OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

June 2005

Feature Article:

Product concerns continue to drive market

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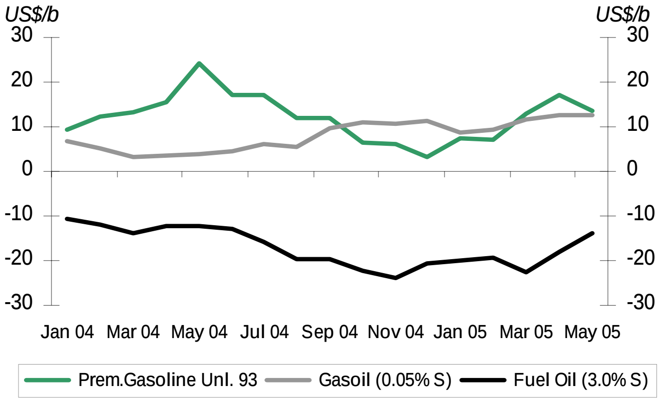
Oil Market Highlights

- The deteriorating prospects for the Euro-zone dominated economic headlines in recent weeks. Italy is in recession and Germany may see a fall in GDP in the second quarter. The performance of the French economy has also worsened and only Spain continues to grow at satisfactory rates. Political uncertainty was added to these economic troubles as both the French and Dutch electorates rejected the new European Constitution. The forecast for the Euro-zone growth in 2005 has been reduced to 1% from 1.1%.
- Growth in the USA and China continues to be strong. Within the USA, the manufacturing sector is seeing some weakness but steady growth in consumer spending is leading to growth in services. The growth forecast for 2005 is unchanged at 3.4%. The Chinese economy continues to be driven by exports and investment although the pace of growth may be moderated by rising input costs. In May producer prices rose by nearly 6% and the authorities may take further measures to cool the economy. The 2005 growth forecast for China is unchanged at 8.6%.
- The release of strong first-quarter data for Japan confirmed that domestic demand has begun a solid recovery. Better trends in employment and domestic incomes have compensated for weak growth in exports. Japan is forecast to grow by 1.7% in 2005, up from the previous forecast of 1.4%. The forecast growth rate for the world economy in 2005 is unchanged at 4.1% as the better outlook for Japan is expected to compensate for weakness in Europe.
- The OPEC Reference Basket in May plunged $2.67 or 5.4% to close the month at $46.96/b as the steep contango market and ample OPEC crude supported strong stock builds, helping to ease supply concerns. Bullishness revived toward the end of the month, however, on product fears following a strike at five European refineries. The uptrend continued into June as distillate stock levels in the USA triggered further product supply worries which were supported by an early start to the hurricane season in the USA. As a result, the Basket in June rose above the $50/b level for the first time since late April, averaging $50.73 in the week ending 9 June and continued to increase reaching $52.26/b on 15 June.
- The seasonal bullish movement which began early in April has been undermined by a combination of high gasoline stock levels in different markets, particularly in the USA, and the return of refineries from maintenance along with increasing output and slowing demand for gasoline compared with the first five months of last year. As a result, gasoline products have failed to take the seasonal leadership of the market, even with the onset of the driving season. In sharp contrast to the weakness in gasoline, the distillate market looks surprisingly strong. With the increase of the US refinery output and further improvement of the distillate stocks, this situation may change over the next weeks and ease the pressure on the market.
- OPEC spot chartering fell 1.2 mb/d or 9% to nearly 12.8 mb/d in May, the lowest level in almost a year, with Middle Eastern eastbound long-haul fixtures declining by 0.7 mb/d. Sailings from the OPEC area remained stable at 27.1 mb/d, but were up 4.3 mb/d from the same period last year. Crude oil freight rates showed mixed trends with the VLCC sector hitting 19-month lows of WS70s due to a glut in tanker supply, while Suezmax and Aframax improved and were higher than last year, with the exception of the Indonesia/US West Coast route. Product freight rates continued to decline for the second consecutive month due to a diminished activity.
- As we approach the end of the first half of the year, with preliminary global oil demand data for the first quarter pointing to a growth of nearly 2.5 % y-o-y and a forecast world economic growth rate of 4.1 %, the latest global oil demand forecast calls for a growth rate of 2.2 % or 1.8 mb/d to a yearly average of 83.9 mb/d. The downward revision to last month’s growth estimate results from slightly lower expected growth in two OECD regions — North America and Western Europe — as well as downward revisions to projections for Latin America and the Middle East.
- The full year outlook for non-OPEC supply in 2005 remains unchanged from last month’s report. Non-OPEC supply is expected to average 50.6 mb/d, which represents an increase of 0.8 mb/d over the previous year. Actual data for the first quarter and first two months of the second quarter have led to downward revisions to oil supply in OECD which have been partially offset by upward revisions in Developing Countries. The full year outlook for Russian oil production has been revised down again based on actual data for the first quarter and first two months of the second quarter of 2005 which came in slightly below expectations; in addition, the outlook for the second half of 2005 looks increasingly negative for the same reasons discussed in the May report. Total OPEC crude output on average slightly exceeded 30.mb/d in May, according to secondary sources, which represents an increase of 97,000 b/d from last month. Year-to-date OPEC production has increased 0.7 mb/d.
- At the end of April 2005, OECD commercial oil stocks rose 13.5 mb, lifting the y-o-y surplus to almost 100 mb. US data for May showed a further build, increasing by 26.4 mb. Total commercial stocks are approaching the 1,000 mb mark, a total last seen three years ago. Combined with the SPR close to 700 mb, total oil has never been higher at 1,700 mb. In Europe, total oil stocks also experienced a build of 10.3 mb, mainly in crude oil inventories, to now stand at 26.3 mb or 2.4% above the same time last year. However, Japan’s commercial oil stocks moved down by 6.1 mb at the end of April due to the decline in crude oil. This draw puts Japanese inventories slightly lower than the level observed last year at this time.
- World oil demand is expected to average 83.9 mb/d in 2005, whilst non-OPEC supply is expected to average 54.8 mb/d. This results in an average difference (a-b) of 29.2 mb/d for OPEC production, versus a previous expectation of 29.1 mb/d in last month’s report. However, the quarterly distribution has been revised. The demand required from OPEC in the first quarter of this year is expected to be 29.3 mb/d, 27.6 mb/d in the second, 29.1 mb/d in the third and 30.6 mb/d in the fourth.

Product concerns continue to drive market

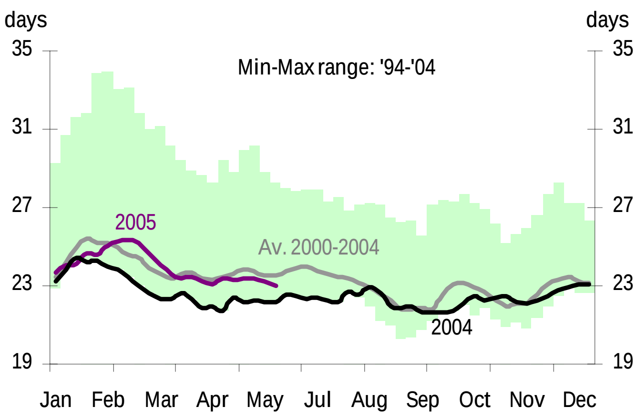
- In the run-up to the US driving season, participants in the oil market usually shift their focus to gasoline stock levels. During this period — which runs from Memorial Day weekend at the end of May to the Labor Day weekend in early September — economic, technical and logistical factors that could affect the supply or demand of gasoline will typically have an immediate impact on crude oil and product prices.
- This was especially true last year when a sharp increase in demand for various products, especially gasoline, coupled with fears of a supply shortfall in motor fuels, placed strong pressure on the petroleum complex. As a result, by the second quarter of 2004, market leadership had swung strongly to gasoline products with the gasoline crack spread against WTI benchmark crude in the US East Coast market widening substantially in May to a new record of $25/b for the premium grade (see **Graph 1**). This in turn lifted refinery margins and crude prices, as WTI in May jumped more than $6/b over the previous month to $47.36/b. Later in the third quarter, due to higher domestic production, increasing imports and slowing demand growth compared to the earlier part of the year, gasoline lost its strength, and market participants shifted their attention to other fundamental and non-fundamental factors.
- Since then, the gasoline market has not yet seen a significant rebound. Over the first quarter of 2005, US gasoline demand rose by almost 0.9%, compared to the 3.2% jump seen in the same period last year. In the last two months, the pace of gasoline demand has recovered, but is still lower than the previous year. In May, demand for motor fuels rose to around 1.7% compared to the same month last year and is likely to remain close to 2% during the peak period of July and August. Meanwhile, gasoline imports increased in the first quarter of this year by 188,000 b/d or 26%, compared to the same period last year. Combined with the slowing pace of gasoline demand growth, these higher imports have allowed gasoline stocks to build over the last months.

Graph 1: USA East Coast crack spreads vs WTI

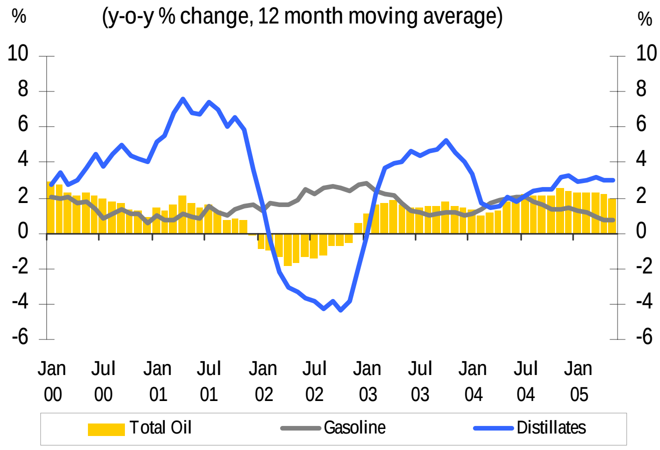


- For this year's driving season, gasoline stocks began at 215.4 mb, equal to 23 days of forward cover, which is one day higher than the same period of last year (see **Graph 2**). With the return of US refineries from maintenance and the potential for increased imports from Europe, US gasoline stock levels are expected to see further builds in June, which should remove any fear of supply shortfalls during the peak demand period of June and August. This momentum in the gasoline market is already being reflected in the crack spread versus WTI crude oil, which can serve as a barometer for market sentiment. As Graph 1 shows, the crack spread for US premium grade gasoline declined in May to $13/b from $25/b in the same month of 2004. However, given the size of the US economy, any refinery glitches during the driving season may add to the pressure on the market.

Graph 2:US gasoline stocks in days of forward cover



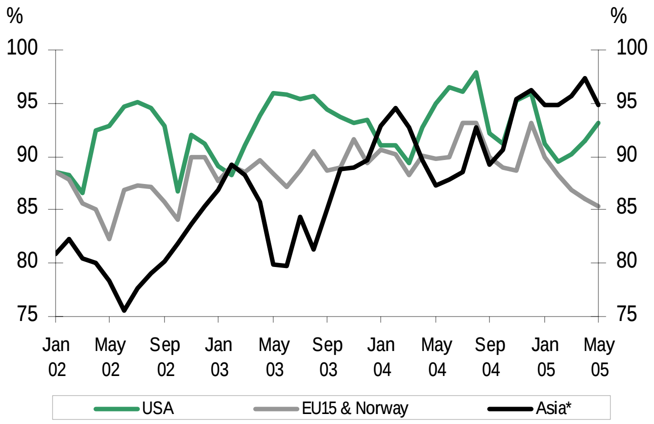
Graph 3: Change in US gasoline and distillate demand



- In contrast to the relative healthy gasoline situation, the distillate market has recently looked surprisingly strong. As can be seen in Graph 1, the low sulphur gasoil crack spread versus WTI crude oil in the US East Coast is almost equal to the gasoline crack spread, which is quite an unusual development for this time of year. The strength in distillate prices has become an important factor driving the market in the summer season and has contributed to high and volatile prices. This is a result of concern about the possible limitations in worldwide refining capacity to cope with robust distillate demand growth, which has been heightened by a number of factors, such as lower distillate inventories in the USA compared with crude and gasoline stocks, higher demand for diesel, and speculation that distillate supplies may tighten as refiners step up gasoline production to meet peak demand during the summer.

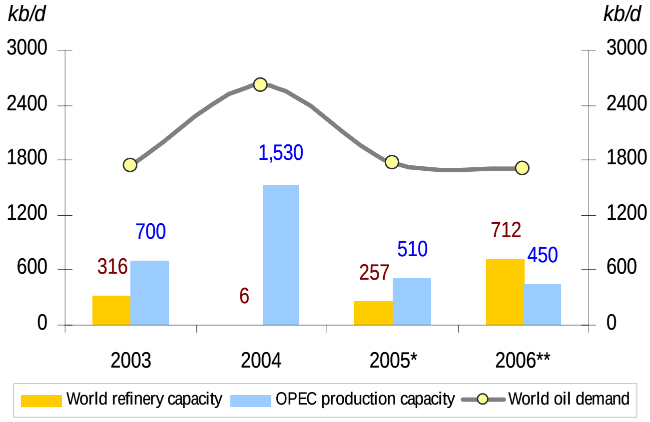
- As **Graph 3** shows above, US distillate demand in 2004 increased by 4% over the previous year. Following a temporary slowdown in the first quarter of 2005, demand for distillates rebounded to 5.68% again in May. If this were to continue over the next few months, it would indicate that the US market is experiencing a stronger trend in distillate consumption. This would place further pressure on the already tight market for distillates in Europe and Asia. Some uncertainty should be considered as to whether this trend will persist or if good margins will encourage refiners to adjust their operational mode in favour of distillates earlier than the typical heating oil season, which would allow further distillate stock builds in the next few months. However, such a switch has been made more difficult given the lack of operational flexibility due to the high refinery utilization rates currently running at around 95% in the United States (see **Graph 4**). In the past four weeks to June 10, US distillate production in absolute terms rose by 10.8% which allowed stocks to build by 6.4% to stand at 110.2 mb. In terms of days of forward cover, distillate inventories stand at 26.8 days, down slightly from the same period last year when distillate stocks registered 26.4 days.

Graph 4: Refinery utilization



* Asia = Japan, South Korea, China, India and Singapore.
For some Asian countries April & May are estimated.

Graph 5: Growth in world oil demand vs global refinery and OPEC production capacity



* Estimate **Forecast

- The observed ample crude supply, in line with the continued high OPEC production, has provided a steady build in commercial stocks to comfortable levels. Further evidence that the market is well supplied can be seen in the forward price structure, which has changed from backwardation to contango. This trend that currently extends until at least the end of the year should encourage further stock building, which should help to ease prices to more moderate levels. However, prices have recently resumed a rising trend above $50/b, mainly as a result of the persistent tightness in products markets due to the lack of effective global oil refining capacity.

- To accommodate the expectation for the continued strength in global oil demand for the remainder of the year, OPEC at its 136th Meeting of the Conference decided to raise its production ceiling by 500,000 b/d to 28 mb/d, effective from 1 July. A further 500,000 b/d could also be placed on the market should prices remain at current levels or continue to move higher. The decision reflects OPEC's ongoing commitment to stabilize the market, a commitment expressed in the Member Countries' repeated raising of output levels and the acceleration of their production capacity expansion plans aimed at meeting growth in global demand for crude and maintaining adequate spare capacity (see **Graph 5**). This is in addition to incremental volumes from non-OPEC producers, expected to be more than 0.8 mb/d and 1 mb/d in 2005 and 2006, respectively. However, to be fully effective, OPEC's considerable efforts need to be complemented by immediate and sizeable investments in the refining sector, especially in conversion capacity, which have persistently lagged behind market requirements. This challenge in the downstream is a responsibility shared by all parties, including the industry and consuming governments. If left unresolved, it will continue to overshadow the timely actions being carried out on the upstream side and further exacerbate oil price volatility.

136th (Extraordinary) Meeting of the OPEC Conference

Vienna, Austria, 15 June 2005

The 136th (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Vienna, Austria, on 15 June 2005, under the Chairmanship of its President, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of the State of Kuwait and Head of its Delegation, and its Alternate President, HE Dr Edmund Maduabebe Daukoru, Nigerian Presidential Adviser on Petroleum & Energy and Head of its Delegation.

The Conference expressed its warmest congratulations to HE Dr Ibrahim Bahr Alolom on his recent appointment as Minister of Oil of Iraq and paid tribute to the contribution made to the Organization by his predecessor in office, HE Dr Thamir Ghadhban.
The Conference considered the report of the Ministerial Monitoring Sub-Committee, and thanked the Members for their untiring efforts on OPEC's behalf, as well as presentations on various subjects.

Having reviewed the oil market situation and its immediate prospects, the Conference observed that the market continues to be well supplied, as a result of OPEC's decision in March 2005 to increase its production ceiling to 27.5 mb/d, and that, consequently, commercial crude and product stocks have continued to build to comfortable levels, around average in terms of days of forward cover. However, the Conference noted that world crude oil prices remain high and volatile as a result of concern about a lack of effective global oil refining capacity, in particular possible shortages of middle distillates in key consuming regions. Refineries, whilst already running at high utilization rates, are facing difficulties in coping with strong distillate demand-growth. The situation is being further exacerbated by geopolitical developments and increased speculation in the oil futures markets.

In the light of the expectation of strong global oil demand during the remainder of the year, in particular in the fourth quarter 2005, and with the resumption of price increases, the Conference decided to raise the current OPEC production ceiling by 500,000 b/d, to 28.0 mb/d, with effect from 1 July 2005. The Conference further authorized its President, after consultations with Heads of Delegation, to announce an additional 500,000 b/d increase in the ceiling, until its next Meeting, should oil prices remain at current levels or continue to rise further.

In taking this decision, the Conference re-affirmed the Organization's commitment to market stability, a commitment clearly expressed in Member Countries' repeated raising of output levels and the acceleration of their production capacity expansion plans aimed at meeting growth in global demand for crude and at maintaining adequate spare capacity.

In this vein, the Conference called on all parties concerned to join efforts to maintain market stability, with reasonable prices consistent with robust economic growth, in particular in the emerging economies of the developing world, as well as steady revenue streams, for producing countries and the industry, conducive to the expansion of upstream and downstream capacity to meet rising international demand for oil and products. The Conference emphasized its particular concern about the shortage of effective refining capacity required to meet future strong demand growth, as a consequence of under-investment in this sector, especially in conversion capacity, as well as excessive regulation. The Conference, therefore, repeated its call on industry and consumer governments to urgently address this challenge which, if left unresolved, will exacerbate oil price volatility.

The Conference agreed to continue to closely monitor market developments and to take appropriate and prompt action, as and when the need arises.

Further to the decision taken by the Conference in March 2005 to change the composition of the OPEC Reference Basket of Crudes (ORB) to a composition of eleven crude streams representing the main export crudes of all Member Countries, weighted according to production and exports to the main markets, and after reviewing the Secretariat's report on its trial calculation, the *Conference decided that this new Reference Basket should be introduced with immediate effect, replacing the current ORB.*

The Conference welcomed the launch and positive outcome of the OPEC/EU Energy Dialogue, held on 9 June 2005 in Brussels, and recorded its commitment to continuation of this and other regional and international dialogues. In this respect, the Organization looks forward to hosting the next OPEC/EU Dialogue Meeting in Vienna and expressed its confidence that this Dialogue will serve to further enhance and strengthen cooperative relations between producers and consumers.

The Conference confirmed that its next Ordinary Meeting is to take place in Vienna, Austria, commencing 19 September 2005, in a month when the Organization will commemorate the Fortieth Anniversary of the OPEC Headquarters' move to Vienna with a series of events starting from 20 September 2005.

The Conference expressed its renewed appreciation to the Government of the Republic of Austria and the authorities of the City of Vienna for their continued warm hospitality and the excellent arrangements made for the Meeting.

Composition of the new OPEC Reference Basket

Vienna, Austria, 15 June 2005

The 136th (EO) Conference having received and deliberated this morning on the Report of the Secretariat on the composition of the new OPEC Reference Basket of crudes (ORB), has approved its implementation with effect from 16 June 2005.

The 135th Meeting of the Conference, held in Isfahan, 16 March 2005, approved the recommendation of the Board of Governors and the Economic Commission Board to change the composition of the ORB, from seven crudes to a more representative basket composed of 11 Member Country crude streams. These represent the main export crudes of all Member Countries, weighted according to production and exports to the main markets. The Conference directed the Secretariat to calculate the new proposed Basket on a trial daily basis in parallel with the current ORB, reporting back on the results to the next Meeting of the Conference, in light of which the Conference would announce the effective date of implementation.

The new ORB is made up of the following: **Saharan Blend** (*Algeria*), **Minas** (*Indonesia*), **Iran Heavy** (*Islamic Republic of Iran*), **Basra Light** (*Iraq*), **Kuwait Export** (*Kuwait*), **Es Sider** (*Libya*), **Bonny Light** (*Nigeria*), **Qatar Marine** (*Qatar*), **Arab Light** (*Saudi Arabia*), **Murban** (*UAE*) and **BCF 17** (*Venezuela*).

At present the API gravity for the new Basket is heavier, at 32.7º compared to 34.6 º for the previous basket of seven crudes. In addition, the sulphur content of the new Reference Basket is more sour at 1.77%, compared to the previous basket of 1.44%.

The new ORB better reflects the average quality of crude oil in OPEC Member Countries.

Highlights of the World Economy

Economic growth rates 2004-2005

%

	World	G-7	USA	Japan	Euro-zone
2004	**5.1**	**3.2**	**4.4**	**2.6**	**1.8**
2005	**4.1**	**2.3**	**3.4**	**1.7**	**1.0**

Industrialised countries

United States of America

Solid demand growth but inflation pressure on the rise. Further increases in interest rates expected.

The rather volatile pattern of economic activity continued in the second quarter as an upwards revision of GDP growth for the first quarter and very strong retail sales data for April was followed by weaker indicators for May. The growth in non-farm payrolls was much lower than expected at only 78,000. **The US factory sector has slowed significantly over the past year as shown by the Institute for Supply Management index for manufacturing which fell to 51.4 in May from 62.6 a year ago.** Manufacturing output is always more volatile than overall GDP as a result of inventory corrections and the current downturn is not expected to be severe. Companies are not holding excessive stocks at present and a sharp adjustment in overall production is not necessary although a shift from autos and materials-based sectors (chemicals, plastics and metals products) to the tech sector seems to be underway. Moreover the state of inflationary pressure and financial policy is not currently indicative of recessionary conditions. Although core inflation has moved up over the past year, financial conditions have remained accomodative. **The most important support for GDP remains the American consumer and recent growth in labour incomes should keep spending firm in 2005.** Labour incomes are expected to grow by at least 5% annualized in the second quarter and the rate of growth of total personal consumption should be about 3.5% – in line with first quarter growth. Fixed investment spending slowed in the first quarter but orders for capital goods improved in April and higher growth is expected in the second quarter. The outlook is less optimistic for net exports which have not responded as expected to the weakness in the dollar in the years 2002 to 2004. The renewed dollar strength in 2005 will not help exports and import growth is unlikely to weaken, considering the strong momentum of consumer spending. The outlook for interest rates in the second half of 2005 is hard to judge as the Federal Reserve may be reaching the end of the rates adjustment process which began exactly one year ago. Very low bond yields and worries concerning the health of the manufacturing sector suggest that any further increases in rates will be small. On the other hand the decline in the rate of growth of labour productivity and the high growth of wage costs imply further rises in unit labour costs which will feed through into core inflation. **Unit labour costs rose by 4.3% in the first quarter, well above the core inflation rate of 1.6%. In the past such a gap has been a good indicator of higher core inflation to come and a rise in core inflation to above 2% cannot be ruled out during the course of the next year.** Moreover the recent testimony of the Federal Reserve Chairman to the US Congress noted that the US economy is "on a reasonably firm footing". On balance short term interest rates may rise to over 4% by the end of this year as the authorities push real interest rates back towards a "neutral" level of about 2%. Long term bond yields may also trend higher towards the end of this year. Growing capital expenditure will increase the funding needs of business while the flow of capital from emerging markets has probably passed its peak. Higher interest rates and bond yields will play a part in raising the very low savings rate of the US economy and improving the trade balance. Certainly that part of consumers' expenditure related to the housing market should moderate as higher mortgage rates limit refinancing possibilities.

Japan

Strong recovery in domestic demand supported Japanese economy

Following three quarters of moderately negative or very low growth, Japanese real GDP surprised observers, growing at an annualized rate of 5.3% in the first quarter. Although exports continued to slow, an improvement in domestic demand supported activity. Industrial production continued to expand in April despite the slump in exports to China. Production rose by 2.2% over the level of March and plans for the second quarter indicate further growth in that quarter. The automotive and capital goods sectors are performing particularly well. Machinery orders rose for the second consecutive month in March and surveys of business intentions for the 2005 financial year also indicate growth in the non-manufacturing sector. A recent survey of the investment plans of large companies suggest that capital expenditure may increase by 10% over year ago levels. **Personal consumption, which grew strongly in the first quarter, remained firm in April as retail sales were up 3.9% on year ago levels, marking the strongest growth**

since 1999. Improvements in the labour market, including the first rise in permanent employees for eight years, are translating into a recovery in personal spending. The trends in household income are consistent with a moderate upward move in wages and employment. These improvements should mean that personal spending will grow in the second quarter, and considering the high level of the first quarter, this is certainly encouraging for 2005 as a whole. **Despite the progress in domestic confidence and spending, exports remain very important to the Japanese economy.** Part of the slowdown in exports to China may reflect an inventory correction but a continued decline in the second quarter could push GDP growth below 1%. Exports to China are also subject to political tensions which are unlikely to ease in the near term. At present the US economy is performing well but the demand for capital goods is always volatile and any unexpected slowdown in investment spending, especially in high-tech sectors, would also reduce Japanese activity in the second half of 2005. **Overall the Japanese economy is expected to stabilize in the second quarter and grow at a rate of about 2% in the second half of the year.** The main risk to growth is the external environment and any unexpected deterioration in Chinese or American demand would have a rapid effect on the Japanese recovery. A revaluation of the Chinese currency, for example, might reduce Chinese demand for Japanese investment goods. Deflation is expected to continue through 2005 although year-on-year declines in the core rate of inflation indicate some gradual improvement. Overall the impact of special factors pushing down prices may fade during the year and improvements in employment and incomes may allow companies to pass higher costs onto final goods prices. The Bank of Japan now anticipates that the consumer price index will begin to rise only during 2006. In May the Bank of Japan allowed bank reserves to fall below their target range but no significant shift away from quantitative easing looks likely in 2005. The recovery remains rather fragile and the Bank will not wish any sign of a change in policy to threaten growth prospects for 2006. In the coming year, the Bank may move away from quantitative easing but the emphasis on very low interest rates will surely remain in place for the foreseeable future.

Euro-zone

Second quarter may show further weakness. Oil prices have risen by 48% in euro terms in 2005.

First quarter GDP data for the Euro-zone showed an expected recovery from the weak trend of 2004. **GDP grew by 2% annualized but it seems very unlikely that this improvement can be maintained throughout the year.** The first quarter growth rate was inflated by calendar effects, particularly in Germany, and the evidence of Purchasing Manager surveys suggests a fall in GDP in the second quarter. The Euro-zone PMI index for May fell to 48.7 and the uncertainty following the rejection of the European Constitution by France and the Netherlands will further depress consumer and business confidence in the region. The employment situation is depressed and new orders fell to their lowest level since June 2003. The Euro-zone economies show some differences in the degree of weakness. Italy is clearly the worst affected as the manufacturing sector has been hard hit by import competition. **Unless the service sector shows remarkable growth it seems likely that Italian GDP will decline in 2005.** In addition, Italy faces the threat of Excess Deficit Procedures as the fiscal deficit will be well over 4% of GDP in 2005. The German economy is in a better position as German exports are less exposed to price competition. Nevertheless the April data for manufacturing orders showed a sharp decline in foreign orders for manufacturing goods, particularly in the capital goods sector, and German GDP may well have fallen slightly in the second quarter. There is evidence that the weakness in final domestic demand in Germany is due to the decline in real incomes associated with industrial restructuring and this trend may boost German competitiveness later this year and in 2006, especially if the euro continues to be weak. France remains the strongest of the large Euro-zone economies but conditions have weakened rapidly in 2005. The new Prime Minister has made improving the level of employment his top priority but it is not clear whether labour market reforms are consistent with the French 'social model'. The Spanish economy continues to grow at about 3% thanks mainly to a very strong performance by the construction sector. **The scope for policy changes to improve the prospects for the region is very limited.** High fiscal deficits make it impossible for governments to boost their spending whilst the ECB is reluctant to cut interest rates. The fall in the Euro since the rejection of the European Constitution by France and the Netherlands reduces the chance of lower interest rates. **The combination of the weaker currency and the rise in the price of oil since May means that oil prices have risen by 48% in euro terms this year.** The ECB will wish to monitor the 'second round' effects of this increase in energy costs and any unexpected rise in the core rate of inflation might force an increase in European borrowing costs despite the very poor growth performance.

Former Soviet Union

Russian economy is decelerating as oil production stagnates

Russian oil production has followed a negative trend since October 2004 and there are few signs of an improvement in the near term. This weakness has spread to the whole economy and indicators in March point to a poor first quarter. In May, the Economy and Trade Ministry downgraded the official GDP forecast for 2005 to 5.8%. **The Director of the Macroeconomic Forecast Department said that the deteriorating economic outlook was the result of stagnating oil exports, a fall in investments and an accelerating rise in imports.** Private capital continues to leave Russia as a result of political and institutional uncertainty. In the first five months of the year, there has been a cumulative private outflow of $12.9 billion, a third more than the total for 2004. Some industrial sectors are suffering from the real appreciation in the rouble but consumer demand continues to grow strongly. Retail sales growth recovered to 12% in April from 10% in March supported by high growth in real incomes. Producer inflation accelerated for a third month, recording 20% in April and there are fears that consumer price inflation may exceed 12% by the end of the year. Nevertheless the Central Bank appears to be unwilling to allow the rouble to appreciate further. The dilemma facing the Russian Central Bank illustrates the problems of monetary authorities which try to manage both the inflation rate and the exchange rate at the same time. The only way to restrain the domestic money supply and Russian inflation would be to allow the rouble to adjust but the currency has already risen by about 7% in real effective terms in 2005. Fiscal policy remains expansionary as the authorities have announced plans to raise budget expenditures to 17% of GDP and these spending plans may lead to yet further inflation. About one third of the additional expenditure will be financed by the Stabilisation Fund. In effect this policy diverts oil revenues into social benefit payments and public sector wages, reducing the scope to meet foreign debt repayments.

Eastern Europe

Growth is slowing but should remain well above that of the Euro-zone

The very high rates of growth achieved by the Polish economy in the first quarter of 2004 have distorted the results of this year to some extent. Although first quarter GDP grew by only 2.1%, year-on-year, the level of activity remains satisfactory and net exports continue to grow. The setback in investment growth was surprising and private consumption growth also slowed unexpectedly to 1.7%. **Overall GDP growth in 2005 is likely to be below 4% unless private investment stages a recovery later in the year.** In contrast the Czech economy saw 4.4% growth in the first quarter as a result of strong export and investment spending. The cut in interest rates to 1.75% may encourage private consumption which has been very volatile so far in 2005. **For the year as a whole, growth of at least 3.8% should be within reach.** After a very strong performance in 2004, Hungarian exports weakened in the first quarter of 2005 and pulled down the overall GDP growth rate to 2.9%. Investment activity is recovering, however, mainly as a result of EU funded construction spending. Household and government consumption both increased in the quarter and these expenditures supported the services sector, compensating for weak growth in industry. **Hungary is very sensitive to the conditions of the Euro-zone economy which affect both exports and FDI and the poor performance of this region may make it difficult for GDP to grow much more than 3% in 2005.**

OPEC Member Countries

Investment and government spending driving robust growth in the non-oil sector in most OPEC Member Countries

Investment spending is expected to pick up speed, a growing proportion of which is likely to be foreign-funded. The main brake on growth will be the performance of the trade sector, while export volumes are likely to expand only slowly given the constraints on oil production. Kuwait's economy is forecast to expand to 6.8% this year compared to 5.5% in 2004. Strong government spending will stimulate robust private consumption. Gross fixed investment in Iran will benefit as a share of oil receipts is lent to non-oil enterprises. Economic growth will be constrained through slowing export expansion volumes, as the production of oil, which is by far the most important export commodity, remains flat and domestic consumption rises, reducing output available for sale abroad. GDP growth is expected to edge up slightly from 6.6% in 2004 to 6.7% this year. In Venezuela, government spending will provide continued demand stimulus and drive robust growth in non-oil sectors such as construction, finance and manufacturing. Investment by private energy companies is also likely to increase, which is expected to help to sustain oil activity despite PDVSA's difficulties in maintaining production levels and the diversion of its investment resources into state social projects. Consequently, GDP growth is expected to exceed 6% in 2005.

While the GDP is still expanding rapidly in China and Sub-Saharan oil producers are expected to achieve average GDP growth, Brazil is likely to slow

Developing Countries

China has continued to grow rapidly, although the government has detected signs of a welcome economic rebalancing. Rural incomes have risen sharply, boosted by rising output prices. Overall CP inflation has eased, despite continued rises in producer prices. The expected GDP growth for this year of 8.6% has registered no changes from the previous month. In Sub-Saharan Africa, at least for the coming year and a half, Africa's oil exporters are likely to achieve the continent's average growth ranges. However, their dependence on this commodity could prove more of an obstacle in the long term. The IMF predicts that Africa will achieve an average growth of more than 5% over 2004-2006, up from only 1.9% a year in the decade to 1995. In the Sub-Saharan region, not fewer than 20 countries will exceed the regional average growth of 5.2% per annum, while only three countries will shrink. The Brazilian economy experienced a market slow-down in activity during the January-March period. Real GDP grew by 2.9% compared with 4.4% in the previous quarter, as consumers and corporations cut back on spending against a backdrop of rising interest rates. Household spending growth slowed to 3% in the first quarter from 5.0% in the final quarter of 2004. The slow-down in investment spending was even more pronounced. Following a vigorous 9.3% increase in the fourth quarter of 2004, investment spending expanded by merely 2.3% during the first quarter of 2005. GDP growth is forecast to slow to 3.1% for the current year from 5.2% for the whole of 2004.

Oil prices, the US dollar and inflation

Euro-zone troubles supported the Dollar in May

The dollar was stronger in May, reflecting continued economic strength relative to Europe and market expectations that the European Constitution might be rejected by the French electorate in early June. The dollar rose by 1.9% against the euro, 2% against the British pound and 1.8% against the Swiss franc. The dollar fell slightly against the yen as the Japanese currency was supported by the release of excellent GDP growth data for the first quarter of 2005.

In May the OPEC Reference Basket fell to $46.96/b from $49.63/b in April. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price fell by 4.5% to $32.85/b from $34.40/b, as the stronger dollar offset part of the 5.4% fall in the Reference Basket price. The dollar rose by 1.1% as measured by the import-weighted modified Geneva I +US dollar basket*.

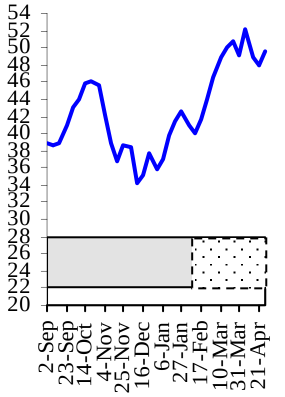
* *The 'modified Geneva I+ US$ basket' includes the euro, the Japanese yen, the US dollar, the pound sterling and the Swiss franc, weighted according to the merchandise imports of OPEC Member Countries from the countries in the basket.*

Crude Oil Price Movements

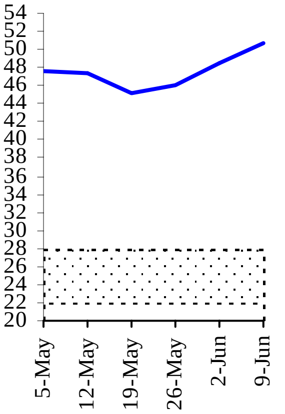
Note to the reader:
The new OPEC Reference Basket will be introduced as of the next issue of the report.

Ample OPEC supplies amid a persistent contango market helped the OPEC Reference Basket to slip over 5% for the first time in six months to average $46.96/b in May

Weekly average Basket price, 2004-2005



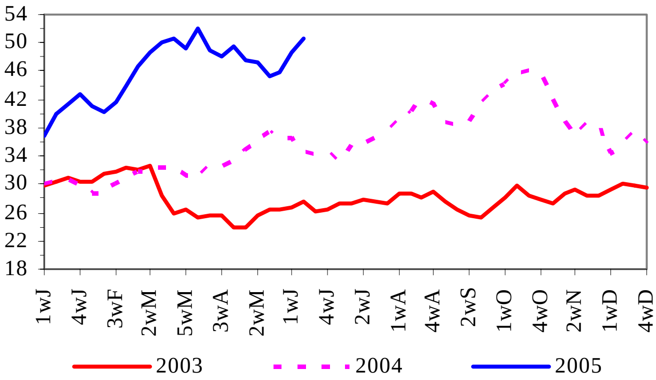
May 05-Jun 05 ***(US$/b)***



Note: Price band temporarily suspended as of 31 January 2005

OPEC Reference Basket

Graph 1
OPEC Reference Basket - weekly spot crude prices ***(US$/b)***



The calm sentiment from the previous month continued into May as persistent OPEC supplies helped US crude oil inventories to reach the highest level in nearly six years. As a result, prices averaged $47.59/b in the first week of the month, down 4% or $2/b from the week before. This was due in part to the **eastward flow of western crude inspired by the deep contango in western markets and high outright prices in Asia**. However, concern over summer fuels revived the bulls, somewhat balancing the earlier bears amid seasonal demand for light sweet grades, which boosted prices in Europe. Bearish trends continued in the second week on comments by the **IEA that higher fuel costs and a weakening economic picture were denting global demand**. **The rise in crude stocks in the USA, the outlook for weaker global demand growth and an OPEC output rise on the horizon** all helped to support calmness in the marketplace. Accordingly, the OPEC Reference Basket slipped 21¢ to $47.38/b. Continued builds in US crude oil inventories to almost six-year highs kept the market bears alive at a time when arbitrage opportunities remained closed suggesting continued high OPEC supply. The Basket fell further in the third week, losing $2.11 or 4.5% to close at $45.25/b, supported by a stronger US dollar.

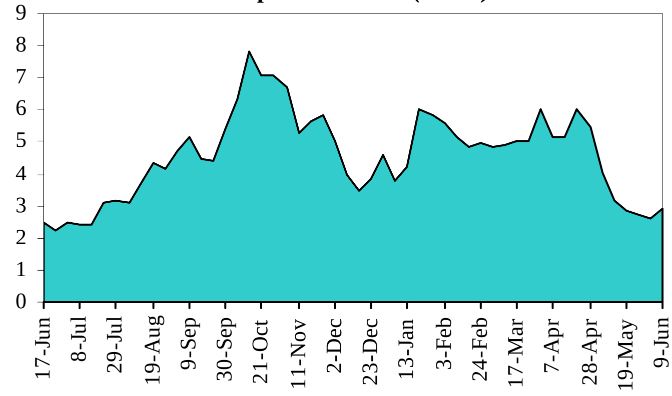
Market bullishness revived following a strike at Total's five European refineries, which raised fears of a possible shortfall in refined products. This was exacerbated by the approach of the US driving season at a time when US crude oil stocks experienced a surprise draw for the first time in five weeks. Further upward pressure came from a general perception that supplies in the USA would fall as refineries boosted operating rates to produce gasoline for the peak demand summer driving season. The OPEC Reference Basket surged in the fourth week by nearly 2% for a rise of 78¢ to close at $46.02/b. The Basket closed the month on bullish sentiment peaking to $47.62/b.

On a monthly basis, the OPEC Basket ended lower for the first time in six months, dropping $2.67 or 5.4% to close the month at $46.96/b. The first days of June saw renewed upward pressure as a hefty draw on US crude oil inventories and the appearance of Tropical Storm Arlene in the US Gulf Coast revived concerns of possible supply disruptions. This helped the Basket to rally in June, breaking above the $50/b level for the first time since April.

Lack of transatlantic barrels kept the bulls intact, while ample supplies in the US market briefly pushed WTI below Dated Brent amid weaker economic growth in the USA

US market

Graph 2
WTI spread to WTS *(US$/b)*

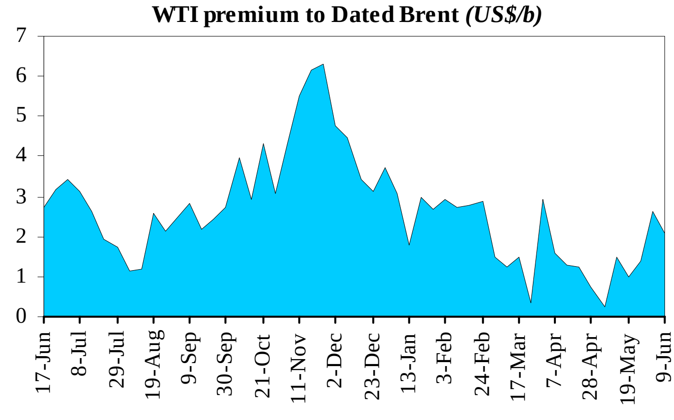


Cash crude differentials in the US market strengthened on lack of competing West African barrels and the continued outage of a pipeline that takes crude to Louisiana refineries from offshore. Nevertheless, **the expectation for less encouraging economic growth figures from the USA** at a time of comfortable stocks levels in a well-supplied market helped to balance this bullish momentum. Hence, the WTI weekly average slipped 5% or $2.63/b to settle at $50.06/b on 5 May. The contract also fell below Dated Brent for the first few days in May. The WTI/WTS spread narrowed $1.40 to $4.05/b. Continued **weak arbitrage for transatlantic barrels** overwhelmed news of the twelfth build in thirteen weeks in the US crude oil inventories. The cash crude differentials weakened on softer refining margins in the second week. However, the EIA warned that US crude oil prices are expected to stay above $50/b through 2006 and gasoline costs will remain high due to tight refining conditions and a lack of spare crude oil production capacity. WTI gained 76¢ or 1.5% to average $50.82/b for the second week, with the WTI/WTS spread narrowing to $3.14/b. However, the sentiment changed in the third week on **a further rise in the US crude oil stocks to a six-year high amid ample OPEC barrels**. Moreover, sufficient supply of South American crude prompted sellers to get rid of barrels while there was still enough storage capacity. WTI saw a hefty drop of $2.81 or 5.5% to close the third week at $48.01/b, and even fell below Dated Brent for two days. The WTI/WTS spread narrowed to $2.86/b on a continued lack of West African crude. The revived concern over summer fuel supply once again put pressure on the marketplace and WTI's weekly average surged $1.49 or over 3% to close at $49.50 with the WTI/WTS spread narrowing further to $2.73/b. Yet, the monthly average for WTI closed down 5.4% or $2.89 in May to settle at $50.20/b.

Ample supplies widened the contango spread while a Total strike added some caution to the market

European market

Graph 3
WTI premium to Dated Brent *(US$/b)*



North Sea crudes began May on a bearish note as unsold prompt cargoes weighed on a market awaiting the release of the new load programmes. Accordingly, the contango for benchmark crudes widened further as dealers struggled to shift a heavy overhang of undisposed May barrels. The weekly average for Dated Brent slipped $2.12 or over 4% to settle at 49.81/b **The bench-mark remained under pressure on the perception that there was an abundance of crude and the threat of barrels coming out of storage, stalling the rally on the front end of the curve**. Brent dipped 49¢ in the second week to average $49.32/b. The slide in prices prompted buying interest that helped to firm differentials as the glut in May cargoes cleared amid thinning market availability for June barrels. Nevertheless, the market only saw a short-lived rise as strike-induced refinery outages in France late in the second decade of May alerted the market to additional available cargoes. Brent slipped a further 5% or $2.31/b to average $47.01/b for the week. Differentials continued to slide, yet **concern over tight refined products due to the strike at Total's five refineries revived market bullishness** as second half June stems clearing with some sweet barrels heading east. Hence, Brent surged $1.11 or 2.4% to close the fourth week at $48.12/b. Nevertheless, the last few days in the month were quiet on holidays in most of Europe amid firm sentiment yet available supplies dwindled, limiting activities. Dated closed 78¢ or 1.5% lower than the March average to settle at $51.87/b.

The Mediterranean crude began the month with **plentiful availability which prompted some refiners to hold off buying while others switched to sweeter grades**. Urals dropped $2.21 or 4.5% to settle at a weekly average of $46.44/b. However, this bearish sentiment was buoyed by a sharp hike in Mideast price differentials to Europe, as well as strong refining margins amid aggressive bidding. Urals second weekly average inched 39¢ higher to close at $46.83/b as buyers continued to mop up the May programme amid prompt demand from Europe's largest refiner. However, the bulls started to fade as Total withdrew interest due to an impending strike. In the third week, although sentiment seemingly revived on tight May avails and the possibility of arbitrage to Asia, this was short-lived as **falling products prices started to bite into refining margins. Hence, sellers reduced the differentials to move cargoes out of the region** with Urals plunging $2.5 or over 5% to settle at $44.33/b. Moreover, with a widening strike closing three more of Total's refineries, buyers stayed on the sideline awaiting a further price decline. However, the rising healthy refining margins encouraged buying interest in the fourth week amid clearing May barrels with Urals fetching a 81¢ rise to average $45.14/b. Moreover, news that **June Urals supply from the Black Sea port of Novorossiysk would fall by 10% from the May level** inspired prices to rise significantly in the final days of the month to peak at $50.18/b. Still, the monthly average declined, dropping $1.65 from the previous month to stand at $46.24/b.

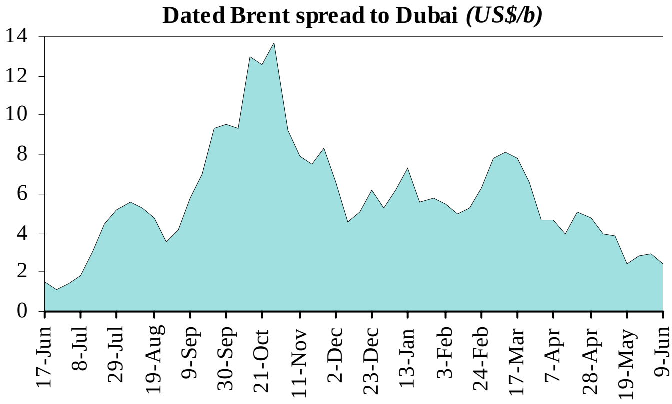
Far East market

The narrowing Brent/Dubai EFS spread attracted arbitrage barrels of western crude, exerting downward pressure on Mideast crudes

Mideast crude began the month with June Oman trading at a 15¢/b discount to MOG with the July new month trade notionally at a 4-8¢/b premium. However, the market was seen pressured by a discount late in the previous month amid the reselling of barrels from Chinese traders on procurement of attractive West African crude. Moreover, the **higher-than-expected OSP pushed the Mideast sour benchmark into negative territory**, offered at 1-4¢/b discount for Oman July-loading. Although Abu Dhabi July Murban was assessed at 20-30¢/b premium to OSP, **full contract volumes amid high OSP pressured Abu Dhabi crude to trade at lower levels**. **The narrowing Brent/Dubai EFS spread in the second half of the month prompted Asian buyers to switch to cheaper West African grades, while Mediterranean crudes headed eastward**, pressuring the Mideast grades. This was **boosted by the weakening differential of Urals in the Mediterranean**. July Oman traded at a steeper discount of 20-30¢/b to MOG with Abu Dhabi Murban at a discount of 25¢/b to ADNOC's OSP in the fourth week. However, in the final days of the month, the market flipped into the positive territory amid diminishing avails on narrowing Brent/Dubai EFS. July Oman was heard to trade at a 5-10¢/b premium to MOG with Abu Dhabi Murban heard sold at a $1/b discount to the OSP on high outright prices.

Graph 4

Dated Brent spread to Dubai *(US$/b)*



Asian market

High outright prices along with Asia's appetite for light sweet West African crude pressured the regional market

The Asian market began the month on a quiet note amid the Golden-Week holiday in Japan. **Taiwan CPC was awarded hefty lots of West African crude in its buy-tender as looming gasoline demand bolstered the light sweet market at the expense of Asia-Pacific rivals**. This exerted downward pressure on the regional crude market amid narrowing EFS spreads. Malaysia's June Tapis traded at a 70¢ premium to the APPI compared to May loading which sold at +$1/b. Later in the second decade, regional crude started to clear at a slower pace amid buyers adopting a wait-and-see approach. However, high outright prices and continued narrowing of the EFS spread only sustained the pressure on the regional crude in May. July Tapis was heard sold at a 10¢ premium to the APPI compared to a 60¢/b premium for the last June-loading deal.

Table 1
Monthly average spot quotations for OPEC's Reference Basket and selected crudes
US $/b

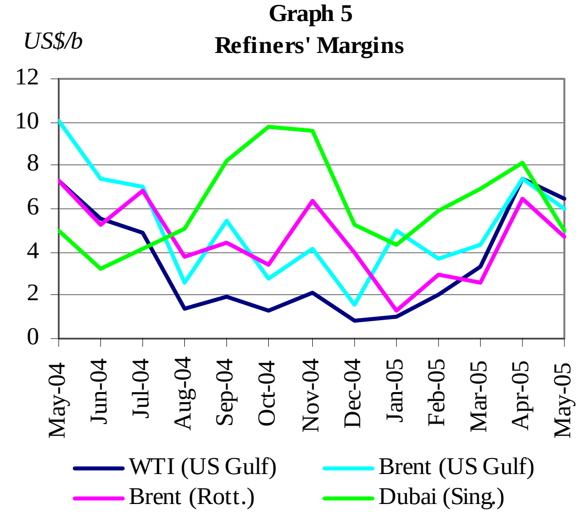
			Year-to-date average	
	Apr 05	**May 05**	2004	**2005**
Reference Basket	49.63	**46.96**	32.11	45.74
Arabian Light	48.68	**47.09**	31.74	44.45
Dubai	47.24	**45.68**	30.90	43.36
Bonny Light	53.18	**50.23**	33.27	49.43
Saharan Blend	51.98	**48.69**	33.40	48.80
Minas	55.96	**50.34**	32.24	49.79
Tia Juana Light	43.27	**41.67**	30.16	40.41
Isthmus	47.13	**45.05**	33.04	43.96
Other crudes				
Brent	51.87	**48.90**	33.34	48.66
WTI	53.09	**50.25**	36.50	50.52
Differentials				
WTI/Brent	1.22	**1.35**	3.16	1.86
Brent/Dubai	4.63	**3.22**	2.44	5.30

Product Markets and Refinery Operations

Gasoline products have so far failed to take seasonal leadership of the market

The seasonal bullish movement which began early in April has been undermined by a combination of high gasoline stock levels in different markets, particularly in the USA, the return of refineries from maintenance along with increasing output and slowing demand for gasoline compared with the first five months of last year. As a result, gasoline products have failed to take seasonal leadership of the market even with the onset of the driving season. **In sharp contrast to the weakness in gasoline, the distillate market looks surprisingly strong, as lower distillate stocks and higher demand for diesel compared with gasoline have raised the perception that distillate supplies may tighten further in the next few months as refiners step up gasoline production to meet peak demand during the summer.** This perception triggered buying interest for US Nymex heating oil and helped to lift distillate and crude prices. With the increase of US refinery output and further improvement in distillate stocks, this situation may change over the next weeks and put some pressure on the market. Over the last four weeks, US distillate stocks have soared by 4 mb to stand at 107.7 mb on 3 June. Similarly, the bottom and light end of the barrel had very poor performances in May, and their disappointing achievements along with the weak gasoline market have resulted in lower refinery margins in different areas this month compared to the previous one. **As Graph 5 shows, US refinery margins fell to $6.40/b from $7.39/b in April. In North-West Europe, margins for Brent declined by $1.80/b from $6.47/b the month before. This situation was worse in Asia, as Dubai's margin in Singapore tumbled by $3.20/b to $4.96/b in May.**

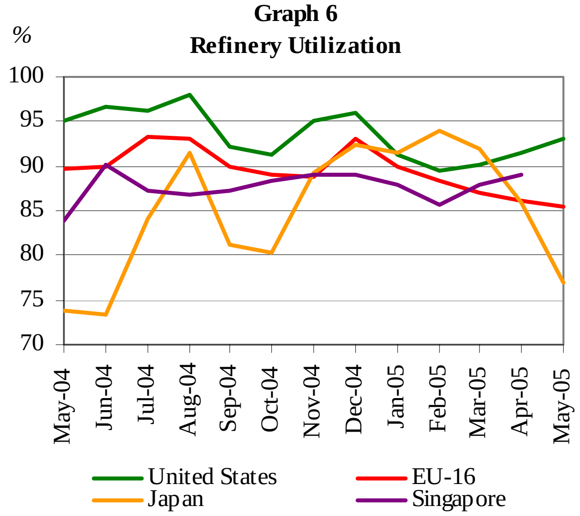
Graph 5
Refiners' Margins



The US refinery utilization rate improved in May from the previous month

Meanwhile, due to the maintenance schedule, Japanese refineries cut their utilization rate further in May to 76.9% from 85.8% in the previous month (see Graph 6). In the same month, European refiners reduced their utilization rate as well, but very marginally by 0.6% from 86% in April. In the USA, the utilization rate rose by 1.7% to reach 93.2% in May.

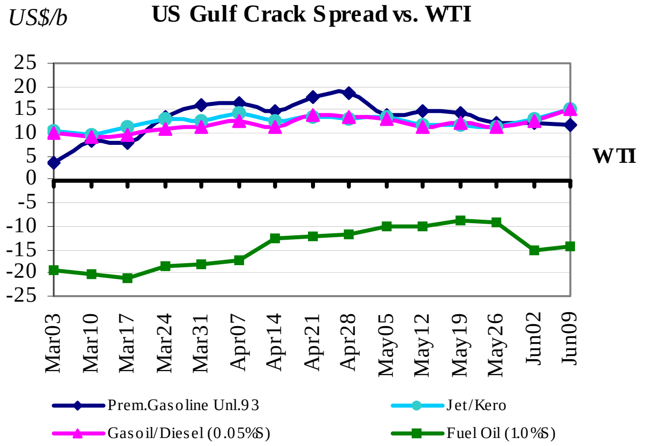
Graph 6
Refinery Utilization



Easing gasoline situation switched market attention to distillates in May

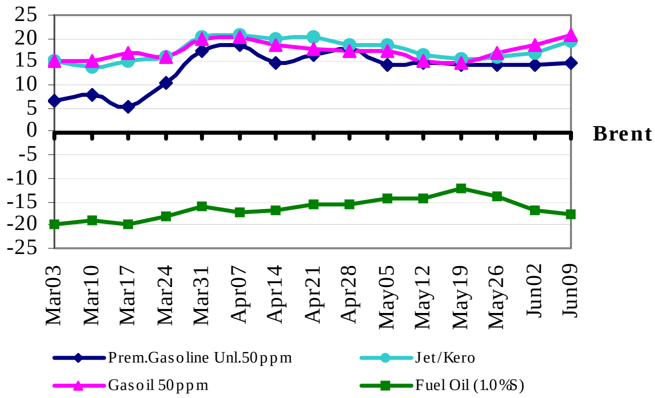
US market

Graph 7
US Gulf Crack Spread vs. WTI



Lack of major refinery snags, combined with the improvement in gasoline stocks, output and imports, reversed the upward trend of gasoline prices triggered in early April. Over the last four weeks, US gasoline production has surged by 117,000 b/d compared to the same period last year. With the easing of gasoline supply fears for the driving season, market players focus their attention on a possible future shortage of heating oil. This has led to an unusual situation at this time of year of heating oil futures leading the market. Although distillate demand in the US market is stronger than gasoline demand, some market analysts are skeptical about the recent strong momentum in distillates which appears to be manipulated by speculators.

Graph 8
Rotterdam Crack Spreads vs. Brent



Increasing output and improved distillate stocks may cause distillates to lose their current strength. Indeed, over the last four weeks, US distillate production rose by 325,000 b/d or 8.5% above the corresponding period last year. At the same time, distillate stocks surged by 4 mb to reach 107.7 mb on 3 June.

With respect to fuel oil, fundamentals continue to be bearish both for low- and high-sulphur grades, as sluggish demand from utility plants and bunkers weighed on the market, and the crack spread of high-sulphur crude oil in the US Gulf Coast against WTI benchmark crude oil fell sharply, from -$9/b in the middle of May to -$15/b recently (see Graph 7).

European product markets supported by strikes at Total's refinery and buying interest for IPE gasoil

European market

With the narrowing of arbitrage economics for European gasoline to the USA, gasoline exports were expected to decrease sharply in May and put pressure on gasoline prices. However, according to preliminary data, this did not have much impact on traders' schedules as they fixed further gasoline cargoes for the USA. In May, traders exported about 1.4-1.6 mn tonnes, up from 1.3-1.4 mb tonnes in April, which prevented a further fall in the gasoline crack spread against Brent benchmark crude, which remained around $14/b in the same month.

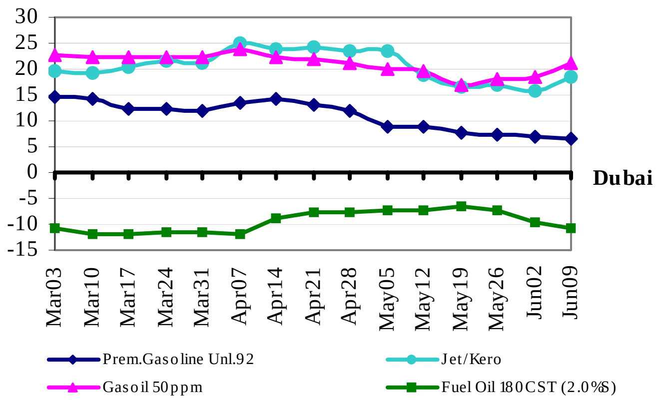
The European distillate market also received some support from unseasonable buying interest in IPE gasoil and Nymex heating oil as well as tertiary stock-building in Germany. As Graph 8 shows, the European low-sulphur gasoil crack spread in May outpaced the gasoline crack spread versus Brent crude oil, which is quite unusual at this time of the year. Despite the bullish sentiment for gasoil, jet/kero prices dropped due to the influx of arbitrage cargoes from the Middle East.

Furthermore, as was expected, the European HSFO market also lost ground, and has recently been dampened by increasing exports from Russia and higher regional outputs. As Graph 8 shows, the HSFO crack spread against Brent crude oil widened to -$17/b in early June from -$13/b in the middle of May.

The Asian product market lost further ground in May

Asian market

Graph 9
Singapore Crack Spreads vs. Dubai



The continuation of slowing imports by Indonesia and higher exports from China and Taiwan put further pressure on gasoline prices in Asia in May. As Graph 9 shows, the gasoline crack spread in the Singapore market against the Dubai benchmark decreased by more than $8/b since early March and reached $7/b on 2 June. **This bearish momentum in the Asian gasoline market may recover slightly with the entering of Chinese refineries for maintenance and increasing Japanese imports during the driving season.**

The market for naphtha looks more disappointing, as prices for petrochemical products, particularly for ethylene, are plunging and market sentiment was dominated by hefty regional supplies.

Moreover, despite their strength in the Atlantic Basis, middle distillates in Asia recently lost their earlier strong momentum as Chinese traders will not import diesel from June through mid-September due to the fishing ban, as well as on lower imports by Vietnam and Indonesia.

Similarly, as Graph 9 shows, the jet/kerosene crack spread versus Dubai crude oil fell sharply to $15/b in May from $25/b in the previous month due to ample supply from the Middle East.

Over the last few weeks, the high-sulphur fuel oil market in Asia also weakened significantly because of a lack of Chinese buying interest and high imports of arbitrage cargoes from Europe and the Caribbean. However, solid demand from Japanese utilities helped low-sulphur fuel oil to remain strong.

Table 2
Refined product prices
US$/b

		Mar 05	Apr 05	**May 05**	**Change May/Apr**
US Gulf (Cargoes):					
Naphtha		59.70	61.54	58.02	–3.52
Premium gasoline	*(unleaded 93)*	64.61	69.83	63.33	–6.50
Regular gasoline	*(unleaded 87)*	62.64	65.03	59.41	–5.62
Jet/Kerosene		66.33	71.40	63.39	–8.01
Gasoil	*(0.05% S)*	64.52	65.62	61.64	–3.98
Fuel oil	*(1.0% S)*	34.72	39.65	39.81	0.16
Fuel oil	*(3.0% S)*	30.59	34.74	36.96	2.22
Rotterdam (Barges FoB):					
Naphtha		62.33	61.62	54.65	–6.97
Premium gasoline	*(unleaded 50 ppm)*	62.03	68.55	62.85	–5.70
Premium gasoline	*(unleaded 95)*	56.03	61.36	56.26	–5.10
Jet/Kerosene		68.81	71.67	64.90	–6.77
Gasoil/Diesel	*(50 ppm)*	69.30	70.38	64.51	–5.87
Fuel oil	*(1.0% S)*	34.06	35.59	34.56	–1.03
Fuel oil	*(3.5% S)*	30.09	34.53	33.79	–0.74
Mediterranean (Cargoes):					
Naphtha		51.34	51.05	44.97	–6.08
Premium gasoline	*(unleaded 95)*	54.23	59.51	53.58	–5.93
Jet/Kerosene		66.66	69.93	n.a.	n.a.
Gasoil/Diesel	*(50 ppm)*	73.26	71.44	64.90	–6.54
Fuel oil	*(1.0% S)*	35.31	38.31	35.99	–2.32
Fuel oil	*(3.5% S)*	29.07	33.67	32.20	–1.47
Singapore (Cargoes):					
Naphtha		50.74	49.85	44.76	–5.09
Premium gasoline	*(unleaded 95)*	59.47	61.50	54.46	–7.04
Regular gasoline	*(unleaded 92)*	58.72	60.23	53.37	–6.86
Jet/Kerosene		66.33	71.40	63.39	–8.01
Gasoil/Diesel	*(50 ppm)*	68.11	69.39	63.83	–5.56
Fuel oil	*(180 cst 2.0% S)*	34.13	38.30	38.00	–0.30
Fuel oil	*(380 cst 3.5% S)*	33.61	37.75	37.18	–0.57

na: not available

Table 3
Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				**Refinery utilization** *%*			
	Mar 05	**Apr 05**	**May 05**	**May/Apr**	**Mar 05**	**Apr 05**	**May 05**	**May/Apr**
USA	15.14	15.35	15.63	0.3	90.2	91.5	93.2	1.6
France	1.70	1.58	1.65	0.1	86.9	81.1	84.5	3.4
Germany	2.28	2.17	2.28	0.1	98.3	93.2	98.3	5.1
Italy	1.81	1.90	1.85	0.0	78.1	81.8	79.7	–2.1
UK	1.53	1.53 R	1.51	0.0	83.9	84.0 R	82.6	–1.4
Eur-16	12.07 R	11.94 R	11.85	–0.1	86.9 R	86.0 R	85.4	–0.6
Japan	4.33	4.04 R	3.62	–0.4	92.0	85.8 R	76.9	–8.9

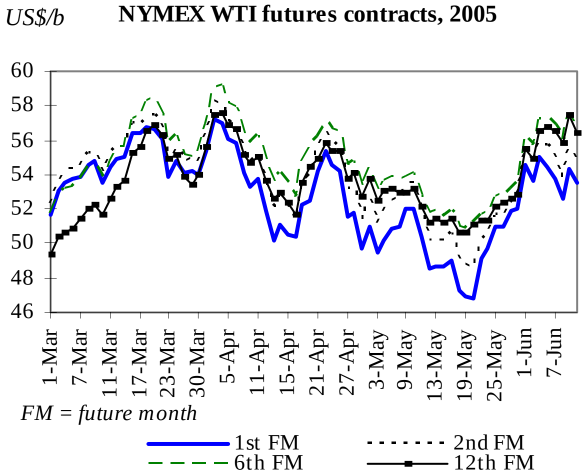
R *Revised since last issue.*
Sources *OPEC statistics; Argus; Euroilstock Inventory Report/IEA.*

The Oil Futures Market

Nymex WTI front-month contract slipped to a three-month low as non-commercials switched to net short positions

The crude oil futures contract had a bearish start to the month continuing the downward trend in late April on less encouraging economic growth data in the USA. The first week was somewhat quiet as the Nymex futures market reacted to a hefty fund sell off on 3 May on revived **concern over weak economic data amid a six-year high in US crude oil stocks backed by increased OPEC supply.** However, concern for the last quarter of the year emerged amid tight refining capacity. The first weekly CFTC data revealed that non-commercials drew out of the energy market for a hefty drop in long positions of some 15,000 lots to 107,000 from record peak in early April of 174,000 contracts. Accordingly, net long positions narrowed to 8,000 contracts, some 18,000 lots lower than the previous week. However, open interest was little changed at 811,000 lots. The Nymex WTI front-month weekly average fell nearly $2/b to $50.47/b.

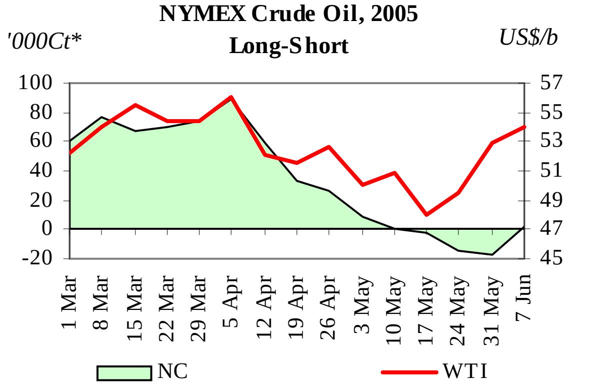
Graph 10
NYMEX WTI futures contracts, 2005



The second week turned bullish on concerns that refiners might not be able to meet demand in the second half of the year. However, the bears revived as US stocks continued to build and the **IEA reported that higher fuel costs and the weakening economic picture were denting global demand. Persistent higher OPEC supply amid a strengthened US dollar tempted fund sells-offs**. Accordingly, Nymex WTI prompt month plunged nearly 7% in two days with the weekly average at $50.35/b. The CFTC data for the weekly period to 10 May revealed that the net long positions narrowed to nearly flat at 85 lots amid a decline in long positions and a build in shorts. Some of these changes were also reflected in the commercial sector as open interest saw a build of 21,000 lots to 832,000 contracts.

During the third week, the futures market was affected by a series of bearish trends with **US crude oil stocks continuing to rise,** OPEC output steady and a weakening economic picture. Indeed, **US crude oil stocks experienced only four declines in nineteen weeks and one draw in the last fourteen consecutive weeks.** The Nymex WTI front-month contract, which expired on 20 May, dropped to $46.80/b, a three-month low, while the weekly average slipped over $2.50 to $47.71/b. The futures contract volume showed that net long positions flipped into net shorts by 2,300 lots amid a hefty drop in the longs to 88,000 lots while shorts stood at 90,000 contracts. Meanwhile, open interest experienced a significant drop of 41,000 lots to reach 791,000, below the 800,000 level for the first time since 1 March.

Graph 11
Futures Commitment of Traders Report:
NYMEX Crude Oil, 2005
Long-Short

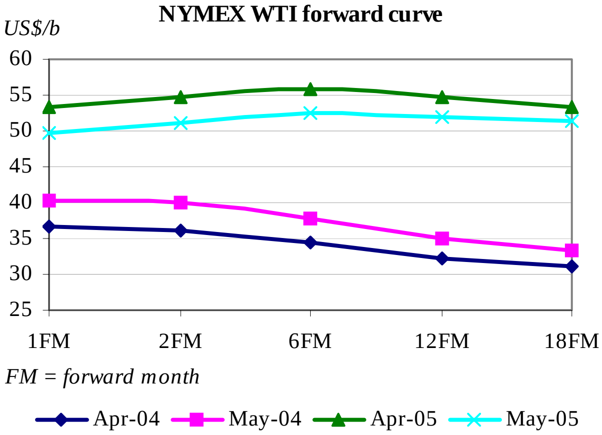


NC = Non-commercials: funds, investments and banks.
Ct = *Each contract is 1,000 barrels.

The sentiment reversed in the fourth week as the new front-month contract emerged higher in a contango market. Worry over gasoline demand amid the emerging driving season re-ignited concern that higher refinery runs would start to eat into crude oil inventories as a surprise drop in US crude oil stocks stirred the bulls. Hence, the Nymex front-month contract for WTI was $3.20 higher in the first five days as the new front-month, for a weekly average of $50.53/b. Nevertheless, net short positions continued to widen further to 14,000 lots as shorts increased to 95,000 while longs dropped to 81,000. Open interest declined by another hefty 28,000 contracts to 763,000. **The last trade day of 31 May saw a build in non-commercial long positions although at a slower pace than shorts, which widened net short positions to 17,400 lots, a level last seen on 17 December.** Open interest also increased by a healthy 20,000 contracts to 783,000 as commercials increased longs and dropped short positions. The futures market appeared poised in early June amid market volatility, awaiting direction on concern over tight downstream capacity.

Contango deepened as US crude oil stocks hit a six-year high and extended further forward on the fear of a continued supply crunch

Graph 12
NYMEX WTI forward curve



Nymex WTI forward curve remained in contango in its seventh straight month. The 1st/2nd month average spread widened slightly into negative territory by 4¢ to -$1.42/b. The spread peaked on 18 May at a high of –$1.88/b on continued healthy crude oil stock builds in the USA to a six-year high. However, the contango spread eased later in the month to below $1/b levels and bottomed at –51¢/b on 27 May on speculations that refiners will boost processing to produce gasoline for the summer driving season. The 1st/6th month spread followed suit and widened 23¢ to –$2.78/b on renewed worries that rising global oil demand may outstrip supply during the second half of the year. Moreover, the contango steepened further into the 12th and 18th month forward contracts. The 1st/12th month spread widened at a faster rate of 76¢ to –$2.15/b, while the 1st/18th month spread outpaced all the movements at -$1.31/b or $1.14/b wider on the perception that supply tightness would not ease into the next year.

The Tanker Market

OPEC spot fixtures fell to their lowest level in almost one year in May

OPEC spot fixtures declined by 1.2 mb/d or 9% to 12.79 mb/d in May, the lowest level since last June. **Compared to the same month of the previous year, OPEC spot fixtures were 3 mb/d lower, which implies that the share of the spot fixtures declined sharply in one year.** However, despite this drop in fixtures, OPEC's share of total spot chartering increased slightly from 61% in April to 62% in May. Middle East eastbound long-haul fixtures were the major contributor to the decline in OPEC area spot chartering, falling by 0.72 mb/d to 4.8 mb/d, corresponding to a contribution of 60% to total OPEC's decline. However, Middle East westbound fixtures dropped by 0.22 mb/d or 10% to 1.97 mb/d. Together, Middle East/East and westbound fixtures accounted for 53% of total OPEC fixtures against 55% in the previous month. Similarly, non-OPEC spot fixtures fell by nearly 1.1 mb/d or 12% to 7.78 mb/d, keeping their share in global spot chartering almost unchanged at 38%. The decline in both OPEC and non-OPEC fixtures led to a fall of 2.27 mb/d in global spot-chartering, which reached 20.57 mb/d, the lowest level so far in 2005. Compared to the same month of last year, global spot chartering was down 4.5 mb/d. **Preliminary estimates showed that sailings from the OPEC area remained stable at 27.1 mb/d compared to the previous month**. Middle Eastern countries, which represented 70% of OPEC sailings, also remained at the same level of 19 mb/d. However, compared to last year **sailings from OPEC were 4.3 mb/d higher than the May 2004 level, reflecting growth in OPEC production** of almost 2 mb/d over May 2004. Preliminary data shows that **arrivals to the USA and Caribbean continued to increase to reach a record of 11.6 mb/d,** which corresponds to a growth of 0.75 mb/d over last month and 1.5 mb/d y-o-y growth. This significant increase led to a six-year high in US stock levels. Arrivals at the Euromed region also increased by almost 0.5 mb/d to reach 4.76 mb/d, the highest level in more than two years. In contrast, arrivals in North-West Europe and Japan continued to fall for the second consecutive month by 0.13 mb/d and 0.27 mb/d to stand at 7.58 mb/d and 3.82 mb/d respectively, corresponding to nearly the same level as in May 2004.

Freight rates for VLCCs reached a 19-month low due to new tonnage

Crude oil spot freight rates showed mixed developments in May among the different sectors with **VLCC rates continuing to weaken, hitting 19-month lows,** whilst rates for Suezmax and Aframax improved, except on the Indonesia/US West Coast. Freight rates for VLCCs moving from the Middle East to the East and westbound declined by 18 points and 10 points respectively to stand at monthly averages of around WS70. **This very low level was due to a significant ample tonnage resulting from an increase in tanker capacity of around 7%** according to secondary sources, coupled with a slowdown in fixtures, especially from Asian countries because of refining maintenance and the lack of desulphurization capacity to use heavy sour crude from the Middle East. In contrast to the VLCC sector, **Suezmax rates to the USA improved due to growing demand for light sweet crudes.** However, arbitrage opportunities supported by the differential between WTI and Brent and the end of the refining maintenance season in the USA supported the increase in trade from West Africa and North-West Europe to the USA and therefore to the growth in freight rates. On the West Africa/US Gulf Coast route, freight rates recovered by 5 points to an average of WS128, while on the North-West Europe/US East and US Gulf Coasts routes rates increased by 18 points to settle at an average of WS146. Compared to the same month last year, freight rates in the Suezmax sector remained almost unchanged. With the exception of the Indonesia/US West Coast route, freight rates in the Aframax, supported by healthy activity from charterers, rose significantly, reversing the huge decline displayed in the previous month. Freight rates from the Caribbean to the US East Coast soared by 73 points or 37% to WS271, while in the Mediterranean region and from there to North-West Europe, rates increased by 17 points and 69 points respectively to stand at WS214 and WS222 due to healthy activity with the approaching end of the refining maintenance season. For the Mediterranean/North-West Europe route, the level reached in May was the highest so far in 2005. In contrast, along the Indonesia/US West Coast route, freight rates plunged by 62 points to WS124, the lowest level since October 2003. **Compared to May 2004, freight rates on the Caribbean/US East Coast route were up 107 points and 56 points on the Mediterranean/NW Europe route.**

Product freight rates continued to weaken for the second consecutive month

Product freight rates experienced further declines for the second consecutive month as a result of little activity from charterers in combination with the huge availability of tonnage. **Freight rates for tankers carrying 30,000-50 000 dwt along the Middle East/East route slid by 44 points** to settle at an average of WS236, while on the Singapore/East route rates dropped by 34 points to a monthly average of WS286 **due essentially to the slowdown in Chinese**

distillate imports following the increase in the refining throughputs to new highs and refining maintenance in the petrochemical sector. Similarly, freight rates on the Caribbean/US Gulf Coast route declined by 44 points or 15% to average WS250 and the NW Europe/US East and Gulf Coasts route lost 27 points to stand at an average of WS283. However, freight rates across the Mediterranean region remained stable at WS277, whilst from the Mediterranean to North-West Europe, they declined by 34 points in May to average WS290**. Despite these declines, freight rates remained higher than last year's figures, except for the Caribbean/US Gulf Coast route.**

Table 4
Tanker chartering, sailings and arrivals
mb/d

	Mar 05	Apr 05	May 05	Change May/Apr
Spot Chartering				
All areas	21.18	22.85	20.57	–2.27
OPEC	14.12	13.98	12.79	–1.19
Middle East/east	5.73	5.52	4.80	–0.72
Middle East/west	1.77	2.19	1.97	–0.22
Sailings				
OPEC	24.99	27.05	27.1	0.09
Middle East	17.49	18.93	19.0	0.07
Arrivals				
US Gulf Coast, US East Coast, Caribbean	10.28	10.85	11.60	0.75
North West Europe	7.93	7.72	7.58	–0.13
Euromed	4.08	4.28	4.76	0.49
Japan	4.34	4.09	3.82	–0.27

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

Table 5
Spot tanker freight rates
Worldscale

	Size *1,000 DWT*	Mar 05	Apr 05	May 05	Change May/Apr
Crude					
Middle East/east	200–300	105	88	70	–18
Middle East/west	200–300	92	79	69	–10
West Africa/US Gulf Coast	100–160	166	123	128	5
NW Europe/USEC - USGC	100–160	159	128	146	18
Indonesia/US West Coast	70–100	239	186	124	–62
Caribbean/US East Coast	40–70	258	198	271	73
Mediterranean/Mediterranean	40–70	221	197	214	17
Mediterranean/North-West Europe	70–100	191	153	222	69
Products					
Middle East/east	30–50	303	280	236	–44
Singapore/east	25–30	347	320	286	–34
Caribbean/US Gulf Coast	25–30	302	294	250	–44
NW Europe/USEC - USGC	25–30	329	310	283	–27
Mediterranean/Mediterranean	25–30	313	278	277	–1
Mediterranean/North-West Europe	25–30	335	324	290	–34

Source: Galbraith's Tanker Market Report as well as other relevant industry publications.

World Oil Demand

Historical oil demand data for 2003 and 2004 was revised up marginally by 0.04 mb/d and 0.05 mb/d

Revisions to previous years (2003-2004)

World

The latest data indicates an upward 0.04 mb/d correction to oil demand for the year 2003 to now stand at 79.56 mb/d. The bulk of the revision originated on Developing Countries figures with Latin America and Middle East data revised up by 0.02 mb/d and 0.04 mb/d while Other Asia was revised down by 0.07 mb/d. Western Europe’s figures were increased by 0.05 mb/d to 15.55 mb/d for the whole of 2003. As for the year 2004, all revisions took place on Developing Countries data. All four major regions underwent minor revisions, with the Middle East gaining 0.03 mb/d, while Other Asia, Latin America and Africa data were all revised up by 0.01 mb/d each.

Table 6
World oil demand forecast for 2004
mb/d

	2003	1Q04	2Q04	3Q04	4Q04	2004	Change 2004/03 Volume	%
North America	24.58	25.05	24.85	25.23	25.65	25.20	0.61	2.50
Western Europe	15.55	15.77	15.33	15.68	16.17	15.74	0.19	1.19
OECD Pacific	8.77	9.38	8.00	8.25	8.87	8.62	–0.15	–1.71
Total OECD	**48.91**	**50.20**	**48.18**	**49.17**	**50.69**	**49.56**	**0.65**	**1.33**
Other Asia	7.98	8.21	8.46	8.27	8.66	8.40	0.42	5.30
Latin America	4.75	4.68	4.93	5.02	4.97	4.90	0.16	3.30
Middle East	5.14	5.29	5.37	5.56	5.43	5.41	0.27	5.26
Africa	2.62	2.64	2.67	2.65	2.74	2.68	0.06	2.16
Total DCs	**20.49**	**20.82**	**21.43**	**21.51**	**21.80**	**21.39**	**0.91**	**4.43**
FSU	3.78	3.61	3.76	3.94	4.07	3.85	0.07	1.83
Other Europe	0.83	0.91	0.86	0.82	0.84	0.86	0.03	3.09
China	5.56	6.23	6.77	6.36	6.71	6.52	0.96	17.20
Total "Other Regions"	**10.17**	**10.75**	**11.38**	**11.12**	**11.62**	**11.22**	**1.05**	**10.34**
Total world	**79.56**	**81.77**	**80.99**	**81.79**	**84.11**	**82.17**	**2.61**	**3.28**
Previous estimate	79.52	81.76	80.97	81.72	84.02	82.12	2.60	3.27
Revision	0.04	0.01	0.01	0.07	0.09	0.05	0.01	0.01

Totals may not add due to independent rounding.

Table 7
First and second quarter world oil demand comparison for 2004
mb/d

	1Q03	1Q04	Change 2004/03 Volume	%	2Q03	2Q04	Change 2004/03 Volume	%
North America	24.52	25.05	0.52	2.14	24.15	24.85	0.70	2.89
Western Europe	15.57	15.77	0.20	1.28	15.28	15.33	0.05	0.36
OECD Pacific	9.75	9.38	–0.37	–3.79	8.18	8.00	–0.18	–2.17
Total OECD	**49.84**	**50.20**	**0.35**	**0.71**	**47.60**	**48.18**	**0.57**	**1.21**
Other Asia	7.79	8.21	0.42	5.33	7.73	8.46	0.73	9.50
Latin America	4.54	4.68	0.14	3.06	4.73	4.93	0.19	4.07
Middle East	5.07	5.29	0.23	4.49	4.96	5.37	0.41	8.30
Africa	2.62	2.64	0.02	0.58	2.60	2.67	0.07	2.68
Total DCs	**20.02**	**20.82**	**0.80**	**3.98**	**20.02**	**21.43**	**1.41**	**7.03**
FSU	4.02	3.61	–0.41	–10.09	3.35	3.76	0.40	12.02
Other Europe	0.89	0.91	0.02	2.32	0.83	0.86	0.03	3.10
China	5.41	6.23	0.82	15.11	5.46	6.77	1.31	23.89
Total "Other Regions"	**10.31**	**10.75**	**0.43**	**4.20**	**9.65**	**11.38**	**1.73**	**17.98**
Total world	**80.18**	**81.77**	**1.58**	**1.98**	**77.27**	**80.99**	**3.72**	**4.81**

Totals may not add due to independent rounding.

Table 8
Third and fourth quarter world oil demand comparison for 2004
mb/d

			Change 2004/03				Change 2004/03	
	3Q03	3Q04	Volume	%	4Q03	4Q04	Volume	%
North America	24.76	25.23	0.47	1.91	24.88	25.65	0.76	3.07
Western Europe	15.59	15.68	0.09	0.60	15.78	16.17	0.39	2.48
OECD Pacific	8.03	8.25	0.23	2.82	9.15	8.87	–0.28	–3.10
Total OECD	**48.37**	**49.17**	**0.79**	**1.64**	**49.82**	**50.69**	**0.87**	**1.75**
Other Asia	8.02	8.27	0.25	3.15	8.37	8.66	0.29	3.50
Latin America	4.84	5.02	0.18	3.67	4.86	4.97	0.12	2.42
Middle East	5.34	5.56	0.23	4.24	5.21	5.43	0.22	4.18
Africa	2.59	2.65	0.07	2.54	2.67	2.74	0.08	2.83
Total DCs	**20.79**	**21.51**	**0.72**	**3.48**	**21.10**	**21.80**	**0.70**	**3.33**
FSU	3.68	3.94	0.26	7.05	4.05	4.07	0.01	0.31
Other Europe	0.77	0.82	0.04	5.61	0.83	0.84	0.01	1.54
China	5.76	6.36	0.60	10.46	5.61	6.71	1.10	19.66
Total "Other Regions"	**10.21**	**11.12**	**0.91**	**8.87**	**10.49**	**11.62**	**1.13**	**10.75**
Total world	**79.37**	**81.79**	**2.42**	**3.05**	**81.41**	**84.11**	**2.70**	**3.32**

Totals may not add due to independent rounding.

Forecast for 2005

World oil demand in 2005 is forecast to average 83.94 mb/d, with growth of 1.77 mb/d or 2.2%

As we approach the end of the first half of the year, with preliminary global oil demand data for the first quarter pointing to a growth of nearly 2.5% y-o-y and a forecast world economic growth rate of 4.14%, the latest estimate for global oil demand calls for a growth rate of 2.2% which in volume terms indicates a gain of 1.77 mb/d over 2004. Preliminary figures for the first three months of the year indicate that the lion's share of demand growth — or nearly 50% of total global growth —originated in Developing Countries with the remaining 50% equally distributed between OECD and the Other Regions group which encompasses China, FSU and some Central European states. As for the whole of 2005, the forecast shows that 48% of total world oil demand growth will take place in Developing Countries, followed by 37% in the Other Regions and 15% in the OECD countries.

On a quarterly basis, the latest estimates indicate that global oil demand will rise by 1.66% y-o-y during the present quarter to 82.34 mb/d and by 2.36% to 83.72 mb/d during the third quarter. The growth rate for the last quarter of 2005 is estimated at 2.14% resulting in an absolute demand level of 85.9 mb/d for an all-time record-high. In volumetric terms, demand will have to rise by 1.9 mb/d y-o-y during the fourth quarter of 2005 to reach the 86 mb/d mark. Given the implications to the market of such a level of demand in the last quarter of the year, in terms of supply and the balance, it is extremely important that this situation be closely monitored.

OECD

On a regional basis oil consumption is forecast to grow by slightly more than one-half of one percent, or 0.26 mb/d to 49.81 mb/d. Oil consumption in North America has been sluggish in the last two months following the 1.7% y-o-y rise seen during the first quarter of 2005. According to the EIA's Weekly Petroleum Status Report, total US product supply for the period January-May 2005 stood at 20.55 mb/d, which was 1.2% higher than the same period last year. The major product categories in the same five-month period showed the following y-o-y growth: gasoline 1.1%, distillates 1.5%, fuel oil 8.6% and kerosene 2.5%. Canada's demand registered the third consecutive negative monthly growth in May. In contrast, Mexico's appetite for oil has been rising rapidly. **Oil demand in Western Europe continued to show negative growth during the first five month of the year with first-quarter preliminary figures pointing to a 1.02% contraction versus the same period last year.** The trend of lower gasoline use, dieselization of the transport sector and ongoing fuel oil substitution is continuing unabated. **Unexpectedly, demand strength is coming from OECD Pacific countries. Oil demand grew by a solid 2.2% y-o-y during the first quarter of 2005** and preliminary data indicates that South Korean consumption rose by 8% in April and 18% in May due to the healthy demand in the industrial and transportation sectors. Japanese demand growth came strong at 3.7% in April, although preliminary data points to a timid 0.5% rise in May.

Developing Countries

Oil demand in Developing Countries is expected to rise by 0.85 mb/d or nearly 4% to average 22.25 mb/d for the whole of 2005. The latest forecast has been adjusted slightly downwards from the last *MOMR* to reflect lower GDP rates in Latin America and the Middle East as well as an increase in domestic prices in some Asian countries as governments begin to feel the burden of international oil prices on their budget accounts. Based on income and price elasticity as well as forecast GDP growth rates of 5.7%, 3.9%, 6.9% and 5.1% for Asia, Latin America, the Middle East and Asia, oil demand growth rates in the four sub-regions are estimated at 5.1%, 2.6%, 4.1% and 3.4%, respectively. Developing Countries pose a big challenge when it comes to assessing oil demand due to the quality, availability and timeliness of the data. The forecast for this group depends heavily on past income and price elasticity of demand which is applied to forecast economic growth rates. Thus, extreme caution should be exercised as 0.88 mb/d or 49% of the total 1.8 mb/d global demand growth for 2005 is assumed to originate in this group.

Other Regions

Growth in apparent demand in the Other Regions group, determined from production and trade data, is now estimated at 5.9% or 0.66 mb/d to average 11.9 mb/d for the present year. China will account for four-fifths of total growth while the FSU will contribute the remaining one-fifth. Consumption is estimated to remain unchanged from last year in the Other Europe group, which encompasses several small Central European states. China’s apparent demand during the first quarter of the year appears to have increased by just 0.28 mb/d or 4.6% with respect to the same period of 2004. Despite the somewhat disappointing demand growth observed during the first quarter of 2005, especially when compared with the 15.1% of the first quarter of 2004, strong economic growth and industrial output point to a healthy 8.2% growth in apparent demand for 2005 in line with the estimated 8.6% GDP growth rate. Developments in China’s power sector constitute a major difficulty when it comes to assessing oil consumption for the present year. There are conflicting reports with regard to the shortages of electricity during 2005. Based of China’s strong economic expansion for 2005, it is possible that the demand for power generation will increase by around 12%. To meet growing demand, some 70 GW of new electric power generation capacity is planned for 2005. During the first quarter of 2005, total electricity generation was up by more than 14%; nonetheless it is not yet clear whether additional power generation will be in place when needed. Information coming from China indicates that in the beginning of 2005 up to 21 provinces and municipalities across the country suffered from electricity shortages. However, these shortages have begun to ease. Throughout 2005, large-scale power shortages are likely to scale back and become more sporadic. Overall, however, supply still remains tight. Developments in China’s power sector could add around 20% or more to apparent demand, but for now we will leave the growth estimate at 0.54 mb/d. FSU’s apparent demand growth for the year is forecast at 0.12 mb/d or 3.2% based on good y-o-y growth observed during the first quarter of 2005 of 0.29 mb/d or 8% and an estimated GDP increase of 5.5%. However, in the last seven years apparent demand has shown a declining trend, arrested only in 2003 and 2004. Developments should therefore be followed closely as a potential exists for downward revisions to the expected growth figures.

Table 9
World oil demand forecast for 2005
mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 2005/04 Volume	Change 2005/04 %
North America	25.20	25.48	25.07	25.53	26.02	25.52	0.33	1.31
Western Europe	15.74	15.61	15.30	15.68	16.07	15.67	–0.07	–0.46
OECD Pacific	8.62	9.59	7.95	8.19	8.78	8.62	0.00	0.00
Total OECD	**49.56**	**50.67**	**48.32**	**49.40**	**50.86**	**49.81**	**0.26**	**0.52**
Other Asia	8.40	8.61	8.90	8.73	9.08	8.83	0.43	5.11
Latin America	4.90	4.79	5.04	5.13	5.08	5.01	0.11	2.25
Middle East	5.41	5.62	5.48	5.81	5.64	5.64	0.22	4.11
Africa	2.68	2.75	2.76	2.73	2.83	2.77	0.09	3.43
Total DCs	**21.39**	**21.77**	**22.18**	**22.40**	**22.63**	**22.25**	**0.85**	**3.99**
FSU	3.85	3.90	3.85	4.00	4.12	3.97	0.12	3.21
Other Europe	0.86	0.93	0.80	0.83	0.87	0.86	0.00	0.35
China	6.52	6.51	7.18	7.09	7.43	7.06	0.54	8.24
Total "Other Regions"	**11.22**	**11.35**	**11.83**	**11.93**	**12.42**	**11.88**	**0.66**	**5.91**
Total world	**82.17**	**83.79**	**82.34**	**83.72**	**85.91**	**83.94**	**1.77**	**2.16**
Previous estimate	82.12	83.78	82.70	83.49	85.77	83.94	1.82	2.21
Revision	0.05	0.01	–0.36	0.22	0.15	0.01	–0.04	–0.05

Totals may not add due to independent rounding.

Table 10
First and second quarter world oil demand comparison for 2005
mb/d

	1Q04	1Q05	Change 2005/04 Volume	Change 2005/04 %	2Q04	2Q05	Change 2005/04 Volume	Change 2005/04 %
North America	25.05	25.48	0.43	1.72	24.85	25.07	0.22	0.89
Western Europe	15.77	15.61	–0.16	–1.02	15.33	15.30	–0.03	–0.20
OECD Pacific	9.38	9.59	0.21	2.18	8.00	7.95	–0.05	–0.57
Total OECD	**50.20**	**50.67**	**0.48**	**0.95**	**48.18**	**48.32**	**0.14**	**0.30**
Other Asia	8.21	8.61	0.40	4.85	8.46	8.90	0.44	5.18
Latin America	4.68	4.79	0.11	2.31	4.93	5.04	0.12	2.41
Middle East	5.29	5.62	0.33	6.18	5.37	5.48	0.11	2.05
Africa	2.64	2.75	0.11	4.29	2.67	2.76	0.09	3.34
Total DCs	**20.82**	**21.77**	**0.95**	**4.55**	**21.43**	**22.18**	**0.76**	**3.53**
FSU	3.61	3.90	0.29	8.02	3.76	3.85	0.09	2.41
Other Europe	0.91	0.93	0.02	2.70	0.86	0.80	–0.05	–6.33
China	6.23	6.51	0.28	4.58	6.77	7.18	0.41	6.07
Total "Other Regions"	**10.75**	**11.35**	**0.60**	**5.57**	**11.38**	**11.83**	**0.45**	**3.93**
Total world	**81.77**	**83.79**	**2.02**	**2.47**	**80.99**	**82.34**	**1.35**	**1.66**

Totals may not add due to independent rounding.

Table 11
Third and fourth quarter world oil demand comparison for 2005
mb/d

	3Q04	3Q05	Change 2005/04 Volume	Change 2005/04 %	4Q04	4Q05	Change 2005/04 Volume	Change 2005/04 %
North America	25.23	25.53	0.29	1.16	25.65	26.02	0.37	1.45
Western Europe	15.68	15.68	0.00	0.02	16.17	16.07	–0.10	–0.63
OECD Pacific	8.25	8.19	–0.06	–0.78	8.87	8.78	–0.09	–1.03
Total OECD	**49.17**	**49.40**	**0.23**	**0.47**	**50.69**	**50.86**	**0.18**	**0.35**
Other Asia	8.27	8.73	0.46	5.62	8.66	9.08	0.42	4.81
Latin America	5.02	5.13	0.11	2.18	4.97	5.08	0.11	2.11
Middle East	5.56	5.81	0.24	4.36	5.43	5.64	0.21	3.90
Africa	2.65	2.73	0.07	2.71	2.74	2.83	0.09	3.40
Total DCs	**21.51**	**22.40**	**0.89**	**4.13**	**21.80**	**22.63**	**0.83**	**3.79**
FSU	3.94	4.00	0.06	1.61	4.07	4.12	0.05	1.30
Other Europe	0.82	0.83	0.02	1.97	0.84	0.87	0.03	3.02
China	6.36	7.09	0.73	11.42	6.71	7.43	0.72	10.72
Total "Other Regions"	**11.12**	**11.93**	**0.81**	**7.25**	**11.62**	**12.42**	**0.80**	**6.86**
Total world	**81.79**	**83.72**	**1.93**	**2.36**	**84.11**	**85.91**	**1.80**	**2.14**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC

Estimate for 2004

Non-OPEC supply estimate for 2004 unchanged from last month

The estimate for non-OPEC supply in 2004 remains unchanged from last month's report. Non-OPEC supply averaged 49.8 mb/d for the year, an increase of 1.1 mb/d from 2003, or 2.2% y-o-y. Some minor historical adjustments have been made to the base for Canada and Angola to reflect the latest data, with no material impact on the overall number.

Table 12
Non-OPEC oil supply in 2004
mb/d

	2003	1Q04	2Q04	3Q04	4Q04	2004	Change 04/03
North America	14.60	14.79	14.68	14.40	14.42	14.57	–0.03
Western Europe	6.39	6.42	6.29	5.75	6.08	6.13	–0.26
OECD Pacific	0.65	0.59	0.57	0.59	0.54	0.57	–0.08
Total OECD	**21.65**	**21.79**	**21.54**	**20.74**	**21.03**	**21.27**	**–0.37**
Other Asia	2.36	2.49	2.51	2.61	2.70	2.58	0.22
Latin America	3.94	3.93	3.96	4.01	4.02	3.98	0.04
Middle East	2.00	1.94	1.89	1.87	1.84	1.89	–0.11
Africa	3.05	3.30	3.36	3.48	3.58	3.43	0.39
Total DCs	**11.35**	**11.66**	**11.73**	**11.98**	**12.13**	**11.88**	**0.53**
FSU	10.27	10.78	11.06	11.32	11.44	11.15	0.89
Other Europe	0.17	0.16	0.16	0.16	0.15	0.16	–0.01
China	3.41	3.43	3.47	3.54	3.51	3.48	0.08
Total "Other regions"	**13.84**	**14.37**	**14.69**	**15.02**	**15.10**	**14.79**	**0.95**
Total non-OPEC production	**46.84**	**47.82**	**47.96**	**47.74**	**48.26**	**47.95**	**1.11**
Processing gains	1.80	1.85	1.81	1.81	1.85	1.83	0.03
Total non-OPEC supply	**48.63**	**49.67**	**49.77**	**49.55**	**50.11**	**49.78**	**1.14**
Previous estimate	48.63	49.67	49.77	49.53	50.09	49.77	1.14
Revision	**0.00**	**0.00**	**0.00**	**0.01**	**0.03**	**0.01**	**0.01**

Totals may not add due to independent rounding.

Forecast for 2005

Non-OPEC supply growth to average 0.8 mb/d in 2005, unchanged from last month's report

The full year outlook for non-OPEC supply in 2005 remains broadly unchanged from last month's report. Non-OPEC supply (including processing gains) is expected to average 50.59 mb/d, which represents an increase of 0.8 mb/d over the previous year. However, on a quarterly basis non-OPEC oil supply in the first and the second quarter of 2005 has been revised down by 10,000 b/d and 50,000 b/d, whilst the third and fourth quarters have been revised up by 80,000 b/d and 70,000 b/d. On a quarterly basis, non-OPEC supply is now expected to average 50.34 mb/d, 50.56 mb/d, 50.43 mb/d and 51.04 mb/d in the first, second, third, and fourth quarter respectively.

Actual data for the first quarter and the first two months of the second quarter have led to minor downward revisions to oil supply in Australia, Canada, Denmark, UK and Russia, which have been partially offset by upward revisions in the USA, Colombia, and China. In addition, this report sees an improved outlook for the second half of 2005 for Sudan, China, and Canada and a slightly negative outlook for Denmark and Australia**.** Russian production continues to disappoint. The full year outlook for Russian oil production has been revised down again based on actual data for the first quarter and the first two months of the second quarter of 2005 which came in slightly below expectations. In addition, the outlook for the second half of 2005 looks increasingly negative for the same reasons as discussed in the May report. As a result, the contribution from Russia in 2005 has now become our biggest concern for non-OPEC supply growth.

Table 13
Non-OPEC oil supply in 2005
mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04
North America	14.57	14.50	14.55	14.39	14.31	14.44	–0.14
Western Europe	6.13	5.98	6.04	5.65	5.94	5.90	–0.23
OECD Pacific	0.57	0.54	0.52	0.54	0.50	0.53	–0.05
Total OECD	**21.27**	**21.02**	**21.11**	**20.58**	**20.75**	**20.86**	**–0.41**
Other Asia	2.58	2.71	2.72	2.74	2.77	2.73	0.16
Latin America	3.98	4.11	4.16	4.18	4.26	4.18	0.20
Middle East	1.89	1.82	1.79	1.77	1.74	1.78	–0.11
Africa	3.43	3.63	3.67	3.86	4.00	3.79	0.36
Total DCs	**11.88**	**12.27**	**12.35**	**12.54**	**12.77**	**12.48**	**0.61**
FSU	11.15	11.39	11.48	11.68	11.86	11.60	0.45
Other Europe	0.16	0.16	0.16	0.16	0.16	0.16	0.00
China	3.48	3.63	3.63	3.63	3.63	3.63	0.15
Total "Other regions"	**14.79**	**15.17**	**15.26**	**15.46**	**15.65**	**15.39**	**0.59**
Total non-OPEC production	**47.95**	**48.46**	**48.72**	**48.59**	**49.16**	**48.73**	**0.79**
Processing gains	1.83	1.88	1.84	1.84	1.88	1.86	0.03
Total non-OPEC supply	**49.78**	**50.34**	**50.56**	**50.43**	**51.04**	**50.59**	**0.82**
Previous estimate	49.77	50.35	50.61	50.35	50.97	50.57	0.80
Revision	**0.01**	**–0.01**	**–0.05**	**0.08**	**0.07**	**0.02**	**0.01**

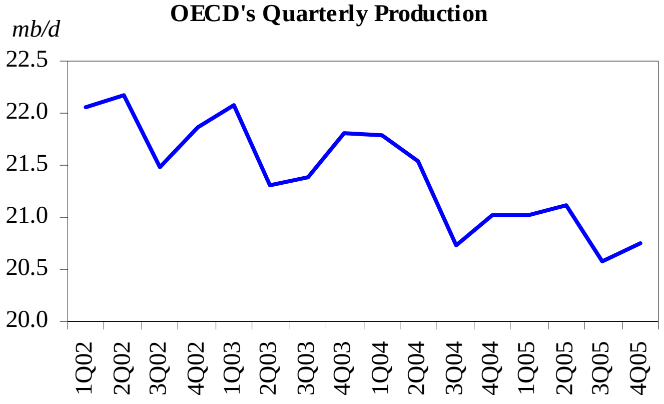
Totals may not add due to independent rounding

OECD

The full year average for OECD production has been revised down slightly

The outlook for the OECD has been revised down slightly. OECD oil production is estimated to average 20.86 mb/d in 2005, which represents a decline of 0.41 mb/d from 2004 and a revision of 40,000 b/d from the May report. The outlook for the USA has marginally improved (up by 10,000 b/d) as a result of better-than-expected production in the first quarter of 2005 and for the rest of the year. However, US oil production is still expected to average 7.64 mb/d, which represents a decrease of 30,000 b/d. With the approach of the Hurricane season in the Atlantic Basin, it is worth recalling that Gulf of Mexico production last year was severely affected by hurricanes, with 30 mb of production lost due to shut downs resulting from damage to a 10,000-km network of pipeline, rigs and platforms. Almost one year later, the impact of Hurricane Ivan is still being felt. This year, the latest forecast by the National Oceanographic and Atmospheric Administration is predicting another above-normal season with a potential for 3-5 major hurricanes, out of a total of 12-15 hurricanes.

Graph 13
OECD's Quarterly Production



The outlook for Mexico remains unchanged. Oil production is expected to average 3.76 mb/d, a decline of 80,000 b/d versus 2004. Recently, the Mexican Energy Minister indicated that total supply in 2005 is expected to average 3.8 mb/d, which is in line with our forecast. The outlook for Canadian oil production has been revised slightly down from last month’s report, despite a recent announcement that the 100,000 b/d White Rose field in Eastern Canada will start one year earlier (fourth quarter of 2005). The performance of conventional crude oil production and in particular oil sand production in the big mining projects has been slightly below expectations this year and this, in addition to the ongoing shut-downs at Suncor facilities, is likely to keep Canadian oil production growth in 2005 under pressure. The full year average has been revised down by 10,000 b/d despite an upward revision of 30,000 b/d in the fourth quarter of 2005.

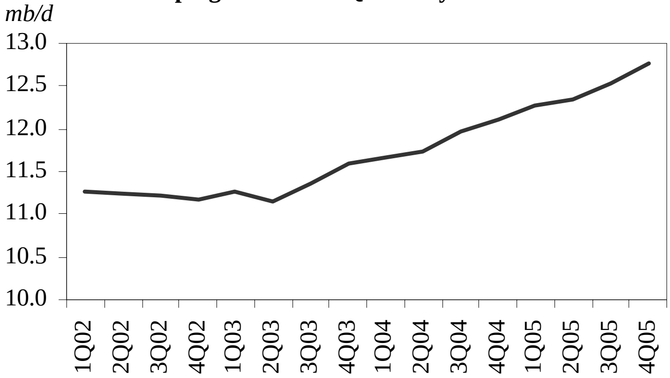
In OECD Europe, oil production is expected to decline in all countries except for Denmark where production is now expected to remain flat, versus an earlier expectation of a slight increase. OECD Europe oil production is expected to average 5.9 mb/d, which represents a decline of 230,000 b/d versus last year. The most recent data for the UK shows lower-than-expected production in the first quarter of 2005 and this has led to a minor down revision of around 10,000 b/d for the entire year. In OECD Pacific, oil production is expected to decline by 50,000 b/d versus a previous expectation of a decline of 40,000 b/d, driven by declines in Australia.

Developing Countries

The outlook for Developing Countries has improved on the back of the better-than-expected performance for oil production increases in Sudan

The full year outlook for Developing Countries (DCs) has slightly improved versus last month's report. Oil production is estimated to average 12.48 mb/d in 2005, which represents an increase of 0.61 mb/d from 2004 and an improvement of 40,000 b/d versus the May report. Major production increases are expected in Angola, Brazil, and Sudan contributing 0.5 mb/d for the full year average, or 80% of the total for DCs. However, the most recent assessment for Sudan indicates that the build up in production in the Dar project is likely to be faster than previously anticipated. The project is still expected to start in July at 140,000 b/d rising to 200,000 b/d by the end of the year/early 2006. Full year average growth for Sudan is now assessed at around 110,000 b/d versus a previous expectation of 70,000 b/d. The outlook for the countries expected to experience a decline in production (Oman, Colombia, Syria, Egypt, Yemen, and Argentina) remains unchanged.

Graph 14
Developing Countries' Quarterly Production

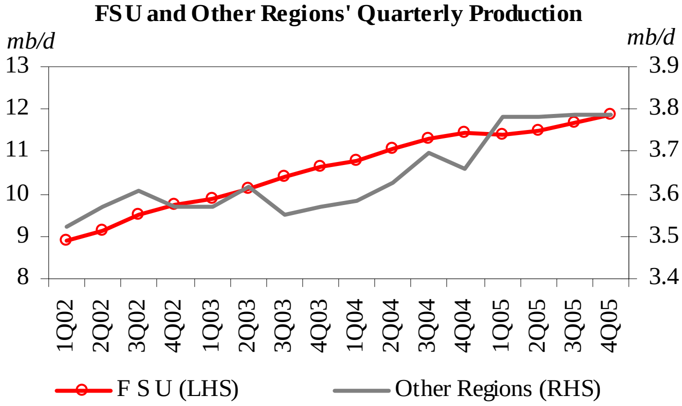


Other Regions

The outlook for Russian oil production growth looks increasingly negative

The forecast for Other Regions remains broadly unchanged. Oil production is estimated to average 15.39 mb/d in 2005, which represents an increase of 0.6 mb/d from 2004. The outlook for Russian oil production has been revised down again. Actual data for the first quarter and the first two months of the second quarter indicates that Russian production came in 10,000 b/d and 30,000 b/d below expectations, respectively. The new forecast sees Russian oil production growing 250,000 b/d in 2005 versus 270,000 b/d last month. More importantly, there is increasing concern that full year production growth in 2005 may not meet current expectations due to declining production in Yukos' remaining assets, the failure of other Russian oil producers to deliver on their growth plans, and the potential impact of higher export taxes. In fact, the outlook for the second half of 2005 looks increasingly negative and is likely to be subject to further significant revisions in the months ahead.

Graph 15
FSU and Other Regions' Quarterly Production



The outlook for China has improved, but remains unchanged in the main countries of this category. Full year average oil production is expected to increase in Azerbaijan, China and Kazakhstan by 80,000 b/d, 150,000 b/d and 100,000 b/d, respectively. However, Chinese oil production, particularly in the offshore, is performing above expectations and recent announcements by Chinese operators continue to point to a strong second half. The outlook for China has been revised up by 30,000 b/d, and production is now expected to average 3.63 mb/d in 2005.

In Kazakhstan the government has recently raised the issue of gas flaring with some operators, and indicated that it could ask operators to reduce oil/condensate production in fields that have associated gas if the appropriate measures are not taken to build the infrastructure to allow for a better use for the gas. At this stage it is very difficult to estimate the impact that such measure could have on oil production, or if the government is likely to take such action. For these reasons, our forecast remains unchanged.

FSU net oil export (crude and products)

Net FSU oil export for 2005 forecast at 7.63 mb/d, an increase of 0.34 mb/d over 2004

FSU net oil export for 2005 is expected to average 7.6 mb/d, an increase of 0.3 mb/d over the previous year.

The latest available data (March 2005) shows Russian net oil exports averaging 6.3 mb/d, compared to 6.2 mb/d in the same month last year. In 2005, Russian exports are expected to increase only slightly versus last year. Exports from Kazakhstan are estimated at 397,000 b/d for March 2005, slightly higher than last year. As in the case of Russia, oil exports from Kazakhstan are expected to increase moderately in 2005 versus 2004. However, oil exports from Azerbaijan are expected to increase significantly, particularly in the second half of 2005, underpinned by volume growth in Phase I of the ACG project. Already Azerbaijan is exporting around 100,000 b/d (March 2005) versus 33,000 b/d in January 2005. By the end of the year, Azerbaijan is expected to be exporting close to 150,000-200,000 b/d.

Table 14
FSU net oil exports
mb/d

	1Q	2Q	3Q	4Q	Year
2001	4.30	4.71	4.89	4.47	**4.59**
2002	5.14	5.84	5.85	5.49	**5.58**
2003	5.87	6.75	6.72	6.61	**6.49**
2004 (estimate)	7.17	7.30	7.38	7.37	**7.31**
2005 (forecast)	**7.49**	**7.63**	**7.68**	**7.74**	**7.63**

OPEC natural gas liquids and non-conventional oils

OPEC NGL forecast at 4.19 mb/d for 2005, up 0.24 mb/d over the previous year

The 2005 forecast for OPEC NGLs + non-conventional oils remains unchanged at 4.19 mb/d, representing an increase of 0.24 mb/d over 2004. The quarterly distribution is projected at 4.11 mb/d, 4.17 mb/d, 4.21 mb/d and 4.26 mb/d, respectively.

OPEC NGL + non-conventional oils — 2001-2005
mb/d

2001	2002	2003	1Q04	2Q04	3Q04	4Q04	2004	Change 04/03	2005	Change 05/04
3.58	**3.62**	**3.71**	3.88	3.89	3.97	4.04	**3.95**	0.24	**4.19**	0.24

OPEC May output averaged 30 mb/d

OPEC crude oil production

Total OPEC crude production averaged 30.02 mb/d in May, according to secondary sources, which represents an increase of 97,000 b/d from last month. Year-to-date OPEC production increased by 0.7 mb/d. During May, production rose primarily in Kuwait, Saudi Arabia and Venezuela but declined in Iraq and UAE. Iraqi oil production averaged 1.8 mb/d, broadly unchanged from last month.

Table 15
OPEC crude oil production based on secondary sources
1,000 b/d

	2003	2004	4Q04	1Q05	Feb 05	Mar 05	Apr 05	May 05	*May/Apr*
Algeria	1,134	1,229	1,289	1,315	1,314	1,327	1,332	1,340	*8*
Indonesia	1,027	968	963	948	945	945	945	941	*–4*
IR Iran	3,757	3,920	3,947	3,900	3,911	3,870	3,914	3,910	*–4*
Iraq	1,322	2,015	1,960	1,834	1,846	1,844	1,857	1,804	*–53*
Kuwait	2,172	2,344	2,448	2,438	2,443	2,468	2,521	2,554	*33*
SP Libyan AJ	1,422	1,537	1,608	1,613	1,613	1,619	1,627	1,633	*6*
Nigeria	2,131	2,351	2,344	2,332	2,324	2,380	2,410	2,413	*4*
Qatar	743	781	798	789	793	794	796	796	*0*
Saudi Arabia	8,709	8,982	9,450	9,220	9,191	9,322	9,438	9,540	*102*
UAE	2,243	2,360	2,486	2,396	2,363	2,436	2,455	2,416	*–39*
Venezuela	2,305	2,580	2,617	2,699	2,700	2,699	2,630	2,674	*44*
OPEC-10	**25,644**	**27,051**	**27,950**	**27,652**	**27,595**	**27,859**	**28,067**	**28,217**	***150***
Total OPEC	**26,965**	**29,067**	**29,910**	**29,486**	**29,441**	**29,703**	**29,924**	**30,021**	***97***

Totals may not add due to independent rounding.

Rig Count

Non-OPEC rig activity is expected to remain strong in 2005, with total rig count in May standing at 2,186

Non-OPEC

In May, non-OPEC rig count stood at 2,186, which represents an increase of 71 rigs from the revised April figure of 2,115. Of the total, 277 rigs were operating offshore and 1,909 onshore. Regionally, North America added 53 rigs due to gains in Canada and Mexico, which offset a decline of 15 rigs in the USA. The volatility in rig numbers in North America can generally be attributed to Canadian rig activity which tends to vary significantly from month to month. Western Europe gained 6 rigs over the previous month, whilst OECD Pacific added 3 rigs. The Middle East, Africa, Latin America and rest of Asia gained a total of 9 rigs. In terms of the oil and gas split, non-OPEC had 608 oil rigs and 1,331 gas rigs*.

Table 16
Non-OPEC rig count in 2003–2004

	2003	2004	Change 04/03	Apr 05	May 05	Change May/Apr
North America	1,496	1,669	173	1,629	1,682	53
Western Europe	78	65	-13	61	67	6
OECD Pacific	18	22	4	24	27	3
OECD	**1,592**	**1,755**	**163**	**1,714**	**1,776**	**62**
Other Asia	117	126	9	136	143	7
Latin America	116	126	10	137	140	3
Middle East	70	70	0	70	70	0
Africa	48	54	6	56	55	-1
DCs	**350**	**376**	**26**	**399**	**408**	**9**
FSU	na	na	na	na	na	na
Other Europe	2	2	na	2	2	na
China	na	na	na	na	na	na
Other regions	na	na	na	na	na	na
Total non-OPEC	**1,944**	**2,132**	**188**	**2,115**	**2,186**	**71**

** Oil and gas split excludes Canada as data is not available*
Totals may not add due to independent rounding.
na: not available
Source: Baker Hughes International;

OPEC rig count stood at 280 in May

OPEC

OPEC rig count dropped to 280 in May, down 1 rig from last month. Increases took place in Indonesia (3), Qatar (1), and Venezuela (3), while Algeria, Kuwait, Libya, Saudi Arabia, and UAE saw losses which resulted in a net decrease for the total OPEC rig count. Of the total, 216 rigs were operating onshore and 64 rigs offshore. In terms of oil and gas split, OPEC had 222 oil rigs whilst the remainder was gas and other rigs.

Table 17
OPEC rig count

	2003	2004	Change 04/03	Apr 05	May 05	Change May/Apr
Algeria	20	19	–1	23	20	–3
Indonesia	45	49	4	51	54	3
IR Iran	35	41	6	41	41	0
Iraq	na	na	na	na	na	na
Kuwait	5	10	5	14	13	–1
SP Libyan AJ	10	10	0	9	7	–2
Nigeria	10	8	–2	9	9	0
Qatar	8	9	1	12	13	1
Saudi Arabia	32	32	0	34	33	–1
UAE	16	16	0	17	16	–1
Venezuela	37	55	18	71	74	3
Total OPEC	**218**	**249**	**31**	**281**	**280**	**–1**

Totals may not add due to independent rounding.
na: not available
Source: Baker Hughes International.

Stock Movements

US commercial oil stocks showed a considerable build of 0.94 mb/d in May

USA

US commercial oil stocks continued their upward trend increasing by 26.4 mb or 0.94 mb/d to stand at 998.6 mb during the period 29 April – 3 June 2005. The bulk of this build came from total products, which rose by 22.6 mb, while crude oil experienced a moderate build of 3.8 mb.

The build in crude oil commercial stocks came as crude oil imports averaged 10.5 mb/d in May, an increase of 292,000 b/d from the previous month and 132,000 b/d over the same period last year. Refineries operated at 94.4% of their operable capacity in May having recovered from last month's refinery outages to stand 2.9% above the previous month. This corresponds to crude oil refinery inputs of 15.8 mb/d, an increase of 0.5 mb/d over the previous month. In the week ending 3 June, US crude oil inventories fell by 3.0 mb from the previous week, an indication of the start of the driving season. Traditionally at this period, crude oil stocks are at their yearly peak, and we could see crude beginning to be drawn down again. However, at 330.8 mb, US crude oil inventories remained well above the upper end of the average range for this time of the year. Indeed, crude stocks were 28.7 mb or 9% above a year ago, and 22.4 mb or 7% more than the last five-year average.

During the period 29 April-3 June 2005, gasoline inventories showed a build of 3.1 mb to 216.6 mb, mainly due to strong production, increasing by almost 300,000 b/d to average 9.04 mb/d. This build occurred although healthy demand reached 9.4 mb/d, a rise of 2.4% above the same period last year. Gasoline stocks were 6.7% above last year's level at this time, registering a 5% y-o-y surplus. In terms of day coverage, gasoline inventories stood at 23.3 days almost unchanged from last month and could be considered comfortable at the beginning of the driving season. Distillate stocks followed the same pattern as crude and gasoline, building up by 5.4 mb to 107.7 mb, close to the level observed a year ago at this time and 2% below the five-year average. The higher domestic output combined with relatively lower apparent demand, which decreased by 110,000 b/d, contributed to this build. By the week ending 3 June, distillate stocks climbed by 1.3 mb compared to the previous week, with all the increase coming from low-sulphur distillate fuel (diesel fuel), while high-sulphur distillate fuel (heavy oil) inventories remained unchanged from the previous week. Despite being the beginning of the summer, the lack of growth in heating oil stocks was seen by many as contributing towards the current strength in the front-month Nymex heating oil contract.

During the same period, the Strategic Petroleum Reserve (SPR) continued to fill its storage capacity of 700 mb, increasing by 2.7 mb to 693.9 mb, which was 32.5 mb above last year's level at this time. The US Department of Energy is still considering whether to boost the stockpile to 727 mb.

Total commercial stocks are now just about reaching the 1,000 mb mark, a total last seen in the week ending 20 September 2002. Combined with the SPR approaching 700 mb, total oil has never been higher at 1,700 mb.

Table 18
US onland commercial petroleum stocks*
mb

	1 Apr 05	29 Apr 05	3 Jun 05	Change May/Apr	3 Jun 04	10 Jun 05**
Crude oil (excl. SPR)	317.1	327.0	330.8	3.8	301.8	329.0
Gasoline	212.3	213.5	216.6	3.1	204.7	215.7
Distillate fuel	104.1	102.3	107.7	5.4	107.3	110.2
Residual fuel oil	39.2	37.2	36.5	–0.7	36.2	36.8
Jet fuel	38.8	40.3	40.7	0.4	38.1	41.0
Total	**955.9**	**972.2**	**998.6**	**26.4**	**940.5**	**1,001.4**
SPR	687.5	691.2	693.9	2.7	661.4	694.9

* *At end of month, unless otherwise stated*
** *Latest available data at time of report's release*
Source: US Department of Energy's Energy Information Administration

Eur-16 oil inventories experienced a significant build of 0.34 mb/d in May, mainly in crude oil stocks

Western Europe

Total oil stocks in Eur-16 (EU plus Norway) reversed the downward trend observed last month, increasing by 10.3 mb or 0.34 mb/d. Crude oil inventories rose sharply by 12.2 mb to 479.2 mb, while product stocks fell by 1.9 mb to 631.6 mb. Total oil stocks are now 26.3 mb or 2.4% above this time last year.

The considerable build in crude oil inventories came as major refineries underwent spring maintenance in preparation for heavy summer production schedules. Indeed, crude runs fell 90,000 b/d to 11.85 mb/d to stand 350,000 b/d below the previous year. This corresponds to a utilization rate of 90.5% compared to the downwardly revised April utilization rate of 91.2%, which was the lowest since June 2003. Crude oil stocks are now 7.1% higher than the previous five-year average.

On the product side, gasoline inventories fell slightly by 0.8 mb to 747.7 mb, but remained 10.6 mb or 7.7% higher than a year earlier when refineries extended maintenance in preparation for the new product specifications that came into the market in January 2005. In May, gasoline stocks were at their highest level in six years. Domestic demand continued to decline, which should encourage gasoline exports, but the US arbitrage was only marginally economical as US gasoline stocks continued to build. Distillate inventories remained almost unchanged from the previous month to stand at 347.7 mb, registering a y-o-y surplus of 8.1 mb or 2.4%. Fuel oil stocks were little changed from the end of April to stand 3 mb or 2.6% lower than this time last year. Residual fuel oil flows to the European market helped to avoid any drop in residual fuel oil stocks, and consequently exerted downward pressure on prices. Lower prices maintained arbitrage to Asia and reopened export opportunities for more barrels to the USA.

Table 19
Western Europe's oil stocks*
mb

	Mar 05	Apr 05	May 05	Change May/Apr	May 04
Crude oil	473.3	467.0	**479.2**	12.2	470.8
Mogas	147.7	148.4	147.7	–0.8	137.1
Naphtha	27.7	28.2	26.8	–1.3	24.7
Middle distillates	352.6	347.6	347.7	0.1	339.6
Fuel oils	104.8	109.3	109.4	0.1	112.3
Total products	632.8	633.5	631.6	–1.9	613.7
Overall total	**1,106.1**	**1,100.5**	**1,110.8**	**10.3**	**1,084.4**

** At end of month, with region consisting of the Eur–16*
Source: Argus, Euroilstock

Commercial oil stocks in Japan observed a further draw of 0.2 mb/d in April

Japan

At the end of April, total commercial oil stocks continued their downward trend for the previous months, declining by 6.1 mb or 0.2 mb/d to 159.5 mb. This draw resulted in a y-o-y deficit of 0.5% or 0.8 mb. The strong 9.2 mb draw on crude oil stocks was abated by the 3.2 mb build in total products.

The 9.2% draw on crude oil stocks came as a result of a strong 18.3% drop in crude imports from the previous month or 0.7% below a year ago. Supplies from the Middle East accounted for 88.7% of imports in April, with the largest contribution coming from Saudi Arabia followed by UAE, Iran, Qatar and Kuwait. Refinery throughput was 4.03 mb/d in April, lower than the 4.32 mb/d for the previous month.

Gasoline stocks registered a slight increase of 0.1 mb to 14 mb, which was 3.8% below this time last year. The negligible change in gasoline stocks occurred despite a strong rise in imports. Indeed, imports by the second largest gasoline consumer in Asia rose almost 32% from the previous month and 37.5% above a year ago. Domestic sales have showed a decline of 7.4% in April but were still 2.6% higher than a year earlier. Middle distillate stocks, which comprise jet fuel, kerosene and gasoil, rose by 1.5 mb to 23.2 mb, but still displayed a 3.2 mb or 13% y-o-y deficit. This build was mainly due to the decline in domestic consumption particularly in kerosene and gasoil combined with the rise in production. Imports for the three products were extremely low. Residual fuel oil inventories also experienced a build of 1.6 mb to 18.7 mb, which was 0.7 mb or 3.6% below the level registered a year ago. The decline in production as well as domestic sales was the main reason behind this build.

Table 20
Japan's commercial oil stocks*
mb

	Feb 05	Mar 05	Apr 05	Change Apr/Mar	Apr 04
Crude oil	109.3	112.8	**103.6**	–9.2	100.0
Gasoline	15.6	13.9	14.0	0.1	14.5
Middle distillates	27.1	21.7	23.2	1.5	26.4
Residual fuel oil	18.3	17.1	18.7	1.6	19.4
Total products	61.0	52.7	55.9	3.2	60.3
Overall total**	**170.3**	**165.5**	**159.5**	**–6.1**	**160.2**

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

Balance of Supply and Demand

The balance for 2004 remains unchanged from the last report

Estimate for 2004

The summarized supply/demand balance for 2004 remains unchanged from last month's report. World oil demand averaged 82.2 mb/d, whilst non-OPEC supply (including OPEC NGLs and non-conventional oils) averaged 53.7 mb/d. This resulted in an average annual difference of 28.4 mb/d for 2004 versus 27.2 mb/d in 2003.

Table 21
Summarized supply/demand balance for 2004
mb/d

	2003	1Q04	2Q04	3Q04	4Q04	**2004**
(a) World oil demand	79.56	81.77	80.99	81.79	84.11	82.17
(b) Non-OPEC supply(1)	52.34	53.55	53.66	53.52	54.15	53.72
Difference (a – b)	27.22	28.21	27.32	28.27	29.96	28.45
OPEC crude oil production(2)	26.97	28.19	28.40	29.75	29.91	29.07
Balance	**–0.25**	**–0.02**	**1.08**	**1.48**	**–0.05**	**0.62**

(1) Including OPEC NGLs + non-conventional oils,
(2) Selected secondary sources.
Totals may not add due to independent rounding.

The quarterly distribution for 2005 has been revised the from last report

Forecast for 2005

World oil demand is expected to average 83.9 mb/d in 2005, whilst non-OPEC supply (including OPEC NGLs and non-conventional oils) is expected to average 54.8 mb/d. This results in an average difference (a-b) of 29.2 mb/d for OPEC production, versus a previous expectation of 29.1 mb/d in last month's report.

However, the quarterly distribution has been revised. In the first quarter of 2005, (a-b) is expected to be 29.3 mb/d, 27.6 mb/d in the second, 29.1 mb/d in the third and 30.6 mb/d in the fourth. The second quarter was revised down by 0.3 mb/d, the third quarter was revised up by 0.2 mb/d and the fourth quarter was revised up slightly by 0.1 mb/d. Based on the latest OPEC production data for May, OPEC is producing approximately 2 mb/d above required production levels for the second quarter of 2005 and 1 mb/d above the requirements for the third quarter of 2005. Preliminary data also indicates that global inventories saw a contra-seasonal build in the first quarter of 2005.

Taking into account the supply/demand balance, the resulting required OPEC crude production levels and the projected production capacity, OPEC spare capacity is now estimated to average around 7-8% in 2005, assuming Iraqi production remains at current levels for the rest of 2005.

Table 22
Summarized supply/demand balance for 2005
mb/d

	2004	1Q05	2Q05	3Q05	4Q05	**2005**
(a) World oil demand	82.17	83.79	82.34	83.72	85.91	83.94
(b) Non-OPEC supply(1)	53.72	54.45	54.73	54.64	55.30	54.78
Difference (a – b)	**28.45**	**29.34**	**27.61**	**29.08**	**30.61**	**29.16**
OPEC crude oil production(2)	29.07	29.49				
Balance	0.62	0.15				

(1) Including OPEC NGLs + non-conventional oils,
(2) Selected secondary sources.
Totals may not add due to independent rounding.

Table 23
World oil demand/supply balance
mb/d

	2000	2001	2002	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
World demand														
OECD	48.0	48.0	48.0	48.9	50.2	48.2	49.2	50.7	49.6	50.7	48.3	49.4	50.9	49.8
North America	24.1	24.0	24.1	24.6	25.0	24.9	25.2	25.6	25.2	25.5	25.1	25.5	26.0	25.5
Western Europe	15.2	15.3	15.3	15.6	15.8	15.3	15.7	16.2	15.7	15.6	15.3	15.7	16.1	15.7
Pacific	8.7	8.7	8.6	8.8	9.4	8.0	8.3	8.9	8.6	9.6	8.0	8.2	8.8	8.6
DCs	19.3	19.7	20.2	20.5	20.8	21.4	21.5	21.8	21.4	21.8	22.2	22.4	22.6	22.2
FSU	3.8	3.9	3.7	3.8	3.6	3.8	3.9	4.1	3.8	3.9	3.8	4.0	4.1	4.0
Other Europe	0.8	0.8	0.8	0.8	0.9	0.9	0.8	0.8	0.9	0.9	0.8	0.8	0.9	0.9
China	4.7	4.7	5.0	5.6	6.2	6.8	6.4	6.7	6.5	6.5	7.2	7.1	7.4	7.1
(a) Total world demand	76.5	77.2	77.8	79.6	81.8	81.0	81.8	84.1	82.2	83.8	82.3	83.7	85.9	83.9
Non-OPEC supply														
OECD	21.9	21.8	21.9	21.6	21.8	21.5	20.7	21.0	21.3	21.0	21.1	20.6	20.7	20.9
North America	14.2	14.3	14.5	14.6	14.8	14.7	14.4	14.4	14.6	14.5	14.5	14.4	14.3	14.4
Western Europe	6.8	6.7	6.6	6.4	6.4	6.3	5.7	6.1	6.1	6.0	6.0	5.7	5.9	5.9
Pacific	0.8	0.8	0.8	0.7	0.6	0.6	0.6	0.5	0.6	0.5	0.5	0.5	0.5	0.5
DCs	10.9	10.9	11.2	11.3	11.7	11.7	12.0	12.1	11.9	12.3	12.3	12.5	12.8	12.5
FSU	7.9	8.5	9.3	10.3	10.8	11.1	11.3	11.4	11.2	11.4	11.5	11.7	11.9	11.6
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.6	3.6	3.6	3.6	3.6
Processing gains	1.7	1.7	1.7	1.8	1.9	1.8	1.8	1.9	1.8	1.9	1.8	1.8	1.9	1.9
Total non-OPEC supply	45.7	46.4	47.7	48.6	49.7	49.8	49.5	50.1	49.8	50.3	50.6	50.4	51.0	50.6
OPEC NGLs + non-conventional oils	3.3	3.6	3.6	3.7	3.9	3.9	4.0	4.0	3.9	4.1	4.2	4.2	4.3	4.2
(b) Total non-OPEC supply and OPEC NGLs	49.0	50.0	51.4	52.3	53.6	53.7	53.5	54.2	53.7	54.4	54.7	54.6	55.3	54.8
OPEC crude oil production (secondary sources)	28.0	27.2	25.4	27.0	28.2	28.4	29.8	29.9	29.1	29.5				
Total supply	77.0	77.2	76.7	79.3	81.7	82.1	83.3	84.1	82.8	83.9				
Balance (stock change and miscellaneous)	0.6	0.0	-1.1	-0.3	0.0	1.1	1.5	0.0	0.6	0.1				
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	2534	2630	2476	2525	2468	2546	2589	2562	2562	2559				
OECD SPR	1270	1285	1345	1407	1421	1426	1432	1444	1444	1456				
OECD total	3804	3915	3821	3932	3889	3972	4021	4006	4006	4014				
Oil-on-water	877	830	816	887	909	898	894	910	910	931				
Days of forward consumption in OECD														
Commercial onland stocks	53	55	51	51	51	52	51	51	51	53				
SPR	26	27	27	28	29	29	28	28	29	30				
Total	79	82	78	79	81	81	79	79	80	83				
Memo items														
FSU net exports	4.1	4.6	5.6	6.5	7.2	7.3	7.4	7.4	7.3	7.5	7.6	7.7	7.7	7.6
(a) - (b)	27.4	27.2	26.5	27.2	28.2	27.3	28.3	30.0	28.4	29.3	27.6	29.1	30.6	29.2

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

Table 24
World oil demand/supply balance: changes from last month's table †
mb/d

	2000	2001	2002	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
World demand														
OECD	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	0.1	0.1	-	-	-0.2	0.1	0.1	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-0.2	0.1	0.1	-
(a) Total world demand	-	-	-	-	-	-	0.1	0.1	-	-	-0.4	0.2	0.1	-
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-	-				
Total supply	-	-	-	-	-	-	-	-	-	-				
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-0.1	-0.1	-	-				
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	-	-3	-1	-	-	-	-	-3	-3	-28				
OECD SPR	-	-	-	-	-	-	-	-	-	-				
OECD total	-	-3	-1	-	-	-	-	-4	-4	-28				
Oil on water	-	-	2	2	-	-	-	-	-	-				
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-	-	-	-1				
SPR	-	-	-	-	-	-	-	-	-	-				
Total	-	-	-	-	-	-	-	-	-	-1				
Memo items														
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	-	0.1	0.1	-	-	-0.3	0.1	0.1	-

† *This compares Table 23 in this issue of the MOMR with Table 23 in the May 2005 issue.*
This table shows only where changes have occurred.

Table 25
OECD oil stocks and oil on water at the end of period

	1997	1998	1999	2000	2001	2002	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04	1Q05
Closing stock level *mb*																							
OECD onland commercial	2,619	2,702	2,449	2,534	2,630	2,476	2,529	2,602	2,664	2,630	2,606	2,651	2,576	2,476	2,428	2,551	2,601	2,525	2,468	2,546	2,589	2,562	2,559
North America	1,211	1,283	1,127	1,146	1,262	1,174	1,159	1,231	1,269	1,262	1,237	1,262	1,219	1,174	1,103	1,186	1,216	1,167	1,145	1,197	1,216	1,205	1,207
Western Europe	916	967	885	934	924	895	923	914	922	924	934	943	918	895	914	913	926	924	922	929	944	926	963
OECD Pacific	492	453	437	454	443	408	447	457	473	443	435	447	440	408	411	452	459	435	400	420	430	430	389
OECD SPR	1,255	1,304	1,286	1,270	1,285	1,345	1,271	1,269	1,266	1,285	1,304	1,316	1,321	1,345	1,359	1,362	1,380	1,407	1,421	1,426	1,432	1,444	1,456
North America	563	571	567	543	552	601	544	545	547	552	563	578	589	601	601	611	626	640	654	664	672	678	690
Western Europe	330	364	348	357	353	354	353	349	344	353	354	349	346	354	365	359	361	371	369	363	364	370	370
OECD Pacific	362	369	370	370	380	389	374	374	375	380	386	388	386	389	393	393	393	396	398	398	396	396	396
OECD total	3,874	4,006	3,735	3,804	3,915	3,821	3,800	3,870	3,930	3,915	3,909	3,967	3,897	3,821	3,787	3,913	3,981	3,932	3,889	3,972	4,021	4,006	4,014
Oil-on-water	812	859	808	877	830	816	903	828	870	830	797	806	803	816	862	888	871	887	909	898	894	910	931
Days of forward consumption in OECD																							
OECD onland commercial	56	56	51	53	55	51	54	54	55	54	56	55	52	50	51	53	52	50	51	52	51	51	53
North America	52	54	47	48	52	48	49	51	53	53	52	52	50	48	46	48	49	47	46	47	47	47	48
Western Europe	60	63	58	61	61	58	62	59	59	60	63	61	59	57	60	59	59	59	60	59	58	59	63
OECD Pacific	58	52	50	52	51	46	55	56	53	48	56	55	47	42	50	56	50	46	50	51	48	45	49
OECD SPR	27	27	27	26	27	27	27	27	26	27	28	28	27	27	29	28	28	28	29	29	28	28	30
North America	24	24	24	23	23	24	23	23	23	23	24	24	24	25	25	25	25	26	26	26	26	27	28
Western Europe	21	24	23	23	23	23	24	22	22	23	24	23	22	23	24	23	23	24	24	23	22	24	24
OECD Pacific	43	42	42	43	44	44	46	46	42	41	50	47	41	40	48	49	43	42	50	48	45	41	50
OECD total	83	84	78	79	82	78	81	81	81	81	84	83	79	77	80	81	80	78	81	81	79	79	83

Table 26
Non-OPEC supply and OPEC natural gas liquids
mb/d

	2000	2001	2002	Change 02/01	2003	Change 03/02	1Q04	2Q04	3Q04	4Q04	2004	Change 04/03	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04
USA	8.11	8.05	8.04	-0.01	7.82	-0.22	7.85	7.73	7.52	7.57	7.67	-0.16	7.73	7.71	7.61	7.51	7.64	-0.03
Canada	2.68	2.73	2.84	0.12	2.98	0.14	3.11	3.06	3.05	3.05	3.07	0.09	3.02	3.02	3.03	3.08	3.04	-0.03
Mexico	3.45	3.57	3.59	0.03	3.80	0.20	3.83	3.89	3.83	3.79	3.83	0.04	3.75	3.81	3.75	3.72	3.76	-0.08
North America	14.25	14.34	14.48	0.13	14.60	0.12	14.79	14.68	14.40	14.42	14.57	-0.03	14.50	14.55	14.39	14.31	14.44	-0.14
Norway	3.32	3.42	3.33	-0.09	3.26	-0.07	3.36	3.26	2.98	3.16	3.19	-0.07	3.08	3.17	3.01	3.17	3.11	-0.08
UK	2.69	2.54	2.52	-0.01	2.33	-0.20	2.21	2.16	1.92	2.06	2.09	-0.24	2.03	2.01	1.80	1.91	1.94	-0.15
Denmark	0.36	0.35	0.37	0.02	0.37	0.00	0.37	0.40	0.39	0.40	0.39	0.02	0.39	0.40	0.39	0.40	0.39	0.00
Other Western Europe	0.40	0.38	0.42	0.04	0.43	0.01	0.48	0.47	0.46	0.46	0.47	0.03	0.48	0.47	0.46	0.46	0.47	0.00
Western Europe	6.77	6.68	6.65	-0.04	6.39	-0.25	6.42	6.29	5.75	6.08	6.13	-0.26	5.98	6.04	5.65	5.94	5.90	-0.23
Australia	0.77	0.71	0.70	0.00	0.60	-0.10	0.54	0.52	0.54	0.48	0.52	-0.08	0.48	0.47	0.48	0.44	0.47	-0.05
Other Pacific	0.07	0.07	0.06	-0.01	0.06	-0.01	0.05	0.05	0.05	0.06	0.05	0.00	0.06	0.05	0.06	0.06	0.06	0.00
OECD Pacific	0.85	0.78	0.77	-0.01	0.65	-0.11	0.59	0.57	0.59	0.54	0.57	-0.08	0.54	0.52	0.54	0.50	0.53	-0.05
Total OECD	21.87	21.81	21.89	0.09	21.65	-0.25	21.79	21.54	20.74	21.03	21.27	-0.37	21.02	21.11	20.58	20.75	20.86	-0.41
Brunei	0.19	0.20	0.20	0.01	0.21	0.00	0.21	0.20	0.21	0.21	0.21	0.00	0.21	0.20	0.21	0.21	0.21	0.00
India	0.74	0.73	0.75	0.01	0.74	0.00	0.78	0.78	0.78	0.80	0.78	0.04	0.80	0.80	0.80	0.82	0.80	0.02
Malaysia	0.69	0.68	0.71	0.03	0.75	0.04	0.79	0.78	0.84	0.86	0.82	0.07	0.86	0.86	0.86	0.87	0.86	0.05
Vietnam	0.31	0.34	0.34	0.00	0.35	0.01	0.39	0.40	0.40	0.39	0.40	0.04	0.38	0.39	0.40	0.41	0.39	0.00
Asia others	0.25	0.25	0.26	0.01	0.30	0.04	0.32	0.35	0.39	0.44	0.37	0.07	0.46	0.47	0.47	0.48	0.47	0.09
Other Asia	2.18	2.20	2.27	0.07	2.36	0.09	2.49	2.51	2.61	2.70	2.58	0.22	2.71	2.72	2.74	2.77	2.73	0.16
Argentina	0.80	0.82	0.79	-0.03	0.78	-0.01	0.73	0.74	0.74	0.73	0.73	-0.04	0.72	0.72	0.71	0.71	0.71	-0.02
Brazil	1.45	1.53	1.72	0.19	1.80	0.09	1.78	1.77	1.83	1.81	1.80	0.00	1.87	1.95	1.98	2.05	1.96	0.17
Colombia	0.70	0.62	0.59	-0.03	0.55	-0.03	0.53	0.54	0.53	0.53	0.53	-0.02	0.52	0.50	0.49	0.48	0.49	-0.04
Ecuador	0.40	0.41	0.40	-0.01	0.43	0.03	0.51	0.53	0.53	0.54	0.53	0.10	0.54	0.53	0.53	0.53	0.53	0.01
Trinidad & Tobago	0.14	0.13	0.15	0.02	0.16	0.01	0.16	0.16	0.15	0.16	0.16	-0.01	0.21	0.22	0.22	0.23	0.22	0.06
L. America others	0.22	0.23	0.22	-0.01	0.22	0.00	0.22	0.22	0.23	0.25	0.23	0.01	0.25	0.25	0.25	0.26	0.25	0.02
Latin America	3.71	3.74	3.87	0.13	3.94	0.08	3.93	3.96	4.01	4.02	3.98	0.04	4.11	4.16	4.18	4.26	4.18	0.20
Bahrain	0.19	0.19	0.19	0.00	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00
Oman	0.96	0.96	0.90	-0.06	0.82	-0.08	0.79	0.77	0.76	0.75	0.76	-0.06	0.73	0.72	0.71	0.70	0.72	-0.05
Syria	0.52	0.52	0.51	-0.01	0.54	0.03	0.52	0.51	0.50	0.49	0.51	-0.03	0.49	0.48	0.47	0.46	0.48	-0.03
Yemen	0.45	0.47	0.46	-0.01	0.44	-0.02	0.43	0.42	0.42	0.40	0.42	-0.03	0.40	0.39	0.39	0.37	0.39	-0.03
Middle East	2.12	2.14	2.06	-0.07	2.00	-0.06	1.94	1.89	1.87	1.84	1.89	-0.11	1.82	1.79	1.77	1.74	1.78	-0.11
Angola	0.75	0.74	0.89	0.15	0.87	-0.02	0.93	0.92	0.99	1.11	0.99	0.11	1.13	1.16	1.22	1.34	1.21	0.22
Chad	0.00	0.00	0.00	0.00	0.02	0.02	0.10	0.18	0.23	0.23	0.18	0.16	0.23	0.23	0.23	0.23	0.23	0.04
Congo	0.27	0.27	0.25	-0.01	0.24	-0.01	0.24	0.24	0.24	0.24	0.24	0.00	0.23	0.23	0.23	0.23	0.23	-0.01
Egypt	0.80	0.76	0.75	-0.01	0.75	0.00	0.73	0.71	0.71	0.70	0.71	-0.04	0.70	0.68	0.67	0.67	0.68	-0.03
Equatorial Guinea	0.11	0.14	0.20	0.06	0.24	0.04	0.34	0.34	0.34	0.35	0.34	0.10	0.35	0.35	0.35	0.35	0.35	0.01
Gabon	0.34	0.31	0.30	-0.01	0.25	-0.05	0.25	0.25	0.24	0.23	0.24	-0.01	0.24	0.24	0.23	0.22	0.23	-0.01
South Africa	0.18	0.18	0.19	0.01	0.20	0.01	0.23	0.23	0.23	0.21	0.22	0.02	0.21	0.21	0.20	0.19	0.20	-0.02
Sudan	0.18	0.21	0.24	0.03	0.27	0.03	0.29	0.30	0.31	0.31	0.30	0.04	0.32	0.34	0.47	0.50	0.41	0.11
Africa other	0.22	0.20	0.20	0.00	0.20	0.00	0.20	0.20	0.21	0.21	0.21	0.01	0.22	0.24	0.26	0.27	0.25	0.04
Africa	2.84	2.80	3.03	0.23	3.05	0.02	3.30	3.36	3.48	3.58	3.43	0.39	3.63	3.67	3.86	4.00	3.79	0.36
Total DCs	10.86	10.87	11.22	0.35	11.35	0.12	11.66	11.73	11.98	12.13	11.88	0.53	12.27	12.35	12.54	12.77	12.48	0.61
FSU	7.91	8.53	9.32	0.79	10.27	0.94	10.78	11.06	11.32	11.44	11.15	0.89	11.39	11.48	11.68	11.86	11.60	0.45
Russia	6.49	6.99	7.62	0.63	8.46	0.84	8.89	9.12	9.37	9.38	9.19	0.73	9.30	9.33	9.50	9.64	9.44	0.25
Kazakhstan	0.71	0.80	0.94	0.15	1.03	0.09	1.12	1.15	1.19	1.26	1.18	0.15	1.26	1.28	1.29	1.29	1.28	0.10
Azerbaijan	0.27	0.30	0.31	0.01	0.31	0.00	0.31	0.31	0.30	0.32	0.31	0.00	0.34	0.36	0.40	0.44	0.39	0.08
FSU Others	0.44	0.45	0.45	0.00	0.47	0.02	0.47	0.49	0.47	0.47	0.47	0.01	0.48	0.51	0.49	0.50	0.49	0.02
Other Europe	0.18	0.18	0.18	0.00	0.17	0.00	0.16	0.16	0.16	0.15	0.16	-0.01	0.16	0.16	0.16	0.16	0.16	0.00
China	3.23	3.30	3.39	0.10	3.41	0.01	3.43	3.47	3.54	3.51	3.48	0.08	3.63	3.63	3.63	3.63	3.63	0.15
Non-OPEC production	44.05	44.68	46.01	1.32	46.84	0.83	47.82	47.96	47.74	48.26	47.95	1.11	48.46	48.72	48.59	49.16	48.73	0.79
Processing gains	1.65	1.69	1.73	0.04	1.80	0.06	1.85	1.81	1.81	1.85	1.83	0.03	1.88	1.84	1.84	1.88	1.86	0.03
Non-OPEC supply	45.70	46.37	47.74	1.36	48.63	0.89	49.67	49.77	49.55	50.11	49.78	1.14	50.34	50.56	50.43	51.04	50.59	0.82
OPEC NGL	3.18	3.40	3.42	0.01	3.57	0.16	3.65	3.66	3.71	3.78	3.70	0.13	3.85	3.91	3.95	4.00	3.93	0.23
Non-conventional oils	0.17	0.18	0.20	0.02	0.14	-0.06	0.23	0.23	0.26	0.26	0.25	0.11	0.26	0.26	0.26	0.26	0.26	0.01
OPEC NGLs + non-conventional oils	3.34	3.58	3.62	0.03	3.71	0.09	3.88	3.89	3.97	4.04	3.95	0.24	4.11	4.17	4.21	4.26	4.19	0.24
Total Non-OPEC and OPEC NGLs	49.04	49.96	51.36	1.40	52.34	0.99	53.55	53.66	53.52	54.15	53.72	1.38	54.45	54.73	54.64	55.30	54.78	1.06

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

Table 27
Non-OPEC Rig Count

	2000	2001	2002	Change 02/01	1Q03	2Q03	3Q03	4Q03	2003	Change 03/02	1Q04	2Q04	3Q04	4Q04	2004	Change 04/03	1Q05	Apr05	May05	Change May05- Apr05
USA	916	1156	831	-325	901	1028	1088	1109	1032	201	1,119	1164	1229	1249	1190	158	1279	1334	1319	-15
Canada	344	342	266	-76	494	203	383	408	372	106	528	202	326	420	369	-3	620	183	247	64
Mexico	44	54	65	11	82	84	96	107	92	27	107	113	111	108	110	18	114	112	116	4
North America	1305	1552	1162	-390	1476	1315	1567	1624	1496	334	1,754	1479	1665	1777	1669	173	2013	1629	1682	53
Norway	22	23	19	-4	18	19	20	18	19	0	19	18	14	16	17	-2	15	17	19	2
UK	18	24	26	2	19	21	22	16	20	-6	15	19	14	15	16	-4	16	20	20	0
Denmark	3	4	4	0	3	5	3	4	4	0	4	4	3	4	4	0	2	2	3	1
Other Western Europe	82	44	36	-8	36	34	38	37	36	0	31	30	27	27	29	-7	23	22	25	3
Western Europe	125	95	85	-10	77	78	83	75	78	-7	69	70	57	62	65	-13	56	61	67	6
Australia	10	10	9	-1	10	10	11	13	11	2	12	13	18	14	14	3	17	15	16	1
Other Pacific	7	9	8	-1	8	7	8	6	7	-1	7	8	9	6	8	1	7	9	11	2
OECD Pacific	17	20	17	-3	18	17	18	19	18	1	19	22	26	20	22	4	24	24	27	3
Total OECD	1447	1667	1264	-403	1571	1411	1669	1719	1592	328	1,842	1570	1749	1859	1755	163	2093	1714	1776	62
Brunei	2	3	3	0	3	4	4	2	3	0	2	3	3	2	3	0	1	2	2	0
India	49	50	55	5	59	60	61	62	60	5	64	68	71	76	70	10	76	74	76	2
Malaysia	7	11	14	3	14	13	16	15	14	0	15	15	13	13	14	0	12	13	15	2
Papua New Guinea	0	1	1	0	1	2	2	1	2	1	3	2	0	1	2	0	1	2	2	0
Vietnam	8	8	9	1	9	9	10	8	9	0	8	9	8	7	8	-1	8	10	9	-1
Asia others	16	22	30	8	31	28	26	30	29	-1	27	31	31	31	30	1	35	35	39	4
Other Asia	83	95	111	16	117	115	119	118	117	6	119	128	127	130	126	9	133	136	143	7
Argentina	57	71	49	-22	59	66	59	57	60	11	64	73	73	74	71	11	74	75	78	3
Brazil	23	28	27	-1	27	27	27	25	26	-1	24	26	26	26	26	0	26	27	27	0
Colombia	14	15	11	-4	10	9	11	12	11	0	8	9	9	11	9	-2	13	12	12	0
Ecuador	7	10	9	-1	9	11	8	8	9	0	7	9	12	12	10	1	10	12	12	0
Peru	4	4	2	-2	2	2	3	3	3	1	2	2	3	3	2	-1	3	4	5	1
Trinidad & Tobago	4	5	4	-1	3	3	3	3	3	-1	3	4	4	4	4	1	3	3	2	-1
L. America others	12	7	5	-2	3	4	4	5	4	-1	6	6	3	4	5	1	3	4	4	0
Latin America	120	141	106	-35	113	121	114	114	116	10	114	127	129	134	126	10	133	137	140	3
Bahrain	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oman	24	25	29	4	33	34	36	36	35	6	36	35	34	36	35	0	34	36	36	0
Syria	14	19	22	3	23	23	26	23	24	2	24	24	23	23	24	0	21	20	19	-1
Yemen	6	6	9	3	11	10	9	7	9	0	7	8	9	11	9	0	10	10	10	0
Middle East	45	50	62	12	70	68	72	68	70	8	69	68	69	73	70	0	69	70	70	0
Angola	6	5	5	0	3	4	3	6	4	-1	4	3	3	3	3	-1	3	2	2	0
Cameroon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Congo	3	1	1	0	0	1	1	2	1	0	2	2	3	2	2	1	3	2	1	-1
Egypt	18	22	23	1	26	26	27	26	26	3	27	28	29	28	28	2	28	28	28	0
Gabon	2	2	2	0	3	4	1	3	3	1	2	2	2	2	2	-1	2	2	3	1
South Africa	1	1	1	0	0	1	0	1	0	-1	0	0	0	0	0	0	0	0	0	0
Africa other	5	4	12	8	12	14	12	14	13	1	15	18	20	22	19	6	23	22	21	-1
Africa	34	36	43	7	45	50	44	51	48	5	48	53	56	57	54	6	58	56	55	-1
Total DCs	282	322	322	0	346	354	350	350	350	28	350	376	381	394	376	26	393	399	408	9
FSU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Europe	3	3	2	-1	2	2	2	2	2	0	2	2	2	2	2	0	3	2	2	0
China	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-OPEC Rig count	1732	1992	1588	-404	1919	1767	2021	2071	1944	356	2,194	1949	2132	2255	2132	188	2489	2115	2186	71

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

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Data is provided by Data Services Department.

Data Summary June 2005

OPEC Basket average price

US$ per barrel

⬇ *down 2.67 in May*

May 2005	***46.96***
April2005	*49.63*
Year-to-date	*45.74*

May OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.34*	*Kuwait*	*2.56*	*Saudi Arabia*	*9.54*
Indonesia	*0.94*	*SP Libyan AJ*	*1.63*	*UAE*	*2.42*
IR Iran	*3.91*	*Nigeria*	*2.41*	*Venezuela*	*2.67*
Iraq	*1.80*	*Qatar*	*0.80*	***TOTAL***	***30.02***

Supply and demand

in million barrels per day

2004		***2005***	
World demand	*82.17*	*World demand*	*83.94*
Non-OPEC supply	*53.72*	*Non-OPEC supply*	*54.78*
Difference	***28.45***	***Difference***	***29.16***

Non-OPEC supply includes OPEC NGLs and non-conventional oils

Stocks

US commercial oil stocks displayed a considerable build of 26.4 mb in May

World economy

World GDP growth remains unchanged at 5.1% for 2004 and 4.1 for 2005

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Data covers period up to end of May 2005 unless otherwise stated