OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:

World oil supply outlook for remainder of 2007

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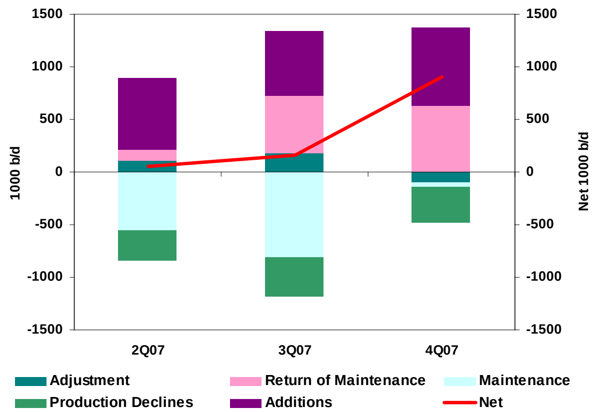
Oil Market Highlights

- The OPEC Reference Basket averaged $64.36/b in May or 97¢ higher than in the previous month. Healthy crude oil stocks in the USA were balanced by a series of refinery glitches mainly in the USA at a time of concern over rising demand amid the emerging driving season. Sustained concern over West African supply kept alertness in place. In June, the Basket remained volatile, moving higher as Cyclone Gonu threatened petroleum infrastructure and shipping in the Middle East along with new geopolitical developments pushed prices over $67/b before dropping back down to just over $65/b. The Basket stood at $65.56/b on 13 June.
- World economic growth is forecast at 4.9% for 2007, slightly higher than last month, on upward revisions for the EU, China, India and Russia. The forecast for the US has been revised down by another 0.1 percentage points to 2.1%, following a substantial downward revision in Q1 growth. However, recent data indicate growth in Q2 should be higher, despite persistent housing sector weakness. Paradoxically, the recent stronger reports have sparked a sell-off in the bond market on fears that stronger growth would spark inflation and lead to higher interest rates. This has had ripple effects in other parts of the world. The Japanese economy grew briskly in Q1 at a 3.3% annual rate, outpacing both the EU and the USA. The positive economic environment in the EU is set to continue, with further improvements in employment. For Developing Countries, the forecast is unchanged, but Indian growth is revised up by 0.2% to 8.2% and China is seen to grow at 10.2%, 0.3% higher than last month's forecast.
- World oil demand growth for 2007 is forecast at 1.3 mb/d or 1.5%, broadly unchanged from the previous forecast. Year-to-date, US oil demand grew 2.3% or 0.47 mb/d, boosted by healthy gasoline consumption. In the Middle East, the construction and petrochemical sectors across the region were the main reason behind the strong oil demand growth, while robust economic activities in India pushed oil demand upward in April by 7.1% or 189,000 b/d. Due to the high summer seasonality in China, April apparent demand rose by a stunning 9.8% or 0.7 mb/d y-o-y to average 7.9 mb/d. China's apparent oil demand in the second quarter is expected to grow by 0.5 mb/d to average 7.8 mb/d. For 2006, the world oil demand estimate was revised up by 0.15 mb/d from our last month's estimate due to historical revisions in the Developing Countries. World oil demand growth for 2006 is now estimated at 1.0 mb/d or 1.1% to average at 84.3 mb/d.
- Non-OPEC supply in 2007 is expected to reach 50.6 mb/d, an increase of 1.1 mb/d over the previous year and a downward revision of 57,000 b/d from the last assessment. The revision was due to weaker-than-expected performance in the USA, Sudan and Russia, which were partially offset by gains in the UK and non-conventional oils in Germany. In 2006, non-OPEC supply averaged 49.5 mb/d, representing an increase of 0.5 mb/d over 2005 and a slight upward revision over the last assessment. Total OPEC crude production averaged 30.03 mb/d in May, down 82,700 b/d from the previous month.
- The continuation of refinery outages compounded the bullish sentiment of product markets, helping refinery margins to surge across the globe. Gasoline stock-builds in the USA over the last few weeks have helped to ease the sentiment in the product market. If this trend continues, the market may be less affected by developments on the product side. However, due to the structural tightness of the US downstream sector, the market is likely to remain exposed to refinery glitches, which could support crude prices in the coming months.
- OPEC spot fixtures averaged 12.1 mb/d in May, which corresponds to a 280,000 b/d increase from the previous month but a decrease of 2.1 mb/d over a year ago. According to preliminary data, sailings from OPEC fell 1.4 mb/d to 23.1 mb/d, showing a y-o-y drop of 0.8 mb/d. The crude oil tanker market remained mixed with rates increasing for VLCCs from the Middle East supported by the increased demand for tonnage. Eastern destinations supported rates at the beginning of the month while Western destinations helped sustain the gains.
- Preliminary data show that OECD total net oil imports increased 230,000 b/d to average 25.8 mb/d in April, mostly driven by net product imports which increased around 15% from previous month. US crude imports increased 280,000 b/d in preparation for the summer season in May and product imports rose 370,000 b/d to 3.9 mb/d. In May, Japan's net oil imports dropped 250,000 b/d with most of the losses coming from crude on the back of the peak refinery maintenance season. China's crude oil imports showed a rise of 340,000 b/d in April to average 3.6 mb/d and product imports increased 24%. China's crude oil and product imports rose by more than 18% on an annual basis. India's crude oil imports increased sharply by 310,000 b/d in April averaging 2.5 mb/d with exports increasing around 90% on an annual basis.
- Total US commercial stocks rose by almost 22 mb in May, the largest increase since last September, to stand at 1,007 mb, indicating a surplus of 10 mb above the five-year average. Gasoline stocks rose 4.9 mb, reversing the downward trend displayed since February. These gains were driven by a significant jump in imports rather than production from refineries as throughputs remained below 90% due to seasonal maintenance and outages. In EU-16 (Eur-15 plus Norway), total commercial oil stocks hit a record of 1,169 mb, implying a surplus of 66 mb above the five-year average. Japan's commercial oil stocks fell 9.3 mb in April but preliminary data indicate a recovery in May due to the ongoing heavy maintenance.
- Demand for OPEC crude in 2007 is expected to average 30.6 mb/d, representing a slight decline of 0.2 mb/d from the previous year. On a quarterly basis, the demand for OPEC crude is estimated at 31.11 mb/d in the first quarter and forecast at 29.5 mb/d, 30.6 mb/d and 31.0 mb/d in the subsequent quarters. In 2006, demand for OPEC crude averaged 30.8 mb/d.

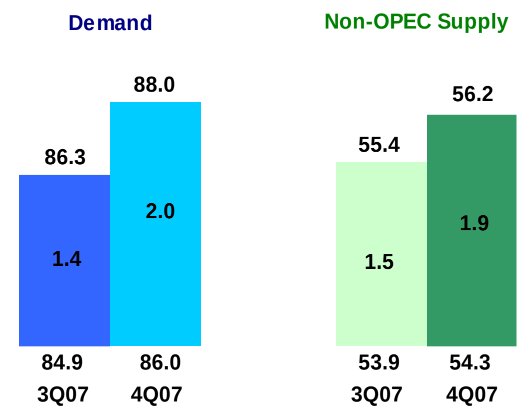
World oil supply outlook for remainder of 2007

- Since its release in July, the forecast for non-OPEC supply in 2007 has been revised down by 0.9 mb/d to 50.5 mb/d. The main reasons behind these adjustments were the impact of historical revisions — accounting for over 0.4 mb/d — as well as project delays, technical problems and sharper than expected declines in Mexico and Norway. Most of these revisions have been concentrated in the first half of the year in the regions of North America and Europe. Although the second half also experienced some downward adjustments, non-OPEC output is still expected to be strong as production shutdowns return and delayed projects come onstream.
- With actual data now available for almost all countries, non-OPEC supply in the first quarter is seen at 50.3 mb/d. **Graph 1,** which shows the net change in the following three quarters over the first, puts the figures for the second, third and fourth quarters at 50.3 mb/d, 50.5 mb/d and 51.4 mb/d, respectively. This indicates an additional net quarter-on-quarter increase in the third quarter of 162,000 b/d while the fourth quarter is expecting a much higher net increase of more than 900,000 b/d.

Graph 1: Non-OPEC supply forecast, quarterly changes from 1Q07



Graph 2: Forecast range: World oil demand and non-OPEC supply



- Looking at the forecasts from various sources for both demand and supply for the second half of the year (*see **Graph 2***) shows that the range for demand is a wide 1.4 mb/d in the third quarter and 2.0 mb/d in the fourth. For non-OPEC supply including OPEC NGL, the range is 1.5 mb/d in the third quarter and 1.9 mb/d in the fourth. This would translate into an even wider range for required OPEC crude over this period of 2.9 mb/d in the third quarter and 3.9 in the fourth. Our own assessment for the call on OPEC crude is 30.6 mb/d in the third quarter and 31.0 mb/d in the fourth — in both cases, more than 1 million barrels above the bottom of the range.
- Market participants are well aware of these large uncertainties. The question arises of what implications this will have on OPEC crude requirements. The expected higher output in the second half of this year could boost total non-OPEC supply to 50.6 mb/d in the third quarter and a record 51.5 mb/d in the fourth. On the demand side, any continuation of the warmer winter trend could lead to a lower case demand scenario resulting in demand of 84.9 mb/d and 86.0 mb/d in the third and fourth quarters respectively. The net result would be an OPEC crude requirement of 29.5 mb/d in the third quarter and 29.8 mb/d in the fourth. In this case, continued OPEC production at the current level of 30.0 mb/d would be around 0.5 mb/d and 0.2 mb/d higher in the third and fourth quarters than the required call on OPEC oil.
- Additionally, the latest information indicates that total OECD commercial oil stocks are currently around 34 mb higher than the five-year average. Within the OECD, total oil inventories in Europe (EU + Norway) have reached a historic high and now stand at 66 mb above the five-year average. In the US market, crude oil stocks indicate a surplus of 24 mb over the five-year average, while US gasoline inventories — although still below the five-year average — have shown a sharp increasing trend in recent weeks. The continuation of OPEC crude production at current levels should maintain commercial stocks at comfortable levels. This would avoid a repeat of the overhang of inventories accumulated in the third quarter of last year, which triggered excessive volatility and destabilized the market.
- These large uncertainties surrounding world oil demand, non-OPEC supply and the demand for OPEC oil pose a considerable challenge to the market. Nevertheless, with the current high stock levels and OPEC spare production capacity reaching around 15% in the second half of 2007, a sufficient cushion of supply is available to cope with any upward risk to the forecast. While market fundamentals do not indicate that additional supply is necessary at this time, OPEC stands ready to relieve any emerging tightness in the crude oil market. If the persistent constraints in the downstream could be overcome, the market would be in a better position to benefit from these efforts.

Bali, Indonesia **18 May 2007**

Joint Communiqué
Fifth Joint OPEC/IEA Workshop

A joint workshop was organised over the past two days in Bali by the IEA and OPEC on *Asian Oil Demand: Outlook and Challenges*. This event, hosted by the Indonesian Ministry of Energy and Mineral Resources, was the fifth in a series of workshops that demonstrates a further strengthening in the dialogue and cooperation between these two Organizations.

The first two joint workshops concentrated on oil investment prospects, particularly in relation to the oil outlook, investment challenges, drivers and uncertainties. The third workshop took place in Kuwait City and focused on the economic prospects for the MENA region, as well as its energy supply and demand prospects. After covering the supply issues in the first three workshops, the fourth turned to the subject of demand. This workshop, which was held in Oslo Norway, considered *Global Oil Demand: Outlook and Uncertainties*.

The 5th Joint OPEC-IEA Workshop considered the key issues and uncertainties for Asian oil demand over the coming years. The workshop was attended by high-level delegates representing the OPEC and IEA Secretariats, as well as senior government officials from OPEC and IEA Member Countries, international experts focused on economic and energy analysis, and senior representatives from international institutions.

The workshop included sessions on Asian economic developments and energy demand prospects including structural shifts and other uncertainties; key drivers of Asian oil demand; China development prospects and implications on oil consumption; and the future outlook for the Indian oil industry. Papers based on the workshop's presentations and discussions will serve as the basis for a book to be published by OPEC, as well as provide insight for the IEA's World Energy Outlook 2007 which will focus on India and China.

Indonesia’s Minister of Energy and Mineral Resources, Purnomo Yusgiantoro opened the event by noting that the cooperation between OPEC and the IEA continued to expand and had led to increased cooperation between the two organizations in tackling issues related to global energy with particular emphasis on petroleum. “One would recognize the strategic nature of such cooperation, since OPEC and IEA each represent major world oil producers and consumers, respectively,” he said.

The Executive Director of the IEA, Claude Mandil said he appreciated the exchange of views on the key issues and uncertainties that are shaping Asian oil demand. “This is clearly an important topic,” Mr Mandil said. “After all, this region has represented the greater part of the growth in global demand for quite some time and is expected to do so for many years to come. Unless we maintain a good understanding of what is happening in Asia we have no chance of making an accurate assessment of global trends, something that is necessary if IEA and OPEC member countries are to overcome their concern over security of supply and security of demand respectively.”

The OPEC Secretary General, Abdalla El-Badri, highlighted the complementary nature of Asia’s relationship with OPEC. “Going forward, Asia is expected to see the largest energy and oil demand growth rates of any region in the world,” he said. OPEC, which supplies more crude oil to Asia than to the other major oil consuming regions combined, is willing and able to continue its role as a major supplier to the region. He emphasized that even over the near-term, there was a considerable range of uncertainty about the required investment needed to meet expected demand needs and that the increasing number of policy initiatives discriminating against oil had only added to this uncertainty.

Given these challenges, it was essential to “shed light on demand trends in this important region and in doing so provides insight into ways to reduce these uncertainties.”

The workshop re-affirmed that continued cooperation and active dialogue between OPEC and the IEA is an important element in improving the understanding of the concerns of all parties and is in line with the clear mutual interests of supporting oil market stability and predictability.

The outcome of the workshop also highlighted the need for similar cooperation in the future.

Brussels, Belgium **30 May 2007**

Joint Press Release
EU-OPEC Roundtable on Energy Policies

The European Union (EU) and the Organization of the Petroleum Exporting Countries (OPEC) held a joint Roundtable on Energy Policies in Brussels, Belgium, on 30 May 2007.

The event was co-chaired by Mr Heinz Hilbrecht, Director of the EC's Directorate for Conventional Energies, and Dr Hasan M. Qabazard, Director of OPEC Secretariat's Research Division.

The roundtable was part of the formal EU-OPEC Energy Dialogue, which was established in December 2004, to exchange views on energy issues of common interest, including oil market developments — and the potential this has for contributing to stability, transparency and predictability in the market.

Notable successes have already been achieved with the energy dialogue, in enhancing understanding between the two groups on key topical issues, as well as setting-up joint roundtables, workshops and studies to gain deeper insights into such issues. The Roundtable on Energy Policies in Brussels was the latest such action.

The roundtable included sessions on: the energy outlook over time-horizons to 2030; the EU's energy, transport and climate policies; and OPEC's capacity-expansion objectives and market-stabilisation measures.

It recognised the importance of the Millennium Development Goals and the fact that access by the poor to modern energy services facilitates the achievement of these goals.

Both parties welcomed the growing diversity in the energy mix, in both the EU and OPEC countries, including renewables and biofuels. The sustainability of biofuels was discussed, in particular the potential impacts of the large-scale trade and use of biomass for energy purposes, in terms of land-use changes, competition with food supply and other biomass uses, biodiversity, and competition for water resources. The scope to tackle these problems through an appropriate EU policy framework was also discussed.

Nevertheless, while both parties welcomed an enhanced diversification of the energy mix, they also noted that, under all reputable scenarios, the world would continue to rely on oil as its dominant source of energy, to foster economic growth and social progress. They also noted that, according to most reputable international institutions, there are enough conventional and non-conventional oil resources to meet demand.

Environmental protection, on both the local and global scales, was also a prominent topic of discussion. Both the EU and OPEC believed that cleaner fossil fuels technologies should be promoted. In particular, recalling the joint Roundtable on carbon capture and storage held in Riyadh, Saudi Arabia, in September 2006, they underlined the need to make this technology commercially viable, it having a vital role to play in limiting greenhouse gas emissions. In the framework of their energy dialogue, both parties are exploring concrete means for enhancing cooperation in this field.

OPEC and some of its Member Countries made presentations about capacity expansion. In this connection, the risk of unneeded idle capacity stemming, inter alia, from the uncertainties over future levels of oil demand, was discussed.

It was noted that government policies related to the environment and the production of cleaner fuels, also had an impact on the downstream sector. A joint EU-OPEC study on investment needs in the refining sector and the role of the oil refining industry in oil markets is now in progress.

The parties concluded that continued dialogue and exchanges of views between the EU and OPEC constituted an important element in improving understanding among all parties and that this was in line with the mutual interests of supporting oil market stability and predictability, for the benefit of the world at large.

The next event under the EU-OPEC Energy Dialogue will be the 4th Ministerial Meeting in Vienna, Austria on 21 June 2007.

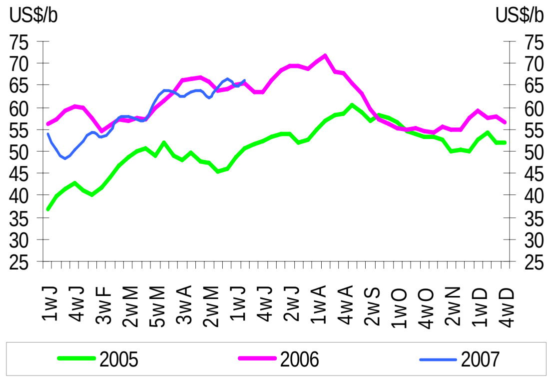
Crude Oil Price Movements

Concern over gasoline supplies at the start of the driving season and production outages kept alertness in place

OPEC Reference Basket

The OPEC Reference Basket started the month on a bearish note retreating from the rise in the previous week on geopolitical issues in the Middle East. Although the Basket saw a gain on the first day of the month, however, bearishness dominated the rest of the week amid a rise in US crude stocks and easing geopolitical tensions in the Middle East and West Africa. Thus, the weekly average of the OPEC Basket was 8¢ higher at $63.70/b.

Graph 1: OPEC Reference Basket - weekly spot crude



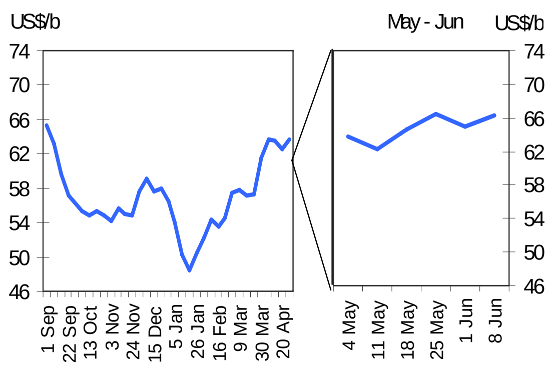
In the second week, although the market saw a series of upward movements on revived outages from West Africa and concern over summer fuel supply, the Basket declined for the week on a hefty build in the US crude oil inventories. The Basket was 2.3% or $1.44 lower to settle at $62.26/b.

Volatility returned in the third week and the market saw a trend of further upward movements on concern over supply outages from Nigeria and refinery snags in the USA, which added to the already tight supply of the gasoline market. The Basket averaged $2.29 or 3.7% higher in the third week to settle at $64.55/b. Market volatility continued on concern over supply shortfalls from West Africa and tight output from the North Sea in June. However, the resumption of Shell's Bonny Light oilfield in Nigeria at a normal production level of 400,000 b/d kept a cap on market sentiment.

In the fourth week, the Basket's average was $66.39/b for a gain of $1.84 or nearly 3%, the highest weekly average so far this year. Nonetheless, in the final days of the month, easement in the Mideast geopolitics and the cancelled strike in Nigeria pushed the Basket down to close at an average of $64.99/b.

On a monthly basis, the Basket averaged $64.36/b in May or 97¢ higher than in the previous month, the highest level in nine months. Healthy crude oil stocks in the USA and positive Mideast geopolitical developments were balanced by a series of refinery glitches mainly in the USA at a time of concern over rising demand amid the emerging driving season. Sustained concern over supply from West Africa kept alertness in place. In June, the Basket remained volatile, moving higher as Cyclone Gonu threatened petroleum infrastructure and shipping in the Middle East along with new geopolitical developments pushed prices over $67/b before dropping back down to just over $65/b. The Basket stood at $65.56/b on 13 June.

Graph 2: Weekly average Basket price, 2006-2007

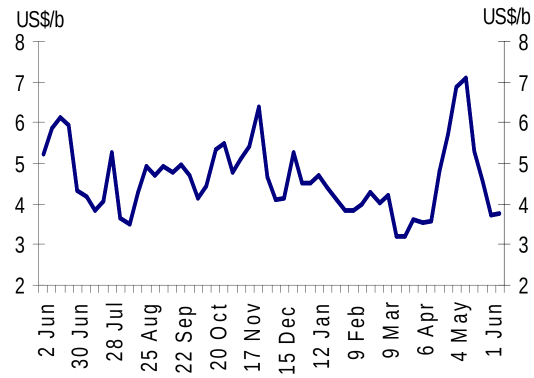


Refineries returning from turnaround amid declining stocks at Cushing, Oklahoma, supported light sweet crude

US market

Sweet crude firmed in the first week on demand for gasoline production amid rising stocks ahead of the driving season. The WTI/WTS weekly average spread was $1.16 firmer at $6.86/b in the first week. The sentiment strengthened in the second week amid the return of refineries from seasonal turnaround and healthy profit margins, although gasoline stocks broke three months of depletion. The WTI/WTS spread widened a further 25¢ to $7.11/b, peaking at $7.50/b in the week, the widest level since February 2006. In the third week, outages and the return of some refineries from maintenance supported the light sour crude amid rising gasoline production. The declaration of force majeure by Shell in Nigeria as well as demand for light-end products pressured sweet crudes. Hence, the WTI/WTS weekly average narrowed by $1.81 to $5.30/b. Healthy refining margins amid demand for summer fuel kept light sour crude differentials firm. Concern over potential supply shortfalls from the Middle East supported light sour crude. A problem at a Valero refinery and a possible rise in crude oil stocks at Cushing, Oklahoma, were seen to depress the light sweet grade. Hence, the WTI/WTS weekly spread narrowed by another 74¢ to $4.56/b. Refinery demand as some refineries returned from seasonal turnaround added to firmness in the light end yield crude. In the final days, the WTI/WTS spread averaged $ 3.60/b. WTI averaged $63.46/b in May with the premium to WTS firming 92¢ to $5.50/b.

Graph 3: WTI spread to WTS, 2006-2007

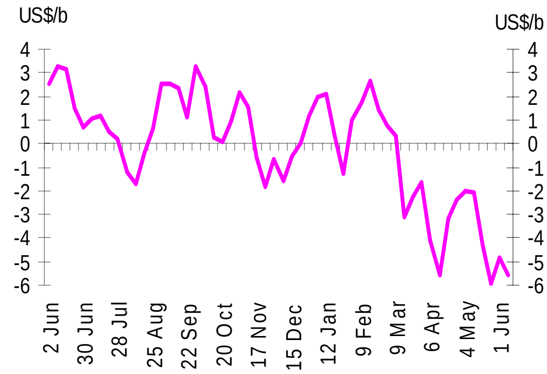


North Sea market

The high premium for North Sea grades prompted buyers to remain on the sidelines

The North Sea crude market emerged on a weaker note amid limited activities at the beginning of the month. Lingering prompt month cargoes pressured regional grades; however, healthy refining margins lent support to price differentials preventing them from weakening further. Hence, sentiment firmed in the second week on healthy refinery demand and steadily strong margins. A sharp drop in the emerging June loading programmes to the lowest level in three years amid seasonal maintenance at supply facilities added to market bullishness. In the third week, continued prompt benchmark stems weighed on price differentials amid a quiet market due to a European holiday. The sentiment firmed in the fourth week on healthy demand underpinned by limited supply in June, yet the high premium later in the week encouraged buyers to stay on the sidelines. Nonetheless, clearing prompt barrels amid healthy refinery demand strengthened the benchmark in the final days of the month. Brent averaged $67.38/b in May, a decline of 13¢ from the previous month.

Graph 4: WTI premium to Dated Brent, 2006-2007



Mediterranean market

Healthy refining margins supported Urals crude

The differentials for Urals in the Mediterranean saw healthy refining margins, although higher exports in May over the previous month calmed market sentiment. Urals weekly average discount to Dated Brent was 38¢ firmer from the previous week at $3.47/b. In the second week, continued healthy refinery margins supported the grade, although rising freight rates somewhat limited transatlantic barrels. The Brent premium to Urals was 82¢ narrower at $2.65/b in the second week. The sentiment firmed even further on high refining margins amid clearing prompt stems. In the third week, Urals discount to Brent averaged 8¢ narrower at $2.57/b. However, in the fourth week, weakening margins in North-West Europe and the Mediterranean pressured the grade to lose some stems with the discount to Brent 76¢ wider at $3.33/b. The discount steepened further on a drop in refining margins on available prompt barrels, yet remained at a healthy level. The discount widened in the final days of the month to $3.69/b. Urals averaged $64.29/b in May, which was a $3.09 discount to Brent or 50¢ firmer from April.

Middle Eastern market

Healthy refining margins amid a widening Brent/Dubai EFS supported the healthy Mideast premium

The Middle East market was supported by healthy refining margins in Asia while retroactive prices were higher amid a quiet market as most participants were off for the Golden Week holiday. July Oman was assessed at a 15¢ premium to MOG in the first week. However, the sentiment was weaker in the second as a Mideast major raised price differentials to the Asian market, yet healthy refining margins maintained the bullish market sentiment. The widened Brent/Dubai EFS to $4.53/b limited the arbitrage opportunity adding to the strength of price differentials with July Oman, trading at an 18¢/b premium to MOG, while Abu Dhabi Murban was discussed at a 20¢/b premium to ADNOC's OSP. Low supply for the Mideast amid a steadily healthy crack spread continued to underpin the crude premiums. July Oman was assessed at a 20¢/b premium to MOG with Abu Dhabi Murban at a 35¢/b premium to ADNOC's OSP amid a healthy naphtha market in the third week. Nonetheless, the weaker fuel oil crack spread prompted buyers off to the sidelines with Oman assessed at a 10¢/b premium to MOG and Abu Dhabi at a 15¢/b premium to the OSP. The lower buying volume from a regional major added to market bearishness in the final days of the month amid lingering barrels.

Graph 5: Dated Brent spread to Dubai, 2006-2007

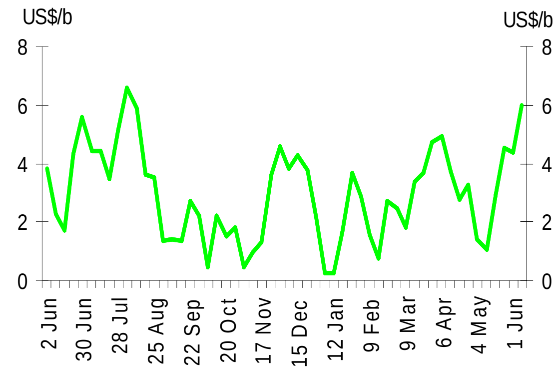


Table 1: OPEC Reference Basket and selected crudes, US$/b

	Apr 07	May 07	Change May/Apr	Year-to-Date 2006	Year-to-Date 2007
OPEC Reference Basket	**63.39**	**64.36**	0.97	**60.50**	**58.31**
Arab Light	62.83	64.15	1.32	60.24	58.08
Basrah Light	59.74	61.79	2.05	57.09	55.32
BCF-17	54.93	56.06	1.13	51.22	50.41
Bonny Light	70.01	70.03	0.02	66.69	64.10
Es Sider	66.06	66.03	-0.03	63.06	60.14
Iran Heavy	61.42	62.72	1.30	59.08	56.10
Kuwait Export	61.07	62.06	0.99	58.46	56.05
Marine	64.79	65.34	0.55	62.03	59.62
Minas	68.75	68.12	-0.63	65.33	62.72
Murban	68.39	69.21	0.82	65.03	63.39
Saharan Blend	69.71	70.13	0.42	65.82	63.93
Other Crudes					
Cabinda	65.26	65.35	0.09	62.90	59.32
Dubai	63.97	64.59	0.62	60.63	59.00
Isthmus	60.60	60.60	0.00	59.73	56.08
T.J. Light	58.60	58.54	-0.06	54.98	54.34
Brent	67.51	67.38	-0.13	65.06	61.65
W Texas Intermediate	63.85	63.46	-0.39	66.02	60.29
Differentials					
WTI/Brent	-3.66	-3.92	-0.26	0.96	-1.36
Brent/Dubai	3.54	2.79	-0.75	4.43	2.65

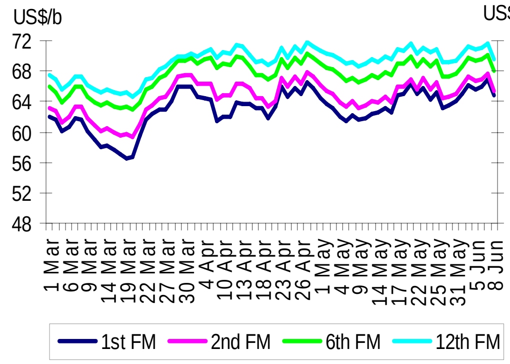
Source: Platt's, Direct Communication and Secretariat's assessments.

The Oil Futures Market

Healthy crude oil stock-builds triggered profit-taking that was seen dominating the market

The futures market was mostly dominated by bearish sentiments during May on profit-taking amid healthy crude oil stocks, especially at Cushing, Oklahoma. However, concern over gasoline supply kept alertness in place amid refinery snags.

Graph 6: Nymex WTI futures prices, 2007



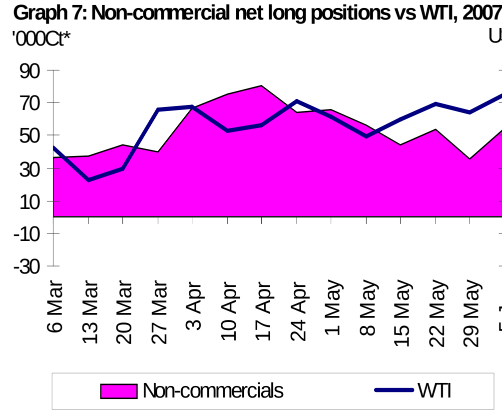
FM = future month

The CFTC's first weekly report showed that non-commercials increased net long positions as shorts fell at a faster rate than longs. Hence, net long positions were 2,300 lots wider at 66,100 contracts. Open interest was 25,600 lots wider at the second-highest level of 1,342,000 lots. With options included, open interest volume was 47,000 wider at 2,345,000 contracts. Nymex WTI closed 18¢ narrower in that period at $64.40/b, with the weekly average at $65.49 or $1.37 firmer, dominated by gasoline futures.

In the second weekly period, the futures market eased on crude oil stock-builds in the USA and easing fears about an interruption to Nigeria's production, thus inspiring profit-taking. Nymex WTI front-month contracts closed the second weekly period $2.14 or 3.3% lower at $62.26/b, with the weekly average at $62.51 or $2.98/b lower. The second weekly CFTC report revealed that non-commercial net long positions were 10,100 lots narrower, down to almost 56,000 contracts amid depleting longs and rising shorts. Yet, open interest was 42,700 lots wider at 1,384,500. With options included, open interest was 57,000 contracts higher at 2.4 million lots.

In the third weekly period the CFTC report showed that non-commercial net long positions continued to deplete; however, this was due to shorts rising at a faster pace than longs. Net longs fell 11,400 lots to below 45,000 contracts. Open interest continued to rise gaining 64,400 lots to a record 1,449,000. Including options, open interest was 44,000 wider at 2,446,000 lots. Nymex WTI prompt-month contracts closed the period up by 91¢ to $63.17/b although the weekly average was down by 24¢ to $62.27/b. The week's bullishness was inspired by the IEA report and concern about supply from Nigeria.

Graph 7: Non-commercial net long positions vs WTI, 2007



NC = Non-commercials: funds, investments and banks.
Ct = *Each contract is 1,000 barrels.

The fourth weekly period saw a rebound in net long positions with shorts depleting at a faster pace than longs. As a result, net long positions gained 9,000 lots to 53,500. In contrast, open interest depleted by a hefty 99,000 lots to 1,350,200 contracts. Including options, open interest plunged a significant 262,000 contracts to 2,183,500 lots. The weekly average for the NYMEX front-month WTI contract was $2.45 higher at $64.72/b, closing the period at $64.97/b for a gain of $1.80. The rally was dominated by refinery demand amid skepticism over adequate supply from West Africa while gasoline was seen to be a concern.

In the final weekly period, the July contract emerged as the new front-month, slipping on the back of easing in Mideast geopolitics and bearish US petroleum data triggering profit-taking. The CFTC report revealed that non-commercials net positions fell a hefty 18,200 lots as shorts built at a faster rate than the longs with net long positions at 35,200 lots, the lowest level since closing

February. Open interest was inflated by 38,400 to 1,388,600 lots. With options included, open interest saw a build of 58,300 lots to close at 2,241,800 contracts.

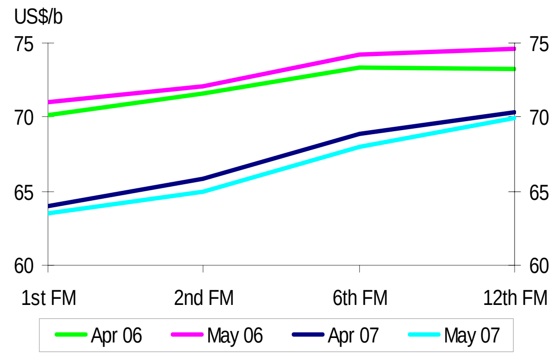
On a monthly basis, the Nymex WTI front-month averaged $63.53/b in May representing a drop of 51¢ from the previous month. Non-commercial net longs averaged 51,100 lots, down 22,200 contracts from the previous month and 21,300 below last year's level. However, open interest was some 65,400 higher at 1,382,800 contracts. Including options, open interest averaged 2,323,500 lots in May, some 10,100 lots lower than the previous month, yet 611,100 contracts over the previous year.

The Forward Structure

Return of refineries from seasonal maintenance supported a narrowing of the near-month contango spread

The contango on the forward structure eased in the near months and widened in the farther out. $1^{st}/2^{nd}$ and $/6^{th}$ month spreads were 38¢ and 36¢ narrower at $1.43 and $4.46/b in contango. The $1^{st}/12^{th}$ and $/18^{th}$ spreads were 5¢ and 27¢ wider at $6.39 and $6.99. The narrowing in the structure was on the back of the return of refineries from maintenance season which prompted procurement to meet summer fuel demand. The US weekly average of crude oil stocks was 342.5 mb or 8.5 mb over the previous month but some 3.4 mb lower than last year, but still 36.5 mb over the five-year average.

Graph 8: Nymex WTI forward curve



FM = future month

Highlights of the World Economy

Economic growth rates 2006-2007, %							
	World	**OECD**	**USA**	**Japan**	**Euro-zone**	**China**	**India**
2006	**5.4**	**3.2**	**3.3**	**2.2**	**2.8**	**10.7**	**9.4**
2007	**4.9**	**2.6**	**2.1**	**2.1**	**2.6**	**10.2**	**8.2**

Industrialised countries

United States of America

US GDP growth in first quarter revised down to meager 0.6%, but recent spate of statistics indicates better prop sects for second quarter

During the first quarter, the US economy slowed down even more than initially estimated. Seasonally adjusted annualized GDP growth was revised down to 0.6% from a first reading of 1.3%, the slowest rate in four years. The lower figure reflected mainly a downward revision in private inventory investment and an upward revision in imports. The housing sector subtracted almost 0.9 percentage points from growth, slightly less than the initial estimate of almost 1 percentage points, as residential investment contracted by 15.4% compared to an initial estimate of 17%.

However, despite this very weak performance, recent statistics in May show that economic fundamentals remain strong. Buoyant services sector, solid gains in jobs, a slight improvement in manufacturing and strong retail sales indicate that growth in Q2 should be markedly higher- possibly above 2%- despite the protracted weakness in the housing sector. The non-manufacturing Institute of Supply Management(ISM) report soared by almost 4 percentage points to 59.7 in May from 55.5 in April, while the market had expected a much lower figure. The employment report showed that the economy added around a 150, 000 jobs in May, enough to keep the unemployment rate unchanged at a low 4.5%. Contrary to expectations, the ISM survey of manufacturing in May rose slightly to 55.0 from 54.7 in April on restocking of depleted inventories.

While there is little evidence that the persistent weakness in the housing sector is spilling over to other sectors, there is expectation that this sector will remain ailing for some to time to come as expressed by the Federal Reserve Board's chairman. The data is mixed. While new home sales rose briskly at the rate of 13% as compared to the monthly average for the first quarter, they remained more than 10% below the level in April 2006. The much larger market of existing home pending re-sales was still stagnating at the lowest level since June 2003, as potential buyers wait for further softening of house prices. U.S. construction spending rose marginally in April by an unexpected 0.1% gain on the back of demand for public and commercial building, while the residential activity remained weak.

Retail sales in May grew at a higher-than-expected rate of 1.4% following a revised 0.1% drop in April, the fastest pace this year, despite housing sector problems and higher energy costs. Excluding automobiles, sales rose 1.3%. A separate report from the Labor Department indicated that import prices had risen by 0.9%, more than analysts predicted.

New orders at U.S. factories rose a smaller-than-expected 0.3 percent in April, the weakest showing since January, on a sharp drop in aircraft orders. Excluding transportation, factory orders rose 0.7% after a 2.4% percent increase in March. Orders for durable goods were revised to show a bigger-than-expected rise of 0.8%. A positive indicator of the willingness of businesses to invest was seen in the orders for capital goods excluding defense and aircraft, considered a proxy for business spending, which were revised to an increase of 2.1% percent.

Paradoxically, the recently improved outlook referred to above, especially the bullish ISM services report and later the better-than-expected US trade deficit- which narrowed to $58.5bn in April- while easing fears about the growth, have increased concerns about the need for tighter monetary policy to battle inflationary pressures. This prompted a widespread sell-off in bond markets not only in the US but globally, as investors were no longer convinced that the Federal Reserve would cut interest rates this year, as previously expected. This has resulted in a sharp rise in long term interest rates, which had an immediate effect on dampening stock markets, and could, if they persist, slow down the wave of Mergers & Acquisitions witnessed this year and also negatively affect the ailing housing sector as mortgage rates rise. Our forecast for US growth in 2007 has been revised slightly down to 2.1% in 2007 from 2.2% last month.

Japan

Japanese economy grows strongly in first quarter, outpacing both the US and the EU

The Japanese economy grows strongly in the first quarter, outpacing both the US and the EU. The annualized rate of growth during the first quarter was revised up to 3.3%, from an initial 2.4% reading.. This followed a very strong performance in the fourth quarter, confirming the continued strength of the recovery, already in its fourth year. Net exports added 0.5 percentage points to growth last quarter, revised up from 0.4 percentage points, as imports rose less than initially reported. However, the GDP deflator fell 0.3% from the same period a year ago, indicating that deflation was still an issue. Consumer spending, which accounts for more than half the size of the economy, rose 0.8% in the first quarter. The strength of the economy reinforced views that the Bank of Japan would move once again to raise interest rates, perhaps as early as August, from the current 0.5% to probably 0.75%. Japanese rates are still the lowest among developed countries. Since consumer prices remain sluggish, the main argument for raising rates is that the economy is growing above potential, seen at around 1.9%. However given the weakness of consumer demand, the rate increases are expected to be gradual and modest.

In April, the seasonally adjusted unemployment rate fell to 3.8%, its lowest level since March 1998, from the 4.0% rate recorded in March. Household spending strengthened, rising 1.1% in April and by far exceeding expectations. However, retail sales declined by 0.6% in annual terms.

Contrary to expectations, industrial output declined in April by 0.1% from the previous month, in part due to lower demand from the US, a leading destination for Japanese exports and also due to inventory corrections in the electronics sector. Exports to the U.S. contracted by 4.8% year-on-year in April for the first time in four years. However, output growth is forecast to strengthen in May and June. For the rest of the year, it is expected that the momentum of growth in Japan may ease given the weaker machinery orders and rising inventory levels in the high tech sector. Our forecast is for a growth of 2.1% in 2007, unchanged from last month.

Euro-zone

Euro-zone economies continue to exhibit robust growth

The generally positive economic environment in the euro-zone is set to continue. The economy expanded at a 0.6% rate in the first quarter from 0.9% in the fourth quarter of last year, outpacing the growth in the US. From a year earlier level growth was 3%. The economy benefited from strong expansion in business investment (+2.5%) and a build-up in inventories. However, consumer spending dropped 0.1%, which was the first decline experienced since the last three months of 2001. There was also a deceleration in the growth of exports, which rose by only 0.3% in the first quarter compared to 3.5% in the last quarter of 2006. The strong euro and the deceleration of growth in the US may have contributed to this slowdown.

Further improvements in the employment situation were registered in May when the unemployment rate fell further to 7.1% from 7.2% in March. This level was the lowest in the euro-zone's history and contrasts strongly with 8.7% rate of unemployment at the end of 2004. Since the beginning of this year, the number of jobless across the euro-zone fell by more than half a million, indicating that labour markets are benefiting from the economic pick up and that higher employment may help to ensure its continuity.

The European Central Bank's (ECB) decision to raise rates to 4.0% on June 6, had been widely expected, although Euro-zone consumer price inflation was in line with the ECB's target of close to but just below 2%, in the last months. In May, consumer price inflation reached 1.9%. Despite the latest move, the ECB views monetary policy as still accommodative which points to further tightening later in the year. Rates are now expected to reach up to 4.5% by the end of 2007. Although inflation in the euro-zone has been moderate, the ECB is worried about the upside risk to prices in the medium term, in particular due to increased capacity utilization, tighter labour markets and continued strong growth in the money supply. The euro-zone M3 money-supply growth was still high at 10.4% in April, following the 24-year high of 10.9% in the previous month.

The services sector expansion accelerated in May as shown by the RBS survey of purchasing managers conducted by NTC Economics which gave a reading of 57.3 from 57 in April. The RBS/NTC manufacturing Purchasing Manager's Index in May slipped slightly but remained at a high level of 55.0 - above the no-change mark of 50- indicating continued robust expansion. Early surveys of retail sales in May, however, are pointing to a possible deterioration in retail sales after the robust expansion in March and April.

In June, the ECB has revised its Euro-zone GDP growth for 2007 to 2.3-2.9% range from the 2.1-2.9% projected in March, implying a mid-point of 2.6% in 2007 compared to the March midpoints of 2.5%. Our forecast for the euro-zone growth in 2007 has been raised to 2.6% for the whole of the year, 0.2% higher than last month.

Former Soviet Union

GDP growth in Russia estimated at 7.7% in first quarter 2007

The Ministry of Economic Development and Trade projects that the GDP grew at 7.7% in the first quarter of 2007 based on activity indicators. It was estimated that that real income rose by 13 %, while investment in fixed capital increased by more than 20 %. According to the finance ministry, inflation in Russia in May grew by only 0.1% compared to 0.5% in May 2006. The Central Bank of Russia and the Ministry of Finance are currently aiming at an inflation rate at the end of the year in the range of 6.5-8.0%. The current account surplus as the growth in imports of 38.7% y-o-y exceeded the growth in exports grew of 6.0 %. Exports amounted to US$71.4 billion in the first quarter of year while imports reached US$43.0 billion.

According to the State Statistics Service the prices of goods climbed 0.7% in May 2007, with food prices rising 1% and non-food prices increasing 0.4% while the prices of paid services provided to households went up 0.5%. Industrial output growth in April measured y-o-y slowed to 4.6%, for the first four months of the year industrial output rose at 7.5%, more than double the rate of the same period a year earlier. While construction activity grew by 26.0% y-o-y in April and 23.7% in the first four months of the year.

Kazakhstan's GDP grew by 10.3% y-o-y in first quarter 2007

The government of Kazakhstan forecasts the GDP growth in 2007 at 8.6%, compared to 10.6% last year. In the first quarter of 2007, GDP grew by 10.3 % y-o-y. Industrial output rose 9.6%, and the gross product of agriculture increased 3.7% while fixed capital investment expanded 7.1 % in the first three months. The annual average inflation in 2007 was forecast to slowdown to 5-7% from 8.6% in 2006. In May, inflation registered 0.7% compared to 0.5% in April, the National Statistics Agency in Kazakhstan announced. Since the start of the year, inflation in Kazakhstan has run at 3.8%, food prices have grown by 4.8%, non-food products 2.1% and services 4%, suggesting that inflation might be lower than originally estimated.

Azerbaijan forecast to grow by 29.9% in 2007 compared to 31% in 2006

The IMF is estimating 20% inflation in Azerbaijan in 2007, while the consumer price index will increase to 21.1% in 2007, compared to 8.4% in 2006. The increase will be caused not only by monetary factors, as the increase of expanded money supply in 2007 is expected to comprise 79% (86.4% in 2006). IMF projected GDP to grow by 29.2% in 2007, compared to 31% in 2006.

Developing Countries

High inflation in China might lead to a rise in the interest rate

According to recent figures from the National Bureau of Statistics, annualized inflation in China rose to 3.4%. Food price hikes were the main reason for the higher-than-expected level, which fueled speculation that China's Central Bank might continue monetary tightening in the weeks ahead. Food prices are expected to continue exerting significant inflationary pressure for some time in the future. Official Chinese media reported that the trade surplus has unexpectedly registered a strong surge of as much as 73% in May, another worry with regard to the relationship with the USA. China's Central Bank last month increased the yuan's trading band against the US dollar to +/- 0.5% a day from 0.3% a day. It had also raised its benchmark one-year lending rate by 0.18 percentage points to 6.57% and the one-year deposit rate by 0.27 percentage points to 3.06%.

Exports leads in India's GDP drivers reducing the role of domestic demand

Latest figures released by the Central Bank of India (RBI) indicate that Indian GDP grew by 9.4% in real terms in Fiscal Year (FY) 2006/07 which ended 31 March 2007 accelerating from the 9.2% rate registered in FY 2005/06. The Central Statistics Organization (CSO) stated that gross fixed capital formation rose by 14.6%, stocks by 10.2% and consumer spending remained robust, rising by 6.2%. Exports also rose very rapidly by 8.7% y-o-y during the last quarter of 2006 which indicates that exports are emerging as a primary driver of growth reducing the role of domestic demand. Authorities' actions to avoid overheating of the economy would moderate growth in the current year. Higher interest rate would contain credit growth and subsequently reduce domestic demand, and export competitiveness is dented slightly by exchange rate appreciation.

Economy in Brazil still on target for solid economic expansion in 2007

The pace of Brazilian gross domestic product growth may have slowed slightly in the first quarter of 2007 but the economy is still on target for solid economic expansion this year. Inflation in Brazil unexpectedly accelerated in May, putting pressure on the central bank to continue to trim interest rates at a modest pace. Growth in the domestic market was sparked by an increase in credit availability, which furthered rising demand for durable goods such as motor vehicles and household appliances.

Growth in Argentina reached 8% in first quarter 2007

Argentina's economy expanded 7.6% in March compared to a year ago and accumulated 8% growth in the first quarter of the year according to a release from the country's Statistics and Census Office. The official growth estimate for 2007, according to the federal budget, is 4% but independent analysts agree that the final figure will be much higher.

African economic growth to accelerate in 2007

The consistent economic growth recorded by four African countries - Nigeria, South Africa, Algeria and Egypt - helped Africa record a gross domestic product (GDP) growth of 5.5% in 2006, the continent's highest economic growth in the last two decades. African economic growth is set to reach nearly 6% in 2007, the highest in 20 years, according to the African Development Bank (AFDB). Overseas demand from China and other rapidly-growing nations for natural resources, including oil, has been a cause for growth. Even as growth is set to increase, the projected figures would not be adequate for Africa to hit its goal of halving the number of people living in extreme poverty within eight years. To attain that goal, economic growth would have to be some 7-8% annually.

OPEC Member Countries

Angola continued to grow very rapidly

The real accumulated variation of Angola's Gross Domestic Product (GDP) reached 89.6% between 2002 and 2006, according to Government's General Program Performance Report approved Wednesday in Luanda by the Cabinet Council. Angola accumulated US$5.4 billion in foreign currency in 2006 and was one of the countries that contributed most to increase reserves and investment in Sub-Saharan Africa, according to a report from the World Bank. Angola and Nigeria, along with the group of oil producing countries in Africa, are the "main beneficiaries" of a strong rise in foreign direct investment (FDI) of around 43.5% in relation to the previous year to US$18.5 billion according to the same repot.

Non-oil sectors contribute increasingly to Qatar's diversification

Qatar's efforts to diversify its economy away from oil and gas have begun to show signs of success as the share of the non-energy sector in the gross domestic product (GDP) of the country in the first quarter of this year has risen considerably. The country's GDP reached QR44.7bn at current prices by kind of economic activity for the first quarter (Q1) of this year. The non-oil sector accounted for as much as QR20.5bn, or 46%.

Iran began to rationalize gasoline consumption

Iran will launch the first phase of a long-awaited plan to ration petrol consumption this month. The real significance of the rationing law will only be realized when it is enforced for private cars. It is expected that the Iranian government will make substantial savings when gasoline import demand is reduced. Iran has already raised pump prices by 25% and the government has demanded that drivers use smart cards to keep track of their petrol purchases. Petrol is only supplied through the so-called "smart card" or petrol coupon, an initiative by the government to stop lavish fuel consumption which currently stands at an estimated 73 million litres daily. The plan also aims to eventually set a daily ration of three litres for private cars and 15-20 litres for taxis at the price of 0.108 dollars per litre. Anything above the ration quota would be sold at 0.30 to 0.40 dollars per litre.

Oil prices, the US dollar and inflation

Dollar downward trend against major currencies comes to a stop in May

The US currency's downward trend was arrested in May against major currencies. Over the month of May, the dollar fell marginally versus the euro averaging €1.3511 versus €1.3515 in April and gained 1.56% versus the yen, 0.32% against the pound sterling and 0.81% versus the Swiss francs, respectively.

After reaching a record low point against euro towards the end of April of over €1.364 and 26-year lows versus the pound sterling of over 2 dollars per pound, the dollar recovered somewhat in May. Despite the rise in Euro-zone and UK interest rates, which were widely expected and therefore discounted earlier, the better than expected spate of data for the US economy helped the dollar by making an easing of monetary policy in the US less likely.

In May, the OPEC Reference Basket rose by almost one dollar per barrel or 1.54% to $64.36/b from $63.39/b in April. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price rose by almost $0.64/b or 1.55%to $42.18/b from $41.53/b. The value of the dollar rose by 0.27% as measured against the import-weighted modified Geneva I +US dollar basket*.

* *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 in 2006 revised by 0.1 mb/d to 1.0 mb/d

World oil demand in 2006

The world oil demand estimate for 2006 was revised up by 0.15 mb/d from last *MOMR*. The new upward revision was in the Developing Countries. Recent data indicate that more oil was consumed than previously estimated in Singapore, Latin America, Iraq and Morocco. **World oil demand growth for 2006 is now estimated at 1.0 mb/d or 1.17% y-o-y to average 84.32 mb/d.**

Table 2: World oil demand forecast for 2006, mb/d

							Change 2006/05	
	2005	1Q06	2Q06	3Q06	4Q06	2006	Volume	%
North America	25.53	25.15	25.10	25.47	25.39	25.28	-0.26	-1.00
Western Europe	15.51	15.81	15.07	15.49	15.57	15.48	-0.03	-0.19
OECD Pacific	8.59	9.30	7.87	7.90	8.76	8.46	-0.13	-1.56
Total OECD	**49.64**	**50.26**	**48.04**	**48.87**	**49.72**	**49.22**	**-0.42**	**-0.85**
Other Asia	8.67	8.74	8.94	8.61	8.90	8.80	0.12	1.44
Latin America	5.02	5.00	5.17	5.31	5.26	5.19	0.17	3.31
Middle East	5.86	6.14	6.18	6.41	6.24	6.24	0.38	6.47
Africa	2.90	3.00	2.99	2.95	3.06	3.00	0.09	3.24
Total DCs	**22.46**	**22.87**	**23.28**	**23.28**	**23.47**	**23.23**	**0.76**	**3.40**
FSU	3.82	3.69	3.56	3.84	4.20	3.82	0.00	0.09
Other Europe	0.88	0.97	0.90	0.88	0.88	0.91	0.02	2.38
China	6.54	7.09	7.34	7.21	6.92	7.14	0.60	9.21
Total "Other Regions"	**11.25**	**11.75**	**11.80**	**11.93**	**12.00**	**11.87**	**0.63**	**5.58**
Total world	**83.35**	**84.88**	**83.12**	**84.08**	**85.19**	**84.32**	**0.97**	**1.17**
Previous estimate	83.31	84.78	82.98	83.93	84.98	84.16	0.85	1.02
Revision	0.03	0.10	0.15	0.15	0.21	0.15	0.12	0.14

Totals may not add due to independent rounding.

Table 3: First and second quarter world oil demand comparison for 2006, mb/d

			Change 2006/05				Change 2006/05	
	1Q05	1Q06	Volume	%	2Q05	2Q06	Volume	%
North America	25.62	25.15	-0.46	-1.80	25.33	25.10	-0.23	-0.91
Western Europe	15.62	15.81	0.19	1.21	15.17	15.07	-0.10	-0.65
OECD Pacific	9.45	9.30	-0.15	-1.58	8.06	7.87	-0.19	-2.36
Total OECD	**50.68**	**50.26**	**-0.42**	**-0.83**	**48.56**	**48.04**	**-0.52**	**-1.07**
Other Asia	8.68	8.74	0.06	0.73	8.78	8.94	0.16	1.80
Latin America	4.84	5.00	0.15	3.18	5.02	5.17	0.15	2.91
Middle East	5.71	6.14	0.42	7.44	5.81	6.18	0.38	6.53
Africa	2.90	3.00	0.09	3.12	2.90	2.99	0.09	3.11
Total DCs	**22.14**	**22.87**	**0.73**	**3.31**	**22.51**	**23.28**	**0.77**	**3.44**
FSU	3.87	3.69	-0.18	-4.71	3.70	3.56	-0.14	-3.76
Other Europe	0.93	0.97	0.03	3.49	0.88	0.90	0.02	2.17
China	6.51	7.09	0.58	8.91	6.58	7.34	0.77	11.64
Total "Other Regions"	**11.32**	**11.75**	**0.43**	**3.80**	**11.16**	**11.80**	**0.65**	**5.79**
Total world	**84.14**	**84.88**	**0.74**	**0.88**	**82.22**	**83.12**	**0.90**	**1.09**

Totals may not add due to independent rounding.

Table 4: Third and fourth quarter world oil demand comparison for 2006, mb/d

			Change 2006/05				Change 2006/05	
	3Q05	**3Q06**	**Volume**	**%**	**4Q05**	**4Q06**	**Volume**	**%**
North America	25.61	25.47	-0.14	-0.56	25.58	25.39	-0.19	-0.74
Western Europe	15.57	15.49	-0.07	-0.48	15.70	15.57	-0.13	-0.85
OECD Pacific	8.08	7.90	-0.17	-2.13	8.79	8.76	-0.03	-0.31
Total OECD	**49.26**	**48.87**	**-0.39**	**-0.79**	**50.07**	**49.72**	**-0.35**	**-0.70**
Other Asia	8.55	8.61	0.06	0.68	8.69	8.90	0.22	2.51
Latin America	5.15	5.31	0.16	3.16	5.06	5.26	0.20	3.97
Middle East	6.07	6.41	0.34	5.63	5.86	6.24	0.37	6.37
Africa	2.86	2.95	0.09	3.06	2.96	3.06	0.11	3.67
Total DCs	**22.63**	**23.28**	**0.65**	**2.88**	**22.57**	**23.47**	**0.90**	**3.99**
FSU	3.78	3.84	0.06	1.66	3.93	4.20	0.27	6.80
Other Europe	0.87	0.88	0.01	1.08	0.85	0.88	0.02	2.74
China	6.43	7.21	0.78	12.17	6.64	6.92	0.28	4.24
Total "Other Regions"	**11.07**	**11.93**	**0.85**	**7.72**	**11.43**	**12.00**	**0.57**	**5.01**
Total world	**82.96**	**84.08**	**1.12**	**1.35**	**84.06**	**85.19**	**1.12**	**1.34**

Totals may not add due to independent rounding.

World oil demand in 2007

2007 world oil demand growth forecast unchanged at 1.3 mb/d

World oil demand in May came in as expected. May's semi-strong oil demand was in the USA, China, Middle East and India. The products that were most consumed were transportation fuels and fuel oil. It is anticipated that transportation fuel consumption will be stronger in the summer peak season, especially in the OECD countries and China. **World oil demand growth for 2007 is forecast at 1.3 mb/d or 1.5%, unchanged from the previous forecast.**

Table 5: World oil demand forecast for 2007, mb/d

							Change 2007/06	
	2006	**1Q07**	**2Q07**	**3Q07**	**4Q07**	**2007**	**Volume**	**%**
North America	25.28	25.71	25.21	25.62	25.82	25.59	0.31	1.22
Western Europe	15.48	15.15	15.14	15.56	15.65	15.38	-0.11	-0.69
OECD Pacific	8.46	8.88	7.78	7.92	8.79	8.34	-0.12	-1.37
Total OECD	**49.22**	**49.73**	**48.13**	**49.09**	**50.26**	**49.30**	**0.09**	**0.18**
Other Asia	8.80	8.88	9.06	8.83	9.08	8.96	0.17	1.90
Latin America	5.19	5.14	5.25	5.40	5.32	5.28	0.09	1.76
Middle East	6.24	6.47	6.43	6.80	6.56	6.57	0.32	5.15
Africa	3.00	3.13	3.04	2.99	3.13	3.07	0.07	2.37
Total DCs	**23.23**	**23.62**	**23.78**	**24.01**	**24.10**	**23.88**	**0.65**	**2.80**
FSU	3.82	3.83	3.55	3.82	4.26	3.86	0.04	1.06
Other Europe	0.91	1.01	0.88	0.91	0.95	0.93	0.03	3.15
China	7.14	7.46	7.85	7.75	7.44	7.63	0.48	6.77
Total "Other Regions"	**11.87**	**12.30**	**12.28**	**12.48**	**12.64**	**12.42**	**0.55**	**4.65**
Total world	**84.32**	**85.65**	**84.19**	**85.58**	**87.00**	**85.61**	**1.29**	**1.53**
Previous estimate	84.16	85.60	84.04	85.42	86.70	85.43	1.27	1.51
Revision	0.15	0.04	0.15	0.16	0.30	0.17	0.02	0.02

Totals may not add due to independent rounding.

Table 6: First and second quarter world oil demand comparison for 2007, mb/d

			Change 2007/06				Change 2007/06	
	1Q06	1Q07	Volume	%	2Q06	2Q07	Volume	%
North America	25.15	25.71	0.55	2.19	25.10	25.21	0.12	0.46
Western Europe	15.81	15.15	-0.66	-4.20	15.07	15.14	0.07	0.48
OECD Pacific	9.30	8.88	-0.42	-4.49	7.87	7.78	-0.09	-1.16
Total OECD	**50.26**	**49.73**	**-0.53**	**-1.05**	**48.04**	**48.13**	**0.10**	**0.20**
Other Asia	8.74	8.88	0.14	1.62	8.94	9.06	0.12	1.36
Latin America	5.00	5.14	0.14	2.83	5.17	5.25	0.08	1.53
Middle East	6.14	6.47	0.33	5.42	6.18	6.43	0.25	3.98
Africa	3.00	3.13	0.13	4.41	2.99	3.04	0.05	1.60
Total DCs	**22.87**	**23.62**	**0.75**	**3.27**	**23.28**	**23.78**	**0.49**	**2.12**
FSU	3.69	3.83	0.14	3.77	3.56	3.55	-0.01	-0.34
Other Europe	0.97	1.01	0.04	4.30	0.90	0.88	-0.02	-2.32
China	7.09	7.46	0.36	5.12	7.34	7.85	0.51	6.91
Total "Other Regions"	**11.75**	**12.30**	**0.54**	**4.63**	**11.80**	**12.28**	**0.47**	**4.02**
Total world	**84.88**	**85.65**	**0.76**	**0.90**	**83.12**	**84.19**	**1.07**	**1.28**

Totals may not add due to independent rounding.

Table 7: Third and fourth quarter world oil demand comparison for 2007, mb/d

			Change 2007/06				Change 2007/06	
	3Q06	3Q07	Volume	%	4Q06	4Q07	Volume	%
North America	25.47	25.62	0.15	0.57	25.39	25.82	0.43	1.67
Western Europe	15.49	15.56	0.07	0.44	15.57	15.65	0.09	0.56
OECD Pacific	7.90	7.92	0.01	0.18	8.76	8.79	0.02	0.28
Total OECD	**48.87**	**49.09**	**0.23**	**0.46**	**49.72**	**50.26**	**0.54**	**1.08**
Other Asia	8.61	8.83	0.22	2.60	8.90	9.08	0.18	2.02
Latin America	5.31	5.40	0.08	1.57	5.26	5.32	0.06	1.17
Middle East	6.41	6.80	0.38	5.93	6.24	6.56	0.33	5.22
Africa	2.95	2.99	0.04	1.49	3.06	3.13	0.06	2.01
Total DCs	**23.28**	**24.01**	**0.73**	**3.14**	**23.47**	**24.10**	**0.63**	**2.68**
FSU	3.84	3.82	-0.02	-0.48	4.20	4.26	0.06	1.32
Other Europe	0.88	0.91	0.02	2.81	0.88	0.95	0.07	7.78
China	7.21	7.75	0.54	7.53	6.92	7.44	0.52	7.47
Total "Other Regions"	**11.93**	**12.48**	**0.55**	**4.60**	**12.00**	**12.64**	**0.64**	**5.34**
Total world	**84.08**	**85.58**	**1.51**	**1.79**	**85.19**	**87.00**	**1.81**	**2.12**

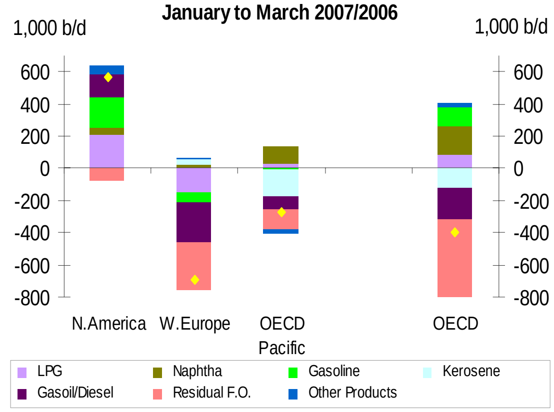
Totals may not add due to independent rounding.

OECD-North America

North American oil demand in the first quarter revised down by 0.1 mb/d to 0.55 mb/d

The hurricane season in North America has already started and according to the latest weather forecast from the National Oceanic and Atmospheric Administration (NOAA), there is a 5% chance that 3-5 major hurricanes will hit North America this year. In the past, hurricane-type storms have had negative effects on oil supply/demand in the USA. Recent data from the US Federal Highway Administration's showed that high gasoline prices had a relatively mild impact on consumption. The vehicle miles travelled in the USA between March 2006 and March 2007 declined by only 0.3%, while the vehicle

Graph 9: OECD - Growth of total requirements by component January to March 2007/2006



miles travelled for March 2007 increased by a similar 0.3%. It is believed that, with the current gasoline prices, gasoline demand growth for this year will be around 1%, lower than previous expected. According to the weekly EIA report, US March oil demand was revised down by 0.5 mb/d. The downward revision reduced motor gasoline by 0.1 mb/d and diesel by 0.09 mb/d. **Hence, North America's first-quarter oil demand was revised down by 0.1 mb/d y-o-y to average 25.71 mb/d.**

Furthermore, robust US oil demand in May averaged 20.9 mb/d indicating y-o-y growth of 2.2% or 0.45 mb/d. The main growth component was fuel oil with 0.25 mb/d, while motor gasoline fell a little short of average expected growth. **US year-to-date oil demand, boosted by the gasoline consumption growth, showed a y-o-y growth of 2.3% or 0.47 mb/d.**

The springtime driving season in Mexico led to increased gasoline consumption this year. Mexico consumed 37,500 b/d more gasoline in April y-o-y. Due to the strong growth in transport fuel and fuel oil, total Mexican petroleum product demand grew by 4.6% in April y-o-y. Similar to Mexico, Canadian oil demand in April grew by 4% y-o-y. A warm spring supported the Canadian gasoline and diesel consumption, which grew by 2% and 8% in April y-o-y.

North America's second-quarter y-o-y oil demand growth is estimated at 0.1 mb/d to average 25.95 mb/d. Total OECD oil demand in 2007 is estimated to grow 0.1 mb/d y-o-y to average 49.30 mb/d.

Table 8: Domestic Sales of Refined Petroleum Products in Mexico (kb/d)

	Apr-07	Mar-07	Apr-06	Change to Apr 06	Change to Apr 06 %
LPG	282	310	287	-5	-1.6
Gasoline	727	764	690	37	5.4
Jet Fuel	71	71	61	10	15.7
Diesel Oil	337	367	326	11	3.4
Fuel Oil	275	267	265	9	3.5
Other Products	72	78	58	14	24.0
Total Products	**1,764**	**1,857**	**1,687**	**77**	**4.6**

OECD Europe

OECD Europe demand to decline 0.1 mb/d in 2007

UK petroleum product consumption has been on the decline. March data indicate a decline of 10.7% or 0.2 mb/d y-o-y. Propane and butane declined the most by around 49,000 b/d, followed by kerosene with 44,000 b/d y-o-y. Furthermore, Germany's oil demand also showed a y-o-y decline of 9.4% or 219,000 b/d in March 2007. Gasoil declined the most with 240,000 b/d or 20.6% y-o-y. Gasoline, however, experienced minor growth of 2.5% to average 519,000 b/d. **Affected by the warm weather early in the year, OECD Europe oil demand growth is forecast to show a y-o-y decline of 0.1 mb/d in 2007.**

OECD Pacific

OECD Pacific oil demand expected to show a slight y-o-y decline in the second quarter

Affected by the slowing demand mainly in transport fuel, South Korea's crude oil imports in April fell 2.9% to 2.27 mb/d. However, oil demand in South Korea showed a slight growth in the previous months. As seen in March, South Korea's oil demand grew in April by 10% y-o-y. The sharp increase in consumption was due to the strong petrochemical activities which caused naphtha consumption to hike by 26% in April. Diesel also grew by 3.4% which was attributed to industrial usage; however, gasoline was almost flat in April y-o-y. Diesel consumption growth in South Korea might slow down in the near future as the country applied a new tax hike of 7.5% to reach $0.57/litre on automotive diesel consumption. However, the country is reducing the gasoline and diesel import tariff by 2%.

Japan's April y-o-y petroleum product sales declined by 5.9% or 225,000 b/d to average 3.58 mb/d. Kerosene saw the biggest y-o-y decline of 83,000 b/d or 18.6% in April. Unlike in the past, Japan's Golden Week holiday did not help the country's gasoline consumption. In fact, May gasoline domestic shipments in Japan were almost 4% below the same period last year. Furthermore, the low utilization rate of nuclear power plants did not increase the demand for fuel oil because it was replaced by cheaper LNG.

Recent data revealed slower-than- expected oil consumption in the region. Hence, the OECD Pacific first-quarter y-o-y oil demand was revised down by 30,000 b/d to show a decline of 0.4 mb/d. **The OECD Pacific second-quarter oil demand is expected to show a decline of 0.09 mb/d y-o-y.**

Alternative Fuels

China is having second thoughts about Coal-to-Liquid (CTL) and is seriously considering freezing new CTL licenses. CTL industry requires massive amounts of energy and water which makes it economically unfeasible and environmentally unfriendly. As the third largest biofuel producer, China is feeling the heat of the price increase of fuel-based raw material grain. Corn prices in China are increasing due to demand from the biofuel industry. China is asking biofuel producers to switch from grain to non-grain raw materials such as cellulose. Worldwide the biofuel industry, which is heavily subsidized, is receiving increasing criticism not only because it is not economical, but also because of its negative impact on both the environment and on food prices. A few Asian countries are organizing media plans to enhance the image of palm oil as environmentally friendly. Some experts point out that lots of untouched areas will be wiped out over the next ten years due to the massive plantation that is feeding the biofuel industry. The biofuel industry is impacting the livestock industry as well. In the UK, farmers are no longer able to feed their stock wheat because of the price increase that resulted from higher demand from biofuel plants. The same effect is happening in the USA where the cost of corn-based cattle feed has risen by 47% in the past 12 months. A recent study by the Stanford University has also concluded that the use of ethanol will increase the ozone-related mortalities by 4% in comparison to normal gasoline consumption.

In an effort to boost its share of alternative fuels, China is increasing its wind power capacity to exceed 4 GW in 2007. This is part of a long-term plan which started last year when the country doubled its capacity.

The enthusiasm for biofuels has also reached the Philippines. A new 300 metric tonnes bio-ethanol refinery will be constructed to supply the country's future needs for biofuel. By 2009 Philippine transport fuel must meet a minimum of 5% of the ethanol blend target set by the government.

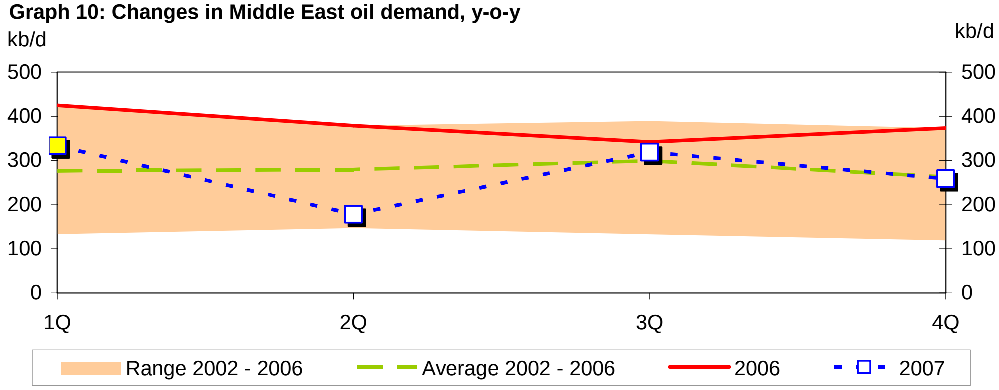
As part of an aggressive programme to subsidize the biofuel industry in the USA, a new $2 billion guaranteed loan was approved to build around fourteen new plants that use cellulose. The US is planning to double its ethanol production capacity within two years.

Developing Countries

DC demand growth to reach 650,000 b/d in 2007

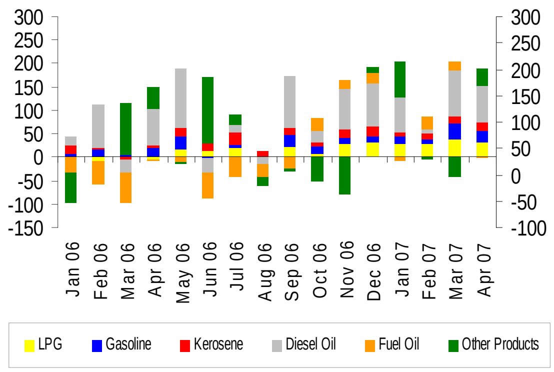
Booming Gulf Cooperation Countries (GCC) economic activities have been thrusting the oil demand further. Expansion of air travel has increased the demand for jet fuel 6% annually within the group. Construction activities and petrochemical growth across the region were the main reasons behind the strong oil demand growth in the Middle East. **Middle East second-quarter oil demand growth is forecast at 0.3 mb/d to average 6.4 mb/d.**

Graph 10: Changes in Middle East oil demand, y-o-y



Healthy economic activities in India pushed oil demand upward in April by 7.1% or 189,000 b/d. **India's year-to-date oil demand consumption has been showing a strong growth of 158,000 b/d or 5.85% to average 2.85 mb/d y-o-y.** Industrial and agricultural sectors pushed diesel demand in India up by 76,000 b/d to average 1.0 mb/d. Recent data revealed stronger-than-expected oil demand mainly in Singapore for the first quarter. Hence, Other Asia first-quarter oil demand was revised up by 0.05 mb/d to show y-o-y growth of 0.14 mb/d. Furthermore, Latin America and Africa were revised up by 32,000 b/d and 28,000 b/d in the first quarter.

Graph 11: Changes in Indian product demand by major products, y-o-y



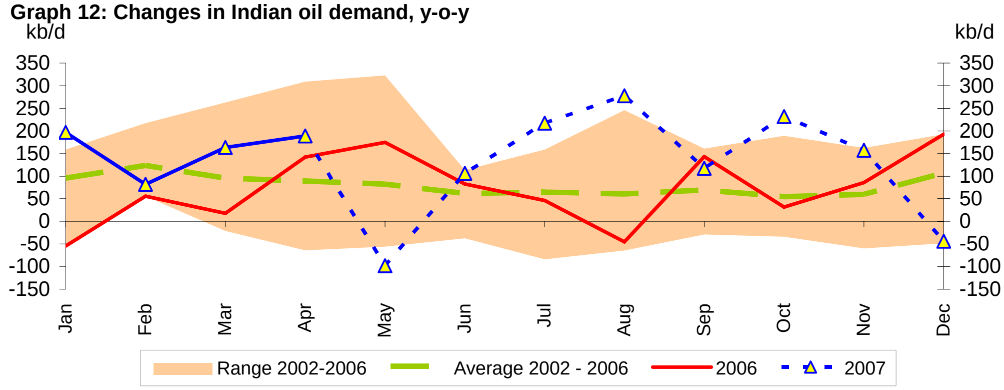
DC oil demand is contributing the most to the total world oil demand growth in 2007, reaching a growth of 0.65 mb/d to average 23.9 mb/d.

Table 9: Indian oil demand by main products, kb/d

	Apr 07	Mar 07	Jan 07 - Apr 07	Difference to Jan 06 - Apr 06	%
LPG	339	369	360	32	9.8
Motor Gasoline	233	242	229	21	10.1
Jet Kero	287	288	290	13	4.8
Gas Diesel Oil	1,001	982	1,014	65	6.8
Residual Fuel Oil	333	318	322	9	3.0
Other Products	659	657	639	17	2.8
Total Oil Demand	**2,850**	**2,856**	**2,854**	**158**	**5.8**

Sources: Direct Communication, Indian Ministry of Petroleum, Indianpetro, JODI plus OPEC Secretariat's estimates.

Graph 12: Changes in Indian oil demand, y-o-y

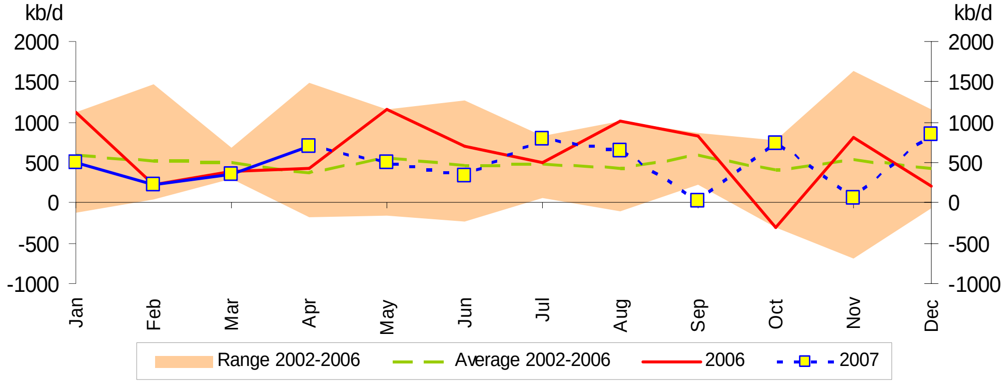


Other Regions

Chinese demand to grow 480,000 b/d in 2007

Chinese economy is prospering faster than expected. The latest revision of China's 2007 GDP is set at 10.2%. This strong growing economy is pushing for more energy consumption. China's y-o-y oil apparent consumption is forecast to grow by 0.48 mb/d in 2007.

Graph 13: Changes in Chinese Apparent Oil Demand, y-o-y



Yielding to international pressure regarding its trade surplus, China announced that starting in June, the import tax on fuel oil will be reduced by not more than 3%. This move will increase fuel oil imports which will affect China's apparent oil demand. **April apparent demand grew by a stunning 9.8% or 0.7 mb/d to average 7.9 mb/d y-o-y.** April growth was the highest since last November. Furthermore, China's oil imports increased in April by 18.3% or 0.64 mb/d y-o-y to a five-month high. In an unanticipated move, fuel oil imports hit an eight-month record growing more than 30% y-o-y. Due to the country's holiday which boosted air travel across country, jet fuel demand saw one of the strongest growths in April. Furthermore, the spring farming season boosted diesel demand in April as well.

Because of the summer heat in the upcoming months, China's demand for vehicle transportation and air conditioners will see a hike resulting in higher oil demand in the second and third quarters. **China's second-quarter apparent oil demand is expected to grow by 0.51 mb/d to average 7.85 mb/d.**

The recent export tax increase in Russia led to a minor slowdown in oil exports; consequently FSU apparent oil demand will show a marginal increase in the second quarter. FSU y-o-y first quarter oil demand is forecast to show a growth of 0.1 mb/d.

World Oil Supply

Non-OPEC supply growth in 2006 revised down to 0.46 mb/d

Non-OPEC

Estimate for 2006

Non-OPEC oil supply is estimated to average 49.47 mb/d in 2006, an increase of 0.46 mb/d over 2005 and a net downward revision of 8,000 b/d versus the last assessment. The 25,000 b/d downward revision to the y-o-y growth was the net outcome of revising the 2005 figure up by around 17,000 b/d — entirely from Ecuador — and a minor downward revision to the 2006 figure.

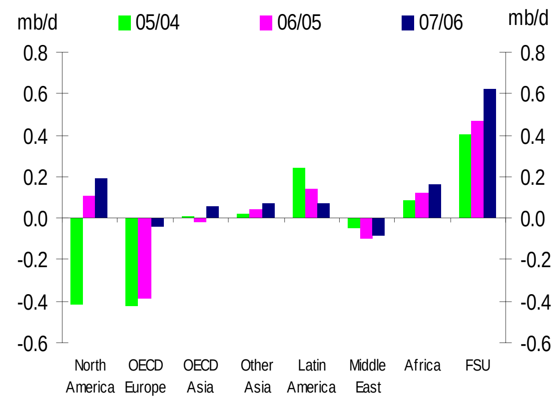
Table 10: Non-OPEC oil supply in 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05
North America	14.14	14.18	14.18	14.32	14.30	14.24	0.10
Western Europe	5.77	5.73	5.33	5.08	5.39	5.38	-0.39
OECD Pacific	0.58	0.49	0.50	0.65	0.61	0.56	-0.02
Total OECD	**20.48**	**20.39**	**20.01**	**20.05**	**20.29**	**20.18**	**-0.30**
Other Asia	2.65	2.72	2.64	2.67	2.72	2.69	0.04
Latin America	4.30	4.40	4.45	4.46	4.46	4.44	0.15
Middle East	1.87	1.82	1.78	1.75	1.74	1.77	-0.10
Africa	2.52	2.59	2.62	2.63	2.73	2.64	0.12
Total DCs	**11.33**	**11.52**	**11.49**	**11.50**	**11.65**	**11.54**	**0.21**
FSU	11.55	11.67	11.97	12.13	12.30	12.02	0.47
Other Europe	0.16	0.15	0.15	0.15	0.15	0.15	-0.01
China	3.62	3.68	3.70	3.67	3.64	3.67	0.06
Total "Other regions"	**15.32**	**15.51**	**15.82**	**15.95**	**16.09**	**15.84**	**0.52**
Total Non-OPEC production	**47.14**	**47.42**	**47.32**	**47.50**	**48.03**	**47.57**	**0.42**
Processing gains	1.86	1.92	1.89	1.88	1.92	1.90	0.04
Total Non-OPEC supply	**49.01**	**49.34**	**49.21**	**49.38**	**49.95**	**49.47**	**0.46**
Previous estimate	48.99	49.30	49.20	49.44	49.97	49.48	0.49
Revision	0.02	0.04	0.01	-0.06	-0.02	-0.01	-0.03

Revisions to the 2006 estimate, other historical

Minor upward revisions were made to the year **2005** quarterly figures. The revisions were 27,000 b/d, 27,000 b/d, 7,000 b/d and 7,000 b/d respectively, all of which were contributed by Ecuador. The annual figure was revised up by net 17,000 b/d. The **2006** annual figure was revised down slightly. The net result was offset by downward revisions to Ecuador and Sudan and upward revisions for non-conventional oils in Germany and an upward revision to Colombia.

Graph 14: Regional Non-OPEC supply growth, y-o-y



Forecast for 2007

Non-OPEC supply expected to increase to 1.14 mb/d in 2007

Non-OPEC oil supply is expected to average 50.61 mb/d in 2007, an increase of 1.14 mb/d over 2006 and a net downward revision of 57,000 b/d versus the last assessment. On a quarterly basis, non-OPEC supply is expected to average 50.3 mb/d, 50.3 mb/d, 50.5 mb/d, and 51.4 mb/d respectively. Significant revisions were made to the outlook due to the availability of actual first-quarter data, projects starting/ramping up schedules and actual data for the second quarter. The first, third and fourth quarters were revised down by 112,000 b/d, 67,000 b/d and 74,000 b/d, while the second quarter was revised up by 25,000 b/d.

Table 11: Non-OPEC oil supply in 2007, mb/d

	2006	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
North America	14.24	14.34	14.40	14.40	14.61	14.44	0.20
Western Europe	5.38	5.42	5.33	5.16	5.45	5.34	-0.04
OECD Pacific	0.56	0.57	0.59	0.66	0.66	0.62	0.06
Total OECD	**20.18**	**20.33**	**20.31**	**20.22**	**20.72**	**20.40**	**0.21**
Other Asia	2.69	2.72	2.68	2.78	2.86	2.76	0.07
Latin America	4.44	4.44	4.48	4.52	4.63	4.52	0.07
Middle East	1.77	1.70	1.70	1.69	1.68	1.69	-0.08
Africa	2.64	2.77	2.77	2.82	2.86	2.81	0.17
Total DCs	**11.54**	**11.62**	**11.64**	**11.80**	**12.03**	**11.77**	**0.23**
FSU	12.02	12.50	12.60	12.67	12.80	12.64	0.62
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.67	3.75	3.70	3.73	3.76	3.73	0.06
Total "Other regions"	**15.84**	**16.40**	**16.45**	**16.54**	**16.71**	**16.53**	**0.68**
Total Non-OPEC production	**47.57**	**48.35**	**48.40**	**48.56**	**49.46**	**48.70**	**1.13**
Processing gains	1.90	1.92	1.90	1.90	1.93	1.91	0.01
Total Non-OPEC supply	**49.47**	**50.27**	**50.30**	**50.46**	**51.39**	**50.61**	**1.14**
Previous estimate	49.48	50.38	50.28	50.53	51.47	50.67	1.19
Revision	-0.01	-0.11	0.02	-0.07	-0.07	-0.06	-0.05

OECD

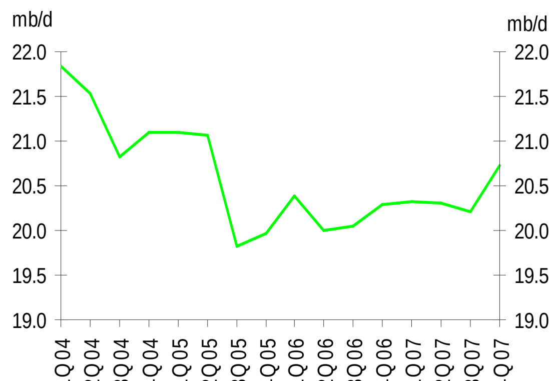
Total OECD oil supply is expected to average 20.40 mb/d, an increase of 0.21 mb/d over the 2006 figure and an upward revision of 49,000 b/d from the last assessment. On a quarterly basis, OECD oil supply is expected to average 20.33 mb/d, 20.31 mb/d, 20.22 mb/d, and 20.72 mb/d respectively. April and May preliminary data put the estimate of OECD oil supply for the second quarter at 20.18 mb/d, around 131,000 b/d less than the current forecast. The current forecast expects the second quarter to be around 17,000 b/d lower than the first-quarter figure.

USA

US forecast revised down due to actual data and technical problems in Prudhoe Bay

Oil supply in the USA is expected to average 7.47 mb/d in 2007 representing an increase of 80,000 b/d over the 2006 figure and down by 40,000 b/d versus last month's assessment. The quarterly downward revisions were 65,000 b/d, 32,000 b/d, 32,000 b/d and 32,000 b/d respectively due to actual data and a water leak in the Gathering Center 2 Prudhoe Bay in May, which led to production shut-in of around 100,000 b/d for four days. Preliminary April and May data show US second-quarter oil supply at 7.47 mb/d, around 34,000 b/d less than the current second-quarter forecast.

Graph 15: OECD's quarterly production



Mexico and Canada

The outlook for Mexico in 2007 is 15,000 b/d lower than last month's assessment. Total oil supply from Mexico is expected to average 3.66 mb/d in 2007, a minor decline of around 26,000 b/d compared with the 2006 figure. The quarterly distribution stands at 3.58 mb/d, 3.67 mb/d, 3.72 mb/d and 3.69 mb/d respectively. Preliminary April and May data put Mexican oil supply for the second quarter at 3.62 mb/d, around 56,000 b/d lower than the current second-quarter forecast.

Canadian oil supply experienced a minor revision and is now expected to average 3.31 mb/d in 2007, representing an increase of 0.14 mb/d over 2006. The quarterly distribution stands at 3.30 mb/d, 3.22 mb/d, 3.30 mb/d and 3.40 mb/d respectively. Preliminary April and May data puts Canadian oil supply at 3.11 mb/d, around 111,000 b/d lower than the current second-quarter forecast.

Western Europe

Oil supply in OECD Europe is expected to average 5.28 mb/d in 2007, representing a drop of 0.10 mb/d from the 2006 figure but up 48,000 b/d from last month's assessment. The upward revision comes mainly from Germany's non-conventional oil production increase (around 40,000 b/d) and an upward n 63,000 b/d revision to UK production.

The quarterly oil supply figures are expected to be 5.42 mb/d, 5.25 mb/d, 5.08 mb/d and 5.37 mb/d respectively. Preliminary April and May figures for the group put the second-quarter estimate at around 5.39 mb/d, which is 144,000 b/d over the current forecast.

Asia Pacific

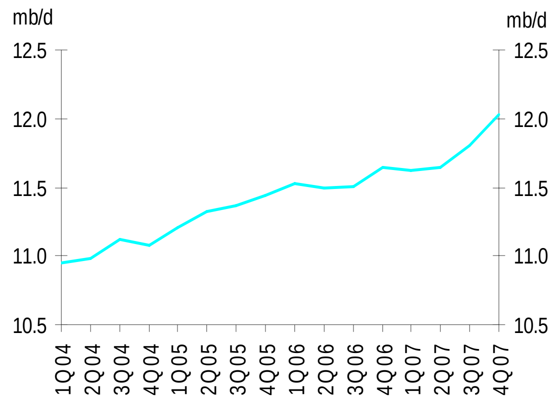
Oil supply in the OECD Asia Pacific region is expected to average 0.62 mb/d in 2007, representing growth of 0.06 mb/d compared to last year, although marginally lower than last month's assessment. On a quarterly basis, total oil supply is expected to average 0.57 mb/d, 0.59 mb/d, 0.66 mb/d and 0.66 mb/d respectively. The downward revisions were contributed by Australia, partially offset by higher New Zealand production.

Developing Countries

DC oil supply to average 11.8 mb/d in 2007

Oil supply in the Developing Countries (DCs) is expected to average 11.77 mb/d in 2007. This represents an increase of 0.23 mb/d over 2006, but a 42,000 b/d downward revision to last month's figure. On a quarterly basis, total oil supply in DCs is expected to average 11.62 mb/d, 11.64 mb/d, 11.80 mb/d and 12.03 mb/d respectively. The Other Asia group witnessed a downward revision of around 10,000 b/d due to a downward adjustment to Brunei (14,000 b/d) and Malaysia (23,000 b/d), partially offset by Vietnam (23,000 b/d), which now stands at 2.76 mb/d, an increase of 0.07 mb/d over the previous year. The African Group witnessed also a downward revision, mainly contributed by Sudan (47,000 b/d). The annual figure for this group now stands at 2.81 mb/d, an increase of 0.17 mb/d over the previous year. The downward revisions were partially offset by upward adjustments in the other two groups. The Latin American group has been revised up by around 11,000 b/d, mainly contributed by Colombia. The annual figure for Latin America now stands at 4.52 mb/d, an increase of 0.07 mb/d over the previous year. The Middle East group was also revised up slightly and now stands at 1.69 mb/d or 0.08 mb/d below the 2006 figure. Preliminary figures for April and May put the second-quarter estimate for total DCs at around 11.61 b/d, which is 28,000 b/d less than the current forecast.

Graph 16: Developing Countries' quarterly production



FSU, Other Regions

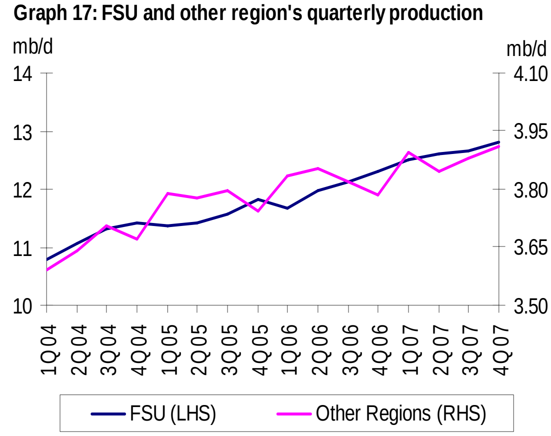
FSU growth revised down to 0.6 mb/d

Oil supply in the FSU is expected to average 12.64 mb/d in 2007, representing an increase of 0.62 mb/d versus 2006, but a downward revision of 68,000 b/d from last month's assessment.

On a quarterly basis, total oil supply in the FSU is expected to average 12.50 mb/d, 12.60 mb/d, 12.67 mb/d and 12.80 mb/d respectively.

Minor upward revisions were carried out to Other Europe but the figure remains almost unchanged at 0.15 mb/d representing no growth compared with the 2006 figure. The China oil supply figure is unchanged from last month's assessment at 3.73 mb/d.

Graph 17: FSU and other region's quarterly production



Russia

Russian oil supply is expected to average 9.90 mb/d in 2007, an increase of 0.25 mb/d versus 2006 and 68,000 lower than last month's estimate. On a quarterly basis, Russian oil supply is expected to be 9.87 mb/d, 9.87 mb/d, 9.92 mb/d and 9.95 mb/d respectively. Preliminary figures for April and May put Russia's second-quarter performance at 9.78 mb/d, around 91,000 b/d less than the current forecast. The significant downward revisions to the second, third and fourth quarters were mainly due to the export duty hike in June–July to $27.4/b from $21.4/b in April-May, which reduced incentives for producers. June loading has already been impacted by this hike. However, the Sakhalin II summer production may partially reduce the effect of the duty on the forecast figures.

Caspian

Azeri oil supply is expected to average 0.92 mb/d in 2007, representing an increase of 0.27 mb/d versus last year. Preliminary figures for April and May put second-quarter performance at around 0.86 mb/d, about 44,000 b/d below the current forecast. The quarterly forecast level now stands at 0.85 mb/d, 0.90 mb/d, 0.95 mb/d and 0.96 mb/d respectively.

Kazak oil production is expected to average 1.39 mb/d in 2007, representing an increase of 0.09 mb/d versus last year. Preliminary data show that the April and May figures indicate that the second-quarter could come in at 1.38 mb/d, around 20,000 b/d below the current forecast. Quarterly supply figures are currently expected at 1.35 mb/d, 1.40 mb/d, 1.36 mb/d and 1.46 mb/d respectively.

China

China's total oil supply is expected to average 3.73 mb/d in 2007, representing an increase of 59,000 b/d over last year but unchanged from last month's report. The quarterly figures now stand at 3.75 mb/d, 3.70 mb/d, 3.73 mb/d and 3.76 mb/d respectively. Preliminary April and May figures put China's second quarter at 3.75 mb/d, around 52,000 b/d higher than the current forecast.

OPEC natural gas liquids and non-conventional oils

In 2006, OPEC NGLs and non-conventional oils averaged 4.09 mb/d, almost the same level as in the previous year. In 2007, the expected level for OPEC NGLs is kept at 4.44 mb/d. A significant downward revision of around 181,000 b/d has been made to the 2006 figure due to latest input received from Member Countries.

Table 12: OPEC NGL + non-conventional oils - 2004-2007

			Change						**Change**		**Change**
	2004	**2005**	05/04	1Q06	2Q06	3Q06	4Q06	**2006**	06/05	**2007**	07/06
Total OPEC	**4.02**	**4.08**	0.06	4.01	4.07	4.19	4.07	**4.09**	0.01	**4.44**	0.35

OPEC crude oil production

OPEC crude output averaged 30.03 mb/d in May

Total crude oil production averaged 30.03 mb/d in May according to secondary sources, a decline of 82,700 b/d from the previous month. OPEC-10 production averaged 26.40 mb/d, down 57,400 b/d. Over the same period, Iraq's oil production averaged 2.02 mb/d, a decline of around 24,000 b/d, while Nigeria's oil production stood at 1.99 mb/d, a drop of around 153,200 mb/d.

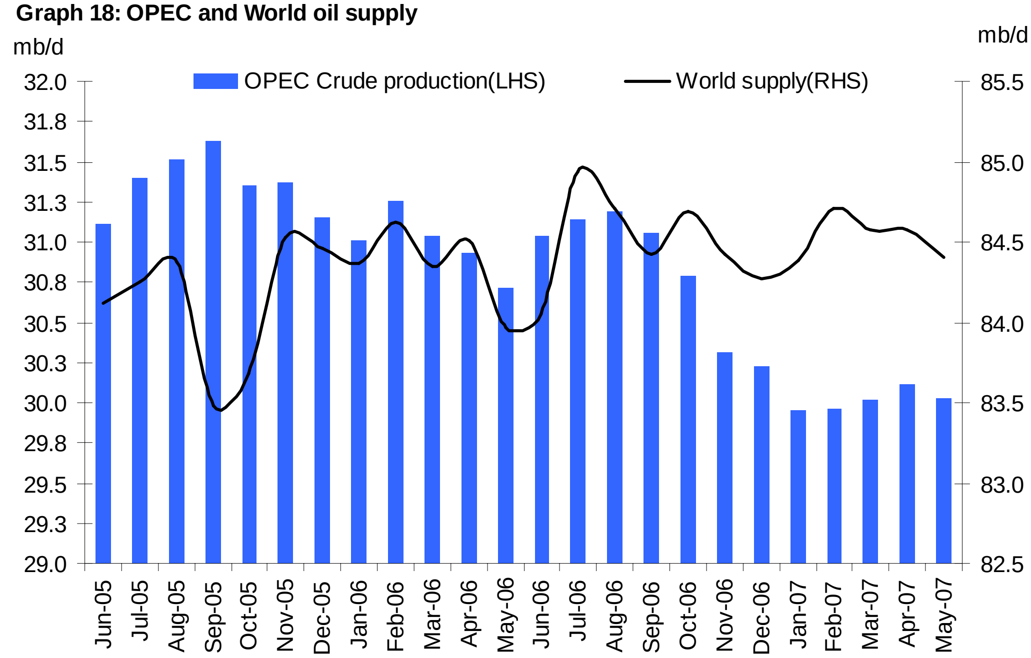
Table 13: OPEC crude oil production based on secondary sources, 1,000 b/d	2005	2006	3Q06	4Q06	1Q07	Mar07	Apr07	May07	May/ Apr
Algeria	1,349	1,366	1,361	1,359	1,335	1,332	1,338	1,352	*14.5*
Angola	1,248	1,400	1,423	1,423	1,561	1,600	1,611	1,610	*-1.3*
Indonesia	942	895	882	862	855	854	846	847	*1.2*
Iran, I.R.	3,924	3,845	3,910	3,821	3,789	3,810	3,818	3,838	*19.7*
Iraq	1,830	1,932	2,061	1,952	1,894	2,026	2,048	2,024	*-24.0*
Kuwait	2,504	2,504	2,506	2,465	2,425	2,411	2,415	2,418	*3.0*
Libya, S.P.A.J.	1,642	1,702	1,719	1,709	1,686	1,680	1,688	1,686	*-2.3*
Nigeria	2,412	2,233	2,220	2,244	2,178	2,114	2,144	1,991	*-153.2*
Qatar	792	822	834	816	793	786	790	796	*6.0*
Saudi Arabia	9,390	9,111	9,135	8,787	8,566	8,509	8,523	8,543	*20.5*
UAE	2,447	2,540	2,573	2,524	2,491	2,496	2,509	2,530	*20.8*
Venezuela	2,633	2,539	2,504	2,485	2,407	2,402	2,381	2,394	*12.5*
OPEC excl. Iraq	**29,283**	**28,957**	**29,068**	**28,494**	**28,084**	**27,994**	**28,063**	**28,005**	***-58.7***
OPEC excl. Angola & Iraq	**28,035**	**27,557**	**27,644**	**27,071**	**26,524**	**26,394**	**26,452**	**26,395**	***-57.4***
Total OPEC	**31,113**	**30,890**	**31,129**	**30,445**	**29,978**	**30,020**	**30,111**	**30,029**	***-82.7***

Totals may not add due to independent rounding.

World Oil Supply

Preliminary figures for the month of May indicate that world oil supply averaged 84.41 mb/d, a decline of 0.16 mb/d from the previous month, with OPEC's crude share estimated at 35.6%. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Graph 18: OPEC and World oil supply



FSU net exports of crude and products

Total FSU net oil exports averaged 8.20 mb/d in 2006, an increase of 0.50 mb/d over the previous year. In 2007, total net oil exports are expected to average 8.71 mb/d or 0.51 mb/d over 2006. As mentioned earlier in the report, the export duty hike was the reason behind the downward revision to the 2007 figure.

Current trends

Actual figures for the month of March indicate that total crude exports from the FSU were 6.37 mb/d. The preliminary figure for April stands at 6.64 mb/d, around 265,800 b/d higher than the March figure. Russian pipeline exports were up by around 272,000 b/d. The CPC pipeline exports increased by around 50,000 b/d from March while the Russian rail and exports to the Far East declined by 36,700 b/d and 38.300 b/d respectively. The Kazak rail in April was almost unchanged from March at around 18,000 b/d.

Table 14: FSU estimated net oil exports (historical and forecast), mb/d

	1Q	2Q	3Q	4Q	Year	Growth (y-o-y)
2003	5.87	6.75	6.72	6.61	**6.49**	**0.91**
2004	7.17	7.30	7.38	7.37	**7.31**	**0.82**
2005	7.45	7.69	7.76	7.85	**7.69**	**0.38**
2006 (forecast)	**7.98**	**8.41**	**8.29**	**8.10**	**8.20**	**0.50**
2007 (forecast)	**8.67**	**9.06**	**8.85**	**8.55**	**8.78**	**0.58**

Table 15: Recent FSU exports of crude and products by source, mb/d

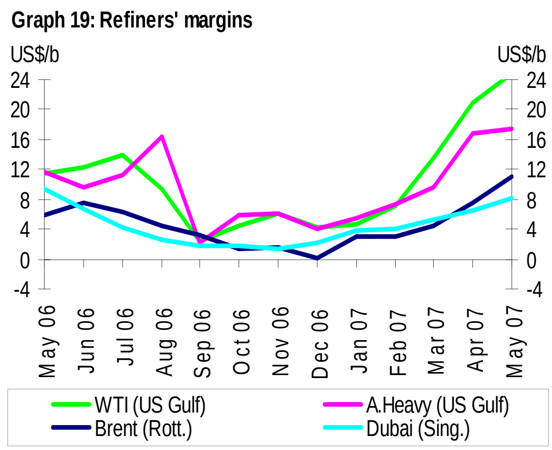
	2005	2006	3Q06	4Q06	1Q07	Mar 07	Apr 07*
Crude							
Russian pipeline							
Black Sea	1,335	1,288	1,318	1,224	1,420	1417	1516
Baltic	1,462	1,553	1,575	1,495	1,601	1514	1603
Druzhba	1,315	1,288	1,251	1,186	1,138	1156	1240
Total	**4,112**	**4,129**	**4,144**	**3,905**	**4,158**	**4087**	**4,359**
Other routes							
Russian rail	416	313	307	316	336	323	286.3
Russian - Far East	65	84	106	128	245	252	213.7
Kazak rail	17	31	23	17	18	17	18
CPC pipeline	648	661	670	677	709	704	754
Caspian	**295**	**396**	**408**	**332**	**332**	**325**	**262**
of which							
Supsa (AIOC) - Georgia	137	114	140	30	2	0	0
Batumi - Georgia	140	177	152	177	187	189	147
Total**	**1,441**	**1,702**	**1,838**	**1,967**	**2,233**	**2,286**	**2,280**
Total crude exports	**5,553**	**5,831**	**5,982**	**5,872**	**6,392**	**6,373**	**6,639**
Products							
All routes							
Fuel oil	836	861	819	854	877	1006	776
Gasoil	759	841	854	812	696	695	597
Others	575	662	654	593	602	678	599
Total	**2,170**	**2,386**	**2,327**	**2,258**	**2,175**	**2379**	**1,972**
Total oil exports	**7,723**	**8,217**	**8,309**	**8,130**	**8,567**	**8,752**	**8,611**

Source: Nefte Transport, Global Markets, Argus Fundamentals, Argus FSU, OPEC.
* *Preliminary.*
** *Total incl. BTC, Atasu-Alashankou and tanker shipments from Kaliningrad to Ventspils.*

Product Markets and Refinery Operations

Both physical and futures markets were supported by products in May

The continuation of refinery snags compounded the bullish sentiment of product markets, and refinery margins surged across the globe. As Graph 19 indicates, refinery margins for WTI crude at the US Gulf Coast reached a new record of $24.84/b in May, up from $20.90/b in the previous month. This lucrative situation for margins contributed to the rise in US refinery stock prices in the equity market lifting their share prices significantly in the last two months.



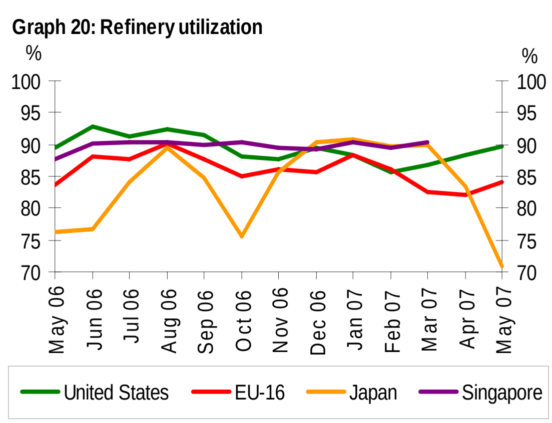
In Europe, the market followed suit, and Brent crude margin at Rotterdam hit an unprecedented level of about $11.02/b. It rose by 90% compared to the same period last year.

Also not as strong as in the Atlantic Basin, the product market momentum was also firm in Asia, leading to higher margins for benchmark Dubai crude oil in May. Dubai crude oil margins soared to $8.11/b from $6.57/b in April.

Due to gasoline stock-builds in the USA in the last few weeks, product market sentiment eased recently. If this trend continues, the leadership of the market may switch to supply factors in the future. However, due to the structural tightness of the US downstream sector, the market would remain exposed to refinery glitches, which could support crude prices over the next months.

Refinery snags adversely affected the level of refinery operations

Upon completion of winter season turnarounds, refinery throughput levels were expected to rise sharply in May, but unplanned maintenance negatively affected refinery utilization rates. In the USA, the refinery utilization rate typically surges to above 90% in May, but according to preliminary date it rose by 1.2% to 89.6% from 88.4% in April. In Europe, refiners improved their throughput levels compared to the last months, increasing their utilization rates to 84.1% from 82.1% in the previous month (*see **Graph 20***). In Asia, refineries underwent a very deep maintenance schedule in May, and their operation levels dropped sharply. In Japan, the refinery utilization rate plummeted to 70.9% from 83.4% in April. Upon completion of the maintenance schedule in some units, the Japanese refinery utilization rate is expected to increase in June.



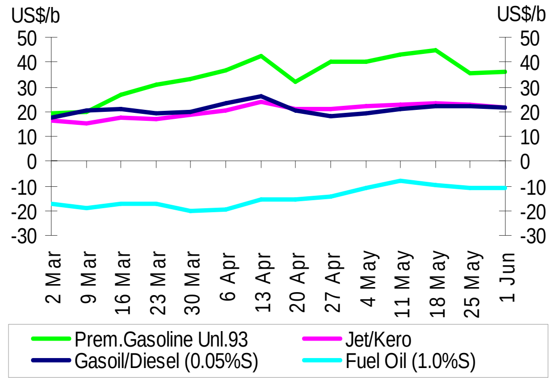
US market

The US gasoline market took the leadership of the product market in May

The bullish momentum in the gasoline market continued in May, lifting crude prices. As Graph 21 indicates, the premium gasoline crack spread against benchmark WTI crude oil at the US Gulf Coast soared to above $44/b in the middle of May before falling to about $36/b in early June.

The current bullish momentum of the gasoline market may change slightly in the next couple of weeks as refiners complete turnarounds, refinery throughputs rally, imports of RBOB and finished products increase. This situation has recently encouraged market players to liquidate their long positions in the gasoline futures market. However, the outlook for the gasoline market in the short term depends on the stock-building situation prior to the peak driving season and potential refinery glitches.

Graph 21: US Gulf crack spread vs. WTI, 2007



Other than gasoline, the middle distillate market situation in the USA was relatively steady, especially for gasoil, and distillate stock-builds in the last few weeks are suggesting that the market sentiment of the middle of the barrel components would remain relatively bearish in the next few weeks.

The fuel oil market sentiment in the USA improved compared to the previous month, as higher demand from utility plants lifted low-sulphur fuel oil versus benchmark WTI crude oil, reaching about minus $10/b from nearly minus $16/b in April.

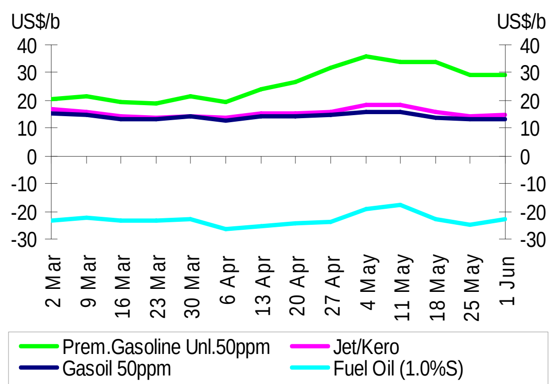
The high-sulphur fuel oil market also improved due to export opportunities to Asia and higher demand by Mexican utility plants. Overall, due to falling natural gas prices, the fuel oil market sentiment would be more bearish in the coming months.

European market

Sluggish regional demand exerted downward pressure on the European product market in the latter part of May

Arbitrage opportunities to the USA and the Middle East boosted light distillate product prices in the early part of May and lifted the gasoline crack spread versus benchmark Brent crude oil to above $33/b in the middle of the month. In the latter part of May, European gasoline and naphtha markets lost ground due to falling gasoline prices in the USA and narrowing economic export opportunities to the other side of the Atlantic.

Graph 22: Rotterdam crack spreads vs. Brent, 2007



Additionally, higher regional output along with sluggish demand also contributed to the bearish movement in physical and futures markets. Apart from North-West Europe, the Mediterranean market was also weak, but higher import requirements from the Middle East are expected to support Mediterranean prices in the coming months.

Following product stock-builds in the USA over the last few weeks and falling futures prices, the European gasoil futures market also followed suit, and distillate prices fell in the second half of May. Upon the approaching high demand season, gasoil prices are expected to remain relatively strong in the next months.

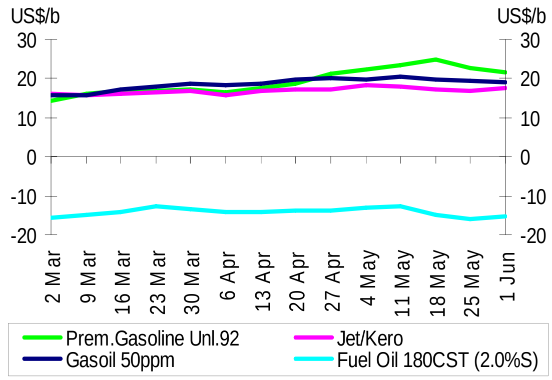
The European fuel oil market faced further pressure recently due to rising refinery outputs, steady Russian flows, closed arbitrage opportunities to Asia and stagnant regional demand. These factors have caused the crack spread of low-sulphur fuel oil versus Brent crude to widen to nearly minus $23/b from minus $19.40/b in early May. The outlook for the future appears more bearish due to higher regional output.

The Asian product market performed better in May than in April

Asian market

A combination of refinery maintenance schedule with higher-than-expected regional demand provided support for the top and the middle of the barrel component in Asia and widened further their crack spreads against benchmark Dubai crude oil. Among the top components of the barrel complex, the naphtha market performed very well, and its spread against Brent crude remained above $200/tonne during most of May.

Graph 23: Singapore crack spreads vs. Dubai, 2007



Higher Korean and Taiwanese demand boosted naphtha prices and kept the market in backwardation compared to the next month. The bullish developments in the spot market have caused most of the Middle East suppliers to raise their premium level for term contracts in the second half of the year. Along with naphtha, the gasoline market did also relatively well, and its crack spread against Dubai crude rose to above $22/b from around $18/b in April (*see **Graph 23***).

Similarly, the Asian market for middle distillates, especially gasoil, was strong as higher demand from Indonesia and Sri Lanka has tightened the market further. Extra requirements for low-sulphur gasoil and arbitrage opportunities from India to Europe have also contributed to the bullish developments in the middle distillate market. Despite the persisting strength of gasoil, jet/fuel has lost part of its earlier ground, as Chinese jet/fuel imports fell in the face of a larger pool of domestic supplies.

As far as the fuel oil market is concerned, the regional sluggish demand weighed on the market and put downward pressure on the high-sulphur fuel oil spread which dropped to minus $15.40/b lately from about minus $13.6/b in early May. Despite this bearish momentum, the fuel oil market sentiment is expected to improve in the next months, as a drop in arrivals of Western cargoes along with potentially higher Chinese demand could lift fuel oil prices.

Table 16: Refined product prices, US$/b

		Mar 07	Apr 07	May 07	Change May/Apr
US Gulf (Cargoes):					
Naphtha		77.28	89.90	83.25	-6.65
Premium gasoline	*(unleaded 93)*	88.41	101.91	103.83	1.92
Regular gasoline	*(unleaded 87)*	79.13	91.98	98.49	6.51
Jet/Kerosene		78.04	85.43	86.10	0.67
Gasoil	*(0.05% S)*	80.74	85.76	84.72	-1.04
Fuel oil	*(1.0% S)*	42.23	47.88	53.66	5.78
Fuel oil	*(3.0% S)*	40.59	46.53	50.33	3.80
Rotterdam (Barges FoB):					
Naphtha		79.22	86.19	90.03	3.84
Premium gasoline	*(unleaded 50 ppm)*	82.57	93.90	100.00	6.10
Premium gasoline	*(unleaded 95)*	73.57	84.06	89.74	5.68
Jet/Kerosene		76.82	82.71	83.79	1.08
Gasoil/Diesel	*(50 ppm)*	76.23	81.65	81.72	0.07
Fuel oil	*(1.0% S)*	39.24	42.91	45.66	2.75
Fuel oil	*(3.5% S)*	40.35	46.46	47.33	0.87
Mediterranean (Cargoes):					
Naphtha		65.29	71.19	74.42	3.23
Premium gasoline	*(50 ppm)*	82.23	93.67	101.00	7.33
Jet/Kerosene		74.64	79.33	80.95	1.62
Gasoil/Diesel	*(50 ppm)*	74.98	81.44	82.85	1.41
Fuel oil	*(1.0% S)*	41.45	47.01	49.97	2.96
Fuel oil	*(3.5% S)*	40.93	46.53	46.49	-0.04
Singapore (Cargoes):					
Naphtha		70.56	74.22	76.73	2.51
Premium gasoline	*(unleaded 95)*	76.62	83.49	88.77	5.28
Regular gasoline	*(unleaded 92)*	75.52	82.69	87.96	5.27
Jet/Kerosene		75.02	80.91	82.14	1.23
Gasoil/Diesel	*(50 ppm)*	75.94	83.18	84.47	1.29
Fuel oil	*(180 cst 2.0% S)*	46.26	51.24	51.34	0.10
Fuel oil	*(380 cst 3.5% S)*	45.48	50.87	50.82	-0.05

Table 17: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Mar 07	Apr 07	May 07	May/Apr	Mar 07	Apr 07	May 07	May/Apr
USA	14.99	15.27	15.48	0.21	86.8	88.4	89.6	1.20
France	1.57	1.61 R	1.77	0.16	79.9	82.0	90.2	8.20
Germany	2.14	2.14	2.08	-0.06	88.6	88.6	86.2	-2.40
Italy	1.86	1.85 R	1.77	-0.08	79.6	79.1 R	75.6	-3.50
UK	1.53	1.51	1.51	0.00	81.1	80.0	79.9	-0.10
Eur-16	11.60	11.53 R	11.81	0.28	82.6	82.5 R	84.1	1.60
Japan	4.20	3.90	3.40	-0.50	89.8	83.5	70.9	-12.60

R — *Revised since last issue.*

Sources: *OPEC statistics; Argus; Euroilstock Inventory Report; IEA.*

The Tanker Market

OPEC spot fixtures increased 0.28 mb/d in May, while global fixtures rose 0.70 mb/d

After having decreased by more than 2.1 mb/d between February and April, preliminary data show that OPEC spot fixtures increased in May after declining for three consecutive months. The increase of slightly more than 2% in spot fixtures came on the back of healthier demand as the peak summer season is approaching. Global spot fixtures increased in May by about 4% from the previous month, in line with solid global demand indicating an annual decline of 11%. On an annual basis, May OPEC spot fixtures experienced a y-o-y decrease of more than 15%. OPEC spot fixtures in May continued to account for more than 60% of global fixtures. The increase in OPEC spot fixtures was attributed to countries outside the Middle East, as total fixtures from the Middle East declined in May with fixtures to western destinations declining sharply. Middle East fixtures continued to account for around 30% of global fixtures, but declined by 3% in May.

OPEC sailings dropped 6% in May but remained close within the average of the previous four months. Compared to last year, OPEC sailings saw a drop of 3%. Non Middle East countries contributed more to the decline in sailings, as Middle East sailings remained steady, partially from Nigeria which encountered some output disruptions. The drop in annual OPEC sailings can be attributed to the OPEC cut as well as global demand factors.

According to preliminary data, arrivals at the main importing regions showed mixed patterns. The US Gulf Coast, the US East Coast and the Caribbean saw steady arrivals despite the increase in US crude oil imports, but showed an annual increase of 3.5%. Arrivals at the NW Europe and Euromed regions rose by an average of 4%, marking the highest arrivals for NW Europe in 2007. The increase can be attributed to the rise in activities to the USA as refiners in NW Europe and Euromed try to capitalize on most available arbitrage opportunities to the USA hence requiring more volumes.

Table 18: Tanker chartering, sailings and arrivals, mb/d

	Mar 07	Apr 07	May 07	Change May/Apr
Spot Chartering				
All areas	19.84	18.63	19.33	0.70
OPEC	12.82	11.80	12.07	0.28
Middle East/east	5.25	4.74	4.96	0.22
Middle East/west	1.55	2.00	1.42	-0.58
Sailings				
OPEC	22.29	24.45	23.06	-1.39
Middle East	17.10	17.09	17.57	0.48
Arrivals				
US Gulf Coast, US East Coast, Caribbean	9.79	10.12	10.04	2.11
North West Europe	7.17	7.97	8.21	0.38
Euromed	3.88	5.15	5.41	0.56

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

VLCC spot freight rates rebounded in May, Suezmax rates came under pressure and Aframax rates remained mixed

The tanker market for crude oil showed mixed patterns in May contrary to the previous month's trends. Spot freight rates for VLCCs experienced some gains with owners trying to hold on to the increase. The Suezmax spot freight rates came under pressure losing more than the ground secured in the previous month as availability held the upper hand in May. The Aframax sector remained mixed with rates on some routes increasing while others moving in the red due to various developments in different regions.

The VLCC sector of the market went through an increase during the first half of the month, supported by various factors. Afterwards, charterers took control of the steering wheel bringing the market down, although the sector managed to close the month with a positive gain. Spot freight rates for VLCCs on the Middle East/eastbound long-haul route increased 27% in May compared to the previous month to average WS96. The increase came with a flurry of activities in the market as participants returned from the Golden Week holiday to encounter limited availability with owners holding positions on the back of high bunker fuel prices. The healthy stream of inquiries, supported by solid global demand, steered rates to break the WS100 level during the first half of May. As the month progressed, the number of available VLCCs increased, moving gradually from 69 vessels in the 30 days from the start of May to 79 vessels at the end of the month. Freight rates remained steady in the second half after declining marginally as modest activities characterized the market with developments on the Middle East/westbound route supporting the market.

VLCC spot freight rates for the Middle East/westbound long haul route averaged WS68 indicating an increase of around 13% in May compared to the previous month. On an annual basis, VLCC spot freight rates indicated a y-o-y decline of 13% in this route. Increased tonnage demand from the USA supported the rates driven by refiners getting ready for the summer season. Additionally, increased floating storage appointments were noticed in the USA, driven by a mix of supply concerns and the contango price environment, which provided further support for freight rates. However, in West Africa, VLCC spot freight rates remained steady averaging WS74 in May. The decline of the Suezmax rates in West Africa halted the increase in VLCC rates, as both sectors are strongly connected in the region where cargo splits and co-loading are easily achieved, in addition to supply distortions that affected the region.

Suezmax spot freight rates for tankers moving from West Africa to the US Gulf Coast and from North-West Europe to the US East and Gulf Coasts decreased by 20% and 15% to average around WS107 and WS106 respectively, the lowest levels since August 2005. Compared to last year, Suezmax spot freight rates were 22-25% lower in May. The Suezmax market in May was characterized by limited activities and plenty of availability. Fear of unrest in West Africa and the planned maintenance in the North Sea as well as the expectation of lower Russian crude exports in June added to the modest activities and helped the tonnage list grow in both regions. The number of available vessels in the next 30 days in West Africa in May exceeded those in April by an average of 13 vessels around the end of the month.

Table 19: Spot tanker freight rates, Worldscale

	Size *1,000 DWT*	Mar 07	Apr 07	May 07	Change May/Apr
Crude					
Middle East/east	230-280	99	75	96	21
Middle East/west	270-285	73	60	68	8
West Africa/east	260	84	75	74	-1
West Africa/US Gulf Coast	130-135	117	134	107	-27
NW Europe/USEC - USGC	130-135	114	125	106	-19
Indonesia/US West Coast	80-85	126	162	148	-14
Caribbean/US East Coast	50-55	184	154	168	14
Mediterranean/Mediterranean	80-85	154	158	182	24
Mediterranean/North-West Europe	80-85	151	154	176	22
Products					
Middle East/east	30-35	184	175	191	15
Singapore/east	30-35	187	177	239	62
Caribbean/US Gulf Coast	38-40	356	311	290	-22
NW Europe/USEC - USGC	33-37	345	322	303	-18
Mediterranean/Mediterranean	30-35	275	284	299	15
Mediterranean/North-West Europe	30-35	285	294	309	15

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

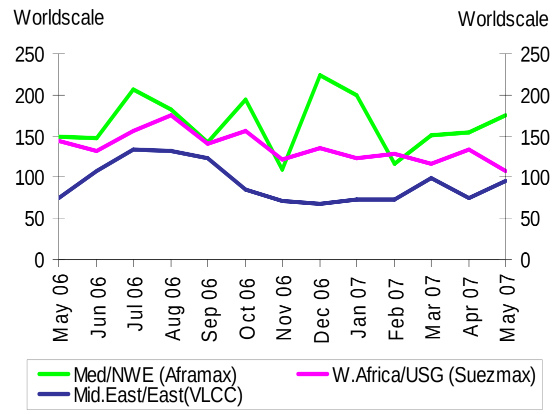
The Aframax sector saw freight rates rise on all reported routes with the exception of the Indonesia/US West Coast route, where rates fell by 9%. The minor drop in the only reported East of Suez Aframax rates started at the beginning of the month with limited activities as traders were away on holiday. The market remained steady in the east and picked up towards the end of the month with more activities and charterers starting to digest the fact that many Aframaxes will be drawn from the market as lightering activities increase in the USA. However, the arrival of various arbitrage ships with owners trying to secure employments added to the available tonnage list which remained healthy and the month closed on a negative mark. Rates on the Caribbean/US East Coast route gained around 9% with a steady stream of demand for tonnage moving toward the available vessel list and rates gaining some momentum. However, limited demand hit the market in the second half reducing rates. Although May closed with a positive note, annually rates indicated a y-o-y decline of 25%.

In the Mediterranean, Aframax rates increased around 14% in May with the month starting slow then activities increased sharply toward the end of the first half before falling to very low levels at the end of the May. A tight market with healthy level of activities raised rates which then declined on the back of limited activities at the end of May. Along with the monthly increase, Aframax rates from the Mediterranean achieved an annual average gain of 13%.

The clean tanker market showed a mixed pattern with rates recovering in the East and falling further to US destinations

The clean tanker market was mixed in May with East of Suez rebounding and bearish sentiments continuing to affect the Caribbean and NW Europe regions. May began with spot freight rates in the Middle East and Singapore in a steady mode yet activities began to pick up soon thereafter as traders returned from the holiday. Strong naphtha demand from the Middle East by petrochemical industries as well as more trans-pacific cargos to the US West Coast (gasoline/jet) added to the flurry of activities in the regions and helped put a positive spin on the rates in the first half of the month. Toward the end of May, activity levels eased with fewer trans-pacific shipments and less exports of jet fuel from South Korea due to a new taxation. Hence, Middle East/east spot freight rates for clean tankers increased 9% to reach the highest level in 2007, while Singapore/east rates increased 35%. However, both rates indicated an annual decline of around 33%.

Graph 24: Monthly averages of crude oil spot freight rates



In the Mediterranean, healthy demand and tight tonnage characterized the market at the end of May which led to a rise in freight rates. The market started the month with bearish sentiments of good tonnage availability and thin demand. Naphtha arbitrage from west to east added to the demand in addition to gasoline transfer to the USA. Accordingly, rates from the Mediterranean averaged 5% higher in May over the previous month reaching the highest level since February 2006. On an annual basis, May rates show a 22% increase from the previous year. Clean spot freight rates from NW Europe and the Caribbean to the USA experienced similar movements. May started with a decline in clean spot freight rates on the back of the imbalance between activity and availability levels. Rates then rose as market tightness prevailed on the back of more volumes to the USA. However, the increase was not enough to offset the initial decline hence rates closed the month with an average decline of around 6% from the previous month but an average annual increase of 18%.

Oil Trade

OECD total net oil imports in April increased 1%, driven mostly by net product imports

OECD

OECD crude oil imports remained steady in April compared to the previous month, according to estimated preliminary data. Japan's and South Korea's crude oil imports declined in April, although increased imports from the USA and other OECD countries including Europe offset this decrease. The refinery maintenance season in the East reduced imports while preparation for the summer season boosted inflows in the West. On an annual basis, OECD crude oil imports indicated a growth of 5.7%. OECD product imports rose around 1.5% in April from the previous month as product trade increased during the refinery maintenance period not to mention various arbitrage opportunities. Compared to a year earlier, product imports showed a gain of 0.48 mb/d.

Regarding exports, crude oil exports remained almost stable in April at nearly 7.1 mb/d while product exports edged down 1% to average 8.7 mb/d. Despite the monthly decline, on an annual basis, OECD product exports showed y-o-y growth of around 6%. Consequently, total OECD net oil imports remained steady edging up by less than 1% driven mainly by net product imports, indicating a y-o-y increase of more than 5%.

Table 20: OECD Crude and Product Net Imports/(Exports), tb/d

	Feb 07	Mar 07	Apr 07	Change Apr/Mar
Crude oil	21,697	24,038	24,029	-8
Total products	1,506	1,617	1,857	241
Total crude and products	**23,203**	**25,654**	**25,887**	**232**

Saudi Arabia and Russia remained the main suppliers of OECD crude oil with 13% each followed by Norway and Mexico with around 7% and 6% respectively. For products, Russia remained the main OECD supplier with around 9%.

US crude oil imports rose to 10.4 mb/d in May demonstrating y-o-y growth of 2%

Product imports surged 370,000 b/d to average 3.9 mb/d, a decrease of 50,000 b/d from the May 2006 level

USA

US oil imports remained strong in May, increasing by around 2.8% or 281,000 b/d from the previous month to average 10.4 mb/d, the highest level since September 2006. The increase of crude oil imports came on the back of refiners' preparation for the summer season. In addition, refinery utilization levels increased in May. Similarly, US product imports rose sharply by 10% from the previous month to average around 3.9 mb/d, the highest level since last August. Gasoline held the centre stage as imports increased to make up for declining stocks. Traders from various parts of the world secured gasoline or gasoline blending components to the USA to take advantage of various workable arbitrages. When compared to the same month last year, product imports declined by around 1.3%. While gasoline imports increased on an annual basis, distillate imports fell sharply and imports of jet fuel declined in May. Fuel oil stocks also declined, opening arbitrage from NW Europe at the end of the month.

Exports from the USA remained steady in May averaging around 1.2 mb/d for both crude oil and product exports. US exports have been hovering around 1.2 mb/d for the last four months, yet representing an annual decline of around 10% in May when compared to the previous year. Accordingly, US net oil imports increased around 5% or 650,000 b/d in May compared to the previous month averaging 13.1 mb/d, a level not seen since August 2006. Net product imports registered a 16% increase from the previous month averaging 2.7 mb/d and marking annual growth of 3.4% in May.

Table 21: USA Crude and Product Net Imports/(Exports), tb/d

	Mar 07	Apr 07	May 07	Change May/Apr
Crude oil	9,951	10,128	10,408	280
Total products	2,356	2,353	2,731	378
Total crude and products	**12,307**	**12,481**	**13,139**	**658**

Based on preliminary estimates, Canada and Mexico remained the main suppliers of US crude oil in May, accounting for more than 35% with individual shares of 21% and 16% respectively. Nigeria, Saudi Arabia and Venezuela followed with a share of around 13% each. It is estimated that OPEC countries have supplied the USA with more than 57% in May. Canada and the Virgin Islands remained the main product suppliers with a total of 24%, followed by Russia, Algeria and Venezuela with 7-8%.

Japan

Japan's May crude oil imports fell to their lowest level since October 2006 on the back of heavy refinery maintenance

According to preliminary data, Japan's crude oil imports continued to decrease for the second consecutive month to average 3.9 mb/d in May, representing a drop of 6% or 250,000 b/d from the previous month. Such low level of crude oil imports has not been seen since October 2006. On an annual basis, crude oil imports indicated a decline of 1.7% compared to a year earlier. In addition to demand-related factors, refinery utilization rates fell to one of their lowest levels, as refinery maintenance reached its heaviest level ahead of the summer. Product imports remained nearly stable at 0.54 mb/d in May with a minor decline of around 2%. Similarly, product imports remained steady compared to the same month last year with a decline of around 40,000 b/d. Naphtha imports are believed to be falling on the back of high prices and petrochemical plant maintenance while gasoline imports increased slightly in May.

Product exports edged down by 19,000 b/d to average 0.4 mb/d, steady from a year ago. Exports of distillates decreased on the back of reduced stocks while gasoline exports have gained slightly as market economics provided some opportunities to the US West Coast in May. Consequently, Japan's total crude oil and product net imports dropped almost 6% in May from the previous month to 4.0 mb/d and were 2.5% lower than a year earlier.

Table 22: Japan's Crude and Product Net Imports/(Exports), tb/d

	Mar 07	Apr 07	May 07	Change May/Apr
Crude oil	4,584	4,163	3,904	-258
Total products	51	136	141	5
Total crude and products	**4,635**	**4,299**	**4,046**	**-253**

Saudi Arabia returned as the top supplier of crude oil to Japan with around 28% followed by the UAE with 25%. Together Saudi Arabia and the UAE continue to supply more than 50% of Japan's crude requirements. Iran came next with 13% followed by Kuwait and Qatar. On the product side, UAE and Saudi Arabia remained the major product suppliers to Japan.

China

China's net oil imports in April increased 18% on an annual basis driven by record-high crude oil imports

China's crude oil imports surged 10.5% in April from the previous month reaching a new record of around 3.6 mb/d, according to preliminary data. On an annual basis, China's crude oil imports indicated annual growth of 23%, the highest growth since November 2006. While crude oil imports have fluctuated around an average of 3 mb/d in the past six months, the steady growth of refinery runs coupled with crude oil stock piling for the summer season all led to the realized increase in April's crude oil imports. Although refinery throughput increased on a daily basis in April by a marginal average of 1.6%, some refiners in China planned to increase crude runs in May. Accordingly, further crude oil imports in April are inevitable to prepare for the summer season, in addition to various reports of filling part of the SPR in China.

Product imports rose a further 24% or 213,000 b/d to average 1.1 mb/d, the highest level since last August, indicating a y-o-y growth of 6%. Despite the decline in China's imports of gasoil and other products, increased imports of fuel oil and bitumen offset the decrease in other products. The strong demand for straight run fuel oil by refiners and industrial and power generation plants pushed fuel oil imports higher with Russia taking South Korea's place as China's top supplier of fuel oil, despite the increase in production by Chinese refiners. It was also reported that imports of kerosene increased on the back of May Day holiday demand.

China's crude oil production experienced a minor decline in April, while crude oil exports increased 84,000 b/d to average 135,000 b/d, the highest level in 2007 so far, but still an annual decline of 16%. Product exports were steady in April with an increase of around 20,000 b/d. The slight rise in exports was due to the increase in naphtha exports. Further domestic production coupled with strong export margins, on the back of high international prices, as well as low internal prices all provided support for further naphtha exports. Gasoline exports (Singapore is reported to be the top receiver) were lower in April as production was lower and local markets absorbed more volumes, yet annually, exports of gasoline increased, mainly driven by refinery expansions. Jet fuel exports declined as well as gasoil exports as healthy local demand existed.

Table 23: China's Crude and Product Net Imports/(Exports), tb/d

	Feb 07	Mar 07	Apr 07	Change Apr/Mar
Crude oil	3,163	3,221	3,480	259
Total products	352	453	643	190
Total crude and products	**3,515**	**3,674**	**4,123**	**449**

Accordingly, China's net oil imports increased 12% in April with net crude oil imports reaching a new high of around 3.5 mb/d indicating a y-o-y growth of 25%, the highest level since last November. Saudi Arabia reclaimed the position of top crude oil supplier with 18% in April, while Angola held the second position with 15%. Iran came third with 13% followed by Oman and Russia. Crude oil supplies to China from African nations dropped in April on the back of higher prices compared to other available crude.

India

India's crude oil imports jumped to 2.5 mb/d; product exports increased by around 90% on an annual basis

In April, India's crude oil imports soared by around 15% or 300,000 b/d from the previous month to average 2.5 mb/d, the highest level in 2007 so far. According to preliminary data, India's crude oil imports in April indicated an annual increase of around 30% mainly due to the addition of further refining capacities. On the other hand, product imports remained steady with a marginal decline of 22,000 b/d to average 0.27 mb/d, the lowest level since May 2006. Imports of naphtha and kerosene were lower in April compared to the previous month, yet diesel imports increased in April as demand for the product surged.

Product exports increased by around 15% from the previous month to average around 680,000 b/d, with an increase in product exports of around 90% on an annual basis, a solid indication that India is achieving its goal to be a refining hub for the region. With India becoming a very important player in the product market, naphtha exports from India increased in April by more than 20%, as local domestic naphtha consumers, such as fertilizer and power generation plants, shifted away to a better economics fuel such as LPG. Jet fuel exports increased in April compared to the previous month as demand in the international market increased and various arbitrage opportunities have shifted volumes from various regions mainly toward West of Suez.

Table 24: India's Crude and Product Net Imports/(Exports), tb/d

	Feb 07	Mar 07	Apr 07	Change Apr/Mar
Crude oil	2,158	2,206	2,518	312
Total products	-235	-292	-404	-112
Total crude and products	**1,923**	**1,913**	**2,113**	**200**

As a result, India's net oil imports averaged 2.1 mb/d with an increase of 10% from the previous month, creating one of the highest levels of net imports in recent years in India. On an annual basis, net oil imports indicated a y-o-y growth of 10%, however, it is worth pointing out that product exports at that time were much lower than the current level, hence signifying the steps India has taken to become a refining hub.

Stock Movements

US commercial stocks continued to increase with crude oil showing a surplus of around 24 mb above the five-year average and gasoline stocks increasing for five straight weeks

USA

For the first time since the end of the third quarter 2006, both crude oil and product inventories rose at the same time. However, while crude oil stocks continued to build for the third consecutive month, products witnessed the first increase this year in May. As a result, total oil stocks rose 21.4 mb, the largest increase since last September, to stand at around 1,007 mb at the end of the month, the second highest level so far this year. Although representing a deficit of 28 mb from a year ago, stock levels stand 10 mb over the five-year average.

Crude oil inventories continued to hover along the upper end of the five-year range. Despite a small increase in the refining utilization rate, crude oil stocks rose 3.5 mb to 342.3 mb, the highest level since April 2006. This corresponds to a y-o-y increase of 1.7 mb and a surplus of 24 mb or 8% over the five-year average. The build in crude oil stocks was attributed essentially to the increase in imports, which surged by 280,000 b/d. On the product side, stocks jumped 18 mb, ending the month at nearly 665 mb. This substantial increase in product stocks was driven mainly by imports, which rose 370,000 b/d in May.

Gasoline stocks, which have been the main driver of the oil market, reversed the downward trend observed since last February and increased 4.9 mb to stand at 198 mb. The stock- builds would have been higher if refineries had not experienced a relatively high number of glitches. It is worth noting that gasoline stocks had been falling since the beginning of February — for 12 weeks in a row — before recovering in the first week of May and showing an upward trend. The significant increase in gasoline stocks came as a result of a surge in imports as the refinery utilization rate remained at around 90%, below the normal seasonal rate of 95% seen before hurricanes Katrina and Rita. Gasoline stocks are expected to recover further as a result of higher yields, strong margins and increasing imports supported by arbitrage opportunities. Nevertheless, unplanned shutdowns in refineries could remain an obstacle and hamper the continuous build in gasoline stocks displayed these recent weeks.

Following the same trend, distillate stocks increased 4.2 mb, the largest build since the end of the third quarter. Stocks remain at a comfortable level of 122.3 mb, representing a surplus of 6% compared with the five-year average. Jet fuel rose 1.2 mb to 41.1 mb, almost the same level as a year ago, whereas residual fuel dropped 3.7 mb to stand around 36 mb, following a decline in imports of around 100,000 b/d.

Table 25: US onland commercial petroleum stocks, mb

	Mar 07	Apr 07	May 07	Change May 07 /Apr 07	May 06	08-Jun-07 *
Crude oil	331.9	338.8	342.3	3.5	340.7	342.4
Gasoline	201.2	193.1	198.0	4.9	214.3	201.5
Distillate fuel	119.7	118.1	122.3	4.2	123.8	122.6
Residual fuel oil	39.1	39.7	35.9	-3.7	41.5	35.4
Jet fuel	40.1	39.9	41.1	1.2	40.9	42.0
Total	**988.2**	**985.8**	**1,007.2**	**21.4**	**1,035.4**	**1,007.9**
SPR	688.6	689.4	690.3	0.9	688.6	690.3

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

Source: US Department of Energy's Energy Information Administration.

Following a drop of 4 percentage points in the refining utilization rate, which remained below 90%, and lower imports of both crude oil and gasoline during the week ending 8 June, crude oil and gasoline commercial stocks remained almost unchanged from the previous week. Crude oil inventories inched up a marginal 0.1 mb to 342.4 mb, showing a deficit of just 3.3 mb or 0.8% over last year but they were 25 mb above the five-year average. However, gasoline stocks at 201.5 mb were still 10 mb below the lower end of the five-year average. In contrast, distillate inventories rose 0.3 mb to 122.6 mb, 5% above the five-year average. As a result, total commercial oil stocks stood at 1,007.9 mb, which corresponds to 21 mb above the five year-average.

EU-16 total commercial oil stocks hit a record-high of 1,169 mb, driven by a build in product stocks

Western Europe

EU-16 (Eur-15 plus Norway) total commercial oil stocks increased a further 4.4 mb in May to hit an all-time high of 1,169 mb. Inventories remained above the upper five year range for the third straight month. Compared to the same period last year, stocks showed a surplus of 17 mb and were 66 mb above the five-year average. The build in stocks was driven by products which rose sharply while crude stocks showed a marginal decline. The increase in the refining utilization rate of more than two percentage points resulted in a drop of 0.9 mb or 30,000 b/d in crude oil stocks which ended the month at nearly 481 mb, up 10 mb above the five-year average. Compared to the previous year, crude oil stocks showed a deficit of 17 mb as levels were extremely high the year before. In contrast to crude oil, product inventories continued to build up for the third consecutive month, standing 34 mb over the previous year and 57 mb over the five-year average. Meanwhile, product stocks hit a nine-year high of 688 mb. Distillates were the main contributor to the increase after rising more than 5 mb to an all time high of nearly 410 mb, which corresponds to 25 mb above last year. Similarly, residual fuel oil stocks rose 3.3 mb to 116 mb, the highest level since January.

Table 26: Western Europe's oil stocks, mb

	Mar 07	Apr 07	May 07	Change May 07/Apr 07	May 06
Crude oil	470.1	481.4	480.5	-0.9	497.8
Mogas	140.3	136.7	134.3	-2.3	130.5
Naphtha	27.3	29.0	28.2	-0.9	27.7
Middle distillates	398.6	404.6	409.9	5.3	385.1
Fuel oils	114.1	112.8	116.0	3.3	110.7
Total products	680.3	683.1	688.4	5.3	654.0
Total	**1,150.4**	**1,164.5**	**1,168.9**	**4.4**	**1,151.8**

Source: Argus, Euroilstock.

Contrary to distillates and residual fuel oil, gasoline and naphtha stocks fell 2.3 mb and 0.9 mb to stand at 134.3 mb and 28.2 mb respectively. Nevertheless, despite the decline, both gasoline and naphtha stocks remained higher than their corresponding levels last year. The modest increase in the refining utilization rate did not help gasoline stocks to increase because increasing exports to the USA were due to higher arbitrage opportunities. Nevertheless, a significant increase in the refinery utilization rate from the low level of 84% displayed in May, combined with the maximization of production of gasoline due to attractive margins and export opportunities to the USA, could push both European Union and US gasoline stocks higher in order to cope with seasonal US demand.

Japan's total commercial oil stocks dropped 9 mb in April with crude oil accounting for more than 80% of the draw, although preliminary data show a recovery for May

Japan

Japan's total commercial oil inventories dropped 9.3 mb or 5% in April to stand at 176 mb, almost 5% below the year-ago level. However, despite this decline, stocks remained around 4% above the five-year average. Crude oil was the main contributor to the decline with 7.6 mb, offsetting the increase displayed in the previous month. At 104 mb, crude oil stocks showed a draw of 10 mb from a year earlier but remained at the same level compared with the five-year average. Even the drop in the refining utilization rate, which went below 84% due to maintenance, did not help stocks to build due to the huge decline in imports which fell 420,000 b/d.

With ongoing heavy refining maintenance, product stocks continued to decline from the extremely high levels reached during the third and fourth quarters. Despite a draw of 1.8 mb to 71.9 mb, product stocks remained at the same level as last year which corresponds to the upper end of the five year average. Compared with the five-year average, product stocks in April of this year showed a surplus of 9 mb or 14%. By product, gasoline and distillate stocks fell by around 0.6 mb each to stand at 13.6 mb and 27.6 mb respectively. Naphtha stocks dropped 0.6 mb to 11.3 mb while residual fuel oil inched up 0.1 mb to 19.5 mb.

Table 27: Japan's commercial oil stocks*, mb

	Feb 07	Mar 07	Apr 07	Change Apr 07/Mar 07	Apr 06
Crude oil	103.9	111.5	103.9	-7.6	113.5
Gasoline	14.3	14.2	13.6	-0.6	14.1
Naphtha	11.3	11.8	11.3	-0.6	13.9
Middle distillates	36.0	28.3	27.6	-0.7	25.2
Residual fuel oil	20.0	19.3	19.5	0.1	18.9
Total products	81.6	73.7	71.9	-1.8	72.1
Total**	**185.5**	**185.2**	**175.9**	**-9.3**	**185.6**

* *At end of month.*

** *Includes crude oil and main products only.*

Source: METI, Japan.

Preliminary data from PAJ showed that total Japanese commercial stocks have increased by around 5.3 mb between the end of April and the beginning of June with crude oil rising by 4 mb as refinery runs declined sharply due to heavy maintenance.

Balance of Supply and Demand

Demand for OPEC crude in 2006 estimated at 30.8 mb/d; OPEC production averaged 30.9 mb/d

Estimate for 2006

The demand for OPEC crude in 2006 is estimated to average 30.76 mb/d. On a quarterly basis, the estimate shows that demand for OPEC crude was 31.53 mb/d, 29.84 mb/d, 30.51 mb/d and 31.17 mb/d respectively. According to secondary sources, total OPEC crude capacity was 34.8 mb/d at the end of 2006, up from 33.8 mb/d at the end of 2005.

Table 28: Summarized supply/demand balance for 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006
(a) World Oil Demand	**83.35**	**84.88**	**83.12**	**84.08**	**85.19**	**84.32**
Non-OPEC Supply	49.01	49.34	49.21	49.38	49.95	49.47
OPEC NGLs and non-conventionals	4.08	4.01	4.07	4.19	4.07	4.09
(b) Total Supply excluding OPEC Crude	**53.08**	**53.35**	**53.28**	**53.56**	**54.02**	**53.55**
Difference (a-b)	**30.26**	**31.53**	**29.84**	**30.51**	**31.17**	**30.76**
OPEC crude oil production (1)	31.11	31.10	30.89	31.13	30.45	30.89
Balance	0.85	-0.44	1.05	0.61	-0.73	0.13

(1) Selected secondary sources.
Totals may not add due to independent rounding.

Demand for OPEC crude is expected at 30.6 mb/d in 2007

Forecast for 2007

The demand for OPEC crude in 2007 is expected to average 30.56 mb/d, representing a slight decline of 0.21 mb/d from the previous year. On a quarterly basis, the forecast shows that demand for OPEC crude is expected at 31.11 mb/d, 29.49 mb/d, 30.64 mb/d and 30.98 mb/d respectively.

Table 29: Summarized supply/demand balance for 2007, mb/d

	2006	1Q07	2Q07	3Q07	4Q07	2007
(a) World Oil Demand	**84.32**	**85.65**	**84.19**	**85.58**	**87.00**	**85.61**
Non-OPEC Supply	49.47	50.27	50.30	50.46	51.39	50.61
OPEC NGLs and non-conventionals	4.09	4.26	4.40	4.48	4.62	4.44
(b) Total Supply excluding OPEC Crude	**53.55**	**54.53**	**54.70**	**54.94**	**56.01**	**55.05**
Difference (a-b)	**30.76**	**31.11**	**29.49**	**30.64**	**30.98**	**30.56**
OPEC crude oil production (1)	30.89	29.98				
Balance	0.13	-1.13				

(1) Selected secondary sources.

Graph 25: Balance of supply and demand

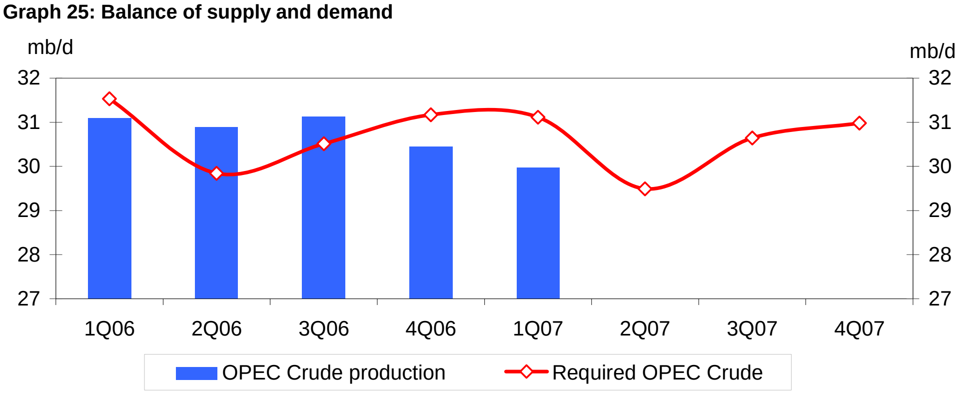


Table 30: World oil demand/supply balance, mb/d

	2002	2003	2004	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
World demand														
OECD	47.9	48.6	49.3	49.6	50.3	48.0	48.9	49.7	49.2	49.7	48.1	49.1	50.3	49.3
North America	24.1	24.5	25.4	25.5	25.2	25.1	25.5	25.4	25.3	25.7	25.2	25.6	25.8	25.6
Western Europe	15.3	15.4	15.5	15.5	15.8	15.1	15.5	15.6	15.5	15.1	15.1	15.6	15.7	15.4
Pacific	8.5	8.6	8.5	8.6	9.3	7.9	7.9	8.8	8.5	8.9	7.8	7.9	8.8	8.3
DCs	20.3	20.6	21.7	22.5	22.9	23.3	23.3	23.5	23.2	23.6	23.8	24.0	24.1	23.9
FSU	3.7	3.8	3.8	3.8	3.7	3.6	3.8	4.2	3.8	3.8	3.5	3.8	4.3	3.9
Other Europe	0.8	0.8	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9
China	5.0	5.6	6.5	6.5	7.1	7.3	7.2	6.9	7.1	7.5	7.9	7.8	7.4	7.6
(a) Total world demand	77.8	79.3	82.3	83.3	84.9	83.1	84.1	85.2	84.3	85.6	84.2	85.6	87.0	85.6
Non-OPEC supply														
OECD	21.9	21.7	21.3	20.5	20.4	20.0	20.0	20.3	20.2	20.3	20.3	20.2	20.7	20.4
North America	14.5	14.6	14.6	14.1	14.2	14.2	14.3	14.3	14.2	14.3	14.4	14.4	14.6	14.4
Western Europe	6.7	6.4	6.2	5.8	5.7	5.3	5.1	5.4	5.4	5.4	5.3	5.2	5.4	5.3
Pacific	0.8	0.7	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6
DCs	10.6	10.8	11.0	11.3	11.5	11.5	11.5	11.6	11.5	11.6	11.6	11.8	12.0	11.8
FSU	9.3	10.3	11.1	11.5	11.7	12.0	12.1	12.3	12.0	12.5	12.6	12.7	12.8	12.6
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
China	3.4	3.4	3.5	3.6	3.7	3.7	3.7	3.6	3.7	3.7	3.7	3.7	3.8	3.7
Processing gains	1.7	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Total non-OPEC supply	47.2	48.1	49.0	49.0	49.3	49.2	49.4	49.9	49.5	50.3	50.3	50.5	51.4	50.6
OPEC NGLs + non-conventional oils	3.6	3.7	4.0	4.1	4.0	4.1	4.2	4.1	4.1	4.3	4.4	4.5	4.6	4.4
(b) Total non-OPEC supply and OPEC NGLs	50.8	51.8	53.0	53.1	53.3	53.3	53.6	54.0	53.6	54.5	54.7	54.9	56.0	55.1
OPEC crude oil production (secondary sources)	26.2	27.8	30.0	31.1	31.1	30.9	31.1	30.4	30.9	30.0				
Total supply	77.0	79.6	83.0	84.2	84.4	84.2	84.7	84.5	84.4	84.5				
Balance (stock change and miscellaneous)	-0.8	0.3	0.8	0.9	-0.4	1.1	0.6	-0.7	0.1	-1.1				
OECD closing stock levels (*mb*)														
Commercial	2478	2517	2547	2597	2597	2657	2766	2684	2684	2597				
SPR	1347	1411	1450	1487	1487	1493	1495	1499	1499	1503				
Total	3825	3928	3997	4083	4084	4150	4261	4183	4183	4099				
Oil-on-water	815	882	905	958	960	968	964	908	908	917				
Days of forward consumption in OECD														
Commercial onland stocks	51	51	51	53	54	54	56	54	54	54				
SPR	28	29	29	30	31	31	30	30	30	31				
Total	79	80	81	83	85	85	86	84	85	85				
Memo items														
FSU net exports	5.6	6.5	7.3	7.7	8.0	8.4	8.3	8.1	8.2	8.7	9.1	8.8	8.5	8.8
(a) - (b)	27.0	27.6	29.3	30.3	31.5	29.8	30.5	31.2	30.8	31.1	29.5	30.6	31.0	30.6

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

Table 31: World oil demand/supply balance: changes from last month's table † , mb/d

	2002	2003	2004	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
World demand														
OECD	-	-	-	-	-	-	-	-	-	-0.2	-	-	0.1	-
North America	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.2	0.3	0.2
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	-
North America	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-0.1	-
Western Europe	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-0.1	-	-	-0.1	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-0.1	-	-	-0.1	-	-0.1	-0.1	-0.1
OPEC NGLs + non-conventionals	-	-	-	-	-0.2	-0.2	-0.1	-0.3	-0.2	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-0.1	-0.1	-0.2	-0.3	-0.2	-0.2	0.1	-	-0.1	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-	-				
Total supply	-	-	-	-	-0.1	-0.1	-0.2	-0.3	-0.2	-0.2				
Balance (stock change and miscellaneous)	-	-	-	-	-0.2	-0.3	-0.4	-0.5	-0.3	-0.3				
OECD closing stock levels (*mb*)														
Commercial	-	-	-	-	-	-	-	-	-	-4				
SPR	-	-	-	-	-	-	-	-	-	2				
Total	-	-	-	-	-	-	-	-	-	-2				
Oil-on-water	-	-	-	1	-	-	-	-	-	-				
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-	-	-	-				
SPR	-	-	-	-	-	-	-	-	-	-				
Total	-	-	-	-	-	-	-	-	-	-				
Memo items														
FSU net exports	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1
(a) - (b)	-	-	-	-	0.2	0.3	0.4	0.5	0.3	0.2	0.1	0.2	0.4	0.2

† *This compares Table 30 in this issue of the MOMR with Table 30 in the May 2007 issue.*
This table shows only where changes have occurred.

Table 32: OECD oil stocks and oil on water at the end of period

	2001	2002	2003	2004	2005	2006	4Q03	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07
Closing stock levels mb																				
OECD onland commercial	2,630	2,478	2,517	2,547	2,597	2,684	2,517	2,465	2,545	2,581	2,547	2,543	2,623	2,638	2,597	2,597	2,657	2,766	2,684	2,597
North America	1,262	1,175	1,161	1,193	1,257	1,276	1,161	1,145	1,193	1,206	1,193	1,201	1,275	1,254	1,257	1,239	1,276	1,347	1,276	1,228
Western Europe	925	895	922	924	944	980	922	919	933	945	924	952	925	952	944	949	945	961	980	952
OECD Pacific	443	408	435	430	395	428	435	400	420	430	430	389	422	432	395	409	436	459	428	416
OECD SPR	1,288	1,347	1,411	1,450	1,487	1,499	1,411	1,423	1,429	1,435	1,450	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,503
North America	552	601	640	678	687	691	640	654	664	672	678	690	698	696	687	688	690	690	691	691
Western Europe	356	357	374	377	407	412	374	371	366	367	377	376	401	405	407	407	411	412	412	415
OECD Pacific	380	389	396	396	393	396	396	398	398	396	396	396	395	393	393	392	393	393	396	397
OECD total	3,918	3,825	3,928	3,997	4,083	4,183	3,928	3,888	3,974	4,016	3,997	4,005	4,116	4,132	4,083	4,084	4,150	4,261	4,183	4,099
Oil-on-water	830	815	882	905	958	908	882	906	891	894	905	934	931	926	958	960	968	964	908	917
Days of forward consumption in OECD																				
OECD onland commercial	55	51	51	51	53	54	50	51	52	51	50	52	53	53	52	54	54	56	54	54
North America	52	48	46	47	50	50	46	46	47	47	47	47	50	49	50	49	50	53	51	49
Western Europe	60	58	60	60	61	64	59	61	60	60	59	63	59	61	60	63	61	62	65	63
OECD Pacific	52	47	51	50	47	51	47	51	52	49	46	48	52	49	43	52	55	52	48	54
OECD SPR	27	28	29	29	30	30	28	30	29	29	29	30	30	30	30	31	31	30	30	31
North America	23	25	25	27	27	27	25	26	26	26	26	27	27	27	27	27	27	27	27	27
Western Europe	23	23	24	24	26	27	24	25	24	23	24	25	26	26	26	27	27	26	27	27
OECD Pacific	45	45	47	46	46	48	43	50	49	45	42	49	49	45	42	50	50	45	45	51
OECD total	82	79	80	81	83	85	79	81	81	80	79	82	84	83	81	85	85	86	84	85

Table 33: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2002	2003	2004	2005	Change 05/04	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
USA	8.04	7.82	7.65	7.34	-0.31	7.20	7.37	7.47	7.49	7.38	0.04	7.46	7.50	7.38	7.52	7.47	0.08
Canada	2.84	2.98	3.07	3.03	-0.04	3.19	3.03	3.16	3.30	3.17	0.14	3.30	3.22	3.30	3.40	3.31	0.14
Mexico	3.59	3.80	3.83	3.77	-0.07	3.79	3.78	3.70	3.51	3.69	-0.08	3.58	3.67	3.72	3.69	3.66	-0.03
North America	14.48	14.60	14.56	14.14	-0.42	14.18	14.18	14.32	14.30	14.24	0.10	14.34	14.40	14.40	14.61	14.44	0.20
Norway	3.33	3.26	3.19	2.97	-0.22	2.93	2.70	2.73	2.76	2.78	-0.19	2.72	2.63	2.60	2.71	2.67	-0.11
UK	2.52	2.33	2.10	1.88	-0.22	1.89	1.73	1.49	1.71	1.70	-0.18	1.75	1.75	1.65	1.81	1.74	0.04
Denmark	0.37	0.37	0.39	0.38	-0.01	0.36	0.35	0.32	0.34	0.34	-0.04	0.32	0.31	0.27	0.29	0.30	-0.04
Other Western Europe	0.44	0.47	0.51	0.54	0.03	0.55	0.56	0.54	0.57	0.55	0.02	0.64	0.63	0.63	0.63	0.63	0.08
Western Europe	6.67	6.43	6.19	5.77	-0.42	5.73	5.33	5.08	5.39	5.38	-0.39	5.42	5.33	5.16	5.45	5.34	-0.04
Australia	0.70	0.60	0.52	0.53	0.01	0.43	0.44	0.59	0.56	0.51	-0.02	0.51	0.53	0.58	0.57	0.55	0.04
Other Pacific	0.06	0.06	0.05	0.05	0.00	0.06	0.05	0.05	0.05	0.05	0.00	0.06	0.05	0.07	0.09	0.07	0.02
OECD Pacific	0.77	0.66	0.57	0.58	0.01	0.49	0.50	0.65	0.61	0.56	-0.02	0.57	0.59	0.66	0.66	0.62	0.06
Total OECD	21.92	21.68	21.32	20.48	-0.83	20.39	20.01	20.05	20.29	20.18	-0.30	20.33	20.31	20.22	20.72	20.40	0.21
Brunei	0.20	0.21	0.21	0.21	0.00	0.23	0.21	0.22	0.22	0.22	0.01	0.20	0.21	0.21	0.21	0.21	-0.01
India	0.78	0.79	0.79	0.76	-0.04	0.78	0.79	0.76	0.81	0.78	0.02	0.81	0.77	0.79	0.79	0.79	0.01
Malaysia	0.76	0.78	0.79	0.77	-0.03	0.77	0.71	0.75	0.78	0.75	-0.01	0.76	0.76	0.79	0.85	0.79	0.03
Vietnam	0.34	0.35	0.40	0.38	-0.02	0.38	0.37	0.37	0.36	0.37	-0.01	0.37	0.36	0.41	0.42	0.39	0.02
Asia others	0.37	0.41	0.43	0.53	0.10	0.56	0.56	0.56	0.56	0.56	0.03	0.58	0.58	0.58	0.60	0.59	0.03
Other Asia	2.45	2.53	2.63	2.65	0.02	2.72	2.64	2.67	2.72	2.69	0.04	2.72	2.68	2.78	2.86	2.76	0.07
Argentina	0.84	0.84	0.80	0.77	-0.02	0.76	0.78	0.79	0.77	0.77	0.00	0.77	0.76	0.75	0.74	0.76	-0.02
Brazil	1.72	1.80	1.79	1.99	0.20	2.07	2.08	2.10	2.15	2.10	0.11	2.15	2.17	2.22	2.35	2.23	0.13
Colombia	0.58	0.55	0.53	0.53	0.00	0.55	0.56	0.54	0.53	0.54	0.02	0.54	0.55	0.55	0.55	0.55	0.00
Ecuador	0.38	0.41	0.51	0.54	0.02	0.55	0.55	0.55	0.52	0.54	0.00	0.50	0.52	0.52	0.51	0.51	-0.03
Trinidad & Tobago	0.15	0.17	0.16	0.18	0.02	0.19	0.18	0.19	0.18	0.19	0.01	0.18	0.18	0.18	0.18	0.18	-0.01
L. America others	0.24	0.26	0.26	0.29	0.02	0.28	0.30	0.31	0.30	0.30	0.01	0.30	0.30	0.30	0.30	0.30	0.00
Latin America	3.92	4.02	4.06	4.30	0.24	4.40	4.45	4.46	4.46	4.44	0.15	4.44	4.48	4.52	4.63	4.52	0.07
Bahrain	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.20	0.21	0.21	0.00	0.20	0.20	0.20	0.20	0.20	0.00
Oman	0.90	0.82	0.79	0.78	0.00	0.77	0.76	0.75	0.75	0.76	-0.03	0.73	0.73	0.73	0.73	0.73	-0.03
Syria	0.55	0.53	0.50	0.46	-0.04	0.44	0.42	0.41	0.40	0.42	-0.04	0.39	0.39	0.38	0.38	0.38	-0.03
Yemen	0.46	0.44	0.42	0.42	0.00	0.40	0.39	0.38	0.38	0.39	-0.03	0.38	0.39	0.38	0.37	0.38	-0.01
Middle East	2.12	2.01	1.92	1.87	-0.05	1.82	1.78	1.75	1.74	1.77	-0.10	1.70	1.70	1.69	1.68	1.69	-0.08
Chad	0.00	0.02	0.16	0.18	0.02	0.18	0.18	0.18	0.18	0.18	0.00	0.18	0.18	0.18	0.18	0.18	0.00
Congo	0.26	0.26	0.24	0.24	0.00	0.25	0.25	0.25	0.25	0.25	0.01	0.25	0.25	0.27	0.27	0.26	0.01
Egypt	0.75	0.75	0.71	0.70	-0.01	0.69	0.68	0.66	0.66	0.67	-0.02	0.66	0.66	0.66	0.66	0.66	-0.01
Equatorial Guinea	0.20	0.24	0.34	0.36	0.02	0.37	0.37	0.37	0.37	0.37	0.01	0.39	0.38	0.39	0.40	0.39	0.02
Gabon	0.29	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.25	0.24	0.24	0.24	0.24	-0.01
South Africa	0.19	0.20	0.22	0.20	-0.02	0.20	0.20	0.20	0.20	0.20	-0.01	0.19	0.19	0.19	0.19	0.19	-0.01
Sudan	0.24	0.27	0.30	0.34	0.04	0.35	0.36	0.40	0.50	0.40	0.07	0.51	0.53	0.55	0.54	0.53	0.13
Africa other	0.20	0.20	0.21	0.25	0.04	0.30	0.33	0.32	0.32	0.32	0.07	0.35	0.35	0.35	0.40	0.36	0.04
Africa	2.13	2.19	2.43	2.52	0.08	2.59	2.62	2.63	2.73	2.64	0.12	2.77	2.77	2.82	2.86	2.81	0.17
Total DCs	10.62	10.75	11.03	11.33	0.30	11.52	11.49	11.50	11.65	11.54	0.21	11.62	11.64	11.80	12.03	11.77	0.23
FSU	9.33	10.28	11.14	11.55	0.40	11.67	11.97	12.13	12.30	12.02	0.47	12.50	12.60	12.67	12.80	12.64	0.62
Russia	7.62	8.46	9.19	9.44	0.25	9.48	9.63	9.72	9.76	9.65	0.21	9.87	9.87	9.92	9.95	9.90	0.25
Kazakhstan	0.94	1.03	1.18	1.23	0.05	1.22	1.31	1.31	1.37	1.30	0.07	1.35	1.40	1.36	1.46	1.39	0.09
Azerbaijan	0.31	0.31	0.31	0.44	0.13	0.56	0.61	0.68	0.75	0.65	0.21	0.85	0.90	0.95	0.96	0.92	0.27
FSU others	0.45	0.47	0.47	0.44	-0.03	0.41	0.42	0.41	0.42	0.42	-0.02	0.43	0.43	0.43	0.43	0.43	0.01
Other Europe	0.18	0.17	0.17	0.16	-0.01	0.15	0.15	0.15	0.15	0.15	-0.01	0.15	0.15	0.15	0.15	0.15	0.00
China	3.39	3.41	3.49	3.62	0.13	3.68	3.70	3.67	3.64	3.67	0.06	3.75	3.70	3.73	3.76	3.73	0.06
Non-OPEC production	45.43	46.29	47.15	47.14	-0.01	47.42	47.32	47.50	48.03	47.57	0.42	48.35	48.40	48.56	49.46	48.70	1.13
Processing gains	1.73	1.80	1.83	1.86	0.03	1.92	1.89	1.88	1.92	1.90	0.04	1.92	1.90	1.90	1.93	1.91	0.01
Non-OPEC supply	47.16	48.09	48.98	49.01	0.03	49.34	49.21	49.38	49.95	49.47	0.46	50.27	50.30	50.46	51.39	50.61	1.14
OPEC NGL	3.42	3.57	3.85	3.92	0.07	3.88	3.95	4.03	3.92	3.95	0.02	4.18	4.31	4.40	4.54	4.36	0.41
OPEC Non-conventional	0.18	0.14	0.17	0.16	-0.01	0.13	0.12	0.15	0.15	0.14	-0.02	0.08	0.08	0.08	0.08	0.08	-0.06
OPEC (NGL+NCF)	3.60	3.71	4.02	4.08	0.06	4.01	4.07	4.19	4.07	4.09	0.01	4.26	4.40	4.48	4.62	4.44	0.35
Non-OPEC & OPEC (NGL+NCF)	50.76	51.80	53.00	53.08	0.08	53.35	53.28	53.56	54.02	53.55	0.47	54.53	54.70	54.94	56.01	55.05	1.50

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

Table 34: World Rig Count

	2002	2003	2004	Change 04/03	1Q 05	2Q 05	3Q 05	4Q 05	2005	Change 05/04	1Q 06	2Q 06	3Q 06	4Q 06	2006	Change 06/05	1Q 07	Apr07	May07	Change May/Apr07
USA	831	1,032	1,190	158	1,279	1,336	1,419	1,478	1,378	188	1,519	1,632	1,719	1,719	1,648	270	1,733	1,751	1,748	-3
Canada	266	372	369	-3	620	241	527	572	490	121	665	282	494	440	470	-20	532	101	107	6
Mexico	65	92	110	18	114	116	104	93	107	-3	85	85	77	84	83	-24	90	85	88	3
North America	1,162	1,496	1,669	173	2,013	1,693	2,050	2,143	1,975	306	2,269	1,999	2,290	2,243	2,200	225	2,355	1,937	1,943	6
Norway	19	19	17	-2	15	18	19	17	17	0	19	20	16	9	16	-1	16	23	22	-1
UK	26	20	16	-4	16	22	23	24	21	5	29	27	26	15	24	3	25	32	31	-1
Western Europe	85	78	65	-13	56	67	68	68	65	0	77	78	73	65	73	8	72	84	85	1
OECD Pacific	17	18	22	4	24	25	27	24	25	3	25	28	25	28	27	2	24	32	29	-3
Total OECD	1,264	1,592	1,755	163	2,093	1,785	2,146	2,234	2,065	310	2,371	2,105	2,389	2,336	2,300	235	2,450	2,053	2,057	4
Other Asia	111	117	126	9	133	140	146	148	142	16	153	150	156	152	153	11	158	158	155	-3
Latin America	106	116	126	10	133	138	141	151	141	15	149	162	164	165	160	19	195	185	184	-1
Middle East	62	70	70	0	69	71	73	75	72	2	72	79	82	85	80	8	82	84	86	2
Africa	39	43	51	8	56	56	51	57	54	3	59	62	68	77	67	13	75	75	82	7
Total DCs	317	346	376	30	390	405	411	431	409	33	433	453	470	479	459	50	510	502	507	5
Non-OPEC Rig Count	1,581	1,938	2,131	193	2,483	2,192	2,560	2,667	2,477	346	2,806	2,560	2,861	2,818	2,761	284	2,963	2,557	2,566	9
Algeria	20	20	19	-1	20	21	22	21	21	2	21	21	28	27	24	3	25	25	25	0
Angola	5	4	3	-1	3	3	3	2	3	0	4	4	4	4	4	1	5	5	4	-1
Indonesia	46	45	49	4	53	53	55	59	54	5	55	43	46	52	49	-5	49	51	58	7
Iran	34	35	41	6	42	41	39	38	40	-1	40	45	47	45	44	4	51	51	51	0
Iraq	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Kuwait	6	5	10	5	12	13	11	14	12	2	12	13	14	15	14	2	14	11	12	1
Libya	10	10	10	0	10	9	8	8	9	-1	9	9	10	12	10	1	13	11	12	1
Nigeria	12	10	8	-2	9	9	9	8	9	1	10	9	10	10	10	1	8	7	7	0
Qatar	13	8	9	1	10	13	12	12	12	3	13	10	11	9	11	-1	11	10	13	3
Saudi Arabia	32	32	32	0	33	34	37	43	36	4	54	60	70	76	65	29	76	73	78	5
UAE	16	16	16	0	16	16	16	16	16	0	17	16	16	16	16	0	14	14	15	1
Venezuela	42	37	55	18	66	72	66	70	67	12	78	83	85	77	81	14	76	79	78	-1
OPEC Rig Count	236	222	252	30	274	284	278	291	279	27	313	313	341	341	327	48	342	337	353	16
Worldwid Rig Count*	1,817	2,160	2,383	223	2,757	2,476	2,838	2,958	2,756	373	3,119	2,873	3,202	3,159	3,088	332	3,305	2,894	2,919	25
of which:																				
Oil	758	816	877	61	961	870	990	1,015	959	82	1,069	1,060	1,169	1,156	1,114	155	1,266	1,126	1,139	13
Gas	1,042	1,326	1,486	157	1,774	1,583	1,823	1,928	1,777	291	2,035	1,802	2,016	1,983	1,959	182	2,017	1,751	1,753	2
Others	17	18	20	2	22	22	25	17	22	2	14	13	18	21	16	-6	20	17	18	1

**/Excludes China and FSU.*

na - Not available.

Source: Baker Hughes International & Secretariat's Estimates.

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

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Data is provided by Data Services Department.

Data Summary June 2007

OPEC Basket average price

US$ per barrel

↑ *up 0.97 in May*

May 2007	***64.36***
April 2007	*63.39*
Year-to-date	*58.31*

May OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.35*	*Iraq*	*2.02*	*Qatar*	*0.80*
Angola	*1.61*	*Kuwait*	*2.42*	*Saudi Arabia*	*8.54*
Indonesia	*0.85*	*SP Libyan AJ*	*1.69*	*UAE*	*2.53*
IR Iran	*3.84*	*Nigeria*	*1.99*	*Venezuela*	*2.39*
				TOTAL	***30.03***

Supply and demand

in million barrels per day

2006		***2007***	
World demand	*84.3*	*World demand*	*85.6*
Non-OPEC supply	*53.6*	*Non-OPEC supply*	*55.1*
Difference	***30.8***	***Difference***	***30.6***

Non-OPEC supply includes OPEC NGLs and non-conventional oils.
Totals may not add due to independent rounding.

Stocks

Total OECD stocks rose 9.9 mb in April to stand 57 mb above the five-year average. In the USA, commercial oil stocks increased by 21.4 mb in May.

World economy

World GDP revised up to 4.9% in 2007.

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Next report to be issued on 16 July 2007.

Data covers period up to the end of May 2007 unless otherwise stated.