OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:

Oil market challenges in the second half of 2012

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Oil Market Highlights

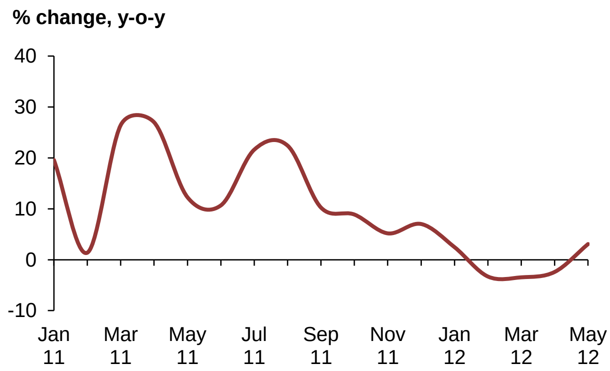
- The **OPEC Reference Basket** fell for the second straight month in May to $108.07/b, representing a decline of $10.11 or 9.4%, the largest month-to-month loss since December 2008. Futures prices also fell sharply in May. Nymex WTI declined $8.63 or 8.4%, on top of the previous month's losses, and ICE Brent fell by more than $10.20 or 8.5%, also down for the second month in a row. Numerous factors were behind the fall, including a massive liquidation of net-long speculative positions, heightened Euro-zone concerns, a weakening economic outlook, and a steady rise in global crude stocks. In the first week of June, crude oil futures prices fell sharply. The decline came as weak US jobs data, a slowdown in Chinese manufacturing activity and a deepening Euro-zone crisis sparked another broad market sell-off. On 11 June the ORB stood at $97.34/b.
- **World economic growth** expectations for 2012 remain unchanged at 3.3%. The US growth forecast has been revised down by 0.1 percentage points (pp) to 2.2%, amid a slight slowing down. The forecast for the Euro-zone is unchanged, showing a contraction of 0.4%. Japan enjoyed a solid first quarter and, hence, the yearly growth has been revised up by 0.2 pp to 2.0%. China is showing signs of being affected by the global slow-down, but remains unchanged at 8.2% due to expected stimulus measures. India experienced a significant slow-down in the first quarter and 2012 has been revised down to 6.4% from 6.9%.
- **World oil demand** growth in 2012 is expected at 0.9 mb/d, unchanged from the previous report. The first half of this year experienced various economic developments world-wide, which placed a great amount of uncertainty on oil demand. The second half of the year is likely to experience an even greater degree of uncertainty. The upcoming driving season in the Northern Hemisphere might be affected by retail gasoline prices and economic development, leading to a further decline in world oil demand. The shutdown of Japan's nuclear plants is leading to more fuel and crude oil usage in the power sector. However, should Japan decide to bring back some of its nuclear power plants into service, the recent surge in the country's oil usage could be impacted.
- **Non-OPEC oil supply** growth is projected at 0.7 mb/d in 2012, following an upward revision of 30 tb/d from the last report, supported by strong anticipated growth from the US. Estimated non-OPEC supply growth in 2011 stands at 90 tb/d. OPEC NGLs and nonconventional oils are expected to average 5.7 mb/d in 2012, a gain of 0.4 mb/d over the previous year. In May, OPEC crude oil production averaged 31.58 mb/d, according to secondary sources, a decline of 58 tb/d over the previous month.
- **Product markets** in May reversed the gains seen in the previous month. This was mainly due to losses at the top of the barrel, following disappointing demand for naphtha in the petrochemical sector worldwide, as well as from the easing in the gasoline market in the Atlantic Basin on news of the re-start of some closed refineries. Along with additional pressure coming from the supply side with the end of maintenance in Asia, these factors led to a fall in refinery margins across the board, despite the steep decline in crude oil prices.
- In the **tanker market**, dirty spot freight rates were mixed in May with average VLCC rates decreasing, while average Suezmax and Aframax rates saw gains. High tonnage availability and refinery maintenance affected rates in May. Clean spot freight rates fell in the East and rose in the West from the previous month. OPEC spot fixtures increased by 12% in May compared to the previous month. Sailings from OPEC were steady in May, while arrivals in the US increased.
- **US commercial oil stocks** rose by 17.7 mb in May, a gain of 9.1 mb over a year ago and nearly 30.0 mb higher than the five-year average. This build was attributed to both crude and products, which increased by 8.7 mb and 9.0 mb respectively. In Japan, the most recent monthly data shows that commercial oil stocks increased by 8.4 mb in April, leaving them still at 8.4 mb below a year ago, but in line with the seasonal average. The total stock-build was divided between crude and products which rose by 2.7 mb and 5.7 mb respectively
- **Demand for OPEC crude** in 2011 remained unchanged from the previous report to stand at 30.1 mb/d, indicating growth of 0.4 mb/d. In 2012, demand for OPEC crude is projected to average 29.9 mb/d, representing a decline of 0.1 mb/d from last year's level and a minor change from the previous report.

Oil market challenges in the second half of 2012

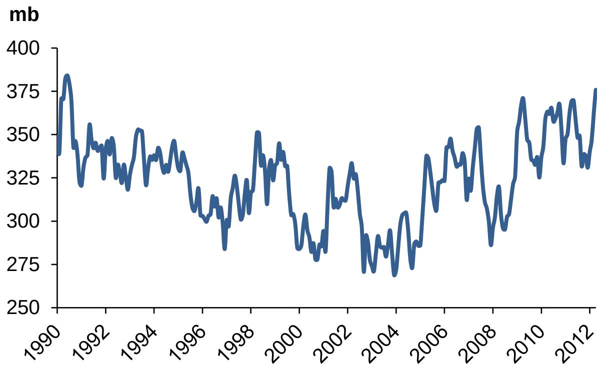
Signs appear to be showing that the global economy is slowing further. From the Euro-zone crisis to a notable deceleration in the developing and emerging economies, the current challenges are manifold. Despite having lost some steam recently, the US economy seems to be more resilient than the other developed economies. However, towards the end of the year, fiscal challenges are expected to re-emerge, as sovereign debt levels remain elevated. Japan is also expected to continue its recovery from last year's low growth, but its current expansion remains fragile and highly dependent on stimulus and exports. The major weakening factor for the world economy, however, is still the Euro-zone, where many issues ranging from the public debt situation in Greece, to the ailing banking sector in Spain, remain unsolved.

The weakness in the OECD economies is having a global impact, particularly on emerging markets. China already experienced a declining trend in exports, which fell from a monthly average expansion in 2011 of 15.1% y-o-y to 4.9% so far in 2012. Contributing to this trend has been the decelerating trade with the European Union, which turned negative in February to only pick-up again in May (*see **Graph 1)***. Given their dependence on exports, it remains to be seen how China and, to some extent, India will manage to stimulate their economies locally. China needs to carefully direct any further stimulus to offset its recent deceleration, as too aggressive supportive measures might possibly lead to an overheating in select core asset markets. This would ultimately have unintended, negative global consequences. In contrast, India is facing declining output and rising inflation, which limits its ability to counterbalance this trend via expansionary monetary policies.

Graph 1: Exports of China to EU



Graph 2: US crude commercial stocks



Given the renewed attention to macro-economic factors, the uncertainties facing Europe and the slowdown in the emerging economies have led to a shift in market sentiment. This has triggered a strong outflow of financial funds from the paper oil market, amplifying the recent downward trend in prices. Additionally, the current weakness of the Euro-zone has caused the value of the euro to decline significantly against the US dollar.

These ongoing challenges to world economic recovery have led to even larger uncertainties for oil demand in the second half of this year. Higher gasoline prices also could impact US demand growth during the driving season. Additionally, the surge in Japan's oil usage could ease if the government were able to bring back its nuclear power plants into service. Amid these uncertainties for world oil demand, non-OPEC supply is expected to perform well in the coming quarters, despite disruptions in some countries, supported by growth in the US. At the same time, OPEC NGLs and non-conventional oil are projected to see a healthy increase during this period.

Taking these developments into account, the second half of the year could see a further easing in fundamentals, despite seasonally higher demand. Indeed, firm global supply and higher OPEC production have led to a continued build in OECD commercial stocks. Leading the build has been US crude, with inventories now standing at the highest level since 1990 (*see **Graph 2***). Moreover, high OPEC crude oil production standing above market requirements provides further confirmation that the market remains amply supplied.

Crude Oil Price Movements

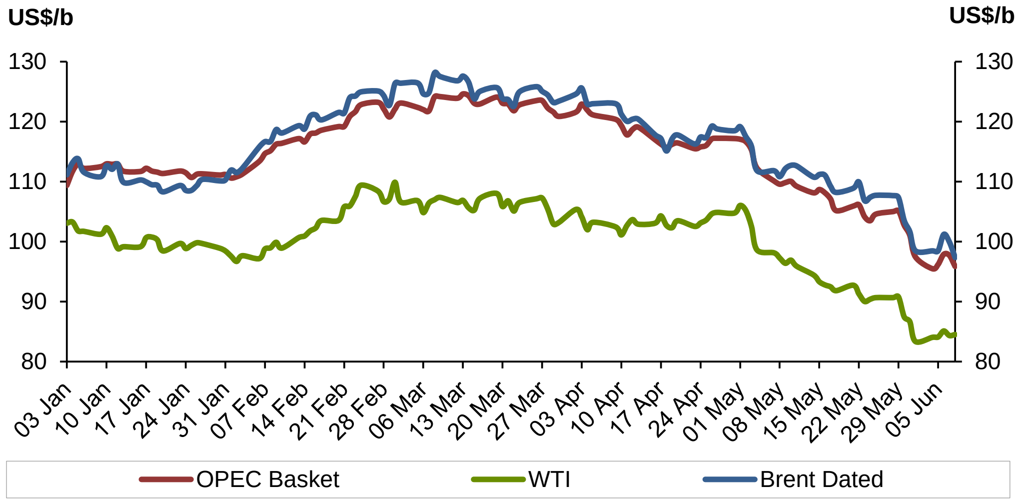
OPEC Reference Basket headed significantly towards key $100/b level in May

OPEC Reference Basket

The OPEC Reference Basket extended losses into a second straight month in May, to incur its biggest month-to-month decline since December 2008. It lost a significant 10% of its value during the month, but remained above the key $100/b. A massive speculative sell-off, brief prospects of an easing of geopolitical tensions, record crude stock-builds, weak economic data from the world's major economies and heightened concern over the stability of the Euro-zone weighed heavily on the global petroleum markets, and this was echoed in the Basket price. Commodity Futures Trading Commission's (CFTC) reports showed that, during the two weeks to 22 May, speculative traders reduced their net long futures and options and the two main crude oil futures by an all-time record of more than 83,000 positions. Moreover, higher oil supply also played a key role in the easing in crude oil prices during the first half of the year. Slowing demand growth expectations in China and India also reduced a key pricing support.

In May, the Basket dropped to an average of $108.07/b, decreasing by a hefty $10.11/b or 9.4%, from April. However, year-to-date, the Basket averaged $115.69/b, $9.49/b above the same period last year.

Graph 1.1: Crude oil price movement, 2012



Without exception, all Basket component values decreased significantly in May, by twice as much as last month's losses and registering the biggest deterioration since December 2008; together they lost a sizeable $11.30/b on average. Brent-related crudes — Saharan Blend, Es Sider, Bonny Light and Girassol — fell by $9.90 to an average of $111.40/b, down 8% for the month. Meanwhile, Middle Eastern crudes Murban and Qatar Marine also dropped, by $9.73, or 8%, to $109.19/b. Latin American Basket components — Ecuador's Oriente and Venezuelan Merey — lost even more to average $101.11/b in May, down by $10.13, or 9%. The remaining Basket components, namely Arab Light, Basrah Light, Kuwait Export and Iran Heavy, also lost 9% of their value in May, to end at $107.16/b, which was $10.50 below the previous month.

Besides the direct effect of the drop in the two main futures markets on the overall deterioration in the component values, market sentiment for the regional physical crude oil, that the Basket components are benchmarked against, weakened sharply over the month. In Asia, differentials came under pressure, amid lower official selling price formulae (OSPFs), weaker refinery margins and healthy supply. The poor sentiment weakened the Dubai market structure, with the front-month-to-future-month spread narrowing from the previous month's highs, but remaining in backwardation. Meanwhile, sweet grades were supported by ongoing Japanese demand for utility crude burning. In Europe, the Urals differentials continued to recover from the record lows seen a month earlier, but lost momentum amid ample alternative supplies, sour and sweet, and despite lower imports from Iran. Some pressure, however, may have resulted from European refinery maintenance marking its second-highest monthly figure this year. Meanwhile, regional light grade differentials slipped, due to the ample availability of cargoes, as well as plummeting values for light distillates. On the US Gulf Coast (USGC), the higher inflows from the Middle East seen in recent months served to undermine differentials for Mars crude, while formula-related regional grades, such as Mexican Maya and Venezuelan Mesa-30, also remained very weak, due to the weakness of West Texas Sour (WTS), a key grade in the formula. Moreover, the strong influx of very light-sweet crude into the Gulf Coast dragged down Light Louisiana Sweet (LLS) differentials considerably to a significant discount to Dated Brent.

On 11 June, the OPEC Reference Basket stood at $97.34/b, more than $10 below the May average.

Table 1.1: OPEC Reference Basket and selected crudes, US$/b

			Change	Year-to-date	
	Apr 12	May 12	May/Apr	2011	2012
OPEC Reference Basket	**118.18**	**108.07**	**-10.11**	**106.24**	**115.60**
Arab Light	118.94	108.48	-10.46	106.75	116.23
Basrah Light	116.26	105.94	-10.32	105.24	114.02
Bonny Light	122.36	112.87	-9.49	113.36	119.66
Es Sider	120.71	111.27	-9.44	110.93	117.84
Girassol	121.32	111.20	-10.12	110.98	118.38
Iran Heavy	117.78	107.06	-10.72	104.86	115.01
Kuwait Export	117.53	107.55	-9.98	104.26	115.14
Marine	117.39	107.79	-9.60	105.49	115.04
Merey	108.62	99.97	-8.65	93.39	107.43
Murban	120.44	110.58	-9.86	108.66	117.71
Oriente	113.86	102.25	-11.61	99.60	110.08
Saharan Blend	120.81	110.27	-10.54	112.41	117.71
Other Crudes					
Brent	119.71	110.27	-9.44	110.77	117.02
Dubai	117.30	107.71	-9.59	105.19	114.62
Isthmus	116.04	107.20	-8.84	104.19	113.55
Mars	115.85	104.89	-10.96	106.62	113.32
Minas	130.15	120.21	-9.94	113.34	126.11
Urals	117.69	109.21	-8.48	107.59	115.47
WTI	103.35	94.45	-8.90	98.68	101.25
Differentials					
WTI/Brent	-16.36	-15.82	0.54	-12.09	-15.76
Brent/Dubai	2.41	2.56	0.15	5.57	2.40

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

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

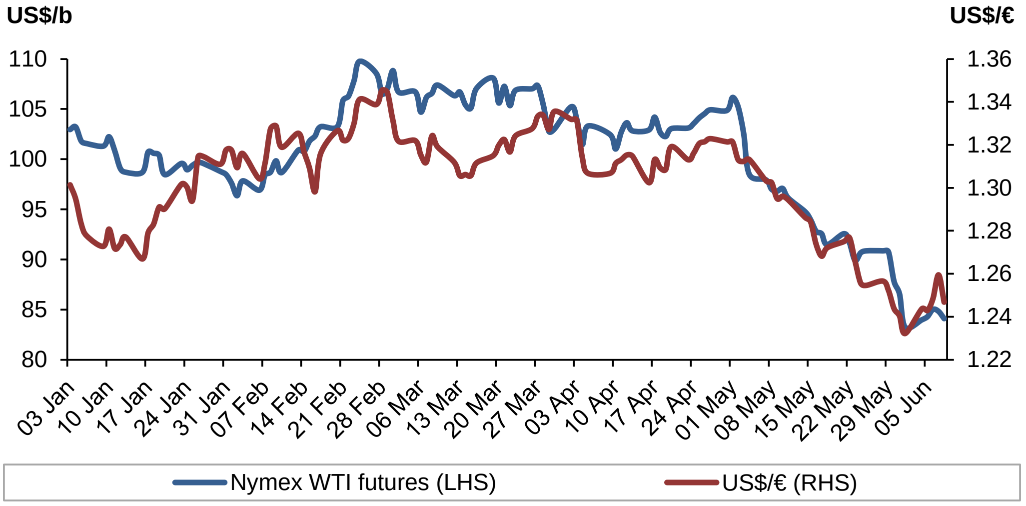
The oil futures market

Massive speculative sell-offs dragged down crude futures sharply in May

Global crude oil futures prices took their biggest beating in almost three and a half years. The Nymex WTI (West Texas Intermediate) front-month contract dropped a strong $8.63, or 8.4%, in May, on top of last month's losses, while the Intercontinental Exchange (ICE) Brent front-month plummeted by over $10.20, or 8.5%, falling for a second month in a row. Numerous reasons were behind the drop, including a massive liquidation of net long managed money positions, heightened concern over the stability of the Euro-zone, a dimming economic outlook, mounting evidence of a steadily increasing global crude stock-build and easing geopolitical tensions.

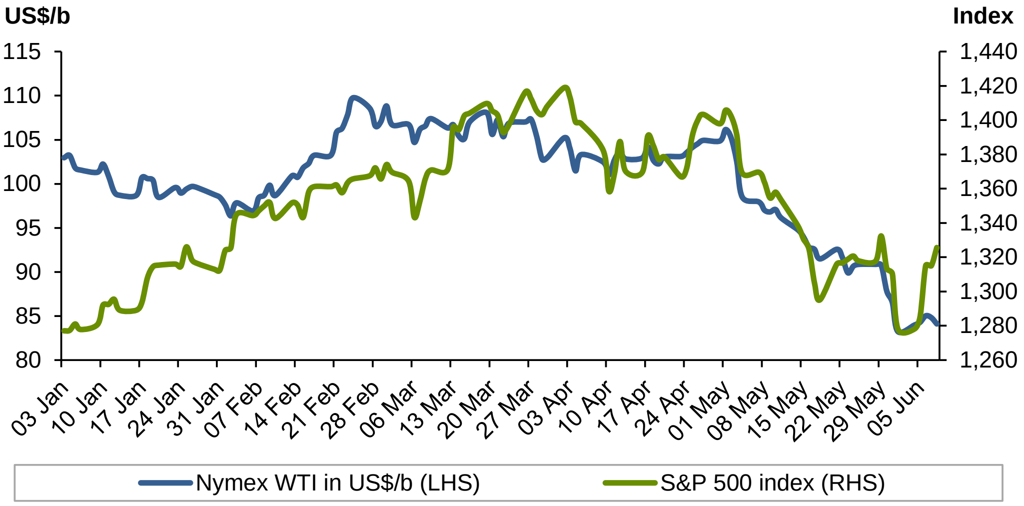
Money managers reduced their net long speculative positions for Nymex oil contracts by a massive 34%, the largest amount on record on an outright basis, over the two weeks in May that prices slid the most, according to the CFTC reports. Data from the ICE also shows that positions on Brent fell by a significant 28%. The collapse happened in line with a near $10/b fall in WTI in the week ending 8 May during a massive sell-off. In addition to this, the announced substantial increase in initial margins for non-hedged futures positions on the Nymex might have forced many market participants to revise down their positions. A weaker global economic outlook and the increasing probability of a new financial crisis in Europe also helped in sending crude prices lower. Fears about European debt resurfaced, with borrowing rates for ten-year bonds in several Mediterranean countries increasing, including heavyweights Spain and Italy. In Asia, Chinese economic data was also well below expectations, as year-on-year (y-o-y) retail sales growth fell to the lowest level for at least five years. The World Bank also cut its 2012 annual growth forecast for the Chinese economy, which, in turn, slowed emerging Asian growth for this year, weighing down on crude prices. Oil supply fundamentals played a leading role in the price correction too, with higher production for the past six months. Given weak demand, the logical consequence of such high production levels was a massive global implied stock-build. Evidence of growing stocks can be seen in official Chinese data, with an implied stock-build of 580,000 b/d seen over the first four months of the year. Similarly, US crude stocks have built by 54 mb since the end of last year (equivalent to 353,000 b/d) to reach 385 mb, the highest level since 1990.

Graph 1.2: Nymex WTI futures and US$ exchange rate, 2012



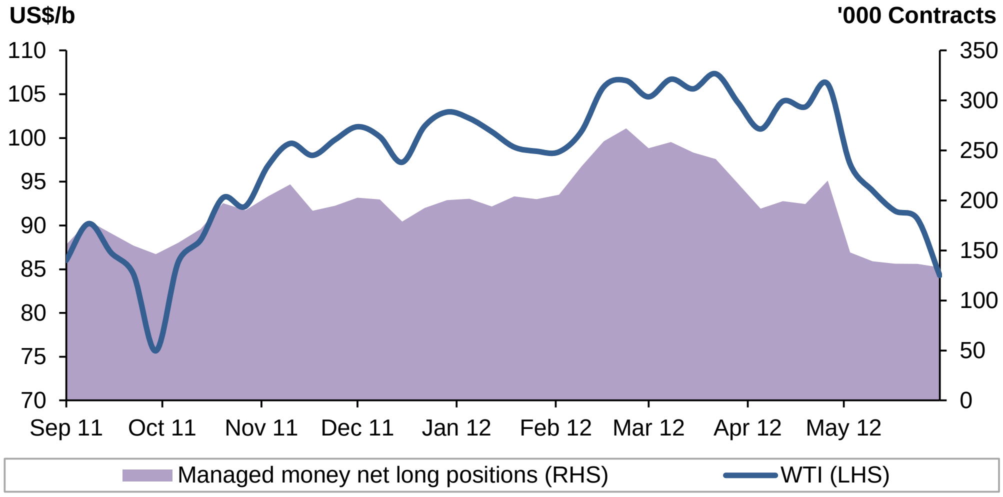
Nymex WTI front-month averaged $94.72/b in May, the first time it was below $100/b this year, and this was down 8.4% from the April average. ICE Brent front-month fell by 8.5%, or $10.20, to end the month at an average of $110.29/b. Compared with the previous year, the front-month WTI year-to-date average was up by nearly 3%, at $101.37/b, while ICE Brent was almost 6% higher at $117.17/b. Both contracts were above the key price levels of $100/b and $110/b in May, respectively. The Nymex WTI and ICE Brent stood at $82.70/b and $98.00/b on 11 June 2012, respectively.

Graph 1.3: Nymex WTI futures vs. S&P 500 index, 2012



Crude oil futures prices fell sharply in the first week of June, when both Nymex WTI and ICE Brent settled below the key $100/b mark, at $83/b and $98/b respectively. This transpired as weak US jobs data, soft Chinese manufacturing and the deepening Euro-zone crisis sparked another broad market sell-off. Crude oil futures sank with Wall Street, which dropped by more than 2%. The Dow Jones industrials average crossed into negative territory for the year.

Graph 1.4: Nymex WTI price vs. speculative activity, 2011-2012

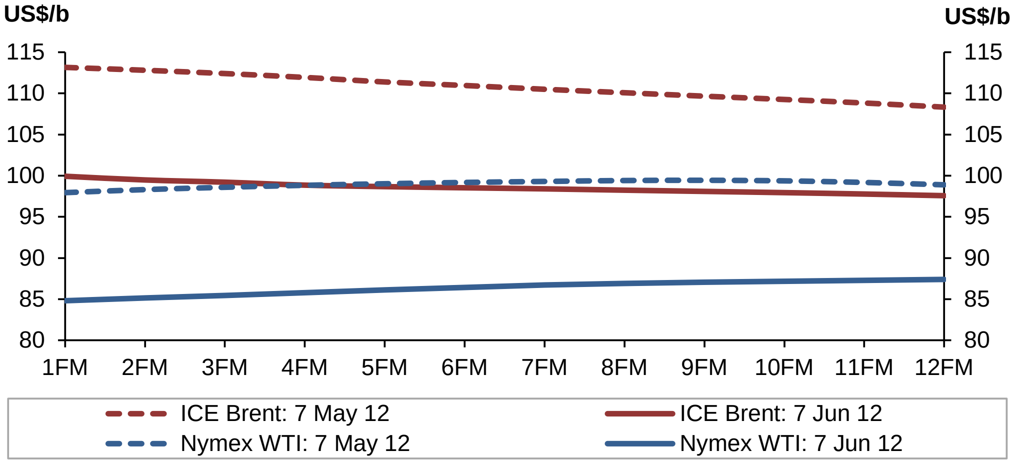


The futures market structure

Nymex contango narrowed and ICE Brent steepened its backwardation in May

The Nymex WTI market structure narrowed its contango by over 30% in May, with the first-month-versus-second-month time-spread averaging around 33¢/b, almost 15¢ down from April. This was in line with the start of the crude oil flow from the US mid-continent to the US Gulf Coast, subsequently relieving the logistical constraint at Cushing, Oklahoma. The Seaway pipeline was officially reversed on 19 May and is now transporting crude from Cushing to Houston-area refineries. Initial capacity is capped at 150,000 b/d, but an expansion is set to boost capacity to 400,000 b/d in early 2013. Meanwhile, the ICE Brent market structure steepened its backwardation by almost 20¢ to 55¢, based on the average spread between first- and second-month contracts during May. Higher post-seasonal maintenance demand for North Sea crudes, coupled with arbitrage opportunities for Forties crude to South Korea, supported the move.

Graph 1.5: Nymex WTI and ICE Brent forward curve, 2012



FM = future month

The transatlantic (Brent vs. WTI) spread narrowed by a further $1.60/b in favour of WTI during May, coinciding with the start of the Seaway pipeline-reversal. Although the impact was projected to be higher, the 150,000 b/d did not have a strong impact on the Brent/WTI spread, considering that recent weekly Cushing stock-builds have often been higher than 1 mb, a level roughly equivalent to seven days of outflows at Seaway capacity.

Table 1.2: Nymex WTI and ICE Brent forward price, US$/b

	1st FM	2nd FM	3rd FM	6th FM	12th FM
Nymex WTI					
07 May 12	97.94	98.31	98.59	99.18	98.89
07 Jun 12	84.82	85.13	85.44	86.42	87.38
ICE Brent	1st FM	2nd FM	3rd FM	6th FM	12th FM
07 May 12	113.16	112.81	112.41	110.96	108.33
07 Jun 12	99.93	99.48	99.21	98.53	97.57

FM = future month.

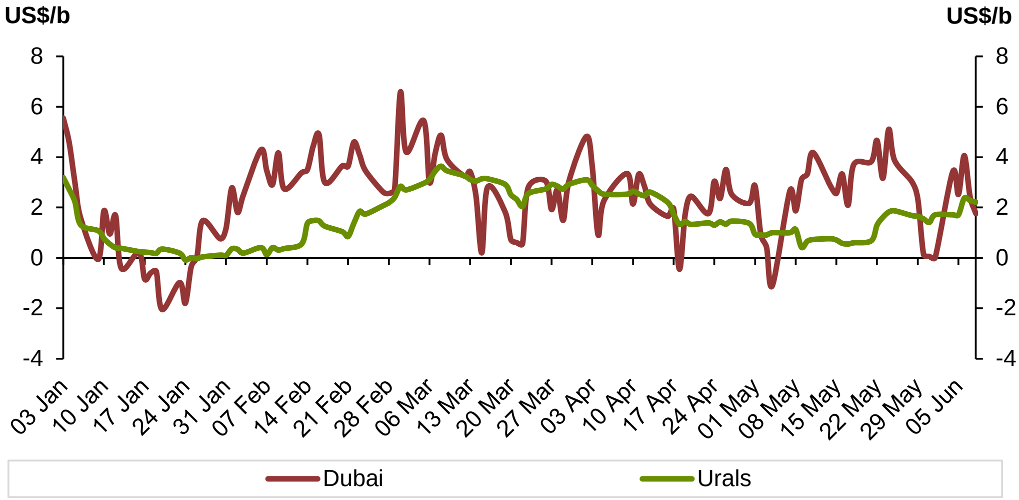
The sweet/sour crude spread

Light-sweet/heavy-sour spread narrowed in the US and EU, while widening in Asia in May

Light-sweet/heavy-sour differentials were mixed again in May. While they widened slightly in Asia, they narrowed significantly in the US and Europe.

In Asia, light-sweet/heavy-sour differentials, represented by the Tapis/Dubai spread, widened, despite being a relatively poor month for high-value products, with cracks for both gasoline and naphtha falling considerably, even as middle distillates remained stable. On the other hand, fuel oil managed to gain slightly, but this supported Dubai more than Tapis and so should have resulted in a narrower spread. Instead, the widening spread can most likely be attributed to a slightly wider Brent/Dubai spread, which will temper arbitrage inflows of West African grades at a time when more and more Asian refiners come out of maintenance. As a result, the Tapis/Dubai spread during May widened to an average $9.90/b in favour of Tapis, from the $9.50/b in April.

Graph 1.6: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2012



In Europe, the Brent/Urals spread narrowed further by a significant amount from multi-month lows, supported by the end of maintenance and tighter availability. Urals also benefited from the anticipated lower imports from Iran as of 1 July, while the number of available Iraqi barrels also remained limited. The Brent/Urals spread stood at $1.05/b, almost halving the previous month's spread.

The US Gulf Coast (USGC) sweet and sour grade-spread, represented by the Light Louisiana Sweet (LLS)/Mars spread, narrowed by over $3.50/b, as a result of the higher availability of light-sweet crude both from West Africa and from domestic shale crude. On average, the spread in May stood at $3.11/b, compared with $6.66/b in April, in favour of LLS. Again, the product market had little to do with this, as LLS cracks were very strong, while Mars was quite weak, compared with other non-US grades. More and more domestic light crude is ending up in the USGC, even though refiners do not need it, as they prefer a much heavier crude slate in line with their greater complexity. Since US law forbids export of domestic crudes, a glut of light-sweet grades is growing in the US Gulf that will only increase with the recent reversal of the Seaway pipeline. Moreover, the strong influx of very light-sweet crude into the Gulf Coast has dragged down LLS differentials considerably, relative to international crudes, with LLS averaging a discount of $1.50/b to Dated Brent in May.

Commodity Markets

In May, commodity prices continued to fall due to a firmer dollar, risk aversion and macroeconomic uncertainty

Trends in selected commodity markets

The World Bank's **commodity price index** continued to fall with the energy index plummeting 7.6% m-o-m in May, compared to a 3.5% fall in April. The **non-energy price index** dropped 2.5% m-o-m in May, compared to a milder 0.3% decrease in the previous month. Food prices declined by 2.1%, while base metals and gold were down by 3.8% and 3.5%, respectively.

In May, commodity prices continued to fall due to a firmer dollar, risk aversion, macroeconomic uncertainty and apprehension over the Euro-zone's sovereign debt crisis, as well as slower-than-expected growth in emerging economies, especially China and India.

Table 2.1: Commodity price data, 2012

Commodity	Unit	*Monthly averages*			*% Change*		
		Mar 12	Apr 12	May 12	Mar/Feb	Apr/Mar	May/Apr
World Bank commodity price indices for low and middle income countries (2005 = 100)							
Energy		208.4	201.1	185.7	3.7	-3.5	-7.6
Coal, Australia	$/mt	105.1	101.6	94.7	-8.7	-3.3	-6.8
Crude oil, average	$/bbl	117.8	113.7	104.1	4.5	-3.5	-8.4
Natural gas, US	$/mmbtu	2.2	1.9	2.4	-14.0	-10.1	25.2
Non Energy		195.5	194.9	190.0	0.7	-0.3	-2.5
Agriculture		195.5	195.7	192.4	1.1	0.1	-1.7
Food		209.7	210.6	206.2	3.0	0.4	-2.1
Soybean meal	$/mt	421.0	463.0	496.0	8.8	10.0	7.1
Soybean oil	$/mt	1287.0	1310.0	1218.0	2.5	1.8	-7.0
Soybeans	$/mt	543.0	575.0	573.0	6.1	5.9	-0.3
Grains		229.7	224.6	227.9	1.3	-2.2	1.5
Maize	$/mt	280.7	274.0	269.3	0.4	-2.4	-1.7
Sorghum	$/mt	274.0	254.9	216.7	1.8	-7.0	-15.0
Wheat, US, HRW	$/mt	283.9	266.3	264.4	2.2	-6.2	-0.7
Sugar World	¢/kg	53.1	50.2	45.9	-0.1	-5.6	-8.5
Base Metal		179.6	174.1	167.4	-1.0	-3.1	-3.8
Aluminum	$/mt	2184.2	2049.7	2007.6	-1.1	-6.2	-2.1
Copper	$/mt	8470.8	8289.5	7955.6	0.3	-2.1	-4.0
Iron ore, spot, cfr China	¢/dmtu	144.7	147.6	136.6	3.0	2.1	-7.5
Lead	¢/kg	205.7	207.1	201.3	-3.0	0.7	-2.8
Nickel	$/mt	18660.8	17939.8	17068.2	-8.5	-3.9	-4.9
Steel products index	2005=100	137.5	137.2	137.1	0.1	-0.2	-0.1
Tin	¢/kg	2298.5	2220.1	2040.5	-5.4	-3.4	-8.1
Zinc	¢/kg	203.6	200.2	193.6	-1.1	-1.7	-3.3
Precious Metals							
Gold	$/toz	1673.8	1649.7	1591.2	-3.9	-1.4	-3.5
Silver	¢/toz	3293.0	3155.0	2888.6	-3.6	-4.2	-8.4

Source: World Bank, Commodity price data.

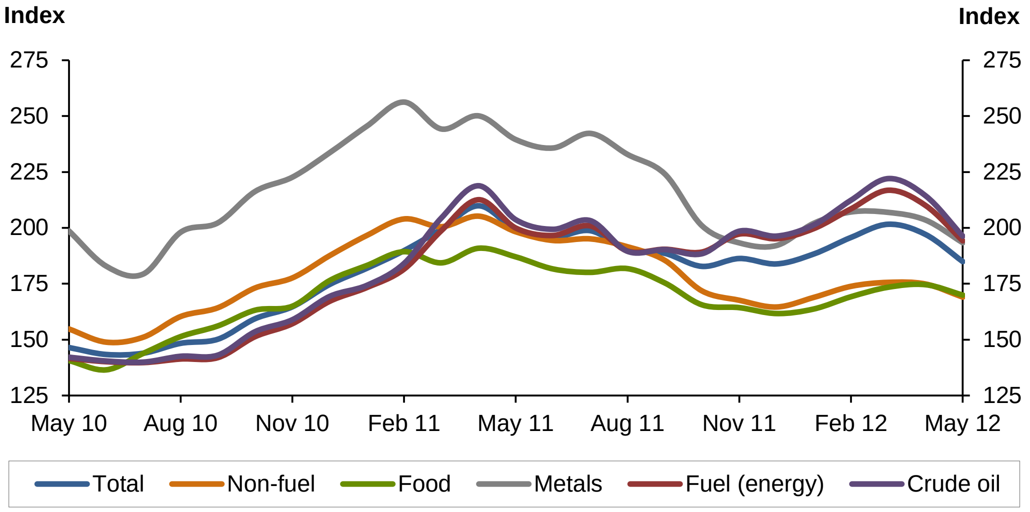
The **Henry Hub (HH) natural gas price** jumped 25.2% m-o-m in May compared to a 10% fall in April. The price rise was caused by an easing of the storage overhang from late April to the first half of May. There was a record high amount of coal displacement, as well as prospects of flat-to-dropping production levels. Volatile weather patterns in the US — cold-hot-cold — were also a bullish factor. US natural gas prices weakened in the last week of May as the month-long short covering rally likely came to an end. A storage injection in line with consensus took place. Nevertheless, although the storage overhang was further reduced to last year's level, it implied a slight slowdown in coal displacement compared with previous weeks.

The **agricultural** price index fell 1.7% m-o-m in May, compared to a 0.1% increase in the previous month. Most agricultural commodities were driven by ongoing macroeconomic uncertainties, the Euro-zone's public debt crisis, downgraded global growth and risk aversion. Soybean prices continue to lead the grain complex with soybean meal rising 7.1% m-o-m in May, while corn and wheat continued to decline, albeit at a slower pace. As usual, agricultural prices were influenced by weather projections. In the first week of May, data from the US Department of Agriculture's

World Agricultural Supply and Demand Estimates (WASDE) report was bullish for soybeans and bearish for corn. Soybean prices are likely to remain the leader of the CBOT Dow Complex. Moving on the impact of Chinese agricultural imports on the grain complex prices, April trade data indicated that China's corn and wheat imports eased on a monthly basis.

Cocoa and coffee were up 2% and 5%, respectively, m-o-m in May. Due to weather concerns about May, Chinese imports in April were bullish for these commodities.

Graph 2.1: Major commodity price indexes, 2010-2012



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.*

Source: IMF.

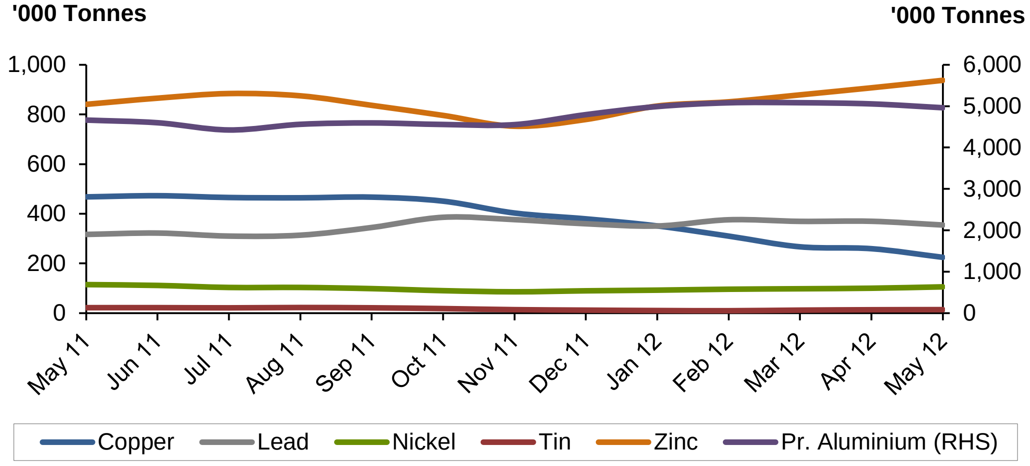
The World Bank's **base metal** price index continued to decline, falling 3.8% m-o-m in May, compared to 3.1% the previous month, with the drop being felt across the whole complex. Copper and aluminium declined by 4.0% and 2.1%, respectively, m-o-m. Base metal prices on the whole were affected by macroeconomic fears, political uncertainty in Europe, and on-going concerns regarding contagion and a sovereign debt default in Europe. Risk aversion has also weighed on further price deterioration. There was a further easing of base metal imports from China, with copper imports falling 22% m-o-m accompanied by a strong rise in exports. Aluminium imports also eased.

Worsening perspectives on global growth, particularly concerning Europe and China, have led to a broad sell-off in base metals. The short-term outlook for base metal markets is bearish, owing to a complex macroeconomic outlook. Since base metals are the commodities most closely linked to the global industrial cycle, no improvements in these markets is expected until some evidence of progress at the macro level takes place, especially with regard to growth in China and the implementation of sound policies by European policymakers.

Gold prices tumbled by 3.5% m-o-m in May, compared to a 1.4% loss in the previous month. Gold and the whole precious metal complex were impacted by negative market sentiments and a sell-off in risky assets, despite gold's traditional role as a safe-haven investment.

The dollar's appreciation against other major currencies also added to the downward trend seen in gold markets during May.

Graph 2.2: Inventories at the LME



Source: London metal exchange.

Investment flows into commodities

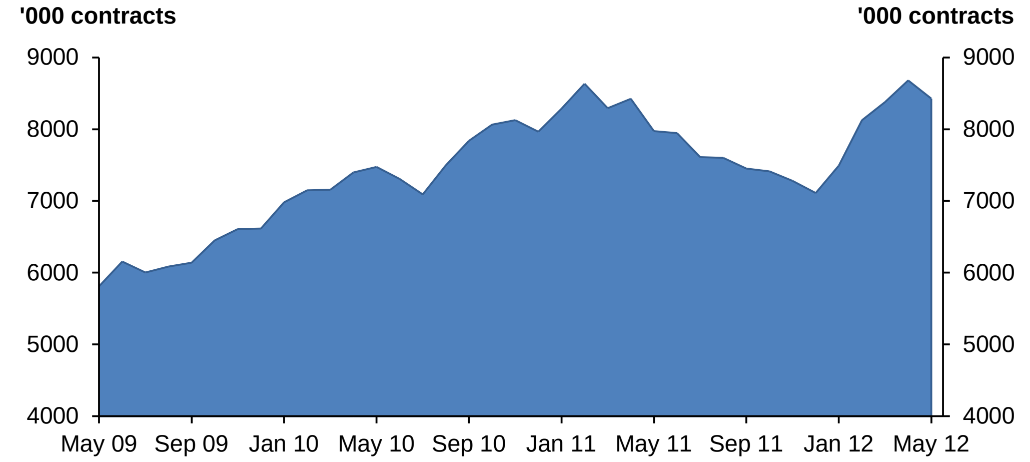
Ongoing risk aversion across commodity markets in May

Investments in commodity markets continued to be affected by on-going macroeconomic concerns, especially by a potentially hard landing in China and problems in the Euro-zone, despite the possible recovery of the US economy. Softening base metal demand in China also contributed to this outcome.

Total open interest volume (OIV) in major commodity markets in the US declined by 2.9% m-o-m to 8,538,909 contracts in May, compared to a 4% gain during the previous month. This was the first drop registered in the current year on a monthly basis which affected most of the markets.

Total net long speculative positions fell by 22.5% m-o-m to 608,222 contracts, compared with an 18% loss the previous month. The result was a combination of a 6.8% m-o-m fall in longs and a 6.3% m-o-m rise in shorts. The outflow in net money positions at the US CFTC took place across all markets.

Graph 2.3: Total open interest volume

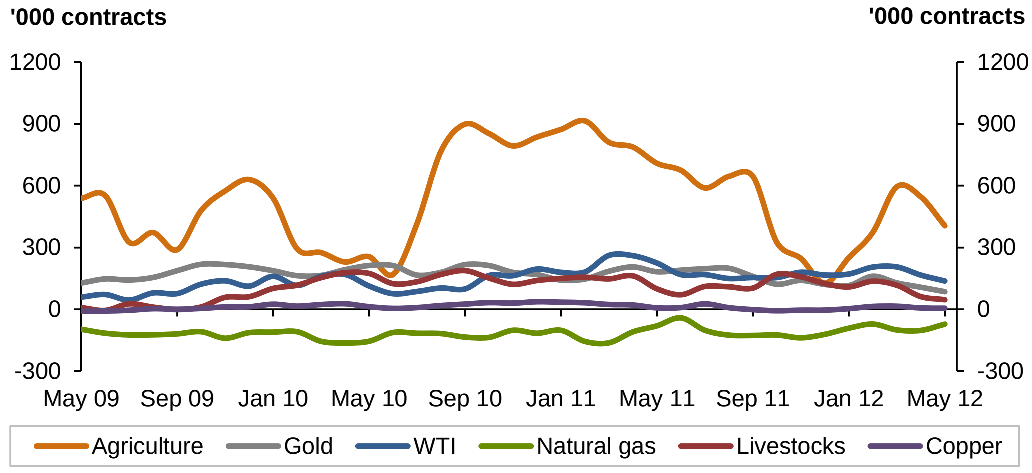


Source: US commodity futures trading commission.

Agricultural OIV declined 3.8% m-o-m to 4,453,692 contracts in May, compared to a 7.4% gain in April. Money managers' net long positions in agricultural markets decreased 25.7% m-o-m to 405,549 contracts in May, compared to a 8.2% drop during the previous month, the result of a 15% m-o-m increase in short positions amid a 7.4% loss in long positions.

The **HH natural gas** OIV decreased 3.5% m-o-m to 1,224,835 contracts in May, compared to a 3.3% rise a month earlier. Net long positions increased 29.7% m-o-m compared to a 2.2% drop in April, as short positions declined more than longs.

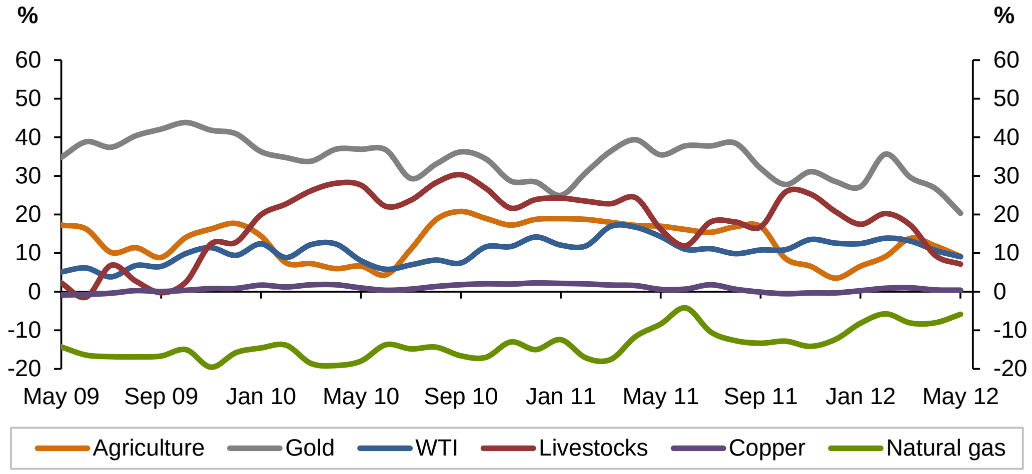
Graph 2.4: Speculative activity in key commodities, net length



Source: US commodity futures trading commission.

Copper OIV declined 5.6% m-o-m to 147,128 contracts in May, compared to a decrease of 2.2% in the previous month. Net long positions dropped 19.1% m-o-m to 5,258 contracts in May, compared with a stronger 56.4% a month earlier**.**

Graph 2.5: Speculative activity in key commodities as % of open interest



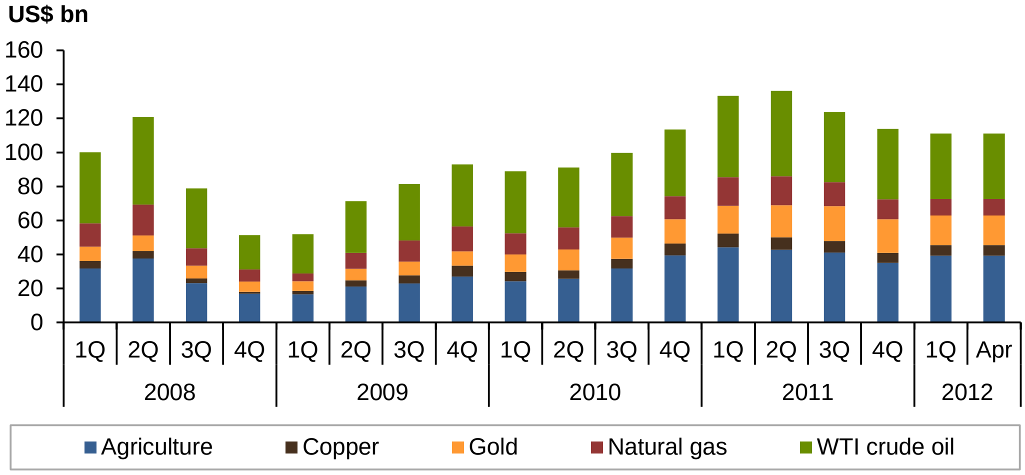
Source: US commodity futures trading commission.

Gold OIV posted a 5% m-o-m gain to 421,512 contracts in May, compared with a 7.4% drop a month earlier. Tactical investments in gold tumbled 20% m-o-m to 85,540 contracts. This was due to a 124% m-o-m jump in short positions compared to a 4.5% in longs.

Table 2.2: CFTC data on non-commercial positions, '000 contracts

	Open interest		***Net length***			
	Apr 12	**May 12**	**Apr 12**	**% OIV**	**May 12**	**% OIV**
Crude Oil	1560	1523	166	11	137	9
Natural Gas	1270	1225	-102	-8	-72	-6
Agriculture	4630	4454	546	12	406	9
Precious Metals	520	535	120	23	91	17
Copper	156	147	6	4	5	4
Livestock	661	656	62	9	47	7
Total	**8,798**	**8,539**	**798**	**9**	**614**	**7**

Graph 2.6: Inflow of investment into commodities, 2008 to date



Source: US commodity futures trading commission.

According to data from the CFTC, the dollar investment inflow into commodities gained 0.4% m-o-m to $111.00 bn in April. All commodities were affected by the resulting net investment outflow.

World Economy

Table 3.1: Economic growth rates 2011-2012,%

	World	OECD	US	Japan	Euro-zone	China	India
2011	3.6	1.7	1.7	-0.7	1.4	9.2	7.0
2012	3.3	1.4	2.2	2.0	-0.4	8.2	6.4

Industrialised countries

US

US forecast to expand by 2.2% in 2012, with retail sales numbers in April rising 4.7% y-o-y, while the labour market remains weak

Despite recent signs that the US economy is weakening slightly, it remains the most robust of the major economies. The labour market, however, is weak and continues to show elevated levels of unemployment. Long-term unemployment in particular continues to hurt the economy, although it has improved significantly over the year. Private household consumption has improved and most indicators point at a continued expansion during the coming months. The main issue is the potential negative impact of the current slowdown in the global economy on international trade and the US economy. The re-emergence of negotiations on the fiscal situation during the second half of the year may also constitute a challenging task with a potential impact on the economy's growth.

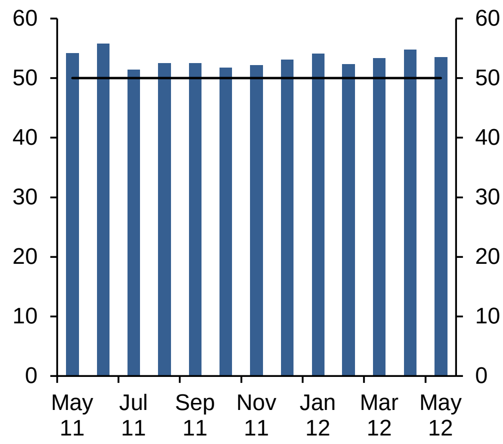
The positive but slowing trend has been mirrored in the recent second release of the 1Q12 GDP numbers. They have highlighted that the expansionary trend has come down to a growth rate of 1.9% compared to 3.0% in the 4Q11. Private household expenditure was once again the major contributor. This positive trend in domestic demand has also been visible in the monthly retail sales numbers, which were again on the rise in April, rising by 4.7% y-o-y compared to 4.0% y-o-y a month earlier. This represents a positive trend for three consecutive months and is the highest level of increase in a year. However, the monthly trend shows a marginal deceleration from March to April with growth rates of 0.43% m-o-m and 0.35% m-o-m, respectively. Consumer confidence numbers held up well, with the consumer confidence index of the Conference Board at 64.9 in May, lower than the 68.7 of April and below this year's peak level of 71.6 in February. The other consumer sentiment index of importance, the index of the University of Michigan, however, indicated an improvement, with 79.3 registered in May, compared to 76.4 in April, the highest level since January 2008.

The labour market has improved considerably compared to last year's level. The unemployment rate in May stands at 8.2%, which is slightly higher than a month earlier at 8.1%. But this compares to levels above 9.0% in 2011 and almost 10.0% in 2010. There are still some major structural challenges, particularly with long-term unemployment, which increased from 41.3% in April to 42.8% in May, the highest level since February. The participation rate, while still low, increased slightly from 63.6% in April to 63.8% in May.

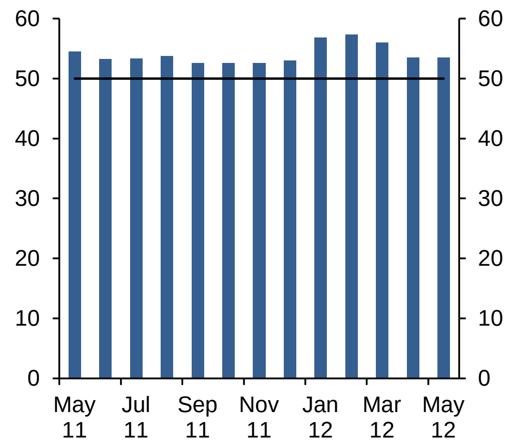
The chairman of the Federal Reserve Board (FED) recently addressed the issues of a still weak labour market. He highlighted the fact that growth seemed set to continue at a moderate pace and that the recent weakness in the labour market was due more to statistical seasonal adjustments, noting that the somewhat disappointing numbers might be exaggerated. He furthermore made clear that the FED is ready to respond to a Euro-zone crisis. He continued by saying that the situation in Europe poses significant risks to the US financial system and economy, and must be monitored closely. He also pointed out that the fiscal situation in the US needs to be sorted out and addressed by policymakers, an issue that might gain greater importance in the coming months.

In the meantime, industrial production has developed in an encouraging way. It increased by 5.2% y-o-y in April, compared to 3.6% in March. This translates to a monthly rise of 1.1%. Manufacturing orders were as well posting a positive yearly trend at 3.5% y-o-y, after 2.6% in March. Durable goods orders in particular increased sharply by 6.7% y-o-y in April, after a rise of 1.8% in March. The expansionary trend is also mirrored in the latest ISM numbers, while pointing at a slow-down in manufacturing. The ISM number for the manufacturing sector in May was recorded at 53.5, only slightly lower than 54.8 in April. The ISM for the services sector, however, increased slightly to 53.7 from 53.5 in April, but was still down from 56.0 in March.

Graph 3.1: ISM manufacturing index



Graph 3.2: ISM non-manufacturing index



Source: Institute for Supply Management.

The very important housing sector continues to send mixed signals. After having risen by 3.8% in March, pending home sales fell by 5.5% in April, according to the National Association of Realtors. Pending home sales are considered a leading indicator of progress in real estate because they track contract signings. On the other hand, the yearly change of the house pricing index of the Federal Housing Finance Agency has continued to rise, with an increase of 2.7% in April after a rise of 0.3% in March. This is a 1.8% rise on a monthly basis. After a slight dip to 4.47 million in March, existing home sales increased again to 4.62 million in April, almost matching this year's highest level of 4.63 million seen in January.

Given these figures, it could be said that the US economy shows remarkable robustness, particularly when compared to other OECD economies. However, it has to be acknowledged that it is running a much higher budget deficit of around 8% in 2012, compared to a weighted average of 5.6% in other advanced economies. This fiscal situation might cause unexpected tensions in the second half of the year, when further cost-cutting in the federal budget will have to be negotiated, particularly after the presidential elections in November. With some uncertainties remaining, the economy is expected to expand only 2.2% in 2012, compared to last month's estimate of 2.3%.

Japan

With recovery fragile and dependent on export sector and fiscal stimulus, many indicators predict deceleration; 2H12 growth expected to be below 1H11 expansion

Japan is still in the process of digesting last year's events. It is obvious that the Fukushima disaster had an unprecedented impact and that only a strong and developed economy like Japan could have dealt with it in order to keep negative effects to a minimum. However, the consequences are still being felt. They range from the dependency of domestic consumption on local fiscal stimulus to questions over the future of nuclear energy. Prior to the March tsunami, Japan's nuclear industry was the supplier of around a third of its power supply. All areas of the economy were hit last year and through the shut-down of the country's nuclear facilities, even regions not affected by the earthquake or tsunami felt the consequences — via shortages in power supply. Despite these challenges, and thanks to an improvement in Japan's export markets during in 1H12 and its fiscal stimulus, exports have risen and local demand has improved since mid-last year. However, according to the most recently published indicators, the recovery seems to remain fragile as well as dependent on the export sector and the fiscal stimulus, which was introduced at the end of last year. With the global economy slowing down, and given many leading indicators predicting a deceleration in the 2H12, it is expected that 2H12 growth will be below 1H11 expansion.

When analysing the most recent Purchasing Managers' Index (PMI), it seems obvious that the coming months will see a slow-down. The current composite index, combining the manufacturing and the services sector, predicts that the economy will hardly be able to expand from its current level of 50.1 registered in May. This is only marginally above the 50 level, which marks the line between expansion and contraction. It is mainly the services sector which is below this level at 49.8. This has pushed down the composite index from April's level of 51.3. Manufacturing, on the other hand, is holding up relatively well at 50.7, around the same level as in April. This might turn out to be a supporting factor for the economy. The corresponding and equally meaningful measure of machinery orders expanded 3.3% in March, lower than the 5.4% seen in February. These points at a deceleration in the expansion. It is important to highlight that the main support for orders came from domestic demand with orders expanding by 19.1% y-o-y, compared to a decline of 11.2% in February. In contrast, foreign orders have declined for the second consecutive month, dropping 10.6% compared with a decline of 9.6% in February. Indeed, this points to an undesired deceleration in export markets at a challenging time for the Japanese economy — when it has to import energy to compensate for the shortfall in nuclear supply. It is a phenomenon that might burden the economy considerably in the future, especially as trade surpluses become a thing of the past. With this, it may be increasingly harder for Japan to finance its large debt burden, which is currently the highest among all of the OECD economies.

So far, total exports have held up relatively well with the value of exported goods rising by 7.9% y-o-y in April, after a 5.9% increase in March. With the economic slow-down in Japans' most important trading partners (especially China), however, this is unlikely to continue. The monthly trend in April has been significantly negative already at -10.3%. This probably provides a better insight into current trends since the yearly numbers are somewhat diluted by the low base from last year, which when used as a reference, leads to motor vehicle exports having a 44% increase on a yearly basis in March and 220% in April. These are obviously both unsustainable levels and the numbers are thus expected to come down. The weakening of the yen, which started in February, has certainly been helpful for exports. The exchange rate fell from around ¥77/$ to almost ¥84/$ in March, before settling again at a ¥81/$ level at the beginning of April. It now stands again well below the ¥80/$ level at around ¥79/$, which is a burden for Japan's export markets.

The data indicates that domestic stimulus measures have been successful — though they have come at the price of increased debt levels, which could then be a drag on growth. Retail trade expanded by 5.8% y-o-y in April, down from 10.3% y-o-y in March, but still grew considerably. The danger lies in the fact that this trade was mainly stimulus-induced via car incentives, which pushed up motor vehicle sales to a 55.6% y-o-y increase. This significant increase is obviously unsustainable and is a compensatory effect of the sharply declined car sales, which began more than a year ago and were accentuated by the various effects of last year's triple-disaster.

The first quarter GDP numbers were recorded at a solid level of 2.0% on an annualized base. This has lifted the yearly growth expectations for 2012 to 2.0%. With the above mentioned uncertainties remaining, close monitoring of further developments in the coming months will be needed.

Euro-zone

Output activity seen declining further in April and May, 2H12 growth uncertain and evidence of a continuing weakening of the Euro-zone

The upcoming election in Greece and increased tensions in the sovereign debt crisis of Spain point to a Euro-zone that continues to be embattled by the consequences of self-induced austerity measures and the weakening financial situation of some of its members. Output activity seems to have continued to decline further in April and May, and it remains to be seen whether 2H12 growth will be higher than 1H12 growth, as currently forecast. While 1Q12 GDP growth was reported to be 0.0% versus an expected decline, the most recent indicators point to an even more severe decline in 2Q12 with a prolongation in 3Q12. 10-year yields for treasury bonds in most peripheral economies, including Spain and Italy, have risen again in recent weeks. Adding the political uncertainty surrounding elections in Greece and the Netherlands, as well as the uncertainty about future developments in the Euro-zone is still high.

Worries about the ability to manage the sovereign debt burden have certainly grown recently with yields moving up for most of the ailing economies of the Euro-zone. Spain is moving into the spotlight with the need to receive support for its banking sector and maybe even an entire bail-out for its sovereign debt. Such support would certainly push the Euro-zone into new territory since Spain's debt is more than

Ireland's, Portugal's and Greece's combined — an estimated €840 billion, according to the numbers provided by the IMF. This would make it necessary to potentially lift the current support facility for ailing economies from around €1 trillion to a level of around €1.5 trillion, which again would need approval from the Euro-zone member states. The European Central Bank (ECB), in the meantime, has left interest rates unchanged and has urged policymakers to solve the fiscal situation via fiscal measures. The ECB is not considering further loosening of its monetary policy.

Most Euro-zone economic indicators remain in the negative zone. Industrial production fell by 1.9% y-o-y in March after having declined already by 1.5% in February. This is the fourth consecutive monthly drop and the highest since January 2010. Even more worrying, manufacturing orders have plunged again in March — for the sixth consecutive month — by 2.5%. This comes after an even more significant decline in February of 5.8%. This negative development in output activity is also reflected in the PMI numbers provided by Markit. The manufacturing PMI stood at 45.1 compared to 45.9 in April. This is the lowest level since July 2009, when the global economy was about to face its lowest level. The services sector, with its much higher weight in the economy, was recorded again at a level below the growth indicating level of 50 — at 46.7 — marginally lower than 46.9 in April.

This negative trend in output has been accompanied by a declining trend in retail trade. This trend now lasts for a whole year and hit its lowest point in April with a decline of 2.4% y-o-y. This level also corresponds to the declines seen in 2009, after the near melt-down of the financial system in 2008/2009. This development has been obviously supported by the rising trend in unemployment. The unemployment rate moved to a new record of 11.0% in April, again the highest on record since the initiation of the Euro-zone in 2001. The labour market is also experiencing the consequences of the Euro-zone economy's weakness. Spain, in particular, has been affected with an unemployment rate of 24.3%. And while youth unemployment stood at 22.2% on average across the Euro-zone, in Spain it has reached a level of 51.5%.

There is strong evidence that the weakening of the Euro-zone will continue in the coming months. Taking this into consideration, the forecast for 2012 GDP growth has been kept unchanged from the previous month with a cautious -0.4%.

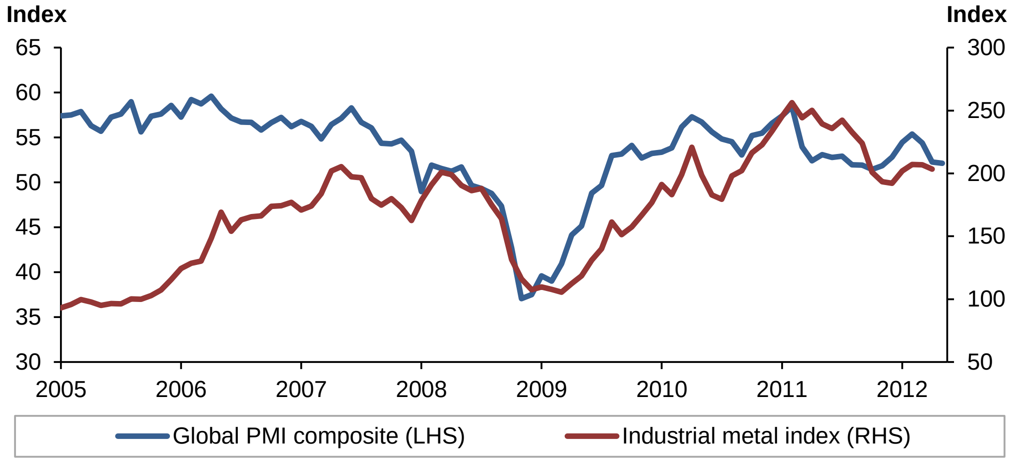
Emerging markets

Increasing uncertainty about global economic growth as concerns over Euro-zone intensify

Disappointing release of performance data of major OECD economies and developing countries (DCs) in the last couple of months has lowered expectations for **global** economic growth in 2012. Many observers have marked down their estimates of economic growth and growth forecasts for the US, Euro area and China have been softened, reaffirming the view that global growth will be weaker in 2012 compared to last year. China's economy slowed to 8.1% on an annualized basis in 1Q12 and its trade performance for April has been poor. US job creation fell back last month and in Europe, the debt crisis remains unresolved with the economies of Greece and Spain showing no signs of recovery. There is a possibility of a breakdown of the European monetary union should Greece leave — or be forced to leave — the Euro-zone. This is no longer an unthinkable scenario, given the strong performance of anti-austerity parties in Greece's election and the fact that they are expected to do well again in the upcoming election. Lower than expected economic growth has also exerted pressure on commodity and oil prices. Since there is strong relationship between the economic performance of developing countries and commodity prices, lower economic growth for major emerging and developing countries will affect commodity and oil prices in 2012. Indeed, commodity markets are already being affected. According to JP Morgan (1 June 2012), commodities fell sharply in the first week of June with a -4% change on average.

All major commodities are experiencing losses due to the uncertainties surrounding Greece, the Euro-zone crises and their implications for growth. Weakness of the Chines PMI in recent months suggests that these effects are being felt not only in the Euro-zone and in OECD economies but in emerging markets (EMs) as well. As the Economist Intelligence Unit (EIU, June) has noted, economic recovery in 2012 depended mainly on significant amounts of fiscal and monetary stimulus as governments raced to prevent a depression. As much of that stimulus has been withdrawn, economies have been left to generate their own momentum, and few have done so. From South Korea to India to the UK, governments have been reducing their growth forecasts for 2012. This is already leading to a new round of stimulus measures — with interest rates, for example, now falling in Brazil and India.

Graph 3.3: Cyclical movements of global PMI and industrial metal index

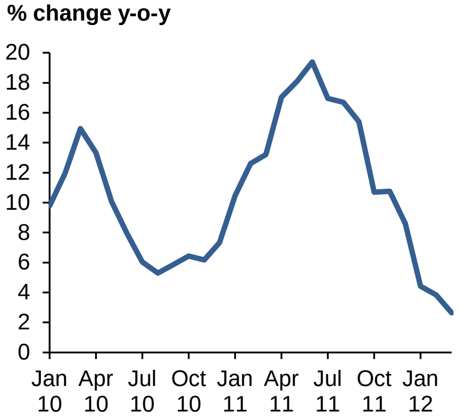


Source: JP Morgan, Markit, Haver Analytics and IMF.

In **Eastern Europe's** economies, spillover from the Euro-zone crisis has blunted growth prospects. The sovereign debt crisis in the Euro-zone, Eastern Europe's key export market, has reduced growth prospects and raised doubts about the medium-term outlook. A recession in the Euro-zone in 2012 will act as a sharp brake on economic activity in Eastern Europe due to weaker trade, investment and financing through banking channels. Domestic demand remains generally weak in Eastern Europe, given high unemployment, excess capacity in some cases and the inability of governments to provide fiscal stimulus. External bank loans and foreign direct investment, both of which had helped to drive growth in pre-crisis years, are likely to be constrained in 2012 (EIU, April 2012). If the credit squeeze becomes more severe, this would raise the spectre of another recession in Eastern Europe, as several countries in the region — including Hungary, Slovenia and Croatia — are already believed to be on the brink of recession. However, as sentiment towards the euro improves, the accommodative liquidity policy of the ECB and resilience in the German economy are expected to contribute to the recovery of economic activities in Eastern Europe.

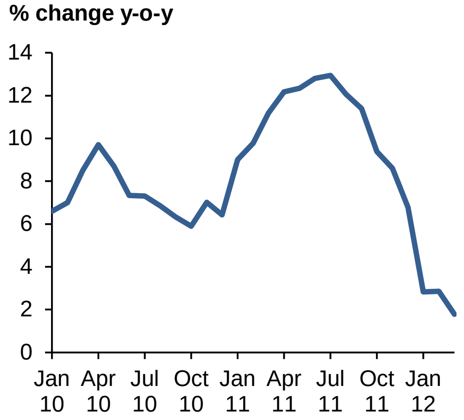
The downside risk to **Asian** growth in 2012 mainly stems from the weak state of global demand. Export-driven economies such as Singapore, Hong Kong, Malaysia and Taiwan have all slowed in 2H11, largely owing to sluggish demand in the West, particularly the EU. The flooding in Thailand in November was also a factor, interrupting supply chains for some electronic components. In Malaysia, manufacturing on a seasonally adjusted month-on-month basis contracted 3.5% in January, then surged 12% in February, before contracting again by 5.8% in March. Similar patterns have been evident in the manufacturing data of other Asian economies — such as South Korea and Taiwan — that are sensitive to global demand. Survey data of consumer and business confidence have also paint a lacklustre picture for the coming months (*see **Graph 3.4–3.7** below*). This is unsurprising given the outright contraction in Europe, as well as the sluggish growth in the US and the slowdown in China.

Graph 3.4: Emerging and developing countries export value



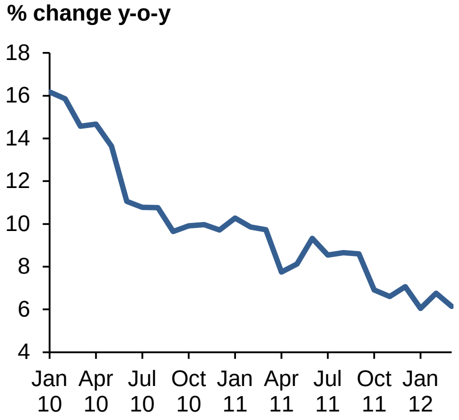
Source: Netherlands bureau for economic policy analysis and Haver analytics.

Graph 3.5: Asia export value, excluding Japan



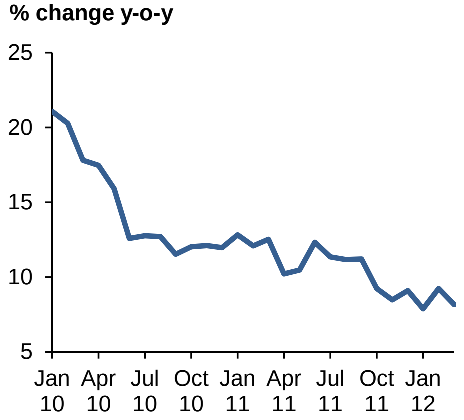
Source: Netherlands bureau for economic policy analysis and Haver analytics.

Graph 3.6: Emerging and developing countries industrial production



Source: Netherlands bureau for economic policy analysis and Haver analytics.

Graph 3.7: Asia industrial production, excluding Japan



Source: Netherlands bureau for economic policy analysis and Haver analytics.

Latin American growth seen slowing down in 2012 before accelerating in 2013 due to resilient domestic demand and recovery of global growth

Following a strong rebound in 2010, growth in the **Latin American** region slowed to 4% in 2011. We forecast a further slowdown — to 3.4% — in 2012, in a context of outright contraction in the Euro-zone and below-par growth in the US. Growth is expected to accelerate in 2013, supported by continuing sound macroeconomic policies, resilient domestic demand and a recovery of economic activity in the OECD area. It is worth noting that economic growth in South American countries depends also on Chinese demand. On the other hand, historically low OECD interest rates, coupled with an improving investor perception of the region's potential, will continue to benefit the larger economies and those well integrated into the global financial markets. In September of last year, when global volatility hit most Latin American countries, their currencies depreciated significantly, underscoring the vulnerability of the region to shifts in market sentiment. A recovery in sentiment early in 2012 following the ECB's first long-term repo operation (LTRO) led to renewed capital inflows into the region. This caused regional currencies to recoup part of the losses suffered in September. But this was short-lived. Since February, Latin currencies have generally resumed a weakening trend against the dollar. Regional currencies continue to be hit by renewed worries about the Euro-zone, as well as fears about a slowdown in Chinese growth, and its potential impact on commodity demand and prices. For Latin American policymakers, a spell of currency weakness would be welcome given concerns about a loss of competitiveness. This is particularly the case in Brazil, which is set to become a large oil producer and exporter, and faces the risk of "Dutch disease" (EIU, June 2012). While the Latin American region's economies would be adversely affected by an escalation of the Euro-zone crisis or a marked slowdown in China, the region’s external balance sheet would provide some protection. External debt is much lower relative to GDP and foreign-exchange reserves are at record levels. But Latin America is now running a current account deficit, which we estimate at almost US$50 bn in 2011, compared with a surplus of US$16 bn in 2007. This could be a source of vulnerability in the event of an external shock which could have lasting adverse effects on capital inflows and/or the region's terms of trade. (EIU, June 2012). Economic growth in South American countries is expected to be boosted partly by China's demand for soft and hard commodities exports. Historically low OECD interest rates, coupled with an improving investor perception of the region's potential, will continue to benefit those Latin American economies that are well integrated into global financial markets.

High oil prices will support regional growth prospects in the Middle East

Economic growth slowed in the **Middle East and North Africa (MENA**) region in 2011 as a result of political upheaval and civil unrest. Most of the countries that experienced serious unrest last year — such as Tunisia, Yemen, Bahrain and Libya — will witness something of a rebound in 2012, as the political and economic scene stabilizes (albeit to varying degrees). However, those countries that are still affected by internal strife — such as Egypt and Syria — will continue to suffer economically. In North Africa, recovery will be constrained by weaker EU demand, which will lead to lower workers' remittances from Europe and decreased tourist inflows (EIU, June 2012). We expect stronger economic growth in 2H12 as hydrocarbons output continues to rise, and as oil prices stabilise at high nominal levels and some large infrastructure projects in GCC countries start to come on stream.

Despite the overall weakness in the global economy, fundamentals have been improving in many **EMs** in recent weeks. Nevertheless, policy mixes to support economic growth adopted in EMs differ significantly according to their economic circumstances. In many emerging Central and Eastern Europe countries, tight monetary policy is still on the agenda to curb elevated inflation. In Asia and Latin American countries, a more accommodative monetary policy is being adopted given concerns over sluggish economic growth. Inflation in Latin America has been moving lower, allowing policymakers to turn to economic growth policies. The Central Bank of Brazil cut 50 basis points off its policy interest rate on 30 May on top of interest rate cuts earlier this year. A series of initiatives totaling 1.5% of GDP are being considered to shield domestic industry from external competition. India’s Central Bank (RBI) has also cut its policy rate by a surprising 50 basis points at its meeting of 17 April, double the expected 25 bp. India’s rupee is expected to remain under pressure due to the current account deficit. Meanwhile, although China’s National Bureau data indicated strong improvements in its March manufacturing PMI, its May manufacturing PMI of 50.4 confirmed deceleration of activity. In Russia, investment demand remained firm in February while consumption growth seemed to be losing momentum. Labour markets are also tight given an unemployment rate of 5.9% and real wage growth of 13.3% on an annualized basis (JP Morgan, 30 March 2012). ***Table 3.2*** below summarizes our estimate of the macroeconomic performance of BRIC economies.

Table 3.2: Summary of macroeconomic performance of BRIC countries

	GDP growth rate		Consumer price index, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP	
	2011	2012	2011	2012	2011	2012	2011	2012
Brazil	2.9	3.0	6.5	5.4	-54.4	-61.1	-2.6	-2.7
China	9.2	8.2	5.4	3.4	305.0	209.2	-1.1	-2.3
India	7.0	6.4	8.4	6.7	-58.9	-70.3	-5.9	-5.7
Russia	4.3	3.7	7.1	6.1	88.6	87.9	0.8	-0.9

Source: Data Services Department, OPEC Secretariat for GDP growth rates; Concensus Forecast, May 2012, for prices and current accounts; Economic Intelligence Unit, May and June 2012, for government fiscal balance.

Figures for India are from the fiscal year 2011-2012 and 2012-2013.

Brazil

Broad-based fiscal stimulus and monetary easing adopted to revitalize Brazil's economic growth

In April 2012, the government launched a comprehensive package to boost domestic industrial activity to complement the country's August 2011 plan. The package includes measures to increase public and private investment, enhance competitiveness — particularly through special incentives to boost productivity and innovation — and reduce production costs. It consists of three main pillars: actions to curb exchange rate appreciation (such as financial transaction taxes on international flows, which were recently extended to cover all loans maturing within the next five years), changes to the corporate tax structure and measures to stimulate domestic production. With regard to the first pillar, the government has stated that all measures recently taken have a permanent character and are unlikely to be reversed. Although no new announcements on the exchange rate front were made under the new plan, the minister of finance, Guido Mantega, specifically mentioned during a press conference that the Selic rate — the main monetary policy instrument of the Banco Central do Brasil (BCB, the Central Bank) — would be used as an indirect measure to counteract strong capital inflows.

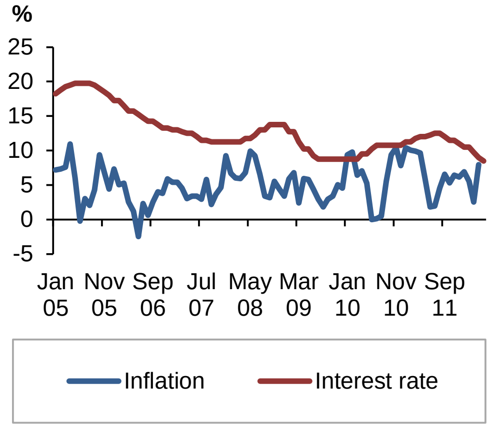
The government has made slight changes to the complex corporate taxes focused on shifting companies' payroll contributions to the social security system, which amounted to a tax rate of 20% on payrolls, by introducing a new tax on turnover, with a rate varying between 1% and 2.5%, depending on the sector. In addition, the government announced that it would boost public sector credit, with a new transfer of R45 bn (US$27 bn) to the Banco Nacional de Desenvolvimento Econômico e Social (BNDES, the state development bank). The figure is greater than that previously anticipated (R30 bn) and is to be used within the framework of the Programa de Sustentação do Crescimento (a programme providing cheap loans for, among other things, capital goods purchases, innovation and exports). On the other hand, a large expansion of fiscal spending would make it difficult to keep interest rates low for a long period. This would make predictions of the economic effects of Brazil's policy mix even more complicated.

The primary surplus in the public sector for February has been above expectations at around US$5.7 bn. The primary surplus amounts to 3.3% of GDP over the last 12 months. This could reduce the nominal deficit overall for the public sector, which is obtained by subtracting interest expenditure from the primary surplus. Brazil's nominal public sector deficit is estimated at 2.7% of GDP for 2012. Also, a government bill has been approved by the Senate which imposes a ceiling on the share of government contributions for social security for newly hired employees of the federal government workers, with the remainder to be funded by federal workers.

On the monetary policy front, the Brazilian government had raised concerns about the high interest rates that private banks charge on corporate and consumer loans. To address the issue, the BCB and the CEF (the federal saving bank) have announced changes to its lending rates on some consumer and corporate credit lines in the hope that this will encourage private sector banks to follow suit. However, as the rates have risen in recent months, it seems unlikely that the private sector follow the government to the extent desired. The public sector share of total banking credit in estimated to be around 44%.

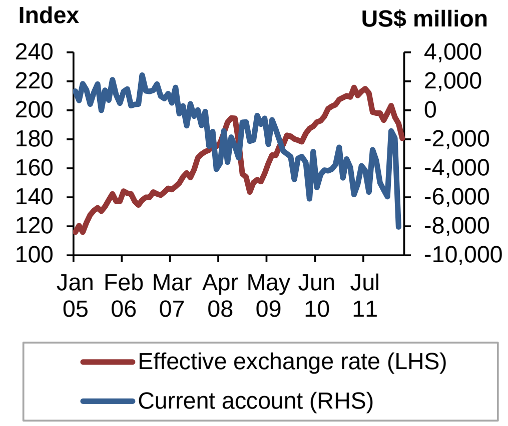
Annual inflation has now fallen much lower than expected — to around 5.24%, which is below the BCB's estimate. Different measures of core inflation have also been reduced substantially. Recent figures in industrial production have generated optimism that the worst is over in this sector, particularly in the automotive industry, which had registered a large decline in early 2012. However, structural problems in the industry and the poor state of the country's infrastructure imply that there would be a long way to go before making the industry internationally competitive.

Graph 3.8: Brazil inflation and interest rate



Source: Banco Central do Brasil and Haver analytics.

Graph 3.9: Brazil effective exchange rate and current account

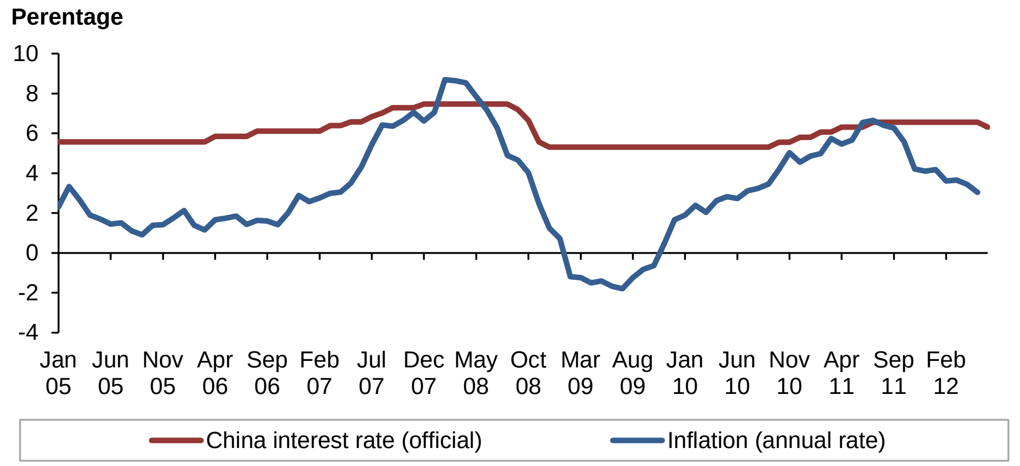


Source: Banco Central do Brasil and Haver analytics.

China

The Chinese economy posted its weakest rate of growth in three years after real GDP growth in 1Q12 moderated to 8.1%. China's PMI for May released by the National Bureau of Statistic eased more than expected — to 50.4 compared to 53.3 in April. It seems that last month's estimates of economic activity underestimated the pace of the slowdown in industrial production. Although the government has stepped up efforts on policy easing, uncertainty has grown over the performance of the economy in 2Q12. Looking to 2H12, the risks associated with China's economic growth have recently grown significantly, driven mainly by the Euro-zone's economic crisis. With increasing signs of a deceleration in economic growth, the government has intensified its efforts to address structural imbalances. Given the fact that the annual rate of inflation now is now below 4%, the recent cut in the benchmark interest rate by the Central Bank has been interpreted as a move to boost economic activity by lowering the cost of borrowing from the banking system. However, many observers expect more interest rate cuts in the coming months. Also the reserve requirement ratio was reduced by 50 basis points effective 18 May. This is the third reserve ratio cut in six months and is in line with the Central Bank's statement that targeted action would be taken to ensure stable credit growth. Pressure to appreciate the yuan against the US dollar is also expected to ease in 2012, given the downward trend in the country's trade surplus and the recent strength of the US dollar.

Graph 3.10: China's interest rate and inflation



Source: China's National Bureau of Stattistics and Haver analytics.

Constrained credit demand has brought renewed calls for the government to provide a fiscal stimulus to the economy (EIU Country Report, June 2012). The Chinese government has already taken steps in this direction. Government spending increased 26% on an annualized basis in January-April, above the 12.5% increase in revenue.

Low unemployment and a steady increase in real wages reduced the imperative to intervene. Having brought down inflation in recent months, it might be seen imprudent for the government to overstimulate the economy and thereby risk a return of elevated inflation. Therefore, a dramatic softening of fiscal policy seems unlikely — unless GDP growth falls below the government's comfort zone of around 7-7.5%.

China's recent moves towards liberalizing aspects of its capital account and ensuring a more flexible exchange rate have been welcomed by the US, reducing frictions between the two economic powerhouses. The US has welcomed the Chinese government's pledge to cut indirect taxes and increase dividends paid by state-owned enterprises for public spending. These measures are expected to support private consumption and boost import demand.

Amid growing uncertainty in the global economy, China's declining foreign trade surplus, as well as the weaker than expected performance of industrial sector, modest growth (0.7%) in electricity output and a slowdown in the growth of cement production (from 7.3% in April to 4% in May) have all raised concerns over the pace of China's economic slowdown. The weakness of the industrial sector is related to the property sector, which continues to depress demand for important industrial products (EIU Country Report, June 2012). A major part of commodity imports is related to construction activity and a mere 0.3% growth in imports of commodities in April has revealed a weakness in demand for investments in the housing sector. The downward correction in property prices engineered by government imposed restrictions on house purchases appears to be gathering pace. Housing sales fell 11.8% y-o-y in January-April. Given that developers are reluctant to add to their stock, the area of land bought for property development dropped 19.3% during that same the period (EIU Country Report, June 2012). External demand also continued to soften, mainly due to the EU's sovereign debt crisis. Exports increased by 4.9% y-o-y to US$163 bn in April, following growth of 8.9% in March. China's imports from Taiwan fell sharply — by 7.8% on an annualized basis — in April. ***Table 3.3*** below gives the latest official information on China's manufacturing PMI and related indices.

Table 3.3: China's manufacturing PMI (seasonally adjusted), %

	May 2012	April 2012
Purchasing managers' index (PMI)	**50.4**	**53.3**
Production index	52.9	57.2
New orders index	49.8	54.5
Main raw materials inventory index	46.1	48.5
Employed person index	50.5	51.0
Supplier delivery time index	49.0	49.6

Source: China's National Bureau of Stattistics.

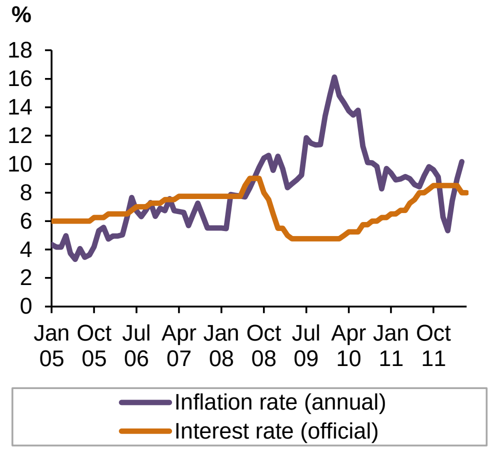
India

India's industrial production contracts amid elevated inflation

Last month, the Reserve Bank of India (RBI) cut borrowing costs by more than expected — by 50 basis points — after nearly three years, thereby reducing the benchmark borrowing rate to 8.0%. Because of elevated inflation, further cuts are unlikely as this would increase the money supply and inflate prices above prudential levels. Inflation remains a major risk to India's economic stability. The wholesale price index rose by 7.23% y-o-y in April, picking up about 6.7% a month earlier. On 18 May' the government reported that the consumer price index (CPI) had risen by 10.4% y-o-y in April, following an increase of 9.4% in March. A weak Indian rupee, coupled with rising costs of crude oil imports, have exerted upward pressures on overall prices. The rupee depreciated by 2% against the US dollar in May, reaching a record low. With the recent strength of the dollar, further depreciation of the rupee is expected.

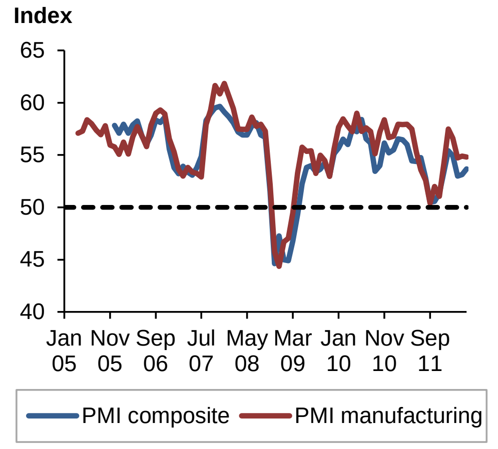
Industrial production contracted by 13.5% on an annualized basis in March, recording its first decline since October. Average industrial growth in 2011-2012 stood at a feeble 2.8%. Manufacturing output contracted by 4.4% in March, while mining production declined by 1.3%. However, electricity production rose by 2.7% (EIU Country Report, June 2012).

Graph 3.11: India inflation and interest rates



Source: Reserve Bank of India and Haver analytics.

Graph 3.12: India purchasing managers' index



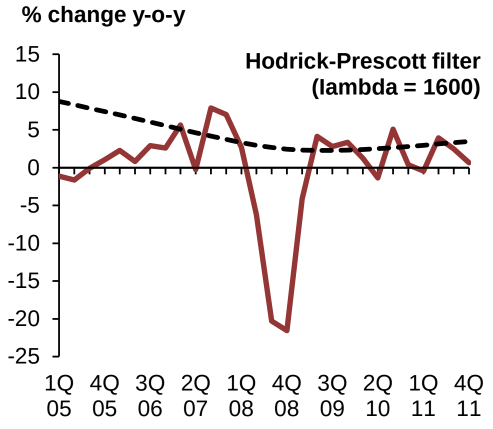
Source: HSBC, Markit and Haver analytics.

Russia

Growing demand for investments and an increase in real wages are leading Russia's economic growth

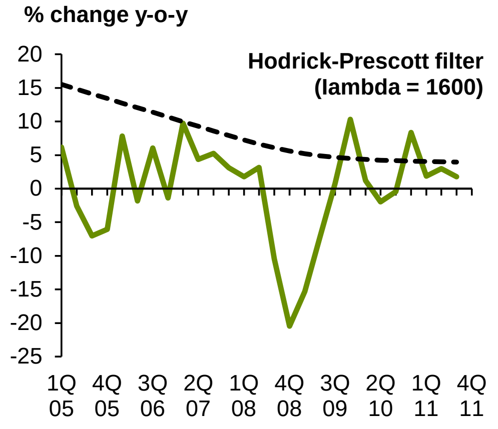
The Russian economy expanded by 4.9% y-o-y above its long-term trend. The surprising positive number illustrates the resilience of the oil exporting economy to negative developments in Western Europe. Domestic demand also helped the expansion of the economy as a whole, as the government stepped up its spending prior to the presidential election in March. Nevertheless, economic growth remains fragile as the industrial sector only expanded by 2% in March, down from 6.5% in February, while gross fixed investment growth also dropped to 4.9% from 15.1% in the same period.

Graph 3.13: Expansion of Russia output close to the potential level



Source: Federal State Statistics Service and Haver analytics.

Graph 3.14: Expansion of Russia private consumption close to the potential level



Source: Federal State Statistics Service and Haver analytics.

Inflation, meanwhile, grew much slower than expected in March, increasing the possibility for a more accommodative monetary policy by the Russian government. Inflation has fallen to a record post-Soviet low of 3.6% on an annualized basis. A monthly increase in food prices of only 0.2% brought annual food price inflation down to a record low of 1.2%.

OPEC Member Countries

Nigeria's Central Bank is likely to keep monetary policy tight in 2012 to control inflation

Nigeria's inflation rate rose to 12.9% y-o-y in April, driven largely by non-food items and a very price-stable month compared to last year, according to data from the National Bureau of Statistics. Though its economy is one of the fastest growing in the world and with attractive bond yields, fiscal management has had a tendency to generate inflationary pressures. The central bank has warned that inflationary pressures are too strong, hinting that it is likely to keep monetary policy tight this year. But nobody expects a rise in rates at the bank's next meeting. The bank held rates at 12% last month, noting a "resurgence of inflationary pressures". The bank has also praised the government for its efforts to introduce fiscal discipline in its 2012 budget.

Kuwait's Central Statistics Office sees inflation at a four-month low of 3.3% in April

Kuwait's annual inflation eased to a four-month low of 3.3% in April and prices fell on a monthly basis for the first time in more than a year due to a drop in food prices. Inflation in the country edged up to 4.1% in March after easing gradually from a peak of 5.4% in May 2011. Consumer prices contracted 0.6% m-o-m in April, compared to a 0.8% rise in March, according to the Central Statistics Office. The IMF advised Kuwait to cut its spending, diversify its economy, and improve its infrastructure and its investment environment in order to stay in robust financial health. According to the IMF, the country needs to cut its fiscal deficit, excluding oil and debt servicing, by at least 7 billion Kuwaiti dinars by 2017 in order to guarantee long-term fiscal sustainability. Under current projections, the government plans to raise its spending to more than 25 bn dinars in 2017.

Saudi Arabia's real GDP grew 5.94% from a year earlier in 1Q12

Preliminary data from the Department of Statistics and Information in Saudi Arabia show that GDP rose 15.96% y-o-y during the 1Q12 compared to 2011. It has reached 612,295 million riyals in 1Q12 compared to 528,002 million riyals in the same period in 2011. In real terms, the percentage rise in the value of GDP for this period was 5.94% compared with 1Q11, marking a minor slowdown from the 6.6% growth recorded in 4Q11.

Oil prices, US dollar and inflation

From April to May the US dollar increased against all major currencies with the exception of the yen

On a monthly average from April to May, the US dollar increased compared to all major currencies with the exception of the Japanese yen. The US dollar rose 2.8% against both the euro and the Swiss franc, while it gained 0.6% compared to the British pound sterling. Only against the yen did it face a decline, falling 2.2%.

While the decline of the euro against the US dollar has now stabilized, concerns about near-term developments in the Euro-zone remain, which might put the euro under further pressure. Since the beginning of June, the euro has stabilized around the $1.25/€ level. The near-term developments will, to a large extent, depend on the outcome of approaching elections and, consequently, the political response to the current crisis, including the future monetary policy of the ECB. Equally interesting is the recent development of the yen to US dollar exchange rate, which again fell below the critical ¥80/$ level and is now, since the beginning of May, constantly trading below this level. It remains to be seen if the Bank of Japan will continue to support the yen's weakening in the foreign exchange market.

In real terms, the OPEC Reference Basket price fell $5.12/b (7.1%) to $66.94/b from $72.06/b

In nominal terms, the OPEC Reference Basket price fell sharply by $10.11/b or 8.6% from $118.18/b in April to $108.07/b in May. In real terms, after accounting for inflation and currency fluctuations, the Basket price fell by 7.1% or $5.12/b to $66.94/b from $72.06/b (base June 2001=100). Over the same period, the US dollar rose 1.2% against the import-weighted modified Geneva I + US dollar basket while inflation fell by 0.3%.*

** 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 growth forecast for 2012 at 0.9 mb/d y-o-y to average 88.7 mb/d

World oil demand

The first half of this year has witnessed various economic developments worldwide that have placed much uncertainty on oil demand. This has been related to two main factors: the turbulence in the world economy and the volatility in oil prices. The effects of these are expected to last until the end of the year. The indicators do not point clearly towards a stabilizing of the world economy. The economies of the US, Europe and, to a certain degree China are still slowing down mildly. Hence, world oil demand in the second half of this year will face much uncertainty. US and European oil demand will contribute a large share of this uncertainty. While these two regions are squeezing oil demand, other Non-OECD regions are pushing for more oil consumption.

Graph 4.1: Forecast y-o-y growth in 2012 world oil demand, by product

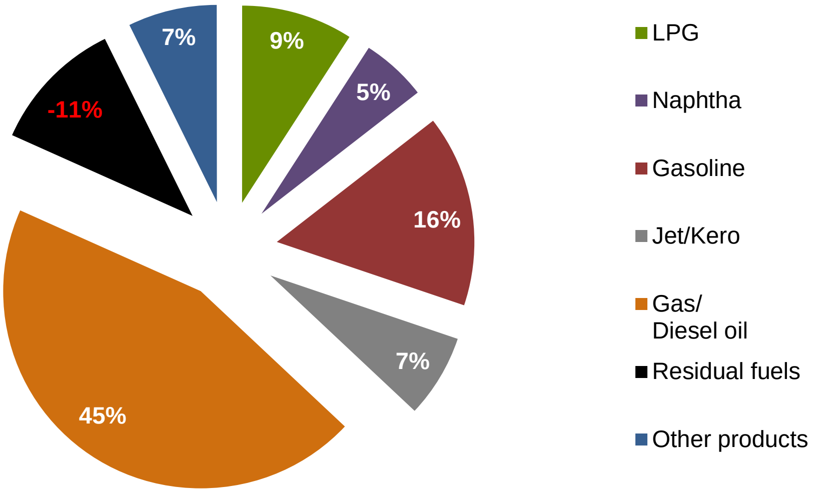


Table 4.1: World oil demand forecast for 2011, mb/d

							Change 2011/10	
	2010	1Q11	2Q11	3Q11	4Q11	2011	Growth	%
North America	23.76	23.78	23.31	23.56	23.39	23.51	-0.25	-1.05
Western Europe	14.58	14.22	14.12	14.69	14.09	14.28	-0.30	-2.08
OECD Pacific	7.82	8.34	7.10	7.68	8.29	7.85	0.04	0.46
Total OECD	**46.16**	**46.34**	**44.54**	**45.93**	**45.77**	**45.64**	**-0.52**	**-1.12**
Other Asia	10.14	10.27	10.54	10.44	10.61	10.46	0.33	3.21
Latin America	6.15	6.11	6.34	6.54	6.50	6.37	0.22	3.58
Middle East	7.36	7.48	7.43	7.81	7.50	7.56	0.19	2.60
Africa	3.35	3.40	3.38	3.25	3.42	3.36	0.01	0.37
Total DCs	**27.00**	**27.27**	**27.67**	**28.03**	**28.02**	**27.75**	**0.75**	**2.77**
FSU	4.18	4.14	3.98	4.40	4.64	4.29	0.11	2.55
Other Europe	0.69	0.69	0.65	0.69	0.76	0.70	0.00	0.61
China	8.95	9.13	9.54	9.37	9.60	9.41	0.46	5.12
Total "Other regions"	**13.83**	**13.96**	**14.16**	**14.45**	**15.00**	**14.40**	**0.57**	**4.12**
Total world	**86.99**	**87.57**	**86.37**	**88.41**	**88.79**	**87.79**	**0.80**	**0.92**
Previous estimate	87.00	87.56	86.37	88.41	88.73	87.77	0.78	0.89
Revision	-0.01	0.01	0.00	0.00	0.06	0.02	0.03	0.03

Totals may not add up due to independent rounding.

Table 4.2: First and second quarter world oil demand comparison for 2011, mb/d

			Change 2011/10				Change 2011/10	
	1Q10	1Q11	Volume	%	2Q10	2Q11	Volume	%
North America	23.41	23.78	0.38	1.60	23.69	23.31	-0.38	-1.60
Western Europe	14.32	14.22	-0.10	-0.68	14.26	14.12	-0.13	-0.95
OECD Pacific	8.23	8.34	0.11	1.37	7.35	7.10	-0.24	-3.29
Total OECD	**45.95**	**46.34**	**0.39**	**0.85**	**45.29**	**44.54**	**-0.76**	**-1.67**
Other Asia	10.07	10.27	0.20	1.97	10.20	10.54	0.33	3.28
Latin America	5.94	6.11	0.17	2.93	6.08	6.34	0.26	4.21
Middle East	7.21	7.48	0.27	3.74	7.28	7.43	0.15	2.07
Africa	3.38	3.40	0.02	0.60	3.37	3.38	0.01	0.23
Total DCs	**26.60**	**27.27**	**0.66**	**2.49**	**26.93**	**27.67**	**0.75**	**2.78**
FSU	4.02	4.14	0.12	2.92	3.86	3.98	0.12	2.98
Other Europe	0.69	0.69	0.00	0.46	0.64	0.65	0.00	0.76
China	8.37	9.13	0.76	9.06	9.09	9.54	0.44	4.87
Total "Other regions"	**13.08**	**13.96**	**0.88**	**6.72**	**13.60**	**14.16**	**0.56**	**4.14**
Total world	**85.64**	**87.57**	**1.93**	**2.26**	**85.81**	**86.37**	**0.56**	**0.65**

Totals may not add up due to independent rounding.

Table 4.3: Third and fourth quarter world oil demand comparison for 2011, mb/d

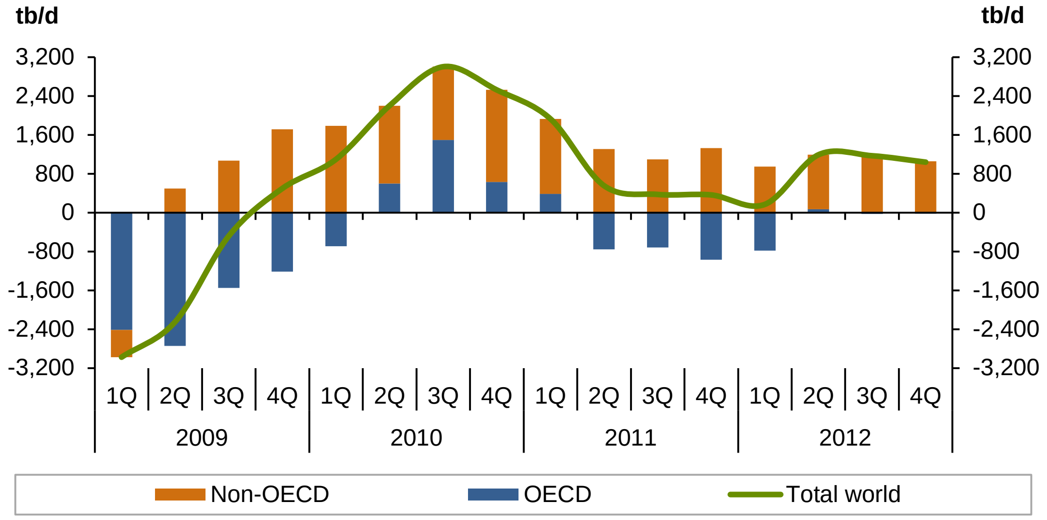
			Change 2011/10				Change 2011/10	
	3Q10	3Q11	Volume	%	4Q10	4Q11	Volume	%
North America	24.10	23.56	-0.54	-2.23	23.83	23.39	-0.45	-1.88
Western Europe	14.93	14.69	-0.23	-1.57	14.83	14.09	-0.74	-4.99
OECD Pacific	7.63	7.68	0.05	0.68	8.07	8.29	0.22	2.74
Total OECD	**46.65**	**45.93**	**-0.72**	**-1.54**	**46.73**	**45.77**	**-0.97**	**-2.07**
Other Asia	10.05	10.44	0.39	3.87	10.23	10.61	0.38	3.68
Latin America	6.30	6.54	0.24	3.78	6.28	6.50	0.21	3.37
Middle East	7.62	7.81	0.20	2.57	7.35	7.50	0.15	2.05
Africa	3.21	3.25	0.03	1.03	3.43	3.42	-0.01	-0.35
Total DCs	**27.18**	**28.03**	**0.86**	**3.15**	**27.29**	**28.02**	**0.73**	**2.66**
FSU	4.30	4.40	0.09	2.21	4.54	4.64	0.10	2.20
Other Europe	0.68	0.69	0.00	0.57	0.76	0.76	0.00	0.65
China	9.23	9.37	0.14	1.52	9.10	9.60	0.50	5.49
Total "Other regions"	**14.21**	**14.45**	**0.24**	**1.68**	**14.40**	**15.00**	**0.60**	**4.20**
Total world	**88.04**	**88.41**	**0.38**	**0.43**	**88.43**	**88.79**	**0.37**	**0.41**

Totals may not add up due to independent rounding.

The upcoming driving season might be affected by movements in retail gasoline prices and economic developments worldwide; hence, world oil demand would show a further decline and might see a cut of between 0.2 and 0.3 mb/d from the current forecast of the year’s total growth. Furthermore, the Japanese shutdown of their nuclear plants is leading to more fuel and crude oil-usage in the power sector. Nevertheless, should that country decide to bring its nuclear power plants back into service, its excessive oil usage would slow considerably.

Given the current world situation, world oil demand growth in 2012 is forecast at 0.9 mb/d y-o-y to average 88.7 mb/d.

Graph 4.2: Quarterly world oil demand growth



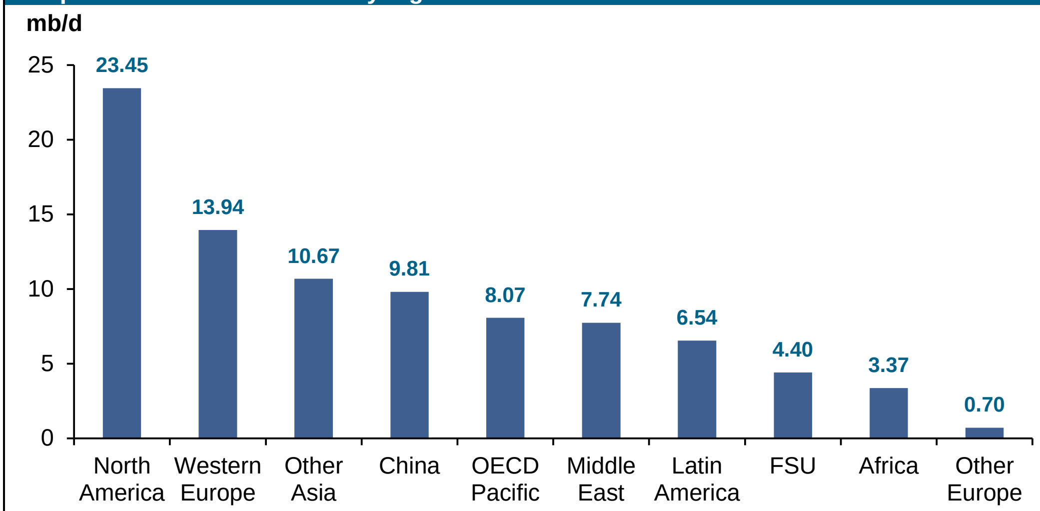
North American oil demand projected to decrease again in 2012, but by a smaller magnitude of 0.06 mb/d

OECD — North America

Slowing US economic activity has been affecting oil demand. The most important sector, transportation, is still consuming less oil than it did last year. This is attributed mostly to economic activity and high retail prices. On average, an increase in retail gasoline prices of 10% would shave around 40 tb/d off total consumption.

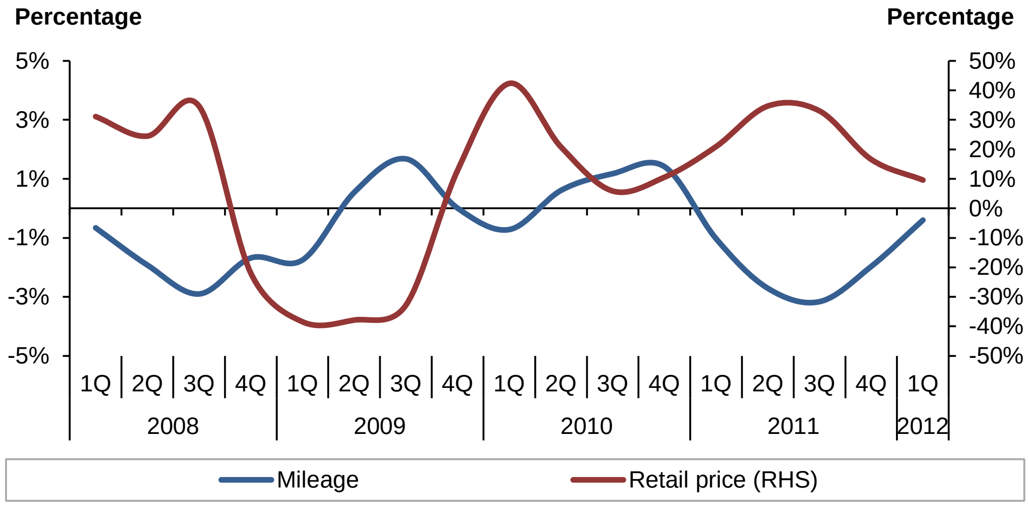
The latest monthly US oil consumption data for March shows a 6.2% y-o-y contraction, the largest observed since May 2009. All main product categories fell, while the bulk of contractions were seen in distillates consumption. Most of the decline was seen in gasoline and fuel oil, as a result of decreasing industrial activity, fuel-switching and high fuel prices. The first five months of 2012 were generally quite disappointing for consumption, showing contractions in all product categories, but mainly in residual fuel oil. Preliminary weekly data for April and May anticipates improvements in consumption, with the two months growing by 1% and 1.6% respectively and displaying the first growth since March 2011. In both cases, industrial fuels constituted the product category that was rising — high fuel prices were the main cause of the decrease in transportation fuels in April and May. Nevertheless, the outlook for US oil consumption in 2012 remains rather pessimistic, and is dependent on the development of the economy and the transportation fuel price levels.

Graph 4.3: World oil demand by regions for 2012



The latest reported figures for Mexican oil consumption in April showed a slight increase of around 0.6% over the same month last year. All product categories were positive, except gasoline, with increases in industrial fuels dominating. The latest available data for Canadian oil demand in March showed a sharp decrease of 4.6%, compared with last year; the positive contribution to oil consumption from liquefied petroleum gas (LPG) and jet fuel was more than offset by the drop in oil-usage in transportation.

Graph 4.4: US mileage vs. prices



For the whole of 2011, North American oil demand shrank by 0.25 mb/d. In 2012, it is projected to decrease again, but by a smaller magnitude of 0.06 mb/d.

US auto sales continued to accelerate sharply in May, despite higher fuel prices, and this was an indicator of an improving overall economic outlook. May sales rose by approximately 26% from a year earlier. Higher demand for cars, as a result of an improving economy, in combination with the replacement of aging vehicles, was the main contributor to this growth. The present high fuel prices have been supporting an acceleration in demand towards more fuel-efficient, smaller vehicles. The latest available data shows vehicle sales in Canada growing strongly at 17.9% in April y-o-y, for the seventh month in a row. This was as a result of an increasing number of consumers replacing their vehicles with revamped or fuel-efficient cars and trucks. According to the Mexican Automobile Industry Association, the country's auto production, sales and exports grew strongly by 31%, 20% and 7.1% respectively y-o-y in April. Exports to Brazil more than doubled in the first two months of 2012 y-o-y, while the gains reflected the robust status of the Mexican auto industry.

Table 4.4: World oil demand forecast for 2012, mb/d

							Change 2012/11	
	2011	1Q12	2Q12	3Q12	4Q12	2012	Growth	%
North America	23.51	23.04	23.54	23.71	23.51	23.45	-0.06	-0.25
Western Europe	14.28	13.73	13.74	14.41	13.87	13.94	-0.34	-2.39
OECD Pacific	7.85	8.79	7.33	7.79	8.37	8.07	0.22	2.74
Total OECD	**45.64**	**45.56**	**44.61**	**45.91**	**45.74**	**45.46**	**-0.19**	**-0.41**
Other Asia	10.46	10.51	10.72	10.66	10.80	10.67	0.21	2.00
Latin America	6.37	6.28	6.50	6.71	6.66	6.54	0.17	2.67
Middle East	7.56	7.64	7.61	8.02	7.68	7.74	0.18	2.39
Africa	3.36	3.36	3.40	3.28	3.43	3.37	0.01	0.23
Total DCs	**27.75**	**27.80**	**28.23**	**28.67**	**28.57**	**28.32**	**0.57**	**2.05**
FSU	4.29	4.24	4.09	4.51	4.75	4.40	0.11	2.56
Other Europe	0.70	0.69	0.65	0.69	0.77	0.70	0.00	0.66
China	9.41	9.45	9.98	9.81	9.99	9.81	0.40	4.25
Total "Other regions"	**14.40**	**14.38**	**14.72**	**15.01**	**15.52**	**14.91**	**0.51**	**3.58**
Total world	**87.79**	**87.74**	**87.56**	**89.59**	**89.83**	**88.69**	**0.90**	**1.02**
Previous estimate	87.77	87.97	87.47	89.50	89.72	88.67	0.90	1.03
Revision	0.02	-0.23	0.09	0.08	0.11	0.02	0.00	0.00

Totals may not add up due to independent rounding.

Oil consumption expected to shrink again in Europe by 0.34 mb/d in 2012, due to economic turbulence in several economies

OECD — Europe

The European economy has been experiencing turbulence over the past few years. Some of the major countries' economies are going into recession, leading to a steep decline in the continent's oil demand.

European oil consumption contracted again in April, for the eighth month in a row. During the whole of 2011, it shrank by 0.30 mb/d, reflecting the weak state of the European economy. April's oil consumption in Germany, France, Italy and the United Kingdom fell as a result of decreasing demand for industrial and transport fuels. This was caused by weak industrial activity and relatively high retail prices, which rose even more due to rigorous taxation. Nevertheless, the short- and medium-term development of European consumption will be determined mostly by the continuing debt problems in several of the region's economies. Oil demand by the European 'Big Four' decreased by 0.25 mb/d in April, compared with April 2011. This group's consumption of industrial fuels and transportation fuels accounted for the bulk of these decreases.

Table 4.5: Europe Big 4* oil demand, mb/d

	Apr 12	Apr 11	Change from Apr 11	Change from Apr 11 %
LPG	412	442	-30	-6.8
Gasoline	1,166	1,252	-86	-6.8
Jet/Kerosene	713	737	-23	-3.2
Gas/Diesel oil	2,752	2,898	-146	-5.0
Fuel oil	411	431	-20	-4.5
Other products	1,238	1,185	53	4.5
Total	**6,694**	**6,945**	**-251**	**-3.6**

** Germany, France, Italy and the UK.*

The region's total contraction in oil demand stood at 0.30 mb/d in 2011. For 2012, oil consumption is expected to shrink again, by 0.34 mb/d, as a result of the economic turbulence in several of the regions' economies.

According to the latest figures from the European Automobile Manufacturers' Association, European new passenger car registrations decreased in April for the seventh consecutive month, by 6.9% y-o-y — marking one of the biggest decreases in more than a year. During the first four months of 2012, sales were down by 7.5%, compared with last year. The picture in the major markets was diverse. Spain (–21.7%) and Italy (–18.0%) recorded double-digit downturns, while the UK and Germany posted mild growth of 3.3% and 2.9% respectively. The French market fell by a slight 1.9%.

Table 4.6: First and second quarter world oil demand comparison for 2012, mb/d

			Change 2012/11				Change 2012/11	
	1Q11	1Q12	Volume	%	2Q11	2Q12	Volume	%
North America	23.78	23.04	-0.74	-3.10	23.31	23.54	0.22	0.96
Western Europe	14.22	13.73	-0.49	-3.46	14.12	13.74	-0.38	-2.66
OECD Pacific	8.34	8.79	0.45	5.41	7.10	7.33	0.22	3.15
Total OECD	**46.34**	**45.56**	**-0.78**	**-1.68**	**44.54**	**44.61**	**0.07**	**0.16**
Other Asia	10.27	10.51	0.24	2.30	10.54	10.72	0.19	1.79
Latin America	6.11	6.28	0.17	2.85	6.34	6.50	0.17	2.63
Middle East	7.48	7.64	0.15	2.06	7.43	7.61	0.18	2.46
Africa	3.40	3.36	-0.04	-1.07	3.38	3.40	0.02	0.61
Total DCs	**27.27**	**27.80**	**0.53**	**1.94**	**27.67**	**28.23**	**0.56**	**2.02**
FSU	4.14	4.24	0.10	2.42	3.98	4.09	0.11	2.80
Other Europe	0.69	0.69	0.00	-0.19	0.65	0.65	0.01	0.78
China	9.13	9.45	0.32	3.53	9.54	9.98	0.45	4.67
Total "Other regions"	**13.96**	**14.38**	**0.42**	**3.02**	**14.16**	**14.72**	**0.56**	**3.97**
Total world	**87.57**	**87.74**	**0.17**	**0.20**	**86.37**	**87.56**	**1.19**	**1.38**

Totals may not add up due to independent rounding.

Table 4.7: Third and fourth quarter world oil demand comparison for 2012, mb/d

			Change 2012/11				Change 2012/11	
	3Q11	3Q12	Volume	%	4Q11	4Q12	Volume	%
North America	23.56	23.71	0.14	0.61	23.39	23.51	0.12	0.51
Western Europe	14.69	14.41	-0.28	-1.90	14.09	13.87	-0.22	-1.57
OECD Pacific	7.68	7.79	0.11	1.45	8.29	8.37	0.08	0.97
Total OECD	**45.93**	**45.91**	**-0.02**	**-0.05**	**45.77**	**45.74**	**-0.02**	**-0.05**
Other Asia	10.44	10.66	0.22	2.14	10.61	10.80	0.19	1.80
Latin America	6.54	6.71	0.18	2.71	6.50	6.66	0.16	2.50
Middle East	7.81	8.02	0.21	2.66	7.50	7.68	0.18	2.35
Africa	3.25	3.28	0.03	0.85	3.42	3.43	0.02	0.55
Total DCs	**28.03**	**28.67**	**0.64**	**2.27**	**28.02**	**28.57**	**0.55**	**1.96**
FSU	4.40	4.51	0.11	2.57	4.64	4.75	0.11	2.48
Other Europe	0.69	0.69	0.01	1.15	0.76	0.77	0.01	0.87
China	9.37	9.81	0.44	4.70	9.60	9.99	0.39	4.08
Total "Other regions"	**14.45**	**15.01**	**0.56**	**3.88**	**15.00**	**15.52**	**0.51**	**3.42**
Total world	**88.41**	**89.59**	**1.17**	**1.33**	**88.79**	**89.83**	**1.04**	**1.17**

Totals may not add up due to independent rounding.

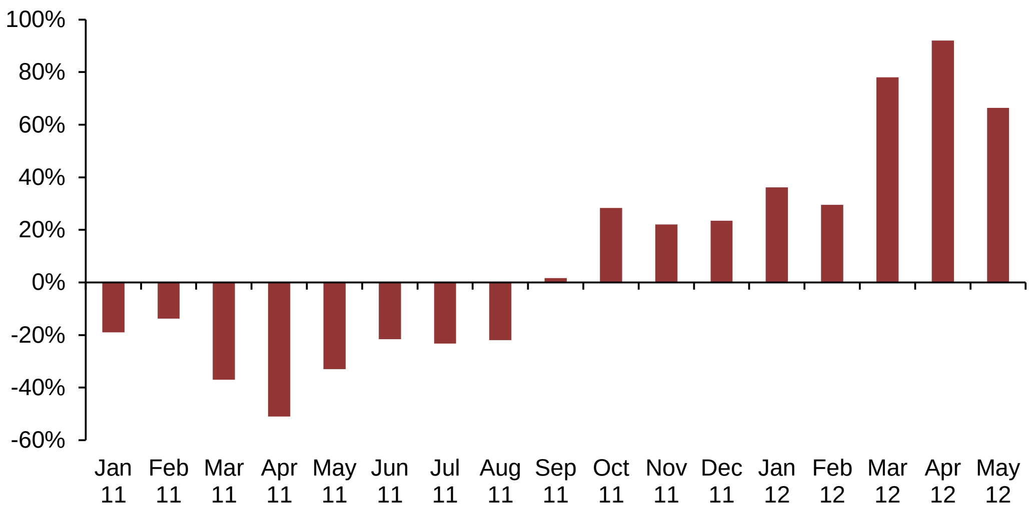
During 2012, the European auto market will almost certainly be dominated by economic concern and austerity measures in several countries, especially in the southern part of the region. It is most likely that the future trends for new vehicle purchases will be towards smaller, more fuel-efficient cars. The expectations in 2012 are for a declining market, by as much as 6% y-o-y, depending on the magnitude of the sovereign debt crisis in the region.

OECD — Pacific

OECD Pacific oil consumption expected to grow by 0.22 mb/d in 2012

In Japan, the latest April monthly data is dominated once more by huge increases in crude and residual fuel oil-use, as a result of all the country's nuclear plants being shut down; however, it might bring a few of them back into service just during the summer peak. This move would reduce direct fuel-use at that time; but there are several rules which must be met in order to re-operate any of the nuclear facilities. During the complete shutdown of all these facilities, direct crude and residual fuel burning for electricity production is expected to increase further throughout 2012. The alternative fuels for power plants are crude — but only those with a low sulphur content — fuel oil and liquefied natural gas (LNG). Moreover, driven by increases in the mileage and number of vehicles as a result of government incentives, as well as a very low baseline, transportation fuel consumption increased as well.

Graph 4.5: Japanese new passenger car registrations, y-o-y % changes



In South Korea, oil demand in March declined by a drastic 3.7% y-o-y; the strongest declines were observed in residual fuel oil, jet fuel and LPG. Fuel oil and jet fuel fell by 49 tb/d and 40 tb/d y-o-y. In the first quarter, oil demand was flat, averaging 2.4 mb/d.

OECD Pacific oil consumption grew by 0.04 mb/d during 2011. It is expected to grow again in 2012, by 0.22 mb/d, and the bulk of the increase will result from direct crude/fuel oil burning for electricity-generation and substituting for nuclear plants.

Driven by strong tax incentives and subsidies, as well as coming from a low baseline, Japanese auto sales continued to rise strongly in May — by a remarkable 66.4%. This trend has been seen since the third quarter of last year. Auto demand is expected to climb strongly throughout the year, partly due to higher sales in tsunami-hit areas, where thousands of cars were destroyed. Another factor is the government's efforts to stimulate demand. The incentives especially favour hybrids, pure electric cars and other vehicles that employ advanced technology, such as clean diesel engines.

South Korean domestic car sales gained 8.9% y-o-y in May, as a result of the launch of some new models during that month. Given the high number of car exports, the South Korean auto industry is largely dependent upon the world economy. Preliminary figures show South Korean oil demand in April down by 1% (–20 tb/d) y-o-y.

Developing countries

DC oil demand growth in 2012 forecast at 0.6 mb/d, to average 28.3 mb/d

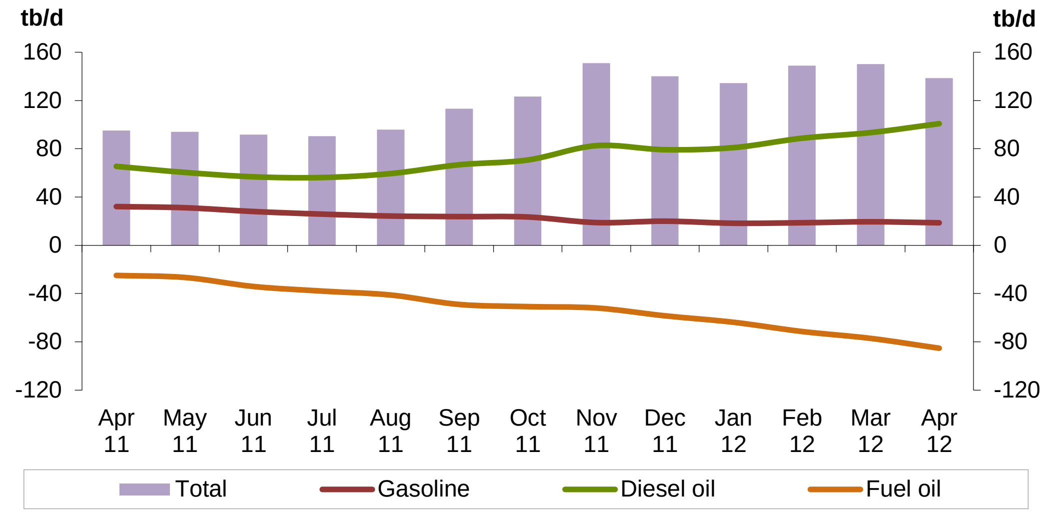
Indian oil demand in April grew by only a marginal 0.2% y-o-y. This was the lowest level of growth since October 2010. As in previous months, industrial diesel oil demand grew the most, hitting a high of 8% and adding another 0.11 mb/d to the total diesel consumption pool. India consumes around 1.5 mb/d of diesel oil and it is the most consumed petroleum product in the country, mostly by the transportation sector; but it is also consumed in large amounts by both the industrial and agricultural sectors. The consumption of gasoline continued to grow by 3.7% y-o-y, while naphtha, jet fuel and residual fuel oil requirements declined, as a result of lower industrial activity, personnel turbulences in the aviation sector and fuel-substitution. Due to the seasonality and the competing price of natural gas, Indian consumption of fuel oil is on the decline. It plunged by 26% in April, following a relatively low base from last year. LPG and gasoline are the largest consumed oil products, after diesel oil, in India. They denote 14% and 11% of the country's total oil demand.

For 2012, India's oil demand is expected to grow by 0.12 mb/d

The retail pricing mechanism is still a contentious issue in India and would have a considerable influence over future demand estimates. Given the current inflation rate, India has deregulated retail prices for some petroleum products, and the government has been hesitant to allow oil companies to pass on the hike in international oil prices to end-users.

For 2012, India's oil demand is expected to grow by 0.12 mb/d.

Graph 4.6: Yearly changes in Indian oil demand, 12 month moving averages



The Indian automobile market faced moderate growth of just 4% during 2011, compared with solid 31% growth during 2010. This resulted from high fuel prices and surging loan rates. For the current year, according to the Society of Indian Automobile Manufacturers, domestic passenger car sales increased by just 3.6% in April y-o-y. This was the lowest growth in the last ten months, and came about as a result of costlier loans, higher fuel prices and increases in vehicle prices.

Given healthy economies in most of Other Asia, its oil demand growth is estimated at 0.2 mb/d y-o-y in 2012

Indonesia is the second-largest oil consumer in Other Asia, after India, and its oil demand is growing. Its oil demand in March grew by 3.4% y-o-y, averaging 1.3 mb/d. Gasoline and LPG consumption grew by 40 tb/d each. As for the total year, Indonesian oil demand is forecast to inch up by 2.0% y-o-y.

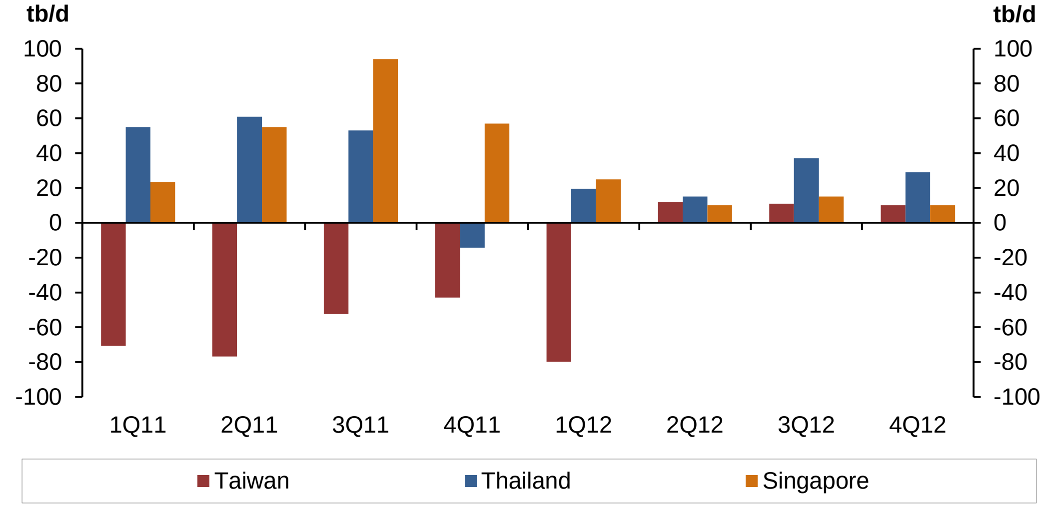
Given the healthy economies in most of Other Asia, the region's oil demand growth is estimated at 0.2 mb/d y-o-y. This is almost one-third lower than last year's growth.

Table 4.8: Consumption of petroleum products in Indonesia, tb/d

	Mar 12	Mar 11	Change	Change, %
LPG	167	144	23	15.8
Gasoline	502	437	65	14.9
Jet/Kerosene	90	98	-8	-8.0
Gas/Diesel Oil	479	503	-25	-4.9
Fuel Oil	46	53	-7	-13.2
Other Products	28	34	-6	-17.1
Total	**1,311**	**1,269**	**43**	**3.4**

Source: JODI.

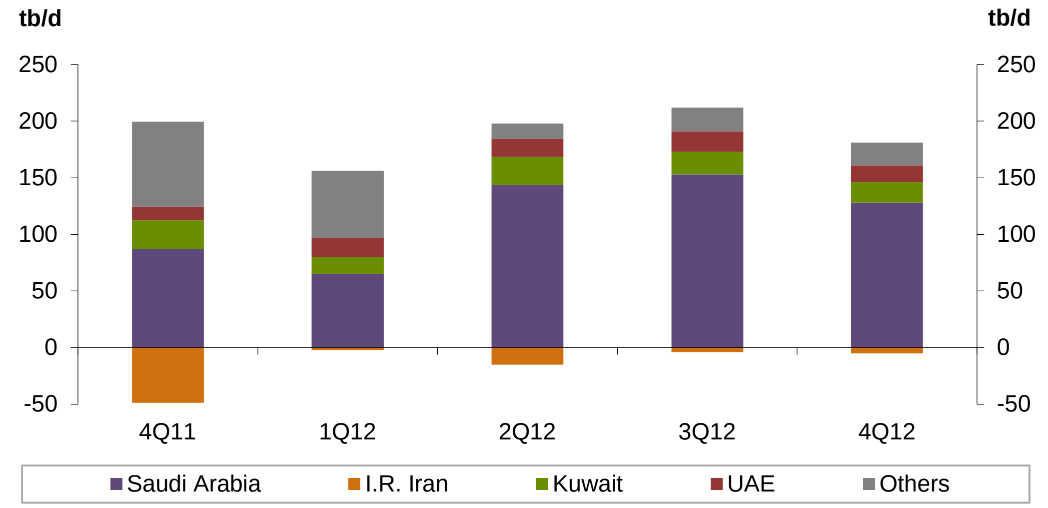
Graph 4.7: Oil consumption in selected Asian countries, y-o-y growth



Middle East oil demand forecast to grow by 2.4% in 2012, to average 7.7 mb/d

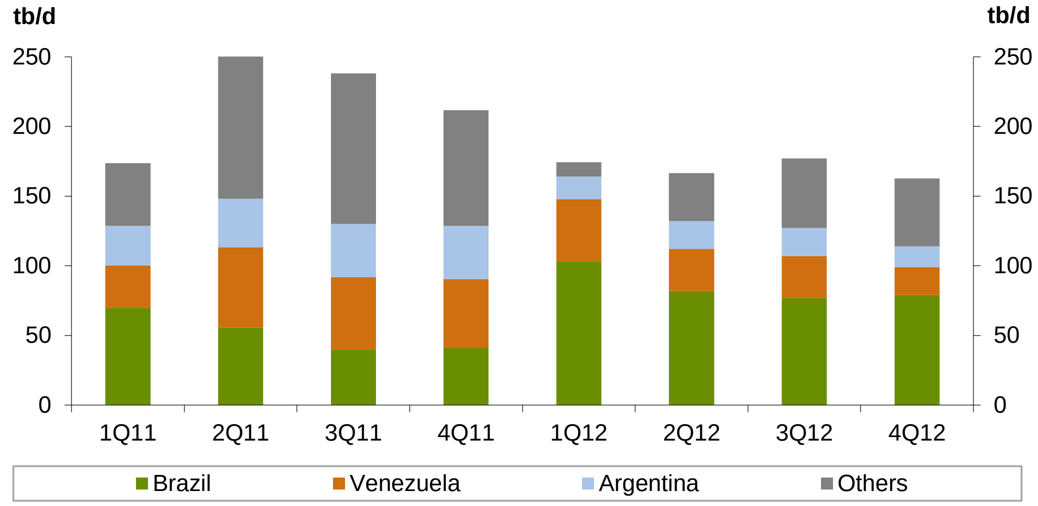
Saudi Arabian oil demand is growing again, as the demand for gasoline, diesel and fuel oil inches up. The summer driving season has started, and summer demand for electricity will also help push up the country's oil demand for the third quarter. The country's total oil demand increased by 9% in April y-o-y.

Graph 4.8: Yearly oil demand growth in the Middle East



Strong gasoline and diesel consumption hiked Brazilian oil demand by approximately 7%, or 138 tb/d, in March y-o-y. Despite the steady rate of petroleum alcohol usage, Brazil consumed 0.66 mb/d of gasoline and this trend is expected to continue for the year. As a result of the upcoming soccer World Cup sports event in 2014 in Brazil, many economic projects are taking place, leading to more energy consumption within the country.

Graph 4.9: Yearly oil demand growth in the Latin America



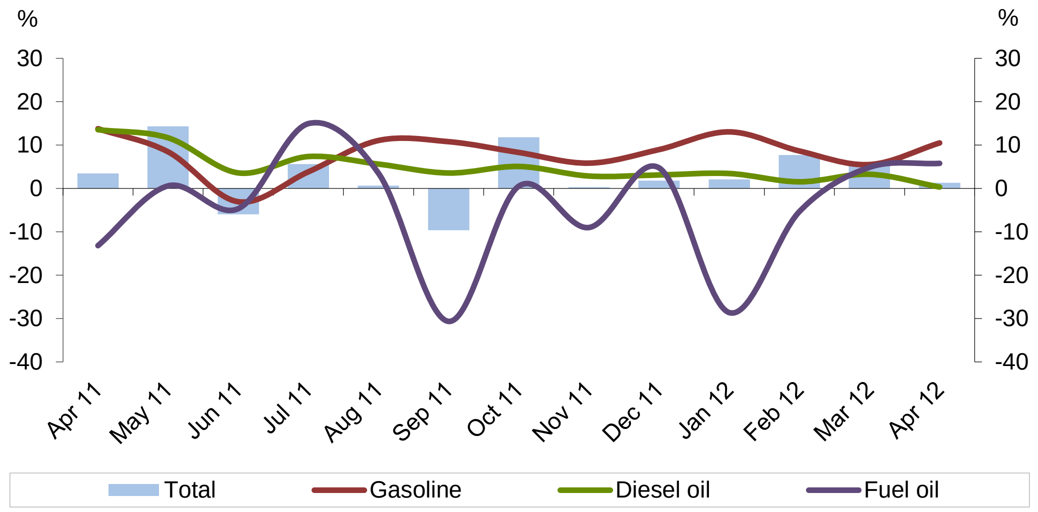
Developing countries' (DC) oil demand growth is forecast at 0.6 mb/d in 2012, averaging 28.3 mb/d.

Other regions

China's second-quarter oil demand growth is forecast at 0.45 mb/d y-o-y

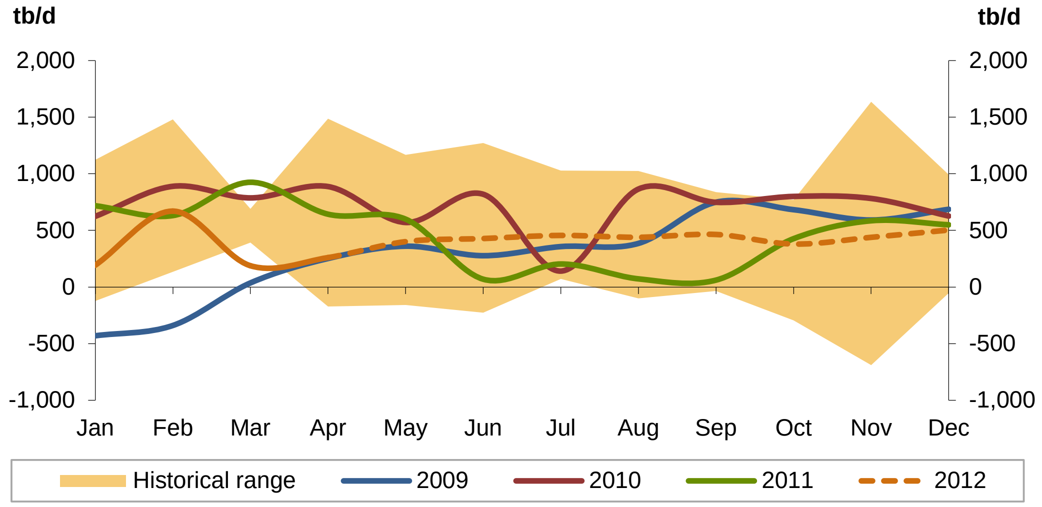
Since China's economic boom is slowing slightly, its oil demand is expected to follow suit and ease. China's oil demand is expected to grow, but not at the same rate that was forecast earlier in the year. And this trend is not confined to this year, but also to the medium term. Nevertheless, transport fuel will show some strength in the upcoming years. This move has come about despite the government's policy to curb new car registrations in major cities, as a result of huge traffic jams and pollution. In fact, the government is placing a cap on the number of conventional vehicles that will be registered per month. In order to ease the pressure of increasing fuel prices, the government is also subsidizing fuel for the public transport fleet. Due to slowing economic activity, Chinese oil demand grew by a moderate 2.7%, or 260 tb/d, y-o-y in April, to average 9.9 mb/d. The country's second-quarter oil demand growth is forecast at 0.45 mb/d y-o-y.

Graph 4.10: Changes in Chinese main oil products apparent consumption, y-o-y



Data from the China Association of Automobile Manufacturers shows that the country's automobile sales grew by 12.5% in April y-o-y, although overall sales for the first four months of 2012 rose by a slight 1.9%. This slowdown has been attributed to a number of factors, such as the end of tax-incentives for small cars and the authorities' efforts to combat traffic-congestion in major cities. At present, more and more automakers have begun to tap into new business: Changan Automobile has put 100 'E30' pure-electric taxis into pilot operation in Beijing's Fangshan district; and Chery, Zotye and Beiqi Foton are also working at full throttle to exploit the potential of electric taxis.

Graph 4.11: Changes in Chinese apparent oil demand, y-o-y



World Oil Supply

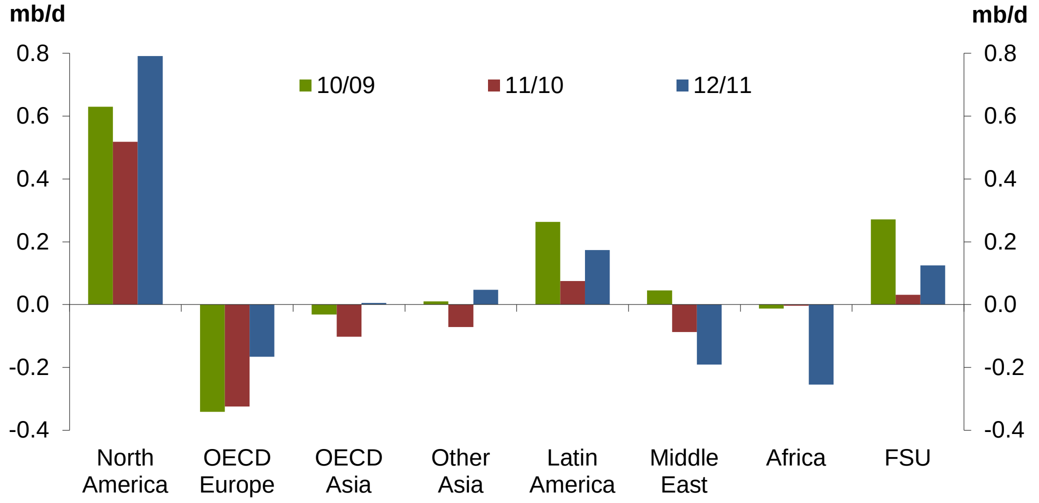
Non-OPEC

Estimate for 2011

Non-OPEC supply rose by 90 tb/d in 2011

Non-OPEC oil supply is estimated to have averaged 52.40 mb/d in 2011, an increase of 90 tb/d over the previous year. Compared with last month's estimate, the forecast has had a minor upward revision of 15 tb/d, coming from the US. Among non-OPEC suppliers, OECD supply grew by 0.09 mb/d over the previous year. This was supported by the increase in US oil supply, which is estimated at 0.38 mb/d, the highest among all non-OPEC countries. Canada's oil supply experienced healthy growth of 0.16 mb/d in 2011. The rest of the OECD countries' supply varied between declining and stagnant, with more weight on declining. On a quarterly basis, non-OPEC supply is estimated to have averaged 52.71 mb/d, 51.97 mb/d, 52.04 mb/d and 52.88 mb/d respectively.

Graph 5.1: Regional non-OPEC supply growth, y-o-y



Revisions to the estimate for 2011

The non-OPEC oil supply forecast/estimate for 2011 has had various revisions since its inception to accommodate the changes experienced globally. On a regional basis, North American supply grew the most among all the non-OPEC regions, supported by increases in the US and Canada. Latin America's oil supply growth came next, with an increase of 0.08 mb/d in 2011. The former Soviet Union (FSU) followed, with minor growth, supported by an output increase from Russia. Other Asia and Africa supply remained relatively flat in 2011 with only minor changes. In OECD Western Europe, OECD Pacific, the Middle East and Other Asia, oil supply declined in 2011. Compared with the previous *MOMR*, only the US oil supply estimate has had a minor upward revision, of 16 tb/d, due to updated production figures.

Non-OPEC's supply growth in 2011 was the second-smallest annual growth it has experienced in the past ten years, after 2005, while 2008 saw the only decline. The main driver for the weak performance in 2008 (and 2005) was US oil supply, which suffered in the hurricane seasons of those years. However, in 2011, US oil supply grew the most among all the non-OPEC countries, and this helped offset the other countries' declines. Non-OPEC supply experienced a mix of factors that together led to a big decline. Supply from the North Sea fell heavily on the back of technical issues that kept many fields shut down for long period. The UK's supply averaged 1.13 mb/d, the lowest level since 1979, while Norway's production averaged 2.04 mb/d, the lowest since 1991. Technical issues also affected Azerbaijan's supply, which lost more than 100 tb/d, compared with 2010. Political developments influenced output from Yemen, Syria and the Sudans. Weather conditions sharply affected Australia's and Brazil's supply in 2011. Australia's production averaged 0.41 mb/d in 2011, a decline of 90 tb/d, or 18%, compared with the previous year. Similarly, Brazil biofuels supply dropped sharply in 2011, due to the weather conditions.

Table 5.1: Non-OPEC oil supply in 2011, mb/d

	2010	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10
North America	15.00	15.25	15.19	15.44	16.18	15.52	0.52
Western Europe	4.40	4.32	4.06	3.86	4.06	4.07	-0.32
OECD Pacific	0.60	0.49	0.49	0.50	0.53	0.50	-0.10
Total OECD	**20.00**	**20.06**	**19.74**	**19.80**	**20.76**	**20.09**	**0.09**
Other Asia	3.70	3.70	3.56	3.62	3.64	3.63	-0.07
Latin America	4.67	4.70	4.68	4.73	4.86	4.74	0.08
Middle East	1.78	1.81	1.69	1.72	1.55	1.69	-0.09
Africa	2.59	2.60	2.59	2.60	2.54	2.58	0.00
Total DCs	**12.73**	**12.81**	**12.52**	**12.67**	**12.59**	**12.64**	**-0.09**
FSU	13.22	13.32	13.25	13.23	13.23	13.26	0.03
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.12	4.25	4.19	4.08	4.04	4.14	0.02
Total "Other regions"	**17.48**	**17.71**	**17.58**	**17.44**	**17.40**	**17.53**	**0.05**
Total Non-OPEC production	**50.22**	**50.58**	**49.84**	**49.91**	**50.75**	**50.27**	**0.06**
Processing gains	2.10	2.13	2.13	2.13	2.13	2.13	0.03
Total Non-OPEC supply	**52.32**	**52.71**	**51.97**	**52.04**	**52.88**	**52.40**	**0.09**
Previous estimate	52.31	52.71	51.97	52.03	52.84	52.39	0.07
Revision	0.00	0.01	0.01	0.01	0.04	0.02	0.01

Forecast for 2012

Non-OPEC supply forecast to increase by 0.67 mb/d in 2012 to average 53.07 mb/d

Non-OPEC supply is expected to average 53.07 mb/d in 2012, representing growth of 0.67 mb/d and an upward revision of 50 tb/d from the last report. Indeed, there have been various revisions in both direction from last month's report. Updates on actual production data in the first and second quarters, as well as changes to individual countries' supply elements, required the revisions. All quarters have been revised up, with the first quarter experiencing the smallest adjustment. The OECD's oil supply forecast has been revised up, while the developing countries' supply projection has been revised down. The first quarter's supply forecast has been revised up by around 40 tb/d, with North America accounting for most of this. The rest of the year's quarters have seen upward revisions, mainly from the OECD. It is worth highlighting that the associated risks and uncertainties in the forecast are on the high side, given the current global market situation, as well as the other factors influencing supply. Political, technical, environmental and weather issues are expected to be the main risk-factors for non-OPEC supply in 2012. On a quarterly basis, non-OPEC supply is expected to average 53.23 mb/d, 52.71 mb/d, 52.93 mb/d and 53.42 mb/d respectively.

Table 5.2: Non-OPEC oil supply in 2012, mb/d

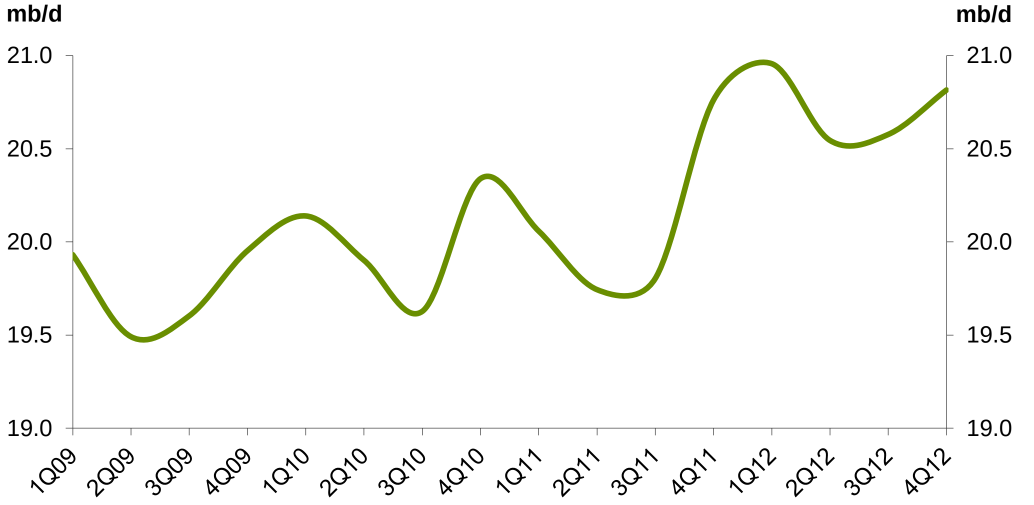
	2011	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11
North America	15.52	16.40	16.18	16.27	16.38	16.31	0.79
Western Europe	4.07	4.07	3.84	3.78	3.94	3.91	-0.17
OECD Pacific	0.50	0.48	0.53	0.53	0.49	0.51	0.00
Total OECD	**20.09**	**20.96**	**20.54**	**20.58**	**20.82**	**20.72**	**0.63**
Other Asia	3.63	3.65	3.67	3.68	3.70	3.67	0.05
Latin America	4.74	4.89	4.88	4.93	4.96	4.92	0.17
Middle East	1.69	1.48	1.50	1.50	1.52	1.50	-0.19
Africa	2.58	2.40	2.29	2.31	2.32	2.33	-0.26
Total DCs	**12.64**	**12.41**	**12.34**	**12.42**	**12.50**	**12.42**	**-0.23**
FSU	13.26	13.37	13.33	13.37	13.46	13.38	0.13
Other Europe	0.14	0.14	0.14	0.15	0.15	0.14	0.01
China	4.14	4.16	4.17	4.22	4.30	4.22	0.07
Total "Other regions"	**17.53**	**17.67**	**17.64**	**17.74**	**17.91**	**17.74**	**0.21**
Total Non-OPEC production	**50.27**	**51.04**	**50.52**	**50.74**	**51.23**	**50.88**	**0.61**
Processing gains	2.13	2.19	2.19	2.19	2.19	2.19	0.06
Total Non-OPEC supply	**52.40**	**53.23**	**52.71**	**52.93**	**53.42**	**53.07**	**0.67**
Previous estimate	52.39	53.19	52.66	52.88	53.36	53.02	0.64
Revision	0.02	0.04	0.05	0.05	0.05	0.05	0.03

OECD supply to increase by 0.63 mb/d in 2012, supported by expected growth in North America

OECD

Total OECD supply is expected to average 20.72 mb/d in 2012, representing an increase of 0.63 mb/d and an upward revision of 120 tb/d from the previous month. The anticipated OECD supply growth in 2012 is the highest since 1997. The upward revision came on the back of updated production figures in the first quarter and the early part of the second, which was partly carried over to the second half. The upward revisions were concentrated in North America, mainly in the US and Canada. OECD Western Europe's and OECD Pacific's supply forecasts have had minor downward revisions from the last MOMR. The OECD forecast remains the main driver of the growth in 2012, as anticipated growth in North America is projected to more than offset the decline forecast in OECD Western Europe's supply. Yet risks and uncertainties remain high, especially in North America, which requires careful monitoring over the coming period. On a quarterly basis, OECD oil supply is forecast to average 20.96 mb/d, 20.54 mb/d, 20.58 mb/d and 20.82 mb/d respectively.

Graph 5.2: OECD's quarterly production



North America

Oil supply from North America is projected to increase by 0.79 mb/d to average 16.31 mb/d in 2012, representing an upward revision of 150 tb/d from last month. The current forecast growth for 2012 is the highest in more than 30 years. The anticipated growth in North America is seen to be supported by the US and Canada, while Mexico is likely to experience a minor decline. On a quarterly basis, North America's oil supply in 2012 is forecast to stand at 16.40 mb/d, 16.18 mb/d, 16.27 mb/d and 16.38 mb/d respectively.

US oil supply to increase by 0.64 mb/d in 2012, the highest growth since the1970's

US

US oil production is expected to average 9.66 mb/d in 2012, representing growth of 0.64 mb/d over 2011 and an upward revision of 120 tb/d from the previous report. The current expected growth of US supply is the highest since the 1970's. The upward revision has affected all the quarters of 2012. Higher-than-expected output in the first quarter required an upward revision, which was carried over to the rest of the year. US supply growth in 2012 is the highest among all non-OPEC countries, and is expected to be a strong contributor to total non-OPEC supply growth. The forecast growth is supported by strong growth from the Bakken and Eagle Ford formations, as well as from the Gulf of Mexico.

North Dakota's oil supply averaged 0.56 mb/d during the first quarter of 2012, an increase of 200 tb/d from the same period a year ago, as per preliminary data. This growth is supported by the tight supply increase from the Bakken. Moreover, Texas oil production increased by around 400 tb/d in the first quarter, compared with the first quarter of 2011. This increase is supported by the shale developments. Gulf of Mexico supply averaged 1.35 mb/d in the first quarter, a decline of 100 tb/d from the same period a year ago, yet indicating growth of 70 tb/d from the fourth quarter of 2011. However, risks remain on the high side for the US supply forecast, since the hurricane season is starting. On a quarterly basis, US oil supply is seen to average 9.72 mb/d, 9.59 mb/d, 9.62 mb/d and 9.71 mb/d respectively.

Canada and Mexico

Canada's supply to grow by 0.20 mb/d in 2012 and average 3.75 mb/d

Canadian oil supply is forecast to increase by 0.20 mb/d over 2011 to average 3.75 mb/d in 2012, indicating an upward revision of 30 tb/d from the previous *MOMR*. This revision has come about on the back of an adjustment to first-quarter oil production. According to the preliminary data, supply averaged 3.76 mb/d during the first quarter, an increase of 200 tb/d on the same period a year earlier. Additionally, reports suggest that the investment level increased during the first quarter for both oil sand and shale developments, which supports the upward revision. Expected maintenance at the offshore facilities is seen to reduce output slightly in the second quarter; yet it is not expected to have a big impact on supply growth in 2012. On a quarterly basis, Canada's production is seen to average 3.76 mb/d, 3.70 mb/d, 3.75 mb/d and 3.79 mb/d respectively.

Mexico's production declined by 50 tb/d in first four months of 2012

Mexico's oil supply is projected to decline by 40 tb/d from 2011 to average 2.90 mb/d in 2012, unchanged from the previous assessment. This steady state has come about as April's output was relatively unchanged from the previous month. In April, reports suggest that supply from the South and North regions were stable, while offshore output declined. Supply is expected to remain relatively steady in 2012, as production-stabilization efforts seem to be having positive results. However, risks and uncertainties remain high, especially related to natural declines. The continued debate between the national operator and regulators regarding the profitability of the Chicontepec project could further affect output in the coming period. During the first four months of 2012, Mexico's oil supply fell by around 50 tb/d from the same period a year ago. On a quarterly basis, it is expected to average 2.92 mb/d, 2.89 mb/d, 2.90 mb/d and 2.89 mb/d respectively.

Western Europe

OECD Western Europe's total oil supply is seen to average 3.91 mb/d in 2012, representing a decline of 0.17 mb/d from 2011 and a minor downward revision of less than 10 tb/d from last month. This revision has come from Norway, while the UK's supply forecast remains steady. The revisions were necessary to adjust for actual production data. This region's oil supply is expected to experience the second-largest decline among all the non-OPEC regions. On a quarterly basis, OECD Western Europe supply in 2012 is seen to average 4.07 mb/d, 3.84 mb/d, 3.78 mb/d and 3.94 mb/d respectively.

Norway's supply to average 1.96 mb/d in 2012, a drop of 80 tb/d from 2011

Norway's oil production is expected to drop by 80 tb/d to average 1.96 mb/d in 2012, indicating a downward revision of less than 10 tb/b from last month's assessment. Its currently expected supply average for 2012 marks the lowest level since 1990. The downward revision has come about partly to adjust for first-quarter updated production data that was carried over to the rest of the year. Additionally, preliminary April production was slightly lower than March. Norway's supply is seen to decline in the second quarter, due to seasonal maintenance. However, the anticipated annual decline in 2012 is the smallest since 2004. On a quarterly basis, supply is anticipated to average 2.08 mb/d, 1.90 mb/d, 1.88 mb/d and 1.97 mb/d respectively.

Athena field started production — UK

The UK's oil supply is anticipated to average 1.04 mb/d in 2012, representing a drop of 80 tb/d from 2011, unchanged from the previous assessment. This steady state has happened because output in the first quarter turned out as expected. However, the shutdown and maintenance of oil facilities are affecting supply heavily. This is reflected in the reduced loading programme. The shutdown of the Elgin field, due to a leak, is influencing the country's supply. In addition, the shutdown of the Buzzard field in early May, through a problem with the gas-processing facilities, is seen as a continuing impact of the ongoing technical issues with the UK's supply. On the other hand, production started at the Athena project in late May, and this is likely to slightly offset the decline. On a quarterly basis, supply is expected to stand at 1.09 mb/d, 1.03 mb/d, 0.99 mb/d and 1.06 mb/d respectively.

Asia Pacific

OECD Asia Pacific's oil production is forecast to average 0.51 mb/d in 2012, flat over 2011 and a downward revision of 25 tb/d from a month ago. Australia's and New Zealand's oil supply are expected to remain flat in 2012. On a quarterly basis, OECD Pacific's oil supply is seen to average 0.48 mb/d, 0.53 mb/d, 0.53 mb/d and 0.49 mb/d respectively.

Australia's output to remain flat at 0.42 mb/d in 2012

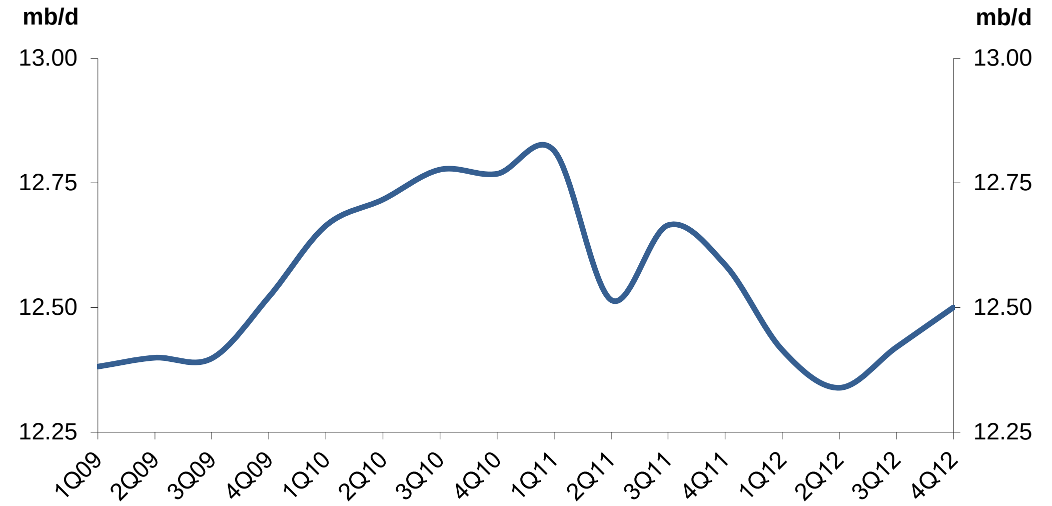
Australia's oil supply is expected to average 0.42 mb/d in 2012, flat from the previous year and a downward revision of 25 tb/d from the previous *MOMR*. This revision has occurred on the back of updated production data for the first quarter, which was partly carried over to the rest of the year. In addition, the shutdown of the Tantanna pipeline is expected to affect some production which supported the downward revision. The start-up of the small Bauer field partly offset some of the downward revision. On a quarterly basis, Australian supply is seen to average 0.40 mb/d, 0.44 mb/d, 0.44 mb/d and 0.41 mb/d respectively

Developing countries

Latin America's and Other Asia's supply growth in 2012 to partly offset declines from Africa and Middle East

Developing countries' total oil supply is projected to decrease by 0.23 mb/d from 2011 to average 12.42 mb/d in 2012, indicating a downward revision of 80 tb/d from the previous month. The revisions have affected all quarters of 2012, on the back of updated production data in the first quarter that was carried over to the rest of the year, in addition to changes in some countries' supply profiles. The anticipated decline is driven mainly by supply from the Middle East and Africa, while Latin America's and Other Asia's supply are seen to offset the decline. On a quarterly basis, DCs' total oil production is seen to stand at 12.41 mb/d, 12.34 mb/d, 12.42 mb/d and 12.50 mb/d respectively.

Graph 5.3: Developing Countries' quarterly production



Other Asia — Te Giac Trang to boost output to 55 tb/d in third quarter

Other Asia's oil supply is estimated to increase by 50 tb/d in 2012 to average 3.67 mb/d, unchanged from the previous assessment. This steady state has occurred because updated production data has remained in line with expectations. Oil supply from India and Vietnam is expected to increase in 2012, while supply from Indonesia is seen to decline. Malaysia's oil production is expected to average 0.65 mb/d in 2012, flat from the previous year. Production from Malaysia is forecast to remain steady in 2012, after the heavy decline experienced in 2011, because output is likely to remain stable, despite limited new developments. India's oil supply is forecast to increase by 20 tb/d in 2012, to average 0.90 mb/d. This minor increase is supported by the Mangala developments. On a quarterly basis, Other Asia's supply is expected to stand at 3.65 mb/d, 3.67 mb/d, 3.68 mb/d and 3.70 mb/d respectively. Preliminary data suggests that supply in the first quarter will witness a y-o-y decline of 50 tb/d.

Indonesia's oil supply is forecast to decline by 30 tb/d in 2012 to average 0.99 mb/d, unchanged from the previous month. This drop is expected on the back of aging fields and natural declines, coupled with limited new developments. Vietnam's oil production is expected to experience the largest growth in the group of 40 tb/d in 2012, to average

0.39 mb/d. This growth is supported by the Te Giac Trang field, which has already started up, and, in July, a second well is expected to boost output to 55 tb/d from the current 40 tb/d.

Latin America's supply to increase by 0.17 mb/d in 2012 to average 4.92 mb/d

Oil production from Latin America is anticipated to increase by 0.17 mb/d over 2011 to average 4.92 mb/d in 2012, a downward revision of 60 tb/d from the previous *MOMR*. Argentina's supply is expected to decline by 20 tb/d to average 0.71 mb/d. This relatively small drop comes from natural declines and limited new developments. Trinidad and Tobago's supply is expected to average 0.13 mb/d in 2012, a minor fall of 10 tb/d from the previous year, representing a downward revision of 15 tb/d from the previous *MOMR*. This revision has come on the back of updated production data in the first quarter that was partly carried over to the remaining quarters. Colombia's production is expected to increase by 70 tb/d in 2012 to average 1.00 mb/d, unchanged from the previous assessment. The anticipated growth is supported by the Rubiales developments. This country's oil supply increased by around 60 tb/d in January–April from the same period of 2011. On a quarterly basis, Latin American supply is seen to stand at 4.89 mb/d, 4.88 mb/d, 4.93 mb/d and 4.96 mb/d respectively.

Brazil's March output dropped by 5%

Brazil's oil supply is expected to increase by 0.13 mb/d over 2011, to average 2.77 mb/d in 2012, signifying a downward revision of 45 tb/d from the previous *MOMR*. This revision is due to updated production data for the first quarter, which was carried over to the rest of the year. Actual production data in March indicated a 5% decline from the previous month. This decline came on the back of the total shutdown of the Frade field, as well as other maintenance work in the Campos basin. In May, there were reports of an oil leak near the P-57 installation in the Jubarte field, yet normal operations were reported after inquiries had been made. On a quarterly basis, production is expected to stand at 2.77 mb/d, 2.73 mb/d, 2.77 mb/d and 2.79 mb/d respectively.

Syria's supply to drop by 160 tb/d in 2012 and average 0.21 mb/d

Middle East oil production is estimated to average 1.50 mb/d in 2012, a decrease of 190 tb/d from 2011 and indicating a downward revision of 10 tb/d from last month. This revision comes from Syria, where the oil supply forecast has been revised down by 10 tb/d from the previous month. Syria's production is expected to decline by 160 tb/d in 2012 to 0.21 mb/d, on the back of its political issues. Oman's production is expected to increase by 30 tb/d in 2012 to 0.91 mb/d, unchanged from the previous assessment. This steady state has occurred despite a short strike that was resolved. On a quarterly basis, Middle East supply is forecast to average 1.48 mb/d, 1.50 mb/d, 1.50 mb/d and 1.52 mb/d respectively.

Africa — talks restarted between South Sudan and Sudan

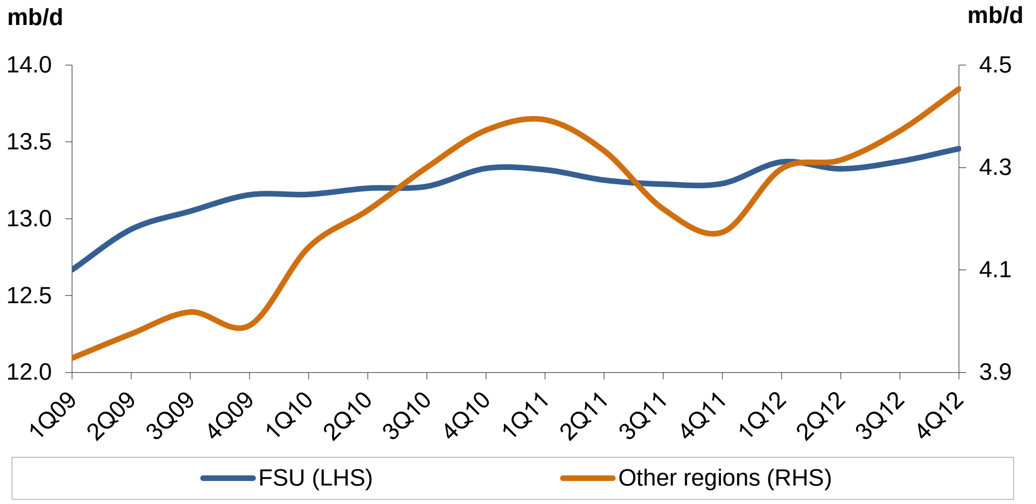
Africa's oil supply is forecast to average 2.33 mb/d in 2012, a decline of 0.26 mb/d from 2011, indicating a downward revision of 10 tb/d from previous month. This revision emanates from the Sudans, due to updated estimated production data. The Sudans' oil supply is expected to average 0.14 mb/d in 2012, down 0.29 mb/d from the previous year. The decline is driven by the shutdown of South Sudan's production in January, because Sudan and South Sudan did not agree on transit fees. However, talks have restarted between the two nations and the supply forecast is at risk if it is assumed that South Sudan's output will remain shutdown in 2012. On a quarterly basis, Africa's supply is expected to average 2.40 mb/d, 2.29 mb/d, 2.31 mb/d and 2.32 mb/d respectively.

FSU, Other regions

FSU's supply to increase by 130 tb/d in 2012

Total FSU oil supply is projected to average 13.38 mb/d in 2012, representing growth of 0.13 mb/d over 2011 and a minor upward revision of 10 tb/d from last month. This revision is due to changes to Azerbaijan's supply forecast on the back of updated production data in the first quarter. In terms of volume, the FSU remains the region with the second-highest supply after North America. The expected growth in 2012 supply is supported by Russia, Kazakhstan and Azerbaijan. On a quarterly basis, total supply from the FSU is expected to stand at 13.37 mb/d, 13.33 mb/d, 13.37 mb/d and 13.46 mb/d respectively. Other Europe's supply is seen to increase by a slight 10 tb/d to average 0.14 mb/d. China's oil supply is forecast to increase by 70 tb/d over the previous year to average 4.22 mb/d in 2012.

Graph 5.4: FSU and other region's quarterly production



Russia

Russia's oil supply increased slightly in May

Russia's oil supply is projected to average 10.34 mb/d in 2012, an increase of 70 tb/d over 2011, unchanged from last month. Supply growth is projected to slow in 2012, compared with previous years, mainly on limited new developments and a lower decline rate. In May, preliminary production data indicated a minor supply increase from the previous month. Supply maintained a healthy level, supported by the ramp-up of the Vankor project. The expected start-up of the Arkutun Dagi field at Sakhalin 1 is seen to support the expected growth. On a quarterly basis, supply is estimated at 10.34 mb/d, 10.32 mb/d, 10.34 mb/d and 10.36 mb/d respectively. According to preliminary data, it averaged 10.33 mb/d in May, slightly higher than the previous month. And supply in January–May grew by 100 tb/d, compared with the same period of 2011.

Caspian

Kazakh output to increase by 20 tb/d in 2012 to average 1.62 mb/d

Kazakhstan's oil supply is expected to increase by 20 tb/d over 2011 to average 1.62 mb/d in 2012, unchanged from the previous month. This growth is expected on the back of less maintenance and unplanned shutdowns in 2012, compared with the previous year. However, the start-up of the Kashagan field, if realized this year, will support output in 2012. January–April production, according to a preliminary sounding, indicates that supply decreased by 40 tb/d from the same period last year. On a quarterly basis, Kazakhstan's supply is seen to stand at 1.62 mb/d, 1.60 mb/d, 1.61 mb/d and 1.65 mb/d respectively.

Azeri supply forecast to average 0.97 mb/d in 2012

Azerbaijan's oil supply is anticipated to increase by 20 tb/d in 2012 to 0.97 mb/d, representing an upward revision of 10 tb/d from the previous month. This revision is the result of updated production data in the first quarter, as well as adjustments to the rest of the year. The supply forecast is associated with a high level of risk, mainly on technical issues which had an impact on output in 2011. On a quarterly basis, supply is estimated to average 0.96 mb/d, 0.97 mb/d, 0.97 mb/d and 1.00 mb/d respectively.

China

China — new oil leak found in Bohai Bay

China's oil production is forecast to average 4.22 mb/d in 2012, an increase of 70 tb/d over 2011, unchanged from the previous assessment. During January–April, supply declined by 70 tb/d from the same period a year ago. The current oil supply forecast is for an increase in the second half of 2012, on the expectation of a return of normal operations in the Peng Lai oil field. However, a recent report suggested that a new spill was detected at the same field, which could delay its full restart and require a downward revision in the future. On a quarterly basis, supply is projected to average 4.16 mb/d, 4.17 mb/d, 4.22 mb/d and 4.30 mb/d respectively.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils averaged 5.32 mb/d in 2011, an increase of 0.34 mb/d over the previous year. In 2012, they are forecast to grow by 0.35 mb/d over the previous year to average 5.67 mb/d.

Table 5.3: OPEC NGLs + non-conventional oils, 2009-2012

	2009	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	2012	Change 12/11
Total OPEC	**4.35**	**4.98**	0.63	5.14	5.30	5.46	5.38	**5.32**	0.34	**5.67**	0.35

OPEC crude oil production

OPEC crude oil production decreased in May to average 31.58 mb/d

OPEC total crude oil production averaged 31.58 mb/d in May, according to secondary sources, representing a decline of 58 tb/d over the previous month. The decrease came mainly from Iran, Nigeria, Iraq, Angola, Qatar and Algeria while crude production from Kuwait, Libya, and Saudi Arabia experienced an increase. OPEC crude oil production, not including Iraq, stood at 28.63 mb/d in May, down 16 tb/d from the previous month.

Table 5.4: OPEC crude oil production based on *secondary sources*, tb/d

	2010	2011	3Q11	4Q11	1Q12	Mar 12	Apr 12	May 12	May/Apr
Algeria	1,250	1,240	1,241	1,228	1,233	1,222	1,217	1,197	*-20.0*
Angola	1,783	1,664	1,680	1,763	1,757	1,722	1,769	1,730	*-39.2*
Ecuador	475	490	486	493	491	489	489	499	*9.7*
Iran, I.R.	3,706	3,621	3,607	3,563	3,383	3,313	3,210	3,138	*-71.7*
Iraq	2,401	2,666	2,679	2,666	2,705	2,807	2,994	2,952	*-42.0*
Kuwait	2,297	2,538	2,597	2,695	2,765	2,785	2,789	2,858	*69.2*
Libya	1,559	462	47	562	1,204	1,340	1,394	1,452	*57.5*
Nigeria	2,061	2,111	2,184	2,027	2,076	2,085	2,175	2,126	*-48.5*
Qatar	791	794	793	796	792	789	778	757	*-20.8*
Saudi Arabia	8,271	9,268	9,629	9,641	9,783	9,832	9,877	9,917	*39.7*
UAE	2,304	2,517	2,551	2,557	2,564	2,578	2,587	2,578	*-8.3*
Venezuela	2,338	2,380	2,391	2,371	2,371	2,368	2,362	2,378	*16.7*
Total OPEC	**29,236**	**29,751**	**29,885**	**30,363**	**31,124**	**31,329**	**31,640**	**31,582**	***-57.8***
OPEC excl. Iraq	**26,835**	**27,085**	**27,206**	**27,696**	**28,419**	**28,523**	**28,646**	**28,630**	***-15.8***

Totals may not add up due to independent rounding.

Table 5.5: OPEC crude oil production based on *direct communication*, tb/d

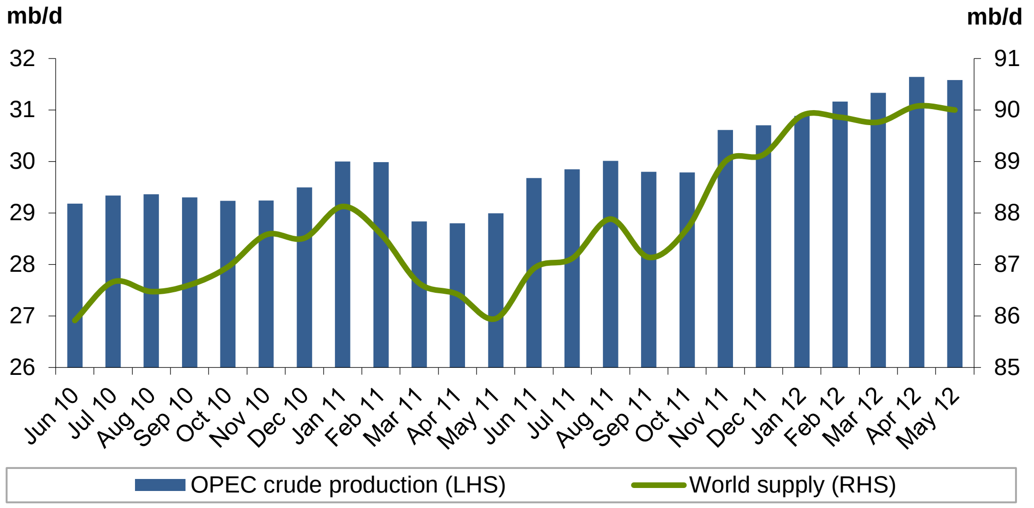
	2010	2011	3Q11	4Q11	1Q12	Mar 12	Apr 12	May 12	May/Apr
Algeria	1,184	1,173	1,164	1,180	1,215	1,213	1,220	1,206	*-14.0*
Angola	1,691	1,618	1,646	1,685	1,734	1,754	1,769	1,762	*-7.0*
Ecuador	475	500	494	503	502	499	500	498	*-2.6*
Iran, I.R.	3,544	3,576	3,574	3,609	3,742	3,755	3,758	3,760	*2.0*
Iraq	2,358	2,653	2,684	2,638	2,628	2,691	2,942	2,915	*-27.0*
Kuwait	2,312	2,660	2,755	2,909	2,995	3,031	3,007	3,000	*-6.7*
Libya	1,487	462	75	697	1,296	1,403	1,504	1,552	*48.2*
Nigeria	1,968	1,896	1,889	1,836	1,880	1,822	1,882	..	*..*
Qatar	733	734	731	733	745	743	733	732	*-1.4*
Saudi Arabia	8,166	9,311	9,601	9,736	9,883	9,923	10,102	9,807	*-295.1*
UAE	2,324	2,565	2,573	2,549	2,602	2,679	2,716	2,383	*-333.1*
Venezuela	2,779	2,795	2,775	2,809	2,792	2,819	2,831	2,826	*-5.3*
Total OPEC	**29,020**	**29,942**	**29,961**	**30,883**	**32,015**	**32,333**	**32,964**	**..**	**..**
OPEC excl. Iraq	**26,662**	**27,290**	**27,277**	**28,245**	**29,387**	**29,642**	**30,022**	**..**	**..**

Totals may not add up due to independent rounding.
.. Not available

World Oil Supply

Preliminary figures indicate that global oil supply averaged 90.00 mb/d in May, around 75 tb/d lower than the previous month. OPEC crude is estimated to have a 35.1% share in global supply, steady from the previous month. The estimate is based on preliminary data from non-OPEC supply. Estimates for OPEC NGLs and OPEC production are derived from secondary sources.

Graph 5.5: OPEC and world oil supply



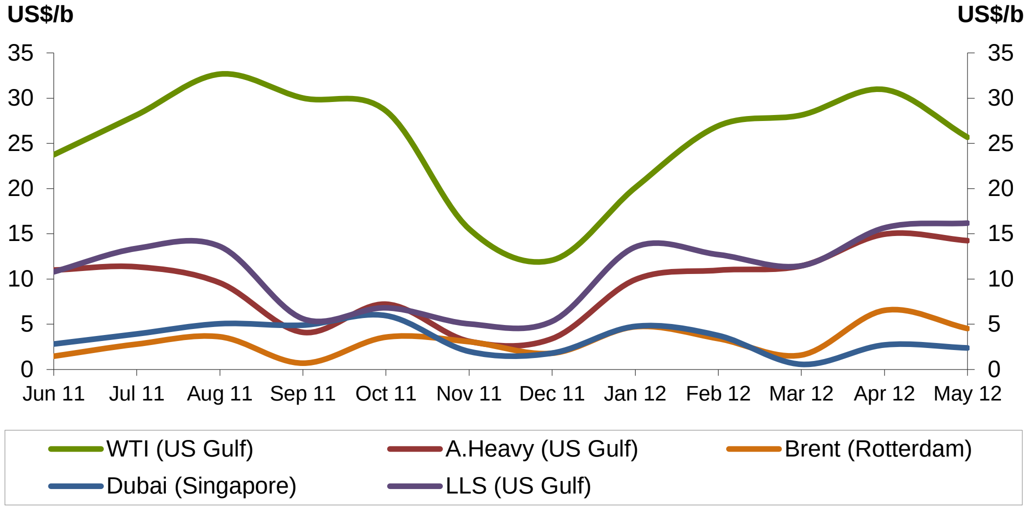
Product Markets and Refinery Operations

Refinery margins hit by lackluster demand and higher supplies

Product market sentiment retreated from the improvement seen in April. This was due mainly to a loss in the top of the barrel, which resulted from disappointing naphtha demand in the worldwide petrochemical sector and the easing of the tight gasoline market in the Atlantic Basin on news of the re-starting of some refineries.

These factors, along with additional pressure from the supply side after the end of maintenance in Asia, caused refinery margins to fall across the board, despite the drop in crude prices.

Graph 6.1: Refining margins, 2011-2012



The margin for WTI crude on the US Gulf Coast lost almost $5 to stand around $26/b in May, on the back of losses across all parts of the barrel. The most negative developments took place at the bottom, where limited arbitrage caused the fuel oil crack to fall, while the top of the barrel remained pressured by increasing gasoline supplies from Europe.

Refinery margins for Light Louisiana Sweet (LLS) crude on the US Gulf Coast showed a slight increase of 55¢ to around $16.2/b, as the crude price weakened, affected by the reversal of the Seaway pipeline.

Despite the drop in the Brent price, losses in product markets led to a decline in European refining margins in May, after having peaked in April.

The European product market turned bearish as gasoline was impacted by easing supply tightness in the Atlantic Basin, with several refineries returning from maintenance or temporary closures, amid a the lack of demand for naphtha. Thus, the fuel oil crack dropped due to oversupply in the region.

The refinery margin for Brent crude in Rotterdam showed a drop of $2 in May to stand at around $4.5/b.

Refining margins in Asia partially kept the recovery seen in April and although product cracks showed mixed performance, the strength at the bottom of the barrel offset the losses seen at the top.

The Singapore fuel oil crack strengthened, due mainly to healthy regional demand for both power generation and bunker fuel.

In contrast, cracking margins for light distillates lost momentum during the month, with gasoline and naphtha cracks both falling $4, due to increasing supply resulting from the end of maintenance in the region. Meanwhile, demand for petrochemical feedstock remained lackluster, causing Asian cracking margins in May to show a slight loss of 36¢ to stand at around $2.4/b.

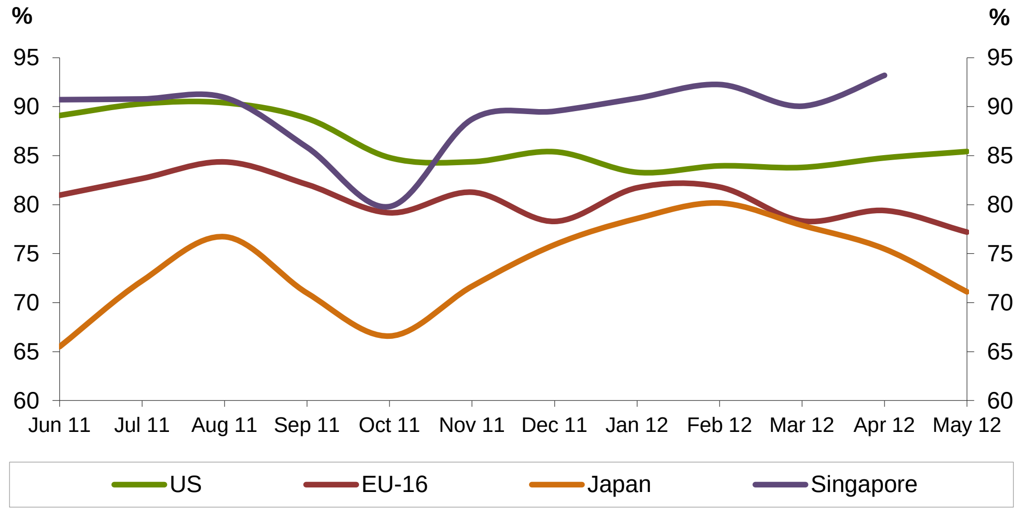
Refinery operations

Refining industry in the US continues at high run levels

Despite weak domestic demand, US refineries continued the upward trend in May with export opportunities continuing to lend support. This, along with weakening crude prices, encouraged refiners to keep run levels high.

US refinery runs averaged 85.4% of capacity in May, 0.6 percentage points (pp) higher than in the previous month, despite the shutdown of some refineries in the region. Even at this refining level, distillate inventories continued falling during the month to stand at 118 mb, below the five-year average, due to high export levels from the US to the markets worldwide and as refineries shifted their focus to gasoline ahead of the driving season.

Graph 6.2: Refinery utilization rates, 2011-2012



European refiners continued to operate at moderate throughputs in response to deteriorating margins, maintenance and closures. Refinery runs stood at around 77% in May. With the end of the maintenance season and some closed refineries being re-started, refiners could be reluctant to increase runs in the coming months, despite the beginning of the driving season.

Asian refinery maintenance has peaked and refinery runs have been reduced from the high levels seen in previous months, falling from above 90% to around 86%. The end of maintenance could result in increased throughputs.

Japanese throughputs remained at around 72% of capacity in May.

US market

The start of the driving season has temporarily strengthened gasoline cracks

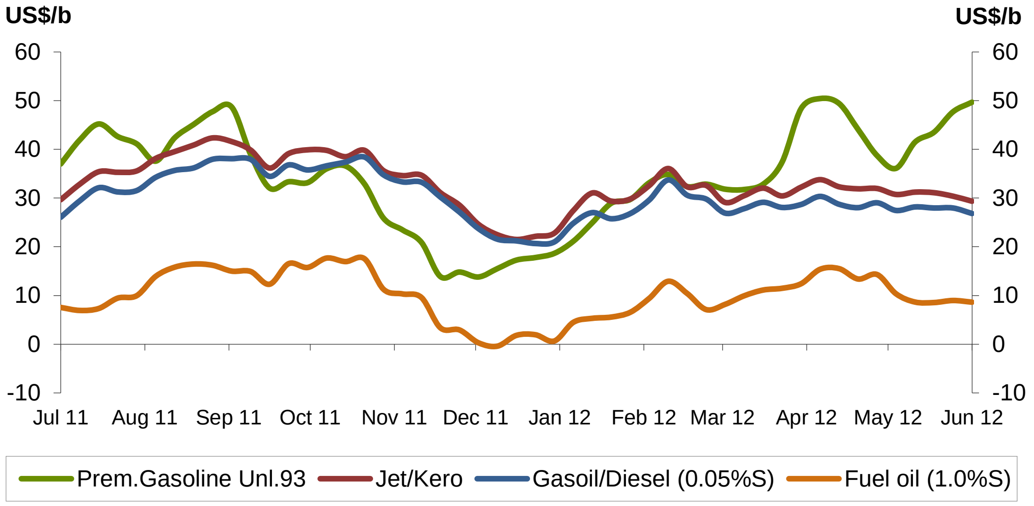
US gasoline demand recovered by around 190 tb/d from the previous month to stand at 8.85 mb/d in May, representing an increase of 66 tb/d from the same month a year earlier.

US gasoline demand picked up for the first time this year showing a y-o-y rise of 1% this month. This first positive performance of demand coincided with the start of the driving season, permitting gasoline to continue to hover near recent highs and allowing cracks to recover the losses suffered at the end of April.

The market continued to be reinforced by solid demand from Latin America. The supply side gave further support on news about operational difficulties in some refineries in the region. However, this situation was offset by the high inflows — more than 20 cargoes — from Europe, pressuring supply and capping the gains in gasoline cracks.

The gasoline crack averaged $44/b in May, a slight loss of almost $2 from the previous month's average. However, this shows a sharp recovery of more than $7 from the level seen at the end of April.

Graph 6.3: US Gulf crack spreads vs. WTI, 2011-2012



Middle distillate demand stood at around 3.7 mb/d in May, decreasing 60 tb/d from the previous month and marking a recovery of 110 tb/d from the same month last year.

Middle distillates failed to retain the gains of the previous month as export opportunities were offset by pressure coming from the supply side on news about plans to re-start some East Coast refineries. This came amid thin diesel domestic demand, with the Ceridian-UCLA diesel fuel tracking index suggesting that trucking activity was subdued in April.

Higher requirements from South America, mainly from Chile and Colombia, continued to lend support, while distillate stocks in the US fell further during the month to stand at around 118 mb, the lowest level since the end of 2008.

Healthy exports to Latin America and arbitrage opportunities to Europe have limited the downside. The gasoil crack on the US Gulf Coast showed a slight loss of $1, averaging $28/b in May.

Fuel oil cracks reversed the rising trend seen during the last three months due to lack of arbitrage cargoes to the Asia-Pacific and the Caribbean regions, despite prices falling along the US Gulf Coast.

The fuel oil crack fell more than $5 in May to average $9/b.

European market

Europe gasoline crack recovery was very short-lived

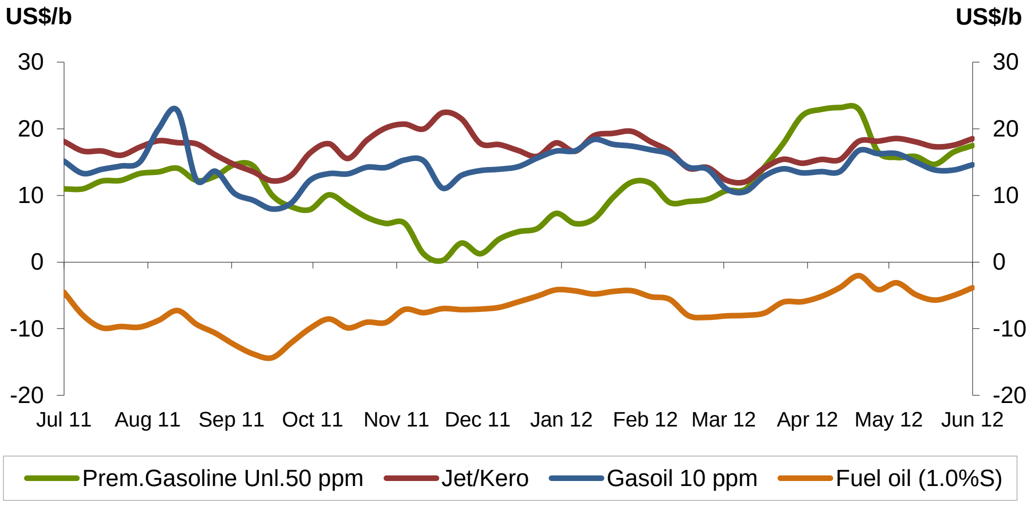
Product market sentiment turned bearish as light distillates lost momentum due to news about closed refineries re-starting in the Atlantic Basin, which eased the tightness in gasoline, and with naphtha suffering from poor demand in the petrochemical sector.

The tight situation in the European gasoline market eased with the return of several refineries from maintenance or temporary closures, leading to increased supply ahead of the driving season. This, along with lacklustre domestic demand, caused the gasoline cracks to partially retreat from the high levels seen in April. Nevertheless, the European gasoline market continued to be supported by strong export opportunities to West Africa and the US, helping to cap losses.

The gasoline crack spread against Brent crude showed a loss of almost $5 since the end of April, to stand around $17/b during the last weeks.

The naphtha market disappointed last month and the crack plummeted to hit the lowest level seen this year — minus $15/b — due to weaker demand from the European petrochemical industry, as poor regional demand forced petrochemical units to reduce their run rates. Additionally, the strong competition of cheaper propane as an alternative feedstock continued to exert pressure, along with the lack of arbitrage opportunities to Asia causing an oversupply in the European naphtha market.

Graph 6.4: Rotterdam crack spreads vs. Brent, 2011-2012



Middle distillate cracks managed to keep the gain from the previous month on the back of a balanced market amid a reduction in crude prices.

Despite lower demand in the region, the buying interest from the Mediterranean was relatively healthy, with higher diesel requirements from Turkey and France, which, along with ample exports to South America, lent support to the diesel market. This offset the pressure coming from the supply side with some refineries re-starting after maintenance and higher inflows from the US and Asia.

Additional support came from falling ARA stocks and lower exports from Russia. The gasoil crack spread against Brent crude at Rotterdam kept the gains from last month at around $15/b.

At the bottom of the barrel, fuel oil cracks lost part of the increase seen in April due to oversupply in the region, caused by higher inflows from Russian Baltic terminals and lower export opportunities from Europe.

On the other hand, some support came from utilities and bunker demand in the Mediterranean, capping losses.

The Northwest European fuel oil crack spread against Brent showed a loss of $1 this month, to stand at minus $4.5/b.

Asian market

Light distillates retreat on lack of demand

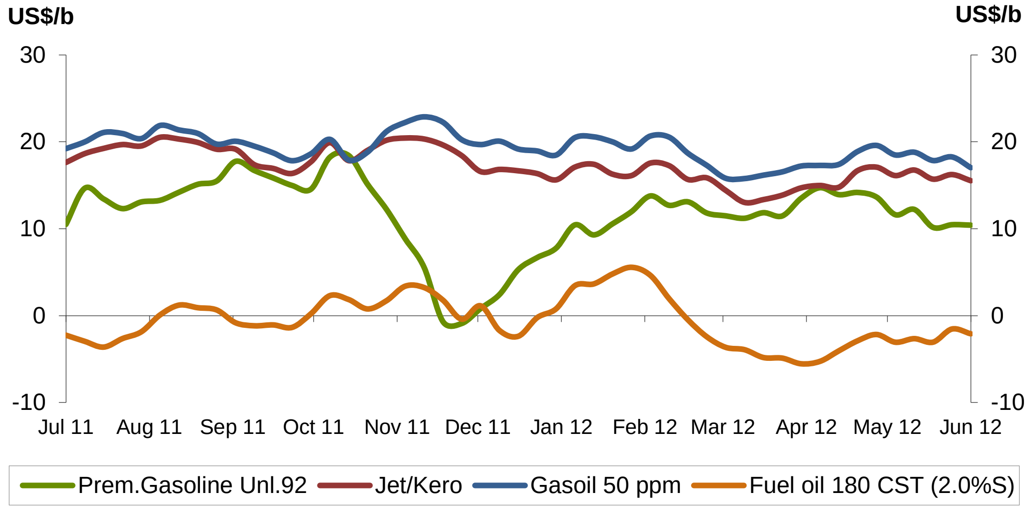
Cracking margins lost momentum as Asian refineries returned from maintenance along with poor light distillate demand, despite the strength seen in the middle and bottom of the barrel.

The gasoline crack failed to retain last month's rise and lost momentum due to supply side pressure. Chinese, South Korean and Indian gasoline exports began to increase, in line with the end of local refinery maintenance. Although these increasing supplies were counterbalanced to some extent by healthy regional demand — specifically from Indonesia, Pakistan and Vietnam — the gasoline crack fell, given the bearish Asian light distillates market.

The gasoline crack spread against Dubai crude in Singapore retreated from an average of $14/b in April to around $11/b in May.

Naphtha cracks plummeted to their lowest levels seen this year — minus $10/b — as a result of increasing pressure from high availability in the region and falling demand. The main bearish factors have been the petrochemical sector, which has been considering implementing run cuts due to the lower demand for plastics, LPG having become the cheaper feedstock, which has impacted naphtha demand, and the overall poor economic outlook.

Graph 6.5: Singapore crack spreads vs. Dubai, 2011-2012



Unplanned refinery shutdowns offset the additional supply coming from several refineries returning from maintenance, thus keeping the middle distillate market well balanced.

The return of several refineries from maintenance in Japan, India and South Korea has kept gasoil supplies on the rise. However, the market has remained relatively tight, boosted by an unexpected shutdown of a Vietnamese refinery and healthy, regional demand, which has remained supportive, especially from Pakistan, Vietnam, India and Sri Lanka.

The gasoil crack spread in Singapore against Dubai averaged around $18/b in May, remaining unchanged from the level seen during the previous month.

The Singapore fuel oil crack strengthened, mainly on the back of healthy regional demand for power generation as well as bunker fuel. The requirements from South Korean utilities were particularly high and are expected to continue in the short term due to maintenance at nuclear power plants. Japanese utilities also added support as the country's fuel oil requirements increased to compensate for the loss of nuclear capacity.

Higher inflow volumes arriving from the Black Sea have been offset by healthy bunker demand.

The fuel oil crack spread in Singapore against Dubai increased by $1 to an average of around minus $2.5/b in May.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d			Refinery utilization, %		
	Apr 12	May 12	May/Apr	Apr 12	May 12	May/Apr
US	14.50	14.60	0.10	84.78	85.43	0.65
France	1.22	-	-	70.81	-	-
Germany	1.85	-	-	77.53	-	-
Italy	1.36	-	-	58.32	-	-
UK	1.40	-	-	78.49	-	-
Euro-16	10.40	10.11	-0.29	79.40	77.20	-2.20
Japan	3.57	3.18	-0.39	75.48	71.10	-4.38

Sources: OPEC statistics; Argus; Euroilstock Inventory Report; IEA; EIA/DoE; METI; PAJ.

Table 6.2: Refined product prices, US$/b

		Mar 12	Apr 12	May 12	*Change* May/Apr
US Gulf (Cargoes):					
Naphtha		126.40	120.79	111.69	-9.10
Premium gasoline	*(unleaded 93)*	142.89	149.34	138.08	-11.25
Regular gasoline	*(unleaded 87)*	135.40	136.70	121.73	-14.97
Jet/Kerosene		137.31	135.68	125.27	-10.41
Gasoil	*(0.05% S)*	134.57	132.18	122.38	-9.80
Fuel oil	*(1.0% S)*	117.07	117.95	103.57	-14.38
Fuel oil	*(3.0% S)*	113.31	110.49	98.48	-12.01
Rotterdam (Barges FoB):					
Naphtha		118.19	114.89	97.01	-17.87
Premium gasoline	*(unleaded 10 ppm)*	119.73	121.03	107.71	-13.31
Premium gasoline	*(unleaded 95)*	140.30	141.82	126.22	-15.60
Jet/Kerosene		138.92	136.71	128.15	-8.56
Gasoil/Diesel	*(10 ppm)*	137.55	135.01	124.84	-10.18
Fuel oil	*(1.0% S)*	118.05	116.36	105.70	-10.65
Fuel oil	*(3.5% S)*	111.59	108.98	100.23	-8.75
Mediterranean					
Naphtha		115.82	111.66	94.66	-17.00
Premium gasoline	*(50 ppm)*	140.57	142.09	124.04	-18.05
Jet/Kerosene		133.59	131.47	122.80	-8.67
Gasoil/Diesel	*(50 ppm)*	124.88	122.58	111.75	-10.83
Fuel oil	*(1.0% S)*	119.09	116.54	105.45	-11.09
Fuel oil	*(3.5% S)*	110.63	107.73	100.00	-7.73
Singapore (Cargoes):					
Naphtha		119.36	114.95	98.40	-16.55
Premium gasoline	*(unleaded 95)*	136.38	135.19	121.57	-13.62
Regular gasoline	*(unleaded 92)*	134.24	131.78	118.19	-13.60
Jet/Kerosene		136.21	133.43	123.38	-10.05
Gasoil/Diesel	*(50 ppm)*	138.64	135.85	125.40	-10.45
Fuel oil	*(180 cst 2.0% S)*	117.78	113.98	105.23	-8.75
Fuel oil	*(380 cst 3.5% S)*	114.97	112.50	103.62	-8.88

Tanker Market

Global spot fixtures increased in May, supported by OPEC fixtures increase

Global oil fixtures increased by 4% im May to stand at 19.34 mb/b, supported mainly by OPEC fixtures, which increased by 12% from the month before to reach 11.65 mb/d. The increase in OPEC fixtures was driven by westbound fixtures, mainly on the return of refineries from maintenance.

Preliminary estimates showed that OPEC sailings remained almost flat in May, to stand at 24.12 mb/b. Compared with the same period a year ago, OPEC sailings increased by 6% in May.

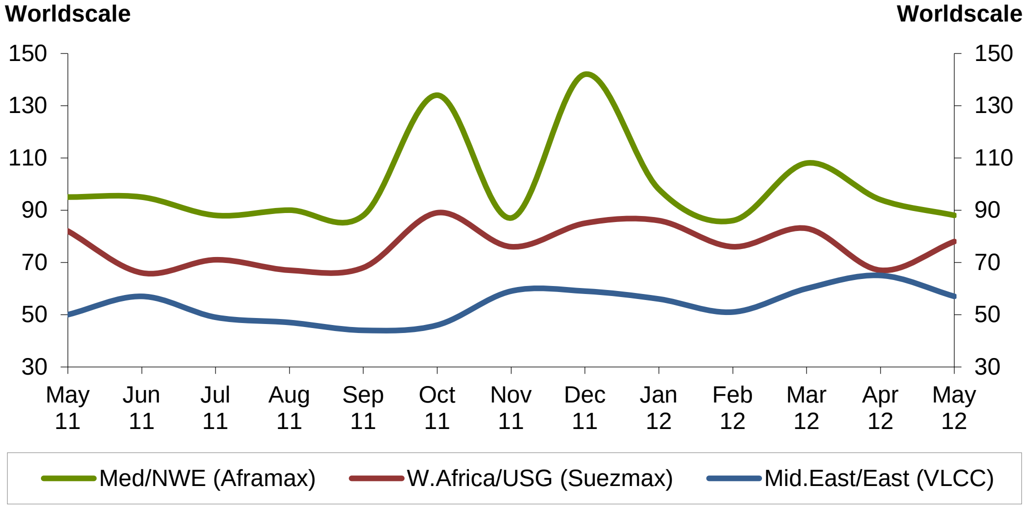
Table 7.1: Tanker chartering, sailings and arrivals, mb/d

	Mar 12	Apr 12	May 12	*Change* May/Apr
Spot Chartering				
All areas	21.12	18.52	19.34	0.82
OPEC	12.63	10.41	11.65	1.24
Middle East/East	7.91	6.26	5.80	-0.45
Middle East/West	1.37	1.42	2.33	0.92
Outside Middle East	3.34	2.74	3.52	0.78
Sailings				
OPEC	23.35	24.15	24.12	-0.02
Middle East	17.36	17.98	17.89	-0.09
Arrivals				
North America	8.47	8.90	9.89	0.99
Europe	12.09	12.16	12.03	-0.13
Far East	8.33	8.73	8.93	0.20
West Asia	4.63	4.33	4.32	-0.01

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

According to preliminary data, arrivals at the main importing regions showed mixed patterns in May. North America and Far East arrivals gained by 11% and 2% respectively, while Europe arrivals declined by a slight 1% and West Asia arrivals remained steady in May from April. Compared with the same month last year, North America arrivals remained flat, while whole those from the Far East and Europe increased.

Graph 7.1: Tanker chartering, sailings and arrivals, mb/d



Tanker market sentiment for dirty and clean vessels showed a mixed pattern in May, compared with the previous month. In the dirty market, average spot freight rates for VLCCs dropped by 8%, while average spot freight rates for Suezmax and Aframax gained 8% and 1% respectively. In the clean market, East and West of Suez average spot freight rates declined by 2%.

Dirty tanker spot freight rates were mixed in May

VLCC spot freight rates on all reported routes declined in May from the previous month, with Middle East-to-East rates experiencing the largest drop of 12% to average WS57 points. This decline, the first since February, was driven mainly by excess tonnage availability, as a result of lower liftings for South Korea, India and China. Rates for the Middle East-to-West and West Africa-to-East routes decreased by 5% and 6% in May to average WS41 and WS60 points respectively. Tonnage over-supply, lower liftings of African crude by Asian buyers and different holidays during the month were behind the declines.

Suezmax average spot freight rates gained 8% in May to stand at WS72 points. Rates for Suezmax operating on the West Africa-to-US Gulf route increased by 16% to WS78 points, while rates from NW Europe to the US declined by 2% to WS66 points. The healthy gain in rates from West Africa to the US came mainly on the back of the high requirement for West African crude by US refiners, while the drop in NW Europe-to-US rates was partially driven by lower UK and North Sea crude oil liftings.

Aframax spot freight rates declined on all reported routes in May, with the exception of the Caribbean-to-the US route, where they increased by 20% to stand at WS117 points. The decline came from the Mediterranean market, where Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe rates dropped by 7% and 6% to average WS87 points and WS88 points respectively. The healthy gain in rates from the Caribbean to the US was supported by Latina America's increased exports, mainly from Brazil, while the declines in both Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe rates were driven mainly by tonnage availability, an improvement in weather-related delays in the Turkish strait and reduced tonnage requirements from some refiners in Europe. Rates on the Indonesia-to-East route declined by 5% in May to average WS84 points. This decline came on the back of lower trade in the regions, since many refineries were shut down for maintenance.

Table 7.2: Spot tanker crude freight rates, Worldscale

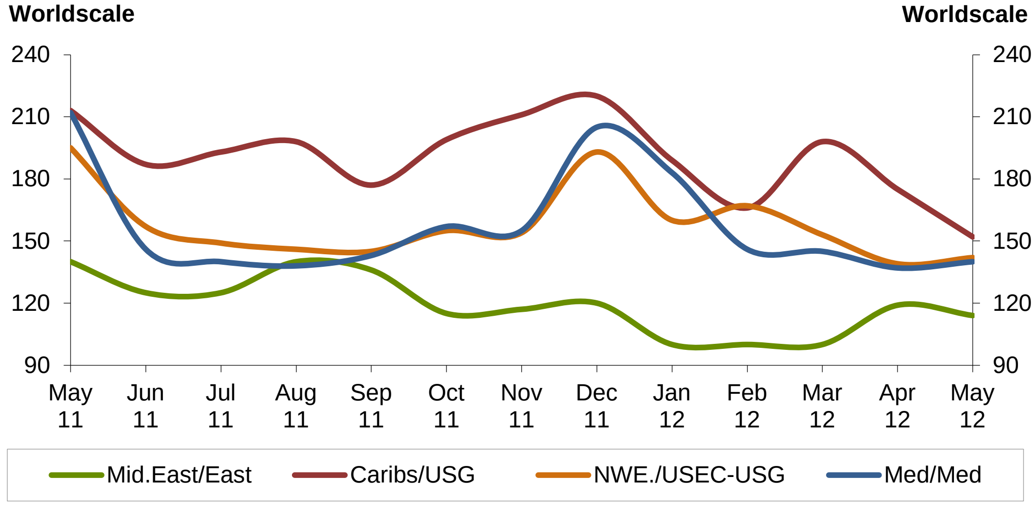
	Size *1,000 DWT*	**Mar 12**	**Apr 12**	**May 12**	**Change May/Apr**
Crude					
Middle East/East	230-280	60	65	57	-8
Middle East/West	270-285	38	43	41	-2
West Africa/East	260	61	64	60	-4
West Africa/US Gulf Coast	130-135	83	67	78	11
NW Europe/USEC-USGC	130-135	68	67	66	-1
Indonesia/US West Coast	80-85	91	88	84	-4
Caribbean/US East Coast	80-85	109	98	117	19
Mediterranean/Mediterranean	80-85	106	93	87	-6
Mediterranean/North-West Europe	80-85	108	94	88	-6

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

Clean tanker market sentiment bearish in May

Clean tanker market sentiment was bearish in May, compared with the previous month, as East-of-Suez average spot freight rates decreased by 2.4% to WS120 points and West-of-Suez rates dropped by 2.3% to WS146 points. East of Suez, Middle East-to-East rates declined by 4% to WS114 points, partially on the back of lower naphtha and jet fuel activity. However, Singapore-to-East rates remained flat at WS126 points in May, due to a balanced tonnage position.

Graph 7.2: Monthly averages of clean spot freight rates



West of Suez, Caribbean-to-US clean spot freight rates declined by 13% in May from April to stand at WS152 points, while Northwest Europe-to-US, Mediterranean-to-Mediterranean and Mediterranean-to-NW Europe rates gained 2% to stand at WS 142, WS140 and WS150 points respectively. Open arbitrage supported the gains in the NW Europe-to-US rates, while increased product requirements from North Africa and open arbitrage with Asian buyers supported overall Mediterranean clean rates.

Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	Mar 12	Apr 12	May 12	Change May/Apr
Products					
Middle East/East	30-35	100	119	114	-5
Singapore/East	30-35	121	127	126	-1
Caribbean/US Gulf Coast	38-40	198	175	152	-23
NW Europe/USEC-USGC	33-37	153	139	142	3
Mediterranean/Mediterranean	30-35	145	137	140	3
Mediterranean/North-West Europe	30-35	155	147	150	3

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

Oil Trade

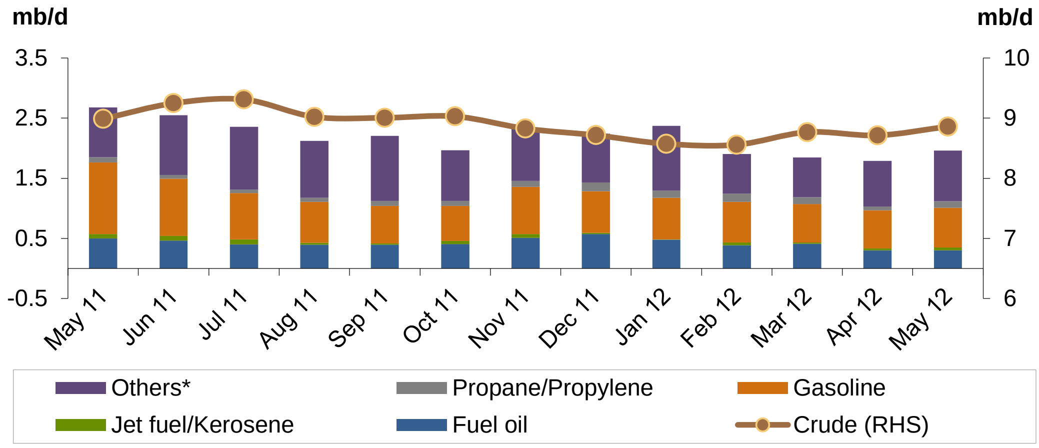
US crude oil imports increased 146.5 tb/d in May to 8.9 mb/d

US

Preliminary data indicates that US crude oil imports increased by 146.5 tb/d or 1.7% to 8.9 mb/d m-o-m in May. Imports on a y-o-y basis in May were 127.7 tb/d or 1.4% lower compared to last year's level, when they were registered at 8.9 mb/d.

Product imports increased 2.0 mb/d to 168.77 tb/d, 9.4% higher compared to the previous month. In y-o-y terms, a drop of 0.72 mb/d or 26.9% was registered. Year-to-date, crude oil imports showed a slight decline of 83 tb/d or 0.9% to a level of 8.7 mb/d. The year-to-date data concerning products showed a decline of 0.73 tb/d or 26.8% to a level of 1.98 mb/d.

Graph 8.1: US imports of crude and petroleum products

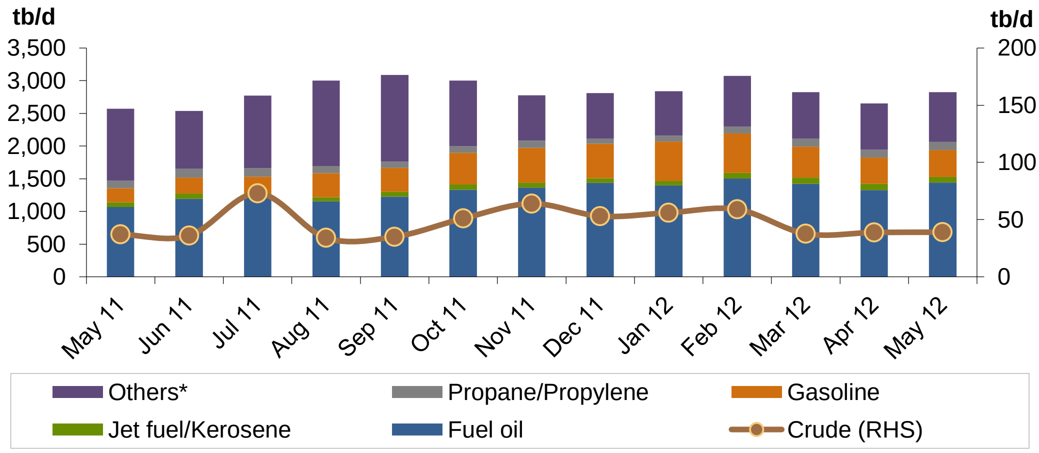


**Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene.*

Product exports decreased to 2.83 mb/d in May, a decline of 136.6 tb/d or 5.1% m-o-m and 220.6 tb/d or 8.47% y-o-y.

As a result, **US net oil imports increased in May to 7.96 mb/d, up by 178 tb/d or 2.3% m-o-m**. However, net oil imports remained almost 1.07 mb/d or 11.9% below the previous year's level.

Graph 8.2: US 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.*

The US imported around 4.08 mb/d of crude oil from OPEC Members in March, representing a share of 46.5% of total US imports. This was an increase of 291 tb/d or 7.7% m-o-m. Canada remained the main supplier with 2.46 mb/d or 28.1%, followed by Saudi Arabia with 1.37 mb/d or 15.6%, Mexico with 0.95 mb/d or 10.8%, Venezuela with

0.94 mb/d or 10.7%, and Kuwait with 0.46 mb/d or 5.20%.

On the product side, US imports from OPEC Members in March have increased by 37 tb/d or 18.7% to an average of around 235 tb/d. OPEC holds a share of 9.9% of total US product imports. Canada and Russia remained the main suppliers accounting for 469 tb/d or 19.8% and 238 tb/d or 10.0%, respectively, followed by the Netherlands with 143 tb/d or 6.0%, Algeria with 141 tb/d or 5.9%, and the UK with 132 tb/d or 5.6%.

Table 8.1: US crude and product net imports, tb/d

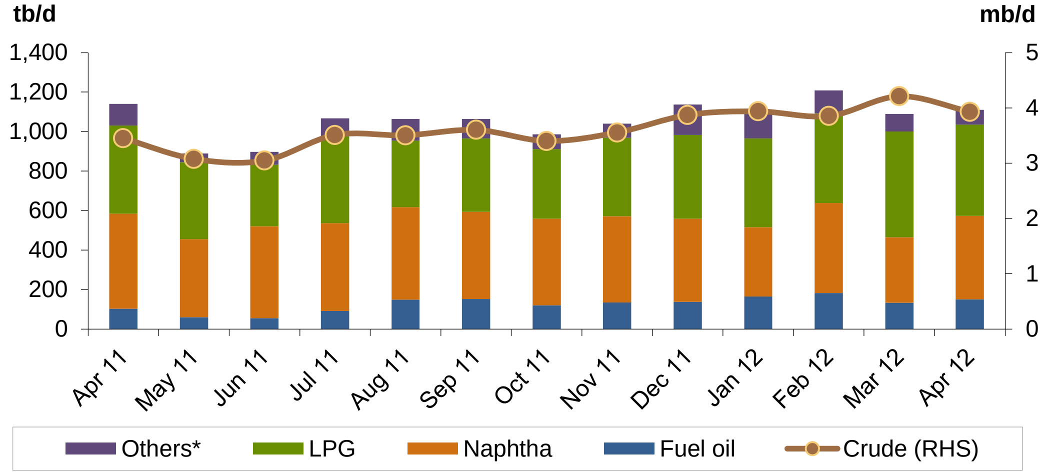
	Mar 12	Apr 12	May 12	*Change* May/Apr
Crude oil	8,729	8,675	8,821	146
Total products	-979	-898	-866	32
Total crude and products	**7,964**	**7,777**	**7,956**	**178**

Japan

Japan's crude oil imports decreased 278 tb/d in April to 3.93 mb/d

Japan's crude oil imports declined in April to 3.93 mb/d, representing a decline of 278 tb/d or 6.6% from a month earlier. Y-o-y, this represents an increase of 479 tb/d or 13.9%.

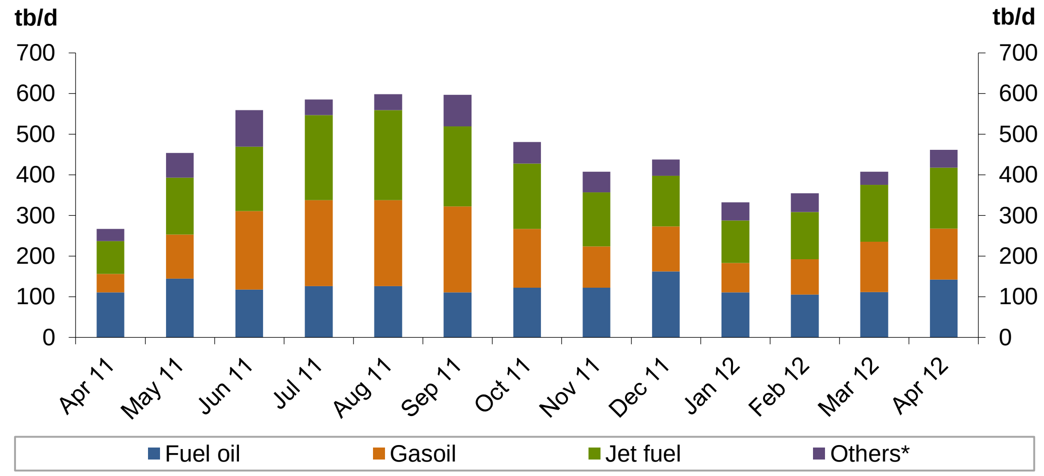
Graph 8.3: Japan's imports of crude and petroleum products



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

Product imports, including LPG, increased to 1.11 mb/d, which represents growth of 21 tb/d or 1.9% m-o-m and a decrease of 30 tb/d or 2.7% on a y-o-y basis.

Graph 8.4: Japan's exports of petroleum products



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

Product exports, including LPG, increased in April by 54 tb/d or 13.3%, averaging 0.46 mb/d. On a y-o-y basis, there was an increase of 195 tb/d or 72.9%.

As a result, **Japan's net oil imports decreased in April by 312 tb/d or 6.4% to 4.58 mb/d from a month before**. On a y-o-y basis, there was an increase of 254 tb/d or 5.9%. The decrease can be attributed to the net trade in crude oil, which declined by 278 tb/d or 6.6% on a m-o-m basis.

Table 8.2: Japan's crude and product net imports, tb/d

	Feb 12	Mar 12	Apr 12	*Change Apr/Mar*
Crude oil	3,853	4,209	3,931	-278
Total products	855	682	649	-33
Total crude and products	**4,708**	**4,891**	**4,579**	**-312**

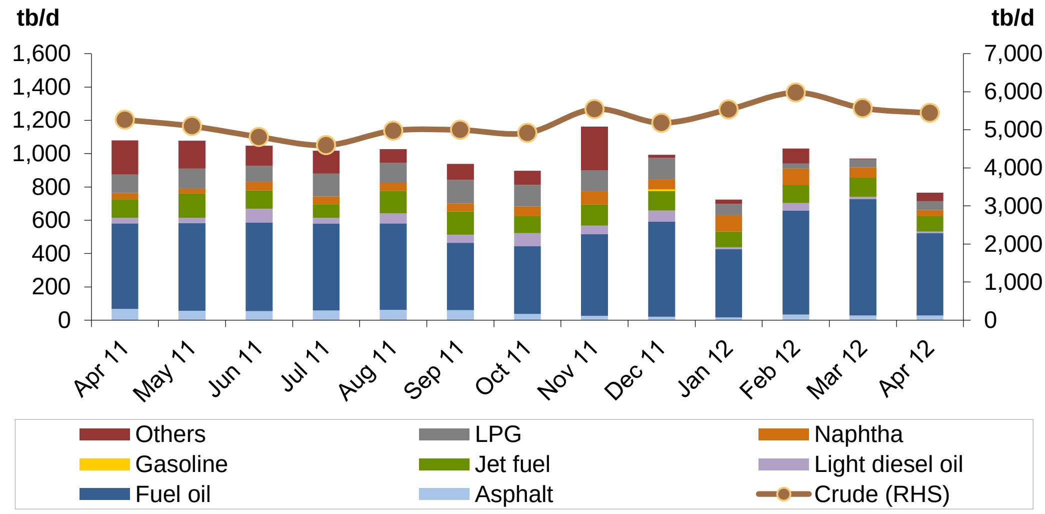
China

China's crude oil imports declined 129 tb/d in April to 5.44 mb/d

China's crude oil imports declined in April by 129 tb/d or 2.3% m-o-m to 5.44 mb/d. On a y-o-y basis, China's crude oil imports increased by 176 tb/d or 3.3%.

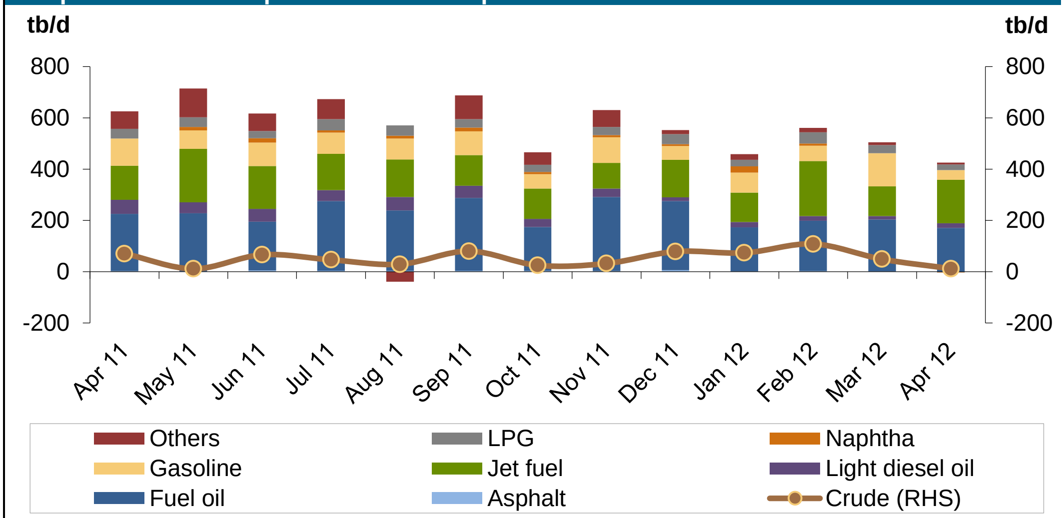
Product imports have registered a decrease of 198 tb/d or 20.5% in April, m-o-m. On a y-o-y basis, there was a decrease of 314 tb/d or 29.1%.

Graph 8.5: China's imports of crude and petroleum products



China's crude oil exports in April decreased by around 36 tb/d or 74.8% to a current level of 12 tb/d from a level of 49 tb/d m-o-m. Comparing the crude exports on a y-o-y basis, there has been a decrease of 59 tb/d or 82.8%.

Graph 8.6: China's exports of crude and products



Oil product exports in April decreased by around 16.5% or 84 tb/d m-o-m. Y-o-y, they dropped by 205 tb/d or 32.7%.

As a result, **China's total net oil imports decreased in April by 207 tb/d or 3.5% m-o-m to stand at 5.77 mb/d.** The decrease can be attributed mainly to product net imports which decreased by 114 tb/d or 24.9% to a level of 0.34 mb/d.

The top five suppliers to the Chinese market were Saudi Arabia with 1.07 mb/d (19.7%), followed by Angola with 0.92 mb/d (16.9%), Russia with 0.45 mb/d (8.3%) and Oman with 0.36 mb/d (6.6%).

Table 8.3: China's crude and product net imports, tb/d

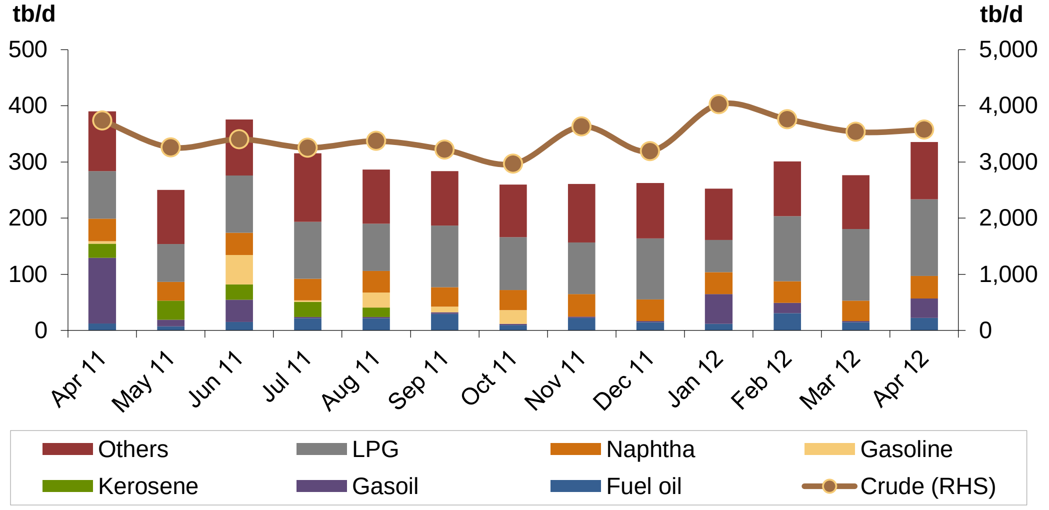
	Feb 12	Mar 12	Apr 12	*Change* Apr/Mar
Crude oil	5,867	5,520	5,427	-93
Total products	469	458	344	-114
Total crude and products	**6,336**	**5,979**	**5,771**	**-207**

India

India's crude oil imports increased 38 tb/d in April to 3.57 mb/d

India's crude oil imports increased 38 tb/d or 1.1% m-o-m in April to stand at a level of 3.57 mb/d. Y-o-y, India's crude oil imports decreased by 166 tb/d or 4.4% compared to the 2011 level.

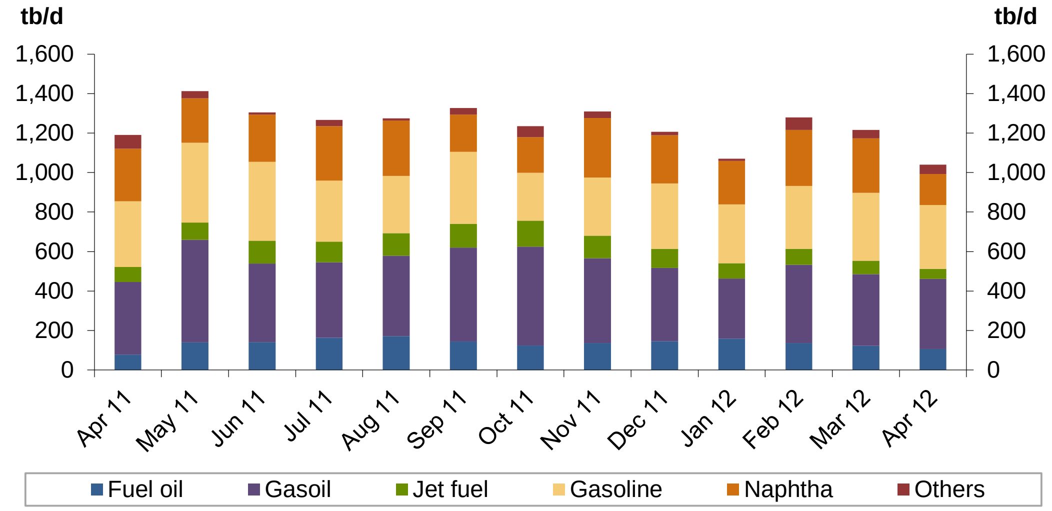
Graph 8.7: India's imports of crude and petroleum products



Product imports in April increased by 60.0 tb/d or 21.6% compared to the previous month to an average of 336 tb/d. The rise of diesel and fuel oil imports in April was the main contributors to this increase. In y-o-y terms, product imports are 55 tb/d or 14.0% lower this year.

On the export side, products decreased by 174 tb/d or 14.3% in April m-o-m, to stand at 1.04 mb/d. The decrease was caused by reduced exports of naphtha, jet fuel and fuel oil, representing 119.0 tb/d (43.1%), 18.7 tb/d (27.3%) and 15.4 tb/d (12.7%), respectively. Product exports decreased by 150.0 tb/d or 12.6% in April y-o-y.

Graph 8.8: India's exports of petroleum products



As a result**, India's net oil imports increased 271 tb/d or 10.5% to an average of 2.87 mb/d.** On a y-o-y comparison, there was a decrease of 71 tb/d or 2.4%.

Table 8.4: India's crude and product net imports, tb/d

	Feb 12	Mar 12	Apr 12	*Change* Apr/Mar
Crude oil	3,761	3,534	3,572	38
Total products	-978	-939	-705	234
Total crude and products	**2,783**	**2,596**	**2,867**	**271**

Note: India data table does not include information for crude import and product export by Reliance Industries.

FSU

In April, FSU crude exports rose 4.3% to 6.62 mb/d and product exports rose 4.0% to 2.84 mb/d

Total FSU crude exports rose by 4.3% to 6.62 mb/d. The increased supply could be attributed to the tendency of Russian companies to boost their exports during the scheduled refinery maintenance of April and May. Pipeline crude exports also rose by 5.0% to 4.28 mb/d compared to the month before.

Supplies of Russian ESPO Blend to China rose by 3.3% to 309 tb/d in May, while exports from Russia's far eastern port of Kozmino increased by 11.6% to 318 tb/d. CPC exports rose by 26.3% to 753 tb/d and BTC Blend exports slightly declined by 1.5% to 735 tb/d.

The Kazakh crude transit shipments through Russia by rail declined by 14.7% in April to 168 tb/d after increased shipments in March, which were the result of increased deliveries of Tengiz crude to the Ukrainian port of Feodosiya.

Along the Transneft pipeline system, the overall crude exports from Russia increased to 4.28 mb/d despite some changes in flows. Black sea exports rose by 7.8% to 907 tb/d compared to the month before. Baltic exports increased sharply by 29.7% to 1.88 mb/d as Russian producers searched for outlets to sell extra Urals normally taken by domestic refiners currently undergoing maintenance.

FSU total product exports rose in April by 4.0% or 368 tb/d to 2.84 mb/d. The m-o-m increase was due to a rise in vacuum gasoil, which increased by 68 tb/d or 38.0% to a level of 247 tb/d, and naphtha, which increased by 46 tb/d or 17.3% to a level of 312 tb/d on the month. offsetting a decline in gasoil by 71 tb/d or 7.9% to a level of 831 tb/d.

Table 8.5: Recent FSU exports of crude and products by sources, tb/d

	2010	2011	3Q11	4Q11	1Q12	Mar 12	Apr 12*
Crude							
Russian pipeline							
Black Sea	994	935	951	930	876	841	907
Baltic	1,564	1,461	1,342	1,526	1,444	1,452	1,883
Druzhba	1,126	1,170	1,178	1,241	1,243	1,243	1,103
Kozmino	309	306	319	295	307	285	318
Total	**4,005**	**4,178**	**4,087**	**4,310**	**4,161**	**4,074**	**4,279**
Other routes							
Russian rail	330	173	137	213	176	207	178
Russian-Far East	276	279	260	272	269	269	256
Kazakh rail	123	157	126	198	167	197	168
Vadandey	152	82	67	81	46	51	35
Kaliningrad	24	23	22	26	24	23	16
CPC	743	679	668	640	622	596	753
BTC	775	695	691	643	727	746	735
Kenkiyak-Alashankou	204	222	240	180	207	238	184
Caspian	239	170	123	146	169	146	185
Total crude exports	**6,750**	**6,500**	**6,295**	**6,511**	**6,401**	**6,350**	**6,620**
Products							
Gasoline	141	149	101	124	155	121	133
Naphtha	253	243	246	204	277	266	312
Jet	18	10	16	2	3	7	3
Gasoil	809	716	711	688	848	902	831
Fuel oil	1,129	1,201	1,330	1,239	1,260	1,263	1,312
VGO	228	198	189	168	180	179	247
Total	**2,578**	**2,518**	**2,594**	**2,426**	**2,723**	**2,738**	**2,836**
Total oil exports	**9,328**	**9,018**	**8,889**	**8,937**	**9,124**	**9,088**	**9,456**

** Preliminary*
Totals may not add due to independent rounding.

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

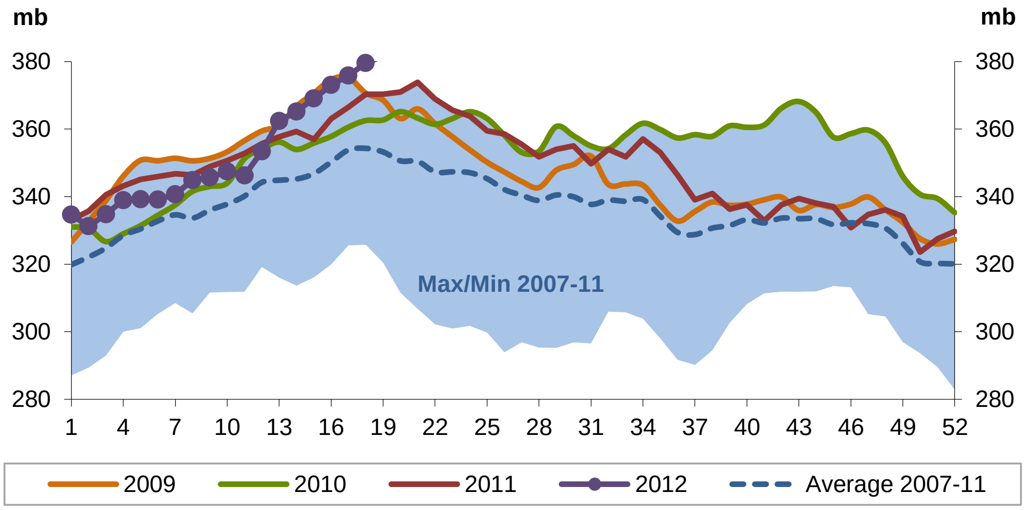
Stock Movements

US commercial stocks rose considerably in May by nearly 18 mb

US

US total commercial oil stocks reversed the draw of the previous month and rose considerably — by 17.7 mb to end May at 1087.3 mb, the highest level since November 2011. Thus, inventories stood at 9.1 mb or 0.8% above the level a year ago, while the surplus with the five-year average was 29.7 mb or 2.8%. The build was attributed to both crude and products as they increased by 8.8 mb and 9.0 mb, respectively.

Graph 9.1: US weekly commercial crude oil inventories



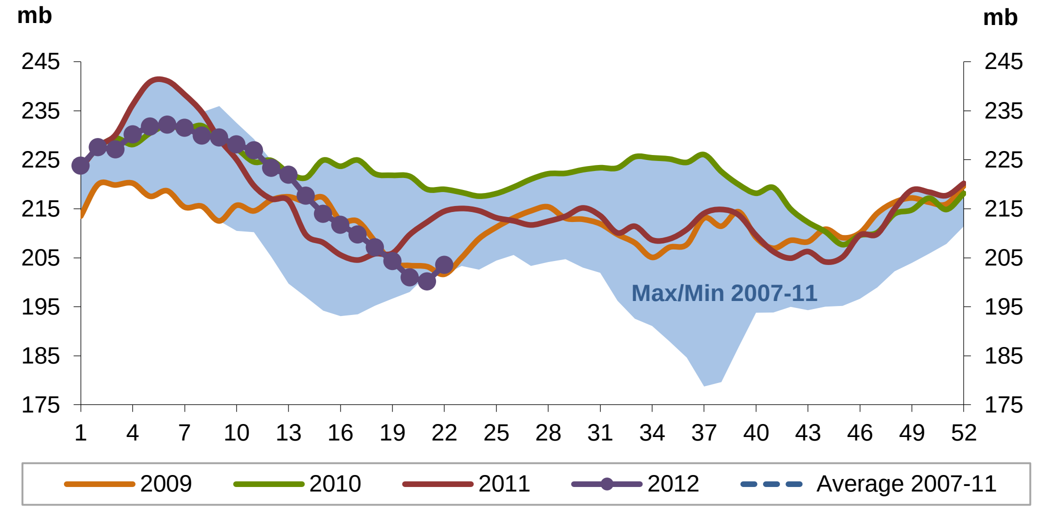
In May, **US commercial crude stocks** continued the upward trend of the last five months, increasing 8.8 mb for a cumulative build since the start of this year of around 53.7 mb. Having reached a total of 384.6 mb, they stood at the highest level since 1990, widening the surplus with a year ago to 14.9 mb, from 6.5 mb a month earlier. The gain versus the five-year average widened more and stood at 35.7 mb in May from 23.3 mb a month ago. This build came from continued strong crude imports and domestic production. Indeed, US crude imports averaged 8.9 mb/d in May, around 150,000 b/d more than the previous month. Higher crude imports in the US reflect rising inflows from Canada as well as shale production.

An increase in crude oil refinery input in May from the previous month, averaging 15.2 mb/d, limited the gains in crude oil stocks. US crude runs rose by more than 600,000 b/d over a month ago, to stand at around 380,000 b/d higher compared to the same time a year ago. In May, US refineries operated at 89.1%, which was 4.3 percentage points (pp) higher than in the previous month and 3.4 pp above the same month last year.

Adding to the bearish sentiment for the US crude market, Cushing stocks rose by 4.8 mb in May to reach an all-time high of 47.8 mb. However, this number should begin to fall as some volumes flow south on the reversed Seaway pipeline.

Looking forward, US crude inventories should continue building in other areas as US crude oil imports are expected to rise, reflecting strong OPEC production. But the build in US crude oil inventories could be limited by expected higher crude runs.

Graph 9.2: US weekly gasoline stocks



Product stocks reversed the drop of the last four consecutive months and increased by 9.0 mb in May to end the month at 702.7 mb. Despite this build, they showed a deficit of 5.8 mb or 0.8% over the same time last year and were 6.0 mb or 0.8% lower than the five-year average.

All the build in products came from propylene and unfinished products, while major products such as gasoline and distillates showed a drop. Gasoline stocks fell by 6.2 mb for the fourth consecutive month, ending at 203.5 mb. At this level, gasoline stocks stood at 10.4 mb or 4.9% below the same period last year and showed a deficit over the seasonal norm of 5.5 mb or 2.6%. The stock-draw in gasoline came from higher demand, which averaged 8.8 mb/d. This was around 130,000 b/d more than a month ago but much lower than during the same period last year, when demand stood almost at 9.2 mb/d. Continued strong exports also contributed to the drop in gasoline, while steady gasoline production limited the fall in gasoline stocks. Gasoline output averaged 9.1 mb/d, around 200,000 b/d above the previous month but still 250,000 b/d less than the same period a year ago. It should be noted that during the week ending 1 June, US gasoline stocks rose by 2.3 mb after several weeks of decline, mainly reflecting higher production.

Table 9.1: US onland commercial petroleum stocks, mb

	Mar 12	Apr 12	May 12	Change May 12/Apr 12	May 11
Crude oil	368.1	375.9	384.6	8.8	369.7
Gasoline	218.8	209.7	203.5	-6.2	213.9
Distillate fuel	133.8	124.0	120.0	-4.0	144.7
Residual fuel oil	36.3	32.6	31.0	-1.6	36.9
Jet fuel	39.1	39.7	39.8	0.1	41.3
Total	**1081.1**	**1069.6**	**1087.3**	**17.7**	**1078.2**
SPR	696.0	696.0	696.0	0.0	726.5

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

Distillate stocks also saw a fall of 6.2 mb in May, following five months of decline and having lost nearly 30.0 mb since the beginning of the year. At 120.0 mb, they were 24.6 mb or 17.0% below the same period last year and 18.1 mb or 13.1% below the seasonal norm. This drop came mainly on the back of stronger exports as higher production limited the decrease. The healthy distillate output, reaching nearly 4.7 mb/d, has alleviated some pressure on the distillate market since, after several weeks of inventory decline, distillate stocks rose during the week ending 1 June by 2.2 mb. Distillate demand decreased in May, averaging 3.7 mb/d and contributing to the build in distillate stocks.

Residual oil stocks continued their downward trend and fell for the second consecutive month — by 1.6 mb — to end May at 31.0 mb. At this level, they were 5.8 mb or 15.9%

lower than the same month a year ago and 8.5 mb or 21.4% below the latest five-year average. Jet fuel oil stocks remained almost unchanged from the previous month to stand at 39.8 mb. At this level, they were 1.5 mb or 3.5% lower than a year ago, and 2.6 mb or 6.2% less than the seasonal norm.

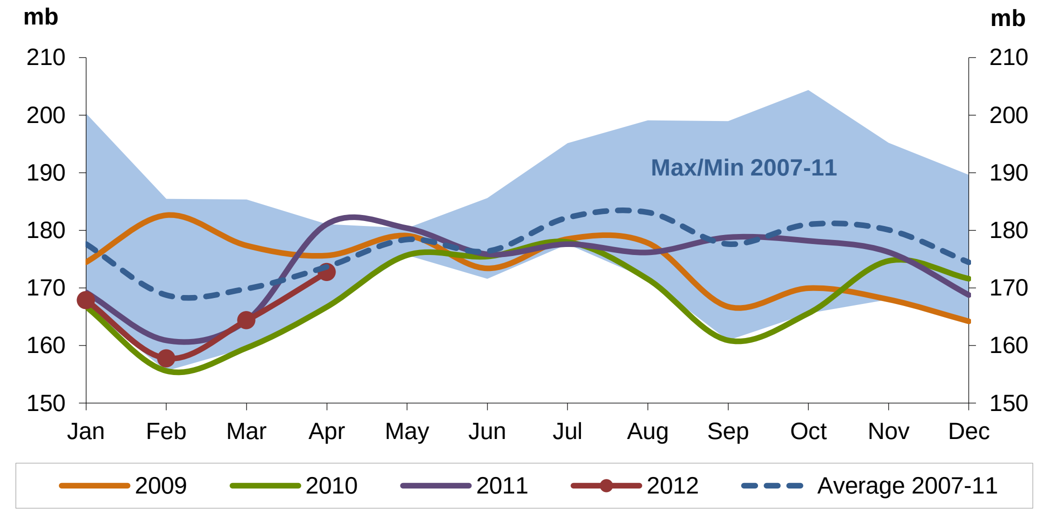
Japan

Japan's commercial oil stocks built further in April, rising by 8.4 mb

In April, **commercial oil stocks** in Japan rose by 8.3 mb for the second consecutive month to stand at 172.7 mb, the highest level since November 2011. However, despite this build, they stood at 8.4 mb or 4.6% below a year ago at the same period and almost at the same level as the latest five-year average. The total stock-build was divided between crude and products as they rose by 2.8 mb and 5.7 mb, respectively.

Japanese commercial crude oil stocks grew further in April, increasing by 2.8 mb to stand at 103.6 mb, the highest level since July 2011. Despite this build, they indicated a deficit of 1.5 mb or 1.4% compared to the same time the previous year. However, they remained at 1.6 mb or 1.5% above the seasonal average. This build came mainly from lower crude throughput, which decline by 150,000 b/d or 4.1% to an average of 3.5 mb/d. However, this level still remained at 8.2% above the level reached at the same time a year ago. The refiners in Japan were running at 78.8%, which was 3.0 percentage points (pp) lower than in the previous month but much higher — 8.2 pp — than the same period last year. The build in crude oil stocks came despite lower crude imports in April declining by around 280,000 b/d, to stand at 3.9 mb/d. But this level rose by 10.2% year-on-year. It should be highlighted that direct crude burning in power plants continued to spike more than a year after Japan's Fukushima crisis. April's figures stood at around 320,000 b/d, more than the double the level in April 2011 and about 41,000 b/d higher than the previous month, when Japan's direct burning stood at 281,000 b/d.

Graph 9.3: Japan's commercial oil stocks



Japan's total product inventories reversed the decline that occurred in the last two months and rose by 5.7 mb to end the month of April at 69.2 mb. At this level, they still remained at 6.9 mb or 9.0% below the previous year during the same period and 2.5 mb or 3.5% less than the seasonal average. This stock-build for total products came on the back of weaker domestic product sales, which declined by about 570,000 b/d or 15.3% to average 3.14 mb/d. But at this level, Japanese demand was 4.7% higher than a year earlier and represented the fifth straight month of gains. Higher imports also contributed to the build in product stocks. In fact, product imports rose by around 95,000 b/d or 17% in April versus a month earlier.

With the exception of gasoline, all products saw a build, with naphtha increasing the most. Gasoline stocks declined slightly by 0.2 mb to end April at 14.1 mb and showed a deficit of 0.8 mb or 5.6% compared to a year ago and 0.3 mb or 2.2% less than the five-year average. The fall in gasoline stocks could be attributed to a decline in output as they dropped by 10.9%. Higher exports, which increased almost by half, also contributed to the fall in gasoline stocks. The decline of 5.1% in gasoline domestic sales limited the fall in inventories. Distillate stocks rose 1.9 mb in April, after four consecutive months of decline, ending April at 27.2 mb. Despite this build, they remained 8% below the same period a year ago and 1.8% less than the seasonal norm. All components of distillates experienced a build with the greatest attributed to jet fuel, which increased by 40.3%, followed by kerosene and gasoil rising by 2.9% and 0.4%, respectively. The build in jet fuel stocks came mainly on the back of lower domestic sales declining by almost 40%. Lower inland consumption also contributed to the build in kerosene and gasoil stocks. Residual fuel oil stocks reversed the decline for the second consecutive month and rose by 1.5 mb to finish April at 16.9 mb. At this level, they were 1.2 mb or 6.4% below the same period a year ago and they are 1.1 mb or 6.1% beneath the five-year average. Within the components of fuel oil, fuel oil A saw a build of 8.5% while fuel oil B.C stocks showed a gain of 10.1%. The build in fuel oil A could be attributed to lower domestic sales, which decreased by almost 30%. Lower domestic sales by around 10% were also the main reason behind the build in fuel oil B.C inventories. However, domestic sales for fuel oil B.C, which is mostly used for power utilities, jumped 78.5% from a year ago during the same period Demand for this product is likely to stay high in coming months amid difficulty in restarting nuclear reactors. Naphtha saw the bulk of the build with an increase of 2.5 mb to end April at 10.9 mb, the highest level since October 2011. Despite this build, stocks remained at 2.5 mb or 18.7% lower than the same period a year ago and 0.6 mb or almost 5.1% below the seasonal average. Lower domestic sales, combined with higher imports, were the main driver behind the build in naphtha stocks in April.

Table 9.2: Japan's commercial oil stocks*, mb

	Feb 12	Mar 12	Apr 12	Change Apr 12/Mar 12	Apr 11
Crude oil	92.3	100.8	103.6	2.8	105.0
Gasoline	12.9	14.3	14.1	-0.2	14.9
Naphtha	10.6	8.4	10.9	2.5	13.4
Middle distillates	26.1	25.3	27.2	1.9	29.6
Residual fuel oil	15.9	15.5	16.9	1.4	18.1
Total products	65.5	63.5	69.2	5.7	76.0
Total**	**157.8**	**164.4**	**172.7**	**8.3**	**181.1**

* *At end of month*

** *Includes crude oil and main products only*

Source: Ministry of Economy, Trade and Industry, Japan.

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

Singapore stocks fell by 4.3 mb in April for the second consecutive month

At the end of April, **product stocks in Singapore** fell by 4.3 mb for the second consecutive month to end the month at 38.5 mb. With this drop, Singapore product stocks widened the deficit over the same period a year ago to 5.9 mb from 1.3 mb a month earlier.

Within products, middle distillates and fuel oil inventories saw a drop, while light distillates remained almost unchanged. At 8.9 mb, middle distillate stocks ended April at 0.7 mb lower than the previous month, showing a deficit of 1.8 mb or 13.8% compared to the same period a year ago. Higher diesel imports to India due to the shutdown of the Indian Refinery Numaligarh caused a drawdown in stocks. Steady demand from Vietnam also contributed to stock draws in Singapore. However, the return of refineries from maintenance in North Asia, along with weak demand for diesel and jet fuel, is likely to support the build in middle distillates in the coming weeks. Fuel oil stocks reversed the build of the last three months and declined by 3.6 mb ending April at 19.2 mb. At this level, they stood at 3.4 mb or 14.9 mb below the same period a year ago. The bulk of the drop occurred during the week ending 19 April, when inventories fell to 16.4 mb on lower arrivals from the West. Higher exports due to healthy regional demand also contributed to this draw. However, fuel oil stocks climbed at the end of April driven by strong imports from the West. Light distillate stocks finished the month of April at 10.4 mb, almost at the same level as the previous month, and stood at 0.7 mb or 6.5 mb below a year ago during the same period. Firm gasoline demand from Indonesia and Malaysia contributed to the draw in gasoline stocks, while higher exports from China helped the build in gasoline inventories.

Product stocks in ARA fell by 3.4 mb in April

Product stocks in ARA at the end of April reversed the build that had occurred last month, falling by 3.4 mb and ending the month at 31.2 mb, the lowest level since the end of last year. With this draw, stocks stood at 8.1 mb or 20.7% below last year's level during the same period.

Within products, gasoline, gasoil and fuel oil saw a drop, while naphtha and jet fuel oil indicated a minor decline. Gasoline stocks fell slightly — by 0.2 mb — to 5.4 mb, which is 1.1 mb or 16.6% below a year ago. The drop in gasoline came on the back of higher exports to Mexico and Nigeria, which outpaced imports. Gasoil stocks also fell by 2.1 mb, ending April at 17.8 mb, the lowest level since the end of December 2011. At this level, they represent a deficit of 4.2 mb or 19.3% compared to the same time a year earlier. Lower imports from Russia — the key exporter of gasoil fuel to Europe — were behind the drop in gasoil stocks. Higher exports to Latin America also contributed to this decline. Fuel oil also saw a stock draw of 1.1 mb to end the month of April at 3.8 mb. At this level, they stood at 1.6 mb or almost 30% below the same period a year ago. Reduced fuel oil imports, especially from Russia, helped increase the stock draw at the end of April. Indeed, preliminary information indicated that Russia's fuel oil production was down 100,000 b/d in April on the back of restrained throughput. Jet fuel stocks fell marginally to stand at 3.3 mb, the lowest level in almost five months and remained 1.8 mb or 35% below last year's level during the same period. The drop in jet fuel oil stocks came on the back of lower imports amid a backwardation structure of the forward market, which discouraged stock build. Naphtha also saw a minor decline to end April at 0.9 mb but indicated a surplus of 0.5 mb over the same period last year.

Balance of Supply and Demand

Required OPEC crude for 2011 estimated at 30.1 mb/d, 0.4 mb/d higher than in the previous year

Estimate for 2011

Demand for OPEC crude for last year remained unchanged from the previous assessment, as world oil demand, non-OPEC supply and OPEC NGLs saw minor revisions. All quarters together indicated a minor revision of less than 20,000 b/d. At 30.1 mb/d, the demand for OPEC crude stood at 0.4 mb/d above a year ago. 1Q12 and 2Q12 showed growth of 1.0 mb/d and 0.3 mb/d, respectively, while both 3Q12 and 4Q12 saw growth of 0.1 mb/d compared to the same period in the previous year.

Table 10.1: Summarized supply/demand balance for 2011, mb/d

	2010	1Q11	2Q11	3Q11	4Q11	2011
(a) World oil demand	**86.99**	**87.57**	**86.37**	**88.41**	**88.79**	**87.79**
Non-OPEC supply	52.32	52.71	51.97	52.04	52.88	52.40
OPEC NGLs and non-conventionals	4.98	5.14	5.30	5.46	5.38	5.32
(b) Total supply excluding OPEC crude	**57.30**	**57.86**	**57.27**	**57.50**	**58.26**	**57.72**
Difference (a-b)	**29.69**	**29.71**	**29.10**	**30.91**	**30.53**	**30.07**
OPEC crude oil production	29.24	29.59	29.15	29.88	30.36	29.75
Balance	-0.46	-0.12	0.05	-1.03	-0.17	-0.32

Totals may not add up due to independent rounding.

Demand for OPEC crude in 2012 is forecast at 29.9 mb/d, 0.1 mb/d less than a year ago

Forecast for 2012

The demand for OPEC crude in 2012 is projected to average 29.9 mb/d, around 30,000 b/d less than in the previous report. Within the quarters, 1Q12 saw a downward adjustment of 0.3 mb/d, reflecting the downward revision of 230 tb/d in world oil demand combined with an upward revision of 40 tb/d in non-OPEC supply. In contrast, 4Q12 shows an upward revision of 0.1 mb/d, while 2Q12 and 3Q12 remain unchanged. Required OPEC crude is forecast to see negative growth of about 0.1 mb/d from 2011. 1Q12 is estimated to decline by 0.7 mb/d, 2Q12 is projected to increase by 0.1 mb/d, while 3Q12 and 4Q12 are both forecast to remain unchanged, all in comparison to their respective quarters a year ago.

Table 10.2: Summarized supply/demand balance for 2012, mb/d

	2011	1Q12	2Q12	3Q12	4Q12	2012
(a) World oil demand	**87.79**	**87.74**	**87.56**	**89.59**	**89.83**	**88.69**
Non-OPEC supply	52.40	53.23	52.71	52.93	53.42	53.07
OPEC NGLs and non-conventionals	5.32	5.49	5.60	5.73	5.86	5.67
(b) Total supply excluding OPEC crude	**57.72**	**58.72**	**58.32**	**58.66**	**59.28**	**58.74**
Difference (a-b)	**30.07**	**29.03**	**29.25**	**30.92**	**30.55**	**29.94**
OPEC crude oil production	29.75	31.12				
Balance	-0.32	2.10				

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

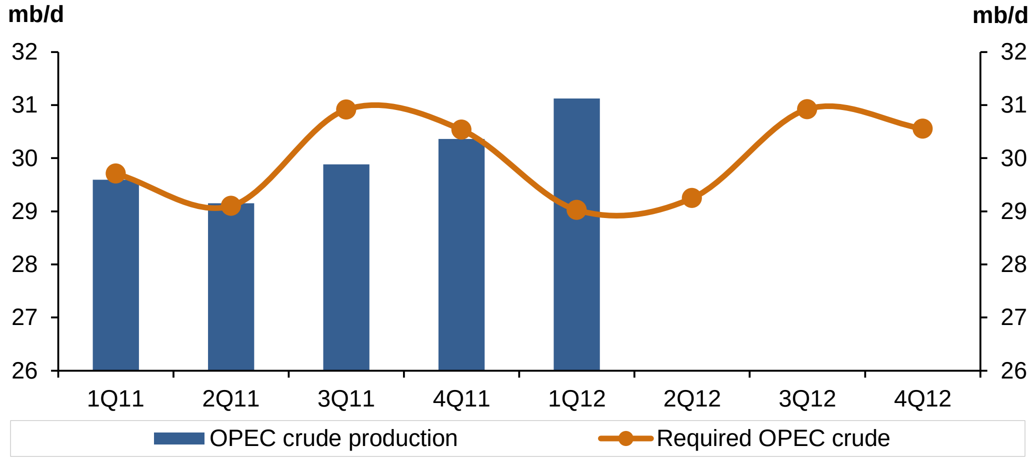


Table 10.3: World oil demand/supply balance, mb/d

	2006	2007	2008	2009	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
World demand															
OECD	49.5	49.3	47.6	45.6	46.2	46.3	44.5	45.9	45.8	45.6	45.6	44.6	45.9	45.7	45.5
North America	25.4	25.5	24.2	23.3	23.8	23.8	23.3	23.6	23.4	23.5	23.0	23.5	23.7	23.5	23.4
Western Europe	15.7	15.5	15.4	14.7	14.6	14.2	14.1	14.7	14.1	14.3	13.7	13.7	14.4	13.9	13.9
Pacific	8.5	8.4	8.0	7.7	7.8	8.3	7.1	7.7	8.3	7.9	8.8	7.3	7.8	8.4	8.1
DCs	23.6	24.8	25.6	26.2	27.0	27.3	27.7	28.0	28.0	27.8	27.8	28.2	28.7	28.6	28.3
FSU	4.0	4.0	4.1	4.0	4.2	4.1	4.0	4.4	4.6	4.3	4.2	4.1	4.5	4.8	4.4
Other Europe	0.9	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7
China	7.2	7.6	8.0	8.3	9.0	9.1	9.5	9.4	9.6	9.4	9.5	10.0	9.8	10.0	9.8
(a) Total world demand	85.2	86.5	86.1	84.8	87.0	87.6	86.4	88.4	88.8	87.8	87.7	87.6	89.6	89.8	88.7
Non-OPEC supply															
OECD	20.1	20.0	19.5	19.7	20.0	20.1	19.7	19.8	20.8	20.1	21.0	20.5	20.6	20.8	20.7
North America	14.2	14.3	13.9	14.4	15.0	15.2	15.2	15.4	16.2	15.5	16.4	16.2	16.3	16.4	16.3
Western Europe	5.3	5.2	4.9	4.7	4.4	4.3	4.1	3.9	4.1	4.1	4.1	3.8	3.8	3.9	3.9
Pacific	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
DCs	11.9	11.9	12.2	12.4	12.7	12.8	12.5	12.7	12.6	12.6	12.4	12.3	12.4	12.5	12.4
FSU	12.0	12.5	12.6	13.0	13.2	13.3	13.3	13.2	13.2	13.3	13.4	13.3	13.4	13.5	13.4
Other Europe	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.7	3.8	3.8	3.8	4.1	4.3	4.2	4.1	4.0	4.1	4.2	4.2	4.2	4.3	4.2
Processing gains	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	49.9	50.4	50.3	51.1	52.3	52.7	52.0	52.0	52.9	52.4	53.2	52.7	52.9	53.4	53.1
OPEC NGLs + non-conventional oils	3.9	3.9	4.1	4.3	5.0	5.1	5.3	5.5	5.4	5.3	5.5	5.6	5.7	5.9	5.7
(b) Total non-OPEC supply and OPEC NGLs	53.8	54.4	54.4	55.5	57.3	57.9	57.3	57.5	58.3	57.7	58.7	58.3	58.7	59.3	58.7
OPEC crude oil production (secondary sources)	30.6	30.2	31.3	28.8	29.2	29.6	29.2	29.9	30.4	29.8	31.1				
Total supply	84.4	84.6	85.7	84.2	86.5	87.5	86.4	87.4	88.6	87.5	89.8				
Balance (stock change and miscellaneous)	-0.9	-2.0	-0.4	-0.5	-0.5	-0.1	0.1	-1.0	-0.2	-0.3	2.1				
OECD closing stock levels (mb)															
Commercial	2655	2554	2679	2641	2670	2627	2673	2659	2600	2600	2649				
SPR	1499	1524	1527	1564	1561	1558	1561	1526	1532	1532	1531				
Total	4154	4079	4206	4205	4230	4184	4234	4185	4133	4133	4180				
Oil-on-water	919	948	969	919	871	891	853	835	825	825	787				
Days of forward consumption in OECD															
Commercial onland stocks	54	54	59	57	58	59	58	58	57	57	59				
SPR	30	32	33	34	34	35	34	33	34	34	34				
Total	84	86	92	91	93	94	92	91	91	91	94				
Memo items															
FSU net exports	8.1	8.5	8.5	9.0	9.0	9.2	9.3	8.8	8.6	9.0	9.1	9.2	8.9	8.7	9.0
(a) - (b)	31.4	32.2	31.6	29.3	29.7	29.7	29.1	30.9	30.5	30.1	29.0	29.2	30.9	30.6	29.9

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

Table 10.4: World oil demand/supply balance: changes from last month's table* , mb/d

	2006	2007	2008	2009	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
World demand															
OECD	-	-	-	-	-	-	-	-	0.1	-	-0.2	0.1	0.1	0.1	-
North America	-	-	-	-	-	-	-	-	-	-	-0.2	0.2	0.1	0.1	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-0.1	-0.2	-	-	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	-	-	-	0.1	-	-0.2	0.1	0.1	0.1	-
World demand growth	-	-	-	-	-	-	-	-	***0.08***	-	***-0.24***	***0.09***	***0.08***	-	-
Non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OECD	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
North America	-	-	-	-	-	-	-	-	-	-	0.2	0.2	0.2	0.2	0.2
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply growth	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-	-	-				
Total supply	-	-	-	-	-	-	-	-	-	-	0.1				
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-	-	-	-	0.3				
OECD closing stock levels (*mb*)															
Commercial	-	-	-	-	-	-4	-4	-6	-3	-3	-				
SPR	-	-	-	-	-	-	-	-	-	-	-				
Total	-	-	-	-	-	-4	-4	-6	-3	-3	-				
Oil-on-water	-	-	-	-	-	-	-	-	-	-	-				
Days of forward consumption in OECD	-	-	-	-	-	-	-	-	-	-	-				
Commercial onland stocks	-	-	-	-	-	-	-	-	-	-	-				
SPR	-	-	-	-	-	-	-	-	-	-	-				
Total	-	-	-	-	-	-	-	-	-	-	-				
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	-	-	-	-	-	-0.3	-	-	0.1	-

** This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the May 2012 issue.*
This table shows only where changes have occurred.

Table 10.5: OECD oil stocks and oil on water at the end of period

	2006	2007	2008	2009	2010	2011	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12
Closing stock levels, *mb*																							
OECD onland commercial	2,655	2,554	2,679	2,641	2,670	2,600	2,553	2,584	2,641	2,679	2,731	2,745	2,763	2,641	2,675	2,757	2,747	2,670	2,627	2,673	2,659	2,600	2,649
North America	1,264	1,211	1,282	1,286	1,330	1,313	1,197	1,221	1,259	1,282	1,332	1,367	1,373	1,286	1,314	1,370	1,398	1,330	1,295	1,339	1,342	1,313	1,342
Western Europe	963	937	991	972	948	898	961	954	952	991	991	976	971	972	975	982	947	948	950	928	905	898	923
OECD Pacific	429	407	407	383	391	390	394	409	431	407	408	401	419	383	386	405	402	391	381	405	412	390	384
OECD SPR	1,499	1,524	1,527	1,564	1,561	1,532	1,529	1,526	1,522	1,527	1,547	1,561	1,564	1,564	1,567	1,562	1,549	1,561	1,558	1,561	1,526	1,532	1,531
North America	691	699	704	729	729	697	702	708	704	704	715	726	727	729	729	729	728	729	727	727	696	697	697
Western Europe	412	421	416	426	423	422	423	414	414	416	424	427	429	426	429	422	419	423	420	423	420	422	421
OECD Pacific	396	404	406	409	410	414	404	404	403	406	408	408	408	409	409	411	402	410	411	411	409	414	414
OECD total	**4,154**	**4,079**	**4,206**	**4,205**	**4,230**	**4,133**	**4,082**	**4,110**	**4,164**	**4,206**	**4,278**	**4,306**	**4,327**	**4,205**	**4,241**	**4,319**	**4,296**	**4,230**	**4,184**	**4,234**	**4,185**	**4,133**	**4,180**
Oil-on-water	919	948	969	919	871	825	935	925	885	969	899	899	869	919	919	897	926	871	891	853	835	825	787
Days of forward consumption in OECD																							
OECD onland commercial	54	54	59	57	58	57	54	55	56	57	61	61	60	57	59	59	59	58	59	58	58	57	59
North America	50	50	55	54	57	57	49	52	53	55	58	59	58	55	55	57	59	56	56	57	57	57	57
Western Europe	62	61	68	67	66	65	63	61	62	66	69	67	67	68	68	66	64	67	67	63	64	65	67
OECD Pacific	51	51	53	49	50	44	50	54	54	50	56	55	52	47	53	53	50	47	54	53	50	44	52
OECD SPR	30	32	33	34	34	34	32	33	32	33	35	35	34	34	35	33	33	34	35	34	33	34	34
North America	27	29	30	31	31	30	29	30	29	30	31	31	31	31	31	30	31	31	31	31	30	30	30
Western Europe	27	27	28	29	30	31	28	27	27	28	29	29	30	30	30	28	28	30	30	29	30	31	31
OECD Pacific	47	50	53	52	52	47	51	54	51	50	56	56	51	50	56	54	50	49	58	54	49	47	56
OECD total	**84**	**86**	**92**	**91**	**93**	**91**	**86**	**88**	**88**	**90**	**96**	**95**	**94**	**92**	**94**	**93**	**92**	**91**	**94**	**92**	**91**	**91**	**94**

Table 10.6: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2006	2007	2008	2009	Change 09/08	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11
US	7.36	7.47	7.50	8.14	0.64	8.54	8.51	8.63	8.90	8.65	0.50	8.73	8.93	8.91	9.51	9.02	0.38	9.72	9.59	9.62	9.71	9.66	0.64
Canada	3.20	3.31	3.27	3.25	-0.02	3.28	3.37	3.38	3.54	3.39	0.15	3.55	3.30	3.61	3.74	3.55	0.16	3.76	3.70	3.75	3.79	3.75	0.20
Mexico	3.69	3.49	3.17	2.98	-0.19	2.99	2.97	2.95	2.93	2.96	-0.02	2.97	2.96	2.92	2.93	2.94	-0.02	2.92	2.89	2.90	2.89	2.90	-0.04
North America	**14.24**	**14.26**	**13.94**	**14.37**	**0.43**	**14.81**	**14.85**	**14.96**	**15.37**	**15.00**	**0.63**	**15.25**	**15.19**	**15.44**	**16.18**	**15.52**	**0.52**	**16.40**	**16.18**	**16.27**	**16.38**	**16.31**	**0.79**
Norway	2.78	2.55	2.47	2.36	-0.11	2.32	2.12	1.93	2.17	2.14	-0.22	2.14	1.98	1.99	2.05	2.04	-0.10	2.08	1.90	1.88	1.97	1.96	-0.08
UK	1.71	1.69	1.57	1.48	-0.09	1.52	1.40	1.23	1.34	1.37	-0.12	1.28	1.17	0.95	1.12	1.13	-0.24	1.09	1.03	0.99	1.06	1.04	-0.08
Denmark	0.34	0.31	0.28	0.26	-0.02	0.25	0.25	0.23	0.26	0.25	-0.02	0.23	0.25	0.23	0.21	0.23	-0.02	0.22	0.21	0.21	0.20	0.21	-0.02
Other Western Europe	0.51	0.62	0.62	0.63	0.01	0.63	0.65	0.66	0.64	0.64	0.01	0.67	0.66	0.70	0.68	0.68	0.03	0.68	0.70	0.70	0.70	0.70	0.02
Western Europe	**5.34**	**5.17**	**4.94**	**4.74**	**-0.20**	**4.72**	**4.42**	**4.05**	**4.41**	**4.40**	**-0.34**	**4.32**	**4.06**	**3.86**	**4.06**	**4.07**	**-0.32**	**4.07**	**3.84**	**3.78**	**3.94**	**3.91**	**-0.17**
Australia	0.51	0.53	0.53	0.54	0.01	0.51	0.53	0.52	0.46	0.51	-0.03	0.40	0.41	0.41	0.44	0.41	-0.09	0.40	0.44	0.44	0.41	0.42	0.00
Other Pacific	0.05	0.08	0.10	0.10	0.00	0.10	0.10	0.10	0.09	0.10	0.00	0.09	0.09	0.09	0.09	0.09	-0.01	0.09	0.09	0.09	0.09	0.09	0.00
OECD Pacific	**0.56**	**0.60**	**0.63**	**0.64**	**0.01**	**0.61**	**0.63**	**0.62**	**0.55**	**0.60**	**-0.03**	**0.49**	**0.49**	**0.50**	**0.53**	**0.50**	**-0.10**	**0.48**	**0.53**	**0.53**	**0.49**	**0.51**	**0.00**
Total OECD	**20.14**	**20.03**	**19.51**	**19.74**	**0.24**	**20.14**	**19.90**	**19.63**	**20.34**	**20.00**	**0.26**	**20.06**	**19.74**	**19.80**	**20.76**	**20.09**	**0.09**	**20.96**	**20.54**	**20.58**	**20.82**	**20.72**	**0.63**
Brunei	0.22	0.19	0.17	0.16	-0.01	0.17	0.15	0.17	0.17	0.17	0.00	0.17	0.16	0.17	0.17	0.17	0.00	0.18	0.18	0.18	0.18	0.18	0.01
India	0.78	0.80	0.80	0.78	-0.02	0.82	0.83	0.88	0.90	0.86	0.08	0.90	0.89	0.88	0.87	0.89	0.03	0.88	0.91	0.91	0.92	0.90	0.02
Indonesia	1.07	1.02	1.05	1.03	-0.02	1.05	1.06	1.04	1.02	1.04	0.02	1.02	1.02	1.03	1.01	1.02	-0.02	0.99	0.99	0.99	0.99	0.99	-0.03
Malaysia	0.76	0.76	0.76	0.73	-0.03	0.72	0.70	0.68	0.69	0.70	-0.03	0.68	0.60	0.63	0.65	0.64	-0.06	0.67	0.65	0.64	0.63	0.65	0.00
Thailand	0.32	0.33	0.36	0.37	0.01	0.34	0.35	0.36	0.33	0.35	-0.02	0.34	0.33	0.33	0.33	0.34	-0.01	0.34	0.32	0.33	0.33	0.33	0.00
Vietnam	0.37	0.35	0.33	0.37	0.04	0.35	0.35	0.36	0.37	0.35	-0.02	0.34	0.33	0.34	0.38	0.35	-0.01	0.37	0.38	0.39	0.40	0.39	0.04
Asia others	0.26	0.26	0.26	0.25	-0.01	0.23	0.24	0.24	0.23	0.23	-0.02	0.23	0.23	0.23	0.23	0.23	0.00	0.22	0.24	0.25	0.26	0.24	0.01
Other Asia	**3.78**	**3.70**	**3.73**	**3.69**	**-0.04**	**3.68**	**3.68**	**3.72**	**3.71**	**3.70**	**0.01**	**3.70**	**3.56**	**3.62**	**3.64**	**3.63**	**-0.07**	**3.65**	**3.67**	**3.68**	**3.70**	**3.67**	**0.05**
Argentina	0.77	0.77	0.78	0.76	-0.02	0.76	0.76	0.76	0.71	0.75	-0.01	0.76	0.68	0.74	0.75	0.73	-0.02	0.74	0.71	0.70	0.70	0.71	-0.02
Brazil	2.11	2.22	2.38	2.51	0.12	2.61	2.67	2.66	2.70	2.66	0.16	2.61	2.62	2.61	2.70	2.63	-0.03	2.77	2.73	2.77	2.79	2.77	0.13
Colombia	0.54	0.54	0.60	0.68	0.09	0.77	0.79	0.80	0.83	0.80	0.12	0.88	0.94	0.94	0.96	0.93	0.13	0.95	1.00	1.02	1.03	1.00	0.07
Trinidad & Tobago	0.18	0.16	0.16	0.15	0.00	0.15	0.15	0.15	0.13	0.15	-0.01	0.14	0.14	0.14	0.13	0.14	-0.01	0.12	0.13	0.13	0.13	0.13	-0.01
L. America others	0.26	0.28	0.28	0.30	0.02	0.31	0.31	0.32	0.32	0.32	0.01	0.31	0.31	0.31	0.31	0.31	-0.01	0.31	0.31	0.31	0.31	0.31	0.00
Latin America	**3.87**	**3.97**	**4.20**	**4.40**	**0.20**	**4.61**	**4.69**	**4.68**	**4.70**	**4.67**	**0.26**	**4.70**	**4.68**	**4.73**	**4.86**	**4.74**	**0.08**	**4.89**	**4.88**	**4.93**	**4.96**	**4.92**	**0.17**
Bahrain	0.21	0.21	0.21	0.21	0.00	0.21	0.20	0.20	0.21	0.20	0.00	0.21	0.21	0.21	0.22	0.21	0.01	0.22	0.21	0.22	0.22	0.22	0.00
Oman	0.75	0.71	0.76	0.81	0.06	0.86	0.86	0.87	0.88	0.86	0.05	0.89	0.87	0.89	0.89	0.89	0.02	0.89	0.91	0.92	0.93	0.91	0.03
Syria	0.44	0.42	0.41	0.41	0.00	0.42	0.43	0.42	0.42	0.42	0.01	0.42	0.42	0.37	0.26	0.37	-0.05	0.22	0.21	0.21	0.20	0.21	-0.16
Yemen	0.37	0.33	0.30	0.30	0.00	0.30	0.29	0.29	0.28	0.29	-0.01	0.29	0.19	0.24	0.18	0.23	-0.06	0.15	0.16	0.16	0.18	0.16	-0.06
Middle East	**1.76**	**1.66**	**1.68**	**1.73**	**0.05**	**1.78**	**1.77**	**1.78**	**1.78**	**1.78**	**0.05**	**1.81**	**1.69**	**1.72**	**1.55**	**1.69**	**-0.09**	**1.48**	**1.50**	**1.50**	**1.52**	**1.50**	**-0.19**
Chad	0.15	0.15	0.15	0.14	-0.01	0.15	0.15	0.15	0.15	0.15	0.01	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.13	0.13	0.13	0.13	-0.01
Congo	0.25	0.24	0.26	0.27	0.02	0.30	0.30	0.29	0.29	0.30	0.02	0.29	0.29	0.30	0.30	0.29	0.00	0.30	0.31	0.30	0.30	0.30	0.01
Egypt	0.66	0.66	0.69	0.69	0.00	0.69	0.71	0.72	0.71	0.71	0.01	0.70	0.70	0.71	0.70	0.70	-0.01	0.71	0.70	0.70	0.69	0.70	0.00
Equatorial Guinea	0.37	0.37	0.38	0.36	-0.02	0.33	0.33	0.32	0.31	0.32	-0.03	0.31	0.31	0.30	0.30	0.30	-0.02	0.32	0.32	0.33	0.34	0.33	0.02
Gabon	0.25	0.25	0.24	0.24	0.00	0.25	0.23	0.25	0.25	0.25	0.01	0.26	0.24	0.24	0.25	0.25	0.00	0.25	0.25	0.25	0.24	0.25	0.00
South Africa	0.19	0.18	0.18	0.17	-0.01	0.18	0.18	0.18	0.18	0.18	0.01	0.18	0.18	0.18	0.19	0.18	0.00	0.19	0.17	0.17	0.17	0.17	-0.01
Sudans	0.36	0.48	0.46	0.48	0.02	0.46	0.46	0.47	0.47	0.46	-0.01	0.46	0.45	0.43	0.38	0.43	-0.03	0.19	0.11	0.13	0.13	0.14	-0.29
Africa other	0.29	0.28	0.27	0.25	-0.01	0.24	0.23	0.23	0.22	0.23	-0.02	0.27	0.29	0.30	0.29	0.29	0.06	0.30	0.30	0.30	0.31	0.30	0.02
Africa	**2.51**	**2.60**	**2.62**	**2.60**	**-0.02**	**2.59**	**2.57**	**2.60**	**2.58**	**2.59**	**-0.01**	**2.60**	**2.59**	**2.60**	**2.54**	**2.58**	**0.00**	**2.40**	**2.29**	**2.31**	**2.32**	**2.33**	**-0.26**
Total DCs	**11.92**	**11.94**	**12.23**	**12.43**	**0.20**	**12.66**	**12.72**	**12.78**	**12.77**	**12.73**	**0.31**	**12.81**	**12.52**	**12.67**	**12.59**	**12.64**	**-0.09**	**12.41**	**12.34**	**12.42**	**12.50**	**12.42**	**-0.23**
FSU	**12.03**	**12.54**	**12.60**	**12.95**	**0.35**	**13.16**	**13.20**	**13.21**	**13.33**	**13.22**	**0.27**	**13.32**	**13.25**	**13.23**	**13.23**	**13.26**	**0.03**	**13.37**	**13.33**	**13.37**	**13.46**	**13.38**	**0.13**
Russia	9.65	9.87	9.78	9.92	0.14	10.09	10.12	10.13	10.22	10.14	0.22	10.21	10.23	10.28	10.34	10.27	0.12	10.34	10.32	10.34	10.36	10.34	0.07
Kazakhstan	1.30	1.35	1.41	1.54	0.12	1.60	1.56	1.57	1.65	1.60	0.06	1.66	1.60	1.54	1.61	1.60	0.01	1.62	1.60	1.61	1.65	1.62	0.02
Azerbaijan	0.65	0.87	0.94	1.06	0.12	1.05	1.10	1.10	1.03	1.07	0.01	1.02	0.99	0.96	0.84	0.95	-0.11	0.96	0.97	0.97	1.00	0.97	0.02
FSU others	0.43	0.45	0.46	0.44	-0.02	0.42	0.42	0.41	0.42	0.42	-0.02	0.43	0.43	0.44	0.44	0.43	0.02	0.45	0.45	0.45	0.45	0.45	0.01
Other Europe	0.15	0.15	0.15	0.14	-0.01	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.15	0.15	0.14	0.01
China	3.69	3.77	3.84	3.84	0.00	4.01	4.08	4.16	4.24	4.12	0.28	4.25	4.19	4.08	4.04	4.14	0.02	4.16	4.17	4.22	4.30	4.22	0.07
Non-OPEC production	**47.94**	**48.43**	**48.32**	**49.10**	**0.78**	**50.11**	**50.03**	**49.91**	**50.81**	**50.22**	**1.12**	**50.58**	**49.84**	**49.91**	**50.75**	**50.27**	**0.06**	**51.04**	**50.52**	**50.74**	**51.23**	**50.88**	**0.61**
Processing gains	1.96	1.99	1.97	2.00	0.03	2.10	2.10	2.10	2.10	2.10	0.10	2.13	2.13	2.13	2.13	2.13	0.03	2.19	2.19	2.19	2.19	2.19	0.06
Non-OPEC supply	**49.90**	**50.42**	**50.29**	**51.10**	**0.81**	**52.21**	**52.13**	**52.01**	**52.91**	**52.32**	**1.22**	**52.71**	**51.97**	**52.04**	**52.88**	**52.40**	**0.09**	**53.23**	**52.71**	**52.93**	**53.42**	**53.07**	**0.67**
OPEC NGL	3.76	3.86	4.04	4.24	0.21	4.58	4.77	5.12	5.00	4.87	0.63	5.02	5.14	5.28	5.20	5.16	0.29	5.27	5.36	5.44	5.52	5.40	0.24
OPEC Non-conventional	0.14	0.08	0.11	0.11	0.00	0.11	0.11	0.11	0.11	0.11	0.00	0.13	0.16	0.18	0.18	0.16	0.05	0.21	0.24	0.29	0.34	0.27	0.11
OPEC (NGL+NCF)	**3.89**	**3.95**	**4.14**	**4.35**	**0.21**	**4.69**	**4.88**	**5.23**	**5.11**	**4.98**	**0.63**	**5.14**	**5.30**	**5.46**	**5.38**	**5.32**	**0.34**	**5.49**	**5.60**	**5.73**	**5.86**	**5.67**	**0.35**
Non-OPEC & OPEC (NGL+NCF)	**53.79**	**54.36**	**54.43**	**55.45**	**1.02**	**56.90**	**57.01**	**57.25**	**58.02**	**57.30**	**1.85**	**57.86**	**57.27**	**57.50**	**58.26**	**57.72**	**0.43**	**58.72**	**58.32**	**58.66**	**59.28**	**58.74**	**1.02**

Note: Totals may not add up due to independent rounding

Table 10.7: World Rig Count

	2008	Change 08/07	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	Apr	May	May/Apr
US	1,877	111	1,326	936	956	1,108	1,081	-796	1345	1508	1622	1687	1541	459	1717	1829	1945	2031	1881	340	1990	1962	1978	16
Canada	379	35	328	91	177	277	218	-161	470	166	364	389	347	129	587	188	443	474	423	76	599	158	132	-26
Mexico	103	11	128	128	135	123	128	26	118	106	84	80	97	-31	83	87	103	104	94	-3	98	102	115	13
North America	2,359	157	1,782	1,154	1,267	1,508	1,428	-931	1933	1780	2070	2156	1985	557	2386	2104	2492	2609	2398	413	2688	2222	2225	3
Norway	20	2	25	18	18	20	20	0	21	18	13	20	18	-2	21	17	16	16	17	-1	17	15	21	6
UK	22	-4	22	19	16	15	18	-4	15	20	21	21	19	1	18	17	15	15	16	-3	14	20	18	-2
Western Europe	98	20	90	82	76	85	83	-15	87	96	92	100	94	11	118	112	123	119	118	24	112	118	118	0
OECD Pacific	36	7	27	25	26	23	25	-11	22	18	23	22	21	-4	17	17	17	18	17	-4	19	24	25	1
Total OECD	2,535	183	1,945	1,299	1,368	1,616	1,557	-978	2042	1893	2185	2278	2100	543	2521	2232	2632	2745	2532	433	2819	2364	2368	4
Other Asia	216	4	212	212	213	233	217	1	235	249	253	255	248	31	257	234	232	233	239	-9	231	221	224	3
Latin America	191	16	164	147	149	169	157	-34	183	203	220	213	205	48	191	192	196	201	195	-10	191	187	196	9
Middle East	167	18	162	151	139	147	150	-18	152	150	163	159	156	6	101	107	102	107	104	-52	116	115	112	-3
Africa	12	-2	8	11	9	12	10	-2	20	19	19	18	19	9	1	2	0	5	2	-17	3	2	3	1
Total DCs	586	36	546	520	510	561	534	-52	589	621	655	645	628	93	549	535	530	546	540	-88	542	525	535	10
Non-OPEC rig count	3,121	219	2,491	1,819	1,878	2,177	2,091	-1,030	2632	2514	2840	2924	2727	636	3070	2768	3161	3291	3072	345	3361	2889	2903	14
																						0	0	
Algeria	26	-1	24	30	27	27	27	1	23	28	24	24	25	-2	29	33	30	33	31	6	31	27	26	-1
Angola	5	1	5	3	3	4	4	-1	10	8	9	9	9	5	11	11	11	8	10	1	10	11	13	2
Ecuador	10	-1	10	10	10	10	10	0	11	11	11	11	11	1	11	11	11	15	12	1	17	17	19	2
Iran**	50	0	51	52	52	52	52	2	52	52	52	52	52	0	54	54	54	54	54	2	54	54	54	0
Iraq**	29	29	36	36	36	36	36	7	36	36	36	36	36	0	36	36	36	36	36	0	36	36	36	0
Kuwait**	12	0	12	11	14	13	13	0	19	18	21	23	20	8	56	56	57	60	57	37	56	53	55	2
Libya**	15	2	15	13	14	15	14	-1	17	17	14	15	16	1	10	3	8	9	8	-8	12	12	12	0
Nigeria	7	-1	7	6	6	7	6	-1	11	13	18	17	15	8	35	35	36	36	36	21	37	34	34	0
Qatar	11	-1	9	9	9	9	9	-2	8	8	9	9	9	0	10	8	7	7	8	-1	8	8	7	-1
Saudi Arabia	77	0	72	67	67	66	68	-9	68	67	67	65	67	-1	98	98	98	105	100	33	106	111	115	4
UAE	12	-2	13	12	13	12	12	0	13	13	13	13	13	1	17	21	24	22	21	8	22	22	26	4
Venezuela	80	4	69	64	54	54	60	-20	66	64	70	80	70	10	125	125	125	113	122	52	126	117	127	10
OPEC rig count	335	29	322	314	302	305	311	-24	334	335	344	355	342	31	493	490	495	498	494	152	515	502	524	22
																						0	0	
Worldwide rig count*	3,456	248	2,813	2,133	2,180	2,483	2,402	-1,054	2965	2849	3184	3278	3069	667	3563	3258	3656	3789	3566	497	3876	3391	3427	36
of which:																						0	0	
Oil	1,432	190	1283	1069	1182	1,356	1,222	-210	1590	1534	1783	1896	1701	479	2197	2023	2354	2453	2257	556	2709	2414	2497	83
Gas	1,950	47	1450	993	965	1,092	1,125	-825	1333	1276	1356	1337	1325	200	1319	1187	1257	1286	1262	-63	1116	933	884	-49
Others	33	12	35	35	34	37	35	3	43	40	42	46	43	8	48	49	47	52	49	6	54	47	49	2

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

na: *Not available*

Incorporated did not reported the data

* *Excludes China and FSU*

** *Estimated figure when Baker Hughes*

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Data Summary

June 2012

OPEC Basket average price

US$ per barrel

down $10.11 in May

May 2012	**108.07**
April 2012	118.18
Year-to-date	115.60

May OPEC crude production

in million barrels per day, according to secondary sources

down 0.06 in May

May 2012	**31.58**
April 2012	31.64

World economy

Global growth expectations for 2012 remain unchanged at 3.3%. OECD growth for 2012 remains at 1.4%, with a downward-revision in the US to 2.2% from 2.3% and an upward revision in Japan to 2.0% from 1.8%, while the Euro-zone's forecast remains at minus 0.4%. Growth expectations for China are unchanged at 8.2%, while India has been revised down from 6.9% to 6.4%.

Supply and demand

in million barrels per day

2011		10/11
World demand	87.8	**0.8**
Non-OPEC supply	52.4	**0.1**
OPEC NGLs	5.3	**0.3**
Difference	**30.1**	**0.4**

2012		11/12
World demand	88.7	**0.9**
Non-OPEC supply	53.1	**0.7**
OPEC NGLs	5.7	**0.4**
Difference	**29.9**	**–0.1**

Totals June not add due to independent rounding

Stocks

US commercial oil stocks in May rose by 17.7 mb, standing 9.1 mb above a year-ago and nearly 30.0 mb higher than the five-year average. The build was attributed to both crude and products, which increased by 8.7 mb and 9.0 mb respectively. In Japan, the most recent monthly data for April shows that commercial oil stocks increased by 8.4 mb, still 8.4 mb below a year ago, but in line with the seasonal average. The total stock build was divided between crude and products, which rose by 2.7 mb and 5.7 mb respectively.

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Data covered up to the end of May 2012 unless otherwise stated.