OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:
Global oil supply developments

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Oil Market Highlights

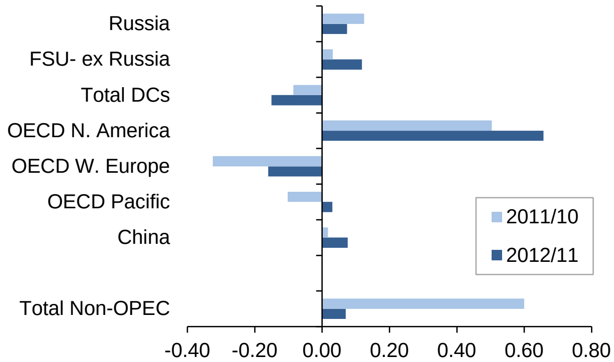
- After three consecutive monthly gains, the **OPEC Reference Basket** declined in April to settle at \$118.18/b, representing a drop of \$4.79 or 3.9%. Prices remain elevated by the risk premium associated with ongoing geopolitical factors. The decline in the value of the Basket came with the start of the first month of the typically low demand season in the second quarter. Crude prices shifted into contango for the first time in over a year amid higher supplies and weak consumption. The decline in crude oil prices occurred as refined product prices came down from the peak levels seen in previous months. Moreover, rising global supply contributed to an increase in inventories, preventing prices from moving higher. On 9 May, the OPEC Reference Basket stood at \$109.85/b.
- **World economic growth** expectations for 2012 remain unchanged at 3.3%. The US continues to enjoy solid momentum, with the growth forecast revised up by 0.1 pp to 2.3%. In contrast, the Euro-zone continues to weaken and is now expected to contract by 0.4%, compared to the minus 0.3% forecast in the previous month. The growth forecast for Japan remains unchanged at 1.8%. With these offsetting revisions in the OECD, growth in the export-led emerging economies is also unchanged. India is expected to expand by 6.9% in 2012, while China is projected to grow at a solid 8.2%. Overall, the global economic outlook remains fragile, with heightened uncertainties in the Euro-zone and potential spill-over effects in the emerging markets.
- **World oil demand** growth in 2012 now stands at 0.9 mb/d, broadly unchanged from the previous report. Given the stabilization of the US economy and the shutdown of Japanese nuclear power plants, world oil demand growth has – at least for the short-term – stopped its declining trend and is showing some growth. Oil demand in non-OECD countries is also indicating a slight improvement. The upcoming driving season in the US might be affected by higher retail gasoline prices and uncertainty regarding economic developments. Japan’s oil usage also could slow if the country were to restart its nuclear plants.
- **Non-OPEC supply** is forecast to grow by 0.6 mb/d in 2012, following an increase of 0.1 mb/d in 2011. This represents an upward revision of 50 tb/d over the previous report. The adjustment to this year’s growth was mainly due to the release of preliminary 1Q12 data for actual production, particularly for the US. OPEC NGLs and non-conventional oils in 2012 are expected to increase by 0.4 mb/d over the previous year. In April, total OPEC crude oil production, according to secondary sources, was estimated to average 31.62 mb/d, an increase of 0.32 mb/d over the previous month.
- **Product markets** showed an uptick in April with gasoline taking advantage of the improved product sentiment in the Atlantic Basin, ahead of the driving season. This, along with the additional support from tight product supplies in the Asian region amid heavy refinery maintenance allowed refinery margins to increase across the globe. The decline in crude oil prices also supported product markets.
- The **tanker market** saw mixed movement in April, with VLCC spot freight rates increasing and Suezmax and Aframax spot rates encountering declines. Lower tonnage demand and refinery maintenance drove the decline in Suezmax and Aframax rates. The rise in VLCC spot freight rates was supported by higher demand and floating storage requirements. In April, OPEC spot fixtures decreased by 20%. Sailings from OPEC were higher and arrivals in North America increased.
- **US commercial oil stocks** in April reversed the build of the previous month, declining by 4.3 mb. US stocks remain 20.1 mb above the year-ago level and 30.8 mb over the five-year average. Products, which fell by 17.5 mb, were responsible for the decline, as crude stocks rose by 13.5 mb. In Japan, the most recent monthly data shows that commercial oil stocks increased by 6.6 mb in March to stand 1.4 mb above a year ago, which was still 5.2 mb below the five-year average. The total stock-build was concentrated in crude, which rose by 8.5 mb, while product inventories fell 1.9 mb.
- **Demand for OPEC crude** for 2011 remained unchanged from the previous assessment to stand at 30.1 mb/d, indicating growth of 0.4 mb/d compared to the previous year. Demand for OPEC crude for 2012 is projected to average 30.0 mb/d, the same level as in the previous report and representing a decline of 0.1 mb/d from last year.

Global oil supply developments

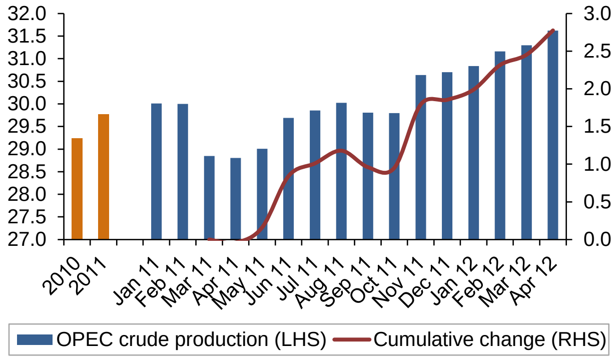
Following a good performance in 2010, non-OPEC supply in 2011 experienced relatively minor growth of 70,000 b/d to average 52.4 mb/d. The current 2011 data reflects various revisions which brought growth down from an initial forecast of 340,000 b/d. These revisions have been due to a number of factors that have negatively impacted growth in most regions and pushed incremental non-OPEC supply to the lowest level since 2008.

Among the factors behind the downward revisions have been unfavourable weather conditions and the slow ramp-up of new projects, as well as political and technical issues. Weather conditions significantly impacted Australia supply and Brazil ethanol output, the latter of which has played an increasingly important role in non-OPEC supply growth in recent years. The slow ramp-up of new projects affected Brazil supply growth. Political factors reduced output from the Sudans, Syria and Yemen, for a total loss of 140,000 b/d. Continued technical difficulties sharply influenced supply in the North Sea, Malaysia, Azerbaijan, and China. At the same time, some countries experienced a better-than-expected performance, namely the US, Canada, Columbia, Russia and Mexico. The strong growth of 520,000 b/d from North America was supported by shale activities and oil sand developments.

Graph 1: Non-OPEC supply growth by regions, mb/d



Graph 2: OPEC crude oil production, mb/d



In 2012, the forecast for total non-OPEC supply growth shows an increase over the previous year of 0.6 mb/d to average 53.0 mb/d (*see **Graph 1***). As in 2011, growth has also experienced various downward revisions since the initial forecast, due mainly to developments in the North Sea, Syria, Yemen, and the Sudans. However, continued strong growth from North America is expected to largely offset much of the decline. The 2012 supply forecast continues to be associated with a high level of uncertainty, due mainly to the weather, technical, and political developments, and the availability of data.

So far, weather conditions have impacted Australia supply and could affect US output during the hurricane season. Technical difficulties have required some downward revisions to North Sea supply and could further dampen non-OPEC growth. Meanwhile, political developments have sharply reduced the supply forecast for the Sudans and Syria in 2012. The lack of actual production data for these countries could also influence the non-OPEC forecast, as production is assumed without the availability of actual data, potentially resulting in considerable revisions once the data becomes available. Overall, it is important to note the general consensus among various sources regarding the good performance of non-OPEC supply this year, implying more barrels will be available in the market.

At the same time, OPEC NGLs and nonconventional oils have shown a steady gain of 0.3 mb/d in 2011, supported mainly by projects in Iran, Nigeria, Qatar, Saudi Arabia, and the UAE. For the current year, OPEC NGLs and non-conventionals are forecast to increase by 0.4 mb/d to average 5.7 mb/d, representing cumulative growth of 1.8 mb/d since 2008. This highlights the important role played by OPEC NGLs in the total supply picture. At the same time, OPEC production based on secondary sources has shown a steady rise over recent months to reach 31.3 mb/d in March. Preliminary data for April indicates a continued upward trend to average 31.62 mb/d for the month, representing a cumulative increase of more than 2.4 mb/d over a year ago (*see **Graph 2***).

Taken together, higher non-OPEC supply and rising OPEC production has resulted in total supply exceeding market needs in the first quarter of this year. This can be seen in the contra-seasonal build in OECD stocks to comfortable levels above the five-year average, representing 59 days of forward cover. Additionally, the supply/demand balance in the first quarter also suggests a substantial stock build outside the OECD, especially in China.

Based on the current forecasts for global oil supply and demand, incremental non-OPEC supply and the increase in OPEC NGLs will satisfy expected growth in world oil demand this year. In addition, higher OPEC crude oil production underscores the current trend of plentiful supply in excess of market requirements.

Crude Oil Price Movements

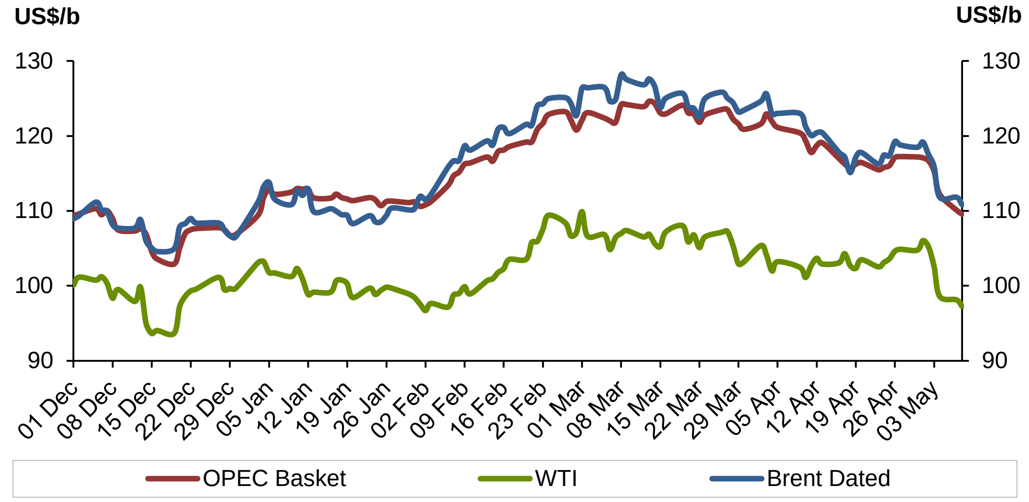
OPEC Reference Basket fell in April after three consecutive monthly gains

OPEC Reference Basket

After three consecutive months of gains, the OPEC Reference Basket price fell in April to $118.18/b, although it retained high levels linked to risk premiums associated with the ongoing geopolitical concerns. The decline was primarily a reflection of the overall crude oil market sentiment during the first month of the typically low demand season in the second quarter of the year. Most physical crude oil markets showed signs of weakness in April, shifting into contango for the first time in over a year, at a time of high supply and weak demand. Losses in crude oil prices also occurred, as refined product prices came down from the peak levels reached in the previous months. Moreover, rising production from OPEC Member Countries – in a bid to cool down prices and allow global inventories to build strongly – kept a lid on prices, causing them to move sideways throughout the month. Off and on bearish macroeconomic indicators from the US and China, as well as revived concern about the Euro-zone economy, pushing the euro down against the dollar, also helped dampen crude oil markets.

The Basket price dropped to an average of $118.18/b in April, representing a decrease of $4.79, or 3.9%, from March. Nevertheless, the $117.66/b year-to-date average for the Basket is $12.38, or 12%, above that of the same period last year.

Graph 1.1: Crude oil price movement, 2011-2012



All Basket components decreased in April, with North and West African crudes and Middle Eastern benchmark grades showing slightly higher losses, compared with other grades. Brent-related crudes — Saharan Blend, Es Sider, Bonny Light and Girassol — slumped by a significant 4.2% to $121.30/b, down $5.30 for the month. Meanwhile, Middle Eastern crudes Murban and Qatar Marine dropped by $5.29, or over 4.3%, to $118.92/b. Latin America's Basket components — Ecuador's Oriente and Venezuela's Merey — showed moderate losses of $3.93, or 3.4%, to average $111.24/b. And components that are priced on multiple pricing markers due to their multi-export destinations, namely Arab Light, Basrah Light and Iran Heavy, lost 4% of their value in April to end the month at $117.63, which was $4.92 down from March.

The weak performance of the Basket's components in April was a direct result of the poor sentiment in the international physical crude oil market. In the Atlantic Basin, Brent-related physical crudes in the North Sea and Mediterranean came under pressure, flipping temporarily into contango from ample available supplies, easing West African differentials, additional loading volumes of Russia exports, refinery seasonal maintenance and economic run-cuts due to low margins. Sentiment in Asian markets weakened in April, also amid ample supply on top of weaker refinery margins. The longstanding Dubai market structure momentarily flipped into contango, reflecting the deteriorating sentiment on the spot market. Sour crude spot differentials fell across the board, as a reported supply glut kept the region oversupplied at a time when demand was low due to lacklustre refining margins.

The Basket price stood at $109.85/b on 9 May 2012.

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

	Mar 12	Apr 12	Change Apr/Mar	Year-to-date 2011	2012
OPEC Reference Basket	**122.97**	**118.18**	**-4.79**	**105.28**	**117.66**
Arab Light	123.43	118.94	-4.49	105.88	118.35
Basrah Light	121.96	116.26	-5.70	104.53	116.23
Bonny Light	127.98	122.36	-5.62	111.92	121.51
Es Sider	126.03	120.71	-5.32	109.63	119.63
Girassol	126.30	121.32	-4.98	109.95	120.34
Iran Heavy	122.46	117.78	-4.68	103.96	117.19
Kuwait Export	122.32	117.53	-4.79	103.39	117.22
Marine	122.80	117.39	-5.41	104.55	117.02
Merey	112.07	108.62	-3.45	92.07	109.47
Murban	125.61	120.44	-5.17	107.43	119.66
Oriente	118.26	113.86	-4.40	98.28	112.22
Saharan Blend	126.13	120.81	-5.32	111.26	119.75
Other Crudes					
Minas	133.85	130.15	-3.70	111.67	127.73
Dubai	122.47	117.30	-5.17	104.26	116.51
Isthmus	120.46	116.04	-4.42	102.76	115.29
T.J. Light	118.41	114.07	-4.34	100.57	113.27
Brent	125.33	119.71	-5.62	109.63	118.86
West Texas Intermediate	106.31	103.35	-2.96	98.02	103.11
Urals	122.41	117.69	-4.72	106.56	117.18
Differentials					
WTI/Brent	-19.02	-16.36	2.66	-11.61	-15.75
Brent/Dubai	2.86	2.41	-0.45	5.37	2.35

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

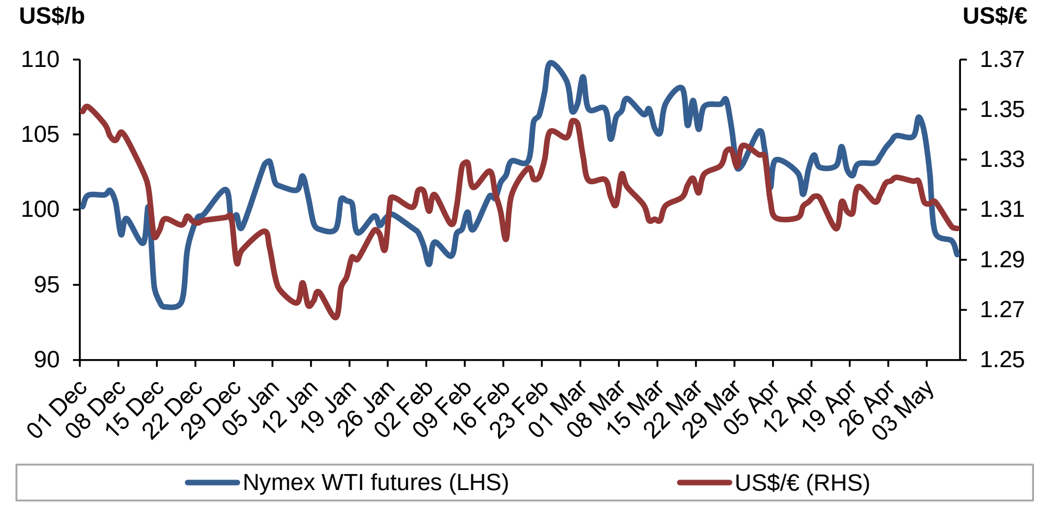
Crude futures markets down in April, and eased further in early May

Crude oil futures markets were down in April, after several months of progressive gains, but maintained resilience attributed to supply security fears, in spite of massive stock-builds. Prices, particularly with regard to the actions of the speculative community, were still being affected by the ongoing geopolitical factors and the potential disruption of trade flows. The New York Mercantile Exchange (Nymex) West Texas Intermediate (WTI) front-month price averaged $103.35/b in April, down only 2.7% from the average in March. US benchmark futures for WTI continued their slow-paced decline that had already started in March, amid sporadic bearish macroeconomic indicators coupled with consecutive weeks of sharp inventory builds, particularly in Cushing, Oklahoma, to reach record highs. The shaky performance of major US equity and global commodity markets also weighed further on the petroleum complex. Meanwhile, the overall decline in international crude oil futures was also attributable to rising production and inventories held by OPEC Member Countries, which was seen as a move to keep a hold on prices for the sake of global economic recovery. Moreover, China's lower-than-expected quarterly economic growth and the modest slip in US consumer sentiment in early April, due to higher gasoline prices, also helped dampen crude oil futures. Amid additional pressure from revived concern about the downside risks to the Euro-zone economic outlook and political uncertainty, the ICE Brent front-month price fell by 3.3%, or $4.10, to average $120.49/b for the month.

Price volatility was reduced further in April, since trading in both crude oil futures, WTI and Brent, was range-bound, particularly during the second half of the month. From mid-April on, Nymex WTI and ICE Brent traded in narrow windows with ranges of only $2.66 and $1.95 respectively, compared with a range of over $5 each in March. This signified easing volatility and thus lower speculative activity, compared with the previous months.

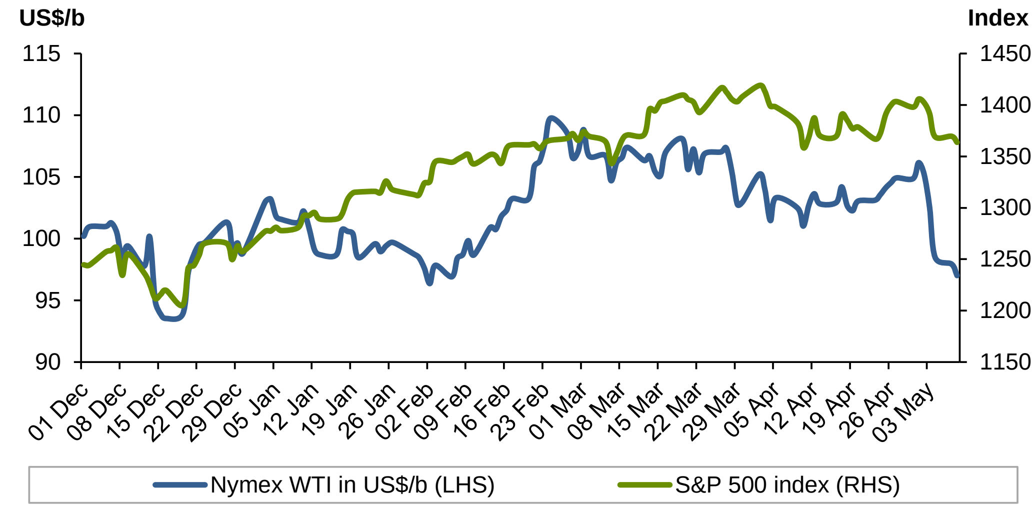
In contrast with last year, when risk premiums due to the disruption in Libyan production were at their peak, the front-month WTI year-to-date average price was up by nearly 5% at $102.94/b, while ICE Brent was more than 9% higher at $118.93/b.

Graph 1.2: Nymex WTI futures and US$ exchange rate, 2011-2012



Crude oil futures prices fell sharply in the second week of May, when Nymex WTI settled below the key $100/b mark at $96.81/b and ICE Brent stood at $113.20/b on 9 May.

Graph 1.3: Nymex WTI futures vs. S&P 500 index, 2011-2012

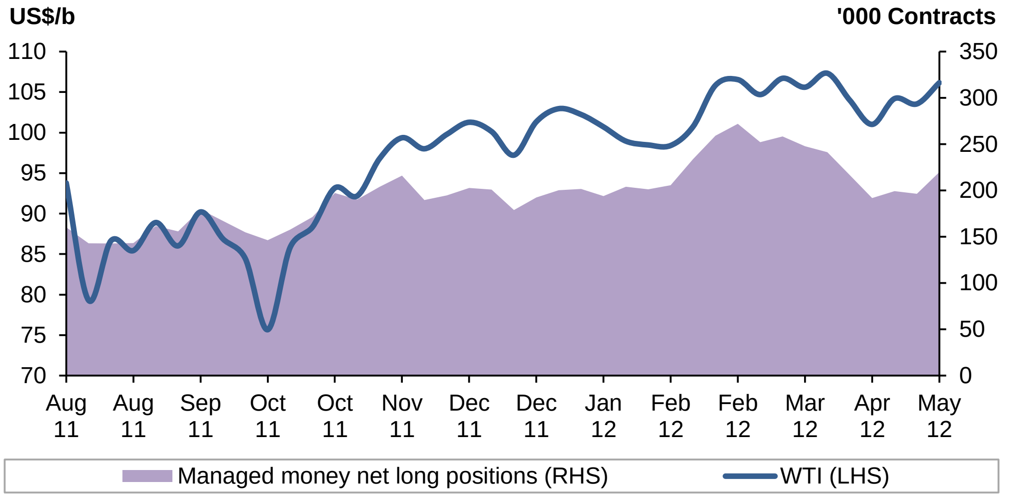


Data from the US Commodity Futures Trading Commission (CFTC) showed that, on average, speculators reduced net long positions in US crude oil futures and options sharply in April, although they remained at record highs. Hedge funds and other large investors decreased net long positions on the Nymex by a hefty 48,894 contracts to 201,061 lots, a decrease of almost 20%. The data showed that almost all the decrease was attributed to the reduction in long positions, as crude prices steadily trended downward. Outright longs were down by a substantial 46,894 lots, while shorts were cut by just 2,066 lots, suggesting that money managers contributed to the price slide in April. However, the large volume of net long positions held by speculators pointed to their persistent bets on rising oil prices going forward. For ICE Brent crude oil futures, speculators reduced net long futures and option positions by 16,204 lots during April to 124,553 contracts.

The daily average traded futures volume in April for all WTI Nymex futures contracts decreased by a further 74,421 lots to average 529,528 contracts, or above 530 mb/d. Open interest decreased slightly to 1.561 million lots, on average. In contrast, for ICE

Brent, the overall traded volume increased by 42,474 contracts to 592,582 contracts, while open interest rose by over 7% to 1.219 million lots.

Graph 1.4: Nymex WTI price vs. speculative activity, 2011-2012

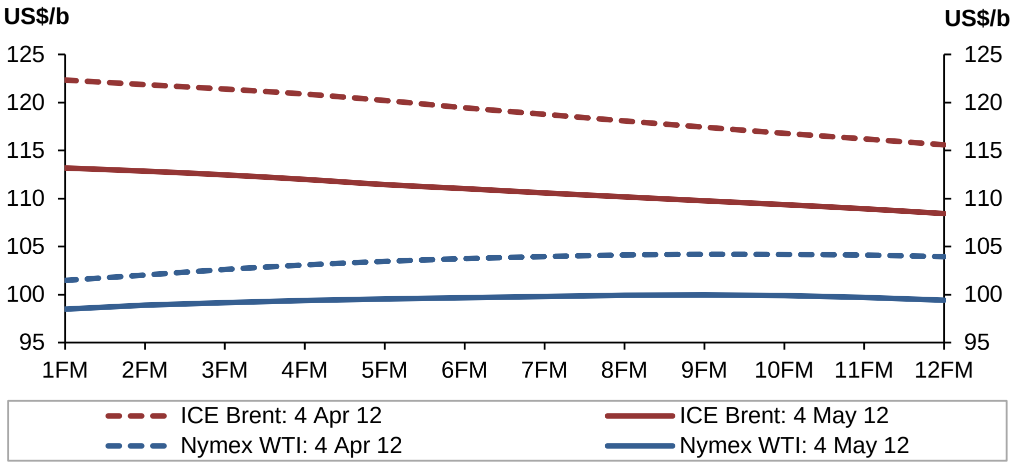


The futures market structure

Nymex contango widened and ICE Brent furthered its backwardation in April

The Nymex WTI market structure widened its contango slightly in April, with the first month versus the second month time-spread averaging around 55¢/b, thus widening by 5¢ from March. Although this move was justified, considering the steady builds in inventory levels in Cushing, which were near record-highs, recent storage capacity additions have created a situation where this is no longer an alarming level. Meanwhile, the ICE Brent market structure narrowed its backwardation further, by over 30¢ to around 35¢/b, based on the average spread between the first-and second-month contracts during April. Lower demand for North Sea crudes during peak seasonal maintenance, coupled with ample supply of regional light sweet crudes, weakened the front end of the curve. However, once refiners finish their seasonal maintenance, this moderated backwardation structure is not expected to last, at a time of dwindling North Sea supply coupled with frequent arbitrage opportunities for Forties crude to South Korea. Over 600,000 b/d of idle European refining capacity are expected to return in June, while North Sea supplies of the key nine spot grades over the first five months of the year have declined y-o-y by almost 12%.

Graph 1.5: Nymex WTI and ICE Brent forward curve, 2012



FM = future month

The transatlantic (Brent versus WTI) spread narrowed by over $3/b in favour of WTI during the second half of April. After the announcement of an earlier-than-expected reversal of the Seaway pipeline, now scheduled to start carrying oil at an initial rate of 150,000 b/d in mid-May, the Brent/WTI spread quickly contracted from levels of around $20/b to around $14/b on the back of this development.

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

Nymex WTI	1st FM	2nd FM	3rd FM	6th FM	12th FM
04 Apr 12	101.47	102.03	102.61	103.74	103.94
04 May 12	98.49	98.88	99.16	99.68	99.40

ICE Brent	1st FM	2nd FM	3rd FM	6th FM	12th FM
04 Apr 12	122.34	121.86	121.40	119.45	115.59
04 May 12	113.18	112.85	112.46	111.03	108.43

FM = future month.

The sweet/sour crude spread

Light-sweet/heavy-sour spread stable in the US and Asia in April, while narrowing in Europe

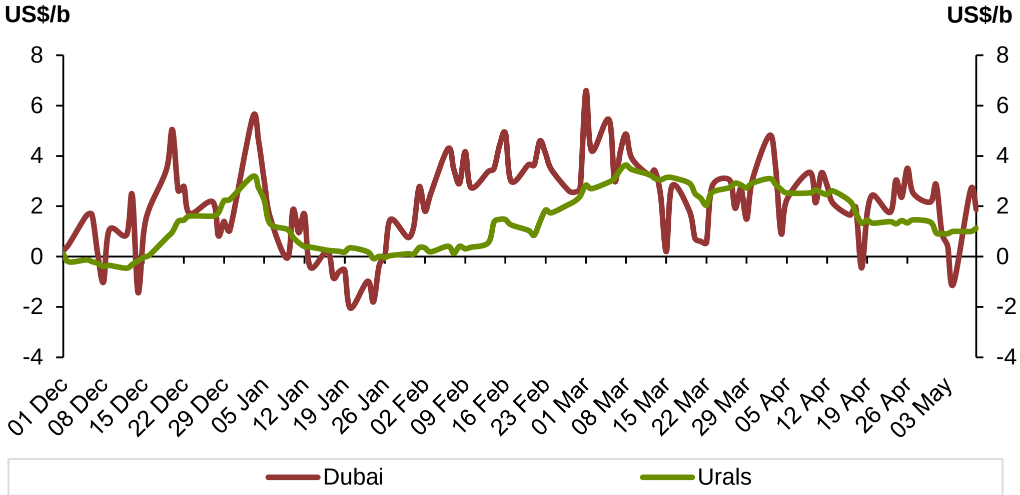
Light-sweet/heavy-sour differentials were mixed during April, remaining stable in Asia and the US, but narrowing in Europe.

In Asia, light-sweet/heavy-sour differentials were narrower around the middle of the month, supported by rebounding fuel oil cracks. The average high sulphur fuel oil cracks for Singapore in April were $2/b higher than the March average. This was countered by the improvement in Asian middle distillates, offsetting the gains for sour crudes. Subsequently, sour crudes came under pressure from soaring crude production figures from Middle Eastern producers, which actually caused the benchmark Dubai backwardation to practically disappear over the month. As a result, the spread remained virtually unchanged in April, with the Tapis monthly average premium to Dubai in April narrowing to $9.50/b, compared with a premium of $10/b in March, a decrease of 50¢.

After falling to multi-month lows in late March, in Europe the Urals/Brent spread narrowed on the back of strengthening Urals crude. The weakness of Urals seen in March and much of April resulted in much stronger refining margins, prompting some demand for Urals. Although the price of Urals fell steeply after announcements of additional loading volumes, the grade then reversed its fate once again and its average was 90¢ higher over the whole month, compared with the previous month, relative to Dated Brent. Urals was also supported by increased buying interest, due to lower April maintenance. The amount of European refining capacity made idle by maintenance dipped to just above 1 mb/d in April, vis-à-vis 1.47 mb/d in March.

The US Gulf Coast (USGC) sweet and sour grade spread, represented by the LLS/Mars spread, was largely stable. Weakening differentials for West African crude and the recent decline in the gasoline crack weighed on the light sweet grade LLS. The medium-sour grade Mars was supported by improving fuel oil cracks, as well as by planned maintenance at the platform, starting on 15 May, and this will see output fall by as much as 50%, according to Shell. On average, the spread in April stood at $6.66/b, compared with $6.10/b in March, in favour of LLS.

Graph 1.6: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2011-2012



Commodity Markets

In April, commodity prices were undermined by renewed global macroeconomic concerns

Trends in selected commodity markets

The World Bank's (WB's) **energy commodity price index** dipped by 3.6% month-on-month (m-o-m) in April. The **non-energy price index** showed only a slight 0.4% m-o-m drop, representing a slowing pace of decline, compared with around 2.8% in January-February. Food edged up by 0.4%, while base metals declined by a further 3.7%, compared with 1% in March, and grains also dropped by 2%. Except for soybeans, the rapid pace of US planting expansion exerted pressure on the grain complex prices. Commodity prices were affected by persistent worries about global growth, especially the re-emergence of concern about China and US growth and apprehensions over Spanish sovereign debt. Thus, global business confidence dipped in April.

Table 2.1: Commodity price data, 2012

Commodity	Unit	Monthly averages			% Change		
		Feb 12	Mar 12	Apr 12	Feb/Jan	Mar/Feb	Apr/Mar
World Bank commodity price indices for low and middle income countries (2005 = 100)							
Energy		201.0	208.4	200.9	7.0	3.7	-3.6
Coal, Australia	$/mt	115.2	105.1	100.8	5.0	-8.7	-4.1
Crude oil, average	$/bbl	112.7	117.8	113.7	8.1	4.5	-3.5
Natural gas, US	$/mmbtu	2.5	2.2	1.9	-20.4	-14.0	-10.1
Non Energy		194.0	195.4	194.7	5.6	0.7	-0.4
Agriculture		193.4	195.4	195.4	4.6	1.1	0.0
Food		203.4	209.5	210.2	5.2	3.0	0.4
Soybean meal	$/mt	387.0	421.0	461.0	13.2	8.8	9.5
Soybean oil	$/mt	1255.0	1287.0	1308.0	4.2	2.5	1.6
Soybeans	$/mt	512.0	543.0	575.0	8.0	6.1	5.9
Grains		226.7	229.7	224.6	2.3	1.3	-2.2
Maize	$/mt	279.5	280.7	274.0	8.0	0.4	-2.4
Sorghum	$/mt	269.2	274.0	254.9	5.0	1.8	-7.0
Wheat, US, HRW	$/mt	277.8	283.9	266.3	3.2	2.2	-6.2
Sugar World	¢/kg	53.2	53.1	50.2	4.7	-0.1	-5.6
Base Metal		181.5	179.6	174.1	11.3	-1.0	-3.1
Aluminum	$/mt	2207.9	2184.2	2049.7	9.2	-1.1	-6.2
Copper	$/mt	8441.5	8470.8	8289.5	11.6	0.3	-2.1
Iron ore, spot, cfr China	¢/dmtu	140.4	144.7	147.6	2.9	3.0	2.1
Lead	¢/kg	212.1	205.7	207.1	4.9	-3.0	0.7
Nickel	$/mt	20393.7	18660.8	17939.8	11.6	-8.5	-3.9
Steel products index	2005=100	137.4	137.5	137.2	-3.0	0.1	-0.2
Tin	¢/kg	2429.3	2298.5	2220.1	25.4	-5.4	-3.4
Zinc	¢/kg	205.8	203.6	200.2	8.0	-1.1	-1.7
Precious Metals							
Gold	$/toz	1742.1	1673.8	1649.7	6.1	-3.9	-1.4
Silver	¢/toz	3416.6	3293.0	3155.0	13.4	-3.6	-4.2

Source: World Bank, Commodity price data.

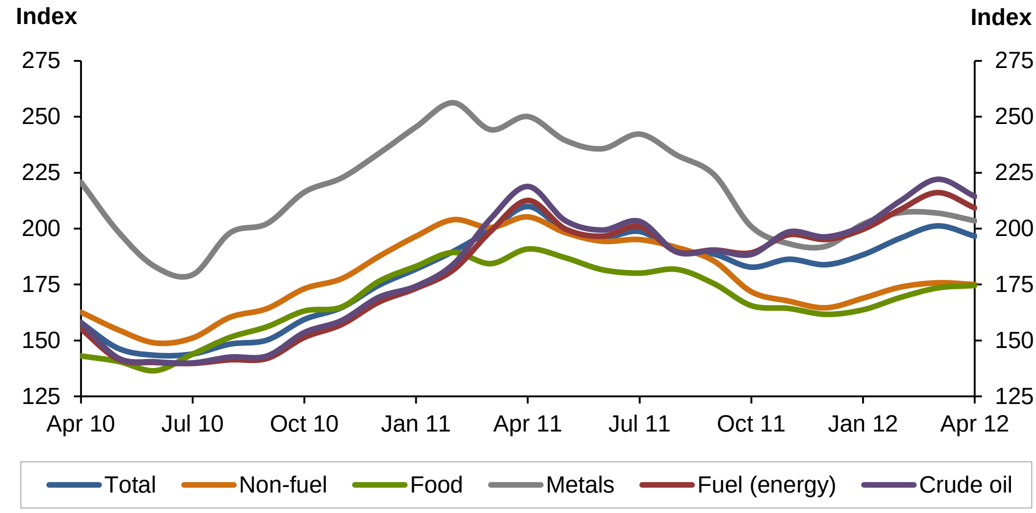
The **Henry Hub (HH) natural gas price** fell by 10% m-o-m in April, compared with minus 14% in the previous month. The slower decline in price was related to favourable news, such as an easing of the storage overhang in late-April. The volatile weather pattern in the US of cold-hot-cold was also a bullish factor, but weak fundamentals, especially huge inventories, still set the direction for HH natural gas prices.

The **agricultural** price index remained unchanged in April. Grain prices decreased by 2%, compared with 1% a month earlier, driven by a drop in corn and wheat prices. Corn, wheat and soybean prices all rose, following the 30 March release of the US Department of Agriculture's (USDA's) Prospective Plantings and Quarterly Stocks reports. But, since then, soybean prices have kept increasing, while those of corn and wheat have pulled back. Grain prices as a whole have moved in a choppy way during 2012 on high Chinese import demand, tightness in old crop corn supplies and a soar in soybean prices, which became the leader of the Chicago Board of Trade's (CBOT's) complex. As in the previous month, higher-than-expected levels of crops for this spring, according to the USDA's World Agricultural Supply and Demand Estimates' (WASDE's) report in mid-April, pulled grain prices back. Corn and wheat prices declined by 2% and 4% on a monthly basis, respectively. However, prices have rebounded, as a result of fears of damage to the growing crops, due to cold weather in the US Midwest. By contrast, the soybean complex was one of the best performers in the agricultural complex. Soybean meals and prices soared by 5.9% m-o-m and 9.5% in April respectively, as these found support from the USDA estimates of global soybean production, which were revised down by 4.9 million tonnes to 240.2 mt on reduced estimates for South America, especially in Brazil and Argentina, due to crop-damage caused by the dry weather linked to the ‘La Nina’ phenomenon. South American exports were reduced by 2.2 mt, in line with the decline in production.

On the demand side, global crush estimates were reduced by 1.5 mt. Despite the anticipated reduction in US ending stocks, the USDA kept US corn stocks unchanged at 20.3 mt. US corn exports also remained unchanged, despite the strength of recent export figures. For wheat, global production was revised up by a modest 0.3 mt to a record high of 694.3 mt. Nevertheless, global wheat inventories were revised down by 3.3 mt to 206.3 mt, on lower Chinese stocks.

Concerning the role of Chinese agricultural imports, only corn, cocoa and coffee imports declined, while soybeans and wheat reached all-time highs m-o-m.

Graph 2.1: Major commodity price indexes, 2010-2012



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 WB’s **base metal** price index declined by a further 3% m-o-m in April, compared with 1% m-o-m a month earlier. Similarly to March, the price-drop embraced the whole complex, with only lead showing a modest improvement in April. The performance of base metal prices as a whole reflected the lower Chinese import demand and the re-emergence of concern about the growth of the global economy.

There was an easing of base metal imports from China, with copper imports falling by 8% m-o-m and a strong rise in exports. Aluminium imports also eased, while, in the case of raw materials, imports on a monthly base for concentrates were all lower, with the exception of bauxite and nickel-bearing iron ore, where it appears that exports from China’s major supplier, Indonesia, were increasing faster due to the coming imposition of an export tax.

As a whole, positioning in base metals has been very weak, with the market lacking conviction and uncertainties growing.

An interesting issue is the new pattern of growth in China, which implies that that country's goal of slower GDP growth favoured consumption more than investment. This is expected to have major implications for future commodity demand, with big shifts in the economy's intensity of use of different commodities.

Copper prices declined by 2% m-o-m in April, compared with a 0.3% rise the previous month, driven mainly by weak demand from China and a weakening in imports, following strength in the first quarter. Copper imports fell by 8% m-o-m in March, while exports increased. Copper spot demand is currently non-existent, which, amid a continuing build in frontline stocks in China, will lead to softer net imports of copper over the next few months, until demand rebounds enough to erode domestic inventories.

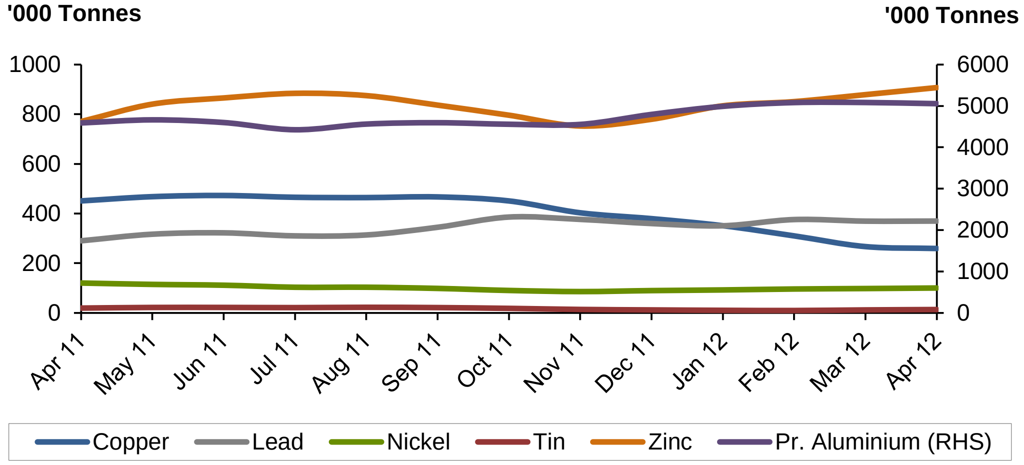
Nevertheless, there is mounting evidence that the copper supply side is underperforming, so a rebound in prices is expected in the second quarter.

The International Copper Study Group (ICSG) has released the spring edition of its forecast for the copper market. The group forecasts copper mine production of 16.8 mt, that is, growth of 5.1%. That is a huge downward revision from the October 2011 forecast of 17.6 mt, ie 9.4% growth, and illustrative of the market having once again been too optimistic about mine supply growth for this year. It seems that copper mine supply growth may be far more limited than expected, according to the optimistic expectations prevailing into this year. There is a continued elevation of disruption levels and deep-routed issues that are hampering the pace of production growth, such as shortages of skilled labour, low and, in some cases, declining ore head grades, and more complex mineralogy and ore hardness.

Stronger demand from the US and Europe is, to some extent, offsetting weaker Chinese buying, though producers have been concerned about whether this could be sustained.

Aluminium prices decreased by 6.2% m-o-m in April, compared with a 1.1% drop in March, due to a reduction in Chinese imports on a monthly basis. The International Aluminium Institute's (IAI's) production figures for February offered sharply divergent regional trends. Although, according to the IAI, aluminium global output ex-China fell to 68.9 thousand tonnes (kt), the lowest level since December 2010, reflecting the cutbacks announced at the end of 2011, output increased in China by 19% to 54.4 kt/d y-o-y last February, a record level. This, combined with rather sluggish demand in China, led to a domestic market surplus in the first quarter. Although some improvement in Chinese demand and a stabilisation in stocks in early April took place, at a time of healthy demand from the US, this was not enough to revive prices and bolster confidence.

Graph 2.2: Inventories at the LME



Source: LME

Gold prices posted a mild drop of 1.4 % m-o-m, compared with a 3% drop in March, mainly on ongoing concern about global economic growth.

A cautious mood among investors continued in April

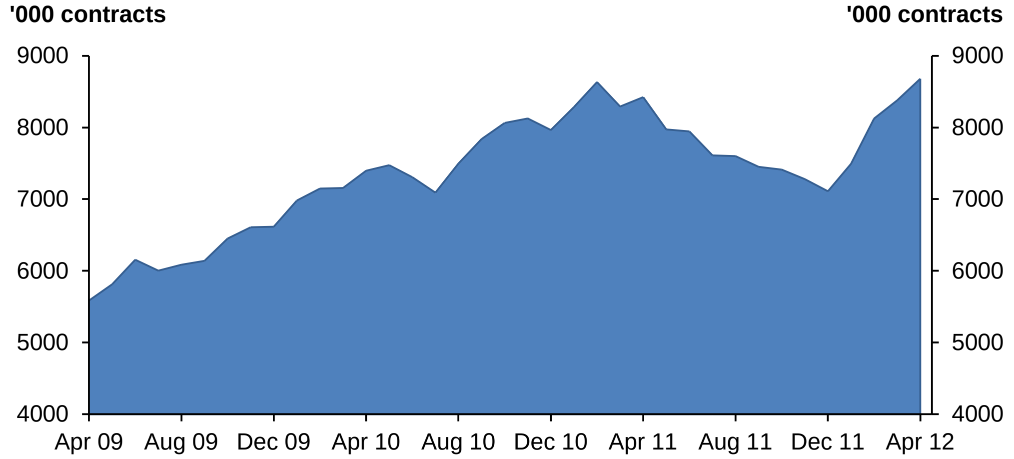
Investment flows into commodities

Investment in commodity markets continued to be dampened by still-ongoing macroeconomic concerns, especially about a Chinese hard-landing and the problems in the Euro-zone, regardless of the recovery in the US economy. Softening base metal demand in China also contributed to this outcome.

Total open interest volume (OIV) in major commodity markets in the US was up by 4% m-o-m to 8,489,065 contracts in April, compared with a 3.6% rise a month earlier.

Total net length speculative positions fell by 18% m-o-m to 798,020 contracts, compared with a 17.4% gain the previous month. Long positions retreated by 2.8% m-o-m, while shorts jumped by 15% in April. Copper, WTI and gold reported the strongest outflows in net-money positions at the US Commodity Futures Trading Commission (CFTC).

Graph 2.3: Total open interest volume

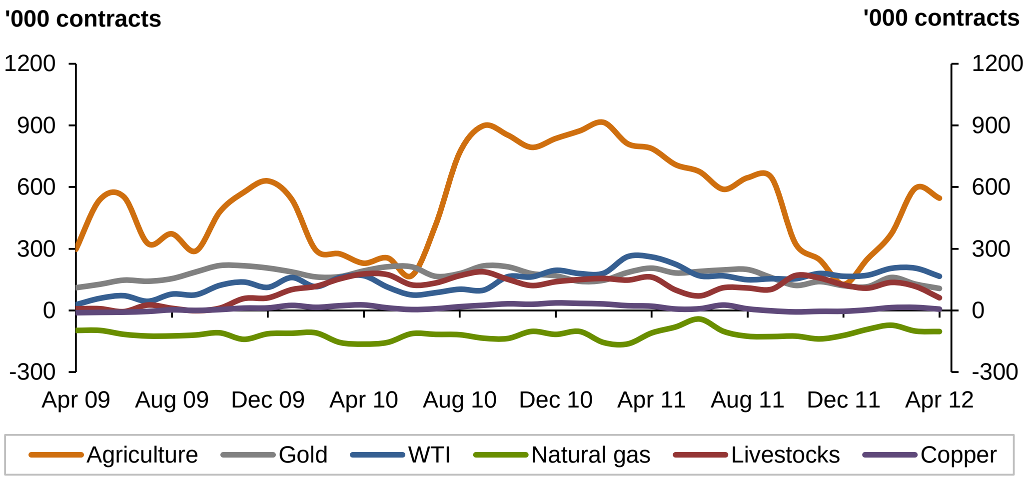


Source: CFTC

Agricultural OIV increased by 7.4% m-o-m to 4,630,280 contracts in April, compared with 4.8% the previous month. Concerning strategic investment, money managers' net long positions in agricultural markets dropped by 8.2% m-o-m to 546,078 contracts, as a result of a 22% m-o-m increase in short positions amid a 3% rise in longs, compared with a 59% gain a month earlier. CFTC data showed tactical investors held mixed views on agricultural markets. Notably, in the last week of April, net fund lengths in corn and sugar posted large declines.

HH natural gas OIV rose by 3.3% m-o-m to 1,269,817 contracts, compared with a 1% drop a month ago. Tactical net length positions also dropped, by 2.2% m-o-m, compared with a 39.7% fall the previous month. Short positions increased more than longs.

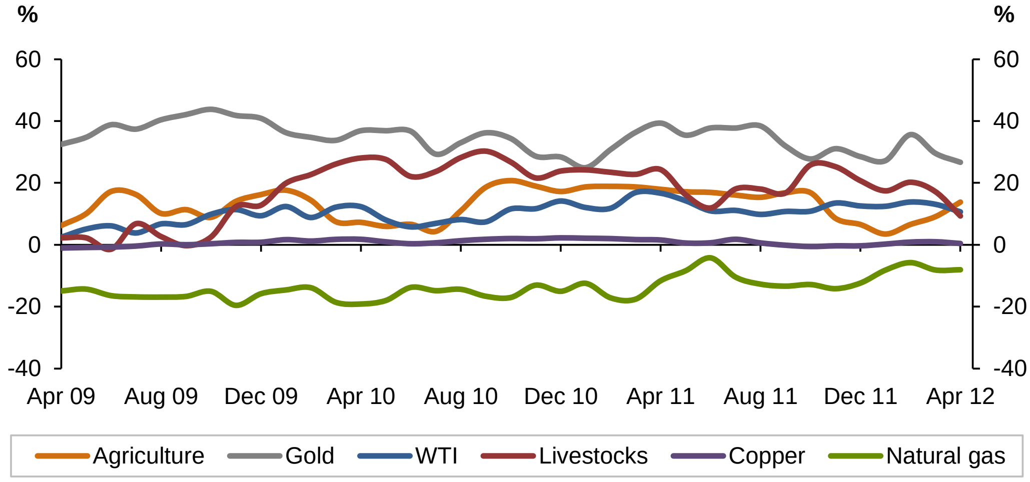
Graph 2.4: Speculative activity in key commodities, net length



Source: CFTC

Copper OIV rose by 2.2% m-o-m to 155,853 contracts in April, compared with a 4.7% fall the previous month. The net length dropped by a sharp 56.4% m-o-m to 6,498 contracts in April, compared with a 6.8% gain the previous month.

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



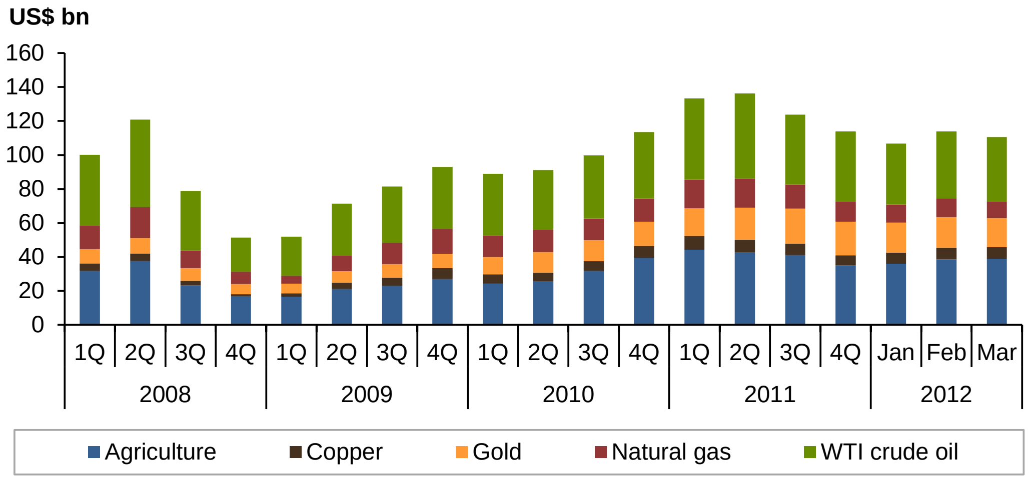
Source: CFTC

Gold OIV continued to decline in April, by 7.4% m-o-m to 401,416 contracts, compared with a 3.8% drop a month earlier. A stronger decrease in long positions (minus 15.2%) than in shorts (minus 2.9%) explains the outcome.

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

	Open interest		*Net length*			
	Mar 12	**Apr 12**	**Mar 12**	**% OIV**	**Apr 12**	**% OIV**
Crude Oil	1571	1560	206	13	166	11
Natural Gas	1230	1270	-100	-8	-102	-8
Agriculture	4311	4630	595	14	546	12
Precious Metals	544	520	147	27	120	23
Copper	153	156	15	10	6	4
Livestock	680	661	117	17	62	9
Total	**8,489**	**8,798**	**979**	**12**	**798**	**9**

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



Source: CFTC

According to data from the CFTC, the dollar investment inflow into commodities declined by a further 3% m-o-m to $110.6 bn in March. All commodities were affected by the investment outflow.

World Economy

Table 3.1: Economic growth rates 2011-2012,%							
	World	OECD	US	Japan	Euro-zone	China	India
2011	3.5	1.6	1.7	-0.7	1.4	9.2	7.0
2012	3.3	1.4	2.3	1.8	-0.4	8.2	6.9

Industrialised countries

US

US GDP growth estimated at 2.2% for 1Q12 and is expected to expand at 2.3% this year, bolstered by an improving labour market

The US economy has so far this year shown remarkable momentum, with more growth than expected, and this seems likely to continue. After growth slowed significantly in the first half of last year (1H11) — due mainly to a reduction in stimulus efforts — it was not clear whether the economy would be able to recover from its sub-2% levels. However, after 3.0% expansion in the fourth quarter (4Q11), the first estimate for 1Q12 stands at 2.2%, which signifies a successful continuation of output activity and is roughly in line with this year's growth expectations. Furthermore, while the major support factor in 4Q11 was a build-up in inventories, the details of 1Q12 GDP show that private household consumption contributed the most to this expansion, at two percentage points (pp), and that inventories were again at much lower levels.

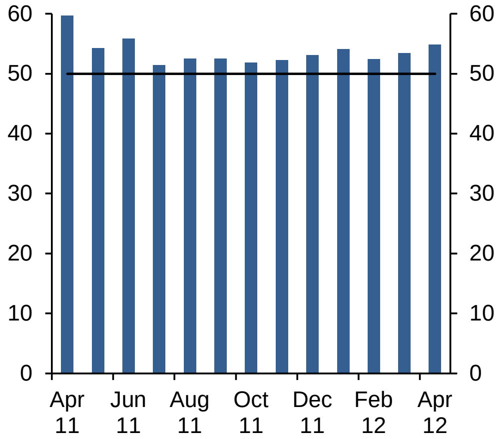
This positive trend was reflected in an improving labour market. The unemployment rate fell from 8.2% to 8.1% in April and non-farm payroll additions stood at 115,000, after additions of 154,000 in March. However, many medium- and long-term issues remain, and these will probably weigh on the recovery for some time. The 'participation rate' has come down again, to 63.6% — a new low — and long-term unemployment still stands at a high level of 41.3%; however, this is lower than the 42.5% of March and is, indeed, the best figure for more than two years. Looking at private household spending, consumer sentiment remains at higher levels than in the previous year, amid improvements in the labour market, and it is expected that private consumption will continue to grow. The consumer confidence index of the Conference Board was set at 69.2 in April, only slightly lower than the peak February level of 71.6, which was the highest level for 12 months. The other consumer sentiment index of importance, that of the University of Michigan, confirmed this development at 76.4, the highest level since January 2008.

The Federal Reserve Board (Fed), at its most recent meeting at the end of April, acknowledged the improvements in the labour market, while noting that some parts of the housing market continued to be depressed, even though there was a general positive trend there. The Fed continued to refrain from further quantitative easing measures or other extraordinary monetary supply mechanisms, but stressed that it was closely monitoring the moderately expanding economy. It highlighted the fact that strains in the financial markets and the high oil and gasoline prices were of major concern for the economy. Most importantly, it expected a gradual improvement in the labour market; however, if this does not materialize, it should be taken as a major sign for further extraordinary monetary measures. The Fed kept its key policy rate between 0% and 0.25%. Inflation remains elevated, although it has come down significantly since last September when it peaked at 3.9%. It has since fallen to 2.7% in March, the exact same level as in March last year. If this were to continue, it would allow the Fed to apply further appropriate monetary measures.

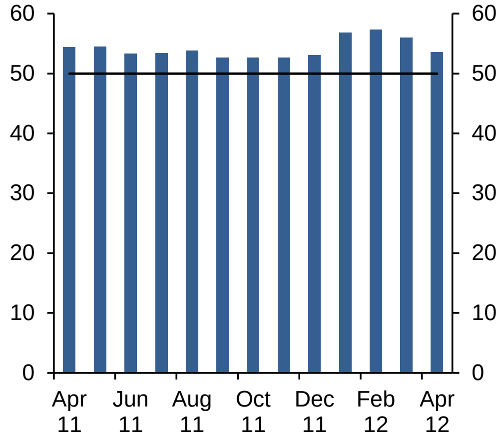
The important housing sector continued to improve from still-depressed levels. Pending home sales rose by 4.1% month-on-month (m-o-m) in March, and the February figure, which was reported at –0.5% m-o-m initially, was revised up to 0.4% growth, according to the National Association of Realtors. Pending home sales are considered a leading indicator of progress in real estate, because they track contract signings. Thus it is worthy of note that the yearly change in the house pricing index of the Federal Housing Finance Agency (FHFA) has turned positive for the first time for almost five years at a monthly price rise of 0.5% y-o-y in March, and a 0.3% increase m-o-m. Existing home sales fell slightly in March to 4.48 million, from 4.63 million in January and 4.60 million in February, but remained at solid levels.

Output-related indicators were mixed in the US, with factory orders showing a monthly decline of 1.5% in March and industrial production falling by 0.2% m-o-m in the same month, for the first time since April last year. The Institute for Supply Management's (ISM's) figure for the manufacturing sector was slightly higher at 54.8 in April, after 53.4 in March. The ISM figure for the services sector declined, but was still at a high level of 53.5 in April, after being 56.0 in March.

Graph 3.1: ISM manufacturing index



Graph 3.2: ISM non-manufacturing index



Source: Institute for Supply Management.

All in all, the US economy is showing remarkable robustness, particularly compared with other OECD economies, although it is running with a much higher budget deficit of around 8%, which has a weighted average of 5.6% in 2012. With some uncertainties remaining, the US economy is expected to expand at 2.3% in 2012, broadly in line with the annualized 1Q12 level.

Japan

Japanese economy continues to recover and is expected to expand by 1.8% in 2012, supported by exports and domestic demand, while nuclear energy remains unclear

The Japanese economy continues to recover, with both exports and domestic demand posting solid growth rates. This momentum is fuelled by slightly improving external trade activity — compared with the end of last year — and local stimulus efforts that are lifting domestic demand. Growth activity, however, is still relatively low and the negative effects of last year's triple-disaster continue to be felt. In particular, decision-making with respect to the supply of nuclear energy will be of importance. Currently, there is no nuclear reactor online, and it is expected that the effects of this will be felt in the energy-intensive summer season. Power-cuts would be possible, with a negative impact on industrial production. Furthermore, the unusual situation of a trade deficit might have an effect on the country's economic structure.

Exports have posted the first expansion on a yearly basis since last September, increasing by 5.9% y-o-y. This growth is due to the very low base level from last year. However, exports also rose on a monthly basis, by 14.1% m-o-m in March and by 20.6% in February, which indicates that, although the momentum has slowed, expansion remains at high levels, and, with the current improvements in global trade and manufacturing, this is expected to continue. This trend is supported mainly by industrial supplies, which grew in February and March by 14.8% and 18.8% m-o-m respectively, and by capital equipment, which grew in February and March by 20.8% and 17.5% respectively. Both categories are the most important areas for exported goods.

On a yearly basis, imports grew more than exports in March, when they expanded by 13.1% y-o-y, moving the trade deficit to 520.7 billion yen on a seasonally adjusted basis, the lowest level for six months. This was also due to the rising value of the yen. However, it remains to be seen how this situation will develop, as it will depend on the future development of the yen and the decisions that will be made on the nuclear energy sector.

The domestic side of the economy continued to improve, with the retail trade increasing by 10.3% y-o-y in March, again a significant low base effect, but also a solid gain from the previous month of 15.5% m-o-m, to support this trend. Motor vehicle sales were strong at 50.4% y-o-y and highlighted the success of the current stimulus. The most recent household survey showed a 3.4% yearly increase in household spending, which was a slight decline on a monthly basis of 0.5%, when excluding highly volatile items. With the stimulus continuing, the domestic side is expected to improve further in the coming weeks. This should be supported by the low unemployment rate of 4.5% in March. The so-called job-openings ratio improved very slowly, by 0.01 points from last month, and now stands at a factor of 0.76. The number of job-openings continued to increase, rising by 1.7% m-o-m. This slow momentum of improvements in the labour market is expected to continue. The uncertainty about production, due to power shortages in the summer time and the dependence of the economy on a continuation of the recovery in international trade, and the stimulus to support domestic demand should both dampen major hiring increases.

However, an improvement in output can be observed in industrial production and in leading indicators for the coming weeks. Industrial production increased by 15.5% y-o-y in March, a monthly rise of 1.0%. Machinery orders point to a continuation of the current expansion. Excluding volatile items, they increased by 4.8% in February, after 3.4% in January. The expectation of economic growth in the near future is also reflected in the purchase managers index (PMI) provided by Markit. While, for the manufacturing sector, it declined slightly from 51.1 in March to 50.7 in April, it was still above the 50-level, which indicates expansion. The same applies for the services sector, which at 51.0 was above the 50 level, although it had fallen from 53.7. These output-related indicators point to an expanding economy, which still seems to be fragile and dependent on supportive factors, such as international trade further picking up and local stimulus measures.

Japan’s economy is still in relatively weak, and, while it is expected to expand, one has to consider the base effect from last year. After last year’s decline of 0.7%, the absolute GDP level was comparable with the levels of 2006. Taking all the above into consideration, the forecast remains unchanged at 1.8% for the current year, and additional signs of improvement will be needed for any further upward revision.

Euro-zone

Industrial production fell by 1.9% y-o-y in February and the unemployment rate stands at 10.9%, the highest on record since initiation of Euro-zone in 2001

The Euro-zone continues to be embattled by the consequences of its self-induced austerity measures on the one hand and by the once-again weakening financial situation of some of its members on the other. Output activity continues to decline and it remains to be seen whether, in 2H12, growth will turn positive, as widely expected. Considering the most recent leading indicators, it is not obvious that the economy will recover in the coming months. Moreover, ten-year yields for treasury bonds in most of the peripheral economies, including Spain and Italy, have risen in recent weeks. Added to this, the political uncertainty about the future development of the Euro-zone — caused by the outcome of the most recent presidential elections in France, upcoming parliamentary elections in France and the Netherlands, probable new elections in Greece and a referendum on the fiscal pact in Ireland — is higher than it was some months ago. This uncertainty has already had a weakening effect on the Euro exchange rate, but this could be supportive of a recovery in the coming months for the major exporters, i.e. Germany and France, as well as for smaller member economies like the Netherlands or Austria. It is hard to predict what the outcome of all the political possibilities will be, and, while the upcoming developments will need to be monitored carefully, it is important to focus on the current facts to conclusively evaluate future developments.

Austerity measures seem to be successful, in terms of bringing down debt levels and budget deficits. The Euro-zone’s budget deficit is expected to be lowered to 3.2% in 2012 from 6.3% in 2010, according to the latest estimates from the spring analysis of the International Monetary Fund (IMF). This is a remarkable achievement, however, since growth has been relatively subdued in the recent months. While austerity measures hit mostly the weaker peripheral economies in 2011, it remains to be seen how this will affect the member economies in 2012. So far, it seems that only the major and most robust of the 17 member economies will escape a decline. Furthermore, currently most leading indicators point to a continuation of the slow-down, and it is hard to say whether the Euro-zone will be able to recover in 2H12. The worries about the ability to manage the sovereign debt burden have grown recently, with yields moving up for most of the ailing economies in the group. Although the European Central Bank (ECB) has injected more than one trillion euros in the two rounds of extraordinary money supply in its three-year, long-term refinancing operations (LTRO) (the first of which it provided at the end of last year and the second just at the end of February), this large amount of monetary supply was again overshadowed by uncertainties about the Euro-zone's ability to grow and doubts about its political capability to manage the sovereign debt situation. With the most recent discussions in Europe about the need to not only cut costs, but also to foster growth — as, for example, in the US — uncertainty among investors has been rising again, as it is unclear which direction the Euro-zone leaders will pursue in the end. It currently seems that a dual approach will be likely, i.e. to continue reducing the debt burden, while, at the same time, introducing structural changes to enable growth in the future. But there is still a lot of discussion, and no clear ideas nor details have emerged so far, again raising uncertainty among investors. In addition to this, the political situation in Greece, after the recent elections, is unclear, and, with the likelihood of a new round of parliamentary elections in June and the probability that, at some point, Greece might leave the Euro-zone, developments are unclear. At the same time, Spanish ten-year yields remain at almost 6% and Italy's risk-premium is only a fraction lower.

In the meantime, output-related indicators remain negative. Industrial production fell by 1.9% y-o-y in February, a third consecutive month of decline. Within this, manufacturing saw the most significant decline of –2.4% y-o-y, compared with –0.4% in January. Even more worrying, manufacturing orders, as a leading indicator of future growth, plunged in February by a significant 5.8% y-o-y, after falling in January by 4.2% and declines of 0.2% in December and 2.3% in November. Construction in the Euro-zone fell by almost 10% y-o-y in February.

This negative trend in output is accompanied by a declining trend in retail trade, which is, however, improving, with a decline of 0.5% y-o-y in February, after –1.6% in January. This should not come as a surprise, with the labour market being in serious turbulence with an unemployment rate of 10.9%, the highest on record since the initiation of the Euro-zone in 2001. Spain's unemployment rate rose again to a new peak of 24.1%. Youth unemployment stood at 22.1% for the Euro-zone, also the highest level on record, of which Spain is the most exposed with a staggering 51.1%, i.e. more than half Spain's youth is currently jobless.

This negative development is reflected in the PMI figures. The manufacturing PMI stood at 45.9 in April, after an already low 47.7 in March and considerably lower than the 49.0 from February, which had already predicted a decline in the sector. The services sector, with its much higher weight within the economy, was also recorded at the below-growth-indicating level of 50, at 46.9 in April, which was a significant decline from the March level of 49.2.

The evidence is relatively strong that the weakening of the Euro-zone will continue in the coming months. Taking this into consideration, the forecast for GDP growth in 2012 has been revised down to –0.4% from –0.3% last month. This decline could become even more accentuated, if the uncertainty about the future development of the Euro-zone prevails.

Emerging markets

Global economy expected to grow in 2012, slightly lower than in 2011

The **global economy** is expected to grow, in purchasing power parity (PPP) terms, at 3.3% in 2012. Since, in the major economies — the US and other large OECD countries — disposable personal income has been falling in inflation-adjusted terms, strong consumer spending, that earlier this year seemed promising, may not continue. The jobs market also softened in March, after a strong start to the year. Decelerating economic growth in major emerging markets is yet another indicator of a slowdown in the global economy. We expect the Chinese economy to grow at 8.2% this year, compared with 9.2% in 2011. The expansion of India's economy is also moderating and this is now forecast to grow at below 7% in the 2012 fiscal year. However, despite the overall weakness in the global economy, fundamentals have been improving in many emerging markets (EMs) in recent weeks. Most developing countries now have shifted their focus to economic growth targets, rather than curbing inflation and overheating. The reduction of benchmark interest rates in India on 17 April by 50 basis points (bp) and in Brazil on 18 April by 75 bp are cases in point. However, despite similarities in general terms, the economic policies adopted by the EMs to support economic growth differ significantly, according to their circumstances. While, in many emerging Central and Eastern European countries, tight monetary policy is still on the agenda to curb elevated inflation, in Asia and Latin America a more accommodative monetary policy is being adopted, to address concern about sluggish economic growth. Inflation in Latin America has been moving down, allowing policy-makers to turn to economic growth policies. Inflation appears to be contained in China and emerging Asia, as well as in some emerging markets in Eastern Europe and the Middle East, with the exception of some countries, notably India and Turkey, where it remains high.

Slowdown in OECD affects emerging market growth, particularly in Eastern Europe and emerging Asia

In **Eastern Europe,** the economic slowdown in the Euro-zone has dented the immediate growth prospects and raised doubts about the medium-term outlook. The impact of a dip in global growth in 2012 should be less severe on these countries than in 2009, since most have closed or considerably reduced, their large external imbalances. However, the 2012 recession in the Euro-zone will act as a sharp brake on economic activity in Eastern Europe, because of weaker trade, investment and financing through the banking channels. External bank loans and foreign direct investment (FDI), both of which helped drive growth in the pre-crisis years, are likely to be constrained in 2012. Business and consumer sentiment in the region are also fragile. In addition to faltering external demand and the weak outlook for credit, domestic demand remains generally anaemic, given high unemployment, excess capacity in some cases and the inability of governments with considerable budget deficits to splash out on stimulus packages. These factors point to a slowdown in economic activity in 2012.

The outlook for **Asian countries** in 2012 is mixed. According to the Economist Intelligence Unit (EIU, May 2012), Asia's export-driven economies, such as Singapore, Hong Kong, Malaysia and Taiwan, slowed in the second half of 2011, due largely to sluggish demand in the West, particularly in the EU. Flooding in Thailand in November was also a factor, interrupting supply chains for some electronic components. Recent data suggests that the industrial production cycles in these countries have bottomed out and are now recovering. China, India, South Korea, the Philippines and, to some extent, Indonesia are large emerging economies in Asia with strong and growing domestic demand and hence are less dependent on external demand. Therefore, the economic crisis in Europe and a slowdown in the OECD are expected to affect these economies less than the others.

Economic growth in **South American** countries is supported by China's demand for soft and hard commodity exports. Historically low OECD interest rates, coupled with improving investor perceptions of the region's potential, will continue to benefit the larger economies and those well integrated into the global financial markets. However, last year's volatility in the foreign exchange markets of these economies — when the Brazilian real and Mexican peso fell by 16.6% and 12.3% respectively against the US dollar in September 2011 — highlighted the vulnerability of the region to shifts in market sentiment, given its large external financial requirements and the volatility of global portfolio flows. In addition to the risks arising from an uncertain global economic outlook, Latin American policy-makers face other challenges. In monetary and credit policy, they will have to strike a balance between supporting domestic demand and keeping inflation under control. As capital inflows cause currencies to appreciate, manufacturers will struggle to maintain competitiveness. In Brazil, which is set to become a large oil-producer and oil-exporter, the problem of the "Dutch disease" will be particularly acute.

Economic growth slowed in the **Middle East and North Africa (MENA)** region in 2011, as a result of political upheavals and civil unrest. Most of the countries that experienced serious troubles last year will witness something of a bounce-back in 2012, as the political and economic scene stabilizes (albeit to varying degrees). However, those countries that are still convulsed by internal strife, such as Egypt and especially Syria, will continue to suffer economically (EIU, May 2012). In North Africa, recovery will be constrained by weaker EU demand, which will lead to lower workers' remittances from Europe and tourist inflows.

In Brazil, a series of initiatives are envisaged to shield domestic industry from external competition. India now has cut its interest rate, adopting a more aggressive growth policy. The country's rupee is expected to remain under pressure, due to its current account and government deficit. Meanwhile, data released in recent weeks implies a rebound in China's manufacturing activity. In Russia, investment demand remained firm in April, while consumption growth looked to be losing momentum. The labour market is also tight, considering the low unemployment rate. The table below summarizes our estimate of the BRIC countries' economic performance at a macro level.

Table 3.2: Summary of macro-economic performance of the BRIC countries

	GDP growth rate		Consumer price index, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP	
	2011	2012	2011	2012	2011	2012	2011	2012
Brazil	2.9	3.0	6.5	5.1	-54.4	-63.9	3.1 *	2.9 *
China	9.2	8.2	5.4	3.3	305.0	204.3	-1.1	-2.1
India	7.0	6.9	8.4	7.0	-68.6	-74.2	-5.9	-5.7
Russia	4.2	3.7	7.1	6.3	88.6	77.2	0.8	-0.9

Source: Data Services Department, OPEC Secretariat for GDP growth rates; Concensus Forecast, April 2012, for prices and current accounts; Economic Intelligence Unit, April and May 2012, for government fiscal balance.

Figures for India are from the fiscal year 2011-2012 and 2012-2013.

** Brazil's fiscal balance figures are public sector primary balance.*

Brazil

To stimulate economic activity, in addition to an interest rate cut, Brazil's government has introduced an economic package with corporate tax reforms to reduce production costs

Considering the popularity that the Brazilian President enjoys in recent polls, it is expected that her government's economic initiatives, intended to lift growth in a slowing economy, will gain support from the public, at least in the short term. Concern about the pace of economic activity, particularly in the industrial sector, continues to dominate the policy debate in Brazil. The government's economic package is meant to complement the *Brasil Maior* plan launched in August 2011, and includes measures to increase public and private investment, enhance competitiveness — particularly through special incentives to boost productivity and innovation — and reduce production costs. It consists of three main pillars: action to curb exchange-rate appreciation — such as financial transaction taxes on international flows (IOFs), which were recently extended to cover all loans maturing within the next five years; changes to the corporate tax structure; and measures to stimulate domestic production (EIU, May 2012).

The key aspect of the new plan is the second pillar, namely changes to the intricate corporate taxes — focused on shifting companies' payroll contributions to the social security system, which amounted to a tax rate of 20% on payrolls — introducing a new tax on turnover, with a rate varying between 1% and 2.5%, depending on the sector. In addition, the government has announced that it will boost public-sector credit, with a new transfer of 45 bn reals (US $27bn) to the Banco Nacional de Desenvolvimento Econômico e Social (BNDES, the state development bank). The government raised concern about the high level of interest rates charged by Brazilian banks on corporate and consumer borrowing. After four consecutive 50 basis-point cuts since the easing cycle began in August 2011, and two consecutive cuts of 75 basis points in March and April 2012, the Selic policy rate is now at 9%. Given lower inflation than expected in March and a still weak economic recovery, the Central Bank of Brazil (BCB) is likely to cut the rate by another 25 or 50 basis points in May, before going on hold until the end of the year. However, the recent aggressive cutting has renewed concern about the BCB's commitment to achieving the central inflation target (4.5%), and inflationary expectations for 2012 and 2013 have continued to drift up.

The public sector primary surplus for February was above market expectations. Over the last 12 months, this surplus has been 3.3% of GDP and, in the first two months of 2012, the government had already achieved a primary surplus of R35.5bn, or 25% of the yearly target, which is about 3.1% of GDP. Brazil's net public sector debt is expected to be around 37.5% of GDP. Output growth is estimated to have slowed to 2.9% in 2011 and economic data released since the beginning of 2012 shows that the economy remained sluggish in the first two months of the year. However, leading indicators still point to an upturn later this year. Despite monetary policy easing and supportive measures, manufacturing will struggle as competitive weaknesses will continue to be exposed by a strong real, and, in the short term, there is still an inventory overhang to work through. It is expected, however, that economic activity will pick up in the second half of the year and, by late 2012, GDP will be growing by around 4% on annual basis, providing momentum into 2013.

The inflation rate eased to 5.24% in March, from 5.85% in February and a peak of 7.3% in September 2011 (EIU, May 2012), as the surge in commodity prices that began at the end of 2010 fell out of the annual series. Inflation will be muted until mid-year. March inflation, which came in much lower than expected, has brought annual inflation well below the Central Bank's estimates for the first quarter of around 5.4%. Therefore, there is increasing speculation that the Central Bank will continue the cycle of rate cuts to a level slightly below the current 9%. After the exchange rate appreciation in late February, the BCB intervened in the currency markets and the Ministry of Finance lifted the 6% financial transaction tax on overseas loans and bonds in March. This weakened the real to R1.88 to the US dollar on 19 April, as investors went on the defensive, fearing other measures. Assuming that a full-blown Euro-zone debt crisis and a Chinese hard landing are avoided, the real will remain strong, owing to sizeable capital inflows seeking investment opportunities, and healthier debt and GDP growth dynamics, compared with advanced economies.

China

Deep economic reforms are necessary for harmonious and inclusive economic growth in China

China's rate of real GDP growth slowed in the first quarter of 2012, to 8.1% year-on-year, compared with 8.9% in the last three months of 2011. However, on a quarter-on-quarter basis, the picture was much more stable, with the seasonally adjusted growth rate slowing only marginally. The National Bureau of Statistics (NBS) stated that consumption had contributed 76% of total economic growth in the first quarter of 2012. This appears to be a relatively strong performance, given that the value of retail sales in January-March was up by just 14.8% year-on-year, representing a slowdown from growth of 17.1% in 2011 as a whole. Further support has come from rapid wage growth — per-head disposable income for urban residents was up by 14% year-on-year in the first quarter of 2012, according to the NBS, while the equivalent figure for rural residents was 17% (EIU, May 2012).

Slowing down on investment lies at the root of the recent moderation in economic activity. Fixed-asset investment growth has slowed notably, although it remained fairly rapid in the first quarter of 2012, at 20.9% year-on-year. Those looking out for an upturn in investment will have been given hope by relatively strong credit growth in March, which helped to lift the net increase in renminbi-denominated lending in January-March to Rmb2.5 trillion (US $395bn), compared with Rmb2.3 trillion in the year-earlier period. Much of the slowdown in investment has been concentrated in the housing sector. It is estimated that new residential-construction starts were down by 5.2% year-on-year in January-March, to record their first contraction since 2009. Property prices are falling in many cities, and some distress sales of landholdings are taking place.

The picture for net exports is similarly poor. However, according to China's customs authorities, merchandise exports expanded faster than imports in the first quarter of 2012: exports increased by 7.6% year-on-year, while imports rose by 6.8%. The country posted a trade surplus of $1bn on a customs basis in January-March this year, compared with a deficit of $2 bn in the year-earlier period. The swing largely reflected weak imports of raw materials, in line with the slowdown in domestic construction. Although exports are no longer as important to China as formerly, rebalancing the economy away from its dependence on investment will be a crucial goal. Economic growth will nevertheless continue to rely on rates of investment that are unsustainable in the long term, even as consumption is boosted. This implies the need for economic reforms on several fronts.

The *China 2030* report, published in February by the World Bank with backing from the People's Bank of China (PBC, the central bank) and the Development Research Centre (a think-tank under the control of China's cabinet, the State Council), showed that the authorities in China are in agreement that a series of well-planned and administered reforms is required for more harmonious and inclusive economic growth. Financial reforms, in particular, are mentioned in this report and other official reports as being among the priorities. China raised its official rural poverty threshold in late 2011, thereby more than quadrupling the number of residents eligible for income support. Redistributive tax reforms, further to those announced in 2011, could be enacted in 2012–16. Officials will also support workers' efforts to secure substantial pay increases, but state welfare services will remain underdeveloped, despite growth in spending on health, education, pensions and poverty alleviation.

China recorded an estimated budget deficit equivalent to 1.1% of GDP in 2011, although this does not include a large amount of off-budget expenditure. Expenditure on education, healthcare and other forms of social welfare will continue to grow faster than other areas of public spending. At central government level, revenue growth will remain strong, as the domestic economy continues to expand rapidly. On the monetary policy front, the People's Bank of China (PBC, the central bank) raised interest rates several times between October 2010 and July 2011, but it has shifted towards a policy more supportive of economic growth since late 2011. It is expected that the PBC will move to boost domestic liquidity, notably through reductions in bank reserve requirements, open-market operations and guidance to the state-owned banking sector on credit issuance. It will also step up efforts to deepen the domestic bond market in order to reduce companies' dependence on banks when raising capital (EIU, May 2012).

In an important move for the future of China's currency, on 14 April the Chinese authorities widened the band within which they will allow the renminbi to trade, doubling the permitted daily adjustment from 0.5% to 1%. Given that the renminbi has recently been subject to bouts of depreciation, as well as appreciation, the change may not imply a faster strengthening of the local currency. However, it may presage greater volatility in the path of China's exchange rate. This will be an important step, as the government tries to prepare international traders for a move towards a more market-determined (and volatile) exchange rate.

Although the renminbi's value probably remains some way below the level that would be set by a free market, there is a growing sense in foreign-exchange markets that China's currency is no longer guaranteed to rise automatically.

India

Measures set out in India's budget statement are unlikely to achieve the economic growth target of 7.6% envisaged for fiscal year 2012/13

Given India's slowing economy, large public deficit and a rising subsidy bill, many had expected some hard measures of reform in the country's fiscal year budget announced on 16 March by the finance minister. However, there has been no major proposal for economic reform in the government's budget statement. The budget set a deficit target of 5.1% of GDP in 2012/13 and announced rises in services and excise taxes to help achieve this. This deficit target is far above the authorities' 4.6% deficit target for 2011/12 and takes into account increases in services and excise taxes, as well as import duties, as part of a bid to raise 400 bn rupees (US$ 7.8bn) in additional tax revenue. This deficit target is based on an assumption that global oil prices will average US$ 115/b and that real GDP growth will reach 7.6%. It is believed that, without a reliable parliamentary majority, efforts to implement structural economic reform will continue to be hindered. So a growth rate for the 2012 fiscal year of more than 7% for the Indian economy seems unlikely, considering the current circumstances of the economy. This means that the government's ability to meet its subsidy reduction target is far from assured.

Dual government budget and current account deficits on the one hand and elevated inflation that exerts downward pressure on private consumption growth (the main driver of economic expansion, accounting for nearly 60% of nominal GDP) on the other, together with high interest rates, are deterring capital investment. Therefore, we expect economic growth of slightly below 7% for India in 2012. In fact, recent data releases, including national accounts data for the fourth quarter of 2011, indicate a significant slowdown in economic activity.

After 13 consecutive increases in the repurchase (repo) rate, the interest rate at which the Reserve Bank of India (RBI, the central bank) supplies funds to the banking system, since January 2010, the RBI cut its benchmark rate by a surprising 50 basis points, reducing the repo rate to 8.00%. The RBI has already cut the cash reserve ratio in April, to increase the liquidity, particularly in the economy, needed for manufacturing expansion. Rates are likely to continue to fall in the future, if the government succeeds in curbing the elevated inflation.

Wholesale price inflation rose to a non-seasonally adjusted 7% year-on-year in February, from 6.6% in January. Food articles and manufactured food products have a 24.3% weighting in the wholesale price index. In its review of monetary policy, released in January, the RBI mentioned high global oil prices, the recent depreciation of the rupee and the persistent fiscal deficit as sources of inflationary pressure. In view of these factors, it is expected that inflation will remain high and elevated throughout 2012 and into next year. The rate of consumer price inflation accelerated to 8.8% year-on-year in February, from 7.7% in January. Overall, inflation in the food and beverages category averaged 6.6%, but, in some categories, the rate of price increases was of particular concern. These included: milk and milk products (up by 15.8%); oil and fats (12.8%); and eggs, fish and meat (10.6%) (EIU, April 2012).

The rupee is forecast to depreciate in the short term. India's widening trade and fiscal deficits have put pressure on the currency. A poor outlook for the global economy, which, combined with decelerating economic growth in India, has led to a sharp slowdown in the capital inflows on which the country relies to finance its persistent fiscal and current-account deficits. The slowdown in global economic growth in 2012 is likely to reduce capital inflows to India further and to worsen both the trade and fiscal positions, with the consequence that further downward pressure could be exerted on the local currency. The current account deficit is forecast to widen in the short term, from the equivalent of an estimated 2.2% of GDP in 2011 to 2.4% in 2012, owing to subdued global demand and relatively strong import growth. Merchandise export growth (in US dollar terms) is expected to slow, while imports continue to grow. As import expansion will be from a much higher base, the country's trade deficit will widen. Capital inflows have been financing India's persistent current account deficit, but the sovereign debt crisis in the Euro-zone and political strife in the Middle East create the possibility of greater investor risk aversion reducing prospects of DFI growth in India in the 2012/2013 fiscal year.

Russia

With conflicting signals to markets, Russia's newly elected President promises continuation of economic reforms, while praising state capitalism

In his speech to parliament on 11 April, Vladimir Putin set out the priorities for his new presidential term: halting the decline in Russia's population; developing the Russian Far East; and creating 25 million high-skilled jobs. He announced that the federal budget would be in balance by 2015. The use of any windfalls from oil and gas revenue would be restricted under new fiscal rules. Noting that, among the G8 economies, Russia had the fastest growth rate and was the only one not running a budget deficit, he predicted that Russia would become one of the world's five largest economies, measured at purchasing power parities, in two or three years. However, real GDP growth slowed to 3.2% in March, down from 4.8% in February and 3.9% in January. Other recent economic data also point to weakening growth momentum. Export demand remains weak and investment growth has slowed, reflecting weak construction activity. Investment spending growth slowed to 4.9% year-on-year in March, from an average of 15% in the first two months of the year (EIU, May 2012).

It seems that high oil prices have reduced the motivation for reform in Russia. On the one hand, Russia is set to join the World Trade Organization (WTO) in 2012, and there have been some promises of reforms, and, on the other hand, a vision set out by Mr Putin endorses state capitalism, citing China and South Korea as examples. Although he has defended the state corporations created under his rule, however, Mr Putin has also supported policies such as privatization, WTO entry, improving the business climate and pension reform. The budget's reliance on oil has increased greatly. From 3.6% of GDP in 2007, the non-oil budget deficit widened to 13.9% of GDP in 2009 and has since narrowed only modestly. Additional expenditure on defence, public-sector workers' pay and pensions means that Russia would require an oil price of about $120/b to balance its budget in 2012, up from only $55/b in 2007. The original 2011 budget plan expected a deficit of nearly 4% of GDP, but high oil prices boosted tax revenue well above the budget forecast. The price of Urals Blend crude averaged $109.5/barrel in 2011, well above the budget assumption of $75/b. This helped the budget to return to a surplus, at 0.8% of GDP. The government boosted spending pledges in the run-up to the presidential election. According to official medium-term fiscal projections, the non-oil deficit is expected to be about 10% of GDP over the coming three years.

According to estimates from the Ministry of Economic Development, annual real GDP growth slowed in March to 3.2%, from 4.8% in February and 3.9% in January. On a seasonally adjusted basis, monthly GDP fell by 0.6% in March, after increasing by 0.5% in February. Other recent economic data also points to weakening growth momentum. Export demand remains weak and investment growth has slowed markedly, reflecting weak construction activity. Investment spending growth slowed to 4.9% year-on-year in March, compared with average growth of 15% in the first two months of the year. The volume of seasonally adjusted retail sales in March remained unchanged from February, and retail sales for the first quarter were flat, compared with the final quarter of 2011. Growth in real household incomes was stagnant in the first quarter. Year-on-year industrial output growth fell to 2% in March from 6.5% in February.

In March, there was a seasonally adjusted decline of 1.2% on the previous month. Manufacturing output growth fell to the lowest rate for over 12 months, rising by just 2.4% year on year. It should be noted, however, that the extent of the apparent slowdown in March has been slightly exaggerated by the fact that output in February was boosted by an extra working day caused by the leap year, while, in March, there was one less working day, compared with the same month in 2011.

In December 2011, the Russian Central Bank (RCB) cut the refinancing rate from 8.25% to 8%. At the same time, the repo rate, which is the key rate for providing liquidity to the banking system, remained unchanged at 5.25%. As inflation has decelerated, the RCB's concerns have shifted towards risks to growth. However, the RCB seems committed to its 2012 inflation target of 5–6%, and inflationary risks stem from a tight labour market. The decline in inflation is thus unlikely to lead to near-term cuts in interest rates. The RCB left base rates unchanged at its meetings in February, March and April. It sees the recent decline in inflation as being the result of delays in increasing regulated tariffs until July (instead of January, as usual), as well as a rouble appreciation. The RCB is also cautious because consumer lending is expanding.

The growth prospects for the Russian economy will remain dependent on international commodity prices. The economy expanded robustly in 2011, driven by strong private consumption growth. Real GDP rose by 4.2, well below rates before the recession of 2009. It is estimated that economic growth will decelerate in 2012 to a forecast 3.7%, as global economic growth slows. Part of the reason for the relatively robust GDP growth in 2011 was strong growth in agricultural output. However, this was a recovery from a poor performance in 2010. Also global financial turbulence is expected to affect investment and consumer expectations in Russia. The share of fixed investment in GDP is much lower than in many emerging markets. Impediments to faster growth include a relatively weak banking sector, the economy's high and growing dependence on natural resource sectors and manifold institutional weaknesses. Energy output growth will remain sluggish, with oil companies struggling to increase production as existing fields are depleted and recovery becomes more difficult (EIU, May 2012).

Despite the weakening of the rouble, inflation decelerated in late 2011, mainly because of falling food prices. Year-on-year consumer price inflation fell to 6% at the end of 2011 (although the annual average inflation, at 8.4%, was higher than in 2010). Russia, like other emerging economies, experienced a weakening of its currency in reaction to the uncertain global outlook and flight from risk. At the end of 2011, the value of the rouble against its euro/US dollar currency basket was down by nearly 4%, compared with the start of the year. The low point was in early October, when the rouble was 14% below its 2011 peak, which was reached in July. In 2011, Russia recorded a trade surplus of $198.4 bn, which helped push the current account surplus above $100 bn. This was the result mainly of a 34% increase in exports of oil and gas, although other exports rose by nearly 24% year-on-year. In contrast to the improving trade in goods balance, trade in services moved deeper into deficit, with payments for services approaching $100 bn. The rapid growth in transactions on the services account testifies to the increasing openness in the economy, although Russia pays nearly twice as much for services as it earns.

OPEC Member Countries

Saudi Arabia's PMI rose to 60.42 in April from 58.73 in March

Growth in business activity in Saudi Arabia's non-oil private sector rose to a nine-month high in April, boosted by strong output and new orders, a survey has shown. The SABB HSBC Saudi Arabia PMI, which measures activity in the manufacturing and services sectors, rose to 60.42 in April from 58.73 in March. This seasonally adjusted index stayed well above the 50-point mark distinguishing growth from contraction. April's PMI data was reflective of strong demand conditions in the Saudi Arabian non-oil private sector economy. Bank loans increased by 5% in the fourth quarter of last year from the previous three months to 242 billion riyals (US$ 64 billion), according to the Saudi Arabian Monetary Agency report. Saudi inflation was 5.4% in March, unchanged from February, according to recent data from the Central Department of Statistics and Information. Inflation is expected to be at 4.4% for 2012, curbed by a strong dollar and subdued inflationary pressures in Saudi Arabia's trading partners. The Saudi Central Bank is expected to keep its key interest rates unchanged in May, as inflationary pressures remain under control.

Central Bank of Nigeria raises policy rate by six percentage points

The Central Bank of Nigeria (CBN) has resumed aggressive monetary-tightening, following an increase in the inflation rate to 12.1% in March, from 11.9% in the previous month. The CBN has raised its policy rate by six percentage points to a record 12% since 2010 to curb price pressures. Inflation is still below the central bank's estimated peak of 14.5% in the first half of this year, giving the Monetary Policy Committee room to keep the benchmark rate unchanged next month. The budget assumption for inflation is intended to be in single digits, but a recent announcement by the National Bureau for Statistics (NBS) showed an inflation figure moving further from the budget's target. Nigeria may have started to count the gains from the partial removal of subsidies on petrol, with a 40% drop in oil imports recorded in the first quarter of the year. This development, which is said to have reduced pressure on the nation's foreign exchange reserves, is also said to be capable of raising the trade surplus to 12.5% of GDP.

Oil prices, US dollar and inflation

US dollar almost flat against euro and Swiss franc in April, but lost 1.2% against both yen and pound sterling

On a monthly average, the movements of the US dollar from March to April against the main reference currencies were relatively limited. The dollar was almost flat against the euro and the Swiss franc in April, with a 0.3% increase and a 0.1% decline respectively. But, against both the yen and the pound sterling, it lost 1.2%. However, particularly since the beginning of May, concern about the near-term developments in the Euro-zone has increased, which has put the euro under increasing pressure to devalue. Many observers have argued over the past few months that the euro seems over-valued, compared with the dollar, although it has remained relatively resilient, even during the major turbulences in the Euro-zone at the end of last year. The re-emerging uncertainties in the Euro-zone might now open the floodgates to accelerate a depreciation of the euro. This might also be to the advantage of the embattled Euro-zone economy, so that it can enjoy a competitive advantage in international trade, which would be welcome for, primarily, the ailing peripheral member countries, but could also provide a lift for the bigger exporters, like Germany and France. Since the beginning of May, the euro has lost around 1.5% in only about one and a half weeks, moving below the crucial $1.30/€ level, which so far has been the lower limit of the trading band in recent months. The near-term developments will, to a large extent, depend on the political responses to the continuing crisis, including the future policy of the ECB. Moving east, as the Bank of Japan continued to support the weakening yen in the foreign exchange market, this currency held its crucial level above the ¥80/$ exchange rate in April, when it averaged ¥81.490/$. However, in the second week of May, it moved below the ¥80/$ level.

OPEC Reference Basket's nominal price lost 3.9% in April and fell 3.7% in real terms to $72.53/b

In nominal terms, the OPEC Reference Basket price lost $4.79/b, or 3.9%, over the past month, falling from $122.97/b in March to $118.18/b in April. In real terms, after accounting for inflation and currency fluctuations, the Basket price fell by 3.7%, or $2.77/b, to $72.53/b from $75.30/b (base June 2001=100). Over the same period, the US dollar fell by 0.1% against the import-weighted modified Geneva I + US dollar basket, while inflation fell by 0.3%.*

* *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 growth forecast at 0.9 mb/d in 2012 to average 88.7 mb/d

World oil demand

Given the stabilization of the US economy and the shutdown of the Japanese nuclear power plants, world oil demand has – at least, for the short term – stopped its decline and has begun to show growth. Oil-use in both the US and Japan has been growing for various reasons. Furthermore, demand in non-OECD countries is indicating an improvement. India and Saudi Arabia are consuming more oil than expected.

The only exception is the European economy, which is still subject to some uncertainties. Hence, the world oil demand forecast shows a minor upward change from the last estimate and is set at 0.9 mb/d y-o-y to average 88.7 mb/d.

US oil demand has placed a considerable amount of uncertainty on the existing demand assessment. The upcoming driving season might be affected by retail gasoline prices and economic uncertainties; hence the country's oil demand would show further declines, cutting the current forecast of the year's total world oil demand growth by between 0.2 and 0.3 mb/d. Furthermore, should Japan restart its nuclear plants, the country's high oil-usage would slow down dramatically.

Table 4.1: World oil demand forecast for 2011, mb/d

							Change 2011/10	
	2010	1Q11	2Q11	3Q11	4Q11	2011	Growth	%
North America	23.77	23.78	23.31	23.56	23.36	23.50	-0.26	-1.11
Western Europe	14.58	14.20	14.12	14.69	14.06	14.27	-0.32	-2.17
OECD Pacific	7.82	8.34	7.10	7.68	8.29	7.85	0.04	0.45
Total OECD	**46.17**	**46.32**	**44.54**	**45.93**	**45.71**	**45.62**	**-0.54**	**-1.18**
Other Asia	10.14	10.27	10.54	10.44	10.61	10.46	0.33	3.21
Latin America	6.15	6.11	6.34	6.54	6.50	6.37	0.22	3.58
Middle East	7.36	7.49	7.43	7.81	7.50	7.56	0.19	2.62
Africa	3.35	3.40	3.38	3.25	3.42	3.36	0.01	0.36
Total DCs	**27.00**	**27.27**	**27.67**	**28.03**	**28.02**	**27.75**	**0.75**	**2.78**
FSU	4.18	4.14	3.98	4.40	4.64	4.29	0.11	2.55
Other Europe	0.69	0.69	0.65	0.69	0.76	0.70	0.00	0.61
China	8.95	9.13	9.54	9.37	9.60	9.41	0.46	5.12
Total "Other regions"	**13.83**	**13.96**	**14.16**	**14.45**	**15.00**	**14.40**	**0.57**	**4.12**
Total world	**87.00**	**87.56**	**86.37**	**88.41**	**88.73**	**87.77**	**0.78**	**0.89**
Previous estimate	86.95	87.54	86.36	88.40	88.80	87.78	0.83	0.96
Revision	0.05	0.01	0.01	0.01	-0.07	-0.01	-0.06	-0.07

Totals may not add up due to independent rounding.

Table 4.2: 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	23.41	23.78	0.38	1.60	23.69	23.31	-0.38	-1.60
Western Europe	14.32	14.20	-0.12	-0.84	14.26	14.12	-0.13	-0.95
OECD Pacific	8.23	8.34	0.11	1.37	7.35	7.10	-0.24	-3.29
Total OECD	**45.95**	**46.32**	**0.37**	**0.80**	**45.29**	**44.54**	**-0.76**	**-1.67**
Other Asia	10.07	10.27	0.20	1.97	10.20	10.54	0.33	3.28
Latin America	5.94	6.11	0.17	2.93	6.08	6.34	0.26	4.21
Middle East	7.21	7.49	0.28	3.84	7.28	7.43	0.15	2.07
Africa	3.38	3.40	0.02	0.63	3.37	3.38	0.01	0.17
Total DCs	**26.60**	**27.27**	**0.67**	**2.52**	**26.93**	**27.67**	**0.75**	**2.77**
FSU	4.02	4.14	0.12	2.92	3.86	3.98	0.12	2.98
Other Europe	0.69	0.69	0.00	0.46	0.64	0.65	0.00	0.76
China	8.37	9.13	0.76	9.06	9.09	9.54	0.44	4.87
Total "Other regions"	**13.08**	**13.96**	**0.88**	**6.72**	**13.60**	**14.16**	**0.56**	**4.14**
Total world	**85.64**	**87.56**	**1.92**	**2.24**	**85.82**	**86.37**	**0.55**	**0.64**

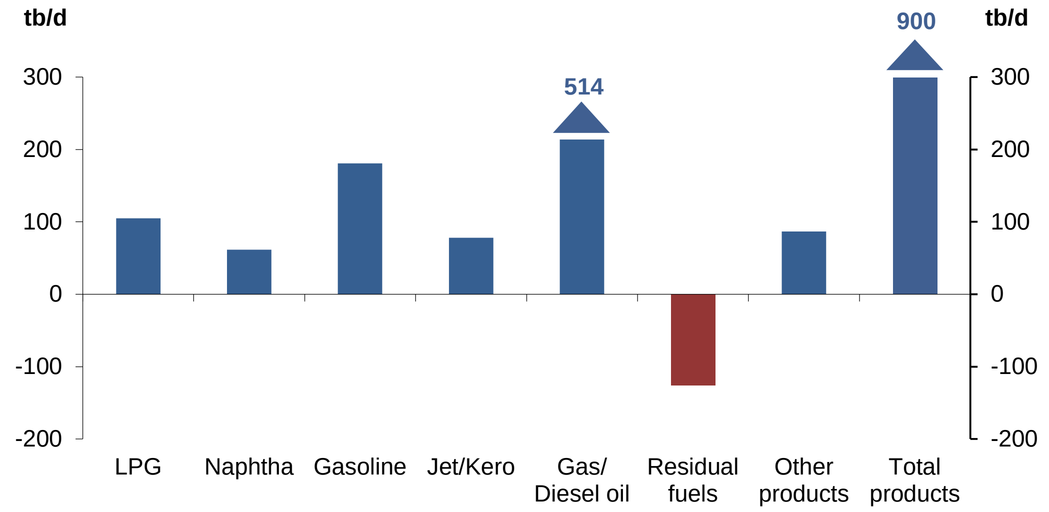
Totals may not add up due to independent rounding.

Table 4.3: Third and fourth quarter world oil demand comparison for 2011, mb/d

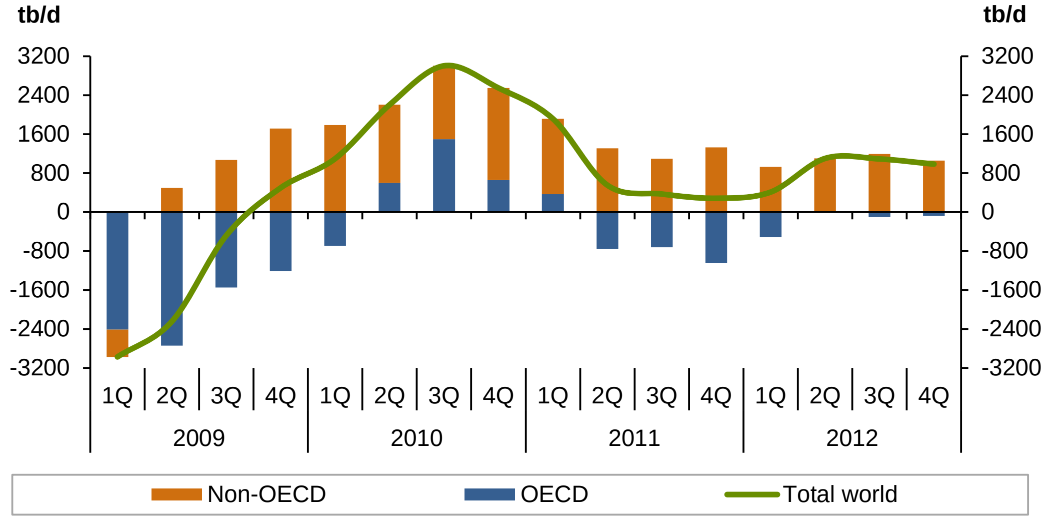
	3Q10	3Q11	Change 2011/10 Volume	Change 2011/10 %	4Q10	4Q11	Change 2011/10 Volume	Change 2011/10 %
North America	24.10	23.56	-0.54	-2.23	23.86	23.36	-0.50	-2.09
Western Europe	14.93	14.69	-0.24	-1.59	14.83	14.06	-0.77	-5.17
OECD Pacific	7.63	7.68	0.05	0.68	8.07	8.29	0.22	2.68
Total OECD	**46.65**	**45.93**	**-0.72**	**-1.55**	**46.76**	**45.71**	**-1.05**	**-2.24**
Other Asia	10.05	10.44	0.39	3.87	10.23	10.61	0.38	3.68
Latin America	6.30	6.54	0.24	3.78	6.28	6.50	0.21	3.37
Middle East	7.62	7.81	0.20	2.57	7.35	7.50	0.15	2.05
Africa	3.21	3.25	0.03	1.03	3.43	3.42	-0.01	-0.35
Total DCs	**27.18**	**28.03**	**0.86**	**3.15**	**27.29**	**28.02**	**0.73**	**2.66**
FSU	4.30	4.40	0.09	2.21	4.54	4.64	0.10	2.20
Other Europe	0.68	0.69	0.00	0.57	0.76	0.76	0.00	0.65
China	9.23	9.37	0.14	1.52	9.10	9.60	0.50	5.49
Total "Other regions"	**14.21**	**14.45**	**0.24**	**1.68**	**14.40**	**15.00**	**0.60**	**4.20**
Total world	**88.04**	**88.41**	**0.37**	**0.42**	**88.45**	**88.73**	**0.28**	**0.32**

Totals may not add up due to independent rounding.

Graph 4.1: Forecast y-o-y growth in 2012 world oil demand, by product



Graph 4.2: Quarterly world oil demand growth



OECD — North America

North American oil demand projected to fall again in 2012, but by a smaller amount of 0.10 mb/d

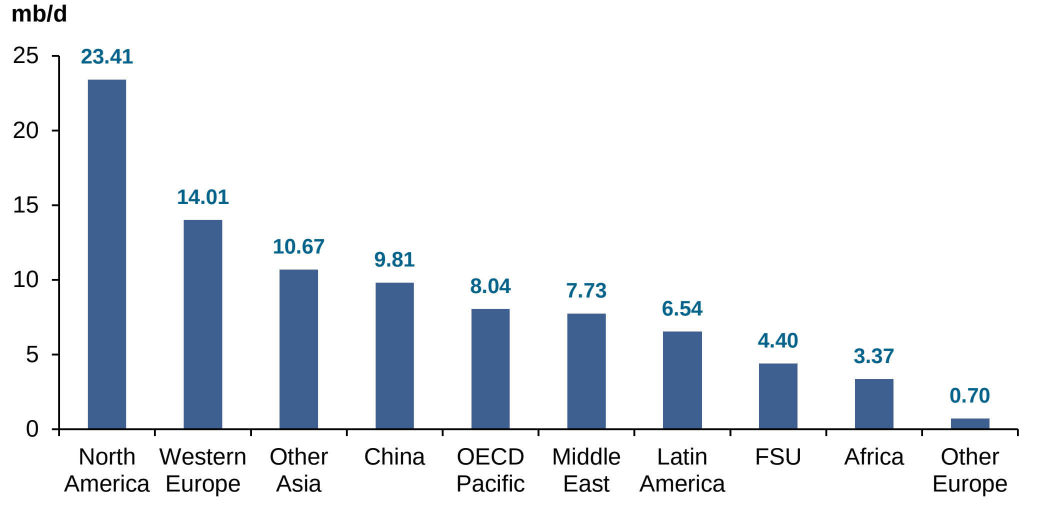
Although there are some signs of economic stabilization within the US, the country's economic activity is still having a negative impact on the use of oil. The most important sector, transportation, continues to consume less oil than it did last year, due mainly to the country's economic activity and high retail prices.

The latest monthly US oil consumption data, for February, shows a 0.6% year-on-year (y-o-y) contraction, the lowest observed since April 2011. Distillate-consumption grew, while the bulk of contractions was seen in gasoline and fuel oil. The first four months of 2012 were generally quite disappointing for US consumption, with contractions in all product categories, especially motor gasoline and residual fuel oil. The main factors influencing consumption were ongoing economic concern, relatively high fuel prices and a warmer-than-usual winter. Nevertheless, the situation showed some improvement in March and April. As for April, the country's consumption revealed the first growth since March 2011, being pushed up by industrial fuel-consumption. However, high pump prices were the main cause of decreasing transportation fuels. The outlook for US oil consumption for the entire year remains rather pessimistic, depending on the development of the economy and transportation fuel prices.

The latest report on Mexican oil consumption in March showed a solid increase of around 2.5%, compared with the same month last year. All product categories were positive, and this was attributed mainly to increases in industrial fuel-usage.

The latest available figures for Canadian oil demand in February show a decrease of 1.6%, compared with last year. The positive contribution to oil consumption from liquefied petroleum gas (LPG) and jet fuel has been more than offset by the decline in oil-usage in transportation.

Graph 4.3: World oil demand by regions for 2012



For the whole of 2011, North American oil demand shrank by 0.26 mb/d. And, in 2012, demand is projected to decrease again, but by a smaller magnitude of 0.10 mb/d.

After hitting a 30-year low in 2009, US auto sales had a second straight year of growth during 2011, at approximately 7%, as a result of easier credit, low interest rates and increased demand for cars and trucks. Moreover, old car replacement, which was delayed during 2009 and 2010, was another factor for strong growth. Government estimates show that Americans spent roughly US $40 billion more on new cars and trucks in 2011 than in 2009, with new car spending accounting for 1.3% of GDP. The main trends for autos for 2011 were similar to those in Europe. Smaller, fuel-efficient vehicles were on the rise, as gas prices hit a record average of $3.53 per gallon. At the other extreme, pick-up vehicle sales rebounded, as businesses started to replace older trucks. For much of the year, US-based automakers took advantage of Japanese car shortages to increase sales, especially in the compact car segment normally dominated by the Honda Civic and Toyota Corolla, as Japanese companies ran short of popular models after the catastrophic earthquake and tsunami in March.

During the first four months of this year, US auto sales continued to grow at a stronger rate of approximately 10% y-o-y, with most segments increasing, especially midsized cars and trucks. Expectations for 2012 show a growing market of around 10%.

In Canada, automakers sold 1.59 million vehicles in 2011, up from 1.56m in 2010 (2%), as a result of low interest rates and increased demand. Truck sales grew by 5% last year, while car sales fell by about 2%. Imported vehicles captured slightly more market share than their domestic counterparts, holding steady with 2010 figures at about 53% of the market. The latest available Canadian data shows auto sales posting strong gains in February, mirroring sales growth in the US, as increasing numbers of consumers replaced their vehicles with revamped or fuel-efficient cars and trucks. Vehicle sales in Canada were similarly strong in January, helped by a recovery in production at Japanese automakers and healthy demand for European brands. Canadian sales for 2012 are projected to be in line with those of 2011, as a recession in Europe, slower growth in emerging markets and an uncertain economic and political climate in the US continue to weigh on consumer sentiment.

The very close relation between the Mexican automobile industry and the US auto market boosted auto production and exports in 2011 by 13% and 15%, compared with 2010. Domestic auto sales grew by 10% to 905,886 units, though they still remained below the level set in 2007, prior to the recession. The latest Mexican data shows 1Q12 production, exports and domestic sales rising by 11%, 15% and 11% respectively. The Mexican auto market is expected to continue growing during the remainder of 2012, as a result of its proximity to the US auto market.

Table 4.4: World oil demand forecast for 2012, mb/d

							Change 2012/11	
	2011	1Q12	2Q12	3Q12	4Q12	2012	Growth	%
North America	23.50	23.19	23.34	23.65	23.44	23.41	-0.10	-0.42
Western Europe	14.27	13.86	13.89	14.42	13.85	14.01	-0.26	-1.83
OECD Pacific	7.85	8.75	7.31	7.76	8.34	8.04	0.19	2.36
Total OECD	**45.62**	**45.80**	**44.54**	**45.82**	**45.63**	**45.45**	**-0.17**	**-0.38**
Other Asia	10.46	10.51	10.72	10.66	10.80	10.67	0.21	2.00
Latin America	6.37	6.26	6.50	6.71	6.66	6.54	0.17	2.59
Middle East	7.56	7.64	7.59	8.02	7.68	7.73	0.18	2.32
Africa	3.36	3.37	3.40	3.28	3.43	3.37	0.01	0.23
Total DCs	**27.75**	**27.78**	**28.21**	**28.67**	**28.57**	**28.31**	**0.56**	**2.01**
FSU	4.29	4.24	4.09	4.51	4.75	4.40	0.11	2.56
Other Europe	0.70	0.69	0.65	0.69	0.77	0.70	0.00	0.66
China	9.41	9.45	9.98	9.81	9.99	9.81	0.40	4.25
Total "Other regions"	**14.40**	**14.38**	**14.72**	**15.01**	**15.52**	**14.91**	**0.51**	**3.58**
Total world	**87.77**	**87.97**	**87.47**	**89.50**	**89.72**	**88.67**	**0.90**	**1.03**
Previous estimate	87.78	87.88	87.42	89.49	89.74	88.64	0.86	0.97
Revision	-0.01	0.09	0.05	0.01	-0.02	0.03	0.04	0.05

Totals may not add up due to independent rounding.

OECD — Europe

Oil consumption in Europe expected to shrink again in 2012, by 0.26 mb/d

The European economic crisis is considered to be the reason behind the massive decline in the continent's oil-use. This decline is not confined to the smaller economies, but has also affected the larger ones, such as the 'Big Four' (France, Germany, Italy and the UK). Germany's oil demand declined by 3.3% in the first quarter of this year. Most of the decline was attributed to industrial oil-use, leading to lower consumption of diesel and fuel oil. The Big Four's oil demand declined by 3.5% in February y-o-y. Almost 80% of the total decline was related to less use of gasoline and diesel. This trend is expected to continue for the entire year. In the most moderate estimate, OECD Europe is expected to use 1.8% less oil this year.

European oil consumption contracted again in March, the seventh monthly fall in a row. Just as with last year, the first quarter of this year saw a decline of 0.3 mb/d y-o-y, reflecting a weak regional economy. March consumption in France, Germany, Italy and UK fell as a result of decreasing demand in industrial fuels, due in turn to weak industrial activity. Furthermore, the continent's oil demand decline resulted from shrinking transportation fuels because of the relatively high prices, which were given added impetus by rigorous taxation. Nevertheless, the short- and medium-term development of European oil consumption will be determined most of all by the continuing debt problems in several of the continent's economies.

Table 4.5: Europe Big 4* oil demand, mb/d

	Mar 12	Mar 11	Change from Mar 11	Change from Mar 11, %
LPG	381	444	-63	-14.2
Gasoline	1,161	1,205	-44	-3.7
Jet/Kerosene	732	749	-17	-2.3
Gas/Diesel oil	3,068	3,212	-145	-4.5
Fuel oil	412	421	-9	-2.2
Other products	1,123	1,088	35	3.2
Total	**6,877**	**7,120**	**-243**	**-3.4**

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

The region's total contraction in oil demand stood at 0.32 mb/d in 2011. For 2012, oil consumption is expected to shrink again, this time by 0.26 mb/d, as a result of the turbulence in several European economies.

Table 4.6: First and second quarter world oil demand comparison for 2012, mb/d

			Change 2012/11				Change 2012/11	
	1Q11	1Q12	Volume	%	2Q11	2Q12	Volume	%
North America	23.78	23.19	-0.59	-2.47	23.31	23.34	0.02	0.10
Western Europe	14.20	13.86	-0.34	-2.41	14.12	13.89	-0.23	-1.60
OECD Pacific	8.34	8.75	0.41	4.93	7.10	7.31	0.20	2.87
Total OECD	**46.32**	**45.80**	**-0.52**	**-1.12**	**44.54**	**44.54**	**0.00**	**0.00**
Other Asia	10.27	10.51	0.24	2.30	10.54	10.72	0.19	1.79
Latin America	6.11	6.26	0.15	2.53	6.34	6.50	0.17	2.63
Middle East	7.49	7.64	0.15	2.06	7.43	7.59	0.16	2.19
Africa	3.40	3.37	-0.04	-1.07	3.38	3.40	0.02	0.61
Total DCs	**27.27**	**27.78**	**0.51**	**1.86**	**27.67**	**28.21**	**0.54**	**1.95**
FSU	4.14	4.24	0.10	2.42	3.98	4.09	0.11	2.80
Other Europe	0.69	0.69	0.00	-0.19	0.65	0.65	0.01	0.78
China	9.13	9.45	0.32	3.53	9.54	9.98	0.45	4.67
Total "Other regions"	**13.96**	**14.38**	**0.42**	**3.02**	**14.16**	**14.72**	**0.56**	**3.97**
Total world	**87.56**	**87.97**	**0.41**	**0.47**	**86.37**	**87.47**	**1.10**	**1.28**

Totals may not add up due to independent rounding.

Table 4.7: Third and fourth quarter world oil demand comparison for 2012, mb/d

			Change 2012/11				Change 2012/11	
	3Q11	3Q12	Volume	%	4Q11	4Q12	Volume	%
North America	23.56	23.65	0.08	0.35	23.36	23.44	0.08	0.34
Western Europe	14.69	14.42	-0.27	-1.84	14.06	13.85	-0.21	-1.47
OECD Pacific	7.68	7.76	0.08	1.06	8.29	8.34	0.05	0.61
Total OECD	**45.93**	**45.82**	**-0.10**	**-0.23**	**45.71**	**45.63**	**-0.08**	**-0.17**
Other Asia	10.44	10.66	0.22	2.14	10.61	10.80	0.19	1.80
Latin America	6.54	6.71	0.18	2.71	6.50	6.66	0.16	2.50
Middle East	7.81	8.02	0.21	2.66	7.50	7.68	0.18	2.35
Africa	3.25	3.28	0.03	0.85	3.42	3.43	0.02	0.55
Total DCs	**28.03**	**28.67**	**0.64**	**2.27**	**28.02**	**28.57**	**0.55**	**1.96**
FSU	4.40	4.51	0.11	2.57	4.64	4.75	0.11	2.48
Other Europe	0.69	0.69	0.01	1.15	0.76	0.77	0.01	0.87
China	9.37	9.81	0.44	4.70	9.60	9.99	0.39	4.08
Total "Other regions"	**14.45**	**15.01**	**0.56**	**3.88**	**15.00**	**15.52**	**0.51**	**3.42**
Total world	**88.41**	**89.50**	**1.09**	**1.24**	**88.73**	**89.72**	**0.99**	**1.11**

Totals may not add up due to independent rounding.

The European auto market presented a mixed picture during 2011, with substantial increases and decreases across countries for new passenger car registrations. According to figures from the European Automobile Manufacturers' Association, new passenger car registrations increased by 11% in Germany, they fell slightly in France, by 1.4%, and they shrank strongly in the UK and Italy, by 6% and 12% respectively. In total, ‘EU-27’ new passenger car sales fell slightly during 2011. Struggling economies in southern Europe showed collapsing auto markets during 2011, the worst of which were seen in Greece, Spain and Portugal. Overall, the general trends in the region continued to evolve during 2011. Smaller, more fuel-efficient cars, with lower emissions and diesel engines, were favoured. On average, Europeans change their car every eight years. The European auto-production industry is the largest in the world — cars are also imported to Europe, with Japan being the largest exporter to the continent.

In March 2012, demand for new cars in Europe declined for the sixth consecutive month, by 7% y-o-y, and registered the lowest level since 1998. Results for that month were, once more, diverse across the continent, as Italy (–27%), France (–23%) and Spain (–5%) saw their markets contract, whereas the UK (+2%) and Germany (+3%) grew, compared with 2011. Over the first quarter 2012, the EU market shrank by 8% y-o-y, with contrasting performances across countries. The German (+1%) and British (+1%) markets expanded slightly, while the Spanish one dropped by 2%, and those of Italy (–21%) and France (–22%) faced much sharper downturns.

During the remainder of 2012, the European auto market will almost certainly be dominated by economic concern and austerity measures in several countries influencing future trends for smaller, fuel-efficient cars. The expectations for 2012 are for a decreasing market of as much as 6% y-o-y, depending on the magnitude of the sovereign debt crisis in the region.

OECD — Pacific

OECD Pacific oil consumption grew by 0.04 mb/d in 2011, and is expected to rise by 0.2 mb/d in 2012

In Japan, the latest monthly data — for March — is dominated once more by huge increases in the direct use of crude and residual fuel oil. As a result of the shutdown of all the country’s nuclear plants and in combination with stricter stress tests as one of several conditions for their restarting, the direct crude and residual fuel-burning for electricity production is expected to increase further throughout 2012. Power plants are using crude — only those crudes with a low sulphur content — fuel oil and LNG for electricity power-generation. Moreover, driven by increased mileage and numbers of vehicles, as a result of government incentives, as well as starting from a very low baseline, transportation fuel consumption increased too.

In South Korea, oil consumption increased by a strong 4.1%, y-o-y in February; big falls in residual fuel oil-use were offset comfortably by increasing LPG, gasoline, naphtha and distillate requirements.

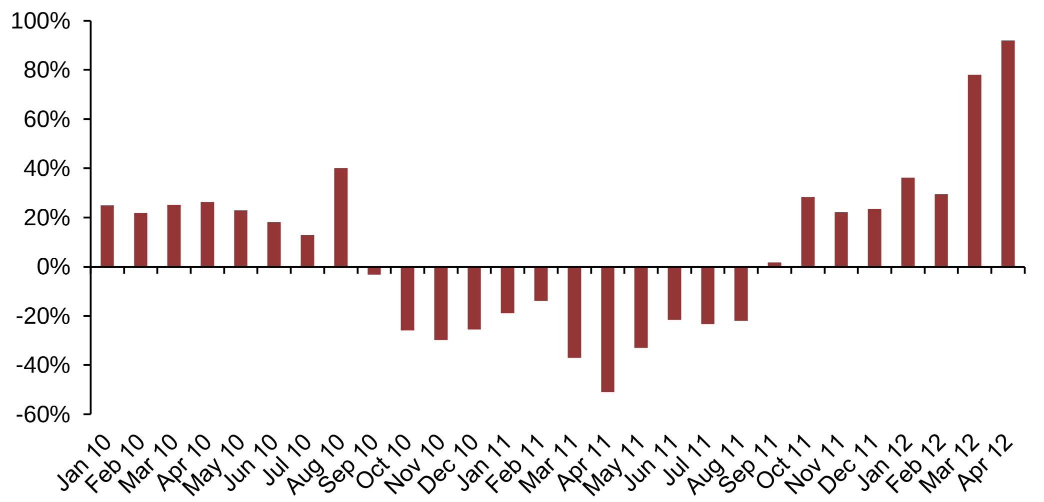
OECD Pacific oil consumption grew by 0.04 mb/d during 2011. It is expected to grow also in 2012, by 0.2 mb/d, and the bulk of the increase will result from direct crude/fuel oil-burning for electricity-generation and substituting nuclear energy.

For the whole of 2011, they decreased by 12% y-o-y, with the recovery starting only in October 2011.

For the period between January and April 2012, sales rose by 59%, also as a result of the low baseline. Japanese auto demand is now expected to rise strongly for the rest of the year, partly due to higher sales in tsunami-hit areas, where thousands of cars were destroyed. Government auto-incentives favour hybrids, pure electric cars and other vehicles that employ advanced technology, such as clean diesel engines. Driven by strong tax incentives and subsidies and a large demand for cars on the US market, the Japanese auto industry recovered from the effect of the earthquake and tsunami, achieving high levels of production, despite the strong yen. Auto sales surged by 92% in April 2012 from a year earlier, sustaining a strong upward trend; however, they failed to reach the pre-quake level of April 2010.

South Korea's automobile sales posted a record high in 2011, up by 13% from 2010. The latest data, for April 2012, shows South Korean automobile sales up by 6% y-o-y.

Graph 4.4: Japanese new passenger car registrations, y-o-y % changes



Developing countries

DC oil demand growth forecast at 0.6 mb/d, to average 28.3 mb/d in 2012

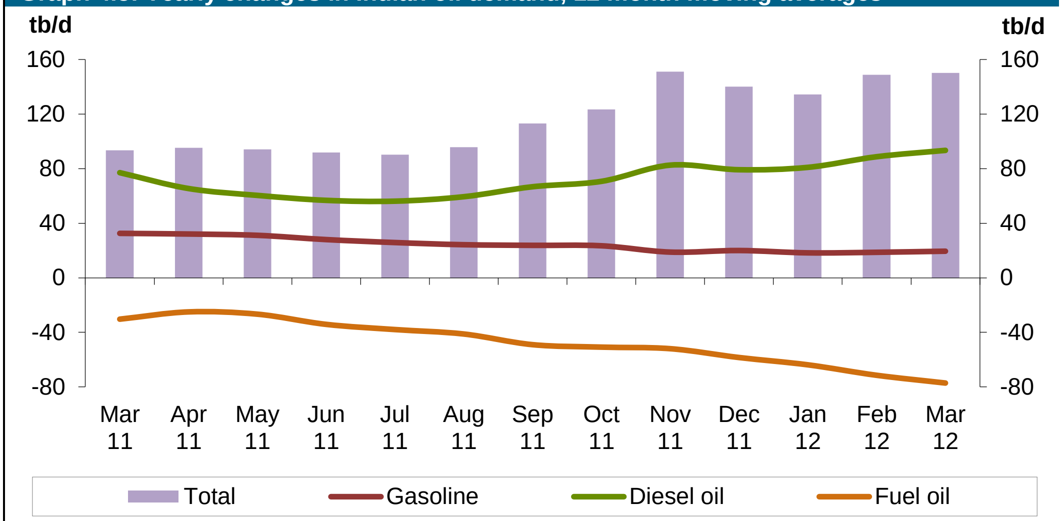
Indian oil demand for March hit a strong 5.1% growth rate y-o-y. This was the second-highest rate (after February) since November last year. Diesel oil demand grew the most, by 10%, adding another 0.13 mb/d to the total diesel consumption pool. India consumes 1.5 mb/d of diesel, and this is the most consumed petroleum product in the country. Although diesel is consumed mostly by the transportation sector, large amounts of it are also used by the industrial and agricultural sectors. Due to the seasonality and the competing price of natural gas, Indian consumption of fuel oil is on the decline. It plunged by 26% in March alone. LPG and gasoline are the most consumed oil products after diesel, making up for 14% and 11% of the country's total oil demand.

India's oil demand expected to grow by 0.12 mb/d in 2012

The retail pricing mechanism is still a hot issue in India, providing a key to future demand estimates. Although India has deregulated retail prices for some petroleum products, the government has been hesitant to allow oil companies to pass hikes in international oil prices to end-users. This move has been objected to by oil companies and is, to a certain degree, affecting oil demand positively. For 2012, India's oil demand is expected to grow by 0.12 mb/d y-o-y.

The Indian automobile market faced moderate growth of just 4% during 2011, after solid growth of 31% during 2010. This resulted from high fuel prices and surging loan rates. For the current year, according to the Society of Indian Automobile Manufacturers, domestic passenger car sales increased by 23% during March 2012 y-o-y. This was the highest rate of growth over the last ten months and the fifth consecutive month of growth. Discounts, lower interest rates, increased customer liquidity and generally improved sentiment were some of the factors behind these strong increases, which occurred despite the high fuel prices.

Graph 4.5: Yearly changes in Indian oil demand, 12 month moving averages



Given healthy economies in most of Other Asia, oil demand growth estimated there at 0.2 mb/d

Indonesia is the second-largest oil-consumer in Other Asia, after India, and its economic activity calls for more oil. Demand in February rose by a sharp 9.1% y-o-y, to average 1.3 mb/d. Diesel and gasoline consumption grew strongly, each adding 50 tb/d to total demand. As for the whole year, oil demand is forecast to inch up by 1.6%.

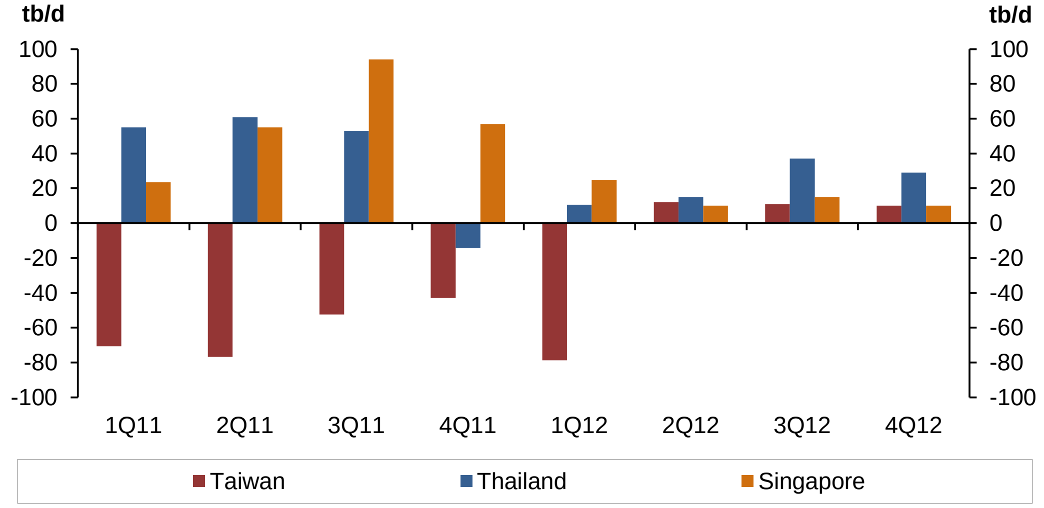
Given the healthy economies in most of Other Asia, the region's oil demand growth is estimated at 0.2 mb/d y-o-y.

Table 4.8: Consumption of petroleum products in Indonesia, tb/d

	Feb 12	Feb 11	Change	Change, %
LPG	162	141	21	14.6
Gasoline	477	428	50	11.6
Jet/Kerosene	93	97	-4	-4.3
Gas/Diesel Oil	514	463	51	11.0
Fuel Oil	53	69	-17	-24.4
Other Products	34	23	11	46.4
Total	**1,332**	**1,222**	**111**	**9.1**

Source: JODI.

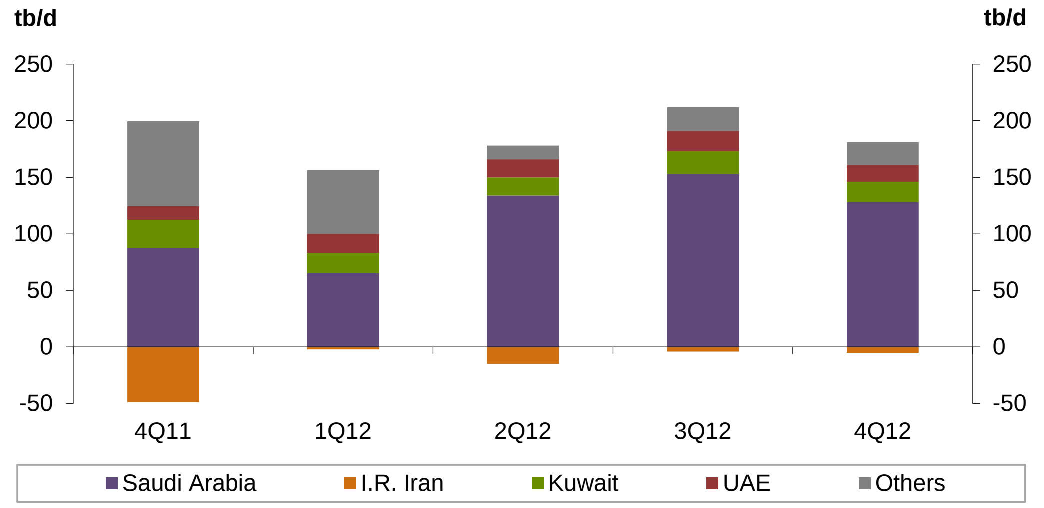
Graph 4.6: Oil consumption in selected Asian countries, y-o-y growth



Middle East oil demand forecast to grow by 2.3%, to average 7.7 mb/d in 2012

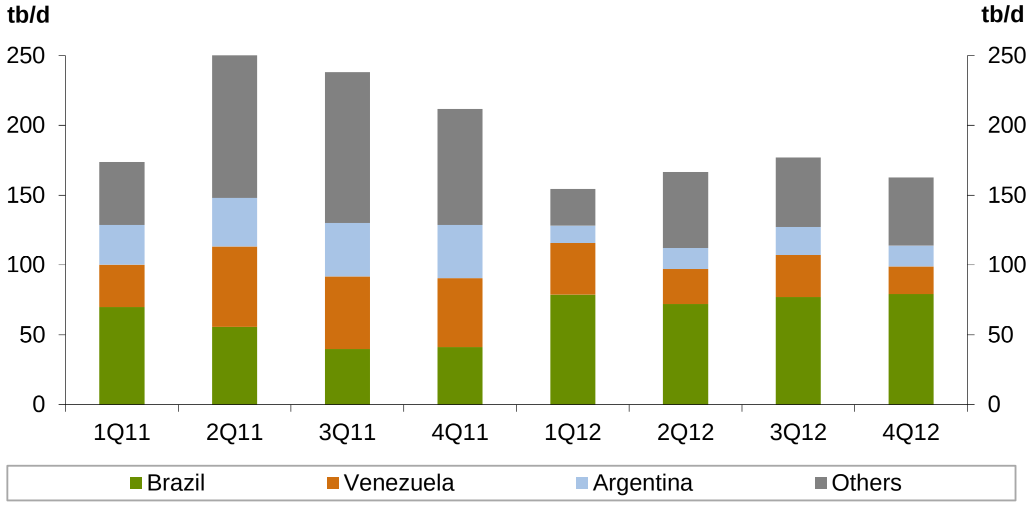
The cool season in the Middle East has passed, along with the low use of oil. Saudi Arabian oil demand is back in growth mode, with demand for electricity inching up. Fuel and crude oil consumption by power plants increased by more than 45% each in March y-o-y. The country's total oil demand rose by 16% during that month, to average 1.9 mb/d. Overall, Middle East oil demand is forecast to grow by 2.3%, to average 7.7 mb/d in 2012.

Graph 4.7: Quarterly oil demand growth in the Middle East, y-o-y change



Strong gasoline consumption hiked Brazilian oil demand by 16% in February y-o-y, adding another 93 tb/d to the country's total oil consumption. This increase came about despite the massive slide in petroleum alcohol usage. Brazil consumed 0.66 mb/d of gasoline and this trend is expected to continue for the year. The country will contribute the lion's share to Latin America's oil demand growth this year. Many economic projects, among them preparations for the upcoming soccer World Cup, are calling for more oil-use.

Graph 4.8: Quarterly oil demand growth in the Latin America, y-o-y change



Overall, Developing Countries' oil demand growth is forecast at 0.6 mb/d y-o-y, to average 28.3 mb/d in 2012.

Other regions

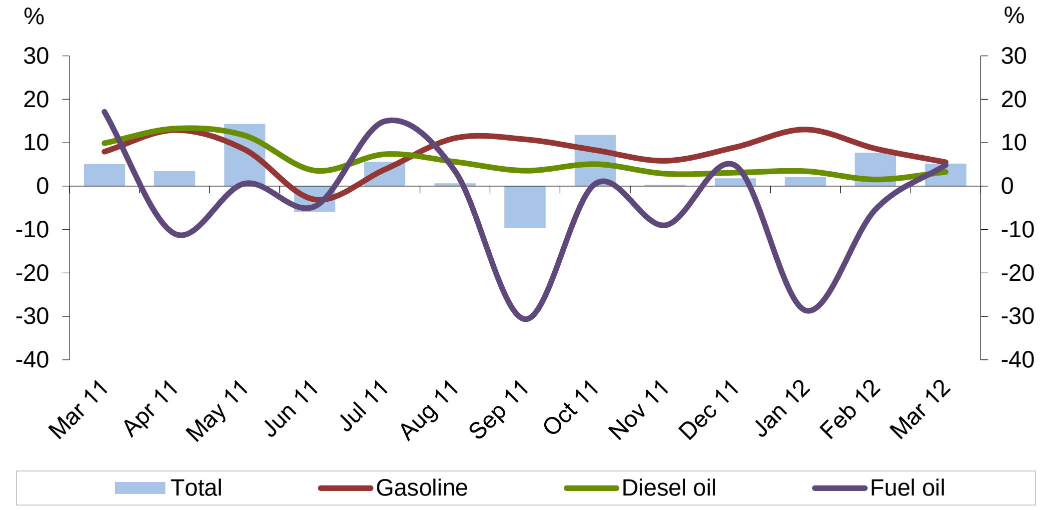
China's oil demand grew by 1.9% in March, adding 190 tb/d to its total oil demand

China is considering an alteration to its existing oil product pricing mechanism. The new mechanism should ease the pressure of the already high rate of inflation in the country. China adopted the existing mechanism, which reduced government subsidies, as international oil prices strengthened over the past few years. The existing mechanism adjusts domestic prices for certain products, once changes in international oil prices have been sustained for 22 days, partially exposing local consumers to international prices affecting domestic demand as a result.

China is expected to consume 400 tb/d of additional oil in 2012

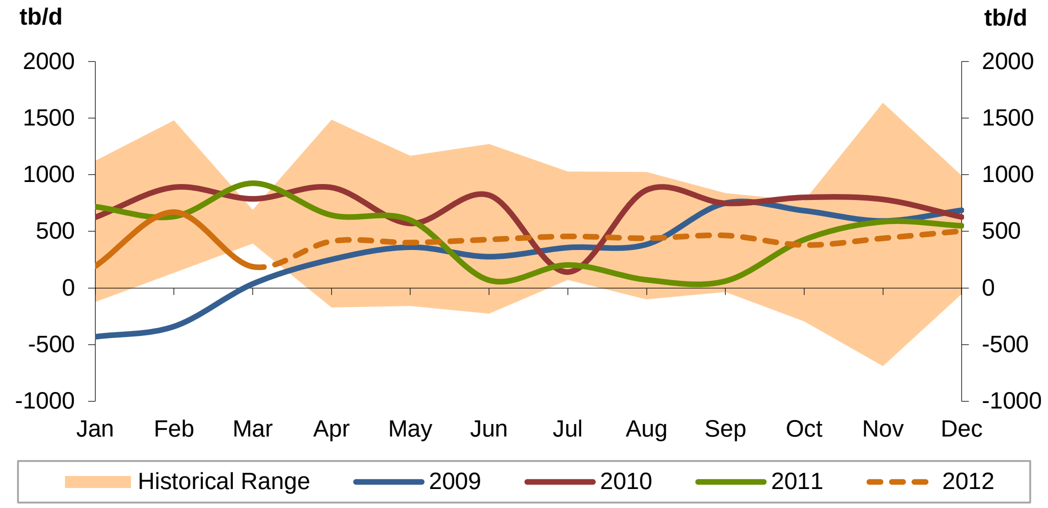
China's oil demand growth has been at its weakest level since September. Demand grew by 1.9% in March, adding 190 tb/d to the country's total oil demand. Kerosene, which was affected not only by prices, but also by a hike in the aviation industry, grew the most in March, by 39% y-o-y, to average 0.42 mb/d. Despite the turbulence in oil demand, the country is expected to consume 400 tb/d of extra oil this year. Although China has been importing much oil, this oil has been directed to the country's stockpile, rather than domestic consumption.

Graph 4.9: Changes in Chinese main oil products apparent consumption, y-o-y



The trend in the Chinese auto market, in its early stages since 1995, consisted of a fairly constant 60-to-40 split between commercial vehicles and passenger cars. In the early days, companies bought trucks and government departments bought cars. However, later, as individual incomes improved, regular citizens started buying cars as well. In 2005, passenger car vehicles outsold commercial vehicles for the first time and set the trend for the following six years. In 2011, the auto-market increased by a mere 2.5%, the slowest rate since the mid-1990s and way behind the high rates seen in the previous five years. High fuel prices, the expiry of tax-incentives and subsidies, along with new restrictions on car purchases in Beijing, were the most influential factors behind this curb in growth. China's market is expected to continue its expansion, given the relatively low level of vehicle-ownership. But, while some analysts are forecasting slightly better prospects for 2012, most do not expect a return to the high levels of growth of the past, as market demand will be limited by traffic-congestion and air-pollution. During the first quarter of 2012, Chinese auto sales increased by 8% y-o-y.

Graph 4.10: Changes in Chinese apparent oil demand, y-o-y



World Oil Supply

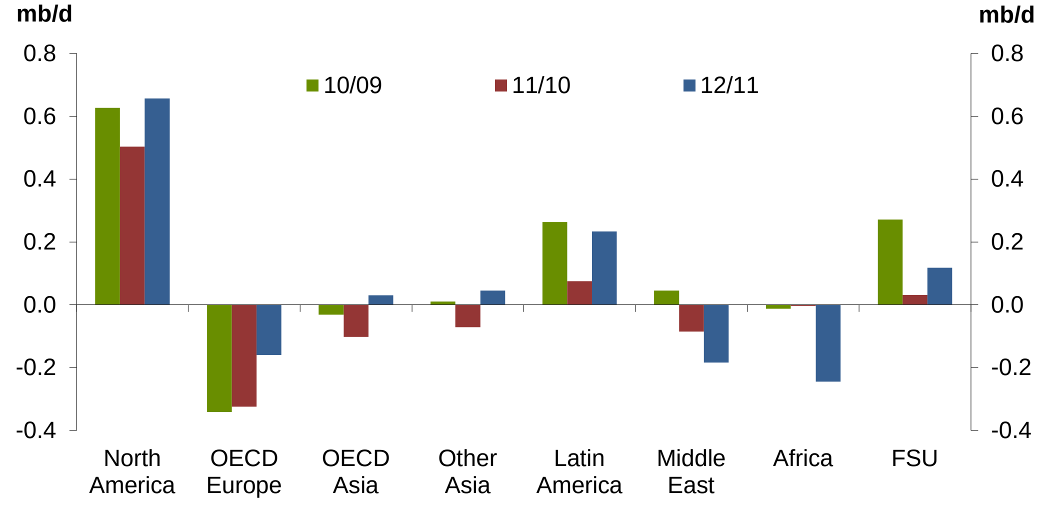
Non-OPEC

Estimate for 2011

Non-OPEC supply increased by 70 tb/d in 2011

Non-OPEC oil supply is estimated to have averaged 52.39 mb/d in 2011, indicating an increase of 70 tb/d over the previous year. This estimate is unchanged from the last *Monthly Oil Market Report (MOMR)*. However, a minor downward revision has affected the estimated growth, and this has been driven by historical changes to 2009 and 2010 supply data. In addition to these historical changes, updated 2011 production data for the US, Canada, Egypt and China has required revisions to the estimate, but, since they offset one another, they have not affected the 2011 non-OPEC supply estimate.

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



In 2011, non-OPEC supply experienced minor growth from the previous year. On a regional basis, North America was the main supporter of this growth, with a supply increase of 0.50 mb/d. This was, in turn, supported by a healthy addition to its volume from shale and oil sand developments. Latin America followed, with supply growth of 80 tb/d, while the FSU and China came next with minor increases of 30 tb/d and 20 tb/d respectively. In contrast, OECD Western Europe experienced the largest supply decrease among all the non-OPEC regions in 2011, down 0.32 mb/d, or 7.2%, from the year before. OECD Pacific, the Middle East and Other Asia followed, with supply declines of 100 tb/d, 90 tb/d and 70 tb/d respectively. Individually, the US, Canada, Colombia and Russia were the main countries where supply experienced healthy growth in 2011, while the UK, Azerbaijan, Norway, Australia, Malaysia, Yemen, Syria and the Sudans (South Sudan and Sudan) encountered significant declines. Weather, technical and political factors had a strong impact on output in 2011. On a quarterly basis, non-OPEC supply in 2011 is estimated at 52.71 mb/d, 51.97 mb/d, 52.03 mb/d and 52.84 mb/d respectively.

Table 5.1: Non-OPEC oil supply in 2011, mb/d

	2010	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10
North America	15.00	15.25	15.19	15.43	16.13	15.50	0.50
Western Europe	4.40	4.32	4.06	3.86	4.06	4.07	-0.32
OECD Pacific	0.60	0.49	0.49	0.50	0.53	0.50	-0.10
Total OECD	**20.00**	**20.06**	**19.74**	**19.79**	**20.72**	**20.08**	**0.08**
Other Asia	3.70	3.70	3.56	3.62	3.64	3.63	-0.07
Latin America	4.67	4.70	4.68	4.73	4.86	4.74	0.08
Middle East	1.78	1.81	1.69	1.72	1.56	1.69	-0.09
Africa	2.59	2.60	2.59	2.60	2.54	2.58	0.00
Total DCs	**12.73**	**12.81**	**12.52**	**12.67**	**12.59**	**12.65**	**-0.09**
FSU	13.22	13.32	13.25	13.23	13.23	13.26	0.03
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.12	4.25	4.19	4.08	4.04	4.14	0.02
Total "Other regions"	**17.48**	**17.70**	**17.58**	**17.44**	**17.40**	**17.53**	**0.05**
Total Non-OPEC production	**50.21**	**50.58**	**49.84**	**49.90**	**50.71**	**50.26**	**0.04**
Processing gains	2.10	2.13	2.13	2.13	2.13	2.13	0.03
Total Non-OPEC supply	**52.31**	**52.71**	**51.97**	**52.03**	**52.84**	**52.39**	**0.07**
Previous estimate	52.30	52.72	52.00	52.12	52.73	52.39	0.09
Revision	0.01	-0.01	-0.03	-0.09	0.12	0.00	-0.02

Revisions to the 2011 estimates

There have been a few upward and downward revisions to individual countries' supply estimates for 2011. Those for Canada and China have seen upward revisions and those for the US and Egypt downward ones. All the revisions have been made to adjust for updated production data. The revisions offset each other, however, and total non-OPEC supply remains steady on average, compared with last month's assessment.

Forecast for 2012

Non-OPEC supply expected to increase by 0.64 mb/d in 2012 to average 53.02 mb/d

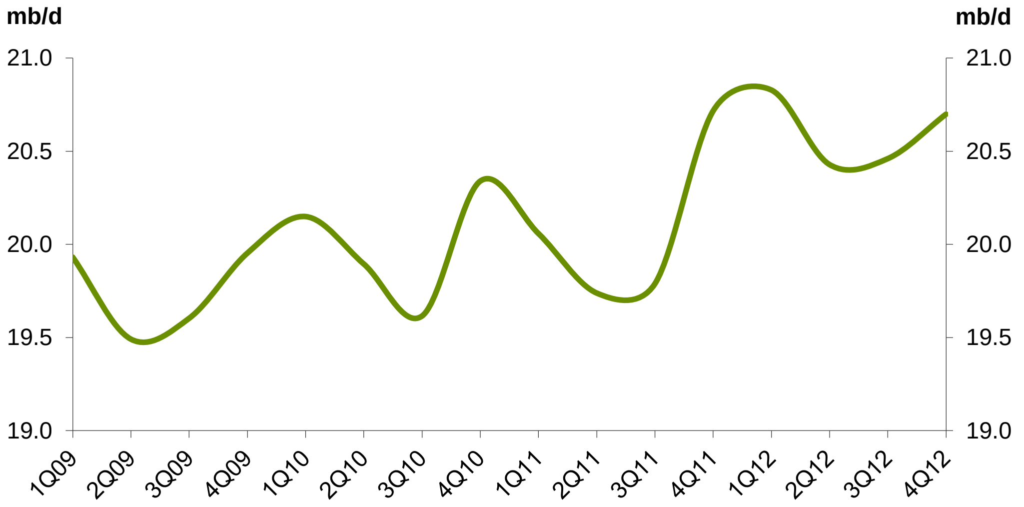
Non-OPEC supply is expected to increase by 0.64 mb/d in 2012 to average 53.02 mb/d, representing an upward revision of 50 tb/d from last month's report. Updated production data for the first quarter for some producers was the main driver of the upward revision. The first-quarter supply figure experienced a significant upward revision, while the rest of the quarters were revised down. There have been upward and downward revisions to individual countries' supply projections. On an annual basis, the forecasts for four countries required upward revisions, while those for nine other countries were revised down. However, the upward revisions were larger in volume than the downward ones. The overall supply forecast remains relatively stable, with North and Latin America expected to have the highest growth, followed by the FSU and China, while supply in Africa, the Middle East and OECD Western Europe is projected to decline. On a quarterly basis, non-OPEC supply is seen to average 53.19 mb/d, 52.66 mb/d, 52.88 mb/d and 53.36 mb/d respectively.

OECD

North America expected to drive OECD supply growth in 2012

Total OECD oil production is expected to average 20.60 mb/d in 2012, a strong increase of 0.53 mb/d from last year and an upward revision of 0.19 mb/d from the previous *MOMR*. The upward revision has come from North America, while OECD Western Europe's supply forecast has been revised down and OECD Pacific's has remained flat from the previous month. The anticipated supply growth is the highest for the OECD since 1996. Among the OECD regions, North American supply is expected to see the biggest growth in 2012, while that of OECD Pacific should increase slightly; however, OECD Western Europe's output is projected to continue to decline. Compared with the previous *MOMR*, the supply forecasts for the US and Canada have been revised up, while those for Norway, the UK and Denmark have undergone downward revisions. On a quarterly basis, OECD oil supply is seen to average 20.83 mb/d, 20.43 mb/d, 20.46 mb/d and 20.70 mb/d respectively. Preliminary data shows that the first quarter indicated an increase of 0.77 mb/d from a year ago.

Graph 5.2: OECD's quarterly production



North America

North America's oil supply is anticipated to grow by 0.66 mb/d in 2012 to average 16.16 mb/d, representing an upward revision of 0.24 mb/d from the previous *MOMR*. US oil supply is seen to lead growth in 2012, followed by that of Canada, while Mexico's supply is expected to experience a minor decline. North America's anticipated supply growth this year is the highest for decades and the largest among all the non-OPEC regions. On a quarterly basis, it is expected to stand at 16.25 mb/d, 16.03 mb/d, 16.12 mb/d and 16.23 mb/d respectively.

US

Tight oil and NGL growth driving US supply to increase by 0.53 mb/d in 2012

US oil supply is forecast to increase by 0.53 mb/d to average 9.54 mb/d in 2012, the highest growth among all the non-OPEC countries. This strong growth represents a significant upward revision of 0.23 mb/d from the previous *MOMR*, due mainly to updated production data for the early months of 2012. On average, total US supply increased by 1.0 mb/d in January and February, compared with the same period a year ago. The robust ramp-up of tight oil production from shale developments is the main force behind the strong growth experienced so far in 2012. Tight oil output from the Bakken and Eagle Ford formations has already shown strong growth this year, supporting the upward revision. Reports suggest that activity levels have surpassed expectations in both formations, and this could lead to further revisions in the future. At the same time, infrastructure challenges in North Dakota could limit the number of drilling rigs.

Healthy natural gas liquid (NGL) growth provides further support to the forecast for 2012, as new NGL volumes come from shale developments, as well as from operators focusing on wet wells to improve the economics in a low gas price environment. Additionally, deep-water activity in the Gulf of Mexico has returned to pre-Macondo levels, which is seen to support US supply in 2012. However, weather conditions could affect production in the coming months, especially during the hurricane season. On a quarterly basis, US oil supply is seen to average 9.60 mb/d, 9.46 mb/d, 9.50 mb/d and 9.59 mb/d respectively. According to preliminary data, it is estimated to have grown by 0.87 mb/d in the first quarter, compared with the same period in 2011.

Canada and Mexico

Canada's oil production to increase by 0.17 mb/d in 2012

Canadian oil production is expected to increase by 0.17 mb/d in 2012 to average 3.72 mb/d, indicating a minor upward revision of 10 tb/d from the previous month. The revision has come mainly in the first quarter, where updated production data for the early part of the year has required the change. The return of Syncrude output after the shutdown is seen to support output in 2012, as well as the return of the Suncore project in mid-April after a month of unplanned shutdown. Tight oil supply growth from shale developments and oil sand output ramp-ups are seen as the main contributors to growth of the country's oil supply. On a quarterly basis, Canada's production is anticipated to average 3.73 mb/d, 3.67 mb/d, 3.72 mb/d and 3.76 mb/d respectively.

According to preliminary estimated data, it increased by 0.18 mb/d during the first quarter, compared with the same period a year earlier.

Mexico's production to average 2.90 mb/d in 2012, a decline of 40 tb/d

Oil supply from Mexico is anticipated to decline by 40 tb/d in 2012 to average 2.90 mb/d, unchanged from the previous *MOMR*. This steady state has come about despite a minor downward revision to first-quarter supply that did not affect the annual figure. The production-stabilization efforts by the operator are showing positive results, with output remaining relatively steady in the first quarter, compared with the previous quarter, as per the preliminary data. Output from the Cantarell field showed a decline in the early part of 2012, compared with the same period of 2011. However, increases from the Ku-Maloob-Zaap and Chicontepec fields supported production. According to preliminary data, Mexico's oil supply dropped by 50 tb/d in the first quarter of 2012, compared with the same period last year. On a quarterly basis, it is expected to average 2.92 mb/d, 2.89 mb/d, 2.90 mb/d and 2.89 mb/d respectively.

Western Europe

Total oil supply from OECD Western Europe is forecast to decline by 0.16 mb/d to average 3.91 mb/d in 2012, a downward revision of 40 tb/d from last month. This has happened on the back of adjustments to recently updated production data in the first quarter, as well as various other technical issues that necessitated the other downward revisions for the rest of the year. All major producers' output in the region is expected to decline in 2012. All quarters have experienced downward revisions, with the first quarter having the smallest one. On a quarterly basis, OECD Western Europe supply is seen to average 4.08 mb/d, 3.85 mb/d, 3.78 mb/d and 3.94 mb/d respectively. Preliminary first-quarter estimates indicate that output declined by 0.24 mb/d, compared with the same period in 2011.

Skarv start-up delayed in Norway

Norway's oil production is forecast to decrease by 70 tb/d to average 1.97 mb/d in 2012, indicating a downward revision of 10 tb/d from the last *MOMR*. This revision has affected the second, third and fourth quarters, while the first-quarter estimate has been revised up. Updated production data for the first quarter led to the upward revision, since the data indicated slightly higher production than expected. During this quarter, supply is expected to decline by 50 tb/d, compared with the same period a year ago. On the other hand, the reported delay of the Skarv field's start-up to the end of 2012 necessitated the downward revisions in the second, third and fourth quarters. Reports suggest the delay is due to harsh weather during the installation period. The start-ups of the small Oselvar and Gaupe fields partly offset the downward revision, as did the restart of the Valhall field in mid-April; this field was shut down at the end of March for unplanned maintenance to compressor equipment. According to preliminary data, Norway's oil supply averaged 2.06 mb/d in March, which was steady from the same month a year ago. This flat position was due to an increase in NGL supply, while crude output experienced a decline. This decline, compared with a year earlier, was driven by technical issues at the Grane, Tordis, Njord, and Asgard fields. On a quarterly basis, Norway's supply is seen to average 2.09 mb/d, 1.91 mb/d, 1.89 mb/d and 1.98 mb/d respectively.

UK supply expected to average 1.04 mb/d in 2012, a decline of 80 tb/d

The UK's oil production is expected to decline by 80 tb/d to average 1.04 mb/d in 2012, a downward revision of 30 tb/d from the previous *MOMR*. This revision has affected all quarters and has come about despite reports of increased continental activity in the first quarter, by 22% compared with the same period a year ago. A short shutdown of the Buzzard field, due to a fire that was extinguished, influenced the downward revision. Additionally, the shutdown of the Elgin field, where the operator is finalizing the "top kill" to plug the gas, drove a large part of the downward revision, since the field is expected to be down for several months. The restart of the small Duart field, shut down since October, partly offset the downward revision. Moreover, the start-up of the small Bacchus and Lybster fields is seen to support UK supply. On a quarterly basis, UK supply is estimated at 1.09 mb/d, 1.03 mb/d, 0.99 mb/d and 1.06 mb/d respectively. First-quarter preliminary supply data indicates a y-o-y decline of 0.19 mb/d.

Denmark's oil supply has met with a downward revision of less than 10 tb/d, compared with the previous *MOMR*, to average 0.21 mb/d in 2012. This revision has occurred mainly because the Siri field operator warned of production disruptions in the coming period.

Asia Pacific

OECD Asia Pacific's supply is projected to increase slightly, by 30 tb/d, to average 0.53 mb/d in 2012, flat from the previous month. Weather conditions affected output during the first quarter, yet production is seen to increase in the second quarter. On a quarterly basis, this region's supply is expected to average 0.50 mb/d, 0.56 mb/d, 0.55 mb/d and 0.52 mb/d respectively.

Vincent field in Australia restarted after cyclone shutdown

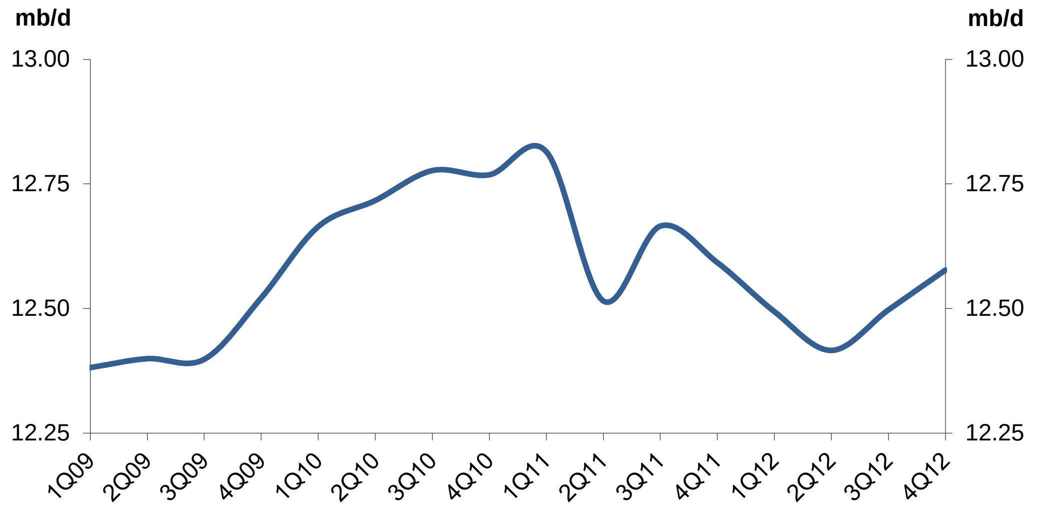
Oil supply from Australia is predicted to increase by 30 tb/d and average 0.44 mb/d in 2012, flat from the previous *MOMR*. Despite this steady state, there was a minor downward revision in the first quarter that did not affect the annual figure. This revision occurred on the back of the shutdown of various fields due to cyclones. In mid-April, the Vincent field resumed operations after the shutdown due to a cyclone. Reports suggested further delays to the Montara project start-up, which was already incorporated into the supply forecast. On a quarterly basis, Australian supply is expected to average 0.41 mb/d, 0.46 mb/d, 0.46 mb/d and 0.43 mb/d respectively. During the first quarter of 2012, preliminary data indicated that production remained steady, compared with the same period a year earlier, as similar weather conditions influenced output in the first quarter of 2011.

Developing Countries

Africa and Middle East to drive decline of 0.15 mb/d in DC supply in 2012

Total Developing Countries' (DCs') oil supply is expected to average 12.50 mb/d in 2012, representing a decline of 0.15 mb/d and a downward revision of 125 tb/d from the last report. The supply forecasts from the Middle East and Africa drove the downward revisions, while Other Asia's supply projection experienced a minor upward revision and Latin America's remained steady, compared with the last *MOMR*. The downward revisions apply to the second, third and fourth quarters, while the first-quarter supply estimate has been revised up. This first-quarter revision was due to updated production data, while the revisions for the rest of the year reflect changes to individual country supply profiles. Latin America remains the region with the highest expected growth in 2012 among the DC regions, supported by Brazil and Colombia, while Africa's supply is expected to experience the largest decline among all the non-OPEC regions. On a quarterly basis, total DC oil production is seen to average 12.49 mb/d, 12.42 mb/d, 12.50 mb/d and 12.58 mb/d respectively. During the first quarter, preliminary data indicated that DC oil supply decreased by 0.32 mb/d, compared with the same period of 2011.

Graph 5.3: Developing Countries' quarterly production



Malaysia's supply to average 0.64 mb/d in 2012

Other Asia's oil supply is anticipated to increase by 50 tb/d to average 3.67 mb/d in 2012, indicating a minor upward revision of 15 tb/d from the previous *MOMR*. This revision has affected Malaysia's oil supply, compared with the previous month, while other producers' supply forecasts in the region remain steady. India's supply is expected to average 0.90 mb/d in 2012, an increase of 20 tb/d from last year. This increase is supported by the Mangala project, with the operator receiving official approval to increase production from 125 tb/d to 150 tb/d in mid-April. The Bhagyam field added 25 tb/d to the total output of the projects in Rajasthan. However, the limited infrastructure could affect the increases from the Mangala fields. The growth from Rajasthan in 2012 is expected to more than offset the natural declines from other fields. Thailand's oil production is seen to average 0.33 mb/d in 2012, unchanged from the previous year. The start-up of the offshore Greater Bongkot South gas field, where 15 tb/d production of liquid is expected, is seen to offset natural declines in other developments in 2012. On a quarterly basis, Other Asia's supply is expected to stand at 3.64 mb/d, 3.67 mb/d, 3.68 mb/d and 3.70 mb/d, respectively.

Malaysia's oil supply is seen to average 0.64 mb/d in 2012, flat from a year earlier and an upward revision of 15 tb/d from the previous *MOMR*. This revision has affected all quarters, mainly on updated production data in the first quarter that has been carried over to the rest of the year. Production is seen to stabilize in 2012 on steady output from the Kikeh field. Indonesia's oil supply is expected to drop by 30 tb/d in 2012 to average 0.99 mb/d, steady from the previous *MOMR*. The decrease has been predicted on the decline of mature area production and limited new developments. Vietnam's oil production is forecast to increase by 40 tb/d in 2012 to average 0.39 mb/d, flat from the previous month. The growth is seen to be supported by the Te Giac Trang project ramp-up, which is expected to reach its peak production of 55 tb/d by the end of 2012.

Argentina's supply to decline by 20 tb/d in 2012 and average 0.71 mb/d

Latin America's supply is projected to increase by 0.23 mb/d to average 4.98 mb/d in 2012, unchanged from the previous *MOMR*. Despite this steady state, there have been upward and downward revisions from the previous month that have offset each other. Latin America's supply growth in 2012 is the second highest, after North America's, among all the non-OPEC regions. Colombia's oil production is expected to increase by 70 tb/d to average 1.00 mb/d, unchanged from the previous *MOMR*. In the first quarter of the year, supply averaged 0.95 mb/d, an increase of 70 tb/d on the same period of 2011. Despite production stoppages at some wells in the Llanos basin due to roadblocks, the country's supply is expected to continue to increase in the coming quarters. The national operator reported confidence in reaching production targets, despite February's production falling below January's due to security issues. Argentina's oil supply is forecast to average 0.71 mb/d in 2012, a minor decline of 20 tb/d from last year and a downward revision of 10 tb/d from the previous *MOMR*. This revision has affected the second, third and fourth quarters, while first-quarter supply has been revised up. This upward revision has been to adjust for updated production data, while the downward revision for the rest of the year has come on the back of a government plan to control a former national oil company, which is expected to affect output slightly, as operational details of the plan are still not clear. On a quarterly basis, Latin American supply is expected to stand at 4.96 mb/d, 4.94 mb/d, 4.99 mb/d and 5.02 mb/d respectively. Preliminary data indicates that the region's production increased by 0.26 mb/d in the first quarter of 2012, compared with the same period of 2011.

Brazil's output to increase by 180 tb/d in 2012

Brazil's oil production is anticipated to increase by 0.18 mb/d and average 2.81 mb/d in 2012, indicating a minor upward revision of 10 tb/d from the previous *MOMR*. This revision has come from the first quarter, as preliminary data indicated slightly higher output than previously expected. The revision occurred despite lower production in February, partly due to an accident at the Carioca Nordeste field in the Santos basin. Healthy growth continues to be expected from Brazil, supported by biofuels and offshore developments. This is despite delays with drilling rigs. The operator of the Waimea project has declared that production will reach 40–50 tb/d by the end of 2012, and this is seen to support growth. On the other hand, oil seepage was discovered at the Roncador offshore field in early April, which could affect output. On a quarterly basis, Brazil's oil supply is expected to stand at 2.83 mb/d, 2.78 mb/d, 2.81 mb/d and 2.83 mb/d respectively.

Yemen's supply forecast suffers further from security issues

Middle East oil supply is believed to drop by 0.18 mb/d in 2012 to average 1.51 mb/d, representing a downward revision of 30 tb/d from the previous month. This revision comes from Oman and Yemen, while other producers' supply forecasts remain steady from the previous *MOMR*. Oman's production is expected to see the only increase in the region, of 30 tb/d, to average 0.91 mb/d in 2012, representing a downward revision of 15 tb/d from the previous *MOMR*. This revision has come from an adjustment to updated production data in the first quarter that was partly carried over to the rest of the year. Furthermore, the shutdown of Block 8's output on technical issues on the link of the Bukha platforms necessitated the downward revision. However, growth is supported by expected new volumes from enhanced oil recovery (EOR). Reports suggest that Harweel's EOR added 20 tb/d, driven by gas-injection. Yemen's oil supply is expected to decline by 60 tb/d in 2012 to average 0.16 mb/d, indicating a downward revision of 15 tb/d from the previous month. This revision has come on the back of further security issues that are affecting oil supply. The government, however, is hopeful that output will increase by one-third by the end of the year, if a destroyed pipeline is repaired. On a quarterly basis, Middle East supply is seen to average 1.49 mb/d, 1.51 mb/d, 1.51 mb/d and 1.53 mb/d respectively.

Tensions between South Sudan and Sudan make agreement unlikely on pending oil issues in 2012

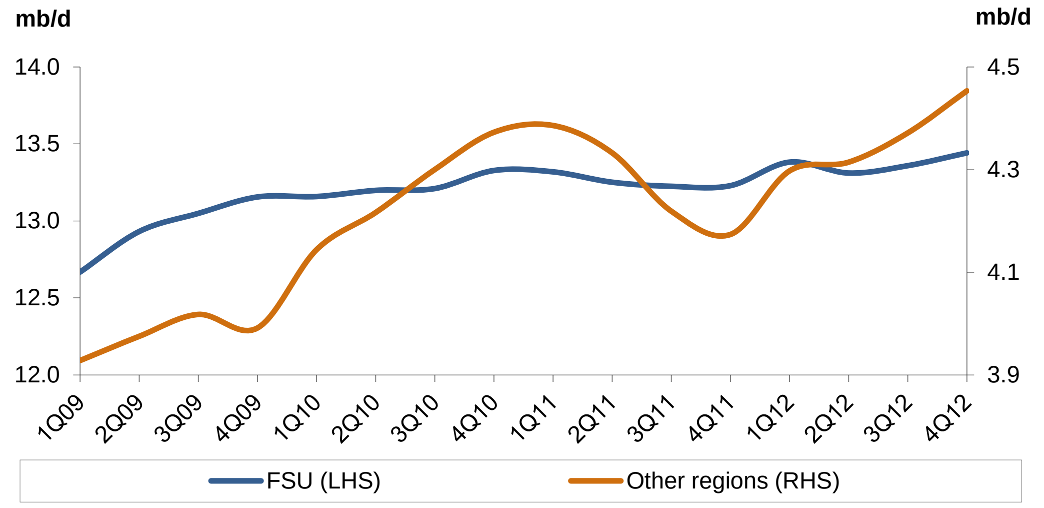
Africa's oil supply is forecast to decrease by 0.24 mb/d to average 2.34 mb/d in 2012, representing a downward revision of 100 tb/d from the previous *MOMR*. This revision has come from former Sudan, while the supply outlook for the other producers remains steady from a month earlier. Former Sudan's oil supply is predicted to decline by 0.28 mb/d in 2012 to average 0.15 mb/d, indicating a downward revision of 100 tb/d from the previous *MOMR*. The recent escalation of tensions between the newly designated South Sudan and Sudan required the undertaken revision. Following the capture and withdrawal from the Heglig area by South Sudan forces, an agreement between the two nations on transport fees is no longer expected for 2012. Hence, the halt of South Sudan's production is seen to continue throughout this year, and this has driven the revision. In early May, Sudan reported that production had resumed from the Heglig field and output would soon return to previous levels. On a quarterly basis, Africa's oil supply is seen to average 2.41 mb/d, 2.30 mb/d, 2.32 mb/d and 2.33 mb/d respectively.

FSU and Other Regions

FSU supply to average 13.37 mb/d in 2012, marking growth of 120 tb/d

Total FSU oil production is expected to increase by 0.12 mb/d to 13.37 mb/d in 2012, indicating a downward revision of 20 tb/d from the last *MOMR*. This revision adjusts for preliminary production data for the first quarter, which was carried over to the rest of the year, as well as changes to individual countries' supply profiles. It has affected the supply forecasts of Russia and Kazakhstan. The FSU's forecast supply growth is the third-largest among all the non-OPEC regions, following North America and Latin America in 2012. For the first quarter of the year, preliminary data indicates that the FSU's oil supply increased by 60 tb/d, compared with the same period of 2011. On a quarterly basis, total supply is expected to stand at 13.38 mb/d, 13.31 mb/d, 13.36 mb/d and 13.44 mb/d respectively. Other Europe's supply is anticipated to increase by 10 tb/d to average 0.14 mb/d in 2012, unchanged from the previous month, and China's supply is forecast to rise by 80 tb/d over a year earlier to average 4.22 mb/d.

Graph 5.4: FSU and other region's quarterly production



Russia

Prirazlom start-up in Russia delayed to after 2012

Russian oil supply is forecast to grow by 70 tb/d to average 10.34 mb/d in 2012, indicating a minor downward revision of 10 tb/d, compared with the previous month. This revision partly reflects updated production data in the first quarter, as well as reported revisions to the Prirazlom field, where output was expected to start in 2012. However, recent reports suggest that the Prirazlom oil project will not start this year. According to preliminary data, Russia's oil supply experienced a gradual decline during the first four months; yet the month-on-month drop was very small to assume a declining trend for the rest of the year. However, with the delayed start-up of the Prirazlom field and smaller additions from the Vankor project, a mature oil production decline could have an impact on Russian production towards the end of this year. On the other hand, the start-up of the West Siberian field Samburg, with around 30 tb/d of new barrels expected this year, is seen to support growth in 2012. Moreover, the recently announced tax-breaks for offshore development are expected to support investment in the coming period. On a quarterly basis, Russian oil supply is seen to average 10.34 mb/d, 10.32 mb/d, 10.34 mb/d and 10.36 mb/d respectively. In April, it averaged 10.31 mb/d, a decrease of around 30 tb/d from the previous month, and growth of 80 tb/d compared with the same period of 2011, according to preliminary data.

Caspian

Severe weather impacting Kazakhstan's output in 1Q 2012

Oil production from Kazakhstan is forecast to average 1.62 mb/d in 2012, an increase of 20 tb/d over the previous year and showing a minor downward revision of 10 tb/d from the previous *MOMR*. This revision has come across the entire year, as updated production data in the first quarter led to the undertaken adjustment, which has been partly carried over to the rest of the year. Updated data for the first quarter indicated slightly lower output than had been expected. Output was shut down at different fields, due to severe weather conditions. A state producer warned of output targets not being met in 2012, citing bad weather conditions that reduced production. On a quarterly basis, Kazakhstan's supply is expected to stand at 1.62 mb/d, 1.60 mb/d, 1.61 mb/d and 1.65 mb/d respectively. According to the preliminary data, during the first quarter of 2012, Kazakh oil production decreased by 40 tb/d, compared with the same period in 2011.

Azeri output to increase by 10 tb/d in 2012 and average 0.97 mb/d

Azerbaijan's oil supply is forecast to average 0.97 mb/d in 2012, a minor increase of 10 tb/d over 2011 and unchanged from the previous month. According to preliminary data, Azeri oil supply declined by 50 tb/d in the first quarter, compared with the same period a year ago. This decline has been driven by technical issues that had an impact on the Azeri-Chirag-Guneshli (ACG) field's output, which had affected production in previous years. Limited new developments have also influenced the forecast for 2012. On a quarterly basis, Azerbaijan's output is estimated to average 0.97 mb/d, 0.95 mb/d, 0.96 mb/d and 0.98 mb/d respectively.

Turkmenistan's oil supply is expected to increase in 2012 and help offset the decline from mature production in the Other FSU (not including Russia, Azerbaijan and Kazakhstan). Growth is supported by increased output from the Dzheitune field. Other FSU production is expected to average 0.45 mb/d in 2012, an increase of 10 tb/d from the previous year.

China

China's Peng Lai field to restart soon

China's oil production is expected to increase by 80 tb/d to average 4.22 mb/d in 2012, unchanged from the last report. During the first quarter of this year, its supply declined by 90 tb/d, compared with the same period of 2011. This decline came about on the back of the shutdown of the Peng Lai field, where a report suggested that the field would restart operations soon, after the agreement on compensation. During the first quarter, the Daqing field's output, that is, China's largest producing field, remained steady, compared with the same period a year ago. The Tarim field's output was on target in the first quarter of 2012, and the Shengli field's production increased in the same period. On a quarterly basis, China's oil supply is forecast to average 4.16 mb/d, 4.17 mb/d, 4.22 mb/d and 4.30 mb/d respectively. In March, it averaged 4.14 mb/d, a month-on-month decline of 40 tb/d, according to preliminary data.

Table 5.2: Non-OPEC oil supply in 2012, mb/d

	2011	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11
North America	15.50	16.25	16.03	16.12	16.23	16.16	0.66
Western Europe	4.07	4.08	3.85	3.78	3.94	3.91	-0.16
OECD Pacific	0.50	0.50	0.56	0.55	0.52	0.53	0.03
Total OECD	**20.08**	**20.83**	**20.43**	**20.46**	**20.70**	**20.60**	**0.53**
Other Asia	3.63	3.64	3.67	3.68	3.70	3.67	0.05
Latin America	4.74	4.96	4.94	4.99	5.02	4.98	0.23
Middle East	1.69	1.49	1.51	1.51	1.53	1.51	-0.18
Africa	2.58	2.41	2.30	2.32	2.33	2.34	-0.24
Total DCs	**12.65**	**12.49**	**12.42**	**12.50**	**12.58**	**12.50**	**-0.15**
FSU	13.26	13.38	13.31	13.36	13.44	13.37	0.12
Other Europe	0.14	0.14	0.14	0.15	0.15	0.14	0.01
China	4.14	4.16	4.17	4.22	4.30	4.22	0.08
Total "Other regions"	**17.53**	**17.68**	**17.63**	**17.73**	**17.90**	**17.73**	**0.20**
Total Non-OPEC production	**50.26**	**51.00**	**50.47**	**50.69**	**51.17**	**50.83**	**0.58**
Processing gains	2.13	2.19	2.19	2.19	2.19	2.19	0.06
Total Non-OPEC supply	**52.39**	**53.19**	**52.66**	**52.88**	**53.36**	**53.02**	**0.64**
Previous estimate	52.39	52.81	52.68	52.97	53.43	52.97	0.58
Revision	0.00	0.38	-0.02	-0.09	-0.06	0.05	0.05

OPEC natural gas liquids and non-conventional oils

OPEC's NGLs and non-conventional oils are estimated to have averaged 5.31 mb/d in 2011, representing growth of 0.33 mb/d over the previous year. In 2012, OPEC's NGLs and non-conventional oils are expected to increase by 0.36 mb/d over 2011 to average 5.67 mb/d.

Table 5.3: OPEC NGLs + non-conventional oils, 2009-2012

	2009	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	2012	Change 12/11
Total OPEC	**4.35**	**4.98**	0.63	5.12	5.30	5.46	5.37	**5.31**	0.33	**5.67**	0.36

OPEC crude oil production

OPEC crude production increased 0.32 mb/d to average 31.62 mb/d in April

Total OPEC crude oil production averaged 31.62 mb/d in April, according to secondary sources, indicating an increase of 0.32 mb/d from the previous month. Iraq, Libya, Saudi Arabia, Nigeria, and Angola crude oil production experienced increases in April, while Iran crude output decreased. OPEC crude oil production, excluding Iraq, stood at 28.60 mb/d in April, up 105 tb/d from the previous month.

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

	2010	2011	3Q11	4Q11	1Q12	Feb 12	Mar 12	Apr 12	Apr/Mar
Algeria	1,250	1,240	1,241	1,230	1,216	1,213	1,208	1,182	*-26.7*
Angola	1,783	1,663	1,675	1,763	1,755	1,814	1,715	1,762	*47.8*
Ecuador	475	490	486	494	492	493	490	489	*-1.5*
Iran, I.R.	3,706	3,621	3,607	3,563	3,388	3,406	3,330	3,196	*-134.3*
Iraq	2,401	2,667	2,682	2,669	2,705	2,634	2,808	3,025	*217.9*
Kuwait	2,297	2,537	2,597	2,690	2,730	2,726	2,743	2,757	*14.9*
Libya	1,559	462	47	562	1,203	1,248	1,335	1,423	*87.5*
Nigeria	2,061	2,110	2,183	2,026	2,072	2,085	2,079	2,127	*47.9*
Qatar	801	808	808	810	806	806	802	797	*-5.0*
Saudi Arabia	8,271	9,268	9,629	9,641	9,794	9,810	9,841	9,897	*56.5*
UAE	2,304	2,517	2,551	2,557	2,564	2,552	2,578	2,590	*12.6*
Venezuela	2,338	2,380	2,391	2,371	2,372	2,376	2,372	2,377	*5.1*
Total OPEC	**29,246**	**29,763**	**29,897**	**30,376**	**31,097**	**31,161**	**31,299**	**31,621**	***322.7***
OPEC excl. Iraq	**26,845**	**27,096**	**27,215**	**27,707**	**28,392**	**28,527**	**28,491**	**28,596**	***104.8***

Totals may not add up due to independent rounding.

Table 5.5: OPEC crude oil production based on *direct communication*, tb/d

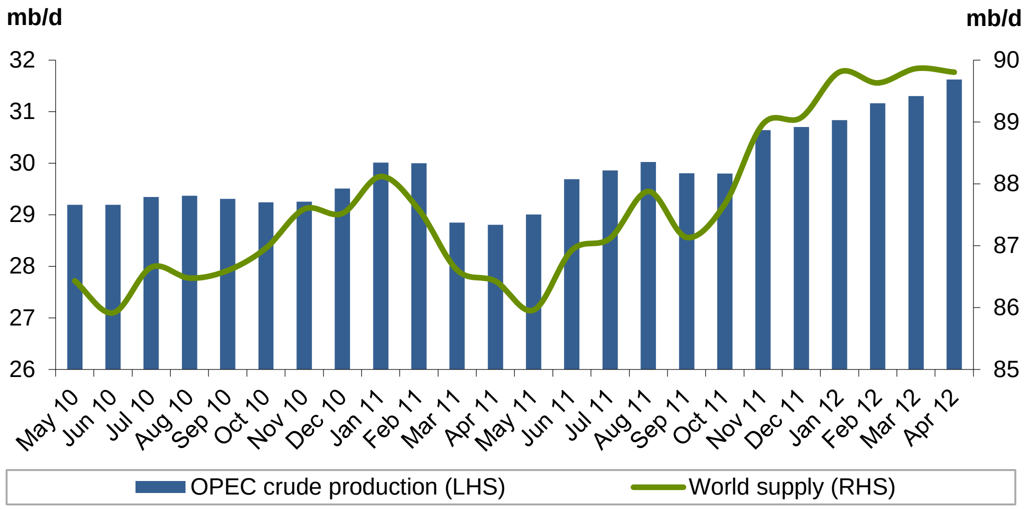
	2010	2011	3Q11	4Q11	1Q12	Feb 12	Mar 12	Apr 12	Apr/Mar
Algeria	1,184	1,173	1,164	1,180	1,215	1,207	1,213	..	..
Angola	1,691	1,618	1,646	1,685	1,734	1,721	1,754	..	..
Ecuador	475	500	494	503	502	503	499	..	..
Iran, I.R.	3,544	3,576	3,574	3,609	3,742	3,752	3,755	3,758	*3.0*
Iraq	2,358	2,653	2,684	2,638	2,628	2,541	2,691	..	..
Kuwait	2,312	2,660	2,755	2,909	2,995	3,014	3,031	3,006	*-25.0*
Libya	1,487	462	75	697	1,296	1,368	1,403	1,504	*100.5*
Nigeria	1,968	1,896	1,889	1,836	1,911	2,003	1,913	..	..
Qatar	733	734	731	733	745	750	743	733	*-10.1*
Saudi Arabia	8,166	9,311	9,601	9,736	9,883	9,854	9,923	10,102	*178.8*
UAE	2,324	2,565	2,573	2,549	2,602	2,608	2,679	2,716	*36.8*
Venezuela	2,779	2,795	2,775	2,809	2,792	2,785	2,819	2,837	*17.5*
Total OPEC	**29,020**	**29,942**	**29,961**	**30,883**	**32,046**	**32,107**	**32,424**	**..**	**..**
OPEC excl. Iraq	**26,662**	**27,290**	**27,277**	**28,245**	**29,418**	**29,566**	**29,733**	**..**	**..**

Totals may not add up due to independent rounding.
.. Not available

World Oil Supply

Preliminary figures indicate that global oil supply experienced a minor decrease of 60 tb/d in April compared to the previous month. This was due to a 0.38 mb/d decrease in non-OPEC supply as well as a 0.32 mb/d rise in OPEC crude production. The share of OPEC crude oil in global production increased to 35.2% in April. The estimate is based on preliminary data from non-OPEC supply, OPEC NGLs and OPEC production. Estimates for OPEC NGLs and OPEC production are derived from secondary sources.

Graph 5.5: OPEC and world oil supply

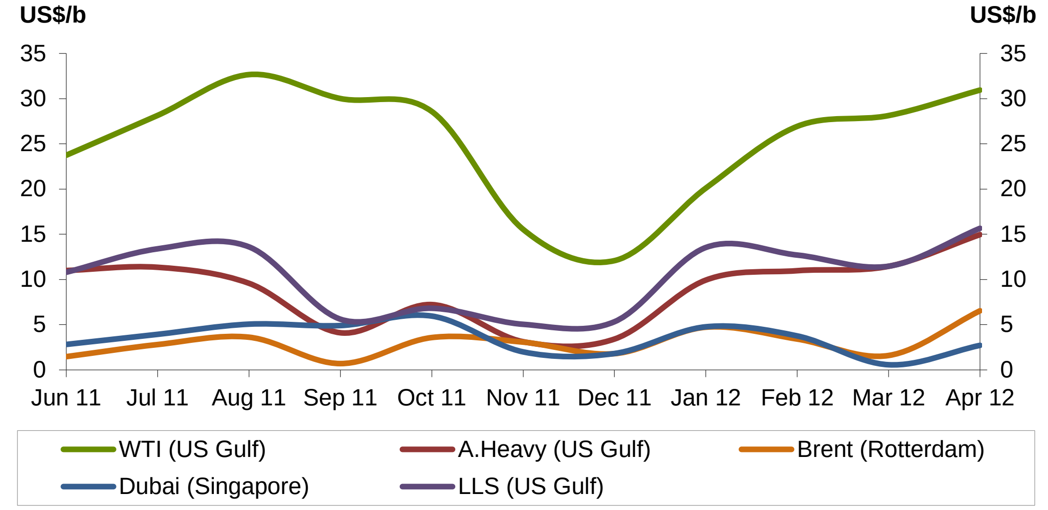


Product Markets and Refinery Operations

Tightening products markets pushed up refinery margins worldwide in April

Product markets showed an improvement during the month, with gasoline taking advantage of improved sentiment in the Atlantic Basin ahead of the driving season. This, along with additional support coming from tight product supply amid heavy refinery maintenance in Asian countries, allowed refinery margins to increase across the board. Lower crude oil prices also played a role in supporting product markets.

Graph 6.1: Refining margins, 2011-2012



The margin for WTI crude on the US Gulf Coast increased by $3 to around $31/b in April, on the back of positive developments at the top of the barrel, with the gasoline crack climbing by almost $10/b.

Despite the deteriorating trend, US domestic demand for gasoline in April was only around 1% below the year-ago level, declining at a slightly lower rate than in previous months. The gasoline margin improved, due to tight supply on the East Coast ahead of the driving season and stronger export opportunities.

Refinery margins for Light Louisiana Sweet (LLS) crude on the US Gulf Coast increased by $4.2 to around $15.7/b, indicating strength in US refinery margins.

The European product market became bullish, as gasoline took advantage of product supply tightness in the Atlantic Basin, while middle distillates recovered on the back of higher domestic demand in the tight market, due to a drop in domestic refinery runs and lower inflows into the region**.**

Another supportive factor came from stronger export opportunities to West Africa, the Middle East and South America, while the decline in crude prices also contributed to improved refinery margins.

European refining margins recovered and jumped to $6.5/b, representing a gain of almost $5 over the previous month. This was the highest margin seen in the last two years.

Refining margins in Asia recovered part of the ground lost last month, as product cracks strengthened across the barrel in April, on the back of tight product supply due to lower inflows, heavy maintenance and unscheduled refinery shutdowns.

Naphtha cracks recovered slightly, on news of lower-than-expected exports from India, following an unscheduled shutdown of a Mangalore refinery, at a time of lower inflows to the region.

The recovery at the top of the barrel was capped by weak naphtha, while middle distillates and fuel oil were well balanced to support the margins, which increased by more than $2 to stand at $2.7/b in April.

Refinery operations

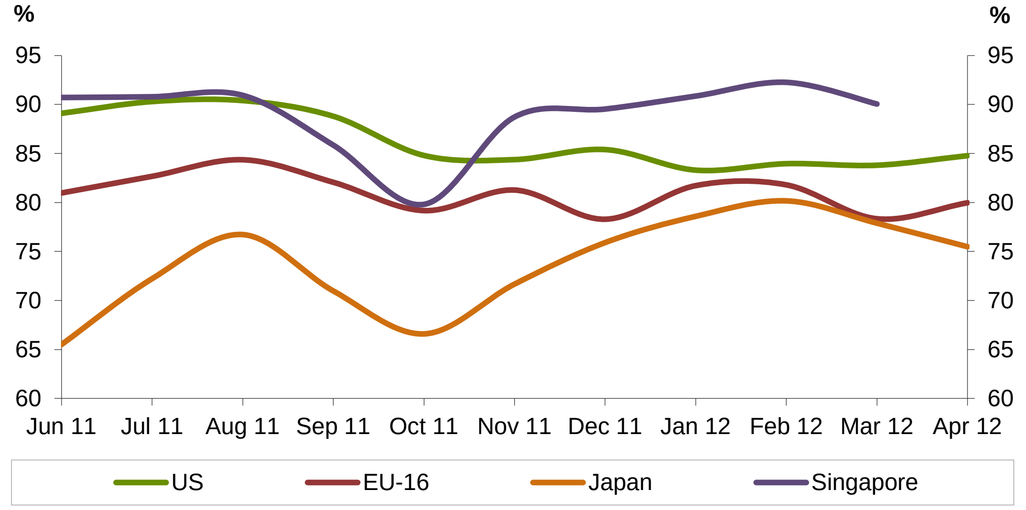
Refinery runs continued to moderate ahead of driving season

Despite the tight gasoline market, weak domestic demand allowed US refineries to maintain refining levels as in the last few months.

US refinery runs averaged 84.8% of capacity in April, 1 percentage point higher than in the previous month, despite the shutdown of some refineries in the region.

Even at this refining level, distillate inventories continued falling during the month, by about 12 mb, to hit a level of 124 mb and stand below the five-year average, as refineries shifted their focus to gasoline ahead of the driving season and due to stronger export volumes.

Graph 6.2: Refinery utilization rates, 2011-2012



European refiners continued to operate at moderate throughputs, in response to deteriorating margins, maintenance and closures. Refinery runs stood at around 80% in April. As margins recovered and crude saw a decline in its price, refineries could be encouraged to increase runs if the margins showed signs of stabilization after the end of maintenance and at the beginning of the driving season.

As demand growth slowed in the region, Asian refineries reduced runs from the high levels seen in the previous months, falling from above 90% to around 86%, and remained at around this level due to heavy maintenance in the region. Usually, Chinese refiners' spring maintenance peaks in May, while South Korean spring maintenance ends then.

Japanese throughput remained at around 76% of capacity in April.

US market

Middle distillates recovered, on improved diesel demand for transportation

US gasoline demand continued to be on the low side, but recovered by around 90 tb/d from the previous month to stand at 8.66 mb/d in April. However, this still represented a decline of 100 tb/d from the same month a year earlier.

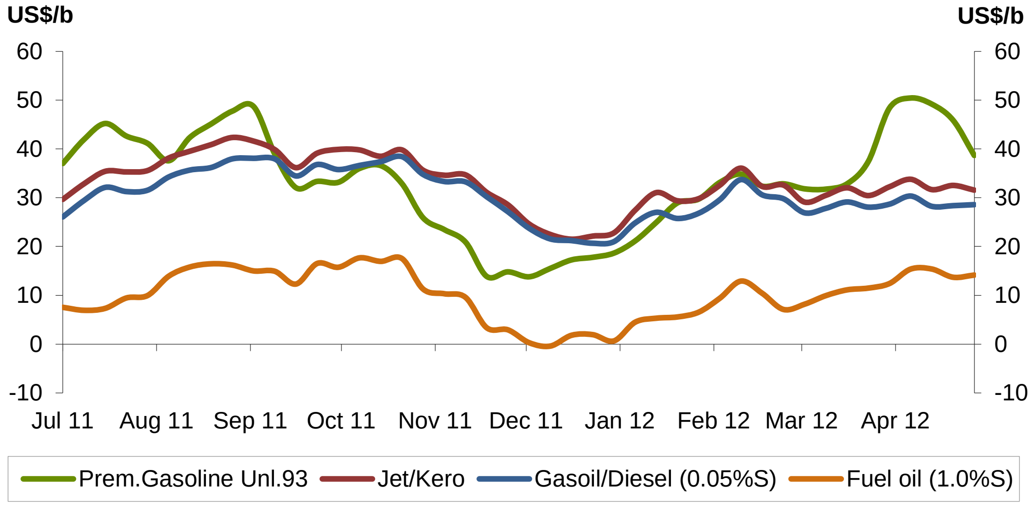
US gasoline demand was only around 1% below the year-ago level, declining at a slightly lower rate than previously witnessed, which, along with tight supply on the East Coast ahead of the driving season, falling inventories and stronger export opportunities, caused gasoline cracks to increase sharply during the month.

Solid demand from Latin America kept sentiment firm, with Mexico leading the requirements for motor fuel late in April, while Venezuelan and Brazilian demand also offered a lending hand.

Firm prices on the East Coast attracted arbitrage cargoes from Europe, Canada and the US Gulf Coast, creating supply pressure at the end of the month and causing gasoline cracks to lose part of the accumulated gains.

The gasoline crack averaged $46/b in April, a sharp increase of almost $10 from the previous month. However, in recent weeks, it reverted to around $38/b.

Graph 6.3: US Gulf crack spreads vs. WTI, 2011-2012



Middle distillate demand stood at around 3.8 mb/d in April, increasing by 260 tb/d from the previous month and marking a recovery of 135 tb/d from the same month last year.

Middle distillates improved from the month before, due mostly to healthier domestic demand and favourable arbitrage opportunities to Europe and Latin America.

Middle distillate domestic demand increased, rising by 135,000 b/d above year-ago levels and reflecting the higher positive year-on-year (y-o-y) growth figure so far in 2012. Furthermore, the ATA's trucking tonnage index rose by 2.7% y-o-y in March, indicating potentially that the US economic recovery was gathering pace, albeit slowly. This improvement in the demand for diesel offset the weak domestic heating oil demand, with additional support coming from solid demand from across the Atlantic on the back of an open arbitrage window.

The higher requirements from South America, specifically Chile, continued to lend support, while distillate stocks in the US dropped by almost 12 mb over the month, to stand at around 124 mb, the lowest level since the end of 2008.

The gasoil crack on the US Gulf Coast gained $1, to average $29/b in April.

Fuel oil cracks continued the rising trend over the month, supported by workable arbitrage opportunities to Asia and South America, particularly Argentina, which had been lending continuous support to the heavy fuel oil market, while domestic demand improved over recent weeks, causing inventories to fall. The fuel oil crack rose by $4 in April to average $14.6/b.

European market

Tight Atlantic market lets gasoline recover in Europe

Product market sentiment showed positive signs in Europe, with gasoline continuing to take advantage of the tightness in the Atlantic, while middle distillates recovered on the back of higher domestic demand and lower inflows to the region.

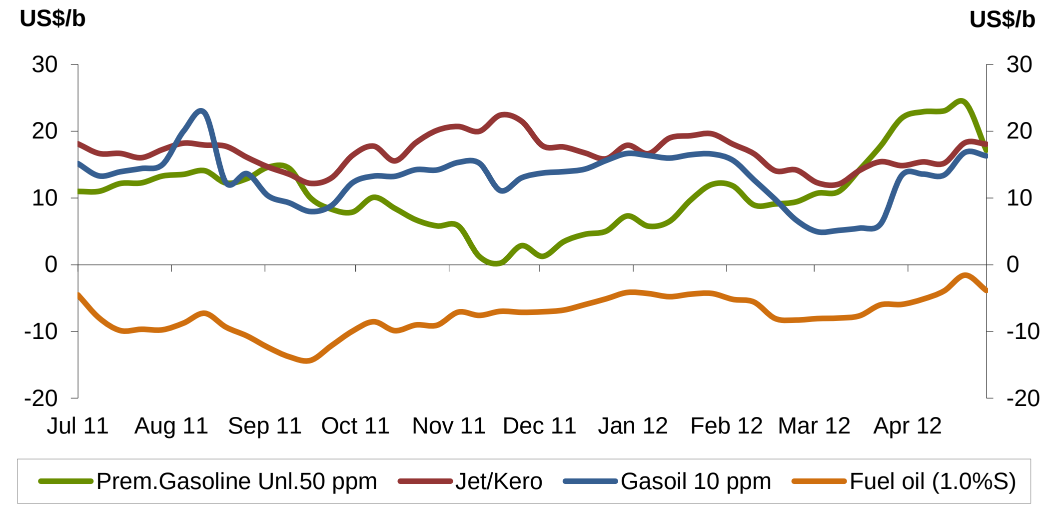
The European gasoline market continued its impressive performance last month, benefiting from stronger export opportunities to West Africa, the Middle East and South America (Brazil and Mexico), at a time of relatively tight supplies in the region.

Another supporting factor could be found in the increasing transatlantic volumes, due to higher prices and expectations of a shortage in product supplies on the US East Coast, as a consequence of the refinery shutdowns in the area. Nevertheless, higher inflows started to ease concern ahead of the driving season, capping gains.

The gasoline crack-spread against Brent crude showed a sharp increase of almost $7, to stand at $21.8/b on average during April. However, in the last week, the crack-spread started to lose some ground and the margins stood at around $17/b at the end of the month.

The naphtha market was able to recover some of the ground lost last month, supported by the strength of the gasoline market and fewer inflows to Europe, since Russian refineries were in turnaround. On the other hand, weak demand for light distillates from the European petrochemical industry, due to economic concern and strong competition from cheaper propane as an alternative feedstock, continued exerting pressure.

Graph 6.4: Rotterdam crack spreads vs. Brent, 2011-2012



A tight product market, generated by high refinery maintenance and refinery closures in the region, lent support to the middle distillates market, as did reduced inflows from Russia.

In contrast, middle distillate cracks received support from the demand side, amid declining ARA inventories. Buying interest from the Mediterranean was relatively healthy, with higher diesel requirements in the region, mainly from Turkey and the UK, as well as Italy where Sicilian refineries were undergoing maintenance. Additionally, gasoil demand for desulphurization strengthened during the month. The gasoil crack-spread against Brent crude at Rotterdam showed a sharp increase to stand at around $15/b.

At the bottom of the barrel, fuel oil cracks performed very healthily last month, benefiting from higher regional demand and tight supplies. Additional support came from the improving arbitrage to Asia and lower crude prices. Another bullish factor lay in the expectations of increasing demand from the shipping and power-generation sectors.

The Northwest European fuel oil crack-spread against Brent showed a sharp increase of $3.5 in April, to stand at minus $3.6/b.

Strong regional demand supporting light distillates

Asian market

Asian cracking margins increased during April, as product cracks strengthened across the barrel, on the back of stronger regional demand in a tight market, due to lower inflows and refinery shutdowns.

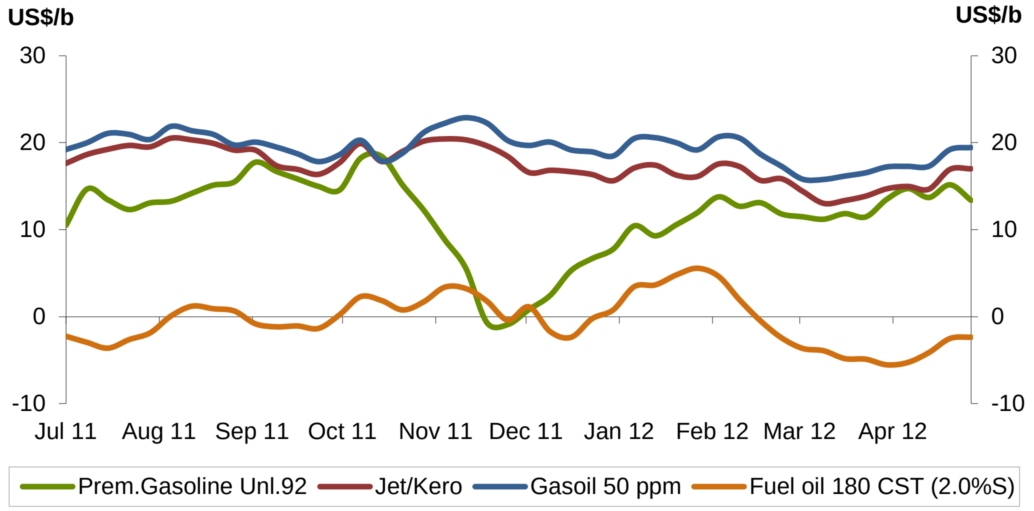
The gasoline crack moved up last month, on the back of strong regional demand in a tight product market, due to heavy maintenance in the region — mainly in North-East Asia — and with fewer inflows from the Middle East. Regional gasoline demand continued to offer support, mainly from Sri Lanka, Vietnam, Indonesia and Pakistan. Additionally, Saudi Arabian demand prevented the eastward flow of Indian gasoline shipments, mainly from India´s Reliance Refinery, to satisfy motor fuel requirements during refinery maintenance.

The gasoline crack-spread against Dubai crude in Singapore increased from $11.9/b in March to average around $14/b in April.

Naphtha cracks recovered slightly from last month, on news of lower-than-expected exports from India, following an unscheduled shutdown of a Mangalore refinery, amid lower inflows to the region.

Additional support came from the demand side, as South Korean and Taiwanese naphtha-cracking requirements remained robust, keeping regional sentiment supported.

Graph 6.5: Singapore crack spreads vs. Dubai, 2011-2012



The middle distillate market remained quite well balanced, as refinery maintenance in North-East Asia and the Middle East continued to keep gasoil supplies relatively tight — boosted by an unexpected shutdown in an Indian refinery and decreasing Chinese diesel output — limiting domestic diesel supply over the month.

Regional demand remained supportive, especially from Australia, Vietnam, India and Sri Lanka, while low inflows caused inventories to drop and the gasoil crack-spread in Singapore against Dubai increased by $2 to average around $18/b in April.

Singapore's fuel oil crack reversed its downward trend, as tighter regional product supplies and a rise in domestic demand supported fundamentals. Fuel oil demand for burning at Japanese and South Korean utilities remained strong.

Additionally, fewer arbitrage volumes arriving from the West caused a stock-draw in Singapore on-shore fuel oil inventories, fuelling bullish sentiment and keeping the fuel oil market buoyed.

The fuel oil crack-spread in Singapore against Dubai increased by $1 to an average of around minus $3.6/b in April.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d			Refinery utilization, %		
	Mar 12	Apr 12	Apr/Mar	Mar 12	Apr 12	Apr/Mar
US	14.52	14.50	-0.02	83.80	84.78	0.97
France	1.18	1.22	0.04	68.48	70.81	2.33
Germany	1.76	1.87	0.12	72.77	77.53	4.76
Italy	1.44	1.36	-0.07	61.44	58.32	-3.12
UK	1.39	1.39	0.00	78.60	78.49	-0.11
Euro-16	10.26	10.48	0.21	78.34	79.97	1.63
Japan	3.68	3.57	-0.11	77.89	75.48	-2.40

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

Table 6.2: Refined product prices, US$/b

		Feb 12	Mar 12	Apr 12	Change Apr/Mar
US Gulf (Cargoes):					
Naphtha		122.88	126.40	120.79	-5.61
Premium gasoline	*(unleaded 93)*	135.53	142.89	149.34	6.45
Regular gasoline	*(unleaded 87)*	127.46	135.40	136.70	1.31
Jet/Kerosene		135.05	137.31	135.68	-1.63
Gasoil	*(0.05% S)*	132.65	134.57	132.18	-2.39
Fuel oil	*(1.0% S)*	112.14	117.07	117.95	0.88
Fuel oil	*(3.0% S)*	111.16	113.31	110.49	-2.82
Rotterdam (Barges FoB):					
Naphtha		113.70	118.19	114.89	-3.31
Premium gasoline	*(unleaded 10 ppm)*	115.76	119.73	121.03	1.29
Premium gasoline	*(unleaded 95)*	129.34	140.30	141.82	1.51
Jet/Kerosene		134.39	138.92	136.71	-2.21
Gasoil/Diesel	*(10 ppm)*	133.79	137.55	135.01	-2.54
Fuel oil	*(1.0% S)*	112.32	118.05	116.36	-1.70
Fuel oil	*(3.5% S)*	109.03	111.59	108.98	-2.61
Mediterranean					
Naphtha		111.13	115.82	111.66	-4.16
Premium gasoline	*(50 ppm)*	128.88	140.57	142.09	1.52
Jet/Kerosene		129.30	133.59	131.47	-2.12
Gasoil/Diesel	*(50 ppm)*	120.31	124.88	122.58	-2.30
Fuel oil	*(1.0% S)*	113.94	119.09	116.54	-2.55
Fuel oil	*(3.5% S)*	107.60	110.63	107.73	-2.90
Singapore (Cargoes):					
Naphtha		114.36	119.36	114.95	-4.41
Premium gasoline	*(unleaded 95)*	130.70	136.38	135.19	-1.19
Regular gasoline	*(unleaded 92)*	128.57	134.24	131.78	-2.46
Jet/Kerosene		132.14	136.21	133.43	-2.78
Gasoil/Diesel	*(50 ppm)*	134.59	138.64	135.85	-2.79
Fuel oil	*(180 cst 2.0% S)*	116.00	117.78	113.98	-3.80
Fuel oil	*(380 cst 3.5% S)*	112.86	114.97	112.50	-2.47

Tanker Market

Global and OPEC spot fixtures decreased in April

OPEC estimated spot fixtures decreased by 20% in April to average 9.51 mb/d, while global spot fixtures fell by 19% to average 16.6 mb/d. The decrease in OPEC fixtures came after a significant recovery in the first quarter of 2012, resulting in the volatility in spot fixtures. Middle East-to-East fixtures declined by 24% in April from the previous month, to average 5.34 mb/d. This decline came partly from lower fixtures ahead of planned refinery maintenance in the East. Middle East-to-West fixtures increased by 3.4% in April to average 1.47 mb/d.

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

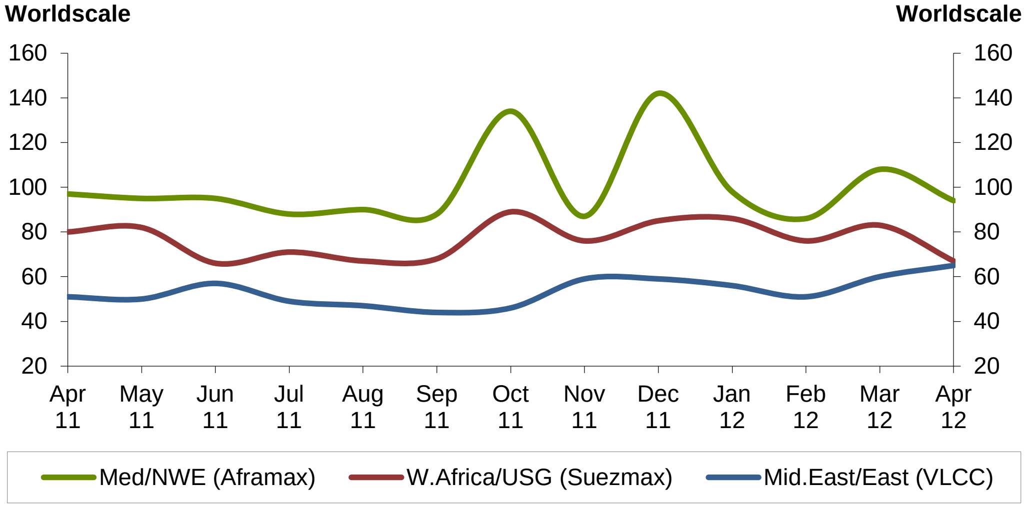
	Feb 12	Mar 12	Apr 12	*Change Apr/Mar*
Spot Chartering				
All areas	17.22	20.46	16.60	-3.86
OPEC	10.34	11.92	9.51	-2.41
Middle East/East	4.90	7.01	5.34	-1.67
Middle East/West	1.99	1.43	1.47	0.05
Outside Middle East	3.45	3.63	2.70	-0.94
Sailings				
OPEC	23.32	23.35	24.19	0.84
Middle East	17.46	17.36	18.02	0.66
Arrivals				
North America	8.57	8.47	8.91	0.44
Europe	11.78	12.09	12.16	0.07
Far East	8.09	8.38	8.73	0.35
West Asia	4.77	4.60	4.33	-0.27

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

Preliminary estimates show that OPEC sailings rose by 4% in April to average 24.19 mb/d. This reported increase was supported by sailings to Eastern destinations from the Middle East and West Africa. On an annual basis, OPEC sailings increased by 6% in April.

North American arrivals increased by 5% in April to average 8.91 mb/d, as refineries prepared for the summer driving season, according to preliminary estimated data. European and Far Eastern arrivals increased by 1% and 4% respectively in April, while West Asian arrivals decreased by 6%.

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



VLCC spot freight rates increased in April, while Suezmax and Aframax declined

April saw average spot freight rates for **VLCC**s continue their positive momentum and increase by 8% from March. Rates for operations on the Middle East-to-East route gained 8% from a month ago and they rose by 13% on the Middle East-to-West route. Higher tonnage requirements ahead of seasonal refining maintenance in Asia, especially in China, supported the gains in VLCC rates both East and West of Suez. And reports of an increased use of tankers as floating storage provided further support. Rates for VLCCs operating on the West Africa-to-East route gained 5% last month. Compared with a year ago, average VLCC spot freight rates increased by 20% in April.

Suezmax average spot freight rates declined in April by 11% from the previous month. Rates for operations on the Northwest Europe-to-US route remained relatively flat, while those on the West Africa-to-US route fell by a heavy 19%. Tonnage availability and refinery maintenance on both sides of the Atlantic put pressure on rates during the month.

Average **Aframax** spot freight rates declined by 10% in April from March, mainly on increased tonnage availability. On the Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes, these rates dropped by 13% and 12% respectively. High tonnage availability put pressure on rates across the Atlantic during the month. Rates for tankers operating on the Caribbean-to-US route fell by 10%. East of Suez, rates for tankers operating on the Indonesia-to-East route declined by 3% in April, mainly on lower tonnage demand due to refinery maintenance and increased tonnage availability.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	Feb 12	Mar 12	Apr 12	Change Apr/Mar
Crude					
Middle East/East	230-280	51	60	65	5
Middle East/West	270-285	35	38	43	5
West Africa/East	260	54	61	64	3
West Africa/US Gulf Coast	130-135	76	83	67	-16
NW Europe/USEC-USGC	130-135	69	68	67	-1
Indonesia/US West Coast	80-85	92	91	88	-3
Caribbean/US East Coast	80-85	129	109	98	-11
Mediterranean/Mediterranean	80-85	84	106	93	-13
Mediterranean/North-West Europe	80-85	86	108	94	-14

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

In April, average clean spot freight rates fell by 3%

East of Suez, clean spot freight rates rose by 11% in April, while West-of-Suez rates fell by 8%. East of Suez, improved naphtha and product trade activity supported clean spot freight rates, which increased on the Middle East-to-East and Singapore-to-East routes by 19% and 5% respectively during the month.

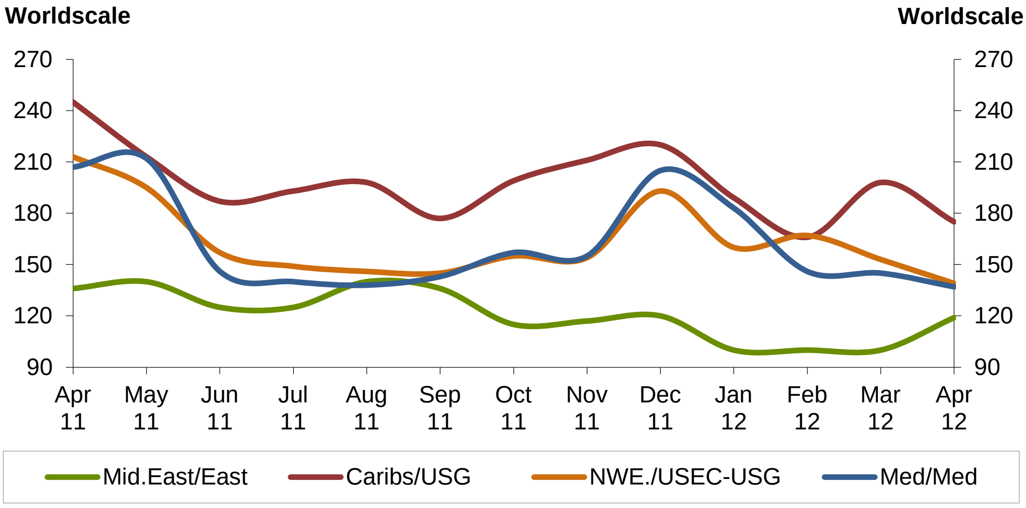
West of Suez, clean spot freight rates on the Caribbean-to-US route declined by 12% in April. This decline was due to pressure from lower tonnage demand on refinery maintenance. On the Northwest Europe-to-US, Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes, rates fell by 9%, 5% and 5% respectively during the month. The declines came partly from refinery maintenance and closed transatlantic arbitrage.

Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	Feb 12	Mar 12	Apr 12	Change Apr/Mar
Products					
Middle East/East	30-35	100	100	119	19
Singapore/East	30-35	118	121	127	6
Caribbean/US Gulf Coast	38-40	166	198	175	-23
NW Europe/USEC-USGC	33-37	167	153	139	-14
Mediterranean/Mediterranean	30-35	146	145	137	-8
Mediterranean/North-West Europe	30-35	156	155	147	-8

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

Graph 7.2: Monthly averages of clean spot freight rates



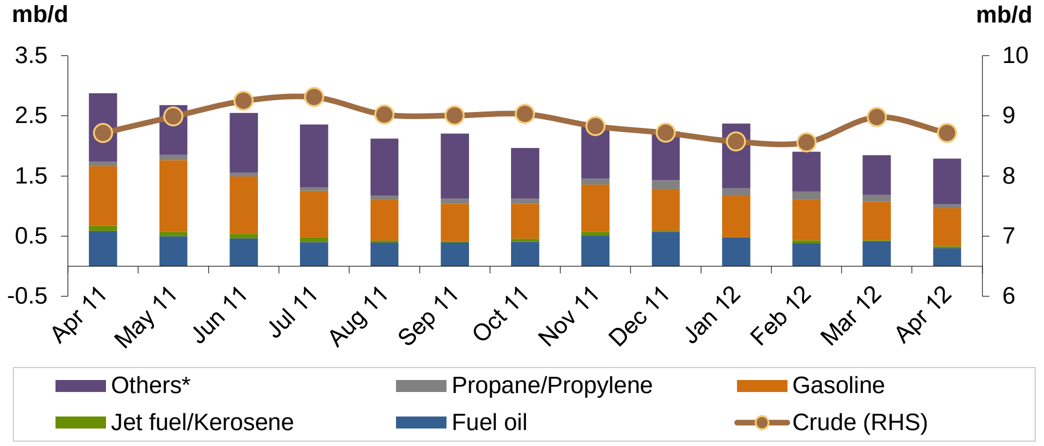
Oil Trade

US

US crude oil imports declined in April by a slight 2.93% to 8.71 mb/d

Preliminary data indicates that US crude oil imports declined in April, by 263 tb/d, or 2.9%, to average 8.71 mb/d. On a year-on-year (y-o-y) basis, they were marginally lower than the previous year's level, when they stood at 8.72 mb/d.

Graph 8.1: US imports of crude and petroleum products



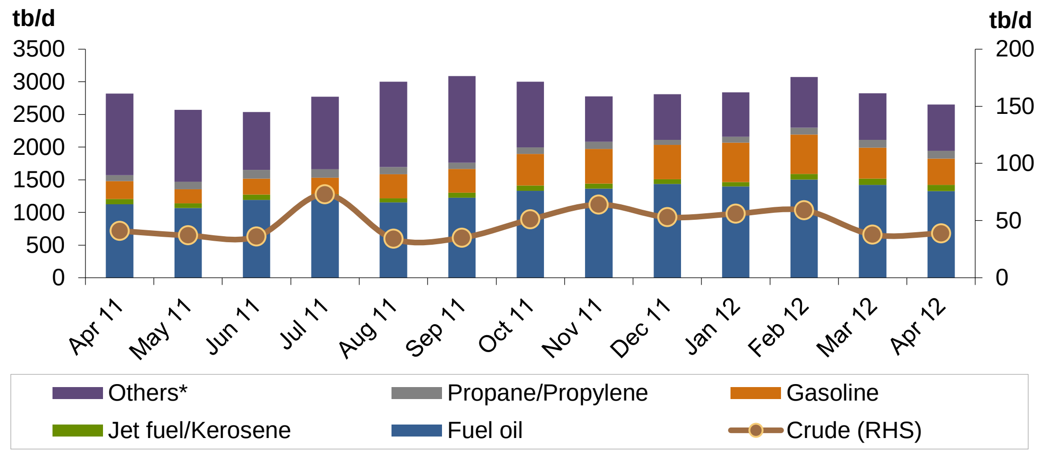
**Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene.*

Product imports decreased in April for the third consecutive month since January, to 1.79 mb/d, on an estimated monthly average. This meant a decrease of 56.8 tb/d, or 3.1%, from the month before. Y-o-y, a drop of around 1.09 mb/d, or 37.4%, was noted. Year-to-date, crude oil imports declined, compared with the same period last year, by a marginal 0.2%, or 17 tb/d, to 8.7 mb/d, while products fell by 26.8%, or 0.73 tb/d, to 1.98 mb/d.

Product exports decreased to 2.69 mb/d in April, which meant a fall of 134 tb/d, or 4.7%, month-on-month (m-o-m) and 173 tb/d, or 6.0%, y-o-y.

As a result, **US net oil imports increased in April by 187 tb/d, or 2.35%, m-o-m to 7.78 mb/d**. However, they remained 912 tb/d, or 10.5%, below the level of a year ago.

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.*

The US imported around 3.79 mb/d of crude oil from OPEC Member Countries in February, constituting a 44.26% share of total imports. M-o-m, there was a slight decrease of 71 tb/d, or 1.84%. Canada remained the main supplier, with 2.52 mb/d or 29.4%, followed by Saudi Arabia with 1.41 mb/d or 16.4%, Mexico with 1.01 mb/d or 11.8%, Venezuela with around 0.89 mb/d or 10.4% and Colombia with 0.45 mb/d or 5.2%.

On the product side, US imports from OPEC Member Countries decreased by 147 tb/d, or 42.6%, to average around 198 tb/d in February, with OPEC holding a share of 10.4% of total US product imports. Canada and Russia remained the main suppliers, accounting for 531 tb/d, or 27.9%, and 256 tb/d, or 13.4%, respectively. They were followed by Algeria with 130 tb/d or 6.8%, the United Kingdom with 109 tb/d or 5.7%, and Norway with 104 tb/d or 5.5%.

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

	Feb 12	Mar 12	Apr 12	*Change* Apr/Mar
Crude oil	8,499	8,939	8,675	-264
Total products	-1,015	-975	-898	77
Total crude and products	**7,691**	**7,964**	**7,777**	**-187**

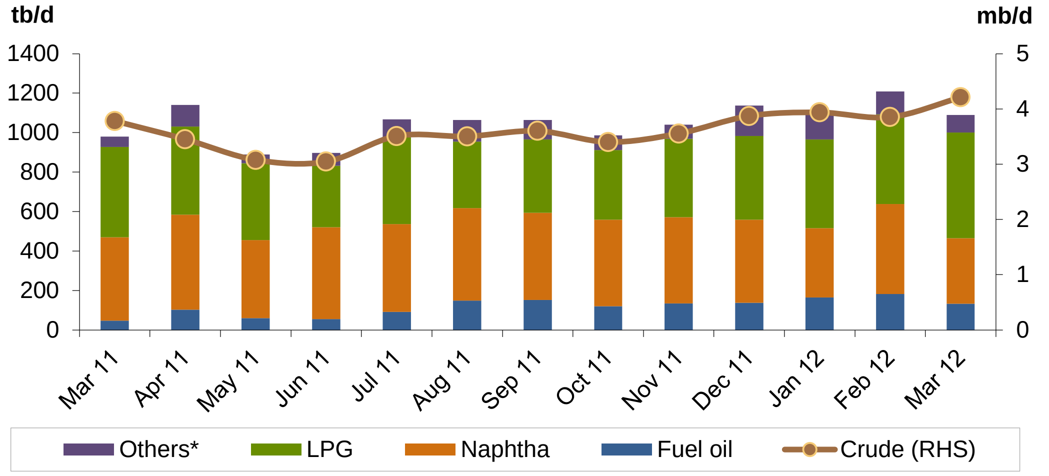
Japan

Japan's crude oil imports increased by 9.3% to 4.21 mb/d in March

Japan's crude oil imports rebounded in March. They increased to 4.21 mb/d, representing a rise of 357 tb/d, or 9.3%, from the previous month. Y-o-y, the March levels represented an increase of 427 tb/d, or 11.3%.

Product imports, including liquefied petroleum gas (LPG), decreased to 1.09 mb/d, which meant a decline of 120 tb/d, or 9.9%, m-o-m and an increase of 109 tb/d, or 11.2%, y-o-y.

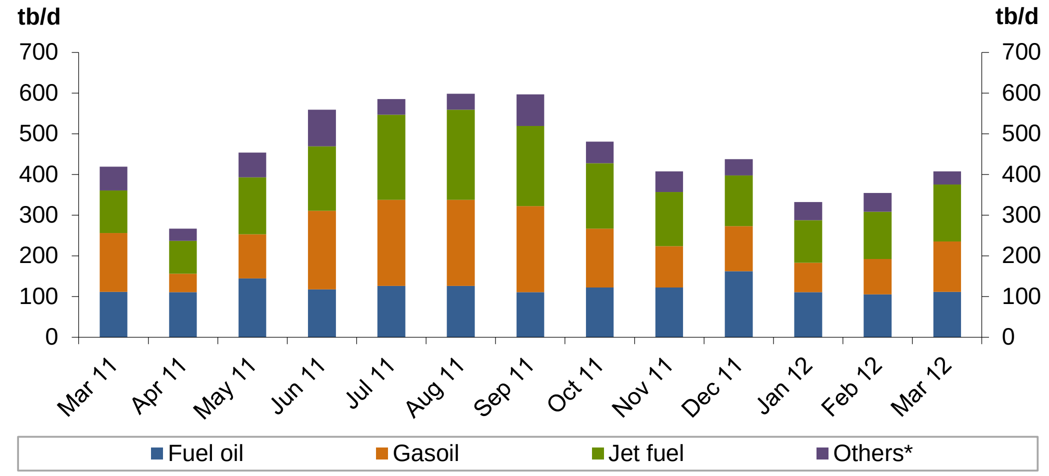
Graph 8.3: Japan's imports of crude and petroleum products



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

Product exports, including LPG, increased by 53 tb/d, or 15.0%, in March, to average 0.41 mb/d. Y-o-y, there was a decrease of 12 tb/d, or 2.8%.

Graph 8.4: Japan's exports of petroleum products



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

As a result, **Japan's net oil imports increased in March by 183 tb/d, or 3.9%, to 4.9 mb/d**. Y-o-y, there was an increase of 548 tb/d, or 12.6%. The increase can be attributed mainly to the net trade in crude oil, which was up by 357 tb/d, or 9.3%, m-o-m and 427 tb/d, or 11.3%, y-o-y, offsetting the decline in products.

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

	Jan 12	Feb 12	Mar 12	*Change* Mar/Feb
Crude oil	3,937	3,853	4,209	357
Total products	767	855	682	-173
Total crude and products	**4,704**	**4,708**	**4,891**	**183**

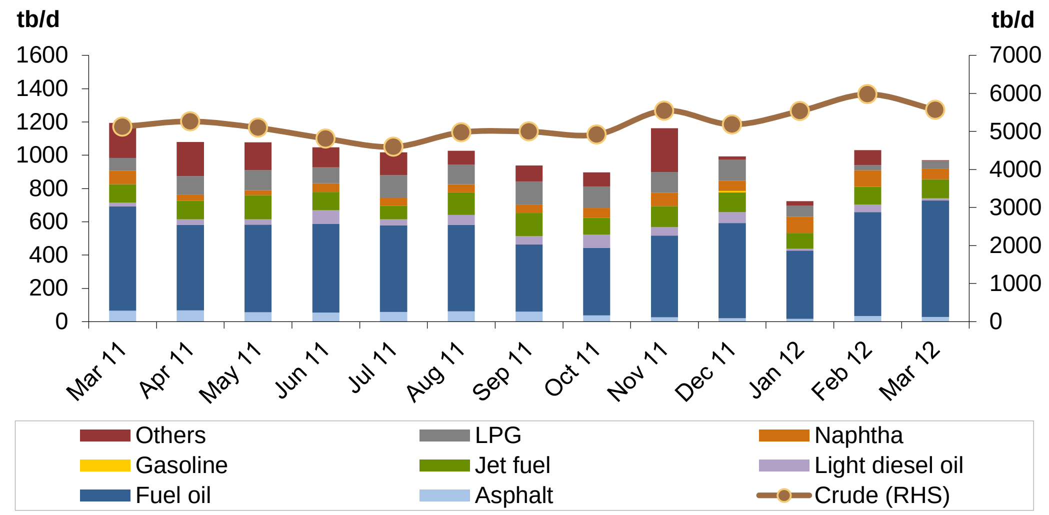
China

China's crude oil imports fell to 5.57 mb/d in March

China's crude oil imports declined slightly in March, by 406 tb/d, or 6.8%, to 5.57 mb/d. Y-o-y, they increased by 444 tb/d, or 8.7%.

Product imports decreased in March by 67 tb/d, or 6.5%, to 964 tb/d. Y-o-y, they decreased by 230 tb/d, or 19.3%.

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

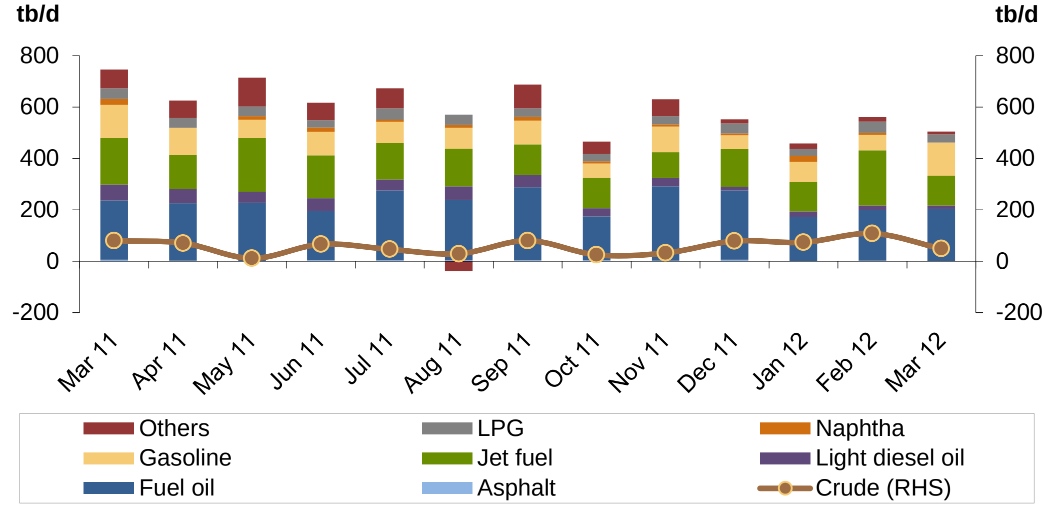


China's crude oil exports decreased in March by around 60 tb/d, or 55.2%, to 49 tb/d. Y-o-y, this meant a decrease of around 31 tb/d, or 39.0%.

Oil product exports fell by 56 tb/d, or around 10.0%, to 505 tb/d. Y-o-y, they were down by 242 tb/d, or 32.4%.

As a result, **China's total net oil imports decreased by 357 tb/d, or 5.6%, in March to 5.98 mb/d**. This decrease can be attributed mainly to net crude imports, which fell by 346 tb/d, or 5.9%, to 5.52 mb/d.

Graph 8.6: China's exports of crude and products



The top five suppliers to the Chinese market were ranked as Saudi Arabia with 0.93 mb/d or 16.8%, Angola with 0.86 mb/d or 15.4%, Russia with 0.55 mb/d or 9.8%, Venezuela with 0.46 mb/d or 8.3% and Oman with 0.39 mb/d or 6.9%.

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

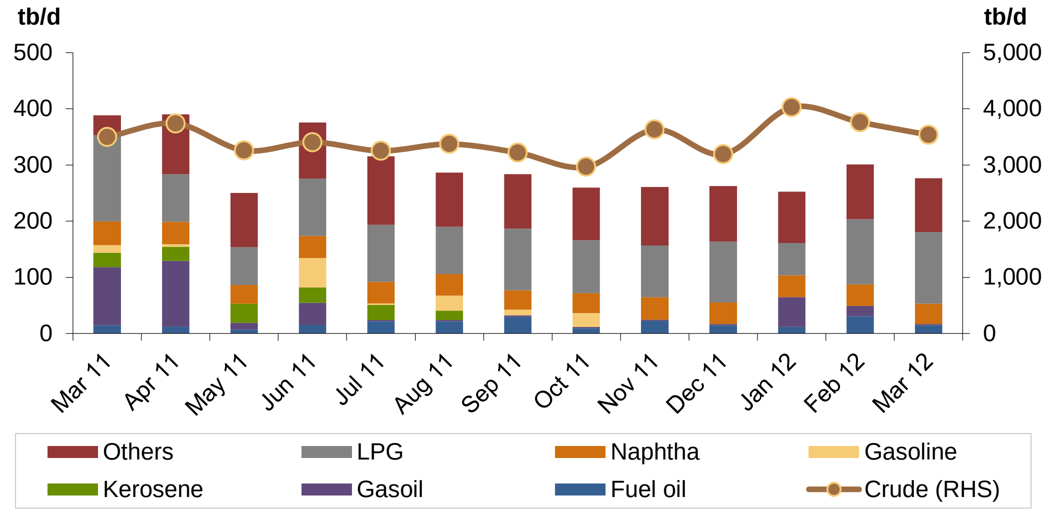
	Jan 12	Feb 12	Mar 12	*Change Mar/Feb*
Crude oil	5,461	5,867	5,520	-346
Total products	267	469	458	-11
Total crude and products	**5,727**	**6,336**	**5,979**	**-357**

India

India's crude oil imports decline by 6.0% in March to 3.53 mb/d

India's crude oil imports declined by 227 tb/d, or 6.0%, to 3.53 mb/d in March. However, y-o-y, they were up by 37 tb/d, or 1.1%, from the 2011 level.

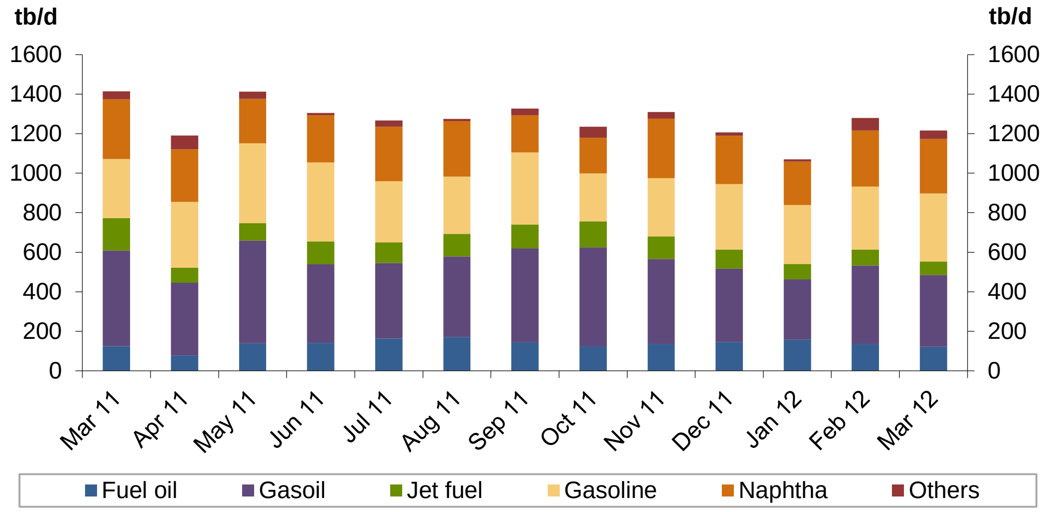
Graph 8.7: India's imports of crude and petroleum products



Product imports in March fell by 25.0 tb/d, or 8.3%, to average 276 tb/d. The main contributors to this decline were reductions in diesel and fuel oil imports. Despite this major drop, product imports on March held above the 250 tb/d that was the lowest level registered in May 2011. Y-o-y, product imports were 112 tb/d, or 28.9%, lower this year.

On the export side, products decreased by 64 tb/d, or 5.0%, in March to 1.22 mb/d. This decrease was caused mainly by reduced exports of diesel, jet fuel and fuel oil, with respective drops of 32.8 tb/d or 8.3%, 12.9 tb/d or 15.8% and 15.1 tb/d or 11.1%. Y-o-y, product exports fell by 200.2 tb/d, or 14.1%, in March.

Graph 8.8: India's exports of petroleum products



As a result, **India's net oil imports decreased by 187 tb/d, or 6.7%, to average 2.60 mb/d.** Y-o-y, however, they rose by 125 tb/d, or 5.1%.

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

	Jan 12	Feb 12	Mar 12	*Change Mar/Feb*
Crude oil	4,024	3,761	3,534	-227
Total products	-765	-978	-939	39
Total crude and products	**3,259**	**2,783**	**2,596**	**-187**

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

FSU

FSU crude exports fell by a slight 1.4% to 6.35 mb/d in March, while product exports rose by 5.2% to 2.74 mb/d

Crude oil exports from the former Soviet Union (FSU) fell by a slight 1.4% to 6.35 mb/d in March. This could be attributed mainly to reductions in Black Sea exports of 92 tb/d, or 9.9%, to 841 tb/d, or 13.4% from Kozmino, while exports from the Baltic increased by 71 tb/d, or 5.1%, to 1.45 mb/d. BTC Blend exports rose by a slight 0.1% to 746 tb/d, after the completion of field maintenance at the end of 2011.

Kazakh crude transit shipments through Russia by rail rose by 18% in March to 197 tb/d, due to increased deliveries of Tengiz crude to the Ukrainian port of Feodosiya.

Along the Transneft pipeline system, overall crude exports from Russia declined to 4.07 mb/d, despite some changes in flows. Black Sea exports fell by 9.9% to 841 tb/d m-o-m. Baltic exports increased by 5.1% to 1.45 mb/d, after the completion of pipeline system maintenance.

FSU total product exports rose in March by 136 tb/d, or 5.2%, to 2.74 mb/d. This increase was due to bad weather conditions the month before, which had hampered port operations, especially in the Black Sea. Baltic product exports were also delayed, after ice in the region had affected tanker arrivals.

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

	2010	2011	3Q11	4Q11	1Q12	Feb 12	Mar 12*
Crude							
Russian pipeline							
Black Sea	994	935	951	930	876	933	841
Baltic	1,564	1,461	1,342	1,526	1,444	1,381	1,452
Druzhba	1,126	1,170	1,178	1,241	1,243	1,253	1,243
Kozmino	309	306	319	295	307	329	285
Total	**4,005**	**4,178**	**4,087**	**4,310**	**4,161**	**4,205**	**4,074**
Other routes							
Russian rail	330	173	137	213	176	176	207
Russian-Far East	276	279	260	272	269	266	269
Kazakh rail	123	157	126	198	167	166	197
Vadandey	152	82	67	81	46	36	51
Kaliningrad	24	23	22	26	24	25	23
CPC	743	679	668	640	622	617	596
BTC	775	695	691	643	727	745	746
Kenkiyak-Alashankou	204	222	240	180	207	191	238
Caspian	239	170	123	146	169	178	146
Total crude exports	**6,750**	**6,500**	**6,295**	**6,511**	**6,401**	**6,440**	**6,350**
Products							
Gasoline	141	149	101	124	155	167	121
Naphtha	253	243	246	204	277	296	266
Jet	18	10	16	2	3	1	7
Gasoil	809	716	711	688	848	817	902
Fuel oil	1,129	1,201	1,330	1,239	1,260	1,143	1,263
VGO	228	198	189	168	180	179	179
Total	**2,578**	**2,518**	**2,594**	**2,426**	**2,723**	**2,602**	**2,738**
Total oil exports	**9,328**	**9,018**	**8,889**	**8,937**	**9,124**	**9,042**	**9,088**

** 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 reversed the build of the previous month and declined by 4.3 mb

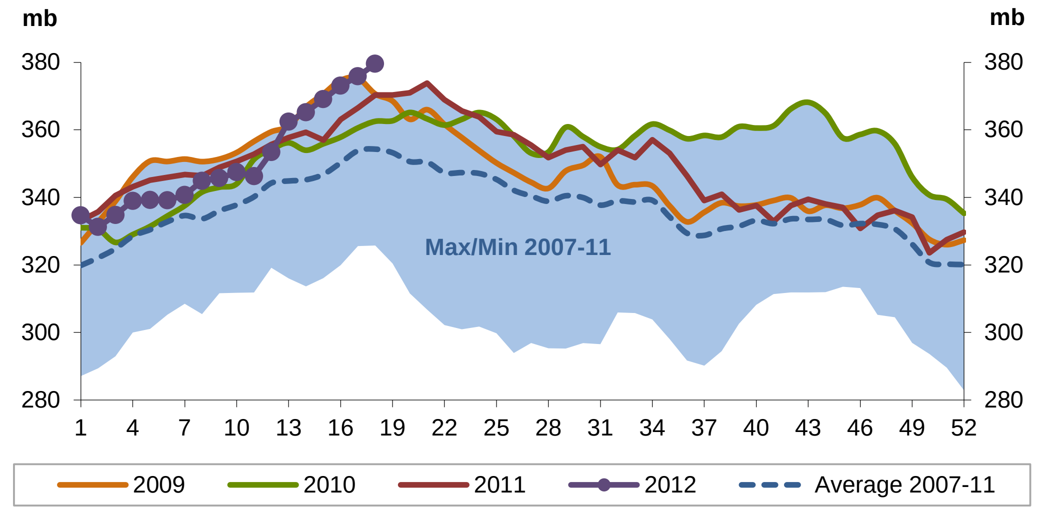
US

US total commercial oil stocks reversed the build of the previous month and declined by 4.3 mb to end April at 1,069.6 mb. Despite this drop, inventories were at 20.1 mb, or 2.0%, above the year-ago level, while the surplus with the five-year average stood at 30.8 mb, or 3.0%. The drop was attributed to products, which decreased by 17.5 mb, while crude commercial stocks rose by 13.5 mb.

US commercial crude stocks continued their upward trend of the last four months in April, increasing by a considerable 13.5 mb, for a cumulative build since the start of this year of around 45.0 mb. At 375.9 mb, they stood at their highest level since September 1990, widening the surplus with the five-year average to 23.3 mb, from 16.3 mb a month earlier. This build came from continued strong crude imports and domestic production. Indeed, US crude imports averaged 8.7 mb/d in April, reflecting strong OPEC crude oil production and rising levels of Canadian crude, while domestic production reached 6.1 mb/d, roughly 0.5 mb/d above levels from the same period last year. An increase in crude oil refinery input in April from the previous month, averaging 14.5 mb/d, limited the gains in crude oil stocks. US crude runs rose by more than 400,000 b/d over a year ago. In April, US refineries operated at 84.8%, which was 1.0 percentage points (pp) higher than in the previous month and 2.4 pp above the same month last year.

Adding to the bearish sentiment for the US crude market, Cushing stocks rose by 3.4 mb in April to reach an all-time high of 43 mb. The approaching Seaway reversal will start to ease Cushing stocks, but not for several weeks; consequently, crude stocks in Cushing are expected to continue rising. US crude inventories should also continue building in other areas, since there is no sign of slowing US production and crude imports also keep rising, reflecting higher OPEC production.

Graph 9.1: US weekly commercial crude oil inventories

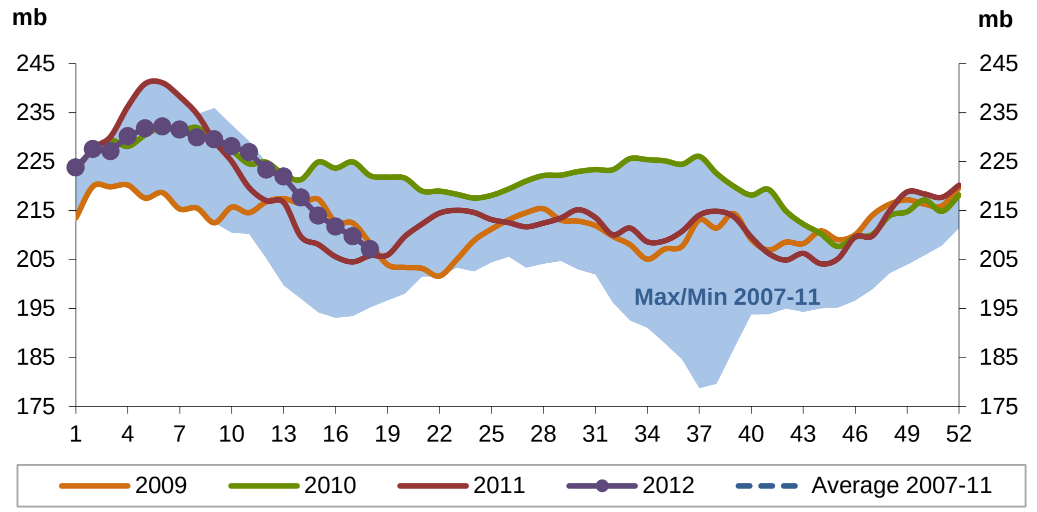


In contrast with the steady build in US crude oil inventories, **product stocks** declined for the third consecutive month, dropping by 17.7 mb in April to end the month at 693.7 mb, the lowest level for a year. Despite this drop, they showed a surplus of 13.5 mb, or 2.0%, over the same time last year, and were 7.5 mb, or 1.1%, higher than the five-year average.

Within products, the picture was mixed. Gasoline, distillates, jet fuel stocks and residual fuel oil saw falls, while other unfinished products experienced a build in April. The bulk of the overall drop was in gasoline and distillate stocks, which fell by 12.2 mb and 11.9 mb respectively. Gasoline stocks fell for the third consecutive month, ending at 209.7 mb. Despite this stock-draw, gasoline stocks remained 5.0 mb, or 2.4%, below the same period last year and showed a surplus over the seasonal norm of 1.1 mb, or

0.5%. The stock-draw in gasoline came from higher demand, which averaged 8.7 mb/d, and this was around 90,000 b/d more than a month ago, but much lower than during the same period last year, when demand was almost 9.1 mb/d. Continued strong exports also contributed to the build in gasoline, while steady gasoline production and a high level of imports limited the fall in gasoline stocks. Gasoline output averaged 8.8 mb/d, around 30,000 b/d above the previous month, and imports were just below 800,000 b/d in April.

Graph 9.2: US weekly gasoline stocks



Distillate stocks also saw a substantial fall, of 11.9 mb in April, losing almost 26 mb since the beginning of this year. At 124.0 mb, they were 18.8 mb, or 13.2%, below the same period last year and 9.2 mb, or 6.9%, below the seasonal norm. This fall came on the back of relatively high demand, averaging 3.8 mb/d in April, which was nearly 260,000 b/d above the same period a year ago. Strong distillate exports supported the decline in inventories. Preliminary data for April put distillate exports at 950,000 b/d, but this figure could decrease in the coming months on the back of a weaker European market.

Jet fuel oil stocks continued the downward trend and fell for the third consecutive month, by 0.5 mb, to end April at 39.7 mb, the lowest level for almost a year. At this level, they were 1.2 mb, or 3.1%, higher than the same month a year ago, but they remained 1.5 mb, or 3.6%, below the latest five-year average. Residual fuel oil stocks fell for a second consecutive month, by 2.9 mb, to stand at 32.6 mb, showing deficits of 6.6 mb and 6.4 mb with a year ago and the seasonal norm respectively.

Table 9.1: US onland commercial petroleum stocks, mb

	Feb 12	Mar 12	Apr 12	Change Apr 12/Mar 12	Apr 11
Crude oil	347.1	362.4	375.9	13.5	369.3
Gasoline	230.8	221.9	209.7	-12.2	204.7
Distillate fuel	139.4	135.9	124.0	-11.9	142.9
Residual fuel oil	35.8	35.5	32.6	-2.9	39.2
Jet fuel	41.2	40.2	39.7	-0.5	38.5
Total	**1068.4**	**1073.8**	**1069.6**	**-4.3**	**1049.5**
SPR	696.0	696.0	696.0	0.0	726.5

** Latest available data at time of report's release*
Source: US Department of Energy's Energy Information Administration

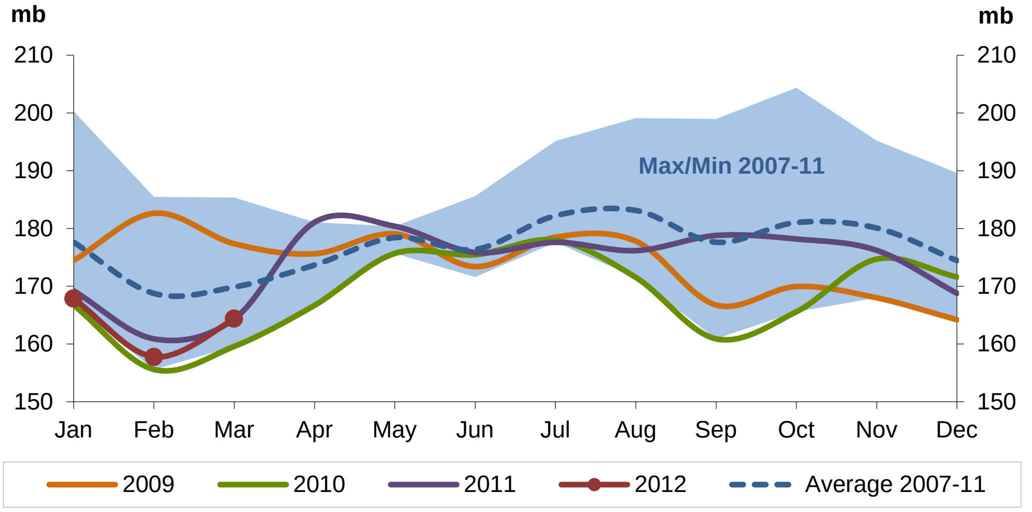
Japan's commercial oil stocks reversed the fall of previous months and rose by 6.6 mb

Japan

In March, **commercial oil stocks** in Japan reversed the downward trend observed over past five months and increased by 6.6 mb to 164.4 mb. With this build, they switched the deficit incurred last month with a year ago to stand in line with a year ago at the same time. However, they remained 5.2 mb, or 3.1%, below the five-year average. The total stock-build was concentrated on crude, which increased by 8.5 mb, while product stocks countered this build, declining by 1.9 mb.

Japanese commercial crude oil stocks reversed the declines incurred over the last four months and rose by 8.5 mb, ending March above 100 mb for the first time since October. With this build, they widened the surplus with a year ago to 1.5 mb from 0.3 mb a month earlier. This build came mainly from higher imports, which increased by almost 360,000 b/d, or 9.3%, from the previous month to average 4.2 mb/d. This level represented an increase of around 430,000 b/d, or 11.3%, from the same period the previous month. It is worth noting that crude imports for direct burning in power plants continued to surge in the aftermath of last year's Fukushima nuclear crisis, increasing by 124.3% year-on-year to hit nearly 281,000 b/d. However, March's figures saw a drop of 22.6% from February's level of about 363,000 b/d. Japanese demand for crude declined as the country emerged from the winter season. The build in crude oil stocks came despite higher crude throughput, which increased by about 30,000 tb/d, or 0.8%, to average 3.7 mb/d. This level corresponded to a refinery utilization rate of 81.8%, which was 0.7 percentage points (pp) lower than in the previous month, but 7.0 pp — much higher — than the same period last year.

Graph 9.3: Japan's commercial oil stocks



In contrast with the increase in crude oil stocks, **Japan's total product inventories** fell for the second consecutive month, by 2.0 mb to end March at 63.5 mb. At this level, they were 1.5 mb, or 2.3%, below the same time last year, while the deficit with the latest five-year average remained at 6.9 mb, or 9.8%. This stock-draw for total products came on the back of weaker product imports, which declined by about 200,000 b/d, or 27%, combined with stronger exports, which increased by 60,000 b/d, or 16%, from the previous month. The stock-draw in Japanese products came despite lower refined oil product sales, which declined by almost 350,000 b/d to 8.5% from a month earlier to average 3.7 mb/d. However, this level was 8.3% above the same period a year ago and represented a fourth straight month of gains, due partly to weak demand last year in the wake of the country's triple catastrophe.

Within products, and with the exception of gasoline, all products saw a drop, with naphtha declining the most. Gasoline stocks rose by 1.4 mb to end March at 14.3 mb, the highest level for almost a year and representing a surplus of 1.6 mb, or 12.5%, over a year ago, but they remained in line with the latest five-year average. The build in gasoline stocks came mainly from higher gasoline production, which increased by 12.8%, combined with a substantial increase in gasoline imports, gaining 66% from the previous month. Higher gasoline domestic sales, which rose by 7.4%, limited the gains in gasoline inventories. Distillate stocks went down for the fourth consecutive month, by

0.7 mb, ending March at 25.3 mb, the lowest level since April 2010. Despite this decline, inventories were 0.2 mb, or 1.0%, above the same time last year, but remained 1.7 mb, or 6.4%, lower than the seasonal norm. Regarding the components of distillates, the picture was mixed: jet fuel oil rose by 3.0%, while kerosene and gasoil fell by 0.1% and 7.1% respectively. Higher jet fuel production was the main reason behind the build in jet fuel oil stocks, as the increase in inland consumption limited gains. The slight drop in kerosene stocks could be attributed to the lower output combined with weak imports, while higher gasoil domestic sales and stronger exports led to the fall in gasoil inventories.

Residual fuel oil stocks fell for the second consecutive month, by 0.4 mb, to finish the month at 15.5 mb. At this level, they were 0.1 mb, or 0.7%, above the same period a year ago. However, they remained 1.6 mb, or 9.3%, below the five-year average. Within the components of fuel oil, fuel oil A saw a build of 6.6% and fuel oil B.C stocks displayed a drop of 6.8%. The build in fuel oil A could be attributed to lower domestic sales, decreasing by 12.2%. Higher domestic sales were the main reason behind the drop in fuel oil B.C inventories. Indeed, the inland consumption of fuel oil has almost doubled from the previous year and Japan's utilities are expected to use more fuel oil than a year ago to make up for the lost supply from nuclear plants, while the outlook for any restart of the reactors remains uncertain. Naphtha saw the bulk of the decline and dropped by 2.2 mb, to end March at 8.4 mb. At this level, stocks were 3.4 mb, or 28.9%, lower than the same period a year ago and 3.6 mb, or almost 30%, below the seasonal average. Lower imports, combined with higher domestic sales, were the main driver behind the fall in naphtha stocks in March.

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

	Jan 12	Feb 12	Mar 12	Change Mar 12/Feb 12	Mar 11
Crude oil	96.8	92.3	100.8	8.5	99.3
Gasoline	13.8	12.9	14.3	1.4	12.7
Naphtha	9.7	10.6	8.4	-2.2	11.9
Middle distillates	31.3	26.1	25.3	-0.8	25.1
Residual fuel oil	16.3	15.9	15.5	-0.4	15.4
Total products	71.1	65.5	63.5	-2.0	65.0
Total**	**167.9**	**157.8**	**164.4**	**6.6**	**164.3**

* *At end of month*

** *Includes crude oil and main products only*

Source: METI, Japan

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

Singapore stocks reversed the build of the previous month, falling by 1.8 mb

At the end of March, **product stocks in Singapore** reversed the build incurred over the past two months and fell by 1.8 mb to end the month at 42.8 mb. At this level, Singapore product stocks stood at 1.3 mb, or 3.0% below the same period last year.

Within products, the picture was mixed. Light and middle distillates saw a drop, while fuel oil continued the builds of the last two months. At 10.4 mb, light distillate stocks ended March at 1.3 mb, which was lower than the previous month, as well as representing a deficit of 1.7 mb, or 13.8%, with the same period a year ago. This drop came mainly on the back of heavy refinery maintenance in South Korea and the Middle East limiting the supply of distillates. Higher regional demand also contributed to the fall in light distillate stocks. Singapore middle distillates, which contain jet and diesel stocks, decreased by 1.5 mb from the previous month to stand at 9.6 mb, the lowest level since November. At this level, they were down 3.7 mb, or 28%, from the same period a year ago. This fall came on the back of higher regional demand, mainly from Indonesia, Vietnam and India. Refinery maintenance in the region also contributed to the stock-draw in Singapore. This downward trend could continue further in the coming months, as the flattening gasoil price structure could discourage traders from keeping products in tanks, with storage costs ranging up to $1/b. Fuel oil stocks saw a build for the third consecutive month, of 1.1 mb, to finish March at 22.8 mb, the highest level for nearly two years and almost 4.0 mb above the same time last year. This continued upward trend is attributed to higher supply amid slow demand. Exports from the West reached almost three million tonnes. At the same time, higher fuel oil prices depressed demand.

Product stocks in ARA rose in March, reversing the drop in the previous month

Product stocks in ARA at the end of March saw a reversal of the draw occurred last month and increased by 0.4 mb, ending the month at 34.6 mb. Despite this build, they were still 5.6 mb, or 13.9% below the same period last year. Within products, the picture was mixed; gasoline, gasoil and fuel oil saw builds, while naphtha and jet fuel oil went down. Gasoline stocks rose by 0.3 mb to 5.5 mb, leaving them 1.8 mb below a year ago. This build in gasoline reflected the anticipation of the seasonal switch, as traders stored summer-quality gasoline from winter ahead of the US driving season. Lower demand in the region, reflecting weaker economic activity, also contributed to this build. Gasoil stocks also rose, by 1.1 mb, to end March at 19.9 mb, the highest level since July 2011. At this level, they had a deficit of 1.6 mb, or 7.5%, with the same time last year. Higher deliveries, mainly from Russia, France and the UK, were behind the build in gasoil stocks. Mild weather also contributed to this build, as heating oil stockpiles were already at comfortable levels for the time of the year. Fuel oil also saw a build of 0.3 mb to stand at 5.0 mb, but remained 0.2 mb, or 3.3%, below the same period last year. Healthy inflows from Russia, France and the US supported the fuel stock-build. Given the robustness of exports, mainly from Russia, and seasonally weakening inland demand in Europe, fuel oil inventories are expected to build further. Jet fuel stocks fell by 1.3 mb to 3.2 mb and remained almost at half the level of the same period last year. Naphtha also went down, by nearly 0.1 mb, to end the month at around 1.0 mb, but showed a surplus of 0.5 mb over the same period last year.

Balance of Supply and Demand

Estimate for 2011

Required OPEC crude for 2011 estimated at 30.1 mb/d, an increase of 0.4 mb/d

Estimated demand for OPEC crude for 2011 remains unchanged from the previous assessment, with the figures for world oil demand and OPEC NGLs seeing only minor revisions. Within the quarters, the first three quarters remain unchanged, while the fourth quarter has seen a downward revision of around 0.1 mb/d. At 30.1 mb/d, demand for OPEC crude was 0.4 mb/d above 2010. The first and the second quarters of 2011 show growth of 1.0 mb/d and 0.3 mb/d respectively, while both the third and the fourth quarters have seen growth of 0.1 mb/d, compared with the same period the previous year.

Table 10.1: Summarized supply/demand balance for 2011, mb/d

	2010	1Q11	2Q11	3Q11	4Q11	2011
(a) World oil demand	**87.00**	**87.56**	**86.37**	**88.41**	**88.73**	**87.77**
Non-OPEC supply	52.31	52.71	51.97	52.03	52.84	52.39
OPEC NGLs and non-conventionals	4.98	5.12	5.30	5.46	5.37	5.31
(b) Total supply excluding OPEC crude	**57.29**	**57.83**	**57.27**	**57.49**	**58.21**	**57.70**
Difference (a-b)	**29.70**	**29.73**	**29.10**	**30.92**	**30.52**	**30.07**
OPEC crude oil production	29.25	29.61	29.16	29.90	30.38	29.76
Balance	-0.45	-0.12	0.06	-1.03	-0.15	-0.31

Totals may not add up due to independent rounding

Forecast for 2012

Demand for OPEC crude in 2012 forecast to increase 0.1 mb/d to 30.0 mb/d

Demand for OPEC crude in 2012 is projected to average 30.0 mb/d, unchanged from the previous report. Within the quarters, the first has seen a downward adjustment of 0.3 mb/d, reflecting an upward revision of 0.4 mb in non-OPEC supply and 0.1 mb/d in world oil demand. In contrast, the second and the third quarters each show an upward revision of 0.1 mb/d, while the fourth quarter remains unchanged. Required OPEC crude is forecast to see negative growth of 0.1 mb/d, vis-à-vis last year. The first quarter is estimated to decline by 0.4 mb/d, compared with the same quarter last year, while the second quarter is projected to increase by 0.1 mb/d. The third and the fourth quarters are forecast to remain unchanged from the same period last year.

Table 10.2: Summarized supply/demand balance for 2012, mb/d

	2011	1Q12	2Q12	3Q12	4Q12	2012
(a) World oil demand	**87.77**	**87.97**	**87.47**	**89.50**	**89.72**	**88.67**
Non-OPEC supply	52.39	53.19	52.66	52.88	53.36	53.02
OPEC NGLs and non-conventionals	5.31	5.49	5.60	5.73	5.86	5.67
(b) Total supply excluding OPEC crude	**57.70**	**58.68**	**58.26**	**58.61**	**59.22**	**58.69**
Difference (a-b)	**30.07**	**29.29**	**29.21**	**30.89**	**30.50**	**29.98**
OPEC crude oil production	29.76	31.10				
Balance	-0.31	1.81				

Totals may not add up due to independent rounding

Graph 10.1: Balance of supply and demand

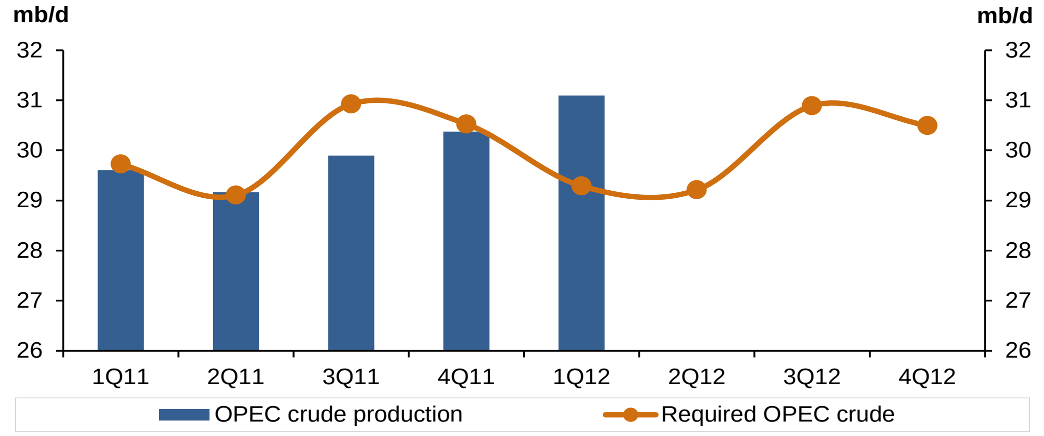


Table 10.3: World oil demand/supply balance, mb/d

	2006	2007	2008	2009	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
World demand															
OECD	49.5	49.3	47.6	45.6	46.2	46.3	44.5	45.9	45.7	45.6	45.8	44.5	45.8	45.6	45.4
North America	25.4	25.5	24.2	23.3	23.8	23.8	23.3	23.6	23.4	23.5	23.2	23.3	23.6	23.4	23.4
Western Europe	15.7	15.5	15.4	14.7	14.6	14.2	14.1	14.7	14.1	14.3	13.9	13.9	14.4	13.9	14.0
Pacific	8.5	8.4	8.0	7.7	7.8	8.3	7.1	7.7	8.3	7.9	8.8	7.3	7.8	8.3	8.0
DCs	23.6	24.8	25.6	26.2	27.0	27.3	27.7	28.0	28.0	27.8	27.8	28.2	28.7	28.6	28.3
FSU	4.0	4.0	4.1	4.0	4.2	4.1	4.0	4.4	4.6	4.3	4.2	4.1	4.5	4.8	4.4
Other Europe	0.9	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7
China	7.2	7.6	8.0	8.3	9.0	9.1	9.5	9.4	9.6	9.4	9.5	10.0	9.8	10.0	9.8
(a) Total world demand	85.2	86.5	86.1	84.8	87.0	87.6	86.4	88.4	88.7	87.8	88.0	87.5	89.5	89.7	88.7
Non-OPEC supply															
OECD	20.1	20.0	19.5	19.7	20.0	20.1	19.7	19.8	20.7	20.1	20.8	20.4	20.5	20.7	20.6
North America	14.2	14.3	13.9	14.4	15.0	15.2	15.2	15.4	16.1	15.5	16.3	16.0	16.1	16.2	16.2
Western Europe	5.3	5.2	4.9	4.7	4.4	4.3	4.1	3.9	4.1	4.1	4.1	3.8	3.8	3.9	3.9
Pacific	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.5
DCs	11.9	11.9	12.2	12.4	12.7	12.8	12.5	12.7	12.6	12.6	12.5	12.4	12.5	12.6	12.5
FSU	12.0	12.5	12.6	13.0	13.2	13.3	13.3	13.2	13.2	13.3	13.4	13.3	13.4	13.4	13.4
Other Europe	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	0.1
China	3.7	3.8	3.8	3.8	4.1	4.2	4.2	4.1	4.0	4.1	4.2	4.2	4.2	4.3	4.2
Processing gains	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	49.9	50.4	50.3	51.1	52.3	52.7	52.0	52.0	52.8	52.4	53.2	52.7	52.9	53.4	53.0
OPEC NGLs + non-conventional oils	3.9	3.9	4.1	4.3	5.0	5.1	5.3	5.5	5.4	5.3	5.5	5.6	5.7	5.9	5.7
(b) Total non-OPEC supply and OPEC NGLs	53.8	54.4	54.4	55.5	57.3	57.8	57.3	57.5	58.2	57.7	58.7	58.3	58.6	59.2	58.7
OPEC crude oil production (secondary sources)	30.6	30.2	31.3	28.8	29.2	29.6	29.2	29.9	30.4	29.8	31.1				
Total supply	84.4	84.6	85.7	84.2	86.5	87.4	86.4	87.4	88.6	87.5	89.8				
Balance (stock change and miscellaneous)	-0.9	-2.0	-0.4	-0.5	-0.5	-0.1	0.1	-1.0	-0.1	-0.3	1.8				
OECD closing stock levels (mb)															
Commercial	2655	2554	2679	2641	2670	2630	2677	2665	2603	2603					
SPR	1499	1524	1527	1564	1561	1558	1561	1526	1532	1532					
Total	4154	4079	4206	4205	4231	4188	4238	4191	4136	4136					
Oil-on-water	919	948	969	919	871	891	853	835	825	825					
Days of forward consumption in OECD															
Commercial onland stocks	54	54	59	57	59	59	58	58	57	57					
SPR	30	32	33	34	34	35	34	33	33	34					
Total	84	86	92	91	93	94	92	92	90	90					
Memo items															
FSU net exports	8.1	8.5	8.5	9.0	9.0	9.2	9.3	8.8	8.6	9.0	9.1	9.2	8.9	8.7	9.0
(a) - (b)	31.4	32.2	31.6	29.3	29.7	29.7	29.1	30.9	30.5	30.1	29.3	29.2	30.9	30.5	30.0

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

	2006	2007	2008	2009	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
World demand															
OECD	-	-	-	-	-	-	-	-0.2	-0.4	-0.2	-	-	-0.2	-0.4	-0.1
North America	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-
Western Europe	-	-	-	-	-	-	-	-0.1	-0.2	-0.1	-0.1	-	-0.1	-0.2	-0.1
Pacific	-	-	-	-	-	-	-	-	-0.1	-	0.1	-	-	-0.1	-
DCs	-	-	-	-	-	-	-	0.2	0.1	0.1	-	-	0.2	0.1	0.1
FSU	-	-	-	-	-	-	-	-	0.2	-	-	-	-	0.2	0.1
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	-	-	-	-0.1	-	0.1	-	-	-	-
World demand growth	-	-	-	-	-	-	-	-	*-0.26*	*-0.06*	*0.08*	-	-	-	-
Non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OECD	-	-	-	-	-	-	-	-0.1	0.1	-	0.3	0.1	0.1	0.1	0.2
North America	-	-	-	-	-	-	-	-0.1	0.1	-	0.4	0.2	0.2	0.2	0.2
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	0.1	-0.1	-0.2	-0.2	-0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-0.1	0.1	-	0.4	-	-0.1	-0.1	-
Total non-OPEC supply growth	-	-	-	-	-	-	-	*-0.10*	*0.07*	-	*0.39*	-	-	*-0.18*	-
OPEC NGLs + non-conventionals	-	-	-	-	0.1	-	-	0.1	-	-	-	-	-	0.1	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	0.1	-	-	-	0.1	-	0.4	-	-0.1	-	0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-	-	-				
Total supply	-	-	-	-	0.1	-	-	-	0.1	-	0.4				
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-	-	0.1	-	0.3				
OECD closing stock levels (*mb*)															
Commercial	-	-	-	-	-	-	1	1	3	3					
SPR	-	-	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	1	1	3	3					
Oil-on-water	-	-	-	-	-	-	-	-	18	18					
Days of forward consumption in OECD	-	-	-	-	-	-	-	-	-	-					
Commercial onland stocks	-	-	-	-	-	-	-	-	-	-					
SPR	-	-	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	1	-	-					
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	-0.2	-	-	-	-	-0.2	-0.1
(a) - (b)	-	-	-	-	-	-	-	-	-0.1	-	-0.3	0.1	0.1	-	-

** This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the March 2012 issue*

This table shows only where changes have occurred

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

	2006	2007	2008	2009	2010	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
Closing stock levels *mb*																									
OECD onland commercial	2,655	2,554	2,679	2,641	2,670	2,582	2,643	2,629	2,554	2,553	2,584	2,641	2,679	2,731	2,745	2,763	2,641	2,675	2,757	2,747	2,670	2,630	2,677	2,665	2,603
North America	1,264	1,211	1,282	1,286	1,330	1,219	1,275	1,267	1,211	1,197	1,221	1,259	1,282	1,332	1,367	1,373	1,286	1,314	1,370	1,398	1,330	1,295	1,339	1,342	1,312
Western Europe	963	937	991	972	949	944	940	929	937	961	954	952	991	991	976	971	972	975	982	947	949	954	932	911	901
OECD Pacific	429	407	407	383	391	420	428	432	407	394	409	431	407	408	401	419	383	386	405	402	391	381	405	412	390
OECD SPR	1,499	1,524	1,527	1,564	1,561	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	1,561	1,526	1,532
North America	691	699	704	729	729	691	692	695	699	702	708	704	704	715	726	727	729	729	729	728	729	727	727	696	697
Western Europe	412	421	416	426	423	415	413	423	421	423	414	414	416	424	427	429	426	429	422	419	423	420	423	420	422
OECD Pacific	396	404	406	409	410	401	401	403	404	404	404	403	406	408	408	408	409	409	411	402	410	411	411	409	414
OECD total	4,154	4,079	4,206	4,205	4,231	4,089	4,149	4,149	4,079	4,082	4,110	4,164	4,206	4,278	4,306	4,327	4,205	4,241	4,319	4,296	4,231	4,188	4,238	4,191	4,136
Oil-on-water	919	948	969	919	871	916	891	917	948	935	925	885	969	899	899	869	919	919	897	926	871	891	853	835	825
Days of forward consumption in OECD																									
OECD onland commercial	54	54	59	57	59	53	54	53	52	54	55	56	57	61	61	60	57	59	59	59	58	59	58	58	57
North America	50	50	55	54	57	48	50	50	49	49	52	53	55	58	59	58	55	55	57	59	56	56	57	57	57
Western Europe	62	61	68	67	66	62	60	59	61	63	61	62	66	69	67	67	68	68	66	64	67	68	63	65	65
OECD Pacific	51	51	53	49	50	53	54	49	46	50	54	54	50	56	55	52	47	53	53	50	47	54	53	50	45
OECD SPR	30	32	33	34	34	31	31	30	31	32	33	32	33	35	35	34	34	35	33	33	34	35	34	33	33
North America	27	29	30	31	31	27	27	27	28	29	30	29	30	31	31	31	31	31	30	31	31	31	31	30	30
Western Europe	27	27	28	29	30	27	26	27	27	28	27	27	28	29	29	30	30	30	28	28	30	30	29	30	30
OECD Pacific	47	50	53	52	52	51	51	46	45	51	54	51	50	56	56	51	50	56	54	50	49	58	54	49	47
OECD total	84	86	92	91	93	84	85	83	83	86	88	88	90	96	95	94	92	94	93	92	91	94	92	92	90

n.a. not available

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

	2006	2007	2008	2009	Change 09/08	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11
US	7.36	7.47	7.50	8.14	0.64	8.55	8.51	8.62	8.90	8.64	0.50	8.73	8.93	8.90	9.46	9.01	0.36	9.60	9.46	9.50	9.59	9.54	0.53
Canada	3.20	3.31	3.27	3.25	-0.02	3.28	3.37	3.38	3.54	3.39	0.15	3.55	3.30	3.61	3.74	3.55	0.16	3.73	3.67	3.72	3.76	3.72	0.17
Mexico	3.69	3.49	3.17	2.98	-0.19	2.99	2.97	2.95	2.93	2.96	-0.02	2.97	2.96	2.92	2.93	2.94	-0.02	2.92	2.89	2.90	2.89	2.90	-0.04
North America	14.24	14.26	13.94	14.37	0.43	14.82	14.84	14.95	15.37	15.00	0.63	15.25	15.19	15.43	16.13	15.50	0.50	16.25	16.03	16.12	16.23	16.16	0.66
Norway	2.78	2.55	2.47	2.36	-0.11	2.32	2.12	1.93	2.17	2.14	-0.22	2.14	1.98	1.99	2.05	2.04	-0.10	2.09	1.91	1.89	1.98	1.97	-0.07
UK	1.71	1.69	1.57	1.48	-0.09	1.52	1.40	1.23	1.34	1.37	-0.12	1.28	1.17	0.95	1.12	1.13	-0.24	1.09	1.03	0.99	1.06	1.04	-0.08
Denmark	0.34	0.31	0.28	0.26	-0.02	0.25	0.25	0.23	0.26	0.25	-0.02	0.23	0.25	0.23	0.21	0.23	-0.02	0.22	0.21	0.21	0.20	0.21	-0.02
Other Western Europe	0.51	0.62	0.62	0.63	0.01	0.63	0.65	0.66	0.64	0.64	0.01	0.67	0.66	0.70	0.68	0.68	0.03	0.68	0.70	0.70	0.70	0.70	0.02
Western Europe	5.34	5.17	4.94	4.74	-0.20	4.72	4.42	4.05	4.41	4.40	-0.34	4.32	4.06	3.86	4.06	4.07	-0.32	4.08	3.85	3.78	3.94	3.91	-0.16
Australia	0.51	0.53	0.53	0.54	0.01	0.51	0.53	0.52	0.46	0.51	-0.03	0.40	0.41	0.41	0.44	0.41	-0.09	0.41	0.46	0.46	0.43	0.44	0.03
Other Pacific	0.05	0.08	0.10	0.10	0.00	0.10	0.10	0.10	0.09	0.10	0.00	0.09	0.09	0.09	0.09	0.09	-0.01	0.09	0.09	0.09	0.09	0.09	0.00
OECD Pacific	0.56	0.60	0.63	0.64	0.01	0.61	0.63	0.62	0.55	0.60	-0.03	0.49	0.49	0.50	0.53	0.50	-0.10	0.50	0.56	0.55	0.52	0.53	0.03
Total OECD	20.14	20.03	19.51	19.74	0.24	20.15	19.89	19.62	20.34	20.00	0.25	20.06	19.74	19.79	20.72	20.08	0.08	20.83	20.43	20.46	20.70	20.60	0.53
Brunei	0.22	0.19	0.17	0.16	-0.01	0.17	0.15	0.17	0.17	0.17	0.00	0.17	0.16	0.17	0.17	0.17	0.00	0.18	0.18	0.18	0.18	0.18	0.01
India	0.78	0.80	0.80	0.78	-0.02	0.82	0.83	0.88	0.90	0.86	0.08	0.90	0.89	0.88	0.87	0.89	0.03	0.88	0.91	0.91	0.92	0.90	0.02
Indonesia	1.07	1.02	1.05	1.03	-0.02	1.05	1.06	1.04	1.02	1.04	0.02	1.02	1.02	1.03	1.01	1.02	-0.02	0.99	0.99	0.99	0.99	0.99	-0.03
Malaysia	0.76	0.76	0.76	0.73	-0.03	0.72	0.70	0.68	0.69	0.70	-0.03	0.68	0.60	0.63	0.65	0.64	-0.06	0.66	0.65	0.64	0.63	0.64	0.00
Thailand	0.32	0.33	0.36	0.37	0.01	0.34	0.35	0.36	0.33	0.35	-0.02	0.34	0.33	0.33	0.33	0.34	-0.01	0.34	0.32	0.33	0.33	0.33	0.00
Vietnam	0.37	0.35	0.33	0.37	0.04	0.35	0.35	0.36	0.37	0.35	-0.02	0.34	0.33	0.34	0.38	0.35	-0.01	0.37	0.38	0.39	0.40	0.39	0.04
Asia others	0.26	0.26	0.26	0.25	-0.01	0.23	0.24	0.24	0.23	0.23	-0.02	0.23	0.23	0.23	0.23	0.23	0.00	0.22	0.24	0.25	0.26	0.24	0.01
Other Asia	3.78	3.70	3.73	3.69	-0.04	3.68	3.68	3.72	3.71	3.70	0.01	3.70	3.56	3.62	3.64	3.63	-0.07	3.64	3.67	3.68	3.70	3.67	0.05
Argentina	0.77	0.77	0.78	0.76	-0.02	0.76	0.76	0.76	0.71	0.75	-0.01	0.76	0.68	0.74	0.75	0.73	-0.02	0.74	0.71	0.70	0.70	0.71	-0.02
Brazil	2.11	2.22	2.38	2.51	0.12	2.61	2.67	2.66	2.70	2.66	0.16	2.61	2.62	2.61	2.70	2.63	-0.03	2.83	2.78	2.81	2.83	2.81	0.18
Colombia	0.54	0.54	0.60	0.68	0.09	0.77	0.79	0.80	0.83	0.80	0.12	0.88	0.94	0.94	0.96	0.93	0.13	0.95	1.00	1.02	1.03	1.00	0.07
Trinidad & Tobago	0.18	0.16	0.16	0.15	0.00	0.15	0.15	0.15	0.13	0.15	-0.01	0.14	0.14	0.14	0.13	0.14	-0.01	0.13	0.14	0.14	0.14	0.14	0.00
L. America others	0.26	0.28	0.28	0.30	0.02	0.31	0.31	0.32	0.32	0.32	0.01	0.31	0.31	0.31	0.31	0.31	-0.01	0.31	0.31	0.31	0.31	0.31	0.00
Latin America	3.87	3.97	4.20	4.40	0.20	4.61	4.69	4.68	4.70	4.67	0.26	4.70	4.68	4.73	4.86	4.74	0.08	4.96	4.94	4.99	5.02	4.98	0.23
Bahrain	0.21	0.21	0.21	0.21	0.00	0.21	0.20	0.20	0.21	0.20	0.00	0.21	0.21	0.21	0.22	0.21	0.01	0.22	0.21	0.22	0.22	0.22	0.00
Oman	0.75	0.71	0.76	0.81	0.06	0.86	0.86	0.87	0.88	0.86	0.05	0.89	0.87	0.89	0.89	0.89	0.02	0.89	0.91	0.92	0.93	0.91	0.03
Syria	0.44	0.42	0.41	0.41	0.00	0.42	0.43	0.42	0.42	0.42	0.01	0.42	0.42	0.37	0.26	0.37	-0.05	0.23	0.22	0.22	0.21	0.22	-0.15
Yemen	0.37	0.33	0.30	0.30	0.00	0.30	0.29	0.29	0.28	0.29	-0.01	0.29	0.19	0.24	0.18	0.23	-0.06	0.15	0.16	0.16	0.18	0.16	-0.06
Middle East	1.76	1.66	1.68	1.73	0.05	1.78	1.77	1.78	1.78	1.78	0.05	1.81	1.69	1.72	1.56	1.69	-0.09	1.49	1.51	1.51	1.53	1.51	-0.18
Chad	0.15	0.15	0.15	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	0.14	0.13	0.13	0.13	0.13	-0.01
Congo	0.25	0.24	0.26	0.27	0.02	0.30	0.30	0.29	0.29	0.30	0.02	0.29	0.29	0.30	0.30	0.29	0.00	0.30	0.31	0.30	0.30	0.30	0.01
Egypt	0.66	0.66	0.69	0.69	0.00	0.69	0.71	0.72	0.71	0.71	0.01	0.70	0.70	0.71	0.70	0.70	-0.01	0.71	0.70	0.70	0.69	0.70	0.00
Equatorial Guinea	0.37	0.37	0.38	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	0.32	0.32	0.33	0.34	0.33	0.02
Gabon	0.25	0.25	0.24	0.24	0.00	0.25	0.23	0.25	0.25	0.25	0.01	0.26	0.24	0.24	0.25	0.25	0.00	0.25	0.25	0.25	0.24	0.25	0.00
South Africa	0.19	0.18	0.18	0.17	-0.01	0.18	0.18	0.18	0.18	0.18	0.01	0.18	0.18	0.18	0.19	0.18	0.00	0.19	0.17	0.17	0.17	0.17	-0.01
Sudans	0.36	0.48	0.46	0.48	0.02	0.46	0.46	0.47	0.47	0.46	-0.01	0.46	0.45	0.43	0.38	0.43	-0.03	0.20	0.12	0.14	0.14	0.15	-0.28
Africa other	0.29	0.28	0.27	0.25	-0.01	0.24	0.23	0.23	0.22	0.23	-0.02	0.27	0.29	0.30	0.29	0.29	0.06	0.30	0.30	0.30	0.31	0.30	0.02
Africa	2.51	2.60	2.62	2.60	-0.02	2.59	2.57	2.60	2.58	2.59	-0.01	2.60	2.59	2.60	2.54	2.58	0.00	2.41	2.30	2.32	2.33	2.34	-0.24
Total DCs	11.92	11.94	12.23	12.43	0.20	12.66	12.72	12.78	12.77	12.73	0.31	12.81	12.52	12.67	12.59	12.65	-0.09	12.49	12.42	12.50	12.58	12.50	-0.15
FSU	12.03	12.54	12.60	12.95	0.35	13.16	13.20	13.21	13.33	13.22	0.27	13.32	13.25	13.23	13.23	13.26	0.03	13.38	13.31	13.36	13.44	13.37	0.12
Russia	9.65	9.87	9.78	9.92	0.14	10.09	10.12	10.13	10.22	10.14	0.22	10.21	10.23	10.28	10.34	10.27	0.12	10.34	10.32	10.34	10.36	10.34	0.07
Kazakhstan	1.30	1.35	1.41	1.54	0.12	1.60	1.56	1.57	1.65	1.60	0.06	1.66	1.60	1.54	1.61	1.60	0.01	1.62	1.60	1.61	1.65	1.62	0.02
Azerbaijan	0.65	0.87	0.94	1.06	0.12	1.05	1.10	1.10	1.03	1.07	0.01	1.02	0.99	0.96	0.84	0.95	-0.11	0.97	0.95	0.96	0.98	0.97	0.01
FSU others	0.43	0.45	0.46	0.44	-0.02	0.42	0.42	0.41	0.42	0.42	-0.02	0.43	0.43	0.44	0.44	0.43	0.02	0.45	0.45	0.45	0.45	0.45	0.01
Other Europe	0.15	0.15	0.15	0.14	-0.01	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.15	0.15	0.14	0.01
China	3.69	3.77	3.84	3.84	0.00	4.01	4.08	4.16	4.24	4.12	0.28	4.25	4.19	4.08	4.04	4.14	0.02	4.16	4.17	4.22	4.30	4.22	0.08
Non-OPEC production	47.94	48.43	48.32	49.10	0.78	50.12	50.03	49.90	50.81	50.21	1.11	50.58	49.84	49.90	50.71	50.26	0.04	51.00	50.47	50.69	51.17	50.83	0.58
Processing gains	1.96	1.99	1.97	2.00	0.03	2.10	2.10	2.10	2.10	2.10	0.10	2.13	2.13	2.13	2.13	2.13	0.03	2.19	2.19	2.19	2.19	2.19	0.06
Non-OPEC supply	49.90	50.42	50.29	51.10	0.81	52.22	52.13	52.00	52.91	52.31	1.21	52.71	51.97	52.03	52.84	52.39	0.07	53.19	52.66	52.88	53.36	53.02	0.64
OPEC NGL	3.76	3.86	4.04	4.24	0.21	4.58	4.77	5.12	5.00	4.87	0.63	4.99	5.14	5.28	5.19	5.15	0.28	5.27	5.36	5.44	5.52	5.40	0.25
OPEC Non-conventional	0.14	0.08	0.11	0.11	0.00	0.11	0.11	0.11	0.11	0.11	0.00	0.13	0.16	0.18	0.18	0.16	0.05	0.21	0.24	0.29	0.34	0.27	0.11
OPEC (NGL+NCF)	3.89	3.95	4.14	4.35	0.21	4.69	4.88	5.23	5.11	4.98	0.63	5.12	5.30	5.46	5.37	5.31	0.33	5.49	5.60	5.73	5.86	5.67	0.36
Non-OPEC & OPEC (NGL+NCF)	53.79	54.36	54.43	55.45	1.02	56.91	57.01	57.23	58.02	57.29	1.84	57.83	57.27	57.49	58.21	57.70	0.40	58.68	58.26	58.61	59.22	58.69	1.00

Note: Totals may not add up due to independent rounding

Table 10.7: World Rig Count

	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	1Q12	Mar	Apr	Apr/Mar
US	1,877	111	1,326	936	956	1,108	1,081	-796	1345	1508	1622	1687	1541	459	1717	1829	1945	2031	1881	340	1990	1978	1962	-16
Canada	379	35	328	91	177	277	218	-161	470	166	364	389	347	129	587	188	443	474	423	76	599	492	158	-334
Mexico	103	11	128	128	135	123	128	26	118	106	84	80	97	-31	83	87	103	104	94	-3	98	99	102	3
North America	2,359	157	1,782	1,154	1,267	1,508	1,428	-931	1933	1780	2070	2156	1985	557	2386	2104	2492	2609	2398	413	2688	2569	2222	-347
Norway	20	2	25	18	18	20	20	0	21	18	13	20	18	-2	21	17	16	16	17	-1	17	17	15	-2
UK	22	-4	22	19	16	15	18	-4	15	20	21	21	19	1	18	17	15	15	16	-3	14	14	20	6
Western Europe	98	20	90	82	76	85	83	-15	87	96	92	100	94	11	118	112	123	119	118	24	112	109	118	9
OECD Pacific	36	7	27	25	26	23	25	-11	22	18	23	22	21	-4	17	17	17	18	17	-4	19	20	24	4
Total OECD	2,535	183	1,945	1,299	1,368	1,616	1,557	-978	2042	1893	2185	2278	2100	543	2521	2232	2632	2745	2532	433	2819	2698	2364	-334
Other Asia	216	4	212	212	213	233	217	1	235	249	253	255	248	31	257	234	232	233	239	-9	231	224	221	-3
Latin America	191	16	164	147	149	169	157	-34	183	203	220	213	205	48	191	192	196	201	195	-10	191	192	187	-5
Middle East	167	18	162	151	139	147	150	-18	152	150	163	159	156	6	101	107	102	107	104	-52	116	119	115	-4
Africa	12	-2	8	11	9	12	10	-2	20	19	19	18	19	9	1	2	0	5	2	-17	3	4	2	-2
Total DCs	586	36	546	520	510	561	534	-52	589	621	655	645	628	93	549	535	530	546	540	-88	542	539	525	-14
Non-OPEC rig count	3,121	219	2,491	1,819	1,878	2,177	2,091	-1,030	2632	2514	2840	2924	2727	636	3070	2768	3161	3291	3072	345	3361	3237	2889	-348
Algeria	26	-1	24	30	27	27	27	1	23	28	24	24	25	-2	29	33	30	33	31	6	31	32	27	-5
Angola	5	1	5	3	3	4	4	-1	10	8	9	9	9	5	11	11	11	8	10	1	10	12	11	-1
Ecuador	10	-1	10	10	10	10	10	0	11	11	11	11	11	1	11	11	11	15	12	1	17	17	17	0
Iran**	50	0	51	52	52	52	52	2	52	52	52	52	52	0	54	54	54	54	54	2	54	54	54	0
Iraq**	29	29	36	36	36	36	36	7	36	36	36	36	36	0	36	36	36	36	36	0	36	36	36	0
Kuwait**	12	0	12	11	14	13	13	0	19	18	21	23	20	8	56	56	57	60	57	37	56	54	53	-1
Libya**	15	2	15	13	14	15	14	-1	17	17	14	15	16	1	10	3	8	9	8	-8	12	12	12	0
Nigeria	7	-1	7	6	6	7	6	-1	11	13	18	17	15	8	35	35	36	36	36	21	37	36	34	-2
Qatar	11	-1	9	9	9	9	9	-2	8	8	9	9	9	0	10	8	7	7	8	-1	8	7	8	1
Saudi Arabia	77	0	72	67	67	66	68	-9	68	67	67	65	67	-1	98	98	98	105	100	33	106	106	111	5
UAE	12	-2	13	12	13	12	12	0	13	13	13	13	13	1	17	21	24	22	21	8	22	23	22	-1
Venezuela	80	4	69	64	54	54	60	-20	66	64	70	80	70	10	125	125	125	113	122	52	126	130	117	-13
OPEC rig count	335	29	322	314	302	305	311	-24	334	335	344	355	342	31	493	490	495	498	494	152	515	519	502	-17
Worldwide rig count*	3,456	248	2,813	2,133	2,180	2,483	2,402	-1,054	2965	2849	3184	3278	3069	667	3563	3258	3656	3789	3566	497	3876	3756	3391	-365
of which:																								
Oil	1,432	190	1283	1069	1182	1,356	1,222	-210	1590	1534	1783	1896	1701	479	2197	2023	2354	2453	2257	556	2709	2674	2414	-260
Gas	1,950	47	1450	993	965	1,092	1,125	-825	1333	1276	1356	1337	1325	200	1319	1187	1257	1286	1262	-63	1116	1024	933	-91
Others	33	12	35	35	34	37	35	3	43	40	42	46	43	8	48	49	47	52	49	6	54	61	47	-14

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

na: *Not available*

** Excludes China and FSU*

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

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Data Summary May 2012

OPEC Basket average price

US$ per barrel

down $4.79 in April		**April 2012**	**118.18**
		March 2012	122.97
		Year-to-date	117.66

April OPEC crude production

in million barrels per day, according to secondary sources

up 0.32 in April		**April 2012**	**31.62**
		March 2012	31.30

World economy

Global growth expectations for 2012 remain unchanged at 3.3%. OECD growth for 2012 remains at 1.4%, with offsetting effects from a downward revision in the Euro-zone to minus 0.4% from minus 0.3% and an upward revision in the US to 2.3% from 2.2%. The forecast for Japan remains at 1.8%. Growth expectations for China and India in 2012 are unchanged at 8.2% and 6.9% respectively.

Supply and demand

in million barrels per day

2011		10/11	**2012**		11/12
World demand	87.8	**0.8**	World demand	88.7	**0.9**
Non-OPEC supply	52.4	**0.1**	Non-OPEC supply	53.0	**0.6**
OPEC NGLs	5.3	**0.3**	OPEC NGLs	5.7	**0.4**
Difference	**30.1**	**0.4**	**Difference**	**30.0**	**–0.1**

Totals may not add due to independent rounding

Stocks

US commercial oil stocks in April fell by 4.3 mb. However, inventories remain 20.1 mb above a year-ago and 30.8 mb more than the five-year average. Products fell by 17.5 mb, as crude stocks rose by 13.5 mb. In Japan, the most recent monthly data shows that commercial oil stocks increased by 6.6 mb in March to stand 1.4 mb above a year ago, which was still 5.2 mb below the five-year average. The total stock-build was concentrated in crude, which rose by 8.5 mb, while product inventories fell 1.9 mb.

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Data covered up to the end of April 2012 unless otherwise stated.