OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:
Sustainability of current oil market sentiment

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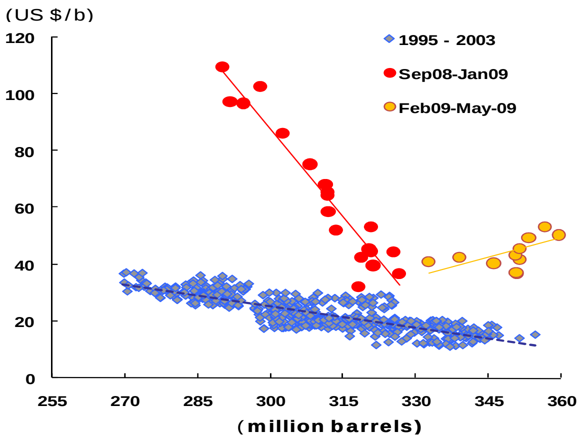
Oil Market Highlights

- The **OPEC Reference Basket** surged almost 14% to average $56.98/b in May for a gain of $6.78/b, the highest monthly average in seven months. The market was driven by improving economic sentiment lending hope for a recovery in petroleum demand. Refinery problems in the US emerged with the start of the driving season while implied weekly demand reached a two-year high. The fall of the US dollar to a five-month low and the continued rally in equities also impacted the market. The Basket continued to move higher in June as investment institutions forecast higher prices inspiring inflows into energy futures as the dollar weakened. The Basket reached $70.87/b on 10 June.
- Growth for the **world economy** in 2009 has been revised up slightly by 0.1% to show a decline of 1.3%. This minor change was due to upward revisions mainly in China and India. Developments in these economies have been improving lately, justifying an upward revision for the full year. China's growth forecast for 2009 was increased from 6.5% to 7.0% while India was revised up from 5.0% to 5.7%. The forecast for the OECD countries remains unchanged at minus 3.8% with US GDP expected to decline by 2.8%, the Euro-zone by 4.2%, and Japan remaining very weak with an expected contraction of 6.4%. While developing Asia has seen some positive momentum, it remains to be seen whether the measures taken by OECD countries are able to produce a sustainable recovery.
- **World oil demand** is estimated to have fallen by 0.4 mb/d in 2008 following a downward revision of 0.1 mb/d from the previous assessment. The bulk of the revision occurred in the fourth quarter. In 2009, world oil demand is expected to see continued negative growth of 1.6 mb/d, broadly unchanged from the previous report. On a quarterly basis, the first half of the year has seen a downward revision, while a gradual recovery in demand is expected by the end of the year. OECD is projected to fall by 1.8 mb/d, while non-OECD should see slight growth of around 0.2 mb/d.
- The estimate for **non-OPEC oil supply** in 2008 remains unchanged from the previous assessment, showing a decline of 0.2 mb/d. In 2009, non-OPEC oil supply is projected to increase by 0.2 mb/d from the previous year, broadly unchanged from the previous assessment. **OPEC NGLs** and non-conventional oils are expected to average 4.7 mb/d in 2009, an increase of 0.4 mb/d over the previous year. In May, **OPEC crude oil production** averaged 28.27 mb/d, an increase of 135 tb/d over the previous month.
- A combination of the gasoline stock draws in the US, lower refinery runs and product outputs have provided support for **product markets**, lifting refining margins especially in the Atlantic Basin. However, due to persisting bearish momentum in the distillate market and expectations that gasoline demand over the driving season will lack sufficient strength, the recent positive developments in the gasoline markets are not expected to persist over the coming months.
- OPEC spot fixtures rose in May by 21% compared to the previous month. Sailings from OPEC were marginally higher. The **tanker market** rebounded in May with a good performance for the Aframax sector. The VLCC sector continued to suffer the most from the global economic crisis and OPEC output adjustments. Clean spot freight rates rose by 37% on average. After reaching a high level, storage at sea lost momentum towards the end of the month due to the narrowing of the contango structure in the crude futures market.
- US **commercial oil stocks** continued their upward trend in May rising 14.5 mb to stand at 1,102 mb. The build was due mainly to other products, as crude and gasoline stocks fell by 11 mb and 9 mb respectively. European (EU-15 plus Norway) oil stocks rose 7 mb in May to stand at the upper end of the five-year average, the surplus attributed to products. Japan's commercial oil stocks fell a further 1.7 mb in April before gaining around 7 mb in May, according to preliminary data.
- The **demand for OPEC crude** in 2008 is estimated to average 30.8 mb/d, a decline of 0.5 mb/d from the previous year. In 2009, the demand for OPEC crude is expected to average 28.6 mb/d, a drop of 2.2 mb/d from a year earlier.

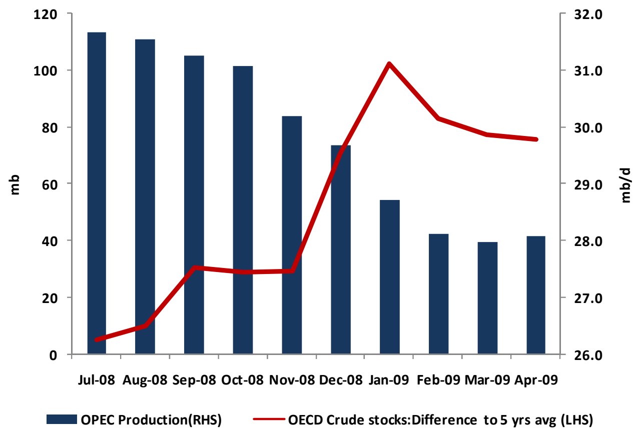
Sustainability of current oil market sentiment

- The oil market appears to have entered a new environment. At the beginning of the year, most institutions were expecting that a continued deterioration in fundamentals would naturally exert downward pressure on prices, particularly over the seasonally lower-demand second quarter. However, despite continuous downward revisions to economic growth and demand expectations along with a growing supply overhang, such pressures never materialized. Instead, prices have not only remained steady but have even moved higher. Between February and May 2009, inventories and prices switched from the traditional inverse relationship to move in parallel, with higher inventories coinciding with higher prices (*see **Graph 1***).
- Financial market developments have been an important factor behind this recent divergence between oil market fundamentals and prices. Crude oil prices have shown a strong correlation with developments in the equity markets as well as fluctuations in the US dollar. The rise in equities generally reflects an improving sentiment about the outlook for the world economy and hence oil demand growth. As a result, crude futures and equities have risen in tandem, on the general perception in the market that the worst is over for the world economy.

Graph 1: US Crude stocks vs WTI price



Graph 2: OPEC production vs OECD commercial crude stocks



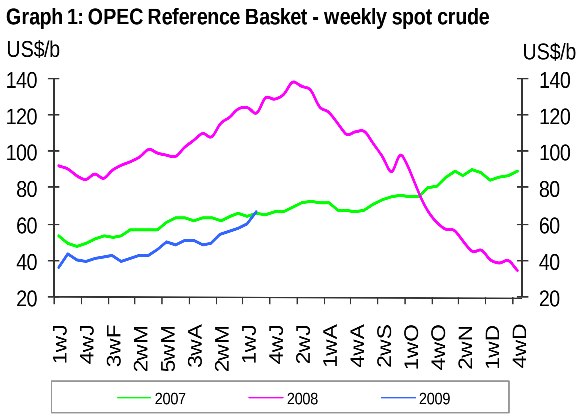
- The growing imbalance has resulted in a contango market structure which has provided an incentive to build inventories both onshore and in floating storage. This has helped to push OECD commercial crude oil inventories toward maximum operational capacity, last experienced at the time of the Asian crisis in 1998. However, looking at the difference with the five-year average, inventories appear to have peaked (*see **Graph 2***). This turnaround is in large part due to OPEC efforts to stabilize the market by reigning in excess supply and is the result of strong compliance of the OPEC Member Countries with production adjustments. Moreover, seasonal demand changes and the narrowing contango should also support a decline in the overhang in OECD crude stocks and floating storage, although from very high levels of 70 mb and 100 mb respectively.
- A key uncertainty facing the market is the sustainability of the more optimistic sentiment currently in the market, which will largely depend on improvements in the real economy and in financial markets. While the acute tightness in credit markets has begun to ease and equity markets have staged a steady recovery – although from a low base – economic prospects for the coming quarters remain uncertain. Despite spreading optimism that the deep economic downturn may reach bottom in the coming quarters, the world economy is still facing considerable challenges. In the OECD region, unemployment is still rising; bank balance sheets remain shaky; and private consumption, investment and exports are expected to remain subdued. These concerns could dampen or delay a global recovery. Moreover, markets are beginning to worry about the consequences of the huge public deficits.
- As for the oil market, demand for gasoline typically surges during the summer driving season and refiners try to increase their throughputs. Over the last few weeks, some positive developments have been seen in the gasoline market. However, under the current economic situation, gasoline demand is not expected to increase significantly in the coming months and hence would provide only limited support for the oil market. Additionally, ample spare refinery capacity in the Atlantic Basin should ease any risk of gasoline supply shortages during the current driving season.
- In light of the considerable challenges the world economy and commodity markets, particularly the oil market, have undergone, the worst appears to be behind us. Providing this more optimistic sentiment holds, ongoing efforts to reduce the excess supply is the key factor in supporting market stability and should help to gradually bring commercial inventories back to more healthy seasonal levels by the end of the year. In line with these efforts, OPEC Member Countries at the recent Meeting of the Conference have reiterated their firm commitment to agreed production levels, as well as their readiness to respond swiftly to any developments which might place oil market stability at risk.

Crude Oil Price Movements

Hopes for economic recovery and refinery problems helped support the market

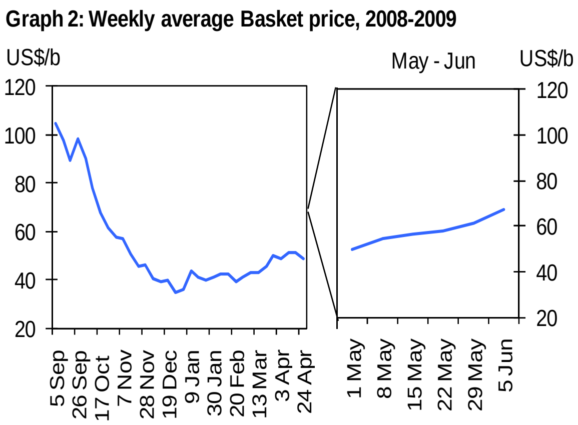
OPEC Reference Basket

The market emerged volatile in May on the back of fluctuations in the US dollar and equities. Speculations over the direction of the market coupled with flu epidemic concerns weighed on sentiment. The market moved on the back of some healthy economic indicators in the US. The Basket averaged the **first week** $54.26/b, over 9% or $4.53 higher to close at 56.35/b.



In the **second week,** volatility sustained with the market continuing to move on improving Wall Street sentiment which raised optimism for a recovery in petroleum demand. The sentiment was short-lived with the market dominated by fund sell-offs for profit-taking amid a recovery in the US dollar. Nonetheless, the fall of the US dollar exchange rate to a four-month low inspired buying in energy futures and dollar-dominated commodities. Weak demand forecasts by major institutions weighed on market sentiment as well as fluctuations in equities and exchange rates remained a major factor in market volatility. The Basket averaged $56.48/b in the second week, up $2.22 or 4% to close at $56.37/b.

In the **third week**, a refinery fire in the US alerted potential seasonal fuel supply disruptions while ongoing problems in West Africa kept jitteriness in the marketplace. The market continued to be impacted by US refinery problems and the weaker dollar exchange rate was offset by poor housing data. While the market was digesting prospects of firming demand from China, the market moved on the back of tighter supply of rival West African gasoline-rich crude ahead of the US Memorial Day holiday amid a temporary disruption in deliveries at a main import terminal. The weak US dollar remained a factor in energy futures investment. The Basket closed the period at $58.75/b to average $57.78 for a gain of $1.30 or 2.3%.



In the **final week**, the Basket averaged $60.70/b rallying almost 5% for a gain of $2.92/b, to close the week at a seven-month high of 63.54/b. The market began the week with the prospect that OPEC would maintain steady output which helped calm the market and a rebound in equity markets pulled crude oil prices along. Moreover, sentiment firmed on hopes for an economic recovery and expected sustained US gasoline demand as the driving season kicked in. A weaker US dollar to a five-month low inspired the covering of short positions.

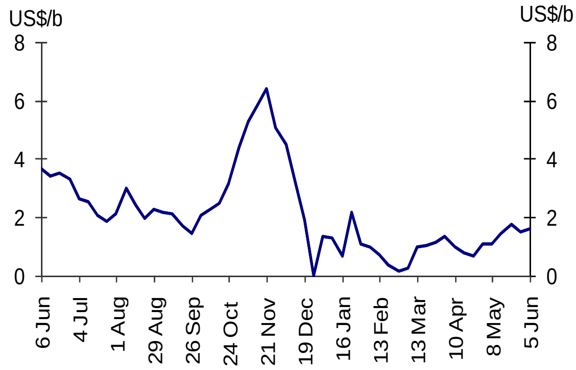
On a monthly basis, the Basket rallied almost 14% averaging $56.98/b in **May** for a gain of $6.78/b to the highest monthly average in seven months. Economic indicators showed signs of improvement lending hope for a recovery and a rebound in petroleum demand. Refinery problems alerted concerns over potential supply shortfall for seasonal fuels as the driving season emerged in the US with implied weekly demand at the highest level in two years. Nonetheless, movements in the US dollar and fluctuation in Wall Street stocks dominated market bullishness. The Basket peaked in the first week of June to $67/b, the highest since mid-October on the back of hope for economic recovery amid perceived positive indicators while a higher price forecast by investment banks and US dollar weakness inspired the buying of energy futures. The Basket reached $70.87/b on 10 June.

US market

Refinery fires and peak in gasoline demand supported light grades

The US domestic market held steady amid a narrowed contango while the transatlantic spread widened. The **first weekly** average for the sweet/sour spread was 3¢ wider with WTI/WTS at $1.09/b in the first week. The firming transatlantic premium supported arbitrage opportunities and pressured the light grade further into the second week. Gasoline stock draws amid prospects of rising demand ahead of the start of the driving season supported light crude oil differentials; however, the narrowing contango slowed the buying spree. A draw of crude oil stocks at Cushing, Oklahoma, supported the sweet grade. The WTI/WTS spread averaged 35¢ wider at $1.44/b in the **second week**.

Graph 3: WTI spread to WTS, 2008-2009



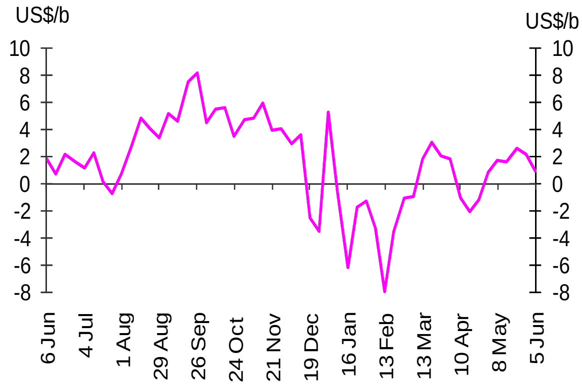
In the **third week**, Sunoco's 178,000 b/d refinery fire at Marcus Hook, Pennsylvania, prompted fear of a shortfall in seasonal fuels. A continuously widened transatlantic spread boosted rival grades to move westward. Winds halting onshore tanker deliveries added to the bearish sentiment. The WTI/WTS spread peaked at $1.77/b for a gain of 33¢, the widest weekly level since late January. In the **fourth week**, the return of some refineries from outages inspired a buying spree amid firming gasoline demand as the driving season started. Narrowing arbitrage spread also lent support to the light grade as gasoline demand emerged with weekly implied consumption rising by 0.3 mb/d to 9.5 mb/d, the highest weekly level since August 2007. Thus, the WTI/WTS spread was 25¢ narrower at $1.52/b. WTI averaged $57.78/b in **May** for a gain of $7.96 or 16%, yet the premium to WTS was down by 39¢ to 52¢/b.

North Sea market

Weak refining margins pressured North Sea crude

The market for North Sea crude came under pressure amid ample floating storage with sellers offering prompt barrels at softer levels. Poor refining margins also added to bearishness in the marketplace. Nonetheless, cool weather boosted natural gas demand in Europe, shifting the industry focus to alternative fuels. News filtering of lower supply in June lent support to market firmness. In the **first week**, the Brent discount to WTI more than doubled to $1.68/b, up from 80¢ the week before. The market emerged on a firmer note into the second week with offers by majors at stronger differentials amid lower loading programmes due to field maintenance. The WTI/Brent spread was 13¢ narrower at $1.55/b in the **second week**.

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



The short June-loading programme continued to lend support to the regional market into the **third week**. Poor distillate refining margins pressured the market, while the healthy gasoline crack spread somewhat balanced sentiment. The flow of arbitrage barrels kept price differentials from further deterioration. The Brent discount to WTI strengthened by a hefty $1.01 to $2.56/b, the widest level since March. Continued flows of arbitrage barrels supported regional grade differentials despite weak refining margins in the **fourth week**. Differentials for North Sea grade were steady, supported by a strong market for Russian Urals crude, although weak refining margins capped prices. Urals hit a seven-year high in the week, helping to support differentials for alternative grades such as Forties as buyers looked for cheaper alternatives. In May, Brent averaged $57.27 for a gain of $6.83 or 13.5%, but flipped into discount to WTI by $1.94/b.

Demand for arbitrage barrels and gasoline processing supported Urals crude

Mediterranean market

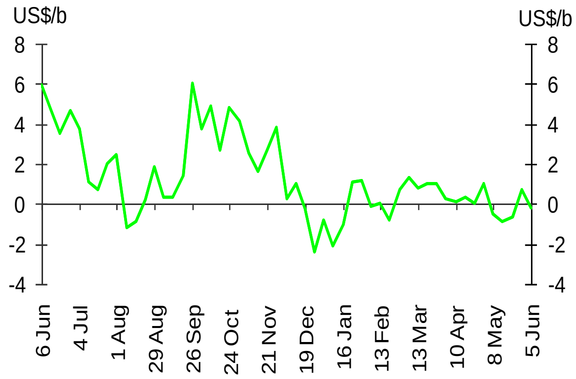
The market emerged on a weaker note amid more offers while buyers took to the sidelines. Firming gasoline demand on outflows to the US supported the light grades. The Brent premium to Urals averaged 53¢ lower to 90¢/b in the **first week**. Higher OSP for the rival grade supported sour crude in the Mediterranean while Russia was set to raise export tariffs. Perception of tighter supply also lent support. In the **second week**, the average Urals discount to Brent was 20¢ narrower at 70¢/b. In the third week, Urals crude oil differentials rose towards a seven-year high in the north, boosted by supply being arbitraged out of the region as well as strong fuel oil margins. Urals traded in the **third week** at premium to sweet grades, hence the weekly average narrowed significantly by 67¢ to 3¢/b. In the **fourth week**, Urals continued to firm to a seven-year high to average 15¢/b over Brent. Urals' strength reflects strong demand from Asia, where arbitrage economics are favourable, as well as reduced exports from Russia in June. On a monthly basis, Urals averaged $7.8 or almost 16% higher in May to settle at $56.90/b, narrowing the discount to Brent by a hefty 97¢ to 42¢/b.

Firming fuel oil crack spread and further OPEC supply adjustment supported the Eastern markets

Middle Eastern market

The market for Mideast crude emerged on a quiet note while awaiting OSPs and price differentials ahead of the new month's allocations. However, a foreseen strengthening of the fuel oil crack spread lent support for heavier grades. Dubai flipped into premium to Brent with the **first weekly** average at 51¢/b. The market continued to firm with an upward trend in demand from China keeping the market supported at a time when refiners return from seasonal maintenance. Seasonal fuel demand and an improving fuel oil crack spread lent support. Interest in medium to heavy grades for July loading intensified amid ongoing cuts by some suppliers while demand increased. The Dubai premium to Brent averaged the **second week** 35¢ wider at 86¢/b.

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



In the **third week**, Brent discount to Dubai averaged 21¢ narrower at 65¢/b amid the return of some refineries from seasonal maintenance. Firming oil demand from China in April supported the bullish market sentiment. In the **fourth week**, market sentiment came under pressure with Taiwan's CPC procuring rival Russian grade in its buy-tender. Brent flipped into premium to Dubai at 74¢/b. In May, Dubai averaged $57.48/b, an increase of $7.38 or almost 13% and representing a premium of 21¢/b to Brent compared to a 34¢/b discount in April.

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

	Apr 08	May 08	Change May/Apr	Year-to-Date 2008	Year-to-Date 2009
OPEC Reference Basket	**50.20**	**56.98**	**6.78**	**100.63**	**47.22**
Arab Light	50.91	57.45	6.54	101.31	47.42
Basrah Light	51.18	56.47	5.29	98.27	46.39
Bonny Light	52.24	57.87	5.63	107.63	50.11
Es Sider	50.24	56.87	6.63	104.03	47.75
Girassol	49.72	57.36	7.64	102.39	48.20
Iran Heavy	50.10	56.02	5.92	98.16	46.14
Kuwait Export	50.16	57.93	7.77	97.32	46.71
Marine	50.82	58.09	7.27	100.08	48.80
Merey	43.73	52.95	9.22	-	42.49
Murban	52.33	59.58	7.25	104.68	50.16
Oriente	42.41	53.56	11.15	92.21	41.94
Saharan Blend	51.69	57.27	5.58	106.65	49.11
Other Crudes					
Minas	54.11	61.69	7.58	106.33	51.02
Dubai	50.10	57.48	7.38	99.28	48.06
Isthmus	50.38	58.51	8.13	101.16	47.15
T.J. Light	49.32	57.34	8.02	98.12	46.00
Brent	50.44	57.27	6.83	104.62	48.22
W Texas Intermediate	49.82	59.21	9.39	106.50	47.61
Differentials					
WTI/Brent	-0.62	1.94	2.56	1.88	-0.61
Brent/Dubai	0.34	-0.21	-0.55	5.34	0.15

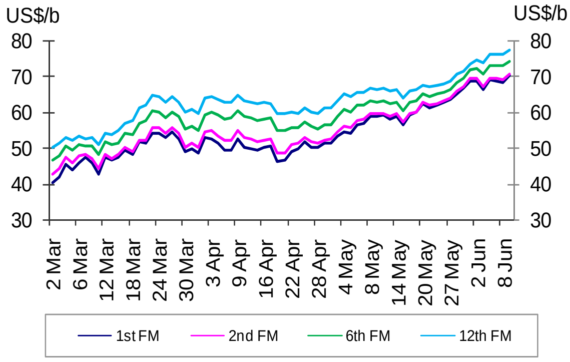
Note: As per the request of Venezuela and as approved by the 111th ECB, the Venezuelan crude BCF-17 has been replaced by Merey as of 2009. ORB has been revised as of this date.

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

The Oil Futures Market

Economic indicators flared bullishness on Wall Street pulling along petroleum futures

Graph 6: Nymex WTI futures prices, 2009



FM = future month

The market emerged in May on a bullish note amid the weakening US dollar exchange rate and firming Wall Street equity markets. The Federal Reserve announcement eased recessionary fears while manufacturing indices declined at a slower pace, lending support for hopes of an economic recovery. However, a potential flu epidemic implied the likelihood of reduced consumption of transportation fuels. Thus, fund sell-offs for profit-taking exacerbated some bears in the marketplace. The Nymex WTI front month contract closed the **first weekly period** at $53.84/b, for a gain of $3.92 or nearly 8%. Over the period, Nymex WTI averaged $52.72/b for a gain of $2.70 or 5.4%. Nonetheless, non-commercial net positions on the Nymex crude futures market flipped into a hefty net short of 11,300 lots in the first weekly period, from a slight net long the week before. This was on the back of a rise in short positions at a much faster rate than longs. Hence, open interest was 58,600 lots wider at 1,198,000 contracts. With options included, open interest volume was 47,400 lots wider at 2,703,400 lots.

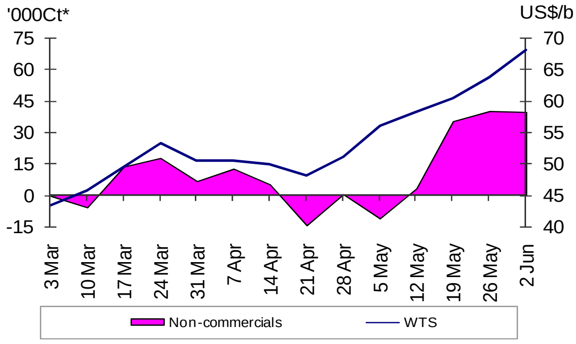
In the **second weekly period**, non-commercial net positions flipped once again into net long at 3,000 lots amid liquidation of short positions at a faster rate than the longs. Nonetheless, open interest volume rose a healthy 48,800 lots to 1,246,800 contracts, the widest level since February. Including options, open interest volume increased 54,200 lots to 2,757,500 contracts, the widest level in five weeks. The Nymex WTI front month contract averaged $57.81/b, an increase of $5.09 or 9.7% in the second weekly period. The weaker US dollar, the rise in equities, slowing job losses and the results of the bank stress tests strengthened confidence for an economic recovery. The lower-than-expected build in crude oil stocks the week before while gasoline saw an unexpected draw improved market sentiment.

The market was more volatile in the **third week** amid weak retail sales prompting exits from the equity markets which dragged down market sentiment. A rebound in the US dollar exchange rate later in the day prompted fund managers to exit energy futures. The market ignored an unexpected hefty draw in US crude oil stocks, while depleting gasoline inventories supported the petroleum complex. However, investment in petroleum futures was spurred by the disruption in Sunoco's refinery in Marcus Hook, Pennsylvania, and unrest in West Africa. Nymex WTI closed the week up 80¢ to $59.65/b. Over the weekly period, Nymex WTI averaged $58.33/b for a gain of 52¢/b. Non-commercial net long positions inflated by 32,200 lots to 35,200 contracts amid a hefty depletion in short positions while longs rose. In contrast, open interest volume was 152,800 lots narrower at 1,094,000 contracts. With options included, open interest volume dropped significantly by 408,600 lots, the biggest weekly fall since September, to close at 2,348,900 lots.

In the **fourth weekly period**, the CFTC data showed non-commercial net long positions were inflated by nearly 5,000 lots to 40,100 contracts, the highest net long position since February, amid a rise in the longs at a faster rate than the shorts. Open interest volume was less than 2,000 lots wider at 1,095,900 contracts. With options included, open interest volume was 18,800 lots wider at 2,367,700 lots. The Nymex WTI front month contract was $2.80/b or 4.7% firmer to close at $62.45/b, averaging $61.80/b or $3.47 higher. News of rising demand from China flared bullish sentiment while the US dollar exchange rate fell to a five-month low, inspiring investors to flock to energy futures. Strong winds in the Gulf of Mexico prompted petroleum tankers to cancel offloading at LOOP, triggering a covering of short positions. A report on US consumer confidence showed the biggest monthly jump in six years, perceived as a sign for an improved economic outlook implying support for petroleum demand.

In **May**, non-commercials increased net long to almost 16,800 lots from 800 lots the month before, amid a rise in long positions while shorts fell. Net long positions were almost 36,000 lots lower than last year's level. Open interest volume was nearly unchanged at 1,158,650 lots, yet 240,000 lots lower than the previous year. Including options, open interest volume was down by 188,500 lots to average at 2,544,400 contracts, a decline of 393,400 lots from a year earlier. The petroleum market was mostly volatile in May amid a weak US dollar and recovery in equity markets. The market focus shifted to seasonal fuels as downstream outages raised concerns about product supplies ahead of the summer driving season. The Nymex WTI front month contract closed at $66.12/b for a gain of $15 or nearly 30% from the previous month. On average, the front month contract rose $9.26 or over 18% in May to stand at $59.21/b.

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



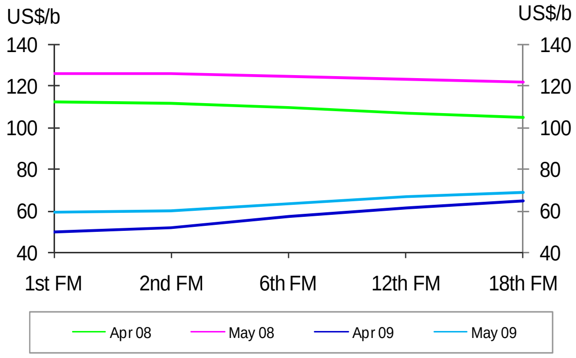
NC = Non-commercials: funds, investments and banks.
Ct = *Each contract is 1,000 barrels.

The Forward Structure

The return of some refineries from maintenance prompted higher stock depletion amid slower imports

The contango spread on the forward structure nearly halved in May. The $1^{st}/2^{nd}$ month spread fell $1.14 to 92¢/b, the narrowest monthly level since November. The $1^{st}/6^{th}$, $1^{st}/12^{th}$, and $1^{st}/18^{th}$ contango spread averaged $4.02/b, $7.31/b, and $9.69/b respectively, to narrow by $3.14, $4.45, and $5.32/b accordingly. This compares to 15¢, $1.09, $2.54 and $3.61/b backwardation for the $1^{st}/2^{nd}$, $1^{st}/6^{th}$, $1^{st}/12^{th}$, and $1^{st}/18^{th}$ months last year. During the month, weekly US crude oil stocks peaked at the highest level since August 1990 before dropping by 8.7 mb by month-end. This was on the back of average recovery in refinery runs while imports fell compared to a month earlier.

Graph 8: Nymex WTI forward curve



FM = future month

Commodity Markets

Trends in selected commodity markets

Commodity prices continue to rise in May

The IMF commodity price index in May rose by 9.7% m-o-m compared to 4.1% in the previous month, but remained down by more than 40% from a year ago. Commodity prices were supported by energy prices which increased 16% m-o-m. Non-fuel commodity prices rose 5%, a slightly slower rate than the previous month.

The performance of commodity prices was supported by the favourable impact of new positive macroeconomic data and an improvement in investor sentiment. Nevertheless, it is worth noting that in some cases, notably industrial metals, the price increase is not based on fundamental factors. Persistent weak demand in the OECD and a possible reduction of Chinese metal imports in the coming months may cause prices to fall for this commodity group.

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

		% Change		% Change
	Mar/Feb	Apr/Mar	May/Apr	May 09/May 08
Commodity	2.9	4.1	9.7	-43.9
Non-Energy	-0.1	5.7	4.9	-25.9
Energy	5.1	3.0	13.1	-51.7
Crude	12.4	7.1	15.6	-52.7
US Natural Gas	-11.8	-11.7	9.6	-66.0
Agriculture*	-1.3	4.9	6.3	
Food	1.0	4.8	5.8	-19.5
Corn	0.9	2.5	6.9	-25.9
Wheat	2.8	1.1	9.9	-21.9
Soybean Oil	-1.1	13.4	7.4	-36.5
Soybeans	-1.7	10.8	16.7	10.5
Industrial Metals	2.8	8.4	4.3	-38.2
Aluminium	0.0	7.0	2.3	-49.6
Copper	13.3	17.7	3.6	-45.0
Nickel	-6.7	16.7	12.6	-50.3
Zinc	9.4	13.5	7.5	-31.5
Lead	-1.5	5.7	4.0	-34.6
Gold*	-2.0	-3.7	4.3	na

na Not available
Sources: IMF; Estimations based on data provided by the IMF.
* *World Bank Index*

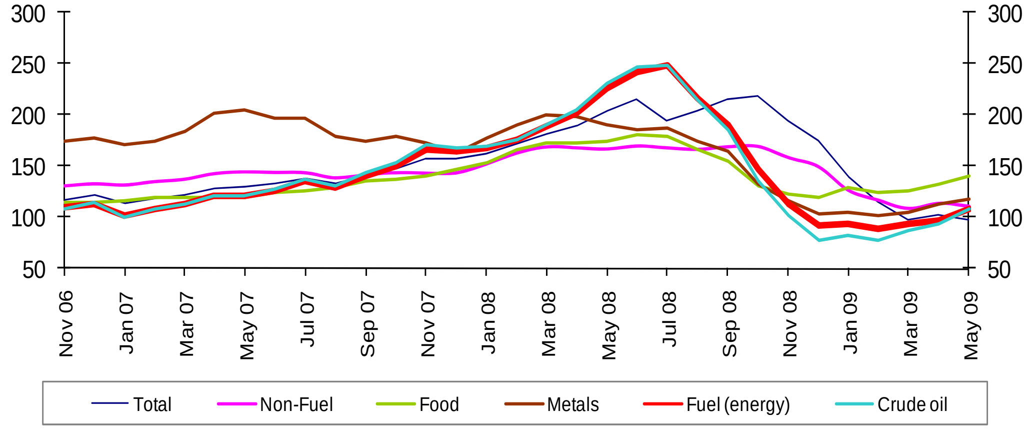
The energy index growth reported highest gains in May

Contrary to the previous month, the **IMF energy commodity index** (crude oil, natural gas and coal) recorded a hefty increase in May of 13.1%, compared to 3% in April on the back of a 15.6% increase in **crude oil prices** (average petroleum spot price) compared to 7.1% in the previous month. At the same time, the Henry Hub (HH) natural gas price rose sharply by 9.6% in May while coal prices saw further losses.

The **HH gas price** recovered by 9.6% in May, but remained down 66% from the same period last year. Prices experienced a strong rally during the first half of May due to the combined effect of greater power demand and higher-than-expected domestic production which maintained storage injections under the three-digit level. Nevertheless, prices fell in the following weeks due to weaker-than-expected US industrial production and rising inventories.
Non-energy commodity prices grew 5%, compared with 6% the previous month. Food prices, especially grains, pushed prices up but industrial metals saw a deceleration in growth.

The **industrial metal price index growth rate halved in May to 4% m-o-m** compared to the previous month. This commodity group was affected by expectations of lower imports from China and persisting weak global demand, together with some supply response to prices. Some markets are still in surplus and London Metal Exchange (LME) total inventories continued to increase in May by 249,111 tonnes to stand at 5,205,910 tonnes, which suggests that a sustainable upward trend in prices will only materialize in the first half of 2010 when an economic-led demand revival is anticipated for some industrial metals such as copper and zinc, the two tightest markets. For other markets, such as aluminum and nickel, a recovery may take longer due to considerable spare capacity.

Graph 9: Major commodity price indexes, 2006-2009



Commodity Price Index, 2005 = 100

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

Growth rates for industrial metal prices slowed

Copper prices increased by only 3.6% in May, down from 17.7% m-o-m**. A reduction of copper imports from China is expected in May due to better scrap availability with lower requirement of refined metals and weaker domestic prices due to high stocks,** leading to a less favorable LME-Shanghai arbitrage. Although Chinese imports are estimated to remain high in May which may explain the mild decline in stocks at the LME, anemic demand from Europe and the ongoing problems of the US automotive and construction sectors weighed on prices and caused analysts to predict a recovery of the copper market only by the end of this year or the beginning of 2010. Indeed, the copper surplus in 1Q09 is seen at 197,000 tonnes, up 95,000 tonnes from the same period a year earlier.

Aluminium prices in May rose by only 2.3% m-o-m, comparing unfavourably with 7% growth a month earlier. Following an enormous surge from March to April, aluminum imports from China are expected to be lower in May owing to the huge increase in stocks since the beginning of the year – Chinese aluminium imports jumped by 118.5% during January-April 2009, compared to the same period the previous year. This expansion was partly encouraged by an attractive LME-China Shanghai arbitrage but record stocks have exerted downward pressure on domestic prices. Global demand remains weak with US car sales plummeting by 35% y-o-y and British car sales falling 28.5% over January-April of 2009, compared to the same period a year earlier. This explains the 362,862 tonnes climb in aluminum stocks at the LME to now stand at 4,002,110 tonnes, the highest level since the start of this year**.**

Lead prices witnessed a rise of 4% in May m-o-m compared to 6% the previous month. Lead markets benefited from some revival in demand from the lead-acid battery sector in China and other regions according to the International Zinc Study Group. Nevertheless, this was not enough to counterbalance rising inventories at the LME, which rose by 9,466 tonnes to **73,890 tonnes in May, the highest this year.**

Zinc price growth halved in May to 7.5% compared to an April rise of 13.5% as a result of flattening Chinese demand and persistent problems in the automotive and construction sectors elsewhere. Zinc imports from China seem to have declined in May which, together with rising inventories, led to an ease of LME-China Shanghai arbitrage. Inventories at the LME declined by 20,197 tonnes in May on a monthly basis, but this masks the fact that stocks rose in the second half of the month.

Nickel prices rose by 12.6% in May compared to nearly 17% a month earlier. Nickel prices performed better than other industrial metals due to the continuing high Chinese demand reflected in high imports in May owing to the attractive LME-China domestic arbitrage. Demand from stainless steel mills in China also supported nickel prices.

Outside China, nickel demand remains sluggish with demand from stainless steel orders having dropped 46% in the six months to March 31st.

The **World Bank's agricultural price index** rose by 6.3% m-o-m in May compared to 4.9% in April fueled by grain prices and especially wheat on the back of weather-related concerns. The **IMF food price index** rose 5.8% in May – up from 4.8% in April.

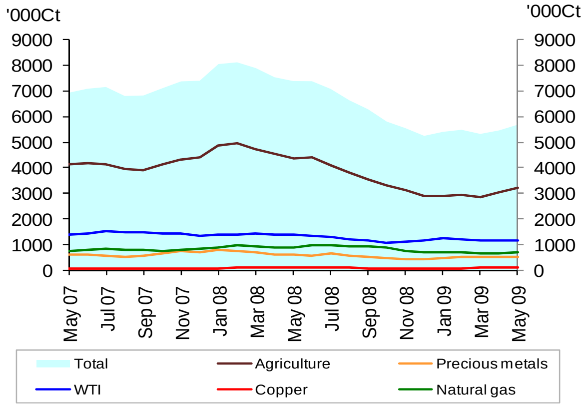
Gold prices climbed by 4.3% in May m-o-m after a 3.7% drop in the previous month amid supportive low real rates and a weaker US dollar.

Investment flow into commodities

Open interest volume in major US commodities witnessed a further increase in May

CFTC data for major commodity markets in the US indicated a further 4% m-o-m increase in open interest volume (OIV) to stand at **6,036,000** contracts in May, compared to a 2.6% increase in the preceding month. Investor sentiment was bullish due to positive macroeconomic indicators and optimism about the global economic outlook. Corn, soybean oil and precious metals saw major increases in the total number of contracts.

Graph 10: Total open interest volume



Source: CFTC

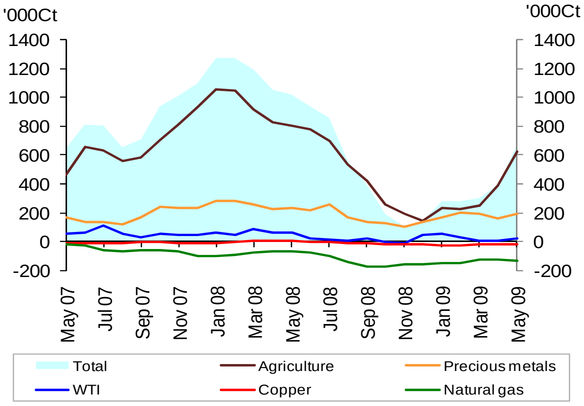
Table 3: CFTC positions, '000 contracts

	Net Positions		Long Positions		Short positions		Open Interest	
		Change		Change		Change		Change
	May 09	May/Apr	May 09	May/Apr	May 09	May/Apr	May 09	May/Apr
Crude Oil	17	16	177	-4	160	-20	1159	0
Natural Gas	-132	-5	83	9	215	14	677	27
Agriculture	617	233	941	197	324	-36	3207	165
Corn	152	71	248	59	96	-12	866	43
Soybean Oil	23	15	51	19	29	4	217	8
Soybeans	118	36	143	30	25	-6	418	54
Sugar	174	41	205	35	31	-6	702	23
Precious Metals	190	30	244	31	54	1	510	29
Copper	-18	0	19	0	37	0	107	2
Livestocks	-18	-4	87	10	105	14	377	7
Total	655	270	1551	243	896	-27	6036	230

A stunning **18.6% m-o-m rise** took place in **long non-commercials** in major US commodity markets in May, up from 5% a month earlier. This combined with a 3% fall in shorts resulted in the net non-commercials as a percentage of open interest volume jumping from 6.6% in April to 10.9% in May, a ten month high. Likewise, net length in US commodity futures markets climbed to 655,000 contracts in May to the highest level since August 2008.

Agriculture OIV rose 5% m-o-m in May to 3,207,000 contracts, down from 6% a month earlier. Non-commercial longs rallied by 26.4% in May, while shorts slumped by 10.1%. Thus, net length as a percentage of OIV increased from 13% in April to 19.2% in May. Consistent with the price bullishness, non-commercials favoured soybean oil, resulting in a **59.9%** m-o-m **rise in non-commercial longs**. As a result, the net non-commercials as a percentage of open interest climbed from 3.5% to 10%. Corn and wheat also saw a similar trend.

Graph 11: CFTC net length by commodity group



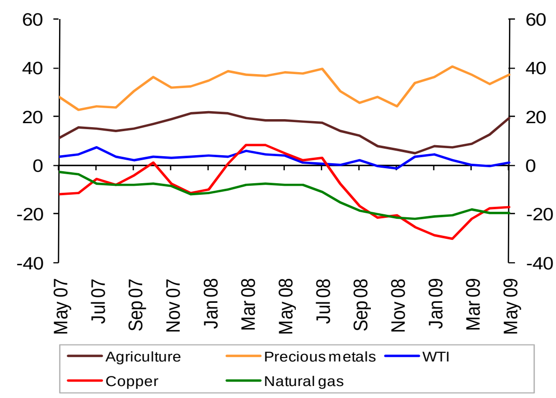
Source: CFTC

Precious metals benefited the most from investors' interest. Following a 6% decline in the OIV last month, metals gained 6% to stand at 510,000 contracts. A considerable rebound of **14.5%** in non-commercial long positions together with a modest increase of 1.4% in shorts translated to an increase in net length as a percentage of open interest volume from 33% in April to 37.2% in May (*see **Graphs 12** and **13***).

Nymex natural gas futures open interest volume experience a 5% rise to **677,000 contracts in May**, compared to a decline of 1% in April. Non-commercial short positions increased more than longs, so net length as a percentage of open interest improved slightly in April. The same factors as in the previous month continue to reinforce bearish sentiment in the market, namely a lack of demand, declining prices and milder temperatures over the coming months.

Copper open interest volume increased by only 2% in May, substantially lower than the 16% growth in April, reflecting an important deceleration in prices. After a huge 44% increase over the past month, non-commercial longs rose by less than 1% in May, with short positions rising at only 1% in May from 11% in the previous month. Net length as a percentage of open interest was 17% in May, compared to 17.5% a month earlier.

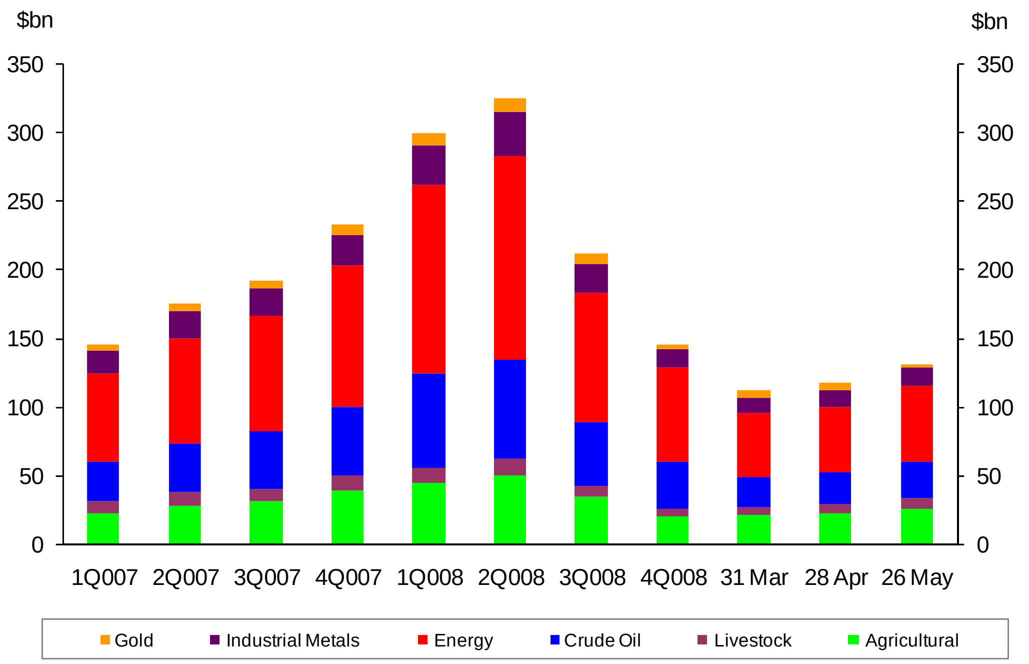
Graph 12: CFTC net length as % of open interest



Source: CFTC

Except for gold, dollar investment inflows into most commodities experienced a rally in May. Although the total amount accruing to commodities rose by 8% in May compared to 5.8% in April, most commodity groups, specially agriculture and crude oil are estimated to have received higher invesment inflows in May compared to the previous month. The growth of dollar investment inflow in May more than doubled in agriculture and livestock, while investment in crude oil quadrupled to stand at 16% compared to 4% a month earlier. By contrast, gold saw a huge 65% decline in investment inflows in May. Nevertheless, total investment inflows into commodities is estimated to have fallen 7% in December, while crude oil inflows have fallen 19.4% since December.

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



Despite the increase in risk appetite for commodities, a comparison of investment flow with prices does not suggest a cause-and-effect relationship. As noted in the previous report, the remarkable inflows into commodity-linked ETPs in 1Q09 slowed strongly in April. With regards to crude oil, Barclays estimates that inflows into oil ETPs rose during December-February to a record $2.4bn over the three month period, despite crude prices falling to their lowest levels. In contrast, crude oil has since seen a net outflow of over $2.5bn parallel with a price increase of nearly 50%. This may suggest that investment flows and ETPs are not the determining factor behind the upward trend in crude oil prices, but instead a change in sentiment associated with the supply side and a more optimistic view on the global economic crisis.

Table 4a: US commodity exchange traded products (ETP) - monthly flows

	Long ETP Flows			Short EFT Flows		
	May 09	Apr 09	Mar 09	May 09	Apr 09	Mar 09
Base	64	70	84	0	0	0
Precious	627	-583	3070	5	18	34
Agriculture	520	68	489	5	0	0
Energy	-352	916	-1543	-16	76	-58
Broad-based	642	359	557	-8	0	9
Total	**1501**	**830**	**2657**	**-14**	**94**	**-15**

Table 4b: European commodity exchange traded products (ETP) - weekly flows, 2009

	Long ETP Flows			Short ETP Flows		
	27 May	29 Apr	25 Mar	27 May	29 Apr	25 Mar
Base	10.9	1.1	9.2	3.2	1.3	0.5
Precious	-40.0	32.9	154.1	0.4	0.0	0.4
Agriculture	23.7	20.1	7.8	2.0	0.3	1.8
Energy	-15.1	69.6	58.0	8.1	10.8	3.4
Broad-based	11.0	0.9	0.0	0.0	0.0	0.0
Total	**-9.4**	**124.7**	**229.2**	**13.7**	**12.5**	**6.0**

Source: Barclays.

Highlights of the World Economy

Economic growth rates 2008-2009, %							
	World	OECD	USA	Japan	Euro-zone	China	India
2008	3.1	0.9	1.1	-0.7	0.9	9.0	6.7
2009	-1.3	-3.8	-2.8	-6.4	-4.2	7.0	5.7

Industrialised countries

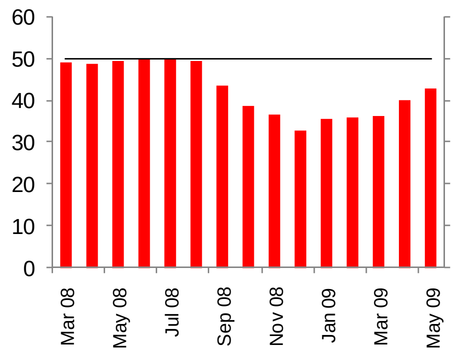
United States of America

The US economic situation expected to improve by the second half of 2009

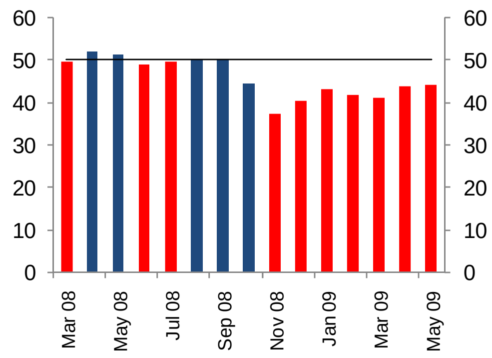
The economic situation in the United States has improved in some areas but some worrying signs have emerged which could dampen recent positive developments.

Sentiment has improved across the board. Confidence indicators for manufacturers, service providers as well as consumers are rising The ISM for manufacturing continued to increase this month from a level of 40.1 to 42.8 and the ISM for the non-manufacturing sector was also rising from a level of 43.7 to 44. While the increase in both numbers points to an improving economy, these improvements seem to be only gradual and levels are still indicating an economy in contraction, i.e. in decline as the numbers are still below 50.

Graph 14a: ISM Manufacturing Index



Graph 14b: ISM Non-Manufacturing Index



Source: Institute for Supply Management

The Conference Board consumer sentiment also improved from a level of 39.2 to 54.7. While this figure shows a large increase, it is still at a level registered in the recession at the beginning of the 1990s.

A similar trend can be seen in the labour market. Nonfarm payrolls fell by 345,000 in May. While this number was much lower than the one registered in April of 504,000, the unemployment rate climbed further to 9.4% from 8.9% in April and it remains to be seen if the rate at which jobs are being shed will slow down in the coming months.

Factory orders in the US moved up by 0.7% in April m-o-m after a decline of 0.9% in March, but the y-o-y comparison reveals a drop of almost 24%. Moreover, industrial production contraction slowed down, decreasing by 0.6% m-o-m in April compared to a drop of 1.5% m-o-m in the previous month.

Equity markets reacted positively to the somewhat less negative economic data, with the underlying expectation that more positive developments will materialise in the second half of the year. The Standard and Poor's 500 has increased by more than 6% since mid-May. In the wake of the challenges that could be faced in the second half of 2009, it remains to be seen if this current market valuation is justified and if these levels can be maintained or even improved or a correction is due.

Despite the positive sentiment there are still factors that are leaning more towards the negative. The housing market is improving only gradually. Pending home sales increased, but prices are still declining and mortgage applications are not rising significantly due to the fact that the mid- and long-term interest rates have gone up substantially. In the week ending 29 May, the 30-year mortgage rates have risen by 44 basis-points (bp) according to the Mortgage Bankers' Association (MBA). The Market Composite Index, a measure of mortgage loan application volumes, was 658.7, a decrease of 16.2% on a seasonally adjusted basis from 786.0 a week earlier. Existing home sales improved by 2.9% m-o-m, from 4.55m to 4.68m in April, while the supply of existing homes for sale increased to 10.2 months from 9.6 months in March. Home prices continued to fall by 18.7% y-o-y in March, matching the February figure to show no improvement, according to the S&P Case-Shiller Home Price Index.

Another important uncertainty affecting US economic development is that inflation has hit a new low, which is being observed in all developing countries posing a serious threat to recovery. The consumer price index in April was flat on a m-o-m basis – a slight improvement from the 0.1% decline in March – while on a y-o-y basis it fell 0.6%. This follows a 0.4% y-o-y drop in March. Thus the threat of deflation remains. Separately, retail sales rose 0.5% in May following a 0.2% drop in April. The increase was led by gasoline prices which had increased in May.

Treasury bond rates have moved up in the course of the last four weeks reflecting uncertainty about the economic development. The yield on the 10-year note has risen 135 bp since the Federal Reserve Board (Fed) announced in March that it is starting a Treasury buying programme. In light of the vast amount of deficit spending of the US government, the $300 bn the Fed is planning to buy back appears insufficient and market participants are only willing to pick up the additional supply at a higher yield. Moreover, other factors may be affecting yields such as the increased fear of inflation further down the road, as well as the rise in commodity prices. The observed flight from bonds to equities is pushing bond prices down and yields up. However, the supply of Treasury bonds in the coming months could continue to support the relatively steep yield-curve, even excluding these additional factors.

A bottoming-out of the US economy is expected in the second half of the year, but any growth may be modest. Despite the better second reading of the 1Q09 GDP of -5.7% seasonally adjusted annualized rate (saar) compared to -6.1% ,given the ongoing uncertainties surrounding the US economy, GDP growth forecast for 2009 remained unchanged at -2.8%.

Japan

The Japanese economy is showing some signs of stabilization as factory output jumped 5.2% in April

The Japanese economy seems to be recovering from a very challenging situation over the last year and particularly the last two quarters. GDP growth in 1Q09 was reported at -14.2% q-o-q saar. This came after a decline of -14.4% q-o-q saar in the fourth quarter. However, it appears that the latest figures could have marked the bottoming-out of the economy. The Japanese factory output has jumped by 5.2% in April from March, when it gained 1.6% m-o-m. The report of the Trade Ministry showed that companies are planning to increase output in May and June , although the current production level is still only two thirds that of last year, according to the Bank of Japan (BoJ).

Assisting the economy is a 25 trn Yen government stimulus package, around 5% of GDP. Despite the recent positive developments, the BoJ is still cautious about the Japanese economy pointing to the danger of a second dip later in the year if the global recovery fails to materializes, thus providing little support for a rebound in exports.

The positive development in output contrasts with the rise in the unemployment rate, which rose to 5% in April, the highest level since November 2003, when it posted 5.1%, according to the Ministry of Internal Affairs and Communications. This higher unemployment figure is in line with the 14-month trend of declining household spending in April, when it fell by 1.3% y-o-y.

The development of higher unemployment and lower retail sales numbers puts continued downward pressure on prices. The CPI declined in April for a second time by 0.1%, after already having fallen in March by the same amount. Wages also declined by -2.5% y-o-y continuing an 11-month streak, but have improved from the March decline of 3.7%, a six-year low. The BoJ expects a price decline of 1.5% for the current fiscal year, while the government expects a CPI decline of 1.3%.

On the positive side, exports have improved for the second consecutive month. However, on a y-o-y basis exports continue to decline, albeit at a slower pace. Exports fell 39.1% y-o-y in April compared to 45.5% a month earlier and almost 50% from the month before. Imports fell 35.8% from a year earlier, slightly lower than 36.7% y-o-y in the previous month. Exports to the US dropped 46.3% y-o-y and to Europe 45.4% but they were both better than a month earlier. Exports to China, now the most important trade partner of Japan, improved in May, declining 25.8% y-o-y compared to a decline of 31.5% the previous month, reflecting the improvement in the Chinese economy. Supported by this positive trend in exports, the second quarter GDP growth return to positive territory.

Bankruptcies declined in May for the first time in a year by 6.7% from the same month last year and the total debt involved fell 1.8% y-o-y, according to Tokyo Shoko Research.

The BoJ upgraded its economic forecast for the first time in three years, predicting a bottom had been reached. However, the recovery could possibly be W-shaped with potential for a further downturn later in the year. According to a government survey the economic crisis is easing due to the stimulus package.

While the forecast remains unchanged for a -6.4% rate of decline in GDP growth for the full year of 2009, a mild recovery in the Japanese economy is expected by the second quarter.

Euro-zone

The Euro-zone is still declining and expected to stage a minor recovery only in 2010

Euro-zone GDP declined in the first quarter of 2009 by a higher-than-expected 2.5% q-o-q. A minor recovery in the Euro-zone is expected only in 2010 as the bleak picture for the economy in 2009 remains unchanged. The European Central Bank (ECB) revised down its 2009 forecast to a range of -4.1% to -5.1% in 2009. France exhibited the best performance of the bigger economies in the first quarter, showing a rate of GDP decline of 1.2% q-o-q. The Spanish economy contracted 1.9% q-o-q and Italy’s GDP fell 2.4% q-o-q.

Germany remains the worst performing economy in the Euro-zone. German GDP contracted by 3.8% q-o-q in the first quarter, for the fourth consecutive quarter of declines. The German manufacturing association reported factory orders had declined 58% y-o-y in April- of which exports orders fell 60% y-o-y. The Bundesbank recently issued a GDP growth forecast of -6.0% for 2009. The Bank is not expecting the economy to grow in 2010 and sees a recovery only “in the course” of 2010, in line with the view of the ECB.

The ECB held its key interest rate constant at 1% in its most recent meeting, indicating that expanding the asset purchase programme in the near term is unlikely. The scheme is so far limited to buying 60bn Euros of covered bonds, issued either by banks or backed by public sector loans or mortgages. Thus, the ECB reserves room to maneuver in case deflation becomes a severe threat for the economy. Euro-zone consumer price inflation fell to 0% in May, compared to 0.6% in April. The May inflation number was the lowest since records began in 1991. The ECB recently warned that inflation is expected to remain negative for the coming months, before turning positive by the end of 2009, still far below the inflation goal of around 2%. Industrial producer prices declined as well by 1% in April.

Moreover, Euro-zone unemployment hit a 10-year high of 9.2% and, as in the previous months, Spain was the country with the highest rate reaching 18% for total unemployment and 36.2%. for youth unemployment, compared to 18.5% for the whole Euro-zone. The European Commission is now expected to release new guidelines on measures to address this important problem.

On the positive side, the sentiment in the Euro-zone is continuing to improve on the consumer as well as the producer side. Expectations of a bottom being near are the basis for confidence in recovery, despite the more negative picture portrayed by the real data. The Euro-zone confidence index increased for the second consecutive month, from 67.2 to 69.3 in May, but the pace of the improvement was slower than in the previous month and most of the improvement was due to a revival in confidence in the retail sector. The composite Markit PMI index in the Euro-zone improved from 41.1 in April to 43.9 in May, still pointing to a contracting economy as it remains below 50. In Germany the number improved from 40.1 to 44.4.

Despite, or maybe because of the falling prices, the retail sales number was up for the Euro-zone in April by 0.2% m-o-m, compared to a decline of -0.1% m-o-m in March, showing the first positive number since November 2008.

Due to the continuing uncertainties in the Euro-zone economy, we have kept our GDP growth forecast unchanged at -4.2% for 2009.

Former Soviet Union

Inflation in Russia slowed to 6.8% from 7.7% a year earlier; the Central Bank cut the refinancing rate by 50 basis points

Russia is facing its biggest economic test since 1998, when oil prices dropped below $10/b and the government defaulted on $40 billion of debt. The Ministry of Economic Development and Trade in Russia predicts that national output slumped an annual 9.5% in the first quarter and may fall as much as 8% this year after 10 years of expansion averaging almost 7%. Russia's central bank cut the main interest rates for the third time in six weeks. The central bank cut the refinancing rate to 11.5% from 12% and lowered its repurchase rate charged on central bank loans to 10.5% from 11%. The bank said in April that it would start a "trend toward further cuts" as inflation eases and after the recession deepened in the first quarter. The rate cuts in April and May were the first since the bank increased the cost of money to arrest the ruble's 30% drop since August and to prevent speculation on the currency's decline. Separately, inflation is seen to fall below the government's 13% target. In the year through end-May inflation slowed to 6.8% from 7.7% a year earlier, according to the Moscow-based Federal Statistics Service. It is estimated that Russia could cut interest rates further by another 100 basis points – on top of the 150 basis points of cuts administered in the last six weeks – should 2009 inflation stay below 10%. The recent recovery in oil prices to almost $70/b, if sustained, would underpin the first signs of recovery in Russia's economy. This has driven the recent improvements in the ruble and the stock markets.

The Ukraine economy is one of the worst-suffering in Europe. Ukraine is relying on a $16.4 billion emergency loan from the IMF to help avoid a complete meltdown. So far the country has received less than half of those funds as the government is struggling to meet strict stabilization requirements. According to the parliamentary auditors, preliminary output and sales data signal that Ukraine's economy declined by more than 20% y-o-y in the first quarter. Output has at least stabilized, albeit at a very low level, with a recovery barely in sight. Financial markets have also stabilized and the restructuring of the banking sector is making some progress.

Developing Countries

Credit growth slowing as bank lending fell sharply in April; industrial output continued to grow as a result of easing monetary policy despite sluggish exports

The People's Bank of China (PBoC) in a recent report estimated that the economy has seen signs of improvement but still faces considerable downward pressure. After a period of strong growth, credit appears to be moderating as new bank lending fell to Rmb592 bn in April 2009 compared to the monthly average of Rmb1.5 trn for the first quarter of 2009. The PBoC is concerned that lending has run out of control. The government called the commercial banks to "pay close attention to mounting risk from the recent lending surge and understand that dealing with the impact of the global financial crisis is a long-term task".

Fuelled by the extraordinary rise in credit in the first four months of 2009, China's urban fixed-asset investment (FAI) growth has accelerated sharply. In January-April, FAI rose by 30.5% y-o-y, the fastest growth rate since 2004. Helped by the surge in investment, industrial output has continued to grow, despite the troubles of the export-oriented manufacturing sector. In real terms, industrial output increased by 7.3% y-o-y in April. Consumer finance is another focus of government efforts to boost credit growth. In mid-April it announced draft regulations that will permit domestic and foreign financial institutions to set up consumer finance firms to provide personal loans to purchase consumer durables or to fund expenses such as travel and education. However, these companies will not be able to finance housing or car loans, and loan quotas will only run up to five times an applicant's monthly salary. The initial cities identified for the pilot programme are Beijing, Shanghai, Tianjin and Chengdu. According to China's Ministry of Commerce, inflows of foreign direct investment (FDI) have been declining on a y-o-y basis since October 2008. The fall in FDI inflows comes after several years of strong growth. Inflows in January-April 2009 fell by 21% to US$27.7 bn, compared with US$35 bn in the same period a year earlier.

The Indian government raised its growth forecast for the economy to 6% in the 2009/10 fiscal year and to 7% in 20010/11, from its previous forecasts of 5.5 % and 6.5 %, respectively. It does not expect the rebound in private demand to be strong and, given that inflation is currently at historically low levels, the central bank might cut rates by 25 basis points before keeping them at a rather low level during the rest of 2009. The drop in wholesale prices - the country's main gauge of inflation trends – is not deemed to mean outright deflation, where declining prices hurt consumer and business spending, leading to further price falls. Rather, it reflects the slide in energy prices late last year. It is predicted that inflationary pressures will remain in the pipeline. While inflation is expected to remain benign in the near term, the rebound in energy prices so far this year and a possible pickup in India's economy could mean the Reserve Bank of India's aggressive series of rate cuts may be over.

OPEC Member Countries

Venezuelan economy slows down in 1Q09, but capital investments remain strong

The Central Bank of Venezuela said the economy grew at the slowest pace since 2003 in the first quarter of 2009 as factory output contracted and export revenue declined on a plunge in oil prices. The economy grew 0.3 % in 1Q09 from a year earlier. The government cut the 2009 federal budget by 6.7 %, raised the sales tax and announced plans to sell 34 billion bolivars ($15.8 bn) in domestic bonds this year to cover a budget deficit. Venezuela depends on oil exports to finance half the budget, and crude prices have plunged 59 % since touching a record in July. The central bank highlighted an area where growth was strong which is capital investment. “The economy’s performance in the first quarter of the year was determined, principally, by the significant increase of 11.6 % in gross capital investment,”

Kuwait central bank cuts rates as inflation eases

Inflation in Kuwait averaged 10.6% in 2008, almost double the previous year’s average of 5.5%. However, inflation eased to 6.8 % in January, as the cost of food and housing grew at a weaker pace, allowing Kuwait’s Central Bank to reduce its benchmark interest rate by half a percentage point to 3%, the fifth cut since October 2008. Kuwait last month enacted an economic “stability bill” to bolster financial institutions that may cost as much as 1.5bn dinars ($5.2 bn), according to government estimates. Under the package, the government will guarantee as much as 4 bn dinars in new loans provided by local banks this year and next.

Oil prices, the US dollar and inflation

The US dollar fell against all major currencies in May

In May, the dollar depreciated against all major counterparts, losing 3.5% against the euro, 4.6% against the pound sterling, 3.5% against the Swiss franc and 2.7% against the Japanese yen. Against the modified Geneva I + US dollar basket, the dollar fell more than 2.5% last month compared to a decline of 0.8% in April. Against the euro, the dollar averaged $1.3646/€ in May compared to $1.3188/€ in April.

The weakness of the dollar might be due to an increased risk-appetite outside the US-dollar region, pushing investors out into higher yielding currencies. This trend could be supported by the fact that the Fed moved back from the possibility to increase its key interest rate later in the year. The strength of the euro particularly seems to be mainly attributable to the higher yields in the Euro-zone and the more conservative approach to increasing the money supply through quantitative easing.

In May, the OPEC Reference Basket rose $6.78/b or 13.5% to $56.98/b from $50.20/b in April. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket price increased by $3.73/b or 10.9% to $37.90/b from $34.17/b. The dollar declined by 2.5%, as measured against the import-weighted modified Geneva I+US dollar basket, while inflation remained almost flat at a decline of 0.1%.*

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

World Oil Demand

World oil demand to decline 0.4 mb/d in 2008 to average 85.4 mb/d

World oil demand in 2008

World oil demand is estimated to have fallen by 0.4 mb/d in 2008 following a downward revision of 0.1 mb/d from the previous assessment. The bulk of the revision occurred in the fourth quarter. OECD is expected to fall by 1.7 mb/d, while non-OECD should see growth of 1.3 mb/d.

Table 5: World oil demand forecast for 2008, mb/d

	2007	1Q08	2Q08	3Q08	4Q08	2008	Change 2008/07 Volume	Change 2008/07 %
North America	25.53	24.84	24.53	23.73	23.95	24.26	-1.27	-4.98
Western Europe	15.30	15.22	14.89	15.37	15.21	15.17	-0.12	-0.81
OECD Pacific	8.35	8.87	7.82	7.50	7.86	8.01	-0.34	-4.05
Total OECD	**49.17**	**48.92**	**47.24**	**46.59**	**47.02**	**47.43**	**-1.73**	**-3.53**
Other Asia	9.15	9.33	9.49	9.12	9.22	9.29	0.14	1.57
Latin America	5.54	5.54	5.73	5.91	5.76	5.74	0.20	3.62
Middle East	6.46	6.75	6.85	7.07	6.84	6.88	0.41	6.38
Africa	3.04	3.20	3.12	3.10	3.21	3.16	0.12	3.84
Total DCs	**24.19**	**24.82**	**25.19**	**25.20**	**25.03**	**25.06**	**0.87**	**3.61**
FSU	4.04	4.12	3.74	4.22	4.38	4.12	0.07	1.82
Other Europe	0.87	0.77	0.83	0.79	0.91	0.83	-0.04	-5.06
China	7.59	7.97	8.17	8.10	7.65	7.97	0.39	5.09
Total "Other Regions"	**12.50**	**12.87**	**12.74**	**13.12**	**12.94**	**12.92**	**0.42**	**3.33**
Total world	**85.86**	**86.61**	**85.17**	**84.91**	**84.99**	**85.41**	**-0.45**	**-0.52**
Previous estimate	85.90	86.83	85.27	85.05	85.24	85.59	-0.30	-0.35
Revision	-0.04	-0.22	-0.11	-0.15	-0.25	-0.18	-0.14	-0.16

Totals may not add due to independent rounding.

Table 6: First and second quarter world oil demand comparison for 2008, mb/d

	1Q07	1Q08	Change 2008/07 Volume	Change 2008/07 %	2Q07	2Q08	Change 2008/07 Volume	Change 2008/07 %
North America	25.68	24.84	-0.84	-3.27	25.40	24.53	-0.88	-3.45
Western Europe	15.19	15.22	0.03	0.20	14.93	14.89	-0.03	-0.21
OECD Pacific	8.92	8.87	-0.04	-0.49	7.87	7.82	-0.05	-0.66
Total OECD	**49.78**	**48.92**	**-0.85**	**-1.71**	**48.20**	**47.24**	**-0.96**	**-1.99**
Other Asia	8.99	9.33	0.34	3.77	9.27	9.49	0.22	2.34
Latin America	5.33	5.54	0.21	3.99	5.50	5.73	0.23	4.10
Middle East	6.42	6.75	0.33	5.14	6.43	6.85	0.42	6.57
Africa	3.07	3.20	0.14	4.44	3.00	3.12	0.12	4.01
Total DCs	**23.80**	**24.82**	**1.02**	**4.27**	**24.21**	**25.19**	**0.99**	**4.07**
FSU	4.05	4.12	0.07	1.84	3.59	3.74	0.15	4.25
Other Europe	0.89	0.77	-0.11	-12.91	0.86	0.83	-0.03	-3.35
China	7.48	7.97	0.50	6.63	7.77	8.17	0.40	5.14
Total "Other Regions"	12.41	12.87	**0.46**	**3.67**	12.21	12.74	**0.52**	**4.28**
Total world	**85.99**	**86.61**	**0.62**	**0.72**	**84.62**	**85.17**	**0.55**	**0.65**

Totals may not add due to independent rounding.

Table 7: Third and fourth quarter world oil demand comparison for 2008, mb/d

			Change 2008/07				Change 2008/07	
	3Q07	3Q08	Volume	%	4Q07	4Q08	Volume	%
North America	25.55	23.73	-1.82	-7.12	25.49	23.95	-1.54	-6.04
Western Europe	15.42	15.37	-0.05	-0.36	15.65	15.21	-0.44	-2.79
OECD Pacific	7.89	7.50	-0.39	-4.95	8.72	7.86	-0.86	-9.84
Total OECD	**48.85**	**46.59**	**-2.26**	**-4.63**	**49.85**	**47.02**	**-2.83**	**-5.68**
Other Asia	8.97	9.12	0.15	1.68	9.35	9.22	-0.13	-1.35
Latin America	5.68	5.91	0.24	4.16	5.63	5.76	0.13	2.28
Middle East	6.61	7.07	0.46	6.95	6.40	6.84	0.44	6.83
Africa	3.00	3.10	0.10	3.35	3.10	3.21	0.11	3.57
Total DCs	**24.26**	**25.20**	**0.95**	**3.90**	**24.48**	**25.03**	**0.55**	**2.24**
FSU	4.12	4.22	0.10	2.49	4.41	4.38	-0.03	-0.75
Other Europe	0.84	0.79	-0.05	-5.80	0.90	0.91	0.01	1.62
China	7.72	8.10	0.38	4.94	7.38	7.65	0.27	3.66
Total "Other Regions"	12.68	13.12	**0.44**	**3.43**	12.69	12.94	**0.25**	**1.98**
Total world	**85.79**	**84.91**	**-0.88**	**-1.03**	**87.03**	**84.99**	**-2.03**	**-2.34**

Totals may not add due to independent rounding.

World oil demand in 2009

World oil demand in 2009 forecast to decline by 1.6 mb/d y-o-y to average 83.8 mb/d

As the world economy stabilizes, the world oil demand appears to be settling down. Industrial production activities are steadying and in some parts of the world have even improved slightly. This should stop the bleeding in oil demand. There are no significant downward revisions to our previous oil demand forecasts. Still, US oil demand is the wild card and any further downward adjustment in the country’s oil demand would have an impact on total world oil demand.

Table 8: World oil demand forecast for 2009, mb/d

							Change 2009/08	
	2008	1Q09	2Q09	3Q09	4Q09	2009	Volume	%
North America	24.26	23.62	23.22	22.97	23.62	23.35	-0.90	-3.72
Western Europe	15.17	14.84	14.40	14.90	14.90	14.76	-0.41	-2.72
OECD Pacific	8.01	8.06	7.32	7.07	7.71	7.54	-0.47	-5.87
Total OECD	**47.43**	**46.51**	**44.93**	**44.94**	**46.23**	**45.65**	**-1.79**	**-3.76**
Other Asia	9.29	9.27	9.42	9.20	9.28	9.29	0.00	0.04
Latin America	5.74	5.55	5.72	5.94	5.80	5.75	0.02	0.31
Middle East	6.88	6.94	7.05	7.28	7.03	7.07	0.20	2.87
Africa	3.16	3.24	3.15	3.12	3.25	3.19	0.03	0.97
Total DCs	**25.06**	**25.00**	**25.34**	**25.54**	**25.36**	**25.31**	**0.25**	**1.00**
FSU	4.12	3.92	3.70	4.19	4.35	4.04	-0.07	-1.82
Other Europe	0.83	0.73	0.81	0.77	0.89	0.80	-0.03	-3.34
China	7.97	7.68	8.24	8.26	7.79	7.99	0.02	0.24
Total "Other Regions"	**12.92**	**12.34**	**12.75**	**13.21**	**13.03**	**12.83**	**-0.08**	**-0.64**
Total world	**85.41**	**83.84**	**83.02**	**83.69**	**84.62**	**83.80**	**-1.62**	**-1.89**
Previous estimate	85.59	84.47	83.30	83.65	84.70	84.03	-1.57	-1.83
Revision	-0.18	-0.62	-0.28	0.04	-0.07	-0.23	-0.05	-0.06

Totals may not add due to independent rounding.

Although the rise in industrial production in April is a little less than in March, Chinese oil demand is growing in April for the first time since the start of the year. Other Asia’s oil demand was not as bad in April as has been so far this year, because of strong demand growth from India. Furthermore, Latin America’s oil demand stopped its decline because of the strong consumption in Brazil.

Table 9: First and second quarter world oil demand comparison for 2009, mb/d

			Change 2009/08				Change 2009/08	
	1Q08	1Q09	Volume	%	2Q08	2Q09	Volume	%
North America	24.84	23.62	-1.22	-4.91	24.53	23.22	-1.31	-5.34
Western Europe	15.22	14.84	-0.38	-2.50	14.89	14.40	-0.49	-3.30
OECD Pacific	8.87	8.06	-0.81	-9.18	7.82	7.32	-0.51	-6.46
Total OECD	**48.92**	**46.51**	**-2.41**	**-4.94**	**47.24**	**44.93**	**-2.31**	**-4.88**
Other Asia	9.33	9.27	-0.06	-0.60	9.49	9.42	-0.06	-0.69
Latin America	5.54	5.55	0.01	0.19	5.73	5.72	-0.01	-0.19
Middle East	6.75	6.94	0.19	2.80	6.85	7.05	0.20	2.92
Africa	3.20	3.24	0.04	1.11	3.12	3.15	0.02	0.77
Total DCs	**24.82**	**25.00**	**0.18**	**0.72**	**25.19**	**25.34**	**0.15**	**0.59**
FSU	4.12	3.92	-0.20	-4.84	3.74	3.70	-0.04	-0.99
Other Europe	0.77	0.73	-0.04	-5.14	0.83	0.81	-0.02	-2.89
China	7.97	7.68	-0.29	-3.68	8.17	8.24	0.07	0.86
Total "Other Regions"	**12.87**	**12.34**	**-0.53**	**-4.14**	**12.74**	**12.75**	**0.01**	**0.07**
Total world	**86.61**	**83.84**	**-2.77**	**-3.20**	**85.17**	**83.02**	**-2.15**	**-2.52**

Totals may not add due to independent rounding.

World oil demand growth reached a record low at -2.8 mb/d in the first quarter y-o-y. However, the second quarter's oil demand is estimated to decline by 2.1 mb/d y-o-y world-wide. The picture in the third quarter is estimated to be enhanced by at least 1.0 mb/d to show a decline of 1.2 mb/d y-o-y.

Table 10: Third and fourth quarter world oil demand comparison for 2009, mb/d

			Change 2009/08				Change 2009/08	
	3Q08	3Q09	Volume	%	4Q08	4Q09	Volume	%
North America	23.73	22.97	-0.76	-3.19	23.95	23.62	-0.33	-1.38
Western Europe	15.37	14.90	-0.47	-3.04	15.21	14.90	-0.32	-2.07
OECD Pacific	7.50	7.07	-0.43	-5.68	7.86	7.71	-0.14	-1.83
Total OECD	**46.59**	**44.94**	**-1.65**	**-3.54**	**47.02**	**46.23**	**-0.79**	**-1.68**
Other Asia	9.12	9.20	0.07	0.81	9.22	9.28	0.06	0.66
Latin America	5.91	5.94	0.03	0.51	5.76	5.80	0.04	0.69
Middle East	7.07	7.28	0.21	2.97	6.84	7.03	0.19	2.78
Africa	3.10	3.12	0.02	0.71	3.21	3.25	0.04	1.28
Total DCs	**25.20**	**25.54**	**0.34**	**1.33**	**25.03**	**25.36**	**0.33**	**1.33**
FSU	4.22	4.19	-0.04	-0.83	4.38	4.35	-0.03	-0.68
Other Europe	0.79	0.77	-0.03	-3.41	0.91	0.89	-0.02	-2.19
China	8.10	8.26	0.15	1.91	7.65	7.79	0.14	1.83
Total "Other Regions"	**13.12**	**13.21**	**0.09**	**0.71**	**12.94**	**13.03**	**0.09**	**0.70**
Total world	**84.91**	**83.69**	**-1.22**	**-1.44**	**84.99**	**84.62**	**-0.37**	**-0.43**

Totals may not add due to independent rounding.

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

Alternative fuel

China is pushing alternative fuel vehicles within its major cities via heavy subsidies. Efforts are focused on public transportation vehicles and certain private vehicles. The amount of subsidies provided varies according to sector and fuel. This move is not anticipated to place a major dent on the country's fossil fuel demand over the medium term. On another front, China inaugurated its Laxiwa hydropower station with a production capacity of 4.2 gigawatts. The second phase is expected to come onstream next year, increasing capacity by 10 gigawatts. China is pushing use of renewables country-wide, which is helping to slightly reduce the usage of other energy sources.

OECD – North America

North America oil demand was revised down by 0.1 mb/d to show a decline of 0.9 mb/d y-o-y to average 23.4 mb/d in 2009

The fall in US industrial production is taking a major toll on the country's oil usage. However, some indicators imply that the economic contraction is reaching bottom. Furthermore, the US driving season is here and this will lift the country's oil demand to a certain degree. Early data for May indicates that gasoline consumption is flat in comparison to the same month last year. These two factors should ease the strong decline in US oil demand seen since 2006. Year-to-date, US oil demand has lost around 1.4 mb/d on average. May oil demand declined by 1.3 mb/d y-o-y, hence most of the decline was as a result of lower use of industrial fuel which declined by 12%. US oil demand in the second half of the year is expected to be better that the first half as economic activities improve. Furthermore, the hurricane season this year is expected to be calmer than average.

First quarter US oil demand declined by 5.3% or 1.0 mb/d y-o-y, however, gasoline declined by only 1.3%.

Mexican oil demand plunged by a strong 8.6% y-o-y in April as a result of not only the downturn in the economy, but also the negative effect of the swine flu. Industrial fuel oil dipped by more than a third and diesel lost 10% of demand. On average, Mexican oil demand declined by 4.7% y-o-y over the first four months. Of course, most of the decline is attributed to industrial fuels. Gasoline consumption is stable, showing a flat performance in the first four months of the year. Despite the increase in gasoline consumption, Canadian April oil demand declined by 4.8% y-o-y. The decline was attributed to industrial use.

Table 11: Domestic sales of refined petroleum products in Mexico (tb/d)

	Jan - Apr 2009	Jan - Apr 2008	Change (tb/d)	Change (%)
LPG	290	301	-11	-3.6
Gasoline	780	779	1	0.1
Jet Fuel	62	73	-11	-15.4
Diesel Oil	351	369	-19	-5.0
Fuel Oil	183	232	-49	-21.3
Other Products	78	76	3	3.6
Total Products	**1,744**	**1,830**	**-86**	**-4.7**

Given not only the disastrous economic effect but also fallout from the swine flu outbreak, North America oil demand was revised down by 0.1 mb/d to show a decline of 0.9 mb/d y-o-y to average 23.4 mb/d in 2009.

OECD - Europe

OECD Europe oil demand is forecast to decline by 0.41 mb/d y-o-y to average 14.8 mb/d in 2009

The European economy is still in a deep decline. The German economy consumes the most oil in Europe followed by France, however the biggest decline is expected to come from the Italian demand in 2009. Germany's oil demand showed a moderate decline in the first quarter of 0.5% y-o-y. Unlike the US, most of the decline in Germany's oil demand is attributed to transport fuel. It is anticipated that German oil usage will decline by 2.8% in 2009. Declining industrial production pushed oil demand in France to contract by 5% y-o-y in April. As expected, due to the current economic trouble, the UK, Italy and Spain all experienced negative oil demand in April.

Given the very dim picture of the European economy, OECD Europe oil demand is forecast to decline by 0.41 mb/d y-o-y to average 14.8 mb/d in 2009.

OECD - Pacific

OECD-Pacific demand declines by 0.47 mb/d to average 7.5 mb/d

Japan decided to blend 1.3 mb of ETBE (ethyl tert-butyl ether) into its gasoline pool over the next twelve months as a part of diversification from fossil fuels. Like other OECD countries, Japan has set a target for renewable usage. Of course, Japan will import most of its biofuels, mainly from Asian countries. As expected, this new target will not only affect the country's oil consumption but increase the burden on the government budget.

Declines in gasoline and crude oil for direct burning were disastrous for Japan's oil demand in April. Gasoline declined by 20% and crude for direct burning plunged 73%, pushing the change in the country's total oil usage to a fifteen-year low of 0.75 mb/d y-o-y. The situation in the second largest country in the OECD Pacific is much better. South Korea's oil demand fell by only 2.5% y-o-y in March. Most of this decline was related to jet fuel and diesel. As the strong decline in Japanese oil demand was more than anticipated, the forecast for 2009 OECD Pacific was revised down by 50 tb/d, showing a decline of 0.47 mb/d to average 7.5 mb/d.

Table 12: Japanese domestic sales, tb/d

	Apr 09	Change from Apr 08	Change from Apr 08 (%)
Gasoline	968	-241	-19.9
Naphtha	804	43	5.7
Jet Fuel	77	-10	-11.3
Kerosene	284	-29	-9.2
Gas Oil	542	-107	-16.5
Other Products	544	-248	-31.3
Direct Use of Crude	59	-157	-72.7
Total	**3,278**	**-748**	**-18.6**

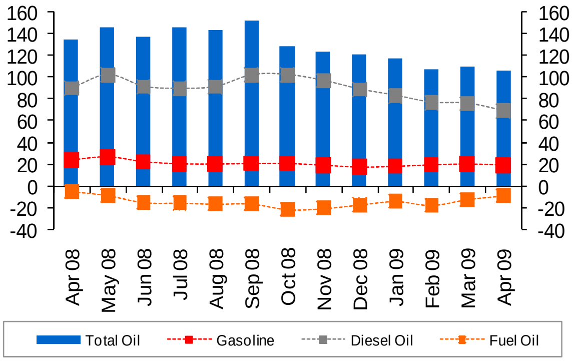
Source: Ministry of Economy and Trade in Japan (METI).

Developing Countries

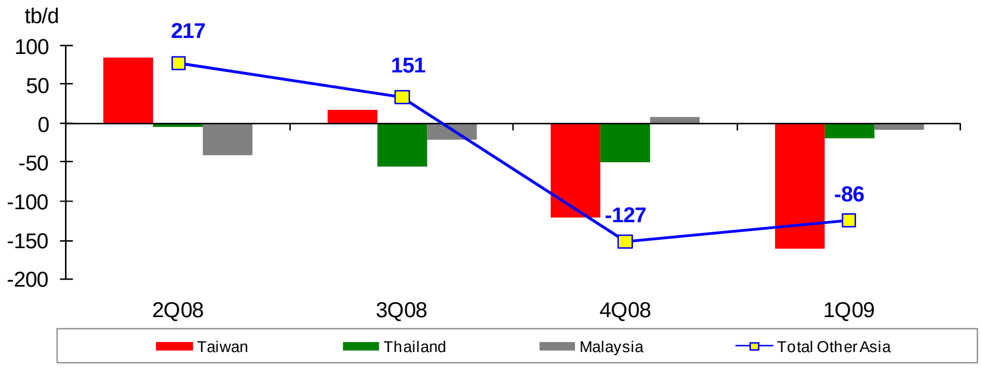
DCs' oil demand growth forecast at 0.25 mb/d y-o-y in 2009 to average 25.3 mb/d

Taiwan's oil demand plunged in March by 15% resulting from poor economic activities and the enhancement of public transportation. Consequently, the country's oil imports declined by almost one-third in March y-o-y. Thailand oil demand is similar to Taiwan. Thailand oil demand lost 38 tb/d or 4.2% of its consumption in March y-o-y. Most of the loss was attributed to fuel oil which is used in industrial production and power plants.

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

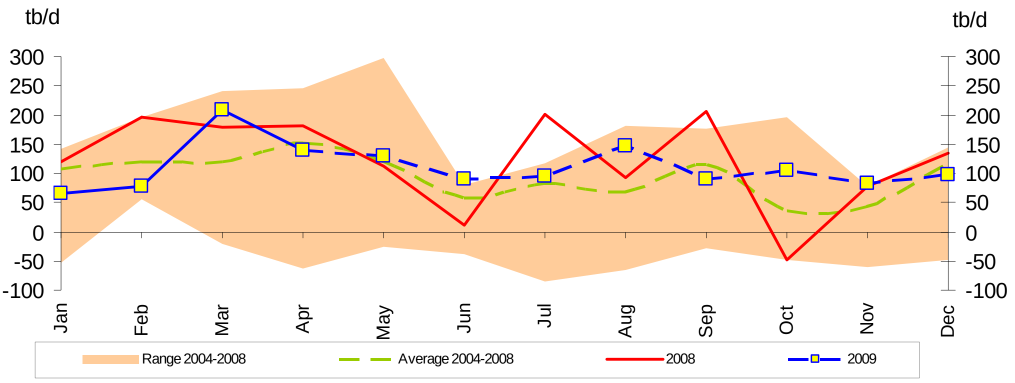


Oil consumption in selected Asian countries, y-o-y growth

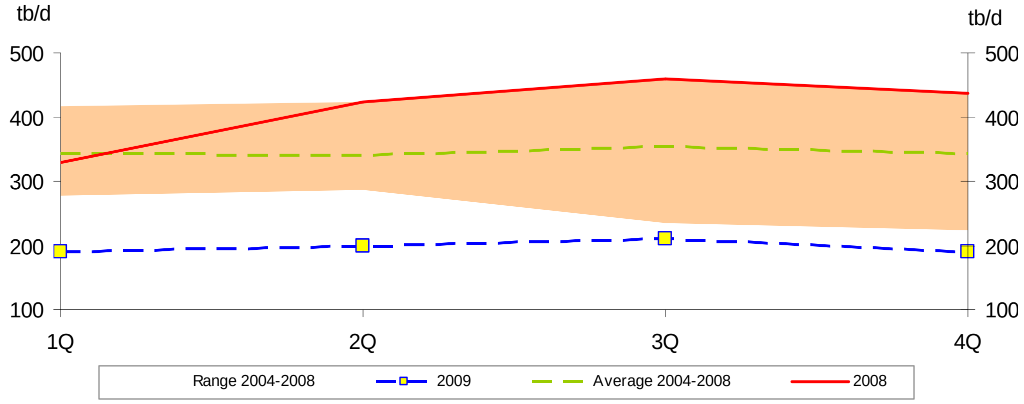


India oil demand is in a completely different situation. Resulting from improving economic activities and higher consumption of transport fuel, India oil demand in April grew by 4.6% or 139 tb/d y-o-y to average 3.1 mb/d. The approach of the agricultural season will strengthen diesel consumption over the coming months. India's second quarter oil demand is forecast to grow by 0.1 mb/d y-o-y. Due to better-than-anticipated performance, the forecast for Other Asia oil demand was revised up by 83 tb/d. Despite growth in India, total oil demand in the region is not expected to see any growth in 2009.

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



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



Middle East expected to show growth of 02 mb/d in 2009

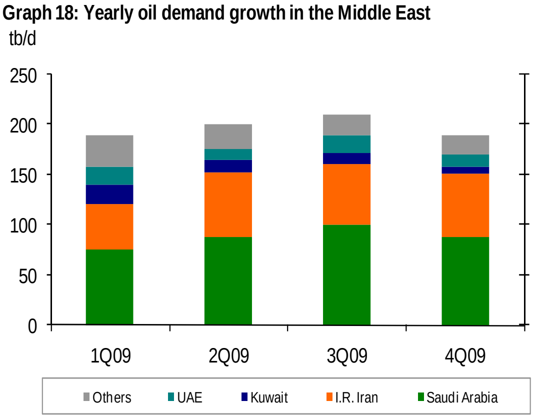
The healthy Middle East economies kept oil consumption in Developing Countries on the positive side this year, as most of the world's oil demand dipped in the red. Subsidized transportation fuel kept the demand for gasoline and diesel growing in the region. Iran's new car registration is estimated to reach 700,000 units this year, pushing gasoline consumption up by 6% y-o-y.

Given low GDP growth this year, relative to last year, regional oil demand is estimated to show growth of around 3% or 0.2 mb/d y-o-y in 2009.

Latin America is forecast to see minor oil demand growth this year. Brazilian oil demand — once the catalyst for the region's oil demand growth — is losing its power but not to the extent thought previously. Hence, Latin America's oil demand was revised up by 20 tb/d y-o-y.

Developing Countries' oil demand is suffering from the current economic downturn; hence oil demand growth is forecast at 0.25 mb/d y-o-y in 2009 to average 25.3 mb/d.

Graph 18: Yearly oil demand growth in the Middle East



Graph 19: Yearly oil demand growth in Latin America

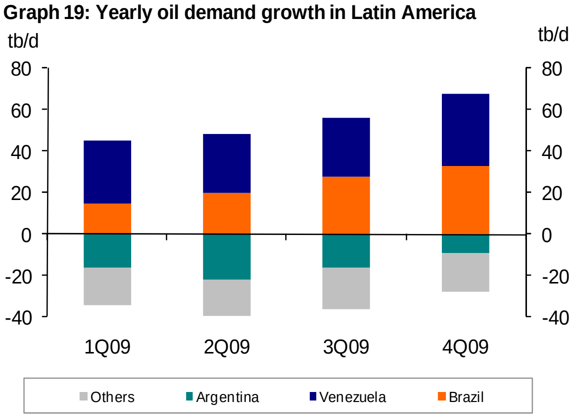


Table 13: Brazilian inland deliveries, mb/d

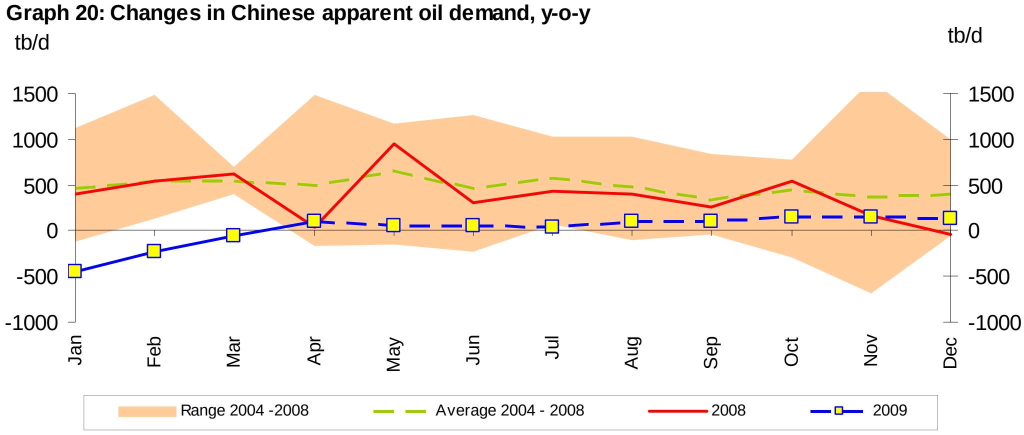
	Mar 09	Mar 08	Change (mb/d)	Change (%)
LPG	196	198	-3	-1.4
Gasoline	416	413	3	0.7
Jet/Kerosene	88	91	-3	-3.3
Diesel	731	750	-19	-2.6
Fuel Oil	86	90	-3	-3.4
Alcohol	256	204	53	25.8
Total	**1773**	**1746**	**28**	**1.6**

Other regions

As a result of the poor performance in the first quarter, China's oil demand is forecast to grow by only 20 tb/d y-o-y in 2009

China's apparent oil demand in April changed from negative to positive growth. Since the beginning of the year, China's oil demand has been on the decline; however, April data indicated a 1.2% growth or 100,000 b/d increase y-o-y. Furthermore, the country's oil imports switched from a y-o-y decline of 7% in March to growth of 3.7% in April. Unlike last year where Chinese oil demand grew by 0.4 mb/d, this year oil demand growth is expected at only 51 tb/d or 0.6%. This moderate growth is as a result of falling exports which suppressed industrial production. However, despite the decrease in power usage, industrial production increased by 7% in March. This trend will push oil usage upward from the deep decline seen in the first quarter.

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



China began to increase its gasoline and diesel retail prices initially by 5%-6% in early June 2009 as a result of changes in international oil prices. China has adopted a more flexible regime which will allow domestic prices to reflect real crude prices. Fluctuations in retail prices are likely to affect the country's oil demand only in a minor way.

As a result of the poor performance in the first quarter, China's oil demand is forecast to grow by only 20 tb/d y-o-y in 2009.

FSU apparent oil demand was worse than expected, resulting from dreadful economic activities so far this year. As a result, the region's oil demand was revised down by 40 tb/d in 2009.

World Oil Supply

Non-OPEC

Forecast for 2008

Non-OPEC supply to decline by 0.19 mb/d in 2008

Non-OPEC supply is estimated to have averaged 50.32 mb/d in 2008, a drop of 0.19 mb/d from the previous year and unchanged from the last report. There were minor upward and downward revisions introduced to the fourth quarter of 2008 but these have offset each other. On a quarterly basis, non-OPEC supply in 2008 stands at 50.73 mb/d, 50.55 mb/d, 49.72 mb/d and 50.27 mb/d respectively.

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

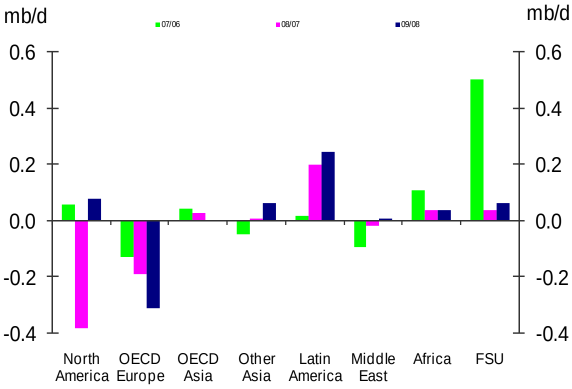


Table 14: Non-OPEC oil supply in 2008, mb/d

	2007	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07
North America	14.30	14.22	14.05	13.63	13.80	13.92	-0.38
Western Europe	5.23	5.20	5.04	4.82	5.12	5.04	-0.19
OECD Pacific	0.60	0.58	0.63	0.64	0.67	0.63	0.03
Total OECD	**20.14**	**20.01**	**19.72**	**19.09**	**19.59**	**19.60**	**-0.54**
Other Asia	3.74	3.80	3.71	3.73	3.75	3.75	0.01
Latin America	3.88	4.00	4.06	4.12	4.14	4.08	0.20
Middle East	1.67	1.65	1.66	1.66	1.64	1.65	-0.02
Africa	2.71	2.75	2.75	2.74	2.73	2.75	0.04
Total DCs	**12.00**	**12.20**	**12.19**	**12.25**	**12.27**	**12.23**	**0.23**
FSU	12.52	12.62	12.67	12.45	12.49	12.56	0.04
Other Europe	0.15	0.13	0.13	0.13	0.12	0.13	-0.02
China	3.77	3.82	3.88	3.85	3.85	3.85	0.08
Total "Other regions"	**16.44**	**16.57**	**16.68**	**16.43**	**16.46**	**16.53**	**0.10**
Total Non-OPEC production	**48.58**	**48.78**	**48.60**	**47.77**	**48.32**	**48.37**	**-0.21**
Processing gains	1.92	1.95	1.95	1.95	1.95	1.95	0.03
Total Non-OPEC supply	**50.50**	**50.73**	**50.55**	**49.72**	**50.27**	**50.32**	**-0.19**
Previous estimate	50.50	50.73	50.55	49.72	50.27	50.32	-0.19
Revision	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Revisions to the 2008 estimate

In 2008, non-OPEC supply forecast experienced continued downward revisions. Since the initial forecast of a growth of 1.01 mb/d over 2007, the projection experienced a series of amendments to take into account the persistently evolving conditions. Among the factors affecting developments in non-OPEC supply were delays, policies, weather conditions, price environment, and technical problems. North America and FSU projections contributed to the bulk of the downward supply revisions for 2008. The heavier-than-expected decline in Mexico as well as various delays in Canada and the effect of hurricanes in the Gulf of Mexico have all caused the North America supply forecast to move from an initial growth of 0.22 mb/d to a current decline of 0.38 mb/d.

The FSU supply forecast has also gone through various downward revisions with the region's supply moving from an initial growth of 0.46 mb/d to only 40 tb/d. Russia oil supply experienced its first annual supply decline in almost a decade due to various project delays and many above-ground factors. Azerbaijan supply suffered from the BTC pipeline explosion and the ACG gas leak. Supplies from other regions have also influenced non-OPEC supply in 2008.

Non-OPEC supply to grow by 0.21 mb/d in 2009

Forecast for 2009

Non-OPEC supply in 2009 is forecast to increase by 0.21 mb/d over the previous year to average 50.52 mb/d, representing a minor downward revision of 10 tb/d from the previous forecast. On a quarterly basis, non-OPEC supply is foreseen to stand at 50.71 mb/d, 50.38 mb/d, 50.28 mb/d, and 50.73 mb/d respectively.

Table 15: Non-OPEC oil supply in 2009, mb/d

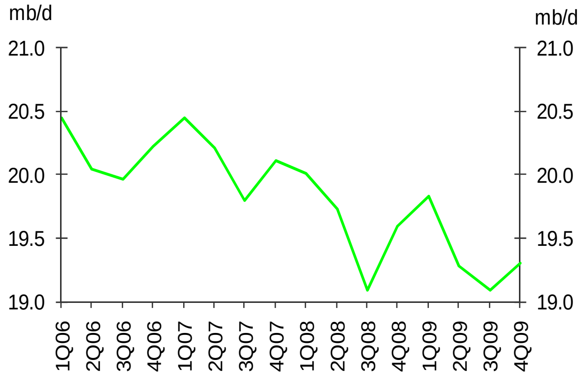
	2008	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08
North America	13.92	14.15	13.91	13.93	14.02	14.00	0.08
Western Europe	5.04	5.04	4.73	4.51	4.68	4.74	-0.31
OECD Pacific	0.63	0.64	0.65	0.66	0.61	0.64	0.00
Total OECD	**19.60**	**19.83**	**19.28**	**19.09**	**19.30**	**19.37**	**-0.23**
Other Asia	3.75	3.72	3.76	3.88	3.89	3.81	0.06
Latin America	4.08	4.27	4.26	4.37	4.39	4.32	0.24
Middle East	1.65	1.63	1.67	1.67	1.67	1.66	0.00
Africa	2.75	2.74	2.77	2.79	2.82	2.78	0.03
Total DCs	**12.23**	**12.36**	**12.46**	**12.71**	**12.76**	**12.57**	**0.34**
FSU	12.56	12.60	12.69	12.50	12.69	12.62	0.06
Other Europe	0.13	0.12	0.12	0.12	0.12	0.12	0.00
China	3.85	3.80	3.84	3.88	3.86	3.85	0.00
Total "Other regions"	**16.53**	**16.53**	**16.66**	**16.50**	**16.68**	**16.59**	**0.06**
Total Non-OPEC production	**48.37**	**48.72**	**48.39**	**48.30**	**48.75**	**48.54**	**0.17**
Processing gains	1.95	1.98	1.98	1.98	1.98	1.98	0.03
Total Non-OPEC supply	**50.32**	**50.71**	**50.38**	**50.28**	**50.73**	**50.52**	**0.21**
Previous estimate	50.32	50.71	50.42	50.29	50.74	50.54	0.22
Revision	0.00	0.00	-0.04	0.00	0.00	-0.01	-0.01

OECD supply to decline by 230 tb/d in 2009

OECD

Total OECD countries' oil supply is expected to average 19.37 mb/d in 2009, indicating a decline of around 230 tb/d from the previous year, representing a downward revision of around 5 tb/d from the earlier forecast. The downward revision came mainly from Western Europe and OECD Pacific, while North America supply indicated an upward revision that partially offset the downward revision. The upward revisions came mainly in the first quarter of 2009. The second quarter supply forecast encountered downward revisions, which partially offset the upward revisions in other quarters. The upward revisions were introduced on the back of adjustment to actual production figures which indicated signs of better-than-expected output. The downward revisions were necessary due to announced early maintenance reported in different areas of the OECD, in addition to many other factors. On a quarterly basis, OECD supply now stands at 19.83 mb/d, 19.28 mb/d, 19.09 mb/d, and 19.30 mb/d respectively.

Graph 22: OECD's quarterly production



North America supply forecast experienced an upward revision of 30 tb/d for total 2009 supply to stand at 14.00 mb/d, an increase of 80 tb/d over the previous year. The upward revision came on the back of revisions to the US and Mexico supply forecasts. On a quarterly basis, North America supply is foreseen at 14.15 mb/d, 13.91 mb/d, 13.93 mb/d, and 14.02 mb/d respectively. The Western Europe supply forecast was revised down by 15 tb/d to stand at an average of 4.74 mb/d, a decline of 310 tb/d. On a quarterly basis, Western Europe supply is seen at 5.04 mb/d, 4.73 mb/d, 4.51 mb/d, and 4.68 mb/d respectively. OECD Pacific experienced a downward revision of 20 tb/d compared to the previous month. OECD Pacific oil supply is now projected to average 0.64 mb/d in 2009, flat compared to the previous year following a downward revision incorporating recently received production figures.

USA

US supply show the largest non-OPEC growth of 0.25 mb/d

US oil supply in 2009 is expected to increase by around 250 tb/d over the previous year to average 7.75 mb/d, representing an upward revision of 13 tb/d over the earlier estimate. The updated actual production data for the first quarter required this minor upward revision. The shutdown experienced in some fields in Alaska, following the closure of the Drift River oil terminal due to volcanic activity, is foreseen to have a minor influence on the overall US supply. Forecast US supply growth remains the largest among all non-OPEC countries supported by various projects such as the Tahiti developments which are seen as one of the main supporting factors driving US supply growth, a project which is expected to ramp-up quickly. However, risks remain with the start of the Atlantic hurricane season. On a quarterly basis, US oil supply is foreseen at 7.79 mb/d, 7.74 mb/d, 7.70 mb/d, and 7.78 mb/d respectively. According to the preliminary data, US oil supply is estimated to have averaged 7.71 mb/d in May.

Canada and Mexico

Canada supply to average 3.29 mb/d in 2009

Oil supply from **Canada** is estimated to average 3.29 mb/d in 2009, an increase of around 40 tb/d over the previous year, indicating a minor downward revision of 6 tb/d from the previous report. The supply forecast for the first quarter encountered an upward revision to reflect adjustments due to preliminary data. However, more than two months maintenance on the Syncrude coker at the Fort McMurray operations during the second quarter required a downward revision that more than offset the minor upward revision in the first quarter. On a quarterly basis, Canada production is forecast to average 3.31 mb/d, 3.19 mb/d, 3.27 mb/d and 3.37 mb/d respectively. According to preliminary data, Canadian oil supply is estimated to have averaged 3.01 mb/d in May.

Mexico supply to decline by 210 tb/d in 2009

Mexico is anticipated to average 2.96 mb/d in 2009, a decline by around 210 tb/d from the previous year, follwing an upward revision of 23 tb/d. The upward revision was supported by adjustments to production figures as well as expected additions coming from the Ayatsil field near the Ku-Maloob-Zapp (KMZ) and the Chicontepec field. The KMZ, which recently overtook the Cantarell as Mexico’s biggest producing field, is foreseen to maintain its peak production in 2009. Despite the difficult technical conditions and geology, the Chicontepec field is expected to add new volumes which will partially offset the decline trend. On a quarterly basis, Mexico oil supply is expected to average 3.04 mb/d, 2.98 mb/d, 2.96mb/d, and 2.87 mb/d respectively.

Western Europe

Western Europe supply to average 4.76 mb/d in 2009

Oil supply from **OECD Western Europe** is foreseen to decline by around 310 tb/d from the previous year to average 4.74 mb/d in 2009. Compared to previous assessments, OECD Western Europe oil supply is forecast to decrease by around 15 tb/d, following adjustments to Norway and UK supply projections. On a quarterly basis, OECD Western Europe supply in 2009 is seen at 5.04 mb/d, 4.73 mb/d, 4.51 mb/d and 4.68 mb/d respectively.

Norway projected to average 2.34 mb/d in 2009

Norwegian oil supply is forecast to average 2.34 mb/d in 2009, a decline of 120 tb/d compared to the previous year, representing a downward revision of 20 tb/d. The downward revision came despite an upward revision in the first quarter to adjust for actual production data. However, the other quarters in 2009 saw downward revisions with the second quarter experiencing the largest. The downward adjustment came on the back of various unplanned shutdowns, such as the disruption of some volumes that feed the Ekofisk stream pipeline due to a leak. Also, production was lower due to a shutdown at the Volhall oil field caused by technical issues as well as a leak at the Kollsnes gas process center which reduced condensate production. On a quarterly basis, Norway supply is expected to average 2.52 mb/d, 2.29 mb/d, 2.19 mb/d and 2.35 mb/d respectively. Preliminary data indicates that Norway’s production stood at 2.34 mb/d in April, a decline of 180 tb/d from March.

UK supply to drop 130 tb/d in 2009

Oil supply from the **UK** is anticipated to decline by 130 tb/d from the previous year to average 1.44 mb/d in 2009, indicating a minor upward revision of 6 tb/d. The upward revision was introduced in the first quarter to adjust for actual production data. The remaining quarters remained relatively unchanged. On a quarterly basis, UK oil supply stands at 1.56 mb/d, 1.46 mb/d, 1.38 mb/d and 1.37 mb/d respectively.

Denmark and **Other Europe** oil supply remained relatively flat from last month's evaluation at 0.26 mb/d and 0.70 mb/d, respectively. There were minor adjustments to first quarter supply but these did not affect the annual figures. Denmark oil supply is expected to experience an annual drop of around 20 tb/d on mature field declines.

Asia Pacific

OECD Pacific supply to remain flat

OECD Asia Pacific oil supply is projected to average 0.64 mb/d in 2009, unchanged from the previous year. OECD Pacific supply was revised down 20 tb/d, due to changes to Australia and New Zealand supply forecasts. On a quarterly basis, OECD Pacific oil supply is seen to average 0.64 mb/d, 0.65 mb/d, 0.66 mb/d and 0.61 mb/d respectively.

Australian supply unchanged from last year

Oil supply from **Australia** is anticipated to remain unchanged compared to the previous year to average 0.54 mb/d in 2009, representing a downward revision of 8 tb/d. Updated production data for the first quarter indicated lower-than-expected production which required the minor downward revision. On quarterly basis, Australia supply is foreseen to average 0.55 mb/d, 0.54 mb/d, 0.55 mb/d, and 0.50 mb/d respectively.

New Zealand oil supply is estimated to average 0.10 mb/d in 2009, flat from the previous year following a downward revision of 12 tb/d. The downward revision came on the back of updated information regarding the ramp-up of the Maari field which is now expected to peak in 2010.

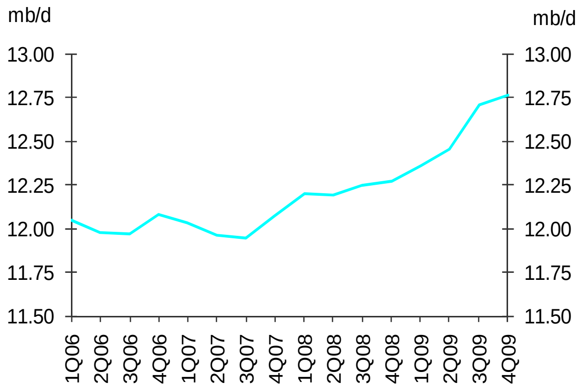
Developing Countries

DC supply to average 12.57 mb/d in 2009

Developing Countries (DCs) oil supply is forecast to average 12.57 mb/d in 2009, an increase of 0.34 mb/d over 2008, indicating a downward revision of 49 tb/d from last month's level. Oil supply from Other Asia is estimated to increase by around 60 tb/d to average 3.81 mb/d in 2009. Latin America oil supply is expected to increase by 0.24 mb/d to average 4.32 mb/d in 2009. The Middle East oil supply is seen to remain relatively unchanged in 2009 compared to the previous year. Oil production from the African region is foreseen to increase by 30 tb/d to average 2.78 mb/d in 2009. On a quarterly basis, DC total oil supply is projected to stand at 12.36 mb/d, 12.46 mb/d, 12.71 mb/d and 12.76 mb/d respectively.

Other Asia supply to average 3.81 mb/d in 2009

Graph 23: Developing Countries' quarterly production



Oil supply from **Other Asia** is expected to average 3.81 mb/d in 2009, a growth of 60 tb/d over the previous year. The current supply level for Other Asia represents a downward revision of 14 tb/d from the previous month as a result of downward adjustments to the supply forecasts for India and Indonesia, while supply projections for Thailand encountered a minor quarterly upward revision, which was not enough to affect the annual level. India oil supply forecast was revised up slightly in the first quarter to adjust for actual production figures. However, the third and fourth quarters experienced downward revisions on the back of the redistribution of the addition from the Mangala oil field which is expected to start production in the second half of 2009. India oil supply is seen to average 0.82 mb/d in 2009, flat compared to the previous year. Oil supply from Indonesia was revised down on the back of delays affecting the Cepu development. Currently, Indonesia supply is foreseen to increase by 20 tb/d over last year to average 1.06 mb/d in 2009. In Thailand, the Bualuang oil field is expected to add a small volume to supply, which required a minor quarterly upward revision. On a quarterly basis, Other Asia stands at 3.72 mb/d, 3.76 mb/d, 3.88 mb/d and 3.89 mb/d respectively.

Latin America to increase by 0.24 mb/d in 2009

Oil supply from **Latin America** is expected to average 4.32 mb/d in 2009, an increase of 0.24 mb/d over last year following a downward revision of 10 tb/d. Supply growth from Latin America in 2009 remains the highest among all non-OPEC groups despite the minor downward revision of this month's supply estimates. The downward revisions came on the back of adjustment to actual production data for both Argentina and Colombia. Brazil remains as the strongest link in terms of supply growth in Latin America with an anticipated increase of

0.20 mb/d in 2009. On a quarterly basis, Latin America supply stands at 4.27 mb/d, 4.26 mb/d, 4.37 mb/d and 4.39 mb/d respectively.

Middle East to remain at 1.66 mb/d in 2009

Middle East oil supply is foreseen to remain relatively unchanged in 2009, indicating a downward revision of around 7tb/d. The downward revision affected Syria's supply forecast on the back of adjustment to actual production figures in the first quarter. The minor downward revision came despite the expectation of improved output from the Khurbet field. According to the current forecast, Syria oil supply is seen to average 0.40 mb/d in 2009, unchanged from last year's level. On quarterly basis, Middle East supply stands at 1.63 mb/d in the first quarter and 1.67 mb/d in the remaining quarters.

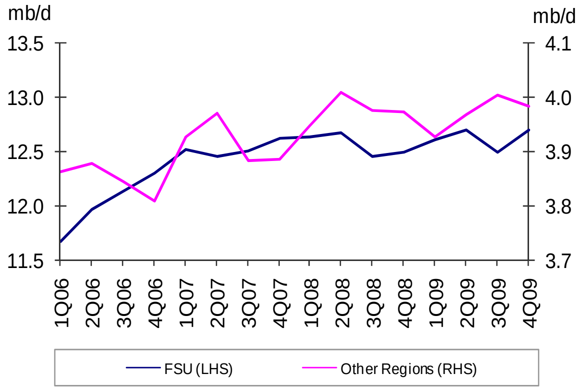
African supply is seen to average 2.78 mb/d in 2009, an increase of 30 tb/d over the previous year following a downward revision of 17 tb/d. The downward revision was introduced to Congo and Sudan supply forecasts following adjustments to preliminary production data. Congo oil supply is forecast to increase by 30 tb/d to average 0.29 mb/d in 2009 at 1.66 mb/d supported by the Moho Bilondo developments. On a quarterly basis, African supply stands at 2.74 mb/d, 2.77 mb/d, 2.79 mb/d and 2.82 mb/d respectively.

FSU, Other Regions

FSU supply to grow by 60 tb/d in 2009

Oil supply from the **FSU** is estimated to grow by around 60 tb/d over the previous year to average 12.62 mb/d in 2009. The current supply forecast represents a minor upward revision of 26 tb/d due to adjustments to Russia, Kazakhstan and Azerbaijan. On a quarterly basis, total oil supply in the FSU is estimated to stand at 12.60 mb/d, 12.69 mb/d, 12.50 mb/d and 12.69 mb/d respectively. Oil supply from **China** is foreseen to increase by around 30 tb/d over the previous year to average 3.85 mb/d in 2009. Other Europe is seen to remain flat at 0.12 mb/d.

Graph 24: FSU and other region's quarterly production



Russia

Russia supply forecast revised up slightly

Oil supply from **Russia** is expected to average 9.70 mb/d in 2009, a drop of around 80 tb/d from last year. This represents an upward revision of 12 tb/d due to healthy production levels. The positive performance seen in Russia production requires careful monitoring of the supply forecast over the coming period as expected new additions from the Kamennoye, Vankor and Yuri Korchagin fields to oil supply will have a considerable impact on overall Russian supply. Additionally, the devaluation of the rouble against the US dollar has reduced the impact of lower capex on Russia oil supply. On quarterly basis, Russian oil supply is seen to average 9.77 mb/d, 9.72 mb/d, 9.66 mb/d and 9.64 mb/d respectively. May preliminary data suggests that Russia production stood at 9.85 mb/d.

Caspian

Kazakhstan supply to average 1.49 mb/d in 2009

Kazakh oil production is projected to increase by 80 tb/d over the previous year to average 1.49 mb/d in 2009. This represents a minor upward revision of 5 tb/d due to the expected startup of the Komsomolskoe field over the coming period. Within the FSU region, Kazakhstan remains the country with highest expected growth in 2009. The relatively significant growth is supported by the completion of capacity expansion at the Tengiz field. On a quarterly basis, Kazakhstan supply is anticipated to stand at 1.48 mb/d, 1.51 mb/d, 1.40 mb/d and 1.58 mb/d respectively.

Azerbaijan supply to grow by 60 tb/d

Azeri oil supply is forecast to increase by 60 tb/d over last year to average 0.97 mb/d in 2009, representing a minor upward revision of 8 tb/d. The adjustment came only in the first quarter to reflect updated actual production data. On a quarterly basis, Azerbaijan oil supply is estimated to average 0.91 mb/d, 0.99 mb/d, 0.96 mb/d and 1.00 mb/d respectively.

Oil supply from **Other Europe** remained relatively steady from the previous month with the supply forecast for 2009 averaging 0.12 mb/d.

China

China supply to average 3.85 mb/d in 2009

Oil supply from **China** is expected to remain relatively unchanged from the previous year to average 3.85 mb/d in 2009. The current level indicates an upward revision of 15 tb/d. The revisions were adopted in the second, third and fourth quarters on the back of redistribution of the Bohai Bay production. On a quarterly basis, China oil supply is estimated to average 3.80 mb/d, 3.84 mb/d, 3.88 mb/d and 3.86 mb/d respectively.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are estimated to have averaged 4.31 mb/d in 2008, a growth of around 0.28 mb/d over the previous year, unchanged from last month. In 2009, OPEC NGLs and non-conventional oils are forecast to increase by 0.36 mb/d to average 4.68 mb/d.

Table 16: OPEC NGLs + non-conventional oils, 2006-2009

	2006	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07	2009	Change 09/08
Total OPEC	**3.89**	**4.03**	0.14	4.22	4.33	4.35	4.35	**4.31**	0.28	**4.68**	0.36

OPEC crude oil production

OPEC crude output averaged 28.27 mb/d in May

Total OPEC crude oil production averaged 28.27 mb/d in May, according to secondary sources, up 135 tb/d from the previous month. Most Member Countries saw minor increases in crude oil production, except Algeria and Qatar where output declined slightly. Angola, Venezuela and Nigeria supply experienced increases of 20 tb/d or more in May compared to a month earlier. As per secondary sources, OPEC crude production, not including Iraq, stood at 25.90 mb/d in May, an increase of 119 tb/d from the previous month.

Table 17: OPEC crude oil production based on *secondary sources*, 1,000 b/d

	2007	2008	3Q08	4Q08	1Q09	Mar 09	Apr09	May 09	*May/Apr*
Algeria	1,360	1,390	1,401	1,362	1,266	1,253	1,263	1,257	*-5.5*
Angola	1,660	1,871	1,845	1,870	1,700	1,665	1,698	1,750	*51.7*
Ecuador	507	503	503	501	482	475	478	480	*2.1*
Iran, I.R.	3,855	3,892	3,917	3,831	3,683	3,658	3,708	3,716	*7.7*
Iraq	2,089	2,338	2,329	2,336	2,321	2,338	2,352	2,368	*15.9*
Kuwait	2,464	2,554	2,600	2,500	2,276	2,230	2,236	2,236	*0.2*
Libya, S.P.A.J.	1,710	1,715	1,683	1,697	1,577	1,549	1,554	1,566	*11.8*
Nigeria	2,125	1,947	1,955	1,931	1,815	1,758	1,721	1,740	*19.5*
Qatar	807	840	859	810	762	754	768	765	*-3.3*
Saudi Arabia	8,654	9,113	9,460	8,760	7,964	7,959	7,905	7,916	*11.1*
UAE	2,504	2,557	2,603	2,431	2,268	2,246	2,238	2,238	*0.5*
Venezuela	2,392	2,346	2,339	2,299	2,202	2,198	2,215	2,238	*23.0*
Total OPEC	**30,126**	**31,066**	**31,495**	**30,328**	**28,315**	**28,083**	**28,136**	**28,271**	***134.7***
OPEC excl. Iraq	**28,037**	**28,728**	**29,166**	**27,993**	**25,995**	**25,745**	**25,784**	**25,903**	***118.8***

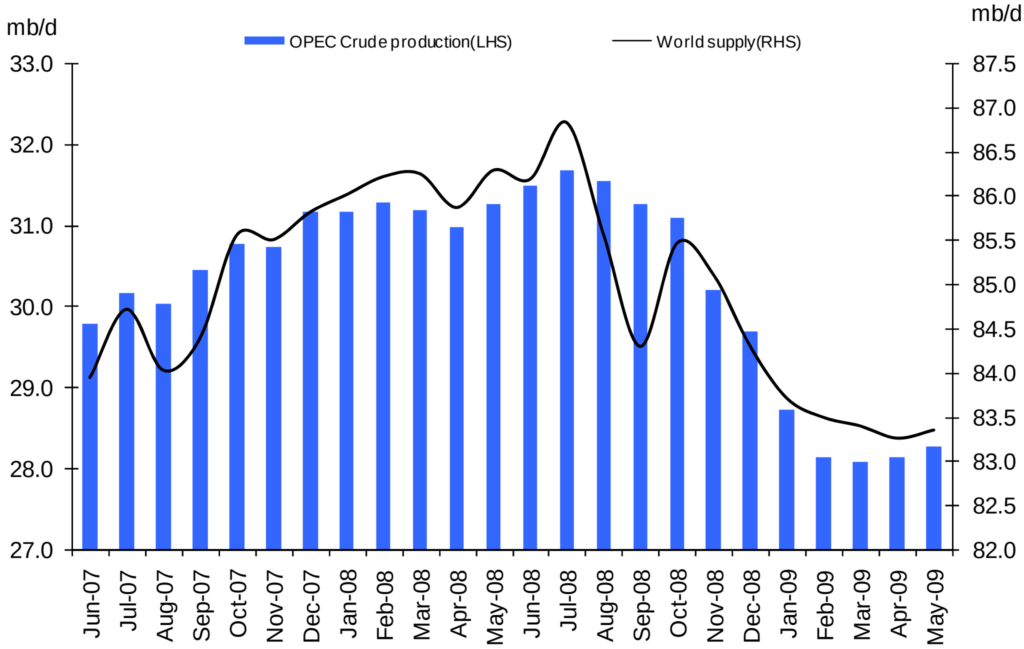
Totals may not add due to independent rounding.

World Oil Supply

Global supply estimated at 83.4 mb/d in May

Preliminary figures indicate that global oil supply increased 90 tb/d in May to average 83.35 mb/d. Non-OPEC supply experienced a drop of around 40 tb/d while OPEC crude production increased. The share of OPEC crude oil in global production increased slightly to 33.9% in May. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Graph 25: OPEC and World oil supply

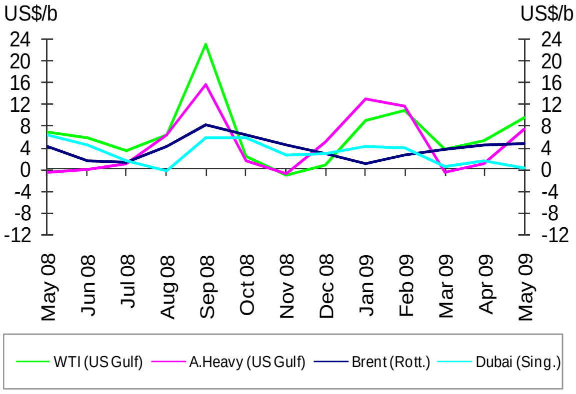


Product Markets and Refinery Operations

Refining margins surged in the Atlantic Basin

A combination of gasoline stock draws in the US with lower refinery runs and product output have provided support for product markets and lifted refining margins, especially in the Atlantic Basin. However, due to bearish momentum in the distillates market and an expected lack of sufficient strength in gasoline demand over the driving season, the recent positive developments in the gasoline market are not expected to persist over the coming months to lead the market.

Graph 26: Refining margins



Meanwhile, ample distillate stocks have created operational restrictions for refiners to significantly boost throughputs over the coming months as higher outputs would further deteriorate middle distillate market fundamentals and exert pressure on refining margins. Under such circumstances, refiners would try to switch their operation mode in favour of gasoline production rather than boost their runs. Additionally, the recent uplift in crude prices may also have a negative impact on refining margins and encourage refiners to continue lower-than-normal throughputs over the coming months.

As **Graph 26** shows, refining margins for WTI crude on the US Gulf Coast jumped to $9.43/b in May from $5.25/b the previous month. Although current refining margins may hold up over the very short-term, there is a risk of downward pressure if gasoline demand remains weak over the driving season. In Europe, the market followed a similar trend and refining margins for Brent crude rose to $4.54/b from $4.33/b in April.

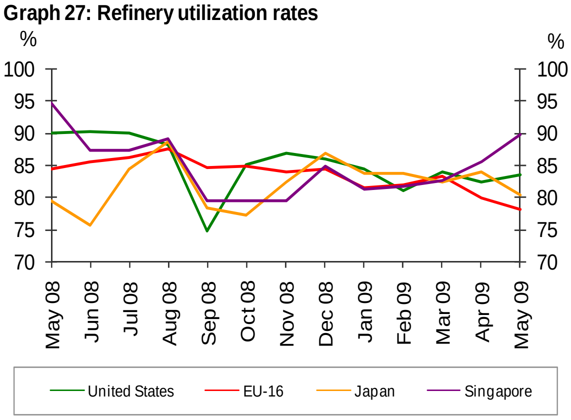
In Asia, refining margins remained unhealthy due to more costly crude oil and slowing demand for products. Refining margins for Dubai crude oil in Singapore fell to 19¢/b in May from $1.60/b the previous month. Looking ahead, arbitrage opportunities to the US West Coast and tight product supplies, resulting from a continuation of seasonal refinery turnarounds, may lift Asian refining margins next month.

Refinery operations

Refinery throughputs have not yet experienced a seasonal surge in the Atlantic Basin

Refinery utilization rates, especially in the Atlantic Basin, usually increase in May. However, due to poor performance of refinery economics in recent months, Western refiners so far have not followed their typical behaviour and are reluctant to lift operation levels. The current operation policy may continue over the coming months.

Graph 27: Refinery utilization rates



As Graph 27 indicates, refinery utilization rates in the US in May increased slightly by 1% compared to the previous month to record 83.4%. In Europe, refinery utilization rates are estimated to fall by 1.6% to reach 78.2% from 79.8% in April. In Asia, refinery throughputs fell further due to continued seasonal maintenance. Refinery utilization rates in Japan slipped by 3.6% to 80.2% from 83.8 % in the previous month.

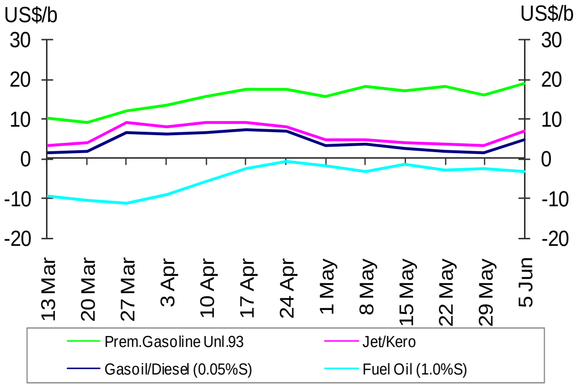
Looking ahead, with the start of the driving season and completion of maintenance schedules, particularly in the Atlantic Basin, refinery utilization rates are expected to increase in the coming months. However, due to the underlying economic crisis and its adverse impact on product demand, refiners are not expected to raise their operation levels significantly in the next months.

Gasoline stock draws in May lifted US refining margins

US market

A combination of lower refinery runs and increasing gasoline demand prior to the start of the driving season has led to gasoline stock draws and provided support for both futures and cash gasoline markets. According to the latest EIA report, US gasoline demand growth has improved compared to recent months, but remains weak. The recent bullish developments in the gasoline market have also given support to the naphtha market.

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



Following these developments, the gasoline crack spread against WTI crude on the US Gulf Coast jumped to around $19/b from $15/b in April. Approaching the peak of the driving season, market players will concentrate their attention to gasoline stock developments, however, due to ample idle refinery capacity, the gasoline market is not expected to lead the market in the next months.

Meanwhile, ample stocks of middle distillates along with sluggish demand resulting from the underlying economic crisis have further deteriorated middle distillate market sentiment. In line with these developments, the gasoil crack spread in the US Gulf Coast slid to $2/b in May from nearly $5/b the previous month. Due to persisting bearish momentum in the distillates market, refiners are not able to increase operation levels significantly, as it would lead to a further deterioration in the market. Considering such circumstances, American refiners would prefer to adjust their operation mode in favour of gasoline rather than to follow up the typical seasonal trend and increase throughputs.

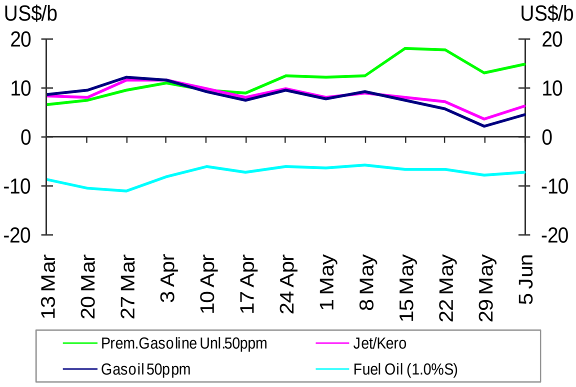
US fuel oil market performance has weakened in May due to slowing regional demand and limited arbitrage opportunity to Asia-Pacific. The fuel oil crack spread against WTI crude fell to minus $4/b in the latter part of May from about minus $2/b in April. The current situation of the fuel oil market may deteriorate further in the coming months due to increasing refinery throughputs.

European market benefited from positive developments in the US gasoline market

European market

European gasoline market sentiment was boosted by bullish reports about the US gasoline market and gasoline prices have jumped significantly in the last weeks. Export opportunities to West Africa and Middle East also provided support for the European gasoline market. The gasoline spread against Brent crude oil surged to over $15/b in May from around $10/b the previous month. The current situation of the European gasoline market may change in the next months as refiners switch their operation mode in favour of gasoline outputs.

Graph 29: Rotterdam crack spreads vs. Brent, 2009



Europe as a major outlet for middle distillates is also faced with ample distillates stocks and relatively weak demand. This situation has further undermined distillate market sentiment and widened the contango level for the coming months. The persisting contango level would encourage market players to continue building distillate stocks over the next months. Following these developments, the gasoil crack spread versus Brent crude oil plummeted to around $3/b from about $10/b in April (*see **Graph 29***). Due to continued economic weakness and the negative impacts on middle distillate demand, the current situation of the European distillates market is not expected to improve in the near future.

Despite bearish developments on the gasoil market, some positive signs can be seen in the European jet fuel oil market. In line with this movement, the jet fuel swaps market flipped into backwardation. Bullish movements on the jet fuel swaps market may encourage market participants to start selling from floating storage.

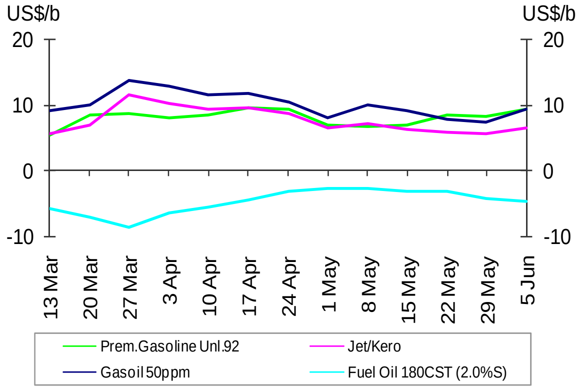
European fuel oil prices continued to strengthen along with crude oil in May. But limited export opportunities to Asia and ample supplies from Russia exerted pressure on fuel oil market sentiment over the last weeks. As **Graph 29** shows the crack spread of low sulfur fuel oil versus Brent crude oil widened to minus $7.5/b in the latter part of May from minus $5/b early May. The European fuel oil market situation may ease further in the next month amid limited regional demand and potential excess supplies resulting from increasing refineries' throughputs during the driving season.

Asian market

Asian naphtha market sentiment has improved

Increasing demand from petrochemical units along with fewer European arbitrage cargoes and limited exports from India have lifted naphtha prices in Asia. Although the near-term outlook for the naphtha market appears firm, the arbitrage cargoes from Europe are expected to increase in future as many European petrochemical units switched their feedstock from naphtha to liquefied petroleum gas.

Graph 30: Singapore crack spreads vs. Dubai, 2009



Apart from naphtha, the gasoline market in Asia gained momentum in the last weeks due to tight supplies resulting from refinery maintenance and export opportunity to the US west coast market. Gasoline crack spread against Dubai crude oil in Singapore surged to around $10/b recently from about $7/b in April (*see **Graph 30***). Similarly, due to the unplanned shutdown of the Cilacap refinery in Indonesia, the Asian gasoline market is expected to gain further ground in the near future.

Despite positive developments in the light distillates market, middl-of-the-barrel components continued to lose momentum due to slowing regional demand and additional supplies from the new refinery capacities in India and China. The gasoil crack spread fell to below $7/b due to increasing inventory levels. Considering the current prospects for Asian economic growth, the middle distillates market is Asia is not expected to rebound in the coming months.

With regard to fuel oil, the Asian market sentiment remained strong due to fewer supplies from the West, Middle East and fewer regional supplies because of refinery maintenance schedules. Following these developments, backwardation widened in the fuel oil market and the crack spread versus Dubai crude remained around $3/b. Positive developments in the Asian fuel oil market have provided support for heavy crude oil differentials in the spot market.

Table 18: Refined product prices, US$/b

		Mar 09	Apr 09	May 09	Change May/Apr
US Gulf (Cargoes):					
Naphtha		51.79	52.45	62.48	10.03
Premium gasoline	*(unleaded 93)*	59.71	65.66	72.93	7.27
Regular gasoline	*(unleaded 87)*	55.15	58.75	68.93	10.17
Jet/Kerosene		53.66	57.62	59.88	2.26
Gasoil	*(0.05% S)*	51.79	55.97	58.49	2.52
Fuel oil	*(1.0% S)*	38.74	46.41	54.14	7.73
Fuel oil	*(3.0% S)*	37.61	42.86	49.75	6.89
Rotterdam (Barges FoB):					
Naphtha		43.82	44.61	47.57	2.96
Premium gasoline	*(unleaded 10 ppm)*	54.68	58.56	68.88	10.32
Premium gasoline	*(unleaded 95)*	51.85	54.21	63.77	9.56
Jet/Kerosene		55.33	57.38	58.69	1.31
Gasoil/Diesel	*(10 ppm)*	55.90	56.88	57.93	1.05
Fuel oil	*(1.0% S)*	36.43	41.71	45.54	3.83
Fuel oil	*(3.5% S)*	37.29	40.33	46.31	5.98
Mediterranean (Cargoes):					
Naphtha		42.05	43.40	45.90	2.51
Premium gasoline	*(50 ppm)*	51.28	53.78	55.79	2.01
Jet/Kerosene		53.64	55.88	57.53	1.65
Gasoil/Diesel	*(50 ppm)*	76.56	75.88	76.88	1.00
Fuel oil	*(1.0% S)*	39.37	42.31	47.89	5.59
Fuel oil	*(3.5% S)*	36.74	40.52	46.08	5.56
Singapore (Cargoes):					
Naphtha		46.53	49.35	51.44	2.09
Premium gasoline	*(unleaded 95)*	54.20	60.46	65.24	4.77
Regular gasoline	*(unleaded 92)*	53.14	58.27	62.36	4.10
Jet/Kerosene		53.34	59.10	61.02	1.93
Gasoil/Diesel	*(50 ppm)*	56.20	61.14	63.13	1.99
Fuel oil	*(180 cst 2.0% S)*	38.70	45.66	51.94	6.27
Fuel oil	*(380 cst 3.5% S)*	38.05	44.90	51.34	6.44

Table 19: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Mar 09	Apr 09	May 09	May/Apr	Mar 09	Apr 09	May 09	May/Apr
USA	14.64	14.38	14.55	0.17	83.9	82.4	83.4	1.0
France	1.62	1.43	1.40	-0.03	81.7	72.0	70.2	-1.7
Germany	2.09	2.17	2.09	-0.07	86.6	89.6	86.6	-3.1
Italy	1.73	1.69	1.63	-0.05	73.9 R	72.1	69.8	-2.3
UK	1.52	1.37	1.42	0.05	81.7	73.7	76.4	2.7
Euro16	11.71	11.23	10.99	-0.24	83.3	79.8	78.2	-1.7
Japan	3.83	3.90	3.73	-0.17	82.3	83.8	80.2	-3.7

R *Revised since last issue.*

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

The Tanker Market

OPEC spot fixtures increased by over 20% compared to the previous month

According to preliminary data, OPEC spot fixtures increased in May by as much as 21% compared to the very low rate the previous month, averaging about 13.04 mb/d. Both fixtures from the Middle East, east-bound and west-bound, were higher in May compared to a month earlier. Fixtures heading east increased by 34% to average 5.98 mb/d compared to 4.48 mb/d a month ago, while those heading west increased by 16% to average 1.27 mb/d compared to 1.1 mb/d a month earlier. OPEC spot fixtures in May also showed an increase of 2% compared to the same month a year ago. Similarly, global spot fixtures increased in May by 21% compared to the previous month to stand at 20.42 mb/d and were about 5% higher compared to the same month the previous year.

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

Sailings from OPEC in May were 22.85 mb/d, up 2% from 22.37 mb/d the previous month, but 6% lower than the same month a year earlier. Middle East sailings in May were at 16.71 mb/d, about 3% higher than at the previous month, but 5% lower than a year ago. Crude oil arrivals in the US dropped by 5% in May compared to the previous month. Crude oil trade figures indicated that US crude oil imports were 8% lower in May compared to the previous month, in line with lower crude arrivals to the country. Crude oil arrivals in Europe were also lower in May, while those in Japan were steady, both compared to the previous month.

Table 20: Tanker chartering, sailings and arrivals, mb/d

	Mar 09	Apr 09	May 09	Change May/Apr
Spot Chartering				
All Areas	17.00	16.91	20.42	3.51
OPEC	10.30	10.66	13.04	2.38
Middle East/ East	4.55	4.48	5.98	1.50
Middle East/ West	1.06	1.10	1.27	0.17
Outside Midlle East	4.69	5.08	5.79	0.71
Sailings				
OPEC	22.39	22.37	22.85	0.48
Middle East	16.19	16.27	16.71	0.44
Arrivals				
US Gulf Coast, US East Coast and Caribbean	8.53	8.78	8.34	-0.44
North-West Europe	7.35	7.25	7.18	-0.07
Euromed	4.78	5.97	5.91	-0.06
Japan	4.12	3.56	3.56	0.00

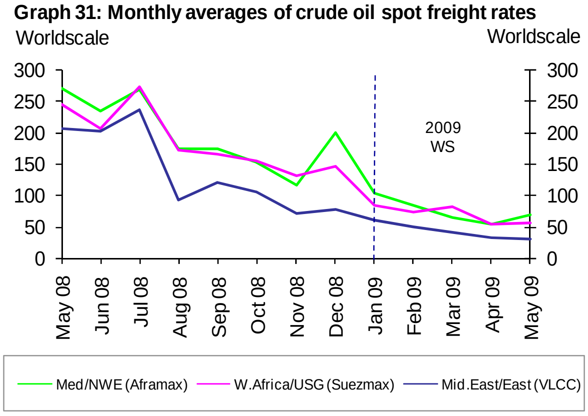
Source: "Oil Movements" and Lloyd's Marine Intelligence Unit.

Apart from the VLCC sector, the tanker market witnessed a relatively good month in May compared to the previous four months in 2009. The month ended with gains in all other vessel categories with the clean tanker market performing even better. The weakest sector in May was once again the VLCC sector which is apparently the sector that suffers most from the continued global economic crisis and OPEC production adjustments. High tonnage availability of the VLCC sector in May was enhanced by the return to the market of as many as 20 vessels that were tied-up in storage operations. In May, storing at sea lost momentum towards the end of the month with the narrowing of the contango structure in crude oil futures. Estimates put the number of VLCCs that were still tied up in storage operations at the end of the month at about 34 vessels, down from 53 at the end of April, representing about 7% of the global VLCC fleet. In addition, it is estimated that about 28 new VLCCs entered the market since the beginning of the year with very few getting out. In May the Suezmax market was in a better shape in both West Africa and North West Europe, while the Aframax sector performed the best and ended the month with good gains compared to April.

Taking the top three vessel categories into consideration, average spot freight rates for crude oil tankers were 5% higher in May compared to the previous month, yet 69% lower compared to the same month a year earlier, taking into consideration the changes in WS flat rates as of January 2009. Once again the VLCC sector was the weakest sector in May, declining by a further 5% from already very low rates the previous month. The Suezmax sector was almost steady this month with a slight increase of about 2% compared to a month earlier. Aframax freight rates had a relatively strong showing in May with a good level of activities to the West of Suez lifting average rates for the month by about 14% compared to the previous month.

On average, the VLCC spot freight rates were 5% lower in May compared to the previous month and substantially lower, by 78%, compared to the same month a year earlier. New vessels entering the market together with the release of about 20 VLCCs from storage operations at a time of lower OPEC production have all led to a substantial tonnage availability in the market, further depressing freight rates in this sector to levels not witnessed for a long time. It was reported that VLCC fixings out of the Middle East in May had declined to 98 compared to 107 during the same month last year. Spot freight rates for VLCCs trading on the long haul route from the Middle East-to-East, which declined by 25% in April compared to the previous month, declined by another 5% in May compared to the earlier month. Freight rates on this route started the month at WS30, reached WS27 in Mid-May and ended at WS29 with a monthly average of WS29. Middle East-to-West spot freight rates closed the month at an average of WS22, steady compared to the previous month after reaching as low as WS20 in the middle of the month. On the other hand, VLCC spot freight rates for voyages from West Africa-to-East were fluctuating between WS32 to WS37 throughout the month, ending at an average of WS33, about 8% lower compared to the previous month, the highest drop among all reported VLCC routes this month.

Graph 31: Monthly averages of crude oil spot freight rates



Suezmax spot freight rates for voyages to the US from West Africa and Northwest Europe (NEW) increased marginally in May by an average of 2% compared to the previous month, yet were 68% lower compared to the same month a year earlier, taking into consideration the changes in WS flat rates as of January 2009. On the West Africa-to-US route, freight rates firmed during the first half of the month supported by an increasing interest to load West African crudes onto smaller Suezmax vessels which pushed freight rates to as high as WS64 before weakening again, ending the month at WS42 with a monthly average of WS55. Freight rates on the NWE-to-US route followed exactly the same pattern of fluctuations, ending the month at an average of WS53.

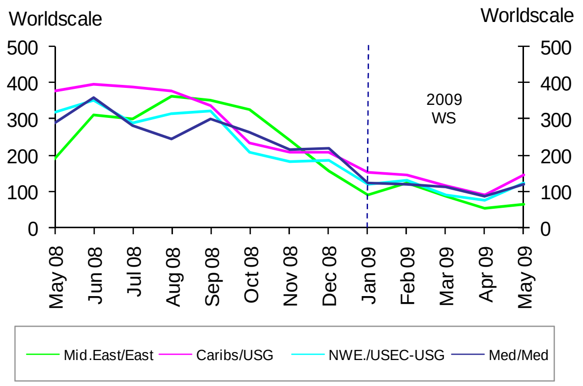
Average Aframax spot freight rates for the four reported routes increased in May by 14% compared to the previous month, yet were 66% lower compared to a year earlier. Apart from the East of Suez Aframax route, all West of Suez routes ended with a monthly gain compared to April, taking advantage of the 140,000 b/d increase in May's scheduled loadings of the Russian exports through the Black Sea. Freight rates on both the Mediterranean to NWE and the Caribbean to the US Coast Aframax routes indicated the highest monthly increase of 26% and 23% respectively, both compared to April. Rates on the cross Mediterranean route ended the month at about WS62 with a monthly average of WS68 indicating a gain of 10% compared to the previous month. To the East of Suez, freight rates on the Indonesia-to-East Aframax route were 3% lower in May compared to April mainly due to modest activity and plenty availability of tonnage.

Table 21: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	Mar 09	Apr 09	May 09	Change May/Apr
Crude					
Middle East/east	230-280	40	30	29	-1
Middle East/west	270-285	33	22	22	0
West Africa/east	260	42	36	33	-3
West Africa/US Gulf Coast	130-135	80	54	55	1
NW Europe/USEC - USGC	130-135	75	52	53	1
Indonesia/US West Coast	80-85	67	59	57	-2
Caribbean/US East Coast	50-55	119	62	76	14
Mediterranean/Mediterranean	80-85	71	62	68	6
Mediterranean/North-West Europe	80-85	64	53	67	14

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

Graph 32: Monthly averages of clean spot freight rates



The clean tanker market rebounded in May on the back of a very weak previous month. Apart from the East of Suez-to-Singapore route, all reported routes ended the month with a clear gain compared to a month earlier. On average, combined freight rates for East and West of Suez increased by 37% compared to the previous month, yet were 48% lower compared to the same month a year earlier. Storing products at sea continued in May, though at a slower pace compared to a month earlier. By the end of May, about 30 to 35 clean tankers were tied up in storage operations mainly in Northwest Europe. In addition, reports also indicated that at least two new VLCCs were hired to store gasoil in Europe toward the end of the month. The relative weaker showing of the East of Suez market was due to the fact that most of product floating storage was taking place to the West of Suez while the markets in Northwest Europe and the Caribbean were very active. The Middle East-to-East route, where freight rates declined by 37% in April compared to March, rebounded in May with an increase of about 20% compared to the previous month. Rates on this route started the month at about WS60 and ended at WS73 with a monthly average of WS65 compared to WS54 in April. Freight rates on the Singapore-to-East route dropped by 5% in May compared to the previous month. As a result, average East of Suez clean spot freight rates were 7% higher in May compared to the previous month but lower by 55% compared to the same month a year earlier.

On average, West of Suez clean freight rates were 47% higher in May compared to the previous month and were 46% lower compared to May 2008, taking into consideration the changes in West of Suez flat rates as of January 2009. Gasoline movements trans-atlantic from NWE continued their strong showing which started during the second half of April during most of May before easing towards the end of the month. Freight rates on this route ended the month at WS121 with a monthly average of WS125 indicating the highest increase of 64% among all West of Suez clean routes. Clean spot freight rates for the Caribbean-to-US route also increased by 60% in May compared to the previous month, but rates here were much stronger during the first half of the month, reaching as high as WS156 before ending at WS140 with a monthly average of WS147 compared to WS92 in April. In the Mediterranean, clean spot freight rates for both the cross-Mediterranean and the Med-to-NWE routes were higher in May by an average of 35% compared to the previous month.

Table 22: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	Mar 09	Apr 09	May 09	Change May/Apr
Products					
Middle East/east	30-35	87	54	65	11
Singapore/east	30-35	88	64	61	-3
Caribbean/US Gulf Coast	38-40	117	92	147	55
NW Europe/USEC - USGC	33-37	92	76	125	49
Mediterranean/Mediterranean	30-35	114	88	120	32
Mediterranean/North-West Europe	30-35	124	98	130	32

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

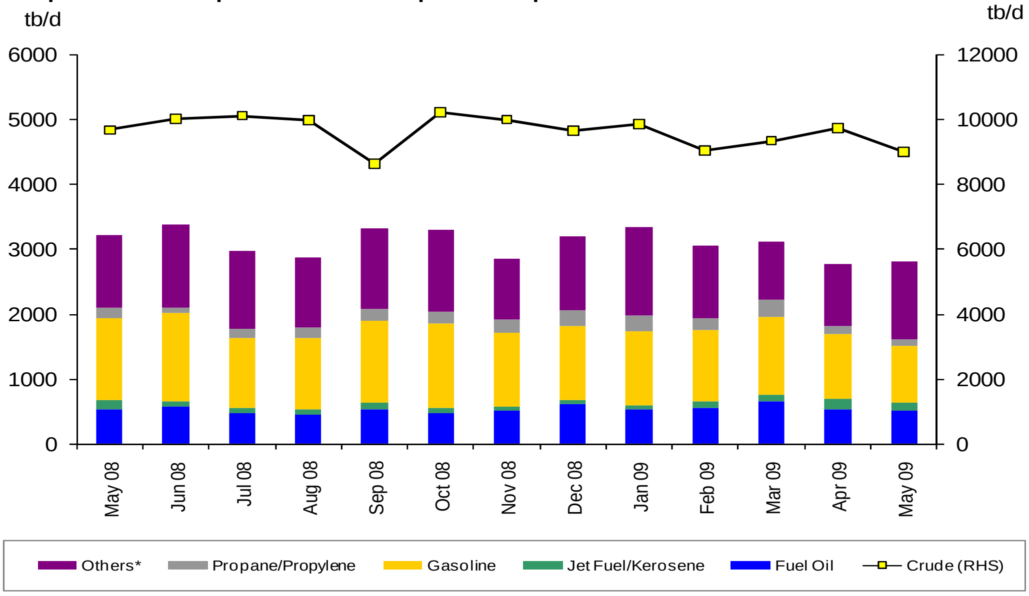
Oil Trade

US net oil imports declined in May by 7% on the back of a 0.74 mb/d drop in crude imports

USA

According to official data, US crude oil imports declined in May to average 8.98 mb/d, the lowest since October 2008 and about 8% or 740,000 b/d lower than the previous month and by almost the same percentage compared to May 2008. Including May's crude imports the five-month average for US imports in 2009 stands at about 9.38 mb/d, about 4%, or 380,000 b/d lower compared to the same period in 2008.

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

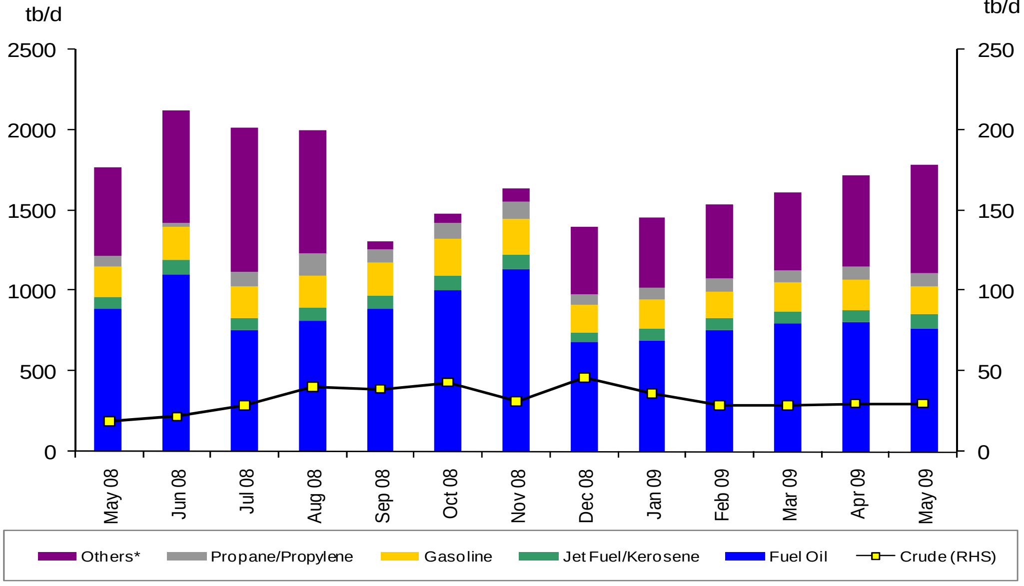


*Others: Contains Natural Gas Liquids, Liquefied Refinery Gases (LRG's), Other Liquids and all Finished Petroleum Products except Gasoline, Jet Fuel/Kerosene, Fuel Oil and Propane/Propylene.

In contrast, US product imports increased by 2%, in May or 46,000 b/d compared to the previous month to average 2.8 mb/d, about 13% lower than in the same month last year. Finished motor gasoline imports increased in May by 68,000 b/d or 31% compared to the previous month to reach 287,000 b/d. May's finished motor gasoline imports were lower by 43% compared to a year ago and average imports during the first four months of 2009 were 25% lower compared to the same period last year. Distillate fuel oil imports also increased in May by 38,000 b/d or 24% compared to the previous month to average 194,000 b/d. This level of imports indicates a 3% increase compared to the same month last year. Average distillate fuel oil imports during the first five months of 2009 were 6% higher compared to the same period last year. Residual fuel oil imports in May were almost steady compared to the previous month at 391,000 b/d, but were 12% higher than in the same month last year. Average residual fuel oil imports during the first five months of 2009 were at 394,000 b/d about 6% higher than at the same period last year. Jet fuel imports in May averaged 97,000 b/d, up from 88,000 b/d in the previous month and 31% lower than the same month last year.

On the export side, US product exports increased in May for the fifth month in a raw to average 1.85 mb/d, about 68,000 b/d, or 4% higher compared to the previous month and 3% higher compared to their levels a year earlier. US product exports during the first five months of 2009 averaged 1.67 mb/d, 7% lower compared to the same period in 2008.

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



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

As a result, US net oil imports declined in May by 7% compared to the previous month to reach about 9.91 mb/d. The 762,000 b/d decline in net oil imports in May came as a result of 740,000 b/d drops in net crude oil imports and 22,000 b/d declines in net product imports compared to the previous month. May's net oil imports were 10% lower compared to at a year earlier and average net oil imports during the first five months of 2009 were 4% lower compared to the same period last year

Table 23: USA crude and product net imports/(exports), tb/d

	Mar 09	Apr 09	May 09	Change May/Apr
Crude oil	9,297	9,690	8,950	-740
Total products	1,457	979	957	-22
Total crude and products	**10,754**	**10,669**	**9,907**	**-762**

Canada was the top crude oil supplier to the US in March 2009 with a share of 19.5%, down from 20.8% in the previous month, followed by Mexico with 11.6%, down from 13.2% in the previous month. Venezuela and Saudi Arabia came next with 10.1% and 10% respectively. Altogether OPEC Member Countries supplied 50% of total US crude oil imports in March, up from 48.7% in the previous month. For product imports, once again Canada was the top product supplier to the US in March with a share of 19.6%, down from 20.2% in the previous month. Russia was next with a share of 14.2%, up from 11.6% in the previous month, followed by the Virgin Islands and Algeria with 8.7% and 8.1% respectively. For OPEC Member Countries, in addition to Algeria, Venezuela supplied 5.1% of total US oil product imports in March, down from 6% in the previous month, followed by Nigeria with 1%. Altogether OPEC Member Countries supplied 16.4% of US product imports in March, up from 15.8 in the previous month. For US product exports, Mexico was the top importer in March with a share of 13%, down from 13.8% in the previous month. Netherlands was next with 12%, up from 9.6%, then Singapore with 9.6%. Altogether OPEC Member Countries imported 4% of total US product exports in March, up from 2.8% in the previous month. Ecuador imported 1.9% and Venezuela 1.4%.

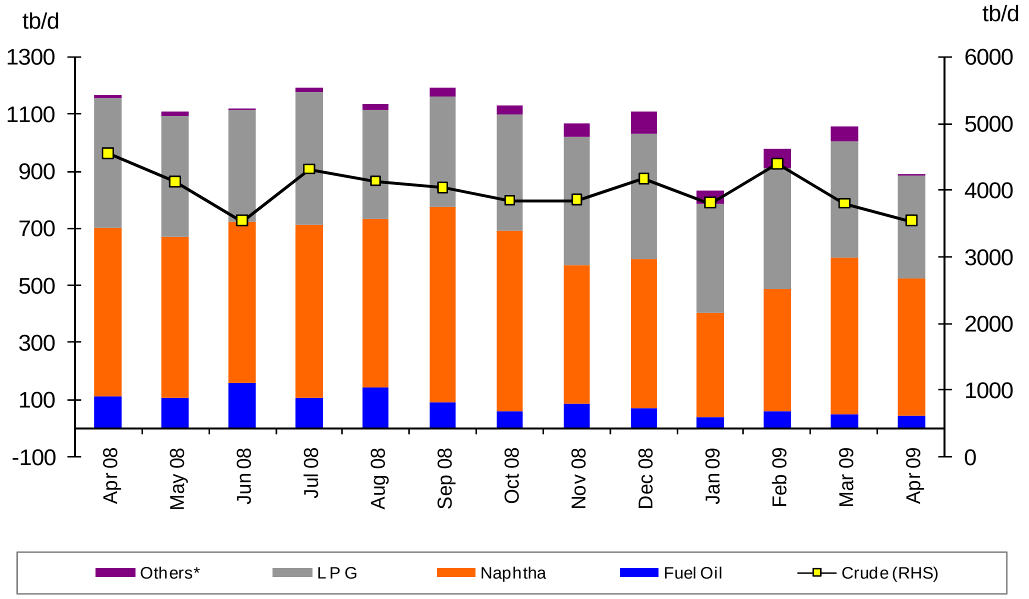
Japan's crude oil imports were 1.0 mb/d lower and net oil imports declined by 1.2 mb/d in April

Japan

Japan's crude oil imports averaged 3.53 mb/d in April, about 265,000 b/d or 7% lower compared to the previous month according to Japanese data. April's crude oil imports indicate a drop of slightly more than 1.0 mb/d or 23% compared to the same month a year earlier. It was the seventh month in a row that Japan's crude oil imports indicate a decline on a year-to-year basis. At the same time, Japan's average crude oil imports for the first four months of 2009 reached 3.87 mb/d, a decline of 10% or 425,000 b/d compared to the country's imports during the same period a year earlier.

Similarly, Japan's product imports declined in April by 116,000 b/d or 16% compared to the previous month to average about 0.89 mb/d, displaying an annual decline of 24% compared to the same month last year. Japan mainly imports three products – naphtha, LPG and fuel oil. These accounted for about 99% of its total monthly product imports in April. Average naphtha imports in April were about 481,000 b/d, a decline of 13% or 69,000 b/d than the previous month and 19% lower compared to a year earlier. Average naphtha imports for the first four months of 2009 were 22% lower compared to the same period in 2008. LPG imports in April averaged 358,000 b/d, indicating a 12% or 50,000 b/d decline compared to the previous month and a 21% decline compared to a year ago. Average LPG imports for the first four months of 2009 were 16% lower compared to the same period in 2008. Fuel oil imports in April reached 42,000 b/d, almost steady compared to the previous month, but 61% lower from a year ago. Average fuel oil imports for the first four months of 2009 were 54% lower compared to the same period a year earlier. Japan imported about 5,000 b/d of gasoline in April compared to 28,000 b/d in the previous month. Naphtha imports counted for 54% of Japan's total product imports in April, LPG for 40% and fuel oil about 5%. Japan's average product imports in the first four months of 2009 averaged 0.94 mb/d, indicating a decline of 163,000 b/d or 15% compared to average product imports during the same period in 2008.

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

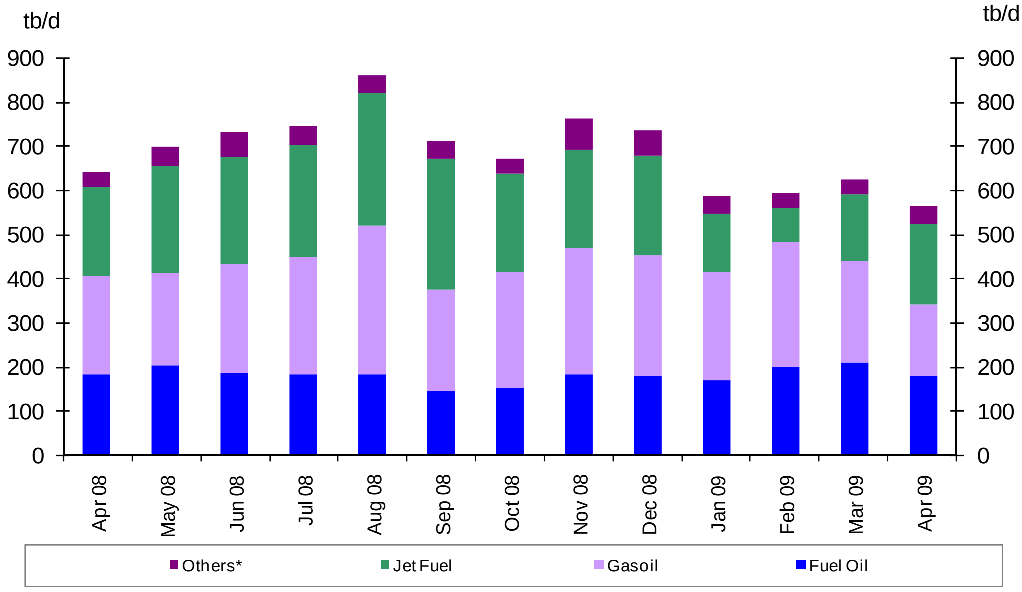


*Others: Contains Gasoline, Jet Fuel, Kerosene, Gasoil, Asphalt and Paraffin Wax.

On the export side, Japan's product exports in April were 61,000 b/d or 10% lower than the previous month and down 12% compared to a year ago to average 563,000 b/d. The country's main product exports – gasoil, fuel oil and jet fuel accounted for 93% of the country's total product exports in April. Gasoil exports were 159,000 b/d, down by 31% or 72,000 b/d compared to the previous month and by 29% from a year ago. Average gasoil exports during the first four months of 2009 stood 229,000 b/d, about 8% higher than the same period the year before. Jet fuel exports averaged 184,000 b/d in April, 23% higher compared to the previous month, yet declined 9% from a year earlier. During the first four months of 2009, Japan's jet fuel exports averaged 136,000 b/d compared to 184,000 b/d during the same period in 2008. Fuel oil exports in April were at 180,000 b/d, a decline of 14% compared to the previous month and steady from a year ago. Fuel oil exports averaged 189,000 b/d in the first four months of

2009, compared to 164,000 b/d in the same period last year. Jet fuel exports accounted for 33% of Japan's total product exports in April while fuel oil represented 32% and gasoil 28%. Japan exported lower quantities of gasoline, lubricating oil, asphalt and LPG in April, totaling 39,000 b/d. Product exports in the first four months of 2009 averaged 0.59 mb/d, steady compared to the same period in 2008.

Graph 36: Japan's exports of petroleum products



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

As a result, Japan's net oil imports in April stood at 3.85 mb/d, indicating a decline of 370,000 b/d or 9% compared to the previous month and 24% lower from a year earlier. Net crude imports fell 265,000 b/d while net product imports dropped 105,000 b/d. Net oil imports over the first four months of 2009 averaged 4.22 mb/d, 12% lower compared to the same period in 2008.

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

	Feb 09	Mar 09	Apr 09	Change Apr/Mar
Crude oil	4,392	3,792	3,526	-265
Total products	396	430	326	-105
Total crude and products	**4,789**	**4,222**	**3,852**	**-370**

Saudi Arabia was Japan's top crude oil supplier in April, supplying 28.8% of Japan's total crude oil imports, down from 32.3% the previous month. UAE supplied 21%, up from 20.2% the previous month. Qatar contributed 13.7%, up from 12.4% the previous month, while Iran's share was 11.1%, down from 12.5% the previous month. OPEC Member Countries supplied 88.6% of crude oil imports in April, up from 88.3% the previous month. Top non-OPEC crude oil suppliers in April included Russia with 3.8% and Oman with 2.3%. On the products side, preliminary data indicated that the UAE was Japan's top supplier in April with 14.2%, followed by Saudi Arabia with 13.8% and Kuwait with 9.7%. Altogether, OPEC Member Countries supplied 47.8% of product imports in April, up from 46.9% the previous month. Top non-OPEC product suppliers in April included South Korea with 13.3%, followed by the US with 12.1% and Australia with 3.8%.

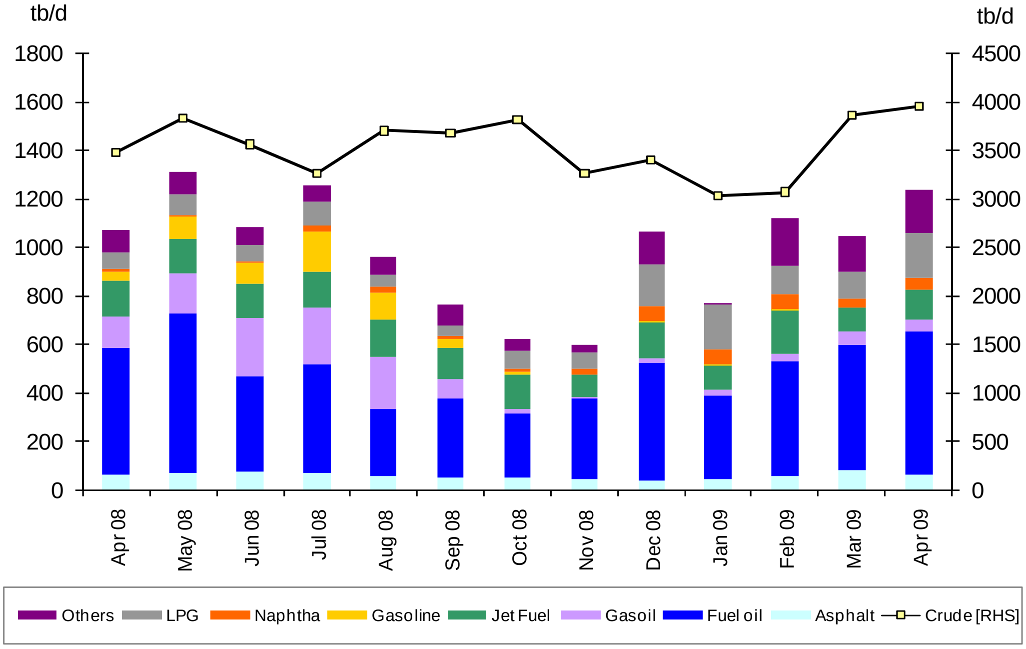
China

China's net oil imports in April increased 4% over the previous month

China's crude oil imports increased for the third month in a row in April to reach 3.95 mb/d, according to Chinese official data. This represents an increase of 2% or 87,000 b/d higher over the previous month and 14% higher compared to the same month a year ago. China's crude oil imports were the highest since April 2008. Average crude oil imports for the first four months of 2009 stood at 3.49 mb/d, a decrease of 166,000 b/d or 5% lower compared to the same period last year.

Similarly, China's product imports were higher in April, averaging 1.24 mb/d, indicating an increase of 194,000 b/d or 19% compared to the previous month and 16% compared to a year earlier. Jet fuel imports in April were about 121,000 b/d, up from 99,000 b/d the previous month. South Korea supplied more than half of China's jet fuel imports in April and Japan about one quarter. China imported about 5% less jet fuel during the first four months of 2009 compared to the same period last year. Naphtha imports in April were about 48,000 b/d, up from 40,000 b/d in the previous month. South Korea and Singapore were China's main suppliers of naphtha in April. China imported an average of 51,000 b/d of naphtha during the first four months of 2009 compared to only 8,000 b/d during the same period last year. Gasoil imports in April averaged 48,000 b/d, down from 58,000 b/d in the previous month. Gasoil imports during the first four months of 2009 averaged 40,000 b/d, substantially lower than the 136,000 b/d seen during the same period last year which witnessed a surge in gasoil imports in preparation for the Olympics.

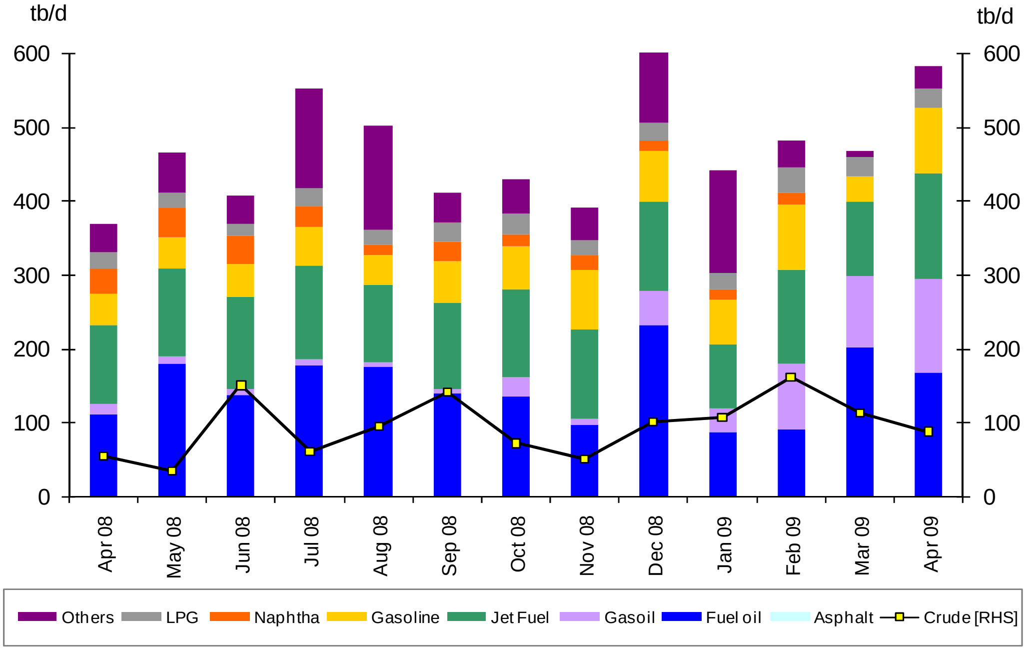
Graph 37: China's imports of crude and petroleum products



China's fuel oil imports increased in April to average 621,000 b/d, about 66,000 b/d or 12% higher than in the previous month. Venezuela, South Korea and Russia were China's top fuel suppliers. Imports of fuel oil during the first four months of 2009 were 16% higher compared to the same period last year. Imports of LPG in April averaged 185,000 b/d, up from 114,000 b/d in the previous month. Iran, Nigeria and the UAE were China's top LPG suppliers in April. For the first four months of 2009, China imported an average of 151,000 b/d of naphtha, 80% higher than at the same period last year. Altogether, China imported an average of 1.04 mb/d of products in the first four months of 2009, indicating annual growth of 11% over the same period last year. In April, fuel oil imports accounted for 50% of China's total product imports, LPG 15% and jet fuel 10% while gasoil and naphtha represented 4% each.

On the export side, China's crude oil exports in April were at 88,000 b/d compared to 112,000 b/d in the previous month. For the first four months of 2009, China exported an average of 116,000 b/d of crude oil compared to 49,000 b/d during the same period a year ago. In contrast, China's product exports were 0.58 mb/d, an increase of 24% compared to the previous month and 58% higher than the same month last year. Apart from LPG, exports of all major products were higher in April compared to March. Average product exports for the first four months of 2009 were about 0.49 mb/d, indicating an increase of 36% compared to the same period last year.

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



Fuel oil exports in April were at 177,000 b/d, about 15% higher than in the previous month. Panama and Hong Kong were China's main fuel oil importers in April. Fuel oil exports increased by 21% during the first four months of 2009 compared to the same period in 2008. Exports of jet fuel were at 143,000 b/d, up from 104,000 b/d in the previous month. Hong Kong and the US were China's main jet fuel importers in April. Gasoline exports were at 88,000 b/d in April, up from 35,000 b/d in the previous month. Indonesia and Singapore were China's main gasoline importers in April. Gasoline exports had more than doubled during the first four months of 2009 compared to the same period in 2008. For the second month in a row, there were no naphtha exports in April. Gasoil exports were at 127,000 b/d, up from 100,000 b/d in the previous month. The main importers of China's gasoil in April were Vietnam and Singapore. China exported 26,000 b/d of LPG in April, down from 28,000 b/d in the previous month, while Vietnam and Hong Kong were the top importers. Fuel oil exports accounted for 30% of China's total product exports in April, jet fuel 25%, gasoil 22%, gasoline 15% and LPG 4%.

With net crude oil imports of 3.86 mb/d and net product imports of 0.66 mb/d, China's net oil imports in April were at 4.52 mb/d, indicating an increase of 4% or 192,000 b/d over the previous month and about 10% compared to the same period last year. Average net crude oil imports for the first four months of 2009 were at 3.92 mb/d, a decline of 6% or 259,000 b/d from the same period last year.

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

	Feb 09	Mar 09	Apr 09	Change Apr/Mar
Crude oil	2,909	3,752	3,864	112
Total products	637	574	654	80
Total crude and products	**3,546**	**4,326**	**4,518**	**192**

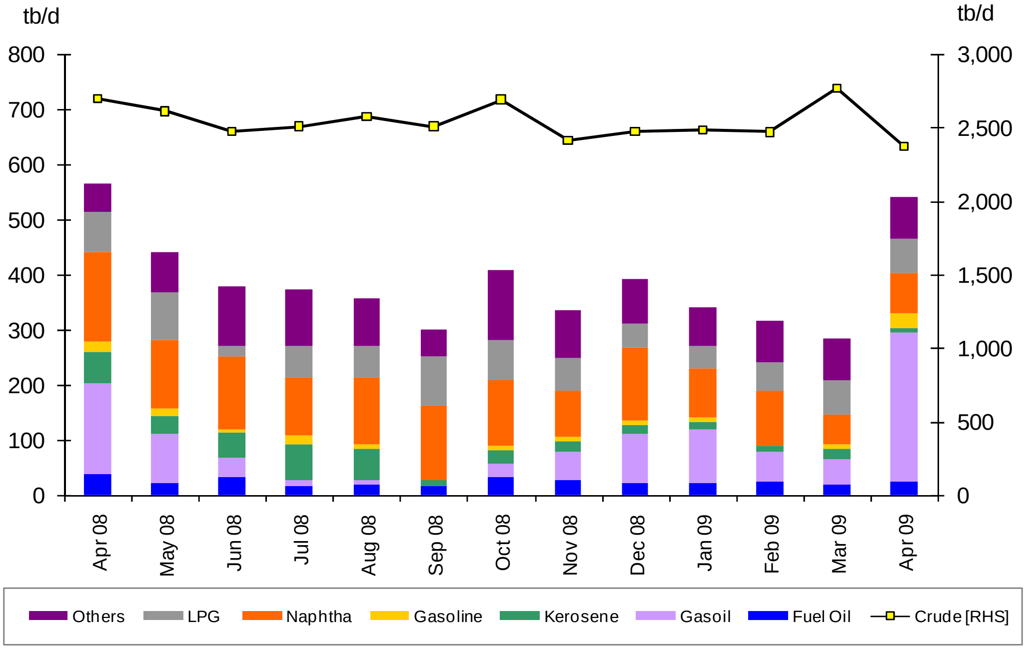
Saudi Arabia remained China's top crude oil supplier in April with a share of 23%, up from 15.2% in the previous month. Iran was next with 13.6%, up from 11.8%. Angola's share of China's total crude oil imports in April was 9.4%, down from 14.1% the month before. Altogether, OPEC Member Countries supplied 63.6% of China's crude oil imports in March, up from 55.7%. Top non-OPEC crude oil suppliers in March included Russia with 7.6%, Sudan with 7.5% and Oman with 7.1%.

India

India's net oil imports increased by 8% in April backed by a surge in net products imports

According to preliminary data, India's crude oil imports declined in April by 390,000 or 14% compared to the previous month to stand at 2.37 mb/d, the lowest monthly average since October 2007. April's crude imports also fell 325,000 b/d lower to the same month last year. India's crude oil imports during the first four months of 2009 averaged 2.52 mb/d, almost steady compared to the same period in 2008.

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



In contrast, India's product imports surged in April by 256,000 b/d or 90% compared to the previous month to average 0.54 mb/d, yet were 5% lower compared to the same month a year ago. Apart from kerosene and LPG, imports of all major products increased. Gasoil imports in April surged to an all-time record of 268,000 b/d, an increase of 223,000 b/d compared to the previous month and 62% higher compared to the same month last year. Gasoline imports stood at 27,000 b/d in April compared to only 7000 b/d in March and 23,000 b/d in April 2008. LPG imports averaged about 62,000 b/d, steady compared to the previous month, but 24% lower compared to April 2008. Naphtha imports averaged 72,000 b/d in April, up from 55,000 b/d in the previous month and down from 140,000 b/d in the same month a year ago. Fuel oil imports averaged 25,000 b/d compared to 19,000 b/d in the previous month and 30,000 b/d in April 2008. Kerosene imports were about 10,000 b/d compared to 19,000 b/d in the previous month and 55,000 b/d in the same month a year ago. For the first four months of 2009, product imports averaged 0.37 mb/d, indicating a decline of 140,000 b/d or 28% compared to the same period last year.

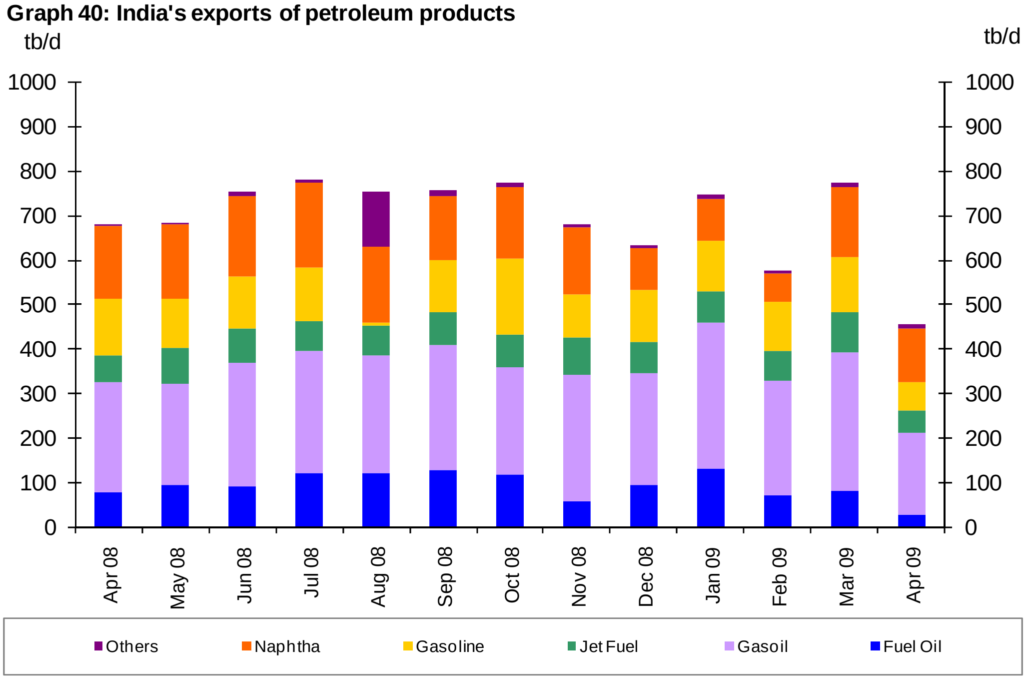
Table 26: India's crude and product net imports/(exports), tb/d

	Feb 09	Mar 09	Apr 09	Change Apr/Mar
Crude oil	2,469	2,764	2,372	-392
Total products	-260	-487	85	573
Total crude and products	**2,209**	**2,277**	**2,458**	**181**

On the export side, India's total product exports of 454,000 b/d in April were a substantial decline of 317,000 b/d or 41% compared to the previous month and 33% lower compared to a year earlier. Exports of all major products fell in April without exception. Fuel oil exports in April averaged 26,000 b/d, down from 82,000 b/d in the previous month. Jet fuel exports were at 53,000 b/d in April, down from 89,000 b/d in the previous month. Gasoil exports averaged 194,000 b/d, 39% lower than the previous month and 26% lower than a year earlier. Gasoline exports declined in April to average 62,000 b/d, about half the level seen in the previous month and a year ago. Naphtha exports were 131,000 b/d in April, compared to 158,000 b/d in the previous month and 207,000 b/d a year earlier. For the first four months of 2009, product exports averaged 0.64 mb/d, down by 146,000 b/d, or 19% compared to the same period last year.

As a result, India's net oil imports in April averaged 2.46 mb/d, displaying an increase of 8% or 181,000 b/d compared to the previous month, but were 5% lower compared to the same month last year. The increase in net oil imports is attributed to higher net product imports which more than offset lower net crude oil imports. India's net oil imports for the first four months of 2009 averaged 2.25 mb/d, steady compared to the same period last year.

Graph 40: India's exports of petroleum products



FSU crude oil exports were marginally higher in April while product exports increased by 2% supported by higher fuel oil exports

FSU net exports of crude and products

According to preliminary data, FSU crude oil exports increased marginally in April by 36,000 b/d, or 0.5% compared to the previous month to average 6.63 mb/d. Russian pipeline crude exports increased by 139,000 b/d or 4% compared to a month earlier. This is attributed to the 73,000 b/d and 65,000 b/d increases of exports through the Baltic and Black Sea respectively, while exports through Druzhba declined by 19,000 b/d, all compared to the previous month. Russian crude oil exports by rail declined by about 3%, or 16,000 b/d in April compared to the previous month averaging about 586,000 b/d. Exports through CPC and BTC pipelines in April were at 739,000 b/d and 706,000 b/d, indicating monthly declines of 3% and 4% respectively compared to the previous month. Caspian crude oil exports averaged 261,000 b/d in April, indicating a decline of 39,000 b/d compared to the previous month. On a year-to-year basis, FSU crude exports were about 198,000 b/d or 3% higher in April compared to the same month a year earlier.

FSU oil product exports increased in April by 55,000 b/d, or 2% compared to the previous month to average 2.9 mb/d. Gasoil exports were at 0.87 mb/d, about 41,000 b/d higher compared to the previous month and fuel oil exports increased by 122,000 b/d, to average 1.14 mb/d. Exports of vacuum gasoil (VGO) and Naphtha declined by 99,000 b/d and 17,000 b/d respectively compared to the previous month. FSU product exports in April were 14% or

417,000 b/d lower than in the same month last year.

In total, FSU crude oil and product exports averaged 9.52 mb/d in April, indicating an increase of 1%, or about 91,000 b/d compared to the previous month. April's total exports were 219,000 b/d, or 2% lower than a year earlier.

Table 27: Recent FSU exports of crude and products by source, kb/d

	2007	2008	3Q08	4Q08	1Q09	Mar 09	Apr 09*
Crude							
Russian pipeline							
Black Sea	1,361	1,249	1,226	1,199	1,262	1,187	1,252
Baltic	1,631	1,559	1,539	1,490	1,518	1,590	1,663
Druzhba	1,122	1,098	1,034	1,089	1,139	1,095	1,076
Total**	**4,114**	**3,906**	**3,817**	**3,779**	**3,918**	**3,896**	**4,035**
Other routes							
Russian rail	292	283	260	234	303	323	305
Russian - Far East	269	220	214	252	277	279	281
Kazak rail	17	17	17	17	18	17	18
CPC pipeline	692	675	632	732	757	763	739
Caspian	**245**	**184**	**148**	**210**	**277**	**300**	**261**
of which							
Supsa (AIOC) - Georgia	0	13	0	45	99	96	83
Batumi - Georgia	138	101	81	99	95	120	97
Total***	**2,234**	**2,183**	**2,052**	**2,219**	**2,645**	**2,702**	**2,599**
Total crude exports	**6,348**	**6,089**	**5,869**	**5,998**	**6,563**	**6,598**	**6,634**
Products							
All routes							
Fuel oil	1,052	1,069	1,232	1,041	964	1,017	1,138
Gasoil	777	810	757	849	1,039	906	866
Others	592	660	671	646	854	775	883
Total	**2,421**	**2,539**	**2,661**	**2,536**	**2,857**	**2,698**	**2,887**
Total oil exports	**8,783**	**8,628**	**8,530**	**8,534**	**9,420**	**9,296**	**9,521**

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

* *Preliminary.*

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

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

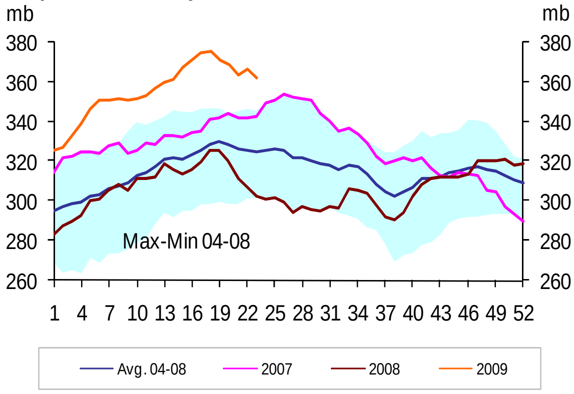
Stock Movements

US commercial crude oil stocks fell 11 mb, representing the first draw since August

USA

US commercial oil inventories continued their upward trend, adding 14.5 mb in May to stand at around 1,102 mb resulting in an overhang of 98 mb with the five-year average. It is worth mentioning that the overhang has declined for the third consecutive month, falling to 115 mb in March and then to 105 mb in April.

Graph 41: US weekly commercial crude oil inventories



The build of 14.5 mb came as a result of a combination of a draw of 11.2 mb in crude oil and a build of 25.7 mb in products. The build in products came primarily from other products than gasoline which dropped 9.2 mb and distillates which increased only 3.4 mb.

Crude oil stocks in May dropped for the first time in ten months, reversing the upward trend which had pushed inventories to their highest level since mid-1990. However, even at 364 mb, crude oil stocks remained high with an overhang of 37 mb or 11% with the average of the previous five years and 62 mb or 20% with a year earlier. The draw which was in line with the seasonal pattern, was driven by a strong decline in imports and an increase in refinery runs following the return of some refineries from seasonal maintenance. In addition, the flattening contango in the futures market also contributed to the draw in crude oil stocks.

Gasoline fell a further 9.2 mb to move below the five-year average while distillate stocks remained very high

On the products side, gasoline inventories dropped for the second consecutive month despite an increase in production from refineries. With this draw of 9.2 mb, driven by a clear recovery in demand, gasoline stocks are now around 203 mb, a decline of 6 mb below the average of the previous five years. In contrast to gasoline, the recession continued to support the build in distillates which added 3.4 mb to stand at a very high level of 150 mb, implying an overhang of 34 mb or 29% with the five-year average as well as with a year earlier. Following the same trend, residual fuel oil stocks rose 3.9 mb to stand at 39.8 mb and jet fuel oil stocks increased 0.9 mb to 41.6 mb.

Graph 42: US weekly forward cover (crude oil)

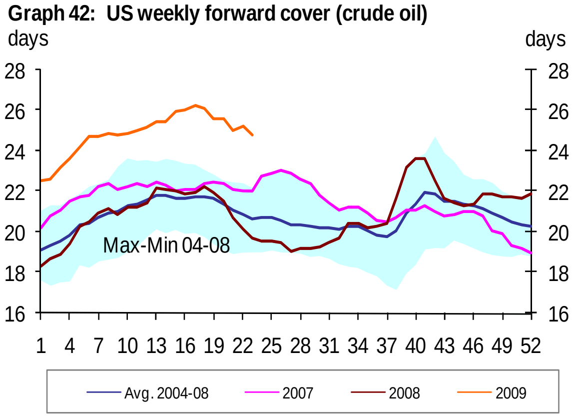


Table 28: US onland commercial petroleum stocks, mb

	Mar 09	Apr 09	May 09	Change May 09 /Apr 09	May 08	05 Jun 09 *
Crude oil	365.8	375.3	364.1	-11.2	302.8	361.6
Gasoline	216.7	212.4	203.2	-9.2	207.4	201.6
Distillate fuel	143.6	146.5	149.9	3.4	112.8	149.7
Residual fuel oil	39.0	35.9	39.8	3.9	40.6	39.3
Jet fuel	41.6	40.7	41.6	0.9	40.2	41.9
Total	**1,082.2**	**1,087.4**	**1,101.9**	**14.5**	**969.1**	**1,100.9**
SPR	712.8	718.7	721.7	3.0	704.3	721.7

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

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

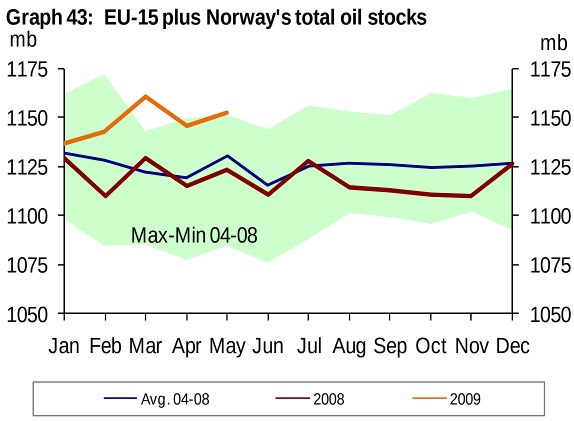
The Strategic Petroleum Reserve (SPR) continued its upward trend, adding 3 mb to hit an all-time high of 727 mb and approach maximum capacity. Almost 20 mb have been added to SPR since the beginning of the year.

The latest data shows US commercial oil inventories dropped 1.7 mb to 1,101 mb in the week ending 5 June as a result of a draw of 4.4 mb in crude oil and a build of 2.7 mb in products but remaining very high with 110 mb above the seasonal level. The decline which left crude oil stocks at 361.6 mb, implying an overhang of 37 mb or 12% with the five-year average, was driven by lower imports. On the product side, gasoline stocks continued their downward trend and fell 1.6 mb, dropping by almost 16 mb over seven consecutive weeks to stand at 201.6 mb, the lowest since late November 2008 and showed a deficit of 8 mb or 4% with the average of the previous five years. Again, the recent stock draw in gasoline is attributed to a recovery in demand as well as lower imports. Distillate inventories fell 0.3 mb, the first draw since mid-April, but remained very high at almost 150 mb, 30% above the seasonal average. Overall, US commercial stocks remained high considering demand, with crude oil corresponding to 24.8 days of forward cover, 4 days over the seasonal average and distillate stocks representing 42 days, a surplus of almost 14 days. The exception is gasoline, which following the recent decline, saw days of forward cover move below 22 days, implying a deficit of around half a day with the five-year average.

Western Europe

European oil stocks increased 7 mb, in line with the seasonal build, to remain at the upper end of the five-year range.

Driven by lower demand from refineries, European (EU-15 plus Norway) oil inventories rose 7 mb in May to stand at nearly 1,153 mb, which corresponds to the upper end of the five-year range or 23 mb above the five-year average. However, stocks are much higher compared to a year earlier, with a surplus of 34 mb over the previous year. The surplus is due to products as crude oil is in line with the five-year average.



Crude oil inventories rose 6.5 mb in May, in line with the seasonal build to remain at the five-year average of 489 mb and products rose a marginal 0.5 mb due to lower production from refineries and lower demand but remained well above the seasonal average as demand remained sluggish. However, the picture is mixed within products with gasoline remaining below the five-year-range and distillates above. Gasoline stocks edged up 0.9 mb, the first build in four months, to stand at 121.6 mb and narrowed the deficit with the five-year average to around 8 mb or 6%. Distillate stocks dropped for the first time since last October to stand slightly below 394 mb, down 1.1 mb from the previous month, but 26 mb higher than the seasonal average, reflecting lower demand in both industrial and domestic sectors. Residual fuel oil stocks rose 1.5 mb, offsetting the draw of the previous month, to stand at 117.5 mb, a decline of almost 4 mb from a year ago. In contrast, naphtha stocks fell 0.9 mb to 30.8 mb but remained 3.5 mb higher than a year earlier.

Table 29: Western Europe's oil stocks, mb

	Mar 09	Apr 09	May 09	Change May 09/Apr 09	May 08
Crude oil	493.0	482.5	489.0	6.5	485.9
Mogas	123.9	120.6	121.6	0.9	129.1
Naphtha	31.7	31.7	30.8	-0.9	27.5
Middle distillates	394.2	394.8	393.8	-1.1	354.9
Fuel oils	117.5	116.0	117.5	1.5	121.4
Total products	667.3	663.1	663.6	0.5	632.8
Total	**1,160.3**	**1,145.6**	**1,152.6**	**7.0**	**1,118.7**

Source: Argus, Euroilstock.

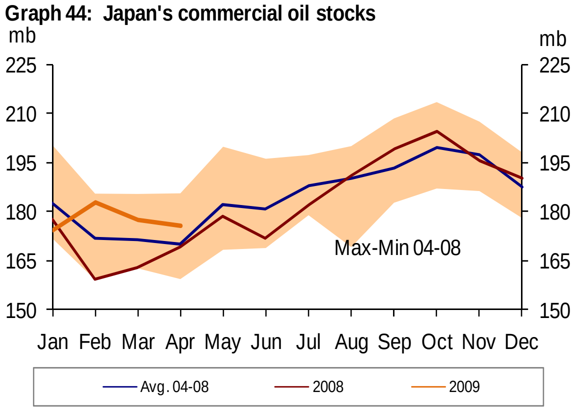
Japan's commercial oil stocks fell a further 1.7 mb in April but remained high with preliminary data for May showing a build

Japan

Japan's total commercial oil stocks dropped a further 1.7 mb in April to stand at 175.6 mb but remained very comfortable, above the year-ago level and the five-year average. The draw is attributable to products as a result of low production from refineries.

Crude oil inventories remained unchanged at 103 mb, in line with the five-year average but were higher than a year earlier. Nevertheless, considering the weak demand, crude oil inventories remained high.

Graph 44: Japan's commercial oil stocks



Product stocks fell for the second consecutive month but remained very comfortable. Naphtha stocks were the main contributor to the draw with 3.1 mb, while gasoline remained unchanged at 15.5 mb and distillates edged up 0.7 mb to 29.1 mb. However, both gasoline and distillate stocks were above the upper end of their respective five-year ranges. Residual fuel oil stocks also rose 0.7 mb to move above 17 mb.

Preliminary data for May shows a recovery in stocks which are estimated to have increased by around 7 mb due essentially to products which continued to build amid a persistent decline in demand.

Table 30: Japan's commercial oil stocks*, mb

	Feb 09	Mar 09	Apr 09	Change Apr 09/Mar 09	Apr 08
Crude oil	107.1	103.2	103.3	0.0	97.7
Gasoline	14.3	15.5	15.5	0.0	13.4
Naphtha	11.2	13.8	10.6	-3.1	11.4
Middle distillates	31.7	28.4	29.1	0.7	27.6
Residual fuel oil	18.4	16.5	17.1	0.7	19.0
Total products	75.6	74.1	72.4	-1.8	71.4
Total**	**182.6**	**177.4**	**175.6**	**-1.7**	**169.1**

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

Balance of Supply and Demand

Demand for OPEC crude is estimated to decline 0.5 mb/d in 2008

Estimate for 2008

Demand for OPEC crude in 2008 is estimated to average 30.8 mb/d, indicating a decline of 0.5 mb/d. This represents a downward revision from last month of around 0.2 mb/d due to a downward adjustment in world oil demand. On a quarterly basis, demand for OPEC crude is estimated at 31.7 mb/d, 30.3, mb/d 30.8 mb/d and 30.4 mb/d respectively.

Table 31: Summarized supply/demand balance for 2008, mb/d

	2007	1Q08	2Q08	3Q08	4Q08	2008
(a) World Oil Demand	**85.86**	**86.61**	**85.17**	**84.91**	**84.99**	**85.41**
Non-OPEC Supply	50.50	50.73	50.55	49.72	50.27	50.32
OPEC NGLs and non-conventionals	4.03	4.22	4.33	4.35	4.35	4.31
(b) Total Supply excluding OPEC Crude	**54.53**	**54.95**	**54.88**	**54.07**	**54.63**	**54.63**
Difference (a-b)	**31.33**	**31.66**	**30.29**	**30.84**	**30.37**	**30.79**
OPEC crude oil production	30.13	31.21	31.24	31.49	30.33	31.07
Balance	-1.20	-0.45	0.95	0.65	-0.04	0.28

Totals may not add due to independent rounding.

Demand for OPEC crude to drop significantly in 2009 by 2.2 mb/d

Forecast for 2009

Demand for OPEC crude has been revised down by 0.2 mb/d to reflect lower-than-expected growth in world oil demand. Required OPEC crude is now forecast at 28.6 mb/d, a decline of 2.2 mb/d from the estimated 2008 figure. In quarterly terms, demand for OPEC crude is now expected at 28.6 mb/d, 28.0 mb/d, 28.7 mb/d and 29.0 mb/d respectively. Demand for OPEC crude in the first quarter is estimated to show a strong decline of around 3.0 mb/d, while in the second and third quarter, demand for OPEC crude is projected to fall by about 2.2 mb/d, before dropping by only 1.3 mb/d in the fourth quarter.

Table 32: Summarized supply/demand balance for 2009, mb/d

	2008	1Q09	2Q09	3Q09	4Q09	2009
(a) World Oil Demand	**85.41**	**83.84**	**83.02**	**83.69**	**84.62**	**83.80**
Non-OPEC Supply	50.32	50.71	50.38	50.28	50.73	50.52
OPEC NGLs and non-conventionals	4.31	4.52	4.59	4.72	4.86	4.68
(b) Total Supply excluding OPEC Crude	**54.63**	**55.23**	**54.97**	**55.01**	**55.59**	**55.20**
Difference (a-b)	**30.79**	**28.62**	**28.05**	**28.68**	**29.03**	**28.60**
OPEC crude oil production	31.07	28.32				
Balance	0.28	-0.30				

Totals may not add due to independent rounding.

Graph 45: Balance of supply and demand

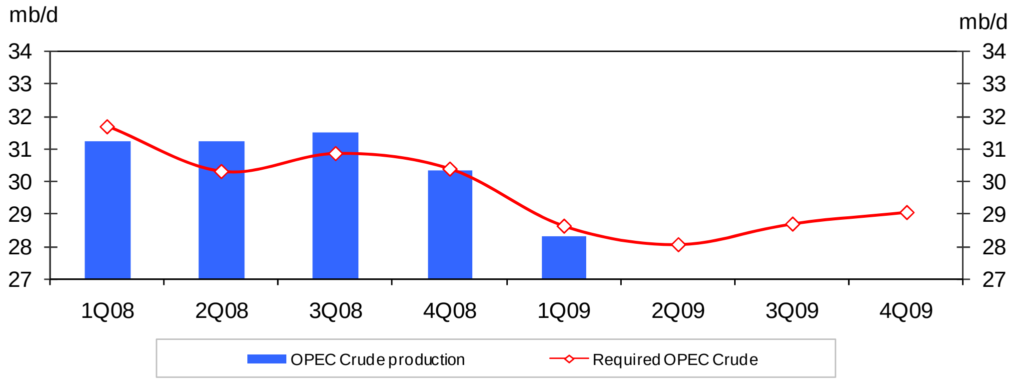


Table 33: World oil demand/supply balance, mb/d

	2004	2005	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009
World demand														
OECD	49.4	49.8	49.6	49.2	48.9	47.2	46.6	47.0	47.4	46.5	44.9	44.9	46.2	45.6
North America	25.4	25.6	25.4	25.5	24.8	24.5	23.7	23.9	24.3	23.6	23.2	23.0	23.6	23.4
Western Europe	15.5	15.7	15.7	15.3	15.2	14.9	15.4	15.2	15.2	14.8	14.4	14.9	14.9	14.8
Pacific	8.5	8.6	8.5	8.3	8.9	7.8	7.5	7.9	8.0	8.1	7.3	7.1	7.7	7.5
DCs	21.8	22.6	23.3	24.2	24.8	25.2	25.2	25.0	25.1	25.0	25.3	25.5	25.4	25.3
FSU	3.8	3.9	4.0	4.0	4.1	3.7	4.2	4.4	4.1	3.9	3.7	4.2	4.4	4.0
Other Europe	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.9	0.8	0.7	0.8	0.8	0.9	0.8
China	6.5	6.7	7.2	7.6	8.0	8.2	8.1	7.7	8.0	7.7	8.2	8.3	7.8	8.0
(a) Total world demand	82.5	83.9	84.9	85.9	86.6	85.2	84.9	85.0	85.4	83.8	83.0	83.7	84.6	83.8
Non-OPEC supply														
OECD	21.3	20.5	20.2	20.1	20.0	19.7	19.1	19.6	19.6	19.8	19.3	19.1	19.3	19.4
North America	14.6	14.1	14.2	14.3	14.2	14.1	13.6	13.8	13.9	14.2	13.9	13.9	14.0	14.0
Western Europe	6.2	5.7	5.4	5.2	5.2	5.0	4.8	5.1	5.0	5.0	4.7	4.5	4.7	4.7
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.7	0.6	0.6
DCs	11.6	11.9	12.0	12.0	12.2	12.2	12.2	12.3	12.2	12.4	12.5	12.7	12.8	12.6
FSU	11.1	11.5	12.0	12.5	12.6	12.7	12.5	12.5	12.6	12.6	12.7	12.5	12.7	12.6
Other Europe	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.5	3.6	3.7	3.8	3.8	3.9	3.9	3.8	3.8	3.8	3.8	3.9	3.9	3.8
Processing gains	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total non-OPEC supply	49.6	49.6	50.0	50.5	50.7	50.5	49.7	50.3	50.3	50.7	50.4	50.3	50.7	50.5
OPEC NGLs + non-conventional oils	3.7	3.9	3.9	4.0	4.2	4.3	4.4	4.4	4.3	4.5	4.6	4.7	4.9	4.7
(b) Total non-OPEC supply and OPEC NGLs	53.3	53.5	53.9	54.5	55.0	54.9	54.1	54.6	54.6	55.2	55.0	55.0	55.6	55.2
OPEC crude oil production (secondary sources)	29.6	30.7	30.5	30.1	31.2	31.2	31.5	30.3	31.1	28.3				
Total supply	82.9	84.2	84.4	84.7	86.2	86.1	85.6	85.0	85.7	83.5				
Balance (stock change and miscellaneous)	0.4	0.3	-0.6	-1.2	-0.5	0.9	0.7	0.0	0.3	-0.3				
OECD closing stock levels (*mb*)														
Commercial	2538	2585	2666	2567	2572	2603	2659	2698	2698	2742				
SPR	1450	1487	1499	1524	1527	1529	1522	1526	1526	1547				
Total	3988	4072	4165	4091	4099	4132	4180	4224	4224	4289				
Oil-on-water	905	958	916	942	929	929	898	928	928	920				
Days of forward consumption in OECD														
Commercial onland stocks	51	52	54	54	54	56	57	58	59	61				
SPR	29	30	30	32	32	33	32	33	33	34				
Total	80	82	85	86	87	89	89	91	93	95				
Memo items														
FSU net exports	7.3	7.7	8.0	8.5	8.5	8.9	8.2	8.1	8.4	8.7	9.0	8.3	8.3	8.6
(a) - (b)	29.2	30.4	31.1	31.3	31.7	30.3	30.8	30.4	30.8	28.6	28.0	28.7	29.0	28.6

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

Table 34: World oil demand/supply balance: changes from last month's table † , mb/d

	2004	2005	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009
World demand														
OECD	-	-	-	-	-	-	-	-0.3	-0.1	-0.2	-0.3	-0.1	-0.2	-0.2
North America	-	-	-	-	-	-	-	-0.1	-	-0.1	-0.3	-0.1	-0.1	-0.1
Western Europe	-	-	-	-	-	-	-	-0.1	-	0.1	-	-	-	-
Pacific	-	-	-	-	-	-	-	-0.1	-	-0.2	-	-	-0.1	-0.1
DCs	-	-	-	-	-	-	-	-	-	0.1	0.1	0.2	0.1	0.1
FSU	-	-	-	-	-	-	-	-	-	-0.2	-	-	-	-
Other Europe	-	-	-	-0.1	-0.3	-0.1	-0.1	-	-0.1	-0.3	-0.1	-0.1	-	-0.1
China	-	-	-	-	-	-	-	-	-	-0.1	0.1	0.1	-	-
(a) Total world demand	-	-	-	-	-0.2	-0.1	-0.1	-0.3	-0.2	-0.6	-0.3	-	-0.1	-0.2
World demand growth	*0.02*	*0.01*	*0.03*	*-0.09*	*-0.12*	*-0.07*	*-0.11*	*-0.27*	*-0.14*	*-0.40*	*-0.17*	*0.18*	*0.18*	*-0.05*
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-	-	0.1	-0.1	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply growth	-	-	-	-	-	-	-	-	-	-	*-0.04*	-	-	*-0.01*
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-	0.1				
Total supply	-	-	-	-	-	-	-	-	-	0.1				
Balance (stock change and miscellaneous)	-	-	-	-	0.2	0.1	0.1	0.3	0.2	0.7				
OECD closing stock levels (*mb*)														
Commercial	-	-	-	-	-	-	2	-6	-6	-				
SPR	-	-	-	-	-	-	-	-	-	-				
Total	-	-	-	-	-	-	2	-6	-6	-				
Oil-on-water	-	-	-	-	-	-	-	-	-	-				
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-	-	-	-				
SPR	-	-	-	-	-	-	-	-	-	-				
Total	-	-	-	-	-	-	-	-	-	-				
Memo items														
FSU net exports	-	-	-	-	-	-	-	-	-	0.2	-	-	-	0.1
(a) - (b)	-	-	-	-	-0.2	-0.1	-0.1	-0.3	-0.2	-0.6	-0.2	-	-0.1	-0.2

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

Table 35: OECD oil stocks and oil on water at the end of period

	2004	2005	2006	2007	2008	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09
Closing stock levels *mb*																						
OECD onland commercial	2,538	2,585	2,666	2,567	2,698	2,533	2,612	2,627	2,585	2,585	2,648	2,760	2,666	2,597	2,656	2,649	2,567	2,572	2,603	2,659	2,698	2,742
North America	1,193	1,257	1,277	1,230	992	1,201	1,275	1,254	1,257	1,240	1,277	1,351	1,277	1,238	1,294	1,285	931	963	955	950	992	993
Western Europe	915	934	962	931	1,300	942	915	942	934	937	935	948	962	941	936	932	1229	1215	1240	1279	1300	1342
OECD Pacific	430	394	428	406	406	389	422	432	394	408	436	461	428	419	427	431	406	393	408	430	406	407
OECD SPR	1,450	1,487	1,499	1,524	1,526	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,507	1,506	1,520	1,524	1,527	1,529	1,522	1,526	1547
North America	678	687	691	699	416	690	698	696	687	688	690	690	691	691	692	695	421	421	417	414	416	424
Western Europe	377	407	412	421	704	376	401	405	407	407	411	412	412	415	413	423	699	702	708	704	704	715
OECD Pacific	396	393	396	404	406	396	395	393	393	392	393	393	396	401	401	403	404	404	404	403	406	408
OECD total	3,988	4,072	4,165	4,091	4,224	3,995	4,106	4,121	4,072	4,072	4,141	4,255	4,165	4,104	4,163	4,169	4,091	4,099	4,132	4,180	4,224	4289
Oil-on-water	905	958	916	942	928	934	931	926	958	962	971	972	916	914	905	923	942	929	929	898	928	920
Days of forward consumption in OECD																						
OECD onland commercial	51	52	54	54	59	52	53	52	51	53	54	55	54	54	54	53	52	54	56	56	58	61
North America	47	49	50	51	42	47	50	49	50	49	50	53	50	49	51	50	38	39	40	39	42	43
Western Europe	58	60	63	61	88	61	58	60	58	61	60	60	63	63	61	60	80	81	81	84	88	93
OECD Pacific	50	46	51	51	54	48	52	49	42	52	55	52	48	53	54	49	46	50	54	54	50	56
OECD SPR	29	30	30	32	33	30	30	30	29	31	30	30	30	31	31	30	31	32	33	32	33	34
North America	27	27	27	29	18	27	27	27	27	27	27	27	27	27	27	27	17	17	18	17	17	18
Western Europe	24	26	27	28	48	25	26	26	25	27	26	26	27	28	27	27	46	47	46	46	47	49
OECD Pacific	46	46	47	50	54	49	49	45	42	50	49	45	44	51	51	46	46	52	54	51	50	57
OECD total	80	82	85	86	92	82	83	82	80	84	84	85	84	85	85	84	84	87	89	88	90	96

Table 36: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2004	2005	2006	Change 06/05	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08
USA	7.65	7.34	7.36	0.02	7.46	7.58	7.41	7.54	7.50	0.14	7.64	7.75	7.20	7.42	7.50	0.00	7.79	7.74	7.70	7.78	7.75	0.25
Canada	3.07	3.03	3.20	0.17	3.34	3.24	3.36	3.34	3.32	0.12	3.30	3.12	3.30	3.28	3.25	-0.07	3.31	3.19	3.27	3.37	3.29	0.04
Mexico	3.83	3.77	3.69	-0.08	3.58	3.59	3.45	3.33	3.49	-0.21	3.29	3.18	3.13	3.09	3.17	-0.31	3.04	2.98	2.96	2.87	2.96	-0.21
North America	14.56	14.14	14.24	0.11	14.38	14.41	14.22	14.20	14.30	0.06	14.22	14.05	13.63	13.80	13.92	-0.38	14.15	13.91	13.93	14.02	14.00	0.08
Norway	3.19	2.97	2.78	-0.19	2.72	2.46	2.48	2.57	2.56	-0.22	2.51	2.39	2.38	2.54	2.45	-0.10	2.52	2.29	2.19	2.35	2.34	-0.12
UK	2.10	1.89	1.71	-0.18	1.79	1.75	1.49	1.72	1.69	-0.02	1.69	1.64	1.41	1.55	1.57	-0.12	1.56	1.46	1.38	1.37	1.44	-0.13
Denmark	0.39	0.38	0.34	-0.04	0.31	0.31	0.30	0.31	0.31	-0.04	0.28	0.28	0.27	0.28	0.28	-0.02	0.28	0.27	0.23	0.25	0.26	-0.02
Other Western Europe	0.50	0.51	0.54	0.03	0.68	0.69	0.69	0.69	0.68	0.15	0.72	0.73	0.75	0.74	0.74	0.05	0.68	0.71	0.71	0.71	0.70	-0.04
Western Europe	6.18	5.74	5.37	-0.37	5.50	5.20	4.95	5.29	5.23	-0.13	5.20	5.04	4.82	5.12	5.04	-0.19	5.04	4.73	4.51	4.68	4.74	-0.31
Australia	0.52	0.53	0.51	-0.02	0.51	0.54	0.54	0.51	0.53	0.02	0.47	0.53	0.55	0.58	0.53	0.01	0.55	0.54	0.55	0.50	0.54	0.00
Other Pacific	0.05	0.05	0.05	0.00	0.06	0.06	0.09	0.11	0.08	0.03	0.11	0.10	0.10	0.09	0.10	0.02	0.09	0.11	0.10	0.10	0.10	0.00
OECD Pacific	0.57	0.58	0.56	-0.02	0.57	0.61	0.63	0.61	0.60	0.04	0.58	0.63	0.64	0.67	0.63	0.03	0.64	0.65	0.66	0.61	0.64	0.00
Total OECD	21.31	20.45	20.17	-0.28	20.45	20.22	19.79	20.11	20.14	-0.03	20.01	19.72	19.09	19.59	19.60	-0.54	19.83	19.28	19.09	19.30	19.37	-0.23
Brunei	0.21	0.21	0.22	0.01	0.20	0.18	0.19	0.19	0.19	-0.03	0.19	0.16	0.17	0.18	0.17	-0.02	0.17	0.18	0.18	0.18	0.17	0.00
India	0.79	0.76	0.79	0.03	0.82	0.81	0.81	0.82	0.82	0.02	0.83	0.81	0.82	0.83	0.82	0.01	0.80	0.80	0.84	0.84	0.82	0.00
Indonesia	1.15	1.12	1.07	-0.05	1.03	1.02	1.01	1.03	1.02	-0.04	1.05	1.04	1.04	1.03	1.04	0.02	1.02	1.04	1.08	1.08	1.06	0.02
Malaysia	0.79	0.77	0.76	-0.01	0.75	0.75	0.76	0.80	0.76	0.01	0.78	0.76	0.78	0.75	0.77	0.00	0.76	0.76	0.78	0.78	0.77	0.00
Thailand	0.25	0.30	0.32	0.02	0.33	0.34	0.34	0.34	0.34	0.02	0.34	0.35	0.36	0.36	0.35	0.02	0.36	0.37	0.37	0.37	0.37	0.02
Vietnam	0.42	0.39	0.37	-0.02	0.36	0.35	0.34	0.35	0.35	-0.02	0.34	0.31	0.29	0.31	0.31	-0.03	0.33	0.33	0.34	0.35	0.34	0.02
Asia others	0.18	0.26	0.26	0.01	0.27	0.27	0.27	0.26	0.27	0.00	0.28	0.28	0.28	0.29	0.28	0.01	0.28	0.29	0.29	0.29	0.29	0.01
Other Asia	3.81	3.80	3.79	-0.01	3.76	3.70	3.72	3.79	3.74	-0.05	3.80	3.71	3.73	3.75	3.75	0.01	3.72	3.76	3.88	3.89	3.81	0.06
Argentina	0.80	0.78	0.77	0.00	0.77	0.77	0.76	0.75	0.76	-0.01	0.77	0.77	0.76	0.75	0.76	0.00	0.76	0.76	0.75	0.74	0.75	-0.01
Brazil	1.80	1.98	2.11	0.12	2.15	2.15	2.16	2.14	2.15	0.04	2.23	2.28	2.31	2.29	2.28	0.13	2.43	2.40	2.52	2.54	2.47	0.20
Colombia	0.54	0.53	0.54	0.01	0.53	0.53	0.54	0.55	0.54	0.00	0.57	0.59	0.61	0.62	0.60	0.06	0.60	0.65	0.66	0.66	0.64	0.04
Trinidad & Tobago	0.16	0.18	0.18	0.00	0.16	0.16	0.16	0.15	0.16	-0.02	0.16	0.15	0.16	0.16	0.16	0.00	0.16	0.17	0.17	0.17	0.16	0.01
L. America others	0.26	0.30	0.26	-0.03	0.26	0.27	0.27	0.28	0.27	0.00	0.27	0.28	0.28	0.31	0.29	0.02	0.32	0.29	0.29	0.29	0.30	0.01
Latin America	3.55	3.77	3.86	0.09	3.88	3.88	3.88	3.88	3.88	0.02	4.00	4.06	4.12	4.14	4.08	0.20	4.27	4.26	4.37	4.39	4.32	0.24
Bahrain	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	-0.03	0.73	0.72	0.71	0.70	0.71	-0.03	0.72	0.74	0.76	0.75	0.74	0.03	0.76	0.78	0.79	0.79	0.78	0.04
Syria	0.49	0.45	0.44	-0.02	0.42	0.42	0.42	0.42	0.42	-0.02	0.41	0.41	0.40	0.39	0.40	-0.02	0.38	0.40	0.40	0.40	0.40	0.00
Yemen	0.41	0.41	0.37	-0.03	0.35	0.34	0.33	0.33	0.34	-0.04	0.31	0.31	0.30	0.29	0.30	-0.03	0.29	0.28	0.27	0.27	0.28	-0.03
Middle East	1.90	1.85	1.76	-0.09	1.69	1.69	1.66	1.65	1.67	-0.09	1.65	1.66	1.66	1.64	1.65	-0.02	1.63	1.67	1.67	1.67	1.66	0.00
Chad	0.16	0.18	0.16	-0.02	0.16	0.15	0.15	0.15	0.15	-0.01	0.15	0.15	0.15	0.15	0.15	0.00	0.14	0.14	0.14	0.13	0.13	-0.02
Congo	0.24	0.24	0.25	0.01	0.25	0.23	0.24	0.25	0.24	0.00	0.26	0.26	0.26	0.27	0.26	0.02	0.27	0.29	0.29	0.33	0.29	0.03
Egypt	0.71	0.70	0.67	-0.02	0.67	0.67	0.67	0.67	0.67	0.00	0.68	0.68	0.69	0.70	0.69	0.02	0.70	0.70	0.70	0.68	0.69	0.01
Equatorial Guinea	0.30	0.36	0.37	0.01	0.36	0.37	0.37	0.37	0.37	0.00	0.38	0.38	0.38	0.38	0.38	0.01	0.38	0.37	0.37	0.36	0.37	-0.01
Gabon	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.24	0.24	0.24	0.25	0.24	-0.01	0.26	0.24	0.25	0.25	0.25	0.01
South Africa	0.19	0.19	0.19	0.00	0.18	0.18	0.18	0.18	0.18	-0.01	0.17	0.17	0.17	0.17	0.17	-0.01	0.17	0.16	0.16	0.16	0.16	-0.01
Sudan	0.30	0.34	0.40	0.06	0.50	0.50	0.48	0.51	0.50	0.10	0.50	0.49	0.47	0.44	0.48	-0.02	0.46	0.47	0.48	0.49	0.47	0.00
Africa other	0.21	0.25	0.32	0.07	0.34	0.34	0.34	0.37	0.35	0.03	0.38	0.38	0.38	0.38	0.38	0.03	0.38	0.41	0.41	0.41	0.40	0.03
Africa	2.36	2.52	2.60	0.09	2.71	2.69	2.68	2.75	2.71	0.11	2.75	2.75	2.74	2.73	2.75	0.04	2.74	2.77	2.79	2.82	2.78	0.03
Total DCs	11.63	11.93	12.02	0.09	12.03	11.96	11.94	12.07	12.00	-0.02	12.20	12.19	12.25	12.27	12.23	0.23	12.36	12.46	12.71	12.76	12.57	0.34
FSU	11.14	11.55	12.02	0.47	12.51	12.45	12.50	12.62	12.52	0.50	12.62	12.67	12.45	12.49	12.56	0.04	12.60	12.69	12.50	12.69	12.62	0.06
Russia	9.19	9.44	9.65	0.21	9.87	9.83	9.89	9.87	9.87	0.22	9.78	9.74	9.81	9.80	9.78	-0.08	9.77	9.72	9.66	9.64	9.70	-0.08
Kazakhstan	1.18	1.23	1.30	0.07	1.35	1.34	1.35	1.36	1.35	0.05	1.42	1.44	1.33	1.47	1.41	0.06	1.48	1.51	1.40	1.58	1.49	0.08
Azerbaijan	0.31	0.44	0.65	0.21	0.85	0.86	0.81	0.92	0.86	0.21	0.96	1.03	0.85	0.78	0.91	0.04	0.91	0.99	0.96	1.00	0.97	0.06
FSU others	0.47	0.44	0.42	-0.02	0.44	0.42	0.45	0.46	0.44	0.02	0.46	0.46	0.46	0.45	0.46	0.01	0.44	0.47	0.47	0.47	0.46	0.01
Other Europe	0.17	0.16	0.15	-0.01	0.15	0.15	0.15	0.14	0.15	-0.01	0.13	0.13	0.13	0.12	0.13	-0.02	0.12	0.12	0.12	0.12	0.12	0.00
China	3.50	3.64	3.69	0.06	3.78	3.82	3.73	3.75	3.77	0.07	3.82	3.88	3.85	3.85	3.85	0.08	3.80	3.84	3.88	3.86	3.85	0.00
Non-OPEC production	47.75	47.73	48.06	0.32	48.92	48.60	48.12	48.69	48.58	0.52	48.78	48.60	47.77	48.32	48.37	-0.21	48.72	48.39	48.30	48.75	48.54	0.17
Processing gains	1.83	1.86	1.90	0.04	1.92	1.92	1.92	1.93	1.92	0.02	1.95	1.95	1.95	1.95	1.95	0.03	1.98	1.98	1.98	1.98	1.98	0.03
Non-OPEC supply	49.58	49.59	49.96	0.36	50.84	50.52	50.04	50.62	50.50	0.54	50.73	50.55	49.72	50.27	50.32	-0.19	50.71	50.38	50.28	50.73	50.52	0.21
OPEC NGL	3.54	3.74	3.76	0.02	3.77	3.95	4.04	4.03	3.95	0.19	4.11	4.23	4.25	4.25	4.21	0.26	4.42	4.49	4.62	4.75	4.57	0.36
OPEC Non-conventional	0.17	0.16	0.14	-0.02	0.08	0.08	0.08	0.09	0.08	-0.05	0.11	0.11	0.11	0.11	0.11	0.02	0.11	0.11	0.11	0.11	0.11	0.00
OPEC (NGL+NCF)	3.71	3.89	3.89	0.00	3.85	4.03	4.13	4.12	4.03	0.14	4.22	4.33	4.35	4.35	4.31	0.28	4.52	4.59	4.72	4.86	4.68	0.36
Non-OPEC & OPEC (NGL+NCF)	53.29	53.49	53.85	0.37	54.69	54.55	54.17	54.74	54.53	0.68	54.95	54.88	54.07	54.63	54.63	0.09	55.23	54.97	55.01	55.59	55.20	0.57

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

Table 37: World Rig Count

	2004	2005	Change 05/04	1Q 06	2Q 06	3Q 06	4Q 06	2006	Change 06/05	1Q 07	2Q 07	3Q 07	4Q 07	2007	Change 07/06	1Q 08	2Q 08	3Q 08	4Q 08	2008	Change 08/07	Mar 09	1Q 08	Apr 09	May 09	Change May/Apr
USA	1,190	1,378	188	1,519	1,632	1,719	1,719	1,648	270	1,733	1,757	1,788	1,790	1,767	119	1,770	1,864	1,978	1,898	1,878	111	1,105	1,326	995	918	-77
Canada	369	490	121	665	282	494	440	470	-20	532	139	348	356	344	-126	507	169	432	408	379	35	196	329	74	72	-2
Mexico	110	107	-3	85	85	77	84	83	-24	90	88	96	93	92	9	96	106	103	106	103	11	126	128	127	133	6
North America	1,669	1,975	306	2,269	1,999	2,290	2,243	2,200	225	2,355	1,984	2,232	2,240	2,203	3	2,373	2,139	2,512	2,411	2,359	156	1,427	1,782	1,196	1,123	-73
Norway	17	17	0	19	20	16	9	16	-1	16	19	18	17	18	2	17	21	21	21	20	2	24	25	22	16	-6
UK	16	21	5	29	27	26	15	24	3	25	29	27	22	26	2	19	21	24	24	22	-4	22	22	19	20	1
Western Europe	65	65	0	77	78	73	65	73	8	72	78	76	73	75	2	71	78	83	83	79	4	85	85	4	3	-1
OECD Pacific	22	25	3	25	28	25	28	27	2	24	30	32	30	29	2	32	39	39	34	36	7	29	29	32	32	0
Total OECD	1,755	2,065	310	2,371	2,105	2,389	2,336	2,300	235	2,450	2,091	2,340	2,342	2,306	6	2,476	2,256	2,634	2,529	2,474	168	1,652	1,970	1,416	1,336	-80
Other Asia	178	201	23	198	196	206	201	201	0	209	216	214	207	217	16	214	225	218	216	152	64	214	208	207	206	-1
Latin America	116	129	13	137	151	153	153	149	20	183	178	173	181	178	29	181	181	181	197	192	14	158	164	152	152	0
Middle East	70	72	2	72	79	82	85	80	8	82	85	87	86	85	5	89	91	93	90	91	6	85	86	85	85	0
Africa	51	54	3	59	62	68	77	67	13	75	80	88	88	83	16	84	90	97	94	91	8	86	88	86	84	-2
Total DCs	415	456	41	466	488	509	507	493	37	510	510	509	515	511	18	512	520	540	532	526	15	543	527	530	527	-3
Non-OPEC Rig Count	2,120	2,465	345	2,794	2,549	2,850	2,806	2,751	286	2,950	2,593	2,842	2,850	2,808	57	3,006	2,795	3,192	3,081	3,019	211	2,213	2,515	1,964	1,881	-83
																										0
Algeria	19	21	2	21	21	28	27	24	3	25	26	28	28	27	3	26	27	24	26	26	-1	25	24	32	28	-4
Angola	3	3	0	4	4	4	4	4	1	5	4	3	5	4	0	5	6	5	5	5	1	5	5	2	3	1
Ecuador	10	12	2	12	11	11	12	11	-1	12	10	11	10	11	0	7	9	12	13	10	-1	11	10	10	10	0
Iran	41	40	-1	40	45	47	45	44	4	51	51	51	50	50	6	50	50	50	51	50	0	52	51	52	52	0
Iraq	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na		na	na	
Kuwait	10	12	11	12	13	14	15	14	15	14	13	13	11	12	13	12	11	12	12	12	0	13	12	11	13	2
Libya	10	9	-1	9	9	10	12	10	1	13	12	14	14	13	3	14	15	15	15	15	2	14	15	11	15	4
Nigeria	8	9	1	10	9	10	10	10	1	8	7	8	10	8	-2	9	8	6	6	7	-1	8	7	6	6	0
Qatar	9	12	3	13	10	11	9	11	-1	11	12	13	14	13	2	11	12	11	11	11	-2	9	9	8	9	1
Saudi Arabia	32	36	4	54	60	70	76	65	29	76	76	78	77	77	12	78	77	76	76	77	0	69	72	67	68	1
UAE	16	16	0	17	16	16	16	16	0	14	15	15	14	14	-2	12	12	13	12	12	-2	13	13	12	12	0
Venezuela	55	67	12	78	83	85	77	81	14	76	80	77	71	76	-5	82	81	77	81	80	4	63	69	65	66	1
OPEC Rig Count	213	237	24	270	281	306	303	290	53	305	306	311	304	305	15	306	308	301	308	305	0	282	286	276	282	6
																										0
Worldwid Rig Count*	2,333	2,702	369	3,064	2,830	3,156	3,109	3,041	339	3,255	2,899	3,153	3,154	3,113	72	3,312	3,103	3,493	3,389	3,324	211	2,495	2,801	2,240	2,163	-77
of which:																										0
Oil	877	959	82	1,069	1,060	1,169	1,156	1,114	155	1,266	1,155	1,257	1,288	1,239	125	1,374	1,320	1,443	1436	1393	154	1071	1206	968	992	24
Gas	1,436	1,722	280	1,981	1,757	1,969	1,932	1,911	197	1,969	1,725	1,876	1,842	1,853	-67	1,904	1,752	2,014	1916	1896	35	1401	1567	1252	1254	2
Others	20	22	2	14	13	18	21	16	-6	20	19	20	24	21	5	34	31	36	37	35	14	23	28	21	21	0

**/Excludes China and FSU.*

na - Not available.

Source: Baker Hughes International & Secretariat's Estimates.

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

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Data Summary June 2009

OPEC Basket average price

US$ per barrel

⬆ *up 6.78 in May*	***May 2009***	***56.98***
	April 2009	*50.20*
	Year-to-date	*47.22*

May OPEC production

in million barrels per day, according to secondary sources

⬆ *up 0.13 in May*	***May 2009***	***28.27***
	April 2009	*28.14*

World economy

Global economic growth for 2009 has been revised up by 0.1% to show a contraction of 1.3%. The major revisions were made in China and India, which are now expected to grow by 7.0% and 5.7% respectively. The OECD remained unchanged at minus 3.8%.

Supply and demand

in million barrels per day

2008		***2009***	
World demand	*85.4*	*World demand*	*83.8*
Non-OPEC supply	*54.6*	*Non-OPEC supply*	*55.2*
Difference	***30.8***	***Difference***	***28.6***

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

Stocks

US oil stocks in May saw a build for the ninth consecutive month, increasing a further 14.5 mb/d. The continued oversupply kept OECD commercial inventories rising even higher to stand at 8 days above the five-year average in May.

Issued 12 June 2009.
Next report to be issued on 14 July 2009.

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