OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:
Oil market outlook for 2010

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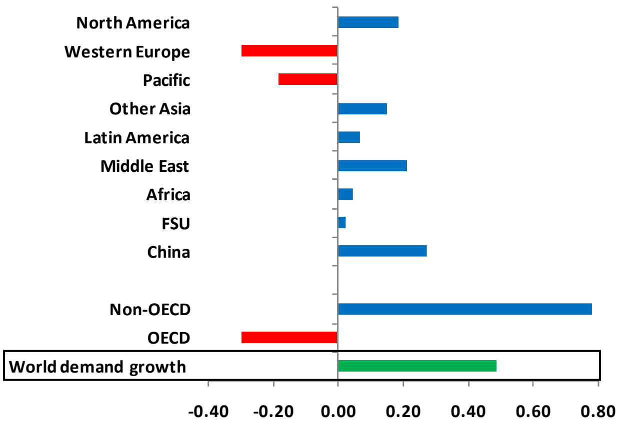
Oil Market Highlights

- The **OPEC Reference Basket** surged $11.38/b or almost 20% to average $68.36/b in June, the highest monthly average since October. Considerable optimism over prospects for the world economy, US dollar fluctuations and rising equity markets helped the Basket firm to over $70/b, as the market moved further into the driving season. However, weak demand and continuing builds in refined products capped the bullish sentiment. In July, the Basket lost more ground as deepening unemployment rates reversed some of the more hopeful sentiments in the market. The Basket moved lower to stand at 59.66/b on 13 July.
- Following a 1.4% contraction this year, the **world economy** is expected to rebound in 2010 with growth of 2.3%. The OECD is forecast to grow at 0.7%, up from -3.9% this year. The US is expected to grow at 1.2% compared to a decline of 2.7% in 2009 and Japan is seen growing at 0.9% from a contraction of 6.4% this year. The main concern in the OECD continues to be the Euro-zone, which is expected to decline a further 0.4% after this year's contraction of 4.6%. Despite some encouraging signs in the OECD, many uncertainties prevail as unemployment is expected to grow further and consumer sentiment remains restrained. Developing Asia continues to be the main source of growth, particularly China (7.5%) and India (6.5%). The continuity and the effectiveness of government stimulus efforts will be crucial for economic growth expectations in 2009 and 2010.
- **World oil demand** is expected to turn positive in 2010. After two consecutive years of negative growth, global demand next year is projected to show a moderate increase of 0.5 mb/d. Non-OECD countries are seen making up the bulk of the increase, growing by 0.8 mb/d. China is projected to increase by 0.3 mb/d, up from only minor growth this year. The OECD region is forecast to see a continued contraction of 0.3 mb/d, following a decline of 1.8 mb/d this year. The US consumption is expected to rebound by 0.2 mb/d after a sharp decline of 0.7 mb/d this year. The pace of the global economic recovery continues to be the main risk for the outlook for next year. For the current year, the world oil demand growth forecast remains unchanged at -1.6 mb/d.
- **Non-OPEC supply** is forecast to increase by 0.3 mb/d in 2010 to reach 50.9 mb/d. Brazil, USA, Azerbaijan, Kazakhstan, Canada, China, and India are seen to be the main contributors to next year's growth. Mexico, UK, Norway, and Russia are expected to experience the largest declines. OPEC NGLs and non-conventional oils are projected to reach 5.3 mb/d in 2010, indicating a significant increase of around 0.5 mb/d over the current year. In 2009, non-OPEC supply is estimated to increase by 0.2 mb/d, representing a minor upward revision from the last assessment. In June, **OPEC crude production** averaged 28.4 mb/d, up 39 tb/d from the previous month.
- The gasoline stock build in the US along with higher refinery runs in the Atlantic Basin have dampened sentiment in the **product markets**, exerting pressure on refining margins, especially in the US. The continuation of these circumstances amid uncertainty about gasoline demand over the driving season and unseasonably high stocks for middle distillates could deepen the current bearish trend. This might encourage refiners to move up maintenance schedules, which would negatively impact crude oil fundamentals.
- OPEC spot fixtures increased in June by 8% compared to the previous month. Freight rates in the crude oil **tanker market** increased in June by 32% compared to May with the VLCC sector showing the highest monthly gain. Storing at sea continued to lose momentum in June with the narrowing of the contango structure in the crude oil futures market. Clean spot freight rates declined by 7% on average with a much weaker market to the West of Suez.
- US commercial **oil inventories** increased a further 11 mb in June, the ninth build in a row to hit nearly 1,113 mb. This implies an overhang of nearly 100 mb with crude oil accounting for just 25%, compared to 70% in January. Crude oil inventories fell 16 mb to stand below 350 mb for the first time so far this year, while product inventories rose a massive 27 mb in June. In Europe (EU-15 plus Norway), record-high distillate stocks pushed total commercial oil stocks to move above the upper-end of the five-year range.
- The **demand of OPEC crude** in 2009 is estimated to average 28.5 mb/d, a decline of 2.3 mb/d from the previous year. In 2010, the demand for OPEC crude is expected to average 28.1 mb/d, representing a drop of 0.4 mb/d from the current year.

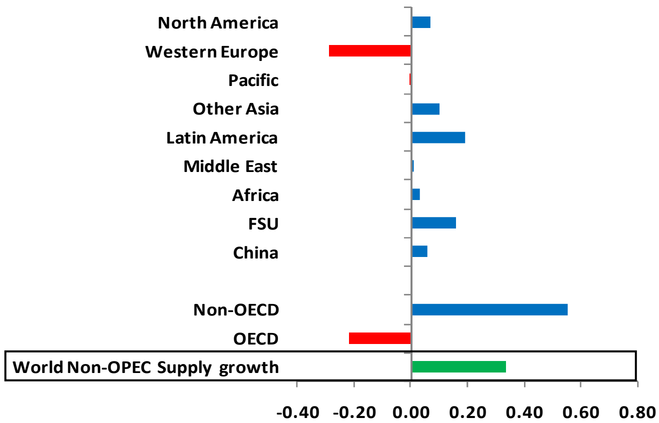
Oil market outlook for 2010

- The oil market this year has been strongly impacted by the financial crisis, global recession and resulting erosion in world oil demand. These factors have substantially magnified the uncertainties affecting the market and contributed significantly to volatility. They have also made projecting oil market developments very challenging, as the current uncertainties are expected to continue to cast a shadow over the market in 2010.
- World economic growth in 2010 is forecast at 2.3%, representing a recovery from the 1.4% contraction expected in 2009. In the OECD, growth is expected to remain anemic at 0.7%, below the pace seen after previous recessions, reflecting the depth and complexity of the current downturn. With a 1.2% growth forecast, the US will outperform Japan (+0.9%) and the Euro-zone (-0.4%), with the latter seen to remain mired in recession well into 2010. Risks remain predominantly on the downside, despite the recent improved sentiment in forward-looking financial and commodity markets. In the US, stretched households will require time to readjust their balance sheets, amidst rising unemployment and sharply diminished wealth, implying modest growth in consumer spending. Japan and Germany are seeking to rebalance their economies away from an overdependence on export-led growth. Continued Euro-zone banking sector problems may limit credit next year.
- Developing countries will be the major contributors to global growth next year with a forecasted expansion of 3.5% from 1% this year. Growth in India is expected to accelerate to 6.5% from 5.7% while Chinese growth picks up to 7.5% from 7.0% this year. China and India alone will contribute about 50% of total world growth next year. However, problems still abound as emerging economies remain vulnerable to developments in OECD countries.

Graph 1: Source of oil demand growth in 2010 (mb/d)



Graph 2: Source of non-OPEC supply growth in 2010 (mb/d)



- World oil demand is anticipated to halt its decline to show growth of 0.5 mb/d in 2010, reaching 84.3 mb/d. This compares to average growth of 1.6 mb/d in the five-year period prior to the global recession in 2008. The bulk of the recovery in oil demand is projected to be seen in the second half of the year when the global economic rebound strengthens. Growth is expected to come mostly from non-OECD, mainly China, India, the Middle East and Latin America. Demand for industrial fuel is expected to remain weak, with transportation fuels making up most of the increase. US oil demand will remain as a wild card in 2010 given the uncertainty about the pace of the economic recovery. Oil prices, taxes, and removal of retail price subsidies will also impact demand and could lead to further downward revisions. Should the US experience a stronger and more rapid economic recovery than currently expected, then oil demand could see higher growth.
- Non-OPEC supply is projected to increase by 0.3 mb/d to just under 51 mb/d in 2010. Brazil is expected to be the largest contributor to the growth followed by the US. Contribution will also come from Azerbaijan, Kazakhstan, Canada, China, and India. Mexico and the North Sea are expected to continue declining in 2010. OPEC NGLs including non-conventional oils are projected to rise 0.5 mb/d. Various risks and uncertainties remain which could affect the forecast. In addition to typical risks such as weather conditions, government policies, technical issues and unforeseen disruptions, uncertainties affecting non-OPEC supply include the current economic environment and oil price volatility which could impact investment and project financing.
- Taking into account projected world oil demand and total non-OPEC supply (including OPEC NGLs and non-conventionals), demand for OPEC crude in 2010 is forecast to average 28.1 mb/d. This represents the third consecutive decline and a loss of around 400 tb/d from the current year. However, the size of the decline is much smaller than the large loss estimated for this year, indicating some sign of recovery. Given the projected outlook, increasing OPEC spare capacity and growing idle refining capacity should be sufficient to offset any sudden surge in demand or supply disruption in either crude or products. This reduces the likelihood of fundamental factors exerting strong upward pressure on prices in 2010.

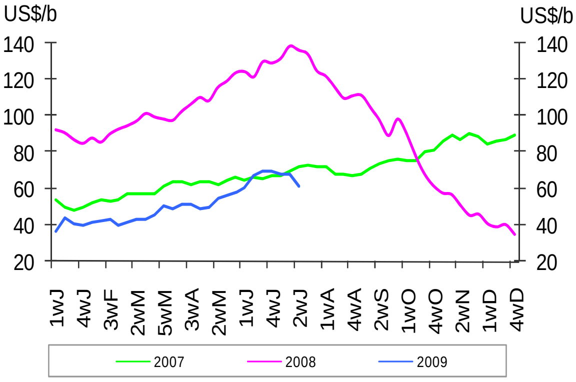
Crude Oil Price Movements

US dollar fluctuations and rising equities dominated market movements

OPEC Reference Basket

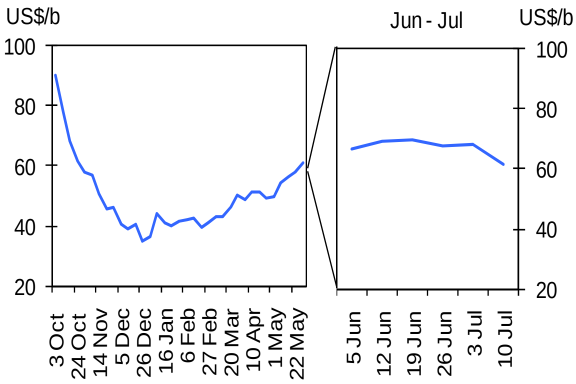
The petroleum market emerged in June on a bullish note. Weakness of the US dollar and recovery of Wall Street funds inspired investment in energy futures, dominating market sentiment. Perceptions of petroleum demand picking up on hopes for economic recovery flared market bullishness. However, an unexpected build in US crude oil stocks and slower implied gasoline consumption exacerbated market sentiment. Volatility continued during the first week on the back of a recovery in US jobless claims data while the unemployment rate remained high, triggering fears over a downturn. The Basket averaged the **first week** at $66.67/b, up $6 or nearly 10%. Volatility continued into the second week amid fluctuations of the US dollar exchange rate. Hopes for economic recovery to boost demand for petroleum products supported the market. However, concerns over high unemployment remained in the background. The Basket averaged the **second week** at $69.17/b, up $2.50 or 3.8%, peaking well over $70/b for the first time since October.

Graph 1: OPEC Reference Basket - weekly spot crude



In the **third week**, concern over a recovery in the economy which was foreseen to dent petroleum demand coupled with a recovery in the US dollar and equity losses supported market bearishness. However, supply disruptions kept some bulls intact to halt further price deterioration. The Basket averaged $69.50/b in the third week, up by 33¢. A weak economic outlook and the recovery in the US dollar exchange rate prompted fund sell-offs for profit-taking in the futures market. Clearing of barrels from floating storage also added to market bearishness. In the **fourth week,** the Basket averaged $67.70/b**,** down $1.80 or 2.6%. In the final days, the Basket remained steady, well above $69/b.

Graph 2: Weekly average Basket price, 2008-2009



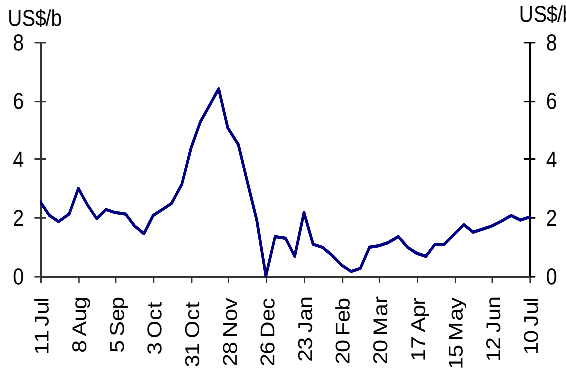
On a monthly basis in **June**, the Basket surged almost 20% rallying $11.38 to average $68.36/b, the highest monthly average since October. The market was mostly driven by fluctuation in the US dollar, which pushed the Basket to over $70/b. Crude oil draws capped market bullishness while refined products stockpiled as demand was seen lower. Production disruptions from West Africa, home of gasoline-rich crude, ignited fears over potential supply shortfalls during the driving season, flaring the bullish momentum once again. In the first decade of July, the Basket lost more ground as recession fears mounted amid weak economic indicators with unemployment peaking and product stocks rising in the US. The Basket slipped towards $60/b to stand at 59.66/b on 13 July.

US market

Crude oil stock draws at Cushing, Oklahoma, supported the sweet grade

The domestic market in the US held steady with the sweet grade firming amid stock draws while light-end product stocks increased amid softer demand. However, a narrowing transatlantic spread lent support to the light grade. The WTI/WTS spread averaged 10¢ wider at $1.62/b in the **first week**. In the second week some refiners returned to operations from shut-downs supporting light grade differentials, yet the widened transatlantic spread encouraged the flow of rival grades westward. Heavy and sour cash crude differentials weakened later in the week after Valero energy shut another refinery coker in economic run cuts and amid indications that there is plenty of oil being sold out of storage to the physical market. The WTI/WTS spread was 10¢ wider at $1.72/b in the **second week**.

Graph 3: WTI spread to WTS, 2008-2009



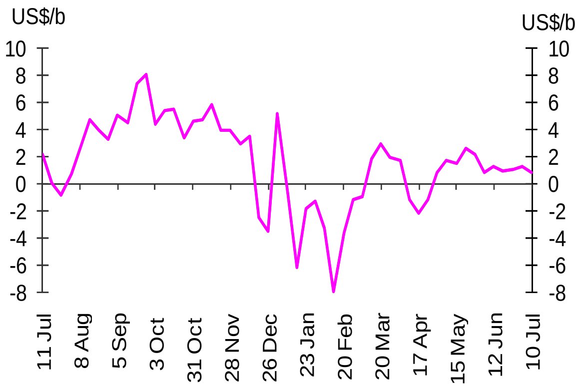
In the third week, continued crude oil stock draws at Cushing, Oklahoma, firmed sweet grade differentials. In contrast, refinery shut-downs dampened prompt demand for sour grade. The WTI/WTS spread widened further into the **third week** by 12¢ to $1.84/b. Sour light continued under pressure as sweet crude oil firmed amid a hefty draw of oil stocks at Cushing, Oklahoma, while light-end products saw a larger-than-expected build. Declining refining margins and a series of refinery run-cuts kept light grade under pressure. The WTI/WTS spread averaged $2.09/b in the **fourth week,** up 25¢. In **June** WTI averaged $69.68/b, rallying $10.47 or 17.7% with a $1.82/b premium to WTS, the widest level since December.

North Sea market

Tighter regional supply and improved margins supported North Sea crude differentials

The North Sea crude market emerged on a firmer note amid improving refining margins. Tight June supply also lent support to regional crude differentials. The Brent discount to WTI narrowed by a significant $1.25 to 88¢/b in the **first week**. The sentiment continued supported by signs of tighter supply for June amid maintenance at the Buzzard oilfield to reduce output. Nonetheless, larger supplies in July dampened earlier gains. Weaker refining margins also added to easing price differentials. The Brent discount to WTI widened in the **second week** by 40¢ to $1.28/b. In the third week, firmer buying interest for prompt July barrels and a rebound in refining margins added value to regional crude differentials. The Brent discount to WTI was 29¢ narrower at 99¢/b in the **third week**. The sentiment weakened in the **fourth week** amid sales from floating storage easing supply strains while several shipments were on offer. The Brent discount to WTI was 9¢ wider at $1.09/b. Brent averaged $68.55/b in June, $11.28 or nearly 20% higher, while the discount to WTI narrowed by 81¢ to $1.13/b.

Graph 4: WTI premium to Dated Brent, 2008-2009



Mediterranean market

Lower supplies supported Urals price differentials

Tight supply from Russia supported Urals crude. However, weaker refining margins pressured the grade. Limited outbound arbitrage barrels also pressured the regional market. Urals differentials fell from the seven-year high struck in May, with the **first weekly** average discount to Brent being 35¢/b, compared to a 15¢ premium the week before. The second week emerged on a weak note amid continued poor refining margins and limited arbitrage opportunity to Asia and the US. However, lighter Mediterranean grades were under pressure as more Azeri light loading programmes supported Urals crude differentials from further deterioration. Improved refining margins later in the week lifted Urals differentials to premier Brent. Urals/Brent averaged 15¢ narrower at 20¢/b in the **second week**.

In the third week, sentiment was short-lived, amid ample supply and poor refining margins combined with limited demand. Limited supply, as the programme cleared, kept the grade from further pressure. Urals discount to Brent averaged 5¢ wider at 25¢/b in the **third week**. In the fourth week, emerging demand amid improved refining margins lent support to the sour grade. However, volatility continued amid higher freight rates keeping a balance in the marketplace. Urals average spread to Brent was flat in the **fourth week**. Urals averaged $68.40/b in June, $11.53 or well over 20% higher, with the discount to Brent more than halved, down by 25¢ to 17¢/b.

Middle Eastern market

Higher OSP and reduced availability of heavier grades supported Mideast prices

The Mideast market emerged on a quiet note as refiners awaited several OSP and price differentials. However, sentiment firmed on expectations of higher price differentials from a major supplier for July barrels, foreseen to push most spot crudes higher. Tight heavier grade supplies were foreseen to lend support. Thus, Dubai averaged a 21¢ premium to Brent in the **first week**. The Middle East crude market opened the second week on a bullish note with August Abu Dhabi crude having already started trading amid strong demand, while August Oman sold at a stronger premium than a month ago. Steady term exports from a Mideast major for July barrels further added support. Tight supply, while major forecasting institutes raised oil consumption, kept the bulls intact. The Dubai premium to Brent nearly doubled in the **second week** by 18¢ to 39¢/b. Higher OSP and price differentials from NOCs and tight supply continued to bring a premium to medium and heavy grades despite a weak fuel oil and gasoil crack spread. The Brent discount to Dubai average widened in the **third week** by a significant 69¢ to $1.08/b. In the **fourth week**, the sentiment was weak for August barrels as refiners adopted the sidelines while most covered their positions slowing procurement. The Brent discount to Dubai continued to widen, averaging $1.48 or 40¢ wider in the fourth week, the widest weekly level since January.

Graph 5: Dated Brent spread to Dubai, 2008-2009

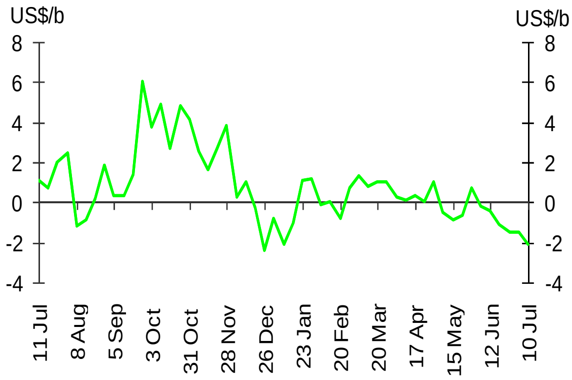


Table 1: OPEC Reference Basket and selected crudes, US$/b

	May 09	Jun 09	Change Jun/May	Year-to-Date 2008	Year-to-Date 2009
OPEC Reference Basket	**56.98**	**68.36**	**11.38**	**105.18**	**50.89**
Arab Light	57.45	69.01	11.56	105.91	51.16
Basrah Light	56.47	68.18	11.71	102.57	50.17
Bonny Light	57.87	69.55	11.68	112.36	53.48
Es Sider	56.87	68.15	11.28	108.57	51.29
Girassol	57.36	68.92	11.56	107.07	51.79
Iran Heavy	56.02	68.16	12.14	102.51	49.96
Kuwait Export	57.93	68.73	10.80	101.76	50.53
Marine	58.09	69.94	11.85	104.86	52.46
Merey	52.95	61.81	8.86	-	45.84
Murban	59.58	71.50	11.92	109.59	53.85
Oriente	53.56	63.62	10.06	96.66	45.69
Saharan Blend	57.27	69.15	11.88	111.13	52.58
Other Crudes					
Minas	61.69	72.71	11.02	111.28	54.77
Dubai	57.48	69.41	11.93	103.97	51.76
Isthmus	58.51	68.52	10.01	105.87	50.85
T.J. Light	57.34	67.08	9.74	102.63	49.65
Brent	57.27	68.55	11.28	109.19	51.74
W Texas Intermediate	59.21	69.68	10.47	111.00	51.43
Differentials					
WTI/Brent	1.94	1.13	-0.81	1.82	-0.31
Brent/Dubai	-0.21	-0.86	-0.65	5.22	-0.02

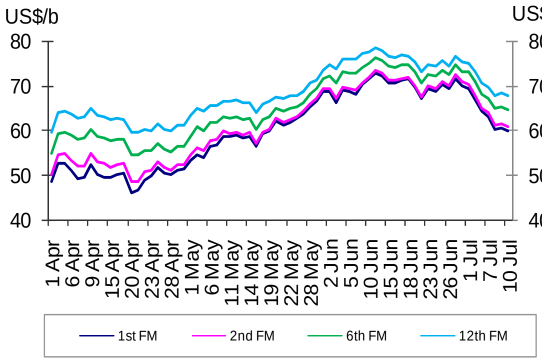
Note: As per the request of Venezuela and as approved by the 111th ECB, the Venezuelan crude BCF-17 has been replaced by Merey as of 2009. ORB has been revised as of this date.

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

The Oil Futures Market

US dollar fluctuations and rising equities dominated market volatility

Graph 6: Nymex WTI futures prices, 2009



FM = future month

The futures market began the month on a volatile note after a series of rallies in the last week of May. The depreciation of the US dollar exchange rate dominated the bulls in the first week of June along with healthy equity markets. Rallies in gasoline futures, as the driving season kicked in, lent support to the bullish momentum, although fund sell-offs for profit-taking had little impact. The **Nymex WTI** front month contract averaged $66.39/b in the **first week** for a gain of $4.59/b or 7.4% to close at $68.55/b or $6.10/b higher than the previous period. Nonetheless, non-commercial net long positions slipped a marginal 435 lots to 39,687 contracts in the **first weekly** period amid a rise in short positions at a faster rate than longs. Open interest volume inflated by a healthy 95,773 to 1,191,600 contracts. With options included, open interest volume inflated by 164,800 lots to 2,532,500 contracts.

In the second week, non-commercial net long positions were at the highest weekly level since January, having widened by a healthy 8,200 lots to 47,900 contracts amid a drop in short positions while longs inflated. Open interest volume saw a moderate rise of 12,000 lots to 1,203,700 contracts, the highest level in four weeks. With options included, open interest volume was 75,100 wider to just over 2.6 million contracts. Net long positions inflated by 8,800 lots to almost 11,800 contracts, the widest level since February. **Nymex WTI** prompt month contracts averaged $68.29/b in the **second weekly** period, $1.91/b higher after closing $70.01/b, or $1.45/b over the week before. A speculative price forecast from Goldman Sachs inspired investment into energy futures. Although signs of falling US jobless claims for the third consecutive week revived hope for economic recovery, monthly data showing unemployment rates hitting a 26-year high which altered investments in energy futures. Nonetheless, the EIA firming demand growth sent hope for economy recovery.

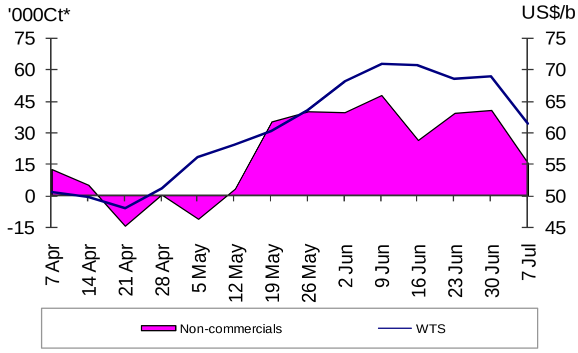
Market sentiment resumed volatility in the **third weekly** period, with a weak US dollar and a recovery on the Wall Street stock market. Strong API and EIA weekly petroleum data flared bullishness in the marketplace. Perceptions of improved sales and jobless data revived hope for recovery in the economy. The IEA raising its forecast for oil demand growth lent support to the bullish momentum. The rise in China crude oil imports a month earlier kept the bulls intact. The weaker US dollar continued to inevitably attract investment in energy futures while the equity markets on Wall Street stirred to hopes for prosperity. Thus, Nymex WTI peaked to $72.68/b, the highest level since October. However, the momentum was short lived as a spree of fund sell-offs for profit-taking amid a recovery in the US dollar along with losses in the equity markets pressured sentiment. **Nymex WTI** front month contracts averaged $71.43/b or $3.14 higher for the week to close at $70.47 or 46¢ firmer. Nonetheless, in the **third weekly** period the **CFTC** reported that non-commercial net long positions were almost halved, deflated by a hefty 21,500 lots to 26,400 contracts, amid depletion of the longs while short positions inflated significantly. Open interest volume was down by 5,500 lots to less than 1.2 million contracts. With options included, open interest volume was 32,200 lots wider at well over 2.6 million contracts, the highest volume in six weeks.

In the **fourth weekly** period, the **CFTC** revealed that non-commercial net long positions inflated by almost 13,000 lots to 39,400 contracts amid a hefty liquidation in short positions. Moreover, open interest volume was 87,600 lots narrower to around 1.1 million contracts. With options included, open interest volume was a significant 173,600 lots narrower. **Nymex WTI** closed the weekly period at $69.24/b or down $1.23 to average $69.62/b or $1.81 lower. A recovery in the equity markets along with positive economic data sustained market bullishness with the weakness in the US dollar and higher draws in crude oil stocks lending support. However, fund sell-offs in gasoline futures for profit-taking while the dollar recovered inspired the bearishness once again. The World Bank warned of a weaker economy outlook adding to the already weak market. Yet, volatility resumed once again. The weaker US dollar and speculation of steady low interest rates by the Federal Reserve dominated market bullishness.

In the **final weekly** period, the **Nymex WTI** front month was little changed, to average $69.89/b or 27¢ firmer and closed at $69.89 or 65¢ higher. Fluctuation of the US dollar dominated energy market volatility. Supply disruptions in West Africa flared market bullishness. In the **final week** non-commercial net long positions were 1,400 lots higher at 40,800 contracts. Open interest volume inflated by 49,300 lots to 1,159,900 contracts. Including options, open interest volume was 69,500 lots higher at over 2.5 million contracts.

Non-commercial net long positions averaged 38,800 contracts in **June**, 22,000 lots higher than the previous month. This was on the back of a healthy build in the long positions at a much faster rate than shorts. Net long positions were 16,200 lots higher than the same period last year. Open interest volume was 14,100 higher at 1,172,800 lots, yet 181,100 contracts lower than last year. With options included, open interest volume inflated by almost 12,000 lots to over 2.5 million contracts, yet 328,500 lots lower than last year. Nymex WTI averaged $69.70/b in June, $10.49 or nearly 18% higher to close the month at $69.89/b. The contracts peaked to well over $72/b, the highest since October. Market bullishness was mostly on the back of supply disruptions from West Africa, followed by the general weakness of the US dollar and investment bank reports prompting the flow of funds into energy futures. Perception of improved demand growth lent support to bullishness. However, fund sell-offs for profit-taking amid fears of a weak economy halted any further price rallies.

Graph 7: Non-commercial net long positions vs WTI, 2009



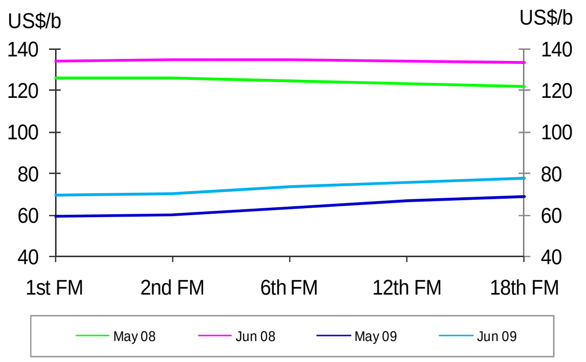
NC = Non-commercials: funds, investments and banks.
Ct = *Each contract is 1,000 barrels.

The Forward Structure

A drop in crude oil stocks supported the contango spread to narrow

The forward structure remained in contango but within a narrower range. In June the 1st/2nd month contango spread averaged 78¢/b or 15¢ narrower from May, yet 27¢ wider than last year. The 1st/6th, 1st/12th and 1st/18th contango spread averaged $3.49/b, $5.93/b and $7.61/b respectively or 53¢, $1.38 and $2.08 narrower, yet $2.62/b, $5.97/b and $8.75/b wider than last year.

Graph 8: Nymex WTI forward curve



FM = future month

Commodity Markets

Trends in selected commodity markets

Commodity price gains slowed in June

The **IMF commodity price index** increased by 11.4% in June, down by more than 40% from a year ago. This growth compares to 10% in May and 4.1% in April. Non-fuel commodity price growth was 3.7% in June m-o-m, down from 5.9% the previous month, while monthly growth in energy prices was 16.5% compared to 13.0% a month earlier.

Both equity and commodity markets experienced corrections in June after the mixed signals on the strength and timing of the recovery in the US and world economy. The persistent tumble of Japan's exports in May, cautious statements from the US President, combined with indicators that US housing and manufacturing sectors and employment remained weak, as well as negative global GDP growth estimates published by the IMF and World Bank, resulted in a collapse of confidence in the economic recovery and a strong sell-off in most commodities, especially by the end of June. Consumer confidence was badly damaged. Industrial metal prices increased to continue the recovery initiated this year in June but this is ascribed essentially to Chinese demand sustained by fiscal stimulus-fuelled growth. Although some positive indicators were recorded in China during June such as higher fixed asset investments, home and car sales, this is not enough to encourage a rapid end to the global recession. Continuing anemic demand in the OECD and a likely correction of extremely high Chinese metal imports in the coming months may bring about a downward price trend in commodity groups.

Table 2: Monthly changes in selected commodity prices, 2008-2009

		% Change		% Change
	Apr/Mar	May/Apr	Jun/May	Jun 09/Jun 08
Commodity	4.0	10.0	11.4	-40.8
Non-Energy	5.0	5.9	3.7	-24.1
Energy	3.3	13.0	16.5	-47.6
Crude	7.1	15.6	19.0	-47.4
US Natural Gas	-11.7	9.6	-0.9	-70.1
Agriculture*	4.9	6.3	0.3	na
Food	4.8	7.6	0.8	-20.4
Corn	2.5	6.9	-0.8	-37.7
Wheat	1.1	9.9	-1.3	-27.3
Soybean Oil	13.4	7.4	-1.6	-41.2
Soybeans	10.8	16.7	8.3	1.1
Sugar	3.1	5.1	5.9	-17.0
Industrial Metals	8.4	4.3	7.1	-32.3
Aluminium	7.0	2.3	8.3	-46.5
Copper	17.7	3.6	9.1	-39.5
Nickel	16.7	12.6	17.2	-33.7
Zinc	13.5	7.5	4.3	-18.4
Lead	5.7	4.0	15.1	-34.6
Gold*	-3.7	4.3	1.8	na

na Not available

Sources: IMF; Estimations based on data provided by the IMF.

** World Bank Index*

The energy index growth reported considerable gains in May

The **IMF energy commodity index** (crude oil, natural gas and coal) also experienced growth of 16.5% m-o-m in June compared to 13.1% in May and 3% in April sustained by a 19% increase in crude oil prices (average petroleum spot price) compared to 15.6% the previous month. The Henry Hub (HH) natural gas price lost all gains in June from the previous month.

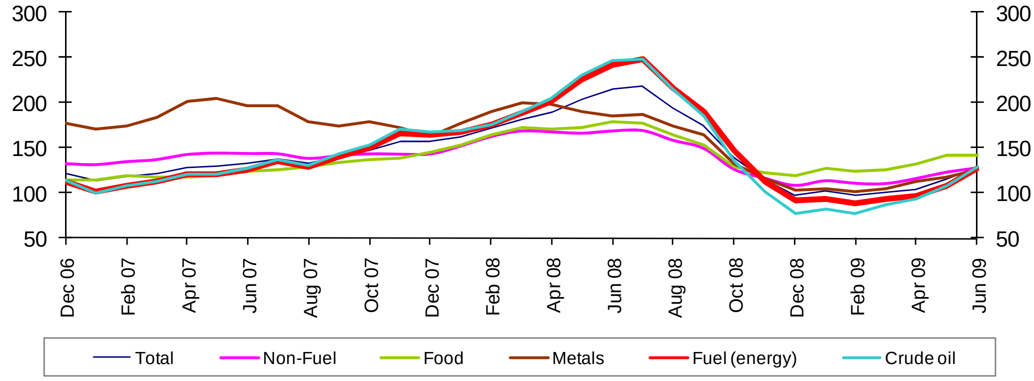
The **HH gas price** declined by 0.9% m-o-m in June amid high volatility and on the back of an 8% decline in industrial consumption in weak US industrial production and rising inventories.

Non-energy commodity prices grew 3.7% m-o-m in June, lower than the 5% registered in the previous month. Contrary to the path showed in May, growth was due to industrial metal prices as food prices evidenced a sharp deceleration.

The industrial metal price index growth rate recovered in June standing at 7.1% m-o-m up from 4% in May. This development followed the positive impact on expectations of Chinese prospects based on some positive indicators such as a soar on car and home sales and fixed investments and persistent record-high levels of metal imports owing to government stock-piling policy and favorable London Metal Exchange (LME)-Shanghai arbitrage during June. Nevertheless, it must be born in mind that the strong metal demand is related to the impact of the fiscal-induced growth in China and that global demand remains very weak.

In addition, record levels of Chinese industrial metal imports suggest lower imports over the coming months. Some markets are close to oversupplied and LME total inventories continued growing in June by 227,000 tonnes to 5,495,381 tonnes, a growth of 4.2% m-o-m compared to 5.4% the previous month. Indeed, inventories at the LME for some metals are still rising in line with the bearish trend in global demand. This suggests that a stable upward trend in industrial metal prices requires that the OECD and global demand show certain signals of recovery. With global economic recovery foreseen weak, a definitive stable upward movement in industrial metal prices is not likely. In contrast, there is the possibility of a rebound in prices in some of these markets with weaker fundamentals, like aluminium. Furthermore, there is concern about the fact that high prices in this complex could encourage the expansion of production at the wrong moment, exerting downward pressure on the markets.

Graph 9: Major commodity price indexes, 2006-2009



Commodity Price Index, 2005 = 100

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

Industrial metal prices recovered in June due to fiscal-induced Chinese demand

Copper prices climbed by 9.1% m-o-m in June, up from 3.6% a month earlier as a result of a bullish trend during the first half of June. This is essentially due to the continued very high level of Chinese imports, which increased 6% m-o-m to 337,230 tonnes in May up 258% y-o-y, according to official customs data. Booming Chinese copper imports are due to the favorable LME-Shanghai arbitrage and the State Reserves Bureau (SRB) restocking policy as well as fiscal-induced growth of China's infrastructure-focused $585bn stimulus package. Reflecting records of Chinese imports, copper inventories at the LME declined in June by 69,748 tonnes m-o-m to stand at 285,352 tonnes.

Aluminium prices in June jumped 8.3% m-o-m compared to 2.3% a month earlier. Although a m-o-m fall in Chinese aluminum imports was reported in May owing to a narrowing LME-China Shanghai arbitrage, the increase in the metal price seemed to be justified by continued high Chinese imports, which remain 309% higher y-o-y and the renewed growth of the Chinese car markets amid the climb in house- and fixed asset investment in June. Concerning global demand, US aluminium imports saw another decline in May, down 32.1% compared to the same month last year and Chinese aluminium exports fell 89% y-o-y in May. Global demand remains weak with the problems of the car industry in the US and UK. Aluminium is one of the metals with weaker fundamentals and this explains why despite booming Chinese imports, aluminum stocks at the LME increased by 295,430 to 4,316,638 tonnes, the highest level since the start of this year**.** On the supply side, high aluminium prices and growing domestic demand in China led Chinese producers to resume activities. Other producers have also announced progressive resuming of production.

Lead prices were mostly bullish in the first half of June before dropping in the second part of the month. Thus, the price rise of 15.1% m-o-m in June compared favorably to 4% a month earlier but volatility was a feature of the market in June. Lead markets benefited from some revival in demand from the lead-acid battery sector in China and other regions according to the International Zinc Study Group. Nevertheless, this was not enough to counterbalance rising inventories at the LME, which rose by 9,466 tonnes to 73,890 tonnes in June, the highest this year. The upward zinc prices in June are explained entirely by the surge in Chinese auto sales. However, reflecting weak global demand, LME inventories further increased by 10,148 tonnes to 84,536 tonnes in June m-o-m. The International Lead and Zinc Study Group estimates the lead market reached a 33,0000 tonne surplus in the first quarter of this year as a result of low demand from the car-battery sector.

Zinc prices grew by 4.3% m-o-m in June compared to 7.5% the previous month. Nevertheless, it must be highlighted that zinc prices jumped sharply during the first half of June to drop again in the latter part of the month. This may be the result of slumping Chinese lead imports in May and the bearishness of global demand due to the difficulties faced by the automotive and construction sectors elsewhere. This, combined with higher output in China and prompted by the rebound in prices at the beginning of the month that encouraged Chinese smelters and miners to resume operations, resulted in a sharp rise in the LME inventories which scaled by 12,610 tonnes to 353,375 tonnes in June on a monthly basis. This massive increase in inventories in June occurred after a drop in the previous month.

Nickel prices further increased by 17.2% m-o-m in June compared to 12.6% a month earlier. Nickel prices continued being supported by high Chinese imports driven by improving stainless steel production in China and by the restocking policy. Nevertheless, the stainless steel market outside China still faces severe problems owing to poor demand from the construction and automotive sectors. Nickel inventories at the LME declined slightly by 2,097 tonnes m-o-m in to 108,717 tonnes in June.

The **World Bank's agricultural price index** only rose 0.3% m-o-m in June compared to 6.3% m-o-m a month earlier, dragged down by a hefty decline in grain prices. The **IMF food price index** only increased 0.27% m-o-m in June which represented a sluggishness in the pace of growth from 5.8% in May. Agricultural commodities were affected by the massive sell-offs across the agricultural complex. The corn market was one of the worst performers during June showing negative growth rates despite bullish supply news. The slump in this market was linked to bearish investment sentiment and the preference of foreign buyers for cheaper Thai and Indian corn rather than US crops. There was also news on the possibility of China dumping stocks on the international corn market.

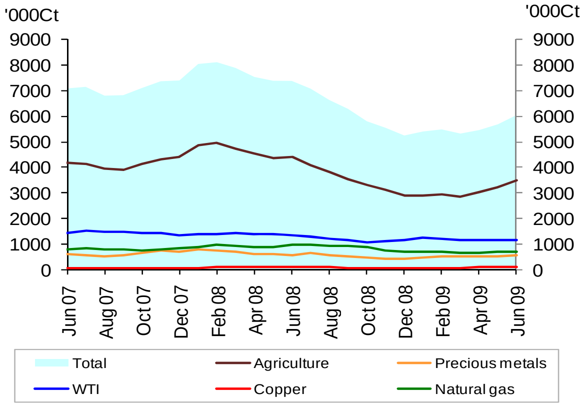
Gold prices went up by 1.8% in June, a significantly slower growth than that of 4.3% a month earlier due to signs that the worst of the recession is over.

Open interest volume in major US commodities continued growing in June

Investment flow into commodities

CFTC data for major commodity markets in the US reported a 6% m-o-m increase in open interest volume (OIV) in June, up from 4% in May, to stand at **6,400,000** contracts. OIV in wheat and soybean oil climbed 13% m-o-m in June while for corn and soybeans it rose 11.8% and 8.6% respectively. Crude oil OIV recorded a 1.2% m-o-m rise compared to no growth in the previous month.

Graph 10: Total open interest volume



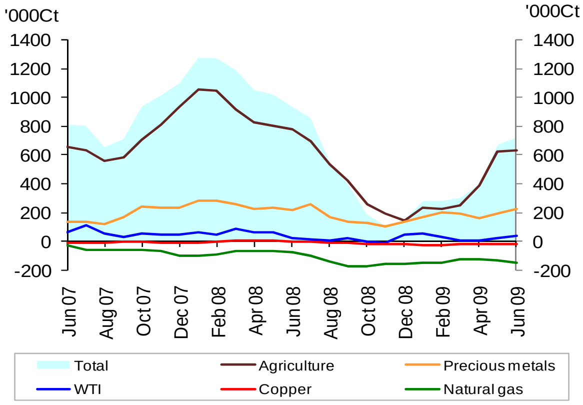
Source: CFTC

Table 3: CFTC positions, '000 contracts

	Net Positions		Long Positions		Short positions		Open Interest	
	Jun 09	Change Jun/May	Jun 09	Change Jun/May	Jun 09	Change Jun/May	Jun 09	Change Jun/May
Crude Oil	39	22	203	27	165	5	1173	14
Natural Gas	-148	-15	88	5	235	20	706	29
Agriculture	627	10	991	49	363	39	3497	289
Corn	166	14	279	31	113	17	968	102
Wheat	20	-3	110	2	90	5	427	50
Soybean Oil	18	-5	57	5	39	10	245	29
Soybeans	123	5	150	7	27	2	453	36
Sugar	168	-5	201	-4	33	2	764	62
Precious Metals	224	34	265	21	41	-13	536	27
Copper	-20	-1	20	1	39	2	110	3
Livestocks	-25	-7	90	3	115	10	379	1
Total	**698**	**43**	**1657**	**106**	**959**	**63**	**6400**	**364**

The sharp fund buying activity witnessed in major US commodity markets in May faded away in June. Long non-commercials in the markets as a whole rose by only 6.9% m-o-m, down from 18.6% last May. As shorts moved up 6.9%, the net non-commercials as a percentage of open interest volume remained at 10.9% in June. Likewise, net length in US commodity futures markets only increased by 43,000 contracts in June compared to 655,000 contracts a month earlier. This seems to be related to the correction of the rally in commodity prices which was not supported by fundamentals as well as some negative macroeconomic indicators.

Graph 11: CFTC net length by commodity group

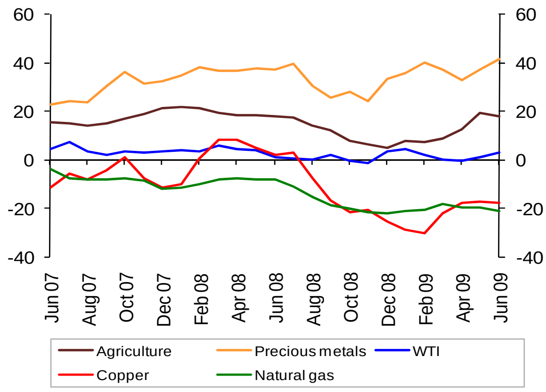


Source: CFTC

Agriculture OIV rose 9% m-o-m in June to 3,497,000 contracts, which compared favorably with 5.4% a month earlier. CFTC data for June indicates that non-commercial longs went up by only 5.3% m-o-m compared to 26.4% the previous month. As shorts increased 12.1% m-o-m, net length as a percentage of OIV moved back from 19.2% in May to 17.9% in June. Massive liquidation took place across the agricultural complex amid dropping prices, but soybean oil and corn were the most affected by the bearish mood in the paper market.

Precious metals continued catching the attention of investors. OIV saw a gain of 5.2% to stand at 536,000 contracts. Non-commercial long positions severely slowed increasing with the rise in contracts almost halved (8.7%) in June compared to 14.5% a month earlier. However, a strong 23.8% drop in shorts caused an increase in net length as a percentage of open interest volume from 37.2% in May to 41.7% in June (*see **Graphs 12** and **13***).

Graph 12: CFTC net length as % of open interest



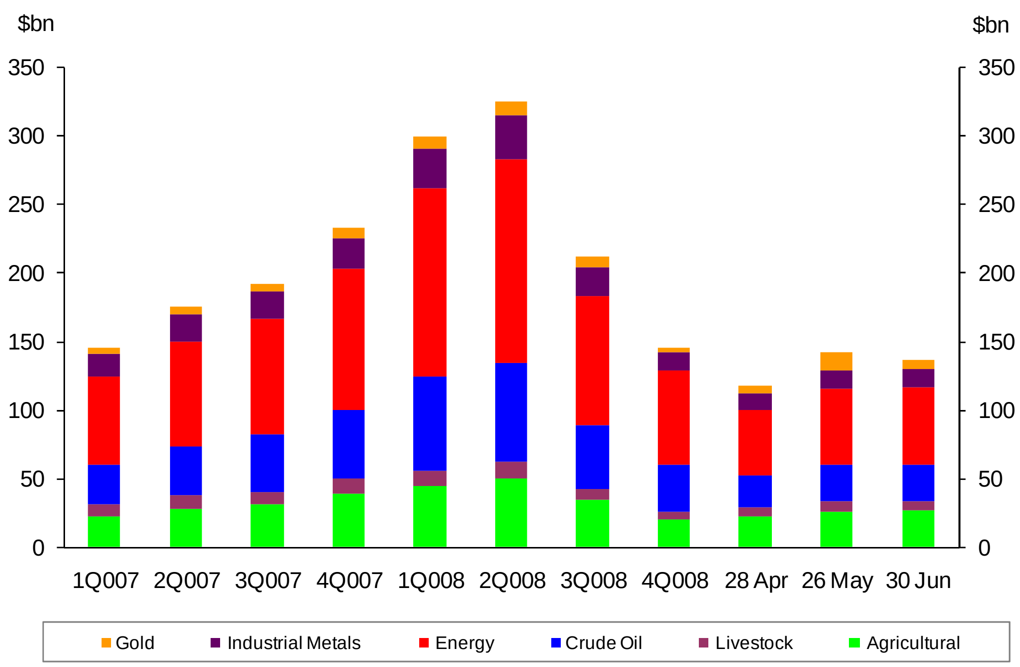
Source: CFTC

Nymex natural gas futures open interest volume **rose** 4.3% to **706,000 contracts in June**, compared to 4.1% in May. Non-commercial long positions increased 6% compared to a gain of 12% in May while shorts saw a further increase of 9.5% m-o-m in June. Thus net length as a percentage of open interest moved from -19.6% in May to -20.9% in June.

Copper open interest volume increased 3% in June, substantially lower than the 16% growth in April. An increase of 5% in both longs and short positions led net length as a percentage of open interest to stand at -17.3% in June, compared to -17.5% in May.

The rally in dollar investment inflows into most commodities seen in May disappeared in June amid mixed macroeconomic signals. Dollar investment inflows declined by 1% in crude oil in June compared to 16% growth a month earlier, while gold that undertook a hefty 150% inflow rise last month showed a decline of 54.3% in June. Strong deceleration of the inflow into agriculture, livestock and energy as a whole was also reported this month.

Graph 13: Investments in two principal commodity instruments (S&P GSCI and DJ-AIG)



Barclays estimates that total AUM increased by $34bn q-o-q in 2Q09. Commodity indices experienced a rise of $23bn/q-o-q to $86bn, the second highest q-o-q increase ever, fostered by $10bn of fresh inflow and the rest due to price appreciation. Commodity ETPs reduced their importance in 2Q09.

It is worth noting that the CFTC announced the intention to change the regulatory framework to limit excessive speculation. This has raised concern with market participants and major observers over the negative impact of misguided intervention in market operations leading to distorting trade, higher volatility and higher prices in the future.

Highlights of the World Economy

Economic growth rates 2009-2010,%	World	OECD	USA	Japan	Euro-zone	China	India
2009	-1.4	-3.9	-2.7	-6.4	-4.6	7.0	5.7
2010	2.3	0.7	1.2	0.9	-0.4	7.5	6.5

Industrialised countries

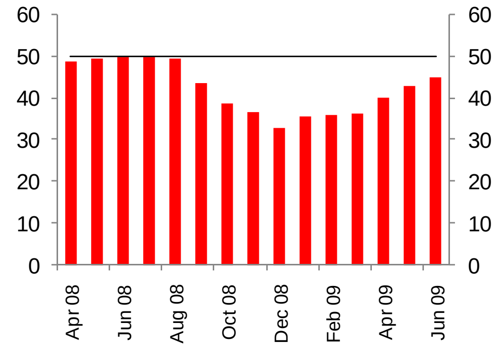
United States of America

US recovery challenged by rising unemployment and declining consumer sentiment

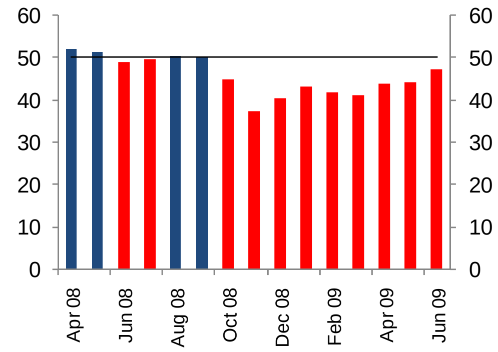
The decline in the US economy has recently shown some signs of slowing, but uncertainties about the timing of the potential recovery and its magnitude prevail. Although the economy is improving slightly, the extent to which growing unemployment and declining consumer sentiment is denting a potential rebound in economic growth remains to be seen. This will remain a challenge for an economy where about two-thirds of GDP has relied on the consumer's ability and willingness to spend.

Industrial production fell by 1.1% month-on-month (m-o-m) in May. Compared to the April decline of 0.7%, this pattern demonstrates that output has not formed a clear trend of growth yet, although it is still lower than the record decline in March of 1.7% m-o-m. In line with the worsening trend, the capacity utilization rate has deteriorated further to now stand at only 68.3% in May, after 69.0% in April, which is a new record low since its inception in 1967. While business inventories fell 1.1% in April, the stock-to-sales ratio was almost unchanged at 1.43, so inventories have to come down much more to reach levels seen last year at around 1.25. Production is not likely to pick up significantly until inventories approach this level. Despite the current declining trend and the very slow improvement in the economy, the sentiment of the manufacturing and service sector has again improved, but is still pointing at a declining economy. The ISM for manufacturing moved up again to 44.8 in June, from 42.8 in May and the ISM for the non-manufacturing sector also improved to 47.0 from 44.0 over the same period. While both indices show a positive trend over recent months, they are still below 50, which indicates a contraction. In light of worsening job market numbers and the further deterioration of consumer sentiment, it remains to be seen whether ISM levels can improve sufficiently in the near future to move above 50, although this would provide a considerable boost to confidence.

Graph 14a: ISM Manufacturing Index



Graph 14b: ISM Non-Manufacturing Index



Source: Institute for Supply Management

The unemployment rate for June was reported at 9.5%, which represents the highest level since August 1983. The worsening job market situation corresponds with the widely noted deterioration of the Conference Board Consumer Confidence Index in May. The index came in much lower-than-expected, declining to 49.3 in June, compared to 54.8 in May. While this is much higher than the levels seen in the first quarter, it is still much lower than the 57.4 recorded at the end of the recession in 1982.

The danger of deflation is certainly a concern, which, while not imminent, has to be closely watched. The Producer Price Index (PPI) in May for prices not including energy and food, has declined by 0.1% m-o-m. While PPI can be volatile, this is the first negative reading in almost three years. The more important Consumer Price Index (CPI) not including energy and food is also decreasing and now stands at only 0.1% m-o-m, after a 0.3% m-o-m increase in April and a 0.1% m-o-m decrease in March. The current pattern indicates once again that consumer prices remain under pressure.

Equity markets in the US have adopted the returning uncertainty and after a strong run of almost 40% since March lows, the S&P 500 has now retreated by around 7% from the levels of mid-June. With the earnings season just starting, it remains to be seen if it can remain at current levels or whether a further retreat is likely.

The two major sources of the crisis, the housing market and the financial industry have improved over the last month. The OIS-Libor Spread, reflecting the risk in the banking industry, has narrowed to 31 basis-points (BP) on 9 July, which is only slightly higher than the historic range reached before the collapse of Lehman Brothers at 15-25 BP. That is the lowest level in more than 17 months and in terms of risk-awareness within the banking sector can be taken as a supportive sign that the system is getting back to normal. This development was certainly driven by the support of the government, but it could lay the groundwork for improved lending to the ailing economy. The situation in the housing sector is somewhat improving. Most importantly, the fall in house prices is declining. According to the S&P/Case-Shiller Composite 20 home price index, house prices in April declined by 0.6% m-o-m compared to 2% m-o-m over the previous two months, indicating a deepening of the negative trend. Existing home sales also improved to a level of 4.77 mn in May compared to a level of 4.66 mn in April. This marks the third consecutive month of improvement. The supply of homes fell to 9.6 months in May compared to 10.1 months in April.

The GDP figure for the first quarter was revised up slightly to a decline of 5.5% at a seasonally-adjusted annualized rate (saar), compared to a figure of 5.7% in the previous reading. This was the main reason why the GDP forecast for 2009 was improved by 0.1% to -2.7% from the last month's figure of 2.8%. It remains to be seen how the still uncertain situation of the US economy will develop as new areas of concern, namely the public debt situation and the continuing worsening of unemployment, might put further pressure on an expected recovery in the second half. Although these uncertainties remain, the US is expected to return to growth at a level of 1.2% in 2010.

Japan

Japan seems to have reached a bottom, but the outlook remains muted

The current situation in Japan has improved, but the outlook for the economy remains muted. Factory output in Japan rose 5.9% m-o-m in May, increasing for the third month in a row and matching the gains in April, but down from 7.9% growth in March, the largest output increase since 1953. The Trade Ministry expects the gains in production to slow to 3.1% in June and to 0.9% in July, indicating that the inventory restocking may soon run its course. This rebound in output comes after inventory levels in Japan are being adjusted, after having been reduced significantly in light of the current recession. The Coincident Index of the Cabinet Office, a measure of the current state of the Japanese economy, showed a small increase to 86.9 in May from 86.0 in April. The current rebound is supported by extensive support packages that have been launched by the government since the end of last year, but there are concerns that as soon these positive effects of the stimulus abate, the economy might lose steam again.

Machine orders were falling unexpectedly for a third month and are reflecting further challenges for economic growth. An important indicator for near-term spending by companies, orders declined by 3% in May after falling 5.8% in April m-o-m. This lower-than-expected number corresponds with the findings in the recent Tankan survey, the quarterly survey of the Bank of Japan (BoJ), which is an indicator for various aspects of the economy as seen by large firms in Japan. In this Tankan, large firms expect earnings to fall by 20% in the fiscal year and therefore plan to cut spending further by 9.4% in the current fiscal year, more than the 6.6% drop predicted in the March Tankan survey, indicating that companies remain under strong pressure to trim capital. This shortfall in machinery orders comes despite the extensive support package of the government. Public sector orders have also declined by 11% in May m-o-m and a further 22% m-o-m in April. Despite the relative downbeat findings in the Tankan survey, with regard to further spending cuts, the survey showed some improvement in general as its headline index-number increased from the all-time low of minus 58 in March to now minus 48. For example, Toyota — the largest automaker in Japan and one of the most important companies in Japan — is forecasting a second year of losses and planning to slash spending a further 26% this year. Although the positive momentum of the economy in Japan seems to have slowed somewhat, the BoJ has said in the Tankan report that the recession in Japan is easing in all nine regions of the country. However, it highlighted that most regions continue to be in a “severe situation”.

The unemployment rate has increased again from 5% in April to 5.2% in May and now stands at the highest level since November 2003 when it stood at 5.1%. This corresponds to a decline in retail sales in May to 2.8% y-o-y, a level that is unchanged compared to April. This is the ninth consecutive month of declines. Despite this negativity, household spending increased for the first time in 16 months in May, but this might have been a one-off as it seems to have been largely driven by cash handouts by the government.

Household confidence rose to a 14-month high in May, adding to signs that despite the worsening situation in the employment market, the 25 trn yen support package — which includes cash-handouts, tax breaks and other incentives to buy cars and electronics — does support sentiment. This boost in confidence was also reflected by shipment volumes of Yamato, the largest parcel delivery company in Japan, which increased in June for the first time in eight months.

Another major challenge for the economy continues to be the ongoing threat of deflation. Consumer prices in May fell by 1.1% y-o-y. That has been one of the sharpest drops in prices since Japan began to record comparable statistics in 1971. One reason for the decline is falling energy prices, but even excluding them prices were still down by 0.5% y-o-y in May.

Exports dented any positive momentum, decreasing by more than 40% at the rate of 40.9% y-o-y in June, worse than in April which had seen the second consecutive month of improvement at a rate of -39.1% y-o-y. Exports to the United States again slipped for the twenty-first straight month by 45.4% y-o-y, but slightly less than the 46.3% y-o-y in April. Exports to China, now Japan’s most important trading partner, declined by 29.7% y-o-y, the eighth consecutive monthly fall and again a rise from the April number of -25.9% y-o-y.

Japanese corporate bankruptcies rose 7.4% in June from a year earlier, according to Tokyo Shoko Research Ltd. For the first half of 2009 this number was 8.3%. Bank lending also moved down to the lowest level of increase over the last eight months to only 2.5%, according to the BoJ.

The Bank of Japan is keeping its key interest rate at the level of 0.1% and is continuing its programme of buying commercial paper and corporate bonds from lenders as well as lending limitlessly in exchange for sufficient collateral. The programmes expire at the end of September, but might be subject to extension in case the situation does not continue to improve. According to a recent Bloomberg Survey, Japan is expected to grow by 2.3% saar in the second quarter after a record decline in the first quarter of -14.2% saar.

The stimulus package in Japan seems currently to be the main support for the economy. Due to the ongoing challenges, the economy is forecast to decline by 6.4% in 2009 before recovering to grow by 0.9% in 2010.

Euro-zone

The Euro-zone is still the most affected region of the OECD

While in most of the OECD countries a bottoming-out in the second quarter appears to be a reasonable development, this is not applicable to the Euro-zone which continues to suffer from declining exports, rising unemployment and falling domestic demand. On top of those issues that have been around over the last months, June Consumer Price Inflation (CPI) has turned negative for the first time since records began in 1991 at a rate of -0.1% y-o-y. This is even the lowest level since 1953, according to calculations of the Royal Bank of Scotland. The Euro-zone economic confidence survey shows that consumers expect prices to fall, rather than rise in the next 12 months. Industrial producer prices also declined, at a level of 0.2% m-o-m in May for the sixth consecutive month. On an annual basis, this is the largest drop over the last 6 months at a rate of -5.6% y-o-y, representing a sharp drop in prices. As in previous months, the CPI number again undershoots the ECB's target of "below, but close to 2% inflation". Despite this development the ECB kept its key interest rate at 1% in its latest meeting, although it extraordinarily injected 442bn euros in one-year loans into the banking system at the end of June. The ECB is still worried with regard to potential long-term inflation and views short-term price pressure as a temporary phenomenon, according to the ECB President. Despite the high level of liquidity that the ECB is providing, business lending has been growing only at 4.4% y-o-y in May and household borrowing even turned negative to a rate of -0.2% y-o-y. Another major concern of the ECB is the situation of the Euro-zone banking system, as was highlighted in its Financial Stability Report in June. Potential write-downs of a further 202bn euros are expected until the end of 2010. Concerns about the stability of the banking system were again voiced by Sweden at the beginning of July, which is currently holding the rotating Presidency of the European Union (EU). According to Sweden's Prime-Minister, the European Union's financial sector faces potential losses so large that the bloc's governments cannot afford the risk borrowing more money to boost Europe's economy.

Unemployment is still on the rise now hitting 9.5% in May compared to 9.3% in April. Among the bigger countries, Spain once again has the worst level of unemployment at a rate of 18.7%. Youth unemployment in Spain is moving up towards 40% and now stands at 36.9% compared to an already high number for the total Euro-zone at 19.6%. In Germany, the Euro-zone largest economy, unemployment declined slightly to a rate of 8.2% from 8.3% in May, mainly due to government short-time working schemes. The Ifo-Index in Germany, one of the most important national business sentiment indices, rose to 85.9 in June, higher than the May number of 84.3. These improvements in sentiment are still not being reflected in the real economy. New orders in Germany's machinery industry were still declining by 48% y-o-y in May, according to the VDMA, the association of the machinery industry. While domestic demand was better at -42% y-o-y, orders abroad were declining by 51% y-o-y That is being reflected in new industrial orders for the Euro-zone, which serve as a future indicator of the near-term production cycle. These declined by 1.0% m-o-m in April, compared to a decrease of 0.2% m-o-m in March, both numbers pointing to an improvement from the low numbers in November and December of last year, when orders declined by 7.0% m-o-m and 8.4% m-o-m respectively, however, the industry still seems to be in decline for the near-term.

Sentiment in the Euro-zone has improved somewhat. The Markit-PMI for the Euro-zone rose to a 9-month high. While this signals an easing of the downward pressure on the Euro-zone, it is still points to a contraction in growth. The composite PMI which covers the manufacturing sector and the services area rose to 44.6 in June from 44.0 in May. While the current numbers of the PMI are consistent with a 0.5% to 0.6% decline in the Euro-zone, the June data will raise questions about the strength and the durability of the recovery process in the euro area, according to Markit. The PMI for Germany remained unchanged at 44.0 from May. In France, the situation improved at a faster pace with the PMI now standing at 47.8, compared to the May number of 46.6, a development that gives hope that in France the recession could substantially ease in the second half of the year.

The economic confidence numbers of the European commission also edged up again by 3.1 points to stand at 73.3 in June. That is the highest number since November 2008. Consumer optimism and the sentiment of the service sector rose, while confidence in industry increased by a lesser extent. This was the third consecutive increase for the survey since its lows in March, but the Commission pointed out that it is still below the level of the last trough in the Euro-zone economy in 1992. However, the predictive power of the survey is still lagging behind the real data.

GDP growth for the first quarter was confirmed by Eurostat at -2.5% q-o-q. Exports were the main component that were pushing GDP down at -8.8%, while household consumption fell by 0.5% in the Euro-zone. A lot of challenges remain for the Euro-zone in the near-term and while the declining trend has improved, the bottom might not be reached before the third quarter of this year. The GDP forecast for 2009 has therefore been adjusted by -0.4% from -4.2% to -4.6%. Next year seems to remain challenging as well and the Euro-zone is expected to decline by a further 0.4%.

Former Soviet Union

FSU bloc hit hard by the global financial crisis

Russia's economy, heavily dependent on exports of energy and raw materials, was hit hard by the global financial crisis. According to the government, Russia's GDP plunged 11% in May compared to the same period last year, after contracting 9.8% year-on-year in the first four months of this year The economy is close to the lowest point of its contraction. In sectors exposed to the global economy, a revival can be seen and exports are expected to grow, while the sectors tied to domestic demand, especially investment are still showing a major decline... Russian consumer prices rose 0.2% between 23 June and 29 June, according to the Federal Statistics Service, or Rosstat. This brings average inflation to 0.6% since the beginning of the month and to 7.4% since the beginning of the year - decisively below the 8.7% recorded during the same period last year. The country's official inflation target for the year-end is below 13%. The World Bank predicts Russian inflation at between 11% - 13%. The trade surplus shrank 53.4% to $41.9 bn in the first five months of the year compared with the same period of the previous year. On the positive side, one notes that manufacturing shrank last month at the slowest pace since September 2008 as stronger domestic demand offset falling export orders and companies cut jobs at a slower rate. Meanwhile, the government is rolling out new programmes in a bid to jumpstart the shrinking economy. Previous efforts, including more than 2.5 trn rubles of stimulus funding and three interest rate cuts since April 2009 did not adequately prompt bank lending or stem the economic contraction.

Official data showed that Ukraine's economy shrank 20.3% in the first three months of this year making the Ukraine one of the world's worst hit countries in the global economic crisis. The National Statistics office data, based on a comparison with the first quarter of 2008, showed the construction sector was hardest hit, declining 54% over the last 12 months while industry went down 36.5%. The Ukraine’s inflation rate, the highest in Europe, unexpectedly rose in June for the first time since February, led by household utility prices and higher costs for tobacco and railway transportation. The Ukraine has been trying to curb inflation as the nation copes with the effects of the global financial crisis, which weakened the national currency and pushed the economy into recession. The government has pledged to bring annual price growth below 10% this year from 22.3% in 2008. The International Monetary Fund has already given $7.3bn in loans to the Ukraine as part of a $16.5bn bailout agreed last year in exchange for budget and economic reforms.

Developing Countries

China’s 2009 GDP growth forecasts revised up

Most international agencies such as the IMF, World Bank and OECD raised their forecast of China’s economic growth this year. The forecast revisions follow a string of upgrades to China's economic outlook for this year by both public organizations and private economists. In recent months, major Chinese economic indicators, including fixed-asset investment and industrial output growth, have shown signs of improvement. However, uncertainty remains including deflationary price pressures which are expected to linger as spare capacity remains high. China's main inflation indicators remained negative in May 2009 as prices eased. The consumer price index (CPI), the main gauge of inflation, registered a year-on-year decline of 1.4% in May, the National Bureau of Statistics (NBS) said. Chinese policy makers also need to stay watchful over loan quality. For the rest of 2009, strong demand is expected to lift China's year-to-year gross domestic product growth above the 6.1% achieved in the first quarter. The outlook for 2010 is more uncertain and depends on the extent to which private consumption and business investment react to the stronger economic situation, as both the fiscal and monetary stimulus will be easing.

Indian economy expected to pick up

India's economy is likely to expand between 6.25% and 7.75% in the current fiscal year, the government said. The speed at which the Indian economy returns to the high growth path in the short term depends on the revival of the global economy, particularly the US economy, and the government's capacity to push some critical policy reforms in the coming months. India's recovery is likely to be aided by favourable external factors such as a pickup in trade and resumption of capital flows into the stock market. However, a burst in commodity prices including that of crude oil may hinder the revival.

Consumer and government spending in Brazil are helping offset a plunge in investment and exports that has pushed Latin America’s biggest economy into its first recession since 2003. After cutting the benchmark interest rate to a record 9.25%, policy makers said they will be more “parsimonious” in the future.

OPEC Member Countries

Anti-crisis stimulus measures support UAE economy

The UAE's anti-crisis stimulus measures as a percentage of (GDP) are the largest among global emerging markets. The UAE Central Bank has put in place two support packages worth Dh120 bn to boost liquidity. It has also guaranteed bank deposits and allowed lenders to perform dirham-dollar swaps. The Abu Dhabi Government pumped about Dh16 bn into a recapitalisation exercise involving five banks. These measures constitute about 16% of the country's 2008 GDP. Gulf nations such as the UAE, Kuwait and Saudi Arabia have significant fiscal leeway to support their economies as they have accumulated fiscal savings in the past few years and public sector debt levels are low.

Oil prices, the US dollar and inflation

In June, the US dollar continued its decline against the major currencies

The US dollar in June continued to weaken against the euro by 2.7% and depreciated by 5.8% versus the pound sterling, 2.4% against the Swiss franc but was almost unchanged versus the yen with a rise of 0.2%. Against the modified Geneva I + US dollar basket, the dollar fell more than 1.9% in June compared to a decline of 2.5% in May. Against the euro, the dollar averaged $1.4015/€ in June compared to $1.3646/€ in May.

Weak US economic data kept the dollar under pressure. The decline in the stock market and shift from US dollar-denominated assets to other higher yielding assets supported the further weakening. Furthermore, continuing uncertainties with regards to the debt situation in the United States combined with the recent debate about the potential need for a second stimulus package kept the US dollar under pressure. The interest rate situation is also expected to continue to be in favor to the euro and the pound sterling. Both central banks seem to judge inflation as a concern for the future and the ECB has indicated that it has no intention in the short-term to lower interest rates from the current level of 1.0%. Separately, the Bank of England has announced that it does not have any plans to expand its quantitative easing program.

In June, the OPEC Reference Basket rose $11.38/b or 20.0% to $68.36/b from $56.98/b in May. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket price increased by $6.54/b or 17.5% to $43.89/b from $37.35/b. The dollar declined by 1.9%, as measured against the import-weighted modified Geneva I+US dollar basket, while inflation remained almost flat with a rise of 0.2%.*

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

World Oil Demand

World oil demand to decline by 1.6 mb/d in 2009

World oil demand in 2009

World oil demand is settling down in line with the current world economic situation. Although oil demand in the US is showing slight improvement month-to-month reflecting better industrial production activities, there is no sign of recovery in the other OECD regions. US gasoline demand is returning to show growth; however, US oil demand will remain the wild card and any further downward revision will impact world oil demand as a whole.

Table 4: World oil demand forecast for 2009, mb/d

							Change 2009/08	
	2008	1Q09	2Q09	3Q09	4Q09	2009	Volume	%
North America	24.29	23.62	23.07	23.08	23.74	23.38	-0.91	-3.76
Western Europe	15.22	14.84	14.30	14.95	15.00	14.78	-0.44	-2.89
OECD Pacific	8.03	8.10	7.27	7.09	7.79	7.56	-0.47	-5.82
Total OECD	**47.53**	**46.57**	**44.63**	**45.12**	**46.53**	**45.71**	**-1.82**	**-3.83**
Other Asia	9.30	9.25	9.43	9.20	9.36	9.31	0.01	0.13
Latin America	5.74	5.55	5.77	5.94	5.80	5.77	0.02	0.41
Middle East	6.88	6.94	7.06	7.28	7.04	7.08	0.20	2.96
Africa	3.17	3.24	3.20	3.14	3.25	3.21	0.04	1.15
Total DCs	**25.09**	**24.98**	**25.47**	**25.55**	**25.45**	**25.36**	**0.28**	**1.10**
FSU	4.11	3.85	3.70	4.19	4.21	3.99	-0.12	-2.85
Other Europe	0.79	0.77	0.73	0.77	0.76	0.76	-0.04	-4.42
China	7.97	7.60	8.27	8.31	7.89	8.02	0.05	0.58
Total "Other Regions"	**12.87**	**12.23**	**12.70**	**13.26**	**12.86**	**12.76**	**-0.11**	**-0.82**
Total world	**85.49**	**83.78**	**82.80**	**83.93**	**84.84**	**83.84**	**-1.65**	**-1.93**
Previous estimate	85.41	83.84	83.02	83.69	84.62	83.80	-1.62	-1.89
Revision	0.07	-0.07	-0.22	0.24	0.22	0.04	-0.03	-0.03

Totals may not add due to independent rounding.

June world oil demand reduced the loss by 1.0 mb/d y-o-y to show a decline of -2.0 mb/d up from -3.0 mb/d in May y-o-y. Most of this was a result of US oil consumption.

Table 5: First and second quarter world oil demand comparison for 2009, mb/d

			Change 2009/08				Change 2009/08	
	1Q08	1Q09	Volume	%	2Q08	2Q09	Volume	%
North America	24.84	23.62	-1.22	-4.91	24.53	23.07	-1.46	-5.95
Western Europe	15.27	14.84	-0.42	-2.78	14.94	14.30	-0.64	-4.29
OECD Pacific	8.87	8.10	-0.77	-8.68	7.82	7.27	-0.56	-7.10
Total OECD	**48.98**	**46.57**	**-2.42**	**-4.93**	**47.29**	**44.63**	**-2.66**	**-5.62**
Other Asia	9.33	9.25	-0.08	-0.81	9.52	9.43	-0.09	-0.97
Latin America	5.54	5.55	0.01	0.19	5.76	5.77	0.01	0.24
Middle East	6.75	6.94	0.19	2.80	6.85	7.06	0.21	3.12
Africa	3.20	3.24	0.04	1.11	3.17	3.20	0.03	1.07
Total DCs	**24.82**	**24.98**	**0.16**	**0.64**	**25.30**	**25.47**	**0.17**	**0.67**
FSU	4.17	3.85	-0.32	-7.66	3.79	3.70	-0.09	-2.30
Other Europe	0.83	0.77	-0.06	-7.17	0.76	0.73	-0.03	-4.46
China	7.97	7.60	-0.37	-4.63	8.17	8.27	0.10	1.24
Total "Other Regions"	**12.98**	**12.23**	**-0.75**	**-5.77**	**12.72**	**12.70**	**-0.02**	**-0.16**
Total world	**86.78**	**83.78**	**-3.00**	**-3.46**	**85.30**	**82.80**	**-2.51**	**-2.94**

Totals may not add due to independent rounding.

World oil demand reached a steep low of -2.5 mb/d in the second quarter y-o-y. However, third quarter oil demand is estimated to decline by only -1.0 mb/d y-o-y world-wide.

Table 6: Third and fourth quarter world oil demand comparison for 2009, mb/d

			Change 2009/08				Change 2009/08	
	3Q08	3Q09	Volume	%	4Q08	4Q09	Volume	%
North America	23.73	23.08	-0.65	-2.74	24.07	23.74	-0.33	-1.38
Western Europe	15.37	14.95	-0.42	-2.71	15.28	15.00	-0.28	-1.83
OECD Pacific	7.50	7.09	-0.41	-5.42	7.93	7.79	-0.14	-1.82
Total OECD	**46.59**	**45.12**	**-1.47**	**-3.16**	**47.29**	**46.53**	**-0.75**	**-1.60**
Other Asia	9.12	9.20	0.07	0.81	9.22	9.36	0.14	1.52
Latin America	5.91	5.94	0.03	0.51	5.76	5.80	0.04	0.69
Middle East	7.07	7.28	0.21	2.97	6.84	7.04	0.20	2.92
Africa	3.10	3.14	0.04	1.13	3.21	3.25	0.04	1.28
Total DCs	**25.20**	**25.55**	**0.35**	**1.38**	**25.03**	**25.45**	**0.42**	**1.68**
FSU	4.22	4.19	-0.04	-0.83	4.24	4.21	-0.03	-0.71
Other Europe	0.79	0.77	-0.03	-3.41	0.78	0.76	-0.02	-2.56
China	8.10	8.31	0.21	2.53	7.65	7.89	0.24	3.14
Total "Other Regions"	**13.12**	**13.26**	**0.14**	**1.09**	**12.67**	**12.86**	**0.19**	**1.50**
Total world	**84.91**	**83.93**	**-0.98**	**-1.16**	**84.99**	**84.84**	**-0.14**	**-0.17**

Totals may not add due to independent rounding.

Given the considerable decline in OECD oil demand, world oil demand is forecast to decline by -1.6 mb/d to average 83.8 mb/d in 2009, unchanged from the last report.

Alternative fuel

German biofuel producers are feeling the heat of the real world. Following the government's decision to reduce biodiesel price subsidies, a government proposal to cut mandatory blending by 1% was rejected by parliament. Germany, like other governments, has become more aware that increased biofuel production not only increases food prices but also harms the environment.

OECD – North America

North America to decline by 0.9 mb/d in 2009

US oil demand is starting to pick up and has reduced the sharp monthly decline. For the first time in the past 14 months, gasoline demand showed a moderate growth of 0.65% in June. The decline in industrial production, which was once the main cause of the huge decline in US oil demand, seems to be easing up. Industrial fuel showed less of a drop in June compared to May. However, poor economic data coming out of the US is an indicator that the country's recent oil demand recovery is not going be strong enough to make a big difference in the third quarter.

The swine flu epidemic took a strong toll on Mexico's oil demand in April and May. In addition, the economic crisis has had a considerable impact on the country's oil consumption. May data showed a total decline of 12.8% or 244 tb/d. Fuel oil and jet fuel declined the most, falling by 33% and 28% respectively in May. Although June oil usage is expected to be slightly better, Mexico's total oil demand will show a decline of 7.5% or 151 tb/d in the second quarter.

Canadian oil demand is in no different from the rest of North America. May data showed a massive drop in oil usage by -6.4% y-o-y. Most of this decline was a result of reduced fuel use by the industrial sector; however, transport fuel usage was almost flat. Canadian sales of refined petroleum products dipped by 5.3% or 93 tb/d in the first five months of this year from the previous year.

North America oil demand is forecast to decline by 0.9 mb/d in 2009 to average 23.4 mb/d.

Table 7: Canadian sales of refined petroleum products, tb/d

	Jan-May 2009	Jan-May 2008	Change (tb/d)	Change (%)
Motor Gasoline	702	699	3	0.4
Aviation Fuels	110	116	-6	-5.0
Diesel Fuel Oil	445	469	-24	-5.2
Residual Fuel Oil	192	205	-13	-6.3
Other Products	209	263	-53	-20.3
Total Products	**1659**	**1752**	**-93**	**-5.3**

OECD - Europe

Second quarter oil demand revised down by 0.15 mb/d to show a y-o-y decline of 2.89% or 0.44 mb/d

The weak European economy is taking a toll on the continent's oil demand. OECD Europe oil demand is still showing signs of deterioration in all products, mainly industrial. Germany's April industrial oil use declined by a strong -23% y-o-y. The summer driving season pushed Germany's gasoline consumption up by 2.6% in April; however, the average over the first four months shows a decline of 3.4% in gasoline. Germany's negative April data pushed the total average down to a growth of only 3.9%. UK's April delivery of petroleum products fell 5.7% or 88 tb/d y-o-y. Like Germany, most of the decline was a result of reduced industrial activity. France reduced consumption in May by 7.5% y-o-y. The French decline started in April after growth of 60 tb/d in the first quarter this year. A similar trend could be seen in Italy and the rest of Europe. Given this dim outlook for Europe, second quarter oil demand was revised down by 0.15 mb/d leading to a total decline of almost 3% or 0.44 mb/d y-o-y.

OECD - Pacific

OECD Pacific oil demand to decline 0.47 mb/d in 2009

Due to declining demand, Japanese oil imports plunged steeply by 17% in May y-o-y. The country's oil demand has been on the decline for the past few years. Following a 5% demand decline in 2008, this year's oil consumption is forecast to drop by another 10%. It is anticipated that the deterioration will continue throughout 2010 by an amount of 4.8%. Japan's May domestic sales of petroleum products showed a huge y-o-y reduction reaching 15.5% or 0.54 mb/d.

As a result of slowing economic activities, Japanese power consumption declined sharply. Consequently, power plant oil usage plunged by more than half in May y-o-y. Furthermore, an increase in the utilization of nuclear power plants also led to a decline in oil usage in other power plants. Contrary to the massive Japanese oil demand decline, South Korean oil demand grew by a strong 6.8% in April y-o-y. This growth came despite the negative GDP of 4% in 2009.

Table 8: Consumption of Petroleum Products in Thailand, tb/d

	Apr 09	Apr 08	Change (tb/d)	Change (%)
LPG	111	110	1	0.0
Gasoline	133	126	7	0.1
Jet Fuel/Kerosene	72	86	-14	-0.2
Diesel	333	338	-5	0.0
Fuel Oil	41	92	-51	-0.6
Other Products	142	133	10	0.1
Total	**833**	**886**	**-53**	**-0.1**

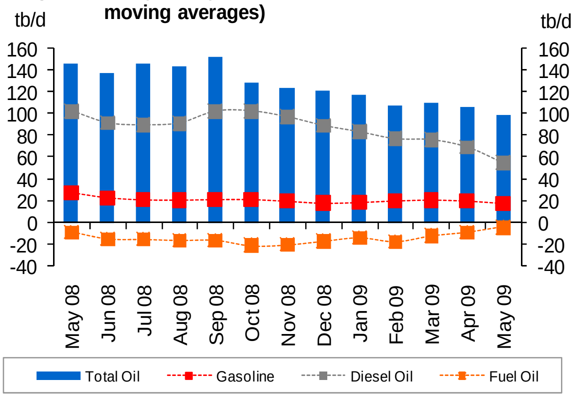
Developing Countries

DC demand suffering from the current downturn; oil demand growth is forecast 0.3 mb/d in 2009

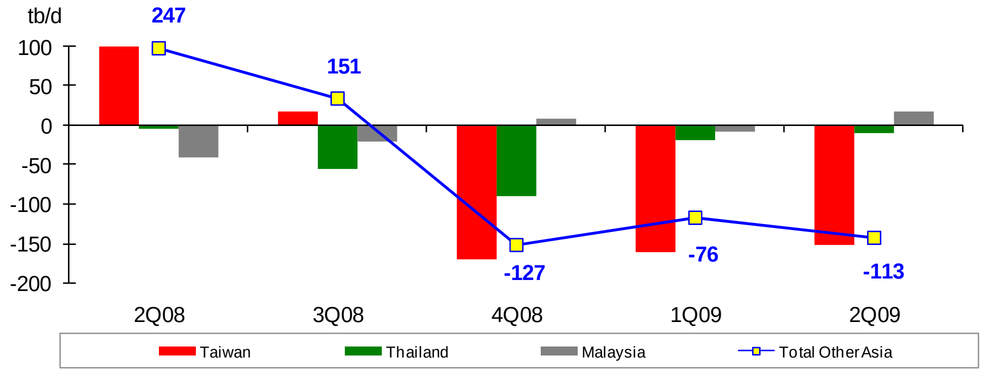
Thailand's April oil demand drop more than doubled what was seen in March, falling 53 tb/d. Fuel oil and jet kerosene declined by 55% and 16% in April. Thailand oil consumption has been on the decline since the start of the year; however, it is anticipated to bottom-out this month and remain flat until the end of the year. With the exception of India, reduced economic activity has affected oil demand in most of the Asian countries. Taiwan's oil demand plunged in the second quarter losing 0.14 mb/d y-o-y to suffer the worst performance among Asian countries this year.

Indian May oil demand was unexpectedly weak. As a result of negative diesel consumption, the country's total oil demand grew by only 0.6% y-o-y to average 3.0 mb/d. Although demand for all products was very weak, most of the decline was in the transport fuel sector. Despite the weak performance in May, India's oil demand is expected to pick up again to grow by 100 tb/d y-o-y in 2009 as forecast earlier in the year.

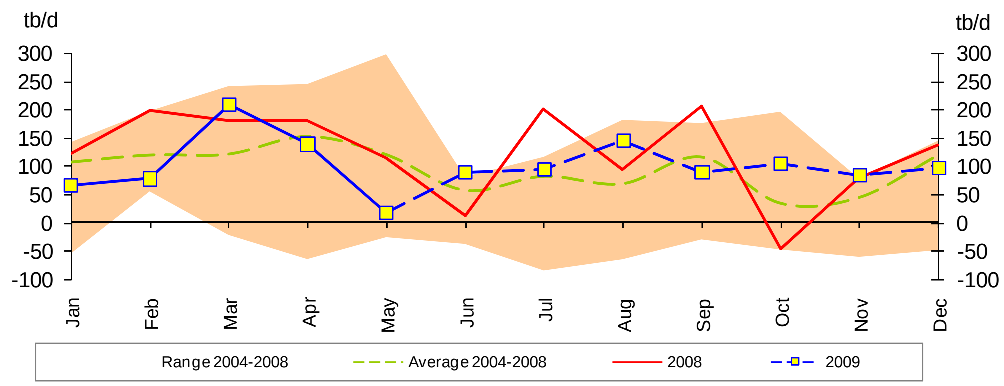
Graph 15: Yearly changes in Indian oil demand 12 month moving averages)



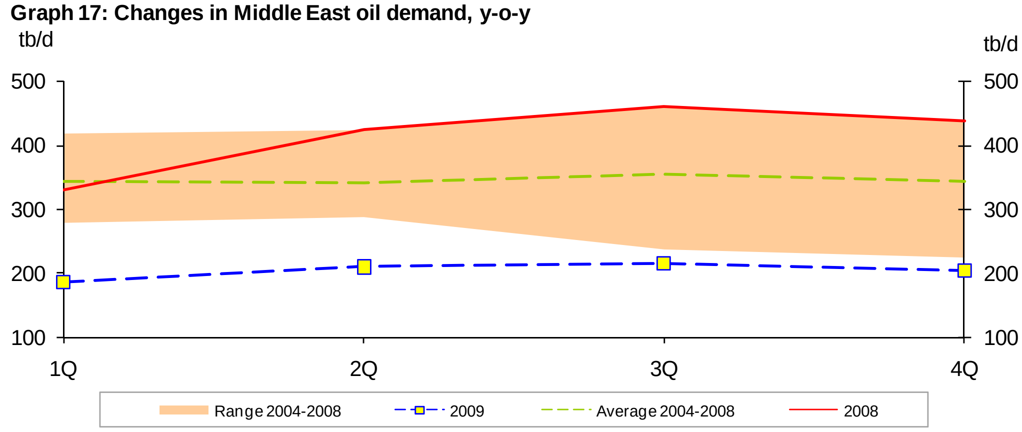
Oil consumption in selected Asian countries, y-o-y growth



Graph 16: Changes in Indian oil demand, y-o-y



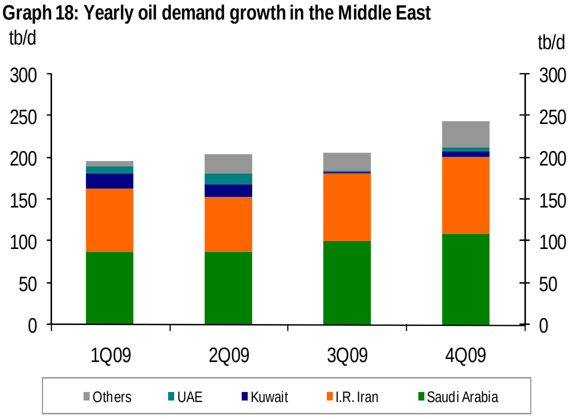
Graph 17: Changes in Middle East oil demand, y-o-y



Middle East to show growth of 3% or 0.2 mb/d

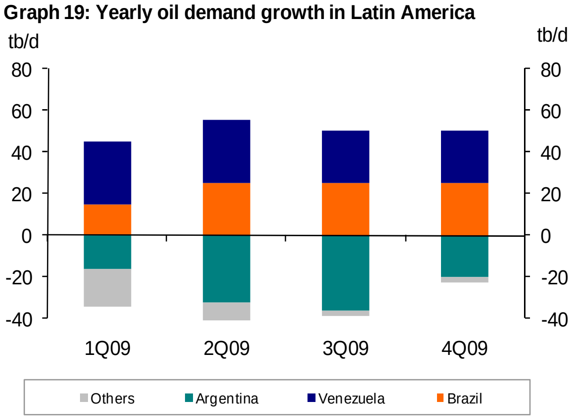
Middle East energy-intensive projects kept oil demand on the positive side this year, while most of the world's oil demand turned negative. Subsidized transportation fuel also kept demand for gasoline and diesel growing in the region. Given the relatively low GDP growth this year, Middle East oil demand is estimated to show growth of around 3% or 0.2 mb/d y-o-y in 2009.

Graph 18: Yearly oil demand growth in the Middle East



Latin American countries are forecast to achieve moderate growth this year, which presents an improvement over the last report. Brazilian oil demand, which was once the catalyst for the region's oil demand growth, is losing steam, but not as bad as initially expected. Brazil oil demand grew by 1.35% or 25 tb/d in April. The bulk of the growth was attributed to industrial use. Low diesel consumption of 11% dragged Argentina's total oil demand into the red by 2.7% in April y-o-y. However, due to the better performance early in the year, oil consumption over the first four months grew by 2.9% y-o-y. Latin America's second quarter oil demand was revised up by 30 tb/d y-o-y resulting in positive growth.

Graph 19: Yearly oil demand growth in Latin America



Despite the world economic crisis, Africa's oil demand is growing this year by 1.15%. The two largest consuming countries are Egypt and South Africa. South Africa's April oil demand grew by a strong 5%. This growth was due to the transport sector only. Africa's oil demand is forecast to grow by 40 tb/d y-o-y in 2009.

Developing countries are suffering from the current downturn in economic activities; hence, oil demand growth is forecast at 0.3 mb/d y-o-y in 2009, averaging 25.4 mb/d.

Table 9: Brazilian inland deliveries, mb/d

	Apr 09	Apr 08	Change (mb/d)	Change (%)
LPG	205	212	-6	-3.0
Gasoline	437	433	4	0.8
Jet/Kerosene	88	90	-1	-1.5
Diesel	747	778	-31	-4.0
Fuel Oil	94	90	4	4.8
Alcohol	278	222	56	25.2
Total	**1850**	**1825**	**25**	**1.4**

Other regions

Due to poor performance in the first quarter, China's oil demand is forecast to grow by only 0.05 mb/d in 2009

Despite the concerns about harming economic recovery, China decided to go ahead with the decision to increase retail petroleum prices. This rise of around 10% to gasoline and gasoil is the country's second increase since 1 June. China adopted a new retail pricing mechanism which allows the government to change the prices of transport fuel if the international oil prices swing by 4% within three weeks. This increase will certainly affect the country's transport fuel demand in the short term, but will eliminate any financial losses to refineries.

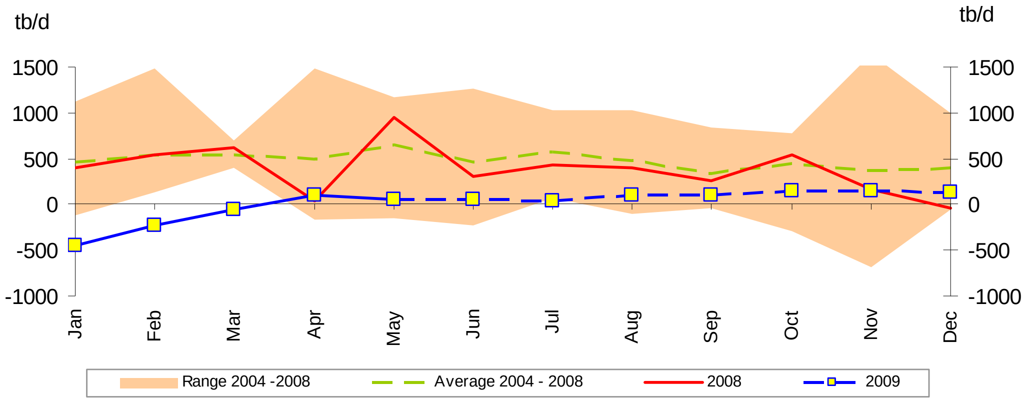
After freezing coal-to-liquid (CTL) projects for nine months, China approved a new project despite the accusation that the CTL process emits considerable pollution into the atmosphere and consumes a large amount of water which the country desperately needs for other purposes. Of course, the effect these mega-projects will have on oil demand will not be seen in the short term.

China's May apparent oil demand grew by only 0.6% y-o-y down from a strong 1.3% growth last April. Although first quarter oil demand declined by 0.37 mb/d, the second quarter is expected to grow by 0.1 mb/d y-o-y. This positive trend is anticipated to be maintained throughout the second half of the year.

Due to the poor performance of the first quarter, China's oil demand is forecast to grow by only 50 tb/d y-o-y in 2009.

The FSU's poor economy is taking a toll on the region's oil usage. First and second quarter apparent oil demand was revised down by 120 tb/d and 50 tb/d y-o-y.

Graph 20: Changes in Chinese apparent oil demand, y-o-y



World oil demand in 2010

World oil demand to return to growth in 2010 with a gain of 0.5 mb/d

With the global economic recovery expected to be moderate over the first half of the year, the bulk of the oil demand recovery is seen taking place in the second half, leading to overall moderate world oil demand growth in annual terms. Most of the growth will take place in non-OECD, mainly China, India, the Middle East and Latin America. Demand for industrial fuels is expected to be weak and mostly coming from transportation fuels and petrochemicals. US gasoline demand is expected to be back in growth; however it will remain the wild card in 2010. Any further delay in the country's economic recovery is likely to lead to a downward revision in total world oil demand. Other factors that will potentially play an important role in next year's oil demand are oil prices, taxes and removal of retail price subsidies which will lead to a moderate recovery in oil demand. World oil demand is anticipated to stop the decline and incur growth of 0.5 mb/d y-o-y, 2.1 mb/d higher than the current year to average 84.3 mb/d in 2010.

Industrial fuel, mainly diesel and naphtha, will be the products growing the most in 2010 as the industrial sector will be the key oil consumption driver. Coming out of a very low base in 2009, gasoline and jet fuel consumption will show small increases, yet the bulk will come from the growing transport sector in non-OECD countries as well as some amounts from North America and the Pacific. Non-OECD oil demand growth of 0.8 mb/d will once again account for all of world oil demand growth next year, whereas OECD is projected to show a demand contraction of 0.3 mb/d. The financial turmoil and the crisis in the world economy have affected oil demand in the first half of 2009 and will continue to do so next year as recovery in the world economy is expected to take place at a slower pace than initially anticipated.

North America to increase by only 0.2 mb/d

Total OECD is projected to decline 0.3 mb/d with Europe and Pacific down by 0.3 mb/d and 0.2 mb/d respectively. North America's oil usage is expected to increase by 0.2 mb/d. Oil demand in OECD Europe is expected to decrease by

0.3 mb/d mainly due to a weaker transportation sector and decreasing demand for motor gasoline and diesel. Winter product growth will only partly offset declining gasoline, diesel and other industrial products throughout the year. Furthermore, OECD Pacific is expected to show a continued decline due to lower oil demand in Japan. Apart from the world economic crisis, higher energy costs and taxes, energy conservation, efficiency, alternative fuels and other factors are the main reasons for the decline in OECD demand. As a result of the crisis in the US economy, North America oil demand is forecast to increase by only 0.2 mb/d in 2010 to average 23.6 mb/d.

Table 10: World oil demand forecast for 2010, mb/d

	2009	1Q10	2Q10	3Q10	4Q10	2010	Change 2010/09 Volume	%
North America	23.38	23.71	23.18	23.36	24.01	23.56	0.19	0.80
Western Europe	14.78	14.36	13.92	14.77	14.86	14.48	-0.30	-2.00
OECD Pacific	7.56	7.89	7.07	6.92	7.64	7.38	-0.18	-2.43
Total OECD	**45.71**	**45.96**	**44.17**	**45.04**	**46.51**	**45.42**	**-0.29**	**-0.64**
Other Asia	9.31	9.37	9.57	9.35	9.55	9.46	0.15	1.64
Latin America	5.77	5.62	5.84	6.02	5.88	5.84	0.07	1.22
Middle East	7.08	7.15	7.28	7.51	7.25	7.30	0.22	3.04
Africa	3.21	3.29	3.25	3.19	3.30	3.26	0.05	1.52
Total DCs	**25.36**	**25.42**	**25.94**	**26.06**	**25.97**	**25.85**	**0.49**	**1.92**
FSU	3.99	3.87	3.72	4.22	4.25	4.02	0.03	0.64
Other Europe	0.76	0.75	0.72	0.77	0.78	0.76	0.00	0.02
China	8.02	7.93	8.50	8.57	8.18	8.29	0.28	3.44
Total "Other Regions"	**12.76**	**12.55**	**12.94**	**13.56**	**13.21**	**13.07**	**0.30**	**2.36**
Total world	**83.84**	**83.93**	**83.04**	**84.66**	**85.69**	**84.34**	**0.50**	**0.59**

Totals may not add due to independent rounding.

India and the Middle East are estimated to show y-o-y oil demand growth of 0.1 mb/d and 0.2 mb/d respectively in 2010. Although agriculture and transport sectors are expected to be strong in India next year, the partial removal of price subsidies and other governmental policies are downside risks for oil demand growth in 2010. Transport, construction and petrochemical sectors will be the main drivers behind the strong Middle East oil demand next year, as was the case in 2009.

Table 11: First and second quarter world oil demand comparison for 2010, mb/d

	1Q09	1Q10	Change 2010/09 Volume	%	2Q09	2Q10	Change 2010/09 Volume	%
North America	23.62	23.71	0.09	0.36	23.07	23.18	0.11	0.49
Western Europe	14.84	14.36	-0.48	-3.23	14.30	13.92	-0.38	-2.68
OECD Pacific	8.10	7.89	-0.22	-2.67	7.27	7.07	-0.20	-2.71
Total OECD	**46.57**	**45.96**	**-0.61**	**-1.31**	**44.63**	**44.17**	**-0.47**	**-1.05**
Other Asia	9.25	9.37	0.12	1.32	9.43	9.57	0.15	1.56
Latin America	5.55	5.62	0.07	1.17	5.77	5.84	0.07	1.13
Middle East	6.94	7.15	0.21	3.00	7.06	7.28	0.21	3.01
Africa	3.24	3.29	0.05	1.51	3.20	3.25	0.05	1.53
Total DCs	**24.98**	**25.42**	**0.44**	**1.78**	**25.47**	**25.94**	**0.47**	**1.86**
FSU	3.85	3.87	0.02	0.49	3.70	3.72	0.01	0.38
Other Europe	0.77	0.75	-0.02	-2.59	0.73	0.72	-0.01	-0.69
China	7.60	7.93	0.33	4.27	8.27	8.50	0.23	2.78
Total "Other Regions"	**12.23**	**12.55**	**0.32**	**2.65**	**12.70**	**12.94**	**0.24**	**1.88**
Total world	**83.78**	**83.93**	**0.16**	**0.19**	**82.80**	**83.04**	**0.24**	**0.30**

Totals may not add due to independent rounding.

China oil demand to grow by 0.3 mb/d in 2010

China is expected to contribute the most to world oil demand growth in 2010. China is currently trying to minimize the impact of the world economic crisis by introducing several measures to support its economy. China's increasing retail fuel prices, biofuel usage and the building of more electric powered inter- and intra-city railroads will to a certain degree affect the consumption of transport fuel next year. China is also planning to increase the use of nuclear and hydropower plants which will negatively influence the consumption of coal and oil. It should be noted, however, that other sectors in China which serve as major energy drivers such as industrial production, in-land cargo, agriculture, construction, transportation and fishing will show stronger growth in 2010 than in the current year. China is trying to achieve its pre-set goal to reduce energy intensity by 5% in 2010 through the implementation of various efficiency agendas. China's apparent oil demand is forecast to grow by 0.3 mb/d y-o-y in 2010, almost 250 tb/d higher than the estimate for the current year.

Table 12: Third and fourth quarter world oil demand comparison for 2010, mb/d

			Change 2010/09				Change 2010/09	
	3Q09	3Q10	Volume	%	4Q09	4Q10	Volume	%
North America	23.08	23.36	0.28	1.21	23.74	24.01	0.27	1.12
Western Europe	14.95	14.77	-0.18	-1.22	15.00	14.86	-0.14	-0.95
OECD Pacific	7.09	6.92	-0.17	-2.45	7.79	7.64	-0.15	-1.91
Total OECD	**45.12**	**45.04**	**-0.08**	**-0.17**	**46.53**	**46.51**	**-0.03**	**-0.05**
Other Asia	9.20	9.35	0.15	1.65	9.36	9.55	0.19	2.01
Latin America	5.94	6.02	0.08	1.26	5.80	5.88	0.08	1.33
Middle East	7.28	7.51	0.23	3.20	7.04	7.25	0.21	2.95
Africa	3.14	3.19	0.05	1.63	3.25	3.30	0.05	1.41
Total DCs	**25.55**	**26.06**	**0.51**	**2.00**	**25.45**	**25.97**	**0.52**	**2.04**
FSU	4.19	4.22	0.03	0.74	4.21	4.25	0.04	0.90
Other Europe	0.77	0.77	0.01	0.65	0.76	0.78	0.02	2.62
China	8.31	8.57	0.26	3.13	7.89	8.18	0.29	3.68
Total "Other Regions"	**13.26**	**13.56**	**0.30**	**2.23**	**12.86**	**13.21**	**0.35**	**2.71**
Total world	**83.93**	**84.66**	**0.73**	**0.87**	**84.84**	**85.69**	**0.84**	**0.99**

Totals may not add due to independent rounding.

World oil demand forecast for the year 2010 is based on the following assumptions:

- World GDP will grow at a slow pace from the contraction in 2009.
- The world economic recovery will strengthen in the second half of the year.
- Normal weather is expected worldwide.
- The Chinese economy is forecast to grow 7.5% in 2010, up slightly from the current year, and further domestic price and tax hikes are expected.
- The Chinese government will place emphasis on energy conservation and increased use of alternative fuels.
- China's current stimulus plans will have little effect on oil demand in 2010.
- The Middle Eastern economy will show double growth compared to 2009, boosting incremental oil demand to second place behind China.
- Apart from the slow economic recovery, various factors will slightly thin oil demand growth in Other Asia such as the removal of price subsidies, fuel switching and energy conservation programmes.
- There will be stronger utilization of nuclear power plants.
- Usage of biofuels will grow rapidly, adding another 0.15 mb/d.
- The world will see strong movement toward use of smaller and more economical vehicles.
- Most of the growth in oil usage will be in the transport fuel and petrochemical sectors.
- Industrial oil consumption will show only moderate growth as a result of delayed and slow economic growth.
- OECD economic recovery will be moderate and steady.

Oil Demand Forecast Scenarios

Variables affecting the 2010 oil demand forecast suggest alternative scenarios as an upper and lower range for the oil demand growth:

The *upper* range for world oil demand growth is forecast at 0.8 mb/d, which reflects strong oil demand growth in the US as a result of rapid and healthy economic recovery. It is suggested that the quick recovery of the US economy along with a stronger dollar will lead to cheaper oil. A healthy US economy will speed up recovery in other economies as well. Also, China's economic recovery might call for 0.1 mb/d higher-than-expected consumption. One important factor that might affect world oil demand is the price of natural gas. Should the natural gas price in 2010 move higher, then fuel oil consumption would increase worldwide as a result of reduced fuel switching.

The *lower* range for the world oil demand growth is forecast at 0.2 mb/d reflecting much slower recovery in the US economy which at the end would affect many other economies. Should the winter be warm, then a further decline in winter products will be seen. Should oil prices see some unanticipated strength throughout 2010, this will lead to lower transport fuel demand. Weaker gasoline consumption alone could trim at least 100 tb/d from the expected oil demand growth next year.

China's new price increase for transportation fuel in 2010 would have further negative effect on the country's fuel usage.

World Oil Supply

Non-OPEC

Forecast for 2009

Non-OPEC supply to grow by 230 tb/d in 2009

Non-OPEC supply growth is expected at 230 tb/d in 2009, representing an upward revision of 20 tb/d from the previous month to average 50.62 mb/d. The adjustment was due to upward revisions to the US, UK, India, Brazil, Colombia, Other Latin America, Russia, Azerbaijan and China. Downward revisions were also made to Canada, Norway, Other Western Europe, Brunei, Indonesia, Oman, Syria, Congo, Kazakhstan and Other FSU. The majority of the revisions were introduced to adjust for actual production data. In addition, the absolute level was raised due to a revision to 2007 historical data for Brazil. On a quarterly basis, non-OPEC supply in 2009 stands at 50.89 mb/d, 50.37 mb/d, 50.43 mb/d and 50.81 mb/d, respectively.

Graph 21: Regional Non-OPEC supply growth, y-o-y

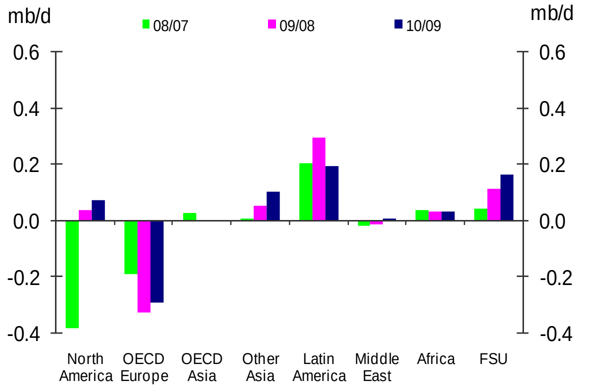


Table 13: Non-OPEC oil supply in 2009, mb/d

	2008	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08
North America	13.92	14.17	13.72	13.94	14.01	13.96	0.04
Western Europe	5.05	5.07	4.73	4.49	4.61	4.72	-0.32
OECD Pacific	0.63	0.64	0.64	0.65	0.60	0.63	0.00
Total OECD	**19.60**	**19.88**	**19.10**	**19.07**	**19.22**	**19.31**	**-0.29**
Other Asia	3.75	3.71	3.72	3.88	3.89	3.80	0.05
Latin America	4.16	4.39	4.41	4.49	4.51	4.45	0.29
Middle East	1.65	1.63	1.61	1.67	1.67	1.64	-0.01
Africa	2.74	2.73	2.74	2.80	2.83	2.78	0.03
Total DCs	**12.30**	**12.46**	**12.47**	**12.84**	**12.90**	**12.67**	**0.37**
FSU	12.56	12.63	12.85	12.51	12.69	12.67	0.11
Other Europe	0.13	0.12	0.12	0.12	0.12	0.12	0.00
China	3.85	3.80	3.84	3.90	3.89	3.86	0.01
Total "Other regions"	**16.54**	**16.56**	**16.82**	**16.53**	**16.71**	**16.66**	**0.12**
Total Non-OPEC production	**48.44**	**48.90**	**48.39**	**48.44**	**48.83**	**48.64**	**0.20**
Processing gains	1.95	1.98	1.98	1.98	1.98	1.98	0.03
Total Non-OPEC supply	**50.39**	**50.89**	**50.37**	**50.43**	**50.81**	**50.62**	**0.23**
Previous estimate	50.32	50.71	50.38	50.28	50.73	50.52	0.21
Revision	0.08	0.18	-0.01	0.14	0.08	0.10	0.02

Revisions to the 2009 forecast

Since the initial forecast, non-OPEC supply projections have experienced various downside revisions to accommodate the economic downturn and price drop. The current forecast of 230 tb/d growth is supported by significant supply increases from the US, Brazil, Azerbaijan and Kazakhstan.

US oil supply is seen to increase by 270 tb/d in 2009 over the previous year to average 7.77 mb/d, representing an upward revision of 14 tb/d from last month’s estimate. The adjustment was introduced mainly to account for healthy actual production data. Growth is supported by project startup and ramp-ups such as Tahiti, Thunder Hawk and Thunder Horse, and despite expected heavy maintenance in Alaska. Canadian oil supply is expected to decline by 20 tb/d in 2009 to average 3.23 mb/d, a downward revision of 59 tb/d from the previous month. Actual and estimated production data as well as the shutdown of Scotford oil sand upgrader and refinery in addition to the White Rose field maintenance are the main factors behind the downward revision.

Oil supply from Norway is anticipated to decline by 150 tb/d in 2009 to average 2.30 mb/d, a downward revision of 33 tb/d from the previous month. Actual production data came below expectations due to the various shutdowns, thus necessitating the downward adjustment. In contrast, UK oil supply was revised 26 tb/d higher to adjust for actual data and accommodate the startup of the Don Southwest. UK supply now stands to decline by 100 tb/d in 2009 to average 1.47 mb/d.

Adjustment to actual production figures required minor downward revisions to the Brunei and Indonesia supply forecast. India experienced a minor upward revision of 11 tb/d on the back of an adjustment due to actual figures and the expected startup of the Mangala oil field.

Brazil supply forecast went through a historical revision of 75 tb/d based on 2007 in addition to a 25 tb/d upward revision to adjust for healthy production data. Oil supply from Brazil is now expected to average 2.57 mb/d in 2009, an increase of 220 tb/d over the previous year. The Frade field came onstream in June. Colombia supply is now projected to average 0.65 mb/d in 2009, representing growth of 60 tb/d and indicating an upward revision of 13 tb/d from last month to take into account actual figures. Oman, Syria and Congo went through minor downward revisions of 7 tb/d to adjust for new production data.

Russia and Azerbaijan oil supply experienced upward revisions of 45 tb/d and 26 tb/d on healthy production data from previous month’s estimates supported by the Uvat and Tarkhovskoye projects in Russia and the Azeri-Chirag-Gunashli (ACG) in Azerbaijan. Russian oil supply is now expected to average 9.74 mb/d, a decline of 40 tb/d while Azerbaijan is seen to grow 90 tb/d to average 0.99 mb/d in 2009. Kazakhstan experienced a minor downward revision of 9 tb/d since last month’s estimate to adjust for actual data that came slightly short of expectations due to maintenance.

China is expected to average 3.86 mb/d in 2009, an increase of 10 tb/d over 2008 and an upward revision of 10 tb/d on the back of adjustment to production data and expectation of ramp-up of the Penglai developments.

Forecast for 2010

Non-OPEC supply projected grow by 0.33 mb/d in 2010

Non-OPEC supply is forecast to increase by 0.33 mb/d over the current year to average 50.96 mb/d in 2010. This forecast will be affected by various risks and uncertainties associated with the ongoing financial crisis in addition to the traditional factors that influence oil production forecasts, such as technical difficulties, policies and weather conditions. Furthermore, lower oil prices and the continuing fluctuation in commodity prices might not provide sufficient incentive to encourage operators to bring more volume to the market. Hence, the risks and uncertainties remain intact on both sides. On a quarterly basis, non-OPEC supply is expected to stand at 51.04 mb/d, 50.68 mb/d, 50.77 mb/d and 51.34 mb/d, respectively.

Table 14: Non-OPEC oil supply in 2010, mb/d

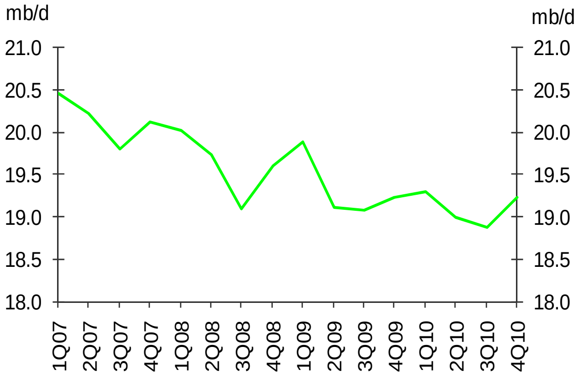
	2009	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09
North America	13.96	14.10	13.94	13.95	14.13	14.03	0.07
Western Europe	4.72	4.59	4.45	4.27	4.43	4.43	-0.29
OECD Pacific	0.63	0.60	0.60	0.65	0.66	0.63	0.00
Total OECD	**19.31**	**19.29**	**18.99**	**18.87**	**19.23**	**19.09**	**-0.22**
Other Asia	3.80	3.91	3.92	3.89	3.90	3.90	0.10
Latin America	4.45	4.57	4.57	4.68	4.76	4.64	0.19
Middle East	1.64	1.67	1.66	1.65	1.64	1.65	0.01
Africa	2.78	2.80	2.79	2.81	2.83	2.81	0.03
Total DCs	**12.67**	**12.95**	**12.93**	**13.02**	**13.12**	**13.01**	**0.34**
FSU	12.67	12.77	12.77	12.83	12.96	12.83	0.16
Other Europe	0.12	0.12	0.12	0.12	0.12	0.12	0.00
China	3.86	3.91	3.88	3.94	3.93	3.92	0.06
Total "Other regions"	**16.66**	**16.81**	**16.78**	**16.89**	**17.01**	**16.87**	**0.22**
Total Non-OPEC production	**48.64**	**49.05**	**48.70**	**48.78**	**49.36**	**48.97**	**0.33**
Processing gains	1.98	1.98	1.98	1.98	1.98	1.98	0.00
Total Non-OPEC supply	**50.62**	**51.04**	**50.68**	**50.77**	**51.34**	**50.96**	**0.33**

OECD

OECD supply to decline by 0.22 mb/d in 2010

Total OECD oil supply is anticipated to average 19.09 mb/d in 2010, indicating a decline of 220 tb/d from the current year. Oil supply from North America is estimated to increase by 70 tb/d over the current year to average 14.03 mb/d in 2010. OECD Western Europe supply is expected to drop by 0.29 mb/d in 2010, while OECD Pacific supply is estimated to remain flat in 2010. The expected supply increase in North America is foreseen to offset the decline in OECD Western Europe in 2010. On a quarterly basis, OECD supply stands at 19.29 mb/d, 18.99 mb/d, 18.87 mb/d and 19.23 mb/d respectively.

Graph 22: OECD's quarterly production



USA

US supply increasing 0.14 mb/d in 2010

The **US** oil supply is forecast to increase by 0.14 mb/d over the current year to average 7.91 mb/d in 2010. A major part of the supply increase is expected to come from biofuels, which are projected to grow by around 90 tb/d in 2010, as the steep decline in expected upstream spending in North America in 2009 affects output. However, there are a few projects that are foreseen to start up and add barrels to US supply in 2010 such as the Cascade, Clipper, Perdido and Droshky developments, with the latter expected to peak at 45 tb/d. Additionally, ramp-ups of projects that started in 2009 such as the Shenzi, Tahiti and Thunder Hawk will increase supply in 2010. On a quarterly basis, USA oil supply is foreseen at 7.91 mb/d, 7.87 mb/d, 7.87 mb/d and 7.99 mb/d respectively.

Canada and Mexico

Canada to grow by 80 tb/d in 2010

Canada oil supply is expected to increase by around 80 tb/d over the current year to average 3.31 mb/d in 2010. The anticipated growth is expected to come from startups and ram-ups of non-conventional oil projects such as the Horizon, Christina Lake, Jackfish, Long Lake and Muskeg. Conventional crude oil production in Canada is foreseen to decline in 2010. The recent oil price drop and the economic downturn have forced many companies to suspend, delay or cancel various projects, as the profitability came into question due to the high extraction cost required. The quarterly distribution stands at 3.34 mb/d, 3.28 mb/d, 3.28 mb/d and 3.33 mb/d respectively.

Mexico to average 2.81 mb/d

Oil supply from **Mexico** is projected to decline by 0.15 mb/d over the current year to average 2.81 mb/d in 2010. Natural decline is the main factor behind the expected drop in production despite startups and ramp-ups of different projects such as the Kambesah, Chicotepec and Yaxche. In addition, the impact of the weaker exchange rate between the peso and the dollar might slow the pace of upstream operations in 2009 and 2010 with a direct effect on output. On a quarterly basis, Mexico oil supply is expected to average 2.85 mb/d, 2.79 mb/d, 2.80mb/d and 2.81 mb/d respectively.

Western Europe

OECD Western Europe oil supply is seen to decline by around 0.29 mb/d over the current year to average 4.43 mb/d in 2010. Supply declines are expected for all OECD Western Europe major producers with quarterly figures expected to stand at 4.59 mb/d, 4.45 mb/d, 4.27 mb/d and 4.43 mb/d respectively.

Norway to drop 0.13 mb/d

Oil supply from **Norway** is predicted to decline by 0.13 mb/d over the current year to average 2.17 mb/d in 2010. The natural decline of mature producing areas is anticipated to have a great impact on Norwegian oil supply. The estimated decline is coming despite startups and ramp-ups of projects such as Valhall, Gjoa, Volund, Ormen, Tyrihans and Yme. Additionally, it is expected that upstream spending will increase in 2010 from 2009. However, the new volume will not be enough to offset the projected decline. On a quarterly basis, Norway supply is expected to average 2.25 mb/d, 2.16 mb/d, 2.07 mb/d and 2.21 mb/d respectively.

UK supply to decline 0.15 mb/d

The **UK** oil supply is projected to decrease by 0.15 mb/d from the current year to average 1.32 mb/d in 2010. Small volumes will be coming from new developments such as the Perth project, while the natural decline is expected to remove significant volume from the oil output. On a quarterly basis, UK oil supply stands at 1.39 mb/d, 1.34 mb/d, 1.26 mb/d and 1.29 mb/d respectively.

Denmark oil supply is expected to continue the declining trend in 2010 and drop 0.02 mb/d to average 0.24 mb/d. **Other Europe** oil supply is estimated to increase by 0.02 mb/d in 2010 to average 0.71 mb/d supported mainly by biofuel growth.

Asia Pacific

OECD Asia Pacific oil supply is estimated to average 0.63 mb/d in 2010, unchanged from the current year. On a quarterly basis, OECD Pacific oil supply is seen to average 0.60 mb/d, 0.60 mb/d, 0.65 mb/d and 0.66 mb/d respectively.

Australia supply to decline by 0.02 mb/d

Australia oil supply is foreseen to decline by 20 tb/d from the current year to average 0.51 mb/d in 2010. There are a few developments that will add barrels to the oil output such as the Angle, Montara, Pyrenees and Van Gogh, with the latter expected to start by the end of 2009 after the encountered delays due to the fire at the shipyard preparing the FSOP for the project. However, the anticipated natural decline is seen to more-than-offset the expected new barrels from the mentioned developments. On a quarterly basis, Australia supply is foreseen to average 0.48 mb/d, 0.49 mb/d, 0.54 mb/d and 0.55 mb/d, respectively.

Oil supply from **New Zealand** is projected to increase by around 20 tb/d over the current year to average 0.11 mb/d in 2010. The increase is supported by the Maari and Kupe developments.

Developing Countries

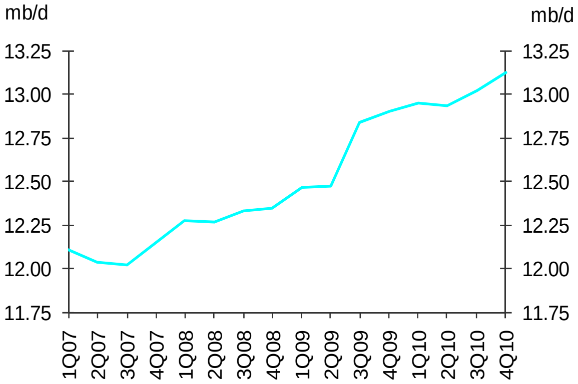
DC supply to grow by 0.34 mb/d in 2010

Developing Countries (DCs) are expected to increase by 0.34 mb/d over the current year to average 13.01 mb/d in 2010. The majority of the growth is coming from Latin America and Other Asia, while Africa and the Middle East supply is expected to increase slightly. On a quarterly basis, DC's total oil supply is projected to stand at 12.95 mb/d, 12.93 mb/d, 13.02 mb/d and 13.12 mb/d respectively.

Other Asia supply to increase by 0.10 mb/d in 2010

Other Asia oil supply is foreseen to grow by 0.10 mb/d from 2009 to average 3.90 mb/d in 2010. India oil supply is expected to increase by 60 tb/d in 2010 to average 0.89 mb/d. The increase is supported by the Mangala project, which is part of the Rajasthan development of three fields. The three fields are expected to have a capacity of 0.18 mb/d while Mangala will peak at 0.13 mb/d. Indonesia is estimated to add around 20 tb/d in 2010 to the oil supply supported by the Cupe and Bukat developments. Vietnam oil supply is anticipated to grow by around 0.05 mb/d in 2010 supported by projects such as the Bunga Orkid, Su Tu Den NE and Su Tu Vang. Brunei and Thailand oil supply are estimated to remain flat from 2009, while Malaysia oil supply is foreseen to drop by around 30 tb/d in 2010 on the back of natural decline. On a quarterly basis, Other Asia supply is seen to stand at 3.91 mb/d, 3.92 mb/d, 3.89 mb/d and 3.90 mb/d respectively.

Graph 23: Developing Countries' quarterly production



Latin America supply to grow by 0.19 mb/d in 2010 supported by Brazil

Oil supply from **Latin America** is forecast to increase by 0.19 mb/d over the current year to average 4.32 mb/d in 2009. Brazil is expected to be the main contributor to the growth, with an estimated supply increase of 0.21 mb/d in 2010. Among all non-OPEC countries, Brazil is seen to be on the top of the list in terms of supply growth. Various fields will startup and ramp-up in Brazil such as Parque Da Conchas (BC-10), Cachalote, Frade, Marlim Leste Jubati, Marlim Leste P-53, Marlim Sul P-51 and Pinauna. Additionally, biofuel production is anticipated to grow by around 60 tb/d in 2010. Average oil supply from Brazil is estimated to stand at 2.79 mb/d in 2010. Oil supply from Colombia is forecast to grow by 0.03 mb/d in 2010 to average 0.68 mb/d supported by projects such as the Rubiales. Argentina oil supply is expected to decline by 0.04 mb/d in 2010 on the back of a natural decline and reduced investment. On a quarterly basis, Latin America supply stands at 4.57 mb/d, 4.57 mb/d, 4.68 mb/d and 4.76 mb/d respectively.

Middle East supply to remain flat in 2010

The **Middle East** is projected to remain relatively unchanged in 2010 from the current year, with a minor increase of 1 tb/d. Oman oil supply is expected to increase by 0.02 mb/d in 2010 supported by the enhanced oil recovery (EOR) projects at Mukhazina, Harweel and Qarn Alam, while Yemen supply is estimated to decrease by 0.02 mb/d in 2010 on a natural decline. On a quarterly basis, the Middle East supply stands at 1.67 mb/d, 1.66 mb/d, 1.65 mb/d and 1.64 mb/d respectively.

Africa supply to average 2.81 mb/d in 2010

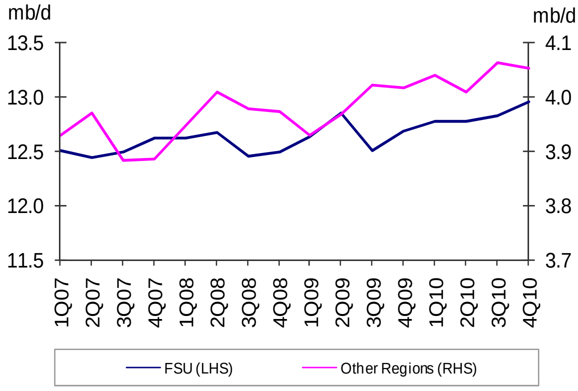
Oil supply from **Africa** is expected to increase by 0.03 mb/d over the current year to average 2.81 mb/d in 2010. Congo oil supply is expected to increase by 0.03 mb/d in 2010 to average 0.32 mb/d, supported by the Azurite and Moho Bilondo developments. Other Africa is seen to increase by 0.04 mb/d in 2010 to average 0.45 mb/d supported by a supply increase in Ghana from the Jubilee project, which is expected to startup in the second half of 2010 with a capacity of 0.12 mb/d. Oil supply from Egypt, Equatorial Guinea and South Africa is anticipated to drop by 0.01 mb/d each on the back of natural decline, despite some volume addition from different projects. On a quarterly basis, Africa supply stands at 2.80 mb/d, 2.79 mb/d, 2.81 mb/d and 2.83 mb/d respectively.

FSU, Other Regions

FSU supply to grow by 0.16 mb/d in 2010

FSU oil supply is estimated to grow by 0.16 mb/d over the current year to average 12.83 mb/d in 2010. The expected supply growth from Kazakhstan and Azerbaijan is seen to offset the anticipated decline in Russia in 2010. Total oil supply in the FSU is estimated to stand at 12.77 mb/d in the first and second quarter, with 12.83 mb/d in the third and 12.96 mb/d in the fourth quarter. **Chinese** oil supply is foreseen to increase by around 60 tb/d over the current year to average 3.92 mb/d in 2010. Other Europe supply is believed to remain flat over 2009 at 0.12 mb/d.

Graph 24: FSU and other region's quarterly production



Russia

Russia supply to decline by 0.11 mb/d

Oil supply from **Russia** is projected to drop 0.11 mb/d over the current year to average 9.63 mb/d in 2010. The decrease is expected on the back of natural decline in mature production areas. There is significant volume addition expected to offset some of the decline from projects such as Kamennoye, Kharyaga Expansion, Talakan, Uvat, Vankorskoye, Verkhnechonskoye and Yuri Korchagin. The Vankorskoye is expected to start production in the second half of 2009 and continue ramping-up in 2010. The forecast risk for Russia is assessed high, which might require upward or downward revisions in the future. Among the main issues affecting the supply prediction is the reduced spending in 2009 on the back of the financial crisis and oil price decline. However, the devaluation of the Russian ruble against the US dollar provided some leverage for operators to continue their upstream spending. Additionally, the improvement of oil prices since the beginning of 2009 also prompted operators to enhance spending. On a quarterly basis, Russian oil supply is seen to average at 9.65 mb/d, 9.61 mb/d, 9.65 mb/d and 9.62 mb/d respectively.

Caspian

Kazakhstan supply to average 1.60 mb/d in 2010

Oil supply from **Kazakhstan** is forecast to increase by 0.11 mb/d over the current year to average 1.60 mb/d in 2010.The expected growth is supported by projects such as Komsomolskoye, Uzen, Karachaganak and Tengiz. Improved access to export pipelines is seen to back the anticipated output rise in 2010. On a quarterly basis, Kazakhstan supply is seen to stand at 1.59 mb/d, 1.59 mb/d, 1.56 mb/d and 1.64 mb/d respectively.

Azerbaijan supply to grow by 0.13 mb/d

Azeri oil supply is estimated to grow by 0.13 mb/d over 2009 to average 1.12 mb/d in 2010. The Azeri-Chirag-Gunashli (ACG) expansion project is expected to support the anticipated supply increase with plans to reach a capacity of 1.0-1.2 mb/d in 2010-2011. Additionally, condensate volumes from the Shah Deniz development are seen to provide further support to Azerbaijan supply. On a quarterly basis, Azerbaijan oil supply expected to average 1.05 mb/d, 1.09 mb/d, 1.13 mb/d and 1.19 mb/d respectively.

Other Europe supply is predicted to remain relatively steady in 2010 compared to 2009 at an average of 0.12 mb/d.

China

China supply to average 3.92 mb/d in 2010

China oil supply is expected to increase by 0.06 mb/d over the current year to average 3.92 mb/d in 2010. Projects such as the Bo Zhong South, Yendong Laiohe and Penglai are seen to add new volumes to China oil supply. Additionally, biofuels and coal-to-liquid volume will also add some barrels to China oil supply in 2010. Natural decline is anticipated to reduce output from mature production fields, yet the new additions are foreseen to more than offset this. On a quarterly basis, China is estimated to average 3.91 mb/d, 3.88 mb/d, 3.94 mb/d and 3.93 mb/d respectively.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are estimated to average 4.72 mb/d in 2009, representing growth of around 0.41 mb/d over the previous year. In 2010, OPEC NGLs and non-conventional oils are forecast to increase by 0.54 mb/d to average 5.36 mb/d. Growth in 2010 is coming from Qatar, Saudi Arabia, UAE, Iran, Nigeria and Kuwait.

Table 15: OPEC NGLs + non-conventional oils, 2007-2010

	2007	2008	Change 08/07	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08	2010	Change 10/09
Total OPEC	**4.03**	**4.31**	0.28	4.54	4.63	4.79	4.94	**4.72**	0.41	**5.26**	0.54

OPEC crude oil production

OPEC crude output averaged 28.33 mb/d in 2Q09

OPEC crude oil production averaged 28.44 mb/d in June, a minor increase of 39 tb/d over the previous month, according to secondary sources. Not including Iraq, OPEC output averaged 26.03 mb/d for a gain of 56 tb/d. The increase came mainly from Angola, Iran and Saudi Arabia, while crude production from Nigeria declined. OPEC crude production in the second quarter averaged 28.33 mb/d.

Table 16: OPEC crude oil production based on *secondary sources*, 1,000 b/d

	2008	3Q08	4Q08	1Q09	2Q09	Apr 09	May09	Jun 09	*Jun/May*
Algeria	1,390	1,401	1,362	1,266	1,258	1,259	1,258	1,258	*0.0*
Angola	1,871	1,845	1,870	1,700	1,745	1,693	1,745	1,796	*50.3*
Ecuador	503	503	501	482	479	479	478	481	*3.0*
Iran, I.R.	3,892	3,917	3,831	3,683	3,727	3,713	3,721	3,747	*25.8*
Iraq	2,338	2,329	2,336	2,328	2,400	2,354	2,432	2,414	*-17.4*
Kuwait	2,554	2,600	2,500	2,276	2,236	2,236	2,238	2,234	*-4.2*
Libya, S.P.A.J.	1,715	1,683	1,697	1,577	1,558	1,554	1,560	1,561	*0.8*
Nigeria	1,947	1,955	1,931	1,815	1,753	1,723	1,790	1,746	*-44.3*
Qatar	840	859	810	762	769	767	765	777	*12.2*
Saudi Arabia	9,113	9,460	8,760	7,964	7,948	7,905	7,958	7,981	*23.3*
UAE	2,557	2,603	2,431	2,268	2,240	2,238	2,243	2,241	*-2.2*
Venezuela	2,346	2,339	2,299	2,202	2,212	2,214	2,215	2,207	*-8.5*
Total OPEC	**31,066**	**31,495**	**30,328**	**28,322**	**28,327**	**28,136**	**28,402**	**28,441**	***38.9***
OPEC excl. Iraq	**28,728**	**29,166**	**27,993**	**25,995**	**25,927**	**25,782**	**25,970**	**26,027**	***56.3***

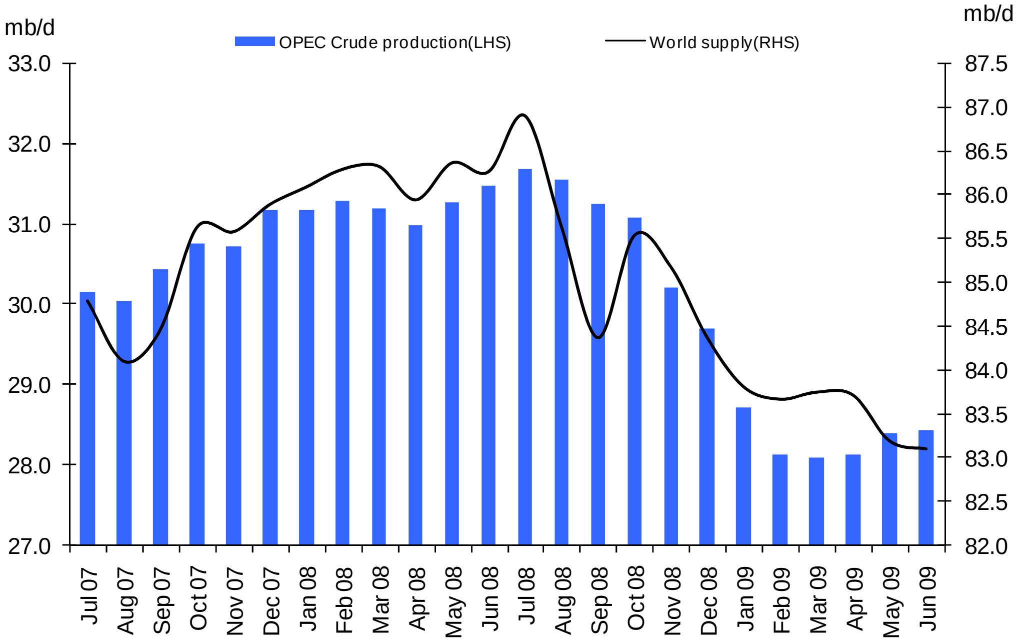
Totals may not add due to independent rounding.

World Oil Supply

World oil supply is down by 0.1 mb/d in June

Preliminary figures for the month of June indicate that global oil supply averaged 83.11 mb/d, down only 90 tb/d from the previous month. OPEC's crude share is estimated at 34.2%. Compared to the previous year, the share of OPEC in world oil supply indicated a drop of 2.3% in June. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Graph 25: OPEC and World oil supply

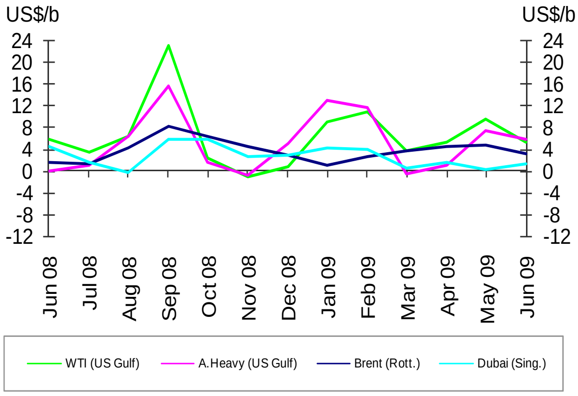


Product Markets and Refinery Operations

Refining margins declined in Atlantic Basin in June

Gasoline stock builds in the US along with higher refinery runs in the Atlantic Basin have changed product market sentiment and exerted pressure on the refining margins, especially in the US. The continuation of these circumstances amid uncertainty over gasoline demand growth during the driving season and unseasonably high stocks for middle distillates could heighten current bearish sentiment in product markets. This would encourage refiners to cut runs earlier than usual for autumn maintenance, which would have a negative impact on crude fundamentals.

Graph 26: Refining margins



As **Graph 26** shows, refining margins for WTI crude at the US Gulf Coast slid to $5.28/b in June from $9.43/b the previous month. Current refining margins in the US may deteriorate further in the coming months due to a narrowing of the gasoline crack spread in the last weeks. The market in Europe followed a similar trend and refining margins for Brent crude fell to $3.14/b from $4.54/b in May.

In Asia, refining margins improved compared to the last month but remained at very low levels, which was insufficient to encourage refiners to lift throughputs on completion of seasonal maintenance schedules. Refining margins for Dubai crude oil in Singapore rose to $1.27/b from $0.19/b the previous month.

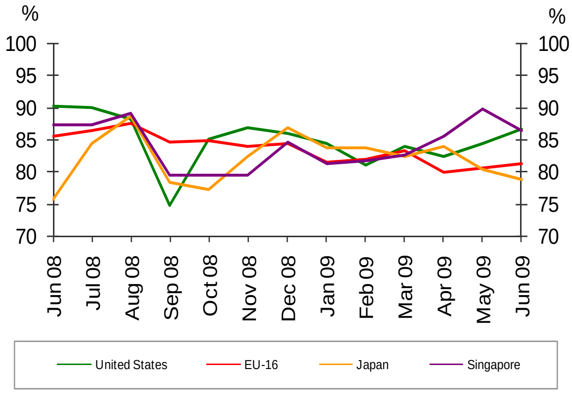
Looking ahead, the major concerns of the downstream sector are currently ample stocks of distillates and growing idle refining capacity across the globe. A combination of these bearish factors with a lower risk of refinery outages and product supply disruptions due to moderate projection for the hurricanes along the US Gulf Coast should limit the impact of product market developments on crude prices in the coming months.

Refinery operations

Refinery throughputs rose in the western hemisphere

Refiners, especially in the US, usually surge throughputs during the driving season. In line with this trend, Atlantic Basin refiners increased inputs in June, but they are still much lower than typical levels. The current bearish outlook for refining margins could adversely affect refinery operation levels in the future.

Graph 27: Refinery utilization rates



As Graph 27 shows, refinery utilization rates in the US increased by 2.1% over the previous month, reaching to 86.5% from 83.4% in May. In Europe, refinery utilization rates also rose by 0.6% to reach 81.1% from 80.5% in May. But in Asia, the refinery throughput level dropped further due to increasing new refinery capacity and run cuts for economic reasons. Refinery utilization rates in Japan fell by 1.6% to 78.6% from 80.2% the previous month.

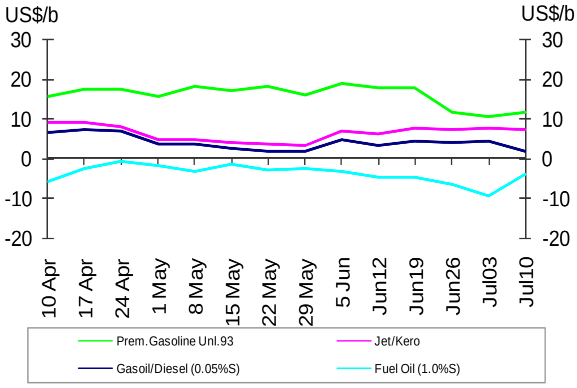
Looking forward, with the approach of the peak driving season and completion of maintenance schedule, refinery utilization rates are expected to remain relatively high in the coming months. However, due to the ongoing economic crisis and its negative impact on product demand, refinery operation levels are not expected to rise significantly next month.

US market

US product market sentiment has been undermined by gasoline stock builds

A combination of higher refinery runs with switching refinery modes in favour of gasoline and increasing gasoline imports has led to gasoline stock builds in the US and resulted in lower prices for gasoline, both in the futures and cash markets. The recent bearish developments in the gasoline market have significantly narrowed refining margins in the US.

Graph 28: US Gulf crack spread vs. WTI, 2009



Following these developments, the gasoline crack spread on the US Gulf Coast against WTI crude slipped to $10/b from over $17/b in May. Meanwhile, due to increasing gasoline stocks, market players in the gasoline futures market started to liquidate long positions earlier than usual, heightening the bearish mood of the market. Considering ample idle refinery capacity and comfortable gasoline stocks, the gasoline market is not expected to rebound in the coming months.

The middle-distillate market improved slightly amid export opportunities to Latin America. But due to ample distillate stocks and the ongoing economic crisis and its adverse impact on distillates demand, it is expected that the distillates market remains under pressure. The gasoil crack spread in the US Gulf Coast was reported at around $4/b in June (*see* ***Graph 28***). But the jet fuel oil market performed better than the other part of the middle-of-the-barrel components amid increasing demand from the aviation industry. The jet fuel crack spread versus WTI crude oil surged to over $7/b from nearly $4/b in May. American refiners are also looking for arbitrage opportunities to export more distillate cargoes to Europe.

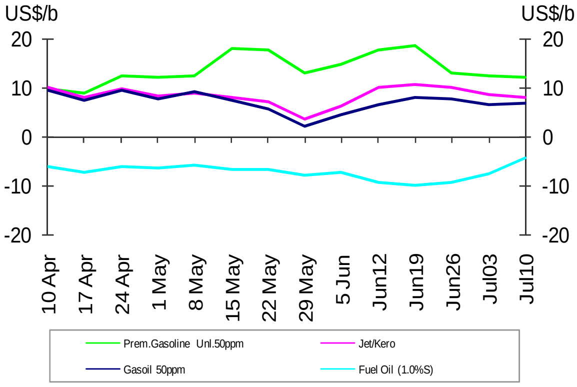
Fuel oil market performance in the US was also relatively strong due to export opportunities to Mexico and Asia-Pacific. The current situation of the fuel oil market may change in the coming months with increasing refinery throughputs and narrowing arbitrage opportunities to Asia.

European market

The European gasoline market also lost ground in the latter part of June

The European gasoline market has lost part of its earlier strength due to narrowing export opportunities to the US in the latter part of June. Despite the bearish movement in the US, refinery outages in Nigeria and a shortage of gasoline supply in the Middle East have provided support for the European gasoline market. The gasoline spread against Brent crude oil fell by about $5/b, but it is still relatively strong, remaining at around $12/b (*see Graph 29*). The current situation of the European gasoline market may be further undermined next month if counter-seasonal stock builds continue, particularly in the US.

Graph 29: Rotterdam crack spreads vs. Brent, 2009



Naphtha prices also rose amid increasing demand for the heavy grade which is suitable for reforming plants. The discount of heavy naphtha versus gasoline declined sharply in June, reaching an almost three-year low. Additionally, arbitrage opportunities to Asia have also provided support for the European naphtha market.

Meanwhile, the European distillates market has remained fundamentally weak, but increasing demand for diesel for floating storage lifted gasoil prices in recent weeks. The European gasoil market is expected to come under increased pressure through July on the back of huge export flows from the US and Russia. Following these developments, the gasoil crack spread versus Brent crude oil recovered to around \$7/b in June from about \$3/b in the latter part of May (*see **Graph 29***). Due to continued economic weakness and the negative impact on middle-distillate demand, the present situation of the European distillates market is not expected to recover significantly in the near future.

In the European jet fuel oil market, the jet fuel crack spread jumped to \$9/b in June from around \$5/b the previous month. Bullish movements in jet fuel may continue next month due to increasing demand from the airline industry during the summer holiday season.

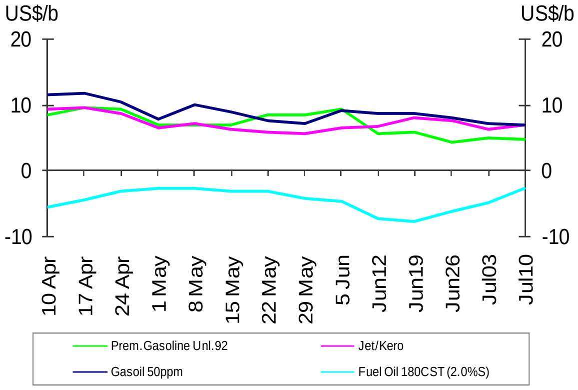
European fuel oil prices weakened recently along with crude oil. But export opportunities to the Middle East and Asia have provided support for both low-sulfur and high-sulfur fuel oil and strengthened the spread versus crude oil. As **Graph 29** shows the crack spread of low sulfur fuel oil versus Brent narrowed again to around minus \$7.5/b in early July from around minus \$10/b in the middle of June. The current situation in the European fuel oil market may further strengthen in the coming months amid increasing demand from cooling systems and surging export cargoes to Asia.

Asian market

The Asian light-distillate market improved in June

Limited regional supplies in combination with fewer arbitrage cargoes from Europe due to increasing freight rates for clean tankers and surging demand from North East Asian petrochemical units have lifted naphtha prices. Furthermore, increasing demand for more gasoline has reinforced naphtha market sentiment. The current situation of the Asian naphtha market may persist over the near term, but should lose some of its momentum in the latter part of the year.

Graph 30: Singapore crack spreads vs. Dubai, 2009



Apart from naphtha, Asian gasoline prices gained in the last weeks due to tight supplies resulting from refinery maintenance and export opportunities to the US West Coast. However, recent bearish gasoline stock movements in the US over the last three weeks have undermined the Asian gasoline market and prices. The gasoline crack spread against Dubai crude oil in Singapore, recently dropped to around \$5/b from \$10/b in late May (*see **Graph 30***).

The middle-distillates market in Asia remained weak due to increasing supplies from new refineries and a lack of demand amid the continuation of the economic crisis. Arbitrage opportunities for floating storage to Europe have provided slight support for the gasoil market over recent weeks, but the gasoil crack spread versus Dubai crude remained around \$7/b in June. With the completion of refinery maintenance and increasing new refinery capacity, the Asian middle-distillate market is expected to come under further pressure in the future.

Regarding fuel oil, the Asian market performed well due to increasing demand for bunkering, limited cargoes from the Middle East and Europe and tight regional supplies. In line with these circumstances, fuel oil prices in the swaps market remained in backwardation and the crack spread versus Dubai crude stood at around $4/b. Due to booking of many arbitrage cargoes from the West to Asia for July and August, the Asian fuel oil market is expected to lose ground over the coming months.

Table 17: Refined product prices, US$/b

		Apr 09	May 09	Jun 09	Change Jun/May
US Gulf (Cargoes):					
Naphtha		52.45	62.48	74.77	12.29
Premium gasoline	*(unleaded 93)*	65.66	72.93	85.41	12.47
Regular gasoline	*(unleaded 87)*	58.75	68.93	81.10	12.17
Jet/Kerosene		57.62	59.88	76.36	16.48
Gasoil	*(0.05% S)*	55.97	58.49	73.41	14.92
Fuel oil	*(1.0% S)*	46.41	54.14	64.46	10.32
Fuel oil	*(3.0% S)*	42.86	49.75	60.15	10.40
Rotterdam (Barges FoB):					
Naphtha		44.61	47.57	62.74	15.17
Premium gasoline	*(unleaded 10*	58.56	68.88	85.27	16.39
Premium gasoline	*(unleaded 95)*	54.21	63.77	78.94	15.17
Jet/Kerosene		57.38	58.69	78.47	19.77
Gasoil/Diesel	*(10 ppm)*	56.88	57.93	75.69	17.76
Fuel oil	*(1.0% S)*	41.71	45.54	59.46	13.92
Fuel oil	*(3.5% S)*	40.33	46.31	59.14	12.83
Mediterranean (Cargoes):					
Naphtha		43.40	45.90	61.16	15.26
Premium gasoline	*(50 ppm)*	53.78	55.79	56.76	0.97
Jet/Kerosene		55.88	57.53	76.74	19.22
Gasoil/Diesel	*(50 ppm)*	75.88	76.16	76.80	0.64
Fuel oil	*(1.0% S)*	42.31	47.89	60.64	12.75
Fuel oil	*(3.5% S)*	40.52	46.08	59.47	13.39
Singapore (Cargoes):					
Naphtha		49.35	51.44	65.86	14.42
Premium gasoline	*(unleaded 95)*	60.46	65.24	77.15	11.91
Regular gasoline	*(unleaded 92)*	58.27	62.36	75.01	12.65
Jet/Kerosene		59.10	61.02	76.45	15.42
Gasoil/Diesel	*(50 ppm)*	61.14	63.13	77.92	14.78
Fuel oil	*(180 cst 2.0% S)*	45.66	51.94	62.77	10.83
Fuel oil	*(380 cst 3.5% S)*	44.90	51.34	62.34	11.00

Table 18: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Apr 09	May 09	Jun 09	Jun/May	Apr 09	May 09	Jun 09	Jun/May
USA	14.38	14.55	14.88	0.33	82.4	84.4 R	86.5	2.2
France	1.43	1.50 R	1.39	-0.11	72.0	75.2 R	72.7	-2.5
Germany	2.17	2.09	2.05	-0.04	89.6	86.6	86.4	-0.2
Italy	1.69	1.69 R	1.66	-0.03	72.1	71.8 R	71.2	-0.6
UK	1.37	1.42	1.36	-0.06	73.7	74.4 R	73.9	-0.5
Euro16	11.23	10.99	10.81	-0.18	79.8	80.5 R	78.6	-1.9
Japan	3.90	3.73	3.68	-0.05	83.8	80.2 R	78.6	-1.6

R *Revised since last issue.*

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

The Tanker Market

OPEC spot fixtures increased by 8% in June

OPEC spot fixtures increased by 8% in June, for the second month in a row, compared to the previous month, averaging about 13.96 mb/d, according to preliminary data. This is due to higher fixtures from outside the Middle East which increased by 30%, while fixtures from the Middle East declined by 9% over the same period. Middle East to East declined by 13% averaging 5.2 mb/d, while Middle East to West increased by 6% to average 1.34 mb/d. OPEC spot fixtures in June also indicated an increase of 1% compared to the same month last year. Similarly, global spot fixtures increased in June by 2% compared to the previous month to stand at 20.54 mb/d compared to 20.16 mb/d a month earlier, but were about 1% lower compared to the same month last year.

OPEC sailings and sailings from the Middle East were marginally higher together with arrivals in the US, Europe and Japan

Sailings from OPEC were also 2% higher in June, at 22.89 mb/d, up from 22.36 mb/d the previous month, but 8% lower than in the same month last year. Middle East sailings in June were at 16.69 mb/d, about 3% higher than the previous month, but 7% lower than a year earlier. Crude oil arrivals in the US were almost steady in June 8.91 mb/d compared to 8.89 mb/d the previous month. Crude oil arrivals in Europe were higher in June by about 3%, while those in Japan were up by 4%, both compared to the previous month.

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

	Apr 09	May 09	Jun 09	Change Jun/May
Spot Chartering				
All Areas	16.91	20.16	20.54	0.38
OPEC	10.66	12.91	13.96	1.05
Middle East/ East	4.48	5.95	5.20	-0.75
Middle East/ West	1.10	1.27	1.34	0.07
Outside Midlle East	5.08	5.69	7.42	1.73
Sailings				
OPEC	22.38	22.36	22.89	0.53
Middle East	16.18	16.26	16.69	0.43
Arrivals				
US Gulf Coast, US East Coast and	8.20	8.89	8.91	0.02
North-West Europe	6.80	7.69	8.00	0.31
Euromed	4.13	4.48	4.57	0.09
Japan	3.39	3.51	3.64	0.13

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

In June, freight rates climbed up once again for all vessel categories in the crude oil sector, but the clean tanker market performance was mixed. After being the sector that suffered most and for a long time from the continued global economic crisis and OPEC production cuts, the VLCC sector performed exceptionally well in June and was the sector that indicated the highest monthly gain compared to other vessel sizes. Higher bunker prices, higher crude oil imports by Asia and the continued tie-up of as many as 30 VLCCs in floating storage operations were the main reasons behind the rebound in freight rates for the VLCC sector in June. Tonnage availability was directly influenced by these factors throughout the month and VLCC spot freight rates were constantly on the upward turn right from the beginning of the month. In June, storing at sea continued to lose momentum with the narrowing of the contango structure in crude oil futures, a process that started during the second half of May, bringing the volume of crude oil afloat to about 65 mb from more than 100 mb in mid-May. By the end of the month, nearly half of the global floating storage was taking place on the US Gulf Coast and to a lesser extent in the North Sea and the Baltic. The Suezmax sector in June was in very good shape both in West Africa and North West Europe during the first three weeks of the month and the Aframax sector performed even better thanks to the very active Mediterranean market.

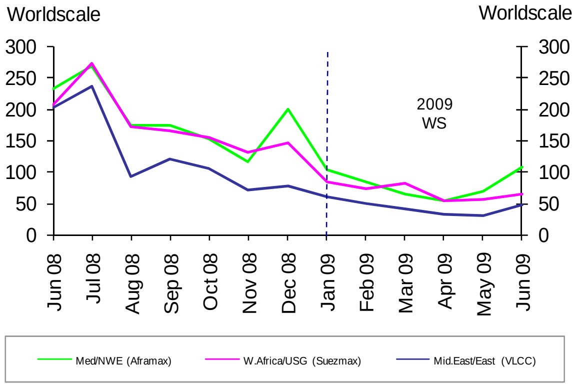
Taking the top three vessel categories into consideration, average spot freight rates for crude oil tankers were 32% higher in June compared to the previous month, yet 57%

lower compared to the same month last year, taking into consideration the changes in World Scale (WS) flat rates as of January 2009. Contrary to previous months, the VLCC sector indicated the strongest showing in June; the Suezmax sector ended the month with a lower monthly gain, while Aframax freight rates, despite ending the month at a good monthly gain, were much weaker in both the Caribbean and East of Suez compared to the Mediterranean.

VLCC spot freights were 40% higher in June

On average, the VLCC spot freight rates were 48% higher in June compared to the previous month, yet were 66% lower compared to the same month a year earlier. Tonnage availability was much reduced compared to the previous month as a result of higher crude oil imports by Far East Asia from both the Middle East and West Africa. Low steaming due to higher bunker costs also contributed to reducing VLCC tonnage availability throughout the month. It was reported that VLCC fixings ex-Middle East in June had declined to 98 compared to 115 during the same month last year, while VLCC fixings ex-West Africa increased from 21 to 26 over the same period. Spot freight rates for VLCCs trading on the long-haul route from the Middle East to East, which declined by 5% in May compared to a month earlier, increased by 59% in June compared to the previous month. Freight rates on this route started the month at WS29 and reached WS54 towards the end of the month with a monthly average of WS46, close to the average in February 2009. Middle East to West spot freight rates closed the month at an average of WS33, 50% higher over the previous month after reaching as high as WS38 during the third week of the month. On the other hand, VLCC spot freight rates for voyages from West Africa to East were fluctuating between WS30 to WS58 throughout the month, ending at an average of WS45, about 36% higher compared to the previous month, ending five consecutive months of declines.

Graph 31: Monthly averages of crude oil spot freight rates



Suezmax spot freight rates for voyages to the US from West Africa and Northwest Europe (NWE) increased in June by an average of 19% compared to the previous month, yet were 57% lower compared to the same month last year, taking into consideration the changes in WS flat rates as of January 2009. On both routes, the market received good support from the sudden very high activity in the Aframax market in the region during the second week of the month which temporarily hit tonnage availability in both sectors. On the West Africa to US Coast route, freight rates firmed during the first three weeks of the month, reaching as high as WS80 before weakening again, ending the month at WS64 with a monthly average of WS65. Freight rates on NWE to US route followed the same pattern of fluctuations, ending the month at an average of WS63.

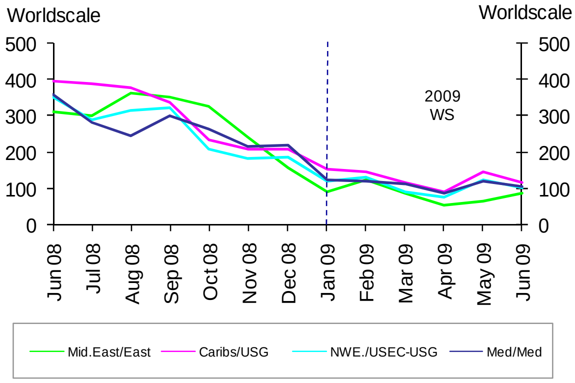
Average Aframax spot freight rates increased in June by 35% compared to the previous month, yet 52% lower compared to a year earlier. Rates on all reported routes indicated monthly gains but market sentiment varied among different routes. Freight rates on both the cross-Mediterranean and Mediterranean to NWE routes increased by 63% and 58% respectively compared to the previous month. On both routes, rates exceeded WS160 for the first time since March 2009 by the third week of the month before declining sharply towards the end of the month on news of lower loadings of Russian exports ex-Black Sea in July, the lowest since September 2008. Freight rates on the Aframax Caribbean to US Coast route indicated a monthly gain of 9% compared to the previous month, while to the East of Suez, freight rates on the Indonesia to East Aframax route indicated the same monthly gain compared to May within a generally more steady market.

Table 20: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	Apr 09	May 09	Jun 09	Change Jun/May
Crude					
Middle East/east	230-280	30	29	46	17
Middle East/west	270-285	22	22	33	11
West Africa/east	260	36	33	45	12
West Africa/US Gulf Coast	130-135	54	55	65	10
NW Europe/USEC - USGC	130-135	52	53	63	10
Indonesia/US West Coast	80-85	59	57	62	5
Caribbean/US East Coast	50-55	62	76	83	7
Mediterranean/Mediterranean	80-85	62	68	111	43
Mediterranean/North-West Europe	80-85	53	67	106	39

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

Graph 32: Monthly averages of clean spot freight rates



The clean tanker market showed an entirely different performance to the East of Suez compared to the West in June. The surge in demand for naphtha in the Far East during the month provided plenty of support to clean spot freight rates to East of Suez. Rates were also supported by more large clean vessels moving out of the market for product floating storage. Estimates indicate that by the end of June about 45 mb to 60 mb of mainly gasoil were in floating storage, the vast bulk of which were in NWE on large clean vessels. As a result, clean spot freight rates to East of Suez increased in June by an average of 29% compared to the previous month, with the Middle East to East route increasing by 35% and Singapore to East route by 21%. Despite this monthly gain, average clean spot freight rates to the East of Suez were about 60% lower compared to the average in the same month last year.

On average, West of Suez clean freight rates were 16% lower in June compared to the previous month and 60% lower compared to the same month last year, taking into consideration the changes in WS flat rates as of January 2009. Given the smaller size of clean vessels operating to the West of Suez, tonnage availability in this part of the market was less affected by storing products at sea compared to vessels operating to the East of Suez. In addition, gasoline movements trans-Atlantic from NWE declined sharply during most of June as a result of lower gasoline imports by the US and also gasoil movements in the opposite direction were almost halted due to lower imports of gasoil into Europe. As a result, clean spot freight rates in the trans-Atlantic route declined by about 18% in June compared to May. Clean spot freight rates for the Caribbean to US route declined also by 20% in June compared to the previous month, with rates ending the month at an average of WS118 compared to WS147 a month earlier. In the Mediterranean, clean spot freight rates for both the cross Mediterranean and the Med to NWE routes were lower in June by an average of 13% compared to the previous month. On average, clean spot freight rates on both East and West of Suez declined by 7% in June compared to the previous month, yet, on a year-on-year basis, they were 60% lower compared to the same month last year.

Table 21: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	Apr 09	May 09	Jun 09	Change Jun/May
Products					
Middle East/east	30-35	54	65	88	23
Singapore/east	30-35	64	61	74	13
Caribbean/US Gulf Coast	38-40	92	147	118	-29
NW Europe/USEC - USGC	33-37	76	125	103	-22
Mediterranean/Mediterranean	30-35	88	120	105	-15
Mediterranean/North-West Europe	30-35	98	130	115	-15

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

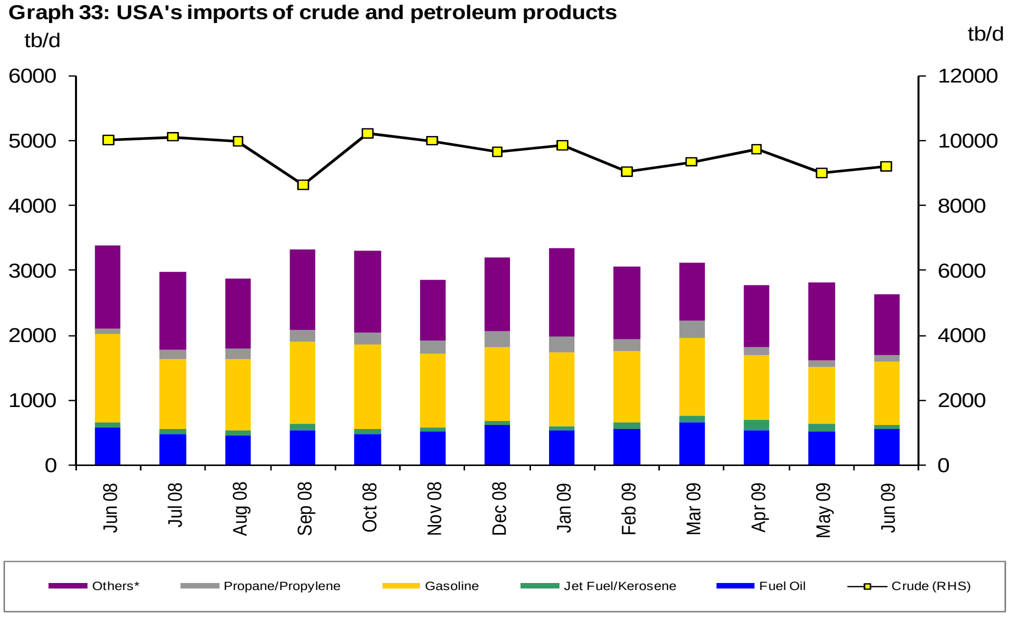
Oil Trade

US net oil imports steady in June with gains in net crude imports being offset by losses in net product imports

USA

According to official data, US crude oil imports increased in June to average 9.19 mb/d, up 2% or 213,000 b/d compared to the previous month, yet were about 8% or 0.8 mb/d lower compared to the same month a year ago. Crude imports in June bring US average imports for the first half of 2009 to about 9.35 mb/d, about 5%, or 0.45 mb/d lower compared to the same period the previous year.

Graph 33: USA's imports of crude and petroleum products

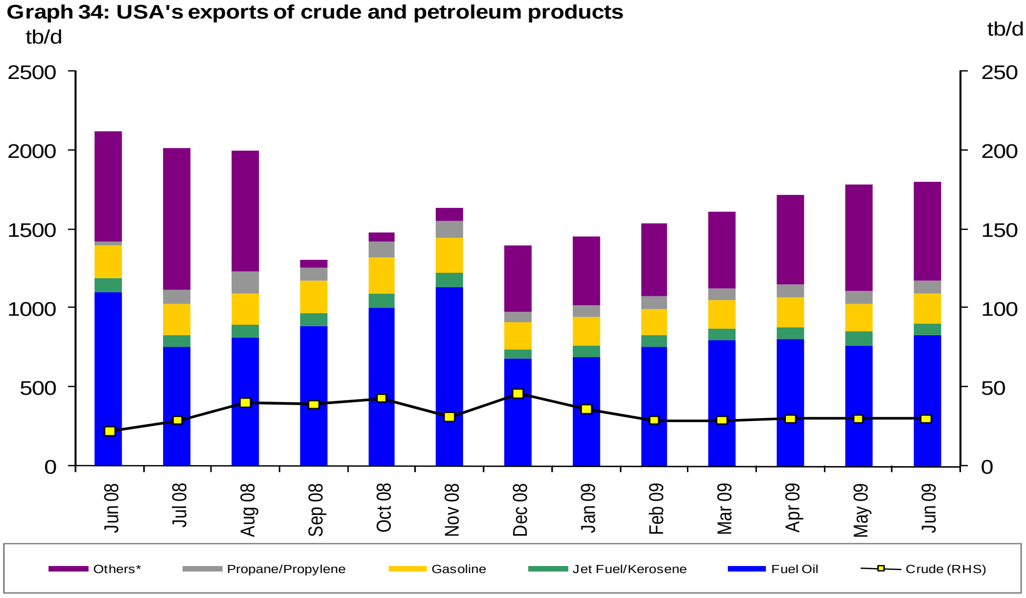


*Others: Contains Natural Gas Liquids, Liquefied Refinery Gases (LRG's), Other Liquids and all Finished Petroleum Products except Gasoline, Jet Fuel/Kerosene, Fuel Oil and Propane/Propylene.

In contrast, US product imports declined by 6%, or 178,000 b/d in June compared to the previous month to average 2.62 mb/d, about 22% lower than in the same month last year. Finished motor gasoline imports were 281,000 b/d, almost steady compared to May, but 39% lower compared to the same month a year earlier and average gasoline imports during the first half of 2009 were 35% lower compared to the same period in 2008. Distillate fuel oil imports increased in June by 15,000 b/d, or 8% compared to the previous month to average 209,000 b/d. This level of imports indicates a 16% increase compared to the same month last year, and average distillate fuel oil imports during the first half of 2009 were 8% higher compared to the same period in 2008. Residual fuel oil imports in June were 333,000 b/d, down 15% compared to the previous month and 13% lower than at June 2008, but average residual fuel oil imports during the first half of 2009 were about 3% higher than in the same period last year. Jet fuel imports in June averaged 74,000 b/d, down from 97,000 b/d in the previous month and 18% lower compared to June 2008.

On the export side, US product exports were almost steady in June averaging 1.83 mb/d, up by 17,000 b/d, or less than 1% compared to the previous month, but about 15% lower compared to their levels a year earlier. US product exports during the first half of 2009 averaged 1.69 mb/d, down by 9% compared to the same period in 2008.

Graph 34: USA's exports of crude and petroleum products



Others: Contains Natural Gas Liquids, Liquefied Refinery Gases (LRG's), Other Liquids and all Finished Petroleum Products except Gasoline, Jet Fuel/Kerosene, Fuel Oil and Propane/Propylene.

As a result, US net oil imports in June were steady compared to the previous month to reach about 9.96 mb/d. The 213,000 b/d increases in net crude oil imports in June were offset by the 195,000 b/d decline in net product imports, both compared to the previous month. June's net oil imports were 11% lower compared to a year earlier and average net oil imports during the first half of 2009 were 5% lower compared to the same period last year.

Table 22: USA crude and product net imports/(exports), tb/d

	Apr 09	May 09	Jun 09	Change Jun/May
Crude oil	9,690	8,950	9,163	213
Total products	979	988	793	-195
Total crude and products	**10,669**	**9,938**	**9,956**	**18**

Canada was the top crude oil supplier to the US in April 2009 supplying about 1.85 mb/d, almost unchanged from the previous month. Mexico was second, supplying about 1.18 mb/d, down from 1.09 mb/d in the previous month. Saudi Arabia and Venezuela came next with 1.02 mb/d and 0.8 mb/d respectively. Altogether, OPEC Member Countries supplied about 4.35 mb/d, or 44.1% of total US crude oil imports in April, down from 4.72 mb/d the previous month. For product imports, once again Canada was the top product supplier to the US in April, supplying about 0.43 mb/d or 16.6% of the US total product imports in April, down from 0.59 mb/d the previous month. Russia was next, supplying 0.39 mb/d in April, down from 0.43 mb/d a month earlier, followed by the Virgin Islands and Algeria with 0.29 mb/d and 0.21 mb/d respectively. For OPEC Member Countries, in addition to Algeria, Venezuela supplied 88,000 b/d, or about 3.4% of total US oil product imports in April, down from about 156,000 b/d the previous month, followed by Nigeria with 61,000 b/d, up from 30,000 b/d the previous month. Altogether OPEC Member Countries supplied about 406,000 b/d or 15.8% of US product imports in April, down from 0.5 mb/d a month earlier. For US product exports, the Netherlands was the top importer in April, with about 261,000 b/d or 13.9% of total US product exports in April. Mexico was next, importing about 213,000 b/d or 11.4%, while Canada imported 185,000 b/d of products from the US in April. Altogether, OPEC Member Countries imported an average of 64,000 b/d or 3.4% of total US product exports in April, up from 60,000 b/d the previous month. Ecuador imported 37,000 b/d and Venezuela 18,000 b/d.

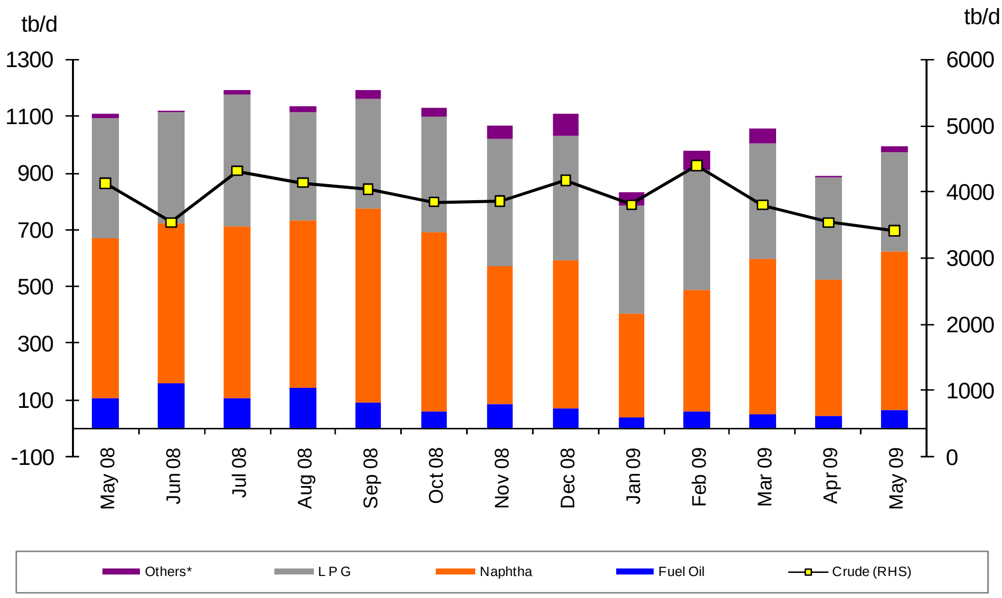
Japan's net crude oil imports were 1% lower in May compared to the previous month and 16% lower from a year earlier

Japan

According to Japanese published data, Japan's crude oil imports averaged 3.4 mb/d in May, about 129,000 b/d or 4% lower compared to the previous month. May's crude oil imports indicate a drop of 0.72 mb/d, or 18% compared to May 2008. It was the eighth month in a row that Japan's crude oil imports indicated a decline on a year-on-year basis. At the same time, Japan's average crude oil imports for the first five months of 2009 were about 3.77 mb/d, a drop of 16% or 689,000 b/d compared to the country's imports during the same period in 2008.

On the other hand, Japan's product imports increased in May by 103,000 b/d or 12% compared to the previous month, to average about 1.0 mb/d, displaying an annual decline of 11% compared to May 2008. Japan mainly imports three products, naphtha, LPG and fuel oil which accounted for about 98% of its total monthly product imports in May. Average naphtha imports in May were about 560,000 b/d, a rise of 16% or 79,000 b/d over the previous month, but steady compared to a year earlier. Average naphtha imports for the first five months of 2009 were 17% lower compared to the same period in 2008. LPG imports in May averaged 351,000 b/d, indicating a 2% decline compared to the previous month and an 18% decline compared to May 2008. Average LPG imports for the first five months of 2009 were 17% lower compared to the same period in 2008. Fuel oil imports in May were 61,000 b/d, 45% higher compared to the previous month, but 42% lower compared to May 2008. Average fuel oil imports for the first five months of 2009 were 53% lower compared to the same period the previous year. Japan also imported about 17,000 b/d of gasoline in May compared to 5,000 b/d a month earlier. Naphtha imports counted for 56% of Japan's total product imports in May, LPG 35% and fuel oil about 6%. Japan's average product imports in the first five months of 2009 averaged 0.95 mb/d, indicating a decline of 208,000 b/d or 18% compared to average product imports during the same period in 2008.

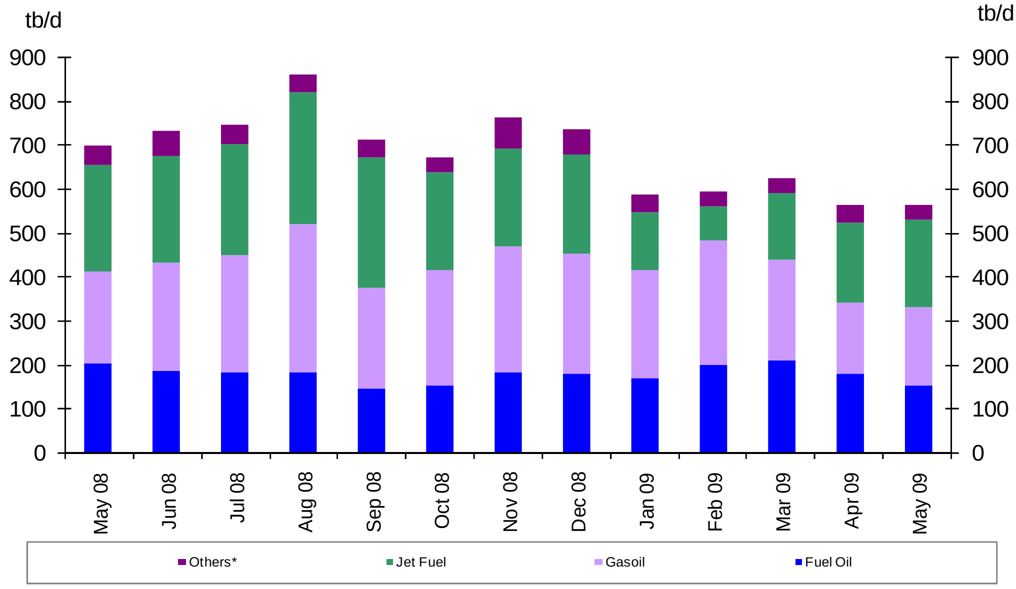
Graph 35: Japan's imports of crude and petroleum products



*Others: Contains Gasoline, Jet Fuel, Kerosene, Gasoil, Asphalt and Paraffin Wax.

On the export side, Japan's product exports in May were steady compared to the previous month but 20% lower compared to the same month a year earlier, averaging 563,000 b/d. Gasoil, fuel oil and jet fuel are Japan's main product exports which together counted for about 94% of the country's total product exports in May. Gasoil exports in May were about 177,000 b/d, up by 12%, or 18,000 b/d compared to the previous month, but down by 15% compared to May 2008. Average gasoil exports during the first five months of 2009 were 218,000 b/d, about 4% higher than during the same period in 2008. Jet fuel exports averaged about 200,000 b/d in May, 9% higher compared to the previous month, yet 18% lower than a year earlier. During the first five months of 2009, Japan exported an average 149,000 b/d of jet fuel compared to 196,000 b/d during the same period in 2008. Fuel oil exports in May were 152,000 b/d, 16% lower compared to the previous month and 24% lower compared to a year earlier. Japan exported an average of 182,000 b/d of fuel oil during the first five months of 2009 compared to 171,000 b/d during the same period last year. Jet fuel exports counted for 36% of Japan's total product exports in May, gasoil 31% and fuel oil 27%. Japan exported lower quantities of gasoline, lubricating oil, asphalt and LPG in May, totaling 31,000 b/d. Japan's average product exports during the first five months of 2009 were 0.59 mb/d, 7% lower compared to the same period in 2008.

Graph 36: Japan's exports of petroleum products



*Others: Contains LPG, Gasoline, Naphtha, Kerosene, Lubricating Oil, Asphalt and Paraffin Wax.

As a result, Japan's net oil imports in May were about 3.83 mb/d, indicating a decline of 25,000 b/d or less than 1% compared to the previous month and 16% compared to a year earlier. Net crude imports were lower by 129,000 b/d and net product imports were higher by 104,000 b/d. Japan's net oil imports during the first five months of 2009 were 4.14 mb/d, 17% lower compared to the average during the same period a year ago.

Table 23: Japan's crude and product net imports/(exports), tb/d

	Mar 09	Apr 09	May 09	Change May/Apr
Crude oil	3,792	3,526	3,398	-129
Total products	430	326	429	104
Total crude and products	**4,222**	**3,852**	**3,827**	**-25**

Saudi Arabia was Japan's top crude oil supplier in May, supplying 29.8% of Japan's total crude oil imports in the month, up from 28.8% the previous month. The UAE share was 22.7%, up from 21% in the previous month. Qatar supplied 14.6%, up from 13.7% in the previous month, while Iran's share was 10.5%, down from 11.1% in the previous month. OPEC Member Countries supplied 88.8% of Japan's crude oil imports in May, up from 88.6% in the previous month. Top non-OPEC crude oil suppliers in May include Russia with 4.4% and Oman with 2.3%. On the products side, preliminary data indicate that Saudi Arabia was Japan's top supplier in May with 15.9%, followed by Kuwait with 8.8% and Qatar with 8.4%. Altogether, OPEC Member Countries supplied 44.2% of Japan's product imports in May, down from 47.8% the previous month. Top non-OPEC product suppliers in May include the USA with 10.4% followed by South Korea with 9.5%, and Indonesia with 6%.

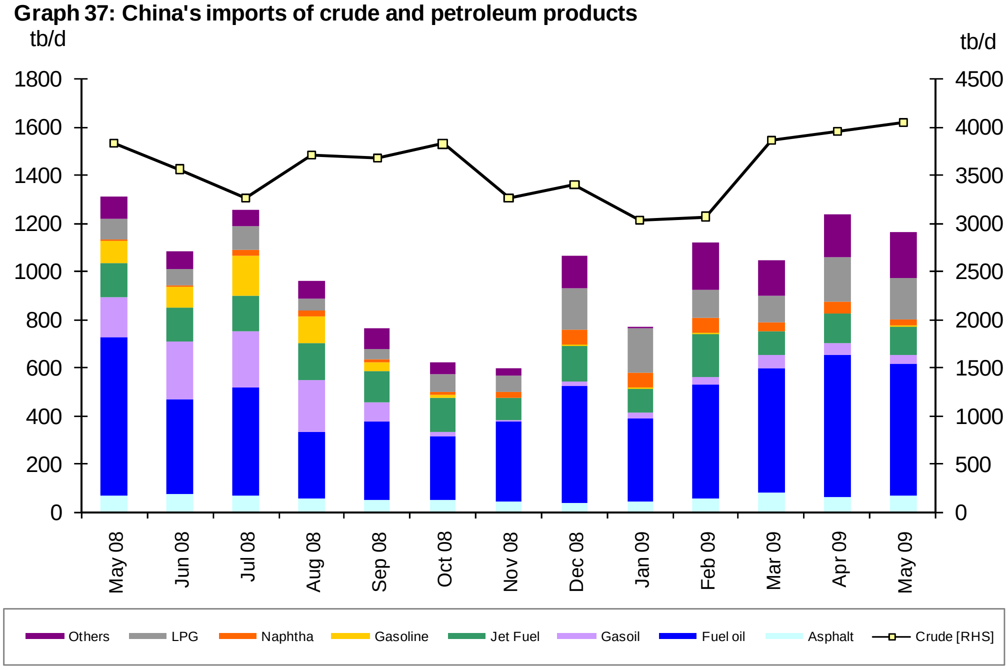
China

China net oil imports increased in May supported by higher net crude imports and lower product exports

According to Chinese official data, China's crude oil imports increased for the fourth month in a row in May to reach 4.04 mb/d, about 2% or 90,000 b/d higher than in the previous month and also 6% higher compared to May 2008. China's May crude oil imports were the highest since April 2008, bringing average crude oil imports for the first five months of 2009 to 3.6 mb/d, about 88,000 b/d or 2% lower compared to the same period last year.

In contrast, China's product imports declined in May to average 1.16 mb/d, about 75,000 b/d or 6% lower compared to the previous month and 11% lower compared to a year earlier. Jet fuel imports in May were about 126,000 b/d, down from 137,000 b/d in the previous month. South Korea supplied about 40% of China's jet fuel imports in May, Taiwan 25% and Japan 21%. China imported about 6% less jet fuel during the first five months of 2009 compared to the same period last year. Naphtha imports in May were about 27,000 b/d, down from 48,000 b/d in the previous month. India supplied about 60% of China's naphtha imports in May and South Korea 40%. China's imports of naphtha increased by more than fourfold during the first five months of 2009 compared to the same period last year. Gasoil imports in May averaged 31,000 b/d, down from 48,000 b/d in the previous month. Russia and South Korea were the top suppliers of China's gasoil imports this month. Gasoil imports during the first five months of 2009 were 73% lower compared to the same period last year which witnessed a surge in gas oil imports in preparation for the Olympics.

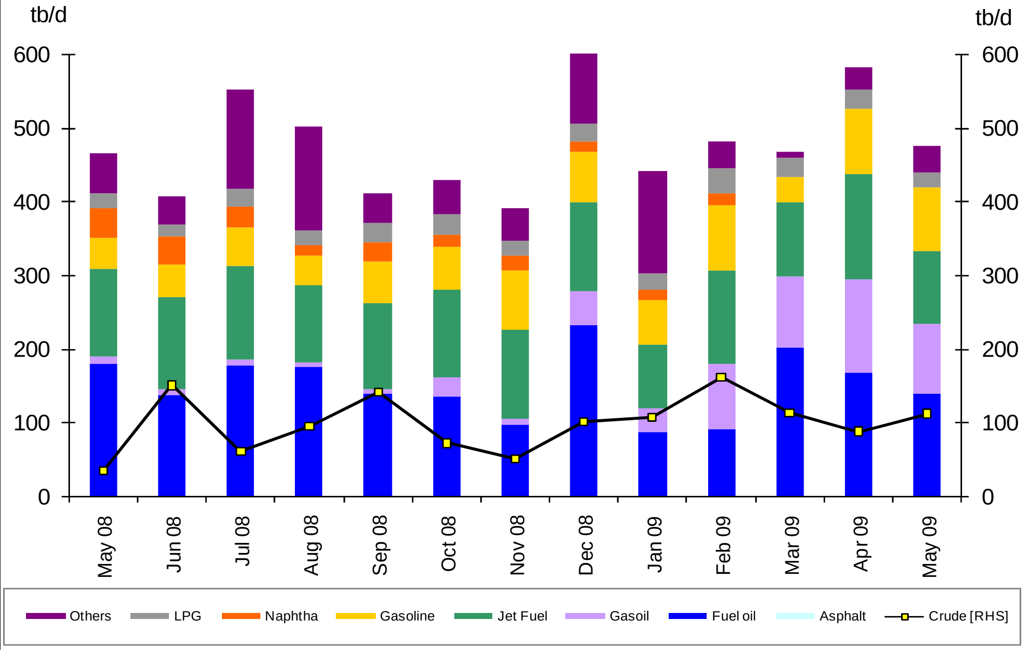
Graph 37: China's imports of crude and petroleum products



China's fuel oil imports declined in May to average 508,000 b/d, about 56,000 b/d, or 10% lower than in the previous month. Malaysia and Singapore each supplied about 18% of China's fuel oil imports in May and Venezuela 13%. Imports of fuel oil during the first five months of 2009 were 7% higher compared to the same period last year. Imports of LPG averaged 170,000 b/d, in May down from 185,000 b/d in the previous month. Iran, Qatar and Saudi Arabia were China's top LPG suppliers this month. For the first five months of 2009, China imports of LPG were 85% higher than at the same period last year. Gasoline imports in May were at 30,000 b/d compared to only 4,000 b/d in April. Altogether, China imported an average of 1.06 mb/d of products in the first five months of 2009, indicating an annual growth of 5% over the same period last year. In May, fuel oil imports accounted for 44% of China's total product imports, LPG 15%, jet fuel 11%, gasoil and gasoline 3% each and naphtha 2%.

On the export side, China's crude oil exports in May were at 112,000 b/d compared to 88,000 b/d the previous month. The US imported nearly half of China's crude exports in May, Thailand 20% and Singapore 18%. For the first five months of 2009, China exported an average of 115,000 b/d of crude oil compared to 46,000 b/d during the same period a year earlier. China's product exports in May were about 0.48 mb/d, 18% lower compared to the previous month, but 2% higher compared to May 2008. Exports of all major products were lower in May compared to April. Average product exports for the first five months of 2009 were about 0.49 mb/d, indicating an increase of 27% compared to the same period last year.

Graph 38: China's exports of crude and petroleum products



Fuel oil exports in April were at 135,000 b/d, about 17% lower than the previous month. Panama imported 36% of this volume and Hong Kong 24%. Fuel oil exports increased by 7% during the first five months of 2009 compared to the same period in 2008. Exports of jet fuel in May were at 96,000 b/d, down from 140,000 b/d in the previous month. Hong Kong imported 65% of this volume and Singapore 11%. Jet fuel exports during the first five months of 2009 were almost steady compared to the first five months of 2008. Gasoline exports were at 85,000 b/d in May, down from 88,000 b/d in the previous month. Singapore and North Korea were China's main gasoline importers in May. Gasoline exports had more than doubled during the first five months of 2009 compared to the same period in 2008. For the third month in a row, there were no naphtha exports in May. Gasoil exports in May were at 95,000 b/d, down from 129,000 b/d in the previous month. Main importers of China's gasoil exports in May were Vietnam with 45% and Hong Kong with 13%. China exported 21,000 b/d of LPG in May, down from 26,000 b/d in the previous month. Vietnam and Hong Kong were the top importers. Fuel oil exports accounted for 28% of China's total product exports in May, jet fuel and gasoil 20% each, gasoline 18% and LPG 4%.

With net crude oil imports of 3.93 mb/d and net product imports of 0.69 mb/d, China's net oil imports in May stood at 4.62 mb/d, indicating an increase of 2%, or 98,000 b/d over the previous month, and almost steady compared to the same month a year ago. Average net crude oil imports for the first five months of 2009 were at 4.06 mb/d, 5% or 210,000 b/d lower than at the same period last year.

Table 24: China's crude and product net imports/(exports), tb/d

	Mar 09	Apr 09	May 09	Change May/Apr
Crude oil	3,752	3,864	3,930	66
Total products	574	654	686	32
Total crude and products	**4,326**	**4,518**	**4,616**	**98**

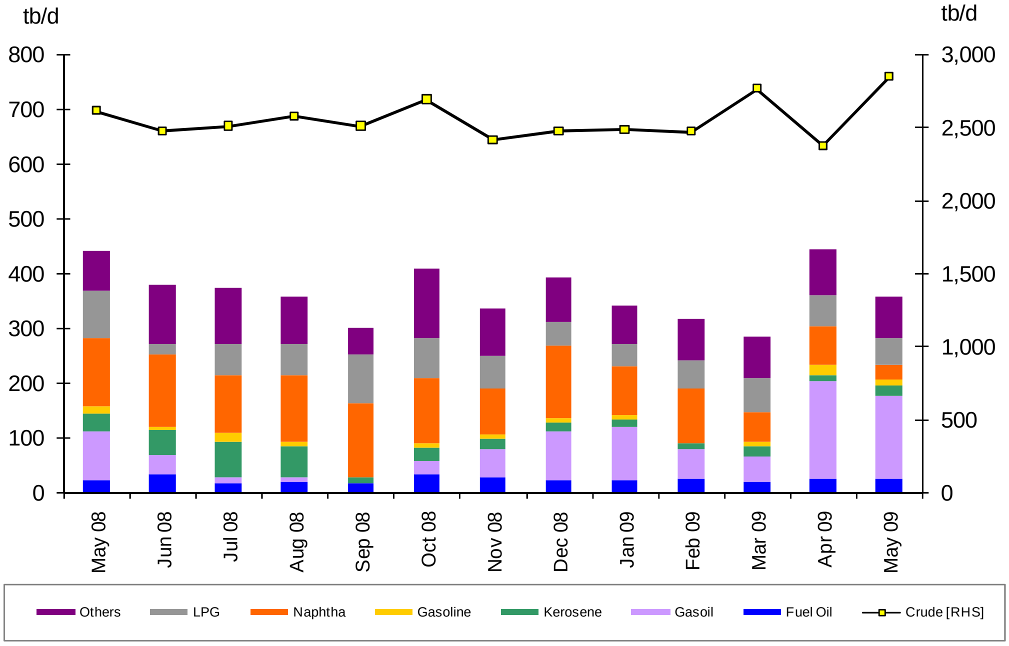
Iran was China's top crude oil supplier in May, supplying about 730,000 b/d or 18.1% of China's total crude imports in May, up from about 465,000 b/d in April. Saudi Arabia was second, supplying about 653,000 b/d or 16.2% of China's total crude imports, down from 994,000 b/d in the previous month. Angola's share of China's total crude oil imports in May was 11.9% or 483,000 b/d, down from 525,000 b/d in the previous month. Altogether, OPEC Member Countries supplied about 2.4 mb/d or 59.3% of China's crude oil imports in May, up from 2.37mb/d in the previous month. Top non-OPEC crude oil suppliers in May include Russia with 396,000 b/d, Oman with 319,000 b/d and Sudan with 246,000 b/d.

India

India's net oil imports increased in May by 17% backed by a 20% rise in net crude oil imports

According to preliminary data, India's crude oil imports indicated a record-high monthly average in May, increasing by about 470,000 b/d or 20% compared to the previous month, to average 2.84 mb/d. Crude imports in May were also 232,000 b/d higher compared to a year earlier. India's crude oil imports during the first five months of 2009 averaged 2.59 mb/d, about 38,000 b/d or 1.5% higher compared to the same period the previous year.

Graph 39: India's imports of crude and petroleum products



On the other hand, India's product imports declined in May by 86,000 b/d or 20% compared to the previous month to average about 0.36 mb/d, 19% lower compared to May 2008. Apart from kerosene, imports of all major products were lower in May compared to the previous month. Gasoil imports in May averaged about 152,000 b/d, 27,000 b/d lower compared to a month earlier, but 66%, or 60,000 b/d higher compared to a year ago. Gasoline imports were at 10,000 b/d in May compared to 17,000 b/d the previous month and 14,000 b/d in May 2008. LPG imports in May averaged about 48,000 b/d, down from 57,000 b/d the previous month and from 86,000 b/d the same month a year earlier. India imported an average of 29,000 b/d of naphtha in May, down from 72,000 b/d in the previous month and from 121,000 b/d in May 2008. Fuel oil imports in May averaged 24,000 b/d, almost steady compared to both the previous month and a year earlier. Kerosene imports were about 19,000 b/d compared to 10,000 b/d in the previous month and 33,000 b/d in May 2008. For the first five months of 2009, India imported an average of 0.35 mb/d of products, indicating a decline of about 148,000 b/d, or 30% compared to the same period a year ago.

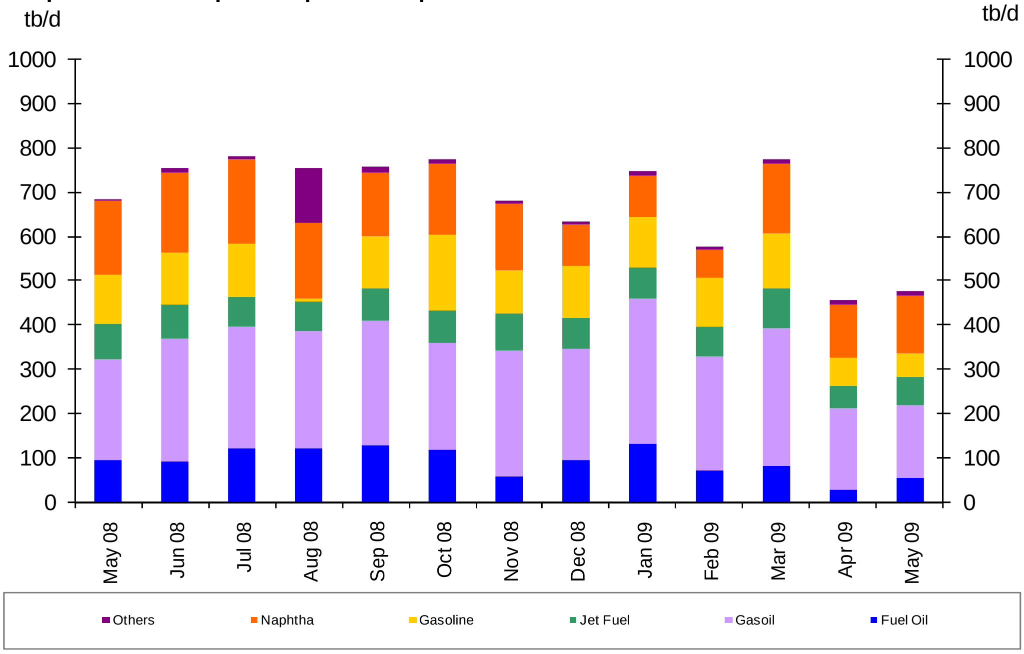
Table 25: India's crude and product net imports/(exports), tb/d

	Mar 09	Apr 09	May 09	Change May/Apr
Crude oil	2,764	2,372	2,842	470
Total products	-487	-40	-118	-78
Total crude and products	**2,277**	**2,333**	**2,724**	**391**

On the export side, India's total product exports of 474,000 b/d in May were 8,000 b/d or 2% lower compared to the previous month and 31% lower compared to a year earlier. Fuel oil exports in May averaged 52,000 b/d, up from 26,000 b/d the previous month, but down from 94,000 b/d a year earlier. Jet fuel exports were 61,000 b/d in May, up from 55,000 b/d the previous month. Gasoil exports in May averaged 166,000 b/d, 19% lower than the previous month and 30% lower than a year earlier. Gasoline exports declined in May to average 55,000 b/d, about 16% lower than the previous month and 50% lower compared to a year earlier. Naphtha exports were 152,000 b/d in May compared to 131,000 b/d the previous month and 189,000 b/d a year earlier. For the first five months of 2009, India exported an average of 0.61 mb/d of products, down by 153,000 b/d, or 20% compared to the same period in 2008.

As a result, India's net oil imports in May averaged 2.72 mb/d, displaying an increase of 17% or 391,000 b/d compared to the previous month and 15% compared to May 2008. The increase in net oil imports is attributed to higher net crude oil imports which more than offset lower net product imports. India's net oil imports for the first five months of 2009 averaged about 2.33 mb/d, a rise of 2% or 44,000 b/d compared to the same period in 2008.

Graph 40: India's exports of petroleum products



FSU

FSU crude oil exports 2% higher in May while product exports rose 1% on higher gasoline exports

According to preliminary data, FSU crude oil exports increased in May by 122,000 b/d, or 2% compared to the previous month to average 6.76 mb/d. Russian pipeline crude exports increased by 39,000 b/d or 1% compared to the previous month. This is attributed to the 91,000 b/d and 19,000 b/d increases of exports through the Black Sea and Druzhba respectively, while exports through the Baltic declined by 67,000 b/d, all compared to the previous month. Russian crude oil exports by rail declined, for the second month in a row, by 16%, or 92,000 b/d in May compared to the previous month to average about 494,000 b/d. Exports through CPC and BTC pipelines in May were 678,000 b/d and 868,000 b/d, indicating a monthly drop of 8% and gain of 23% respectively, both compared to the previous month. Caspian crude oil exports averaged 300,000 b/d in May, up 39,000 b/d compared to the previous month. On a year-on-year basis, FSU crude exports were about 55,000 b/d or 2% higher in May compared to a year earlier.

Similarly, FSU oil product exports increased in May by 27,000 b/d, or 1% compared to the previous month to average 2.91 mb/d. This is attributed to the sharp increase in gasoline exports, which alone increased by 103,000 b/d, or 49% compared to the previous month, to average 315,000 b/d. Naphtha exports were almost steady, while exports of VGO, fuel oil, gasoil and jet fuel were lower compared to the previous month. FSU product exports in May were 23% or 675,000 b/d higher than in the same month last year.

In total, FSU crude oil and product exports averaged 9.67 mb/d in May, indicating an increase of about 2%, or 149,000 b/d compared to the previous month. May's total exports were 730,000 b/d, or 8% higher than a year earlier.

Table 26: Recent FSU exports of crude and products by source, kb/d

	2007	2008	3Q08	4Q08	1Q09	Apr 09	May 09*
Crude							
Russian pipeline							
Black Sea	1,361	1,249	1,226	1,199	1,262	1,252	1,343
Baltic	1,631	1,559	1,539	1,490	1,518	1,663	1,596
Druzhba	1,122	1,098	1,034	1,089	1,139	1,076	1,095
Total**	**4,114**	**3,906**	**3,817**	**3,779**	**3,918**	**4,035**	**4,074**
Other routes							
Russian rail	292	283	260	234	303	305	228
Russian - Far East	269	220	214	252	277	281	266
Kazak rail	17	17	17	17	18	18	17
Vadandey	na	na	na	na	149	144	151
Ventspils	na	na	na	na	13	0	24
CPC	692	675	632	732	757	739	678
BTC	617	637	641	644	734	706	868
Atasu-Alashankou	n.a.	n.a.	n.a.	n.a.	116	145	150
Caspian	245	184	148	210	277	261	300
Total crude exports	**6,348**	**6,089**	**5,869**	**5,998**	**6,563**	**6,634**	**6,756**
Products							
Gasoline	na	na	na	na	284	212	315
Naphtha	na	na	na	na	338	308	316
Jet	na	na	na	na	54	57	53
Gasoil	777	810	757	849	1,039	866	860
Fuel oil	1,052	1,069	1,232	1,041	964	1,138	1,121
VGO	na	na	na	na	258	306	249
Total	**2,421**	**2,539**	**2,661**	**2,536**	**2,857**	**2,887**	**2,914**
Total oil exports	**8,769**	**8,628**	**8,530**	**8,534**	**9,420**	**9,521**	**9,670**

Source: Nefte Transport, Global Markets, Argus Fundamentals, Argus FSU, OPEC.
**	Preliminary.*
***	Total incl. exports of minor volumes to China.*
*na	Not available.*

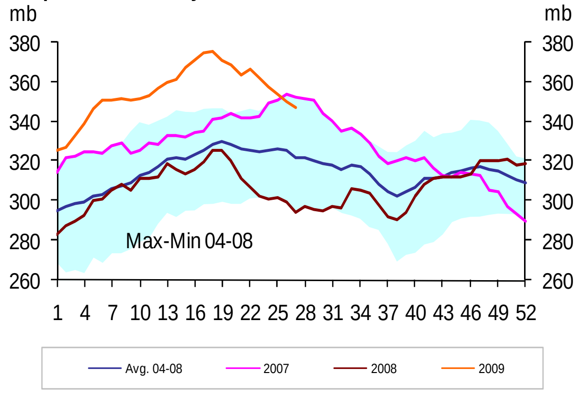
Stock Movements

US commercial oil inventories added a further 11 mb in June, resulting in an overhang of nearly 100 mb

USA

The imbalance between supply and demand continued to push oil inventories up. US commercial oil stocks increased a further 11 mb in June, the ninth build in a row to hit nearly 1,113 mb, the highest level since mid-1990. Nevertheless, excluding September 2008 when stocks dropped a marginal 1.4 mb, inventories have been increasing since March 2008. Following this recent build the overhang with the previous five years stood at around 100 mb. However, it is worth noting that the composition of the overhang has changed tremendously. In January, crude oil accounted for more than 70% of the overhang while in June, crude oil stocks represented just 25%, implying that inventories are essentially building due to weak product demand.

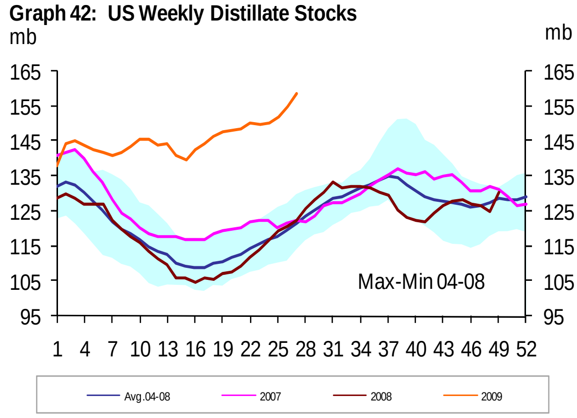
Graph 41: US weekly commercial crude oil inventories



Again, the build in oil inventories was driven by products, while crude oil inventories fell a further 16 mb to stand below 350 mb for the first time this year while moving within the five-year range. The draw was attributed to a recovery in refinery runs. The overhang with the five-year average has been narrowing since the beginning of the year. It dropped from 52 mb in January to just 24 mb as a result of lower OPEC production.

In contrast, product inventories continued the upward trend and rose a massive 27 mb in June with gasoline and distillates contributing 60% to the build. Gasoline stocks reversed the downward trend and jumped 8 mb to stand in line with the five-year average of around 211 mb and remained very comfortable considering the weak demand. On the other hand, distillate inventories continued their upward trend and added almost 8 mb to hit 158 mb, widening the overhang with the five-year average to almost 36 mb or 30%. The build in distillate stocks took place despite a drop in production to reflect the weak demand of both heating oil and diesel. Residual fuel oil stocks fell 3 mb to offset the build of the previous month. Both residual fuel oil and jet fuel inventories remained comfortable with respect to demand.

Graph 42: US Weekly Distillate Stocks



The Strategic Petroleum Reserve (SPR) continued the upward trend and rose a further 1.7 mb, the sixth build in a row, to hit a new record of 723.4 mb and approach capacity of 727 mb. With this trend, it is expected that capacity will be reached very soon, even before the schedule fixed by the Department of Energy earlier.

So far this year, US commercial oil inventories increased by almost 78 mb during the first six months with 56 mb in products compared to just 12 mb a year ago with 2 mb in products. At the same time, almost 22 mb have been added to SPR during the first half of this year compared to just 9 mb a year earlier.

Table 27: US onland commercial petroleum stocks, mb

	Apr 09	May 09	Jun 09	Change Jun 09 /May 09	Jun 08	03 Jul 09 *
Crude oil	370.2	364.1	348.1	-16.0	295.8	347.3
Gasoline	212.7	203.2	211.2	8.0	210.9	213.1
Distillate fuel	148.2	149.9	157.7	7.8	121.7	158.7
Residual fuel oil	35.2	39.8	36.8	-3.0	41.2	36.6
Jet fuel	42.6	41.6	42.6	1.0	39.8	42.8
Total	**1,093.0**	**1,101.9**	**1,112.7**	**10.8**	**980.1**	**1,114.2**
SPR	718.8	721.7	723.4	1.7	706.0	723.4

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

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

The latest data shows US commercial oil stocks increase 5.1 mb in the week ending 3 July to move above 1,114 mb. This build was driven by products while crude oil fell 2.9 mb, the fifth draw in a row to stand at 347.3 mb. Since the beginning of May, 28 mb have been removed from crude oil inventories. In contrast, distillate stocks followed the opposite trend and added 3.7 mb to stand at a very high level of nearly 159 mb. Similarly, gasoline stocks added 1.9 mb to stand around 213 mb. All the main components of US commercial oil inventories are very comfortable considering demand, especially distillates which correspond to almost 49 days of forward cover, 19 days or 63% higher than the previous five-year average. Crude oil and gasoline stocks corresponded to 23.3 days each, implying 4.3 days and half-day higher than their corresponding five-year average.

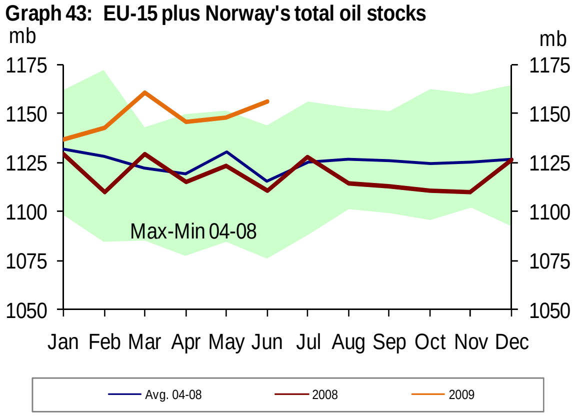
Western Europe

European total oil stocks moved above the upper-end of the five-year average, driven by distillates which hit a record 403 mb

European (EU-15 plus Norway) total oil inventories added 7.8 mb in June to stand at around 1,156 mb and moved above the upper end of the five-year range again. With this build, European stocks widened the overhang to almost 40 mb or 3.5%. Like in the US, the build was driven by products.

Crude oil inventories increased by just 1.2 mb to 488.4 mb but remained higher than last year and the five-year average.

Graph 43: EU-15 plus Norway's total oil stocks



Product inventories rose 6.7 mb, corresponding to 86% of the total build. At 667 mb, product stocks are 32 mb or 5% above the seasonal average. Both gasoline and distillate stocks increased in June. Gasoline stocks recovered from the downward trend and gained 5.1 mb, the first build since January to stand at around 123 mb. The build helped gasoline stocks to move back into the five-year average for the first time this year. The recovery in gasoline stocks was attributed to higher production from refineries as refinery margins strengthened. Additionally, reduced opportunities for transatlantic arbitrage also contributed to the recovery in gasoline stocks. Ample supply in the absence of healthy demand and a strong contango continued to push distillate stocks up to move above 403 mb for the first time and display an overhang of 36 mb or 10% compared to just 5 mb in January. Residual fuel oil inched up 0.2 mb while naphtha fell 1.3 mb to stand at around 113 and 27 mb, respectively.

It is worth mentioning that due to weaker demand, European total oil stocks gained almost 30 mb with products accounting for 80% in the first half of 2009 compared to a draw of 0.2 mb during the same period a year earlier.

Table 28: Western Europe's oil stocks, mb

	Apr 09	May 09	Jun 09	Change Jun 09/May 09	Jun 08
Crude oil	486.5	487.3	488.4	1.2	480.6
Mogas	118.9	118.3	123.4	5.1	124.3
Naphtha	28.6	28.6	27.3	-1.3	28.6
Middle distillates	398.2	400.4	403.1	2.7	360.7
Fuel oils	113.8	113.1	113.3	0.2	120.3
Total products	659.5	660.5	667.1	6.7	633.8
Total	**1,146.0**	**1,147.7**	**1,155.6**	**7.8**	**1,114.4**

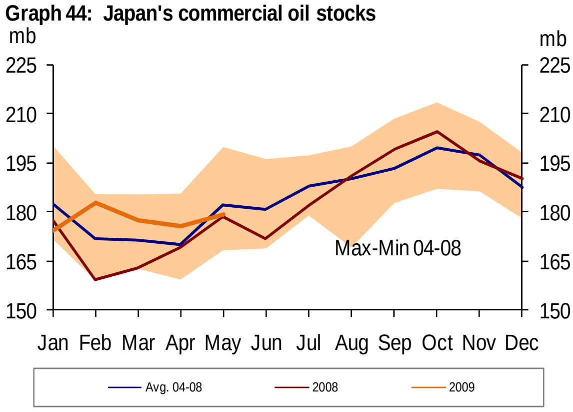
Source: Argus, Euroilstock.

Japan

Japan's commercial oil stocks continue to fluctuate at comfortable levels

In Japan, total commercial oil inventories continued to alternate between gains and losses but remained very comfortable. They rose 3.5 mb in May to stand at 179 mb, higher than a year earlier but slightly below the previous five-year average. As in the US and Europe, distillate stocks are very high and were the main contributor to the build.

Graph 44: Japan's commercial oil stocks



However, crude oil stocks continued their downward trend and fell 1.6 mb to stand at 101.6 mb, the lowest since August 2008 and moved slightly below the lower end of the five-year range. The low level of crude oil inventories does not imply high demand as refinery runs seasonally remained very low. In contrast, the drop in crude oil stocks is attributed to a very low level of imports which fell due to sluggish demand in products to almost 3.4 mb/d in May, 0.72 mb/d or 17.5% lower than a year earlier.

Contrary to crude oil, product inventories increased 5.1 mb and remained very comfortable. The build came as result of a rise of 4.0 mb in distillates to move beyond 33 mb, the highest level so far this year, and display a surplus of 5 mb or 18% over last year and the five-year average. Gasoline stocks fell 0.8 mb, the first draw so far this year, essentially on the back of lower production from refineries. Despite this draw, gasoline stocks remained high, above the seasonal average. Residual fuel oil and naphtha stocks both increased by 1.4 mb and 0.5 mb to stand at comfortable levels of 18.5 mb and 11.1 mb respectively.

Preliminary data shows that Japan's commercial crude oil increased a further 4.5 mb in June and gasoline and distillate stocks remained almost unchanged while other products like naphtha and fuel oil lost almost 2 mb each.

Table 29: Japan's commercial oil stocks*, mb

	Mar 09	Apr 09	May 09	Change May 09/Apr 09	May 08
Crude oil	103.2	103.3	101.6	-1.6	105.7
Gasoline	15.5	15.5	14.7	-0.8	14.8
Naphtha	13.8	10.6	11.1	0.5	10.5
Middle distillates	28.4	29.1	33.1	4.0	28.1
Residual fuel oil	16.5	17.1	18.5	1.4	19.1
Total products	74.1	72.4	77.4	5.1	72.6
Total**	**177.4**	**175.6**	**179.1**	**3.5**	**178.3**

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

Balance of Supply and Demand

Required OPEC crude for 2009 estimated at 28.5 mb/d, down 2.3 mb/d from 2008

Estimate for 2009

The demand for OPEC crude has been revised down, reflecting a slight upward adjustment to non-OPEC supply. The demand for OPEC crude in 2009 is now estimated at 28.5 mb/d, representing a strong decline of 2.3 mb/d from the previous year. On a quarterly basis, the demand for OPEC crude is estimated at 28.3 mb/d, 27.8 mb/d, 28.7 mb/d and 29.1 mb/d respectively.

Table 30: Summarized supply/demand balance for 2009, mb/d

	2008	1Q09	2Q09	3Q09	4Q09	2009
(a) World Oil Demand	**85.49**	**83.78**	**82.80**	**83.93**	**84.84**	**83.84**
Non-OPEC Supply	50.39	50.89	50.37	50.43	50.81	50.62
OPEC NGLs and non-conventionals	4.31	4.54	4.63	4.79	4.94	4.72
(b) Total Supply excluding OPEC Crude	**54.70**	**55.43**	**55.00**	**55.22**	**55.75**	**55.35**
Difference (a-b)	**30.78**	**28.35**	**27.80**	**28.71**	**29.10**	**28.49**
OPEC crude oil production	31.07	28.32	28.33			
Balance	0.28	-0.02	0.52			

Totals may not add due to independent rounding.

Demand for OPEC crude in 2010 forecast at 28.1 mb/d, representing a further decline of 0.4 mb/d

Forecast for 2010

Demand for OPEC crude in 2010 is forecast to average 28.1 mb/d. This represents a drop of 0.4 mb/d from the current year and the third consecutive annual decline. As the decline is much smaller than in the previous year, the figure can be seen as a sign of recovery. On a quarterly basis, the demand for OPEC crude is expected at 27.9 mb/d, 27.2 mb/d, 28.6 mb/d and 28.8 mb/d respectively.

Table 31: Summarized supply/demand balance for 2010, mb/d

	2009	1Q10	2Q10	3Q10	4Q10	2010
(a) World Oil Demand	**83.84**	**83.93**	**83.04**	**84.66**	**85.69**	**84.34**
Non-OPEC Supply	50.62	51.04	50.68	50.77	51.34	50.96
OPEC NGLs and non-conventionals	4.72	5.02	5.19	5.34	5.52	5.26
(b) Total Supply excluding OPEC Crude	**55.35**	**56.05**	**55.87**	**56.10**	**56.86**	**56.22**
Difference (a-b)	**28.49**	**27.88**	**27.17**	**28.56**	**28.83**	**28.11**

Totals may not add due to independent rounding.

Graph 45: Balance of supply and demand

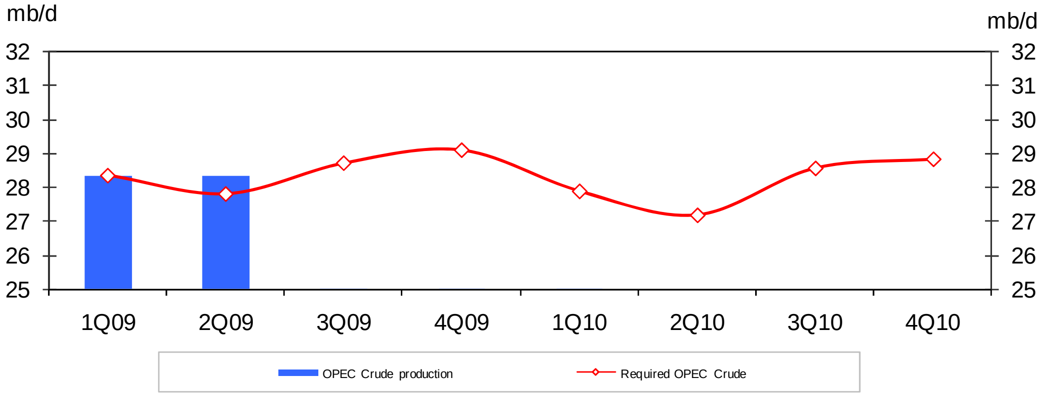


Table 32: World oil demand/supply balance, mb/d

	2004	2005	2006	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
World demand															
OECD	49.4	49.8	49.6	49.2	47.5	46.6	44.6	45.1	46.5	45.7	46.0	44.2	45.0	46.5	45.4
North America	25.4	25.6	25.4	25.5	24.3	23.6	23.1	23.1	23.7	23.4	23.7	23.2	23.4	24.0	23.6
Western Europe	15.5	15.7	15.7	15.3	15.2	14.8	14.3	15.0	15.0	14.8	14.4	13.9	14.8	14.9	14.5
Pacific	8.5	8.6	8.5	8.3	8.0	8.1	7.3	7.1	7.8	7.6	7.9	7.1	6.9	7.6	7.4
DCs	21.8	22.6	23.3	24.2	25.1	25.0	25.5	25.6	25.5	25.4	25.4	25.9	26.1	26.0	25.9
FSU	3.8	3.9	4.0	4.0	4.1	3.9	3.7	4.2	4.2	4.0	3.9	3.7	4.2	4.2	4.0
Other Europe	0.9	0.9	0.9	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8
China	6.5	6.7	7.2	7.6	8.0	7.6	8.3	8.3	7.9	8.0	7.9	8.5	8.6	8.2	8.3
(a) Total world demand	82.5	83.9	84.9	85.8	85.5	83.8	82.8	83.9	84.8	83.8	83.9	83.0	84.7	85.7	84.3
Non-OPEC supply															
OECD	21.3	20.5	20.2	20.1	19.6	19.9	19.1	19.1	19.2	19.3	19.3	19.0	18.9	19.2	19.1
North America	14.6	14.1	14.2	14.3	13.9	14.2	13.7	13.9	14.0	14.0	14.1	13.9	13.9	14.1	14.0
Western Europe	6.2	5.7	5.4	5.2	5.0	5.1	4.7	4.5	4.6	4.7	4.6	4.5	4.3	4.4	4.4
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.7	0.6
DCs	11.6	11.9	12.0	12.1	12.3	12.5	12.5	12.8	12.9	12.7	13.0	12.9	13.0	13.1	13.0
FSU	11.1	11.5	12.0	12.5	12.6	12.6	12.9	12.5	12.7	12.7	12.8	12.8	12.8	13.0	12.8
Other Europe	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.5	3.6	3.7	3.8	3.8	3.8	3.8	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Processing gains	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total non-OPEC supply	49.6	49.6	50.0	50.6	50.4	50.9	50.4	50.4	50.8	50.6	51.0	50.7	50.8	51.3	51.0
OPEC NGLs + non-conventional oils	3.7	3.9	3.9	4.0	4.3	4.5	4.6	4.8	4.9	4.7	5.0	5.2	5.3	5.5	5.3
(b) Total non-OPEC supply and OPEC NGLs	53.3	53.5	53.9	54.6	54.7	55.4	55.0	55.2	55.7	55.3	56.1	55.9	56.1	56.9	56.2
OPEC crude oil production (secondary sources)	29.6	30.7	30.5	30.1	31.1	28.3	28.3								
Total supply	82.9	84.2	84.4	84.7	85.8	83.8	83.3								
Balance (stock change and miscellaneous)	0.4	0.3	-0.6	-1.1	0.3	0.0	0.5								
OECD closing stock levels (*mb*)															
Commercial	2538	2585	2666	2567	2700	2743									
SPR	1450	1487	1499	1524	1526	1547									
Total	3988	4072	4165	4091	4225	4290									
Oil-on-water	905	958	916	948	929	888									
Days of forward consumption in OECD															
Commercial onland stocks	51	52	54	54	59	61									
SPR	29	30	30	32	33	35									
Total	80	82	85	86	92	96									
Memo items															
FSU net exports	7.3	7.7	8.0	8.5	8.5	8.8	9.2	8.3	8.5	8.7	8.9	9.1	8.6	8.7	8.8
(a) - (b)	29.2	30.4	31.1	31.2	30.8	28.3	27.8	28.7	29.1	28.5	27.9	27.2	28.6	28.8	28.1

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

Table 33: World oil demand/supply balance: changes from last month's table † , mb/d

	2004	2005	2006	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
World demand															
OECD	-	-	-	-	0.1	0.1	-0.3	0.2	0.3	0.1	-	-	-	-	-
North America	-	-	-	-	-	-	-0.2	0.1	0.1	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-0.1	-	0.1	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
DCs	-	-	-	-	-	-	0.1	-	0.1	-	-	-	-	-	-
FSU	-	-	-	-	-	-0.1	-	-	-0.1	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-	-	-	-
China	-	-	-	-	-	-0.1	-	-	0.1	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	0.1	-0.1	-0.2	0.2	0.2	-	-	-	-	-	-
World demand growth	*-0.05*	*-*	*-*	*-0.03*	*0.11*	*-0.24*	*-0.36*	*0.24*	*0.22*	*-0.03*	*-*	*-*	*-*	*-*	*-*
Non-OPEC supply															
OECD	-	-	-	-	-	-	-0.2	-	-0.1	-0.1	-	-	-	-	-
North America	-	-	-	-	-	-	-0.2	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	0.1	0.1	0.1	-	0.1	0.1	0.1	-	-	-	-	-
FSU	-	-	-	-	-	-	0.2	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	0.1	0.1	0.2	-	0.1	0.1	0.1	-	-	-	-	-
Total non-OPEC supply growth	*-*	*-*	*-*	*0.07*	*-*	*0.11*	*-0.08*	*0.06*	*0.01*	*0.02*	*-*	*-*	*-*	*-*	*-*
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	0.1	0.1	0.2	-	0.2	0.2	0.1	-	-	-	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-								
Total supply	-	-	-	0.1	0.1	0.2	-								
Balance (stock change and miscellaneous)	-	-	-	0.1	-	0.3	-								
OECD closing stock levels (*mb*)															
Commercial	-	-	-	-1	1	-									
SPR	-	-	-	-	-	-									
Total	-	-	-	-1	1	-									
Oil-on-water	-	-	-	5	1	-									
Days of forward consumption in OECD															
Commercial onland stocks	-	-	-	-	-	-									
SPR	-	-	-	-	-	-									
Total	-	-	-	-	-	-									
Memo items															
FSU net exports	-	-	-	-	-	0.1	0.2	-	0.1	0.1	-	-	-	-	-
(a) - (b)	-	-	-	-0.1	-	-0.3	-0.2	-	0.1	-0.1	-	-	-	-	-

† This compares Table 32 in this issue of the MOMR with Table 33 in the June 2009 issue.
This table shows only where changes have occurred.

Table 34: OECD oil stocks and oil on water at the end of period

	2004	2005	2006	2007	2008	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09
Closing stock levels *mb*																						
OECD onland commercial	2,538	2,585	2,666	2,567	2,700	2,533	2,612	2,627	2,585	2,585	2,648	2,760	2,666	2,597	2,656	2,649	2,567	2,573	2,604	2,658	2,700	2,743
North America	1,193	1,257	1,277	1,229	1,301	1,201	1,275	1,254	1,257	1,240	1,277	1,351	1,277	1,238	1,294	1,285	1,229	1,216	1,240	1,278	1,301	1,348
Western Europe	915	934	962	931	992	942	915	942	934	937	935	948	962	941	936	932	931	963	955	950	992	988
OECD Pacific	430	394	428	406	406	389	422	432	394	408	436	461	428	419	427	431	406	393	408	430	406	408
OECD SPR	1,450	1,487	1,499	1,524	1,526	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,507	1,506	1,520	1,524	1,527	1,528	1,521	1,526	1,547
North America	678	687	691	699	704	690	698	696	687	688	690	690	691	691	692	695	699	702	708	704	704	715
Western Europe	377	407	412	421	416	376	401	405	407	407	411	412	412	415	413	423	421	421	417	414	416	424
OECD Pacific	396	393	396	404	406	396	395	393	393	392	393	393	396	401	401	403	404	404	404	403	406	408
OECD total	3,988	4,072	4,165	4,091	4,225	3,995	4,106	4,121	4,072	4,072	4,141	4,255	4,165	4,104	4,163	4,169	4,091	4,100	4,132	4,179	4,225	4,290
Oil-on-water	905	958	916	948	929	934	931	926	958	962	971	972	916	916	909	926	948	930	929	898	929	888
Days of forward consumption in OECD																						
OECD onland commercial	51	52	54	54	59	52	53	52	51	53	54	55	54	54	54	53	52	54	56	56	58	61
North America	47	49	50	51	56	47	50	49	50	49	50	53	50	49	51	50	49	50	52	53	55	58
Western Europe	58	60	63	61	67	61	58	60	58	61	60	60	63	63	61	60	61	64	62	62	67	69
OECD Pacific	50	46	51	51	54	48	52	49	42	52	55	52	48	53	54	49	46	50	54	54	50	56
OECD SPR	29	30	30	32	33	30	30	30	29	31	30	30	30	31	31	30	31	32	33	32	33	35
North America	27	27	27	29	30	27	27	27	27	27	27	27	27	27	27	27	28	29	30	29	30	31
Western Europe	24	26	27	28	28	25	26	26	25	27	26	26	27	28	27	27	28	28	27	27	28	30
OECD Pacific	46	46	47	50	54	49	49	45	42	50	49	45	44	51	51	46	46	52	54	51	50	56
OECD total	80	82	85	86	92	82	83	82	80	84	84	85	84	85	85	84	84	87	89	88	91	96

Table 35: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2004	2005	2006	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09
USA	7.65	7.34	7.36	7.50	0.14	7.64	7.75	7.20	7.42	7.50	0.00	7.81	7.75	7.70	7.80	7.77	0.27	7.91	7.87	7.87	7.99	7.91	0.14
Canada	3.07	3.03	3.20	3.32	0.12	3.30	3.12	3.30	3.28	3.25	-0.07	3.31	2.99	3.27	3.34	3.23	-0.02	3.34	3.28	3.28	3.33	3.31	0.08
Mexico	3.83	3.77	3.69	3.49	-0.21	3.29	3.18	3.13	3.09	3.17	-0.31	3.04	2.99	2.96	2.87	2.96	-0.21	2.85	2.79	2.80	2.81	2.81	-0.15
North America	14.56	14.14	14.24	14.30	0.06	14.22	14.05	13.63	13.80	13.92	-0.38	14.17	13.72	13.94	14.01	13.96	0.04	14.10	13.94	13.95	14.13	14.03	0.07
Norway	3.19	2.97	2.78	2.56	-0.22	2.51	2.39	2.38	2.54	2.45	-0.10	2.52	2.21	2.19	2.30	2.30	-0.15	2.25	2.16	2.07	2.21	2.17	-0.13
UK	2.10	1.89	1.71	1.69	-0.02	1.69	1.64	1.41	1.55	1.57	-0.12	1.59	1.56	1.37	1.36	1.47	-0.10	1.39	1.34	1.26	1.29	1.32	-0.15
Denmark	0.39	0.38	0.34	0.31	-0.04	0.29	0.29	0.27	0.28	0.28	-0.02	0.28	0.28	0.23	0.25	0.26	-0.02	0.25	0.24	0.23	0.23	0.24	-0.02
Other Western Europe	0.50	0.51	0.54	0.68	0.15	0.72	0.73	0.75	0.74	0.74	0.05	0.68	0.68	0.70	0.70	0.69	-0.05	0.71	0.71	0.71	0.71	0.71	0.02
Western Europe	6.18	5.74	5.37	5.23	-0.13	5.21	5.04	4.82	5.12	5.05	-0.19	5.07	4.73	4.49	4.61	4.72	-0.32	4.59	4.45	4.27	4.43	4.43	-0.29
Australia	0.52	0.53	0.51	0.53	0.02	0.47	0.53	0.55	0.58	0.53	0.01	0.55	0.54	0.55	0.50	0.54	0.00	0.48	0.49	0.54	0.55	0.51	-0.02
Other Pacific	0.05	0.05	0.05	0.08	0.03	0.11	0.11	0.10	0.09	0.10	0.02	0.09	0.10	0.10	0.10	0.10	0.00	0.12	0.11	0.11	0.11	0.11	0.02
OECD Pacific	0.57	0.58	0.56	0.60	0.04	0.58	0.63	0.64	0.67	0.63	0.03	0.64	0.64	0.65	0.60	0.63	0.00	0.60	0.60	0.65	0.66	0.63	0.00
Total OECD	21.31	20.45	20.17	20.14	-0.03	20.01	19.73	19.09	19.59	19.60	-0.54	19.88	19.10	19.07	19.22	19.31	-0.29	19.29	18.99	18.87	19.23	19.09	-0.22
Brunei	0.21	0.21	0.22	0.19	-0.03	0.19	0.16	0.17	0.18	0.17	-0.02	0.17	0.15	0.18	0.18	0.17	0.00	0.17	0.17	0.17	0.17	0.17	0.00
India	0.79	0.76	0.79	0.82	0.02	0.83	0.81	0.82	0.84	0.82	0.01	0.80	0.80	0.86	0.87	0.83	0.01	0.88	0.90	0.89	0.90	0.89	0.06
Indonesia	1.15	1.12	1.07	1.02	-0.04	1.05	1.04	1.04	1.03	1.04	0.02	1.02	1.02	1.06	1.06	1.04	0.00	1.06	1.06	1.06	1.06	1.06	0.02
Malaysia	0.79	0.77	0.76	0.76	0.01	0.78	0.76	0.78	0.75	0.77	0.01	0.75	0.76	0.78	0.78	0.77	0.00	0.76	0.75	0.73	0.72	0.74	-0.03
Thailand	0.25	0.30	0.32	0.34	0.02	0.34	0.35	0.36	0.36	0.35	0.02	0.36	0.37	0.37	0.37	0.37	0.02	0.37	0.37	0.37	0.37	0.37	0.00
Vietnam	0.42	0.39	0.37	0.35	-0.02	0.34	0.31	0.29	0.31	0.31	-0.04	0.33	0.33	0.34	0.35	0.34	0.02	0.37	0.38	0.38	0.39	0.38	0.05
Asia others	0.18	0.26	0.26	0.27	0.00	0.28	0.28	0.28	0.28	0.28	0.01	0.28	0.28	0.28	0.29	0.28	0.01	0.29	0.29	0.29	0.30	0.29	0.01
Other Asia	3.81	3.80	3.79	3.74	-0.05	3.80	3.71	3.73	3.75	3.75	0.01	3.71	3.72	3.88	3.89	3.80	0.05	3.91	3.92	3.89	3.90	3.90	0.10
Argentina	0.80	0.78	0.77	0.76	-0.01	0.77	0.77	0.76	0.75	0.76	0.00	0.76	0.76	0.75	0.74	0.75	-0.01	0.73	0.72	0.71	0.70	0.71	-0.04
Brazil	1.80	1.98	2.11	2.22	0.12	2.30	2.35	2.39	2.37	2.35	0.13	2.51	2.53	2.61	2.64	2.57	0.22	2.72	2.71	2.82	2.90	2.79	0.21
Colombia	0.54	0.53	0.54	0.54	0.00	0.57	0.59	0.61	0.62	0.60	0.06	0.65	0.66	0.66	0.66	0.65	0.06	0.67	0.68	0.69	0.70	0.68	0.03
Trinidad & Tobago	0.16	0.18	0.18	0.16	-0.02	0.16	0.15	0.16	0.16	0.16	0.00	0.16	0.16	0.17	0.17	0.16	0.01	0.17	0.17	0.17	0.17	0.17	0.01
L. America others	0.26	0.30	0.26	0.27	0.00	0.27	0.28	0.29	0.32	0.29	0.02	0.32	0.31	0.31	0.31	0.31	0.02	0.30	0.30	0.30	0.30	0.30	-0.01
Latin America	3.55	3.77	3.86	3.95	0.09	4.07	4.14	4.20	4.22	4.16	0.20	4.39	4.41	4.49	4.51	4.45	0.29	4.57	4.57	4.68	4.76	4.64	0.19
Bahrain	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00
Oman	0.79	0.78	0.75	0.71	-0.03	0.72	0.74	0.76	0.75	0.74	0.03	0.76	0.75	0.79	0.79	0.77	0.03	0.79	0.80	0.80	0.80	0.80	0.02
Syria	0.49	0.45	0.44	0.42	-0.02	0.41	0.40	0.40	0.39	0.40	-0.02	0.38	0.37	0.40	0.40	0.39	-0.01	0.40	0.40	0.39	0.38	0.39	0.00
Yemen	0.41	0.41	0.37	0.34	-0.04	0.31	0.31	0.30	0.30	0.31	-0.03	0.28	0.27	0.28	0.27	0.28	-0.03	0.26	0.26	0.25	0.25	0.26	-0.02
Middle East	1.90	1.85	1.76	1.67	-0.09	1.65	1.66	1.66	1.64	1.65	-0.02	1.63	1.61	1.67	1.67	1.64	-0.01	1.67	1.66	1.65	1.64	1.65	0.01
Chad	0.16	0.18	0.16	0.15	-0.01	0.15	0.15	0.15	0.15	0.15	0.00	0.14	0.14	0.14	0.13	0.13	-0.02	0.13	0.13	0.13	0.13	0.13	0.00
Congo	0.24	0.24	0.25	0.24	0.00	0.26	0.26	0.26	0.26	0.26	0.02	0.26	0.27	0.28	0.33	0.29	0.03	0.32	0.33	0.32	0.31	0.32	0.03
Egypt	0.71	0.70	0.67	0.67	0.00	0.68	0.68	0.69	0.70	0.69	0.02	0.70	0.69	0.70	0.68	0.69	0.00	0.69	0.68	0.67	0.67	0.68	-0.01
Equatorial Guinea	0.30	0.36	0.37	0.37	0.00	0.38	0.38	0.38	0.38	0.38	0.01	0.38	0.36	0.37	0.36	0.37	-0.01	0.37	0.36	0.36	0.35	0.36	-0.01
Gabon	0.25	0.25	0.25	0.25	0.00	0.24	0.24	0.25	0.25	0.24	-0.01	0.26	0.26	0.25	0.25	0.25	0.01	0.25	0.25	0.26	0.25	0.25	0.00
South Africa	0.19	0.19	0.19	0.18	-0.01	0.17	0.17	0.17	0.17	0.17	-0.01	0.17	0.17	0.16	0.16	0.17	-0.01	0.15	0.15	0.15	0.15	0.15	-0.01
Sudan	0.30	0.34	0.40	0.50	0.10	0.50	0.49	0.47	0.44	0.48	-0.02	0.46	0.48	0.48	0.49	0.48	0.00	0.47	0.46	0.47	0.48	0.47	0.00
Africa other	0.21	0.25	0.32	0.35	0.03	0.38	0.38	0.38	0.38	0.38	0.03	0.38	0.38	0.42	0.43	0.40	0.02	0.42	0.42	0.45	0.49	0.45	0.04
Africa	2.36	2.52	2.60	2.71	0.11	2.75	2.76	2.74	2.73	2.74	0.04	2.73	2.74	2.80	2.83	2.78	0.03	2.80	2.79	2.81	2.83	2.81	0.03
Total DCs	11.63	11.93	12.02	12.08	0.06	12.28	12.26	12.33	12.34	12.30	0.23	12.46	12.47	12.84	12.90	12.67	0.37	12.95	12.93	13.02	13.12	13.01	0.34
FSU	11.14	11.55	12.02	12.52	0.50	12.62	12.67	12.46	12.49	12.56	0.04	12.63	12.85	12.51	12.69	12.67	0.11	12.77	12.77	12.83	12.96	12.83	0.16
Russia	9.19	9.44	9.65	9.87	0.22	9.78	9.74	9.81	9.80	9.78	-0.08	9.78	9.88	9.68	9.64	9.74	-0.04	9.65	9.61	9.65	9.62	9.63	-0.11
Kazakhstan	1.18	1.23	1.30	1.35	0.05	1.42	1.44	1.33	1.47	1.41	0.06	1.48	1.47	1.40	1.58	1.48	0.07	1.59	1.59	1.56	1.64	1.60	0.11
Azerbaijan	0.31	0.44	0.65	0.86	0.21	0.96	1.03	0.85	0.78	0.91	0.04	0.94	1.07	0.96	1.00	0.99	0.09	1.05	1.09	1.13	1.19	1.12	0.13
FSU others	0.47	0.44	0.42	0.44	0.02	0.46	0.46	0.46	0.45	0.46	0.02	0.44	0.43	0.47	0.47	0.45	-0.01	0.48	0.48	0.49	0.50	0.49	0.03
Other Europe	0.17	0.16	0.15	0.15	-0.01	0.13	0.13	0.13	0.12	0.13	-0.02	0.12	0.12	0.12	0.12	0.12	0.00	0.12	0.12	0.12	0.12	0.12	0.00
China	3.50	3.64	3.69	3.77	0.07	3.82	3.88	3.85	3.85	3.85	0.08	3.80	3.84	3.90	3.89	3.86	0.01	3.91	3.88	3.94	3.93	3.92	0.06
Non-OPEC production	47.75	47.73	48.06	48.65	0.60	48.85	48.67	47.85	48.39	48.44	-0.21	48.90	48.39	48.44	48.83	48.64	0.20	49.05	48.70	48.78	49.36	48.97	0.33
Processing gains	1.83	1.86	1.90	1.92	0.02	1.95	1.95	1.95	1.95	1.95	0.03	1.98	1.98	1.98	1.98	1.98	0.03	1.98	1.98	1.98	1.98	1.98	0.00
Non-OPEC supply	49.58	49.59	49.96	50.58	0.62	50.80	50.62	49.80	50.34	50.39	-0.19	50.89	50.37	50.43	50.81	50.62	0.23	51.04	50.68	50.77	51.34	50.96	0.33
OPEC NGL	3.54	3.74	3.76	3.95	0.19	4.11	4.23	4.25	4.25	4.21	0.26	4.44	4.52	4.69	4.83	4.62	0.41	4.91	5.08	5.23	5.39	5.15	0.53
OPEC Non-conventional	0.17	0.16	0.14	0.08	-0.05	0.11	0.11	0.11	0.11	0.11	0.02	0.11	0.11	0.11	0.11	0.11	0.00	0.11	0.11	0.11	0.13	0.11	0.01
OPEC (NGL+NCF)	3.71	3.89	3.89	4.03	0.14	4.22	4.33	4.35	4.35	4.31	0.28	4.54	4.63	4.79	4.94	4.72	0.41	5.02	5.19	5.34	5.52	5.26	0.54
Non-OPEC & OPEC (NGL+NCF)	53.29	53.49	53.85	54.61	0.76	55.02	54.95	54.15	54.70	54.70	0.09	55.43	55.00	55.22	55.75	55.35	0.64	56.05	55.87	56.10	56.86	56.22	0.87

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

Table 36: World Rig Count

	2004	2005	2006	Change 06/05	1Q 07	2Q 07	3Q 07	4Q 07	2007	Change 07/06	1Q 08	2Q 08	3Q 08	4Q 08	2008	Change 08/07	1Q 09	Apr09	May09	Jun09	2Q 09	Change Jun/May
USA	1,190	1,378	1,648	270	1,733	1,757	1,788	1,790	1,767	119	1,770	1,864	1,978	1,898	1,878	111	1,326	995	918	895	936	-23
Canada	369	490	470	-20	532	139	348	356	344	-126	507	169	432	408	379	35	329	74	72	125	90	53
Mexico	110	107	83	-24	90	88	96	93	92	9	96	106	103	106	103	11	128	127	133	124	128	-9
North America	1,669	1,975	2,200	225	2,355	1,984	2,232	2,240	2,203	3	2,373	2,139	2,512	2,411	2,359	156	1,782	1,196	1,123	1,144	1,154	21
Norway	17	17	16	-1	16	19	18	17	18	2	17	21	21	21	20	2	25	22	16	17	18	1
UK	16	21	24	3	25	29	27	22	26	2	19	21	24	24	22	-4	22	19	20	18	19	-2
Western Europe	65	65	73	8	72	78	76	73	75	2	71	78	83	83	79	4	85	4	3	2	3	-1
OECD Pacific	22	25	27	2	24	30	32	30	29	2	32	39	39	34	36	7	29	32	32	32	32	0
Total OECD	1,755	2,065	2,300	235	2,450	2,091	2,340	2,342	2,306	6	2,476	2,256	2,634	2,529	2,474	168	1,970	1,416	1,336	1,350	1,367	14
Other Asia	178	201	201	0	209	216	214	207	217	16	214	225	218	216	152	64	208	207	206	208	207	2
Latin America	116	129	149	20	183	178	173	181	178	29	181	181	181	197	192	14	164	152	152	153	152	1
Middle East	70	72	80	8	82	85	87	86	85	5	89	91	93	90	91	6	86	85	85	85	85	0
Africa	51	54	67	13	75	80	88	88	83	16	84	90	97	94	91	8	88	86	84	81	84	-3
Total DCs	415	456	493	37	510	510	509	515	511	18	512	520	540	532	526	15	527	530	527	527	528	0
Non-OPEC Rig Count	2,120	2,465	2,751	286	2,950	2,593	2,842	2,850	2,808	57	3,006	2,795	3,192	3,081	3,019	211	2,515	1,964	1,881	1,895	1,913	14
																						0
Algeria	19	21	24	3	25	26	28	28	27	3	26	27	24	26	26	-1	24	32	28	30	30	2
Angola	3	3	4	1	5	4	3	5	4	0	5	6	5	5	5	1	5	2	3	3	3	0
Ecuador	10	12	11	-1	12	10	11	10	11	0	7	9	12	13	10	-1	10	10	10	10	10	0
Iran	41	40	44	4	51	51	51	50	50	6	50	50	50	51	50	0	51	52	52	52	52	0
Iraq	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	29	29	29	29	29	0
Kuwait	10	12	14	15	14	13	13	11	12	13	12	11	12	12	12	0	12	11	13	10	11	-3
Libya	10	9	10	1	13	12	14	14	13	3	14	15	15	15	15	2	15	11	15	14	13	-1
Nigeria	8	9	10	1	8	7	8	10	8	-2	9	8	6	6	7	-1	7	6	6	6	6	0
Qatar	9	12	11	-1	11	12	13	14	13	2	11	12	11	11	11	-2	9	8	9	10	9	1
Saudi Arabia	32	36	65	29	76	76	78	77	77	12	78	77	76	76	77	0	72	67	68	67	67	-1
UAE	16	16	16	0	14	15	15	14	14	-2	12	12	13	12	12	-2	13	12	12	12	12	0
Venezuela	55	67	81	14	76	80	77	71	76	-5	82	81	77	81	80	4	69	65	66	61	64	-5
OPEC Rig Count	213	237	290	53	305	306	311	304	305	15	306	308	301	308	305	0	315	305	311	304	307	-7
																						0
Worldwid Rig Count*	2,333	2,702	3,041	339	3,255	2,899	3,153	3,154	3,113	72	3,312	3,103	3,493	3,389	3,324	211	2,830	2,269	2,192	2,199	2,220	7
of which:																						0
Oil	877	959	1,114	155	1,266	1,155	1,257	1,288	1,239	125	1,374	1,320	1,443	1436	1393	154	1206	916	895	991	934	96
Gas	1,436	1,722	1,911	197	1,969	1,725	1,876	1,842	1,853	-67	1,904	1,752	2,014	1916	1896	43	1596	1332	1276	1187	1,263	-89
Others	20	22	16	-6	20	19	20	24	21	5	34	31	36	37	35	14	28	21	21	21	21	0

**/Excludes China and FSU.*

na - Not available.

Source: Baker Hughes International & Secretariat's Estimates.

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

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Data Summary July 2009

OPEC Basket average price

US$ per barrel

⬆ *up $11.38 in June*	***June 2009***	***68.36***
	May 2009	*56.98*
	Year-to-date	*50.89*

June OPEC production

in million barrels per day, according to secondary sources

⬆ *up 0.04 in June*	***June 2009***	***28.44***
	May 2009	*28.40*

World economy

Global economic growth for 2009 has been revised down by 0.1% to show a contraction of 1.4%. The major revision was made in the Euro-zone which is now expected to decline by 4.6% in 2009. For 2010 the global economy is being expected to grow by 2.3%.

Supply and demand

in million barrels per day

2009		***2010***	
World demand	*83.8*	*World demand*	*84.3*
Non-OPEC supply	*55.3*	*Non-OPEC supply*	*56.2*
Difference	***28.5***	***Difference***	***28.1***

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

Stocks

US commercial oil stocks rose for the ninth consecutive month in June, while OECD commercial oil inventories remained at very high levels representing 8 days of forward cover above the five-year average.

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Data cover period up to the end of June 2009 unless otherwise stated.