OPEC

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Monthly Oil Market Report

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Feature Article:

Economic uncertainties driving oil price volatility

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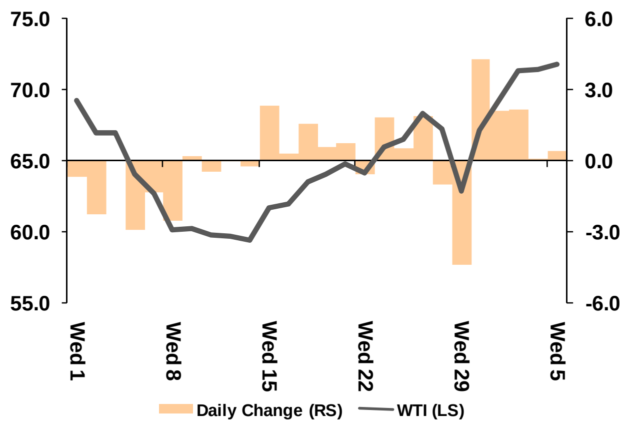
Oil Market Highlights

- The **OPEC Reference Basket** price fell by $3.77/b or 6% to reach $64.59/b in July. Bearish developments in the market including a drop in US consumer confidence in June and increasing jobless claims have overshadowed other supporting factors in the first half of July. Market sentiment turned positive later in July, as bullish reports about corporate earnings, robust home sales and a moderation in the economic contraction in the US lifted equities and crude prices. This triggered a fresh influx of funds into energy market, pushing prices above $70/b in August. Despite this positive price movement, the market is still fundamentally weak amid ample stocks of crude and products. Price movements in the very short- to near-term will depend largely on economic developments.
- The **world economy** in 2009 is expected to contract by 1.4%, unchanged from last month's forecast. In 2010, the forecast for the world economy was revised up slightly from 2.3% to 2.4%. The US is now seen to decline by a sharper-than-expected 2.8% in 2009 before returning to growth of 1.2% in 2010. Japan will decline by 6.0% in 2009 and then return to positive growth of 1.1% in 2010. Within the emerging economies, there was an upward revision for China to now stand at 7.2% in 2009 and 8.0% in 2010. Developing Asia remains the main growth engine in 2009 and 2010.
- Although US oil consumption is still showing a massive reduction, increases elsewhere in the world have helped to offset this decline. As a result, the forecast for **world oil demand growth** in 2009 remains unchanged, showing a decline of 1.6 mb/d. Chinese June oil demand picked up after a devastating contraction in the first quarter, while India's oil demand also showed significantly higher growth. In 2010, world oil demand is expected to halt its decline and grow by 0.5 mb/d. As in recent years, most of the increase will take place in the non-OECD, mainly China, India, Middle East and Latin America. US gasoline demand is expected to improve from the sharp decline seen this year but will remain a wild card in 2010.
- **Non-OPEC oil supply** in 2009 is forecast to grow by 0.3 mb/d, following an upward revision mainly due to higher-than-expected supply from Russia. In 2010, non-OPEC oil supply is seen increasing by 0.4 mb/d, supported by anticipated growth in Brazil, US, Azerbaijan, and Kazakhstan, as well as an historical upward adjustment to Russia. OPEC NGLs and non-conventional oils are expected to increase by 0.5 mb/d in 2010 to average 5.3 mb/d. In July, total OPEC crude oil output averaged 28.7 mb/d, representing a gain of 160 tb/d over the previous month.
- Reduced refinery runs at the peak of the driving season as well as increasing optimism about economic recovery have slightly improved **product market** sentiment, providing support for refining margins. However, due to ample product stocks, especially distillates, the current sentiment is expected to soften further with the approaching end of the driving season and arrival of autumn refinery maintenance. This could negatively impact crude fundamentals in the coming months.
- OPEC spot fixtures declined in July by 21% compared to the previous month. Sailings from OPEC were relatively steady. Freight rates in the **crude oil tanker market** declined by 25% in July with the VLCC sector falling 15%. Storing crude oil at sea lost momentum in June, although the recent deepening of the contango structure could again encourage builds in floating storage. Clean spot freight rates declined by a lower percentage of 5% on average with higher interest to store middle distillates afloat.
- **US commercial oil stocks** surged 11 mb, the tenth build in a row, to move above 1,120 mb at the end of July, the highest since 1990. The build was driven by products while crude oil stocks continued to decline for the third consecutive month. US gasoline stocks moved against their seasonal trend, adding 1.7 mb at the peak of the driving season. Distillate inventories jumped 6.5 mb to 161.5 mb representing an overhang of 30 mb or 24% over the five-year average. Japan's commercial oil stocks fell 6.1 mb in June to stand at 173 mb but remained very comfortable considering weakening domestic sales.
- The **demand of OPEC crude oil** in 2009 is estimated to average 28.4 mb/d, a decline of 2.3 mb/d from the previous year. In 2010, the demand for OPEC crude is expected to average 28.0 mb/d a drop of around 0.5 mb/d from a year earlier.

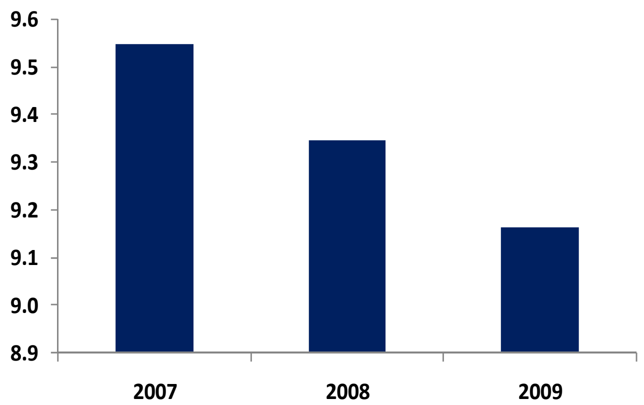
Economic uncertainties driving oil price volatility

- Over the first two weeks of July, the WTI price lost more than $10 to slide below $60/b. However, by the end of the month, these losses were reversed and prices moved again above $70/b (*see **Graph 1***). In the absence of any significant change in oil market fundamentals, this volatility indicates the increasing sensitivity of oil prices to conflicting economic signals. The drop in prices in the first two weeks is related to negative news mainly in labour markets in the US and the Euro-zone as well as to the strengthening of the US dollar. In addition to recent dollar weakness, the upward price trend in the second half of the month has been mainly due to rising optimism about an end to the economic downturn. However, following an unprecedented deep and long global recession, large uncertainties persist about the timing as well as the path of recovery.
- While the US economy has recently shown some promising signs, expectations for a strong recovery may still be premature. Equity markets, which serve as forward indicators for economic recovery, have seen a strong recovery. The S&P 500 surpassed the mark of 1000 and is 48% above the recent low seen in March. Markets also reacted positively to data showing stabilization in the housing sector, as pending home sales improved further and house prices showed the first tentative monthly increase after three years of continuous drops. Moreover, the contraction in the manufacturing sector slowed considerably. Markets also rose on news that the decline in US real GDP slowed to 1% in 2Q09 after a sharp 6.4% drop in 1Q09. Looking ahead, a sustained recovery in GDP would require growth in private consumption expenditures, which accounts for around 70% of GDP, and this depends on clear improvements in labour markets. The recession in the US has so far eliminated 6.7 mn jobs, higher than in previous recessions. Although the unemployment rate improved slightly to 9.4% in July, further deterioration is likely in the coming months.
- While Emerging Markets have performed better, indicators have also been mixed. In China, a massive fiscal stimulus package and loose monetary policy are generating stronger growth and this has been a key driver behind the spreading economic optimism. However, they have also triggered substantial investment in equity and property markets which have pushed prices to levels that may prove unsustainable. Chinese equity markets have risen by over 90% so far this year, well beyond the recent rally in the S&P 500.

Graph 1: WTI crude price in July (US$/b)



Graph 2: Summer US gasoline demand (May-July, mb/d)



- The ongoing economic recession has continued to severely affect oil demand. This can be clearly seen in the decline in gasoline consumption, particularly over the driving season (*see **Graph 2***). In the five years prior to the recession, US gasoline consumption over the period May-July experienced average growth of 1.4%. Over the same period this year, gasoline demand fell by about 2% y-o-y despite lower oil prices. This caused refiners to cut utilization rates, even during the peak driving season, further weakening crude oil market fundamentals.
- Additionally, oil inventories in OECD remain high and continue to rise, especially in the US. Reduced crude runs and lack of product demand have continued to contribute to an excessive accumulation of crude oil stocks, currently around 10% above the five-year average. Inventories at Cushing, Oklahoma, the point of WTI delivery, have now reached 33.4 mb, the highest level since March. With the upcoming seasonal refining maintenance, a deepening of the contango market structure would encourage further crude stockbuilds. As for products, the main concern ahead of the winter season is distillate stocks, which are globally at very high levels, not only on land but also in floating storage.
- In light of weakening fundamentals, the sustainability of current prices will mainly depend on clearer signs of improvement in the global economy. If market expectations for an economic recovery are not fully realised, current price levels could face increasing pressure. OPEC for its part continues to be firmly committed to strengthening oil market stability.

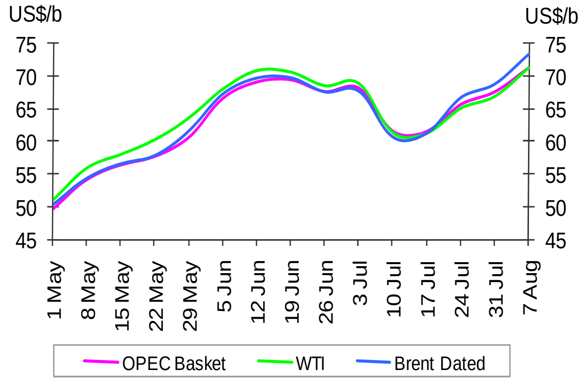
Crude Oil Price Movements

The crude oil market was primarily driven by macro-economic indicators in July

OPEC Reference Basket

Following bearish data about US consumer confidence in June and jobless claims as well as improvement in the US dollar against other currencies in early July, the oil market lost ground and prices started falling across the board in the first half of July. These circumstances overwhelmed any upward impact from reported disruption in Nigerian crude supplies.

Graph 1: Crude oil price movement



In light of these developments, the OPEC Reference Basket fell from an average of **$68.23/b** in the week ended 3 July to **$61.61/b** in the week ended 17 July. WTI and Brent crude prices fell from **$68.97/b** and **$67.65/b** respectively to **$61.30** and **$61.20/b** (*see **Graph 1***). Dubai crude prices also slipped from $69/b to $62/b over the same period.

Market sentiment improved in the second half of July due to bullish reports about corporate earnings, robust home sales in the US, refinery snags and increasing optimism about economic recovery, which led to higher equity prices and a depreciation of the US dollar versus other currencies. These circumstances also triggered a fresh influx of passive investment into the energy market, lifting crude prices.

The OPEC Basket rose significantly in the last two weeks of July to average **$67.66/b** in the week ended 31 July. WTI and Brent crude followed a similar trend, soaring to $**66.96/b** and **$67.66/b** respectively from about **$61/b** in the middle of the month. Similarly, Dubai crude price jumped from $62/b to over $71/b. In monthly terms, the **OPEC Reference Basket** price fell by $3.77/b or 6% to reach $64.59/b in July.

Despite the recent positive developments in crude prices, the market is fundamentally weak, as crude stock draws especially in the US, were reversed in the last weeks of July due to slowing refinery utilization rates and higher crude imports. Additionally, increasing middle-distillate stocks are the major challenge for refiners across the globe, which could encourage refiners to further cut runs with the end of the driving season. This situation may cause a further deterioration in crude market fundamentals and cap any upward price movement.

However, oil market sentiment and prices over the very short to near term will largely depend on micro- and macroeconomic developments which should have a positive impact on riskier assets, including oil prices.

Another major development in the Atlantic Basin was increasing the Cushing stock levels to around 33 mb in the latter part of July, which has once again caused a distortion in WTI prices. Since the middle of July, WTI crude has been selling at a discounted level to Brent crude. In the last week of July, the discount reached around $2/b (*see **Graph 1***). Due to increased Canadian crude supplies to the Midwest and slowing demand in the region, circumstances in the WTI market are not expected to change in the near future.

With the emerging maintenance season for North Sea fields and increasing arbitrage opportunities to Asia in the first part of July, Brent crude prices soared both in the futures and spot market. The spread between WTI and Brent crude switched in favour of Brent. In early August Brent's premium to WTI surged to nearly $3/b.

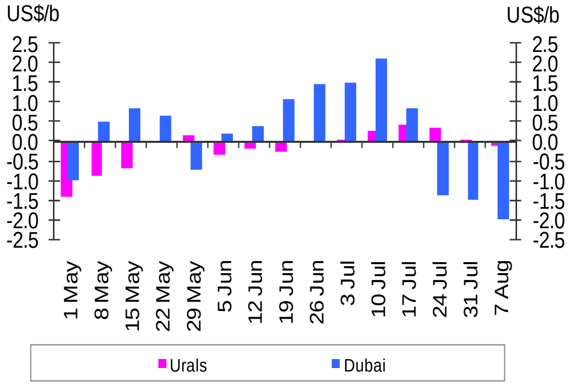
Market sentiment for West African crude was mixed. Angolan crude attracted good differentials on the spot market, while Nigerian crude came under pressure due to less interest from buyers due to operational concerns for lifting of Nigerian crude.

Sour benchmark crude including Urals and Dubai generally did well, but with sluggish demand from Asia, all Middle East crude traded at an unusual discount. Following the announcement of the July retroactive price by Middle East producers and reducing the premium of most Middle East grades versus Dubai crude, Middle East crude differentials are expected to improve on the spot market in the coming month.

The sour/sweet crude spread

Sour benchmarks remained strong in July

Graph 2: Sour grades (Urals and Dubai) spread vs. Brent Dated



Following the OPEC decision in Oran to cut production by 4.2 mb/d, the sentiment in the medium-sour crude market changed sharply across the globe and the spread between light-sweet crude versus medium-sour grades narrowed significantly. Both sour benchmarks in the Urals and Dubai market continued to strengthen in recent months with Russian crude leading the way in July. The Urals Med/Dated Brent spread narrowed sharply and Urals crude prices exceeded parity to Dated on 9 July and remained in positive territory for a few consecutive days (*see **Graph 2***). This can be mainly attributed to good OPEC compliance and a low supply of medium grades to the region, as well as reduced Russian crude flows and a strong fuel oil crack.

Looking ahead, the market for Urals is likely to remain strong amid tight supplies of medium-sour crude, but could lose some of its recent strength.

Dubai benchmark crude was also strong compared to Brent crude, even rising to a premium of $2/b in June, which is unusual. The spread narrowed in the first half of July before falling into negative territory in the second half of the month due to sluggish demand for Middle East crude in the Asian Market and rising West African crude export to Asia. Sluggish demand for the Middle East medium-sour grade also caused Dubai crude oil to flip from backwardation into contango in the middle of the month. However, due to slowing supplies from OPEC and the relative strength of fuel oil, the spread between Brent and Dubai crude is expected to remain well below typical levels.

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

	Jun 09	Jul 09	Change Jul/Jun	Year-to-Date 2008	Year-to-Date 2009
OPEC Reference Basket	**68.36**	**64.59**	**-3.77**	**109.15**	**52.99**
Arab Light	69.01	64.92	-4.09	110.00	53.27
Basrah Light	68.18	64.32	-3.86	106.29	52.34
Bonny Light	69.55	66.31	-3.24	116.21	55.44
Es Sider	68.15	64.51	-3.64	112.16	53.31
Girassol	68.92	65.02	-3.90	110.77	53.82
Iran Heavy	68.16	64.79	-3.37	106.20	52.23
Kuwait Export	68.73	64.74	-3.99	105.69	52.71
Marine	69.94	65.31	-4.63	109.11	54.43
Merey	61.81	60.11	-1.70	-	48.03
Murban	71.50	66.80	-4.70	113.90	55.84
Oriente	63.62	58.10	-5.52	100.15	47.60
Saharan Blend	69.15	65.21	-3.94	114.69	54.51
Other Crudes					
Minas	72.71	67.23	-5.48	115.62	56.68
Dubai	69.41	64.82	-4.59	108.12	53.76
Isthmus	68.52	63.70	-4.82	109.70	52.82
T.J. Light	67.08	62.68	-4.40	106.45	51.65
Brent	68.55	64.61	-3.94	112.84	53.71
W Texas Intermediate	69.68	64.23	-5.45	114.48	53.39
Urals	68.38	64.85	-3.53	114.48	53.39
Differentials					
WTI/Brent	1.13	-0.38	-1.51	1.63	-0.32
Brent/Dubai	-0.86	-0.21	0.65	4.72	-0.05

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.

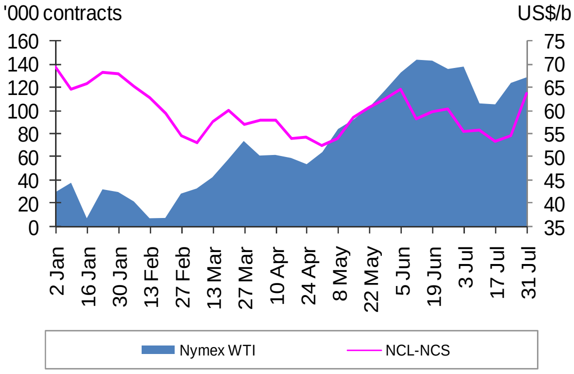
Source: Platt's, Direct Communication and Secretariat's assessments.

The oil futures market

The futures market lost ground in the first half of July, but recovered in the latter part of the month

The bearish sentiment of the oil market has been heightened in the first half of July due to declining consumer confidence in the US, increasing jobless claims and US dollar depreciation. This situation triggered technical sell-offs in the futures market and speculators started reducing net-long positions. With options included, non-commercial net-long positions reached 140,000 contracts in the week ended 4 August from 101,021 on 26 June (*see* ***Graph 3***).

Graph 3: Nymex non-commercial futures and options, net-long (short) positions, 2009

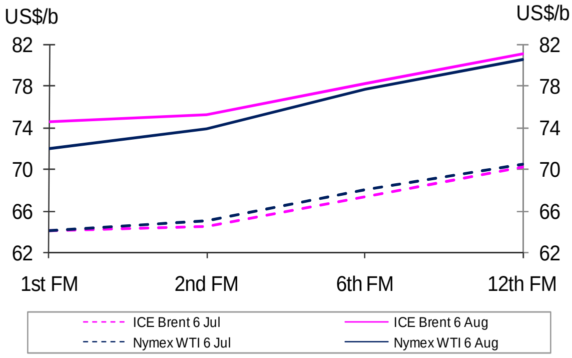


With the increase in volatility, market player's interest in financial markets for both hedging and speculative purposes increased. This can be seen in open interest volume (including options) on the Nymex, which surged from 2,592,000 contracts in early July to about 2,800,000 contracts in early August.

Circumstances reversed in the second half of July with the release of positive reports about corporate earnings and robust home sales in the US. This triggered a renewed influx of passive investment capital into the energy market, lifting both non-commercial positions and crude prices.

These developments have affected absolute prices as well as inter-month and inter-crude spreads in the futures market. The absolute price level of the Nymex front month surged to $71.94/b on 6 August from $64/b on 6 July. The inter-month spread for the first month versus the 12th month jumped to over $10/b early in August from about $6/b over the same period the previous month. The European futures market followed a similar trend (*see **Graph 4***).

Graph 4: Nymex WTI and ICE Brent forward curve, 2009



FM = future month

This situation is likely to encourage market players to further build crude inventories in floating storage, which would provide some support for crude lifting and prices. However, this will largely depend on whether the recent optimism about economic growth translates into higher demand for oil over the coming months. At the same time, a weakening of the prevailing bullish sentiment could result in a downward correction in prices.

Commodity Markets

Trends in selected commodity markets

Despite a recovery in commodity prices during the second half of July, the drop in the first two weeks led to a decline in July on a monthly basis

Commodity prices plummeted 4.7% in July, 44.7% lower than the year-ago level. This took place on the back of a 6.8% drop in energy prices and 1% in non-fuel commodity prices m-o-m. It must be noted that the monthly figures mask the high volatility in commodity markets on a weekly and daily basis. Most of the commodity prices experienced a decline during the first half of July but recovered strongly during the 3rd and 4th weeks of the month, following higher than expected growth in Chinese GDP in the second quarter compared to the first quarter of the current year on 16 July as well as a weaker US dollar in July.

Following the strong sell-off in the future commodity markets in June and the beginning of July, a recovery in risk appetite took place although concerns persist on the possibility of US regulatory norms. It can be said that despite the inflow of some positive macroeconomic data from China, commodity markets are still affected by macroeconomic concerns due to uncertainties on recovery of the OECD economies. This is essential for the sustained recovery of commodity prices since Chinese demand is expected to improve in 2H09. However, there are some doubts about the sustainability of Chinese growth as the government could move to reign in excessive lending.

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

	% Change			% Change
	May/Apr	Jun/May	Jul/Jun	Jul 09/Jul 08
Commodity	10.2	11.6	-4.7	-44.7
Non-Energy	6.0	4.0	-1.0	-26.0
Energy	13.1	16.5	-6.8	-52.1
Crude	15.6	19.0	-6.5	-51.2
US Natural Gas	9.6	-0.9	-10.8	-69.4
Agriculture*	6.3	0.3	-3.9	na
Food	7.6	1.4	-5.4	-23.6
Corn	6.9	-0.8	-15.1	-43.1
Wheat	9.9	-1.3	-11.2	-31.4
Soybean Oil	7.4	-1.6	-9.7	-45.3
Soybeans	16.7	8.3	-12.7	-14.7
Sugar	5.1	5.9	0.3	-17.9
Industrial Metals	4.6	7.6	3.1	-35.0
Aluminium	2.3	8.3	5.5	-45.4
Copper	3.6	9.1	4.5	-37.7
Nickel	12.6	17.2	7.1	-20.3
Zinc	7.5	4.3	1.8	-14.7
Gold*	4.3	1.8	-1.2	na

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

The energy price index declined 6.8% in July

The **energy price commodity index** (crude oil, natural gas and coal) dropped sharply by 6.8% m-o-m in July compared to 16% positive growth in the previous month. Crude oil went down 6.5% while the Henry Hub (HH) natural gas price sunk by 10.8% m-o-m in July. Natural gas prices declined especially at the end of the month due to sluggish fundamentals and a modestly bearish storage report on 23 July. There seems to be a consensus among observers of the market about the weight of weak demand in the next month on natural gas prices.

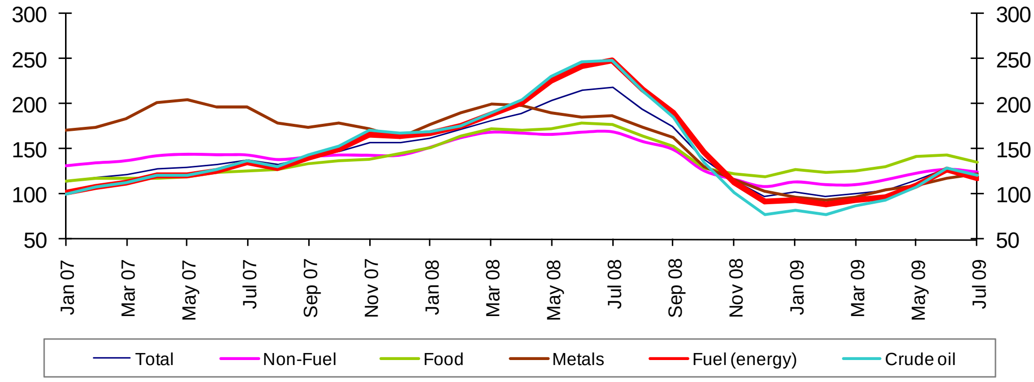
Non-energy commodity prices dropped 1% m-o-m in July which compared unfavorably with 3.7% growth in June. There was deceleration in growth in all major sub-indices but food prices continued showing an unfavourable performance, declining

5.4% m-o-m in July and being mainly responsible for negative growth in the non-energy commodity price index.

The industrial metal price index grew by only 3% in July, which means a deceleration compared to the earlier month which saw a 7.1% growth rate in the middle of high volatility. This path is linked to the trends in equity and economic data development despite the fact that Chinese imports continued robust last month. Prices for this complex declined mainly during the first half of July after the first "green shoots" of a global economic recovery in June became apparent and markets became skeptical on information that global economic recovery may take longer than expected with some macroeconomic indicators suggesting no real improvement in either consumer confidence or industrial activity at the OECD. If China reduces industrial metal imports and if economic confidence does not improve, the outlook for commodity prices in the second half of the year could be bearish. There is consensus among major observers that imports in China of industrial metals will be lower in 2H09 due to high growth in the 1H09. Commodity prices found considerable support from strong Chinese imports but this strong metal demand is related to the impact of the fiscal-induced growth and stocking policy in China while global demand remained very weak.

Total London Metal Exchange (LME) inventories increased by 3.2% m-o-m in July compared to 4.2% the previous month. Although inventories increased the most in the first half of July, they are still high at the end of the month amid macroeconomic concern and not clear and consolidated signals of a recovery in global demand. The industrial metal prices continued mirroring the movement in equities and therefore high volatility.

Graph 5: Major commodity price indexes, 2007-2009



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 of industrial metal prices slowed in July amid fluctuating equity markets and despite still expanding Chinese imports

Copper prices increased at slower pace of 4.5% m-o-m in July compared to 9.1% m-o-m the previous month, following a bearish trend during the first two weeks of July due to the market rediscovering scepticism in the middle of less optimist expectations on global economic recovery pointed out by the World Bank and OECD. Chinese copper imports kept expanding in June by 13% m-o-m and 174% y-o-y to a record of 475,999 tonnes which together with other positive macroeconomic data in the country may explain the recovery seen in copper prices during the second half of July. Nevertheless, it must be noted that despite these record-high imports, copper price growth slowed during July. The risk to the copper market as with other industrial metals is closely linked to the fact that the growth in China has been fiscal-induced and the possibility that the Chinese market could face oversupply owing to high inventories. Finally, the LME-Shanghai window is near to close. Copper inventories at the LME declined in July by 5.9% to stand at 268,524 tonnes, but it must be pointed out that the decline of the LME copper stocks has slowed.

Aluminium prices climbed 5.5% m-o-m in July compared to 8.3% a month earlier. **Zinc prices** grew by 1.8% m-o-m in July compared to 4.3% m-o-m the previous month. **Nickel prices** increased by 7.1% m-o-m compared to 17.2% the previous month.

The **World Bank agricultural price index** sank 3.9% m-o-m in July, more than the 0.3% a month earlier, as a result of a decline in almost all items. The **IMF food price index** dropped 5.4% in July with the corn market being one of the worst performers in line with bearish supply news from the DOA.

Gold prices dropped **1.2%** m-o-m in July compared to positive growth of 1.8% in June, which may be related to the sustained collapse in gold imports from India.

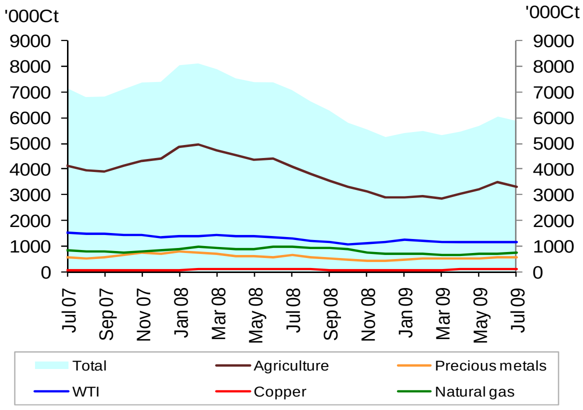
Investment flow into commodities

Open interest volume in major US commodities declined m-o-m in July as a result of weak activity in the first half of the month

The open interest volume (OIV) in major commodity markets in the US **contracted by 2.5%** m-o-m in July, down from 6% in June, to stand at **6,240,000 contracts**. Soybean oil and corn reported strong drops of 9.8% and 7.6% respectively in contracts during the month, while OIV in wheat markets saw a hefty increase of 48.2% m-o-m.

Crude oil OIV remained the same in July compared to the previous month.

Graph 6: Total open interest volume



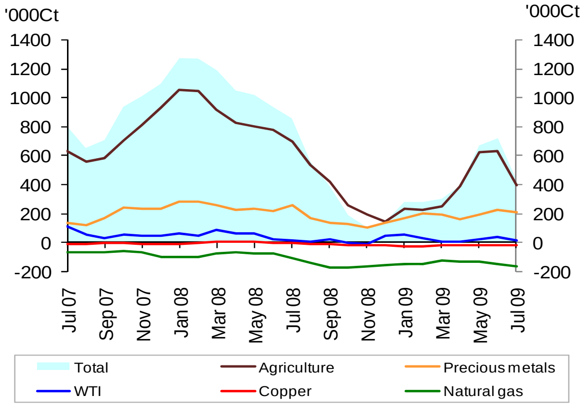
Source: CFTC

Table 3: CFTC positions, '000 contracts

	Net Positions		Long Positions		Short positions		Open Interest	
		Change		Change		Change		Change
	Jul 09	Jul/Jun	Jul 09	Jul/Jun	Jul 09	Jul/Jun	Jul 09	Jul/Jun
Crude Oil	10	-29	195	-9	185	21	1172	0
Natural Gas	-161	-13	94	6	255	19	738	32
Agriculture	393	-234	850	-141	457	93	3299	-198
Corn	57	-109	223	-56	166	53	894	-74
Wheat	-46	-67	147	37	193	103	633	206
Soybean Oil	-17	-35	38	-19	55	16	245	0
Soybeans	85	-38	117	-33	31	4	409	-44
Sugar	178	10	208	7	30	-3	734	-29
Precious Metals	209	-15	251	-14	43	1	530	-7
Copper	-18	2	21	1	39	0	111	1
Livestocks	8	33	103	13	95	-19	390	11
Total	**441**	**-257**	**1515**	**-142**	**1074**	**115**	**6240**	**-160**

July was characterized by a further decline in fund-buying activity. Long non-commercials declined 8.6% m-o-m down from 6.9% the previous month. A 12% increase in shorts in July m-o-m, resulted in net non-commercials as a percentage of open interest volume falling to 7% from 10.9% a month earlier.

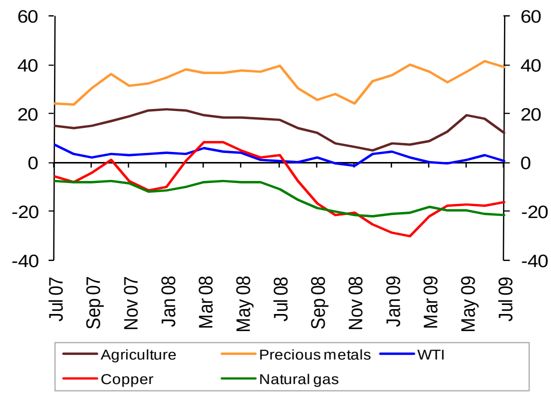
Graph 7: CFTC net length by commodity group



Source: CFTC

It must be born in mind that the bearish trend in the futures commodity markets during the first half of July reversed in the second half of the month amid a recovery in commodity prices.

Graph 8: CFTC net length as % of open interest



Source: CFTC

Agriculture OIV plummeted 5.7% in July m-o-m to **3,299 contracts**, compared to positive growth of 9% the previous month. Non-commercial longs have been falling strongly since the end of June and 14.2% fewer contracts were bought in July compared to a month earlier. A further increase in shorts of 25.7% m-o-m took place in July. Thus, net length as a percentage of OIV continued to drop from 19.2% in May and 17.9% in June to 11.9% m-o-m in July. Falling prices explain the continuing liquidation in agricultural markets (except for wheat). As in the previous month, soybean oil and corn were hardly hit by the reduced strategic investor interest that reacted to dropping prices.

Precious metals OIV declined by 1.2% to stand at **530,000** contracts. Non-commercial long positions declined 5.2% m-o-m in July while shorts rose 2.7%, the net length as a percentage of open interest volume settling at 3.4% in July down from 37.2% in May and 41.7% in June. (*see **Graphs 8** and **9***). Nevertheless, on a weekly basis, the risk appetite in these markets saw a recovery during the last part of July.

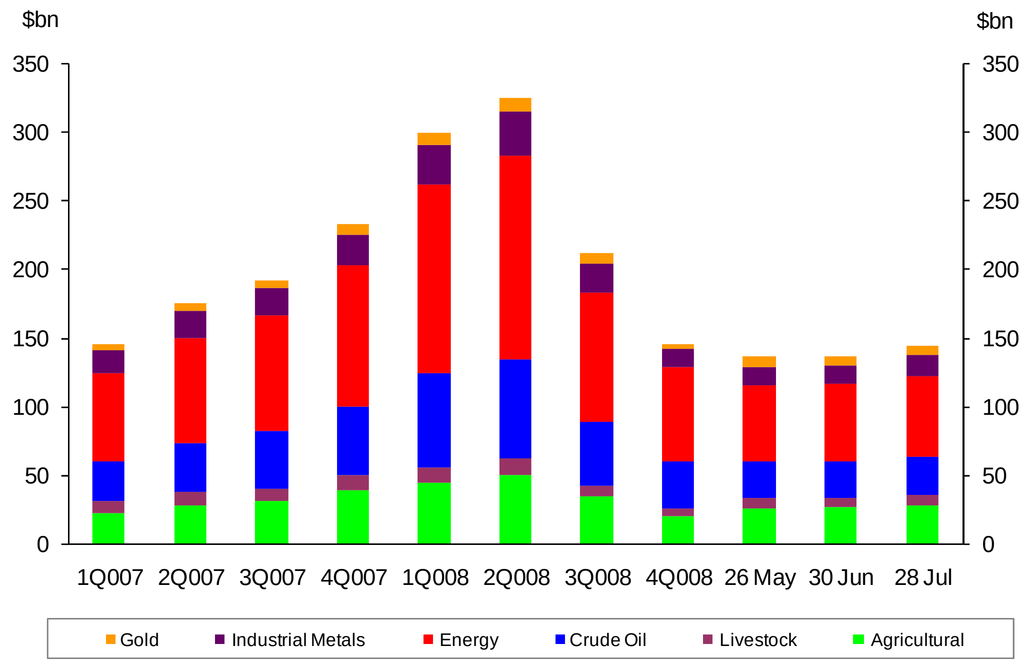
Nymex natural gas futures open interest volume **went up by** 4.6% to **738,000 contracts** in July, compared to 4.3% the previous month. A 6.8% rise in non-commercial long positions in July combined with a 8.2% climb in shorts prompted net length as a percentage of open interest to move from -20.9% in June to -21.84% in July.

Copper open interest volume increased 1.1% compared to 3% in June. Non-commercial longs further increased by 5.7% m-o-m in July and a modest rise of 1.1% in shorts with the net length as a percentage of open interest moving back from -17.3% in June to -16.11% in July. It must be noted that a revival in investors' interest took place in the second half of July amid higher prices.

Gold saw a hefty 42.98 % inflow rise in May which declined by 18% in June but increased again by 6.5% in July.

A recovery in the investment inflow into agriculture, livestock and energy as a whole was also reported during the current month.

Graph 9: Investments in two principal commodity instruments (S&P GSCI and DJ-AIG)



Total assests under management (AUM) are estimated to have increased by $34bn q-o-q in 2Q09. Commodity indices experienced a rise of $23bn q-o-q to $86bn, the second highest q-o-q increase ever, fostered by $10bn of fresh inflow and the rest due to price appreciation. This is linked to the fact that new as well as institutional investors in the commodity markets favour diversified long-only exposure through commodity indices especially when commodity prices retract to very low levels. This presents opportunities for investors looking for long exposure to prices of raw materials.

Highlights of the World Economy

Economic growth rates 2009-2010,%	World	OECD	USA	Japan	Euro-zone	China	India
2009	-1.4	-3.9	-2.8	-6.0	-4.6	7.2	6.0
2010	2.4	0.7	1.2	1.1	-0.4	8.0	6.5

Industrialised countries

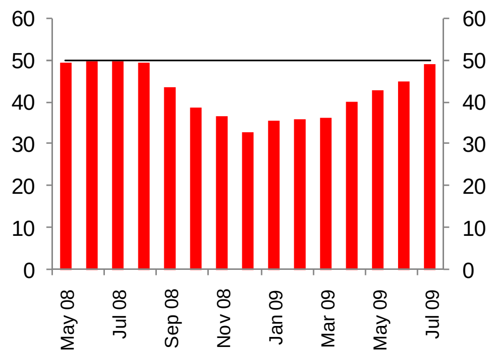
United States of America

The US economy appears to have bottomed in 2Q, but high unemployment and necessary de-leveraging remain a challenge

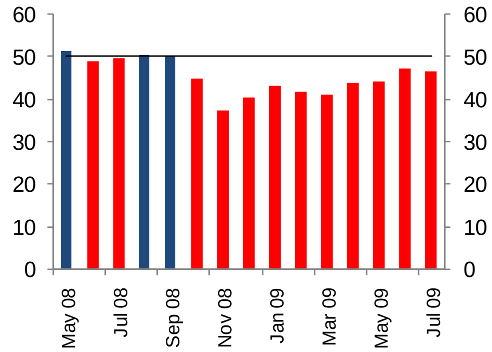
The US economy is starting to improve, at least slightly, and there is the possibility that it has bottomed-out in the second quarter. The two main areas that were pulling down the economy – the housing and the financial sector – began to improve and the steady rise in unemployment has started to slow. This development feeds through to a stronger stock-market, rising housing valuations and improved confidence from suppliers and consumers alike.

The ISM manufacturing index moved up again to 48.9 in July, from 44.8 the previous month. The non-manufacturing ISM declined slightly to 46.4 in July from 47.0 in June. Both indices have shown a positive trend over recent months and the manufacturing index is now approaching the level of 50, which indicates an expansion.

Graph 10a: ISM Manufacturing Index



Graph 10b: ISM Non-Manufacturing Index



Source: Institute for Supply Management

Question remain as to whether this represents a sustainable development as there are still major challenges ahead which may dampen a recovery. First, the level of public debt has been increased significantly and can be expected to rise further in the future. Higher tax revenues would be one way to reduce these. Unemployment has reached a historical high not seen since the beginning of the 1980s and is not likely to have peaked yet at the current level of 9.4%. Household debt remains at record levels. The financial sector continues its de-leveraging as well and is therefore reluctant to supply the markets with cash and investments, despite low interest rates.

Due to all these challenges, it seems sensible to remain cautious about predicting a recovery. This is of particular importance as the current development is being supported mainly by cheap money being provided by the Federal Reserve Board, secondly through the stimulus package of the US Administration and thirdly through the massive support the financial sector has received from the US government and the Fed for absorbing so-called toxic assets and/or to re-establish the balance sheets of many financial institutions by the help of the "Troubled Asset Relief Program (TARP)", the "Term Asset-Backed Securities Loan Facilitiy" (TALF)" and other programmes. One can observe an improvement in the economy, but it is unclear to what extent this development will be able to continue, as it remains highly dependent on the support of current and future tax-payers.

The housing sector has shown some signs of a recovery. Prices have improved – at the non-seasonally adjusted level – on a monthly basis in May for the first time in three years since the burst of the US housing bubble. The S&P/Case-Shiller home-price index rose 0.5% in May from the previous month; however, seasonal adjustments showed a drop of 0.2%, indicating that it is still too early to call a turnaround in price levels. However, there were other positive signs coming out of the sector. Housing starts improved to 582k in June from 562k in May, the third consecutive improvement after having reached a trough of 510k in April. Existing home sales also improved in June, moving up from 4.72mn in May to 4.89mn in June. New home sales increased from 346,000 in May to 384,000 in June while the inventory of unsold houses fell from 10.2 months of supply to 8.8 month. Pending home sales in June increased by 3.6% from only 0.8% in May. Despite these improvements it remains to be seen if this is already a turnaround or if the housing sector remains under pressure due to still depressed consumer demand for housing.

The financial sector has seen the strongest recovery of all ailing sectors, mainly due to government financial support, favourable accounting changes and strong trading business and other investment-banking related areas, such as re-capitalization that have been the beneficiaries of the current crisis. The OIS-Libor spread as a benchmark for risk-perception is now trading at around 25-30 basis-points (bp) and had witnessed a strong recovery from the levels of 2008 when it stood at 364 bp in October, compared to average historical levels of around 15-25 bp. This can be seen as a clear sign that banks have regained confidence in one another and that we are currently back to historical levels, certainly as long as the government continues to support the system via explicit or implicit guarantees, cash supports and other measures. The customer-related side of the financial sector looks different. Bank lending is still contracting. As of the end of July, lending to consumers has declined for eight consecutive weeks, showing a 13% annualized rate of decline. Commercial and industrial loans have also declined for eight consecutive weeks by the end of July, representing a decline of 15% on an annualized rate. Banks, on the other hand, increased cash positions by $118 bn in the first three weeks of July. Hence the cheap Fed money and all the government support helping to strengthen the financial sector has not yet fully reached the customer .

The sharp decline in credit is certainly also due to the fact that households and business lenders alike are trying to de-leverage their balance sheets. The savings rate – which was 1.8% in 2007 – has increased to 4.6% in June, compared to the highs of up to 15% during the last 65 years. On top of this de-leveraging by households, wages are coming down as well. Personal income in June fell by 1.3% and wage-based consumer income fell by 0.3%, a negative number for the eighth consecutive month.

The newly established aid for the automotive sector has had a positive effect on unemployment numbers and can be expected to feed through to the consumer to a certain extent. With all this support from the US administration, the 3Q GDP numbers can be expected to be positive while the 2Q figures might have bottomed out. It remains to be seen what the growth pattern will look like in 4Q and going forward.

Consequently, the US economy in 2009 is expected to contract by a higher-than-expected 2.8%, while the 2010 growth forecast remains at a cautious 1.2%.

Japan

Japan seems to have reached a bottom, but domestic demand remains challenging

The economy of Japan is showing some signs of improvement. As in other OECD countries this development is mainly driven by governmental support, the effects of which will be seen when those stimulus measures taper off by the end of the year.

Industrial output in Japan increased for the fourth time in a row in June and this expansion is expected to continue due to necessary re-stocking as electronic manufacturers, steelmakers and chemical producers almost halted production during 4Q08 and 1Q09. Industrial production was up by 2.4% m-o-m in June compared to 5.7% a month earlier, according to the METI. Despite the fact that this rise might fuel hope that the worst might be over in the manufacturing sector, the positive trend is in decline. The monthly increase reached its peak in March at 7.9% and has decreased since then and is still 23% lower than a year earlier. The Ministry is expecting the growth to continue by a further 1.6% in July and 3.3% in August. The persistent decline in inventory figures are supporting confidence that output growth can be maintained. The inventory level fell by 1% m-o-m in June while the inventory ratio (i.e. inventory compared to actual shipments) fell by 9.8%.
Export figures improved in June as global demand seems to have picked up. Shipments

abroad from Japan declined by 35.7% y-o-y, which is an improvement compared to the May numbers of 40.9% y-o-y which were also lower than the April number which showed a drop of 39.1% y-o-y. Shipments to China, the most important trading partner for Japan, improved to minus 23.7% y-o-y, the smallest drop since October 2008. The decline in shipments to the US also weakened to minus 37.6% y-o-y, the smallest drop since last December. Exports to Europe decreased to 41.4% y-o-y, the best number since the beginning of this year. Despite the strong pick-up from China, a sustainable improvement in Japanese exports would require demand to pick up in the US and Europe as about half of Japan's exports to China are parts and materials used to make products that are re-exported, according to Nikko Citigroup.

Despite this positive development from manufacturing and exports, the domestic economic situation remains challenging. Wages in Japan have suffered their sharpest drop in 20 years since records began, adding pressure to concerns that consumer spending could remain muted. Wages including overtime pay and bonuses slid 7.1% from a year earlier, according to the numbers from the Labor Ministry, marking the thirteenth consecutive decline and the biggest drop since records began. The major part of this drop was due to a cut in bonuses as part of the wages, which are usually due in December and June. The large decline in overtime payment was another factor in this decline. Overtime payments fell by 17.7% in June y-o-y, while the hours worked overtime fell by 40% y-o-y in the manufacturing sector. According to surveys made by Moody's Economy.com, a majority of companies believe that their staffing levels are still "excessive" and are inclined to cut the workforce further, which would further increase unemployment.

The unemployment rate in June has already surged to a six-year high and now stands at 5.4%. The CPI excluding fresh food and energy fell by 0.7% y-o-y. Prices and unemployment are expected to remain under pressure with only 43 job offers for 100 applicants, according to the Labor Ministry, a record low.

The Bank of Japan (BOJ) remains cautiously positive, but left its core interest rate at 0.1%. In a statement issued in July, it said that while conditions have "stopped worsening", it remains cautious about the depth and robustness of the recovery. It also predicts a contraction in GDP in the current fiscal year ending March 2010 that would be greater than the forecast of a decline of 3.4%.

The GDP decline for the Japanese economy for 2009 is now expected to be 6.0%, which compares to the July forecast of minus 6.4%. The 2010 forecast was also revised up slightly by 0.2% to now stand at 1.1%.

Euro-zone

The Euro-zone is still the most affected region of the OECD, but some improvement in output numbers and sentiment is in sight

The Euro-zone is continuing its relative weak economic situation, while it is also seeing some improvement in exports, as well as partially from domestic demand along with a spill-over effect on sentiment.

German exports in June were very strong, with growth of 7% m-o-m, but remain 22.3% lower y-o-y. That follows a surge in industrial orders of 4.5% in June. These numbers are in line with the latest strong Markit PMI numbers for Germany in June. Germany's PMI saw the biggest gain since its inception in 1998. The composite index rose from 44.0 to 48.9, only slightly short of 50, marking an expansion in the economy. In addition, the very important Ifo-index moved up to 87.3 from 85.9 in June, supporting the positive trend.

Despite the stronger numbers from Germany, there are still other relative weak spots in the Euro-zone. France's PMI for example was recorded at weaker levels, despite the fact that France has so far weathered the storm relatively better than Germany. France's PMI fell from 47.8 to 47.2. The Euro-zone's overall PMI hit a 10-month high of 46.8 compared to 44.6 in June.

The PMI numbers are in line with the Euro-zone economic confidence indicator. Confidence rose by 3.1 points to 73.3 in June, the highest level since last November, but remains below the levels of the most recent trough in 1992, as pointed out by the

European Commission. Industrial orders for the overall Euro-zone fell 0.2% m-o-m in May, but this compares to a stronger decline of 0.7% in April.

Furthermore, there are other indications that the economic situation has the potential to bottom out. Home loans in the Euro-zone, for example, have started to rise again for the first time since the bursting of the housing bubble in 2006, according to the latest European Central Bank (ECB) lending survey. This goes along with a possible improvement in the housing sector in the US, which could hint at the start of a broad-based global recovery. At the end of June, the ECB stepped into the lending market by supplying 442bn euros of one-year loans on a one-time extraordinary basis and it seems that all this monetary stimulus combined with the ECB's appeal to banks to start lending to businesses and households at reasonable interest rates is starting to take effect. That is crucial for a kick-off of a broad-based improvement. In Germany, for example, more than 45% of the businesses of the Ifo-survey consider the credit conditions restrictive as compared to 27% in mid-2007. Lending to households already showed signs of improvement, expanding by 0.2% in June compared to a decline of 0.2% a month earlier. The savings rate in the Euro-zone, on the other side, was at record-high levels of 15.6% in 1Q09, the highest recorded levels since the inception of the data in 1999. It compares to 13.8% in 1Q08.

The ECB kept its key interest rate unchanged at its recent meeting at 1.0%, saying that while the situation is improving, there is no end to the recession yet. The ECB is the only of the big central banks that still has some room to maneuver, because interest rates could still be taken lower, but also due to the fact that inflation has turned negative in the Euro-zone. The estimated Euro-area inflation was at -0.6% y-o-y for the month of July, after -0.1% y-o-y in June. The ECB still expects inflation to move back into positive territory in late 2009. Due to last year's sharp increase in energy costs it is widely acknowledged that deflation might have hit a trough in July.

Unemployment in the Euro-zone moved up to 9.4% in June, compared to 9.3% a month earlier. The situation in Germany stabilized at 7.7%, the same level as the previous month. In Spain, where the most severe levels were recorded over the last months, unemployment moved up to 18.1%, 0.2% above 17.9% a month ago. Euro-zone youth unemployment, (below the age of 25), stood at 19.5%, a slight increase from the 19.4% the previous month and again the highest levels were registered in Spain at 36.5%, up from 36.4% in May.

Despite the encouraging signs in the Euro-zone, GDP growth rate numbers for 2009 are forecast at minus 4.6% for 2009 and minus 0.4% for 2010, both unchanged from the previous forecast.

Former Soviet Union

Investment in Russia has declined by 56% in the first three quarters of 2009

According to Rosstat, the official statistical agency in Russia, investment in the country has declined by 56% in the first three quarters of 2009. In the first quarter of 2009, household consumption declined 3.2% y-o-y, as consumers worried about the security of their jobs going forward and were also unable to obtain consumer credit at affordable rates. The Russian economy continued to contract in July, but the annual rate of decline slowed from April's record 7.7% pace. A proposal by the Ministry for Economic Development, approved by the government, will allow for a bigger budget deficit next year in an attempt to prop up the economy. The Ministry proposal would imply next year's budget will assume a deficit of 6.5% of GDP, up from a previous estimate of 5%. Widening the deficit will allow the government to spend more to jolt demand, continue investing in the country's largest companies and expand bank lending.

IMF revised down its forecast for Ukrainian GDP growth in 2009

The International Monetary Fund (IMF) completed the second review of its stabilization programme for the Ukraine on 10 July. A visiting IMF delegation recommended that the IMF board grant the Ukraine the third $3.3 billion tranche of the $16.4 billion stand-by loan. Kiev received the previous two tranches of the loan totaling $5.3 billion in November 2008 and May 2009. The IMF now expects GDP to contract not by 8% as it originally expected, but by a staggering 14%, which is yet another confirmation that the Ukrainian economy was severely damaged by the global recession.

Developing Countries

New credit in China may reach 11 trillion yuan in 2009

China's GDP expanded 7.9% in the second quarter as the nation became the first major economy to rebound from the global recession. The Central Bank said that it plans to maintain a moderately loose monetary policy and that sustaining economic growth is the top priority. China has bounced back after authorities used the state-controlled banking system to engineer one of the most remarkable monetary expansions in history. Banks have issued twice as much in new loans so far this year as in the first half of 2008, and China's money supply is now expanding at nearly triple the rate in the US. Along with China's stimulus plan of four trillion yuan ($585 bn), the credit boost has helped to restore confidence and supports economic activity, at least in the short-term. New credit may reach 11 trn yuan this year, if the government refrains from clamping down on lending to protect economic growth. China's credit growth is expected to slow from the "unsustainable" pace seen this year to about 15% in 2010 as a strengthening economy may reduce the need for loan support. Chinese banks stoked concerns that loan quality may drop by advancing a record 7.37 trn yuan of new loans in the first half of 2009. The Industrial and Commercial Bank of China Ltd. and China Construction Bank Corp., the nation's two largest lenders by assets, were reported to aim to cap their new loans at 200 billion yuan in the second half.

While China is implementing a $585 billion stimulus package, announced last November, to help the world's third-largest economy overcome the global economic slump, the government wants to keep its budget deficit to within 3% of GDP this year, a target that observers believe will be tough to achieve given current spending and revenue trends. The deficit in 2008 was about 0.5% of GDP. The sustainability of this state-driven growth is a critical issue for the global economy. The success so far of China's stimulus has been one of the few bright spots in the global downturn. The government is trying to fine-tune its stimulus to reduce the risk of bubbles. As US housing prices slide, China's are rising at a 10% annualized pace, fast enough for some to declare a new real-estate boom. The record surge in China's official reserves of foreign currency was driven partly by renewed inflows of capital from abroad chasing strong growth— which hit $2.132 trn in June. It was estimated that such "hot money" totaled $30 bn to $50 bn in the second quarter.

Indian exports slumped by 29.2% for the eighth consecutive month in May due to weak overseas demand

The Indian government forecast that the economy would see a U-shaped recovery in the next six months with stimulus measures sustaining growth. The government believes that in the second half of the current financial year the economy would perform better than in the first half. The steps initiated by the government for sustaining growth momentum include short-term measures of fiscal stimulus packages by enhancing expenditure levels and reducing duties. The Reserve Bank of India (RBI) said in a report that while growth in industrial production, a gradual revival in nonfood credit and improved business expectations all show signs of recovery, "delayed progress in monsoons and a decline in exports due to persistence of the global recession," could dampen growth outlook. Rainfall between 1 June and 22 July was 19% below normal. Exports slumped for the eighth consecutive month in May due to weak overseas demand, falling 29.2% to $11.01 billion from a year earlier. Imports, too, fell 39.2%. To tackle the impact of the global crisis, the RBI has lowered its key lending rate, the repo rate, by 4.25 percentage points since October, and the reverse repo rate — the rate at which it borrows — by 2.75 percentage points. The government too has designed three fiscal stimulus packages, including tax relief and subsidies to the ailing export-linked sectors. The fiscal deficit in the current financial year is expected at 6.8% of GDP. The RBI cautioned that the easy fiscal stance combined with repeated monetary easing could also put upward pressure on inflation, adding to the upward price risk from an increase in commodity prices as well as delayed monsoons.

OPEC Member Countries

Inflation eases in Libya

The Central Bank of Libya reported that in the six months to June, the rise in Libyan prices slowed to 4.15% from 11.5% in the same period a year earlier. Inflation soared in Libya in 2008, peaking at 12.9% in July last year amid sharp increases in housing costs and food prices. The Libyan economy depends primarily upon revenues from the oil sector, which contributes about 95% of export earnings, about one-quarter of GDP, and 60% of public sector wages. The expected weakness in world hydrocarbon prices throughout 2009 could reduce Libyan government tax income and constrain Libyan economic growth in 2009.

Despite monetary easing Saudi banking sector limits lending

Like many other oil producers, Saudi Arabia is expected to suffer from a contraction in its economy this year after nearly seven years of high growth despite record spending approved by the government for the year. A recent report by a private Saudi bank shows that the recent debt crisis at two major Saudi banking groups has combined with plunging consumer demand and growing risk sensitivity by domestic banks to hit credit activity in the Kingdom despite a spate of monetary easing measures by the country's central bank. The report says that despite growth in deposits with the 12 commercial banks in the world's largest oil exporter, they have remained reluctant to provide loans, while their investments in government securities have contracted because of lower rates.

Oil prices, the US dollar and inflation

The US dollar continued to decline against major currencies in July

The US dollar remained above the $1.40/€-level in July and continued to weaken against the Euro by 0.5%. The dollar depreciated against the Japanese yen by 2.1% and remained almost unchanged versus the Swiss franc at minus 0.2%. Against the pound sterling, it was unchanged. Against the modified Geneva I+US dollar basket, the dollar fell 0.5% in July compared to a decline of 1.0% in June and 2.5% in May. Against the euro, the dollar averaged $1.4087/€ in July compared to $1.4015/€ in June.

Increased risk appetite kept the dollar under pressure, with the shift from US dollar-denominated assets to other higher yielding assets, while the rise in the stock market seems to have somewhat dampened its decline. The interest rate situation is still in favour of the euro and the pound sterling. Both central banks seem to judge inflation as a concern for the future and the ECB has indicated that it still has no intention in the short-term to lower interest rates from the current level of 1.0%, nor is the Bank of England willing to increase the amount of money being provided to the system on a significant scale.

In July, the OPEC Reference Basket declined by $3.77/b or 5.5% to $64.59/b. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket price fell by $2.72/b or 6.2% to $41.17/b. The dollar declined by 0.5%, as measured against the import-weighted modified Geneva I+US dollar basket, while inflation rose 0.2%.*

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

World Oil Demand

World oil demand to contract by 1.6 mb/d in 2009.

World oil demand in 2009

Although the US oil demand is still showing a massive reduction, increases elsewhere in the world have helped to partially offset the decline, leading to no change in world oil demand growth. Chinese June oil demand has picked up after a devastating contraction in the first quarter. Furthermore, India's oil demand grew by more than 13.6% in June y-o-y versus 0.6% last May. OECD oil demand is forecast to decline by 1.9 mb/d, while non-OECD oil demand is forecast to inch up by 0.2 mb/d, resulting in total world decline of 1.6 mb/d in 2009. Although the first half of the year showed a plunge of 2.7 mb/d in total world oil demand, the second half is forecast to decline by only 0.6 mb/d.

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

							Change 2009/08	
	2008	1Q09	2Q09	3Q09	4Q09	2009	Volume	%
North America	24.18	23.52	22.87	22.77	23.50	23.16	-1.01	-4.18
Western Europe	15.28	14.90	14.38	14.97	15.11	14.84	-0.44	-2.86
OECD Pacific	8.07	8.14	7.39	7.18	7.83	7.63	-0.43	-5.37
Total OECD	**47.52**	**46.56**	**44.64**	**44.92**	**46.44**	**45.64**	**-1.88**	**-3.96**
Other Asia	9.32	9.27	9.53	9.25	9.42	9.37	0.05	0.55
Latin America	5.78	5.59	5.78	5.99	5.82	5.80	0.02	0.27
Middle East	6.89	6.96	7.08	7.30	7.06	7.10	0.20	2.95
Africa	3.18	3.26	3.22	3.15	3.25	3.22	0.04	1.14
Total DCs	**25.17**	**25.07**	**25.61**	**25.68**	**25.55**	**25.48**	**0.31**	**1.22**
FSU	4.11	3.85	3.70	4.19	4.21	3.99	-0.12	-2.85
Other Europe	0.79	0.77	0.73	0.77	0.76	0.76	-0.03	-4.37
China	7.97	7.61	8.34	8.36	7.89	8.05	0.08	0.97
Total "Other Regions"	**12.87**	**12.23**	**12.77**	**13.31**	**12.86**	**12.80**	**-0.07**	**-0.58**
Total world	**85.56**	**83.87**	**83.02**	**83.90**	**84.85**	**83.91**	**-1.65**	**-1.93**
Previous estimate	85.49	83.78	82.80	83.93	84.84	83.84	-1.65	-1.93
Revision	0.07	0.09	0.23	-0.03	0.01	0.07	0.00	0.00

Totals may not add due to independent rounding.

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

			Change 2009/08				Change 2009/08	
	1Q08	1Q09	Volume	%	2Q08	2Q09	Volume	%
North America	24.77	23.52	-1.25	-5.06	24.41	22.87	-1.54	-6.32
Western Europe	15.33	14.90	-0.42	-2.77	15.00	14.38	-0.62	-4.14
OECD Pacific	8.91	8.14	-0.77	-8.61	7.86	7.39	-0.47	-6.02
Total OECD	**49.00**	**46.56**	**-2.44**	**-4.99**	**47.28**	**44.64**	**-2.64**	**-5.58**
Other Asia	9.37	9.27	-0.10	-1.04	9.50	9.53	0.04	0.37
Latin America	5.58	5.59	0.01	0.19	5.80	5.78	-0.02	-0.31
Middle East	6.77	6.96	0.19	2.80	6.87	7.08	0.21	3.12
Africa	3.22	3.26	0.04	1.10	3.19	3.22	0.03	1.07
Total DCs	**24.94**	**25.07**	**0.14**	**0.55**	**25.35**	**25.61**	**0.27**	**1.05**
FSU	4.17	3.85	-0.32	-7.66	3.79	3.70	-0.09	-2.30
Other Europe	0.83	0.77	-0.06	-6.98	0.76	0.73	-0.03	-4.47
China	7.97	7.61	-0.37	-4.58	8.17	8.34	0.17	2.12
Total "Other Regions"	**12.98**	**12.23**	**-0.74**	**-5.72**	**12.72**	**12.77**	**0.05**	**0.41**
Total world	**86.92**	**83.87**	**-3.05**	**-3.51**	**85.34**	**83.02**	**-2.32**	**-2.72**

Totals may not add due to independent rounding.

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

			Change 2009/08				Change 2009/08	
	3Q08	3Q09	Volume	%	4Q08	4Q09	Volume	%
North America	23.60	22.77	-0.83	-3.52	23.93	23.50	-0.43	-1.80
Western Europe	15.43	14.97	-0.47	-3.03	15.35	15.11	-0.23	-1.53
OECD Pacific	7.54	7.18	-0.36	-4.72	7.97	7.83	-0.14	-1.81
Total OECD	**46.57**	**44.92**	**-1.65**	**-3.55**	**47.25**	**46.44**	**-0.81**	**-1.71**
Other Asia	9.17	9.25	0.07	0.81	9.23	9.42	0.19	2.06
Latin America	5.96	5.99	0.03	0.50	5.78	5.82	0.04	0.69
Middle East	7.09	7.30	0.21	2.96	6.86	7.06	0.20	2.92
Africa	3.11	3.15	0.04	1.12	3.21	3.25	0.04	1.28
Total DCs	**25.33**	**25.68**	**0.35**	**1.38**	**25.08**	**25.55**	**0.47**	**1.88**
FSU	4.22	4.19	-0.04	-0.83	4.24	4.21	-0.03	-0.71
Other Europe	0.79	0.77	-0.03	-3.40	0.78	0.76	-0.02	-2.56
China	8.10	8.36	0.25	3.12	7.65	7.89	0.24	3.14
Total "Other Regions"	**13.12**	**13.31**	**0.19**	**1.46**	**12.67**	**12.86**	**0.19**	**1.50**
Total world	**85.02**	**83.90**	**-1.11**	**-1.31**	**85.00**	**84.85**	**-0.15**	**-0.18**

Totals may not add due to independent rounding.

Alternative fuel

Despite reduced demand for energy, European biodiesel production capacity grew strongly in 2009. Demand declined not only because of the economic downturn but also because of a reversal in government policy in various countries. In Germany alone, an increased tax on “green fuels” has slashed biodiesel demand so far this year.

One goal of US subsidies is to push more biofuel blend in the country’s gasoline pool. However, automakers are protesting the latest move to increase the ethanol blend above 10%. Manufacturers are concerned that the blend will not only negatively affect auto performance but could also potentially damage engines.

In a new effort to increase the usage of renewables, China is gearing up to build huge solar and wind farms via massive subsidies which ranged between 50% and 70%. However, this effort is not expected to dent the country’s usage of fossil fuel.

OECD – North America

North American demand to decline by 1.0 mb/d in 2009

US oil demand has maintained the relative strength seen in June. For the second consecutive month, US gasoline consumption not only stopped its decline, but also climbed up a bit to show growth of 0.6% in July y-o-y. Summer driving has not only halted the decline but also contributed to a more positive demand number. Of course, this latest growth is much weaker than the normal trend of 1%. Recent achievement in the auto industry has been greater in comparison to the past 12 months. USA oil demand stopped its previous declining pattern and kept the July contraction below 1 mb/d. July weekly data showed a decline of only 3.9% or 0.77 mb/d y-o-y. Not only has summer gasoline shown better performance but also industrial products have reduced their steep decline to some degree. The first seven months of the year still experienced a decline of 1.25 mb/d with a negative performance for all products. Total US oil demand for the year is forecast to decline by 0.9 mb/d.

The US has been receptive to energy efficiency programmes and one popular programme is the “*Cash for Clunkers*”. This programme quickly drained its $1 billion fund and the government allocated extra funds amounting to another $2 billion. Critics of this programme state that most of the sales that occur under this programme are nothing but a delay in normal purchases which people would have made anyway. Others accuse the programme of not necessarily being as green as it claims. This programme is not expected to dent the country’s total gasoline demand in the short term.

Following a strong decline last May of 0.24 mb/d, due not only to the slow economy but also from the swine flu epidemic that hit the country badly last spring, Mexican June oil demand cut its decline by half. Considering that summer gasoline inched up by 3.5% or 28 tb/d, total Mexican oil product demand declined by 0.1 mb/d in June. Fuel oil and jet fuel decreased the most, losing 100 tb/d and 17 tb/d. Mexican oil demand is anticipated to show some improvement in the last quarter of the year, leading to a decline of only 81 tb/d y-o-y in 2009.

As in the US, Canadian June oil demand data continued its negative pattern to show a drop in oil usage by 0.06 mb/d y-o-y. Most of this decline was as a result of less fuel use by the industrial sector since the start of the economic crises. Canadian oil consumption is forecast to be almost flat in 2009.

North America oil demand is forecast to decline by 1.0 mb/d y-o-y in 2009 to average 23.2 mb/d.

Table 7: Domestic sales of refined petroleum products in Mexico (tb/d)

	Jan-Jun 2009	Jan-Jun 2008	Change (tb/d)	Change (%)
LPG	280	292	-12	-4.0
Gasoline	781	786	-5	-0.6
Jet Fuel	57	70	-13	-19.1
Diesel Oil	356	379	-23	-6.2
Fuel Oil	182	246	-64	-26.1
Other Products	77	76	1	1.4
Total Products	**1,733**	**1,849**	**-116**	**-6.3**

OECD - Europe

OECD Europe oil demand to decline by 2.9% in 2009

European energy consumption is suffering from the continent's anemic economy. Despite some improvement, OECD Europe oil demand is still showing a contraction in almost all products, mainly industrial products. June total oil demand is estimated at a negative 0.4 mb/d y-o-y, better than what was seen in May by almost a third.

Germany, the largest oil consuming country in Europe, recently showed energy consumption data indicating that May's usage of oil products grew by almost 3% following a 0.7% decline in April. The growth was mostly attributed to diesel which is used not only in transport but also in the industrial and agricultural sectors. This strong growth will push Germany's second quarter oil demand into the positive column. Despite the 3% decline in France's GDP this year, the country's June oil demand showed minor growth of 0.6% after two consecutive months of declining oil consumption.

Given the dim outlook for the European economy, OECD Europe oil demand is forecast to decline by 2.9% or 0.44 mb/d y-o-y in 2009.

OECD - Pacific

OECD Pacific to decline by 0.4 mb/d on weak Japanese demand

South Korean oil demand is forecast to grow by 0.7% or 14 tb/d in 2009 y-o-y. This moderate behavior came as a result of a downturn in economic activity. Given the strong growth in both April and May, the second quarter oil demand is forecast to be up by 60 tb/d y-o-y. The second half of the year might bring better economic activity in the Pacific which will result in greater oil demand. Gasoline has experienced 3.5% growth in the first half y-o-y as a result of summer driving, pushing the country's oil demand up slightly by 1.2% in the first half of the year.

Australian oil demand has been in the negative since the start of the year, but reached a new low in May plunging by more than 4% y-o-y. It is expected that Australia's oil demand will show some moderate positive performance in the second part of the year, which will be enough to offset the decline in the first half.

Japan managed to cut its oil usage loss by more than half. The country's June oil demand contracted by only 0.2 mb/d versus 0.5 mb/d the previous month. It is anticipated that Japanese oil consumption will plunge by 0.4 mb/d this year. A few factors which are affecting the country's oil demand are the shrinking economy, aging population and energy efficiency policies within the country.

Given the weak Japanese economy, OECD Pacific oil demand is forecast to decline by 0.4 mb/d in 2009 to average 7.6 mb/d.

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

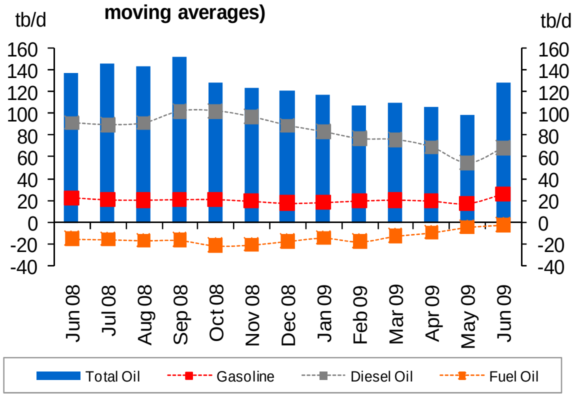
	May 09	May 08	Change (tb/d)	Change (%)
LPG	113	116	-3	0.0
Gasoline	132	117	15	0.1
Jet Fuel/Kerosene	71	81	-10	-0.1
Diesel	337	314	23	0.1
Fuel Oil	44	59	-15	-0.3
Other Products	134	144	-11	-0.1
Total	**830**	**831**	**-1**	**0.0**

Developing Countries

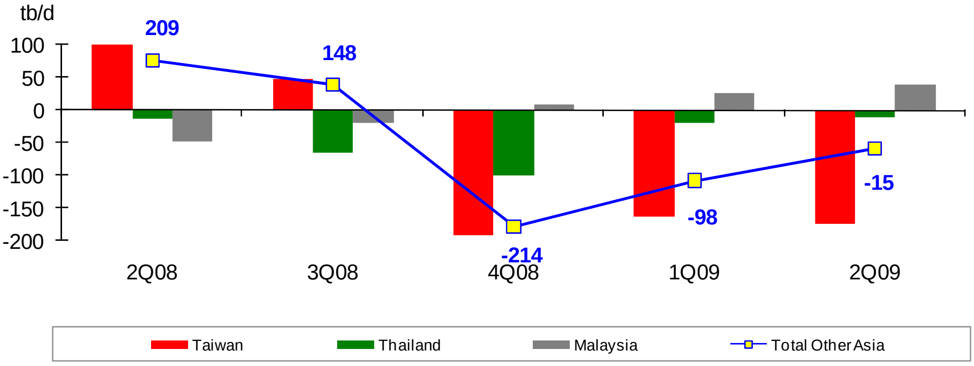
Oil demand in the Developing Countries to grow at 0.3 mb/d in 2009

Indian oil demand performed strongly in June as a result of not only better economic activities but also the start of the agricultural season. The country's oil demand grew by more than 13.6% in June y-o-y versus 0.6% last May. India's oil demand, which has been performing moderately since the start of the year, picked up pace in June to mark a high for the year. Gasoline consumption alone grew by a record 37.5% adding another 85 tb/d to the country's oil demand pool. Diesel consumption growth was more than double that of gasoline, reaching 0.2 mb/d in June y-o-y to average 1.2 mb/d. Agricultural and industrial usage were the reasons behind this strong growth. Indian oil demand performed steadily despite the ups and downs in the country's economic activities. It is anticipated to grow by 4% this year.

Graph 11: Yearly changes in Indian oil demand 12 month moving averages)

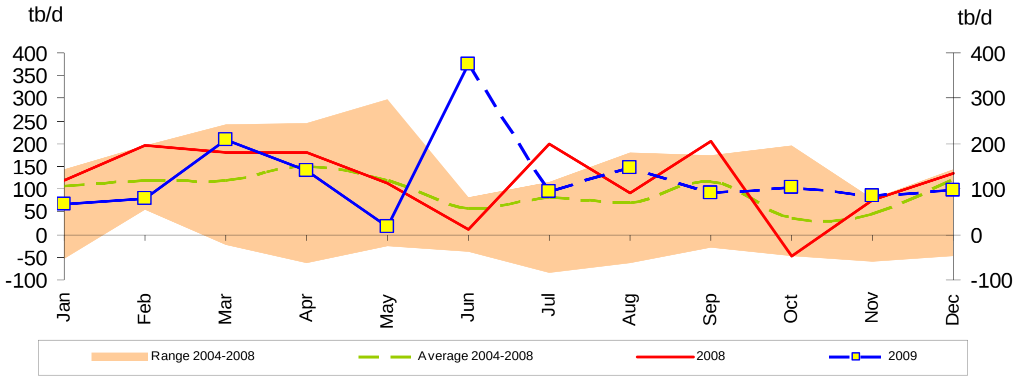


Graph 12: Oil consumption in selected Asian countries, y-o-y growth

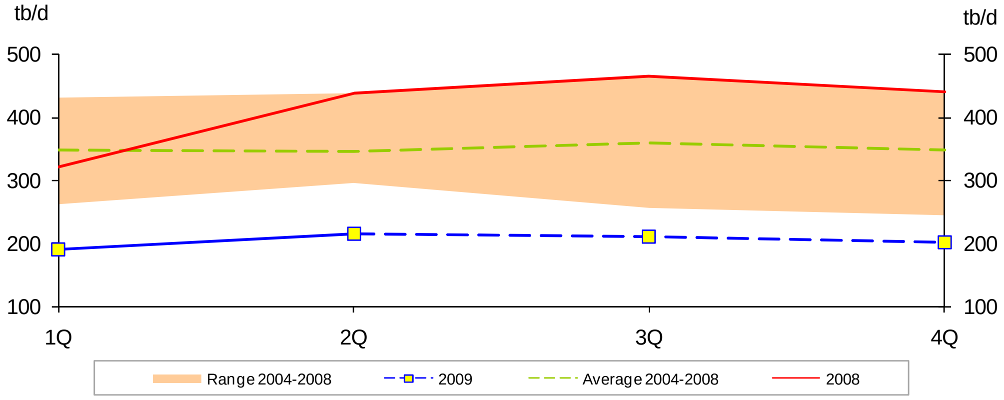


While Indonesian oil demand is not anticipated to be in the negative, due to the partial removal of price subsidies and fuel substitution, the country's oil demand will be almost flat this year.

Graph 13: Changes in Indian oil demand, y-o-y



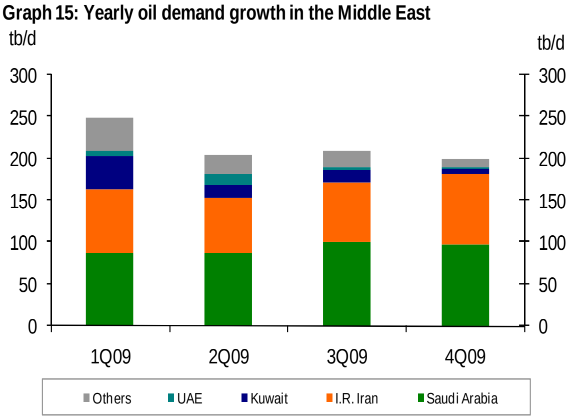
Graph 14: Changes in Middle East oil demand, y-o-y



Middle East oil demand to grow at around 3% in 2009

Unlike most of the world, the Middle East kept its oil demand on the positive side this year not only because of the massive energy intensive projects in the region, but also because of transport fuel subsidies. However, due to global economic turmoil, Middle East oil demand is estimated to show growth of only around 3% or 0.2 mb/d y-o-y in 2009 which is almost half that of the previous year.

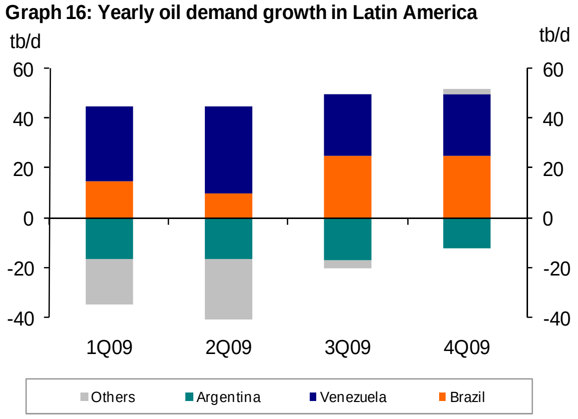
Graph 15: Yearly oil demand growth in the Middle East



Oil demand in the Developing Countries has suffered from the current downturn in economic activities. Hence, Developing Countries' oil demand growth is forecast at 0.3 mb/d y-o-y in 2009, averaging 25.5 mb/d.

Argentina's oil demand showed a further decline in May. Data for that month indicated that the country's total oil demand shrunk by 4.8% y-o-y. Given weak gasoline demand, diesel usage declined by almost 17% resulting from reduced manufacturing activities, slow road cargo and low agricultural activities. Argentina, the third largest oil consuming country in Latin America, is expected to use less oil this year by 15 tb/d y-o-y.

Graph 16: Yearly oil demand growth in Latin America



All of Latin America's countries burned less oil except Venezuela, leading to a total negative consumption of 73 tb/d in May y-o-y. Given the bad economic situation this year, the region's oil demand will grow by a minor 0.3% in 2009.

Table 9: Brazilian inland deliveries, mb/d

	May 09	May 08	Change (mb/d)	Change (%)
LPG	202	212	-11	-5.1
Gasoline	401	416	-15	-3.6
Jet/Kerosene	88	89	-1	-1.2
Diesel	717	759	-42	-5.5
Fuel Oil	79	85	-6	-7.1
Alcohol	257	216	40	18.7
Total	**1743**	**1778**	**-34**	**-1.9**

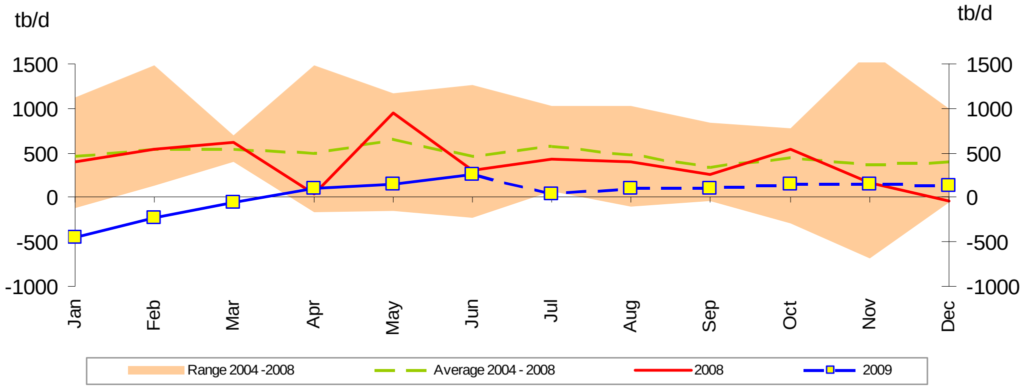
Other regions

Due to the poor performance in the first quarter, China's oil demand forecast to grow by only 0.1 mb/d in 2009.

Despite the price increase in petroleum products, Chinese apparent oil demand grew by 2.6% y-o-y in June. Following a steep decline in the first quarter, the government implemented stimulus plans which kicked in and increased the usage of energy in the second quarter. The latest oil consumption increase was attributed to better economic activities. Industrial oil usage along with transport and agriculture has pushed demand up in the second quarter and is expected to maintain the same trend until the year end. China's oil imports grew drastically as well, exceeding 0.4 mb/d to average 4.5 mb/d. As for the retail price of petroleum products, China adopted a new retail pricing mechanism which allowed the government to change the prices of transport fuel if international oil prices swing by 4% within 22 days. Hence, on 29 July authorities cut transport fuel prices between 3% and 5%. This new pricing mechanism has led to price changes five times so far this year. Last year, old pricing procedures sheltered Chinese consumers from the negative effects of high oil prices, keeping domestic consumption on the rise. This new method is moderately affecting local consumption and effectively represents the removal of energy subsidies as in other Asian countries. On another front, the Chinese economic stimulus plan that was implemented early this year has pushed new vehicle sales up by 18% in the first six months y-o-y adding more than 6 million vehicles. It is anticipated this number will exceed 10 million vehicles by the end of the year.

Due to poor performance in the first quarter, China's oil demand is forecast to grow by only 0.1 mb/d y-o-y in 2009 to average 8.05 mb/d.

Graph 17: Changes in Chinese apparent oil demand, y-o-y



World oil demand growth to rebound in 2010, reaching 0.5 mb/d

World oil demand in 2010

Due to the late arrival of the economic recovery next year, oil demand growth is expected to increase by 0.5 mb/d. As in recent years, most of the growth will take place in the non-OECD, mainly China, India, the Middle East and Latin America. The bulk of oil demand will come from the industrial, transport and petrochemical sectors. The agricultural sector will show a moderate increase in fuel usage, mainly in the developing world. Apart from the world economy, the main factors that might play an important role in next year's oil demand are oil prices, taxes and the removal of price subsidies.

As a result of the expected improved economic performance, US gasoline demand will be back in the growing mode, but will remain the wild card in 2010.

Industrial fuel — mainly diesel and naphtha — will contribute the most growth to world oil demand in 2010. Coming out of a very low base in 2009, gasoline and jet fuel consumption will show small increases due mainly to the growing transport sector in non-OECD countries and the slight rise in consumption in North America and the Pacific.

World oil demand is anticipated to stop its decline and incur growth of 0.5 mb/d y-o-y to average 84.4 mb/d in 2010.

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

							Change 2010/09	
	2009	1Q10	2Q10	3Q10	4Q10	2010	Volume	%
North America	23.16	23.60	22.98	23.05	23.77	23.35	0.19	0.81
Western Europe	14.84	14.42	14.00	14.78	14.97	14.54	-0.30	-1.99
OECD Pacific	7.63	7.93	7.19	7.01	7.68	7.45	-0.18	-2.41
Total OECD	**45.64**	**45.95**	**44.17**	**44.84**	**46.42**	**45.34**	**-0.29**	**-0.64**
Other Asia	9.37	9.40	9.68	9.40	9.61	9.52	0.15	1.63
Latin America	5.80	5.65	5.85	6.06	5.90	5.87	0.07	1.22
Middle East	7.10	7.16	7.29	7.53	7.26	7.31	0.22	3.04
Africa	3.22	3.31	3.27	3.20	3.30	3.27	0.05	1.51
Total DCs	**25.48**	**25.52**	**26.09**	**26.19**	**26.07**	**25.97**	**0.49**	**1.91**
FSU	3.99	3.87	3.72	4.22	4.25	4.02	0.03	0.64
Other Europe	0.76	0.75	0.72	0.77	0.78	0.76	0.00	0.02
China	8.05	7.93	8.57	8.62	8.18	8.32	0.28	3.43
Total "Other Regions"	**12.80**	**12.56**	**13.01**	**13.60**	**13.21**	**13.10**	**0.30**	**2.36**
Total world	**83.91**	**84.02**	**83.27**	**84.63**	**85.69**	**84.41**	**0.50**	**0.59**
Previous estimate	83.84	83.93	83.04	84.66	85.69	84.34	0.50	0.59
Revision	0.07	0.09	0.23	-0.03	0.01	0.07	0.00	0.00

Totals may not add due to independent rounding.

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

			Change 2010/09				Change 2010/09	
	1Q09	1Q10	Volume	%	2Q09	2Q10	Volume	%
North America	23.52	23.60	0.09	0.37	22.87	22.98	0.11	0.49
Western Europe	14.90	14.42	-0.48	-3.22	14.38	14.00	-0.38	-2.66
OECD Pacific	8.14	7.93	-0.22	-2.65	7.39	7.19	-0.20	-2.67
Total OECD	**46.56**	**45.95**	**-0.61**	**-1.31**	**44.64**	**44.17**	**-0.47**	**-1.05**
Other Asia	9.27	9.40	0.12	1.32	9.53	9.68	0.15	1.54
Latin America	5.59	5.65	0.07	1.16	5.78	5.85	0.07	1.12
Middle East	6.96	7.16	0.21	2.99	7.08	7.29	0.21	3.01
Africa	3.26	3.31	0.05	1.50	3.22	3.27	0.05	1.52
Total DCs	**25.07**	**25.52**	**0.44**	**1.77**	**25.61**	**26.09**	**0.47**	**1.85**
FSU	3.85	3.87	0.02	0.49	3.70	3.72	0.01	0.38
Other Europe	0.77	0.75	-0.02	-2.59	0.73	0.72	-0.01	-0.69
China	7.61	7.93	0.33	4.27	8.34	8.57	0.23	2.76
Total "Other Regions"	**12.23**	**12.56**	**0.32**	**2.65**	**12.77**	**13.01**	**0.24**	**1.87**
Total world	**83.87**	**84.02**	**0.16**	**0.19**	**83.02**	**83.27**	**0.24**	**0.30**

Totals may not add due to independent rounding.

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

			Change 2010/09				Change 2010/09	
	3Q09	3Q10	Volume	%	4Q09	4Q10	Volume	%
North America	22.77	23.05	0.28	1.23	23.50	23.77	0.27	1.14
Western Europe	14.97	14.78	-0.18	-1.22	15.11	14.97	-0.14	-0.95
OECD Pacific	7.18	7.01	-0.17	-2.42	7.83	7.68	-0.15	-1.90
Total OECD	**44.92**	**44.84**	**-0.08**	**-0.17**	**46.44**	**46.42**	**-0.03**	**-0.05**
Other Asia	9.25	9.40	0.15	1.64	9.42	9.61	0.19	2.00
Latin America	5.99	6.06	0.08	1.25	5.82	5.90	0.08	1.32
Middle East	7.30	7.53	0.23	3.19	7.06	7.26	0.21	2.95
Africa	3.15	3.20	0.05	1.62	3.25	3.30	0.05	1.41
Total DCs	**25.68**	**26.19**	**0.51**	**1.99**	**25.55**	**26.07**	**0.52**	**2.03**
FSU	4.19	4.22	0.03	0.74	4.21	4.25	0.04	0.90
Other Europe	0.77	0.77	0.01	0.65	0.76	0.78	0.02	2.62
China	8.36	8.62	0.26	3.11	7.89	8.18	0.29	3.68
Total "Other Regions"	**13.31**	**13.60**	**0.30**	**2.22**	**12.86**	**13.21**	**0.35**	**2.71**
Total world	**83.90**	**84.63**	**0.73**	**0.87**	**84.85**	**85.69**	**0.84**	**0.99**

Totals may not add due to independent rounding.

Oil Demand Forecast Scenarios

North America to increase by only 0.2 mb/d in 2010

There are variables affecting the 2010 oil demand forecast which might contribute as much as 0.3 mb/d to oil consumption next year. The situation in the US is the wild card for the coming year. The upper range for world oil demand growth is forecast at 0.8 mb/d, which will reflect strong oil demand growth in the US as a result of a rapid and healthy economic recovery. It is suggested that a quick recovery of the US economy along with a stronger dollar value will lead to cheaper oil. A healthy US economy will speed up the recovery in other economies as well. Also, a stronger recovery in China might call for an additional 0.1 mb/d of energy. Another important factor that might affect world oil demand is the price of natural gas. Should natural gas prices in 2010 move to the high side, then fuel oil consumption would increase worldwide as a result of reduced fuel switching.

On the other hand, should there be a delay in US economic recovery, this would lead to a downward revision in total world oil demand. The financial turmoil and the crisis in the world economy have affected oil demand in the first half of 2009 and will continue to do so next year as the recovery in the world economy is expected to take place at a slower pace than initially anticipated.

As oil demand in OECD countries is expected to continue to contract, non-OECD countries will contribute 100% of expected oil demand growth. Two of the OECD regions (Europe and Pacific) are forecast to use less oil contracting by 0.5 mb/d; however North America is forecast to halt its oil demand decline and increase by 0.2 mb/d next year.

Reduced transportation along with a weak industrial sector and hence low demand for motor gasoline, diesel and naphtha will be the main factors behind plunging oil demand in both OECD Europe and Pacific. Winter oil demand growth will only partly offset the decline in other products. Furthermore, the decline in OECD Pacific oil demand will be attributed mainly to Japan. Apart from the world economic crisis, higher energy costs and taxes, energy conservation, efficiency, alternative fuels and other factors are the main reasons for the decline in OECD demand. As a result of the anticipated timing of the economic recovery in the US, North America's oil demand is forecast to increase by only 0.2 mb/d y-o-y in 2010 to average 23.4 mb/d.

Middle East oil demand growth is estimated at 220 tb/d in 2010. Energy intensive projects are keeping the region's oil demand on the rise. Furthermore, controlled transport fuel retail prices are expected to keep demand healthy as well. Given stable energy consumption within the region, should economic activity pick up pace, then the region's oil demand growth might be stronger than this forecast.

Like the Middle East, Indian oil demand growth is estimated at 0.1 mb/d for 2010. Although agriculture and transport sectors are expected to be strong in India next year, the partial removal of price subsidies and other governmental policies are downside risks for oil demand growth in 2010.

China demand to grow by 0.3 mb/d in 2010, almost 250 tb/d higher than the current year

Chinese oil demand growth in 2010 is estimated to be the highest worldwide. The Asian nation is currently trying to minimize the negative effects of the world economic crisis by introducing several measures to support its economy. The increase in retail fuel prices, biofuel usage and the building of more electric powered inter- and intra-city railroads will to some degree affect consumption of transport fuel next year. China is also planning to increase the use of nuclear and hydropower plants which will negatively influence the consumption of coal and oil. It should be noted, however, that other sectors in China which serve as major energy drivers — such as industrial production, in-land cargo, agriculture, construction, transportation, and fishing — will show stronger growth in 2010 than in 2009. China is trying to achieve its pre-set goal to reduce energy intensity by 5% in 2010 through the implementation of various efficiency agendas. China's apparent oil demand is forecast to grow by 0.3 mb/d y-o-y in 2010, almost 250 tb/d higher than the estimate for the current year.

Asia is expected to contribute the most to next year's oil demand growth. However, the removal of price subsidies will to a certain degree reduce the continent's oil demand. Indonesia is the second highest oil consuming country in the Other Asia region and is planning to reduce its energy subsidies by 3% in 2010. This will lead to an increase in fuel cost of more than 8%. A number of Asian countries are planning various measures to partially remove price subsidies next year.

World Oil Supply

Non-OPEC supply expected to grow by 0.27 mb/d in 2009

Non-OPEC

Forecast for 2009

Non-OPEC supply is forecast to grow by 0.27 mb/d over the previous year to average 50.74 mb/d in 2009. The expected increase represents an upward revision of 40 tb/d compared to the previous month's assessment. This month saw a few upward and downward revisions to non-OPEC supply in the first and second quarters, mainly on the back of updated production data as well as some historical revisions. On a quarterly basis, non-OPEC supply in 2009 stands at 51.00 mb/d, 50.38 mb/d, 50.56 mb/d and 51.02 mb/d respectively.

Graph 18: Regional Non-OPEC supply growth, y-o-y

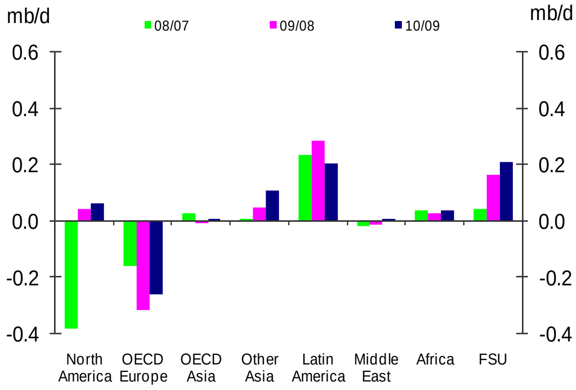


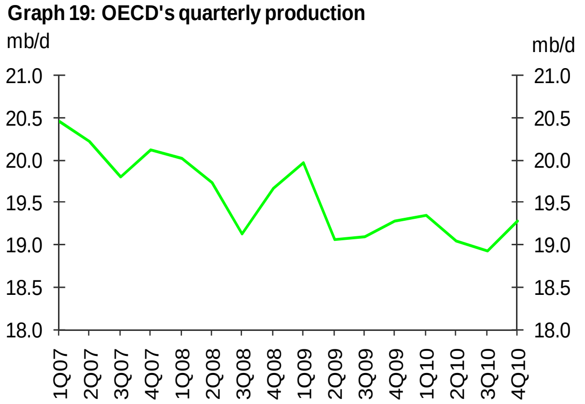
Table 13: Non-OPEC oil supply in 2009, mb/d

	2008	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08
North America	13.92	14.18	13.74	13.93	14.01	13.96	0.04
Western Europe	5.07	5.15	4.71	4.51	4.67	4.76	-0.32
OECD Pacific	0.63	0.64	0.60	0.65	0.60	0.62	-0.01
Total OECD	**19.63**	**19.97**	**19.06**	**19.09**	**19.28**	**19.35**	**-0.28**
Other Asia	3.75	3.71	3.70	3.88	3.89	3.79	0.05
Latin America	4.19	4.40	4.42	4.52	4.54	4.47	0.28
Middle East	1.65	1.63	1.61	1.67	1.67	1.64	-0.01
Africa	2.74	2.73	2.73	2.80	2.83	2.77	0.03
Total DCs	**12.33**	**12.47**	**12.45**	**12.87**	**12.93**	**12.68**	**0.35**
FSU	12.56	12.63	12.89	12.58	12.79	12.72	0.16
Other Europe	0.15	0.14	0.13	0.14	0.14	0.14	-0.01
China	3.85	3.80	3.86	3.90	3.89	3.86	0.02
Total "Other regions"	**16.56**	**16.58**	**16.88**	**16.62**	**16.83**	**16.73**	**0.17**
Total Non-OPEC production	**48.52**	**49.02**	**48.39**	**48.58**	**49.04**	**48.76**	**0.24**
Processing gains	1.95	1.98	1.98	1.98	1.98	1.98	0.03
Total Non-OPEC supply	**50.47**	**51.00**	**50.38**	**50.56**	**51.02**	**50.74**	**0.27**
Previous estimate	50.39	50.89	50.37	50.43	50.81	50.62	0.23
Revision	0.08	0.12	0.01	0.14	0.21	0.12	0.04

OECD

Total oil supply from the OECD is expected to average 19.35 mb/d in 2009, indicating a decline of around 0.28 mb/d from the previous year, and representing an upward revision of around 30 tb/d from the previous estimate. The US, Mexico, Canada, Norway, UK and Australia experienced revisions. On a quarterly basis, OECD oil supply is expected to average 19.97 mb/d, 19.06 mb/d, 19.09 mb/d and 19.28 mb/d

Graph 19: OECD's quarterly production



respectively. North America is seen as the only OECD region to grow in 2009 and this will be more than offset by the declines in OECD Western Europe and Pacific.

USA

US supply to grow by 0.28 mb/d in 2009 with Thunder Hawk starting production

US oil supply is anticipated to increase by 0.28 mb/d over the previous year to average 7.78 mb/d in 2009, indicating an upward revision of 20 tb/d from the previous estimate. Upward revisions took place in the first and second quarters of 2009 to adjust for newly updated production figures. US supply growth remains the highest among all non-OPEC countries in 2009, supported by various project startup and ramp-ups such as Atlantic, Blind Faith, Dorado, King South, Shenzi, Tahiti, and Thunder Hawk, with the latter reported to have started by July and expected to peak at 45 tb/d by the end of the year. Additionally, improving margins for ethanol production have supported the restart of some idle capacity, which have helped total growth. Preliminary data for July shows that total production stood at 7.69 mb/d, which is slightly lower than the previous estimate.

Canada and Mexico

Canada output to average 3.22 mb/d in 2009

Canadian oil supply is forecast to show a minor decline of 30 tb/d compared to the previous year to average 3.22 mb/d in 2009, indicating a small downward revision of 9 tb/d from the previous estimate. The anticipated drop in supply is expected on the back of slow ramp-ups of oil sand production and natural declines in mature conventional production areas. The downward revision came despite reports that the Foster Creek oil sand project supply will increase to 90 tb/d by the end of the year. The slowdown in upstream activities in Canada is having a toll on the forecast, with reports pointing to a 44% drop in well completion in the first half of 2009 compared to the previous year.

Mexico oil supply to continue to decline in 2009 in mature areas

Oil supply from **Mexico** is seen declining by 0.21 mb/d compared to the previous year to average 2.96 mb/d in 2009; relatively unchanged from the previous estimate. Despite the steady state, Mexico oil supply in the second quarter encountered a minor downward revision to reflect actual production figures in the second quarter. According to June production data, the Cantarell field produced 0.66 mb/d, indicating a 37% decline y-o-y, while Ku-Maloob-Zaap (KMZ) produced 0.74 mb/d, representing an increase of around 7% y-o-y. The natural decline is expected to continue to influence Mexican production despite efforts to halt the ongoing decline including increased drilling at the Chicontepec field.

Western Europe

OECD Western Europe oil production is projected to decline by 0.32 mb/d from the previous year to average 4.76 mb/d in 2009. This represents the deepest decline among non-OPEC regions. Supply from all major producing countries in the region is seen to drop in 2009 on the back of natural decline. The quarterly figures are seen at 5.15 mb/d, 4.71 mb/d, 4.51 mb/d and 4.67 mb/d respectively.

Startup of Tyrihans in Norway where supply is expected to drop

Norway oil supply is estimated to drop by 0.15 mb/d from the previous year to average 2.30 mb/d in 2009, steady from the previous month. The second quarter saw a minor downward revision to adjust for actual production levels. Heavier and earlier maintenance, such as at the Statfjord and Oseber fields, have reduced the average of the second quarter by around 0.30 mb/d compared to the first quarter. There have been some positive signs of supply improvements such as the early startup of the Tyrihans field, but this will not be sufficient to offset the anticipated affect of the natural decline.

UK supply to drop 90 tb/d in 2009 on natural decline and reduced drilling activities

Oil supply from the **UK** is expected to decline by 90 tb/d from the previous year to average 1.51 mb/d in 2009, indicating an upward revision of 43 tb/d. This month's projection for the UK supply experienced a historical upward revision that partially affected growth in 2009. However, the natural decline is expected to continue to impact production, with only minor developments such as the ramp-up of the Jacky field and the startup of the Shelley developments. Additionally, the decrease in upstream drilling in the UK — with activities on the UK Continental Shelf reported to be down 50% y-o-y in the second quarter — are likely to further reduce the 2009 figure.

Denmark is forecast to fall by 20 tb/d in 2009 to average 0.26 mb/d, on the back of declines in mature production, while Other Western Europe supply is estimated to decline by 50 tb/d in 2009 on the back of natural decline and reduced biofuel production.

Asia Pacific

The **OECD Asia Pacific** region is believed to decline by 10 tb/d from the previous year to average 0.62 mb/d in 2009, representing a downward revision of 10 tb/d from the previous estimate. On a quarterly basis, total oil supply is estimated to average 0.64 mb/d, 0.60 mb/d, 0.65 mb/d and 0.60 mb/d respectively.

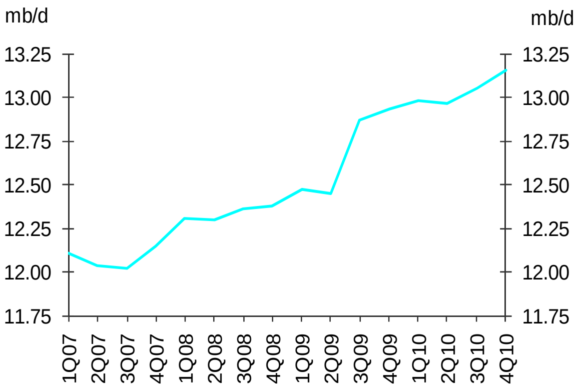
Australia supply to fall slightly in 2009

Australia is forecast to show a drop of 10 tb/d from the previous year to average 0.53 mb/d in 2009, indicating a downward revision of 10 tb/d compared with last month's assessment. The revisions were due to adjustments to actual figures in the second quarter on the back of lower output.

Developing Countries

Oil production in the **Developing Countries (DCs)** is expected to increase by 0.35 mb/d over the previous year to average 12.68 mb/d in 2009, indicating an upward revision of 10 tb/d from last month's forecast. The projected increase is coming from Latin America, Other Asia and Africa, while Middle East supply is seen to decline in 2009. On a quarterly basis, DC supply is forecast to stand at 12.47 mb/d, 12.45 mb/d, 12.87 mb/d and 12.93 mb/d respectively.

Graph 20: Developing Countries' quarterly production



Other Asia is forecast to increase by 50 tb/d over the previous year to average 3.79 mb/d in 2009, indicating a downward revision of 5 tb/d from the previous estimate. The downward revision came on the back of an adjustment to actual production figures in the second quarter for India, Malaysia, and Thailand. Oil supply from Thailand, Vietnam, and India is expected to show minor growth, with supply from India supported by the Mangala development. On a quarterly basis, Other Asia is expected to average 3.71 mb/d, 3.70 mb/d, 3.88 mb/d and 3.89 mb/d respectively.

Brazil supply to grow by 0.21 mb/d in 2009, with the Praque das Conchas starting production

Oil supply from **Latin America** is anticipated to increase by 0.28 mb/d over the previous year to average 4.47 mb/d in 2009, representing an upward revision of 21 tb/d from the previous forecast following adjustments due to actual production and historical figures. Latin America is expected to see the highest regional growth among all non-OPEC regions. Brazil oil supply is the backbone of supply growth in the region with a forecast increase of 0.21 mb/d in 2009. A long list of projects is supporting supply growth in Brazil among which the Praque das Conchas project started up in July. The project is expected to reach peak production of 0.10 mb/d. Colombia oil supply is estimated to increase by 60 tb/d in 2009 to average 0.65 mb/d with recent production levels showing healthy levels of growth. On a quarterly basis, Latin American supply stands at 4.40 mb/d, 4.42 mb/d, 4.52 mb/d and 4.54 mb/d respectively.

Oil supply from the **Middle East** is foreseen to decline by 10 tb/d from the previous year to average 1.64 mb/d in 2009. Supply from Syria and Yemen is expected to experience a decline of 10 tb/d and 30 tb/d respectively, mainly due to natural decline, while Oman oil production is seen rising by 30 tb/d in 2009 supported by various efforts to arrest declining production from mature fields. On a quarterly basis, Mideast supply is expected to average 1.63 mb/d, 1.61 mb/d, 1.67 mb/d and 1.67 mb/d respectively.

Africa is estimated to increase supply by 30 tb/d over the previous year to average

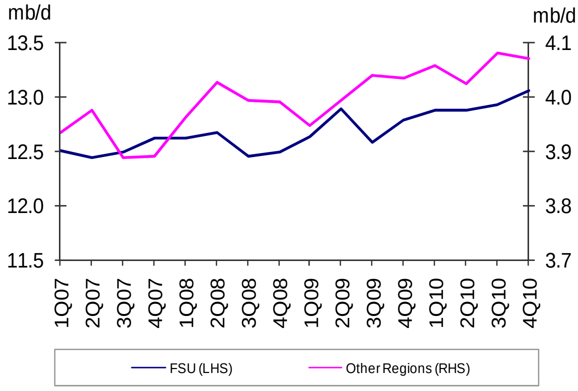
2.77 mb/d in 2009, unchanged from the previous estimate. Growth is supported by the supply increase from Congo and Gabon. The quarterly distribution average now stands at 2.73 mb/d in the first and second quarters, while the third and fourth quarters stand at 2.80 mb/d and 2.83 mb/d respectively.

FSU, Other Regions

FSU supply to grow by 0.16 mb/d in 2009

FSU oil supply in 2009 is expected to increase by 0.16 mb/d over the previous year to average 12.72 mb/d, indicating an upward revision of 50 tb/d compared to last month. Supply from Azerbaijan and Kazakhstan are seen supporting higher growth while Russia oil production is now expected to remain flat from the 2008 level. On a quarterly basis, total FSU oil supply is expected to average 12.63 mb/d, 12.89 mb/d, 12.58 mb/d and 12.79 mb/d respectively. Oil supply from **China** is believed to increase slightly by 10 tb/d in 2009 to average 3.86 mb/d while **Other Europe** is expected to decline slightly by 10 tb/d to average 0.14 mb/d in 2009.

Graph 21: FSU and other region's quarterly production



Russia

Russian output aided by new tax breaks

Russian oil supply is projected to remain flat from the previous year and average 9.78 mb/d in 2009, indicating an upward revision of 40 tb/d from the previous estimate. The upward revision came on the back of the healthy output levels seen in July, which reportedly reached a 10-year high. The increase came mainly from new projects including the Vankor field that started test production. Additionally, the announced tax breaks on export duties on selected fields for nine months supported the upward revision as it is believed that this move will encourage operators to increase supplies. On a quarterly basis, Russian oil supply is expected to average 9.78 mb/d, 9.88 mb/d, 9.74 mb/d and 9.74 mb/d respectively. Preliminary figures indicate that Russia oil production stood at 9.90 mb/d in July, slightly higher than the previous month.

Caspian

Oil supply from **Kazakhstan** is forecast to increase by 80 tb/d from the 2008 figure to average 1.49 mb/d in 2009, representing an upward revision of 8 tb/d from the previous estimate. The upward revision was introduced in the second quarter to adjust for actual production figures. However, it is expected that supply will be lower in the third quarter than the second, on the back of field maintenance. Quarterly supply figures are currently expected at 1.48 mb/d, 1.51 mb/d, 1.40 mb/d and 1.58 mb/d respectively.

Azerbaijan oil supply is estimated to average 0.99 mb/d in 2009, representing an increase of 90 tb/d over the previous year, unchanged from last month. Although unchanged in annual terms, Azeri supply experienced a minor upward revision in the second quarter to adjust for updated actual production data. The quarterly breakdown now stands at 0.94 mb/d, 1.08 mb/d, 0.96 mb/d and 1.00 mb/d respectively

China

Oil supply from China in 2009 is seen to increase slightly by 20 tb/d over the 2008 level to average 3.86 mb/d, relatively unchanged from the previous forecast. During the first half of 2009, China oil supply fell below the figure reached over the same period last year, mainly due to the fact that many operators trimmed supply in an effort to cut costs. However, growth is anticipated during the second half of the year to balance the annual figure. The quarterly figures are expected to average 3.80 mb/d, 3.86 mb/d, 3.90 mb/d and 3.89 mb/d respectively.

Non-OPEC supply in 2010 to grow by 0.43 mb/d

Forecast for 2010

Non-OPEC oil supply in 2010 is forecast to grow by 0.43 mb/d to average 51.17 mb/d, representing an upward revision of 0.1 mb/d over the previous forecast. Revisions to the historical data and higher expectations for Russian supply were the main reasons behind this upward adjustment. On a quarterly basis, non-OPEC supply is expected to average 51.25 mb/d, 50.89 mb/d, 50.98 mb/d and 51.55 respectively.

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

	2009	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09
North America	13.96	14.10	13.94	13.94	14.13	14.03	0.06
Western Europe	4.76	4.65	4.51	4.33	4.49	4.50	-0.26
OECD Pacific	0.62	0.60	0.60	0.65	0.66	0.63	0.00
Total OECD	**19.35**	**19.35**	**19.05**	**18.93**	**19.29**	**19.15**	**-0.19**
Other Asia	3.79	3.91	3.92	3.89	3.90	3.90	0.11
Latin America	4.47	4.61	4.60	4.71	4.79	4.68	0.20
Middle East	1.64	1.67	1.66	1.65	1.64	1.65	0.01
Africa	2.77	2.80	2.79	2.81	2.83	2.81	0.04
Total DCs	**12.68**	**12.98**	**12.96**	**13.06**	**13.16**	**13.04**	**0.36**
FSU	12.72	12.87	12.87	12.93	13.06	12.93	0.21
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	3.86	3.91	3.88	3.94	3.93	3.92	0.05
Total "Other regions"	**16.73**	**16.93**	**16.90**	**17.01**	**17.13**	**16.99**	**0.26**
Total Non-OPEC production	**48.76**	**49.26**	**48.91**	**48.99**	**49.57**	**49.18**	**0.43**
Processing gains	1.98	1.98	1.98	1.98	1.98	1.98	0.00
Total Non-OPEC supply	**50.74**	**51.25**	**50.89**	**50.98**	**51.55**	**51.17**	**0.43**
Previous estimate	50.62	51.04	50.68	50.77	51.34	50.96	0.33
Revision	0.12	0.21	0.21	0.21	0.21	0.21	0.09

Russia supply to average 9.73 mb/d in 2010 with a decline of 50 tb/d

Revisions to the 2010 forecast

Russia oil supply in 2010 is now expected to average 9.73 mb/d, indicating a decline of 50 tb/d from the current year and representing an upward revision of 0.10 mb/d from last month's assessment. The upward revision was due to introduced tax breaks on export duties for selected fields for a period of nine months. The move is perceived as a plan to encourage higher output from these fields and to generate extra capital that can be reinvested in other fields. Additionally, various historical revisions to the UK, Brazil, and Other Europe also impacted the 2010 forecast.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are forecast to average 4.73 mb/d in 2009, an increase of 0.41 mb/d over the previous year. In 2010, OPEC NGLs are expected to average 5.27 mb/d, representing growth of around 0.54 mb/d over the current year.

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

	2007	2008	Change 08/07	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08	2010	Change 10/09
Total OPEC	**4.03**	**4.31**	0.28	4.59	4.63	4.78	4.91	**4.73**	0.41	**5.27**	0.54

OPEC production averaged 28.69 mb/d in July, an increase of 160 tb/d over the previous month

OPEC crude oil production

OPEC crude oil production averaged 28.68 mb/d in July according to available secondary sources, an increase of 160 tb/d over the previous month. Most of the increase came from Angola, Iraq and Saudi Arabia. OPEC crude production, not including Iraq, stood at 26.20 mb/d in July, an increase of 105 tb/d over the previous month.

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

	2008	3Q08	4Q08	1Q09	2Q09	May 09	Jun 09	Jul 09	Jul/Jun
Algeria	1,390	1,401	1,362	1,266	1,255	1,253	1,253	1,254	*1.7*
Angola	1,871	1,845	1,870	1,700	1,747	1,745	1,802	1,821	*18.4*
Ecuador	503	503	501	482	479	478	481	478	*-3.2*
Iran, I.R.	3,892	3,917	3,831	3,683	3,727	3,721	3,747	3,748	*1.6*
Iraq	2,338	2,329	2,336	2,328	2,406	2,432	2,432	2,487	*55.3*
Kuwait	2,554	2,600	2,500	2,276	2,236	2,238	2,234	2,244	*10.0*
Libya, S.P.A.J.	1,715	1,683	1,697	1,577	1,558	1,560	1,561	1,562	*0.7*
Nigeria	1,947	1,955	1,931	1,815	1,753	1,790	1,746	1,760	*13.5*
Qatar	840	859	810	762	769	765	777	767	*-10.0*
Saudi Arabia	9,113	9,460	8,760	7,964	7,948	7,958	7,981	8,053	*71.5*
UAE	2,557	2,603	2,431	2,268	2,242	2,243	2,246	2,241	*-4.3*
Venezuela	2,346	2,339	2,299	2,202	2,252	2,274	2,267	2,272	*4.9*
Total OPEC	**31,066**	**31,495**	**30,328**	**28,322**	**28,373**	**28,455**	**28,525**	**28,685**	***159.9***
OPEC excl. Iraq	**28,728**	**29,166**	**27,993**	**25,995**	**25,967**	**26,023**	**26,093**	**26,198**	***104.6***

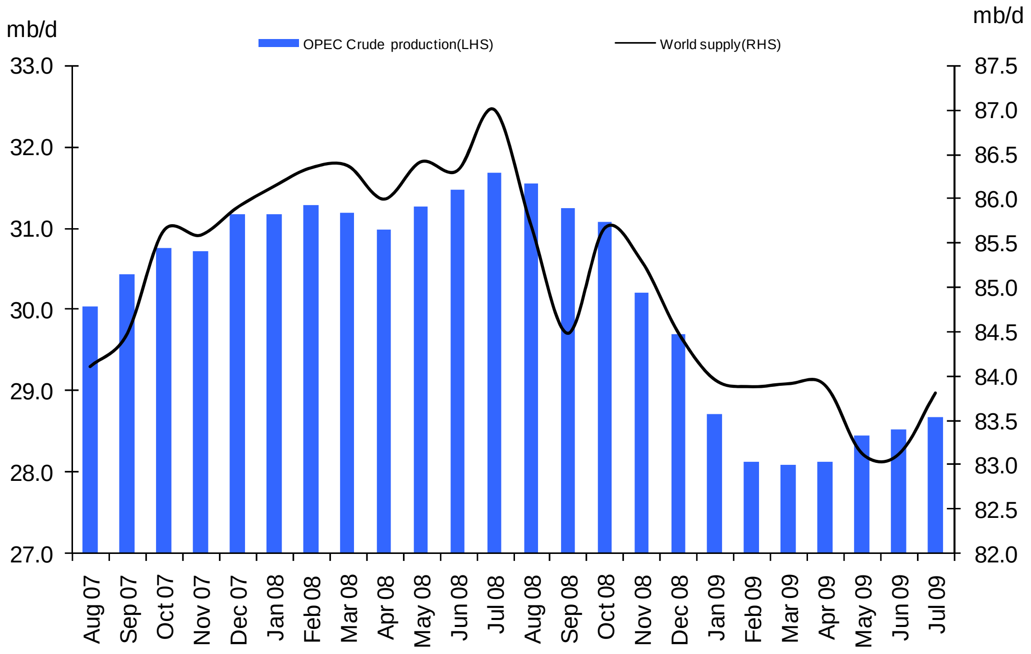
Totals may not add due to independent rounding.

World Oil Supply

Global supply estimated at 83.81 mb/d in July

Preliminary figures indicate that global oil supply increased 0.76 mb/d to average 83.81 mb/d in July. Non-OPEC supply experienced growth of 0.53 mb/d while OPEC crude production also moved higher. The share of OPEC crude oil in global production decreased slightly in July to 34.2%. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

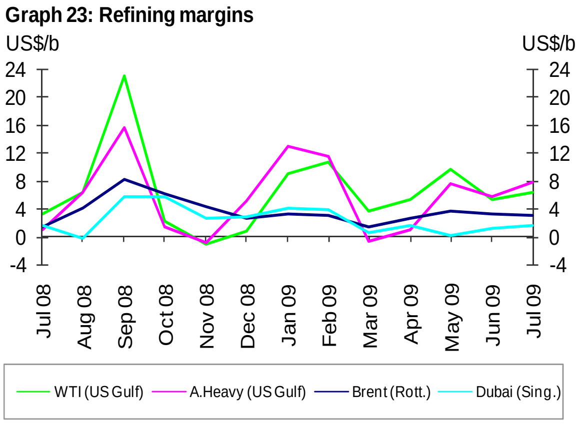
Graph 22: OPEC and World oil supply



Product Markets and Refinery Operations

Refining margins improved slightly in the US and Asia

Refinery run cuts at the peak of driving season and increasing optimism about the economic recovery and its positive impact on product demand have slightly improved product market sentiment and provided support for refining margins. However due to ample product stocks, especially for distillates, the current sentiment of the product market is expected to soften further as the driving season comes to an end and with the startup of autumn refinery maintenance. This could also have a negative impact on crude fundamentals in the future.



As Graph 23 shows, refining margins for WTI crude at the US Gulf Coast soared by 94¢ to $6.22/b in July from $5.28/b the previous month. Refining margins in the US may fall with the end of the driving season and the decline in gasoline demand. European refinery performance was slightly weaker and refining margins for Brent crude in Rotterdam fell marginally in July to $3.07/b from $3.14/b the previous month.

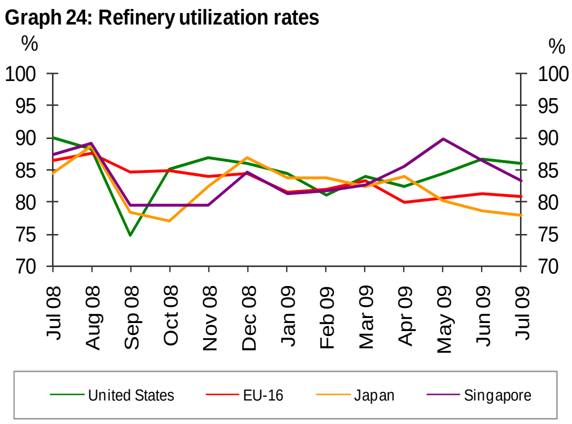
Dubai crude oil refining margins in Singapore increased by 34¢/b to reach $1.61/b in July from $1.27/b the previous month. Asian refining is currently much lower than typical seasonal levels and refiners have been forced to trim throughputs as much as economically feasible.

Looking ahead, with the arrival of the shoulder season, slowing demand and a decreased likelihood for product supply disruptions amid forecasts for a moderate hurricane season along the US Gulf Coast, the impact of product market developments on crude prices is expected to be limited over the coming months. Ample distillate stocks and increasing idle refining capacity also contribute to the bearish outlook.

Refinery operations

Refinery throughputs unseasonably declined across the world

At the peak of the driving season, refiners usually try to increase throughput levels, particularly in the US and Europe. But due to the continuation of slowing demand in tandem with the ongoing economic crisis, refiners unseasonably cut throughput levels across the board in July.



As Graph 24 shows, the refinery utilization rate in the US declined slightly by 0.6% to reach 85.9% in July from 86.5% last month. In Europe, refinery utilization rates also fell by 0.2% to reach 80.8% from 81.1% in June. In Asia, despite the completion of major refinery maintenance, refinery throughputs have not yet increased, as an overhang of light product supplies and low refining margins have dampened refinery activities. Refinery utilization rates in Japan fell by 0.7% to 77.9% from 78.6% in the previous month.

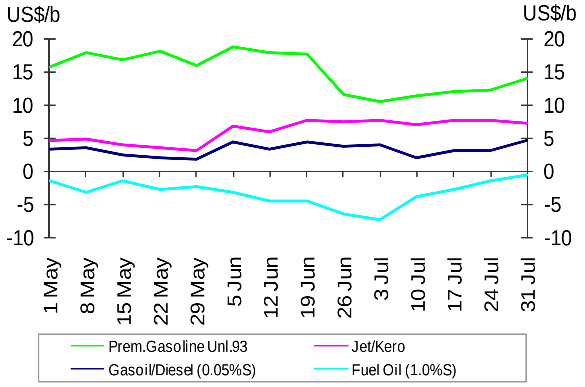
Looking ahead, with the approaching end of the driving season and the arrival of seasonal autumn maintenance as well as huge stocks of middle distillates across the globe, refinery utilization rates are expected to remain low next month. Furthermore, the persisting economic crisis and its adverse effects on demand should have a negative impact on refinery operation in the months ahead.

US product market performances in July improved over June

US market

Higher demand for gasoline has combined with early refinery utilization cuts to provide support for gasoline prices, overshadowing the adverse effects of gasoline stockbuilds in July. Refinery outages and fewer gasoline arbitrage cargoes from Europe have also contributed to lifting gasoline prices. Many gasoline cargoes were exported from North West Europe to the Mediterranean area or West Africa, rather than the US in July.

Graph 25: US Gulf crack spread vs. WTI, 2009



Following these developments, the gasoline crack spread on the US Gulf Coast against WTI crude rose to $13/b from around $10/b in late June. With the approaching end to the driving season, the gasoline market is expected to lose ground in the near future.

The middle distillate market remained weak, as US distillate stocks rose to around 169 mb, a gain of 32.4 mb over the same period last year and the highest level since 1985. A distillate stock draw in the last week of July surprised market players and lifted distillate prices, but there are doubts about the sustainability of distillate stock draws in the near future amid sluggish demand from industrial sectors. The gasoil crack spread on the US Gulf Coast averaged around $3/b in July (*see* ***Graph 25***).

Jet fuel prices weakened significantly and moved to a discount with ultra-low sulfur diesel prices. By the end of the holiday season, demand for jet fuel from aviation industries is expected to deteriorate further and exert more pressure on the jet fuel market.

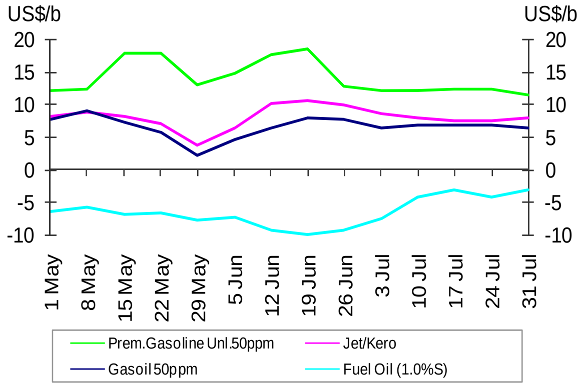
US fuel oil stocks fell earlier in July, and tighter fundamentals caused the fuel oil discount to narrow versus crude. Utility demand for low-sulfur fuel oil in Argentina also attracted US fuel oil, which helped to lift prices. The current situation of the fuel oil market may tighten further in the future amid slowing refinery output and export opportunities to South America and Asia.

Refinery run cuts have mitigated bearish sentiment of light products in Europe

European market

The European gasoline market was supported by arbitrage opportunities to the US, increasing exports to West Africa and tightness in Mediterranean region. These positive developments in the gasoline market were also attributed to refinery run cuts in Europe, which led to stockdraws at Amsterdam-Rotterdam-Antwerp (ARA). The gasoline spread against Brent crude oil remained around $12/b (*see Graph 26*). Considering seasonal factors, sentiment in the European gasoline market is expected to ease next month.

Graph 26: Rotterdam crack spreads vs. Brent, 2009



Naphtha prices also rose amid continued arbitrage opportunities to Asia. However, naphtha trade in Europe was very quiet due to a lack of demand from gasoline blender and petrochemical units as a feedstock.

The European distillate market remained fundamentally weak, forcing refiners to cut runs. However, smaller arbitrage imports from the US and Asia as well as the closure of a Russian diesel pipeline have mitigated the bearish sentiment. As a result, the gasoil crack spread versus Brent crude oil remained steady at around $7/b in July (*see **Graph 26***).

Moreover, distillate stock draws in the US in the last week of July along with a narrowing contango level and fewer arbitrage cargoes have recently lifted benchmark ICE gasoil prices. However, due to high distillate stocks even in tertiary storage, European distillate prices are not expected to increase in the future. German residential heating oil stocks rose to 64% of capacity on July, well above the typical levels seen over the last 20 years.

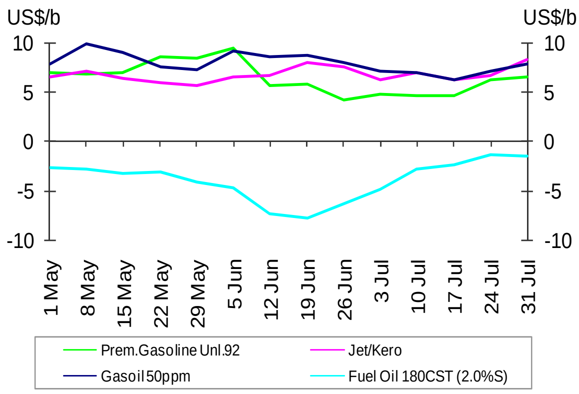
The European fuel oil crack remains negative, but has improved significantly from previous levels. Arbitrage bookings to Asia and the Middle East, lower regional production due to reduced refinery runs and strong bunker demand have provided support for fuel oil prices. As **Graph 26** shows the crack spread for low sulfur fuel oil versus Brent crude oil narrowed sharply to around minus $3.5/b in July from around minus $9/b in June. Europe's fuel oil surplus is expected to fall, driven by the expected emergence of a fuel oil deficit in the Mediterranean.

Asian market

Asian product market sentiment was mixed in July

Ample spot barrels from Saudi Arabia, Kuwait and India combined with arbitrage barrels from Europe exerted pressure on the Asian naphtha market in the first half of July. This situation changed in the latter part of the month due to increasing demand from Taiwanese petrochemical units and slowing arbitrage cargoes for the subsequent month. The current situation of the Asian naphtha market may persist over the near term, but could lose momentum later in the year.

Graph 27: Singapore crack spreads vs. Dubai, 2009



Aside from naphtha, Asian gasoline market sentiment was equally weak in the first weeks of July with its cracks falling to a low in the middle of the month. Increasing gasoline exports from China have contributed to such bearish developments in the Asian gasoline market. China has increased gasoline exports to 560000 tonnes in June, much higher than its typical level of around 300,000 tonnes. However, gasoline market sentiment could improve, as sellers expected Indonesia spot demand to return with the approach of the September holiday and China is likely to cut its July export to below 200,000 tonnes after exporting 560,000 tonnes in June. Additionally, the Asian gasoline market has also benefited from positive developments in the gasoline markets of Europe and the US. The gasoline crack spread against Dubai crude oil in Singapore rose to near $7/b in the last weeks of July from about $4/b in early July (*see **Graph 27***).

The middle distillate market in Asia performed better in the latter part of July due to refinery run cuts, but generally it remained weak amid sluggish regional demand, especially from Indonesia. Asia's gasoil crack spread shrank to a six-year low on signs of a persistently weak economy which has hit fuel consumption. Regional supplies have also outpaced demand. The flattening contango in the gasoil market has slowed shipment of Asian-Pacific gasoil for floating storage in Europe. The gasoil crack spread versus Dubai crude remained around $7/b in June (*see **Graph 27***).

The spread for Asia's jet fuel swaps firmed slightly in July, supported by shipments to Europe. Some 325,000 tonnes of East of Suez jet fuel headed to Europe in July, including 130,000 tonnes from Singapore. However, with weak regional demand for jet fuel, the current bearish sentiment of the jet fuel market in Asia is not expected to improve significantly in the near future.

With regard to fuel oil, the Asian market remained strong due to spillover effects from the firm Middle East market, tight supplies resulting from refinery run cuts and increasing demand for marine bunker. In line with such circumstances, fuel oil prices in the swaps market remained in backwardation and the crack spread versus Dubai crude narrowed to nearly minus $2/b from about minus $5/b in June. However, amid ample arbitrage flows from the West, sentiment in the Asian fuel oil market is likely to soften in September.

Table 17: Refined product prices, US$/b

		May 09	Jun 09	Jul 09	Change Jul/Jun
US Gulf (Cargoes):					
Naphtha		62.48	74.77	67.07	-7.70
Premium gasoline	*(unleaded 93)*	72.93	85.41	73.90	-11.50
Regular gasoline	*(unleaded 87)*	68.93	81.10	71.23	-9.87
Jet/Kerosene		59.88	76.36	69.13	-7.23
Gasoil	*(0.05% S)*	58.49	73.41	65.23	-8.18
Fuel oil	*(1.0% S)*	54.14	64.46	58.96	-5.50
Fuel oil	*(3.0% S)*	49.75	60.15	57.24	-2.91
Rotterdam (Barges FoB):					
Naphtha		47.57	62.74	61.36	-1.38
Premium gasoline	*(unleaded 10 ppm)*	68.88	85.27	76.95	-8.32
Premium gasoline	*(unleaded 95)*	63.77	78.94	71.23	-7.71
Jet/Kerosene		58.69	78.47	72.27	-6.20
Gasoil/Diesel	*(10 ppm)*	57.93	75.69	71.44	-4.25
Fuel oil	*(1.0% S)*	45.54	59.46	59.72	0.26
Fuel oil	*(3.5% S)*	46.31	59.14	59.52	0.38
Mediterranean (Cargoes):					
Naphtha		45.90	61.16	59.86	-1.30
Premium gasoline	*(50 ppm)*	55.79	56.76	55.55	-1.21
Jet/Kerosene		57.53	76.74	75.11	-1.64
Gasoil/Diesel	*(50 ppm)*	76.16	76.80	71.62	-5.18
Fuel oil	*(1.0% S)*	47.89	60.64	61.01	0.36
Fuel oil	*(3.5% S)*	46.08	59.47	59.82	0.36
Singapore (Cargoes):					
Naphtha		51.44	65.86	62.92	-2.94
Premium gasoline	*(unleaded 95)*	65.24	77.15	72.83	-4.32
Regular gasoline	*(unleaded 92)*	62.36	75.01	70.84	-4.16
Jet/Kerosene		61.02	76.45	72.39	-4.06
Gasoil/Diesel	*(50 ppm)*	63.13	77.92	72.50	-5.41
Fuel oil	*(180 cst 2.0% S)*	51.94	62.77	62.74	-0.03
Fuel oil	*(380 cst 3.5% S)*	51.34	62.34	62.64	0.30

Table 18: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	May 09	Jun 09	Jul 09	Jul/Jun	May 09	Jun 09	Jul 09	Jul/Jun
USA	14.55	14.88	14.98	0.10	84.4	86.5	85.9	-0.6
France	1.50	1.53 R	1.51	-0.02	75.2	76.2 R	76.0	-0.2
Germany	2.09	2.05	2.04	-0.01	86.6	86.8	85.6	-1.1
Italy	1.67 R	1.74 R	1.72	-0.02	69.8 R	73.4 R	73.1	-0.2
UK	1.42	1.39 R	1.38	-0.01	74.4	74.6 R	74.5	-0.2
Euro16	10.99	10.91 R	10.83	-0.08	80.5	81.1 R	80.8	-0.3
Japan	3.73	3.68	3.64	-0.04	80.2	78.6	77.9	-0.7

R *Revised since last issue.*

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

The Tanker Market

OPEC spot fixtures declined 21% in July

According to preliminary data, OPEC spot fixtures declined sharply in July by 21% compared to the previous month, averaging about 11.07 mb/d. Most of the decline is attributed to lower fixtures from outside the Middle East which went down by 34%, while fixtures from the Middle East declined by 6% over the same period. Middle East to East bound fixtures were steady in July compared to the month before, averaging 5.28 mb/d, while Middle East to West bound fixtures declined by 31% averaging 0.93 mb/d. OPEC spot fixtures in July also indicated a decline of 15% compared to a year earlier. Similarly, global spot fixtures declined by 10% in July compared to the previous month to stand at 18.42 mb/d compared to 20.54 mb/d the previous month and were about 6% lower compared to the same month a year earlier.

OPEC sailings and sailings from the Middle East were less than 1% lower, while arrivals to Europe and the Far East were marginally higher

Sailings from OPEC were almost steady in July at 22.68 mb/d, compared to 22.89 mb/d the previous month, but 8% lower than a year earlier. Middle East sailings in July were 16.55 mb/d, less than 1% lower than the previous month and 8% lower than a year earlier. Crude oil arrivals in North America in July were 8.51 mb/d compared to 8.52 mb/d the previous month. Crude oil arrivals in Europe were higher in July by about 5%, averaging 12.34 mb/d, while those in the Far East were up by 1%, both compared to the previous month.

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

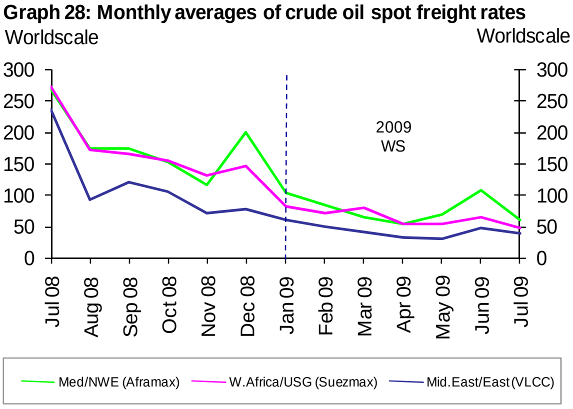
	May 09	Jun 09	Jul 09	Change Jul/Jun
Spot Chartering				
All Areas	20.16	20.54	18.42	-2.12
OPEC	12.91	13.96	11.07	-2.89
Middle East/ East	5.95	5.27	5.28	0.01
Middle East/ West	1.27	1.34	0.93	-0.41
Outside Midlle East	5.69	7.35	4.86	-2.49
Sailings				
OPEC	22.36	22.89	22.68	-0.21
Middle East	16.26	16.69	16.55	-0.14
Arrivals				
Noth America	8.52	8.51	8.47	-0.04
Europe	11.63	11.75	12.34	0.60
Far East	8.04	8.01	8.11	0.10
West Asia	4.72	4.70	4.69	-0.01

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

Not a good month for the crude oil tanker market in July with freight rates dipping down once again for all vessel sizes to levels even below breakeven cost throughout most of the month. The clean tanker market performance was relatively better with freight rates hovering around June levels or slightly below. After an exceptionally good performance in June, the VLCC sector declined in July by a lower rate compared to other vessel sizes. Higher tonnage availability in the market as a result of a high rate of expansion in the VLCC fleet at the wrong time and the return of some VLCCs from storage operations were the main reasons behind the weaker VLCC sector in July and spot freight rates were constantly dropping right from the beginning of the month. In July, storing at sea continued to lose its previous momentum with the narrowing of the contango structure in crude oil futures, a process that started during the second half of May, bringing the volume of crude oil afloat to about 55 mb from about 65 mb in June and more than 100 mb in mid-May. By the end of July, nearly all the reduction in global floating storage took place on the US Gulf Coast, and to a lesser extent in the Middle East and Baltic. By the end of the month about 40% of floating storage was in the North Sea and Baltic. Furthermore, petroleum products, mainly middle distillates stored at sea, exceeded crude oil on floating storage by the end of July. Estimates put the volume of middle distillates in floating storage at 55 to 60 mb, mainly concentrated in the North Sea and Baltic. Suezmax and Aframax sectors also had a bad month in July. Apart from the Aframax route to East of Suez, freight rates on all reported routes were much weaker throughout the month.

Taking the top three vessel categories into consideration, average spot freight rates for crude oil tankers were 25% lower in July compared to the previous month and a substantial 73% lower compared to the same month a year earlier, taking into consideration the changes in WS flat rates as of January 2009. The VLCC sector indicated the lowest monthly decline in July; the decline was higher for the Suezmax sector, while Aframax freight rates declined most due to the very weak Mediterranean market.

Graph 28: Monthly averages of crude oil spot freight rates



On average, VLCC spot freight rates were 15% lower in July compared to the previous month and 74% lower compared to the same month a year earlier. The market continued to suffer from higher tonnage availability compared to demand as a result of both a higher-than-average expansion rate in the global VLCC fleet thus far in 2009 and also due to more vessels rejoining the active VLCC fleet from storage operations. The VLCC market in the Middle East Gulf weakened constantly throughout the first three weeks of the month with freight rates reaching as low as WS30 and WS25 for voyages East and West respectively, down from WS52 and WS35 earlier in the month. Both rates increased marginally towards the end of the month to around WS34 for the Middle East to East route and WS28 for the West route. Spot freight rates for VLCCs trading on the long-haul route from the Middle East to East declined by 20% in July compared to June and by 15% for voyages headed West.

On the other hand, VLCC rates in West Africa declined throughout July, moving from WS 54 at the beginning of the month to as low as WS 34, ending at a monthly average of WS40, about 11% lower compared to the previous month. A very weak Suezmax market in the region supported this trend.

Suezmax spot freight rates for voyages to the US from West Africa and NWE declined in July by an average of 27% compared to the previous month and were 76% lower compared to July 2008, taking into consideration the changes in WS flat rates as of January 2009. On both routes, the market was on a continuous decline throughout the first three weeks of the month amid very low activity and ample tonnage availability before sliding up marginally during the fourth week. On the West Africa to US Coast route, freight rates went down to WS40 by the end of the third week from WS64 at the beginning of the month, ending the month at WS42 with a monthly average of WS48. Freight rates on NWE to the US route ended the month at WS43 with a monthly average of WS46. Both monthly averages were at a record-low for Suezmax.

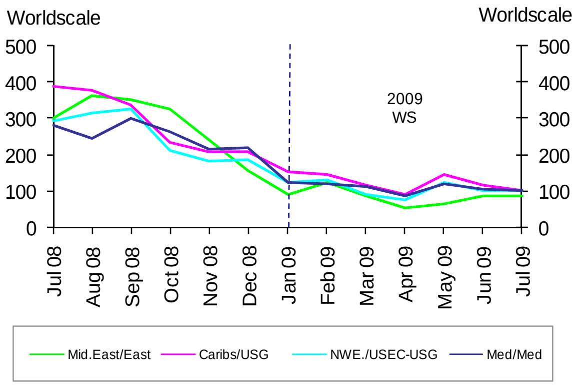
Average Aframax spot freight rates declined in July by 29% compared to the previous month and were 69% lower compared to a year earlier. Rates on all West of Suez routes indicated monthly drops, but to the East of Suez, the Indonesia to East route ended the month at a gain of 8% compared to the previous month, amid higher than expected activity. The Aframax market in the Mediterranean was the weakest market in June with freight rates declining by 43% compared to the previous month. In this market, rates declined sharply during the first week of July and remained almost steady for the rest of the month. Freight rates on the Aframax Caribbean to US Coast route indicated a monthly drop of 19% compared to a month earlier.

Table 20: Spot tanker crude freight rates, Worldscale

	Size 1,000 DWT	May 09	Jun 09	Jul 09	Change Jul/Jun
Crude					
Middle East/east	230-280	29	46	37	-9
Middle East/west	270-285	22	33	28	-5
West Africa/east	260	33	45	40	-5
West Africa/US Gulf Coast	130-135	55	65	48	-17
NW Europe/USEC - USGC	130-135	53	63	46	-17
Indonesia/US West Coast	80-85	57	62	67	5
Caribbean/US East Coast	50-55	76	83	67	-16
Mediterranean/Mediterranean	80-85	68	111	64	-47
Mediterranean/North-West Europe	80-85	67	106	59	-47

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

Graph 29: Monthly averages of clean spot freight rates



Generally, the clean tanker market was in a better shape in July compared to the crude oil tanker market and managed to obtain almost the same rates as in the previous month. Support to clean spot freight rates to East of Suez came from strong demand for naphtha in the Far East and the jet fuel arbitrage movement from the Middle East to West during the month. Rates were also backed by more clean vessels engaged in storage operations mainly in North West Europe, the Middle East and West Africa. As a result, clean spot freight rates to the East of Suez were steady in July compared to the previous month, with a marginal decline of 1% only for the Middle East to East and Singapore to East routes. Despite this monthly steadiness, average clean spot freight rates to the East of Suez were about 63% lower compared to the average in July2008.

On average, West of Suez clean freight rates were 6% lower in July compared to the previous month and 56% lower compared to the same month a year earlier, taking into consideration the changes in WS flat rates as of January 2009. Gasoline movements trans-Atlantic from NWE and also gasoil movements in the opposite direction were at a much better pace compared to a month earlier and clean spot freight rates in the trans-Atlantic route ended at a monthly drop of only 3% compared to the previous month. Clean spot freight rates for the Caribbean to US route declined by a further 13% in July compared to June, with rates here ending the month at an average of WS103 compared to WS1118 in June. In the Mediterranean, clean spot freight rates for both the cross-Mediterranean and the Med to NWE routes were lower in July by an average of 4% compared to the previous month. On average, clean spot freight rates on both East and West of Suez declined by 5% in July compared to the previous month, yet, on a year-to-year basis, they were 58% lower compared to July 2008.

Table 21: Spot tanker product freight rates, Worldscale

	Size 1,000 DWT	May 09	Jun 09	Jul 09	Change Jul/Jun
Products					
Middle East/east	30-35	65	88	86	-2
Singapore/east	30-35	61	74	74	0
Caribbean/US Gulf Coast	38-40	147	118	103	-15
NW Europe/USEC - USGC	33-37	125	103	100	-3
Mediterranean/Mediterranean	30-35	120	105	101	-4
Mediterranean/North-West Europe	30-35	130	115	111	-4

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

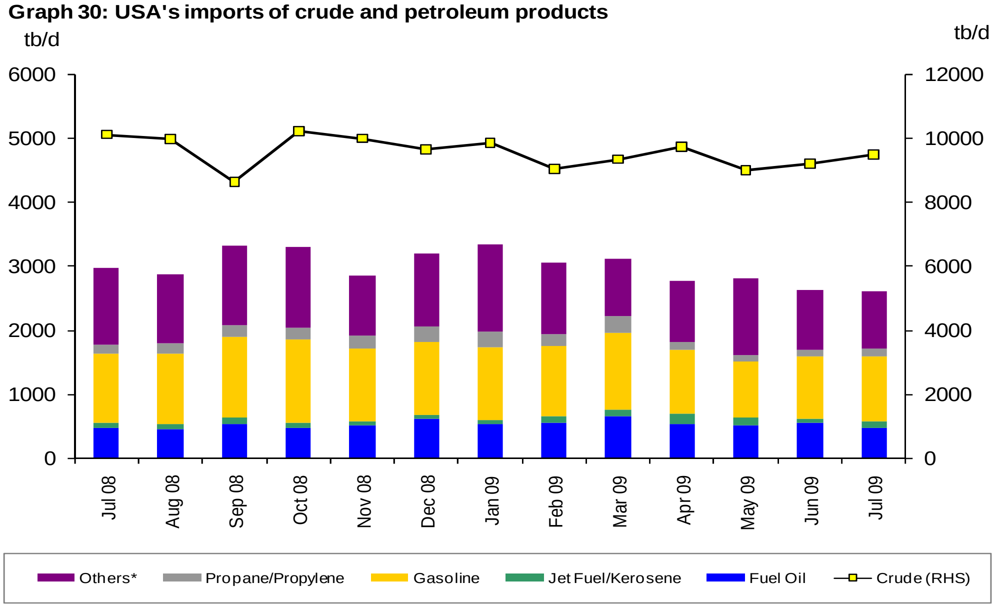
Oil Trade

US net oil imports were 2% higher in July compared to the previous month backed by increases in net crude imports

USA

According to preliminary data, US crude oil imports increased in July to average 9.46 mb/d, about 3% or 264,000 b/d higher compared to the previous month, yet were about 6% or 0.64 mb/d lower compared to July 2008. July's crude imports bring US average imports for the seven months of 2009 to about 9.38 mb/d, about 5%, or 0.48 mb/d lower compared to the same period a year earlier.

Graph 30: USA's imports of crude and petroleum products

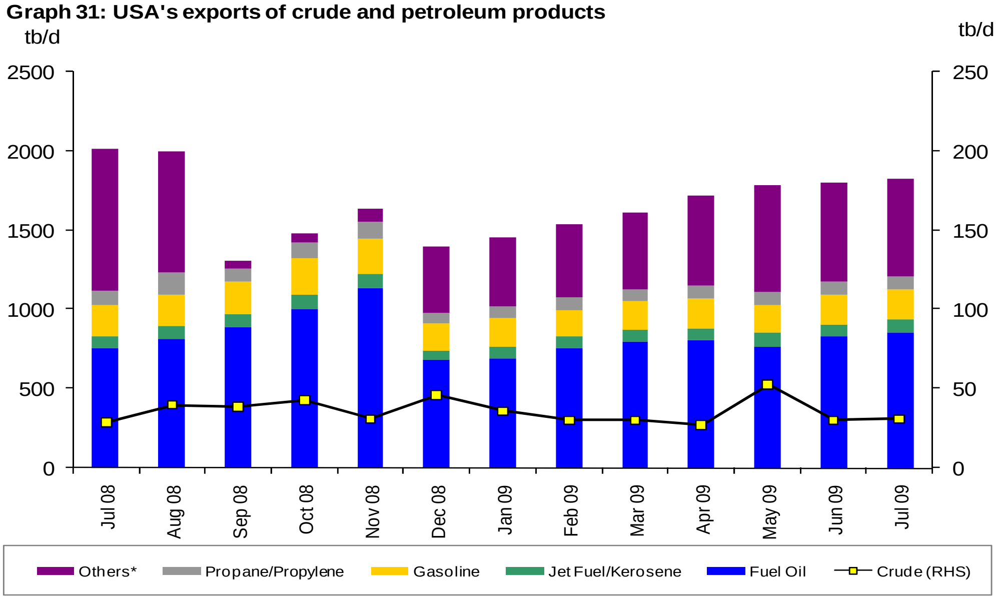


*Others: Contains Natural Gas Liquids, Liquefied Refinery Gases (LRG's), Other Liquids and all Finished Petroleum Products except Gasoline, Jet Fuel/Kerosene, Fuel Oil and Propane/Propylene.

US product imports declined marginally in July, by less than 1%, or 19,000 b/d compared to the previous month to average 2.61 mb/d, about 12% lower than the same month last year. Finished motor gasoline imports were 262,000 b/d, 7% lower compared to the month before and 13% lower compared to July 2008. Average gasoline imports during the first seven months of 2009 were 25% lower compared to the same period in a year earlier. Distillate fuel oil imports were steady in July compared to the previous month, averaging 205,000 b/d. This level of imports indicates a 25% increase compared to the same month last year, and average distillate fuel oil imports during the first seven months of 2009 were 15% higher compared to the same period a year earlier. Residual fuel oil imports in July were 255,000 b/d, 23% lower compared to the previous month and 7% lower than the year before, but average residual fuel oil imports during the first seven months of 2009 were steady compared to the same period last year, at 320,000 b/d. Jet fuel imports in July averaged 99,000 b/d, up from 74,000 b/d the previous month and were 19,000 b/d higher compared to a year earlier.

On the export side, US product exports were 1%, or 26,000 b/d higher in July compared to the previous month, averaging 1.86 mb/d, but about 15%, or 183,000 b/d lower compared to their levels a year earlier. US product exports during the first seven months of 2009 averaged 1.71 mb/d, 9% lower compared to the same period in 2008.

Graph 31: USA's exports of crude and petroleum products



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

As a result, US net oil imports in July were 2%, or 219,000 b/d higher compared to the previous month to reach about 10.18 mb/d. The 264,000 b/d increases in net crude oil imports in July were accompanied by the 45,000 b/d decline in net product imports, both compared to the previous month. July's net oil imports were 8% lower compared to a year earlier and average net oil imports during the first seven months of 2009 were 6% lower compared to the same period last year.

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

	May 09	Jun 09	Jul 09	Change Jul/Jun
Crude oil	8,950	9,163	9,427	264
Total products	988	793	748	-45
Total crude and products	**9,938**	**9,956**	**10,175**	**219**

Canada was the top crude oil supplier to the US in May 2009 supplying about 1.85 mb/d, almost unchanged from the previous month. Saudi Arabia was next, supplying about 1.58 mb/d, up from about 1.02 mb/d the previous month. Mexico and Venezuela came next with 1.12 mb/d and 1.03 mb/d respectively. Altogether, OPEC Member Countries supplied about 5.48 mb/d, or 56.8% of total US crude oil imports in May, up from 4.35 mb/d the previous month. For product imports, once again Canada was the top product supplier to the US in May, supplying about 0.52 mb/d or 16.1% of total US product imports, up from 0.43 mb/d the previous month. Russia was next, supplying 0.34 mb/d in May, down from 0.39 mb/d the previous month, followed by the Virgin Islands and Netherland with 0.34 mb/d and 0.2 mb/d respectively. For OPEC Member Countries, Algeria supplied 0.18 mb/d or 5.6% of total US oil product imports in May followed by Venezuela with 0.14 mb/d. Altogether OPEC Member Countries supplied about 447,000 b/d or 13.8% of total US product imports in May, up from 406,000 b/d the previous month. For US product exports, Mexico was the top importer in May, importing about 338,000 b/d or 19.1% of total US product exports. Canada was next, importing about 217,000 b/d or 12.2%. Chile imported 125,000 b/d of products from the US in May. Altogether, OPEC Member Countries imported an average of 32,000 b/d or less than 2% of total US product exports in May, down from 64,000 b/d the previous month. Ecuador imported 16,000 b/d, Venezuela 13,000 b/d and Nigeria 3,000 b/d.

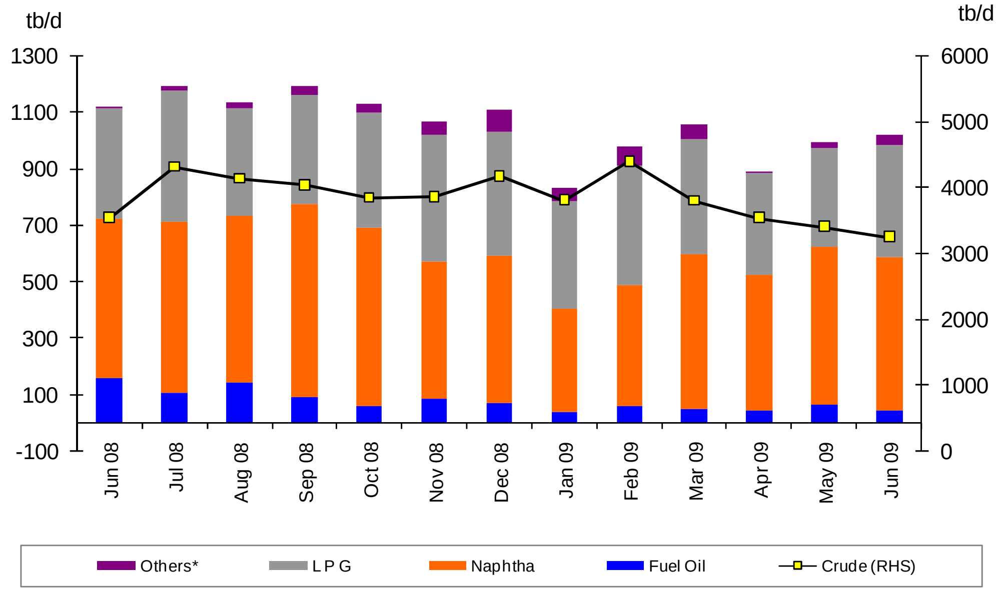
Japan's net crude oil imports were 8% lower in June compared to the previous month backed by lower crude imports and higher product exports

Japan

According to Japanese published data, Japan's crude oil imports averaged 3.24 mb/d in June, about 162,000 b/d, or 5% lower compared to the previous month. Crude oil imports in June indicate a drop of 0.29 mb/d, or 8% compared to June 2008. It was the ninth 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 half of 2009 were at about 3.68 mb/d, down 623,000 b/d or 15% compared to the country's imports during the same period in 2008.

On the other hand, Japan's product imports increased in June by 28,000 b/d, or 3% compared to the previous month, to average about 1.02 mb/d, displaying an annual decline of 9% compared to the same month a year earlier. Japan mainly imports three products, naphtha, LPG and fuel oil, which accounted for about 96% of its total monthly product imports in June. Naphtha imports in June were about 541,000 b/d, 4%, or 20,000b b/d lower than both the previous month and a year earlier. Average naphtha imports for the first half of 2009 were 15% lower compared to the same period in 2008. LPG imports in June averaged 398,000 b/d, indicating an increase of 13% compared to the previous month and 2% compared to the same month a year earlier. Average LPG imports for the first half of 2009 were 14% lower compared to the same period in 2008. Fuel oil imports in June were at 42,000 b/d, 31% lower compared to the previous month, and 73% lower compared to June 2008. Average fuel oil imports for the first half of 2009 were 58% lower compared to the same period the year before. Japan also imported about 35,000 b/d of gasoline in June compared to 17,000 b/d a month earlier. Naphtha imports counted for 53% of Japan's total product imports in June, LPG 39% and fuel oil about 4%. Japan's average product imports in the first half of 2009 averaged 0.96 mb/d, indicating a decline of 190,000 b/d or 17% compared to average product imports during the same period a year earlier.

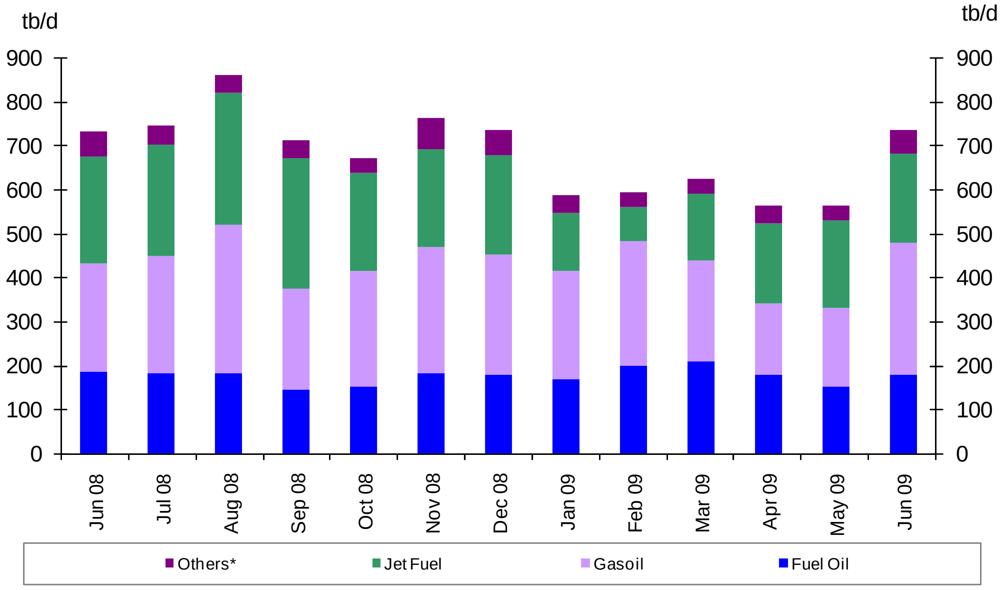
Graph 32: Japan's imports of crude and petroleum products



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

On the export side, Japan's product exports in June were 30%, or 171,000 b/d higher compared to the previous month, but steady compared to the same month a year earlier, averaging 734,000 b/d. Gasoil, fuel oil and jet fuel are Japan's main product exports, which together accounted for about 93% of the country's total product exports in June. Gasoil exports in June were about 301,000 b/d, up by 70% or 124,000 b/d compared to the previous month, and by 23% compare to the same month a year ago. Average gas oil exports during the first half of 2009 were 232,000 b/d, about 7% higher than in the same period in 2008. Jet fuel exports averaged about 202,000 b/d in June, steady compared to the previous month, yet were 17% lower than a year earlier. During the first half of 2009, Japan exported an average of 158,000 b/d of jet fuel compared to 204,000 b/d during the same period in 2008. Fuel oil exports in June were 178,000 b/d, 17% higher compared to the previous month, but 4% lower compared to a year earlier. Japan exported an average of 181,000 b/d of fuel oil during the first half of 2009 compared to 174,000 b/d during the same period last year. Gasoil exports counted for 41% of Japan's total product exports in June, jet fuel for 28% and fuel oil 24%. Japan exported lower quantities of kerosene, gasoline, lubricating oil, asphalt and LPG in June, totaling 51,000 b/d. Japan's average product exports during the first half of 2009 were 0.61 mb/d, 5% lower compared to the same period a year earlier.

Graph 33: 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 June were about 3.52 mb/d, indicating a decline of 305,000 b/d or 8% compared to the previous month and 10% compared to a year earlier. Net crude imports were lower by 162,000 b/d and net product imports were lower by 143,000 b/d. Japan's net oil imports during the first half of 2009 were 4.03 mb/d, 16% lower compared to the average during the same period the year before.

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

	Apr 09	May 09	Jun 09	Change Jun/May
Crude oil	3,526	3,398	3,235	-162
Total products	326	429	286	-143
Total crude and products	**3,852**	**3,827**	**3,522**	**-305**

Saudi Arabia was Japan's top crude oil supplier in June, supplying 31.4% of total crude oil imports in the month, up from 29.8% the previous month. The UAE share was 19.4%, down from 22.7% a month earlier. Qatar supplied 10.3%, down from 14.6% the previous month, while Iran's share was 9.6%, down from 10.5% a month before. OPEC Member Countries supplied 85.8% of Japan's crude oil imports in June, down from 88.8% the previous month. Top non-OPEC crude oil suppliers in June include Russia with 5.4% and Indonesia with 2.4%. On the products side, preliminary data indicates that Kuwait was Japan's top supplier in June with 16.9%, followed by Saudi Arabia with 13.2% and the UAE with 11.6%. Altogether, OPEC Member Countries supplied 54.2% of Japan's product imports in June, up from 44.2% the previous month. Top non-OPEC product suppliers in June include the USA with 8.3% followed by South Korea with 7.8%, and Indonesia with 7.3%.

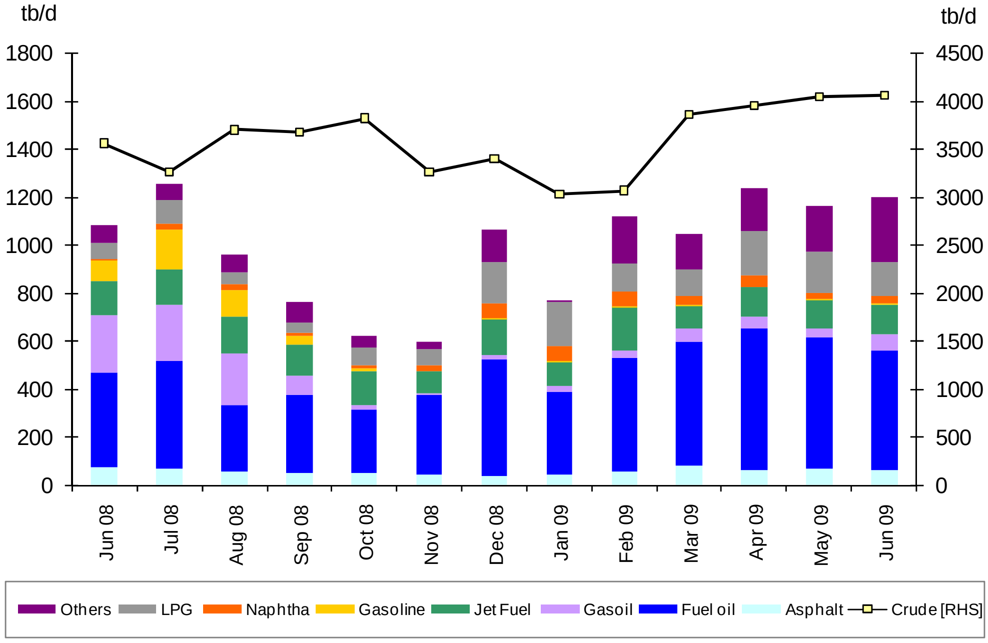
China's net oil imports declined in June by 3% compared to May backed by all-time record-high product exports and steady crude oil imports

China

According to Chinese official data, China's crude oil imports were steady in June compared to May, averaging about 4.09 mb/d, but 14% higher than a year earlier. China's June crude oil imports were the highest since April 2008, bringing average crude oil imports for the first half of 2009 to 3.7 mb/d, again steady compared to the same period last year.

China's product imports increased in June by a margin of 3%, or 35,000 b/d compared to the previous month to average 1.2 mb/d, 10% higher than a year earlier. Jet fuel imports in June were about 126,000 b/d, steady compared to the previous month. South Korea supplied about 56% of China's jet fuel imports in June and Japan provided 30%. China imported about 8% less jet fuel during the first half of 2009 compared to the same period last year. Naphtha imports in June were about 30,000 b/d, up from 27,000 b/d the previous month, with South Korea supplying about three quarters of this volume. China's imports of naphtha increased more than threefold during the first half of 2009 compared to the same period last year. Gasoil imports in June averaged 66,000 b/d, up from 31,000 b/d the previous month. Taiwan and Russia were the top suppliers of China's gasoil imports this month. Gasoil imports during the first half of 2009 were 73% lower compared to the same period last year which witnessed a surge in gasoil imports in preparation for the Olympics.

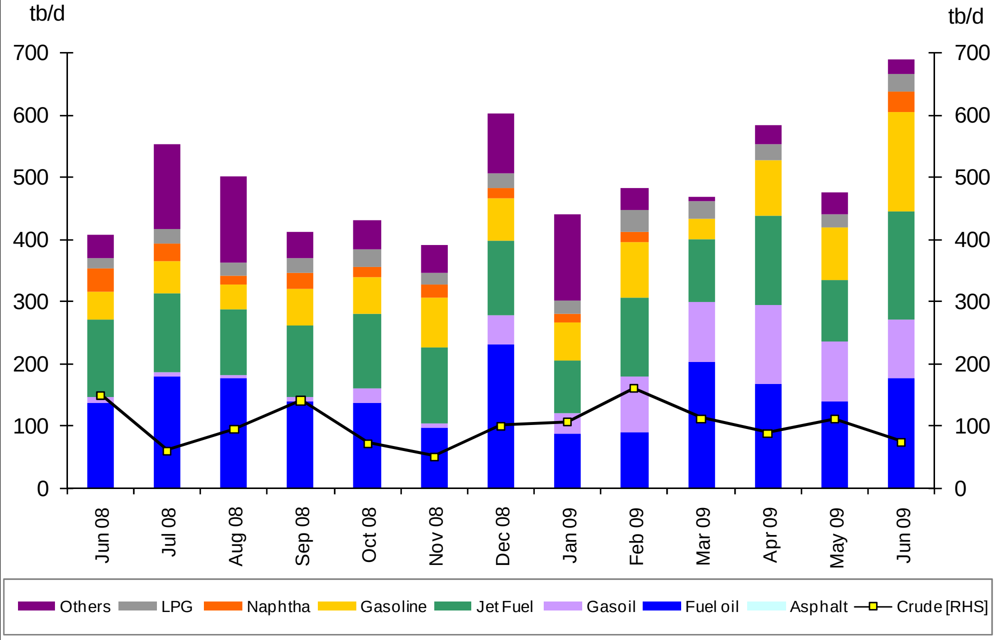
Graph 34: China's imports of crude and petroleum products



China's fuel oil imports increased in June to average 544,000 b/d, about 36,000 b/d, or 7% higher than the previous month. Venezuela supplied about 22% of China's fuel oil imports in June, followed by Singapore and Russia with 17% and 16% respectively. Imports of fuel oil during the first half of 2009 were 12% higher compared to the same period last year. Imports of LPG in June averaged 140,000 b/d, down from 170,000 b/d in the previous month. Iran, the UAE and Qatar were China's top LPG suppliers this month. For the first half of 2009, China's LPG imports were 91% higher than in the same period last year. Gasoline imports in June were 8,000 b/d compared to 30,000 b/d in May. Altogether, China imported an average of 1.09 mb/d of products in the first half of 2009, indicating an annual growth of 6% over the same period last year. In June, fuel oil imports accounted for 46% of China's total product imports, LPG for 12%, jet fuel 11%, gasoil 6% and naphtha 2%.

On the export side, China's crude oil exports in June were at 74,000 b/d compared to 112,000 b/d the previous month. South Korea imported nearly two thirds of China's crude exports in June, North Korea 15% and Singapore 10%. For the first half of 2009, China exported an average of 109,000 b/d crude oil, 71% higher compared to the same period a year earlier. China's product exports in June were at an all-time record-high of about 0.69 mb/d, 45% higher compared to the previous month and a substantial 70% higher compared to June 2008. This is mainly due to increases in exports of kerosene and fuel oil. Average product exports for the first half of 2009 were about 0.52 mb/d, indicating an increase of 35% compared to the same period last year.

Graph 35: China's exports of crude and petroleum products



Fuel oil exports in June were 168,000 b/d, about 25% higher than the previous month. Panama imported 36% of this volume and Hong Kong 22%. Fuel oil exports increased by 11% during the first half of 2009 compared to the same period a year earlier. Exports of jet fuel in June were 170,000 b/d, up from 96,000 b/d the previous month. Hong Kong imported 37% of this volume and South Korea 16%. Jet fuel exports during the first half of 2009 were 7% higher compared to the first half of 2008. Gasoline exports were 159,000 b/d in June, up from 85,000 b/d the previous month. Indonesia imported about 62,000 b/d of gasoline from China in June and Singapore 44,000 b/d. Gasoline exports during the first half of 2009 averaged about 130,000 b/d compared to 36,000 b/d during the same period the year before. After three months in a row of no naphtha exports, China exported about 33,000 b/d of naphtha in June, equally destined for Japan and South Korea. Naphtha exports during the first half of 2009 were 80% down from the same period last year. Gasoil exports in June were 94,000 b/d, steady compared to the previous month. Main importers of China's gasoil exports in June were Vietnam, 44% and Singapore 21%. China exported 30,000 b/d of LPG in June, up from 21,000 b/d the previous month. Vietnam and Hong Kong were the top importers. Jet fuel exports accounted for 25% of China's total product exports in June, fuel oil for 24%, gasoline 23%, gasoil 14% and LPG 4%.

With net crude oil imports of 3.98 mb/d and net product imports of 0.51 mb/d, China's net oil imports in June were 4.49 mb/d, indicating a decline of 3%, or 124,000 b/d compared to the previous month, but 10% higher compared to a year earlier. Average net crude oil imports for the first half of 2009 were at 4.13 mb/d, 3% or 108,000 b/d lower than at the same period last year.

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

	Apr 09	May 09	Jun 09	Change Jun/May
Crude oil	3,864	3,930	3,984	55
Total products	654	686	507	-179
Total crude and products	**4,518**	**4,616**	**4,492**	**-124**

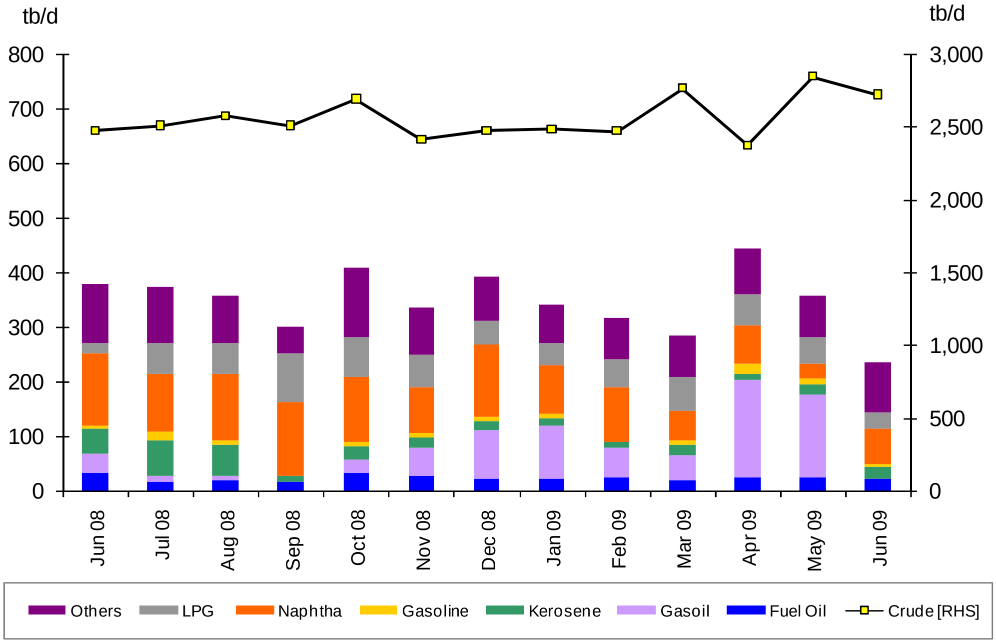
Angola was China's top crude oil supplier in June, supplying about 734,000 b/d or 18.1% of China's total crude imports in June, surging from about 483,000 b/d in May. Saudi Arabia was next, with 718,000 b/d, or 17.7% of China's total crude imports, up from 653,000 b/d the previous month. Iran's share of China's total crude oil imports in June was 11.2% or 454,000 b/d, down from 730,000 b/d the previous month. Altogether, OPEC Member Countries supplied about 2.54 mb/d or 62.7% of China's crude oil imports in June, up from 2.4mb/d the previous month. Top non-OPEC crude oil suppliers in June include Sudan with 357,000 b/d, Russia with 349,000 b/d and Oman with 191,000 b/d.

India

India's net oil imports declined in June by 8% from the previous month backed by lower net crude oil and product imports

According to preliminary data, India's crude oil imports declined in June by about 125,000 b/d or 4% compared to the record-high monthly imports in the previous month, to average 2.72 mb/d. Crude imports for June were 127,000 b/d higher compared to a year earlier. India's crude oil imports during the first half of 2009 averaged 2.61 mb/d, about 53,000 b/d, or 2% higher compared to the same period the year before.

Graph 36: India's imports of crude and petroleum products



India's product imports also declined in June by 120,000 b/d or 34% compared to the previous month to average about 0.24 mb/d, 38% lower compared to June 2008. Apart from naphtha, imports of all major products were lower in June compared to the previous month. For the first time since October 2008, there were no gasoil imports in June, down from 152,000 b/d a month earlier and from 35,000 b/d a year ago. Gasoline imports were at 7,000 b/d in June compared to 10,000 b/d the previous month and 6,000 b/d the year before. LPG imports in June averaged about 30,000 b/d, down from 48,000 b/d the previous month, but up from 19,000 b/d in June 2008. India imported an average of 65,000 b/d of naphtha in June, up from 29,000 b/d the previous month, but down from 128,000 b/d a year earlier. Fuel oil imports in June averaged 22,000 b/d, almost steady compared to the previous month, but down from 37,000 b/d a year ago. Kerosene imports were about 20,000 b/d compared to 19,000 b/d a month earlier and 47,000 b/d a year ago. For the first half of 2009, India imported an average of 0.33 mb/d of products, indicating an about 147,000 b/d, or 31% decline compared to the same period a year earlier.

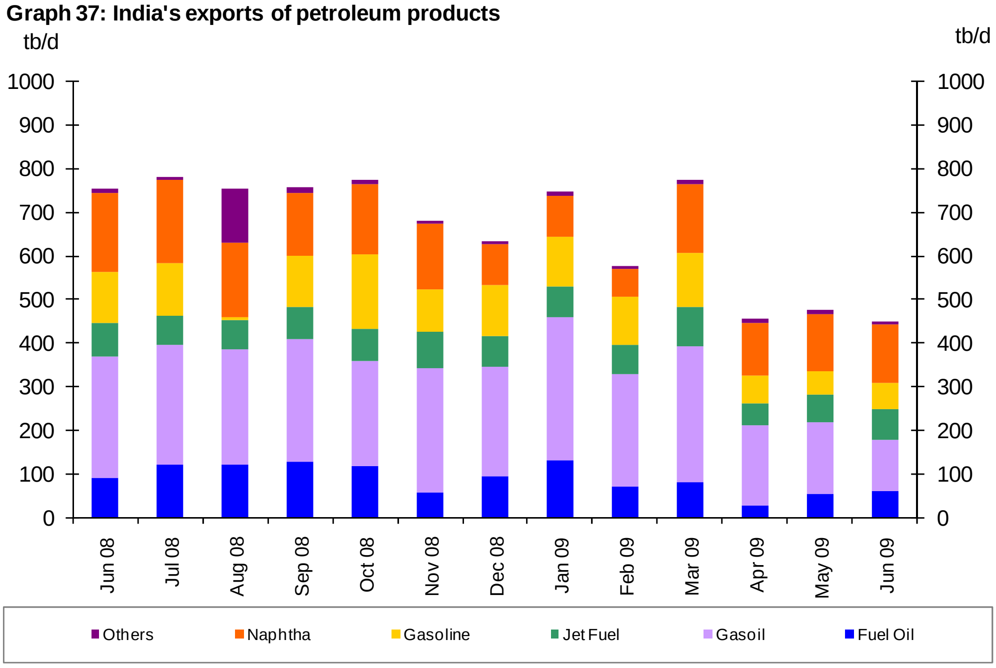
Table 25: India's crude and product net imports/(exports), tb/d

	Apr 09	May 09	Jun 09	Change Jun/May
Crude oil	2,372	2,842	2,717	-125
Total products	-40	-118	-211	-93
Total crude and products	**2,333**	**2,724**	**2,506**	**-218**

On the export side, India's total product exports of 447,000 b/d in June were 27,000 b/d or 6% lower compared to the previous month and 41% lower compared to a year earlier. Fuel oil exports in June averaged 69,000 b/d, up from 52,000 b/d the previous month, but down from 91,000 b/d a year earlier. Jet fuel exports were at 68,000 b/d in June, up from 61,000 b/d the previous month. Gasoil exports in June averaged 119,000 b/d, 28% lower than the previous month and 162% lower than a year earlier. Gasoline exports increased in June to average 59,000 b/d, about 9% higher than the previous month, but 50% lower compared to a year earlier. Naphtha exports were 134,000 b/d in June compared to 152,000 b/d the previous month and 227,000 b/d a year earlier. For the first half of 2009, India exported an average of 0.58 mb/d of products, down by 179,000 b/d, or 23% compared to the same period the year before.

As a result, India's net oil imports in June averaged 2.51 mb/d, displaying a decline of 8%, or 218,000 b/d compared to the previous month and 13% compared to June 2008. Both net crude oil imports and net product imports were lower this month compared to May. India's net oil imports for the first half of 2009 averaged about 2.36 mb/d, 4% or 85,000 b/d higher compared to the same period a year earlier.

Graph 37: India's exports of petroleum products



FSU

FSU crude oil exports were 2% lower in June, but product exports were 4% higher backed by higher gasoil exports

According to preliminary data, FSU crude oil exports declined in June by 137,000 b/d, or 2% compared to the previous month to average 6.62 mb/d. Russian pipeline crude exports declined by 145,000 b/d or 4% compared to a month earlier. This is attributed to the 187,000 b/d decline of exports through the Black Sea, while exports through the Baltic and Druzhba were marginally higher, all compared to the previous month. Russian crude oil exports by rail rebounded in June, increasing by about 12%, or 57,000 b/d compared to a month earlier to average 551,000 b/d. Exports through CPC and BTC pipelines in June were 738,000 b/d and 791,000 b/d, indicating a monthly gain of 9% and a drop of 3% respectively, both compared to the previous month. Caspian crude oil exports in June averaged 251,000 b/d, up by 49,000 b/d compared to a month ago. On a year-to-year basis, FSU crude exports were about 435,000 b/d or 7% higher in June compared to a year earlier.

In contrast, FSU oil product exports were 4%, or 115,000 b/d higher in June compared to the previous month, averaging about 3.03 mb/d. This is attributed to the gasoil exports, which alone increased by 145,000 b/d, or 17% compared to the previous month to average 1.0 mb/d. Fuel oil and jet fuel exports were marginally higher in June, while exports of other products were steady to slightly lower compared to the previous month. FSU product exports in June were 6% or 160,000 b/d higher than the same month last year.

In total, FSU crude oil and product exports averaged 9.65 mb/d in June, steady compared to the previous month. June's total exports were 595,000 b/d, or 7% higher than a year earlier.

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

	2007	2008	4Q08	1Q09	2Q09	May 09	Jun 09*
Crude							
Russian pipeline							
Black Sea	1,361	1,249	1,199	1,262	1,250	1,343	1,156
Baltic	1,631	1,559	1,490	1,518	1,621	1,596	1,603
Druzhba	1,122	1,098	1,089	1,139	1,102	1,095	1,134
Total**	**4,114**	**3,906**	**3,779**	**3,918**	**4,013**	**4,074**	**3,929**
Other routes							
Russian rail	292	283	234	303	266	228	266
Russian - Far East	269	220	252	277	277	266	285
Kazak rail	17	17	17	18	18	17	18
Vadandey	na	na	na	149	151	151	157
Ventspils	na	na	na	13	18	24	30
CPC	692	675	732	757	718	678	738
BTC	617	637	644	734	788	868	791
Atasu-Alashankou	n.a.	n.a.	n.a.	116	150	150	154
Caspian	245	184	210	277	271	300	251
Total crude exports	**6,348**	**6,089**	**5,998**	**6,563**	**6,670**	**6,756**	**6,619**
Products							
Gasoline	na	na	na	284	271	315	286
Naphtha	na	na	na	338	299	316	272
Jet	na	na	na	54	61	53	73
Gasoil	777	810	849	1,039	910	860	1,005
Fuel oil	1,052	1,069	1,041	964	1,143	1,121	1,171
VGO	na	na	na	258	259	249	223
Total	**2,421**	**2,539**	**2,536**	**2,857**	**2,943**	**2,914**	**3,029**
Total oil exports	**8,769**	**8,628**	**8,534**	**9,420**	**9,613**	**9,670**	**9,648**

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

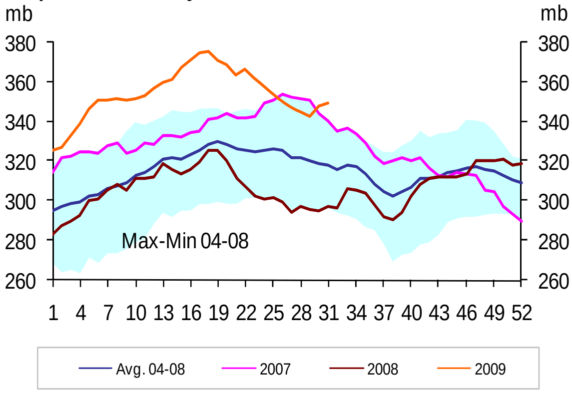
Stock Movements

US commercial oil stocks increased for the tenth consecutive month. Including SPR, total US inventories are 146 mb higher than a year ago

USA

US commercial oil inventories continued the upward trend and jumped a further 11 mb in July to move above 1,120 mb at the end of the month, the highest level since July 1990. This level implies an overhang of around 98 mb or 10% with the average of the previous five years. Similarly to the previous month, the build was again driven by products while crude oil stocks continued to decline for the third consecutive month.

Graph 38: US weekly commercial crude oil inventories



Crude oil stocks fell a marginal 0.7 mb, compared to nearly 12 mb in June, to move slightly below 350 mb for the first time so far this year. Nevertheless, despite the three consecutive draws, crude oil stocks remained above the upper end of the five-year range, with an overhang of around 35 mb with the seasonal average. The draw in crude oil inventories is due to lower imports rather than stronger demand from refineries which continue to operate at lower seasonal rates.

In contrast, product stocks added a further 12 mb and remained well above the upper end of the five-year range. Gasoline stocks moved against their seasonal trend and added 1.7 mb at the peak of the driving season where stocks usually drop, but this reflects the very weak demand. At 213 mb, gasoline stocks are still some 6 mb above the five-year average and last year's level. Distillate inventories jumped 6.5 mb to 161.5 mb and remained extremely high with an overhang of more than 30 mb or 24%. This highest level of distillate stocks since 1983 is attributed to the sluggish demand which continues to suffer from the economic crisis. Distillate stocks are expected to remain very comfortable in the coming months to add more bearishness to the crude oil market. Similarly, jet fuel oil stocks also jumped 4.7 mb to reach a high level of 46.6 mb on the back of lower demand due to lack of economic activity while residual fuel oil stocks lost 3.7 mb to stand at 33.6 mb.

Graph 39: US Weekly Distillate Stocks

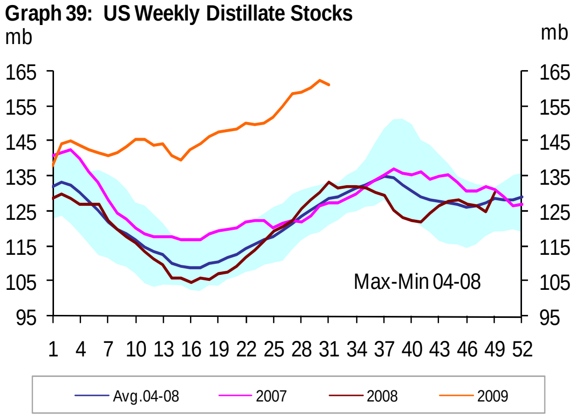


Table 27: US onland commercial petroleum stocks, mb

	May 09	Jun 09	Jul 09	Change Jul 09 /Jun 09	Jul 08
Crude oil	362.0	350.2	349.5	-0.7	295.2
Gasoline	206.1	211.2	212.9	1.7	206.7
Distillate fuel	155.2	155.0	161.5	6.5	130.9
Residual fuel oil	38.8	37.3	33.6	-3.7	36.8
Jet fuel	43.2	41.9	46.6	4.7	41.4
Total	**1107.3**	**1109.1**	**1120.4**	**11.3**	**990.9**
SPR	721.7	723.4	724.1	0.7	707.2

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

Due to low demand, all the components of commercial oil stocks are high with crude oil inventories corresponding to almost 24 days, 3.5 days higher than the seasonal average and gasoline stocks to 23 days, 1.5 days higher than the seasonal average. However, distillate stocks continued to correspond to 48 days, some 16 days or 50% higher than the average of the previous five years.

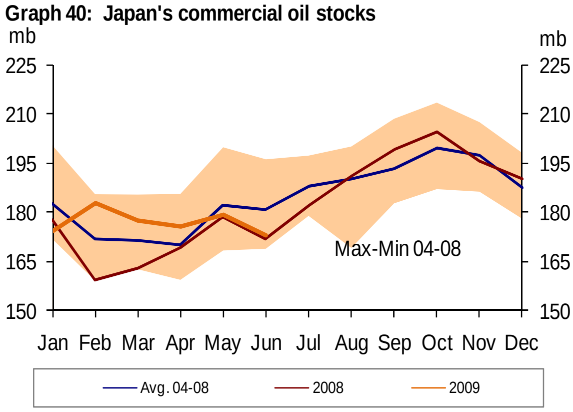
On the other hand, Strategic Petroleum Reserve (SPR) increased a further 0.7 mb to move above 724 mb, which corresponds to almost the total capacity of 727 mb. With this, the objective of filling SPR to capacity is almost reached before the schedule fixed by the DoE.

Japan

Japan's commercial oil stocks lost 6.1 mb in June to stand at 173 mb, but remained comfortable

In Japan total commercial oil stocks fell more than 6 mb in June, the same draw as a year earlier, but remained within the range at 173 mb. However, even though at this level inventories are at their lowest level so far this year, they are comfortable when considering current weak demand.

Graph 40: Japan's commercial oil stocks



The draw of 6.1 mb is attributable to products, which lost 7.4 mb, essentially from residual fuel oil and naphtha stocks, but remained above the seasonal average and the level a year earlier. In contrast, crude oil inventories rose 1.4 mb, offsetting the draw of the previous month and stood at 103 mb, 9 mb lower than the seasonal average, but higher than a year ago. The build took place despite a drop in imports to below 3.3 mb/d, to reflect sluggish demand from refineries. Within products, gasoline stocks continued the downward trend and dropped for the third consecutive month on the back of lower production from refineries, but stayed above the upper end of the five-year average at 14 mb, down 0.7 mb from the previous month. Distillate stocks fell 1.6 mb to 31.6 mb whereas residual fuel oil and naphtha stocks lost 3.1 mb and 2.1 mb respectively. All product stocks are very comfortable as domestic demand declined strongly with all components due to slowing economic activity.

Preliminary data shows that Japan's crude oil inventories dropped significantly in July by around 9 mb, which could be attributed to a drop in imports while product stocks recovered from their loss in June and rose around 5 mb as domestic sales remained weak.

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

	Apr 09	May 09	Jun 09	Change Jun 09/May 09	Jun 08
Crude oil	103.3	101.6	103.0	1.4	101.2
Gasoline	15.5	14.7	14.0	-0.7	13.2
Naphtha	10.6	11.1	9.0	-2.1	10.0
Middle distillates	29.1	33.1	31.6	-1.6	28.4
Residual fuel oil	17.1	18.5	15.4	-3.1	18.9
Total products	72.4	77.4	70.0	-7.4	70.4
Total**	**175.6**	**179.1**	**173.0**	**-6.1**	**171.6**

* *At end of month.*

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

Source: *METI, Japan.*

Balance of Supply and Demand

Estimate for 2009

Demand for OPEC crude in 2009 to decline sharply by 2.3 mb/d

The demand for OPEC crude has been revised down slightly to currently stand at 28.4 mb/d, representing a strong contraction of 2.3 mb/d from the previous year. On a quarterly basis, the demand for OPEC crude is estimated at 28.3 mb/d, 28.0 mb/d, 28.6 mb/d and 28.9 mb/d respectively. The demand for OPEC crude in the first half of the year is estimated to have fallen by a substantial 2.9 mb/d compared to the same period last year, although this decline is expected to narrow in the fourth quarter to a loss of 1.4 mb/d.

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

	2008	1Q09	2Q09	3Q09	4Q09	2009
(a) World Oil Demand	**85.56**	**83.87**	**83.02**	**83.90**	**84.85**	**83.91**
Non-OPEC Supply	50.47	51.00	50.38	50.56	51.02	50.74
OPEC NGLs and non-conventionals	4.31	4.59	4.63	4.78	4.91	4.73
(b) Total Supply excluding OPEC Crude	**54.78**	**55.60**	**55.00**	**55.34**	**55.93**	**55.47**
Difference (a-b)	**30.78**	**28.27**	**28.02**	**28.56**	**28.93**	**28.45**
OPEC crude oil production	31.07	28.32	28.37			
Balance	0.29	0.05	0.35			

Totals may not add due to independent rounding.

Forecast for 2010

Demand for OPEC crude to drop by 0.5 mb/d in 2010

Demand for OPEC crude in 2010 is forecast to average 28.0 mb/d. This represents a drop of 0.5 mb/d from the current year and the third consecutive annual decline. As the decline is much smaller than in the previous year, the figure can be seen as a sign of recovery. On a quarterly basis, the demand for OPEC crude is expected at 27.8 mb/d, 27.2 mb/d, 28.3 mb/d and 28.6 mb/d respectively.

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

	2009	1Q10	2Q10	3Q10	4Q10	2010
(a) World Oil Demand	**83.91**	**84.02**	**83.27**	**84.63**	**85.69**	**84.41**
Non-OPEC Supply	50.74	51.25	50.89	50.98	51.55	51.17
OPEC NGLs and non-conventionals	4.73	5.00	5.20	5.35	5.53	5.27
(b) Total Supply excluding OPEC Crude	**55.47**	**56.25**	**56.09**	**56.32**	**57.08**	**56.44**
Difference (a-b)	**28.45**	**27.78**	**27.18**	**28.31**	**28.62**	**27.97**

Totals may not add due to independent rounding.

Graph 41: Balance of supply and demand

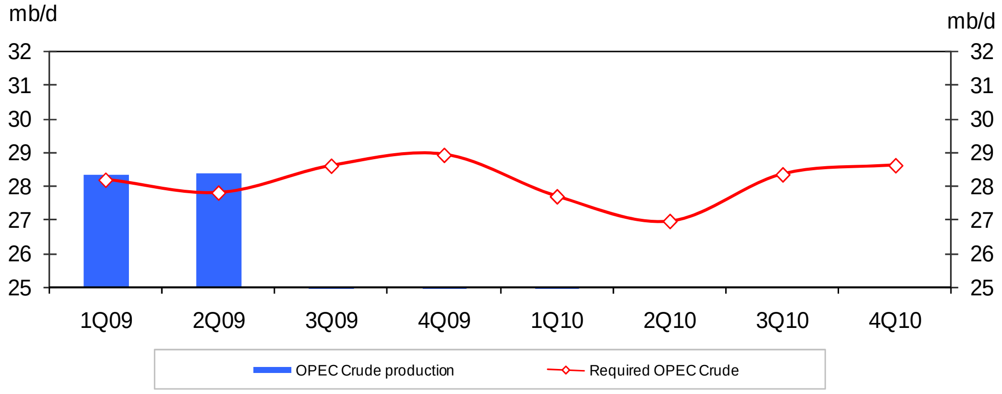


Table 31: World oil demand/supply balance, mb/d

	2004	2005	2006	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
World demand															
OECD	49.5	49.8	49.5	49.2	47.5	46.6	44.6	44.9	46.4	45.6	45.9	44.2	44.8	46.4	45.3
North America	25.4	25.6	25.4	25.5	24.2	23.5	22.9	22.8	23.5	23.2	23.6	23.0	23.1	23.8	23.4
Western Europe	15.5	15.7	15.7	15.3	15.3	14.9	14.4	15.0	15.1	14.8	14.4	14.0	14.8	15.0	14.5
Pacific	8.5	8.6	8.5	8.4	8.1	8.1	7.4	7.2	7.8	7.6	7.9	7.2	7.0	7.7	7.4
DCs	21.8	22.6	23.3	24.3	25.2	25.1	25.6	25.7	25.6	25.5	25.5	26.1	26.2	26.1	26.0
FSU	3.8	3.9	4.0	4.0	4.1	3.9	3.7	4.2	4.2	4.0	3.9	3.7	4.2	4.2	4.0
Other Europe	0.9	0.9	0.9	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8
China	6.5	6.7	7.2	7.6	8.0	7.6	8.3	8.4	7.9	8.0	7.9	8.6	8.6	8.2	8.3
(a) Total world demand	82.5	83.9	84.9	86.0	85.6	83.9	83.0	83.9	84.9	83.9	84.0	83.3	84.6	85.7	84.4
Non-OPEC supply															
OECD	21.3	20.5	20.2	20.1	19.6	20.0	19.1	19.1	19.3	19.3	19.4	19.0	18.9	19.3	19.2
North America	14.6	14.1	14.2	14.3	13.9	14.2	13.7	13.9	14.0	14.0	14.1	13.9	13.9	14.1	14.0
Western Europe	6.2	5.7	5.4	5.2	5.1	5.1	4.7	4.5	4.7	4.8	4.7	4.5	4.3	4.5	4.5
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.7	0.6
DCs	11.6	11.9	12.0	12.1	12.3	12.5	12.5	12.9	12.9	12.7	13.0	13.0	13.1	13.2	13.0
FSU	11.1	11.5	12.0	12.5	12.6	12.6	12.9	12.6	12.8	12.7	12.9	12.9	12.9	13.1	12.9
Other Europe	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.5	3.6	3.7	3.8	3.8	3.8	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Processing gains	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total non-OPEC supply	49.6	49.6	50.0	50.6	50.5	51.0	50.4	50.6	51.0	50.7	51.2	50.9	51.0	51.6	51.2
OPEC NGLs + non-conventional oils	3.7	3.9	3.9	4.0	4.3	4.6	4.6	4.8	4.9	4.7	5.0	5.2	5.3	5.5	5.3
(b) Total non-OPEC supply and OPEC NGLs	53.3	53.5	53.9	54.6	54.8	55.6	55.0	55.3	55.9	55.5	56.2	56.1	56.3	57.1	56.4
OPEC crude oil production (secondary sources)	29.6	30.7	30.5	30.1	31.1	28.3	28.4								
Total supply	82.9	84.2	84.4	84.7	85.8	83.9	83.4								
Balance (stock change and miscellaneous)	0.3	0.3	-0.6	-1.2	0.3	0.1	0.4								
OECD closing stock levels (*mb*)															
Commercial	2538	2585	2666	2567	2700	2743									
SPR	1450	1487	1499	1524	1526	1547									
Total	3988	4072	4165	4091	4225	4290									
Oil-on-water	905	958	916	948	929	888									
Days of forward consumption in OECD															
Commercial onland stocks	51	52	54	54	59	61									
SPR	29	30	30	32	33	35									
Total	80	82	85	86	93	96									
Memo items															
FSU net exports	7.3	7.7	8.0	8.5	8.5	8.8	9.2	8.4	8.6	8.7	9.0	9.2	8.7	8.8	8.9
(a) - (b)	29.2	30.4	31.1	31.4	30.8	28.3	28.0	28.6	28.9	28.4	27.8	27.2	28.3	28.6	28.0

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

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

	2004	2005	2006	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
World demand															
OECD	-	-	-0.1	-	-	-	-	-0.2	-0.1	-0.1	-	-	-0.2	-0.1	-0.1
North America	-	-	-	-	-0.1	-0.1	-0.2	-0.3	-0.2	-0.2	-0.1	-0.2	-0.3	-0.2	-0.2
Western Europe	-	-	-	-	0.1	0.1	0.1	-	0.1	0.1	0.1	0.1	-	0.1	0.1
Pacific	-	-	-	-	-	-	0.1	0.1	-	0.1	-	0.1	0.1	-	0.1
DCs	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	0.1	-	-	-	0.1	-	-	-	-	0.1	-	-	-
(a) Total world demand	0.1	-	-	0.2	0.1	0.1	0.2	-	-	0.1	0.1	0.2	-	-	0.1
World demand growth	*0.06*	*-0.04*	*-0.03*	*0.17*	*-0.08*	*-0.05*	*0.19*	*-0.13*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Non-OPEC supply															
OECD	-	-	-	-	-	0.1	-	-	0.1	-	0.1	0.1	0.1	0.1	0.1
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	0.1	-	-	0.1	-	0.1	0.1	0.1	0.1	0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	0.1	0.1	-	0.1	0.1	0.1	0.1	0.1
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	0.1	0.1	-	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.2
Total non-OPEC supply growth	*-*	*-*	*-*	*0.01*	*0.07*	*0.07*	*-0.04*	*0.05*	*0.09*	*0.04*	*0.09*	*0.21*	*0.08*	*-*	*0.09*
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	0.1	0.2	-	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.2
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-								
Total supply	-	-	-	-	0.1	0.2	-								
Balance (stock change and miscellaneous)	-0.1	-	-	-0.1	-	0.1	-0.2								
OECD closing stock levels (*mb*)															
Commercial	-	-	-	-	-	-	-								
SPR	-	-	-	-	-	-	-								
Total	-	-	-	-	-	-	-								
Oil-on-water	-	-	-	-	-	-	-								
Days of forward consumption in OECD															
Commercial onland stocks	-	-	-	-	-	-	-								
SPR	-	-	-	-	-	-	-								
Total	-	-	-	-	-	-	-								
Memo items															
FSU net exports	-	-	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-
(a) - (b)	0.1	-	-	0.1	-	-0.1	0.2	-0.1	-0.2	-	-	-	-	-	-

† This compares Table 31 in this issue of the MOMR with Table 32 in the July 2009 issue.

This table shows only where changes have occurred.

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

	2001	2002	2003	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	2,630	2,473	2,511	2,538	2,585	2,666	2,567	2,700	2,533	2,612	2,627	2,585	2,585	2,648	2,760	2,666	2,597	2,656	2,649	2,567	2,573	2,604	2,658	2,700	2,743
North America	1,262	1,175	1,161	1,193	1,257	1,277	1,229	1,301	1,201	1,275	1,254	1,257	1,240	1,277	1,351	1,277	1,238	1,294	1,285	1,229	1,216	1,240	1,278	1,301	1,348
Western Europe	925	890	915	915	934	962	931	992	942	915	942	934	937	935	948	962	941	936	932	931	963	955	950	992	988
OECD Pacific	443	408	435	430	394	428	406	406	389	422	432	394	408	436	461	428	419	427	431	406	393	408	430	406	408
OECD SPR	1,288	1,347	1,411	1,450	1,487	1,499	1,524	1,526	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,507	1,506	1,520	1,524	1,527	1,528	1,521	1,526	1,547
North America	552	601	640	678	687	691	699	704	690	698	696	687	688	690	690	691	691	692	695	699	702	708	704	704	715
Western Europe	356	357	374	377	407	412	421	416	376	401	405	407	407	411	412	412	415	413	423	421	421	417	414	416	424
OECD Pacific	380	389	396	396	393	396	404	406	396	395	393	393	392	393	393	396	401	401	403	404	404	404	403	406	408
OECD total	**3,918**	**3,820**	**3,921**	**3,988**	**4,072**	**4,165**	**4,091**	**4,225**	**3,995**	**4,106**	**4,121**	**4,072**	**4,072**	**4,141**	**4,255**	**4,165**	**4,104**	**4,163**	**4,169**	**4,091**	**4,100**	**4,132**	**4,179**	**4,225**	**4,290**
Oil-on-water	830	815	882	905	958	916	948	929	934	931	926	958	962	971	972	916	916	909	926	948	930	929	898	929	888
Days of forward consumption in OECD																									
OECD onland commercial	55	51	51	51	52	54	54	59	52	53	52	51	53	54	55	54	54	54	53	52	54	56	56	58	61
North America	52	48	46	47	50	50	51	56	47	50	49	50	49	50	53	50	49	51	51	50	50	53	53	55	59
Western Europe	60	58	59	58	60	63	61	67	61	58	60	58	61	60	60	63	63	60	59	61	64	62	62	67	69
OECD Pacific	52	47	51	50	47	51	50	53	48	52	49	42	52	55	52	48	53	54	49	46	50	54	54	50	55
OECD SPR	27	28	29	29	30	30	32	33	30	30	30	29	31	30	30	30	31	31	30	31	32	33	32	33	35
North America	23	24	25	27	27	27	29	30	27	27	27	27	27	27	27	27	27	27	27	28	29	30	29	30	31
Western Europe	23	23	24	24	26	27	28	28	25	26	26	25	27	26	26	27	28	27	27	27	28	27	27	28	29
OECD Pacific	45	45	46	46	46	47	50	53	49	49	45	42	50	49	45	44	51	51	46	45	51	54	51	50	55
OECD total	**82**	**79**	**79**	**80**	**82**	**85**	**86**	**93**	**82**	**83**	**82**	**80**	**84**	**84**	**85**	**84**	**85**	**85**	**84**	**83**	**87**	**89**	**88**	**91**	**96**

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

	2004	2005	2006	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09
USA	7.65	7.34	7.36	7.50	0.14	7.64	7.75	7.20	7.42	7.50	0.00	7.83	7.80	7.70	7.80	7.78	0.28	7.91	7.87	7.87	7.99	7.91	0.13
Canada	3.07	3.03	3.20	3.32	0.12	3.30	3.12	3.30	3.28	3.25	-0.07	3.30	2.97	3.27	3.33	3.22	-0.03	3.34	3.28	3.28	3.33	3.31	0.09
Mexico	3.83	3.77	3.69	3.49	-0.21	3.29	3.18	3.13	3.09	3.17	-0.31	3.04	2.97	2.96	2.87	2.96	-0.21	2.85	2.79	2.80	2.81	2.81	-0.15
North America	14.56	14.14	14.24	14.30	0.06	14.22	14.05	13.63	13.80	13.92	-0.38	14.18	13.74	13.93	14.01	13.96	0.04	14.10	13.94	13.94	14.13	14.03	0.06
Norway	3.19	2.97	2.78	2.56	-0.22	2.51	2.39	2.38	2.54	2.45	-0.10	2.52	2.20	2.19	2.30	2.30	-0.15	2.25	2.16	2.07	2.21	2.17	-0.13
UK	2.10	1.89	1.71	1.69	-0.02	1.69	1.64	1.45	1.63	1.60	-0.09	1.67	1.56	1.39	1.42	1.51	-0.09	1.45	1.40	1.32	1.35	1.38	-0.13
Denmark	0.39	0.38	0.34	0.31	-0.04	0.29	0.29	0.27	0.28	0.28	-0.02	0.28	0.27	0.23	0.25	0.26	-0.02	0.25	0.24	0.23	0.23	0.24	-0.02
Other Western Europe	0.50	0.51	0.54	0.68	0.15	0.72	0.73	0.75	0.74	0.74	0.05	0.68	0.68	0.70	0.70	0.69	-0.05	0.71	0.71	0.71	0.71	0.71	0.02
Western Europe	6.18	5.74	5.37	5.23	-0.13	5.21	5.04	4.86	5.19	5.07	-0.16	5.15	4.71	4.51	4.67	4.76	-0.32	4.65	4.51	4.33	4.49	4.50	-0.26
Australia	0.52	0.53	0.51	0.53	0.02	0.47	0.53	0.55	0.58	0.53	0.01	0.55	0.50	0.55	0.50	0.53	-0.01	0.48	0.49	0.54	0.55	0.51	-0.01
Other Pacific	0.05	0.05	0.05	0.08	0.03	0.11	0.11	0.10	0.09	0.10	0.02	0.09	0.10	0.10	0.10	0.10	0.00	0.12	0.11	0.11	0.11	0.11	0.02
OECD Pacific	0.57	0.58	0.56	0.60	0.04	0.58	0.63	0.64	0.67	0.63	0.03	0.64	0.60	0.65	0.60	0.62	-0.01	0.60	0.60	0.65	0.66	0.63	0.00
Total OECD	21.31	20.45	20.17	20.14	-0.03	20.01	19.73	19.13	19.66	19.63	-0.51	19.97	19.06	19.09	19.28	19.35	-0.28	19.35	19.05	18.93	19.29	19.15	-0.19
Brunei	0.21	0.21	0.22	0.19	-0.03	0.19	0.16	0.17	0.18	0.17	-0.02	0.17	0.15	0.18	0.18	0.17	0.00	0.17	0.17	0.17	0.17	0.17	0.00
India	0.79	0.76	0.79	0.82	0.02	0.83	0.81	0.82	0.84	0.82	0.01	0.80	0.80	0.86	0.87	0.83	0.01	0.88	0.90	0.89	0.90	0.89	0.06
Indonesia	1.15	1.12	1.07	1.02	-0.04	1.05	1.04	1.04	1.03	1.04	0.02	1.02	1.02	1.06	1.06	1.04	0.00	1.06	1.06	1.06	1.06	1.06	0.02
Malaysia	0.79	0.77	0.76	0.76	0.01	0.78	0.76	0.78	0.75	0.77	0.01	0.75	0.74	0.78	0.78	0.76	0.00	0.76	0.75	0.73	0.72	0.74	-0.02
Thailand	0.25	0.30	0.32	0.34	0.02	0.34	0.35	0.36	0.36	0.35	0.02	0.36	0.37	0.37	0.37	0.37	0.01	0.37	0.37	0.37	0.37	0.37	0.00
Vietnam	0.42	0.39	0.37	0.35	-0.02	0.34	0.31	0.29	0.31	0.31	-0.04	0.33	0.33	0.34	0.35	0.34	0.02	0.37	0.38	0.38	0.39	0.38	0.05
Asia others	0.18	0.26	0.26	0.27	0.00	0.28	0.28	0.28	0.28	0.28	0.01	0.28	0.28	0.28	0.29	0.28	0.01	0.29	0.29	0.29	0.30	0.29	0.01
Other Asia	3.81	3.80	3.79	3.74	-0.05	3.80	3.71	3.73	3.75	3.75	0.01	3.71	3.70	3.88	3.89	3.79	0.05	3.91	3.92	3.89	3.90	3.90	0.11
Argentina	0.80	0.78	0.77	0.76	-0.01	0.77	0.77	0.76	0.75	0.76	0.00	0.76	0.76	0.75	0.74	0.75	-0.01	0.73	0.72	0.71	0.70	0.71	-0.04
Brazil	1.80	1.98	2.11	2.22	0.12	2.34	2.39	2.42	2.40	2.38	0.16	2.51	2.54	2.65	2.68	2.59	0.21	2.75	2.74	2.85	2.93	2.82	0.22
Colombia	0.54	0.53	0.54	0.54	0.00	0.57	0.59	0.61	0.62	0.60	0.06	0.65	0.66	0.66	0.66	0.65	0.06	0.67	0.68	0.69	0.70	0.68	0.03
Trinidad & Tobago	0.16	0.18	0.18	0.16	-0.02	0.16	0.15	0.16	0.16	0.16	0.00	0.16	0.16	0.17	0.17	0.16	0.01	0.17	0.17	0.17	0.17	0.17	0.01
L. America others	0.26	0.30	0.26	0.27	0.00	0.27	0.28	0.29	0.32	0.29	0.02	0.32	0.31	0.31	0.31	0.31	0.02	0.30	0.30	0.30	0.30	0.30	-0.01
Latin America	3.55	3.77	3.86	3.95	0.09	4.11	4.17	4.23	4.25	4.19	0.23	4.40	4.42	4.52	4.54	4.47	0.28	4.61	4.60	4.71	4.79	4.68	0.20
Bahrain	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00
Oman	0.79	0.78	0.75	0.71	-0.03	0.72	0.74	0.76	0.75	0.74	0.03	0.76	0.75	0.79	0.79	0.77	0.03	0.79	0.80	0.80	0.80	0.80	0.02
Syria	0.49	0.45	0.44	0.42	-0.02	0.41	0.40	0.40	0.39	0.40	-0.02	0.38	0.37	0.40	0.40	0.39	-0.01	0.40	0.40	0.39	0.38	0.39	0.00
Yemen	0.41	0.41	0.37	0.34	-0.04	0.31	0.31	0.30	0.30	0.31	-0.03	0.28	0.27	0.28	0.27	0.28	-0.03	0.26	0.26	0.25	0.25	0.26	-0.02
Middle East	1.90	1.85	1.76	1.67	-0.09	1.65	1.66	1.66	1.64	1.65	-0.02	1.63	1.61	1.67	1.67	1.64	-0.01	1.67	1.66	1.65	1.64	1.65	0.01
Chad	0.16	0.18	0.16	0.15	-0.01	0.15	0.15	0.15	0.15	0.15	0.00	0.14	0.14	0.14	0.13	0.13	-0.02	0.13	0.13	0.13	0.13	0.13	0.00
Congo	0.24	0.24	0.25	0.24	0.00	0.26	0.26	0.26	0.26	0.26	0.02	0.26	0.27	0.28	0.33	0.29	0.03	0.32	0.33	0.32	0.31	0.32	0.03
Egypt	0.71	0.70	0.67	0.67	0.00	0.68	0.68	0.69	0.70	0.69	0.02	0.70	0.69	0.70	0.68	0.69	0.00	0.69	0.68	0.67	0.67	0.68	-0.01
Equatorial Guinea	0.30	0.36	0.37	0.37	0.00	0.38	0.38	0.38	0.38	0.38	0.01	0.38	0.36	0.37	0.36	0.37	-0.01	0.37	0.36	0.36	0.35	0.36	-0.01
Gabon	0.25	0.25	0.25	0.25	0.00	0.24	0.24	0.25	0.25	0.24	-0.01	0.26	0.26	0.25	0.25	0.25	0.01	0.25	0.25	0.26	0.25	0.25	0.00
South Africa	0.19	0.19	0.19	0.18	-0.01	0.17	0.17	0.17	0.17	0.17	-0.01	0.17	0.17	0.16	0.16	0.17	-0.01	0.15	0.15	0.15	0.15	0.15	-0.01
Sudan	0.30	0.34	0.40	0.50	0.10	0.50	0.49	0.47	0.44	0.48	-0.02	0.46	0.48	0.48	0.49	0.48	0.00	0.47	0.46	0.47	0.48	0.47	0.00
Africa other	0.21	0.25	0.32	0.35	0.03	0.38	0.38	0.38	0.38	0.38	0.03	0.38	0.37	0.42	0.43	0.40	0.02	0.42	0.42	0.45	0.49	0.45	0.05
Africa	2.36	2.52	2.60	2.71	0.11	2.75	2.76	2.74	2.73	2.74	0.04	2.73	2.73	2.80	2.83	2.77	0.03	2.80	2.79	2.81	2.83	2.81	0.04
Total DCs	11.63	11.93	12.02	12.08	0.06	12.31	12.30	12.36	12.38	12.33	0.26	12.47	12.45	12.87	12.93	12.68	0.35	12.98	12.96	13.06	13.16	13.04	0.36
FSU	11.14	11.55	12.02	12.52	0.50	12.62	12.67	12.46	12.49	12.56	0.04	12.63	12.89	12.58	12.79	12.72	0.16	12.87	12.87	12.93	13.06	12.93	0.21
Russia	9.19	9.44	9.65	9.87	0.22	9.78	9.74	9.81	9.80	9.78	-0.08	9.78	9.88	9.74	9.74	9.78	0.00	9.75	9.71	9.75	9.72	9.73	-0.05
Kazakhstan	1.18	1.23	1.30	1.35	0.05	1.42	1.44	1.33	1.47	1.41	0.06	1.48	1.51	1.40	1.58	1.49	0.08	1.59	1.59	1.56	1.64	1.60	0.10
Azerbaijan	0.31	0.44	0.65	0.86	0.21	0.96	1.03	0.85	0.78	0.91	0.04	0.94	1.08	0.96	1.00	0.99	0.09	1.05	1.09	1.13	1.19	1.12	0.12
FSU others	0.47	0.44	0.42	0.44	0.02	0.46	0.46	0.46	0.45	0.46	0.02	0.44	0.43	0.47	0.47	0.45	-0.01	0.48	0.48	0.49	0.50	0.49	0.03
Other Europe	0.17	0.16	0.15	0.15	0.00	0.15	0.15	0.14	0.14	0.15	-0.01	0.14	0.13	0.14	0.14	0.14	-0.01	0.14	0.14	0.14	0.14	0.14	0.00
China	3.50	3.64	3.69	3.77	0.07	3.82	3.88	3.85	3.85	3.85	0.08	3.80	3.86	3.90	3.89	3.86	0.02	3.91	3.88	3.94	3.93	3.92	0.05
Non-OPEC production	47.75	47.73	48.06	48.66	0.61	48.90	48.72	47.94	48.52	48.52	-0.14	49.02	48.39	48.58	49.04	48.76	0.24	49.26	48.91	48.99	49.57	49.18	0.43
Processing gains	1.83	1.86	1.90	1.92	0.02	1.95	1.95	1.95	1.95	1.95	0.03	1.98	1.98	1.98	1.98	1.98	0.03	1.98	1.98	1.98	1.98	1.98	0.00
Non-OPEC supply	49.58	49.59	49.96	50.58	0.63	50.85	50.67	49.89	50.47	50.47	-0.11	51.00	50.38	50.56	51.02	50.74	0.27	51.25	50.89	50.98	51.55	51.17	0.43
OPEC NGL	3.54	3.74	3.76	3.95	0.19	4.11	4.23	4.25	4.25	4.21	0.26	4.49	4.52	4.67	4.80	4.62	0.41	4.90	5.09	5.24	5.40	5.16	0.54
OPEC Non-conventional	0.17	0.16	0.14	0.08	-0.05	0.11	0.11	0.11	0.11	0.11	0.02	0.11	0.11	0.11	0.11	0.11	0.00	0.11	0.11	0.11	0.13	0.11	0.01
OPEC (NGL+NCF)	3.71	3.89	3.89	4.03	0.14	4.22	4.33	4.35	4.35	4.31	0.28	4.59	4.63	4.78	4.91	4.73	0.41	5.00	5.20	5.35	5.53	5.27	0.54
Non-OPEC & OPEC (NGL+NCF)	53.29	53.49	53.85	54.62	0.77	55.07	55.00	54.24	54.82	54.78	0.17	55.60	55.00	55.34	55.93	55.47	0.68	56.25	56.09	56.32	57.08	56.44	0.97

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

Table 35: World Rig Count

	2004	2005	2006	Change 06/05	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07	1Q09	2Q09	May 09	Jun 09	Jul 09	Change Jul/Jun
USA	1,190	1,381	1,647	267	1,733	1,756	1,788	1,790	1,767	119	1,770	1,864	1,978	1,898	1,877	111	1,326	936	918	895	931	36
Canada	369	458	470	12	532	139	348	356	344	-126	507	169	432	408	379	35	328	91	72	125	175	50
Mexico	110	107	83	-24	90	88	96	93	92	9	96	106	103	106	103	11	128	128	133	124	135	11
North America	1,668	1,945	2,200	255	2,355	1,983	2,231	2,240	2,202	2	2,373	2,139	2,513	2,411	2,359	157	1,782	1,154	1,123	1,144	1,241	97
Norway	17	17	17	0	16	19	18	17	18	1	17	21	21	21	20	2	25	18	16	17	17	0
UK	16	21	27	5	25	29	27	22	26	-1	19	21	24	24	22	-4	22	19	20	18	16	-2
Western Europe	70	70	77	7	75	80	79	77	78	0	91	97	101	103	98	20	90	82	82	77	73	-4
OECD Pacific	18	21	25	4	23	27	30	28	27	2	30	33	36	32	33	6	25	20	22	16	22	6
Total OECD	1,788	2,075	2,346	271	2,493	2,138	2,385	2,383	2,350	4	2,530	2,312	2,694	2,590	2,532	182	1,943	1,294	1,227	1,237	1,336	99
Other Asia	184	209	209	0	211	221	220	225	219	10	225	236	234	225	230	11	224	225	225	225	228	3
Latin America	116	129	149	19	175	177	171	179	175	27	187	184	195	197	191	16	164	147	147	147	151	4
Middle East	123	131	132	1	144	146	154	154	149	18	158	165	175	171	167	18	162	151	151	148	143	-5
Africa	8	8	10	2	16	12	14	14	14	4	10	13	14	11	12	-2	8	11	10	11	7	-4
Total DCs	432	477	500	23	545	557	558	572	558	58	580	599	618	603	600	42	558	533	533	531	529	-2
Non-OPEC Rig Count	2,220	2,552	2,845	294	3,039	2,695	2,943	2,955	2,908	62	3,111	2,911	3,313	3,194	3,132	224	2,501	1,827	1,760	1,768	1,865	97
Algeria	19	21	24	4	25	26	28	28	27	2	26	27	24	26	26	-1	24	30	28	30	28	-2
Angola	3	3	4	1	5	4	3	5	4	1	5	6	5	5	5	1	5	3	3	3	3	0
Ecuador	10	12	11	0	12	10	11	10	11	-1	7	9	12	13	10	-1	10	10	10	10	10	0
Iran	41	40	44	4	51	51	51	50	50	6	50	50	50	51	50	0	51	52	52	52	52	0
Iraq	na	na	na	na	na	na	na	na	na	na	29	29	29	29	29	29	29	29	29	29	29	0
Kuwait	10	12	14	1	14	13	13	11	12	-1	12	11	12	12	12	0	12	11	13	10	17	7
Libya	10	9	10	1	13	12	14	14	13	3	14	15	15	15	15	2	15	13	15	14	14	0
Nigeria	8	9	10	1	8	7	8	10	8	-1	9	8	6	6	7	-1	7	6	6	6	5	-1
Qatar	9	12	11	-1	11	12	13	14	13	2	11	12	11	11	11	-1	9	9	9	10	9	-1
Saudi Arabia	32	37	65	28	76	76	78	77	77	11	78	77	76	76	77	0	72	67	68	67	67	0
UAE	16	16	16	0	14	15	15	14	15	-2	12	12	13	12	12	-2	13	12	12	12	13	1
Venezuela	55	68	81	13	76	80	77	71	76	-5	82	81	77	81	80	4	69	64	66	61	54	-7
OPEC Rig Count	212	238	290	51	303	305	311	302	305	16	336	337	330	336	335	29	315	307	311	304	301	-3
Worldwid Rig Count*	2,431	2,790	3,135	345	3,342	3,000	3,254	3,256	3,213	78	3,447	3,248	3,643	3,530	3,467	253	2,816	2,134	2,071	2,072	2,166	94
of which:																						
Oil	886	980	1,124	144	1,264	1,167	1,254	1,285	1,242	119	1,408	1,351	1,479	1490	1432	190	1276	1062	1047	1085	1,165	80
Gas	1,488	1,746	1,947	201	2,013	1,764	1,931	1,904	1,903	-44	1,969	1,814	2,070	1948	1950	47	1450	993	981	952	962	10
Others	20	21	17	-4	20	17	20	25	20	4	26	32	36	37	33	12	35	35	37	33	34	2

**/Excludes China and FSU.*

na - Not available.

Source: Baker Hughes International & Secretariat's Estimates.

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

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Data Summary

August 2009

OPEC Basket average price

US$ per barrel

down $3.77 in July

July 2009	***64.59***
June 2009	*68.36*
Year-to-date	*52.99*

July OPEC production

in million barrels per day, according to secondary sources

up 0.16 in July

July 2009	***28.68***
June 2009	*28.52*

World economy

The world economy is expected to contract by 1.4% in 2009, unchanged from the previous report. In 2010, the global economy is now expected to grow by a higher 2.4%, following upward revisions to China and Japan.

Supply and demand

in million barrels per day

2009		***2010***	
World demand	*83.9*	*World demand*	*84.4*
Non-OPEC supply	*55.5*	*Non-OPEC supply*	*56.4*
Difference	***28.4***	***Difference***	***28.0***

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

Stocks

Driven by products, OECD commercial oil inventories remained very high in June, corresponding to more than 61 days of forward demand cover. In July, US commercial oil stocks stand at around 100 mb above the five-year average.

Issued 11 August 2009.
Next report to be issued on 15 September 2009.

Data covers period up to the end of July 2009 unless otherwise stated.