OPEC

Monthly Oil Market Report

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Feature article:

World oil market prospects for the second half of 2019

Organization of the Petroleum Exporting Countries

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Oil Market Highlights

Crude Oil Price Movements

The OPEC Reference Basket (ORB) eased in May, dropping m-o-m by 81¢, or 1.1%, to average $69.97/b. Crude oil futures prices ended May sharply lower, reaching their lowest levels since February, registering high volatility, particularly late in the month, fuelled by uncertainty about world economic and global oil demand outlooks amid intensifying trade tensions between the US and China. Oil prices dropped further after the US announced plans to impose tariffs on imports from Mexico. In May, ICE Brent averaged $1.33, or 1.9%, lower m-o-m at $70.30/b, while NYMEX WTI dropped m-o-m by $3.01, or 4.7%, to average $60.87/b. Year-to-date (y-t-d), ICE Brent was $3.47, or 4.9%, lower at $66.75/b, while NYMEX WTI dropped by $7.11, or 10.9%, to $57.97/b, compared to the same month last year. The Brent and Dubai market structure moved deeper into backwardation in May, while the NYMEX WTI price structure remained in contango. Hedge funds and other money managers decreased their bullish positions in both ICE Brent and NYMEX WTI.

World Economy

Following growth of 3.6% in 2018, the global economic growth forecast remains at 3.2% in 2019, unchanged from the previous month's assessment. The most recent escalation in trade disputes, among numerous other challenges to world economic development, may lead to lower growth in the near term. In the OECD economies, US growth remains at 2.6% for 2019, compared to 2.9% for 2018. GDP growth in Japan is revised slightly up by 0.1 pp to 0.5% for 2019, following growth of 0.8% in 2018. Euro-zone growth for 2019 remains unchanged at 1.2%, albeit down from 1.8% for 2018. In the non-OECD economies, China's 2019 growth forecast is unchanged to stand at 6.2%, after reaching 6.6% in 2018. India's 2019 growth forecast is revised downward by 0.3 pp to 6.8%, following 7.3% in 2018. Growth in Brazil for 2019 is revised lower to 1.4% from 1.7%, after seeing 1.1% in 2018, while Russia's 2019 GDP growth forecast is revised down to 1.4% from 1.6%, following growth of 2.3% for 2018.

World Oil Demand

In 2019, world oil demand is anticipated to rise by 1.14 mb/d, lower than last month's assessment by 0.07 mb/d. The downward revision was mainly to account for sluggish oil demand data in the OECD region during 1Q19. The majority of oil demand growth is projected to originate from Other Asia, led by India, followed by China and OECD Americas. OECD countries are projected to rise by 0.14 mb/d, while non-OECD countries will drive oil demand growth by adding an estimated 1.00 mb/d in 2019. In 2018, world oil demand grew by 1.41 mb/d, unchanged from last month's assessment. OECD Americas led oil demand growth in the OECD region, on the back of strong gains for light and middle distillates throughout 2018. Other Asia led demand growth in the non-OECD region and globally, after strong product demand growth in India, Indonesia, Singapore and Thailand.

World Oil Supply

Non-OPEC oil supply in 2019 is expected to grow at a pace of 2.14 mb/d, y-o-y, following a robust increase of 2.91 mb/d in 2018. The 2019 non-OPEC supply assessment is unchanged from last month, despite some downward revisions for the US, due to lower-than-expected output in 1Q19, and for Norway and Brazil due to lower-than-expected production in 3Q19 and 4Q19. These revisions are offset by upward revisions to China, and the UK. The US is projected to remain the main driver for non-OPEC supply growth in 2019 adding 1.83 mb/d y-o-y, followed by Brazil, Russia, China, Australia and the UK. At the same time Mexico, Norway, Kazakhstan, Indonesia and Vietnam are projected to see the largest declines. OPEC NGLs and non-conventional liquids y-o-y are expected to grow by 0.08 mb/d to average 4.84 mb/d in 2019, following growth of 0.13 mb/d in 2018. In May 2019, OPEC crude oil production is estimated to have decreased by 236 tb/d, m-o-m to average 29.88 mb/d, according to secondary sources.

Product Markets and Refining Operations

In May, global product markets saw a mixed performance, affected by a downward correction from the spike in gasoline cracks that had been sustained during previous months. In the US, product markets were supported by the middle of the barrel, as firm jet/kerosene demand, amid supply side pressure caused by excessive rain in the central US regions, affected middle distillate markets. This came despite a downturn in the gasoline complex. In Europe, product markets gained some ground, supported by middle distillate inventory drawdowns, which kept prices sustained, despite a weakening at the top and bottom of the barrels. In Asia, product markets suffered considerable losses, pressured by bearish sentiment triggered by the release of the second batch of export quotas in China. In addition, weaker inter-regional product exports, despite considerable offline capacity on heavy refinery turnarounds within the region, contributed to the downturn.

Tanker Market

Average dirty tanker spot freight rates rose marginally in May following five months of steady declines, but remained lower y-o-y. Tonnage lists remained in excess due to limited scrapping and steady deliveries. Ship owners have been looking to 2H19 when increased refinery throughput in order to produce sufficient low-sulphur fuel ahead of implementation of IMO 2020 regulations are expected to boost demand for shipping across both the dirty and clean tanker markets. Meanwhile, the clean segment of the tanker market saw m-o-m declines across all routes except Middle East-to-East, which picked up from the weak performance seen the month before.

Stock Movements

Preliminary data for April showed that total OECD commercial oil stocks rose by 25.0 mb m-o-m to stand at 2,874 mb. This was 54.4 mb higher y-o-y and 7.6 mb above the latest five-year average. Within the components, crude stocks indicated a slight deficit of 0.2 mb, while product stocks showed a surplus of 7.9 mb above the latest five-year average. In terms of days of forward cover, OECD commercial stocks m-o-m remained unchanged in April at 60.1 days, which was 1.1 days above the same period in 2018, but 1.4 days below the latest five-year average.

Balance of Supply and Demand

Demand for OPEC crude in 2018 is estimated at 31.6 mb/d, 1.6 mb/d lower than the 2017 level. In 2019, demand for OPEC crude is forecast at 30.5 mb/d, around 1.1 mb/d lower than the estimated 2018 level.

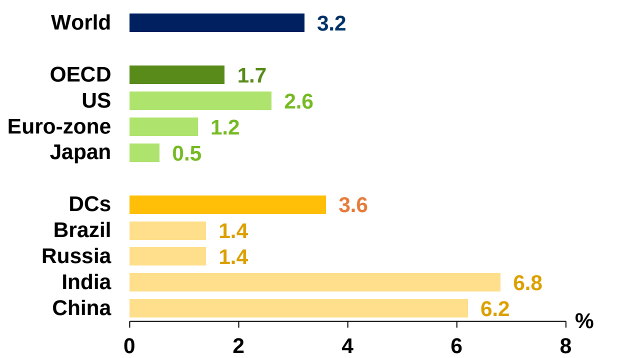
Feature Article

World oil market prospects for the second half of 2019

Throughout the first half of this year, ongoing global trade tensions have escalated, threatening to spill over, and geo-political risks remained in many key regions. This has resulted in a slowdown in global economic activities, and weaker growth in global oil demand, both compared to a year earlier. Meanwhile, non-OPEC supply continues to increase at a high pace, while the voluntary production adjustments as per the Declaration of Cooperation (DoC) have again risen to record-high conformity levels.

Since the beginning of the year, offsetting trends in major economies have stabilised global economic growth at the current 2019 forecast of 3.2%, compared to 3.6% estimated for 2018. Despite recent trade-related developments, the 1Q19 growth rate was better than initially expected for major OECD economies and China. Meanwhile, other economies, such as Brazil, Russia and India, have underperformed. On a yearly basis, world business and consumer sentiments have fallen, but yet remained at healthy levels. However, recent escalations in trade disputes are expected to lead to lower economic growth rates, despite the counterbalancing efforts in affected economies. Several emerging and developing economies continue to face challenges, including high debt levels. Moreover, Brexit, fiscal issues in some EU Member Countries, Japan's slowdown, and the fading impact of US fiscal stimulus pose additional risks (***Graph 1***).

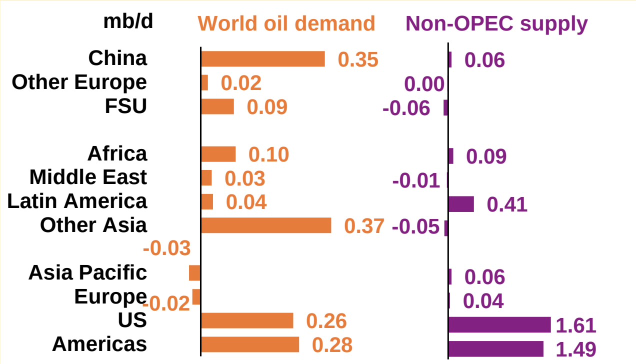
Graph 1: GDP growth in selected countries/regions, 2019*



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

Global oil demand growth is projected to improve seasonally, from the sluggish performance seen in 1H19, with growth in 2H19 forecast at 1.2 mb/d y-o-y. The OECD region is forecast to increase by 0.2 mb/d y-o-y in 2H19, on the back of growth in OECD Americas, driven by solid light distillate demand. In contrast, OECD Europe is forecast to contract due to slower economic momentum, while OECD Asia Pacific will decline on lower petrochemical feedstock demand. In the non-OECD region, oil demand is projected to increase by 1.0 mb/d y-o-y in 2H19 supported mainly by Other Asia, particularly India. Oil demand in China is expected to continue growing despite economic concerns and sharply lower vehicle sales. Growth in transportation fuels, particularly aviation fuels, as well as in petrochemical feedstock should outweigh declines elsewhere in 2H19 (***Graph 2***). However, significant downside risks from escalating trade disputes spilling over to global demand growth remain.

Graph 2: World oil demand and non-OPEC supply growth by region in 2H19*, y-o-y



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

Non-OPEC oil supply in 2H19 is forecast to increase by 1.8 mb/d, compared to 1H19 and to increase by 2.1 mb/d y-o-y, which is less than growth seen over the same period a year earlier. Indeed, the non-OPEC supply growth slowed slightly in 1H19 due to take-away capacity restrictions in the Permian Basin in the US, mandatory production limitations in Canada, and heavy maintenance operations elsewhere. For 2H19, non-OPEC supply growth is anticipated to show further upside potential, with higher production expected in the US, as well as production ramp-ups in Brazil and possibly the start-up of Norway's Johan Sverdrup field in the North Sea, leading to a growth forecast of 2.14 mb/d for 2019.

In summary, the observed slowdown in the global economy in 1H19 will further be challenged in 2H19, mainly by mounting trade disputes, with the impact on oil demand growth remaining uncertain. While growth in non-OPEC supply continues, the extent of additional production in key regions in 2H19 will mainly depend on volumes of start- and ramp-ups. The upcoming OPEC and non-OPEC Ministerial Meetings will carefully consider these developments, in order to ensure continued market stability.

Table of Contents

Crude Oil Price Movements

On a monthly average, the ***OPEC Reference Basket*** *(ORB) eased in May despite several planned and unplanned supply outages. The Brent and Dubai price spreads, first-to-third month, widened further, mirroring a tightening physical market and concerns about the supply outlook. On a monthly average, the ORB value decreased m-o-m by 81¢, or 1.1%, to settle at $69.97/b in May. Apart from Angolan Girasol, Venezuelan Merey and Algerian Saharan Blend, all ORB component values decreased alongside their perspective crude oil benchmarks, while firm official selling prices and crude oil differentials limited losses.*

Crude oil futures prices *ended May at their lowest levels since February, with ICE Brent falling by more than $7, or about 12%, during the month, and NYMEX WTI posted about a $10, or 19% slide. Oil prices registered higher volatility, particularly in late May, fuelled by uncertainty about the world economy and the impact on global oil demand. Oil futures declined severely on signs of slowing economic growth and growing concerns about the global economic and oil demand outlook amid intensifying trade tensions between the US and China. In May, ICE Brent declined on average $1.33, or 1.9%, m-o-m to $70.30/b, while NYMEX WTI fell m-o-m by $3.01, or 4.7%, to average $60.87/b. On an annual average, ICE Brent was $3.47, or 4.9%, y-o-y lower at $66.75/b, while NYMEX WTI declined by $7.11, or 10.9%, y-o-y to $57.97/b. DME Oman crude oil futures also declined m-o-m by $1.35 in May, or 1.9% over the previous month, to settle at $69.85/b. On a yearly average, DME Oman was down by 83¢, or 1.2%, y-o-y at $66.52/b.*

Hedge funds and other money managers *saw their bullish positions decline in May, after posting four consecutive months of increases. Speculators liquidated long positions over the month, particularly for the US crude NYMEX WTI, and raised their bearish short positions on the basis of concerns about the world economy, the global oil demand outlook, escalating trade tensions and rising US crude oil stocks.*

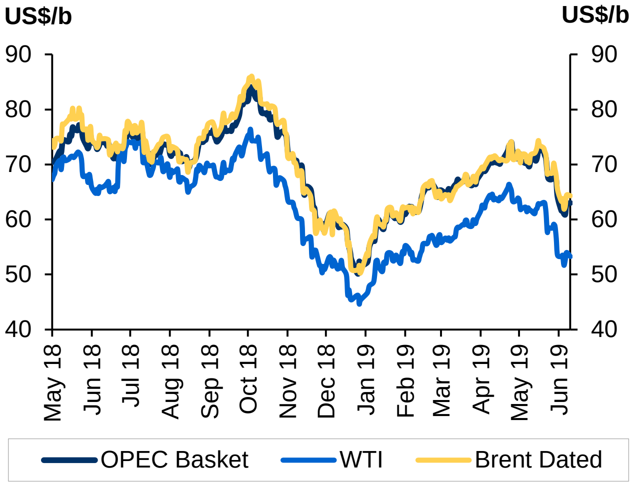
The Brent and Dubai ***price structure*** *moved deeper into backwardation in May, despite a sharp decline in oil prices, as prompt-month prices were supported by healthy physical crude oil demand and supply disruptions in several countries. The possibility of more disruptions in oil supply added support to prompt prices. However, the WTI price structure remained in contango as sustained US oil supply at high levels kept the US crude market well supplied, while US crude stocks continued to increase.*

Apart from European grades, the global ***premium of light sweet-to-medium sour crudes*** *widened further in May, despite a tight sour crude market. Brent/Urals spread narrowed slightly due to Urals supply disruptions.*

OPEC Reference Basket

After increasing for four consecutive months, the **OPEC Reference Basket** eased in May, on a monthly average, but remained about $70/b. Apart from Angolan Girasol, Venezuelan Merey and Algerian Saharan Blend, all ORB component values decreased alongside their perspective crude oil benchmarks, despite firm official selling prices and improving crude oil differentials, which were underpinned by healthy crude demand and several planned and unplanned supply outages. Furthermore, the Brent and Dubai price spreads, first-to-third month, widened further in May, mirroring a tightened physical market and concerns about the supply outlook amid supply disruptions in eastern Europe from oil pipeline contamination, in addition to planned and unplanned maintenance in North Sea oil fields that lowered supply of several grades.

Graph 1 - 1: Crude oil price movement



Sources: Argus Media, OPEC Secretariat and Platts.

Crude oil **physical benchmarks** decreased in May, with Dated Brent, WTI and Dubai spot prices falling m-o-m by 30¢, $3.14 and $1.29, respectively, to settle at $70.85/b, $60.73/b and $69.64/b. For the year-to-date (y-t-d), the ORB value was $1.52, or 2.3%, lower at $65.96/b compared to the same period in 2018.

On a monthly average, the ORB value decreased m-o-m by $0.81, or 1.1%, to settle at $69.97/b in May.

Light sweet crude **ORB components from West and North Africa**, including Bonny Light, Djeno, Es Sider, Girassol, Rabi Light, Sahara Blend and Zafiro, fell 26¢ on average, or 0.4%, m-o-m to $71.01/b in May, declining less than other ORB component values, due to the resilience of Brent. West African crudes differentials continued to trade at high levels in May, supported by strong demand, particularly from Asia and Europe, and tight global oil supply. Several supply outages in the North Sea, crude contamination of Urals, and lower supply of heavy crude from Latin America and the Middle East have lifted some West African grades to multi-year highs. Nonetheless, high shipping costs and a high Brent premium to Dubai swaps limited the competitiveness of Brent-linked grades in the Asia Pacific.

Latin American ORB component Venezuelan Merey closed higher at $59.15/b, a gain of 20¢, or 0.3%, on lower supply and a tight sour crude market. However, Ecuador's Oriente was down to $65.60/b, losing $2.01, or 3.0%, following WTI price decline.

The value of **multi-region destination grades**, including Arab Light, Basrah Light, Iran Heavy and Kuwait Export, fell by 89¢, or 1.3%, m-o-m to $69.62/b. Middle Est crude values declined in May on average but less than their respective benchmarks, supported by strong demand and a tight sour market amid planned and unplanned outages. Higher official selling prices of heavier grades and a widening Dubai price backwardation also limited loses, and spot crude premiums of some grades hit multi-year highs. On the other hand, high Brent premium to Dubai swaps which reached $4.32/b, raised the competitiveness of Dubai-linked crude grades.

Middle Eastern spot component Murban, a light sour grade, edged down on average in May to $69.70/b, a decline of $1.81 m-o-m, or 2.5%. Murban spot values slipped late in the month from high levels registered earlier in the month, as weak demand for July-loading cargoes undermined prices.

On 12 June, the ORB stood at $61.01/b, $8.96 below the May average.

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

			Change		Year-to-date	
	Apr 19	May 19	May/Apr	%	2018	2019
Basket	**70.78**	**69.97**	**-0.81**	**-1.1**	**67.48**	**65.96**
Arab Light	71.88	70.78	-1.10	-1.5	68.05	66.93
Basrah Light	70.45	69.77	-0.68	-1.0	66.28	65.57
Bonny Light	72.81	72.24	-0.57	-0.8	70.86	67.73
Djeno	68.55	68.25	-0.30	-0.4	67.68	63.73
Es Sider	70.45	70.25	-0.20	-0.3	68.79	65.54
Girassol	72.88	72.95	0.07	0.1	70.41	67.70
Iran Heavy	68.52	67.86	-0.66	-1.0	65.95	63.68
Kuwait Export	71.20	70.07	-1.13	-1.6	66.09	66.15
Merey	58.95	59.15	0.20	0.3	60.62	56.52
Murban	71.51	69.70	-1.81	-2.5	69.89	67.14
Oriente	67.61	65.60	-2.01	-3.0	64.29	62.49
Rabi Light	70.40	70.10	-0.30	-0.4	68.92	65.58
Sahara Blend	71.15	71.20	0.05	0.1	70.57	66.50
Zafiro	72.65	72.10	-0.55	-0.8	69.86	67.43
Other Crudes						
Dated Brent	71.15	70.85	-0.30	-0.4	69.89	66.33
Dubai	70.93	69.64	-1.29	-1.8	66.99	66.21
Isthmus	70.34	69.04	-1.30	-1.8	67.91	65.58
LLS	70.69	69.02	-1.67	-2.4	68.57	65.43
Mars	68.93	66.68	-2.25	-3.3	65.15	63.88
Minas	67.64	67.52	-0.12	-0.2	62.09	60.77
Urals	71.90	71.68	-0.22	-0.3	68.13	66.89
WTI	63.87	60.73	-3.14	-4.9	65.07	57.90
Differentials						
Brent/WTI	7.28	10.12	2.84	-	4.82	8.44
Brent/LLS	0.46	1.83	1.37	-	1.33	0.90
Brent/Dubai	0.22	1.21	0.99	-	2.91	0.12

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

The oil futures market

Crude oil futures prices ended May sharply lower and reached their lowest levels since February, with ICE Brent falling by more than $7, or about 12%, during the month, and NYMEX WTI posted about a $10, or 19% slide. Oil prices registered higher volatility, particularly in late May, fueled by uncertainty about the world economy and the impact on global oil demand. Oil futures declined severely on signs of slowing economic growth and growing concerns about the global economic and oil demand outlook amid intensifying trade tensions between the US and China, after the move to impose additional tariffs, which triggered steep declines in equity markets. Weakening refining margins, a subdued performance by oil products, consecutive weeks of rising US crude oil inventories, and sustained historically high levels of US oil supply also weighed on prices. Oil prices declined further in late May, along with equity markets and other commodity prices, after the US President announced plans to impose tariffs on imports from Mexico, which amplified worries and uncertainty to the markets, pushing equity indexes and commodity prices sharply lower.

This all dampened the impact of several planned and unplanned supply outages that were reflected in the widening backwardation structure in Brent and Dubai, as well as heightened geopolitical tensions in several regions. Nonetheless, high conformity levels with the voluntary production adjustments of the Declaration of Cooperation continued to support the market.

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

	Apr 19	May 19	Change May/Apr	%	Year-to-date 2018	2019
NYMEX WTI	63.87	60.87	-3.01	-4.7	65.09	57.97
ICE Brent	71.63	70.30	-1.33	-1.9	70.22	66.75
DME Oman	71.20	69.85	-1.35	-1.9	67.35	66.52
Transatlantic spread (ICE Brent-NYMEX WTI)	***7.76***	***9.44***	***1.68***	***21.7***	***5.13***	***8.78***

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

In May, **ICE Brent** declined $1.33, or 1.9%, m-o-m to $70.30/b, while **NYMEX WTI** fell m-o-m by $3.01, or 4.7%, to average $60.87/b. On an annual average, ICE Brent fell $3.47, or 4.9%, to $66.75/b, while NYMEX WTI declined by $7.11, or 10.9%, y-o-y to $57.97/b.

DME Oman crude oil futures also declined m-o-m by $1.35 in May, or 1.9% over the previous month, to settle at $69.85/b. On a yearly average, DME Oman was down by $0.83, or 1.2%, y-o-y at $66.52/b.

On 12 June, ICE Brent stood at $59.97/b and NYMEX WTI at $51.14/b.

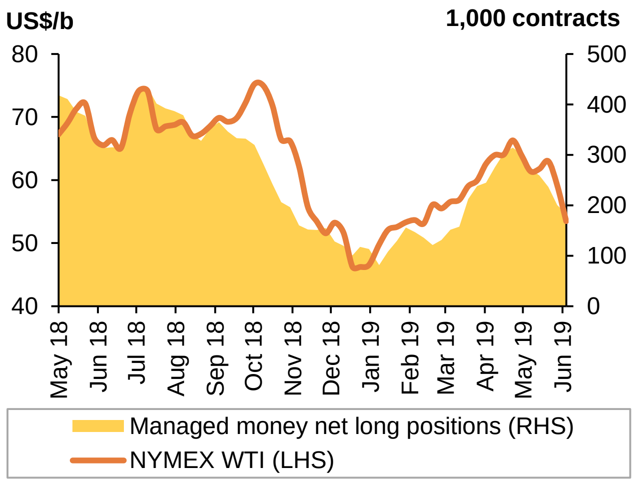
Hedge funds and other money managers saw their bullish positions decline in May, and net long positions ended the month lower relative to their positions at the end of April, after posting four consecutive month of increases. Speculators liquidated long positions over the month, particularly for the US crude NYMEX WTI, and raised bearish short positions on concerns about the world economy and global oil demand outlook, amid escalating trade tensions between the US and China, and rising US crude oil stocks.

Hedge funds and money managers cut their bullish wagers on US crude WTI after nine consecutive weeks of increases, and ended the month at 252,567 contracts, or a decline of 23.3% compared to late April.

The speculator group reduced their net long positions for futures and options' positions in the NYMEX WTI by 100,953 contracts, or 33.5%, to 200,390 contracts for the week ending 28 May, according to the US Commodity Futures Trading Commission (CFTC).

During the same period, short positions rose by 24,324 contracts or 87.3%, to 52,177 contracts, the highest level since March.

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



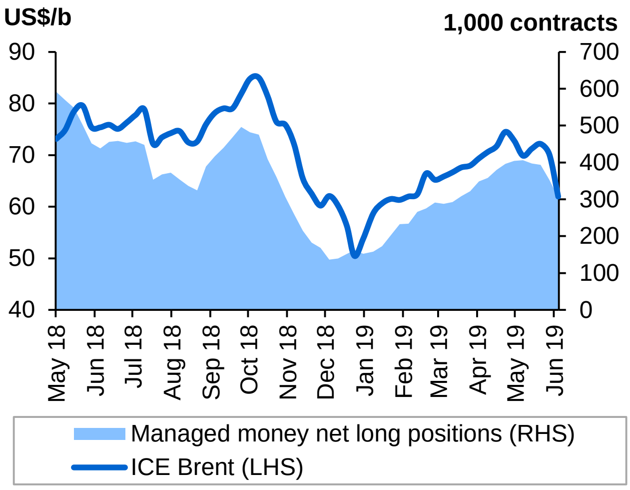
Sources: CFTC, CME Group and OPEC Secretariat.

Hedge funds and other money managers reduced futures and options net long positions linked to ICE Brent by 51,633 contracts, or 12.8%, to 352,736 contracts for the week ending 28 May, according to the ICE Exchange.

The **long-to-short ratio** in ICE Brent speculative positions decreased in late May to 8:1, compared to 15:1 in late April, while that of NYMEX WTI long to short ratio decreased to 5:1 for the week ending 28 May, compared to 12:1 in late April.

The **total futures and options open interest volume** in the two exchanges fell by 82,717 contracts to stand at 5.7 million contracts in the week ending 28 May.

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



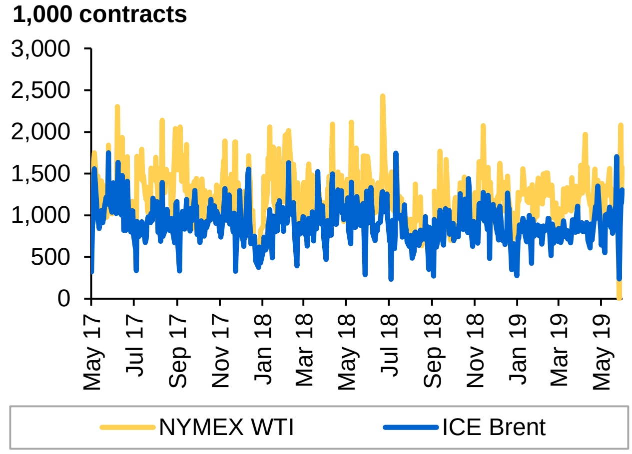
Sources: Intercontinental Exchange and OPEC Secretariat.

The **daily average traded volume** for NYMEX WTI contracts fell by 19,083 lots, or 1.5%, in May to 1,296,555 contracts. The daily average traded volume for ICE Brent rose by 48,290 contracts, or 5.3%, to 952,446 lots.

The **daily aggregate traded volume** for both crude oil futures markets increased in May by 29,207 contracts m-o-m to stand at 2.2 million futures contracts, or about 2.2 billion b/d of crude oil.

The April **total traded volume** in NYMEX WTI was higher at 28.5 million contracts, or 3.2%, while that of ICE Brent was 15.4% higher at 21.9 million contracts.

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



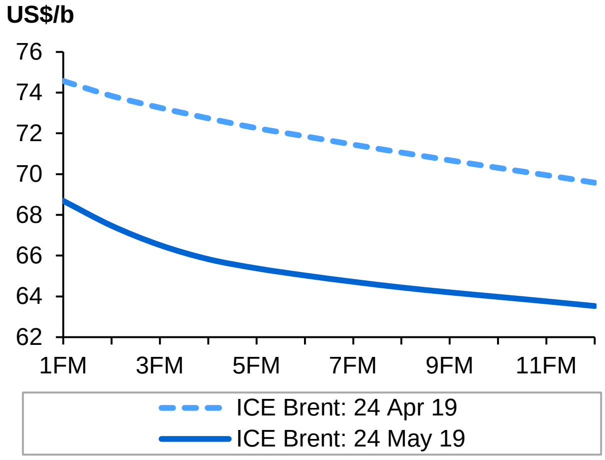
Sources: CME Group, Intercontinental Exchange and OPEC Secretariat.

The futures market structure

Despite the sharp decline in oil prices, both Brent and Dubai **price structures** moved deeper into backwardation in May on strong prompt-month prices compared to later months, healthy physical crude oil demand and supply disruptions in several countries. High geopolitical tensions in Middle East and the possibility of more disruptions in oil supply added support to prompt prices. However, WTI price structure remained in contango as ample oil supply kept US crude market well supplied and US crude stocks continued to increase.

The backwardation structure of **ICE Brent** futures strengthened further, particularly in the front of the curve. The prompt ICE Brent time spreads widened further, highlighting the supply tightness in the market, with the ICE Brent first-to-third month spread and the first-to-six month spread reaching their highest level since 2013. The ICE Brent first-to-third month spread moved into deeper backwardation to average $1.85/b in May, compared to 97¢ in April. Brent prompt prices were supported by healthy physical crude demand in the Atlantic basin, a tightening oil market, supply outages in the North Sea and extended disruptions of Urals' supply due to contamination. Reduced supply due to geopolitical factors added further upward pressure on prompt prices.

Graph 1 - 5: ICE Brent forward curves

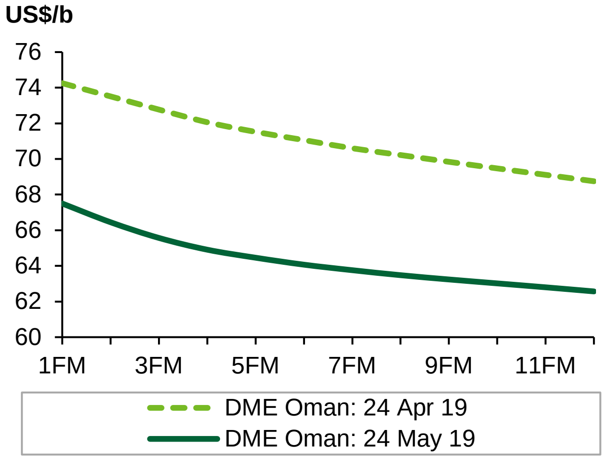


Note: FM = future month.
Sources: Intercontinental Exchange and OPEC Secretariat.

The backwardation structure in prompt **DME Oman** prices widened further in May on healthy demand from Asian refiners and tight sour crude market, in addition to worries about supply amid escalating geopolitical tensions in the Middle East. The Brent premium to Dubai swaps climbed to $4.32/b, its highest level in a year, which limited arbitrage of Brent-linked crudes from the Atlantic Basin and made the Dubai-linked crudes more attractive for refiners.

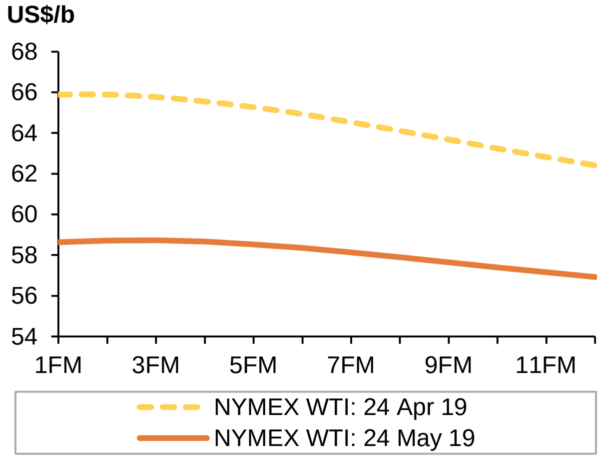
NYMEX WTI price structure remained in contango and the front-month time spread stood almost at the same level as the previous month. NYMEX WTI prompt price remained under pressure from historically high levels of US oil supply seen in EIA weekly data and increasing US crude oil inventories for several consecutive weeks to reach their highest levels since July 2017. Crude oil stocks at Cushing, Oklahoma, also continued to increase over May to reach about 51 mb, its highest level since December 2017.

Graph 1 - 6: DME Oman forward curves



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

Graph 1 - 7: NYMEX WTI forward curves



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

Regarding the **M1/M3 structure**, the North Sea Brent M1/M3 backwardation of 93¢/b, on a monthly average, widened significantly to $2.13/b, a rise of $1.20. The Dubai M1 $1.32/b premium to M3 increased to a $2.37/b premium in May, up by $1.06 on a monthly average. In the US, the WTI contango of 7¢/b widened to 22¢/b, where the spread M1-M3 decreased by 15¢.

The **spread between the ICE Brent and NYMEX WTI** benchmarks widened by $1.68 in May to average at $9.44/b, after narrowing for two consecutive months, as NYMEX WTI fell more than ICE Brent. The NYMEX WTI price was pressured by sustained high US oil supply and congestion in the US trading hub of Cushing, Oklahoma, which was exacerbated by pipeline outages of crude flowing from Cushing. Crude oil stocks at Cushing continued to rise over the month and reached about 51 million barrels, its highest level since

December 2017. Total US crude oil stocks also rose to their highest level since July 2017. Concurrently, the Brent price was supported by outages in North Sea fields and lower Urals availability due to contamination, as well as high geopolitical tensions. A widening Brent/WTI spread supported US coastal crude differentials and added competitiveness of WTI-linked crudes in the Atlantic Basin and Asia.

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

		1FM	2FM	3FM	6FM	12FM	12FM-1FM
NYMEX WTI	24 Apr 19	65.89	65.89	65.77	64.93	62.41	-3.48
	24 May 19	58.63	58.71	58.73	58.35	56.93	-1.70
	Change	**-7.26**	**-7.18**	**-7.04**	**-6.58**	**-5.48**	**1.78**
ICE Brent	24 Apr 19	74.57	73.84	73.26	71.86	69.58	-4.99
	24 May 19	68.69	67.47	66.52	65.03	63.53	-5.16
	Change	**-5.88**	**-6.37**	**-6.74**	**-6.83**	**-6.05**	**-0.17**
DME Oman	24 Apr 19	74.25	73.51	72.77	71.06	68.75	-5.50
	24 May 19	67.50	66.45	65.57	64.07	62.57	-4.93
	Change	**-6.75**	**-7.06**	**-7.20**	**-6.99**	**-6.18**	**0.57**

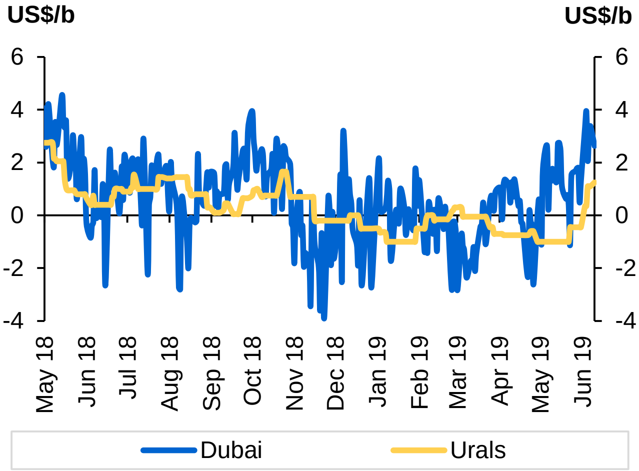
Note: FM = future month.
Sources: CME Group, Dubai Mercantile Exchange, Intercontinental Exchange and OPEC Secretariat.

The light sweet/medium sour crude spread

Apart from European grades, the global premium of light sweet to medium sour crudes widened further in May, despite a tight sour crude market. Brent/Urals spread narrowed slightly due to Urals' supply disruption.

In **Europe**, the light sweet North Sea Brent discount to Urals medium sour crude rose further in May amid lower Urals supply and expectations of lower seaborne crude exports in June from the Russian Baltic and Black Sea ports due to the Urals organic chloride contamination that affected the Druzhba pipeline system in April. Urals crude differentials to North Sea Dated reached a record high level in early May, but the differentials eased over the month due to concerns about the quality of Urals cargoes and as some buyers turned to alternative grades, like Libyan crude and Forties. On a monthly average, the Brent/Urals discount fell 8¢ to minus 83¢/b, in May.

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



Sources: Argus Media, OPEC Secretariat and Platts.

However, the sweet/sour spread widened in **Asia,** despite a tight sour crude market and prospects of lower supply of sour grades. Light sweet crudes, such as Tapis, were support by strong demand from local refiners, lower supply in the Asia Pacific, and the high Brent premium to Dubai swaps, which reached $4.32/b, its highest level in more than a year. High EFS Dubai limited arbitrage opportunities for crudes linked to Brent from the Atlantic Basin from flowing to Asia. Weak fuel oil margins also weighed on heavier grades.

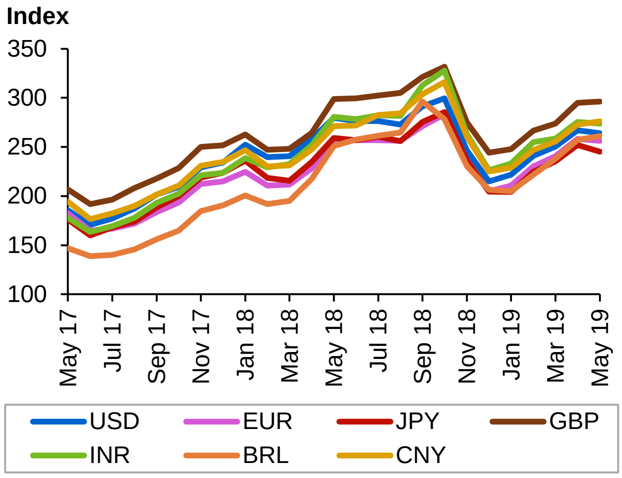
Similarly, in the **USGC**, the Light Louisiana Sweet (LLS) premium over Mars crude widened again in May by 58¢ to $2.34/b, nonetheless, the spread remained relatively narrow on lower sour crude supply from Latin America and a tight sour crude market globally. Light sweet grades were somewhat supported by healthier demand as the spread between sweet/sour crudes narrowed significantly in recent months.

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

The **USD** generally advanced with few exceptions against major and emerging market currencies in May, supported by the relative strength of the US economy compared to its major counterparts.

Against the **major currency counterparts**, the euro advanced the USD on average by 0.5%, amid soft European economic data and uncertainties regarding European parliamentary elections. Against the Swiss franc, it increased by around 0.5% as well. The dollar advanced by 1.5% against the pound sterling as the prospects of a no-deal Brexit scenario increased. Against the Japanese yen, the dollar lost 1.5% on increased demand for safe assets as a result of the intensification of the trade dispute between China and the US.

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



Sources: IMF and OPEC Secretariat.

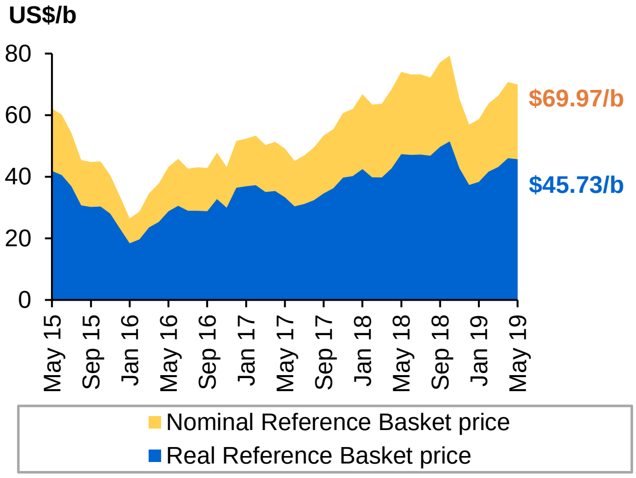
With regard to the **emerging market currencies**, the USD advanced against the Chinese yuan by 2.0% m-o-m. The increase occurred mainly in the first half of the month following the intensification of the US and China trade dispute. Against the Indian rupee, the dollar rose slightly by 0.5%. The rupee fell at the beginning of the month following overall emerging market weakness, but recovered in the second half buoyed by the outcome of the general election. Against the Brazilian real, the US dollar advanced by 2.7% with ongoing concerns regarding prospects for economic reform in view of political developments, together with the slow start for the economy in 2019. Against the Russian ruble, the dollar gained 0.3% as oil prices retreated. Against the currencies of Turkey and Argentina, the dollar increased by 5.5% and 3.9% respectively, due to ongoing and persistent external vulnerabilities.

In **nominal terms**, the price of the OPEC Reference Basket (ORB) decreased by 81¢, or 1.1%, from $70.78/b in April to $69.97/b in May.

In **real terms**, after accounting for inflation and currency fluctuations, the ORB decreased to $45.73/b in May from a revised $46.06/b (base June 2001=100) in the previous month.

Over the same period, the **USD** advanced by 0.3% against the import-weighted modified Geneva I + USD basket, while inflation decreased by 0.2% m-o-m.

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



Source: OPEC Secretariat.

Commodity Markets

*In May, major commodity price groups generally declined amid an intensification of trade disputes, which also weighed down financial market sentiment. **Energy commodities** showed broad-based declines with crude oil, coal and natural gas prices declining across regions.*

*For **non-energy commodities**, base metals declined strongly, led by a 6.5% m-o-m decline in copper prices amid continuing deceleration in global manufacturing activity, and the re-intensification of the trade dispute between China and the US. In the group of precious metals, gold was stable on average, though it recently jumped on increased demand for safe assets after the announcements of US tariffs on imports from Mexico.*

Trends in selected commodity markets

The **energy price index** decreased by around 2.9% m-o-m in May and was down on average by 6.3% y-t-d compared to the same period last year. The non-energy index was down by 1.8% m-o-m and declined by 7.3% y-t-d compared to last year.

Table 2 - 1: Commodity prices

Commodity	Unit	Monthly averages			% Change	Year-to-date	
		Mar 19	Apr 19	May 19	May 19/Apr 19	2018	2019
Energy*		**80.0**	**84.2**	**81.8**	**-2.8**	**84.8**	**79.4**
Coal, Australia	US$/mt	93.1	86.8	82.3	-5.1	101.6	91.2
Crude oil, average	US$/b	63.8	68.6	66.8	-2.5	67.2	63.4
Natural gas, US	US$/mbtu	2.9	2.7	2.6	-0.8	2.9	2.8
Natural gas, Europe	US$/mbtu	5.2	4.9	4.3	-11.8	6.9	5.5
Non-energy*		**82.5**	**82.8**	**81.3**	**-1.8**	**88.5**	**82.1**
Base metal*		**86.2**	**85.6**	**81.0**	**-5.4**	**95.8**	**83.7**
Precious metals*		**98.7**	**97.6**	**97.0**	**-0.6**	**101.8**	**98.4**

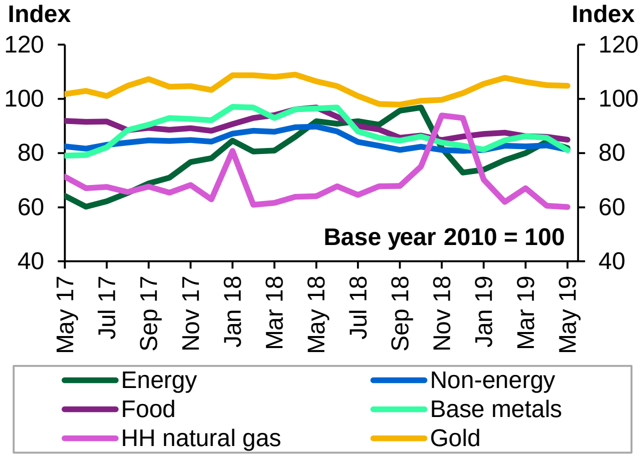
*Note: * World Bank commodity price indices (2010 = 100).*
Sources: World Bank, Commodity price data; OPEC Secretariat.

In May, the **Henry Hub natural gas index** decreased on average by 0.8% to $2.63/mmbtu. Y-t-d, the index was 3.5% lower compared to the same period last year. Inventories deficit to the previous five-year average have been reduced to the smallest in fifteen months due to increases in underground storage as moderate temperatures continued, with the exception of the southeast region. According to the US Energy Information Administration (EIA), utilities added 119 bcf to working gas underground storage during the week ending 31 May. The build left total working gas in underground storage at 1,986 bcf, which was 10.8% lower than the previous five-year average, but already 10.1% above last year's levels. One month ago, inventories were 17.8% below the five-year average, while two months ago they were at 30.9% below that average.

Natural gas prices in Europe declined with the **Title Transfer Facility price** falling by 11.8% to $4.34/mmbtu in May. This is its lowest since September 2106 and 54% below their September 2018 average. Prices weakened for the ninth consecutive month, with inventories continuing to replenish amid moderate temperatures and strong LNG imports due to plunging LNG spot prices in Asia. Natural gas inventories for EU Member States were at around 60% full at the end of May, versus 48.6% full at the end of April. Last year, inventories were 37% full at the end of May according to Gas Infrastructure Europe.

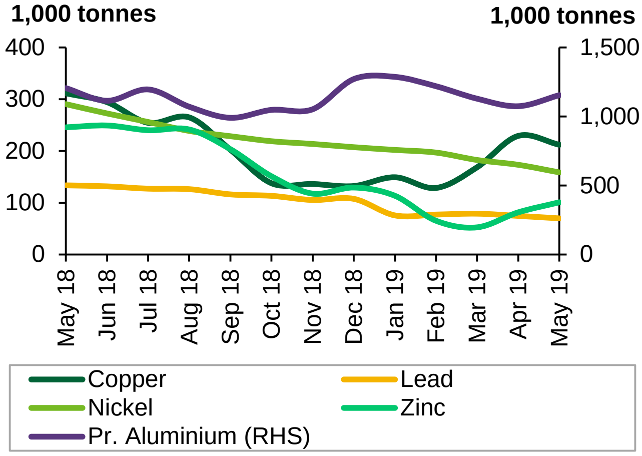
Australian thermal coal prices decreased to an average of $82.3/mt in May, or 5.1% m-o-m. The demand outlook has weakened amid forecasts for summer temperatures around historical averages, in contrast to last year's heatwaves, as well as a slowdown in industrial activity across Asia and the intensification of the trade dispute between China and the US. Furthermore, hydroelectrically generated output has risen by 13.7% y-o-y in China during the Jan-Apr period, limiting the increase in thermal power output, which increased by 1.4% y-o-y during the same period. China's coal output, meanwhile, increased slightly in April by 0.1% y-o-y and by 0.6% y-o-y in the Jan-Apr period. Recent Chinese trade data, however, shows that imports recovered for the third consecutive month in May, up by 8.6%, providing some support to prices after the a sharp contraction in February, but it hasn't provided enough support to prices yet.

Graph 2 - 1: Major commodity price indices



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

Graph 2 - 2: Inventories at the LME



Sources: LME, Thomson Reuters and OPEC Secretariat.

The **base metal price index** declined on average by 5.4% in May m-o-m. Prices weakened during the month amid intensification of the trade dispute between China and the US, the continuation of the slowdown in manufacturing activity and the appreciation of the US dollar. Indeed, the JP Morgan global manufacturing PMI declined to 49.8 from a final reading of 50.4 the previous month, its lowest since October 2012, suggesting a contraction in activity.

Copper prices led declines, down by 6.5% m-o-m in May, with the market focused on the above-mentioned weakening demand prospects for metals. Furthermore, inventories at the London Metal Exchange declined slightly from the previous month to around 212,000 tonnes from 229,175 the previous month, but remained the second highest since September 2018. Some factors, such as mining disruptions in the second-largest copper ore producer Peru, provided some support during the month. Another encouraging sign that was impactful during the month was a larger-than-estimated deficit in the refined copper market projected by the International Copper Study of 190,000 tonnes for 2019 versus a previous estimate of 65,000 tonnes. The estimated deficit by the ICSG for 2018 was 390,000 tonnes.

Iron ore prices increased by 6.9% in May and were up by 24.9% y-o-y in the Jan-May period. Prices rose for the fifth consecutive month due to supply disruptions, mainly arising from the Brazilian Vale's mining accident and subsequent security reviews that reduced the company's output around 20%, and by shipment delays of Australian supplies due to tropical cyclone Ann. Chinese iron ore imports increased by 3.7% in May, though they were down by 11.0% compared to May 2018, and down by 5.2% y-o-y in the Jan-May period, in view of the supply shortages.

In the group of **precious metals**, the index declined slightly by 0.6%, with gold down by 0.2%, while platinum and silver dropped by 6.1% and 2.3%, respectively. However, towards the end of the month, gold increased sharply after the initiative of imposition of a 5% tariff on Mexican exports to the US. From the date of the announcement of the tariff to 10 June, gold increased by around 4%.

Investment flows into commodities

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

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

	Open interest		*Net length*			
	Apr 19	May 19	Apr 19	% OI	May 19	% OI
Crude oil	2,075	2,119	314	15	246	12
Natural gas	1,227	1,288	73	6	-3	0
Precious metals	649	703	-7	-1	2	0
Copper	252	259	-4	-2	-35	-14
Total	**4,203**	**4,369**	**-138**	**32**	**-452**	**3**

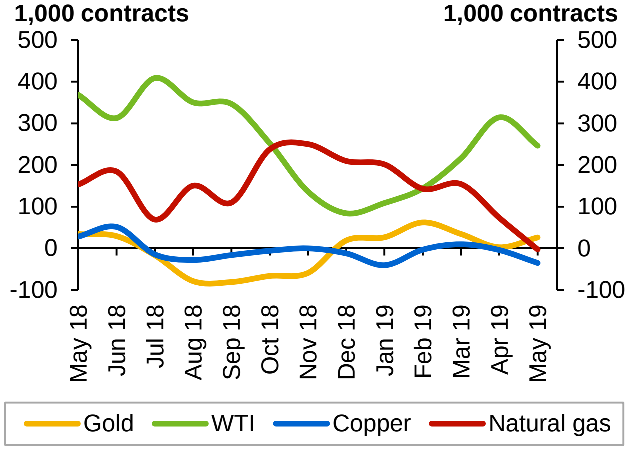
Note: Data on this table is based on monthly average.
Sources: CFTC and OPEC Secretariat.

Henry Hub's natural gas OI increased in May by 5.0%, while money managers switched their stance to a net short position of 2,705 contracts from a net long position of 73,101 contracts the previous month amid the smallest deficit versus the five-year average since March 2018 according to the EIA.

Copper's OI increased in May by 2.7%. Money managers sharply increased their net short of around 35,243 contracts from an average net short position of 4,223 contracts the previous month as global manufacturing prospects signalled a contraction.

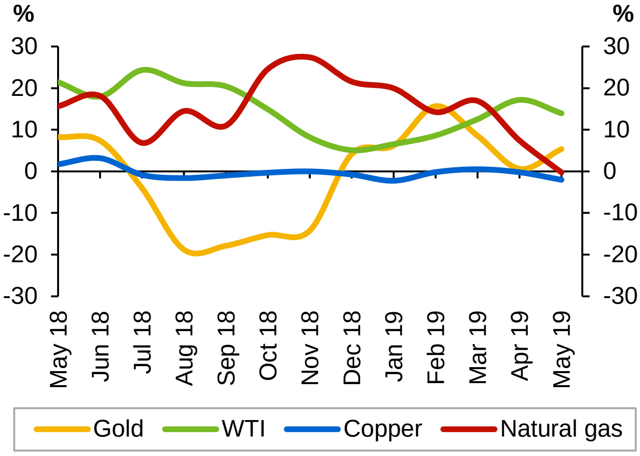
Precious metals' OI increased by 8.3%. Money managers switched to a net long position of 2,132 contracts from a net short position of 6,879 contracts the previous month amid an intensification of the trade dispute between China and the US.

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



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

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



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

World Economy

*The global economic growth forecast for 2019 remains unchanged at 3.2%, following growth of 3.6% in 2018. **Offsetting growth trends in major economies have stabilised global economic growth so far, but risks to the growth forecast are currently clearly skewed to the downside**. Trade-related issues are at the centre of these uncertainties. Resultantly, the focus in the analysis has recently shifted from underlying growth trends to quantifying the impact of political decisions, mainly those pertaining to trade. The US and China have both raised tariffs and are moving their trade-related policies into the more sensitive areas of trade, particularly technology. This will also impact interconnected global supply chains. In this respect, trade has become a policy tool. By only considering that global trade has started already being affected by the end of last year, when the severity of trade disputes was much less grave, the likely near-term impact may be larger with a distinct negative effect on the global economy, if these current disputes are not solved soon and therefore uncertainties are rising.*

***The economic growth trends in the major economies have become more diverse**, affected by trade issues as well. In major OECD economies and in China growth in 1Q19 turned out better than expected, but this economic upswing may have been in anticipation of worsening trade-related developments. Other economies – Brazil, Russia and India, among others – have clearly underperformed since the beginning of the year. World business and consumer sentiment has generally fallen on a yearly basis, but is holding up relatively well, corresponding to the current growth forecast.*

***OECD growth remained unchanged** for 2019 at 1.7%, considerably lower than the growth of 2.3% in 2018. The US growth forecast for 2019 remains at 2.6%. Japan's 2019 growth forecast was revised up to 0.5%, after better-than-expected growth in 1Q19. The Euro-zone's 2019 growth is unchanged to stand at 1.2%. In the **emerging economies**, China's 2019 growth forecast remains at 6.2%, following growth of 6.6% in 2018. Some upside may still come from further fiscal and monetary stimulus in China, although as already noted trade-related tensions continue potentially causing downward revisions in the near future. After weak 1Q19 growth, India's 2019 growth was revised down to 6.8%, compared to 7.3% in 2018. Brazil's 2019 growth forecast was also revised down to stand at 1.4%, after growth of 1.1% in 2018. Russia's growth forecast for 2019 was revised down to 1.4%, following growth of 2.3% in 2018.*

***Growth risks pertain** not only to continued trade issues, but also to ongoing challenges in several emerging and developing economies and high debt levels in several important economies. Moreover, factors such as Brexit, fiscal issues in some EU Member Countries, and Japan's slowdown, as well as the fading impact of the US fiscal stimulus, pose additional risks.*

Table 3 - 1: Economic growth rate and revision, 2018-2019*, %

	World	OECD	US	Japan	Euro-zone	UK	China	India	Brazil	Russia
2018	**3.6**	**2.3**	**2.9**	**0.8**	**1.8**	**1.4**	**6.6**	**7.3**	**1.1**	**2.3**
Change from previous month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2019	**3.2**	**1.7**	**2.6**	**0.5**	**1.2**	**1.4**	**6.2**	**6.8**	**1.4**	**1.4**
Change from previous month	0.0	0.0	0.0	0.1	0.0	0.1	0.0	-0.3	-0.3	-0.2

*Note: * 2019 = Forecast.*

Source: OPEC Secretariat.

OECD

OECD Americas

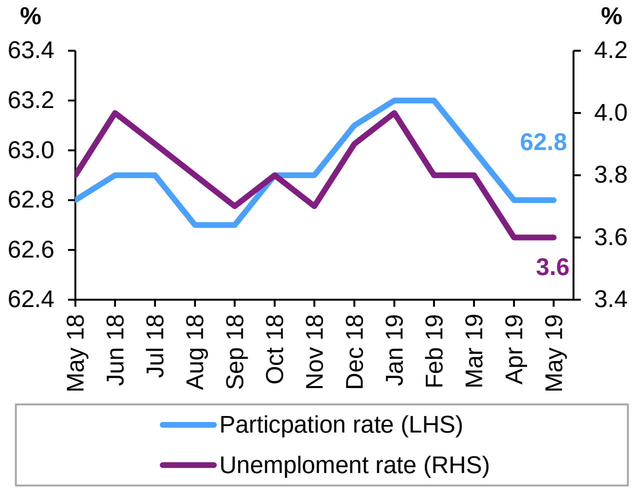
US

US growth was reported at a healthy growth rate of 3.1% q-o-q at a seasonally-adjusted annualized rate (SAAR) in the second of three estimates, according to the Bureau of Economic Analysis. It is important to note that this high growth rate lacked support from the usually strong domestic consumption. Personal consumption expenditures grew only by 1.3% q-o-q SAAR, considerably lower than the growth of yearly consumption in 2018, when it reached growth of 2.4%. Given that private household consumption accounts for up to 70% of GDP in the US, the 1Q19 contribution of only less than a third is very low. GDP was mainly supported by other areas. Investments and, within this category, inventories, added 0.8 percentage points. This may have been due to anticipated further trade disruptions and, simultaneously, by the expectation of ongoing solid consumer demand for the remainder of the year. Also the trade balance showed an improved deficit, with a sharp deceleration in imports, also being impacted by the probable trade dispute. Hence, net exports contributed 1 percentage point to the quarterly growth number. This partially explains why growth was so well supported in 1Q19, despite the government shutdown, cold weather on the East Coast and a downward trend in consumer sentiment. As these support factors are forecast not to continue at this magnitude it remains to be seen how the private household consumption will develop and if and to what extent it will recover from low 1Q19 growth. So far forecasts for the 2Q19 show very low growth of clearly below 2% on an annualised base. However, consumer sentiment and expectation indices have pointed at an improving environment. Moreover, it is expected that the services sector will continue to support 2Q19 growth and related indices have pointed at some improvements as well.

The trade related aspects may, however, impact future growth negatively, depending on the outcome of the current disputes, the most significant of which is the US-China trade dispute. This adds to the latest initiative by the US to impose tariffs on Mexico, the postponed tariffs on cars and car-parts – which would mainly impact the EU and Japan – and the numerous other trade-related negotiations that the US is currently having with a variety of countries, including the latest US withdrawal of Indian's preferential access to the US market. The latest initiative to impose tariffs on Mexico was especially sensitive as the US and the Mexican economies are significantly intertwined, particularly in the car sector. This situation is exacerbated by the fact that some of the trade that was affected by the US-China trade disputes were diverted to Mexico and imposing tariffs on Mexico would have ultimately led to a higher financial burden to the US consumer. The direct effects of US tariffs at the envisaged level are large enough to considerably impact US growth in the short-term, but taking into consideration also indirect and cross-border effects, 2H19 and 2020 growth could be severely impacted, certainly depending on the magnitude of tariffs and retaliatory measures by the economies involved. In addition to the trade issues, the ongoing domestic political uncertainties and the fading effects of the fiscal stimulus accentuate the downside risk for US economic growth.

The **labour market improvements have** slowed slightly in May. The unemployment rate remained steady, standing at 3.6%. While this this is a historically low level, it remains to be seen if this is the bottom of the multi-year improvements. Analysis of previous incidents of low US unemployment shows that relatively low rates last for up to around three years on average. The unemployment rate was below the 5% level at the end of 2016, so it may seem that the trend will turn at around the 2H19 rate, carrying over into 2020.

Graph 3 - 1: US monthly labour market



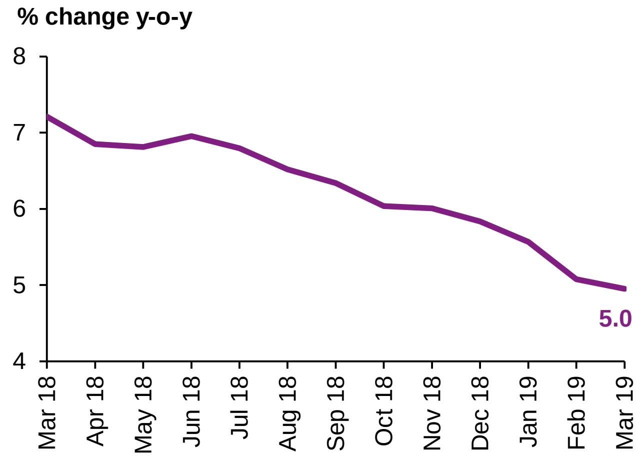
Sources: Bureau of Labor Statistics and Haver Analytics.

Non-farm payrolls in April increased by only 75.000, after an upwardly revised level of 224,000 job additions in May. Average hourly earnings' growth for the private sector remained above 3% for the eighth consecutive month, but fell slightly to stand at a rate of 3.1% y-o-y, compared to 3.2% in April. Also, long-term unemployment rose a little to stand at 22.4% in May, compared to 21.1% in April. The participation rate remained unchanged at 62.8%, the lowest in 2019.

Overall **inflation** increased slightly due to rising energy prices. Total yearly inflation stood at 2.0% y-o-y in April, compared to 1.9% in March and following 1.5% y-o-y in February. The important core inflation – excluding volatile items such as food and energy – stood at 2.1% y-o-y in April, up from 2.0% in March. The Fed's favoured inflation index, the personal consumption expenditure price index (PCE index), rose slightly to stand at 1.5% in April, compared to 1.4% in March. This ongoing relatively low inflation in combination with softening underlying US growth provides the Fed with more flexibility as inflation does not currently seem to be a major challenge. Given the latest development a reduction of the key-interest rate in 2019 seems to be likely and the market is now pricing in that such a move may materialise in the July meeting, while further insight will be gained after the Fed's June 18 and 19 meeting.

The critically important **housing sector** continued to exhibit mixed developments. Prices once again continued declining, while home sales held up relatively well in April. The S&P CoreLogic Case-Shiller Home Price Index Composite 20 for metropolitan areas showed a continued slowing trend in terms of price increases. The March rise stood at 2.7% y-o-y, compared to 3.0% y-o-y in February. This is the 13th consecutive monthly decline. Similarly, the yearly change in the house pricing index of the Federal Housing Finance Agency (FHFA) has also continued to see a slowing dynamic with a monthly price rise of 5.0% y-o-y in March, following growth of 5.1% y-o-y in February. This compares to a yearly average of 6.7% in 2018.

Graph 3 - 2: US house prices



Sources: Federal Housing Finance Agency and Haver Analytics.

In what could be deemed a response to these lowering prices, and also due to improvements in the labour market, home sales data remained well supported.

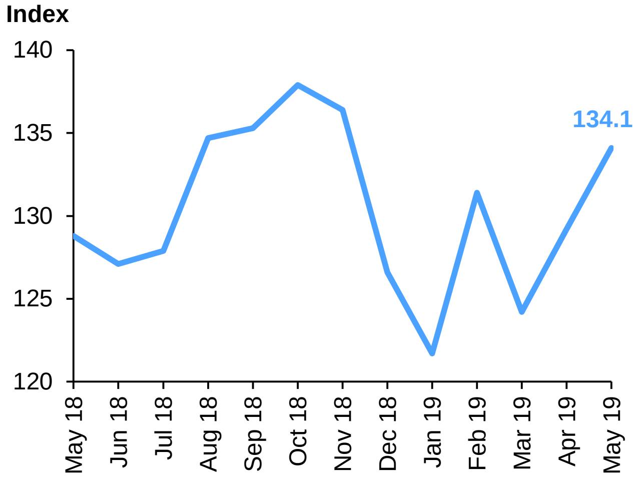
Existing home sales in April remained relatively strong at an annualised level 5.19 million, following 5.21 million in March. New home sales fell to 673,000 in April, lower than the 723,000 in March, but still more than in January and February and considerably higher than sales at the end of last year, pointing at some recovery.

Supported by the improving labour market situation, **consumer sentiment has again recovered**. The lead-indicator, published by the Conference Board, rose in May, to now stand at 134.1, compared to 129.2 in April and 124.2 in March.

Retail sales are holding up well as they grew by 3.1% y-o-y in April, compared to 3.8% y-o-y in March and 2.2% y-o-y in February. This may also be in response to the still supportive labour market. However, these 2019 levels are significantly lower than they were in last year's high growth environment, when annual growth of retail sales stood at 4.9% y-o-y.

Industrial production growth decelerated sharply as it stood at only 0.9% y-o-y in April. This compares to a growth rate of 2.3% y-o-y in March.

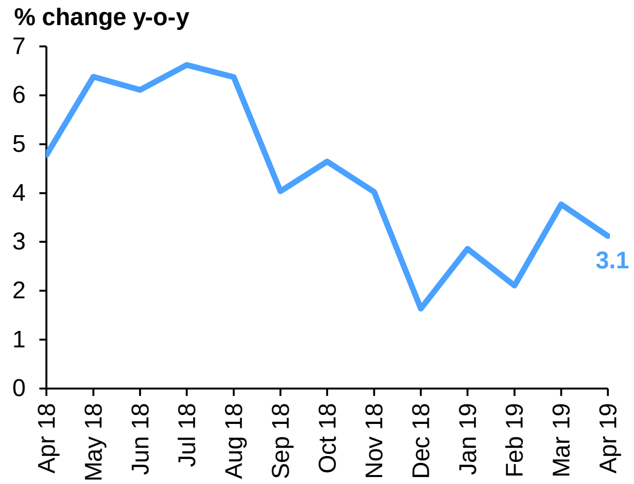
Graph 3 - 3: US consumer confidence index



Sources: The Conference Board and Haver Analytics.

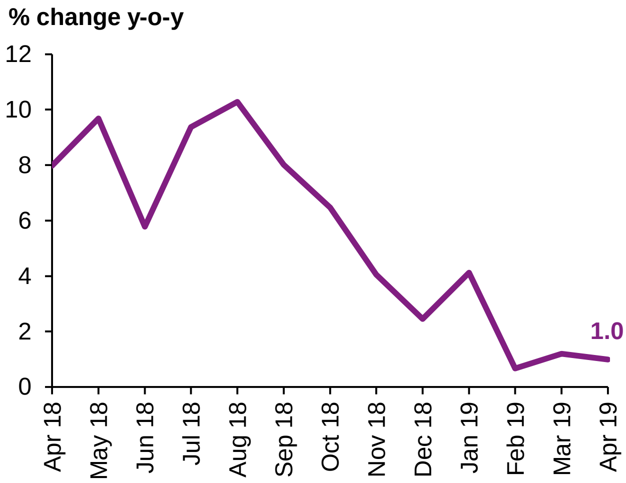
This slow-down seems to continue, following the **manufacturing orders**, a good lead-indictor for future manufacturing activity. Manufacturing orders also decelerated further in April, growing by only 1.0% y-o-y compared to 1.2% y-o-y in March, an already low growth level.

Graph 3 - 4: US retail sales



Sources: Census Bureau and Haver Analytics.

Graph 3 - 5: US manufacturing orders



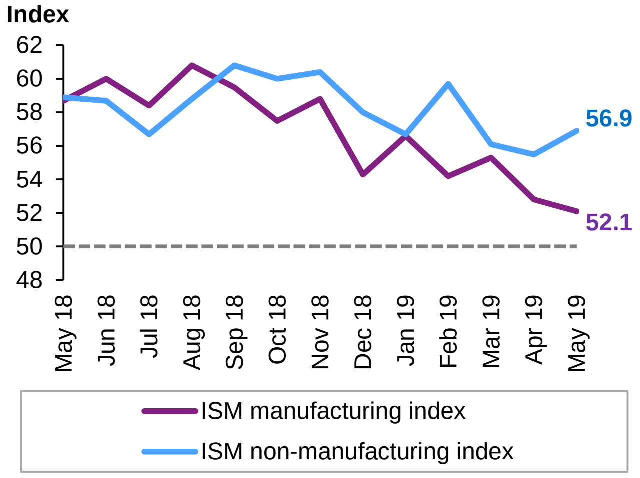
Sources: Census Bureau and Haver Analytics.

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

The manufacturing PMI fell to stand at 52.1 in May, compared to 52.8 in April and 55.3 in March. The index for the services sector rose to 56.9 in May, compared to 55.5 in April and 56.1 in March. While the services sector has outperformed the manufacturing sector in 2019, the recent levels compare to more than 60 at the end of 2018, a sign of also a slowing services sector.

With mixed developments in the underlying economy it remains to be seen how 2Q19 growth will turn out. 2019 **GDP growth** is now forecast to reach 2.6% – unchanged from the previous month – compared to 2.9% in 2018.

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



Sources: Institute for Supply Management and Haver Analytics.

The high growth number from the beginning of the year is, however, seen as temporary and it is expected that growth will slow-down in the remainder of the year.

Mexico

The Mexican economy is clearly impacted by the effects of a **slow-down in domestic activity, a challenging external trade environment and falling commodity prices**. The impact of the trade dispute on Mexico's growth pattern is complex. At the time of writing, the recently announced tariffs of up to 25% on all Mexican imports by the US have been put on hold for 90 days. The OPEC Secretariat's analysis shows that the envisaged monthly 5% US tariff increase, starting in June, would negatively impact Mexican growth by 0.7 percentage point in 2019. Despite the recent efforts by both sides to find a solution, uncertainty will remain, potentially continuing to weigh on Mexico's growth trend. Consequently Mexico's credit rating was cut by Fitch from BBB+ to BBB, the peso fell, while recovering slightly again in the meantime, and business and consumer sentiment has also been negatively impacted. Hence the outcome of the most recent escalation in the US–Mexican trade dispute will need close monitoring in the coming weeks and it seems likely that the 2H19 growth will see further downgrades. In connection with this, the USMCA trade agreement has not been ratified by parliaments in any of the three countries involved (the US, Mexico and Canada) and hence this is also still uncertain. Mexico in the meantime announced that it will ratify the trade agreement in the coming week.

While the uncertainty in trade continues, the domestic measures of the Mexican economy show a continued deceleration. **Industrial production** continued to negatively impact the economy as declines in construction and mining compounded with sluggish manufacturing, showed a negative trend now for several months. The outlook for all sub-components of industrial production remains weak. Mining, which includes the oil-sector, is also expected to be challenged by falling oil production and prices. Industrial production in March fell by 2.7% y-o-y, the largest decline in more than a decade. Retail sales also decelerated to stand at 0.7% y-o-y in March, compared to 2.5% y-o-y in February.

The latest **PMI** index for manufacturing also points to a sluggish trend in the sector. In May, the PMI recorded an index level of slightly above the growth indicating level of 50, reaching a level of 50.05, following 50.06 in April.

Given that the downward trend is already being reflected in the growth forecast numbers, the **GDP growth forecast for 2019** remains unchanged to stand at 1.5%. This compares to GDP growth of 2.0% in 2018.

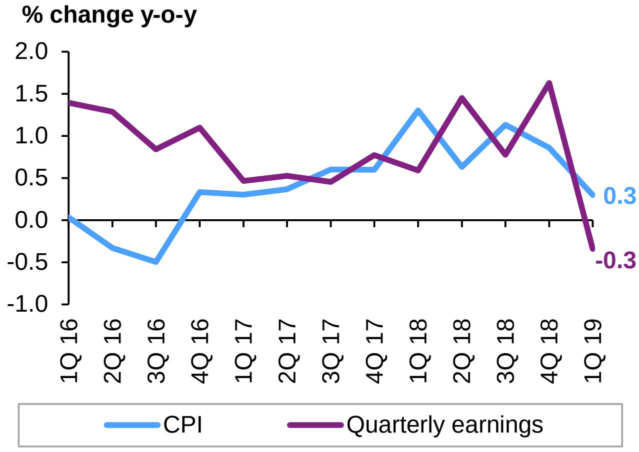
OECD Asia Pacific

Japan

Contrary to the expectations, **1Q19 GDP growth turned out at a much better-than-expected number** as it stood at 2.2% q-o-q SAAR. However, like in other economies, the high growth number was distorted by the trade component. Underlying growth, particularly private consumption, continued the volatile and lacklustre development of the last quarters and showed even a negative growth rate of -0.2% q-o-q SAAR. Also government expenditures turned negative, declining by 0.4% q-o-q SAAR. Investments were strong at 2.2% q-o-q SAAR and particularly imports were very weak at -17.2% q-o-q SAAR, leading to significant net-exports. Despite an export decline of 9.3% q-o-q SAAR, the net exports supported GDP growth. Given the ongoing weakness in domestic demand and continued challenges in global trade, the remainder of the year is expected to show significantly lower growth numbers, especially, as it seems that the government will pursue the increase of the sales tax in 4Q19, which in the past has had a significant negative impact in the quarter of implementation. Also, exports have continued to decline, as has industrial production, and retail trade has remained muted.

The BoJ support may continue given the economic growth trend and low inflation. There is even some possibility that it will increase its monetary support, thereby pushing the deposit rate even into lower negative territory. However, despite the economic development indicating a continuation of low growth, the most important guideline, total inflation picked up slightly in April again, supported by rising energy prices. It moved to 0.9% y-o-y, rising from 0.5%
y-o-y in March. Positively, the upside trend in inflation seems to be slightly supported by a recovery in earnings in April, when monthly earnings rose by 0.6% y-o-y, after two consecutive months of decline. So far, the negative earnings trend has kept core inflation, which excludes food and energy, stagnating.

Graph 3 - 7: Japan's CPI vs earnings



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

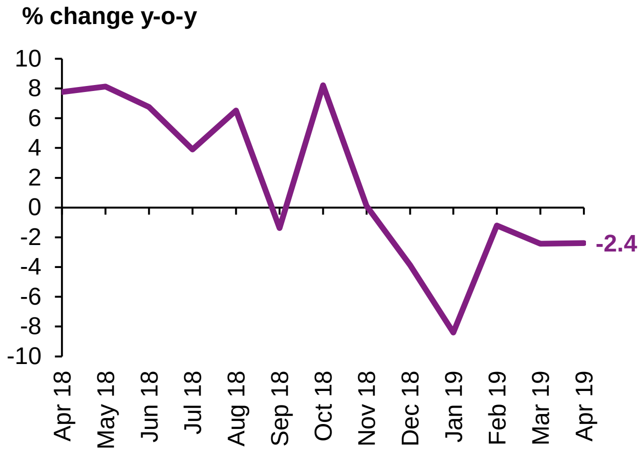
However, in both March and April inflation rose slightly, growing by 0.5% y-o-y and 0.6% y-o-y respectively. Given the labour market tightness, the unemployment rate stood at an extremely low level of 2.4% in April, compared to 2.5% in March.

Along with other economic indicators, **export** growth slowed again in April, when exports declined by 2.4% y-o-y, non-seasonally adjusted. This compares to -2.4% y-o-y in March and -1.2% y-o-y in February.

A continuation of the weak trend was also seen for **industrial production**, which fell again by 1.6% y-o-y in April, compared to 2.8% y-o-y in March and -1.2% y-o-y in February. The lead-indicator of manufacturing orders points to a further challenging, but improving, near-term development, with a decline of 0.2% y-o-y in March, compared to 2.7% y-o-y in February and 11.5% y-o-y in January.

Domestic retail demand mirrored the slowing trend in the Japanese economy too, expanding by only 0.5% y-o-y in April, the lowest in 2019, and compared to the March increase of 1.0% y-o-y.

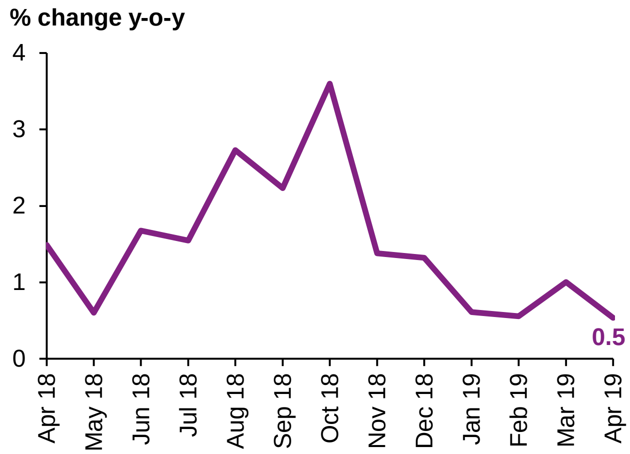
Graph 3 - 8: Japan's exports



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

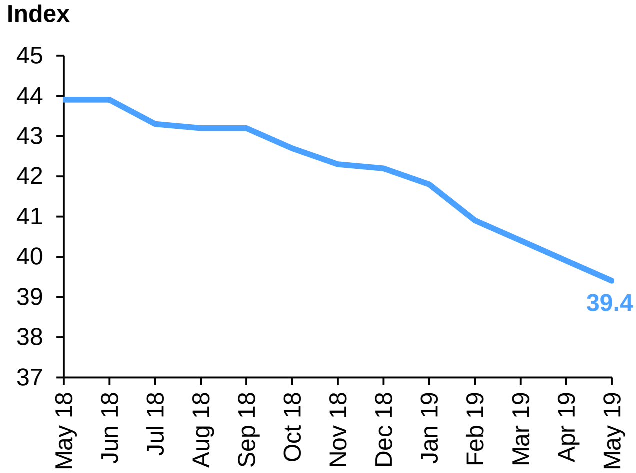
Moreover, **consumer confidence** fell again and now stands at 39.4 in May, compared to 39.9 in April and 40.4 in March, based on the Cabinet Office's index level.

Graph 3 - 9: Japan's retail trade



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

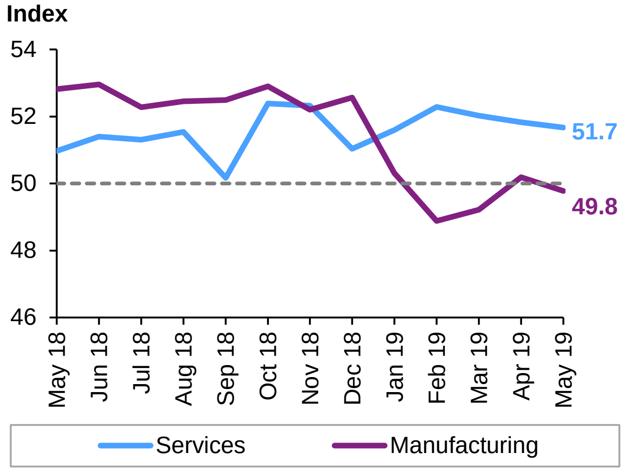
Graph 3 - 10: Japan's consumer confidence index



Sources: Cabinet Office of Japan and Haver Analytics.

The latest **May PMI numbers** confirm the low growth trend for manufacturing, while the non-manufacturing sector is performing relatively better. The manufacturing PMI stood at 49.8 in May, compared to 50.2 in April, indicating a slightly decelerating trend. Hence, three out of five months since the beginning of the year showed an index level of below 50, which amounts to a contraction of the sector. The services sector PMI – the sector that constitutes around two-thirds of the Japanese economy – remained almost unchanged and stood at 51.7 in May, compared to 51.8 in April.

Graph 3 - 11: Japan's PMIs



Sources: IHS Markit, Nikkei and Haver Analytics.

Given the better than expected 1Q19 GDP growth number, Japan's 2019 **GDP growth forecast** has been revised up. The 2019 GDP growth forecast now stands at 0.5%, compared to 0.4% in May's MOMR. This compares to growth of 0.8% in 2018. The generally sluggish growth trend is, however, expected to continue and given the envisaged sales tax increase later this year, the 4Q19 growth level is forecast to be significantly negative.

South Korea

The **South Korean economy's** challenges were confirmed, after the latest 1Q19 GDP revisions showed a decline of 1.5% q-o-q SAAR, compared to the previous level of 1.4%. It remains to be seen how the development will continue in 2Q19. After a recovery in **exports** in April, external trade declined again. May's exports stood at -0.6% y-o-y, compared to growth of 4.7% y-o-y in April. In 1Q19, exports declined by 4.0% y-o-y. This was accompanied by an April -0.1% y-o-y decline in industrial production. The latest **PMI number** for the manufacturing sector showed a continuation of a challenging environment. The PMI stood at 48.4, after it had recovered in April to 50.2, after a March number of 48.8.

So while previously it seemed that the trend seems has stabilised, the slowdown from 1Q19 seems to continue in the 2Q19. This led to a downward revision in the 2019 growth forecast to 2.1% from 2.2%. This follows growth of 2.7% in 2018.

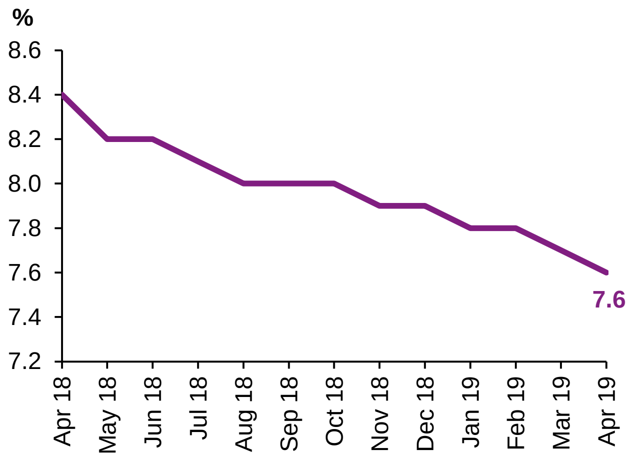
OECD Europe

Euro-zone

After better-than-expected 1Q19 GDP growth, the **Euro-zone economies continue its low-growth trend**, with different growth levels and dynamics within the region. 1Q19 growth was confirmed at 0.4% q-o-q seasonally adjusted, translating to a 1.6% growth on a seasonally adjusted annualised q-o-q growth rate for the first three months of the year. While picking up after the slowing momentum in 2H18, Germany continues to be challenged by a slow-down in exports and hence manufacturing activity. 1Q19 growth in Germany stood at 1.7% q-o-q SAAR, better than average Euro-zone growth and very much supported by domestic consumption, which grew by 3.3% q-o-q SAAR. German industrial production (IP), continued to decline, as April's growth number stood at -1.9% y-o-y. It remains to be seen with slowing global trade, how the German's economic performance in 2Q19 will be impacted by this, but the German Bundesbank, the German central bank reduced its growth forecast for this year to 0.6%, compared to the 1.6% it forecast in December. Moreover, Italy seems to remain weak and while somewhat stabilising its economic activity at a very low level, the EU Commission has indicated that it will start an "Excessive Deficit Procedure", which is an action launched by the European Commission against any EU member state that exceeds the budgetary deficit ceiling or fails to reduce their debts. Italy is the weakest of the three largest Euro-zone economies and there is still the risk that the economy may face a mild recession in 2019. Also, the ongoing uncertainties surrounding Brexit are adding another layer of uncertainties. Moreover, global trade issues and the ongoing US-China trade dispute may also negatively affect the Euro-zone. With China showing some slowdown due to trade related issues and the Euro-zone economies probably being hit by car and car-parts related US tariffs at a later stage, the near-term development in the Euro-zone remains uncertain. In the meantime the European Central Bank (ECB) has indicated that it will continue to provide monetary stimulus and that it also may expand again its monetary policies in order to counterbalance a downward trend, not only in inflation, but also in the economic momentum.

In the **labour market**, the Euro-zone's unemployment rate retracted to stand at 7.6%, again an improvement and the lowest rate since 2008. In terms of countries, the large level differences in the unemployment rate continue. Germany recorded a low level of 3.2% in April, unchanged from March. France's unemployment rate stood at 8.7%. Spain's labour market improved further as its unemployment rate declined to 13.8%. The Italian unemployment rate stabilised in April at 10.2%, the same level as in March, comparing to 10.5% in February.

Graph 3 - 12: Euro-zone unemployment rate

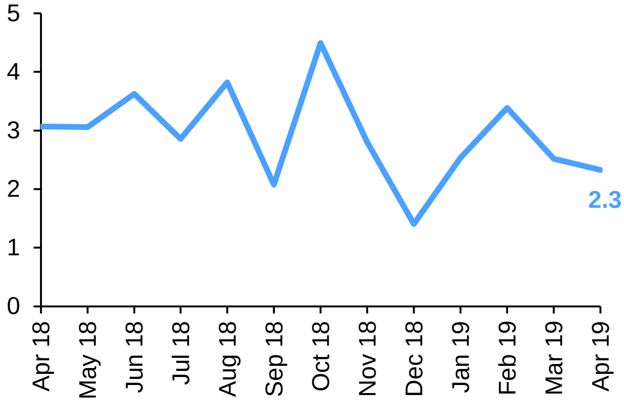


Sources: Statistical Office of the European Communities and Haver Analytics.

In line with labour market improvements, developments in the area of **retail trade** held up well. Retail trade growth in value terms stood at 2.3% y-o-y in April, compared to 2.5% in March.

However, **Industrial production** in the Euro-zone fell again. March IP declined by 0.5% y-o-y, compared to growth of 0.2% y-o-y in February. This negative trend is still very much influenced by the downward trend in Germany and Italy, while France and Spain show a recovery in industrial output.

Graph 3 - 13: Euro-zone retail sales

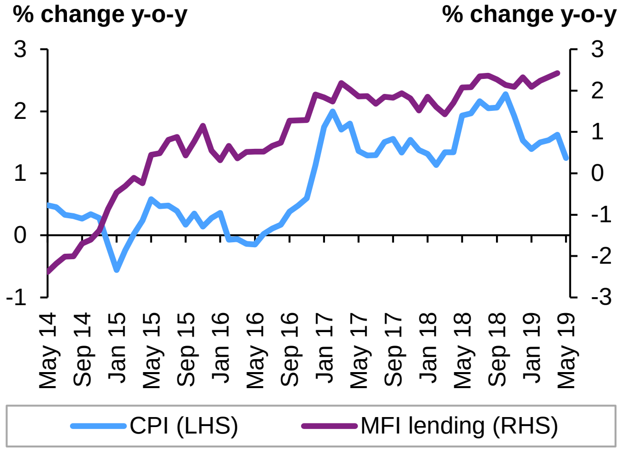


Sources: Statistical Office of the European Communities and Haver Analytics.

Inflation, surprisingly, retraced again. It stood at 1.2% y-o-y in May, compared to 1.7% y-o-y in April and 1.4% y-o-y in March. Given the improvements in the labour market, this may have been a temporary development. Slightly rising consumption levels and improvements in the labour market may continue to support near-term prices rises in the coming months. However, for the moment the important core inflation – the CPI, excluding energy and food –, fell to 0.8% y-o-y in May, compared to 1.3% y-o-y in April.

Developments in **lending activity** – as a motor for investments – remain supportive. The latest growth number from April improved slightly to stand at 2.4% y-o-y, a gradual improvement from the 2.3% y-o-y growth in March and 2.2% y-o-y in February. While some areas of the Euro-zone's banking sector remain weak, the growth dynamic of the liquidity lines seemed to recover and with the ongoing support of the ECB, should be expected to expand further.

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

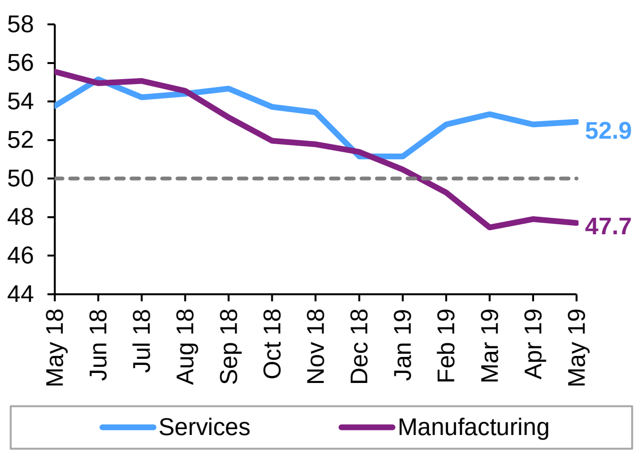


Sources: Statistical Office of the European Communities, European Central Bank and Haver Analytics.

The Euro-zone's latest May **PMI indicators** generally point to mixed developments. The manufacturing PMI fell to now stand at 47.7, compared to 47.9 in April. The important PMI for the service sector, which constitutes the largest sector in the Euro-zone, improved to 52.9, compared to 52.8 in April.

As the slowing 1Q19 momentum was already taken into consideration in the previous MOMR, the growth forecast remains unchanged. 2019 **GDP growth** is forecast at 1.2%. This comes after growth of 1.8% in 2018.

Graph 3 - 15: Euro-zone PMIs



Sources: IHS Markit and Haver Analytics.

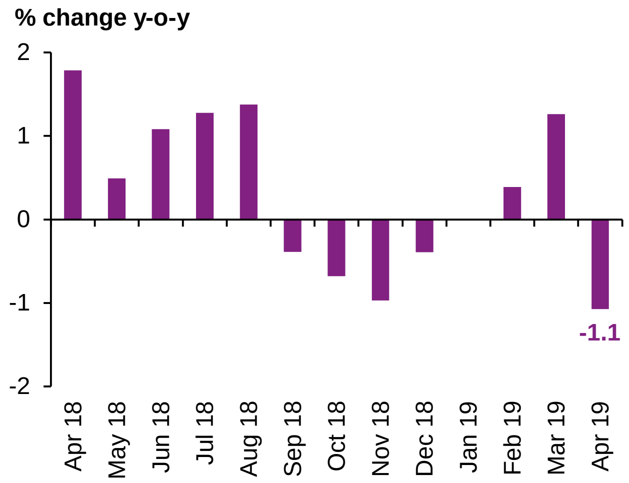
However, developments will need to be closely observed as numerous uncertainties remain, including economic and political developments in Italy, Brexit and weaknesses in the banking sector, as well as monetary policies and high sovereign debt levels in some economies.

UK

After the UK Prime Minister tendered her resignation, the selection of a new leader of the governing Conservative party, the new Prime Minister's handling of Brexit and parliament will be the main driver for UK's economy in the near-term. After the EU agreed to the UK's request, moving the date of the UK's departure to 31 October 2019, domestic negotiations among the various stake-holders are ongoing. While still uncertain, the OPEC Secretariat's forecast assumes that the UK government will be successful in securing parliamentary approval for the Withdrawal Agreement, allowing the UK to leave the EU at the end of October. If, however, no agreement will be found over the summer months, it will be very likely that the economy will continue to be impacted by this again rising uncertainty, with particularly investments falling further.

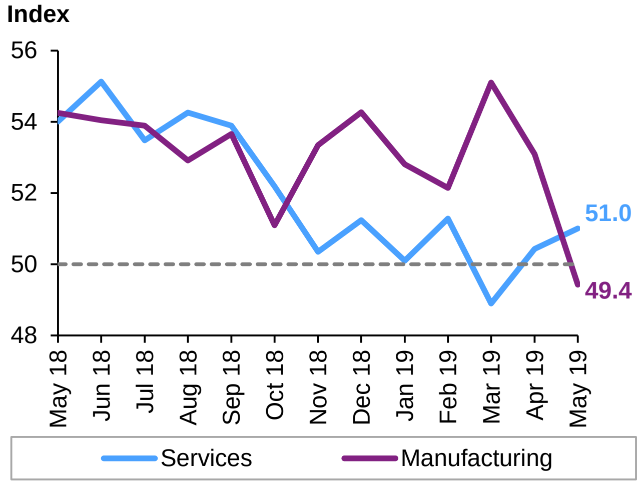
While **1Q19 GDP growth** was reported at a better-than-expected rate of 0.5% q-o-q seasonally adjusted rate, translating into 2.0% q-o-q annualised quarterly growth, this high growth rate is forecast to decelerate in the remainder of the year. Due to uncertainties, investments will continue to decelerate and consumption may also be impacted by the prospect of a hard Brexit. The better-than-expected 1Q19 growth came as households stepped up their consumption ahead of the potential exit at 31 March. Consequently, **industrial production** declined again in April, falling by 1.1% y-o-y, after it recovered in 1Q19, rising by 0.6% y-o-y. **Retail trade** in value terms decelerated, but remained solid as it rose by 5.5% y-o-y in April, compared to 7.3% y-o-y in March. **Exports** decelerated as well in April as growth was recorded at 3.4% y-o-y, but compared to a much higher growth level of 5.8% in 1Q19.

Graph 3 - 16: UK industrial production



Sources: Office for National Statistics and Haver Analytics.

Graph 3 - 17: UK PMIs



Sources: CIPS, IHS Markit and Haver Analytics.

The May **PMI lead indicators** showed a mixed trend. The PMI for manufacturing retracted sharply to stand at 49.4, below the growth indicating level of 50, compared to 53.1 in April and 55.1 in March. The very important PMI of the services sector, which constitutes the majority of the UK's economy, improved again to stand at 51.0 in May, compared to 50.4 in April and 48.9 in March.

Despite the ongoing Brexit uncertainties, **2019 GDP growth** was revised up slightly from 1.3% to 1.4%, taking into consideration the high 1Q19 growth number. However, this year's growth will depend very much on the Brexit-related developments. GDP growth for 2018 stood at 1.4%.

Non-OECD

BRICs

Table 3 - 2: Summary of macroeconomic performance of BRIC countries, 2018-2019*

	GDP growth rate, %		Consumer price index, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Brazil	1.1	1.4	3.7	4.0	-14.5	-24.9	-7.1	-5.8	77.2	82.2
Russia	2.3	1.4	2.9	4.9	113.8	115.0	2.6	2.1	10.3	9.5
India	7.3	6.8	3.9	3.7	-64.9	-53.3	-3.6	-3.4	49.3	48.3
China	6.6	6.2	1.9	2.5	49.1	37.2	-4.2	-4.5	19.4	22.5

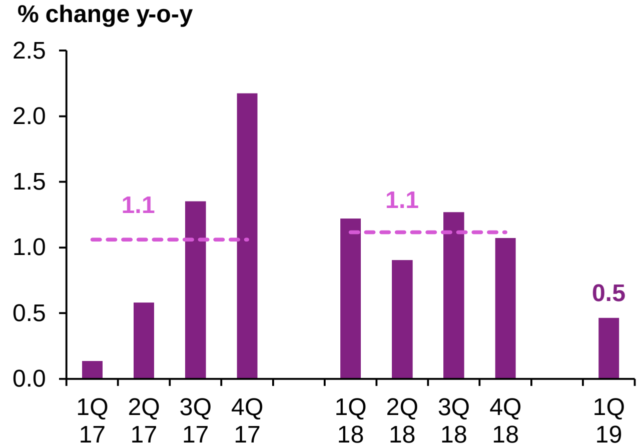
*Note: * 2019 = Forecast.*

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

Brazil

GDP in 1Q19 registered the weakest growth rate since 1Q17 when the economy got out of its deepest and longest recession in modern history. GDP grew by only 0.5% y-o-y in 1Q19 as a result of a weak performance by gross fixed capital formation (GFCF) and exports. Growth in **private consumption** did not drop much in 1Q19 from the previous quarter. It posted a 1.4% y-o-y expansion, from 1.5% in 4Q18. The performance of **public consumption** was even better at 0.1% y-o-y growth, compared to a 0.7% y-o-y decline in the previous quarter. **GFCF** witnessed a notable slowdown from 3.0% y-o-y growth in 4Q18 to just 0.9% y-o-y in 1Q19. This slowdown coincided with increased uncertainty related to the government's plans about social security reforms. **Export** growth also had a considerable deceleration in 1Q19, registering 1.0% y-o-y, down from 12.0% in 4Q18.

Graph 3 - 18: Brazil's GDP growth

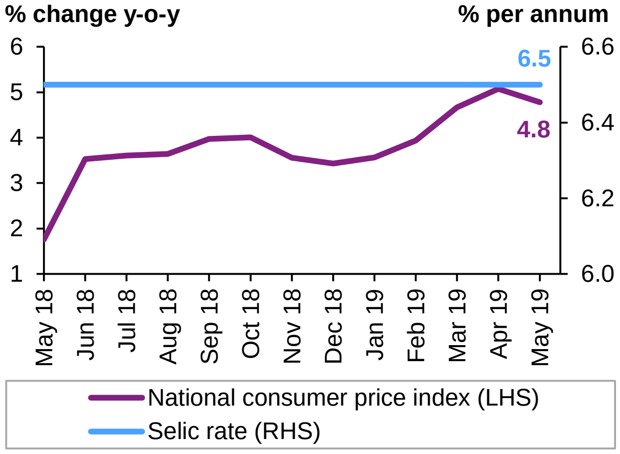


Sources: Instituto Brasileiro de Geografia e Estatística and Haver Analytics.

Economic hardships in neighbouring Argentina have caused a downward swing in Brazil's exports to Argentina, its third largest trading partner. Exports to Argentina dropped by 46% y-o-y on average during January-April 2019. Imports fell by 2.5% y-o-y in 1Q19, after rising by 6.0% y-o-y in the previous quarter.

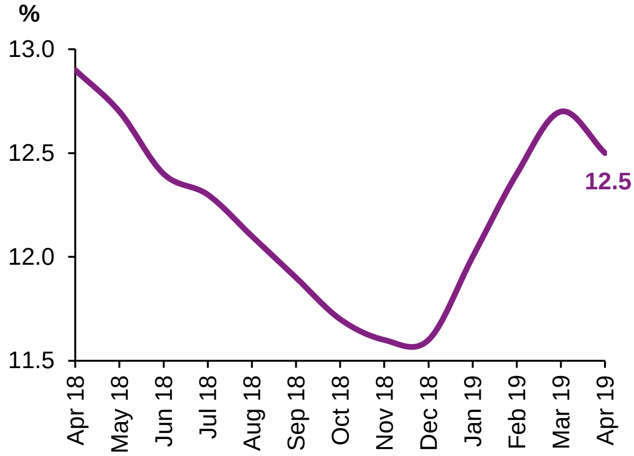
In May, the Brazilian real depreciated by 2.7% m-o-m, following a 1.3% depreciation in April. On a y-o-y comparison, the real was lower by 10.1% versus the dollar in May 2019. The real depreciated by 18% in the year 2018. **Inflation** eased to 4.8% y-o-y in May, from 5.1% in April. In 2018, average inflation stood at 2.9%. The central bank held its benchmark **interest rate** unchanged at 6.5% in May 2019 for the fifteenth month in a row. The **unemployment rate** slightly eased in April to 12.5%, from March's 12.7%.

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



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

Graph 3 - 20: Brazil's unemployment rate

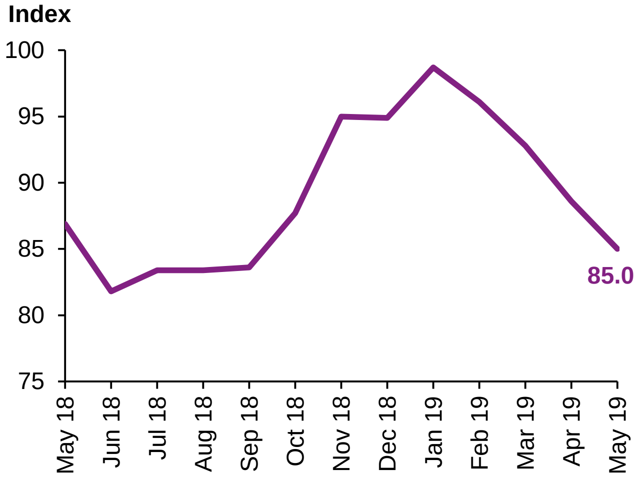


Sources: Instituto Brasileiro de Geografia e Estatística and Trading Economics.

The **consumer confidence index** declined for the fourth month in a row in May, registering 85.0, from 88.6 in April.

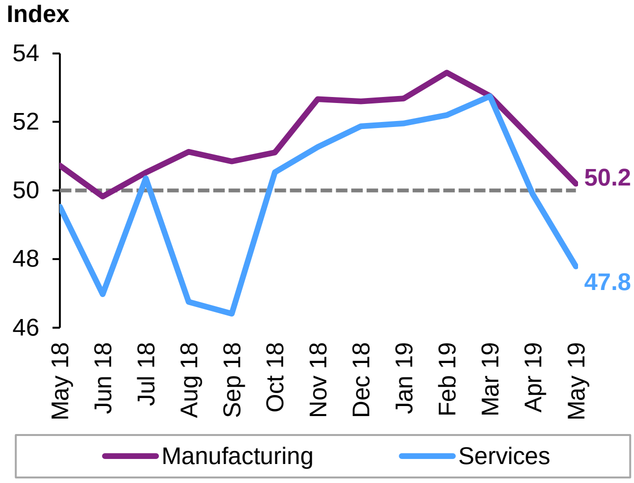
Brazil's **manufacturing** sector headed towards stagnation in May, highlighting a concerning political landscape, high unemployment, subdued confidence and a weak economic performance in key export destinations for goods. Production rose only marginally, and to the least extent since last year's election, as factory orders dipped into contraction. Exports fell for the sixth month in succession, despite accelerated depreciation in the currency in May. The IHS Markit Brazil Manufacturing PMI fell for the third month running in May, from 51.5 in April to 50.2. These developments dented business sentiment, impeding job creation in the country. Optimism was down to its lowest level in over one-and-a-half years, with manufacturing employment contracted for the first time in 2019 so far.

Graph 3 - 21: Brazil's consumer confidence index



Sources: Fundação Getúlio Vargas and Haver Analytics.

Graph 3 - 22: Brazil's PMIs



Sources: IHS Markit and Haver Analytics.

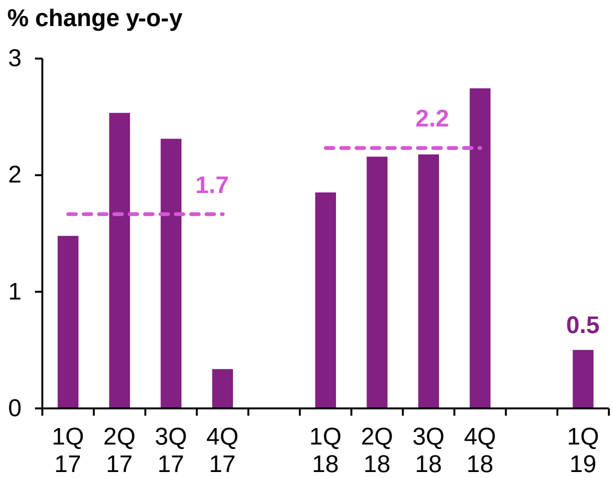
The weak economic growth in 1Q19 together with the downbeat momentum in Brazil's private sector during May, high unemployment and a decline in exports to Argentina since May 2018 have negativity impacted the short-term path of the economy. Furthermore, significant uncertainty regarding the government's plan to revamp the country's pension system added to the dampening forces to growth in 2019.

Brazil's GDP growth is forecast at 1.4% in 2019, down from the 1.1% growth achieved in 2018.

Russia

Russia's **GDP** grew by 0.5% y-o-y in 1Q19, easing from a 2.7% expansion reported in the previous quarter, preliminary data showed. That was the weakest growth rate since 4Q16. GDP growth for 1Q19 came in below the Ministry of Economic Development's early estimate of 0.8%. The Federal State Statistics Service did not provide any further details on the revised figure. **Household consumption** increased by 2.6% y-o-y in 4Q18, from 2.0% in the previous quarter, while **government consumption** was stable at 0.3% y-o-y growth in 4Q18. **Gross capital formation** posted a 3.0% y-o-y rise in 4Q18, up from 1.1% in 3Q18. **Exports** went up by 2.6% y-o-y in 4Q18, from 4.8% growth in 3Q18, whereas **imports** declined by 0.3% in 4Q18, after increasing by 0.1% in the previous quarter.

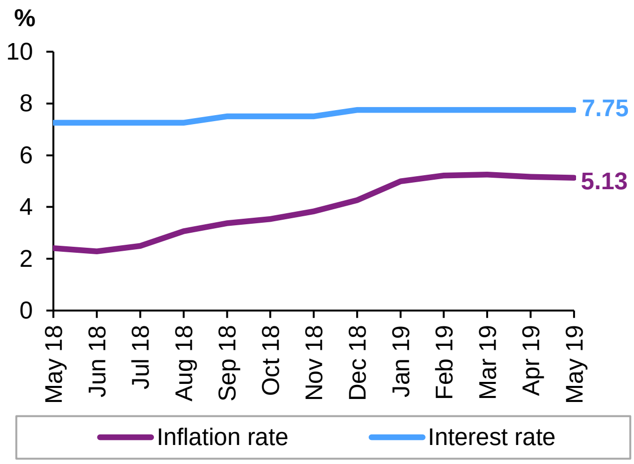
Graph 3 - 23: Russia's GDP growth



Sources: Federal State Statistics Service and Haver Analytics.

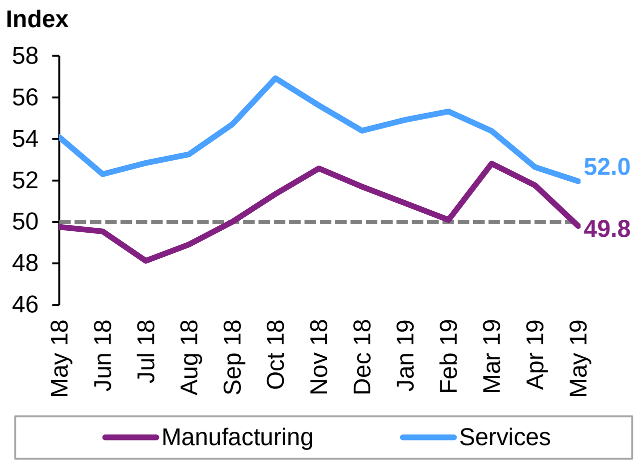
The **ruble** depreciated by 0.3% m-o-m in May, after appreciating by 0.8% m-o-m in April. On a year-on-year comparison, the ruble was 4.2% lower in May 2019 from its level a year earlier. Consumer price **Inflation** eased for the second consecutive month in May, posting 5.1% y-o-y, down from 5.2% in in April. In January, inflation accelerated to 5.0% y-o-y, up from December's posted 4.3% November's 3.8%, as a result of the VAT increase. In August, inflation surpassed 3% y-o-y for the first time in 12 months. The central bank left its benchmark **one-week repo rate** unchanged in May at 7.75.

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



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

Graph 3 - 25: Russia's PMIs



Sources: IHS Markit and Haver Analytics.

In May, the Russian **manufacturing** sector registered its first decline since August 2018. The contraction was driven by declining employment and softer expansions in output and new orders. New business growth eased further from March's recent high, as new export orders fell for the fourth time in the last five months. Meanwhile, inflationary pressures softened further from January's VAT driven spikes. The IHS Markit Russia manufacturing PMI registered 49.8 in May, down from 51.8 in April. **Industrial production** grew by 4.6% y-o-y in April, higher than March's 1.2% growth.

Graph 3 - 26: Russia's industrial production

Sources: Federal State Statistics Service and Haver Analytics.

Graph 3 - 27: Russia's retail sales

Sources: Federal State Statistics Service and Haver Analytics.

Output growth across the Russian **service** sector continued to ease in May, with the upturn slowing to the softest level for three years. Domestic demand struggled to keep up and total new business increased only modestly. In turn, service providers shed workforce numbers for the first time since last September, with many linking this to increased redundancies and lacklustre domestic demand. The IHS Markit Russia Services Business Activity Index posted 52.0 in May, down slightly from 52.6 in April. In April, **retail trade** posted an expansion of 1.2% y-o-y, compared to 1.6% a month earlier.

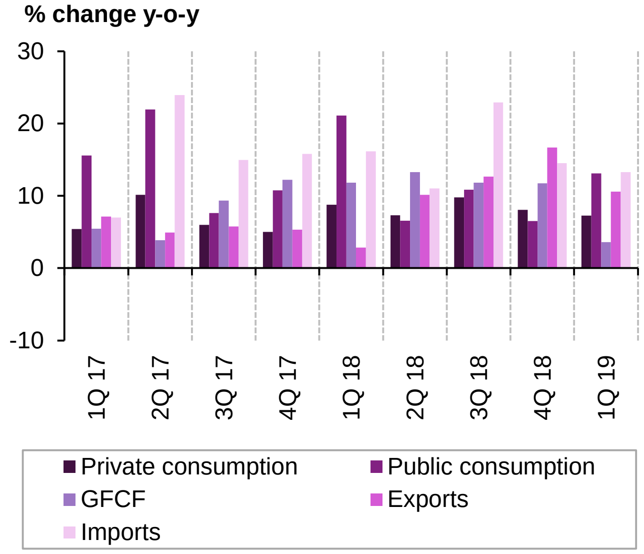
Among challenges to seeing notably faster growth in 2019 are the base-line effect of a strong harvest, the impact of higher inflation and interest rates on domestic demand, and commodity prices uncertainties.

Russia's GDP growth is forecast at 1.4% y-o-y in 2019.

India

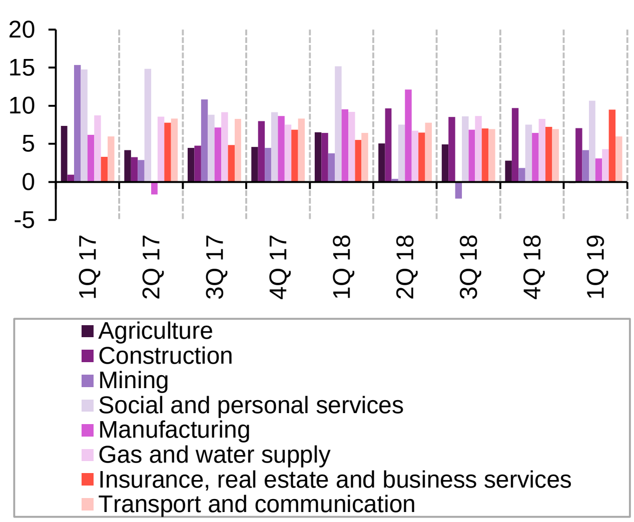
India's GDP growth rate expanded at 5.8% y-o-y, its slowest pace in the 1Q19, slowing from 6.6% in 4Q18. It was the weakest growth rate since the 1Q14, amid weaker consumer demand and fixed investment.

Graph 3 - 28: India's GDP growth by demand side



Sources: Central Statistics Office and Haver Analytics.

Graph 3 - 29: India's GDP growth by supply side



Sources: Central Statistics Office and Haver Analytics.

On the **demand side**, slower growth rates were seen in private consumption – at 7.3% compared to 8.0% in 4Q18 – and gross fixed capital formation was 3.6% compared to 11.7% in 4Q18) and public consumption (9.2% compared to 6.5%). Exports went down from 10.6% compared to 16.7% in 4Q19 and imports decreased to 13.3% compared to 14.5% in 4Q19.

On the **supply side**, a slowdown was recorded in manufacturing (3.1% compared to 6.4% in 4Q19); trade, hotel, transport, communication and services related to broadcasting (6% compared to 6.9%), as well as construction (7.1% compared to 9.7%). Agriculture, forestry and fishing shrank 0.1%, after expanding by 2.8% in the 1Q18. In contrast, output rose further in mining (4.2% compared to 1.8%); social and personal services (10.7% compared to 7.5%); and financial, real estate and professional services (9.5% compared to 7.2%).

India re-elected Prime Minister Narendra Modi on 23 May, with an even greater majority than in 2014. Modi's pro-business authorisations are likely to help revive investment and boost GDP growth heading into the next year. The party has successfully bucked any anti-incumbency, despite several economic headwinds – farmer distress as the terms of trade have continued to move away from agriculture, perceptions about jobless growth, short-terms dislocations induced by de-monetization, and the adoption of the Goods and Service Tax (GST).

In the medium- and long-term, underlying growth momentum has slowed as both urban and rural consumption continue to slow but in the short term, the strong election outcome should support sentiment in favour of India and lead to a fillip in FDI and investment. But the focus is likely to eventually shift back to the government's reform agenda.

The new administration will have a limited degree of freedom and will temper expectations of 'big bang' reforms and instead focus on reviving short-term growth and addressing concerns about jobs, while following less contentious plans to address supply side bottlenecks. In particular, the government is expected to prioritise improving rural conditions, supporting micro, small- and medium-sized enterprise sector (MSMEs), infrastructure spending, measured liberalization and fiscal discipline.

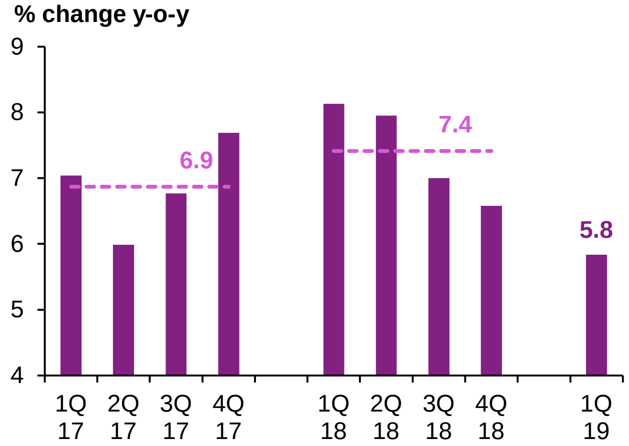
Infrastructure spending has likely peaked. India's fiscal deficit, according to government data for 2019, stood at 3.4% of GDP, roughly in line with the Interim Budget's estimate. While another round of interim dividend transfers from the RBI in February helped the fiscal math, undershooting GST receipts and slow progress on disinvestment continue to be constraints on spending.

India's **investment trends** remain sluggish though they should improve in 2020. Industrial production unexpectedly contracted 0.1% y-o-y in March, led by another month of falling capital and intermediate goods output. With elevated oil prices adding to the downside pressures on industry – especially micro and medium enterprises – from financial sector stresses, manufacturing growth is forecast to slow to 6.4% in 2019 from 8.7% last year.

India's **current account deficit** widened to $16.9 billion, or 2.5% of GDP in 4Q19 from $13.7 billion or 2.1% of GDP y-o-y. The goods deficit increased to $49.5 billion from $44 billion y-o-y as imports rose by 9%, while exports went up by a lesser 7.2%. On the other hand, the services surplus increased to $21.3 billion from $20.7 billion, boosted by a rise in net earnings from telecommunications, computer and information services, and financial services. The primary income gap decreased to $6 billion from $6.5 billion, and the secondary income surplus rose to $17.3 billion from $16.1 billion.

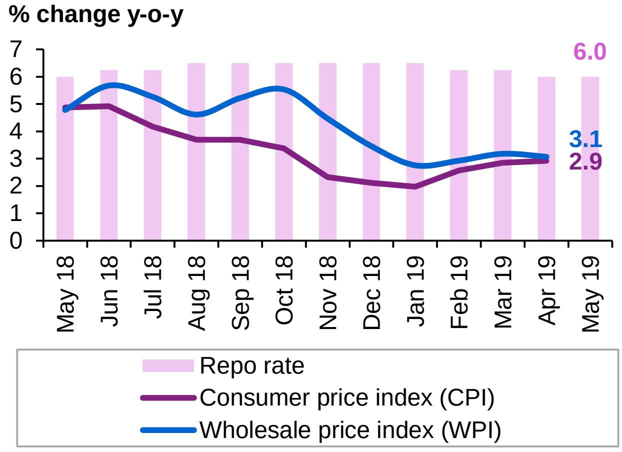
According to government data, India's fiscal deficit for 2018-19 stood at 3.4% of GDP, roughly in line with the Interim Budget's estimate.

Graph 3 - 30: India's GDP growth



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

Graph 3 - 31: Repo rate and inflation in India

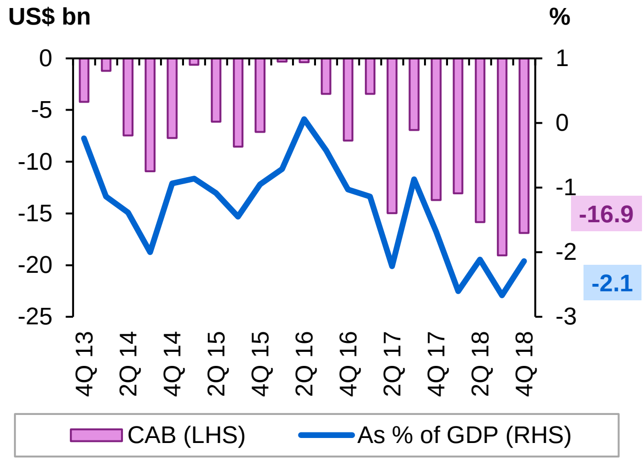


Sources: Ministry of Commerce and Industry, Reserve Bank of India and Haver Analytics.

India's **CPI inflation** increased to 2.92% y-o-y in April 2019, from 2.86% in March. It was the highest inflation rate in six months, as food prices rose the most since July last year. India's **WPI** rose by 3.07 % y-o-y in April 2019, following a 3.18% gain in the previous month. Cost slowed for both fuel and manufactured products. On a monthly basis, wholesale prices increased by 0.8% in April, much faster than a 0.42% gain in March.

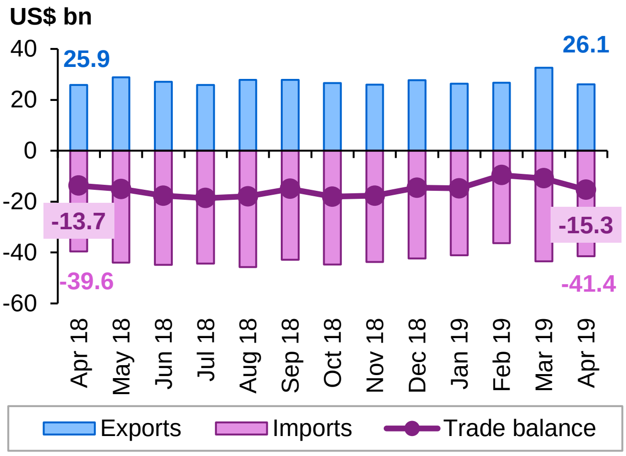
RBI lowered the repo rate for the third time this year to 5.75% on 6 June. More importantly, it unanimously decided to shift to an 'accommodative' stance, raising the probability of further interest rate cuts. The RBI hopes that this would provide the much-needed boost to aggregate demand and private investment, and bring growth back on track.

Graph 3 - 32: India's current account balance (CAB)



Sources: Reserve Bank of India and Haver Analytics.

Graph 3 - 33: India's trade balance



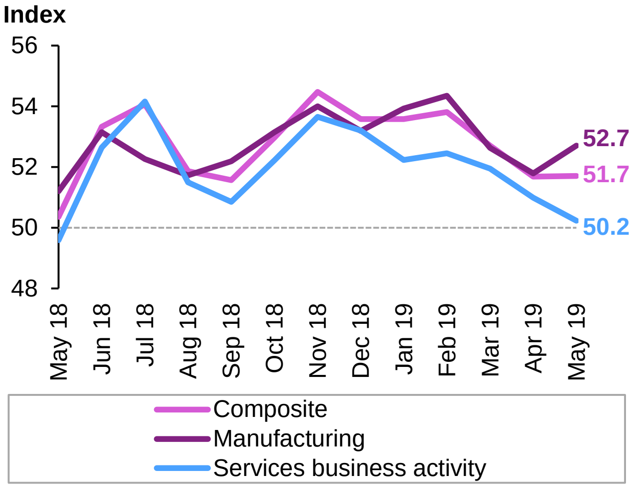
Sources: Ministry of Commerce and Industry and Haver Analytics.

India's **trade deficit** widened to $15.33 billion in April 2019 from $13.72 billion y-o-y. Imports were up 4.48% to $41.40 billion, boosted by purchases of gold (53.99%), oil (9.26%) and electronic goods (3.98%). Meanwhile, exports rose at a softer 0.64% to $26.07 billion, as an increase in sales of petroleum products (30.75%) was partially offset by declines in exports of engineering goods (-7.07%) and gems and jewellery (-13.38%).

India's **Nikkei manufacturing PMI** increased unexpectedly to a three-month high of 52.7 in May 2019 from 51.8 in the previous month and above market forecasts of 51.3. The latest PMI reading marked the 22nd straight month of growth in the manufacturing sector, with both output and new order expanding at faster rates while export sales grew the most in six months. In addition, employment has risen in each month since April 2018, with the latest expansion the most marked since February. Meanwhile, input buying rose further and stocks of finished goods decreased in line with stronger demand.

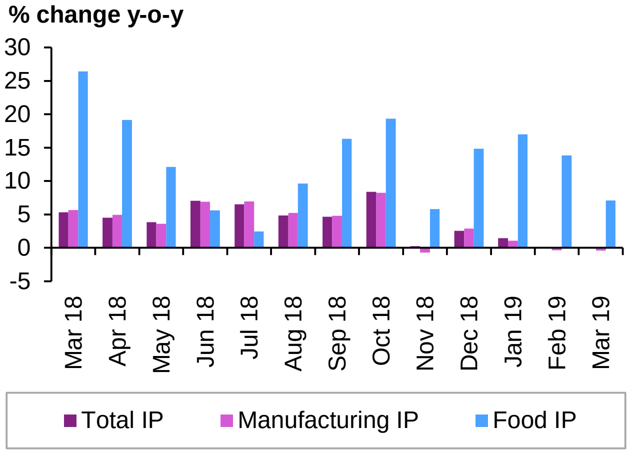
Nikkei India Services PMI dropped to 50.2 in May 2019 from 51.0 in April. The reading pointed to the weakest expansion in services activity since May last year when the sector contracted, as disruptions arising from the elections hampered growth of new work intakes. On the other hand, new export orders advanced for the third consecutive month driven by a strong foreign demand and the job creation rate rose at the strong pace. On the price front, input costs rose the least in near 2-1/2-years, while output cost inflation eased.

Graph 3 - 34: India's PMI



Sources: Nikkei, IHS Markit and Haver Analytics.

Graph 3 - 35: India's industrial production (IP) breakdown



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

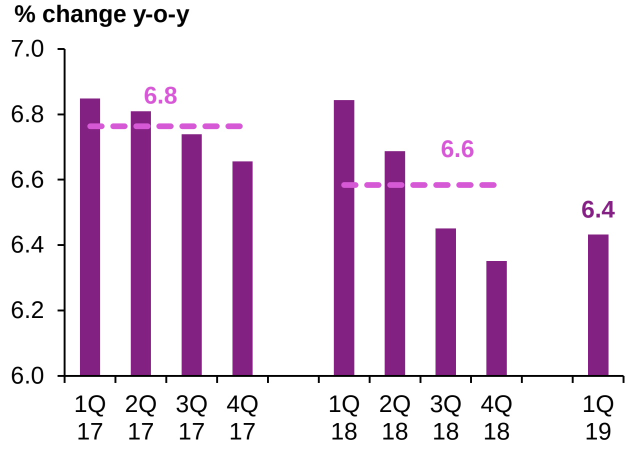
Following the persistent weakness in activity indicators since the start of the year, **India's expected GDP growth rate** was revised down to 6.8% for 2019 from 7.1% in the last month. In summary, the assurance of a favourable environment for businesses and investment following Modi's historic win, should help keep GDP growth stable around 6.8% in the short term and may even give it a small boost heading into 2020. Nevertheless, more concrete steps to ease supply side bottlenecks and raise capital accumulation, in particular, will be needed to raise India's long-term growth potential.

China

China's GDP growth momentum eased in April and May as both domestic and external demand weakened following a strong outcome in March and 1Q19. Moreover, the renewed escalation in US-China trade tension is likely to put more downward pressure on China's growth in the coming quarters, but GDP growth expectations are still stable in 2019 in response to the macro-policy easing. It seems signs of stabilisation have emerged in China's real GDP growth.

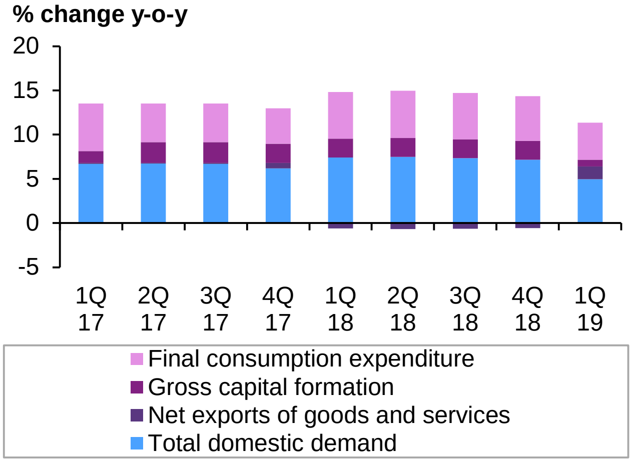
The latest reading sits close to the top end of the China's government in 2019 growth forecast of 6.0-6.5% and largely reflects the range of growth drivers which are undertaken by policy makers in May 2019 to shore up activity. These included tax cuts, a reduction in banks' reserve required ratios, the speeding up of infrastructure projects and an increase in bank lending, among others.

Graph 3 - 36: China's GDP growth



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

Graph 3 - 37: China's GDP breakdown



Sources: China National Bureau of Statistics and Haver Analytics.

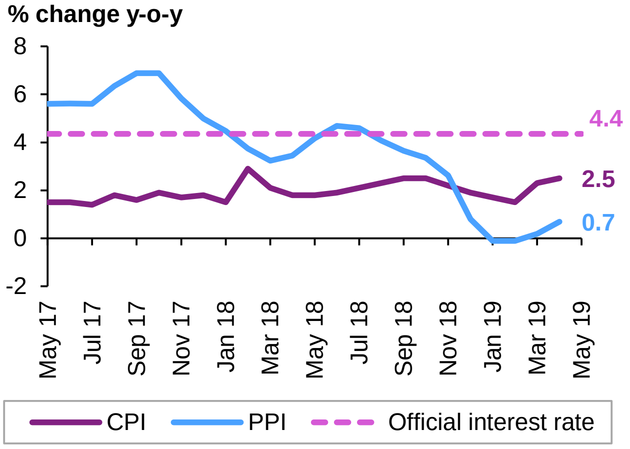
Recent developments of US-China trade tension show how elusive agreement on a range of policies and practices on technology, market access and intellectual property in a way that goes far enough for the US side and is acceptable to China. A further escalation of the US-China trade dispute would be an additional drag on business activity and sentiment. While an agreement appears more likely than not, it has become a close call and without additional signs of progress over the next few weeks, implementation of the next round of tariffs on $300 billion of imports from China could easily become the base case. Following the recent escalation of the trade tension with both sides having raised tariffs on each other's exports and resulting pressure on the China's currency. While it is still possible that a trade deal with the US will eventually emerge, given the souring of the mood, our baseline forecast now assumes that the recently imposed tariffs will not be lifted any time soon.

A weakening yuan will add to pressures for financial outflows. While some outflows are considered acceptable, an increase to high levels would not be, given the pressure that this would generate on the level of foreign reserves. Clearly, the decline of the country's current account surplus has made the need to contain financial outflows more pressing.

China's **CPI inflation** increased to 2.92% y-o-y in April 2019 from 2.86% in March and below market expectations of 2.97%. It was the highest inflation rate in six months, as food prices rose at the greatest rate since July last year.

China's **PPI** rose by 3.07% y-o-y in April 2019, following a 3.18% gain in the previous month and matching market expectations. Cost slowed for both fuel and manufactured products. On a monthly basis, wholesale prices increased by 0.8% in April, much faster than a 0.42% gain in March.

Graph 3 - 38: China's CPI and PPI



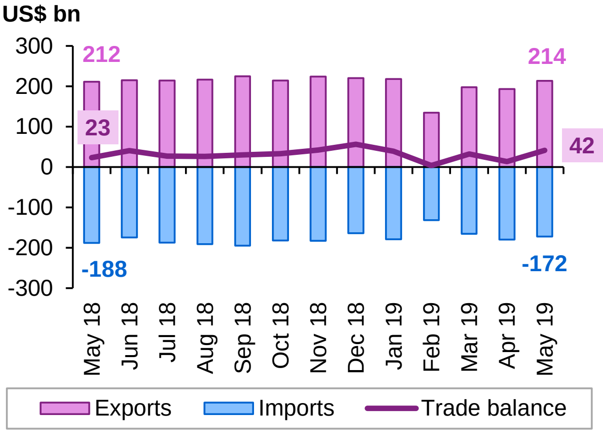
Sources: China Index Academy, China National Bureau of Statistics, Soufan and Haver Analytics.

China's trade balance surplus in May was $41.65 billion, significantly more than expected. The larger trade surplus came as the country's dollar-denominated exports surprisingly increased last month, while imports came in worse than expected. This was the largest trade surplus since December last year.

Exports from China rose 1.1% y-o-y to $213.85 billion in May 2019, recovering from a 2.7% decline in the previous month and defying market expectations of a 3.8% fall.

Imports to China plunged 8.5% y-o-y to $172.19 billion in May 2019, reversing a 4% advance in April and compared to forecasts of a 3.8% drop. Despite of trade dispute escalation, China's trade surplus with the US rose to $26.89 billion in May from $21.01 billion in April, customs data showed.

Graph 3 - 39: China's trade balance



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

The People's Bank of China increased its bullion reserves to 61.61 million ounces in May from 61.10 million a month earlier, according to data released. In tonnage terms that's a rise of 15.86 tons, after almost 58 tons of gold were added to the nation's stockpile in the five months to April. The rise reflects the China's government "determined diversification" away from dollar assets. It's a diversification away from the US dollar, particularly given the trade tensions.

China's GDP growth is expected to ease further in 2Q19 and 2H19, before stabilising later in the year in response to the policy easing started in late-2018.

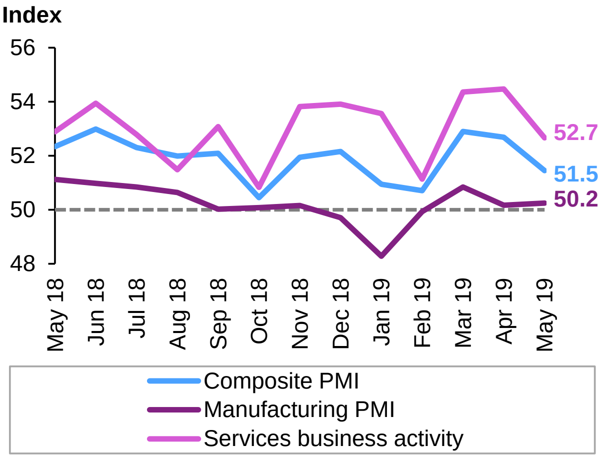
The Chinese government will likely announce more policy easing to counter the downward pressure on growth from weaker exports and investment. That said, it is still expected that policy easing will remain relatively modest compared to previous stimulus episodes, given Beijing's resistance to significantly increase leverage.

The **Official NBS Manufacturing PMI** (Business Confidence) fell to 49.4 in May 2019 from 50.1 in the previous month. This marked the first contraction in manufacturing activity since February, amid escalating trade tensions with the US.

The **Caixin China General Manufacturing PMI** was unchanged at 50.2 in May 2019, slightly above the market consensus of 50. Total new work rose at a faster pace, supported by a renewed increase in export sales, while production was broadly stable. As a result, backlogs of work continued to expand, though firms retained a relatively cautious approach to staffing levels. On the price front, inflationary pressures remained subdued, with input costs rising only slightly while output charges were unchanged from the previous month.

The **official Non-Manufacturing PMI** stood at 54.3 in May 2019, unchanged from the previous month. New orders expanded at the softest rate since November last year.

Graph 3 - 40: China's PMIs

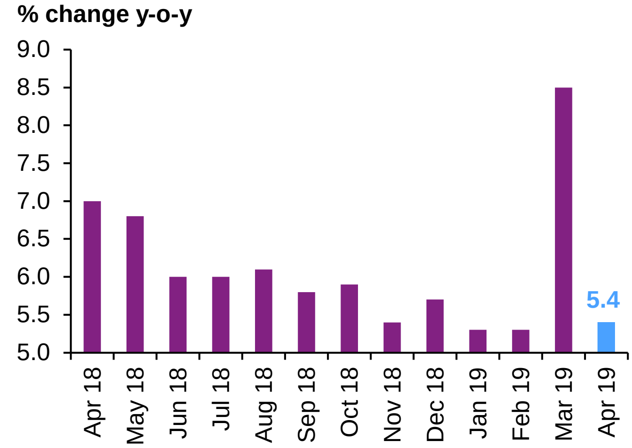


Sources: Caixin, IHS Markit and Haver Analytics.

The **Caixin China General Services PMI** dropped to 52.7 in May 2019 from 54.5 in the previous month. The latest reading pointed to the weakest pace of expansion in the service sector since February, amid a slowdown in new orders mainly due to foreign demand and as the job creation rate eased. Additionally, backlogs of work fell further, though the rate of depletion remained marginal. On the price front, input cost inflation slowed and output prices advanced marginally. Looking ahead, sentiment weakened to its lowest since July last year amid subdued expectations linked to the ongoing trade dispute with the US and global demand conditions.

China's **industrial production** increased by 5.4% y-o-y in April 2019, easing sharply from a 8.5% rise in March. Figures came below the market consensus of a 6.5 % gain, amid the ongoing trade dispute between the US and Beijing. Output growth slowed for both manufacturing and mining. Meanwhile, production advanced further for utilities. By industry, output rose less for transport equipment; machinery; non-metal minerals; general equipment; and chemicals.

Graph 3 - 41: China's industrial production



Sources: China National Bureau of Statistics and Haver Analytics.

China's GDP growth expectation kept unchanged at 6.2% in 2019, compared to previous months.

According to basic analysis, GDP growth is expected to decelerate through 2020 on slowing investment and industrial activity. However, continued healthy consumption and service sector growth is forecast. The Chinese government also puts a lot of emphasis on improving the industrial infrastructure and moving up the value chain.

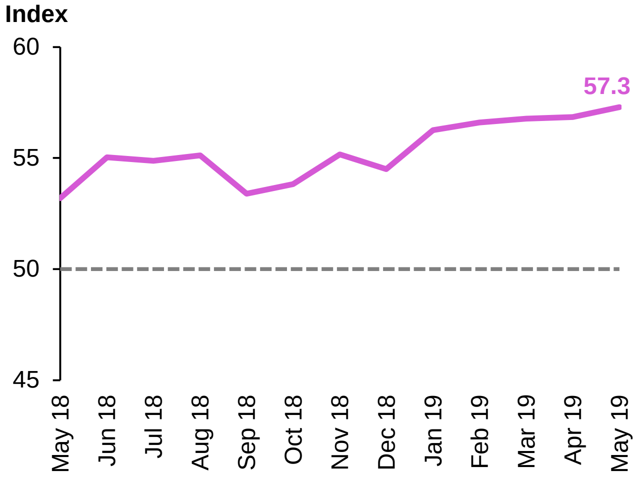
Overall, GDP growth in 2019-20 is expected to average 6%, roughly achieving the government target of doubling GDP and per capita income by 2020 (the objective set in 2010).

OPEC Member Countries

Saudi Arabia

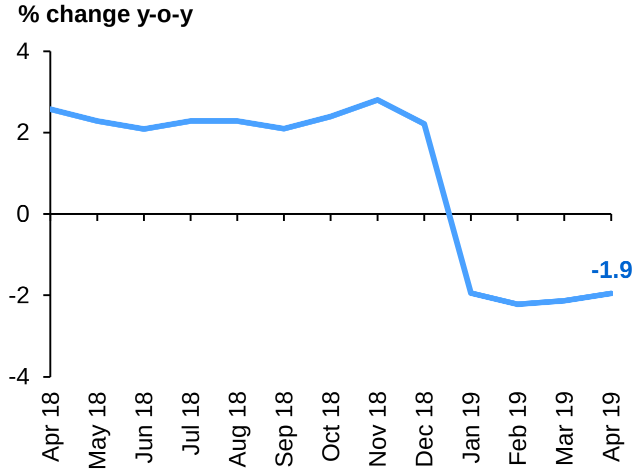
In **Saudi Arabia**, consumer price inflation dropped by 2.0% y-o-y in April, continuing the easing streak started at the beginning of the year. The cost of housing, water, electricity, gas and other fuels dropped by 7.8% y-o-y in April, which was a major factor in easing inflation. Food prices inched up by 1.1% y-o-y in April, from 1.3% in the previous month. Furthermore, the category of communications saw a 1.1% y-o-y decrease in prices during April. Cement deliveries, an indication for the construction sector, dropped by 8.6% y-o-y in April. The monetary agency's repo rate was unchanged at 3% in May. The repo rate remains unchanged since December 2018 when it was raised from 2.75% to 3%. The country's foreign reserves excluding gold increased from $499 billion in March to nearly $505 billion in April 2019. Gold holdings remain unchanged at $433 million in April. The Emirates NBD Saudi Arabia PMI survey showed that output across the non-oil private sector rose sharply and the most since December 2017. The index climbed to a 17-month high of 57.3 in May. Up from 56.8 in April, the index has now risen in six of the last eight months, signalling a sustained improvement in growth momentum.

Graph 3 - 42: Saudi Arabia's composite PMI



Sources: Emirates NBD, IHS Markit and Haver Analytics.

Graph 3 - 43: Saudi Arabia's inflation

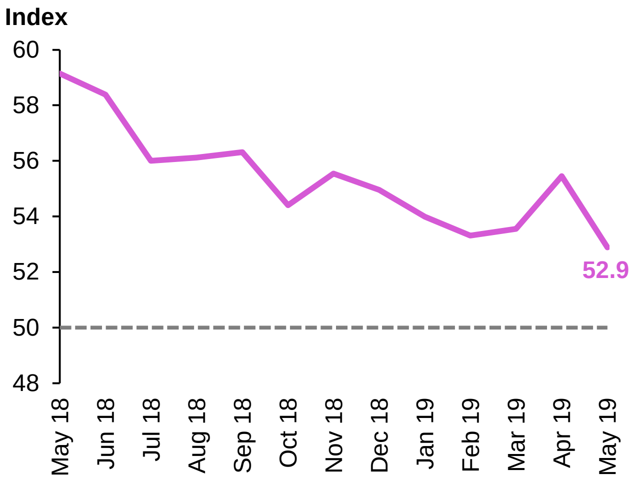


Sources: General Authority for Statistics and Haver Analytics.

Nigeria

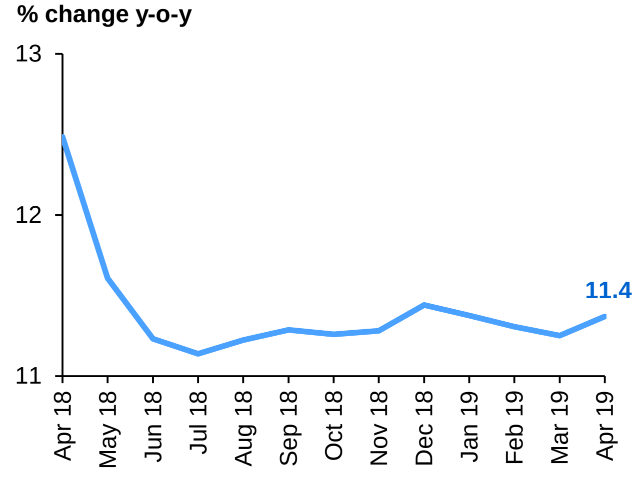
In **Nigeria**, GDP registered growth of 2.0% y-o-y in 1Q19, from 2.4% in 4Q18, according to the National Bureau Statistics. The country's general elections were held in 1Q19. Further details on GDP components are not published yet. GDP registered growth of 2.4% y-o-y in 4Q18, its highest level since 3Q15. This brings GDP growth in 2018 to 1.9% y-o-y, up from a contraction of 1.6% y-o-y in 2016 and a 0.8% y-o-y growth in 2017. It is also the highest rate of GDP growth since 2015. The naira slightly appreciated for the fourth month in a row in April, increasing 0.1% m-o-m. On a year-on-year comparison, the naira appreciated by less than 1.0% in April, reflecting a stable exchange rate as compared to the sharp depreciation in 2015 and 2016. The Stanbic IBTC Bank Nigeria PMI came in at 52.9 in May, from the previous month's reading of 55.5, signalling a softer improvement in the health of the private sector. In fact, the latest figure was the lowest for almost two years. The survey showed softer increases in output and new orders, modest job creation, and slower rises in input costs and output prices.

Graph 3 - 44: Nigeria's composite PMI



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

Graph 3 - 45: Nigeria's inflation

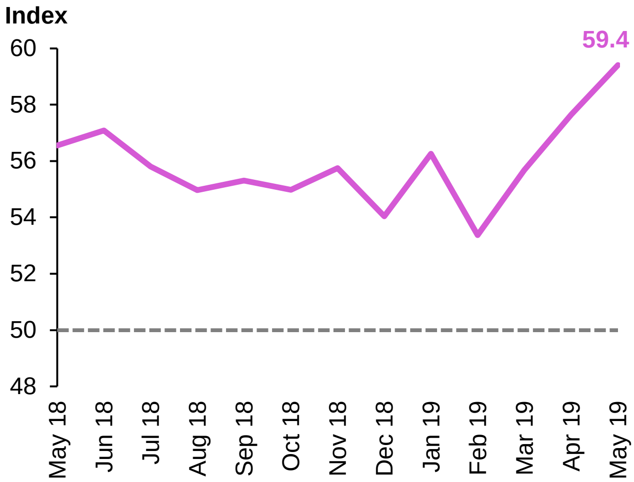


Sources: National Bureau of Statistics and Haver Analytics.

The United Arab Emirates (UAE)

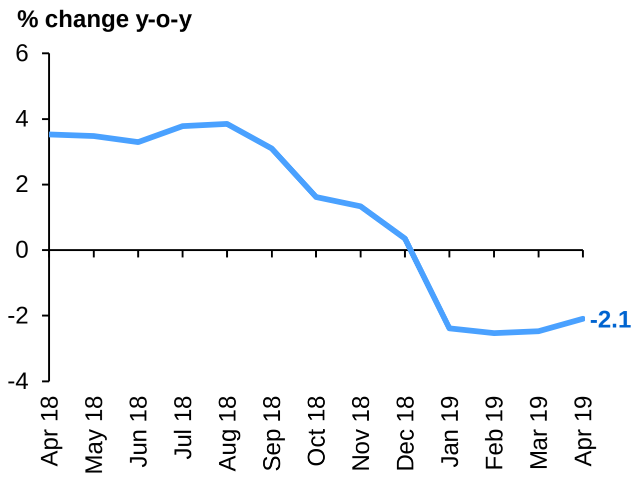
In the **United Arab Emirates**, consumer price inflation eased for the fourth consecutive month in April. Inflation decreased by 2.1% y-o-y in April. The cost of housing, water, electricity and gas fell by 5.8% y-o-y in April, helping pushing down overall inflation. Food prices fell slightly by 1.4% y-o-y in April alongside transportation prices, which also eased by 2.2% y-o-y in the same month. The country's net international reserves stood at 364.2 billion dirhams in April, from 275.1 billion dirhams in March. The Emirates NBD UAE PMI rose to 59.4 in May from 57.6 in April. This was the third successive monthly increase in the index, with the latest reading signalling a substantial improvement in business conditions, and one that was the greatest since October 2014. Stronger market demand, marketing activity and the start of new projects all reportedly contributed to the latest increase.

Graph 3 - 46: UAE's composite PMIs



Sources: Emirates NBD, IHS Markit and Haver Analytics.

Graph 3 - 47: UAE's inflation



Sources: National Bureau of Statistics and Haver Analytics.

Other Asia

Philippines

In the **Philippines**, GDP advanced 5.6% y-o-y in 1Q19, easing from an upwardly revised 6.3% expansion in the previous quarter. It was the weakest growth rate since 1Q15, as government spending and fixed investment slowdown contributed negatively to the GDP. Government expenditure rose 7.4%, slower than a 12.6% expansion in the last quarter of 2018. Also, fixed capital formation rose 5.7%, following 8.5% growth mainly due to a slowdown in construction and intellectual property products, as well as breeding stocks and orchard development. Additionally, net external contributed negatively to GDP growth as exports rose less than imports. Exports increased by 5.8%, compared to 14.4% in Q18. In contrast, household consumption expanded 6.3% y-o-y, faster than a 5.3% increase in 4Q18.

Malaysia

In **Malaysia**, GDP grew by 4.7% y-o-y in 4Q18, following a 4.4% expansion in 3Q18. This was the strongest growth rate since 1Q18, as net external demand contributed positively to GDP growth, while private consumption, government spending, and investment slowed. For 2018 as a whole, the economy grew 4.7% y-o-y, compared to a 5.9% expansion in 2017. Exports increased by 1.3% y-o-y in 4Q18, rebounding from a 0.8% fall in the previous quarter. Imports edged up 0.2% y-o-y in 4Q18, accelerating from a 0.1% rise in 3Q18. Private expenditure rose 8.5% y-o-y in 4Q18, easing from a 9.0% increase in 3Q18, driven by consumption of food and beverages, communication, transport and restaurants and hotels. Gross fixed capital formation rose 0.3% y-o-y in 4Q18, slower than a 3.2% gain in the preceding quarter, mainly due to a decline in machinery and equipment investment. In 4Q18, government spending rose by 4.0% y-o-y, softer than the 5.2% increase in 3Q18. The central bank lowered its key overnight reverse repurchase facility rate by 25bps to 4.5% in early May. It is the first rate cut since May 2016, reversing 175 bps rate hikes last year. Policymakers said that the decision remains consistent with the price stability objective and added that the risks to the inflation outlook are broadly balanced.

Africa

In **South Africa**, GDP decelerated by 0.3% y-o-y in 1Q19, following the 0.1% drop in 4Q18, according to South Africa's reserve bank. Private consumption growth decelerated from 1.1% y-o-y in 4Q18 to 0.5% in 1Q19. Public consumption growth also saw a similar trend, falling to 1.1% y-o-y in 1Q19, from 1.9% in the previous quarter. GFCF continued falling for the fourth consecutive quarter in 1Q19. GFCF dropped by 2.9% y-o-y in 1Q19. Exports rose by 1.8% y-o-y in 1Q19, from a 5.4% rise in 4Q18. Imports, on the other hand, decreased by 0.1% y-o-y in 1Q19, after posting growth of 1.2% in 4Q18. The South African PMI was back into contraction territory in May, unable to record successive months of growth as new orders declined at a faster rate. Demand was partly affected by the election, although surveyed firms also reported difficult economic conditions across the private sector. The South Africa PMI registered 49.3 in May, down from 50.3 in April.

A key factor influencing the deterioration was the quick decline in new orders since last November. Firms continued to report weak economic conditions. Nevertheless, firms are hopeful that the new government will bring some much-needed stability to the markets. Future sentiment rose to the highest level for 13 months, showing that there is still confidence in the South African economy.

Latin America

Colombia

In **Colombia**, GDP grew by 2.8% y-o-y in 1Q19, from 2.7% in the previous quarter. This highlights the fastest pace of 1Q growth since 2014. The strong growth was thanks to household consumption which accelerated by 4.0% y-o-y in 1Q19, from 3.6% in 4Q18. Growth in government consumption slowed from 5.5% y-o-y in 4Q18 to 2.6% in 1Q19. Gross capital formation increased by 2.8% y-o-y in 1Q19, slower than 4Q18's 4.7%. Exports growth went down from 5.7% y-o-y in 4Q18, to 3.6% in 1Q19. Imports remained high for the second consecutive quarter in 1Q19, increasing by 13.7% y-o-y, from 13.9% in the previous quarter. The Davivienda Colombia manufacturing PMI registered 50.8 in May, falling slightly from 51.0 in April. Following contractions throughout 1Q19, manufacturing output increased for the second month running in May. Companies that reported growth cited productivity gains and higher sales. Greater output needs encouraged manufacturers to make additional purchases during May. After increasing in April for only the second time in six months, employment in the manufacturing sector was unchanged in May.

Transition region

The Czech Republic

In the **Czech Republic**, GDP posted growth of 2.6% y-o-y in 1Q19, from 3.0% in 4Q18. This highlights the slowest pace of 1Q growth since 2014. Despite the rise in household consumption, slower growth in GFCF and exports caped overall growth. Household consumption witnessed slightly faster growth in 1Q19 at 2.9% y-o-y, compared to 2.4% in 4Q18. Government consumption went up by 3.3% y-o-y in 1Q19, from 3.6% in 4Q18. Growth of gross capital formation lost half speed in 1Q19, growing by 2.2%, from 4.3% in the previous quarter. Exports growth had a notable drop in 1Q19, increasing by only 2.0% y-o-y, from 5.7% in 4Q18. Imports also grew by a lower rate of 2.1% y-o-y in 1Q19, compared to 6.3% in the previous quarter. The IHS Markit Czech Republic PMI reading on May was unchanged from April's 46.6, signalling a further deterioration in operating conditions across the manufacturing sector. The overall contraction was solid, driven by faster declines in output and new orders. Concurrently, foreign demand also decreased strongly. A key contributing factor behind the low PMI reading was a further fall in production. The decline accelerated and was the fastest since December 2012, as firms stated that weaker client demand and difficulties in the automotive industry hampered output.

World Oil Demand

World oil demand in 2019 *is now projected to increase by 1.14 mb/d, 0.07 mb/d lower from the previous month's report. Total global oil consumption is expected to average 99.86 mb/d.*

To account for the latest available data, 2019 oil demand projections were adjusted lower in the ***OECD*** *region due to poor 1Q19 data in all sub-regions. OECD Americas and OECD Asia Pacific were both adjusted lower by 0.15 mb/d and 0.13 mb/d in 1Q19, respectively. Oil demand growth in OECD Americas posted lower-than-anticipated gains, largely affected by sluggish oil demand data from the US and Canada in March. This slowdown was led by weakening gasoline requirements in the US and softening light distillate demand in Canada. In OECD Asia Pacific, oil demand performance slowed significantly, largely impacted by planned and unplanned petrochemical shutdowns during the quarter. Additionally, OECD Europe oil demand growth for 1Q19 was adjusted lower, amid slower-than-expected oil demand from Germany, Italy, and Turkey.*

In the ***non-OECD*** *region, oil demand growth was relatively similar to last month's expectations, with a minor upward adjustment to Other Asia for 1Q19. On the other hand, demand in Latin America and the Middle East continued to show signs of weakening, though remaining within the previous projections.*

World oil demand in 2018 *was kept relatively unchanged from last month, indicating growth of 1.41 mb/d, for total global product demand to average 98.73 mb/d. In the* ***OECD*** *region, oil demand grew by 0.39 mb/d, solely led by OECD Americas. In the* ***non-OECD*** *region, growth was at around 1.02 mb/d, with lower Chinese oil demand growth compared with 2017. Nevertheless, Other Asia led oil demand growth in 2018, with 0.42 mb/d, followed by China with 0.39 mb/d.*

World oil demand in 2018 and 2019

Table 4 - 1: World oil demand in 2018, mb/d

							Change 2018/17	
	2017	1Q18	2Q18	3Q18	4Q18	2018	Growth	%
Americas	25.06	25.20	25.40	25.78	25.74	25.53	0.48	1.90
of which US	*20.27*	*20.57*	*20.64*	*20.93*	*20.78*	*20.73*	*0.46*	*2.26*
Europe	14.33	13.98	14.23	14.71	14.34	14.32	-0.01	-0.10
Asia Pacific	8.06	8.54	7.65	7.70	8.08	7.99	-0.07	-0.89
Total OECD	**47.45**	**47.72**	**47.28**	**48.19**	**48.16**	**47.84**	**0.39**	**0.82**
Other Asia	13.22	13.52	13.84	13.35	13.84	13.64	0.42	3.14
of which India	*4.53*	*4.83*	*4.74*	*4.40*	*4.96*	*4.73*	*0.20*	*4.43*
Latin America	6.51	6.35	6.48	6.81	6.47	6.53	0.02	0.31
Middle East	8.20	8.22	7.98	8.43	7.85	8.12	-0.08	-0.98
Africa	4.20	4.35	4.32	4.27	4.40	4.33	0.13	3.13
Total DCs	**32.13**	**32.43**	**32.62**	**32.86**	**32.56**	**32.62**	**0.49**	**1.52**
FSU	4.70	4.66	4.65	4.94	5.01	4.82	0.12	2.45
Other Europe	0.72	0.73	0.69	0.73	0.82	0.74	0.03	3.48
China	12.32	12.28	12.84	12.65	13.07	12.71	0.39	3.18
Total "Other regions"	**17.74**	**17.68**	**18.18**	**18.32**	**18.90**	**18.27**	**0.53**	**2.99**
Total world	**97.32**	**97.83**	**98.08**	**99.38**	**99.62**	**98.73**	**1.41**	**1.45**
Previous estimate	97.32	97.83	98.05	99.38	99.63	98.73	1.41	1.45
Revision	0.01	0.00	0.04	0.00	-0.02	0.00	0.00	0.00

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

Source: OPEC Secretariat.

Table 4 - 2: World oil demand in 2019*, mb/d

	2018	1Q19	2Q19	3Q19	4Q19	2019	*Change 2019/18* Growth	%
Americas	25.53	25.29	25.65	26.07	26.01	25.76	0.23	0.88
of which US	*20.73*	*20.69*	*20.86*	*21.21*	*21.03*	*20.95*	*0.22*	*1.05*
Europe	14.32	13.97	14.19	14.69	14.31	14.29	-0.02	-0.15
Asia Pacific	7.99	8.40	7.60	7.67	8.04	7.93	-0.06	-0.81
Total OECD	**47.84**	**47.66**	**47.44**	**48.43**	**48.36**	**47.98**	**0.14**	**0.29**
Other Asia	13.64	13.91	14.21	13.72	14.22	14.01	0.38	2.77
of which India	*4.73*	*5.03*	*4.93*	*4.58*	*5.15*	*4.92*	*0.19*	*4.05*
Latin America	6.53	6.36	6.51	6.85	6.50	6.56	0.03	0.47
Middle East	8.12	8.25	8.01	8.47	7.88	8.15	0.03	0.37
Africa	4.33	4.45	4.42	4.36	4.50	4.43	0.10	2.31
Total DCs	**32.62**	**32.97**	**33.16**	**33.40**	**33.10**	**33.16**	**0.54**	**1.65**
FSU	4.82	4.75	4.74	5.03	5.11	4.91	0.09	1.87
Other Europe	0.74	0.75	0.71	0.75	0.84	0.76	0.02	2.69
China	12.71	12.63	13.19	13.00	13.43	13.06	0.35	2.77
Total "Other regions"	**18.27**	**18.13**	**18.64**	**18.78**	**19.38**	**18.74**	**0.46**	**2.53**
Total world	**98.73**	**98.76**	**99.24**	**100.61**	**100.84**	**99.87**	**1.14**	**1.15**
Previous estimate	98.73	99.05	99.20	100.61	100.86	99.94	1.21	1.22
Revision	0.00	-0.29	0.04	0.00	-0.02	-0.07	-0.07	-0.07

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

OECD

OECD Americas

US

US oil demand came up weak for March, mainly impacted by sluggish gasoline requirements, to record the largest monthly y-o-y decline since February 2017, at 0.37 mb/d, or 1.8%.

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

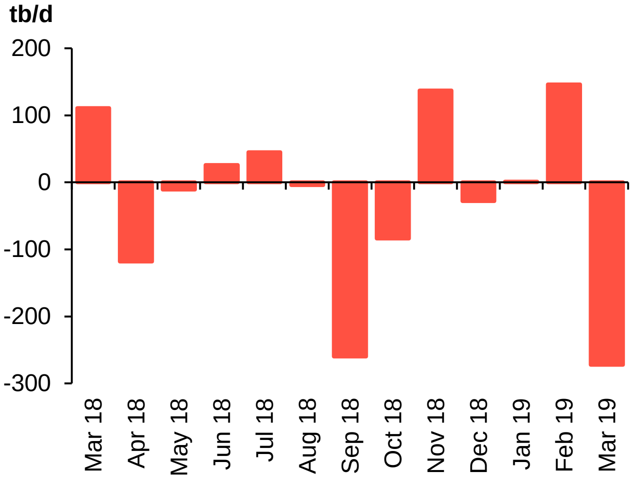
	Mar 19	Mar 18	*Change 2018/17* tb/d	%
LPG	3,030	2,977	53	1.8
Naphtha	208	213	-5	-2.3
Gasoline	9,174	9,446	-272	-2.9
Jet/kerosene	1,713	1,719	-6	-0.3
Diesel oil	4,155	4,169	-14	-0.3
Fuel oil	217	223	-6	-2.7
Other products	1,998	2,117	-119	-5.6
Total	**20,495**	**20,864**	**-369**	**-1.8**

Sources: US EIA and OPEC Secretariat.

The recorded decline originated to a large extent in the road transportation sector, particularly gasoline, despite growth in new car registrations and roughly unchanged mileage levels. Some gains have been observed in demand for light products – propane/propylene, as well as industrial diesel – yet they only slightly offset losses in overall oil demand.

Fuel oil demand also declined y-o-y, while diesel fuel requirements declined y-o-y compared with March 2018 as a result of warmer weather and lower utilization volumes in the transportation sector.

Graph 4 - 1: US gasoline demand, y-o-y change

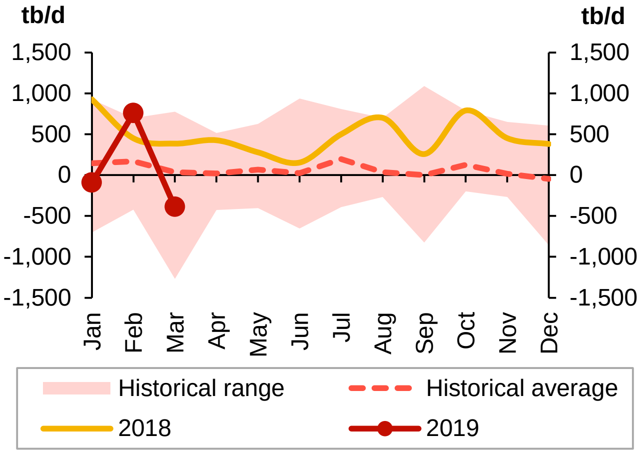


Sources: US EIA and OPEC Secretariat.

Despite weak oil demand performance during January and March 2019, US oil demand remained in positive territory during 1Q19, with overall growth of 0.1 mb/d, compared with the same quarter last year. Strongly rising petrochemical feedstock and diesel fuel requirements accounted for the lion's share of that growth, which was partly offset by falling demand for gasoline and fuel oil.

Based on weekly data, preliminary April and May volumes imply a return to a positive trend, with industrial fuels accounting for the bulk of this increase.

Graph 4 - 2: OECD Americas oil demand, y-o-y change



Sources: Joint Organisations Data Initiative and OPEC Secretariat.

Mexico

In **Mexico**, oil demand fell in April, dominated by substantial decreases in demand for LPG and diesel fuel, partly offset by slight increases in naphtha requirements, y-o-y. Mexican oil demand was in negative territory for the first four months of the year, y-o-y, with demand for the majority of petroleum categories falling, notably for gasoline and diesel fuel.

Canada

The latest available **Canadian** data for March showed overall declines in oil demand; losses for naphtha and heavier oil products dominated over increasing requirements for all other petroleum product categories, notably LPG, gasoline, jet kerosene and diesel fuel. Canadian 2019 projections for oil demand remain unchanged from those reported last month, with forecast risks balanced toward the upside and the downside.

OECD Americas 2019 oil demand growth depends on several factors, such as the overall economy, the degree of substitution with other commodities, fuel efficiencies, technological advancements, the share of alternative vehicles in the overall vehicle pool and the oil price environment. Despite recent sluggish data for March, risks remain skewed to the upside compared with last month's publication, as a result of healthy projected economic growth and a flourishing industrial sector in the country.

In 2018, OECD Americas oil demand grew by 0.48 mb/d compared with 2017. OECD Americas 2019 oil demand is projected to grow once more by 0.23 mb/d compared with 2018.

OECD Europe

The latest and partly preliminary April data for the **European Big 4** oil consuming countries, Germany, France, Italy and the UK, implied rising oil demand requirements, y-o-y.

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

	Apr 19	Apr 18	Change 2019/18 tb/d	%
LPG	498	487	11	2.3
Naphtha	579	582	-3	-0.5
Gasoline	1,196	1,174	22	1.9
Jet/kerosene	861	849	12	1.4
Diesel oil	3,294	3,216	78	2.4
Fuel oil	248	241	7	2.9
Other products	641	642	-1	-0.2
Total	**7,317**	**7,191**	**126**	**1.8**

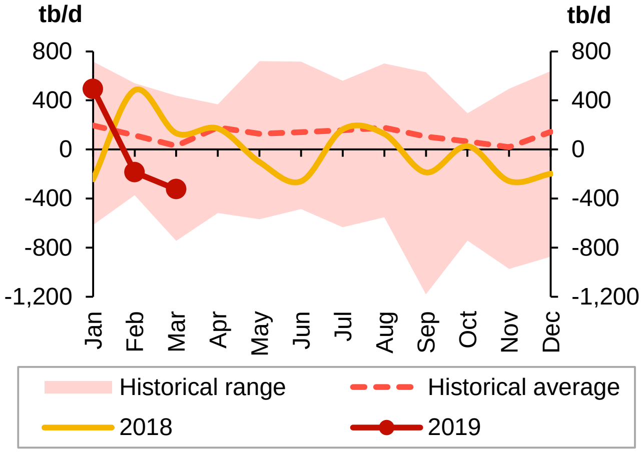
*Note: * Germany, France, Italy and the UK.*

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

Substantially colder weather, in combination with historical baseline effects, implied gains in requirements for the majority of petroleum product categories, particularly diesel fuel, gasoline and LPG. 2018 closed slightly decreasing for the whole region, while demand for 1Q19 was sluggish, y-o-y. This follows solid gains in demand for 2015-2017.

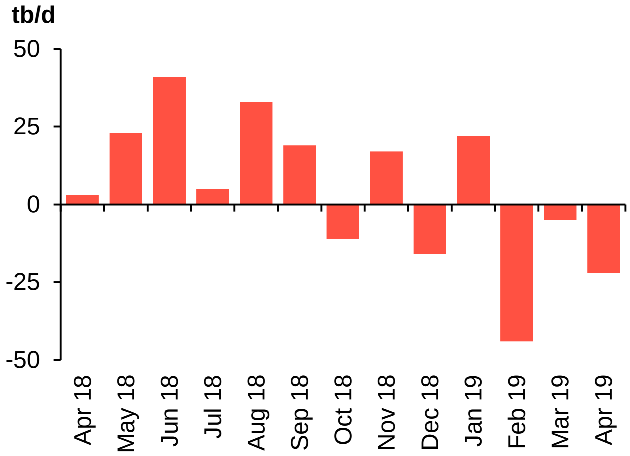
During the first four months of 2019, European Big 4 oil demand saw slight y-o-y growth, with jet/kerosene and diesel fuel requirements increasing, but being to large extent offset by losses in demand for LPG, gasoline and fuel oil. January to April cumulative auto sales decreased by roughly 2.5%; losses were substantial in Italy, Spain and the UK. There is considerable uncertainty for 2019 oil demand in the region, as there are a number of factors pointing in opposite directions.

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



Sources: Joint Organisations Data Initiative and OPEC Secretariat.

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



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

Expected improvements in the economy could support oil demand, particularly in road transportation. However, unsolved budget deficits in some countries, fuel taxation, efficiencies and geopolitical issues pose considerable downside risks. Consequently, expectations for 2019 oil demand in the region have been lowered since last month, with risks skewed to the downside.

In 2018, **OECD Europe oil demand** declined by 0.01 mb/d y-o-y, while 2019 oil demand will be 0.02 mb/d higher compared with 2018.

OECD Asia Pacific

Japan

Preliminary April 2016 data shows **Japanese oil demand** increasing by 1.5% y-o-y for the first month since October 2018.

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

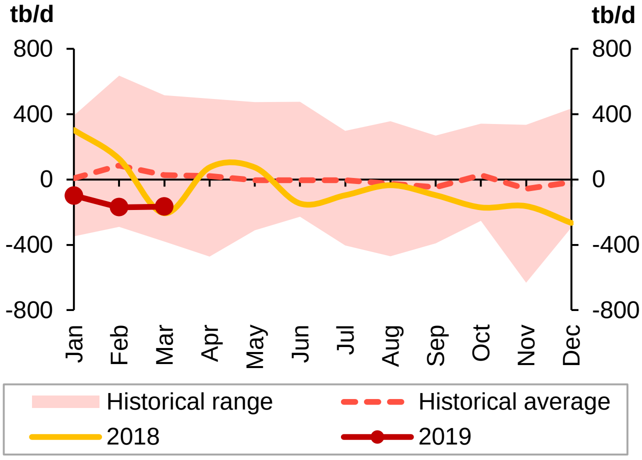
	Apr 19	Apr 18	Change 2019/18 tb/d	%
LPG	362	396	-34	-8.6
Naphtha	729	764	-35	-4.6
Gasoline	856	853	3	0.3
Jet/kerosene	511	399	112	28.2
Diesel oil	776	753	23	3.0
Fuel oil	226	234	-8	-3.3
Other products	352	356	-4	-1.2
Total	**3,811**	**3,755**	**56**	**1.5**

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

Strongly rising jet/kerosene requirements, in line with increasing airline activities and colder weather compared with April 2018 and the historical norm, dominated gains and have been partly offset by shrinking demand for LPG, naphtha and fuel oil.

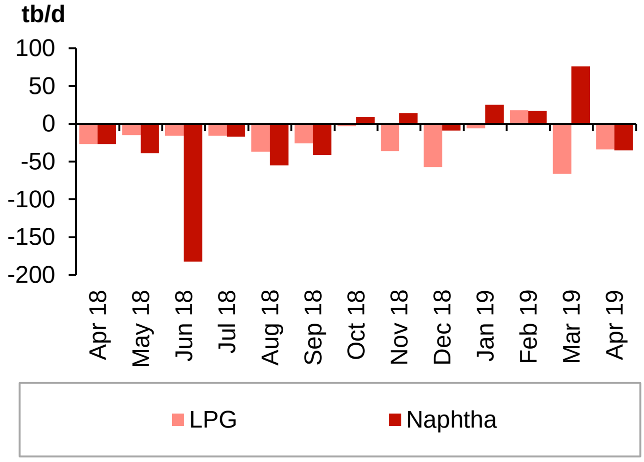
Gasoline demand remained flat y-o-y, after seeing consecutive declines for the last 14 months. Falling requirements were also seen for fuels used for direct crude burning and electricity generation as a result of substitution by other energy commodities, including natural gas.

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



Sources: Joint Organisations Data Initiative and OPEC Secretariat.

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



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

Despite a positive April, Japanese oil demand growth was deeply in negative territory during the first four months of the year, with declines largely dominated by LPG, gasoline and diesel fuel, as well as electricity generating fuels.

South Korea

In **South Korea**, March 2019 oil demand came up sluggish for the second month in a row. Stalling petrochemical activities, which were in line with decreasing LPG and naphtha requirements, have been accompanied by increasing demand for petroleum products in the transportation and industrial sectors, notably gasoline and diesel fuel.

Going forward, the outlook draws diverse pictures in the **Asia Pacific** region. In Japan, risks for 2019 remain skewed to the downside as a result of rather gloomy economic forecasts and continuous fuel substitution, in combination with efficiency gains. However, in South Korea the risk for the overall 2019 outlook slightly tilted to the upside and dependent on the speed of recovery of the country's petrochemical sector.

OECD Asia Pacific oil demand for 2018 shrank by 0.07 mb/d and is expected to drop by 0.06 mb/d 2019 outlook

Non-OECD

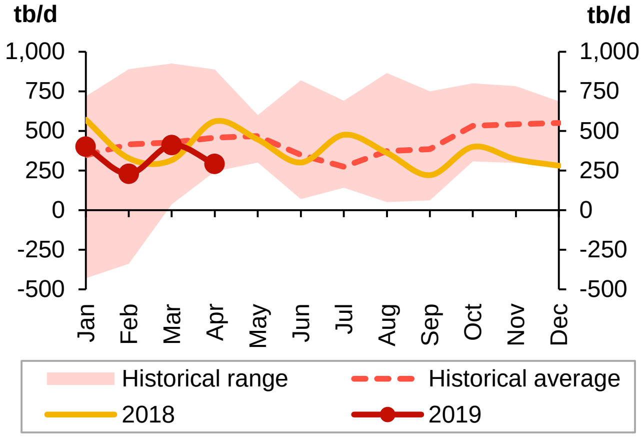
China

Chinese oil consumption increased through April by around 0.21 mb/d y-o-y, led by steady gains in transportation fuels, namely jet fuel and gasoline.

Diesel fuel, on the other hand, remained in negative territory for yet another month. Total product demand was pegged at 12.5 mb/d in April 2019. Jet/kerosene increased in April by as much as 0.17 mb/d, which equates to a 21% increase y-o-y. This rise in jet kerosene requirements is in line with increased travel activities during the Qingming Festival. In April, air passenger traffic was higher by around 5% compared with same month in 2018, indicating a healthy aviation sector.

Gasoline demand was higher by around 0.04 mb/d, which equates to around 1% y-o-y, supported by additional driving during the Qingming Festival in early April and retailers stocking gasoline prior of the Labour Day holiday.

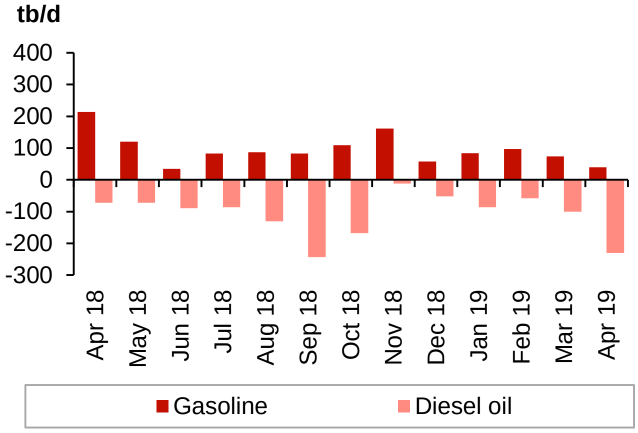
Graph 4 - 7: Changes in China's apparent oil demand, y-o-y change



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

Vehicle sales, on the other hand, continued to slide during April. According to China's passenger car association, vehicle sales dropped by around 18% in April, with both sport utility vehicles (SUV) and multi-purpose vehicles (MPV) dropping by around 19% and 22%, respectively. Year-to-date data sales of passenger cars reached 6.8 million units, down by around 15% from the 8.0 million units recorded over the same period in 2018. LPG demand rose by around 0.03 mb/d y-o-y, which equates to more than 2% y-o-y, supported by increasing propane demand after two propane dehydrogenation (PDH) plants returned from maintenance. PDH utilisation rates averaged 93.6% in April, 27% higher y-o-y; heavy maintenance slowed utilisation rates in April 2019.

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



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

Diesel fuel dipped by almost 0.23 mb/d or around 7% from the level recorded in April 2018 due to slower-than-expected demand in the industrial and transportation sectors. China's manufacturing PMI, as reported by IHS Markit and Caixin, was at 50.1 in April this year, down from the 51.3 recorded in April 2018, but still remaining in expansionary territory.

Projections for 2019 oil demand development are unchanged from last month. The outlook is based on transportation and industrial fuels leading the product mix, lower GDP growth compared with 2018, a continuation of fuel quality programmes targeting fewer emissions and fuel substitution by natural gas and coal.

For 2018, **China's oil demand** grew by around 0.39 mb/d, while expectations for 2019 oil demand growth are in the range of 0.35 mb/d.

Other Asia

India

In April, **India's oil consumption** demonstrated a marginal increase compared with April 2018, as demand registered modest growth of 0.02 mb/d, coming off a high baseline in April 2018. Total consumption remains hovering around record consumption of 5 mb/d at 4.96 mb/d.

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

			Change 2019/18	
	Apr 19	Apr 18	tb/d	%
LPG	773	755	18	2.4
Naphtha	337	367	-30	-8.1
Gasoline	698	648	49	7.6
Jet/kerosene	258	284	-26	-9.1
Diesel oil	1,817	1,785	32	1.8
Fuel oil	218	225	-7	-3.1
Other products	860	882	-22	-2.5
Total	**4,962**	**4,947**	**15**	**0.3**

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

Mixed performance was observed in the product pool, while gasoline, diesel fuel and LPG recorded steady gains. This was offset by declines in naphtha, jet/kerosene, fuel oil and other product requirements.

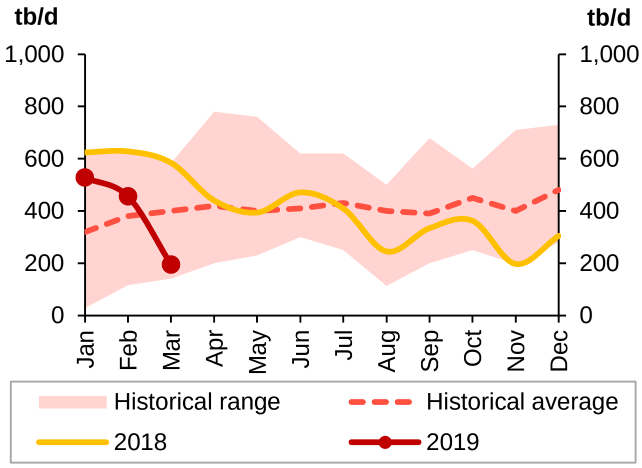
Gasoline consumption remained on an increasing trajectory which started back in September 2017, with growth levels of 0.05 mb/d y-o-y despite declining vehicle sales. Passenger vehicle sales data showed a y-o-y decrease of around 2%, with motorcycles sales also declining by as much as 9% y-o-y as consumers decreased their buying appetite ahead of the general election, in addition to higher insurance costs slowing sales considerably.

Diesel fuel demand also increased to reach 1.8 mb/d, 0.03 mb/d higher than April 2018, supported by steady momentum in manufacturing activities in the country ahead of the general election and despite commercial vehicle sales dropping by 16% y-o-y as reported by the Federation of Automobile Dealers Association.

LPG demand picked up compared with last year, registering an increase of around 0.02 mb/d, as subsided LPG demand continued to provide support.

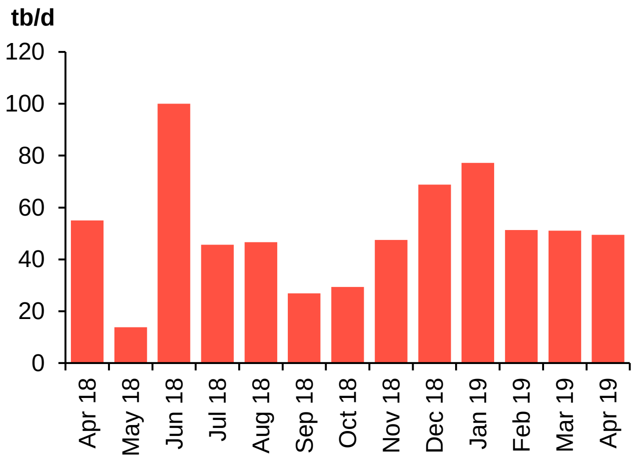
Fuel oil demand declined, shedding off around 0.01mb/d amid lower-than-anticipated consumption in the power sector, despite increasing bunkering activities in the country.

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



Sources: Joint Organisations Data Initiative and OPEC Secretariat.

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



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

Indonesia

In **Indonesia**, the latest available March data indicates a rise of 0.01 mb/d y-o-y. All product categories were positive, with the exception to fuel oil, which fell marginally. Jet/kerosene and LPG led oil demand increases during the month, with growth of 5%, 3%, 2% y-o-y, respectively.

Malaysia

In **Malaysia**, oil demand for March came up positive, y-o-y, with demand increasing slightly in the majority of petroleum product categories, apart from diesel fuel requirements, which fell marginally.

Thailand

In **Thailand**, the latest available data implies an increase of 0.01 mb/d y-o-y in March. Gasoline, diesel fuel, and jet kerosene demand grew, but were offset by declining naphtha and fuel oil requirements.

Steady oil demand development in India, along with various other countries in **Other Asia** such as Indonesia, Thailand and the Philippines, indicate stable projections for regional consumption going forward. Demand is expected to be supported by overall economic development. However, the impact of various other factors –such as the monsoon season, the baseline effect and current oil prices – are to be closely monitored.

Other Asia's oil demand increased by 0.42 mb/d in 2015. For 2019, oil demand is anticipated to increase by 0.38 mb/d.

Latin America

Brazil

In **Brazil**, oil demand data returned to an increasing trend in April, rising by 0.08 mb/d, or 3% y-o-y, with total consumption pegged at around 2.8 mb/d.

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

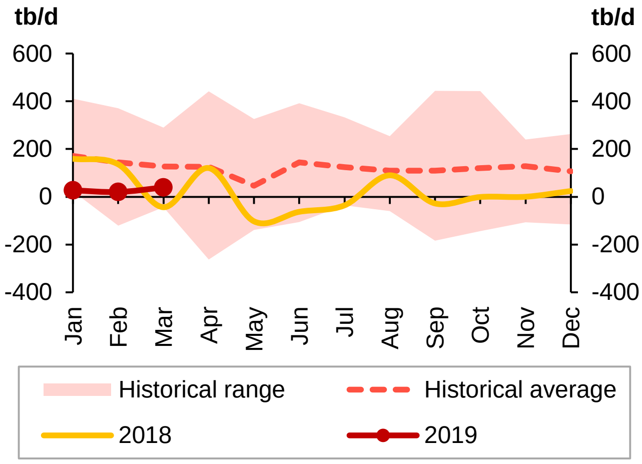
	Apr 19	Apr 18	Change 2019/18 tb/d	%
LPG	228	229	-1	-0.4
Naphtha	147	146	1	0.7
Gasoline	671	708	-38	-5.3
Jet/kerosene	116	119	-3	-2.5
Diesel oil	976	968	7	0.8
Fuel oil	99	98	0	0.3
Other products	513	402	111	27.7
Total	**2,749**	**2,671**	**78**	**2.9**

*Note: * = Inland deliveries.*

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

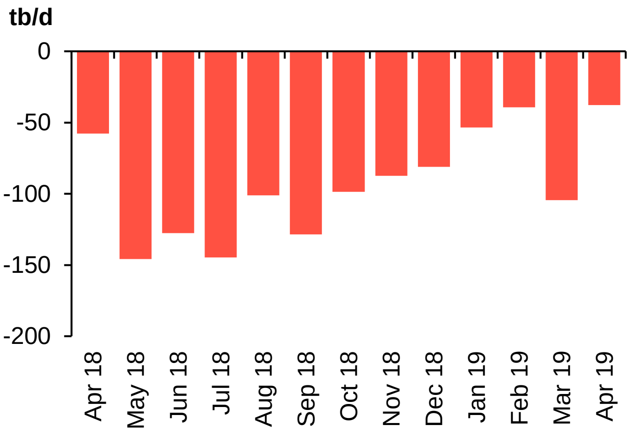
However, most product categories were in the negative zone; these were outweighed by strong increases for ethanol and to much a lesser extent diesel fuel. Ethanol demand was boosted to reach 0.11 mb/d, which marked the 19th consecutive monthly increase, a positive trend that started back in October 2017. Ethanol prices have been and continue to be more competitive than gasoline, promoting ethanol usage in lieu of gasoline. Ethanol retail prices during April were at 3.0 reais per litre as reported by Brazil's National Agency of Petroleum, Natural Gas and Biofuels, while gasoline retail prices were at 4.4 reais per litre during the same month. As such, gasoline demand dipped by 0.04 mb/d compared with the same month in 2018. Diesel fuel regained a rising trend, but only modestly.

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



Sources: Joint Organisations Data Initiative and OPEC Secretariat.

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



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

Following a sharp y-o-y dip in March, demand increased by 0.01 mb/d in April. Brazil's manufacturing PMI for April was at 51.8, remaining in expansion territory and providing some support for diesel fuel requirements. In a year-to-date basis, oil demand in Brazil showed steady momentum, with 1Q19 data indicating a healthy rise of 0.05 mb/d, equating to around 2% y-o-y.

This performance in mainly driven by solid growth in ethanol, increasing by around 22% y-o-y, and middle distillate consumption, as both jet/kerosene and diesel fuel posted gains of around 3% and 2% y-o-y, respectively.

Argentina

Argentina's oil demand remained in negative territory, a trend exhibited since May 2018, excluding August 2018, when moderated positive growth in oil requirements was registered. In March 2019, oil demand decreased by 0.04 mb/d y-o-y. Gains were only seen in naphtha and jet/kerosene, which increased by around 9% each. However, those gains were completely outweighed by strong declines in diesel fuel, gasoline, fuel oil and LPG.

Ecuador

The latest **Ecuadorian oil demand** data for April showed some y-o-y gains of around 0.01 mb/d. Increases are dominated by rising gasoline and diesel fuel demand. Requirements for naphtha and fuel oil offset some of those gains.

Looking forward, for the rest of 2019, expectations for oil demand growth in **Latin America** are similar to last month's projections, with a somewhat better outlook for the economy compared with 2018, with Brazil expected to lead oil demand growth in the region.

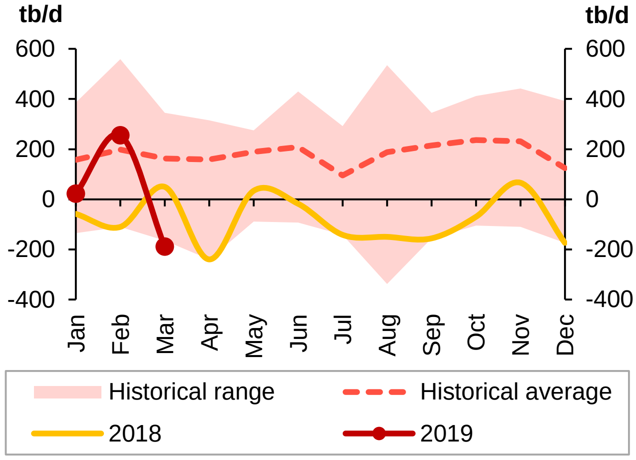
Latin American oil demand fell by 0.08 mb/d in 2018. During 2019, it is projected to increase by 0.03 mb/d.

Middle East

Saudi Arabia

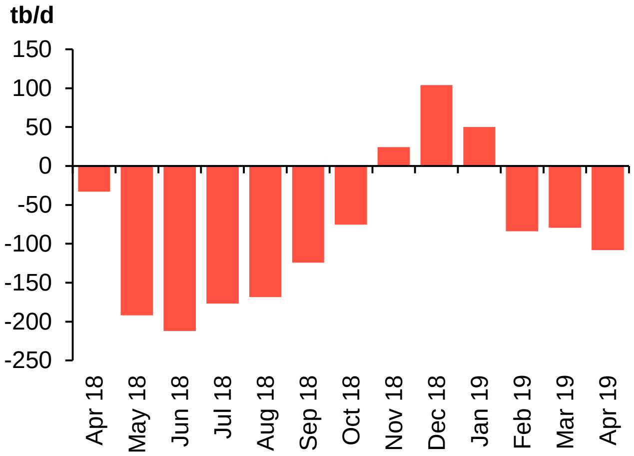
In **Saudi Arabia**, the first four months of 2019 indicated flat oil demand growth as declines registered in March and April oil demand data counterbalanced positive growth exhibited during the first two months of the year. April oil demand figures indicated a decline in oil requirements of 0.03 mb/d or 2% y-o-y.

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



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

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



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

Crude oil used for the purposes of burning in the power generation sector, gasoline and diesel fuel all recorded negative performance, despite improving fuel oil demand during the month of April. Crude oil for direct use in power generation eased by as much as 0.11 mb/d in light of substitution by fuel oil and natural gas. On the other hand, fuel oil demand recorded gains of 0.15 mb/d due to higher-than-anticipated demand for power generation, as well as substitution with crude for burning. Total crude oil demand for the purpose of burning was at 0.28 mb/d in April, while total fuel oil demand was at 0.45 mb/d during the same month. Diesel fuel continued its downward trend, which started in 1Q16, as government infrastructure project activities showed signs of slowing down. Cement deliveries during the month of April dropped by more than 9% y-o-y, an indication of slower construction activity in the country. Diesel fuel requirements shed some 0.03 mb/d or around 5% y-o-y.

Total diesel fuel demand is now at 0.52 mb/d. Transportation fuels in general were also declining, with gasoline dropping by around 7% y-o-y. A reduction in subsidies and general slowdown in consumer spending are cumulatively negatively influencing product performance.

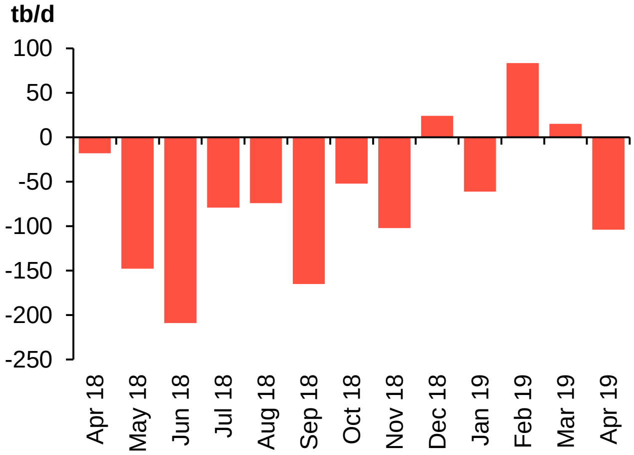
Iraq

In **Iraq**, the positive momentum in oil demand performance during the first three months of 2019 flipped into negative territory, with oil demand dipping by 0.10 mb/d y-o-y during the month of April.

The decline was primarily linked to slower performance from heavy fuels, mainly direct crude oil for power generation and fuel oil. Conversely, light and middle distillate products recorded some gains. Substitution by natural gas is apparently the main cause of declines in power generation fuels during April.

Total product demand in April reached 0.64 mb/d.

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



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

Looking forward, **Middle East oil demand** growth is foreseen to be balanced for the remainder of 2019**,** with some negative uncertainties, including geopolitical concerns, substitution programmes with other fuels, as well as subsidy reduction policies. On the other hand, improvements in the oil price environment should translate to a positive overall outcome for economic activities, hence lending some kind of support to oil demand in 2019. Transportation fuels – gasoline and diesel fuel – are anticipated to be the products leading oil demand growth.

In 2018, Middle East oil demand declined by 0.08 tb/d, while oil demand in 2019 is projected to increase by 0.03 mb/d.

World Oil Supply

Following the robust growth of 2.91 mb/d in 2018, ***non-OPEC oil supply*** *in* ***2019*** *is expected to grow at a slower pace of 2.14 mb/d, y-o-y to average 64.51 mb/d. The 2019 supply forecast has remained unchanged in this month's assessment, despite some downward revisions to the supply forecasts of the US, Norway and Brazil, which were offset by upward revisions in China and the UK. Downward revisions in US 1Q19 y-o-y growth was due to lower-than-expected output by -52 tb/d compared with the previous assessment, and due to lower-than-expected production in 3Q19 and 4Q19 in Norway and Brazil. At the same time, production in China is expected to recover with higher y-o-y growth, partially offsetting these declines. The US is expected to continue to be the main driver for non-OPEC supply growth in 2019 with 1.83 mb/d y-o-y, followed by Brazil, Russia, China, Australia, the UK, Ghana and the Sudans. Meanwhile, Mexico, Norway, Kazakhstan, Indonesia and Vietnam are projected to see the largest declines.*

OPEC NGLs and non-conventional liquids *are expected to grow by 0.08 mb/d y-o-y in 2019 to average 4.84 mb/d, while production in 2018 grew by 0.13 mb/d and averaged 4.76 mb/d. In May 2019, OPEC crude oil production is estimated to decline by 236 tb/d m-o-m to average 29.88 mb/d, according to secondary sources.*

According to preliminary May data, ***non-OPEC supply, including OPEC NGLs****, is estimated to have increased by 0.27 mb/d m-o-m to average 68.39 mb/d, up by 2.10 mb/d y-o-y. As a result,* ***global oil supply*** *is estimated to have slightly increased by 0.04 mb/d m-o-m to average 98.26 mb/d in May 2019.*

Table 5 - 1: Non-OPEC supply forecast comparison in 2018-2019*, mb/d

Region	2018	Change 2018/17	2019	Change 2019/18
OECD Americas	23.99	2.51	25.65	1.66
OECD Europe	3.83	0.01	3.79	-0.04
OECD Asia Pacific	0.41	0.02	0.47	0.06
Total OECD	**28.23**	**2.54**	**29.91**	**1.68**
Other Asia	3.55	-0.07	3.47	-0.08
Latin America	5.19	0.04	5.46	0.26
Middle East	3.21	0.07	3.22	0.02
Africa	1.51	0.03	1.58	0.07
Total DCs	**13.47**	**0.08**	**13.73**	**0.27**
FSU	14.29	0.24	14.38	0.10
Other Europe	0.12	-0.01	0.12	0.00
China	4.02	0.04	4.09	0.08
Non-OPEC production	60.12	2.88	62.23	2.11
Processing gains	2.25	0.04	2.28	0.03
Non-OPEC supply	**62.37**	**2.91**	**64.51**	**2.14**

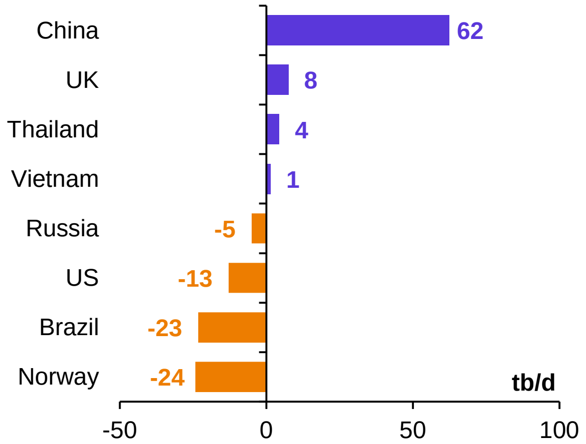
*Note: * 2019 = Forecast.*
Source: OPEC Secretariat.

Monthly revisions to non-OPEC supply growth forecast

Non-OPEC supply in 2019 is forecast to grow by 2.14 mb/d, unchanged from the previous assessment and is expected to average 64.51 mb/d for the year.

On a country-by-country basis, the US supply growth forecast was revised down by 13 tb/d compared to last month's assessment due to a downward revision of 52 tb/d in 1Q19, as actual data came in lower than forecast. At the same time, Norway's and Brazil's production were revised down by 24 tb/d and 23 tb/d, respectively, as maintenance is expected to impact output in 3Q19 and 4Q19 more deeply than anticipated. On the other hand, higher y-o-y growth is forecast for China due to its good production performance in 1Q19 and higher spending by Chinese oil companies compared with a year earlier, leading to an upward revision to growth by 62 tb/d, (***Graph 5 - 1***).

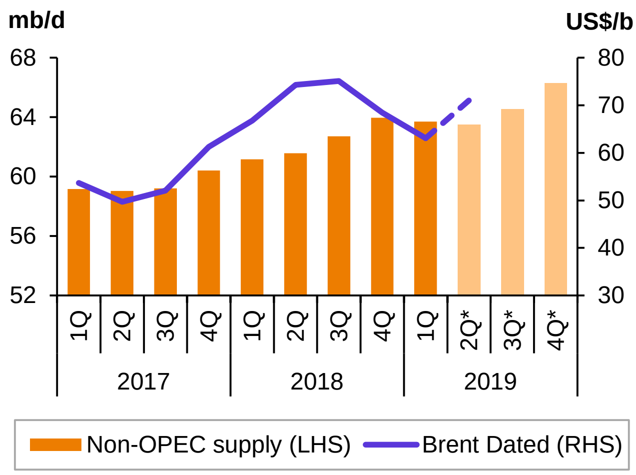
Graph 5 - 1: Monthly oil market report Jun 19/May 19 revisions in 2019* annual supply changes



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

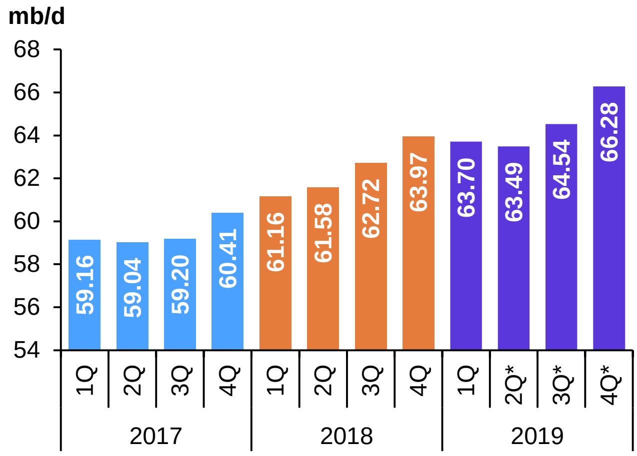
According to the non-OPEC supply forecast for 2H19, oil production is forecast around 1.8 mb/d higher than in 1H19, following the return from maintenance in some countries, the opening of new pipelines in the Permian Basin, production ramp ups of new projects in Brazil and the possible start-up of the giant Johan Sverdrup field in Norway.

Graph 5 - 2: Non-OPEC quarterly liquids supply and Dated Brent



*Note: * 2Q19-4Q19 = Forecast.*
Source: OPEC Secretariat.

Graph 5 - 3: Non-OPEC quarterly oil supply



*Note: * 2Q19-4Q19 = Forecast.*
Source: OPEC Secretariat.

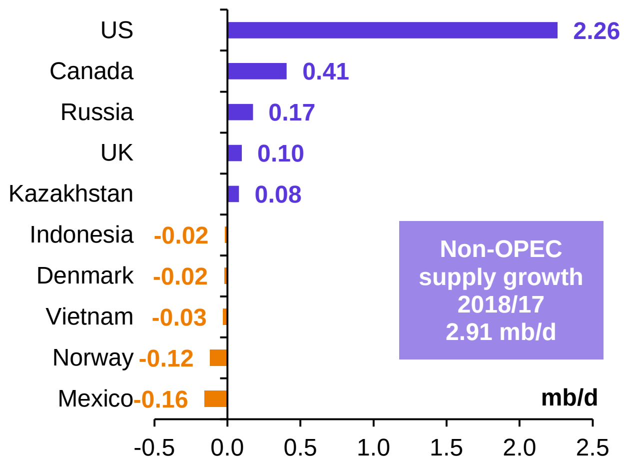
Non-OPEC oil supply in 2018 and 2019

Table 5 - 2: Non-OPEC oil supply in 2018, mb/d

	2017	1Q18	2Q18	3Q18	4Q18	2018	Change 2018/17 Growth	%
Americas	21.48	22.89	23.35	24.53	25.15	23.99	2.51	11.69
of which US	*14.40*	*15.53*	*16.22*	*17.17*	*17.70*	*16.66*	*2.26*	*15.69*
Europe	3.82	3.94	3.79	3.70	3.89	3.83	0.01	0.16
Asia Pacific	0.39	0.40	0.38	0.42	0.44	0.41	0.02	4.49
Total OECD	**25.69**	**27.24**	**27.52**	**28.66**	**29.47**	**28.23**	**2.54**	**9.87**
Other Asia	3.62	3.62	3.57	3.51	3.51	3.55	-0.07	-1.97
Latin America	5.15	5.17	5.22	5.12	5.26	5.19	0.04	0.82
Middle East	3.13	3.16	3.21	3.22	3.24	3.21	0.07	2.29
Africa	1.48	1.50	1.52	1.55	1.49	1.51	0.03	2.26
Total DCs	**13.39**	**13.45**	**13.52**	**13.40**	**13.50**	**13.47**	**0.08**	**0.57**
FSU	14.05	14.10	14.14	14.33	14.57	14.29	0.24	1.67
of which Russia	*11.17*	*11.14*	*11.18*	*11.44*	*11.61*	*11.35*	*0.17*	*1.56*
Other Europe	0.13	0.12	0.12	0.12	0.12	0.12	-0.01	-4.58
China	3.98	4.01	4.03	3.97	4.05	4.02	0.04	0.92
Total "Other regions"	**18.16**	**18.23**	**18.29**	**18.42**	**18.74**	**18.42**	**0.27**	**1.46**
Total non-OPEC production	**57.24**	**58.92**	**59.33**	**60.47**	**61.72**	**60.12**	**2.88**	**5.03**
Processing gains	2.21	2.25	2.25	2.25	2.25	2.25	0.04	1.67
Total non-OPEC supply	**59.45**	**61.16**	**61.58**	**62.72**	**63.97**	**62.37**	**2.91**	**4.90**
Previous estimate	59.47	61.20	61.59	62.71	63.97	62.37	2.91	4.89
Revision	-0.01	-0.03	-0.01	0.01	0.00	-0.01	0.01	0.01

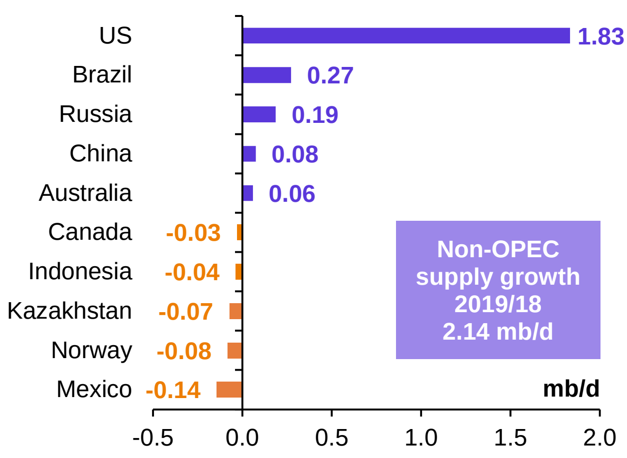
Note: Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

Graph 5 - 4: Annual supply changes for selected countries in 2018



Source: OPEC Secretariat.

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



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

Table 5 - 3: Non-OPEC oil supply in 2019*, mb/d

	2018	1Q19	2Q19	3Q19	4Q19	2019	*Change 2019/18* Growth	%
Americas	23.99	24.95	24.96	25.91	26.76	25.65	1.66	6.93
of which US	*16.66*	*17.77*	*18.11*	*18.64*	*19.45*	*18.50*	*1.83*	*11.01*
Europe	3.83	3.82	3.66	3.71	3.96	3.79	-0.04	-1.12
Asia Pacific	0.41	0.43	0.46	0.48	0.51	0.47	0.06	14.51
Total OECD	**28.23**	**29.20**	**29.08**	**30.09**	**31.23**	**29.91**	**1.68**	**5.95**
Other Asia	3.55	3.53	3.44	3.46	3.46	3.47	-0.08	-2.28
Latin America	5.19	5.18	5.44	5.54	5.67	5.46	0.26	5.09
Middle East	3.21	3.21	3.24	3.22	3.22	3.22	0.02	0.53
Africa	1.51	1.54	1.56	1.59	1.62	1.58	0.07	4.31
Total DCs	**13.47**	**13.45**	**13.68**	**13.81**	**13.98**	**13.73**	**0.27**	**1.97**
FSU	14.29	14.55	14.21	14.19	14.58	14.38	0.10	0.67
of which Russia	*11.35*	*11.53*	*11.38*	*11.61*	*11.61*	*11.53*	*0.19*	*1.65*
Other Europe	0.12	0.12	0.12	0.12	0.12	0.12	0.00	-1.08
China	4.02	4.10	4.12	4.05	4.10	4.09	0.08	1.88
Total "Other regions"	**18.42**	**18.77**	**18.45**	**18.36**	**18.80**	**18.59**	**0.17**	**0.92**
Total non-OPEC production	**60.12**	**61.43**	**61.21**	**62.26**	**64.00**	**62.23**	**2.11**	**3.52**
Processing gains	2.25	2.28	2.28	2.28	2.28	2.28	0.03	1.25
Total non-OPEC supply	**62.37**	**63.70**	**63.49**	**64.54**	**66.28**	**64.51**	**2.14**	**3.43**
Previous estimate	62.37	63.81	63.43	64.55	66.25	64.52	2.14	3.43
Revision	-0.01	-0.10	0.06	-0.01	0.03	-0.01	0.00	0.00

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

OECD

Following robust growth of 2.54 mb/d in 2018, **OECD oil supply in 2019** is forecast to grow by 1.68 mb/d to average 29.91 mb/d, representing a downward revision of 38 tb/d compared with last month's assessment.

While OECD Americas and OECD Asia Pacific are projected to grow by 1.66 mb/d (revised down by 0.02 mb/d) and 0.06 mb/d to average 25.65 mb/d and 0.47 mb/d, respectively, oil production in OECD Europe is anticipated to decline by 0.04 mb/d (revised down by 0.02 mb/d) to average 3.79 mb/d.

OECD Americas

US

US crude oil output (including lease condensate) in March 2019 was up m-o-m by 241 tb/d to average 11.91 mb/d. Y-o-y, output was higher by 1.45 mb/d. While crude oil output increased in the Gulf Coast (PADD 3) and Midwest (PADD 2), mainly in North Dakota and Oklahoma, oil production in the other three PADDs declined.

The m-o-m increase in March came mainly from the Gulf of Mexico, where output recovered by 191 tb/d to average 1.91 mb/d, the same level as seen in January 2019. The monthly increase was primarily due to the Thunder Horse platform returning from maintenance. Total output on the Gulf Coast (PADD3) indicates growth of 207 tb/d to average 7.85 mb/d in March. New Mexico's crude oil output grew by 23 tb/d m-o-m to average 0.87 mb/d, mainly from Eagle Ford shale. Meanwhile oil production in Texas declined by a minor 6 tb/d m-o-m to average 4.87 mb/d, due to lower conventional crude production, but not from Permian tight oil output in Delaware and Midland. The US oil projects in the Permian Basin are beginning to show delays as producers are reportedly curbing spending and are not able to increase production due to limited pipeline capacity. The implementation of nine pipeline projects in the Texas area is expected to gradually add new take-away capacity in the amount of 5.4 mb/d through the first half of 2021.

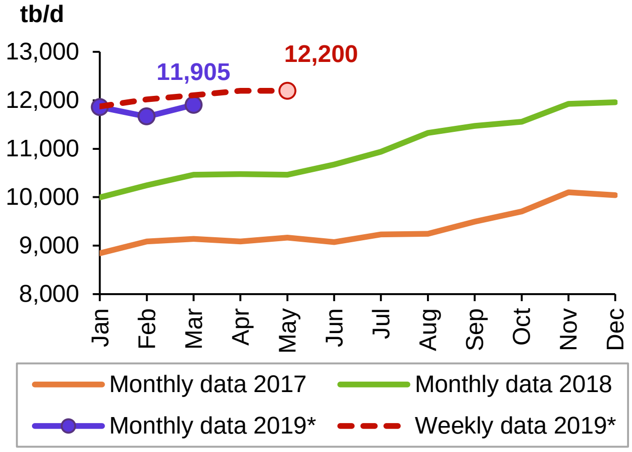
In March 2019, oil production in North Dakota showed a significant output recovery by 42 tb/d m-o-m to average 1.35 mb/d, mainly from the Bakken shale in the Williston Basin. The recovery was driven by a combination of the post-winter resolution of shut-ins, along with strong growth in fracking. Oil production in the states of Colorado, Oklahoma and Alaska also declined in March.

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

State	Feb 19	Mar 19	Change Mar 19/Feb 19
Colorado	486	469	*-17*
Alaska	488	481	*-7*
Oklahoma	570	586	*16*
New Mexico	847	870	*23*
North Dakota	1,310	1,352	*42*
Federal Offshore - Gulf of Mexico (GoM)	1,716	1,907	*191*
Texas	4,879	4,873	*-6*
Total US crude oil production	**11,664**	**11,905**	***241***

Sources: US EIA and OPEC Secretariat.

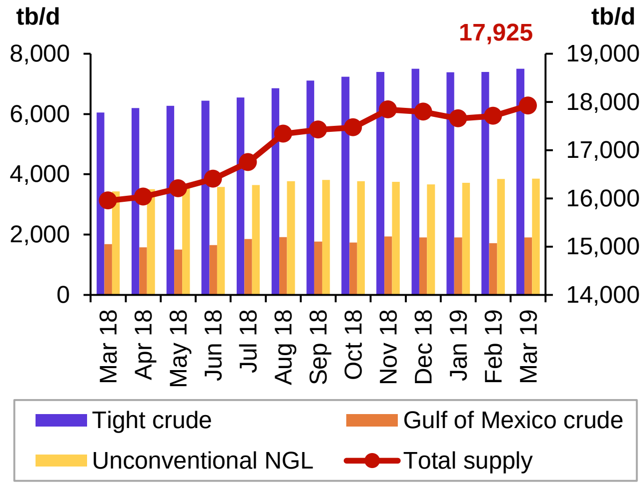
Graph 5 - 6: US monthly crude oil production in 2017-2019 vs. weekly forecast in 2019



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

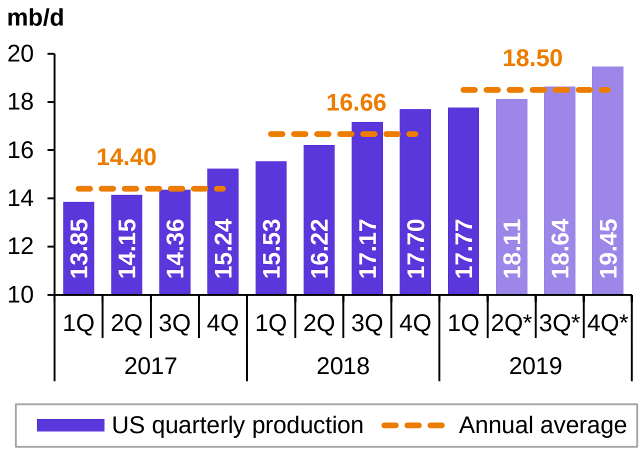
US crude oil production in 2019 is likely to grow by 1.37 mb/d y-o-y to average 12.33 mb/d. The highest incremental production is expected in the Gulf Coast, albeit at a slower pace compared with a year ago due to pipeline constraints in the Permian Basin. The share of tight crude out of the forecast growth of 1.37 mb/d in 2019 is projected at 1.30 mb/d, to average 7.90 mb/d, and for the Gulf of Mexico it is 0.15 mb/d, to average 1.89 mb/d, while conventional crude (non-shale) is projected to decline by 0.09 mb/d, to average 2.54 mb/d.

Graph 5 - 7: US monthly liquids supply by key component



Source: US EIA and OPEC Secretariat.

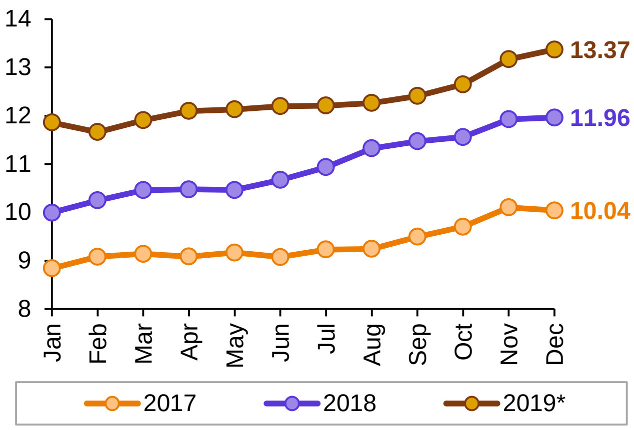
Graph 5 - 8: US total liquids supply quarterly



*Note: * 2Q19-4Q19 = Forecast.*
Sources: US EIA and OPEC Secretariat.

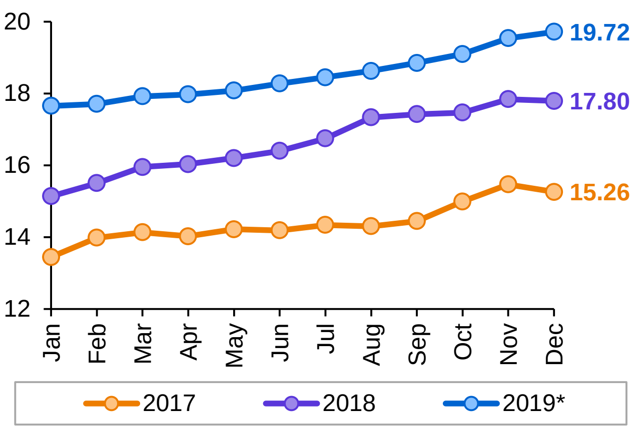
US liquids output in March (excluding processing gains) showed an increase of 0.22 mb/d m-o-m to average 17.93 mb/d, up by 1.97 mb/d y-o-y, including the aforementioned m-o-m growth in crude oil production by 241 tb/d. Production of NGLs in March was up by 22 tb/d m-o-m to average 4.73 mb/d, higher by 0.55 mb/d y-o-y. Preliminary data shows that the output of other liquids, mainly ethanol, declined in March by 47 tb/d m-o-m and was lower by 30 tb/d compared with a year ago.

Graph 5 - 9: US monthly crude oil supply



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

Graph 5 - 10: US monthly total liquids supply



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

US liquids supply in **2019** is forecast to average 18.50 mb/d, representing y-o-y growth of 1.83 mb/d, revised down by 0.02 mb/d due to lower-than-expected crude output in 1Q19 compared with the previous month's assessment. Following a disappointing 4Q18 when prices collapsed, many E&P companies who are active particularly in the US shale industry decided to lower their capex in 2019 compared with a year earlier in order to show capital discipline alongside healthy production growth.

Drilling activity shows that the total US rig count declined by 108 rigs, or 10%, mainly oil rigs, from the end of December 2018 to 975 rigs in the first week of June 2019. Completed wells have decreased by 231 wells in 1Q19 vs 4Q18 to average 2,234 wells in five key shale play regions. However, strong permitting activity in early 2019 supports the expectation of substantial growth in 2H19. While producers such as EP Energy and PDC Energy, among others, have deliberately delayed completions at the beginning of 2019 as they await an improved price environment to realize higher margins, others have allocated a larger share of capital to 1H19, which is already supported by a substantial recovery in fracking during 2Q19. With regard to NGL production, output in 1Q19 grew by 117 tb/d q-o-q to average 4.66 mb/d, and was higher by 653 tb/d y-o-y. US NGL production is forecast to grow by 0.44 mb/d to average 4.79 mb/d in 2019, of which 0.43 mb/d is likely to come from unconventional sources, mainly shale gas.

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

	2016	2017	*Change 2017/16*	2018	*Change 2018/17*	2019*	*Change 2019/18*
Tight crude	4.41	4.94	*0.53*	6.60	*1.66*	7.90	*1.30*
Gulf of Mexico crude	1.60	1.68	*0.08*	1.74	*0.06*	1.89	*0.15*
Conventional crude oil	2.82	2.74	*-0.09*	2.63	*-0.11*	2.54	*-0.09*
Unconventional NGLs	2.76	3.02	*0.27*	3.58	*0.56*	4.01	*0.43*
Conventional NGLs	0.75	0.76	*0.01*	0.77	*0.01*	0.78	*0.01*
Biofuels + Other liquids	1.27	1.27	*0.00*	1.35	*0.08*	1.38	*0.03*
US total supply	**13.61**	**14.40**	***0.80***	**16.66**	***2.26***	**18.50**	***1.83***

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

US tight crude output in March 2019 is estimated to have increased by 86 tb/d m-o-m to average 7.48 mb/d, an increase of 1.43 mb/d y-o-y, according to preliminary shale and tight oil production estimates. The main m-o-m growth in US tight crude output from shale and tight formations through horizontal wells came from the Bakken shale in North Dakota. Tight crude output from the Bakken shale grew by 44 tb/d to average 1.36 mb/d. More than 203 thousand feet of laterals were drilled through 130 new wells, while only 91 wells were completed. In the Permian Basin, production from both the Midland and Delaware tight grew by a total of 37 tb/d m-o-m to average 3.44 mb/d. In the Permian, 408 out of 470 spudded wells were completed by drilling around 490,000 feet of lateral wells and 2,433 frac stages. Tight crude production in the Niobrara shale play declined by 11 tb/d to average 0.53 mb/d, while output in the Eagle Ford play in New

Mexico rose by 23 tb/d to average 1.23 mb/d. Production in other US shale plays showed a contraction of 7 tb/d to average 0.91 mb/d. On average, US producers saw a slowdown in tight oil production growth in 1Q19, which grew by 0.6% relative to 4Q18.

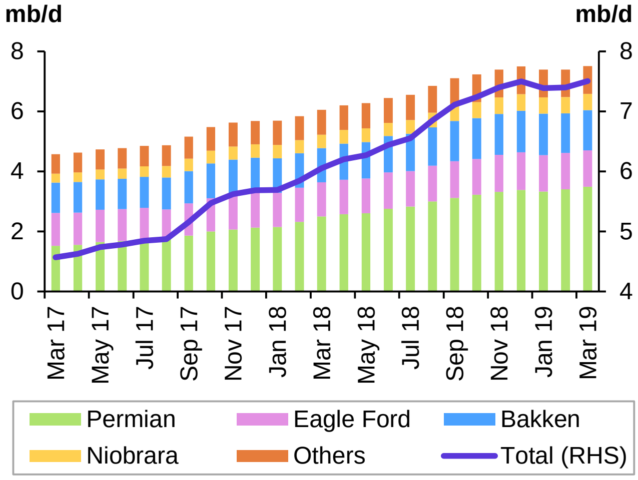
Table 5 - 6: US tight oil production growth, mb/d

Shale play	2017		2018		2019*	
tb/d	Production	*Y-o-y change*	Production	*Y-o-y change*	Production	*Y-o-y change*
Permian tight	1.73	*0.42*	2.81	*1.08*	3.45	*0.64*
Bakken shale	1.06	*0.04*	1.25	*0.20*	1.48	*0.23*
Eagle Ford shale	1.09	*-0.06*	1.18	*0.10*	1.34	*0.16*
Niobrara shale	0.36	*0.07*	0.48	*0.12*	0.63	*0.15*
Other tight plays	0.70	*0.06*	0.86	*0.17*	1.00	*0.14*
Total	**4.94**	***0.53***	**6.60**	***1.66***	**7.90**	***1.30***

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

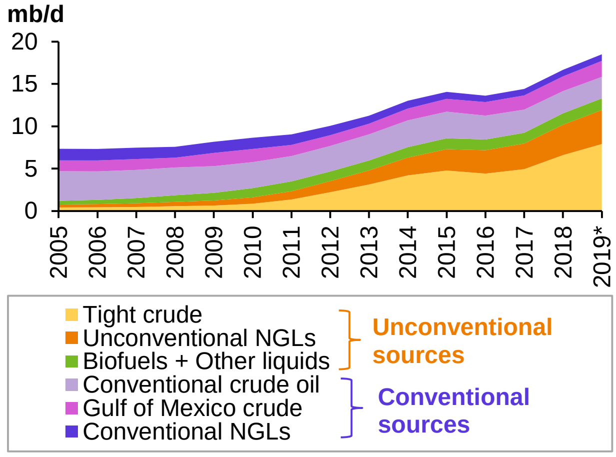
Y-o-y growth in US tight crude output for 2019 is forecast at a slower pace of 1.30 mb/d to average 7.90 mb/d, which is 0.36 mb/d less than estimated for 2018, due to fundamental constraints, mainly limited pipeline capacity to transfer oil from the Permian to the US Gulf Coast (USGC) as well as lower drilling and completion activity in other main shale plays.

Graph 5 - 11: US tight crude breakdown



Souces: US EIA and OPEC Secretariat.

Graph 5 - 12: US liquids production breakdown



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

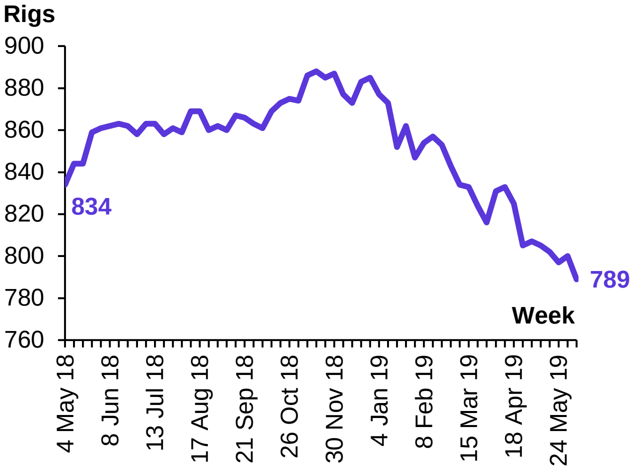
US rig, well and drilled but uncompleted wells (DUCs)

Overall, the **US rig count** decreased by 9 land rigs in the week ending 7 June 2019 to 975 rigs, according to the weekly report by Baker Hughes.US onshore active rigs have now reached 948 rigs.

The US oil rig count also decreased by 11 units w-o-w and dropped by 73 rigs y-o-y to 789 oil rigs. The oil rig count in the Permian Basin was down by 6 units to stand at 446 rigs, lower by 33 units y-o-y. Since October 2018, drilling and well completion in the Permian region due to pipeline constraints has changed. Lower well completion compared to the number of spudded wells has led to increasing **DUCs** in this prolific region to average 2,655 uncompleted wells in May 2019, which is likely to continue into 2H19 until new pipelines come online.

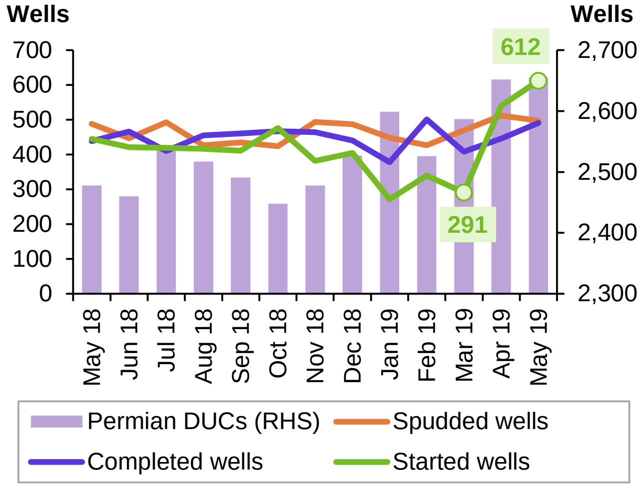
For the other basins, on a yearly basis, the DJ-Niobrara added 2 oil rigs to stand at 28 rigs, the Eagle Ford Basin showed a decline by 3 to 66 rigs, and the Williston Basin added only one rig, reaching 56 units.

Graph 5 - 13: US weekly oil rig count



Sources: Baker Hughes and OPEC Secretariat.

Graph 5 - 14: Permian well activities vs DUCs



Sources: Rystad Energy and OPEC Secretariat.

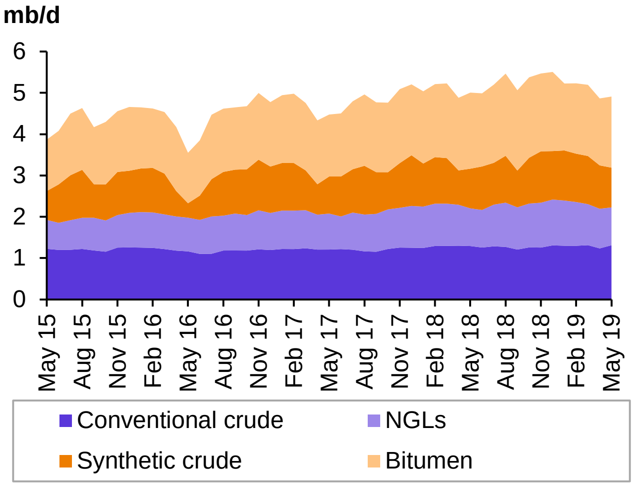
At the same time, a total of 2,952 **horizontal (oil and gas) wells** were spudded in 1Q19, representing a decline of 77 wells q-o-q, while in comparison, the number of total completed wells declined by 253 units to 2,612 wells in the same quarter. Wells starting to produce oil decreased by 733 units to 2,046 over the quarter. Hence, averaged crude oil production in 1Q19 showed a decline of 0.15 mb/d compared with December 2018.

The preliminary **total number of DUCs** in all US shale and tight formations increased by 61 wells m-o-m to average 5,961 wells in May 2019.

Canada

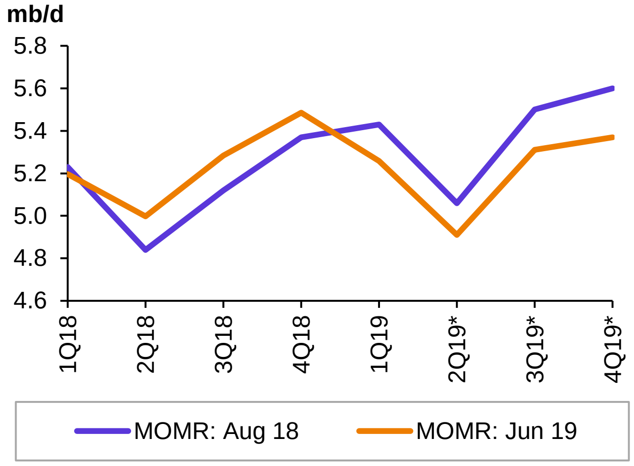
Canada's liquids supply in February 2019 remained unchanged m-o-m from the previous assessment to average 5.27 mb/d, according to official data, more or less in line with the Alberta government's mandate to adjust down production levels due to pipeline constraints in transferring Western Canadian crude.

Graph 5 - 15: Canada's production by product type



Source: OPEC Secretariat.

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



*Note: * 2Q19-4Q19 = Forecast.*
Source: OPEC Secretariat.

The main change in February came from raw bitumen, where output was up by 102 tb/d to average 1.70 mb/d, partially offset by a decline in synthetic crude oil (SCO) by 42 tb/d, m-o-m to average 1.17 mb/d. As a result, oil sands output in February increased by 60 tb/d m-o-m after the mandated production cuts were eased in Alberta by 75 tb/d for February and March, and will be reduced by another 25 tb/d each month in April, May and June.

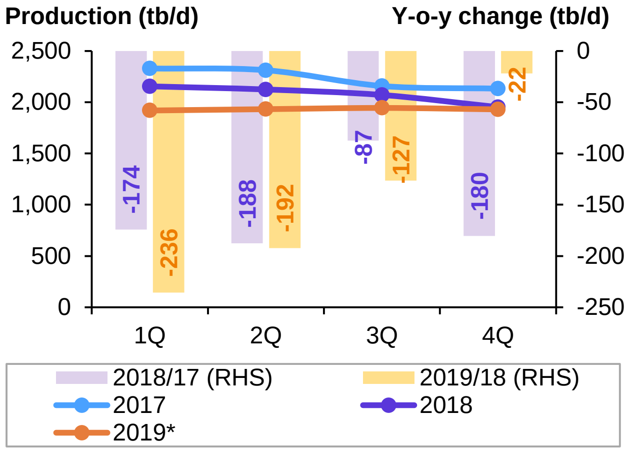
Total oil sands output in February dropped by 216 tb/d vs December 2018, while this decline was 256 tb/d in January. Conventional crude oil was almost steady at 1.30 mb/d, while NGL output in February declined by 35 tb/d m-o-m to average 1.06 mb/d. More outages in 2Q19 due to heavy maintenance and the turnaround of different projects indicate that production is expected to continue to decline, mainly in Alberta. Maintenance in April and May at several mines including Kearl, Jackfish and Fort Hills, along with maintenance at several synthetic upgraders, including Scotford and Syncrude, will impact production in 2Q19.

A recent announcement of a delay in permission for Enbridge's 370 tb/d Line 3 replacement project and further delays for the 830 tb/d Keystone XL pipeline have resulted in oil sands producers pulling back on the completion of new projects. Therefore, several new projects have been delayed but remain flexible on start-up, such as Cenovus's Christina Lake Phase G. However, some projects such as Kirby North, Primrose and Dee Valley projects are expected to start up in 2Q19, 3Q19 and 4Q19, respectively. Following robust growth of 0.41 mb/d y-o-y in 2018 to average 5.24 mb/d, Canada's liquids supply in 2019 is now forecast to see a contraction of 0.03 mb/d y-o-y to average 5.21 mb/d due to the production limitation mandate.

Mexico

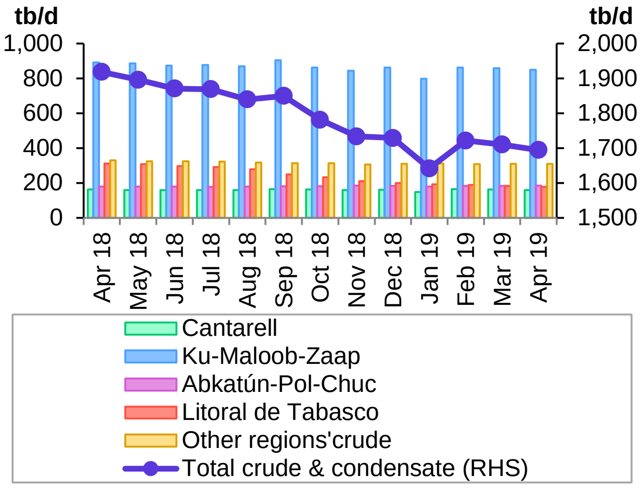
Mexico's average liquids output in April 2019 decreased by 0.02 mb/d m-o-m to average 1.92 mb/d, down by a massive 0.23 mb/d y-o-y.

Graph 5 - 17: Mexico's quarterly liquids supply



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

Graph 5 - 18: Mexico's crude and condensate monthly output by region



Sources: Pemex and OPEC Secretariat.

Crude oil output in **April** was down by 16 tb/d m-o-m to average 1.68 mb/d. Crude oil production by type shows that the largest y-o-y decline was seen by light crude, falling by 0.16 mb/d, or around 21%, y-o-y to average 0.62 mb/d. The annual decline rate in 2018 for Mexico's light crude is estimated at 17.7%, while heavy crude production in 2018, following the developments in the Ku-Maloob-Zaap complex oil fields, grew by 24 tb/d to average 1.07 mb/d. This growth in heavy oil came despite a 5% decline in 2017 and in 2016. For 2019, heavy crude is projected to see the same declines as light oil, as heavy oil declined by 0.03 mb/d in April m-o-m to average 1.06 mb/d.

NGL output in **April** inched down by a minor 3 tb/d m-o-m to average 0.24 mb/d. As a result, with preliminary indications of crude oil output declines of more than 200 tb/d y-t-d, liquids supply is forecast to decline by at least 0.14 mb/d to average 1.93 mb/d in 2019.

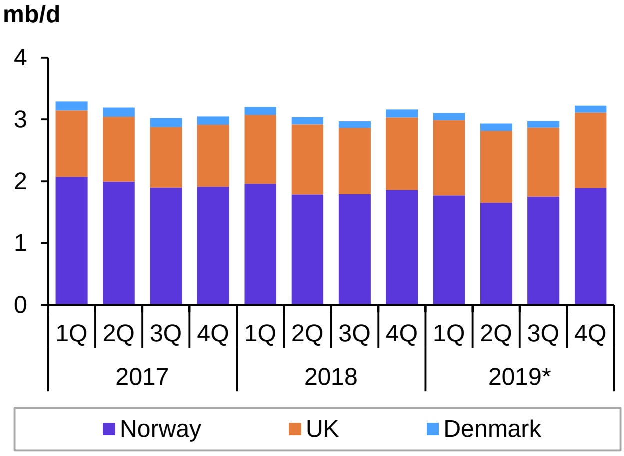
Oil production in Mexico is not projected to grow at least to the end of 2020 despite efforts by PEMEX to attract private investment in mature fields. Previously, PEMEX also revised down its 2019 crude oil production forecast by 0.05 mb/d m-o-m to average 1.72 mb/d by year-end.

OECD Europe

OECD Europe's preliminary oil supply in **April** declined by 0.07 mb/d m-o-m to average 3.73 mb/d, down by 0.22 mb/d y-o-y, mainly due to lower oil output in Norway.

According to preliminary reports from secondary sources North Sea production is returning to normal levels in May, with Equinor announcing that production of 110 tb/d of Oseberg in Norway came back on stream in the third week of May, along with a return of 140 tb/d of production from the Statfjord field after completion of maintenance. Ekofisk crude loading also resumed following planned work on the fields. North Sea production is expected to fall further in June due to maintenance at Ekofisk and Statfjord.

Graph 5 - 19: North Sea quarterly liquids supply



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

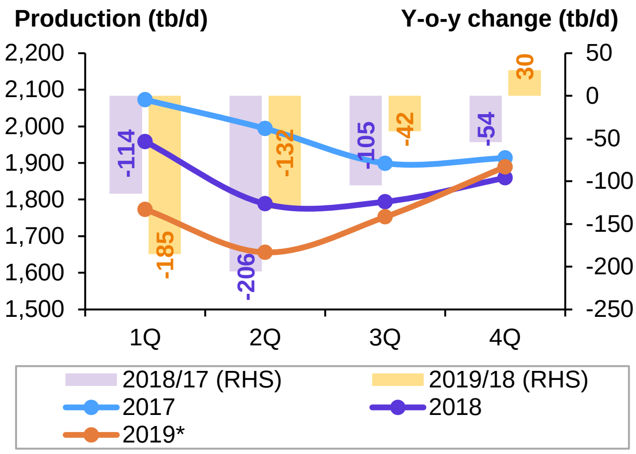
For **2019**, **OECD Europe's oil supply** is forecast to see a contraction of 0.04 mb/d to average 3.79 mb/d, following yearly growth of 0.01 mb/d in 2018. The projected increase of 0.05 mb/d for the UK is expected to be offset by production declines in other countries of the region, particularly Norway. North Sea oil production is anticipated to see a gradual ramp-up from 4Q19 onward, owing to the start-up of the giant Norwegian Johan Sverdrup field.

Norway

Norway's preliminary liquids production for **April 2019,** according to the NPD, showed average daily production of 1.73 mb/d of crude, NGLs and condensate, indicating a decrease of 24 tb/d m-o-m. This includes a m-o-m drop of 7 tb/d in crude oil production to average 1.38 mb/d and a decline of 17 tb/d of NGL output to average 0.35 mb/d. In 2018, crude oil production declined by 0.1 mb/d, or 6.5%, y-o-y, to average 1.49 mb/d. In the first four months of the year, crude oil output declined by around 151 tb/d, or 10%, y-o-y.

For **2019**, **total liquids output** is forecast to decline by 0.08 mb/d, to average 1.77 mb/d, revised down by 0.02 mb/d compared with the previous month's assessment. The annual decline rate for crude oil is expected to rise to around 10% in 2019. However, production is expected to increase and parts of the declines to be compensated by the Johan Sverdrup field, which will start-up in November 2019.

Graph 5 - 20: Norway's quarterly liquids supply



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

In general, Norwegian oil production has dropped in the last two years due to field declines and technical outages.

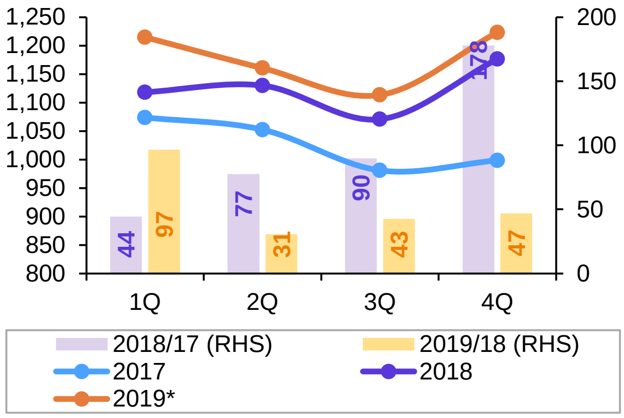
UK

UK crude oil output in April 2019 decreased by 40 tb/d to average 1.03 mb/d, and was lower by 36 tb/d y-o-y. NGL output was also down by 8 tb/d m-o-m to average 94 tb/d. Consequently, liquids output in April decreased by 0.04 mb/d to average 1.17 mb/d.

Preliminary data for May considers the unplanned outages as operation was shut-down in Flotta on 16 May owing to unplanned maintenance. Following higher liquids supply in 1Q19 by 0.03 mb/d q-o-q to average 1.21 mb/d, the UK's disappointing output performance in April and May shows that 2Q19 is likely to decline to average 1.16 mb/d. With regard to 3Q19, the typical maintenance season, production is forecast to be affected by a reduction of 30 tb/d in the Buzzard stream in July.

Moreover, further work in fields such as Kraken, Scolty-Crathes and Heather-Broom will impact the rest of 3Q19. In 4Q19, a q-o-q recovery of production by 0.11 mb/d is anticipated, with production for the year forecast at 1.22 mb/d.

Graph 5 - 21: UK quarterly liquids supply



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

For **2019**, the **UK's liquids supply growth** is forecast at a slower pace compared with a year ago at 0.05 mb/d, reaching 1.18 mb/d.

OECD Asia Pacific

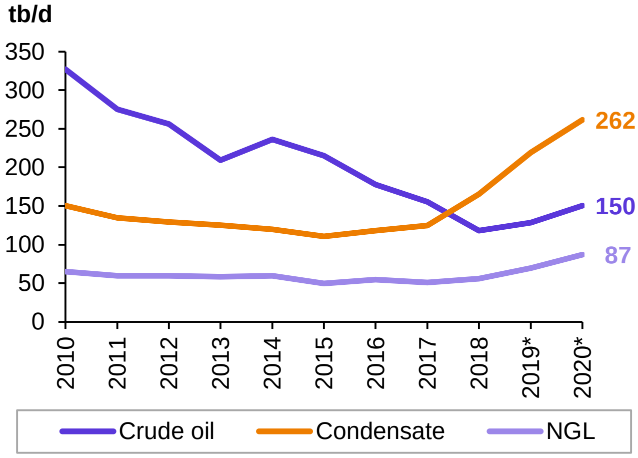
Following consecutive years of declines, **OECD Asia Pacific's oil supply** showed y-o-y growth of 0.02 mb/d in 2018, and liquids supply in 2019 is forecast to grow by 0.06 mb/d, to average 0.47 mb/d with Australia being the only driver for this growth.

Australia

Australia's oil supply in **2019** is forecast to be supported by new project startups in 2018, such as Great Gorgon, Ichthys, Kipper, Tuna Turrum, North West Shelf Venture and Greater Western, Prelude, Wheatstone and other small fields. However, ramp-ups from some of these projects have been delayed and postponed to 2019. Therefore, through the development of gas/condensate fields, liquids production in Australia is expected to reach 0.40 mb/d in 2019, showing growth of 0.06 mb/d.

The Australian Department of the Environment and Energy released March production figures that included record-high condensate production of 215 tb/d. This marks the sixth month in twelve, where condensate production reached a new record high as new greenfield LNG projects start and ramp-up, producing both LNG and associated liquids.

Graph 5 - 22: Australia liquids supply development



*Note: * 2019 and 2020 = Forecast.*
Sources: Rystad Energy and OPEC Secretariat.

Preliminary production of crude and condensate for **April** in the country stood at 330 tb/d, a marginal increase of 58 tb/d y-o-y, of which 105 tb/d is attributed to crude production and the rest to condensates. **NGL** output in April recovered by 27 tb/d to average 0.06 mb/d, the same level as September 2018.

Developing Countries (DCs)

Total developing countries' (DCs) oil supply for 2019 is expected to grow by 0.27 mb/d to average 13.73 mb/d, revised down by 0.02 mb/d, mainly due to downward revisions in Latin America's supply forecast compared with the previous monthly assessment. This is subject to anticipated y-o-y growth of 0.26 mb/d in Latin America, owing to planned new project start-ups and ramp-ups at recently installed FPSOs in Brazil.

Moreover, oil production in Africa and the Middle East is forecast to grow by 0.07 mb/d and 0.02 mb/d y-o-y to average 1.58 mb/d and 3.22 mb/d, respectively. In Africa, growth will come mainly from Ghana and the Sudans, and in the Middle East, from Qatar. Oil production in the other Asia region will decline by 0.08 mb/d y-o-y as was seen in the last three years (2016-2018), to average 3.47 mb/d, mainly in Indonesia (-0.04 mb/d), Vietnam (-0.03 mb/d) and Thailand (-0.02 mb/d).

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

	1Q	2Q	3Q	4Q	Yearly	*Change* Y-o-y
2017	13.26	13.37	13.46	13.47	13.39	*-0.14*
2018	13.45	13.52	13.40	13.50	13.47	*0.08*
2019*	13.45	13.68	13.81	13.98	13.73	*0.27*

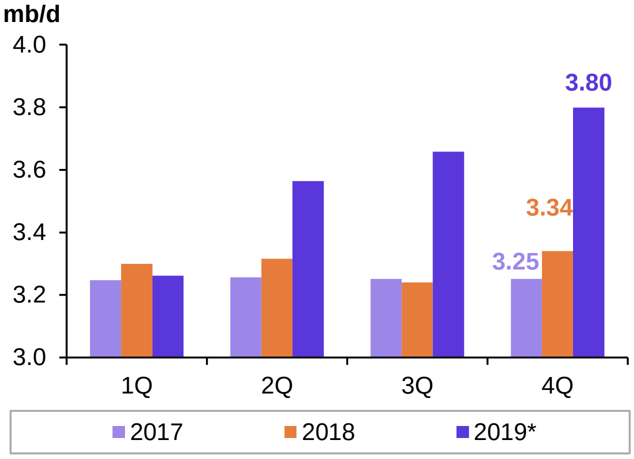
*Note: * 2019 = Forecast.*
Source: OPEC Secretariat.

Latin America

Brazil

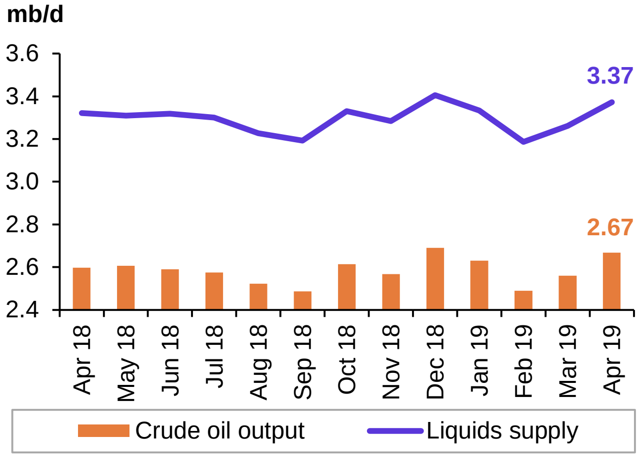
Brazil's crude oil output in April 2019 rose by 0.11 mb/d m-o-m to average 2.67 mb/d, up by 0.07 mb/d y-o-y, supported by the start-up of new production units mainly in the Lula and Búzios fields in the Santos Basin. Within eleven months, four FPSOs started up production in the Búzios field – the latest was started up on 19 March – according to Petrobras. The P-68 FPSO is also projected to start production from the Berbgao/Sururu oil field by the end of this year. Output of NGLs and biofuels was more or less stagnant in April at 95 tb/d and 609 tb/d, respectively. Petrobras announced planned heavy maintenance to start in 2019, but projected lower levels for March-June. Therefore, with reduced maintenance in 2Q19, following m-o-m growth of 0.11 mb/d in April, crude oil production is forecast to ramp up to 2.8 mb/d in May, a significant increase from 1Q19. Strong production growth is forecast for 2019 based on the six 150 tb/d capacity FPSOs that started in 2018 and which have continued to ramp up so far this year. Brazil's liquids production in April is estimated to increase by 0.11 mb/d m-o-m to average 3.37 mb/d and is expected to remain steady in May, according to preliminary data.

Graph 5 - 23: Brazil's quarterly liquids supply



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

Graph 5 - 24: Brazil's monthly liquids supply



Source: OPEC Secretariat.

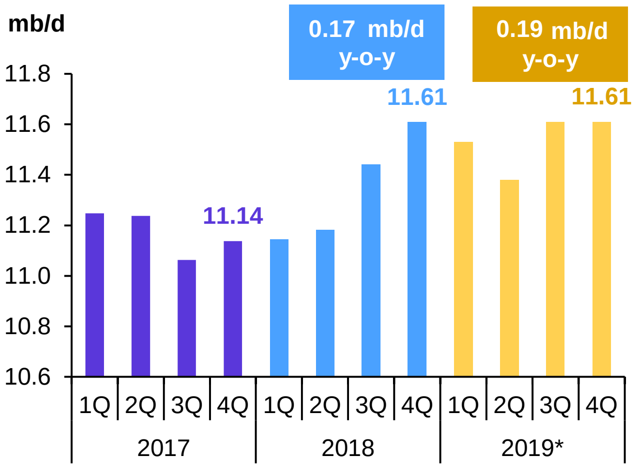
FSU

FSU oil supply is forecast to increase by 0.27 mb/d to average 13.73 mb/d in 2019. Oil supply in Russia, based on the current levels in 1H19, ongoing project ramp ups and assuming production at 11.61 mb/d in 2H19, is expected to increase by 0.19 mb/d y-o-y, while Kazakhstan and FSU others supply is likely to see a contraction of 0.07 mb/d and 0.02 mb/d, respectively, in 2019. At the same time, Azerbaijan's oil production is expected to remain stagnant at 0.8 mb/d for the current year.

Russia

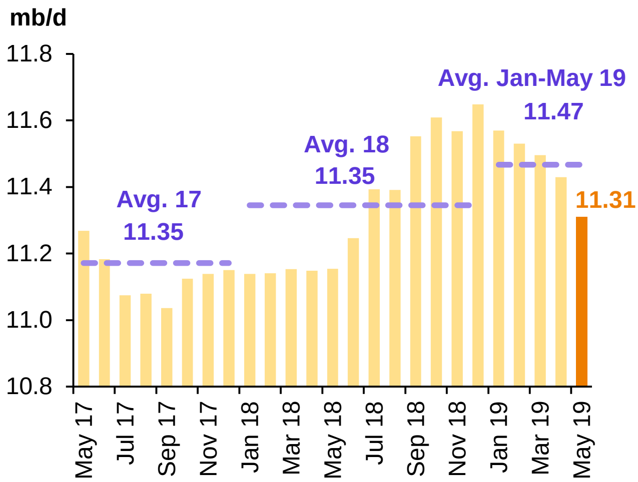
Preliminary data for Russian liquids supply in **May 2019** shows a drop of 0.12 mb/d m-o-m to average 11.31 mb/d, up by 0.16 mb/d y-o-y. Liquids output is forecast to grow by 0.19 mb/d in 2019 to average 11.53 mb/d.

Graph 5 - 25: Russia's quarterly liquids supply



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

Graph 5 - 26: Russia's monthly liquids supply



Sources: Nefta Compass and OPEC Secretariat.

Oil supply in 2Q19 is projected to continue to decline by 0.15 mb/d to average 11.38 mb/d, revised down by 0.02 mb/d compared to the previous assessment. Monthly oil production was less than expected due to the Druzhba pipeline shut-in since early April.

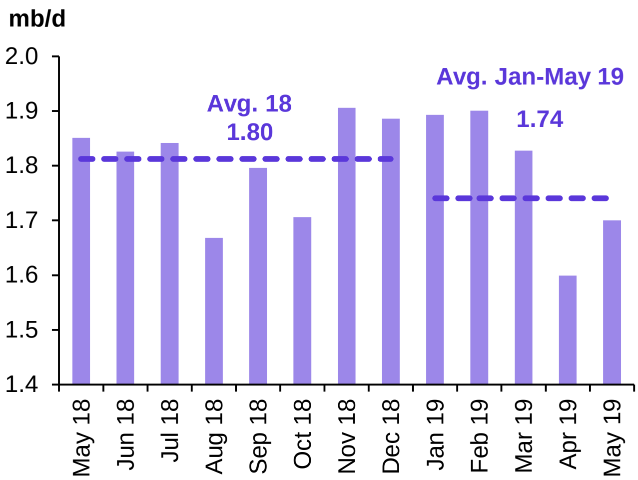
Caspian

Kazakhstan

Kazakhstan's liquids output in **April 2019** was down by 0.23 mb/d m-o-m to average 1.60 mb/d, in line with the production shut-in due to maintenance in the Kashagan field.

Crude oil production declined by 228 tb/d m-o-m to average 1.33 mb/d, following a drop of 74 tb/d in March compared with production in February. The field was shut down on 14 April and the initial plan envisaged the maintenance work continuing through 29 May, while production of light sweet crude at the giant Kashagan oil field in the Caspian Sea restarted on 19 May. The outage was completed within 35 days, instead of the planned 45 days.

Graph 5 - 27: Kazakhstan's monthly liquids output



Source: OPEC Secretariat.

Hence, Kazakhstan's energy ministry expects crude output at the giant Kashagan field in the Caspian Sea to reach 370 tb/d-400 tb/d in early June, with the project producing an additional 3 mb above the initial plan in 2019, due to an early restart after major maintenance work.

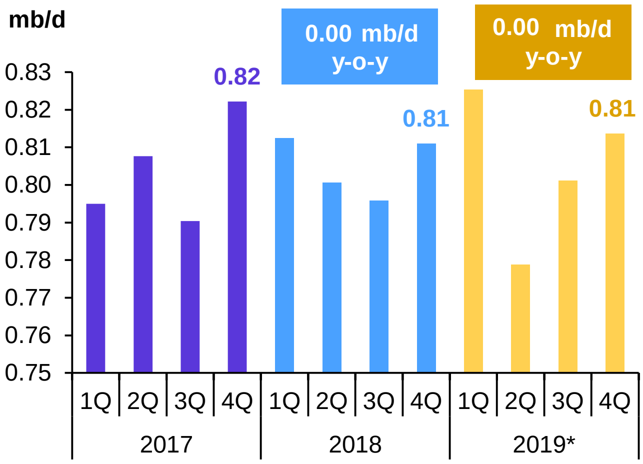
For this year, oil supply in Kazakhstan, in contrast to 2018, is expected to decline by 0.07 mb/d to average 1.74 mb/d, due to maintenance in the Kashagan and further planned maintenance in 2H19 in the Tengiz and Karachaganak fields.

Azerbaijan

Azerbaijan's liquids output in April was down by 0.11 mb/d m-o-m to average 0.71 mb/d. Crude oil production declined by 0.1 mb/d m-o-m to average 605 tb/d, down by 0.14 mb/d y-o-y. This crude production outage was caused by planned maintenance at the Central Azeri platform. Maintenance is also planned for another BP platform in Western Chirag in October.

For 2019, oil supply in Azerbaijan is expected to be stagnant at 0.80 mb/d, unchanged from the last month's assessment.

Graph 5 - 28: Azerbaijan's quarterly liquids supply



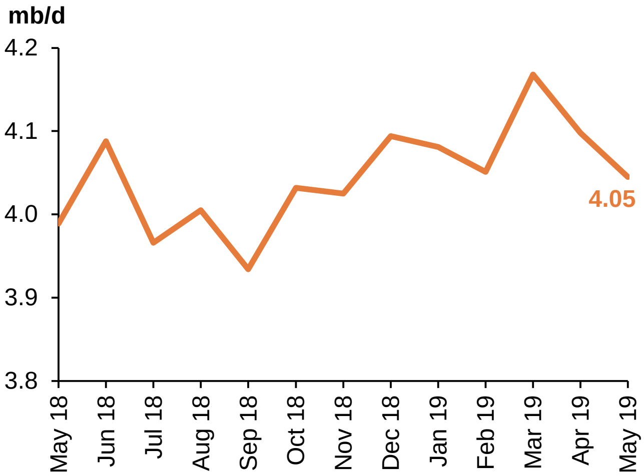
*Note: * 2019 = Forecast.*
Source: OPEC Secretariat.

China

China's liquids production in **April 2019** decreased by 0.07 mb/d m-o-m to average 4.10 mb/d, according to official data, but was up by 0.07 mb/d y-o-y. Crude oil output in April declined by 72 tb/d to average 3.82 mb/d, which was 23 tb/d higher than a year earlier in the same month.

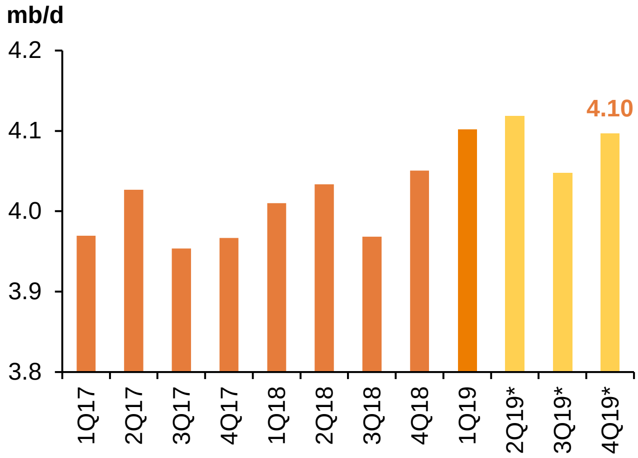
Crude oil production in 2019 is expected to grow by 0.08 mb/d to average 4.09 mb/d, revised up by 62 tb/d from the previous month's assessment, due to higher-than-expected oil production in 1Q19 at 4.1 mb/d, up by 0.05 mb/d, q-o-q. In addition, higher capex from the majors has led to a pickup in upstream activities.

Graph 5 - 29: China's monthly liquids output



Source: OPEC Secretariat.

Graph 5 - 30: China's quarterly liquids output



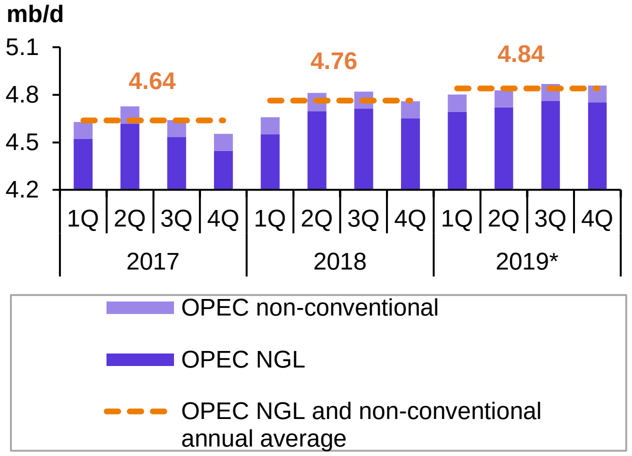
*Note: * 2Q19-4Q19 = Forecast.*
Source: OPEC Secretariat.

OPEC NGLs and non-conventional oils

OPEC NGLs and non-conventional liquids in 2019 are forecast to grow by 0.08 mb/d to average 4.84 mb/d, following growth of 0.13 mb/d in 2018.

Preliminary production data in May 2019 shows minor growth of 0.01 mb/d to average 4.83 mb/d compared with a month earlier and is down by 0.08 mb/d y-o-y.

Graph 5 - 31: OPEC NGL and non-conventional liquids output



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

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

	2017	2018	Change 18/17	1Q19	2Q19	3Q19	4Q19	2019	Change 19/18
Total OPEC	**4.64**	**4.76**	0.13	4.80	4.83	4.87	4.86	**4.84**	0.08

Note: 2019 = Forecast.
Source: OPEC Secretariat.

OPEC crude oil production

According to secondary sources, total **OPEC-14 preliminary crude oil production** averaged 29.88 mb/d in May, lower by 236 tb/d m-o-m. Crude oil output decreased mostly in Iran, I.R., Nigeria, Saudi Arabia and Venezuela, while production increased in Iraq, Angola and Gabon.

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

	2017	2018	3Q18	4Q18	1Q19	Mar 19	Apr 19	May 19	*May/Apr*
Algeria	1,047	1,042	1,059	1,055	1,026	1,027	1,023	1,029	*6*
Angola	1,634	1,505	1,470	1,496	1,445	1,447	1,397	1,471	*74*
Congo	252	317	320	318	328	345	337	320	*-17*
Ecuador	530	519	527	517	526	530	530	529	*-1*
Equatorial Guinea	133	125	124	114	115	120	112	114	*2*
Gabon	200	186	184	185	205	213	188	211	*23*
Iran, I.R.	3,813	3,553	3,603	2,982	2,725	2,718	2,597	2,370	*-227*
Iraq	4,446	4,550	4,607	4,669	4,631	4,520	4,630	4,724	*94*
Kuwait	2,708	2,745	2,794	2,774	2,715	2,709	2,697	2,710	*13*
Libya	811	951	891	1,056	965	1,102	1,177	1,174	*-3*
Nigeria	1,658	1,719	1,704	1,740	1,734	1,736	1,825	1,733	*-92*
Saudi Arabia	9,954	10,311	10,422	10,749	10,019	9,785	9,766	9,690	*-76*
UAE	2,916	2,986	2,982	3,236	3,066	3,057	3,058	3,061	*3*
Venezuela	1,911	1,354	1,272	1,191	970	745	776	741	*-35*
Total OPEC	**32,014**	**31,863**	**31,960**	**32,083**	**30,471**	**30,053**	**30,111**	**29,876**	***-236***

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

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

	2017	2018	3Q18	4Q18	1Q19	Mar 19	Apr 19	May 19	*May/Apr*
Algeria	1,059	1,040	1,066	1,067	1,027	1,023	1,019	1,027	*8*
Angola	1,632	1,473	1,471	1,434	1,421	1,373	1,392	1,462	*70*
Congo	263	323	326	326	345	339	374	382	*7*
Ecuador	531	517	524	516	529	530	529	532	*3*
Equatorial Guinea	129	120	118	112	108	112	114	113	*0*
Gabon	210	193	190	206	213	214	213	..	*..*
Iran, I.R.	3,867	..	3,789	..	..	..	..	..	*..*
Iraq	4,469	4,410	4,460	4,460	4,540	4,500	4,500	4,595	*95*
Kuwait	2,704	2,737	2,784	2,755	2,712	2,713	2,690	2,709	*19*
Libya	..	..	..	..	..	..	..	..	*..*
Nigeria	1,536	1,602	1,641	1,631	1,689	1,732	1,713	1,754	*41*
Saudi Arabia	9,959	10,317	10,399	10,790	10,053	9,787	9,807	9,670	*-136*
UAE	2,967	3,008	2,998	3,285	3,055	3,045	3,050	3,055	*5*
Venezuela	2,035	1,510	1,449	1,470	1,289	960	1,037	1,050	*13*
Total OPEC	**..**	**..**	**..**	**..**	**..**	**..**	**..**	**..**	***..***

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

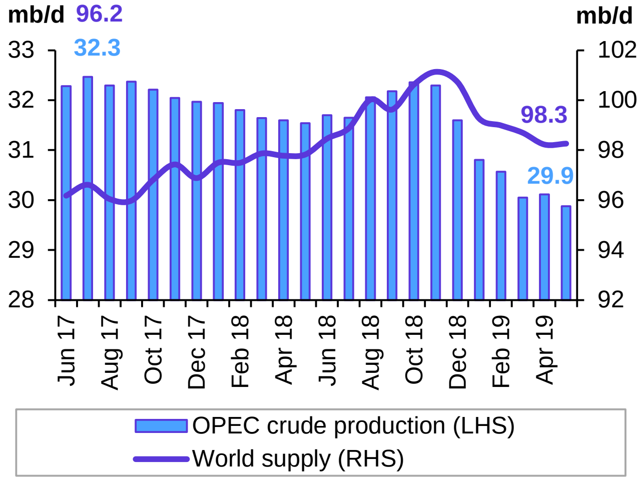
World oil supply

Preliminary data indicates that **global oil supply** increased slightly by 0.04 mb/d m-o-m to average 98.26 mb/d in May 2019, compared with the previous month.

An increase in **non-OPEC supply (including OPEC NGLs)** of 0.27 mb/d in May, compared with the previous month, was mainly driven by the US, Kazakhstan, Azerbaijan, Canada and the UK. Overall, there was a total increase in global oil output of 0.44 mb/d y-o-y.

The **share of OPEC crude oil in total global production** was declined by 0.3 pp to 30.4% in May 2019 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 and world oil supply



Source: OPEC Secretariat.

Product Markets and Refinery Operations

***Product markets globally** in May exhibited a mixed performance, affected by a downward correction from the unusual spike in gasoline cracks that has been sustained during recent months. In addition, developments related to refinery operations in different regions, as well as the arrival of warmer weather and the start of the driving season, are also having a significant impact.*

*In the **US**, product markets benefitted from support coming from the middle of the barrel, as refinery intake was affected by extremely heavy rain, floods and tornadoes in the Midwest. This contributed to inventory drawdowns, supporting the Jet/Kerosene and diesel markets, despite a weakening in gasoline.*

*In **Europe,** product markets gained some ground supported by middle distillate inventory drawdowns due to a reduction in refinery throughputs as operations were affected by contaminated Urals flows.*

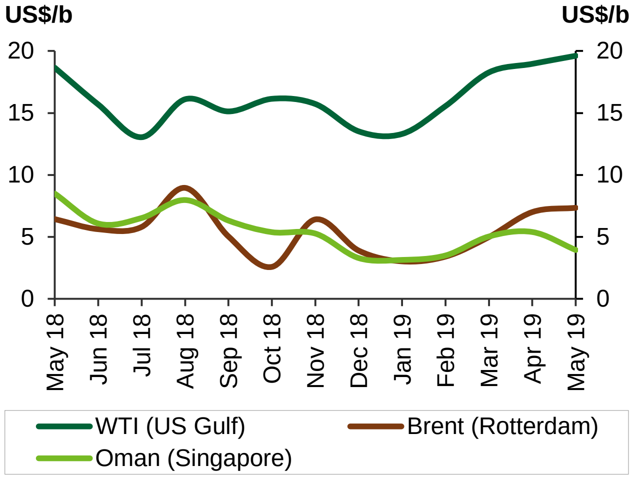
*Meanwhile, in **Asia**, product markets suffered considerable losses pressured by bearish sentiment triggered by the release of the second batch of export quotas in China. In addition, weaker inter-regional product exports contributed to the downturn, despite considerable capacity volumes offline as refinery turnarounds in that region remain heavy.*

Refinery margins

US refinery margins edged upwards slightly in May, supported by supply-side pressure caused by a drop in US Jet/Kerosene inventory levels that led to a slightly tighter market over the month. This bullishness was also partially derived from the floods that hit the central US region and affected both product demand and flows, while some refineries underwent unscheduled maintenance. In addition, the expectation for increasing demand with the onset of the summer driving season continued. This lent support to the market and allowed gasoline crack spreads to exhibit some gains.

US refinery margins for WTI averaged $19.62/b in May, up by 65¢ m-o-m and by 97¢ y-o-y.

Graph 6 - 1: Refining margins



Sources: Argus Media and OPEC Secretariat.

Refinery margins in **Europe** gained some ground in May on the back of strong support from the middle of the barrel with middle distillate crack spreads strengthening due to supply side pressure, despite weaker gasoline fundamentals. Refinery intake cuts due to contaminated Urals in parts of the region during the month limited supplies and provided support. Refinery margins for Brent in Europe averaged $7.35/b in May, up 34¢ compared with a month earlier and 92¢ y-o-y.

Asian refinery margins in May showed a negative performance, pressured by lower exports as refineries in the US and Europe ramped up operations following turnarounds and increased product outputs. This development is also in line with a decline in Asia's total products outputs, which fell 0.21 mb/d y-o-y. Most of the downside was attributed to fuel oil, as higher nuclear power availability in Japan and South Korea exerted pressure, despite some gasoline-related support on the back of firm driving requirements in China due to warmer weather. May refinery margins for Oman in Asia lost $1.45 m-o-m to average $3.95/b, which was lower by $4.54 y-o-y.

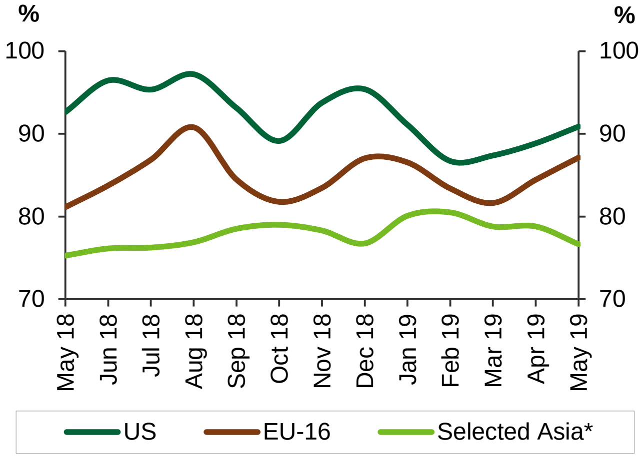
Refinery operations

In the **US**, refinery utilization rates increased in May to average 90.88%, which corresponds to a throughput of 17.05 mb/d. This represented a rise of 2.0 pp and 380 tb/d, respectively, compared with the previous month. Y-o-y, the April refinery utilization rate was down by 1.8 pp, with throughputs falling by 306 tb/d.

European refinery utilization averaged 87.13%, which corresponds to a throughput of 10.80 mb/d. This is a m-o-m rise of 2.7 pp or 332 tb/d. On a y-o-y basis, utilization rates increased by 6.0 pp and throughputs were up by 743 tb/d.

In **selected Asia** – comprising Japan, China, India and Singapore – refinery utilization rates declined, averaging 76.66% in May. This corresponds to a throughput of 21.50 mb/d. Compared with the previous month, utilization rates were down by 2.1 pp but throughputs were down by and 0.6 mb/d. Meanwhile, y-o-y they were up by 1.4 pp, but down by 128 tb/d.

Graph 6 - 2: Refinery utilization rates



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

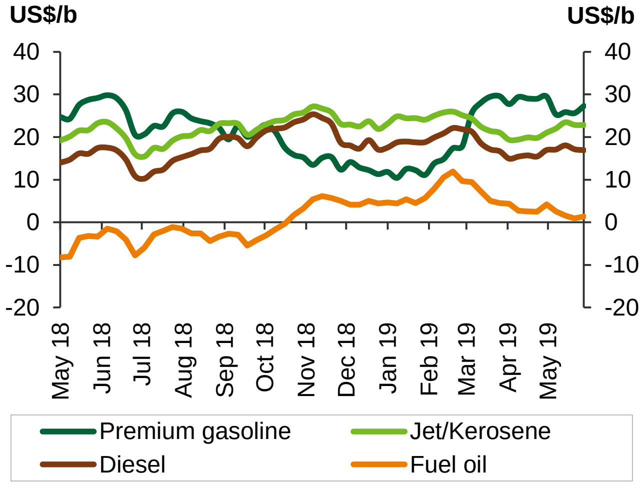
Product markets

US market

The **US gasoline cracks** reversed the recent trend and moved downwards, pressured by ample volume arrivals and high inventory levels. Strong gasoline demand in PADD 2 and heavy refinery maintenance in the US Midwest amid supply disruptions in Tulsa due to floods kept losses capped. The gasoline crack spreads lost $2.53 m-o-m to average $26.37 in May, albeit being up by 37¢ y-o-y.

USGC **jet/kerosene** showed the strongest positive performance across the barrel, supported by weaker USGC refinery runs. This resulted in a drop in jet fuel stock levels, which fell to a five-month low. A pick up in air travel in the near term should provide further support to jet fuel markets. The US jet/kerosene crack spread against WTI averaged $22.64/b, up by $3.01 m-o-m and by $1.53 y-o-y.

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



Sources: Argus Media and OPEC Secretariat.

US **gasoil crack spreads** against WTI exhibited a positive performance on the back of strong competition for heavy crudes, as well as relatively lower gasoil outputs in PADD 2 due to refinery intake cuts. This triggered bullish sentiment in the US gasoil market and supported prices. At the same time, a reduction in agricultural activities in the Midwest due to floods over the month dented demand and prevented larger gains. The US gasoil crack spread against WTI averaged $17.37/b, up by $1.99 m-o-m and by $1.75 y-o-y.

US **fuel oil crack spreads** against WTI lost ground, pressured by a hike in fuel oil imports which reached a y-t-d peak at 347 tb/d in May. This was the highest level reached since September 2018. In May, the US fuel oil crack spread against WTI averaged $1.97/b, down by $1.18 m-o-m, but up by $7.30 y-o-y.

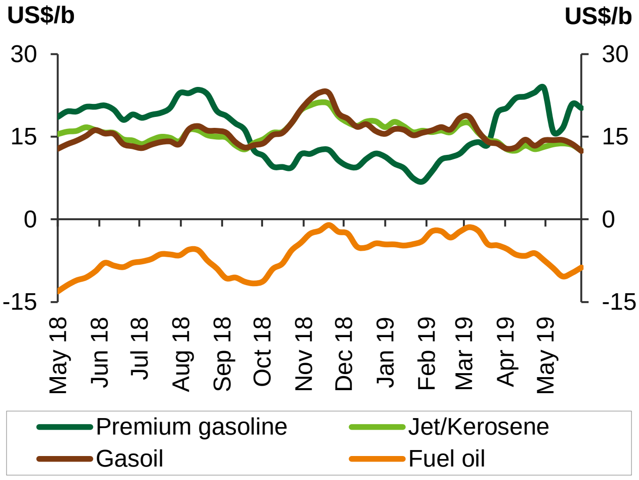
European market

The **gasoline crack spread in Rotterdam** weakened as exports to the US East coast eased while imports from the Mediterranean were incentivized by a $7.00/b premium. This contributed to a lengthening balance in Northwest Europe.

In contrast to what was observed in the gasoline market in Rotterdam, the inland areas were tight as refineries in Germany reduced intakes due to contaminated Urals. This supportive factor, alongside concerns over forecasts of a rise in Rhine River water levels that could reduce barge transit and reduce product deliveries, triggered bullishness and prevented steeper losses.

The gasoline crack spread against Brent averaged $19.30/b in May, down by $2.61 m-o-m and lower by 43¢ y-o-y.

Graph 6 - 4: Rotterdam crack spreads vs. Brent



Sources: Argus Media and OPEC Secretariat.

The **jet/kerosene crack spreads** against Brent trended slightly higher, supported by supply disruptions as inland refineries were affected by contaminated crude cut intakes, which resulted in a reduction of jet/kerosene availability. The Rotterdam jet/kerosene crack spread against Brent averaged $13.39/b, up 60¢ m-o-m, but down by $2.79 y-o-y.

European **gasoil crack spreads** against Brent strengthened slightly on the back of steady demand, despite slightly larger incoming arbitrage volumes, amid supply disruptions in the inland regions, particularly in Germany. The gasoil crack spread against Brent averaged $13.91/b, which was slightly higher m-o-m by 52¢, but lower by 54 ¢ y-o-y.

At the bottom of the barrel, **fuel oil 3.5% cracks spreads** in Rotterdam weakened, due to rising demand for ULSFO as traders stock up ahead of the IMO 2020 implementation date. This has led to a drop in fuel oil 3.5% prices resulting in a considerable widening of the high *vs*. low sulphur fuel oil spread. In Europe, fuel oil cracks averaged minus $12.17/b in May, losing $3.08 m-o-m, but gaining $2.04 y-o-y.

Asian market

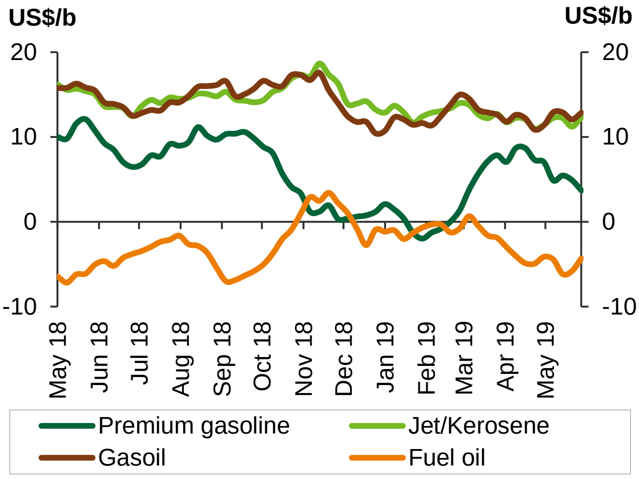
The **Asian gasoline 92 crack spread** against Dubai lost some ground, affected by concerns over higher supplies from China following the release of new export quotas that revealed a 47% rise y-o-y.

At the start of the month, the continuation of strong gasoline exports seen in the previous month drove gasoline cracks to the highest level recorded y-t-d. However, as the peak refinery maintenance season ceased in Europe and the US, exports eased and Asian gasoline cracks trended downwards again.

In addition, a pick-up in gasoline demand from the transportation sectors during Ramadan, prevented further losses.

The Singapore gasoline crack spread against Oman in May averaged $4.81/b, down by $3.03 m-o-m and by $6.28 y-o-y.

Graph 6 - 5: Singapore crack spreads vs. Dubai



Sources: Argus Media and OPEC Secretariat.

Singapore light **distillate naphtha crack spreads** weakened due to lower naphtha demand in South Korea, India and Japan, which to some degree was attributed to catalytic cracker outages. In addition, a steep decline in LPG prices registered over the month contributed to the downturn in naphtha markets as this heightened competition for regional feedstock for the petrochemical industry. Another bearish factor related to the additional supplies available in the market from recently added capacities, which exerted pressure on naphtha prices and weighed further on crack spreads. The Singapore naphtha crack spread against Oman averaged minus $9.50/b, having fallen by $2.84 m-o-m, and by $9.96 y-o-y.

In the middle of the barrel, the **jet/kerosene crack spreads** in Asia gained some ground, supported by a pick-up in exports that drove down inventory levels significantly over the month. In the near term, jet fuel cracks are expected to remain well supported on the back of robust air travel activities. The Singapore jet/kerosene crack spread against Oman averaged $11.91/b, up 23¢ m-o-m, but down $3.82 y-o-y.

The Singapore **gasoil crack spread** during the month edged higher on the back of open arbitrage opportunities to Europe, higher diesel demand for irrigation pumping systems due to a drought in India, as well as improved demand for infrastructure work and industrial activities in China. The Singapore gasoil crack spread against Oman averaged $12.80/b, up 74¢ m-o-m, but down $3.27 y-o-y.

The Singapore **fuel oil crack spread** trended downwards as prevailing weakness in Japan and Korea contributed to a decline in fuel oil demand. In addition, lower bunker fuel demand in Singapore over the month led to higher inventory levels that exerted pressure on HSFO prices. Singapore fuel oil cracks against Oman averaged minus $5.21/b, down $1.09 m-o-m, but up 93¢ y-o-y.

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

Event	Time frame	Asia	Europe	US	Observations
Driving season	Jun 19 – Sep 19	↑ Some positive impact on product markets	-	-	Support expected to be softened by projections of relatively high global stock levels particularly at the top of the barrel, as well as the demand slowdown.
Issuance of the 2nd batch China's export quotas	May 19 – Oct 19	↓ Some negative impact on product markets	↓ Some negative impact on product markets	↓ Some negative impact on product markets	Refineries will most likely increase intakes to capitalize on middle distillate shortage. Higher gasoline exports could worsen the oversupply environment.
Lower heavy crude availability (Tariffs on Mexican imports)	2Q19-2020	↑ Some positive impact on product markets	↑ Some positive impact on product markets	↑ Some positive impact on product markets	May support prices of heavier products, as well as cracks. These effects are expected to be more pronounced in the US, and refinery intakes could face continued pressure.
IMO 2020	May 19 – Dec 19	↑ Some positive impact on product markets (short term)	↑ Some positive impact on product markets (short term)	↑ Some positive impact on product markets (short term)	Refinery maintenance season in the current year is expected to include plant upgrades to accommodate IMO regulations. This could lead to pressure on crude intakes and declines in product availability.
Fuel quality standards	Aug 19	↑ Some positive impact on ULSF product markets	↑ Some positive impact on ULSF product markets	↑ Some positive impact on ULSF product markets	More stringent fuel quality standards in India and China will increase demand for cleaner products. This could also support prices and possibly encourage gasoline demand.
CDU additions	May 19 – Dec 19	↓ Negative impact on product markets	↓ Negative impact on product markets	↓ Negative impact on product markets	An overall increase in product output is to be expected. This could further exacerbate the oversupply environment and lead to trade flow rearrangements or reduction of exports as more nations head towards self-sufficiency.

Source: OPEC Secretariat.

Table 6 - 2: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				Refinery utilization, %			
	Mar 19	Apr 19	May 19	Change May/Apr	Mar 19	Apr 19	May 19	Change May/Apr
US	**16.27**	**16.67**	**17.05**	**0.38**	**87.39**	**88.86**	**90.88**	**2.0 pp**
Euro-16	**10.12**	**10.47**	**10.80**	**0.33**	**81.65**	**84.45**	**87.13**	**2.7 pp**
France	1.04	1.02	1.06	0.04	82.91	81.64	84.57	2.9 pp
Germany	1.72	1.83	1.85	0.03	78.70	83.41	84.61	1.2 pp
Italy	1.17	1.38	1.45	0.07	57.04	67.20	70.74	3.5 pp
UK	1.02	1.08	1.09	0.01	77.61	82.48	83.24	0.8 pp
Selected Asia*	**22.10**	**22.10**	**21.50**	**-0.60**	**78.80**	**78.81**	**76.66**	**-2.1 pp**

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

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

	2016	2017	2018	2Q18	3Q18	4Q18	1Q19	2Q19
Total OECD	**37.43**	**38.13**	**37.99**	**37.58**	**38.89**	**37.89**	**37.45**	**37.83**
OECD Americas	**18.78**	**19.09**	**19.30**	**19.50**	**19.79**	**19.14**	**18.51**	**19.58**
of which US	16.51	16.88	17.32	17.50	17.68	17.33	16.49	17.34
OECD Europe	**11.91**	**12.24**	**11.99**	**11.69**	**12.43**	**11.92**	**12.09**	**11.78**
of which:								
France	1.14	1.17	1.10	0.94	1.21	1.15	1.12	1.04
Germany	1.93	1.91	1.80	1.86	1.78	1.65	1.76	1.84
Italy	1.30	1.40	1.35	1.33	1.37	1.35	1.22	1.32
UK	1.09	1.10	1.06	1.04	1.14	1.14	1.08	1.05
OECD Asia Pacific	**6.75**	**6.80**	**6.70**	**6.39**	**6.66**	**6.82**	**6.85**	**6.47**
of which Japan	3.28	3.22	3.11	2.85	3.07	3.20	3.19	2.83
Total Non-OECD	**41.41**	**42.27**	**43.66**	**43.54**	**44.15**	**44.42**	**44.42**	**44.30**
of which:								
China	10.77	11.35	12.03	12.04	12.10	12.25	12.63	12.47
Middle East	6.93	7.06	7.29	7.23	7.68	7.87	7.58	7.77
Russia	5.58	5.59	5.72	5.65	5.81	5.73	5.71	5.63
Latin America	4.66	4.54	4.43	4.50	4.42	3.96	3.92	4.17
India	4.68	4.73	4.83	4.80	4.78	4.83	5.23	5.26
Africa	2.20	2.21	2.20	2.27	2.19	2.46	2.38	2.27
Total world	**78.84**	**80.39**	**81.65**	**81.12**	**83.04**	**82.31**	**81.88**	**82.12**

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

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

		Apr 19	May 19	Change May/Apr	Average 2018	Year-to-date 2019
US Gulf (Cargoes FOB):						
Naphtha*		66.19	61.73	-4.46	68.51	59.66
Premium gasoline	*(unleaded 93)*	92.79	87.21	-5.58	85.78	79.89
Regular gasoline	*(unleaded 87)*	86.19	82.36	-3.83	80.17	73.41
Jet/Kerosene		83.52	83.48	-0.04	85.35	80.74
Gasoil	*(0.2% S)*	79.27	78.21	-1.06	80.99	76.05
Fuel oil	*(3.0% S)*	65.15	60.59	-4.56	60.17	61.29
Rotterdam (Barges FoB):						
Naphtha		62.12	60.11	-2.01	66.47	57.34
Premium gasoline	*(unleaded 98)*	92.99	90.26	-2.73	87.34	81.40
Jet/Kerosene		83.87	84.35	0.48	86.93	81.20
Gasoil/Diesel	*(10 ppm)*	84.47	84.87	0.40	85.94	81.43
Fuel oil	*(1.0% S)*	64.94	61.69	-3.25	62.33	61.18
Fuel oil	*(3.5% S)*	61.99	58.79	-3.20	59.04	57.51
Mediterranean (Cargoes FOB):						
Naphtha		60.84	59.16	-1.68	65.79	56.14
Premium gasoline**		81.90	80.17	-1.73	79.08	71.64
Jet/Kerosene		81.47	82.05	0.58	85.10	78.88
Diesel		83.55	84.17	0.62	85.66	81.04
Fuel oil	*(1.0% S)*	65.71	65.23	-0.48	63.53	63.47
Fuel oil	*(3.5% S)*	63.04	59.72	-3.32	60.36	58.89
Singapore (Cargoes FOB):						
Naphtha		63.47	60.14	-3.33	67.24	58.47
Premium gasoline	*(unleaded 95)*	80.72	76.25	-4.47	79.93	71.75
Regular gasoline	*(unleaded 92)*	78.77	74.45	-4.32	77.66	69.91
Jet/Kerosene		82.61	81.55	-1.06	84.81	78.73
Gasoil/Diesel	*(50 ppm)*	82.99	82.44	-0.55	84.67	79.31
Fuel oil	*(180 cst)*	66.81	64.43	-2.38	65.24	63.81
Fuel oil	*(380 cst 3.5% S)*	65.80	62.71	-3.09	64.74	63.19

*Note: * Barges.*

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

Sources: Argus Media and OPEC Secretariat.

Tanker Market

***VLCC spot freight rates** edged down further in May. Rates were pressured by ample availability, as the tonnage list remained in excess due to limited scrapping and relatively steady new tanker deliveries. As a result, all routes experienced losses, but well below those seen in the previous month, which saw declines of as much as 33% on some routes. Suezmax average spot freight rates also edged lower in May, declining by 7% m-o-m. Limited cargoes and a long tonnage list weighed on Suezmax rates in May, although initial data for June points to a firmer market going forward, led by West African activity. In contrast, the Aframax sector experienced a recovery in May, gaining 18% m-o-m, with increases across all routes except Indonesia-to-East which remained flat.*

***Clean spot tanker freight rates** were 10% lower m-o-m on average in May, but remained slightly above the same month last year. To the East of Suez, clean tanker freight rates were 5% higher in May over the previous month, boosted by strength on the Middle East-to-East route. In the West of Suez, average spot freight rates continued to move lower in May, declining by 24%, with losses seen on all routes.*

Spot fixtures

Global fixtures continued to decline in May, averaging almost 10% lower and following a much stronger 33% drop the month before. However, y-t-d, global fixtures have been around 17%, or 3.25 mb/d, higher in the first five months of this year compared to the same period last year due to the exceptionally strong performances seen in February and March of 2019.

In comparison, **OPEC spot fixtures** experienced a slightly stronger 11%, or 1.5 mb/d, decline m-o-m in May, to average 11.7 mb/d. Y-t-d, OPEC fixtures were 13%, or 1.8 mb/d, higher compared to the same period last year.

Table 7 - 1: Spot fixtures, mb/d

	Mar 19	Apr 19	May 19	*Change* May 19/Apr 19
All areas	**28.41**	**18.99**	**17.17**	**-1.82**
OPEC	19.76	13.15	11.67	-1.48
Middle East/East	10.96	6.82	6.83	0.00
Middle East/West	2.01	1.78	1.15	-0.63
Outside Middle East	6.78	4.55	3.69	-0.86

Sources: Oil Movements and OPEC Secretariat.

Fixtures on the Middle East-to-East route averaged 6.83 mb/d in May, broadly unchanged from the previous month and just 4% lower than the same month last year.

The Middle East-to-West route experienced an accelerating decline, falling 35% in May, to average 1.15 mb/d and was 47% lower y-o-y.

Outside of the Middle East, fixtures averaged 3.69 mb/d in May. This represents a lower m-o-m decline of 19% compared to a 33% drop last month and was down 13% compared to the same month last year.

Sailings and arrivals

OPEC sailings erased the previous month's gains, declining 1.3%, to average 24.33 mb/d in May. However, this was broadly in line with the level seen last year. Sailings from the **Middle East** edged up marginally to 17.5 mb/d, but remained about 1% lower compared to the same month in 2018.

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

	Mar 19	Apr 19	May 19	Change May 19/Apr 19
Sailings				
OPEC	24.40	24.65	24.33	-0.32
Middle East	18.50	17.45	17.48	0.03
Arrivals				
North America	10.62	10.65	10.19	-0.46
Europe	12.06	11.62	11.66	0.04
Far East	8.61	8.78	9.28	0.50
West Asia	4.37	4.54	4.41	-0.13

Sources: Oil Movements and OPEC Secretariat.

Crude arrivals to North America declined by 4%, or 0.5 mb/d, in May after recording strong levels over the previous two months. Y-t-d, arrivals were just 2% higher in the first five months of this year, compared to the same period last year. Arrivals into West Asia were 3%, or 0.1 mb/d, lower m-o-m and were broadly flat compared to the same month last year.

In contrast, arrivals into the Far East were sharply higher, gaining 6%, or 0.5 mb/d, in May and were more than 0.2 mb/d higher than the same month last year when arrivals experienced a similar surge. Meanwhile, arrivals into Europe were broadly flat m-o-m, but were 0.2 mb/d lower y-o-y.

Dirty tanker freight rates

Very large crude carriers (VLCCs)

VLCC spot freight rates in May edged down further in May. Rates were pressured by ample availability as the tonnage list remained in excess due to limited scrapping and relatively steady new tanker deliveries. As a result, all routes experienced losses, but well below those seen in the previous month, which saw declines of as much as 33% on some routes.

Freight rates registered for tankers operating on the Middle East-to-East route edged down 3% from the previous month to stand at Worldscale (WS) 39 points in May.

The Middle East-to-West route experienced a decline of 9% m-o-m to stand at WS19 points, while the West Africa-to-East route slipped by 5% m-o-m to average WS41 points.

Compared to the same month last year, VLCC freight rates were 8% lower in May.

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

	Size *1,000 DWT*	Mar 19	Apr 19	May 19	Change May 19/Apr 19
Middle East/East	230-280	60	40	39	-1
Middle East/West	270-285	30	21	19	-2
West Africa/East	260	58	43	41	-2

Sources: Argus Media and OPEC Secretariat.

Suezmax

Suezmax average spot freight rates also edged lower in May, declining by 7% m-o-m, and were 12% lower compared to the same month last year. The decrease came mainly from tankers operating on the West Africa-to-USGC route, which declined 8% to average WS55 points. The NWE-to-USGC route edged down 2% to average WS50 points. Limited cargoes and a long tonnage list weighed on Suezmax rates in May, although initial data for June points to a firmer market going forward, led by West African activity.

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

	Size *1,000 DWT*	Mar 19	Apr 19	May 19	*Change* May 19/Apr 19
West Africa/US Gulf Coast	130-135	51	60	55	-6
Northwest Europe/US Gulf Coast	130-135	47	51	50	-1

Sources: Argus Media and OPEC Secretariat.

Aframax

The **Aframax** sector experienced a recovery in May, gaining 18% m-o-m, with increases across all routes except Indonesia-to-East, which remained flat. The Med-to-Med route jumped 30% to average WS103 points, while the Med-NWE route rose 28% to average WS96 points.

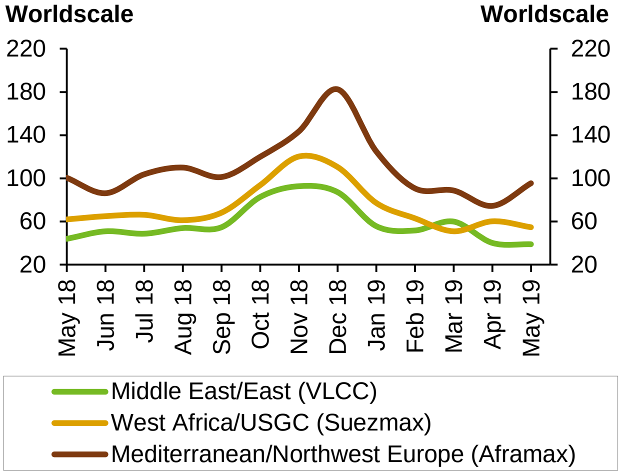
Table 7 - 5: Dirty Aframax spot tanker freight rates, WS

	Size *1,000 DWT*	Mar 19	Apr 19	May 19	*Change* May 19/Apr 19
Indonesia/East	80-85	97	98	98	1
Caribbean/US East Coast	80-85	99	78	90	12
Mediterranean/Mediterranean	80-85	95	80	103	24
Mediterranean/Northwest Europe	80-85	89	75	96	21

Sources: Argus Media and OPEC Secretariat.

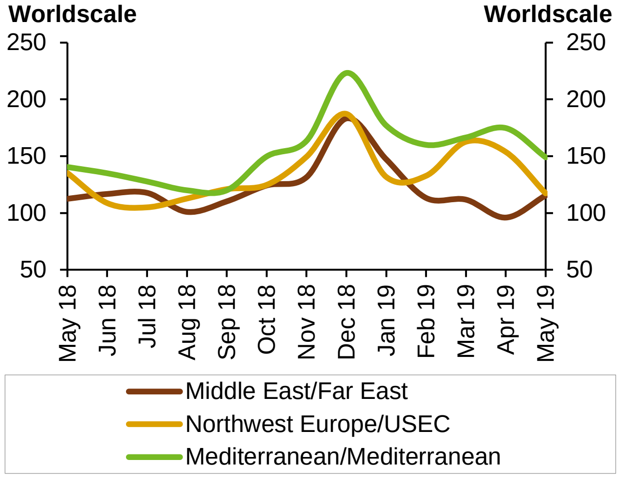
The Caribbean-to-US East Coast route gained 15% m-o-m. However, all routes were lower compared to the same month last year, a month which also saw strong gains.

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



Sources: Argus Media and Platts.

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



Sources: Argus Media and OPEC Secretariat.

Clean tanker freight rates

Clean spot tanker freight rates were 10% lower m-o-m on average in May, but remained slightly above the same month last year.

To the **East of Suez**, clean tanker freight rates were 5% higher in May over the previous month, boosted by the strength on the Middle East-to-East route that experienced a gain of WS20 points, or 20%, to average WS116 points. In contrast, rates on the Singapore-to-East route edged 6% lower m-o-m to average WS137 points in May.

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

	Size *1,000 DWT*	Mar 19	Apr 19	May 19	*Change* May 19/Apr 19
East of Suez					
Middle East/East	30-35	112	96	116	20
Singapore/East	30-35	144	146	137	-8
West of Suez					
Northwest Europe/US East Coast	33-37	163	154	117	-37
Mediterranean/Mediterranean	30-35	167	175	149	-26
Mediterranean/Northwest Europe	30-35	176	185	159	-26

Sources: Argus Media and OPEC Secretariat.

In the **West of Suez**, average spot freight rates continued to move lower in May, declining by 24%, with losses seen on all routes.

Both the Med-to-Med route and Med-to-NWE routes declined by WS26 points or around 15%. Clean spot freight rates for tankers operating on the NWE-to-USEC route experienced even stronger losses of 24% m-o-m, representing a decline of WS37 points, to average WS117 points.

Oil Trade

*After remaining relatively flat for the last three months, **US** crude oil imports increased by 7%, or just under 0.5 mb/d in May, to average 7.3 mb/d, according to preliminary data. Meanwhile, US crude exports rebounded following two months of declines, increasing by 26% or 0.6 mb/d in May to average 3.1 mb/d, according to preliminary data. This marked the first time since 1982 that US crude oil exports rose above 3.0 mb/d.*

***China**'s crude oil imports recovered from a dip below 10 mb/d the previous month to set a new record high of 10.7 mb/d in April. China's crude imports averaged 10.2 mb/d in the first four months of 2019, compared with 9.2 mb/d in the same period last year. The country's product imports averaged 1.6 mb/d in April, a gain of 0.2 mb/d, or 16%, compared with the previous month. Product exports declined by 0.2 mb/d, or 12%, to average 1.6 mb/d.*

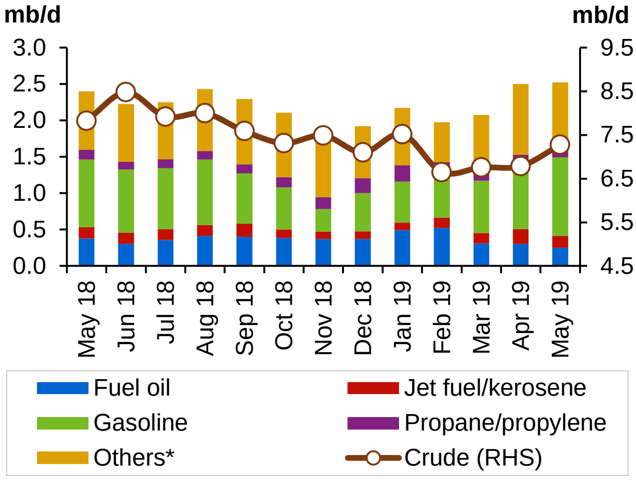
***India**'s crude imports increased for the second consecutive month in April, averaging 4.8 mb/d. So far this year, India's crude imports have averaged 4.6 mb/d, compared with 4.5 mb/d over the same period last year. In the first four months of the year, India's net crude and product imports have been around 9% higher, compared with the same period last year.*

***Japan**'s crude oil imports declined m-o-m in April by 0.2 mb/d, or 6%, to average 3.0 mb/d. Japan's product imports, including LPG, increased m-o-m by 0.1 mb/d in April to average 0.8 mb/d. Product exports in April declined from the previous month by 0.1 mb/d to average 0.5 mb/d.*

US

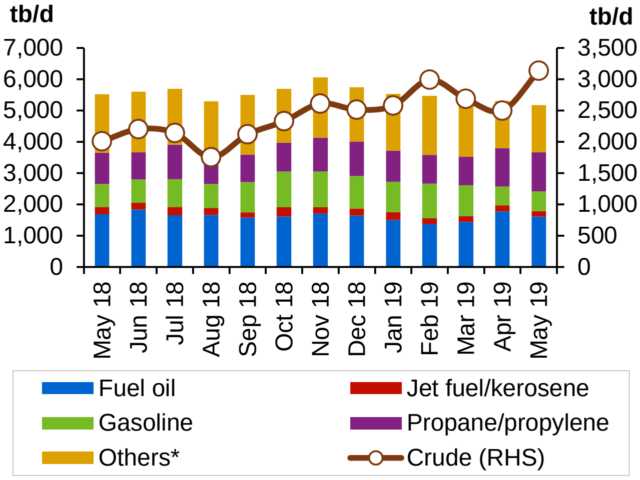
After remaining relatively flat for the last three months, **US crude oil imports** increased by 7% or just under 0.5 mb/d in May to average 7.3 mb/d, according to preliminary data. While higher m-o-m, crude imports were 0.6 mb/d lower than the same month last year. Year-to-date (y-t-d), crude imports were 28% or 2.2 mb/d lower compared with the first five months of last year.

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



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

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



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

Meanwhile, **US crude exports** rebounded following two months of declines, increasing by 26% or 0.6 mb/d in May to average 3.1 mb/d, according to preliminary data. This marked the first time since 1982 that US crude oil exports rose above 3.0 mb/d. As a result, in the first five months of this year they were 66%, or 1.1 mb/d, higher than the same period last year.

Thus, **US net crude imports** averaged 4.1 mb/d in May, around 0.2 mb/d lower m-o-m and a decline of 1.7 mb/d or 29% y-o-y. So far this year, US net imports were almost 32%, or 1.9 mb/d, lower, compared with the same period last year.

US product imports averaged 2.5 mb/d in May, broadly unchanged from the previous month, but some 0.7 mb/d lower compared with the same month last year. Product exports over the first five months of 2019 were broadly in line with the same period last year.

US product exports declined in May, dropping by 0.1 mb/d from the previous month to average 5.2 mb/d. On an annual basis, figures showed a decline of 0.3 mb/d, or 6%.

As a result, **US net product exports** averaged 2.6 mb/d in May, the lowest monthly average since September 2017. Over the first five months of the year, US net product exports have been about 5% lower than the same period last year at 3.1 mb/d.

The most recent data for March shows Canada maintained its position as the leading **crude supplier to the US** with a share of 55%, unchanged from the previous month. Mexico was second with a share of 10%, also broadly consistent with the previous month. Columbia was third at just under 10%, up from less than 9% the month before.

Crude imports from OPEC Member Countries averaged 1.5 mb/d in March, representing a share of 22% compared with 24% the month before.

Canada and Russia were the first and second **product suppliers** to the US, with shares of 33% and 13%, respectively. South Korea came in a distant third with a share of 6%.

The share of **US product imports from OPEC Member Countries** stood at 8%, down from 10% in February.

Mexico was the top **destination for US product exports**, receiving 24% of total US product exports, followed by Brazil and Canada with 10% and 9%, respectively.

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

	Mar 19	Apr 19	May 19	Change May 19/Apr 19
Crude oil	4,075	4,292	4,140	-152
Total products	-3,234	-2,799	-2,647	152
Total crude and products	**841**	**1,493**	**1,492**	**-1**

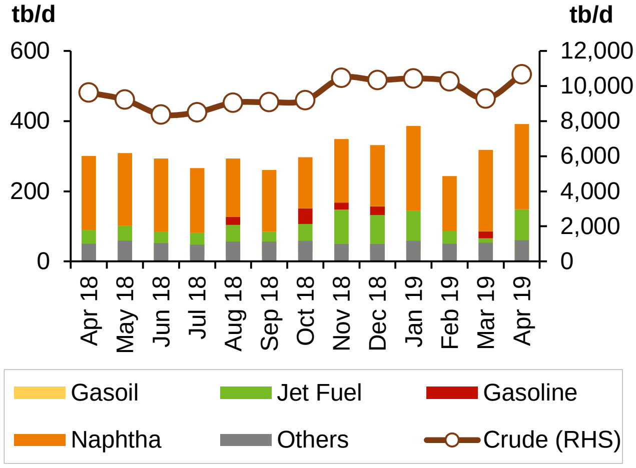
Sources: US EIA and OPEC Secretariat.

China

China's crude oil imports recovered from a dip below 10 mb/d the previous month to set a new record high of 10.7 mb/d in April. This represents an increase of 1.4 mb/d, or 15% m-o-m. On an annual basis, crude imports were 1.0 mb/d or 11% higher. China's crude imports averaged 10.2 mb/d in the first four months of 2019, compared with 9.2 mb/d in the same period last year.

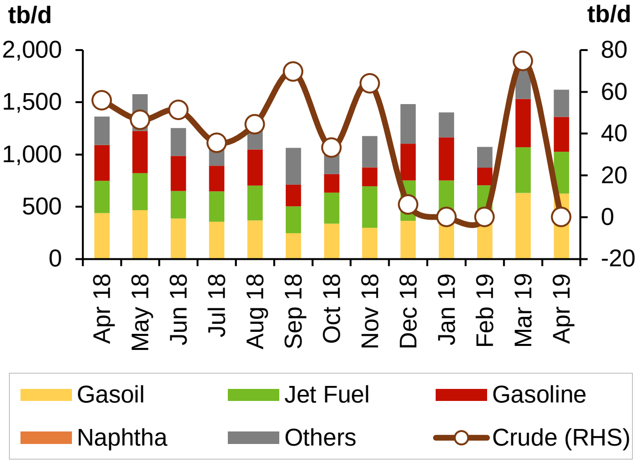
Russia, Saudi Arabia and Angola were the **top crude suppliers to China** in April, with shares of 14%, 11% and 10%, respectively.

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



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

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



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

China's product imports averaged 1.6 mb/d in April, a gain of 0.2 mb/d, or 16%, compared with the previous month. Product imports were also 0.3 mb/d higher y-o-y. In volume terms, gains were led by fuel oil, which averaged around 60 tb/d higher in April, followed by petroleum coke.

Product exports declined by 0.2 mb/d, or 12%, to average 1.6 mb/d. Gasoline exports fell from a short-lived surge the previous month to 0.3 mb/d in April but were broadly stable y-o-y.

As a result, **China's net crude and product imports** increased by 1.9 mb/d, or 16%, m-o-m in April to average 10.6 mb/d. In the first four months of 2019, net crude and product imports averaged 10.1 mb/d, some 11% or 1.0 mb/d higher than the same period last year.

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

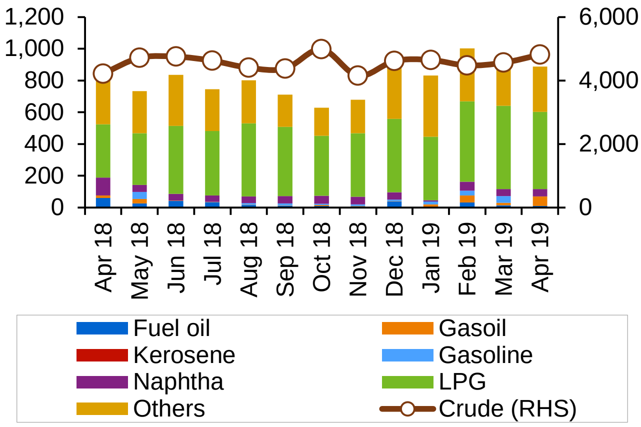
	Feb 19	Mar 19	Apr 19	*Change* Apr 19/Mar 19
Crude oil	10,257	9,214	10,670	1,456
Total products	179	-454	-22	432
Total crude and products	**10,436**	**8,760**	**10,649**	**1,888**

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

India

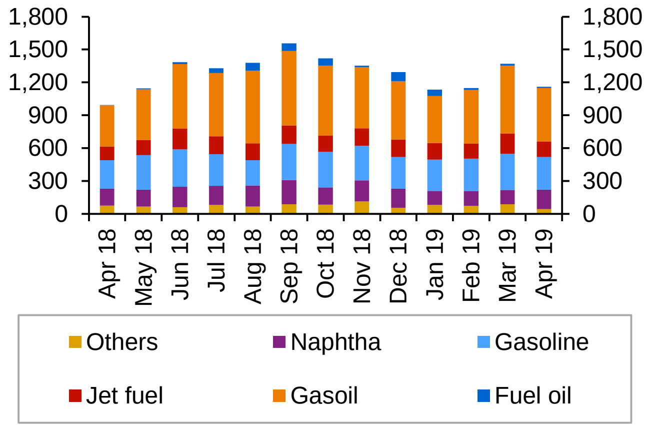
India's crude imports increased for the second consecutive month in April, averaging 4.8 mb/d. Crude imports were 0.2 mb/d higher m-o-m, gaining 0.6 mb/d over the same month last year. So far this year, India's crude imports have averaged 4.6 mb/d, compared with 4.5 mb/d over the same period last year.

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



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

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



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

In April, **product imports** were marginally lower, averaging 0.9 mb/d. LPG remained the leading product import at 0.5 mb/d. So far this year, India has seen a 10% increase in product imports over the first four months of the year, compared with the same period last year.

India's product exports in April fell by 0.2 mb/d, or 15%, compared with the previous month to average 1.1 mb/d. A 21% decline in diesel exports was the main contributor to the country's lower product exports. Y-o-y, product exports were 30% higher, due primarily to gains in fuel oil. In the first four months of this year, product exports increased by 17% over the same period last year.

Consequently, **India's net crude and product imports** increased by 0.4 mb/d to average 4.5 mb/d, a gain of 11% over the previous month. India's net crude and product imports were around 9% higher over the first four months of the year than the same period last year.

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

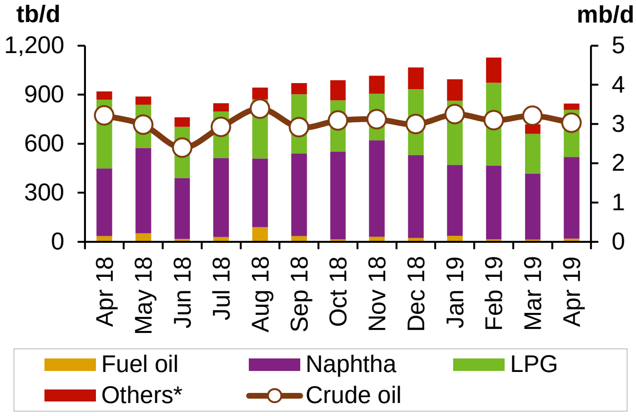
	Feb 19	Mar 19	Apr 19	Change Apr 19/Mar 19
Crude oil	4,474	4,562	4,813	250
Total products	-146	-469	-273	196
Total crude and products	**4,329**	**4,093**	**4,539**	**446**

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

Japan

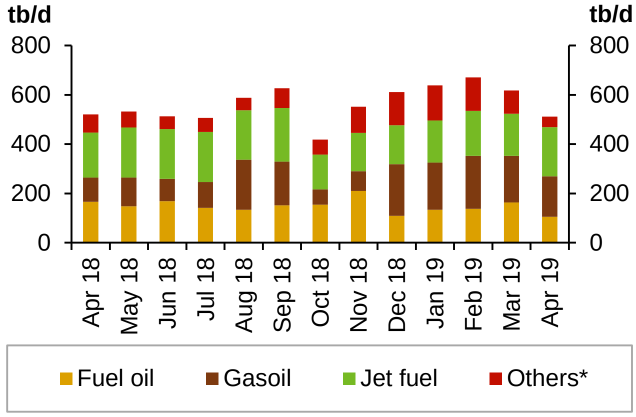
Japan's crude oil imports declined m-o-m in April by 0.2 mb/d, or 6%, to average 3.0 mb/d. Compared with the same month last year, they were similarly lower in volume and percentage terms.

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



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

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



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

Saudi Arabia maintained its status as **top crude supplier to Japan**, holding a share of 35% of total imports. The UAE was the second-largest supplier with a share of 24%.

Japan's product imports, including LPG, increased m-o-m by 0.1 mb/d in April to average 0.8 mb/d. **Product exports** in April declined from the previous month by 0.1 mb/d to average 0.5 mb/d.

Japan's total net crude and product imports were broadly consistent in April over the previous month, averaging 3.1 mb/d. In the first four months of 2019, Japan's net trade averaged 3.4 mb/d, representing a decline of 7% or 0.3 mb/d, compared with the same period last year.

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

	Feb 19	Mar 19	Apr 19	*Change* Apr 19/Mar 19
Crude oil	3,093	3,212	3,035	-177
Total products	-50	-143	46	189
Total crude and products	**3,043**	**3,069**	**3,080**	**11**

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

OECD Europe

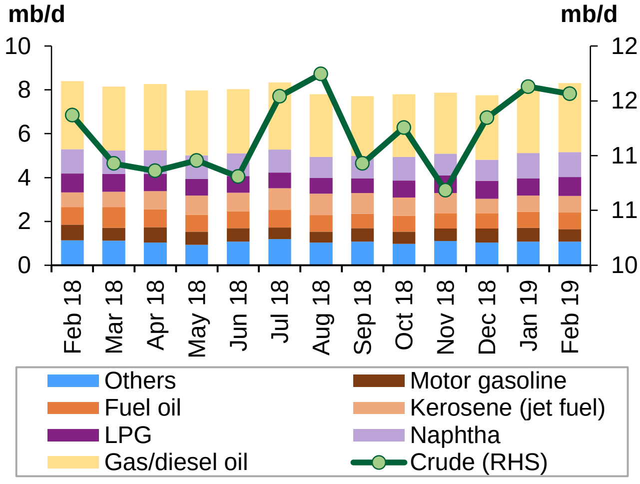
Net crude trade flows had a positive start to 2019, with the latest data up to February 2019 showing net crude imports averaging 9.4 mb/d in the first two months of the year, compared to 9.3 mb/d in 2018 and 9.2 mb/d in 2017. The increase came as colder weather at the start of the year lifted demand in OECD Europe.

Crude imports averaged 11.6 mb/d in the first two months of 2019, up from 11.5 mb/d in the same months of 2018.

Despite improving from a low in December, **crude exports** were still down 1% y-o-y to average 2.2 mb/d in the first two months of the year.

Russia, Iraq and Norway remained the **top sources for crude imports** for the countries making up OECD Europe, averaging 2.6 mb/d, 1.2 mb/d and 1.1 mb/d respectively. Compared to the same period last year, crude flows from Iraq jumped 43%, while Norway and Russia saw declines of 5% and 9%, respectively. Meanwhile, over the same period, crude imports from the US more than doubled, increasing to 0.7 mb/d in the first two months of the year from 0.3 mb/d in the same period a year ago.

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

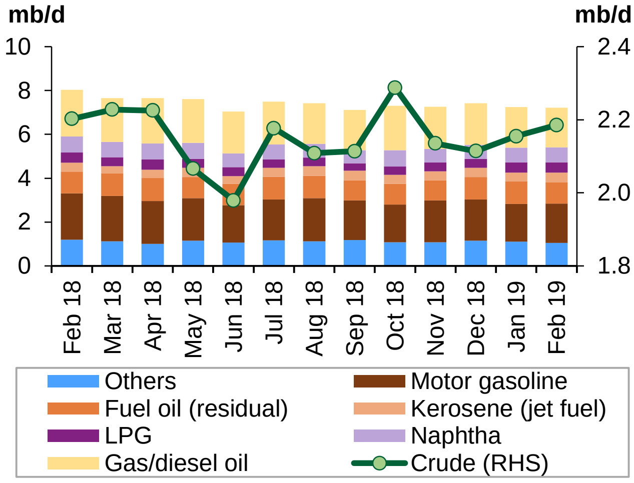


Sources: IEA and OPEC Secretariat.

China remained the **top destination for OECD Europe crude exports** outside the region, averaging 0.3 mb/d in the first two months of 2019, compared to 0.1 mb/d in the same period last year.

On the product side, **net product imports** averaged just under 1 mb/d in the first two months of the year, compared to only 0.5 mb/d in January and February of last year. Product imports averaged 8.2 mb/d, compared to 8.3 mb/d in the first two months of last year, while product exports declined 8% to average 7.2 mb/d. Softer trade flows came as product markets in Europe were sluggish at the start of the year, but managed to pick up some momentum in February, as colder weather led to inventory drawdowns and better margins.

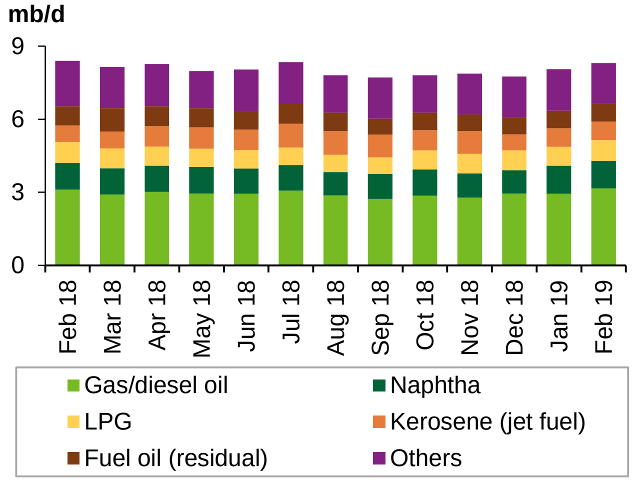
Graph 8 - 10: OECD Europe exports of crude and petroleum products



Sources: IEA and OPEC Secretariat.

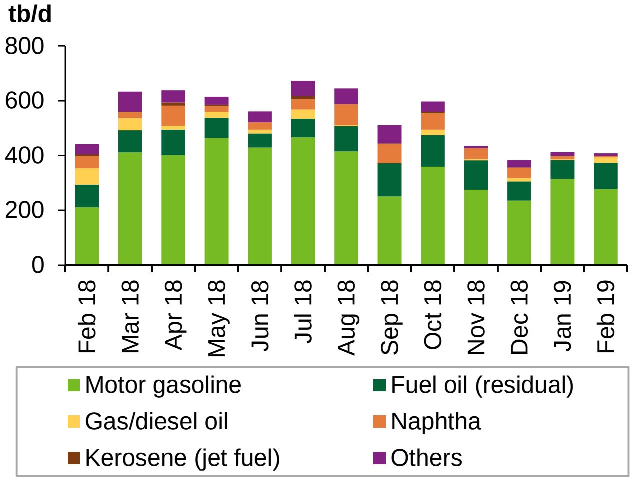
Meanwhile, **product export to the US** from OECD Europe – a key external market for the region's downstream – averaged 0.4 mb/d, led by motor gasoline. This represents a decline of 15% compared to the same period last year. Product imports from the US were broadly flat at 0.5 mb/d.

Graph 8 - 11: OECD Europe petroleum product imports from the US



Sources: IEA and OPEC Secretariat.

Graph 8 - 12: OECD Europe petroleum product exports to the US



Sources: IEA and OPEC Secretariat.

In terms of product type, **product imports** into OECD Europe in the first two months of 2019 were led by diesel with 3.2 mb/d followed by naphtha with 1.1 mb/d, LPG with 0.8 mb/d and jet kerosene with 0.8 mb/d.

Diesel was the main **product export** in the first two months of the year with 1.8 mb/d, followed by gasoline with 1.7 mb/d and fuel oil with 1.0 mb/d. Gasoline and bottom of the barrel products benefited from increased export demand and a relatively tighter market due to refinery outages.

FSU

Total crude oil exports from the Former Soviet Union (FSU) declined by 342 tb/d m-o-m, or around 5%, to average 6.8 mb/d. Crude exports through Russian pipelines increased by 68 tb/d m-o-m to average 4.3 mb/d.

In the **Transneft system**, total shipments from the Black Sea rose by 40 tb/d m-o-m, or 7%, to average 595 tb/d in April. Total Baltic Sea exports rose by 170 tb/d m-o-m as shipments increased m-o-m by 100 tb/d from Primorsk and by 70 tb/d from Ust-Luga. Meanwhile, shipments via the Druzhba pipeline declined by 217 tb/d to 733 tb/d amid disruptions, starting in mid-April, due to crude contaminated with organic chloride. Kozmino shipments also declined, down by 22 tb/d m-o-m, or 3%, to average 657 tb/d.

In the **Lukoil system**, exports via the Barents Sea increased by 22 tb/d, while those from the Baltic Sea continued to average 6 tb/d.

Russia's Far East total exports increased from the previous month to average 432 tb/d.

Central Asia's total exports stood at 227 tb/d in April, broadly in line with the previous month.

Black Sea total exports fell by 376 tb/d m-o-m as a result of declines in shipments from the Novorossiyk port terminal (CPC) and Supsa.

In the **Mediterranean**, BTC supplies fell compared with the previous month, down 65 tb/d m-o-m, or 10%, to average 598 tb/d.

FSU total product exports were negligibly lower in April, averaging 2.9 mb/d for the month. Losses in naphtha were offset by gains elsewhere, primarily in gasoline.

Table 8 - 5: Recent FSU exports of crude and petroleum products by sources, tb/d

			2018	4Q18	1Q19	Mar 19	Apr 19
Transneft system							
	Europe	**Black Sea total**	**544**	**550**	**537**	**555**	**595**
		Novorossiysk port terminal - total	544	550	537	555	595
		of which: Russian oil	383	407	345	390	404
		Others	160	143	192	165	190
		Baltic Sea total	**1,306**	**1,413**	**1,381**	**1,460**	**1,630**
		Primorsk port terminal - total	758	803	772	811	911
		of which: Russian oil	758	803	772	811	911
		Others	0	0	0	0	0
		Ust-Luga port terminal - total	549	610	609	649	719
		of which: Russian oil	375	446	442	487	551
		Others	173	164	167	162	168
		Druzhba pipeline total	**997**	**1,009**	**992**	**950**	**733**
		of which: Russian oil	965	977	959	917	714
		Others	32	32	33	33	19
	Asia	**Pacific ocean total**	**619**	**628**	**644**	**635**	**657**
		Kozmino port terminal - total	619	628	644	635	657
		China (via ESPO pipeline) total	**577**	**601**	**618**	**585**	**637**
		China Amur	577	601	618	585	637
	Total Russia's crude exports		**4,043**	**4,202**	**4,172**	**4,184**	**4,252**
Lukoil system							
	Europe &	**Barents Sea total**	**135**	**121**	**152**	**133**	**155**
	North America	Varandey offshore platform	135	121	152	133	155
	Europe	**Baltic Sea total**	**7**	**7**	**6**	**6**	**6**
		Kalinigrad port terminal	7	7	6	6	6
Other routes							
	Asia	**Russian Far East total**	**371**	**395**	**407**	**425**	**432**
		Aniva Bay port terminal	119	119	111	113	125
		De Kastri port terminal	252	276	296	312	307
		Central Asia total	**233**	**222**	**220**	**228**	**227**
		Kenkiyak-Alashankou	233	222	220	228	227
	Europe	**Black Sea total**	**1,386**	**1,457**	**1,502**	**1,506**	**1,130**
		Novorossiysk port terminal (CPC)	1,323	1,392	1,421	1,448	1,090
		Supsa port terminal	61	65	81	58	40
		Batumi port terminal	2	0	0	0	0
		Kulevi port terminal	0	0	0	0	0
		Mediterranean Sea total	**693**	**707**	**675**	**663**	**598**
		Baku–Tbilisi–Ceyhan (BTC)	693	707	675	663	598
Russian rail							
		Russian rail	**32**	**35**	**39**	**36**	**39**
		of which: Russian oil	32	35	39	36	39
		Others	0	0	0	0	0
	Total FSU crude exports		**6,901**	**7,145**	**7,173**	**7,181**	**6,839**
Products							
		Gasoline	212	208	233	230	287
		Naphtha	517	487	609	609	494
		Jet	37	36	32	40	65
		Gasoil	1,006	920	1,044	870	852
		Fuel oil	930	885	974	951	947
		VGO	277	250	268	203	245
	Total FSU product exports		**2,980**	**2,786**	**3,160**	**2,903**	**2,890**
Total FSU oil exports			**9,881**	**9,931**	**10,332**	**10,084**	**9,729**

Sources: Argus Nefte Transport and Argus Global Markets.

Stock Movements

*Preliminary data for April showed that total **OECD commercial oil stocks** rose m-o-m by 25.0 mb to stand at 2,874 mb. This was 54.4 mb higher than the same time one year ago and 7.6 mb above the latest five-year average. Within the components, crude stocks indicated a slight deficit of 0.2 mb, while product stocks were 7.9 mb above the latest five-year average. In terms of **days of forward cover**, OECD commercial stocks remained unchanged m-o-m in April to stand at 60.1 days, which was 1.1 days above the same period in 2018, but 1.4 days below the latest five-year average.*

*Preliminary data for May showed that **US total commercial oil stocks** rose by a massive 52.3 mb m-o-m to stand at 1,307.9 mb. This was 97.6 mb, above the same period a year ago, and 59.5 mb higher than the latest five-year average. Within the components, crude and product stocks rose m-o-m by 16.7 mb and 35.6 mb, respectively.*

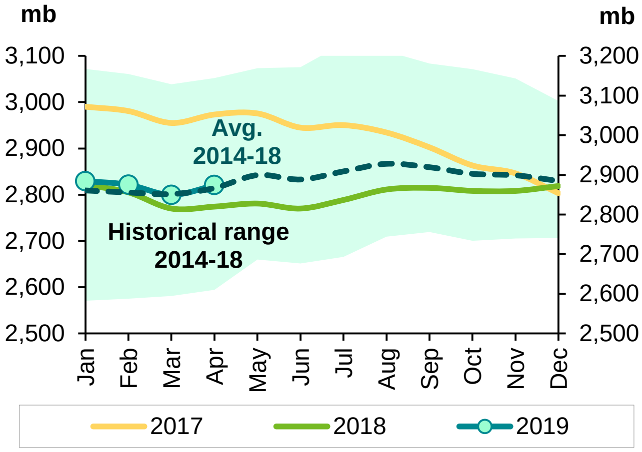
OECD

Preliminary data for April showed that **total OECD commercial oil stocks** rose by 25.0 mb m-o-m, reversing the stock draw of the previous month. At 2,874 mb, total OECD commercial oil stocks were 54.4 mb higher than the same time one year ago and 7.6 mb above the latest five-year average.

Within the components, crude and product stocks rose m-o-m by 2.7 mb and 22.3 mb, respectively. It should be noted that the overhang of total OECD commercial oil stocks has been reduced by around 293 mb since the 'Declaration of Cooperation' began at the end of December 2016.

In April, crude stocks indicated a slight deficit of 0.2 mb, while product stocks were 7.9 mb above the latest five-year average.

Graph 9 - 1: OECD commercial oil stocks



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

Within the regions, total commercial oil stocks in OECD Americas rose by 36.6 mb m-o-m, while OECD Europe and OECD Asia Pacific stocks fell by 8.5 mb and 3.2 mb, respectively.

Commercial crude stocks rose by 2.7 mb m-o-m in April, ending the month at 1,441 mb. This was 15.5 mb above the same time a year ago, but 0.2 mb lower than the latest five-year average. Compared with the previous month, OECD Americas registered a stock build, while OECD Europe and OECD Asia Pacific experienced stock draws.

OECD **total product inventories rose** by 22.3 mb m-o-m in April to stand at 1,434 mb. This was 38.9 mb above the same time a year ago and 7.9 mb above the seasonal norm. Within the OECD regions, OECD Americas stocks rose by 29.3 mb m-o-m, while product stocks in OECD Asia Pacific and OECD Europe fell by 0.3 mb and 6.4 mb, respectively.

In terms of **days of forward cover**, OECD commercial stocks remained unchanged in April m-o-m at 60.1 days, which was 1.1 days above the same period in 2018, but 1.4 days below the latest five-year average. Within the regions, OECD Americas was 0.8 days lower than the historical average to stand at 59.0 days. OECD Europe's stocks were 1.6 days below the latest five-year average to finish the month at 67.3 days. OECD Asia Pacific stocks were 2.9 days below the seasonal norm to stand at 50.1 days.

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

	Feb 19	Mar 19	Apr 19	Change Apr 19/Mar 19	Apr 18
Crude oil	1,443	1,438	1,441	2.7	1,425
Products	1,432	1,411	1,434	22.3	1,395
Total	**2,875**	**2,849**	**2,874**	**25.0**	**2,820**
Days of forward cover	**60.7**	**60.1**	**60.1**	**0.0**	**59.0**

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

OECD Americas

OECD Americas total commercial stocks rose by 36.6 mb m-o-m in April. This reversed the drop of the previous two months to settle at 1,533 mb, which was 71.1 mb above a year ago and 38.2 mb above the latest five-year average. Within the components, crude and products stocks rose m-o-m by 7.3 mb and 29.3 mb, respectively.

Commercial crude oil stocks in OECD Americas rose by 7.3 mb m-o-m in April to stand at 807 mb. This was 41.8 mb higher than the same time a year ago and 25.3 mb above the latest five-year average. This build came from higher US crude production and higher US crude imports.

Total product stocks in OECD Americas rose by 29.3 mb m-o-m in April to stand at 726 mb. This was 29.0 mb above the same time one year ago and 12.9 mb above the seasonal norm. Lower consumption, combined with higher refinery output in the region, were behind the product stock build.

OECD Europe

OECD Europe's total commercial stocks fell by 8.5 mb m-o-m in April, ending the month at 965 mb, which was 5.2 mb lower than the same time a year ago and 5.2 mb below the latest five-year average. Crude and product stocks fell m-o-m by 2.0 mb and 6.4 mb, respectively.

OECD Europe's **commercial crude stocks** fell by 2.0 mb m-o-m in April, ending the month at 420 mb. This was 17.3 mb below a year earlier, but 0.2 mb higher than the latest five-year average. The drop came on the back of higher refinery throughput in OECD Europe.

OECD Europe's **commercial product stocks** fell by 6.4 mb m-o-m to end April at 545 mb. This was 12.1 mb above the same time a year ago, but 5.4 mb below the seasonal norm. The drop can be attributed to higher refined product consumption in the region.

OECD Asia Pacific

OECD Asia Pacific's total commercial oil stocks fell by 3.2 mb m-o-m in April to stand at 377 mb. This was 11.5 mb lower than a year ago, and 25.3 mb below the latest five-year average. Within the components, crude and products stocks fell m-o-m by 2.5 mb and 0.6 mb, respectively.

OECD Asia Pacific's **crude inventories** fell by 2.5 mb m-o-m to end April at 215 mb. This was 9.0 mb below one year ago, and 25.7 mb down than the seasonal norm.

OECD Asia Pacific's **total product inventories** fell by 0.6 mb m-o-m to end April at 162 mb. This was 2.5 mb below the same time a year ago, but 0.4 mb above the seasonal norm.

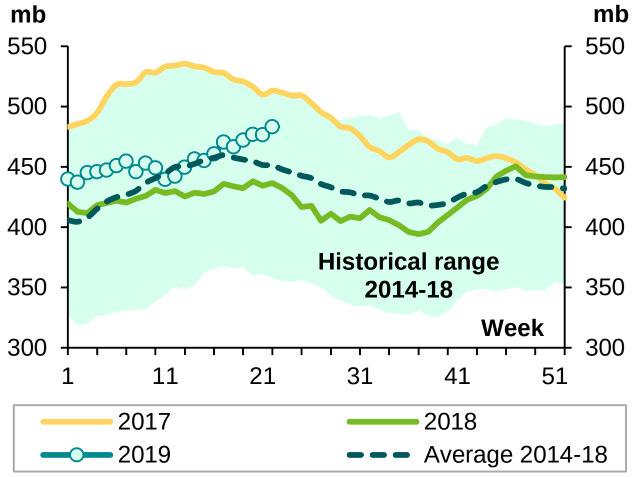
US

Preliminary data for May showed that **US total commercial oil stocks** rose m-o-m by a massive 52.3 mb to stand at 1,307.9 mb. This was 97.6 mb, or 8.1%, above the same period a year ago, and 59.5 mb, or 4.8%, higher than the latest five-year average. Within the components, crude and product stocks rose m-o-m by 16.7 mb and 35.6 mb, respectively.

US **commercial crude stocks** rose in May to stand at 483.3 mb. This was 50.0 mb, or 11.5%, above the same time last year and 28.0 mb, or 6.1%, above the latest five-year average. This build came from higher crude imports, combined with further increases in US output. However, higher crude oil refinery inputs have limited further builds. Inventories in Cushing, Oklahoma, also rose by nearly 5.0 mb to end May at 50.8 mb.

Total product stocks in May rose by 35.6 mb m-o-m to stand at 824.7 mb. This was 47.6 mb, or 6.1%, above the level seen at the same time in 2018, and 31.6 mb, or 4.0%, above the seasonal average. With the exception of jet fuel oil stocks, all other products witnessed stock builds.

Graph 9 - 2: US weekly commercial crude oil inventories

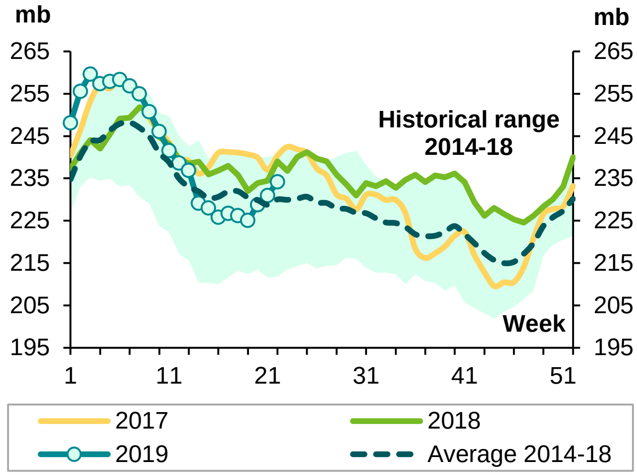


Sources: US EIA and OPEC Secretariat.

Gasoline stocks rose in May by 8.0 mb m-o-m, which reversed the draws of the last three months. At 234.1 mb, gasoline stocks were 8.0 mb, or 3.3%, lower than levels seen at the same time last year, and 0.4 mb, or 0.2%, lower than the seasonal norm. This monthly build came on the back of lower gasoline demand, which declined by around 130 tb/d to average 9.35 mb/d.

Distillate stocks also rose by 3.8 mb m-o-m in May to end the month at 129.4 mb. This was 14.2 mb, or 12.3%, above the same period a year ago, albeit 6.9 mb, or 5.1%, below the latest five-year average. The stock build could be attributed to higher distillate output, which increased by around 200 tb/d to average 5.3 mb/d. A slight increase in distillate demand limited further stock builds.

Graph 9 - 3: US weekly gasoline inventories



Sources: US EIA and OPEC Secretariat.

Residual fuel stocks rose by 0.8 mb m-o-m, at the end of May to 28.8 mb. This was 3.1 mb, or 9.8%, below the same time a year ago and 9.0 mb, or 23.8%, lower than the latest five-year average.

By contrast, **jet fuel oil stocks** were down by 1.0 mb m-o-m to stand at 38.7 mb in May. This was 2.7 mb, or 6.4%, lower than the same time a year ago, and 3.7 mb, or 8.6%, below the latest five-year average.

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

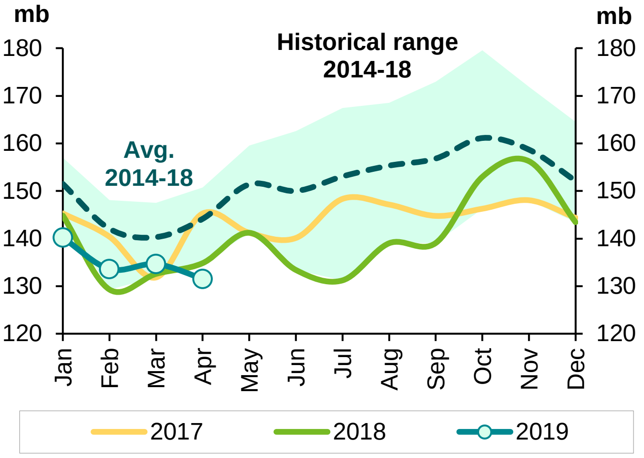
	Mar 19	Apr 19	May 19	*Change* May 19/Apr 19	May 18
Crude oil	**459.3**	**466.6**	**483.3**	**16.7**	**433.3**
Gasoline	236.1	226.1	234.1	8.0	242.2
Distillate fuel	132.4	125.6	129.4	3.8	115.2
Residual fuel oil	28.7	28.0	28.8	0.8	31.9
Jet fuel	41.6	39.7	38.7	-1.0	41.4
Total products	**789.7**	**789.0**	**824.7**	**35.6**	**777.0**
Total	**1,249.0**	**1,255.6**	**1,307.9**	**52.3**	**1,210.3**
SPR	**649.1**	**647.7**	**644.8**	**-2.9**	**660.2**

Sources: US EIA and OPEC Secretariat.

Japan

In **Japan**, **total commercial oil stocks** fell by 3.8 mb m-o-m in April to settle at 131.2 mb.. The level was 3.6 mb, or 2.7%, lower than one year ago, and 13.0 mb, or 9%, below the latest five-year average. Within the components, crude and product stocks fell m-o-m by 2.5 mb and 1.2 mb, respectively.

Graph 9 - 4: Japan's commercial oil stocks



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

Japanese **commercial crude oil stocks** fell by 2.5 mb m-o-m in April to stand at 77.6 mb. This was 0.1 mb, or 0.1%, below the same period a year ago, and 8.1 mb, or 9.5%, below the seasonal norm. The drop was driven by lower crude imports, which fell by around 180 tb/d, or 5.5% m-o-m, to average 3.04 mb/d.

Japan's **total product inventories** fell m-o-m by 1.2 mb to end April at 53.6 mb. This was 3.6 mb, or 6.2%, lower than the same month last year and 4.8 mb, or 8.3%, below the seasonal norm. Within products, gasoline, distillate and residual fuel stocks witnessed stock draws, while naphtha saw a stock build.

Gasoline stocks fell by 0.6 mb m-o-m to stand at 9.8 mb in April. This was 1.0 mb, or 9.1%, lower than a year ago, and 1.7 mb, or 14.6%, lower than the latest five-year average. The fall was mainly driven by lower gasoline output, which decreased by 8.4% from the previous month. However, lower domestic sales, which fell by 0.5%, limited further draws.

Distillate stocks fell by 0.8 mb m-o-m to stand at 21.1 mb in April. This was 4.1 mb, or 16.4%, lower than the same time a year ago, and 3.2 mb, or 13.0%, lower than the seasonal average. Within the distillate components, jet fuel, kerosene and gasoil fell by 0.7%, 21.5% and 13.8% m-o-m, respectively. The drop in jet fuel stocks was driven by higher exports, while a decline in output was behind the fall in kerosene and gasoil stocks.

Total residual fuel oil stocks fell by 0.3 mb m-o-m in April to stand at 13.0 mb. This was 0.3 mb, or 2.5%, above the same period a year ago, and 0.6 mb, or 4.5%, lower than the latest five-year average. Within fuel oil components, fuel oil A and fuel B.C stocks fell m-o-m by 5.1% and 0.1%, respectively. The fall in both products was driven by lower output.

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

	Feb 19	Mar 19	Apr 19	*Change* Apr 19/Mar 19	Apr 18
Crude oil	**77.3**	**80.1**	**77.6**	**-2.5**	**77.7**
Gasoline	10.2	10.4	9.8	-0.6	10.8
Naphtha	9.5	9.2	9.6	0.5	8.4
Middle distillates	23.2	21.9	21.1	-0.8	25.2
Residual fuel oil	13.4	13.3	13.0	-0.3	12.7
Total products	**56.3**	**54.8**	**53.6**	**-1.2**	**57.1**
Total**	**133.6**	**134.9**	**131.2**	**-3.8**	**134.8**

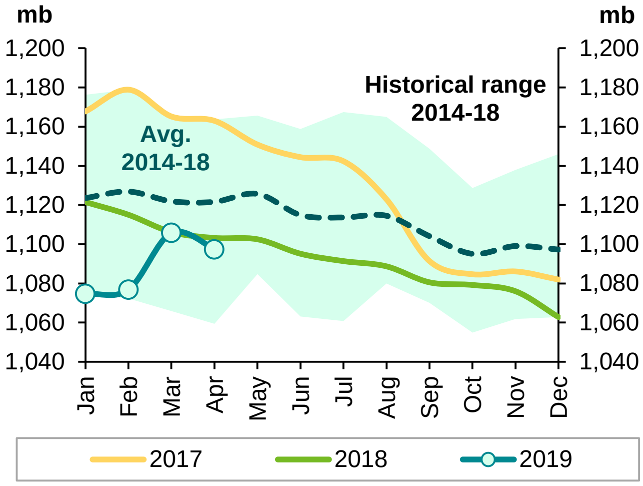
*Note: * At the end of the month.*
*** Includes crude oil and main products only.*
Sources: Ministry of Economy, Trade and Industry of Japan and OPEC Secretariat.

EU plus Norway

Preliminary data for April showed that **total European commercial oil stocks** fell by 8.5 mb m-o-m to stand at 1,097.3 mb. This was 5.9 mb, or 0.5%, below the same time a year ago, and 24.3 mb, or 2.2%, lower than the latest five-year average. Within the components, crude and product stocks fell m-o-m by 2.0 mb and 6.4 mb, respectively.

European **crude inventories** fell in April to stand at 480.3 mb. This was 12.8 mb, or 2.6%, lower than the same period a year ago, and 7.6 mb, or 1.6%, lower than the latest five-year average. The drop came on the back of higher refinery throughput in the EU-16 countries, which rose by around 350 tb/d, to stand at 10.5 mb/d.

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



Sources: Argus, Euroilstock and OPEC Secretariat.

European **total product stocks** fell by 6.4 mb m-o-m, ending April at 617.1 mb. This was 6.9 mb, or 1.1%, higher than the same time a year ago, but 16.7 mb, or 2.6%, lower than the latest five-year average. Within products, gasoline, distillates and naphtha witnessed stock draws, while residual fuel experienced a stock build.

Gasoline stocks fell by 3.7 mb m-o-m in April to stand at 120.3 mb. This was 1.6 mb, or 1.3 %, higher than the same time a year ago and 2.6 mb, or 2.2%, above the latest five-year average.

Distillate stocks fell by 2.9 mb m-o-m in April reversing the build of last three consecutive months to stand at 402.7 mb. This was 5.7 mb, or 1.4%, higher than the same time last year, albeit 15.1 mb, or 3.6%, below the latest five-year average.

Naphtha stocks dropped by 0.4 mb m-o-m to end April at 30.8 mb. This was 2.0 mb, or 7.1%, higher than last year's April level, and 4.9 mb, or 19%, higher than the latest five-year average.

In contrast, **residual fuel stocks** rose by 0.6 mb m-o-m to end April at 63.3 mb. This was 2.4 mb, or 3.6%, lower than the same time one year ago and 9.1 mb, or 12.6%, down on the seasonal norm.

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

	Feb 19	Mar 19	Apr 19	Change Apr 19/Mar 19	Apr 18
Crude oil	**458.4**	**482.3**	**480.3**	**-2.0**	**493.0**
Gasoline	125.4	123.9	120.3	-3.7	118.7
Naphtha	29.9	31.2	30.8	-0.4	28.8
Middle distillates	401.0	405.6	402.7	-2.9	397.0
Fuel oils	62.1	62.7	63.3	0.6	65.7
Total products	**618.5**	**623.5**	**617.1**	**-6.4**	**610.2**
Total	**1,076.8**	**1,105.8**	**1,097.3**	**-8.5**	**1,103.2**

Sources: Argus, Euroilstock and OPEC Secretariat.

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

Singapore

At the end of April, **total product stocks in Singapore** rose slightly by 0.2 mb m-o-m, reversing the drop witnessed in March. The April level stood at 47.8 mb, which was 9.4 mb, or 24%, above the same period a year ago. Within the products, light and middle distillates witnessed stock draws in April, while fuel oil stocks experienced a build.

Most of the declines came from **light distillate stocks**, which fell by 2.2 mb m-o-m to end April at 13.6 mb, which was 0.9 mb, or 7.1%, above the same period a year ago. This decline may have been driven by higher exports from the hub.

Middle distillates also fell in April by 0.6 mb to stand at 10.5 mb. This was 2.4 mb, or 29.6%, above the same time a year ago.

In contrast, **residual fuel oil** stocks rose by 3.0 mb to stand at 23.7 mb at the end of April, indicating a surplus of 6.1 mb, or 34.7%, compared with the same time a year ago.

ARA

Total product stocks in ARA fell slightly by 0.1 mb m-o-m in April, reversing the March build, to settle at 42.9 mb. This was 3.7 mb, or 9.4%, above the same time a year ago. Within products, the picture was mixed; gasoline and naphtha witnessed stock draws, while fuel oil, jet fuel and gasoil stocks experienced stock builds.

Both **gasoline and naphtha stocks** fell by 0.4 mb m-o-m each in April to stand at 8.5 mb and 2.0 mb, respectively. Gasoline remained 1.1 mb, or 11.5%, below last year's level, while naphtha stocks were 0.5 mb, or 20.0%, below the same time last year.

In contrast, both **gasoil and fuel oil stocks** in April rose by 0.2 mb m-o-m each, ending the month at 20.5 mb and 5.9 mb, respectively. Gasoil stocks stood at 4.9 mb, or 31.4%, above the same month last year, while fuel oil stocks stood at 1.1 mb, or 15.7 %, below the same time a year ago.

Jet fuel stocks rose by 0.3 mb m-o-m in April to stand at 6.0 mb, which was 1.5 mb, or 33%, above the same month last year.

Balance of Supply and Demand

Demand for OPEC crude in 2018 *stood at 31.6 mb/d, which is 1.6 mb/d lower than the 2017 level and unchanged from the last monthly report. In comparison, according to secondary sources, in 2018, OPEC production averaged 31.9 mb/d. This was around 0.3 mb/d higher than the demand for OPEC crude. On a quarterly basis, OPEC crude production averaged 31.8 mb/d in 1Q18, which was 0.2 mb/d lower than the demand for OPEC crude. In 2Q18, OPEC crude production averaged 31.6 mb/d, 0.1 mb/d below the demand for OPEC crude. In contrast, OPEC crude production stood at 32.0 mb/d and 32.1 mb/d in 3Q18 and 4Q18, respectively, around 0.1 mb/d and 1.2 mb/d higher than demand for OPEC crude.*

Demand for OPEC crude in 2019 *is forecast to decline by 1.1 mb/d to average 30.5 mb/d, which is 0.1 mb/d lower than the previous assessment. In 1Q19, OPEC crude production averaged 30.5 mb/d, about 0.2 mb/d higher than demand for OPEC crude.*

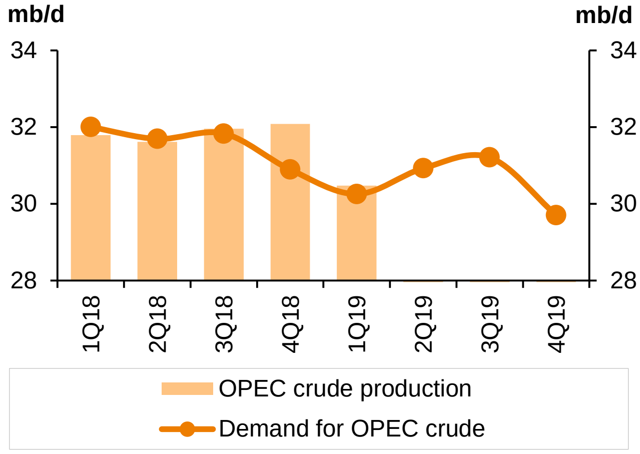
Balance of supply and demand in 2018

Demand for OPEC crude for 2018 was unchanged from the previous report at 31.6 mb/d, which is 1.6 mb/d lower than the 2017 level.

Compared with the previous monthly report, all the quarters were unchanged. When compared to the same quarters in 2017, demand for OPEC crude in 1Q18 was at the same level, while the second and third quarters were 1.4 mb/d and 2.4 mb/d lower, respectively. The fourth quarter fell by 2.8 mb/d.

In comparison, according to secondary sources, in 2018, OPEC production averaged 31.9 mb/d. This was around 0.3 mb/d higher than demand for OPEC crude. On a quarterly basis, OPEC crude production averaged 31.8 mb/d in 1Q18, which was 0.2 mb/d lower than demand for OPEC crude. In 2Q18, OPEC crude production averaged 31.6 mb/d, 0.1 mb/d below the demand for OPEC crude. In contrast, OPEC crude production stood at 32.0 mb/d and 32.1 mb/d in 3Q18 and 4Q18, respectively, around 0.1 mb/d and 1.2 mb/d higher than demand for OPEC crude.

Graph 10 - 1: Balance of supply and demand, 2018-2019*



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

Table 10 - 1: Supply/demand balance for 2018*, mb/d

	2017	1Q18	2Q18	3Q18	4Q18	2018	Change 2018/17
(a) World oil demand	**97.32**	**97.83**	**98.08**	**99.38**	**99.62**	**98.73**	**1.41**
Non-OPEC supply	59.45	61.16	61.58	62.72	63.97	62.37	2.91
OPEC NGLs and non-conventionals	4.64	4.66	4.81	4.82	4.76	4.76	0.13
(b) Total non-OPEC supply and OPEC NGLs	**64.09**	**65.82**	**66.39**	**67.54**	**68.72**	**67.13**	**3.04**
Difference (a-b)	**33.23**	**32.00**	**31.69**	**31.83**	**30.89**	**31.60**	**-1.63**
OPEC crude oil production	**32.01**	**31.79**	**31.61**	**31.96**	**32.08**	**31.86**	**-0.15**
Balance	**-1.22**	**-0.21**	**-0.08**	**0.13**	**1.19**	**0.26**	**1.48**

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

Balance of supply and demand in 2019

Demand for OPEC crude for 2019 was revised down by 0.1 mb/d from the previous report to stand at 30.5 mb/d. This is 1.1 mb/d lower than the 2018 level.

Compared with the last monthly report, demand for OPEC crude in 1Q19 was revised down by 0.2 mb/d, while 2Q19, 3Q19 and 4Q19 remained unchanged.

When compared to the same quarters in 2018, demand for OPEC crude in 1Q19 was 1.7 mb/d lower, while 2Q19 and 3Q19 are forecast to fall by 0.8 mb/d and 0.6 mb/d, respectively. 4Q19 is expected to fall by 1.2 mb/d.

According to secondary sources, OPEC crude production averaged 30.5 mb/d in 1Q19, about 0.2 mb/d higher than demand for OPEC crude.

Table 10 - 2: Supply/demand balance for 2019*, mb/d

	2018	1Q19	2Q19	3Q19	4Q19	2019	Change 2019/18
(a) World oil demand	**98.73**	**98.76**	**99.24**	**100.61**	**100.84**	**99.87**	**1.14**
Non-OPEC supply	62.37	63.70	63.49	64.54	66.28	64.51	2.14
OPEC NGLs and non-conventionals	4.76	4.80	4.83	4.87	4.86	4.84	0.08
(b) Total non-OPEC supply and OPEC NGLs	**67.13**	**68.51**	**68.31**	**69.40**	**71.14**	**69.35**	**2.22**
Difference (a-b)	**31.60**	**30.26**	**30.93**	**31.21**	**29.70**	**30.52**	**-1.08**
OPEC crude oil production	**31.86**	**30.47**					
Balance	**0.26**	**0.22**					

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

Appendix

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

	2015	2016	2017	1Q18	2Q18	3Q18	4Q18	2018	1Q19	2Q19	3Q19	4Q19	2019
World demand													
OECD	46.52	46.97	47.45	47.72	47.28	48.19	48.16	47.84	47.66	47.44	48.43	48.36	47.98
Americas	24.59	24.87	25.06	25.20	25.40	25.78	25.74	25.53	25.29	25.65	26.07	26.01	25.76
Europe	13.83	13.99	14.33	13.98	14.23	14.71	14.34	14.32	13.97	14.19	14.69	14.31	14.29
Asia Pacific	8.10	8.11	8.06	8.54	7.65	7.70	8.08	7.99	8.40	7.60	7.67	8.04	7.93
DCs	30.89	31.53	32.13	32.43	32.62	32.86	32.56	32.62	32.97	33.16	33.40	33.10	33.16
FSU	4.58	4.63	4.70	4.66	4.65	4.94	5.01	4.82	4.75	4.74	5.03	5.11	4.91
Other Europe	0.67	0.70	0.72	0.73	0.69	0.73	0.82	0.74	0.75	0.71	0.75	0.84	0.76
China	11.49	11.80	12.32	12.28	12.84	12.65	13.07	12.71	12.63	13.19	13.00	13.43	13.06
(a) Total world demand	**94.16**	**95.63**	**97.32**	**97.83**	**98.08**	**99.38**	**99.62**	**98.73**	**98.76**	**99.24**	**100.61**	**100.84**	**99.87**
Non-OPEC supply													
OECD	25.36	24.85	25.69	27.24	27.52	28.66	29.47	28.23	29.20	29.08	30.09	31.23	29.91
Americas	21.08	20.58	21.48	22.89	23.35	24.53	25.15	23.99	24.95	24.96	25.91	26.76	25.65
Europe	3.82	3.85	3.82	3.94	3.79	3.70	3.89	3.83	3.82	3.66	3.71	3.96	3.79
Asia Pacific	0.46	0.42	0.39	0.40	0.38	0.42	0.44	0.41	0.43	0.46	0.48	0.51	0.47
DCs	13.78	13.53	13.39	13.45	13.52	13.40	13.50	13.47	13.45	13.68	13.81	13.98	13.73
FSU	13.69	13.85	14.05	14.10	14.14	14.33	14.57	14.29	14.55	14.21	14.19	14.58	14.38
Other Europe	0.14	0.13	0.13	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12
China	4.40	4.09	3.98	4.01	4.03	3.97	4.05	4.02	4.10	4.12	4.05	4.10	4.09
Processing gains	2.17	2.19	2.21	2.25	2.25	2.25	2.25	2.25	2.28	2.28	2.28	2.28	2.28
Total non-OPEC supply	**59.54**	**58.66**	**59.45**	**61.16**	**61.58**	**62.72**	**63.97**	**62.37**	**63.70**	**63.49**	**64.54**	**66.28**	**64.51**
OPEC NGLs + non-conventional oils	4.44	4.58	4.64	4.66	4.81	4.82	4.76	4.76	4.80	4.83	4.87	4.86	4.84
(b) Total non-OPEC supply and OPEC NGLs	**63.98**	**63.24**	**64.09**	**65.82**	**66.39**	**67.54**	**68.72**	**67.13**	**68.51**	**68.31**	**69.40**	**71.14**	**69.35**
OPEC crude oil production (secondary sources)	31.24	32.21	32.01	31.79	31.61	31.96	32.08	31.86	30.47				
Total supply	95.22	95.45	96.10	97.62	98.00	99.50	100.81	98.99	98.98				
Balance (stock change and miscellaneous)	1.06	-0.18	-1.22	-0.21	-0.08	0.13	1.19	0.26	0.22				
OECD closing stock levels, *mb*													
Commercial	2,989	3,002	2,854	2,815	2,815	2,867	2,872	2,872	2,849				
SPR	1,588	1,600	1,568	1,575	1,570	1,565	1,547	1,547	1,553				
Total	**4,577**	**4,602**	**4,421**	**4,390**	**4,385**	**4,432**	**4,419**	**4,419**	**4,402**				
Oil-on-water	1,017	1,102	1,025	1,036	1,014	1,041	1,058	1,058	1,013				
Days of forward consumption in OECD, *days*													
Commercial onland stocks	64	63	60	60	58	60	60	60	60				
SPR	34	34	33	33	33	33	32	32	33				
Total	**97**	**97**	**92**	**93**	**91**	**92**	**93**	**92**	**93**				
Memo items													
(a) - (b)	**30.18**	**32.39**	**33.23**	**32.00**	**31.69**	**31.83**	**30.89**	**31.60**	**30.26**	**30.93**	**31.21**	**29.70**	**30.52**

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

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

	2015	2016	2017	1Q18	2Q18	3Q18	4Q18	2018	1Q19	2Q19	3Q19	4Q19	2019
World demand													
OECD	-	-	0.03	0.03	0.04	0.03	0.02	0.03	-0.28	0.04	0.03	0.01	-0.05
Americas	-	-	-	-	-	-	-	-	-0.15	-	-	-	-0.04
Europe	-	-	0.03	0.03	0.04	0.03	0.02	0.03	-	0.04	0.03	0.02	0.02
Asia Pacific	-	-	-	-	-	-	-	-	-0.13	-	-	-	-0.03
DCs	-	-	-0.02	-0.03	-	-0.03	-0.03	-0.02	-0.01	-	-0.03	-0.03	-0.02
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	**-**	**-**	**0.01**	**-**	**0.04**	**-**	**-0.01**	**-**	**-0.29**	**0.04**	**-**	**-0.02**	**-0.07**
Non-OPEC supply													
OECD	-	-	-0.01	-0.03	-0.01	0.01	-	-0.01	-0.13	-	-0.04	-0.02	-0.05
Americas	-	-	-0.02	-0.03	-0.01	0.01	-	-0.01	-0.10	-	-	-	-0.03
Europe	-	-	-	-	-	-	-	-	-0.02	-	-0.04	-0.02	-0.02
Asia Pacific	-	-	-	-	-	-	-	-	-0.01	-	-	-	-
DCs	-	-	-	-	-	-	-	-	0.04	0.02	-0.07	-0.07	-0.02
FSU	-	-	-	-	-	-	-	-	-	-0.02	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	0.01	-	-	-	-0.01	0.06	0.09	0.11	0.06
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	0.01	-0.01	-0.03	-0.01	0.01	-	-0.01	-0.10	0.06	-0.01	0.03	-0.01
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	**-**	**0.01**	**-0.01**	**-0.03**	**-0.01**	**0.01**	**-**	**-0.01**	**-0.10**	**0.06**	**-0.01**	**0.03**	**-0.01**
OPEC crude oil production (secondary sources)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.01**				
Total supply	-	0.01	-0.01	-0.03	-0.01	0.01	-	-0.01	-0.09				
Balance (stock change and miscellaneous)	-	0.01	-0.02	-0.03	-0.04	0.01	0.01	-0.01	0.20				
OECD closing stock levels (mb)													
Commercial	-	-	-	-1	-1	1	1	1	-25				
SPR	-	-	-	-	-	-	-	-	2				
Total	-	-	-	-1	-1	1	1	1	-24				
Oil-on-water	-	-	-	-	-	-	-	-	-				
Days of forward consumption in OECD													
Commercial onland stocks	-	-	-	-	-	-	-	-	-1				
SPR	-	-	-	-	-	-	-	-	-				
Total	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-1**				
Memo items													
(a) - (b)	**-**	**-0.01**	**0.02**	**0.03**	**0.04**	**-0.01**	**-0.01**	**0.01**	**-0.19**	**-0.02**	**0.01**	**-0.04**	**-0.06**

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

This table shows only where changes have occurred.

Source: OPEC Secretariat.

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

	2016	2017	2018	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Closing stock levels, mb												
OECD onland commercial	**3,002**	**2,854**	**2,872**	**3,031**	**3,019**	**2,969**	**2,854**	**2,815**	**2,815**	**2,867**	**2,872**	**2,849**
Americas	1,598	1,498	1,542	1,606	1,596	1,571	1,498	1,468	1,471	1,541	1,542	1,496
Europe	989	943	931	1,022	999	965	943	969	956	936	931	973
Asia Pacific	415	412	399	404	424	433	412	378	388	390	399	380
OECD SPR	**1,600**	**1,568**	**1,547**	**1,600**	**1,588**	**1,578**	**1,568**	**1,575**	**1,570**	**1,565**	**1,547**	**1,553**
Americas	697	665	651	694	681	676	665	667	662	662	651	651
Europe	481	480	476	484	484	479	480	485	486	481	476	483
Asia Pacific	421	423	420	422	423	423	423	422	422	422	420	419
OECD total	**4,602**	**4,421**	**4,419**	**4,630**	**4,608**	**4,547**	**4,421**	**4,390**	**4,385**	**4,432**	**4,419**	**4,402**
Oil-on-water	**1,102**	**1,025**	**1,058**	**1,043**	**1,052**	**998**	**1,025**	**1,036**	**1,014**	**1,041**	**1,058**	**1,013**
Days of forward consumption in OECD, days												
OECD onland commercial	**63**	**60**	**60**	**64**	**63**	**62**	**60**	**60**	**58**	**60**	**60**	**60**
Americas	64	59	60	64	63	62	59	58	57	60	61	58
Europe	69	66	65	71	68	67	68	68	65	65	67	69
Asia Pacific	51	52	50	53	54	52	48	49	50	48	47	50
OECD SPR	**34**	**33**	**33**	**34**	**33**	**33**	**33**	**33**	**33**	**33**	**32**	**33**
Americas	28	26	26	28	27	27	26	26	26	26	26	25
Europe	34	34	34	34	33	33	34	34	33	34	34	34
Asia Pacific	52	53	53	55	54	51	50	55	55	52	49	55
OECD total	**97**	**92**	**93**	**98**	**97**	**95**	**93**	**93**	**91**	**92**	**92**	**93**

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

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

	2015	2016	2017	3Q18	4Q18	2018	Change 18/17	1Q19	2Q19	3Q19	4Q19	2019	Change 19/18
US	14.1	13.6	14.4	17.2	17.7	16.7	2.3	17.8	18.1	18.6	19.5	18.5	1.8
Canada	4.4	4.5	4.8	5.3	5.5	5.2	0.4	5.3	4.9	5.3	5.4	5.2	0.0
Mexico	2.6	2.5	2.2	2.1	2.0	2.1	-0.2	1.9	1.9	1.9	1.9	1.9	-0.1
OECD Americas	**21.1**	**20.6**	**21.5**	**24.5**	**25.1**	**24.0**	**2.5**	**25.0**	**25.0**	**25.9**	**26.8**	**25.7**	**1.7**
Norway	1.9	2.0	2.0	1.8	1.9	1.8	-0.1	1.8	1.7	1.8	1.9	1.8	-0.1
UK	1.0	1.0	1.0	1.1	1.2	1.1	0.1	1.2	1.2	1.1	1.2	1.2	0.1
Denmark	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Other OECD Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.1	0.7	0.7	0.7	0.7	0.7	0.0
OECD Europe	**3.8**	**3.9**	**3.8**	**3.7**	**3.9**	**3.8**	**0.0**	**3.8**	**3.7**	**3.7**	**4.0**	**3.8**	**0.0**
Australia	0.4	0.3	0.3	0.3	0.4	0.3	0.0	0.4	0.4	0.4	0.4	0.4	0.1
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
OECD Asia Pacific	**0.5**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.0**	**0.4**	**0.5**	**0.5**	**0.5**	**0.5**	**0.1**
Total OECD	**25.4**	**24.9**	**25.7**	**28.7**	**29.5**	**28.2**	**2.5**	**29.2**	**29.1**	**30.1**	**31.2**	**29.9**	**1.7**
Brunei	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
India	0.9	0.9	0.9	0.8	0.8	0.9	0.0	0.8	0.8	0.8	0.8	0.8	0.0
Indonesia	0.9	0.9	0.9	0.9	0.9	0.9	0.0	0.9	0.8	0.8	0.8	0.8	0.0
Malaysia	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Thailand	0.5	0.5	0.5	0.5	0.5	0.5	0.0	0.5	0.5	0.5	0.5	0.5	0.0
Vietnam	0.3	0.3	0.3	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Asia others	0.3	0.3	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Other Asia	**3.7**	**3.7**	**3.6**	**3.5**	**3.5**	**3.6**	**-0.1**	**3.5**	**3.4**	**3.5**	**3.5**	**3.5**	**-0.1**
Argentina	0.7	0.7	0.6	0.6	0.7	0.6	0.0	0.6	0.6	0.6	0.6	0.6	0.0
Brazil	3.1	3.1	3.3	3.2	3.3	3.3	0.0	3.3	3.6	3.7	3.8	3.6	0.3
Colombia	1.0	0.9	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Trinidad & Tobago	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Latin America others	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Latin America	**5.2**	**5.1**	**5.2**	**5.1**	**5.3**	**5.2**	**0.0**	**5.2**	**5.4**	**5.5**	**5.7**	**5.5**	**0.3**
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Oman	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0	1.0	0.0
Qatar	2.0	2.0	1.9	2.0	2.0	2.0	0.1	2.0	2.0	2.0	2.0	2.0	0.0
Syria	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yemen	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Middle East	**3.3**	**3.3**	**3.1**	**3.2**	**3.2**	**3.2**	**0.1**	**3.2**	**3.2**	**3.2**	**3.2**	**3.2**	**0.0**
Cameroon	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Chad	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Egypt	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.6	0.7	0.7	0.7	0.0
Ghana	0.1	0.1	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
South Africa	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Sudans	0.3	0.3	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.3	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	**1.6**	**1.5**	**1.5**	**1.5**	**1.5**	**1.5**	**0.0**	**1.5**	**1.6**	**1.6**	**1.6**	**1.6**	**0.1**
Total DCs	**13.8**	**13.5**	**13.4**	**13.4**	**13.5**	**13.5**	**0.1**	**13.5**	**13.7**	**13.8**	**14.0**	**13.7**	**0.3**
FSU	**13.7**	**13.9**	**14.1**	**14.3**	**14.6**	**14.3**	**0.2**	**14.5**	**14.2**	**14.2**	**14.6**	**14.4**	**0.1**
Russia	10.8	11.1	11.2	11.4	11.6	11.3	0.2	11.5	11.4	11.6	11.6	11.5	0.2
Kazakhstan	1.6	1.6	1.7	1.8	1.8	1.8	0.1	1.9	1.7	1.5	1.9	1.7	-0.1
Azerbaijan	0.9	0.8	0.8	0.8	0.8	0.8	0.0	0.8	0.8	0.8	0.8	0.8	0.0
FSU others	0.4	0.4	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Other Europe	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.0**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.0**
China	**4.4**	**4.1**	**4.0**	**4.0**	**4.1**	**4.0**	**0.0**	**4.1**	**4.1**	**4.0**	**4.1**	**4.1**	**0.1**
Non-OPEC production	**57.4**	**56.5**	**57.2**	**60.5**	**61.7**	**60.1**	**2.9**	**61.4**	**61.2**	**62.3**	**64.0**	**62.2**	**2.1**
Processing gains	2.2	2.2	2.2	2.2	2.2	2.2	0.0	2.3	2.3	2.3	2.3	2.3	0.0
Non-OPEC supply	**59.5**	**58.7**	**59.5**	**62.7**	**64.0**	**62.4**	**2.9**	**63.7**	**63.5**	**64.5**	**66.3**	**64.5**	**2.1**
OPEC NGL	4.3	4.5	4.5	4.7	4.7	4.7	0.1	4.7	4.7	4.8	4.8	4.7	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)	**4.4**	**4.6**	**4.6**	**4.8**	**4.8**	**4.8**	**0.1**	**4.8**	**4.8**	**4.9**	**4.9**	**4.8**	**0.1**
Non-OPEC & OPEC (NGL+NCF)	**64.0**	**63.2**	**64.1**	**67.5**	**68.7**	**67.1**	**3.0**	**68.5**	**68.3**	**69.4**	**71.1**	**69.3**	**2.2**

Note: OECD Americas includes Chile.

Totals may not add up due to independent rounding.

Source: OPEC Secretariat.

Table 11 - 5: World rig count, units

	2016	2017	2018	Change 2018/17	2Q18	3Q18	4Q18	1Q19	Apr 19	May 19	Change May/Apr
US	509	875	1,031	*157*	1,037	1,051	1,073	1,045	1,013	986	*-27*
Canada	131	207	191	*-15*	106	208	177	185	66	70	*4*
Mexico	26	17	27	*9*	25	30	32	26	35	34	*-1*
OECD Americas	665	1,099	1,249	*150*	1,168	1,289	1,282	1,257	1,114	1,090	*-24*
Norway	17	15	15	*0*	14	14	17	15	18	14	*-4*
UK	9	9	7	*-2*	6	8	8	13	15	16	*1*
OECD Europe	96	92	85	*-7*	82	84	90	92	98	186	*88*
OECD Asia Pacific	7	15	21	*5*	21	22	23	24	27	29	*2*
Total OECD	**768**	**1,206**	**1,355**	***149***	**1,271**	**1,395**	**1,396**	**1,372**	**1,239**	**1,305**	***66***
Other Asia*	204	208	222	*14*	216	228	224	232	233	223	*-10*
Latin America	111	112	123	*11*	120	126	123	128	126	117	*-9*
Middle East	75	68	65	*-4*	67	64	62	66	70	69	*-1*
Africa	43	38	45	*7*	45	50	50	54	53	51	*-2*
Total DCs	**432**	**426**	**454**	***28***	**447**	**468**	**460**	**481**	**482**	**460**	***-22***
Non-OPEC rig count	**1,200**	**1,632**	**1,809**	***177***	**1,718**	**1,863**	**1,855**	**1,853**	**1,721**	**1,765**	***44***
Algeria	54	54	50	*-4*	52	48	47	47	52	51	*-1*
Angola	6	3	4	*1*	3	4	5	5	5	5	*0*
Congo	2	2	3	*1*	3	3	4	4	4	4	*0*
Ecuador	4	6	8	*2*	6	9	11	9	7	6	*-1*
Equatorial Guinea**	1	1	1	*0*	1	1	1	1	1	1	*0*
Gabon	1	1	3	*3*	4	3	4	7	7	6	*-1*
Iran**	143	156	157	*2*	157	157	157	157	157	157	*0*
Iraq	43	49	59	*10*	60	58	61	65	73	77	*4*
Kuwait	44	54	51	*-3*	54	50	45	44	43	45	*2*
Libya	1	1	5	*4*	1	7	9	11	15	15	*0*
Nigeria	6	9	13	*5*	13	15	12	14	14	14	*0*
Saudi Arabia	125	118	117	*-1*	112	119	123	118	120	111	*-9*
UAE	51	52	55	*4*	54	56	57	58	57	60	*3*
Venezuela	58	49	32	*-17*	30	27	26	25	22	22	*0*
OPEC rig count	**537**	**553**	**558**	***5***	**550**	**557**	**563**	**565**	**577**	**574**	***-3***
World rig count***	**1,737**	**2,185**	**2,368**	***183***	**2,268**	**2,419**	**2,418**	**2,418**	**2,298**	**2,339**	***41***
of which:											
Oil	1,313	1,678	1,886	*209*	1,803	1,945	1,934	1,936	1,837	1,804	*-33*
Gas	370	466	448	*-17*	432	440	453	455	432	506	*74*
Others	54	42	33	*-9*	34	34	31	26	29	29	*0*

*Note: * Other Asia includes Indonesia.*

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

**** Data excludes China and FSU.*

Totals may not add up due to independent rounding.

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

Glossary of Terms

Abbreviations

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

Acronyms

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

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

OPEC Basket average price

US$/b

down 0.81 in May	May 2019	69.97
	April 2019	70.78
	Year-to-date	**65.96**

May OPEC crude production

mb/d, according to secondary sources

down 0.24 in May	May 2019	29.88
	April 2019	30.11

Economic growth rate

per cent

	World	OECD	US	Japan	Euro-zone	China	India
2018	3.6	2.3	2.9	0.8	1.8	6.6	7.3
2019	3.2	1.7	2.6	0.5	1.2	6.2	6.8

Supply and demand

mb/d

2018		**18/17**	**2019**		**19/18**
World demand	98.7	1.4	World demand	99.9	1.1
Non-OPEC supply	62.4	2.9	Non-OPEC supply	64.5	2.1
OPEC NGLs	4.8	0.1	OPEC NGLs	4.8	0.1
Difference	**31.6**	**–1.6**	**Difference**	**30.5**	**–1.1**

OECD commercial stocks

mb

	Feb 19	Mar 19	Apr 19	Apr 19/Mar 19	Apr 18
Crude oil	1,443	1,438	1,441	2.7	1,425
Products	1,432	1,411	1,433	21.7	1,395
Total	**2,875**	**2,849**	**2,874**	**24.4**	**2,820**
Days of forward cover	60.7	60.1	60.1	0.0	59.0

Next report to be issued on 11 July 2019.