OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

May 2010

Feature Article:

Promising but uneven recovery in the global economy

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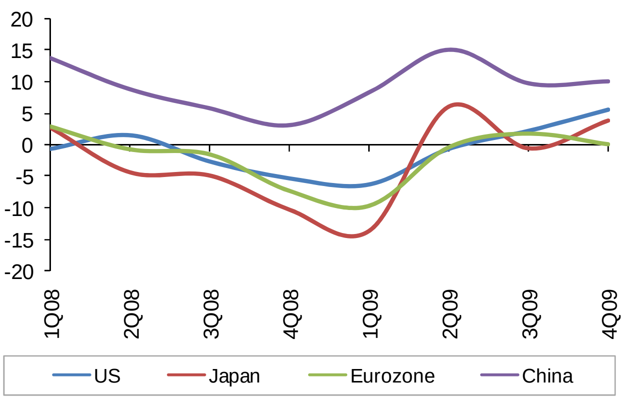
Oil Market Highlights

- Optimism about the global economic recovery and higher oil demand expectations supported the oil market in April. The **OPEC Reference Basket** moved above $81/b in the second trading day of the month for the first time since January and then followed an upward trend to end the month to reach $84.13/b, the highest level since early October 2008. In monthly terms, the Basket averaged $82.33/b, for a gain of $5.12 or 6.6%. The oil market turned bearish in May amid concerns about the sovereign debt crisis in Greece with contagion risk and high oil inventories in the US. As a result, prices fell more than $10 over three days before recovering slightly to stand at $78.08/b on 10 May.
- **World economic growth** is kept unchanged at 3.5% for 2010. While the US, Japan and China showed encouraging signs of a recovery, the Euro-zone has just managed to avoid a spillover of the sovereign debt crisis of Greece to other economies. OECD growth remains unchanged at 1.9%, as the US forecast was increased to 2.8% from 2.6% and the Euro-zone's forecast was revised down to 0.6% from 0.7%. China is expected to grow by 9.5% in 2010 and India by 7.1%. The global economy is improving, but the challenges of sovereign debt in the developed countries, the ability of China to avoid overheating and persistently high unemployment levels need careful monitoring.
- **World oil demand** estimate for 2009 remains broadly unchanged, showing a contraction of 1.5 mb/d. In 2010, global demand growth is expected at 0.9 mb/d, in line with the previous month's forecast. Although the economic recovery shows signs of improving momentum, important risks remain that could impact demand growth expectations for this year. China has been among the main drivers behind oil demand growth so far this year, which should continue for the rest of the year despite the recent price increase in its gasoline and diesel retail sales by 4.5% and 5% respectively.
- **Non-OPEC oil supply** is estimated to have increased by 0.7 mb/d in 2009, following an upward revision of 100 tb/d. The forecast for non-OPEC supply growth in 2010 was also revised 30 tb/d higher to stand at 0.5 mb/d. The adjustment was mainly due to the release of preliminary up-to-date data for actual production. OPEC NGLs and non-conventional oils are expected to average 4.9 mb/d in 2010, an increase of 0.5 mb/d over the previous year. In April, total OPEC crude production averaged 29.25 mb/d, an increase of 0.01 mb/d over the previous month.
- Increased product demand in tandem with improving economic growth has overshadowed other bearish developments in the **product markets,** including the volcano eruption in Iceland and its negative impacts on the aviation industry and jet/fuel demand. This situation has also reinforced product market sentiment and lifted refining margins across the board, with the exception of Europe. Despite the recent improvement in refinery operations and margins, it appears that due to persisting inter-product imbalances and ample stocks of light products, the risk of a downward correction in refinery operations is very high. As a result, product markets are not likely to provide sufficient support for crude market fundamentals in the near future.
- OPEC spot fixtures in April declined by 16.7% compared to the previous month. Sailings from OPEC were marginally higher and arrivals in the US gained 3.3%. In April, the **tanker market** experienced mixed movement with VLCC and Suezmax rates increasing, while Aframax decreased. Higher imports by major consumers supported the increase in rates, while tonnage availability affected the Aframax sector. Clean spot freight rates declined by 7.7% over the same period, mainly due to maintenance activities.
- **US commercial stocks** rose by a considerable 24.2 mb in April driven by the build in products which increased by 19.5 mb, while crude stocks rose by 4.7 mb. Inventories now stand at around 90 mb above the five-year average. Japan's commercial oil stocks increased by 4.0 mb in March, reversing the huge decline observed last month, but still remained below the historical norm.
- **Demand for OPEC crude** in 2009 is estimated at 29.0 mb/d, around 20 tb/d higher than in the previous report. This still represents a decline of 2.4 mb/d compared to the previous year. In 2010, demand for OPEC crude is expected to average 28.8 mb/d, about 40 tb/d more than in the previous assessment and a decline of around 0.1 mb/d from a year ago.

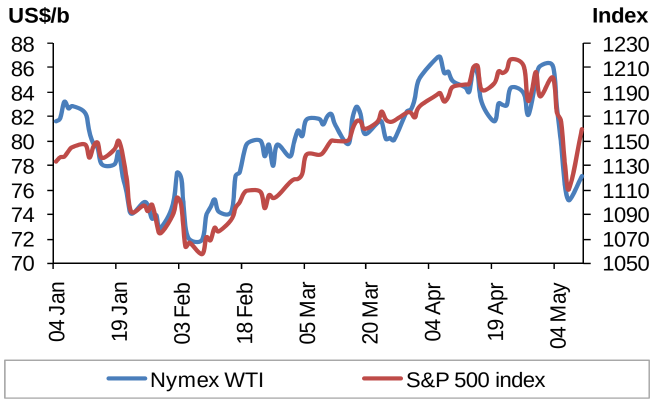
Promising but uneven recovery in the global economy

- The recovery in the world economy appears to be continuing at a steady pace. Improvements have been supported by private household consumption in the OECD, which have picked up again. US consumption – a major driver of global growth before the crisis – gained significant momentum, contributing almost 80% to US growth in the first quarter. This has raised hopes that the recovery is becoming more self-sustaining, with private household consumption returning as the main source of GDP growth.
- The pace of the recovery differs significantly across the globe. The US economy has grown by 3.2% in the first quarter of 2010 and China posted double-digit growth of 11.9% GDP (*see **Graph 1***). In contrast, growth in the Euro-zone has been flat in the last quarter of 2009 and there appears to be little prospect of an immediate improvement. And while improving, Japan is only growing in the low single digits as well. Several major challenges lie ahead that could slow any increase in momentum. These include sovereign debt levels in the developed countries, persistently high unemployment across the globe, the risk of inflated asset prices in China and uncertainties regarding reform of the financial sector. For a better assessment of the way ahead, it is worth considering these risks in more detail.

Graph 1: GDP growth in major regions, %



Graph 2: WTI crude prices vs. Equity market



- The combination of falling tax revenues and the massive fiscal stimulus has pushed sovereign debt to high levels, particularly in the developed countries. According to IMF estimates, gross debt to GDP ratios in the major OECD economies currently stand at 80% and could reach as high as 100% by 2014. The crisis in Greece demonstrates the extent of the challenge in the Euro-zone. While capital markets have reacted positively to the recently announced rescue package of up to €750 bn by the EU and the IMF, it remains to be seen whether these measures will be able to calm financial markets over the longer run.
- High unemployment rates continue to be an important risk, particularly in the OECD. The OECD now expects the unemployment rate to stay at the current elevated levels for its countries. For the current year, the average unemployment rate in the OECD is forecast at 8.6%, before decreasing to 8.5% in 2011.
- China continues to tighten its monetary policy. The reserve requirements for major banks were increased for the third time this year, up 50 basis points to stand at 17%. This has raised concerns that growth in China might decelerate more than expected, potentially leading to a sharp correction in asset prices. And finally, the ongoing debate on reforming the financial sector also provides a potential risk. Uncertainty about its outcome might put further pressure on financial markets, dampening sentiment and lending.
- Concerns about these risks, along with the developing situation in Greece, have had some impact on financial markets. In the currency markets, the US$/euro exchange rate declined by 6% in the first week of May to $1.27/€, the lowest level in more than a year, before recovering to $1.30/€ following announcement of the rescue package. Equity markets, which have seen a remarkable recovery since bottoming out in March 2009, have also turned cautious. After gaining almost 10% this year, the S&P 500 now stands 8% below the recent peak (*see **Graph 2***). The Shanghai Composite Index has also come under pressure and now stands around 20% below its peak last August.
- The more cautious sentiment about the continued pace of the recovery has also been reflected in oil price volatility. US benchmark crude rose to more than $86/b, before falling more than $10 in three days. This strong volatility came despite the fact that crude fundamentals remain relatively unchanged and thus highlight the continued impact of financial market sentiment on crude oil prices.
- Overall, the recent signs of improvement in the global economy have been encouraging. However, in light of current uncertainties, the forecast for global growth in 2010 has been left unchanged at 3.5%. In the meantime, OPEC will continue to closely monitor the market, awaiting further signs that the positive momentum is broadening across all major regions.

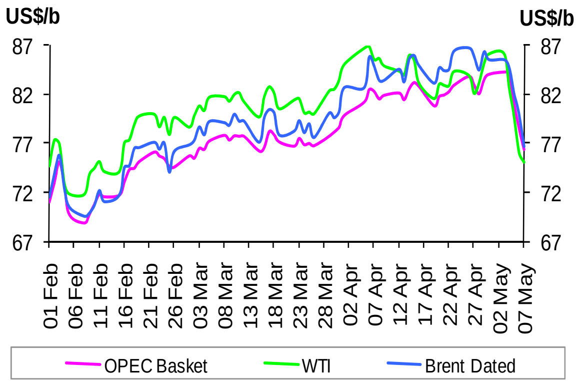
Crude Oil Price Movements

OPEC Reference Basket rose $5.12 to average $82.33 in April

OPEC Reference Basket

Optimism about the global economic recovery and higher oil demand expectations kept the oil market sentiment bullish in April. The OPEC Reference Basket moved above $81/b in the second trading day of the month, surpassing the $80/b mark for the first time since January. However, in contrast to January, when the Basket moved back below $80/b on warmer weather, the OPEC Reference Basket followed an upward trend, reaching $84.13/b at the end of the month, the highest level since early October 2008. In monthly terms, the Basket averaged $82.33/b, for a gain of $5.12 or 6.6% over the previous month. Year-to-date, the Basket averaged $77.20/b, indicating a gain of $32.13 or 64% over the same period the previous year.

Graph 1: Crude oil price movement



Gains in April were led by Qatar Marine and Murban which rose 8.1% and 7.8%, respectively, followed by Es Sider, Bonny Light, Arab Light and Kuwait Export with around 7% each. Iran Heavy and Saharan Blend gained around 6.6% each, while the remaining crudes rose by less than the average with Merey increasing just 3.5%

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

	Mar 10	Apr 10	Change Apr/Mar	2009	2010
OPEC Reference Basket	**77.21**	**82.33**	**5.12**	**44.79**	**77.20**
Arab Light	77.24	82.75	5.51	44.91	77.50
Basrah Light	77.17	81.35	4.18	43.87	76.71
Bonny Light	80.40	86.14	5.74	48.17	79.84
Es Sider	78.85	84.49	5.64	45.47	78.36
Girassol	79.45	84.38	4.93	45.91	78.74
Iran Heavy	76.93	82.09	5.16	43.67	76.89
Kuwait Export	76.29	81.64	5.35	43.91	76.53
Marine	77.35	83.62	6.27	46.47	78.03
Merey	70.65	73.12	2.47	39.88	70.90
Murban	79.18	85.38	6.20	47.80	79.55
Oriente	72.11	75.45	3.34	39.03	72.49
Saharan Blend	79.70	84.99	5.29	47.06	79.10
Other Crudes					
Minas	81.60	90.24	8.64	48.35	82.03
Dubai	77.31	83.59	6.28	45.71	77.80
Isthmus	79.00	83.42	4.42	44.31	78.24
T.J. Light	77.50	81.67	4.17	43.16	76.76
Brent	78.90	84.79	5.89	45.95	78.47
W Texas Intermediate	81.25	84.44	3.19	44.71	80.18
Urals	77.04	82.51	5.47	45.06	77.18
Differentials					
WTI/Brent	2.35	-0.35	-2.70	-1.25	1.70
Brent/Dubai	1.59	1.20	-0.39	0.25	0.67

Note: Arab Light and other Saudi Arabian crudes as well as Basrah Light preliminarily based on American Crude Market (ACM) and subject to revision.

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

The strong gain in Middle Eastern crudes compared to other crudes was attributed to the expectations of tightness in the market with stronger demand from Asia, partly after the return of some refiners from their seasonal maintenance, compared to the rest of the world and expected maintenance in the North Sea and Russia's Sakhalin 1 Soko oil field. The surge in gasoil cracks also contributed to the strength in Middle East market crudes. However, weak fuel oil demand affected heavy sweet crudes.

Although increasing, Brent-related crude prices were under pressure relative to Dated Brent due to the supply overhang, poor refining margins and limited arbitrage opportunities to US markets amid relatively weak demand and high inventories. The inverted WTI-Brent relationship, with Brent trading higher than WTI, limited arbitrage opportunities for Brent-related crudes, particularly Saharan Blend.

In early May, the OPEC Reference Basket continued the upward trend to hit $84.36/b on 3 May. The oil market turned bearish amid concerns about the economic crisis and ample oil inventories in the US. As a result, prices fell more than $10 over three days before recovering to stand at $78.08/b on 10 May.

The oil futures market

US benchmark crude rose on increased economic optimism, averaging $84.58/b in April

The oil market remained bullish in April with the Nymex WTI front-month increasing for the third consecutive month to average $84.58/b. This was the highest monthly average since September 2008 and the first time the WTI front-month contract settled constantly above $80/b during a whole month.

The market continued to be supported by increasing optimism that the economic recovery would boost oil demand. This was despite current fundamentals remaining weak as oil inventories in OECD countries continued to hover at high levels. This could be seen in the US where commercial inventories rose further to stand at extremely high levels, particularly at the Nymex delivery point in Cushing, Oklahoma. Futures prices also continued to move in tandem with equity markets, which rebounded significantly in April.

The bullish sentiment in the market was attributed to expectations of improving global economic recovery with the IMF revising up its forecast for 2010 from 3.9% to 4.2% and Chinese and Indian growth remaining strong. The bullishness was further underpinned by upward revisions to global oil demand by different institutions.

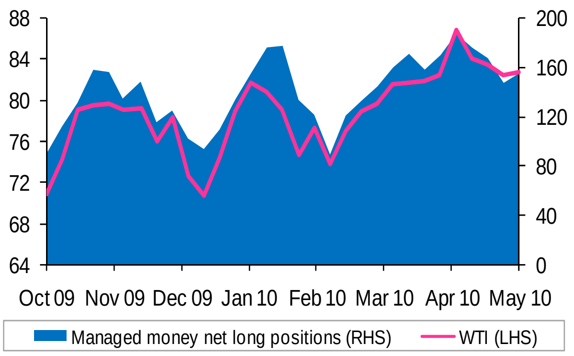
The Brent futures crude contract also increased for the third consecutive month but at a higher pace than WTI to average $85.75/b, up $5.82 or 7.3% compared to $3.29 or 4.0% for WTI. The ICE Brent front-month contract ended the month at $87.44/b but continued higher to settle slightly below $89/b on 3 May. Concerns that Greece's crisis might spread to other countries sent the WTI front month on Nymex to drop to around $75/b on 7 May before it recovered slightly to $76.80/b on 10 May, supported by the EU and IMF rescue packages to stabilise the Euro.

Over the last week of April, WTI traded at a discount of $3.34/b to Brent. The shift from a premium to a discount was attributed to downward pressure from the surge in inventories at Cushing, Oklahoma, the delivery point for Nymex WTI, which again moved above 34 mb in mid-April, to hit a fresh record of more than 36 mb in the week ending 30 April. This was a repeat of last December and the first quarter of 2009, when WTI fell to a discount to Dated Brent. However, the weakness in WTI compared to Brent is less severe than in the first quarter 2009 when the discount moved above $10/b. The premium of Brent over WTI can also be attributed to a combination of lower supply in the North Sea due to field maintenance, strong Asian appetite for crude and weaker US demand due to refining maintenance and a high level of product inventories.

Prices were also supported by trader activity with investments in crude oil continuing to rise. High amounts of liquidity and the expectations of a tighter market continued to encourage the use of crude oil as an asset class. The trading volume on the Nymex increased significantly in April to around 824,000 contracts per day compared to 575,000 contracts in March, a rise of 43%. It is worth mentioning that between 12 and 15 April, trade volume averaged 1.19 million contracts. Similarly, ICE Brent trade volume averaged 575,000 contracts in these 4 days compared to some 300,000 contracts at the beginning of the month.

Open interest for crude oil futures on the Nymex increased further in April to break 1.4 million contracts at the end of the month, the second highest since 12 June 2008, almost a month before WTI hit its all-time high of more than $147/b.

Graph 2: Nymex WTI price vs. Speculative activity



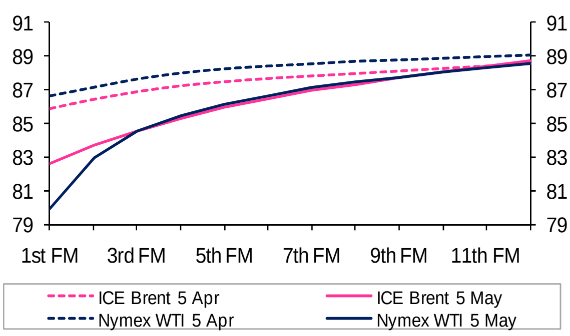
Oil prices moved in line with speculative activity, as represented by money managers. Crude oil futures net long positions by money managers hit a record high of just under 187,000 positions in the week through 9 April, the same week as the WTI front-month contract surged to more than $86/b. Afterwards, money managers cut net long positions as the market turned bearish and WTI fell for five consecutive sessions. In the following weeks, speculative positions were cut further to stand at close to 147,000 in the week ending 27 April.

The futures market structure

The contango widened on both the Nymex and ICE

Nymex WTI and ICE Brent remained in contango but the Nymex WTI curved moved deeper in the fourth quarter of the month, as WTI came under pressure due to ample inventories. A wide contango will likely lead to a further build in oil inventories and make prompt fundamentals more bearish.

Graph 3: Nymex WTI and ICE Brent forward curve, 2010



FM = future month

After narrowing since the beginning of the year, the contango in the Nymex widened sharply in April. The spread between the WTI 1st month and 3rd month dropped to around 60¢/b in mid-March before recovering to hit $4.33/b on 27 April. In monthly terms, the 1st and 3rd month spread averaged $2.50/b, the highest so far this year.

The widening WTI differential with other benchmarks is attributed to the weakness of the first month relative to forward months as a result of ample inventories, particularly at Cushing, Oklahoma, which reached a record-high of more than 36 mb at the end of April. In addition, the high levels of crude oil stocks in the US Midwest, PADD II, have also put pressure on the front-month contracts, while spot demand for crude remained weak leading to a widening contango. The price of 1st month WTI contract rose 4% in April and those of 6th and 12th month increased by around 7% each.

Table 2: Nymex WTI and ICE Brent forward price, US$/b

	1st FM	2nd FM	3rd FM	6th FM	12th FM
Nymex WTI					
5 Apr 2010	86.62	87.13	87.62	88.40	89.05
5 May 2010	79.97	82.99	84.56	86.67	88.55
ICE Brent					
5 Apr 2010	85.88	86.42	86.87	87.65	88.53
5 May 2010	82.61	83.66	84.56	86.47	88.74

FM = future month

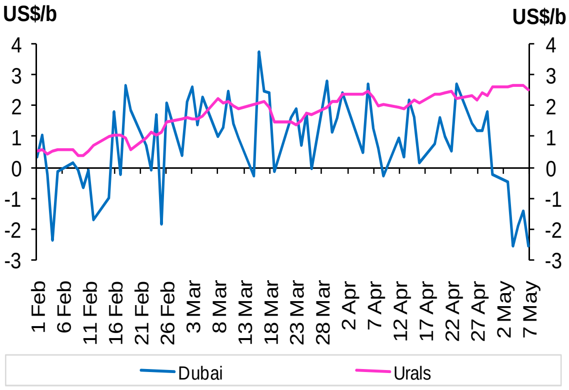
Similarly, the contango widened for Brent in April with the spread between the 1st month and the 3rd month averaging almost $1.4/b, the highest so far this year and around 60% higher than in the previous month.

The sour/sweet crude spread

The WTI-Mars sour and Brent-Dubai spread fell, while the Brent-Urals spread widened on ample supplies of the Russian grade

Huge crude oil inventories in the US, particularly in Cushing, Oklahoma, made WTI trade below Brent for the first time this year. The WTI-Brent spread averaged minus 35¢/b compared to $2.35/b in March. The huge level of inventories caused WTI to lose ground even against heavy sour crude. The WTI-Mars spread differential fell to just 5¢/b in the third week of April compared to $4.0/b on the first day of the month. This was the first time that WTI traded at a premium of less than $1.0/b against Mars crude since mid-December.

Graph 4: Brent Dated vs. Sour grades (Urals and Dubai) spread



The Brent-Dubai spread narrowed to $1.20/b in April as Middle East crude market sentiment improved, driven by strong Asian demand following the end of the seasonal maintenance for some refiners as well as by improved refining margins.

In contrast to Dubai, Russian Urals crude differentials to Dated Brent widened to average $2.28/b compared to $1.85/b in March. Urals differentials were pressured because of ample supply within the region with many cargoes available as Russian crude oil production stayed very high at a time when refiners were in maintenance and refining margins remained poor.

Commodity Markets

Commodity prices continued recovering in April, but unevenly

Trends in selected commodity markets

The World Bank non energy commodity price index increased by 9.6% m-o-m in April, up from 1.7% in March. The index was supported by iron ore, agriculture and precious metals, while some industrial metals saw losses. Energy prices also increased by 5.8% m-o-m in April, up from 4.8% in the previous month.

Table 3: Commodity price data, 2010

		Monthly averages			% Change		
Commodity	**Unit**	**Feb**	**Mar**	**Apr**	**Feb/ Jan**	**Mar/ Feb**	**Apr/ Mar**
World Bank commodity price indices for low and middle income countries (2000 = 100)							
Energy		259.3	271.7	287.5	-3.1	4.8	5.8
Coal, Australia	$/mt	94.2	94.4	100.2	-2.9	0.2	6.1
Crude oil, average	$/bbl	74.8	79.3	84.2	-3.1	6.1	6.2
Crude oil, Brent	$/bbl	74.3	79.3	85.0	-2.7	6.7	7.2
Crude oil, WTI	$/bbl	76.4	81.3	84.5	-2.5	6.3	4.0
Natural gas index	2000=100	172.5	161.1	162.7	-2.8	-6.6	1.0
Natural gas, US	$/mmbtu	5.3	4.3	4.0	-8.1	-19.6	-6.7
Non Energy		239.8	243.8	267.1	-3.6	1.7	9.6
Agriculture		215.8	212.1	217.8	-2.8	-1.7	2.7
Beverages		241.8	233.4	241.7	-4.2	-3.5	3.6
Food		213.0	205.1	203.4	-3.6	-3.7	-0.8
Soybean meal	$/mt	375.0	329.0	340.0	-7.2	-12.3	3.3
Soybean oil	$/mt	914.0	915.0	903.0	-1.0	0.1	-1.3
Soybeans	$/mt	406.0	408.0	411.0	-6.9	0.5	0.7
Grains		204.0	198.1	193.4	-4.5	-2.9	-2.4
Maize	$/mt	161.8	159.0	157.1	-3.3	-1.7	-1.2
Sorghum	$/mt	154.1	154.7	149.4	-4.8	0.4	-3.4
Wheat, Canada	$/mt	279.0	270.7	264.7	-2.8	-3.0	-2.2
Wheat, US, HRW	$/mt	194.0	191.1	192.9	-3.6	-1.5	0.9
Wheat, US, SRW	$/mt	191.8	190.0	187.8	-3.5	-1.0	-1.2
Sugar EU	¢/kg	45.8	45.5	45.0	-4.1	-0.8	-1.1
Sugar US	¢/kg	88.7	77.4	68.4	2.3	-12.8	-11.7
Sugar, world	¢/kg	56.0	41.1	36.4	-4.1	-26.5	-11.6
Raw Materials		209.4	218.2	240.8	0.1	4.2	10.4
Fertilizers		260.2	261.5	261.8	2.0	0.5	0.1
Metals and Minerals		286.8	306.8	368.7	-5.5	7.0	20.2
Aluminum	$/mt	2048.9	2205.6	2316.7	-8.3	7.6	5.0
Copper	$/mt	6848.2	7462.8	7745.1	-7.3	9.0	3.8
Gold	$/toz	1095.4	1113.3	1148.7	-2.0	1.6	3.2
Iron ore	¢/dmtu	101.0	101.0	176.5	0.0	0.0	74.8
Lead	¢/kg	212.4	217.2	226.5	-10.3	2.3	4.3
Nickel	$/mt	18976.0	22461.3	26030.8	2.9	18.4	15.9
Silver	¢/toz	1587.2	1715.5	1816.8	-10.6	8.1	5.9
Steel products index	2000=100	208.5	220.2	234.1	1.3	5.6	6.3
Tin	¢/kg	1636.2	1754.9	1868.4	-7.6	7.3	6.5
Zinc	¢/kg	215.7	227.5	236.7	-11.4	5.5	4.0

$ = US dollar ¢ = US cent bbl = barrel
cum = cubic meter dmtu = dry metric ton unit
kg = kilogram mmbtu = million British thermal units
mt = metric ton toz = troy oz
n.a. = not available n.q. = no quotation SGP = Singapore

Source: World Bank index.

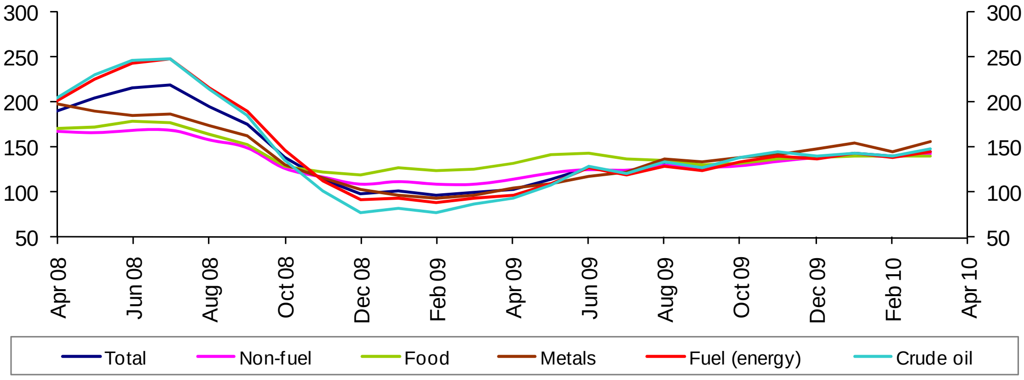
Commodity prices reacted positively in the first half of April to encouraging macroeconomic news, especially in the US, Japan and China. The IMF raised its forecast for global economic growth in 2010 to 4.2% versus a projection of 3.9% in January, but the institution warned about the dangerous situation if there is failure to control growing public debt. Except for gold, which was buoyed by safe-haven buying, commodity prices experienced a sharp drop in the last week of April due to the risk reduction in the financial markets, following the outbreak of Greece's debt crisis and the possible spill-over effect to Portugal, Spain and even Italy. Rating agencies' downgrades to Greece, Portugal and Spain's sovereign debt were reflected in heavy selling pressure, especially for industrial metals. China's third tightening of the monetary base in a year triggered an immediate negative reaction in the commodity markets. In addition, the flux in the foreign exchange markets and a stronger dollar added to the bearish market sentiment.

Energy prices continued growing in April, mainly supported by coal and natural gas

The **World Bank energy price commodity index** (crude oil, natural gas and coal) rose further by 5.8% m-o-m in April compared to 4.9% in March on a recovery in coal, natural gas and a rise in Dubai and ICE prices.

The Henry Hub gas spot price recovered slightly from the strong decline of 19.3% reported in March, having declined by 6.7% m-o-m in April. HH natural gas prices have been equal to US$ 4.82/MMBtu on average since the beginning of the year, 12% higher than the same period last year but still 52% lower than in 2008. However, spot prices declined at the end of April likely influenced by the explosion of the debt crisis in Greece and concerns about possible consequences. The milder spring temperatures may also have added to the decline at the end of April as well as the bearish mood in the futures markets. Despite this, it must be noted that there was bullish movement in the futures prices which may be explained by the remarkable drop in the active US gas rig count and milder-than-expected build in US working gas inventories during the last days of April. The development in futures markets may have also been responding to the forecast for a more active 2010 hurricane season.

Graph 5: Major commodity price indexes, 2008-2010



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.*

Gold was one of the major drivers of non-energy commodity prices in April

The Word Bank non-energy commodity price index (including iron ore and fertilizers) gained 9.6% m-o-m in April compared to 1.6% in March. Nevertheless, this strong increment in April followed a 74.8% rise in iron ore, which is included in the World Bank index. Excluding this item, the price rise looks much more modest and was fuelled mainly by precious metals and increases in most industrial metals.

Metal prices came under pressure by the end of April owing to concerns about the Greek debt crisis, sovereign risk and contagion; the flux in the foreign exchange markets and the dollar appreciation. Despite improving demand and supply conditions both outside and inside China, falling inventories, and some positive macroeconomic inflow of data, most industrial metal prices increased at lower rates in April than in March.

Indeed, some of the observers are expecting lower demand growth for industrial metals in China for the second half of 2010 as a result of the tightening of monetary policy in China, although they consider the Chinese government choice an accurate policy response that will materialize in healthier economic growth for China later on.

Nickel prices jumped by 15.9% m-o-m in April compared to 18.4% in March. The high prices were explained by supply disruptions and greater Chinese demand. Inventories at the LME dropped by 11,000 tonnes to 145,000 tonnes. On the supply-side, nickel prices were fostered by supply disruptions. Production of the BPH Billiton at Western Australia is expected to remain halted for several weeks to come. On the demand side, the global stainless steel output rose 43% y-o-y to 7.16 mt in the 1Q10 and Chinese's production in the stainless steel sector jumped 20% m-o-m in March.

Copper prices were one of the most strongly hit by disappointing macroeconomic news. Copper prices increased by only 3.8% m-o-m compared to 8.9% in March on concerns about the prospects of the Greek and Portuguese public debt and possible spill-over effect. Copper prices declined abruptly by the end of April following the onset of the Greek public debt crisis.

LME inventories declined by 7,000 tonnes to 505,500 tonnes by the end of April, but inventories at Shanghai rose 30% m-o-m to 189,000 tonnes. There is growing concern that hidden stocks in China may exert a negative influence on copper prices.

On the supply side, the International Copper Study Group reported that the world copper markets surplus declined 23% to 122,000 tonnes in January compared to the same month last year.

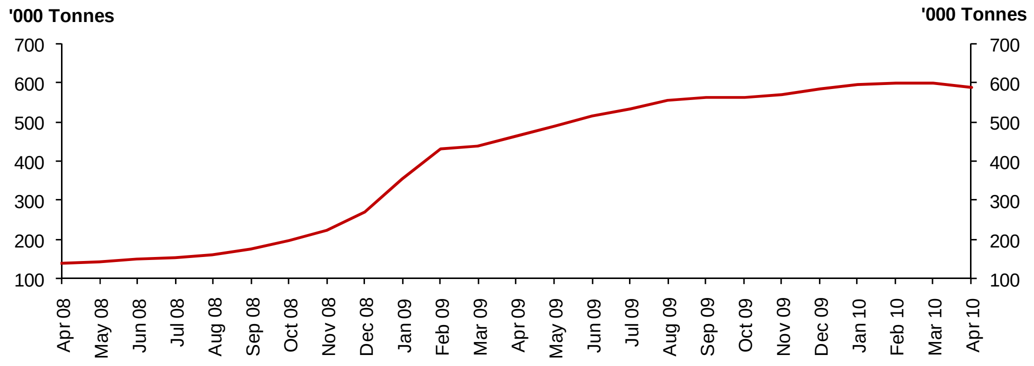
On the demand side, continuing expansion of Chinese imports, which jumped by more than 42% m-o-m in March, contributed to rising copper prices in the first half of April.

Aluminium prices saw a lower increase of 5.0% m-o-m in April, which compared unfavourably to 7.6% in March despite supportive demand figures. As in most other industrial metals, aluminium prices dropped at the end of April, in the wake of bearish macroeconomic news related to sovereign risk in parts of Europe. A decline of 53,000 tonnes took place in aluminium inventories at the LME, but inventories rose by 7% m-o-m in Shanghai.

On the supply-side, the aluminium market surplus was reported to have diminished by the World Bureau of Metals Statistics while on the demand-side, the markets were stimulated by a better forecast for aluminum consumption in 2010. In China, primary aluminium imports jumped 46% m-o-m to 28,000 tonnes in March, following 3 months of declines.

The **gold price** increased **3.2%** m-o-m in April compared to 1.3% in March despite a stronger dollar, which was used as a safe-haven.

Graph 6: Inventories at the LME

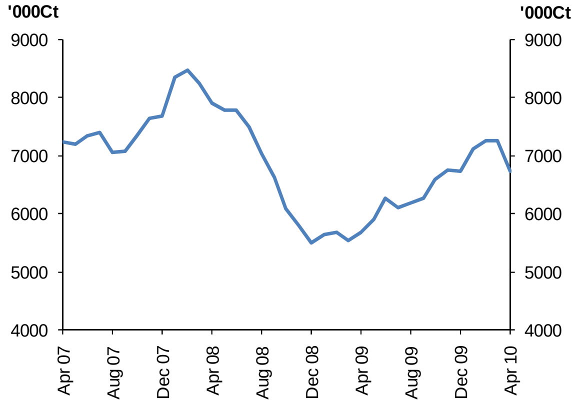


Investment flow into commodities

Major commodities saw a 3.5% rise in OIV

April saw a 3.5% m-o-m rise in open interest volume (OIV) in major commodities (agriculture, copper, natural gas, WTI, livestock and precious metals) in the US. This led OIV to stand at 7,520,051 contracts. The recovery in OIV was concentrated in copper, livestock and precious metals.

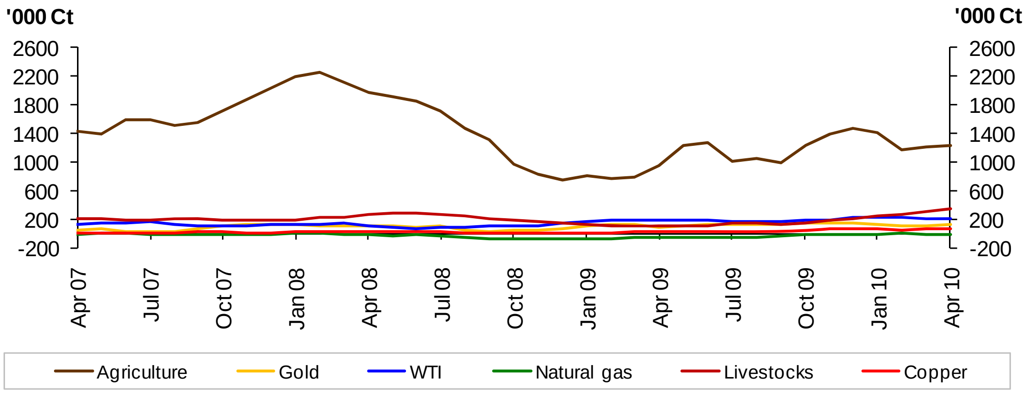
Graph 7: Total open interest volume



Source: CFTC

Non-commercial net length for all markets increased at a slower pace of 2.5% m-o-m to 1,993,359 contracts in April compared to 4.2% in March. An increase of 6.9% and 4.6% in shorts and longs respectively, resulted in non-commercial net length as percentage of OIV being at 26.5% in April, down 0.9% from March.

Graph 8: CFTC net length by commodity group



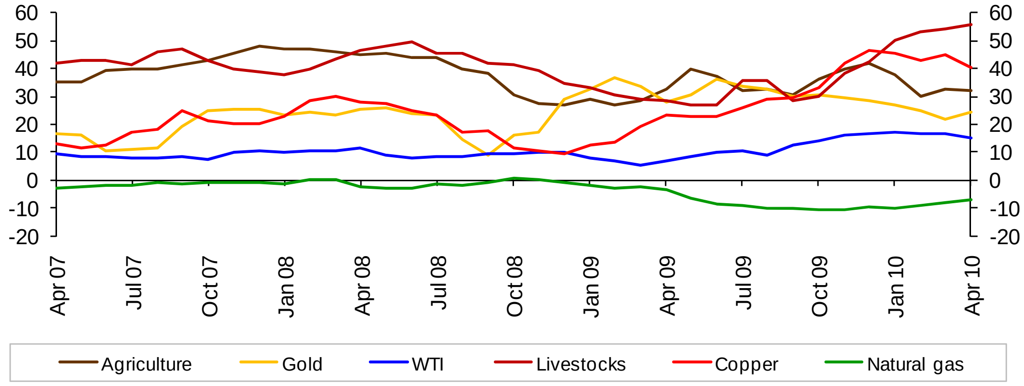
Source: CFTC

Managed money net length positions declined 0.89% m-o-m in April compared to a drop of 0.49% in the previous month. It must be kept in mind that a strong decline of 40.8% in this category took place in February. It seems that the recovery of speculative investment in March was reversed in April due to the negative impact of the Greek debt crisis.

Except for gold, which was used as a safe haven investment, all the major sectors saw lower levels of net length in managed money positions.

Net length positions for swap dealers in all the markets increased by 4.2% m-o-m in April to remain flat from March. The decline in these positions was slower for WTI in April than in the earlier month.

Graph 9: CFTC net length as % of open interest



Source: CFTC

Agricultural OIV went up by 1.2% m-o-m in April. Net non-commercial investment increased by only 1.2% m-o-m in April compared to 4.7% in the previous month. A greater increase in shorts than in longs led net length as percentage of OIV to decline from 32.1% in March to 31.9% in April. Net length in managed money positions further dropped a strong 16.5% m-o-m in April, having fallen 6.3% the month before. Swap dealer net length increased 7.6% m-o-m in April, which was lower than the 11.8% rise in March.

For **copper**, OIV increased 15.5% m-o-m to 151,868 contracts in April, lower than the 7.9% in March. Long positions surged by 10.6% m-o-m to 100,260 contracts in April, but shorts gained 23.8% to 39,159 contracts. Net length as percentage of OIV went down from 44.8% in March to 40.2% in April. The bearish sentiment in the copper market reflected the concerns on bearish macro-economic news and especially the public debt issues in Greece and Portugal. Net length in money market positions rose by only 16% or 3,816 contracts in April following an increase of 50.9% in March. Swap positions declined 2.8% m-o-m in April.

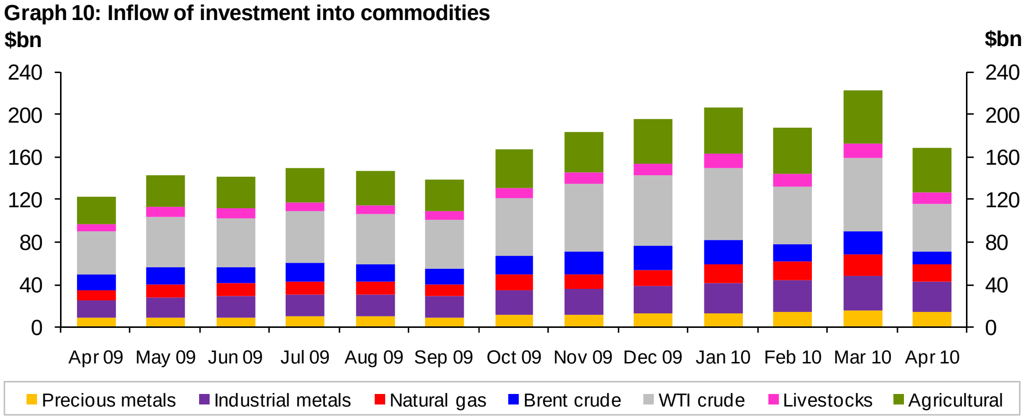
Precious metals OIV rose by 7.6% m-o-m in April to 644,845 contracts. The overall sentiment in the paper market was bullish with net non-commercial investment rising by 15.9% m-o-m in April. Longs increased 14.5% m-o-m in April while shorts rose by 13.6%, which caused the net length as percentage of OIV to increase from 23.8% in March to 25.6% in April. Net length in money managed positions rose by 19.5% m-o-m in April while swap positions rose at a more modest rate of 4.3%. Precious metals and especially gold have been serving as a safe haven for investors in the face of uncertainties regarding public debt.

Table 4: CFTC data on non-commercial positions, '000 contracts

		Net length							
	Open interest	**Swap positions**		**Money positions**		**Other positions**		**Non-commercials**	
	Apr 10	**Apr**	**% OIV**	**Apr**	**% OIV**	**Apr**	**% OIV**	**Apr**	**% OIV**
Crude Oil	1372	87	6	169	12	-51	-4	205	15
Natural Gas	854	171	20	-164	-19	-29	-3	-21	-3
Agriculture	3864	958	25	230	6	45	1	1,233	32
Precious Metals	645	-89	-14	224	35	30	5	165	26
Copper	152	39	26	27	18	-5	-3	61	40
Livestock	633	180	28	178	28	-7	-1	351	55
Total	**7,520**	**1,346**	**18**	**664**	**9**	**-16**	**0**	**1,993**	**27**
		Net length							
	Open interest	**Swap positions**		**Money positions**		**Other positions**		**Non-commercials**	
	Mar 10	**Mar**	**% OIV**	**Mar**	**% OIV**	**Mar**	**% OIV**	**Mar**	**% OIV**
Crude Oil	1317	108	8	160	12	-49	-4	219	17
Natural Gas	836	168	20	-156	-19	-24	-3	-12	-1
Agriculture	3796	890	23	275	7	53	1	1219	32
Precious Metals	599	-85	-14	187	31	41	7	143	24
Copper	132	40	31	23	18	-4	-3	59	45
Livestock	588	174	30	154	26	-10	-2	317	54
Total	**7,268**	**1,294**	**18**	**644**	**9**	**6**	**0**	**1,944**	**27**

Estimates of the dollar inflow of investments into the two major commodity indices corroborated the bearish mood in the commodity markets. A hefty 24.1% m-o-m fall appeared in April, which compared to an expansion of 18.4% m-o-m in March. All the sectors were affected by the bearish macroeconomic data, although precious metals experienced a milder decline.

Graph 10: Inflow of investment into commodities



Source: CFTC

Highlights of the World Economy

Economic growth rates 2009-2010,%

	World	OECD	USA	Japan	Euro-zone	China	India
2009	-0.9	-3.4	-2.4	-5.1	-4.1	8.7	5.9
2010	3.5	1.9	2.8	1.5	0.6	9.5	7.1

Industrialised countries

USA

US GDP was reported at 3.2% in the first quarter

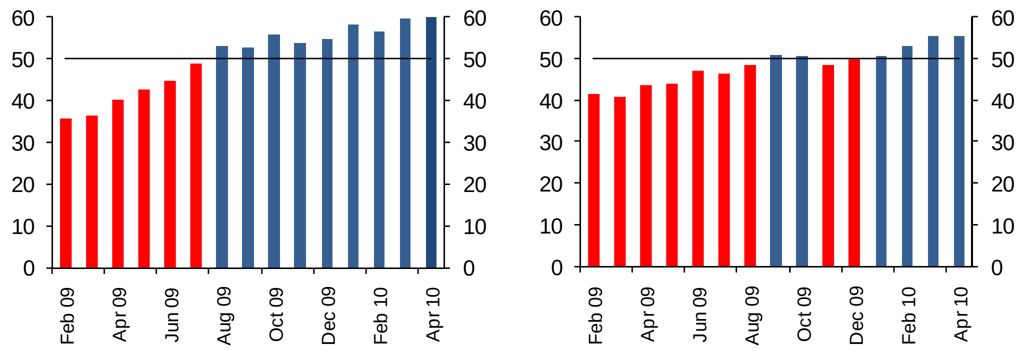
The US economy's recovery is gaining momentum. The recently released GDP number for the first quarter was at a solid level, while indicators and data from April and March seem to underline the fact that this momentum might continue into the second quarter. While this is a promising development, it is still early in the year and one has to wait for more evidence of the trend in the second quarter. By the beginning of the third quarter there will be some more evidence whether this is a substantiated trend or if it can be expected to falter again. While these positive signs are encouraging, many challenges remain that might have a negative impact on growth for 2010.

Consumption picked up again and was responsible for almost 80% of GDP growth, although unemployment rose again to 9.9%

The GDP for the first quarter was recorded at 3.2%. This was only the first release of the data that will be followed by two revisions. In the recent quarters, revisions to the downside were common, so this early number should be taken with some caution. However, it includes some encouraging messages. Personal consumption expenditures were contributing 2.6 percentage points or 80% to this growth. This compares with only 30% in the fourth quarter of last year and to an average of 70% before the recession. Consumption has so far been relatively muted. It was in decline for 2008 and started in 2009 in the third quarter only to become positive, when it was strongly supported by the stimulus measures that were targeting consumption like the "cash for clunkers" programme. These consumer-related measures by the government pushed consumption to almost 90% of GDP in the 3Q09. These ups and downs in this spending category demonstrate how fragile the US-economy probably still is and that further indications might be needed to be able to conclusively evaluate the current momentum.

Recent signals supported the possibility that the positive momentum might continue. The services sector, which is responsible for more than two thirds of the US GDP, has improved again. The Services-ISM now stands at 55.4 in April, the same solid level as in March. In February, it was recorded at 53.0. Since then, the ISM manufacturing increased again to surpass the January level in March and then moved higher again in April to now stand above the 60-level at 60.4. This is the highest level since July 2004.

Graph 11a: ISM manufacturing index **Graph 11b: ISM non-manufacturing index**



Source: Institute for Supply Management

The ISM usually is an important indicator and it might be useful to go back to 2004 – the last time the current levels were recorded – to put the numbers into perspective. Firstly, GDP grew by 3.0% and by 3.5% in the 3Q04 and 4Q04 respectively. It continued to grow by 3.0% in 2005. This might be the positive aspect. On the other hand, those peak levels of the ISM in 2004 also marked a peak for yearly GDP growth. Since the yearly 3.6% GDP growth-level of 2004, GDP growth declined consecutively every year until 2009, which, at minus 2.4%, marked the trough. Despite this declining trend in GDP, capital market activity moved in the opposite direction. In mid-2004 the S&P 500 stood at 1100, which is indeed comparable with the current levels – at least in nominal terms – and it had moved up to more than 1500 until October 2007, before falling back again. A main driver seems to have been the very low interest rates combined with low unemployment and seemingly unlimited opportunities to obtain cheap debt. While interest rates today are even lower than they were then, unemployment is at much higher levels, the debt supply by the banking system is much stricter and the affordability of debt for households is much lower today. Unemployment stood at 5.5% in 2004 and fell constantly since then until 2007, when it stood at 4.6%, less than half of today's levels. Consumer credit was constantly growing at an average rate of 5-6% until the end of 2007 when it began to decline significantly and has shown only two months of growth since the bankruptcy of Lehman Brothers in September 2008. With an unemployment rate that has moved up again only in April to 9.9% from 9.7% in March, it is hard to see consumption improving significantly.

The conclusion of a comparison of today's development with developments after 2004 might be that, given the current unemployment rate and the muted credit supply, it might be hard to expect a similar scenario of such an expansion in wealth again, exemplified by the growth of stock-market valuations. More likely, the GDP development might have peaked and the development of the capital markets will this time reflect this with a more muted development going forward. The significant decline of the stock-market in the US in the first week of May has highlighted those concerns. The S&P 500 lost almost 10% in only 4 trading days. This adjustment – while probably healthy as it moved the markets into more reasonable valuation levels – is certainly a reflection of the fact that the current growth momentum of the United States might be limited by relative high debt levels at a time when markets outside the US are facing serious issues that might have a spillover effect.

The Federal Reserve Board also acknowledged some improvement in the economy in its 28 April statement, but pointed out that economic activity, particularly household spending, remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit. As a result, the Fed left its key interest rate at almost 0%.

The housing sector was mixed in April. A continued positive signal was that pending home sales were higher again for the second consecutive month by 5.3% m-o-m in April. This comes after only a minor increase in January at 0.8% m-o-m, a level of minus 7.6% m-o-m in February and an increase of 8.2% m-o-m in March. The caveat might be that this could be due to the US administration's extension of first-time buyer credits in early November to cover deals signed by 30 April and closed by 30 June. This might push potential home-buyers to become active now and pull sales forward, but could restrain demand in subsequent months, i.e. the second half of the year. House prices underline the weakness of the market, as they fell on a monthly base in February already. The Standard and Poors' Case-Shiller 20-city composite index fell 0.1% m-o-m in February on a seasonally adjusted base. This was the first decline since April 2009, while on a yearly base the trend turned positive for the first time since December 2006, but the base for 2008 was significantly depressed when prices sank 2.2%.

The economic development in the US is continuing its positive trend, strongly supported by various government-led measures. In light of this upward momentum, the forecast for 2010 was increased to 2.8% from 2.6% last month.

Japan

The Japanese economy continues to recover, with exports rising and retail sales at encouraging levels

Due to national holidays at the end of April and the beginning of May, the news flow from Japan was relatively muted, but the numbers and information that were released support that the Japanese economy is continuing its recovery while it continues to perform at low levels of growth.

The main support factor is still coming from Japan's success in exports, which climbed by 2.7% on a monthly base in March, after a decline of 2.5% in February. The February decline was the first drop in 12 months and came after growth of 6.7% m-o-m in January. This could be an indication that the peak in export growth might have been reached, but the first quarter growth is still solid at 9.7% q-o-q compared to a similar level in the 4Q09 of 9.8%. Shipments to Asia were again the main driving force. They increased by 2.3% on a monthly base, compared to only a 0.3% increase in the EU and minus 0.3% to the US. On a quarterly basis, Asian exports were the leading driver of growth at a rate of 11.5% q-o-q in 1Q10. This is the same level as in 4Q09. Contrary to the exports to Asia, the growth momentum in exports to the EU and the US declined significantly from 4Q09 to 1Q10. With this strong growth in exports, it appears unlikely that the Japanese economy will experience a double-dip in 2010.

While the domestic demand in Japan is expected to face some slowdown after the second half of the year, when the main effects of the stimulus measures might come to an end, it is holding up very well and appears to still have a strong dynamic. In March, retail sales picked up again strongly at 4.7% y-o-y. This is the third consecutive month of improvement. On a monthly base, retail sales maintained a strong growth momentum of 0.8% in March after rising 0.9% in February and 2.0% in January, leading to a 2.7% q-o-q advance in 1Q10. An encouraging sign is that sales from industries that have not directly benefited from the stimulus have also seen rising sales numbers. Sales in fabrics, apparel and accessories increased by 5.4% q-o-q in 1Q10 after a 0.6% q-o-q decline in the previous quarter, while food and beverage sales also turned around to a 2.2% q-o-q rise after a 1.8% q-o-q decline in 4Q09. This strong support in March comes despite the unemployment rate having increased by 0.1% to 5.0% in March. On the other side, the closely watched jobs-to-applicant ratio increased from 0.47 to 0.49, which marks the fifth consecutive improvement.

Deflation remains a challenge for the Japanese economy. Both the headline and the so-called “core-core” consumer price index (CPI), which excludes food and energy, fell by 1.1% y-o-y. The Bank of Japan (BoJ) forecast an end of deflation in 2011 and is predicting that prices will rise by 0.1% in the next fiscal year, which starts April 2011. Furthermore, the BoJ became more bullish on the growth of the economy. It sharply increased its median forecast for this fiscal year from 1.3% to 1.8%. The BoJ kept its overnight rate on hold at 0.1%.

While the economic situation in Japan has continued to recover, some uncertainties with regard to exports and domestic demand remain. The growth forecast therefore was kept unchanged at 1.5% in 2010.

Euro-zone

The Euro-zone continues to be challenged by the sovereign debt crisis; unemployment stands at 10.0% and is hindering domestic demand

The challenges of the Euro-zone are currently the main market driver and they are indeed of historical relevance. The Euro-zone has so far already been in a difficult situation and the economic recovery was characterized by two different speeds. However, recent developments have underlined the fragility of this recovery and, even more so, those developments have demonstrated that the European Monetary Union (EMU) has so far been a two-tier system. While that has been widely acknowledged, no mechanism has been put in place to cope with such an unforeseen event of an almost bankruptcy of one of the Euro-zone economies and it seems that there is certainly no other possibility than to bail-out this failing economy, which than again puts significant pressure on the more solid countries. Germany and France as the biggest shareholders in the Euro have no other choice than to support those ailing economies.

Greece – as it turned out over the last months and particularly over the last weeks – is in much worse shape than anticipated. An emergency support was put in place in the range of €110bn over three years, with €30bn coming from the IMF and €80 bn from the EU. In combination with this support, Greece has agreed on a very tough cost-cutting program, the Economic Policy Programme (EPP) that includes very crucial cuts to the social system, to private income and therefore has the potential to significantly decelerate the economy going forward. Base estimates for this programme are that Greece is declining by 4.0% in 2010 and 2.6% in 2011 and although Greece only contributes around 3-4% of the Euro-zone GDP, this crisis has the potential of impacting growth in the Euro-zone significantly. The International Monetary Fund, for example, currently shows a GDP growth estimate for Greece of minus 2.0% in 2010, which is also reflected in the general consensus estimate. Taking into account the recent austerity measures, Greece itself now projects a decline of 4.0%. This would result in a further decline of 0.1 points in the Euro-zone’s growth. The consensus for Eurozone growth, which at the beginning of the year stood at 1.3%, has been revised to 1.2% and further revisions can be expected.

It will be of great importance to monitor the handling of the situation by the Euro-zone institutions over the coming days and weeks. Most likely they will manage to put a mechanism in place to support ailing countries, not only for this instance, but also in the future, otherwise the pressure on bonds within the Euro-zone and of primarily the weaker southern European countries, will continue to be considerable. Consequently the Euro's decline might continue. Furthermore, if the crisis cannot be contained, the spill-over effects to other economies could be massive. To name just a few examples, the currency rates will be impacted significantly, when the euro/US$ rate is under pressure and other exchange rates follow, given the fact that the euro is already a very important reserve currency across the globe. Funds will be redirected from the Euro-zone to other safe havens such as US dollar as well as the yen and the Swiss-franc. In addition, funds will probably be invested more into fixed-income instruments, which might be favoured in the short-term over equities.

While the sovereign-debt crisis in the Euro-zone is overshadowing the other developments in the real economy, there have recently been some slight positive elements. Euro-zone PMIs reached new record levels. The Euro-zone Markit composite PMI stood at 57.3 for April, compared to 55.5 in March. The Euro-zone manufacturing PMI stood at 57.6 in April. On the negative side and based on the recent news flow, it is a high likelihood that at least in the mid-term these remain to present peak levels.

Unemployment has stayed at 10.0% in March, the same level from February. Again, Spain is taking the lead of the bigger Euro-zone countries at 19.1% compared to the level of February of 19.0%. In contrast, Germany even recorded a decline in its unemployment-rate which moved from the February level of 7.4% to 7.3% in March. Youth unemployment also stayed at the lofty level of 19.9% and here also Spain had the worst development of the main Euro-zone economies, when it again recorded a hefty increase of 0.6% to 41.2% in March. Germany saw the best performance, recording below-average levels of 10%, an improvement of 0.1% compared to February.

The economic outlook in the Euro-zone remains relatively uncertain. Despite some encouraging signals, it depends mostly on the outcome of the current sovereign debt crisis. This will keep growth in the Euro-zone at relatively low levels. Consequently, the Euro-zone GDP growth forecast was reduced by 0.1% to 0.6%.

Former Soviet Union

Russia 1Q growth is now estimated at 0.6% q-o-q. Capital investments grew by 0.7% y-o-y in March

Russia's real GDP was up by 4.9% y-o-y and by 0.2% m-o-m on a seasonally adjusted basis in March, according to a preliminary assessment by the Ministry of Economic Development. Growth in the first quarter is now estimated at 0.6% q-o-q. This compares with 2.0% in 3Q09 and 1.7% in 4Q09. While the quarterly growth trend is therefore declining, the Ministry currently expects the Russian economy to grow by 3.1% in 2010. Industrial production in March rose by 5.7% y-o-y, higher than expected. The mining sector was up by 6.6% y-o-y, while manufacturing rose by 5.1% y-o-y, after only growing by 1.9 % y-o-y in February. Capital investments grew by 0.7% y-o-y in March, the first positive reading since October 2008 and a significant improvement compared to February, when it declined by 7.4%. In line with this positive development, retail sales increase by 2.9% y-o-y in March and by a strong 7.9% on a monthly base. The unemployment rate remained flat in March at 8.6% compared to Februarys' levels, according to the Federal Statistics Service. This compares to the recent peak level of 9.2% in December of last year.

Economic growth in the Ukraine for 1Q10 came to around 5.0% y-o-y, according to the National Bank of Ukraine (NBU). Consumer and business confidence both continued to grow, backed by the improvement in the economic expectations. The NBU business expectation index surged from 104.4 in 4Q09 to 115.6 in 1Q10 as the share of producers expecting their business conditions to improve over the next 12 months continued to grow. The stabilization of the political situation and the financial markets created a base for the current improvement. Both producers and consumers expect inflation to remain on a declining trend this year, according to the NBU's survey. Despite the positive sentiment, the decline of the construction sector accelerated slightly to minus 21.4%

y-o-y in 1Q10. Retail sales continued falling as well, shrinking by 3.1% y-o-y. Household spending has been subdued as real incomes continued to decline.

Developing Countries

China continues to avoid overheating by tightening its monetary base; reserve requirements were increased for the third time this year.

China is still trying to find the right balance between monetary tightening to avoid overheating and keeping the growth momentum. The reserve requirements for major banks were raised for the third time this year by 50 basis points to a level of 17%. This comes after quarterly GDP growth for the 1Q10 of 11.9%.

China's trade balance moved back into surplus in April after recording a deficit in March. Although the surplus is only at a modest $1.7 bn, it might ease some of the pressure on Beijing to appreciate its currency. China's April exports were $119.9 bn and imports were $118.2 bn, according to the Chinese Customs Bureau. This comes after an unexpected trade-deficit in March of $7.6 bn, which was the first deficit in almost 6 years. The April surplus shrank 87% compared to last year's levels. Exports were up in March by 30.5% y-o-y. An appreciation of the yuan will therefore certainly be an issue at the upcoming meetings of the US-China strategic and economic dialogue scheduled for late May and the G20 summit at the end of June. Import volumes of commodities declined, but were offset by price increases. Input prices rose the most in 22 months, according to the Statistics Bureau. China used 3.2% more energy per unit of GDP in the first quarter, adding to pressure to cut consumption for the rest of 2010, according to the Prime Minister.

Headline PMI in China increased by 0.6 to a level of 55.7. This rise was mainly driven by the jump in input prices, which increased by 7.5 points to 72.6, while other key sub-indices remained flat. Output and new domestic orders gained just 0.7 and 1.2, but new export orders stayed flat and finished goods inventories even lost 2.1. They dropped to 46.2 in April from 48.3 in March, now moving further down below 50 and also behind new orders and output. Raw material inventories rose to 51.5 in April from 50.6 in March, suggesting demand for commodities stays at solid levels.

Indian export growth in dollar terms accelerated to 54.1% y-o-y in March. This might be a reflection of a low base effect and improved global demand. This compares with an increase of 34.8% y-o-y in February 2010. In rupee terms, export growth picked up to 36.9% y-o-y, compared with 26.7% y-o-y in February. The strong domestic demand was also reflected in strong import growth, at a level of 67.1% y-o-y in March, equally inflated by the base effect from last year. This compares with 66.4% y-o-y in February. In rupee terms import growth decelerated to 48.4% y-o-y from 56.4% y-o-y in January. While oil import growth in dollar terms remained high at 85.1% y-o-y in March compared with 97.4% in February, non-oil import growth picked up further to 61.0% y-o-y in March.

The Reserve Bank of India (RBI) has increased all its key policy rates by 25 basis points. With this move, the bank's lending rate or 'repo rate' now stands at 5.25%, while its liquidity absorption rate or 'reverse-repo rate' stands at 3.75% and the cash reserve ratio (CRR) is at 6%. The rate hikes were largely in line with expectations. Since January, the RBI has taken several steps to exit from the exceptionally easy monetary conditions put in place during the 2008/2009 global financial crisis. Between January and April, the CRR has been raised by 100 basis points while the repo and reverse repo rates have been raised by 50 basis points each. The central bank has clearly indicated that more interest rate increases and liquidity withdrawal measures are ahead as the economy's recovery firms up. The RBI expects the economy to grow by 8.0% in the fiscal year.

OPEC Member Countries

Qatar's GDP advanced 8.6% in 2009, underlying the significant growth trend

Real GDP growth in Qatar advanced by 8.6% in 2009, according to the data released by the Qatar Statistics Authority (QSA). The 2009 growth figure is lower than the 11.0% indicated by officials at the beginning of the year. The QSA released real GDP data for the 2005 - 2009 period showing real GDP grew by 26.8% in 2007 and 25.4% in 2008, compared to the previously announced 5.3% and 16%. The data shows that the gas sector continues to contribute a significant share, growing by 14.7% in 2009 and 36.4% in 2008. Trade and hospitality increased its growth pace by 21.7% in 2009 compared to 13.8% in 2008 and financial services turned positive, growing by 19.6% in 2009 compared to a decline of 1.5% in 2008. Government services also grew by 43.2% in

2009, compared to 36.5% in 2008.

The United Arab Emirates (UAE) cut their growth forecast for this year. The Ministry of Economics announced that the economy would expand by up to 2.5% in 2010. This compares with a previous forecast of 3.2%. In general, it was highlighted that the projections depend highly on the development of the oil price. Inflation is expected to remain low at a level of up to 2% this year. Inflation rose by 0.1% m-o-m in March 2010 on higher food and housing costs for the first time since December 2009, data released by the UAE Bureau of Statistics showed. Dubai's economy reportedly contracted by 2.5% in 2009. The drop in GDP followed a 5.7% increase in 2008, according to Bloomberg.

Oil prices, the US dollar and inflation

The main development in the currency market took place in the first week of May, when the US dollar appreciated significantly versus the euro but depreciated against the Yen

The US-dollar continued to strengthen in April against the euro, the yen and the Swiss-franc, but declined against the pound sterling. On an average monthly base, the dollar rose 1.2% against the euro, appreciated 3.2% versus the yen and gained 0.2% compared to the Swiss-franc. Against the pound sterling, it declined by 1.8%. The most dramatic move of the US-dollar was recorded at the beginning of May, when it rose significantly against the euro to $1.2727/€ compared to the April closing level of $1.3315/€ and therefore managed a rise of 4.4% within just four trading days.

The increase in the US dollar against the euro was supported by the solid US GDP number for 1Q10 and other positive indicators that support a continued improvement of the US economy in the second quarter, but even more so by the weakness of the euro. The Euro-zone, which is facing its biggest crisis since having established the euro in 2001, is fighting the debt challenges of the weaker Euro-zone economies and the success of these actions will influence not only the euro, but will have also have an influence on the other main global currencies. A failure might not only have a significant negative impact on the Euro-zone economies, but also would imply an appreciation of the other reserve currencies and impact their cross-rates. This could be seen at the beginning of May, when the dollar appreciated significantly against the euro, but at the same time depreciated against the yen.

In April, the OPEC Reference Basket increased by $5.12/b or 6.6% to $82.33/b from $77.21/b in March. In real terms (base June 2001=100), accounting for inflation and currency fluctuations, the Basket price rose by $3.64/b or 7.3% to $53.62/b from $49.98/b. The dollar rose by 0.7%, as measured against the import-weighted modified Geneva I+US dollar basket, while inflation remained flat.*

* *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.*

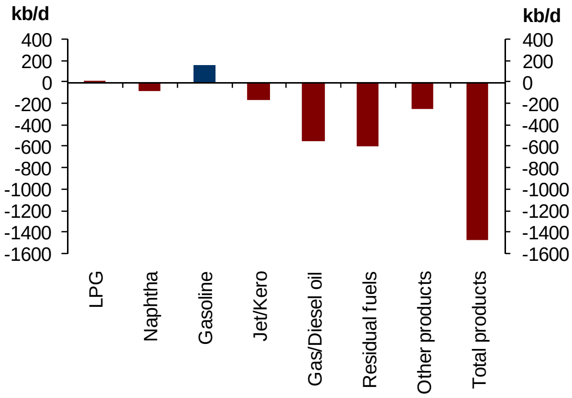
World Oil Demand

Total world oil demand declined by 1.5 mb/d to average 84.4 mb/d in 2009

World oil demand in 2009

European oil demand in the fourth quarter of last year was 100 tb/d lower than expected, with most of this decline taking place in the Big Four. Hence, OECD Europe oil demand was revised down by 25 tb/d in 2009 to show a total decline of 0.8 mb/d. World oil demand in the fourth quarter of 2009 was revised down by 158 tb/d, due not only to the poor performance of the OECD but also lower-than-expected oil demand in Other Asia.

Graph 12: World oil consumption by products, 2009



As a result of the massive contraction of 2.1 mb/d in the OECD, total world oil demand declined by 1.46 mb/d to average 84.4 mb/d in 2009.

Table 5: World oil demand forecast for 2009, mb/d

							Change 2009/08	
	2008	1Q09	2Q09	3Q09	4Q09	2009	Volume	%
North America	24.17	23.52	22.91	23.25	23.50	23.29	-0.88	-3.62
Western Europe	15.33	14.90	14.24	14.46	14.49	14.52	-0.81	-5.27
OECD Pacific	8.07	8.14	7.30	7.27	8.01	7.68	-0.39	-4.79
Total OECD	**47.57**	**46.56**	**44.45**	**44.98**	**46.00**	**45.50**	**-2.07**	**-4.35**
Other Asia	9.61	9.73	9.89	9.76	9.94	9.83	0.22	2.32
Latin America	5.81	5.63	5.83	6.04	6.02	5.88	0.07	1.27
Middle East	6.90	6.96	7.08	7.31	7.04	7.10	0.20	2.88
Africa	3.18	3.27	3.24	3.16	3.30	3.24	0.06	1.92
Total DCs	**25.50**	**25.59**	**26.04**	**26.27**	**26.30**	**26.05**	**0.56**	**2.18**
FSU	4.11	3.81	3.70	4.14	4.18	3.96	-0.15	-3.57
Other Europe	0.76	0.74	0.69	0.71	0.76	0.73	-0.03	-3.99
China	7.97	7.61	8.38	8.56	8.26	8.20	0.23	2.91
Total "Other Regions"	**12.83**	**12.16**	**12.78**	**13.41**	**13.19**	**12.89**	**0.06**	**0.43**
Total world	**85.90**	**84.31**	**83.27**	**84.66**	**85.49**	**84.44**	**-1.46**	**-1.70**
Previous estimate	85.74	84.04	83.17	84.52	85.49	84.31	-1.43	-1.66
Revision	0.16	0.27	0.10	0.14	0.01	0.13	-0.03	-0.04

Totals may not add due to independent rounding.

Table 6: 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	24.77	23.52	-1.25	-5.05	24.42	22.91	-1.51	-6.18
Western Europe	15.29	14.90	-0.39	-2.52	15.07	14.24	-0.83	-5.54
OECD Pacific	8.91	8.14	-0.77	-8.60	7.86	7.30	-0.56	-7.15
Total OECD	**48.96**	**46.56**	**-2.40**	**-4.91**	**47.35**	**44.45**	**-2.91**	**-6.14**
Other Asia	9.80	9.73	-0.07	-0.70	9.75	9.89	0.15	1.51
Latin America	5.60	5.63	0.02	0.42	5.84	5.83	-0.01	-0.22
Middle East	6.77	6.96	0.19	2.87	6.87	7.08	0.21	2.99
Africa	3.22	3.27	0.05	1.54	3.19	3.24	0.06	1.77
Total DCs	**25.39**	**25.59**	**0.20**	**0.78**	**25.65**	**26.04**	**0.40**	**1.54**
FSU	4.17	3.81	-0.36	-8.71	3.79	3.70	-0.09	-2.27
Other Europe	0.79	0.74	-0.05	-6.85	0.72	0.69	-0.03	-3.62
China	7.97	7.61	-0.37	-4.58	8.17	8.38	0.22	2.67
Total "Other Regions"	**12.94**	**12.16**	**-0.78**	**-6.05**	**12.67**	**12.78**	**0.11**	**0.83**
Total world	**87.30**	**84.31**	**-2.99**	**-3.42**	**85.68**	**83.27**	**-2.40**	**-2.81**

Totals may not add due to independent rounding.

Table 7: Third and fourth quarter world oil demand comparison for 2009, mb/d

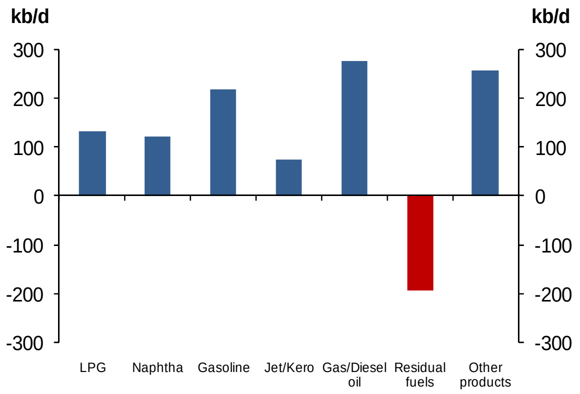
			Change 2009/08				Change 2009/08	
	3Q08	3Q09	Volume	%	4Q08	4Q09	Volume	%
North America	23.57	23.25	-0.33	-1.39	23.93	23.50	-0.43	-1.80
Western Europe	15.53	14.46	-1.06	-6.83	15.44	14.49	-0.94	-6.12
OECD Pacific	7.54	7.27	-0.26	-3.50	7.97	8.01	0.03	0.44
Total OECD	**46.63**	**44.98**	**-1.65**	**-3.54**	**47.34**	**46.00**	**-1.34**	**-2.83**
Other Asia	9.47	9.76	0.30	3.15	9.43	9.94	0.51	5.38
Latin America	5.97	6.04	0.07	1.14	5.81	6.02	0.21	3.68
Middle East	7.09	7.31	0.22	3.07	6.86	7.04	0.18	2.58
Africa	3.12	3.16	0.05	1.46	3.21	3.30	0.09	2.88
Total DCs	**25.64**	**26.27**	**0.63**	**2.45**	**25.31**	**26.30**	**0.99**	**3.91**
FSU	4.22	4.14	-0.08	-1.94	4.24	4.18	-0.06	-1.41
Other Europe	0.73	0.71	-0.02	-2.81	0.78	0.76	-0.02	-2.62
China	8.10	8.56	0.45	5.58	7.65	8.26	0.61	7.99
Total "Other Regions"	**13.06**	**13.41**	**0.35**	**2.68**	**12.66**	**13.19**	**0.53**	**4.19**
Total world	**85.33**	**84.66**	**-0.67**	**-0.79**	**85.31**	**85.49**	**0.18**	**0.21**

Totals may not add due to independent rounding.

World oil demand in 2010

Given the expected pace of the world economic recovery, world oil demand growth in 2010 is forecast at 0.9 mb/d or 1.1%

Graph 13: Forecasted y-o-y growth in 2010 world oil demand



The IMF's latest GDP increase should imply higher oil consumption; however, the elasticity factor for oil demand is weakening. The industrial sector, which accounts for a large portion of oil consumption, is not expected to recover fully this year. The service sector, and especially the financial sector, accounts for a larger portion of world GDP this year. The transportation sector, which accounts for almost half of the oil used worldwide, is heading toward turbulence. This sector has been artificially revived due to government stimulus plans. How long governments can afford to maintain such plans is a key challenge. Moreover, the transportation sector is highly sensitive to price increases. Any strong and lasting increase in pump prices will certainly dent demand, not only in the US, but also across the globe.

Although the recent upward revision to GDP must be matched with oil demand, the increase in oil demand will be less as the factors mentioned above are likely to suppress it.

The recent GDP revisions call for another 40 tb/d in oil demand and most of this will be in the US. Asian countries are reducing their fuel price subsidies further, which will lead to a reduction in the continent's transport fuel needs.

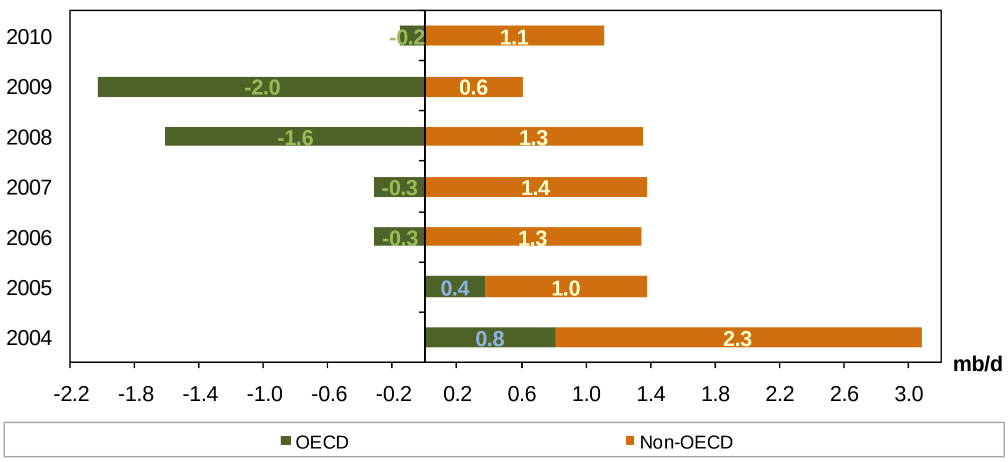
China has been the main driver of oil demand and is expected to continue to be so for the rest of the year, despite the recent price increase in retail gasoline and diesel sales of 4.5% and 5% respectively.

In conclusion, the world oil demand forecast for 2010 will mostly depend on US performance. Should US oil demand weaken slightly and perform less than expected during the peak summer consumption season, then total world oil demand will be less than the current estimate.

Apart from the US, all the expected growth in oil demand this year is taking place outside the OECD, led by Asia. Most of the growth will come from transport and petrochemical activities worldwide.

Given the expected pace of the economic recovery, world oil demand growth is forecast at 0.9 mb/d or 1.1 %.

Graph 14: World oil demand growth

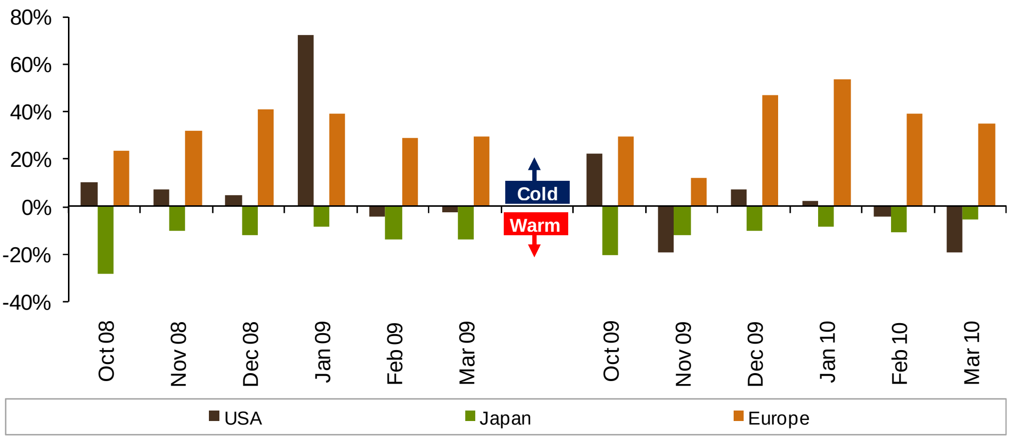


OECD - North America

North American oil demand likely to grow slightly by 0.3 mb/d to average 23.6 mb/d, with most increases taking place during the second half of 2010

Economic downturn, along with relatively high retail transport fuel prices, has been suppressing the recovery in US oil demand. This was reflected in a major downward revision of first quarter oil demand as reported by the EIA. Despite the 19% increase in new auto sales in the US, the country's gasoline consumption experienced a decline of 0.7% in the first quarter as opposed to the normal trend of 1.6% growth. Furthermore, the usage of diesel – which is used not only for transportation but also by the industrial sector – declined by 4.2% in the first quarter y-o-y. However, the forecast for the rest of the year's oil demand is a bit more optimistic. Signs are already emerging indicating better economic performance and aiming toward higher future growth. A recent upward revision in GDP points toward a further increase in US oil demand this year. The retail price of transport fuel has a strong elasticity to product sales. The risk lies in two sectors which are very important for total oil demand in the US. First, should the retail pump prices strengthen further, then consumption would be dented in the summer driving season. Second, should manufacturing and petrochemicals miss the growth forecast, this would substantially reduce the country's industrial fuel use.

Graph 15: Heating degree days, % of normal



Mexican oil demand has kept its February healthy trend. March data indicated 3.2% growth in the country's domestic sales of petroleum products. Most of the growth was attributed to transport fuel, especially gasoline. Given not only the sales of new cars but also miles driven in Mexico, gasoline and diesel demand grew by 7% and 9% y-o-y in March. Higher demand for air travel boosted demand for jet fuel by an extra 2%. Due to the steep decline in January, first quarter oil demand grew by only 0.8%. It is forecast that Mexican oil demand will grow by 1.3% in 2010.

As in Mexico, Canadian petroleum product consumption in the first quarter is assessed at 60 tb/d growth and is forecast to perform well all year long. However, there is a downward risk as the economy depends greatly on the US. Recent March data indicates a strong increase in transport fuel usage due primarily to the low base last year. The country's March oil demand grew by 5.4% or 87 tb/d y-o-y to average 1.7 mb/d.

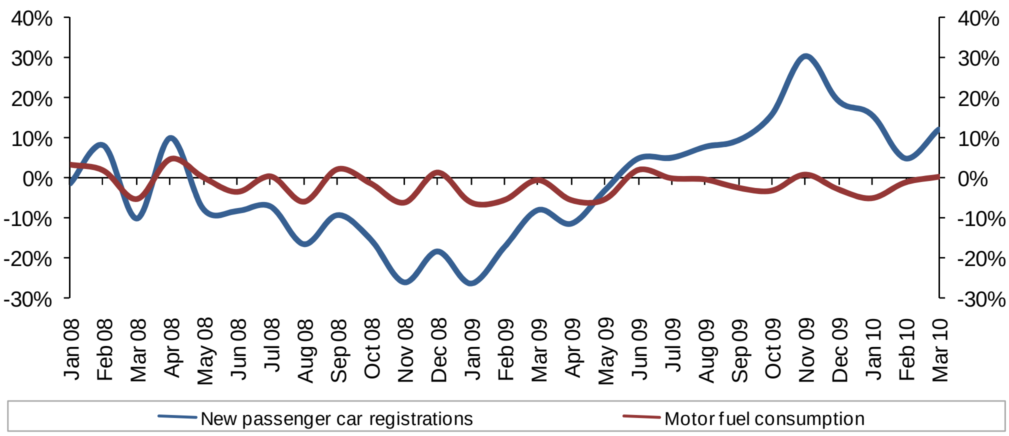
North American oil demand is expected to grow slightly by 0.3 mb/d y-o-y to average 23.6 mb/d, with most increases taking place during the second half of 2010.

OECD - Europe

OECD Europe revised down by 0.3 mb/d showing a decline of 1.0 mb/d in the first quarter

In Europe, the picture is more dramatic with declining oil consumption in almost every country, especially in Europe's Big Four. In Germany, despite the 35% colder-than-normal weather, the country's heating oil sales dropped 41% y-o-y in March. Heating oil bulk filling normally occurs just before the beginning of the season. Slow manufacturing and petrochemical activities slowed down the use of distillates by 20%. The decline of those two products along with the decline in residual fuel oil usage sunk the country's total oil demand by 12.8% or 0.3 mb/d in March. Germany, the largest consuming country within Europe, has been experiencing a major slowdown in oil demand reducing the country's oil consumption by 0.2 mb/d y-o-y in the first quarter. As in the rest of Europe, the oil demand picture is gloomy for the entire year.

Graph 16: European new passenger car registrations & motor fuel consumption, y-o-y % changes



Furthermore, preliminary UK data for March reported a reduction in oil consumption of about 0.3 mb/d, with transport and industrial fuel sectors being the most affected. The country's first quarter oil demand experienced a strong decline reaching 19%. It is forecast that the rest of the year's oil demand is expected to be on the decline, but to a lesser degree. European countries' oil demand is anticipated to shrink further not only due to slow economic activity, but also as a result of efficiency, which is being promoted by governments.

French and Italian oil consumption during March 2010 also decreased, but in lower volumes of around 0.1 mb/d. While in France, heating fuel substitution accounted for most of the decrease, in Italy lower industrial production and a decline in the use of residual fuel in industry accounted for most of the reduction. In total, the European Big Four's oil demand dropped by 9% in the first quarter with a decline in all product use.

Due to the worse-than-expected oil consumption, the OECD Europe forecast was revised down by 0.3 mb/d, leading to a total decline of minus 1.0 mb/d y-o-y in the first quarter. However, the decline in oil demand is expected to ease in the second half of the year.

Table 8: French oil demand, tb/d

	Jan-Mar 10	Jan-Mar 09	Change, tb/d	Change, %
Gasoline	172	187	-15	-8.2
Distillate	969	1,031	-62	-6.0
Diesel	*645*	*636*	*9*	*1.4*
Heating oil	*323*	*395*	*-72*	*-18.1*
Residual	47	78	-31	-40.2
Other products	497	573	-76	-13.2
Total products	**1,684**	**1,869**	**-185**	**-9.9**

Source: Argus Fundamentals

OECD - Pacific

OECD Pacific demand forecast to be flat in 2010 averaging 7.7 mb/d

Japanese oil consumption seems to have stabilized during the first quarter, reaching growth of 70 tb/d y-o-y, resulting from an extremely low base combined with colder weather conditions. As a result of cold weather, naphtha used for electricity generation displayed a strong yearly increase of approximately 0.2 mb/d during the first quarter, although this was partly offset by reductions in all other products. Furthermore, the Japanese power generation sector reduced its use of crude by more than one third as a result of higher nuclear utilization in March.

Strong January 2010 oil consumption in South Korea was also counterbalanced by lower oil consumption in February 2010, mainly caused by lower demand for industrial fuels, such as distillate and fuel oil.

Resulting from stabilized Japanese oil demand, OECD Pacific oil demand was revised up by 78 tb/d for the year. This came about despite an initial forecast by the Japanese government for a decline of 4.5% this year.

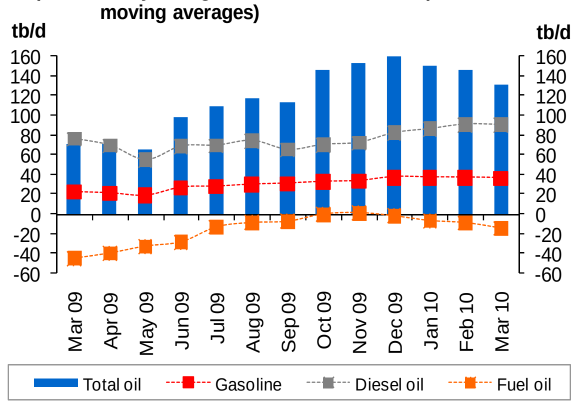
OECD Pacific oil demand is forecast to be flat in 2010, averaging 7.7 mb/d.

Oil demand in the Developing Countries forecast to grow by 0.6 mb/d in 2010, averaging 26.7 mb/d

Developing Countries

Indian oil demand has been in slow motion since the start of the year. January oil demand was in the red by 50 tb/d and February and March data indicates growth of 30 tb/d for each month. This leaves the country's first quarter oil demand flat versus a previous forecast of 150 tb/d in oil demand growth. Major fuel switching in the power plan sector already cut the use of naphtha substantially. India is the largest oil consuming country in Other Asia and early forecasts indicated 135 tb/d growth for the year. Despite the low growth year-to-date, the rest of the year is expected to call for additional oil use leading to around 4% growth in 2010. The transportation sector is predicted to contribute the most.

Graph 17: Yearly changes in Indian oil demand (12 month moving averages)



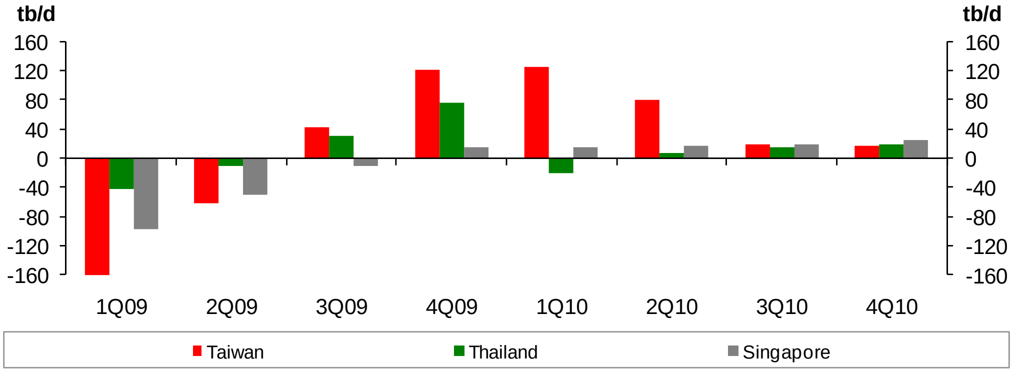
Other Asia oil demand growth forecast to exceed 220 tb/d in 2010

The switch in cooking fuel in Indonesia has been a success. The government adopted a programme in 2007 to switch people from kerosene to LPG use in cooking across the country. The use of other petroleum products such as transport fuel is expected to increase, given healthy economic growth this year. Economic growth across Asia is pushing the region's oil demand to achieve growth of 2.2% in 2010.

Other countries within the region such as Taiwan and Thailand are using more oil this year than last. Taiwan alone is expected to use 5% more oil and most of it will be in the industrial and transportation sectors.

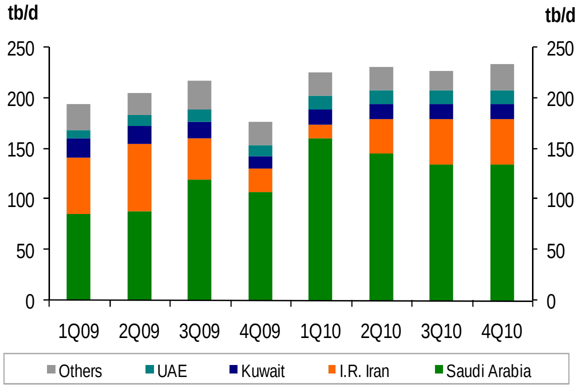
Given the healthy economic growth in Other Asia, the region's oil demand growth for the total year is forecast to exceed 220 tb/d y-o-y.

Graph 18: Oil consumption in selected Asian countries, y-o-y growth



March oil demand in the Middle East was as predicted, reaching growth of 0.2 mb/d y-o-y in the first quarter. Despite the decline in Iran's oil demand, Saudi oil demand surpassed expectations and more than offset the decline. Two factors which have been pushing the region's oil demand up by 3.2% are the strong economic activity and subsidized transport fuel.

Graph 19: Yearly oil demand growth in the Middle East



Brazilian oil demand, along with Venezuelan oil consumption, has been the engine behind the strong growth in Latin America's oil demand this year. Subsidized transport fuel in some of the countries has encouraged consumption, leading to estimated 2.2% growth this year.

Developing Countries' oil demand growth is forecast at 0.6 mb/d y-o-y in 2010 to average 26.7 mb/d.

Graph 20: Yearly oil demand growth in Latin America

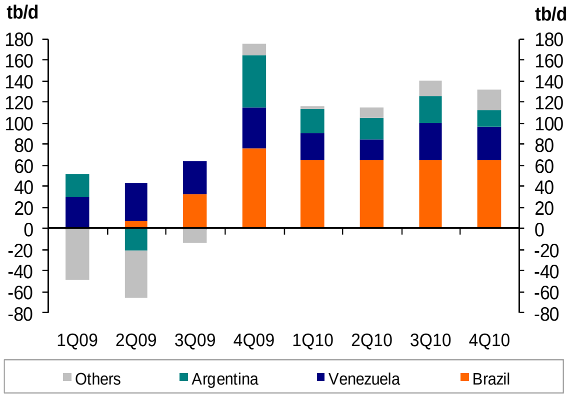


Table 9: Taiwan oil demand, tb/d

	Feb 10	Feb 09	Change from Feb 09	Change from Feb 09, %
LPG	58	49	10	16.8
Gasoline	194	162	32	16.3
Jet/Kerosene	44	39	6	12.5
Gas/Diesel oil	88	103	-15	-16.7
Fuel oil	152	126	26	17.4
Other products	528	453	75	14.2
Total	**1,065**	**931**	**134**	**12.6**

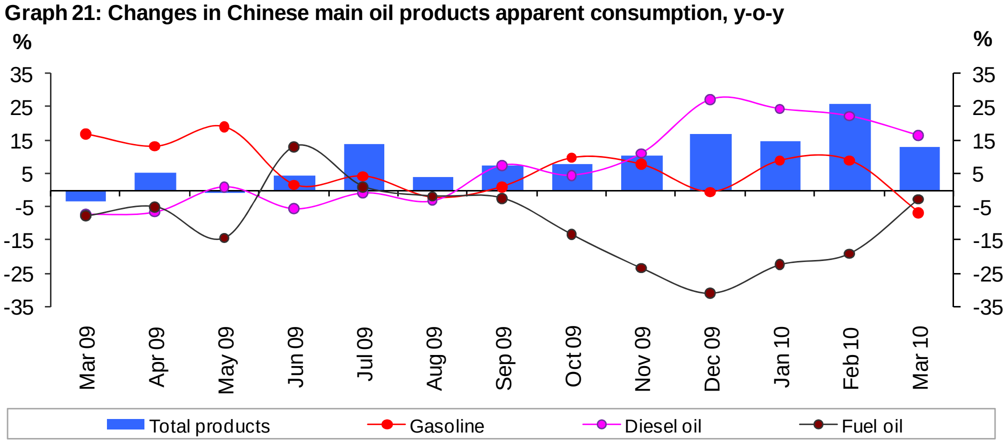
Source: JODI

Other regions

Given the strong economic activities, China's oil demand growth was revised up by 50 tb/d to reach annual growth of 0.45 mb/d

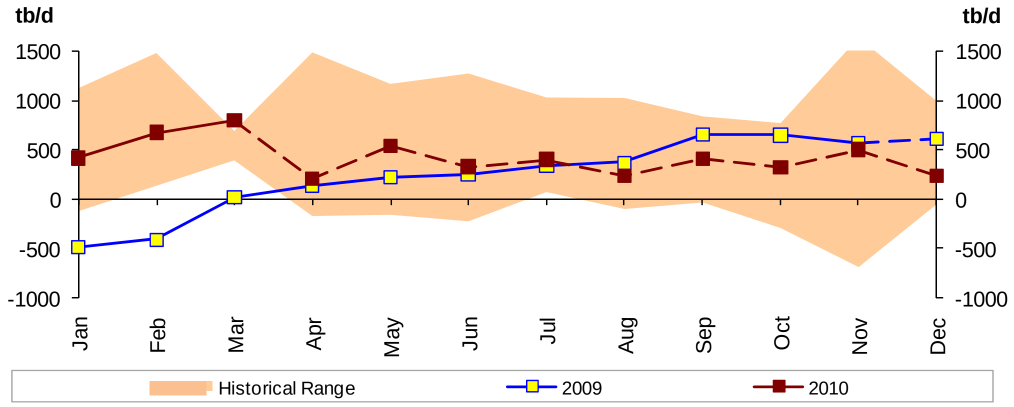
China increased its domestic gasoline and gasoil prices last month by 4.5% and 5% respectively. This latest increase came as a result of the government pricing mechanism, which is based on international oil price movements. Should international prices fluctuate by more than 4% for a period of 22 days, then domestic prices have to be amended. It is not anticipated that the latest hike in retail prices will create a major dent in the country's total oil demand. Economic activities are pushing the country toward more energy usage across all sectors. Despite the huge increase in new car registrations for the month, the country's transport fuel was in the negative. Almost all of the huge increase in China's March oil demand growth, which reached 0.8 mb/d, was attributed to the industrial and agricultural sectors. Double-digit GDP growth in the first quarter called for strong consumption in all energy sectors. Although March's huge increase is not anticipated to be repeated, it is forecast that China's oil demand growth will exceed 5.5% this year.

Graph 21: Changes in Chinese main oil products apparent consumption, y-o-y



China's March oil imports were high; however, not all of the imports ended up in the demand pool. At least one third were destined for the country's Strategic Petroleum Reserve (SPR).

Graph 22: Changes in Chinese apparent oil demand, y-o-y



Given strong economic activities, China's oil demand growth was revised up by 50 tb/d to reach annual growth of 0.45 mb/d in 2010.

As for the FSU and Other Europe, the two regions' oil demand turned out as predicted; hence, the figure remain unchanged. The forecast for FSU oil demand switched from a decline last year to show growth of 0.9% this year.

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

							Change 2010/09	
	2009	1Q10	2Q10	3Q10	4Q10	2010	Volume	%
North America	23.29	23.63	23.27	23.62	23.80	23.58	0.29	1.24
Western Europe	14.52	13.90	13.76	14.29	14.37	14.09	-0.44	-3.01
OECD Pacific	7.68	8.24	7.30	7.17	7.96	7.67	-0.01	-0.15
Total OECD	**45.50**	**45.78**	**44.34**	**45.08**	**46.14**	**45.34**	**-0.16**	**-0.35**
Other Asia	9.83	9.95	10.11	9.98	10.15	10.05	0.22	2.20
Latin America	5.88	5.74	5.95	6.18	6.15	6.01	0.13	2.13
Middle East	7.10	7.19	7.31	7.53	7.27	7.33	0.23	3.24
Africa	3.24	3.30	3.30	3.22	3.35	3.29	0.05	1.51
Total DCs	**26.05**	**26.18**	**26.66**	**26.91**	**26.93**	**26.67**	**0.62**	**2.38**
FSU	3.96	3.85	3.73	4.17	4.22	3.99	0.03	0.86
Other Europe	0.73	0.72	0.69	0.72	0.78	0.73	0.00	0.02
China	8.20	8.23	8.77	8.98	8.63	8.65	0.45	5.50
Total "Other Regions"	**12.89**	**12.80**	**13.19**	**13.87**	**13.62**	**13.37**	**0.49**	**3.76**
Total world	**84.44**	**84.76**	**84.19**	**85.86**	**86.69**	**85.38**	**0.95**	**1.12**
Previous estimate	84.31	84.71	83.96	85.51	86.61	85.21	0.90	1.06
Revision	0.13	0.04	0.23	0.35	0.08	0.18	0.05	0.06

Totals may not add due to independent rounding.

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

			Change 2010/09				Change 2010/09	
	1Q09	1Q10	Volume	%	2Q09	2Q10	Volume	%
North America	23.52	23.63	0.12	0.49	22.91	23.27	0.36	1.57
Western Europe	14.90	13.90	-1.00	-6.70	14.24	13.76	-0.47	-3.32
OECD Pacific	8.14	8.24	0.10	1.25	7.30	7.30	0.00	0.00
Total OECD	**46.56**	**45.78**	**-0.78**	**-1.68**	**44.45**	**44.34**	**-0.11**	**-0.25**
Other Asia	9.73	9.95	0.22	2.26	9.89	10.11	0.21	2.14
Latin America	5.63	5.74	0.11	2.01	5.83	5.95	0.12	1.97
Middle East	6.96	7.19	0.23	3.25	7.08	7.31	0.23	3.26
Africa	3.27	3.30	0.03	0.92	3.24	3.30	0.06	1.82
Total DCs	**25.59**	**26.18**	**0.59**	**2.30**	**26.04**	**26.66**	**0.62**	**2.37**
FSU	3.81	3.85	0.04	1.01	3.70	3.73	0.03	0.78
Other Europe	0.74	0.72	-0.02	-2.70	0.69	0.69	-0.01	-0.72
China	7.61	8.23	0.62	8.19	8.38	8.77	0.39	4.63
Total "Other Regions"	**12.16**	**12.80**	**0.64**	**5.28**	**12.78**	**13.19**	**0.41**	**3.23**
Total world	**84.31**	**84.76**	**0.45**	**0.53**	**83.27**	**84.19**	**0.92**	**1.10**

Totals may not add due to independent rounding.

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	23.25	23.62	0.37	1.60	23.50	23.80	0.30	1.28
Western Europe	14.46	14.29	-0.17	-1.17	14.49	14.37	-0.12	-0.83
OECD Pacific	7.27	7.17	-0.10	-1.38	8.01	7.96	-0.04	-0.55
Total OECD	**44.98**	**45.08**	**0.10**	**0.23**	**46.00**	**46.14**	**0.14**	**0.30**
Other Asia	9.76	9.98	0.22	2.21	9.94	10.15	0.22	2.19
Latin America	6.04	6.18	0.14	2.32	6.02	6.15	0.13	2.19
Middle East	7.31	7.53	0.23	3.11	7.04	7.27	0.23	3.33
Africa	3.16	3.22	0.06	1.93	3.30	3.35	0.05	1.39
Total DCs	**26.27**	**26.91**	**0.64**	**2.45**	**26.30**	**26.93**	**0.63**	**2.40**
FSU	4.14	4.17	0.03	0.75	4.18	4.22	0.04	0.91
Other Europe	0.71	0.72	0.01	0.70	0.76	0.78	0.02	2.64
China	8.56	8.98	0.42	4.94	8.26	8.63	0.37	4.51
Total "Other Regions"	**13.41**	**13.87**	**0.46**	**3.42**	**13.19**	**13.62**	**0.43**	**3.26**
Total world	**84.66**	**85.86**	**1.21**	**1.43**	**85.49**	**86.69**	**1.20**	**1.40**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC

Estimate for 2009

Non-OPEC supply increased by 0.7 mb/d in 2009 to average 51.1 mb/d

Non-OPEC supply is estimated to have averaged 51.13 mb/d in 2009, representing growth of 0.73 mb/d. The estimated growth for 2009 experienced an upward revision of 0.10 mb/d since the last report. The revisions affected all quarters, with the fourth quarter encountering the largest upward adjustment. Canada supply estimates were the main driver for the upward revision. With the introduced revisions to Canada supply, North America oil supply in 2009 now indicates the highest growth among all non-OPEC regions with the growth in US supply offsetting the large estimated drop of Mexico and the minor decline in Canada. FSU supply is estimated to have had the second largest growth among non-OPEC regions in 2009, supported by growth in Russia, Kazakhstan, and Azerbaijan. OECD North West Europe remained the region with the biggest supply decline in 2009 on the back of natural decline in the UK and Norway. On a quarterly basis, non-OPEC supply is estimated at 51.01 mb/d, 50.76 mb/d, 51.01 mb/d and 51.74 mb/d respectively.

Graph 23: Regional non-OPEC supply growth, y-o-y

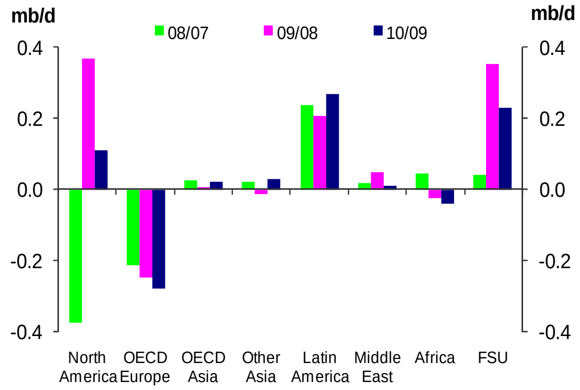


Table 13: Non-OPEC oil supply in 2009, mb/d

	2008	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08
North America	13.92	14.22	14.08	14.30	14.56	14.29	0.37
Western Europe	4.96	5.05	4.65	4.45	4.70	4.71	-0.25
OECD Pacific	0.63	0.64	0.62	0.65	0.64	0.64	0.01
Total OECD	**19.51**	**19.91**	**19.35**	**19.41**	**19.89**	**19.64**	**0.13**
Other Asia	3.73	3.71	3.69	3.70	3.78	3.72	-0.01
Latin America	4.20	4.36	4.38	4.39	4.51	4.41	0.21
Middle East	1.68	1.70	1.72	1.75	1.74	1.73	0.05
Africa	2.75	2.74	2.73	2.72	2.69	2.72	-0.03
Total DCs	**12.36**	**12.51**	**12.51**	**12.57**	**12.71**	**12.57**	**0.21**
FSU	12.56	12.64	12.90	13.00	13.12	12.92	0.35
Other Europe	0.15	0.14	0.13	0.14	0.14	0.14	-0.01
China	3.84	3.80	3.85	3.88	3.87	3.85	0.01
Total "Other regions"	**16.55**	**16.58**	**16.88**	**17.03**	**17.13**	**16.91**	**0.36**
Total Non-OPEC production	**48.42**	**49.00**	**48.74**	**49.00**	**49.73**	**49.12**	**0.70**
Processing gains	1.98	2.01	2.01	2.01	2.01	2.01	0.03
Total Non-OPEC supply	**50.40**	**51.01**	**50.76**	**51.01**	**51.74**	**51.13**	**0.73**
Previous estimate	50.40	50.98	50.69	50.90	51.55	51.03	0.63
Revision	0.00	0.03	0.07	0.12	0.19	0.10	0.10

Revisions to the 2009 estimate

The bulk of this month's revision came from Canada, as recently received actual production data indicated higher production in 2009. Accordingly, Canada supply estimates for 2009 experienced an upward revision of 0.10 mb/d. Canada oil supply estimates in 2009 now stand at an average of 3.28 mb/d, relatively steady from 2008 with a minor decline of 10 tb/d. In 2009, Canada oil supply encountered various setbacks such as fire accidents that affected oil sand production. Additionally, the supply estimates for Congo encountered a minor upward revision in 2009 to adjust for recently updated data for actual production. Hence, Congo supply estimates for 2009 experienced a minor upward revision of 10 tb/d compared to the previous estimate.

Congo oil supply is now estimated to have averaged 0.28 mb/d in 2009, representing growth of 20 tb/d over the previous year.

Forecast for 2010

Non-OPEC supply forecast to grow by 0.5 mb/d to average 51.7 mb/d in 2010

Non-OPEC supply is forecast to increase by 0.53 mb/d over 2009 to average 51.67 mb/d. Non-OPEC supply growth remained relatively steady with the prevous forecast experiencing only a minor increase of 30 tb/d, while the absolute level saw a 0.14 mb/d adjustment. Healthy production figures in the first quarter by many non-OPEC producers supported the revision. The first quarters experienced the biggest revision of 0.30 mb/d which was partially carried over from 2009. The rest of the quarters' supply expectations encountered upward revisions with the second quarter seeing the next largest increase. The overall supply forecast remained relatively stable with Developing Countries (DCs) expected to have the highest growth followed by the FSU and China, while OECD supply is foreseen to decline in 2010. On a quarterly basis, non-OPEC supply is seen to average 52.04 mb/d, 51.58 mb/d, 51.32 mb/d and 51.74 mb/d respectively.

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

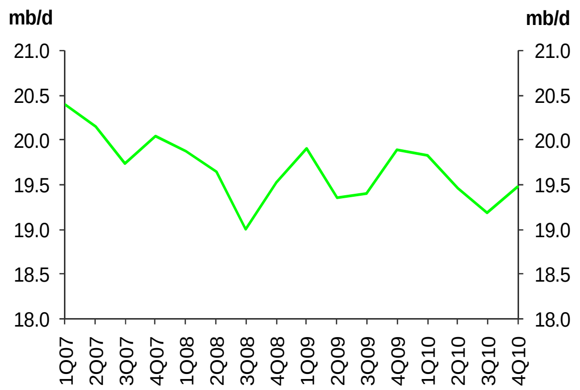
	2009	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09
North America	14.29	14.53	14.41	14.28	14.38	14.40	0.11
Western Europe	4.71	4.67	4.40	4.23	4.42	4.43	-0.28
OECD Pacific	0.64	0.63	0.64	0.67	0.68	0.66	0.02
Total OECD	**19.64**	**19.83**	**19.45**	**19.19**	**19.48**	**19.49**	**-0.15**
Other Asia	3.72	3.78	3.74	3.74	3.73	3.75	0.03
Latin America	4.41	4.61	4.64	4.70	4.76	4.68	0.27
Middle East	1.73	1.75	1.74	1.73	1.72	1.74	0.01
Africa	2.72	2.69	2.66	2.68	2.68	2.68	-0.04
Total DCs	**12.57**	**12.83**	**12.78**	**12.86**	**12.89**	**12.84**	**0.26**
FSU	12.92	13.12	13.14	13.10	13.23	13.15	0.23
Other Europe	0.14	0.13	0.13	0.13	0.13	0.13	-0.01
China	3.85	4.04	3.98	3.94	3.90	3.97	0.12
Total "Other regions"	**16.91**	**17.28**	**17.26**	**17.18**	**17.27**	**17.25**	**0.34**
Total Non-OPEC production	**49.12**	**49.94**	**49.49**	**49.22**	**49.64**	**49.57**	**0.46**
Processing gains	2.01	2.09	2.09	2.09	2.09	2.09	0.08
Total Non-OPEC supply	**51.13**	**52.04**	**51.58**	**51.32**	**51.74**	**51.67**	**0.53**
Previous estimate	51.03	51.74	51.42	51.24	51.71	51.53	0.50
Revision	0.10	0.29	0.16	0.07	0.02	0.14	0.03

OECD

OECD supply to drop 0.15 mb/d in 2010 to average 19.49 mb/d

Total OECD oil supply is expected to average 19.49 mb/d in 2010, a decline of 0.15 mb/d from the previous year, an upward revision of 0.10 mb/d. Despite the upward adjustment, the forecast decline remained unchanged as the revision was mainly due to historical adjustments while the other revisions were offsetting. Among OECD regions, North America is expected to have the biggest growth in 2010, while OECD Pacific is foreseen to remain relatively steady in 2010 and OECD Western Europe is projected to continue to decline. Compared to the previous assessment, supply forecasts from Canada, Mexico, and the UK experienced upward revisions, while supply forecast for Norway and Other Western Europe experienced minor downward revisions. The highest upward adjustment was to Canada supply, mainly due to historical revisions. The

Graph 24: OECD's quarterly production



anticipated growth from North America is seen to offset part of the expected decline in OECD Western Europe. On a quarterly basis, OECD oil supply is expected to average 19.83 mb/d, 19.45 mb/d, 19.19 mb/d and 19.48 mb/d respectively. Total OECD supply stood at 19.83 mb/d in first quarter of 2010, according to the preliminary data, which indicate a decline of around 0.10 mb/d, compared to the same period in 2009.

North America

North America oil production is anticipated to average 14.40 mb/d in 2010, representing growth of 0.11 mb/d and an upward revision of 0.12 mb/d. Mexico oil supply is expected to continue the declining trend in 2010, partially limiting the region's anticipated growth that is supported by expectation of a healthy supply increase in the US and Canada. Despite the significant upward revision, regional growth forecast experienced only a minor increase of 20 tb/d compared to the previous month, mainly due to the historical revision to Canada oil supply. On a quarterly basis, North America oil supply in 2010 is expected to stand at 14.53 mb/d, 14.41 mb/d, 14.41 mb/d, and 14.38 mb/d respectively.

US

US supply to average 8.23 mb/d in 2010, representing growth of 0.16 mb/d

Oil supply from the US is forecast to increase by 0.16 mb/d to average 8.23 mb/d in 2010, flat from the previous assessment. Despite the steady state, US quarterly oil supply encountered some revisions, with the first quarter supply experiencing an upward adjustment. In contrast, the rest of the year's quarters were revised down slightly. The upward revision in the first quarter totaled 30 tb/d and was introduced to adjust for updated production data that was stronger than previously expected. On the other hand, the announced maintenance of the Thunder Horse field – the second largest field in terms of volume in the US – for more than two months with an anticipated large reduction in production, supported the downward revisions in the other quarters. The recent growth in the US oil supply is strongly supported by the deep water projects. Hence, the change in output of any of deep water projects will have a direct impact on the country's production. The recent oil leak incident is not expected to have a major affect on t US short-term supply; however, the risk of the oil slick disturbing other Gulf of Mexico operations remains a possibility. Additionally, recent forecasts indicate that the 2010 Atlantic hurricane season will see above-average activity, with higher chances of a major hurricane making landfall than the long-term average. On a quarterly basis, US oil supply is seen to average 8.28 mb/d 8.19 mb/d, 8.19 mb/d, and 8.25 mb/d respectively. According to preliminary data, US oil supply is estimated to have averaged 8.34 mb/d in April, which is slightly higher than the average of the first quarter.

Canada and Mexico

Canada supply to average 3.29 mb/d in 2010

Oil production from Canada is projected to increase by 50 tb/d to average 3.29 mb/d in 2010, indicating an upward revision of 0.10 mb/d from the last month. Despite the significant upward revision for total anticipated volume, growth experienced a minor upward revision of 10 tb/d. The historical revision on the back of revised production data for 2009 was the main reason behind the upward revision, in addition to the estimated healthy production figures in the first quarter. The ramp up of projects such as Syncrude, Horizon, and Long Lack supports production. Additionally, the expected startup of three satellite developments in the While Rose field in the second quarter is further supporting growth in Canadian supply. The Suncor repairs of the unit damage in the February fire has been completed and the unit is reported to be back in full capacity, which is another factor supporting oil production. Additionally, the Long Lake project reported a ramp-up of the steam output needed to liquefy the tarry bitumen in the sand, which has further added to the positive factors for Canada oil supply in 2010. On a quarterly basis, Canada's production is anticipated to average 3.26 mb/d, 3.30 mb/d, 3.27 mb/d and 3.33 mb/d respectively.

The decline in Mexico production slowed in 1Q marking the lowest y-o-y quarterly decline since 3Q06

Mexican oil production is seen to average 2.88 mb/d in 2010, a decline of 0.10 mb/d over 2009, indicating an upward revision of 20 tb/d. Stable production in the first quarter of the year has necessitated the upward revision as it indicates a steady production level with improvement on the decline rate. The decline at Cantarell has slowed down while production at Ku-Maloob-Zaap (KMZ) has continued to edge higher, exceeding what was recently believed to be peak production. Actual production data in the first quarter is supporting the case of slowing the decline and stabilizing production. In March 2010, total oil production indicated a decline of less than 2% compared to March 2009, which is much lower than the 6% decline experienced in Mexico total production of 2009 compared to 2008. On a quarterly basis, Mexico's oil supply is forecast to average 2.99 mb/d, 2.91 mb/d, 2.83 mb/d and 2.80 mb/d respectively. Preliminary data shows that Mexico production averaged 2.99 mb/d in March, which is steady compared to February production. The average of the first quarter remained at 2.99 mb/d, which is lower by 1.6% compared to the same quarter last year.

Western Europe

Total **OECD Western Europe** oil production is foreseen to decline by 0.28 mb/d to average 4.43 mb/d in 2010, a downward revision of 30 tb/d compared to the previous month. All quarters experienced some revisions with the first quarter experiencing the only positive adjustment while the rest of the year's quarters encountered minor downward revisions. The upward revision came on the back of adjustment to recently updated production data in the first quarter, while various other issues necessitated the other minor downward revisions. On a quarterly basis, OECD Western Europe supply in 2010 is expected to average 4.67 mb/d, 4.40 mb/d, 4.22 mb/d, and 4.42 mb/d respectively. Preliminary first quarter estimates suggest a production level of 4.67 mb/d, slightly lower than the fourth quarter 2009.

Norway supply to be affected by a heavy turnaround season to show a drop of 0.14 mb/d in 2010

Norwegian oil supply is anticipated to decline by 0.14 mb/d to average 2.20 mb/d in 2010, indicating a downward revision of 20 tb/d compared to the previous month. The downward revision affected all quarters, with the first quarter influenced by the preliminary actual production data. The overall outlook for Norwegian supply remains on a declining trend, with most new fields being small satellite developments. Additionally, the biggest operator reported turnaround plans for 13 fields which have further affected the supply forecast during the second half of 2010. Preliminary actual production data for March indicates a decline compared to the previous month, mainly due to a shutdown at the Vale and Draugen fields. On the other hand, the Valund project has restarted operations in early May and is expected to add more volume in the second half of 2010. On a quarterly basis, Norway's supply is forecast to average 2.31 mb/d, 2.17 mb/d, 2.08 mb/d and 2.23 mb/d respectively. First quarter supply is estimated to have averaged 2.31 mb/d, according to preliminary data, which indicates a y-o-y decline of 0.20 mb/d.

UK supply expected to average 1.39 mb/d in 2010

Oil supply from the **UK** is expected to decline by 90 tb/d to average 1.39 mb/d in 2010, an upward revision of 10 tb/d compared to last month. The upward revision mainly affected first quarter supply with preliminary production data suggesting healthier output than previously expected. However, UK supply is predicted to decline in the coming two quarters due to maintenance. Furthermore, a recent report indicates that the UK drilling activities have slowed in the first quarter to the lowest level in six years. Such a reduction in drilling activities is seen to influence production in the short term as well as in the medium- to long-term. On a quarterly basis, UK oil supply is foreseen to stand at 1.50 mb/d, 1.38 mb/d, 1.32 mb/d and 1.35 mb/d respectively. First quarter preliminary supply data indicates a y-o-y decline of 0.13 mb/d or 8%.

Danish oil production is forecast to decline slightly by 20 tb/d to average 0.24 mb/d in 2010, flat from the previous month. Despite the steady state, Denmark's supply profile encountered a minor downward revision in the first quarter that did not have an influence on the annual forecast. The minor downward revision was due to an adjustment to actual production figures. March oil supply showed a minor increase compared to February, mainly due to added volume from the Nini field in the Siri complex.

Asia Pacific

OECD Asia Pacific supply is expected to increase slightly by 20 tb/d to average 0.66 mb/d in 2010, flat from the previous month. Despite the steady state, there were minor upward and downward revisions to the supply profiles of Australia and New Zealand that canceled each other out. On a quarterly basis, OECD Pacific oil supply is seen to average 0.63 mb/d, 0.64 mb/d, 0.67 mb/d and 0.68 mb/d respectively.

Australian output to remain steady in 2010

Australian oil production is foreseen to average 0.55 mb/d in 2010, a minor increase of 10 tb/d over the previous year, relatively unchanged from the last report. The first quarter encountered a minor downward revision that did not affect the annual forecast. The downward revision was due to reportedly lower output at Echo Yodle, Stybarrow and Enfield due to technical problems and maintenance. However, the Vincent field supply increased which offset some of the decline at other developments. On a quarterly basis, Australian supply is expected to average 0.53 mb/d, 0.54 mb/d, 0.57 mb/d, and 0.58 mb/d respectively.

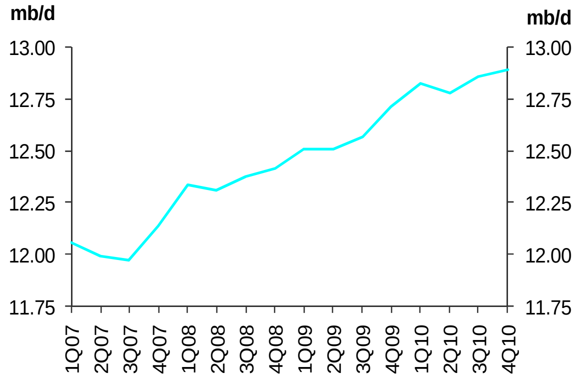
Oil production from **New Zealand** is believed to remain relatively steady to average 0.10 mb/d in 2010, a minor increase of 10 tb/d and unchanged from the previous assessment. The Maari field flow was reported to have been slightly restricted during the first quarter due to technical problems as well as a shutdown on the back of electrical faults.

Developing Countries

DC supply growth is expected to stand at 0.26 mb/d in 2010, supported by Latin America growth

Total **Developing Countries** oil production is estimated to average 12.84 mb/d in 2010, representing growth of 0.26 mb/d and a minor upward revision of 10 tb/d from the last report. Latin America supported the upward revision this month, while Other Asia and the Middle East remained steady and Africa experienced a downward revision. The revisions offset eachother with the upward revision having slightly more weight than the downward. Expected supply growth from Latin America indicates the highest anticipated growth among all non-OPEC regions, supported by expected strong supply increases in Brazil and Colombia. Other regions within the DC's are expected to remain relatively steady in 2010, showing either minor growth or declines. On a quarterly basis, DC's total oil production is seen to stand at 12.83 mb/d, 12.78 mb/d, 12.86 mb/d and 12.89 mb/d respectively.

Graph 25: Developing Countries' quarterly production



Second train started up at Mangala field

Oil production from **Other Asia** is forecast to average 3.75 mb/d in 2010, an increase of 30 tb/d over 2009, flat from the previous month. Despite the steady growth from the previous month, Other Asia supply prediction encountered a few upward and downward revisions that offset each other. The first quarter encountered the only downward revision on the back of adjustments due to preliminary production data. However, this was balanced by minor upward revisions experienced in the remaining three quarters. Indonesia oil supply forecast remained unchanged from the previous month, as the slightly lower target expected due to new environmental regulations outweighed the slight increase in production in both March and April. The Malaysia and Thailand oil supply forecasts experienced revisions to adjust for preliminary production data in the first quarter. Vietnam supply forecast encountered a minor upward revision due to the start of the second phase drilling programme at the Ca Ngu Vang field, as well as the expected startup at the Su Tu Den toward the end of the year. In India, the second train of the Mangala project has started up, which is expected to add 50 tb/d of capacity to the field which is foreseen to reach the 0.13 mb/d target at the end of the year. On a quarterly basis, Other Asia supply is believed to stand at 3.78 mb/d, 3.74 mb/d, 3.74 mb/d and 3.73 mb/d respectively.

Colombia supply is expected to increase by 0.10 mb/d in 2010

Latin America supply is projected to average 4.68 mb/d in 2010, significant growth of 0.27 mb/d over 2009, representing an upward revision of 20 tb/d compared to the previous month. The upward revision came mainly from revisions to Brazil and Colombia supply forecast. Supported by the strong first quarter production, Brazil oil supply estimates experienced an upward revision in the first half of 2010. It was reported that Brazil oil exports reached a record level in March of 2010. The deep water play in the upstream sector is continuing to drive growth as the subsalt development is seen to support growth in the medium- to long term. Argentina oil supply forecast encountered a minor upward revision to adjust for stronger-than-expected first quarter production, according to preliminary data. Colombia oil supply expectation encountered an upward revision to adjust for healthy first quarter data as well as the Candelilla and Quifa oil fields that started up recently. On a quarterly basis, Latin American supply is expected to stand at 4.61 mb/d, 4.64 mb/d, 4.70 mb/d and 4.76 mb/d respectively

Middle East supply to remain steady

Middle East oil supply is foreseen to remain steady from 2009 with a minor increase of 10 tb/d to average 1.74 mb/d in 2010, relatively flat from the previous assessment. The overall supply from the Middle East remains unchanged with EOR-driven growth from Oman seen to offset the declines from Syria and Yemen. Syria oil supply forecast experienced the only revision which came on the back of the startup of the Yousefieh and South Kishma small fields. Additionally, the Khurbet development is expecting increased drilling activities to reach the target of 20 tb/d by the middle of the year. On a quarterly basis, Middle East supply is expected to average 1.75 mb/d, 1.74 mb/d, 1.73 mb/d, and 1.72 mb/d respectively.

Africa oil supply to average 2.68 mb/d in 2010

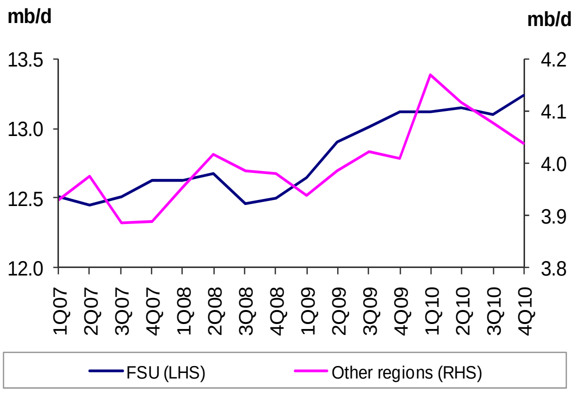
Africa oil production is expected to decline by 40 tb/d to average 2.68 mb/d in 2010, indicating a minor downward revision of 10 tb/d compared to the previous month. The small downward revision came to adjust for preliminary production data as well as other changes to a few countries' supply profiles. Congo oil supply forecast experienced a minor upward revision to adjust for historical revisions as well as healthy first quarter data. Preliminary data indicated a healthier supply that previously anticipated, despite the technical problem at the Azurite field. Supply forecast from Egypt and Other Africa experienced minor downward revisions. On a quarterly basis, Africa oil supply is seen to average, 2.69 mb/d, 2.66 mb/d, 2.68 mb/d, and 2.68 mb/d respectively.

FSU, Other Regions

FSU supply to average 13.15 mb/d in 2010

FSU oil production is predicted to increase by 0.23 mb/d to average 13.15 mb/d in 2010, indicating a minor downward revision of less than 20 tb/d compared to last month. The minor downward revision came to adjust for preliminary production data for the first quarter, which came in slightly below expectation. The downward revision affected the supply forecast of Azerbaijan and Other FSU. Despite this revision, FSU supply is expected to show strong growth in 2010 compared to other regions, with relatively healthy supply increases from Russia, Kazakhstan, and Azerbaijan. On a quarterly basis, total oil supply in the FSU is expected to stand at 13.12 mb/d, 13.14 mb/d, 13.10 mb/d, and 13.23 mb/d respectively. Other Europe supply is seen to remain steady with a minor drop of 10 tb/d to average 0.13 mb/d in 2010, following a small upward revision of 10 tb/d on healthier projections. China's oil supply is expected to grow by 0.12 mb/d over the previous year to average 3.97 mb/d in 2010. Preliminary data indicates that average FSU supply stood at 13.11 mb/d in the first quarter 2010, steady compared to the previous quarter.

Graph 26: FSU and other region's quarterly production



Russia

Russia Yuri started up in the Caspian sea

Russian oil production is anticipated to increase by 90 tb/d to average 10.01 mb/d in 2010, unchanged from the previous month. The relatively healthy growth expected from Russia supply is mainly supported by new green field developments such as the Vankor field, which are seen to more than offset the decline at mature producing areas, despite the drop in investment following the financial crisis. The Yuri Korchagin field commenced production in the Caspian Sea, with supply expected to increase gradually toward the peak of 50 tb/d. The Vankor field is seen to continue the healthy growth in 2010. Also, the Tyamkinskoye field, part of the Uvat development, started production recently. Furthermore, the Odoptu field is expected to start up in the fourth quarter of this year at help stabilize the production at the Sakhalin project. According to preliminary data, Russia oil supply declined slightly in April from the previous month, yet remained above the 10.1 mb/d level. On a quarterly basis, Russian oil supply is seen to average at 10.09 mb/d, 10.03 mb/d, 9.99 mb/d and 9.95 mb/d respectively.

Caspian

Kazakhstan supply to increase by 70 tb/d in 2010

Kazakh oil production is projected to average 1.61 mb/d in 2010, an increase of 70 tb/d over 2009, broadly unchanged from the previous report. Despite the steady state, there were small downward and upward adjustments that offset each other in the second and third quarters. The anticipated growth is supported by the Tengiz developments with the second generation project seen to strongly support production which is being maintained at near-capacity levels. Additionally, second quarter supply is expected to increase slightly which is evident in the export programmes of various pipelines in May, showing the highest levels so far in 2010. On a quarterly basis, Kazakhstan supply is expected to stand at 1.61 mb/d, 1.62 mb/d, 1.56 mb/d, and 1.65 mb/d respectively.

Azerbaijan supply to increase by 50 tb/d in 2010

Azeri oil production is forecast to average 1.07 mb/d in 2010, an increase of 50 tb/d over 2009 and a minor downward revision of less than 10 tb/d from the previous month. The revision was a result of an adjustment to preliminary actual production figures for the first quarter that came in slightly below expectation. However, the healthy growth level remains in the forecast, supported by the Azeri-Chirag-Guneshli (ACG) field. Similarly, Azerbaijan supply is expected to increase in the second quarter with the loading programme in May indicating the highest level so far in 2010. The field continues to add new volume supported by various projects. In the first quarter of 2010, ACG reported a production figure of 0.82 mb/d, which was 50 tb/d higher than field production in the same period last year. On a quarterly basis, Azerbaijan oil supply is estimated to average 0.98 mb/d, 1.05 mb/d, 1.10 mb/d, and 1.16 mb/d respectively.

China

China supply to increase by 0.12 mb/d in 2010

Oil supply from **China** is expected to increase by 0.12 mb/d to average 3.97 mb/d in 2010, indicating an upward revision of 30 tb/d compared to the last report. The resumption of full production at the typhoon-damaged Huizhou field supported overall supply, requiring the upward revision. Additionally, strong supply data in the first quarter necessitated the adjustment. China first quarter supply stood at 4.04 mb/d, 0.24 mb/d higher compared to the same period last year, where some operators have restricted production in order to cut costs. On a quarterly basis, China's oil supply is forecast to average 4.04 mb/d, 3.98 mb/d, 3.94 mb/d, and 3.90 mb/d respectively.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are estimated to have averaged 4.35 mb/d in 2009, representing growth of 0.21 mb/d over the previous year. In 2010, OPEC NGLs and nonconventional oils are expected to increase by 0.52 mb/d over the previous year to average 4.87 mb/d.

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

			Change						Change		Change
	2007	**2008**	08/07	1Q09	2Q09	3Q09	4Q09	**2009**	09/08	**2010**	10/09
Total OPEC	**3.95**	**4.14**	0.20	4.14	4.31	4.48	4.47	**4.35**	0.21	**4.87**	0.52

OPEC crude production averaged 29.25 mb/d in April, a minor increase from the previous month

OPEC crude oil production

OPEC total crude oil production averaged 29.25 mb/d in April, according to secondary sources, indicating a minor increase of 0.01 mb/d from the previous month. All OPEC Member Countries crude production experienced a minor change in April compared to the previous month, with Iraq indicating the highest decrease and Nigeria showing the highest increase. OPEC crude oil production, excluding Iraq, stood at 26.91 mb/d in April, up 0.06 mb/d from the previous month.

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

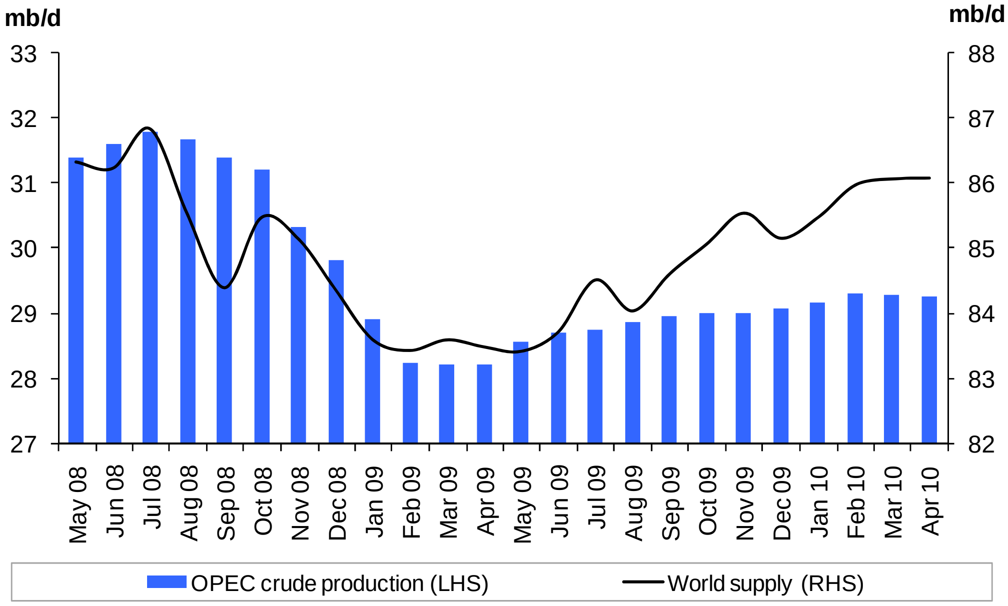
	2008	2009	3Q09	4Q09	1Q10	Feb 10	Mar 10	Apr 10	Apr/Mar
Algeria	1,381	1,272	1,277	1,273	1,274	1,275	1,273	1,276	*3.8*
Angola	1,871	1,786	1,828	1,873	1,918	1,940	1,919	1,902	*-17.0*
Ecuador	503	477	472	474	474	476	477	475	*-1.0*
Iran, I.R.	3,892	3,725	3,749	3,728	3,741	3,748	3,747	3,726	*-21.1*
Iraq	2,341	2,422	2,499	2,459	2,467	2,549	2,397	2,346	*-51.0*
Kuwait	2,554	2,263	2,254	2,275	2,289	2,291	2,291	2,295	*4.2*
Libya, S.P.A.J.	1,718	1,557	1,557	1,540	1,542	1,543	1,544	1,559	*15.2*
Nigeria	1,947	1,812	1,739	1,942	1,993	1,953	2,030	2,054	*23.5*
Qatar	840	776	780	792	805	808	813	819	*6.5*
Saudi Arabia	9,113	8,055	8,123	8,122	8,146	8,143	8,158	8,176	*18.2*
UAE	2,557	2,256	2,253	2,258	2,280	2,281	2,283	2,286	*3.8*
Venezuela	2,487	2,311	2,323	2,290	2,299	2,290	2,312	2,337	*25.5*
Total OPEC	**31,205**	**28,710**	**28,854**	**29,024**	**29,228**	**29,296**	**29,241**	**29,251**	***10.5***
OPEC excl. Iraq	**28,864**	**26,288**	**26,355**	**26,566**	**26,761**	**26,747**	**26,844**	**26,906**	***61.5***

Totals may not add due to independent rounding.

World Oil Supply

Preliminary figures indicate that global oil supply experienced a minor increase of 0.03 mb/d in April compared to the previous month. This has resulted from the increase of 0.02 mb/d in non-OPEC supply as well as the 0.01 mb/d rise in OPEC production. The share of OPEC crude oil in global production remained steady at 34% in April. The estimate is based on preliminary data from non-OPEC supply. Estimates for OPEC NGLs and OPEC production are derived from secondary sources.

Graph 27: OPEC and world oil supply

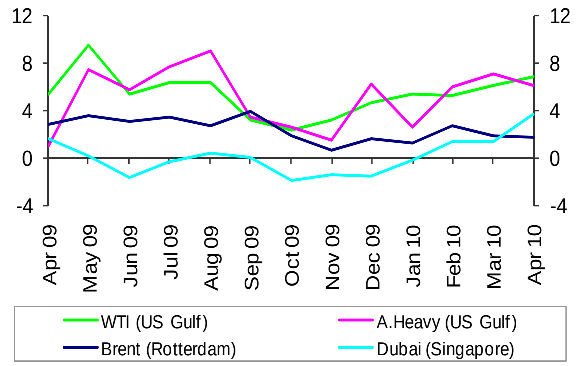


Product Markets and Refinery Operations

The economic recovery lifted both light product demand and refining margins in April

Improving product demand in tandem with improving economic growth overshadowed other bearish developments in the product market including adverse effects of the volcano eruption in Iceland on the aviation industry and jet/fuel demand. This situation reinforced product market sentiment and lifted refining margins across the board, with the exception of Europe.

Graph 28: Refining margins



Despite the recent improvement in refining margins and operations, it appears that increasing refinery throughputs may enhance the risk of inter-product imbalances, leading to a further deterioration in the crack spread for light products. This would encourage refiners to avoid their typical seasonal operation trend over the coming driving season, providing less support for crude market fundamentals over the coming months.

As Graph 28 shows, refining margins for WTI crude oil on the US Gulf Coast gained 78¢ to reach $6.80/b in April from $6.02/b in the previous month. In Europe, refining economics did not follow suit, partly due to higher cost of North Sea crude oil versus other grades. Refining margins for Brent crude in Rotterdam fell by 11¢ to record $1.77/b in April from $1.88/b in March.

In Asia, refining margins extended gains due to better performance of light products and the lower cost of Dubai crude. The improving distillate crack spread contributed to the positive developments in Asian refining economics. Refining margins for Dubai crude oil in Singapore surged by $2.36/b to hit $3.69 in April from $1.33/b in the previous month.

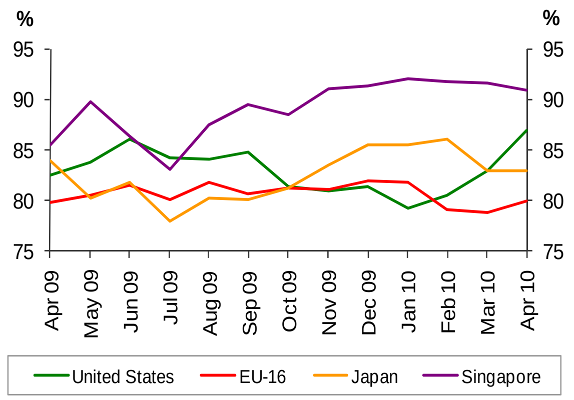
Looking ahead, with the consolidation of economic growth, it appears that product market sentiment and demand may gain further in the future. However, amid the persistently large supply overhang and spare refinery capacity, as well as the bearish impact of recent developments in the European financial market, refining margins are not expected to be boosted sharply over the coming months.

Refinery operations

Refinery utilization rates soared in the US in April

The slowing recovery of demand and inter-product imbalances have dampened refinery operations in the OECD countries in recent months. Spring refinery maintenance has also contributed to bearish developments in refinery utilization rates in the major consuming areas. However, with improving economic growth, particularly in the US, refiners started to increase throughputs to meet product demand, especially during the high season.

Graph 29: Refinery utilization rates, 2009-2010



As Graph 29 shows, the refinery utilization rate in the US rose sharply by 4% to reach 86.9% in April from 82.9% in March. In the week of 30 April, utilization rates soared to 89%, the highest level since July 2008. European refineries are still under maintenance and their utilization rates increased slightly by 1% to 79.9% in

April from 78.9% in the previous month.

In Asia, the maintenance schedule has begun and will continue until the end of June. The current maintenance schedule will affect Asian refinery runs in the next months. Refinery utilization rates in Japan fell marginally in April to record 82.9%.

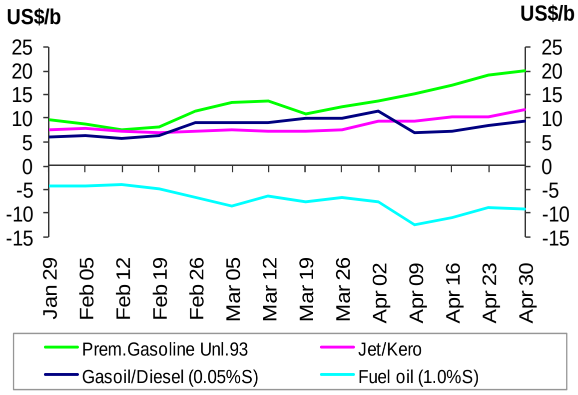
Looking ahead, considering the recent bearish developments in the European financial market and its negative impact on the market as well as persistent inter-product imbalances, it appears that the scope of upward movement on refinery utilization rates would be limited during the upcoming driving season.

US market

Increasing demand for light distillates lifted US product market sentiment in April

US gasoline demand soared in the last ten weeks and on a four-week moving average to reach 9.26 mb/d in the last week of April from 8.63 mb/d on 12 February. These developments lifted both gasoline prices and refinery throughputs in the last few weeks. As **Graph 30** indicates, the crack spread for premium gasoline on the US Gulf Coast surged to $20/b in the week of 30 April from about $13/b in the latter part of March. On the futures market, money manager's net long positions on the Nymex gasoline market remained around 60,000 lots in late April.

Graph 30: US Gulf crack spread vs. WTI, 2010



Despite the recent positive developments in the gasoline market, the risk of supply shortage during the driving season is very limited due to increasing local supplies and arbitrage opportunities from the rest of the world.

Increasing economic growth has also provided support for distillate demand and prices. According to the EIA, US distillate demand on a four-week average rose to 3,635 tb/d in the week ended 30 April compared to 3,527 tb/d a year ago. These developments have offset part of the seasonal effects of the gasoil market. The gasoil crack spread on the US Gulf Coast against WTI crude oil remained around $9/b in April. Apart from gasoil, the jet fuel market, to some extent, was negatively affected by the volcano eruption in Iceland, but has recovered with the removal of flight restrictions.

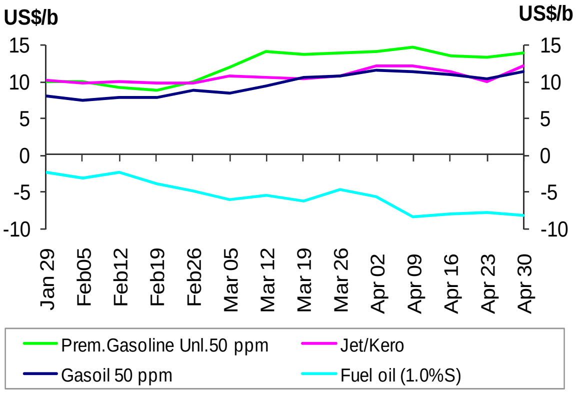
The low sulfur fuel oil market in the US was lackluster due to sluggish demand and the increase of stocks to a record level. The fuel oil crack spread against WTI crude on the US Gulf Coast widened from about minus $6.50/b in late March to minus $9/b in the week ended 30 April (*see **Graph 30***). Given the increase in supplies due to higher refinery throughputs and slowing seasonal demand, the US fuel oil market is expected to remain bearish over the coming months.

The volcano eruption in Iceland affected European market sentiment in April

European market

The European gasoline market lost its earlier strength in the middle of April amid rising regional supplies and less export opportunities to the US and Nigeria. The volcano eruption in Iceland, which caused flight cancellations across the Europe, has led to higher demand for other products, including diesel and gasoline in the latter part of April. Portugal's refinery strike for three days and increasing arbitrage opportunities to the US in the last weeks of April provided support for the European gasoline market. The gasoline crack spread against Brent crude oil at Rotterdam remained around $14/b in April (*see **Graph 31***). With the approach of the driving season, the persisting bullish sentiment in the European gasoline market may gain further over the coming months.

Graph 31: Rotterdam crack spreads vs. Brent, 2010



The European naphtha market was weak due to the increase in regional cracker maintenance and the replacement of naphtha with LPG as a feedstock by regional petrochemical units. Fewer arbitrage opportunities to Asia have also contributed to the bearish developments in the European naphtha market.

Among the middle-of-the-barrel components, the European jet fuel market was adversely affected by the volcanic ash cloud from Iceland, but it has recovered with the start of normal operations by the airline industry on 21 April. Fewer arbitrage cargoes from the Middle East have also contributed to the quick recovery in the jet fuel market.

The European gasoil market has lost part of its March strength and flipped from backwardation into contango again, but the contango for the next months has narrowed considerably. The crack spread for gasoil against Brent crude in Rotterdam stayed around $11/b in April (*see **Graph 31***). Recent bearish developments in the European financial markets along with increasing export cargoes from the US and Asia may cap the upward movement of the European distillates market in the coming months.

Sluggish demand for both bunker and inland utility plants has combined with export cargoes from Russia to further undermine European fuel oil market sentiment in April. Specification tightness, especially for sulfur content, so far has failed to provide enough support for low sulfur fuel oil. As **Graph 31** indicates, the low sulfur fuel oil crack spread against Brent crude oil fell to minus $8.26/b in the last week of April from about minus $5/b in the same period of the previous month.

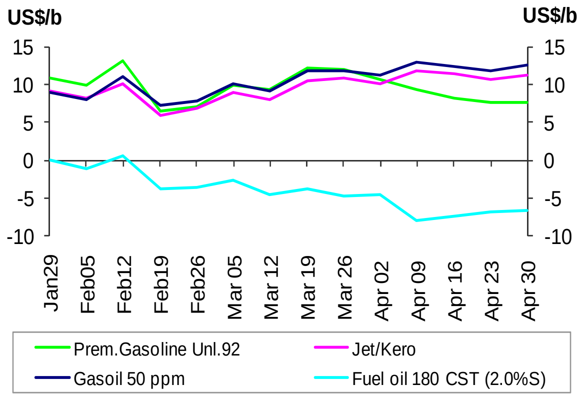
Looking ahead, regional fundamentals appear weak, however, European arbitrage opportunities to Asia may provide some support for the European fuel oil market and prevent a further widening of the fuel oil crack spread in the future.

Lower regional supplies provided support for the Asian gasoil market

Asian market

Asian product sentiment was mixed in April. Naphtha prices fell in the first half of the month due to increasing supplies from the Middle East and West. Later on, naphtha prices started to increase amid resumed spot buying by CPC Taiwan and South Korean petrochemical units. Lower exports from India have also lent support to naphtha prices and the crack spread in the latter part of April.

Graph 32: Singapore crack spreads vs. Dubai, 2010



The gasoline market is still suffering from excess regional supplies, but the Asian market is benefiting from positive developments in other markets, especially from the US gasoline market. Additionally, robust regional economic growth has also provided some support. The gasoline crack spread against Dubai crude oil in Singapore remained around $8/b in April (*see Graph 32*).

The Asian gasoil market was relatively strong amid the continuation of exports to Chile and tight regional supply, resulting from increasing regional maintenance. The gasoil crack against Dubai crude in the Singapore market soared to over $12.40/b in the last week of April from about $11/b in the same week of March (*see **Graph 32***). The continuation of buying low sulfur diesel by India prior to the launch of the Euro-4 fuel specification has also given support to the Asian middle distillate market. The current sentiment in the Asian distillate market may change with the completion of regional refinery maintenance and the return to normal operation by the end of June. The Asian jet fuel market initially suffered from an overhang in supplies, but there are some signs that the jet/fuel oil market is improving and the market is absorbing excess supplies.

Asian fuel oil market fundamentals are still very weak due to the arrival of arbitrage cargoes from the West and sluggish regional demand. But, the prompt market situation has improved recently amid lower and more balanced western arbitrage volumes. As a result, the market again switched from contango to backwardation. The high sulfur fuel oil crack spread in Singapore against Dubai crude dropped to minus $6.65/b in the last week of April from minus $4.77/b in the same week of the previous month.

Looking ahead, despite the recent improvement in the fuel oil prompt market, it is expected that the Asian fuel oil market will remain fundamentally weak in the coming month and pressure the fuel oil crack spread.

Table 17: Refined product prices, US$/b

		Feb 10	Mar 10	Apr 10	Change Apr/Mar
US Gulf (Cargoes):					
Naphtha		80.91	86.26	89.32	3.07
Premium gasoline	*(unleaded 93)*	85.43	95.88	102.24	6.35
Regular gasoline	*(unleaded 87)*	83.00	90.95	94.96	4.01
Jet/Kerosene		83.71	88.89	94.95	6.05
Gasoil	*(0.05% S)*	81.94	86.69	92.35	5.66
Fuel oil	*(1.0% S)*	71.42	70.85	74.00	3.15
Fuel oil	*(3.0% S)*	69.77	69.78	72.91	3.13
Rotterdam (Barges FoB):					
Naphtha		75.07	80.82	81.30	0.47
Premium gasoline	*(unleaded 10 ppm)*	83.11	92.38	98.61	6.24
Premium gasoline	*(unleaded 95)*	76.94	85.52	91.29	5.77
Jet/Kerosene		83.38	89.50	96.07	6.57
Gasoil/Diesel	*(10 ppm)*	81.53	88.75	95.73	6.98
Fuel oil	*(1.0% S)*	69.94	73.25	76.62	3.37
Fuel oil	*(3.5% S)*	69.00	70.47	73.18	2.71
Mediterranean (Cargoes):					
Naphtha		72.28	78.64	79.16	0.52
Premium gasoline	*(50 ppm)*	64.72	69.38	69.57	0.19
Jet/Kerosene		81.53	87.39	94.22	6.83
Gasoil/Diesel	*(50 ppm)*	80.74	86.54	87.03	0.49
Fuel oil	*(1.0% S)*	69.58	72.39	76.86	4.47
Fuel oil	*(3.5% S)*	67.38	68.79	72.82	4.03
Singapore (Cargoes):					
Naphtha		75.54	80.84	83.13	2.29
Premium gasoline	*(unleaded 95)*	86.25	90.86	94.06	3.20
Regular gasoline	*(unleaded 92)*	83.24	88.48	91.91	3.43
Jet/Kerosene		82.12	87.49	94.82	7.33
Gasoil/Diesel	*(50 ppm)*	83.20	88.63	95.91	7.28
Fuel oil	*(180 cst 2.0% S)*	71.88	73.04	76.33	3.29
Fuel oil	*(380 cst 3.5% S)*	71.09	71.89	75.57	3.68

Table 18: Refinery operations in selected OECD countries

	Refinery throughput mb/d				Refinery utilization %			
	Feb 10	Mar 10	Apr 10	Apr/Mar	Feb 10	Mar 10	Apr 10	Apr/Mar
USA	13.89	14.04	14.84	0.80	80.5	82.9	86.9	4.01
France	1.46	1.45	1.48	0.03	81.4	81.0	82.2	1.13
Germany	1.79	1.82	1.80	-0.02	84.9	85.1	83.8	-1.29
Italy	1.62	1.64	1.69	0.05	76.4	76.6	77.6	1.01
UK	1.30	1.33	1.41	0.08	76.7	76.8	78.4	1.52
Euro16	10.37	10.33	10.46	0.13	79.2	78.9	79.9	1.08
Japan	4.10	4.21	4.19	-0.02	86.1	83.0	82.9	-0.11

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

The Tanker Market

Global spot fixtures decreased on the back of maintenance

In April, estimated OPEC spot fixtures showed a decrease of 16.7%, while global spot fixtures fell by 11%, the largest decline since July 2009. The decrease in OPEC fixtures came after a significant recovery in March and a large drop in February, resulting in sharp volatility in spot fixtures over the last four months of the year. Middle East fixtures declined by 30% to 5.26 mb/d, with most of the reductions caused by planned refinery maintenance.

Preliminary estimates show OPEC sailings increased more than 1.1% in April from the previous month, especially for eastern destinations from the Middle East and West Africa. On an annual basis, OPEC sailings showed an increase of 2% in April. Similarly, Middle East sailings rose, with an increase of 6% y-o-y.

Initial estimates indicate that North America arrivals increased 3.3% in April to average 8.75 mb/d as refineries prepared for the summer driving season. Total arrivals increased by 2% compared to the same month a year ago, but Europe, Far East and Asia arrivals decreased by 1%, 0.2% and 1.9% respectively.

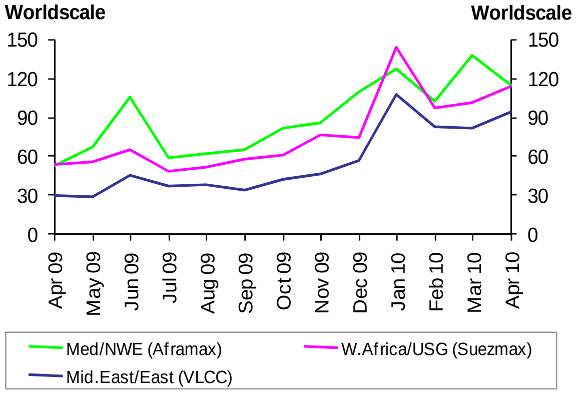
Table 19: Tanker chartering, sailings and arrivals, mb/d

	Feb 10	Mar 10	Apr 10	Change Apr/Mar
Spot Chartering				
All areas	17.18	20.28	18.04	-2.24
OPEC	10.43	12.63	10.52	-2.11
Middle East/East	4.27	5.80	4.22	-1.58
Middle East/West	1.08	1.71	1.04	-0.67
Outside Middle East	5.08	5.12	5.26	0.14
Sailings				
OPEC	23.30	23.07	23.33	0.26
Middle East	17.37	17.07	17.30	0.23
Arrivals				
North America	8.46	8.47	8.75	0.28
Europe	12.34	12.51	12.39	-0.12
Far East	8.25	8.23	8.21	-0.02
West Asia	4.61	4.80	4.71	-0.09

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

Spot freight rates for VLCC and Suezmax increased, while Aframax rates decreased

Graph 33: Monthly averages of crude oil spot freight rates



The market for crude oil tankers exhibited a mixed pattern in April. Spot freight rates for VLCCs and Suezmax increased by 12.7% and 10.2% respectively, while Aframax rates decreased by 14.5%. The VLCC and Suezmax market was underpinned by the increase in spot fixtures during the first half of the month, combined with signs of strengthening crude oil demand, especially from China. The Aframax North Sea and Mediterranean markets were impacted by weak European demand and regulation changes in the Mediterranean. In the Caribbean market, rates were hit by ample tonnage availability.

In the VLCC sector, spot freight rates for long-haul Middle East and West Africa eastbound destinations increased by 15% and 10% respectively in April over the previous month. The growth was driven by higher Asian bookings due to increasing Chinese demand, as well as greater storage registered in April. Spot freight rates for

Middle East westbound destinations showed a healthy increase of 14% in April over the previous month. Most of the increase originated in the stronger Atlantic markets, led by US import growth, supported by increasing refinery utilization rates.

The Suezmax market, which started the month with soft rates, closed April with a healthy gain. The West Africa/US Gulf route increased to WS150, mainly due to the increase in US imports in March, and remained stable throughout the month, supporting the VLCC market on the Atlantic. The Northwest Europe(NWE)/US route kept the Black Sea market firm due to strengthening US crude oil imports.

The Aframax market was the only dirty sector where rates declined during April, falling 15% compared to the previous month. Aframax spot freight returned to February levels, after a significant increase in March. Rates on all reported routes decreased in the Aframax market, but Indonesia/East spot rates showed the deepest drop, down 18% from the previous month, followed by inter-Med and Mediterranean/NWE route rates, both of which finished 17% lower than in the previous month. The decline in Aframax rates comes after a significant jump in March, as a result of new regulations in the Mediterranean. Tankers that were not able to fulfill the new Mediterranean standards decided to move out of the area, leading to an oversupply of availability in other regions. The shortage of tankers in the Mediterranean pushed up the Aframax rates in March, attracting new competitors to the region, and consequently rates fell back in April, toward February levels.

Table 20: Spot tanker crude freight rates, Worldscale

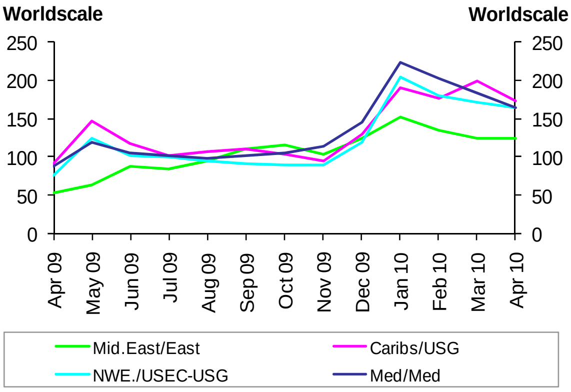
	Size *1,000 DWT*	Feb 10	Mar 10	Apr 10	Change Apr/Mar
Crude					
Middle East/East	230-280	83	82	94	12
Middle East/West	270-285	57	58	66	8
West Africa/East	260	80	81	89	8
West Africa/US Gulf Coast	130-135	97	101	114	13
NW Europe/USEC-USGC	130-135	91	95	102	7
Indonesia/US West Coast	80-85	113	127	104	-23
Caribbean/US East Coast	80-85	144	129	121	-8
Mediterranean/Mediterranean	80-85	95	137	114	-23
Mediterranean/North-West Europe	80-85	103	138	115	-23

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

Product spot freight rates decreased on all reported routes, due in part to European air space disruptions

Spot freight rates for clean tankers decreased on all reported routes. West of Suez rates decreased 9.7% compared to last month and East of Suez decreased 1.6%. The volcanic eruption in Iceland stopped European commercial flights for almost one week, resulting in a significant disruption in jet fuel transportation around the world.

Graph 34: Monthly averages of clean spot freight rates



In West of Suez, spot freight rates on the Caribbean/US Gulf Coast, NWE/US East Coast - Gulf Coast, inter-Mediterranean and Mediterranean/NWE routes experienced a decrease of 13%, 4.1%, 10.9% and 10.3% respectively, from the previous month. The decline was driven by a growing list of available tonnage and limited transatlantic arbitrage.

In East of Suez, spot rates reached the lowest level this year. Singapore/East route rates were 2.4% lower compared to the previous month, while Middle East eastbound destination spot rates were only 0.8% lower than in March. East of Suez spot rates remained stronger over the last two weeks, after recovering from the decline caused by the air space disruption in Europe which also impacted jet fuel demand in the Asian region. Jet fuel trade has been quiet and was holding steady during last two weeks.

Table 21: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	Feb 10	Mar 10	Apr 10	Change Apr/Mar
Products					
Middle East/East	30-35	135	125	124	-1
Singapore/East	30-35	128	126	123	-3
Caribbean/US Gulf Coast	38-40	178	200	174	-26
NW Europe/USEC-USGC	33-37	181	172	165	-7
Mediterranean/Mediterranean	30-35	203	184	164	-20
Mediterranean/North-West Europe	30-35	213	194	174	-20

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

Oil Trade

US crude and products imports recovered to stand at year-ago levels in April

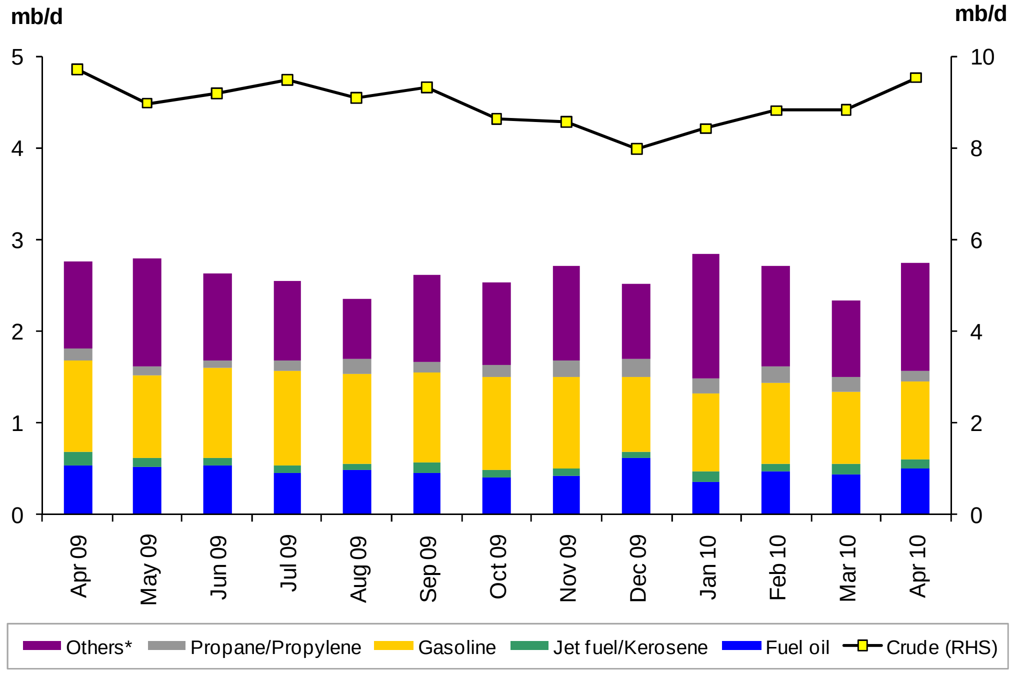
USA

According to preliminary data, US crude oil imports averaged 9.53 mb/d in April, a gain of 7.8% compared to the previous month. On a y-o-y basis, April crude oil imports showed a small increase, just 127,000 b/d or 1.4% over the same period last year. Most of the increase in imports was due to higher refinery runs due to the upcoming summer driving season as well as increasing stocks.

Over the first four months of the year, US crude oil imports have experienced a rising trend to average 8.90 mb/d over this period. From January to April, US crude oil imports have declined by 6.1% compared to the same period last year.

In April, US products imports increased by 17.2% over the previous month to stand at 2.75 mb/d for a gain of 7% or 180 tb/d over the same month last year. During the first four months of the year, product imports reached 2.66 mb/d, down 10.7% from a year ago.

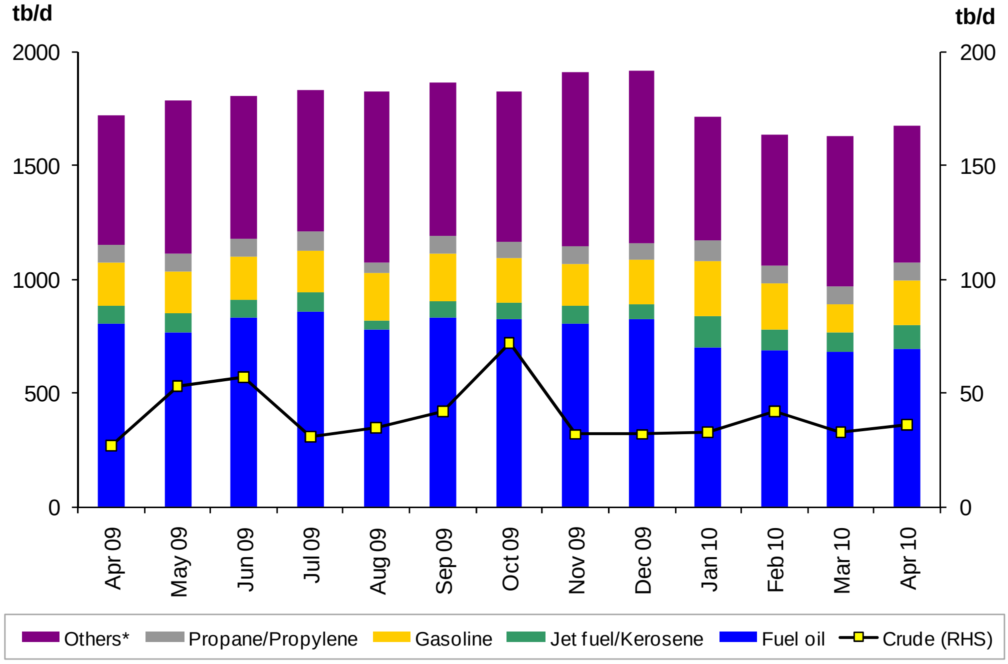
Graph 35: USA's imports of crude and petroleum products



**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.*

On the exports side, US products exports in April recovered slightly by 0.7% or 12,000 b/d from the previous month to average 1.67 mb/d. On a yearly basis, US product exports fell sharply by 11.9% or 227 tb/d compared to the same month last year.

Graph 36: 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.*

With the 688 tb/d increase in net crude oil imports and the growth of 392 tb/d in net product imports, US net oil imports in April rose 11.4% or around 1.08 mb/d over the previous month to reach 10.57 mb/d. April net oil imports were 5.2% or 527,000 b/d higher than the same month a year ago.

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

	Feb 10	Mar 10	Apr 10	Change Apr/Mar
Crude oil	8,761	8,811	9,500	688
Total products	1,040	681	1,073	392
Total crude and products	**9,801**	**9,492**	**10,573**	**1080**

According to the latest data, Canada remained the top supplier of crude to the US in February with 1.90 mb/d, representing a decline of 15 tb/d from the previous month. Mexico was next, supplying 996 tb/d, down 37 tb/d from the previous month. Three OPEC countries came next with Venezuela, Nigeria and Saudi Arabia providing 0.91 mb/d, 0.90 mb/d and 0.88 mb/d of crude oil respectively. OPEC member countries supplied about 4.22 mb/d or 51.4% of total US crude oil imports in February, up 16,000 b/d from the previous month but 5.9% lower than a year ago.

Canada remained the lead supplier of products to the US in February with 0.59 mb/d, despite a 118,000 b/d decline from the previous month. Russia was second with 210,000 b/d or 35.58% below January. Virgin Islands was next with 0.19 mb/d, followed by Algeria with 0.18 mb/d. OPEC Members supplied a total of 371,000 b/d of products to the US, an increase of 22.85% over a month ago. In addition to Algeria, Venezuela supplied 97,000 b/d, for an increase of 16.87% over the previous month, while Nigeria supplied 36,000 b/d.

For US product exports, Mexico was the top importer in February with 0.38 mb/d, representing an increase of 19.06% from the previous month. Canada was second, despite a 9,000 b/d cut in imports to average 0.23 mb/d in February, followed by Singapore with 0.19 mb/d and Brazil with 85,000 b/d. Altogether, OPEC Member Countries imported 66,000 b/d of US products, representing a decline of 48.84% from last month.

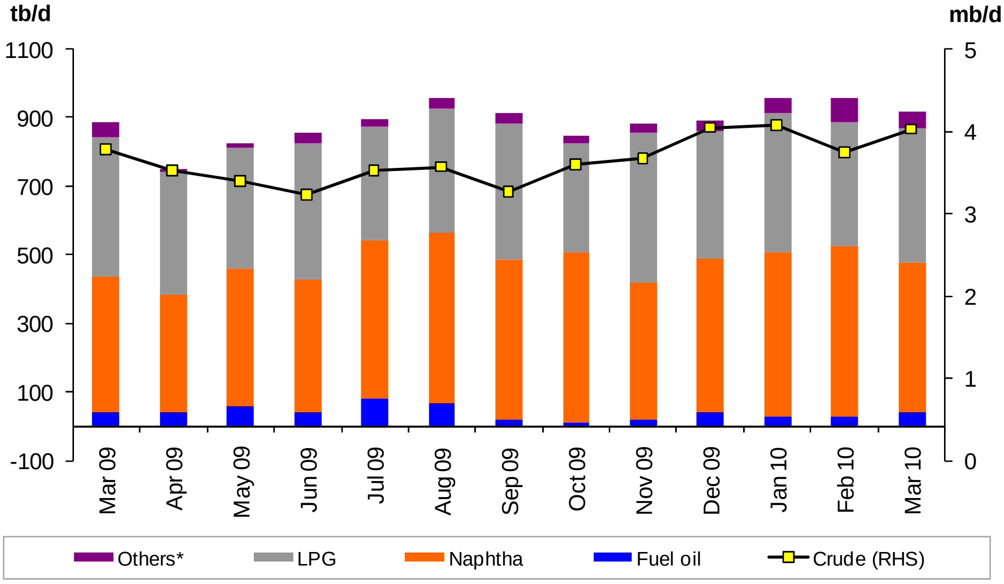
Japan crude oil imports increased in March, while products imports decreased due higher domestic prices and refinery cuts

Japan

According to preliminary official data, Japan's crude oil imports increased by 7.4% or 279 tb tb/d to stand at 4.04 mb mb/d in March. This healthy increase was supported by the growth in arrivals from the UAE, Oman, Algeria and Indonesia which rose 181 tb tb/d, 61 tb tb/d, 45 tb tb/d and 29 tb tb/d over the same month last year.

On quarterly basis, Japan's crude oil imports remained almost stable with a small drop of 14 tb tb/d or 0.4% compared to a year ago. The decline in February oil imports halted the increase in the first quarter of 2010.

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



**Others: Contains gasoline, jet fuel, kerosene, gasoil, asphalt and paraffin wax.*

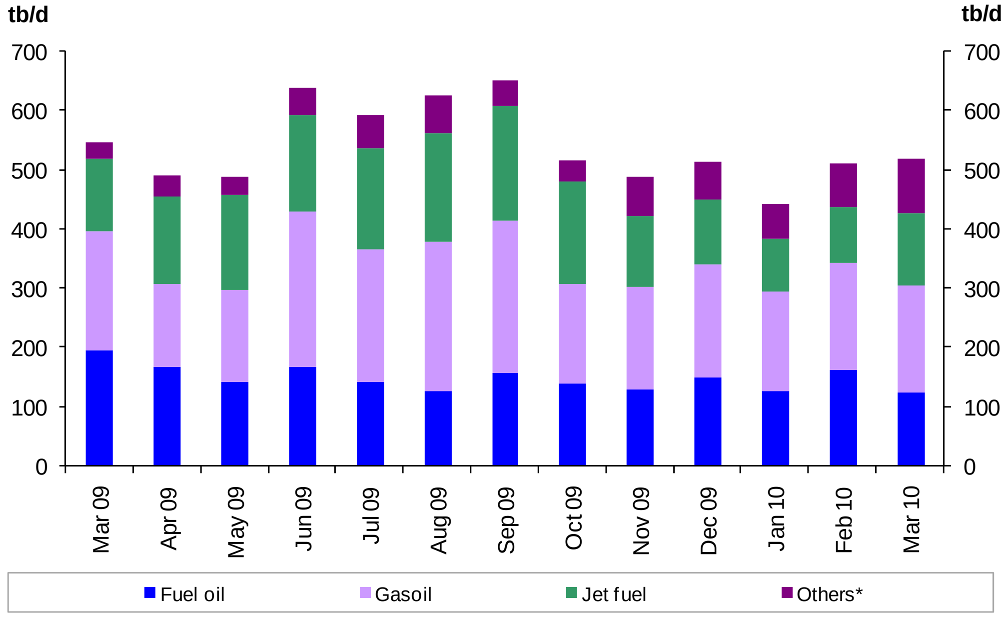
After four months of increase, Japan's product imports fell in March by 4.3% or almost 42 tb tb/d from the previous month to 918 tb tb/d. From January to March, average oil product imports in Japan increased by 15.8% compared to the same period last year to average of 945,700 b/d. Most of the increase was due to naphtha imports which increased by 10.1% y-o-y to 436,000 b/d, while LPG decreased by 4.3% y-o-y to 391,000 b/d. Gasoline imports fell by 52.1% y-o-y to 9,900 b/d and diesel imports increased by 165.5% y-o-y to 23,900 b/d.

On the export side, Japanese oil products exports averaged 518,000 b/d in March, representing a gain of 1.5% or 7,800 b/d over the previous month and 5.3% higher than the same month a year ago. Fuel oil and diesel exports decreased by 36.4% and 9.7% y-o-y respectively, while gasoline exports increased by 54 tb/d compared to the same month a year ago. Japan exports have been sluggish as refineries have preferred selling their output in the higher-priced domestic market, which has impacted product imports. Run cuts have also played a role in reduced export activity.

During the first quarter of 2010, Japan's oil product exports averaged 490 tb tb/d or 6.8% below the same period last year. Fuel oil and diesel exports decreased 23.9% and 19.7% y-o-y respectively during the first quarter of 2010, but gasoline exports increased by around 38 tb/d during the same period. Poor margins encouraged the run cuts which led to the decline in exports.

As result, Japan's net oil imports in March stood at around 4.44 mb mb/d, representing an increase of 229 tb tb/d or 5.4% higher than February and 305 tb tb/d or 7.4% more than the same month a year ago. On a quarterly basis, Japanese net oil imports averaged 4.42 mb mb/d or 3.5% higher than the same period last year.

Graph 38: Japan's exports of petroleum products



**Others: Contains LPG, gasoline, naphtha, kerosene, lubricating oil, asphalt and paraffin wax.*

In March, Saudi Arabia maintained its position as top supplier to Japan, delivering 1.18mb/d or 0.33% more crude than in the same month last year. The UAE was the second larger supplier with 945,562 b/d, representing a y-o-y increase of 23.68%. Imports from Qatar rose 5.5% y-o-y to 497,784 b/d to maintain third place while imports from Iran fell 6.4% to 442,112 b/d. OPEC Member Countries accounted for 85.17% of total Japanese imports in March, in line with the year ago figure.

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

	Jan 10	Feb 10	Mar 10	Change Mar/Feb
Crude oil	4,084	3,757	4,036	279
Total products	517	450	400	-50
Total crude and products	**4,600**	**4,207**	**4,436**	**229**

China

China's crude oil imports approached a record high of 4.98 mb/d in March

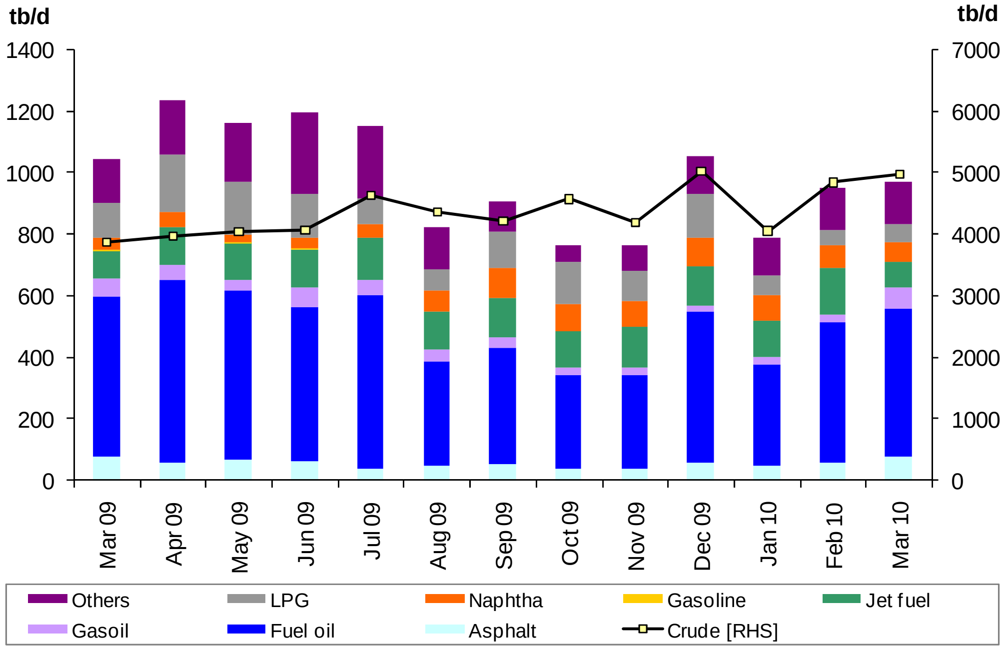
China's crude oil imports rose 28.9% in March over the same month last year, reaching 4.98 mb/d, just below the record high of 5.03 mb/d in December 2009. Crude oil imports grew 2.76% m-o-m, despite lower refinery throughputs and higher oil production.

In the first quarter of 2010, China's crude oil imports increased 38.61% to 4.62 mb/d, compared to 3.33 mb/d in the same period a year ago. Most of the expansion is attributed to increased crude processing capacity combined with higher operating rates in January and February.

China oil products imports grew slightly by 2.4% in March over the previous month to 971,200 b/d, but remained around 6.8% below the same month last year. On quarterly basis, the country imported 901,100 b/d or 7.0% less oil products compared to the first quarter of 2009, also due to increased refining capacity.

China imported 60.6 tb/d of LPG in March, an increase of 20.3% over February. The rebound in LPG imports was mainly attributed to the restart of LPG trading in the domestic market following the Chinese Lunar Year holiday in February. Y-o-y, LPG imports in March fell 45.09% compared to 110.4 tb/d in the same month last year. The decline was produced by higher costs for LPG cargoes this year. China gasoline imports decreased by 96.91% from a year earlier to almost zero, while light diesel imports increased by 16.46% over a year ago to 65.6 tb/d.

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

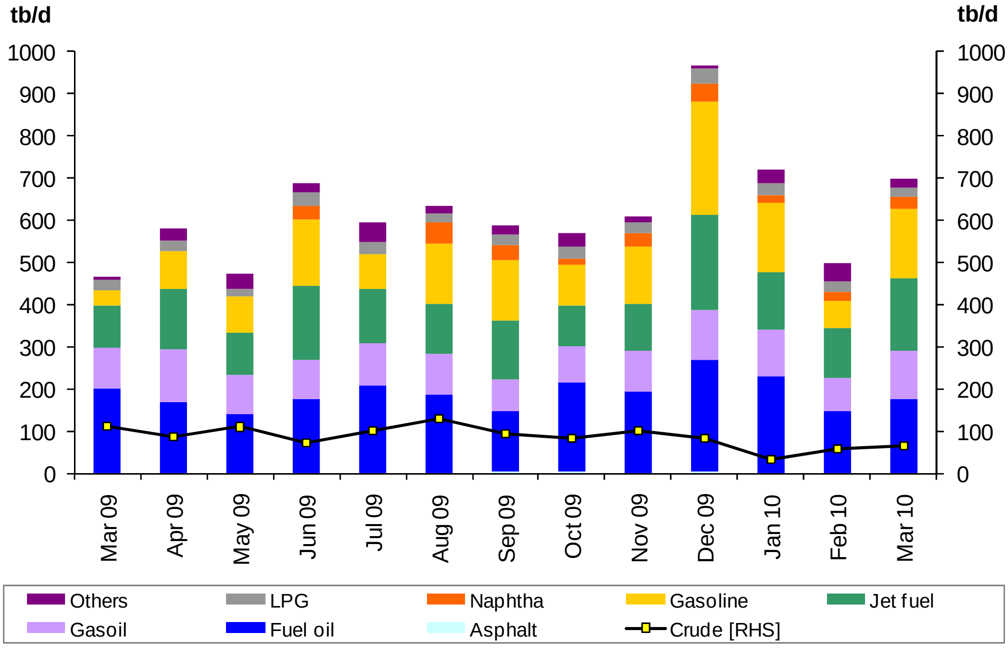


China's crude and product exports jumped 37.7.5% in March, compared to the previous month, and up 32.2% from a year earlier, to stand at 0.77 mb/d. Crude oil exports experienced an increase of 13.6% from February and product exports saw a significant jump of 40.5% over the previous month. On a quarterly basis, China registered 41.4% growth in oil product exports over the same period in 2009, to average 0.65 mb/d, supported by the expansion in refining capacity.

China's gasoil exports increased 45.9% compared to a month ago, to 113.7 tb/d. In the first three months of the year, gasoil exports averaged 101.8 tb/d or 41.7% higher compared to the first quarter of 2009. Gasoline exports also rose by 122% on a quarterly basis to 133.2 tb/d. Following a sharp loss in February, gasoline imports showed an impressive increase of 154.7% in March to stand at 163.6 tb/d.

China's net oil imports in March stood at around 5.19 mb/d, representing an increase of 54 tb/d or 1.0% over the previous month and 859 tb/d or 19.8% higher than the same month last year. On a quarterly basis, Chinese net oil imports averaged 4.82 mb/d for a gain of 29.8% over the same period last year.

Graph 40: China's exports of crude and petroleum products



During March, Angola became the number one supplier of crude oil to China, delivering 1.08mb/d for an increase of 98.7% over the same month last year. Saudi Arabia was the second larger supplier with 761 tb/d, representing an increase of 29.2%. Iran imports were third at 525 tb/d, representing a 14.9% increase y-o-y. Imports from Russia also rose by 18.9% to 383 tb/d. OPEC Member Countries accounted for 3.16 mb/d or 63.45% of total Chinese imports in March.

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

	Jan 10	Feb 10	Mar 10	Change Mar/Feb
Crude oil	4,015	4,788	4,914	126
Total products	69	450	271	-180
Total crude and products	**4,084**	**5,238**	**5,185**	**-54**

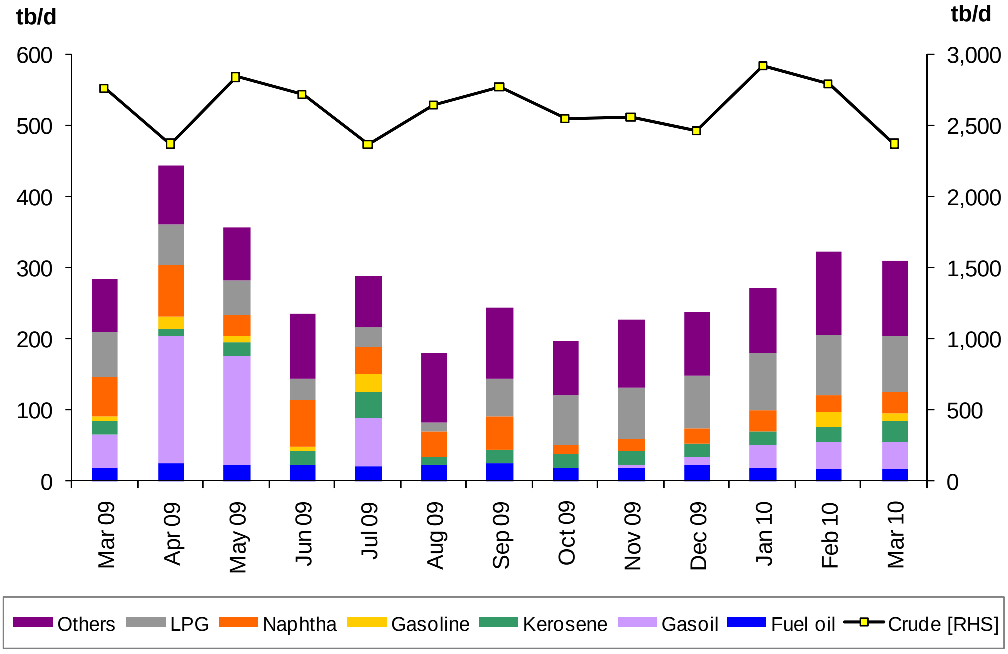
India

Crude oil imports and products exports declined in March, mainly driven by cut in refinery throughputs

India's crude oil imports declined in March by 0.42 mb mb/d or 15% compared to the previous month, according to preliminary data. Crude imports during March were 0.39 mb mb/d or 14.1% lower than in the same month a year ago. Reduced refinery throughput was the core reason for lower crude oil imports in India in March.

During the first three months of the year, India's crude oil imports averaged 2.69 mb mb/d or 4.6% higher compared to the first quarter last year to average 2.57 mb mb/d. Growth in crude oil imports in January and February outweighed the decline in March.

Graph 41: India's imports of crude and petroleum products



During March, India's product imports fell by about 12 tb tb/d or 3.7% from the previous month to stand at a level of 0.31 mb mb/d or around 9.3% higher than the same month last year. After five months of continuous increases since October last year, March was the first month to show a decline in oil product imports.

Gasoline imports fell 12 tb tb/d or 43.5% compared to the previous month. Gasoil imports declined by 3.7% to 38.49 tb tb/d after a fourth consecutive month of increases. LPG imports also dropped 6.9% to 79.39 tb tb/d after seven months of steady increase. Both naphtha and kerosene imports grew by 35.5% each to reach 28.87 tb tb/d, fuel oil also increased by 5.4% to 16.84 tb tb/d.

Oil product imports decreased by 13.1% in the first quarter to an average of 0.3 mb mb/d compared with the same period last year. Most of the decrease in oil product imports is attributed to the Reliance Industries' Jamnagar Refinery which boosted oil products processing in 2009 but decreased runs in March this year.

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

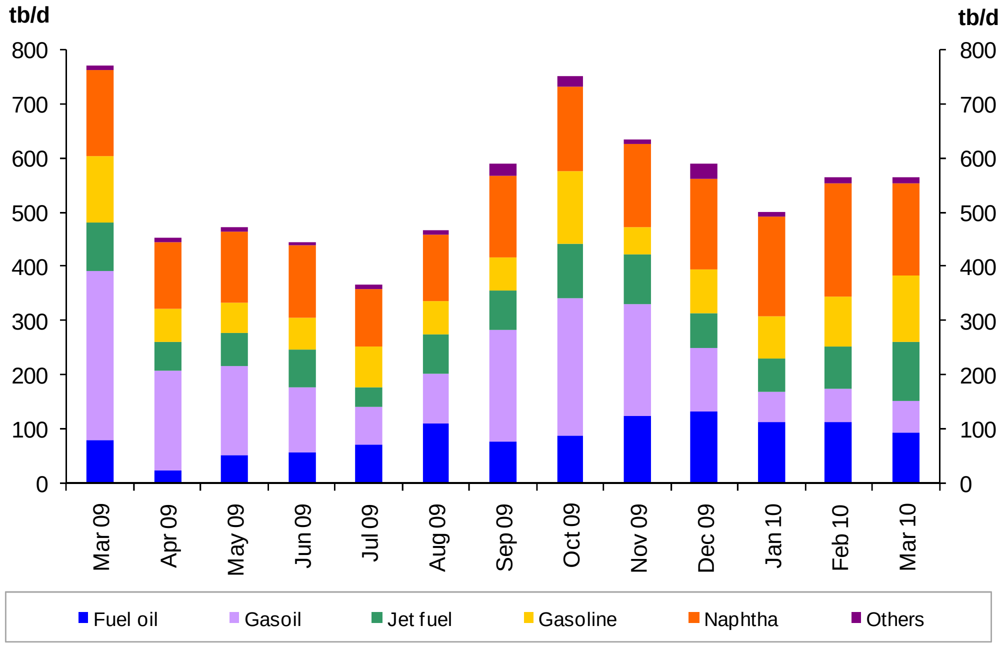
	Jan 10	Feb 10	Mar 10	Change Mar/Feb
Crude oil	2,920	2,793	2,374	-419
Total products	-229	-243	-255	-11
Total crude and products	**2,691**	**2,550**	**2,119**	**-431**

On the export side, March India's crude oil products reached 564.98 tb tb/d, only 700 b/d below February, remaining almost at the same level compared to the month before. Naphtha and fuel oil exports experienced deeper falls of 19.1% and 17.1% in March, which were supported mainly by gasoline and jet fuel exports which rose 35.5% and 38.7% over the previous month.

During the first three months of the year, India's product exports averaged 543 tb tb/d or 22.6% lower than the same period last year when average exports reached 701 tb tb/d. The decline was driven by a reduction in diesel exports due to increased domestic demand.

As a result, India's net product imports declined by 4.6% or 11 tb tb/d from the previous month. India's total net oil imports for March averaged 2.12 mb mb/d, representing a decline of 16.9% or 0.43 mb mb/d from the previous month as well as a decline of 6.9% compared to the same period last year.

Graph 42: India's exports of petroleum products



FSU

FSU crude oil exports increased in March, approaching a record high

FSU crude oil exports to non-CIS destinations in March increased by 3.8% from the previous month to 6.82 mb/d, just 23 tb/d below December's record high of 6.85 mb/d. Compared to the same month a year ago, FSU crude oil exports rose 3.4% or 225 tb/d.

In quarterly terms, FSU crude oil exports averaged 6.71 mb/d in the first quarter, up 1.8% from a year ago. Most of the increase was due to the launch of East Siberia-Pacific Ocean (ESPO) Blend exports from the Pacific port of Kozmino, as well as increases in Caspian Tengiz loadings at Black Sea ports. Another reason for the rise in first-quarter exports was the increasing level of crude oil production in Russia which reached a post-Soviet peak of more than 10 mb/d in March.

Maintenance in Europe and ample supplies of competing Mideast crude meant that regional demand was also weak in the first three months of this year. Black Sea exports declined 10.9% compared to the same month a year ago. ESPO blend exports partially offset first-quarter declines in Russian Urals exports along the Transneft pipeline system to Black Sea ports and through the Druzhba pipeline system to refineries in Eastern and Central Europe.

ESPO Blend exports also reduced Asia-Pacific interest in Urals. The export of Kazakh crude to China along the 210-tb/d Kenkiyak-Alashankou pipeline rose by 71% during the first three months from a year ago. The Kenkiyak-Kumkol line feeds into the existing Atasu-Alashankou line, providing a direct route to China for crude from fields in western Kazakhstan.

Despite increasing Russian exports to non-CIS countries, a significantly decline in Russian exports to CIS countries took place. The latter can be mainly attributed to the slump in deliveries to Belarus which fell by more than 40% y-o-y in the first quarter as Belarusian refineries must now pay higher duties on Russian oil imports.

FSU product exports in March stood at 2.65 mb/d, representing a slight decrease of 1.8% from a year ago and a decline of 3.9% or 107 tb/d from the previous month. Gasoline and gasoil exports dropped by 33.5% and 11.4% respectively, compared to February. The decline reflects rising domestic demand from the agricultural sector for diesel and vehicles for gasoline consumption with the start of the spring season, combined with refinery maintenance. The only product to see higher exports was fuel oil, which jumped 16.3% to 1.1 mb/d compared to February. In quarterly terms, fuel oil jumped 9.7% from the same period last year, mainly due to increased demand from Asia-Pacific countries, as well as the new Russian fuel oil exports route to Europe though the Tallinn port in Estonia.

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

	2008	2009	3Q09	4Q09	1Q10	Feb 10	Mar 10*
Crude							
Russian pipeline							
Black Sea	1,248	1,201	1,120	1,152	1,027	994	1,058
Baltic	1,559	1,577	1,567	1,613	1,526	1,425	1,592
Druzhba	1,077	1,112	1,110	1,130	1,123	1,101	1,090
Total**	**3,905**	**3,922**	**3,816**	**3,904**	**3,932**	**3,785**	**4,035**
Other routes							
Russian rail	283	280	291	284	364	404	403
Russian-Far East	220	283	279	305	293	297	274
Kazak rail	17	18	17	17	18	19	17
Vadandey	20	155	148	148	163	149	186
Ventspils	n.a.	n.a.	13	5	0	0	0
CPC	675	736	737	741	736	709	710
BTC	648	805	870	874	679	668	681
Atasu-Alashankou	121	157	185	178	205	219	206
Caspian	185	281	297	303	296	304	280
Total crude exports***	**6,089**	**6,653**	**6,654**	**6,752**	**6,711**	**6,575**	**6,823**
Products							
Gasoline	210	229	181	147	215	233	155
Naphtha	217	273	270	261	273	292	242
Jet	37	52	47	41	27	27	25
Gasoil	810	949	960	896	976	1,023	906
Fuel oil	1,069	1,114	1,200	1,135	1,060	951	1,106
VGO	196	233	225	228	238	232	216
Total	**2,539**	**2,850**	**2,883**	**2,708**	**2,790**	**2,758**	**2,651**
Total oil exports	**8,628**	**9,503**	**9,537**	**9,460**	**9,493**	**9,333**	**9,474**

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

* *Preliminary.*

** *Total incl. exports of minor volumes to China and Pacific.*

*** *Total crude exports incl. minor volumes of Kaliningrad.*

Because of rounding, some totals may not agree exactly with the sum of their component parts.

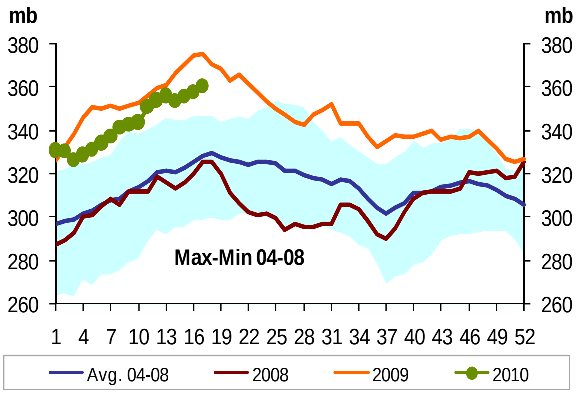
Stock Movements

US commercial stocks rose in April, driven by products and widening the overhang to 90 mb

USA

US commercial inventories at the end of April rose a considerable 24.2 mb, reversing the downward trend observed during the last two months. This build is nearly 10 mb more than the average build over the last five years. At 1072.7 mb, US commercial oil inventories are at their highest level since November 2009 and represent an overhang of almost 90 mb or 9% above the five-year average, however, they remained 20 mb or 2% below the same period a year ago. Products saw the bulk of this build as they increased by nearly 20 mb, while crude stocks rose by only 4.7 mb.

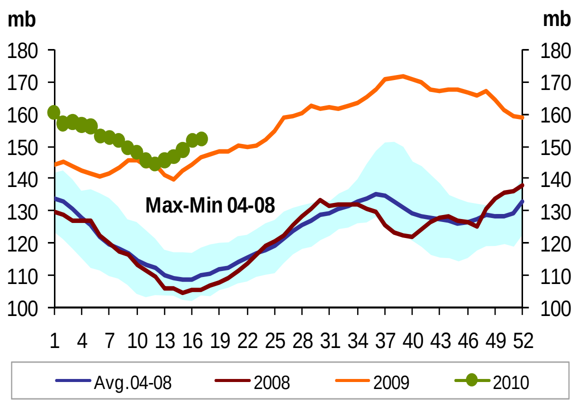
Graph 43: US weekly commercial crude oil inventories



At the end of April, US crude commercial oil stocks showed no sign of slowing their rise, climbing for the fourth consecutive month to accumulate more than 35 mb to reach 360.6 mb, the highest level in nearly a year. This build is mainly driven by strong crude oil imports, which rose to nearly 10.0 mb/d in the week ending 30 April. For the month of April, US crude oil imports averaged 9.5 mb/d, around 260 tb/d above the same period last year. This build came despite a further increase in crude runs averaging about 15.0 mb/d, which corresponds to 87.5 % of refinery operation rates, or 7 percentage points higher than the previous month. During the week ending 30 April, refineries operated at 89.6% of capacity, the highest rate since July 2008. It is worth noting that at Cushing, Oklahoma, the delivery point for Nymex WTI, stocks continued to rise to new record highs of 36.2 mb during the week ending 30 April. This pressured WTI prices and pushed the front month lower, leading to a steep contango of around $3/b in recent days, as well as a widening of WTI differentials with other benchmarks. It should also be highlighted that so far, there was no sign of any supply impact from BP's rig oil split in the Gulf of Mexico, however, in the short term, further leakage could cause shipping delays and potentially impact crude delivery to some refineries.

On the product side, US product stocks rose significantly in April by almost 20 mb, halting the draw observed over the last six months. All products experienced a stock build driven by higher refinery throughput, reflecting some improved economics. At 712.1 mb, US product stocks showed a surplus of nearly 60 mb or 9% with the seasonal norm, but remained 11 mb or 2% lower than at the same time last year.

Graph 44: US weekly distillate stocks



US gasoline stocks rose 2.5 mb to 224.9 mb, driven by higher imports reaching 1.15 mb/d in the week ending 30 April or 160 tb/d over the previous week. This build came despite some improvement in US gasoline demand in the month of April, averaging 9.26 mb/d or 200 tb/d more than the previous month. However, it is likely that this preliminary figure will be revised down when the EIA releases its monthly demand figures, taking into consideration the current high retail prices and continued weak employment. At the end of April, US gasoline stocks stood at 12 mb or 6% above a year ago and 18 mb or 9% above the five year average. This indicates a healthy level ahead of the upcoming driving season. Distillate stocks also rose by a strong 6.9 mb to 152.4 mb after a fourth month of stock draws, leaving them at a very comfortable level of 42 mb or 38% above the five-year average. This build could be attributed to the recent rise in refinery utilization rates, with distillate production reaching 4.1 mb/d. Lower apparent demand in April at 3.6 mb, or almost 100 tb/d less than March levels, also contributed to this build. However, the week ending 30 April saw a robust increase in distillate demand by almost 300 tb/d to 3.9 mb/d. If this figure is not revised down, it would be the highest since the end of 2007. At the end of April, residual fuel and jet fuel oil stocks rose 5.1 mb and 2.5 mb to 46.1 mb and 44.5 mb leaving them at healthy levels of 30% and 5% above a year ago in the same period.

Table 27: US onland commercial petroleum stocks, mb

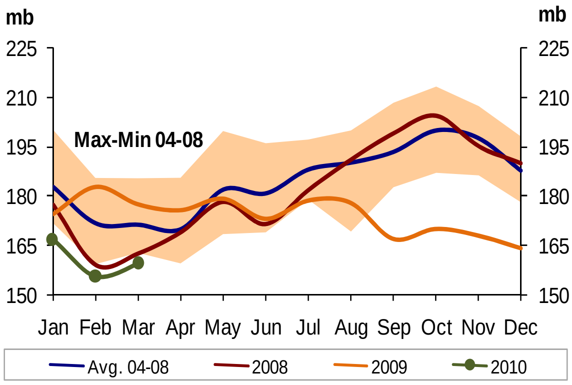
	Feb 10	Mar 10	Apr 10	Change Apr 10/Mar 10	Apr 09
Crude oil	340.1	355.9	360.6	4.7	370.2
Gasoline	232.6	222.4	224.9	2.5	212.7
Distillate fuel	154.8	145.5	152.4	6.9	148.2
Residual fuel oil	41.3	41.0	46.1	5.1	35.2
Jet fuel	44.0	42.0	44.5	2.5	42.6
Total	**1,052.1**	**1,048.5**	**1,072.7**	**24.2**	**1,093.0**
SPR	726.6	726.6	726.6	0.0	718.8

Japan

Japan's commercial oil stocks rose in March, reversing the decline in February

In March, commercial oil inventories in Japan reversed the huge decline observed last month and increased by 4.0 mb to 159.6 mb. Despite this build, the deficit with a year ago and with the five-year average remained wide at 10.0% and 7% respectively. The build in total commercial inventories came from crude which increased by 6.3 mb, while product stocks continued to decline, dropping by 2.3 mb.

Graph 45: Japan's commercial oil stocks



At 93.1 mb, Japanese crude oil inventories stood at their highest level since September 2009, reversing the draw experienced last month. This build came as a result of strong imports which increased by 7.4% to average 4.04 mb/d. Crude imports in Japan also stood at 6.4% above the same time a year ago. The decline of 3.9% in crude runs to total 3.8 mb/d also contributed to the build in crude oil stocks. In March, refiners were running at 79.2% or 3.2% less than the previous month, but slightly above a year ago. With the build in Japanese crude oil inventories, the deficit with a year ago has narrowed significantly to 10% compared to 19% in February, while the deficit with five-year average narrowed slightly to 12.4% from 15% a month earlier.

On the products side, Japanese inventories in March continued their downward trend declining 2.3 mb to 66.5 mb. This draw is mainly attributed to the decline in refinery throughput, reflecting lower product demand which fell for the seventh consecutive year amid a growing shift towards electricity and gas, particularly in the industrial sector thus curbing sales of refined products. Total products ended March at 7.6 mb or 10.3% below a year ago, but still in line with the seasonal norm.

Within products, the picture was mixed. Gasoline and distillate stocks saw a drop of 1.3 mb and 2.9 mb respectively, while naphtha and residual fuel oil saw a build of 1.5 mb and 0.4 mb respectively. At 13.2 mb, gasoline stocks stood at 14.8% below a year ago and 8% below the seasonal norm. The decline in gasoline stocks could be attributed to higher demand which edged up 3.9% versus a month earlier but remained 1.2% below y-o-y. This draw came despite an increase of 9.6% in imports;

however, gasoline imports remained at a low level, almost half compared to year ago during the same period.

Total distillate stocks also declined to 26.0 mb for the fourth consecutive month. All distillate components saw a drop, with kerosene stocks falling 14% followed by gasoil by around 8.7% and jet fuel by 6.5%. The draw in kerosene came as output fell 15% amid a massive drop in imports. Higher exports of 44% were behind the fall in jet fuel inventories, while the drop in gasoil inventories could be attributed to the increase of 10.5% in gasoil domestic sales. However, demand for gasoil – mostly used by trucks and large vehicles – fell 2.5% y-o-y due to the decline in truck transports reflecting the shrinkage in the trucking fleet. At the end of March, total distillate stocks represent a deficit of 2.9% from a year earlier and 8.5% from the average norm.

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

	Jan 10	Feb 10	Mar 10	Change Mar 10/Feb 10	Mar 09
Crude oil	94.6	86.8	93.1	6.3	103.2
Gasoline	14.3	14.5	13.2	-1.3	15.5
Naphtha	9.4	9.7	11.3	1.6	13.8
Middle distillates	32.3	28.9	26.0	-2.9	28.4
Residual fuel oil	16.2	15.6	16.0	0.4	16.5
Total products	72.2	68.8	66.5	-2.3	74.1
Total**	**166.8**	**155.6**	**159.6**	**4.0**	**177.4**

* *At end of month.*

** *Includes crude oil and main products only.*

Source: METI, Japan.

In contrast to distillates and gasoline, naphtha and fuel oil inventories saw a build. Naphtha rose to 11.3 mb on the back of a 7% increase in output. This came despite a decline in naphtha sales over the previous month, but naphtha consumption continued to increase from a year ago, reflecting robust Asian demand and the low level of a year ago when production was reduced sharply by the global economic slowdown. Fuel oil stocks rose slightly to 16.0 mb, driven by the 11.2% increase in Fuel Oil B.C, while Fuel Oil A inventories rose 9.6%. Total fuel oil demand fell 21% versus a year ago, the steepest decline among refined products, on the back of lower demand from electricity generation due to the improvement in the nuclear plant utilization rate. Despite this build, fuel oil inventories showed a deficit of 2.7% from a year ago and 11.3% from the seasonal average.

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

Singapore products rose in March with further builds expected in April

A the end of March, Singapore product inventories rose 1.6 mb to 48.7 mb for the second consecutive month to reach the highest level on record. At this level, Singapore products stocks are 6.6 mb or 16% above a year earlier at the same time. Within products, light distillates and fuel oil stocks saw a build, while middle distillates fell. Singapore light distillates rose 2.1 mb to a record high of 12.3 mb driven by higher supply especially from China, India and Japan, which outpaced lower regional gasoline demand. In fact, gasoline demand in Vietnam was disappointing, despite lower refinery runs. Fuel oil stocks also rose 0.6 mb for the third consecutive month to 23.8 mb, representing a surplus of 2.8 mb above a year ago at the same period. This build could be attributed to higher supplies from the West. It was reported that western fuel oil imports to Asia in March were around 3.3 million tons, some 0.3 million tons higher than in February. In contrast, middle distillate stocks fell 1.1 mb to 12.6 mb, but remained 5% above a year earlier. This draw came on the back of lower supplies following refinery maintenance in parts of Europe and Asia. Higher middle distillate demand from Vietnam also contributed to this draw.

Preliminary data for the end of April, based on weekly information, shows a further build of around 1.0 mb in Singapore product inventories to reach 49.7 mb. At this level, inventories represent a surplus of almost 9 mb above a year ago during the same period. Middle distillates and fuel oil inventories indicated a build at the end of April of 0.7 mb and 1.2 mb respectively, while light distillates saw a slight draw of 0.9 mb. On a weekly basis, at 13.3 mb, middle distillate stocks fell to a four week low as strong demand from India and Indonesia outpaced healthy exports from China and South Korea. At 25.0 mb, fuel oil stocks are considered to be at high levels, driven by heavier inflows to Asia which kept supply higher. Light distillate stocks stood at 11.4 mb at the end of April, the highest level in two weeks, driven by ample supply from South Korea and China which outpaced gasoline demand for the two main importing countries – Indonesia and Vietnam – with demand for these two countries lower than a week ago.

Product stocks in ARA at the end of March reversed the downward trend over the last two months and built 1.0 mb to 37.4 mb to remain at a surplus of 4.0 mb above a year ago in the same period. With the exception of gasoil and jet fuel, the three other products indicated a build. At 16.4 mb, gasoil stocks fell for the third consecutive month as the market structure discouraged trades to store this product. Additionally, gasoil exports to the UK and to Northwest Europe were higher than imports, leading to a stock draw for gasoil inventories. Jet fuel oil stocks slipped 0.6 mb to 5.8 mb, almost unchanged from a year ago at the same period. Fuel oil stocks rose 2.2 mb to 6.4 mb as local production and imports from India, Kuwait and UAE outpaced local demand. Fuel oil stocks remained at 2.4 mb above a year earlier. Naphtha stocks at the end of April also rose 0.3 mb to 0.65 mb on the back of limited import opportunities. Gasoline stocks rose significantly by 1.6 mb to 8.2 mb, widening the surplus with a year ago to 1.2 mb. This increase came as traders started building stocks ahead of the summer season.

Preliminary data for the end of April, based on weekly information, indicates a further build in total product stocks of 1.0 mb to 38.4 mb, versus the previous month, to remain at healthy levels with a surplus of 5 mb above a year ago. Gasoline stocks continued to increase further by 0.6 mb to 8.7 mb due to heavy imports and also benefiting from the contango market structure. Gasoil inventories rose 0.6 mb to nearly 17 mb, after falling last month. Lower exports going to France and the UK contributed to this build. Jet fuel inventories at the end of April rose 0.3 mb to 6.2 mb, remaining almost at the same level as the previous year. This build came on the back of higher supply and lower demand for jet fuel resulting from the disruption in air traffic. Fuel oil and naphtha inventories fell 0.4 mb and 0.1 mb to 6.2 mb and 0.5 mb respectively.

Balance of Supply and Demand

Required OPEC crude for 2009 estimated at 29.0 mb/d, down 2.4 mb/d from the previous year

Estimate for 2009

Demand for OPEC crude has been revised up marginally by around 20,000 b/d to currently stand at 29.0 mb/d as the upward revision in the first quarter offset the downward revision in fourth quarter, while the second and third quarters remained unchanged. The demand for OPEC crude represents a considerable decline of 2.4 mb/d from the previous year. The first half experienced negative growth of around 3.0 mb/d compared to the same period last year, while the decline is seen to narrow in the second half to show a loss of only 2.1 mb/d in the third quarter followed by a decline of 1.1 mb/d in the fourth quarter.

Table 29: Summarized supply/demand balance for 2009, mb/d

	2008	1Q09	2Q09	3Q09	4Q09	2009
(a) World oil demand	**85.90**	**84.31**	**83.27**	**84.66**	**85.49**	**84.44**
Non-OPEC supply	50.40	51.01	50.76	51.01	51.74	51.13
OPEC NGLs and non-conventionals	4.14	4.14	4.31	4.48	4.47	4.35
(b) Total supply excluding OPEC crude	**54.54**	**55.15**	**55.06**	**55.50**	**56.22**	**55.49**
Difference (a-b)	**31.36**	**29.16**	**28.21**	**29.16**	**29.27**	**28.95**
OPEC crude oil production	31.20	28.46	28.49	28.85	29.02	28.71
Balance	-0.15	-0.69	0.28	-0.31	-0.25	-0.24

Totals may not add due to independent rounding.

Demand for OPEC crude in 2010 forecast at 28.8 mb/d, representing a decline of 0.1 mb/d

Forecast for 2010

Demand for OPEC crude in 2010 is projected to average 28.8 mb/d, following a slight upward revision of 40,000 b/d from the previous assessment. Required OPEC crude is forecast to fall by 0.1 mb/d from a year earlier following two consecutive annual declines. The first quarter of the year is still showing a drop of 1.0 followed by a decline of 0.4 mb in the second quarter, while both the third and the fourth quarters are estimated to see positive growth of around 0.5 mb/d.

Table 30: Summarized supply/demand balance for 2010, mb/d

	2009	1Q10	2Q10	3Q10	4Q10	2010
(a) World oil demand	**84.44**	**84.76**	**84.19**	**85.86**	**86.69**	**85.38**
Non-OPEC supply	51.13	52.04	51.58	51.32	51.74	51.67
OPEC NGLs and non-conventionals	4.35	4.59	4.78	4.93	5.17	4.87
(b) Total supply excluding OPEC crude	**55.49**	**56.63**	**56.37**	**56.24**	**56.90**	**56.53**
Difference (a-b)	**28.95**	**28.13**	**27.82**	**29.62**	**29.79**	**28.85**
OPEC crude oil production	28.71	29.24				
Balance	-0.24	1.11				

Totals may not add due to independent rounding.

Graph 46: Balance of supply and demand

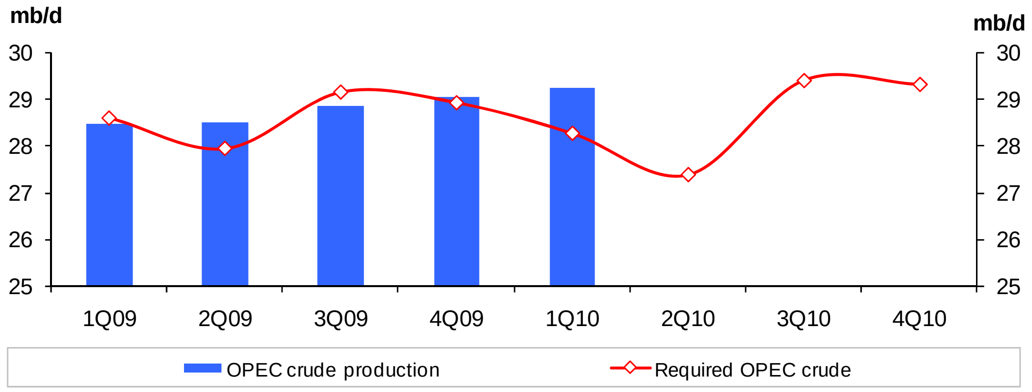


Table 31: World oil demand/supply balance, mb/d

	2004	2005	2006	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
World demand															
OECD	49.5	49.8	49.5	49.2	47.6	46.6	44.4	45.0	46.0	45.5	45.8	44.3	45.1	46.1	45.3
North America	25.4	25.6	25.4	25.5	24.2	23.5	22.9	23.2	23.5	23.3	23.6	23.3	23.6	23.8	23.6
Western Europe	15.5	15.7	15.7	15.3	15.3	14.9	14.2	14.5	14.5	14.5	13.9	13.8	14.3	14.4	14.1
Pacific	8.5	8.6	8.5	8.4	8.1	8.1	7.3	7.3	8.0	7.7	8.2	7.3	7.2	8.0	7.7
DCs	21.9	22.8	23.5	24.6	25.5	25.6	26.0	26.3	26.3	26.1	26.2	26.7	26.9	26.9	26.7
FSU	3.8	3.9	4.0	4.0	4.1	3.8	3.7	4.1	4.2	4.0	3.8	3.7	4.2	4.2	4.0
Other Europe	0.8	0.8	0.9	0.8	0.8	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7
China	6.5	6.7	7.2	7.6	8.0	7.6	8.4	8.6	8.3	8.2	8.2	8.8	9.0	8.6	8.7
(a) Total world demand	82.6	84.0	85.1	86.2	85.9	84.3	83.3	84.7	85.5	84.4	84.8	84.2	85.9	86.7	85.4
Non-OPEC supply															
OECD	21.3	20.4	20.1	20.1	19.5	19.9	19.4	19.4	19.9	19.6	19.8	19.5	19.2	19.5	19.5
North America	14.6	14.1	14.2	14.3	13.9	14.2	14.1	14.3	14.6	14.3	14.5	14.4	14.3	14.4	14.4
Western Europe	6.2	5.7	5.3	5.2	5.0	5.1	4.7	4.4	4.7	4.7	4.7	4.4	4.2	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	0.7
DCs	11.6	11.9	12.0	12.0	12.4	12.5	12.5	12.6	12.7	12.6	12.8	12.8	12.9	12.9	12.8
FSU	11.1	11.5	12.0	12.5	12.6	12.6	12.9	13.0	13.1	12.9	13.1	13.1	13.1	13.2	13.1
Other Europe	0.2	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
China	3.5	3.6	3.7	3.8	3.8	3.8	3.9	3.9	3.9	3.8	4.0	4.0	3.9	3.9	4.0
Processing gains	1.8	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1
Total non-OPEC supply	49.6	49.6	50.0	50.5	50.4	51.0	50.8	51.0	51.7	51.1	52.0	51.6	51.3	51.7	51.7
OPEC NGLs + non-conventional oils	3.7	3.9	3.9	3.9	4.1	4.1	4.3	4.5	4.5	4.4	4.6	4.8	4.9	5.2	4.9
(b) Total non-OPEC supply and OPEC NGLs	53.3	53.5	53.9	54.5	54.5	55.2	55.1	55.5	56.2	55.5	56.6	56.4	56.2	56.9	56.5
OPEC crude oil production (secondary sources)	29.6	30.7	30.5	30.2	31.2	28.5	28.5	28.9	29.0	28.7	29.2				
Total supply	82.9	84.2	84.4	84.7	85.7	83.6	83.6	84.3	85.2	84.2	85.9				
Balance (stock change and miscellaneous)	0.3	0.2	-0.7	-1.6	-0.2	-0.7	0.3	-0.3	-0.3	-0.2	1.1				
OECD closing stock levels (mb)															
Commercial	2538	2587	2669	2567	2696	2740	2752	2773	2663	2663	2683				
SPR	1450	1487	1499	1524	1527	1547	1561	1564	1564	1564	1564				
Total	3988	4073	4167	4091	4223	4287	4313	4337	4228	4228	4247				
Oil-on-water	905	954	919	951	967	901	902	871	912	912	879				
Days of forward consumption in OECD															
Commercial onland stocks	51	52	54	54	59	62	61	60	58	59	61				
SPR	29	30	30	32	34	35	35	34	34	35	35				
Total	80	82	85	86	93	96	96	94	92	93	96				
Memo items															
FSU net exports	7.3	7.7	8.0	8.5	8.5	8.8	9.2	8.9	8.9	9.0	9.3	9.4	8.9	9.0	9.2
(a) - (b)	29.3	30.5	31.3	31.7	31.4	29.2	28.2	29.2	29.3	29.0	28.1	27.8	29.6	29.8	28.8

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

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

	2004	2005	2006	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
World demand															
OECD	-	-	-	-	-	-	-	-	-0.2	-	-0.3	0.1	0.2	-0.1	-
North America	-	-	-	-	-	-	-	-	-0.1	-	-	-	0.1	-0.1	-
Western Europe	-	-	-	-	-	-	-	-	-0.1	-	-0.3	-	-	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
DCs	-	0.1	0.2	0.2	0.2	0.3	0.1	0.2	0.2	0.2	0.3	0.1	0.2	0.2	0.2
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-	-	-
(a) Total world demand	-	-	0.1	0.2	0.2	0.3	0.1	0.1	-	0.1	-	0.2	0.3	0.1	0.2
World demand growth	*-0.01*	*0.01*	*0.11*	*0.08*	*-0.05*	*0.03*	*-0.03*	*0.02*	*-0.16*	*-0.03*	*-0.22*	*0.13*	*0.21*	*0.07*	*0.05*
Non-OPEC supply															
OECD	-	-	-	-	-	-	0.1	0.1	0.2	0.1	0.2	0.1	-	0.1	0.1
North America	-	-	-	-	-	-	0.1	0.1	0.2	0.1	0.2	0.1	0.1	0.1	0.1
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	0.1	0.1	0.2	0.1	0.3	0.2	0.1	-	0.1
Total non-OPEC supply growth	*-*	*-*	*-*	*-*	*-*	*0.03*	*0.07*	*0.12*	*0.19*	*0.10*	*0.26*	*0.09*	*-0.05*	*-0.17*	*0.03*
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	0.1	0.1	0.2	0.1	0.3	0.2	0.1	-	0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-	-	-				
Total supply	-	-	-	-	-	-	0.1	0.1	0.2	0.1	-				
Balance (stock change and miscellaneous)	-	-	-0.1	-0.2	-0.2	-0.2	-	-	0.2	-	-				
OECD closing stock levels (*mb*)															
Commercial	-	-	-	-	-	-	-	-	-	-	-				
SPR	-	-	-	-	-	-	-	-	-	-	-				
Total	-	-	-	-	-	-	-	-	-	-	-				
Oil-on-water	-	-	-	-	-	-	-	-	-	-	-				
Days of forward consumption in OECD							-	-	-	-	-				
Commercial onland stocks	-	-	-	-	-	-	-	-	-	-	-				
SPR	-	-	-	-	-	-	-	-	-	-	-				
Total	-	-	-	-	-	-	-	-	1	-	-				
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	0.1	0.2	0.2	0.2	-	-	-0.2	-	-0.3	0.1	0.3	0.1	-

† This compares Table 31 in this issue of the MOMR with Table 32 in the April 2010 issue.

This table shows only where changes have occurred.

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

	2002	2003	2004	2005	2006	2007	2008	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Closing stock levels *mb*																											
OECD onland commercial	2,473	2,511	2,538	2,587	2,669	2,567	2,696	2,533	2,612	2,627	2,587	2,586	2,649	2,761	2,669	2,599	2,659	2,651	2,567	2,571	2,602	2,662	2,696	2,740	2,752	2,773	2,663
North America	1,175	1,161	1,193	1,257	1,277	1,229	1,301	1,202	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	1,282	1,301	1,348	1,383	1,386	1,306
Western Europe	890	915	915	935	963	931	988	942	915	942	935	938	936	949	963	942	937	934	931	961	954	949	988	985	968	967	974
OECD Pacific	408	435	430	394	429	407	406	389	422	432	394	408	436	461	429	420	428	432	407	394	409	431	406	408	401	419	383
OECD SPR	1,347	1,411	1,450	1,487	1,499	1,524	1,527	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,507	1,506	1,520	1,524	1,529	1,526	1,522	1,527	1,547	1,561	1,564	1,564
North America	601	640	678	687	691	699	704	690	698	696	687	688	690	690	691	691	692	695	699	702	708	704	704	715	726	727	729
Western Europe	357	374	377	407	412	421	416	376	401	405	407	407	411	412	412	415	413	423	421	423	414	414	416	424	427	429	426
OECD Pacific	389	396	396	393	396	404	406	396	395	393	393	392	393	393	396	401	401	403	404	404	404	403	406	408	408	408	409
OECD total	3,820	3,922	3,988	4,073	4,167	4,091	4,223	3,995	4,106	4,121	4,073	4,074	4,142	4,256	4,167	4,107	4,165	4,171	4,091	4,101	4,128	4,184	4,223	4,287	4,313	4,337	4,228
Oil-on-water	815	882	905	954	919	951	967	934	932	925	954	962	975	974	919	919	895	920	951	935	919	886	967	901	902	871	912
Days of forward consumption in OECD																											
OECD onland commercial	51	51	51	52	54	54	59	52	53	52	51	54	54	55	54	54	54	53	52	54	56	56	58	62	61	60	59
North America	48	46	47	50	50	51	56	47	50	49	50	49	50	53	50	49	51	51	50	50	53	54	55	59	59	59	56
Western Europe	58	59	58	60	63	61	68	61	58	60	58	61	60	60	63	63	61	60	61	64	61	61	66	69	67	67	67
OECD Pacific	47	51	50	47	51	50	53	48	52	49	43	52	55	53	48	53	54	49	46	50	54	54	50	56	55	52	50
OECD SPR	28	29	29	30	30	32	34	30	30	30	29	31	30	30	30	31	31	30	31	32	33	32	33	35	35	34	34
North America	24	25	26	27	27	29	30	27	27	27	27	27	27	27	27	27	27	27	28	29	30	29	30	31	31	31	31
Western Europe	23	24	24	26	27	27	29	25	26	26	25	27	26	26	27	28	27	27	28	28	27	27	28	30	29	30	29
OECD Pacific	45	46	46	46	47	50	53	49	49	45	42	50	50	45	44	51	51	46	45	51	54	51	50	56	56	51	53
OECD total	79	79	80	82	85	86	93	82	83	82	81	84	84	85	84	85	85	84	84	87	89	88	91	96	96	94	93

Table 34: 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	7.85	7.97	8.13	8.32	8.07	0.57	8.28	8.19	8.19	8.25	8.23	0.16
Canada	3.07	3.03	3.20	3.32	0.12	3.30	3.12	3.30	3.28	3.25	-0.07	3.33	3.14	3.23	3.28	3.24	-0.01	3.26	3.30	3.27	3.33	3.29	0.05
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	2.97	2.94	2.96	2.98	-0.19	2.99	2.91	2.83	2.80	2.88	-0.10
North America	14.56	14.14	14.24	14.30	0.06	14.22	14.05	13.63	13.80	13.92	-0.38	14.22	14.08	14.30	14.56	14.29	0.37	14.53	14.41	14.28	14.38	14.40	0.11
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	2.20	2.28	2.38	2.34	-0.11	2.31	2.17	2.08	2.23	2.20	-0.14
UK	2.10	1.89	1.71	1.69	-0.02	1.66	1.65	1.41	1.58	1.58	-0.11	1.63	1.56	1.27	1.46	1.48	-0.10	1.50	1.38	1.32	1.35	1.39	-0.09
Denmark	0.39	0.38	0.34	0.31	-0.04	0.28	0.28	0.27	0.28	0.28	-0.03	0.28	0.27	0.27	0.24	0.26	-0.02	0.26	0.24	0.24	0.23	0.24	-0.02
Other Western Europe	0.48	0.49	0.51	0.62	0.11	0.62	0.65	0.67	0.66	0.65	0.03	0.62	0.62	0.63	0.62	0.63	-0.02	0.60	0.60	0.60	0.60	0.60	-0.03
Western Europe	6.16	5.72	5.34	5.17	-0.17	5.08	4.96	4.73	5.06	4.96	-0.21	5.05	4.65	4.45	4.70	4.71	-0.25	4.67	4.40	4.23	4.42	4.43	-0.28
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	0.53	0.55	0.54	0.54	0.01	0.53	0.54	0.57	0.58	0.55	0.01
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	0.09	0.10	0.10	0.10	0.00	0.10	0.11	0.10	0.10	0.10	0.01
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	0.62	0.65	0.64	0.64	0.01	0.63	0.64	0.67	0.68	0.66	0.02
Total OECD	21.29	20.44	20.15	20.08	-0.07	19.88	19.65	19.00	19.52	19.51	-0.57	19.91	19.35	19.41	19.89	19.64	0.13	19.83	19.45	19.19	19.48	19.49	-0.15
Brunei	0.21	0.21	0.22	0.19	-0.03	0.19	0.16	0.17	0.18	0.17	-0.01	0.17	0.15	0.16	0.18	0.17	0.00	0.18	0.17	0.17	0.17	0.17	0.01
India	0.79	0.76	0.78	0.80	0.02	0.80	0.79	0.79	0.81	0.80	0.00	0.78	0.78	0.79	0.81	0.79	-0.01	0.82	0.82	0.85	0.88	0.85	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	1.03	1.02	1.02	1.03	1.03	-0.01	1.03	1.03	1.02	1.01	1.02	0.00
Malaysia	0.79	0.77	0.76	0.76	0.00	0.78	0.75	0.77	0.74	0.76	0.00	0.75	0.73	0.73	0.71	0.73	-0.03	0.72	0.71	0.69	0.68	0.70	-0.02
Thailand	0.25	0.29	0.32	0.33	0.02	0.34	0.36	0.36	0.36	0.36	0.02	0.37	0.37	0.36	0.37	0.37	0.01	0.35	0.36	0.36	0.36	0.36	-0.01
Vietnam	0.42	0.39	0.37	0.35	-0.02	0.36	0.33	0.31	0.34	0.33	-0.01	0.35	0.37	0.37	0.41	0.38	0.04	0.41	0.38	0.36	0.34	0.37	0.00
Asia others	0.18	0.26	0.26	0.27	0.00	0.27	0.27	0.27	0.28	0.27	0.01	0.27	0.27	0.27	0.27	0.27	0.00	0.27	0.27	0.28	0.28	0.28	0.01
Other Asia	3.81	3.79	3.78	3.71	-0.06	3.79	3.70	3.71	3.74	3.73	0.02	3.71	3.69	3.70	3.78	3.72	-0.01	3.78	3.74	3.74	3.73	3.75	0.03
Argentina	0.80	0.78	0.77	0.77	0.00	0.79	0.79	0.78	0.77	0.78	0.01	0.78	0.77	0.73	0.76	0.76	-0.02	0.77	0.74	0.73	0.72	0.74	-0.02
Brazil	1.80	1.98	2.11	2.22	0.12	2.33	2.38	2.42	2.40	2.38	0.16	2.47	2.49	2.51	2.55	2.50	0.12	2.61	2.67	2.73	2.79	2.70	0.20
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	0.68	0.73	0.68	0.08	0.77	0.77	0.78	0.79	0.78	0.10
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	0.15	0.16	0.16	0.00	0.15	0.14	0.14	0.14	0.14	-0.01
L. America others	0.26	0.30	0.26	0.27	0.00	0.27	0.27	0.28	0.31	0.28	0.01	0.31	0.30	0.31	0.31	0.31	0.03	0.32	0.31	0.31	0.31	0.31	0.01
Latin America	3.55	3.77	3.87	3.96	0.10	4.12	4.18	4.24	4.26	4.20	0.24	4.36	4.38	4.39	4.51	4.41	0.21	4.61	4.64	4.70	4.76	4.68	0.27
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	-0.04	0.74	0.74	0.76	0.78	0.76	0.05	0.78	0.79	0.83	0.83	0.81	0.05	0.86	0.86	0.86	0.86	0.86	0.05
Syria	0.49	0.45	0.44	0.42	-0.02	0.41	0.41	0.41	0.41	0.41	0.00	0.41	0.41	0.41	0.41	0.41	0.00	0.41	0.40	0.39	0.39	0.40	-0.01
Yemen	0.41	0.41	0.37	0.33	-0.04	0.32	0.31	0.30	0.29	0.30	-0.03	0.30	0.30	0.30	0.29	0.30	-0.01	0.27	0.28	0.27	0.27	0.27	-0.03
Middle East	1.90	1.85	1.76	1.66	-0.10	1.68	1.67	1.68	1.68	1.68	0.02	1.70	1.72	1.75	1.74	1.73	0.05	1.75	1.74	1.73	1.72	1.74	0.01
Chad	0.16	0.18	0.15	0.15	0.00	0.15	0.15	0.15	0.15	0.15	0.00	0.14	0.14	0.14	0.14	0.14	-0.01	0.14	0.12	0.12	0.11	0.12	-0.02
Congo	0.24	0.24	0.25	0.24	0.00	0.26	0.26	0.26	0.26	0.26	0.02	0.27	0.27	0.27	0.29	0.28	0.02	0.28	0.28	0.28	0.28	0.28	0.01
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	0.68	0.66	0.68	-0.01	0.67	0.66	0.67	0.67	0.67	-0.02
Equatorial Guinea	0.30	0.36	0.37	0.37	0.00	0.38	0.38	0.38	0.38	0.38	0.01	0.37	0.36	0.35	0.34	0.36	-0.02	0.33	0.34	0.33	0.33	0.33	-0.02
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	0.27	0.27	0.26	0.02	0.28	0.28	0.28	0.28	0.28	0.01
South Africa	0.19	0.19	0.19	0.18	-0.01	0.18	0.18	0.18	0.18	0.18	0.00	0.18	0.18	0.18	0.16	0.17	0.00	0.18	0.16	0.16	0.16	0.16	-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	0.47	0.47	0.47	-0.01	0.47	0.48	0.48	0.47	0.48	0.01
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	0.37	0.36	0.35	0.36	-0.01	0.35	0.34	0.36	0.39	0.36	0.00
Africa	2.36	2.52	2.59	2.70	0.11	2.75	2.76	2.74	2.73	2.75	0.04	2.74	2.73	2.72	2.69	2.72	-0.03	2.69	2.66	2.68	2.68	2.68	-0.04
Total DCs	11.63	11.93	12.00	12.04	0.04	12.34	12.31	12.38	12.42	12.36	0.32	12.51	12.51	12.57	12.71	12.57	0.21	12.83	12.78	12.86	12.89	12.84	0.26
FSU	11.14	11.55	12.02	12.52	0.50	12.62	12.67	12.46	12.49	12.56	0.04	12.64	12.90	13.00	13.12	12.92	0.35	13.12	13.14	13.10	13.23	13.15	0.23
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	9.97	10.07	9.92	0.14	10.09	10.03	9.99	9.95	10.01	0.09
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	1.51	1.55	1.61	1.54	0.12	1.61	1.62	1.56	1.65	1.61	0.07
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	1.08	1.05	1.01	1.02	0.11	0.98	1.05	1.10	1.16	1.07	0.05
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	0.44	0.44	0.43	0.44	-0.02	0.44	0.44	0.46	0.47	0.45	0.02
Other Europe	0.17	0.16	0.15	0.15	0.00	0.15	0.15	0.14	0.14	0.15	-0.01	0.14	0.13	0.14	0.14	0.14	-0.01	0.13	0.13	0.13	0.13	0.13	-0.01
China	3.50	3.64	3.69	3.77	0.07	3.81	3.87	3.84	3.84	3.84	0.07	3.80	3.85	3.88	3.87	3.85	0.01	4.04	3.98	3.94	3.90	3.97	0.12
Non-OPEC production	47.74	47.71	48.02	48.56	0.54	48.79	48.65	47.82	48.41	48.42	-0.14	49.00	48.74	49.00	49.73	49.12	0.70	49.94	49.49	49.22	49.64	49.57	0.46
Processing gains	1.83	1.91	1.96	1.99	0.03	1.98	1.98	1.98	1.98	1.98	-0.01	2.01	2.01	2.01	2.01	2.01	0.03	2.09	2.09	2.09	2.09	2.09	0.08
Non-OPEC supply	49.56	49.62	49.98	50.55	0.57	50.77	50.63	49.80	50.39	50.40	-0.15	51.01	50.76	51.01	51.74	51.13	0.73	52.04	51.58	51.32	51.74	51.67	0.53
OPEC NGL	3.54	3.74	3.76	3.86	0.11	3.97	4.05	4.07	4.04	4.04	0.18	4.04	4.20	4.38	4.37	4.25	0.21	4.49	4.68	4.82	5.06	4.77	0.52
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	0.10	0.10	0.10	0.10	0.10	0.00	0.10	0.11	0.11	0.11	0.10	0.00
OPEC (NGL+NCF)	3.71	3.89	3.89	3.95	0.05	4.08	4.16	4.18	4.15	4.14	0.20	4.14	4.31	4.48	4.47	4.35	0.21	4.59	4.78	4.93	5.17	4.87	0.52
Non-OPEC & OPEC (NGL+NCF)	53.27	53.51	53.87	54.49	0.62	54.85	54.79	53.98	54.54	54.54	0.05	55.15	55.06	55.50	56.22	55.49	0.94	56.63	56.37	56.24	56.90	56.53	1.05

Notes: Totals may not add up due to independent rounding. Indonesia has been included in Non-OPEC supply for comparison purpose.

Table 35: World Rig Count

				Change						Change							Change								
	2005	2006	06/05	1Q07	2Q07	3Q07	4Q07	2007	07/06	1Q08	2Q08	3Q08	4Q08	2008	08/07	1Q09	2Q09	3Q09	4Q09	2009	09/08	1Q09	Mar10	Apr10	Apr/Mar
USA	1,381	1,647	267	1,733	1,756	1,788	1,790	1,767	119	1,770	1,864	1,978	1,898	1,877	111	1,326	936	956	1,108	1,081	-796	1,345	1,419	1479	60
Canada	458	470	12	532	139	348	356	344	-126	507	169	432	408	379	35	328	91	177	277	218	-161	470	386	123	-263
Mexico	107	83	-24	90	88	96	93	92	9	96	106	103	106	103	11	128	128	135	123	128	26	118	110	105	-5
North America	1,945	2,200	255	2,355	1,983	2,231	2,240	2,202	2	2,373	2,139	2,513	2,411	2,359	157	1,782	1,154	1,267	1,508	1,428	-931	1,933	1,915	1707	-208
Norway	17	17	0	16	19	18	17	18	1	17	21	21	21	20	2	25	18	18	20	20	0	21	25	27	2
UK	21	27	5	25	29	27	22	26	-1	19	21	24	24	22	-4	22	19	16	15	18	-4	15	16	17	1
Western Europe	70	77	7	75	80	79	77	78	0	91	97	101	103	98	20	90	82	76	85	83	-15	87	94	103	9
OECD Pacific	25	26	2	24	30	32	30	29	2	32	39	39	34	36	7	27	25	26	23	25	-11	22	18	17	-1
Total OECD	2,078	2,347	269	2,494	2,141	2,387	2,385	2,352	4	2,532	2,317	2,698	2,593	2,535	183	1,945	1,299	1,368	1,616	1,557	-978	2,042	2,027	1827	-200
Other Asia	200	202	2	206	213	212	216	212	10	213	220	218	212	216	4	212	212	213	233	217	1	235	241	245	4
Latin America	129	149	19	175	177	171	179	175	27	187	184	195	197	191	16	164	147	149	169	157	-34	183	192	190	-2
Middle East	131	132	1	144	146	154	154	149	18	158	165	175	171	167	18	162	151	139	147	150	-18	152	151	147	-4
Africa	8	10	2	16	12	14	14	14	4	10	13	14	11	12	-2	8	11	9	12	10	-2	20	18	19	1
Total DCs	468	493	25	540	549	550	563	551	58	569	583	602	591	586	36	546	520	510	561	534	-52	589	602	601	-1
Non-OPEC Rig Count	2,546	2,840	294	3,035	2,690	2,937	2,948	2,903	62	3,101	2,900	3,300	3,183	3,121	219	2,491	1,819	1,878	2,177	2,091	-1,030	2,632	2,629	2428	-201
Algeria	21	24	4	25	26	28	28	27	2	26	27	24	26	26	-1	24	30	27	27	27	1	23	29	29	0
Angola	3	4	1	5	4	3	5	4	1	5	6	5	5	5	1	5	3	3	4	4	-1	10	8	8	0
Ecuador	12	11	0	12	10	11	10	11	-1	7	9	12	13	10	-1	10	10	10	10	10	0	11	11	11	0
Iran	40	44	4	51	51	51	50	50	6	50	50	50	51	50	0	51	52	52	52	52	2	52	52	52	0
Iraq	0	0	0	0	0	0	0	0	0	29	29	29	29	29	29	29	29	29	29	29	0	29	29	29	0
Kuwait	12	14	1	14	13	13	11	12	-1	12	11	12	12	12	0	12	11	14	13	13	0	19	21	20	-1
Libya	9	10	1	13	12	14	14	13	3	14	15	15	15	15	2	15	13	14	15	14	-1	17	16	17	1
Nigeria	9	10	1	8	7	8	10	8	-1	9	8	6	6	7	-1	7	6	6	7	6	-1	11	11	12	1
Qatar	12	11	-1	11	12	13	14	13	2	11	12	11	11	11	-1	9	9	9	9	9	-2	8	8	7	-1
Saudi Arabia	37	65	28	76	76	78	77	77	11	78	77	76	76	77	0	72	67	67	66	68	-9	68	68	67	-1
UAE	16	16	0	14	15	15	14	15	-2	12	12	13	12	12	-2	13	12	13	12	12	0	13	13	13	0
Venezuela	68	81	13	76	80	77	71	76	-5	82	81	77	81	80	4	69	64	54	54	60	-20	66	65	63	-2
OPEC Rig Count	238	290	51	303	305	311	302	305	16	336	337	330	336	335	29	315	307	295	298	304	-31	327	331	328	-3
Worldwide Rig Count*	2,785	3,130	345	3,338	2,995	3,249	3,250	3,208	78	3,438	3,237	3,630	3,519	3,456	248	2,806	2,126	2,173	2,476	2,395	-1,061	2,958	2,960	2756	-204
of which:																	0	0	0	0	0	0	0	0	0
Oil	980	1,124	144	1,264	1,167	1,254	1,285	1,242	119	1,408	1,351	1,479	1,490	1432	190	1,276	1062	1175	1349	1215	-217	1,583	1,571	1437	-134
Gas	1,746	1,947	201	2,013	1,764	1,931	1,904	1,903	-44	1,969	1,814	2,070	1,948	1950	47	1,450	993	965	1092	1125	-825	1,333	1,345	1279	-66
Others	21	17	-4	20	17	20	25	20	4	26	32	36	37	33	12	35	35	34	37	35	3	43	44	42	-2

**/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 May 2010

OPEC Basket average price

US$ per barrel

⬆ *up $5.12 in April*	***April 2010***	***82.33***
	March 2010	*77.21*
	Year-to-date	*77.20*

April OPEC production

in million barrels per day, according to secondary sources

⬆ *up 0.01 in April*	***April 2010***	***29.25***
	March 2010	*29.24*

World economy

The forecast for global economic growth in 2010 remains unchanged at 3.5%. The US is now expected to grow at a slightly higher 2.8%, compared to previous 2.6%, while the Euro-zone was revised down to 0.6% from a previous 0.7%. The growth forecasts for China and India remained unchanged at 9.5% and 7.1% respectively.

Supply and demand

in million barrels per day

2009		***2010***	
World demand	*84.4*	*World demand*	*85.4*
Non-OPEC supply	*51.1*	*Non-OPEC supply*	*51.7*
OPEC NGLs	*4.4*	*OPEC NGLs*	*4.9*
Difference	***29.0***	***Difference***	***28.8***

Totals may not add due to independent rounding.

Stocks

US commercial stocks rose by a considerable 24.2 mb in April, driven by the build in products and, to a lesser extent, crude. Inventories now stand at around 90 mb above the five-year average. Japan's commercial oil stocks increased in March, but remained below the historical norm.

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Data covers period up to the end of April 2010 unless otherwise stated.