Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

May 2008

Feature Article:
Lack of refinery flexibility impacting crude oil market

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Obere Donaustrasse 93, A-1020 Vienna, Austria
Tel +43 1 21112 Fax +43 1 2164320 E-mail: prid@opec.org Web site: www.opec.org

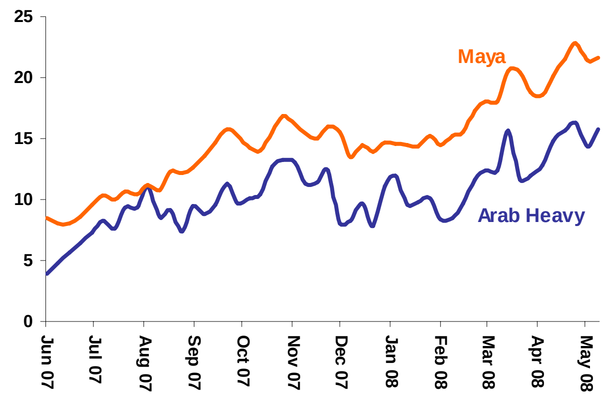
Oil Market Highlights

- The OPEC Reference Basket reached a record high in April, increasing $6.13 or almost 7% over the previous month to average $105.20/b. Prices rose on geopolitical developments in the Middle East and supply disruptions in West Africa and Europe. The weakening US dollar and economic uncertainty added to market volatility, along with sharp downward revisions to demand forecasts which were offset by signs of healthy demand in China. The bullish momentum continued in May on geopolitical trends and strike-related disruptions. In May, the Basket rose to just under $120/b before declining to stand at $118.78/b on 14 May.
- World economic growth is forecast at 3.9% in 2008, unchanged from the previous month amid signs that the credit crisis may be easing. Forecasts for Japan were revised slightly up while those for the Euro-zone slightly down. The forecast for the US is unchanged at 1.1%. In the narrow technical sense, the US is not yet in recession — advance figures for US GDP in the first quarter still indicate positive growth, albeit at a meager 0.6% yearly rate, mainly on continued strength in exports and a rise in inventories. US payrolls in April fell for the fourth month, but the loss of 20,000 jobs was much smaller than the average of 80,000/month in the first quarter of 2008. The PMI services index also surprised on the upside, rising above 50 for the first time in three months. Overall, the better-than-expected data and signs that the Fed's easing cycle was at an end, helped lift the dollar from its lows versus the euro and yen. Inflation continued to trouble China, India and other emerging markets and could dampen growth in the months ahead.
- World oil demand in April grew mostly in the non-OECD regions as was expected. OECD oil demand was very weak, although winter product demand improved across Europe. US oil consumption declined sharply, due to both the slowing economy and warm winter weather. Oil demand growth is expected to experience the typical seasonal low consumption in the second quarter. Moreover, this year's summer driving season is not likely to show its normal annual growth due to the anticipated weaker gasoline demand in the USA. World oil demand growth in 2008 is forecast at 1.2 mb/d y-o-y to average 86.95 mb/d, representing a slight downward revision from the previous month. Non-OECD countries — mainly China, the Middle East, India and Latin America — are expected to account for all of the demand growth. Demand in North America is forecast to be flat while oil demand in other OECD regions are expected to decline due to weakening transport fuel demand in the second quarter.
- Non-OPEC supply growth in 2008 is expected to average 0.7 mb/d, representing a slight downward revision from the previous month. Downward revisions made to Mexico, Norway, UK, Denmark, Australia, New Zealand, Brazil and Russia were partially offset by upward adjustments to India, Syria and Chad. Growth in OPEC NGLs and non-conventional oils for 2007 and 2008 now stand at 0.34 mb/d and 0.54 mb/d respectively. In April, OPEC crude oil production averaged 31.70 mb/d, a decline of 393 tb/d from the previous month as production in Nigeria and Iraq witnessed disruptions.
- Gasoline stock-draws in the US along with the tight distillate markets in Europe and Asia supported the product market, lifting refining margins across the globe. The current sentiment of the product market may be compounded further, providing support for crude prices as the driving season approaches. However, due to relatively comfortable gasoline stocks, particularly in the US, refining margins are not expected to boost sharply over the next months. Meanwhile, with technical restrictions in the downstream hindering any significant switch in the refinery mode to favour middle distillate production, the current tightness in middle of the barrel components might persist, supporting the market over the coming months.
- OPEC spot fixtures increased 0.58 mb/d to average 13.5 mb/d in April. Middle East spot fixtures to the East increased as well as global fixtures on the back of improving tonnage demand, while Middle East to West fixtures declined. OPEC sailings remained steady in April with only a minor decline, although increased chartering activities at the end of the month, which pushed up spot freight rates, point to a possible rise in global sailings in the coming month. As a result of the growing tonnage demand, the tanker market for crude oil increased in April on all reported routes. VLCC spot freight rates rose 7% on average from the previous month, marking the highest level since January.
- US total commercial oil stocks rose a further 2.6 mb in April to 973 mb to remain slightly above the five-year average. Crude oil stocks rose for the fourth consecutive month, adding 7.4 mb to hit 325 mb, their highest level since last July, while product stocks fell for the third consecutive month. Despite a draw of 13.6 mb, gasoline stocks remained at the upper end of their seasonal range. In EU-16 (Eur-15 plus Norway), total oil stocks fell 2 mb to stand at 1,111 mb in April, remaining in line with the five-year average since the beginning of the year. In March, Japan's commercial stocks recovered from a huge decline of February, rising for the first time since last October. Despite this recovery, stocks remained below the seasonal average, particularly crude oil inventories, which hit a new record low. Preliminary data for April indicate almost no change in stocks from the previous month.
- The demand for OPEC crude in 2007 is estimated to average 32.0 mb/d, an increase of 280 tb/d over the previous year. In 2008, the demand for OPEC crude is expected to average 31.8 mb/d, or 120 tb/d lower than in the previous year.

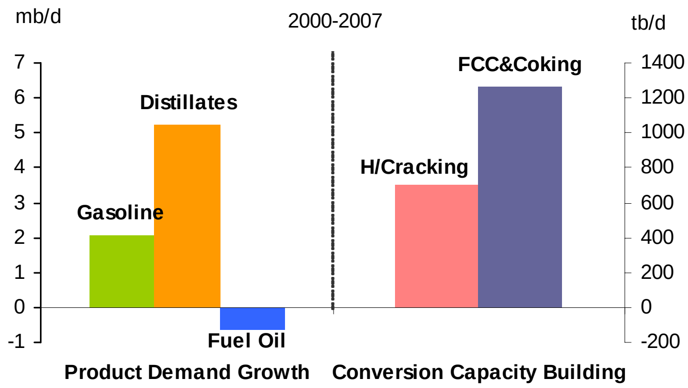
Lack of refinery flexibility impacting crude oil market

- Since the beginning of the year, crude oil prices have surged, with WTI rising from around $99/b to set an all time high of more than $126/b in early May. The depreciation of the US dollar has played an important role in the rise in prices, which along with the increased flow of new speculative investments in crude oil futures, has helped push prices further out of line with the levels justified by fundamentals.
- The upward price trend has come despite a number of bearish developments. Forecasts for world oil demand growth this year by major institutions have been revised down sharply in recent months, OECD commercials stocks remain above the five-year average in both absolute terms and in days of forward cover, and US commercial crude stocks have risen to nine-month highs. At the same time, OPEC continues to produce at around 32 mb/d and spare capacity has grown to now stand at more than 3 mb/d. The start-up of new projects, such as the 500,000-b/d Khursaniyah field in Saudi Arabia, should help to further ease market fundamentals.
- The surge in crude oil prices since the start of this year has not been equal across all crude grades. While light sweet WTI crude has increased by more than $24/b, heavy grades have risen by much less, resulting in a widening differential between light sweet and heavy sour crudes. As ***Graph 1*** illustrates, the differential between WTI and Maya has increased from around $8 last June to more than $20 at the beginning of May. This disparity can be attributed to a shortage of complex refinery capacity which is able to extract a higher yield of light products from heavy grades.

Graph 1: Crude differential to WTI(US$/b)



Graph 2: Product demand growth vs. change in conversion capacity



- Refinery economics have weakened since the middle of 2007 largely due to rising crude costs. Refining margins for WTI crude on the US Gulf Coast plunged from around $25/b in May last year to less than $4/b in December. Other markets have also seen sharply lower margins. This has encouraged refiners to trim throughputs as much as economically possible, negatively affecting distillate stock levels across the globe. The relatively cold winter in the Western Hemisphere also reinforced the downward stock trend for winter fuels.
- These developments, along with spring refinery turnaround schedules and rising global demand for diesel, have significantly lifted gasoil prices in recent months to very high levels for this time of year. The spread between gasoil and gasoline in the North West Europe market has surged from minus $2.41/b in April 2007 to almost $30/b last month. Similarly, in Singapore and the US Gulf, the spread reached more than $25/b and around $14/b respectively.
- Although gasoline margins have somewhat improved following consecutive stock draws over the last few weeks in the US, they remain below the levels seen in the same period last year. Margins are not expected to strengthen significantly over the coming months due to a slowdown in gasoline consumption and an increasing volume of ethanol in the gasoline pool.
- During the period 2000 to 2007, the growth in distillate demand outpaced the increase in gasoline consumption, mainly because of the resilient economic situation in developing countries and more recently the increased use of diesel generators. While distillate demand rose by 5.2 mb/d, gasoline consumption increased by only 2 mb/d and fuel oil demand declined (*see **Graph 2***). Over the same period, refiners built 1.2 mb/d of conversion units for gasoline but only 700,000 b/d of conversion units for distillates, resulting in a mismatch between product demand and refinery output. The lack of refinery operational flexibility due to a shortage of proper conversion units to produce more middle distillates has left refiners with little option but to increase light grade throughputs, resulting in a widening spread between light and heavy crude.
- Thus, under current market conditions, the persistent mismatch between the product demand pattern and the refinery configuration has focused further upward pressure on light crude prices. Downstream constraints are continuing to contribute to the high risk premium for these grades, leaving the market increasingly sensitive to any disruption in light crude supplies.

Vienna, Austria **8 May 2008**

Press statement by

Abdalla Salem El-Badri
Secretary General

In recent months, oil prices have become increasingly volatile, mainly driven by financial market developments and the increased flow of speculative funds into oil futures. The turmoil in some global equity markets and the considerable depreciation in the US dollar have encouraged investors to seek better returns in commodities, particularly in the crude oil futures market. This has driven prices higher.

There is clearly no shortage of oil in the market. OECD commercial oil stocks remain above the five-year average, with days of forward cover at a comfortable level of more than 53 days. US crude inventories, meanwhile, rose by almost six million barrels last week, which is a further indication that oil supplies are plentiful. OPEC Member Countries continue to produce at more than 32 million barrels a day (mb/d). In addition, a number of new OPEC crude oil projects have started to come on-stream and OPEC spare capacity continues to increase, with the figure currently standing above 3 mb/d. At the same time, crude oil movements indicate that some Member Countries are unable to find buyers for their additional supply.

OPEC will continue to be proactive and monitor these developments closely. The Organization stands ready to act if the market shows a need for any further measures.

The Organization will continue to strive for a stable and balanced market, with prices that reflect fundamentals, and are favourable to both producers and consumers.

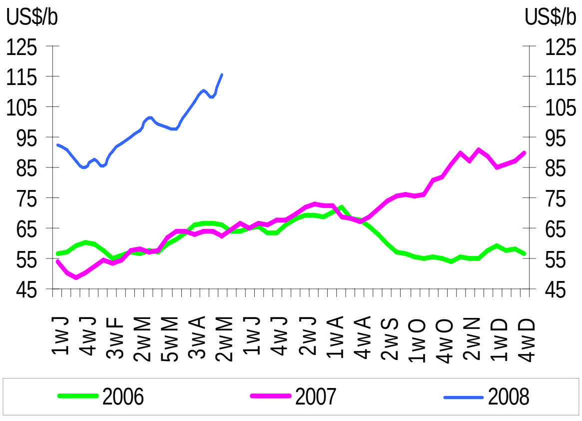
Crude Oil Price Movements

The weaker US dollar and geopolitical developments pressured the market in April

OPEC Reference Basket

The market had a slow start in April as procurement softened. Iraq resumed production at its southern outlet after a pipeline disruption cut output nearly in half. The weaker outlook for the US economy and a rebound in the dollar supported the bearishness in the marketplace. Nonetheless, the strong gasoil crack spread and a drop in US gasoline stocks provided some support for prices. Thus, the OPEC Reference Basket averaged the first week down 0.6% or 62¢ to close at $97.29/b, after dropping by nearly $3. In the second week, volatility continued amid a rebound in the US dollar and a downward revision in the demand outlook while refineries were running at a slow rate. However, a further depletion of petroleum stocks revived concern over product supplies. This bullish momentum was furthered by a fire at a European refinery. Thus, the OPEC Reference Basket soared $4.95 or over 5% to average at a new record-high of $102.60/b.

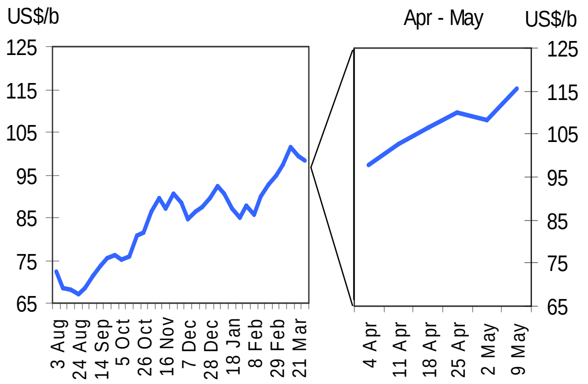
Graph 1: OPEC Reference Basket - weekly spot crude



In the third week, supply concerns in West Africa and bullish US petroleum data continued to pressure the market amid a weakening dollar which attracted an influx of investment buying. A strong sign of demand growth in China on the back of the healthy economic growth of 10.6% in the first quarter sustained market strength. In weekly terms, the Basket averaged up by $3.79 or 3.7% higher to set another record of $106.40/b. The stride continued into the fourth week amid geopolitical developments in the Middle East and West Africa as well as the UK where a refiners' strike threatened to halt as much as half of oil and gas production in the North Sea. A port workers' strike in France kept the bulls strong. In the fourth week, the Basket surged by 3.5% or $3.77 for another record-high of $110.10/b. In the final days of the month, the Basket dipped following a rebound in the US dollar exchange rate and an end to the strike in the UK. In the last days, the Basket averaged $109.62/b.

On a monthly basis, the OPEC Reference Basket reached a record-high of $105.20/b in April, an increase of $6.13 or well over 6%. Lower refinery output and geopolitical developments in the Middle East, West Africa and Europe maintained the bullish momentum. The volatility in the US dollar also kept prices fluctuating on the back of the weaker economic outlook and softening demand. Yet healthy demand from China was seen keeping demand firm. In the first days in May, the bullish momentum continued over the first days of May on further geopolitical developments in the Middle East, the continued port workers' strike in France, and a report forecasting the possibility that oil prices could reach as high as $200/b. In May, the Basket rose to just under $120/b before declining to stand at $118.78/b on 14 May.

Graph 2: Weekly average Basket price, 2007-2008

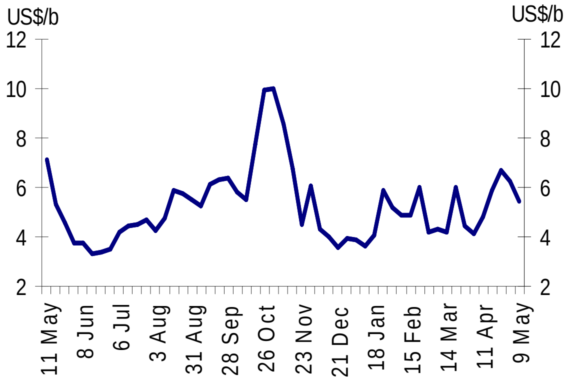


Light sweet grades were supported by product stock-draws and the narrowing transatlantic spread

US market

Improved refining margins supported the US domestic market in the start of April. The narrowing transatlantic spread also lent support to the sweet grade while a larger-than-expected draw on gasoline inventories supported higher light grade differentials. The WTI/WTS spread narrowed 32¢ to $4.11/b. Light grade differentials softened in the second week amid the wider transatlantic spread. The WTI/WTS spread strengthened 68¢ to average $4.79/b in the second week. In the third week, high outright prices weakened refining margins pressuring light grade. A wider arbitrage window for inbound rival grade weakened sour crude further. However, a hefty draw on gasoline stocks in the US prevented the light grade from plunging further. Thus, in the third week the average WTI/WTS spread widened $1.08 wider to $5.87/b. In the fourth week, the spread strengthened on the back of the continued wide transatlantic spread, higher US crude stocks amid rising imports. The WTI/WTS spread gained 82¢ to reach $6.69/b, the widest level in some six months. In the final days of the month, the WTI/WTS spread declined to $6.02/b on rising demand for light-end products while gasoline stocks were depleting. The April monthly average for WTI was $7.23 or nearly 7% higher at $112.64/b, with the premium to WTS increasing by 91¢ wider to $5.52/b, the widest level since November.

Graph 3: WTI spread to WTS, 2007-2008

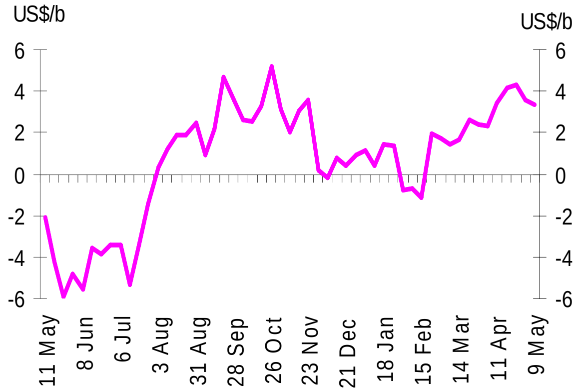


Lower buying interest led to an overhang in North Sea barrels

North Sea market

Weak refining margins dominated the bearish market sentiment in the North Sea. The overhang of prompt barrels added to weakness in the regional marketplace. However, a recovery in refining margins prompted covering of short positions lending support to the market. Brent discount to WTI averaged the first week at $2.31 or 9¢ narrower. In the second week, a lack of buying interest amid ample supplies and the steady May North Sea loading programme added to the calmness in the market. The WTI/Brent spread widened by $1.11 to $3.42/b, the widest level since October. The North Sea market came under mounting pressure as refineries returned from maintenance which was expected to pressure margins. Nonetheless, the forward structure flipped into contango providing incentives to store crude oil. The Brent discount to WTI was 77¢ wider to average the third week at $4.19/b. The market, which began in the fourth week on a steady note amid ample supply, was disrupted by a planned Scotland refinery strike that reduced Forties production by nearly half. A port workers' strike in France kept the bullish momentum intact on fears over petroleum traffic disruption and bottlenecks. Hence, trading activities were somewhat idle prompting a wider spread for Brent under WTI to average the week at $4.33/b for a gain of 14¢. In the final days of the month, market sentiment improved as Forties trade activities resumed, the strike was over and production was underway. Hence, the WTI/Brent spread averaged at $2.78/b. In monthly terms, Brent averaged at $108.97/b in April with the discount to WTI doubling to $3.67/b, the widest level since Brent resumed a discount since a year ago.

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



Improved refinery margins supported the sour market in the Mediterranean

Mediterranean market

The expectation of higher demand in the Mediterranean supported Urals as sweet crudes were under pressure. Outlook for higher exports also lent support to the sour grade. Urals discount to Brent narrowed 5¢ to average the first week at $ 3.47/b. Moreover, improved refining margins prompted a buying spree in the second week. Hence, clearing April barrels supported Urals crude. The second weekly average for Urals discount to Brent was 45¢ narrower at $3.02/b. Refining margins continued to improve in the Mediterranean. The Brent premium to Urals averaged $2.60/b or 42¢ narrower in the third week. In the fourth week, high outright prices triggered skepticism over market direction. A workers' strike at a port in France kept sentiment weaker amid ample supply. Lower margins also contributed to market bearishness. Hence, Urals discount to Brent widened 66¢ to $3.26/b. In the final days, ample supplies continued to pressure the regional market with Urals discount to Brent widening to $4.05/b. In monthly terms, Urals averaged $105.75/b in April for a gain of $6.80 or nearly 7% with the discount to Brent narrowing $1.41 to $3.22/b, the narrowest level in three months.

Healthy gasoil crack spread prompted demand for Mideast crude

Middle Eastern market

The Middle East market emerged on a firmer note amid healthy trade on the DME of Oman barrels. June Oman kicked off at 10-15¢ premium on the DME. However, higher-than-expected retroactive OSPs pressured the regional grades, while the strong gasoil crack spread kept the market firm in the first week. The Brent/Dubai spread averaged the first week narrower by 51¢ to $5.07/b. Furthermore, the market firmed in the second week on lower price differentials by a Mideast major on a weaker fuel oil crack spread. The limited arbitrage for rival grade to move eastward supported the market sentiment for Middle East crude. Continued improvement in the gasoil crack spread supported the market. Abu Dhabi Murban was assessed at a 20-27¢ premium to ADNOC's OSP. In the second week, the Brent/Dubai spread averaged $5.72 or 65¢ wider. Continued healthy gasoil margins amid a fuel oil tank fire at Japan's 180,000 b/d Muroan refinery supported market sentiment. June Oman traded at a 90¢/b premium to MOG. The Dubai discount to Brent was 11¢ narrower at $5.83/b in the third week. High outright prices and premiums pressured regional crude in quiet activities while prompt June barrels were clearing. Oman was heard traded at a 10-13¢/b premium to OSPs. Brent/Dubai spread averaged the fourth week at $6.09 or 26¢ wider. In the final days, the Middle East crude market turned its focus to the prospect of record high retroactive OSPs while the few remaining June cargoes came under further pressure. The Dubai discount to Brent narrowed by $4.70/b, inspiring the flow of rival grades. Dubai averaged the month at $103.41/b, representing a gain of $6.69 or almost 7%, with the discount to Brent averaging $1.30 narrower at $5.56/b.

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

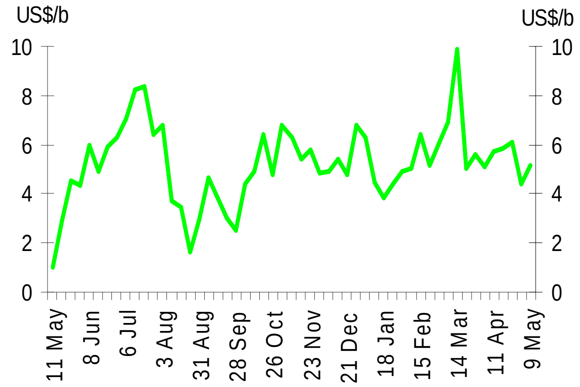


Table 1: OPEC Reference Basket and selected crudes, US$/b

	Mar 08	Apr 08	Change Apr/Mar	Year-to-Date 2007	Year-to-Date 2008
OPEC Reference Basket	**99.03**	**105.16**	**6.13**	**56.77**	**95.78**
Arab Light	99.23	106.05	6.82	56.42	96.32
Basrah Light	97.19	103.28	6.09	53.55	93.59
BCF-17	89.12	94.10	4.98	48.86	86.04
Bonny Light	106.68	112.52	5.84	62.49	102.73
Es Sider	103.03	108.42	5.39	58.53	99.25
Girassol	101.46	107.38	5.92	58.84	97.38
Iran Heavy	96.68	102.23	5.55	54.29	93.43
Kuwait Export	95.58	101.25	5.67	54.41	92.54
Marine	97.67	104.30	6.63	58.05	95.11
Minas	104.62	109.02	4.40	61.24	101.11
Murban	102.15	109.44	7.29	61.79	99.47
Oriente	90.27	98.06	7.79	50.82	87.22
Saharan Blend	105.68	111.57	5.89	62.23	101.87
Other Crudes					
Dubai	96.72	103.41	6.69	57.47	94.22
Isthmus	99.79	106.60	6.81	54.84	96.17
T.J. Light	96.80	103.29	6.49	53.20	93.40
Brent	103.58	108.97	5.39	60.08	99.85
W Texas Intermediate	105.41	112.64	7.23	59.42	101.54
Differentials					
WTI/Brent	1.83	3.67	1.84	-0.66	1.69
Brent/Dubai	6.86	5.56	-1.30	2.62	5.64

Note: Effective 19th of October 2007, the Ecuadorian crude Oriente has been incorporated in the OPEC Reference Basket.

The revised monthly OPEC Basket is:

October 2007: US$ 79.32
November 2007: US$ 88.84
December 2007: US$ 87.05
Year 2007: US$ 69.08

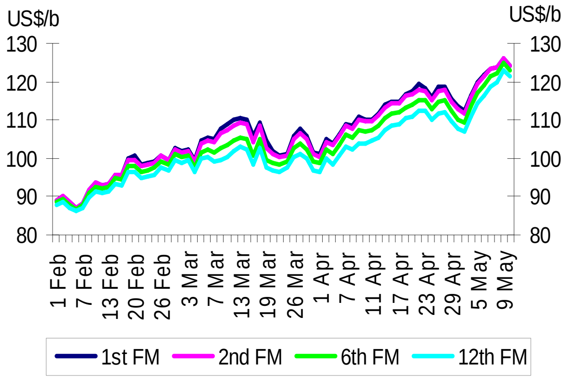
Source: Platt's, Direct Communication and Secretariat's assessments.

The Oil Futures Market

Concern over global geopolitical developments and weakness in the dollar encouraged further speculative investment into the energy futures

The CFTC reported that in the first weekly period non-commercials on the Nymex reduced net positions by 6,800 lots to net longs of 47,100, the narrowest level in eight weeks. Nonetheless, open interest volume rose by some 19,000 to 1,381,600. With options included, open interest volume increased by a healthy 69 400 lots to 2,874,800. The market emerged on a stronger note amid the weak US dollar and bullish petroleum data while supply from southern Iraq was disrupted. The sentiment softened later in the period amid the recovery of the dollar at a time of weak demand outlook and recovery in Iraq output. Nymex WTI averaged the week $2.23 higher to close the weekly period with a decline of 24¢ to $100.98/b.

Graph 6: Nymex WTI futures prices,2008



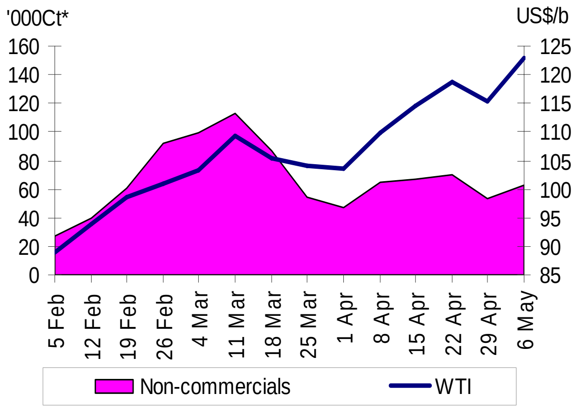
FM = future month

In the second weekly period, volatility continued on the back of fluctuations in the US dollar exchange rate, gasoline supply concerns and a glitch at Neste Oil's Porvoo refinery in Finland setting alertness to supply of low-emission traffic fuels. Nymex WTI front-month contracts surged to a new record of $108.50/b to average the week at $106.50/b for a gain of $2.17 or 2%. Moreover, CFTC data showed that non-commercials increased net long volumes by 17,600 lots to 64,700 amid a healthy increase in longs while short positions declined. Open interest rose 30,700 lots to 1,412,300. With options included, open interest was 69,000 lots wider at 2,943,800.

In the third weekly period, CFTC data revealed that non-commercials increased net longs by a marginal 1,800 lots to 66,500 as the increase in longs outpaced the rise in shorts. Open interest volume rose another 29,000 lots to 1,441,400. With options included, open interest was 67,500 contracts higher to reach a record of over 3 million. Bullishness dominated in the third week on a distillate supply shortfall, dollar weakness and a refinery strike in Scotland cutting Forties supply in half. The weak outlook for the economy and a recovery in the US dollar contributed some short-lived bearishness. The Nymex WTI prompt month contracts closed the week at $113.79 for a gain of $5.29 or nearly 5% higher to average the week up by $4.83 or 4.5% at $111.33/b. In the fourth weekly period, the upward trend continued on the back of crude and gasoline supplies, outages from Nigeria and a strike at a refinery in Scotland. The Nymex WTI front-month closed $5.58 or almost 5% higher to settle at a record of $119.37/b to average the weekly period up by $5.34 or 4.8% at $116.67/b. At the close of the weekly period, the CFTC reported that non-commercial net longs rose by 4,000 lots to a five-week high of 70,600. Nonetheless, open interest fell by a significant 104,300 lots to 1,337,000 on hefty liquidation of commercial volumes. With options included, open interest volume plunged by 215,000 lots to 2,796,300. In the final weekly period, the CFTC reported that non-commercials shed net longs by a hefty 17,300 lots to 53,300. In contrast, open interest volume was up by 28,400 to 1,365,500 lots. With options included, open interest volume rose a healthy 104,600 lots to 2,900,900. In the final week, Nymex WTI closed the period down by $3.74 or over 3%, but averaged the week higher by 78¢ at $117.45/b.

In monthly terms, Nymex WTI averaged $112.47 in April for a gain of $7.05 or 6.7% higher over previous month and more than 75% higher than a year ago. Despite higher OPEC output and lower demand growth expectations, the market remained bullish on geopolitical developments in the Middle East and production disruptions in West Africa and Europe. The weak US dollar supported the flow of speculative investment into the energy market. Lower refinery run rates foreseen undermining seasonal fuel stocks prompted jitteriness in the marketplace. Non-commercial net longs averaged 23,800 lower than in the previous month, at 60,400 lots, and 12,800 lots lower than last year. Open interest volume averaged 1,387,600 lots, but was 38,800 lots lower than in the previous month, although 70,200 lots higher than last year. Including options, open interest averaged 60,500 lots higher than in April to stand at 2,905,400 lots, a gain of 571,900 lots over last year.

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



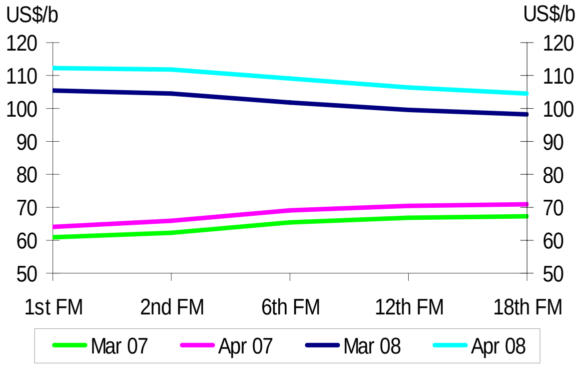
NC = Non-commercials: funds, investments and banks.
Ct = *Each contract is 1,000 barrels.

The Forward Structure

Lower refinery runs and higher OPEC output supported inventory builds to narrow the backwardation spread

Crude oil inventories rose in the US in April to average 316.4 mb, representing a gain of 2.8 mb over the previous month, but a decline of 17.6 mb compared to last year. Inventories remained higher than the five-year average. Hence, the $1^{st}/2^{nd}$ month backwardation spread was 27¢ narrower at 67¢/b, compared to the $1.80/b contango last year. Moreover, the $1^{st}/6^{th}$, $1^{st}/12^{th}$ and $1^{st}/18^{th}$ month spreads were $3.21, $6.08 and $8.02 respectively. While the near month spread narrowed, the farther out month spread widened. Higher OPEC supply and lower refinery runs due to poor margins contributed to crude oil stock-builds.

Graph 8: Nymex WTI forward curve



FM = future month

Commodity Markets

Commodity prices experienced a mild deceleration in April led by negative growth in the non-fuel markets

Trends in selected commodity markets

The IMF commodity index reported slower growth of 4.7% in April month-on-month (m-o-m), essentially linked to the negative growth in the non-energy commodity index as the energy sector rose by 7% supported by crude oil and natural gas prices. The World Bank estimated that the non-energy commodity price rose by 2.1% in April from the previous month, which is explained by the inclusion of **fertilizer prices** which are not considered within the IMF non-energy price index (*see **Table 2***). Fertilizers increased strongly owing to the expansion of crop plantations in the Northern Hemisphere, capacity constraints, export taxes in Russia and China and higher crude oil prices.

After mild revisions to March figures for the IMF energy commodity index (crude oil, natural gas and coal), the picture remained rather similar in April with crude prices rising 7.2% m-o-m and 66.8% higher than a year ago.

Natural gas prices in Europe increased by 10.4% in March relative to the previous month as imported gas contracts are indexed to oil and petroleum contracts.

US natural gas price rose 8.2% compared to 10% during March/February but at $366.5/tcm gas is still 34% higher than a year ago. This is attributed to the colder-than-normal temperature patterns, restricted LNG imports from Canada and production constraints in the Gulf of Mexico. The weekly storage numbers in April still reflect a significant deficit of inventories at this time of the year. Record crude oil prices were an important factor in explaining the development of natural gas prices.

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

	% Change			% Change
	Feb/Jan	Mar/Feb	Apr/Mar	Apr 08/Apr 07
Commodity	5.3	5.8	4.7	46.8
Non-Fuel	6.9	3.8	-0.2	17.9
Energy	4.4	6.9	7.2	66.8
Crude	3.2	8.6	7.1	67.5
Natural Gas	7.0	10.1	8.2	34.0
Gold*	3.7	5.0	-6.1	33.9
Food	8.2	4.2	-0.2	45.6
Corn	6.5	6.3	5.5	61.7
Soybean meal	5.4	-4.3	-1.2	69.3
Soybean oil	14.4	1.0	-2.2	80.9
Soybeans	10.0	-2.5	-2.6	78.2
Wheat	15.0	3.5	-17.6	82.7
Rice	22.7	39.8	50.9	215.0
Industrial metals	7.0	5.4	-1.1	-1.5
Aluminium	13.4	8.2	-1.5	5.4
Copper	12.2	6.2	3.3	12.4
Nickel	1.0	10.8	-7.4	-42.4
Zinc	4.0	2.1	-9.3	-36.1
Fertilizers**	-10.9	27.5	17.3	na

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

Industrial metal prices dropped by 1% in April from last month

Non-fuel prices showed negative growth of 0.2% in April owing to a sharp decline in industrial metals, metals and food price indices according to the IMF. Nevertheless, the drop in the non-fuel prices index is milder when fertilizer prices are included.

Industrial metal prices saw negative growth (1%) m-o-m in April, 6 percentage points lower than in March in response to growing inventories, temporary weaker Chinese demand and pessimism over global demand and the US economic situation. As in March, the worse performance corresponded to those metals with weaker fundamentals such as zinc and nickel. Zinc fell by 9.9% in April due to a constellation of factors, e.g. rising inventories, weak demand and recovery of the Chinese production.

Nickel prices dropped 7.4% owing to higher stocks combined with a poor recovery in steel production.

Copper prices performed better than other commodities due to lower stocks and strike-related developments. However, the growth in copper price halved in April falling to 3% m-o-m (*see* ***Table 2***) on the slower rate of decline of LME inventories but supply constraints are expected to continue to move the entire forward curve higher.

Spot gold prices declined by 6% to stand at $909.7/oz in April on a monthly basis (*see* ***Table 2***). A negative factor was the recovery of the dollar in late April which led to a sharp correction through profit-taking and liquidation (*see* ***Graph 9***). Another factor has been the asset rotation in favour of equities and treasuries along with weaker jewelry demand which is expected to continue for the whole 2008 due to record gold prices and the gloomy outlook for the global economy.

The IMF food price index fell by 0.2% in April m-o-m but according to the World Bank food prices rose by 2.2% in April m-o-m, which may be due to the inclusion of different price quotations for some commodities such as soybean meal, soybean oil and soybeans.

The slower growth of the food price index was mainly caused by the negative 17% m-o-m growth recorded by wheat in April on expectations of higher global production especially from Australia, which was affected by droughts last year.

Palm oil prices also declined 6% owing to expectations for higher production and exports in Asia.

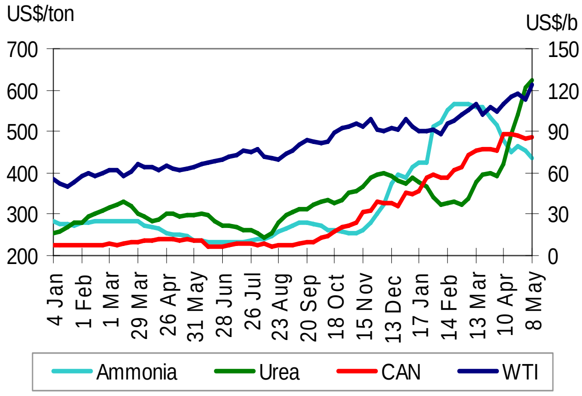
Rice prices surged 51% to $1,015/mt in April from March, 215% higher than the year-ago level fueled by strong import demand, export restrictions in a number of countries and growing worries over a world food price rally. The most important feature about rice is that only 7% of global production is exported and exports are declining due to several obstacles such as hoarding and export restrictions with growing government concern about food security. China passed on a 5% export tax at the start of the year.

Corn prices continued to increase, rising 6% in April m-o-m sustained by supply constraints related to expected lower 2008 US corn planting and recent unfavourable weather conditions in the US. Growing demand in the US food, fuel and feed sectors along with a rally in crude oil prices, strong Chinese demand, competing acreage allocation, and low inventories have also had an impact.

Soybean oil prices fell back from previous highs but are supported by falling stocks, growing Chinese demand and the bio-diesel industry (*see* ***Table 2***).
For this reason, the outlook for corn and the grain complex as a whole remains positive for 2008 despite concerns about the worsening economic conditions.

Fertilizer prices jumped with Urea, TSP, DAP, phosphate rock and potassium chloride rising by 25%, 18%, 15%, 14% and 7% respectively. The higher prices were due to the expansion of crop plantations in the Northern Hemisphere, capacity constraints and the adoption of export taxes in Russia and China as well as high crude oil prices (*see **Graph 9***).

Graph 9: Fertilizer prices vs WTI crude oil prices, 2007-2008



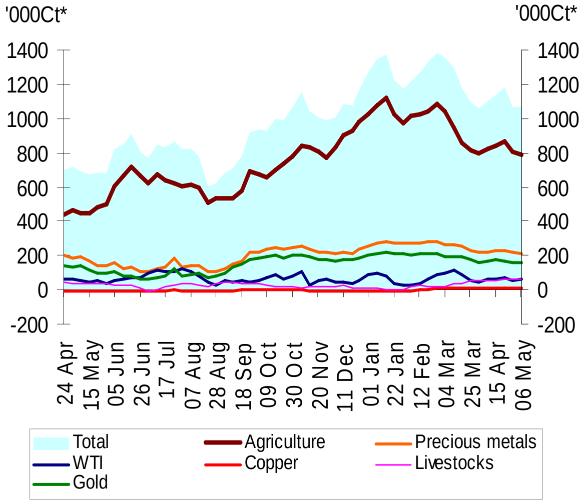
CAN = Calcium Ammonium Nitrate

Investment flow into commodities

Speculative net inflows in major US commodity markets increased during the first three weeks of April followed by a sharp decline in the final week and a recovery at the beginning of May

Contrary to the trend in February, Graph 10 indicates that net long-liquidation in major non-commercial futures positions for the US commodity markets covered by the CFTC rebounded during most of April but a strong 105,000 contract drop took place in the last week. Nevertheless, at 1,071,693 volumes are still high. Some recovery was observed in the total non-commercial net inflow in the first week of May which was essentially ascribed to the inflow of capital into the crude oil markets due to the rally in prices.

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



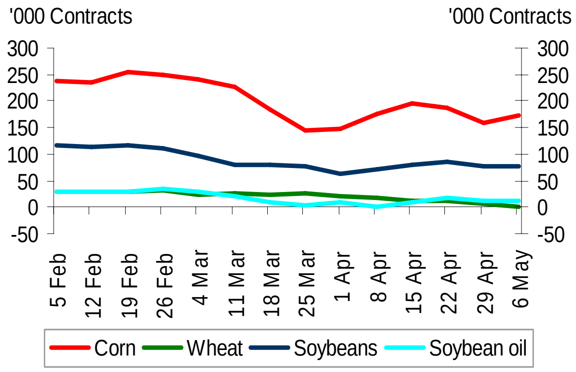
Ct = *Each contract is 1,000 barrels.

Copper net speculative length dropped by 27,172 contracts to 6,564 in the last week of April with the net speculative length in this market remaining in the positive territory and it was up in the first week of May.

Agricultural speculative net length positions recovered in most of April, except for the last week of the month when a strong liquidation of 66,355 contracts occurred (*see* **Graph *10***) but a recovery can be seen in the first week of May supported partly by the bullish sentiment for corn.

CFTC data show that funds became bearish on wheat with a marginal increase in long non-commercials and a jump in shorts which led to a reduction of non-commercial length.

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



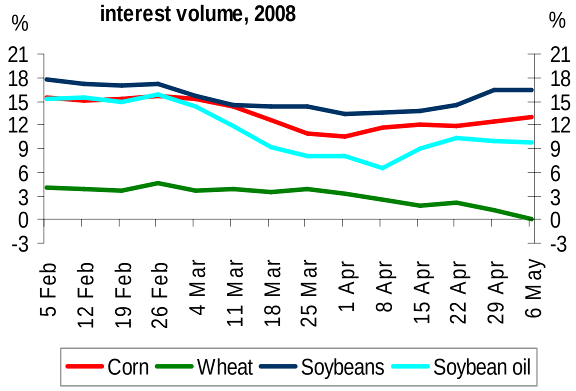
Source: CFTC

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

In weekly terms, gold speculative net length declined slightly throughout most of April and the beginning of May which was linked to lower gold prices.

The backwardation in some commodity markets such as coal, crude oil and natural gas seems to be encouraging an improving profile of commodity baskets which is one of the factors behind the spike in the issuance of commodity-structured products during this year to the point that at present it is larger than credit- or inflation-linked products. According to a Barclays report for 8 May, the year-to-date issuance of commodity-linked structures including ETPs reached around $10 bn, up from $4. 6bn over the same period last year.

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



Source: CFTC

Highlights of the World Economy

Economic growth rates 2007-2008, %

	World*	OECD	USA	Japan	Euro-zone	China	India
2007	4.9	2.7	2.2	2.0	2.6	11.9	8.6
2008	3.9	1.7	1.1	1.4	1.6	9.7	8.0

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

Industrialised countries

United States of America

First quarter US GDP still positive but economic downturn could prove lengthy

Recent economic data have lessened the negative sentiment prevalent in the first quarter leading to apperception that the US economic slowdown or possible recession would be mild. However given the continued deep contraction in the housing sector and easing but still existent financial market tensions, there is a widening perception that the slowdown may be U-shaped rather than V-shaped and that the recovery may not be forthcoming before 2009. According to the April quarterly Fed Senior Loans Officer's Survey, the share of banks tightening credit conditions for companies and consumers approached a record of 70% in April compared to 45% in January. This may prove to be a drag on economic growth in the coming months.

In the narrow technical sense, the US is not yet in recession- advance figures for US GDP in the first quarter still indicate positive growth, albeit at a meager 0.6% seasonally adjusted annualized rate, mainly supported by continued strength in exports (+5.5%) and a build in inventories. The housing sector remained in deep recession. Residential investment fell by 26.7%, subtracting 1.23 percentage points from growth in Q1 almost to the same tune as in the previous quarter. New and existing homes sales slipped further in March. New home sales fell 8.5% on the month (36% y/y), reaching a seasonally adjusted annual rate of 526,000, the lowest level in sixteen years, while the median price of a new home sold in March was $227,600, down 13.3% from a year earlier. The National Association of Realtors (NAR) reported that existing home sales fell by 2% in March to an annual pace of 4.93 mn or 19.3% below the 6.11 mn a year earlier. Supply is now equivalent to almost 10 months for existing homes, compared to a normal six months inventory level.

First quarter GDP figures also revealed a marked slowdown in private consumption expenditure growth of 1%, the slowest pace since the recession in 2001. Private consumption is expected to remain weak in the coming quarters despite the fiscal stimulus package which is may push up growth in the third quarter but not much beyond. Retail sales, which account for around 50% of private consumption, fell by 0.2% in April. Excluding autos and parts, however, sales rose by a higher-than-expected 0.5%. Autos fell by 2.8% in April following a drop of 0.5% in March indicating that consumers are avoiding buying big-ticket items. In April, cars and light trucks sold at an annual pace of 14.4 million in April, the lowest in a decade.

At the same time, consumer confidence continued to fall. The Conference Board reported that its consumer confidence index, based on a representative sample of 5,000 U.S. households, fell to a new five-year-low of 62.3 (1985=100), down from 65.9 in March, mainly as a result of a large drop in the Present Situation Index which decreased to 80.7 from 90.6. The Expectations Index was virtually unchanged at 50.1 versus 49.4 in March. Consumers remained worried about jobs, record gasoline prices and falling home values.

Employment is another important indicator besides output and income in determining whether a recession is underway. Payrolls in April fell for the fourth month, usually a recessionary sign, but the loss of 20,000 jobs was much milder than the average of 80,000/month in the first quarter of 2008 and these in turn were smaller than job losses experienced in previous downturns, especially in 2001. The unemployment rate dropped by 0.1% to 5%.

The Institute of Supply Management (ISM) index for the non-manufacturing sector (services), which represents the bulk of the economy, surprised on the upside. The overall diffusion index in April rose to 52 from 49.6 in March, rising above the 50% level separating expansion from contraction for the first time in three months. The index was well above the low point of 41.9 reached last January. The index covers retail transportation, health care sectors as well as finance, real estate and construction. The service sector employment sub-index rose an encouraging 3.9 points to 50.8 after three consecutive months of contraction. The same development could not be observed in the more closely watched ISM manufacturing index, which represents around 12% of GDP. It stagnated at 48.6, unchanged from the previous month and has been below the 50%

threshold for four out of the last five months. The employment sub-index fell to 45.4 from 49.2 in March indicating that manufacturing sector continued to shed jobs. However, strong exports probably prevented an even deeper decline in manufacturing.

The latest interest rate cut of 25 basis points at the end of April is perhaps the last for many months as the Fed is generally expected to keep the benchmark interest rate unchanged at its next meeting on June 25, in order to gauge the effects of its 3.25 percentage points marathon easing and on account of the persistent inflation. However, the latest figures for April show that the rise in consumer prices at 0.2% (seasonally adjusted) has eased somewhat compared with previous months. The headline CPI rose by 3.9% from year ago, lower that 4% plus in the last months, while core inflation, excluding food and energy, rose by 2.3% from 2.4% last month. Seasonally adjusted energy prices were unchanged after a 1.9% increase in March as gasoline prices dropped 2%. On the other hand, food prices, which account for about a fifth of the CPI, surged 0.9% percent, the most since January 1990.

Overall, the better-than-expected data and the possible end of the Fed's easing cycle helped lift the dollar from its lows versus the euro and yen. Our forecast for US economic growth in 2008 remains unchanged from last month at 1.1%.

Japan

Bank of Japan remains concerned about Japanese economic prospects; monetary policy to remain on hold

The Bank of Japan cut its growth forecast and raised its inflation estimate for the Japanese economy towards the end of April in its report on the *Outlook for Economic Activity and Prices*, while omitting to refer to the need for an increase in interest rates, as it had done previously. The Japanese benchmark rate presently at 0.5% is the lowest among OECD countries. The central bank fears that the "virtuous cycle of higher production feeding into income and spending has been weakening". The Bank expects the Japanese economy to grow at a near-potential rate of 1.5% in the fiscal year ending March 2009, down from its October forecast of above-potential growth of 2.1%. It attributers the economic slowing mainly to the effects of high energy and materials prices. Japan's core consumer prices rose 1.2% in March from a year earlier, indicating that real interest rates had turned negative. The central bank expects core prices, which in Japan exclude fresh food but include energy, to rise by 1.1% this fiscal year.

With inflation for staple items rising faster than incomes, it is not expected that private consumption, which accounts for more than half the economy, will be able to compensate for the slowdown in export growth resulting from the strong yen appreciation and the US slowdown. Consumers reduced spending at the fastest pace in 15 months in March as prices of frequently purchased goods rose 3.2%, the most in more than three years, while wages rose 1.2% in the month. Household spending fell by 1.6% in March after being flat in February and increasing 2.2% and 3.6% in December and January, respectively.

Separately, a gasoline tax of 25 yen-a-liter (91 cents-a-gallon) which had expired at the end of March was reinstated on April 30. The gasoline and vehicle taxes are estimated to raise around 2.6 trillion yen in revenue a year for the government. This has raised the cost of gasoline by around 22% in the first week of May

Materials costs increases have also squeezed corporate profits. Sentiment among Japanese merchants fell for the first time in three months in April. The Economy Watchers index dropped to 35.5 from 36.9 in March as higher prices of daily goods weakened consumers' purchasing power. Moreover, the economy's leading indicators index, including production and stock prices, fell to 20% in March from 54.5 the previous month, signaling growth would slow over the next two quarters. The index has been below 50 in nine of the past 12 months. Growth in the first quarter is expected to be substantially slower than the 3.5% in Q4. Our growth forecast for the whole of 2008 has been raised slightly by 0.1% to 1.4%

Euro-zone

Mounting evidence of economic slowdown in Euro-zone as retail sales contract while German exports fall for a second month

Increasing signs of a loss of momentum in Euro-zone economies can be detected in the weakening manufacturing sector and the fall in retail sales and is reflected in the latest confidence surveys in the euro region, in particular in Germany. Similar to the US, the ECB bank lending survey revealed a further tightening in lending standards that affected both corporations and households. On the other hand, inflation appeared to be easing somewhat in April, although still remaining above the desired target levels. CPI inflation dropped to 3.3% in April from 3.6% in

March. The ECB left interest rates unchanged at 4% in May stating that inflation rates were expected to “remain high for a rather protracted period of time before gradually declining again." According to the main economic institutes from Germany, France and Italy (Germany's Ifo institute, France's Insee and Italy's Isae institute), Euro-zone GDP growth is expected to show some resilience in the first quarter growing at around the long run trend of 0.5%, but to lose momentum in the second and third quarters, with growth moderating to 0.4% and 0.3%, respectively. The appreciation of the euro is forecast to negatively affect the external competitiveness of European exports by the third quarter. Private consumption is forecast to be moderate, with consumption expected to grow 0.4% in the first and second quarters and 0.3% percent in the third quarter. Despite continued improvements in labour markets, the purchasing power of consumers was seen to be negatively impacted by rising food and energy prices.

So far, the composite PMI index in April which incorporates both the manufacturing and services, at 51.9, was almost unchanged from the March figure of 51.8 which if sustained would be consistent with around 0.3% q/q economic growth in the second quarter. The manufacturing PMI dipped to 50.7, the lowest level in three years from 52 in March, getting closer to the 50 mark which separates expansion from contraction. The non-manufacturing PMI, however, improved, rising to 52.0 from 51.6 in March.

Euro-zone retail sales fell sharply in March by 0.4% in volume m-o-m or 1.6% on the year, the biggest drop since the data began in 1995. Weaker retail sales in France impacted the overall figures where sales fell 0.7% over one month and 0.8% over 12 months. In Germany, retail sales slipped 0.1% over one month and 1.1% over one year. Moreover the European Commission’s economic sentiment indicator fell to its lowest level since August 2005. In Germany, after the optimism in the first quarter, the Munich-based IFO business climate index, based on a survey of 7000 executives, fell to 102.4 from 104.8 in March, the lowest level since January 2006. Manufacturers’ sentiment fell also in France. In addition, German exports unexpectedly fell for the second month in March as the euro appreciated; Exports declined 0.5% from February, when they slid 0.2%; they rose 0.2% from year ago levels.

The forecast for Euro-zone growth in 2008 was marginally revised down but remains at 1.6%, with slight downward revisions to Italy, Austria and Ireland.

Former Soviet Union

Rosstat revised up Russia’s GDP in 2007 to 8.1%

The Federal State Statistics Service (Rosstat) revised up Russia’s GDP in 2007 to 8.1%. The construction industry enjoyed the most significant rise, climbing 16.4%, while wholesale and retail trade went up 12.9% and the financial sector added 11.4%. The Russian Economic Development and Trade Ministry announced in a statement that Russia’s GDP grew 8% y-o-y in the first quarter of 2008 compared to the same period of 2007. It was reported that Russian industrial production increased 6.2% in the first quarter of 2008, agricultural production was up by 4.5%, retail turnover by 16.7%, fixed capital investment by 20.2% and real wages by 10%. Russian foreign trade increased 50.3% in the quarter, including a 55.2% rise in exports and a 41.6% increase in imports. The Economic Development and Trade Ministry now estimates that Russia will grow this year by 7.6% in contrast to its original forecast of 7.1%.

Rosstat predicts that inflation will reach 10% in 2008

The Federal State Statistics Service (Rosstat) predicts that inflation will reach 10% in 2008, an upward revision from the initial target of 7.5-8.7%. Inflation is set to exceed the government’s official target of 8.5% y-o-y this year. As oil prices are expected to remain high, the starting of gradual liberalisation of energy prices and railway tariffs, in combination with the fiscal loosening, will limit the extent of disinflation. Capital inflows are likely to remain strong despite the global financial turmoil, and recent strong growth in money supply will stoke inflation in the coming months.

Ukrainian economy grew in the first quarter of 2008 by 6% y-o-y

Ukrainian economy grew in the first quarter of 2008 by 6% y-o-y, underpinned by vigorous value-added growth in the services sector. Rising energy and raw material prices as well as transportation costs forced industrial production to decelerate over the period. Following the surge in consumer inflation to 6.6% y-o-y in December 2007, the consumer price index continued to increase at a fast pace. Acceleration of inflation is primarily attributed to an increase in food prices, the largest component of the consumer price index. While rising food and energy costs remain the key drivers of inflation, the new government’s expenditure measures are also boosting inflationary pressures. As the global credit crunch is contributing to dampen credit growth equally in other parts of the region, economic growth will ease this year slowing the pace of inflation in the second half. Primary estimations indicate that it will end far above the official 9.6% target.

The Central Bank of Ukraine raised the discount rate from 10% to 12% in April, tightening bank lending controls and preparing to widen the hryvnia's (domestic currency) trading band against the dollar.

Developing Countries

China's GDP growth in the first quarter of 2008 achieved 10.6%

China's GDP growth in the first quarter of 2008 achieved 10.6% slowing from the full-year rate of 11.9% in 2007 as indicated by the National Bureau of Statistics (NBS), and could accelerate to 10.8% in the second quarter as forecast by the State Council Information Centre. The expansion was driven in part by a 21.5% jump in retail spending in March. This is evidence for policy-makers that strong domestic demand is taking up the slack in the economy left by softening exports. China's trade surplus narrowed in April as export growth slowed, easing pressure on the government to allow faster gains of the Yuan. Export growth slowed to 22% in April from 31% in March. Shipments to the US achieved only 11% growth, down from 16% a month earlier. The Central Bank of China indicated that weaker export growth was one factor in the slower pace of the Yuan's gains in April and May 2008. China's industrial production growth slowed in April as US demand for exports weakened. Output rose 15.7% from a year earlier, the NBS announced after climbing 17.8% in March.

China's inflation rose to 8.5% in April

China's inflation rose in April to near decade-high levels. Consumer prices rose 8.5% compared with the same month last year according to NBS. Consumer prices have jumped since mid-2007, driven by food costs that hit 22.1% in April. The government has been trying to slow down the rising cost of pork, grain and other items by boosting supplies and placing a ceiling on the price of basic goods. The Central Bank ordered local banks to set aside more deposits as reserves for the fourth time this year after inflation accelerated to such levels. Banks must now park a record 16.5% of deposits with the central bank, up from 16%. However, a 7.5 percentage point increase in the requirement since the start of last year has failed to stop lending growth that has helped Chinese banks to record profits. The Central Bank hinted that there is a possibility that interest rates will rise. It kept the benchmark one-year lending rate unchanged at a nine-year high of 7.47% this year after six increases in 2007.

India's wholesale price inflation at 3 1/2 year high

India's wholesale price index (WPI)-based inflation rate has risen to a new 31/2 year high of 7.61% in the year ending 26 April, 2008, government data have revealed. The Indian government was prompted to reduce import duties on edible oils even as the Reserve Bank of India is expected to bring in tighter monetary policies to combat the rising inflation rate. The government has already cut import duties on edible oils and banned the export of pulses and most types of rice. The government has also leaned heavily on steel manufacturers, pressing them into making "voluntary" price cuts or risk mandatory price caps. The central bank on 29 April ordered banks for a second time this year to set aside more money to slow lending and tame inflation while it left its policy interest rates unchanged. The Reserve Bank of India chose not to increase interest rates on concern that higher borrowing costs would weaken the economy the bank expects will grow this year at the slowest pace since 2005. The central bank expects the economy to grow between 8% and 8.5% this year.

Fast rise in retail sales in Brazil

Brazil's retail sales in February rose at the fastest pace since June 2004, boosting expectations that the central bank will raise interest rates. Brazil's central bank in April ended a two-year cycle of monetary easing with raising the country's benchmark lending rate for the first time in nearly three years, amid rising concern over accelerating inflation and heated domestic demand. Brazilian inflation is not quickening solely on food, but higher wholesale and raw material prices also contribute to it. This comes despite the appreciation of the Brazilian Real, which would indicate lower prices for imports, not only on the commodity side, but also in manufactures — but partly reflecting nominal currency revaluations and rising inflation in Asia.

OPEC Member Countries

Economies in most OPEC Member Countries will remain strong in 2008

Although the credit crunch crisis impacts negatively upon many regions and generally pushes down growth forecasts, it is predicted that economies in most OPEC Member Countries will remain strong in 2008 avoiding the impact of a credit squeeze. However, inflation has replaced unemployment as the most pressing short-term problem facing the oil exporter economies, the International Monetary Fund warned in a report this month.

According to the Saudi Arabian Monetary Agency, inflation in Saudi Arabia could cross 10% this year. Consumer price rises could then ease in the second half as anti-inflationary government measures take hold and lower global demand for commodities feeds into lower prices. Kuwait's annual inflation surged to a fresh record of 9.5% in January 2008, spurred by strong housing and food costs in the only Gulf oil exporting country to have discontinued its currency's peg to the dollar. Kuwait has allowed the Dinar to appreciate 7.6% against the dollar since it dropped its dollar peg in favour of a basket of currencies, including the euro, the yen and the pound. Some estimates indicate that inflation could have been much higher had the authorities not abandoned the dollar peg. Inflation in the UAE accelerated to 10.9% in 2007 from 9.3% in 2006, according to the National Bank of Abu Dhabi, while consumer prices in Qatar rose an annual 13.7% in the fourth quarter, the highest rate of inflation in the region.

After reaching new record lows versus the euro, the dollar recovered towards the end of April

Oil prices, the US dollar and inflation

The US dollar downward trend continued in March against the euro but it rose versus the other major currencies in April. On average, over the whole month, the US currency continued to fall versus the euro (-1.5%), but appreciated against the yen (+1.7%), the Pound sterling (+1.1%) and only a little versus the Swiss franc (+0.2%). The US dollar reached a new all-time-low of $1.594 on the 23rd of April against the single currency but recovered to $1.554/€ by end April averaging $1.5749/€ over the month from $1.5524/€ in March.

The dollar also recovered from its lows against the Japanese currency of less than 100 yen in March to around 104 yen by the end of April. The slightly improved sentiment about the US economy and the possible end of the easing cycle in US interest rates with the latest cut of the federal fund target rate to 2% gave some reprieve to the beleaguered US currency. The US is also rumored to have signaled during the latest G7 meeting in April that it did not wish the dollar to decline further.

In April, the OPEC Reference Basket rose by $6.13/b or almost 6.2% to $105.16 from $99.03/b in March. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket price rose almost $3.5/b or 5.8% to $64.07/b from $60.58/b. The dollar depreciated by 0.2% as measured against the import-weighted modified Geneva I+US dollar basket, while inflation eroded the value of the barrel by nearly 0.2%.*

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

World Oil Demand

World oil demand revised slightly to stand at 1.2 mb/d in 2008 to average 87.0 mb/d

World oil demand in 2008

As expected, world oil demand grew mostly in the non-OECD regions. OECD oil demand showed very weak behaviour, although winter products were in a higher demand across Europe this past winter. US oil demand showed a major decline due to both the slowing economy and warm winter weather.

With the winter ending in the Northern Hemisphere, oil demand growth will follow a slow consumption cycle in the second quarter. The summer driving season is not expected to show its normal annual growth due to anticipated slow gasoline demand in the USA this year. **World oil demand growth is forecast at 1.2 mb/d y-o-y to average 86.95 mb/d, representing a minor downward revision from the last *MOMR*.**

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

							Change 2007/06	
	2006	**1Q07**	**2Q07**	**3Q07**	**4Q07**	**2007**	**Volume**	**%**
North America	25.31	25.66	25.43	25.49	25.58	25.54	0.24	0.93
Western Europe	15.63	15.19	14.93	15.39	15.60	15.28	-0.36	-2.27
OECD Pacific	8.40	8.83	7.80	7.81	8.64	8.27	-0.13	-1.59
Total OECD	**49.34**	**49.68**	**48.16**	**48.70**	**49.82**	**49.09**	**-0.25**	**-0.51**
Other Asia	8.85	8.98	9.23	8.94	9.31	9.11	0.26	2.99
Latin America	5.28	5.28	5.46	5.63	5.59	5.49	0.21	4.03
Middle East	6.20	6.46	6.45	6.63	6.47	6.50	0.30	4.91
Africa	2.98	3.11	3.05	3.06	3.15	3.09	0.11	3.79
Total DCs	**23.31**	**23.83**	**24.20**	**24.26**	**24.52**	**24.21**	**0.89**	**3.84**
FSU	3.89	3.87	3.71	4.00	4.32	3.97	0.09	2.24
Other Europe	0.91	1.01	0.92	0.91	0.91	0.93	0.02	2.74
China	7.16	7.48	7.77	7.72	7.38	7.59	0.42	5.90
Total "Other Regions"	**11.96**	**12.35**	**12.39**	**12.63**	**12.60**	**12.49**	**0.53**	**4.47**
Total world	**84.61**	**85.87**	**84.75**	**85.58**	**86.95**	**85.79**	**1.18**	**1.39**
Previous estimate	84.59	85.83	84.71	85.56	86.95	85.76	1.17	1.39
Revision	0.02	0.03	0.04	0.03	0.00	0.03	0.00	0.00

Totals may not add due to independent rounding.

Table 4: First and second quarter world oil demand comparison for 2007, mb/d

			Change 2007/06				Change 2007/06	
	1Q06	**1Q07**	**Volume**	**%**	**2Q06**	**2Q07**	**Volume**	**%**
North America	25.22	25.66	0.44	1.74	25.06	25.43	0.37	1.48
Western Europe	15.97	15.19	-0.78	-4.85	15.24	14.93	-0.31	-2.06
OECD Pacific	9.24	8.83	-0.42	-4.51	7.82	7.80	-0.02	-0.20
Total OECD	**50.44**	**49.68**	**-0.75**	**-1.49**	**48.12**	**48.16**	**0.04**	**0.09**
Other Asia	8.80	8.98	0.18	2.09	8.99	9.23	0.24	2.67
Latin America	5.09	5.28	0.19	3.81	5.26	5.46	0.20	3.82
Middle East	6.10	6.46	0.36	5.96	6.14	6.45	0.31	5.00
Africa	2.98	3.11	0.13	4.19	2.96	3.05	0.09	3.14
Total DCs	**22.97**	**23.83**	**0.87**	**3.77**	**23.36**	**24.20**	**0.84**	**3.60**
FSU	3.76	3.87	0.11	2.79	3.63	3.71	0.08	2.15
Other Europe	0.97	1.01	0.04	3.68	0.90	0.92	0.02	1.96
China	7.12	7.48	0.36	5.10	7.37	7.77	0.40	5.44
Total "Other Regions"	11.85	12.35	**0.50**	**4.25**	11.90	12.39	**0.50**	**4.17**
Total world	**85.25**	**85.87**	**0.62**	**0.72**	**83.37**	**84.75**	**1.38**	**1.65**

Totals may not add due to independent rounding.

Table 5: Third and fourth quarter world oil demand comparison for 2007, mb/d

	3Q06	3Q07	Change 2007/06 Volume	Change 2007/06 %	4Q06	4Q07	Change 2007/06 Volume	Change 2007/06 %
North America	25.53	25.49	-0.04	-0.15	25.40	25.58	0.17	0.69
Western Europe	15.60	15.39	-0.21	-1.37	15.73	15.60	-0.13	-0.81
OECD Pacific	7.85	7.81	-0.04	-0.50	8.71	8.64	-0.07	-0.79
Total OECD	**48.99**	**48.70**	**-0.29**	**-0.59**	**49.85**	**49.82**	**-0.02**	**-0.04**
Other Asia	8.66	8.94	0.28	3.18	8.95	9.31	0.36	4.01
Latin America	5.41	5.63	0.22	4.13	5.36	5.59	0.23	4.35
Middle East	6.36	6.63	0.27	4.25	6.20	6.47	0.28	4.48
Africa	2.93	3.06	0.13	4.37	3.05	3.15	0.11	3.47
Total DCs	**23.36**	**24.26**	**0.90**	**3.84**	**23.55**	**24.52**	**0.97**	**4.14**
FSU	3.91	4.00	0.09	2.32	4.24	4.32	0.08	1.77
Other Europe	0.88	0.91	0.02	2.56	0.88	0.91	0.02	2.70
China	7.23	7.72	0.49	6.76	6.94	7.38	0.44	6.29
Total "Other Regions"	12.02	12.63	**0.60**	**5.01**	12.07	12.60	**0.54**	**4.44**
Total world	**84.38**	**85.58**	**1.21**	**1.43**	**85.46**	**86.95**	**1.49**	**1.74**

Totals may not add due to independent rounding.

All of the forecast growth is expected to come from non-OECD countries. North America's oil demand is forecast to be flat. Furthermore, oil demand in the other OECD regions will be in the red, reflecting a slow consumption of transport fuel in the second quarter of 2008.

Non-OECD countries' oil demand — mainly China, the Middle East, India, and Latin America — is forecast to be strong. This is estimated to offset weak OECD oil demand this year.

Alternative Fuels

Europe's recent biofuel subsidy initiative has resulted in a shortage of food commodities which, in turn, forced the EU to relax its laws and let farmers increase cultivation. This movement not only led to food price increases both in Europe and in Asia but also caused environmental problems.

Due to the hike in food prices, some biodiesel plants, which were believed to be a main driver behind the rise in food price, decided to freeze their production due to the sharp increase in raw materials and a switch to other activities. These developments have pressured the EU to re-analyze its biofuel plans. The EU is not only seeking this path because of the food shortage, but also because of the accusation that biofuel is not as environmentally friendly as was assumed earlier.

OECD North America

North America demand in the first quarter revised down by 0.3 mb/d for a decline of 0.4 mb/d

The WSI Corp. is predicting fourteen storms this hurricane season. Eight hurricanes and four intense hurricanes of Category 3 strength or greater are anticipated in the Atlantic. The reason for the high number of storms is that the ocean is expected to be warmer this summer than usual.

Despite the negative impact of higher retail prices on transportation fuel, Canadian oil demand in March showed healthy growth of 2% y-o-y. Canadian refined product sales in the first quarter grew by 1.6% as a result of strong growth in gasoline and aviation fuel.

Healthy gasoline demand in Mexico did not offset the decline in fuel oil consumption this past winter. Hence, Mexican oil demand declined by a minor 0.5% y-o-y in the first quarter.

US first-quarter oil demand contracted sharply in February not only due to slow economic activities, but also warm weather. Mild winter in the US caused North American oil demand to decline beyond expectations. Fuel oil, which is used by power plants and for heating purposes, declined the most in February by 13.3% or 0.74 mb/d y-o-y. Furthermore, a 2% decline in gasoline demand contributed to the total US oil demand decline, which fell 1.47 mb/d y-o-y in February.

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

	2007	1Q08	2Q08	3Q08	4Q08	2008	Change 2008/07 Volume	%
North America	25.54	25.26	25.50	25.58	25.85	25.55	0.01	0.04
Western Europe	15.28	15.32	14.87	15.31	15.72	15.31	0.03	0.20
OECD Pacific	8.27	8.93	7.73	7.65	8.67	8.24	-0.03	-0.31
Total OECD	**49.09**	**49.52**	**48.11**	**48.55**	**50.24**	**49.10**	**0.01**	**0.03**
Other Asia	9.11	9.19	9.40	9.11	9.46	9.29	0.17	1.91
Latin America	5.49	5.47	5.56	5.72	5.69	5.61	0.12	2.12
Middle East	6.50	6.73	6.73	6.91	6.75	6.78	0.28	4.26
Africa	3.09	3.17	3.10	3.13	3.21	3.15	0.06	1.91
Total DCs	**24.21**	**24.55**	**24.79**	**24.87**	**25.11**	**24.83**	**0.63**	**2.59**
FSU	3.97	3.92	3.77	4.06	4.37	4.03	0.05	1.38
Other Europe	0.93	1.04	0.96	0.93	0.93	0.96	0.03	2.90
China	7.59	7.96	8.13	8.20	7.80	8.02	0.44	5.75
Total "Other Regions"	**12.49**	**12.92**	**12.85**	**13.18**	**13.09**	**13.01**	**0.52**	**4.15**
Total world	**85.79**	**86.98**	**85.75**	**86.60**	**88.45**	**86.95**	**1.16**	**1.35**
Previous estimate	**85.76**	**87.11**	**85.72**	**86.59**	**88.45**	**86.97**	**1.20**	**1.40**
Revision	**0.03**	**-0.12**	**0.03**	**0.02**	**0.00**	**-0.02**	**-0.04**	**-0.05**

Totals may not add due to independent rounding.

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

	1Q07	1Q08	Change 2008/07 Volume	%	2Q07	2Q08	Change 2008/07 Volume	%
North America	25.66	25.26	-0.40	-1.56	25.43	25.50	0.07	0.28
Western Europe	15.19	15.32	0.13	0.86	14.93	14.87	-0.05	-0.34
OECD Pacific	8.83	8.93	0.10	1.17	7.80	7.73	-0.07	-0.92
Total OECD	**49.68**	**49.52**	**-0.17**	**-0.34**	**48.16**	**48.11**	**-0.05**	**-0.11**
Other Asia	8.98	9.19	0.21	2.28	9.23	9.40	0.17	1.84
Latin America	5.28	5.47	0.19	3.50	5.46	5.56	0.09	1.68
Middle East	6.46	6.73	0.27	4.18	6.45	6.73	0.28	4.34
Africa	3.11	3.17	0.06	1.93	3.05	3.10	0.05	1.64
Total DCs	**23.83**	**24.55**	**0.72**	**3.02**	**24.20**	**24.79**	**0.59**	**2.45**
FSU	3.87	3.92	0.05	1.31	3.71	3.77	0.06	1.62
Other Europe	1.01	1.04	0.03	2.98	0.92	0.96	0.04	4.35
China	7.48	7.96	0.49	6.49	7.77	8.13	0.36	4.64
Total "Other Regions"	**12.35**	**12.92**	**0.57**	**4.58**	**12.39**	**12.85**	**0.46**	**3.71**
Total world	**85.87**	**86.98**	**1.12**	**1.30**	**84.75**	**85.75**	**1.00**	**1.18**

Totals may not add due to independent rounding.

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

	3Q07	3Q08	Change 2008/07 Volume	%	4Q07	4Q08	Change 2008/07 Volume	%
North America	25.49	25.58	0.09	0.35	25.58	25.85	0.27	1.06
Western Europe	15.39	15.31	-0.08	-0.51	15.60	15.72	0.12	0.77
OECD Pacific	7.81	7.65	-0.16	-2.05	8.64	8.67	0.03	0.35
Total OECD	**48.70**	**48.55**	**-0.15**	**-0.30**	**49.82**	**50.24**	**0.42**	**0.84**
Other Asia	8.94	9.11	0.17	1.90	9.31	9.46	0.15	1.64
Latin America	5.63	5.72	0.09	1.60	5.59	5.69	0.10	1.79
Middle East	6.63	6.91	0.28	4.22	6.47	6.75	0.28	4.31
Africa	3.06	3.13	0.07	2.29	3.15	3.21	0.06	1.78
Total DCs	**24.26**	**24.87**	**0.61**	**2.51**	**24.52**	**25.11**	**0.59**	**2.40**
FSU	4.00	4.06	0.06	1.46	4.32	4.37	0.05	1.16
Other Europe	0.91	0.93	0.02	2.07	0.91	0.93	0.02	2.21
China	7.72	8.20	0.48	6.22	7.38	7.80	0.42	5.69
Total "Other Regions"	**12.63**	**13.18**	**0.56**	**4.41**	**12.60**	**13.09**	**0.49**	**3.89**
Total world	**85.58**	**86.60**	**1.02**	**1.19**	**86.95**	**88.45**	**1.50**	**1.72**

Totals may not add due to independent rounding.

As a result of the decline in US oil demand, North America's first-quarter oil demand was revised down by 0.3 mb/d to show a decline of 0.4 mb/d y-o-y.

Oil demand in the US in the spring followed a normal low consumption trend. US April gasoline demand was stronger than average reaching growth of 2.5%. This strong transport fuel demand eased the y-o-y decline in total US oil consumption in April. Should this gasoline consumption trend continue, second-quarter oil demand growth is forecast at 70 tb/d y-o-y.

OECD Europe

OECD Europe forecast to show growth of 0.13 mb/d in the first quarter

Warm weather across some parts of Europe reduced the use of oil for heating last month. In addition, the weather in Europe was warmer than on average this past winter which led to less consumption of fuel oil and more fuel-switching among power plants. However, European oil demand is forecast to show moderate growth in the first quarter of this year. Given the strong oil demand in Germany last winter, **total OECD Europe's oil demand is forecast to show growth of 0.13 mb/d y-o-y in the first quarter.**

Summer travel along with the summer agricultural season is expected to boost diesel demand in Europe in the third quarter. Automotive diesel demand is forecast to grow by 3% this year due to the increase in new diesel-operated vehicles within the continent. Europe's recent biofuel initiative has led to extra land farming which will increase diesel consumption this summer. On the other hand, slowing economic activities in Spain have curbed housing construction which negatively affected the country's diesel consumption. Furthermore, the recent increases in diesel prices within the country have had an impact on diesel demand. Motorists have reduced their consumption of diesel in the past few months and this trend is expected to continue until the end of the year.

OECD Pacific

OECD Pacific demand revised down by 0.05 mb/d, representing growth of 0.1 mb/d in the first quarter

Japan reinstated its refinery tax which expired last month. As a result, gasoline prices increased by more than 17%. Japan's transport fuel sales have been on a downward trend and this new price increase will further dampen consumption. As a result of improved diesel specifications, Japan's anti-diesel vehicle movement, which was started in the 1990s, is softening. As a result, Japan is following the European trend of introducing more diesel engine-powered vehicles, which will slow gasoline demand further.

Weather was colder in Japan in April y-o-y which led to more heating kerosene consumption; however, on average the Pacific was warmer in the past winter than usual. As a result of less demand for fuel oil by power plants, Japan's petroleum domestic product sales declined in March by 6.8% y-o-y.

As a result of less use of kerosene in Japan than expected, the **OECD Pacific oil demand forecast was revised down by 0.05 mb/d to show growth of 0.1 mb/d y-o-y in the first quarter.**

Table 9: Japanese Domestic Sales, tb/d

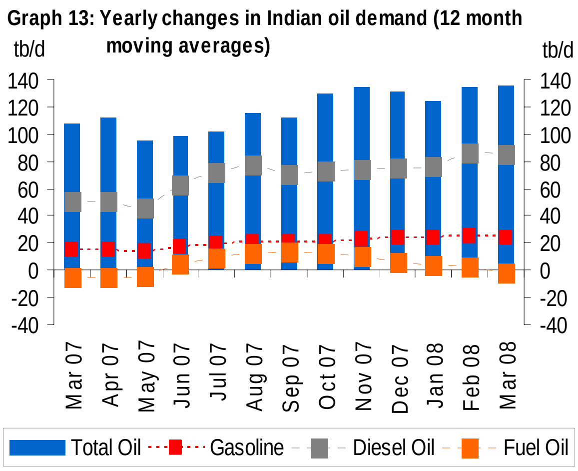
	Mar 08	Change from Mar 07	Change from Mar 07 %
Gasoline	901	-147	-14.0
Naphtha	790	-100	-11.2
Jet Fuel	118	4	3.4
Kerosene	454	-163	-26.4
Gas Oil	603	-69	-10.3
Other Products	862	37	4.5
Direct Use of Crude	302	140	86.4
Total	**4,031**	**-298**	**-6.9**

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

Other Asia for the year revised up by 20 tb/d to 0.17 mb/d in 2008

Developing Countries

In contrast to the OECD, economies in the Developing Countries are showing healthy growth. Energy-intensive projects such as petrochemicals pushed oil demand up in Taiwan in March by 10%. Furthermore, transportation fuel showed strong growth as expected. This trend was not only seen in Taiwan but in most of Asia's regions. As a result, oil demand in the **Other Asia group is expected to grow by 0.17 mb/d to average 9.29 mb/d in 2008, an upward revision of 20 tb/d from the last *MOMR*.**



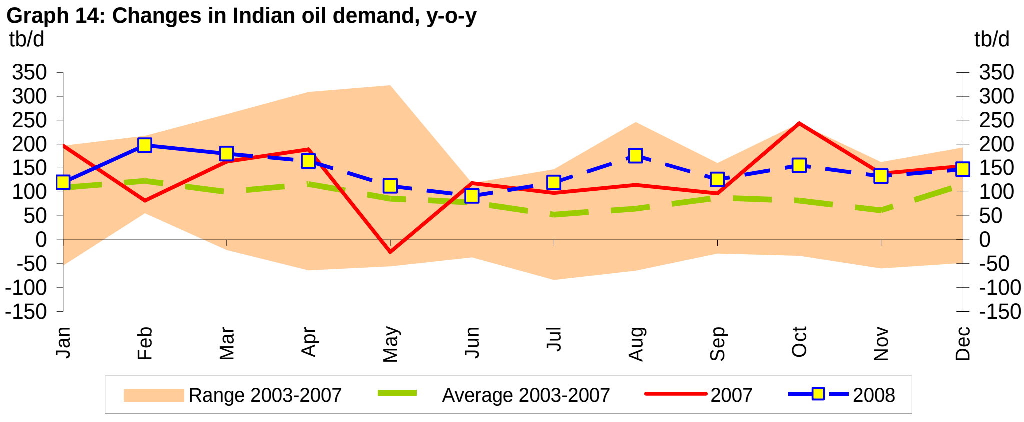
India's agricultural season pushed diesel demand up adding 100 tb/d to total oil consumption in March. Total Indian oil demand growth increased in March by 6.3% or 180 tb/d y-o-y to average 3.0 mb/d. First-quarter Indian oil demand grew by a strong 5.8% or 0.17 mb/d y-o-y. The forecast for the Indian oil demand is set at 0.14 mb/d for the entire year. The industrial, transport, and agricultural sectors are pushing the oil demand higher.

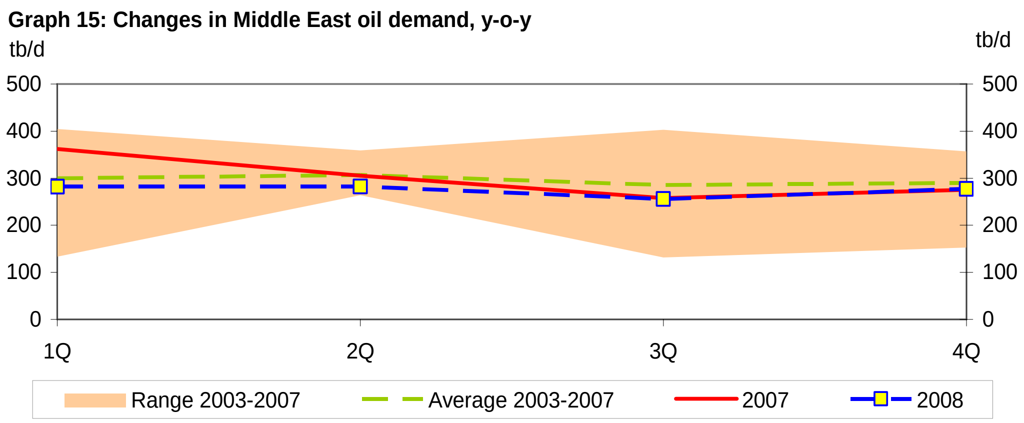
Given the increased economic activities in Asia, it is possible that the previous oil demand forecast will be subject to an upward revision, especially in the third and fourth quarters.

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

	Mar 08	Feb 08	Jan 08 - Mar 08	Difference to Jan 07 - Mar 07
LPG	403	396	393	26
Motor Gasoline	269	249	249	22
Jet Kero	295	331	306	15
Gas Diesel Oil	1,082	1,175	1,123	105
Residual Fuel Oil	282	339	302	-16
Other Products	705	613	647	15
Total Oil Demand	**3,036**	**3,104**	**3,022**	**166**

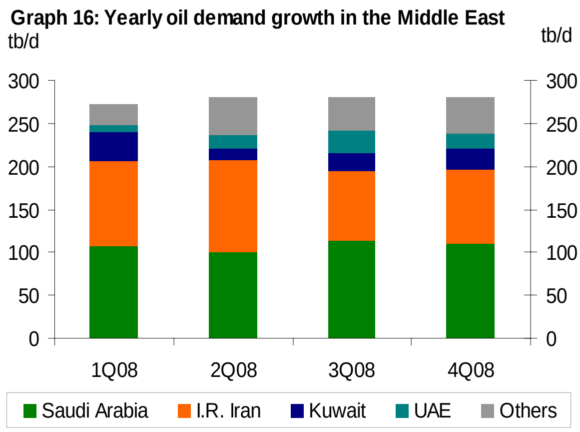
Sources: Direct Communication, Indian Ministry of Petroleum, Indianpetro, JODI plus OPEC Secretariat's estimates.





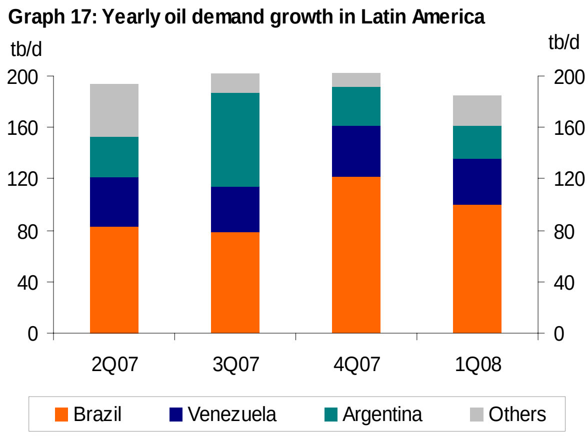
Middle East demand to grow by 0.28 mb/d in 2008

Middle East oil demand is forecast to show healthy growth of 0.28 mb/d y-o-y in 2008. The growth is due to strong economic activities, especially the boom in energy-intensive projects. **Middle East oil demand is forecast to grow by 0.28 mb/d to average 6.78 mb/d y-o-y in 2008.**



As in Asia, Latin America's economic activities are pushing for stronger oil demand. Brazil's economic and agricultural activities caused oil demand, especially diesel, to grow at healthy levels.

Oil demand growth in the Developing Countries is forecast at 0.59 mb/d y-o-y in the second quarter to average 24.799 mb/d.



Other Regions

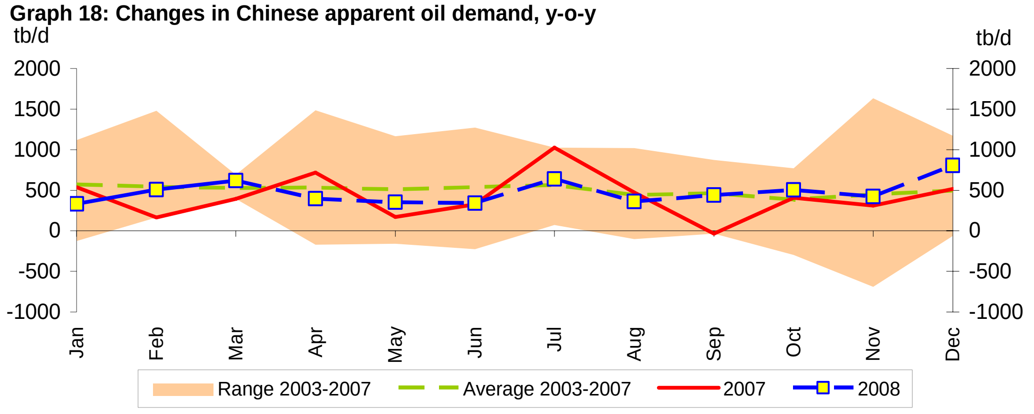
China growth in the first quarter revised up by 0.14 mb/d to 0.49 mb/d

China is keen on suppressing inflation; hence the government is taking some measures to freeze prices of domestic oil products. One measure is to continue to suspend the import tax on diesel and gasoline for the second quarter. Another measure is to subsidize retailers for domestic sales losses. These anticipated measures will keep China's oil demand growth at 430 tb/d y-o-y in 2008. China's oil imports for the first quarter increased by 0.44 mb/d y-o-y; however, some went into strategic storage. China's agricultural season along with the massive increase in diesel vehicles will hike the demand for diesel in the second and third quarters. China's apparent oil demand for March increased strongly to reach 8.0 mb/d, adding 617 tb/d y-o-y. Shortage of coal was one of the factors that pushed China's apparent oil demand higher.

As the summer approaches, China's electricity supply may fall short of summer demand. Although this shortage is not expected to be large, it could slightly increase diesel demand. China's government ordered wholesalers to stock an average reserve of 15 days which was seen as unrealistic. This move is meant to give the government room to move during extreme price changes. Still it is not clear who would absorb the additional costs. The effect of China's recent earthquake on oil demand is not yet known; however, recent information indicates little impact on the oil business.

Due to the strong unexpected oil demand caused by a coal shortage, **first-quarter oil demand in China was revised up by 0.14 mb/d to show growth of 0.49 mb/d y-o-y to average 7.96 mb/d**.

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



World Oil Supply

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

Non-OPEC

Estimate for 2007

Non-OPEC supply in 2007 is estimated to have increased by 0.56 mb/d over the previous year to reach 49.43 mb/d, broadly unchanged from last month's assessment. Minor downward revisions were made to Equatorial Guinea and Other Western Europe which were offset by upward revisions in Syria. On a quarterly basis, non-OPEC supply now stands at 49.78 mb/d, 49.45 mb/d, 48.97 mb/d and 49.55 mb/d respectively.

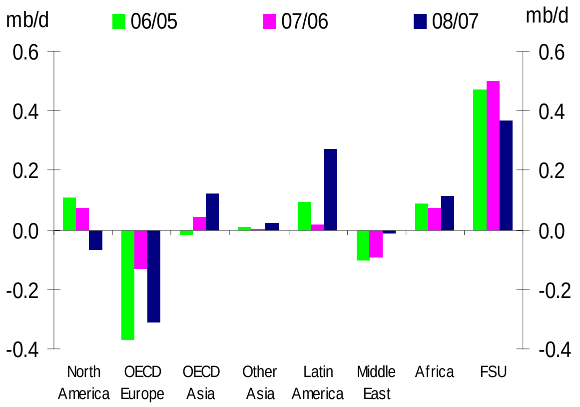


Table 11: Non-OPEC oil supply in 2007, mb/d

	2006	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
North America	14.24	14.38	14.41	14.22	14.27	14.32	0.07
Western Europe	5.37	5.51	5.20	4.96	5.26	5.23	-0.13
OECD Pacific	0.56	0.57	0.61	0.63	0.61	0.60	0.04
Total OECD	**20.17**	**20.46**	**20.22**	**19.81**	**20.14**	**20.16**	**-0.01**
Other Asia	2.72	2.73	2.68	2.69	2.75	2.71	-0.01
Latin America	3.86	3.88	3.88	3.88	3.88	3.88	0.02
Middle East	1.75	1.69	1.67	1.65	1.63	1.66	-0.09
Africa	2.60	2.68	2.66	2.64	2.71	2.67	0.07
Total DCs	**10.94**	**10.96**	**10.89**	**10.86**	**10.97**	**10.92**	**-0.02**
FSU	12.02	12.51	12.45	12.50	12.62	12.52	0.50
Other Europe	0.15	0.15	0.15	0.15	0.14	0.15	-0.01
China	3.69	3.78	3.82	3.73	3.75	3.77	0.07
Total "Other regions"	**15.87**	**16.44**	**16.42**	**16.38**	**16.51**	**16.44**	**0.57**
Total Non-OPEC production	**46.98**	**47.86**	**47.53**	**47.05**	**47.62**	**47.51**	**0.54**
Processing gains	1.90	1.92	1.92	1.92	1.93	1.92	0.02
Total Non-OPEC supply	**48.88**	**49.78**	**49.45**	**48.97**	**49.55**	**49.43**	**0.56**
Previous estimate	48.89	49.79	49.45	48.97	49.57	49.44	0.55
Revision	-0.01	-0.01	-0.01	0.00	-0.02	-0.01	0.00

In 2007, FSU experienced growth of 0.50 mb/d; Azerbaijan witnessed another strong year with growth of 0.21 mb/d, whilst Kazakhstan performed as in 2006 with modest growth of 0.05 mb/d. Russia's growth is estimated 0.22 mb/d. Latin America was almost flat compared to the previous year as only Brazil witnessed minor growth of 0.04 mb/d while others saw no growth or fell compared with the previous year. North America experienced an increase of 0.07 mb/d driven by Canada and the USA, while Mexican production fell a significant 0.21 mb/d. The African region increased by 0.07 mb/d. Most of the increase came from Sudan. China showed a modest increase from expansions and new projects. In the OECD Pacific, both Australia and New Zealand showed a modest increase over the previous year. Other Asia and Middle East remained broadly flat. OECD Europe dropped 0.13 mb/d; the UK saw a minor drop of 0.02 mb/d while Norway showed a significant loss of 0.22 mb/d due to field declines and heavy maintenance.

Forecast for 2008

Non-OPEC supply growth in 2008 expected at 0.74 mb/d to average 50.18 mb/d

Non-OPEC supply is expected to average 50.18 mb/d in 2008, an increase of 0.74 mb/d over the previous year and a downward revision of 106 tb/d from last month's assessment. On a quarterly basis, non-OPEC supply is expected to average 49.86 mb/d, 49.76 mb/d, 49.92 mb/d and 51.16 mb/d respectively.

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

	2007	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07
North America	14.32	14.31	14.04	14.09	14.57	14.25	-0.07
Western Europe	5.23	5.20	5.00	4.59	4.91	4.92	-0.31
OECD Pacific	0.60	0.61	0.65	0.77	0.86	0.73	0.12
Total OECD	**20.16**	**20.13**	**19.69**	**19.46**	**20.33**	**19.90**	**-0.25**
Other Asia	2.71	2.79	2.80	2.89	2.97	2.86	0.15
Latin America	3.88	4.00	4.08	4.26	4.28	4.15	0.27
Middle East	1.66	1.64	1.64	1.65	1.66	1.65	-0.01
Africa	2.67	2.76	2.80	2.78	2.79	2.78	0.11
Total DCs	**10.92**	**11.19**	**11.32**	**11.58**	**11.70**	**11.45**	**0.53**
FSU	12.52	12.64	12.81	12.93	13.16	12.89	0.37
Other Europe	0.15	0.14	0.14	0.14	0.14	0.14	0.00
China	3.77	3.81	3.87	3.87	3.88	3.86	0.09
Total "Other regions"	**16.44**	**16.59**	**16.82**	**16.95**	**17.18**	**16.88**	**0.45**
Total Non-OPEC production	**47.51**	**47.91**	**47.82**	**47.98**	**49.21**	**48.23**	**0.72**
Processing gains	1.92	1.95	1.94	1.94	1.95	1.95	0.02
Total Non-OPEC supply	**49.43**	**49.86**	**49.76**	**49.92**	**51.16**	**50.18**	**0.74**
Previous estimate	49.44	50.01	49.86	50.03	51.22	50.28	0.84
Revision	-0.01	-0.15	-0.10	-0.11	-0.06	-0.11	-0.09

OECD

Total OECD forecast to decline by 253 tb/d in 2008

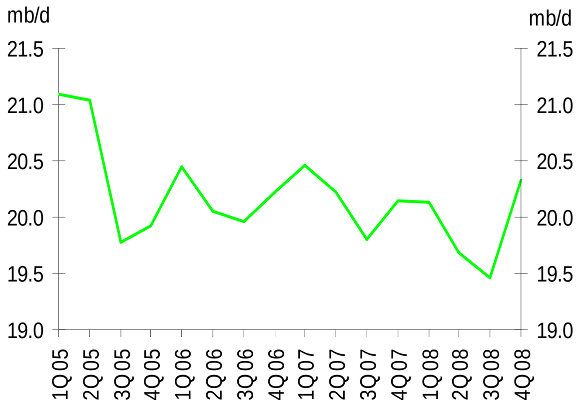
Total OECD oil supply is expected to reach 19.90 mb/d, a drop of 0.25 mb/d from the previous year. On a quarterly basis, OECD supply is expected to average 20.13 mb/d, 19.69 mb/d, 19.46 mb/d and 20.33 mb/d respectively. According to preliminary data, total OECD supply averaged 20.04 mb/d in April.

USA

North America expected to stay almost flat over 2007

In 2008, oil supply in the USA is expected to reach 7.61 mb/d representing a growth of 114 tb/d over the previous year and an upward revision of 9 tb/d from last month. On a quarterly basis, US supply is expected to average 7.59 mb/d, 7.52 mb/d, 7.55 mb/d and 7.79 mb/d respectively. The Blind Faith field has been delayed due to problems in the mooring system and is now expected to start production in late 3Q08, ramping up to peak at 60 tb/d during the second half of 2008 and early 2009. According to preliminary data, US production averaged 7.60 mb/d in April.

Graph 20: OECD's quarterly production



Canada and Mexico

Canadian oil supply for 2008 is expected to average 3.40 mb/d, representing a slight growth of 64 tb/d compared with the previous year and unchanged from last month. On a quarterly basis, Canadian supply is forecast 3.44 mb/d, 3.33 mb/d, 3.34 mb/d and 3.47 mb/d respectively. According to preliminary data, Canada produced 3.41 mb/d in April.

Mexico continues to decline

Mexico's oil supply has been revised down slightly by 13 tb/d for 2008 to now stand at 3.24 mb/d, representing a significant decline of 243 tb/d compared with the previous year. On a quarterly basis, production is forecast at 3.29 mb/d, 3.18 mb/d, 3.20 mb/d and 3.30 mb/d respectively. According to preliminary data, Canada produced 3.23 mb/d in April.

Western Europe

Workers' strikes in UK's Grangemouth refinery and France's Fos-Lavera port may impact oil supplies

Oil supply in Western Europe is expected to reach 4.92 mb/d, representing a decline of 310 tb/d from the previous year and a downward revision of 17 tb/d from last month's assessment. Downward revisions were made to Norway, UK and Denmark, partially offsetting the upward revision made to Other Western Europe. On a quarterly basis, supply is expected at 5.20 mb/d, 5.00 mb/d, 4.59 mb/d and 4.91 mb/d respectively. According to preliminary data, Western Europe produced 5.07 mb/d in April.

Additional maintenance in the 3Q08

Norway's production is estimated to average 2.43 mb/d which represents a decline of 128 tb/d from the previous year and a 8 tb/d downward revision to last month's assessment. The downward revision was due to extra maintenance work on different mature fields in the third quarter. On a quarterly basis, supply is forecast at 2.53 mb/d, 2.44 mb/d, 2.26 mb/d and 2.49 mb/d respectively. According to preliminary data, Norway produced 2.55 mb/d in April.

Cheviot project delayed for two years

UK production in 2008 is expected at 1.50 mb/d, representing a decline of 185 tb/d from the previous year and a 12 tb/d downward revision from last month's assessment. Downward revisions were made due to the delay of the Cheviot project which was originally scheduled to be onstream in the second half of 2008 to the second half of 2010 and peak at 30 tb/d by early 2011. Quarterly figures now stand at 1.67 mb/d, 1.56 mb/d, 1.36 mb/d and 1.42 mb/d respectively. Preliminary figures indicated UK produced 1.52 mb/d in April.

Asia Pacific

Oil supply in Asia Pacific is expected to average 0.73 mb/d which represents 122 tb/d over the previous year and a downward revision of 32 tb/d compared with last month's assessment. On a quarterly basis, supply is expected to average 0.61 mb/d, 0.65 mb/d, 0.77 mb/d and 0.86 mb/d respectively. Preliminary estimates indicate Asia Pacific produced 0.73 mb/d in April.

Australia is expected to average 0.60 mb/d in 2008 which represents growth of 75 tb/d over last year's figure and a 19 tb/d downward revision from last month's report. According to preliminary data, Australia produced 0.61 mb/d in April.

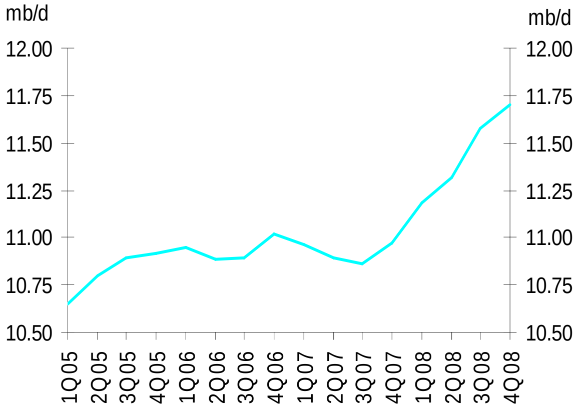
New Zealand is expected to add 47 tb/d over the previous year to reach 0.13 mb/d. The startup of Maari production has been delayed from 2Q08 to the 3Q08 in our database. Preliminary figures indicated Australia produced 0.11 mb/d in April.

Developing Countries

Oil supply in Developing Countries is expected to reach production levels of 11.45 mb/d, which represents growth of 526 tb/d over the previous year and a downward revision of 13 tb/d compared with last month's assessment. On a quarterly basis, Developing Countries are expected to average 11.19 mb/d, 11.32 mb/d, 11.58 mb/d and 11.70 mb/d respectively.

Brazil, Other Asia and Africa are the main contributors to the growth for this year. Preliminary estimates indicate total DCs produced 11.26 mb/d in April.

Graph 21: Developing Countries' quarterly production



Other Asia is expected to reach 2.86 mb/d representing growth of 151 tb/d over 2007, an upward revision of 17 tb/d from last month's assessment. On a quarterly basis, Other Asia is expected to average 2.79 mb/d, 2.80 mb/d, 2.89 mb/d and 2.97 mb/d respectively. India, Malaysia and Vietnam are the main contributors to the growth.

Latin America is expected to average 4.15 mb/d in 2008, representing a significant growth of 274 tb/d over the previous year and a downward revision of 17 tb/d compared with last month's assessment. The quarterly distribution stands at 4.00 mb/d, 4.08 mb/d, 4.26 mb/d and 4.28 mb/d respectively. Preliminary estimates indicate April production at 4.03 mb/d. Brazil is expected to add 261 tb/d to the growth in the region with a preliminary average figure of 2.25 mb/d in April. May production figures may witness a significant rise as more wells come onstream from Roncador P-52 and with the restarting of scheduled shutdowns in the Pampo and P-20 (Marlim) platforms.

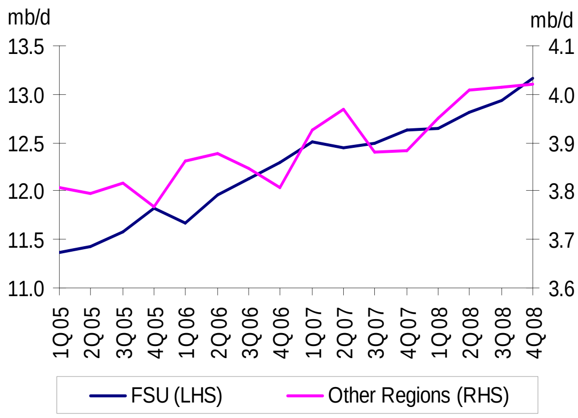
Africa is expected to average 2.78 mb/d in 2008 for a growth of 112 tb/d over the previous year and a 21 tb/d downward revision from last month's assessment. On a quarterly basis, oil supply from this group is expected to average 2.76 mb/d, 2.80 mb/d, 2.78 mb/d and 2.79 mb/d respectively. Downward revisions of 26 tb/d have been made to Other Africa. According to preliminary estimates, Africa produced 2.76 mb/d in April.

The **Middle East** is expected to stay flat compared with previous year. It is expected to average 1.65 mb/d with a quarterly distribution of 1.64 mb/d, 1.64 mb/d, 1.65 mb/d and 1.66 mb/d respectively. Syrian production has been revised upward slightly. According to preliminary figures, Middle East supply is estimated at 1.64 mb/d.

FSU, Other Regions

Oil supply in the FSU is expected to average 12.89 mb/d which represents 0.37 mb/d growth over the previous year and a downward revision of 11 tb/d from last month's assessment. On a quarterly basis, FSU supply is expected to average 12.64 mb/d, 12.81 mb/d, 12.93 mb/d and 13.16 mb/d respectively. Other Europe supply is expected to remain at 0.14 mb/d, the same level as in 2007, while China is expected to average 3.86 mb/d.

Graph 22: FSU and other region's quarterly production



Russia

Russian oil supply is expected to reach 9.91 mb/d which represents growth of 46 tb/d and a downward revision of 17 tb/d compared with last month's assessment. On a quarterly basis, Russian oil supply is expected at 9.76 mb/d, 9.87 mb/d, 9.97 mb/d and 10.05 mb/d respectively. The sluggish performance continued in April, which fell below the previous month's figures to stand at 9.72 mb/d. However, performance could improve over the coming months. The South Khylchuyu field was delayed to the 3Q08, ramping up through the second half of 2008 to peak at 150 tb/d in late of 2009.

Caspian

Oil supply in **Kazakhstan** is expected to grow by 97 tb/d over 2007 to reach 1.45 mb/d, unchanged compared with last month's assessment. The quarterly distribution stands at 1.42 mb/d, 1.44 mb/d, 1.41 mb/d and 1.51 mb/d respectively. Preliminary figures place Caspian production at 1.49 mb/d in April.

Oil supply in **Azerbaijan** is expected to grow by 200 tb/d to reach 1.06 mb/d in 2008, unchanged compared with last month's assessment.

China

Oil supply in China is expected to average 3.86 mb/d, representing growth of 87 tb/d over the previous year and a downward revision of 24 tb/d from last month due to adjustments in the 1Q08 to actual data. On a quarterly basis, China is expected to produce 3.81 mb/d, 3.87 mb/d, 3.87 mb/d and 3.88 mb/d respectively. Preliminary figures estimate April production at 3.86 mb/d.

OPEC natural gas liquids and non-conventional oils

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

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

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

OPEC crude oil production

OPEC crude oil production averaged 31.70 mb/d in April

Total crude oil production averaged 31.70 mb/d in April, a decline of 393 tb/d from the previous month, according to secondary sources. OPEC production (not including Iraq) averaged 29.42 mb/d, down by 289 tb/d from the previous month. The decline is the result of a significant fall of 0.25 mb/d in Nigerian production due to strikes. Iraq also witnessed a decline of 0.10 mb/d compared with the previous month. Saudi Arabia, Iran, Kuwait, Libya and Venezuela saw some minor declines.

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

	2006	**2007**	**3Q07**	**4Q07**	**1Q08**	**Feb 08**	**Mar 08**	**Apr 08**	***Apr/Mar***
Algeria	1,365	1,360	1,365	1,386	1,397	1,395	1,399	1,412	*12.3*
Angola	1,385	1,660	1,678	1,777	1,865	1,881	1,869	1,873	*3.3*
Ecuador	536	507	508	509	504	506	496	499	*2.9*
Indonesia	895	844	836	841	860	867	870	876	*5.9*
Iran, I.R.	3,845	3,855	3,861	3,907	3,930	3,893	3,925	3,891	*-33.8*
Iraq	1,932	2,089	2,107	2,330	2,301	2,358	2,357	2,253	*-103.3*
Kuwait	2,520	2,464	2,467	2,508	2,537	2,539	2,537	2,535	*-1.7*
Libya, S.P.A.J.	1,702	1,710	1,718	1,741	1,751	1,751	1,752	1,748	*-4.2*
Nigeria	2,235	2,125	2,154	2,158	2,065	2,076	2,069	1,818	*-250.9*
Qatar	821	807	814	826	840	839	843	845	*1.7*
Saudi Arabia	9,112	8,654	8,584	8,921	9,082	9,090	9,056	9,019	*-37.1*
UAE	2,540	2,504	2,574	2,427	2,586	2,596	2,558	2,591	*32.9*
Venezuela	2,539	2,392	2,377	2,395	2,385	2,391	2,364	2,343	*-20.8*
Total OPEC	**31,428**	**30,970**	**31,044**	**31,727**	**32,104**	**32,181**	**32,094**	**31,702**	***-392.6***
OPEC excl. Iraq	**29,496**	**28,881**	**28,937**	**29,397**	**29,802**	**29,823**	**29,738**	**29,449**	***-289.3***

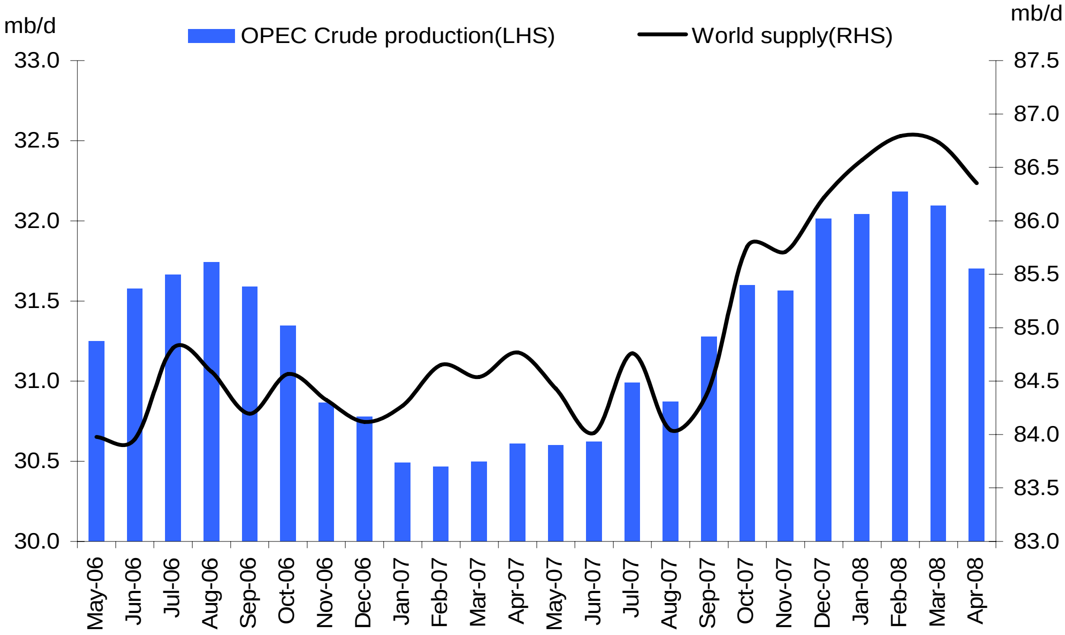
Totals may not add due to independent rounding.

World oil supply declined by 0.38 mb/d in April over the previous month

World Oil Supply

Preliminary figures for the month of April indicate that world oil supply averaged 86.35 mb/d. This represents a 0.38 mb/d decline from the previous month, with OPEC crude share at 36.7%. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Graph 23: OPEC and World oil supply



FSU net exports of crude and products

Total FSU net oil exports are estimated to average 8.55 mb/d in 2007, an increase of 0.42 mb/d over the previous year. In 2008, net oil exports are forecast to reach 8.86 mb/d, an increase of 0.31 mb/d over the previous year.

Current trends

Actual figures for February indicate that total crude exports from the FSU averaged 5.82 mb/d. Preliminary figures indicate total crude exports averaged 6.18 mb/d in March, an increase of 362 tb/d over the previous month. Russian pipeline exports in March increased by a significant 252 tb/d, mainly via the Baltic pipeline, in addition to the Druzhba and the Black Sea pipelines with 50 tb/d and 68 tb/d respectively. Russian Rail and the CPC pipeline increased by 28 tb/d each, while Russian–Far East declined by 13 tb/d compared with the previous month.

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

	1Q	2Q	3Q	4Q	Year	Growth (y-o-y)
2004	7.17	7.30	7.38	7.37	**7.31**	**0.82**
2005	7.45	7.69	7.76	7.85	**7.69**	**0.38**
2006	7.91	8.34	8.22	8.06	**8.13**	**0.44**
2007 (estimate)	**8.64**	**8.74**	**8.50**	**8.31**	**8.55**	**0.42**
2008 (forecast)	**8.73**	**9.04**	**8.87**	**8.79**	**8.86**	**0.31**

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

	2006	2007	3Q07	4Q07	1Q08	Feb 08	Mar 08*
Crude							
Russian pipeline							
Black Sea	1,288	1,360	1,332	1,294	1,224	1,195	1,263
Baltic	1,553	1,645	1,647	1,631	1,530	1,404	1,537
Druzhba	1,288	1,122	1,091	1,128	1,130	1,095	1,145
Total	**4,129**	**4,127**	**4,071**	**4,052**	**3,884**	**3,718**	**3,970**
Other routes							
Russian rail	313	290	266	300	296	304	332
Russian - Far East	84	247	246	263	209	218	205
Kazak rail	31	15	12	17	17	18	17
CPC pipeline	661	701	673	678	624	604	632
Caspian	**396**	**249**	**196**	**205**	**191**	**189**	**205**
of which							
Supsa (AIOC) - Georgia	114	0	0	0	0	0	0
Batumi - Georgia	177	138	105	121	105	99	116
Total**	**1,702**	**2,234**	**2,143**	**2,228**	**2,110**	**2,104**	**2,214**
Total crude exports	**5,831**	**6,362**	**6,214**	**6,280**	**5,994**	**5,822**	**6,184**
Products							
All routes							
Fuel oil	861	841	789	913	1,085	1,088	1,193
Gasoil	841	677	597	814	855	888	868
Others	662	670	676	730	975	945	1,198
Total	**2,364**	**2,188**	**2,062**	**2,458**	**2,916**	**2,921**	**3,259**
Total oil exports	**8,195**	**8,550**	**8,275**	**8,738**	**8,910**	**8,743**	**9,443**

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

* *Preliminary.*

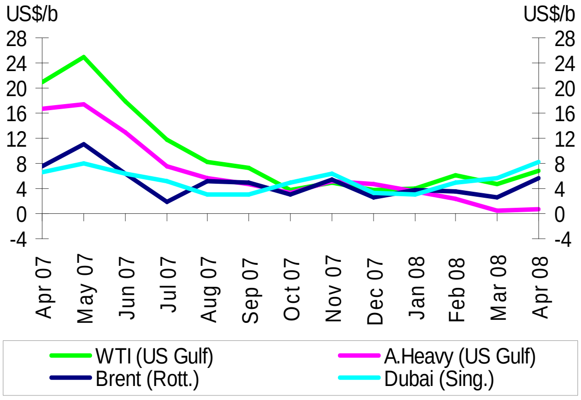
** *Total incl. BTC, Atasu-Alashankou and tanker shipments from Kaliningrad to Ventspils.*

Product Markets and Refinery Operations

Refinery economics improved across the globe in April

Gasoline stock-draws in the US along with the tight distillate markets in Europe and Asia supported the product market, lifting refining margins across the globe. The current sentiment of the product market may be compounded further, providing support for crude prices as the driving season approaches. However, due to relatively comfortable gasoline stocks, particularly in the US, refining margins are not expected to boost sharply over the next months. Meanwhile, with technical restrictions in the downstream hindering any significant switch in the refinery mode to favour middle distillate production, the current tightness in middle of the barrel components might persist, supporting the market over the coming months.

Graph 24: Refining margins



As **Graph-24** shows, refinery margins for WTI crude at the US Gulf Coast surged by $2.07/b to $6.76/b in April from $4.69/b in March. In Europe, the market followed the same trend and margins for Brent crude oil in Rotterdam rose by $3.06/b compared to the previous month to record $5.68/b in April.

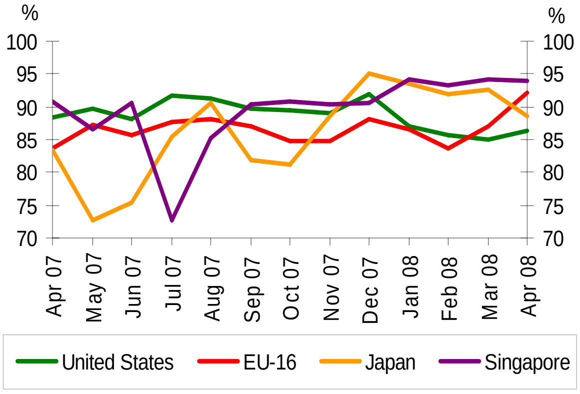
The Asian market consolidated its previous upward movement due to higher regional demand and refinery maintenance schedules. As **Graph 24** indicates, refining margins for Dubai crude oil in the Singapore market reached $7.88/b in April from $5.71/b last month.

Refinery operations

Refinery throughputs increased slightly in the US

The seasonal maintenance schedule has slowed in the US, but with the persisting situation of refinery economics, refiners so far have refused to significantly boost throughputs levels. Historically, US refiners have increased throughputs from the middle of April to secure sufficient gasoline prior to the driving season. But slowing demand for gasoline as a result of the poor performance of the economy has so far adversely affected refinery operation levels.

Graph 25: Refinery utilization rates



As Graph 25 shows, the US refinery utilization rate increased by 1.2% compared to the previous month reaching 86.3% in April from 85.1% in March. In Europe, the refinery utilization rate surged by 5.3% to 92.3% in April from 86.93% in the previous month. In Asia, refinery throughput slowed across the region with the start of major maintenance schedules. In Japan refinery utilization rates plummeted 4.20% to 88.5% from 92.7% in March (*see Graph 25*).

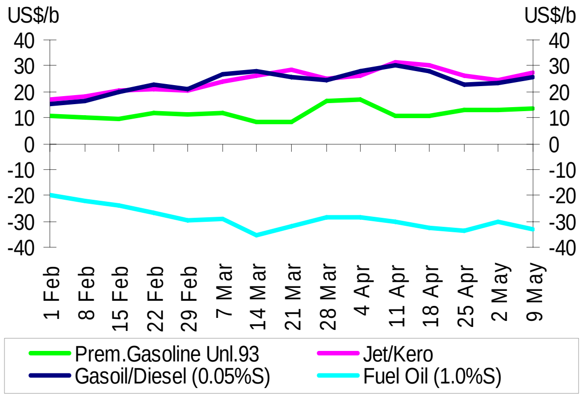
Looking ahead, with increasing seasonal schedules in Asia, refinery utilization rates are expected to drop further in May. With regard to the US and Europe, seasonal maintenance may fall sharply, but due to low margins, refiners are not likely to sharply increase operational levels over the near term.

The US product market sentiment improved in April

US market

The continuation of the refinery maintenance schedule along with product stock-draws over the last few weeks have provided support for the product market sentiment and lifted light product prices in different markets of the US. As Graph 26 indicates, the gasoline crack spread for WTI crude oil at the US Gulf Coast remained above $12/b in April. With the approaching driving season, the gasoline market may gain further momentum, but considering the recent slowing demand and relatively comfortable stock levels, the outlook for the gasoline market will depend on unplanned refinery outages, product imports from other regions and domestic refinery utilization rates.

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



Apart from gasoline, the bullish sentiment of the middle distillate market has also been heightened by diesel export opportunities to Europe and South America. Over 10 cargoes of diesel have been fixed for Europe in the last few weeks, lifting both gasoil and jet/kero crack spreads against WTI crude oil in the same period. The gasoil crack spread versus WTI crude jumped to over $30/b in the middle of April **(***see* **Graph 26)**. Given the tight distillate situation in other parts of the market, US refiners are likely to try to benefit from the persisting arbitrage opportunity and the distillate market will remain strong in the short term. However, upon completion of maintenance schedules and rising refinery throughputs, the distillate market could lose part of its current strength in the future.

In the US, the fuel oil market continued its bearish momentum, and higher stock-builds exerted more pressure on the fuel oil market. Following these developments, the discounted value of fuel oil versus WTI crude oil has surged and its crack spread reached about minus $33/b in the last week of April. Looking ahead, with the end of the maintenance season and given higher regional production, fuel oil fundamentals are expected to remain weak in May.

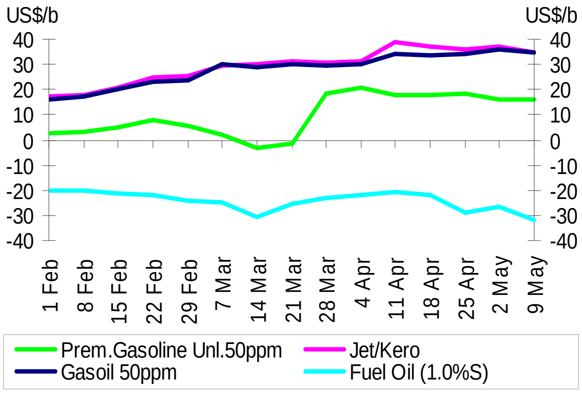
Middle distillate margins were boosted in April

European market

A temporary strike at a refinery in Scotland together with higher European maintenance schedules and lower regional distillate output further strengthened the middle distillate market in April. These developments have also caused the gasoil crack spread against Brent crude oil to surge to over $36/b (*see Graph 27*).

The present bullish sentiment in the distillate market in Europe may weaken slightly in May on an influx of imported volumes over the coming weeks and the return of distillate units to full operation levels.

Graph 27: Rotterdam crack spreads vs. Brent, 2008



Despite the strong performance of the middle distillates, the European gasoline and naphtha markets remained relatively weak due to lower regional demand and a lack of sufficient export opportunities to other markets. The present market sentiment for the light distillate market in Europe may improve in the future, but this largely depends on US market developments over the coming driving season.

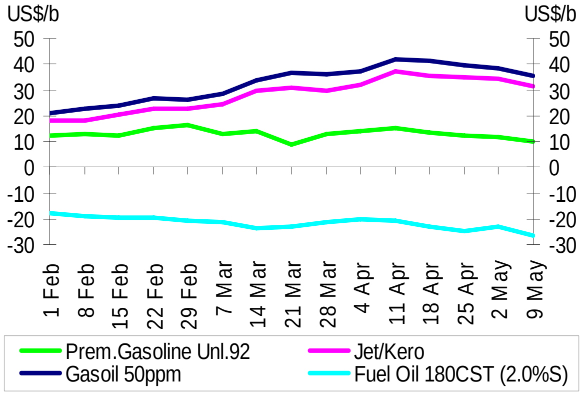
With regard to the fuel oil market, ample supply from Russia, lacklustre demand from the regional utility plants and lack of export opportunities to Asia have led fuel oil inventories to top out in Rotterdam and the Baltic areas, putting downward pressure on fuel oil prices. These situations have also widened both the low-sulphur and high-sulphur fuel oil crack spread versus Brent crude oil at Rotterdam **(***see* ***Graph 27*****)**. The current bearish sentiment of the fuel oil market may persist over the coming months if arbitrage opportunities remain narrow in the future.

Asian market

The Asian product market performed very well in April

The gasoline market in Asia has benefited from the bullish developments in the Atlantic Basin and tight supply in China. This situation has lifted gasoline prices and the crack spread versus Dubai crude oil especially in the first half of April. Given the higher refinery maintenance schedules in the region, the Asian gasoline market is likely to remain relatively strong in the near future.

Graph 28: Singapore crack spreads vs. Dubai, 2008



With regard to naphtha, the Asian market lost further ground due to weakening regional demand, as some petrochemical units switched to other alternative feedstocks like liquefied petroleum gas. Additionally, the higher arbitrage cargoes from Europe have also undermined more the bearish sentiment of the naphtha market. The Asian naphtha market may remain lacklustre over the next months with the start of maintenance schedules for cracker units.

The middle of barrel component sentiment was underpinned by tight regional supply due to seasonal refinery maintenance schedules, higher demand and imports from China. The gasoil crack spread against Dubai crude oil recorded $39.66/b in the latter part of April. The current circumstances of the market for middle distillates may continue over the coming months. In addition to gasoil, the jet/kero market also remained strong, largely due to higher demand from China (*see Graph 28***).**

As far as the fuel oil market is concerned, the crack and the cash market continued to weaken amid higher supply and lack of demand from the region. Following these developments, the crack spread of high-sulphur fuel oil versus Dubai crude fell from minus $23/b in the last week of March to minus $25/b in the last week of April. Looking forward, the current bearish sentiment of the Asian fuel oil market may improve slightly in May due to less regional output amid refinery turnarounds and arrival of fewer cargoes from the Middle East.

Table 17: Refined product prices, US$/b

		Feb 08	Mar 08	Apr 08	Change Apr/Mar
US Gulf (Cargoes):					
Naphtha		96.63	104.80	114.75	9.95
Premium gasoline	*(unleaded 93)*	105.63	117.08	125.43	8.35
Regular gasoline	*(unleaded 87)*	101.46	108.80	119.71	10.91
Jet/Kerosene		114.89	131.35	140.57	9.22
Gasoil	*(0.05% S)*	114.73	131.63	139.22	7.59
Fuel oil	*(1.0% S)*	69.85	74.39	75.34	0.95
Fuel oil	*(3.0% S)*	67.88	71.42	81.39	9.97
Rotterdam (Barges FoB):					
Naphtha		109.36	113.53	118.58	5.05
Premium gasoline	*(unleaded 50 ppm*)*	100.30	108.91	127.26	18.35
Premium gasoline	*(unleaded 95)*	98.53	103.56	113.16	9.60
Jet/Kerosene		116.97	134.00	145.05	11.05
Gasoil/Diesel	*(50 ppm*)*	115.98	133.01	142.66	9.65
Fuel oil	*(1.0% S)*	73.26	77.69	85.16	7.47
Fuel oil	*(3.5% S)*	64.89	70.28	73.57	3.29
Mediterranean (Cargoes):					
Naphtha		92.56	95.98	99.53	3.55
Premium gasoline	*(50 ppm)*	110.83	117.31	127.26	9.95
Jet/Kerosene		114.50	131.37	142.60	11.23
Gasoil/Diesel	*(50 ppm)*	117.20	134.27	142.80	8.53
Fuel oil	*(1.0% S)*	72.13	77.08	83.24	6.16
Fuel oil	*(3.5% S)*	64.09	70.84	72.73	1.89
Singapore (Cargoes):					
Naphtha		94.99	97.54	102.53	4.99
Premium gasoline	*(unleaded 95)*	104.97	109.66	117.98	8.32
Regular gasoline	*(unleaded 92)*	104.04	109.12	117.02	7.90
Jet/Kerosene		111.03	125.31	138.44	13.13
Gasoil/Diesel	*(50 ppm)*	114.97	130.49	143.38	12.89
Fuel oil	*(180 cst 2.0% S)*	70.00	74.58	80.98	6.40
Fuel oil	*(380 cst 3.5% S)*	70.26	73.86	78.14	4.28

**/ From January 2008 = 10ppm*

Table 18: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Feb 08	Mar 08	Apr 08	Apr/Mar	Feb 08	Mar 08	Apr 08	Apr/Mar
USA	14.93	14.85	15.07	0.22	85.6	85.1	86.3	1.20
France	1.59	1.46	1.68	0.22	82.1	75.6	75.1	-0.45
Germany	2.15	2.28 R	2.17	-0.12	89.0	93.5	97.0	3.44
Italy	1.84 R	1.79 R	1.85	0.06	79.7	75.6	77.2	1.65
UK	1.33	1.41	1.53	0.12	71.8	76.1	79.2	3.17
Eur-16	11.71 R	11.39 R	12.09	0.70	83.7	86.9 R	92.3	5.33
Japan	4.28	4.31	4.11	-0.20	92.0	92.7	88.5	-4.20

R *Revised since last issue.*

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

The Tanker Market

OPEC spot fixtures rose in April on the back of increased tonnage demand

OPEC spot fixtures increased 4% in April from the previous month. The rise occurred mainly in the second half of April, as May cargoes started to emerge. Strong tonnage demand from China and Korea was the main element that supported spot fixture developments in the East, despite the approaching refinery maintenance season. The improved refinery margins contributed to the increased spot fixtures in April. The level of OPEC spot fixtures represented an annual increase of 15% compared to the same period last year. Global spot fixtures also increased in April by 4% compared to a month earlier. Middle East spot fixtures for eastbound voyages increased in April by 11% from the previous month, while westbound fixtures decreased by 13% in April. On an annual basis, Middle East to the West spot fixtures decreased 9% in April.

OPEC sailings remained nearly steady in April according to preliminary data, with a minor decrease of 2% compared to a month earlier. Middle East sailings indicated a minor decline of 2% in April. However, sailings are expected to increase in the coming month as chartering activities for the coming period indicate more volumes which have partially resulted in a freight rate increase in April. Initial estimates show that US and Caribbean arrivals increased 2% in April, similar to arrivals in North-West Europe. On an annual basis, US arrivals displayed a 6% y-o-y increase.

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

	Feb 08	Mar 08	Apr 08	Change Apr/Mar
Spot Chartering				
All areas	20.98	19.41	21.26	1.85
OPEC	14.15	12.96	13.54	0.58
Middle East/east	5.88	4.86	5.60	0.74
Middle East/west	1.56	2.08	1.81	-0.27
Sailings				
OPEC	24.28	23.89	23.46	-0.43
Middle East	17.72	17.49	17.13	-0.36
Arrivals				
US Gulf Coast, US East Coast, Caribbean	8.62	8.51	8.71	0.20
North West Europe	8.05	7.82	7.98	0.16
Euromed	4.84	4.77	4.42	-0.35

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

The crude oil spot tanker market increased in April supported by rising activities

The dirty spot tanker market continued to be volatile in April following a trend similar to the previous month. Within April, rates on specific routes saw a four-month low while others achieved a three-month high. The spot tanker market sentiments were both bearish and bullish during April, as rates declined in the first half of the month and then rebounded in the second half on almost all reported dirty tanker routes. Various factors influenced the spot tanker market in different areas, yet market developments in April underlined the links between the different markets.

At the end of April, all spot freight rates for dirty tankers on reported routes displayed gains over the previous month. While the monthly increases in April varied from 1% to 18% from the previous month, the general of the market was bullish, especially compared to a year earlier. VLCC spot freight rates gained 7% on average in April from the previous month, despite the heavy decline seen in the first half of the month. A robust rebound in the second half of April recovered the earlier losses and the month closed with a gain.

The VLCC sector started the month with a decline from the end of March level in the East of Suez. The lengthy tonnage list was the main fundamental driver behind the decrease in spot freight rates in the first half of April, reaching the lowest weekly level since November 2007. At the same time, tonnage demand remained relatively steady in the first week of April. Faced with record high bunker prices, owners were trying to hold their ground. Charterers on the other hand held their booking in the second week, as the activity level was very low, on expectations that spot freight rates would decline further. Accordingly, VLCC spot freight rates experienced a massive dive to reach extremely low levels in the second week. However, as charterers rushed to cover their May positions, the long available tonnage list cleared out and rates rebounded accordingly in the second half of the month. As a result, VLCC spot freight rates for long haul voyages from the Middle East to Eastern destinations increased 7% in April from previous month. VLCC spot freight rates for voyages from the Middle East to the West increased by only 1% in April from a month ago. The difference between the increases in the spot freight rates to the East and West can be attributed to the fact that Western charterers entered the market earlier and booked many double hull vessels and Eastern charterers had to pay more. Additionally, many Eastern single hull charterers now prefer to utilize double hull units which limited the availability and hence supported VLCC spot freight rates. In addition, the improving refinery margins supported spot freight rates along with the pirate incident on the VLCC Takayama and the increase in demand from China and Korea.

Spot freight rates for voyages from West Africa to the East experienced the largest monthly increase in the VLCC sector. The rise of 12% in April from the previous month went through a similar cycle as the Middle East with spot freight rates declining in the first half of the month and recovering in the second half. The decline in VLCC spot freight rates in West Africa was supported by ballasting activities from the Middle East to West Africa, however, the improvement in Middle East rates halted the decline and sentiments for owners to ballast to West Africa disappeared limiting availability. Additionally, the increase of long-haul voyages for fuel oil from Europe and the Caribbean to Singapore supported fundamentals for spot freight rates. On an annual basis, VLCC spot freight rates for voyages from West Africa indicated the highest increase during April of 77% compared to the same period last year.

The Suezmax sector went through the same movement as the VLCC sector with spot freight rates declining in the first half of April and rebounding in the second half to close the month on the green. On average Suezmax spot freight rates on reported routes increased 16% in April compared to the previous month. Suezmax spot freight rates for voyages from West Africa and North-West Europe to the US started the month with a decrease on the back of weakening tonnage demand, a low activity level and high availability. However, as the first half of April unfolded, plenty of new business emerged and the long tonnage list rapidly thinned out with ample cargoes yet to be covered. Additionally, the increasing VLCC and Aframax markets both supported Suezmax gains in April. The rising exports from South America also added to the bullish sentiments supporting Suezmax spot freight rates to increase 14% and 18% from West Africa and North-West Europe to the US respectively in April compared to the previous month.

Table 20: Spot tanker freight rates, Worldscale

	Size *1,000 DWT*	**Feb 08**	**Mar 08**	**Apr 08**	**Change Apr/Mar**
Crude					
Middle East/east	230-280	126	119	128	9
Middle East/west	270-285	90	90	91	1
West Africa/east	260	99	118	132	14
West Africa/US Gulf Coast	130-135	124	170	194	24
NW Europe/USEC - USGC	130-135	121	153	180	27
Indonesia/US West Coast	80-85	151	148	168	20
Caribbean/US East Coast	50-55	153	231	234	3
Mediterranean/Mediterranean	80-85	144	222	265	44
Mediterranean/North-West Europe	80-85	141	219	262	43
Products					
Middle East/east	30-35	178	179	166	-13
Singapore/east	30-35	186	198	178	-19
Caribbean/US Gulf Coast	38-40	277	276	301	25
NW Europe/USEC - USGC	33-37	221	230	283	53
Mediterranean/Mediterranean	30-35	182	197	258	61
Mediterranean/North-West Europe	30-35	192	207	268	61

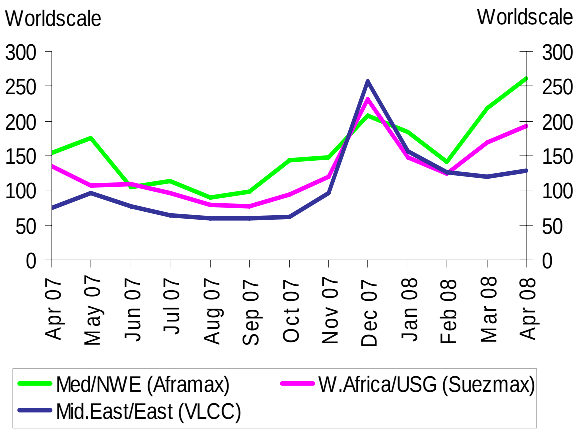
Source: Galbraith's Tanker Market Report and Platt's.

The Aframax sector increased in April on all reported routes with rises between 1% and 20% compared to a month earlier. Aframax spot freight rates for voyages from the Mediterranean encountered the biggest monthly increase in the dirty sector of 20% in April compared to the previous month. April started with rates declining slightly in the first week then falling sharply in the second week as the long position list encouraged charterers to hold on to their booking for lower rates. However, minor ballasting activities started and once charterers renewed their interest in the market the long list cleared rapidly and the surplus cargoes available in the last decade of April encountered a very tight market. Accordingly, Aframax spot freight rates increased by 100% in the third week of April. Caribbean Aframax voyages remained relatively steady, despite the long position list; however, the increase in the Mediterranean rates halted any decline in other regions. On the reported East of Suez Aframax route, spot freight rates increased 13% supported by the delays encountered at the Kanokawa ports in Japan which influenced availability. On average, Aframax spot freight rates increased 48% in April compared to the same period last year.

Clean spot market rates increased in the West and decreased in the East on activity and availability

The clean tanker market continued to fluctuate with mixed sentiments in April. Clean spot freight rates displayed various movements ranging from a decline of 10% to a rise of 31% in April compared to the previous month. East of Suez clean spot freight rates declined while West of Suez increased in April. Reported Mediterranean routes continued to experience the largest increases in terms of clean spot freight rates yet at a bigger scale than experienced in March. Refinery throughput cuts due to maintenance remained the main driver behind the low activities in the East of Suez. Clean spot freight rates went through a slow and gradual decline throughout April to close the month with an average drop of 9% compared to a month ago. The petrochemical plants turnaround as well as the force major incident at a South Korea refinery and the lack of arbitrage opportunities all added to the lower refinery output that shaped the activity level to be low in April. On the other hand, tonnage continued to build up in the East of Suez and, coupled with thin activities, clean spot freight rates had no direction to head to but south. Clean spot freight rates to the eastern destinations declined 8% and 10% from Middle East and Singapore respectively in April from the previous month.

Graph 29: Monthly averages of crude oil spot freight rates



In contrast, West of Suez clean spot freight rates increased in April on all reported routes with rates for voyages from the Mediterranean indicating the largest gain. Flurry of cargoes encountered a very tight tonnage position in the Mediterranean in April that took clean spot freight rates to increase 31% from the previous month. The rise of Russian gasoil export, as refiners preferred to take advantage of the international prices rather than domestic prices, raised the activity to a very high level. Additionally, weather-related delays as well as vessels shifting to the dirty market all created just the right ingredients for rates to increase. Clean spot freight rates rose 23% from North-West Europe to the US in April from the previous month supported by the improved trans-Atlantic movement, not only to the US, but also to West Africa. Additionally the back haul activities also supported freight rates. The strike in FOS in France helped create a very tight tonnage position in addition to the delays in West Africa discharge and owners' decision to ballast to the Mediterranean. Caribbean clean spot freight rates increased 9% in April compared to the previous month on the back of improved market conditions in other regions as well as Argentina's and Chile's gasoil demand. On an annual basis, clean spot freight rates indicated an average decline of 6% in April compared to the same period of last year.

Oil Trade

OECD net oil imports decreased by 0.5% in March as a decline in net product imports more than offset a minor increase in net crude oil imports

OECD

OECD crude oil imports increased a marginal 174,000 b/d or 0.6% in March over the previous month to average about 30.2 mb/d, according to preliminary data. The increase is mainly attributed to Japan’s higher crude oil imports of about 166,000 b/d compared to the previous month, with declines in the USA and South Korea almost leveling out increases in other OECD regions. Despite a marginal increase in March, crude oil imports were about 1% lower than a year earlier, while average first-quarter 2008 imports were almost identical with their levels during first-quarter 2007. Similarly, OECD product imports increased in March by a marginal 68,000 b/d or 0.6% compared to the previous month to average about 10.6 mb/d. Declines in Japan’s and US product imports were more than offset by increases in other OECD regions. March product imports showed y-o-y growth of 0.5%, while first-quarter 2008 product imports showed a y-o-y increase of about 2.7% over the first quarter of 2007.

On the export side, according to estimated data, OECD crude oil exports in March increased by 2% compared to the previous month to average 6.4 mb/d. On an annual basis, this level of exports represents an 8% decline compared to March 2007. At the same time, first-quarter 2008 crude oil exports declined by 9% compared to first-quarter 2007. OECD product exports in March followed a similar pattern, increasing by about 241,000 b/d or 3% compared to the previous month, while decreasing by 1% compared to March 2007. OECD product exports for first-quarter 2008 averaged 8.7 mb/d, down by 3% from the same period last year.

Accordingly, total OECD net oil imports in March averaged 25.8 mb/d, declining by 125,000 b/d or 0.5% compared to the previous month as the 172,000 b/d decline in net product imports outweighed the 48.000 b/d increase in net crude oil imports. OECD net oil imports in March were about 2% higher than a year earlier, and first-quarter 2008 net oil imports were about 5% higher than in the first quarter last year.

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

	Jan 08	Feb 08	Mar 08	Change Mar/Feb
Crude oil	25,264	23,765	23,813	48
Total products	2,180	2,111	1,938	-172
Total crude and products	**27,444**	**25,876**	**25,751**	**-125**

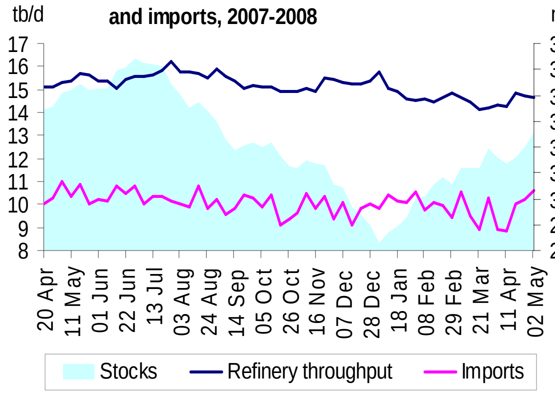
Saudi Arabia and Russia were the top OECD crude oil suppliers in March with 14.6% and 12.3% respectively, followed by Canada with 6.5% and Norway with 5.7%. Altogether, OPEC Member Countries supplied 53.4% of total OECD crude oil imports in March, down from 55.5% in the previous month. For products, Netherlands was the top OECD product supplier in March with 8.8%, followed by Russia with 8.4% and the USA with 7.5%. OPEC Member Countries combined supplied 14.1% of total OECD product imports in March, down from 15.8% in the previous month, with Saudi Arabia supplying 2.7%.

US net oil imports rose by 6% in April supported by increases in both net crude oil and product exports, but were 5% lower y-o-y

USA

According to preliminary data, US crude oil imports rebounded in April, increasing by about 154,000 b/d or 2% compared to the previous month to average 9.8 mb/d. The refinery utilization rate improved in April by 1.2% to reach 84.2%, while crude oil stocks rose also but at a lower pace than in the previous month. April crude oil imports were 3.6% lower than a year earlier, while average crude oil imports during January-April 2008 were only 0.6% lower than in the same period last year as less imports during March and April more than offset higher imports during January and February, all compared to the same months last year.

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



Similarly, product imports rebounded in April after declining two successive months, increasing by about 249.000 b/d or 8% compared to the previous month to reach about 3.5 mb/d. Gasoline imports were up by 19,000 b/d or 5% compared to the previous month, with imports heading to the East Coast reaching their highest levels since July 2007. Yet, April gasoline imports were substantially lower than a year earlier, declining by 24%, reflecting weaker demand for this product that was hit by slower economic growth and higher retail prices ahead of the summer driving season. Distillate fuel oil imports were steady in April compared to March, while residual fuel oil imports increased by 15% and other oils by 10% over the same period. On an annual basis, total product imports in April were 252,000 b/d or 7% lower than a year earlier, while average January-April product imports were about 2% lower than in the same period last year.

On the export side, US product exports in April were 75,000 b/d or 6% higher than in the previous month. On an annual basis, product exports in April were about 4% higher than in April 2007, with an almost similar growth rate for average product exports for January-April 2008 compared to the same period last year.

As a result, US total net oil imports increased in April by about 328,000 b/d or 3% compared to the previous month. The increase was spread almost evenly among both net crude oil and net product imports. In contrast to this monthly movement, US net oil imports showed a decline on a y-o-y basis, decreasing in April by about 670,000 b/d or 5% compared to April 2007, while average January-April 2008 net oil imports decreased by 166,000 b/d or about 1% compared to the same period last year. Lower annual net oil imports reflected slower economic growth that pushed US oil demand in the first quarter of 2008 down by 1.4% compared with the same period of 2007, marking the third straight quarter of y-o-y declines.

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

	Feb 08	Mar 08	Apr 08	Change Apr/Mar
Crude oil	9,808	9,635	9,789	154
Total products	2,086	1,949	2,123	174
Total crude and products	**11,894**	**11,584**	**11,912**	**328**

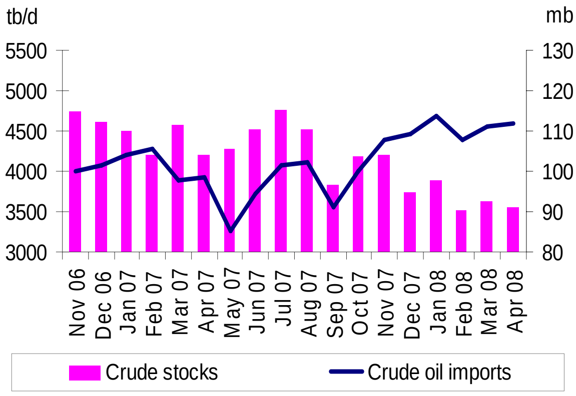
Canada remained the top US crude oil supplier in February with 20%, up by 1% from the previous month, followed by Saudi Arabia with 17%, up by 2% from the previous month. Mexico and Nigeria came next with 13% and 10% respectively. Altogether, OPEC Member Countries supplied 55.6% of total US crude oil imports in February, down from 58.4% during the previous month. For products, Canada also maintained the first place with 18%, unchanged from the previous month, followed by Russia with 12%, up by 1% from the previous month, and Virgin Islands with 11%. Algeria and Venezuela supplied 6% each. OPEC Member Countries supplied 17% of the US product imports in February, slightly above the previous month.

Japan

Japan's net oil imports were steady again in April, increasing by less than 1% compared to March, with higher y-o-y growth

According to preliminary data, Japan's crude oil imports increased by a modest 1% in April from the revised figures for the previous month. Crude oil imports were about 4.59 mb/d in April, a gain of 17% over a year ago while average crude oil imports for the first four months of 2008 were 12% higher than the same period last year. Higher April crude oil imports came at a time when refineries usually prepare for maintenance, which peaks towards the end of the month and in May. April is also traditionally the start of the peak season for gasoline demand in Japan, and with this year's expected warmer- than-average weather from April to July, demand for the product is expected to increase by 5-10% from the annual norm. Indications suggest that robust demand for gasoline during the peak season this year will be weakened by the reintroduction of the gasoline tax that was suspended on 31 March and by increasing uncertainty about the country's economic outlook, with consumer

Graph 31: Japanese crude oil imports and crude stocks



confidence hitting a five-year low towards the end of the month. Japan's product imports in April were almost unchanged compared to the previous month, averaging about 0.49 mb/d. On an annual basis, average product imports for the first four months of 2008 were 14% lower than in the same period last year. This is partially attributed to lower volumes of gasoline imports as Japan switched from importer to exporter of gasoline and has been a net gasoline exporter every month since December 2007, with exports averaging 23,000 b/d in March, the highest level in years.

On the export side, Japan's product exports were also steady compared to the previous month, though on an upward trend for the sixth consecutive month, providing further evidence of the country's shift towards becoming a regular fuel exporter as refiners scramble to utilize idle domestic capacity as local demand contracts. Oil consumption in Japan decreased by 2.4% during the Japanese business year ending March 2008 with a declining population and continued efforts towards cutting CO_2 emission and using less energy to meet the Kyoto Protocol. Average product exports for January-April 2008 were about 0.5 mb/d, a significant 21% higher than the same average last year of about 0.41 mb/d, supported by higher volumes of gasoline, kerosene and A-type fuel oil exports.

As a result, Japan's net oil imports in April of about 4.57 mb/d were almost steady at less than 1% above the previous month, yet were about 18% above the year-ago level. Average net oil imports for the first four months of the year were about 7% higher than over the same period last year. Steady net oil imports in April were the result of minor changes in both net crude oil and product imports compared to March.

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

	Feb 08	Mar 08	Apr 08	Change Apr/Mar
Crude oil	4,386	4,552	4,590	38
Total products	37	-13	-22	-9
Total crude and products	**4,423**	**4,539**	**4,569**	**29**

Saudi Arabia and the UAE were Japan's top crude oil suppliers in March, with 30% and 25% respectively, followed by Iran with 12% and Qatar with 11%, up from 8% in February. OPEC Member Countries supplied 86% of Japan's crude imports in March, down from 89.1% in the previous month. Top non-OPEC suppliers in March include Sudan with 3.2% — a jump from 0.9% in February — and Russia with 3%, down from 4% in the previous month. On the product side, Saudi Arabia was also Japan's top supplier in March with 21%, slightly above February's share, followed by the UAE with 13% and South Korea with 12%. Altogether, OPEC Member Countries supplied 56.1% of Japan's product imports in March, unchanged from the previous month. Following South Korea, top non-OPEC product suppliers in March include India with 7.2% and the USA with 6.5%.

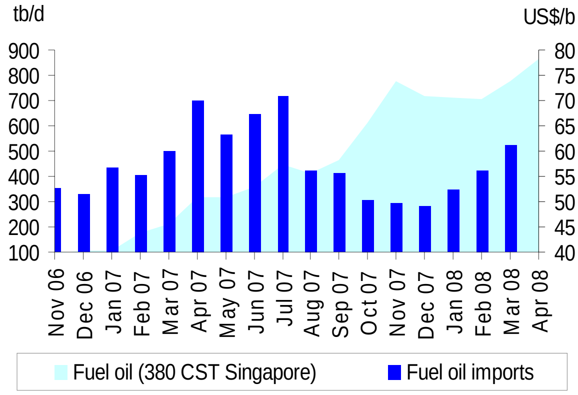
China

China's net oil imports in March reached an all-time high level of about 4.6 mb/d, supported by higher volumes of net crude and oil products imports

After hitting a 10-month high in February, China's crude oil imports in March exceeded for the first time ever the 4.0 mb/d mark, continuing their upward trend for the third successive month. According to preliminary data, March crude oil imports were about 4.1 mb/d, 13% higher than the previous month and 25% higher than a year earlier. Average first-quarter 2008 crude oil imports were about 3.7 mb/d, 15% higher than average first-quarter 2007 imports and 12% higher than the average crude oil imports in 2007. Unprecedented volumes of crude imports in March reflect a continuing robust demand in this country despite higher crude oil prices and hence higher losses for Chinese refiners who sell their products at retail prices that had only been increased once over the last 22 months. March is a farming season in China that usually witnesses strong demand for products. Impacts of unusually severe winter weather this year and attempts to ensure plentiful supplies ahead of the Olympics next summer have further enhanced demand in March. Preliminary estimates suggest that apparent demand for crude and oil products in China has grown at a rate of 6% during the first quarter of 2008 compared to the same period in 2007, led by an economy that grew 11.4% in 2007, the fastest pace in 13 years. Domestic crude oil production increased in March by 2.7% compared to the previous month, and with a 13% increase in its crude oil imports over the same period, China's reliance on imported crude oil is creeping towards 50%.

Similarly, total product imports increased in March by 13% compared to the previous month and by 4% compared to a year earlier. There were no gasoline imports in March, yet, gasoline imports during the first quarter of 2008 surged 190% compared to the first quarter 2007. Jet fuel imports decreased in March by 18% compared to the previous month. Gasoil imports rebounded in March with an increase of 41% compared to February. China experienced gasoil shortages in many areas of the country in March similar to those witnessed during the fourth quarter of 2007. In addition to meeting peak demand levels for gasoil in March when the spring planting season is in full swing, China was stocking-up gasoil for the Olympics. Gasoil stocks were up by a substantial 46% by the end of March compared to the beginning of the year. March gasoil imports bring China's gasoil imports for the first quarter of 2008 to six times those of the first quarter of 2007. Fuel oil imports also rebounded in March with an increase of over 20% compared to the previous month, buoyed by strong demand from medium-sized power stations and refineries. Altogether, China imported an average of 887,000 b/d of oil products during the first quarter of 2008, 17% higher than its imports during the same quarter last year.

Graph 32: Chinese fuel oil imports and fuel oil prices



Crude oil exports averaged about 95,000 b/d in March, up from no exports in the previous month. March crude oil exports were 29% higher than its average daily exports for the year 2007. First-quarter 2008 crude exports were 15% higher than the same period last year. Product exports declined in March by about 27,000 b/d or 7% compared to the previous month, averaging about 351,000 b/d. This indicates a decline of about 18% when compared to a year earlier, yet, average first-quarter 2008 product exports were almost identical with their levels during the first quarter 2007. Increases in export volumes of jet fuel, gasoil and fuel oil were more than offset by decreases in export volumes of gasoline and naphtha in March compared to February.

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

	Jan 08	Feb 08	Mar 08	Change Mar/Feb
Crude oil	3,254	3,613	3,996	383
Total products	574	434	570	136
Total crude and products	**3,827**	**4,047**	**4,566**	**518**

As a result, China's net oil imports in March increased for the third successive month by about 518,000 b/d or 13% compared to the previous month, and by 24% compared to the same month last year, averaging about 4.6 mb/d. This volume of net oil imports in March represents about 4.0 mb/d of net crude oil imports, up by 383,000 b/d from the previous month, and about 0.6 mb/d of net product imports, up by 136,000 b/d from the previous month. March high volume of net oil imports brings first-quarter 2008 net oil imports to about 4.14 mb/d, up by about 600,000 b/d or 17% compared to the first quarter 2007, reflecting once again a continued strong and expanding demand for crude and oil products in an economy that grew at a rate of 10.6% during the first quarter of 2008 according to recently published Chinese estimates.

Angola was China's top crude oil supplier in March with 21%, followed by Saudi Arabia with 20% and Iran and Oman with 11% and 8% respectively. Altogether, OPEC Member Countries supplied 65% of China's crude oil imports in March, almost unchanged from the previous month. Top non-OPEC suppliers in March include Oman with 8% followed by Russia and Sudan with 6% each.

India's net oil imports decreased in March, supported by steady crude imports and product exports outpacing outflows by 0.35 mb/d

India

Preliminary data show that India's crude oil imports increased in volume in March by about 7% compared to the previous month, yet declined slightly in daily terms. This is due to the two-day difference between March and February. Crude oil imports in March were about 76.7 million barrels in volume, or about 2.48 mb/d, just shy of the previous month's daily average for imports and 2% higher than a year earlier. At the same time, March crude oil imports bring first- quarter 2008 imports to about 2.44 mb/d, 6% higher than the same quarter last year. The higher quarter to quarter (q-o-q) imports in 2008 came as refining capacities in the country expanded and local demand rose at a rate of 7% throughout the year, despite higher crude oil prices. This can be attributed mainly to the booming economy and price caps on retail fuels which are far below international levels.

India's product imports in March followed almost the same pattern. Total product imports in March were about 7% higher than the previous month, but unchanged in daily terms. India imported 33,000 b/d of gasoline in March after two months of stoppage. Kerosene imports increased by 27% in March compared to the previous month, while imports of naphtha and fuel oil increased by 17% and 9% respectively over the same period. All of these increases were entirely offset by the reduction in gasoil imports in March from the unprecedented 150,000 b/d in imports seen in February. Gasoil imports in March were 71,000 b/d, 53% lower than the previous month, but about nine times the level of India's gasoil imports in the same month last year. For the first quarter of 2008, India's average gasoil imports were about 91,000 b/d, more than quadruple the average for the same quarter in 2007. Last year's gasoil sales in India recorded the highest growth in a decade as commercial vehicle sales rose 35% from a year earlier and industrial production was up 11.1%. Altogether, India imported about 474,000 b/d of products in March, 32% higher than a year earlier. First-quarter 2008 average imports were about 441,000 b/d, 31% higher than first-quarter 2007 average imports of about 336,000 b/d.

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

	Jan 08	Feb 08	Mar 08	Change Mar/Feb
Crude oil	2,374	2,485	2,476	-9
Total products	-337	-273	-351	-78
Total crude and products	**2,037**	**2,212**	**2,124**	**-87**

In terms of outflows, India exported an average of 825,000 b/d of products in March, 11% higher than the previous month, but 2% lower than a year earlier. Gasoil exports were 300,000 b/d or 20% higher than the previous month and 22% higher than a year earlier. Naphtha exports were 195,000 b/d, an increase of 19% over the previous month and 10% higher than a year earlier. Gasoline exports were 150,000 b/d or 17% higher than the previous month and 46% higher than a year earlier. Jet fuel exports, which increased by about 21% in March over the previous month, showed a decline of 20% compared to a year earlier. Product exports in the first quarter of 2008 were 762,000 b/d, an increase of 2% over the same period last year. Higher international product prices were the main driver behind increasing volumes of product exports from India, while robust local demand led by a fast growing economy limited India's ability to further enhance product export volumes.

As a result, India's net oil imports decreased in March by about 87,000 b/d or 4% compared to the previous month to average 2.1 mb/d. The decrease was the result of steady net crude oil imports of about 2.48 mb/d while product exports exceeded imports by about 0.35 mb/d. India's net oil imports in March increased by about 9% compared to the same month last year, while net oil imports in the first quarter of 2008 showed a 12% increase over the same quarter last year.

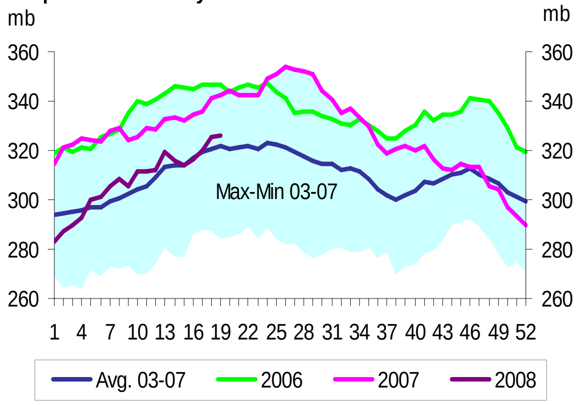
Stock Movements

US commercial crude oil stocks remained within the five-year range while gasoline stocks stood at a healthy level

USA

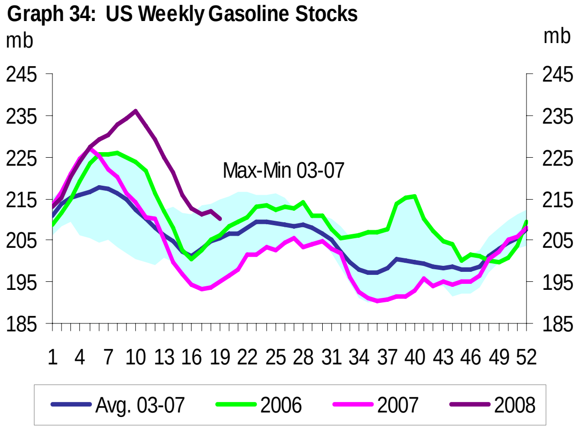
Supported by crude oil, total US commercial oil stocks increased a further 2.6 mb in April to stand at around 973 mb, slightly above the average of the previous five years.

Graph 33: US Weekly Commercial Crude Oil Stocks



Crude oil stocks increased for the fourth consecutive month, adding 7.4 mb to hit almost 325 mb, the highest level since last July. Consequently, nearly 40 mb have been added to crude oil stocks during the first four months of 2008, more than the seasonal average and higher than the 25 mb increase seen in 2007 and 2006 *(see* ***Graph 33***). At 325 mb, US commercial crude oil stocks stood within the range and are comfortable in terms of days of forward cover with 1.2 days higher than the average of the previous five years, a surplus that has not been seen since the end of the third quarter of 2007. The healthy situation in US crude oil stocks is mainly attributed to low refinery throughput and to some extent imports.

Graph 34: US Weekly Gasoline Stocks



In contrast to crude oil, product stocks dropped for the third consecutive month to stand below 648 mb but remained above the average of the previous five years and similar to the level of a year earlier. Nevertheless, within products, the picture is mixed with gasoline stocks remaining comfortable despite a draw of 13.6 mb. The situation of gasoline stocks is better in 2008 than in the previous year when stocks were well below the average, hovering at the lower end of the five-year range. At 211 mb, gasoline stocks are 14 mb better than a year ago but just 5 mb above the five-year average while the previous two months have seen a surplus of 19 mb (*see* ***Graph 34***). In terms of forward cover, gasoline stocks are within the five-year range and slightly above the five-year average, while a year ago they were more than 2 days below the average. With the return of refineries from maintenance, this should allow the USA to start the driving season in a better shape in light of weakening demand and increased ethanol use. Nevertheless, a drop of 13.6 mb is huge compared to the seasonal change. The recent draw on gasoline stocks came on the back of low refinery production and weak imports. Distillate inventories followed their seasonal trend, declining nearly 2 mb to around 106 mb, the lowest level since May 2005, to stand 2.5 mb below the five-year average and 2 days below the average in terms of forward demand cover. Within distillates, heating oil stocks continued to be very tight hovering well below the lower end of the five-year range, while diesel stocks remained healthy with a surplus of 13 mb or 18% above the five-year average. Residual fuel oil stocks dropped by less than 1 mb to 38.7 mb, slightly better than a year ago, whereas jet fuel stocks inched up 0.5 mb to 38.8 mb, which corresponds to 1 mb below the corresponding level of the previous year.

On the other hand, the Strategic Petroleum Reserve (SPR) increased a further 1.2 mb to move above 701 mb for the first time. However, despite the recent favourable vote by the Senate to halt the 76,000 b/d filling of the SPR because of high prices of crude oil, the objective of reaching the full capacity of 727 mb, as required by the 2005 Energy Policy Act, will likely be attained.

Table 26: US onland commercial petroleum stocks, mb

	Feb 08	Mar 08	Apr 08	Change Apr 08 /Mar 08	Apr 07	09 May 08 *
Crude oil	301.5	317.4	324.8	7.4	337.5	325.8
Gasoline	233.8	224.7	211.1	-13.6	196.8	210.2
Distillate fuel	117.0	107.6	105.7	-1.9	120.9	107.1
Residual fuel oil	38.8	39.5	38.7	-0.8	38.4	39.3
Jet fuel	39.9	38.3	38.8	0.5	40.1	40.4
Total	**963.1**	**969.9**	**972.5**	**2.6**	**998.9**	**978.3**
SPR	698.8	700.1	701.3	1.2	689.4	702.0

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

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

Latest data show that US commercial oil stocks added a further 5 mb to stand at 978.3 mb in the week ending 9 May, the highest level since mid-March, to remain at the upper end of the five-year range. All the components saw an increase except gasoline which, due to lower imports, fell by 1.7 mb to 210 mb, narrowing the surplus with the five-year average to 5 mb compared with 24 mb two months ago. Following the opposite trend, distillate inventories rose 1.4 mb to move close to the five-year average and crude oil edged up 0.2 mb. When expressed in terms of forward cover, crude oil stocks remained comfortable at one day above the seasonal average while gasoline stocks were in line with the average and distillates were one day and a half below the average.

Western Europe

EU-16 total oil stocks remained comfortable at the five-year average

EU-16 (EU-15 plus Norway) total oil stocks fell around 2 mb to stand at 1,111 mb in April and continued to move alongside the five-year average since the beginning of the year. However, stocks dropped by just 3.7 mb during the first four months of the year compared to 21 mb a year earlier. The draw in April is attributed essentially to distillates.

Crude oil stocks increased a further 3.4 mb to reach nearly 479 mb, the highest level since the beginning of the year and appeared comfortable, at the five-year average in absolute values and in terms of forward cover. This build in crude oil stocks took place in spite of an increase in the refinery intake.

On the product side, the picture was different with stocks continuing their downward trend globally. By category, gasoline inventories dropped a minor 0.4 mb to stand below 127 mb, the same level as a year earlier, but well below the five-year range. The weak level of gasoline stocks is attributed to less production supported by the weak crack spread. Similarly, but at a higher rate, distillate stocks fell more than 5 mb, offsetting the build of the previous month, to stand at around 361 mb, their lowest level since last November. Pressure was more on gasoil stocks which are expected to add further tightness in the market following maintenance outages ahead of the approaching summer driving season. Due to weak demand, both gasoline and distillate stocks seem comfortable when expressed in days of forward demand cover. Sluggish demand pushed fuel oil inventories to their highest level since the beginning of the year while naphtha stocks offset the build of the previous month and fell 0.9 mb to move slightly below 30 mb. However, both residual fuel and naphtha stocks were higher than their corresponding levels of a year earlier.

Table 27: Western Europe's oil stocks, mb

	Feb 08	Mar 08	Apr 08	Change Apr 08/Mar 08	Apr 07
Crude oil	471.4	475.3	478.7	3.4	490.0
Mogas	134.7	127.3	126.8	-0.4	126.0
Naphtha	29.9	30.8	29.9	-0.9	26.1
Middle distillates	362.1	366.4	361.3	-5.1	389.3
Fuel oils	113.7	113.6	114.7	1.1	112.6
Total products	640.4	638.0	632.7	-5.3	654.0
Total	**1,111.8**	**1,113.3**	**1,111.3**	**-1.9**	**1,144.0**

Source: Argus, Euroilstock.

Japan's commercial products stocks were comfortable in March while crude oil stocks remained very low following another decline

Japan

Japan's total commercial oil stocks recovered from their huge decline of 18 mb in February and rose 3.5 mb to stand at almost 163 mb in March. However, inventories remained below the average of the last five years. The previous build took place in October and between then and February, total stocks dropped by 28 mb, the same amount as a year ago. The build in March came mainly from product inventoriess and was partly offset by the draw on crude oil stocks.

Crude oil stocks declined a further 1.6 mb to around 90 mb, a new record low. The draw on crude oil stocks was attributed to a moderate increase in refinery throughput.

In contrast, product inventories witnessed a contra-seasonal build in March, rising 5 mb to reach almost 73 mb. This corresponds to the same level as a year earlier and the highest level for the month over the last five years. Compared with the five-year average, product stocks showed a surplus of 11 mb or 18% in March. The comfortable level can be attributed to gasoline, which saw inventories moving above the upper end of the five-year average following a gain of 2.3 mb, the highest since January 2007.

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

	Jan 08	Feb 08	Mar 08	Change Mar 08/Feb 08	Mar 07
Crude oil	97.8	91.6	90.1	-1.6	111.7
Gasoline	13.8	13.6	15.9	2.3	14.2
Naphtha	11.4	10.4	11.3	0.9	11.8
Middle distillates	37.0	27.2	27.4	0.2	28.3
Residual fuel oil	17.2	16.4	18.1	1.7	19.3
Total products	79.5	67.6	72.6	5.0	73.7
Total**	**177.4**	**159.2**	**162.7**	**3.5**	**185.4**

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

According to preliminary data, total commercial oil stocks remained almost stable in April. However, crude oil and gasoline stocks both dropped by around 1.5 mb and distillate inventories remained stable, while gains in fuel oil stocks partially compensate for the draw on gasoline and crude oil stocks.

Balance of Supply and Demand

Demand for OPEC crude in 2007 increased by 283 tb/d to average 32.0 mb/d

Estimate for 2007

The demand for OPEC crude in 2007 is estimated to have averaged 31.96 mb/d, an increase of 283 tb/d over the previous year. On a quarterly basis, demand for OPEC crude averaged 31.87 mb/d, 30.96 mb/d, 32.22 mb/d and 32.78 mb/d respectively.

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

	2006	1Q07	2Q07	3Q07	4Q07	2007
(a) World Oil Demand	**84.61**	**85.87**	**84.75**	**85.58**	**86.95**	**85.79**
Non-OPEC Supply	48.88	49.78	49.45	48.97	49.55	49.43
OPEC NGLs and non-conventionals	4.06	4.22	4.35	4.40	4.62	4.40
(b) Total Supply excluding OPEC Crude	**52.94**	**54.00**	**53.79**	**53.36**	**54.17**	**53.83**
Difference (a-b)	**31.68**	**31.87**	**30.96**	**32.22**	**32.78**	**31.96**
OPEC crude oil production (1)	31.43	30.48	30.61	31.04	31.73	30.97
Balance	-0.25	-1.38	-0.35	-1.18	-1.05	-0.99

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

Demand for OPEC crude expected to decline by 119 tb/d in 2008 to average 31.8 mb/d

Forecast for 2008

The demand for OPEC crude in 2008 is expected to average 31.84 mb/d, around 119 tb/d less than in the previous year. On a quarterly basis, demand for OPEC crude is expected to average 32.39 mb/d, 31.14 mb/d, 31.71 mb/d and 32.12 mb/d respectively.

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

	2007	1Q08	2Q08	3Q08	4Q08	2008
(a) World Oil Demand	**85.79**	**86.98**	**85.75**	**86.60**	**88.45**	**86.95**
Non-OPEC Supply	49.43	49.86	49.76	49.92	51.16	50.18
OPEC NGLs and non-conventionals	4.40	4.73	4.85	4.97	5.17	4.93
(b) Total Supply excluding OPEC Crude	**53.83**	**54.59**	**54.61**	**54.89**	**56.33**	**55.11**
Difference (a-b)	**31.96**	**32.39**	**31.14**	**31.71**	**32.12**	**31.84**
OPEC crude oil production (1)	30.97	32.10				
Balance	-0.99	-0.29				

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

Graph 35: Balance of supply and demand

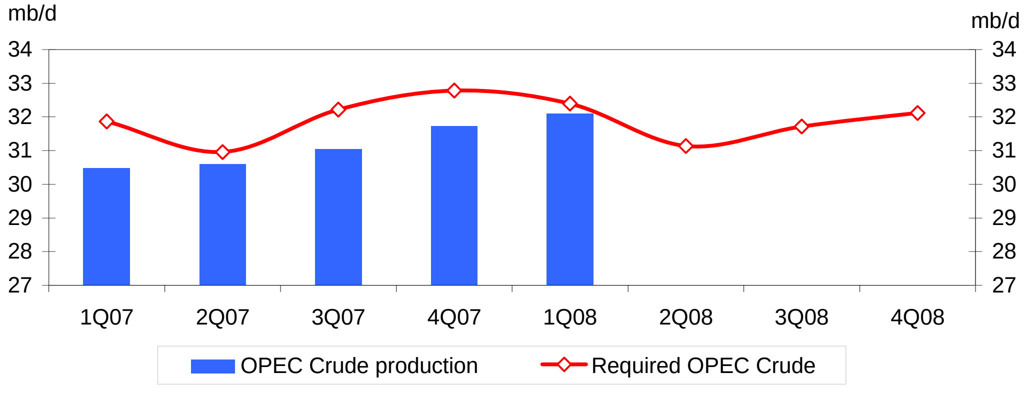


Table 31: World oil demand/supply balance, mb/d

	2003	2004	2005	2006	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
World demand														
OECD	48.6	49.4	49.7	49.3	49.7	48.2	48.7	49.8	49.1	49.5	48.1	48.5	50.2	49.1
North America	24.5	25.4	25.5	25.3	25.7	25.4	25.5	25.6	25.5	25.3	25.5	25.6	25.8	25.6
Western Europe	15.4	15.5	15.6	15.6	15.2	14.9	15.4	15.6	15.3	15.3	14.9	15.3	15.7	15.3
Pacific	8.6	8.5	8.6	8.4	8.8	7.8	7.8	8.6	8.3	8.9	7.7	7.7	8.7	8.2
DCs	20.6	21.8	22.6	23.3	23.8	24.2	24.3	24.5	24.2	24.6	24.8	24.9	25.1	24.8
FSU	3.7	3.8	3.9	3.9	3.9	3.7	4.0	4.3	4.0	3.9	3.8	4.1	4.4	4.0
Other Europe	0.8	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.9	1.0
China	5.6	6.5	6.7	7.2	7.5	7.8	7.7	7.4	7.6	8.0	8.1	8.2	7.8	8.0
(a) Total world demand	79.3	82.4	83.7	84.6	85.9	84.8	85.6	87.0	85.8	87.0	85.7	86.6	88.4	86.9
Non-OPEC supply														
OECD	21.7	21.3	20.5	20.2	20.5	20.2	19.8	20.1	20.2	20.1	19.7	19.5	20.3	19.9
North America	14.6	14.6	14.1	14.2	14.4	14.4	14.2	14.3	14.3	14.3	14.0	14.1	14.6	14.3
Western Europe	6.4	6.2	5.7	5.4	5.5	5.2	5.0	5.3	5.2	5.2	5.0	4.6	4.9	4.9
Pacific	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.8	0.9	0.7
DCs	10.3	10.5	10.8	10.9	11.0	10.9	10.9	11.0	10.9	11.2	11.3	11.6	11.7	11.4
FSU	10.3	11.1	11.5	12.0	12.5	12.4	12.5	12.6	12.5	12.6	12.8	12.9	13.2	12.9
Other Europe	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.5	3.6	3.7	3.8	3.8	3.7	3.7	3.8	3.8	3.9	3.9	3.9	3.9
Processing gains	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	1.9	1.9	2.0	1.9
Total non-OPEC supply	47.6	48.4	48.5	48.9	49.8	49.4	49.0	49.5	49.4	49.9	49.8	49.9	51.2	50.2
OPEC NGLs + non-conventional oils	3.7	4.0	4.1	4.1	4.2	4.3	4.4	4.6	4.4	4.7	4.9	5.0	5.2	4.9
(b) Total non-OPEC supply and OPEC NGLs	51.3	52.5	52.6	52.9	54.0	53.8	53.4	54.2	53.8	54.6	54.6	54.9	56.3	55.1
OPEC crude oil production (secondary sources)	28.3	30.6	31.6	31.4	30.5	30.6	31.0	31.7	31.0	32.1				
Total supply	79.6	83.0	84.2	84.4	84.5	84.4	84.4	85.9	84.8	86.7				
Balance (stock change and miscellaneous)	0.2	0.6	0.5	-0.2	-1.4	-0.3	-1.2	-1.1	-1.0	-0.3				
OECD closing stock levels (*mb*)														
Commercial	2511	2538	2586	2672	2593	2660	2664	2580	2580	2561				
SPR	1411	1450	1487	1499	1507	1506	1520	1524	1524	1528				
Total	3921	3988	4073	4171	4100	4166	4184	4104	4104	4089				
Oil-on-water	882	905	958	910	913	909	929	945	945	n.a				
Days of forward consumption in OECD														
Commercial onland stocks	51	51	52	54	54	55	53	52	53	53				
SPR	29	29	30	31	31	31	31	31	31	32				
Total	79	80	83	85	85	86	84	83	84	85				
Memo items														
FSU net exports	6.5	7.3	7.7	8.1	8.6	8.7	8.5	8.3	8.5	8.7	9.0	8.9	8.8	8.9
(a) - (b)	28.0	29.9	31.1	31.7	31.9	31.0	32.2	32.8	32.0	32.4	31.1	31.7	32.1	31.8

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

n.a. Not available.

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

	2003	2004	2005	2006	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
World demand														
OECD	-	-	-	-	-	-	-	-	-	-0.4	-	-	-	-0.1
North America	-	-	-	-	-	-	-	-	-	-0.3	-	-	-	-0.1
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	0.1	0.1	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
(a) Total world demand	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
World demand growth	*0.0*	*-*	*-*	*0.0*	*-*	*0.0*	*0.0*	*0.0*	*-*	*-0.2*	*0.0*	*0.0*	*-*	*0.0*
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-0.1	-	-	-	-	-	-	-	-0.2	-0.1	-0.1	-0.1	-0.1
Total non-OPEC supply growth	*0.0*	*0.0*	*0.0*	*-*	*0.0*	*0.0*	*-*	*0.0*	*-*	*-0.1*	*-0.1*	*-0.1*	*0.0*	*-0.1*
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-0.1	-	-	-	-	-	-	-	-0.2	-0.1	-0.1	-0.1	-0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-	-				
Total supply	-	-0.1	-	-	-	-	-	-	-	-0.1				
Balance (stock change and miscellaneous)	-0.1	-0.1	-	-	-	-	-	-	-	-				
OECD closing stock levels (*mb*)														
Commercial	-6	-10	-11	-8	-9	-8	-9	-	-	-				
SPR	-	-	-	-	-	-2	-2	-2	-	-				
Total	-6	-10	-11	-8	-9	-10	-11	-2	-	-				
Oil-on-water	-	-	-	-	-	-	-	-	-	-				
Days of forward consumption in OECD									-	-				
Commercial onland stocks	-	-	-	-	-	-	-	-	-	-				
SPR	-	-	-	-	-	-	-	-	-	-				
Total	-	-	-	-	-	-	-	-	-	-				
Memo items														
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	0.1	0.1	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1

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

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

	2003	2004	2005	2006	2007	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
Closing stock levels *mb*																						
OECD onland commercial	2,511	2,538	2,586	2,672	2,580	2,458	2,538	2,572	2,538	2,533	2,612	2,628	2,586	2,585	2,648	2,758	2,672	2,593	2,660	2,664	2,580	2,561
North America	1,161	1,193	1,257	1,277	1,237	1,145	1,193	1,206	1,193	1,201	1,275	1,254	1,257	1,240	1,277	1,351	1,277	1,233	1,294	1,293	1,237	1,226
Western Europe	915	915	934	967	938	913	925	936	915	942	915	942	934	937	935	948	967	943	940	942	938	944
OECD Pacific	435	430	395	428	404	400	420	430	430	389	422	432	395	409	436	459	428	417	426	429	404	391
OECD SPR	1,411	1,450	1,487	1,499	1,524	1,423	1,429	1,435	1,450	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,507	1,506	1,520	1,524	1,528
North America	640	678	687	691	699	654	664	672	678	690	698	696	687	688	690	690	691	691	692	695	699	702
Western Europe	374	377	407	412	421	371	366	367	377	376	401	405	407	407	411	412	412	415	413	423	421	422
OECD Pacific	396	396	393	396	404	398	398	396	396	396	395	393	393	392	393	393	396	401	401	403	404	404
OECD total	3,921	3,988	4,073	4,171	4,104	3,881	3,967	4,007	3,988	3,995	4,106	4,121	4,073	4,072	4,141	4,253	4,171	4,100	4,166	4,184	4,104	4,089
Oil-on-water	882	905	958	910	945	906	891	894	905	934	931	926	958	962	968	966	910	913	909	929	945	n.a
Days of forward consumption in OECD																						
OECD onland commercial	51	51	52	54	53	51	52	51	50	52	53	53	51	54	54	55	54	54	55	53	52	53
North America	46	47	50	50	48	46	47	47	47	48	50	49	50	49	50	53	50	48	51	51	49	48
Western Europe	59	59	60	63	61	61	60	59	58	62	58	60	58	61	60	60	64	63	61	60	61	63
OECD Pacific	51	50	47	52	49	51	52	49	45	48	53	49	43	52	55	53	49	53	55	50	45	51
OECD SPR	29	29	30	31	31	30	29	29	29	30	30	30	29	31	30	30	30	31	31	31	31	32
North America	25	27	27	27	27	26	26	26	26	27	27	27	27	27	27	27	27	27	27	27	28	28
Western Europe	24	24	26	27	28	25	24	23	24	25	26	26	25	27	26	26	27	28	27	27	27	28
OECD Pacific	47	46	47	48	49	51	49	45	42	49	49	45	43	50	50	45	45	51	51	47	45	52
OECD total	79	80	83	85	84	81	81	80	79	82	83	82	81	85	85	85	84	85	86	84	83	85

n.a. Not available.

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

	2003	2004	2005	Change 05/04	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07
USA	7.82	7.65	7.34	-0.32	7.24	7.40	7.37	7.40	7.36	0.02	7.46	7.58	7.41	7.54	7.50	0.14	7.59	7.52	7.55	7.79	7.61	0.11
Canada	2.98	3.07	3.03	-0.04	3.22	3.05	3.18	3.34	3.20	0.17	3.34	3.24	3.36	3.39	3.33	0.14	3.44	3.33	3.34	3.47	3.40	0.06
Mexico	3.80	3.83	3.77	-0.07	3.79	3.78	3.70	3.51	3.69	-0.08	3.58	3.59	3.45	3.33	3.49	-0.21	3.29	3.18	3.20	3.30	3.24	-0.24
North America	14.60	14.56	14.14	-0.43	14.25	14.23	14.25	14.25	14.24	0.11	14.38	14.41	14.22	14.27	14.32	0.07	14.31	14.04	14.09	14.57	14.25	-0.07
Norway	3.26	3.19	2.97	-0.22	2.93	2.70	2.73	2.76	2.78	-0.19	2.72	2.46	2.48	2.57	2.56	-0.22	2.53	2.44	2.26	2.49	2.43	-0.13
UK	2.33	2.10	1.89	-0.22	1.89	1.73	1.49	1.71	1.71	-0.18	1.79	1.75	1.49	1.71	1.68	-0.02	1.67	1.56	1.36	1.42	1.50	-0.18
Denmark	0.37	0.39	0.38	-0.01	0.36	0.35	0.32	0.34	0.34	-0.04	0.32	0.31	0.32	0.31	0.31	-0.03	0.29	0.29	0.26	0.29	0.28	-0.03
Other Western Europe	0.46	0.50	0.51	0.01	0.53	0.54	0.53	0.55	0.54	0.03	0.68	0.69	0.69	0.68	0.68	0.15	0.72	0.72	0.72	0.71	0.72	0.03
Western Europe	6.42	6.18	5.74	-0.44	5.71	5.32	5.07	5.37	5.37	-0.37	5.51	5.20	4.96	5.26	5.23	-0.13	5.20	5.00	4.59	4.91	4.92	-0.31
Australia	0.60	0.52	0.53	0.01	0.43	0.44	0.59	0.56	0.51	-0.02	0.51	0.54	0.54	0.51	0.53	0.02	0.50	0.54	0.65	0.71	0.60	0.08
Other Pacific	0.06	0.05	0.05	0.00	0.06	0.05	0.05	0.05	0.05	0.00	0.06	0.06	0.09	0.11	0.08	0.03	0.11	0.11	0.13	0.15	0.13	0.05
OECD Pacific	0.66	0.57	0.58	0.01	0.49	0.50	0.65	0.61	0.56	-0.02	0.57	0.61	0.63	0.61	0.60	0.04	0.61	0.65	0.77	0.86	0.73	0.12
Total OECD	21.68	21.31	20.45	-0.86	20.45	20.05	19.96	20.23	20.17	-0.28	20.46	20.22	19.81	20.14	20.16	-0.01	20.13	19.69	19.46	20.33	19.90	-0.25
Brunei	0.21	0.21	0.21	0.00	0.23	0.21	0.22	0.22	0.22	0.01	0.20	0.18	0.17	0.17	0.18	-0.04	0.18	0.18	0.18	0.18	0.18	0.00
India	0.79	0.79	0.76	-0.03	0.79	0.80	0.77	0.82	0.79	0.03	0.82	0.81	0.81	0.82	0.82	0.02	0.84	0.85	0.86	0.85	0.85	0.03
Malaysia	0.78	0.79	0.77	-0.03	0.78	0.71	0.76	0.78	0.76	-0.01	0.75	0.75	0.76	0.80	0.76	0.01	0.79	0.79	0.81	0.85	0.81	0.05
Thailand	0.26	0.25	0.30	0.04	0.32	0.33	0.32	0.31	0.32	0.02	0.33	0.34	0.34	0.34	0.34	0.01	0.35	0.35	0.35	0.35	0.35	0.02
Vietnam	0.38	0.42	0.39	-0.03	0.39	0.37	0.36	0.36	0.37	-0.02	0.36	0.35	0.34	0.36	0.35	-0.02	0.36	0.35	0.39	0.45	0.39	0.04
Asia others	0.15	0.18	0.26	0.07	0.27	0.26	0.26	0.26	0.26	0.01	0.27	0.27	0.27	0.26	0.27	0.00	0.28	0.30	0.30	0.30	0.29	0.03
Other Asia	2.56	2.66	2.68	0.02	2.77	2.68	2.70	2.75	2.72	0.04	2.73	2.68	2.69	2.75	2.71	-0.01	2.79	2.80	2.89	2.97	2.86	0.15
Argentina	0.84	0.80	0.78	-0.02	0.76	0.78	0.78	0.77	0.77	0.00	0.77	0.77	0.76	0.75	0.76	-0.01	0.76	0.70	0.74	0.73	0.73	-0.03
Brazil	1.80	1.80	1.98	0.18	2.07	2.09	2.11	2.16	2.11	0.12	2.15	2.15	2.16	2.14	2.15	0.04	2.23	2.37	2.50	2.54	2.41	0.26
Colombia	0.55	0.54	0.53	-0.01	0.53	0.54	0.53	0.53	0.54	0.01	0.53	0.53	0.54	0.55	0.54	0.00	0.57	0.57	0.57	0.57	0.57	0.03
Trinidad & Tobago	0.17	0.16	0.18	0.02	0.19	0.18	0.19	0.17	0.18	0.00	0.16	0.16	0.16	0.16	0.16	-0.02	0.16	0.16	0.16	0.16	0.16	0.00
L. America others	0.24	0.26	0.30	0.04	0.26	0.26	0.27	0.26	0.26	-0.03	0.26	0.27	0.27	0.28	0.27	0.00	0.28	0.29	0.29	0.29	0.29	0.02
Latin America	3.59	3.55	3.77	0.22	3.82	3.86	3.88	3.89	3.86	0.09	3.88	3.88	3.88	3.88	3.88	0.02	4.00	4.08	4.26	4.28	4.15	0.27
Bahrain	0.21	0.21	0.21	0.00	0.21	0.21	0.20	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00
Oman	0.82	0.79	0.78	0.00	0.77	0.75	0.74	0.74	0.75	-0.03	0.73	0.72	0.71	0.70	0.71	-0.03	0.72	0.74	0.76	0.78	0.75	0.04
Syria	0.53	0.49	0.45	-0.04	0.43	0.43	0.42	0.41	0.42	-0.03	0.41	0.40	0.40	0.39	0.40	-0.02	0.39	0.38	0.37	0.37	0.38	-0.02
Yemen	0.44	0.41	0.41	0.00	0.39	0.38	0.37	0.35	0.37	-0.03	0.35	0.34	0.33	0.33	0.34	-0.04	0.32	0.32	0.31	0.30	0.31	-0.03
Middle East	2.00	1.90	1.85	-0.05	1.80	1.76	1.73	1.71	1.75	-0.10	1.69	1.67	1.65	1.63	1.66	-0.09	1.64	1.64	1.65	1.66	1.65	-0.01
Chad	0.02	0.16	0.18	0.02	0.16	0.15	0.16	0.16	0.16	-0.02	0.16	0.15	0.15	0.15	0.15	-0.01	0.15	0.15	0.14	0.14	0.14	-0.01
Congo	0.26	0.24	0.24	0.00	0.25	0.25	0.25	0.25	0.25	0.01	0.25	0.23	0.24	0.25	0.24	0.00	0.26	0.27	0.27	0.29	0.27	0.03
Egypt	0.75	0.71	0.70	-0.01	0.69	0.68	0.66	0.66	0.67	-0.02	0.64	0.63	0.63	0.63	0.63	-0.04	0.64	0.65	0.65	0.64	0.64	0.01
Equatorial Guinea	0.21	0.30	0.36	0.06	0.37	0.37	0.37	0.37	0.37	0.01	0.36	0.37	0.37	0.37	0.37	0.00	0.38	0.39	0.38	0.38	0.38	0.01
Gabon	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.25	0.25	0.26	0.26	0.25	0.00
South Africa	0.17	0.19	0.19	0.00	0.19	0.19	0.19	0.19	0.19	0.00	0.18	0.18	0.18	0.18	0.18	-0.01	0.17	0.17	0.17	0.17	0.17	-0.01
Sudan	0.27	0.30	0.34	0.04	0.35	0.36	0.39	0.48	0.40	0.06	0.50	0.50	0.48	0.51	0.50	0.10	0.55	0.54	0.53	0.53	0.54	0.04
Africa other	0.20	0.21	0.25	0.04	0.31	0.34	0.32	0.32	0.32	0.07	0.34	0.34	0.34	0.37	0.35	0.03	0.38	0.38	0.38	0.39	0.38	0.03
Africa	2.12	2.36	2.52	0.15	2.56	2.58	2.59	2.67	2.60	0.09	2.68	2.66	2.64	2.71	2.67	0.07	2.76	2.80	2.78	2.79	2.78	0.11
Total DCs	10.27	10.48	10.82	0.34	10.95	10.88	10.90	11.02	10.94	0.12	10.96	10.89	10.86	10.97	10.92	-0.02	11.19	11.32	11.58	11.70	11.45	0.53
FSU	10.28	11.14	11.55	0.40	11.67	11.97	12.13	12.30	12.02	0.47	12.51	12.45	12.50	12.62	12.52	0.50	12.64	12.81	12.93	13.16	12.89	0.37
Russia	8.46	9.19	9.44	0.25	9.48	9.63	9.72	9.76	9.65	0.21	9.87	9.83	9.89	9.87	9.87	0.22	9.76	9.87	9.97	10.05	9.91	0.05
Kazakhstan	1.03	1.18	1.23	0.05	1.22	1.31	1.31	1.37	1.30	0.07	1.35	1.34	1.35	1.36	1.35	0.05	1.42	1.44	1.41	1.51	1.45	0.10
Azerbaijan	0.31	0.31	0.44	0.13	0.56	0.61	0.68	0.75	0.65	0.21	0.85	0.86	0.81	0.92	0.86	0.21	1.00	1.03	1.08	1.13	1.06	0.20
FSU others	0.48	0.47	0.44	-0.03	0.41	0.42	0.41	0.43	0.42	-0.02	0.44	0.42	0.45	0.46	0.44	0.02	0.46	0.47	0.47	0.47	0.47	0.02
Other Europe	0.17	0.17	0.16	-0.01	0.16	0.15	0.15	0.15	0.15	-0.01	0.15	0.15	0.15	0.14	0.15	-0.01	0.14	0.14	0.14	0.14	0.14	0.00
China	3.42	3.50	3.64	0.14	3.70	3.72	3.69	3.66	3.69	0.06	3.78	3.82	3.73	3.75	3.77	0.07	3.81	3.87	3.87	3.88	3.86	0.09
Non-OPEC production	45.82	46.60	46.61	0.01	46.93	46.77	46.83	47.36	46.98	0.36	47.86	47.53	47.05	47.62	47.51	0.54	47.91	47.82	47.98	49.21	48.23	0.72
Processing gains	1.80	1.83	1.86	0.03	1.92	1.89	1.88	1.92	1.90	0.04	1.92	1.92	1.92	1.93	1.92	0.02	1.95	1.94	1.94	1.95	1.95	0.02
Non-OPEC supply	47.62	48.43	48.48	0.05	48.85	48.66	48.71	49.28	48.88	0.40	49.78	49.45	48.97	49.55	49.43	0.56	49.86	49.76	49.92	51.16	50.18	0.74
OPEC NGL	3.58	3.86	3.93	0.07	3.85	3.92	4.01	3.90	3.92	-0.01	4.13	4.26	4.31	4.52	4.31	0.39	4.62	4.74	4.86	5.06	4.82	0.51
OPEC Non-conventional	0.14	0.17	0.16	-0.01	0.13	0.12	0.15	0.15	0.14	-0.02	0.08	0.08	0.09	0.10	0.09	-0.05	0.11	0.11	0.11	0.11	0.11	0.02
OPEC (NGL+NCF)	3.72	4.03	4.08	0.06	3.98	4.05	4.16	4.06	4.06	-0.02	4.22	4.35	4.40	4.62	4.40	0.34	4.73	4.85	4.97	5.17	4.93	0.54
Non-OPEC & OPEC (NGL+NCF)	51.33	52.46	52.56	0.10	52.83	52.71	52.87	53.34	52.94	0.38	54.00	53.79	53.36	54.17	53.83	0.89	54.59	54.61	54.89	56.33	55.11	1.28

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

Table 35: World Rig Count

	2003	2004	2005	Change 05/04	1Q 06	2Q 06	3Q 06	4Q 06	2006	Change 06/05	1Q 07	2Q 07	3Q 07	4Q 07	2007	Change 07/06	Mar 08	1Q 08	Apr 08	**Change** Apr/Mar
USA	1,032	1,190	1,378	188	1,519	1,632	1,719	1,719	1,648	270	1,733	1,757	1,788	1,790	1,767	119	1,797	1,770	1,829	32
Canada	372	369	490	121	665	282	494	440	470	-20	532	139	348	356	344	-126	408	507	106	-302
Mexico	92	110	107	-3	85	85	77	84	83	-24	90	88	96	93	92	9	96	96	102	6
North America	1,496	1,669	1,975	306	2,269	1,999	2,290	2,243	2,200	225	2,355	1,984	2,232	2,240	2,203	3	2,301	2,373	2,037	-264
Norway	19	17	17	0	19	20	16	9	16	-1	16	19	18	17	18	2	22	17	19	-3
UK	20	16	21	5	29	27	26	15	24	3	25	29	27	22	26	2	22	19	18	-4
Western Europe	78	65	65	0	77	78	73	65	73	8	72	78	76	73	75	2	80	71	73	-7
OECD Pacific	18	22	25	3	25	28	25	28	27	2	24	30	32	30	29	2	31	32	40	9
Total OECD	1,592	1,755	2,065	310	2,371	2,105	2,389	2,336	2,300	235	2,450	2,091	2,340	2,342	2,306	6	2,412	2,476	2,150	-262
Other Asia	117	126	142	16	153	150	156	152	153	11	158	157	151	150	154	1	146	149	144	-2
Latin America	107	116	129	13	137	151	153	153	149	20	183	178	173	181	178	29	196	181	189	-7
Middle East	70	70	72	2	72	79	82	85	80	8	82	85	87	86	85	5	88	89	90	2
Africa	43	51	54	3	59	62	68	77	67	13	75	80	88	88	83	16	79	84	90	11
Total DCs	337	363	397	34	421	442	459	472	449	52	510	510	509	515	511	62	509	512	513	4
Non-OPEC Rig Count	1,931	2,120	2,465	345	2,794	2,549	2,850	2,806	2,751	286	2,950	2,593	2,842	2,850	2,808	57	2,941	3,006	2,683	-258
Algeria	20	19	21	2	21	21	28	27	24	3	25	26	28	28	27	3	30	26	30	0
Angola	4	3	3	0	4	4	4	4	4	1	5	4	3	5	4	0	4	5	7	3
Ecuador	9	10	12	2	12	11	11	12	11	-1	12	10	11	10	11	0	7	7	7	0
Indonesia	45	49	54	5	55	43	46	52	49	-5	49	56	60	64	57	8	62	64	65	3
Iran	35	41	40	-1	40	45	47	45	44	4	51	51	51	50	50	6	51	50	51	0
Iraq	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Kuwait	5	10	12	2	12	13	14	15	14	2	14	13	13	11	12	-2	14	12	13	-1
Libya	10	10	9	-1	9	9	10	12	10	1	13	12	14	14	13	3	15	14	15	0
Nigeria	10	8	9	1	10	9	10	10	10	1	8	7	8	10	8	-2	11	9	9	-2
Qatar	8	9	12	3	13	10	11	9	11	-1	11	12	13	14	13	2	11	11	12	1
Saudi Arabia	32	32	36	4	54	60	70	76	65	29	76	76	78	77	77	12	78	78	78	0
UAE	16	16	16	0	17	16	16	16	16	0	14	15	15	14	14	-2	12	12	12	0
Venezuela	37	55	67	12	78	83	85	77	81	14	76	80	77	71	76	-5	81	82	82	1
OPEC Rig Count	231	262	291	29	325	324	352	355	339	48	354	362	371	368	362	23	376	372	381	5
Worldwid Rig Count*	2,162	2,382	2,756	374	3,119	2,873	3,202	3,161	3,090	334	3,304	2,955	3,213	3,218	3,170	80	3,317	3,378	3,064	-253
of which:																				
Oil	816	877	959	82	1,069	1,060	1,169	1,156	1,114	155	1,266	1,155	1,257	1,288	1,239	125	1,379	1,374	1,247	-132
Gas	1,326	1,486	1,777	291	2,035	1,802	2,016	1,983	1,959	182	2,017	1,782	1,934	1,906	1,910	-49	1,913	1,970	1,787	-126
Others	18	20	22	2	14	13	18	21	16	-6	20	19	20	24	21	5	25	34	30	5

**/Excludes China and FSU.*

na - Not available.

Source: Baker Hughes International & Secretariat's Estimates.

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

Contributors to the *OPEC Monthly Oil Market Report*

Editor-in-Chief
Hasan M. Qabazard, Director, Research Division
email: hqabazard@opec.org

Editor
Mohammad Alipour-Jeddi, Head, Petroleum Market Analysis Department
email: majeddi@opec.org

Analysts

Crude Oil Price Movements *and* Oil Futures Market	Fayez Al-Nassar e-mail: fal-nassar@opec.org
Commodity Markets	Dr. O. López-Gonzalez e-mail:olopez@opec.org
Highlights of the World Economy	Mohamed El-Shahati email: melshahati@opec.org Claude Clemenz email: cclemenz@opec.org
World Oil Demand	Esam Al-Khalifa email: ekhalifa@opec.org
World Oil Supply	Zaid Mohammad email: zmohammad@opec.org
Product Markets and Refinery Operations	Safar Keramati email: skeramati@opec.org
The Tanker Market *and* Oil Trade	Haidar Khadadeh email: hkhadadeh@opec.org
Oil Trade	Osam Abdul-Aziz email: oabdul-aziz@opec.org
Stock Movements	Brahim Aklil email: baklil@opec.org
Technical and editorial team	Aziz Yahyai email: ayahyai@opec.org Douglas Linton email: dlinton@opec.org

Data services
Fuad Al-Zayer, Head Data Services Department (fzayer@opec.org)
Puguh Irawan (pirawan@opec.org), Ramadan Janan (rjanan@opec.org)
Monika Psenner (World Economy), Gertrud Schmidl (World Oil Supply), Firouz Azarnia (Product, Refinery, & Tanker), Hannes Windholz (Oil Trade), Pantelis Christodoulides (World Oil Demand, Stock Movements), Sheela Kriz (Crude Oil Prices),

Production, design and circulation
Ada Fritsch, Jennett Paulich, Andrea Birnbach, Gabriele Berger, Evelyn Oduro-Kwateng

Data Summary May 2008

OPEC Basket average price

US$ per barrel

↑ *up 6.13 in April*

April 2008	***105.16***
March 2008	*99.03*
Year-to-date	*95.78*

April OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.41*	*SP Libyan AJ*	*1.75*
Angola	*1.87*	*Nigeria*	*1.82*
Ecuador	*0.50*	*Qatar*	*0.85*
Indonesia	*0.88*	*Saudi Arabia*	*9.02*
IR Iran	*3.89*	*UAE*	*2.59*
Iraq	*2.25*	*Venezuela*	*2.34*
Kuwait	*2.53*	***TOTAL***	***31.70***

Supply and demand

in million barrels per day

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

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

Stocks

OECD commercial oil stocks fell 19 mb in the first quarter, less than the seasonal draw of around 35 mb. This implies a surplus of 42 mb over the five-year average. Preliminary data indicate a forward cover above 53 days at end-April.

World economy

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

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