OPEC

Organization of the Petroleum Exporting Countries

# Monthly Oil Market Report

## *June 2008*

*Feature Article:*
***Oil market outlook for second half of 2008***




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# Oil Market Highlights

- Market volatility was dominated by a number a factors in May, primarily speculative pressure, fluctuations in the US dollar and geopolitical concerns. A strike by port workers in France disrupting petroleum shipments and outages in West Africa further supported the bullish market momentum. Fear over tight supplies of light-end products amid persistent low refinery run rates kept alertness in place. Nonetheless, higher OPEC output and a move by Asian countries to reduced subsidies maintained some bearish sentiment. In monthly terms, the Basket reached a record-high of $119.39/b in May for a gain of $14.23 or 13.5%. In the first two weeks of June, the market came under pressure from fund sell-offs amid CFTC investigations. However, the start of the Atlantic hurricane season, low natural gas storage levels and speculative price projections by investment banks revived market bullishness. The fear premium was boosted by the threat of conflict in the Middle East triggering another wave of fund inflows in the futures market. The Basket surged to a record high of $130.87/b on 9 June before declining to stand at $129.77/b on 12 June.

- World economic growth is forecast at 3.9% in 2008, unchanged from the previous month. Following a stronger-than-expected performance in the first quarter, forecasts for the Euro-zone and the USA have been revised up slightly by 0.1% to 1.2% and 1.7%, respectively. Japanese growth is unchanged at 1.4%. US payrolls in May fell for the fifth month, as job losses rose by 49,000 and the unemployment rate surged 0.5% to 5.5%. The ISM services index remained above 50 for the second month, indicating that the bulk of the economy was still growing, albeit at a reduced rate, but manufacturing continued to contract. The dollar recovered from April lows but remained volatile at the start of June, as the US Federal Reserve signaled clearly that the monetary easing cycle was at an end, and the European Central Bank prepared the ground for a possible hike in July. Attention turned decidedly to the need for anchoring inflationary expectations. Inflation remains the main concern worldwide, fed by uninterrupted hikes in food and energy prices. India’s growth forecast was lowered to 7.6%, while China remains unchanged at 9.7% and Russia’s growth forecast was lifted 0.3 percentage points to 7.3%.

- Consumption of winter products declined in the first quarter of 2008 in the OECD as a result of the below-normal winter temperatures. In addition, demand for transport fuel (mainly gasoline) in the OECD in general but particularly the US did not grow as expected as a result of slow economic activity and current oil prices. Growth in the other OECD regions was not enough to offset the decline in oil demand in the US in the first five months of 2008. The slowing US economy and the current price environment will affect oil demand not only in the US but also across the OECD in the second half of this year. In contrast, emerging economies are expected to show healthy growth in oil demand for the rest of the year. Despite the recent removal of price subsidies in some Asian countries, non OECD demand is expected to partially offset the decline in the US, Europe, and the Pacific. As a result, demand is forecast to grow by 1.1 mb/d in 2008 to average 86.9 mb/d, a reduction of 60 tb/d from last month’s forecast.

- Non-OPEC supply in 2008 is expected to grow by 0.7 mb/d to reach 50.1 mb/d, a downward revision of around 50 tb/d compared with last month’s assessment. Downward revisions made to UK, Australia, Sudan and Kazakhstan were partially offset by upward adjustments made to USA, Argentina and Russia. OPEC NGLs and non-conventional oils in 2008 are expected to grow at 0.5 mb/d to reach 4.9 mb/d. In May, OPEC crude oil production averaged 32.2 mb/d, an increase of 343 tb/d from the previous month, with production in Saudi Arabia and Iraq witnessing significant increases.

- Irregular circumstances in the crude market overshadowed positive developments in the product markets, undermining refining margins in Europe and Asia. The continuing volatile sentiment of the oil market along with slowing gasoline demand, particularly in the US, may also cap the seasonal bullish developments in the product markets and exert further pressure on the refining economics in the future. However, unplanned refinery outages due to a potentially active hurricane season could change the current prospects of the product markets lifting product and crude prices as well as refining margins.

- OPEC spot fixtures dropped 0.6 mb/d in May to average 13.46 mb/d, which corresponds to two-thirds of total spot fixtures. Similarly, OPEC sailings fell a minor 0.21 mb/d to 23.25 mb/d, partially due to the refinery maintenance season. The tanker market sentiment remained bullish in May due to tonnage tightness which caused spot freight rates to increase on all reported routes in an unseasonal trend. The highest gain was observed in VLCCs trading between the Middle East and the East with an increase of more than 60% in spot freight rates from the previous month.

- US commercial oil stocks dropped 4 mb in May due to a draw of more than 19 mb on crude oil inventories and a build of 15 mb in products. At nearly 306 mb, crude oil stocks are near the five-year average despite the drop which was driven by low imports following delays in the US Gulf Coast. Gasoline stocks remained within the range while distillate inventories continued to improve to approach the five-year average. In EU-15 plus Norway, total oil inventories followed their seasonal trend, jumping 15 mb to remain within the upper end of the five-year range at end-May. However, total inventories in Japan recovered further in April before surging 14 mb in May to move within the five-year range, according to preliminary estimates.

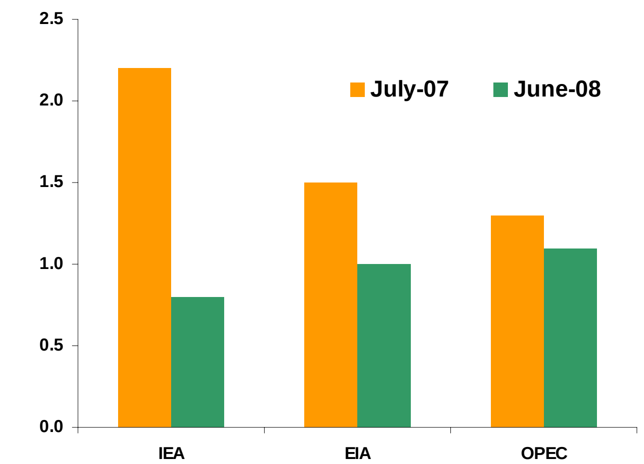
- The demand for OPEC crude in 2007 is estimated to average 32.0 mb/d, an increase of 260 tb/d over the previous year. In 2008, the demand for OPEC crude is expected to average 31.8 mb/d or 130 tb/d lower than in the previous year.

# Oil market outlook for second half of 2008

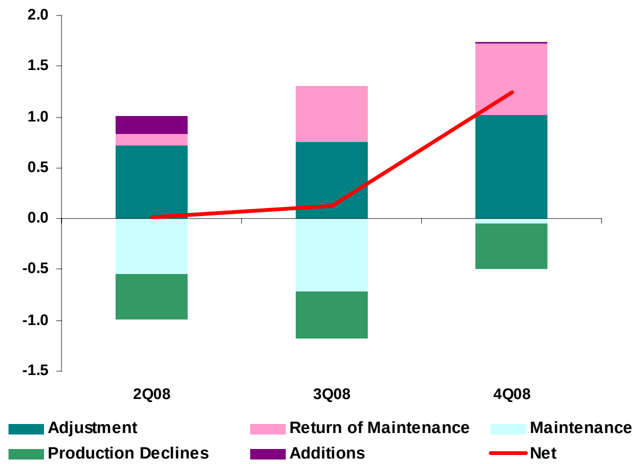
- Oil prices experienced a record jump of nearly $11/b on 6 June to reach a new all-time high of almost $140/b, driven upward by speculative pressure and geopolitical concerns. This large increase came after prices had fallen by around $10/b since mid-May. The decline was due mainly to the strengthening of the US dollar combined with lower demand expectations especially in the US. In the absence of any change in fundamentals, this strong volatility reconfirms the view that current price levels do not reflect supply and demand realities but are strongly influenced by future market activities and the prevailing bullish sentiment. A review of prospects for the remainder of the year also shows little support for prices to remain at current levels.

- After a stronger-than-expected first quarter, world economic growth prospects for the rest of the year have softened, particularly in OECD regions. Despite some easing in financial market conditions, credit remains tight for both consumers and corporations. In the US, recent economic indicators point to a slowdown in economic activity amidst a continued deep recession in the housing sector and weakening labour markets. With confidence at a 16-year low, consumer spending is expected to slow despite a temporary boost from the fiscal stimulus package. Emerging market economies remain resilient, although rising inflationary pressures are a concern, driven by a combination of high commodity and food prices, strong domestic demand and credit growth. Tighter monetary policies in Asia are expected to put pressure on growth in the second half of 2008. As a result, growth rates should slow somewhat compared to levels seen in past years.

***Graph 1: Revision in world oil demand growth forecasts (mb/d)***




***Graph 2: Non-OPEC supply forecast, quarterly change from 1Q08 (mb/d)***




- These economic developments combined with the current oil price levels are beginning to have an effect on oil demand growth not only in the US but also across the OECD countries. First-quarter data of OECD show a decline of around 700, 000 b/d compared to the same period last year. In contrast, China, the Middle East, Latin America, and India have seen healthy demand growth, which should continue over the remainder of the year. Despite the recent removal of price subsidies in Asia, non-OECD is still expected to partially offset the decline in oil demand growth in the US, Europe, and the Pacific. Following sharp downward revisions by key institutions, forecasts for demand growth now stand within a relatively small range of 300,000 b/d indicating a general convergence of projections for world oil demand growth (*see **Graph 1***).

- The forecast for non-OPEC supply has experienced a downward revision of about 300,000 b/d since the initial projection in July 2007 to currently stand at 0.7 mb/d. Reasons behind these revisions were project delays due to the almost doubling of upstream costs as well as technical problems, higher taxes and environmental concerns. Other contributing factors include strikes by oil workers, extensive maintenance in Western Europe, the sluggish performance in Russia over the first five months of this year and the continuous steep declines in Mexico's Cantarell field (*see **Graph 2***). Moreover, risks to the forecast are on the downside and come from several factors including an active hurricane season, unexpected technical problems and the potential for a heavier-than-expected maintenance schedule.

- The combined downward revisions to the forecasts for world oil demand and non-OPEC supply have resulted in only a slight change in the demand for OPEC crude since the initial forecast. Currently, our forecast for the demand for OPEC crude in 2008 stands at 31.8 mb/d, even higher than other major forecasts but still below current OPEC production at 32.2 mb/d. Moreover, expected higher oil exports from OPEC as well as the planned halt in the filling of the US Strategic Petroleum Reserve should help to increase excess supply and further build commercial inventories.

- In fact, current production levels combined with additional supply of 300,000 b/d as of June from Saudi Arabia should lead to a higher-than-normal stock-build in the third quarter and a contra-seasonal increase in the fourth. This clearly demonstrates that the market is amply supplied and that claims that the recent surge in prices is due to a supply shortage are unjustified. The reasons behind the recent run up in prices will be the focus of discussions at the high-level meeting of producers, consumers and other stakeholders in Jeddah on 22 June.

**Caracas, Venezuela** **21 May 2008**

## OPEC Secretary General visits Venezuela

Abdalla Salem El-Badri, OPEC Secretary General, who is currently on a week long working visit to the two OPEC Member Countries in Latin America, the Bolivarian Republic of Venezuela and Republic of Ecuador, was on Tuesday granted audience by President Hugo Chavez Frias, in Caracas. The meeting covered a number of topics, including the current oil market situation, the positive relationship between Venezuela and the OPEC Secretariat, and a follow up on some of the issues contained in the three Declarations of OPEC Heads of State and Government which were adopted in Algiers (1975), Caracas, (2000) and Riyadh (2007).

President Chavez Frias commended El-Badri for his contribution to the development of OPEC from his days as Libya's Oil Minister to Secretary General. He reiterated the need for greater cooperation among OPEC Member countries in other areas like technology, industry and finance, emphasizing that ´´our Member Countries need to go beyond bilateral cooperation to a multilateral framework.´´ He assured El-Badri of the continuous support of Venezuela to OPEC.

Responding to the remarks of the President, El-Badri said that the crude oil market remains well supplied with OECD stocks increasing above their five year average. The Secretary General expressed concern about the volatility that has characterized the market in recent times, noting that non-fundamentals are now the major drivers of the market. While assuring that OPEC will continue to strive to bring stability to the oil market, he also called on other stakeholders in the industry - consumers, producers, investors - to cooperate to find a lasting solution to the volatility.

Earlier in the day, Mr. El-Badri and his team met with the Minister of Energy and Petroleum/ President of PDVSA, Rafael Ramirez, and some of his top officials where they discussed the current oil market situation, data collection from Member Countries, and a number of other issues relating to the Organization.

The two parties reiterated the commitment of OPEC to working for the stability of the international oil market, noting that the current high oil prices are not influenced by market fundamentals, as the market is well supplied. They stressed that OPEC will continue to monitor global oil markets regularly and is ready to act if and when necessary to ensure market stability and adequate supplies.

The Secretary General also visited INTEVEP PDVSA, the centre of research of PDVSA as well as the Orinoco project.

Mr. El-Badri will be visiting Ecuador from Wednesday 21 May to Sunday 25 May 2008.

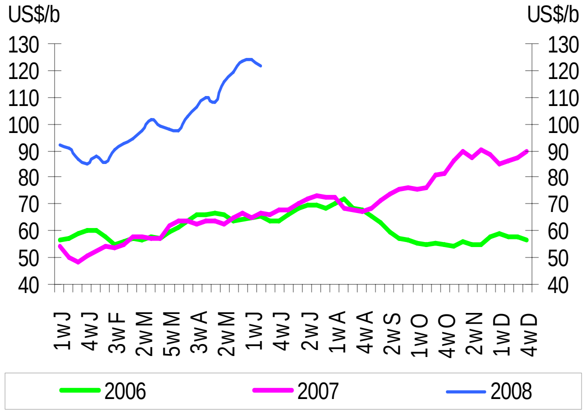
# Crude Oil Price Movements

**Low light-end products and geopolitical concern offset higher OPEC exports**

***OPEC Reference Basket***

The first few days in the month emerged in a volatile note as supply from West Africa was restored while the US dollar recovery prompted slower investment in the petroleum futures market. Nonetheless, the fluctuation of the US dollar and another supply disruption from West Africa and geopolitical developments in the Middle East revived market volatility and the fear premium inflated further. Thus, in the first week, the Basket averaged $7.29/b or 6.7% higher to settle at $115.63/b, setting a record of over $119/b. In the second week, slower imports from China were seen denting demand sending a bearish signal to the marketplace. However, the momentum was short-lived amid escalated tensions in the Middle East while low European distillates supported refining margins enhancing crude oil procurement and lifting prices higher. A prolonged strike by port workers in France disrupted petroleum shipments pressuring the alternative sources and adding to the bullish momentum. The Basket averaged almost 3% or $3.45/b higher to settle at $119.08/b.

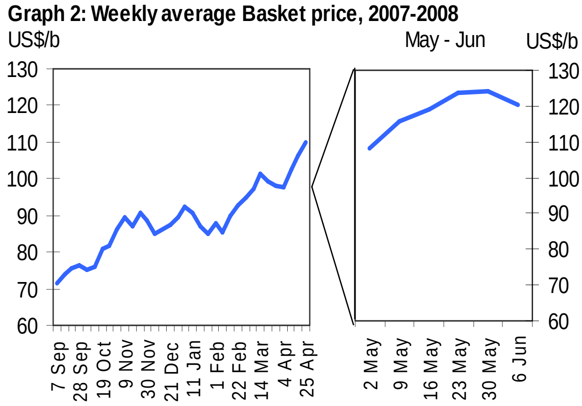
**Graph 1: OPEC Reference Basket - weekly spot crude**




The bullish momentum was sustained into the third week with the fluctuation of the US dollar dominating volatility. Fear over tight light-end products amid persistent low refinery run rates maintained the bullish market sentiment. The Basket peaked to an all-time high of $127.59/b; however, higher OPEC output calmed the market. The Basket surged $4.65/b or nearly 4% on the week to average at a new record of $123.73/b. In the fourth week, the market was poised by a rebound in the US dollar exchange rate amid the perception that reduced fuel subsidies in Asia might dent demand growth in the developing countries. Continued higher OPEC exports added calmness in the marketplace. Thus, the Basket dropped to $121.68/b to average the week 57¢ higher at $124.30/b.

On a monthly basis, fluctuations in the US dollar and supply disruptions from West Africa dominated market volatility. Geopolitical developments in the Middle East along with a strike by port workers in France disrupted petroleum shipments and supported the bullish market momentum. Fear over tight light-end products amid persistent low refinery run rates kept alertness in place. Nonetheless, lower subsidies in Asia maintained the bearish market sentiment to some extent. Moreover, higher OPEC supply added to market calmness. The Basket averaged in May at a record of $119.39/b for a gain of $14.23/b or 13.5%. In the first two weeks of June, the market came under pressure with the liquidation of futures positions amid recent CFTC investigations. Nonetheless, a looming tropical storm in the Atlantic reviving fear over potential infrastructure disruption amid depleting natural gas underground storages sent its futures to the highest level since December 2005 reviving market bullishness. The fear premium was boosted by the threat of a conflict in the Middle East alerting concerns over supply disruption. The Basket surged to a record-high of $130.87/b on 9 June before declining to stand at $129.77/b on 12 June.

**Graph 2: Weekly average Basket price, 2007-2008**

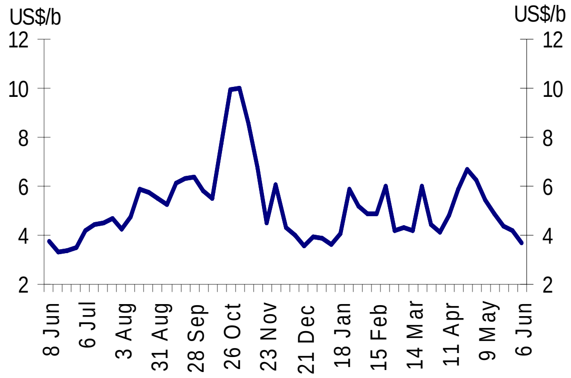


**Narrowed trans-Atlantic spread and lower refinery run rates supported light grade firmness**

### *US market*

The US domestic market emerged under pressure by slower buying interest while the narrowing transatlantic spread underpinned light grades on depleting summer fuels. The return of some refineries from maintenance amid limited rival grade flows supported the light grade to firm with the WTI/WTS spread averaging in the first week 83¢ lower to stand at $5.42/b. In the second week, the widening transatlantic spread was seen pressuring sweet crude while refinery outages alerted concern over tight summer fuel supply at the start of the driving season later in the month. The WTI/WTS spread averaged 55¢ narrower at $4.87/b. The increased flow of rival crude amid the widened transatlantic arbitrage window with refinery run rates remaining low balanced market sentiment. Nonetheless, concern over seasonal fuel supply persisted. The WTI/WTS spread averaged $4.38/b or 49¢ narrower in the third week. Gasoline refining margins strengthened as the effect of the driving season begins to show. The narrowing of the transatlantic spread also lent support to the light grade. Higher refinery run rates and falling gasoline stocks added to the bullish market momentum. The WTI/WTS spread narrowed by 22¢ to $4.16/b. In May WTI averaged $125.66/b for a gain of $13/b with the premium to WTS averaging 65¢ narrower at $4.87/b.

**Graph 3: WTI spread to WTS, 2007-2008**

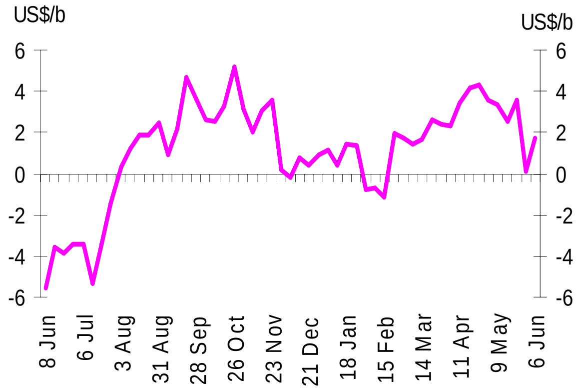



**Prompt demand and eastward flow of some regional stems supported firmness**

### *North Sea market*

The North Sea market emerged on a soft note amid the end of an eight-day strike that shut down ExxonMobil Nigeria's production and as workers returned to the Grangemouth refinery in Scotland. Easing refining margins prompted buyers on the sidelines while the focus shifted to the new June loading programme. In the first week, Brent discount to WTI averaged 23¢ narrower at $3.36/b after peaking to $5.18/b earlier in the month. The weak sentiment continued with the front-month swap flipping into contango as indicator of prompt supplies. However, the clearing of some Forties cargoes later in the week supported the North Sea grade. The Brent discount to WTI narrowed 84¢/b to average $2.52/b in the second week. The sentiment firmed into the third week amid strong demand for distillate-rich crude and depleting stocks, although the remaining prompt June stems pressured the North Sea grade. Brent discount to WTI was $1.08/b wider at $3.60/b. In the final week, the sentiment was firmer on tight supply amid clearing of prompt stems. Flow of some regional barrels to Asia also supported market bullishness. Brent was almost in parity to WTI when it averaged a marginal 8¢ lower. In May Brent averaged $123.05/b for a gain of $14.08/b or almost 13% higher with the discount to WTI narrowing $2.61/b or $1.06.

**Graph 4: WTI premium to Dated Brent, 2007-2008**




**Ample supply and weaker refinery margins maintained the bearish market sentiment**

### *Mediterranean market*

Urals crude market emerged in the month on a steady note following a buying spree by a regional major, although firm demand for light sweet crude prevented the sour grade from rallying further. Urals discount to Brent averaged in the first week a marginal 6¢ narrower at $3.73/b. Ample supply pressured the grade to a two-year low with Brent premium to Urals at $4.14/b for a gain of 41¢ after peaking to $4.22/b later in the week. Higher outright prices and prompt supply inspired procurement of the sour grade in the third week. A strike by port workers in France halted petroleum shipments boosting alternatives. Urals discount to WTI was $3.66/b on average, or 48¢

firmer. In the final week, uncertainty over market direction pressured the grade. Lower OSP by a Mediterranean major also kept the sour grade under pressure. Urals discount to Brent widened 80¢ to $4.46/b. The monthly average for Urals was $119.10/b representing a gain of $13.30 or well over 12%, with the discount to Brent averaging 72¢ wider at $3.94/b.

### *Middle Eastern market*

**Stronger middle distillate crack spread supported Mideast crude**

The market was foreseen to kick July trade at a premium on the back of strong refining margins for middle distillates. Nonetheless, the high OSP was seen pressuring the grade, yet the closed arbitrage window supported the Middle East grade to remain firm. The Brent/Dubai spread widened 73¢ to average $5.13/b in the first week. Continued healthier gasoil crack spread and limited arbitrage economics kept the market firm. Nonetheless, the weak naphtha market dampening the condensate value pressured Middle East crude market. Moreover, the offer of rival Russian Vityaz crude for the first time this year added to market softness. The Dubai discount to Brent narrowed $1.80/b to $3.33/b adding to market weakness in the second week. Higher allocations from the Middle East to Asian customers, a drop in the fuel oil crack spread and slower demand from the East kept market sentiment calm. In the third week, the narrowing of the Brent/Dubai spread by 35¢ to $2.98/b added to market bearishness. Demand for middle distillates was seen to be fading as Japan experienced higher than normal temperatures, weakening market sentiment. Unsold prompt July stems added to the bearish market momentum. The Brent/Dubai spread widened by $2.47/b to $5.45/b limiting the eastward flow of arbitrage barrels, while the high OSP kept pressure on the Middle East market. In May, Dubai averaged $118.90/b for a rise of $15.50 or 15% higher with the discount to Brent $1.37/b narrower at $4.19/b.

**Graph 5: Dated Brent spread to Dubai, 2007-2008**

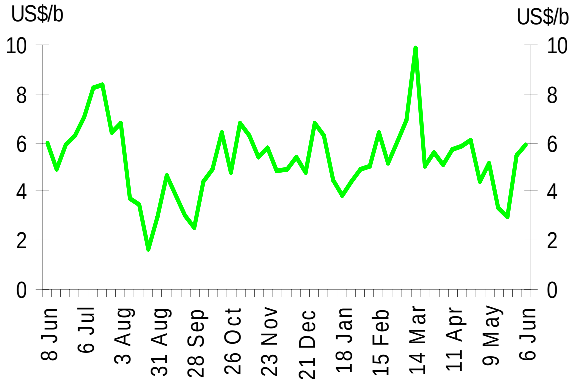


**Table 1: OPEC Reference Basket and selected crudes, US$/b**

| | Apr 08 | May 08 | Change May/Apr | Year-to-Date 2007 | Year-to-Date 2008 |
|---|---|---|---|---|---|
| **OPEC Reference Basket** | **105.16** | **119.39** | **14.23** | **58.43** | **100.63** |
| Arab Light | 106.05 | 120.59 | 14.54 | 58.08 | 101.31 |
| Basrah Light | 103.28 | 116.35 | 13.07 | 55.32 | 98.27 |
| BCF-17 | 94.10 | 106.20 | 12.10 | 50.41 | 90.18 |
| Bonny Light | 112.52 | 126.55 | 14.03 | 64.11 | 107.63 |
| Es Sider | 108.42 | 122.50 | 14.08 | 60.14 | 104.03 |
| Girassol | 107.38 | 121.76 | 14.38 | 59.87 | 102.39 |
| Iran Heavy | 102.23 | 116.47 | 14.24 | 56.10 | 98.16 |
| Kuwait Export | 101.25 | 115.79 | 14.54 | 56.05 | 97.32 |
| Marine | 104.30 | 119.27 | 14.97 | 59.62 | 100.08 |
| Minas | 109.02 | 126.50 | 17.48 | 62.72 | 106.33 |
| Murban | 109.44 | 124.84 | 15.40 | 63.39 | 104.68 |
| Oriente | 98.06 | 111.25 | 13.19 | 51.83 | 92.21 |
| Saharan Blend | 111.57 | 125.15 | 13.58 | 63.93 | 106.65 |
| **Other Crudes** | | | | | |
| Dubai | 103.41 | 118.86 | 15.45 | 59.00 | 99.28 |
| Isthmus | 106.60 | 120.43 | 13.83 | 56.08 | 101.16 |
| T.J. Light | 103.29 | 116.45 | 13.16 | 54.35 | 98.12 |
| Brent | 108.97 | 123.05 | 14.08 | 61.65 | 104.62 |
| W Texas Intermediate | 112.64 | 125.66 | 13.02 | 60.29 | 106.50 |
| **Differentials** | | | | | |
| WTI/Brent | 3.67 | 2.61 | -1.06 | -1.36 | 1.88 |
| Brent/Dubai | 5.56 | 4.19 | -1.37 | 2.65 | 5.34 |

Note: Effective 19th of October 2007, the Ecuadorian crude Oriente has been incorporated in the OPEC Reference Basket.
The revised monthly OPEC Basket is:
October 2007: US$ 79.32
November 2007: US$ 88.84
December 2007: US$ 87.05
Year 2007: US$ 69.08

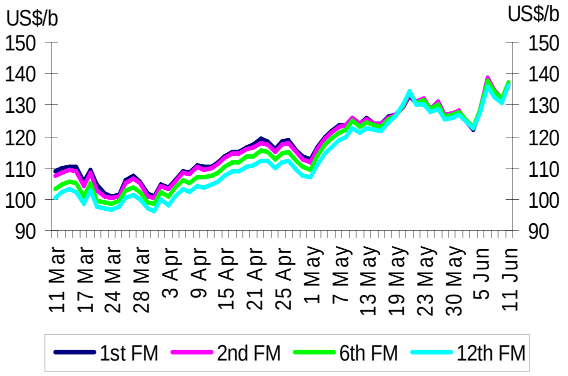
*Source: Platt's, Direct Communication and Secretariat's assessments.*

# The Oil Futures Market

**Geopolitics along with the weak US dollar and speculative price forecasts kept alertness in the marketplace, while expectations of softening demand growth from Asia kept a cap on the oil futures market**

Crude oil futures remained volatile in the first week of May amid the Fed's Reserve interest rate cut which helped the US dollar to rebound against major currencies, yet a further potential rate was expected to lead to a downturn in economic growth, while crude oil stock-builds calmed market sentiment. However, the sentiment was short-lived with the dollar losing ground, geopolitical developments in the Middle East and West Africa, and a forecast by Goldman Sachs for prices to rally to $150/b inspired more speculative investment in energy futures. Nymex WTI front-month contracts surged $6.21/b or 5.4% over the weekly period to close at $121.84/b, while the weekly average was down by 63¢ to $116.82/b. The CFTC reported in the first weekly period that non-commercial net longs were 9,900 lots higher at 63,200. Open interest volume was almost 57,000 lots higher at 1,422,400. With options included, open interest volume gained 135,100 lots to 3,036,000.

**Graph 6: Nymex WTI futures prices,2008**




FM = future month

In the second weekly period, the upward momentum continued with non-commercial positions increasing the net longs amid depleting the shorts while raising the longs by net of 8,500 lots to 71,800. Open interest volume was 54,600 contracts wider at 1,477,000. Including options, open interest volume was inflated by 113,700 lots to a record of 3,159,000. Nymex crude oil futures were boosted by geopolitics, and a port workers' strike in France and the shut-down of production at BP's 0.4 mb/d Alaska's Prudhoe Bay refinery due to power outages added to supply fears. Concerns over transportation fuels added to the bullish market momentum. Nymex WTI front-month contracts closed the week $3.96/b or 3.3% higher at $125.80/b to average the weekly period up $7.82/b or nearly 7% at $124.64/b.

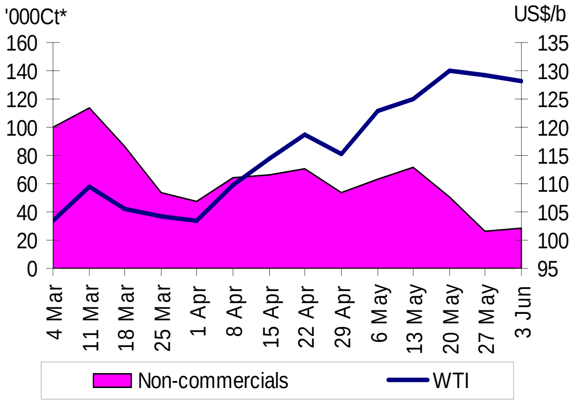
In the third weekly period, although calmness in the Mideast geopolitics and a rebound in the US dollar inspired investors away from the energy market, another speculative report by Goldman Sachs and BP Capital ignited market jitteriness. Fund sell-offs for profit-taking failed to deter the upward market trend. Nymex front-month contracts rallied on the week by $3.27/b or 2.6% to settle at $129.07/b with the weekly period averaging $1.51/b higher at $126.15/b. The CFTC reported that non-commercials have liquidated their net longs by a significant 21,500 lots to 50,230 amid hefty depleting of long positions. Open interest was down by a significant 120,350 contracts to 1,356,700. With options included, open interest volume experienced a record-high weekly drop of 376,500 lots to 2,773,100.

In the fourth weekly period, the CFTC reported that non-commercials continued to draw down positions amid hefty liquidation of longs at a much faster rate than the shorts, dropping 24,400 lots to 25,900, the lowest level since August. Open interest volume was down by 17,800 contracts to 1,338,900. Nonetheless, Nymex front-month contracts surged to a new record of $133/b to average the weekly period at $131.26/b for a gain of $5.11/b or over 4%, but they closed the period 22¢ down at $128.85/b. Bullish US petroleum data along with a port workers' strike in France weighed on fund sell-offs for profit-taking, together with a momentary rebound in the US dollar and weak demand outlook on slower subsidies from Asian nations.

In the final days of the month, higher OPEC exports, the perception of weaker demand growth and fund sell-offs for profit-taking were capped by the volatile US dollar, supply disruptions from West Africa and another speculative forecast from Morgan Stanley that crude oil prices could easily reach $150/b.

In monthly terms, Nymex WTI front month contract averaged $125.46/b for a gain of almost $13/b or well over 11%. A series of geopolitical factors from the Middle East, West Africa, Europe and South America kept jitteriness in place. Fluctuations of the US dollar dominated market volatility along with speculative forecasts by major investment banks for even higher crude oil prices. Nonetheless, the non-commercial net long positions fell nearly 7,700 lots in May to 52,800, but were still 1,700 higher than last year. In contrast, open interest was 11,100 contracts higher at 1,398,700, a gain of almost 16,000 lots over last year. With options included, open interest volume averaged at a record of 2,937,800 lots in May, an increase of 32,400 over April and 614,300 over last year.

**Graph 7: Non-commercial net long positions vs WTI, 2008**



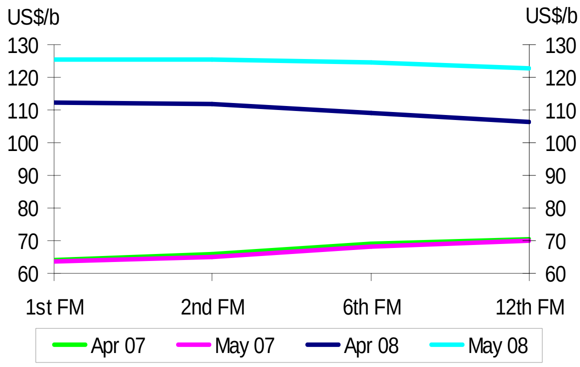

NC = Non-commercials: funds, investments and banks.
Ct = *Each contract is 1,000 barrels.

## *The Forward Structure*

**The forward structure eased due to lower refinery procurement and higher OPEC exports**

The forward structure eased in May, flipping into slight contango in the last decade. The 1st/2nd month spread average was 15¢/b in backwardation for a drop of 52¢ from April. The 1st/6th, 1st/12th and 1st/18th month backwardation averaged $1.09/b, $2.54/b and $3.61/b for a drop of $2.12/b, $3.54/b and $4.41/b respectively. In May 2007, the 1st/2nd, 1st/6th, 1st/12th, and 1st/18th month spreads were in contango of $1.43/b, $4.46/b, $6.39/b and $6.99/b respectively. Despite the recent depletion in US crude oil stocks by an accumulated 19 mb, the weekly average in May was 1.6 mb higher at 318 mb. Although 24.4 mb lower than last year, US crude oil stocks were above the five-year average. Higher OPEC exports continued to keep the structure at ease along with healthy gasoline inventory levels.

**Graph 8: Nymex WTI forward curve**




FM = future month

# Commodity Markets

**Commodity prices were boosted by 7% in May on crude oil and natural gas prices**

### *Trends in selected commodity markets*

**According to the IMF the total commodity index increased by 7.4% in May m-o-m, which was entirely due to the rally seen in the crude oil and natural gas markets that resulted in an 11.3% monthly growth in the energy sector. By contrast, non-fuel prices declined by 0.8% in May compared to the previous month.** Again, estimates of the World Bank for non-energy commodity price differ somewhat from those of the IMF, displaying a 0.35% rise in April from the previous month, which is due to the inclusion of **fertilizer prices** which are not considered within the IMF non-energy price index (*see* ***Table 2***). Although fertilizers recorded lower growth than in the previous month (17.3%), the 12.50% growth rate in May is still respectable. This was due to the expansion of crop plantations in the Northern Hemisphere, capacity constraints, export taxes in China and higher crude oil prices.

The IMF energy commodity index (crude oil, natural gas and coal) grew further in May by 11.3% m-o-m, the highest monthly rate since April 2006 and 85% higher than a year ago.

**The crude oil prices index provided by the IMF overcame all records in May jumping by 12.6% m-o-m, the highest increase since June 2005 and 88.6% above a year ago.**

The US natural gas price continued growing by 10.7% compared to 8.2% in April m-o-m, reaching an average price of $11.12/mbtu which is 47.5% higher than a year ago. This development is essentially explained by record crude oil prices which were not counterbalanced by bearish factors such as quick storage refilling, greater drilling activity and weaker demand owing to warmer weather. Falling LNG imports also contributed to a bullish US gas market.

**Table 2: Monthly changes in selected commodity prices, 2007-2008**

| | % Change | | | % Change |
|---|---|---|---|---|
| | Mar/Feb | Apr/Mar | May/Apr | May 08/May 07 |
| Commodity | 5.8 | 4.6 | 7.4 | 56.9 |
| Non-Fuel | 3.8 | -0.3 | -0.8 | 15.5 |
| Energy | 6.8 | 7.1 | 11.3 | 85.8 |
| Crude | 8.6 | 7.1 | 12.6 | 88.6 |
| Natural Gas | 10.1 | 8.2 | 10.7 | 47.5 |
| Gold* | 5.0 | -6.1 | 0.3 | 36.8 |
| Food | 4.2 | -0.6 | 0.5 | 44.3 |
| Corn | 6.3 | 5.5 | -1.3 | 55.6 |
| Soybean oil | 1.0 | -2.2 | 3.0 | 76.0 |
| Soybeans | -4.3 | -1.2 | -1.6 | 62.2 |
| Wheat | 3.5 | -17.6 | -9.2 | 68.0 |
| Industrial metals | 5.4 | -1.1 | -4.3 | -7.3 |
| Aluminium | 8.2 | -1.5 | -2.0 | 3.7 |
| Copper | 6.2 | 3.3 | -4.1 | 8.8 |
| Nickel | 10.8 | -7.4 | -10.8 | -50.5 |
| Zinc | 2.1 | -9.3 | -4.4 | -43.4 |
| Lead | -2.5 | -5.9 | -21.8 | 5.2 |
| Fertilizers** | 27.5 | 17.3 | 12.5 | na |

*Sources: IMF; Estimations based on data provided by the IMF.*
** Kitco*
*** NEW World Bank commodity price indices for low and middle income countries (2000 = 100).*
*na = Not available.*

**Industrial metal prices underperformed the rest of commodities in May**

**The performance of non-fuel prices worsened in May with negative growth of 0.8% prompted by a further decline in industrial metals, and still low growth in the food price index according to the IMF. The drop in the non-fuel prices index is milder when fertilizer prices are included.**

**Industrial metal prices saw further negative growth of 4.3% m-o-m in May**, caused by similar factors as in the previous month such as growing inventories, temporary weaker Chinese physical demand due to destocking by semi-fabricators and the still ongoing uncertain macro-economic context and global demand. The solution of the strike at copper mines in Chile also added to the outcome.

**Lead prices** plunged 20.8% in May on a combination of very high stocks, weaker demand and growing production and secondary supply.

**Nickel prices** dropped further by 10.8% caused by the disappointing demand from the steel production especially in China and expectations of greater production for next year. Paradoxically LME stocks dropped by 6% in May to 48,522 tonnes.

**Zinc** fell by a milder 4.4% in May compared to 9.3% in April, supported by the shutting of smelting capacity due to the earthquake in China and some strikes in Namibia. Nevertheless, bearish factors remain such as rising LME inventories, falling zinc premiums both in the US and Europe and expected important growth in the next two years.

**Copper prices** declined sharply by 4.1% in May due to the end of the strike at Codelco in Chile, and a rise in LME stocks of 16,000 tonnes to 126,000 tonnes in May m-o-m. This was the first time during this year that LME stocks began to rise, although a lower rate of decline of LME inventories was reported last month. Estimates by the International Copper Study group which suggests that there is an 85,000 tonnes surplus in 2008 along with the decline in market premiums in various regions such as the US and China might suggest that the front end of the copper curve has appreciated. The three-month cash spread remains still in backwardation but the threat of persistent supply disruptions has not materialised into a shortage of refined materials. Therefore, LME copper cash prices may continue dipping below $8,000/t in the near term. Nevertheless, other analysts argue that the problems represented by recent power shortages are far from being overcome which, together which the escalating energy price, give structural support to copper and other metal prices.

**Aluminum prices** undertook a similar negative growth (2%) in May relative to the previous month. A fall in cash prices occurred at the beginning of May due to the dollar strengthening but a rebounding took place later on to stay near 2,860/t at the end of May. Some factors suggest that there is a supply-demand balance in the short term in the aluminum market as premiums have not increased, LME stocks have increased and Chinese production has recovered considerably since February’s snowstorm, according to the National Bureau of Statistics. On the other hand, the recent earthquake in China prompted some increase in prices, and being the most energy-intensive commodity, aluminum may increase this year again due to the power shortages and the impact of higher energy on production costs.

**Spot gold prices recovered by 0.3% to stand at $** 912.5**/oz in May on a monthly basis** (*see **Table 2***). Bearish factors were expectations of further dollar depreciation and investor interest, which seems to be the key price factor in 2008.

**The IMF food price index saw a mild recovery of 0.5% in May m-o-m which was mainly due to a more modest decline in wheat prices of 9.2% as corn and soybeans also reported losses.**

**Corn prices showed a very volatile performance in May**, dropping by 1.3 m-o-m but at $243.5/t it was 56% higher than in the same month last year. And corn prices have continued increasing in June. The release of 24 million acres of Conversation Reserve Plan land grazing published by the USDA, as a palliative to high feed costs, exerted some dampening effect on corn prices and returns in recent week, which is expected to have a minor effect on feed demand. Additionally, there is widespread concern over the impact of weather conditions on corn crops which may reduce yields. Corn prices have been supported by the bullish trend in crude oil markets and the decision of the

US Congress to extend import tariffs on ethanol. Growing demand in the US food, fuel and feed sectors along with a rally in crude oil prices, strong Chinese demand, competing acreage allocation, and low inventories will encourage very high corn prices spot and futures.

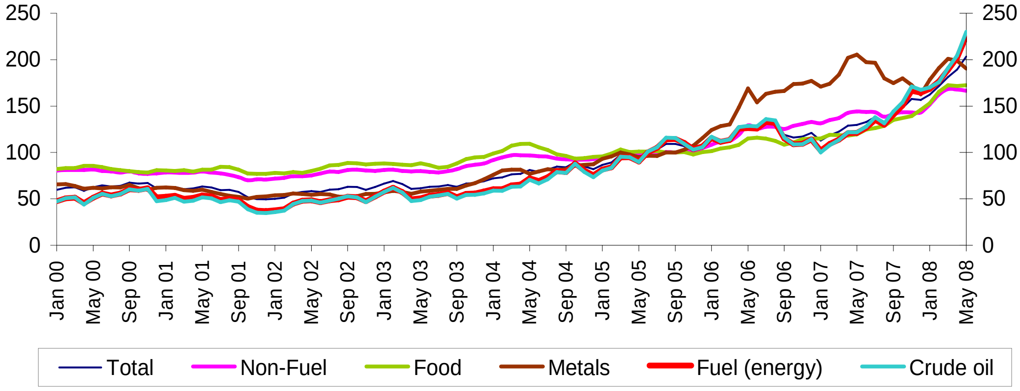
**Soybean prices** kept dropping by 1.6% in May m-o-m but are still relying on falling stocks, Chinese demand and the bio-diesel industry (*see **Table 2***).

**Wheat prices** plummeted 9.2% in response to USDA estimates of an 8.5% increase in global production from the 2008/09 crop year.

The outlook for corn and the grain complex as a whole remains positive for 2008 despite concerns about the worsening economic conditions.

**Fertilizer prices kept growing by 12% in May from April. Urea and potassium chloride fertilizer prices rose 33.2% and 8.5% respectively in May. From last December, considerable surges of fertilizer prices in urea (66%), potassium (123%, and phosphate (145%), were reported.** The performance was related to rising fertilizer production cost due to current energy prices, greater demand brought about by high grain prices and the 100-135% export taxes adopted by China.

**Graph 9: Major commodity price indexes, 2000-2008**




**Commodity Price Index, 2005 = 100**

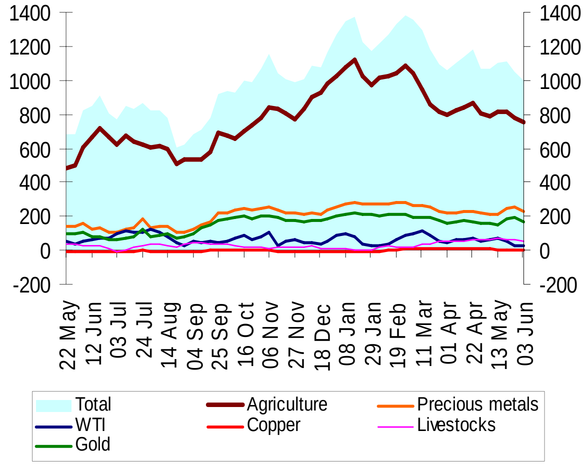
| | | |
|---|---|---|
| Total | - | Includes both fuel and non-fuel. |
| Non-fuel | - | Includes food and beverages and industrial inputs. |
| Food | - | Includes cereal, vegetable oils, meat, seafood, sugar, bananas and oranges. |
| Metals | - | Includes copper, aluminum, iron ore, tin, nickel, zinc,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

**Speculative net inflows in major US commodity markets recovered in May; however, short positions have been building across the markets as a whole, especially in crude oil**

### *Investment flow into commodities*

**Graph 10 indicates that net-length in major non-commercial futures positions for the US commodity markets covered by the CFTC decreased during the first two weeks of May but it was followed by a sharp decline in the last week which continued during the first week of June. It seems that there has been a build of short positions especially in** the crude oil markets, natural gas and some agricultural products.

**Graph 10: CFTC net inflow by commodity group, 2007-2008**

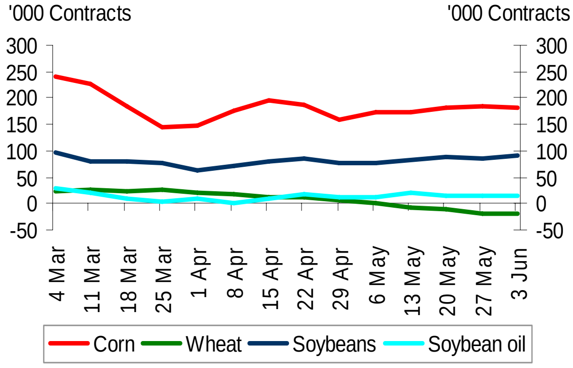



Ct = *Each contract is 1,000 barrels.

The latest CFTC data for crude oil indicate that there was only a marginal increase in long non-commercials, while there was a faster build in short positions keeping the net speculative positions as percentage of total open interest at 3.7% in May compared to 3.9% in April. The level of fund involvement also appears very low compared to 8% achieved last summer when the WTI was below $80/b.

**Agricultural speculative net length positions recovered in the first half of May, but declined in the second half of the month with a significant drop of 41,763 cts occurring in the week ending 27 May (*see* Grap*h 10*).**

**Graph 11: CFTC CIT non-commercial net length, 2008**

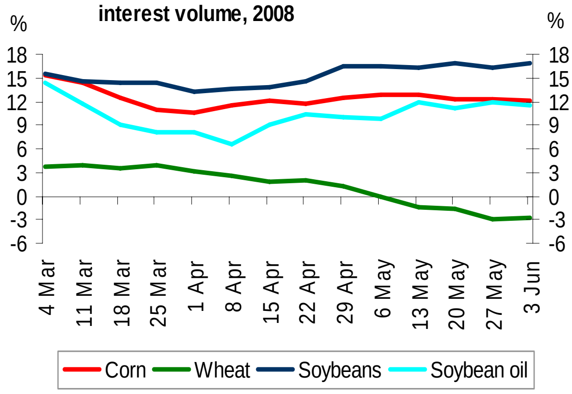



Source: CFTC

**Wheat net non-commercial positions at the CBOT market showed a decline during May and ended at 0.5% of total open interest in the first week of June. A modest increase in longs was more than overcome by a larger increase in shorts.**

**CFTC data reported a growing investor interest in corn** during May with longs increasing by 25,941 cts in May compared to April to stay at 463,131 cts in May, but short positions were cut by 2,858 cts to 132,245 cts. Therefore net longs as percentage of total open interest increased from 22.2% to 24.8%.

**Graph 12: CFTC CIT long positions as % of total open interest volume, 2008**




Source: CFTC

**Graphs 11** and **12** show the trend in the commodity index trader (CIT), both in terms of net length and as percentage of the open interest volume, in selected agricultural markets. The trend in speculative investment in some agricultural markets differs from the trends estimated by the previous classification system used by the CFTC, indicating the more modest role of non-commercial funds in the agricultural commodity markets as was highlighted in the previous issue of the *MOMR*.

# Highlights of the World Economy

**Economic growth rates 2007-2008, %**

| | World* | OECD | USA | Japan | Euro-zone | China | India |
|---|---|---|---|---|---|---|---|
| 2007 | 4.9 | 2.7 | 2.2 | 2.0 | 2.6 | 11.9 | 8.6 |
| 2008 | 3.9 | 1.8 | 1.2 | 1.4 | 1.7 | 9.7 | 7.6 |

**World aggregate growth rate now based on country weights calculated from updated 2005 purchasing power parity exchange rates.*

## *Industrialised countries*

*United States of America*

**First-quarter US GDP revised up to 0.9% but indicators in April and May are mixed**

Despite an upward revision to 1Q GDP from 0.6% to 0.9%, on stronger export growth, with net trade contributing 0.8 percentage points to growth, other economic indicators in the US in April and May point to a slowdown in economic activity in the second quarter amidst deterioration in confidence and in labour markets as well as continued contraction in the housing sector. In its regional survey of business conditions, known as the Beige Book, the Federal Reserve Board also drew attention to the ``generally weak" economic conditions prevailing in April and May. Consumer spending was seen to have slowed, while manufacturers passed on higher raw materials costs.

However, retail sales rose a higher-than-expected 1% in April from an upwardly revised positive growth of 0.4% in March. Excluding autos, sales rose 1.2 percent. An estimated $57 billion of tax-rebate checks as part of the fiscal stimulus package have already been received by US consumers (out of a total planned $116bn), and it appears to be having some positive effect on sales. But the improvement may prove transitory, as weakening labour markets and falling house prices sap consumer purchasing power. Consumer spending growth in 1Q is expected to be lower than the already modest pace of 1% observed in the 1Q. The bulk of the tax rebates is expected to be spent in 3Q. At the same time, consumer confidence continued to dwindle. The Reuters/University of Michigan final index of consumer sentiment fell to 59.8 in May, the lowest level since June 1980, from 62.6 in April. The measure averaged 85.6 in 2007. The Conference Board measure of consumer confidence also fell in May to the lowest level since October 1992.

Labour markets witnessed a marked deterioration in May, when the unemployment rate rose to 5.5%, the highest level since October 2004, reflecting mainly an expansion of the workforce led by teenagers. The 0.5% jump sent the dollar tumbling and renewed recessionary fears. Payrolls dropped for the fifth consecutive month, this time by 49,000 following an upwardly revised 28,000 in April and an average of around 82,000 in 1Q. Jobs were lost in construction and manufacturing, while services and the government sector continued to add to jobs. At the end of April, members of the Fed’s Federal Open Market Committee forecast the jobless rate would average 5.5-5.7% in 4Q 2008, up from their January estimate of 5.2-5.3%. Moreover, initial claims for unemployment insurance are also on the rise.

Turning to the housing sector, residential construction decreased at a 25.5% pace during the first quarter, subtracting 1.17 percentage points from GDP growth. Sales of previously owned homes (around 85% of the market) fell 1% in April to an annual rate of 4.89 mn, and the supply of unsold homes rose to 4.55 mn, pushing inventories to a 23-year high of 10.7 months. However, pending home sales, considered a forward indicator for existing-sales since they track contracts, which are signed a month or two before sales close, unexpectedly rose in April by 6.3% following a 1% drop in March, as the decline in prices attracted some buyers back into the market. Moreover, new-home sales (around 15% of the market) unexpectedly rose in April by 3.3% to an annual pace of 526,000 from a 509,000 rate in March that was the lowest in 17 years. Despite the rise, April sales were down 42% from April 2007, but inventories dropped to 10.6 months from 11.1 months in March. Meanwhile, house prices continued their downward trend. The S&P/Case-Shiller index showed house prices dropping 14.4% in March y-o-y, the biggest decline since records began in 1988.

On the positive side, one notes that, contrary to expectations, the service industries continued to expand in May. The Institute for Supply Management's index of non- manufacturing businesses, which make up almost 90 percent of the economy, decreased to 51.7 from 52 in April, but was still above the 50 threshold separating expansion from contraction. The ISM report for manufacturing continued to show contraction for the fourth month in a row but the index rose to 49.6 from 48.6 in April, coming close to the 50 dividing line. Moreover, orders to U.S. factories unexpectedly improved in April by 1.1% following a 1.5% gain in march, led by demand for petroleum and chemicals, indicating that export demand was providing some support to manufacturing. Excluding cars and airplanes, orders increased by 2.6% for a second month.

It is generally expected that the Fed will abstain from further interest rate cuts during its regular FOMC June 23-25 meeting. Inflation has remained stubbornly above desired targets (headline consumer prices rose by 3.9% y-o-y in April), as food and energy prices continued to rise. With its announcement in early June that the Fed would “strongly resist” an erosion in inflation expectations, the Fed Chairman delivered a clear message that the central bank would not be lowering interest rates in its next meeting. A pause is deemed necessary to observe the effects of the cumulative 3.25% cut in interest rates since last September as well as to provide some support to the beleaguered US currency. The current 2% level is seen to be accommodative to growth. The Fed signaled also for the first time in early June its concern about the dollar depreciation and its possible impact on imported inflation and on growth. This was unusual for the Fed since the currency is usually seen to be the domain of the Treasury.

The Fed FOMC end-April central tendency forecast for US growth in 2008 fell to 0.3-1.2% from 1.3-2.0% in January, with a range of 0-1.5%. However, the Fed sees that the risks to the economy of a “substantial downturn” have diminished. Overall, our forecast calls for an expansion of 1.2% in 2008, up slightly from 1.1% last month.

*Japan*

**The Japanese economy is decelerating from the fast growth in the first quarter.**

The Japanese economy grew at a faster annual pace of 4% during the first quarter than the first reported 3.3%. Business spending increased 0.2%, compared with a 0.9% decline initially estimated. However economic indicators since the first quarter are pointing to a slowdown in growth. Rising costs have eroded profits, which are reported to have fallen 17.5% in the first quarter from a year earlier, the steepest decline since the 2001 recession. Export growth, the main driver of economic growth in the first quarter, may be eroded by falling demand from the US, while a rising import bill has led to a narrowing of the current account surplus. Moreover, unemployment is on the rise and price inflation is accelerating. Factory production dropped 0.3% in April, in anticipation of a drop in domestic and foreign demand.

The unemployment rate rose to a seven-month high of 4% in April from 3.8% in March as the construction, wholesale and retail sectors shed jobs. Payrolls fell an unadjusted 150,000 to 64.29 million, the third consecutive monthly drop. The construction sector alone shed 490,000 jobs to 5.28 million in April from a year earlier, still reflecting the continued effects of the introduction of tighter building regulations last year. The wholesale and retail sectors cut 110,000 jobs to 11.16 million due to growing concerns about profitability at companies due to higher procurement costs. At the same time the ratio of jobs to applicants, a leading indicator, slid to a three-year low of 0.93.

In line with the deterioration of labour market conditions, household spending fell sharply by 2.7% in April, the fastest pace since September 2006. It was the second straight month of decline and followed a 1.6% drop in March. Moreover, retail sales rose at the slowest pace in nine months in April. Sales climbed 0.1% from a year earlier. Retail sales exclude internet sales and spending on services. Consumer confidence also fell to a six-year low as wage growth failed to keep up with rising inflation. The sentiment index dropped to 35.2 last month from 36.7 in March, the lowest level since March 2003.

However, consumer price inflation, which had been accelerating, slowed in April after a temporary expiry of a gasoline tax. Core consumer prices, excluding food, climbed 0.9% in April from a year earlier after rising 1.2% in March, the fastest pace since 1998. Gasoline prices nationwide fell by about 15% in April after the government failed to renew a tax bill that expired April 1. However, the tax was reinstated in May. At the same time, producer prices accelerated to 4.7% in May from 3.9% in April, at the fastest pace in 27 years.

The Bank of Japan has kept the benchmark overnight lending rate on hold at 0.5% sine February 2007. The central bank is expected to refrain from any tightening in the foreseeable future as attention continues to be focused on the downside risks to growth.

Overall, despite the upward revision of growth in the first quarter, the forecast for Japanese growth in 2008 is unchanged at 1.4% from last month.

*Euro-zone*

**Following a stronger than expected growth in 1Q 2008, evidence in mounting of a slowdown in the second quarter; ECB signals possible rise in interest rates in July**

Faster than expected growth in the first quarter in the Euro-zone is not expected to be maintained in the following quarters. The slowdown is being signaled by falling manufacturing and services activity and declining consumer confidence as well as week consumer spending.

Euro-zone growth was revised up to 0.8% in 1Q from an initial estimate of 0.7%. The strength in the first three months of the year was based on strong growth in Germany (a very high 1.5%) and also in France (+0.6%). Investment and construction spending in Germany helped to lift the growth in the euro region. Investment in the region grew by 1.6%, the fastest pace since the 2Q 2006, while exports rose by 1.9% from the previous quarter. However, consumer spending gained only 0.2%. Fourth-quarter growth was revised down to 0.3% from 0.4% compared with the prior three months.

However, evidence is mounting of a slowdown in the second quarter. Retail sales declined a higher than expected 2.9% y-o-y in April or 0.6% from the previous month. The annual drop was the largest since the EU started collecting data in 1995. Sales were also revised down for March when they dropped by 2.3% on the year, or 0.9% on the month from an initially reported 1.6%. Spending has remained depressed despite the fact that unemployment has been falling steadily to reach a record low of 1.7%. Consumer sentiment has also been falling across Euro-zone countries.

However, Euro-zone industrial production unexpectedly rose in April by 0.9% m-o-m (3.9% y-o-y), with gains in France and Italy compensating for a drop in Germany of 0.7%. However production is expected to have slowed in May as indicated by the PMI index. Industrial production rose 1.4% in France and 0.7% in Italy. In March, production had dropped a downwardly revised 0.5% from the previous month.

Both manufacturing and services PMI expanded at the slowest pace in five years in May. The Royal Bank of Scotland Group Plc's index of growth in services industries fell to 50.6 from 52 in April. A reading above 50 indicates expansion. In Germany, the measure fell to 53.8 from 54.9, while in France the index fell to 50.5 from 52.8 and in both Italy and Spain services industries contracted, with the index dropping to 48.1 and 43.3, respectively The overall composite PMI, combining readings for services and manufacturing, declined to 51.1 from 51.9 in April. The manufacturing index itself declined to 50.5, the lowest since August 2005, from April's 50.7 reading and is now barely in expansion territory.

Despite the clear signs of a weakening economy, the ECB is turning its attention from protecting economic growth to fighting inflation. Although it kept its key interest rate unchanged at a six-year high of 4% at its June meeting, the ECB surprisingly signaled that rates may rise as early as July. It is expected the rise will be of 25 basis points and it may not be the only one this year. The Central Bank's target rate of inflation of just below 2% has been exceeded for many months and the CPI headline inflation accelerated to a 16-year high of 3.6% in May. Producer price inflation also accelerated to 6.1% (y-o-y) in April, the fastest pace in more than seven years, after increasing 5.8% in March.

The ECB expects growth in the Euro-zone to slow in the second quarter but to recover in the second half of the year. The ECB staff projections in June for growth in 2008 range between 1.5-2.1%. Our overall forecast for the year now stands at 1.7%, up 0.1% from last month.

***Former Soviet Union***

**Russia's GDP grew 8.4% y-o-y in April**

Russia's GDP grew 8.4% y-o-y in April and 8.3% in the first fourth months of 2008 according to the Russian government. The IMF expects that Russia's GDP will expand by 7.75% in 2008. While the IMF warns that inflation might soar to 14%, the Russian finance ministry puts it at 10.5%. Consumer prices rose an annual 14.3% in April, a five- year high, stoked by global food price increases and rising domestic wages. Manufacturing expanded in May at the slowest pace since September amid accelerating inflation.

**Kazakhstan's economy has slowed down to 6.0% y-o-y in the first quarter of 2008**

The National Bank of Ukraine decided not to intervene in the exchange rate market and permit the hryvnia to appreciate by just below 11% in nominal terms versus the US dollar. This shows a firm willingness to use monetary policy to fight inflation. In the first quarter of 2008 government expenditures increased just below 50%, pushing up public sector wages and sending a highly inflationary signal to the private sector. A stronger hryvnia could encourage import growth and squeeze the margins of exporters. The current account deficit is expected to widen from last year's 4.2% of GDP towards 10.3% of GDP in 2009. Kazakhstan's economy has slowed down to 6.0% y-o-y in the first quarter of 2008, as shown by official data. The State Statistics Agency said that the growth rate in the first quarter of 2008 expanded by 10.6% compared with the same period of 2007. Kazakhstan's economy, the biggest in central Asia, was negatively affected by the global liquidity squeeze by making it hard for local banks to borrow abroad and left many businesses short of cash. It is uncertain that the government can reach its 5-7% economic growth target for 2008.

***Developing Countries***

**The trade surplus in China plummeted 7.9% y-o-y in the first four months of 2008**

China's General Administration of Customs warned that the country's trade surplus could shrink notably over the rest of this year as import growth outstripped export growth for the first time. Figures released earlier showed that the trade surplus plummeted to RMB 400 bn in the first four months of 2008, down 7.9% y-o-y. Exports to the US and Europe have fallen to record lows amid a fallout from the credit crunch. It is expected that thriving domestic demand would continue to drive the Chinese economy for the rest of the year. The recent earthquake would have a limited long-term effect on the economy, though it could have an immediate impact on inflationary pressures. The government has set aside RMB 80 billion to repair the damage caused by the earthquake but has seemed reluctant to commit more for fear of putting more pressure on prices. China's inflation in May is likely to fall from recent highs, but upstream inflationary pressure may stay for longer. The CPI is expected to increase 7.7-8.0% y-o-y in May, compared with 8.5% in April. The ease came as food prices started to retreat, due to moves to boost supply. The People's Bank of China raised the reserve ratio by one percent. The reserve ratio is to go up in two stages, half a percent on 15 June and another half on 25 June, to a record high 17.5%. The move marks the fifth time this year the bank has raised reserves to discourage excessive lending and investment.

**India trimmed fuel subsidies, raising gasoline and diesel prices by about 10%**

India's economy expanded 8.8% in the first three months of 2008 from a year earlier. The country relied on growing domestic demand to achieve a strong performance in the first quarter in the face of sluggish growth in the US as well as other developed countries. In the three months to 31 March, India's construction activity jumped 13% from a year earlier compared with 7.1% growth in the three previous months. India also got a boost from double-digit growth in its services industry. The Indian government predicts the economy would exceed 8.5% growth for the current fiscal year ending 31 March 2009. However, amid soaring global fuel prices, India earlier this month trimmed fuel subsidies, raising gasoline and diesel prices by about 10% while also increasing the price of cooking fuel. Such measures are expected to contribute to inflation. In a response, India's central bank might adopt further measures to slow accelerating inflation in the wake of fuel price rises, a move that could crimp growth in the world's second-fastest growing major economy. The World Bank has projected India's GDP growth to slow further to 7% in 2008 on account of the tight monetary policy in place as a measure to rein in inflation, leading to a consequent slowdown in demand for industrial goods.

**Brazil's statistics agency reported that exports had fallen 2.14% from a year ago**

Brazil's economy slowed to 5.8% in the first quarter from 6.2% in the last three months of 2007 according to Brazil's official statistics agency. The economy is powered by higher consumer spending that is stoking inflation which might force the central bank to raise interest rates. Brazil's statistics agency also reported that exports had fallen 2.14% from a year ago, their first quarterly decline since June 2006. Government spending jumped 5.8% in the first quarter from a year earlier, the statistics agency said. Exports fell 2.14% from a year ago, their first quarterly decline since June 2006.

**Africa's economic performance on the rise**

According to a report jointly published by the African Development Bank, the Organisation for Economic Co-operation and Development (OECD) Centre and the United Nations Economic Commission for Africa (UNECA), Africa's economic performance as a whole is "becoming more broad-based with more countries expected to achieve a rate of GDP growth above 5.0%". It believes that Africa's strong economic performance has been supported by external demand for oil and non-oil minerals. The continuation of sound macro-economic policies has increased business confidence in the continent leading to a rise in private investment. Real GDP growth of 5.7% was well above the long-term trend for the fifth consecutive year. Economic growth in West African countries is projected to accelerate from 3.5% in 2007 to 5.6% in 2008 and will remain high at 5.7% in 2009, says the report, with Nigeria's growth expected to accelerate.

***OPEC Member Countries***

**Saudi Arabian inflation above 10% in April**

The Saudi Arabian Monetary Agency, in its latest report, said that inflation in Saudi Arabia, which rose above 10% in April 2008 for the first time since the oil boom of the 1970s, will probably advance further this quarter albeit at a slower pace. It added that projections indicate a continued rise in the inflation rate during the second quarter of 2008, but at a slower pace than in the previous periods.

**Kuwait's government raises state expenditure**

Kuwait's government has raised state expenditure for the 2008-09 fiscal year by 2.2% despite calls by the central bank to restrain spending to combat record inflation, which hit 10.14% in February driven by housing and food costs.

## *Oil prices, the US dollar and inflation*

**The US dollar stages a partial recovery in May as the Fed signals end of easing cycle**

The US dollar staged a partial recovery in May against all major currencies in the Geneva I + US$ basket, following several months of losses. Over the whole month, the US currency on average rose versus the euro (+1.2%), the yen (+1.6%), the Pound sterling (+0.8%) and the Swiss franc (+3.1%). Compared to the all time low of $1.594 on the 23rd of April against the single currency, it recovered to $1.5402/€ by the 5th of June or 3.4% higher, averaging $1.5556/€ over the month of May from $1.5749/€ in April.

The dollar recovered from its lows in April as the Fed monetary easing cycle appeared to have come to a close, at least temporarily, and as attention shifted more to inflationary issues, following a perception that the risks of a deeper downturn in the US economy had receded. Fed statements voicing concern that the continued dollar weakness may be detrimental to inflation and growth signaled that the benign neglect of dollar volatility may be coming to an end. This lent support to the US currency at the start of June.

In May, the OPEC Reference Basket rose by $14.23/b or over 13.5% to $119.39/b from $105.16/b in April. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket price rose $9.2/b or 14.4% to $73.28/b from $64.07/b. The dollar appreciated by 0.9%, as measured against the import-weighted modified Geneva I+US dollar basket, while inflation eroded the value of the barrel by nearly 0.2%.*

* *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 revised down slightly to stand at 1.1 mb/d in 2008 to average 86.88 mb/d**

### *World oil demand in 2008*

Consumption of winter products declined in the first quarter in the OECD as a result of the below normal winter temperatures. In addition, in the OECD, especially in the US, demand for transport fuel (mainly gasoline) did not grow as expected as a result of slow economic activities and higher oil prices. Other product growth in the other OECD regions was not enough to offset the decline in oil demand in the US in the first five months of 2008. Slow US economy along with current oil prices will have its effect on oil demand not only in the US but across the OECD countries in the second half of this year.

**Table 3: World oil demand forecast for 2007, mb/d**

| | | | | | | | Change 2007/06 | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | 1Q07 | 2Q07 | 3Q07 | 4Q07 | 2007 | Volume | % |
| North America | 25.31 | 25.66 | 25.43 | 25.49 | 25.54 | 25.53 | 0.23 | 0.89 |
| Western Europe | 15.63 | 15.19 | 14.93 | 15.39 | 15.60 | 15.28 | -0.35 | -2.24 |
| OECD Pacific | 8.40 | 8.83 | 7.80 | 7.81 | 8.64 | 8.27 | -0.13 | -1.59 |
| **Total OECD** | **49.34** | **49.68** | **48.16** | **48.70** | **49.79** | **49.08** | **-0.26** | **-0.52** |
| Other Asia | 8.86 | 8.98 | 9.24 | 8.94 | 9.31 | 9.12 | 0.26 | 2.93 |
| Latin America | 5.29 | 5.29 | 5.47 | 5.64 | 5.60 | 5.50 | 0.21 | 4.04 |
| Middle East | 6.20 | 6.45 | 6.44 | 6.63 | 6.46 | 6.50 | 0.29 | 4.76 |
| Africa | 2.98 | 3.10 | 3.05 | 3.06 | 3.15 | 3.09 | 0.11 | 3.65 |
| **Total DCs** | **23.33** | **23.83** | **24.20** | **24.27** | **24.52** | **24.21** | **0.88** | **3.76** |
| FSU | 3.89 | 3.87 | 3.71 | 4.00 | 4.32 | 3.97 | 0.09 | 2.24 |
| Other Europe | 0.91 | 1.01 | 0.92 | 0.91 | 0.91 | 0.93 | 0.02 | 2.74 |
| China | 7.16 | 7.48 | 7.77 | 7.72 | 7.38 | 7.59 | 0.42 | 5.90 |
| **Total "Other Regions"** | **11.96** | **12.35** | **12.39** | **12.63** | **12.60** | **12.49** | **0.53** | **4.47** |
| **Total world** | **84.63** | **85.86** | **84.75** | **85.59** | **86.92** | **85.78** | **1.15** | **1.36** |
| Previous estimate | 84.61 | 85.87 | 84.75 | 85.58 | 86.95 | 85.79 | 1.18 | 1.39 |
| Revision | 0.01 | -0.01 | 0.00 | 0.01 | -0.03 | -0.01 | -0.02 | -0.03 |

*Totals may not add due to independent rounding.*

**Table 4: 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 | 25.22 | 25.66 | 0.43 | 1.71 | 25.06 | 25.43 | 0.37 | 1.48 |
| Western Europe | 15.96 | 15.19 | -0.77 | -4.79 | 15.24 | 14.93 | -0.31 | -2.05 |
| OECD Pacific | 9.24 | 8.83 | -0.42 | -4.51 | 7.82 | 7.80 | -0.02 | -0.20 |
| **Total OECD** | **50.43** | **49.68** | **-0.75** | **-1.49** | **48.12** | **48.16** | **0.04** | **0.09** |
| Other Asia | 8.81 | 8.98 | 0.18 | 2.01 | 9.00 | 9.24 | 0.23 | 2.59 |
| Latin America | 5.09 | 5.29 | 0.20 | 3.84 | 5.27 | 5.47 | 0.20 | 3.82 |
| Middle East | 6.09 | 6.45 | 0.36 | 5.87 | 6.14 | 6.44 | 0.30 | 4.90 |
| Africa | 2.99 | 3.10 | 0.12 | 3.96 | 2.96 | 3.05 | 0.09 | 3.00 |
| **Total DCs** | **22.98** | **23.83** | **0.85** | **3.69** | **23.37** | **24.20** | **0.82** | **3.53** |
| FSU | 3.76 | 3.87 | 0.11 | 2.79 | 3.63 | 3.71 | 0.08 | 2.15 |
| Other Europe | 0.97 | 1.01 | 0.04 | 3.68 | 0.90 | 0.92 | 0.02 | 1.96 |
| China | 7.12 | 7.48 | 0.36 | 5.10 | 7.37 | 7.77 | 0.40 | 5.44 |
| **Total "Other Regions"** | 11.85 | 12.35 | **0.50** | **4.25** | 11.90 | 12.39 | **0.50** | **4.17** |
| **Total world** | **85.25** | **85.86** | **0.60** | **0.71** | **83.39** | **84.75** | **1.36** | **1.63** |

*Totals may not add due to independent rounding.*

**Table 5: 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 | 25.53 | 25.49 | -0.04 | -0.15 | 25.40 | 25.54 | 0.14 | 0.56 |
| Western Europe | 15.62 | 15.39 | -0.23 | -1.48 | 15.70 | 15.60 | -0.10 | -0.62 |
| OECD Pacific | 7.85 | 7.81 | -0.04 | -0.50 | 8.71 | 8.64 | -0.07 | -0.79 |
| **Total OECD** | **49.01** | **48.70** | **-0.31** | **-0.63** | **49.82** | **49.79** | **-0.02** | **-0.05** |
| Other Asia | 8.67 | 8.94 | 0.27 | 3.13 | 8.96 | 9.31 | 0.35 | 3.95 |
| Latin America | 5.41 | 5.64 | 0.22 | 4.14 | 5.36 | 5.60 | 0.23 | 4.34 |
| Middle East | 6.37 | 6.63 | 0.25 | 3.95 | 6.19 | 6.46 | 0.27 | 4.39 |
| Africa | 2.93 | 3.06 | 0.13 | 4.33 | 3.05 | 3.15 | 0.10 | 3.30 |
| **Total DCs** | **23.39** | **24.27** | **0.87** | **3.74** | **23.56** | **24.52** | **0.96** | **4.07** |
| FSU | 3.91 | 4.00 | 0.09 | 2.32 | 4.24 | 4.32 | 0.08 | 1.77 |
| Other Europe | 0.88 | 0.91 | 0.02 | 2.56 | 0.88 | 0.91 | 0.02 | 2.70 |
| China | 7.23 | 7.72 | 0.49 | 6.76 | 6.94 | 7.38 | 0.44 | 6.29 |
| **Total "Other Regions"** | 12.02 | 12.63 | **0.60** | **5.01** | 12.07 | 12.60 | **0.54** | **4.44** |
| **Total world** | **84.42** | **85.59** | **1.17** | **1.38** | **85.45** | **86.92** | **1.47** | **1.72** |

*Totals may not add due to independent rounding.*

China, the Middle East, Latin America, and India are expected to show healthy growth in oil demand for the remainder of the year. Despite the recent removal of price subsidies in some Asian countries, non-OECD is expected to show strong oil demand growth to some degree, partially off-setting the decline in the US, Europe, and the Pacific. Thus, **world oil demand is forecast to grow by 1.1 mb/d in 2008 to average 86.88 mb/d, a downward revision of 0.1 mb/d from the previous report.**

### *Alternative Fuels*

With food prices skyrocketing, the blame is aimed at the biofuel industry. The biofuel industry survives only on massive subsidies from the OECD which have led to a worldwide crisis. The OECD countries are feeling the heat and some of its officials are calling for an immediate halt to all biofuel subsidies. The European Union is also pushing its biofuel plan to reach a 10% blend of transport fuel by the end of next decade. The EU has been blamed for the massive deforestation in Asia as a result of using more land to produce raw biofuel materials.

### OECD North America

**North America demand in the first quarter revised down by 0.3 mb/d for a decline of 0.7 mb/d**

US oil demand is experiencing a strong decline, which is mostly attributed to the above-normal temperatures in the first quarter and to the recent slowdown in economic activities. In the first four months of the year, US winter product demand declined by 4.4% y-o-y. This decline represents the majority of the decrease in US oil demand. Furthermore, the gasoline demand dipped 10% y-o-y in the first four months. It is worth mentioning here that transport fuel consumption is at its low seasonality and the peak is usually in the summer. Unlike the US oil demand behaviour, Mexican oil demand grew strongly by 6.6% y-o-y in April. Gasoline and diesel demand grew the most, adding 69 tb/d and 60 tb/d to total oil demand in April. Canadian oil demand behaved positively in April growing by 2% or 32 tb/d y-o-y. However, this increase in Canada's and Mexico's oil demand is not enough to offset the decline in the US oil demand. **As a result, first-quarter oil demand in North America was revised down by 0.3 mb/d to show a decline of 0.7 mb/d y-o-y.**

Jet fuel demand has been affected by IATA procedures, which improved efficiency in the past year or so. Furthermore, the recent elimination of older jets which consume more fuel will reduce the demand for jet fuel in the short term.

**Table 6: World oil demand forecast for 2008, mb/d**

| | 2007 | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 2008 | Change 2008/07 Volume | % |
|---|---|---|---|---|---|---|---|---|
| North America | 25.53 | 24.95 | 25.47 | 25.58 | 25.81 | 25.46 | -0.07 | -0.29 |
| Western Europe | 15.28 | 15.19 | 14.93 | 15.31 | 15.72 | 15.29 | 0.01 | 0.08 |
| OECD Pacific | 8.27 | 8.86 | 7.74 | 7.65 | 8.67 | 8.23 | -0.04 | -0.49 |
| **Total OECD** | **49.08** | **49.00** | **48.15** | **48.55** | **50.21** | **48.98** | **-0.10** | **-0.21** |
| Other Asia | 9.12 | 9.25 | 9.41 | 9.11 | 9.47 | 9.31 | 0.19 | 2.07 |
| Latin America | 5.50 | 5.52 | 5.56 | 5.73 | 5.70 | 5.63 | 0.13 | 2.33 |
| Middle East | 6.50 | 6.73 | 6.72 | 6.91 | 6.74 | 6.78 | 0.28 | 4.31 |
| Africa | 3.09 | 3.20 | 3.10 | 3.13 | 3.21 | 3.16 | 0.07 | 2.17 |
| **Total DCs** | **24.21** | **24.70** | **24.79** | **24.88** | **25.11** | **24.87** | **0.66** | **2.74** |
| FSU | 3.97 | 3.99 | 3.79 | 4.06 | 4.37 | 4.05 | 0.08 | 1.93 |
| Other Europe | 0.93 | 1.04 | 0.96 | 0.93 | 0.93 | 0.96 | 0.03 | 2.87 |
| China | 7.59 | 7.96 | 8.13 | 8.20 | 7.80 | 8.02 | 0.43 | 5.73 |
| **Total "Other Regions"** | **12.49** | **12.98** | **12.87** | **13.18** | **13.09** | **13.03** | **0.54** | **4.31** |
| **Total world** | **85.78** | **86.67** | **85.81** | **86.61** | **88.42** | **86.88** | **1.10** | **1.28** |
| Previous estimate | **85.79** | **86.98** | **85.75** | **86.60** | **88.45** | **86.95** | **1.16** | **1.35** |
| Revision | **-0.01** | **-0.31** | **0.06** | **0.01** | **-0.03** | **-0.07** | **-0.06** | **-0.07** |

*Totals may not add due to independent rounding.*

**Table 7: First and second quarter world oil demand comparison for 2008, mb/d**

| | 1Q07 | 1Q08 | Change 2008/07 Volume | % | 2Q07 | 2Q08 | Change 2008/07 Volume | % |
|---|---|---|---|---|---|---|---|---|
| North America | 25.66 | 24.95 | -0.70 | -2.74 | 25.43 | 25.47 | 0.04 | 0.16 |
| Western Europe | 15.19 | 15.19 | 0.00 | -0.03 | 14.93 | 14.93 | 0.01 | 0.06 |
| OECD Pacific | 8.83 | 8.86 | 0.03 | 0.35 | 7.80 | 7.74 | -0.06 | -0.79 |
| **Total OECD** | **49.68** | **49.00** | **-0.68** | **-1.36** | **48.16** | **48.15** | **-0.01** | **-0.03** |
| Other Asia | 8.98 | 9.25 | 0.26 | 2.93 | 9.24 | 9.41 | 0.17 | 1.84 |
| Latin America | 5.29 | 5.52 | 0.23 | 4.41 | 5.47 | 5.56 | 0.09 | 1.68 |
| Middle East | 6.45 | 6.73 | 0.28 | 4.35 | 6.44 | 6.72 | 0.28 | 4.35 |
| Africa | 3.10 | 3.20 | 0.09 | 2.99 | 3.05 | 3.10 | 0.05 | 1.64 |
| **Total DCs** | **23.83** | **24.70** | **0.87** | **3.65** | **24.20** | **24.79** | **0.59** | **2.45** |
| FSU | 3.87 | 3.99 | 0.12 | 3.08 | 3.71 | 3.79 | 0.08 | 2.16 |
| Other Europe | 1.01 | 1.04 | 0.03 | 2.86 | 0.92 | 0.96 | 0.04 | 4.35 |
| China | 7.48 | 7.96 | 0.48 | 6.40 | 7.77 | 8.13 | 0.36 | 4.64 |
| **Total "Other Regions"** | **12.35** | **12.98** | **0.63** | **5.07** | **12.39** | **12.87** | **0.48** | **3.87** |
| **Total world** | **85.86** | **86.67** | **0.82** | **0.95** | **84.75** | **85.81** | **1.06** | **1.25** |

*Totals may not add due to independent rounding.*

**Table 8: Third and fourth quarter world oil demand comparison for 2008, mb/d**

| | 3Q07 | 3Q08 | Change 2008/07 Volume | % | 4Q07 | 4Q08 | Change 2008/07 Volume | % |
|---|---|---|---|---|---|---|---|---|
| North America | 25.49 | 25.58 | 0.09 | 0.35 | 25.54 | 25.81 | 0.27 | 1.06 |
| Western Europe | 15.39 | 15.31 | -0.08 | -0.51 | 15.60 | 15.72 | 0.12 | 0.77 |
| OECD Pacific | 7.81 | 7.65 | -0.16 | -2.05 | 8.64 | 8.67 | 0.03 | 0.35 |
| **Total OECD** | **48.70** | **48.55** | **-0.15** | **-0.30** | **49.79** | **50.21** | **0.42** | **0.84** |
| Other Asia | 8.94 | 9.11 | 0.17 | 1.90 | 9.31 | 9.47 | 0.15 | 1.64 |
| Latin America | 5.64 | 5.73 | 0.09 | 1.60 | 5.60 | 5.70 | 0.10 | 1.79 |
| Middle East | 6.63 | 6.91 | 0.28 | 4.23 | 6.46 | 6.74 | 0.28 | 4.31 |
| Africa | 3.06 | 3.13 | 0.07 | 2.29 | 3.15 | 3.21 | 0.06 | 1.78 |
| **Total DCs** | **24.27** | **24.88** | **0.61** | **2.51** | **24.52** | **25.11** | **0.59** | **2.40** |
| FSU | 4.00 | 4.06 | 0.06 | 1.46 | 4.32 | 4.37 | 0.05 | 1.16 |
| Other Europe | 0.91 | 0.93 | 0.02 | 2.07 | 0.91 | 0.93 | 0.02 | 2.21 |
| China | 7.72 | 8.20 | 0.48 | 6.22 | 7.38 | 7.80 | 0.42 | 5.69 |
| **Total "Other Regions"** | **12.63** | **13.18** | **0.56** | **4.41** | **12.60** | **13.09** | **0.49** | **3.89** |
| **Total world** | **85.59** | **86.61** | **1.02** | **1.19** | **86.92** | **88.42** | **1.50** | **1.72** |

*Totals may not add due to independent rounding.*

**OECD Europe forecast revised down by 0.1 mb/d to 15.19 mb/d in the first quarter**

### *OECD Europe*

Apart from Germany, European oil demand showed a moderate decline in the first quarter as a result of warm weather and weak transport fuel demand. UK's inland consumption declined by 0.05 mb/d y-o-y in the first quarter. Gasoline demand declined the most by 10.16%, reducing total demand by 42 tb/d. However, German oil demand grew in the first quarter adding 88 tb/d to total oil demand. Heating oil grew the most by 11.25% as a result of the normal winter. In April, Italian oil demand grew by 2.5% y-o-y. Furthermore, France's oil demand in April was supported by the strong consumption of both distillate and heating oil. Hence, France's inland oil deliveries grew by 7% y-o-y in that month.

Total OECD Europe first-quarter oil demand growth did not increase as expected because of the warm winter. Hence, **oil demand in OECD Europe was revised down by 0.1 mb/d y-o-y in the first quarter.**

The summer driving season along with the summer agricultural season is expected to boost diesel demand in Europe in the third quarter. Automotive diesel demand is forecast to grow by 3% this year due to the increase in new diesel-operated vehicles within the continent.

**OECD Pacific demand to decline by 0.04 mb/d in 2008 to average 8.23 mb/d**

### *OECD Pacific*

Despite the record-high price, Japanese gasoline demand shot up by 17.3% y-o-y in April. A strong increase in gasoline usage of 178 tb/d pushed the country's total oil demand up by 5% in April. Japan's oil demand grew by 0.13 mb/d y-o-y in the first four months. Japan's total oil demand for the year is anticipated to show the same behaviour as last year, more than offsetting any increase in other countries in OECD Pacific. **OECD Pacific oil demand is forecast to decline by 0.04 mb/d in 2008 to average 8.23 mb/d.**

Early in the year, the warm weather in the Pacific affected winter product consumption negatively, which erased the annual winter consumption growth completely.

**Table 9: Japanese Domestic Sales, tb/d**

| | Apr 08 | Change from Apr 07 | Change from Apr 07 % |
|---|---|---|---|
| Gasoline | 1,209 | 178 | 17.3 |
| Naphtha | 762 | -60 | -7.3 |
| Jet Fuel | 86 | -6 | -6.5 |
| Kerosene | 312 | -65 | -17.2 |
| Gas Oil | 649 | 26 | 4.1 |
| Other Products | 663 | 24 | 3.7 |
| Direct Use of Crude | 216 | 91 | 72.4 |
| **Total** | **3,899** | **188** | **5.1** |

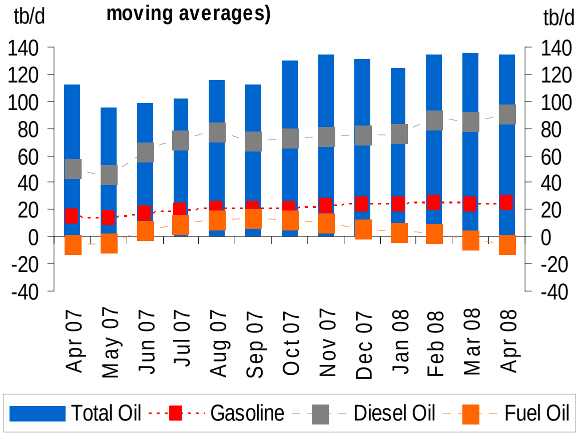
*Source: Ministry of Economy and Trade in Japan (METI).*

**Developing Countries expected to see growth of 0.66 mb/d in 2008 to average 24.87 mb/d**

### *Developing Countries*

A recent price hike of 10% in petroleum products triggered strong criticism within India. Although this increase will affect gasoline and diesel demand, it is not expected to greatly reduce consumption. India's oil demand is forecast to grow by 140 tb/d y-o-y in 2008. Transport fuel, industrial, and agricultural sectors are expected to push oil demand growth up this year. Similarly, Malaysia has greatly increased gasoline and diesel prices which will reflect on the consumption of these products in the short term. Most Asian governments are considering a change in their price structure. There are some obstacles to that, such as the high rate of inflation within these countries and anticipated unrest. In fact, booming Asian economies are

**Graph 13: Yearly changes in Indian oil demand (12 month moving averages)**



capable of absorbing the extra fuel cost in the short run. As a result of strong Indian oil demand, Other Asia oil demand growth in the first quarter was revised up by 0.06 mb/d to show an increase of 0.26 mb/d y-o-y.

Latin America's strong economic growth of 5.1% is boosting oil consumption. In addition, controlled petroleum product prices are keeping transport fuel demand healthy. Brazil's and Argentina's oil demand were stronger than expected; hence the Latin American oil demand growth was revised up by 0.05 mb/d to reach growth of 0.23 mb/d y-o-y.

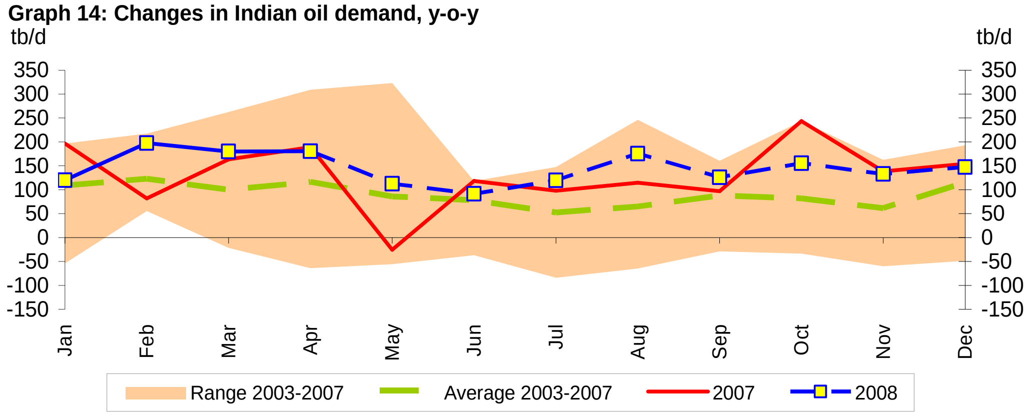
Given healthy oil demand growth in Other Asia, Latin America, the Middle East, and Africa, Developing Countries are expected to see growth of 0.66 mb/d y-o-y in 2008 to average 24.87 mb/d.

**Table 10: Indian oil demand by main products, tb/d**

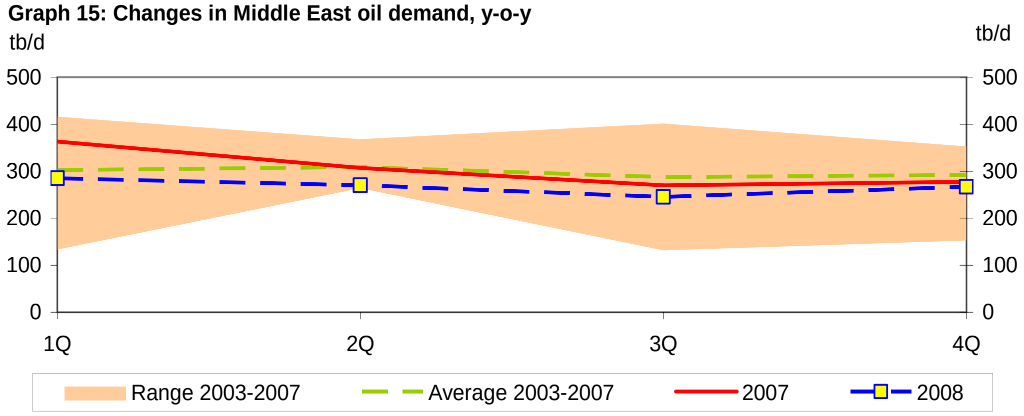
| | Apr 08 | Mar 08 | Jan 08 - Apr 08 | Difference to Jan 07 - Apr 07 |
|---|---|---|---|---|
| LPG | 376 | 403 | 389 | 29 |
| Motor Gasoline | 264 | 269 | 253 | 24 |
| Jet Kero | 297 | 295 | 304 | 14 |
| Gas Diesel Oil | 1,131 | 1,082 | 1,125 | 111 |
| Residual Fuel Oil | 293 | 282 | 300 | -22 |
| Other Products | 669 | 705 | 652 | 14 |
| **Total Oil Demand** | **3,031** | **3,036** | **3,024** | **170** |

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

**Graph 14: Changes in Indian oil demand, y-o-y**



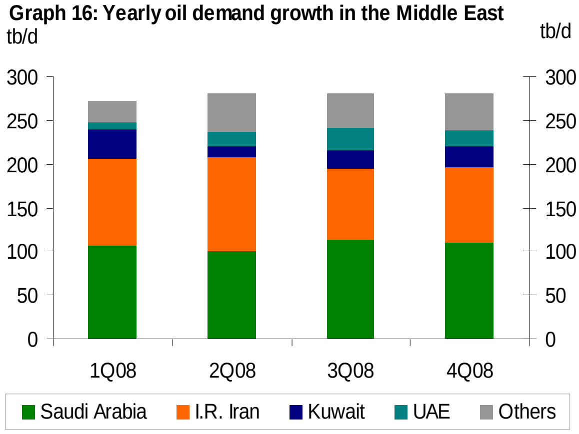

**Graph 15: Changes in Middle East oil demand, y-o-y**



**Middle East demand to grow by 0.28 mb/d in 2008**

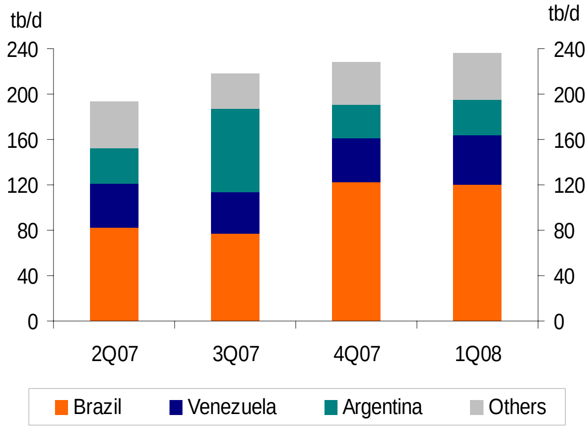
The strong Middle Eastern economies have not faced difficulties subsidizing petroleum products. Not only gasoline and diesel consumption but also industrial fuel demand are on the rise and are expected to do so for the rest of the year. **Middle East oil demand growth is forecast to top 0.28 mb/d y-o-y in 2008.**

**Graph 16: Yearly oil demand growth in the Middle East**




Latin America's strong economic growth of 5.1% is boosting oil consumption. In addition, controlled petroleum product prices are keeping transport fuel demand healthy. Brazil's and Argentina's oil demand were stronger than expected; hence the Latin American oil demand growth was revised up by 0.05 mb/d to reach growth of 0.13 mb/d y-o-y.

**Graph 17: Yearly oil demand growth in Latin America**



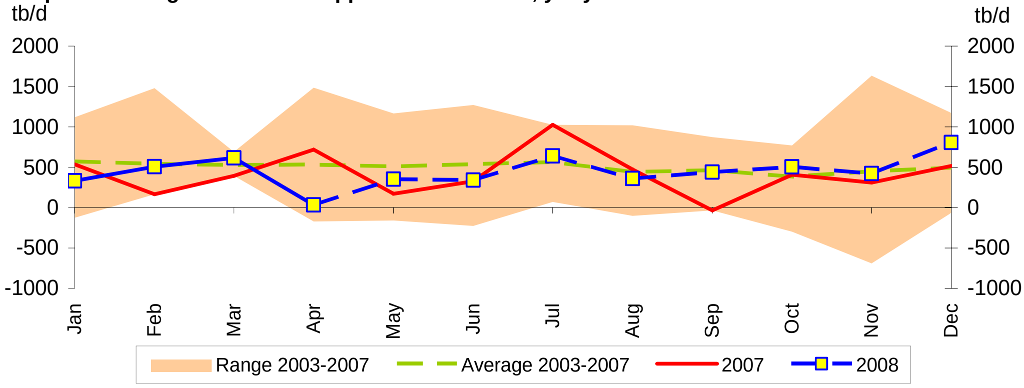

Given healthy oil demand growth in Other Asia, Latin America, the Middle East, and Africa, Developing Countries are expected to see growth of 0.66 mb/d y-o-y in 2008 to average 24.87 mb/d.

### *Other Regions*

**China third-quarter oil demand growth forecast at 0.48 mb/d or 5.7%**

Chinese crude imports were unexpectedly weak in April to average 4.1 mb/d, leading to a minor apparent oil demand growth of only 0.03 mb/d y-o-y. Weak April demand is expected to be more than offset over the coming months. Oil demand in China is forecast to grow by 5.7% or 0.4 mb/d y-o-y in 2008. A booming economy, strong new car sales, agricultural activities and the Olympic year are the main drivers behind China's healthy oil demand. Vehicle sales grew by more than 19% in the first four months adding 3.5 million new vehicles to the street; however, this is less than the growth seen last year. Apparent oil demand in March reached a record high, crossing the 8 mb/d line. It is anticipated that 40% of the total world oil demand growth this year will be attributed to China alone. The recent earthquake mostly affected rural areas and should not impact oil demand. In fact, the rebuilding effort will call for extra fuel in the end. China's oil demand reaches a peak in the third quarter. As the summer approaches, China's electricity demand is expected to be high which will lead not only to more coal but also to increased oil consumption. Third-quarter oil demand growth is forecast at 0.48 mb/d or 5.7% y-o-y. **China third-quarter oil demand growth is forecast at 0.48 mb/d or 5.7% y-o-y.**

**Graph 18: Changes in Chinese apparent oil demand, y-o-y**



# World Oil Supply

**Non-OPEC supply growth for 2007 estimated at 0.56 mb/d to average 49.43 mb/d**

## *Non-OPEC*

### *Estimate for 2007*

**Non-OPEC supply in 2007 is estimated to have increased by 0.56 mb/d over the previous year to reach 49.43 mb/d, unchanged from last month's assessment.** On a quarterly basis, non-OPEC supply now stands at 49.78 mb/d, 49.45 mb/d, 48.97 mb/d and 49.55 mb/d respectively.

**Graph 19: Regional Non-OPEC supply growth, y-o-y**

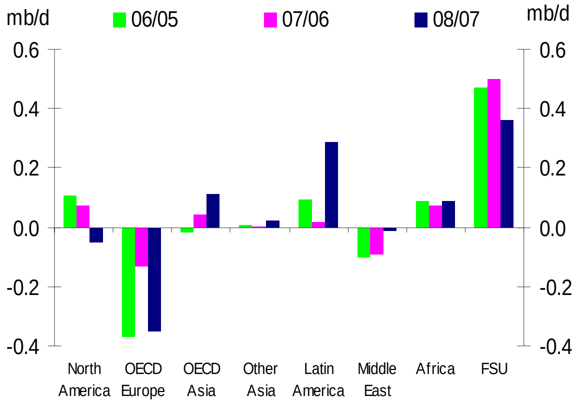



**Table 11: Non-OPEC oil supply in 2007, mb/d**

| | 2006 | 1Q07 | 2Q07 | 3Q07 | 4Q07 | 2007 | Change 07/06 |
|---|---|---|---|---|---|---|---|
| North America | 14.24 | 14.38 | 14.41 | 14.22 | 14.27 | 14.32 | 0.07 |
| Western Europe | 5.37 | 5.51 | 5.20 | 4.96 | 5.26 | 5.23 | -0.13 |
| OECD Pacific | 0.56 | 0.57 | 0.61 | 0.63 | 0.61 | 0.60 | 0.04 |
| **Total OECD** | **20.17** | **20.46** | **20.22** | **19.81** | **20.14** | **20.16** | **-0.01** |
| Other Asia | 2.72 | 2.73 | 2.68 | 2.69 | 2.75 | 2.71 | -0.01 |
| Latin America | 3.86 | 3.88 | 3.88 | 3.88 | 3.88 | 3.88 | 0.02 |
| Middle East | 1.75 | 1.69 | 1.67 | 1.65 | 1.63 | 1.66 | -0.09 |
| Africa | 2.60 | 2.68 | 2.66 | 2.64 | 2.71 | 2.67 | 0.07 |
| **Total DCs** | **10.94** | **10.96** | **10.89** | **10.86** | **10.97** | **10.92** | **-0.02** |
| FSU | 12.02 | 12.51 | 12.45 | 12.50 | 12.62 | 12.52 | 0.50 |
| Other Europe | 0.15 | 0.15 | 0.15 | 0.15 | 0.14 | 0.15 | -0.01 |
| China | 3.69 | 3.78 | 3.82 | 3.73 | 3.75 | 3.77 | 0.07 |
| **Total "Other regions"** | **15.87** | **16.44** | **16.42** | **16.38** | **16.51** | **16.44** | **0.57** |
| **Total Non-OPEC production** | **46.98** | **47.86** | **47.53** | **47.05** | **47.62** | **47.51** | **0.54** |
| Processing gains | 1.90 | 1.92 | 1.92 | 1.92 | 1.93 | 1.92 | 0.02 |
| **Total Non-OPEC supply** | **48.88** | **49.78** | **49.45** | **48.97** | **49.55** | **49.43** | **0.56** |
| Previous estimate | 48.88 | 49.78 | 49.45 | 48.97 | 49.55 | 49.43 | 0.56 |
| Revision | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

In 2007, the FSU experienced growth of 0.50 mb/d. Azerbaijan witnessed another strong growth performance with 0.21 mb/d, while Kazakhstan performed as in 2006. Russia's growth is estimated at 0.22 mb/d. The Latin American region remained broadly flat as only Brazil witnessed minor growth of 0.04 mb/d while others stayed flat or experienced losses over the previous year. Output in North America increased by 0.07 mb/d driven by Canada and the USA, while Mexico dropped a significant 0.21 mb/d. The African region saw an increase of 0.07 mb/d, mostly from Sudan. China showed a 0.07 mb/d increase from expansions and new projects. In OECD Pacific, both Australia and New Zealand showed a modest increase over the previous year. Other Asia and Middle East remained broadly flat. OECD Europe declined 0.13 mb/d with the UK showing a minor drop of 0.02 mb/d, saved from a significant decline by the Buzzard field. Norway showed a noticeable loss of 0.22 mb/d because of field declines and heavy maintenance.

**Non-OPEC supply growth in 2008 expected at 0.69 mb/d to average 50.13 mb/d**

### *Forecast for 2008*

Non-OPEC supply is expected to average 50.13 mb/d in 2008, an increase of 0.69 mb/d over the previous year and a downward revision of 50 tb/d from last month's assessment. On a quarterly basis, non-OPEC supply is expected to average 49.74 mb/d, 49.76 mb/d, 49.88 mb/d and 51.12 mb/d respectively.

**Table 12: Non-OPEC oil supply in 2008, mb/d**

| | 2007 | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 2008 | Change 08/07 |
|---|---|---|---|---|---|---|---|
| North America | 14.32 | 14.33 | 14.05 | 14.11 | 14.58 | 14.27 | -0.05 |
| Western Europe | 5.23 | 5.14 | 4.95 | 4.56 | 4.89 | 4.88 | -0.35 |
| OECD Pacific | 0.60 | 0.58 | 0.65 | 0.77 | 0.86 | 0.72 | 0.11 |
| **Total OECD** | **20.16** | **20.05** | **19.66** | **19.44** | **20.33** | **19.87** | **-0.29** |
| Other Asia | 2.71 | 2.78 | 2.80 | 2.89 | 2.97 | 2.86 | 0.15 |
| Latin America | 3.88 | 4.00 | 4.13 | 4.26 | 4.28 | 4.17 | 0.29 |
| Middle East | 1.66 | 1.64 | 1.64 | 1.65 | 1.66 | 1.65 | -0.01 |
| Africa | 2.67 | 2.74 | 2.77 | 2.75 | 2.77 | 2.76 | 0.09 |
| **Total DCs** | **10.92** | **11.15** | **11.34** | **11.55** | **11.68** | **11.43** | **0.51** |
| FSU | 12.52 | 12.64 | 12.81 | 12.94 | 13.14 | 12.88 | 0.36 |
| Other Europe | 0.15 | 0.14 | 0.14 | 0.14 | 0.14 | 0.14 | 0.00 |
| China | 3.77 | 3.81 | 3.87 | 3.87 | 3.88 | 3.86 | 0.09 |
| **Total "Other regions"** | **16.44** | **16.59** | **16.82** | **16.95** | **17.16** | **16.88** | **0.45** |
| **Total Non-OPEC production** | **47.51** | **47.79** | **47.82** | **47.94** | **49.17** | **48.18** | **0.67** |
| Processing gains | 1.92 | 1.95 | 1.94 | 1.94 | 1.95 | 1.95 | 0.02 |
| **Total Non-OPEC supply** | **49.43** | **49.74** | **49.76** | **49.88** | **51.12** | **50.13** | **0.69** |
| Previous estimate | 49.43 | 49.86 | 49.76 | 49.92 | 51.16 | 50.18 | 0.74 |
| Revision | 0.00 | -0.12 | 0.00 | -0.04 | -0.04 | -0.05 | -0.05 |

### *OECD*

**Total OECD forecast to decline by 286 tb/d**

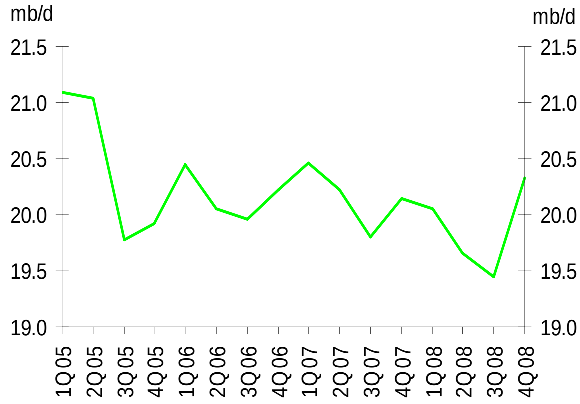
**Total OECD oil supply is expected to reach 19.87 mb/d, a drop of 0.29 mb/d below the previous year.** On a quarterly basis, OECD oil supply is expected to average 20.05 mb/d, 19.66 mb/d, 19.44 mb/d and 20.33 mb/d respectively. Preliminary data for May put total OECD supply at 19.83 mb/d.

### *USA*

**North America expected to show a minor drop**

In 2008, US oil supply is expected to reach 7.63 mb/d, representing growth of 129 tb/d over the previous year and an upward revision of 15 tb/d from last month's assessment due to the receipt of actual data for the first quarter which have been extended throughout the year. On a quarterly basis, the US is expected to produce 7.60 mb/d, 7.54 mb/d, 7.56 mb/d and 7.81 mb/d respectively. Some fields are likely to continue ramping up throughout the remainder of the year such as Atlantis South, Neptune, Blind Faith and Genghis Khan in addition to the Ursa Expansion and the start up of Thunder Horse in 4Q08 which might come on stream even earlier. The preliminary figure for production in May stands at 7.59 mb/d.

**Graph 20: OECD's quarterly production**




### *Canada and Mexico*

**Canadian** oil supply for 2008 is expected to average 3.40 mb/d, a slight growth of 64 tb/d compared with the previous year and unchanged from last month's assessment. On a quarterly basis, Canadian supply is forecast at 3.44 mb/d, 3.33 mb/d, 3.34 mb/d and 3.47 mb/d respectively. The preliminary May average is 3.41 mb/d. The remainder of the current year is expected to see synthetic crude ramp-up in addition to conventional crude from N. White Rose in 4Q08.

**Mexico may pick up from May onwards**

**Mexico** is expected to produce 3.24 mb/d in 2008 representing a significant decline of 243 tb/d compared with the previous year and unchanged from last month's assessment. On a quarterly basis, Mexico's oil supply is forecast at 3.29 mb/d, 3.18 mb/d, 3.20 mb/d and 3.30 mb/d respectively. The preliminary average for May is 3.14 mb/d.

***Western Europe***

Oil supply in this group is expected to reach 4.88 mb/d representing a decline of 350 tb/d from the previous year and 40 tb/d down compared with last month's assessment. Downward revisions to the UK were partially offset by minor upward revisions made to Norway. On a quarterly basis, Western Europe's oil supply is expected at 5.14 mb/d, 4.95 mb/d, 4.56 mb/d and 4.89 mb/d respectively. Preliminary figures place the May average at 4.98 mb/d.

**Alvheim finally started up**

**Norway's** production level is estimated to average 2.43 mb/d which represents a decline of 124 tb/d below the previous year and 4 tb/d more than last month's assessment. The downward revision was due to an adjustment of the first quarter of 2008 to actual figures, in addition to the start-up of the long delayed Alvheim field. On a quarterly basis, Norway's production is forecast at 2.51 mb/d, 2.44 mb/d, 2.27 mb/d and 2.51 mb/d respectively. The preliminary figure for the May average is 2.47 b/d. Volve is expected to ramp-up over the remainder of the year, while the YME project is seen starting-up in the fourth quarter of 2008.

**UK** is expected to produce 1.45 mb/d in 2008, a decline of 228 tb/d from the previous year and 44 tb/d down compared with last month's assessment. Downward revisions were made due to the adjustment of the first-quarter figure to actual data and extended throughout the year. Quarterly figures now stand at 1.62 mb/d, 1.51 mb/d, 1.31 mb/d and 1.37 mb/d respectively. The preliminary figure for the May average is 1.49 mb/d. Only Total's Jura condensate is expected to add some 6 tb/d in the second and third quarters.

***Asia Pacific***

Oil supply in this group is expected to average 0.72 mb/d which represents 114 tb/d over the previous year but down by 8 tb/d compared with last month's assessment. On a quarterly basis, it is expected to average 0.58 mb/d, 0.65 mb/d, 0.77 mb/d and 0.86 mb/d respectively. The preliminary figure for May stands at 0.70 mb/d.

**Australia's** oil supply is expected to average 0.59 mb/d in 2008 which represents growth of 67 tb/d over last year's figure but 8 tb/d down compared with last month's assessment due to the adjustment of the first quarter of 2008 to actual figures. The preliminary May average figure is 0.58 mb/d. Puffin SW, Enfield and Stybarrow will continue their ramping up in the remainder of the year in addition to the expected startups of Puffin NE in the second half 2008, Vincent late in the third quarter of 2008 and Montara in the fourth quarter of 2008.

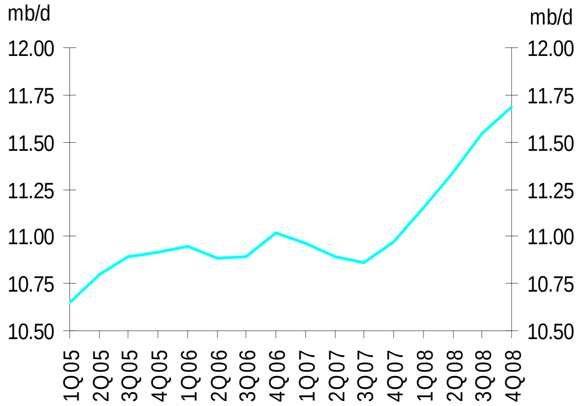
**New Zealand's** oil supply is expected to add 47 tb/d over the previous year to reach 0.13 mb/d. Maari production may peak at 32 tb/d by the 4Q08 in addition to 5 tb/d of condensates that is forecast to come from the Kupe project. Preliminary figures place May production at 0.11 mb/d.

***Developing Countries***

Oil supply in this group is expected to reach a production level of 11.43 mb/d which represents growth of 511 tb/d over last years' figure and a downward revision of 15 tb/d compared with last month's assessment. On a quarterly basis, oil supply is expected to average 11.15 mb/d, 11.34 mb/d, 11.55 mb/d and 11.68 mb/d respectively.

Brazil, Other Asia and Africa are the main contributors to the growth for this year. Preliminary May average figure puts total DC oil supply at 11.25 mb/d.

**Graph 21: Developing Countries' quarterly production**



**Other Asia** is expected to reach 2.86 mb/d representing growth of 149 tb/d over 2007, unchanged from last month's assessment. On a quarterly basis, it is expected to average 2.78 mb/d, 2.80 mb/d, 2.89 mb/d and 2.97 mb/d respectively. Only Thailand's first quarter of 2008 witnessed a 7 tb/d downward revision. The total group produced 2.80 mb/d in May according to preliminary figures.

**Latin America**n oil supply is expected to average 4.17 mb/d in 2008, a significant growth of 286 tb/d over 2007 and an upward revision of 12 tb/d compared with last month's assessment due to the correction of Argentina's second quarter where the production loss due to the oil workers strike was overestimated, with the quarterly distribution at 4.00 mb/d, 4.13 mb/d, 4.26 mb/d and 4.28 mb/d respectively. The preliminary May figure for the group is 4.06 mb/d. Brazil is the major contributor to the growth by 261 tb/d with a preliminary average figure for May at 2.28 mb/d.

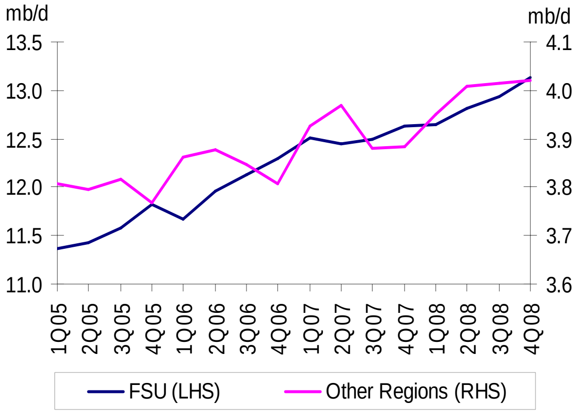
**Africa** is expected to average 2.76 mb/d in 2008 or a growth of 86 tb/d over the previous year and 26 tb/d down compared with last month's assessment as Sudan's production figure was overestimated and has now been revised down by 25 tb/d from the annual average in addition to some minor downward revisions to Gabon as Onal will start-up late in the fourth quarter of 2008. On a quarterly basis, oil supply from this group is expected to average 2.74 mb/d, 2.77 mb/d, 2.75 mb/d and 2.77 mb/d respectively. Preliminary figures put May production at 2.75 mb/d.

The **Middle East** is expected to stay flat compared with the 2007 level and unchanged compared with last month's assessment. It is expected to average 1.65 mb/d with a quarterly distribution at 1.64 mb/d, 1.64 mb/d, 1.65 mb/d and 1.66 mb/d respectively. The preliminary May figure for the Middle East group is estimated at 1.64 mb/d.

***FSU, Other Regions***

Oil supply in the FSU is expected to average 12.88 mb/d which represents 0.36 mb/d growth over the previous year but almost unchanged compared with last month's assessment. On a quarterly basis, oil supply is expected to average 12.64 mb/d, 12.81 mb/d, 12.94 mb/d and 13.14 mb/d respectively. Other Europe is expected to stay flat over 2007 at 0.14 mb/d while China is expected to average 3.86 mb/d.

**Graph 22: FSU and other region's quarterly production**




***Russia***

Russian oil supply is expected to reach 9.92 mb/d which represents growth of 52 tb/d and a minor upward revision of 6 tb/d compared with last month's assessment. On a quarterly basis, it is expected at 9.77 mb/d, 9.87 mb/d, 9.98 mb/d and 10.06 mb/d respectively. Russian performance may start to pick up from May onwards throughout the remainder of the current year as tax policy starts to change.

***Caspian***

Oil supply in **Kazakhstan** is expected to grow by 88 tb/d over 2007 to reach 1.44 mb/d, a downward revision of 9 tb/d compared with last month's assessment due to the first-quarter 2008 adjustment to actual figures in addition to delays witnessed at the Karazhanbas project whose start-up has been pushed back to the second quarter of 2009, that leaves Tengiz expansion as the main contributor to growth this year. On a quarterly basis oil supply is expected at 1.41 mb/d, 1.44 mb/d, 1.41 mb/d and 1.48 mb/d respectively. According to the preliminary figure, the country produced 1.47 mb/d in May.

Oil supply in **Azerbaijan** is expected to grow by 200 tb/d over 2007 to reach a level of 1.06 mb/d in 2008, unchanged from last month's assessment. The preliminary figure for May now stands at 0.99 mb/d. Most of this year's growth is expected to come from East Azeri and Guneshli which are parts of ACG Phase I and Phase II respectively.

OPEC production rose 343 tb/d to 32.2 mb/d in May

### *China*

Oil supply in China is expected to average 3.86 mb/d representing growth of 87 tb/d over the previous year but unchanged from last month's assessment. On a quarterly basis, oil supply is expected to average 3.81 mb/d, 3.87 mb/d, 3.87 mb/d and 3.88 mb/d respectively. Preliminary figures put April production at 3.86 mb/d.

### *OPEC natural gas liquids and non-conventional oils*

OPEC NGLs and non-conventional oils are expected to average 4.40 mb/d in 2007, an increase of 0.34 mb/d over the previous year. The 2008 annual figure is forecast to reach 4.93 mb/d, an increase of 0.54 mb/d over the previous year.

**Table 13: OPEC NGLs + non-conventional oils, 2005-2008**

| | 2005 | 2006 | Change 06/05 | 1Q07 | 2Q07 | 3Q07 | 4Q07 | 2007 | Change 07/06 | 2008 | Change 08/07 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total OPEC** | **4.08** | **4.06** | -0.02 | 4.22 | 4.35 | 4.40 | 4.62 | **4.40** | 0.34 | **4.93** | 0.54 |

### *OPEC crude oil production*

Total crude oil production averaged 32.19 mb/d in May, an increase of 343 tb/d above the April figure according to secondary sources. OPEC production (not including Iraq) averaged 29.76 mb/d, up by 249 tb/d from the April figure. Significant increases of 150 tb/d and 94 tb/d were witnessed in Saudi Arabia and Iraq respectively.

**Table 14: OPEC crude oil production based on secondary sources, 1,000 b/d**

| | 2006 | 2007 | 3Q07 | 4Q07 | 1Q08 | Mar 08 | Apr 08 | May 08 | *May/Apr* |
|---|---|---|---|---|---|---|---|---|---|
| Algeria | 1,365 | 1,360 | 1,365 | 1,386 | 1,397 | 1,399 | 1,408 | 1,420 | *12.1* |
| Angola | 1,385 | 1,660 | 1,678 | 1,777 | 1,865 | 1,869 | 1,882 | 1,902 | *19.8* |
| Ecuador | 536 | 507 | 508 | 509 | 505 | 501 | 503 | 503 | *0.0* |
| Indonesia | 895 | 844 | 836 | 841 | 862 | 875 | 874 | 889 | *14.6* |
| Iran, I.R. | 3,845 | 3,855 | 3,861 | 3,907 | 3,934 | 3,930 | 3,909 | 3,878 | *-30.6* |
| Iraq | 1,932 | 2,089 | 2,107 | 2,330 | 2,303 | 2,362 | 2,341 | 2,435 | *94.3* |
| Kuwait | 2,520 | 2,464 | 2,467 | 2,508 | 2,535 | 2,528 | 2,572 | 2,596 | *24.1* |
| Libya, S.P.A.J. | 1,702 | 1,710 | 1,718 | 1,741 | 1,751 | 1,752 | 1,745 | 1,723 | *-22.5* |
| Nigeria | 2,235 | 2,125 | 2,154 | 2,158 | 2,056 | 2,045 | 1,824 | 1,889 | *64.4* |
| Qatar | 821 | 807 | 814 | 825 | 839 | 840 | 846 | 853 | *6.7* |
| Saudi Arabia | 9,112 | 8,654 | 8,584 | 8,921 | 9,057 | 9,031 | 8,984 | 9,134 | *150.3* |
| UAE | 2,540 | 2,504 | 2,574 | 2,427 | 2,586 | 2,558 | 2,607 | 2,629 | *22.1* |
| Venezuela | 2,539 | 2,392 | 2,377 | 2,395 | 2,385 | 2,364 | 2,357 | 2,345 | *-11.9* |
| **Total OPEC** | **31,428** | **30,970** | **31,044** | **31,726** | **32,075** | **32,053** | **31,851** | **32,194** | ***343.2*** |
| **OPEC excl. Iraq** | **29,496** | **28,881** | **28,937** | **29,396** | **29,772** | **29,692** | **29,510** | **29,759** | ***248.9*** |

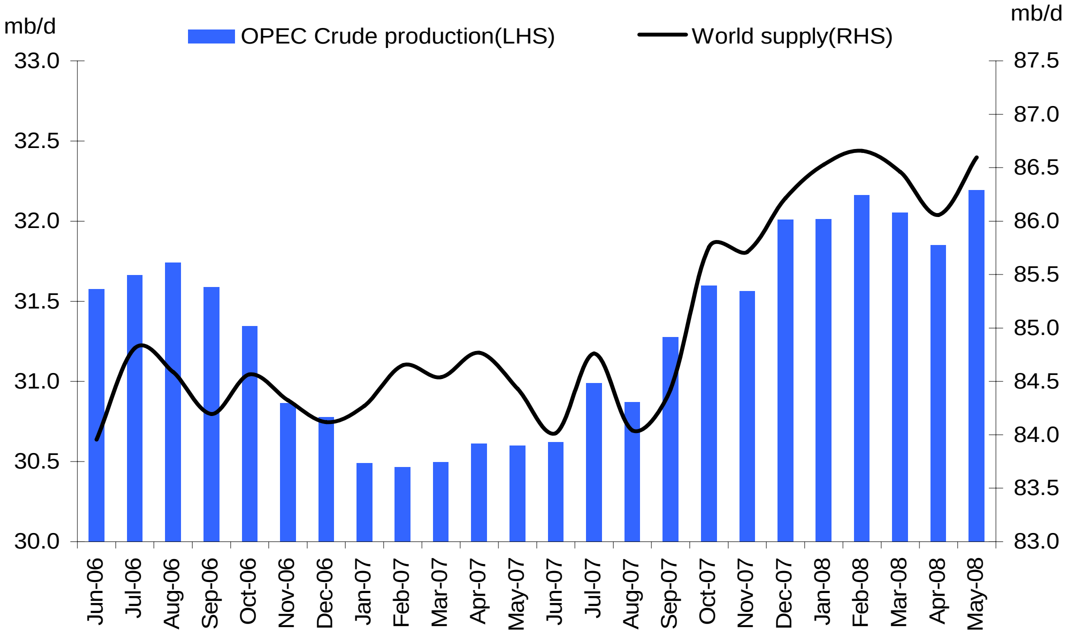
*Totals may not add due to independent rounding.*

**World oil supply rose 0.54 mb/d in May to average 86.60 mb/d**

## *World Oil Supply*

World oil supply averaged 86.60 mb/d in May for an increase of 0.54 mb/d above the previous month, with OPEC's crude share at 37.2%. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

**Graph 23: OPEC and World oil supply**



### *FSU net exports of crude and products*

Total FSU net oil exports are estimated to average 8.55 mb/d in 2007, an increase of 0.42 mb/d over the previous year. In 2008, net oil exports are forecast to reach 8.83 mb/d, an increase of 0.29 mb/d over the previous year.

### *Current trends*

Actual figures for March indicate that total crude exports from the FSU averaged 6.18 mb/d. The preliminary figures for April averaged 6.44 mb/d, an increase of 252 tb/d from the previous month. Russian pipeline exports in April increased significantly by 233 tb/d mainly in the Baltic and the Black Sea pipelines by 178 tb/d and 112 tb/d respectively, while the Druzhba pipeline declined by 45 tb/d. Exports through the CPC pipeline increased significantly by 119 tb/d compared with the previous month.

**Table 15: FSU estimated net oil exports (historical and forecast), mb/d**

| | 1Q | 2Q | 3Q | 4Q | Year | Growth (y-o-y) |
|---|---|---|---|---|---|---|
| **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** | 7.91 | 8.34 | 8.22 | 8.06 | **8.13** | **0.44** |
| **2007 (estimate)** | **8.64** | **8.74** | **8.50** | **8.31** | **8.55** | **0.42** |
| **2008 (forecast)** | **8.65** | **9.03** | **8.88** | **8.77** | **8.83** | **0.29** |

**Table 16: Recent FSU exports of crude and products by source, mb/d**

| | 2006 | 2007 | 3Q07 | 4Q07 | 1Q08 | Mar 08 | Apr 08* |
|---|---|---|---|---|---|---|---|
| **Crude** | | | | | | | |
| **Russian pipeline** | | | | | | | |
| Black Sea | 1,288 | 1,360 | 1,332 | 1,294 | 1,224 | 1,263 | 1,375 |
| Baltic | 1,553 | 1,645 | 1,647 | 1,631 | 1,530 | 1,537 | 1,715 |
| Druzhba | 1,288 | 1,122 | 1,091 | 1,128 | 1,130 | 1,145 | 1,100 |
| **Total***** | **4,129** | **4,127** | **4,071** | **4,052** | **3,884** | **3,970** | **4,203** |
| **Other routes** | | | | | | | |
| Russian rail | 313 | 290 | 266 | 300 | 296 | 332 | 340 |
| Russian - Far East | 84 | 247 | 246 | 263 | 209 | 205 | 214 |
| Kazak rail | 31 | 15 | 12 | 17 | 17 | 17 | 18 |
| CPC pipeline | 661 | 701 | 673 | 678 | 624 | 632 | 751 |
| **Caspian** | **396** | **249** | **196** | **205** | **191** | **205** | **195** |
| *of which* | | | | | | | |
| Supsa (AIOC) - Georgia | 114 | 0 | 0 | 0 | 0 | 0 | 0 |
| Batumi - Georgia | 177 | 138 | 105 | 121 | 105 | 116 | 124 |
| **Total**** | **1,702** | **2,234** | **2,143** | **2,228** | **2,110** | **2,214** | **2,234** |
| **Total crude exports** | **5,831** | **6,362** | **6,214** | **6,280** | **5,994** | **6,184** | **6,437** |
| **Products** | | | | | | | |
| **All routes** | | | | | | | |
| Fuel oil | 861 | 841 | 789 | 913 | 1,085 | 1,193 | 1,019 |
| Gasoil | 841 | 677 | 597 | 814 | 855 | 868 | 827 |
| Others | 662 | 670 | 676 | 730 | 975 | 1,198 | 782 |
| **Total** | **2,364** | **2,188** | **2,062** | **2,458** | **2,916** | **3,259** | **2,628** |
| **Total oil exports** | **8,195** | **8,550** | **8,275** | **8,738** | **8,910** | **9,443** | **9,065** |

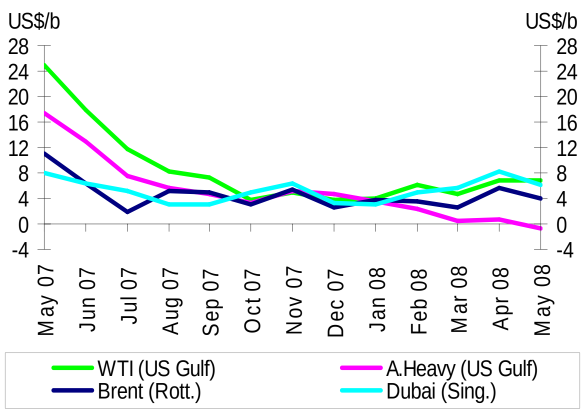
*Source: Nefte Transport, Global Markets, Argus Fundamentals, Argus FSU, OPEC.*
* *Preliminary.*
** *Total incl. BTC, Atasu-Alashankou and tanker shipments from Kaliningrad to Ventspils.*
*** *Total incl. exports to China.*

# Product Markets and Refinery Operations

**Refining economics lost ground in May**

**The persistent escalation in crude oil prices overshadowed positive developments in the product markets and undermined refining margins in Europe and Asia. The continuation of such circumstances in the crude market along with slowing gasoline demand particularly in the US may also cap the seasonal bullish developments in the product markets and exert further pressure on the refining economics in the future. However, unplanned refinery outages due to the possibly active hurricane season could change the current prospect of the product markets in the future and lift product and crude prices as well as refining margins.**

Graph 24: Refining margins




**As Graph-24** shows, refining margins for Brent crude oil at Rotterdam fell by $1.60/b to $4.07/b in May from $5.68/b in April. The market followed a similar trend in Asia as margins reversed their previous upward trend. As mentioned earlier, costly feedstock has largely contributed to negative developments in the refining economics. In light with these developments, refining margins for Dubai crude oil in the Singapore market plummeted by $2.04/b to reach $6.19/b from $8.23/b in April.

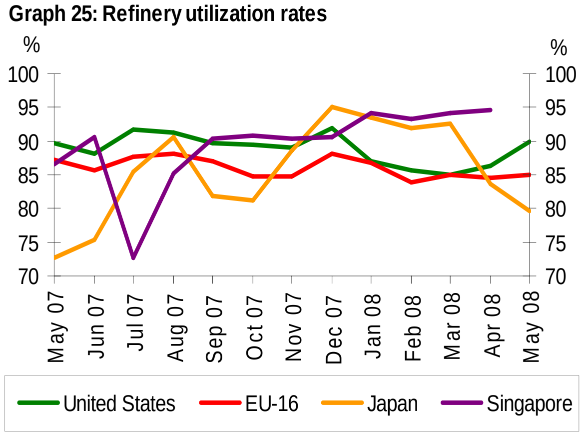
In the US, refining margins remained relatively steady compared to the other markets, which was mainly attributed to the continuation of the gasoline stock-draw in the first three weeks of May. Refining margins for WTI crude at the US Gulf Coast rose slightly by 9¢/b to reach $6.85/b from $6.76/b last month.

### *Refinery operations*

**Refinery throughputs improved in Atlantic Basin**

Refinery turnaround schedules have been almost completed in the US and Europe, but due to the persistent poor situation of refining economics, refiners appear reluctant to raise their throughput levels significantly. The bearish sentiment of the US gasoline market and the easing of the middle of the barrel components have also contributed to these circumstances. However, with the approach of the peak driving season, refinery operation levels are expected to increase further in the Atlantic Basin next month.

Graph 25: Refinery utilization rates




**As Graph-25 shows, the refinery utilization rate in the US surged by 3.6% compared to the previous month to reach 90% in May from 86.4% in April. In Europe, refinery utilization rose marginally to 84.9% in May from 84.4% last month. In Asia, refiners increased their maintenance level and throughputs slowed across the region. In Japan, the refinery utilization rate plunged by 4% to 79.7% from 83.7% in April (*see* Graph 25).**

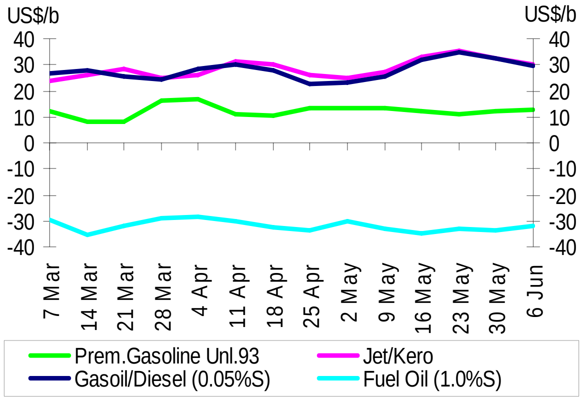
Looking ahead, amid the increasing seasonal maintenance schedule in Asia, refinery utilization rates are also expected to stay at a relatively low level in June. With regard to the US and Europe, as mentioned earlier, this will depend on refining economics and potential discretionary cuts by refiners.

### *US market*

**The US product market sentiment remained muted in May**

**A combination of the economic slowdown and high retail gasoline prices has dampened the US market and negatively affected gasoline consumption over the last couple of months. By the start of the driving season, the gasoline crack spread improved slightly over the last two weeks, but it is still far below the level which was experienced over the same period in the last few years. As Graph 26 shows, the gasoline crack spread for WTI crude oil at the US Gulf Coast increased to $15.10/b in early June from about $13/b in the latter part of April. Considering the slowing demand and relatively comfortable stock level, the gasoline spread and refining margins are not expected to be boosted sharply in the next months.**

**Graph 26: US Gulf crack spread vs. WTI, 2008**




Despite the muted situation in the gasoline market, the middle distillate market conditions were really strong almost up to the end of May, but due to slacking demand in South America and less arbitrage opportunities to Europe, the diesel market in the US has recently lost part of its earlier strength. Following these developments, both gasoil and jet/kero crack spreads against WTI crude oil slightly narrowed over the last two weeks. The gasoil crack spread versus WTI crude jumped to over $35/b in the middle of May, but it returned to about $33/b in the first of June (*see* **Graph 26**). Upon completion of the maintenance schedules and rising refinery throughputs, the distillate market is expected to lose further ground in the future.

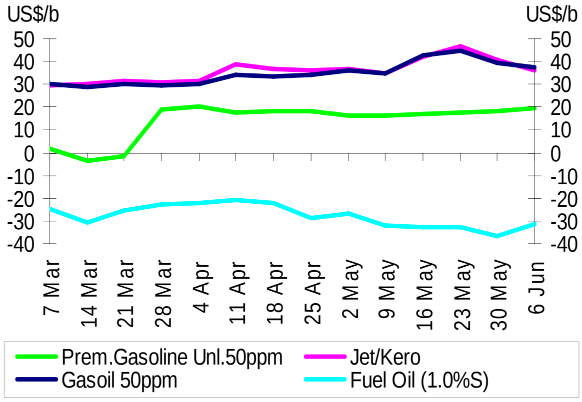
In the US, the fuel oil market was mixed: While low-sulphur grades were firm due to higher demand from the regional utility plants and export opportunities to Asia, the high-sulphur grade market remained lacklustre. Following these developments, the discounted value of low-sulphur fuel oil versus WTI crude oil widened to minus $29.54/b in the week ending 6 June from about minus $24/b in the latter part of April. Looking ahead, amid higher regional production, the current bearish fundamentals of the fuel oil market are not expected to improve next month.

### *European market*

**Middle distillates extended their good performance in May**

**Technical restrictions of substantial changes in the refinery mode to produce more middle distillates along with higher demand and the continuation of unplanned refinery outages compounded the European distillate market strength in May. Due to these developments the gasoil crack spread against Brent crude oil surged to over $46/b in the middle of the same month (*see* Graph 27). But the bullish sentiment of the distillate market has eased in the latter part of May as both Neste's 196 tb/d refinery in Finland and Ineo's 206 tb/d refinery in Scotland returned to full operation.**

**Graph 27: Rotterdam crack spreads vs. Brent, 2008**




Despite the strong performance of the middle distillates, the European gasoline market was steady in the same month, but gained relatively in the latter part of May because of solid demand from West Africa and the Middle East. Meanwhile, due to the narrowing arbitrage opportunity, gasoline exports to the US have not been boosted yet and it just contains to the term contract volume which is moving to the other side of Atlantic. The present momentum of the gasoline and naphtha market in Europe may gain in the future, but it largely depends on the arbitrage opportunity to the US and the Middle East.

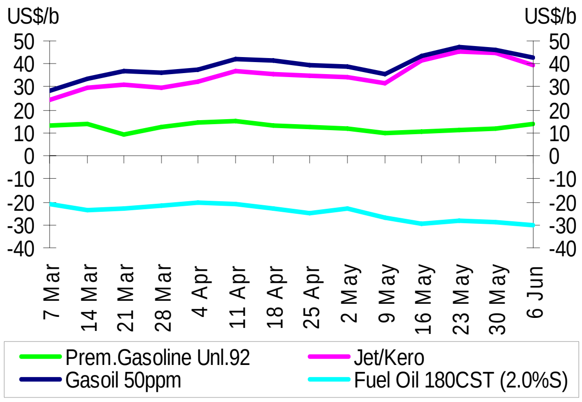
With regard to the fuel oil market, sluggish regional demand along with the lack of export opportunities to Asia have exerted further downward pressure on the European fuel oil prices and widened both the low-sulphur and the high-sulphur fuel oil crack spread versus Brent crude oil in Rotterdam (*see* **Graph 27**). The current bearish sentiment of fuel oil may continue over the next months as arbitrage opportunities to other areas remain limited.

### *Asian market*

**South-East Asian countries along with India increased petroleum product prices and reduced subsidies in May**

**Following the increasing crude prices over the last months, Asian countries were being forced to revise their product subsidy policy and to raise product prices. The increasing product prices may adversely affect the growing Asian oil demand in the future.**

Graph 28: Singapore crack spreads vs. Dubai, 2008




With regard to the current product market situation, the gasoline market in Asia appears healthy due to increasing imports from China and Indonesia as well as limited supplies from South Korea. This situation has lifted gasoline prices and the crack spread versus Dubai crude oil over the last few weeks. Given the continuation of refinery maintenance schedules in the region and higher imports from China, the Asian gasoline market is expected to remain relatively strong in the near future.

The Asian naphtha market sentiment also improved recently amid less arbitrage cargoes from the West and higher demand from petrochemical plants in Taiwan and South Korea. Additionally, natural gas supply disruptions in India have also provided support for the Asian naphtha market.

**Middle of the barrel components consolidated their previous bullish sentiment due to higher demand and imports from China and tight regional supply, as a result of seasonal refinery turnarounds. The gasoil crack spread against Dubai crude oil reached over $47/b in the middle of May. However, in the last few weeks, following the announcement of a subsidy cut by several countries, the gasoil price eased from record levels and its crack spread fell to $43/b in the first week of June. In addition to gasoil, the jet/kero market also remained strong, as higher demand from China was coupled with jet/kero exports from the Middle East to Europe rather than to Asia lending support to jet fuel oil market (*see* Graph 28).**

As far as the fuel oil market is concerned, the low-sulphur grade market appears healthy due to higher demand from utility plants in Japan, but high inventories in Singapore and sluggish Chinese demand weigh on the high-sulphur grade market. This situation has widened the crack spread of high-sulphur fuel oil versus Dubai crude to minus $29.36/b in the first week of June from minus $25/b in the last week of April. Looking forward, the current circumstances of the Asian fuel oil market may improve slightly next month due to lesser exports from the Middle East and Europe.

**Table 17: Refined product prices, US$/b**

| | | Mar 08 | Apr 08 | May 08 | Change May/Apr |
|---|---|---|---|---|---|
| **US Gulf (Cargoes):** | | | | | |
| Naphtha | | 104.80 | 114.75 | 129.68 | 14.93 |
| Premium gasoline | *(unleaded 93)* | 117.08 | 125.43 | 137.84 | 12.41 |
| Regular gasoline | *(unleaded 87)* | 108.80 | 119.71 | 133.16 | 13.45 |
| Jet/Kerosene | | 131.35 | 140.57 | 156.75 | 16.18 |
| Gasoil | *(0.05% S)* | 131.63 | 139.22 | 155.70 | 16.48 |
| Fuel oil | *(1.0% S)* | 74.39 | 75.34 | 83.95 | 8.61 |
| Fuel oil | *(3.0% S)* | 71.42 | 81.39 | 92.30 | 10.91 |
| **Rotterdam (Barges FoB):** | | | | | |
| Naphtha | | 113.53 | 118.58 | 129.70 | 11.12 |
| Premium gasoline | *(unleaded 50 ppm*)* | 108.91 | 127.26 | 140.04 | 12.78 |
| Premium gasoline | *(unleaded 95)* | 103.56 | 113.16 | 124.51 | 11.35 |
| Jet/Kerosene | | 134.00 | 145.05 | 163.93 | 18.88 |
| Gasoil/Diesel | *(50 ppm*)* | 133.01 | 142.66 | 163.07 | 20.41 |
| Fuel oil | *(1.0% S)* | 77.69 | 85.16 | 90.32 | 5.16 |
| Fuel oil | *(3.5% S)* | 70.28 | 73.57 | 80.30 | 6.73 |
| **Mediterranean (Cargoes):** | | | | | |
| Naphtha | | 95.98 | 99.53 | 108.72 | 9.19 |
| Premium gasoline | *(50 ppm)* | 117.31 | 127.26 | 141.69 | 14.43 |
| Jet/Kerosene | | 131.37 | 142.60 | 159.42 | 16.82 |
| Gasoil/Diesel | *(50 ppm)* | 134.27 | 142.80 | 162.71 | 19.91 |
| Fuel oil | *(1.0% S)* | 77.08 | 83.24 | 91.49 | 8.25 |
| Fuel oil | *(3.5% S)* | 70.84 | 72.73 | 80.43 | 7.70 |
| **Singapore (Cargoes):** | | | | | |
| Naphtha | | 97.54 | 102.53 | 113.63 | 11.10 |
| Premium gasoline | *(unleaded 95)* | 109.66 | 117.98 | 131.07 | 13.09 |
| Regular gasoline | *(unleaded 92)* | 109.12 | 117.02 | 130.01 | 12.99 |
| Jet/Kerosene | | 125.31 | 138.44 | 159.47 | 21.03 |
| Gasoil/Diesel | *(50 ppm)* | 130.49 | 143.38 | 161.86 | 18.48 |
| Fuel oil | *(180 cst 2.0% S)* | 74.58 | 80.98 | 91.15 | 10.17 |
| Fuel oil | *(380 cst 3.5% S)* | 73.86 | 78.14 | 87.62 | 9.48 |

**Table 18: Refinery operations in selected OECD countries**

| | Refinery throughput *mb/d* | | | | Refinery utilization *%* | | | |
|---|---|---|---|---|---|---|---|---|
| | Mar 08 | Apr 08 | May 08 | May/Apr | Mar 08 | Apr 08 | May 08 | May/Apr |
| **USA** | 14.85 | 15.07 | 15.70 | 0.63 | 85.1 | 86.4 R | 90.0 | 3.60 |
| **France** | 1.47 R | 1.68 | 1.70 | 0.02 | 76.2 R | 86.9 R | 87.7 | 0.80 |
| **Germany** | 2.35 R | 2.14 R | 2.06 | -0.08 | 97.2 R | 88.6 R | 85.2 | -3.40 |
| **Italy** | 1.81 R | 1.85 | 1.72 | -0.13 | 77.6 R | 79.1 R | 73.5 | -5.60 |
| **UK** | 1.51 R | 1.56 R | 1.53 | -0.03 | 81.2 R | 83.8 R | 82.4 | -1.40 |
| **Eur-16** | 11.91 R | 11.85 R | 11.91 | 0.06 | 84.9 R | 84.4 R | 84.9 | 0.50 |
| **Japan** | 4.31 | 3.89 R | 3.71 | -0.18 | 92.6 R | 83.7 R | 79.7 | -4.00 |

*R* *Revised since last issue.*

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

# The Tanker Market

**Global and OPEC spot fixtures declined in May on the back of refinery maintenance**

Global and OPEC spot fixtures decreased according to preliminary data, with global spot fixtures declining 2% to stand at 20.4 mb/d in May compared to the previous month. OPEC spot fixtures fell by 4% over the same period to stand at 13.5 mb/d. A majority of the OPEC decline came from the Middle East where spot fixtures dropped by 11% on average. Both Middle East to the East and the West fixtures declined with fixtures to the West dropping 15%, although the higher percentage can be attributed to the low base of the previous month. High spot freight rates as well as the refinery maintenance season were among the main reasons for the decline of spot fixtures. Despite the monthly decline, in annual terms, OPEC spot fixtures indicated a rise of 14%.

Sailings from OPEC fell by 1% in May compared to the previous month as the maintenance season started in various parts of the world. Middle East sailings declined by a similar 1% in May from a month ago, indicating a decline of 1% compared to the same period last year. However, OPEC sailings in May displayed an increase of 1% on an annual basis. Arrivals of crude oil tankers in the USA declined by 2% in May which is in line with the drop of US crude oil imports compared to the previous month, according to preliminary data. However, North-West Europe and Mediterranean arrivals increased by 3% and 8% respectively in May from the previous month.

**Table 19: Tanker chartering, sailings and arrivals, mb/d**

| | Mar 08 | Apr 08 | May 08 | Change May/Apr |
|---|---|---|---|---|
| **Spot Chartering** | | | | |
| All areas | 19.06 | 20.87 | 20.39 | -0.48 |
| OPEC | 12.87 | 14.03 | 13.46 | -0.57 |
| Middle East/east | 4.77 | 5.82 | 5.44 | -0.38 |
| Middle East/west | 2.08 | 1.69 | 1.47 | -0.22 |
| **Sailings** | | | | |
| OPEC | 23.89 | 23.46 | 23.25 | -0.21 |
| Middle East | 17.49 | 17.13 | 16.98 | -0.15 |
| **Arrivals** | | | | |
| US Gulf Coast, US East Coast, Caribbean | 8.49 | 8.36 | 8.16 | -0.20 |
| North West Europe | 7.24 | 7.79 | 8.02 | 0.22 |
| Euromed | 4.04 | 4.30 | 4.64 | 0.34 |

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

**VLCC spot freight rates increased sharply in May in an unusual seasonal trend due to shortage of tonnage availability; Suezmax and Aframax rates also increased.**

Despite the historical seasonal declining trend, the spot tanker market continued to be strong at an unusually high level in May 2008. With record-high crude oil prices and refinery maintenance at its peak time of year, spot freight rates continued to be bullish with reported rises on all reported routes ranging from 3% to 60% in May. Tanker owners managed to use high bunker fuel prices to keep the bullish momentum in the spot market. Spot freight rates marked the highest level so far in 2008 for most reported routes with an average increase of 23% from the previous month. Fundamentals remained in the driver's seat of the spot tanker market with availability and demand pulling up spot freight rates.

The dirty tanker market was the main winner of the run-up in spot freight rates with the VLCC sector harvesting the biggest gains. The Suezmax sector followed while Aframax came in last in terms of spot freight rate growth in May. VLCC spot freight rates started increasing at the beginning of May, with tonnage demand remaining strong supported by floating storage booking for Middle East producers. It is estimated that around 14-17 VLCCs were utilized as floating storage in the Middle East. Additionally, traditional single-hull charterers favoured a switch to double-hull VLCCs on the back of environmental basis. India was reported to ban the use of foreign single-hull vessels during the Monsoon season, creating a severe shortage of double-hull vessels in the Middle East. Accordingly, spot freight rates increased and differentials between single- and double- hull vessels widened. Expecting VLCC spot freight rates to increase, charterers were booking further ahead to cover their positions on concern about a further tonnage shortage which added to market firmness. With spot freight rates reaching high levels, active Asian charterers returned to single-hull units in an attempt to escape increasing double-hull freight rates. As a result, single- and double-hull differentials narrowed. Toward the end of the month, charterers began deferring their cargoes and bookings on the expectation that rates would ease.

East of Suez VLCC spot freight rates increased 55% on average in May from the previous month. Spot freight rates on the long-haul route from the Middle East to the East achieved the highest gain in May of 60% from the previous month supported by Asian demand and the increase in floating storage capacity. On an annual basis, VLCC spot freight rates on the Middle East to the East route saw an increase of 113% in May. From the Middle East to western destinations, VLCC spot freight rates rose 51% in May from the previous month. Increased tonnage demand from the Middle East supported spot freight rates as supply from nearby sources for western consumers declined and refiners initiated their booking for the post-maintenance period. Compared to the same period last year, VLCC spot freight rates on the long-haul route from the Middle East to the West displayed an increase of 102% in May.

The VLCC market in West of Suez experienced the same developments, with spot freight rates on the reported route from West Africa to the East increasing 47% in May from the previous month. The strong Suezmax market in addition to the attractive Middle East market provided the necessary support for VLCC spot freight rates to encounter an upsurge similar to the one in the Middle East. The attractive VLCC environment in the Middle East appealed to owners to steer back to the Middle East from West Africa to take advantage of the active market. Accordingly, availability declined and spot freight rates reacted to the uprising direction. Yet, toward the end of the month, tonnage began to build up and activity started to wane, bringing rates downs. On an annual basis, spot freight rates on the West Africa to the East route increased 162% in May, and all reported VLCC routes increased by 126% on average in May.

**Table 20: Spot tanker freight rates, Worldscale**

| | **Size** *1,000 DWT* | **Mar 08** | **Apr 08** | **May-08** | **Change May/Apr** |
|---|---|---|---|---|---|
| ***Crude*** | | | | | |
| Middle East/east | 230-280 | 119 | 128 | 204 | 76 |
| Middle East/west | 270-285 | 90 | 91 | 138 | 47 |
| West Africa/east | 260 | 118 | 132 | 194 | 62 |
| West Africa/US Gulf Coast | 130-135 | 170 | 194 | 244 | 50 |
| NW Europe/USEC - USGC | 130-135 | 153 | 180 | 215 | 34 |
| Indonesia/US West Coast | 80-85 | 148 | 168 | 216 | 48 |
| Caribbean/US East Coast | 50-55 | 231 | 234 | 290 | 56 |
| Mediterranean/Mediterranean | 80-85 | 222 | 265 | 279 | 14 |
| Mediterranean/North-West Europe | 80-85 | 219 | 262 | 270 | 8 |
| ***Products*** | | | | | |
| Middle East/east | 30-35 | 179 | 166 | 193 | 27 |
| Singapore/east | 30-35 | 198 | 178 | 190 | 11 |
| Caribbean/US Gulf Coast | 38-40 | 276 | 301 | 376 | 75 |
| NW Europe/USEC - USGC | 33-37 | 230 | 283 | 320 | 36 |
| Mediterranean/Mediterranean | 30-35 | 197 | 258 | 292 | 34 |
| Mediterranean/North-West Europe | 30-35 | 207 | 268 | 302 | 34 |

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

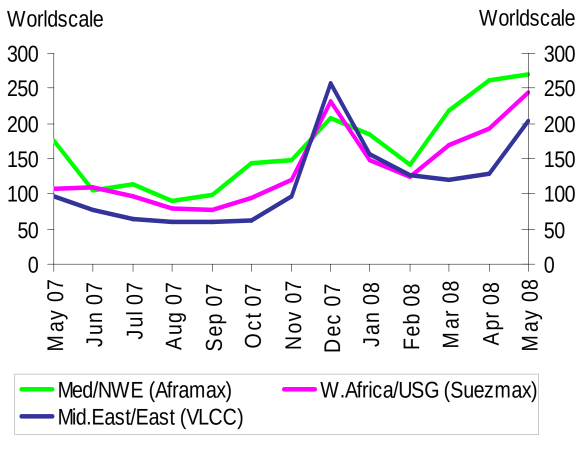
The Suezmax sector continued to be strong for the third consecutive month. Availability remained the main factor with support coming from the Aframax and VLCC sectors. On average, Suezmax spot freight rates increased 22% in May from the previous month. Poor tonnage supply remained the main factor with charterers encountering a severe availability issue in the second half of May. Spot freight rates on reported route from West Africa to the US remained steady in the first half of the month before surging in the second half on increased tonnage demand. Spot freight rates from West Africa to the US closed the month with an increase of 26% from the previous month to mark the highest level since November 2004. From North-West Europe to the US, Suezmax spot freight rates increased 19% in May from the previous month mainly supported by the surging Aframax market. On an annual basis, reported Suezmax spot freight rates experienced an average increase of 115% in May.

The Aframax sector continued to display strong volatility with spot freight rates in the Mediterranean changing by more than WS100 in one week. On average, Aframax spot freight rates increased 15% in May from the previous month. The support came from the East of Suez and Caribbean market while in the Mediterranean Aframax remained relatively steady on a monthly basis despite the high volatility. Aframax spot freight rates on the reported East of Suez route increased 28% in May from the previous month on increased inter-regional activities. Caribbean Aframax spot freight rate for upcoast voyages increased 24% in May from the previous month on limited availability. Mediterranean Aframax spot freight rates increased 4% on average in May from a month ago with tonnage supply influencing rates in both directions. On an annual basis, Aframax spot freight rates displayed an average increase of 56% in May.

**Clean spot freight rates increased on all routes in May supported by rising activities**

The clean tanker market followed the dirty tanker market in May with an upward movement in spot freight rates on all reported routes. Spot freight rates displayed various movements in a market that was generally more active, for most reported routes, compared to the previous month. East of Suez clean spot freight rates rebounded in May from their lower April levels, while West of Suez rates kept their upward trend, although at a lower pace compared to a much stronger show in April. Freight rates on reported Mediterranean routes eased in May compared to last month's surge, ending the month with a lower increase. Asian market sentiment was bullish in May as prompt demand in the region increased activities in the East of Suez. Clean spot freight rates were steady over the first two weeks of May upon accumulated tonnage availability at the end of the previous month. Freight rates started to show big gains during the third and fourth weeks, ending the month at the highest rates since the end of January, with an average increase of 11% compared to the previous month. Throughout May, returns for owners of vessels of comparable size were better for dirty tonnage versus clean tonnage, and understandably so, owners opted to convert into carrying dirty cargoes. This was the case for both East and West of Suez. About 15% of the clean tanker fleet moved into the dirty tanker market in May which hit clean availability at the East of Suez, especially on the Middle East/East routes, and rates reacted sharply towards the end of the month as demand came in. Clean spot freight rates to Eastern destinations increased 16% from the Middle East and 6% from Singapore in May compared to the previous month.

Graph 29: Monthly averages of crude oil spot freight rates




Similarly, West of Suez clean spot freight rates increased in May on all reported routes with rates for voyages from the Caribbean indicating the largest gain of about 25%. Gains for voyages from the Mediterranean and North-West Europe were lower at about 13% each. Freight rates in the Mediterranean fell during the first half of May and then rebounded in the second half of the month. Gasoline arbitrage to the Middle East on the back of better netbacks led to the movement of cargoes from the Mediterranean to the Middle East which, together with the conversion of clean vessels into dirty ones, hit clean availability and stemmed falling freight rates. On the other hand, US arbitrage of ULSDs for Europe lent support to back-haul trans-Atlantic freight rates. West of Suez freight rates were also supported by gasoline arbitrage out of Europe, mainly to the Middle East. Additionally, tonnage was also taken out of the West of Suez market due to the major arbitrage, driven by increased gasoil demand in Chile and Argentina which were sourcing more gasoil than usual from both Europe and the USA as imports from South Korea declined.

The month of May also witnessed strong gasoline demand from West Africa which supported freight rates further, especially due to delays at the Lagos port. Delays were also reported in various French ports caused by blockades by fishermen protesting against higher oil prices. On average, West of Suez clean freight rates were 16% higher in May than in the previous month.

# Oil Trade

**OECD net oil imports declined in April by 0.9% on the back of lower net crude oil imports and higher net product imports**

## *OECD*

OECD crude oil imports fell by a margin of 116,000 b/d or 0.38% in April compared to the previous month, reaching 30.28 mb/d according to preliminary data. April crude oil imports indicated a smaller decline of 0.34% compared to a year earlier. The decline was an even smaller 0.1% when comparing the first four months of this year with the same period of the previous year. These declines reflect sluggish oil demand in the OECD area at a time of higher crude oil prices in the international markets. Signs of strengthening crude oil imports in the USA ahead of the summer driving season were much lower this year due to higher gasoline prices and the slowing US economy. Japan's crude oil imports were steady in April compared to the previous month due to the beginning of the peak maintenance season and sluggish demand. Crude oil import movements in other regions of the OECD ranged from steady to slight declines in April.

Similarly, OECD product imports fell by 1.1% in April compared to the previous month, and by 0.35% compared to a year earlier, to stand at 10.50 mb/d, the lowest volume since February 2007. US product imports in April moved in the opposite direction increasing by some 250,000 b/d during the same month. Japan's product imports declined by about 60,000 b/over the same period. Despite the y-o-y decline in April, OECD average product imports for the period January-April were about 10.74 mb/d, indicating y-o-y growth of 1.9% compared to the same period last year.

On the export side, OECD crude oil imports declined in April by some 170,000 b/d or 2% compared to the previous month, but with a slight growth of a mere 0.2% compared to the previous year, to reach about 9.05 mb/d, the lowest volume since last October. A large part of the drop is attributed to declines in North Sea crude oil exports, while US crude oil exports were steady in April at an insignificant volume of 26,000 b/d. Despite this decline, OECD crude oil exports over the first four months of 2008 were still showing annual growth of 2.9% compared to the same period last year, averaging 9.33 mb/d. OECD product exports in April were about 9.05 mb/d, a decline of 2% or 170,000 b/d compared to the previous month. Both the USA and Japan had higher volumes of product exports in April by some 106,000 b/d with other OECD regions exhibiting the opposite trend. Despite the month-to-month decline, total OECD product exports for the first four months of 2008 were 2.9% higher than in the same period last year.

Accordingly, total OECD net oil imports averaged 25.46 mb/d in April, a decline of 230,000 b/d or 0.9% compared to the previous month, with net crude oil imports falling by 284,000 b/d and net product imports gaining 54,000 b/d. Despite the decline, OECD net oil imports in April showed y-o-y growth of 1.6%, while net crude oil imports in the first four months of the year grew by 2.7% over the same period last year.

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

| | Feb 08 | Mar 08 | Apr 08 | Change Apr/Mar |
|---|---|---|---|---|
| Crude oil | 23,771 | 24,297 | 24,013 | -284 |
| Total products | 559 | 1,394 | 1,448 | 54 |
| **Total crude and products** | **24,330** | **25,691** | **25,460** | **-231** |

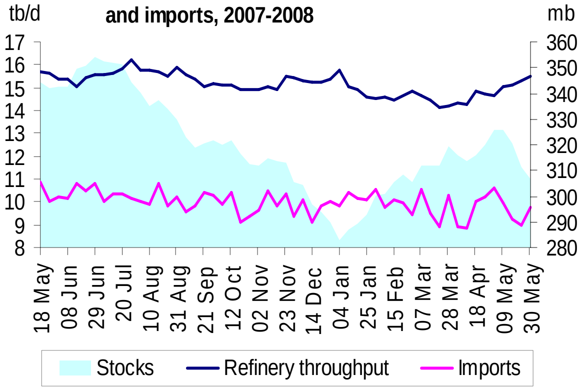
Saudi Arabia and Russia were the top OECD crude oil suppliers in April with 15.1% and 12% respectively, followed by Canada with 6% and Nigeria and Norway with 5.6% each. Altogether, OPEC Member Countries supplied 54.7% of total OECD crude oil imports in May, up from 53.4% in the previous month. For products, OPEC Member Countries' share of total OECD product imports in April was 14.5%, up from 14.1% in the previous month, with Saudi Arabia supplying 3.2%, up from 2.7% in the previous month. The top non-OPEC product supplier was the Netherlands with 9.4%, followed by Russia and the USA with 9% and 8.2% respectively.

**US net oil imports dropped by 4% in May, with declines shared almost evenly between net crude oil and net product imports**

### *USA*

According to preliminary data, US crude oil imports in May were at their lowest level since March 2007, averaging 9.53 mb/d. Apart from the first month of 2008, US crude oil imports have remained below the 10.0 mb/d mark since October 2007. May crude oil imports were 286,000 b/d short of the previous month's volume and a substantial 763,000 b/d lower than a year earlier. Typically, US crude oil imports in May tend to be on their upper month-to-month volumes with higher refinery utilization rates in preparation for the summer season. This tendency has not been seen this year, mainly due to retail prices in the US reaching record highs, especially for gasoline which has hit demand over the last few months, in addition to the slower overall state of the economy with real GDP increasing at a slow 0.9% in the first quarter of 2008 from the fourth quarter of 2007 according to preliminary estimates published recently. Crude oil imports in the first five months of the year averaged 9.81 mb/d, 2% lower than the average of the same period last year.

**Graph 30: US weekly crude oil stocks, refinery throughput and imports, 2007-2008**




Similarly, product imports, which usually show an upward trend in May in preparation for higher demand levels in summer, declined this year by 5% compared to the previous month and, more significantly, by 15% compared to the same month last year to reach about 3.3 mb/d. Product imports in May were even lower by 18% compared to the same month of 2006. Finished motor gasoline imports were 407,000 b/d, about 29,000 b/d or 8% higher than in the previous month, but indicating a substantial decrease of about 30% compared to a year earlier. Distillate fuel oil imports decreased by about 27,000 b/d or 11% compared to the previous month, while kerosene imports declined by 6% over the same period. A higher decline was evident in residual fuel oil imports, which decreased by 17% or about 72,000 b/d. Average product imports over the first five months of the year were about 3.37 mb/d, 4.1% lower than in the same period last year and 8.2% lower than in the same period in 2006.

On the export side, US product exports in May were about 1.43 mb/d, 7% or 91,000 b/d higher than in the previous month. On an annual basis, product exports were about 6% higher than in the same month last year. Product exports in the first five months of the year averaged 1.39 mb/d, 4% higher than in the same period last year.

As a result, US total net oil imports decreased by 4.5% in May compared to the previous month to reach about 11.37 mb/d, the second lowest monthly net oil imports since January 2006. The 539,000 b/d decline in net oil imports came as a result of decreases in both net crude oil and net product imports by 286,000 b/d and 253,000 b/d respectively. On a y-o-y basis, US net oil imports in May were about 1.4 mb/d or 11% lower than in the same month last year, while the average net oil imports in the first five months of the year were about 415,000 b/d or 3.4% lower than in the same period last year.

**Table 22: USA Crude and Product Net Imports/(Exports), tb/d**

| | Mar 08 | Apr 08 | May 08 | Change May/Apr |
|---|---|---|---|---|
| Crude oil | 9,635 | 9,789 | 9,503 | -286 |
| Total products | 1,949 | 2,123 | 1,870 | -253 |
| **Total crude and products** | **11,584** | **11,912** | **11,373** | **-539** |

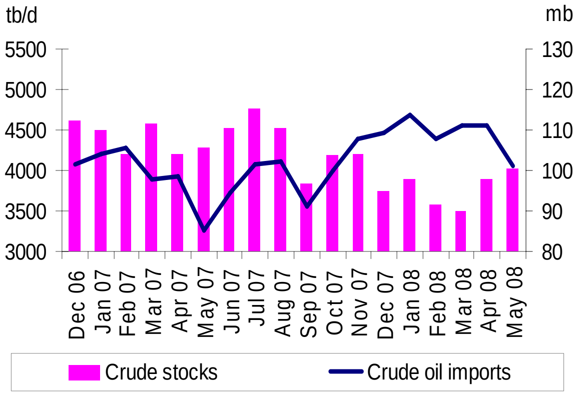
Canada remained the top US crude oil supplier in March with 19%, down by 1% from the previous month, followed by Saudi Arabia with 16%, down 1% compared to the previous month. Mexico and Nigeria came next with 13% and 12% respectively. Altogether, OPEC Member Countries supplied 57% of total US crude oil imports in March, up from 55.6% in the previous month. For products, Canada also remained the leader with 26%, up from 18% in the previous month, followed by Russia with 10%, down from 12% in the previous month, and the Virgin Islands with 10%. Algeria and Venezuela supplied 7% and 6% respectively. OPEC Member Countries combined supplied 16% of the US product imports in March, down by 1% from the previous month.

***Japan***

**Japan's net oil imports fell by 10% in May, mainly due to lower crude oil imports**

According to preliminary data, Japan's crude oil imports decreased in May by 490,000 b/d or 11% compared to the previous month to reach about 4.06 mb/d, the lowest volume since November 2007. May crude oil imports were 8% higher than a year earlier, bringing average crude oil imports for the first five months of the year to about 4.45 mb/d, 12% higher than in the same period last year. Refinery runs in May were about 76% of Japan's total designed crude processing capacity of 4.89 mb/d, down by 8% from April's refinery runs of 84%. Lower refinery runs in May are typical in Japan with refinery maintenance programmes peaking during the second half of May. Domestic demand for oil products has been falling in Japan for two consecutive years, by 4.5% to 3.8 mb/d in 2007, following a 3.9% decline in 2006, with a further 2.5% decline expected this year. Nevertheless, Japan's crude oil imports have been showing monthly y-o-y increases since October 2007. Two factors played a role in this tendency. First, Japan is evidently increasing its product exports to volumes it can achieve in a highly competitive product market, facing strong competition from export-oriented refineries, mainly in South Korea and India. By pursuing this course, Japan is also tackling its refinery overcapacity. Refining capacity in Japan has fallen by around 10% since 2000 to 4.89 mb/d in 2008, but still exceeds current domestic demand by some 20%. Product exports in May were 100,000 b/d or 22% higher than in the same month last year, with the average up to May 2008 showing a similar percentage increase over the same period last year. The second factor is that Japan has been importing higher volumes of Russian fuel oil to be used as feedstock for domestic refineries. Quantities of this fuel oil are categorized as crude oil in the Japanese statistics. About 54,000 b/d of this fuel oil was imported from Russia in April 2008, with an average of 43,000 b/d for the period January-April 2008, up by 530% from the average of 6,900 b/d in the same period last year. On the other hand, Japan has been importing increasing volumes of the Sudanese Nile Blend crude oil for direct burning in local power generation due to higher demand for thermal power as a result of lower nuclear generation rates in the country following the closure of the Kashiwazaki-Kariwa nuclear power plant, the world's largest nuclear plant, after a major earthquake last July. Nile Blend imports were around 160,000 b/d in April, surging by 250% from a year earlier. Altogether, it can be argued that Japan's current crude oil imports figures for more than six months contain about 200,000 b/d or around 5% of its crude oil imports that are not directly linked to domestic demand for oil products.

**Graph 31: Japanese crude oil imports and crude stocks**




Japan's product imports in May were about 600,000 b/d, an increase of some 68,000 b/d or 13% from the previous month, but very close to the year ago volumes. Product imports in the first five months of the year averaged 540,000 b/d, down by 11% from the same period last year, a clear indication of dwindling domestic demand.

On the export side, Japan's product exports in May maintained the upward momentum seen over during the previous six months, increasing by about 36,000 b/d or 7% compared to the previous month and by 22% compared to a year earlier. Gasoline and kerosene exports were below 10,000 b/d each and therefore did not substantially impact the movement of product exports in May. Gasoil exports decreased by about 19,000 b/d or 10% in May compared to the previous month to average 174,000 b/d. Fuel oil and jet fuel exports increased substantially in May, more than offsetting the decline in gasoil exports. Fuel oil exports were about 193,000 b/d, some 32,000 b/d or 20% higher than in the previous month, while jet fuel exports were very close to fuel oil exports at about 191,000 b/d, up by 27,000 b/d or 17% from the previous month. Average product exports for the first five months of the year were about 520,000 b/d, 22% up from the same period last year.

As a result, Japan's net oil imports in May were about 4.1 mb/d, a decline of 10% or 460,000 b/d from the previous month, but a gain of 5% over the same month last year. Average net oil imports in the first five months of the year were about 4.47 mb/d, 7% higher than in the same period last year. The decline in net oil imports in May is mainly attributed to lower net crude oil imports as the gap between Japan's product imports and exports has been narrowing since January 2008.

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

| | Mar 08 | Apr 08 | May 08 | Change May/Apr |
|---|---|---|---|---|
| Crude oil | 4,552 | 4,553 | 4,063 | -490 |
| Total products | -13 | -4 | 28 | 32 |
| **Total crude and products** | **4,539** | **4,549** | **4,091** | **-458** |

Saudi Arabia and the UAE were Japan's top crude oil suppliers in April with 26% and 25% respectively. Saudi Arabia's share was down by 4% from the previous month, while the UAE's share remained unchanged. Kuwait's share surged from 5.9% in March to 11.5% in April, while Iran's share dropped from 12% to 10.7% over the same period. OPEC Member Countries supplied 87.5% of Japan's crude oil imports in April, up from 86% in the previous month. Top non-OPEC suppliers in April include Russia with 3.8%, up from 3% in the previous month, and Sudan with 3.5%. On the product side, Saudi Arabia was again Japan's top supplier in April with 17.7%, down from 21% in the previous month, followed by the UAE with 12.7% and Qatar with 11%. Altogether, OPEC Member Countries supplied 59.5% of Japan's product imports in April, up from 56.2% in the previous month. Top non-OPEC product suppliers in April include the USA with 9.9%, up from 6.5% in the previous month, and South Korea with 7.8%.

### *China*

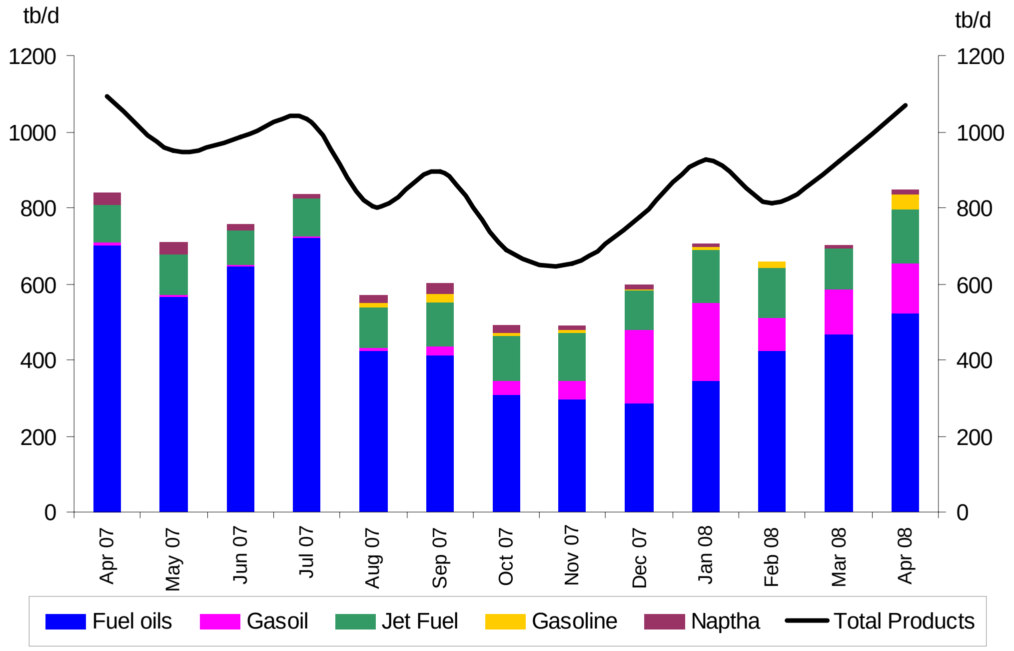
**China's net oil imports rebounded in April with a big drop in net crude oil imports and higher net product imports**

According to official data, China's crude oil imports fell in April after three successive months of upward trend, decreasing significantly by some 600,000 b/d to reach about 3.5 mb/d. April's crude oil imports were about 15% lower than the all-time record-high registered in the previous month, and also 4% lower than a year earlier, the first y-o-y decline in 18 months. Lower crude oil imports in April brought the accumulated January-April 2008 average to about 3.6 mb/d, which still represents a 10% increase over the average of 3.3 mb/d for the same period last year, reflecting again robust demand in 2008 despite prevailing higher crude oil prices. On the other hand, China's apparent demand for crude oil and products grew by 3.7% in April compared to 8% in March, on the back of Chinese refiners cutting back on loss-making domestic output. Refinery crude runs declined in April by 2% compared to the previous month, reflecting growth of 3.6% from a year earlier, the slowest increase in 19 months. This partially explained the drop in crude oil imports in April as Chinese refiners appear to have opted to boost oil product imports instead of increasing refinery runs in order to stock up on gasoline and gasoil ahead of the Olympics, taking advantage of a big tax break that came as a result of the extension into the second quarter of a rebate on the 17% VAT charged for gasoil and gasoline imports. Seasonal maintenance also contributed to lower refinery runs and lower crude oil imports in April. Domestic crude oil production increased in April by a mere 0.5% y-o-y, compared to 2.7% in March, to reach 3.75 mb/d, and with April crude oil imports of 3.5 mb/d, China's reliance on imported crude oil was about 4.8% in April.

Total product imports were up 16% in April over the previous month to about 1.07 mb/d, the highest level since May 2007, and 2% below April 2007 imports. China imported about 40,000 b/d of gasoline in April from Singapore and Taiwan, compared to zero imports in March, bringing average January-April 2008 imports to about 15,000 b/d. April gasoline imports were mainly for stockpiling ahead of the Olympics, otherwise, China is traditionally a major regional gasoline exporter. Jet fuel imports reached about 143,000 b/d in April, up from 107,000 b/d in the previous month. Some 58% of China's jet fuel imports in April were from South Korea, with South-East Asia in general accounting for 99% of China's jet fuel imports.

Naphtha imports were about 11,000 b/d, unchanged from the previous month. Gasoil imports increased a further 6% in April compared to the previous month to reach about 130,000 b/d. For comparison, China's April 2007 gasoil imports were less than 10,000 b/d. Supply of gasoil was still tight in April and is expected to be that, at least until the end of the Olympics, especially as product consumption increased in May on the earthquake relief efforts in the Sichuan province. Russia supplied 36% of China's gasoil imports in April, followed by Japan and Taiwan. Fuel oil imports reached about 483,000 b/d in April, up by 15% from the previous month. Singapore supplied 27% of China's fuel oil imports in April, followed by Russia, South Korea and Iran. China imported about 318,000 metric tonnes of asphalt in April, 18% more than in the previous month. Altogether, China imported an average of 932,000 b/d of products in the first four months of 2008, an increase of 10% over the same period last year.

**Graph 32: Chinese import of petroleum products**




Crude oil exports averaged about 55,000 b/d in April, down from 95,000 b/d in the previous month and 135,000 b/d lower than a year earlier. Crude oil exports in the first four months of the year averaged 49,000 b/d, a decline of 26% from the same period last year. South Korea, Japan and North Korea were the main destinations for China's crude oil exports in April. Product exports increased in April by 5% compared to the previous month but were 19% lower than a year earlier, averaging 0.37 mb/d. Fuel oil and jet fuel accounted for about 60% of China's product exports in April. Fuel oil exports were about 105,000 b/d, 47% of which was destined for Panama. Jet fuel exports were about 104,000 b/d, nearly half of which headed to Hong Kong. Gasoline exports in April were about 41,000 b/d, and with 40,000 b/d of gasoline imports in the same month, China is on the verge of turning into a net gasoline importer if recent trade trends continue. Half of China's gasoline exports in April headed to Indonesia and 40% to Singapore. Naphtha exports in April were about 37,000 b/d, down from 62,000 b/d in the previous month, with two destinations only, South Korea with 76% and Japan with 24%. Gasoil exports in April were about 15,000 b/d, two thirds of which headed to Singapore and 20% to Panama. Major product export activities in April were performed by independent refineries that are export-oriented due to capped local prices, while major product import activities were performed by state-owned refineries that have to follow state priorities in meeting China's robust local demand and stock-piling ahead of the Olympics and the summer season. Increases in April in export volumes of fuel oil, gasoline and gasoil were more than decreases in export volumes of jet fuel and naphtha.

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

| | Feb 08 | Mar 08 | Apr 08 | Change Apr/Mar |
|---|---|---|---|---|
| Crude oil | 3,613 | 3,976 | 3,424 | -551 |
| Total products | 434 | 570 | 699 | 128 |
| **Total crude and products** | **4,047** | **4,546** | **4,123** | **-423** |

As a result, China's net oil imports declined in April after three successive monthly increases since January 2008. Net crude and product imports in April were slightly above 4.1 mb/d, down 9% from the previous all-time high volume in March and almost identical with net imports in the same month last year. Net crude oil imports in April were 3.4 mb/d, down by 14% from the previous month and by 2% from the same month last year. Net product imports were 0.7 mb/d, up by 22% from the previous month and by 9% from the same month last year. Despite these month-to-month declines in crude oil imports, China's net crude and product imports for the first four months of 2008 show the opposite trend, highlighting the continued strong and expanding demand in this country. Average net crude and product imports in the first four months of 2008 were about 4.1 mb/d, up by 12% from the same period last year. This average comprises about 3.57 mb/d of net crude oil imports in the first four months of 2008, up by 10% from the same period last year, and about 0.57 mb/d of net product imports, up by 23% from the same period last year.

The entire drop in China's crude oil imports in April of about 600,000 b/d from the previous month was from OPEC Member Country sources. As a result, the share of OPEC Member Countries' crude oil supplies to China dropped sharply in April by 6.2% from the March 2008 share of 65% to reach 58.8%, while non-OPEC share increased from 35% to 41.2%. Angola was once again China's top crude oil supplier in April with 17.5%, down from 21% in the previous month. Iran was the second top crude oil supplier in April with 15%, up from 11% in March. Saudi Arabia was the third top crude oil supplier with 12.5%, down from 20% in March. 62% of the drop in China's crude oil imports in April was attributed to this sharp drop in Saudi Arabia's share. Top non-OPEC suppliers in April include Oman with 12%, up from 8% in March, and Russia with 9.7%, up from 6.4% in March. Preliminary estimates show that OPEC Member Countries supplied about 16.3% of China's total product imports in April. Iran supplied 6.7%, followed by Venezuela with 3.1% and UAE with 2.6%. Top non-OPEC product suppliers in April include South Korea and Singapore with 20.6% each, followed by Russia with 13.7% and Japan with 9.5%.

### *India*

**India's net oil imports recorded a record-high in April, supported by higher crude oil imports and lower net product exports**

According to preliminary data, India's crude oil imports surged in April to reach a record-high of about 2.7 mb/d, increasing by about 220,000 b/d or 9% from the previous month despite higher crude oil prices. Higher crude oil imports in April brought India's average crude oil imports for the first four months of 2008 to about 2.5 mb/d, an increase of 4.2% or 100,000 b/d over the same period last year. Refinery utilization ran at 106.6% of installed capacity in April, 4% higher than a year earlier, as most state plants ran at higher rates to meet local demand which rose 6.3% in April from a year earlier, driven by strong sales of cars and motorcycles that month and capped retail fuel prices. Forecasts suggest that robust demand is expected to continue in India, at least through the remainder of this year, despite the recent 10% increase in gasoline and gasoil retail prices, following the last increases in February this year. Forecasts also suggest that the Indian economy is expected to expand by at least 8.5% this year after growing 9% annually in the past three years. Crude oil output in India declined in April by 3.75% from the previous month to reach about 0.69 mb/d, but about 1% higher than a year earlier. With crude oil imports of about 2.7 mb/d, India's reliance on imported crude oil was about 80% in April, a gain of 2% from the average in the last fiscal year from April 2007 to March 2008.

Similarly, product imports in April exceeded for the first time the mark of 0.5 mb/d, averaging 0.57 mb/d, 19% higher than in the previous month and 43% higher than a year earlier. All product imports increased in April compared to the previous month, except for gasoline which dropped by about 14,000 b/d or 42%, yet gasoline imports for January-April 2008 were double their volumes during the same period last year. Naphtha imports in April were about 160,000 b/d, up by 33% from the previous month and by 43% from a year earlier. Kerosene imports were 54,000 b/d, 10% higher than in the previous month and more than three times higher than the same month last year... Fuel oil imports were 38,000 b/d, 50% higher than in the previous month and 84% higher than a year earlier. The biggest increase in India's product imports in April was in gasoil which averaged about 160,000 b/d, exceeding the all-time high of February 2008. April gasoil imports were 160% higher than in the previous month and more than four times their volumes in the same month last year. India's April gasoil sales — a proxy for gasoil demand — rose by 2% compared to the previous month and by 13.1% compared to the same month last year. Gasoil demand in April was boosted by its use by rigs off India's East Coast and some power plants switching to gasoil from naphtha or fuel oil whose prices are not subsidized in India.

**Table 25: India's Crude and Product Net Imports/(Exports), tb/d**

| | Feb 08 | Mar 08 | Apr 08 | Change Apr/Mar |
|---|---|---|---|---|
| Crude oil | 2,485 | 2,476 | 2,697 | 222 |
| Total products | -273 | -351 | -112 | 240 |
| **Total crude and products** | **2,212** | **2,124** | **2,586** | **461** |

In terms of outflows, India's product exports rebounded in April after two successive monthly decreases. India exported about 678,000 b/d of products in April, the lowest volume since February 2007. April product exports were 148,000 b/d or 18% lower than in the previous month and 10% lower than in the same month last year. All product exports were lower in April than in the previous month. Gasoil exports were 254,000 b/d, 16% lower than in the previous month and 7% higher than a year earlier. India is traditionally a net gasoil exporter with plans to further expand its exports. Robust demand for gasoil for quite a time by now is putting net gasoil exports on the downward trend. Net gasoil exports in April were about 93,000 b/d, much lower than the 232,000 b/d in March 2008 and the 208,000 b/d in the same month last year. Average net gasoil exports for January-April 2007 were 212,000 b/d, down 24% to 162,000 b/d during the same period in 2008. Gasoline exports were 130,000 b/d in April, down by 13% from the previous month. India is also a net gasoline exporter. Contrary to gasoil, net gasoline exports are on the upward trend. Net gasoline exports in April were about 110,000 b/d, 50% higher than in the same month last year, while net average January-April 2008 gasoline exports were 35% higher than in the same period in 2007. Jet fuel exports in April were 62,000 b/d, 29% lower than in the previous month and 50% lower than a year earlier. Fuel oil exports in April were 74,000 b/d, 20% lower than in the previous month, but 24% higher than a year earlier. Average January-April 2008 product exports were 738,000 b/d, 1% lower than in the same period last year.

As a result, India's net oil imports in April were at a record-high of about 2.59 mb/d, an increase of 22% or 460,000 b/d over the previous month. The increase was the result of a record-high 2.7 mb/d of net crude oil imports and a record low of net product exports of 0.11 mb/d. April net oil imports were 11% higher than a year ago and average January-April 2008 net oil imports saw a similar gain over the same period in 2007.

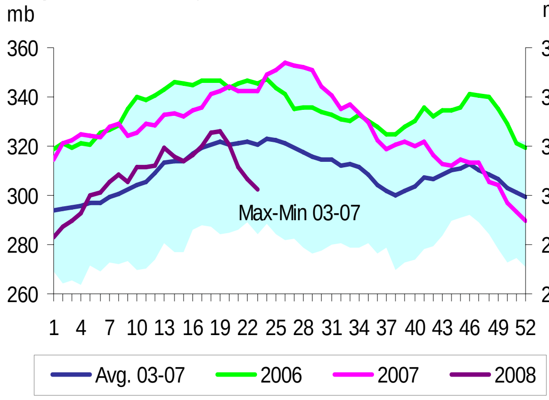
# Stock Movements

**US commercial crude oil stocks fell 19 mb in May due to lower imports on delays in the Gulf Coast**

***USA***

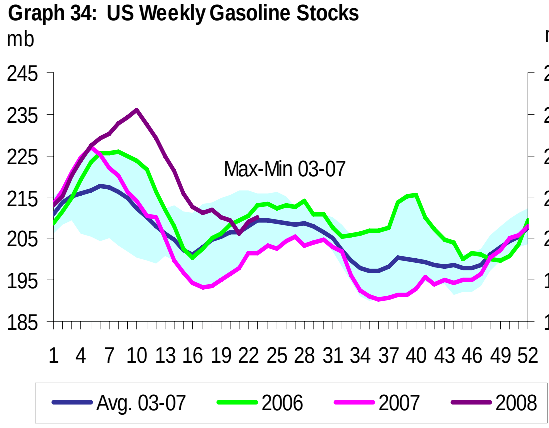
US total commercial oil stocks did not follow their seasonal start since the beginning of the year and remained almost stable in May to move below the five-year average for the first time in 2008. The drop below the average was attributed to the strong draw of 19.3 mb on crude oil stocks and could not be averted by a 15.3 mb build in product stocks.

**Graph 33: US Weekly Commercial Crude Oil Stocks**




Crude oil stocks fell below 306 mb, the lowest level for May since 2004, and showed a deficit of 16 mb with the five-year average (*see* **Graph 33**.). The draw took place during the last three weeks of the month, which accounted for a total of 19 mb. It was attributed to a combination of different factors. The main reason behind the decline was lower imports resulting from delays in the Gulf Coast and shut-downs in Mexico. In addition, an increase of 3.8 percentage points in the refinery utilization rate following the return of many refineries from seasonal maintenance contributed to this strong decline in stocks. Furthermore, strong demand over the Memorial Day week-end supported the draw during the last week of the month. Nevertheless, due to weaker demand, in terms of forward cover, US crude oil stocks were almost at the five-year average with more than 20 days of forward cover.

**Graph 34: US Weekly Gasoline Stocks**




On the product side, gasoline stocks dropped 2 mb to stand slightly above 209 mb, which corresponds to the five-year average (*see* **Graph 34**). Gasoline stocks have been declining since the beginning of the month before rising nearly 3 mb during the last week of the month on the back of a surge in imports of around 0.3 mb/d. Similarly, in terms of forward cover, gasoline stocks were at 22.5 days in line with the average of the previous five years. Distillate inventories continued to follow their seasonal trend, adding almost 7 mb in May to stand at 112.4 mb but were around 3 mb below the five-year average for the third consecutive month to show a deficit of 0.7 days of forward cover from the average. The deficit with the five-year average is due to heating oil, while diesel stocks were comfortable, above the seasonal average in absolute numbers and in terms of forward cover. With the end of the winter season, the tightness in the distillate market has eased as diesel stocks show a surplus of 14 mb or 19% over the five-year average. Residual fuel oil stocks fell a minor 0.2 mb to 38.5 mb, but remained comfortable within the upper end of the five-year range, whereas jet fuel, despite a build of 1 mb to reach nearly 40 mb, continued to hover around the five-year average since the beginning of the year.

The Strategic Petroleum Reserve (SPR) reached a new record-high of more than 704 mb following a build of 2.8 mb or 90,000 b/d, a three-year high. However, the Democratic Congress passed legislation in May to halt filling the SPR and the Department of Energy (DOE) took the decision to postpone the filling of summer deliveries until March-May 2009, after the winter heating season. Nevertheless, deliveries will continue through July as planned and the process of filling is already underway. More than 7 mb have been added to the SPR since the beginning of the year in the form of royalty-in-kind in order to reach capacity of 727 mb, as required by the 2005 Energy Policy Act.

**Table 26: US onland commercial petroleum stocks, mb**

| | Mar 08 | Apr 08 | May 08 | Change May 08 /Apr 08 | May 07 | 06 Jun 08 * |
|---|---|---|---|---|---|---|
| **Crude oil** | 313.1 | 324.8 | 305.5 | -19.3 | 348.4 | 302.2 |
| Gasoline | 221.2 | 211.1 | 209.1 | -2.0 | 202.8 | 210.1 |
| Distillate fuel | 107.2 | 105.7 | 112.4 | 6.7 | 124.8 | 114.0 |
| Residual fuel oil | 39.4 | 38.7 | 38.5 | -0.2 | 36.6 | 39.5 |
| Jet fuel | 38.4 | 38.8 | 39.8 | 1.0 | 41.5 | 39.9 |
| **Total** | **952.7** | **972.5** | **968.5** | **-4.0** | **1,028.3** | **968.7** |
| SPR | 700.4 | 701.3 | 704.1 | 2.8 | 690.3 | 704.3 |

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

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

The latest data show another decline in US commercial crude oil stocks of 4.6 mb in the week ending 6 June. This draw left stocks at 302.2 mb and implied a further increase in the deficit with the five-year average, which reached 19 mb or 6%, the highest level so far this year. Again, the drop was attributed to a decline in imports and not to an increase in refinery runs, which fell 1.1 percentage points over the previous week. Contrary to crude oil, product inventories rose 4.8 mb with distillates adding a further 2.3 mb — the fifth build in a row — to stand at a three-month high of 114 mb, eliminating the deficit with the five-year average. The build in distillate stocks was driven essentially by diesel, which increased 1.6 mb. Gasoline inventories added 1 mb to move above 210 mb, slightly higher than the five-year average and a surplus of 4% or 8 mb above the corresponding week of the previous year. In terms of forward cover, both crude oil and distillate stocks are below the five-year average while gasoline stocks are at the average. On the other hand, the Strategic Petroleum Reserve rose 0.2 mb to stand at a new record-high of 704.3 mb.

### *Western Europe*

**EU-16 total oil stocks followed their seasonal trend. Both crude and product inventories were in line with the five-year average.**

In EU-16 (EU-15 plus Norway), total oil stocks surged by more than 15 mb in May to offset the draw of the previous month remaining within the upper end of the five-year range. The increase was driven by distillates which accounted for 60% of the build.

Crude oil inventories followed a seasonal trend adding a further 3.2 mb to hit a ten-month high of 483 mb to stand slightly above the five-year average for the second consecutive month. The build was supported by low exports to the US due to weak opportunities for transatlantic arbitrage.

**Table 27: Western Europe's oil stocks, mb**

| | Mar 08 | Apr 08 | May 08 | Change May 08/Apr 08 | May 07 |
|---|---|---|---|---|---|
| **Crude oil** | 472.6 | 479.4 | 482.6 | 3.2 | 496.1 |
| Mogas | 140.4 | 131.3 | 133.3 | 1.9 | 124.8 |
| Naphtha | 30.8 | 29.9 | 29.0 | -0.9 | 26.9 |
| Middle distillates | 363.8 | 350.6 | 359.8 | 9.2 | 389.3 |
| Fuel oils | 121.3 | 117.9 | 119.8 | 2.0 | 112.1 |
| **Total products** | 656.3 | 629.7 | 641.9 | 12.3 | 653.1 |
| **Total** | **1,128.9** | **1,109.1** | **1,124.5** | **15.4** | **1,149.2** |

*Source: Argus, Euroilstock.*

After a substantial draw of more than 26 mb in April, which eliminated the overhang with the five-year average, product stocks recovered increasing more than 12 mb to move again above the average. However, distillate stocks remained below the five-year average despite a build of more than 9 mb on the back of maximized production from refineries due to higher crack spreads as well as increased imports from the USA and Canada as prices in Europe remained very attractive. The low level of distillate stocks in Europe is attributed to refinery maintenance but particularly to the change in quality specifications of gasoil, which was the main reason for limited imports. Gasoline stocks rose 2 mb to stand at the five-year average of 133 mb. It is worth noting that the situation of the gasoline market in Europe is better than a year earlier. Both residual fuel and naphtha stocks remained very comfortable at 8% above the year ago levels. Residual stocks stood at nearly 120 mb after a build of 2 mb supported by weak demand and high imports particularly from Russia, whereas naphtha stocks lost less than 1 mb to stand at 29 mb.

### *Japan*

**Japan's commercial stocks continued to recover in April to approach their seasonal level with preliminary data showing a substantial increase in May**

Japan's total commercial oil stocks increased a further 6.4 mb in April, narrowing the deficit with the five-year average to just 1 mb or 1% compared with 14 mb or 8% two months earlier. Almost 10 mb were added in March and April, leaving total inventories at nearly 170 mb. The build was driven by crude oil while product stocks fell slightly.

Despite a substantial build of 7.6 mb or more than 250,000 b/d, crude oil stocks remained below the lower end of the five-year range but the deficit with the average has more than halved, moving from 19 mb in March to 8 mb in April. The build in crude oil stocks was due essentially to a strong decline of around 200,000 b/d in refinery runs as a result of maintenance shutdowns. Additionally, the increase in imports also contributed to the build in crude oil stocks.

**Table 28: Japan's commercial oil stocks*, mb**

| | Feb 08 | Mar 08 | Apr 08 | Change Apr 08/Mar 08 | Apr 07 |
|---|---|---|---|---|---|
| **Crude oil** | 91.6 | 90.1 | 97.7 | 7.6 | 103.9 |
| Gasoline | 13.6 | 15.9 | 13.4 | -2.4 | 13.6 |
| Naphtha | 10.4 | 11.3 | 11.4 | 0.1 | 11.3 |
| Middle distillates | 27.2 | 27.4 | 27.6 | 0.2 | 27.6 |
| Residual fuel oil | 16.4 | 18.1 | 19.0 | 0.9 | 19.5 |
| **Total products** | 67.6 | 72.6 | 71.4 | -1.2 | 71.9 |
| **Total**** | **159.2** | **162.7** | **169.1** | **6.4** | **175.9** |

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

On the other hand, total product stocks dropped a minor 1.2 mb but remained comfortable, except for gasoline. However, distillate inventories were stable and stayed within the five-year range at around 28 mb, whereas gasoline stocks continued to alternate gains and losses and fell 2.4 mb to 13.4 mb, offsetting the gain of the previous month. The drop in gasoline stocks came as a result of the combination of an increase in consumption and a decline in imports. Naphtha and residual fuel oil added together 2 mb and remained comparable to their respective levels a year earlier.

However, total commercial oil stocks continued their upward trend in May and increased by around 12 mb, according to preliminary data. With this strong build, stocks now are comfortable, standing at the five-year average and the level of a year earlier. Crude oil was the main contributor to the build with more than 9 mb. Gasoline stocks rose by more than 1 mb and distillates increased a further 0.4 mb.

# Balance of Supply and Demand

**Demand for OPEC crude in 2007 increased by 260 tb/d over 2006**

### *Estimate for 2007*

Demand for OPEC crude in 2007 is estimated to average 31.95 mb/d, an increase of 260 tb/d over the 2006 figure. On a quarterly basis, demand for OPEC crude averaged 31.86 mb/d, 30.96 mb/d, 32.22 mb/d and 32.75 mb/d respectively.

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

| | 2006 | 1Q07 | 2Q07 | 3Q07 | 4Q07 | 2007 |
|---|---|---|---|---|---|---|
| **(a) World Oil Demand** | **84.63** | **85.86** | **84.75** | **85.59** | **86.92** | **85.78** |
| Non-OPEC Supply | 48.88 | 49.78 | 49.45 | 48.97 | 49.55 | 49.43 |
| OPEC NGLs and non-conventionals | 4.06 | 4.22 | 4.35 | 4.40 | 4.62 | 4.40 |
| **(b) Total Supply excluding OPEC Crude** | **52.94** | **54.00** | **53.79** | **53.36** | **54.17** | **53.83** |
| **Difference (a-b)** | **31.69** | **31.86** | **30.96** | **32.22** | **32.75** | **31.95** |
| OPEC crude oil production (1) | 31.43 | 30.48 | 30.61 | 31.04 | 31.73 | 30.97 |
| Balance | -0.26 | -1.38 | -0.34 | -1.18 | -1.02 | -0.98 |

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

**Demand for OPEC crude expected to decline by 128 tb/d in 2008 compared with 2007**

### *Forecast for 2008*

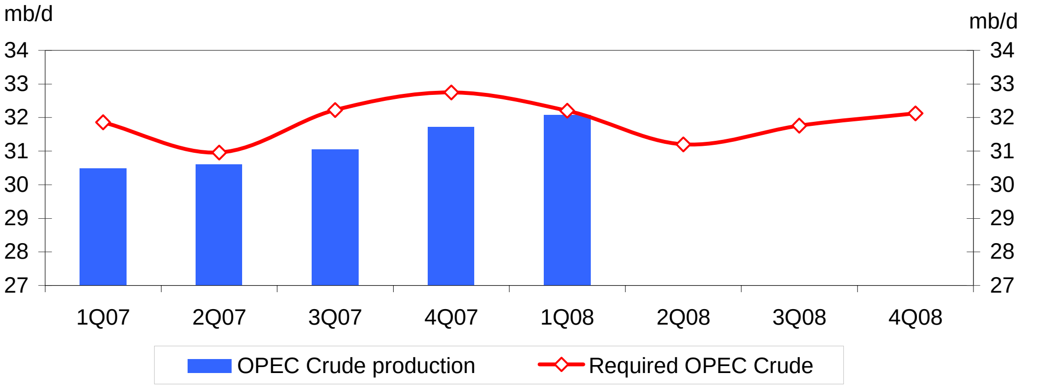
Demand for OPEC crude in 2008 is expected to average 31.82 mb/d, down by 128 tb/d compared with the previous year. On a quarterly basis, demand for OPEC crude is expected to average 32.20 mb/d, 31.20 mb/d, 31.76 mb/d and 32.12 mb/d respectively.

**Table 30: Summarized supply/demand balance for 2008, mb/d**

| | 2007 | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 2008 |
|---|---|---|---|---|---|---|
| **(a) World Oil Demand** | **85.78** | **86.67** | **85.81** | **86.61** | **88.42** | **86.88** |
| Non-OPEC Supply | 49.43 | 49.74 | 49.76 | 49.88 | 51.12 | 50.13 |
| OPEC NGLs and non-conventionals | 4.40 | 4.73 | 4.85 | 4.97 | 5.17 | 4.93 |
| **(b) Total Supply excluding OPEC Crude** | **53.83** | **54.47** | **54.61** | **54.85** | **56.29** | **55.06** |
| **Difference (a-b)** | **31.95** | **32.20** | **31.20** | **31.76** | **32.12** | **31.82** |
| OPEC crude oil production (1) | 30.97 | 32.07 | | | | |
| Balance | -0.98 | -0.13 | | | | |

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

**Graph 35: Balance of supply and demand**



## Table 31: World oil demand/supply balance, mb/d

| | 2003 | 2004 | 2005 | 2006 | 1Q07 | 2Q07 | 3Q07 | 4Q07 | 2007 | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **World demand** | | | | | | | | | | | | | | |
| **OECD** | 48.6 | 49.4 | 49.7 | 49.3 | 49.7 | 48.2 | 48.7 | 49.8 | 49.1 | 49.0 | 48.1 | 48.5 | 50.2 | 49.0 |
| North America | 24.5 | 25.4 | 25.5 | 25.3 | 25.7 | 25.4 | 25.5 | 25.5 | 25.5 | 25.0 | 25.5 | 25.6 | 25.8 | 25.5 |
| Western Europe | 15.4 | 15.5 | 15.6 | 15.6 | 15.2 | 14.9 | 15.4 | 15.6 | 15.3 | 15.2 | 14.9 | 15.3 | 15.7 | 15.3 |
| Pacific | 8.6 | 8.5 | 8.6 | 8.4 | 8.8 | 7.8 | 7.8 | 8.6 | 8.3 | 8.9 | 7.7 | 7.7 | 8.7 | 8.2 |
| **DCs** | 20.6 | 21.8 | 22.6 | 23.3 | 23.8 | 24.2 | 24.3 | 24.5 | 24.2 | 24.7 | 24.8 | 24.9 | 25.1 | 24.9 |
| **FSU** | 3.7 | 3.8 | 3.9 | 3.9 | 3.9 | 3.7 | 4.0 | 4.3 | 4.0 | 4.0 | 3.8 | 4.1 | 4.4 | 4.0 |
| **Other Europe** | 0.8 | 0.9 | 0.9 | 0.9 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 | 1.0 | 1.0 | 0.9 | 0.9 | 1.0 |
| **China** | 5.6 | 6.5 | 6.7 | 7.2 | 7.5 | 7.8 | 7.7 | 7.4 | 7.6 | 8.0 | 8.1 | 8.2 | 7.8 | 8.0 |
| **(a) Total world demand** | 79.4 | 82.4 | 83.7 | 84.6 | 85.9 | 84.8 | 85.6 | 86.9 | 85.8 | 86.7 | 85.8 | 86.6 | 88.4 | 86.9 |
| **Non-OPEC supply** | | | | | | | | | | | | | | |
| **OECD** | 21.7 | 21.3 | 20.5 | 20.2 | 20.5 | 20.2 | 19.8 | 20.1 | 20.2 | 20.0 | 19.7 | 19.4 | 20.3 | 19.9 |
| North America | 14.6 | 14.6 | 14.1 | 14.2 | 14.4 | 14.4 | 14.2 | 14.3 | 14.3 | 14.3 | 14.1 | 14.1 | 14.6 | 14.3 |
| Western Europe | 6.4 | 6.2 | 5.7 | 5.4 | 5.5 | 5.2 | 5.0 | 5.3 | 5.2 | 5.1 | 5.0 | 4.6 | 4.9 | 4.9 |
| Pacific | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 | 0.8 | 0.9 | 0.7 |
| **DCs** | 10.3 | 10.5 | 10.8 | 10.9 | 11.0 | 10.9 | 10.9 | 11.0 | 10.9 | 11.2 | 11.3 | 11.5 | 11.7 | 11.4 |
| **FSU** | 10.3 | 11.1 | 11.5 | 12.0 | 12.5 | 12.4 | 12.5 | 12.6 | 12.5 | 12.6 | 12.8 | 12.9 | 13.1 | 12.9 |
| **Other Europe** | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| **China** | 3.4 | 3.5 | 3.6 | 3.7 | 3.8 | 3.8 | 3.7 | 3.7 | 3.8 | 3.8 | 3.9 | 3.9 | 3.9 | 3.9 |
| **Processing gains** | 1.8 | 1.8 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 2.0 | 1.9 | 1.9 | 2.0 | 1.9 |
| **Total non-OPEC supply** | 47.6 | 48.4 | 48.5 | 48.9 | 49.8 | 49.4 | 49.0 | 49.5 | 49.4 | 49.7 | 49.8 | 49.9 | 51.1 | 50.1 |
| **OPEC NGLs + non-conventional oils** | 3.7 | 4.0 | 4.1 | 4.1 | 4.2 | 4.3 | 4.4 | 4.6 | 4.4 | 4.7 | 4.9 | 5.0 | 5.2 | 4.9 |
| **(b) Total non-OPEC supply and OPEC NGLs** | 51.3 | 52.5 | 52.6 | 52.9 | 54.0 | 53.8 | 53.4 | 54.2 | 53.8 | 54.5 | 54.6 | 54.8 | 56.3 | 55.1 |
| **OPEC crude oil production (secondary sources)** | 28.3 | 30.6 | 31.6 | 31.4 | 30.5 | 30.6 | 31.0 | 31.7 | 30.97 | 32.1 | | | | |
| **Total supply** | 79.6 | 83.0 | 84.2 | 84.4 | 84.5 | 84.4 | 84.4 | 85.9 | 84.8 | 86.5 | | | | |
| **Balance (stock change and miscellaneous)** | 0.2 | 0.6 | 0.5 | -0.3 | -1.4 | -0.3 | -1.2 | -1.0 | -1.0 | -0.1 | | | | |
| **OECD closing stock levels** (*mb*) | | | | | | | | | | | | | | |
| Commercial | 2511 | 2538 | 2586 | 2668 | 2593 | 2660 | 2664 | 2580 | 2580 | 2570 | | | | |
| SPR | 1411 | 1450 | 1487 | 1499 | 1507 | 1506 | 1520 | 1524 | 1524 | 1530 | | | | |
| Total | 3921 | 3988 | 4073 | 4167 | 4100 | 4166 | 4184 | 4104 | 4104 | 4100 | | | | |
| Oil-on-water | 882 | 905 | 958 | 916 | 913 | 909 | 929 | 945 | 945 | 929 | | | | |
| **Days of forward consumption in OECD** | | | | | | | | | | | | | | |
| Commercial onland stocks | 51 | 51 | 52 | 54 | 54 | 55 | 53 | 53 | 53 | 53 | | | | |
| SPR | 29 | 29 | 30 | 31 | 31 | 31 | 31 | 31 | 31 | 32 | | | | |
| Total | 79 | 80 | 83 | 85 | 85 | 86 | 84 | 84 | 84 | 85 | | | | |
| **Memo items** | | | | | | | | | | | | | | |
| FSU net exports | 6.5 | 7.3 | 7.7 | 8.1 | 8.6 | 8.7 | 8.5 | 8.3 | 8.5 | 8.7 | 9.0 | 8.9 | 8.8 | 8.8 |
| (a) - (b) | 28.0 | 29.9 | 31.1 | 31.7 | 31.9 | 31.0 | 32.2 | 32.7 | 32.0 | 32.2 | 31.2 | 31.8 | 32.1 | 31.8 |

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

## Table 32: World oil demand/supply balance: changes from last month's table † , mb/d

| | 2003 | 2004 | 2005 | 2006 | 1Q07 | 2Q07 | 3Q07 | 4Q07 | 2007 | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **World demand** | | | | | | | | | | | | | | |
| **OECD** | - | - | - | - | - | - | - | - | - | -0.5 | - | - | - | -0.1 |
| North America | - | - | - | - | - | - | - | - | - | -0.3 | - | - | - | -0.1 |
| Western Europe | - | - | - | - | - | - | - | - | - | -0.1 | 0.1 | - | - | - |
| Pacific | - | - | - | - | - | - | - | - | - | -0.1 | - | - | - | - |
| **DCs** | - | - | - | - | - | - | - | - | - | 0.1 | - | - | - | - |
| **FSU** | - | - | - | - | - | - | - | - | - | 0.1 | - | - | - | - |
| **Other Europe** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **China** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **(a) Total world demand** | - | - | - | - | - | - | - | - | - | -0.3 | 0.1 | - | - | -0.1 |
| ***World demand growth*** | *0.0* | *0.0* | *0.0* | *-* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *-0.3* | *0.1* | *-* | *-* | *-0.1* |
| **Non-OPEC supply** | | | | | | | | | | | | | | |
| **OECD** | - | - | - | - | - | - | - | - | - | -0.1 | - | - | - | - |
| North America | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Western Europe | - | - | - | - | - | - | - | - | - | -0.1 | - | - | - | - |
| Pacific | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **DCs** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **FSU** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Other Europe** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **China** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Processing gains** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total non-OPEC supply** | - | - | - | - | - | - | - | - | - | -0.1 | - | - | - | - |
| ***Total non-OPEC supply growth*** | *0.0* | *-* | *-* | *-* | *0.0* | *0.0* | *0.0* | *0.0* | *-* | *-0.1* | *-* | *0.0* | *0.0* | *-0.1* |
| **OPEC NGLs + non-conventionals** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **(b) Total non-OPEC supply and OPEC NGLs** | - | - | - | - | - | - | - | - | - | -0.1 | - | - | - | - |
| **OPEC crude oil production (secondary sources)** | - | - | - | - | - | - | - | - | - | - | | | | |
| **Total supply** | - | - | - | - | - | - | - | - | - | -0.1 | | | | |
| **Balance (stock change and miscellaneous)** | - | - | - | - | - | - | - | - | - | 0.2 | | | | |
| **OECD closing stock levels (*mb*)** | | | | | | | | | | | | | | |
| Commercial | - | - | - | -4 | - | - | - | 1 | 1 | 9 | | | | |
| SPR | - | - | - | - | - | - | - | - | - | 2 | | | | |
| Total | - | - | - | -4 | - | - | - | 1 | 1 | 11 | | | | |
| Oil-on-water | - | - | - | 6 | - | - | - | - | - | - | | | | |
| **Days of forward consumption in OECD** | | | | | | | | | | | | | | |
| Commercial onland stocks | - | - | - | - | - | - | - | 1 | - | - | | | | |
| SPR | - | - | - | - | - | - | - | - | - | - | | | | |
| Total | - | - | - | - | - | - | - | 1 | - | - | | | | |
| **Memo items** | | | | | | | | | | | | | | |
| FSU net exports | - | - | - | - | - | - | - | - | - | -0.1 | - | - | - | - |
| (a) - (b) | - | - | - | - | - | - | - | - | - | -0.2 | 0.1 | - | - | - |

*† This compares Table 31 in this issue of the MOMR with Table 31 in the May 2008 issue.*
*This table shows only where changes have occurred.*

## Table 33: OECD oil stocks and oil on water at the end of period

| | 2003 | 2004 | 2005 | 2006 | 2007 | 1Q04 | 2Q04 | 3Q04 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 | 1Q06 | 2Q06 | 3Q06 | 4Q06 | 1Q07 | 2Q07 | 3Q07 | 4Q07 | 1Q08 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Closing stock levels *mb* | | | | | | | | | | | | | | | | | | | | | | |
| OECD onland commercial | 2,511 | 2,538 | 2,586 | 2,668 | 2,580 | 2,458 | 2,538 | 2,572 | 2,538 | 2,533 | 2,612 | 2,628 | 2,586 | 2,585 | 2,648 | 2,758 | 2,668 | 2,593 | 2,660 | 2,664 | 2,580 | 2,570 |
| North America | 1,161 | 1,193 | 1,257 | 1,277 | 1,238 | 1,145 | 1,193 | 1,206 | 1,193 | 1,201 | 1,275 | 1,254 | 1,257 | 1,240 | 1,277 | 1,351 | 1,277 | 1,233 | 1,294 | 1,293 | 1,238 | 1,224 |
| Western Europe | 915 | 915 | 934 | 963 | 938 | 913 | 925 | 936 | 915 | 942 | 915 | 942 | 934 | 937 | 935 | 948 | 963 | 943 | 940 | 942 | 938 | 955 |
| OECD Pacific | 435 | 430 | 395 | 428 | 404 | 400 | 420 | 430 | 430 | 389 | 422 | 432 | 395 | 409 | 436 | 459 | 428 | 417 | 426 | 429 | 404 | 391 |
| OECD SPR | 1,411 | 1,450 | 1,487 | 1,499 | 1,524 | 1,423 | 1,429 | 1,435 | 1,450 | 1,462 | 1,494 | 1,494 | 1,487 | 1,487 | 1,493 | 1,495 | 1,499 | 1,507 | 1,506 | 1,520 | 1,524 | 1,530 |
| North America | 640 | 678 | 687 | 691 | 699 | 654 | 664 | 672 | 678 | 690 | 698 | 696 | 687 | 688 | 690 | 690 | 691 | 691 | 692 | 695 | 699 | 702 |
| Western Europe | 374 | 377 | 407 | 412 | 421 | 371 | 366 | 367 | 377 | 376 | 401 | 405 | 407 | 407 | 411 | 412 | 412 | 415 | 413 | 423 | 421 | 424 |
| OECD Pacific | 396 | 396 | 393 | 396 | 404 | 398 | 398 | 396 | 396 | 396 | 395 | 393 | 393 | 392 | 393 | 393 | 396 | 401 | 401 | 403 | 404 | 404 |
| **OECD total** | 3,921 | 3,988 | 4,073 | 4,167 | 4,104 | 3,881 | 3,967 | 4,007 | 3,988 | 3,995 | 4,106 | 4,121 | 4,073 | 4,073 | 4,141 | 4,253 | 4,167 | 4,100 | 4,166 | 4,184 | 4,104 | 4,100 |
| Oil-on-water | 882 | 905 | 958 | 916 | 945 | 906 | 891 | 894 | 905 | 934 | 931 | 926 | 958 | 961 | 971 | 971 | 916 | 913 | 909 | 929 | 945 | 929 |
| Days of forward consumption in OECD | | | | | | | | | | | | | | | | | | | | | | |
| OECD onland commercial | 51 | 51 | 52 | 54 | 53 | 51 | 52 | 51 | 50 | 52 | 53 | 53 | 51 | 54 | 54 | 55 | 54 | 54 | 55 | 53 | 53 | 53 |
| North America | 46 | 47 | 50 | 50 | 49 | 46 | 47 | 47 | 47 | 48 | 50 | 49 | 50 | 49 | 50 | 53 | 50 | 48 | 51 | 51 | 50 | 48 |
| Western Europe | 59 | 59 | 60 | 63 | 61 | 61 | 60 | 59 | 58 | 62 | 58 | 60 | 59 | 61 | 60 | 60 | 63 | 63 | 61 | 60 | 62 | 64 |
| OECD Pacific | 51 | 50 | 47 | 52 | 49 | 51 | 52 | 49 | 45 | 48 | 53 | 49 | 43 | 52 | 55 | 53 | 49 | 53 | 55 | 50 | 46 | 51 |
| OECD SPR | 29 | 29 | 30 | 31 | 31 | 30 | 29 | 29 | 29 | 30 | 30 | 30 | 29 | 31 | 30 | 30 | 30 | 31 | 31 | 31 | 31 | 32 |
| North America | 25 | 27 | 27 | 27 | 27 | 26 | 26 | 26 | 26 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 28 | 28 |
| Western Europe | 24 | 24 | 26 | 27 | 28 | 25 | 24 | 23 | 24 | 25 | 26 | 26 | 25 | 27 | 26 | 26 | 27 | 28 | 27 | 27 | 28 | 28 |
| OECD Pacific | 47 | 46 | 47 | 48 | 49 | 51 | 49 | 45 | 42 | 49 | 49 | 45 | 43 | 50 | 50 | 45 | 45 | 51 | 51 | 47 | 46 | 52 |
| **OECD total** | 79 | 80 | 83 | 85 | 84 | 81 | 81 | 80 | 79 | 82 | 83 | 82 | 81 | 85 | 85 | 85 | 84 | 85 | 86 | 84 | 84 | 85 |

## Table 34: Non-OPEC supply and OPEC natural gas liquids, mb/d

| | 2003 | 2004 | 2005 | Change 05/04 | 1Q06 | 2Q06 | 3Q06 | 4Q06 | 2006 | Change 06/05 | 1Q07 | 2Q07 | 3Q07 | 4Q07 | 2007 | Change 07/06 | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 2008 | Change 08/07 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| USA | 7.82 | 7.65 | 7.34 | -0.32 | 7.24 | 7.40 | 7.37 | 7.40 | 7.36 | 0.02 | 7.46 | 7.58 | 7.41 | 7.54 | 7.50 | 0.14 | 7.60 | 7.54 | 7.56 | 7.81 | 7.63 | 0.13 |
| Canada | 2.98 | 3.07 | 3.03 | -0.04 | 3.22 | 3.05 | 3.18 | 3.34 | 3.20 | 0.17 | 3.34 | 3.24 | 3.36 | 3.39 | 3.33 | 0.14 | 3.44 | 3.33 | 3.34 | 3.47 | 3.40 | 0.06 |
| Mexico | 3.80 | 3.83 | 3.77 | -0.07 | 3.79 | 3.78 | 3.70 | 3.51 | 3.69 | -0.08 | 3.58 | 3.59 | 3.45 | 3.33 | 3.49 | -0.21 | 3.29 | 3.18 | 3.20 | 3.30 | 3.24 | -0.24 |
| North America | 14.60 | 14.56 | 14.14 | -0.43 | 14.25 | 14.23 | 14.25 | 14.25 | 14.24 | 0.11 | 14.38 | 14.41 | 14.22 | 14.27 | 14.32 | 0.07 | 14.33 | 14.05 | 14.11 | 14.58 | 14.27 | -0.05 |
| Norway | 3.26 | 3.19 | 2.97 | -0.22 | 2.93 | 2.70 | 2.73 | 2.76 | 2.78 | -0.19 | 2.72 | 2.46 | 2.48 | 2.57 | 2.56 | -0.22 | 2.51 | 2.44 | 2.27 | 2.51 | 2.43 | -0.12 |
| UK | 2.33 | 2.10 | 1.89 | -0.22 | 1.89 | 1.73 | 1.49 | 1.71 | 1.71 | -0.18 | 1.79 | 1.75 | 1.49 | 1.71 | 1.68 | -0.02 | 1.62 | 1.51 | 1.31 | 1.37 | 1.45 | -0.23 |
| Denmark | 0.37 | 0.39 | 0.38 | -0.01 | 0.36 | 0.35 | 0.32 | 0.34 | 0.34 | -0.04 | 0.32 | 0.31 | 0.32 | 0.31 | 0.31 | -0.03 | 0.29 | 0.29 | 0.26 | 0.29 | 0.28 | -0.03 |
| Other Western Europe | 0.46 | 0.50 | 0.51 | 0.01 | 0.53 | 0.54 | 0.53 | 0.55 | 0.54 | 0.03 | 0.68 | 0.69 | 0.69 | 0.68 | 0.68 | 0.15 | 0.72 | 0.72 | 0.72 | 0.71 | 0.72 | 0.03 |
| Western Europe | 6.42 | 6.18 | 5.74 | -0.44 | 5.71 | 5.32 | 5.07 | 5.37 | 5.37 | -0.37 | 5.51 | 5.20 | 4.96 | 5.26 | 5.23 | -0.13 | 5.14 | 4.95 | 4.56 | 4.89 | 4.88 | -0.35 |
| Australia | 0.60 | 0.52 | 0.53 | 0.01 | 0.43 | 0.44 | 0.59 | 0.56 | 0.51 | -0.02 | 0.51 | 0.54 | 0.54 | 0.51 | 0.53 | 0.02 | 0.47 | 0.54 | 0.65 | 0.71 | 0.59 | 0.07 |
| Other Pacific | 0.06 | 0.05 | 0.05 | 0.00 | 0.06 | 0.05 | 0.05 | 0.05 | 0.05 | 0.00 | 0.06 | 0.06 | 0.09 | 0.11 | 0.08 | 0.03 | 0.11 | 0.11 | 0.13 | 0.15 | 0.13 | 0.05 |
| OECD Pacific | 0.66 | 0.57 | 0.58 | 0.01 | 0.49 | 0.50 | 0.65 | 0.61 | 0.56 | -0.02 | 0.57 | 0.61 | 0.63 | 0.61 | 0.60 | 0.04 | 0.58 | 0.65 | 0.77 | 0.86 | 0.72 | 0.11 |
| Total OECD | 21.68 | 21.31 | 20.45 | -0.86 | 20.45 | 20.05 | 19.96 | 20.23 | 20.17 | -0.28 | 20.46 | 20.22 | 19.81 | 20.14 | 20.16 | -0.01 | 20.05 | 19.66 | 19.44 | 20.33 | 19.87 | -0.29 |
| Brunei | 0.21 | 0.21 | 0.21 | 0.00 | 0.23 | 0.21 | 0.22 | 0.22 | 0.22 | 0.01 | 0.20 | 0.18 | 0.17 | 0.17 | 0.18 | -0.04 | 0.18 | 0.18 | 0.18 | 0.18 | 0.18 | 0.00 |
| India | 0.79 | 0.79 | 0.76 | -0.03 | 0.79 | 0.80 | 0.77 | 0.82 | 0.79 | 0.03 | 0.82 | 0.81 | 0.81 | 0.82 | 0.82 | 0.02 | 0.84 | 0.85 | 0.86 | 0.85 | 0.85 | 0.03 |
| Malaysia | 0.78 | 0.79 | 0.77 | -0.03 | 0.78 | 0.71 | 0.76 | 0.78 | 0.76 | -0.01 | 0.75 | 0.75 | 0.76 | 0.80 | 0.76 | 0.01 | 0.79 | 0.79 | 0.81 | 0.85 | 0.81 | 0.05 |
| Thailand | 0.26 | 0.25 | 0.30 | 0.04 | 0.32 | 0.33 | 0.32 | 0.31 | 0.32 | 0.02 | 0.33 | 0.34 | 0.34 | 0.34 | 0.34 | 0.01 | 0.34 | 0.35 | 0.35 | 0.35 | 0.35 | 0.01 |
| Vietnam | 0.38 | 0.42 | 0.39 | -0.03 | 0.39 | 0.37 | 0.36 | 0.36 | 0.37 | -0.02 | 0.36 | 0.35 | 0.34 | 0.36 | 0.35 | -0.02 | 0.36 | 0.35 | 0.39 | 0.45 | 0.39 | 0.04 |
| Asia others | 0.15 | 0.18 | 0.26 | 0.07 | 0.27 | 0.26 | 0.26 | 0.26 | 0.26 | 0.01 | 0.27 | 0.27 | 0.27 | 0.26 | 0.27 | 0.00 | 0.28 | 0.30 | 0.30 | 0.30 | 0.29 | 0.03 |
| Other Asia | 2.56 | 2.66 | 2.68 | 0.02 | 2.77 | 2.68 | 2.70 | 2.75 | 2.72 | 0.04 | 2.73 | 2.68 | 2.69 | 2.75 | 2.71 | -0.01 | 2.78 | 2.80 | 2.89 | 2.97 | 2.86 | 0.15 |
| Argentina | 0.84 | 0.80 | 0.78 | -0.02 | 0.76 | 0.78 | 0.78 | 0.77 | 0.77 | 0.00 | 0.77 | 0.77 | 0.76 | 0.75 | 0.76 | -0.01 | 0.76 | 0.75 | 0.74 | 0.73 | 0.75 | -0.02 |
| Brazil | 1.80 | 1.80 | 1.98 | 0.18 | 2.07 | 2.09 | 2.11 | 2.16 | 2.11 | 0.12 | 2.15 | 2.15 | 2.16 | 2.14 | 2.15 | 0.04 | 2.23 | 2.37 | 2.50 | 2.54 | 2.41 | 0.26 |
| Colombia | 0.55 | 0.54 | 0.53 | -0.01 | 0.53 | 0.54 | 0.53 | 0.53 | 0.54 | 0.01 | 0.53 | 0.53 | 0.54 | 0.55 | 0.54 | 0.00 | 0.57 | 0.57 | 0.57 | 0.57 | 0.57 | 0.03 |
| Trinidad & Tobago | 0.17 | 0.16 | 0.18 | 0.02 | 0.19 | 0.18 | 0.19 | 0.17 | 0.18 | 0.00 | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 | -0.02 | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 | 0.00 |
| L. America others | 0.24 | 0.26 | 0.30 | 0.04 | 0.26 | 0.26 | 0.27 | 0.26 | 0.26 | -0.03 | 0.26 | 0.27 | 0.27 | 0.28 | 0.27 | 0.00 | 0.28 | 0.29 | 0.29 | 0.29 | 0.29 | 0.02 |
| Latin America | 3.59 | 3.55 | 3.77 | 0.22 | 3.82 | 3.86 | 3.88 | 3.89 | 3.86 | 0.09 | 3.88 | 3.88 | 3.88 | 3.88 | 3.88 | 0.02 | 4.00 | 4.13 | 4.26 | 4.28 | 4.17 | 0.29 |
| Bahrain | 0.21 | 0.21 | 0.21 | 0.00 | 0.21 | 0.21 | 0.20 | 0.21 | 0.21 | 0.00 | 0.21 | 0.21 | 0.21 | 0.21 | 0.21 | 0.00 | 0.21 | 0.21 | 0.21 | 0.21 | 0.21 | 0.00 |
| Oman | 0.82 | 0.79 | 0.78 | 0.00 | 0.77 | 0.75 | 0.74 | 0.74 | 0.75 | -0.03 | 0.73 | 0.72 | 0.71 | 0.70 | 0.71 | -0.03 | 0.72 | 0.74 | 0.76 | 0.78 | 0.75 | 0.04 |
| Syria | 0.53 | 0.49 | 0.45 | -0.04 | 0.43 | 0.43 | 0.42 | 0.41 | 0.42 | -0.03 | 0.41 | 0.40 | 0.40 | 0.39 | 0.40 | -0.02 | 0.39 | 0.38 | 0.37 | 0.37 | 0.38 | -0.02 |
| Yemen | 0.44 | 0.41 | 0.41 | 0.00 | 0.39 | 0.38 | 0.37 | 0.35 | 0.37 | -0.03 | 0.35 | 0.34 | 0.33 | 0.33 | 0.34 | -0.04 | 0.32 | 0.32 | 0.31 | 0.30 | 0.31 | -0.03 |
| Middle East | 2.00 | 1.90 | 1.85 | -0.05 | 1.80 | 1.76 | 1.73 | 1.71 | 1.75 | -0.10 | 1.69 | 1.67 | 1.65 | 1.63 | 1.66 | -0.09 | 1.64 | 1.64 | 1.65 | 1.66 | 1.65 | -0.01 |
| Chad | 0.02 | 0.16 | 0.18 | 0.02 | 0.16 | 0.15 | 0.16 | 0.16 | 0.16 | -0.02 | 0.16 | 0.15 | 0.15 | 0.15 | 0.15 | -0.01 | 0.15 | 0.15 | 0.14 | 0.14 | 0.14 | -0.01 |
| Congo | 0.26 | 0.24 | 0.24 | 0.00 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.01 | 0.25 | 0.23 | 0.24 | 0.25 | 0.24 | 0.00 | 0.26 | 0.27 | 0.27 | 0.29 | 0.27 | 0.03 |
| Egypt | 0.75 | 0.71 | 0.70 | -0.01 | 0.69 | 0.68 | 0.66 | 0.66 | 0.67 | -0.02 | 0.64 | 0.63 | 0.63 | 0.63 | 0.63 | -0.04 | 0.64 | 0.65 | 0.65 | 0.64 | 0.64 | 0.01 |
| Equatorial Guinea | 0.21 | 0.30 | 0.36 | 0.06 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.01 | 0.36 | 0.37 | 0.37 | 0.37 | 0.37 | 0.00 | 0.38 | 0.39 | 0.38 | 0.38 | 0.38 | 0.01 |
| Gabon | 0.25 | 0.25 | 0.25 | 0.00 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.00 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.00 | 0.25 | 0.25 | 0.25 | 0.27 | 0.25 | 0.00 |
| South Africa | 0.17 | 0.19 | 0.19 | 0.00 | 0.19 | 0.19 | 0.19 | 0.19 | 0.19 | 0.00 | 0.18 | 0.18 | 0.18 | 0.18 | 0.18 | -0.01 | 0.17 | 0.17 | 0.17 | 0.17 | 0.17 | -0.01 |
| Sudan | 0.27 | 0.30 | 0.34 | 0.04 | 0.35 | 0.36 | 0.39 | 0.48 | 0.40 | 0.06 | 0.50 | 0.50 | 0.48 | 0.51 | 0.50 | 0.10 | 0.52 | 0.52 | 0.51 | 0.51 | 0.51 | 0.02 |
| Africa other | 0.20 | 0.21 | 0.25 | 0.04 | 0.31 | 0.34 | 0.32 | 0.32 | 0.32 | 0.07 | 0.34 | 0.34 | 0.34 | 0.37 | 0.35 | 0.03 | 0.38 | 0.38 | 0.38 | 0.39 | 0.38 | 0.03 |
| Africa | 2.12 | 2.36 | 2.52 | 0.15 | 2.56 | 2.58 | 2.59 | 2.67 | 2.60 | 0.09 | 2.68 | 2.66 | 2.64 | 2.71 | 2.67 | 0.07 | 2.74 | 2.77 | 2.75 | 2.77 | 2.76 | 0.09 |
| Total DCs | 10.27 | 10.48 | 10.82 | 0.34 | 10.95 | 10.88 | 10.90 | 11.02 | 10.94 | 0.12 | 10.96 | 10.89 | 10.86 | 10.97 | 10.92 | -0.02 | 11.15 | 11.34 | 11.55 | 11.68 | 11.43 | 0.51 |
| FSU | 10.28 | 11.14 | 11.55 | 0.40 | 11.67 | 11.97 | 12.13 | 12.30 | 12.02 | 0.47 | 12.51 | 12.45 | 12.50 | 12.62 | 12.52 | 0.50 | 12.64 | 12.81 | 12.94 | 13.14 | 12.88 | 0.36 |
| Russia | 8.46 | 9.19 | 9.44 | 0.25 | 9.48 | 9.63 | 9.72 | 9.76 | 9.65 | 0.21 | 9.87 | 9.83 | 9.89 | 9.87 | 9.87 | 0.22 | 9.77 | 9.87 | 9.98 | 10.06 | 9.92 | 0.05 |
| Kazakhstan | 1.03 | 1.18 | 1.23 | 0.05 | 1.22 | 1.31 | 1.31 | 1.37 | 1.30 | 0.07 | 1.35 | 1.34 | 1.35 | 1.36 | 1.35 | 0.05 | 1.41 | 1.44 | 1.41 | 1.48 | 1.44 | 0.09 |
| Azerbaijan | 0.31 | 0.31 | 0.44 | 0.13 | 0.56 | 0.61 | 0.68 | 0.75 | 0.65 | 0.21 | 0.85 | 0.86 | 0.81 | 0.92 | 0.86 | 0.21 | 1.00 | 1.03 | 1.08 | 1.13 | 1.06 | 0.20 |
| FSU others | 0.48 | 0.47 | 0.44 | -0.03 | 0.41 | 0.42 | 0.41 | 0.43 | 0.42 | -0.02 | 0.44 | 0.42 | 0.45 | 0.46 | 0.44 | 0.02 | 0.46 | 0.47 | 0.47 | 0.47 | 0.47 | 0.02 |
| Other Europe | 0.17 | 0.17 | 0.16 | -0.01 | 0.16 | 0.15 | 0.15 | 0.15 | 0.15 | -0.01 | 0.15 | 0.15 | 0.15 | 0.14 | 0.15 | -0.01 | 0.14 | 0.14 | 0.14 | 0.14 | 0.14 | 0.00 |
| China | 3.42 | 3.50 | 3.64 | 0.14 | 3.70 | 3.72 | 3.69 | 3.66 | 3.69 | 0.06 | 3.78 | 3.82 | 3.73 | 3.75 | 3.77 | 0.07 | 3.81 | 3.87 | 3.87 | 3.88 | 3.86 | 0.09 |
| Non-OPEC production | 45.82 | 46.60 | 46.61 | 0.01 | 46.93 | 46.77 | 46.83 | 47.36 | 46.98 | 0.36 | 47.86 | 47.53 | 47.05 | 47.62 | 47.51 | 0.54 | 47.79 | 47.82 | 47.94 | 49.17 | 48.18 | 0.67 |
| Processing gains | 1.80 | 1.83 | 1.86 | 0.03 | 1.92 | 1.89 | 1.88 | 1.92 | 1.90 | 0.04 | 1.92 | 1.92 | 1.92 | 1.93 | 1.92 | 0.02 | 1.95 | 1.94 | 1.94 | 1.95 | 1.95 | 0.02 |
| Non-OPEC supply | 47.62 | 48.43 | 48.48 | 0.05 | 48.85 | 48.66 | 48.71 | 49.28 | 48.88 | 0.40 | 49.78 | 49.45 | 48.97 | 49.55 | 49.43 | 0.56 | 49.74 | 49.76 | 49.88 | 51.12 | 50.13 | 0.69 |
| OPEC NGL | 3.58 | 3.86 | 3.93 | 0.07 | 3.85 | 3.92 | 4.01 | 3.90 | 3.92 | -0.01 | 4.13 | 4.26 | 4.31 | 4.52 | 4.31 | 0.39 | 4.62 | 4.74 | 4.86 | 5.06 | 4.82 | 0.51 |
| OPEC Non-conventional | 0.14 | 0.17 | 0.16 | -0.01 | 0.13 | 0.12 | 0.15 | 0.15 | 0.14 | -0.02 | 0.08 | 0.08 | 0.09 | 0.10 | 0.09 | -0.05 | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 | 0.02 |
| OPEC (NGL+NCF) | 3.72 | 4.03 | 4.08 | 0.06 | 3.98 | 4.05 | 4.16 | 4.06 | 4.06 | -0.02 | 4.22 | 4.35 | 4.40 | 4.62 | 4.40 | 0.34 | 4.73 | 4.85 | 4.97 | 5.17 | 4.93 | 0.54 |
| Non-OPEC & OPEC (NGL+NCF) | 51.33 | 52.46 | 52.56 | 0.10 | 52.83 | 52.71 | 52.87 | 53.34 | 52.94 | 0.38 | 54.00 | 53.79 | 53.36 | 54.17 | 53.83 | 0.89 | 54.47 | 54.61 | 54.85 | 56.29 | 55.06 | 1.23 |

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

## Table 35: World Rig Count

| | 2003 | 2004 | 2005 | Change 05/04 | 1Q 06 | 2Q 06 | 3Q 06 | 4Q 06 | 2006 | Change 06/05 | 1Q 07 | 2Q 07 | 3Q 07 | 4Q 07 | 2007 | Change 07/06 | Mar 08 | 1Q 08 | Apr 08 | May 08 | Change May/Apr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| USA | 1,032 | 1,190 | 1,378 | 188 | 1,519 | 1,632 | 1,719 | 1,719 | 1,648 | 270 | 1,733 | 1,757 | 1,788 | 1,790 | 1,767 | 119 | 1,797 | 1,770 | 1,829 | 1,863 | 34 |
| Canada | 372 | 369 | 490 | 121 | 665 | 282 | 494 | 440 | 470 | -20 | 532 | 139 | 348 | 356 | 344 | -126 | 408 | 507 | 106 | 135 | 29 |
| Mexico | 92 | 110 | 107 | -3 | 85 | 85 | 77 | 84 | 83 | -24 | 90 | 88 | 96 | 93 | 92 | 9 | 96 | 96 | 102 | 104 | 2 |
| North America | 1,496 | 1,669 | 1,975 | 306 | 2,269 | 1,999 | 2,290 | 2,243 | 2,200 | 225 | 2,355 | 1,984 | 2,232 | 2,240 | 2,203 | 3 | 2,301 | 2,373 | 2,037 | 2,102 | 65 |
| Norway | 19 | 17 | 17 | 0 | 19 | 20 | 16 | 9 | 16 | -1 | 16 | 19 | 18 | 17 | 18 | 2 | 22 | 17 | 19 | 22 | 3 |
| UK | 20 | 16 | 21 | 5 | 29 | 27 | 26 | 15 | 24 | 3 | 25 | 29 | 27 | 22 | 26 | 2 | 22 | 19 | 18 | 23 | 5 |
| Western Europe | 78 | 65 | 65 | 0 | 77 | 78 | 73 | 65 | 73 | 8 | 72 | 78 | 76 | 73 | 75 | 2 | 80 | 71 | 73 | 83 | 10 |
| OECD Pacific | 18 | 22 | 25 | 3 | 25 | 28 | 25 | 28 | 27 | 2 | 24 | 30 | 32 | 30 | 29 | 2 | 31 | 32 | 40 | 37 | -3 |
| Total OECD | 1,592 | 1,755 | 2,065 | 310 | 2,371 | 2,105 | 2,389 | 2,336 | 2,300 | 235 | 2,450 | 2,091 | 2,340 | 2,342 | 2,306 | 6 | 2,412 | 2,476 | 2,150 | 2,222 | 72 |
| Other Asia | 117 | 126 | 142 | 16 | 153 | 150 | 156 | 152 | 153 | 11 | 158 | 157 | 151 | 150 | 154 | 1 | 146 | 149 | 144 | 158 | 14 |
| Latin America | 107 | 116 | 129 | 13 | 137 | 151 | 153 | 153 | 149 | 20 | 183 | 178 | 173 | 181 | 178 | 29 | 196 | 181 | 189 | 176 | -13 |
| Middle East | 70 | 70 | 72 | 2 | 72 | 79 | 82 | 85 | 80 | 8 | 82 | 85 | 87 | 86 | 85 | 5 | 88 | 89 | 90 | 91 | 1 |
| Africa | 43 | 51 | 54 | 3 | 59 | 62 | 68 | 77 | 67 | 13 | 75 | 80 | 88 | 88 | 83 | 16 | 79 | 84 | 90 | 90 | 0 |
| Total DCs | 337 | 363 | 397 | 34 | 421 | 442 | 459 | 472 | 449 | 52 | 510 | 510 | 509 | 515 | 511 | 62 | 509 | 512 | 513 | 515 | 2 |
| Non-OPEC Rig Count | 1,931 | 2,120 | 2,465 | 345 | 2,794 | 2,549 | 2,850 | 2,806 | 2,751 | 286 | 2,950 | 2,593 | 2,842 | 2,850 | 2,808 | 57 | 2,941 | 3,006 | 2,683 | 2,755 | 72 |
| | | | | | | | | | | | | | | | | | | | | | |
| Algeria | 20 | 19 | 21 | 2 | 21 | 21 | 28 | 27 | 24 | 3 | 25 | 26 | 28 | 28 | 27 | 3 | 30 | 26 | 30 | 26 | -4 |
| Angola | 4 | 3 | 3 | 0 | 4 | 4 | 4 | 4 | 4 | 1 | 5 | 4 | 3 | 5 | 4 | 0 | 4 | 5 | 7 | 3 | -4 |
| Ecuador | 9 | 10 | 12 | 2 | 12 | 11 | 11 | 12 | 11 | -1 | 12 | 10 | 11 | 10 | 11 | 0 | 7 | 7 | 7 | 9 | 2 |
| Indonesia | 45 | 49 | 54 | 5 | 55 | 43 | 46 | 52 | 49 | -5 | 49 | 56 | 60 | 64 | 57 | 8 | 62 | 64 | 65 | 68 | 3 |
| Iran | 35 | 41 | 40 | -1 | 40 | 45 | 47 | 45 | 44 | 4 | 51 | 51 | 51 | 50 | 50 | 6 | 51 | 50 | 51 | 50 | -1 |
| Iraq | na | na | na | na | na | na | na | na | na | na | na | na | na | na | na | na | na | na | na | na | na |
| Kuwait | 5 | 10 | 12 | 2 | 12 | 13 | 14 | 15 | 14 | 2 | 14 | 13 | 13 | 11 | 12 | -2 | 14 | 12 | 13 | 10 | -3 |
| Libya | 10 | 10 | 9 | -1 | 9 | 9 | 10 | 12 | 10 | 1 | 13 | 12 | 14 | 14 | 13 | 3 | 15 | 14 | 15 | 15 | 0 |
| Nigeria | 10 | 8 | 9 | 1 | 10 | 9 | 10 | 10 | 10 | 1 | 8 | 7 | 8 | 10 | 8 | -2 | 11 | 9 | 9 | 9 | 0 |
| Qatar | 8 | 9 | 12 | 3 | 13 | 10 | 11 | 9 | 11 | -1 | 11 | 12 | 13 | 14 | 13 | 2 | 11 | 11 | 12 | 12 | 0 |
| Saudi Arabia | 32 | 32 | 36 | 4 | 54 | 60 | 70 | 76 | 65 | 29 | 76 | 76 | 78 | 77 | 77 | 12 | 78 | 78 | 78 | 77 | -1 |
| UAE | 16 | 16 | 16 | 0 | 17 | 16 | 16 | 16 | 16 | 0 | 14 | 15 | 15 | 14 | 14 | -2 | 12 | 12 | 12 | 13 | 1 |
| Venezuela | 37 | 55 | 67 | 12 | 78 | 83 | 85 | 77 | 81 | 14 | 76 | 80 | 77 | 71 | 76 | -5 | 81 | 82 | 82 | 78 | -4 |
| OPEC Rig Count | 231 | 262 | 291 | 29 | 325 | 324 | 352 | 355 | 339 | 48 | 354 | 362 | 371 | 368 | 362 | 23 | 376 | 372 | 381 | 370 | -11 |
| | | | | | | | | | | | | | | | | | | | | | |
| Worldwid Rig Count* | 2,162 | 2,382 | 2,756 | 374 | 3,119 | 2,873 | 3,202 | 3,161 | 3,090 | 334 | 3,304 | 2,955 | 3,213 | 3,218 | 3,170 | 80 | 3,317 | 3,378 | 3,064 | 3,125 | 61 |
| of which: | | | | | | | | | | | | | | | | | | | | | |
| Oil | 816 | 877 | 959 | 82 | 1,069 | 1,060 | 1,169 | 1,156 | 1,114 | 155 | 1,266 | 1,155 | 1,257 | 1,288 | 1,239 | 125 | 1,379 | 1,374 | 1,247 | 1,305 | 58 |
| Gas | 1,326 | 1,486 | 1,777 | 291 | 2,035 | 1,802 | 2,016 | 1,983 | 1,959 | 182 | 2,017 | 1,782 | 1,934 | 1,906 | 1,910 | -49 | 1,913 | 1,970 | 1,787 | 1,786 | -1 |
| Others | 18 | 20 | 22 | 2 | 14 | 13 | 18 | 21 | 16 | -6 | 20 | 19 | 20 | 24 | 21 | 5 | 25 | 34 | 30 | 34 | 4 |

**/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 Summary June 2008

## OPEC Basket average price

*US$ per barrel*

up 14.23 in May

| | |
|---|---|
| **May 2008** | **119.39** |
| Apr 2008 | 105.16 |
| Year-to-date | 100.63 |

## May OPEC production

*in million barrels per day, according to secondary sources*

| | | | |
|---|---|---|---|
| Algeria | 1.42 | SP Libyan AJ | 1.72 |
| Angola | 1.90 | Nigeria | 1.89 |
| Ecuador | 0.50 | Qatar | 0.85 |
| Indonesia | 0.89 | Saudi Arabia | 9.13 |
| IR Iran | 3.88 | UAE | 2.63 |
| Iraq | 2.44 | Venezuela | 2.35 |
| Kuwait | 2.60 | **TOTAL** | **32.19** |

## Supply and demand

*in million barrels per day*

| **2007** | | **2008** | |
|---|---|---|---|
| World demand | 85.8 | World demand | 86.9 |
| Non-OPEC supply | 53.8 | Non-OPEC supply | 55.1 |
| **Difference** | **32.0** | **Difference** | **31.8** |

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

## Stocks

***OECD commercial oil stocks at end-April were 14 mb above the five-year average. Preliminary data show a build of 26 mb in May, leaving forward cover at 53.5 days.***

## World economy

***World GDP growth unchanged at 4.9% in 2007 and 3.9% in 2008.***

*Issued 13 June 2008.*
***Next report to be issued on 15 July 2008.***
*Data cover period up to the end of May 2008 unless otherwise stated.*