

## Oil Market Monthly Report

September-2022

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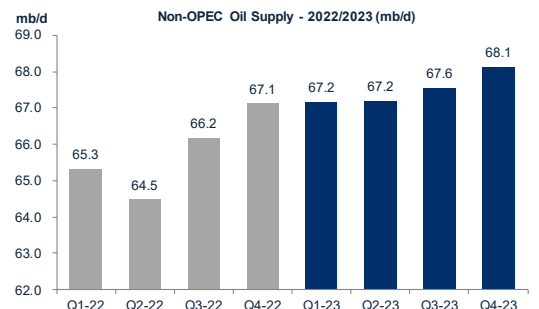
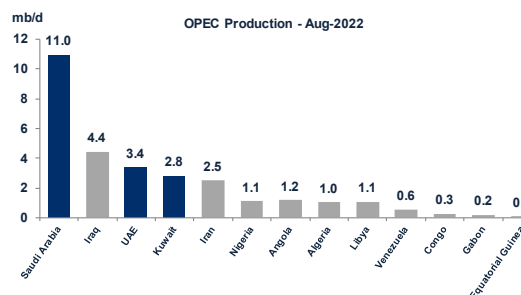
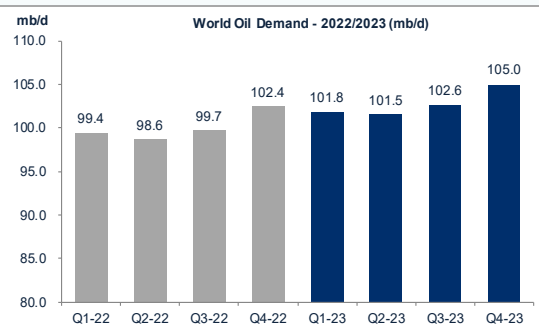
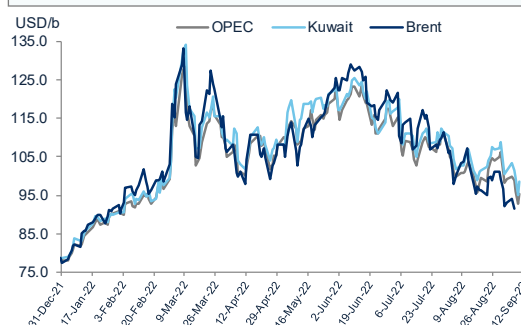
### Prices remain capped despite recent recovery on tighter supplies expected in winter...

**Crude oil future prices dived below the USD 90/b mark during the first week of September-2022 led by fears of an economic recession and weak economic data from China.** A revival of output from the OPEC as well as continued flow of crude oil stocks from Russia mainly to India and China, despite sanctions, also led to lower prices. In addition, the extended Covid-19 related curbs in China also capped gain in crude oil prices. **However, the market witnessed a swift recovery during the second week that pushed prices to over USD 94/b.** The escalating standoff between Europe and Russia with Europe thinking on price caps on Russian gas and the latter reverting with a threat to stop all energy supplies to the continent led to higher crude and gas prices. A weak USD that traded at the lowest level in two weeks also supported the oil price recovery.

**News on the economic front mostly painted a bleak picture of oil demand in the near term.** The possibility of further rate hikes in the US and Europe to tame decades high inflation rates and the likely impact on economic growth affected prices. This comes at a time when energy bills, especially in Europe, are at an all time high due to tighter supplies led by the Russia/Ukraine conflict that started earlier this year. Moreover, plans of energy rationing in Europe also affected prices. **Data from China was also discouraging with crude oil imports falling by 9.4% y-o-y during August-2022 to 40.35 million tonnes as buying was capped due to outages at state-run refineries and slower operations at independent plants due to weak margins.**

**On the supply side, this month started with OPEC+ group deciding to reverse the 100 tb/d increase in output from September-2022 due to concerns regarding the recent slide in prices.** The delay in reaching a new nuclear deal with Iran also supported prices. On the other hand, tighter supplies prompted the new UK prime minister to remove the fracking ban and decided to use more reserves in the North Sea with expectations of dozens of new North Sea oil and gas exploration licenses expected in the near term aimed at boosting domestic production, according to Reuters. Reserves were also tapped by the US Department of Energy. The government withdrew record oil from its strategic reserves during the week ended 9-September-2022 as part of its sales program for supply relief and to calm oil prices, according to Bloomberg. The strategic reserve inventory now stands at 434.1 million barrels, down 8.371 million barrels from the previous week.

**On the production side, OPEC crude oil production increased by almost 0.6 mb/d during the month, according to Bloomberg, to reach the highest in 28 months at 29.6 mb/d.** The increase reflected strong recovery in production in Libya followed by higher production in GCC producers (Saudi Arabia, UAE and Kuwait), partially offset by a decline in production in Venezuela and Nigeria.



Sources : OPEC, EIA, Bloomberg

**Junaid Ansari**

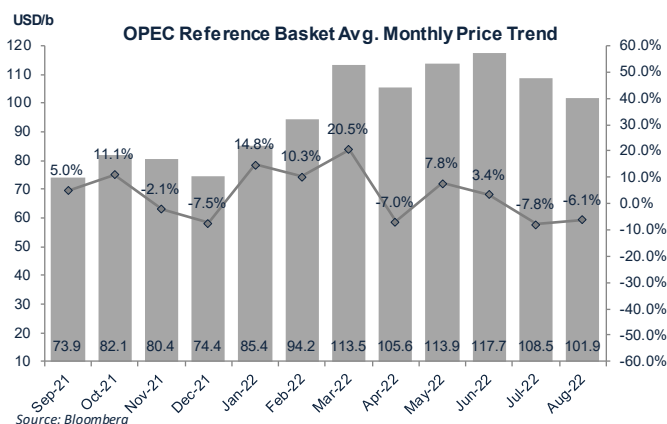
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## Oil Prices

Oil futures reached 7-month low levels at the start of September-2022 to below the prices seen prior to the Russia/Ukraine conflict. Prices went below the USD 90/b mark for the first time since the start of February-2022 to reach USD 88/b on 7-September-2022. The decline was prompted by fears of an economic recession and announcements of higher supplies or adding production capacities by a number of producers. On the demand side, weak economic data and expectations of rate hikes in the future added to the downward pressure on prices at the start of the month. However, the second week of September-2022 witnessed some price recovery following threats from Russia to stop energy supplies to Europe that more than offset concerns regarding demand in China after the country extended curbs in some of its key cities. As a result, prices once again regained the USD 90/b mark and traded at USD 94.85/b on 13-September-2022.



A decline in inventory levels in the US for three consecutive weeks towards the end of August-2022 also supported prices, although an increase of 8.8 million barrels during the week ended 2-September-2022 had an offsetting impact. This was followed by the news of US Department of Energy tapping its strategic crude oil inventories by a record during the second week of September-2022. The move was aimed at lowering the pricing pressure in the crude oil market.

Average crude oil prices for August-2022 showed decline for the second consecutive month. Brent crude grade averaged at USD 99.6/b after seeing a monthly decline of 11.6%. The decline in OPEC crude basket was much lower at 6.1% to an average price of USD 101.9/b while Kuwait crude grade averaged at 103.8/b with the smallest decline of 4.9%. The decline in prices also affected analyst expectations for the upcoming quarters. Bloomberg consensus estimates for Brent crude oil showed a USD 9 per barrel decline for Q3-2022 with prices expected to be at USD 101/b as compared to USD 110/b as per estimates a month back. Prices in Q4-2022 are now expected to remain flat q-o-q at USD 101/b as compared to last month's forecast of USD 104/b.

Average Crude Oil Prices, USD/b	Jul-2022	Aug-2022	Change (USD)	Avg 2021	Avg 2022
<b>OPEC Reference Basket</b>	<b>108.6</b>	<b>101.9</b>	<b>(6.7)</b>	<b>65.9</b>	<b>105.3</b>
Arab Light	109.0	104.9	(4.1)	66.6	106.2
Basrah Light	105.4	97.7	(7.7)	65.0	103.2
Bonny Light	117.6	106.1	(11.5)	66.9	109.9
Djeno	105.2	92.2	(13.0)	59.5	99.9
Es Sider	114.0	101.2	(12.9)	65.2	107.7
Girassol	119.2	106.0	(13.2)	67.3	110.5
Iran Heavy	107.6	102.2	(5.4)	65.7	105.1
<b>Kuwait Export</b>	<b>109.2</b>	<b>103.8</b>	<b>(5.4)</b>	<b>66.4</b>	<b>106.2</b>
Merey	84.7	80.0	(4.7)	47.9	81.6
Murban	106.0	98.0	(7.9)	66.0	103.7
Rabi	112.2	99.2	(13.0)	66.5	106.9
Saharan Blend	115.8	104.2	(11.6)	66.9	110.7
Zafiro	116.6	103.5	(13.1)	67.2	109.7
<b>Other Crudes</b>					
Brent	112.6	99.6	(13.0)	67.0	107.3
Dubai	102.9	96.3	(6.5)	65.6	101.3
Isthmus	100.5	89.1	(11.4)	62.9	98.8
LLS	102.5	94.2	(8.3)	65.9	102.4
Mars	96.9	89.9	(7.0)	63.8	97.7
Minas	103.0	95.4	(7.6)	64.8	101.9
Urals	85.3	77.3	(8.0)	65.6	85.3
WTI	100.3	91.6	(8.7)	64.2	100.3
<b>Differentials</b>					
Brent/WTI	12.4	8.1	(4.3)	2.8	7.0
Brent/LLS	10.1	5.4	(4.7)	1.1	5.0
Brent/Dubai	9.8	3.3	(6.5)	1.4	6.0

Source: OPEC Monthly Oil Market Report - Sep-2022

## World Oil Demand

World oil demand growth forecast for 2022 was kept unchanged at 3.1 mb/d with demand expected to average at 100.03 mb/d. However, there were revisions to demand data for the quarters, according to OPEC's latest monthly report. Demand data for Q2-2022 was revised higher due to better-than-expected oil demand in the main OECD consuming countries. This increase was offset by downward revisions to demand data for Q3-2022 and Q4-2022. The OPEC report said that the gas-to-oil switch in OECD Europe and Asia will be one of the key factors that will support higher oil demand this year. The OECD Europe region has witnessed record high gas prices that has resulted in higher energy bills. The switch to oil is expected to boost oil consumption in the region by 0.2 mb/d. In addition, the dry conditions is expected to affect hydropower generation that would further support switch to oil and higher demand during Q4-2022. Moreover, with the recent threat from Russia to stop energy

World Oil Demand - 2021/2022, mb/d	2021	Q1-22	Q2-22	Q3-22	Q4-22	2022	Y-o-Y Growth	% Chg.
Americas	24.22	24.79	24.88	25.16	25.40	25.06	0.83	3.45
of which US	19.93	20.38	20.31	20.54	20.91	20.53	0.61	3.05
Europe	13.13	13.15	13.52	14.24	14.35	13.82	0.69	5.23
Asia Pacific	7.38	7.85	6.98	7.19	7.94	7.49	0.11	1.45
<b>Total OECD</b>	<b>44.74</b>	<b>45.79</b>	<b>45.38</b>	<b>46.59</b>	<b>47.7</b>	<b>46.37</b>	<b>1.63</b>	<b>3.64</b>
China	14.97	14.74	14.76	15.09	15.74	15.08	0.12	0.78
India	4.77	5.18	5.16	4.89	5.35	5.14	0.37	7.79
Other Asia	8.63	9.09	9.27	8.73	8.9	8.99	0.37	4.26
Latin America	6.23	6.32	6.36	6.55	6.40	6.41	0.18	2.92
Middle East	7.79	8.06	8.13	8.40	8.22	8.20	0.41	5.26
Africa	4.22	4.51	4.25	4.22	4.53	4.38	0.16	3.68
Russia	3.61	3.67	3.42	3.45	3.59	3.53	(0.08)	(2.32)
Other Eurasia	1.21	1.22	1.16	1.03	1.21	1.15	(0.06)	(4.61)
Other Europe	0.75	0.79	0.75	0.73	0.80	0.77	0.01	1.63
<b>Total Non-OECD</b>	<b>52.18</b>	<b>53.58</b>	<b>53.25</b>	<b>53.07</b>	<b>54.73</b>	<b>53.66</b>	<b>1.47</b>	<b>2.83</b>
<b>Total World</b>	<b>96.92</b>	<b>99.36</b>	<b>98.63</b>	<b>99.67</b>	<b>102.42</b>	<b>100.03</b>	<b>3.10</b>	<b>3.20</b>

Source: OPEC Monthly Oil Market Report - Sep-2022

exports to the region if a price cap is implemented, the EU is said to be in the process of announcing rationing of energy usage in the region in order to control prices. In the OECD Americas, oil demand is expected to pick-up during 2H-2022 mainly backed by a steady drop in retail prices. As such, travel activity is expected to be stronger in the US during Q3-2022 supporting demand for gasoline but in Q4-2022 cold weather may limit gasoline demand growth that is expected to be replaced by higher demand for diesel. As a result, oil demand growth in the US is expected to increase by 0.4 mb/d during the last two quarters of the year.

The forecast for oil demand growth in 2023 was once again kept unchanged at 2.7 mb/d with demand expected to average at 102.73 mb/d, according to OPEC monthly report. The growth is expected to be driven by higher demand from the transportation sector in addition to the gas-to-oil switch expected mainly in the European region. In the US, OPEC expects y-o-y demand growth to be marginal in Q1-2023 at 40 tb/d due to the high baseline of Q1-2022 and also due to less mobility in the winter season. However, demand growth is expected to pickup in Q2-2023 supported by mobility in the industrial sector.

World Oil Demand - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	25.06	25.13	25.35	25.71	25.88	25.52	0.46	1.84
of which US	20.53	20.42	20.50	20.79	21.06	20.69	0.16	0.78
Europe	13.82	13.19	13.59	14.38	14.46	13.91	0.09	0.62
Asia Pacific	7.49	7.88	7.03	7.23	7.96	7.53	0.04	0.48
<b>Total OECD</b>	<b>46.37</b>	<b>46.20</b>	<b>45.97</b>	<b>47.32</b>	<b>48.3</b>	<b>46.95</b>	<b>0.58</b>	<b>1.26</b>
China	15.08	15.35	15.74	15.78	16.27	15.79	0.70	4.67
India	5.14	5.41	5.44	5.15	5.59	5.40	0.25	4.95
Other Asia	8.99	9.49	9.61	9.09	9.25	9.36	0.36	4.04
Latin America	6.41	6.48	6.48	6.71	6.54	6.55	0.15	2.29
Middle East	8.20	8.45	8.46	8.73	8.51	8.54	0.33	4.06
Africa	4.38	4.71	4.44	4.41	4.72	4.57	0.19	4.34
Russia	3.53	3.69	3.44	3.62	3.77	3.63	0.10	2.84
Other Eurasia	1.15	1.22	1.16	1.04	1.22	1.16	0.01	0.72
Other Europe	0.77	0.80	0.76	0.75	0.82	0.78	0.02	2.32
<b>Total Non-OECD</b>	<b>53.66</b>	<b>55.60</b>	<b>55.53</b>	<b>55.28</b>	<b>56.69</b>	<b>55.78</b>	<b>2.12</b>	<b>3.95</b>
<b>Total World</b>	<b>100.03</b>	<b>101.80</b>	<b>101.50</b>	<b>102.60</b>	<b>104.99</b>	<b>102.73</b>	<b>2.70</b>	<b>2.70</b>

Source: OPEC Monthly Oil Market Report - Sep-2022

## World Oil Supply

Global liquids production once again recorded a monthly increase during August-2022 with preliminary data indicating a gain of 1.3 mb/d to reach an average of 101.3 mb/d. The increase during the month was mainly led by higher production in OECD Americas, OECD Europe and Other Eurasia by 0.5 mb/d partially offset by declines in Russia and in other countries.

Non-OPEC liquids supply growth forecast for 2022 was once again kept unchanged by the OPEC in its latest monthly report at 2.1 mb/d to average at 65.8 mb/d. The forecast, however, showed upward revisions to supply forecasts for Colombia (+23 tb/d), Indonesia (+20 tb/d) and Guyana (+16 tb/d) that was offset by downward revision to supplies from the US (-41 tb/d), Kazakhstan (-27 tb/d), Brazil (-25 tb/d) and Azerbaijan (-15 tb/d). Oil supply data for the US was revised downward by 41 tb/d

Non-OPEC Oil Supply - 2021/2022, mb/d	2021	Q1-22	Q2-22	Q3-22	Q4-22	2022	Y-o-Y Growth	% Chg.
Americas	25.25	25.86	26.26	26.90	27.34	26.59	1.34	5.31
of which US	17.85	18.27	18.83	19.19	19.52	18.95	1.11	6.20
Europe	3.76	3.73	3.43	3.74	3.99	3.72	(0.03)	(0.87)
Asia Pacific	0.51	0.49	0.51	0.55	0.54	0.52	0.01	2.01
<b>Total OECD</b>	<b>29.52</b>	<b>30.08</b>	<b>30.20</b>	<b>31.19</b>	<b>31.86</b>	<b>30.84</b>	<b>1.32</b>	<b>4.47</b>
China	4.31	4.50	4.50	4.42	4.43	4.46	0.16	3.60
India	0.77	0.77	0.77	0.8	0.82	0.79	0.02	2.20
Other Asia	2.41	2.37	2.32	2.36	2.39	2.36	(0.04)	(1.83)
Latin America	5.95	6.11	6.15	6.32	6.49	6.27	0.31	5.29
Middle East	3.24	3.29	3.33	3.40	3.40	3.35	0.11	3.53
Africa	1.35	1.33	1.32	1.34	1.33	1.33	(0.02)	(1.46)
Russia	10.8	11.33	10.62	10.9	10.7	10.88	0.08	0.77
Other Eurasia	2.93	3.05	2.77	2.93	3.21	2.99	0.06	2.18
Other Europe	0.11	0.11	0.11	0.10	0.10	0.11	(0.01)	(6.36)
<b>Total Non-OECD</b>	<b>31.87</b>	<b>32.85</b>	<b>31.89</b>	<b>32.58</b>	<b>32.86</b>	<b>32.54</b>	<b>0.68</b>	<b>2.13</b>
<b>Total Non-OPEC Production</b>	<b>61.39</b>	<b>62.94</b>	<b>62.08</b>	<b>63.77</b>	<b>64.72</b>	<b>63.38</b>	<b>2.00</b>	<b>3.25</b>
Processing gains	2.29	2.40	2.40	2.40	2.40	2.40	0.11	4.90
<b>Total Non-OPEC Supply</b>	<b>63.67</b>	<b>65.33</b>	<b>64.48</b>	<b>66.17</b>	<b>67.12</b>	<b>65.78</b>	<b>2.11</b>	<b>3.31</b>
<b>OPEC NGLs and non-conventionals</b>	<b>5.28</b>	-	-	-	-	<b>5.39</b>	<b>0.11</b>	<b>2.08</b>
<b>OPEC Crude Oil Production</b>	<b>26.35</b>	<b>28.36</b>	<b>28.59</b>	-	-	-	-	-
<b>Total World Supply</b>	<b>95.30</b>	-	-	-	-	-	-	-

Source: OPEC Monthly Oil Market Report - Sep-2022

due to lower-than-expected production in Q2-2022 and upward revision to base figures. As a result, US output is now expected to grow by 11.1 mb/d during 2022. Meanwhile, the downward revisions for Kazakhstan mainly reflected field maintenance an export disruptions. A recent Reuters report showed that the country's daily output dropped by 7% to 1.359 mb/d due to planned maintenance at the giant Karachaganak oilfield.

The forecast for non-OPEC liquids supply growth for 2023 was also kept unchanged at a growth of 1.73 mb/d to average at 67.51 mb/d. However, adjustments were made at the country level mainly in Other Eurasia, Latin America and OECD America that offset the overall change.

Non-OPEC Oil Supply - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	26.59	27.58	27.68	28.05	28.42	27.94	1.34	5.05
of which US	18.95	19.77	20.07	20.26	20.49	20.15	1.20	6.33
Europe	3.72	4.05	3.97	3.88	3.98	3.97	0.25	6.62
Asia Pacific	0.52	0.53	0.50	0.53	0.48	0.51	(0.01)	(2.21)
<b>Total OECD</b>	<b>30.84</b>	<b>32.17</b>	<b>32.16</b>	<b>32.46</b>	<b>32.88</b>	<b>32.42</b>	<b>1.58</b>	<b>5.12</b>
China	4.46	4.51	4.51	4.48	4.48	4.49	0.03	0.64
India	0.79	0.82	0.8	0.79	0.78	0.8	0.01	1.09
Other Asia	2.36	2.37	2.33	2.29	2.28	2.31	(0.05)	(1.97)
Latin America	6.27	6.44	6.61	6.70	6.76	6.63	0.36	5.73
Middle East	3.35	3.38	3.40	3.42	3.41	3.40	0.05	1.48
Africa	1.33	1.34	1.35	1.37	1.39	1.36	0.04	2.65
Russia	10.88	10.49	10.48	10.54	10.57	10.52	(0.37)	(3.36)
Other Eurasia	2.99	3.08	2.98	2.94	3.02	3.00	0.01	0.41
Other Europe	0.11	0.10	0.10	0.10	0.10	0.10	0.00	(2.83)
<b>Total Non-OECD</b>	<b>32.54</b>	<b>32.52</b>	<b>32.56</b>	<b>32.63</b>	<b>32.78</b>	<b>32.62</b>	<b>0.08</b>	<b>0.24</b>
<b>Total Non-OPEC Production</b>	<b>63.38</b>	<b>64.69</b>	<b>64.72</b>	<b>65.08</b>	<b>65.65</b>	<b>65.04</b>	<b>1.66</b>	<b>2.61</b>
Processing gains	2.40	2.47	2.47	2.47	2.47	2.47	0.07	2.96
<b>Total Non-OPEC Supply</b>	<b>65.78</b>	<b>67.16</b>	<b>67.19</b>	<b>67.55</b>	<b>68.12</b>	<b>67.51</b>	<b>1.73</b>	<b>2.63</b>

Source: OPEC Monthly Oil Market Report - Sep-2022

## OPEC Oil Production & Spare Capacity

OPEC crude oil production witnessed the biggest monthly increase in 14 months during August-2022 as most of the producers in the group hiked production during the month. Average OPEC production during the month stood at 29.6 mb/d, according to data from Bloomberg and OPEC secondary sources, registering an increase of 0.6 mb/d as compared to July-2022. The increase was mainly led by recovery in production in Libya followed by higher production in Saudi Arabia, UAE, Kuwait and Angola. On the other hand, Venezuela and Nigeria were the only producers in OPEC that reported a decline in production during the month, according to data from Bloomberg. Data from OPEC's direct communication showed Saudi Arabia production reaching over the 11 mb/d mark at 11.05 mb/d during August-2022, the highest monthly production by the Kingdom since April-2020, while OPEC's secondary sources showed a production level of 10.9 mb/d.

Production ('000 b/d)	Jul-22	Aug-22	Change		Capacity	Spare Capacity
<b>Total OPEC-13</b>	<b>29,050</b>	<b>29,640</b>	<b>590</b>	<b>2.03%</b>	<b>34,050</b>	<b>4,410</b>
<b>Saudi Arabia</b>	10,780	10,960	180	1.7%	12,000	1,040
Iraq	4,420	4,430	10	0.2%	4,800	370
<b>UAE</b>	3,240	3,390	150	4.6%	4,200	810
<b>Kuwait</b>	2,770	2,810	40	1.4%	2,810	0
Iran	2,520	2,520	0	0.0%	3,830	1,310
Nigeria	1,200	1,130	-70	-5.8%	1,600	470
Angola	1,130	1,170	40	3.5%	1,200	30
Algeria	1,020	1,030	10	1.0%	1,060	30
Libya	700	1,080	380	54.3%	1,200	120
Venezuela	710	550	-160	-22.5%	710	160
Congo	260	270	10	3.8%	300	30
Gabon	200	200	0	0.0%	220	20
Equatorial Guinea	100	100	0	0.0%	120	20
<b>Total OPEC-12</b>	<b>24,630</b>	<b>25,210</b>	<b>580</b>	<b>2.35%</b>	<b>29,250</b>	<b>4,040</b>

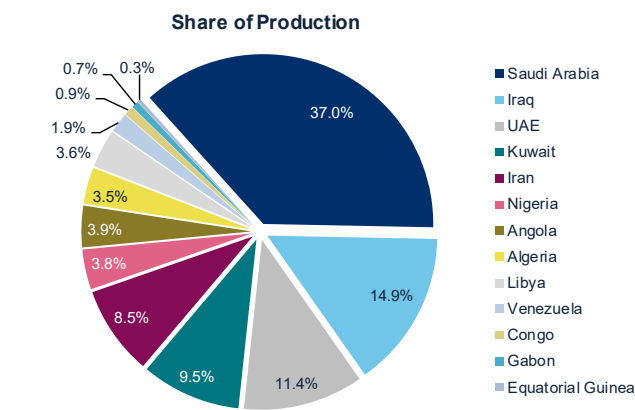
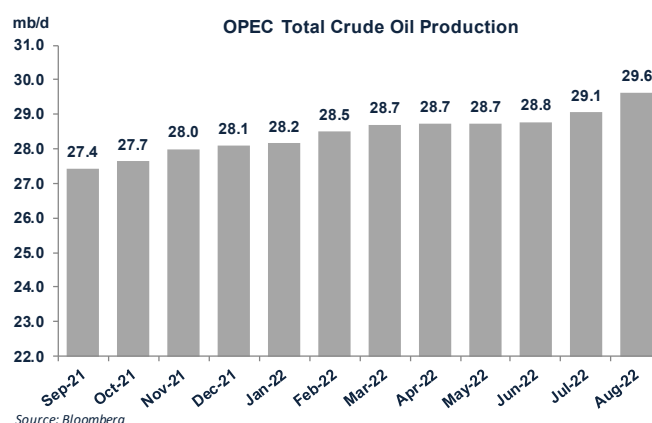
Source: Bloomberg

Oil production in Libya increased by a strong 0.4 mb/d to a six-month high level of 1.1 mb/d during August-2022 after the country produced at around the 1.2 mb/d mainly during the second half of the month.

Crude oil production in Nigeria went below 1 mb/d during August-2022, while along with condensates the production stood at 1.18 mb/d, according to data from Nigerian Upstream Petroleum Regulatory Commission. The decline in production comes mainly on the back rampant theft of oil from its pipelines especially from the Bonny terminal along with underinvestment in exploration activities. The decline in production made Nigeria cede its top crude oil producer position in Africa to Angola that produced at an average rate of 1.17 mb/d, according to Bloomberg.

The decline in oil production in Venezuela was caused by PDVSA halting processing at three of its five upgraders and blending stations due to mechanical failures, power outages and mounting inventories of its flagship grade, Merey crude, according to the documents cited by Reuters.

In its latest OPEC+ meeting, the group surprised by announcing its first supply cut in more than a year by reversing its decision to raise the group's output by 100 tb/d mainly due to the recent fall in prices. The Saudi Energy Minister said the group would continue to be attentive, preemptive and proactive to support the oil market and its participants.



## Brent Crude Oil Price Forecast

Firm	As Of	Q3-22	Q4-22	Q1-23	Q2-23
Intesa Sanpaolo SpA	8/Sep/22	102.0	98.0	96.0	94.0
Goldman Sachs Group Inc/The	1/Sep/22	110.0	125.0	130.0	125.0
Rabobank International	1/Sep/22	95.0	104.0	115.0	125.0
Citigroup Inc	31/Aug/22	99.0	85.0	78.0	72.0
Landesbank Baden-Wuerttemberg	26/Aug/22	95.0	90.0	90.0	90.0
MPS Capital Services Banca per le Imprese SpA	19/Aug/22	97.0	88.0		
Natixis SA	4/Aug/22	110.0	105.0	90.0	95.0
Banco Santander SA	22/Jul/22	100.0	91.8	86.0	83.0
Commerzbank AG	11/Jul/22	100.0	95.0	95.0	90.0
Deutsche Bank AG	5/Jul/22	110.0	110.0	110.0	95.0
Market Risk Advisory Co Ltd	1/Jul/22	99.7	95.7	73.3*	73.6*
Westpac Banking Corp	22/Apr/22	117.0	112.0	107.0	102.0
MUFG Bank	1/Apr/22	141.0	112.0	110.0	98.5
Emirates NBD PJSC	23/Mar/22	120.0	115.0		
<b>Median</b>		<b>101.0</b>	<b>101.0</b>	<b>96.0</b>	<b>95.0</b>
<b>Mean</b>		<b>106.8</b>	<b>101.9</b>	<b>100.6</b>	<b>97.2</b>
<b>High</b>		<b>141.0</b>	<b>125.0</b>	<b>130.0</b>	<b>125.0</b>
<b>Low</b>		<b>95.0</b>	<b>85.0</b>	<b>78.0</b>	<b>72.0</b>
<b>Current Fwd</b>		<b>99.9</b>	<b>91.7</b>	<b>88.8</b>	<b>86.6</b>
<b>Difference (Median - Current)</b>		<b>1.1</b>	<b>9.3</b>	<b>7.2</b>	<b>8.4</b>

Source: Bloomberg



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