OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

May 2007

Feature Article:
Economic prospects and oil demand growth in 2007

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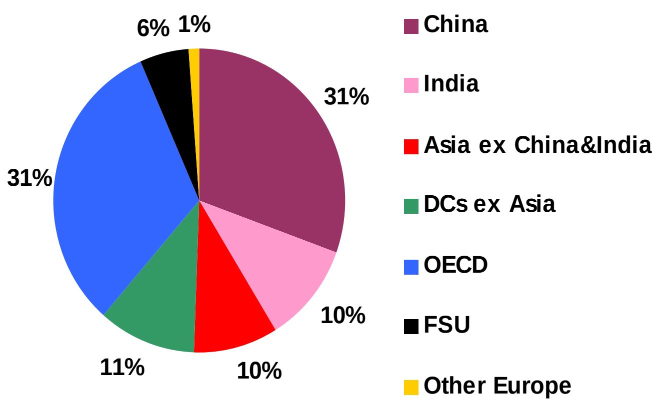
Oil Market Highlights

- The OPEC Reference Basket surged to an eight-month high in April on concern over summer fuel supplies and worries over potential supply disruptions amid geopolitical developments. The Basket rose $4.92 or 8.4% in April to stand at $63.39/b, the third monthly rise and 25% higher than in January. In the first half of May, the Basket resumed the downward trend on the perception of lower demand amid some Asian refineries still on seasonal maintenance. However, higher demand forecasts and supply disruptions from West Africa kept prices in check as the OPEC Reference Basket eased to $63.68/b on 14 May.
- World economic growth is now forecast at 4.8% for this year, 0.1 percentage points higher than the previous forecast due to small upward revisions for the EU, Japan, China and Brazil, the latter on account of data adjustments. Meanwhile, the forecast for the US has been revised down by another 0.1 percentage points to 2.2% as incoming data continue to show further and even deepening weakness in the housing sector and a surprising drop in exports during the first quarter. The economic recovery in Japan is still on course but consumer demand remains anemic, while in the EU optimism prevails about the sustainability of the strong economic recovery. For Developing Countries, most indicators point to a strong performance in 2007, despite signs of a slowdown in demand in the US and government attempts to curb growth in China. China achieved a very strong 11.1% growth in the first quarter and the forecast for this year has been revised up to 9.9% while India's forecast is unchanged from last month's at 8.0%.
- World oil demand was lower in April than in the previous month, although demand growth was the strongest in North America. Non-OECD oil demand grew but not as much as in the OECD countries. World oil demand growth for 2007 is forecast at 1.3 mb/d or 1.5% to 85.4 mb/d. Consumption in OECD Europe was revised down slightly from last month's assessment. First quarter oil demand in North America is estimated to average 25.9 mb/d, representing 0.7 mb/d growth y-o-y, due to surging demand for both fuel oil and gasoline. Booming economic activities helped boosted oil demand in both the Middle East and China, with y-o-y increases of 0.3 mb/d and 0.4 mb/d respectively.
- In 2006, non-OPEC oil supply averaged 49.5 mb/d, representing an increase of 0.5 mb/d over 2005 and a slight upward revision from the last assessment. Non-OPEC supply is expected to average 50.7 mb/d in 2007, an increase of 1.2 mb/d over the previous year and a downward revision of 71,000 b/d from the last assessment. The revision is due mainly to actual first quarter data. Preliminary data for the month of April put non-OPEC supply at 50.4 mb/d, around the same level as in the first quarter of 2007. Total OPEC production in April averaged 30.14 mb/d, an increase of 97,100 b/d over the previous month.
- Higher demand for gasoline in the USA, combined with extensive unplanned refinery outages and maintenance schedule delays, resulted in unusual gasoline stock-draws over the last couple of weeks. This situation lifted refinery margins significantly across the globe. With the approaching end of the refinery maintenance schedule in the Atlantic Basin, product market sentiment may soften slightly over the next weeks, but is likely to remain supportive to crude prices, as US refiners might not be able to raise throughput level sharply in the short term.
- OPEC spot chartering continued to decline in April, falling 0.46 mb/d to 12.4 b/d, the lowest level so far in 2007. Non-OPEC spot chartering remained steady at 7.0 mb/d. Sailings from the OPEC area rose by 1.34 mb/d to 24.1 mb/d, with Middle East sailing declining by 0.1 mb/d to stand at 17.2 mb/d. VLCC crude oil freight rates declined in all routes, losing between 14% and 27% on ample availability which coincided with the Asian refinery maintenance season, exerting further downward pressure on freight rates. Suezmax rates increased in April on the back of market tightness. Product freight rates were mixed but declined in the East as limited activities affected rates.
- Preliminary estimates put OECD crude oil imports for March at 30.6 mb/d, up 0.85 mb/d from the previous month, while product imports reached 10.4 mb/d following a gain of 355,000 b/d. However, both experienced annual declines. US crude oil imports rose 180,000 b/d to hit 10.15 mb/d in April, representing annual growth of 3.6%. Product imports remained steady, driving the US net oil imports to 12.5 mb/d, their highest level so far this year. In contrast, Japan's crude oil imports fell around 180,000 b/d in April due to refinery maintenance. In China, net crude oil imports increased by 125,000 b/d in March to 3.8 mb/d, indicating annual growth of around 17%, supported by increased crude and product imports. India's March total net oil imports remained steady in both monthly and yearly terms.
- Total US commercial stocks saw the second consecutive increase in April, reaching 986 mb or 3% above the five-year average. Crude oil stocks stood at 339 mb, the highest level since May 2006, while product stocks fell 2.2 mb to 647 mb, driven by gasoline. In the week ending 4 May, gasoline stocks reversed the downward trend of the last 12 weeks and rose around 0.4 mb/d due to increasing imports and a modest recovery in refinery runs. In EU-16 (Eur-15 plus Norway), oil stocks rose 315,000 b/d to 1,161 mb, the highest level since January 2006. In Japan, commercial oil stocks fell a marginal 0.5 mb to stand at 185 mb at the end of March, representing a surplus of 4.7 mb above a year ago. Crude oil stocks increased for the first time since November 2006, rising by 250,000 b/d to 111.5 mb whereas product stocks dropped as exports increased substantially and imports fell.
- Demand for OPEC crude in 2007 is expected to average 30.4 mb/d, down 90,000 b/d from the previous year. On a quarterly basis, the demand for OPEC crude is expected at 30.9 mb/d, 29.4 mb/d, 30.4 mb/d and 30.6 mb/d respectively. In 2006, estimated demand for OPEC crude averaged 30.4 mb/d.

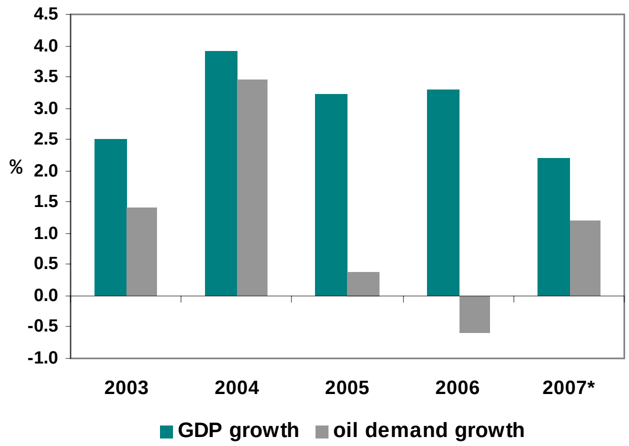
Economic prospects and oil demand growth in 2007

- In the last four months, crude oil prices have risen mainly on the back of geopolitical tensions and sharp draws on US gasoline stocks which were due to extensive unplanned refinery outages and maintenance schedule delays. At the same time, uncertainty about the state of the US economy has triggered concerns in the market that demand might fall in the second half of 2007. Given these concerns, it would be worthwhile to review how economic trends are developing this year.
- Despite numerous downside risks, there is widespread consensus that the global economy has a good chance of another year of broad-based and robust growth in 2007, only moderately slower than in 2006. The unprecedented expansion enjoyed since 2004 is set to continue with the main drivers being in the Asian region. Our forecast for world growth is for 4.8% in 2007, 0.6 percentage points slower than in 2006 but still above the five-year average of 4.5% and way above the twenty-year average of 3.5%. This indicates that lower oil intensities and the generally benign economic conditions have allowed the global economy to successfully absorb the higher prices of commodities including oil.
- Within OECD, growth is converging within the different regions. The expected deceleration in 2007 will be more marked in the USA, which is forecast to slow by about one percentage point to 2.2%. The Euro-zone is seen to achieve above-potential growth of 2.4% surpassing the USA for the first time since 2001. Similarly, Japanese growth is set to continue at above-potential at 2.1%, down slightly from last year. In Developing Countries, forecast growth of 6.0% is more than double the pace of advanced economies. The stellar Chinese growth is expected to continue at almost 10% followed by India with 8%. China and India together have contributed over 40% of world growth in 2006, more than the whole of OECD, which added about 32% to global growth during that year (*see* ***Graph 1***).

Graph 1: Contributions to world GDP growth in 2006



Graph 2: US GDP and oil demand growth



- Admittedly, downside risks remain, the most immediate of which is the possibility that the current weakness in the US housing sector may spill over to the rest of the economy and subsequently to the rest of the world. In early March, the widespread turbulence in financial markets indicated that markets in the emerging and developed world may be becoming more closely correlated. However, in contrast, there appears to be a gradual de-linking of growth in Europe and Asia from the USA. Since the US economy started slowing in the second half of 2006, no reduction in growth has been observed in other parts of the world due in part to increasing regional integration in Asia and other regions, and to the fact that housing has relatively few trade links.
- However, strong economic growth does not necessarily translate into equally strong oil demand growth. In general, oil demand elasticities are larger in developing countries than in the almost saturated markets of the developed world. However, the short-term relationship between the aggregate economy and aggregate oil demand is unpredictable and increasingly volatile in both developed and developing countries (see ***Graph 2***). Oil demand growth is not only a function of aggregate economic growth but also other factors such as sectoral distribution of growth and the price of oil relative to its substitutes, as well as weather conditions. Given the range and unpredictability of some of these factors, the uncertainty in forecasting demand remains large.
- Taking into account expected economic growth and other factors, oil demand growth this year is estimated at about 1.3 mb/d. Following the trend of the recent past, the main areas of growth in demand in 2007 are predicted for China, the Middle East and North America. Two first two are expected to enjoy strong economic growth but as mentioned above, the US economic growth this year will moderate. However, so far, the growth in transport fuel in the USA has exceeded that of last year, partly explained by weather conditions and perhaps also by the rise in private earnings and the healthy state of US labour markets. While Japan and the EU are also forecast to experience solid economic growth, oil demand is forecast to be stagnant.
- Heading into the driving season, crude oil stocks are more than adequate to meet expected demand. However, gasoline stocks are low for this time of year. This has provided support for crude and product prices, although recently crude prices have eased as crude inventories continue to build. The next few weeks will be crucial as refineries return from maintenance and increased imports allow US gasoline stocks to rebuild. Indeed, if gasoline imports remain above 1 mb/d in the coming weeks, this should be sufficient for stocks to return to adequate levels, helping to ease the perceived market tightness. As always, OPEC continues to monitor market developments ahead of its planned meeting in September, which will focus on the coming winter season.

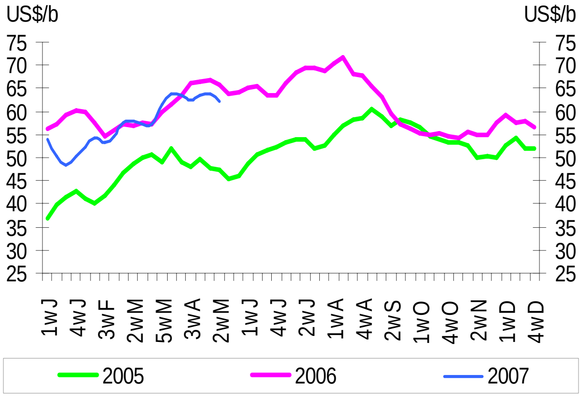
Crude Oil Price Movements

Refinery glitches in the USA, gasoline stock-draws and geopolitical developments maintained market volatility

OPEC Reference Basket

Oil prices retreated at the start of April amid easing fear of a supply shortfall with diplomatic developments on the horizon in the Mideast. Nonetheless, concern over summer fuel supply sustained market strength, supporting the upward price surge with the Basket averaging $2.12 or 3.4% higher in the first week to settle at $63.73/b, the highest weekly average since August.

Graph 1: OPEC Reference Basket - weekly spot crude



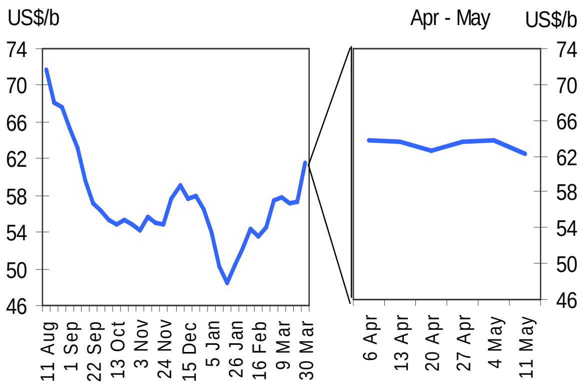
Further easing in the geopolitical arena amid higher North Sea supply kept calmness in the marketplace. In the second week, the Basket's average eased a marginal 14¢ to close at $63.59/b after peaking at $64.71/b. However, an IEA report showing OECD petroleum stocks falling at the fastest rate in a decade prevented petroleum prices from tumbling further.

In the third week, the prospect of Nigeria boosting supply from the Forcados oil field calmed market sentiment. Moreover, the perception that the return of US refineries from seasonal maintenance would help build gasoline stocks reduced fear of a supply shortfall. However, concern over West African output revived market alertness towards the end of the week. Hence, the Basket averaged the week at $62.53/b for a loss of 1.7% or $1.06.

Concern over a possible further supply shortfall from West Africa for gasoline-rich crude amid short-lived momentum regarding potential supply disruptions from a Mideast major contributed to market bullishness. Depleting gasoline stocks in the USA amid refinery glitches added to the fear premium. The final weekly average of the Basket was $1.09 or 1.7% higher to settle at $63.62/b. The Basket closed the month at a high for the year of $64.12/b. However, sentiment softened into early May on eased geopolitical concerns in West Africa amid healthy crude oil supply in the west, and the perception of weaker demand ahead helped smooth price volatility.

In monthly terms, the OPEC Basket in April surged to an eight-month high on concern over summer fuels and worries over potential supply disruptions amid geopolitical developments. Falling summer fuel stocks amid refinery turbulences in the USA maintained market bullishness. The Basket price rose $4.92 or 8.4% in April to reach $63.39/b, which marked the third monthly rise and a 25% gain over January. In the first half of May, the Basket resumed the downward trend on the perception of lower demand amid some Asian refineries still on seasonal maintenance. However, upward revisions to the EIA and IEA forecasts for higher global demand and supply disruptions from West Africa kept prices in check with the OPEC Basket closing at $63.68/b on 14 May to average $62.94/b.

Graph 2: Weekly average Basket price, 2006-2007

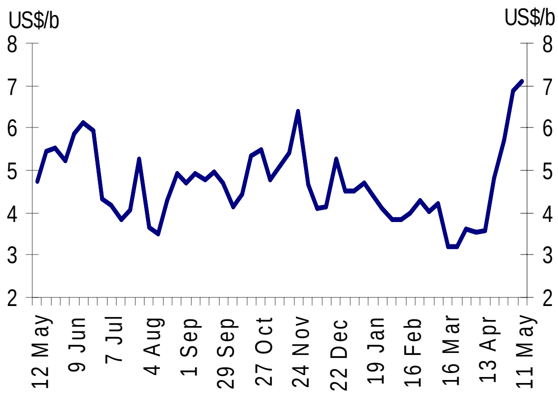


US market

The return of the McKee refinery helped firm WTI prices amid tight light-end products

Light crude was supported in the USA on the back of the negative transatlantic spread amid fear over a supply shortfall from the Middle East at a time of rising demand for summer fuels. Stockpiling of WTI at Cushing, Oklahoma, underpinned crude values. The WTI/WTS spread was 6¢ narrower on the week at $3.55/b. Continued demand for light-end products amid a widened contango spread on the futures board lent support to the buying spree. Hence, the WTI/WTS spread recovered from the lowest level in the month to average the week a marginal 2¢ up at $3.57/b as the price for foreign crude remained high. However, narrowing transatlantic spread amid the return of Valero's McKee, Texas, refinery added to market bullishness and demand for light-end products. The WTI/WTS spread widened a hefty $1.23 to $4.80/b. The return of some refineries helped WTI prices to firm amid continued draws on US gasoline stocks. In the fourth week, the WTI/WTS spread averaged 90¢ wider at $5.70/b, a level last seen in November, peaking on the final day of the month at $7/b. In monthly terms, WTI averaged $63.85/b in April, with the spread over WTS 99¢ wider at $4.58/b.

Graph 3: WTI spread to WTS, 2006-2007

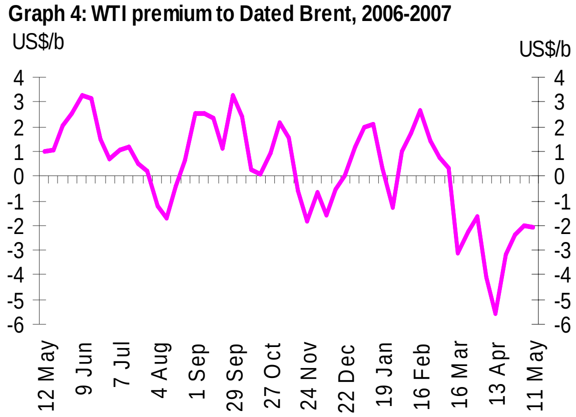


North Sea market

Improved refining margins and anticipated tighter supply in June strengthened North Sea grades

Prompt North Sea barrels exerted downward pressure on differentials, yet late stems were seen firmer. Nevertheless, weakened refining margins sustained the bearishness on regional crude amid a quiet market ahead of the Easter holiday. The price differentials softened further into the second week amid higher volumes in May while some April cargoes remained unsold. Softer prices prompted a buying spree in the third week clearing some May programmes as refinery restarts after turnaround were seen on the horizon. The perception of lower June Forties supply and healthier refining margins supported the North Sea grade. Market sentiment firmed further on improving margins and approaching North Sea crude oil supply facility maintenance. Dated Brent averaged $67.51/b in April for a gain of $5.36 or 8.6% over the previous month.

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



Mediterranean market

Weak refining margins and prompt stems kept Urals under pressure

Weaker refining margins pressured Urals in the Mediterranean in the first week of the month. Thus, buyers remained on the sidelines. Increased prompt barrels forced sellers to lower offers. The average weekly Brent/Urals spread was 40¢ wider at $3.44/b. In the second week, the downtrend continued, yet widened refining margins were seen providing a floor, with the Urals spread under Brent unchanged. Market sentiment was firmer in the third week on improved refining margins. However, unsold early month stems kept balance in the Urals marketplace. Hence, the Brent/Urals spread was a slight 7¢ wider at $3.51/b. Improved refining margins for light sweet crude pressured the Urals grade, yet outbound barrels prevented the crude from tumbling further with the spread under Brent peaking to $4.2/b. In the fourth week, the Brent/Urals spread was 34¢ wider at $3.85/b. Urals averaged $5.11 or 8.7% higher in April at $63.92/b with the discount to Brent averaging 25¢ wider at $3.59/b.

Middle Eastern market

Improved fuel oil crack spread and limited arbitrage barrels lent support to Mideast crude

The market for the Mideast crude came out in quiet trade amid the holidays and as participants digested retroactive OSP. June Oman was assessed at a 10-15¢/b premium to MOG with the weekly Brent/Dubai spread gaining 23¢ to stand at $4.95/b, the widest weekly average spread since August. In the second week, Mideast crude firmed on improved fuel oil crack spread with June Oman assessed at an 8-20¢/b premium to MOG. Dubai's discount to Brent was assessed $1.22 lower at $3.73/b. Moreover, Abu Dhabi Light grade found support from strong regional sweet values and closed arbitrage opportunities, when June Murban was sold at a 40¢/b premium to ADNOC's OSP. Concern over the approaching move by Oman to assess the retroactive prices using Dubai Mercantile Exchange (DME) prompted buyers to stock up the grade. Thus, the healthy sentiment continued into the third week with June Oman sold at a 20-27¢/b premium to MOG. The Brent/Dubai spread narrowed 98¢ to $2.75/b, the lowest in a month. The bullishness was also boosted on the perception of Taiwan and India stepping in to help clearing June barrels. However, the delayed start-up of the Dubai exchange amid weak fuel oil crack spread calmed market sentiment amid some unsold June barrels. Nevertheless, the Brent/Dubai spread widened by 53¢ to $3.28/b helping to prevent the grade from tumbling further. The monthly average Brent/Dubai spread was assessed 19¢ wider at $3.54/b.

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

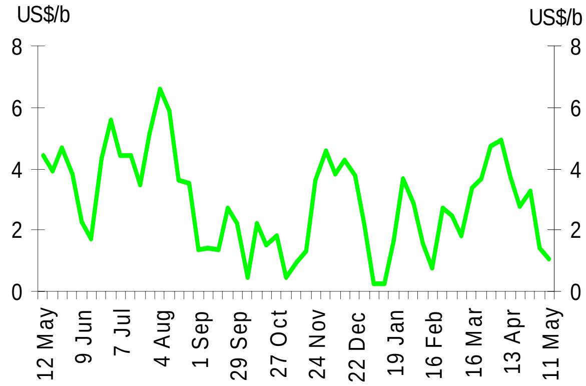


Table 1: OPEC Reference Basket and selected crudes, US$/b

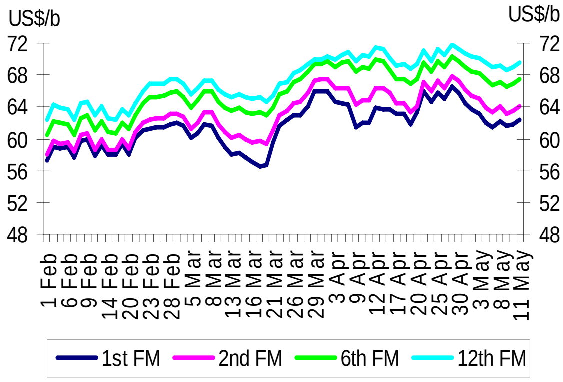
			Change	Year-to-Date	
	Mar 07	Apr 07	Apr/Mar	2006	2007
OPEC Reference Basket	**58.47**	**63.39**	4.92	**59.23**	**56.66**
Arab Light	58.08	62.83	4.75	58.97	56.41
Basrah Light	55.99	59.74	3.75	55.64	53.55
BCF-17	50.27	54.93	4.66	49.72	48.86
Bonny Light	64.59	70.01	5.42	65.29	62.48
Es Sider	60.60	66.06	5.46	61.91	58.53
Iran Heavy	56.39	61.42	5.03	57.92	54.29
Kuwait Export	56.22	61.07	4.85	57.26	54.41
Marine	59.39	64.79	5.40	60.85	58.05
Minas	62.83	68.75	5.92	63.91	61.24
Murban	63.19	68.39	5.20	63.70	61.79
Saharan Blend	64.30	69.71	5.41	64.57	62.23
Other Crudes					
Cabinda	59.83	65.26	5.43	61.65	57.74
Dubai	58.80	63.97	5.17	59.40	57.47
Isthmus	56.78	60.60	3.82	58.31	54.84
T.J. Light	54.90	58.60	3.70	53.96	53.19
Brent	62.15	67.51	5.36	63.74	60.08
W Texas Intermediate	60.63	63.85	3.22	64.67	59.42
Differentials					
WTI/Brent	-1.53	-3.66	-2.13	0.93	-0.66
Brent/Dubai	3.35	3.54	0.19	4.34	2.61

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

The Oil Futures Market

Geopolitics and gasoline were the drivers setting record highs in the futures market

Graph 6: Nymex WTI futures prices, 2007



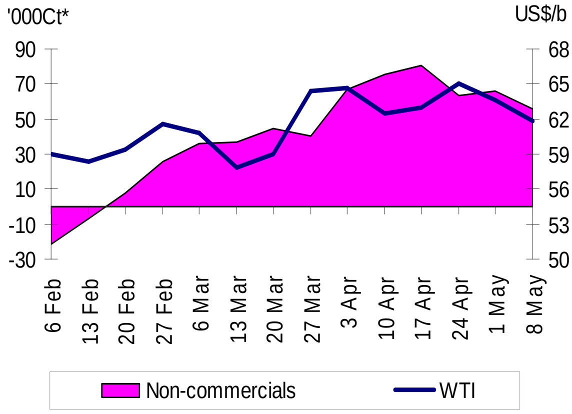
FM = future month

The futures market in New York started April with a bullish tune on Mideast geopolitical concerns mixed with gasoline stock-draws in the USA, healthy GDP growth, and a port strike in France. The resulting speculative fund-buying sent Nymex WTI front-month to surge to nearly $65/b, the highest level in the year, to close the weekly period at $64.64/b for a gain of $1.71. For the week ended 3 April, the contract averaged $65.31/b, a gain of 5.5% over the previous period.

Over the same period, the CFTC reported that speculators reduced short positions and increased longs, inflating net long positions by a hefty 26,500 lots with open interest rising by a similar magnitude of 27,500 to stand at a record 1,358,000 contracts. With options included, open interest was 88,700 lots higher at 2.4 million contracts with the non-commercial net long positions at almost 81,000 lots, the highest level since last August.

In the second weekly period, positive Middle East geopolitical developments and healthy crude oil stock-builds in the USA calmed market sentiment. Nymex WTI closed the week ended 10 April at $61.89/b to average $63.02/b. The CFTC reported that the net non-commercial volume was 8,500 lots higher at nearly 75,200 contracts, while open interest plummeted 32,000 lots to 1,326,000 contracts amid a hefty fall in the commercial sectors. Including options, net non-commercial positions were 7,600 wider at 88,500 lots with open interest dropping 36,600 to 2,366,000 contracts.

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



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

In the third weekly period ended 17 April, volatility continued with the IEA revealing that OECD crude stocks were falling at the fastest rate in a decade amid concern over gasoline supply. Nigeria is foreseen to boost production amid the return of the Forcados oil field which had been shut in over one year. The CFTC reported that non-commercials continued to increase their longs and reduced the shorts with the net longs inflated to eight-month record of 80,800 lots. Nonetheless, open interest was deflated by some 17,000 lots to 1,309,500 contracts. With options included, open interest deflated a significant 98,500 lots to 2,267,600 with half of it on the back of commercials, non-commercial net long positions were nearly unchanged. Nymex WTI prompt-month contracts closed the week at $63.10/b or $1.21 higher with the average at $63.24/b.

Although the bullish market sentiment pushed prices higher in the fourth week, the CFTC reported that non-commercials reversed their positions by depleting the longs and increasing the shorts. Thus, the net long positions were down a hefty 17,000 lots to nearly 68,000 contracts. Yet, open interest was 6,600 higher at 1,316,200 contracts. With option included, open interest was nearly 30,000 lots wider at 2,297,500 with the non-commercial net long positions depleted by 15,000 to 73,000 contracts. Nymex WTI front-month contracts closed the week at $64.58/b with the weekly period average 52¢ higher at $63.76/b.

In the final week of April, the volatility continued on fear over potential supply disruptions from a Middle East major that was short-lived, yet concern over gasoline supply in the USA amid some 3 months of stock-draws kept alertness in place as refinery snags continued. Nymex WTI closed the month at $65.71/b. Non-commercial net longs appeared rising, shorts were liquidating at a faster rate while open interest rose mostly on the back of builds in the commercials sector.

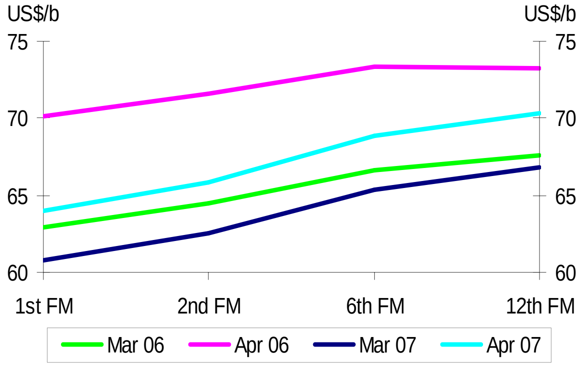
In monthly terms, WTI front-month contracts averaged $64.04/b in April, a gain of $3.3 or 5.4% over the previous month. Non-commercial net long positions averaged 73,300 lots, a three-year high and 33,800 lots over the previous month and 23,500 lots above last year. Open interest averaged a record level of 1,317,400 lots, an increase of 7,300 over March and 323,400 lots over last year. With options included, open interest stood at 2,333,500 contracts, an increase of 338,500 lots over the previous month and 704,000 lots over last year.

The Forward Structure

The shut-in of the McKee refinery contributed to a record contango spread

The Nymex WTI forward structure remained in contango for the 30th consecutive month with the 1st/2nd monthly spread average at its widest level at $1.80/b, 5¢ up from the March average and 35¢ over last year. The 1st/6th, /12th and /18th month spreads were $4.83, $6.33 and $6.72/b, representing expansions of 24¢, 28¢ and 14¢/b from last month. Spreads were $1.69, $3.21 and $4.31/b wider than last year. US crude oil weekly average stocks in April were almost 334 mb or 6 mb higher than March, yet 11,700 mb lower than last year. The widening contango was triggered by the higher crude oil inventory level in Cushing, Oklahoma, with the McKee Texas refinery shut-down contributing to the stock-build.

Graph 8: Nymex WTI forward curve



FM = future month

Highlights of the World Economy

Economic growth rates 2006-2007, %							
	World	OECD	USA	Japan	Euro-zone	China	India
2006	5.4	3.1	3.3	2.2	2.7	10.7	9.2
2007	4.8	2.5	2.2	2.1	2.4	9.7	8.0

Industrialised countries

United States of America

At 1.3%, US GDP growth weaker than expected, dragged down by continued softness in the housing sector and falling exports

Growth slowed down considerably in the first quarter. The initial reading of first quarter annualized GDP growth of 1.3% was the slowest in four years. Once again, the housing sector subtracted 1 percentage points from growth, as residential investment contracted by 17%. Pending sales of existing homes, seen as a leading indicator for the housing sector, unexpectedly fell by 4.9% in March to the lowest level in four years, while sales of existing homes dropped by 8.4%, signaling the real-estate slump may last longer until falling home prices eventually induce a recovery.

As in the previous quarters, private consumption, which accounts for 70% of the economy, continued to support growth. Although slightly lower than the 4.2% pace in the previous quarter, the 3.8% growth in Q1 still indicates robustness. However, personal spending growth already slowed down in March to 0.3% from 0.7% in February, despite a strong rise in income of 0.7%, and is expected to moderate further in the coming months, as the delayed effects of the slump in the housing sector on wealth and employment start to bite. Weak housing starts are seen to have affected sales of vehicles, in particular pick up trucks- typically used by construction workers and contractors. These fell by 14% in March.

In addition, net exports, which had contributed strongly to growth in Q4, subtracted 0.5 percentage points from growth in Q1, as imports rose 2.3% while exports fell 1.2%, after rising 10.6% in Q4. The fall in exports was surprising, given the strong growth in Asia and Europe and the weakening dollar. The trade gap in March widened by $6bn to $63.9bn from $57.9 billion in February. The rise in deficit was partly due to an increase of $3.6bn in petroleum imports, due to a rise in both volumes (+11%) and prices (+6%). After the 2.2% February decline, exports staged a recovery of 1.8% in value, and are expected to pick up in the current quarter. However, the latest figures may imply that the already modest GDP growth figure for Q1 may be revised downwards.

Weak economic growth combined with higher inflation has recently raised talk of stagflation. However, such fears may be overblown. Nevertheless, the unexpected drop in retail sales of 0.2% in April after a revised 1% gain the prior month may reinforce the view that monetary policy will continue to be on hold for some time. On May 9, the Fed left rates unchanged for the seventh consecutive meeting and did not signal any cuts in the near future, with inflation remaining its main concern. In Q1, the GDP deflator rose at an annual rate of 4% - the biggest jump in 16 years – compared to 1.7% in Q4. However, the core personal consumption deflator, the preferred Fed measure, which excludes food and fuel, rose at a more moderate rate of 2.2% compared with 1.8% in Q4, slightly above the Fed comfort zone of 1-2%. Other price indices such as core producer prices were flat in March and April. Import prices in April rose by 1.5% following a 1.8% rise in March, attributed to higher food and petroleum prices. However, seen over the year, petroleum import prices were down over April 2006 by 1.8%. On the employment front, job growth in April disappointed, and the rate of unemployment rose marginally to 4.5% from the 4.4% five-year low in March. Employment in manufacturing continued to shrink and retailers and builders also shed jobs, while growth in services employment was the slowest since June 2006.

On the positive side, durable goods orders, a proxy for business investment, surprisingly jumped 3.4% in March, following a 2.4% increase in February. With inventories falling, this may auger faster growth in investment in coming months after the modest growth of 1.9% in spending on equipment and software in the first quarter. US equity markets in April also pointed to robustness in the corporate sector, with strong profit announcements leading to all time highs in stock notations. Moreover, the ISM's manufacturing index rose to 54.7, the highest level since May 2006, from 50.9 in March, signaling expansion. For the whole year, our forecast for the US economy has been trimmed slightly to 2.2% from 2.3% last month.

Japan

General outlook in Japan remains solid but pockets of weakness remain

The general outlook remains buoyant but soft spots linger, in particular with respect to prices and earnings. The main drivers of growth remain exports and corporate investment, and not consumer spending which is still dampened by falling wages. Consumer confidence remained shaky during the first quarter 2007, according to a government survey. The cabinet office's sentiment index for general households declined to 46.7 points in the three months through March from 47.0 in the previous quarter, in seasonally-adjusted terms. A reading above 50 points indicates a preponderance of optimists over pessimists. Industrial output fell by a larger-than-expected 0.6% in March m/m after a growth of 0.7% in February. But measured against the previous year, industrial output rose by 1.6%, compared with 3.1% in February.

There are emerging signs of renewed deflation in Japan. The consumer price index fell in March for the second month in a row by 0.1% y-o-y after a 0.2% drop in February. Core consumer prices, which in Japan exclude food but include energy, dropped by 0.3%, the biggest slide in two years, following a 0.1% decline in February, the first drop in ten months. The Bank of Japan (BoJ) believes falling prices are temporary and seems determined to raise interest rate-albeit very slowly and only in line with the consolidation of growth.

Meanwhile, consumer spending growth in 2007 appears to have moderated after rebounding in the fourth quarter. Although the unemployment rate remained unchanged at a nine-year low of 4%, consumer spending, which represents more than half the economy, has stagnated. Household spending rose 0.1% in March, the slowest this year, and was 0.8% lower on a month-on-month seasonally adjusted basis. Retail sales, a key indicator of household spending, declined by 0.7% in March from a year earlier, or 1.3% in seasonally-adjusted terms. The weak private consumption growth relative to the robust labour markets can be explained by the slow growth in wages. Average wages rose by just 0.2% in 2006 according to the Ministry of Finance, despite buoyant corporate earnings. In the first quarter of 2007, the situation has worsened. Japanese wages, including overtime and bonuses, fell 0.4% in March from year earlier levels, after dropping 1% in February. Wages have been falling for four months. However, the BoJ expects wages to rise with increasing labour shortages. At the same time, the growing incidence of part-time workers has exerted downward pressure on wages and income insecurity persists despite tighter labour markets.

The external sector remains strong. The trade surplus reached a new record high in March of ¥1.63-trillion (US$13.77 billion), a 74% rise over the same period of 2006. Exports rose by 10% in the year, while imports were flat, reflecting an easing in commodity prices. Increasingly, demand for Japanese exports is coming from outside the US. Exports to China surged in March by 15% and to Europe by 14%, compared to 2.4% to the US, the slowest pace in two years. The BoJ expects the Japanese economy to grow at a rate of 2.1% in the fiscal year starting April 1. Our forecast for Japan has also been revised to 2.1% for the whole of 2007 from 1.9% last month.

Euro-zone

Continued optimism in the EU about sustainability of economic expansion

Euro-zone economies continue to exhibit robust growth characterized by rising employment, improved confidence and moderate inflation. In its spring forecast, the European Commission has upgraded Euro-zone growth in 2007 to 2.6% for 2007 and to 2.9% for EU-27, 0.5 percentage points above the Autumn forecast. The rate of unemployment in the Euro-zone fell to a new record low of 7.2% in March from 7.3% in February, with Germany's rate remaining unchanged at 9.2% (national definition) while France's rate fell by 0.1% to 8.3%. Despite fears that rising labour tightness may lead to excessive labour demands the recent agreement reached by I. G. Metall, the largest German trade union, with employers translates into an effective 3.5% wage increase for metal workers in 2007 compared to last year's 2.5%. The agreement traditionally serves as a benchmark for other regions and industries in Germany. It is not seen as excessive given the increased health of the German economy.

Euro-zone consumer price inflation according to a flash EU estimate was limited to 1.8% in April, down from 1.9% in March. For eight months in a row, inflation has been under, or in line with, the European Central Bank's (ECB) target of "close to, but just below 2.0%." However, the ECB continues to be concerned about medium-term price stability and the high growth in the money supply. The ECB abstained from raising rates in its May meeting but, as widely expected, hinted at a possible rise in June. Annual Euro-zone M3 money-supply growth was at a 24-year high of 10.9% in March.

Meanwhile, the Euro-zone manufacturing expansion appears to have stabilised at a high level. The Royal Bank of Scotland (RBS)/NTC Research purchasing managers' index (PMI) stabilised at 55.4 in April, unchanged from March but below the peak of 57.7reached in June 2006. A slight improvement was noticed in Germany, France, Spain and Italy, while the index fell in Netherlands, Austria and Greece. Of the sub-indices, the one on exports showed a marked fall while the employment index was buoyant. Meanwhile, German real plant and equipment orders surged ahead. Growth of 47% year-on -year was achieved in March, of which 54% was growth in foreign orders while domestic orders grew at the respectable rate of 36%. Meanwhile, Euro-zone services sector growth in April has moderated, but the PMI index for services was still well above 50, indicating further expansion.

At the same time, Euro-zone retail sales experienced a second month of solid growth at the pace of 0.5% month–on-month in March representing a 2.6% year-on-year increase. However, sales in Germany fell by 0.7%, mainly attributed to the three percent rise in the sales tax in January. The strength of retail sales is an encouraging sign that domestic demand will take over from exports as a source of growth since exports are expected to moderate in the coming months. Euro-zone GDP growth has been revised up to 2.4% from 2.3% last month.

Former Soviet Union

Russian government projected GDP to increase at 7.9% y-o-y in the first quarter of 2007

The projected current account surplus in Russia decreased by US$8.7 billion to US$21.8 billion in the first quarter compared with the same quarter of 2006. The decline in the current account surplus was due to the shrinking surplus on merchandise trade y-o-y in the first quarter. This decline in the merchandise trade was a result of the slow growth in exports and the surge in imports. A modest 1.7% y-o-y drop in crude oil export earnings and an 11.9% fall in natural gas export earnings explain the decline in energy export revenues. Consumer price index decreased by 3.2% to 7.4% in March compared with last year. The Finance Ministry is expecting inflation to stay around 7.8% for the rest of 2007. The Ministry of Economic Development and Trade projected that the GDP will increase at 7.9% y-o-y in the first quarter of 2007. Due to the warm weather, the utility sector experienced a y-o-y decrease in output of 5.7%. Electric power generation saw a decline of 1.5% y-o-y in the first quarter of 2007, while output of heating went down 9.5%.

Developing Countries

China's economy grew 11.1% in the first quarter

China's economy grew 11.1% in the first quarter on the back of booming investment and exports. The country's consumer price index (CPI) grew by 2.7% in the first quarter. A report issued by the State Information Center says that China's Central Bank should take appropriate measures to raise interest rates and reserve requirements this year, in an effort to cool down the overheated economy. China's gross GDP is forecast to rise 10.8% in the second quarter of 2007, while the CPI is expected to gain 3% over the same period according to the Center's estimate. This would bring the GDP growth rate for the first half of this year to 11%, while the growth rate for CPI in the first half would be nearly 3%, the report said. In addition to the stronger growth, food prices are a growing source of upward pressure on inflation. The People's Bank of China announced on 29 April that the reserves requirements ratio (RRR) for deposit-taking financial institutions will be raised again by 50bp to reach 11%, effective May 15. Policymakers' main concerns appear to be asset prices and the risk of investment overheating, rather than inflation. Core consumer price inflation remains near zero, although there is upward pressure on headline rates from food prices as mentioned above.

Reserve Bank of India left repo rate steady at 7.75%

In an effort to harness inflation and prevent further appreciation of the rupee, the Reserve Bank of India (RBI) Tuesday launched the monetary and credit policy for 2007-08 keeping all the interest rates intact. The RBI, which had over the past 12 months raised its key lending rate or repo rate, left it steady at 7.75%. It also kept its key borrowing rate or the reserve repo rate unchanged at 6%. The RBI has increased overseas investment limit for companies to 35% from the previous 25%, giving a relief to Indian corporate who expressed concerns prior to the announcement. The rupee's strong run against the dollar seemed unstoppable in March and April at one stage. One explanation for the recent rise is that the Reserve Bank of India either did not intervene at all or not aggressively enough to stem the rupee appreciation. A recent survey showed that India's economic growth was expected to slow down to 8.5% in 2007/08 from an estimated 9.2% in financial year 2007 as monetary tightening and supply side constraints start impacting industry. India expects its energy demand to remain strong, but increased energy efficiency may keep the pace of consumption growth below economic expansion. Another reason is the weakening of growth in the manufacturing sector. India's

Chamber of Commerce and Industry is not very optimistic about the growth of the manufacturing sector despite the overall growth of the economy because technological obsolescence, a liquidity crunch and the high interest rates were major stumbling blocks in the growth of small and medium enterprises (SME) sector. The share of industry to the real GDP at factor cost has dropped from 22% in 2001-02 to 19.6% in 2006-07. The share of manufacturing has also gone down from 17.2% to 15.2%. Though production is rising in absolute terms, the share of industry in the GDP might continue to fall in the future.

Sub-Saharan Africa expected to grow by 6.8% this year

The Sub-Saharan Africa (SSA) is expected to grow by 6.8% this year according to the IMF. Regional inflation is forecast to be stable at 7%. The external balances might come under pressure as commodity prices including oil could weaken slightly. The main threats to the economies in this region stem from a possible slowdown in the global economy. A slowdown in the USA would not have the same weight as slowdowns in the EU or Asia. SSA is more tied from a trade perspective to Asia (China and India in particular). Both account for about one tenth of the region's total trade, and are making "substantial investment" in SSA economies. Africa faces an energy crisis. It is not getting enough energy for its growing needs and the resources currently being used the most are running out. In spite of all the investments made, the development of energy in the continent still lags behind population growth and socio-economic needs. There was also a high dependence on oil, which makes up half of the energy bill in countries that do not produce oil. Africa, with 13% of the world's population, consumes only 3% of the world's commercial energy, despite a production share of 7%, with most of the energy exports destined to countries outside the region.

In a recent report the World Bank said that the Middle East and North Africa (MENA) is undergoing a remarkable period of high economic growth. For the fourth year in row the region enjoyed a robust pace of economic growth. Unemployment is still the biggest problem for the region.

OPEC Member Countries

Saudi government plans to reduce inflation

Saudi Arabia plans to control spending in order to dampen inflationary pressures. Inflation spiked over the past years at 3% and the government hopes to ease it by managing public expenditure. The non-oil sector leads the Saudi economy is rising at 7% annually particularly in construction and finance. The fiscal situation in OPEC members was varied in 2006. Iraq and Iran had budget deficits of 22% and 10% of GDP, respectively. Libya, Saudi Arabia and Kuwait are estimated to have had more than 10% budget surpluses. Qatar is expected to have a more moderate figure of 2.8% with spending aimed at economic diversification. Algeria and the UAE have recorded surpluses equal to 8.0% and 8.4% of GDP, respectively.

Oil prices, the US dollar and inflation

Dollar fall accelerates in April, reaching record lows against the euro

The US currency's downward trend continued against major currencies with the exception of the yen. The dollar fell by 2.07 % versus the euro, 2.15% against the pound sterling and 0.54% versus the Swiss franc. However, it moved higher against eh Japanese yen, rising by 1.36% in April.

Shift in investor sentiments as a result of slower economic growth in the US, increasing awareness of high borrowing requirements due to the US trade deficit, as well as with the expectation of higher interest rates in the EU and the UK are factors that have continued to exert downward pressure on the US dollar. The US currency fell to record lows against the euro of 1.3681 dollars/euro and to 26-year lows versus the pound sterling of over 2 dollars per pound.

In April, the OPEC Reference Basket rose by more than four dollars or 8.40% to $63.39/b from $58.47/b in March. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price rose by almost $2.8/b or 7.1% to $41.70/b from $38.93/b. The value of the dollar fell by 1.04% as measured against the import-weighted modified Geneva I +US dollar basket*.

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

World Oil Demand

World oil demand growth for 2006 estimated at 0.85 mb/.d to average 84.2 mb/d

World oil demand in 2006

World oil demand estimate for 2006 is nearly unchanged from last month, with only minor revisions in the OECD countries. Recently published data from Japan indicated that the country's 2006 oil product sales declined by 3.2% y-o-y. The main reason behind this deep drop is the warm weather, causing both fuel oil and kerosene consumption to decline by 4.8% and 3.4%. Furthermore, the new Japanese trend of moving to smaller vehicles along with the bad rainy summer season caused gasoline sales to decline by a major 1.5% y-o-y. **World oil demand growth for 2006 is estimated at 0.85 mb/d or 1.0% y-o-y to average 84.16 mb/d.**

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

							Change 2006/05	
	2005	1Q06	2Q06	3Q06	4Q06	2006	Volume	%
North America	25.53	25.15	25.10	25.47	25.39	25.28	-0.26	-1.00
Western Europe	15.51	15.82	15.08	15.50	15.57	15.49	-0.03	-0.17
OECD Pacific	8.59	9.30	7.87	7.90	8.76	8.45	-0.13	-1.57
Total OECD	**49.64**	**50.27**	**48.04**	**48.87**	**49.72**	**49.22**	**-0.42**	**-0.84**
Other Asia	8.66	8.78	8.90	8.57	8.81	8.77	0.10	1.17
Latin America	5.06	5.00	5.18	5.31	5.27	5.19	0.12	2.44
Middle East	5.83	6.04	6.12	6.35	6.17	6.17	0.35	5.94
Africa	2.88	2.95	2.94	2.90	3.01	2.95	0.07	2.39
Total DCs	**22.43**	**22.76**	**23.13**	**23.12**	**23.25**	**23.07**	**0.64**	**2.85**
FSU	3.82	3.69	3.56	3.84	4.20	3.82	0.00	0.09
Other Europe	0.88	0.97	0.90	0.88	0.88	0.91	0.02	2.38
China	6.54	7.09	7.34	7.21	6.92	7.14	0.60	9.21
Total "Other Regions"	**11.25**	**11.75**	**11.80**	**11.93**	**12.00**	**11.87**	**0.63**	**5.58**
Total world	**83.31**	**84.78**	**82.98**	**83.93**	**84.98**	**84.16**	**0.85**	**1.02**
Previous estimate	83.31	84.71	82.99	83.88	84.99	84.14	0.84	1.00
Revision	0.01	0.07	-0.01	0.04	-0.01	0.02	0.02	0.02

Totals may not add due to independent rounding.

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

			Change 2006/05				Change 2006/05	
	1Q05	1Q06	Volume	%	2Q05	2Q06	Volume	%
North America	25.62	25.15	-0.46	-1.80	25.33	25.10	-0.23	-0.91
Western Europe	15.62	15.82	0.19	1.25	15.17	15.08	-0.09	-0.62
OECD Pacific	9.45	9.30	-0.15	-1.58	8.06	7.87	-0.19	-2.37
Total OECD	**50.68**	**50.27**	**-0.42**	**-0.82**	**48.56**	**48.04**	**-0.52**	**-1.06**
Other Asia	8.71	8.78	0.07	0.75	8.79	8.90	0.12	1.33
Latin America	4.89	5.00	0.11	2.28	5.07	5.18	0.11	2.08
Middle East	5.66	6.04	0.38	6.68	5.79	6.12	0.33	5.72
Africa	2.88	2.95	0.06	2.24	2.87	2.94	0.07	2.27
Total DCs	**22.14**	**22.76**	**0.62**	**2.80**	**22.52**	**23.13**	**0.62**	**2.75**
FSU	3.87	3.69	-0.18	-4.71	3.70	3.56	-0.14	-3.76
Other Europe	0.93	0.97	0.03	3.49	0.88	0.90	0.02	2.17
China	6.51	7.09	0.58	8.91	6.58	7.34	0.77	11.64
Total "Other Regions"	**11.32**	**11.75**	**0.43**	**3.80**	**11.16**	**11.80**	**0.65**	**5.79**
Total world	**84.15**	**84.78**	**0.63**	**0.75**	**82.23**	**82.98**	**0.75**	**0.91**

Totals may not add due to independent rounding.

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

			Change 2006/05				Change 2006/05	
	3Q05	3Q06	Volume	%	4Q05	4Q06	Volume	%
North America	25.61	25.47	-0.14	-0.56	25.58	25.39	-0.19	-0.74
Western Europe	15.57	15.50	-0.07	-0.44	15.70	15.57	-0.13	-0.85
OECD Pacific	8.08	7.90	-0.17	-2.13	8.79	8.76	-0.03	-0.32
Total OECD	**49.26**	**48.87**	**-0.38**	**-0.78**	**50.07**	**49.72**	**-0.35**	**-0.70**
Other Asia	8.53	8.57	0.03	0.38	8.62	8.81	0.19	2.21
Latin America	5.19	5.31	0.12	2.30	5.11	5.27	0.16	3.11
Middle East	6.04	6.35	0.32	5.28	5.81	6.17	0.36	6.13
Africa	2.83	2.90	0.06	2.21	2.92	3.01	0.08	2.82
Total DCs	**22.59**	**23.12**	**0.53**	**2.36**	**22.47**	**23.25**	**0.79**	**3.51**
FSU	3.78	3.84	0.06	1.66	3.93	4.20	0.27	6.80
Other Europe	0.87	0.88	0.01	1.08	0.85	0.88	0.02	2.74
China	6.43	7.21	0.78	12.17	6.64	6.92	0.28	4.24
Total "Other Regions"	**11.07**	**11.93**	**0.85**	**7.72**	**11.43**	**12.00**	**0.57**	**5.01**
Total world	**82.92**	**83.93**	**1.00**	**1.21**	**83.96**	**84.98**	**1.01**	**1.20**

Totals may not add due to independent rounding.

World oil demand in 2007

World oil demand in April appears to be lower than in the previous month, with most oil demand growth coming from North America, according to preliminary data. Non-OECD oil demand increased but not as much as in the OECD. **World oil demand growth for 2007 is forecast at 1.3 mb/d or 1.5%, with a minor downward revision in OECD Europe.**

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

							Change 2007/06	
	2006	1Q07	2Q07	3Q07	4Q07	2007	Volume	%
North America	25.28	25.85	25.21	25.61	25.76	25.61	0.33	1.30
Western Europe	15.49	15.14	15.15	15.57	15.62	15.37	-0.12	-0.75
OECD Pacific	8.45	8.91	7.78	7.92	8.79	8.35	-0.11	-1.28
Total OECD	**49.22**	**49.90**	**48.14**	**49.09**	**50.17**	**49.32**	**0.10**	**0.21**
Other Asia	8.77	8.87	9.02	8.79	8.99	8.92	0.15	1.77
Latin America	5.19	5.11	5.25	5.39	5.33	5.27	0.08	1.60
Middle East	6.17	6.34	6.36	6.73	6.49	6.48	0.31	5.09
Africa	2.95	3.05	2.99	2.94	3.07	3.01	0.06	2.18
Total DCs	**23.07**	**23.38**	**23.63**	**23.86**	**23.88**	**23.69**	**0.62**	**2.67**
FSU	3.82	3.83	3.55	3.82	4.26	3.86	0.04	1.05
Other Europe	0.91	1.00	0.88	0.91	0.95	0.93	0.03	3.03
China	7.14	7.46	7.85	7.75	7.44	7.63	0.48	6.76
Total "Other Regions"	**11.87**	**12.29**	**12.28**	**12.48**	**12.64**	**12.42**	**0.55**	**4.63**
Total world	**84.16**	**85.56**	**84.04**	**85.42**	**86.70**	**85.43**	**1.27**	**1.51**
Previous estimate	84.14	85.63	84.05	85.42	86.65	85.44	1.30	1.54
Revision	0.02	-0.07	-0.01	0.00	0.05	-0.01	-0.03	-0.03

Totals may not add due to independent rounding.

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

			Change 2007/06				Change 2007/06	
	1Q06	1Q07	Volume	%	2Q06	2Q07	Volume	%
North America	25.15	25.85	0.69	2.75	25.10	25.21	0.12	0.46
Western Europe	15.82	15.14	-0.67	-4.25	15.08	15.15	0.07	0.48
OECD Pacific	9.30	8.91	-0.39	-4.15	7.87	7.78	-0.09	-1.16
Total OECD	**50.27**	**49.90**	**-0.37**	**-0.73**	**48.04**	**48.14**	**0.10**	**0.20**
Other Asia	8.78	8.87	0.09	1.06	8.90	9.02	0.12	1.36
Latin America	5.00	5.11	0.11	2.20	5.18	5.25	0.08	1.52
Middle East	6.04	6.34	0.30	5.01	6.12	6.36	0.25	4.02
Africa	2.95	3.05	0.10	3.55	2.94	2.99	0.05	1.63
Total DCs	**22.76**	**23.38**	**0.61**	**2.68**	**23.13**	**23.63**	**0.49**	**2.14**
FSU	3.69	3.83	0.14	3.72	3.56	3.55	-0.01	-0.35
Other Europe	0.97	1.00	0.04	3.90	0.90	0.88	-0.02	-2.34
China	7.09	7.46	0.36	5.09	7.34	7.85	0.51	6.91
Total "Other Regions"	**11.75**	**12.29**	**0.54**	**4.56**	**11.80**	**12.28**	**0.47**	**4.02**
Total world	**84.78**	**85.56**	**0.78**	**0.92**	**82.98**	**84.04**	**1.07**	**1.28**

Totals may not add due to independent rounding.

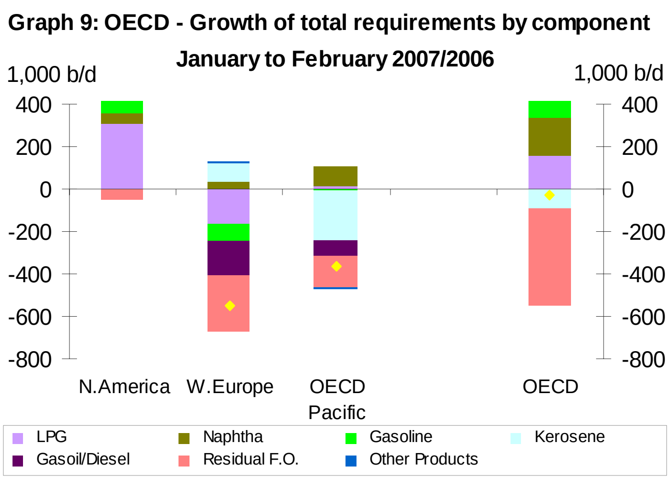
Table 7: Third and fourth quarter world oil demand comparison for 2007, mb/d

			Change 2007/06				Change 2007/06	
	3Q06	3Q07	Volume	%	4Q06	4Q07	Volume	%
North America	25.47	25.61	0.14	0.53	25.39	25.76	0.37	1.47
Western Europe	15.50	15.57	0.07	0.44	15.57	15.62	0.06	0.37
OECD Pacific	7.90	7.92	0.01	0.18	8.76	8.79	0.02	0.28
Total OECD	**48.87**	**49.09**	**0.22**	**0.44**	**49.72**	**50.17**	**0.45**	**0.91**
Other Asia	8.57	8.79	0.22	2.61	8.81	8.99	0.18	2.04
Latin America	5.31	5.39	0.08	1.57	5.27	5.33	0.06	1.17
Middle East	6.35	6.73	0.38	5.98	6.17	6.49	0.33	5.27
Africa	2.90	2.94	0.04	1.51	3.01	3.07	0.06	2.04
Total DCs	**23.12**	**23.86**	**0.73**	**3.16**	**23.25**	**23.88**	**0.63**	**2.70**
FSU	3.84	3.82	-0.02	-0.49	4.20	4.26	0.06	1.31
Other Europe	0.88	0.91	0.02	2.80	0.88	0.95	0.07	7.77
China	7.21	7.75	0.54	7.53	6.92	7.44	0.52	7.46
Total "Other Regions"	**11.93**	**12.48**	**0.55**	**4.60**	**12.00**	**12.64**	**0.64**	**5.33**
Total world	**83.93**	**85.42**	**1.50**	**1.78**	**84.98**	**86.70**	**1.72**	**2.03**

Totals may not add due to independent rounding.

OECD-North America

Motor gasoline demand in the USA this year is still expected to grow by 1.6% as forecast. US diesel demand has to-date been growing as strongly as expected. According to EIA weekly data, US total product consumption in April grew by 0.7 mb/d or 3.5%. Due to the cold weather, residual oil grew the most by 6.7% y-o-y. Motor gasoline grew a strong 1.6% as expected, reaching 9.3 mb/d. However, due to the effect of special flying procedures which were



introduced by IATA, jet fuel consumption in the USA declined by 2.4%. **US first-quarter oil demand grew by 0.57 mb/d or 2.8% to average 20.9 mb/d.** Transport fuel and heating oil were the main drivers behind this growth.

Mexico's gasoline demand for the month of March grew by a robust 6.4% to average 764,000 b/d. Due to strong travel, jet fuel demand hiked 11% in March y-o-y. However, Mexico's first-quarter oil demand growth did not meet expectations and grew a modest 26,000 b/d y-o-y. Canada on the other hand was affected by the strong winter, which pushed first-quarter oil demand up 3% y-o-y. Due to modest oil demand in Mexico, **North America's first-quarter y-o-y oil demand growth is estimated at 0.7 mb/d to average 25.85 mb/d.**

With the expectation of normal winter in the fourth quarter, North America's 2007 oil demand growth is forecast at 0.3 mb/d to average 25.61 mb/d. As a result of the warm winter in other OECD regions in the first quarter, **2007 total OECD countries y-o-y oil demand growth is estimated to grow by 0.1 mb/d to average 49.32 mb/d.**

OECD Europe

Wet weather in some parts of Europe will reduce the power energy consumption through additional use of hydropower reserves. Water levels in various reservoirs across Europe are estimated to be above the five-year average level. This excess water will not only boost the utilization of hydropower but will also be used as a coolant for nuclear plants, which will allow increased operations in the summer peak season. This will avail more LNG to be exported to the Americas, which in turn may ease the pressure on LNG prices and may consequently encourage power plants to switch from liquid to natural gas. In the UK, oil product inland consumption for the month of February grew by 53,000 b/d or 3.3% to average 1.6 mb/d. Higher travel demand pushed jet fuel demand up by 17.3% y-o-y in February; however, the warm weather caused the use of fuel oil to decline sharply by 31%. In contrast to the UK, Germany's oil demand for February declined by 0.29 mb/d or 12.5%. Gasoil was the product which declined the most, falling 0.23 mb/d, while fuel oil remained flat. **As a result of the warm weather, OECD Europe oil demand was revised down by 0.2 mb/d in the first quarter to show a decline of 0.7 mb/d y-o-y.**

OECD Pacific

As expected, OECD Pacific first-quarter oil demand showed a decline of 0.4 mb/d y-o-y

Japanese consumers are changing their automobile preference from large to smaller vehicles. This new shift has affected the transportation fuel demand negatively not only this year but also last year when the demand for gasoline fell 1.5%. So far this year new large car registration has declined by more than 10%. This new trend affected gasoline sales negatively by 2.6% y-o-y in March. Another factor affecting transport fuel demand is the increase of the aging population in Japan. Furthermore, first-quarter oil demand in Japan was hit hard by the warm winter, pushing total product sales down. Japan's March petroleum product sales plunged by 3.7% y-o-y. Fuel oil sales were hit badly as a result of fuel switching, causing a decline of 17.5% y-o-y in March. Kerosene, which is used for heating, declined by 4% y-o-y in March. As was seen in February, declining fuel oil usage caused Taiwan's March oil product consumption to fall by 5.2% to average 0.8 mb/d y-o-y. Furthermore, March diesel demand dropped by 6.4%.

Despite the warm weather in the Pacific, South Korea's oil imports grew in March by 16%, bringing about a first-quarter growth of 2% y-o-y.

Table 8: Japanese Domestic Sales, kb/d

	Mar 07	Change from Mar 06	Change from Mar 06 %
Gasoline	1,035	-28	-2.6
Naphtha	889	103	13.1
Jet Fuel	111	-2	-1.5
Kerosene	614	-39	-6.0
Gas Oil	672	-21	-3.0
Other Products	826	-173	-17.3
Total Products	**4,147**	**-159**	**-3.7**

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

Alternative Fuels

While the USA is gearing up to boost alternative fuels, its y-o-y coal production for the first four months of the year was down by 2.3%. Asia is gearing up to increase its ethanol supply from Brazil in the next few years since Brazil has become the world number one ethanol exporter, with plans to double its April ethanol exports.

Holland is re-assessing its biofuel subsidy policies as the country will renew its laws under the condition that the programme will have no effect on either the environment or the food prices. Because biofuel is becoming popular worldwide, food commodity prices have increased and the negative impact on the environment is starting to be seen.

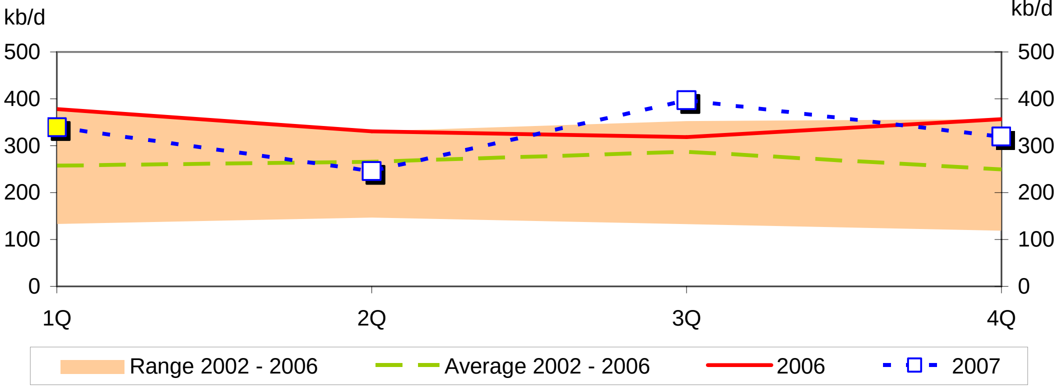
Although costly, biodiesel is getting popular in Asia, thanks to heavy subsidies. Asian biodiesel, which comes mainly from palm oil, costs on average an extra $1 per litre more than normal petroleum diesel to produce. The region is aiming to increase the biofuel share substantially in the next five years. This move requires massive plantations which will need to be carved from natural forests, which in turn will worsen greenhouse gas levels. China alone has an ambitious plan to increase the use of biodiesel by 240% in the next five years. According to Reuters, Thailand will be able to export more transport fuel since it can replace it with biofuel produced locally. Furthermore, Thailand is planning to have gasohol as the only available gasoline in its domestic market within a few years. This major move does not go without negative side effects such as the strong negative impact on the environment.

Japan has set the year 2010 as a deadline to officially introduce bio-gasoline across the country. This new bio-gasoline blend (93% gasoline and 7% ETBE) will be heavily subsidized by the government, and for test market purposes was introduced last month on a limited basis in Japan. Since Japan is not capable of producing the additive locally, it will import most of its needs in the future.

Developing Countries

Booming Middle East economic activities have been further pushing up oil demand. Construction activities across the region, especially in Iran and Saudi Arabia, were the main reason behind strong first-quarter oil demand growth in the Middle East. First-quarter oil demand growth is estimated at 0.11 and 0.14 mb/d y-o-y for Iran and Saudi Arabia. **Middle East first-quarter oil demand growth is forecast at 0.3 mb/d to average 6.3 mb/d.**

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



Indian oil demand bounced back after low growth due to the rainy weather experienced in February. Motor gasoline and diesel grew in March by 15.8% and 6.3%. In the same month, Indian oil demand grew by 163,000 b/d or 6% y-o-y. **First quarter oil demand in India grew by 147.000 b/d or 5.4% y-o-y to average 2.85 mb/d.** Industrial and agricultural activities were the main reason behind the strong growth for both gasoline and LPG of 9.6% and 7.6% respectively. **Developing Countries oil demand is contributing the most to total world oil demand growth in 2007, reaching a growth of 0.62 mb/d to average 23.69 mb/d.**

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

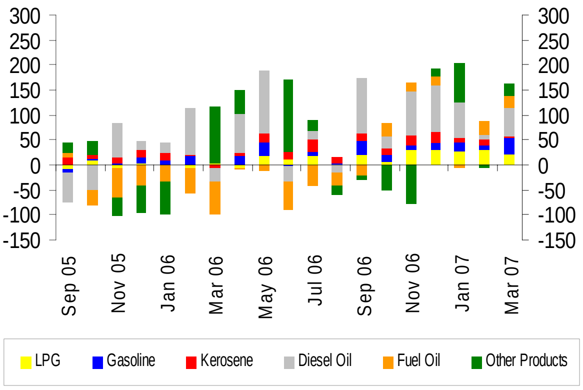
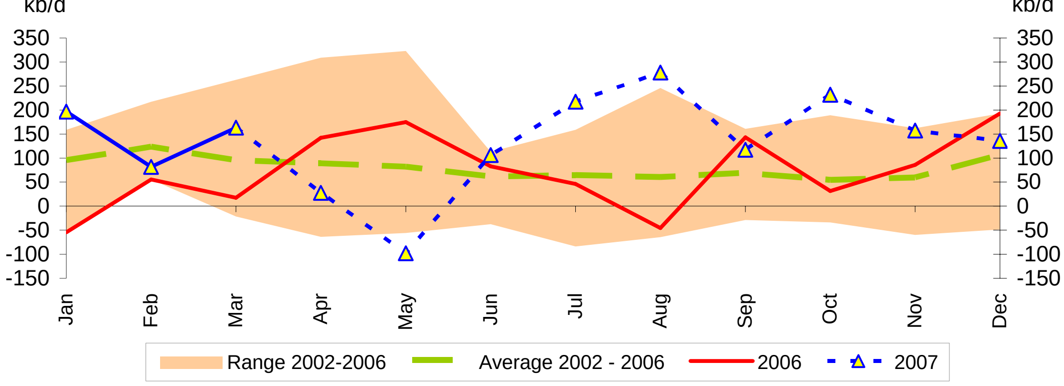


Table 9: Indian oil demand by main products, kb/d

	Mar 07	Feb 07	Jan 07 - Mar 07	Difference to Jan 06 - Mar 06	%
LPG	350	377	361	26	7.6
Motor Gasoline	243	228	228	20	9.6
Jet Kero	278	306	288	8	3.0
Gas Diesel Oil	936	1,054	1,004	46	4.8
Residual Fuel Oil	327	327	322	15	5.0
Other Products	722	614	653	32	5.1
Total Oil Demand	**2,856**	**2,906**	**2,856**	**147**	**5.4**

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

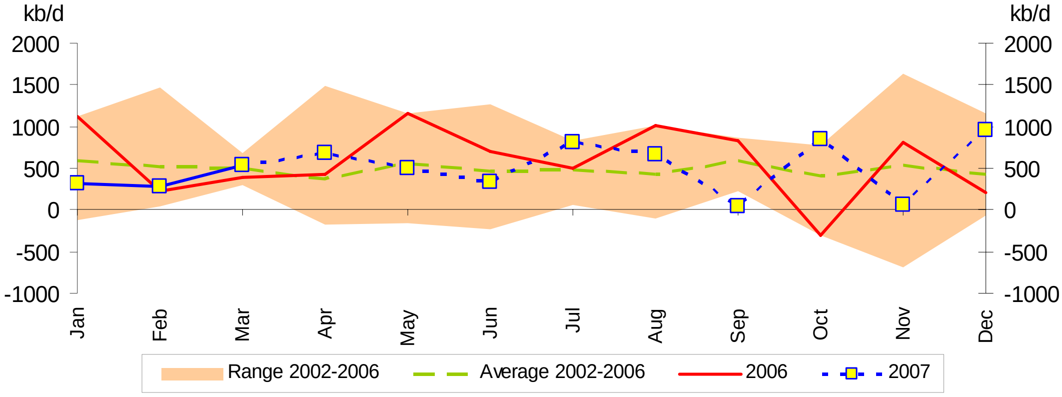
Graph 12: Changes in Indian oil demand, y-o-y



Other Regions

Strong first-quarter GDP growth of 11% caused China's oil imports to increase 16.68% in March to reach 3.8 mb/d y-o-y. The strong growth in oil imports pushed the apparent demand up by 8.4% in March. Of course some of the imported crude was diverted to fill the newly commissioned strategic petroleum storage. The decline of fuel oil imports in the first quarter pushed apparent fuel oil demand down by almost 11% y-o-y. This decline in fuel oil is due to import timing based on international prices and fuel switching among power and petrochemical plants. On the oil demand side, China's apparent oil demand growth in March was the strongest since last November when it grew by 0.59 mb/d to average 7.58 mb/d y-o-y. **China's first-quarter oil demand growth is estimated at 0.36 mb/d to average 7.46 mb/d y-o-y.** China's booming car sales are estimated to be strong, as was seen last year; therefore, apparent oil demand for 2007 is estimated to grow by 0.5 mb/d.

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



World Oil Supply

2006 estimate for Non-OPEC supply growth revised up marginally to 0.49 mb/d

Non-OPEC

Estimate for 2006

Non-OPEC oil supply is estimated to average 49.48 mb/d in 2006, an increase of 0.49 mb/d over 2005 and a net upward revision of 11,000 b/d versus the last assessment. The upward revision was the net result of revising up both the 2005 figure by around 5,000 b/d and the 2006 figure by roughly 16,000 b/d.

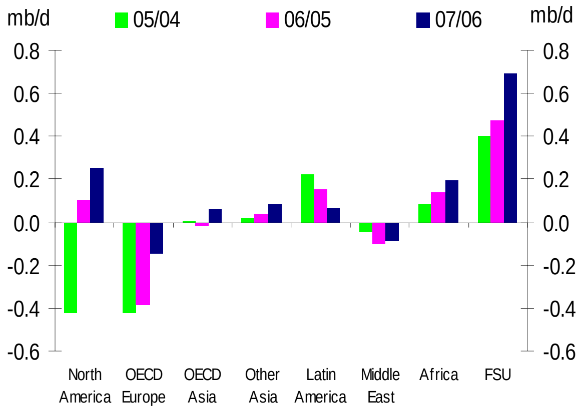
Table 10: Non-OPEC oil supply in 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05
North America	14.14	14.18	14.18	14.32	14.30	14.24	0.10
Western Europe	5.77	5.71	5.33	5.08	5.39	5.38	-0.39
OECD Pacific	0.58	0.49	0.50	0.65	0.61	0.56	-0.02
Total OECD	**20.48**	**20.38**	**20.01**	**20.05**	**20.29**	**20.18**	**-0.30**
Other Asia	2.65	2.72	2.64	2.67	2.72	2.69	0.04
Latin America	4.28	4.38	4.44	4.47	4.46	4.44	0.16
Middle East	1.87	1.82	1.78	1.75	1.74	1.77	-0.10
Africa	2.52	2.59	2.62	2.67	2.75	2.66	0.14
Total DCs	**11.32**	**11.50**	**11.48**	**11.56**	**11.67**	**11.55**	**0.23**
FSU	11.55	11.67	11.97	12.13	12.30	12.02	0.47
Other Europe	0.16	0.15	0.15	0.15	0.15	0.15	-0.01
China	3.62	3.68	3.70	3.67	3.64	3.67	0.06
Total "Other regions"	**15.32**	**15.51**	**15.82**	**15.95**	**16.09**	**15.84**	**0.52**
Total Non-OPEC production	**47.13**	**47.38**	**47.31**	**47.56**	**48.05**	**47.58**	**0.45**
Processing gains	1.86	1.92	1.89	1.88	1.92	1.90	0.04
Total Non-OPEC supply	**48.99**	**49.30**	**49.20**	**49.44**	**49.97**	**49.48**	**0.49**
Previous estimate	48.98	49.25	49.16	49.45	49.99	49.46	0.48
Revision	0.01	0.05	0.04	-0.01	-0.02	0.02	0.01

Revisions to the 2006 estimate, other historical

Minor upward revisions were made to the **2005** quarterly figures due to actual data from Canada. The revisions were 2,000 b/d, 3,000 b/d, 2,000 b/d and 13,000 b/d respectively. As a result, the annual figure was revised up by 5,000 b/d. The **2006** annual figure was also revised up by around 16,000 b/d, of which 7,000 b/d was contributed by Canada and 9,000 b/d by the UK. The upward revisions to Canada's quarterly figures of 43,000 b/d and 30,000 b/d for the first and second quarters and the downward revisions of 15,000 b/d and 30,000 b/d for the third and fourth quarters compared with last month's assessment resulted in an annual upward revision of around 7,000 b/d. The UK quarterly revisions stands at 9,000 b/d, 11,000 b/d, 6,000 b/d and 10,000 b/d respectively, resulting in an annual revision of around 9,000 b/d compared to last month's assessment.

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



Expected Non-OPEC growth at 1.19 mb/d in 2007, a net downward revision of 71,000 b/d from last month's assessment

Forecast for 2007

Non-OPEC oil supply is expected to average 50.67 mb/d in 2007, an increase of 1.19 mb/d over 2006 and a net downward revision of 71,000 b/d, following the upward revision to the 2006 figure of 16,000 b/d and a 55,000 b/d downward revision to 2007. On a quarterly basis, non-OPEC supply is expected to average 50.4 mb/d, 50.3 mb/d, 50.5 mb/d, and 51.5 respectively. The revision to the outlook is principally due to actual first-quarter 2007 data and more information about actual start-up dates for projects. Downward revisions of 8,000 b/d, 94,000 b/d, 44,000 b/d and 74,000 b/d respectively were made to all quarters.

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

	2006	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
North America	14.24	14.40	14.43	14.46	14.67	14.49	0.25
Western Europe	5.38	5.38	5.20	5.03	5.32	5.23	-0.15
OECD Pacific	0.56	0.60	0.58	0.65	0.66	0.62	0.06
Total OECD	**20.18**	**20.38**	**20.21**	**20.15**	**20.65**	**20.35**	**0.17**
Other Asia	2.69	2.76	2.68	2.79	2.86	2.77	0.08
Latin America	4.44	4.45	4.47	4.50	4.61	4.51	0.07
Middle East	1.77	1.70	1.70	1.68	1.67	1.69	-0.09
Africa	2.66	2.79	2.81	2.88	2.93	2.85	0.20
Total DCs	**11.55**	**11.69**	**11.65**	**11.85**	**12.07**	**11.82**	**0.26**
FSU	12.02	12.50	12.67	12.76	12.91	12.71	0.69
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.67	3.75	3.70	3.73	3.76	3.73	0.06
Total "Other regions"	**15.84**	**16.39**	**16.52**	**16.63**	**16.82**	**16.59**	**0.75**
Total Non-OPEC production	**47.58**	**48.46**	**48.38**	**48.63**	**49.54**	**48.76**	**1.18**
Processing gains	1.90	1.92	1.90	1.90	1.93	1.91	0.01
Total Non-OPEC supply	**49.48**	**50.38**	**50.28**	**50.53**	**51.47**	**50.67**	**1.19**
Previous estimate	49.46	50.39	50.37	50.57	51.54	50.72	1.26
Revision	0.02	-0.01	-0.09	-0.04	-0.07	-0.05	-0.07

OECD

OECD supply growth revised down 81,000 b/d to 0.17 mb/d

Total OECD oil supply is expected to average 20.35 mb/d in 2007, after a 81,000 b/d downward revision to the last assessment, representing an increase of 0.17 mb/d over the 2006 figure. On a quarterly basis, OECD oil supply is expected to average 20.38 mb/d, 20.21 mb/d, 20.15 mb/d, and 20.65 mb/d respectively. April preliminary data put OECD oil supply at 20.25 mb/d, which is 0.04 mb/d over the current forecast for the second quarter. The 2Q07 average now stands at around 20.38 mb/d, some 13,000 b/d higher than the forecast for the current quarter.

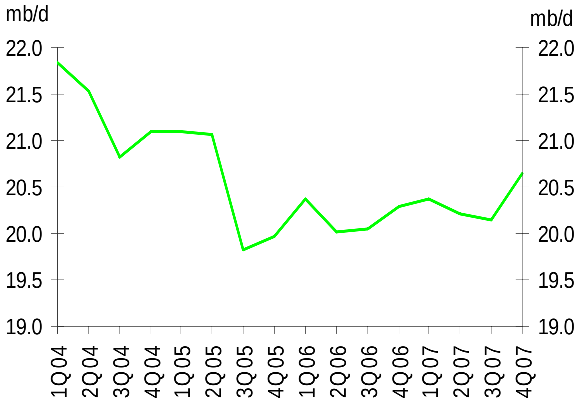
USA

Actual data and project delays behind the downward revisions

Oil supply in the USA is expected to average 7.51 mb/d in 2007, representing an increase of 0.12 mb/d over the 2006 figure and down 46,000 b/d versus last month. The quarterly downward revisions were 97,000 b/d, 10,000 b/d, 20,000 b/d and 55,000 b/d respectively. Problems in the Prudhoe Bay and start-up dates for some projects were behind the downward revisions.

April preliminary data show USA oil supply at 7.44 mb/d, 100,000 b/d less than the current second-quarter forecast.

Graph 15: OECD's quarterly production



Mexico and Canada

Mexican and Canadian output revised up slightly

The outlook for Mexico in 2007 has been adjusted upwards by 5,000 b/d due to the upward revision for the 1Q07 of around 19,000 b/d according to actual figures from PEMEX. Total Mexican oil supply is expected to average 3.68 mb/d in 2007.

Canadian oil supply is expected to average 3.3 mb/d in 2007, representing an increase of 0.14 mb/d over 2006. Most of this increase is expected to come from synthetic crude projects to be put onstream over the year. A minor upward revision of around 14,000 b/d compared with last month's assessment was made to 1Q07.

Western Europe

Oil supply in OECD Europe is expected to average 5.23 mb/d in 2007, representing a drop of 0.15 mb/d from 2006 and down 22,000 b/d from last month's assessment. The downward revision is mainly due to Norway's natural decline and delays in the Alveheim/Vijlie field. The quarterly downward revisions were 35,000 b/d, 75,000 b/d, 15,000 b/d and 10,000 b/d respectively. The annual net revision was down by around 33,000 b/d.

First-quarter UK supply has been revised up by 38,000 b/d due to actual data published recently; and the net annual figure has been revised up by around 10,000 b/d to stand at 1.73 mb/d.

Asia Pacific

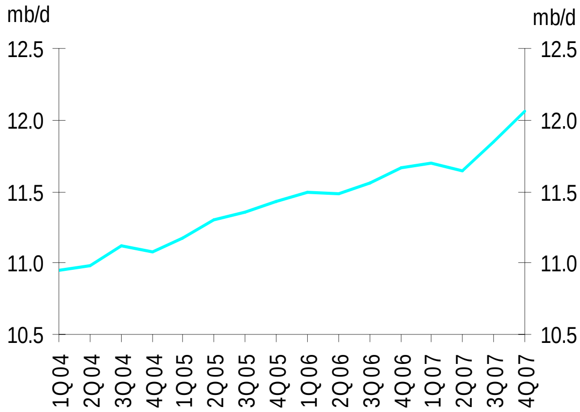
Oil supply in the OECD Asia Pacific region is expected to average 0.62 mb/d in 2007, representing growth of 0.06 mb/d compared to last year and down by 22,000 b/d from last month. On a quarterly basis, total oil supply is expected to average 0.60 mb/d, 0.58 mb/d, 0.65 mb/d and 0.66 mb/d respectively. The downward revisions are mainly due to delays in projects in the OECD Pacific region.

Developing Countries

DC supply growth expected at 0.26 mb/d in 2007

Oil supply in the Developing Countries (DCs) is expected to average 11.82 mb/d in 2007, representing an increase of 0.26 mb/d over 2006 and an upward revision of 11,000 b/d to last month's figure. On a quarterly basis, total oil supply in DCs is expected to average 11.69 mb/d, 11.65 mb/d, 11.85 mb/d and 12.07 mb/d respectively. The Other Asia group witnessed an upward revision of around 33,000 b/d — mainly contributed by the Philippines and Thailand — and now stands at 2.77 mb/d, an increase of 0.08 mb/d over the 2006 figure. The African Group also witnessed an upward revision mainly contributed by Tunisia with output from the Oduna and Didon fields in addition to the Adam Concession. The annual figure for this group now stands at 2.85 mb/d, an increase of 0.20 mb/d over the 2006 figure. The above-mentioned upward revisions were partially offset by the declines in the other two groups. The Latin American group has been revised down by around 7,000 b/d mainly contributed by Brazil. The annual figure for Latin America now stands at 4.51 mb/d, a gain of 0.07 mb/d over 2006. The Middle East group was also revised down by around 47,000 b/d, mainly due to Yemen which was revised down by around 28,000 b/d. Total supply from this group is expected to reach 1.69 mb/d or 0.09 mb/d less than the 2006 figure.

Graph 16: Developing Countries' quarterly production



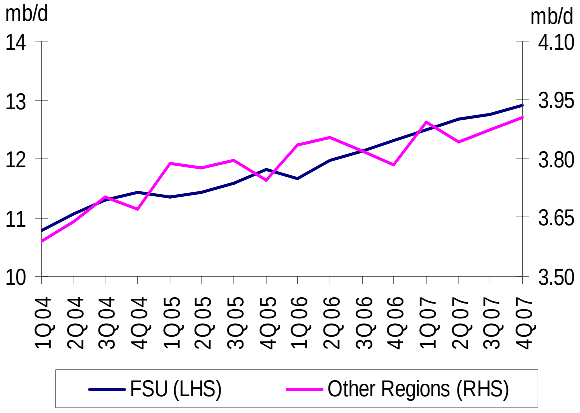
FSU expected to grow by 0.7 mb/d to average 12.7 mb/d in 2007

FSU, Other Regions

Oil supply in the FSU is expected to average 12.71 mb/d, representing an increase of 0.69 b/d versus 2006 and 23,000 b/d higher than last month's assessment. On a quarterly basis, total oil supply in the FSU is expected to average 12.50 mb/d, 12.67 mb/d, 12.76 mb/d and 12.91 mb/d respectively.

Other Europe remains almost unchanged at 0.15 mb/d compared with the 2006 figure. The China figure was revised down slightly by around 5,000 b/d from the last assessment and to now stand at 3.73 mb/d.

Graph 17: FSU and other region's quarterly production



Russia

Russian oil supply is expected to average 9.97 mb/d in 2007, an increase of 0.32 mb/d versus 2006 and unchanged from last month's estimate. On a quarterly basis, Russian oil supply is expected to be 9.87 mb/d, 9.96 mb/d, 10.01 mb/d and 10.04 mb/d respectively. Preliminary figures for April show the Russian performance very close to the current second-quarter forecast.

Caspian

Azeri oil supply is expected to average 0.92 mb/d in 2007, representing an increase of 0.27 mb/d versus last year. The preliminary figure for April shows performance close to the second-quarter forecast. The quarterly forecast now stands at 0.85 mb/d, 0.88 mb/d, 0.95 mb/d and 0.98 mb/d respectively.

Kazak oil production is expected to average 1.39 mb/d in 2007, representing an increase of 0.09 mb/d versus last year. Preliminary data show that the April figure is very close to our second-quarter forecast. The quarterly supply figures are currently expected at 1.35 mb/d, 1.40 mb/d, 1.36 mb/d and 1.46 mb/d respectively.

China

Total oil supply is expected to average 3.73 mb/d in 2007, representing an increase of 60,000 b/d over last year and a downward revision of 5,000 b/d versus last month's report. The quarterly figures now stand at 3.75 mb/d, 3.70 mb/d, 3.73 mb/d and 3.76 mb/d respectively. These figures should be watched more carefully due to recent developments in the upstream sector in China.

OPEC NGLs to grow 0.17 mb/d in 2007

OPEC natural gas liquids and non-conventional oils

In 2006, OPEC NGLs and non-conventional oils averaged 4.27 mb/d, representing an increase of 0.22 mb/d over the previous year. For 2007, the expected growth for OPEC NGLs is 0.17 mb/d to average 4.44 mb/d.

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

	2004	**2005**	**Change** 05/04	1Q06	2Q06	3Q06	4Q06	**2006**	**Change** 06/05	**2007**	**Change** 07/06
Total OPEC	**4.02**	**4.04**	0.02	4.18	4.22	4.33	4.33	**4.27**	0.22	**4.44**	0.17

OPEC crude output averaged 30.14 mb/d in April, a gain of 97,100 b/d over the previous month

OPEC crude oil production

Total crude oil production averaged 30.14 mb/d in April, an increase of 97,100 b/d over March, according to secondary sources. OPEC-10 production averaged 26.45 mb/d, an increase of 31,900 b/d over March. Iraq's oil production averaged 2.08 mb/d, around 58,400 b/d over the March figure, while Angola's oil production now stands at 1.61 mb/d.

Table 13: OPEC crude oil production based on secondary sources, 1,000 b/d	2005	2006	3Q06	4Q06	1Q07	Feb07	Mar07	Apr07	*Apr/ Mar*
Algeria	1,349	1,366	1,361	1,359	1,335	1,331	1,332	1,336	*4.2*
Angola	1,248	1,400	1,423	1,423	1,562	1,553	1,605	1,612	*6.8*
Indonesia	942	896	882	866	855	851	854	847	*-7.2*
Iran, I.R.	3,924	3,845	3,910	3,821	3,788	3,766	3,807	3,788	*-18.7*
Iraq	1,830	1,932	2,061	1,949	1,891	1,977	2,017	2,076	*58.4*
Kuwait	2,504	2,504	2,506	2,465	2,424	2,410	2,410	2,414	*4.0*
Libya, S.P.A.J.	1,642	1,702	1,719	1,709	1,688	1,685	1,685	1,682	*-3.0*
Nigeria	2,412	2,235	2,220	2,251	2,185	2,207	2,135	2,174	*39.0*
Qatar	792	822	834	816	793	789	787	790	*3.3*
Saudi Arabia	9,390	9,111	9,135	8,787	8,566	8,527	8,511	8,548	*37.1*
UAE	2,447	2,538	2,573	2,517	2,491	2,474	2,497	2,500	*3.3*
Venezuela	2,633	2,539	2,504	2,485	2,406	2,394	2,400	2,370	*-30.2*
OPEC excl. Iraq	**29,283**	**28,959**	**29,068**	**28,499**	**28,094**	**27,986**	**28,021**	**28,060**	***38.7***
OPEC excl. Angola & Iraq	**28,035**	**27,559**	**27,645**	**27,076**	**26,532**	**26,433**	**26,417**	**26,448**	***31.9***
Total OPEC	**31,113**	**30,890**	**31,129**	**30,447**	**29,985**	**29,963**	**30,039**	**30,136**	***97.1***

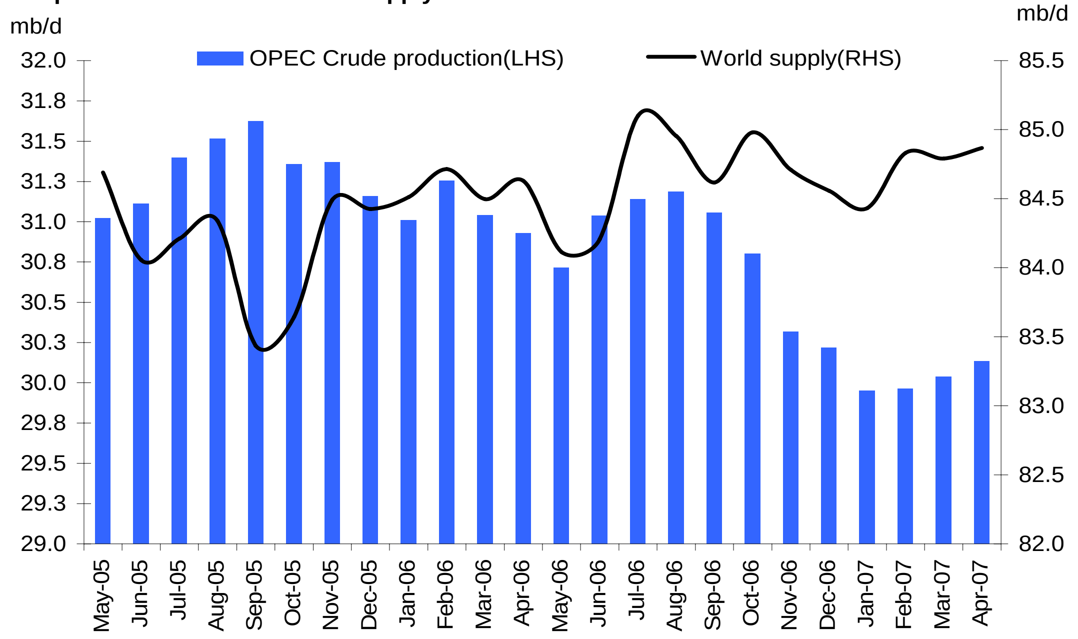
Totals may not add due to independent rounding.

World Oil Supply

World oil supply averaged 84.83 mb/d in April

Preliminary figures for the month of April indicate that world oil supply averaged 84.83 mb/d, with. OPEC's crude share estimated at 35.5%. The world supply estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production according to secondary sources.

Graph 18: OPEC and World oil supply



FSU net oil exports expected to grow by 65,000 b/d in 2007

FSU net exports of crude and products

Total FSU net oil exports averaged 8.20 mb/d in 2006, an increase of 0.50 mb/d over the previous year. In 2007, total net oil exports are expected to average 8.85 mb/d or 0.65 mb/d over 2006.

Current trends

Actual figures for the month of February indicate that total crude exports from the FSU were 6.62 mb/d. The preliminary figure for March stands at 6.37 mb/d, around 248,000 b/d less than the February figure. Russian pipeline exports were down by around 148,000 b/d, solely on contribution by Baltic pipeline and partially offset the by Druzhba and Black Sea pipelines. The CPC pipeline declined by around 94,000 b/d from the February figure.

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

	1Q	2Q	3Q	4Q	Year	Growth (y-o-y)
2003	5.87	6.75	6.72	6.61	**6.49**	**0.91**
2004	7.17	7.30	7.38	7.37	**7.31**	**0.82**
2005	7.45	7.69	7.76	7.85	**7.69**	**0.38**
2006 (forecast)	**7.98**	**8.41**	**8.29**	**8.10**	**8.20**	**0.50**
2007 (forecast)	**8.67**	**9.13**	**8.94**	**8.66**	**8.85**	**0.65**

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

	2005	2006	3Q06	4Q06	1Q07	Feb 07	Mar 07*
Crude							
Russian pipeline							
Black Sea	1,335	1,288	1,318	1,224	1,420	1400	1417
Baltic	1,462	1,553	1,575	1,495	1,601	1676	1514
Druzhba	1,315	1,288	1,251	1,186	1,138	1154	1156
Total	**4,112**	**4,129**	**4,144**	**3,905**	**4,158**	**4,230**	**4,087**
Other routes							
Russian rail	416	313	307	316	336	333	323
Russian - Far East	65	84	106	128	245	262	252
Kazak rail	17	31	23	17	18	19	17
CPC pipeline	648	661	670	677	709	798	704
Caspian	**295**	**396**	**408**	**332**	**332**	**363**	**325**
of which							
Supsa (AIOC) - Georgia	137	114	140	30	2	0	0
Batumi - Georgia	140	177	152	177	187	212	189
Total**	**1,441**	**1,702**	**1,838**	**1,967**	**2,233**	**2,391**	**2,286**
Total crude exports	**5,553**	**5,831**	**5,982**	**5,872**	**6,392**	**6,621**	**6,373**
Products							
All routes							
Fuel oil	836	861	819	854	857	884	944
Gasoil	759	841	854	812	716	782	754
Others	575	662	654	593	567	563	573
Total	**2,170**	**2,386**	**2,327**	**2,258**	**2,139**	**2,229**	**2,270**
Total oil exports	**7,723**	**8,217**	**8,309**	**8,130**	**8,531**	**8,850**	**8,643**

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

* *Preliminary.*

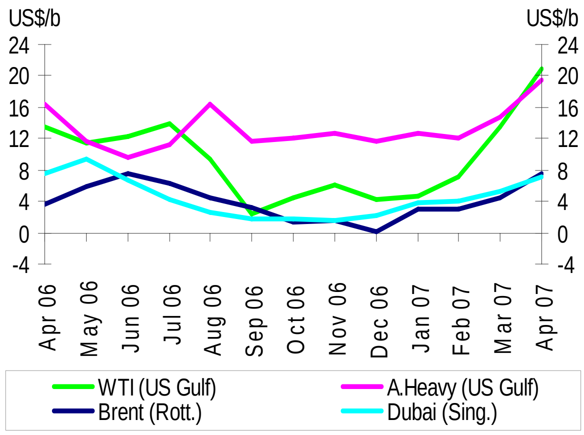
** *Total incl. BTC, Atasu-Alashankou and tanker shipments from Kaliningrad to Ventspils.*

Product Markets and Refinery Operations

Product market sentiment gained further in April supporting crude prices

Higher demand for gasoline in the USA, combined with extensive unplanned refinery outages and delays in completing the maintenance schedule, resulted in unusual gasoline stock-draws over the last couple of weeks. This situation has lifted refinery margins significantly across the globe. As **Graph 19** shows, the margin for benchmark WTI crude oil in the US Gulf Coast recorded an unprecedented $20.86/b from $13.58/b in March. Part of this achievement is due to the lower price of WTI compared to other similar grades. In Europe, refinery economy has also been very lucrative over the last couple of weeks, and benchmark Brent crude oil margins rose by $3.09/b to $7.47/b from $4.38/b in the previous month.

Graph 19: Refiners' margins



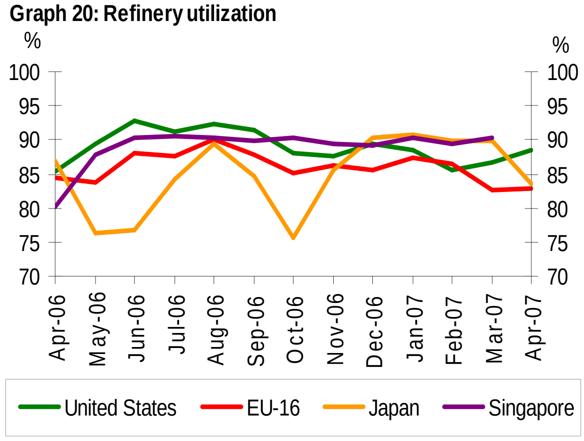
The Asian market has also followed suit, with the margin for benchmark Dubai crude oil in Singapore soaring by $1.84/b to reach $7.07/b in April. Since Asian refinery maintenance will increase further in May, refinery economics are is expected to remain strong in the coming month.

With the approaching end of the refinery maintenance schedule in the Atlantic Basin, product market sentiment may soften slightly over the next weeks, but should remain supportive to crude prices, as there is diminishing hope that the US refiners would be able to raise their throughput level sharply in the short term.

Refinery operations have yet to rebound in the Atlantic Basin

Unplanned refinery outages have seriously affected refinery utilization rates in the USA and Europe. US refinery utilization rates are still much lower than their historical operational level, whereas by increasing the crack spread of light products, refiners were expected to boost their throughput level to halt the downward trend in gasoline stocks. According to the EIA's latest report, US refiners are trying to raise their utilization rate rapidly, but have had little success. As **Graph 20** indicates, the US refinery utilization rate rose by 1.6% to 88.4% from 86.8% in March. European refineries are also running below their levels in the previous year. In April, US utilization rates rose a marginal 0.4% to reach 83% from 82.6% in the previous month. The current lucrative margins may encourage European refiners to raise their throughput over the next weeks.

Graph 20: Refinery utilization



In Asia, annual maintenance kicked off in the beginning of April reaching a record level in May. The annual turnaround schedule, along with some unplanned outages, has adversely affected the level of Asian refinery operations. In Japan, refinery utilization rates plummeted 6.3% to 83.5% from 89.9% in the previous month, which was 3.5% below the same month of last year.

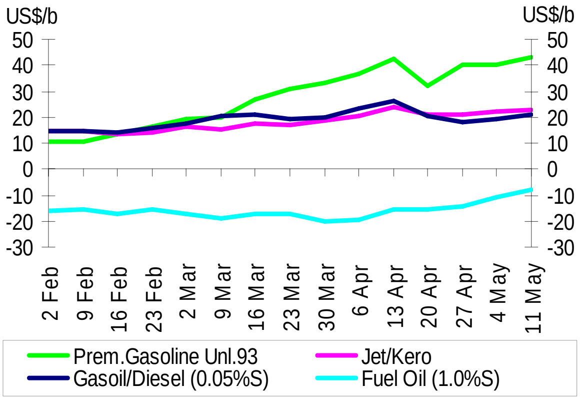
The draw on gasoline stocks boosted US product market momentum

US market

In the early part of this year, the level of gasoline stocks was very comfortable across the globe, and the Western Hemisphere refinery market was expected to pass the spring refinery maintenance schedule with fewer concerns. This expectation changed, as the refinery turnaround schedule coupled with relatively extensive refinery snags led to lower gasoline output and unusual stock-draws over the last three months.

These developments boosted gasoline prices, and its crack spread versus WTI crude oil soared to more than $30/b (*see **Graph 21***). With slowing demand and rising gasoline supply in early May, gasoline market fears have softened relatively, but currently the US gasoline inventory cushion appears uncomfortable, and it may remain a source of market concern at least in the short term.

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



Ongoing refinery glitches along with the relatively prolonged winter in the USA also provided support for other components of the barrel complex. As it appears in **Graph 21**, the jet/kero crack spread against benchmark WTI crude surged to around $22/b in April from about $17/b in the previous month. The diesel market was also strong, but lately it lost part of its previous strength.

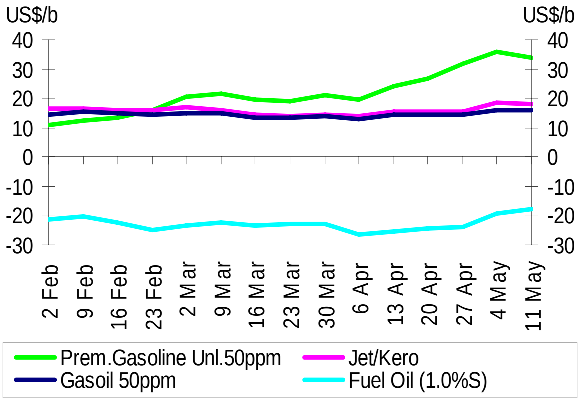
The fuel oil crack spread against WTI narrowed in April, but mainly due to the weakness of the WTI price, rather than any bullish development in the fuel oil market. Fuel oil stock levels remained above average across the USA, and given the competitive natural gas prices, it is expected that the current bearish sentiment of the fuel oil market in the USA will remain over the next months.

European product market sentiment was lifted mainly by arbitrage opportunities to major markets

European market

A combination of gasoline and fuel oil arbitrage opportunities to the USA and Asia, with the threat of a strike action in Belgium — which could have shut in 689,000 b/d refining capacity — and lower Russian distillate exports supported product prices in Europe both in the physical and futures markets.

Graph 22: Rotterdam crack spreads vs. Brent, 2007



As **Graph 22** shows, the gasoline crack spread as a major barometre for gauging the light product market sentiment increased sharply over the last couple of week to record $35.69/b in the first week of May. The currently sky-rocketing prices of the European market have recently negatively affected arbitrage flows to the USA. Low gasoline stock levels in the USA and Europe will remain a supporting factor for the European market in the short term.

As mentioned, lower Russian gasoil exports also provided support for the middle of the barrel complex in April. Since the European driving season is approaching, the gasoil market is expected to remain strong over the coming months.

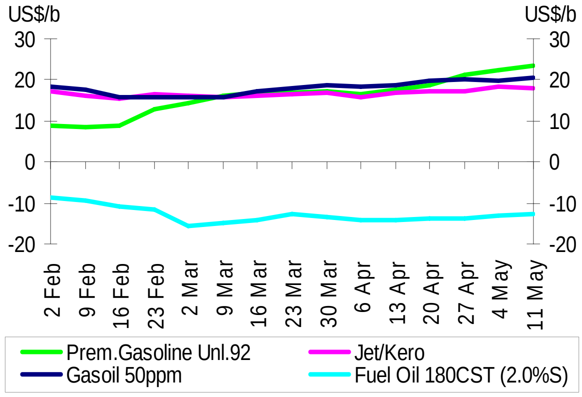
Despite bullish developments for light and middle distillate product markets, the European market remained weak for fuel oil, and with higher Russian exports, the current situation is not expected to change in the coming months. However, the situation in the low-sulphur fuel oil market might improve slightly as utility plant demand rises.

Asian product market consolidated its bullish momentum in April

Asian market

Following a warm winter in North-East Asia, Asian refinery economics were expected to be faced with more pressure in April. A favourable arbitrage opportunity to the US West Coast, coupled with the strong naphtha market, lifted the top and middle parts of the barrel complex. Unplanned refinery snags in Singapore also contributed to positive movement in the Asian product market.

Graph 23: Singapore crack spreads vs. Dubai, 2007



As **Graph 23** demonstrates, the gasoline crack spread against benchmark Dubai crude jumped to about $22-30/b in April from around $17/b in the previous month.

Apart from gasoline, the naphtha crack spread was also sustained at a strong level supported by healthy end-user demand. Upon the approaching turnaround schedule period for cracker units, naphtha market sentiment may ease temporarily until the end of July, and then rise as ethylene cracker maintenance ends.

The Singapore Dubai gasoil spread was also supported by constrained regional supply due to seasonal refinery turnarounds and higher demand by the agricultural sector. Additionally, the jet/kerosene market also recaptured earlier losses due to arbitrage flow from Asia to the US West Coast. As Graph 23 reveals, the jet/kerosene crack spread against Dubai crude surged to about $18.40/b in early May from around $15.66/b in early April.

As far as the fuel oil market is concerned, the Asian market sentiment improved slightly for both low-sulphur and high-sulphur fuel oil due to higher Japanese utility plant demand and less arrivals of Western cargoes. With the increase in maintenance capacity in May, the discounted level of fuel oil versus Dubai crude is expected to be narrowed further compared to the previous month.

Table 16: Refined product prices, US$/b

		Feb 07	Mar 07	Apr 07	Change Apr/Mar
US Gulf (Cargoes):					
Naphtha		67.27	77.28	89.90	12.62
Premium gasoline	*(unleaded 93)*	72.96	88.41	101.91	13.50
Regular gasoline	*(unleaded 87)*	68.21	79.13	91.98	12.85
Jet/Kerosene		73.44	78.04	85.43	7.39
Gasoil	*(0.05% S)*	74.13	80.74	85.76	5.02
Fuel oil	*(1.0% S)*	43.10	42.23	47.88	5.65
Fuel oil	*(3.0% S)*	40.24	40.59	46.53	5.94
Rotterdam (Barges FoB):					
Naphtha		72.25	79.22	86.19	6.97
Premium gasoline	*(unleaded 50 ppm)*	71.76	82.57	93.90	11.33
Premium gasoline	*(unleaded 95)*	63.82	73.57	84.06	10.49
Jet/Kerosene		73.96	76.82	82.71	5.89
Gasoil/Diesel	*(50 ppm)*	72.51	76.23	81.65	5.42
Fuel oil	*(1.0% S)*	34.67	39.24	42.91	3.67
Fuel oil	*(3.5% S)*	37.99	40.35	46.46	6.11
Mediterranean (Cargoes):					
Naphtha		59.53	65.29	71.19	5.90
Premium gasoline	*(50 ppm)*	71.82	82.23	93.67	11.44
Jet/Kerosene		71.65	74.64	79.33	4.69
Gasoil/Diesel	*(50 ppm)*	70.87	74.98	81.44	6.46
Fuel oil	*(1.0% S)*	38.20	41.45	47.01	5.56
Fuel oil	*(3.5% S)*	37.30	40.93	46.53	5.60
Singapore (Cargoes):					
Naphtha		63.81	70.56	74.22	3.66
Premium gasoline	*(unleaded 95)*	66.80	76.62	83.49	6.87
Regular gasoline	*(unleaded 92)*	65.73	75.52	82.69	7.17
Jet/Kerosene		71.77	75.02	80.91	5.89
Gasoil/Diesel	*(50 ppm)*	72.22	75.94	83.18	7.24
Fuel oil	*(180 cst 2.0% S)*	44.95	46.26	51.24	4.98
Fuel oil	*(380 cst 3.5% S)*	43.70	45.48	50.87	5.39

Table 17: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Feb 07	Mar 07	Apr 07	Apr/Mar	Feb 07	Mar 07	Mar 07	Apr/Mar
USA	14.79 R	14.99 R	15.27	0.28	85.6 R	86.8 R	88.4	1.60
France	1.75 R	1.57	1.66	0.09	89.2 R	79.9	84.5	4.60
Germany	2.24	2.14	2.14	0.00	92.7	88.6	88.6	0.00
Italy	1.98 R	1.86 R	1.83	-0.03	84.8 R	79.6 R	78.1	-1.50
UK	1.43 R	1.53	1.51	-0.02	76.0 R	81.1	80.0	-1.10
Eur-16	12.15 R	11.60 R	11.65	0.05	86.5 R	82.6 R	83.0	0.40
Japan	4.20	4.20	3.90	-0.30	89.8	89.8	83.5	-6.30

R *Revised since last issue.*

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

The Tanker Market

OPEC spot fixtures decreased 0.46 mb/d in April, yet showing y-o-y growth of 3%

OPEC spot fixtures continued to decline in April for the third consecutive month falling by 0.46 mb/d to reach 12.4 mb/d, the lowest level so far this year. However, despite the 4% decrease on a monthly basis, OPEC spot fixtures in April showed an annual growth of 3%. With this decrease, OPEC's share of total spot chartering fell to 63.7% against 64.8% in the previous month, the lowest level since October 2006. Global spot fixtures declined as well in April by 0.44 mb/d to reach 19.4 mb/d. Limited activities characterized the month of April partially connected to the holiday; however, activities picked up at the end of the month.

Middle East/West long-haul fixtures increased by 0.56 mb/d to 2.1 mb/d, while Middle East/East long-haul fixtures fell by 0.24 mb/d to reach 5.02 mb/d in April. The trend is normal at this time of the year as Asian refiners get ready for the maintenance season and western refiners prepare for the high demand summer season. Middle East fixtures to both east and west experienced an annual growth of 13% and 15% respectively. Non-OPEC spot fixtures remained nearly steady at 7.0 mb/d in April with a minor increase from the previous month.

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

	Feb 07	Mar 07	Apr 07	Change Apr/Mar
Spot Chartering				
All areas	19.83	19.84	19.40	-0.44
OPEC	12.84	12.82	12.37	-0.46
Middle East/east	5.66	5.25	5.02	-0.24
Middle East/west	1.53	1.55	2.10	0.56
Sailings				
OPEC	22.44	22.72	24.06	1.34
Middle East	17.00	17.30	17.20	-0.10
Arrivals				
US Gulf Coast, US East Coast, Caribbean	8.86	10.77	10.41	2.11
North West Europe	7.48	7.86	7.91	0.38
Euromed	5.30	4.71	5.23	0.56

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

VLCC spot freight rates came under pressure in April, Suezmax rates increased and Aframax rates remained mixed

In April, the crude oil tanker market continued to show a mixed pattern with VLCC rates declining due to bearish sentiments in the market, contrary to March when VLCC owners had experienced a short-lived period of long-awaited gains. The Suezmax sector rebounded with an average increase of 12% in crude spot freight rates, despite the existing link between the VLCC and Suezmax markets, while spot freight rates for Aframaxes remained mixed for crude oil. The overall weakness in the VLCC tanker market was attributed, essentially, to lower activity and a long list of available tonnage in April. As the month progressed, freight rates for VLCCs weakened steadily, yet healthier tonnage demand at the end of the month halted the decline, however, it was not sufficient to end the month on a positive note. Rates for VLCCs trading on the Middle East/eastbound long-haul route decreased 27% to average WS72, the lowest level since November 2006. The decrease came on the back of weaker tonnage demand supported by the Asian refinery turnarounds and a steady increase in the tonnage list. Despite increased demand in the last decade of April coupled with a shorter list of available vessels in the Middle East, the rise in spot freight rates was not sufficient to close the month with a positive or steady average. However, April rates for VLCCs on the Middle East/eastbound long-haul route indicated an annual increase of 15% compared to the same month last year.

Similarly, rates for VLCCs moving volumes on the Middle East/westbound route came under pressure by the OPEC cut and the easing of geopolitical concerns in the region as April unfolded. As predicted, rates for VLCCs picked up at the end of April on increasing imports by the USA in preparation for the summer driving season and the continued decline in gasoline stocks. However, despite the rise on the back of increased activities, crude spot freight rates for VLCCs on the Middle East/westbound route fell 20% in April to average WS58, indicating a y-o-y decline of 2%. As the link between the VLCC and Suezmax markets in West Africa remained strongly intact, the relocation of many VLCCs from the Middle East to West Africa kept the list of available tonnage at a healthy state even with various reported bookings to the east, as far as Australia. This exerted pressure on the spot freight rates in West Africa and VLCCs moving volumes from West Africa to the east experienced a steady decline of WS12 points to average WS77, showing an annual decline of 6%.

Contrary to the VLCC sector, Suezmax owners enjoyed some benefits with freight rates moving upward in April after declines in March. While the increase barely offset the March decline, on an annual basis Suezmax crude spot freight rates enjoyed an increase of 12%. Suezmax spot freight rates started April at a high stand as the strike in Lavera influenced rates. Afterwards rates underwent a steady decline on the back of limited activities and a rate correction following the strike. At the end of April, spot freight rates rebounded as market tightness in the Black Sea and the Mediterranean spread the effect to all regions. Accordingly, Suezmax spot freight rates for tankers moving crude oil from West Africa to the US Gulf Coast increased 13% to average WS132, in spite of VLCC development in this region. Similarly, Suezmax trading from NW Europe to the USA rose 10% to average WS125, indicating an annual increase of 12%.

The Aframax tanker market showed a mixed pattern with the downward movement continuing to affect the Caribbean region while the Mediterranean remained steady and the East rebounded. Aframax spot freight rates were steady in the east at the beginning of April. As the month progressed, increased activities in the USA made many Aframax owners take advantage of lightering operations. Aframax freight rates on the Indonesia/US West Coast route rebounded with a 27% gain to average WS160. In contrast, with available tonnage outpacing demand at the beginning of April, Aframax spot freight rates on the Caribbean/US East Coast route declined. The situation remained steady until demand outstripped the vessel supply list at the end of the month, causing rates to increase. However, the rise was not sufficient to offset the initial decline and spot freight rates for Aframax trading on the Caribbean/US East Coast route saw a monthly average of WS158, 14% lower than the previous month and 26% below last year.

In the Mediterranean, Aframax spot freight rates remained steady with rates seeing a correction at the beginning of April following the Lavera strike before gaining momentum towards the month-end supported by market tightness. As a result, spot freight rates for vessels moving cargoes from the Mediterranean to NW Europe and other Mediterranean destinations remained steady in April.

Table 19: Spot tanker freight rates, Worldscale

	Size *1,000 DWT*	Feb 07	Mar 07	Apr 07	Change Apr/Mar
Crude					
Middle East/east	230-280	73	99	72	-27
Middle East/west	270-285	52	73	58	-15
West Africa/east	260	79	84	72	-12
West Africa/US Gulf Coast	130-135	129	117	132	15
NW Europe/USEC - USGC	130-135	139	114	125	12
Indonesia/US West Coast	80-85	136	126	160	34
Caribbean/US East Coast	50-55	213	184	158	-26
Mediterranean/Mediterranean	80-85	113	154	155	1
Mediterranean/North-West Europe	80-85	117	151	151	0
Products					
Middle East/east	30-35	162	184	174	-9
Singapore/east	30-35	182	187	181	-6
Caribbean/US Gulf Coast	38-40	285	356	306	-50
NW Europe/USEC - USGC	33-37	267	345	318	-27
Mediterranean/Mediterranean	30-35	261	275	286	10
Mediterranean/North-West Europe	30-35	271	285	295	10

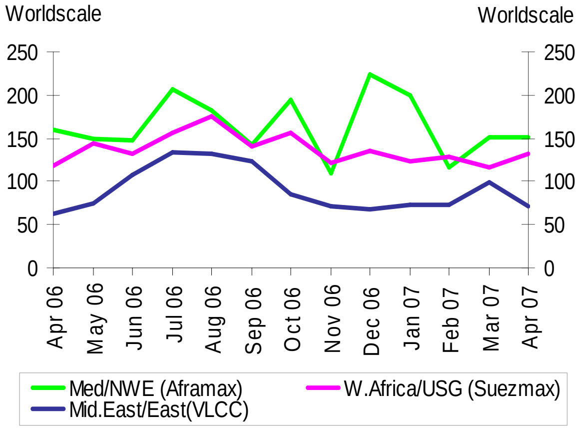
Source: Galbraith’s Tanker Market Report and Platt's.

Product spot freight rates were steady in the Mediterranean but declined in other regions

Sentiment in the clean tanker market was bearish and most freight rates declined while a few remained steady in April. East of Suez rates remained steady with a minor decrease averaging 4%. While higher product prices affected tonnage demand, the tendency of owners to switch their clean tankers to transfer dirty products halted the decline and maintained a relatively steady state. Therefore, clean spot freight rates declined by 5% and 3% on the voyages from the Middle East and Singapore to the east to average WS174 and WS181 respectively, indicating a y-o-y decline of around 17%.

In the Mediterranean, spot freight rates remained steady with a balanced tonnage demand list, despite the increase at the beginning of April on the back of the Lavera strike. April clean spot freight rates for cargoes within the Mediterranean and from the Mediterranean to NW Europe increased WS10 or 4% from the previous month to average WS286 and WS295, respectively, the highest level since last July. Compared to the same month last year, Mediterranean rates showed an average increase of 32%.

Graph 24: Monthly averages of crude oil spot freight rates



In the West, spot freight rates for clean tankers from both the Caribbean and NW Europe to US destinations declined. For both routes, freight rates started April on a relatively high level before moving down toward month-end. Despite increased activities to the USA, the expectation of increased refinery runs negatively affected freight rates and the monthly average was lower. Additionally, some quality issues blocked a few shipments from the Caribbean to the USA. Similarly, relatively strong product demand in Europe ahead of the summer season reduced activities toward the month-end. Despite the decline, both routes registered an annual increase compared to the same month last year. Accordingly, spot freight rates for clean tankers moving volumes from NW Europe to the USA fell 8% from the previous month and averaged WS318 in April. Clean spot freight rates on the Caribbean/US Gulf Coast route averaged WS306 in April, a decline of 14% from the previous month.

Oil Trade

OECD total net oil imports increased 3.6% in March yet declining on an annual basis

OECD

Preliminary estimated data show that OECD crude oil imports rose in March to reach 30.6 mb/d, an increase of 855,000 b/d or 3.6%. Yet the increase was not enough to offset the decline of the previous month. This increase — essentially driven by Japan, South Korea and USA — represented an annual decline of around 3.6% compared to the same month last year. Similarly, OECD product imports increased in March after two months of declines to average 10.4 mb/d, an increase of 3.5% or 355,000 b/d. The USA and Europe were the main drivers behind increased product imports. Similar to the crude, OECD product imports experienced a y-o-y decline of 5.1%. Both crude oil and product exports increased in March to average 6.9 mb/d and 8.8 mb/d respectively, which corresponds to around 330,000 b/d and 245,000 b/d compared to the previous month. The increase partially offset last month's decline. On an annual basis, OECD exports of crude oil and products fell 10% and 5.6% respectively.

As a result, OECD net crude oil imports averaged 23.7 mb/d, up 2.27% or 525,000 b/d from the previous month and around 1.6% less than a year earlier. With net product imports showing an increase of 7.4%, total OECD net oil imports reached 25.3 mb/d, resulting in a 1.3 mb/d or 5% y-o-y decline. On average, OECD net oil imports for the first quarter 2007 reached 25.3 mb/d indicating an annual decline of around 0.5 mb/d compared to the same period last year, mostly due to net product imports.

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

	Jan 07	Feb 07	Mar 07	Change Mar/Feb
Crude oil	24,239	23,188	23,713	525
Total products	1,727	1,506	1,617	111
Total crude and products	**25,966**	**24,694**	**25,330**	**636**

No major change took place in the sources of imports, as Saudi Arabia and Russia remained the biggest suppliers of OECD crude oil with shares of around 14% each. Norway and Canada followed with 7% and 6% shares respectively. Netherlands, Russia and the USA continued to be the top suppliers of products to the OECD with a share of around 7% each.

US net oil imports hit their highest level since August 2006 driven by increased crude oil imports

USA

In April, data showed that US oil imports rose to hit more than 10 mb/d with crude oil inflows increasing by around 170,000 b/d or 1.8% to average 10.15 mb/d. Similarly, on an annual basis, US crude oil imports increased by around 350,000 b/d indicating an annual growth of 3.6%. Crude oil imports accelerated in the last decade of the month reaching a high level of 10.3 mb/d in the fourth week of April. The impending end of the refinery turnaround season coupled with healthy demand for gasoline supported increased crude oil imports.

As for products, US imports remained steady in April compared with the previous month and a year ago. However, the composition of imported products changed from last month with gasoline imports soaring on the back of good demand as well as falling stocks. Additionally, the increase in US jet fuel imports in April was offset by the fall in imports of residual fuel oil, keeping total US product imports at a steady state from the previous month. It is worth mentioning that various price issues, such as high gasoline prices in Europe and Asia, due to refinery maintenance and healthy gasoline demand in those regions, limited arbitrage opportunities to the USA.

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

	Feb 07	Mar 07	Apr 07	Change Apr/Mar
Crude oil	9,432	9,951	10,128	177
Total products	1,990	2,356	2,353	-3
Total crude and products	**11,422**	**12,307**	**12,481**	**174**

Exports remained almost unchanged at around 1.22 mb/d and consisted almost entirely of products, despite the increased exports of fuel oil as the arbitrage opportunity was open to Singapore. As a result, US total net crude oil and product imports averaged around 12.5 mb/d, their highest level since August 2006. Moreover, compared to a year earlier, net crude oil imports increased 3.6% while net product imports increased by nearly 10%.

As estimated, the share of crude oil imports from Canada, Mexico and Saudi Arabia represented more than 47% of US crude oil imports with Canada leading with around 18%. OPEC Members supplied more than 53% of the US crude oil imports with Saudi Arabia in first place followed by Venezuela and Nigeria. For products, Canada and the Virgin Islands continued to be the main US suppliers with 18% and 11% respectively.

Japan

Japan's crude oil imports declined in April pressured by the refinery maintenance season

Following the increase in the previous month, Japan's crude oil imports dropped around 180,000 b/d in April to average 4.4 mb/d according to preliminary estimated data. Various factors contributed to the decline with preparation for refinery maintenance, which is expected to peak in May, holding centre stage. Despite the increased interest in importing crude oil by the power generation sector for direct burning on the back of the preparation for the summer season and nuclear plant shut-downs for maintenance, the overall average of Japan's crude oil imports declined in April. On an annual basis, Japan's crude oil imports indicated an increase of 6.7%. On the product side, Japan imported 6.6% or 35,000 b/d more in April compared to the previous month to average 0.56 mb/d. Healthy petrochemical demand influenced product imports as steady naphtha imports continued even with the relatively high price environment, as Japan's naphtha imports are normally less sensitive to price issues than those of other Asian importers. Yet, despite the increase, product imports showed a y-o-y decline of around 10%.

On the export side, Japan's product exports declined 5.3% or 26,000 b/d to average around 450,000 b/d in April. Exports of distillates and other products are reported to be declining while exports of gasoline to the USA were healthy. Refinery turnarounds dampened exports, a trend which is expected to continue as the maintenance intensifies in May.

As a result, Japan's net oil imports fell 2.6% in April compared to the previous month, but displayed 3.36% growth on an annual basis. Net product imports increased on a monthly basis by 60,000 b/d but declined by more than 50% on an annual basis, although the volume is relatively small compared to Japan's net oil imports.

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

	Feb 07	Mar 07	Apr 07	Change Apr/Mar
Crude oil	4,064	4,584	4,401	-183
Total products	172	51	112	60
Total crude and products	**4,237**	**4,635**	**4,512**	**-123**

The UAE held the largest share of crude oil deliveries, accounting for almost 27%, followed by Saudi Arabia with 25% and Iran with 15%, up from 11% in the previous month. Similarly, for products, UAE and Saudi Arabia continued to supply around 25% of Japan's imports followed by South Korea, which saw its share drop to 5.5% from 7% in the previous month.

China

China's net oil imports rose 125,000 b/d in March on the back of increased throughput

China's crude oil and product imports increased in March, according to preliminary data, rising 188,000 b/d to average 4.15 mb/d. Crude oil imports increased 110,000 b/d or 3.5%, more than offsetting the decline experienced in February. Increased crude throughput and SPR demand were the main factors behind increased crude oil imports, despite the reported slight drop in China's crude production in March. At the same time, China's crude oil imports experienced annual growth of 9% from a year earlier.

China's crude oil exports increased 52,000 b/d in March according to preliminary data. After zero exports in February, March saw a relatively small volume of outflows, representing a y-o-y decline of around 83%. Export trends over the last months illustrate the recently adopted Chinese policy to maximize domestic use of local energy resources.

According to preliminary data, China's product imports increased 78,000 b/d or 10% in March to average around 880,000 b/d. The rise in product imports was a result of higher import of several products such as the increase in gasoil imports on the back of the preparation for the upcoming refinery maintenance as well as increased demand from the industrial, agricultural, and construction sectors. Similarly, fuel oil imports increased to keep up with the rising consumption of industrial and power generation sectors, in addition to the fact that China's fuel oil production declined as refiners shifted to producing more gasoline and gasoil in March. On the product side, China's exports increased 4.5% in March over the previous month. Gasoline exports rose on the back of steady demand and increased production coupled with attractive export prices. It should be noted that, despite the increase in product exports, on an annual basis, China's product exports indicated a y-o-y decline of around 27%.

Consequently, China's net oil imports averaged 3.85 mb/d with an increase of around 3.5% in March and, compared to the same period last year, showed growth of around 17%. Net crude oil imports increased 1.8% or 58,000 b/d from the previous month while net product imports increased 67,000 b/d. It is worth highlighting that net crude imports increased 19% compared to last year while net product imports rose 4.3%.

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

	Jan 07	Feb 07	Mar 07	Change Mar/Feb
Crude oil	3,162	3,163	3,221	58
Total products	677	560	627	67
Total crude and products	**3,838**	**3,723**	**3,848**	**125**

In terms of deliveries, Angola with 18% overtook Oman with 6% to stand as China's largest crude oil supplier in March. Saudi Arabia remained the second largest supplier with 17%. Iran came third with 13% followed by Russia with 8%. Angola's share in Chinese imports increased around 10 percentage points from the previous month.

India

In March, India's crude oil imports were steady at 2.2 mb/d while net oil imports averaged 1.92 mb/d

Preliminary data show that India's oil imports saw some recovery in March but this was not enough to offset the decline in February. Crude oil imports stood at nearly 2.2 mb/d in March, an increase of 48,000 b/d or 2% over the previous month, while product imports reached 0.3 mb/d, a drop of around 16,000 b/d or 5% over the previous month. The decline in product imports came mainly from the drop in diesel, fuel oil and naphtha imports. Total growth of 32,000 b/d in March corresponded to 50% of the 63,000 b/d drop displayed in the previous month.

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

	Jan 07	Feb 07	Mar 07	Change Mar/Feb
Crude oil	2,253	2,158	2,206	48
Total products	-294	-229	-283	-54
Total crude and products	**1,959**	**1,929**	**1,923**	**-6**

Product exports rose 38,000 b/d to 0.58 mb/d, mainly driven by the increase in diesel and jet fuel exports where some of these products found their way to the European market. India's total net oil imports averaged 1.92 mb/d in March, almost similar to the previous month. Crude oil net imports stood at 2.2 mb/d, indicating a drop of around 2% as well as a drop of 12% in net product imports compared to last year. India's net oil imports continued to hover within the range of 1.9-2.1 mb/d for the past six months. For the January-March period, India's crude oil imports averaged 2.2 mb/d, almost 1.6% lower than a year earlier, while product exports averaged 0.56 mb/d, an increase of 9% from a year ago.

Stock Movements

US commercial stocks continued to increase, driven by crude oil, standing 3% higher than the five-year average at the end of April

USA

US total commercial crude oil and product stocks continued to increase to stand at nearly 986 mb in April, an increase of 3.7 mb from the previous month. Crude oil stocks continued to increase, while product stocks fell due to lower refining utilization which remained below 89% despite a marginal increase from the previous month.

Crude oil stocks rose a further 6 mb or 200,000 b/d to reach around 339 mb, the highest level since May 2006, to stand at the upper range of the five-year average. The substantial increase in crude stocks was essentially driven by imports, which averaged more than 10.1 mb/d in April, implying an increase of almost 180,000 b/d compared with the previous month and 320,000 b/d compared with the corresponding month of last year. In contrast, refining maintenance and unplanned outages continued to hamper product stocks, which fell 2.2 mb to 647 mb. It is worth mentioning that this decline of 2.2 mb was the smallest since product inventories started to fall last October 2006.

Gasoline stocks fell around 12 mb to stand below 200 mb at the end of the month for the first time since October 2005. At 193 mb, gasoline inventories showed a deficit of 7% compared with the corresponding month of last year. Despite an increase in imports, gasoline stocks continued to fall due to lower refinery output and healthy demand.

Distillate stocks edged up 0.2 mb to 118.1 mb to show surpluses of 2% and 9% compared with the year-ago and the five-year average. However, residual fuel and jet fuel continued to hover around 40 mb. Residual fuel oil rose 0.9 mb to 39.7 mb, the same level as a year ago, while jet fuel stocks fell 0.4 mb to stand at around 40 mb, which corresponds to 12% above the five-year average.

Table 25: US onland commercial petroleum stocks, mb

	Feb 07	Mar 07	Apr 07	Change Apr 07 /Mar 07	Apr 06	04-May-07 *
Crude oil	318.0	332.9	338.8	5.9	347.6	341.2
Gasoline	215.0	205.2	193.1	-12.1	207.5	193.5
Distillate fuel	123.2	118.0	118.1	0.2	115.8	118.8
Residual fuel oil	35.9	38.8	39.7	0.9	39.9	38.8
Jet fuel	38.7	40.3	39.9	-0.4	41.2	40.0
Total	**976.9**	**982.1**	**985.8**	**3.7**	**1,013.0**	**988.5**
SPR	688.6	688.6	689.4	0.8	687.9	689.5

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

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

The latest data for the week-ending 4 May show a general increase in crude oil, gasoline and distillate stocks. Crude oil stocks increased to 341 mb, driven by imports which surged by more than 700,000 b/d to average 11 mb/d, whereas gasoline stocks reversed their downward trend of 12 weeks and rose 0.37 mb to 193.5 mb over the previous week on the back of increasing imports and higher refinery output of 8.9 mb/d, helped by strong refining margins. Similarly, distillate inventories rose 1.6 mb to around 119 mb with heating oil falling 0.46 mb and diesel oil increasing 2.1 mb.

Total US commercial oil stocks in the week-ending 4 May stood at nearly 989 mb, 3% above the five-year average.

EU-16 total commercial stocks jumped by 315,000 b/d to hit a fifteen-month high in April

Western Europe

Preliminary data for April show that total oil stocks in EU-16 (Eur-15 plus Norway) recovered from the losses displayed in February and March, increasing by 9.5 mb or 315,000 b/d during April to stand at 1,161 mb, the highest level since January 2006. This significant build was driven by crude oil which rose by almost 10 mb offsetting the drop of the previous month. The increase in crude stocks was spurred by lower refinery runs due to maintenance, especially across Northwest Europe. Nevertheless, with nearly 480 mb crude oil stocks stayed below the year earlier average due to lower imports. On the other hand, product inventories remained almost stable at around 682 mb. In contrast to crude oil, which showed a deficit of 10 mb or 2% compared with a year ago, product stocks were nearly 22 mb higher.

Table 26: Western Europe's oil stocks, mb

	Feb 07	Mar 07	Apr 07	Change Apr 07/Mar 07	Apr 06
Crude oil	480.9	470.1	479.9	9.8	489.9
Mogas	136.9	140.3	137.5	-2.7	132.8
Naphtha	29.0	29.0	29.0	0.0	26.2
Middle distillates	395.6	398.6	402.4	3.8	388.1
Fuel oils	113.4	114.1	112.8	-1.4	113.0
Total products	675.0	682.1	681.7	-0.3	660.1
Total	**1,155.8**	**1,152.2**	**1,161.6**	**9.4**	**1,150.0**

Source: Argus, Euroilstock.

Warmer weather continued to push middle distillate stocks up, which increased for the second successive month to hit a record of 402.4 mb, while naphtha stocks remained unchanged since December at 29 mb, but were up 2.8 mb from a year ago. Lower refinery utilization rates of below 90% and increasing transatlantic arbitrage opportunities to the USA sent gasoline stocks down to 137.5 mb, but they remained almost 5 mb above the year-ago level. Similarly, residual fuel oil stocks fell 1.4 mb to 112.8 mb, implying a deficit of 0.2 mb compared with a year earlier. Following the strong increase of 315,000 b/d in April, total commercial stocks stood 6% over the five-year average with product inventories displaying a surplus of 9% and crude oil of 3%.

Japan

Japan's total commercial stocks decreased marginally to 185 mb at end-March but remained 10% above the five-year average

In March, Japan's crude and petroleum commercial stocks dropped a marginal 0.5 mb compared with 15 mb in the previous month to stand at 185 mb at the end of the month. Nevertheless, when compared with the same period of the previous year, oil stocks showed a build of 4.7 mb with crude oil contributing with 56%.

Crude oil inventories reversed the downward trend which had started in November 2006 and surged by 7.6 mb or 250,000 b/d to hit 111.5 mb/d, the highest level so far this year. The sharp increase in crude oil stocks was attributed to the combination of an increase of 9% in imports and a drop in refinery throughput resulting from weak demand and the start of refining seasonal maintenance, where Cosmo Oil shut off a 110,000 b/d crude distillation unit at its 240,000 b/d Chiba refinery during the second week of March.

In contrast, product stocks fell more than 8 mb or 10%, offsetting the increase in crude oil stocks, to end the month at 73.5 mb, as a result of a significant drop in imports and substantial growth in exports. In addition, the drop in refinery output contributed to the draw on product stocks. For products, the picture was mixed with gasoline remaining almost unchanged at 14.2 mb, almost the same level as a year earlier; middle distillate stocks continued to be the main contributor to the product drop with 95% for the second consecutive month. At 28.4 mb/d, after having declined 8.4 mb in February and 7.6 mb/d in March due to high exports, middle distillate stocks at the end of March hit their lowest level since April 2006. More than 70% of the decline displayed during March in middle distillate stocks came from kerosene, which fell 30%. Jet fuel was the second largest contributor to the decline as a result of also increasing exports. Naphtha stocks increased a further 0.4 mb to stand at 11.6 mb, which corresponded to 0.1 mb below the year earlier level.

When compared with the five-year average, total oil stocks were 10% higher in March 2007 with crude oil showing a surplus of 3% and products 23%.

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

	Jan 07	Feb 07	Mar 07	Change Mar 07/Feb 07	Mar 06
Crude oil	110.0	103.9	111.5	7.6	108.9
Gasoline	15.1	14.3	14.2	-0.1	14.4
Naphtha	9.9	11.3	11.6	0.4	11.8
Middle distillates	44.4	36.0	28.4	-7.6	27.8
Residual fuel oil	20.9	20.0	19.3	-0.8	17.6
Total products	90.3	81.6	73.5	-8.1	71.4
Total**	**200.3**	**185.5**	**185.0**	**-0.5**	**180.3**

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

Preliminary data from PAJ showed that total commercial stocks have dropped 1 mb in April with crude oil dropping around 2 mb and products increasing 3 mb, but it is expected that crude oil stocks will increase in the coming weeks while product stocks will drop when more refineries start their seasonal maintenance.

Balance of Supply and Demand

Demand for OPEC crude estimated at 30.4 mb/d in 2006; OPEC production averaged 30.9 mb/d

Estimate for 2006

Demand for OPEC crude in 2006 is estimated to average 30.42 mb/d. On a quarterly basis, the estimate shows that demand for OPEC crude was 31.31 mb/d, 29.56 mb/d, 30.16 mb/d and 30.67 mb/d respectively. According to secondary sources, total OPEC crude capacity stood at 34.8 mb/d at the end of 2006, up from 33.8 mb/d at the end of the previous year.

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

	2005	1Q06	2Q06	3Q06	4Q06	2006
(a) World Oil Demand	**83.31**	**84.78**	**82.98**	**83.93**	**84.98**	**84.16**
Non-OPEC Supply	48.99	49.30	49.20	49.44	49.97	49.48
OPEC NGLs and non-conventionals	4.04	4.18	4.22	4.33	4.33	4.27
(b) Total Supply excluding OPEC Crude	**53.03**	**53.47**	**53.42**	**53.76**	**54.30**	**53.74**
Difference (a-b)	**30.28**	**31.31**	**29.56**	**30.16**	**30.67**	**30.42**
OPEC crude oil production (1)	31.11	31.10	30.89	31.13	30.45	30.89
Balance	0.83	-0.21	1.34	0.97	-0.23	0.47

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

Demand for OPEC crude expected at 30.3 mb/d in 2007 around 90,000 b/d lower than in 2006

Forecast for 2007

Demand for OPEC crude in 2007 is expected to average 30.33 mb/d, a decline of 0.09 mb/from 2006. On a quarterly basis, the forecast shows that demand for OPEC crude is expected at 30.87 mb/d, 29.40 mb/d, 30.43 mb/d and 30.62 mb/d respectively.

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

	2006	1Q07	2Q07	3Q07	4Q07	2007
(a) World Oil Demand	**84.16**	**85.56**	**84.04**	**85.42**	**86.70**	**85.43**
Non-OPEC Supply	49.48	50.38	50.28	50.53	51.47	50.67
OPEC NGLs and non-conventionals	4.27	4.31	4.36	4.46	4.61	4.44
(b) Total Supply excluding OPEC Crude	**53.74**	**54.69**	**54.64**	**54.99**	**56.08**	**55.10**
Difference (a-b)	**30.42**	**30.87**	**29.40**	**30.43**	**30.62**	**30.33**
OPEC crude oil production (1)	30.89	29.98				
Balance	0.47	-0.88				

(1) Selected secondary sources.

Graph 25: Balance of supply and demand

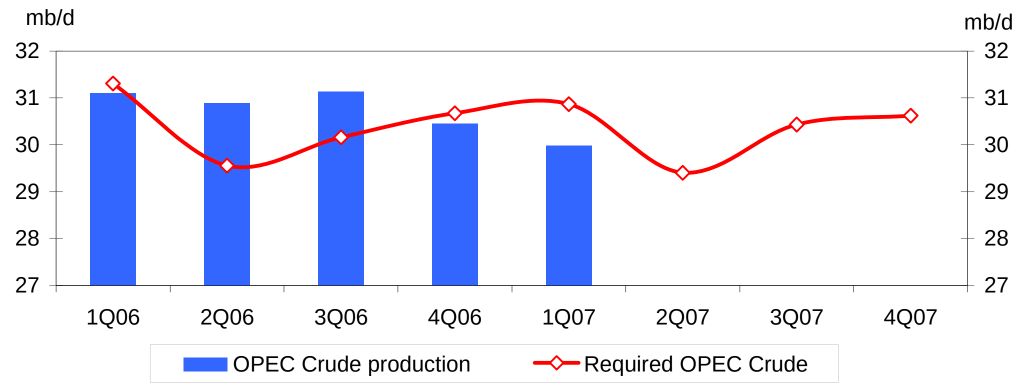


Table 30: World oil demand/supply balance, mb/d

	2002	2003	2004	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
World demand														
OECD	47.9	48.6	49.3	49.6	50.3	48.0	48.9	49.7	49.2	49.9	48.1	49.1	50.2	49.3
North America	24.1	24.5	25.4	25.5	25.2	25.1	25.5	25.4	25.3	25.8	25.2	25.6	25.8	25.6
Western Europe	15.3	15.4	15.5	15.5	15.8	15.1	15.5	15.6	15.5	15.1	15.1	15.6	15.6	15.4
Pacific	8.5	8.6	8.5	8.6	9.3	7.9	7.9	8.8	8.5	8.9	7.8	7.9	8.8	8.3
DCs	20.3	20.6	21.7	22.4	22.8	23.1	23.1	23.3	23.1	23.4	23.6	23.9	23.9	23.7
FSU	3.7	3.8	3.8	3.8	3.7	3.6	3.8	4.2	3.8	3.8	3.5	3.8	4.3	3.9
Other Europe	0.8	0.8	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9
China	5.0	5.6	6.5	6.5	7.1	7.3	7.2	6.9	7.1	7.5	7.9	7.8	7.4	7.6
(a) Total world demand	77.8	79.4	82.3	83.3	84.8	83.0	83.9	85.0	84.2	85.6	84.0	85.4	86.7	85.4
Non-OPEC supply														
OECD	21.9	21.7	21.3	20.5	20.4	20.0	20.1	20.3	20.2	20.4	20.2	20.1	20.7	20.3
North America	14.5	14.6	14.6	14.1	14.2	14.2	14.3	14.3	14.2	14.4	14.4	14.5	14.7	14.5
Western Europe	6.7	6.4	6.2	5.8	5.7	5.3	5.1	5.4	5.4	5.4	5.2	5.0	5.3	5.2
Pacific	0.8	0.7	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6
DCs	10.6	10.8	11.0	11.3	11.5	11.5	11.6	11.7	11.6	11.7	11.6	11.9	12.1	11.8
FSU	9.3	10.3	11.1	11.5	11.7	12.0	12.1	12.3	12.0	12.5	12.7	12.8	12.9	12.7
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.4	3.5	3.6	3.7	3.7	3.7	3.6	3.7	3.7	3.7	3.7	3.8	3.7
Processing gains	1.7	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Total non-OPEC supply	47.2	48.1	49.0	49.0	49.3	49.2	49.4	50.0	49.5	50.4	50.3	50.5	51.5	50.7
OPEC NGLs + non-conventional oils	3.6	3.7	4.0	4.0	4.2	4.2	4.3	4.3	4.3	4.3	4.4	4.5	4.6	4.4
(b) Total non-OPEC supply and OPEC NGLs	50.8	51.8	53.0	53.0	53.5	53.4	53.8	54.3	53.7	54.7	54.6	55.0	56.1	55.1
OPEC crude oil production (secondary sources)	26.2	27.8	30.0	31.1	31.1	30.9	31.1	30.4	30.9	30.0				
Total supply	77.0	79.6	83.0	84.1	84.6	84.3	84.9	84.7	84.6	84.7				
Balance (stock change and miscellaneous)	-0.8	0.3	0.8	0.8	-0.2	1.3	1.0	-0.2	0.5	-0.9				
OECD closing stock levels (*mb*)														
Commercial	2478	2517	2547	2597	2597	2657	2766	2684	2684	2600				
SPR	1347	1411	1450	1487	1487	1493	1495	1499	1499	1501				
Total	3825	3928	3997	4083	4084	4150	4260	4183	4183	4101				
Oil-on-water	815	882	905	957	960	968	964	909	909	n.a				
Days of forward consumption in OECD														
Commercial onland stocks	51	51	51	53	54	54	56	54	54	54				
SPR	28	29	29	30	31	31	30	30	30	31				
Total	79	80	81	83	85	85	86	84	85	85				
Memo items														
FSU net exports	5.6	6.5	7.3	7.7	8.0	8.4	8.3	8.1	8.2	8.7	9.1	8.9	8.7	8.8
(a) - (b)	27.0	27.6	29.3	30.3	31.3	29.6	30.2	30.7	30.4	30.9	29.4	30.4	30.6	30.3

Note: Totals may not add up due to independent rounding.
n.a. Not available.

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

	2002	2003	2004	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
World demand														
OECD	-	-	-	-	0.1	-	-	-	-	-0.2	-	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-0.2	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	0.1	-	-	-	-	-0.1	-	-	-	-
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1
North America	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-	-				
Total supply	-	-	-	-	-	-	-	-	-	-				
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-	-	-	0.1				
OECD closing stock levels (*mb*)														
Commercial	-	-	-	-	-	2	3	8	-	-				
SPR	-	-	-	-	-	-	-	-	-	-				
Total	-	-	-	-	-	2	3	8	-	-				
Oil-on-water	-	-	-	-	-	-3	-	1	-	-				
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-	-	-	-				
SPR	-	-	-	-	-	-	-	-	-	-				
Total	-	-	-	-	-	-	-	-	-	-				
Memo items														
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	-	-	-	-	-0.1	0.1	-	0.1	-

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

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

	2001	2002	2003	2004	2005	2006	4Q03	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07
Closing stock levels *mb*																				
OECD onland commercial	2,630	2,478	2,517	2,547	2,597	2,684	2,517	2,465	2,545	2,581	2,547	2,543	2,623	2,638	2,597	2,597	2,657	2,766	2,684	2,600
North America	1,262	1,175	1,161	1,193	1,257	1,276	1,161	1,145	1,193	1,206	1,193	1,201	1,275	1,254	1,257	1,239	1,276	1,347	1,276	1,205
Western Europe	925	895	922	924	944	980	922	919	933	945	924	952	925	952	944	949	945	960	980	965
OECD Pacific	443	408	435	430	395	428	435	400	420	430	430	389	422	432	395	409	436	459	428	430
OECD SPR	1,288	1,347	1,411	1,450	1,487	1,499	1,411	1,423	1,429	1,435	1,450	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,501
North America	552	601	640	678	687	691	640	654	664	672	678	690	698	696	687	688	690	690	691	691
Western Europe	356	357	374	377	407	412	374	371	366	367	377	376	401	405	407	407	411	412	412	412
OECD Pacific	380	389	396	396	393	396	396	398	398	396	396	396	395	393	393	392	393	393	396	398
OECD total	3,918	3,825	3,928	3,997	4,083	4,183	3,928	3,888	3,974	4,016	3,997	4,005	4,116	4,132	4,083	4,084	4,150	4,260	4,183	4,101
Oil-on-water	830	815	882	905	957	909	882	906	891	894	905	927	931	922	957	960	968	964	909	n.a
Days of forward consumption in OECD																				
OECD onland commercial	55	51	51	51	53	54	50	51	52	51	50	52	53	53	52	54	54	56	54	54
North America	52	48	46	47	50	50	46	46	47	47	47	47	50	49	50	49	50	53	51	48
Western Europe	60	58	60	60	61	64	59	61	60	60	59	63	59	61	60	63	61	62	65	64
OECD Pacific	52	47	51	50	47	51	47	51	52	49	46	48	52	49	43	52	55	52	48	55
OECD SPR	27	28	29	29	30	30	28	30	29	29	29	30	30	30	30	31	31	30	30	31
North America	23	25	25	27	27	27	25	26	26	26	26	27	27	27	27	27	27	27	27	27
Western Europe	23	23	24	24	26	27	24	25	24	23	24	25	26	26	26	27	26	26	27	27
OECD Pacific	45	45	47	46	46	47	43	50	49	45	42	49	49	45	42	50	50	45	44	51
OECD total	82	79	80	81	83	85	79	81	81	80	79	82	84	83	81	85	85	86	84	85

n.a. Not available.

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

	2002	2003	2004	2005	Change 05/04	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
USA	8.04	7.82	7.65	7.34	-0.31	7.20	7.37	7.47	7.49	7.38	0.04	7.52	7.54	7.41	7.55	7.51	0.12
Canada	2.84	2.98	3.07	3.03	-0.04	3.19	3.03	3.16	3.30	3.17	0.14	3.30	3.22	3.30	3.40	3.31	0.14
Mexico	3.59	3.80	3.83	3.77	-0.07	3.79	3.78	3.70	3.51	3.69	-0.08	3.58	3.67	3.75	3.72	3.68	-0.01
North America	14.48	14.60	14.56	14.14	-0.42	14.18	14.18	14.32	14.30	14.24	0.10	14.40	14.43	14.46	14.67	14.49	0.25
Norway	3.33	3.26	3.19	2.97	-0.22	2.93	2.70	2.73	2.76	2.78	-0.19	2.72	2.63	2.60	2.71	2.67	-0.11
UK	2.52	2.33	2.10	1.88	-0.22	1.89	1.73	1.49	1.71	1.70	-0.18	1.74	1.67	1.57	1.73	1.68	-0.03
Denmark	0.37	0.37	0.39	0.38	-0.01	0.36	0.35	0.32	0.34	0.34	-0.04	0.32	0.31	0.27	0.29	0.30	-0.04
Other Western Europe	0.44	0.47	0.51	0.54	0.03	0.53	0.56	0.54	0.57	0.55	0.02	0.59	0.59	0.59	0.59	0.59	0.04
Western Europe	6.67	6.43	6.19	5.77	-0.42	5.71	5.33	5.08	5.39	5.38	-0.39	5.38	5.20	5.03	5.32	5.23	-0.15
Australia	0.70	0.60	0.52	0.53	0.01	0.43	0.44	0.59	0.56	0.51	-0.02	0.55	0.53	0.58	0.57	0.56	0.05
Other Pacific	0.06	0.06	0.05	0.05	0.00	0.06	0.05	0.05	0.05	0.05	0.00	0.05	0.05	0.07	0.09	0.06	0.01
OECD Pacific	0.77	0.66	0.57	0.58	0.01	0.49	0.50	0.65	0.61	0.56	-0.02	0.60	0.58	0.65	0.66	0.62	0.06
Total OECD	21.92	21.68	21.32	20.48	-0.83	20.38	20.01	20.05	20.29	20.18	-0.30	20.38	20.21	20.15	20.65	20.35	0.17
Brunei	0.20	0.21	0.21	0.21	0.00	0.23	0.22	0.22	0.22	0.22	0.01	0.22	0.22	0.22	0.22	0.22	0.00
India	0.78	0.79	0.79	0.76	-0.04	0.78	0.79	0.76	0.81	0.78	0.02	0.81	0.77	0.79	0.79	0.79	0.01
Malaysia	0.76	0.78	0.79	0.77	-0.03	0.77	0.71	0.75	0.78	0.75	-0.01	0.78	0.77	0.82	0.86	0.81	0.06
Vietnam	0.34	0.35	0.40	0.38	-0.02	0.38	0.37	0.37	0.36	0.37	-0.01	0.37	0.33	0.38	0.39	0.37	-0.01
Asia others	0.37	0.41	0.43	0.53	0.10	0.55	0.56	0.56	0.55	0.56	0.03	0.58	0.58	0.58	0.59	0.58	0.03
Other Asia	2.45	2.53	2.63	2.65	0.02	2.72	2.64	2.67	2.72	2.69	0.04	2.76	2.68	2.79	2.86	2.77	0.08
Argentina	0.84	0.84	0.80	0.77	-0.02	0.76	0.78	0.79	0.77	0.77	0.00	0.77	0.76	0.75	0.74	0.76	-0.02
Brazil	1.72	1.80	1.79	1.99	0.20	2.07	2.08	2.10	2.15	2.10	0.11	2.15	2.17	2.22	2.35	2.22	0.12
Colombia	0.58	0.55	0.53	0.53	0.00	0.53	0.54	0.54	0.53	0.54	0.01	0.52	0.53	0.53	0.53	0.53	0.00
Ecuador	0.38	0.41	0.51	0.52	0.01	0.54	0.54	0.55	0.54	0.54	0.02	0.53	0.52	0.52	0.51	0.52	-0.02
Trinidad & Tobago	0.15	0.17	0.16	0.18	0.02	0.19	0.18	0.19	0.18	0.19	0.01	0.18	0.18	0.18	0.18	0.18	-0.01
L. America others	0.24	0.26	0.26	0.29	0.02	0.28	0.30	0.31	0.30	0.30	0.01	0.30	0.30	0.30	0.30	0.30	0.00
Latin America	3.92	4.02	4.06	4.28	0.23	4.38	4.44	4.47	4.46	4.44	0.16	4.45	4.47	4.50	4.61	4.51	0.07
Bahrain	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.20	0.21	0.21	0.00	0.20	0.20	0.20	0.20	0.20	0.00
Oman	0.90	0.82	0.79	0.78	0.00	0.77	0.76	0.75	0.75	0.76	-0.03	0.73	0.73	0.73	0.73	0.73	-0.03
Syria	0.55	0.53	0.50	0.46	-0.04	0.44	0.42	0.41	0.40	0.42	-0.04	0.39	0.39	0.39	0.39	0.39	-0.03
Yemen	0.46	0.44	0.42	0.42	0.00	0.40	0.39	0.38	0.38	0.39	-0.03	0.38	0.38	0.37	0.36	0.37	-0.02
Middle East	2.12	2.01	1.92	1.87	-0.05	1.82	1.78	1.75	1.74	1.77	-0.10	1.70	1.70	1.68	1.67	1.69	-0.09
Chad	0.00	0.02	0.16	0.18	0.02	0.18	0.18	0.18	0.18	0.18	0.00	0.18	0.18	0.18	0.18	0.18	0.00
Congo	0.26	0.26	0.24	0.24	0.00	0.25	0.25	0.25	0.25	0.25	0.01	0.25	0.25	0.27	0.27	0.26	0.01
Egypt	0.75	0.75	0.71	0.70	-0.01	0.69	0.68	0.66	0.66	0.67	-0.02	0.66	0.66	0.66	0.66	0.66	-0.01
Equatorial Guinea	0.20	0.24	0.34	0.36	0.02	0.37	0.37	0.37	0.37	0.37	0.01	0.39	0.38	0.39	0.40	0.39	0.02
Gabon	0.29	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.25	0.24	0.24	0.24	0.24	-0.01
South Africa	0.19	0.20	0.22	0.20	-0.02	0.20	0.20	0.20	0.20	0.20	-0.01	0.19	0.19	0.19	0.19	0.19	-0.01
Sudan	0.24	0.27	0.30	0.34	0.04	0.35	0.36	0.44	0.52	0.42	0.08	0.53	0.56	0.60	0.60	0.58	0.16
Africa other	0.20	0.20	0.21	0.25	0.04	0.30	0.33	0.32	0.32	0.32	0.07	0.35	0.35	0.35	0.40	0.36	0.04
Africa	2.13	2.19	2.43	2.52	0.08	2.59	2.62	2.67	2.75	2.66	0.14	2.79	2.81	2.88	2.93	2.85	0.20
Total DCs	10.62	10.75	11.03	11.32	0.28	11.50	11.48	11.56	11.67	11.55	0.23	11.69	11.65	11.85	12.07	11.82	0.26
FSU	9.33	10.28	11.14	11.55	0.40	11.67	11.97	12.13	12.30	12.02	0.47	12.50	12.67	12.76	12.91	12.71	0.69
Russia	7.62	8.46	9.19	9.44	0.25	9.48	9.63	9.72	9.76	9.65	0.21	9.87	9.96	10.01	10.04	9.97	0.32
Kazakhstan	0.94	1.03	1.18	1.23	0.05	1.22	1.31	1.31	1.37	1.30	0.07	1.35	1.40	1.36	1.46	1.39	0.09
Azerbaijan	0.31	0.31	0.31	0.44	0.13	0.56	0.61	0.68	0.75	0.65	0.21	0.85	0.88	0.95	0.98	0.92	0.27
FSU others	0.45	0.47	0.47	0.44	-0.03	0.41	0.42	0.41	0.42	0.42	-0.02	0.43	0.43	0.43	0.43	0.43	0.01
Other Europe	0.18	0.17	0.17	0.16	-0.01	0.15	0.15	0.15	0.15	0.15	-0.01	0.15	0.15	0.15	0.15	0.15	0.00
China	3.39	3.41	3.49	3.62	0.13	3.68	3.70	3.67	3.64	3.67	0.06	3.75	3.70	3.73	3.76	3.73	0.06
Non-OPEC production	45.43	46.29	47.15	47.13	-0.02	47.38	47.31	47.56	48.05	47.58	0.45	48.46	48.38	48.63	49.54	48.76	1.18
Processing gains	1.73	1.80	1.83	1.86	0.03	1.92	1.89	1.88	1.92	1.90	0.04	1.92	1.90	1.90	1.93	1.91	0.01
Non-OPEC supply	47.16	48.09	48.98	48.99	0.01	49.30	49.20	49.44	49.97	49.48	0.49	50.38	50.28	50.53	51.47	50.67	1.19
OPEC NGL	3.42	3.57	3.85	3.89	0.04	4.05	4.10	4.17	4.18	4.13	0.24	4.23	4.28	4.38	4.53	4.35	0.23
OPEC Non-conventional	0.18	0.14	0.17	0.16	-0.01	0.13	0.12	0.15	0.15	0.14	-0.02	0.08	0.08	0.08	0.08	0.08	-0.06
OPEC (NGL+NCF)	3.60	3.71	4.02	4.04	0.02	4.18	4.22	4.33	4.33	4.27	0.22	4.31	4.36	4.46	4.61	4.44	0.17
Non-OPEC & OPEC (NGL+NCF)	50.76	51.80	53.00	53.03	0.03	53.47	53.42	53.76	54.30	53.74	0.71	54.69	54.64	54.99	56.08	55.10	1.36

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

Table 34: World Rig Count

	2002	2003	2004	Change 04/03	1Q 05	2Q 05	3Q 05	4Q 05	2005	Change 05/04	1Q 06	2Q 06	3Q 06	4Q 06	2006	Change 06/05	Mar 07	1Q 07	Apr 07	Change Apr/Mar 07
USA	831	1,032	1,190	158	1,279	1,336	1,419	1,478	1,378	188	1,519	1,632	1,719	1,719	1,648	270	1,749	1,733	1,751	2
Canada	266	372	369	-3	620	241	527	572	490	121	665	282	494	440	470	-20	392	532	101	-291
Mexico	65	92	110	18	114	116	104	93	107	-3	85	85	77	84	83	-24	91	90	85	-6
North America	1,162	1,496	1,669	173	2,013	1,693	2,050	2,143	1,975	306	2,269	1,999	2,290	2,243	2,200	225	2,232	2,355	1,937	-295
Norway	19	19	17	-2	15	18	19	17	17	0	19	20	16	9	16	-1	16	16	23	7
UK	26	20	16	-4	16	22	23	24	21	5	29	27	26	15	24	3	25	25	32	7
Western Europe	85	78	65	-13	56	67	68	68	65	0	77	78	73	65	73	8	74	72	84	10
OECD Pacific	17	18	22	4	24	25	27	24	25	3	25	28	25	28	27	2	21	24	32	11
Total OECD	1,264	1,592	1,755	163	2,093	1,785	2,146	2,234	2,065	310	2,371	2,105	2,389	2,336	2,300	235	2,327	2,450	2,053	-274
Other Asia	111	117	126	9	133	140	146	148	142	16	153	150	156	152	153	11	158	158	158	0
Latin America	106	116	126	10	133	138	141	151	141	15	149	162	164	165	160	19	194	195	185	-9
Middle East	62	70	70	0	69	71	73	75	72	2	72	79	82	85	80	8	81	82	84	3
Africa	39	43	51	8	56	56	51	57	54	3	59	62	68	77	67	13	84	75	75	-9
Total DCs	317	346	376	30	390	405	411	431	409	33	433	453	470	479	459	50	517	510	502	-15
Non-OPEC Rig Count	1,581	1,938	2,131	193	2,483	2,192	2,560	2,667	2,477	346	2,806	2,560	2,861	2,818	2,761	284	2,846	2,963	2,557	-289
Algeria	20	20	19	-1	20	21	22	21	21	2	21	21	28	27	24	3	26	25	25	-1
Angola	5	4	3	-1	3	3	3	2	3	0	4	4	4	4	4	1	5	5	5	0
Indonesia	46	45	49	4	53	53	55	59	54	5	55	43	46	52	49	-5	49	49	51	2
Iran	34	35	41	6	42	41	39	38	40	-1	40	45	47	45	44	4	52	51	51	-1
Iraq	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Kuwait	6	5	10	5	12	13	11	14	12	2	12	13	14	15	14	2	12	14	11	-1
Libya	10	10	10	0	10	9	8	8	9	-1	9	9	10	12	10	1	13	13	11	-2
Nigeria	12	10	8	-2	9	9	9	8	9	1	10	9	10	10	10	1	8	8	7	-1
Qatar	13	8	9	1	10	13	12	12	12	3	13	10	11	9	11	-1	14	11	10	-4
Saudi Arabia	32	32	32	0	33	34	37	43	36	4	54	60	70	76	65	29	75	76	73	-2
UAE	16	16	16	0	16	16	16	16	16	0	17	16	16	16	16	0	13	14	14	1
Venezuela	42	37	55	18	66	72	66	70	67	12	78	83	85	77	81	14	80	76	79	-1
OPEC Rig Count	236	222	252	30	274	284	278	291	279	27	313	313	341	341	327	48	347	342	337	-10
Worldwid Rig Count*	1,817	2,160	2,383	223	2,757	2,476	2,838	2,958	2,756	373	3,119	2,873	3,202	3,159	3,088	332	3,193	3,305	2,894	-299
of which:																				
Oil	758	816	877	61	961	870	990	1,015	959	82	1,069	1,060	1,169	1,156	1,114	155	1,261	1,266	1,126	-135
Gas	1,042	1,326	1,486	157	1,774	1,583	1,823	1,928	1,777	291	2,035	1,802	2,016	1,983	1,959	182	1,909	2,017	1,751	-158
Others	17	18	20	2	22	22	25	17	22	2	14	13	18	21	16	-6	23	20	17	-6

**/Excludes China and FSU.*

na - Not available.

Source: Baker Hughes International & Secretariat's Estimates.

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

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Data is provided by Data Services Department.

Data Summary May 2007

OPEC Basket average price

US$ per barrel

up 4.92 in April

April 2007	***63.39***
March 2007	*58.47*
Year-to-date	*56.66*

April OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.34*	*Iraq*	*2.08*	*Qatar*	*0.79*
Angola	*1.61*	*Kuwait*	*2.41*	*Saudi Arabia*	*8.55*
Indonesia	*0.85*	*SP Libyan AJ*	*1.68*	*UAE*	*2.50*
IR Iran	*3.79*	*Nigeria*	*2.17*	*Venezuela*	*2.37*
				TOTAL	***30.14***

Supply and demand

in million barrels per day

2006		***2007***	
World demand	*84.2*	*World demand*	*85.4*
Non-OPEC supply	*53.7*	*Non-OPEC supply*	*55.1*
Difference	***30.4***	***Difference***	***30.3***

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

Stocks

Total OECD stocks fell by 17 mb in March due to a product draw of 36 mb, partly offset by a 16 mb build in crude. In the USA, commercial oil stocks increased by 3.7 mb in April.

World economy

World GDP revised up to 4.8% in 2007.

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Next report to be issued on 14 June 2007.

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