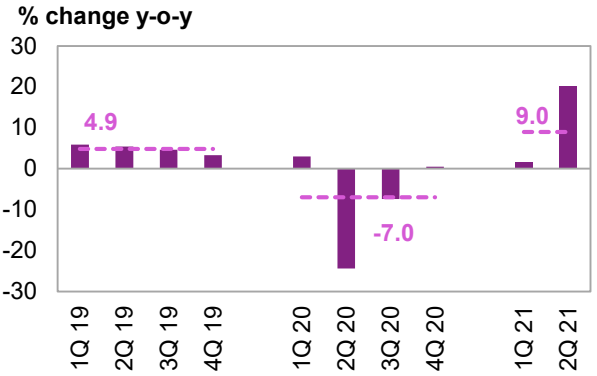
Update on the latest developments

India's real GDP advanced at a record 20.1% y-o-y in 2Q21 compared with the record slump of 24.4% y-o-y following the shock of the COVID-19 crisis. The adverse impact of the Delta variant infections during 2Q21 was reflected in the 12.4% q-o-q contraction (seasonally adjusted). So far, the impact of the current wave might be milder compared to the 2020 virus hit. This might be partially due to the less stringent nature of state-level lockdowns. However, the post-2021-lockdown economic recovery might be softer than the recovery that followed the 2020 lockdown.

On the **expenditure side,** on a y-o-y basis, there was a noticeable rebound in household consumption, which expanded 19.3% y-o-y in 2Q21 following 2.7% y-o-y growth in 1Q21. Investment expanded 55.3% y-o-y. Public spending contracted 4.8% y-o-y in 2Q21 following a record expansion of 28.3% y-o-y in 1Q21.

On the **supply side,** in 2Q21 all activities recorded considerable growth. The construction sector advanced 68.3% y-o-y; manufacturing surged 49.6% y-o-y; trade, hotels, transport and communication grew 34.3% y-o-y; mining 18.6%; and utilities 14.3%. Agriculture expended by 4.5% y-o-y, and the financial and real estate sector 3.7% y-o-y.

Graph 3 - 11: India's GDP quarterly growth

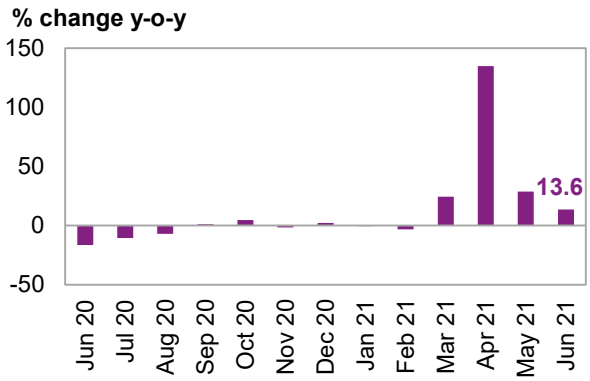


Sources: National Informatics Centre (NIC) and Haver Analytics.

For the time being, the economic outlook remains cautious in light of the slow pace of COVID-19 immunizations with only about 10% of the population having been fully vaccinated. This is mirrored in the core macroeconomic indicators. Passenger vehicle sales growth, as a proxy for consumption, contracted 0.9% m-o-m (seasonally adjusted) in July from 112% in June. This could indicate that the easing of restrictions has not generated a pickup in consumption. **Industrial production** advanced 13.6% y-o-y in June 2021, easing from the 28.6% y-o-y expansion in May. However, the recent growth was again lower than pre-pandemic rates.

Labour market pressures escalated again in August as the **jobless rate** rose to 8.3% from 7.0% in July.

Graph 3 - 12: India's industrial production



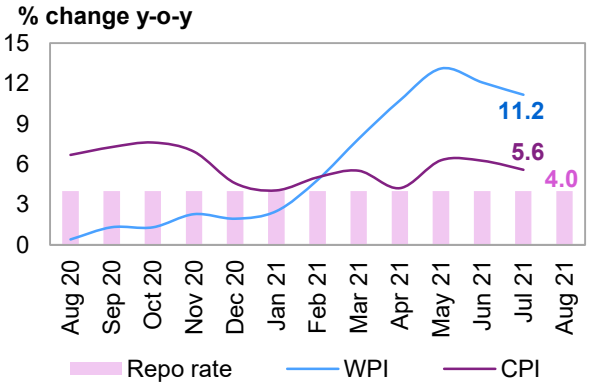
Sources: Ministry of Statistics and Program Implementation of India and Haver Analytics.

The latest available **CPI index** suggested that inflationary pressures in July eased for the first time since April 2021, falling to 5.6% y-o-y from 6.3% y-o-y in June. The inflation rate remained within the Reserve Bank of India's (RBI) medium-term inflation target range of 2–6%.

The **wholesale price index (WPI)** also eased to 11.2% y-o-y in July from 12.1% y-o-y in the previous month.

The RBI left the **repo rate** at 4% in August 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 impacts of COVID-19.

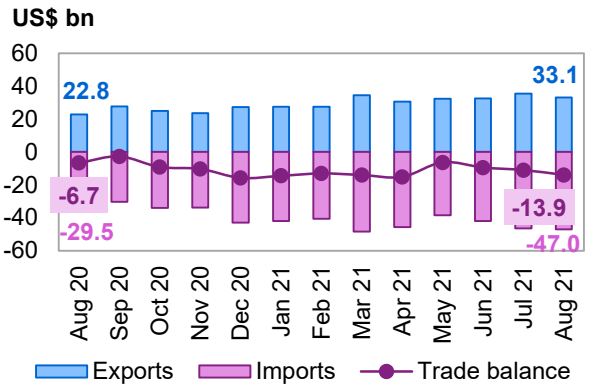
Graph 3 - 13: Repo rate and inflation in India



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

With regard to external demand, August preliminary estimates showed that the trade deficit widened substantially, as growth in imports outpaced exports. India's **trade deficit** widened to $13.87 billion in August 2021 from $10.97 billion in July 2021. This was the largest trade gap since April, driven by the growth of both domestic and foreign demand. Imports surged by a record 59.5% to $47.01 billion and exports grew at a softer rate of 45.3% to $33.14 billion.

Graph 3 - 14: India's trade balance



Sources: Ministry of Commerce and Industry and Haver Analytics.

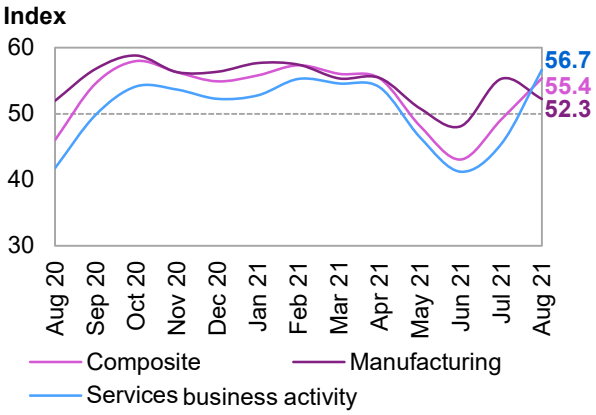
Near-term expectations

Despite the gradual lifting of the new set of state-level restrictions, India's economic activities, in particularly in-person ones, might stay cautious considering the slow pace of vaccinations Moreover, although the current infection wave may have peaked, there is concern that the restrictions may have been eased too soon and might lead to elevating the risk of a resurgence in COVID-19 infections.

The recent **PMI** indices mirrored this cautious outlook through the drop in manufacturing PMI, which declined in August to 52.3 from 55.3 in July, reflecting a softer rate of manufacturing output growth. The business outlook was subdued due to soft demand and financial concerns stemming from the damaging impact of COVID-19. In contrast, the services PMI moved back into expansion territory, rising to 56.7 in August 2021 from 45.4 in the previous month.

Nevertheless, regional disruptions due to COVID-19 could undermine consumer and business confidence. Moreover, more than half the population of India's most populous and economically important states have yet to receive their first vaccination dose.

Graph 3 - 15: India's PMIs



Sources: IHS Markit and Haver Analytics.

Overall, the economic atmosphere is squeezed more to the downside amid the economic damage caused by the new restrictions. More importantly, the 2Q21 official growth rate was weaker than anticipated. As a result, India's 2021 **GDP growth** was revised down to 9.0% from 9.3% in July's MOMR. The forecast for 2022 real GDP growth was kept unchanged at 6.8%.

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

	India
2021	**9.0**
Change from previous month	-0.3
2022	**6.8**
Change from previous month	0.0

*Note: * 2021-2022 = Forecast.*

Source: OPEC.

Latin America

Brazil

Update on latest developments

Brazilian real GDP registered the highest growth on record of 12.4% y-o-y in 2Q21. On the supply side, industrial activities expanded by 17.8% y-o-y as manufacturing output, in particular the production of automotive vehicles, expanded 25.8% y-o-y. The service sector grew by 10.8% y-o-y on the back of transport while firm activities advanced by 1.3% y-o-y.

On the **demand side**, fixed investment grew by 32.9% y-o-y and household consumption expended by 10.8% y-o-y. However, trade activities contribution to GDP were negative as imports outpaced exports.

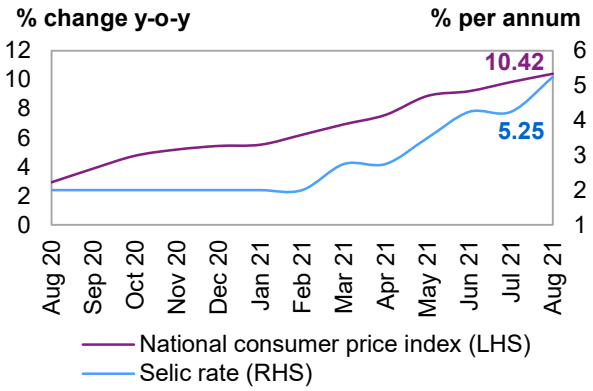
The resilient economic performance was also reflected in the latest core economic indicators. Industrial production rose by 1.2% y-o-y in the month of July. The **consumer confidence index** jumped to 81.5% in July from 80.3% in June. Similarly, **retail sales** rose by 6.3% in June over the same month in 2020.

On the **labour market** front, the pressure eased somewhat. In 2Q21, the unemployment rate dropped to 14.1% from 14.7% in 1Q21. Additionally, the labour force participation rate rose by 0.9 pp to 57.7%. However, the three-month moving average in March–May hit a record high of 14.6% compared with the three-month moving average from January–April. Needless to say, the high unemployment rates driven mainly by the re-imposition of lockdowns across the country and the cancellation of Carnival amid the resurgence of COVID-19 infections affected 1H21.

The **inflation rate** accelerated to 10.4% y-o-y in August 2021 from 9.9% in July, registering the highest rate since May of 2016. The upward price pressures is mirroring the effects of the currency depreciation coupled with a severe drought alongside the global supply bottleneck. On a monthly basis, consumer prices edged up 0.57 pp, the sharpest in seven months.

In response to inflationary concerns, the central bank raised the **Selic rate** to 5.25% in August from 4.25% in July, and probably will tighten more sharply if the inflation trend continues to deteriorate.

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



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

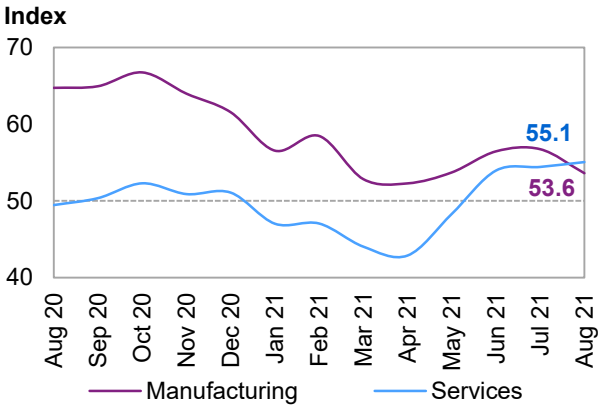
Near-term expectations

The economy of Brazil proved to be more resilient than expected, despite the rise in COVID-19 infections in 3Q21. The vaccination pace has accelerated and 70% of the adult population will be vaccinated by the end of 2021, which should further support a full reopening of the economy. Nevertheless, the elevated inflation rates, drought and impact of the new outbreak might weigh negatively on the economic recovery.

The recent manufacturing **PMI** reading mirrored these headwinds as it fell to 53.6 in August from 56.7 in July. The service PMI kept reflecting the expansion in the sector, which expanded for the third month in a row as it rose to 55.1 in August from 54.4 in the previous month. Moreover, fiscal risks might return to the fore in the near future, considering Brazil's heavy public debt burden and the soon-to-end pandemic-related cash payments to the poor.

Nevertheless, the recent **GDP** data along with vaccine availability and the potential retreat of COVID-19 supported revising up Brazil's 2021 real GDP growth forecast to 4.7% in August from 4.2% in July.

Graph 3 - 17: Brazil's PMIs



Sources: IHS Markit and Haver Analytics.

In 2022, the GDP growth forecast is kept unchanged at 2.5%. Downside risks for these forecasts involve higher inflationary pressures, fiscal concerns along with the development of the pandemic both domestically and globally. More importantly, political uncertainties are associated with the upcoming 2022 election.

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

	Brazil
2021	**4.7**
Change from previous month	0.5
2022	**2.5**
Change from previous month	0.0

*Note: * 2021-2022 = Forecast.*

Source: OPEC.

Africa

South Africa

Update on the latest developments

South Africa's real GDP grew by 19.3% y-o-y in 2Q21, following a contraction of 2.6% y-o-y in the first three months of the year. The economy expanded for the first time following four quarters of contraction. Similar to many other economies, 2Q21 growth was the strongest on record, amid a low base year and helped by the relaxation of COVID-19 restrictions. Yet, the recent COVID-19 outbreak combined with July riots, looting and

arson may weigh on economic activity, especially in the eastern KwaZulu-Natal province and the commercial hub of Gauteng, the largest-contributing provinces to the GDP.

Meanwhile, recent data suggest that stress in the labour market has elevated amid a worsening pandemic crisis. According to the latest Quarterly Labour Force Survey, the unemployment rate registered a record high of 34.4% in 2Q21 following 32.6% in 1Q21, while unemployment rose to 32.6% in 1Q21, the highest rate since comparable data started to be released in 2008. The expanded definition of unemployment stood at 44.4%, up from 43.2% in 1Q21. In 2Q21, the youth unemployment rate hit a record high of 64.4%.

On a positive note, consumer side inflationary pressure continued to ease as the consumer price index dropped to 4.6% y-o-y from 4.9 in June. The current rate is slightly above the 4.5% midpoint of the South African Reserve Bank's monetary policy target range of 3-6%. Part of the greater price pressure is due to last year's low base. The annual core inflation rate, which excludes volatile items such as food and non-alcoholic beverages, fuel and energy, also dropped to 3% y-o-y in July from 3.2% y-o-y in June.

In line with expectations, the South Africa Reserve Bank kept its benchmark repo rate unchanged in July at a record low level of 3.5%. Moreover, the reserve bank revised its CPI forecast for 2021 up to 4.3% from 4.2% and lowered it to 4.2% for 2022 from 4.4%, while keeping it unchanged at 4.5% in 2023. Meanwhile, the official GDP forecast for 2022 and 2023 was set to be 2.3% and 2.4%, respectively, unchanged from the bank's May forecast.

Regarding trade activities, South African exports dropped by 11.2% m-o-m in July, while imports marginally dropped by 0.7% m-o-m in July. As a result, South Africa recorded a R37.0bn merchandise trade surplus, which is way lower than the R54.5bn surplus recorded in June.

Near-term expectations

In the near term, positive GDP figures and an update of the country's Economic Reconstruction and Recovery Plan introduced last year provide positive sentiment. However, recent political instability, along with a new wave of COVID-19 infections and subsequent containment measures, could have a significant impact on the economy in 2H21. However, the gradual lifting of restrictions, along with the external demand boom witnessed earlier in 2021, may keep the recovery on track.

Unexpected deadly riots and looting swept parts of the country in July amid a new wave of restrictions, causing the RMB/BER business confidence index in South Africa to fall to 43 in 3Q21 after reaching 50 points in 2Q21. In contrast, the seasonally adjusted Absa Purchasing Managers' Index rebounded to 57.9 in August after declining to 43.5 in July.

South Africa's **GDP forecast** for both 2021 and 2022 remains unchanged from last month at 3.5% and 2.5%, respectively. There is still high uncertainty around the forecast, with a potential upside including post-pandemic plan priorities investment, job creation and power supply. Downside risks are largely related to a potential new wave of COVID-19.

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

	South Africa
2021	**3.5**
Change from previous month	0.0
2022	**2.5**
Change from previous month	0.0

*Note: * 2021-2022 = Forecast.*

Source: OPEC.

Russia and Central Asia

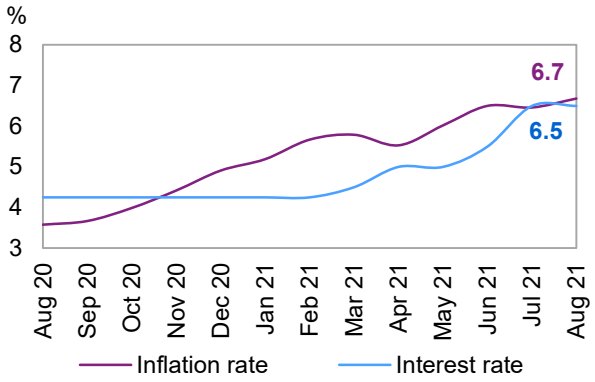
Russia

Update on the latest developments

Russia's economy grew by 10.3% y-o-y in 2Q21, after seeing a 0.7% contraction in 1Q21, according to preliminary official estimates. Growth in 2Q21 was the strongest since the third quarter of 2000 amid a low base year, as well as improvements in commodity prices, including fossil fuels. Yet the recovery might soften in 3Q21 due to the rising rate of infections, as well as low vaccination rates compared with the rest of Europe. According to Russia's Ministry of Economic Development, the real GDP growth rate slowed to 4.7% y-o-y in July vs. 10.3% y-o-y in 2Q21. As for recent core economic indicators, industrial output grew by 6.8% y-o-y in July, easing from a downwardly revised 10.2% gain the previous month. Similarly, retail trade advanced at a softer rate in July, growing by 4.7% y-o-y after seeing a 10.9% gain in June.

Inflationary pressures continued to weigh on the recovery, climbing in August to 6.7% y-o-y from 6.5% in July. The Central Bank of the Russian Federation (CBR) keeps its **policy rate** by another at 6.5% in August. Meanwhile, the central bank increased its annual inflation forecast to 5.7–6.2% in 2021 and 4.0–4.5% in 2022. The CBR noted that the global economy was recovering faster than anticipated, driving demand for many key goods to outpace supply.

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



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

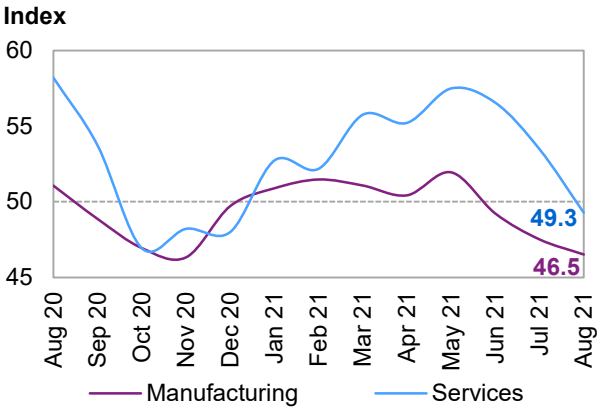
Near-term expectations

Despite renewed COVID-19 infections in Russia, the economy appears to be more resilient and set to accelerate further in the near term. Support from higher oil prices appeared to bring the economy back to pre-pandemic levels. Yet, uncertainties around COVID-19 and a slow rate of vaccination might risk this progress.

In August, **PMI** indices continued to roll back amid slower growth in both manufacturing and services output. The manufacturing PMI dropped to 46.5 in August from 47.5 the previous month.

Meanwhile, the services PMI fell into contraction territory in August to 49.3 from 53.5 in July. Services output declined for the first time in 2021, driven by a softer rate of growth in new orders.

Graph 3 - 19: Russia's PMI



Sources: IHS Markit and Haver Analytics.

Considering recently released GDP growth data, along with recent developments, Russia's **GDP forecast** for 2021 has been revised up to 3.5% from 3.2% in the last MOMR.

In 2022, the real GDP is forecast to expand by 2.5%, unchanged from August's MOMR.

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

	Russia
2021	**3.5**
Change from previous month	0.3
2022	**2.5**
Change from previous month	0.0

*Note: * 2021-2022 = Forecast.*

Source: OPEC.

OPEC Member Countries

Saudi Arabia

Saudi Arabia's non-oil economic activities continued to grow, but at a slower pace amid a softer recovery in export demand. In August 2021, the IHS non-oil PMI slumped to 54.1 from 55.8 a month earlier, reaching its lowest reading since March. However, as the impact of increasing the value-added tax in July faded out, the annual inflation rate in Saudi Arabia fell to 0.4% y-o-y that month from 6.2% y-o-y in June, registering the lowest inflation rate since December 2019. However, on a monthly basis, consumer inflation edged up 0.2%. Official labour market data suggests that the unemployment rate dropped to 11.7% in 1Q21 from 12.6% in 4Q20. In total, Saudi Arabia's growth prospects are fundamentally supported by the recovery in oil prices and the government's stimulus support. However, the development of COVID-19 remains the biggest challenge on the path to full economic recovery.

Nigeria

Nigeria's economy grew by 5% y-o-y in 2Q21, following expansion of 0.5% y-o-y in 1Q21. This growth was the strongest seen since 4Q14. More importantly, it mirrors a stable economic recovery, as it marked a third quarter of expansion following a recession in 3Q20. Growth was driven by the non-oil sector, which expanded to 6.7% from 0.8% y-o-y in 1Q21. Remarkably, the trade, information and communication, transportation, electricity, agriculture and manufacturing sectors contributed the most to GDP growth. On a quarterly basis, the GDP decreased by 0.8%. For the time being, the re-imposition of lockdown measures to cope with a new wave of COVID-19 has become a more pressing risk. This is reflected in the recent domestic PMI reading, which indicted slower growth in the private sector. The Stanbic IBTC Bank Nigeria PMI slumped to 52.2 in August from 55.4 in July, amid softer increases in non-oil private sector output and new orders. In the short term, the economy is anticipated to pursue its recovery, though high inflationary pressures, liquidity constraints and the impact of and uncertainties related to COVID-19 will provide challenges.

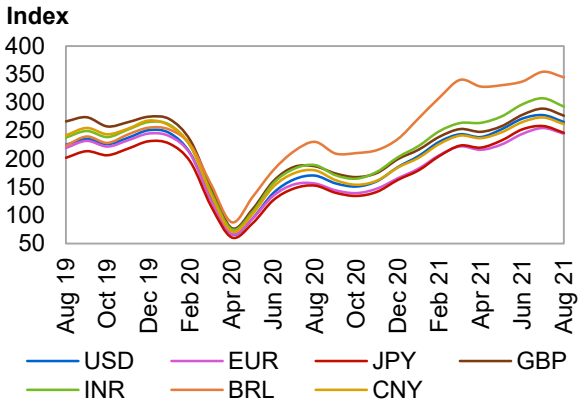
The United Arab Emirates (UAE)

The non-oil private sector growth continued, though at a slower pace in August. The PMI reading edged down to 53.8 in August from 54.0 a month earlier. Despite the fact that new COVID-19 cases are edging down, the disruptive Delta variant is becoming more significant in the whole Middle East region, casting a shadow over the economic outlook and threatening the resumption of economic activity. Moreover, with the Dubai Expo 2020 approaching, the Delta variant presents a risk to the number of visitors who can attend, as well as the shadow of re-postponing if the path of infection cases escalates at the regional and global levels. Nevertheless, the overall outlook for the UAE's economy is still positive, supported by strong credit growth and higher hotel occupancy rates, along with greater mobility following the gradual easing of the latest restriction measures.

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

The **US dollar (USD) advanced strongly in the first half of the month** on the prospect of a relatively tighter monetary policy stance by the US Federal Reserve. Towards the end of the month, concerns about the impact of the current COVID-19 wave on economic activity and reassuring communications by Federal Reserve top policymakers regarding the continuation of accommodative monetary policy limited the advance of the dollar. The dollar rose on average by 0.4% against the euro m-o-m, but it declined by 0.4% against the Swiss franc and by 0.3% against the yen. However, it was relatively flat against the pound sterling.

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



Sources: IMF and OPEC.

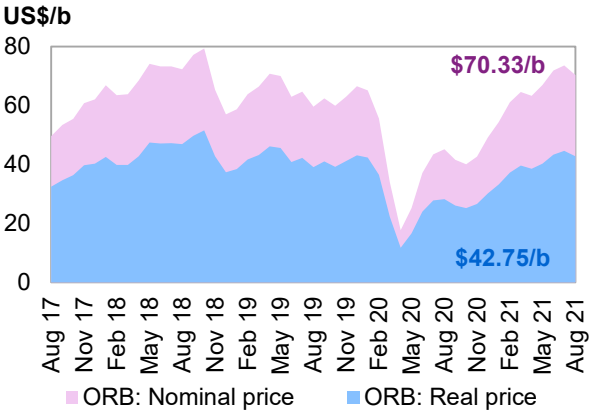
The dollar was mixed against emerging market currencies. It was flat against the Chinese yuan, while it dropped by 0.4% against the Indian rupee. Meanwhile, it declined against the Russian ruble by 0.5% while it rose against the Brazilian real by 0.9% amid internal political developments. Against the Mexican peso the dollar gained 0.5%.

In **nominal terms**, the price of the ORB decreased by $3.2, or 4.4% from $73.53/b in July to reach $70.33/b in August.

In **real terms**, after accounting for inflation and currency fluctuations, the ORB decreased to $42.75(base June 2001=100) from $44.81/b the previous month.

Over the same period, the **USD** increased by 0.2% against the import-weighted modified Geneva I + USD basket, while inflation rose by 0.4% m-o-m.

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 expected to increase by 6.0 mb/d, unchanged from last month's projections and despite offsetting revisions within the quarters. An upward revision due to positive mobility indicators for OECD countries in 3Q21 was offset by a downward revision to 4Q21, given the risk to oil demand fundamentals stemming from the increase in COVID-19 cases, primarily related to the Delta variant. World oil demand is estimated at 96.7 mb/d in 2021.

In 2022, world oil demand is forecast to rise by 4.2 mb/d y-o-y, revised higher by around 0.9 mb/d compared to last month's report, as the pace of recovery in oil demand is now assumed to be stronger and mostly taking place in 2022. As vaccination rates rise, the COVID-19 pandemic is expected to be better managed and economic activities and mobility will firmly return to pre-COVID-19 levels. The revisions are based in both the OECD and non-OECD regions, with steady economic developments expected to support the partially delayed recovery in oil demand in various sectors. As a result, the OECD oil demand outlook was revised upward by 0.3 mb/d in 2022 compared to last month's projection and is projected to increase by 1.8 mb/d y-o-y. In the non-OECD region, oil demand in 2022 is estimated to increase by 2.3 mb/d y-o-y, revised higher by around 0.6 mb/d compared to last month's estimations, supported by steady economic activities in the main economies, particularly China, India and Other Asia. Additionally, ongoing improvements in vaccination rates and a potential increase in public confidence in managing COVID-19 is anticipated to be more widespread in 2022, further supporting the recovery of oil demand, particularly transportation fuels. World oil demand is estimated at 100.8 mb/d in 2022, exceeding pre-pandemic levels.

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

							Change 2021/20	
World oil demand	**2020**	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**2021**	**Growth**	**%**
Americas	22.54	22.77	24.73	25.05	24.72	24.33	1.79	7.94
of which US	*18.44*	*18.69*	*20.11*	*20.44*	*20.45*	*19.93*	*1.49*	*8.07*
Europe	12.44	11.91	12.73	13.71	13.61	13.00	0.56	4.52
Asia Pacific	7.14	7.67	7.13	7.17	7.52	7.37	0.23	3.24
Total OECD	**42.12**	**42.34**	**44.59**	**45.93**	**45.85**	**44.70**	**2.58**	**6.14**
China	13.19	13.15	14.27	14.83	15.02	14.32	1.13	8.56
India	4.51	4.94	4.42	4.91	5.61	4.97	0.46	10.27
Other Asia	8.13	8.36	8.98	8.49	8.56	8.60	0.47	5.75
Latin America	6.01	6.15	6.16	6.46	6.40	6.29	0.28	4.68
Middle East	7.55	7.95	7.77	8.24	7.97	7.99	0.44	5.84
Africa	4.08	4.39	4.06	4.16	4.48	4.27	0.19	4.64
Russia	3.37	3.57	3.42	3.57	3.74	3.57	0.21	6.14
Other Eurasia	1.07	1.18	1.24	1.14	1.28	1.21	0.14	12.59
Other Europe	0.70	0.78	0.72	0.73	0.79	0.75	0.06	8.26
Total Non-OECD	**48.61**	**50.48**	**51.04**	**52.52**	**53.85**	**51.98**	**3.37**	**6.94**
Total World	**90.73**	**92.82**	**95.62**	**98.46**	**99.70**	**96.68**	**5.96**	**6.56**
Previous Estimate	90.62	92.61	95.51	98.23	99.82	96.57	5.95	6.57
Revision	0.11	0.21	0.12	0.22	-0.11	0.11	0.00	-0.01

*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	Change 2022/21 %
Americas	24.33	24.10	25.84	26.08	25.52	25.40	1.07	4.39
of which US	*19.93*	*19.80*	*21.04*	*21.46*	*21.17*	*20.88*	*0.94*	*4.74*
Europe	13.00	12.55	13.40	14.32	14.09	13.60	0.60	4.61
Asia Pacific	7.37	7.91	7.31	7.30	7.63	7.54	0.17	2.27
Total OECD	**44.70**	**44.56**	**46.55**	**47.69**	**47.25**	**46.53**	**1.83**	**4.10**
China	14.32	14.00	15.15	15.32	15.46	14.98	0.66	4.64
India	4.97	5.40	4.82	5.29	5.93	5.36	0.39	7.86
Other Asia	8.60	9.05	9.59	9.07	8.89	9.15	0.55	6.40
Latin America	6.29	6.39	6.34	6.61	6.56	6.48	0.18	2.89
Middle East	7.99	8.29	8.01	8.49	8.20	8.25	0.26	3.31
Africa	4.27	4.57	4.19	4.28	4.61	4.41	0.14	3.27
Russia	3.57	3.67	3.47	3.62	3.79	3.64	0.07	1.83
Other Eurasia	1.21	1.25	1.28	1.17	1.32	1.25	0.05	3.72
Other Europe	0.75	0.80	0.73	0.74	0.81	0.77	0.02	2.18
Total Non-OECD	**51.98**	**53.43**	**53.60**	**54.60**	**55.56**	**54.30**	**2.32**	**4.46**
Total World	**96.68**	**97.99**	**100.15**	**102.29**	**102.81**	**100.83**	**4.15**	**4.29**
Previous Estimate	96.57	96.83	98.71	101.17	102.62	99.86	3.28	3.40
Revision	0.11	1.16	1.44	1.12	0.19	0.98	0.87	0.89

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

OECD

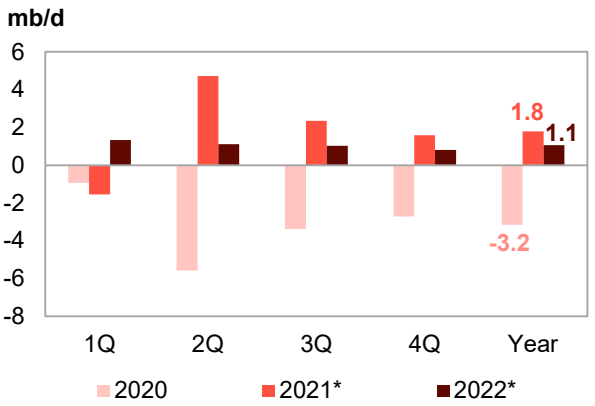
OECD Americas

Update on the latest developments

The latest available oil demand data in **OECD Americas** imply a y-o-y increase of 3.6 mb/d y-o-y in **June**, following an increase of 4.3 mb/d y-o-y in May. Gasoline demand accounted for around 27% of the overall increase, with an additional 33% originated in rising jet/kerosene and diesel requirements.

On the back of a low historical baseline, June 2021 seems to have recovered approximately 87% of the losses suffered during the same month in 2020. Oil demand in the region declined in 1Q21 as a result of rising COVID-19 infection cases before improving thereafter. Gasoline demand in June 2021 posted substantial gains of 1.0 mb/d y-o-y, rising for the fourth month in a row and in line with rebounding travel and healthy economic growth. Oil demand continued to remain below June 2019 levels, yet the differential shrank considerably to 0.5 mb/d, as compared to a hefty 3.3 mb/d in February 2021. All countries in the region posted solid gains as demand rebounded the 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 **June** shows oil demand rising by approximately 3.0 mb/d y-o-y, making up 96% of the June 2020 losses, but lower than June 2019 by 0.1 mb/d. Gasoline, jet/kerosene and LPG demand accounted for the bulk of the increase, with gasoline gaining 1.0 mb/d y-o-y, while jet/kerosene increased by 0.6 mb/d and LPG by 0.5 mb/d y-o-y in June 2021. The declines of gasoline and jet/kerosene in June 2020 were around 1.4 mb/d and 1.0 mb/d y-o-y, respectively. According to the Federal Highway Administration (FHA), vehicle miles of travel in the US increased by 15.0% y-o-y in June this year after rising by 31.3% y-o-y in May. In June 2020, the indicator fell by 14.8% y-o-y. Light vehicle retail sales, as reported by Autodata and Haver Analytics, were at 15.4 million units, according to seasonally adjusted annual

rates (SAAR), compared with 17.1 million units in May; historical figures show total sales of 13.3 million units in June 2020 and 17.3 million units in June 2019. Industrial production, an indicator for industrial fuel demand, was also higher by 9.9% y-o-y in June after increasing by 16.6% y-o-y in May. Diesel demand was higher by 0.4 mb/d y-o-y in June 2021 following a similar increase in May.

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

By product	Jun 20	Jun 21	Change Growth	Jun 21/Jun 20 %
LPG	2.66	3.14	0.48	18.0
Naphtha	0.19	0.21	0.02	10.8
Gasoline	8.52	9.45	0.92	10.8
Jet/kerosene	0.79	1.43	0.64	81.5
Diesel	3.50	3.94	0.45	12.7
Fuel oil	0.21	0.34	0.13	60.3
Other products	2.24	2.51	0.27	12.0
Total	**18.10**	**21.00**	**2.90**	**16.0**

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

Preliminary data for July based on weekly input indicates the continuation of a recovery in transportation fuel, with both gasoline and jet/kerosene increasing by almost 1.6 mb/d y-o-y collectively. Diesel is foreseen to increase by 0.2 mb/d y-o-y in July 2021.

Near-term expectations

Despite the recent uptick in COVID-19 cases, careful optimism still dominates the short-term demand outlook in the region going into 2022, mainly due to rising vaccination rates. The economy is also expected to be supported by stimulus programmes and high household savings. These factors support a positive outlook for oil demand prospects during 2H21. It should also be noted that the outlook remains challenged by COVID-19 developments, particularly during the emergence of colder weather in 4Q21, and the appearance of new variants and potential government counter-measures. While to date 3Q21 appears to be resilient in terms of travel activity, risks of COVID-19 on consumer behaviour, as well as the effectiveness of vaccination programmes, are to be monitored closely going forward.

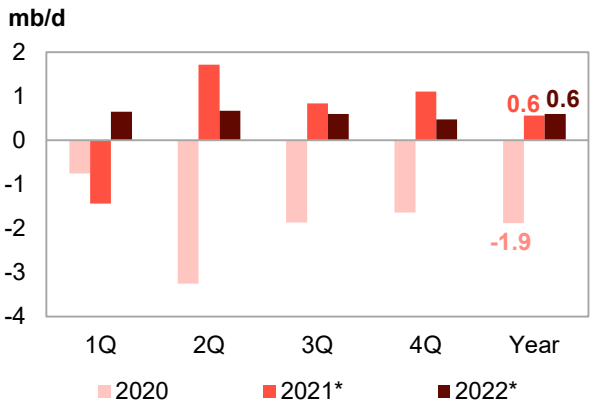
In **2022**, OECD Americas oil demand is forecasted to increase by approximately 1.1 mb/d y-o-y with US oil demand accounting for more than 0.9 mb/d y-o-y, supported by healthy economic growth. Petrochemicals and transportation will be sectors of the economy that will require more oil in 2022. Gasoline demand will be supported by better employment rates and rising vehicle sales, despite continuous penetration of alternative-fuelled vehicles. Expansion in the petrochemical industry and consequently healthy petrochemical margins will support light distillates in 2022. Conversely, reduced business travel, a continuation in fuel substitution programmes, and fuel efficiency gains are anticipated to cap oil demand growth.

OECD Europe

Update on the latest developments

OECD Europe oil demand increased by 1.4 mb/d y-o-y in **June**, following an increase of more than 1.6 mb/d y-o-y in May. Demand for most petroleum product categories showed y-o-y gains, as a result of the low historical baseline and the removal of restrictions in the region amid warmer weather and increases in vaccination rates. The strongest gains were for diesel, gasoline, jet/kerosene and light distillates. Demand for naphtha rose y-o-y and has been on a growth trajectory since 3Q20, in line with the expansions in petrochemical activities. Demand for transportation fuels returned with diesel, gasoline and jet/kerosene showing gains amid improved mobility and increased travel.

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



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

Initial data for July indicates that demand in the UK grew by 0.2 mb/d, while requirements in Italy, France and Germany were unchanged y-o-y. Oil demand gains were also observed in all other countries of the region, coupled with decreasing stringency indexes, travel across and within countries both on the road as well as in the air. The mobility index posted steady gains in July, reaching 128% compared to pre-pandemic levels after recording 112% in June. The industrial production index, which excludes construction, rose substantially as compared to the same month in 2020, as reported by Eurostat and Haver Analytics. New passenger car registrations gained 9% y-o-y, following a solid 52% y-o-y increase in May, while unemployment rates fell.

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

By product	Jun 20	Jun 21	Change Growth	Jun 21/Jun 20 %
LPG	0.35	0.44	0.09	25.5
Naphtha	0.53	0.54	0.00	0.8
Gasoline	1.03	1.20	0.17	16.6
Jet/kerosene	0.23	0.39	0.16	69.3
Diesel	2.92	3.18	0.26	8.9
Fuel oil	0.15	0.17	0.02	13.4
Other products	0.45	0.50	0.04	9.5
Total	**5.66**	**6.40**	**0.74**	**13.1**

*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.

Near-term expectations

The 3Q21 has proven to be robust so far as vaccination rates improve rapidly and warmer weather favoured efforts to control the pandemic. The current outlook assumes that the pandemic will remain largely under control during 4Q21 with minor localized measures depending on hospitalization capacities. Reduced international travel, teleworking enhancements, and limitations on petroleum product demand will, however, may limit oil demand in the region.

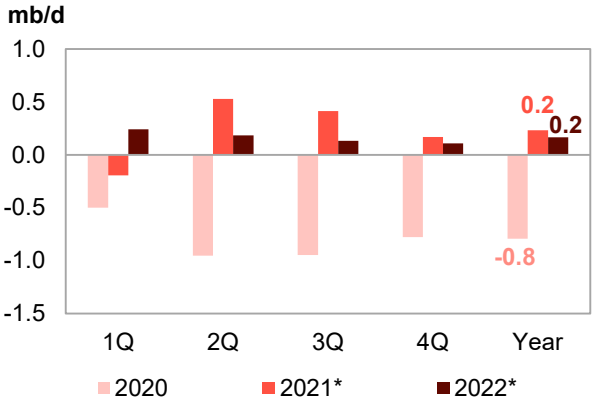
In **2022**, OECD Europe oil demand is projected to rise by around 0.6 mb/d. Developments in the economy, along with a large containment of COVID-19, are the main assumptions for OECD Europe oil demand growth in 2022, supported by improvements in mobility along with positive developments in the industrial and construction sectors. Downside risks are mostly relate to the appearance of resilient variants, economic uncertainty, including high debt levels and budgetary constraints, in addition stringent policies capping oil usage. OECD Europe oil demand will therefore remain below 2019 levels.

OECD Asia Pacific

Update on the latest developments

OECD Asia Pacific oil demand continued to rise in **June,** increasing by 0.4 mb/d y-o-y, more than the corresponding 0.2 mb/d increase recorded in May. Gains were largely attributed to rising light distillate requirements in South Korea and Japan, as well as gasoline and diesel demand in Australia and South Korea. Oil demand is expected to have gained an additional push to the upside by the Summer Olympics. Demand for light distillates in the Asia Pacific during June grew by more than 0.2 mb/d y-o-y after increasing by roughly the same volumes in May. Transportation fuel demand rose by 0.2 mb/d y-o-y in June, following similar gains in May y-o-y. Oil demand in Japan and South Korea grew by 0.2 mb/d y-o-y. Preliminary data from Japan's Ministry of Economy, Trade and Industry (METI) indicate a flat oil demand in July 2021 y-o-y.

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	Jul 20	Jul 21	Change Jul 21/Jul 20 Growth	%
LPG	0.36	0.38	0.02	6.5
Naphtha	0.64	0.64	-0.01	-1.0
Gasoline	0.78	0.78	0.00	-0.5
Jet/kerosene	0.19	0.17	-0.02	-8.3
Diesel	0.67	0.68	0.01	1.1
Fuel oil	0.20	0.23	0.03	17.2
Other products	0.19	0.15	-0.03	-17.4
Total	**3.02**	**3.03**	**0.01**	**0.2**

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

Near-term expectations

While Japan and South Korea seemed to have brought COVID-19 under control, recently imposed strict lockdowns in Australia and New Zealand are expected to negatively impact oil demand in 3Q21 and 4Q21. Overall demand in 2021 is projected to rebound in the region on the back of a recovery in economic activities. Petrochemical feedstock consumption remains one of the main contributors to oil demand growth in 2021, while jet/kerosene demand is projected to continue lagging 2019 levels, as international business and leisure travel will remain under pressure.

In **2022**, OECD Asia Pacific oil demand is expected to increase by 0.2 mb/d, under assumptions of expanding GDP and low impact from COVID-19-related challenges on transportation fuel demand. It is anticipated that the pandemic will be controlled in 2022. Gasoline will be the petroleum product category to increase the most, followed by industrial diesel, as well as light distillate petrochemical feedstock.

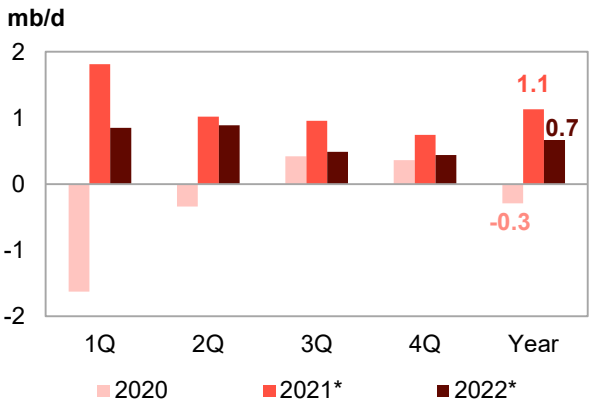
Non-OECD

China

Update on the latest developments

China's oil demand increased by around 0.2 mb/d y-o-y in **July** compared to a 0.4 mb/d y-o-y increase in June. Unlike most regions, demand was higher than pre-pandemic levels by 0.7 mb/d compared to July 2019, primarily driven by strong demand for petrochemical feedstocks, LPG and naphtha. Light distillates continued to record steady growth in July on y-o-y basis. LPG grew by more than 0.2 mb/d y-o-y while naphtha posted gains of more than 0.1 mb/d y-o-y. The performance of the petrochemical sector has been healthy since 2Q20. Higher utilization rates for Propylene Dehydrogenation Plants (PDH), recent additional PDH capacity and healthy petrochemical margins supported demand for light distillates. LPG and naphtha grew by around 0.4 mb/d y-o-y in July.

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



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

Looking at data from **January to July**, oil demand showed strong growth of around 1.2 mb/d compared to the same period in 2020. Most of the increase appeared in 1Q21 due to the low base line of 1Q20 amid the onset of COVID-19, which reduced substantially demand for petroleum products. Data for 1Q21 shows an increase of around 1.7 mb/d y-o-y, supported by strong growth in light distillates and recovering transportation fuel demand. Gains were registered across all petroleum products with transportation fuels accounting for the largest share. Gasoline and jet fuel increased by around 0.7 mb/d compared to the same period in 2020, supported by increases in mobility and passenger air travel in contrast to last year. The mobility index improved during the course of the year despite slowing in 1Q21 due to increased measures against COVID-19. On average the index was at 86% of pre-pandemic levels in 1Q21 before reaching to 100% in 2Q21. Light distillates continued to perform strongly throughout the year, particularly LPG, which posted gains of around 0.3 mb/d compared to the same period in 2020. Additionally, naphtha demand increased by 0.1 mb/d.

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

By product	Jul 20	Jul 21	Change Jul 21/Jul 20 Growth	%
LPG	2.12	2.36	0.24	11.5
Naphtha	1.84	1.96	0.13	6.9
Gasoline	2.84	3.01	0.17	5.9
Jet/kerosene	0.58	0.49	-0.09	-15.5
Diesel	3.28	2.86	-0.43	-13.0
Fuel oil	0.72	0.86	0.14	19.8
Other products	1.50	1.52	0.02	1.3
Total	**12.88**	**13.06**	**0.18**	**1.4**

*Note: * Apparent oil demand. Totals may not add up due to independent rounding.*
Sources: Argus Global Markets, China OGP (Xnhua News Agency), Facts Global Energy, JODI, National Bureau of Statistics China and OPEC.

Near-term expectations

With the government recently enacting measures to counter the spread of the Delta variant, coupled with the slowdown in main macro-economic indicators, oil demand in 3Q21 and marginally in 4Q21 is expected to be negatively affected. However, the overall demand for China in 2021 remained supported and the growth of petroleum products is assumed to be around 1.1 mb/d on annualized basis. The rapid containment of the spread of the Delta variant, the lifting of the fishing ban and the national holidays during the month of October are anticipated to lend support to oil demand in the coming months. The developments around COVID-19 will continue to pose a downside risk to the outlook, but the low-tolerance policy of the Chinese government is projected to speed up the recovery.

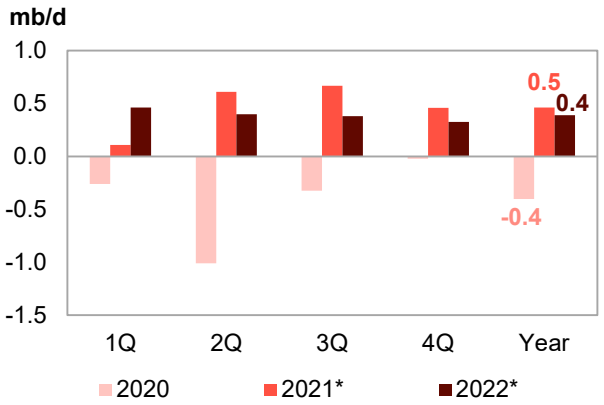
In **2022**, China's oil demand is anticipated to increase y-o-y, supported by solid economic growth forecasts. Transportation and industrial sectors are projected to rise the most with support coming from an increase in vehicle miles driven, a rise in passenger car sales and a steady industrial sector. Gasoline is estimated to increase followed by diesel. A healthy petrochemical sector is expected to lend strong support to light distillates consumption next year.

India

Update on the latest developments

Indian oil demand showed an increase of 0.3 mb/d y-o-y in **July** after rising by around 0.1 mb/d y-o-y in June. But demand remained lower than July 2019 levels by 0.3 mb/d mainly due to the lagging performance of middle distillates. Demand in July was driven by strong gains in diesel and gasoline amid the easing of regional lockdowns imposed to control May's Delta variant spread. Diesel increased the most, posting gains of around 0.2 mb/d y-o-y on the back of improved industrial and agricultural activities. The industrial production index was affected by the second wave of COVID-19 in May, recording an increase of 29.3% y-o-y compared to 134.6% y-o-y in April. Once published, July's industrial production data is expected to show a respectable rebound in line with the recovery in industrial activity and the latest manufacturing PMI for India.

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



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

The IHS Markit manufacturing PMI jumped to 55.3 in July from 48.1 in June. Gasoline consumption posted steady gains, rising by 0.1 mb/d y-o-y, after showing small gains in June. Demand for gasoline is now on par with pre-pandemic levels and showed a marginal increase when compared to July 2019. Increases in mobility supported by the gradual re-opening of social activities supported gasoline demand. The mobility index was trending above pre-pandemic levels at 106% in July compared to 78% of pre-pandemic levels in June.

Data from January to July indicates petroleum products demand rising by 0.5 mb/d y-o-y, led by diesel and gasoline. During the same period in 2020, oil demand posted steep declines of around 0.6 mb/d compared to a year earlier. Weaknesses in transportation fuel due to extended lockdown policies propelled those declines.

Diesel was higher by a nearly 0.2 mb/d, or by more than 11%, compared to the same period in 2020, but remained significantly lower than the normal consumption levels of 2019 by about 0.2 mb/d. Improvements in industrial and construction activities as well as the agriculture sector supported diesel demand. Of course, the low baseline of 2020 played a major role in this y-o-y increase with support from the overall recovery of economic activities. However, a strong second wave of COVID-19 across the country in May halted the recovery process and consumption fell back into the negative zone.

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

By product	Jul 20	Jul 21	Change Growth	Jul 21/Jul 20 %
LPG	0.80	0.83	0.04	4.9
Naphtha	0.33	0.31	-0.02	-5.7
Gasoline	0.61	0.71	0.10	16.6
Jet/kerosene	0.10	0.12	0.01	13.2
Diesel	1.47	1.62	0.15	10.3
Fuel oil	0.28	0.27	-0.01	-2.1
Other products	0.25	0.28	0.03	10.8
Total	**3.83**	**4.14**	**0.31**	**8.0**

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

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

Generally, industrial production has risen by 127.7% y-o-y from historically low readings in most of 2020, as reported by the Central Statistical Organization of India and Haver Analytics. The easing of lockdown measures and increased use of private vehicles led to improvements in mobility and boosted gasoline demand growth. Gasoline demand grew by 0.1 mb/d when compared to the same period in 2020 and was at par with 2019 levels. Mobility was at 97% of pre-pandemic levels during the analysed period while it was 64% during the same period in 2020. Light distillates, LPG and naphtha marginally increased from January to July compared to the same period last year, supported by steady petrochemical demand and increased LPG demand for home cooking.

Near-term expectations

Going forward, demand growth is expected to gain momentum in the coming months, supported by the low baseline and recovering diesel requirements in the industrial, construction and agriculture sectors. Transportation fuel demand is projected to be dependent on COVID-19 developments, particularly in 4Q21, and the government containment measures. The oil demand outlook is projected to gain momentum in light of positive policy measures encouraging private consumption and investment, in addition to 2020 baseline decline. Demand for transportation fuel will lead product demand, followed by middle distillates.

For 2022, India's oil demand is expected to rise y-o-y as total consumption exceeds pre-pandemic levels on an annualized basis. COVID-19 containment measures are projected to improve, backed by rising vaccination rates, natural immunity and improved treatment of COVID-19. Economic activity is projected to support demand for refined products, led by transportation fuels, mainly gasoline. Support will be driven by rising mobility and increased use of private vehicles. Diesel will gain strength in 2022, supported by steady developments in the industrial, construction and agriculture sectors.

Other Asia

Update on the latest developments

In Other Asia, **January to June** data shows demand rising by more than 0.5 mb/d compared to the same period last year. However, demand remained significantly lower, 0.8 mb/d, than pre-pandemic levels mostly due to the slower recovery in transportation fuels. Most of the 0.5 mb/d was driven by rebounding diesel in response to the economic pick-up after 2020. Jet fuel was the only fuel to decline, when compared to the same period last year, mainly due to the second wave of COVID-19 that led to sluggish development in the tourism sector in Indonesia, Malaysia, Philippines and Thailand. Diesel was higher by more than 0.2 mb/d, but remained lower by 0.1 mb/d compared to the same period in 2019. A slight improvement in trucking activities, construction and agriculture on the back of the uptick in economic activity supported diesel demand. However, the appearance of the Delta variant in some countries in the region led to slower growth during May and July. Naphtha recorded solid growth during the studied period. In fact, naphtha demand exceeded pre-pandemic levels by 0.04 mb/d and was higher in 2021 by more than 0.1 mb/d compared to the same period in 2020. Demand for plastics supported naphtha cracking margins, leading to increased intake rates in naphtha crackers. Gasoline grew by around 0.1 mb/d compared to the same period in 2020, but remained significantly

lower than 2019 by around 0.2 mb/d. After a steady recovery in mobility during 1Q21, movement slowed down in 2Q21 due to imposed measures to contain the second wave of COVID-19 particularly in Thailand, Singapore and Indonesia.

Near-term expectations

Going forward, oil demand is anticipated to improve y-o-y supported by a positive economic outlook and recovering mobility. The recent prevalence of Delta variant in a number of countries in the regions, however, has imposed downside pressure on the transportation fuel outlook in 4Q21 has affected current data in 3Q21. Malaysia, Indonesia, Singapore and the Philippines are anticipated to account for the most of the growth in 2021, led by transportation fuels.

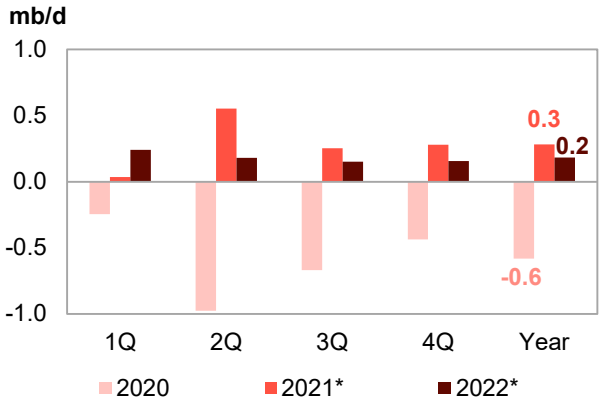
In 2022, Other Asia's oil demand is anticipated to grow and will marginally exceed 2019 levels. Firm economic expectations will provide strong support to demand next year. Transportation fuels are expected to increase amid better management of COVID-19 leading to a healthier outlook for mobility.

Latin America

Update on the latest developments

June data indicates an increase in oil requirements by 0.4 mb/d y-o-y in Latin America, following an increase of 0.5 mb/d y-o-y in May. However, demand remained below June 2019 levels by around 0.1 mb/d even though industrial fuels, diesel and fuel oil surpassed June 2019 levels. On a y-o-y basis, diesel and gasoline grew the most supported by the harvest season and improving transportation momentum. The mobility index in the region showed steady gains between May and June, rising from 90% from pre-pandemic levels in May to 95% in June. The index showed further development in July and August, thus supporting transportation fuel demand.

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



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

The recovery from the historic decline in 2020 was not full during the course of 2021 in Latin America at least in the 1H21 despite strong diesel performance. Oil demand showed an increase of more than 0.2 mb/d from **January to June** in contrast with the same period last year, though demand remained below pre-pandemic levels. In terms of products performance, mixed trends were registered. While diesel, gasoline and heavy distillates recorded gains, light distillates – LPG and naphtha – were flat and jet fuel remained lower compared to January to July 2020. In comparison to the same period in 2019, diesel was the only fuel outpacing 2019 levels while LPG and fuel oil were trending at levels similar to 2019. Diesel demand has been very positive in the region, led by Brazil, supported by the agriculture and transportation sectors and the overall recovery in economic activities despite increasing COVID-19 infection cases and high unemployment. Diesel posted gains of more than 0.1 mb/d compared to the same period last year, following a decrease of around similar levels during the same period in 2020. Despite the slow improvement in mobility since the beginning of the year, the region's mobility index remained lower than 2019. The index stood at 89% of pre-pandemic levels, with gasoline demand rising by around 0.1 mb/d compared to the same period last year. This was mainly impacted by the distorted baseline.

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

By product	Jul 20	Jul 21	Change Growth	Jul 21/Jul 20 %
LPG	0.25	0.25	0.00	-0.3
Naphtha	0.15	0.14	0.00	-2.0
Gasoline	0.61	0.71	0.11	17.9
Jet/kerosene	0.03	0.08	0.04	133.1
Diesel	1.06	1.14	0.08	7.3
Fuel oil	0.07	0.11	0.04	60.0
Other products	0.43	0.40	-0.03	-6.9
Total	**2.60**	**2.84**	**0.24**	**9.3**

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

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

Near-term expectations

Oil demand in **2H21** is projected to be supported by rising mobility, although the increase in COVID-19 cases remains a concern. Transportation fuels are projected to gain traction but continue to lag behind 2019 levels. Industrial fuels, diesel and fuel oil are expected be supported by steady economic activities. However, risks are skewed to the downside, particularly due to issues related to COVID-19 cases, political tensions in the region and high unemployment rates.

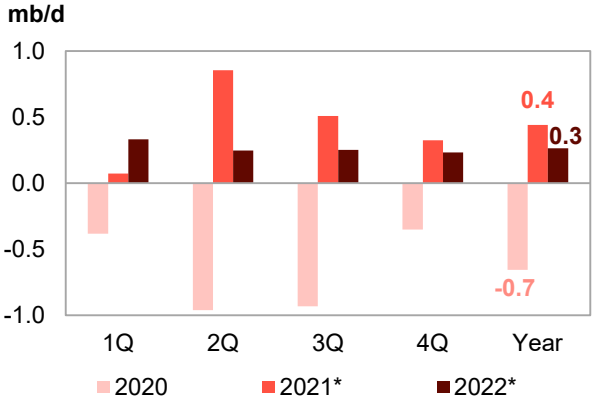
In 2022, Latin America's oil demand is anticipated to linger below 2019 levels though rise y-o-y. The increase in oil demand will be driven by a healthy economic outlook supporting demand in the region, but mostly in Brazil and Argentina. Transportation fuels are projected to account for most of the gains in 2022, supported by COVID-19 containment measures and overall gains in economic momentum.

Middle East

Update on the latest developments

In **June**, Middle East oil demand increased by 0.7 mb/d y-o-y after posting stronger y-o-y gains in May of 1.1 mb/d. June demand growth was distorted by the low base of June 2020 and remained below pre-pandemic levels by 0.1 mb/d compared to June 2019. Gasoline led the y-o-y gains in June together with the other products category, which includes the direct crude used for power generation. Improvements in mobility as well as an uptick in the seasonal summer uptick in power generation supported demand for both fuels.

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



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

In Saudi Arabia, oil demand data for July shows a marginal decline after strong gains a month earlier and despite a rise in direct crude consumption in the power generation sector. Diesel and fuel oil led the y-o-y decreases due to slower construction activities and higher crude burning in lieu of fuel oil. According to Yamama Cement Company and Haver Analytics, cement deliveries – a proxy for construction activities – declined by 20.2% y-o-y in July after dropping by 9.9% y-o-y in June. The indicator showed solid gains in July 2020 of around 25.7% y-o-y. Diesel and fuel oil dropped by around 0.1 mb/d y-o-y collectively, while crude oil for burning increased by around 0.05 mb/d y-o-y in July.

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

By product	Jul 20	Jul 21	Change Growth	Jul 21/Jul 20 %
LPG	0.04	0.04	0.00	-1.2
Gasoline	0.48	0.47	0.00	-0.4
Jet/kerosene	0.04	0.04	0.00	11.7
Diesel	0.54	0.49	-0.05	-9.0
Fuel oil	0.56	0.54	-0.02	-3.8
Other products	0.72	0.77	0.05	7.4
Total	**2.38**	**2.36**	**-0.01**	**-0.6**

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

Sources: JODI and OPEC.

Data from January to June show solid growth in the Middle East, supported by an increase of around 0.5 mb/d compared to the same period in 2020. All products showed steady growth, propelled by a recovery in economic activities and supported by the construction and industrial sectors, a steady recovery in mobility and the distorted baseline of 2020. Gains were led by a steady recovery in gasoline demand (+0.2 mb/d), diesel (+0.1 mb/d) and petrochemical feedstock, LPG and naphtha, (+0.1 mb/d). Recovering mobility supported gasoline demand in Saudi Arabia, Iraq and Kuwait with notable increases in 2Q21 largely due to easing lockdown measures across the region and the start of a gradual return of normality. While steady industrial activities supported healthy petrochemical demand and encouraged diesel and light distillates consumption.

Near-term expectations

The outlook for the remainder of 2021 will depend highly on developments related to COVID-19 and the government response. Currently, the COVID-19 situation is mixed in the Middle East region. On positive side, vaccination rates continue to increase across the region, supporting a return to normal activities. In Saudi Arabia, for example, the partial return to schools and higher education should in turn support demand for transportation fuels. However, the continuing ban on flights from certain locations, such as South Asia, will continue to pose downside risks to demand going forward.

In **2022**, demand is assumed to continue to recover as economic activities accelerate. The construction and industrial sectors are assumed to lend support to demand. However, the pace of the recovery will depend on challenges related to COVID-19, the potential development of new variants, and the rate as well as the effectiveness of vaccinations. That said, Middle East oil demand growth is anticipated to gain further strength in 2022 due to continued economic growth. As a result, transportation fuel, light distillates for petrochemical usage, and construction fuels are expected 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 0.17 mb/d from the previous assessment, owing to a downward revision of 0.52 mb/d in 3Q21. The revisions are mainly due to oil production outages in North America in August, related to Hurricane Ida in the Gulf of Mexico (GoM) and an explosion and fire on an offshore platform in Mexico. Production estimates in the North Sea were also revised down, due to lower-than-expected output in 3Q21. Annual growth is now forecast at 0.9 mb/d y-o-y, to reach 63.8 mb/d. The US liquids supply forecast has been revised down by 41 tb/d and is forecast to grow by 0.08 mb/d y-o-y. The downward revision due to disruptions in production caused by Hurricane Ida was partially offset by higher-than-expected output in 2Q21. The 2021 oil supply forecast primarily sees growth in Canada, Russia, China, the US, Brazil and Norway, while output is projected to decline in the UK, Colombia, Indonesia and Egypt.

The non-OPEC supply growth forecast for 2022 is unchanged at 2.9 mb/d, amid offsetting revisions, to average 66.8 mb/d (including a recovery of 0.11 mb/d in processing gains). Including the expected growth of OPEC NGLs, liquids supply is forecast to grow by 3.1 mb/d. The main drivers of liquids supply growth are Russia (1.0 mb/d) and the US (0.78 mb/d), followed by Brazil, Norway, Canada, Kazakhstan, Guyana and other non-OPEC countries in the Declaration of Cooperation (DoC). 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 forecast to grow by 0.13 mb/d to average 5.29 mb/d. OPEC-13 crude oil production in August increased by 0.15 mb/d m-o-m to average 26.76 mb/d, according to secondary sources.

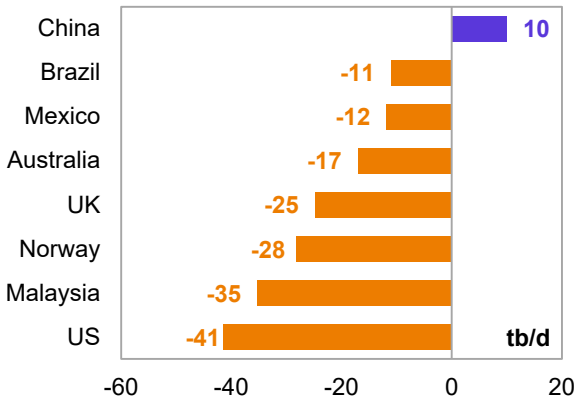
Preliminary non-OPEC liquids production in August, including OPEC NGLs, is estimated to have declined by 0.2 mb/d m-o-m to average 68.9 mb/d, up by 2.36 mb/d y-o-y. As a result, preliminary data indicates that global oil supply increased by 0.03 mb/d m-o-m to average 95.69 mb/d, up by 4.93 mb/d y-o-y.

Non-OPEC liquids production growth in 2021 was revised down by 170 tb/d from the previous assessment, because of a downward revision of 0.52 mb/d in 3Q21.

The revisions are mainly due to OECD oil production outages of 0.46 mb/d in 3Q21, following Hurricane Ida in the Gulf of Mexico and an explosion and fire at an offshore platform in Mexico, as well as lower-than-estimated oil output in the North Sea.

The non-crude supply forecast for Malaysia is also revised down in 2H21, leading to a downward revision for the year of 35 tb/d. The forecast liquids supply for the ten non-OPEC countries in the DoC, including Malaysia, was revised down by 0.05 mb/d and is now expected to grow by 0.24 mb/d y-o-y to average 17.44 mb/d. Moreover, the supply forecast for 4Q21 was revised down by 72 tb/d, led by Latin America and Other Asia, which partially offset the upward revision in the US.

Graph 5 - 1: Revisions to annual supply change forecast in 2021*, September MOMR/August MOMR



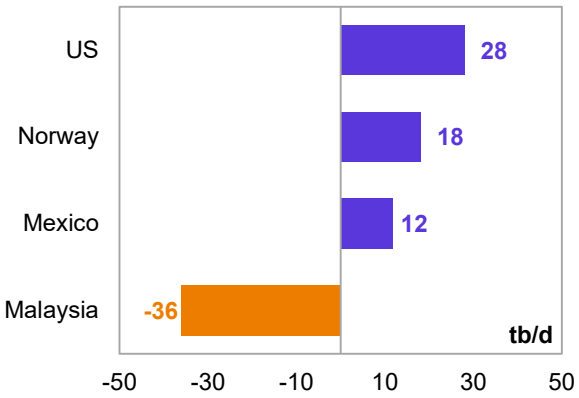
*Note: * 2021 = Forecast. Source: OPEC.*

The **non-OPEC supply growth forecast** for **2022** is unchanged at 2.9 mb/d, amid offsetting revisions, to average 66.8 mb/d.

The main downward revision was in Malaysia, due to changes in the NGLs and condensate supply forecast, as well as Other OECD Europe and Brazil, which were offset by upward revisions in the US, Norway and Mexico due to a lower base.

The liquids supply forecast for the non-OPEC DoC participating countries in 2022 was revised down by 0.02 mb/d, mainly in Malaysia, and is now expected to grow by 1.34 mb/d y-o-y to average 18.8 mb/d.

Graph 5 - 2: Revisions to annual supply change forecast in 2022*, September MOMR/August MOMR

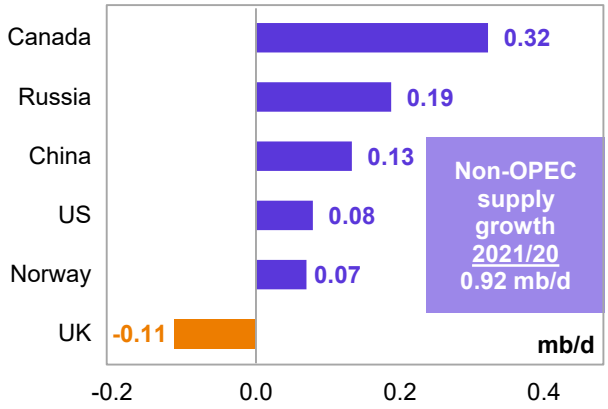


*Note: * 2022 = Forecast. Source: OPEC.*

Key drivers of growth and decline

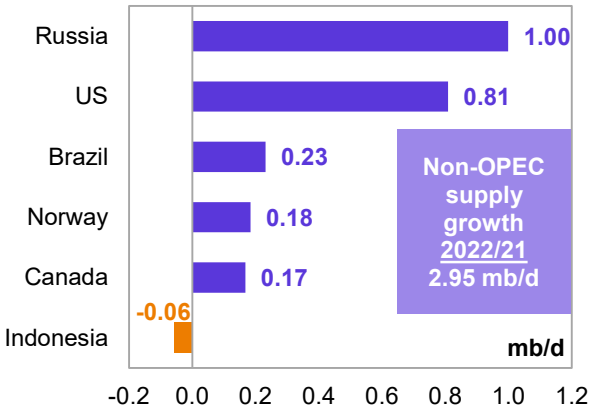
The **key drivers of non-OPEC liquids supply growth in 2021** are projected to be Canada, Russia, China, the US, Norway, Brazil and Guyana. Oil production is expected to decline mainly in the UK, Indonesia, Colombia and Egypt.

Graph 5 - 3: Annual liquids production changes for selected countries in 2021*



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

Graph 5 - 4: Annual liquids production changes for selected countries in 2022*



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

For **2022**, the key drivers of non-OPEC supply growth are forecast to be Russia, the US, Brazil, Norway, Canada, Kazakhstan and Guyana, while oil production will decline mainly in Indonesia, Egypt and Thailand.

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	Change 2021/20 %
Americas	24.70	24.10	25.19	25.24	25.88	25.11	0.41	1.67
of which US	*17.61*	*16.63*	*17.94*	*17.84*	*18.31*	*17.69*	*0.08*	*0.45*
Europe	3.90	3.95	3.50	3.89	4.10	3.86	-0.04	-1.03
Asia Pacific	0.53	0.51	0.46	0.54	0.55	0.51	-0.02	-3.41
Total OECD	**29.13**	**28.55**	**29.15**	**29.67**	**30.53**	**29.48**	**0.35**	**1.21**
China	4.12	4.25	4.28	4.25	4.22	4.25	0.13	3.24
India	0.77	0.76	0.75	0.75	0.74	0.75	-0.01	-1.78
Other Asia	2.51	2.51	2.45	2.48	2.48	2.48	-0.03	-1.17
Latin America	6.04	5.96	6.00	6.24	6.47	6.17	0.13	2.07
Middle East	3.18	3.19	3.21	3.23	3.28	3.23	0.05	1.65
Africa	1.41	1.38	1.37	1.38	1.33	1.36	-0.05	-3.60
Russia	10.59	10.47	10.74	10.79	11.11	10.78	0.19	1.77
Other Eurasia	2.91	2.96	2.89	2.96	3.01	2.95	0.04	1.37
Other Europe	0.11	0.11	0.11	0.10	0.10	0.11	-0.01	-8.27
Total Non-OECD	**31.65**	**31.59**	**31.79**	**32.18**	**32.75**	**32.08**	**0.43**	**1.37**
Total Non-OPEC production	60.78	60.15	60.94	61.85	63.28	61.57	0.79	1.30
Processing gains	2.15	2.28	2.28	2.28	2.28	2.28	0.13	6.03
Total Non-OPEC liquids production	**62.93**	**62.43**	**63.22**	**64.13**	**65.56**	**63.85**	**0.92**	**1.46**
Previous estimate	62.91	62.41	63.25	64.66	65.63	64.00	1.09	1.73
Revision	0.02	0.02	-0.03	-0.52	-0.07	-0.15	-0.17	-0.27

*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	Change 2022/21 %
Americas	25.11	25.88	26.00	26.09	26.50	26.12	1.01	4.03
of which US	*17.69*	*18.23*	*18.56*	*18.42*	*18.76*	*18.49*	*0.81*	*4.57*
Europe	3.86	4.07	3.96	4.02	4.34	4.09	0.24	6.12
Asia Pacific	0.51	0.56	0.55	0.55	0.55	0.55	0.04	7.49
Total OECD	**29.48**	**30.51**	**30.52**	**30.66**	**31.39**	**30.77**	**1.29**	**4.37**
China	4.25	4.25	4.25	4.29	4.37	4.29	0.04	1.02
India	0.75	0.77	0.79	0.82	0.84	0.81	0.05	6.90
Other Asia	2.48	2.47	2.44	2.42	2.40	2.43	-0.05	-2.01
Latin America	6.17	6.52	6.46	6.40	6.61	6.50	0.33	5.36
Middle East	3.23	3.31	3.32	3.33	3.33	3.32	0.09	2.89
Africa	1.36	1.30	1.28	1.25	1.22	1.26	-0.10	-7.43
Russia	10.78	11.51	11.83	11.88	11.88	11.78	1.00	9.27
Other Eurasia	2.95	3.09	3.11	3.15	3.22	3.14	0.19	6.35
Other Europe	0.11	0.10	0.10	0.10	0.09	0.10	-0.01	-7.35
Total Non-OECD	**32.08**	**33.32**	**33.57**	**33.64**	**33.98**	**33.63**	**1.55**	**4.82**
Total Non-OPEC production	61.57	63.83	64.09	64.30	65.37	64.40	2.83	4.60
Processing gains	2.28	2.39	2.39	2.39	2.39	2.39	0.11	4.91
Total Non-OPEC liquids production	**63.85**	**66.22**	**66.48**	**66.69**	**67.76**	**66.79**	**2.95**	**4.61**
Previous estimate	64.00	66.39	66.63	66.83	67.89	66.94	2.94	4.60
Revision	-0.15	-0.17	-0.15	-0.14	-0.13	-0.15	0.00	0.02

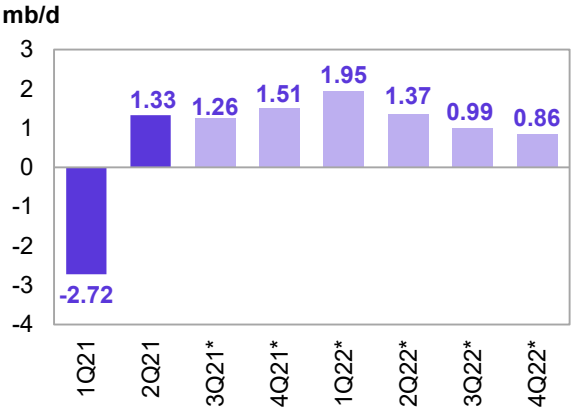
*Note: * 2021-2022 = Forecast. Totals may not add up due to independent rounding. Source: OPEC.*

OECD

OECD liquids production in 2021 is forecast to increase by 0.35 mb/d to average 29.48 mb/d, revised down by 138 tb/d m-o-m owing to a downward revision of 57 tb/d in the production forecast for OECD Americas, which is now projected to grow by 0.41 mb/d to average 25.11 mb/d. OECD Europe was revised down by 63 tb/d m-o-m and is now forecast to decline by 0.04 mb/d, with an average supply of 3.86 mb/d. Oil production in OECD Asia Pacific was also revised down by 17 tb/d m-o-m and is now forecast to decline by 0.02 mb/d y-o-y at 0.51 mb/d.

For **2022**, oil production in the OECD is revised up by 56 tb/d, and is now expected to grow by 1.29 mb/d to average 30.77 mb/d, with growth from OECD Americas of 1.01 mb/d to average 26.12 mb/d. Oil production in OECD Europe and OECD Asia Pacific is anticipated to grow respectively by 0.24 mb/d and 0.04 mb/d y-o-y to average 4.09 mb/d and 0.55 mb/d.

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



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

OECD Americas

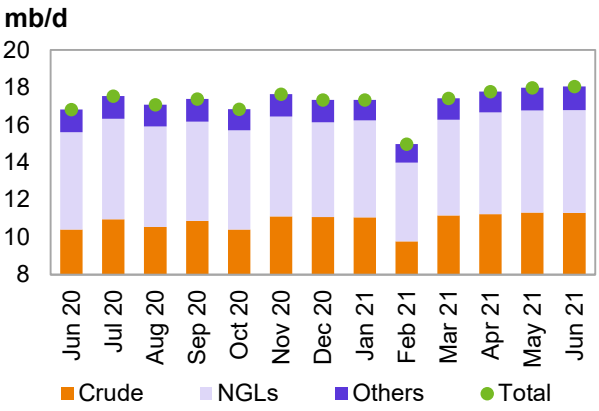
US

US liquids production in June 2021 was up by 0.06 mb/d m-o-m to average 18.05 mb/d, higher by 1.23 mb/d compared with June 2020, when US oil production suffered a drastic drop due to shut-in wells.

Crude oil production decreased in June 2021 by a minor 5 tb/d m-o-m to average 11.31 mb/d, up by 0.89 mb/d y-o-y. Meanwhile, production of non-conventional liquids (mainly ethanol) increased by 52 tb/d m-o-m to average 1.27 mb/d, according to the Department of Energy (DOE), and NGLs were up by 13 tb/d, to average 5.47 mb/d.

The production of crude oil, including field condensates, increased on the US Gulf Coast while the output declined in other four PADDs in June.

Graph 5 - 6: US monthly liquids output by key component



Source: OPEC.

Crude oil output on the US Gulf Coast grew by 37 tb/d to 8.03 mb/d in June, despite a 22 tb/d production decline in Texas, which was offset by higher output in New Mexico and the Gulf of Mexico (GoM) of 43 tb/d and 18 tb/d, respectively. Oil output from the GoM inched up to 1.83 mb/d, showing a recovery of 308 tb/d from June 2020.

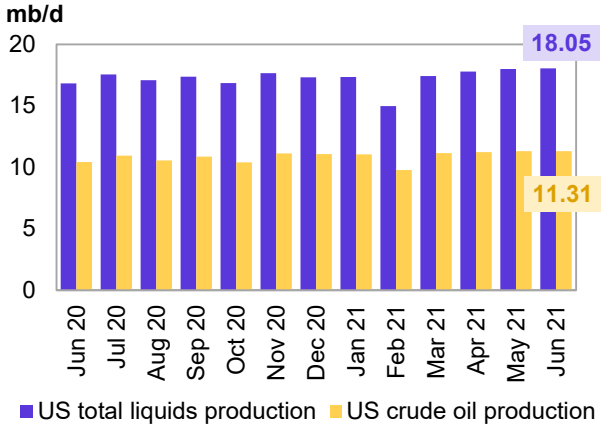
In the US Midwest, production in North Dakota increased for the fourth consecutive month, up by a slight 3 tb/d, while output in Oklahoma declined by 11 tb/d to average 390 tb/d in June. Output in Colorado's Niobrara shale fell by 16 tb/d to average 390 tb/d. On the West Coast, production in Alaska declined for the seventh consecutive month, falling 3 tb/d m-o-m to average 440 tb/d.

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

State	May 21	Jun 21	Change Jun 21/May 21
Oklahoma	401	390	*-11*
Colorado	406	390	*-16*
Alaska	435	431	*-4*
North Dakota	1,056	1,059	*3*
New Mexico	1,220	1,263	*43*
Gulf of Mexico (GoM)	1,807	1,825	*18*
Texas	4,813	4,791	*-22*
Total	**11,312**	**11,307**	***-5***

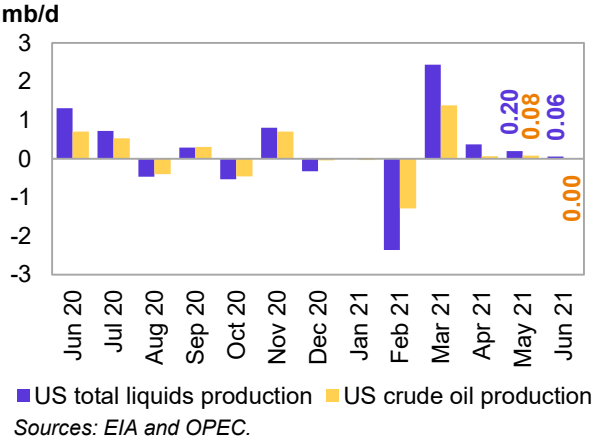
Sources: EIA and OPEC.

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



Sources: EIA and OPEC.

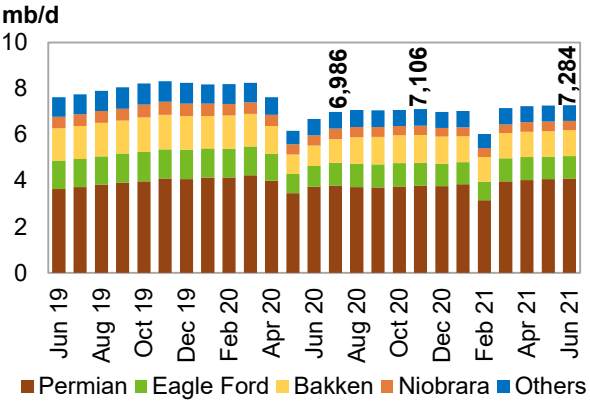
Graph 5 - 8: US monthly crude oil and total liquids supply, m-o-m changes



Sources: EIA and OPEC.

US tight crude output in June increased by 18 tb/d m-o-m to average 7.28 mb/d, 605 tb/d higher than in the same month a year earlier, according to Energy Information Administration (EIA) estimates. The m-o-m increase from shale and tight formations through horizontal wells came from the Permian, rising by 38 tb/d to average 4.1 mb/d. This came mainly from the section located in New Mexico, Wolfcamp, which added 22 tb/d m-o-m. The rest came from Spraberry and Bonespring, which rose by 11 tb/d and 5 tb/d, respectively. In the Williston Basin, production in Bakken shale was broadly steady at an average 1.12 mb/d, up by a marginal 2 tb/d m-o-m. Tight crude output at Eagle Ford in Texas and Niobrara-Condell in Colorado and Wyoming declined by 9 tb/d and 6 tb/d, respectively, to average 0.97 mb/d and 0.40 mb/d.

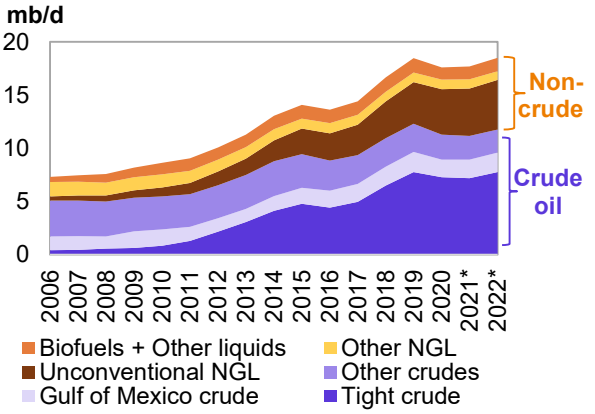
Graph 5 - 9: US tight crude output breakdown



Sources: EIA, Rystad Energy and OPEC.

The **US liquids production growth forecast for 2021** was revised down by 41 tb/d and is now expected at 0.08 mb/d, to average 17.69 mb/d, due to the oil production shut-in in the Gulf of Mexico following Hurricane Ida, which caused significant losses in oil production and refinery disruptions on the Gulf Coast. The duration of the outages will depend on how long it will take for production to be fully recovered compared to the level seen before the hurricane. In a preliminary analysis, 3Q21 output is revised down by 0.25 mb/d m-o-m, from 18.09 mb/d to an average 17.84 mb/d, indicating lower output of 100 tb/d in 3Q21 compared with 2Q21.

Graph 5 - 10: US liquids supply developments by component, including forecast for 2021 and 2022



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

US liquids production in 2022, excluding processing gains, is anticipated to grow by 0.81 mb/d y-o-y to average 18.49 mb/d, revised up by 0.03 mb/d due to the low base. This is almost the same level of average liquids supply in 2019, assuming the current pace of drilling and well completion in oil fields continues up to 3Q22, with possible higher spending in the prolific Permian Basin, Eagle Ford and Bakken shale sites. Operational activities in 4Q22 are likely to improve compared to the first three quarters.

It is worth noting that the EIA has upwardly revised its oil supply figures in 2019 and 2020 by 0.03 mb/d and 0.01 mb/d respectively, to average 1.81 mb/d and -0.86 mb/d.

With reported well production data for June 2021 provided by the EIA, **US crude oil production in 2021** is expected to decline by 0.08 mb/d to average 11.21 mb/d, revised down by 0.04 mb/d m-o-m. The downward change in the GoM oil supply forecast by 0.04 mb/d led to this revision. Oil supply in the GoM is now expected to grow by 0.09 mb/d to average 1.74 mb/d. At the same time, the US tight crude and conventional crude oil forecast is updated to account for the latest production and activity trends, along with the early communication on 2022 capital plans provided in the 2Q21 earnings season. US crude oil production is expected to exit December at 11.54 mb/d (as of September 2021), although production might again be affected negatively in October, as was seen in 2020. US tight crude and conventional crude oil is forecast to see a contraction of 0.09 mb/d each to average 7.20 mb/d and 2.24 mb/d, respectively.

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	7.28	-0.47	7.20	-0.09	7.76	0.56
Gulf of Mexico crude	1.64	-0.25	1.74	0.09	1.84	0.11
Conventional crude oil	2.36	-0.28	2.24	-0.12	2.17	-0.07
Total crude	11.28	-1.01	11.17	-0.11	11.77	0.59
Unconventional NGLs	4.27	0.35	4.45	0.18	4.65	0.20
Conventional NGLs	0.91	0.00	0.86	-0.04	0.81	-0.05
Total NGLs	5.17	0.35	5.31	0.13	5.46	0.15
Biofuels + Other liquids	1.15	-0.20	1.20	0.05	1.27	0.07
US total supply	**17.61**	**-0.86**	**17.69**	**0.08**	**18.49**	**0.81**

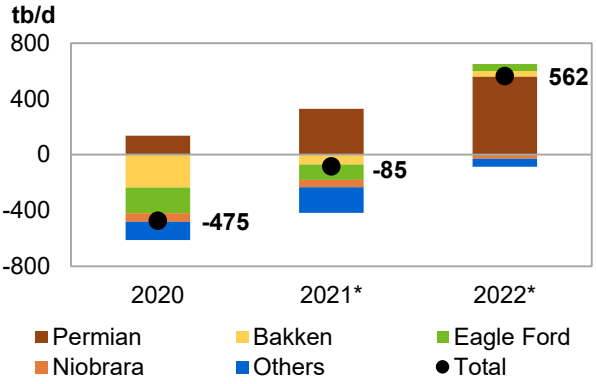
*Note: * 2021-2022 = Forecast. Sources: EIA, OPEC and Rystad Energy.*

US NGLs production remains unchanged from the last month's assessment at average of **5.31 mb/d** with annual growth of **0.15 mb/d** for this year and in 2022.

US biofuels and other non-conventional liquids production is forecast to recover by **0.05 mb/d** in 2021 to average 1.20 mb/d and see further recovery in 2022, rising by **0.07 mb/d** to average 1.27 mb/d.

US tight crude production in 2021 and 2022 is expected to show continuous y-o-y growth in the Permian Basin, unchanged from last month's assessment, to average 4.18 mb/d and 4.74 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 for 2022, output is expected to grow by 40 tb/d to average 1.15 mb/d. Eagle Ford in Texas is a prolific shale region that is expected to decline this year, but is forecast to grow next year by 50 tb/d to average 0.99 mb/d. Production in other shale plays is not expected to grow in 2021 or 2022, given current drilling and completion activities. US tight crude saw a contraction of 475 tb/d in 2020 and is expected to decline by 85 tb/d y-o-y this year, but is forecast to grow by 0.56 mb/d in 2022 to average 7.76 mb/d.

Graph 5 - 11: US tight crude output by shale play, y-o-y changes



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

Permian tight oil production increased in June, thanks to around 35 tb/d coming from the New Mexico side of the basin. It should be noted that Permian oil production in New Mexico reached new record-high levels in nearly every month in the first half of the year. Meanwhile, Permian Texas oil production (including conventional oil) only recovered by 100 tb/d (3%) in 1H21, compared with an increase of 220 tb/d (22%) in Permian New Mexico in the same period.

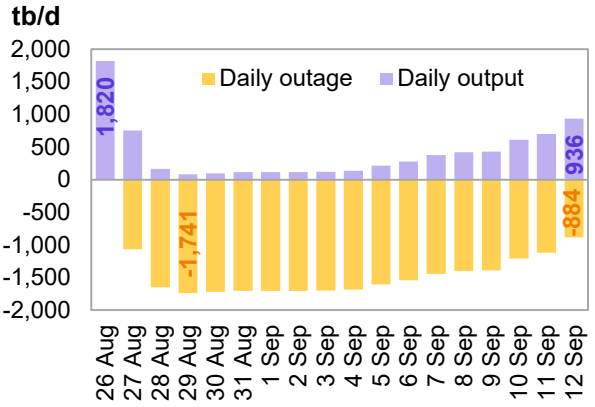
Disciplined spending programmes with conservative reinvestment rates are expected to persist in 2022, with most public producers targeting maintenance programmes or only very conservative single-digit growth rates.

Hurricane Ida's dramatic impact on oil production in the Gulf of Mexico

Ida, the ninth storm of the 2021 Atlantic hurricane season, made landfall on the Louisiana coast on 29 August, battering areas on the Louisiana coast that is home to 17% of US oil production, 5% of natural gas output and 15% of US refining capacity.

According to the US Bureau of Safety and Environmental Enforcement (BSEE), based on data from 25 offshore operator reports, personnel were evacuated from a total of 288 production platforms, 51.4% of the 560 manned platforms in the GoM. Personnel were also been evacuated from 11 existing rigs, and 11 dynamically positioned rigs that were moved out of the storm's projected path as a precaution. Seventeen days after the first day of the production shut-in, 25.3 mb/d of oil production was cumulatively lost, and the full recovery will take longer than expected due to oil leakage. Average daily production shut-in for September is estimated at 700–750 tb.

Graph 5 - 12: Production shut in the Gulf of Mexico related to Hurricane Ida



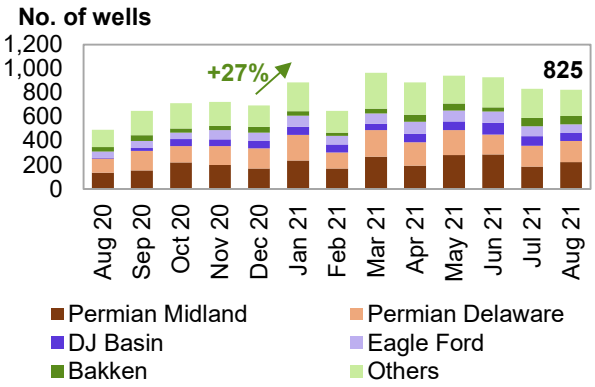
Sources: BSEE and OPEC.

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

Regarding identified **US oil and gas fracking operations by region**, Rystad Energy reported that following 932 fracked wells in June and 829 wells in July, 794 wells started fracking in August. This preliminary number is based almost exclusively on analysis of high-frequency satellite data.

The number of frac starts in the Permian in August shows an increase of 39 fracked wells in Midland m-o-m, while in Delaware the number of starts dropped from 174 to 171 fracked wells. Around 50% of fracking activity in the US was in the Permian, and in August the rest was in other regions, including Eagle Ford at 71, Bakken at 65, DJ Basin at 71. In the gas fields, in Haynesville and Marcellus shale, 47 and 34 wells were fracked in August, respectively.

Graph 5 - 13: Fracked wells count per month



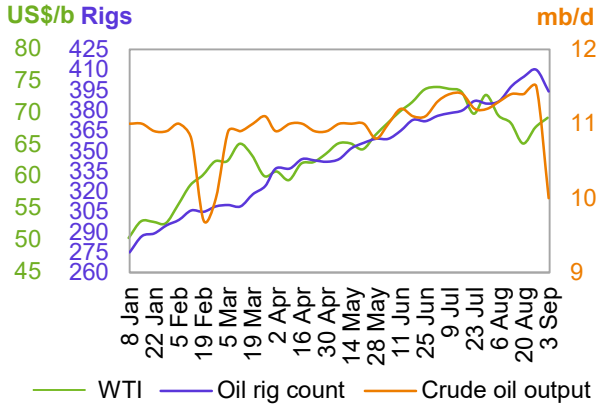
Note: August 2021 = Preliminary data.
Sources: Rystad Energy Shale Well Cube and OPEC.

Total **US active drilling rigs** were down by 11 w-o-w to 497 rigs in the week to 3 September. The lion's share of the 16 oil rigs that went inactive in that week were in the US Gulf of Mexico, where crews stopped work to get out of the way of Hurricane Ida as it swept through the region. It marked the biggest weekly rig drop since early June last year, according to the Baker Hughes' weekly survey on 3 September. This includes 495 active onshore rigs and only 2 offshore rigs.

However, on a monthly basis, the **US oil rig count** increased by seven units since the last MOMR, to 394 rigs in the week ending 3 September, higher by 213 rigs y-o-y.

Rigs targeting oil in the Permian Basin rose by 125 rigs y-o-y to 250 rigs. The total rig count is 94% higher than this time last year and up more than 100% since falling to a record low of 244 rigs in August 2020.

Graph 5 - 14: US weekly rig count vs US crude oil output and WTI price

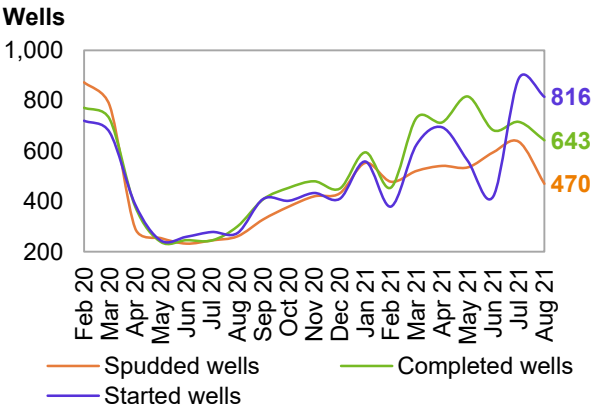


Sources: Baker Hughes, EIA and OPEC.

With regard to **drilling and completion (D&C) activities for spudded, completed and started wells** in all US shale plays, 471 horizontal wells were spudded in August, down from 642 in July, but 80% higher than June 2020.

In August 2021, preliminary data indicates a lower number of completed wells at 619, as well as a lower number of started wells at 801. However, the number of completed and started wells increased respectively by 100% and 180% y-o-y. While the total number of spudded, completed, and started wells was recorded at 4,337, 5,338 and 4,949 wells in the first eight months of the current year, respectively, during the same period in 2019, some 7,152, 6,709 and 6,493 wells were spudded, completed and started.

Graph 5 - 15: Spudded, completed and started wells in US shale plays



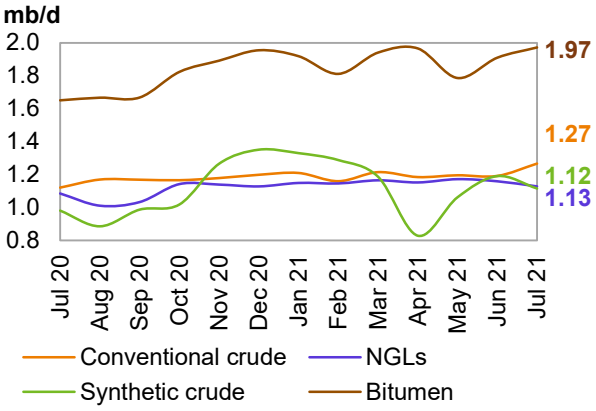
Sources: Rystad Energy and OPEC.

Canada

Canada's liquids production in July rose by 0.03 mb/d m-o-m to 5.52 mb/d. This is due to a remarkable increase in conventional crude oil output of 75 tb/d, m-o-m, to average 1.27 mb/d, and close to the pre-pandemic production level of 1.37 mb/d in March 2020. Crude bitumen also increased by 62 tb/d to average 1.97 mb/d, according to the Alberta Energy Regulator (AER). In contrast, synthetic crude and NGLs output decreased by 75 tb/d and 31 tb/d, respectively, to average 1.12 mb/d and 1.13 mb/d. Despite a minor revision in historical production data in 2Q21, the forecast remains unchanged from a month ago, with forecast growth by 0.32 mb/d, y-o-y in 2021, to average 5.49 mb/d.

For **2022**, Canadian production is forecast to increase at a slower pace compared with the current year, rising by 0.17 mb/d to average 5.66 mb/d. This is unchanged from the previous month's assessment.

Graph 5 - 16: Canada's monthly liquids production development by type

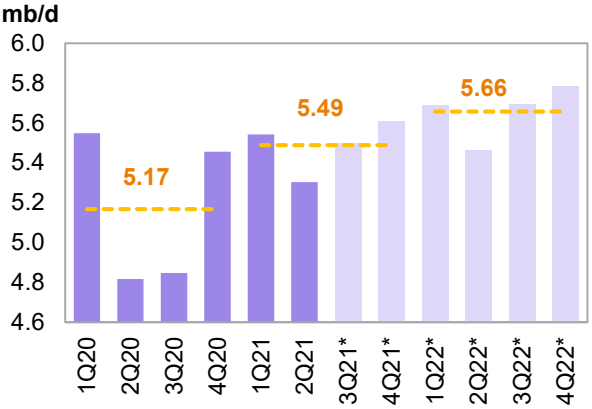


Sources: National Energy Board and OPEC.

According to Enbridge Inc., North America's largest pipeline company, the delayed 390 tb/d Line 3 pipeline expansion project is nearly complete. The pipeline will transfer more Canadian crude to US refineries. From a supply point of view, the project is also critical for Alberta, where oil production has exceeded existing pipeline capacity in recent years, which has led to massive discounts for oil sands crude relative to US blends and a loss of government royalty revenues.

Oil producers are still hopeful that the federally owned 590 tb/d Trans Mountain pipeline expansion will be complete and operational at the end of 2022, which would further reduce the need for oil-by-rail shipments out of Western Canada.

Graph 5 - 17: Canada's quarterly liquids production and forecast



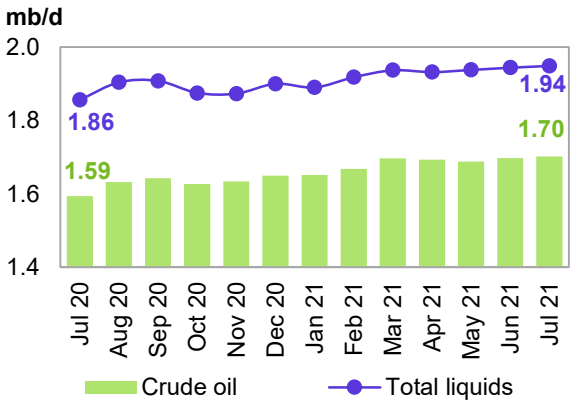
*Note: * 3Q21-4Q22 = Forecast. Source: OPEC.*

According to IHS Markit, the combination of Line 3 and Trans Mountain will add more than 900 tb/d of pipeline capacity out of Western Canada but "rail is expected to remain a key part of the western Canadian export system." Shipping of crude by railways cars peaked at around 412 tb/d in February 2020, before the COVID-19 pandemic.

Mexico

Mexico's liquids output in July averaged 1.95 mb/d, up by 0.01 mb/d m-o-m and higher by 0.09 mb/d y-o-y. Crude oil output was almost flat, showing a minor increase of 3 tb/d to average 1.7 mb/d, according to PEMEX. However, the supply forecast has been revised down in 3Q21 due to the explosion and fire at the Ku-Maloob-Zaap complex platform in Gulf of Mexico. This caused production shut-in for eight days after the incident on 22 August. According to PEMEX' updated production report, production from KMZ fully recovered on 30 August.

Graph 5 - 18: Mexico's monthly liquids and crude production development



Sources: PEMEX and OPEC.

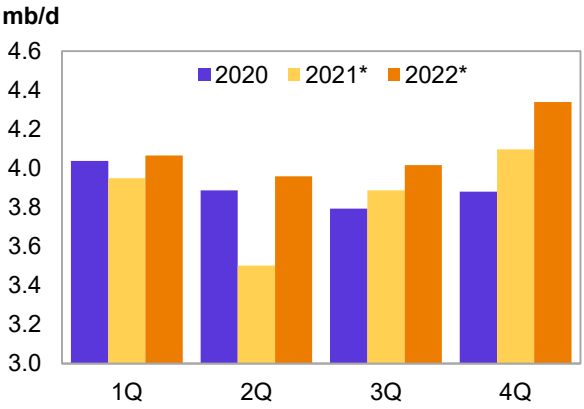
For **2021**, liquids production in Mexico is forecast to grow by 0.01 mb/d to average 1.93 mb/d, revised down by 12 tb/d.

For **2022**, the supply forecast was revised up by 0.01 mb/d to average 1.96 mb/d, representing a yearly growth of 0.04 mb/d. PEMEX is scheduled to bring on stream a string of smaller developments, but is suffering some delays resulting from pandemic related financial and operational hurdles.

OECD Europe

OECD Europe's liquids production in 2021 is revised down by 0.06 mb/d from the last assessment. The downward revision is due to lower-than-expected oil output in 2Q21 by 112 tb/d, mainly from the UK. Additionally, the forecast for 3Q21 was revised down by 140 tb/d, due to extended field maintenance, which started in May, and has led to a slow production recovery in 3Q21. Output is now projected to decline by 0.04 mb/d to average 3.86 mb/d, owing to a contraction in UK output of 0.11 mb/d and a slowdown in Norway's production growth compared with remarkable growth of 0.26 mb/d in 2020. Oil production in Denmark and other OECD Europe will each see a slight decline of 0.01 mb/d in 2021.

Graph 5 - 19: OECD Europe quarterly liquids production and forecast



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

For **2022**, production is expected to grow by 0.24 mb/d and surge to 4.09 mb/d, through continued production ramp-ups in Norway, the UK, and other OECD Europe.

Norway

Norwegian crude production in July grew by 85 tb/d m-o-m to 1.75 mb/d, up by 15 tb/d y-o-y. Production of NGLs and condensates also rose by 97 tb/d m-o-m to average 0.27 mb/d.

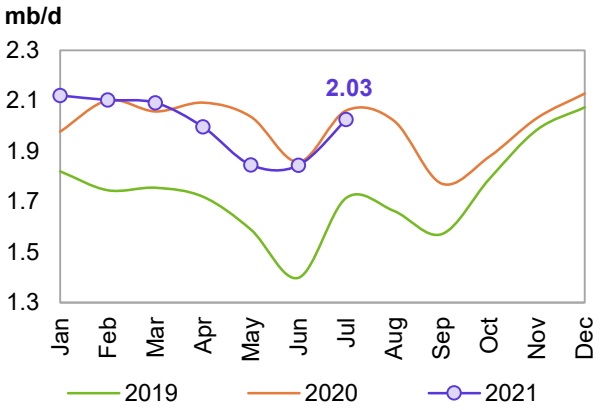
As a result, total liquids increased by 0.19 mb/d m-o-m to average 2.03 mb/d, which indicates that the output mostly returned from seasonal maintenance in July, but was not fully restored compared to 1Q21 at 2.11 mb/d.

On 31 August, the Norwegian government proposed a revamp of the country's petroleum fiscal regime. The changes are primarily related to how the petroleum tax is calculated, and the new system tries to be more cash-flow based. This measure could lower the breakeven price for new projects, while the removal of cash-back on exploration expenses would hit companies that focus mainly on exploration, according to Rystad Energy.

For **2021**, Norway's growth forecast has been revised down by 28 tb/d m-o-m due to lower output in 2Q21 and forecast revision for 3Q21. Production is now expected to average 2.07 mb/d, with growth of 0.07 mb/d y-o-y.

For **2022**, Norway's tax incentives initiated last year in response to the pandemic have led to increased investment in oil and gas projects. Consequently, Norwegian liquids production is expected to grow by 0.18 mb/d to average 2.26 mb/d, through the anticipated start-up of new offshore projects such as Nova, Hod (redevelopment), Njord Future, Bauge and Fenja-phase 1. Moreover, Johan Sverdrup phase-2 is expected to come onstream in late 2022, and is projected to lift Norwegian crude oil production to more than 2 mb/d.

Graph 5 - 20: Norway's monthly liquids production development



Sources: NPD and OPEC.

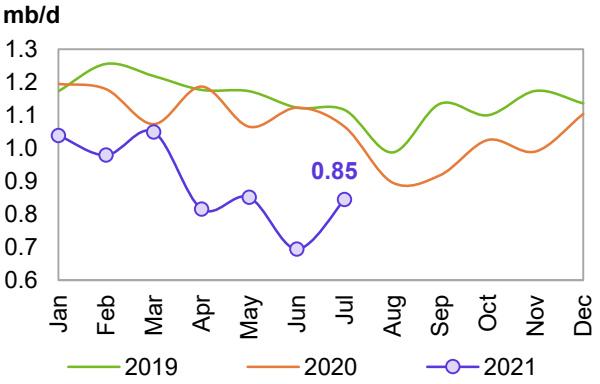
UK

UK liquids production in July was up by 0.16 mb/d m-o-m from the lowest ever output in June at 0.69 mb/d to average 0.85 mb/d. This was much lower than last July's level of 1.07 mb/d. Crude oil output rose by 121 tb/d to average 0.75 mb/d, but was 0.17 mb/d lower y-o-y. NGLs output also increased by 30 tb/d to average 67 tb/d m-o-m, lower by 43 tb/d y-o-y.

For this month, the historical production data in 2Q21 was revised down by 59 tb/d. At the same time, lower than expected output in 3Q21 led to another revision by 40 tb/d to the 3Q supply forecast for the UK.

For **2021**, UK oil production is forecast to contract by 0.11 mb/d to average 0.95 mb/d, revised down by 25 tb/d on a yearly base, due to several outages on top of maintenance during 1H21.

Graph 5 - 21: UK monthly liquids production development



Sources: Department of Energy & Climate Change and OPEC.

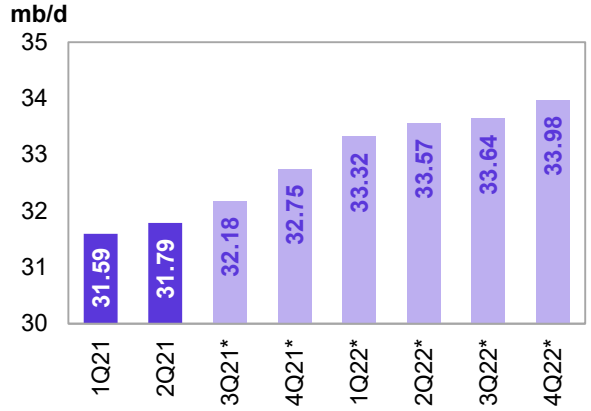
For **2022**, UK liquids production is forecast to grow by 0.03 mb/d to average 0.99 mb/d following two consecutive years of heavy declines. Production ramp-ups will take place in some small fields and the Penguins oil field (Redevelop) and Buzzard Phase 2 (20/06-3), each with a peak capacity of 30 tb/d, are due to start up.

Non-OECD

Non-OECD liquids production for 2021 was revised down by 0.3 mb/d this month, on the back of the new adjustments for countries participating in the DoC, and is now forecast to grow by 0.43 mb/d to average 32.08 mb/d. The key driver will be Russia, with y-o-y forecast growth of 0.19 mb/d to average 10.78 mb/d, followed by Latin America, which is expected to see growth of 0.13 mb/d to average 6.17 mb/d.

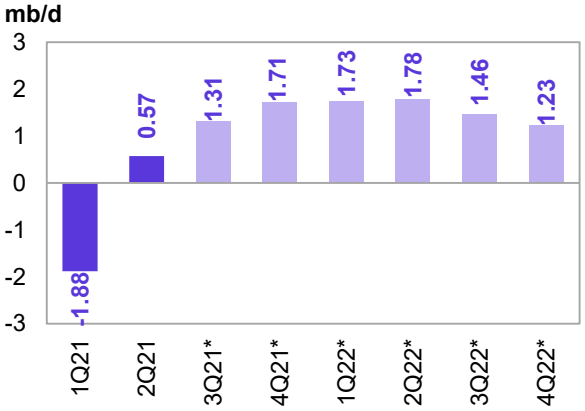
Production in China is expected to grow by 0.13 mb/d to average 4.25 mb/d. Oil production is forecast to increase in the Middle East by 0.05 mb/d to average 3.23 mb/d, while production is expected to decline in other Asia by 0.03 mb/d, to average 2.48 mb/d. Africa is also projected to decline by 0.05 mb/d to average 1.36 mb/d in 2021. Oil production in Other Eurasia is projected to return to positive territory, with minor growth of 0.04 mb/d to average 2.95 mb/d, while Other Europe is anticipated to decline by 0.01 mb/d to average 0.11 mb/d in 2021.

Graph 5 - 22: Non-OECD quarterly liquids production and forecast



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

Graph 5 - 23: Non-OECD quarterly liquids supply, y-o-y changes



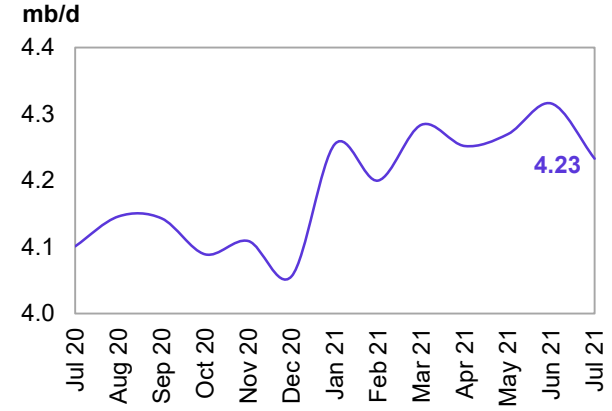
*Note: * 3Q21-4Q22 = Forecast. Source: OPEC.*

For **2022**, liquids production in non-OECD countries is forecast to grow by 1.55 mb/d to average 33.63 mb/d, revised down by 52 tb/d mainly in the other Asia supply forecast. The key drivers will again be Russia with growth of 1.0 mb/d to average 11.78 mb/d, followed by Latin America with 0.33 mb/d, Other Eurasia at 0.19 mb/d and the Middle East at 0.09 mb/d. China and India are expected to grow by 0.04 mb/d and 0.05 mb/d, respectively.

China

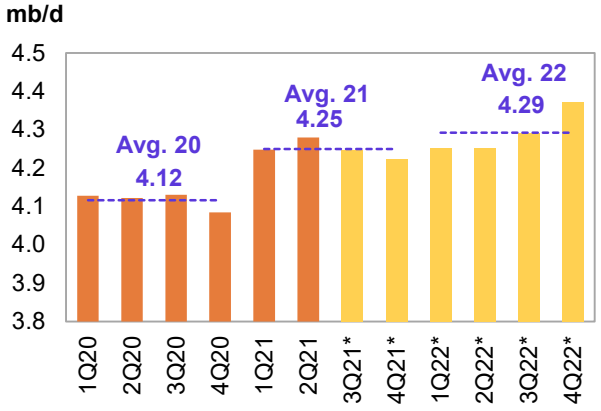
China's **liquids production** in **July** was down by 0.09 mb/d m-o-m to average 4.23 mb/d, but higher by 0.13 mb/d y-o-y, according to official data. Crude oil output in July decreased by 83 tb/d to average 3.97 mb/d. Nevertheless, the output was up by around 0.1 mb/d, y-o-y. Production in 1H21 averages at 4.00 mb/d, indicating that NOCs have increased their investment following the planned strategy for raising domestic oil production. For instance, "PetroChina has been raising oil and gas output in the Changqing field and is expected to achieve its 2025 production target this year", according to the FGE monthly report. "Capex investments in technology to enhance oil recovery in previous years have also prevented a steep decline in production at aging oil fields", FGE reported.

Graph 5 - 24: China's monthly liquids production development



Sources: CNPC and OPEC.

Graph 5 - 25: China's quarterly liquids production and forecast



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

For **2021**, China's liquids supply is projected to see growth of 0.13 mb/d, revised up by 0.01 mb/d due to an upward revision in the 3Q21 supply forecast, to average 4.25 mb/d. According to a list of new projects for the current year, three (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 0.04 mb/d is anticipated to average 4.29 m/d. For the next year, two other offshore projects of CNNOC Ltd – 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.

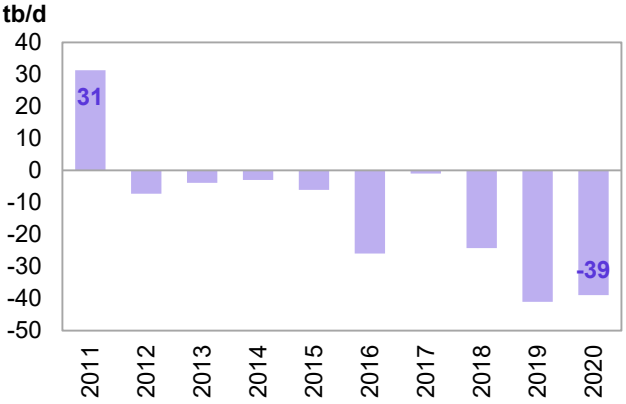
India

India's crude oil production has been in decline since 2012 and the annual output in 2019 and 2020 stood at 655 tb/d, and 616 tb/d, respectively, according to official data. This indicates a decline rate of 6% per annum in 2019 and 2020.

India's crude oil production continued to slide in 1H21 to average 0.60 mb/d, down by 0.02 mb/d or 2.9%, y-o-y, mainly due to continued declines at state-run Oil and Natural Gas Corp.'s (ONGC) mature fields, the country's largest oil and gas producer.

Oil output in July was down by 19 tb/d, or around 3.1%, y-o-y, to average 603 tb/d, according to Ministry of Petroleum and Natural Gas data published on 24 August.

Graph 5 - 26: India's yearly decline in crude oil production



Source: OPEC.

Latin America

Latin America's total liquids supply in July was up by 0.17 mb/d m-o-m to average 6.12 mb/d. Oil output increased in Brazil and Colombia, while it dropped or was flat in other countries of the region. Liquids output was down by 0.05 mb/d y-o-y.

For **2021**, liquids production has been revised down by 14 tb/d m-o-m and is projected to grow by 0.13 mb/d y-o-y to average 6.17 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 Colombia recovered in July to average 0.75 mb/d, as the national strike and protests had ended. Crude oil production had been affected through May and June.

For **2022**, Latin America's total liquids supply forecast is projected to grow by 0.33 mb/d y-o-y to average 6.50 mb/d. One of the key drivers is Brazil, with expected growth of 0.23 mb/d, including biofuels, to average 3.97 mb/d. Guyana would be the second country in the region experiencing growth next year, with output rising by 0.09 mb/d, through the start-up of Liza Phase 2, which remains on target for early 2022. Oil production in other countries in the region will decline, or see only minor growth.

Brazil

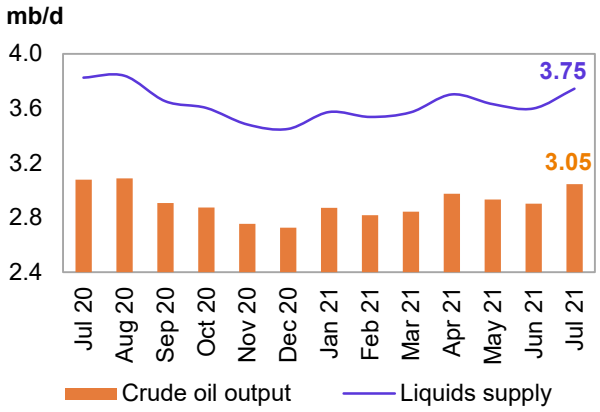
Brazil's crude output rose by 0.14 mb/d m-o-m to average 3.05 mb/d in July as unplanned maintenance and COVID-19 related outages eased, but is lower by 33 tb/d, y-o-y. Another reason for rising production was production reaching maximum capacity at P-70 FPSO, which is located in the Atapu field in the Santos Basin. Production started in the Sepia field in the Santos Basin on 23 August, expanding production capacity by 0.18 mb/d at the Carioca FPSO. Therefore, total oil supply in 3Q21 is expected to be higher than 2Q21, even if production was halted for a while for maintenance in other fields.

In **July**, total liquids production was pegged at an average of 3.75 mb/d, including biofuels and NGLs, up by 0.15 mb/d m-o-m, but lower by 0.08 mb/d, y-o-y.

Brazilian liquids supply in **2021**, including biofuels, is forecast to grow by 0.07 mb/d y-o-y, to an average 3.74 mb/d, revised down by 11 tb/d in this month.

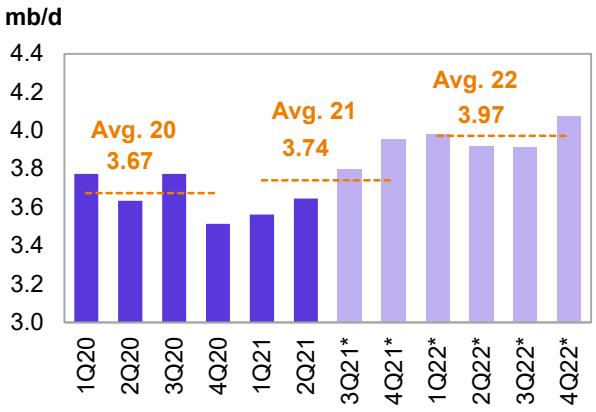
For **2022**, Brazil's liquids supply forecast, including biofuels, is set to increase by 0.23 mb/d y-o-y to average 3.97 mb/d. Crude oil production is expected to rise through two new project start-ups: Mero-1 (Guanabara), which was initially planned to start up in 2021; and Peregrino-Phase 2.

Graph 5 - 27: Brazil's monthly liquids production development by type



Sources: ANP, Petrobras and OPEC.

Graph 5 - 28: Brazil's quarterly liquids production and forecast



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

Russia

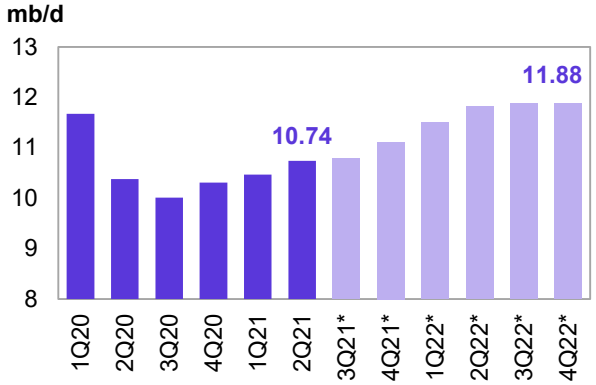
Preliminary data for **Russia's liquids production in August** shows a decrease of 0.03 mb/d m-o-m to average 10.72 mb/d, higher by 0.57 mb/d y-o-y.

Total condensate and NGLs output from gas condensate fields is estimated at 1.13 mb/d, the same as July, up by 0.03 tb/d y-o-y.

Annual liquids production in **2021** is forecast to increase by 0.19 mb/d y-o-y to average 10.78 mb/d, unchanged, m-o-m.

For **2022**, Russian liquids output is expected to increase by 1.0 mb/d to average 11.78 mb/d, with 3Q22 and 4Q22 both expected to reach 11.88 mb/d, the same as in the last MOMR. Although insufficient drilling and brownfield declines may yet impact the forecast.

Graph 5 - 29: Russia's quarterly liquids production and forecast



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

Caspian

Kazakhstan & Azerbaijan

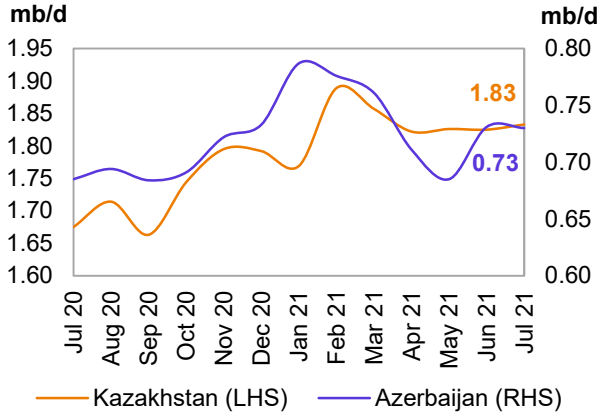
Liquids production in **Kazakhstan** was flat in **May to July** at 1.83 mb/d. Kazakh crude oil output in July was marginally higher by 16 tb/d to average 1.49 mb/d. NGLs output in July was down by 8 tb/d to average 343 tb/d.

The Kazakhstan liquids supply forecast is expected to grow by 0.03 mb/d and average 1.85 mb/d in **2021**.

In **2022**, liquids supply is likely to grow by 0.13 mb/d to average 1.98 mb/d. CPC export data shows a lower volume in August by 0.21 mb/d, than reported by other sources. Any maintenance in Tengiz, with a current production level of around 0.59 mb/d, or in Kashagan at 0.33 mb/d, would affect the monthly oil output in 3Q21.

Azerbaijan's liquids production in **July** was flat to average 0.73 mb/d m-o-m, up by 0.04 mb/d y-o-y. While crude production averaged 608 tb/d, NGLs production was also steady at an average of 122 tb/d.

Graph 5 - 30: Caspian monthly liquids production development by selected country



Sources: Nefte Compass and OPEC.

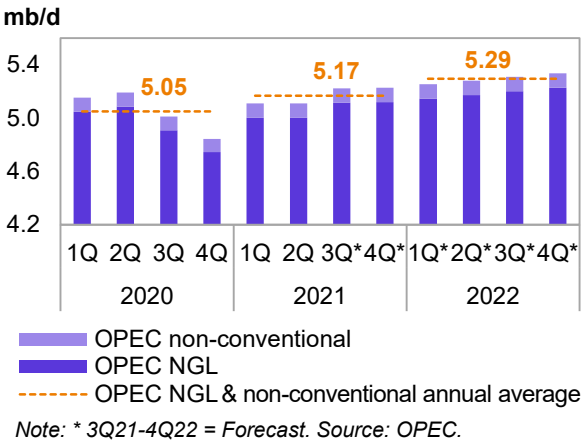
In **2021**, Azerbaijan's liquids supply is expected to show growth of 0.02 mb/d for the year to average 0.75 mb/d. Liquids supply is forecast to grow by 0.07 mb/d to average 0.82 mb/d in **2022**.

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 - 31: OPEC NGLs and non-conventional liquids quarterly production and forecast



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

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

OPEC NGL and non-coventional oils	2020	Change 20/19	2021	Change 21/20	1Q22	2Q22	3Q22	4Q22	2022	Change 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 26.76 mb/d in August 2021, higher by 0.15 mb/d m-o-m. Crude oil output increased mainly in Iraq, Saudi Arabia, the UAE and Angola, while production decreased primarily in Nigeria.

Table 5 - 6: OPEC crude oil production based on *secondary sources*, tb/d

Secondary sources	2019	2020	4Q20	1Q21	2Q21	Jun 21	Jul 21	Aug 21	*Change* Aug/Jul
Algeria	1,022	897	857	870	886	902	911	920	*9*
Angola	1,401	1,255	1,172	1,141	1,110	1,103	1,067	1,110	*43*
Congo	324	288	273	271	263	264	262	249	*-14*
Equatorial Guinea	117	115	112	107	109	110	101	101	*0*
Gabon	208	195	191	185	186	176	180	180	*1*
IR Iran	2,356	1,988	2,003	2,214	2,443	2,470	2,493	2,485	*-8*
Iraq	4,678	4,049	3,817	3,881	3,940	3,926	3,965	4,056	*90*
Kuwait	2,687	2,432	2,293	2,328	2,356	2,383	2,424	2,441	*17*
Libya	1,097	367	911	1,175	1,151	1,163	1,158	1,163	*5*
Nigeria	1,786	1,579	1,434	1,413	1,423	1,401	1,385	1,271	*-114*
Saudi Arabia	9,794	9,182	8,962	8,445	8,503	8,906	9,420	9,488	*69*
UAE	3,094	2,802	2,515	2,610	2,644	2,681	2,722	2,777	*55*
Venezuela	796	500	408	517	511	544	523	523	*0*
Total OPEC	**29,361**	**25,650**	**24,948**	**25,156**	**25,525**	**26,029**	**26,611**	**26,762**	***151***

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

Table 5 - 7: OPEC crude oil production based on *direct communication*, tb/d

Direct communication	2019	2020	4Q20	1Q21	2Q21	Jun 21	Jul 21	Aug 21	*Change* Aug/Jul
Algeria	1,023	899	862	874	886	901	915	921	*6*
Angola	1,373	1,271	1,186	1,136	1,125	1,073	1,103	1,129	*26*
Congo	329	300	285	275	264	262	247	272	*25*
Equatorial Guinea	110	114	106	104	99	100	100	101	*1*
Gabon	218	207	178	183	179	183	185	179	*-6*
IR Iran	..	..	..	..	..	..	..	..	..
Iraq	4,576	3,997	3,796	3,846	3,890	3,862	3,886	3,961	*75*
Kuwait	2,678	2,438	2,293	2,327	2,355	2,384	2,423	2,445	*22*
Libya	..	389	972	1,214	1,213	1,243	1,273	1,223	*-50*
Nigeria	1,737	1,493	1,301	1,404	1,343	1,313	1,323	1,239	*-85*
Saudi Arabia	9,808	9,213	8,975	8,473	8,535	8,928	9,474	9,562	*88*
UAE	3,058	2,779	2,501	2,610	2,645	2,681	2,722	2,768	*46*
Venezuela	1,013	569	463	533	556	633	614	641	*27*
Total OPEC	..	..	..	..	..	..	..	..	..

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

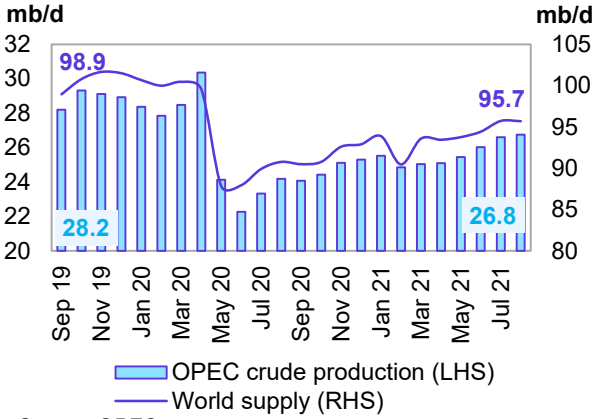
World oil supply

Preliminary data indicates that **global liquids production in August** decreased by 0.03 mb/d to average 95.69 mb/d compared with the previous month.

Non-OPEC liquids production (including OPEC NGLs) decreased in August by 0.18 mb/d compared with the previous month to average 68.93 mb/d, higher by 2.36 mb/d y-o-y. Preliminary decreases in production in August were mainly driven by the OECD, and particularly in North America following Hurricane Ida, where output is likely to decline by 0.37 mb/d m-o-m. An increase of 0.17 mb/d in non-OECD countries is forecast, which includes DoC Participating Countries.

The **share of OPEC crude oil in total global production** increased by 0.2 pp to 28.0% in August compared with the previous month. Estimates are based on preliminary data from direct communication for non-OPEC supply, OPEC NGLs and non-conventional oil, while estimates for OPEC crude production are based on secondary sources.

Graph 5 - 32: OPEC crude production and world oil supply development



Source: OPEC.

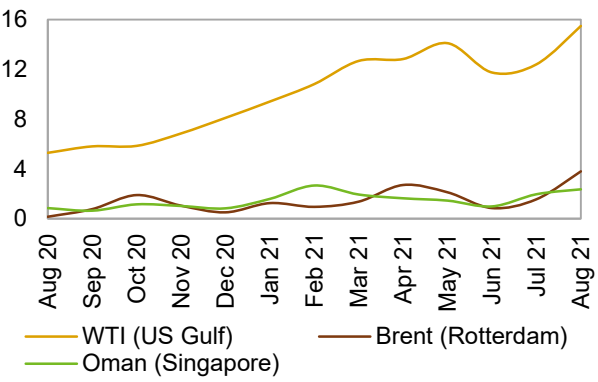
Product Markets and Refinery Operations

In August, refinery margins continued to trend upwards globally, showing substantial gains particularly in the Atlantic Basin, supported by seasonal strength in transport fuels. Meanwhile, COVID-related mobility restrictions remained relaxed and in most of the world's largest-consuming countries recovered to post-pandemic highs. In the US, a reduction in total product inventory levels, as well as strong exports, supported product markets in the country amid seasonal support and drove gasoline margins to new record highs. In Europe, refining margins benefitted from positive performance all across the barrel, while a contraction in fuel output from key traditional fuel suppliers within the region helped strengthen European product markets. Meanwhile in Asia, positive performance in the jet/kerosene and fuel oil markets, driven by a boost in summer- related air travel and cooling requirements, pushed regional refining economics to post slight gains.

Refinery margins

US Gulf Coast (USGC) refining margins extended gains witnessed the previous month, surging to a post-pandemic record high of $15.48/b. This robust performance was attributed to all sections of the barrel, as solid gains in product crack spreads were nearly equally distributed across the barrel. At the same time, US refinery intakes in August increased only moderately by 40 tb/d, which sustained US product markets by preventing an upturn in product surplus. Pressure on refinery intakes was also partly induced by weather-related refinery shutdowns in late August, as Hurricane Ida hit northeast US on August 2, causing power outages and damage. The impact of resulting capacity losses are expected to be extensive in the coming month, though they also weighed considerably on current monthly intake figures, contributing further to tighter product margins for WTI, which averaged $15.48/b in August, up by $3.08/b m-o-m and $10.18/b y-o-y.

Graph 6 - 1: Refining margins



Sources: Argus and OPEC.

Refinery margins in **Europe** rose in response to stronger product fundamentals, with all products across the barrel showing solid gains, while gasoline margins were clearly the leading driver for this upside. The robust performance in European gasoline was a result of declining gasoline supplies from Russia, along with significant declines in Amsterdam-Rotterdam-Antwerp storage hub gasoline inventory levels, which fell to their lowest point since 2016, down 50% relative to the previous year, according to Argus. Higher gasoline imports from Germany due to floods provided further support to gasoline markets. Moreover, toll road usage in Spain, Italy, Poland and France was reported higher compared with levels seen around the same time in 2019, with August 2021 representing a very optimistic month in terms of European gasoline requirements. European refinery run rates in August increased slightly, up by 150 tb/d m-o-m according to preliminary data. Nevertheless, the combination of eased mobility restrictions and summer season support outweighed the negative impact of a slight rise in product output. Refinery margins for Brent in Europe averaged $1.57/b in July, up by 71¢ compared with a month earlier and 27¢ y-o-y.

In **Asia**, margins showed the mildest gains relative to the other regions, supported by low fuel exports from China, which kept product supplies from China to the rest of Asia very limited and helped cap a product surplus, ultimately lifting jet fuel and fuel oil crack spreads. In addition, a strong recovery in fuel sales in India, despite a rise in new Delta variant COVID cases in that region, provided further support. Asian refinery run rates in August rose, up by 400 tb/d m-o-m according to preliminary data, which at the same time represented the largest m-o-m intake rise compared with the other main regions. This, coupled with poor mobility data for Southeast Asia, may have adversely impacted product markets within the region, limiting the positive performance of Asian refining economics registered in August. In the OECD Asia Pacific, refiners in Japan increased intake in August (+0.45 mb/d m-o-m) to 2.93 mb/d, which is the highest level since January 2020. The Summer Olympics, which took place in Tokyo between end of July and the first half of August, likely had an influence. An announcement was made to permanently shut down the 107 tb/d Marsden Point refinery and

only use the facility as an oil product import terminal starting in mid-2022. This is one of many refineries in the OECD Asia Pacific region over the past few years to face this fate, as regional refiners are exposed to mounting competition from high-complexity, newly built refineries in the non-OECD Asia Pacific region (e.g. China, India, Brunei and the Middle East). Once the permanent shutdown is executed, New Zealand will no longer have any of its own refining capacity and will rely solely on product imports to meet domestic demand. Refinery margins for Oman in Asia gained 98¢ m-o-m to average $1.97/b in August, which was higher by 72¢ y-o-y.

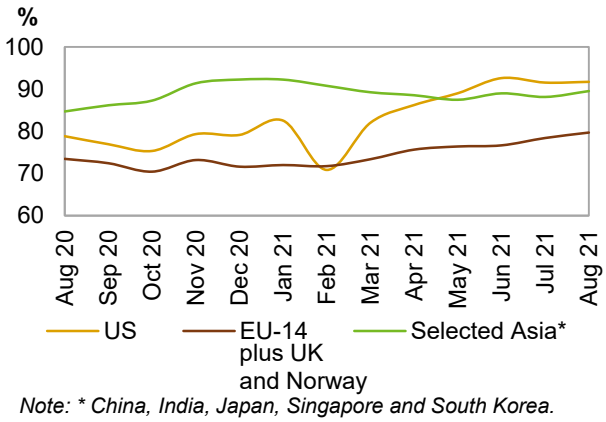
Refinery operations

US refinery utilization rates increased moderately in August to average 91.53%, which corresponds to a throughput of 16.59 mb/d. This represented a rise of 1.1 pp and 160 tb/d, respectively, compared with the previous month. Y-o-y, the August refinery utilization rate was up by 11.9 pp, with throughput showing a rise of 1.8 mb/d.

European refinery utilization averaged 80.46%, corresponding to a throughput of 9.59 mb/d. This is a m-o-m rise of 5.7 pp or 590 tb/d. On a y-o-y basis, utilization rates increased by 9.1 pp, while throughput was up by 737 tb/d.

In **selected Asia** – comprising Japan, China, India, Singapore and South Korea – refinery utilization rates rose, averaging 91.92% in August, corresponding to a throughput of 26.33 mb/d. Compared with the previous month, throughputs were up by 1.2 pp and 180 tb/d. Meanwhile, they were up y-o-y by 6.1 pp and 1.7 mb/d.

Graph 6 - 2: Refinery utilization rates



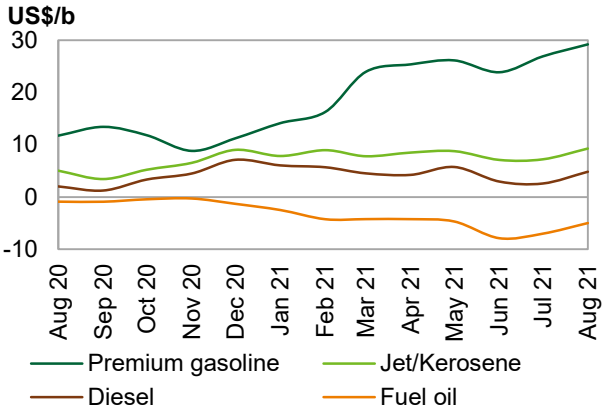
*Note: * China, India, Japan, Singapore and South Korea.*
Sources: Argus, EIA, Euroilstock, PAJ and OPEC.

Product markets

US market

US gasoline crack spreads continued to trend upwards to reach the highest level registered since July 2019. Support came from strong inventory drawdowns amid positive seasonal support, while mobility indicators remained supportive and backed gasoline markets. At the same time, a rise in refinery outage in Latin America helped, as it prompted higher import requirements from the US. Domestic gasoline prices stepped down from a multi-year record high registered the previous month, ending a nine-month sharp upward trend, reflecting the decline in crude prices registered over the month. The US gasoline crack spreads gained $2.29 m-o-m to average $29.23 in August, up by $17.49/b y-o-y.

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



Sources: Argus and OPEC.

USGC **jet/kerosene crack spreads** rose, as summer-season-related support continued to lend backing to markets, while jet fuel production rates remained nearly unchanged m-o-m, keeping jet fuel balances tight. The ongoing recovery in domestic flight activity was firm, although the international travel segment remains under pressure, exacerbated by the spread of the new Delta COVID variant, before naturally losing steam as the summer season comes to an end. The US jet/kerosene crack spread against WTI averaged $9.25/b, up by $2.05 m-o-m and $4.23 y-o-y.

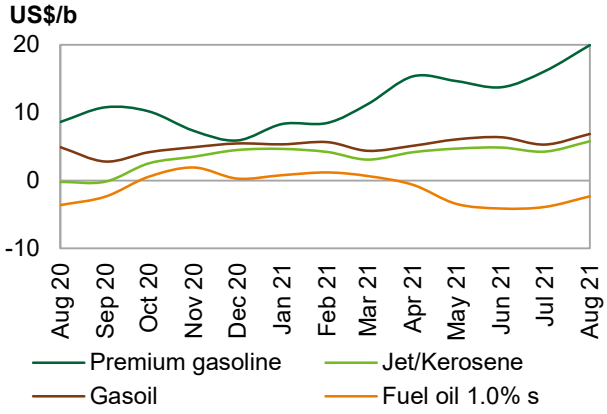
US **gasoil crack spreads** against WTI reversed course relative to the previous month, recovering due to stronger fundamentals, while a shift to higher, light-end yields by US refiners helped sustain US diesel markets. Over the month, the gasoil inventory showed significant draws, triggering positive market sentiment. Relaxed lockdown restrictions in Europe likely attracted additional export volumes out of the US and provided support to US gasoil markets. The US gasoil crack spread against WTI averaged $4.85/b, down by $2.25 m-o-m and by $2.82 y-o-y.

US **fuel oil crack spreads** against WTI strengthened further, sustained by favourable conversion economics that encouraged refiners to maximize fuel oil processing rates in secondary units, given supportive coker margins. Going forward, the start of autumn peak maintenance season should support fuel oil markets as traders efforts to balance fuel supplies between the various regions are expected to boost bunker activity. This should limit the fuel oil downturn in the near term. In August, the US fuel oil crack spread against WTI averaged minus $4.99/b, higher by $2.03 m-o-m, but down by $4.11 y-o-y.

European market

Gasoline crack spreads showed remarkable strength, soaring to reach post-pandemic record highs in line with an uptick in automotive fuel consumption levels due to a rise in holiday road trips. Toll road usage in Spain, Italy, Poland and France was reported higher compared with levels seen around the same time in 2019. European gasoline markets also benefitted from enhanced US imports in response to lower production from the US refining sector, as it was affected by Hurricane Ida. Moreover, floods in Germany boosted gasoline imports for the first time in more than a year. Combined with the shutdown of several Mediterranean refiners, this represented an outlet for European gasoline barrels, which led to sizeable ARA trading hub gasoline drawdowns. These dropped to their lowest point since 2016, almost 50% lower y-o-y. The gasoline crack spread against Brent averaged $19.94/b in August, up by $3.85 m-o-m and $11.32 y-o-y.

Graph 6 - 4: Rotterdam crack spreads vs. Brent



Sources: Argus and OPEC.

Jet/kerosene crack spreads against Brent reversed trend, recovering from the previous month's losses, backed by an improvement in fundamentals. A boost in holiday travel over the month, amid tighter balance within the region, sustained jet fuel markets despite Europe's air traffic still being down 30% from 2019 levels, as international and business air travel remained somewhat supressed. The Rotterdam jet/kerosene crack spread against Brent averaged $5.79/b, up by $1.52 m-o-m and $5.98 y-o-y.

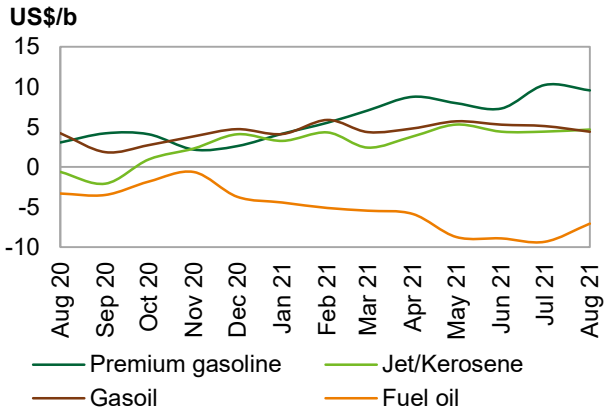
Gasoil crack spreads rebounded as well, supported in Europe by strong regional industrial activity amid resilient demand. European gasoil prices stepped down to $77.67 from a post-pandemic record high $80.29 registered the previous month, in line with a m-o-m reduction in crude price. The gasoil crack spread against Brent averaged $6.87/b, which was higher by $1.58 m-o-m and $1.96 y-o-y.

At the bottom of the barrel, **fuel oil 1.0% crack spreads** improved, in line with robust exports to outside the region. Robust requirements from Asia Pacific amid tight domestic supplies provided support. In addition, the current strength in gasoline cracks continued to help conversion margins, which further encouraged refiners to convert fuel oil in secondary units. At the same time, an ongoing pick-up in fuel oil exports to fulfil higher power generation requirements going forward should keep the balance tight and lend support to fuel oil markets in the near term. In Europe, fuel oil cracks averaged minus $2.33/b in August, having gained $1.56 m-o-m and $1.29 y-o-y.

Asian market

The **Asian gasoline 92 crack spread** lost some ground, affected by high COVID variant cases in Southeast Asia as the extension of restriction measures exerted pressure on mobility figures across OECD Asia. The Singapore gasoline crack spread against Oman in August averaged $9.57/b, down by 68¢ m-o-m but up by $11.48 y-o-y.

Graph 6 - 5: Singapore crack spreads vs. Dubai



Sources: Argus and OPEC.

Asia **naphtha crack spreads** reversed trend, losing some of the gains attained the previous month, pressured by a sharp rise in shipments arriving from the Middle East. The hike in imports was possibly attributed to the end of scheduled maintenance at the Petrochemical Corporation, Singapore's No. 2 naphtha-fed steam cracker at Pulau Merbau, according to secondary sources. The cracker had to be shut due to a fire on August 16, which delayed the resumption of operations to late August. The Singapore naphtha crack spread against Oman averaged $1.64/b, having decreased by $1.10 m-o-m, but up by $5.11 y-o-y.

In the middle of the barrel, **jet/kerosene crack spreads** in Asia strengthened, supported by lower supplies from China amid firm regional requirements for domestic air travel, mainly in China. The majority of international flights remained suspended due to prolonged border restrictions amid outbreaks of the new COVID variant in many parts of Asia, while business travel was still being avoided as much as possible. This likely capped gains in jet/kerosene margins.

In the near term, high cases of the COVID-19 Delta variant in Asia could maintain international border restrictions, pointing to downside risks in regional jet fuel crack spreads in the coming month. However, firmer demand from the faster-recovering aviation sector in the West could provide some support to the regional jet fuel market, amid expected improvement towards the end of the year, as the vaccinated share of the population grows and seasonal heating demand for kerosene picks up. The Singapore jet/kerosene crack spread against Oman averaged minus $4.68/b, slightly up by 26¢ m-o-m and $4.66 y-o-y.

The Singapore **gasoil crack spread** moved lower on weaker industrial demand, while the rise in Delta variant infection rates showed a clear negative impact on the fuel's consumption levels, linked to the transportation sector in the region. Over the month, several countries in the region reported a high number of COVID-19 cases, with Malaysia reaching more than 1 million infections. The virulent Delta variant has turned Southeast Asia into the global epicentre of the virus. Restrictions on gasoil exports from China, if sustained, could provide some support to the market in the near term. The Singapore gasoil crack spread against Oman averaged $4.40/b, down by 70¢/b m-o-m and $3.12 y-o-y.

The Singapore **fuel oil 3.5% crack spread** ended the downward trend witnessed since the start of the year to post much-needed gains in August, although it remained deep in negative territory. This was partly attributed to tightening fuel oil balance in the region, while fuel oil prices surged in Asia as some power generators sought alternatives after the cost of LNG skyrocketed. Demand from utilities, primarily in Pakistan and Bangladesh, has led to fuel oil prices almost doubling from a year earlier on a gas equivalent basis, according to secondary sources, which likely boosted fuel oil crack spreads. The expected seasonal rise in refinery outages globally should boost bunkering activities, as traders seek to rebalance product volumes between the various regions, supporting fuel oil markets in the near term. Singapore fuel oil cracks against Oman averaged minus $7.04/b, up by $2.26 m-o-m but down $7.94 y-o-y.

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

Event	Time frame	Asia	Europe	US	Observations
Reinforcement of mobility restrictions	4Q21	↓ Negative impact on product markets	↓ Negative impact on product markets	↓ Negative impact on product markets	Concerns over the spread of new COVID-19 variants could exert pressure on fuel consumption levels and lead to product surplus in the near term.
Autumn refinery maintenance	Sep 21	↑ Positive impact on product markets	↑ Positive impact on product markets	↑ Positive impact on product markets	A lift in refining economics is expected once refineries go into maintenance and product output contracts.
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.
Pick-up in fuel oil markets	2H21	↑ Positive impact on fuel oil markets	↑ Positive impact on fuel oil markets	↑ Positive impact on fuel oil markets	Stronger seasonal demand for power generation, and a potentially tighter balance, should provide support to fuel oil markets in the current and coming month, mainly in Asia.

Source: OPEC.

Table 6 - 2: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				*Refinery utilization, %*			
	Jun 21	Jul 21	Aug 21	*Change* Aug/Jul	Jun 21	Jul 21	Aug 21	*Change* Aug/Jul
US	**16.75**	**16.59**	**16.63**	**0.04**	**92.59**	**91.53**	**91.71**	**0.2 pp**
Euro-14, plus UK and Norway	**9.23**	**9.34**	**9.50**	**0.15**	**76.68**	**78.43**	**79.72**	**1.3 pp**
France	0.72	0.73	0.75	0.02	62.21	63.43	65.02	8.0 pp
Germany	1.72	1.73	1.75	0.02	83.74	84.13	85.35	1.2 pp
Italy	1.31	1.33	1.36	0.04	68.84	69.84	71.74	1.9 pp
UK	0.97	0.96	0.97	0.02	82.27	81.41	82.74	1.3 pp
Selected Asia*	**25.65**	**25.24**	**25.64**	**0.40**	**88.97**	**88.12**	**89.51**	**1.4 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	3Q20	4Q20	1Q21	2Q21	3Q21
OECD Americas	**19.31**	**18.96**	**16.54**	**16.35**	**16.24**	**16.29**	**18.12**	**18.78**
of which US	*17.31*	*16.99*	*14.72*	*14.55*	*14.32*	*14.20*	*16.17*	*16.66*
OECD Europe	**12.17**	**12.13**	**10.64**	**10.65**	**10.39**	**10.17**	**10.74**	**11.29**
of which:				***0.00***	***0.00***	***0.00***	***0.00***	***0.00***
France	*1.10*	*1.00*	*0.67*	*0.76*	*0.71*	*0.58*	*0.65*	*0.71*
Germany	*1.80*	*1.78*	*1.72*	*1.72*	*1.67*	*1.58*	*1.70*	*1.70*
Italy	*1.35*	*1.35*	*1.11*	*1.15*	*1.08*	*1.06*	*1.24*	*1.27*
UK	*1.06*	*1.08*	*0.92*	*0.87*	*0.89*	*0.75*	*0.94*	*0.90*
OECD Asia Pacific	**6.98**	**6.79**	**5.89**	**5.50**	**5.88**	**5.82**	**5.42**	**5.68**
of which Japan	*3.11*	*3.02*	*2.48*	*2.25*	*2.51*	*2.56*	*2.22*	*2.69*
Total OECD	**38.46**	**37.88**	**33.08**	**32.49**	**32.52**	**32.28**	**34.29**	**35.75**
Latin America	**4.31**	**4.09**	**3.27**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Middle East	**6.98**	**6.84**	**6.02**	**3.19**	**3.37**	**3.48**	**3.37**	**3.49**
Africa	**2.16**	**2.16**	**2.02**	**6.24**	**6.37**	**6.46**	**6.52**	**6.69**
India	**4.89**	**5.04**	**4.42**	**1.93**	**2.06**	**2.13**	**2.08**	**2.11**
China	**12.03**	**13.02**	**13.48**	**4.00**	**4.73**	**4.93**	**4.55**	**4.78**
Other Asia	**5.18**	**4.95**	**4.54**	**14.00**	**14.14**	**14.12**	**14.38**	**13.95**
Russia	**5.72**	**5.70**	**5.39**	**4.11**	**4.47**	**4.45**	**4.77**	**4.97**
Other Eurasia	**1.32**	**1.30**	**1.11**	**5.28**	**5.29**	**5.55**	**5.52**	**5.53**
Other Europe	**0.63**	**0.62**	**0.49**	**1.09**	**1.24**	**1.16**	**1.22**	**1.28**
Total Non-OECD	**43.23**	**43.72**	**40.74**	**0.46**	**0.50**	**0.46**	**0.53**	**0.57**
Total world	**81.70**	**81.60**	**73.83**	**40.31**	**42.17**	**42.73**	**42.93**	**43.36**

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

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

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

		Jul 21	Aug 21	Change Aug/Jul	Annual avg. 2020	Year-to-date 2021
US Gulf (Cargoes FOB)						
Naphtha*		74.56	71.98	-2.58	38.31	66.16
Premium gasoline	(unleaded 93)	99.52	96.96	-2.56	51.89	87.27
Regular gasoline	(unleaded 87)	92.92	91.70	-1.22	47.72	82.70
Jet/Kerosene		79.78	76.98	-2.80	46.83	72.18
Gasoil	(0.2% S)	75.18	72.58	-2.60	44.92	68.61
Fuel oil	(3.0% S)	61.00	60.92	-0.08	34.72	56.30
Rotterdam (Barges FoB)						
Naphtha		74.43	71.63	-2.80	39.00	65.43
Premium gasoline	(unleaded 98)	91.10	90.74	-0.36	51.34	80.26
Jet/Kerosene		79.27	76.59	-2.68	45.72	71.25
Gasoil/Diesel	(10 ppm)	80.29	77.67	-2.62	49.17	72.41
Fuel oil	(1.0% S)	71.11	68.47	-2.64	40.87	65.31
Fuel oil	(3.5% S)	63.13	60.89	-2.24	37.71	58.37
Mediterranean (Cargoes FOB)						
Naphtha		74.03	71.28	-2.75	37.58	64.72
Premium gasoline**		86.88	84.88	-2.00	45.41	75.58
Jet/Kerosene		77.48	75.05	-2.43	43.06	69.19
Diesel		80.12	77.48	-2.64	48.55	71.94
Fuel oil	(1.0% S)	72.11	70.01	-2.10	43.54	66.52
Fuel oil	(3.5% S)	60.93	58.97	-1.96	33.31	55.86
Singapore (Cargoes FOB)						
Naphtha		75.57	71.01	-4.56	40.66	66.03
Premium gasoline	(unleaded 95)	85.14	81.13	-4.01	46.59	74.74
Regular gasoline	(unleaded 92)	83.08	78.94	-4.14	44.99	72.96
Jet/Kerosene		77.25	74.05	-3.20	44.75	69.46
Gasoil/Diesel	(50 ppm)	79.58	76.23	-3.35	49.19	71.73
Fuel oil	(180 cst)	77.72	73.55	-4.17	47.86	70.10
Fuel oil	(380 cst 3.5% S)	63.53	62.33	-1.20	36.75	58.54

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

Sources: Argus and OPEC.

Tanker Market

VLCC tanker rates remained at depressed levels in August, weighed down by ample tonnage availability and a lagging increase in tanker demand. Suezmax and Aframax rates managed a better performance in intra-Asian routes, as well as the Atlantic Basin, particularly from West Africa to the US Gulf Coast. Clean tanker rates showed a healthy improvement East of Suez but slipped in the West. The arrival of Hurricane Ida in the Gulf of Mexico at the end of the month resulted in temporary dislocations, temporarily lending some support to dirty Aframax rates, while depressing clean rates in the early days of September as Gulf Coast refineries remain offline.

Spot fixtures

Global spot fixtures declined m-o-m in August, falling by 0.8 mb/d, or around 6%, to average 13.9 mb/d. Declines came as activity in Asia was muted and buying slowed in Europe. Compared to the previous year, spot fixtures were lower, falling by just under 2%. It should be noted that rates began the current low phase in June 2020 and have remained relatively flat since; therefore, the August 2020 figures reflect this downturn.

Table 7 - 1: Spot fixtures, mb/d

Spot fixtures	Jun 21	Jul 21	Aug 21	*Change* Aug 21/Jul 21
All areas	15.45	14.74	13.90	-0.84
OPEC	9.42	10.41	9.85	-0.56
Middle East/East	5.22	6.17	6.18	0.01
Middle East/West	1.07	0.87	0.82	-0.05
Outside Middle East	3.13	3.37	2.85	-0.52

Sources: Oil Movements and OPEC.

OPEC spot fixtures also declined m-o-m in August, falling by almost 0.6 mb/d, or around 5%, to average 9.85 m/b. Compared with the same month last year, OPEC spot fixtures were about 4% higher, rising by 0.4 mb/d.

Fixtures from the **Middle East-to-East** averaged 6.2 mb/d in August, broadly in line with the previous month, amid steady flows from the region to much of Asia with the exception of China. Y-o-y, the route saw an increase of 0.5 mb/d, or around 9%.

Middle East-to-West fixtures declined by 6% m-o-m to average 820 tb/d, amid lower flows to Northwest Europe (NWE) and most of the Mediterranean. This was a decline of around 0.2 mb/d, or almost 23%, compared to the same month last year.

Outside the **Middle East,** fixtures declined 0.5 mb/d, or 15% m-o-m, to average 2.85 mb/d. Y-o-y, fixtures were 4%, or around 0.1 mb/d higher.

Sailings and arrivals

OPEC sailings increased m-o-m in August, gaining almost 1.3 mb/d, or around 6%, to average 22.37 mb/d. Y-o-y, OPEC sailings were 2.2 mb/d, or about 11% higher than the very low levels seen in August 2020.

Middle East sailings showed further m-o-m gains in August, rising 0.8 mb/d, or 5%, to average 16.5 mb/d. Y-o-y, sailings from the region rose 1.8 mb/d, or about 13%, compared with the same month last year.

Crude arrivals in August were higher m-o-m on all routes. Arrivals in North America averaged 9.1 mb/d, representing a gain of 0.4 mb/d m-o-m, or close to 5%, and a 1.2 mb/d, or around 16% increase y-o-y. Arrivals in the Far East averaged 14.2 mb/d in August, an increase of close to 0.7 mb/d, or 5% m-o-m, and a massive 6.0 mb/d, or over 72%, higher than the same month last year. In West Asia, arrivals maintained the previous month's momentum, rising 0.7 mb/d, or around 5%, to average 7.17 mb/d. Y-o-y, West Asia arrivals were 2.6 mb/d, or just over 57%, higher. European arrivals remained relatively stable in August at 12.7 mb/d, marginally higher than in the previous month and 2.6 mb/d, or 27%, higher than the same period last year.

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

Sailings	Jun 21	Jul 21	Aug 21	Change Aug 21/Jul 21
OPEC	21.56	21.12	22.37	1.25
Middle East	15.34	15.73	16.51	0.78
Arrivals				
North America	8.88	8.67	9.07	0.40
Europe	12.84	12.62	12.70	0.08
Far East	13.43	13.54	14.19	0.65
West Asia	6.08	6.49	7.17	0.68

Sources: Oil Movements and OPEC.

Dirty tanker freight rates

Very large crude carriers (VLCCs)

VLCC spot rates slipped lower in August, falling 3%, with marginal weakness exhibited across major routes. Y-o-y, VLCC rates fell 7% due to the stronger performance of West Africa last year.

Rates on the **Middle East-to-East** route were unchanged from the previous month, averaging WS31 points amid stable activity at weak levels as tanker demand remained insufficient to substantially reduce the tonnage imbalance to support rates. Y-o-y, rates were 3% lower.

Rates on the **Middle East-to-West** route declined for the second month in a row, dropping 5% in August to stand at WS21 points amid lower flows to Europe despite steady flows to the United States. Y-o-y, rates were 5% lower.

The **West Africa-to-East** route also declined, down 3% m-o-m in August to average WS33 amid some supply setbacks in the region. Rates were 11% lower compared with August 2020.

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

VLCC	Size *1,000 DWT*	Jun 21	Jul 21	Aug 21	Change Aug 21/Jul 21
Middle East/East	230-280	32	31	31	0
Middle East/West	270-285	21	22	21	-1
West Africa/East	260	33	34	33	-1

Sources: Argus and OPEC.

Suezmax

Suezmax rates experienced m-o-m gains in August, rising 7%, with gains showing up on most routes. Rates also rose 7% compared to the same month last year.

On the **West Africa-to-USGC** route, rates averaged WS50, representing a gain of 9% compared to the month before, driven by tighter tonnage availability. Y-o-y, rates were 22% higher than in August 2020.

Meanwhile, spot freight rates on the **USGC-to-Europe** route increased 3% m-o-m to average WS38 points, as tonnage availability tightened. This was 7% lower compared with the same month last year.

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

Suezmax	Size *1,000 DWT*	Jun 21	Jul 21	Aug 21	Change Aug 21/Jul 21
West Africa/US Gulf Coast	130-135	45	46	50	4
US Gulf Coast/ Europe	150	39	37	38	1

Sources: Argus and OPEC.

Aframax

Aframax rates showed gains in August, increasing 6% m-o-m on average as tonnage demand for the class strengthened in Southeast Asia, offsetting declines around the Mediterranean. Y-o-y, rates were 38% higher.

The **Indonesia-to-East** route jumped 23% m-o-m to average WS100, which was 43% higher than in the same month last year. The **Caribbean-to-USEC** route also saw gains, rising 5% m-o-m to average WS83 in August, and rates were 20% higher y-o-y.

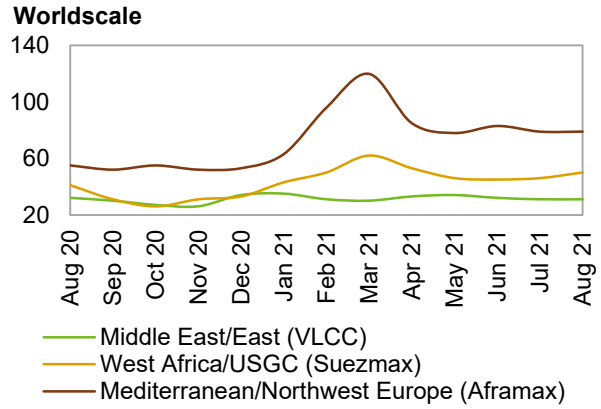
Table 7 - 5: Dirty Aframax spot tanker freight rates, WS

Aframax	Size 1,000 DWT	Jun 21	Jul 21	Aug 21	Change Aug 21/Jul 21
Indonesia/East	80-85	82	81	100	19
Caribbean/US East Coast	80-85	81	79	83	4
Mediterranean/Mediterranean	80-85	91	89	86	-3
Mediterranean/Northwest Europe	80-85	83	79	79	0

Sources: Argus and OPEC.

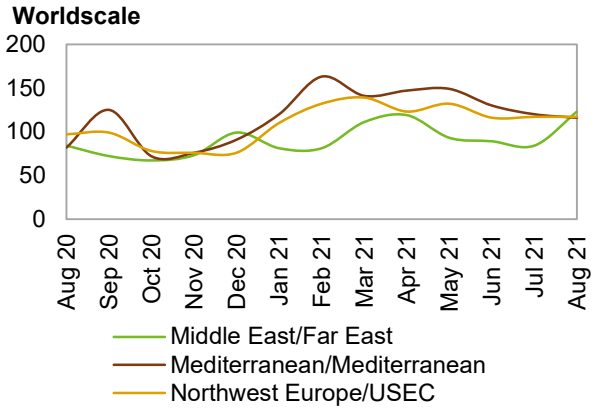
Med routes were either flat or weaker in August. The **Cross-Med** route averaged WS86 in August, representing a drop of 3% compared with the previous month. Y-o-y, however, rates were 43% higher. On the **Mediterranean-to-NWE** route, rates were unchanged m-o-m at WS79. Compared with the same month last year, rates on the route were 44% 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

Average **clean spot freight rates** in August rebounded after three months of losses, increasing 14% m-o-m. the increase was driven by East of Suez rates, which enjoyed strong gains due to rising demand and reduced tonnage availability, with spot rates rising on average 49% m-o-m and 61% y-o-y. In contrast, West of Suez rates declined 2% on average in August, as the tanker market in the region was weak due to ample tonnage supply amid slow demand.

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

East of Suez	Size 1,000 DWT	Jun 21	Jul 21	Aug 21	Change Aug 21/Jul 21
Middle East/East	30-35	89	84	123	39
Singapore/East	30-35	133	105	158	53
West of Suez					
Northwest Europe/US East Coast	33-37	116	117	117	0
Mediterranean/Mediterranean	30-35	130	120	116	-4
Mediterranean/Northwest Europe	30-35	140	130	125	-5

Sources: Argus and OPEC.

In the East of Suez, the **Middle East-to-East** route jumped 46% to average WS123, representing a similar 46% increase compared with the same month last year. Meanwhile, freight rates on the **Singapore-to-East**

route increased by 50% in August compared with the previous month to average WS158. Rates were 74% higher compared with August 2020.

In the West of Suez market, rates on the **NWE-to-USEC** route were unchanged m-o-m, averaging WS117 points. However, rates were 21% higher compared with the same month last year.

Rates on the **Cross-Med** and **Med-to-NWE** routes declined by around 3% each to average WS116 and WS125 points, respectively. Y-o-y, rates were 41% higher on the Cross-Med route and up by 36% on the Med-to-NWE route.

The arrival of Hurricane Ida in the Gulf of Mexico at the end of the month resulted in temporary dislocations, depressing clean rates in the early days of September as Gulf Coast refineries have been slow to restart.

Crude and Refined Products Trade

Preliminary data shows US crude imports declined for the second month in a row but remained at a strong 6.3 mb/d in August. US crude exports averaged just under 3.0 mb/d in August, after falling to 2.7 mb/d the month before, amid renewed interest by Indian buyers. US product imports rose m-o-m to a robust 2.6 mb/d, while product exports slipped for a second month to average a still healthy 5.3 mb/d. With the US Gulf region hit hard by Hurricane Ida, crude and product exports, and to a lesser extent crude imports, are likely to be impacted in September.

China's crude imports have remained relatively flat since April, averaging 9.7 mb/d in July, amid lower imports from independent refineries as well as port disruptions due to storms. Product imports in July also fell back from the previous month's levels, while product exports declined to a 10-month low, averaging 1.2 mb/d, as gasoline, diesel and jet fuel outflows plunged. Preliminary data for August shows China's crude imports rebounding to 10.49 mb/d and a further decline in product exports, amid what seems to be an emerging government policy of limiting excess refinery activity.

India's crude imports continued to decline m-o-m in July, reaching a 12-month low of 3.6 mb/d amid unplanned outages and limited refinery runs. Product imports edged higher, led by a strong jump in fuel oil, which offset declines in naphtha and kerosene. Product exports fell for the second month in a row, with declines across most major products except fuel oil. With state-owned refiners are looking to increase runs to maximum capacity in the coming months, crude imports are expected to turn higher in the coming months, potentially leaving July figures as the lowest for this year.

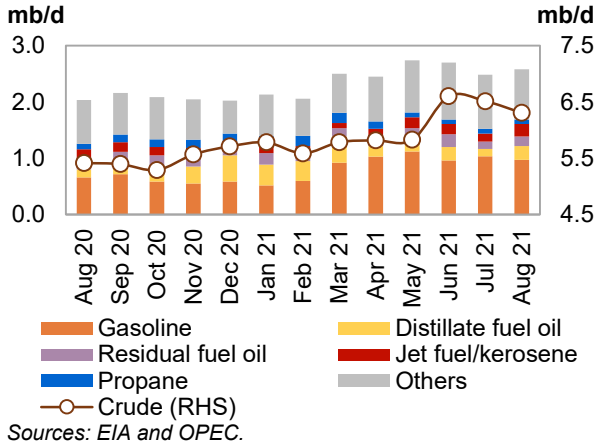
Japan's crude imports recovered from the historically weak performance seen the month before to average 2.1 mb/d in July, as the Tokyo Olympics held 23 July-8 August provided limited support due to COVID-19 safeguards. Product imports, including LPG, were broadly unchanged m-o-m at 0.9 mb/d, while product exports continued to show strong m-o-m gains, due to higher outflows of jet fuel and gasoil. With the state of emergency extended until the end of September, crude imports are likely to remain relatively flat and the timing of any recovery toward pre-COVID levels remains uncertain.

The latest data shows OECD Europe crude imports hit a 14-month high in May, averaging 8.6 mb/d, amid higher inflows from the US and Nigeria. Crude exports fell sharply to the lowest since October 2019, averaging 0.3 mb/d in May, amid reduced flows to Asia. More recent data shows crude imports strengthening slightly in July and August. OECD crude exports are expected to remain weak over the same period, with reports of increased Asia buying of North Sea grades only in September.

US

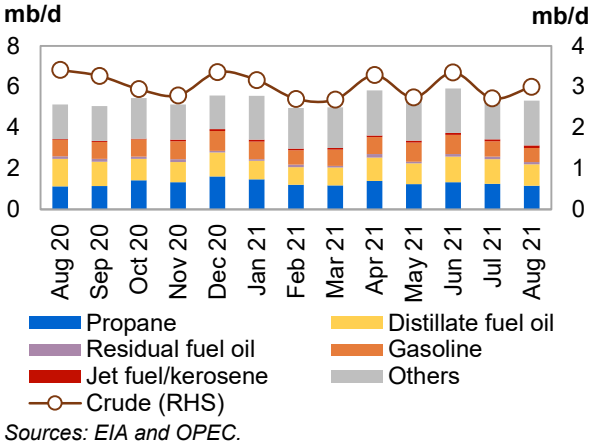
Preliminary data shows **US crude imports** declined for the second month in a row in August but remained at a strong 6.3 mb/d. Crude inflows were 0.2 mb/d or 3% lower m-o-m. Compared with the same month last year, crude imports were 0.9 mb/d, or more than 16%, higher. **US crude exports** averaged just under 3.0 mb/d in August, after falling to 2.7 mb/d the month before, amid renewed buying interest from India. Compared with the same month last year, crude exports were around 0.4 mb/d lower, representing a decline of 12%.

Graph 8 - 1: US imports of crude and products



Sources: EIA and OPEC.

Graph 8 - 2: US exports of crude and products



Sources: EIA and OPEC.

The latest monthly data for **US crude exports by destination** for June shows a rise in exports to Asia. India was the leading destination for US crude exports that month, with 520 tb/d, followed by South Korea with 460 tb/d. This represented a six-month high for India and a seventeen-month high for South Korea. Canada came third with 310 tb/d. Flows to key European destinations were steady to lower, with the Netherlands at 220 tb/d and the UK at 200 tb/d.

US net crude imports averaged 3.3 mb/d in August, compared with 3.8 mb/d the month before and 2.0 mb/d in the same month last year.

On the **product** side, preliminary data shows **US imports** rose m-o-m to a robust 2.6 mb/d in August, supported by higher flows from South Korea. This represents a m-o-m increase of less than 0.1 mb/d or nearly 4%. Y-o-y, product imports were almost 0.6 mb/d, or 27%, higher. **US product exports** fell further in August, averaging 5.3 mb/d, as lower demand from Latin America offset higher flows to Asia. Product outflows declined by 4%, or around 0.3 mb/d m-o-m. Compared with the same month last year, product exports were close to 0.2 mb/d, or 4%, higher

As a result, **US net product exports** averaged around 2.7 mb/d in August, compared with 3.1 mb/d in the previous month and 3.1 mb/d in the same month last year.

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

US	Jun 21	Jul 21	Aug 21	*Change* Aug 21/Jul 21
Crude oil	3.25	3.80	3.31	-0.49
Total products	-3.22	-3.07	-2.75	0.33
Total crude and products	**0.04**	**0.73**	**0.56**	**-0.17**

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

Sources: EIA and OPEC.

Preliminary data indicates that the US remained a **net crude and product importer** in August, with net inflows of almost 0.6 mb/d. This compares with net imports of 0.7 mb/d the month before and net exports of 1.1 mb/d in August 2020.

Looking ahead, crude and product exports – and to a lesser extent crude imports – are likely to be impacted in September by disruptions from Hurricane Ida, which struck the US Gulf Coast around the end of August. While the region has a track record of resilience, the recovery has been atypically slow so far. While operations at the LOOP terminal have been affected, the key crude export ports of Houston and Corpus Christi were well away from the path of the storm. Product imports are likely to increase, particularly flows from Europe to the Atlantic coast, to make up for the shortfall in domestic supplies as power outages have slowed the restart of refinery capacity.

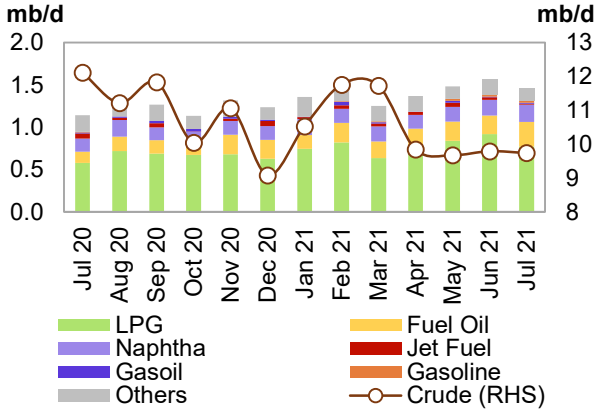
China

China's **crude imports** averaged 9.7 mb/d in **July** to remain relatively flat since April. A number of factors have limited crude imports since the start of 2Q21. By that time, independent refiners had depleted crude import quotas and failed to receive any further allotments. Additionally, the government initiated efforts to strengthen oversight in the refining sector, including closing tax loopholes on feedstocks and halting crude quota irregularities, while rising crude prices further encouraged state-owned refiners to draw on the high commercial inventories built up over the previous year. In July, renewed lockdown measures to combat the inland spread of the Delta variant added uncertainty to the demand outlook and the Typhoon In-fa – the second-wettest tropical cyclone on record – temporarily disrupted key port operations.

However, recently released preliminary data for **August** shows potential signs of a turnaround, as China's crude imports for that month rebounded to 10.49 mb/d. The recovery in crude imports in August reflects the lifting of the temporary factors mentioned above, as well as a possible resolution of some of the oversight issues. Developments such as the reported receipt of import quotas by some independents, reduced destocking by state refiners, the end of disruptions from the typhoon, and improving domestic demand amid easing lockdown measures ahead of the Golden Week holiday in October have all contributed to the surprisingly strong showing in August. It remains to be seen whether this rebound can be sustained, as the August figures have been somewhat boosted by delayed inflows from July. However, based on current expectations, crude imports should have a good performance in 4Q21, potentially pushing 2021 to the second highest year on record in terms of crude imports.

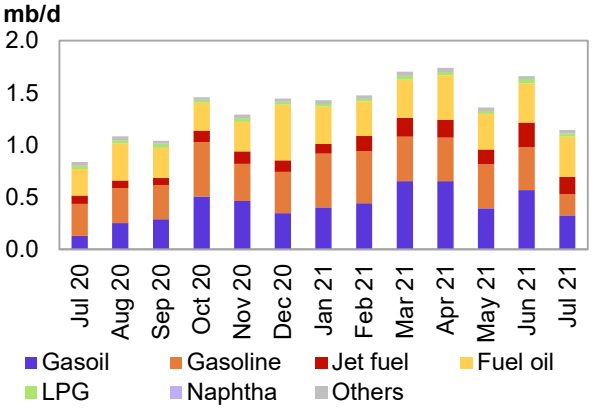
In terms of **crude imports by source**, Saudi Arabia and Russia were virtually tied for the top position in July, with shares of just over 16%. Iraq was third with 11%, followed by Kuwait with 10% and Oman with 9%.

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



Sources: China, Oil and Gas Petrochemicals and OPEC.

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



Sources: China, Oil and Gas Petrochemicals and OPEC.

In terms of **products**, **imports** also fell back from previous month's levels, declining 0.1 mb/d or 7% m-o-m to average 1.5 mb/d in **July**, with strong declines in LPG and jet fuel. However, inflows were supported by fuel oil, which reached a 13-month high. Compared to the same month last year, China's product imports were almost 0.3 mb/d or 28% higher.

Product exports fell to a 10-month low in July, averaging around 1.2 mb/d, as gasoline, diesel and jet fuel outflows plunged. Y-o-y, product exports increased 0.3 mb/d or 37%.

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

China	May 21	Jun 21	Jul 21	*Change* Jul 21/Jun 21
Crude oil	9.67	9.75	9.60	-0.15
Total products	0.12	-0.09	0.31	0.41
Total crude and products	**9.79**	**9.66**	**9.91**	**0.25**

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

Sources: China, Oil and Gas Petrochemicals and OPEC.

As a result, China returned again to being a **net product importer** in July, with net product imports averaging 0.3 mb/d, compared with net exports of 94 tb/d the month before and net product imports of 0.3 mb/d in the same month last year.

Preliminary data shows product imports rising m-o-m in **August** to mark a 14-month high, while product exports declined over the same period to stand at a 12-month low, indicating strengthening domestic consumption and providing a supportive market signal going forward.

India

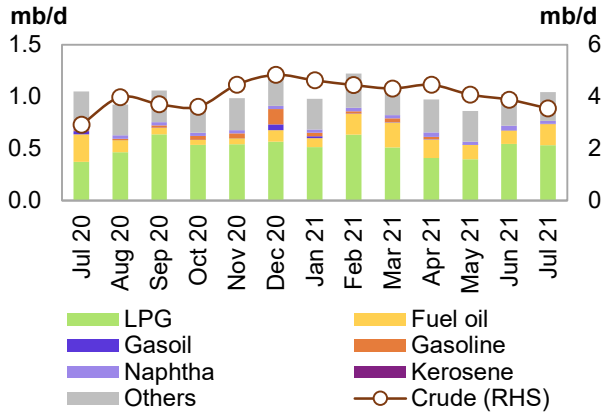
India's crude imports continued to decline m-o-m in **July**, reaching a 12-month low of 3.6 mb/d amid unplanned outages and limited refinery runs. Crude inflows have generally fallen since hitting a high of 4.8 mb/d in December of last year. The only exception has been April when inflows briefly rose to 4.5 mb/d, before the spread of the Delta variant triggered renewed lockdown measures. Compared with the previous month, crude imports in July declined by 0.3 mb/d, or almost 9%. However, imports were still more than 0.6 mb/d, or almost 22% higher, than the multi-year low seen in July 2020, when inflows briefly dropped below 3.0 mb/d.

In terms of **crude imports by source**, the latest data for May show Iraq retaining the top position with a share of 22%. Saudi Arabia was second with around 16%, followed by the UAE with almost 13%. The US was fourth with around 9%.

For **products**, **imports** edged higher, rising 2% m-o-m to average 1.0 mb/d, led by a strong jump in fuel oil, which offset declines in naphtha and kerosene. Compared with the same month last year, India's product imports slipped marginally by less than 1%.

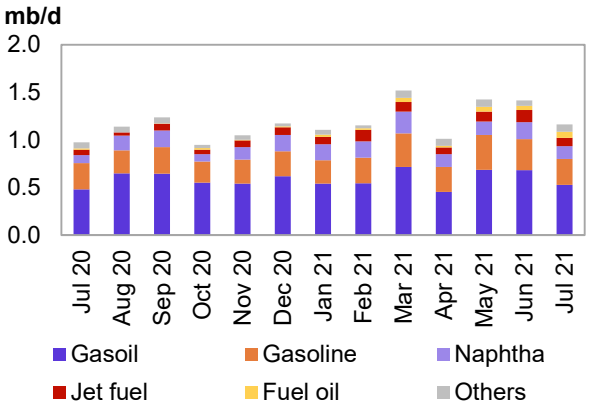
Product exports in July fell for the second month in a row to average 1.2 mb/d, with declines across most major products except fuel oil. Product outflows declined 0.3 mb/d or 18% m-o-m but were 0.2 mb/d or 19% higher y-o-y.

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



Sources: PPAC and OPEC.

Graph 8 - 6: India's exports of products



Sources: PPAC and OPEC.

As a result, **net product exports** averaged 119 tb/d in July, compared with 392 tb/d in net exports the month before. In July 2020, India was a net product importer at 75 tb/d.

Looking ahead, state-owned refiners have plans to increase runs to maximum capacity in the coming months, supporting crude imports. According to estimates by Vortexa, India's crude imports already returned above 4.0 mb/d in August. While concerns remain regarding a third wave of COVID-19, signs that driving activity is picking up signals a renewal of activities ahead of the festive season in September and the onset of the planting season for the winter harvest, which could result in higher product imports and reduced outflows for the remaining months of the year.

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

India	May 21	Jun 21	Jul 21	*Change* Jul 21/Jun 21
Crude oil	4.08	3.88	3.55	-0.33
Total products	-0.56	-0.39	-0.12	0.27
Total crude and products	**3.51**	**3.49**	**3.43**	**-0.06**

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

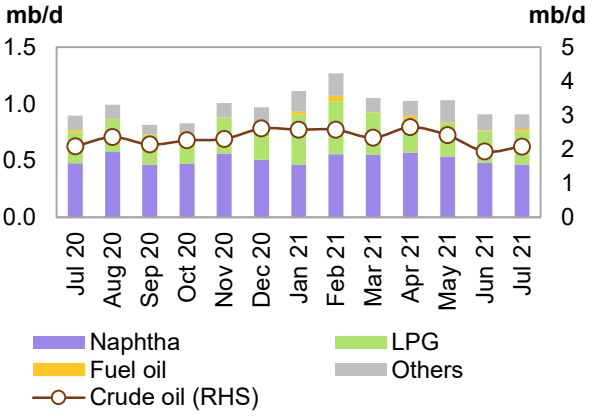
India data table does not include information for crude import and product export by Reliance Industries.

Sources: PPAC and OPEC.

Japan

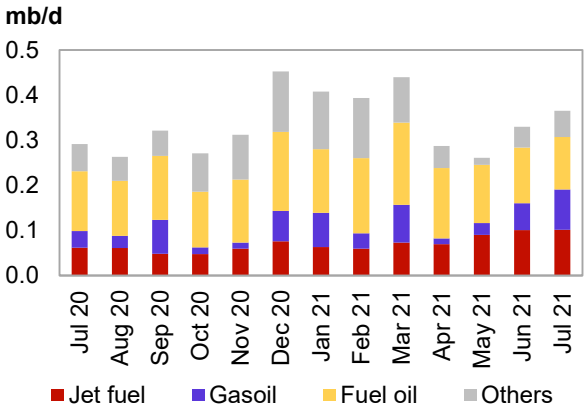
Japan's crude imports recovered from low levels the month before to average 2.1 mb/d in **July**, as the Tokyo Olympics held 23 July-8 August provided limited support due to COVID-19 safeguards. Crude imports were 145 tb/d or around 8% higher than in the previous month and broadly in line with the same month last year, slipping by less than 1%.

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



Sources: METI and OPEC.

Graph 8 - 8: Japan's exports of products



Sources: METI and OPEC.

Shares of **crude imports by source** exhibited some shifts in July; the United Arab Emirates (UAE) returned to the top spot with a share of 39%. Saudi Arabia came second, with a share of 35%, followed by Kuwait and Qatar, with 11% and 9% respectively.

Product imports were broadly unchanged m-o-m in July at 0.9 mb/d, with declines in gasoline and naphtha offset by increases in fuel oil and LPG. Compared with the same month last year, product imports rose by around 1%.

Product exports continued to show strong m-o-m gains, increasing 11% to average 0.4 mb/d, with higher outflows of jet fuel and gasoil. Compared with the previous year, product exports were 25% higher.

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

Japan	May 21	Jun 21	Jul 21	*Change* Jul 21/Jun 21
Crude oil	2.42	1.94	2.08	0.14
Total products	0.77	0.58	0.54	-0.03
Total crude and products	**3.19**	**2.52**	**2.63**	**0.11**

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

As a consequence, Japan's **net product imports** averaged 0.5 mb/d in July, compared with 0.6 mb/d in the previous month and 0.6 mb/d in July 2020.

Looking ahead, the extension of the state of emergency until the end of September is likely to keep crude imports relatively flat and the timing of any recovery toward pre-COVID levels remains uncertain.

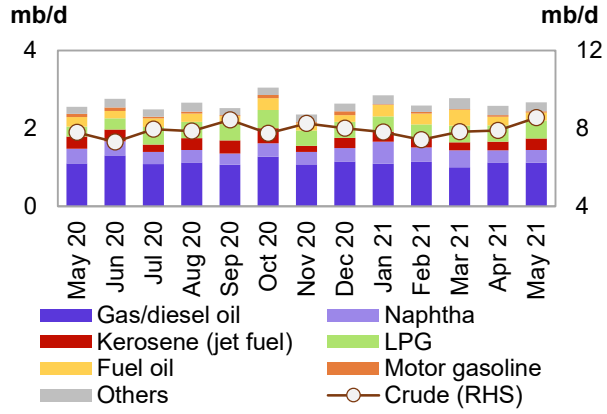
OECD Europe

The most recent official data shows **OECD Europe** crude imports hit a 14-month high in May, averaging 8.6 mb/d, amid higher flows from the US and Nigeria. This represents an 8% increase m-o-m. Gains were driven by expectations of a recovery in consumption with the easing of lockdown measures. Y-o-y, crude inflows rose 0.8 mb/d, or close to 10%.

Crude exports fell sharply in May to the lowest since October 2019, averaging 0.3 mb/d, representing a decline of 0.2 mb/d or almost 48%. Declines came amid a continued slowdown in buying from Asia. Compared with the same period last year, crude exports were also around 0.2 mb/d, or 45%, lower.

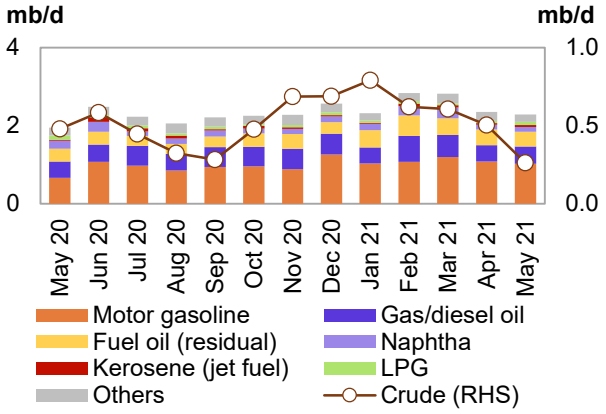
As a result, **net crude imports** averaged 8.3 mb/d in May, up from 7.4 mb/d the month before and the 7.3 mb/d recorded in the same month of 2020.

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.

On the **product** side, **imports** remained volatile, averaging 2.7 mb/d, with the m-o-m increase driven by LPG, naphtha and jet kero. Product imports were around 4%, or less than 0.1 mb/d, higher m-o-m. Y-o-y, product imports rose by 0.1 mb/d or almost 5%.

Meanwhile, **product exports** declined for the third consecutive month, averaging 2.3 mb/d in May, with losses driven by motor gasoline and fuel oil. Outflows were around 3% lower than in the previous month but 0.3 mb/d or almost 18% higher y-o-y.

As a result, the region was a **net product importer** in May, registering net inflows of 0.4 mb/d, compared with 0.2 mb/d the month before and 0.6 mb/d in the same month last year.

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

OECD Europe	Mar 21	Apr 21	May 21	Change May 21/Apr 21
Crude oil	7.22	7.39	8.29	0.90
Total products	-0.05	0.23	0.38	0.15
Total crude and products	**7.17**	**7.61**	**8.66**	**1.05**

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

Sources: IEA and OPEC.

Combined, **net crude and product imports** averaged 8.7 mb/d in May, up from 7.6 mb/d the month before and 7.9 mb/d in May 2020.

Looking ahead, more recent data shows crude imports strengthening slightly in July and August. Meanwhile, OECD crude exports are expected to remain weak over the same period, with reports of increased Asia buying of North Sea grades only in September.

Eurasia

Total crude oil exports from Russia and Central Asia declined by 0.3 mb/d, or about 5% m-o-m, to average 5.9 mb/d in July. Y-o-y, total crude exports from the region were 0.4 mb/d, or 8%, higher, reflecting upward supply adjustments.

Crude exports through the **Transneft system** contributed to the m-o-m declines, falling 0.4 mb/d, or 10%, to average 3.4 mb/d. Compared with the same month last year, exports were 0.3 mb/d, or 10%, higher.

Within the system, total shipments from the Black Sea fell 245 tb/d m-o-m, or almost 43%, to average 327 tb/d. Baltic Sea exports fell 322 tb/d m-o-m, or almost 26%, to average 0.9 mb/d, as shipments from Ust-Luga declined 53% to 253 tb/d, while Primorsk exports were slightly lower 689 tb/d. Meanwhile, shipments via the Druzhba pipeline rose 173 tb/d m-o-m, or around 26%, to average 852 tb/d. Kozmino shipments were broadly flat m-o-m at 0.7 mb/d. Exports to China via the ESPO pipeline increased 19 tb/d m-o-m to average 577 tb/d in July.

In the **Lukoil system**, exports via the Barents Sea rose by 10% m-o-m to average 102 tb/d in July, while those from the Baltic Sea were unchanged.

On other routes, **Russia's Far East** exports gained 8% m-o-m in July to average 0.3 mb/d. This was around 9% lower compared with the same month last year.

Central Asia's total exports averaged around 0.2 mb/d in July, representing an increase of 9% compared with the month before and around 15% y-o-y.

Black Sea total exports edged lower to remain close to 1.4 mb/d in July on mixed movement, with Novorossiyk increasing by almost 4% and Supsa edging lower by 2%. Y-o-y, Black Sea flows were around 17%, higher. Meanwhile, exports via the **Baku-Tbilisi-Ceyhan (BTC) pipeline** increased 3% m-o-m to 464 tb/d, but showed a loss of 12% y-o-y.

Total product exports from Russia and Central Asia decreased 9% m-o-m to average 2.6 mb/d in July. M-o-m declines were seen in all major products. Y-o-y, total product exports increased by 10% in July, with gains led by gasoil, fuel oil and VGO, while gasoline, naphtha and jet fuel exhibited declines.

Commercial Stock Movements

Preliminary data shows total OECD commercial oil stocks up by 10.5 mb m-o-m in July. At 2,912 mb, inventories were 305.9 mb lower than the same month a year ago; 122.0 mb below the latest five-year average; and 57.2 mb lower than the 2015-2019 average. Within the components, crude stocks fell by 5.6 mb m-o-m, while product stocks rose by 16.1 mb.

At 1,404 mb, crude stocks in the OECD were 106.9 mb below the latest five-year average and 80.0 mb below the 2015-2019 average. OECD product stocks averaged 1,508 mb, representing a deficit of 15.1 mb compared with the latest five-year average, but 22.7 mb above the 2015-2019 average.

In terms of days of forward cover, OECD commercial stocks rose 0.1 days m-o-m to stand at 63.7 days in July. This is 11.6 days below the same month last year and 1.2 days below the latest five-year average, but 1.5 days above the 2015-2019 average.

Preliminary data for August showed that total US commercial oil stocks fell m-o-m by 23.8 mb to stand at 1,244 mb. This is 193.8 mb, or 13.5%, lower than the same month a year ago and 85.0 mb, or 6.4%, below the latest five-year average. Crude and products stocks fell by 13.8 mb and 10.0 mb, m-o-m, respectively.

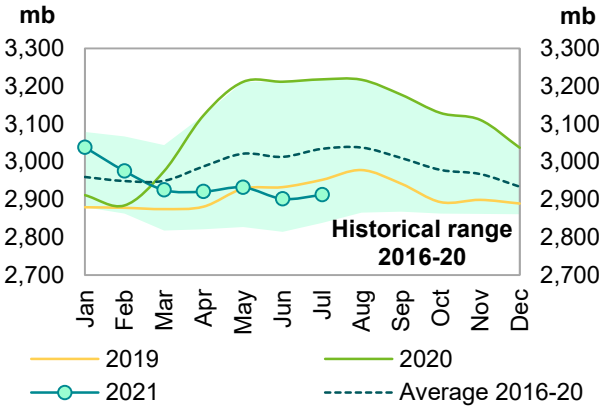
OECD

Preliminary July data sees **total OECD commercial oil stocks** up by 10.5 mb m-o-m. At 2,912 mb, they were 305.9 mb lower than the same time one year ago and 122.0 mb lower than the latest five-year average.

Within the components, crude stocks fell by 5.6 mb m-o-m, while product stocks were up by 16.1 mb. Total commercial oil stocks in July rose in OECD America and OECD Europe, while they declined in OECD Asia Pacific.

OECD **commercial crude stocks** fell m-o-m in July by 5.6 mb, to stand at 1,404 mb. This is 183.5 mb lower than the same time a year ago and 106.9 mb below the latest five-year average. Compared with the previous month, OECD Americas and OECD Asia Pacific registered stock draws of 8.7 mb and 4.1 mb, respectively, while OECD Europe saw a stock build of 7.2 mb.

Graph 9 - 1: OECD commercial oil stocks



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

In contrast, **total product inventories** rose by 16.1 mb m-o-m in July to stand at 1,508 mb. This is 122.4 mb less than the same time a year ago, and 15.1 mb lower than the latest five-year average. Within the OECD, product stocks in OECD Americas and OECD Europe rose by 16.9 mb and 5.0 mb, respectively, while OECD Asia Pacific fell by 5.8 mb, m-o-m.

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

OECD stocks	Jul 20	May 21	Jun 21	Jul 21	Change Jul 21/Jun 21
Crude oil	1,588	1,442	1,410	1,404	*-5.6*
Products	1,631	1,490	1,492	1,508	*16.1*
Total	**3,218**	**2,932**	**2,902**	**2,912**	***10.5***
Days of forward cover	**75.3**	**64.5**	**63.6**	**63.7**	***0.1***

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

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

In terms of **days of forward cover**, OECD commercial stocks rose m-o-m by 0.1 days in July to stand at 63.7 days. This is 11.6 days below July 2020 levels, and 1.2 days below the latest five-year average. OECD Americas and OECD Asia Pacific were below the latest five-year average: the Americas by 1.5 days at 62.5 days and Asia Pacific by 6.8 days at 48.5 days. OECD Europe, however, showed a surplus of 1.9 days above the latest five-year average, at 73.5 days.

OECD Americas

OECD Americas total commercial stocks rose m-o-m by 8.2 mb in July to settle at 1,556 mb. This is 156.5 mb less than the same month last year and 41.1 mb lower than the latest five-year average.

Commercial crude oil stocks in OECD Americas fell m-o-m by 8.7 mb in July to stand at 796 mb, which is 87.7 mb lower than in July 2020, and 28.5 mb less than the latest five-year average. The stock draw came on the back of higher crude runs in July.

In contrast, **total product stocks** in OECD Americas rose m-o-m by 16.9 mb in July to stand at 760 mb. This was 68.7 mb lower than the same month one year ago and 12.6 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 12.2 mb in July to settle at 1,013 mb. This is 79.6 mb less than the same month last year, and 6.3 mb below the latest five-year average.

OECD Europe's **commercial crude stocks** in July rose m-o-m by 7.2 mb to end the month at 427 mb, which is 44.1 mb lower than one year ago and 20.3 mb below the latest five-year average. The build in crude oil inventories came despite higher m-o-m refinery throughputs in the EU-14 plus the UK and Norway, which increased by around 110 tb/d to 9.34 mb/d in July.

OECD Europe's **commercial product stocks** also rose m-o-m by 5.0 mb to end July at 586 mb. This is 35.5 mb lower than a year ago, but 13.9 mb above the latest five-year average.

OECD Asia Pacific

OECD Asia Pacific's total commercial oil stocks fell m-o-m by 9.8 mb in July to stand at 344 mb. This is 69.8 mb lower than a year ago, and 74.6 mb below the latest five-year average.

OECD Asia Pacific's **crude inventories** fell by 4.1 mb m-o-m to end July at 181 mb, which is 51.7 mb lower than one year ago, and 58.1 mb below the latest five-year average.

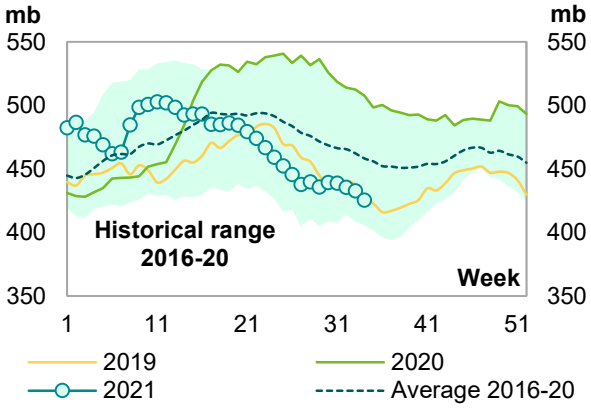
OECD Asia Pacific's **total product inventories** also fell by 5.8 mb m-o-m, to end July at 163 mb. This is 18.2 mb lower than the same time a year ago and 16.5 mb less than the latest five-year average.

US

Preliminary data for August showed that **total US commercial oil stocks** fell m-o-m by 23.8 mb to stand at 1,244 mb. This is 193.8 mb, or 13.5%, lower than the same month a year ago and 85.0 mb, or 6.4%, below the latest five-year average. Crude and products stocks fell by 13.8 mb and 10.0 mb, m-o-m, respectively.

US **commercial crude stocks** in August fell m-o-m by 13.8 mb to stand at 425.4 mb. This is 79.0 mb, or 15.7%, lower than the same month last year, and 32.4 mb, or 7.1%, below the latest five-year average. The stock draw came on the back of lower crude imports, which declined by around 200 tb/d to an average of 6.3 mb/d. Higher crude runs also contributed to this crude stock draw.

Graph 9 - 2: US weekly commercial crude oil inventories



Sources: EIA and OPEC.

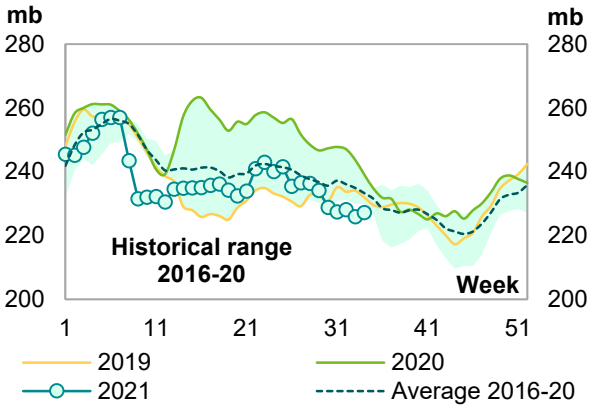
Total product stocks in August also fell m-o-m by 10.0 mb to stand at 818.4 mb. This is 114.8 mb, or 12.3%, below August 2020 levels, and 52.6 mb, or 6.0%, lower than the latest five-year average. The stock draw was mainly driven by higher consumption in the US.

Gasoline stocks in August fell m-o-m by 1.7 mb to settle at 227.2 mb. This is 10.3 mb, or 4.3%, below the same month last year, and 5.1 mb, or 2.2%, lower than the latest five-year average. The monthly stock draw came mainly on the back of higher gasoline consumption.

Distillate stocks also fell m-o-m by 2.0 mb in August to stand at 136.7 mb. This is 43.0 mb, or 23.9%, lower than the same month last year, and 14.4 mb, or 9.5%, below the latest five-year average.

Jet fuel also fell m-o-m by 0.9 mb, ending August at 42.4 mb. This is 2.3 mb, or 5.9%, higher than the same month last year, and 0.8 mb, or 1.9%, above the latest five-year average.

Graph 9 - 3: US weekly gasoline inventories



Sources: EIA and OPEC.

Residual fuel oil stocks fell m-o-m in August, decreasing by 0.4 mb. At 28.7 mb, this was 5.7 mb, or 16.4%, lower than a year ago, and 3.9 mb, or 12.0%, below the latest five-year average.

Table 9 - 2: US commercial petroleum stocks, mb

US stocks	Aug 20	Jun 21	Jul 21	Aug 21	Change Aug 21/Jul 21
Crude oil	**504.4**	**448.0**	**439.2**	**425.4**	***-13.8***
Gasoline	237.5	237.2	228.9	227.2	*-1.7*
Distillate fuel	179.8	140.1	138.7	136.7	*-2.0*
Residual fuel oil	34.4	31.1	29.1	28.7	*-0.4*
Jet fuel	40.1	44.7	43.3	42.4	*-0.9*
Total products	**933.2**	**823.5**	**828.4**	**818.4**	***-10.0***
Total	**1,437.6**	**1,271.5**	**1,267.7**	**1,243.8**	***-23.8***
SPR	**647.5**	**621.3**	**621.3**	**621.3**	***0.0***

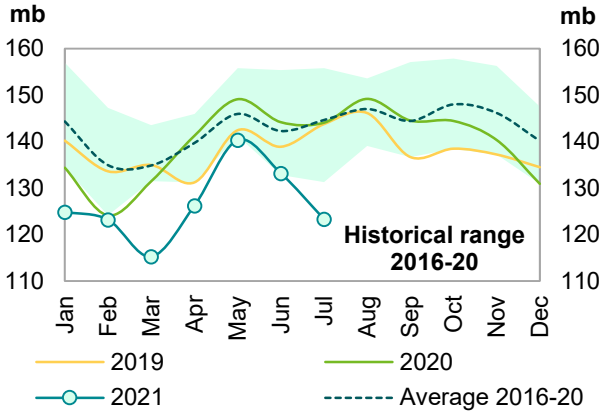
Sources: EIA and OPEC.

Japan

In **Japan**, **total commercial oil stocks** in July fell m-o-m by 9.8 mb to settle at 123.3 mb. This is 20.8 mb, or 14.4%, lower than the same month last year, and 21.3 mb, or 14.7%, below the latest five-year average. Crude and products stocks fell m-o-m by 4.1 mb and 5.8 mb, respectively.

Japanese **commercial crude oil stocks** fell in July to stand at 66.5 mb. This is 17.0 mb, or 20.3%, below the same month a year ago, and 17.8 mb, or 21.2%, lower than the latest five-year average. The fall came on the back of higher crude throughput, which increased by 9.7%.

Graph 9 - 4: Japan's commercial oil stocks



Sources: METI and OPEC.

Japan's **total product inventories** also fell m-o-m by 5.8 mb to end July at 56.8 mb. This is 3.8 mb, or 6.2%, lower than the same month last year, and 3.5 mb, or 5.8%, below the latest five-year average.

Gasoline stocks fell m-o-m by 4.4 mb to stand at 10.0 mb. This was 2.0 mb, or 16.8%, lower than a year ago, and 0.4 mb, or 4.3%, below the latest five-year average. Higher domestic gasoline sales, which rose by 9.6%, were behind the fall in gasoline stocks.

Distillate stocks also fell by 0.6 mb m-o-m to end July at 26.5 mb. This is 2.1 mb, or 7.3%, lower than the same month a year ago, and 1.0 mb, or 3.7%, below the latest five-year average. Within distillate components, **jet fuel and gasoil stocks** fell m-o-m by 4.5% and 17.7%, respectively, while **kerosene stocks** were up by 14.9%.

Total residual fuel oil stocks remained unchanged m-o-m in July to stand at 11.8 mb. This is 0.5 mb, or 3.8%, lower than the same month last year, and 1.0 mb, or 7.6%, below the latest five-year average. Within the components, fuel oil A fell by 2.6%, while fuel oil B.C stocks rose by 2.0%.

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

Japan's stocks	Jul 20	May 21	Jun 21	Jul 21	Change Jul 21/Jun 21
Crude oil	83.5	75.6	70.6	66.5	-4.1
Gasoline	12.0	14.9	14.4	10.0	-4.4
Naphtha	7.7	9.5	9.3	8.5	-0.8
Middle distillates	28.6	27.5	27.1	26.5	-0.6
Residual fuel oil	12.3	12.8	11.8	11.8	0.0
Total products	60.6	64.7	62.6	56.8	-5.8
Total**	144.1	140.3	133.2	123.3	-9.8

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

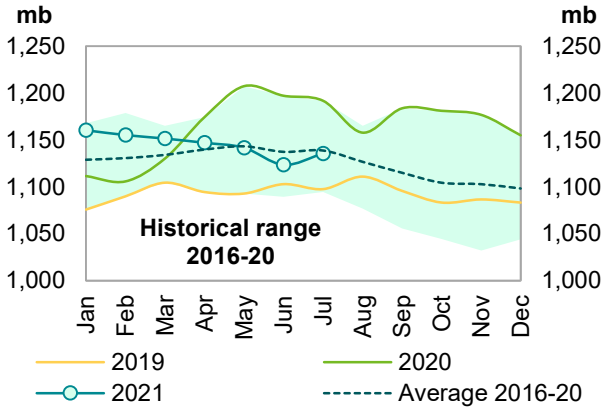
Sources: METI and OPEC.

EU-14 plus UK and Norway

Preliminary data for July showed that **total European commercial oil stocks** rose m-o-m by 12.2 mb to stand at 1,136 mb. At this level, they were 56.1 mb, or 4.7%, below the same month a year ago, and 3.2 mb, or 0.3%, lower than the latest five-year average. Crude and product stocks went up by 7.2 mb, and 5.0 mb, m-o-m, respectively.

European **crude inventories** rose in July to stand at 471.4 mb. This is 31.3 mb, or 6.2%, lower than the same month a year ago and 22.2 mb, or 4.5%, lower than the latest five-year average. The build in crude oil inventories came despite higher m-o-m refinery throughputs in the EU-14 plus the UK and Norway, which increased by around 110 tb/d to 9.34 mb/d in July.

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



Sources: Argus, Euroilstock and OPEC.

Total European product stocks also rose m-o-m by 5.0 mb to end July at 664.2 mb. This is 24.8 mb, or 3.6%, lower than the same month a year ago, but 19.1 mb, or 3.0%, above the latest five-year average.

Gasoline stocks rose m-o-m by 0.8 mb in July to stand at 114.3 mb. This is 2.1 mb, or 1.8%, lower than the level registered the same time a year ago, but 1.9 mb/d, or 1.7%, above the latest five-year average.

Distillate stocks also rose m-o-m by 3.5 mb in July to stand at 452.3 mb. This is 14.9 mb or 3.2% below the same month last year, but 16.6 mb, or 3.8%, above the latest five-year average.

Naphtha stocks rose by 1.4 mb m-o-m in July, ending the month at 31.5 mb. This is 0.4 mb, or 1.3%, below July 2020 levels, but 3.8 mb, or 13.6%, higher than the latest five-year average.

In contrast, **residual fuel stocks** fell m-o-m by 0.7 mb in July to 66.0 mb. This is 7.4 mb, or 10.0%, lower than the same month one year ago and 3.1 mb, or 4.5%, below the latest five-year average.

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

EU stocks	Jul 20	May 21	Jun 21	Jul 21	Change Jul 21/Jun 21
Crude oil	502.7	470.5	464.1	471.4	7.2
Gasoline	116.4	115.7	113.6	114.3	0.8
Naphtha	31.9	31.6	30.1	31.5	1.4
Middle distillates	467.2	456.2	448.8	452.3	3.5
Fuel oils	73.4	67.7	66.8	66.0	-0.7
Total products	689.0	671.2	659.2	664.2	5.0
Total	1,191.7	1,141.7	1,123.4	1,135.6	12.2

Sources: Argus, Euroilstock and OPEC.

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

Singapore

In July, **total product stocks in Singapore** fell m-o-m by 3.2 mb to 47.3 mb. This is 6.4 mb, or 11.9%, lower than the same month a year ago.

Light distillate stocks rose m-o-m by 0.9 mb in July to stand at 13.7 mb. This is 2.3 mb, or 14.3%, lower than the same month one year ago.

In contrast, **middle distillate stocks** fell by 2.9 mb in July to stand at 10.9 mb. This is 3.0 mb, or 21.8%, lower than a year ago.

Residual fuel oil stocks also fell by 1.2 mb, ending July at 22.7 mb, which is 1.1 mb, or 4.5%, lower than in July 2020.

ARA

Total product stocks in ARA fell for the fifth consecutive month in July and were down by 5.3 mb m-o-m to 41.2 mb. This is 8.6 mb, or 17.3%, lower than the same month a year ago.

Gasoline stocks in July fell m-o-m by 2.1 mb to stand at 6.6 mb, which is 5.2 mb, or 44.0%, lower than the same month one year ago.

Gasoil stocks also fell m-o-m by 2.0 mb in July to stand at 15.6 mb, which is 3.5 mb, or 18.5%, lower than in July 2020.

Residual fuel oil stocks also fell m-o-m by 2.2 mb to end July at 7.2 mb. This is 1.0 mb, or 12.1%, lower than the level seen one year ago.

In contrast**, jet oil stocks** rose m-o-m by 0.4 mb to end July at 9.0 mb. This is 1.6 mb, or 21.6%, higher than the level registered one year ago.

Fujairah

During the week ending 30 August 2021, **total oil product stocks in Fujairah** fell by 0.60 mb w-o-w to stand at 17.68 mb, according to data from Fed Com and S&P Global Platts. At this level, total oil stocks were 7.44 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 0.13 mb w-o-w to stand at 5.76 mb in the week to 30 August 2021, which is 1.80 mb lower than the same period a year ago. In contrast, **middle distillate stocks** fell by 0.29 mb to stand at 3.68 mb, which is 0.57 mb lower than a year ago. **Heavy distillate stocks** also fell by 0.44 mb to stand at 8.25 mb, which is 5.07 mb lower than the same time last year.

Balance of Supply and Demand

Demand for OPEC crude in 2021 was revised up by 0.3 mb/d from the previous month to stand at 27.7 mb/d, around 4.9 mb/d higher than in 2020.

According to secondary sources, OPEC crude production averaged 25.2 mb/d in 1Q21, about 0.1 mb/d below demand for OPEC crude in the same period. In 2Q21, OPEC crude production averaged 25.5 mb/d, 1.8 mb/d lower than demand for OPEC crude.

Demand for OPEC crude in 2022 was revised up by 1.1 mb/d from the previous month to stand at 28.7 mb/d, around 1.1 mb/d higher than in 2021.

Balance of supply and demand in 2021

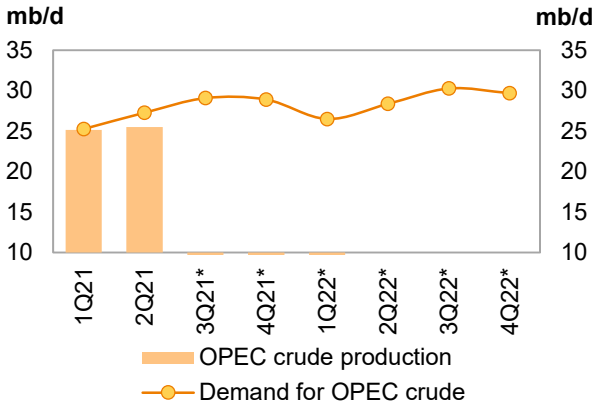
Demand for OPEC crude in 2021 was revised up by 0.3 b/d from the previous month to stand at 27.7 mb/d, around 4.9 mb/d higher than in 2020.

1Q21, 2Q21 and 3Q21 were revised up by 0.2 mb/d, 0.1 mb/d and 0.7 mb/d, respectively, while 4Q21 remained unchanged compared with the previous assessment.

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. In 3Q21 and 4Q21, there is an expected rise of 4.1 mb/d and 1.7 mb/d, respectively, compared with the same quarters a year earlier.

According to secondary sources, OPEC crude production averaged 25.2 mb/d in 1Q21, about 0.1 mb/d below demand for OPEC crude in the same period. In 2Q21, OPEC crude production averaged 25.5 mb/d, 1.8 mb/d lower than demand for OPEC crude.

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	**90.73**	**92.82**	**95.62**	**98.46**	**99.70**	**96.68**	***5.96***
Non-OPEC liquids production	62.93	62.43	63.22	64.13	65.56	63.85	*0.92*
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	**67.98**	**67.54**	**68.33**	**69.36**	**70.79**	**69.01**	***1.04***
Difference (a-b)	**22.75**	**25.28**	**27.29**	**29.10**	**28.92**	**27.67**	***4.92***
OPEC crude oil production	**25.65**	**25.16**	**25.53**				
Balance	**2.90**	**-0.12**	**-1.77**				

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

Balance of supply and demand in 2022

Demand for OPEC crude in 2022 was revised up by 1.1 mb/d from the previous month to stand at 28.7 mb/d, around 1.1 mb/d higher than in 2021.

Both 1Q22 and 3Q22 were revised up by 1.3 mb/d, while 2Q22 and 4Q22 were revised up by 1.6 mb/d and 0.3 mb/d, respectively, compared with the previous assessment.

Compared with the same quarters in 2021, demand for OPEC crude in 1Q22 and 2Q22 is forecast to be 1.2 mb/d and 1.1 mb/d higher. Meanwhile, 3Q22 and 4Q22 are projected to show an increase of 1.2 mb/d and 0.8 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	**96.68**	**97.99**	**100.15**	**102.29**	**102.81**	**100.83**	***4.15***
Non-OPEC liquids production	63.85	66.22	66.48	66.69	67.76	66.79	*2.95*
OPEC NGL and non-conventionals	5.17	5.25	5.28	5.31	5.33	5.29	*0.13*
(b) Total non-OPEC liquids production and OPEC NGLs	**69.01**	**71.47**	**71.76**	**72.00**	**73.09**	**72.09**	***3.07***
Difference (a-b)	**27.67**	**26.52**	**28.39**	**30.29**	**29.71**	**28.75**	***1.08***

*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	25.64	25.69	22.54	22.77	24.73	25.05	24.72	24.33	24.10	25.84	26.08	25.52	25.40
of which US	*20.82*	*20.86*	*18.44*	*18.69*	*20.11*	*20.44*	*20.45*	*19.93*	*19.80*	*21.04*	*21.46*	*21.17*	*20.88*
Europe	14.31	14.31	12.44	11.91	12.73	13.71	13.61	13.00	12.55	13.40	14.32	14.09	13.60
Asia Pacific	8.01	7.93	7.14	7.67	7.13	7.17	7.52	7.37	7.91	7.31	7.30	7.63	7.54
Total OECD	**47.96**	**47.94**	**42.12**	**42.34**	**44.59**	**45.93**	**45.85**	**44.70**	**44.56**	**46.55**	**47.69**	**47.25**	**46.53**
China	13.01	13.48	13.19	13.15	14.27	14.83	15.02	14.32	14.00	15.15	15.32	15.46	14.98
India	4.77	4.91	4.51	4.94	4.42	4.91	5.61	4.97	5.40	4.82	5.29	5.93	5.36
Other Asia	8.91	9.00	8.13	8.36	8.98	8.49	8.56	8.60	9.05	9.59	9.07	8.89	9.15
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	7.77	8.24	7.97	7.99	8.29	8.01	8.49	8.20	8.25
Africa	4.33	4.37	4.08	4.39	4.06	4.16	4.48	4.27	4.57	4.19	4.28	4.61	4.41
Russia	3.55	3.57	3.37	3.57	3.42	3.57	3.74	3.57	3.67	3.47	3.62	3.79	3.64
Other Eurasia	1.21	1.19	1.07	1.18	1.24	1.14	1.28	1.21	1.25	1.28	1.17	1.32	1.25
Other Europe	0.74	0.76	0.70	0.78	0.72	0.73	0.79	0.75	0.80	0.73	0.74	0.81	0.77
Total Non-OECD	**51.17**	**52.09**	**48.61**	**50.48**	**51.04**	**52.52**	**53.85**	**51.98**	**53.43**	**53.60**	**54.60**	**55.56**	**54.30**
(a) Total world demand	**99.13**	**100.03**	**90.73**	**92.82**	**95.62**	**98.46**	**99.70**	**96.68**	**97.99**	**100.15**	**102.29**	**102.81**	**100.83**
Y-o-y change	***1.46***	***0.90***	***-9.30***	***-0.79***	***12.25***	***6.93***	***5.35***	***5.96***	***5.17***	***4.52***	***3.83***	***3.10***	***4.15***
Non-OPEC liquids production													
Americas	24.03	25.81	24.70	24.10	25.19	25.24	25.88	25.11	25.88	26.00	26.09	26.50	26.12
of which US	*16.66*	*18.47*	*17.61*	*16.63*	*17.94*	*17.84*	*18.31*	*17.69*	*18.23*	*18.56*	*18.42*	*18.76*	*18.49*
Europe	3.84	3.71	3.90	3.95	3.50	3.89	4.10	3.86	4.07	3.96	4.02	4.34	4.09
Asia Pacific	0.41	0.52	0.53	0.51	0.46	0.54	0.55	0.51	0.56	0.55	0.55	0.55	0.55
Total OECD	**28.28**	**30.05**	**29.13**	**28.55**	**29.15**	**29.67**	**30.53**	**29.48**	**30.51**	**30.52**	**30.66**	**31.39**	**30.77**
China	3.98	4.04	4.12	4.25	4.28	4.25	4.22	4.25	4.25	4.25	4.29	4.37	4.29
India	0.86	0.82	0.77	0.76	0.75	0.75	0.74	0.75	0.77	0.79	0.82	0.84	0.81
Other Asia	2.73	2.69	2.51	2.51	2.45	2.48	2.48	2.48	2.47	2.44	2.42	2.40	2.43
Latin America	5.79	6.09	6.04	5.96	6.00	6.24	6.47	6.17	6.52	6.46	6.40	6.61	6.50
Middle East	3.21	3.18	3.18	3.19	3.21	3.23	3.28	3.23	3.31	3.32	3.33	3.33	3.32
Africa	1.51	1.51	1.41	1.38	1.37	1.38	1.33	1.36	1.30	1.28	1.25	1.22	1.26
Russia	11.52	11.61	10.59	10.47	10.74	10.79	11.11	10.78	11.51	11.83	11.88	11.88	11.78
Other Eurasia	3.08	3.07	2.91	2.96	2.89	2.96	3.01	2.95	3.09	3.11	3.15	3.22	3.14
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**	**33.13**	**31.65**	**31.59**	**31.79**	**32.18**	**32.75**	**32.08**	**33.32**	**33.57**	**33.64**	**33.98**	**33.63**
Total Non-OPEC production	61.06	63.18	60.78	60.15	60.94	61.85	63.28	61.57	63.83	64.09	64.30	65.37	64.40
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	**63.41**	**65.55**	**62.93**	**62.43**	**63.22**	**64.13**	**65.56**	**63.85**	**66.22**	**66.48**	**66.69**	**67.76**	**66.79**
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	**68.70**	**70.76**	**67.98**	**67.54**	**68.33**	**69.36**	**70.79**	**69.01**	**71.47**	**71.76**	**72.00**	**73.09**	**72.09**
Y-o-y change	***3.06***	***2.06***	***-2.79***	***-4.59***	***2.18***	***2.83***	***3.66***	***1.04***	***3.94***	***3.43***	***2.64***	***2.31***	***3.07***
OPEC crude oil production (secondary sources)	31.34	29.36	25.65	25.16	25.53								
Total liquids production	100.05	100.12	93.63	92.69	93.86								
Balance (stock change and miscellaneous)	0.91	0.09	2.90	-0.12	-1.77								
OECD closing stock levels, *mb*													
Commercial	2,875	2,889	3,037	2,925	2,902								
SPR	1,552	1,535	1,541	1,546	1,528								
Total	**4,427**	**4,425**	**4,578**	**4,471**	**4,429**								
Oil-on-water	1,058	1,033	1,148	1,138	1,130								
Days of forward consumption in OECD, *days*													
Commercial onland stocks	60	69	68	66	63								
SPR	32	36	34	35	33								
Total	**92**	**105**	**102**	**100**	**96**								
Memo items													
(a) - (b)	**30.43**	**29.27**	**22.75**	**25.28**	**27.29**	**29.10**	**28.92**	**27.67**	**26.52**	**28.39**	**30.29**	**29.71**	**28.75**

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	-0.09	0.04	-0.02	-0.12	-	0.21	-0.03	0.01	-0.02	0.20	0.36	-0.03	0.13
of which US	-	-	-	*-0.10*	-	*0.10*	-	-	*-0.05*	*0.15*	*0.35*	-	*0.11*
Europe	-0.01	0.06	0.01	0.02	0.01	0.11	-0.09	0.01	0.17	0.26	0.31	0.06	0.20
Asia Pacific	0.06	0.14	0.07	0.06	0.06	0.01	0.01	0.03	0.06	0.06	0.01	0.01	0.03
Total OECD	**-0.04**	**0.25**	**0.06**	**-0.04**	**0.07**	**0.32**	**-0.11**	**0.06**	**0.21**	**0.51**	**0.67**	**0.04**	**0.36**
China	-	-	-	0.20	-	-0.10	-0.03	0.02	0.50	0.40	-	0.03	0.23
India	0.04	-	-	-	-	-	-	-	0.13	0.17	0.15	0.05	0.12
Other Asia	-	-0.04	-	-	-	-0.05	-0.03	-0.02	0.28	0.30	0.25	0.03	0.21
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-0.06	-	-	-	-	-	-	-	-	-	-	-
Russia	-	-0.04	-	-	-	-	-	-	-	-	-	-	-
Other Eurasia	-	-0.04	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Total Non-OECD	**0.04**	**-0.18**	**0.05**	**0.25**	**0.05**	**-0.10**	**-**	**0.05**	**0.95**	**0.92**	**0.45**	**0.15**	**0.62**
(a) Total world demand	**-**	**0.06**	**0.11**	**0.21**	**0.12**	**0.22**	**-0.11**	**0.11**	**1.16**	**1.44**	**1.12**	**0.19**	**0.98**
Y-o-y change	***-***	***0.06***	***0.04***	***0.08***	***-***	***0.13***	***-0.20***	***-***	***0.95***	***1.32***	***0.90***	***0.30***	***0.87***
Non-OPEC liquids production													
Americas	-0.02	-	0.01	-	0.11	-0.30	0.02	-0.04	-	-	-	-	-
of which US	*-0.02*	-	*0.01*	-	*0.13*	*-0.26*	*0.02*	*-0.03*	-	-	-	-	-
Europe	-	-	-	-	-0.11	-0.14	-	-0.06	-0.05	-0.06	-0.05	-0.06	-0.05
Asia Pacific	-	-	-	-	-0.05	-0.02	-	-0.02	-0.01	-0.01	-0.01	-0.01	-0.01
Total OECD	**-0.02**	**-**	**0.01**	**-**	**-0.05**	**-0.46**	**0.02**	**-0.12**	**-0.07**	**-0.07**	**-0.07**	**-0.07**	**-0.07**
China	-	-	-	-	-	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01
India	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	0.01	-0.06	-0.08	-0.03	-0.09	-0.07	-0.06	-0.05	-0.07
Latin America	-	-	-	0.03	0.01	-0.06	-0.03	-0.01	-0.02	-0.02	-0.02	-0.02	-0.02
Middle East	-	-	-	-	-	-0.01	-	-	-	-	-	-	-
Africa	-	-	-	-	-	0.04	-	0.01	-	-	-	-	-
Russia	-	-	-	-	-	-0.01	-	-	-	-	-	-	-
Other Eurasia	-	-	-	-	-	0.01	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	**-**	**-**	**-**	**0.03**	**0.02**	**-0.06**	**-0.09**	**-0.03**	**-0.10**	**-0.08**	**-0.07**	**-0.06**	**-0.08**
Total Non-OPEC production	-0.02	-	0.02	0.02	-0.03	-0.52	-0.07	-0.15	-0.17	-0.15	-0.14	-0.13	-0.15
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC liquids production	**-0.02**	**-**	**0.02**	**0.02**	**-0.03**	**-0.52**	**-0.07**	**-0.15**	**-0.17**	**-0.15**	**-0.14**	**-0.13**	**-0.15**
OPEC NGL + non-conventional oils	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC liquids production and OPEC NGLs	**-0.02**	**-**	**0.02**	**0.02**	**-0.03**	**-0.52**	**-0.07**	**-0.15**	**-0.17**	**-0.15**	**-0.14**	**-0.13**	**-0.15**
Y-o-y change	***-0.01***	***0.03***	***0.02***	***-0.03***	***-0.03***	***-0.54***	***-0.07***	***-0.17***	***-0.19***	***-0.12***	***0.38***	***-0.06***	***-***
OPEC crude oil production (secondary sources)	-	-	0.01	0.01	0.01								
Total liquids production	-0.02	-	0.03	0.03	-0.02								
Balance (stock change and miscellaneous)	-0.02	-0.06	-0.08	-0.18	-0.14								
OECD closing stock levels, *mb*													
Commercial	-	-	-	-1	-21								
SPR	-	-	-	-	2								
Total	**-**	**-**	**-**	**-1**	**-19**								
Oil-on-water	-	-	-	-	-7								
Days of forward consumption in OECD, *days*													
Commercial onland stocks	-	-	-	-	-1								
SPR	-	-	-	-	-								
Total	**-**	**-**	**-**	**-**	**-1**								
Memo items													
(a) - (b)	**0.02**	**0.06**	**0.09**	**0.18**	**0.15**	**0.75**	**-0.04**	**0.26**	**1.33**	**1.59**	**1.26**	**0.32**	**1.12**

*Note: * This compares Table 11 - 1 in this issue of the MOMR with Table 11 - 1 in the August 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	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Closing stock levels, mb												
OECD onland commercial	**2,875**	**2,889**	**3,037**	**2,932**	**2,942**	**2,889**	**2,974**	**3,212**	**3,177**	**3,037**	**2,925**	**2,902**
Americas	1,544	1,518	1,613	1,559	1,553	1,518	1,575	1,713	1,687	1,613	1,573	1,547
Europe	930	978	1,044	983	988	978	1,033	1,099	1,079	1,044	1,006	1,001
Asia Pacific	402	394	380	391	401	394	366	400	411	380	346	354
OECD SPR	**1,552**	**1,535**	**1,541**	**1,549**	**1,544**	**1,535**	**1,537**	**1,561**	**1,551**	**1,541**	**1,546**	**1,528**
Americas	651	637	640	647	647	637	637	658	644	640	640	624
Europe	481	482	488	485	482	482	484	487	490	488	493	490
Asia Pacific	420	416	414	417	416	416	416	416	417	414	413	413
OECD total	**4,427**	**4,425**	**4,578**	**4,481**	**4,486**	**4,425**	**4,511**	**4,773**	**4,729**	**4,578**	**4,471**	**4,429**
Oil-on-water	**1,058**	**1,033**	**1,148**	**995**	**1,012**	**1,033**	**1,187**	**1,329**	**1,174**	**1,148**	**1,138**	**1,130**
Days of forward consumption in OECD, days												
OECD onland commercial	**60**	**69**	**68**	**60**	**61**	**63**	**79**	**76**	**74**	**72**	**66**	**64**
Americas	60	67	66	60	60	62	79	75	73	71	64	62
Europe	65	79	81	67	70	73	94	85	86	88	79	73
Asia Pacific	51	55	52	51	49	50	55	59	56	50	49	49
OECD SPR	**33**	**37**	**35**	**32**	**32**	**34**	**41**	**37**	**36**	**36**	**35**	**33**
Americas	26	30	28	25	25	26	32	29	28	28	26	25
Europe	34	39	38	33	34	36	44	38	39	41	39	36
Asia Pacific	53	59	57	54	51	53	63	62	57	54	58	58
OECD total	**93**	**107**	**104**	**92**	**93**	**97**	**120**	**113**	**110**	**108**	**100**	**97**

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	2018	2019	2020	3Q21	4Q21	2021	Change 21/20	1Q22	2Q22	3Q22	4Q22	2022	Change 22/21
US	16.7	18.5	17.6	17.8	18.3	17.7	0.1	18.2	18.6	18.4	18.8	18.5	0.8
Canada	5.3	5.4	5.2	5.5	5.6	5.5	0.3	5.7	5.5	5.7	5.8	5.7	0.2
Mexico	2.1	1.9	1.9	1.9	1.9	1.9	0.0	2.0	2.0	2.0	2.0	2.0	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**	**25.2**	**25.9**	**25.1**	**0.4**	**25.9**	**26.0**	**26.1**	**26.5**	**26.1**	**1.0**
Norway	1.9	1.7	2.0	2.1	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	0.9	0.9	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 Europe	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**	**3.9**	**4.1**	**3.9**	**0.0**	**4.1**	**4.0**	**4.0**	**4.3**	**4.1**	**0.2**
Australia	0.3	0.5	0.5	0.5	0.5	0.4	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**	**0.5**	**0.6**	**0.5**	**0.0**	**0.6**	**0.6**	**0.6**	**0.5**	**0.6**	**0.0**
Total OECD	**28.3**	**30.0**	**29.1**	**29.7**	**30.5**	**29.5**	**0.4**	**30.5**	**30.5**	**30.7**	**31.4**	**30.8**	**1.3**
China	**4.0**	**4.0**	**4.1**	**4.2**	**4.2**	**4.2**	**0.1**	**4.3**	**4.3**	**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	0.8	0.8	0.8	0.0	0.8	0.8	0.8	0.8	0.8	-0.1
Malaysia	0.7	0.7	0.6	0.6	0.6	0.6	0.0	0.6	0.6	0.7	0.7	0.7	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**	**2.5**	**2.4**	**2.4**	**2.4**	**2.4**	**0.0**
Argentina	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Brazil	3.3	3.6	3.7	3.8	4.0	3.7	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 others	0.4	0.4	0.3	0.3	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**	**6.2**	**6.5**	**6.2**	**0.1**	**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	1.1	1.0	1.0	0.1
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**	**3.3**	**3.2**	**0.1**	**3.3**	**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**	**1.4**	**1.3**	**1.4**	**-0.1**	**1.3**	**1.3**	**1.2**	**1.2**	**1.3**	**-0.1**
Russia	**11.5**	**11.6**	**10.6**	**10.8**	**11.1**	**10.8**	**0.2**	**11.5**	**11.8**	**11.9**	**11.9**	**11.8**	**1.0**
Kazakhstan	1.9	1.9	1.8	1.9	1.9	1.9	0.0	1.9	2.0	2.0	2.0	2.0	0.1
Azerbaijan	0.8	0.8	0.7	0.7	0.8	0.8	0.0	0.8	0.8	0.8	0.8	0.8	0.1
Eurasia others	0.4	0.4	0.4	0.4	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**	**3.1**	**3.1**	**3.2**	**3.2**	**3.1**	**0.2**
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**	**33.1**	**31.6**	**32.2**	**32.7**	**32.1**	**0.4**	**33.3**	**33.6**	**33.6**	**34.0**	**33.6**	**1.5**
Non-OPEC production	61.1	63.2	60.8	61.9	63.3	61.6	0.8	63.8	64.1	64.3	65.4	64.4	2.8
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**	**64.1**	**65.6**	**63.8**	**0.9**	**66.2**	**66.5**	**66.7**	**67.8**	**66.8**	**2.9**
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**	**70.8**	**68.0**	**69.4**	**70.8**	**69.0**	**1.0**	**71.5**	**71.8**	**72.0**	**73.1**	**72.1**	**3.1**

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

Table 11 - 5: World rig count, units

World rig count	2018	2019	2020	Change 2020/19	3Q20	4Q20	1Q21	2Q21	Jul 21	Aug 21	Change Aug/Jul
US	1,031	944	436	-508	254	311	393	452	483	501	18
Canada	191	134	90	-44	49	89	145	73	145	156	11
Mexico	27	37	41	4	36	38	46	42	43	43	0
OECD Americas	**1,251**	**1,116**	**567**	**-549**	**339**	**438**	**585**	**568**	**673**	**702**	**29**
Norway	15	17	16	-1	16	17	16	18	16	17	1
UK	7	15	6	-9	5	7	8	8	6	10	4
OECD Europe	**62**	**74**	**59**	**-15**	**56**	**55**	**54**	**59**	**56**	**60**	**4**
OECD Asia Pacific	**21**	**29**	**22**	**-7**	**17**	**18**	**16**	**21**	**24**	**31**	**7**
Total OECD	**1,334**	**1,219**	**648**	**-571**	**412**	**511**	**656**	**648**	**753**	**793**	**40**
Other Asia*	222	221	187	-34	184	160	161	170	179	183	4
Latin America	129	128	58	-70	40	60	76	89	89	93	4
Middle East	64	68	57	-11	50	48	57	56	55	56	1
Africa	46	55	43	-12	35	32	33	39	46	47	1
Other Europe	13	14	12	-2	12	12	12	7	8	9	1
Total Non-OECD	**474**	**486**	**357**	**-129**	**321**	**312**	**338**	**362**	**377**	**388**	**11**
Non-OPEC rig count	**1,808**	**1,705**	**1,005**	**-700**	**733**	**823**	**994**	**1,010**	**1,130**	**1,181**	**51**
Algeria	50	45	31	-14	27	25	22	27	21	24	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	3	3	0
Iran**	157	117	117	0	117	117	117	117	117	117	0
Iraq	59	74	47	-27	30	28	32	36	41	41	0
Kuwait	51	46	45	-1	44	29	28	23	24	26	2
Libya	5	14	12	-2	11	10	12	12	14	13	-1
Nigeria	13	16	11	-5	8	7	6	5	7	11	4
Saudi Arabia	117	115	93	-22	87	63	62	62	57	58	1
UAE	55	62	54	-8	50	40	43	44	43	37	-6
Venezuela	32	25	24	-1	25	25	25	25	25	25	0
OPEC rig count	**549**	**529**	**441**	**-88**	**400**	**347**	**352**	**356**	**356**	**359**	**3**
World rig count* **	**2,357**	**2,234**	**1,446**	**-788**	**1,133**	**1,170**	**1,346**	**1,366**	**1,486**	**1,540**	**54**
of which:											
Oil	1,876	1,788	1,125	-663	866	896	1,044	1,076	1,182	1,218	36
Gas	448	415	275	-140	232	238	269	257	271	287	16
Others	33	31	46	15	35	36	33	33	33	35	2

*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

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

down 3.20 in August

August 2021	70.33
July 2021	73.53
Year-to-date	**65.93**

August OPEC crude production

mb/d, according to secondary sources

up 0.15 in August

August 2021	26.76
July 2021	26.61

Economic growth rate

per cent

	World	OECD	US	Euro–zone	Japan	China	India
2021	5.6	5.0	6.1	4.7	2.8	8.5	9.0
2022	4.2	3.6	4.1	3.8	2.0	6.0	6.8

Supply and demand

mb/d

2021		**21/20**	**2022**		**22/21**
World demand	96.7	6.0	World demand	100.8	4.2
Non-OPEC liquids production	63.8	0.9	Non-OPEC liquids production	66.8	2.9
OPEC NGLs	5.2	0.1	OPEC NGLs	5.3	0.1
Difference	**27.7**	**4.9**	**Difference**	**28.7**	**1.1**

OECD commercial stocks

mb

	Jul 20	May 21	Jun 21	Jul 21	Jul 21/Jun 21
Crude oil	1,588	1,442	1,410	1,404	–5.6
Products	1,631	1,490	1,492	1,508	16.1
Total	**3,218**	**2,932**	**2,902**	**2,912**	**10.5**
Days of forward cover	75	64	64	64	0.1

Next report to be issued on 13 October 2021.