Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

June 2011

Feature Article:
Outlook for the second half of the year

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Oil Market Highlights

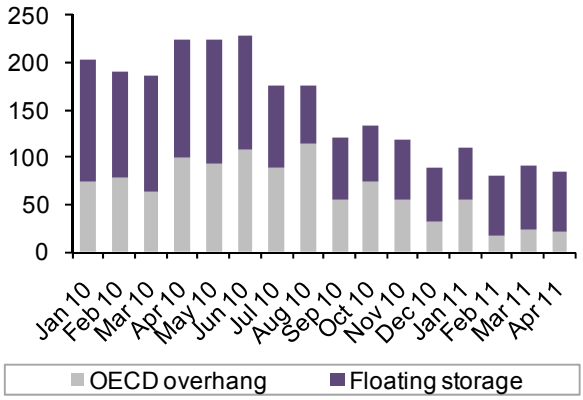
- The **OPEC Reference Basket** plunged by $8.15 or almost 7% in May to average around $110/b. This decline – which was the first since July 2010 and the largest in percentage terms since May 2010 – was attributed to bearish market sentiment, which triggered an outflow of investment from the paper oil market. The WTI front-month contract fell below $100/b for the first time since mid-March to average $101.36/b, the lowest since February's $89.74/b. ICE Brent also declined sharply by $8.67 or 7% to average $114.42/b. This represents the first drop since last July. However, continued unrest in the MENA region maintained a risk premium in prices. So far in June, the OPEC Reference Basket has hovered around $110/b, reaching $113.43/b on 9 June.
- The **world economic growth** forecast for 2011 remains at 3.9%, but challenges to the forecast have become more pronounced. The US forecast remains unchanged at 2.6%, although developments require close monitoring given the weakening labour market and slower industrial activity. Euro-zone growth also remains broadly unchanged at 1.8%, but continues to be significantly challenged by sovereign debt concerns. Japan experienced a much larger-than-expected decline in the 1Q11 and, as a result, this year's forecast has been revised to minus 0.5% from minus 0.1% last month. While industrial activity is decelerating in Developing Asia, the region is still expected to contribute the most to global growth in 2011, with China growing by 9.0% and India by 8.1%.
- **World oil demand** is forecast to grow by 1.4 mb/d in 2011, following growth of 2.1 mb/d in the previous year. Several factors continue to impact oil demand worldwide. The Japanese earthquake continues to impact on oil demand estimates. Additionally, the latest monthly US oil data showed much weaker oil consumption than anticipated. In contrast, China's economy continued to grow strongly resulting in increased oil usage, offsetting to some degree the weaker growth in the US.
- **Non-OPEC oil supply** is now projected to increase by 0.7 mb/d in 2011, following a minor upward revision from the last report. Estimated non-OPEC supply growth in 2010 remains unchanged at 1.1 mb/d. **OPEC NGLs** and nonconventional oils are expected to average 5.3 mb/d in 2011, a gain of 0.4 mb/d over the previous year. In May, estimated **OPEC crude oil production** averaged 28.97 mb/d, according to secondary sources, an increase of 171 tb/d over the previous month.
- **Product markets** have been impacted since the middle of May by weaker-than-expected gasoline demand at the start of the driving season and a stock build in US gasoline after several weeks of inventory draws. However, this disappointing situation has been partially offset by gains at the bottom of the barrel in some regions, allowing margins to remain healthy. Looking ahead, demand is expected to improve with the start of the driving season and expected higher gasoil demand for power generation in China. This could encourage an increase in refinery runs across the globe, potentially adding support to the crude market.
- Dirty spot freight rates were mixed in May with VLCC and Aframax rates decreasing, while Suezmax rates increased slightly. Lower demand for vessels and high tonnage availability affected rates in May. Clean spot freight rates decreased by 3.3% over the previous month, mainly due to refinery maintenance. In May, **OPEC spot fixtures** decreased by 7.4% compared to the previous month. Sailings from OPEC were marginally higher and arrivals in the US gained 7.9%.
- **US commercial inventories** rose 20.4 mb in May. The build was divided between products and crude which increased by 13.1 mb and 7.3 mb respectively. With this build, US commercial oil inventories stood at 12.5 mb above the historical average. The most recent data for April shows that commercial oil inventories in Japan rose strongly by 18.2 mb, with crude and products showing an increase of 7.1 mb and 11.0 mb respectively. Japanese oil inventories showed a surplus with the historical trend at 6.5 mb.
- The **demand for OPEC crude** in 2010 is estimated at 29.6 mb/d, around 0.1 mb/d higher than the previous report. With this adjustment, the demand for OPEC crude stood at about 0.4 mb/d higher than 2009 level. In 2011, the demand from OPEC crude is expected to average 29.9 mb/d, representing an increase of about 0.3 mb/d from the previous year and a slight adjustment over the previous assessment.

Outlook for the second half of the year

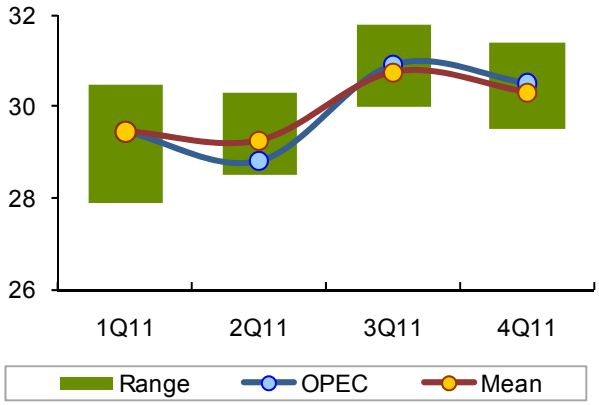
In recent weeks, the market has been experiencing excessive volatility. Recent economic data and releases point to a widening slowdown in global manufacturing activity and persistently high levels of unemployment. Concerns about the debt burden in the OECD area have also become more pronounced, at a time when major economies are preparing for the inevitable transition to fiscal consolidation with the end of quantitative easing. In the emerging economies, continued rapid growth has raised the risk of overheating and inflationary pressures. Despite these challenges, world growth in 2011 remains at 3.9%, driven by strong momentum in the emerging economies and steady growth in the OECD.

The outlook for global oil demand in the second half of the year also shows a similar dichotomy. In the OECD, the tragic events in Japan continue to impact consumption and it is yet unclear when recovery efforts will result in a rebound. Additionally, the latest monthly data from the US shows much weaker-than-expected oil demand, affected by the impact of higher retail prices. In contrast, developing countries are expected to show continued strong growth, accounting for more than 90% of the increment. Moreover, anticipated shortages in power generation this summer in China are likely to boost the use of diesel generators, which could strengthen demand growth over the coming months.

Graph 1: OECD stocks & floating storage, mb



Graph 2: Demand for OPEC crude, mb/d



** Deviation for last 5-year average*

On the supply side, the current forecast for non-OPEC production is much higher than was expected at the beginning of this year. The upward adjustment has been supported by North America, Latin America, the FSU and China. Since January, US production has experienced a considerable upward revision due to the increasing output of shale oil. Elsewhere in North America, efforts to slow the decline in production in Mexico have supported the outlook, as has the ramp-up of oil sand production in Canada. Upward revisions have also been seen in Brazil and Colombia on the back of healthy supply. In China, forecast growth also experienced an upward revision due to strong output from the new offshore developments.

At present, OECD commercial stocks remain stable. Despite a decline in the inventory overhang since June of last year, crude oil stocks remain above the five-year average. Additionally, the steady build up in commercial and SPR stocks in non-OECD areas continues. China alone has raised its crude stocks by more 100 million barrels in recent years and a further 5 million barrels are expected to be added this year. Although falling since April, floating storage still stands at around 64 mb, providing immediate supply available to the market *(**Graph 1***). Additionally, OECD commercial stocks in days of forward cover currently stand at around 58 days, which is above the historical norm.

Looking to the remainder of this year, the expected supply/demand balance indicates a tightening market. As a result, global inventories could continue to decline as the market enters a period of high seasonal demand. In quarterly terms, global consumption is projected to increase by 2.3 mb/d in the coming quarter and to add a further 0.2 mb/d in the fourth. At the same time, non-OPEC supply and OPEC NGLs are only expected to add around 0.2 mb/d and 0.6 mb/d in 3Q and 4Q respectively. This would result in much higher demand for OPEC crude, reaching a level higher than current OPEC production and implying a draw in inventories. Despite the inherent uncertainties in the demand for OPEC crude (***Graph 2***) stemming from both the supply and demand side, this would leave a sizeable gap between current production and the demand for OPEC crude.

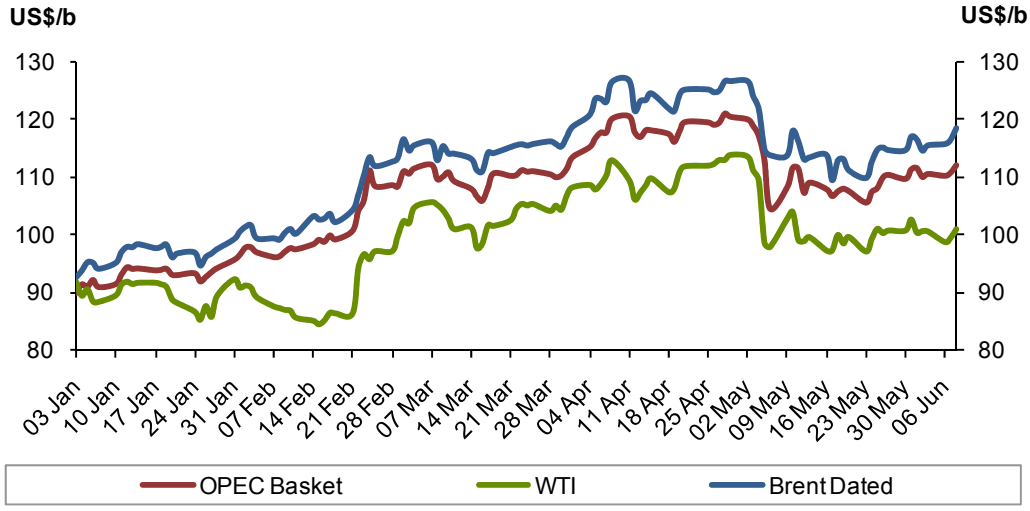
Crude Oil Price Movements

OPEC Basket fell $8.15 in May to average almost $110/b, the first drop since July 2010

OPEC Reference Basket

The upward trend of the OPEC Reference Basket — which started in last summer — came to an end in May. After nine consecutive monthly gains, the OPEC Reference Basket fell sharply in May to average $109.94/b, down $8.15, or 6.9%, from April. That was the largest percentage drop since the 9.5% decline of May 2010. Compared to a year earlier, the OPEC Reference Basket was $35.46, or 47.6%, higher in May 2011.

Graph 1.1: Crude oil price movement, 2011



The OPEC Reference Basket lost $15.50/b in the first five trading days of May as futures prices tumbled amid speculative sell-offs triggered by bearish expectations for US economic growth following disappointing macroeconomic data. However, continued unrest in the MENA region maintained a risk premium in prices.

All Basket components dropped in May, but remained well above the levels of a year ago. Compared to a year earlier, African grades showed increases ranging from 52.1% to 54.8%. Ecuadorian crude Oriente also rose by more than 52%. African crudes rose sharply in the first five months of the year, supported by a lack of light sweet crudes due to the absence of Libyan crude because of the unrest in the country.

In May, Saharan Blend showed the largest decline of $9.77, or 7.7%, from the previous month. Basrah Light also fell by more than $9, followed by other light crudes. The strong decline in light crudes came as a correction from the high levels of the previous month and increasing supply, while refining throughput remained weak, unable to absorb all available crude within Europe. Ecuadorian Oriente lost almost $8.20, or 7.3%, due to abundant supply, with particularly heavy crudes coming from Colombia. Venezuelan crude Merey showed the lowest loss of $6 to fall back below $100/b, ending the month at an average of $98.44/b.

The Middle East crude oil market weakened in May on higher supplies and lower demand due to poor refining margins. Heavy to medium sweet grades were the most affected. Qatar Marine slipped into a discount, down from deals in early May at premiums of 40-50¢/b to official selling prices. Light sour Murban also was under pressure. Declining gasoil cracks and narrower Brent-Dubai EFS further contributed to the bearishness of the market. The weakness accelerated at the end of the month on increasing sales of Dubai partials. Dubai partial cargo trades hit a peak of 52 deals on the last trading day of the month. However, Qatari Tasweeq sold deodorised field condensate for loading in July at the highest premiums since at least 2009 as Asian consumption recovered in the aftermath of Japan's March earthquake and demand from Europe increased. Premiums ranged between $2.90/b and $3.20/b to Dubai quotes compared with June-loading cargoes sold in April at premiums of about $2.70-2.80/b.

The OPEC Reference Basket continued to hover around $100/b in the first trading days of June as uncertainties kept futures prices moving up and down. The Basket stood at $113.43/b on 9 June, resulting in a year-to-date average of $106.55/b compared with $76.31/b for the same period a year ago.

Table 1.1: OPEC Reference Basket and selected crudes, US$/b

	Apr 11	May 11	Change May/Apr	Year-to-Date 2010	Year-to-Date 2011
OPEC Reference Basket	**118.09**	**109.94**	**-8.15**	**76.66**	**106.24**
Arab Light	118.27	110.08	-8.19	77.10	106.75
Basrah Light	117.05	107.93	-9.12	76.00	105.24
Bonny Light	127.12	118.88	-8.24	79.25	113.36
Es Sider	124.52	115.90	-8.62	77.66	110.93
Girassol	123.74	114.91	-8.83	78.09	110.98
Iran Heavy	116.27	108.28	-7.99	76.33	104.86
Kuwait Export	115.64	107.59	-8.05	76.07	104.26
Marine	116.41	109.10	-7.31	77.74	105.49
Merey	104.44	98.44	-6.00	69.89	93.39
Murban	119.95	113.37	-6.58	79.35	108.66
Oriente	112.82	104.63	-8.19	71.72	99.60
Saharan Blend	126.57	116.80	-9.77	78.41	112.41
Other Crudes					
Minas	127.19	119.69	-7.50	82.12	113.34
Dubai	116.01	108.76	-7.25	77.54	105.19
Isthmus	117.90	109.62	-8.28	77.34	104.19
T.J. Light	115.31	107.97	-7.34	75.82	102.11
Brent	123.72	115.10	-8.62	77.89	110.77
West Texas Intermediate	109.89	101.19	-8.70	78.87	98.68
Urals	119.60	111.50	-8.10	76.56	107.59
Differentials					
WTI/Brent	-13.83	-13.91	-0.08	0.98	-12.09
Brent/Dubai	7.71	6.34	-1.37	0.35	5.57

Note: Arab Light and other Saudi Arabian crudes as well as Basrah Light preliminarily based on American Crude Market (ACM) and subject to revision

Source: Platt's, Direct Communication and Secretariat's assessments

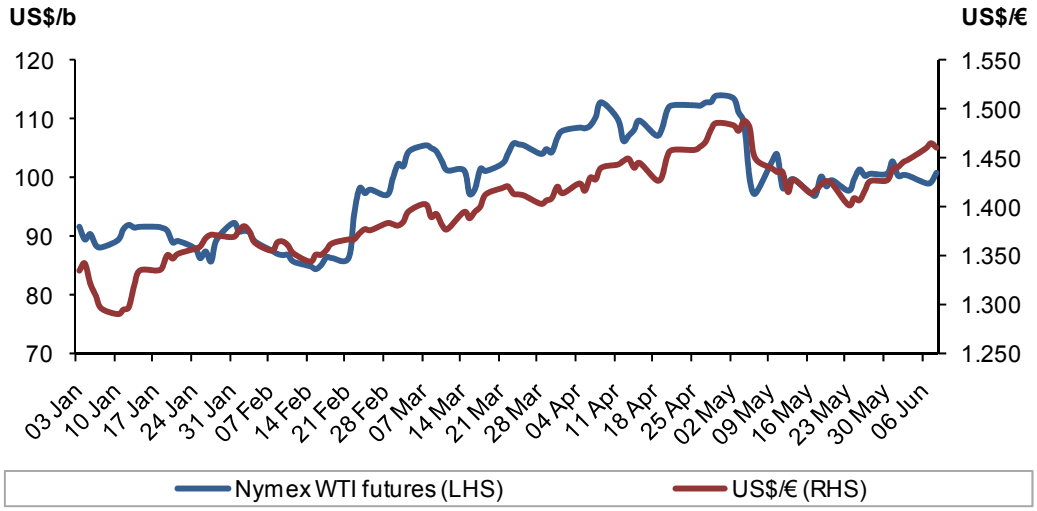
The oil futures market

Crude oil futures tumbled in May with WTI retreating below $100/b for the first time since mid-March

Crude oil futures prices weakened significantly in May as the market turned bearish despite ongoing absent Libyan crude oil because of unrest.

On the Nymex, US benchmark WTI front-month plunged by almost $9.5 on 5 May to settle below $100/b for the first time since mid-March. The drop of $9.5/b was the largest decline in a single day since the onset of the 2008 financial crisis. Prices fell further on the following day, bringing the total loss of the first five trading days of May to $16.75/b, or almost 15%. The collapse in prices was attributed to a strong speculative sell-off triggered by bearish expectations for the US and global economic growth as well as to the strength of the US dollar. WTI recovered on 9 May but fell again in the following days, particularly on 11 May when it lost 5.6% on the back of an unexpected jump in gasoline inventories and rising concerns about slowing economic growth in China and continuing Euro-zone debt worries. This brought the WTI front-month to around $98.2/b before it dropped to $96.91/b on 17 May, the lowest in 13 weeks. However, the WTI front-month stabilized to some extent in the following eight trading days, moving within a range of $98-100/b as uncertainties about global economic growth and oil demand remained, before it jumped to a three week-high of $102.70/b on the last trading day, supported by concerns of a supply disruption on the Keystone pipeline carrying Canadian crude to the US. The WTI price was also supported by a weaker US dollar against the euro on the back of news that the European Union will grant Greece a new package to resolve its debt problems.

Graph 1.2: Nymex WTI futures and US$ exchange rate, 2011

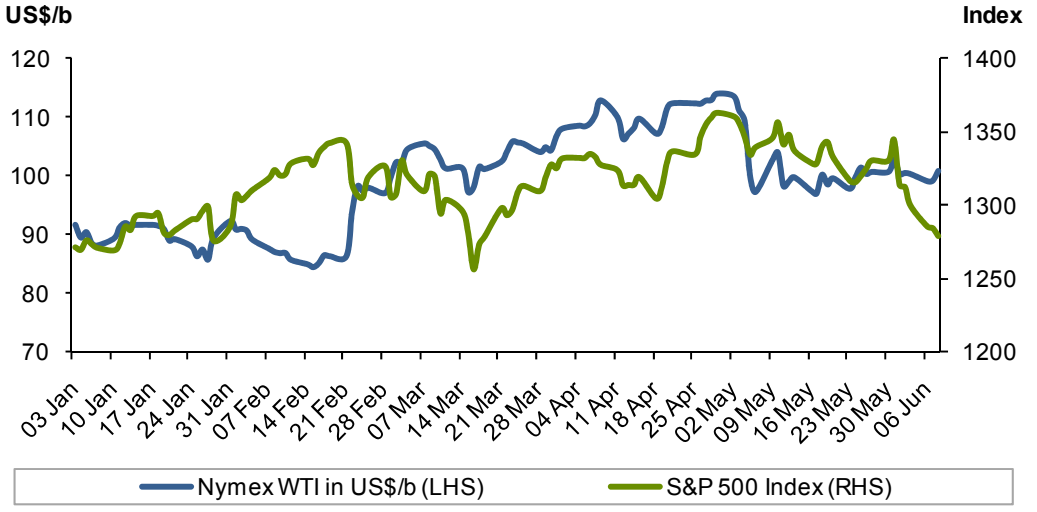


On a monthly basis, Nymex WTI front-month fell $8.68, or 7.9%, to average $101.36/b. That was the lowest monthly average since the $89.74/b of last February. The drop of May was the first since the $1.12 of September 2010.

In early June, the WTI front month continued to hover around $100/b, due to ongoing uncertainties regarding global economic growth and thus on global oil demand.

The relationship between WTI prices and the value of the US dollar strengthened significantly in May and early June.

Graph 1.3: Nymex WTI futures vs. S&P 500 index, 2011



In London, ICE Brent declined sharply also in May but remained above $100/b during the whole month to average $114.42/b, down $8.67, or 7%, from the previous month. This decline was the first since last July and the largest since the $8.76/b of May 2010. It followed the same trend as WTI and plummeted by almost $10.40 on 5 May to close at $110.8/b. With the exception of 10 May when it ended at $117.63/b, ICE Brent hovered within a $110-115/b range in the remaining trading days of the month.

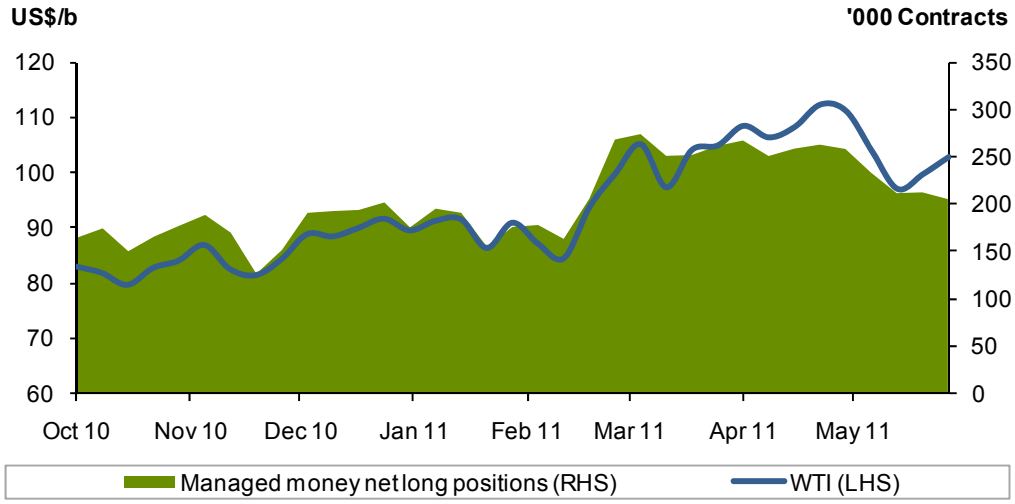
As it continued to be supported by a lack of Libyan crude, Brent's premium over WTI widened further to average $13.2/b but remained below the $14.5/b of February when Brent's premium over WTI hit almost $20/b in the third week of the month. It is worth recalling that a year ago, Brent's premium stood at $3/b.

Trans-Atlantic spread widened further in favour of Brent in May and even more in early June

The Brent spread to WTI jumped to almost $18/b on 7 June, supported by an increase in the Brent price and the monthly shift in crude oil allocations by index funds.

In addition, WTI remained pressured by rising flows of Canadian crude into the Midwest, especially the Cushing, Oklahoma, delivery point for the Nymex WTI futures contract, and a lack of transportation infrastructure to evacuate crude from the Midwest to other regions.

Graph 1.4: Nymex WTI price vs. speculative activity

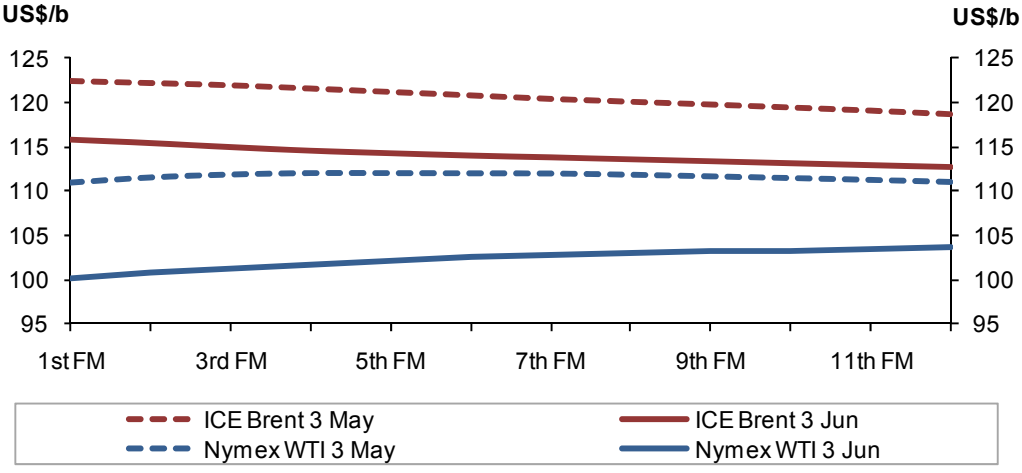


The futures market structure

Nymex WTI and ICE Brent curves moved down but kept their previous shapes

In May, Nymex WTI and ICE Brent futures curves moved down but kept their previous shapes of April — i.e., Nymex WTI continued to show a marginal contango at the front followed by a flat to backwardation on starting from the ninth month while the ICE Brent curve stayed in a slight backwardation.

Graph 1.5: Nymex WTI and ICE Brent forward curve, 2011



FM = future month

The difference in the shapes of Nymex WTI and ICE Brent curves is attributed to the fact that Nymex WTI remained pressured by huge stocks at Cushing and a lack of transportation infrastructure, while ICE Brent remained supported by the absence of Libyan crude from the market.

The spread between the second and the first month of WTI remained stable at around 50¢/b in May. A year ago, the same intermonth spread stood at plus $2.8/b after the front-month tumbled by almost $10.5/b. In contrast, the spread between the tenth and the ninth month showed a marginal backwardation of 4¢/b in May.

In contrast, the spread between the second and the first months for ICE Brent widened to minus 45¢/b. A year ago, it showed a contango of around $1/b. However, the backwardation was lower for forwards, meaning concerns about supply were higher at the front of the curve as disruptions of production in Libya continued to because of the unrest in the country.

Table 1.2: Nymex WTI and ICE Brent forward price, US$/b

Nymex WTI	1st FM	2nd FM	3rd FM	6th FM	12th FM
3 May 2011	111.05	111.56	111.85	111.97	111.12
3 Jun 2011	100.22	100.80	101.30	102.54	103.67
ICE Brent	**1st FM**	**2nd FM**	**3rd FM**	**6th FM**	**12th FM**
3 May 2011	122.45	122.22	121.97	120.85	118.75
3 Jun 2011	115.84	115.46	115.01	114.07	112.80

FM = future month

The sweet/sour crude spread

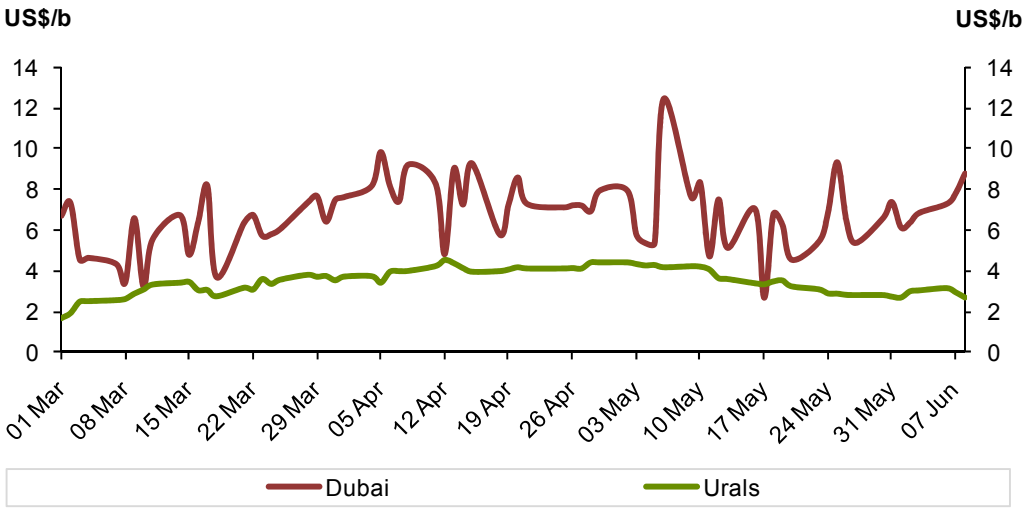
Sweet-sour spread narrowed but remained strong as compared with historical levels

The light sweet-heavy sour spread remained strong in May although it edged down from the previous month. The strength in the spread continued to be attributed to a lack of light sweet grades because of the absence of Libyan crude oil production from the market and increasing medium and heavy sour grades.

The dated Brent-Urals differential fell from $4.12/b to $3.6/b in May. However, despite the decline, Brent's premium over Urals remained the second highest so far this year after the $4.12/b of April. If we exclude April's level, the spread of May was the highest since June 2008. The strong level of Brent over Urals was attributed to a bullish market for Brent, which firmed significantly in 2011 compared with Urals, which also strengthened, but at a slower pace.

Even the differential between dated Brent and Dubai weakened in May, but stayed very strong compared to historical levels. The dated Brent-Dubai spread fell to $6.34/b, down $1.37 from the previous month, but remained the second highest so far this year and showed an increase of $2.13 from a year ago. In the case of Urals, the Brent-Dubai spread widened significantly in 2011 to average around $5.5/b so far this year compared with less than 40¢/b a year earlier.

Graph 1.6: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2011



Commodity Markets

Commodity market prices declined sharply in May

Trends in selected commodity markets

The **WB energy commodity price index** (crude oil, natural gas and coal) dropped again by 6.5% m-o-m in May reversing the gains a month earlier driven by a hefty decline in crude oil.

Table 2.1: Commodity price data, 2011

Commodity	Monthly averages			% Change		
	Mar 11	Apr 11	May 11	Mar/Feb	Apr/Mar	May/Apr
World Bank commodity price indices for low and middle income countries (2000 = 100)						
Energy	365.4	389.0	363.9	9.5	6.5	-6.5
Coal, Australia	126.1	122.5	119.1	-1.7	-2.9	-2.8
Crude oil, average	108.6	116.2	108.1	11.0	7.0	-7.0
Crude oil, Brent	114.4	123.1	114.5	10.1	7.5	-7.0
Crude oil, WTI	102.9	110.0	101.3	14.9	6.8	-7.9
Natural gas index	162.9	177.0	176.9	-0.3	8.7	-0.1
Natural gas, US	4.0	4.2	4.3	-2.5	6.8	1.6
Non Energy	333.7	340.5	324.6	-4.8	2.0	-4.7
Agriculture	295.5	300.0	283.5	-5.0	1.5	-5.5
Beverages	312.1	307.2	301.9	-0.2	-1.6	-1.7
Food	277.4	279.9	275.7	-5.2	0.9	-1.5
Soybean meal	418.0	403.0	402.0	-5.4	-3.6	-0.2
Soybean oil	1307.0	1315.0	1294.0	-4.2	0.6	-1.6
Soybeans	553.0	556.0	556.0	-3.0	0.5	0.0
Grains	287.4	304.0	302.5	-4.1	5.8	-0.5
Maize	290.5	319.3	307.9	-0.8	9.9	-3.6
Sorghum	266.1	289.6	261.3	5.1	8.8	-9.8
Wheat, Canada	432.5	460.9	476.0	-8.8	6.6	3.3
Wheat, US, HRW	316.7	336.1	355.3	-9.0	6.1	5.7
Wheat, US, SRW	303.1	314.9	308.6	-10.5	3.9	-2.0
Sugar US	87.5	84.3	78.2	0.1	-3.7	-7.2
Raw Materials	331.0	345.1	292.9	-6.7	4.2	-15.1
Fertilizers	335.9	361.8	387.7	-3.2	7.7	7.2
Base Metals	370.9	374.2	352.1	-2.9	0.9	-5.9
Aluminum	2555.5	2678.1	2596.5	1.9	4.8	-3.0
Copper	9503.4	9492.8	8959.9	-3.7	-0.1	-5.6
Iron ore, spot, cfr China	169.4	179.3	177.1	-9.5	5.9	-1.3
Lead	262.4	270.1	242.8	1.4	2.9	-10.1
Nickel	26710.4	26408.3	24236.7	-5.5	-1.1	-8.2
Steel products index	265.1	272.5	273.5	8.0	2.8	0.4
Tin	3059.1	3236.3	2867.6	-3.0	5.8	-11.4
Zinc	234.1	236.2	216.7	-5.0	0.9	-8.2
Precious Metals						
Gold	1424.0	1479.8	1512.6	3.7	3.9	2.2
Silver	3594.6	4279.8	3708.1	16.5	19.1	-13.4

Source: World Bank, Commodity price data

Henry Hub (HH) natural gas prices increased by 1.6% m-o-m in May compared to 6.8% in April. Prices were boosted by near term demand arising from continued refueling and maintenance outage at US nuclear and coal power plants. Thus the seasonal demand decline has been offset by the need for gas-fired generation to replace nuclear and coal generation units. Likewise, warmer weather increased air-condition demand at electric power plants. Nevertheless, inventories remain ample and they may increase later this year as there are new wells which are still awaiting completion.

The WB non-energy commodity price index decreased 4.7% m-o-m in May compared to growth of 2% in the previous month. The price drop took place across this group of markets with the exception being gold which still increased by 2.2% m-o-m in May.

Except for gold, non-energy commodity prices declined in May

Base metal prices sank by 5.9% m-o-m in May compared to a slight 0.9% rise m-o-m in April on fundamental weakness and as prices reacted to the sell-off. Inventories held in several markets have started to come on exchanges, adding to pessimism on demand growth and some mixed macroeconomic data. Lead reported the largest price fall due to important metals held off-exchange and fears on demand. Tin prices declined as Indonesian supply to the markets was firm.

Aluminium prices dropped by 3% m-o-m in May compared to a 4.8% gain the previous month Aluminium prices declined on the global sell-off in the commodity markets in mid-May and the exchange-held inventories, which rose to their all-time high at 5 mt.

Lead prices plummeted by 10% m-o-m in May as a result of the large sell-off on exchanges due to the fears that the price rally was at its end, news that Japanese lead demand could be weaker than the market has anticipated and the offsetting effect of lower Japanese demand. All major observers agree on the existence of a market surplus in 2011.

Nickel prices were severely hit declining by 8.2% m-o-m in May, due mostly to lower demand from China and higher supply. Nickel imports from China grew slower in April than exports, thus demand is slowing.

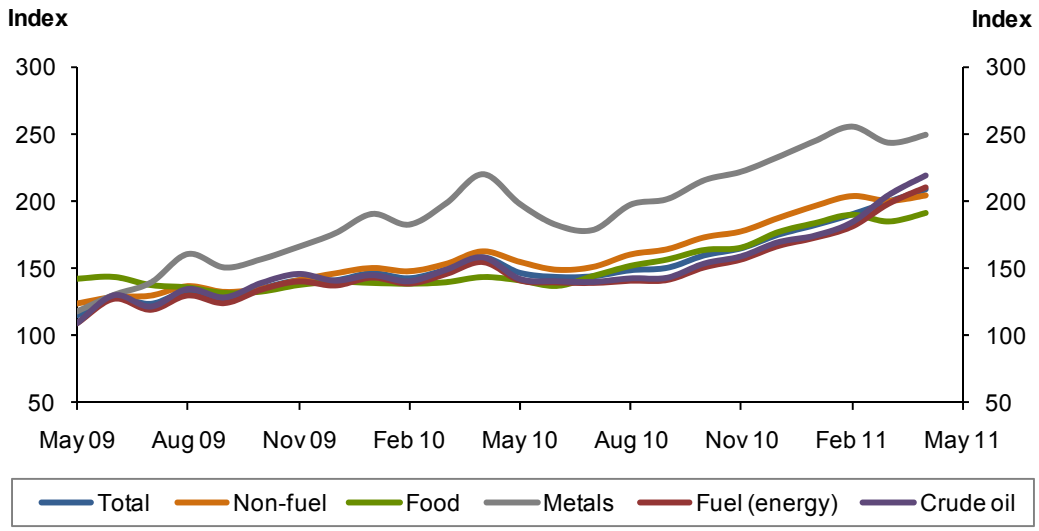
Zinc prices edged down by 8.2% m-o-m in May owing mainly to high inventories which soared 124% to a new all-time high of 1,252 kt at the LME.

Copper prices dropped 5.6% m-o-m in May, mainly on concern about lower Chinese copper demand, which was exacerbated by a 20% decline in Chinese total copper imports over the first four months of the year.

Tin prices plummeted by 11.4% m-o-m in May mainly on an increase in Indonesian supply to the market.

Gold prices posted another rise by 2% m-o-m in May compared to a 3.9% gain in April while silver sank by 13% m-o-m. Gold prices continued supported by a combination of growing inflation expectations, a low US real interest rate and mixed sentiment concerning downside risks to the global recovery.

Graph 2.1: Major commodity price indexes, 2009-2011



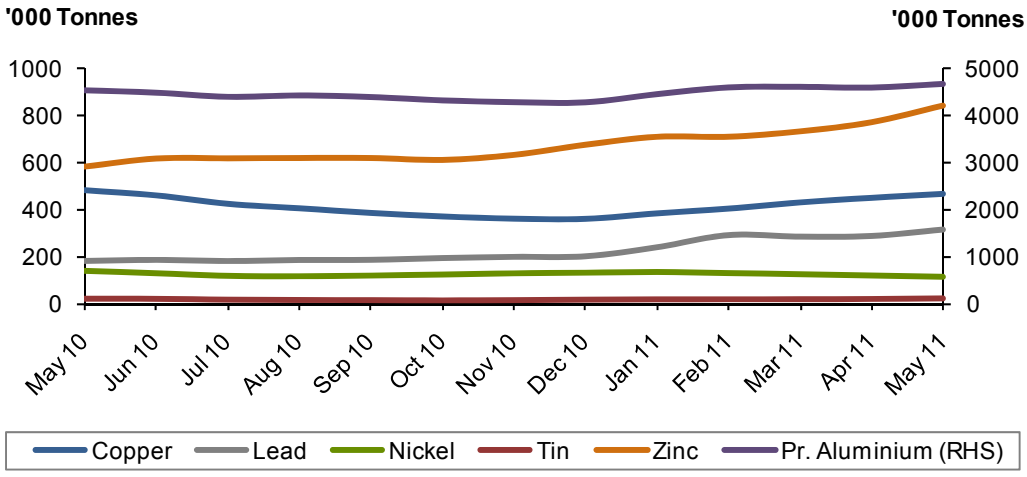
Commodity price index, 2005 = 100

Total:	*Includes both fuel and non-fuel*
Non-fuel:	*Includes food and beverages and industrial inputs*
Food:	*Includes cereal, vegetable oils, meat, seafood, sugar, bananas and oranges*
Metals:	*Includes copper, aluminum, iron ore, tin, nickel, zinc, lead and uranium*
Fuel (energy):	*Includes crude oil (petroleum), natural gas and coal*
Crude oil:	*Is the simple average of three spot prices: Dated Brent, West Texas Intermediate and Dubai Fateh*

Source: IMF

The Agriculture World Bank price index declined by 5.5% m-o-m in May on falling food prices, including the grain complex, except for wheat, which rose on poor weather in several European countries and the US. Corn prices were hit by the bearish mood in other commodity markets and the recovery of the US dollar versus the euro.

Graph 2.2: Inventories at the LME

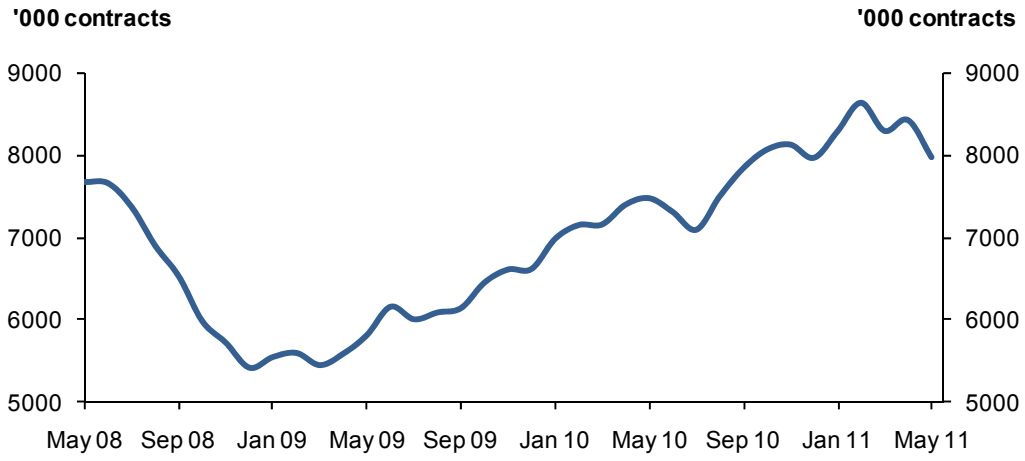


Source: LME

Investment flows into commodities

Open interest volume (OIV) for major commodity markets in the US was reported to increase 12.4% to 8,109,243 contracts in May.

Graph 2.3: Total open interest volume

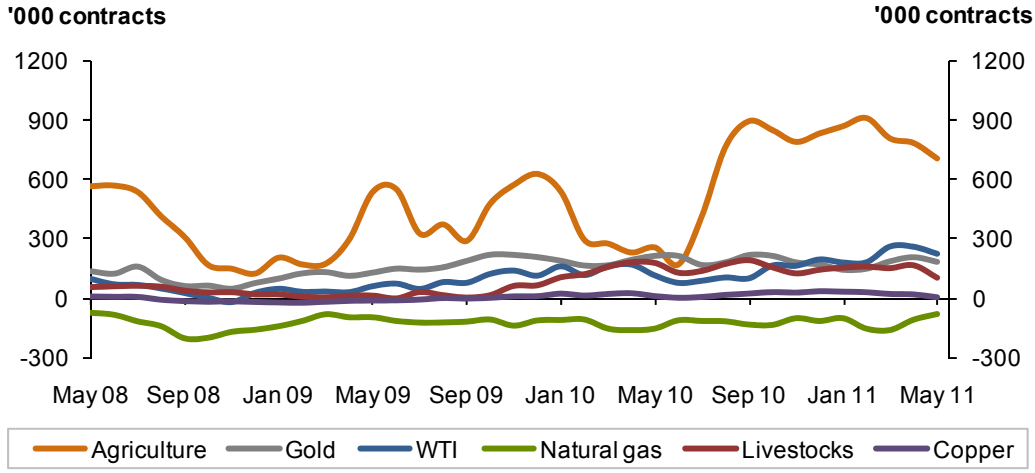


Source: CFTC

The net length of money manager positions plummeted by 15.3% m-o-m to 1,147.5 contracts in May.

Risk reduction in many commodity markets took place in 1Q11. The increase in the net length of money manager investors for total commodity markets was slowing since January, and the political turmoil in MENA and the Japanese earthquake caused a massive liquidation in March. A recovery appeared in April, but the first week of May saw a sell-off in crude oil and precious metals owing to high price levels and weaker-than-expected economic data for Europe, the US and China.

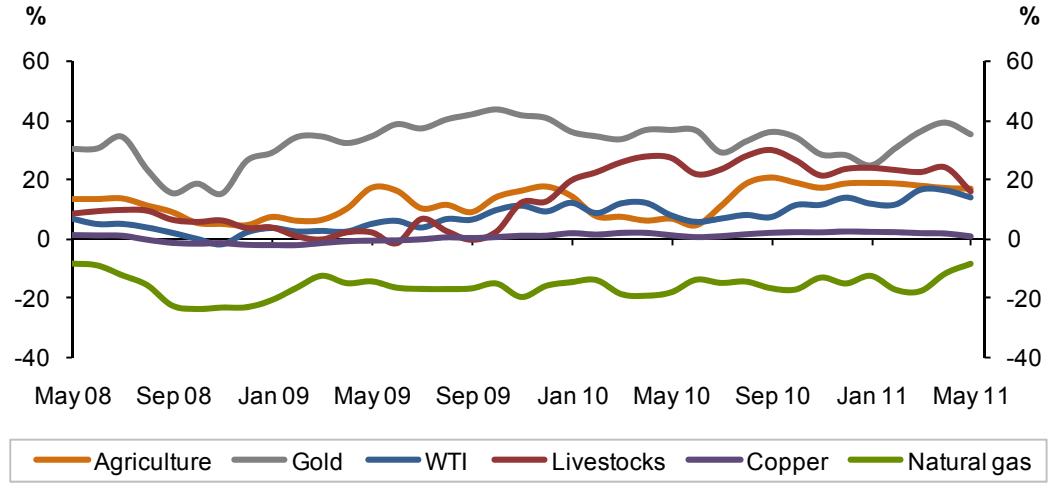
Graph 2.4: Speculative activity in key commodities, net length



Source: CFTC

Investors are focused on the risk to global economic recovery and factors such as higher volatility, amid concerns for the outlook for commodity markets within the context of a complex financial and macroeconomic situation.

Graph 2.5: Speculative activity in key commodities as % of open interest



Source: CFTC

On a sectoral basis, the sectors most impacted by the bearish mood of strategic investors were livestock and precious metals. However, important declines in the net long positions of money manager took place across al the commodity sectors.

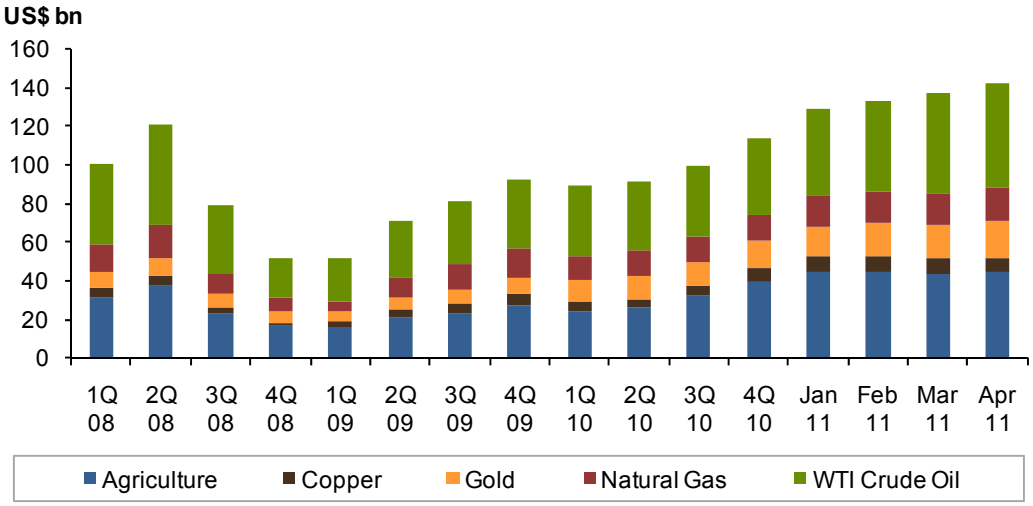
Table 2.2: CFTC data on non-commercial positions, '000 contracts

	Open interest		*Net length*			
	Apr 11	May 11	Apr 11	% OIV	May 11	% OIV
Crude Oil	1561	1578	260	17	225	14
Natural Gas	941	955	-109	-12	-80	-8
Agriculture	4595	4187	787	17	709	17
Precious Metals	667	638	233	35	199	31
Copper	135	122	21	15	7	6
Livestock	667	615	162	24	99	16
Total	**8,567**	**8,096**	**1,354**	**16**	**1,159**	**14**

After substantial gains in January across the markets, the investment inflow to commodities declined across most commodities over February and March 2011 in tandem with mixed macroeconomic news. The exceptions were crude oil and gold. A sharp drop occurred in March when gold and silver were used as safe havens in response to recent international events and some unfavourable macroeconomic developments (e.g., such as

the sovereign debt situation in the Euro-zone and concerns over inflation). Expectations for strategic investments into commodity indices in April point to substantial gains for crude oil in April amid high prices, which led to a strong correction in May.

Graph 2.6: Inflow of investment into commodities, 2008 to date



World Economy

Table 3.1: Economic growth rates 2010-2011,%

	World	OECD	US	Japan	Euro-zone	China	India
2010	4.7	2.8	2.9	3.9	1.7	10.3	8.5
2011	3.9	2.1	2.6	-0.5	1.7	9.0	8.1

Industrialised countries

US

Indicators point to some slowdown in the pace of US economic growth

Economic indicators show that the slowing pace in the US economic recovery continues. While the government-led support was the main driver for the expansion since the economy's trough levels in the first half of 2009, consumption has picked up over the past months. This has marked an important improvement in the recovery. However, it seems that some of this rebound in private household consumption stemmed from the stimulus initiatives – monetary and fiscal. With the current weakening situation, it remains to be seen whether this positive development continues at just a lower expansion rate or whether it will decelerate more significantly with the fading ability to stimulate the economy by monetary or fiscal means.

The most important evidence for the deceleration came from the confirmation of the Bureau of Economic Analysis that the economy has indeed declined by 1.8% in the 1Q11. While this was lower than expected, it is a backward-looking indicator. On a positive note, the major reason for the low growth rate was the massive fall in defense spending of 11.7% q-o-q. Historically, such large shortfalls were due to postponements of projects that were then realized in the next one or two quarters. This would give some support to the remainder of the year. Personal consumption grew at a healthy 2.2% q-o-q, but was lower than in the previous two quarters. While this is not dramatic, the again weakening labour market situation is raising concern about the ability of consumers to continue to increase spending at a significant rate. While it should not be expected that consumption will strongly decelerate at this time, however, it will not act as a big growth-engine in the near future as long as the labour market situation does not improve much.

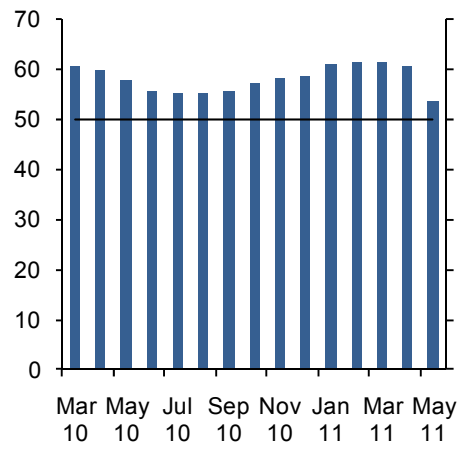
Unemployment rates have increased again and stood at 9.1% in May, compared to 9.0% in April and back from the March level of 8.8%, the lowest rate in the past two years. Furthermore, job additions in the non-farm payroll area have been very low at only 54.000, compared to 232.000 job additions in April and marked the lowest number since September 2010. This is low, considering that more than 8 million jobs have been lost in the recession. This also affected consumer sentiment, which, according to the Conference Board, declined from an index level of 66.0 in April to 60.8 in May.

The ISM indices from May underline that the economy – while still expanding – is slowing down in its growth rate. The ISM for the manufacturing sector moved to 53.6 from 53.7, after a steep decline in April from the March levels of 59.7 and February levels of 66.9.

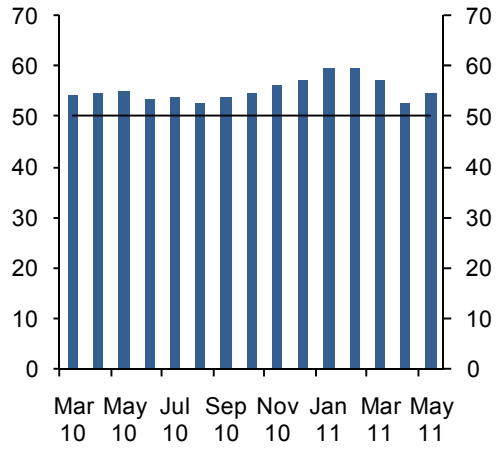
This weakening situation of the economy has been addressed by the Federal Reserve Board chairman at the beginning of June, when he highlighted that this year's growth level was lower than expected, but highlighted the fact that this might also be affected by supply disruptions associated with the situation in Japan, but it remains to be seen whether this will be the case. The end of the quantitative easing programme from the Fed in combination with the ongoing debate about a potential lift of the public debt ceiling is putting pressure on any hope for stimulus-related support.

So, while the economy is recovering, the momentum has clearly slowed down. The relevant risk has increased and the economic situation needs close monitoring. The GDP growth forecast remains at 2.6% for 2011, but the danger of a further deceleration has increased.

Graph 3.1: ISM manufacturing index



Graph 3.2: ISM non-manufacturing index



Source: Institute for Supply Management

Japan

Japan's economy is contracting more than expected, however indicators such as industrial production or retail sales indicate that the trough was reached in the second half of March or April

The Japanese economy is still suffering from the March disaster and while an improvement in the 2H11 is expected, the situation still seems challenging. The recently released fall of the 1Q11 GDP was higher than expected at 3.5% q-o-q. This implies a decline of GDP of around 20% in the last 20 days of the 1Q11, a significant drop and much more than the actual damage. The assumption of the Japanese government is that capital stock of around 6% of GDP has been affected. Most probably the after-shock effect has added another 1% negative GDP impact, so the fall in only the last days of the 1Q11 has been unexpectedly strong. Furthermore, this demonstrates the severe consequences of much a larger magnitude than the consequences of the Kobe earthquake in 1995. At that time, the impact was around 2% of Japanese GDP and the economy managed to still to grow by almost 2%.

This time the magnitude and consequences of the events are of a much bigger dimension and, on the other side, the available funds of the government to amend the situation are very limited, due to a much higher debt burden that limits the option for a further fiscal policy response. The monetary stimulus options seem limited with key policy rates at almost 0%, when at the time of the Kobe earthquake interest rates were above 2% and offered more room to maneuver, which today is limited to extraordinary policy tools only.

While until the last month the impact of the March disaster was only partially reflected in most of the economic data releases, as they were capturing only data up to April, the situation seems clearer now. The big decline in of the 1Q11 was followed by some more data-sets that provide an overview of the expected development. The scenario of this year's development of the economy implies that after the steep decline in the 1Q11, there will be continuation of falling GDP in the 2Q11 and then positive growth in the 2H11. This implies that while the economic development will be still negative in the 2Q11, we currently are expecting a turnaround and the trough levels of the economy should have been reached in about the second half of March to April.

This is based on the observation of the latest industrial production numbers. They have been positive in January and February, before the March disaster, when they grew by almost 3% y-o-y in both months. In March, production fell by 13.1% y-o-y and in April by 12.8% y-o-y. The same observation applies to the activity in the retail sector as a proxy to private household demand. Retail sales, which have started to fall already in the 4Q10 after the end of the consumption stimulus, have been almost flat in January and February. They fell by 8.3% y-o-y in March and by 4.8% y-o-y in April. The biggest drop that has a close correlation to industrial activity was observed in motor vehicle sales, down by 32.8% y-o-y in March and by 38.0% y-o-y in April. Vehicle registration is one of the signs pointing to an improvement as well. The numbers improved from a decline of 47.3% y-o-y in April to 33.4% y-o-y in May, better than the March number of minus 35.1%.

This positive momentum has been reflected in the most recent PMI numbers published by Markit, pointing at an expansion in the manufacturing sector at an index-level of 51.3 in May, compared to 45.7 in April and 46.4 in March. The services sector, which makes up the majority of the economy, is still weighing on the expansion and indicates a decline in the 2Q11, but improved at an index level of 43.8 in May, compared to 35.0 in April and 35.3 in March.

Still, the economy is suffering from a shock in the supply chain and this is not only affecting the domestic side of the business, but also the important exports, which have been the main leveraging factor for the economy in the previous year. Exports in April fell by 12.5% y-o-y in April and by 2.3% y-o-y in March, but should be expected to return into the positive territory once the supply problems have been resolved.

Much uncertainty remains and with the parliament last month having approved around $50 billion or around 1% of GDP to stimulate the economy and repair the most urgent damages, it is obvious that more money needs to be provided, considering the magnitude of the damage.

By taking the more-than-expected decline of the economy in March and April into consideration, the GDP forecast has been revised from minus 0.1% to minus 0.5%. It is obvious that many uncertainties remain, but currently it seems the shortfall from the 1H11 cannot be entirely compensated in the 2H11.

Euro-zone

The Euro-zone continues expansion with 1Q11 growth of 0.8%; however, the Greek debt situation and potential contagion constitutes the main risk to the continuation of the recovery

The Euro-zone has demonstrated a more-than-expected resilient recovery so far in the 1H11. This positive momentum was market by a two-tier development in the Euro-zone, supported by mainly Germany and France versus the ailing peripheral countries. While this momentum is now slowing down, the challenges regarding the sovereign debt crisis – particularly in Greece – are becoming much more severe. It seems relatively obvious that Greece needs more money, despite a significant austerity programme which it is trying to implement. While Germany is supporting a burden-sharing of tax payers' money with the private sector – i.e. some re-evaluation of the sovereign bonds that investors hold – the ECB is opposing this idea, mainly due to the fact that it is one of the main holders of the Greek debt. Should the bonds be devalued, this would trigger the rating agencies to classify Greece as a near-default, a "selective default", which would cause the ECB not to be able to accept sovereign debt bonds of the country, provided a large majority of the debt-holders agree to the debt-restructuring. This situation would very likely freeze the country's banking system. The rule for not excepting the bond could be waived selectively by the ECB, but it could move the Euro-zone's financial system into more trouble. Furthermore, in the case of a significant decline of values of peripheral bonds, the ECB could face the issue of recapitalization, as it is one of the largest holders of these instruments. A shortfall in the ECB's balance-sheet can only be solved via an injection of money through its shareholders and not by printing money. All in all, the Euro-zone has to solve this problem as Greece currently cannot be expected to have access to the capital market otherwise.

The next 12 billion euro tranche of the current 110 billion euro bailout package for Greece should be disbursed in early July, after the financing details of additional aid for the country are concluded. The IMF highlighted that it would not pay its 3.3 billion euro share of the 12 billion euro tranche until all of Greece's funding needs are guaranteed for at least one year. Because Greece is not expected to regain market access next year, or perhaps even in 2013, officials have calculated that it may need additional support of more than 60 billion euro above the original 110 billion euro-bailout.

Aside from these very serious issues, the growth momentum in the Euro-zone is holding up well and is only slightly decelerating. GDP growth for the 1Q11 was confirmed at 0.8% q-o-q which translates to 3.2% annualized quarterly growth, compared to the 1.8% that the US posted in the 1Q and the decline of 3.5% in Japan. Not given the sovereign debt crisis and some clouds on the side of exporting markets, this level would qualify to upgrade growth expectations.

Another positive sign is that retail trade improved by 1.0% y-o-y, after a decline of 1.3% y-o-y in March, the first decrease in one year which had raised concerns about losing momentum in domestic consumption. This comes at a time, when unemployment is still high at 9.9% and has not moved down significantly since September 2009. Some slight positive support came from the inflation side, which fell from a 2.8% y-o-y increase in April to now stand at 2.7% y-o-y in May. The ECB has indicated a possible rate increase in its next meeting in July.

Deceleration in production seems to be evident for the coming months as industrial new orders have slowed down from growth of 22.7% y-o-y in January to 14.1% y-o-y in March. Still a remarkable expansion, but growth in the 2Q11 seems to develop at a lower rate than in the 1Q. The PMI numbers also point to a slowing expansion. The May number for the manufacturing PMI moved back to 54.7 from 58.0 previously and the index for the services sector is at 56.0 in May, back from 56.7. However, both indicators are still at healthy levels.

Despite this positive momentum, it seems too early to further lift the forecast of this year's growth, which now stands at 1.8%. The main risks are the austerity measures that are being implemented across the Euro-zone and could have more negative impact on the 2H growth. The largest uncertainty with a potentially significant negative impact is the still unsolved debt issue in Greece and the danger of contagion to other peripheral countries.

Emerging markets

Developing Countries continue to be the major growth driver in 2011, delivering more than 50% of GDP growth

Developing countries (including emerging markets) constitute about 48% of global GDP on purchasing power parity terms. China, with 13.6% of world GDP, is the largest emerging market by far followed by India, Russia and Brazil with 5.4%, 3% and 2.9% of world GDP, respectively. The rapid expansion of emerging economies is particularly interesting for commodity and energy exporting countries as the main portion of incremental increase in demand for commodity and oil stems from the growth of these developing economies. Currently in many emerging and developing countries, economies are growing above pre-crisis levels. Inflation, however, emerges as the main concern in some developing countries as there have been signs of overheating in some economies.

In DCs, the headline inflation is now around 6%, which is 25 basis points more than the inflation rate of 5.75% in January 2010. In some major emerging markets such as India and Brazil, inflation is running close to or above the authorities' targets. In many DCs, budget deficit-to-GDP ratios have exceeded prudential levels and in some emerging markets credit growth has experienced between 10% to 20% per year, doubling the real per capita credit in the last five years. Since the second half of 2010, accelerating food and energy prices have contributed to a rising CPI in DCs. Curbing inflation is particularly important in those DCs where the share of food and fuel costs in household expenditures is significant. The main challenges facing developing and emerging countries under current circumstances range from accelerating inflationary pressures, particularly in food and energy prices, as well as capital inflows in emerging markets with open financial systems and a subsequent appreciation of exchange rates. Unemployment also is still high in some developing countries, especially among young adults.

Commonwealth of Independent States (CIS)

The biggest challenge for CIS countries remains to be the rising inflation

The CIS comprises the FSU countries except for Georgia and Mongolia; however, given the geography and similarities in economic structure, the economic aggregates in this section include these two economies as well. The CIS economy is expected to expand with a moderate pace of 5% GDP growth in 2011. Having suffered from the worst recession in a decade in 2009, the region began to recover steadily in 2010 by a rate of around 4.5%, although the growth rate varied substantially across the countries of the region. High oil and commodity prices, together with Russian and Chinese economic growth, have been effective in the region's economic recovery. The region has strong economic links with the Russian Federation and it is expected that the Russian economy will continue to grow in 2011 by a moderate rate of 4.1%. The CIS has ties with China, which also have been growing fast. Net energy exporters of the region are projected to grow faster than net energy importers, as oil and gas prices are expected to remain high for the foreseeable future. Turkmenistan, in particular, is expected to see high growth of about 8.5% in 2011, on the back of favourable natural gas prices. Uzbekistan's growth also is projected to remain high.

Inflation remains the single most important threat to economic stability in CIS countries. Unfavourable weather conditions in 2010 reduced grain yields and contributed to price inflation of foodstuffs. Food comprises a large share of the consumer price basket in these countries and, given the expansionary monetary policies in the region, there is a possibility of inflation feeding into further wage increases, which would create even more inflationary pressures in the near future.

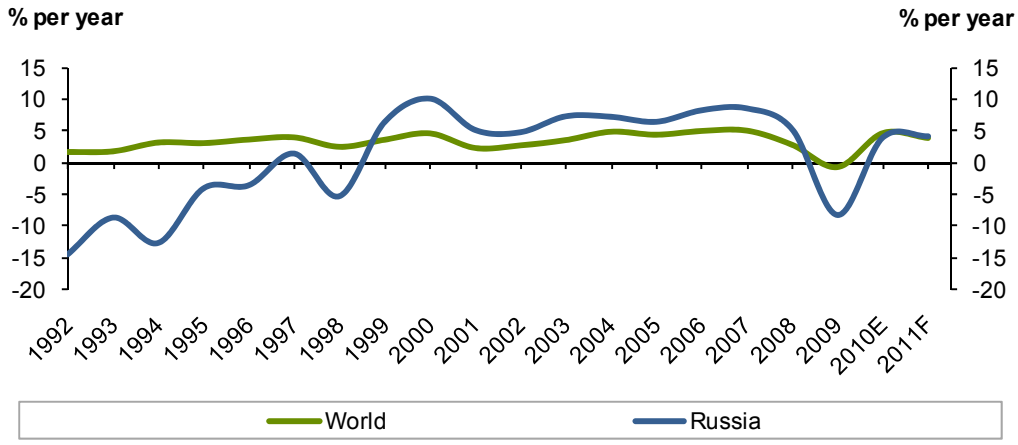
Russia

While the Russian economy enjoys the boom in commodities, the fragility of the banking sector may limit improvements

The Russian economy is forecast to grow by 4.1% in 2011 following a moderate expansion of 4% in 2010. Last year, the Russian economy experienced a swift recovery, pulling out of a deep recession which began in 2009, when real GDP contracted by -7.2%, arguably the deepest economic downturn since 1991. Among the BRICs, the Russian economy suffered the most from the global recession.

A review of the Russian economy suggests that the recovery in 2011 is expected to remain moderate. While growth in the first quarter of 2011 accelerated to 3.5% y-o-y from 3.1% in the last quarter of 2010, it is generally expected to reach 3.6% y-o-y in the second quarter of the year and 4.1% in 2011 as a whole. The economy and the government budget remain both very dependent on oil price developments. Income from oil and gas account for about 25% of GDP and every $1 rise in the oil price translates into about $2 bn in revenues, according to official estimates. Apart from this factor, the fragility of the banking sector, burdened with bad loan problems and substantial under-employment in the economy may limit improvements in both investments and private consumption.

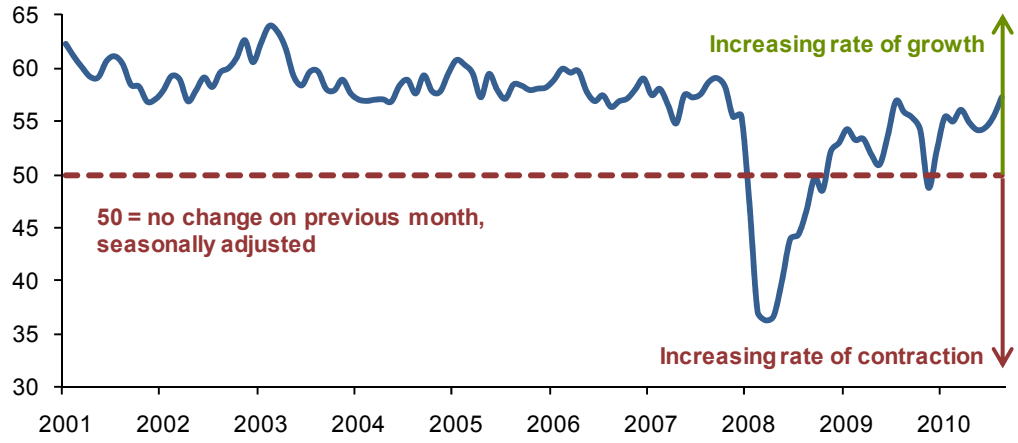
Graph 3.3: Russian GDP growth



** E= estimate, F = forecast*
Source: OPEC Secretariat

The Russian economy grew by 4% in 2010, faster than what was expected. The greatest contribution to GDP growth came from a build-up in stocks, as these were run down in 2009. Growth in external demand also contributed to GDP growth as exports grew by 11% in 2010. In addition to these two components of aggregate demand, domestic consumption and investments also recovered in 2010. Some observers believe that the Russian economy is approaching its potential and there are reasons that in the second half of 2011, this gap will narrow further. Among recent important observations are shrinking unemployment rates and growing capital utilization rates in the industrial sector, which are approaching peak levels seen recently -- levels characteristic of an over-heated situation. Survey data compiled by Markit for HSBC suggested that the Russian manufacturing sector continued to build on its positive start to 2011. Output continued to grow as new orders increased at their strongest pace in three years. According to HSBC Manufacturing PMI, growth momentum in Russian manufacturing reached a 4.5-year high in March this year. While export demand growth has eased marginally, domestic demand has picked up strongly, prompting manufacturers to continue active hiring. Although cost pressures have declined sharply in March, they are at historically high levels. Output prices growth has accelerated, apparently reflecting the rising ability of producers to pass on still fast-rising costs to their customers amid stronger customer demand.

Graph 3.4: HSBC Russia composite output index



Sources: Reuters and markit economics, HSBC Russia services PMI, May 2011

Rising wages, pushing inflation, might turn out as a challenge of the current expansion

These developments -- amid the changes of the composition of inflation towards a demand-pulled inflation -- require appropriate tightening monetary policies to dampen aggregate demand. Operating close to its potential level, together with low interest rates and monetary expansion, exposes the economy to inflationary pressures. This has strong implications for upward revisions in wage-setting, particularly in the private sector. The rates of private sector wages growth exceeded 15% at the end of last year on the previous year. Although private wages growth rates took a downward trend earlier this year, with the economy expanding close to full employment levels, wages could start to rise again.

Despite this general pattern of economic growth, some sectors still remain weak. It is worth noting that much of the rise in manufacturing output comes from recovery of the Russian car industry which came close to a collapse in 2009. Domestic car output increased 115% on an annual basis, and machinery and equipment expanded as much as 24% in February compared with January. Retail sales, however, grew by just 1.9% on an annual basis and the construction sector contracted by 0.3% in the first quarter of 2011. Contractions in investment also seem contradictory with significant expansion of the manufacturing sector. According to RosSat estimates, investment spending fell by 0.4% on the yearly basis in February and by 4.7% in January. Further doubts about investment data stem from discrepancies in the reported data for 2010. The national accounts suggest that investments grew by 3.5% last year. Capital outflow is another sign of weakening sentiment in investment spending. According to the Central Bank of Russia (RCB), net private capital outflow reached around $11bn in the first two months of 2011, bringing the total net outflow to $44 bn since

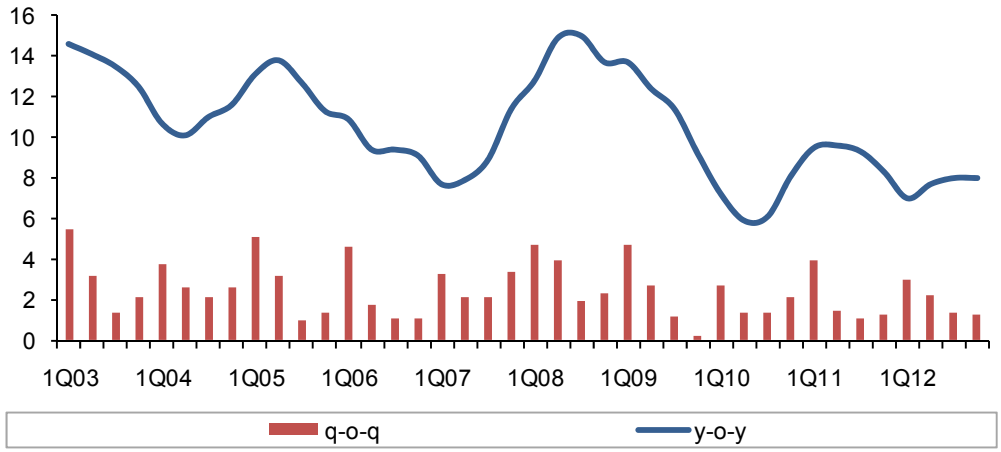
September 2010. This might have originated from the political uncertainties related to the forthcoming elections.

The budget plan for 2012 calls for a deficit of 2.8% of GDP, potentially providing some additional room for spending

On economic policy, the Russian government has started preparing the budget for 2012. The outline of the budget will be ready in late June following its first draft in August and its final version to be submitted to the parliament in October. It is most likely that social spending will be increased in the budget as the National Parliamentary elections are due in December. The government is keen to increase its public support, given the fact that in regional parliamentary elections held in March (in 12 regions) the ruling party -- "United Russia" -- share of the vote shrank, in many cases by 15-20%. The plan for 2012, reflected in the three-year budget planning process, calls for a deficit of 2.8% of GDP, calculated on the basis of an oil price of US $ 78/b. This may prove quite conservative and could leave some room for more spending approaching the end of the year.

On the monetary sector of the economy, a new strategy for the banking sector has been adopted by the government. The objective of this strategy is to bring the Russian banking standards to international levels in compliance with the Basel II and Basel III requirements on capital adequacy and liquidity. The minimum capital requirement is to be raised to Rb 300 m for new banks and existing banks would need to comply by January 2015. Meanwhile, the central bank (RCB) on April 29 raised its overnight interest rate to 3.25% from 3.00%. This is the RCB's latest monetary policy measure taken in 2011 with the main objective of controlling growing inflationary pressures. The RCB had already raised the banks' reserve requirements by 100 base points in an attempt to confine monetary expansion to its target levels. Also, it seems that the Russian monetary authorities have ignored appreciation of the ruble, to some extent, to avoid the impact of a weak ruble on inflation.

Graph 3.5: HSBC Russia composite output index



Source: Country report Russia, Economist intelligence unit, May 2011

Asia

Asia is expected to continue expanding this year and next, although by a slower pace when compared to 2010. Asia is gaining market share in the global economy and its impact on the world economy is increasing, accordingly. Integration of regional trade and the emergence of China as a regional growth engine have offset the weakness of demand from advanced economies. Signs of overheating have been reported in a number of economies and inflation is becoming a major concern for monetary authorities in these economies. Capital flows to the region and robust growth in private demand remain two distinguishing features of the developing Asian economies. Autonomous private consumption is expected to remain strong in 2011 and beyond, supported by rich asset valuations and labour market conditions. The graphs below illustrate the comparative economic indicators for major Asian economies.

China's expansion remains solid, but signs of a deceleration emerge

China

After growing by 10.3% in 2010, China's economic expansion is projected to remain firm at 9.0% this year. For 2012, we believe that there could be more moderation in economic growth as the official target of GDP growth, reflected in the 12th five-year economic plan, finalized in March 2011 by the National People's Congress (NPC). The government hopes to achieve an average of 7% GDP growth per year in 2011-2015 and has taken measures, in monetary and fiscal policies, to curb inflation and prevent the overheating of the economy. At the same time, should the policy measures to dampen growth prove too severe, which presently appears unlikely, the government has the means to boost activity by expanding its fiscal spending, particularly in infrastructure and social welfare sections.

The new five-year plan was the most important aspect of this year's NPC meeting. Achieving inclusive economic growth to create a more "harmonious society" has been a prominent theme of the plan. In this sprit, boosting rural income and improving social provisions are among the main social themes of the plan, which implies organizing fiscal and monetary policies for the difficult task of rebalancing the economy towards private consumption as a key policy target. According to the plan, the government will seek to steer the economy to a 7% annual growth rate, on average, in the next five years. The Chinese government realizes that the current economic growth path is not sustainable and, therefore, finding a way for less resource-intensive growth has become crucial for China's sustainable development. Also, the government has outlined ambitious plans for lower energy-intensive growth. China will aim to cut energy intensity by 16% in the 2011-15 time period (EIU, April 2011). A corresponding carbon intensity target, with a 17% reduction in carbon intensity during the same period, is viewed as being in line with China's existing goal of slashing carbon intensity by 40-45% from 2005 levels by 2020. Another aim is to ensure that 15% of the energy mix should come from non-fossil sources by 2020.

In 2010, China recorded a budget deficit equivalent to 1.6% of GDP. The deficit will remain below 2% of GDP in the forecast period. Spending on stimulus-related infrastructure projects (which rose sharply in 2009-10) will come to an end. However, this will be offset by a substantial rise in expenditures on education, health-care and pensions, in line with the government's "harmonious society" programme. In general, in China's 2011 budget, an attempt has been made to rebalance expenditures from infrastructure towards social spending. Expenditure on the agricultural sector will be increased by 16% in the 2011 budget. Further help for both low-income rural and urban households is to come in the form of increased social security coverage. Spending on social welfare is expected to grow by 14% in 2011.

The current policy-tightening cycle has focused on restricting purchases of housing, limiting growth in bank credit, and draining liquidity from the money supply through bond issuance and increased bank reserve requirements. Interest rates have also been raised. Tightening is likely to continue into the second half of 2011, even after economic activity begins to slow, as inflationary pressures will persist. In December 2010, amid growing concern about inflation, the government altered its monetary policy stance from "appropriately loose" to "prudent". In addition, the country's central bank, the People's Bank of China (PBC), has begun to raise interest rates; the most recent increase came in April, when the PBC lifted the benchmark one-year lending rate from 6.06% to 6.31%. As worries about inflation persist, interest rates are likely to be raised steadily during 2011-2012. However, the government's ability to control credit expansion through the state-owned banking sector means that quantitative controls on monetary and credit expansion are more important in policy terms than interest rates. The government will thus further increase bank reserve requirements early in the forecast period to contain inflation. In addition, banks will remain subject to monthly and quarterly credit quotas.

Table 3.2: China macroeconomic indicators

	2009	2010F*	2011F*
Real GDP growth, %	8.7	10.3	9.0
Inflation, %	-0.7	3.2	5.0
Current account, US$ bn	297.1	306.2	279.5
Current account % of GDP	5.9	5.2	4.1
Budget balance % of GDP	-2.3	-1.6	-1.7
Exchange rate, NC: US$	6.8	6.8	6.5

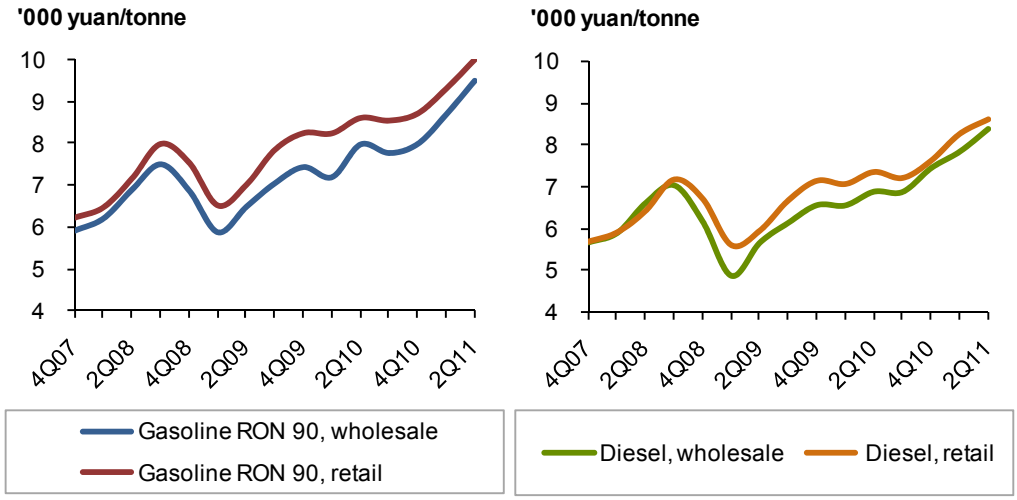
** F = forcast*

Source: OPEC Secretariat estimates

Government policies to prevent the Chinese economy from overheating have been met with mixed success

So far, government policies to prevent the economy from overheating have been met with mixed success. Growth in the broad money supply was down to 15.7% in February y-o-y, below the government's full year target of 16% growth. The HSBC Purchasing Managers Index slowed to 51.7% in February. April Markit Manufacturing PMI (Purchasing Managers Index) was almost unchanged at 51.8. However, according to the China Federation and Logistics Purchasing, the country's MPI for its services sector rose to an 11-month high of 62.5 in April from 50.2 in March. It is expected that its export sector will show modest growth in the near term as the total new orders component in April's Markit Manufacturing PMI was recorded at 52.7%, compared to a first quarter of 2011 average of 54.0 and a fourth quarter of 2010 average of 57.7. The adjusted retail sales growth in volume terms slowed to a seasonally adjusted rate of 2.7% in March. China's current-account surplus rose to US$ 305bn in 2010. As a proportion of GDP, at 5.2%, this was well below the peak of 10.1% reached in 2007. The surplus is forecast to continue to shrink relative to GDP in the forecast period, falling to 1.5% by 2015. A large proportion of China's imports consist of components that are assembled in the country before being shipped abroad again, and its imports and exports therefore tend to expand at similar rates. However, a growing proportion of imports will be consumed domestically in 2011-2015 and, at an average of 15.1% a year, import growth will outpace export expansion. As a result, the trade surplus is expected to fall in the coming years.

Graph 3.6: China average retail gasoline and diesel product prices



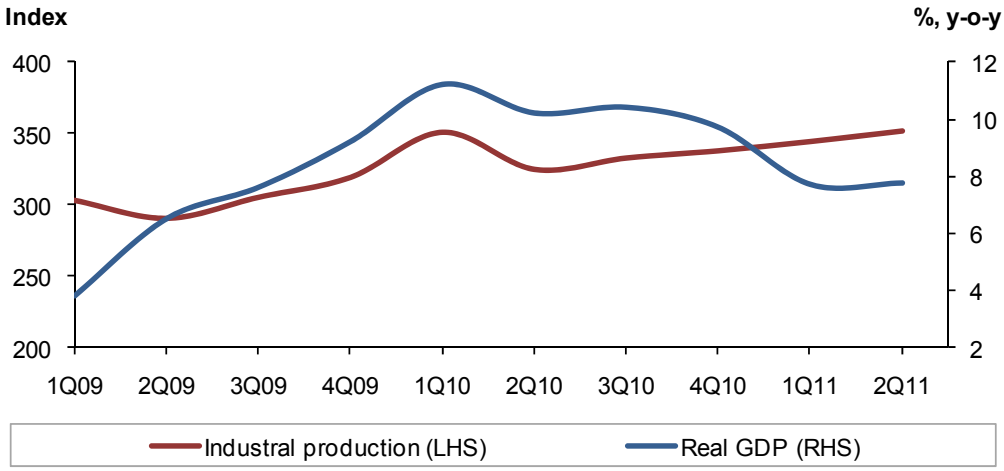
India

Indian economic growth has been robust in the first quarter of 2011 and is expected to remain above the trend

Indian economic growth has been robust in the first quarter of 2011 and is expected to remain above the trend, albeit with some moderation compared to last year. The rate of GDP growth for 2011 is forecast to be around 8.0%, slowing marginally down to 7.5% in 2012. As there has been some moderation in economic activities and industrial production in the first quarter of 2011, it is expected that the economy has expanded by 7.8% in the first quarter of 2011 compared to a year ago. Considering the stronger than expected performance of foreign trade and particularly manufactured exports in recent months, economic expansion is projected to pick up further in the second quarter of the year. Exports in February rose almost 50% on a year-on-year basis, which was continued by another 1.3% increase in March

compared to February. Industrial production was 3.6% up in February, compared to the same month of last year. Economic growth is expected to pick up further in the second quarter of the year and continue to expand around 8%, which is close to the potentials of the economy.

Graph 3.7: India quarterly GDP growth and industrial production



Growth in the industrial sector has decelerated, with the exception of the automotive sector. However, given the strong demand by a burgeoning middle class, policy-makers consider real growth close to 8%, although there is still no sign of the accelerating economic growth rate of 10% as stated by the Government and Planning Commission in its 12th five-year plan (2013-2017). HSBC's Purchasing Managing Index (PMI) for the manufacturing sector in March was at 57.9, unchanged from February. The rate of growth in new orders was at a 31-month high, justifying the claims by policy-makers that the slowdown in industrial sector expansion would not affect GDP in the short-term.

The Table below illustrates the changes in some macroeconomic variables of the Indian economy during the 2009-2011 time period. Apart from high inflation, the federal budget deficit appears to be in a range that could be of considerable concern to the government's fiscal position and its capability to support the economy in the near future should further stimulus be deemed necessary for economic expansion. The government target is to reduce the federal deficit to 4.6% of GDP in the 2011 fiscal year but it seems ambitious. The deputy chairman of the planning commission (a leading federal government policy-making body) has been quoted as saying that this fiscal target is achievable if oil prices remain around $100/b. Nevertheless, the Consensus Forecast (May 2011) envisages a 7% and 6.9% federal budget deficit for the 2011 and 2012 fiscal years, respectively.

The Indian government has introduced in parliament a bill for a nationwide goods and services tax (GST) on March 22. Its objective is to create a "common market" for goods and services by replacing various state-level taxes with a single national GST. The bill needs the approval of two-thirds of parliament and one-half of India's 28 states to become law. However, it is clear that the government's fiscal position will depend on food and fuel prices. It has been discussed that state-owned energy companies would lose significantly if international fuel prices remained higher than officially determined energy prices in India. If the circumstances are such that headline inflation is positively affected by a surge in food and energy prices, the government may find it difficult to allow further increases in energy prices, although this may delay improvements of its fiscal stance.

Table 3.3: Some macroeconomic indicators of the Indian economy, 2009-2011

	2009	2010	2011F*
Real GDP growth, %	7.4	8.5	8.0
Inflation, %	10.9	12.0	7.4
Current account, US$ bn	-27.0	-43.2	-53.8
Current account % of GDP	-2.1	-2.6	-2.7
Budget balance % of GDP	-6.5	-5.0	-5.0
Exchange rate, NC: US$	48.4	45.7	45.7

** F = forcast*

Source: EIU country database and OPEC Secretariat estimates

Rising output in the agricultural sector could help ease inflationary pressures particularly for lower-income groups where food consists of a significant part of the household expenditure. According to government estimates, Indian's food-grain output reached around record 236m tonnes in the 2010 fiscal year. This is important not only for damping price inflation but also for the reduction of India's trade deficit. Accelerating inflation has been a problem for the Indian economy since 2009 and, despite a slowing down of the pace of economic expansion, inflation remains elevated and has spread to manufacturing and wages.

Monetary policy is likely to tighten further in the short-run in response to stubbornly high inflation. There have been eight increases in the interest rate since March 2010. In its latest decision, the monetary policy review meeting of the Central Bank (RBI) raised interest rates on May 3 by a sharper than expected 50 basis points and its benchmark interest rate now stands at 7.25%. This could be enough to turn real interest rates positive. The government might consider raising its policy rates further, even at the expense of economic growth, if inflation does not decelerate. The Consensus Forecasts (April 2011 edition) envisaged a CPI close to 7.8% for 2011 and 6.8% for the next fiscal year. The wholesale price index stood at 9% y-o-y in March, up from 8.3% in February. This has been higher than the RBI's target of 8% and far from its comfort zone of 5-5.5%. While food prices fell less than 1 percentage point in March, they increased by 1.4 percentage point in the manufacturing sector.

A tightening of monetary expansion was expected early in 2011 as core inflation was poised to accelerate. With inflation expectations rising, energy prices increasing and the PMI output price index indicating higher manufacturing prices, fighting inflation has become a major policy objective in India. However, the yield curve flattened in March suggesting that the market believed inflation would not accelerate further in the future. Damping price increases is important for investments, too, since with inflationary pressures, investors worried about the prospect of a hard landing adopt a "wait-and-see" policy that could reduce overall economic activity.

Latin America

Economic expansion varies across Latin American region

Latin America emerged from the recession in promising conditions. However, they now face two challenges, namely inflation, triggered by commodity prices increases, and capital inflows that are mainly invested in short-term financial assets and, therefore, could be quite volatile. Real activity expanded by about 5.5% last year after contracting by 0.2% in 2009. Growing external demand and rising commodity prices have underpinned their economic prosperity in recent years. Strong capital inflows are currently a distinguishing feature of many countries in the region. Robust economic expansion on the one hand and monetary policies in advanced economies (where the cost of borrowing is low and economies expand at a lower pace compared to developing countries) on the other hand are the main reasons behind the capital inflows. Strong domestic demand has caused widening current account deficits that, in turn, encourage borrowing abroad and capital inflows.

The region's GDP growth is projected to moderate to 3.8% in 2011 on average after growing for 5.4% in 2010. However, the rates of economic expansion will differ widely within the region. Peru continues to enjoy a strong economic growth in recent years. Its economic growth for 2011 is expected to reach 5.3% following 7.5% last year. Some economies in the region, however, may even face economic contraction in 2011 due to variety of reasons. The outlook for commodity exporters in the region is

generally positive. There are, however, signs of potential overheating and currency appreciations in some of these countries, notably Brazil. Brazil's case is particularly important considering the size of its economy and its close links to other economies of the region, as well as its growing trade with China.

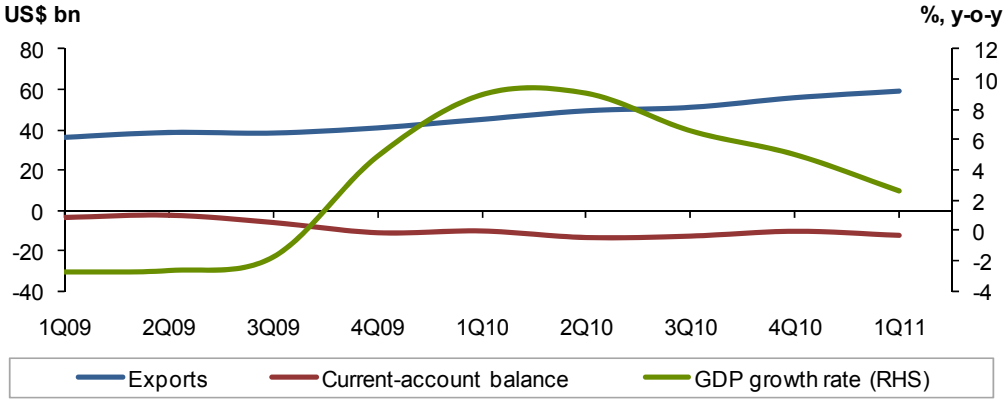
Brazil

Brazil's economic growth projected to moderate in 2011 to 4.1%.

Brazil like other commodity exporters of the region has benefited both from favourable terms of trade and from growing capital inflows, as well as easy external financing conditions. However, it is projected that Brazil's economic growth will moderate in 2011 to 4.1% after an exceptionally strong performance of its economy in 2010 during which it expanded more than 7.2%, its highest economic growth in a decade. With continued strong growth and output already around its potential level, inflation has become a major concern as in many other countries of the region. Headline inflation is affected by both demand factors, and high food and energy prices, similar to other BRIC countries, particularly India. Therefore, tightening monetary expansion and fiscal spending have been in order since the second half of 2010. Robust private demand has led to a widening current account deficit as an appreciation of the country's currency, the Real, due to favourable terms of trade, has encouraged growing imports. This, in turn, has reduced the market share of domestic producers who have been facing stiff competition from abroad. Although there has been greater diversity in foreign trade, at the same time, this has come with greater dependency on commodities.

Strong final demand growth and underperformance of the industry have been two distinguishing characteristics of Brazil's economy over the past year. The economy seems to have continued in the same vein in the immediate past months. In fourth quarter of 2010, the growth rate of GDP, on a y-o-y basis, was 3%. This was less than expected earlier but was more than the third quarter economic growth of 1.6%. Nevertheless, the strong performance of the economy in the first half of 2010 assured a full year economic growth of 7.2% in 2010. Industrial production fell in late 2010 on relatively broad base from capital and consumer goods, as well as electronics and communications equipment. The main factors contributing to this stalled growth in industrial production are believed to be supply bottlenecks as well as external competition, underpinned by the Real. Growing domestic demand looks to have continued into the start of 2011, despite the authorities' tightening measures such as raising banks' reserve requirement and increasing the capital requirements on consumer loans.

Graph 3.8: Brazil quarterly real GDP growth, exports and current account balance



Source: OPEC Secretariat and Haver analytics

Robust domestic demand has been supported by improving labour market conditions. Economic data released in recent weeks indicate that manufacturing is finally moving after a long period of stagnation. Capital goods and durable goods production led the industrial production to rise at the end of first quarter. This strong performance of the economy during the first quarter of 2011 reinforces the supportive growth outlook. Credit growth also picked up in February on strong domestic prospects. However, the March bank credit report showed bank credit flattering at 46.4% of GDP at the same level in February. There is clearly a moderation in credit expansion compared to 2010, when credit-to-GDP expanded more than 2% of GDP. This deceleration in loan expansion could be a reflection of monetary tightening as well as rising inflation, although there are signs of an expansion of real credit to the corporate sector, implying that private banking may be trying to regain its market share lost in 2009 and 2010.

March inflation rose by 6.3% from a year ago. This is close to the upper limit of the central bank's target range. The policy rate is currently 12.0% after a 25 basis point rise on April 20th. There is a possibility that the rate will be increased again in June to curb accelerating inflation. The authorities have announced a policy of increasing the tax on consumer loans (excluding mortgage loans), from 1.5% to 3% to control inflationary pressures. On the fiscal side, after the announcement for a BRL 50 billion budget cut, the government tried to reassure the market that the adjustment was being made through greater control over expenditures. The central government's primary balance showed a surplus of Brazil R 9.1bn (around US $5.4bn) in March. With this result, the 12-month primary surplus of the central government reached 2.5% of GDP from 2.2% in February.

OPEC Member Countries

Middle East and North Africa

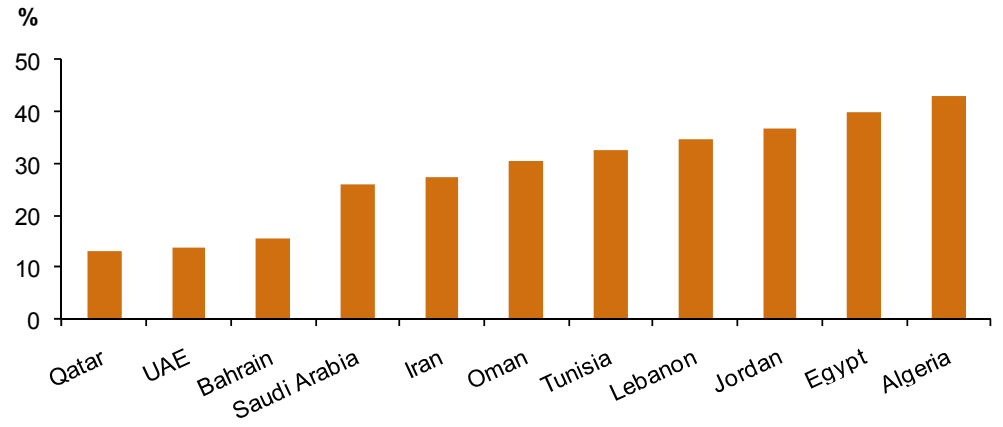
Economic growth in the MENA region to stabilize at around 3.5% in 2011

GDP growth in 2009 for the Middle East and North Africa was around 2.1%, less than half the rate during the previous year, but very few countries in the region experienced negative growth. Economic growth recovered to 3.9% in 2010 and is forecast to stabilize at around 3.5% this year. Growth will continue to be supported by loose domestic policies and the moderate global recovery; however, spreading social unrest, rising sovereign risk premiums and elevated inflation will constrain growth prospects in several countries of the region.

Higher commodity prices and external demand are boosting production and export in the region. In addition, government spending, particularly in oil-exporting countries, is fostering economic recovery. However, political uncertainties, unemployment (particularly among youths) and inflationary pressures marked by rising food prices are negatively affecting economic developments. In the group of oil exporters, economic growth is expected to be higher compared to the region's average. Among energy exporters, Qatar and Saudi Arabia are particularly expected to perform well on the back of a continued expansion of natural gas projects and government investments in infrastructure, respectively. In oil-importing countries, the economies of Egypt and Tunisia are prone to slower growth due to political turmoil and the impact of these events on their leading economic sectors, finance and tourism.

Inflation is high in most countries of the MENA region, being elevated by rising commodity and food prices. In most countries, food constitutes a significant share of household expenditures. According to the IMF (WEO, April 2011), inflation across the region could be projected as high as 10%. Inflationary pressures in energy-exporting counties of the region are mainly due to expansion of the monetary base of these economies induced by oil dollars earned by governments and the significant increase in public sector spending. The overall regional current account surplus is now projected to rise over 12% of GDP compared to 15% in 2008. Should global economic recovery prove to be slower than expected, export earnings of the region and the prospects of regional economic growth could be adversely affected.

Graph 3.9: Consumer price index weights for food in 2010, MENA



Source: IMF, World economic outlook, April 2010

Fiscal policy has played a critical role in cushioning the impact of the global economic crisis on the MENA region. Public sector spending on infrastructure and the support of lower-income groups will continue to boost domestic demand in the near-term in many oil-exporting countries. To shield their populations from surging food and fuel prices, many governments in the region have increased social transfers, and fuel and food subsides. However, high unemployment, particularly among young and educated population groups, remains the main economic challenge of the region. According to the IMF's Regional Economic Outlook (2011), unemployment rates range from around 10% to more than 30% in the region. The fact that unemployment has remained so high for so long suggest that the problem is largely structural. The industrial production index, which serves as a proxy for economic activity, indicates that in most economies of the sample group, industrial production has been almost stagnant for the last several years and only has started to pick up in recent months. A lasting solution to the region's unemployment problem will require a combination of permanently higher and inclusive economic growth and reforms to improve the responsiveness of labour markets.

Oil prices, US dollar and inflation

The US dollar weakened against the swiss franc and yen but strengthened against the euro

The decline of the US Dollar versus the Euro and the pound sterling seems to have come to a halt for the time being. On an average monthly base it gained 0.6% against the Euro and 0.1% versus the pound sterling. On the other side it again lost significantly versus the Yen and the Swiss franc. It declined by 2.5% versus the Yen and lost even 2.6% against the Swiss Franc. This means that over the last 12 months it lost 22% or almost a quarter of its value versus the Swiss franc, 14% against the Euro, 11% versus the Yen and 10%, when being compared to the pound sterling.

Another steep decline against the Euro currently seems relatively unlikely as the range of $1.40/€ to $1.50/€ seems relatively well established for both of the currencies and while the ECB has pointed at a further rate increase in July, the Euro had not reacted on this news as a rate increase from now 1.25% to 1.75% at the end of the year seems to be priced in currently.

The OPEC reference basket price fell by 6.9% in May.

In nominal terms, the OPEC Reference Basket fell by 6.9% or $8.15/b from $118.09/b in April to $109.94/b in May. In real terms, after accounting for inflation and currency fluctuations, the Basket price declined by 6.5% or $4.57/b to $65.36/b from $69.92/b (base June 2001=100). Over the same period, the US dollar was unchanged against the import-weighted modified Geneva I + US dollar basket and inflation increased by 0.4%.*

* *The 'modified Geneva I+US$ basket' includes the euro, the Japanese yen, the US dollar, the pound sterling and the Swiss franc, weighted according to the merchandise imports of OPEC Member Countries from the countries in the basket.*

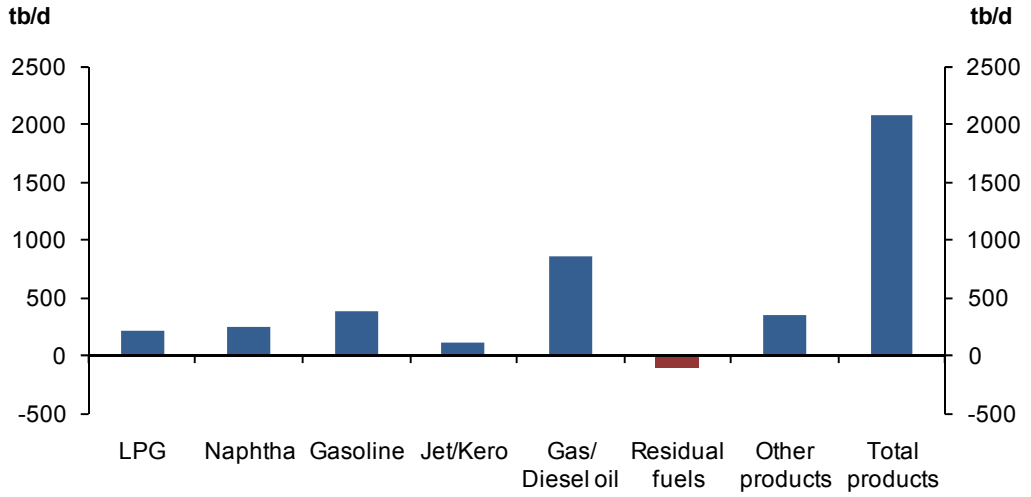
World Oil Demand

World oil demand is estimated to have grown by 2.1 mb/d in 2010 and 1.4 mb/d in 2011, averaging 88.1 mb/d

World oil demand

A volatile oil market is making future oil demand estimates hard to manage. Many variables have been affecting oil demand worldwide. The Japanese earthquake and economic uncertainty in the US are keeping oil demand estimates continually in an adjustment mode and are imposing a downside risk for the year's forecasts. Japan's natural disaster caused the country's oil demand to plunge by 0.25 mb/d in March and April, and it is forecast to worsen in May and June. The latest monthly US oil consumption data showed much weaker oil consumption than anticipated. The transportation sector has already started showing some indications that retail prices have reduced mileage driven. China's economy, on the other hand, is roaring ahead of all expectations. Anticipated electricity shortage in the upcoming summer months might trigger more operation of diesel generators. This will, of course, have an implication on the country's future oil demand growth. That said, it is too early to alter the existing forecast for world oil demand as the risks are nearly balanced with regard to upward and downward movements. However, should higher international oil prices persist, then this might impose a stronger reverse elasticity on oil demand putting more weight on the downward risk. This risk might be translated into a reduction of current growth by 200 tb/d.

Graph 4.1: Forecasted y-o-y growth in 2010 world oil demand



World oil demand is estimated to have grown by 2.1 mb/d in 2010 and 1.4 mb/d in 2011, averaging 88.1 mb/d.

Graph 4.2: Forecasted y-o-y growth in 2011 world oil demand

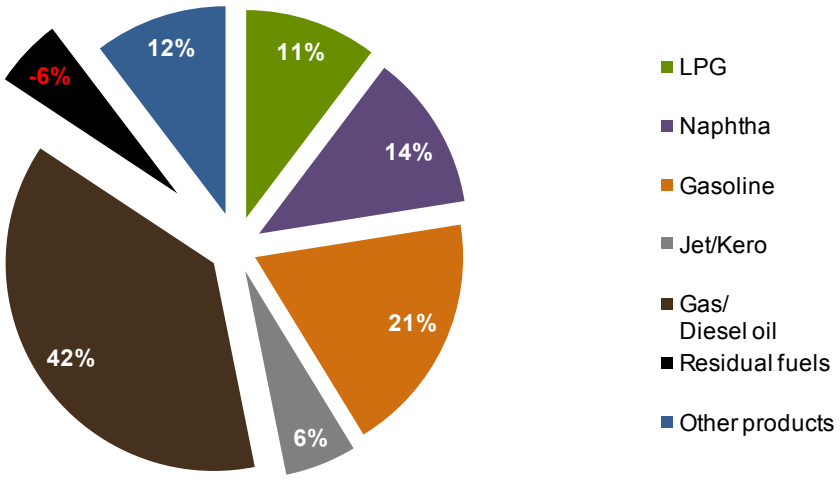


Table 4.1: World oil demand forecast for 2010, mb/d

	2009	1Q10	2Q10	3Q10	4Q10	2010	Change 2010/09 Growth	Change 2010/09 %
North America	23.30	23.58	23.76	24.26	24.02	23.91	0.61	2.61
Western Europe	14.66	14.18	14.12	14.79	14.70	14.45	-0.21	-1.42
OECD Pacific	7.66	8.19	7.32	7.60	8.04	7.79	0.13	1.70
Total OECD	**45.61**	**45.95**	**45.20**	**46.65**	**46.76**	**46.14**	**0.53**	**1.17**
Other Asia	9.85	10.00	10.18	9.95	10.17	10.07	0.23	2.29
Latin America	5.95	5.93	6.14	6.33	6.27	6.17	0.22	3.67
Middle East	7.07	7.15	7.12	7.45	7.23	7.24	0.17	2.35
Africa	3.25	3.38	3.36	3.24	3.43	3.35	0.11	3.27
Total DCs	**26.12**	**26.46**	**26.81**	**26.97**	**27.10**	**26.84**	**0.72**	**2.74**
FSU	3.97	4.02	3.86	4.30	4.38	4.14	0.17	4.23
Other Europe	0.73	0.69	0.64	0.68	0.76	0.69	-0.03	-4.45
China	8.25	8.37	9.09	9.23	9.10	8.95	0.70	8.45
Total "Other regions"	**12.95**	**13.08**	**13.60**	**14.21**	**14.24**	**13.79**	**0.83**	**6.43**
Total world	**84.69**	**85.49**	**85.60**	**87.83**	**88.10**	**86.77**	**2.08**	**2.46**
Previous estimate	84.57	85.28	85.55	87.79	88.02	86.67	2.10	2.49
Revision	0.12	0.21	0.06	0.05	0.08	0.10	-0.02	-0.03

Totals may not add up due to independent rounding

Table 4.2: First and second quarter world oil demand comparison for 2010, mb/d

	1Q09	1Q10	Change 2010/09 Volume	Change 2010/09 %	2Q09	2Q10	Change 2010/09 Volume	Change 2010/09 %
North America	23.43	23.58	0.15	0.63	22.94	23.76	0.82	3.56
Western Europe	15.07	14.18	-0.89	-5.87	14.40	14.12	-0.28	-1.94
OECD Pacific	8.12	8.19	0.07	0.84	7.27	7.32	0.04	0.56
Total OECD	**46.62**	**45.95**	**-0.67**	**-1.44**	**44.62**	**45.20**	**0.58**	**1.30**
Other Asia	9.73	10.00	0.27	2.78	9.92	10.18	0.26	2.63
Latin America	5.70	5.93	0.23	4.05	5.90	6.14	0.24	4.07
Middle East	6.94	7.15	0.21	3.01	7.05	7.12	0.07	0.98
Africa	3.27	3.38	0.11	3.33	3.25	3.36	0.12	3.62
Total DCs	**25.64**	**26.46**	**0.82**	**3.20**	**26.12**	**26.81**	**0.69**	**2.63**
FSU	3.87	4.02	0.15	3.97	3.70	3.86	0.16	4.32
Other Europe	0.74	0.69	-0.05	-6.77	0.69	0.64	-0.05	-7.37
China	7.61	8.37	0.76	10.03	8.38	9.09	0.71	8.46
Total "Other regions"	**12.22**	**13.08**	**0.87**	**7.09**	**12.78**	**13.60**	**0.82**	**6.40**
Total world	**84.47**	**85.49**	**1.02**	**1.20**	**83.52**	**85.60**	**2.09**	**2.50**

Totals may not add up due to independent rounding

Graph 4.3: Quarterly world oil demand growth

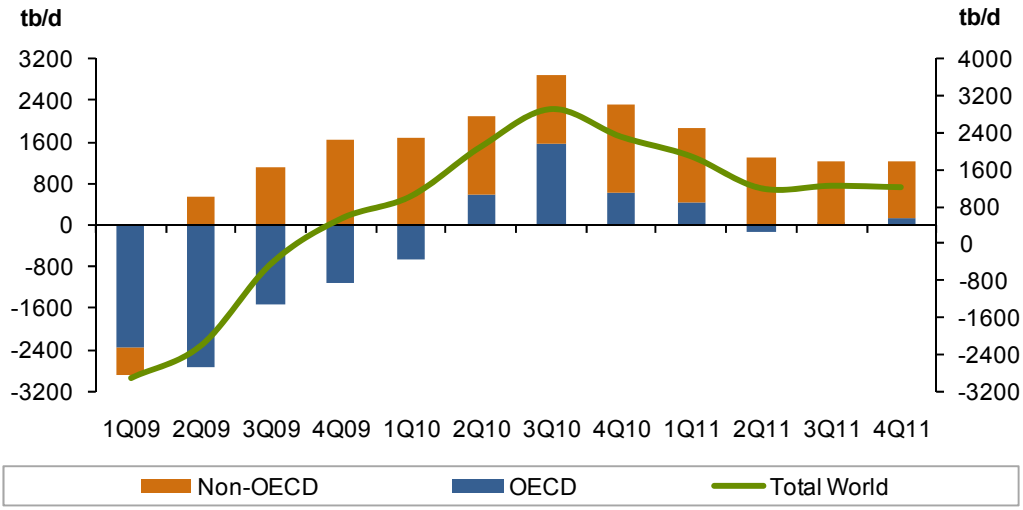


Table 4.3: Third and fourth quarter world oil demand comparison for 2010, mb/d

			Change 2010/09				Change 2010/09	
	3Q09	3Q10	Volume	%	4Q09	4Q10	Volume	%
North America	23.28	24.26	0.98	4.22	23.54	24.02	0.48	2.04
Western Europe	14.57	14.79	0.23	1.56	14.61	14.70	0.09	0.61
OECD Pacific	7.25	7.60	0.35	4.86	7.99	8.04	0.06	0.73
Total OECD	**45.09**	**46.65**	**1.56**	**3.46**	**46.13**	**46.76**	**0.63**	**1.36**
Other Asia	9.79	9.95	0.16	1.65	9.96	10.17	0.21	2.10
Latin America	6.11	6.33	0.23	3.69	6.09	6.27	0.18	2.90
Middle East	7.28	7.45	0.17	2.27	7.01	7.23	0.22	3.13
Africa	3.16	3.24	0.08	2.43	3.31	3.43	0.12	3.68
Total DCs	**26.34**	**26.97**	**0.63**	**2.39**	**26.37**	**27.10**	**0.73**	**2.76**
FSU	4.14	4.30	0.16	3.86	4.18	4.38	0.20	4.75
Other Europe	0.71	0.68	-0.03	-4.34	0.76	0.76	0.00	0.28
China	8.66	9.23	0.58	6.64	8.36	9.10	0.74	8.90
Total "Other regions"	**13.51**	**14.21**	**0.70**	**5.21**	**13.29**	**14.24**	**0.94**	**7.11**
Total world	**84.94**	**87.83**	**2.90**	**3.41**	**85.80**	**88.10**	**2.30**	**2.68**

Totals may not add up due to independent rounding

Alternative fuel

In the wake of the Fukushima nuclear incident, Germany has already decided to exit the nuclear power business by 2021. The country's assessment of the dangers and possible environmental disasters outweigh the benefit of nuclear power plants. Germany will pursue other renewable strategies to offset the nuclear deficit.

Malaysia is embarking on introducing biodiesel blend into its system in the second half of this year. The new blend will consist of 5% biodiesel, which at full-scale accounts for approximately 10 tb/d. This move, of course, will complicate the environmental burden which Asia is already suffering from. Among other oils used in biofuel, palm oil is the main cause of deforestation within the continent. Malaysia is consuming 542 tb/d of oil this year and this E5 move is not expected to dent the country's total oil demand in the near future.

In 2010, North American oil demand grew by 0.6 mb/d, while in 2011 North American oil demand is expected to grow by only 0.2 mb/d.

OECD – North America

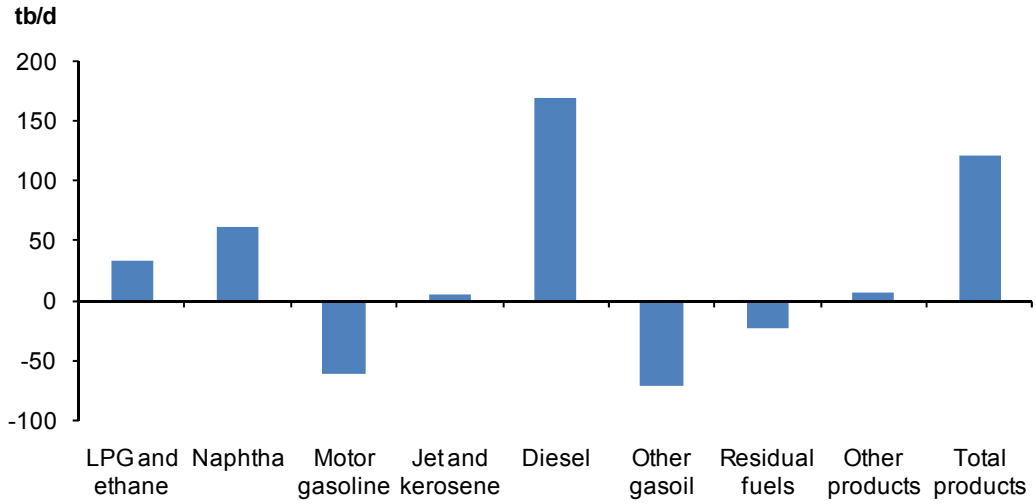
The pessimistic picture of US oil consumption during 2011 seems to continue. The latest monthly US oil consumption data showed a small yearly growth of 0.9% for March 2011. This minor growth is almost solely attributed to distillate fuel oil, residual fuel oil and propane/propylene. The consumption of motor gasoline has been constantly in the negative during the months of 2011, as fuel prices and gloomy economic expectations influenced driving behavior and, hence, reduced driving mileage. Moreover, part of the growth in distillates consumption could be sourced in the low base of consumption during March 2010. In addition, cold weather during March caused some minor increases in fuel oil consumption. Preliminary weekly data for April display a similar picture, with the consumption of transportation fuels in the negative and demand for industrial fuels in the positive. May's preliminary weekly data imply the first decrease in US oil consumption since January 2010. The development of the US driving season is certainly a challenge for the development of US oil consumption during the third quarter — unfortunately up-to-date indications call for a rather strong downward risk momentum. Nevertheless, some economic indicators aim for some strength in the county's future economic activities. Hence, total US oil demand is forecast to show a y-o-y growth of 1.2% for 2011. This picture is pending semi-normal usage of gasoline in the summer driving season and normal weather in the fourth quarter.

April Mexican oil consumption was up by 1.3% compared to last year, a fact which is basically due to increasing gasoline and fuel oil consumption. However, lower industrial activity is causing stagnation in industrial fuels usage while fuel oil usage increased by 13% in April y-o-y, adding another 25 tb/d to the country's total oil demand. Overall, Mexico is expected to consume 2.07 mb/d of oil by the end of 2011.

The latest available data indicates that Canadian oil demand grew weaker in March when compared to January and February — both months were basically driven up by cold weather — due to less consumption in transportation fuels. Nevertheless, consumption of industrial fuels was strong during the same month. Given the low seasonality of the second quarter, Canadian oil demand growth is forecast to show only 1/3 of the growth that was seen in the first quarter.

For the whole of 2010, North American oil demand grew by 0.6 mb/d, while in 2011 North American oil demand is expected to grow by only 0.2 mb/d.

Graph 4.4: OECD product demand changes, 2011



Total US oil demand is forecast to show a y-o-y growth of 1.2% for 2011.

US car sales fell by 3.7% in May, the lowest sales rate since September 2010. This low level is much lower than expected as higher vehicle prices led consumers to put off purchases in the face of a weakening economy. Furthermore, tightening supplies of vehicles after the Japan earthquake forced many companies to raise car and truck prices. Automakers usually use the warmer months to cut deals and clear out old inventory to make way for new models in the fall. But this year, as a result of the Japanese earthquake, stocks are significantly lower. Automakers have also raised prices to make up for the rising price of steel and other commodities. As was the case for the last two years, small, compact and mid-size car sales increased while truck sales decreased. Auto sales in Canada fell by 3.8% in May as high gasoline prices influenced truck sales; moreover, fuel-efficient cars remained popular among Canadian consumers. According to the Mexican Automobile Industry Association, Mexico's auto sales and exports continued to grow in April by 8.0% and 5.9%, respectively, while production fell by 10.4% as a result of manufacturers having reduced production during the Easter holidays and the negative impact of the Japanese earthquake.

Ford motor company will be building a three cylinder car engine in the next two years. It is the smallest engine ever made by them. The company is forecasting that by 2020, more than half of vehicles sold will be those with small engines. Also, they are estimating that Asia-Pacific and Africa regions would account for one-third of total Ford sales world-wide by 2020.

OECD – Europe

Total regional contraction in oil demand stood at 0.2 mb/d in 2010. In 2011, oil consumption is expected to shrink at a magnitude of 0.05 mb/d.

European April oil consumption fell by 0.2 mb/d, with the biggest declines occurring in France, Germany and Italy. As the effect of cold weather ended, oil consumption declines were dominated by less demand for transportation fuels. However, industrial fuel consumption grew only marginally. European oil consumption during 2011 will be most affected by the continuing debt problems in several European economies, particularly in Greece, Ireland and Portugal. In all three countries concerned with debt issues, oil consumption has fallen significantly during the first three months of the year. Oil demand in the European Big Four decreased by 0.12 mb/d in April as compared to April 2010. Furthermore, German, French and Italian oil consumption were down by 1%, 5% and 1%, respectively, while oil consumption in the UK increased marginally by 1%.

The region's total contraction in oil demand stood at 0.2 mb/d in 2010. In 2011, oil consumption is expected to shrink again but at a lower magnitude of 0.05 mb/d. Given unstable economic activities, a substantial downward risk in the second half of the year exists. Furthermore, oil prices play a factor in the oil consumption trend prediction for the rest of the year.

According to the latest information by ACEA, European demand for new passenger cars in April contracted by 4.1% y-o-y and fell by 2.7% during the first four months of 2011 compared to the same period last year. During April 2011, all major markets contracted with the only exception of Germany, which showed a moderate increase of 2.6%. Demand for new cars was down by 2.2% in Italy, 7.4% in the UK, 11.1% in France and 23.3% in Spain. The largest percentage-wise increases during April 2011 were observed in Lithuania and Estonia, while the sharpest decreases occurred in Romania, Spain and Greece.

Table 4.4: Europe Big 4* oil demand, mb/d

	Apr 11	Apr 10	Change from Apr 10	Change from Apr 10, %
LPG	395	472	-77	-16.3
Gasoline	1,218	1,298	-80	-6.2
Jet/Kerosene	721	670	51	7.6
Gas/Diesel oil	3,095	3,078	17	0.6
Fuel oil	480	463	17	3.7
Other products	1,036	1,083	-48	-4.4
Total	**6,944**	**7,064**	**-120**	**-1.7**

** Germany, France, Italy and the UK*

OECD – Pacific

OECD Pacific oil consumption is expected to fall by 0.04 mb/d, while projections are heavily dependent upon the speed of recovery in Japan.

In Japan, the impact of the catastrophic earthquake continued to show in the latest monthly data for April implying deep decreasing oil consumption of 0.38 mb/d y-o-y. All product categories (with the exception of direct crude burning) have been affected, especially fuels used in aviation but also those used for transportation and industrial activities. Hydrocarbons (natural gas and crude) seem to be the alternatives to nuclear power reduction for the production of electricity, with natural gas continuing to take the largest share. Further development of Japanese oil consumption for the rest of the year is heavily dependent upon the speed of resolving the ongoing nuclear crisis in the Fukushima plant. Unfortunately, there is no concrete information as to how long it will take until the nuclear crisis is resolved.

Table 4.5: World oil demand forecast for 2011, mb/d

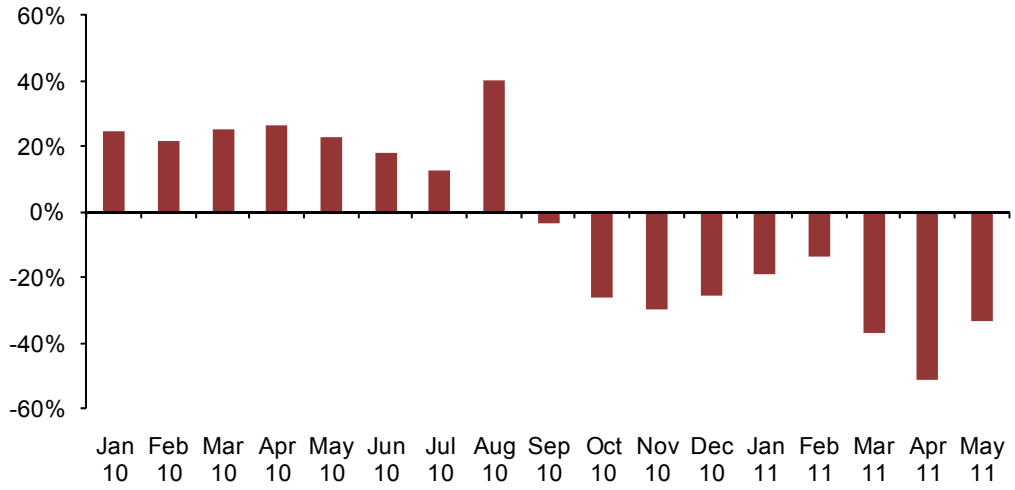
							Change 2011/10	
	2010	1Q11	2Q11	3Q11	4Q11	2011	Growth	%
North America	23.91	23.90	23.87	24.43	24.26	24.12	0.21	0.88
Western Europe	14.45	14.23	14.04	14.70	14.62	14.40	-0.05	-0.35
OECD Pacific	7.79	8.26	7.17	7.54	8.00	7.74	-0.04	-0.56
Total OECD	**46.14**	**46.39**	**45.08**	**46.67**	**46.88**	**46.26**	**0.12**	**0.25**
Other Asia	10.07	10.23	10.41	10.18	10.38	10.30	0.23	2.25
Latin America	6.17	6.13	6.32	6.52	6.42	6.35	0.18	2.87
Middle East	7.24	7.28	7.30	7.64	7.43	7.41	0.18	2.42
Africa	3.35	3.41	3.39	3.27	3.45	3.38	0.03	0.78
Total DCs	**26.84**	**27.06**	**27.41**	**27.60**	**27.69**	**27.44**	**0.61**	**2.26**
FSU	4.14	4.11	3.93	4.38	4.46	4.22	0.08	1.85
Other Europe	0.69	0.67	0.62	0.67	0.73	0.67	-0.02	-3.03
China	8.95	9.13	9.75	9.76	9.55	9.55	0.60	6.71
Total "Other regions"	**13.79**	**13.91**	**14.30**	**14.81**	**14.74**	**14.44**	**0.66**	**4.76**
Total world	**86.77**	**87.36**	**86.79**	**89.07**	**89.31**	**88.14**	**1.38**	**1.59**
Previous estimate	86.67	87.29	86.80	88.96	89.24	88.08	1.41	1.63
Revision	0.10	0.07	0.00	0.11	0.07	0.06	-0.03	-0.04

Totals may not add up due to independent rounding

In South Korea, March oil data indicated increases in the consumption of all products, with the exception of LPG and fuel oil, as both products have been impacted by fuel switching. The country's oil demand inched up by 3.2% in March adding another 72 tb/d to the total demand. It is forecast that South Korea's oil demand will grow this year by 0.03 mb/d y-o-y.

OECD Pacific oil demand showed minor growth of 0.1 mb/d in 2010, averaging 7.8 mb/d. However, during 2011, OECD Pacific oil consumption is expected to fall by 0.04 mb/d, while projections are heavily dependent upon the speed of recovery in Japan.

Graph 4.5: Japanese new passenger car registrations, y-o-y % changes



Japan's auto sales continued to fall by 33% in May 2011 y-o-y with standard cars, trucks and buses denoting the most severely affected segments. The earthquake impact was huge as the sales of new cars dropped by more than half in April.

Developing countries

Developing Countries' oil demand growth is forecast at 0.60 mb/d y-o-y, averaging 27.4 mb/d.

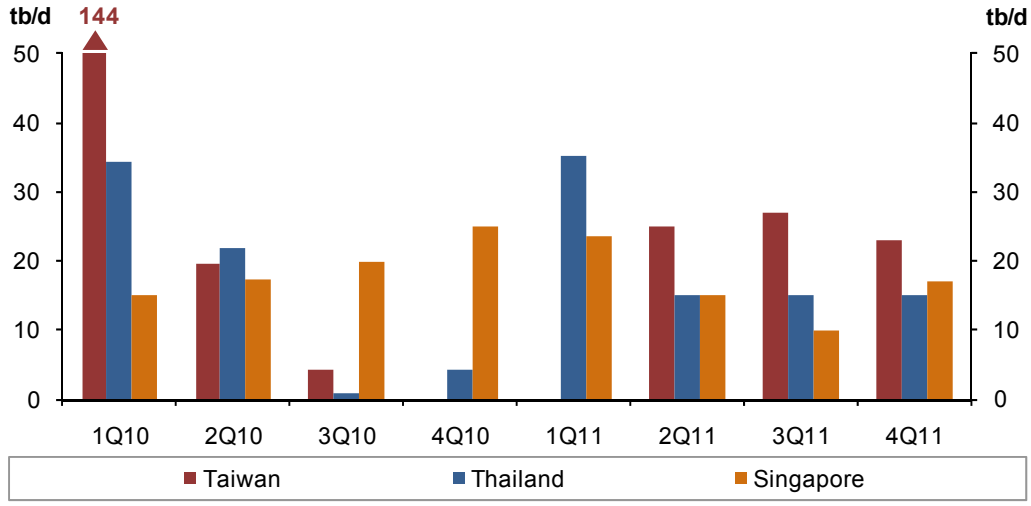
Indian oil demand is picking up its usual momentum which was last seen in 2009. The country's oil demand grew strongly in April by 4.2% or 146 tb/d y-o-y. The increased use of energy came as a result of not only industrial activities but also the agricultural season start up and transportation summer demand. As seen in the first quarter, the second quarter oil demand is forecast to grow by 135 tb/d y-o-y. The same rate and trend are expected to last till year-end. Indian April data indicated an increase in the country's use of gasoline by 7.1% and by 1.5% in diesel. It is forecast that India will consume 3.4 mb/d of oil. India raised retail petroleum prices by 8.6% mid May; such a move will worsen inflation. This increase was the second this year. India's oil demand for the year is not expected to be highly affected by the price increase.

Table 4.6: Consumption of petroleum products in Thailand, tb/d

	Mar 11	Mar 10	Change, tb/d	Change, %
LPG	243	181	62	34.0
Gasoline	125	126	-1	-0.9
Jet Fuel/Kerosene	97	89	8	9.0
Diesel	346	342	3	1.0
Fuel oil	42	59	-17	-29.3
Other products	79	98	-20	-19.8
Total	**931**	**896**	**35**	**3.9**

Source: JODI/EPPO

Graph 4.6: Oil consumption in selected Asian countries, y-o-y growth

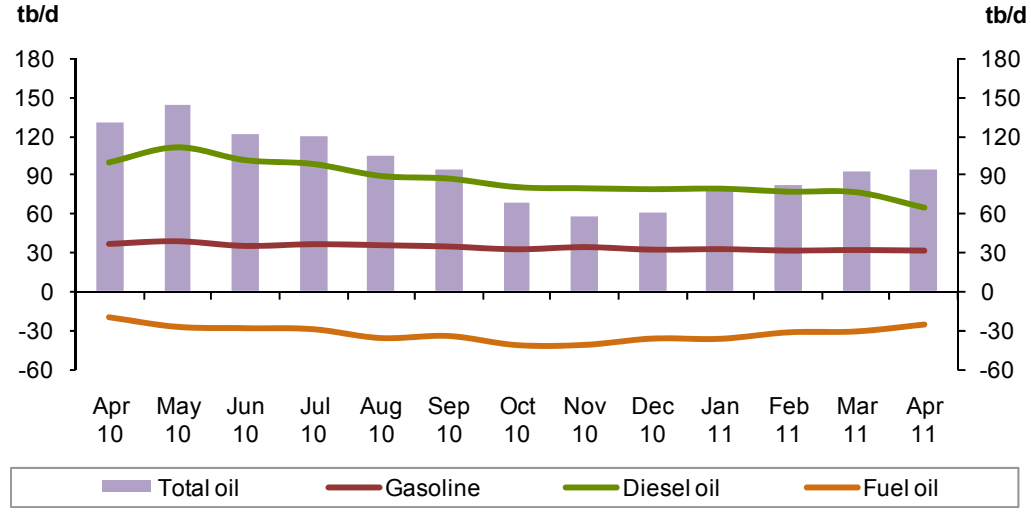


Given the recent strength in India's oil demand, Other Asia oil demand growth is forecast at 0.23 mb/d in 2011, averaging 10.3 mb/d.

In India, domestic auto sales in April grew by 22.8% over same period last year. Passenger vehicles segment grew at 14.0%, while utility vehicles and vans by 6.3% and 37.4%, respectively.

Given the recent strength in India's oil demand, Other Asia oil demand growth is forecast at 0.23 mb/d in 2011, averaging 10.3 mb/d.

Graph 4.7: Yearly changes in Indian oil demand, 12 month moving averages

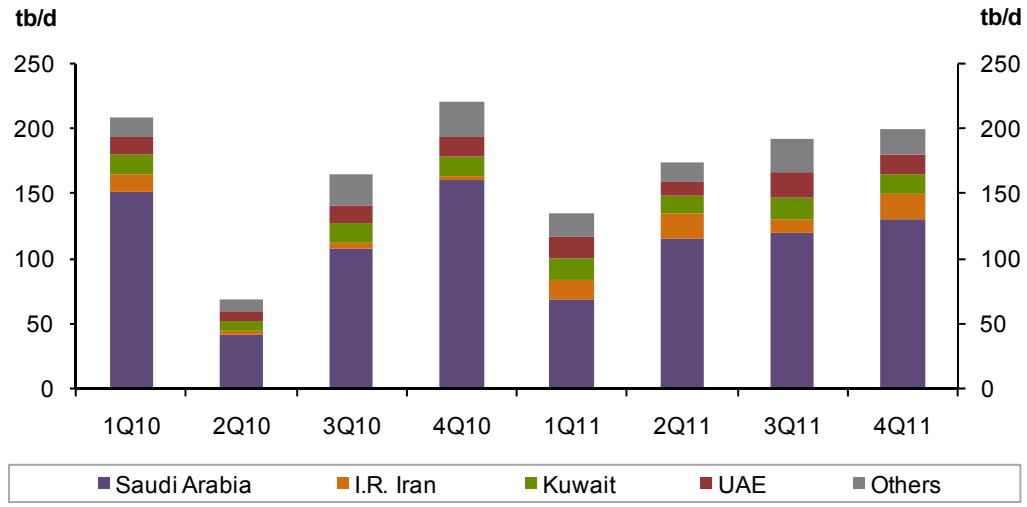


The Middle East oil demand growth is forecast at 0.2 mb/d in 2011, averaging 7.4 mb/d.

Ahead of the summer season, Saudi Arabia April oil demand increased moderately by 1% y-o-y. Gasoline was the largest contributor, adding another 24 tb/d to the demand pool. Diesel demand grew sharply in the same month by 3.7% y-o-y. It is expected that Saudi oil demand will show usual growth in the upcoming summer months. It is forecast to inch up by 6.2% in the third quarter y-o-y.

The Middle East oil demand growth is forecast at 0.2 mb/d in 2011, averaging 7.4 mb/d.

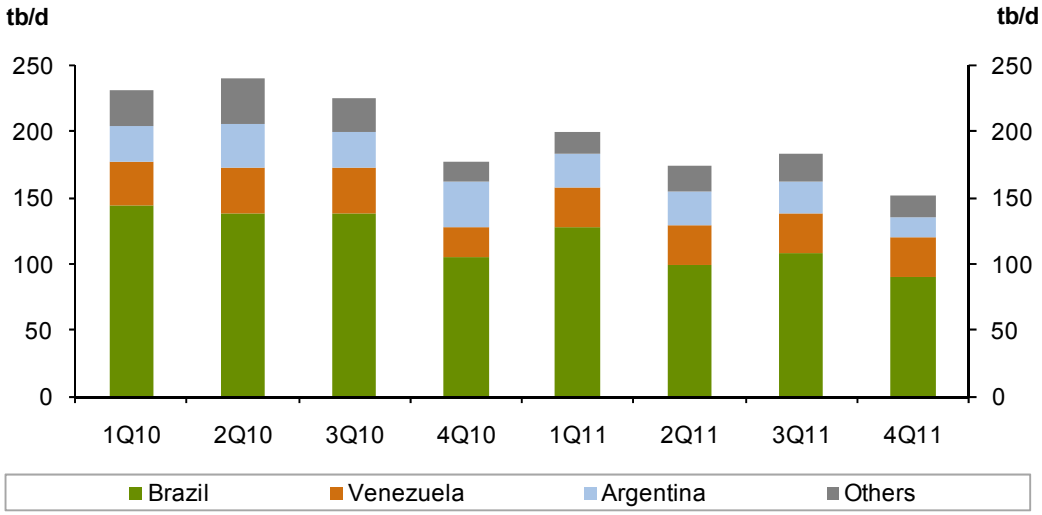
Graph 4.8: Yearly oil demand growth in the Middle East



The gasoline hike pushed Brazilian oil demand up in the third quarter by 3.8% to average 1.97 mb/d. Brazil gasoline consumption already passed the half a million barrels per day level and is expected to keep growing.

Developing Countries oil demand growth is forecast at 0.60 mb/d y-o-y, averaging 27.4 mb/d.

Graph 4.9: Yearly oil demand growth in the Latin America



Other regions

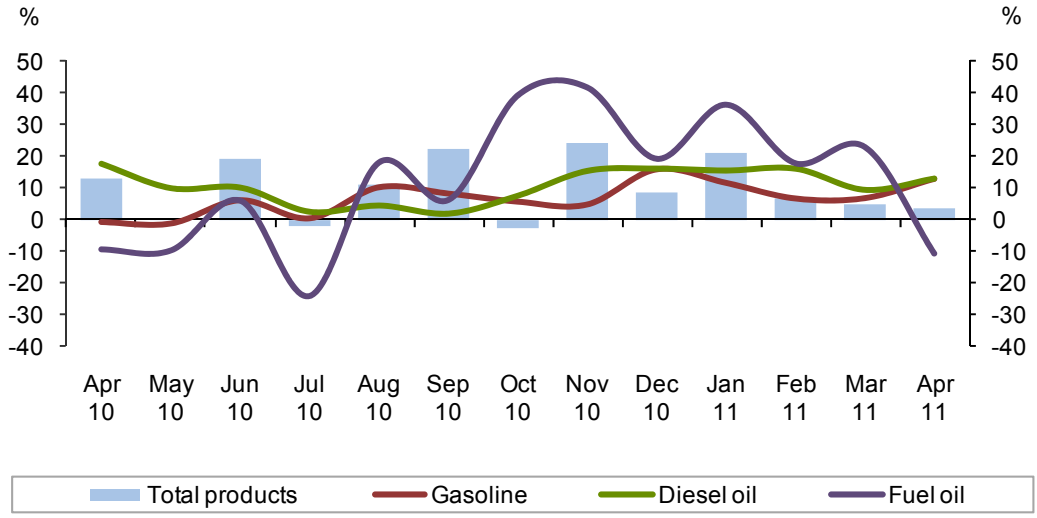
China's energy demand is expected to grow by 0.6 mb/d in 2011, averaging 9.6 mb/d.

Ahead of the electricity demand peak, China announced its intention to raise a tariff of around 3% in order to curb electricity demand. This new move could be applied across business sectors. It is expected that the country might have a shortage of supply; hence, independent diesel power generators will be used. Diesel demand will be affected to a certain degree.

Chinese oil consumption growth slowed in April following a very strong March oil demand, which displayed 0.93 mb/d, or 10.3%, y-o-y growth. April's growth stood at 0.64 mb/d, or 7.1%, with diesel and its usage in electricity generators having the largest share. Strong demand for electricity might create shortages in diesel and the Chinese government already imposed restrictions on electricity in central, southern, southwestern and eastern provinces. The tightening in the diesel balance is also shown in the stocks. During April, diesel stock draw of 2.8 mb (14.2 mb during March and April) was observed. China has been building its oil stock this year, reaching 33.5 mb in the first four months. This stock build is not part of the country's oil demand assessment. Moreover, gasoline consumption grew also by a remarkable 0.2 mb/d — this was the largest growth since

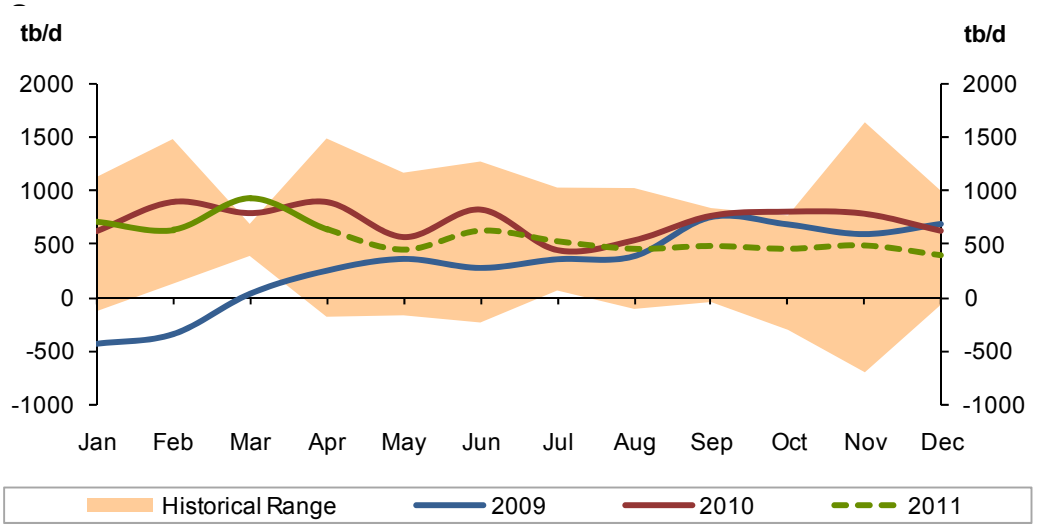
December 2010. Nevertheless, transportation fuel demand is expected to moderate during the remaining of the year as governmental incentives towards new vehicle purchases expired in combination with the introduction of additional taxes. Naphtha usage in petrochemical industries is sky-rocketing. During the first four months of 2011, Chinese oil consumption showed a remarkable growth of 0.73 mb/d, or 8.4%, despite government announcements to limit energy consumption. The further development of the Chinese oil consumption is undoubtedly the major challenge for world's total oil consumption in 2011.

Graph 4.10: Changes in Chinese main oil products apparent consumption, y-o-y



Another factor which could influence oil consumption is fuel prices. Although the Chinese government is aiming to close the gap between domestic and international oil prices, it remains unclear as to what extent the government will ease price controls. Inflation is a big concern in the country's economy which might worsen the current inflation level. Furthermore, state-owned oil companies are facing strong pressure to maintain product supplies, while at the same time refiners are facing negative margins.

Graph 4.11: Changes in Chinese apparent oil demand, y-o-y



Resulting from strong economic growth, China's energy demand is expected to grow by 0.6 mb/d in 2011, averaging 9.6 mb/d.

Data from the China Association of Automobile Manufacturers (CAAM) show that China's automobile sales dropped 14.0% month-to-month (a 29.7% increase from May 2010) for the second month in a row during May 2011. This resulted from the Chinese government introducing limits on new car purchases, stopping incentives and imposing a new 10% tax on new car sales. The Chinese auto industry has also been significantly influenced by the Japanese earthquake.

Table 4.7: First and second quarter world oil demand comparison for 2011, mb/d

			Change 2011/10				Change 2011/10	
	1Q10	1Q11	Volume	%	2Q10	2Q11	Volume	%
North America	23.58	23.90	0.32	1.36	23.76	23.87	0.11	0.45
Western Europe	14.18	14.23	0.05	0.37	14.12	14.04	-0.08	-0.59
OECD Pacific	8.19	8.26	0.07	0.89	7.32	7.17	-0.14	-1.94
Total OECD	**45.95**	**46.39**	**0.45**	**0.97**	**45.20**	**45.08**	**-0.12**	**-0.26**
Other Asia	10.00	10.23	0.24	2.39	10.18	10.41	0.23	2.23
Latin America	5.93	6.13	0.20	3.37	6.14	6.32	0.18	2.85
Middle East	7.15	7.28	0.14	1.89	7.12	7.30	0.17	2.44
Africa	3.38	3.41	0.03	0.89	3.36	3.39	0.02	0.71
Total DCs	**26.46**	**27.06**	**0.60**	**2.28**	**26.81**	**27.41**	**0.60**	**2.24**
FSU	4.02	4.11	0.09	2.11	3.86	3.93	0.07	1.81
Other Europe	0.69	0.67	-0.02	-2.18	0.64	0.62	-0.03	-3.90
China	8.37	9.13	0.76	9.07	9.09	9.75	0.66	7.27
Total "Other regions"	**13.08**	**13.91**	**0.83**	**6.34**	**13.60**	**14.30**	**0.71**	**5.19**
Total world	**85.49**	**87.36**	**1.88**	**2.20**	**85.60**	**86.79**	**1.19**	**1.39**

Totals may not add up due to independent rounding

Table 4.8: Third and fourth quarter world oil demand comparison for 2011, mb/d

			Change 2011/10				Change 2011/10	
	3Q10	3Q11	Volume	%	4Q10	4Q11	Volume	%
North America	24.26	24.43	0.17	0.72	24.02	24.26	0.24	1.00
Western Europe	14.79	14.70	-0.09	-0.64	14.70	14.62	-0.08	-0.53
OECD Pacific	7.60	7.54	-0.06	-0.80	8.04	8.00	-0.04	-0.53
Total OECD	**46.65**	**46.67**	**0.02**	**0.04**	**46.76**	**46.88**	**0.12**	**0.25**
Other Asia	9.95	10.18	0.23	2.28	10.17	10.38	0.21	2.10
Latin America	6.33	6.52	0.18	2.89	6.27	6.42	0.15	2.43
Middle East	7.45	7.64	0.19	2.58	7.23	7.43	0.20	2.77
Africa	3.24	3.27	0.03	0.80	3.43	3.45	0.02	0.73
Total DCs	**26.97**	**27.60**	**0.63**	**2.33**	**27.10**	**27.69**	**0.59**	**2.18**
FSU	4.30	4.38	0.08	1.74	4.38	4.46	0.08	1.74
Other Europe	0.68	0.67	-0.02	-2.20	0.76	0.73	-0.03	-3.82
China	9.23	9.76	0.53	5.77	9.10	9.55	0.45	4.97
Total "Other regions"	**14.21**	**14.81**	**0.59**	**4.17**	**14.24**	**14.74**	**0.50**	**3.51**
Total world	**87.83**	**89.07**	**1.24**	**1.41**	**88.10**	**89.31**	**1.21**	**1.37**

Totals may not add up due to independent rounding

World Oil Supply

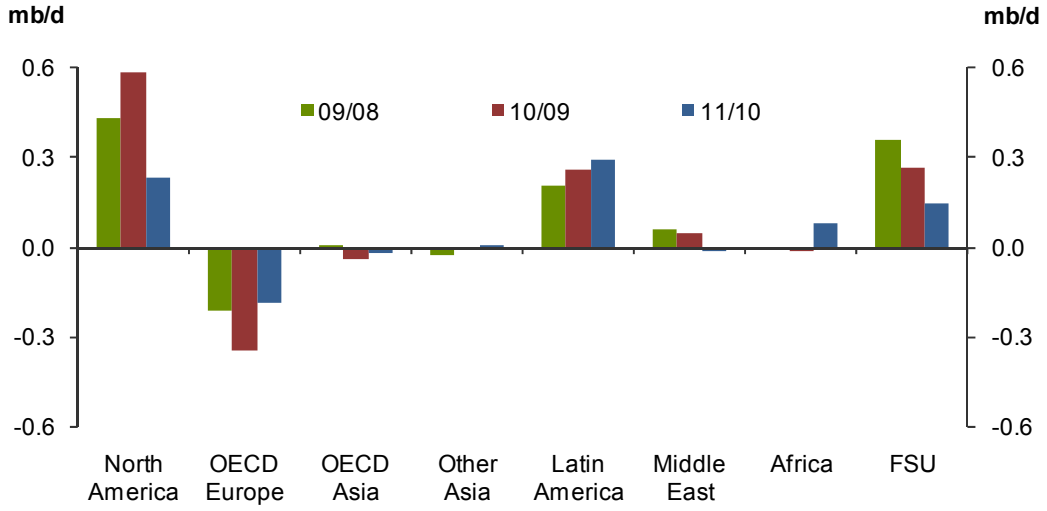
Non-OPEC

Estimate for 2010

Non-OPEC supply averaged 52.26 mb/d in 2010, an increase of 1.12 mb/d over 2009

Non-OPEC oil supply is estimated to have averaged 52.26 mb/d in 2010, an increase of 1.12 mb/d over the previous year. Compared to last month's estimate, non-OPEC supply remained unchanged. Among non-OPEC suppliers, OECD displayed growth of 0.21 mb/d in 2010 over the previous year. OECD supply growth was supported by the increase in US oil supply, which is estimated at 0.46 mb/d in 2010, the highest among all non-OPEC countries. Canada oil supply experienced healthy growth of 0.15 mb/d in 2010. The rest of OECD countries' supply varied between declining and stagnant, with more weight on the decline. On a quarterly basis, non-OPEC supply is estimated to have averaged 52.12 mb/d, 52.11 mb/d, 51.93 mb/d and 52.87 mb/d, respectively.

Graph 5.1: Regional non-OPEC supply growth, y-o-y



Revisions to the 2010 estimate

The non-OPEC supply forecast for 2010 experienced various revisions since its inception to accommodate the changes experienced globally. Among the main factors affecting supply were the improvement in oil prices and the recovery of the global economy. On a regional basis, North America experienced the largest growth among all non-OPEC regions supported by supply increases in the US and Canada. Chinese oil supply growth came next with an increase of 0.29 mb/d in 2010. FSU supply growth followed, with slightly lower growth than China, supported by healthy growth in Russia and Kazakhstan. Latin America held fourth place on the back of growth seen in Brazil and Colombia. The Middle East, Other Asia, OECD Pacific, and Africa supply remained relatively flat in 2010 with only minor changes. OECD Western Europe maintained a declining trend with supply losing 7% on an annual average. Developing Countries indicated higher growth than in the previous year with support coming only from Latin America.

Table 5.1: Non-OPEC oil supply in 2010, mb/d

	2009	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09
North America	14.37	14.72	14.86	14.92	15.31	14.96	0.59
Western Europe	4.73	4.71	4.41	4.02	4.41	4.39	-0.34
OECD Pacific	0.64	0.62	0.60	0.60	0.57	0.60	-0.04
Total OECD	**19.73**	**20.05**	**19.87**	**19.54**	**20.30**	**19.94**	**0.21**
Other Asia	3.70	3.67	3.67	3.72	3.71	3.69	-0.01
Latin America	4.40	4.61	4.68	4.68	4.69	4.66	0.26
Middle East	1.74	1.79	1.78	1.78	1.79	1.78	0.04
Africa	2.61	2.61	2.59	2.62	2.59	2.60	-0.01
Total DCs	**12.46**	**12.67**	**12.73**	**12.79**	**12.79**	**12.74**	**0.29**
FSU	12.96	13.16	13.20	13.21	13.33	13.22	0.27
Other Europe	0.14	0.14	0.14	0.14	0.13	0.14	0.00
China	3.85	4.03	4.10	4.18	4.25	4.14	0.29
Total "Other regions"	**16.95**	**17.32**	**17.43**	**17.52**	**17.71**	**17.50**	**0.55**
Total Non-OPEC production	**49.14**	**50.04**	**50.03**	**49.85**	**50.79**	**50.18**	**1.04**
Processing gains	2.00	2.08	2.08	2.08	2.08	2.08	0.08
Total Non-OPEC supply	**51.14**	**52.12**	**52.11**	**51.93**	**52.87**	**52.26**	**1.12**
Previous estimate	51.14	52.12	52.11	51.93	52.87	52.26	1.12
Revision	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Forecast for 2011

Non-OPEC supply to increase by 0.66 mb/d, to average 52.92 mb/d in 2011

Non-OPEC supply is expected to average 52.92 mb/d in 2011, representing growth of 0.66 mb/d and a minor upward revision of 10 tb/d compared to the last report. Despite the minor revision, there were various upward and downward revisions that offset each other. Updates on actual production data in the first and second quarters, as well as changes to individual countries' supply elements, required revisions. First quarter oil supply encountered a downward revision, while the rest of the quarters saw upward revisions. The OECD oil supply forecast experienced an upward revision compared to the previous month's assessment, while the Developing Countries' supply projection encountered a downward revision. The first quarter supply forecast encountered a downward revision of 63 tb/d over the previous month, with North America experiencing the bulk of the revision. The rest of the year's quarters encountered upward revisions, mainly from the OECD. It is worth highlighting that the associated risk and uncertainties in the forecast are on the high side, given the current global market situation, as well as other factors influencing supply. On a quarterly basis, non-OPEC supply is expected to average 52.81 mb/d, 52.71 mb/d, 52.78 mb/d and 53.37 mb/d, respectively.

Table 5.2: Non-OPEC oil supply in 2011, mb/d

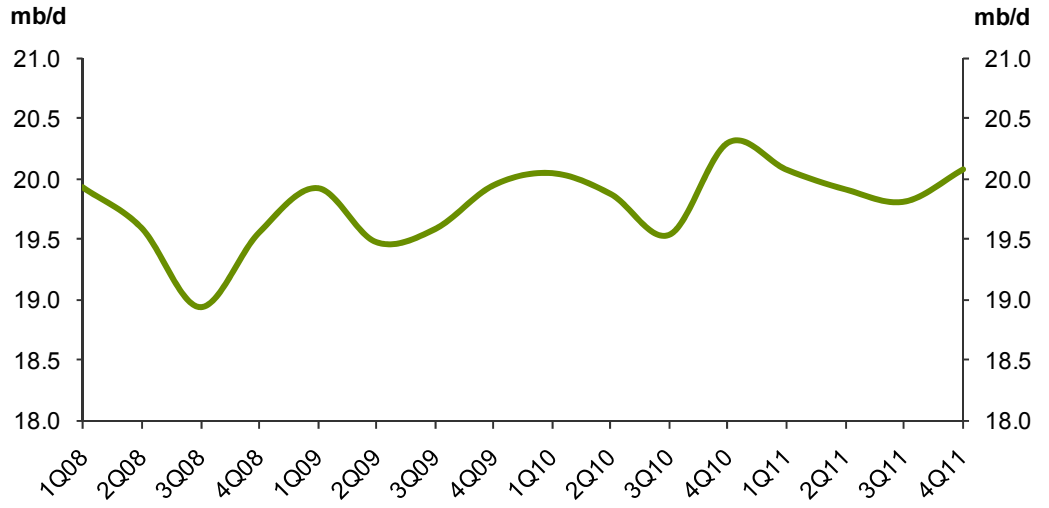
	2010	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10
North America	14.96	15.22	15.16	15.13	15.25	15.19	0.24
Western Europe	4.39	4.33	4.15	4.09	4.24	4.20	-0.18
OECD Pacific	0.60	0.52	0.60	0.60	0.58	0.58	-0.02
Total OECD	**19.94**	**20.07**	**19.91**	**19.81**	**20.08**	**19.97**	**0.03**
Other Asia	3.69	3.70	3.67	3.71	3.73	3.70	0.01
Latin America	4.66	4.80	4.92	4.98	5.11	4.95	0.29
Middle East	1.78	1.80	1.73	1.77	1.78	1.77	-0.02
Africa	2.60	2.64	2.65	2.70	2.74	2.68	0.08
Total DCs	**12.74**	**12.93**	**12.96**	**13.16**	**13.35**	**13.10**	**0.36**
FSU	13.22	13.34	13.37	13.33	13.42	13.37	0.14
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.14	4.22	4.21	4.23	4.26	4.23	0.09
Total "Other regions"	**17.50**	**17.70**	**17.72**	**17.70**	**17.83**	**17.74**	**0.24**
Total Non-OPEC production	**50.18**	**50.70**	**50.60**	**50.67**	**51.26**	**50.81**	**0.63**
Processing gains	2.08	2.11	2.11	2.11	2.11	2.11	0.03
Total Non-OPEC supply	**52.26**	**52.81**	**52.71**	**52.78**	**53.37**	**52.92**	**0.66**
Previous estimate	52.26	52.87	52.69	52.71	53.35	52.91	0.65
Revision	0.00	-0.06	0.02	0.07	0.02	0.01	0.01

OECD

OECD supply to average 19.97 mb/d in 2011, an increase of 30 tb/d

Total OECD supply is forecast to average 19.97 mb/d in 2011, representing a minor increase of 30 tb/d and an upward revision of 25 tb/d from the previous month. The upward revision came on the back of updated production figures in the first quarter and early part of the second quarter, which was partially carried over to the second half. The upward revisions were concentrated in OECD Western Europe, mainly in Other Western Europe and Norway. North America experienced a minor downward revision, while the OECD Pacific forecast remained relatively steady. The OECD supply forecast remains on the positive side in 2011 compared to the previous year, as anticipated growth in North America is projected to offset the decline forecast in OECD Western Europe and OECD Pacific supply. Yet risk and uncertainties remain high, especially in North America, which requires careful monitoring over the coming period. On a quarterly basis, OECD oil supply is forecast to average 20.07 mb/d, 19.91 mb/d, 19.81 mb/d and 20.08 mb/d, respectively.

Graph 5.2: OECD's quarterly production



North America

Oil supply from North America is projected to increase by 0.24 mb/d to average 15.19 mb/d in 2011, representing a minor downward revision of 10 tb/d from last month. The US oil supply forecast experienced an upward revision, while Canada's forecast encountered a downward revision on an annual basis. The anticipated growth in North America is seen to be supported by the US and Canada, while Mexico is expected to experience a minor decline. On a quarterly basis, North America oil supply in 2011 is foreseen to stand at 15.22 mb/d, 15.16 mb/d, 15.13 mb/d, and 15.25 mb/d, respectively.

US

US supply forecast associated with high risk due to weather conditions

US oil production is expected to average 8.72 mb/d in 2011, representing growth of 0.12 mb/d over 2010 and an upward revision of 6 tb/d from the previous report. The upward revision affected the second and third quarters, while the first and fourth quarters experienced downward revisions. Lower-than-previously-expected output in the first quarter, as well as changes to project startups and biofuel production, required downward revisions during the first and fourth quarters. Despite this, US oil supply is still expected to be a strong contributor to non-OPEC supply growth in 2011. The forecast growth is supported by strong growth from the Bakken and Eagle Ford formations, in addition to biofuels and NGL supply increases. However, the risk remains on the high side for the US supply forecast, as the hurricane season is starting and drilling activities in the Gulf of Mexico remain limited, compared to previous years. On a quarterly basis, US oil supply is seen to average at 8.69 mb/d 8.75 mb/d, 8.72 mb/d, and 8.74 mb/d, respectively.

Canada and Mexico

Wildfires limit Alberta output

Canadian oil supply is foreseen to increase by 0.14 mb/d over 2010 to average 3.53 mb/d in 2011, indicating a downward revision of 10 tb/d compared to the previous Monthly Oil Market Report (MOMR). The minor downward revision came on the back of an adjustment in first quarter oil production. Additionally, the shutdown of production in Alberta due to wildfire further supported the downward revision. It is assumed that Alberta output has returned to normal levels as pipeline and production operations have returned after a short break. On the other hand, reports indicate that sales of Horizon output will start in July after a partial return of fire-damaged upgraders. Furthermore, the completion of the expansion of the Scotford project is expected to further improve Canadian output. On a quarterly basis, Canada's production is seen to average 3.56 mb/d, 3.48 mb/d, 3.51 mb/d and 3.60 mb/d, respectively.

Mexico output during the first four months of 2011 indicates a slowing decline

Oil supply from **Mexico** is projected to decline by 30 tb/d over 2010 to average 2.93 mb/d in 2011, unchanged from the previous assessment. The steady state came as April output was unchanged compared to the previous month. Mexico oil supply is expected to remain relatively steady in 2011 as production stabilizing efforts seem to be having positive results. However, risk and uncertainties remain high, especially related to natural decline. During the first four months of 2011, Mexico oil supply indicated a decline of around 20 tb/d compared to the same period a year ago. On a quarterly basis, Mexico's oil supply is expected to average 2.97 mb/d, 2.94 mb/d, 2.90 mb/d, and 2.92 mb/d, respectively. According to preliminary data, Mexico oil supply remained steady in April compared to the previous month.

Western Europe

Total **OECD Western Europe** oil supply is seen to average 4.20 mb/d in 2011, representing a decline of 0.18 mb/d over 2010 and an upward revision of 30 tb/d from last month. The upward revision came mainly from Other Western Europe and Norway, while the UK supply forecast encountered a downward revision. The revisions were necessary to adjust for actual production data as well as estimated data. OECD Western Europe remains the region with the highest expected decline among all non-OPEC regions. On a quarterly basis, OECD Western Europe supply in 2011 is seen to average 4.33 mb/d, 4.15 mb/d, 4.09 mb/d, and 4.24 mb/d, respectively.

Norway supply to decline by 0.11 mb/d in 2011, the largest among all non-OPEC countries

Oil production from **Norway** is predicted to drop by 0.11 mb/d to average 2.02 mb/d in 2011, indicating an upward revision of 15 tb/b compared to last month. The anticipated decline marks the largest drop among all non-OPEC countries in 2011. The upward revision came partially to adjust for first quarter updated production data that was carried over to the rest of the year. Additionally, preliminary April production came lower than expected, despite an increase compared to the previous month. The increase in April compared to March came as performance at the Oseberg, Gullfaks South and Vigdis improved, and offset the lower output from Njord, Asgard, Troll and Ekofisk. Moreover, the upward revised data for March production further supported the upward revision. On the other hand, the anticipated lower output from Alvheim due to shutdowns in May, on the back of technical problems with the FPSO, partially offset the upward revision. On a quarterly basis, Norway's supply is anticipated to average 2.14 mb/d, 1.96 mb/d, 1.95 mb/d and 2.05 mb/d respectively.

Technical issues with Buzzard cut UK supply forecast

The **UK oil supply** is believed to average 1.30 mb/d in 2011, representing a drop of70 tb/d over 2010 and a downward revision of 10 tb/d, compared to the previous assessment. The downward revision came mainly on updated production figures in the first quarter. Additionally, the Buzzard field is expected to return to full capacity by the end of July, as technical problems currently curtailing output are eventually resolved. The May loading programme indicates that around 75 tb/d is lost from Buzzard output. Additionally, the shutdown of some ethanol production on poor margins further supports the undertaken downward revision. Additionally, the technical problem at the Gryphon FPSO is further supporting the downward revision. On a quarterly basis, UK oil supply is expected to stand at 1.29 mb/d, 1.31 mb/d, 1.28 mb/d and 1.32 mb/d, respectively.

Other Western Europe oil supply is foreseen to average 0.66 mb/d in 2011, representing a minor increase of 20 tb/d over 2010 and an upward revision of 30 tb/d compared to the previous month. The upward revision was introduced to the first quarter

and was partially carried over to the rest of the year to adjust for actual and preliminary estimates of supply figures that were slightly higher than previously expected.

Asia Pacific

OECD Asia Pacific oil production is foreseen to average 0.58 mb/d in 2011, a minor decrease of 20 tb/d over 2010 and flat from a month ago. Australia and New Zealand oil supply are expected to experience a minor decline in 2011. On a quarterly basis, OECD Pacific oil supply is seen to average 0.52 mb/d, 0.60 mb/d, 0.60 mb/d and 0.58 mb/d, respectively.

Australian supply to decline by 20 tb/d in 2011

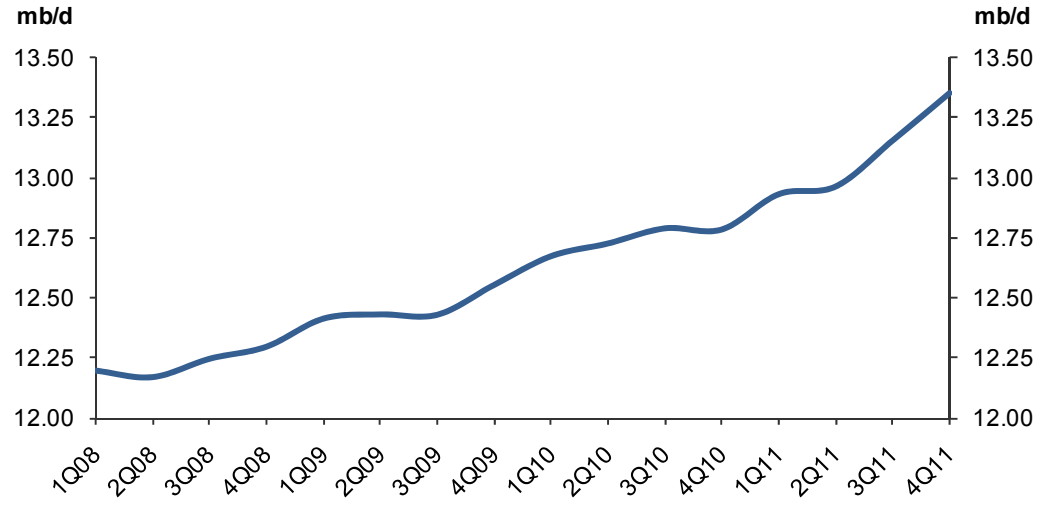
Oil supply from **Australia** is expected to average 0.49 mb/d in 2011, a minor decline of 20 tb/d over 2010 and broadly unchanged from the previous month. The low output figure in the first quarter, due to weather conditions, is seen to negatively affect annual production in 2011, despite the forecast that output will return to normal levels in the second quarter. Additionally, limited new developments, as well as the effect of natural decline, are seen to drive Australia production to decline in 2011. On a quarterly basis, Australian supply is seen to average 0.42 mb/d, 0.50 mb/d, 0.51 mb/d, and 0.50 mb/d, respectively.

Developing Countries

Latin America and Africa to support DC supply in 2011 to increase by 0.36 mb/d

Total **Developing Countries**' oil supply is projected to increase by 0.36 mb/d over 2010 to average 13.10 mb/d in 2011, indicating a minor downward revision of 20 tb/d compared to the previous month. The revisions were concentrated in the second, third and fourth quarters of 2011, mainly on changes to supply estimates. First quarter oil supply encountered an upward revision mainly to adjust for updated production data. The anticipated growth remains mainly supported by Latin America and Africa while other regions' supply within DCs is expected to either remain steady or decrease slightly in 2011. The Middle East supply forecast encountered a downward revision compared to the previous month, while other regions remained steady. On a quarterly basis, DC's total oil production is seen to stand at 12.93 mb/d, 12.96 mb/d, 13.16 mb/d and 13.35 mb/d, respectively.

Graph 5.3: Developing Countries' quarterly production



India supply growth is expected to offset the decline in Indonesia and Malaysia in 2011

Other Asia oil supply is estimated to remain relatively flat from the previous year, with a minor increase of 10 tb/d, to average 3.70 mb/d in 2011, unchanged from the previous assessment. Despite the steady state, there were a few upward and downward revisions that affected the first quarter supply, yet they offset each other. The encountered revisions in the first quarter came to adjust for updated production data. Other Asia oil supply remains supported by expected growth in India, which is seen to offset the declines in Indonesia and Malaysia as supply of other countries in the region remains steady. In India, oil supply is predicted to grow by 0.06 mb/d in 2011, supported by the ramp-up of the Mangala, Aishwariya and Bhagyam projects. On a quarterly basis, Other Asia supply is seen to stand at 3.70 mb/d, 3.67 mb/d, 3.71 mb/d and 3.73 mb/d, respectively. Preliminary data indicates that Other Asia supply in the first quarter

indicated y-o-y growth of 20 tb/d.

Indonesia oil supply is forecast to decline by 40 tb/d in 2011 to average 0.99 mb/d, unchanged from the previous month. The effect of natural decline is driving the output drop as limited new volumes are anticipated in 2011. Malaysia supply is in the same position, with output expected to decline by 30 tb/d over 2010, to average 0.67 mb/d in 2011. Vietnam oil supply is expected to remain relatively steady in 2011 compared to the previous year and is expected to average 0.37 mb/d. The startup of the Chin Sao field is now expected in August instead of July.

Brazil output decline in April m-o-m

Oil production from Latin America is anticipated to increase by 0.29 mb/d over 2010 to average 4.95 mb/d in 2011, flat from the previous assessment. Argentina oil supply is expected to remain flat in 2011, with a minor decline of 10 tb/d over 2010, to average 0.74 mb/d. The protests at the southern province of Chubut have shut down some production toward the end of May. Argentina output from January to April indicated a decline of 30 tb/d compared to the same period in 2010. Colombia oil production is expected to increase by 110 tb/d in 2011 to average 0.91 mb/d, unchanged from the previous assessment. The anticipated growth is supported by the Rubiales developments. Colombia oil supply experienced an increase of around 120 tb/d from January-April 2011 compared to the same period in 2010. On a quarterly basis, Latin American supply is seen to stand at 4.80 mb/d, 4.92 mb/d, 4.98 mb/d and 5.11 mb/d, respectively.

Brazil oil supply is expected to increase by 0.19 mb/d over 2010, to average 2.85 mb/d in 2011, the highest anticipated growth among all non-OPEC countries. Growth is supported by various projects as well as biofuel production. The increased drilling in the Santos basin is seen to support growth in 2011 as the operator seeks to speed up developments of the ultra-deep water resources. Eight wells were drilled in the Santos basin during the first quarter 2011, compared to twenty wells during 2007-2010. The P-65 platform was shut down due to technical reasons, yet the operator reports that production will not be affected. The Guara extended well test (EWT) will restart and further support growth in 2011. According to preliminary data, Brazil supply declined slightly in April due to maintenance at several platforms in the Campos basin. Despite the monthly decline, April supply remained steady compared to a year ago. January–April oil production indicated growth of 50 tb/d compared to the same period in 2010. On a quarterly basis, Brazil oil production is expected to stand at 2.72 mb/d, 2.84 mb/d, 2.87 mb/d and 2.96 mb/d, respectively.

Yemen output largely interrupted by unrest

Middle East oil production is estimated to average 1.77 mb/d in 2011, a decrease of 20 tb/d over 2010, indicating a downward revision of 20 tb/d compared to last month. The downward revision came from Yemen, where the oil supply forecast was revised down by 25 tb/d compared to previous month. Yemen oil production is expected to decline by 60 tb/d in 2011 to average 0.24 mb/d. The political situation has shut a considerable portion of Yemen production. The supply projection could experience a further downward revision as the political situation unfolds in Yemen. Oman oil production is expected to increase by 50 tb/d in 2011 to average 0.92 mb/d, unchanged from the previous assessment. On a quarterly basis, Middle East supply is foreseen to average 1.80 mb/d, 1.73 mb/d, 1.77 mb/d, and 1.78 mb/d, respectively.

Africa oil supply is foreseen to average 2.68 mb/d in 2011, an increase of 80 tb/d over 2010, flat from the previous assessment. Ghana is the main contributor to growth in 2011, supported by the Jubilee project. Supply from Equatorial Guinea and Sudan is expected to slightly decline in 2011, while Gabon and Congo oil production is foreseen to slightly increase. On a quarterly basis, Africa oil supply is expected to average, 2.64 mb/d, 2.65 mb/d, 2.70 mb/d, and 2.74 mb/d, respectively.

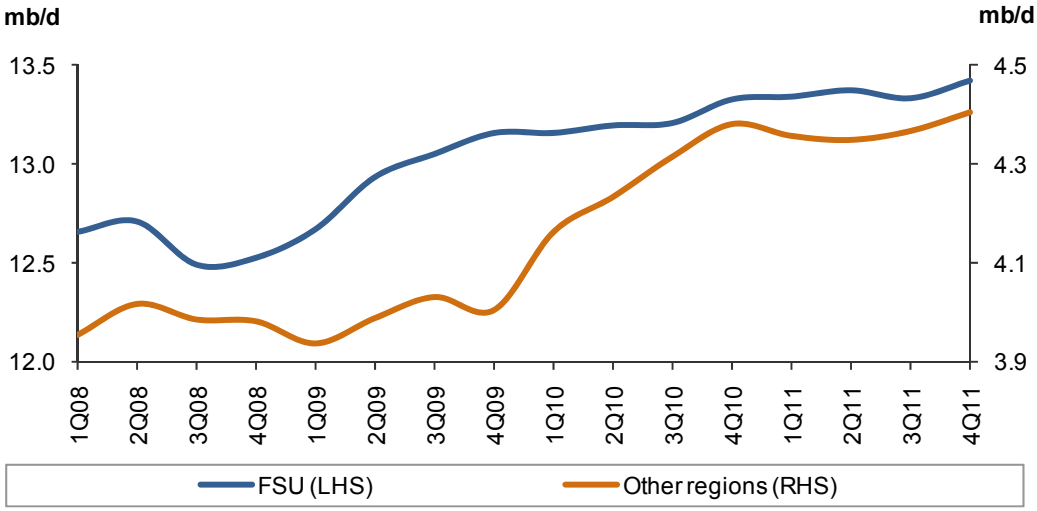
FSU, Other Regions

FSU supply to increase 140 tb/d in 2011

FSU oil supply is projected to average 13.37 mb/d in 2011, representing growth of 0.14 mb/d over 2010 and a downward revision of 30 tb/d from last month. There was a single revision among FSU countries compared to the previous month. The introduced revision affected Azerbaijan and came to adjust for updated production data which was partially carried over into 2011. In terms of volume, the FSU region remains the region

with the second-highest supply after North America. The expected growth in 2011 FSU supply also shows the third highest growth after Latin America and North America. The growth is supported by Kazakhstan and Russia. On a quarterly basis, total oil supply from the FSU is expected to stand at 13.34 mb/d, 13.37 mb/d, 13.33 mb/d and 13.42 mb/d, respectively. Other Europe supply is expected to remain steady over 2010 to average 0.14 mb/d in 2011. China's oil supply is forecast to increase by 0.09 mb/d over the previous year to average 4.23 mb/d in 2011.

Graph 5.4: FSU and other region's quarterly production



Russia

Russia oil supply to increase by 50 tb/d in 2011

Oil supply from **Russia** is forecast to average 10.19 mb/d in 2011, an increase of 0.05 mb/d over 2010, unchanged from last month. Russia oil supply is projected to slow in 2011 compared to the previous year, mainly on limited new developments and a lessening decline rate. The current price environment is supporting the recovery of the decline rate as operators try to capitalize on the high prices by maintaining healthy drilling activity. Russian oil production is expected to decline slightly in third quarter as limited new volume come on stream. The Vankor field supply is expected to provide smaller gains in 2011 compared to the previous year. Further supply growth is expected from the Uvat and Verkhnechonskoye fields. On a quarterly basis, Russian oil supply is estimated to average 10.21 mb/d, 10.20 mb/d, 10.16 mb/d and 10.18 mb/d, respectively. According to preliminary data, Russian oil supply averaged 10.25 mb/d in May, slightly higher than the previous month and close to the record high. Russia oil supply during January – May indicated growth of 120 tb/d compared to the same period of 2010.

Caspian

Kazakh supply to average 1.67 mb/d in 2011

Kazakh oil supply is expected to increase by 70 tb/d over 2010 to average 1.67 mb/d in 2011, unchanged from the previous month. The growth is supported by the Tengiz oil development. However, the worker unrest that shut down small quantities could bring a downward revision in the coming period. Kazakhstan oil supply growth in 2011 remains the highest among all the FSU major producers. January–April production, according to a preliminary sounding, indicates that Kazakh supply increased by 50 tb/d compared to the same period of last year. On a quarterly basis, Kazakhstan supply is seen to stand at 1.66 mb/d, 1.65 mb/d, 1.65 mb/d and 1.71 mb/d, respectively.

Azerbaijan supply to remain steady in 2011

Oil supply from **Azerbaijan** is anticipated to remain steady in 2011 compared to the previous year, with a minor increase of 10 tb/d, representing a downward revision of 30 tb/d compared to the previous month. The downward revision was introduced in the first quarter to adjust for updated actual production data, which was partially carried over to the rest of the year. The downward revision came despite a report of the startup of the gas and small condensate production from a field close to the Guneshli oil field. On a quarterly basis, Azerbaijan oil supply is estimated to average 1.03 mb/d, 1.09 mb/d, 1.10 mb/d and 1.11 mb/d, respectively.

China's supply to increase by 90 tb/d in 2011

China

China oil production is foreseen to average 4.23 mb/d in 2011, an increase of 90 tb/d over 2010, indicating a minor upward revision of less than 10 tb/d compared to the previous assessment. The upward revision came on changes to the output of the Tarim oilfield. China oil supply is expected to remain steady in the coming period as growth is expected to slow toward the year-end on expected limited new volume. Preliminary production data indicates that China oil supply averaged 4.19 mb/d in April, slightly lower than the previous month, yet indicating y-o-y growth of 0.17 mb/d. On a quarterly basis, China's oil supply is projected to average 4.22 mb/d, 4.21 mb/d, 4.23 mb/d and 4.26 mb/d, respectively.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils averaged 4.90 mb/d in 2010, an increase of 0.55 mb/d over the previous year. In 2011, OPEC NGLs and non-conventional oils are forecast to grow by 0.40 mb/d over the previous year to average 5.30 mb/d.

Table 5.3: OPEC NGLs + non-conventional oils, 2008-2011

			Change						Change		Change
	2008	**2009**	09/08	1Q10	2Q10	3Q10	4Q10	**2010**	10/09	**2011**	11/10
Total OPEC	**4.14**	**4.35**	0.21	4.66	4.81	5.15	5.00	**4.90**	0.55	**5.30**	0.40

OPEC crude oil production increased in May

OPEC crude oil production

OPEC total crude oil production averaged 28.97 mb/d in May, according to secondary sources, representing growth of 171 tb/d over the previous month. The increase came mainly from Saudi Arabia, Nigeria, Angola, Venezuela and Iraq while crude production from Libya experienced a decline. OPEC crude oil production, not including Iraq, stood at 26.32 mb/d in May, up 146 tb/d from the previous month.

Table 5.4: OPEC crude oil production based on *secondary sources*, tb/d

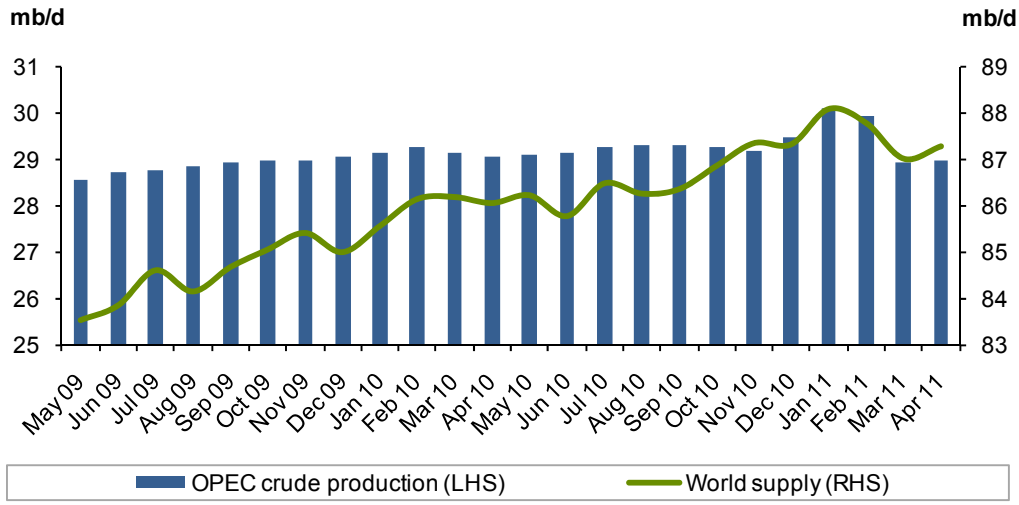
	2009	**2010**	**3Q10**	**4Q10**	**1Q11**	**Mar 11**	**Apr 11**	**May 11**	***May/Apr***
Algeria	1,268	1,258	1,253	1,257	1,259	1,254	1,253	1,253	*0.0*
Angola	1,786	1,790	1,746	1,661	1,672	1,708	1,584	1,631	*46.8*
Ecuador	477	475	475	481	489	488	488	481	*-7.1*
Iran, I.R.	3,725	3,706	3,681	3,673	3,656	3,652	3,654	3,639	*-15.0*
Iraq	2,422	2,401	2,362	2,423	2,649	2,637	2,631	2,655	*24.3*
Kuwait	2,263	2,297	2,303	2,308	2,373	2,425	2,450	2,449	*-1.0*
Libya, S.P.A.J.	1,557	1,559	1,568	1,569	1,096	375	206	169	*-37.0*
Nigeria	1,812	2,060	2,115	2,175	2,087	1,985	2,118	2,171	*53.7*
Qatar	781	801	802	805	807	807	812	795	*-16.7*
Saudi Arabia	8,051	8,284	8,395	8,387	8,732	8,687	8,796	8,864	*67.2*
UAE	2,256	2,304	2,317	2,322	2,443	2,508	2,518	2,535	*16.7*
Venezuela	2,309	2,287	2,285	2,275	2,322	2,322	2,293	2,332	*38.8*
Total OPEC	**28,706**	**29,222**	**29,300**	**29,336**	**29,585**	**28,846**	**28,803**	**28,974**	***170.6***
OPEC excl. Iraq	**26,284**	**26,821**	**26,938**	**26,913**	**26,936**	**26,209**	**26,173**	**26,319**	***146.3***

Totals may not add up due to independent rounding

World Oil Supply

Preliminary figures indicate that global oil supply averaged 86.77 mb/d in May, around 0.14 mb/d higher than the previous month. OPEC crude is estimated to have a 33.4% share in global supply, slightly higher than the previous month, due to the increase in OPEC crude production and slightly lower non-OPEC supply. The estimate is based on preliminary data from non-OPEC supply. Estimates for OPEC NGLs and OPEC production are derived from secondary sources.

Graph 5.5: OPEC and world oil supply

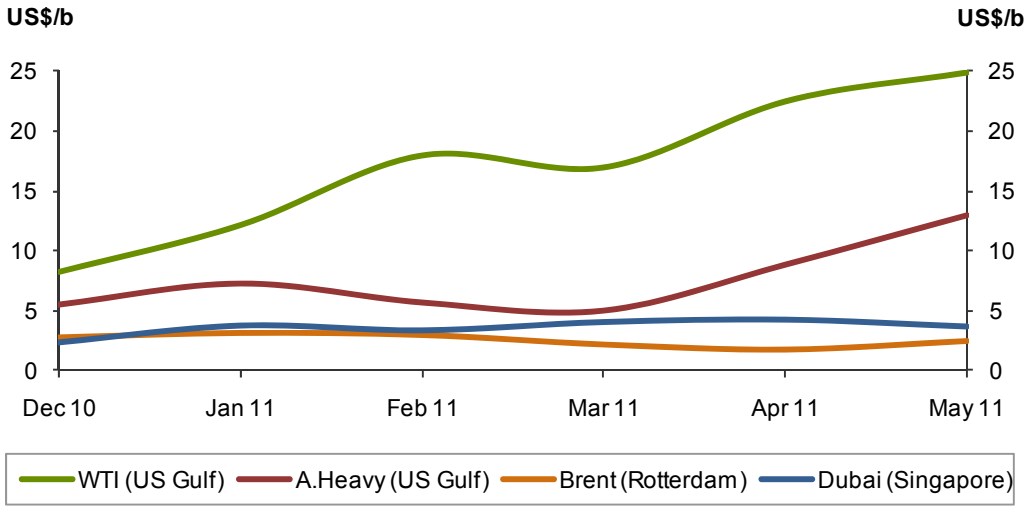


Product Markets and Refinery Operations

Disappointing gasoline performance in the US

Product markets have been impacted since the middle of May by a reversed trend in Atlantic gasoline performance as a consequence of weaker-than-expected demand at the start of the driving season and a stock build in US gasoline after several weeks of inventory draws. However, this disappointing situation at the top of the barrel was partially offset in some regions by gains at the bottom of the barrel, allowing margins to remain on the healthy side.

Graph 6.1: Refining margins, 2010-2011



The expected higher gasoil demand for power generation will lend support to product markets; however, higher runs after the maintenance season (to satisfy the expected driving season demand) and heavier crudes being processed could exert pressure on the bottom of the barrel in the coming months.

US refining margins continued their healthy rise in May on the back of support coming from the bottom of the barrel and stable positive levels of middle distillate cracks, which managed to maintain healthy levels amid bullish sentiments due to the draw in gasoil inventories. The top of the barrel meanwhile did not see the expected increase in demand at the start of the driving season. The margin for WTI crude on the US Gulf Coast showed an increase of $2.5/b to stand at over $25/b. However, this high margin has been artificially inflated by the relatively low benchmark WTI price, which has disconnected from other benchmark grades. The margin for Arab Heavy crude on the US Gulf Coast was around $13/b, an increase of almost $4/b over the previous month.

In Europe, product market performance was mixed and volatile, with the top of the barrel remaining strong — although partially affected by bearish sentiments in the Atlantic — while middle distillates and fuel oil continued to weaken. However, on average, product cracks were able to surpass Brent crude gains and the refinery margin showed a recovery of $0.7/b to reach $2.5/b

Asian refining margins failed to keep the level attained over the last several months due to the notable decline suffered by the middle distillate crack in May. The refinery margin for Dubai crude oil in Singapore showed a loss of 60¢/b to drop to $3.6/b.

Refinery operations

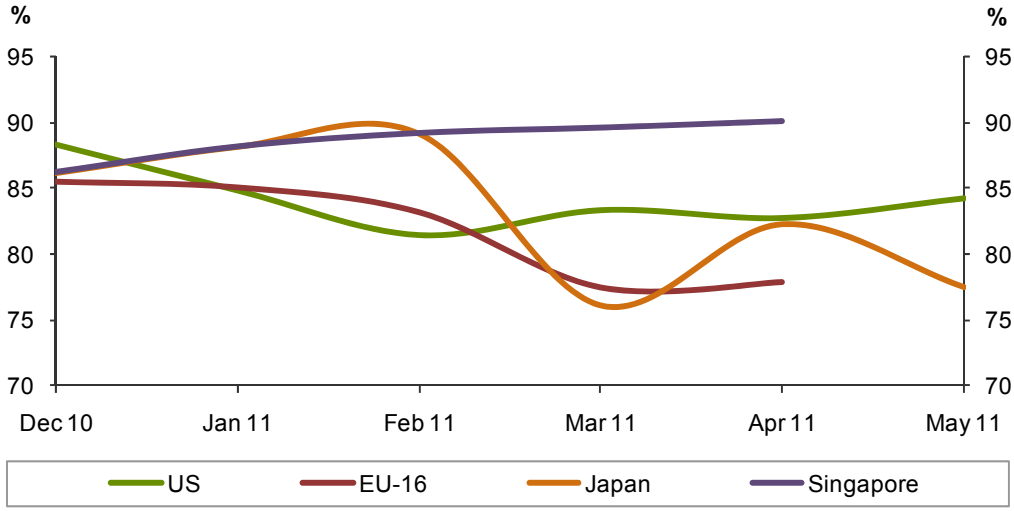
Refinery runs on the rise at the start of the driving season

American refiners started to increase their runs as they returned from maintenance to face the expected increase in demand of the driving season and to capture the positive economics due to healthy refining margins. Refinery runs increased to average 84.3 % in May from 82.8% a month earlier.

Gasoline demand disappointed in the second half of the month, standing lower than a year ago and causing inventories to build in the US. However, gasoil managed to

remain strong, which — along with gains at the bottom of the barrel, operational limitations in several units and worries about the impact of the Mississippi flooding on the system — helped refining margins to continue to rise in the US.

Graph 6.2: Refinery utilization rates, 2010-2011



European refiners continued at low throughputs — below 80% — on the back of low refinery margins and weaker middle distillate demand. In addition, some refineries with low complexity have started to become affected by the shortage of sweet and light crude.

Asian refiners coming back from maintenance continued increasing their runs in May to satisfy the growing gasoil demand in the region, with Chinese and Indian refineries running at around 90%, while in Japan, after the natural disaster, most of the refineries are back on-line and have been able to recover refinery throughputs with run-rates of around 78%.

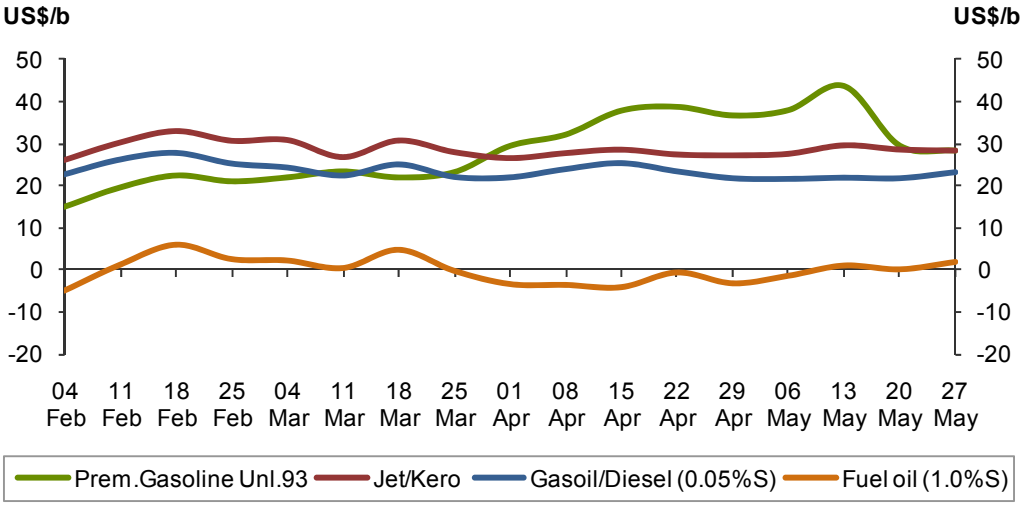
Looking ahead, demand is expected to improve with the start of the driving season and the end of maintenance, which will encourage an increase in refinery runs across the world, adding support to the crude market.

US market

US gasoline market reversed the uptick trend

US gasoline demand remained around 9.08 mb/d in May, according to the EIA, similar to the previous month, although 135 tb/d below the same month last year.

Graph 6.3: US Gulf crack spreads vs. WTI, 2011



The gasoline market continued to strengthen on the back of the tight situation, reaching the highest crack spread in the second week of May. However, the situation has changed dramatically since the middle of the month, when news about gasoline stock builds after eleven weeks of decline, causing gasoline to lose the uptick gained in the last two months. Another bearish factor was the increase in refinery runs and the less-than-expected impact from flooding along the Mississippi river on refinery operations in the region. All these bearish factors turned the gasoline market from backwardation to contango.

The tight market situation since April continued into May and allowed the gasoline crack spread on the US Gulf Coast to keep increasing, surpassing $43/b by mid-May. However, bearish factors prevalent since the middle of the month have reduced the crack spread to $28/b by the end of May, representing a very sharp drop.

Middle distillate demand remained relatively strong in the US at 3.81 mb/d in May, a gain of 170 tb/d above the same month last year, although 80 tb/d lower than the previous month.

Middle distillates showed mixed performance during the month, starting off with a slight loss of support due to weaker exports, low diesel demand and a temporary supply overhang. However, some support was received on the back of tight supply since mid-May due to closed arbitrage from Europe. Additional support came from the draw in distillate inventories reported at the end of May, which allowed the middle distillate market to partially recover the loss suffered at the beginning of the month.

The US gasoil crack on the Gulf Coast recovered part of the ground lost at the beginning of the month and remained at $23/b at the end of May, similar to the previous month.

Tight fuel oil supply on the Atlantic Coast due to KNOC refinery maintenance has strengthened the market, which received additional support from lower inventories. However, the gain was limited by a lack of arbitrage opportunities.

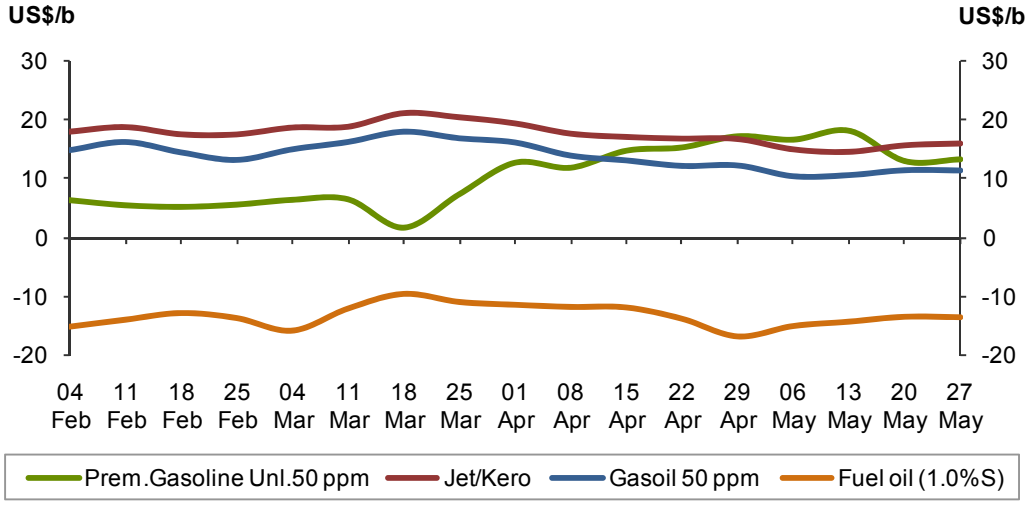
The fuel oil crack increased sharply to a premium over WTI from the minus $2.8/b seen the previous month.

Middle distillates weakened in Europe

European market

Product market sentiment in Europe continued to be mixed and volatile as gasoline remained strong, though partially affected by bearish sentiment in the Atlantic, while middle distillates and fuel oil continued weakening.

Graph 6.4: Rotterdam crack spreads vs. Brent, 2011



The European gasoline market managed to continue increasing margins on average, though exhibiting an erratic performance during the month.

Since the end of April, the gasoline market continued following the positive trend in US performance, which allowed for a record crack spread in the beginning of May on the back of high exports to the US and stronger requirements from the Middle East. However, this bullish situation reversed as the opportunities to the US were reduced from mid-May and additional pressure came from the supply side due to higher exports of the Indian Reliance refinery.

At the end of the month, the market showed signs of recovery on the back of increasing export opportunities amid the ARA gasoline stocks falling to their lowest level this year.

The gasoline crack spread against Brent crude managed to maintain the recovery seen in April and rose $1/b to reach an average of $15.2/b in May.

During the second week of May, gasoline reached $18/b, the highest value seen in several months.

The European naphtha market remained relatively strong on the back of higher reforming margins and concerns about unrest in Syria. However, lately the sentiment has turned bearish, due to the behaviour of the gasoline market and negative factors on the supply side, such as LPG competing in the petrochemical sector amid higher inflows due to increased exports from Russia, as a consequence of the upcoming raising of export duties.

Middle distillates continued their weakening trend in an environment of ample supply and lower seasonal demand in the region, which worsened as the dry weather across Europe limited gasoil demand for farming activity. Additionally, the political situation in Syria and Libya is impacting demand from those importers.

The eruption of the Icelandic volcano is also affecting the jet fuel market, although apparently with less severity than last year.

The gasoil crack spread against Brent crude at Rotterdam showed a sharp drop of $2.6/b from an average of $13.4/b in April to stand at $10.8/b in May.

The European fuel oil market continued losing ground because of weaker demand amid ample supplies due to expectations of an upcoming rise in summer utility demand.

Additional pressure came from increasing Russian exports from refineries returning from maintenance.

The fuel oil crack spread against Brent lost $1/b this month to stand at minus $14/b. The upcoming summer holiday season and rising demand for straight-run material as feedstock to refineries returning from maintenance could all lend support to the fuel oil market.

Asian market

Asian naphtha market in a see-saw recovery

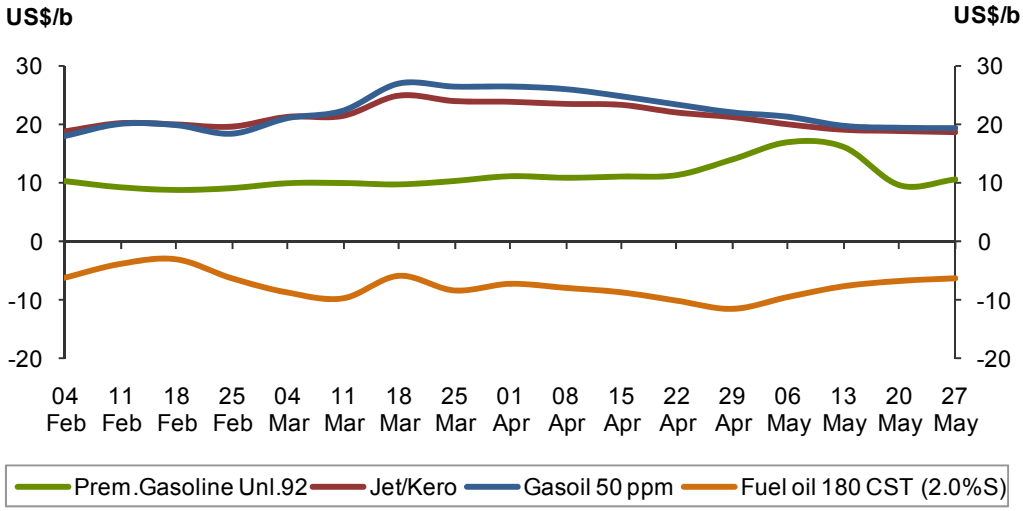
The Asian naphtha market continued gaining ground last month supported by the petrochemical sector after returning from maintenance. The crack was positive from the end of April until mid-May. However, the crack turned negative once again due to the bearish sentiment generated on the demand side due to the Formosa naphtha cracker shutdown as a consequence of a fire incident.

The market could recover bullish sentiments, supported by several naphtha crackers that are back online after maintenance and the restart of the Kashima cracker in Japan.

The gasoline market continued receiving support from the demand side in the region and the crack spread kept increasing, on the back of expectations of higher consumption ahead of the driving season, to surpass $16/b in the second week of the month. However, the trend reversed after mid-May as a consequence of higher refinery runs in the region amid the closing of westbound arbitrage due to weak demand and stocks rising in the US.

The gasoline crack spread against Dubai crude oil in Singapore showed a see-saw performance, rising to $16/b during the middle of the month and then dropping sharply by $6 to stand around $10/b at the end of May.

Graph 6.5: Singapore crack spreads vs. Dubai, 2011



The middle distillate market weakened as gasoil supply from refineries returning online from maintenance outpaced higher demand from China — due to rising diesel demand for power generators — and Vietnam — due to higher requirements resulting from the Dung Quat refinery shutdown.

The increase in Singapore gasoil inventories and diminishing jet arbitrage opportunities to Northwest Europe fuelled additional bearish sentiments in the middle distillates market.

The gasoil crack spread in Singapore against Dubai lost part of the strength reached the previous month to stand around $20/b, which represents a sharp drop of almost $5/b. Support is expected to come from peak summer demand and higher power generation requirements in China.

Despite lower bunker sales in Singapore caused by a decrease in shipping activity, the Asian fuel oil market reversed the declining crack-level trend that it had seen since the end of February. It gained some ground on the back of lower inflows from the West, which had been at higher levels during the last few months — more than 3.5 million tonnes in April — attracted by higher prices.

Additional support came from higher requirements from Pakistan to meet summer power demand.

Following these developments, the high sulphur fuel oil crack spread in Singapore against Dubai rose from minus $9/b, on average, in April to minus $7.5/b, on average, in May.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d			Refinery utilization, %		
	Apr 11	May 11	May/Apr	Apr 11	May 11	May/Apr
US	14.13	14.54	0.41	82.76	84.30	1.54
France	1.16	-	-	62.72	-	-
Germany	1.80	-	-	74.49	-	-
Italy	1.57	-	-	67.17	-	-
UK	1.39	-	-	78.53	-	-
Euro-16	10.30	10.21	-0.09	78.61	-	-
Japan	3.27	3.58	0.31	70.60	86.20	15.60

Sources: OPEC statistics; Argus; Euroilstock Inventory Report; IEA; EIA/DoE; METI; PAJ

Table 6.2: Refined product prices, US$/b

		Mar 11	Apr 11	May 11	Change May/Apr
US Gulf (Cargoes):					
Naphtha		118.80	127.39	121.13	-6.26
Premium gasoline	*(unleaded 93)*	126.79	145.88	136.38	-9.50
Regular gasoline	*(unleaded 87)*	121.94	135.52	130.37	-5.15
Jet/Kerosene		131.66	137.70	129.78	-7.92
Gasoil	*(0.05% S)*	126.30	133.60	123.36	-10.24
Fuel oil	*(1.0% S)*	103.81	106.89	101.47	-5.41
Fuel oil	*(3.0% S)*	95.52	101.46	95.18	-6.28
Rotterdam (Barges FoB):					
Naphtha		108.61	116.52	109.21	-7.31
Premium gasoline	*(unleaded 10 ppm)*	121.94	137.85	130.00	-7.85
Premium gasoline	*(unleaded 95)*	117.89	134.02	127.73	-6.29
Jet/Kerosene		134.43	140.71	129.99	-10.72
Gasoil/Diesel	*(10 ppm)*	126.30	136.52	130.11	-6.41
Fuel oil	*(1.0% S)*	102.66	110.48	105.29	-5.19
Fuel oil	*(3.5% S)*	95.52	101.85	97.07	-4.78
Mediterranean					
Naphtha		105.66	113.49	106.06	-7.43
Premium gasoline	*(50 ppm)*	125.47	132.09	125.89	-6.20
Jet/Kerosene		131.78	138.73	128.16	-10.57
Gasoil/Diesel	*(50 ppm)*	119.47	125.86	107.57	-18.30
Fuel oil	*(1.0% S)*	103.15	110.39	94.34	-16.05
Fuel oil	*(3.5% S)*	99.57	100.30	90.48	-9.82
Singapore (Cargoes):					
Naphtha		107.83	115.38	108.73	-6.65
Premium gasoline	*(unleaded 95)*	120.97	129.97	125.23	-4.74
Regular gasoline	*(unleaded 92)*	118.87	127.86	122.05	-5.81
Jet/Kerosene		131.92	138.69	128.20	-10.49
Gasoil/Diesel	*(50 ppm)*	133.51	140.29	128.47	-11.82
Fuel oil	*(180 cst 2.0% S)*	100.70	106.62	101.20	-5.42
Fuel oil	*(380 cst 3.5% S)*	98.78	104.86	99.33	-5.53

Tanker Market

Global spot fixtures remained steady in May while OPEC fixtures declined

In May, OPEC spot fixtures declined by 1 mb/d or 7.4% compared to the previous month to stand at 13.62 mb/d. The decline came on the back of lower tonnage demand and seasonal maintenance. The drop of OPEC spot fixtures in May came mainly from outside the Middle East. Global oil spot fixtures remained relatively steady in May compared to the previous month.

OPEC sailings increased by 0.27 mb/d or 1% in May, but remained close to the average of the previous months. Compared to last year, OPEC sailings experienced a drop of 0.70 mb/d or 3%. The annual decline came mainly from non Middle East sailings.

According to preliminary data, arrivals at the main importing regions showed mixed patterns. North America as well as West Asia arrivals encountered healthy gains in May compared to the previous month. US arrivals indicated an increase of 8% to stand at 9.57 mb/d and West Asia arrivals increased by 7% to stand at 4.7 mb/d in May. However, Europe's arrivals remained flat at 11.35 mb/d in May while Far East arrivals experienced a drop of 4% to stand at 8.0 mb/d.

The increase in North America arrivals in May was supported partially by the preparation for the driving season, while the gain West Asia was supported by the prospective of increasing refinery activities. However, the decline in Far East arrivals came partially on the back of lower Japanese demand.

Table 7.1: Tanker chartering, sailings and arrivals, mb/d

	Mar 11	Apr 11	May 11	Change May/Apr
Spot Chartering				
All areas	20.69	20.63	20.68	0.05
OPEC	14.40	14.71	13.62	-1.09
Middle East/East	6.24	5.84	5.92	0.08
Middle East/West	2.02	3.13	3.23	0.10
Outside Middle East	6.14	5.74	4.47	-1.27
Sailings				
OPEC	23.35	22.59	22.86	0.27
Middle East	17.50	17.34	17.60	0.26
Arrivals				
North America	8.63	8.87	9.57	0.70
Europe	12.40	11.37	11.35	-0.02
Far East	8.03	8.34	7.98	-0.36
West Asia	4.66	4.39	4.70	0.31

Source: "Oil Movements" and Lloyd's Marine Intelligence Unit

Dirty tanker spot freight rates were mixed in May

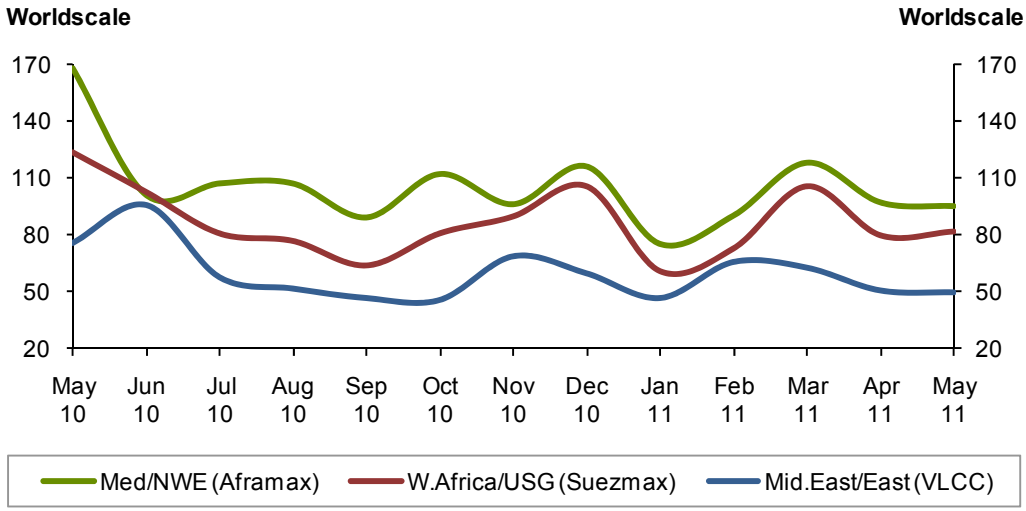
The tanker market for crude oil and petroleum products showed a mixed pattern in May compared to the previous month. In the dirty market, spot freight rates for VLCCs experienced a loss of 2%, Suezmax gained 2.5% and Aframax declined by 7% compared to the previous month. However, in the clean market, East of Suez spot freight rates gained 1% and West of Suez dropped 4% compared to a month earlier.

The **VLCC** segment of the market went through hard times in May as spot freight rates for all routes weakened. Spot freight rates for VLCCs on the Middle East to East long-haul route decreased by 2% in May compared to the previous month to average WS50. The decrease came on the back of lower activities as market participants went on holiday in Singapore and Japan. Simultaneously, the available tonnage list expanded in May due to lower lifting from China and India.

VLCC spot freight rates for the Middle East to West long-haul route averaged WS39, flat in May compared to a month earlier, due to balanced activities and available tonnage lists.

However, in West Africa, VLCC spot freight rates decreased by 4% to average WS51 in May, reflecting tonnage oversupply, lower lifting from Asian buyers, as well as spillover from Middle East tonnage oversupply.

Graph 7.1: Tanker chartering, sailings and arrivals, mb/d



Suezmax spot freight rates gained 2.5% in May from a month earlier, reflecting increases from both West Africa to US Gulf Coast and Northwest Europe to US routes. Spot freight rates from West Africa to the US gained 3% in May on the back of higher tonnage demand as many charterers returning from holidays looked for tonnage to cover their end-May positions. However, the increase of Northwest Europe to US Atlantic Coast spot freight rates was supported by higher crude oil demand from the Black Sea to the US.

The **Aframax** spot freight rates on all reported routes declined with the exception of the Mediterranean to Mediterranean route, where rates increased by 3% in May compared to the previous month.

The decline in Aframax spot freight rates came from both Indonesia to East and Caribbean to the US East Coast routes, both dropping by 14% in May compared to the previous month. The decline on the Indonesia to East route came mainly on the back of a holiday in Japan while the drop of Caribbean to US East Coast rates was due to the influence of the Mississippi flood as well as delays.

Mediterranean spot freight rates were mixed in May compared to a month earlier. Mediterranean to Mediterranean spot freight rates gained 3% in May compared to the previous month, while Mediterranean to Northwest Europe rates declined by 2%. The gain in Mediterranean to Mediterranean rates was supported by risk premiums due to geopolitical tensions while the decline in Mediterranean to Northwest Europe rates was related to lower activities of Urals crude on the back of the maintenance season for Northwest European refiners.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size				Change
	1,000 DWT	Mar 11	Apr 11	May 11	May/Apr
Crude					
Middle East/East	230-280	63	51	50	-1
Middle East/West	270-285	44	39	39	0
West Africa/East	260	69	53	52	-1
West Africa/US Gulf Coast	130-135	106	80	82	2
NW Europe/USEC-USGC	130-135	102	78	79	1
Indonesia/US West Coast	80-85	106	118	101	-17
Caribbean/US East Coast	80-85	129	120	103	-17
Mediterranean/Mediterranean	80-85	128	96	99	3
Mediterranean/North-West Europe	80-85	118	97	95	-2

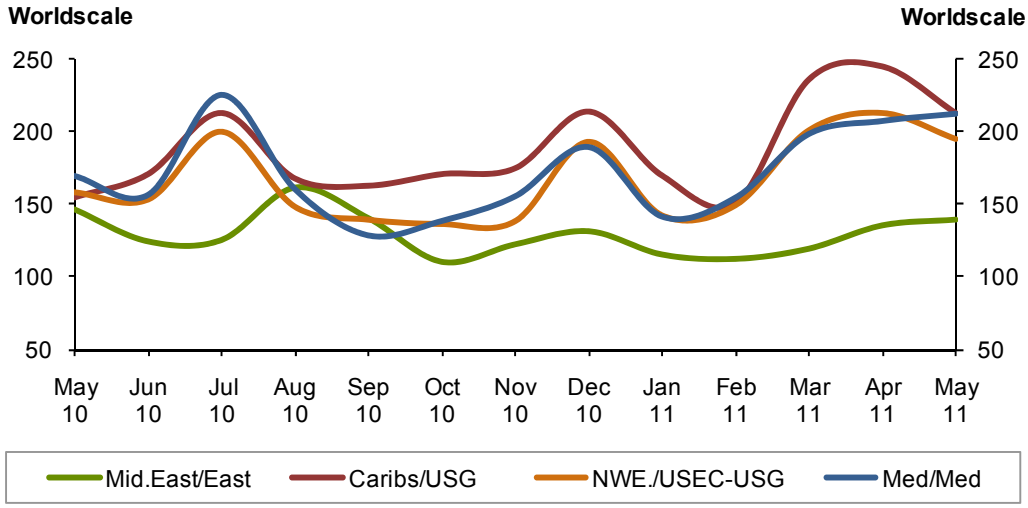
Source: Galbraith's Tanker Market Report and Platt's

Clean tanker market sentiment was mixed in May as rates registered small gains in the East and declined in the West

Clean tanker market sentiment was mixed in May compared to the previous month with East of Suez rates increasing by 1% and West of Suez rates dropping by 4%.

In East of Suez, Middle East to East spot freight rates gained 4% in May over a month earlier, supported by higher naphtha and jet fuel activities. However, Singapore to East spot freight rates declined 2% in May due to a holiday in Japan that kept product activities relatively limited, as well as the shutdown of a petrochemical cracker in Taiwan and refining maintenance in Vietnam.

Graph 7.2: Monthly averages of clean spot freight rates



West of Suez, Caribbean to US Gulf Coast and Northwest Europe to US East Coast/US Gulf Coast spot freight rates declined by 12% and 8%, respectively, in May compared to a month earlier, while Mediterranean to Mediterranean and Mediterranean to Northwest Europe spot freight rates edged up by 3% in May. The decline of spot freight rates to US destinations was partially driven by higher gasoline and middle distillate stocks, as well as the closing of arbitrage opportunities. Additionally, the Mississippi river flood which affected refinery operations, further pressured the rates in May. The increase of 3% of Mediterranean to Mediterranean spot freight rates in May was attributed to higher naphtha trade as gasoline demand on the other side of the Atlantic declined. The 3% gain of Mediterranean to Northwest Europe spot freight rates in May was due to higher jet fuel activities to fill independent storage in Rotterdam.

Table 7.3: Spot tanker product freight rates, Worldscale

	Size				Change
	1,000 DWT	Mar 11	Apr 11	May 11	May/Apr
Products					
Middle East/East	30-35	120	136	140	4
Singapore/East	30-35	129	153	150	-3
Caribbean/US Gulf Coast	38-40	236	245	213	-32
NW Europe/USEC-USGC	33-37	201	213	195	-18
Mediterranean/Mediterranean	30-35	198	207	212	5
Mediterranean/North-West Europe	30-35	208	217	222	5

Source: Galbraith's Tanker Market Report and Platt's

Oil Trade

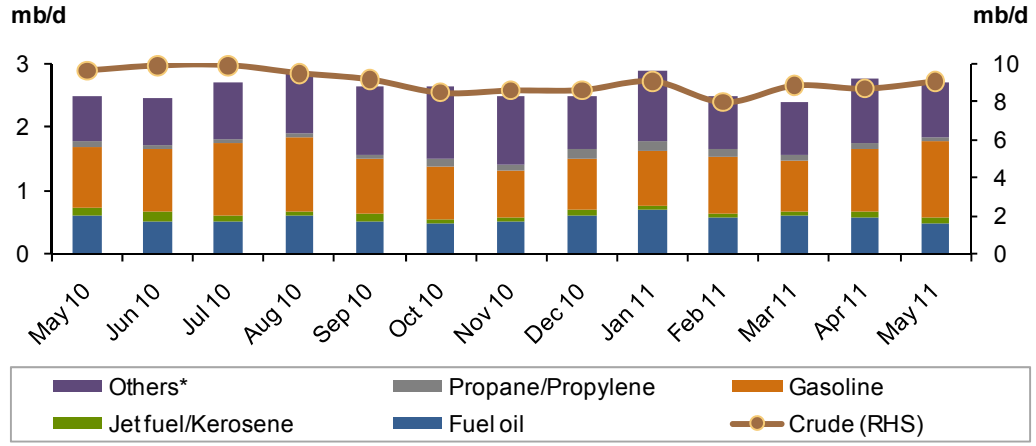
US net oil imports rose by almost 0.4 mb/d to around 9.6 mb/d, the highest since August 2010

US

US crude oil imports rose by 374 tb/d in May to average 9.07 mb/d, the highest level so far this year and the highest since the 9.2 mb/d of last September. However, compared to a year ago, crude oil imports in May were 550 tb/d or 5.7% lower in May 2011.

For the period of January-May, the US imported 8.8 mb/d on average, down 370 tb/d or 4% from a year ago. The decline in crude oil imports this year is attributed to weaker demand from refineries, which continued to operate below seasonal levels and resulted in lower product inventories.

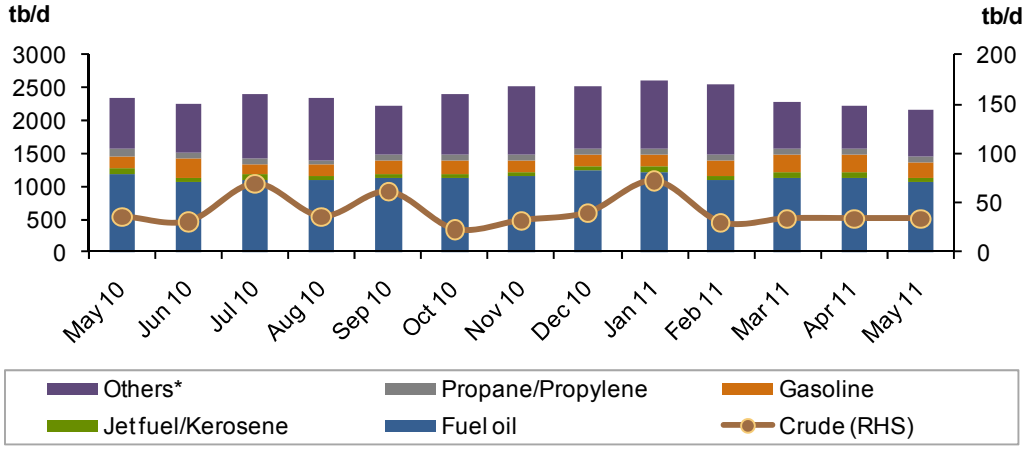
Graph 8.1: US imports of crude and petroleum products



**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*

Product imports also declined in May, but only slightly, to average 2.72 mb, down 38 tb/d or 1.4% from the previous month. The drop in product imports was attributed to distillates and fuel oil, while gasoline imports rose by almost 200 tb/d. However, despite the decline, product imports stood at their second-highest level so far this year and showed y-o-y growth of 238 tb/d or 9.6%. Similarly, they remained stronger this year considering the period of the first five months. Product imports averaged 2.65 mb/d over the first five months of 2011 compared with 2.56 mb/d in the same period a year earlier.

Graph 8.2: US exports of crude and petroleum products



**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*

On the supply side, the US exported 53 tb/d or 2.4% less products in May than the previous month. At 2.16 mb/d, US product exports are the lowest since March 2010. Nevertheless, considering the first five months, US product exports were at 2.36 mb/d on average in 2011, some 250 tb/d higher than a year earlier.

As a result, US net oil imports increased by 390 tb/d or 4.3% to average 9.59 mb/d in May, but were 138 tb/d or 1.4% lower than a year ago. Crude oil net imports accounted for 9.04 mb/d, up 374 tb/d and product net imports for 0.55 mb/d, just 16 tb/d more than in the previous month.

The US imported 4.74 mb/d of crude oil from OPEC in March, up 69 tb/d or 1.7% from February. However, despite this marginal increase in imports from OPEC, the share of OPEC crude oil in US crude oil imports fell to below 46% compared with almost 51% in February. Canada remained the main supplier of US crude oil even though its share fell from 27.4% to 23.8%. Saudi Arabia lost its second position to Mexico which saw its share rise from 12.5% to 13.1%. Saudi Arabia's share dropped from 13.9% in February to 12.3%.

On the product side, the US imported 326 tb/d from OPEC in March which corresponds to a share of 17.3% of total US product imports. Canada and Russia remained the main suppliers with 20.1% and 14.7%, respectively. Algeria exported some 180 tb/d of products to the US in March, which implies a share of 9.1% of total US product imports and leaves Algeria as the third main supplier of petroleum products.

Table 8.1: US crude and product net imports, tb/d

	Nov 08	Dec 08	Jan 09	Change Jan/Dec
Crude oil	22,972	23,448	23,785	337
Total products	1,024	1,173	1,267	94
Total crude and products	**23,996**	**24,621**	**25,051**	**431**

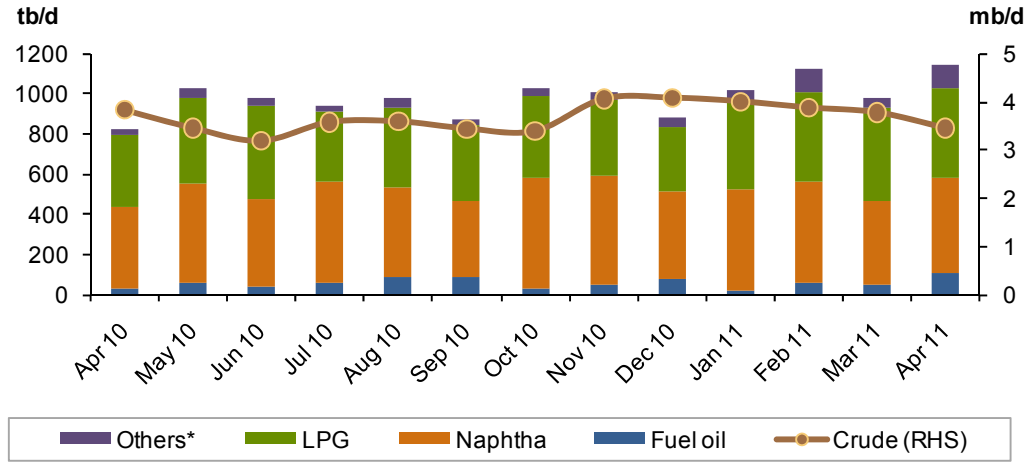
Japan

Japan's net oil imports fell to a six-month low in April

Japan's crude oil imports fell for the fourth consecutive month in April to average 3.45 mb/d, down 331 tb/d or 8.7% from the previous month. At 3.45 mb/d, Japanese crude oil imports were at their lowest level since last October. Compared with a year ago, Japan's crude oil imports were 382 tb/d or 10% lower in April 2011. Japan's crude oil imports fell by some 600 tb/d since last December. The decline, which has accelerated recently, came as a result of lower demand from refineries after the devastating earthquake-tsunami of March.

In contrast to crude oil, product imports increased by 161 tb/d to average 1.14 mb/d, the highest so far this year. The rise in product imports came to compensate for the decline in weaker production from refineries as production fell because of lower utilization rates due to damaged refineries. Product imports in April were even much higher compared to a year ago, by 38%. All products saw imports increase except LPG and to some extent kerosene, which fell slightly. Fuel oil imports more than doubled.

Graph 8.3: Japan's imports of crude and petroleum products

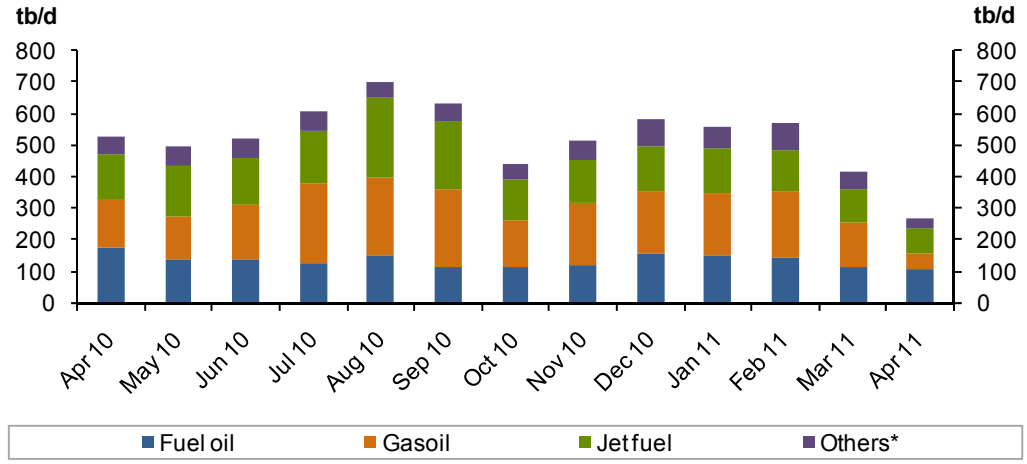


**Others: Contains gasoline, jet fuel, kerosene, gasoil, asphalt and paraffin wax*

Product exports fell by 150 tb/d or 36% to a very low level of 263 tb/d, as refineries remain affected by the earthquake-tsunami of last March. Product exports were half the level of April 2010.

Therefore, Japan's net oil imports dropped a marginal 18 tb/d or 0.4% in April to average 4.33 mb/d, the lowest since last October but still higher by 190 tb/d or 4.6% than in April 2010

Graph 8.4: Japan's exports of petroleum products



**Others: Contains LPG, gasoline, naphtha, kerosene, lubricating oil, asphalt and paraffin wax*

Saudi Arabia remained the largest supplier of crude oil to Japan with 1.14 mb/d or 27.4% of Japan's total crude oil imports. The United Arab Emirates kept its second position with 0.97 mb/d or 23.4% followed by Qatar with 0.36 mb/d and Iran with 0.29 mb/d. Imports from non-OPEC countries accounted for 19.2% of Japan's total crude oil imports in April, compared with 13% a year ago.

On the product side, Saudi Arabia remained the main supplier with 0.29 mb/d or 25.6% followed by the FSU with 0.24 mb/d or 20.9% and Qatar with 0.20 mb/d or 17.2%. It is worth noting that Qatar's share in Japan's product imports rose sharply from April 2010, when it stood at just 9%, compared with 17.2% currently.

Table 8.2: Japan's crude and product net imports, tb/d

	Feb 11	Mar 11	Apr 11	Change Apr/Mar
Crude oil	3,884	3,782	3,452	-331
Total products	557	561	874	313
Total crude and products	**4,441**	**4,343**	**4,326**	**-18**

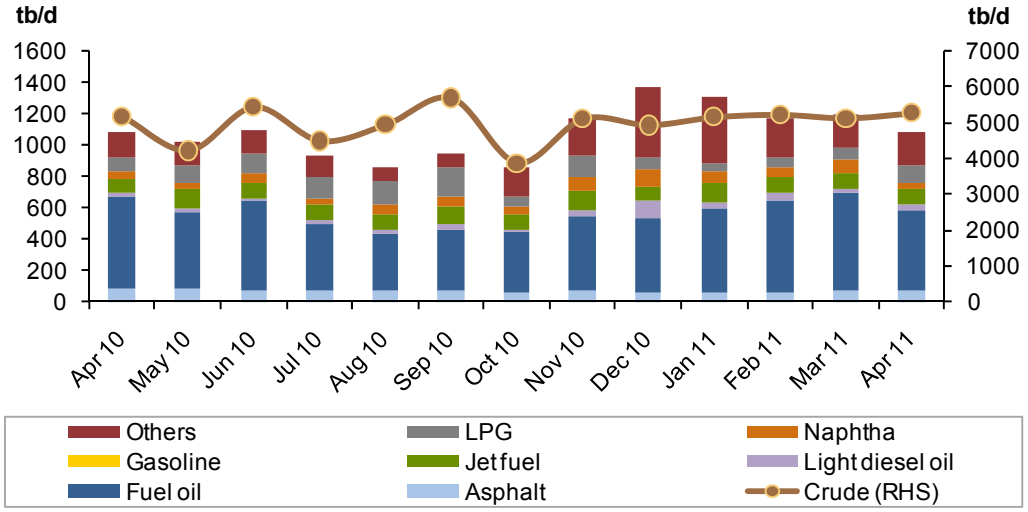
China

China's net oil imports recovered to 5.65 mb/d in April, up 0.15 mb/d from the previous month and a year ago

China's crude oil imports recovered in April to offset the decline of the previous month, averaging 5.26 mb/d, up 140 tb/d or 2.7%. At 5.26 mb/d, China's crude oil imports were at their highest level since the record high of 5.69 mb/d of last September and the third highest on record on a daily basis. Imports are still higher than a year ago by 91 tb/d or 1.8%. Therefore, Chinese crude oil imports averaged 5.19 mb/d in the first four months of 2011 compared with 4.76 mb/d for the same period of last year. The growth of more than 9% from a year ago was attributed to strong demand from refiners where throughputs rose by more than 9% in the first four months of 2011. The strong increase in China's crude oil imports was also reflected in growing crude oil inventories. China's crude oil imports will likely remain strong in the coming months as demand for diesel as a fuel for power generation might increase because of expected power shortage due to drought.

Product imports followed an opposite trend and dropped 114 tb/d or 9.5% to stand at nearly 1.1 mb/d, the lowest so far this year. The decline in product imports was attributed to fuel oil because of lower demand and growing production from refineries where many were operating at nearly full capacity.

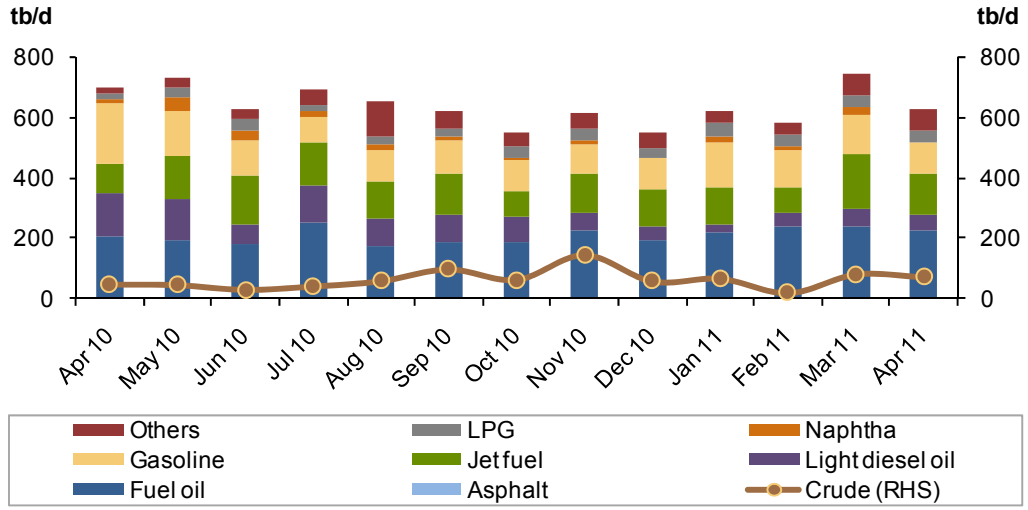
Graph 8.5: China's imports of crude and petroleum products



Exports of oil products fell 120 tb/d or 16%t to around 0.63 mb/d, resulting in net fuel imports of 0.45 mb/d. Nevertheless, when considering the first four months of the year, China's net product imports averaged 0.54 mb/d in 2011 compared to 0.29 mb/d in the same period of the previous year, implying a y-o-y growth of 88%.

However, China's total oil net trade rose to 5.65 mb/d in April, implying an increase of around 150 tb/d or 2.8% from the previous month and a year earlier. The growth is much higher if we consider the period of the first four months of the year. It shows that China's net oil imports averaged almost 5.7 mb/d in 2011 compared with less than 5.0 mb/d, implying a y-o-y growth of 13.6%.

Graph 8.6: China's exports of crude and products



Saudi Arabia remained the main supplier of Chinese foreign crude oil with 0.94 mb/d, representing a share of 17.8% compared with 20% in March. Imports from Angola, the second main supplier, dropped to 0.65 mb/d and resulted in a share of 12.4% versus 13.4% a month ago.

Table 8.3: China's crude and product net imports, tb/d

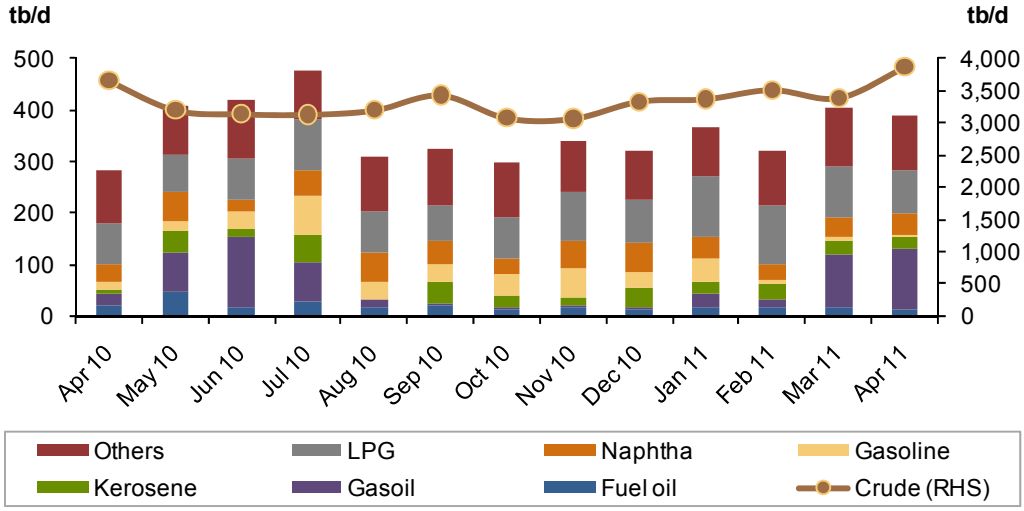
	Feb 11	Mar 11	Apr 11	Change Apr/Mar
Crude oil	5,202	5,045	5,193	148
Total products	579	447	454	7
Total crude and products	**5,781**	**5,492**	**5,647**	**155**

India's net oil trade jumped by 0.6 mb/d in April to 3.1 mb/d

India

India's crude oil imports jumped by 482 tb/d or 14.2% in April to a record high of almost 3.9 mb/d. Crude oil imports also showed a y-o-y growth of 215 tb/d or 6%. This jump in crude oil imports over the last month was driven by higher requirements from refineries, which increased their throughputs.

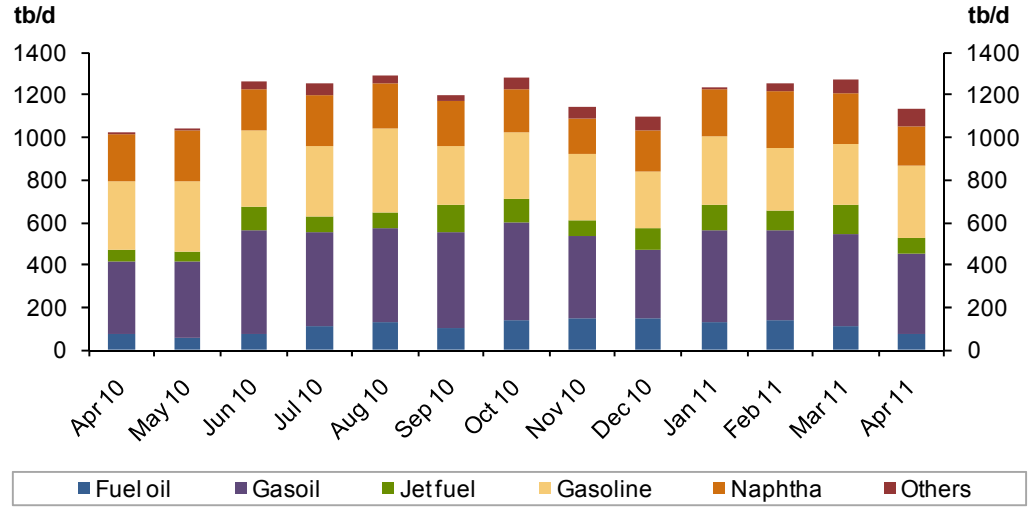
Graph 8.7: India's imports of crude and petroleum products



Product imports followed the opposite trend and decreased a slight 14 tb/d or 3.4% from the previous month to 0.40 mb/d. Fuel oil and gasoline were the main contributors to the slight decline, while imports of diesel oil, naphtha and kerosene rose 12.9%, 10.2% and 3.3%, respectively. When compared with a year earlier, product imports display a jump of around 45%, which can be mainly attributed to the increased imports of diesel and fuel oil.

India imported 13% more of crude oil and 35% more of products in the past four months 2011 compared with the same period of the previous year. The rise in imports reflects increasing domestic sales which showed a y-o-y growth of almost 4.2% in April, according to government data.

Graph 8.8: India's exports of petroleum products



On the export side, products declined 138 tb/d or 11% in April to average nearly 1.13 mb/d, the lowest level so far this year. On a y-o-y basis exports increased 10% in April 2011. The y-o-y growth is much higher if we considered the first four months of the year. Yet, India exported 1.22 mb/d on average in the first four months of the current year, up 382 tb/d or 45% from the same period a year ago.

As a result, India's net oil imports averaged 3.13 mb/d in April, up 606 tb/d or 24% from the previous month and 7.5% from a year earlier.

Table 8.4: India's crude and product net imports, tb/d

	Feb 11	Mar 11	Apr 11	Change Apr/Mar
Crude oil	3,516	3,388	3,870	482
Total products	-931	-863	-739	124
Total crude and products	**2,584**	**2,525**	**3,131**	**606**

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

FSU

FSU total oil exports increased a further 0.44 mb/d or 4.5% to move beyond 10.0 mb/d for the first time since May 2010

Total FSU crude oil exports rose from 6.83 mb/d in March to nearly 6.91 mb/b, implying growth of 80 tb/d or 1.1%, as Russian producers maximized their loadings ahead of the 1st of May duty hike which includes the higher contributions from supplies of Azeri and Kazakh. This came in addition to a substantial increase of around 305 tb/d in the previous month. Thus, in two months, FSU crude oil exports jumped by almost 400 tb/d. Compared with a year earlier, FSU exports in April 2011 showed y-o-y growth of 84 tb/d or 1.2%.

The Russian crude export duty was set at $453.70/t on 1 May, up by $30/t from the level of April.

Exports through the pipeline system have increased, particularly in the Baltic, since the completion of maintenance along the Transneft pipeline system that serves the crude terminal and a drop in freight rates for the Primorsk-Rotterdam voyages, after the last of the ice melted in the Gulf of Finland. Because of these events, some producers redirected crude export quotas to the Baltic from the Black Sea port of Novorossiysk and destinations along the Druhzba pipline, as the Baltic route is the cheapest in terms of pipeline tariffs.

The drop of exports along the Druzhba pipline was mainly caused by the reduced imports of the Polish company PKN Orlen, which was still repairing its 273 tb/d Plock refinery, which has reduced runs since February and is not expected to emerge from maintenance until sometime next month.

Eastbound exports of Russian crude were also moderately higher than last month since Russian producers loaded more cargos of ESPO Blend from the port of Kozmino on Russia's Pacific coast.

Lukoil's exports from Varandey terminal in Timan-Pechora rose by 3.3% representing an increase of 3.0 tb/d to the level of 105 tb/d compared to 102 tb/d the month before. Industry sources say that this increase represents an anomaly, given the declining production data of the fields feeding Varandey.

Exports through the Caspian Pipeline Consortium (CPC) fell slightly 2% representing 13 tb/d to the level of 705 tb/d. The Tengizchevroil consortium, whose Tengiz field supplies the biggest share of crude going through CPC, also cut rail deliveries to Odessa.

Exports of Kazakh crude to China along the Kenkiyak-Alashankou pipeline edged up to 234 tb/d an increase of 1.5% or 3.0 tb/d. And BTC Blend supplies through Turkey's Ceyhan terminal rose 1.1%, representing an increase of 9.0 tb/d to the level of 791 tb/d compared to the month before, driven by the high demand for the grade in the Mediterranean prompted by favourable middle distillate margins and a lack of Libyan crude.

Table 8.5: Recent FSU exports of crude and products by sources, tb/d

	2009	2010	3Q10	4Q10	1Q11	Mar 11	Apr 11*
Crude							
Russian pipeline							
Black Sea	1,201	994	1,038	933	970	1,002	890
Baltic	1,577	1,564	1,530	1,569	1,445	1,545	1,698
Druzhba	1,112	1,126	1,155	1,136	1,140	1,163	1,142
Kozmino	0	309	320	336	294	309	319
Total	**3,922**	**4,005**	**4,043**	**4,018**	**4,155**	**4,330**	**4,362**
Other routes							
Russian rail	280	330	331	280	197	210	187
Russian-Far East	283	276	204	313	299	293	303
Kazakh rail	18	1	6	0	0	192	167
Vadandey	155	152	150	127	111	102	105
Kaliningrad	0	24	24	24	23	22	24
CPC	736	743	755	749	737	718	705
BTC	805	775	812	796	710	782	791
Kenkiyak-Alashankou	157	204	205	204	230	231	234
Caspian	281	239	195	197	183	140	196
Total crude exports	**6,653**	**6,750**	**6,726**	**6,759**	**6,646**	**6,829**	**6,907**
Products							
Gasoline	221	152	127	124	205	230	241
Naphtha	269	275	289	245	285	280	316
Jet	47	20	23	15	7	11	16
Gasoil	948	878	822	824	896	907	848
Fuel oil	1,116	1,235	1,331	1,225	1,178	1,164	1,433
VGO	235	242	232	218	179	178	274
Total	**2,837**	**2,801**	**2,824**	**2,651**	**2,750**	**2,770**	**3,127**
Total oil exports	**9,490**	**9,551**	**9,550**	**9,410**	**9,396**	**9,598**	**10,034**

** Preliminary*
Totals may not add due to independent rounding

Source: Nefte Transport, Global Markets, Argus Fundamentals, Argus FSU and OPEC

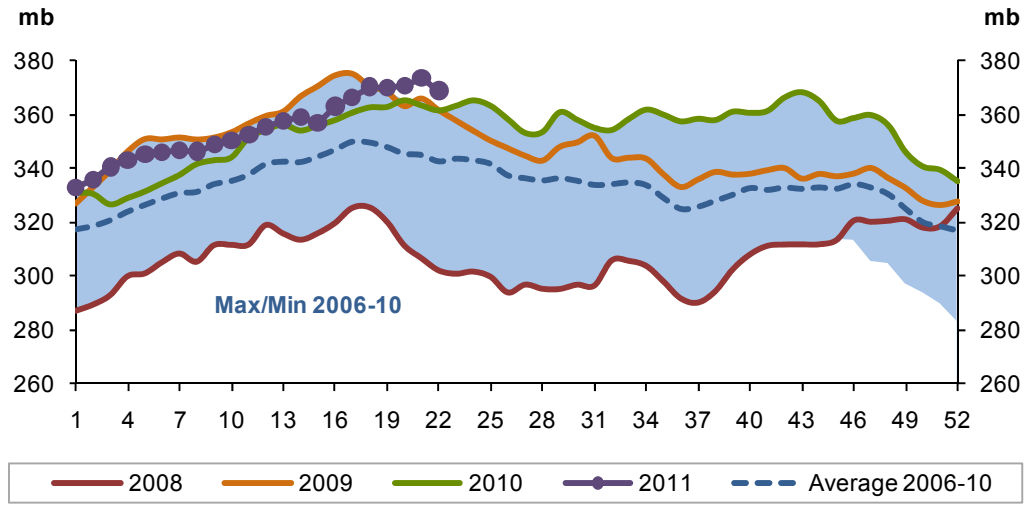
Stock Movements

US commercial stocks rose in May, driven by both crude and products

US

At the end of May, **US commercial oil inventories** reversed the downward trend observed over the previous months and increased substantially, by 20.4 mb, to end the month at 1,061.5 mb. The build was divided between products and crude as they increased by 13.1 mb and 7.3 mb, respectively. Despite this build, total US commercial oil inventories remained at 35.4 mb, or 3.2% below last year at the same period, while the surplus with the five-year average has widened to 12.5 mb, or 1.2%, in May from 9.7 mb, or 0.9%, in the month earlier.

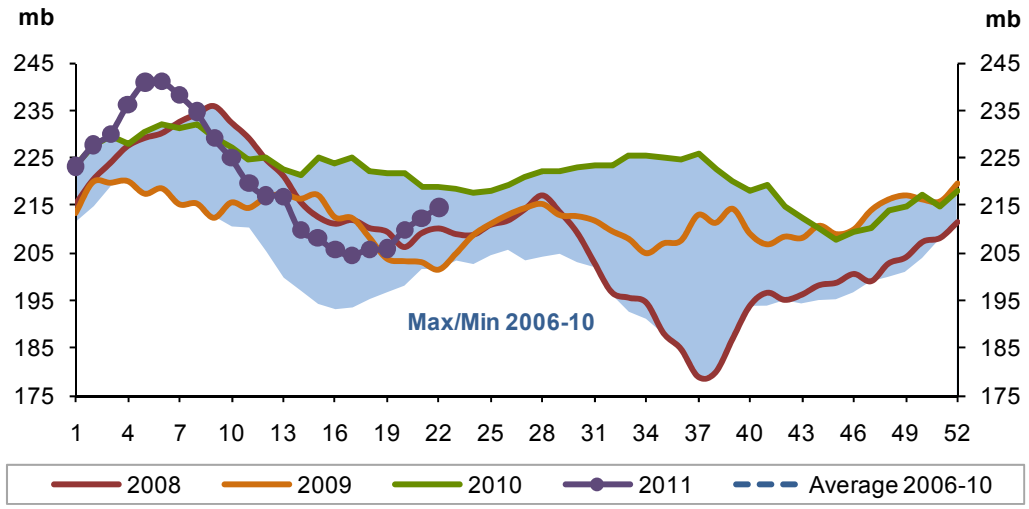
Graph 9.1: US weekly commercial crude oil inventories



US commercial crude oil stocks continued their climb since the beginning of this year and reached the highest level in May since 1990. At 373.8 mb, US crude oil stocks stood at 7.3 mb, or 15.4%, above a year ago and 30.7 mb, or 9.0%, more than the seasonal norm. This build came on the back of higher crude oil imports, which increased by almost 400,000 b/d to average 9.0 mb/d, but still remained lower than a year ago over the same period. It should be noted that during the week ending 27 May, US crude oil imports reached 9.5 mb/d, pushing US crude oil stocks to rise by almost 3.0 mb. This build came despite a strong rise in refinery runs, which jumped by about 500,000 b/d to reach 14.5 mb/d. At the end of May, refiners were running at 84.3%, 1.5 percentage points (pp) above last month, but remained 3.6 pp below last year at the same time. Relatively weak US product demand compared to the previous year is still keeping a brake on crude runs. Cushing crude stocks at the end of May stood at around 40.0 mb, but during the last week of the month, crude oil stocks at Cushing saw a small drop, which has been caused by the shut-in of the Keystone pipeline.

On the product side, **product stocks** reversed the continuous drop they had seen since August 2010 and experienced a strong build of 13.1 mb to end the month at 687.7 mb. Despite this build, US product inventories remained at 51 mb, or 6.9%, below a year ago over the same period and 18.2 mb, or 2.6%, less than the five-year average. With the exception of distillates and residual fuel, all other products experienced a stock build, with the bulk coming from gasoline followed by other product stocks. Gasoline inventories reversed three months of declines and increased by 7.7 mb to 212.3 mb. With this build, the US gasoline deficit with last year has narrowed to 1.6% from 6.8% a month earlier, while the deficit with the five-year average switched to a surplus of 3.3 mb, or 1.6%. As gasoline demand in May remains almost at the same level as in April, averaging 9.1 mb/d, the rise in gasoline production supported the build in gasoline stocks. In fact, gasoline output rose by 350,000 b/d to a total of 9.2 mb/d. Drawn by strong price arbitrage, imports remained high, well over 1.2 mb/d, which also helped to boost gasoline stocks. In the coming weeks, refiners will likely keep crude runs at higher levels, which could contribute to a further build in gasoline inventories.

Graph 9.2: US weekly gasoline stocks



In contrast to gasoline, distillate stocks continued their downward trend for the last five months and declined by 5.0 mb to stand at 140.1 mb. However, despite this draw, distillate inventories remained at 6.1 mb, or 4.6%, above the historical average but showed a deficit with a year ago at 10.2 mb, or 6.8%. The decline in US distillate stocks could be attributed to higher exports and lower imports as production remained overall stable at 4.2 mb/d. Distillate demand also remained almost at last month's level, slipping slightly to 3.8 mb/d, but stood about 200,000 b/d lower than the same period in the previous year. The distillate market will remain in neutral territory as current higher prices suppress industrial demand and refiners are switching to increasing gasoline yield amid the driving season. Residual fuel oil and jet fuel oil saw a mixed picture as residual fuel oil stocks declined by 0.3 mb, while jet fuel inventories rose by 0.3 mb. Residual fuel stocks ended April at 38.0 mb, a shortage from a year ago and the five-year average of 16.7% and 5.8%, respectively. At 40.1 mb, jet fuel oil stocks stood at 10% below last year at the same period and indicate a deficit of 5.4% with the seasonal norm.

Table 9.1: US onland commercial petroleum stocks, mb

	Mar 11	Apr 11	May 11	Change May 11/Apr 11	May 10	03 Jun 11
Crude oil	362.6	366.5	373.8	7.3	358.4	369.0
Gasoline	214.9	204.5	212.3	7.7	215.8	214.5
Distillate fuel	148.5	145.1	140.1	-5.0	150.3	140.9
Residual fuel oil	37.1	38.2	38.0	-0.3	45.6	37.3
Jet fuel	40.0	39.8	40.1	0.3	44.6	40.9
Total	**1043.0**	**1041.1**	**1061.5**	**20.4**	**1096.9**	**1062.9**
SPR	726.5	726.5	726.5	0.0	726.6	726.5

** Latest available data at time of report's release*

Source: US Department of Energy's Energy Information Administration

Japan

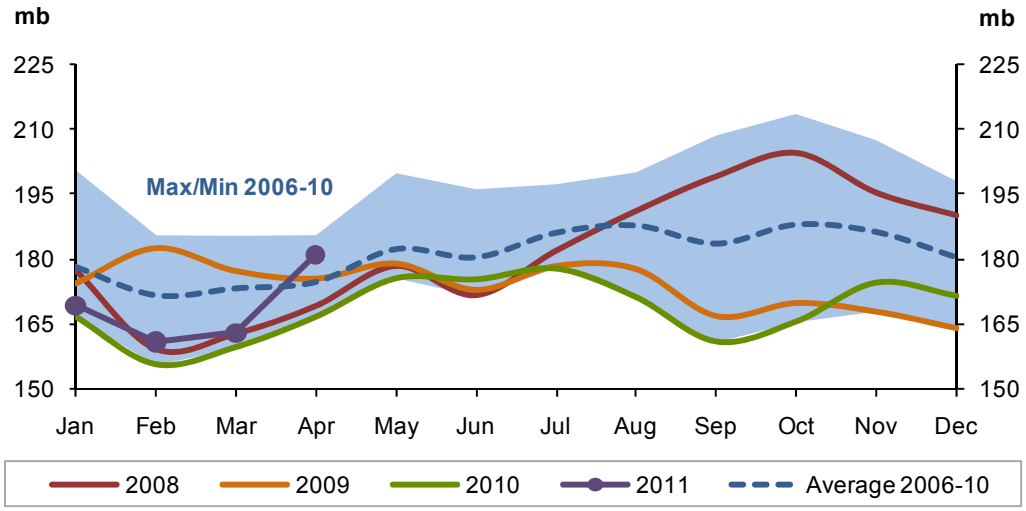
Japanese stocks continued to rise in April, driven by a build in crude and products

In April, **commercial oil stocks** in Japan continued their upward trend for the second consecutive month rising by 18.2 mb to stand at 181.1 mb, the highest since February 2009. With this strong build, Japanese oil inventories have widened the surplus with a year ago to 8.6% from 2.1% a month earlier. At the same time, the deficit with the five-year average seen in previous months has switched now to a surplus of 6.5 mb, or 3.7%. The build in total commercial oil stocks has been driven by both crude and products, as they rose by 7.1 mb and 11.0 mb, respectively.

Japanese **crude oil stocks** rose in April for the second consecutive month to stand at 105.0 mb, the highest in nine months. At this level, Japanese crude oil stocks stood at 5.0 mb, or 5.0%, above a year ago and showed a surplus with the five-year average at 1.4 mb, or 1.3%. The build in crude oil stocks in April came mainly from very low refinery utilization rates reaching 70.6%, or 5.5 percentage points, lower than the

previous month and 5.6% lower from a year ago. This corresponds to crude throughput of 3.3 mb/d, which is around 100 tb/d, or 3.1%, lower than the previous month and 10.8% below last year over the same period. The fall in crude oil imports has limited the build in crude oil stocks. Indeed, crude oil imports in April fell by 215 tb/d to average 3.6 mb/d and were 7% less than a year ago as some refineries halted imports due to damage from the earthquake in March. The outlook for crude oil imports remains cloudy as there is a mix of factors such as reconstruction and rising demand for crude burning for power generation pushing for higher crude imports, while ongoing refinery shutdowns after the quake could lead to less crude imports.

Graph 9.3: Japan's commercial oil stocks



Total products also rose in April, reversing the slight drop in March. At 76.0 mb, total products stood at the highest level since November 2010. The strong build in product stocks left them at 14% above a year ago for a deficit of 2.3% a month earlier. The deficit with the five-year average incurred last month has also switched to a surplus of 7.3%, indicating healthy product stocks at the end of April. The build in product stocks could be attributed to the decline in Japanese oil product sales, which fell by 13.5% a month earlier and 11.9% from a year ago. This marked the steepest decline since May 2009 as demand plunged and refinery operations were disrupted after the tragic events. All products saw a build with the bulk coming from distillates as they increased by 4.5 mb, followed by residual fuel with a build of 2.7 mb, while residual gasoline and naphtha went up by 2.2 mb and 1.5 mb, respectively. Distillate inventories rose to end the month at 29.6 mb, leaving them at 4.9 mb, or 20.1%, above a year ago at the same time and 2.7 mb, or 10.2 %, above the five-year average. Within the components of distillates, kerosene rose by 25.5%, while jet fuel and gasoil stocks increased by 15.8% and 11.7%, respectively. The build in kerosene stocks could be attributed to the decline of domestic sales by almost half, combined with higher production, which rose by 15.8%. The increase in jet fuel stocks came mainly on the back of the decline in domestic sales by 15.7%. The rise in gasoil stocks also came as domestic sales went down by 6.1%. The build in residual fuel oil was driven by the increase in fuel oil B.C and fuel oil A which went up by 14.3% and 19.9%, respectively. The build in fuel oil B.C could be attributed to lower domestic sales which declined by 6.8%, combined with the jump in imports, which rose by more than double. The build in fuel oil A came on the back of a 9.8% decrease in domestic sales. At 18.1 mb, residual fuel oil stocks stood at 1.6 mb, or 9.7%, above a year ago, almost in line with the five-year average. The rise in gasoline stocks is attributed to the decline in domestic sales which dropped by 9.6%, combined with higher imports. At 14.9 mb, gasoline stocks stood at their highest level since the end of last year and show a surplus of 1.8% compared to a year ago and 0.7% higher than the five-year average. Naphtha stocks also saw a build to end the month at 13.4 mb, remaining at 2.6 mb above a year ago over the same period.

Table 9.2: Japan's commercial oil stocks*, mb

	Feb 11	Mar 11	Apr 11	Change Apr 11/Mar 11	Apr 10
Crude oil	92.0	97.9	105.0	7.1	100.0
Gasoline	14.3	12.7	14.9	2.2	14.7
Naphtha	12.5	11.9	13.4	1.5	10.9
Middle distillates	27.8	25.1	29.6	4.5	24.6
Residual fuel oil	14.4	15.4	18.1	2.7	16.5
Total products	68.9	65.0	76.0	11.0	66.7
Total**	**160.9**	**162.9**	**181.1**	**18.2**	**166.7**

* *At end of month*
** *Includes crude oil and main products only*
Source: METI, Japan

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

Singapore product stocks in April rose further for the third consecutive month

At the end of April, **product stocks held in Singapore** continued to build for the third consecutive month, increasing by 0.3 mb to end the month at 44.4 mb. Despite this build, product stocks remained at 4.9 mb, or 10%, below a year ago at the same time. Within products, the picture was mixed. Fuel oil stocks saw a build of 3.7 mb, while distillate components abated this build as light distillates dropped by 0.9 mb, while middle distillates fell by 2.5 mb. At 22.6 mb, fuel oil stocks rose to their highest level since August 2010 but remained at 1.8 mb, or 7.3%, below a year ago at the same time. This build could be attributed to higher Western arbitrage arrivals, totaling around 4.5 million tonnes. Middle distillate stocks were down to 10.7 mb and stood at their lowest level in over a year. At this level, middle distillate stocks last month reversed the surplus with a year ago to a deficit of 2.8 mb, or 20%. This drop was due to higher exports to India, Australia and Indonesia. Lower imports, especially from China and Japan also contributed to this decline. China's refineries are reducing diesel exports in an effort to meet increasing domestic demand. Light distillate inventories also declined to end the month at 11.1 mb, remaining slightly below a year ago at the same period. The fall in stocks was partly attributed to reduced gasoline exports to China. Inventories in the coming months could fall further as India and South Korea could redirect their imports to the US due to expected higher demand.

Product stocks in ARA fell in April, reversing the build seen last month

Product stocks in ARA in April reversed the build incurred last month and declined by 0.8 mb to end the month at 39.3 mb. At this level, they are still 0.4 mb, or 1.0%, above a year ago at the same time. Within products, the picture was mixed. Fuel oil and gasoil saw a build, while gasoline, jet oil and naphtha indicated a drop. Gasoline stocks went down 0.9 mb to 6.4 mb, representing a 2.3 mb, or 26%, deficit with a year ago. However, during the week ending 28 April, gasoline stocks rose as many cargoes that were in floating storage in the North Sea have been moved into ARA tanks. Jet fuel stocks fell 0.6 mb to 5.1 mb and stood at 1.1 mb, or 18%, below a year ago at the same period. The drop in imports from the Middle East and India was behind this stock draw. In contrast, fuel oil stocks rose 0.3 mb to 5.4 mb, for the second consecutive month, but still remained 0.7 mb, or 11.6%, below a year earlier. The build in fuel oil stocks could be attributed to higher imports, especially from the United Arab Emirates, which outpaced exports. However, the weakness in regional fundamentals is likely to pressure absolute prices enough to re-open an arbitrage window to Asia and prevent a continued build in ARA fuel oil stocks. Gasoil stocks also rose by 0.5 mb to 22.0 mb, representing a surplus of 4.6 mb, or 27%, with a year earlier at the same period.

Balance of Supply and Demand

Required OPEC crude for 2010 estimated at 29.6 mb/d, 0.4 mb/d higher than the previous year

Estimate for 2010

Demand for OPEC crude for 2010 has been revised up by 0.1 mb/d to currently stand at 29.6 mb/d. This revision reflects mainly the upward adjustment in world oil demand as non-OPEC supply and OPEC NGLs remained almost unchanged. All quarters saw an upward revision with the bulk of the adjustment occurring in the first quarter, which was up by 0.2 mb/d, reflecting the revision of the base line. With this adjustment, the demand for OPEC crude stood at 0.4 mb/d above 2009. The 1Q10 is still showing a drop of 0.7 mb/d, while 2Q10 is estimated to see slight growth of 0.3 mb/d. 3Q10 is estimated to see positive growth of 1.4 mb/d, while 4Q10 is seen to show growth of 0.6 mb/d, compared to the same period in the previous year.

Table 10.1: Summarized supply/demand balance for 2010, mb/d

	2009	1Q10	2Q10	3Q10	4Q10	2010
(a) World oil demand	**84.69**	**85.49**	**85.60**	**87.83**	**88.10**	**86.77**
Non-OPEC supply	51.14	52.12	52.11	51.93	52.87	52.26
OPEC NGLs and non-conventionals	4.35	4.66	4.81	5.15	5.00	4.90
(b) Total supply excluding OPEC crude	**55.49**	**56.77**	**56.91**	**57.08**	**57.86**	**57.16**
Difference (a-b)	**29.20**	**28.71**	**28.69**	**30.75**	**30.23**	**29.60**
OPEC crude oil production	28.71	29.12	29.12	29.30	29.34	29.22
Balance	-0.49	0.41	0.43	-1.45	-0.90	-0.38

Totals may not add up due to independent rounding

Demand for OPEC crude in 2011 forecast at 29.9 mb/d, up 0.3 mb/d from a year ago

Forecast for 2011

The demand for OPEC crude is projected to average 29.9 mb/d, a slight change from the previous report. Within the quarters, the first quarter experienced an upward revision of 140 tb/d, while the other quarters remained almost unchanged. Required OPEC crude is forecast to increase by 0.3 mb/d over last year. The first quarter is estimated to see the bulk of growth, increasing by 0.7 mb/d, while the second and third quarters are forecast to see less growth of 0.1 mb/d and 0.2 mb/d, respectively. 4Q11 is expected to see an increase of 0.3 mb/d compared to a year ago at the same time.

Table 10.2: Summarized supply/demand balance for 2011, mb/d

	2010	1Q11	2Q11	3Q11	4Q11	2011
(a) World oil demand	**86.77**	**87.36**	**86.79**	**89.07**	**89.31**	**88.14**
Non-OPEC supply	52.26	52.81	52.71	52.78	53.37	52.92
OPEC NGLs and non-conventionals	4.90	5.11	5.28	5.39	5.44	5.30
(b) Total supply excluding OPEC crude	**57.16**	**57.92**	**57.98**	**58.16**	**58.80**	**58.22**
Difference (a-b)	**29.60**	**29.44**	**28.81**	**30.91**	**30.50**	**29.92**
OPEC crude oil production	29.22	29.58				
Balance	-0.38	0.14				

Totals may not add up due to independent rounding

Graph 10.1: Balance of supply and demand

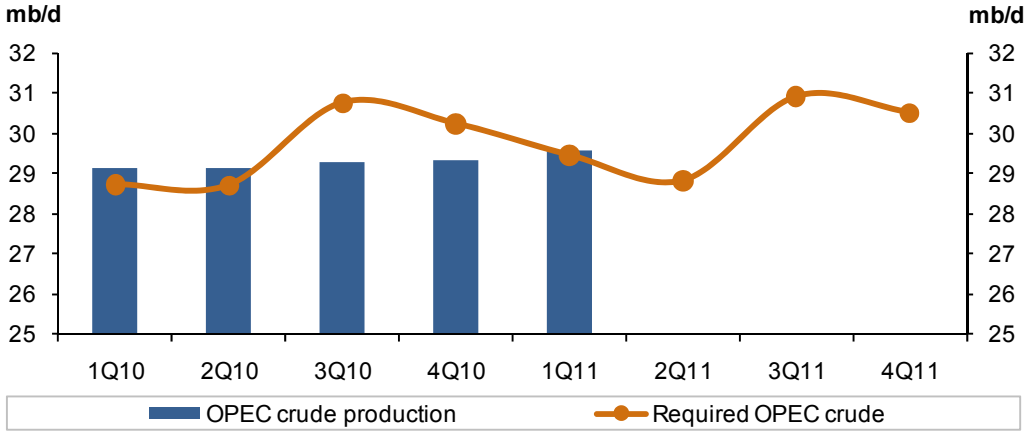


Table 10.3: World oil demand/supply balance, mb/d

	2005	2006	2007	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
World demand															
OECD	49.9	49.6	49.3	47.6	45.6	45.9	45.2	46.7	46.8	46.1	46.4	45.1	46.7	46.9	46.3
North America	25.6	25.4	25.5	24.2	23.3	23.6	23.8	24.3	24.0	23.9	23.9	23.9	24.4	24.3	24.1
Western Europe	15.7	15.7	15.4	15.3	14.7	14.2	14.1	14.8	14.7	14.5	14.2	14.0	14.7	14.6	14.4
Pacific	8.6	8.5	8.4	8.0	7.7	8.2	7.3	7.6	8.0	7.8	8.3	7.2	7.5	8.0	7.7
DCs	22.8	23.6	24.7	25.5	26.1	26.5	26.8	27.0	27.1	26.8	27.1	27.4	27.6	27.7	27.4
FSU	3.9	4.0	4.0	4.1	4.0	4.0	3.9	4.3	4.4	4.1	4.1	3.9	4.4	4.5	4.2
Other Europe	0.8	0.9	0.8	0.8	0.7	0.7	0.6	0.7	0.8	0.7	0.7	0.6	0.7	0.7	0.7
China	6.7	7.2	7.6	8.0	8.3	8.4	9.1	9.2	9.1	9.0	9.1	9.8	9.8	9.6	9.6
(a) Total world demand	84.1	85.2	86.4	85.9	84.7	85.5	85.6	87.8	88.1	86.8	87.4	86.8	89.1	89.3	88.1
Non-OPEC supply															
OECD	20.4	20.1	20.0	19.5	19.7	20.0	19.9	19.5	20.3	19.9	20.1	19.9	19.8	20.1	20.0
North America	14.1	14.2	14.3	13.9	14.4	14.7	14.9	14.9	15.3	15.0	15.2	15.2	15.1	15.3	15.2
Western Europe	5.7	5.3	5.2	4.9	4.7	4.7	4.4	4.0	4.4	4.4	4.3	4.2	4.1	4.2	4.2
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.6
DCs	11.9	11.9	11.9	12.2	12.5	12.7	12.7	12.8	12.8	12.7	12.9	13.0	13.2	13.4	13.1
FSU	11.5	12.0	12.5	12.6	13.0	13.2	13.2	13.2	13.3	13.2	13.3	13.4	13.3	13.4	13.4
Other Europe	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.6	3.7	3.8	3.8	3.9	4.0	4.1	4.2	4.2	4.1	4.2	4.2	4.2	4.3	4.2
Processing gains	1.9	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Total non-OPEC supply	49.6	49.9	50.4	50.3	51.1	52.1	52.1	51.9	52.9	52.3	52.8	52.7	52.8	53.4	52.9
OPEC NGLs + non-conventional oils	3.9	3.9	3.9	4.1	4.3	4.7	4.8	5.2	5.0	4.9	5.1	5.3	5.4	5.4	5.3
(b) Total non-OPEC supply and OPEC NGLs	53.4	53.8	54.4	54.4	55.5	56.8	56.9	57.1	57.9	57.2	57.9	58.0	58.2	58.8	58.2
OPEC crude oil production (secondary sources)	30.7	30.5	30.2	31.2	28.7	29.1	29.1	29.3	29.3	29.2	29.6				
Total supply	84.1	84.3	84.5	85.6	84.2	85.9	86.0	86.4	87.2	86.4	87.5				
Balance (stock change and miscellaneous)	0.0	-0.9	-1.9	-0.3	-0.5	0.4	0.4	-1.5	-0.9	-0.4	0.1				
OECD closing stock levels (mb)															
Commercial	2576	2656	2555	2679	2641	2658	2751	2735	2654	2654	2643				
SPR	1487	1499	1524	1527	1564	1567	1562	1549	1561	1561	1558				
Total	4063	4154	4079	4206	4205	4225	4313	4285	4215	4215	4201				
Oil-on-water	954	919	948	969	919	919	897	926	871	871	891				
Days of forward consumption in OECD															
Commercial onland stocks	52	54	54	59	57	59	59	59	57	57	59				
SPR	30	30	32	33	34	35	33	33	34	34	35				
Total	82	84	86	92	91	93	92	92	91	91	93				
Memo items															
FSU net exports	7.7	8.0	8.5	8.5	9.0	9.1	9.3	8.9	8.9	9.1	9.2	9.4	9.0	9.0	9.1
(a) - (b)	30.7	31.4	32.0	31.5	29.2	28.7	28.7	30.8	30.2	29.6	29.4	28.8	30.9	30.5	29.9

Note: Totals may not add up due to independent rounding

Table 10.4: World oil demand/supply balance: changes from last month's table* , mb/d

	2005	2006	2007	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
World demand															
OECD	-	-	-	-	0.1	0.1	-	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	0.1	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	0.1	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-
(a) Total world demand	-	-	-	-	0.1	0.2	-	-	0.1	0.1	0.1	-	0.1	0.1	0.1
World demand growth	***-0.11***	***-0.02***	***-0.02***	***0.05***	***0.12***	***0.08***	***-0.07***	***-0.05***	***-0.06***	***-0.02***	***-0.13***	***-0.06***	***0.07***	***-0.01***	***-0.03***
Non-OPEC supply															
OECD	-	-	-	-	-	-	-	-	-	-	-0.1	0.1	0.1	-	-
North America	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-0.1	-	0.1	-	-
Total non-OPEC supply growth	***0.02***	***-***	***-***	***-***	***-***	***-***	***-***	***-***	***-***	***-***	***-0.06***	***0.02***	***0.07***	***0.02***	***0.01***
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	-	-	-0.1	-	0.1	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-0.1	-	-	-	-	-				
Total supply	-	-	-	-	-	-0.1	-	-	-	-	-0.1				
Balance (stock change and miscellaneous)	-	-	-	-	-0.1	-0.3	-	-	-0.1	-0.1	-0.2				
OECD closing stock levels (*mb*)															
Commercial	-10	-12	-18	-19	-23	-23	-21	-10	-9	-9	-				
SPR	-	-	-	-	-	-	-	-	-	-	-				
Total	-10	-12	-18	-19	-23	-23	-21	-10	-9	-9	-				
Oil-on-water	-	-	-	-	-	25	-	-	-	-	-				
Days of forward consumption in OECD															
Commercial onland stocks	-	-	-	-0.6	-	-	-	-	-	-	-				
SPR	-	-	-	-	-	-	-	-	-	-	-				
Total	-	-	-	-0.7	-1	-	-	-	-	-	-				
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
(a) - (b)	-	-	-	-	0.1	0.2	-	-	0.1	0.1	0.1	-	-	-	-

** This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the May 2011 issue*
This table shows only where changes have occurred

Table 10.5: OECD oil stocks and oil on water at the end of perioc

	2003	2004	2005	2006	2007	2008	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11
Closing stock levels *mb*																							
OECD onland commercial	2,507	2,532	2,576	2,656	2,555	2,679	2,582	2,643	2,629	2,555	2,553	2,585	2,642	2,679	2,732	2,745	2,763	2,641	2,658	2,751	2,735	2,654	2,643
North America	1,157	1,187	1,247	1,264	1,211	1,282	1,219	1,275	1,268	1,211	1,198	1,222	1,259	1,282	1,333	1,368	1,373	1,286	1,298	1,365	1,388	1,317	1,288
Western Europe	915	915	935	963	937	991	944	940	929	937	961	954	952	991	991	976	971	972	974	981	946	947	959
OECD Pacific	435	430	394	429	407	407	420	428	432	407	394	409	431	407	408	401	419	383	386	405	402	390	396
OECD SPR	1,411	1,450	1,487	1,499	1,524	1,527	1,507	1,506	1,520	1,524	1,529	1,526	1,522	1,527	1,547	1,561	1,564	1,564	1,567	1,562	1,549	1,561	1,558
North America	640	678	687	691	699	704	691	692	695	699	702	708	704	704	715	726	727	729	729	729	728	729	727
Western Europe	374	377	407	412	421	416	415	413	423	421	423	414	414	416	424	427	429	426	429	422	419	423	421
OECD Pacific	396	396	393	396	404	406	401	401	403	404	404	404	403	406	408	408	408	409	409	411	402	410	410
OECD total	**3,918**	**3,982**	**4,063**	**4,154**	**4,079**	**4,206**	**4,090**	**4,150**	**4,149**	**4,079**	**4,083**	**4,111**	**4,164**	**4,206**	**4,279**	**4,306**	**4,327**	**4,205**	**4,225**	**4,313**	**4,285**	**4,215**	**4,201**
Oil-on-water	882	905	954	919	948	969	916	891	917	948	935	925	885	969	899	899	869	919	919	897	926	871	891
Days of forward consumption in OECD																							
OECD onland commercial	51	51	52	54	54	59	53	54	53	52	54	55	56	57	61	61	60	57	59	59	59	57	59
North America	45	46	49	50	50	55	48	50	50	49	49	52	53	55	58	59	58	55	55	56	58	55	54
Western Europe	59	58	60	62	61	68	63	60	59	61	64	61	62	66	69	67	66	69	69	66	64	67	68
OECD Pacific	51	50	47	51	51	53	53	54	49	46	50	54	54	50	56	55	52	47	53	53	50	47	55
OECD SPR	28	29	30	30	32	33	31	31	30	31	32	33	32	33	35	35	34	34	35	33	33	34	35
North America	25	26	27	27	29	30	27	27	27	28	29	30	29	30	31	31	31	31	31	30	30	30	30
Western Europe	24	24	26	27	27	28	28	27	27	27	28	27	27	28	29	29	29	30	30	29	29	30	30
OECD Pacific	46	46	46	47	50	53	51	51	46	45	52	54	51	50	56	56	51	50	56	54	50	50	57
OECD total	**79**	**80**	**82**	**84**	**86**	**92**	**85**	**85**	**83**	**83**	**86**	**88**	**88**	**90**	**96**	**95**	**94**	**92**	**93**	**92**	**92**	**91**	**93**

n.a. not available

Table 10.6: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2005	2006	2007	2008	Change 08/07	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10
US	7.34	7.36	7.47	7.50	0.03	7.84	8.08	8.29	8.36	8.14	0.64	8.44	8.52	8.60	8.84	8.60	0.46	8.69	8.75	8.72	8.74	8.72	0.12
Canada	3.03	3.20	3.31	3.27	-0.04	3.33	3.14	3.24	3.28	3.25	-0.02	3.28	3.37	3.38	3.54	3.39	0.15	3.56	3.48	3.51	3.60	3.53	0.14
Mexico	3.77	3.69	3.49	3.17	-0.31	3.04	2.97	2.94	2.96	2.98	-0.19	2.99	2.97	2.95	2.93	2.96	-0.02	2.97	2.94	2.90	2.92	2.93	-0.03
North America	**14.14**	**14.24**	**14.26**	**13.94**	**-0.33**	**14.22**	**14.19**	**14.47**	**14.60**	**14.37**	**0.43**	**14.72**	**14.86**	**14.92**	**15.31**	**14.96**	**0.59**	**15.22**	**15.16**	**15.13**	**15.25**	**15.19**	**0.24**
Norway	2.97	2.78	2.56	2.47	-0.09	2.53	2.21	2.29	2.39	2.36	-0.11	2.33	2.12	1.93	2.17	2.13	-0.22	2.14	1.96	1.95	2.05	2.02	-0.11
UK	1.89	1.71	1.69	1.57	-0.12	1.63	1.57	1.27	1.46	1.48	-0.09	1.51	1.40	1.20	1.35	1.37	-0.11	1.29	1.31	1.28	1.32	1.30	-0.07
Denmark	0.38	0.34	0.31	0.28	-0.03	0.28	0.27	0.27	0.24	0.26	-0.02	0.25	0.25	0.23	0.26	0.25	-0.02	0.23	0.23	0.21	0.22	0.22	-0.02
Other Western Europe	0.49	0.51	0.62	0.62	0.00	0.62	0.62	0.64	0.63	0.63	0.01	0.62	0.64	0.65	0.63	0.64	0.01	0.67	0.65	0.65	0.65	0.66	0.02
Western Europe	**5.72**	**5.34**	**5.17**	**4.94**	**-0.23**	**5.07**	**4.67**	**4.47**	**4.72**	**4.73**	**-0.21**	**4.71**	**4.41**	**4.02**	**4.41**	**4.39**	**-0.34**	**4.33**	**4.15**	**4.09**	**4.24**	**4.20**	**-0.18**
Australia	0.53	0.51	0.53	0.53	0.01	0.55	0.53	0.55	0.53	0.54	0.01	0.52	0.50	0.50	0.48	0.50	-0.04	0.42	0.50	0.51	0.50	0.49	-0.02
Other Pacific	0.05	0.05	0.08	0.10	0.02	0.09	0.09	0.10	0.10	0.10	0.00	0.10	0.10	0.10	0.09	0.10	0.00	0.10	0.09	0.09	0.08	0.09	-0.01
OECD Pacific	**0.58**	**0.56**	**0.60**	**0.63**	**0.03**	**0.64**	**0.62**	**0.65**	**0.63**	**0.64**	**0.01**	**0.62**	**0.60**	**0.60**	**0.57**	**0.60**	**-0.04**	**0.52**	**0.60**	**0.60**	**0.58**	**0.58**	**-0.02**
Total OECD	**20.44**	**20.14**	**20.04**	**19.51**	**-0.53**	**19.92**	**19.48**	**19.59**	**19.95**	**19.73**	**0.23**	**20.05**	**19.87**	**19.54**	**20.30**	**19.94**	**0.21**	**20.07**	**19.91**	**19.81**	**20.08**	**19.97**	**0.03**
Brunei	0.21	0.22	0.19	0.17	-0.01	0.17	0.15	0.16	0.19	0.17	0.00	0.18	0.16	0.17	0.18	0.17	0.01	0.18	0.18	0.17	0.17	0.18	0.00
India	0.76	0.78	0.80	0.80	0.00	0.78	0.78	0.79	0.80	0.79	-0.01	0.82	0.83	0.87	0.90	0.85	0.07	0.91	0.89	0.92	0.93	0.91	0.06
Indonesia	1.12	1.07	1.02	1.05	0.02	1.03	1.02	1.02	1.03	1.03	-0.02	1.03	1.05	1.03	1.01	1.03	0.00	1.00	0.99	0.98	0.97	0.99	-0.04
Malaysia	0.77	0.76	0.76	0.76	0.00	0.74	0.72	0.73	0.71	0.73	-0.03	0.72	0.70	0.69	0.70	0.70	-0.02	0.69	0.67	0.66	0.66	0.67	-0.03
Thailand	0.29	0.32	0.33	0.36	0.02	0.37	0.37	0.36	0.37	0.37	0.01	0.35	0.35	0.36	0.33	0.35	-0.02	0.34	0.34	0.34	0.34	0.34	-0.01
Vietnam	0.39	0.37	0.35	0.33	-0.01	0.40	0.39	0.37	0.33	0.37	0.04	0.35	0.35	0.36	0.37	0.36	-0.02	0.35	0.35	0.38	0.40	0.37	0.01
Asia others	0.26	0.26	0.26	0.26	0.00	0.25	0.26	0.25	0.25	0.25	-0.01	0.22	0.24	0.24	0.23	0.23	-0.02	0.23	0.25	0.25	0.26	0.25	0.01
Other Asia	**3.79**	**3.78**	**3.70**	**3.73**	**0.02**	**3.74**	**3.70**	**3.68**	**3.69**	**3.70**	**-0.03**	**3.67**	**3.67**	**3.72**	**3.71**	**3.69**	**-0.01**	**3.70**	**3.67**	**3.71**	**3.73**	**3.70**	**0.01**
Argentina	0.78	0.77	0.77	0.78	0.01	0.78	0.77	0.74	0.76	0.76	-0.02	0.76	0.76	0.76	0.71	0.75	-0.01	0.76	0.73	0.73	0.73	0.74	-0.01
Brazil	1.98	2.11	2.22	2.38	0.16	2.47	2.49	2.51	2.55	2.51	0.12	2.61	2.67	2.65	2.70	2.66	0.15	2.72	2.84	2.87	2.96	2.85	0.19
Colombia	0.53	0.54	0.54	0.60	0.06	0.65	0.67	0.68	0.73	0.68	0.09	0.77	0.79	0.80	0.83	0.80	0.11	0.87	0.89	0.92	0.94	0.91	0.11
Trinidad & Tobago	0.18	0.18	0.16	0.16	-0.01	0.15	0.15	0.15	0.15	0.15	0.00	0.15	0.15	0.15	0.13	0.15	0.00	0.14	0.14	0.14	0.14	0.14	-0.01
L. America others	0.30	0.26	0.28	0.28	0.01	0.31	0.29	0.31	0.30	0.30	0.02	0.31	0.31	0.32	0.32	0.32	0.01	0.31	0.32	0.33	0.34	0.33	0.01
Latin America	**3.77**	**3.87**	**3.97**	**4.20**	**0.23**	**4.36**	**4.38**	**4.39**	**4.50**	**4.40**	**0.20**	**4.61**	**4.68**	**4.68**	**4.69**	**4.66**	**0.26**	**4.80**	**4.92**	**4.98**	**5.11**	**4.95**	**0.29**
Bahrain	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.22	0.22	0.22	0.22	0.22	0.01
Oman	0.78	0.75	0.71	0.76	0.05	0.79	0.80	0.83	0.83	0.81	0.06	0.86	0.86	0.87	0.88	0.87	0.05	0.89	0.91	0.93	0.94	0.92	0.05
Syria	0.45	0.44	0.42	0.41	0.00	0.41	0.41	0.41	0.41	0.41	0.00	0.42	0.43	0.42	0.42	0.42	0.01	0.42	0.40	0.39	0.39	0.40	-0.02
Yemen	0.41	0.37	0.33	0.30	-0.03	0.31	0.31	0.31	0.31	0.31	0.01	0.31	0.29	0.29	0.28	0.29	-0.02	0.27	0.21	0.23	0.23	0.24	-0.06
Middle East	**1.85**	**1.76**	**1.66**	**1.68**	**0.02**	**1.71**	**1.73**	**1.76**	**1.76**	**1.74**	**0.06**	**1.79**	**1.78**	**1.78**	**1.79**	**1.78**	**0.04**	**1.80**	**1.73**	**1.77**	**1.78**	**1.77**	**-0.02**
Chad	0.18	0.15	0.15	0.15	0.00	0.14	0.14	0.14	0.14	0.14	-0.01	0.15	0.15	0.15	0.15	0.15	0.01	0.14	0.14	0.14	0.14	0.14	0.00
Congo	0.24	0.25	0.24	0.26	0.02	0.27	0.27	0.27	0.29	0.27	0.02	0.30	0.30	0.30	0.30	0.30	0.02	0.29	0.31	0.31	0.32	0.31	0.01
Egypt	0.70	0.66	0.66	0.69	0.04	0.72	0.72	0.69	0.71	0.71	0.01	0.71	0.72	0.73	0.73	0.72	0.01	0.72	0.73	0.72	0.71	0.72	0.00
Equatorial Guinea	0.36	0.37	0.37	0.38	0.01	0.37	0.36	0.35	0.34	0.36	-0.02	0.33	0.33	0.32	0.31	0.32	-0.03	0.31	0.31	0.30	0.30	0.30	-0.02
Gabon	0.25	0.25	0.25	0.24	-0.01	0.23	0.23	0.24	0.25	0.24	0.00	0.25	0.23	0.25	0.25	0.25	0.01	0.26	0.25	0.26	0.26	0.26	0.01
South Africa	0.19	0.19	0.18	0.18	0.00	0.18	0.18	0.17	0.16	0.17	-0.01	0.18	0.18	0.18	0.18	0.18	0.01	0.18	0.18	0.18	0.18	0.18	0.00
Sudan	0.29	0.36	0.48	0.46	-0.03	0.44	0.49	0.49	0.48	0.48	0.02	0.46	0.46	0.47	0.46	0.46	-0.01	0.46	0.44	0.45	0.44	0.45	-0.01
Africa other	0.23	0.29	0.28	0.27	-0.01	0.26	0.26	0.25	0.25	0.25	-0.01	0.24	0.23	0.23	0.22	0.23	-0.02	0.27	0.29	0.34	0.39	0.32	0.09
Africa	**2.45**	**2.51**	**2.60**	**2.62**	**0.02**	**2.61**	**2.63**	**2.61**	**2.61**	**2.61**	**-0.01**	**2.61**	**2.59**	**2.62**	**2.59**	**2.60**	**-0.01**	**2.64**	**2.65**	**2.70**	**2.74**	**2.68**	**0.08**
Total DCs	**11.86**	**11.92**	**11.94**	**12.23**	**0.29**	**12.41**	**12.43**	**12.43**	**12.55**	**12.46**	**0.23**	**12.67**	**12.73**	**12.79**	**12.79**	**12.74**	**0.29**	**12.93**	**12.96**	**13.16**	**13.35**	**13.10**	**0.36**
FSU	**11.55**	**12.02**	**12.53**	**12.60**	**0.06**	**12.67**	**12.93**	**13.05**	**13.16**	**12.96**	**0.36**	**13.16**	**13.20**	**13.21**	**13.33**	**13.22**	**0.27**	**13.34**	**13.37**	**13.33**	**13.42**	**13.37**	**0.14**
Russia	9.44	9.65	9.87	9.78	-0.08	9.78	9.87	9.97	10.07	9.92	0.14	10.09	10.12	10.13	10.22	10.14	0.22	10.21	10.20	10.16	10.18	10.19	0.05
Kazakhstan	1.23	1.30	1.35	1.41	0.06	1.48	1.51	1.54	1.61	1.54	0.12	1.61	1.56	1.57	1.65	1.60	0.06	1.66	1.65	1.65	1.71	1.67	0.07
Azerbaijan	0.44	0.65	0.87	0.94	0.07	0.97	1.11	1.09	1.06	1.06	0.12	1.05	1.10	1.10	1.03	1.07	0.01	1.03	1.09	1.10	1.11	1.08	0.01
FSU others	0.44	0.42	0.44	0.46	0.01	0.45	0.44	0.44	0.42	0.44	-0.02	0.42	0.42	0.41	0.42	0.42	-0.02	0.44	0.43	0.43	0.43	0.43	0.02
Other Europe	0.16	0.15	0.15	0.15	-0.01	0.14	0.13	0.14	0.14	0.14	-0.01	0.14	0.14	0.14	0.13	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00
China	3.64	3.69	3.77	3.84	0.07	3.79	3.86	3.89	3.87	3.85	0.01	4.03	4.10	4.18	4.25	4.14	0.29	4.22	4.21	4.23	4.26	4.23	0.09
Non-OPEC production	**47.64**	**47.93**	**48.43**	**48.31**	**-0.12**	**48.94**	**48.83**	**49.10**	**49.66**	**49.14**	**0.82**	**50.04**	**50.03**	**49.85**	**50.79**	**50.18**	**1.04**	**50.70**	**50.60**	**50.67**	**51.26**	**50.81**	**0.63**
Processing gains	1.91	1.96	1.99	1.97	-0.02	2.00	2.00	2.00	2.00	2.00	0.03	2.08	2.08	2.08	2.08	2.08	0.08	2.11	2.11	2.11	2.11	2.11	0.03
Non-OPEC supply	**49.55**	**49.89**	**50.42**	**50.28**	**-0.14**	**50.94**	**50.83**	**51.10**	**51.66**	**51.14**	**0.85**	**52.12**	**52.11**	**51.93**	**52.87**	**52.26**	**1.12**	**52.81**	**52.71**	**52.78**	**53.37**	**52.92**	**0.66**
OPEC NGL	3.74	3.76	3.86	4.04	0.18	3.99	4.19	4.41	4.37	4.24	0.21	4.55	4.70	5.04	4.89	4.79	0.55	4.98	5.11	5.20	5.25	5.13	0.34
OPEC Non-conventional	0.16	0.14	0.09	0.11	0.02	0.11	0.11	0.11	0.11	0.11	0.00	0.11	0.11	0.11	0.11	0.11	0.00	0.13	0.17	0.19	0.19	0.17	0.06
OPEC (NGL+NCF)	**3.89**	**3.89**	**3.95**	**4.14**	**0.19**	**4.10**	**4.30**	**4.52**	**4.48**	**4.35**	**0.21**	**4.66**	**4.81**	**5.15**	**5.00**	**4.90**	**0.55**	**5.11**	**5.28**	**5.39**	**5.44**	**5.30**	**0.40**
Non-OPEC & OPEC (NGL+NCF)	**53.44**	**53.78**	**54.37**	**54.42**	**0.05**	**55.04**	**55.13**	**55.61**	**56.14**	**55.49**	**1.06**	**56.77**	**56.91**	**57.08**	**57.86**	**57.16**	**1.67**	**57.92**	**57.98**	**58.16**	**58.80**	**58.22**	**1.06**

Note: Totals may not add up due to independent rounding. Indonesia has been included in non-OPEC supply for purpose of comparison

Table 10.7: World Rig Count

	2005	2006	Change 06/05	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09	1Q11	Apr 11	May 11	May/Apr
US	1,381	1,647	267	1,767	119	1,770	1,864	1,978	1,898	1,877	111	1,326	936	956	1,108	1,081	-796	1,345	1508	1622	1687	1541	459	1717	1789	1836	47
Canada	458	470	12	344	-126	507	169	432	408	379	35	328	91	177	277	218	-161	470	166	364	389	347	129	587	184	144	-40
Mexico	107	83	-24	92	9	96	106	103	106	103	11	128	128	135	123	128	26	118	106	84	80	97	-31	83	80	85	5
North America	1,945	2,200	255	2,202	2	2,373	2,139	2,513	2,411	2,359	157	1,782	1,154	1,267	1,508	1,428	-931	1,933	1780	2070	2156	1985	557	2386	2053	2065	12
Norway	17	17	0	18	1	17	21	21	21	20	2	25	18	18	20	20	0	21	18	13	20	18	-2	21	18	17	-1
UK	21	27	5	26	-1	19	21	24	24	22	-4	22	19	16	15	18	-4	15	20	21	21	19	1	18	18	20	2
Western Europe	70	77	7	78	0	91	97	101	103	98	20	90	82	76	85	83	-15	87	96	92	100	94	11	118	112	110	-2
OECD Pacific	25	26	2	29	2	32	39	39	34	36	7	27	25	26	23	25	-11	22	18	23	22	21	-4	17	17	15	-2
Total OECD	2,078	2,347	269	2,352	4	2,532	2,317	2,698	2,593	2,535	183	1,945	1,299	1,368	1,616	1,557	-978	2,042	1893	2185	2278	2100	543	2521	2182	2190	8
Other Asia	200	202	2	212	10	213	220	218	212	216	4	212	212	213	233	217	1	235	249	253	255	248	31	257	237	240	3
Latin America	129	149	19	175	27	187	184	195	197	191	16	164	147	149	169	157	-34	183	203	220	213	205	48	222	218	230	12
Middle East	131	132	1	149	18	158	165	175	171	167	18	162	151	139	147	150	-18	152	150	163	159	156	6	163	157	163	6
Africa	8	10	2	14	4	10	13	14	11	12	-2	8	11	9	12	10	-2	20	19	19	18	19	9	22	23	28	5
Total DCs	468	493	25	551	58	569	583	602	591	586	36	546	520	510	561	534	-52	589	621	655	645	628	93	663	635	661	26
Non-OPEC Rig Count	2,546	2,840	294	2,903	62	3,101	2,900	3,300	3,183	3,121	219	2,491	1,819	1,878	2,177	2,091	-1,030	2,632	2514	2840	2924	2727	636	3184	2817	2851	34
Algeria	21	24	4	27	2	26	27	24	26	26	-1	24	30	27	27	27	1	23	28	24	24	25	-2	29	32	35	3
Angola	3	4	1	4	1	5	6	5	5	5	1	5	3	3	4	4	-1	10	8	9	9	9	5	7	4	6	2
Ecuador	12	11	0	11	-1	7	9	12	13	10	-1	10	10	10	10	10	0	11	11	11	11	11	1	11	11	14	3
Iran	40	44	4	50	6	50	50	50	51	50	0	51	52	52	52	52	2	52	52	52	52	52	0	52	52	52	0
Iraq	0	0	0	0	0	29	29	29	29	29	29	36	36	36	36	36	7	36	36	36	36	36	0	36	36	36	0
Kuwait	12	14	1	12	-1	12	11	12	12	12	0	12	11	14	13	13	0	19	18	21	23	20	8	30	36	31	-5
Libya	9	10	1	13	3	14	15	15	15	15	2	15	13	14	15	14	-1	17	17	14	15	16	1	10	0	0	0
Nigeria	9	10	1	8	-1	9	8	6	6	7	-1	7	6	6	7	6	-1	11	13	18	17	15	8	14	13	13	0
Qatar	12	11	-1	13	2	11	12	11	11	11	-1	9	9	9	9	9	-2	8	8	9	9	9	0	10	7	9	2
Saudi Arabia	37	65	28	77	11	78	77	76	76	77	0	72	67	67	66	68	-9	68	67	67	65	67	-1	62	68	67	-1
UAE	16	16	0	15	-2	12	12	13	12	12	-2	13	12	13	12	12	0	13	13	13	13	13	1	17	19	22	3
Venezuela	68	81	13	76	-5	82	81	77	81	80	4	69	64	54	54	60	-20	66	64	70	80	70	10	94	93	81	-12
OPEC Rig Count	238	290	51	305	16	336	337	330	336	335	29	322	314	302	305	311	-24	334	335	344	355	342	31	372	371	366	-5
Worldwide Rig Count*	2,785	3,130	345	3,208	78	3,438	3,237	3,630	3,519	3,456	248	2,813	2,133	2,180	2,483	2,402	-1,054	2,965	2849	3184	3278	3069	667	3556	3188	3217	29
of which:																											
Oil	980	1,124	144	1,242	119	1,408	1,351	1,479	1490	1432	190	1283	1069	1182	1356	1,222	-210	1,590	1534	1783	1896	1701	479	2191	1946	1985	39
Gas	1,746	1,947	201	1,903	-44	1,969	1,814	2,070	1948	1950	47	1450	993	965	1092	1,125	-825	1,333	1276	1356	1337	1325	200	1319	1196	1184	-12
Others	21	17	-4	20	4	26	32	36	37	33	12	35	35	34	37	35	3	43	40	42	46	43	8	48	48	50	2

*/ *Excludes China and FSU*
na: Not available
Note: Totals may not add up due to independent rounding
Source: Baker Hughes International & Secretariat's Estimates

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Data Summary

June 2011

OPEC Basket average price

US$ per barrel

⬇ *down $8.15 in May*	***May 2011***	***109.94***
	April 2011	*118.09*
	Year-to-date	*106.24*

May OPEC production

in million barrels per day, according to secondary sources

⬆ *up 0.17 in May*	***May 2011***	***28.97***
	April 2011	*28.80*

World economy

The global growth expectation for 2011 has been maintained at 3.9%, while the risk to the expansion has increased. The US and the Euro-zone's forecast remain unchanged at 2.6% and 1.7% respectively. Japanese growth expectations have been revised down to minus 0.5% from 0.1%. GDP growth in China and India remains unchanged at 9.0% and 8.1% respectively.

Supply and demand

in million barrels per day

2010		*09/10*
World demand	*86.8*	***2.1***
Non-OPEC supply	*52.3*	***1.1***
OPEC NGLs	*4.9*	***0.6***
Difference	***29.6***	***0.4***

2011		*10/11*
World demand	*88.1*	***1.4***
Non-OPEC supply	*52.9*	***0.7***
OPEC NGLs	*5.3*	***0.4***
Difference	***29.9***	***0.3***

Totals may not add due to independent rounding

Stocks

US commercial inventories reversed the downward trend and rose 20.4 mb in May, with both products and crude increasing by 13.1 mb and 7.3 mb respectively. With this build, US commercial oil inventories stood at 12.5 mb above the historical average. The most recent data for April shows that commercial oil inventories in Japan rose strongly by 18.2 mb.

Issued 10 June 2011
Next report to be issued on 12July 2011
Data covered up to the end of May 2011 unless otherwise stated.