OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:

The oil market outlook in 2011

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Oil Market Highlights

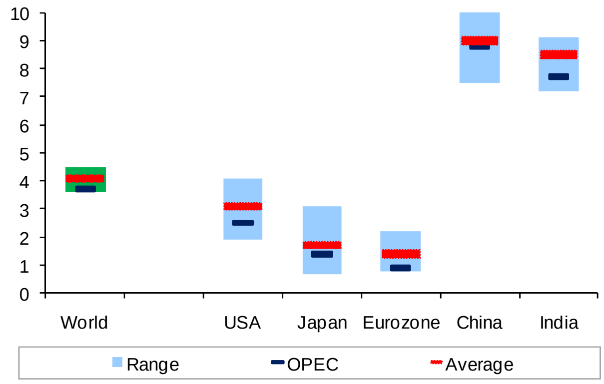
- The **OPEC Reference Basket** declined by $1.53 to average $72.95/b in June. The market remained volatile throughout the month as mixed economic data painted an uncertain picture about the strength of the economic recovery. Sovereign debt concerns in Europe and fiscal and monetary tightening in China offset the slightly improving gasoline demand in the US and at times falling jobless claims. Equities and exchange rate fluctuations also impacted prices. In early July, the Basket fell below $70/b as market sentiment turned temporarily bearish on economic concerns. However, by the second week, prices recovered to stand at $73.93/b on 14 July.
- The **world economy** has gained momentum in 2010 and is expected to grow by 3.8%. The recovery has so far been supported by unprecedented fiscal and monetary stimulus. Both are expected to gradually diminish over the coming months, and private consumption and investment will have to compensate. This, combined with announced fiscal austerity measures in most of the developed countries and monetary and fiscal tightening in China, should lead to a slight moderation in growth next year. As a result, the world economy is expected to grow by 3.7% in 2011. The OECD is seen growing by 2.0%, led by the US at 2.5%, while Japan is at 1.4% and the Euro-zone at 0.9%. The main contribution to global growth is again projected to come from the non-OECD countries, mainly China at 8.8% and India at 7.7%.
- **World oil demand** growth in 2010 is unchanged at 0.9 mb/d. The OECD region is not expected to see any growth this year, mainly due to declining European demand. In 2011, world oil demand is projected to grow by 1.0 mb/d, reflecting continued caution about the pace of the global economic recovery. Growth will take place in the non-OECD, mainly China, India, the Middle East and Latin America. The demand for industrial fuel will be strong as a result of the continuing economic recovery, with healthy growth also expected in demand for transportation fuels. US gasoline demand is expected to return to normal growth, although with considerable uncertainty about the pace of growth.
- **Non-OPEC supply** is now expected to increase by 0.7 mb/d in 2010, representing an upward revision of less than 0.1 mb/d from the last assessment, primarily due to stronger production data in the first half of the year. In 2011, non-OPEC oil supply is expected to grow by 0.3 mb/d. Brazil, Canada, Azerbaijan, Colombia, and Kazakhstan are forecast to be the main contributors, while Mexico, UK, and Norway are foreseen to experience the largest declines. Uncertainties regarding deep offshore supply constitute a risk. OPEC NGLs and non-conventional oils are projected to reach 5.4 mb/d in 2011, indicating a significant increase of around 0.5 mb/d over this year. In June, OPEC crude output averaged 29.2 mb/d, relatively steady with respect to the previous month.
- Increasing demand for middle distillates, signs of improving economic growth and positive sentiment for gasoline demand during the driving season combined to support product market sentiment and prices in early June. However, with the completion of refinery maintenance, increasing product supplies and rising concerns about the pace of world economic growth in recent weeks, both physical and futures **product markets** have lost some of their strength. The prevailing sentiment may change dependent on pace of economic recovery and potential operational disruptions over the hurricane season. This could provide some support for crude markets over the coming months.
- The **tanker market** was mixed in May as VLCC rates increased, while Suezmax and Aframax spot rates declined. Chinese activity supported the increase in VLCC rates while muted activity as well as excess tonnage availability influenced the Suezmax and Aframax markets. Product spot rates fell 5.1% over the previous month reflecting increased tonnage and the arbitrage in some products. OPEC liftings were marginally higher, while arrivals experienced a decline of 2.7%.
- **US commercial stocks** continued their upward trend, rising by 10.2 mb in June, driven by a build in products. As a result of this increase, stocks stand at 87 mb above the five-year average. European total oil inventories (EU plus Norway) declined 4.8 mb in June. The draw was due to declines in products and crude, which still remained 36.0 mb above the seasonal norm. In Japan, commercial oil stocks rose 9.0 mb in May, narrowing the deficit with five-year average to 2.6%. Preliminary indications show Japanese total commercials oil stocks declined by around 4 mb at the end of June.
- The **demand for OPEC crude** in 2010 is estimated at 28.7 mb/d, around 0.1 mb/d lower than the previous report. This represents a decline of 0.3 mb/d compared to a year ago. In 2011, demand from OPEC crude is expected to average 28.8 mb/d, an increase of 0.2 mb/d over the previous year.

The oil market outlook in 2011

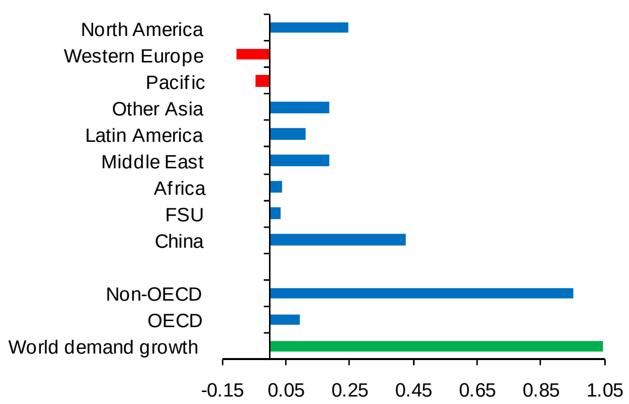
World economic growth for 2011 is forecast at 3.7%, slightly lower than the 2010 forecast of 3.8%. These numbers reflect some caution and take into account the challenges that lie ahead. The broad and unprecedented government-led support that started at the end of 2008 successfully helped to soften the depth of the recession and support the nascent recovery. While some positive developments in final consumer demand can be seen, the government-led stimulus is expected to remain the major driver of growth in 2010. However, this stimulus is expected to taper off in the coming months. With unemployment rates at high levels across the globe and households still constrained in major OECD counties, it remains to be seen whether personal consumption expenditures – which represents the bulk of GDP in developed economies – will be sufficient to provide a major contribution to the recovery.

After growing 2.1% in 2010, OECD is expected to expand by 2.0% in 2011, led by the US at 2.5%, Japan at 1.4% and the Euro-zone at 0.9%. The OECD economies will face the dilemma in 2011 of introducing austerity measures in most of the economies at a time of continued low growth. Developing countries remain the major contributors to global growth. China is expected to expand by 8.8%, following 9.5% in 2010. The Chinese administration is currently implementing measures to avert overheating in its fast-expanding economy. At the same time, care should be taken to avoid any excessive deceleration of the economy. The pace of growth in India is also expected to slow slightly in 2011 with growth of 7.7%, after achieving 7.8% in 2010. Brazil's performance has surprised on the upside, benefiting from the improvement in commodities, and is now expected to grow by 5.8% before moderating to 4% next year. However, the pace of the expansion in export-led emerging economies will partly depend on economic developments in the OECD. Overall, the forecast for 2011 remains subject to substantial uncertainties as shown in the wide range of forecasts by selected major sources (***Graph 1***).

Graph 1: Range of GDP growth forecasts in 2011, %



Graph 2: Contributors to oil demand growth in 2011, mb/d



Turning to the oil market, world oil demand is projected to grow 1.0 mb/d to 86.4 mb/d in 2011. Demand growth will come primarily from non-OECD, mainly China, India, the Middle East and Latin America (***Graph 2***). On the product side, demand for industrial fuels will be strong as a result of the ongoing economic recovery. Demand for transportation fuels is also forecast to increase. In the US, gasoline demand is assumed to return to its normal growth trend, although dependent on the pace of the recovery, as well as government policies. One factor expected to play an important role in next year's oil demand is retail oil product price developments which will be impacted by tax policies and subsidies, potentially leading to a moderation in the recovery in oil demand.

Non-OPEC supply is forecast to grow 0.3 mb/d in 2011 to 52.2 mb/d, supported by Brazil, Canada, Azerbaijan, Colombia, and Kazakhstan, while the UK, Norway, and Mexico are expected to experience declines. The outlook for non-OPEC supply shows considerable risks and uncertainties. Major uncertainties include developments in the Gulf of Mexico related to the deepwater moratorium, decline rates across various regions and progress in the new subsalt frontier in Brazil. Moreover, economic and financial uncertainties as well as new challenges to global deepwater production have added to the general uncertainties on the supply side. Separately, OPEC NGLs and non-conventional oils are seen rising a further 0.5 mb/d in 2011, representing a similar increase to last year.

Taken together, the above forecasts for global demand and non-OPEC supply, including OPEC NGLs and non-conventional oil, result in demand for OPEC crude of 28.8 mb/d in 2011. This represents growth of 0.2 mb/d above the current year, the first increase in three years. However, the wide range of forecasts for oil demand and non-OPEC supply across the industry reflects the high level of uncertainty regarding the needs of the market in the coming year.

If the past is a good guide, our initial projections are likely to be revised over the coming months, but by less than other institutions. The overall outlook indicates that the current stock overhang would be more than sufficient to supply the additional volumes needed in 2011. As a result, the oil market is set to remain well-supplied, especially in light of the ongoing increase in crude oil production capacity. In this environment, non-fundamental factors, mainly the behaviour of financial markets, will continue to be the key drivers of oil price volatility.

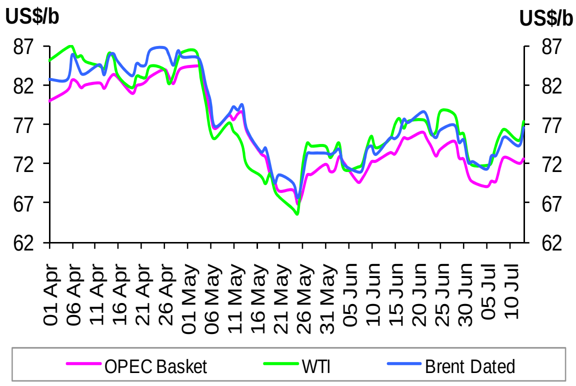
Crude Oil Price Movements

OPEC Basket fell a further $1.53/b in June to average $72.95/b

OPEC Reference Basket

The OPEC Reference Basket fell a further $1.53 in June to stand at a $72.95/b, the lowest level since October 2009. However, this represents an easing of the sharp decline of $7.85 seen in May. The Basket was also less volatile in June, fluctuating between $70/b to $75/b while in May it moved within a much larger $67-84/b range. With the exception of just a few days, the OPEC Reference Basket has been moving within a range of $70 and $80 over the first half of 2010 to average some $76/b.

Graph 1: Crude oil price movement



The decline of the OPEC Reference Basket for the second consecutive month with a total loss of $9.34 or 11.4% was attributed to ample supply and ongoing high oil inventories. Nevertheless, despite the loss of more than $9 over the last two months, the OPEC Reference Basket remained around $4.60 or 6.7% higher than a year earlier.

Middle Eastern crudes were the main contributors to the decline, led by Murban with $2.67. In addition to lower demand from Asian buyers because of refining maintenance, Middle Eastern crudes are still facing strong pressure from the Russian ESPO blend even though its share in the Asian market remains low compared to the Middle East. Some cargoes of ESPO were even sold at a discount of more than $1/b to Dubai quotes, adding more pressure on Middle Eastern crudes. Benefiting from its higher quality and transportation costs, ESPO has been gaining greater acceptance among Asian and US West Coast buyers and exports have been increasing since its launch last December, pushing Middle East producers to lower crude prices to counter competition. Qatar, for instance, has dropped the May retroactive official selling price for its Marine crude and Saudi Arabia also lowered its OSP for July loading cargoes to Asia. Middle Eastern crudes were also pressured by soaring freight rates to Asia.

African crudes showed lower declines relative to Middle Eastern grades. The losses ranged from 62¢ for Algerian Saharan Blend and $1.22 for Libyan crude Es Sider. Algerian light sweet crude was supported by stronger demand, particularly from Asian buyers. West African crudes dropped in June, but differentials with Dated Brent were strong most of time, supported by generous refining margins and strong demand, essentially from Asian buyers amid weaker freight rates. Latin American crudes showed a mixed pattern with Oriente gaining 57¢ and Merey losing 76¢.

The OPEC Reference Basket weakened in the first week of July to again move below $70/b on the second day of the month as the market turned bearish because of poor macroeconomic data. The Basket recovered in the second week to stand at $71.86/b on 8 July on the back of bullish sentiment, driven by expectations of higher global demand after the IMF revised up its forecast for global economic growth.

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

	May 10	Jun 10	Change Jun/May	2009	2010
OPEC Reference Basket	**74.48**	**72.95**	**-1.53**	**50.89**	**76.01**
Arab Light	75.50	73.84	-1.66	51.16	76.54
Basrah Light	73.15	72.09	-1.06	50.17	75.32
Bonny Light	76.87	76.00	-0.87	53.48	78.68
Es Sider	74.87	73.65	-1.22	51.29	76.97
Girassol	75.53	74.85	-0.68	51.79	77.53
Iran Heavy	74.09	71.83	-2.26	49.96	75.55
Kuwait Export	74.23	72.03	-2.20	50.26	75.37
Marine	76.58	73.97	-2.61	52.46	77.09
Merey	65.86	65.10	-0.76	45.84	69.06
Murban	78.57	75.90	-2.67	53.85	78.76
Oriente	68.62	69.19	0.57	45.69	71.28
Saharan Blend	75.67	75.05	-0.62	52.58	77.83
Other Crudes					
Minas	82.47	78.87	-3.60	54.77	81.56
Dubai	76.49	73.99	-2.50	51.76	76.92
Isthmus	73.73	73.41	-0.32	50.85	76.66
T.J. Light	72.04	71.65	-0.39	49.65	75.09
Brent	75.57	74.85	-0.72	51.74	77.37
W Texas Intermediate	73.65	75.29	1.64	51.43	78.25
Urals	74.10	74.37	0.27	51.05	76.18
Differentials					
WTI/Brent	-1.92	0.44	2.36	-0.31	0.88
Brent/Dubai	-0.92	0.86	1.78	-0.02	0.44

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

WTI front month rose $1.29 to $75.40/b as equity markets recovered and investor confidence improved

Crude oil market sentiment improved in June but crude oil futures remained volatile amid ongoing economic uncertainties. On Nymex, the WTI front month moved within a range of $71/b and $79/b. On average, the WTI front-month contract gained $1.29 in June to average $75.40/b while in May it fell $10.46 on the back of disappointing macroeconomic data from the US and Europe and their implications on global oil demand. The recovery in oil prices in June was driven by the improvement in confidence among investors amid better economic indicators and easing concerns about the European debt crisis. The improvement in US crude oil futures came in line with a recovery in equity markets, implying a strengthening in the WTI-equities relationship again. China's decision to take steps in order to increase the exchange rate flexibility of its currency also contributed to the increase in oil prices. The appreciation of the yuan, which will likely lead to more imports of oil by China, added more bullishness to the oil market and helped crude oil futures to firm. From a fundamental perspective, abundant supplies and high oil inventories in OECD, particularly crude oil in the US, continued to weigh on the oil market.

The **WTI front month** lost a hefty $3.10 on 4 June after concerns that the Euro-zone debt crisis may spread reemerged again and news showed China's economic activity had slowed. Prices also fell on the back of a stronger US dollar. Prices started to recover afterwards in line with equity markets to move above $77/b in mid-June, driven by bullish sentiment, as well as positive macroeconomic data on Chinese exports, better US job claims, and data showing that Euro-zone industrial production rose sharply in April. This positive news increased confidence about economic recovery and increased investor appetite for commodities including crude oil. Improving confidence and the weaker dollar made US crude oil futures increase further in the following days to approach $79/b in the last week of June. However, the momentum came to an end and futures dropped for six days in a row to settle below $72/b on 6 July, the lowest in a month. This loss of almost $6.9 or 8.7% in six trading days was again attributed to negative macroeconomic data, which triggered worries about the economic recovery. Economic concerns renewed with a sharp decline in US consumer confidence, a strong revision in China's leading economic index and worries about the European debt crisis. The WTI August contract jumped almost 3% on 7 July to move above $74/b, reversing the six-day downward trend. The sharp increase in futures was supported by a rally in equity markets, a weaker US dollar and a larger-than-expected draw in US crude oil stocks as production was affected by a tropical storm in the Gulf of Mexico. The recovery was also attributed to positive macroeconomic sentiment following the upward revision of world GDP growth to 4.6% for 2010. This regaining of optimism boosted the WTI August contract for the third consecutive day to settle at more than $76/b on 9 July.

ICE Brent declined by $1.34 to average $75.66/b

In contrast to the Nymex WTI front-month contract, **ICE Brent futures** dropped for the second month in a row in June. The ICE Brent front month fell a further $1.34 to average $75.66/b for the month. The drop in ICE Brent was a sort of correction from the previous month when the front month settled almost $2.9 higher than WTI. The drop in ICE Brent also reflected weak demand in Europe and ample supply within the region. The loss of June came as a result of a strong drop of $3.32 on 4 June, when market sentiment plunged and the decline of more than $3 in total over the last three days of the month. However, in most of the remaining days of June, ICE Brent saw gains. As with WTI, Brent suffered from bearish macroeconomic data at the end of June and early July when it fell for seven days in a row to settle at $71.45/b on 6 June, the lowest since 24 May.

WTI-Brent spread improved, but WTI remained at a discount

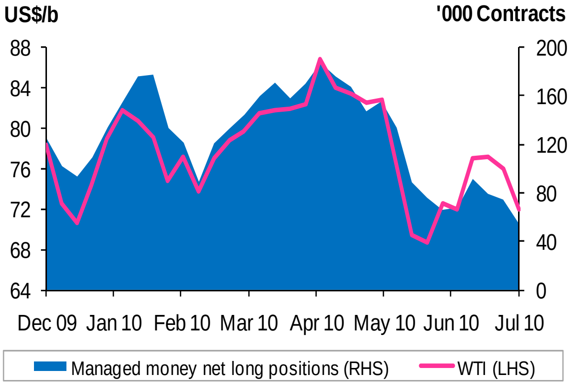
As WTI futures increased and ICE Brent dropped, the WTI-Brent spread recovered sharply in June to turn positive for the first time since the second week of April. It is worth noting that WTI traded at a discount to Brent of up to $5.71 on 13 May as oil inventories at Cushing, Oklahoma, the delivery point for Nymex, hit a historical record of nearly 38 mb. However, despite this recovery, WTI remained 25¢ below Brent on average in June, compared with a discount of more than $2.90 in May. Nevertheless, WTI has been trading above Brent since 25 June.

As the market became less volatile, trading volume for futures contracts in June declined. Total volume trading of Nymex WTI futures fell from nearly 885,000 contracts in May to less than 660,000 contracts in June, but remained higher than March and January levels and total trading for ICE Brent contracts dropped to some 360,000 from 450,000 contracts in May.

Open interest weakened in June but speculative activity remained strong

Total open interest for Nymex WTI also declined in June to move from around 1,360,000 in the first days of June to around 1,260,000 at the end of the month. Similarly, open interest for ICE Brent crude futures moved from around 761,000 on 1 June to less than 747,000 on the last trading day of the month.

Graph 2: Nymex WTI price vs. Speculative activity



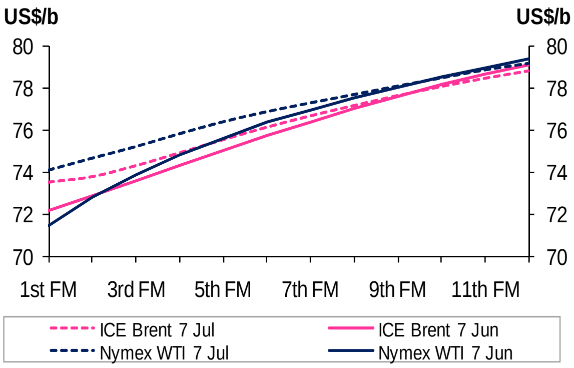
The co-movement of futures and speculative activity remained strong in June. Money managers, the key speculator group, cut net long crude oil futures positions to around 66,000 contracts in the first week of June, the lowest since early September compared with some 155,000 lots in early May (*see* ***Graph 2***). This low level of money managers' net long positions coincided with a drop of WTI futures to around $71/b after crude oil market sentiment weakened significantly in late May because of bearish macroeconomic expectations. However, money managers increased their net long positions to more than 91,000 contracts in the week through 15 June, a week when the WTI front month contract moved above $77/b before they again cut their positions in the following two weeks to around 55,000 lots in the week ending 6 July, a week which saw the WTI front-month decline over six consecutive days in a row to stand below $72/b.

The futures market structure

Market remained in contango, although narrowing at the front of the curve

The futures market remained in contango but the WTI and Brent curves narrowed at the front months. The spread between the 1st and the 3rd month of **WTI futures** contracts narrowed from $4.30 in May to less than $1.9 in June, which corresponds to a drop of around 56%, and then narrowed further in early July to move below $1 for the first time since late March. The spread between the 6th and the 1st month as well as the difference between the 12th and the 1st month narrowed in June but by just 29% each. The strong flattening at the front of the curve was due to the fact that the front month strengthened in June while forward months have weakened. This situation reflects the fact that prompt prices were driven by factors other than fundamentals, at a time when weak fundamentals reflected in excess inventories in OECD countries are putting pressure on the price of crude for later delivery. The narrowing of the contango has contributed to a decline in floating storage as holding stocks is not profitable.

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



FM = future month

The **ICE Brent** curve also narrowed, but at a slower pace than WTI. The spread between the 3rd and the 1st month fell by around one third to average $1.15 in June and the spread between the 6th and the 1st month fell by 24%. Again, this reflects the impact of bearish fundamentals from crude oil stocks at Cushing, Oklahoma, which continue to weigh on the outlook for the US crude oil market.

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

Nymex WTI

	1st FM	2nd FM	3rd FM	6th FM	12th FM
7 Jun 2010	71.44	72.77	73.85	76.35	79.38
7 Jul 2010	74.07	74.64	75.19	76.85	79.15

ICE Brent

	1st FM	2nd FM	3rd FM	6th FM	12th FM
7 Jun 2010	72.12	72.88	73.59	75.72	79.10
7 Jul 2010	73.51	73.77	74.29	76.11	78.78

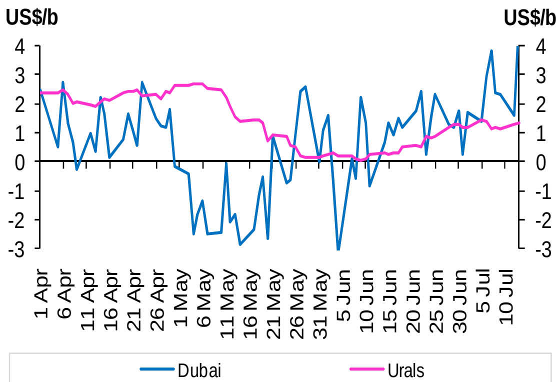
FM = future month

The sour/sweet crude spread

Light sweet crudes recovered against sour grades

The drop in oil inventories at Cushing, Oklahoma, gave WTI spot some support against other crudes, particularly North Sea dated crudes, opening transatlantic arbitrage in June to ship European and African crudes to US markets, especially in the context of low freight rates. The WTI-Dated Brent spread rose from minus $1.92 in May to 44¢ in June. However, despite this recovery, the premium is still below the levels of more than $2 displayed in the first quarter 2010. Light sweet crudes also recovered against sour crudes with WTI spot trading at a premium of 73¢ compared with a discount of more than $1.4 in May. The strength of WTI over Mars crude was

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



evident in late June and early July. The premium of WTI over Mars sour jumped to almost $2 in late June. In addition to a drop in crude oil inventories at Cushing, light sweet crude was supported by stronger demand relative to heavy sour crudes because of rising demand from refiners for the driving season. Furthermore, abundant supplies of sour crudes also contributed to the rise in the premium of light-sweet/heavy-sour crudes.

The **Brent-Dubai spread** also turned positive in June, making African and Russian crudes very attractive for Asian buyers. Dubai came under pressure in June on the back of ample supply within the region and increasing freight rates to Asia. The bearish sentiment for Middle Eastern crudes let Russian ESPO trade at its strongest premium in nearly nine months in the last week of June. It is worth mentioning that ESPO is benefiting from its quality and lower transportation cost.

The **Brent-Urals differential** narrowed significantly in June to average less than 50¢ compared with nearly $1.50 in May and $2.28 in April. Strong refining margins following the return of refiners from maintenance and weaker freight rates pushed Urals differentials to a discount to Dated Brent of just 4¢ on 8 June. That was the narrowest discount to Dated in more than 4 months. Urals was also supported by expectations of a tighter loading programme for July as well as strong OSPs from Saudi Arabia, Iraq and Iran into Europe.

Commodity Markets

Commodity prices kept falling in June, but at a more moderate pace

Trends in selected commodity markets

Commodity prices continued declining in June, weighed down by the European sovereign debt crisis, bearish macroeconomic data, tightening policy in China and slowing manufacturing growth in emerging Asia. The World Bank non-energy price index declined by 1.7% m-o-m in June while the energy index fell by 0.6% m-o-m.

Table 3: Commodity price data, 2010

		Monthly averages			% Change		
Commodity	**Unit**	**Apr**	**May**	**Jun**	**Apr/ Mar**	**May/ Apr**	**Jun/ May**
World Bank commodity price indices for low and middle income countries (2000 = 100)							
Energy		285.5	259.7	258.1	5.1	-9.0	-0.6
Coal, Australia	$/mt	100.2	100.1	98.2	6.1	0.0	-1.9
Crude oil, average	$/bbl	84.2	75.6	74.7	6.2	-10.2	-1.2
Crude oil, Brent	$/bbl	85.0	76.3	74.8	7.2	-10.3	-1.9
Crude oil, WTI	$/bbl	84.5	73.7	75.4	4.0	-12.7	2.2
Natural gas index	2000=100	143.8	143.1	156.2	-10.6	-0.5	9.1
Natural gas, US	$/mmbtu	4.0	4.2	4.8	-6.7	3.7	15.4
Non Energy		265.1	252.4	248.1	8.7	-4.8	-1.7
Agriculture		217.8	214.1	213.9	2.7	-1.7	-0.1
Beverages		243.6	243.5	253.2	4.4	0.0	4.0
Food		203.4	200.4	199.1	-1.0	-1.5	-0.6
Soybean meal	$/mt	340.0	348.0	338.0	3.3	2.4	-2.9
Soybean oil	$/mt	903.0	865.0	859.0	-1.3	-4.2	-0.7
Soybeans	$/mt	411.0	407.0	407.0	0.7	-1.0	0.0
Grains		192.0	189.8	178.0	-2.9	-1.1	-6.2
Maize	$/mt	157.1	163.4	152.7	-1.2	4.0	-6.5
Sorghum	$/mt	149.4	147.3	131.0	-3.4	-1.4	-11.1
Wheat, Canada	$/mt	264.7	256.7	261.3	-2.2	-3.0	1.8
Wheat, US, HRW	$/mt	192.9	181.6	157.7	0.9	-5.8	-13.2
Wheat, US, SRW	$/mt	187.8	190.3	182.6	-1.2	1.4	-4.1
Sugar EU	¢/kg	45.0	42.1	40.9	-1.1	-6.4	-2.8
Sugar US	¢/kg	68.4	68.1	72.4	-11.7	-0.4	6.3
Sugar, world	¢/kg	36.3	33.5	35.0	-11.8	-7.6	4.5
Raw Materials		239.7	232.3	229.8	10.4	-3.1	-1.1
Fertilizers		261.8	249.3	248.9	0.1	-4.8	-0.2
Metals and Minerals		362.4	331.3	318.2	18.1	-8.6	-4.0
Aluminum	$/mt	2316.7	2040.5	1931.4	5.0	-11.9	-5.3
Copper	$/mt	7745.1	6837.7	6499.3	3.8	-11.7	-4.9
Gold	$/toz	1148.7	1205.4	1232.9	3.2	4.9	2.3
Iron ore	¢/dmtu	167.0	167.0	167.0	65.4	0.0	0.0
Lead	¢/kg	226.5	188.3	170.4	4.3	-16.9	-9.5
Nickel	$/mt	26030.8	22008.2	19388.6	15.9	-15.5	-11.9
Silver	¢/toz	1816.8	1842.2	1853.4	5.9	1.4	0.6
Steel products index	2000=100	234.1	247.3	242.1	6.3	5.6	-2.1
Tin	¢/kg	1868.4	1756.6	1732.0	6.5	-6.0	-1.4
Zinc	¢/kg	236.7	196.8	174.3	4.0	-16.8	-11.5

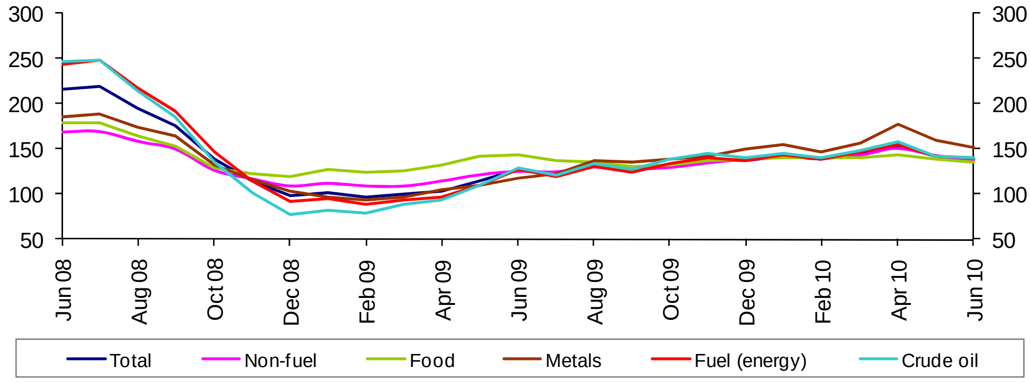
$ = US dollar *¢ = US cent* *bbl = barrel* *cum = cubic meter*
dmtu = dry metric ton unit *kg = kilogram* *mmbtu = million British thermal units*
mt = metric ton *toz = troy oz*
n.a. = not available *n.q. = no quotation* *SGP = Singapore*

Source: World Bank, Commodity price data

As in the previous month, those commodities more closely linked to the economic cycle, such as base metals, suffered the major impact of the complicated macroeconomic panorama with worries about the pace of the global economic recovery and a moderation in manufacturing growth in China and emerging Asia leading to slowing Chinese demand growth rates. Among the disappointing data for June is the further softening of the Purchasing Managers Index (PMI) for manufacturing in China, the drop in import demand for commodities, reflecting the eased growth of the fixed investment cycle and inventory correction in the industrial sector as well as slower growth in car sales for May. This data is in line with government efforts to cool the economy, particularly the property market. Some analysts say that concerns about the overheating of the property market in China and the transmission to the whole economy with the consequence of the burst of a financial bubble are overblown, pointing to the insignificant share of fixed asset investment accounted for by private property construction and the low exposure of banks to the sector. Likewise, a deceleration in the pace of high-value property construction in urban areas is likely to be more than offset by government plans to step up construction of low-income housing this year. Some analysts also argue that there is a kind of overreaction of the markets to the slowing growth in China because this is taking place from exceptionally high levels.

Concerning the US, the Conference Board's Consumer Confidence Index tumbled in June. Initial claims for unemployment insurance jumped by 13,000 in the week ended 26 June and the Pending Home Sales Index plummeted 30% to an all-time low during May. The June employment report showed a declining work week. The IMF estimates slower growth for the second half of 2010 and although the forecast for 2011 is unchanged, it is recognized that downside risks have risen sharply amid renewed financial turbulence. Therefore, the forecast relies on the sound implementation of economic policies aimed to bring up confidence and stability, especially in the euro area.

Graph 5: Major commodity price indexes, 2008-2010



Commodity price index, 2005 = 100

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

The energy index slid 0.6% in June

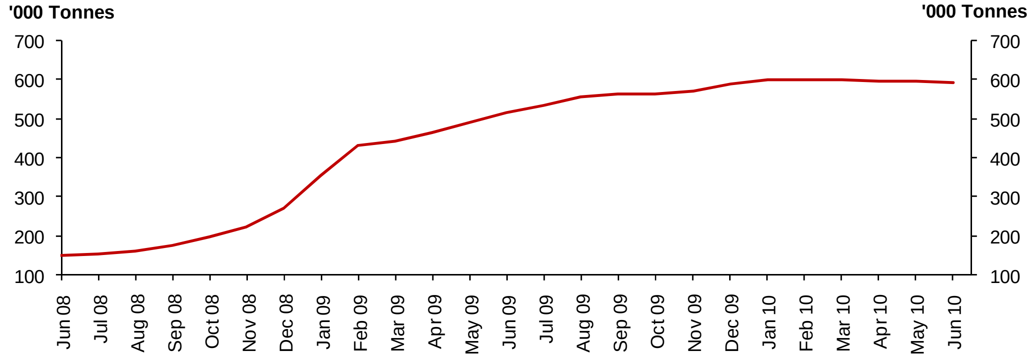
The World Bank energy commodity index (crude oil, natural gas and coal) decreased 0.6% m-o-m in June. The milder fall compared to last May was ascribed to a surge in US natural gas prices as crude oil prices dropped 1.2%.

Henry Hub (HH) surged 15.4% m-o-m on rising temperatures that fueled demand regardless of weak fundamentals as there are ample inventories, growing non-conventional production and surplus global LNG capacity.

The World Bank non-energy commodity index decreased 1.7% m-o-m in June with the base metal market being the worst performer.

As in May, the World Bank **base metal price index was the major loser in June**, falling 5.9% m-o-m. As already mentioned, the drop that took place across the complex was prompted by the burden of concern about the EM tightening policies and EU countries debt. The official China Federation of Logistics and Purchasing, PMI for manufacturing fell to 52.1 in June from 53.9 in May and 55.7 in April. As it has been noted, some analysts of the commodity markets hold an optimistic view about commodity markets, arguing that the concern for a slowdown of the Chinese economy is exaggerated since the previous economic growth rate was very high and these rates are still healthy and more sustainable.

Graph 6: Inventories at the London Metal Exchange (LME)



The industrial metal complex kept declining in June

Copper prices decreased 4.9% m-o-m in June on concerns over moderating demand in China and the European public debt crisis. China's copper imports slid by 9% m-o-m in May for the second consecutive month. Inventories declined at the LME.

Aluminium prices lost by 5.3% m-o-m in June as a result of growing supply and expectations of slowing demand in the second half of the year. Chinese imports of unwrought and fabricated aluminium products were down 72% y-o-y. Concerning storage, LME inventories dropped.

Lead prices fell 5.3% m-o-m in June owing to expanding production and slowing demand. China, which is the world's largest lead consumer saw a 9% m-o-m decline in imports of lead and lead concentrate in May.

Zinc prices also sank 11.5% m-o-m in June owing to weakening demand mainly from China whose zinc ore and concentrate import declined 6% in May m-o-m.

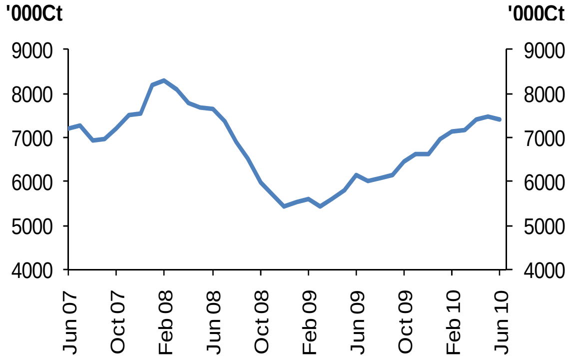
Nickel prices tumbled 11.9% m-o-m in June. On the demand side, Chinese nickel imports declined 36% m-o-m in June. In addition the market was preparing for the traditional seasonal weaker activity. The decline in nickel prices took place despite some supply constraints.

Gold prices rose 2.3% m-o-m in June, essentially on safe-haven buying by investors.

Investment flow into commodities

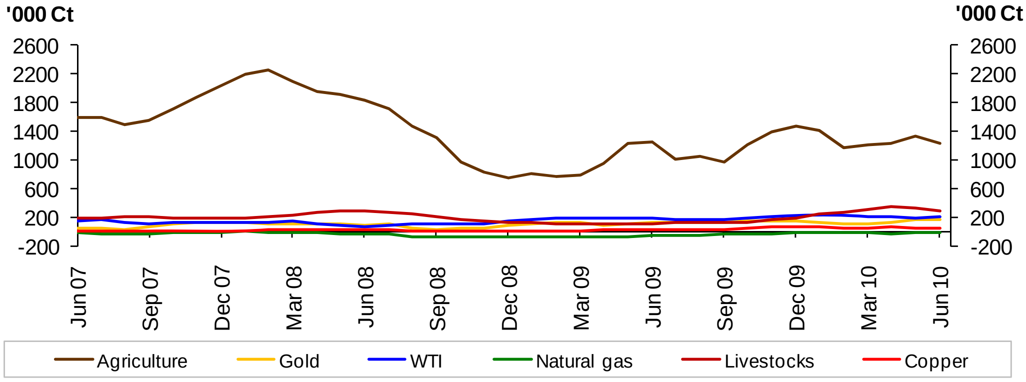
Open interest volume (OIV) for major commodity markets in the US declined 2.1% m-o-m in June to 7,434,924 contracts (*see **Graph 7***). Investor mood became bearish in the middle of mounting negative macro-economic data which raised concern about the pace of global growth or even of the possibility of a double-dip recession. Livestock, WTI and natural gas experienced the largest losses in the total number of contracts.

Graph 7: Total open interest volume



Source: CFTC

Graph 8: CFTC net length by commodity group

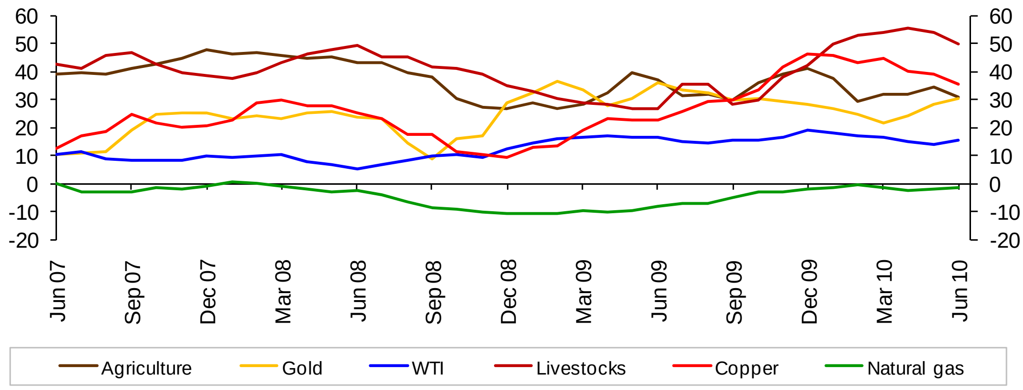


Source: CFTC

Non-commercial longs in major US commodity markets slipped by 2.9% m-o-m to 3,780,422 contracts in June while a rise in shorts of 1.4% m-o-m to 1,809,965 contracts caused net non-commercials as a percentage of open interest volume to rise from 27.8% in May to 26.5% in June.

Agricultural OIV increased by 1.1% m-o-m to 3,904,255 contracts in June. Non-commercial longs fell 2.4% m-o-m to 2,064,087 contracts, while shorts advanced 4.4% to 812,963 contracts in June, so the net length as a percentage of OIV fell from 34.6% in May to 32.1% in June.

Graph 9: CFTC net length as % of open interest



Source: CFTC

OIV for precious metals rose 1.1% m-o-m in June compared to 706,911, growth of 8.5% in the earlier month. Non-commercial long positions increased by only 0.9% m-o-m to 435,131 contracts in June compared to a rise of 10.7% in May. As non-commercial short positions declined slightly by 0.9%, the net length as a percentage of open interest volume remained almost the same at 29.4% in June.(*see **Graphs 8** and **9***).

Nymex natural gas futures open interest volume plummeted 5.1% m-o-m to 817,802 contracts in June. A fall of 3.8% and 4.5% m-o-m in non-commercial longs and shorts resulted in net length as a percentage of OIV dropping by 1.8% in June compared to -2.1% in May.

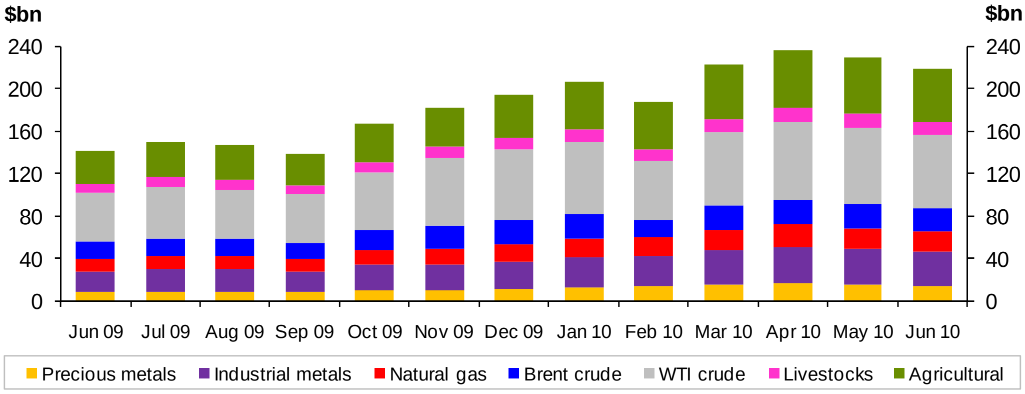
Copper open interest volume gained 0.5% m-o-m to 133, 281 contracts in June after a dramatic drop in May. As a whole, the mood was bearish in the copper paper market with non-commercial longs declining 3.5% m-o-m to 82,910 contracts and shorts gaining 5.8% to 36,420 contracts in June respectively. Non-commercial net length declined from 38.8% in May to 34.9% in June. Copper has been one of the markets more disrupted by the negative macroeconomic environment due to the close links between industrial metals and the economic cycle.

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

	Open interest	Net length							
		Swap positions		Money positions		Other positions		Non-commercials	
	Jun 10	Jun	%OIV	Jun	%OIV	Jun	%OIV	Jun	%OIV
Crude Oil	1342	184	14	75	6	-50	-4	209	16
Natural Gas	834	148	18	-111	-13	-48	-6	-12	-1
Agriculture	3990	963	24	141	4	124	3	1,229	31
Precious Metals	688	-57	-8	239	35	24	3	207	30
Copper	132	44	33	5	4	-2	-2	47	35
Livestock	565	182	32	128	23	-28	-5	282	50
Total	**7,551**	**1,464**	**19**	**477**	**6**	**19**	**0**	**1,960**	**26**

	Open interest	Net length							
		Swap positions		Money positions		Other positions		Non-commercials	
	May 10	May	%OIV	May	%OIV	May	%OIV	May	%OIV
Crude Oil	1412	121	9	113	8	-36	-3	199	14
Natural Gas	861	172	20	-155	-18	-35	-4	-18	-2
Agriculture	3860	1012	26	255	7	68	2	1335	35
Precious Metals	699	-68	-10	245	35	24	4	201	29
Copper	133	43	32	13	10	-4	-3	51	39
Livestock	631	184	29	174	28	-19	-3	340	54
Total	**7,597**	**1,464**	**19**	**645**	**8**	**0**	**0**	**2,109**	**28**

Graph 10: Inflow of investment into commodities



Source: CFTC

The estimated dollar investment inflow into major commodity indices indicates a further decline of 4.7% m-o-m in June compared to 3.1% in the previous month. The risk aversion affected all the sectors in a similar way.

World Economy

Economic growth rates 2010-2011,%							
	World	OECD	USA	Japan	Euro-zone	China	India
2010	3.8	2.1	2.8	2.7	0.7	9.5	7.8
2011	3.7	2.0	2.5	1.4	0.9	8.8	7.7

Industrialised countries

USA

The US economy continues to recover, although with the stimulus ending soon it remains to be seen whether the current momentum continues into the 2H10 and in 2011

The US economy is entering a critical stage. The economy enjoyed a fast recovery after the recession's end in the third quarter of 2009. Since then, quarterly GDP growth has been recorded at levels of 2.2% in the 3Q09, 5.6% in the 4Q09 and now at 2.7% in the 1Q10. Expectations for relatively solid growth in the 2Q10 are still on track, but most indicators point to a slowdown in economic activity. Developments in the 3Q10 will be crucial to see if this momentum might continue.

To gain some further insight about the current deceleration of growth in the US, it might be useful to start with a brief analysis of the GDP releases for 1Q10. The first release at the end of April put quarterly annualized growth for 1Q10 at 3.2%. This figure was revised down in the second estimate to 3.0%, while the third and final estimate stands at 2.7%. Such declining estimates might not improve confidence in the economy. Furthermore, the contribution of inventory builds is relatively high. In the first estimate, its share was around 50% of the final growth number, while in the final reading it was seen to contribute 70% of the final 2.7% growth. This is even a slight increase compared to the 4Q09, when support from inventories was already at high levels. Usually, inventory build is a supportive factor when an economy is recovering. It should be expected to fade when stocks have reached average levels again. Inventory builds can even go away relatively fast, when consumption does not pick up considerably. So far, this has not been the case. Personal consumption expenditures have increased by 2.8% in 3Q09, then decelerated to 1.6% in the 4Q09 and were again rising by 3% in the 1Q10 — again more than total GDP growth of 2.7%. Particularly, the demand for goods rather than services, which usually constitutes around 80% of the US GDP, was the main contributing factor. This, in combination with the build in inventories, might lead to the conclusion that the manufacturing sector might slow down in the coming months.

While there is still some positive and encouraging developments in economic growth, this momentum seems to still be significantly supported by fiscal stimulus, which is being accompanied by unprecedented monetary support measures of the Federal Reserve. So far, the fiscal stimulus has had a positive effect in two ways: The first is through direct effects, such as direct spending by government on projects in infrastructure, healthcare etc. This spending has indirect positive effects on employment and consumption. Further indirect effects have been tax-credits to households and other financially supportive measures such as support for home-buyers and the housing sector in general. Both of these effects — direct and indirect — should be expected to diminish, when most of the stimulus will taper off in the coming months. Government consumption expenditures and gross investments have started to decline already. Although growing in 2Q09 at an annual rate of 6.7%, they fell back to 2.6% in the 3Q09 and turned negative in the 4Q09 to minus 1.3%. In 1Q10, they contracted further by 1.9%. It remains to be seen whether these shortfalls can be compensated by private household consumption.

The unemployment rate is still at an elevated level of 9.5% in June. While it must be acknowledged that unemployment declined from 9.7% in May, this positive momentum seems to be mainly supported by statistical factors. The labor force plunged by 625,000, a large part of these people that could be considered unemployed. Nonfarm-payrolls fell by 125,000 jobs, mainly due to a decline in census jobs, which underpins the fragility of the employment market and the still great dependence on governmental hiring. Private payrolls, which are currently of greater importance, were growing, at a still modest pace of 83,000 from 33,000 job additions in April, a number that has been revised down from an already meager 41,000. Hourly earnings fell by 0.1% m-o-m in June and the average working week unexpectedly fell from 34.2 hours to 34.1, a drop of 0.3%. Putting both factors together, the average wage declined by 0.4% in June.

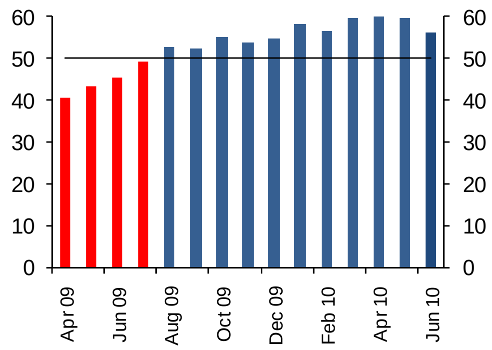
The current deflation in the US has added to concerns that growth in consumption will probably remain muted at best. The broad consumer price index (CPI) declined by 0.2% m-o-m in May after a decline of 0.1% in April. The core CPI managed a 0.1% m-o-m increase, after remaining flat in May. On a yearly comparison, the CPI declined by 2.0%. This trend should be expected to continue as housing-related prices have been on a declining trend over the recent months.

The S&P's Case-Shiller 20-city composite index increased by 0.4% m-o-m in April. This comes after a fall of 0.05% m-o-m in March on a seasonally-adjusted basis and a decline of 0.1% in February, which then marked the first declining monthly trend since April 2009. There might be a caveat attached to the slight uptick in the April number, as the US administration's tax credit for first-time home buyers ended on April 30. This has supported the housing market, but should not be expected to continue. Consequently, pending home sales rose in April by 6%, but fell dramatically by 30% in May.

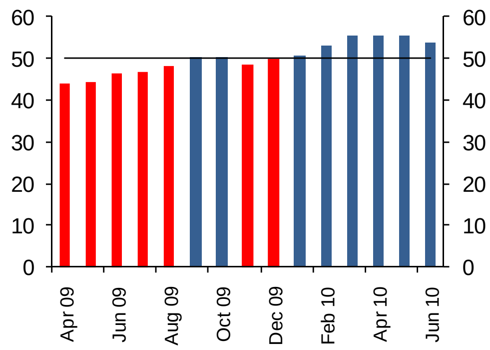
In line with the previously described developments in the US economy, consumer confidence also fell in June. The Conference Board Consumer Confidence Index was recorded at a level of 52.9 in June, representing a three-month low, after 63.3 in May. This raised expectations that retail sales due to be published mid-June may decline again after a drop of 1.2% in May.

The services-ISM stood at 53.8 for June compared to 55.4 in May. ISM manufacturing retreated from its elevated levels of 59.7 in May and 60.4 in April to stand at 56.2 in June.

Graph 11a: ISM manufacturing index



Graph 11b: ISM non-manufacturing index



Source: Institute for Supply Management

In his latest statement to the Committee on the Budget at the House of Representatives in June, the Fed chairman acknowledged that the recovery in economic activity has continued at a moderate pace this year. The chairman is now expecting the US-economy to expand around 3.5% this year and at a somewhat faster pace next year. This latest estimate compares with a central tendency of the Fed's economic projections of 2.0% to 3.0% for 2010. This is lower than the January estimates where the range was between 2.5% and 3.3%. While the chairman did not offer a precise number for 2011 in his latest deliberations, the latest economic projections of the Fed for 2011 were at a central tendency of 3.5% to 4.8%, significantly higher than 2010 growth and slightly lower than the projections that the Fed published in January, which stood at 3.8% to 5.0%. Despite these relatively strong growth projections, the Chairman's estimate was that even this path of growth would only lead to a slow reduction in the unemployment rate and that inflation would remain subdued. However, the main driver for the continuation of this growth pattern is expected to be private final demand.

The downside risks to the pace of recovery are the subdued employment situation and the housing market that was excessively supported by first-time home buyer tax credits in recent months. The underlying trend in the important real-estate sector has been identified to have firmed only a little. This trend applies to both the residential and non-residential property market. Also, the employment market is being seen by the Fed as a challenge to economic recovery and it is being acknowledged that most of the recent improvement was mainly due to the census-related hiring that can be expected to be short-lived. The important private hirings have risen by 140,000 per month on average between March and May 2010. Despite acknowledging this as a positive trend, it is still low compared to 8.5 mn jobs that were lost in 2008 and 2009. At this rate, it would take around 5 years to restore the jobs that were lost and to bring back the unemployment rate to the pre-crisis level of around 5%. For the medium-term to long-term future, it was highlighted furthermore that the fiscal situation is not sustainable and further actions will be needed to narrow the budget gap.

These concerns of relative limited growth potential were also shared by the capital markets. The S&P 500 lost more than 10% since the peak levels of April and the yield on ten-year treasuries have declined from 4% at the beginning of April to below 3% in early July.

Considering the expected end of most of the positive effects of the fiscal stimulus package and the current limits to monetary support are in an economy earmarked by deleveraging of private households, many uncertainties prevail. While the 2010 forecast was kept unchanged at 2.8%, those challenges that are expected to unfold by the 2H10 might mainly be felt in 2011. Therefore, the expected growth in the US in 2011 is slightly lower than the growth expectations for 2010 and now stands at 2.5%.

Japan

Japanese economy falters as exports and domestic demand declined while unemployment increased

Japan, having seen stellar growth in the 1Q10, shows expected signs of weakening. Even with meager growth in the coming quarters, Japan is expected to show substantial growth in 2010. The strong growth in the 1Q10 was mainly driven by exports and domestic demand, which was supported by the government stimulus package. Both exports and domestic demand are facing a slowdown that will probably continue in the coming quarters.

Japanese export growth fell in May. This was the third consecutive month of weakening. The combination of a decline in restocking in the OECD and a deceleration of the economic activity in China might lead to the conclusion that this trend will continue over the coming months. On a monthly basis, exports fell by 1.2% in May, after 2.3% growth in April. On a yearly basis, the moderation is more obvious in May at a growth rate of 32.1%, compared to 40.4% in April. Exports to China, Japan's biggest and most important export partner, also decelerated considerably, growing by 25.3% y-o-y in May compared to 41.4% y-o-y a month earlier. Other export markets are in decline as well. Shipments to the US rose 17.7% in May from 34.5% y-o-y in April. This declining trend is also noticeable in forward looking indicators such as machinery orders, which saw the sharpest drop since August 2008. Orders fell 9.1% in May from the previous month. Industrial production also slipped in May by 0.1% m-o-m.

Moreover, the domestic demand situation has deteriorated. Retail sales fell in May by 2.0% m-o-m. This is the first decline since December 2009. On a quarterly basis, retail sales still show a small positive trend. The average over the two months of April and May was 0.3% above the 1Q10 which itself grew 2.7% q-o-q from 4Q09. This is still a relatively balanced development, but it might decline further as the employment market just recently started to worsen. Real spending of households is weakening. It rose by 0.7% m-o-m in May, but only after a significant decline of 6.3% m-o-m in April, indicating the quarterly numbers will most likely turn negative. This should be an expected development as sales in consumer durables, having been an important factor for domestic GDP growth, were supported by now slowing government schemes, while job security is worsening again.

The unemployment rate stood at 5.2% in May, up by 0.1%. This happened due to a combination of a rise in the number of unemployed and a drop in the size of the labour force. Furthermore, total cash earnings declined by 0.2% y-o-y in May, an additional sign of the weakening labour market. New job offers, a leading indicator for the employment market, fell by 1.3% m-o-m on a seasonally-adjusted basis. Japan's deflation challenge has slightly improved, but is likely to continue to weigh on consumption levels as well. The Japanese core CPI fell by 1.2% in May after a decline of 1.5% in April.

The widely-watched Tankan survey, published by the Bank of Japan (BoJ) painted a much more positive situation than most recent developments are indicating. It reflected a positive mood of the Japanese businesses that are becoming more optimistic about near-term future developments. The headline diffusion index, which compares proportions of positive views to negative views, rose from minus 14 to minus 1, considerably beating expectations. This is the fifth consecutive quarterly improvement of the survey. Capital investments are expected to rise by 4.4% in this fiscal year, according to these latest findings. This is a significant improvement from the previous Tankan survey that had been published in April, when a decline in capex had been expected. This is certainly more positive than the most recent economic developments in Japan reflect, so it could be that the survey participants might have been positively impressed by the rebound in exports and encouraging developments on the domestic demand side. Still, it remains to be seen whether this positive sentiment can be translated into continued growth in the economy.

The uncertainties in the Japanese economy are rising and the remainder of the year might not produce such high growth numbers as were recorded for the 1Q10. If, surprisingly, this were to be the case, it would lead to a higher-than-currently-expected growth of 2.7% for 2010, unchanged from last month's forecast. The remaining uncertainties and the end of the significant contribution of exports and government support measures might lead to a slowdown of growth in 2011. Combining those factors with the expectation of a moderation in Japan's largest trade partner China in the coming year, the forecast for the 2011 GDP growth is considerably lower at 1.4%.

Euro-zone

Euro-zone economy is gaining momentum, supported by the German export engine, with the outcome of the bank stress tests keenly awaited

The situation in Europe is somewhat improving. While the motor of this improvement in the real economy is Germany's success in exports, Euro-zone's sovereign debt crisis and the weakness of its banking system are overshadowing this positive development. Furthermore, it has to be seen if this growth momentum in the real economy is sustainable or if it has peaked around those current levels.

The main challenge remains the weak situation in public finance of mainly the southern countries in the Euro-zone and the fragility of the banking system which has been affected by the sovereign debt situation of some of the Euro-zone countries. The uncertainties of the banking system will now be analyzed in an EU-wide stress-test exercise, which will be published on 23 July. The pre-announcement of some of the details of the stress-test at the beginning of July has somewhat improved sentiment towards the Euro-zone in capital markets. 91 banks, representing 65% of the EU banking system, will be investigated and the stress-test will include a deterioration of the sovereign debt holdings of the banks. While details of the stress test have been meager, it has been enough to calm markets for the time being. The aim of the stress test is to demonstrate that banks would still have a tier 1 capital ratio of at least 6% even in the case of a deterioration of their balance-sheet. If this is not the case, then these banks will be pushed to increase their capital base to at least this level.

The president of the European Central Bank (ECB) expressed his conviction that the European banking system is in a solid position, when announcing that the ECB is keeping its key lending rate at 1% during its latest meeting at the beginning of July. There was some concern when the ECB's one-year €442bn facility, that has been provided to the banking system in 2009, expired at the beginning of July, but while there were many doubts that banks would not be able to refinance sufficiently, €250bn of this supply have not been renewed at all, which actually means that the monetary base has been tightened.

Particularly Germany has surprised on the upside with exports jumping in May, when the country's industry-led recovery gained momentum. Seasonally adjusted exports increased by 9.2% m-o-m, after a decline of 6.3% in April which caused concern about the German and hence the Euro-zone's recovery. In March, exports rose by 10.8% m-o-m. Compared with May of last year, exports were up by 28.8%. This is certainly an indication that the weakening euro has had a substantial positive effect on the German export-oriented economy. Exports outside the European Union were up by 39.5% y-o-y in May.

German industrial production was in line with this development. It rose by 2.8% m-o-m in

May, after an increase of 1.2% in April. Industrial orders increased 61% y-o-y, according to the VDMA, the German engineering association. As the euro has started to appreciate again, it remains to be seen if this development continues. The positive momentum in the German economy was also illustrated by the widely watched Ifo business sentiment Index. The index rose from the already high level of 101.5 in May to 101.8 in June. Industrial new orders for all of the Euro-zone increased by 0.9% in April compared to March, when it rose 5.1%. Euro-zone real GDP growth for the 1Q was confirmed e at 0.2% from the previous quarter.

Unemployment was unchanged at 10.0% in May for the third consecutive month. Again, Spain took the lead of the bigger Euro-zone countries with 19.9%, 0.2% above April and a new record high. In contrast, Germany recorded a decline in its unemployment rate from 7.1% in April to 7.0% in May. Youth unemployment fell back to 19.9%, compared to 20.0% in April, but is still at a high level. Spain had the worst development of the main Euro-zone economies, when it recorded an increase of 0.3% to 40.5% in its youth unemployed rate. Again, Germany recorded below-average levels of 9.4%, an improvement of 0.1% compared to April and considerably lower than last year's May level of 10.8%.

The Euro-zone is still considerably challenged by the sovereign debt crisis and the weakness of its banking system. The outcome of the banking-system stress test has to be closely watched and any new developments of the sovereign debt situation should be carefully analyzed. Most of the Euro-zone countries have announced steep cuts in spending and austerity packages are set to be implemented by 2011. These are meant to bring public debt levels back to the Maastricht criteria in the coming years - a 3% budget deficit to GDP ratio and a 60% gross debt to GDP ratio. However, fiscal tightening is expected to have an effect on growth. Euro-zone growth in 2010 is now seen at 0.7%, unchanged from last month's forecast, while in 2011 growth might turn out to be slightly higher as the peak of the sovereign debt crisis probably would have played out. Therefore in 2011, growth of 0.9% is forecast.

Former Soviet Union

Economic recovery in Russia continues with rising consumer confidence and falling inflation

The Russian economic recovery is proceeding apace from a sharply lower base. Real GDP expanded an annual 2.4% in June, the fastest pace since November 2008, while consumer confidence in the second quarter advanced 3 percentage points (pp) to minus 7%, the highest level since the third quarter of 2008, after improving 10pp in the first quarter. Consumers have become more optimistic as bank lending revived and unemployment fell in May to 7.3%. Consumer price inflation also moderated to 5.8% y-o-y in June, the lowest level in twelve years, and down from 11.9% a year ago. The disinflation trend was mainly due to lower consumer spending during the second half of 2009 as the economy fell into its deepest recession since 1991. However, the government has also made combating inflation a strategic goal, announcing plans to boost competition and restrict the pricing power of monopolies including utilities. Meanwhile, the Russian ruble has appreciated by over 6% against the US dollar in the past year reaching 30.9 R/$ in the second week of July, although the gains were temporarily trimmed by the Greek sovereign debt crisis. The current ruble level compares to 36.2 R/$ at the depth of the recession in early March 2009 but remains well removed from the 23.3 R/$ pre-recession level in late July 2008.

With the revival of the economy, the Bank of Russia (Bank Rossii) at the end of June ended a 14-month easing cycle signaling it would keep rates unchanged in the coming months. The refinancing rate now stands at a record-low of 7.75%. Although the Bank had previously indicated its intension to tighten monetary policy, it now appears likely that the rate increases may be delayed until next year as inflation remains subdued and capital outflows subside. Bank Rossii believes the current level of interest rates is neutral in terms of cross-border capital flows.

The government expects the budget deficit to remain at a high 5.4% of GDP this year, although an improvement from the 5.9% reached in 2009. The deficit will be partly filled by drawing 1.4 trn rubles from its Reserve Fund, which stood at $39.3 bn at the start of June, and borrowing 1.1 trn rubles. At current exchange rates this would more than deplete the Reserve Fund. According to the Finance Ministry, the shortfall is forecast to

narrow to 2.9% by 2013. Preliminary estimates indicate plans to borrow a further 1.5 trn rubles in 2011, 1.3 trn in 2012 and 931 bn in 2013, with the share of foreign borrowing to be kept below 10%. Since income from oil and gas accounts for about 25% of GDP, the development of the budget is very dependent on the price of oil. Every $1 rise in the oil price translates into about $2 billion in revenue, according to official estimates.
Overall, the recovery in 2010-2011 is expected to be moderate. Apart from the general sensitivity of the economy and the government budget to oil price developments, the fragility of the banking sector, loaded with bad-loans problems and the substantial under-employment in the economy, may limit improvements in investment and private consumption. GDP growth is expected to reach 4.2% this year moderating to 3.8% in 2011.

Developing Countries

Signs of easing in pace of growth in China; Yuan's two-year peg against dollar relaxed

Most indicators confirm the moderation in the very rapid pace of growth in China. The government's Purchasing Managers' Index (PMI) declined for a second month, falling in June to 52.1 from 53.9 in May, while PMI for services, as measured by HSBC Holdings Plc and Markit Economics, fell to a 15-month low of 55.6 from 56.4 in May. In addition, passenger-car sales grew at a sharply lower pace of 10.9% y-o-y in June from a 25% gain in May. Moreover, electricity consumption is reported to have fallen significantly in June, after exceeding 20% y-o-y in the first five months of 2010. In the housing sector, property prices in 70 major cities rose at a slower pace for the second month. Prices increased 11.4% y-o-y in June compared to 12.4% in May, down from the record 12.8% in April. From a month ago, prices slid 0.1%. This reflects the success of government policies introduced in mid-April to slow down home sales and avert an asset bubble.

However, not all indicators were pointing down. China's exports rebounded in June by 43.9% to $137.4 billion and the trade surplus reached an eight-month high of $20 bn. The effects of the sovereign debt crisis on demand from the Euro-zone are still to be felt. Sales to the EU and US, China's two biggest markets, rose by 40%, while exports to emerging markets surged as China attempts to diversify export destinations to compensate for reduced demand from advanced economies.

Ahead of the Toronto G-20 Summit meeting at the end of June 2010, China announced it was relaxing its two-year 6.83 yuan/$ peg, allowing greater currency "flexibility" while maintaining the 0.5% daily fluctuation range. This helped diffuse persistent political pressure to revalue the Chinese currency in the past months. The yuan has since appreciated by 0.8%. Analysts expect the Chinese central bank to proceed cautiously and allow the yuan to only revalue slowly, possibly by 4-5% per year, returning to a slower version of the policy prevailing between 2005 and 2008. During that period the yuan appreciated by around 21% against the dollar before the Chinese government reintroduced the dollar peg in July 2008 to help support exports during the global economic recession. A stronger yuan has advantages for the Chinese economy. It will help curb inflation, which has accelerated to a 19-month high of 3.1% in May, exceeding the government's full-year target of 3%, and also support ongoing efforts to rebalance the economy away from exports and manufacturing and towards services industries and higher private consumption. However, it must be recalled that while the yuan was fixed against the dollar for two years, it has already strengthened considerably against the euro this year, a significant factor as the Euro-zone is the largest destination for Chinese goods.

China's central bank is expected to persevere in its moderately loose monetary policy as economic growth moves to a better balance between consumption, investment and exports. The Bank of China has voiced satisfaction with the current money and loan growth in the first six months of 2010 and sees liquidity in the banking system as basically appropriate. The Bank of China has already increased banks' reserve requirements three times this year and has also sold treasury bills to soak up liquidity. Fiscal policy is expected to remain supportive but the large fiscal stimulus is slowly receding and may not be as supportive to growth in 2011 as it was in 2009-2010.

Overall, as the fiscal stimulus is slowly withdrawn and the government continues in its efforts to avoid overheating, and given the slowing pace of growth in OECD countries next year, the Chinese economy is expected to achieve a growth rate of 9.5% this year but moderating to 8.8% in 2011.

Growth strong in India despite signs of a slowdown. Reserve Bank of India raised interest rates for third time this year

Growth remains strong and inflation risks substantial in India, despite some recent signs of a deceleration in the rapid pace of growth. The slowdown is seen in industrial production, which expanded a smaller-than-expected 11.5% y-o-y in May, following a revised 16.5% in April. Manufacturing output slowed to 12.3% compared with a 17.9% gain in April. Within manufacturing, mining climbed 8.7%, while electricity advanced 6.4%.

Despite the slowdown in addition to the perceived fallout from Europe' sovereign debt crisis, the Reserve Bank of India is at the moment mainly concerned about the country's inflation outlook. India's benchmark wholesale-price inflation accelerated to 10.16% in May and further to 10.55% in June. Prices paid by industrial and farm workers increased at a pace of almost 14% in May. However, food inflation, while still high, has moderated to an eight-month low. Before the June figures became available, the Bank, quoting demand pressures, raised the reverse repurchase and repurchase rates on July 2 for the third time since mid-March by a quarter point each, to 4% and 5.5% respectively. Given the acceleration in inflation in June reported in mid-July, further tightening is expected.

The inflation rate may also be influenced by pricing developments in the oil market. On 25 June, the Indian government allowed state refiners to raise gasoline prices by about 3.5 rupees (8¢) a liter and those of diesel by 2 rupees. Gasoline prices are now fully market-determined for the first time since December 2003, while diesel prices are expected to be freed eventually. This could raise wholesale prices by about 1% according to estimates by the Reserve Bank of India. This move was an attempt to cut subsidies and trim the budget deficit which has reached a 16-year high. The government aims to cut the budget deficit to 5.5% of GDP in the year ending March 2011 from an estimated 6.9% in the previous fiscal year. India has an estimated $5.5 bn oil subsidy accounting for 2.5% of its budget. In the fiscal year that ended March 31, 2010, the government spent 260 bn rupees to partially compensate state-run refiners for selling fuel below cost.

Despite the recent slowdown, the Indian economy is seen to grow 7.8% this year and growth is forecast at around the same pace, only marginally lower at 7.7% in 2011.

Overheating risks persist despite mixed picture painted by recent indicators

The Brazilian economy expanded at a faster-than-expected annual rate of 9% in 1Q10 following a pace of 4.3% in 4Q09, fuelled by strong private consumption, exports and investment. Our growth forecast for 2010 has been revised up to 5.8% moderating to 4% in 2011. The IMF in July lifted its forecast for growth in Brazil this year to a high 7.1% from 5.2% in April, but similarly expects growth to slow down to 4.2% next year. Being a large exporter of commodities, Brazil has benefited from the rise in world trade and in commodity prices as the global economy emerged from recession.

However, retail sales figures indicate some moderation in growth and government fiscal incentives are being eased out. Concerned about the pace of growth and inflationary pressures, the government announced budget cuts, and the central bank's monetary policy committee on 9 June raised the benchmark Selic rate by 0.75 percentage points to 10.25%, the second increase since April. Further tightening is expected.

OPEC Member Countries

Ecuador secures financing for hydroelectric plant

China's Export-Import bank (Eximbank) is to provide a US$ 1.7 bn loan for the construction of the US $2 bn, 1500-mw Coca-Codo Sinclair hydroelectric project in Ecuador, the largest plant in the history of the country. The Ecuadorian government is to contribute the balance of US$300mn. The loan will run for 16 years with a 6.9% interest rate and a grace period of 5.5 years. At its completion in 2016, the project is expected to cover 45% of total domestic power needs.

Financing deals also reached for large projects in Saudi Arabia

Credit to the private sector is expected to accelerate in the wake of recent financing agreements for large projects including the construction of a US$4.5bn aluminum smelter, a US $2.1 bn 1,730-mw power plant and a US $8.5 bn project to build a 400,000-b/d refinery and petrochemical plant in Jubail. Recent data from the Saudi Arabian Monetary Agency (SAMA) shows that bank claims on the private sector grew by 2.6% in the first five months of this year. The increase had accelerated to 3.9% y-o-y at the end-of May.

Oil prices, US dollar and inflation

The US dollar rose against the euro by 2.9% in June, weakened slightly versus the yen and pound sterling; the OPEC Reference Basket fell 2.1%

The US dollar continued to strengthen in June against the euro, but fell versus the yen and pound sterling, and was almost unchanged to the Swiss franc. On an average monthly basis, the dollar rose 2.9% against the euro, fell 0.9% versus the yen and declined by 0.8% vis-à-vis the pound sterling. Against the Swiss franc, the dollar gained 0.1%. The US dollar stabilized above the $1.20/€ level and started to lose ground again at the beginning of July when it fell back to almost $1.27/€.

The increase of the US dollar against the euro was still due to concerns about the sovereign debt crisis in the Euro-zone and the challenges facing the region’s banking system. At the beginning of July, details regarding the banking system’s stress test managed to calm markets, while the US published some indicators pointing at a deceleration of its growth momentum, causing the US dollar to weaken again.

In June, the OPEC Reference Basket declined by $1.53/b or 2.1% to $72.95/b from $74.48/b in May. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket price declined $0.26/b or 0.5% to $49.32/b from $49.58/b. The dollar rose by 1.2%, as measured against the import-weighted modified Geneva I+US dollar basket, while inflation remained flat.*

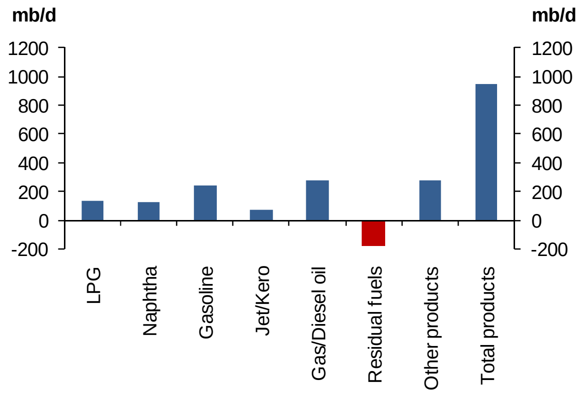
* *The ‘modified Geneva I+US$ basket’ includes the euro, the Japanese yen, the US dollar, the pound sterling and the Swiss franc, weighted according to the merchandise imports of OPEC Member Countries from the countries in the basket.*

World Oil Demand

World oil demand growth in 2010 unchanged at 0.9 mb/d or 1.1%

World oil demand in 2010

Graph 12: Forecasted y-o-y growth in 2010 world oil demand



The current economic situation in most developed countries remains sluggish. The economic recovery is not only slow, but also facing considerable uncertainty. The OECD region is not expected to achieve any oil demand growth this year due to a deep decline in European consumption. Recent May data indicates a cautiously improving picture for most of the OECD compared to the first four months of the year. North American oil demand seems to have finally stabilized for the year, basically due to an extremely low base in 2009 in combination with some economic recovery, whereas oil consumption in OECD Europe showed some improvement during May, but is still in the red. In OECD Pacific, strong April demand has been followed by a weaker May mainly due to easing consumption in Japan and South Korea.

All the growth this year in oil demand will be attributable to non-OECD, where consumption will exceed 1.0 mb/d.

World oil demand in the first quarter grew by 0.5 mb/d, leading to stronger growth exceeding 1.0 mb/d in each of the following three quarters of the year.

Given the slow world economic recovery, world oil demand growth is forecast at 0.9 mb/d or 1.1 %, unchanged from the previous MOMR.

Table 5: World oil demand forecast for 2010, mb/d

							Change 2010/09	
	2009	1Q10	2Q10	3Q10	4Q10	2010	Volume	%
North America	23.29	23.64	23.36	23.64	23.78	23.61	0.32	1.36
Western Europe	14.51	13.89	13.75	14.16	14.27	14.02	-0.49	-3.35
OECD Pacific	7.68	8.25	7.38	7.20	7.97	7.70	0.02	0.25
Total OECD	**45.48**	**45.78**	**44.49**	**45.00**	**46.02**	**45.32**	**-0.15**	**-0.33**
Other Asia	9.83	9.95	10.14	9.98	10.15	10.05	0.23	2.30
Latin America	5.88	5.76	5.96	6.17	6.15	6.01	0.13	2.29
Middle East	7.10	7.19	7.31	7.54	7.27	7.33	0.23	3.24
Africa	3.25	3.31	3.31	3.20	3.33	3.29	0.04	1.18
Total DCs	**26.05**	**26.20**	**26.72**	**26.89**	**26.90**	**26.68**	**0.63**	**2.41**
FSU	3.96	3.85	3.74	4.17	4.22	4.00	0.04	0.92
Other Europe	0.73	0.70	0.67	0.69	0.75	0.70	-0.02	-2.92
China	8.20	8.23	8.77	8.98	8.63	8.65	0.45	5.50
Total "Other Regions"	**12.89**	**12.78**	**13.19**	**13.84**	**13.59**	**13.35**	**0.47**	**3.62**
Total world	**84.41**	**84.76**	**84.40**	**85.73**	**86.52**	**85.36**	**0.95**	**1.12**
Previous estimate	84.43	84.71	84.43	85.76	86.57	85.37	0.95	1.12
Revision	-0.01	0.06	-0.03	-0.03	-0.06	-0.01	0.00	0.00

Totals may not add due to independent rounding

Table 6: First and second quarter world oil demand comparison for 2010, mb/d

			Change 2010/09				Change 2010/09	
	1Q09	1Q10	Volume	%	2Q09	2Q10	Volume	%
North America	23.52	23.64	0.12	0.51	22.91	23.36	0.45	1.96
Western Europe	14.88	13.89	-1.00	-6.70	14.22	13.75	-0.47	-3.32
OECD Pacific	8.14	8.25	0.11	1.38	7.30	7.38	0.08	1.11
Total OECD	**46.55**	**45.78**	**-0.77**	**-1.64**	**44.44**	**44.49**	**0.06**	**0.13**
Other Asia	9.73	9.95	0.22	2.26	9.89	10.14	0.25	2.55
Latin America	5.63	5.76	0.13	2.35	5.83	5.96	0.13	2.28
Middle East	6.97	7.19	0.23	3.26	7.08	7.31	0.23	3.26
Africa	3.27	3.31	0.03	0.98	3.25	3.31	0.06	1.82
Total DCs	**25.59**	**26.20**	**0.61**	**2.39**	**26.04**	**26.72**	**0.67**	**2.59**
FSU	3.81	3.85	0.04	1.01	3.70	3.74	0.04	1.05
Other Europe	0.74	0.70	-0.03	-4.73	0.69	0.67	-0.02	-2.89
China	7.61	8.23	0.62	8.19	8.38	8.77	0.39	4.63
Total "Other Regions"	**12.16**	**12.78**	**0.63**	**5.15**	**12.78**	**13.19**	**0.41**	**3.19**
Total world	**84.29**	**84.76**	**0.47**	**0.56**	**83.26**	**84.40**	**1.14**	**1.37**

Totals may not add due to independent rounding

Table 7: Third and fourth quarter world oil demand comparison for 2010, mb/d

			Change 2010/09				Change 2010/09	
	3Q09	3Q10	Volume	%	4Q09	4Q10	Volume	%
North America	23.25	23.64	0.39	1.69	23.48	23.78	0.30	1.28
Western Europe	14.45	14.16	-0.29	-2.00	14.47	14.27	-0.20	-1.35
OECD Pacific	7.27	7.20	-0.07	-0.96	8.01	7.97	-0.04	-0.55
Total OECD	**44.97**	**45.00**	**0.03**	**0.08**	**45.96**	**46.02**	**0.06**	**0.13**
Other Asia	9.76	9.98	0.22	2.21	9.93	10.15	0.22	2.20
Latin America	6.03	6.17	0.14	2.32	6.02	6.15	0.13	2.19
Middle East	7.31	7.54	0.23	3.11	7.04	7.27	0.23	3.32
Africa	3.16	3.20	0.04	1.14	3.31	3.33	0.03	0.79
Total DCs	**26.27**	**26.89**	**0.62**	**2.36**	**26.29**	**26.90**	**0.61**	**2.32**
FSU	4.14	4.17	0.03	0.75	4.18	4.22	0.04	0.91
Other Europe	0.71	0.69	-0.02	-2.80	0.76	0.75	-0.01	-1.32
China	8.56	8.98	0.42	4.94	8.26	8.63	0.37	4.51
Total "Other Regions"	**13.41**	**13.84**	**0.43**	**3.24**	**13.19**	**13.59**	**0.40**	**3.04**
Total world	**84.64**	**85.73**	**1.09**	**1.28**	**85.45**	**86.52**	**1.07**	**1.25**

Totals may not add due to independent rounding

OECD - North America

North American oil demand to grow by 0.3 mb/d with most increases taking place during the second half of the year

US product consumption was not as high in June as in May due to the higher base from last year. In general, US oil demand has stabilized and moved out of the declining trend seen last year. Given the shaky economy, the country's oil demand has a strong chance of experiencing turbulence in the second half of the year. The summer driving season has started, which would normally play a major role in oil consumption; however it is not expected to do much this season, as the country is still suffering from the economic crisis. The industrial sector experienced a massive decline last year as a result of slow manufacturing activities; nevertheless, it is expected to improve in the second half of the year.

The potential for growth over the next two months lies with the industrial sector, leading to higher industrial fuel consumption, as well as the summer driving season.

US auto sales remained positive in May, achieving growth of 17.3% y-o-y; however June sales slid below May, reaching only 11.08 million units or 14.3% growth. The US auto industry has been on the road to recovery since the beginning of the year. Sales grew by 19% in the first five months of the year due to the slight economic imrpovement but also government incentive plans. This growth is faintly reflected in the country's gasoline consumption since driving mileage is not growing as much. It is not expected that this industry will see a quick recovery anytime soon.

In July, US weekly data showed some recovery in the consumption of industrial fuels, such as distillates and propane/propylene, due not only to the very low base last year but also from a moderate increase in industrial activity. Despite the recovery, the downward risk still exists, especially if the summer driving season does not yield its usual performance; hence, total US demand growth for the year is forecast at 0.3 mb/d.

Canadian oil demand experienced a contraction of as much as 0.1 mb/d in the second quarter of 2010 as a result of decreasing industrial activity and less oil usage in transportation. In contrast, Mexican oil consumption has been on an upward trend since the start of the year reaching 2.5% growth over the first half. Most of the growth is attributed to strong demand in gasoline.

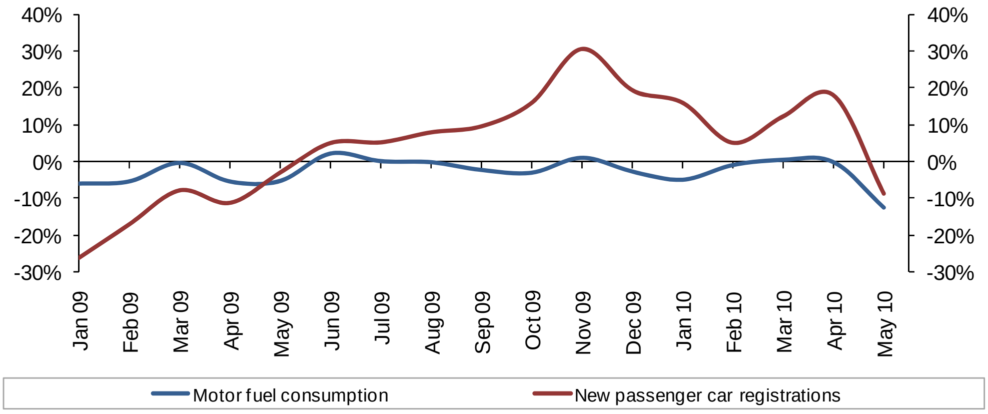
For the whole of 2010, North American oil demand is expected to grow slightly by 0.3 mb/d y-o-y to average 23.6 mb/d, with most increases taking place during the second half of the year.

OECD - Europe

Total contraction in Euro-zone oil demand forecast at 0.5 mb/d in 2010 with the decline easing in the second half of the year

Although May consumption data showed an improvement, debt in several European economies and continued application of rigorous state tax policies on oil are suppressing European oil consumption and the situation is expected to be this way until the end of the year. The contraction in demand in the Big Four European economies – Britain, France, Germany and Italy – was reduced in May, declining by only 84 tb/d compared to 420 tb/d in April. Stronger distillate demand in the Big Four, driven by increased industrial production in Germany, was the main reason for the recent recovery in Big Four oil demand growth. Nevertheless, transportation fuel is still on the decline. Gasoline, jet fuel/kerosene and diesel consumption plunged by 115 tb/d, 79 tb/d and 59 tb/d respectively. Data for May indicated that Germany's oil demand increased by 68 tb/d with distillates having the biggest share due to higher industrial production.

Graph 13: European new passenger car registrations & motor fuel consumption, y-o-y % changes



Official UK data for May showed a reduction in oil consumption of 0.1 mb/d with the transport sector being mostly affected. French and Italian oil consumption was both slightly contracting in May. In both countries, transportation fuel accounted for the bulk of the decline, whereas industrial fuel experienced slight growth.

The region's total contraction in oil demand is forecast at 0.5 mb/d in 2010. However, the decline is expected to ease in the second half of the year.

The economic downturn is still hammering the continent's auto industry. The growth in auto sales late last year and early this year was attributed mainly to government stimulus plans. Governments are hesitant to continue such plans, basically because they cannot afford bailing out the auto industry any further. May data indicated a decline in EU auto sales of 9.3%, however in total; the first five months of the year still show minor growth of 1.9%. The expiration of the stimulus plan in Germany caused the country's auto sales to plunge by more than a third. The German auto market is the largest in Europe and any large swing will certainly affect the whole European auto industry.

Table 8: French oil demand, tb/d

	Jan-May 10	Jan-May 09	Change, tb/d	Change, %
Gasoline	183	197	-14	-7.3
Distillate	932	964	-32	-3.3
Diesel	*660*	*645*	*15*	*2.3*
Heating oil	*272*	*320*	*-47*	*-14.8*
Residual	37	59	-22	-37.0
Other products	494	550	-56	-10.1
Total products	**1,647**	**1,771**	**-124**	**-7.0**

Source: Argus Fundamentals

OECD - Pacific

OECD Pacific oil demand to show minor growth in 2010, averaging 7.7 mb/d

Japanese oil consumption seems to have stabilized since January, reaching 1.3% growth in the first half of the year. However, this was up from the exceptionally low levels seen last year. This growth occurred due to the increase of crude use by power plants in May 2010. Furthermore, the Pacific experienced colder weather conditions in the first quarter, causing higher consumption of heating fuel. Despite this positive performance, Japan is not expected to see overall growth in its oil use this year. The economic slowdown has had a strong dampening effect on the country's energy use this year.

An increase in consumption in transportation and industrial fuels was obseved in the second largest oil consuming country in the OECD Pacific region, South Korea, in April. This offset the decrease in residual fuel oil consumption due to fuel switching. As a result, the country's overall oil consumption during the first half of the year was almost flat, compared to last year.

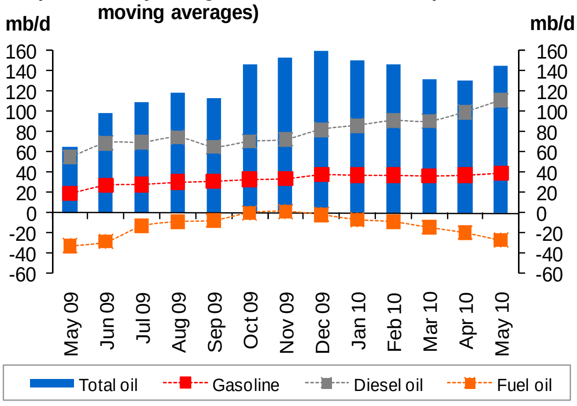
OECD Pacific oil demand is forecast to show minor growth in 2010, averaging 7.7 mb/d.

Developing Countries

DC growth forecast at 0.63 mb/d in 2010

India is again trying to remove retail price controls for petroleum products; however, due to political protests this new pricing mechanism might not get implemented after all. Should domestic retail prices be increased, this will definitely affect local demand for gasoline, diesel, kerosene and LPG. India's consumers are enjoying fuel subsidies as the country's developing economy is dependent upon such subsidies.

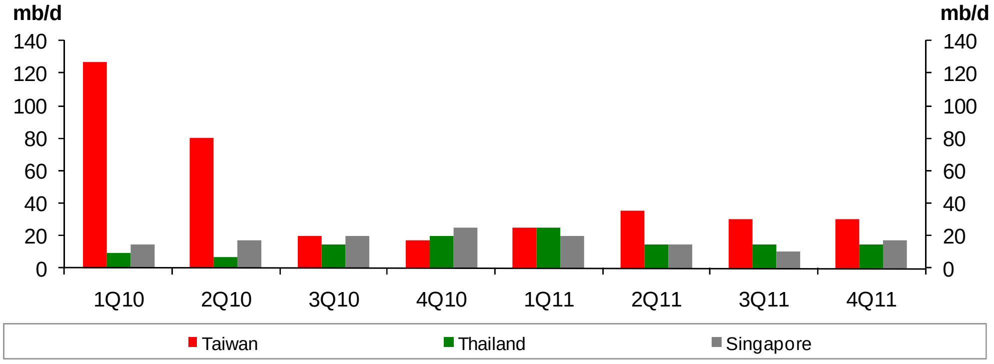
Graph 14: Yearly changes in Indian oil demand (12 month moving averages)



India expected to exceed last year's consumption by around 4%

The latest May data indicated strong demand, especially in transport fuel. Gasoline sales were positively affected by the country's growth in new car registration, increasing by 12.6% y-o-y in May. India's oil demand in the first quarter was unusually lower than normal; however, in April and May, they were extremely strong. The country's total May oil consumption increased by 0.2 mb/d or 6.3% y-o-y. India's oil demand for the whole year is forcast to exceed last year's consumption by around 4%.

Graph 15: Oil consumption in selected Asian countries, y-o-y growth



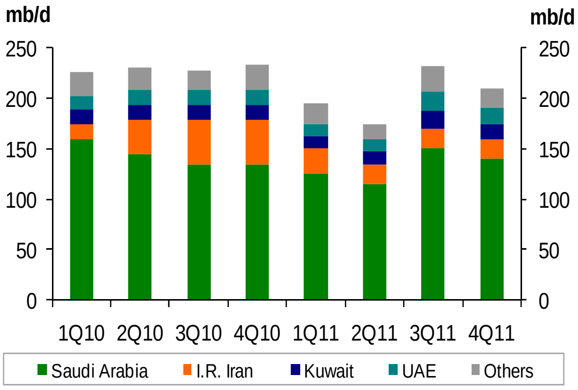
Other Asia to grow at 0.23 mb/d or 2.3% in 2010

Due not only to the low base last year, but also to its growing economy, Taiwan oil demand has grown in the first four months of the year, exceeding 13%. Almost all of this growth is attributed to the industrial sector. This movement is also seen in some of Asia's Economic Tigers. Hong Kong oil usage experienced growth in the first four months of the year exceeding a 7% increase y-o-y; however, unlike Taiwan, most of the increase was due to high consumption of jet fuel/kerosene.

Given the strength in India's oil consumption, oil demand growth in Other Asia for the total year is forecast at 0.23 mb/d or 2.3% y-o-y, averaging 10 mb/d.

Long-term projects are keeping Middle East oil demand on the rise. The region is maintaining its forecast growth of 0.23 mb/d or 3.2%. Iran's recent data indicated minor growth in the country's oil consumption ending a four-month decline. Most of May's increase in oil usage is attributed to both gasoline and fuel oil. Saudi Arabian oil demand cooled its over-heating growth trend in May to only 2%. However, cumulative growth for the first five months reached 10.5% y-o-y, averaging 1.8 mb/d. Gasoline and diesel have been growing to a level of 8% and 7% y-o-y.

Graph 16: Yearly oil demand growth in the Middle East



Brazilian oil demand grew sharply by 12% adding another 200 tb/d to the country's oil demand. Gasoline and diesel oil demand inched up by 18% and 15% y-o-y. Due to the healthy growth in both Brazilian and Venezuelan oil consumption, Latin America's oil demand is expected to grow by 2.3%, averaging 6.0 mb/d.

Developing Countries' oil demand growth is forecast at 0.63 mb/d in 2010, averaging 26.7 mb/d.

Graph 17: Yearly oil demand growth in Latin America

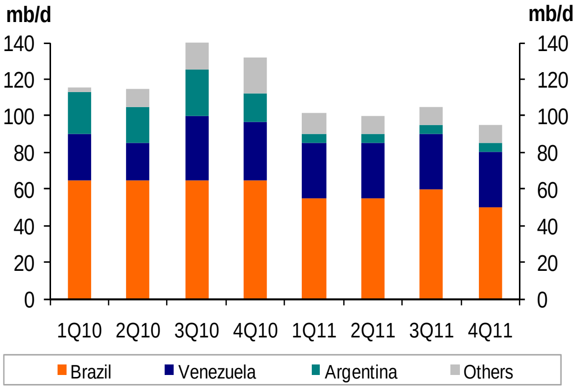


Table 9: Taiwan oil demand, tb/d

	Apr 10	Apr 09	Change from Apr 09	Change from Apr 09, %
LPG	82	61	21	33.8
Gasoline	170	151	18	12.2
Jet/Kerosene	48	45	3	5.7
Gas/Diesel oil	96	92	3	3.5
Fuel oil	161	149	12	8.1
Other products	504	497	6	1.3
Total	**1,059**	**996**	**63**	**6.4**

Source: JODI

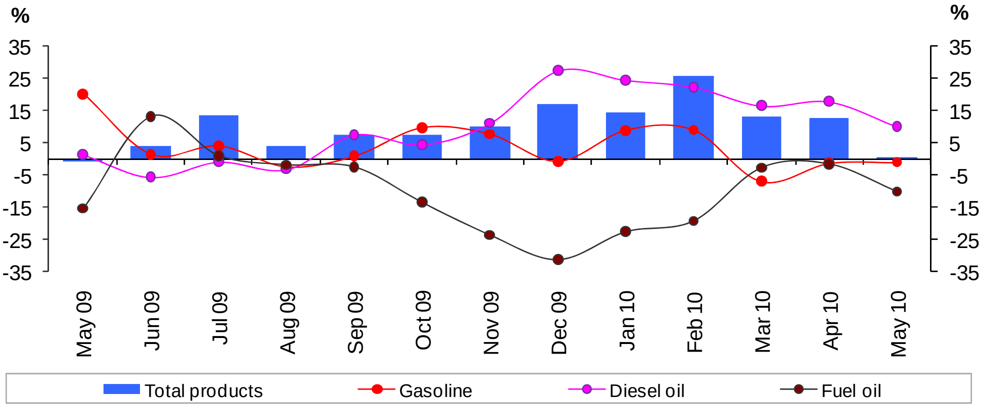
Other regions

Given strong economic activities, China's oil demand growth forecast at 0.45 mb/d in 2010, averaging 8.6 mb/d

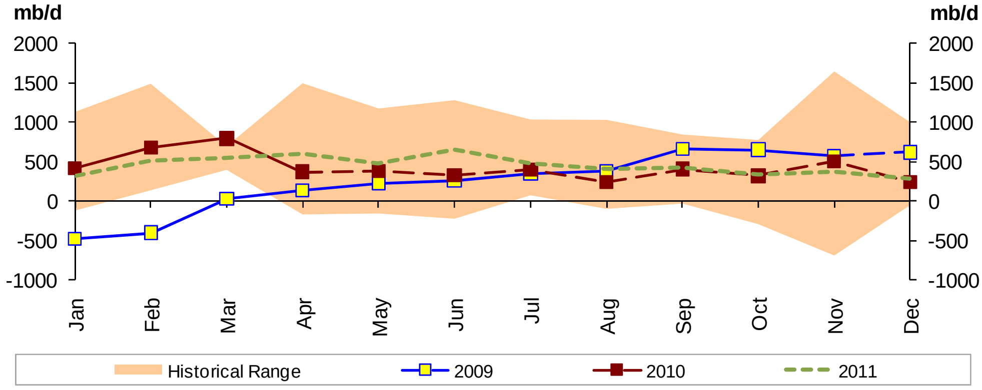
China's over-heating economy has kept the country's oil demand on a sharp incline. China's oil demand growth reached 9% in both February and March, averaging more than 4% year-to-date. China has been using its oil storage off-and-on which makes it hard to estimate demand accurately. In June, the country imported less oil; however it used its own stocks to satisfy its oil product needs which reached 3.9% growth y-o-y to average 8.7 mb/d. China's second quarter oil demand is estimated to grow by 0.39 mb/d y-o-y. Almost all of China's economic indicators exceeded expectations, pushing not only the country's GDP to 9.5% growth but also the country's oil usage to approach growth of 5.5% in 2010.

Given the strong economic activities, China's oil demand growth is forecast at 0.45 mb/d in 2010 to average 8.6 mb/d.

Graph 18: Changes in Chinese main oil products apparent consumption, y-o-y



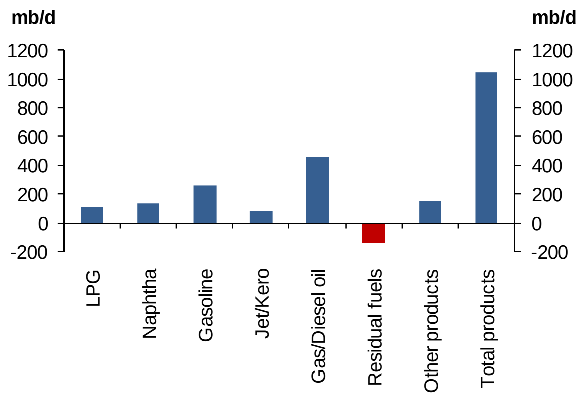
Graph 19: Changes in Chinese apparent oil demand, y-o-y



World oil demand in 2011

World oil demand to grow by 1.0 mb/d in 2011

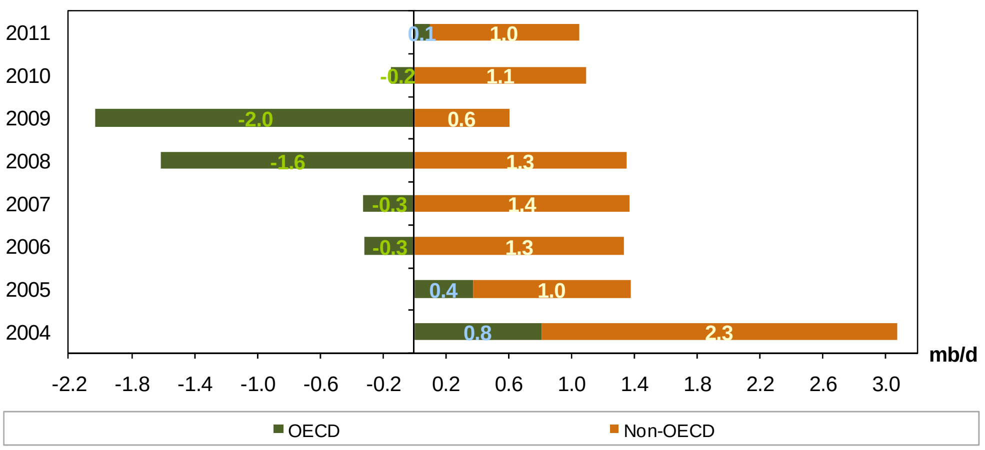
Graph 20: Forecasted y-o-y growth in 2011 world oil demand



The global economic recovery, which is expected to start during the second half of 2010, is projected to continue through the whole of 2011 with more or less even distribution among the four quarters. Consequently, the bulk of the recovery in oil demand will be seen approximately at the same pace in all four quarters, with the exception of the first quarter, due to the low base in 2009 and 2010. As in the current year, next year's oil demand growth will take place in the non-OECD, mainly China, India, the Middle East and Latin America. On the product side, the demand for industrial fuel will be strong as a result of the continuing economic recovery. Furthermore, demand for transportation fuels and petrochemicals are also expected to be strong. US gasoline demand is expected to be back in its normal growing mode; however there is considerable uncertainty about the pace of growth. Any further delay in the country's economic recovery will of course lead to a downward revision in the world oil demand in total. Other factors that might play an important role in next year's oil demand are retail oil product prices, taxes and removal of retail price subsidies worldwide. World oil demand is expected to grow by 1.0 mb/d in 2011 to average 86.4 mb/d.

Industrial fuel, mainly diesel and naphtha, will be the products with the most growth in 2011 as the industrial sector will be the key driver of oil consumption. Coming from a rather low base in 2010, gasoline and jet fuel consumption will show increases, yet the bulk will come from the growing transport sector in non-OECD countries as well as some amounts from North America and the Pacific. Non-OECD demand growth of 0.95 mb/d will once again account for almost all of world oil demand growth next year, whereas OECD will show a moderate demand increase of 0.1 mb/d.

Graph 21: World oil demand growth



North America to increase by only 0.2 mb/d in 2011

Total OECD is projected to increase 0.1 mb/d with Europe and the Pacific showing essentially no changes from 2010 volumes. North America's oil usage is expected to increase by 0.2 mb/d. Oil demand in OECD Europe is expected to remain at 2010 levels, showing a minor decrease, mainly due to the very low base in 2009 and 2010. There will be a stagnant transportation sector and hence slightly decreased demand for motor gasoline and diesel. Winter product growth will partly offset declining gasoline, diesel and other industrial products along the year. Furthermore, the OECD Pacific will continue to show further decline, as seen in 2010, due to less oil demand in Japan. Higher energy taxes, energy conservation, efficiency, alternative fuels and other factors are the main reasons for the decline in

OECD demand. As a result of the continuing crisis in the US economy**,** North America's oil demand is forecast to increase by only 0.2 mb/d in 2011 to average 23.8 mb/d.

India and the Middle East are estimated to show y-o-y oil demand growth of 0.1 mb/d and 0.2 mb/d respectively for 2011. Although agriculture, industrial and transport sectors are expected to be strong in India next year, the partial removal of price subsidies and other government policies are downside risks for oil demand growth in 2011. Transport, construction and petrochemical sectors will be the main drivers behind the strong Middle East oil demand next year as has been the case in 2010.

Table 10: World oil demand forecast for 2011, mb/d

							Change 2011/10	
	2010	1Q11	2Q11	3Q11	4Q11	2011	Volume	%
North America	23.61	23.99	23.55	23.83	24.03	23.85	0.24	1.04
Western Europe	14.02	13.79	13.63	14.04	14.19	13.92	-0.11	-0.75
OECD Pacific	7.70	8.16	7.34	7.18	7.95	7.65	-0.04	-0.57
Total OECD	**45.32**	**45.95**	**44.52**	**45.05**	**46.17**	**45.42**	**0.10**	**0.21**
Other Asia	10.05	10.14	10.34	10.15	10.33	10.24	0.19	1.86
Latin America	6.01	5.88	6.07	6.29	6.25	6.12	0.11	1.85
Middle East	7.33	7.39	7.48	7.73	7.45	7.51	0.19	2.53
Africa	3.29	3.35	3.34	3.24	3.37	3.32	0.04	1.10
Total DCs	**26.68**	**26.75**	**27.23**	**27.40**	**27.40**	**27.20**	**0.52**	**1.95**
FSU	4.00	3.88	3.77	4.20	4.26	4.03	0.03	0.82
Other Europe	0.70	0.69	0.64	0.67	0.71	0.68	-0.03	-4.06
China	8.65	8.65	9.17	9.42	9.07	9.08	0.43	4.93
Total "Other Regions"	**13.35**	**13.22**	**13.58**	**14.29**	**14.04**	**13.79**	**0.43**	**3.22**
Total world	**85.36**	**85.91**	**85.34**	**86.74**	**87.61**	**86.41**	**1.05**	**1.22**
Previous estimate	85.37	0.00	0.00	0.00	0.00	0.00	-85.37	
Revision	-0.01	85.91	85.34	86.74	87.61	86.41	86.42	

Totals may not add due to independent rounding

China's apparent oil demand to grow by 0.4 mb/d in 2011

China is expected to contribute the most to world oil demand growth in 2011. China's successful measures to minimize the negative effects of the world economic crisis will also continue in 2011. Its anticipated increase in retail fuel prices, biofuel usage and the building of more electric powered inter- and intra-city railroads will, to a certain degree, affect the consumption of transport fuel next year. China is also planning to increase the use of nuclear and hydro-powered plants which will negatively impact the consumption of coal and oil. It should be noted, however, that other sectors in China which serve as major energy drivers — such as industrial production, in-land cargo, agriculture, construction, transportation and fishing — will show strong growth in 2011. China will continue to achieve more energy efficiency in 2011 through the implementation of various efficiency agendas. China's apparent oil demand is forecast to grow by 0.4 mb/d in 2011, 20 tb/d lower than the growth estimate for the current year.

Table 11: 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	23.64	23.99	0.35	1.48	23.36	23.55	0.19	0.80
Western Europe	13.89	13.79	-0.09	-0.66	13.75	13.63	-0.12	-0.88
OECD Pacific	8.25	8.16	-0.09	-1.12	7.38	7.34	-0.04	-0.56
Total OECD	**45.78**	**45.95**	**0.17**	**0.36**	**44.49**	**44.52**	**0.02**	**0.05**
Other Asia	9.95	10.14	0.19	1.93	10.14	10.34	0.20	1.94
Latin America	5.76	5.88	0.12	2.06	5.96	6.07	0.11	1.85
Middle East	7.19	7.39	0.20	2.71	7.31	7.48	0.17	2.38
Africa	3.31	3.35	0.04	1.22	3.31	3.34	0.03	1.03
Total DCs	**26.20**	**26.75**	**0.55**	**2.08**	**26.72**	**27.23**	**0.51**	**1.93**
FSU	3.85	3.88	0.04	0.91	3.74	3.77	0.03	0.80
Other Europe	0.70	0.69	-0.02	-2.13	0.67	0.64	-0.04	-5.21
China	8.23	8.65	0.42	5.09	8.77	9.17	0.40	4.57
Total "Other Regions"	**12.78**	**13.22**	**0.44**	**3.43**	**13.19**	**13.58**	**0.40**	**3.00**
Total world	**84.76**	**85.91**	**1.15**	**1.36**	**84.40**	**85.34**	**0.94**	**1.11**

Totals may not add due to independent rounding

Table 12: 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	23.64	23.83	0.19	0.82	23.78	24.03	0.25	1.05
Western Europe	14.16	14.04	-0.13	-0.90	14.27	14.19	-0.08	-0.58
OECD Pacific	7.20	7.18	-0.02	-0.29	7.97	7.95	-0.02	-0.28
Total OECD	**45.00**	**45.05**	**0.05**	**0.10**	**46.02**	**46.17**	**0.15**	**0.32**
Other Asia	9.98	10.15	0.18	1.77	10.15	10.33	0.18	1.81
Latin America	6.17	6.29	0.11	1.83	6.15	6.25	0.10	1.66
Middle East	7.54	7.73	0.19	2.55	7.27	7.45	0.18	2.48
Africa	3.20	3.24	0.04	1.13	3.33	3.37	0.04	1.05
Total DCs	**26.89**	**27.40**	**0.52**	**1.93**	**26.90**	**27.40**	**0.50**	**1.86**
FSU	4.17	4.20	0.03	0.60	4.22	4.26	0.04	0.98
Other Europe	0.69	0.67	-0.03	-3.60	0.75	0.71	-0.04	-5.22
China	8.98	9.42	0.44	4.93	8.63	9.07	0.44	5.12
Total "Other Regions"	**13.84**	**14.29**	**0.44**	**3.20**	**13.59**	**14.04**	**0.44**	**3.27**
Total world	**85.73**	**86.74**	**1.01**	**1.18**	**86.52**	**87.61**	**1.09**	**1.26**

Totals may not add due to independent rounding

World oil demand forecast for the year 2011 is based on the following assumptions:

- World GDP will grow at a steady pace, broadly in line with 2010
- Normal weather is expected worldwide
- The Chinese economy is forecast to grow at 8.8% in 2011, down slightly from 2009, and further domestic price and tax hikes are expected
- Most governments will place emphasis on energy conservation and will increase the use of alternative fuels
- World stimulus plans will have little effect on oil demand in 2011
- The Middle Eastern economy will show slightly higher growth, boosting oil demand consumption by 2.5%
- Apart from the slow economic recovery, various factors will slightly reduce oil demand growth in Other Asia such as the removal of price subsidies, fuel switching and energy conservation programs
- There will be a stronger utilization of nuclear power plants
- Usage of biofuel will grow rapidly adding another 0.2 mb/d
- The world will see a strong movement toward the use of smaller and more economical vehicles
- Most of the growth in oil usage will be in the transport, industrial and petrochemical sectors
- US oil demand will follow its growing economy and result in more oil consumption, although with considerable uncertainties
- OECD economic recovery will be moderate and steady.

World Oil Supply

Non-OPEC

Forecast for 2010

Non-OPEC to increase by 0.74 mb/d to average 51.86 mb/d in 2010

Non-OPEC oil supply is expected to average 51.86 mb/d in 2010, an increase of 0.74 mb/d over 2009, indicating an upward revision of 90 tb/d from the previous month. The revisions were introduced partially to adjust for healthy production data in the first half of the year, as well as to historical data from 2009 and 2008. Additionally, various changes were introduced in the third and fourth quarter forecasts that collectively resulted in the subsequent upward revision. On a quarterly basis, all quarters experienced upward revisions from the previous month, except the first which encountered a minor downward revision. The upward revisions affected the supply forecast for the US, Mexico, Vietnam, Brazil, Russia, Azerbaijan and China, while Canada, Norway, UK and Kazakhstan experienced downward revisions. On a quarterly basis, non-OPEC supply is expected to stand at 52.17 mb/d, 52.03 mb/d, 51.46 mb/d and 51.80 mb/d respectively.

Graph 22: Regional non-OPEC supply growth, y-o-y

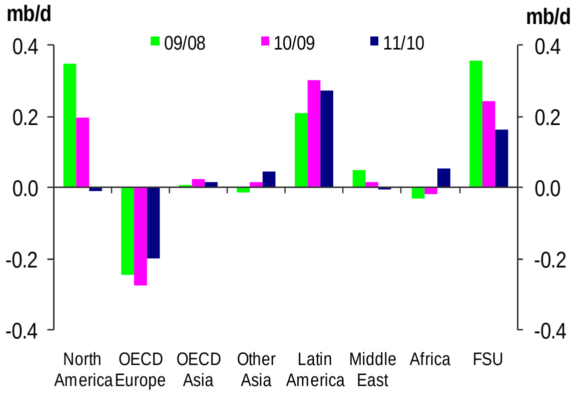


Table 13: Non-OPEC oil supply in 2010, mb/d

	2009	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09
North America	14.29	14.64	14.63	14.33	14.34	14.48	0.20
Western Europe	4.71	4.68	4.44	4.22	4.43	4.44	-0.27
OECD Pacific	0.64	0.61	0.65	0.67	0.70	0.66	0.02
Total OECD	**19.64**	**19.94**	**19.72**	**19.21**	**19.47**	**19.58**	**-0.05**
Other Asia	3.72	3.77	3.72	3.73	3.73	3.74	0.02
Latin America	4.40	4.64	4.70	4.71	4.77	4.71	0.30
Middle East	1.73	1.75	1.75	1.74	1.72	1.74	0.01
Africa	2.69	2.70	2.67	2.67	2.67	2.68	-0.02
Total DCs	**12.54**	**12.86**	**12.83**	**12.85**	**12.88**	**12.86**	**0.32**
FSU	12.96	13.14	13.17	13.20	13.30	13.20	0.25
Other Europe	0.14	0.14	0.15	0.13	0.13	0.14	0.00
China	3.85	4.02	4.07	3.98	3.94	4.00	0.15
Total "Other regions"	**16.94**	**17.30**	**17.39**	**17.31**	**17.37**	**17.34**	**0.40**
Total Non-OPEC production	**49.12**	**50.09**	**49.95**	**49.38**	**49.72**	**49.78**	**0.66**
Processing gains	2.00	2.08	2.08	2.08	2.08	2.08	0.08
Total Non-OPEC supply	**51.12**	**52.17**	**52.03**	**51.46**	**51.80**	**51.86**	**0.74**
Previous estimate	51.14	52.21	51.91	51.29	51.70	51.78	0.64
Revision	-0.01	-0.04	0.11	0.16	0.10	0.09	0.10

Revisions to the 2010 forecast

Despite the upward revision, the forecast for non-OPEC supply in 2010 remains associated with a high degree of risk due to various factors such as the hurricane season, fiscal developments, maintenance season and decline rate developments. OECD oil supply is expected to average 19.58 mb/d in 2010, a decline of 50 tb/d compared to 2009 and representing an upward revision of 20 tb/d from the previous month. US oil production for 2010 encountered an upward revision of 30 tb/d from the previous assessment to stand at 8.29 mb/d, representing growth of 0.23 mb/d over 2009. The revision affected supply projects in all quarters with updated production data for the first half driving the upward revision. US oil supply is still expected to decline in the second half of 2010. Mexico oil supply is expected to average 2.93 mb/d in 2010, a drop of 50 tb/d from the previous year and an upward revision of 30 tb/d compared to last month. Healthy production data in the first half entailed the upward revision as the data shows a slowing decline. Canada, Norway and UK supply experienced downward revisions of 30 tb/d, 10 tb/d and 20 tb/d respectively, due to adjustment to updated production data in the first half of the year.

Compared to the previous month, the forecast for Other Asia supply in 2010 remained relatively steady with a minor upward revision to Vietnam of less than 10 tb/d due to rescheduling of project startups and ramp-ups. In Latin America, Brazil supply in 2010 experienced an upward revision in the first half of 2010 due to healthy production data for both crude oil and biofuels.

Russia oil supply is anticipated to average 10.05 mb/d in 2010, representing growth of 0.13 mb/d over the previous year and an upward revision of less than 30 tb/d from the previous month. The adjustment came as preliminary data showed that June supply marked a new supply record for Russia. Azerbaijan oil supply encountered a similar upward revision on the back of a historical revision in 2008 and 2009, as well as adjustment to preliminary actual production data for the first half of 2010. Kazakh oil supply encountered a minor downward revision of less than 10 tb/d, compared to the previous month, due to lower-than-expected production in the first half of the year.

China oil supply is foreseen to average 4.0 mb/d in 2010, representing growth of 0.15 mb/d over the previous year and an upward revision of 30 tb/d compared to the previous month. The upward revision came on the back of healthy supply data for the first part of the second quarter, which continued to exceed the 4 mb/d mark.

Forecast for 2011

Forecast growth of 0.34 mb/d in non-OPEC supply in 2011 to average 52.21 mb/d

Non-OPEC oil supply in 2011 is expected to increase by 0.34 mb/d over the current year to average 52.21 mb/d. The overall growth trend for non-OPEC supply is expected to continue in 2011, supported by Latin America and the FSU and partly offset by declines in OECD Europe. The forecast is based on a careful assessment of non-OPEC supply developments; however, the resulting figure is associated with a very high level of risk. While the expectation of capital expenditure (capex) in 2010 and 2011 indicates a rising trend, economic risks contributed to the uncertainty regarding expected growth. Moreover, the anticipated growth of biofuels, which is expected to increase by around 0.20 mb/d in 2011, is also linked to a high degree of risk. Other factors contributing to risks in both directions include weather conditions, technical factors, decline rate developments, the political environment and price movements. Hence, the forecast is subject to revisions following the materialization of supply developments. On a quarterly basis, non-OPEC supply is expected to average 52.11 mb/d, 51.99 mb/d, 52.03 mb/d and 52.69 mb/d respectively.

Table 14: Non-OPEC oil supply in 2011, mb/d

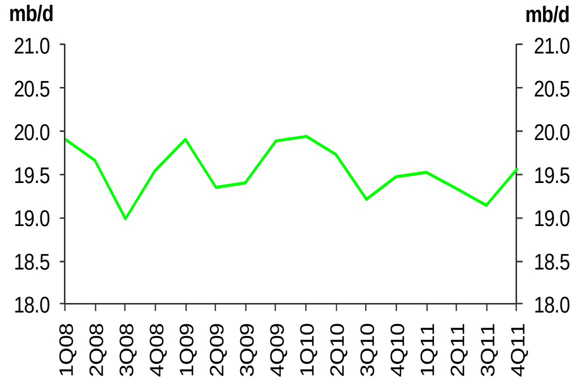
	2010	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10
North America	14.48	14.42	14.43	14.44	14.61	14.48	-0.01
Western Europe	4.44	4.45	4.22	4.02	4.27	4.24	-0.20
OECD Pacific	0.66	0.67	0.68	0.68	0.67	0.67	0.01
Total OECD	**19.58**	**19.53**	**19.33**	**19.15**	**19.55**	**19.39**	**-0.19**
Other Asia	3.74	3.77	3.75	3.79	3.81	3.78	0.05
Latin America	4.71	4.87	4.92	5.01	5.11	4.98	0.27
Middle East	1.74	1.72	1.73	1.73	1.75	1.73	-0.01
Africa	2.68	2.69	2.72	2.74	2.79	2.73	0.06
Total DCs	**12.86**	**13.05**	**13.12**	**13.27**	**13.46**	**13.23**	**0.37**
FSU	13.20	13.32	13.32	13.38	13.44	13.36	0.16
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.00	4.00	4.02	4.02	4.02	4.01	0.01
Total "Other regions"	**17.34**	**17.45**	**17.47**	**17.53**	**17.59**	**17.51**	**0.17**
Total Non-OPEC production	**49.78**	**50.04**	**49.92**	**49.95**	**50.61**	**50.13**	**0.34**
Processing gains	2.08	2.08	2.08	2.08	2.08	2.08	0.00
Total Non-OPEC supply	**51.86**	**52.11**	**51.99**	**52.03**	**52.69**	**52.21**	**0.34**
Previous estimate	51.78						
Revision	0.09	..	..	..	..	..	..

OECD

OECD supply to average 19.39 mb/d in 2011, a decline of 0.19 mb/d

Total OECD oil supply is expected to average 19.39 mb/d in 2011, representing a drop of 0.19 mb/d from 2010. Expected supply growth from Canada and Australia are not seen to offset the decline anticipated from other OECD countries. On a quarterly basis, OECD oil supply is expected to average 19.53 mb/d, 19.33 mb/d, 19.15 mb/d and 19.55 mb/d respectively.

Graph 23: OECD's quarterly production



North America

North America oil production is anticipated to remain relatively flat in 2011 compared to 2010, averaging 14.48 mb/d. The foreseen growth from Canada is expected to offset the projected decline in the US and Mexico. The risk associated with North America supply forecast remains on the high side given the effect of weather conditions, decline rates and technical issues. On a quarterly basis, North America oil supply in 2011 is foreseen to stand at 14.42 mb/d, 14.43 mb/d, 14.44 mb/d and 14.61 mb/d respectively.

US

US supply decline is expected at 30 tb/d in 2011

US supply is forecast to average 8.27 mb/d in 2011, a minor decline of 30 tb/d compared to 2010. Increased US output supported non-OPEC supply in the previous year, with growth mostly coming from the Gulf of Mexico. However, the deep water drilling moratorium is seen to slow new projects and dent current output in 2011. Recently, the US Gulf rig count shows a heavy drop in activity, which is expected to have a negative effect on the supply in 2011. Despite the ongoing developments in the Gulf of Mexico, there are a few new fields that are expected to startup and ramp-up in 2011 such as Caesar Tonga, Cascade, Chinook, Na Kika 3, Nikaithcuq and parts of the Galapagos project. Additionally, North Dakota Bakken formation production is expected to further add volumes in 2011. Moreover, biofuels supply is expected to increase sharply in 2011. However, the new volume is currently not expected to offset the anticipated decline in 2011. It is worth emphasizing that the US oil supply forecast is associated with a very high level of risk, the effect of which could lead to changes in supply to either direction. One of the main risk factors is the development of the weather situation both in 2010 and 2011 and the extent of the effect on fields and infrastructure. Additionally, the economic situation and the price environment could have varying influences on margins as well as production and growth of biofuels. Furthermore, the impact of policy changes on oil supply is another important risk factor that could alter supply expectations. On a quarterly basis, US oil supply is expected to average 8.24 mb/d 8.24 mb/d, 8.27 mb/d and 8.33 mb/d respectively.

Canada and Mexico

Canada supply to increase by 0.11 mb/d in 2011

Oil supply from Canada is anticipated to grow by 0.11 mb/d over 2010 to average 3.37 mb/d in 2011. The expected growth is supported mainly by oil sand projects. The startup and ramp-up of projects such as Christina Lake, Firebag, Foster Creek, Jack Pine and Jackfish are all seen to contribute to the expected growth of Canadian oil supply. Additionally, the ramp-up of the North Amethyst field to peak capacity of 37,000 b/d is supporting conventional oil production, yet it is not expected to offset the decline. On a quarterly basis, Canada's production is predicted to average 3.33 mb/d, 3.35 mb/d, 3.36 mb/d and 3.44 mb/d respectively.

Mexico supply to drop 90 tb/d in 2011

Mexico oil production is foreseen to average 2.84 mb/d in 2011, a decline of 90 tb/d from 2010. With the Ku-Maloob-Zaap (KMZ) production seen as peaking and slow growth in the Chicontepec field, the trend of declining production is expected to continue in 2011, with no overturn foreseen, despite the slowing of the decline being witnessed so far in 2010. Despite the slowing decline, the concern over the ability of KMZ to maintain the current production level causes some risk to 2011 projections. Additionally, the ability of the Chicontepec field to raise output further increases the risk factors to the supply forecast. Furthermore, the rate of decline at Cantarell, Mexico's previous top-producing field, will have a great influence on overall Mexico production. On a quarterly basis, Mexico's oil supply is anticipated to average 2.85 mb/d, 2.84 mb/d, 2.82 mb/d and 2.85 mb/d respectively.

Western Europe

Total **OECD Western Europe** oil supply is believed to decline by 0.20 mb/d over 2010 to average 4.24 mb/d in 2011. Declines are anticipated in all major OECD Europe producers, with quarterly figures expected at 4.45 mb/d, 4.22 mb/d, 4.02 mb/d and 4.27 mb/d respectively

Norway production to average 2.09 mb/d in 2011, a decline of 0.10 mb/d

Norway oil supply is foreseen to decline by 0.10 mb/d over 2010 to average 2.09 mb/d in 2011. The contraction is anticipated due to a continuing decline in the mature producing fields while most new developments are tending towards small and satellite projects. The expected production drop from mature areas is seen to outpace the anticipated new volumes coming from startups and ramp-ups of projects such as Gaup, Gjoa, Marvin and Trym. Additionally, the anticipated maintenance season in 2011 is also seen to curtail the annual figure. The forecast has few risk factors such as the potential outcome of the move to review offshore drilling, as well as the development of the decline rate, prolonged maintenance and unplanned shutdowns. On a quarterly basis, Norway's supply is predicted to average 2.23 mb/d, 2.06 mb/d, 1.94 mb/d and 2.14 mb/d respectively.

UK supply to drop 90 tb/d in 2011

The **UK** oil production is predicted to average 1.30 mb/d in 2011, a drop of 90 tb/d over 2010. The experienced trend of low levels of drilling in the early part of 2010, which is expected to continue, is partially driving the forecast. The decline in mature producing areas is seen to offset the anticipated limited new volume from new developments. Projects such as Huntington, Bacchus, Causeway and Rochelle are all expected to bring in new volume in 2011, yet the natural decline in other fields is seen to more than offset the new barrels. On a quarterly basis, UK oil supply is expected to stand at 1.35 mb/d, 1.30 mb/d, 1.26 mb/d and 1.29 mb/d respectively.

Denmark oil supply is forecast to decline by 30 tb/d over 2010 to average 0.22 mb/d in 2011, as the natural decline is expected to reduce output with limited new developments.

Other Western Europe supply is expected to drop slightly with the decline rate affecting production, except for Italy where supply is expected to increase slightly. The growth of biofuel supply is seen to partially offset the decline.

Asia Pacific

Oil supply in the **OECD Pacific** region is forecast to average 0.67 mb/d in 2011, indicating minor growth of 10 tb/d compared to 2010. On a quarterly basis, total oil supply is estimated to average 0.67 mb/d, 0.68 mb/d, 0.68 mb/d and 0.67 mb/d respectively.

Australia oil supply to increase by 30 tb/d in 2011

Australia's supply in 2011 is expected to display growth of 30 tb/d over the current year. Startups of projects such as Kipper, Turrum and Kitan are seen to support supply in 2011. Additionally, partial growth is foreseen from continuing ramp-ups of projects such Pyrenees and Van Gogh. The quarterly distribution stands at 0.57 mb/d, 0.59 mb/d, 0.60 mb/d and 0.59 mb/d respectively.

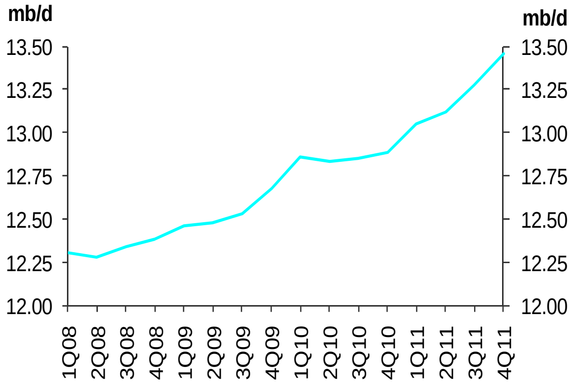
New Zealand oil production is believed to decline by 20 tb/d over 2010 to average 90 tb/d in 2011. With limited new developments, the anticipated decline at the Tui field due to the partial shut-in is seen to steer the supply forecast to an annual decline in 2011.

Developing Countries

DC supply to grow by 0.37 mb/d in 2011 to average 13.23 mb/d

Developing Countries (DCs) oil supply is projected to average 13.23 mb/d in 2011, representing an increase of 0.37 mb/d over the current 2010 level. The majority of the growth is coming from Latin America, supported by the anticipated growth in Brazil and Colombia oil production, followed by Africa and Other Asia, while Middle East supply is seen to remain steady in 2011 with a minor decline. On a quarterly basis, total oil supply in DCs is forecast to average 13.05 mb/d, 13.12 mb/d, 13.27 mb/d and 13.46 mb/d respectively.

Graph 24: Developing Countries' quarterly production



Other Asia supply increasing by 50 tb/d in 2011

Oil supply from **Other Asia** is forecast to show growth of 50 tb/d over 2010 to reach a level of 3.78 mb/d in 2011 with an average quarterly distribution of 3.77 mb/d, 3.75 mb/d, 3.79 mb/d and 3.81mb/d respectively. India is expected to lead supply growth in Other Asia. Oil production from India is expected to average 0.89 mb/d in 2011, an increase of 40 tb/d over 2010, supported by the Mangala development which is expected to reach peak capacity of 0.17 mb/d in 2011 as the Bhagyam and Aishwarya projects enter production. Vietnam is seen to be second on the growth list of Other Asia, with an anticipated supply increase of 40 tb/d in 2011. The growth is supported by projects as such the Chim Sao, Ca Ngu Vang and Su Tu Den North East. Supply forecasts for Brunei, Indonesia and Malaysia are seen to decline on the back of limited new developments to offset the anticipated natural decline. Additionally, biofuel supply from the region is seen growing in 2011 with projects such as the Neste biodiesel plant in Singapore supporting the outlook.

Brazil and Colombia to support the expected growth of 0.27 mb/d in 2011 for Latin America supply

Latin American oil supply is seen to increase by 0.27 mb/d over 2010 to average 4.98 mb/d in 2011 with an average quarterly distribution of 4.87 mb/d, 4.92 mb/d, 5.01 mb/d and 5.11 mb/d respectively. The expected growth is supported by Brazil and Colombia, while other countries' supply within the region is expected to remain relatively flat in 2011. Brazil oil production is expected to average 2.93 mb/d in 2011, indicating an increase of 0.21 mb/d over 2010. The growth is supported by a long list of project startups and ramp-ups such as Peregrino, Marlim, Jabarte, Vesuvio, Waimea and the Tupi pilot. Additionally, strong biofuel production is expected in 2011, further supporting growth. However, the risk on the outlook continues to be high, especially due to technical aspects, as the forecast growth is supported by the new subsalt developments. On a quarterly basis, Brazil oil supply is expected to go through a gradual increase and average 2.86 mb/d, 2.88 mb/d, 2.95 mb/d, 3.02 mb/d respectively. Colombia oil production is foreseen to experience healthy growth of 70 tb/d over 2010 to average 0.86 mb/d in 2011. Growth is supported by the continuing ramp-up of the Rubiales project, which is expected to reach 0.17 mb/d in 2011. Additionally, new fields such as the Quifa are seen to further support anticipated growth in 2011. Argentina oil supply is forecast to encounter a minor decline of 20 tb/d in 2011, mainly on natural decline and limited developments. Additionally, small output growth is expected from Peru in 2011.

Middle East supply to remain flat at 1.73 mb/d in 2011

The **Middle East** oil supply is forecast to remain steady in 2011 with an expected minor decline of 10 tb/d over 2010. Oman oil production is expected to experience the only growth in 2011 of 40 tb/d to average 0.90 mb/d supported by the enhanced oil recovery (EOR) developments at projects such as Harweel, Mukhaizna and Qarn Alam. Both Syria and Yemen oil production are expected to drop slightly on natural decline with minor new developments. On a quarterly basis, Middle East supply is expected to average 1.72 mb/d, 1.73 mb/d, 1.73 mb/d and 1.75 mb/d respectively.

Africa supply to increase by 60 tb/d in 2011 to average 2.73 mb/d

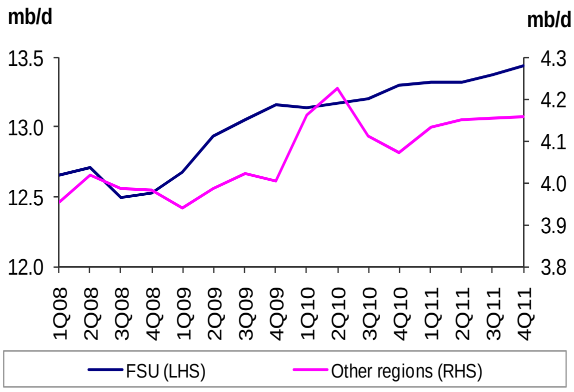
African oil production in 2011 is foreseen to average 2.73 mb/d, an increase of 60 tb/d over 2010. Growth is supported mainly by Ghana and Uganda while other major producers of the region are seen to remain flat or decline in 2011. Ghana oil supply is expected to experience healthy growth supported by the Jubilee oil projects. Uganda oil production is anticipated to encounter an increase from the lake Albert developments. Natural decline is seen to affect other countries' supply with limited new developments. On a quarterly basis, total oil supply in Africa is estimated to average 2.69 mb/d, 2.72 mb/d, 2.74 mb/d and 2.79 mb/d respectively.

FSU, Other Regions

FSU supply to increase by 0.16 mb/d in 2011

Total FSU oil supply is expected to average 13.36 mb/d in 2011, representing an increase of 0.16 mb/d versus 2010. Growth is seen coming from Azerbaijan, Kazakhstan and Turkmenistan, while Russia supply is anticipated to experience a minor decline. On a quarterly basis, total oil supply in the FSU is expected to average 13.32 mb/d in the first and the second quarter, and then 13.38 mb/d and 13.44 mb/d in the third and fourth quarter, respectively. Oil supply in China is expected to remain relatively flat and increase slightly in 2011 by 10 tb/d to average 4.01 mb/d. Other Europe is expected to stay unchanged from 2010 and average 0.14 mb/d in 2011.

Graph 25: FSU and other region's quarterly production



Russia

Russia supply to average 10.03 mb/d in 2011, a drop of 20 tb/d

Russian oil supply is projected to remain relatively steady and encounter a minor drop of 20 tb/d over 2010 to average 10.03 mb/d in 2011. The drop is expected in 2011 as the anticipated natural decline from mature production is seen to exceed the new barrels. Support for new volumes is coming from project startups and ramp-ups such as the Vankor field, which is expected to continue ramping up to capacity, despite the removal of the zero export duty. Additionally, projects such as Prirazlom, Uvat, Yuri Korchagin (which is expected to reach peak production in 2011-2012) and Sakhalin all are expected to support supply in 2011. However, the risk of the forecast is high, given the economic situation as well as the price movements and the technical aspects of production. Furthermore, the increase of the ruble value against the US dollar has complicated the direct effect of the capex increase on oil supply projections. On a quarterly basis, Russian oil supply is expected to average 10.02 mb/d, 10.01 mb/d, 10.02 mb/d and 10.07 mb/d respectively.

Caspian

Kazakhstan supply to average 1.66 mb/d in 2011, an increase of 60 tb/d

Kazak oil production is forecast to average 1.66 mb/d in 2011, indicating an increase of 60 tb/d over 2010. The anticipated growth is supported mainly by the expansion of the Tengiz field with a gradual ramp-up during the year. However, the ongoing policy developments as well as the limited export capacity are increasing the forecast risk. Quarterly supply figures are currently expected at 1.64 mb/d, 1.65 mb/d, 1.68 mb/d and 1.69 mb/d respectively.

Azeri oil production to increase by 0.10 mb/d in 2011 to average 1.21 mb/d

Oil supply from **Azerbaijan** is expected to average 1.21 mb/d in 2011, representing an increase of 0.10 mb/d versus 2010. The Azeri-Chirag-Guneshli (ACG) is expected to continue to add volume in 2011. The Azeri part is expected to reach its peak of 640,000 b/d in 2011, the field produced 570,000 b/d in the first quarter of 2010. Additionally, the continued drilling in the deep water Guneshli is foreseen to further support oil production in 2011. The quarterly forecast level stands at 1.21 mb/d, 1.20 mb/d, 1.21 mb/d and 1.21 mb/d respectively.

FSU Others oil supply is forecast to average 0.46 mb/d in 2011, an increase of 20 tb/d over 2010. The minor growth is supported by the anticipated output increase from Turkmenistan on the ramp-up of the Dzheitune project.

Other Europe supply is seen to remain relatively steady in 2011 compared to 2010 at an average of 0.14 mb/d.

China

China supply to remain steady in 2011 averaging 4.01 mb/d

China oil production is foreseen to remain steady in 2011 and average 4.01 mb/d, indicating minor growth of 10 tb/d over 2010. There are a few projects that are seen to support the volume in 2011 such as the Peng Lai, Xinbei and Nanpu. However, the expected decline rate is anticipated to offset new volumes. The risk to the forecast remains high as it is very difficult to assess the ability of mature oil fields to continue to add new volumes, as is the case with Changqing field where production hit a record high in the first quarter of 2010, some 40 years after the field started production. On a quarterly basis, total oil supply in China is expected to stand at 4.00 mb/d, 4.02 mb/d, 4.02 mb/d and 4.02 mb/d respectively.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are forecast to grow by 0.49 mb/d over 2009 to average 4.84 mb/d in 2010. In 2011, OPEC NGLs and nonconventional oils are projected to increase by 0.53 mb/d over 2010 to average 5.36 mb/d. The expected growth in 2011 is foreseen to come from Iran, Nigeria, Qatar, Saudi Arabia and the UAE.

Table 15: OPEC NGLs + non-conventional oils, 2008-2011

			Change						Change		Change
	2008	**2009**	09/08	1Q10	2Q10	3Q10	4Q10	**2010**	10/09	**2011**	11/10
Total OPEC	**4.14**	**4.35**	0.21	4.60	4.79	4.87	5.08	**4.84**	0.49	**5.36**	0.53

OPEC crude oil production remained steady in June

OPEC crude oil production

Total OPEC crude oil production averaged 29.20 mb/d in June, relatively steady with the previous month, according to secondary sources. OPEC crude oil production, excluding Iraq, averaged 26.85 mb/d, a gain of 60 tb/d over the same period. Despite the relatively steady OPEC production, crude oil supply from Saudi Arabia, Nigeria, Venezuela and Kuwait experienced increases of more than 10 tb/d while crude production from Iraq, Angola and Iran encountered a decline of more than 10 tb/d in June compared to previous month. OPEC crude production in the second quarter averaged 29.17 mb/d.

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

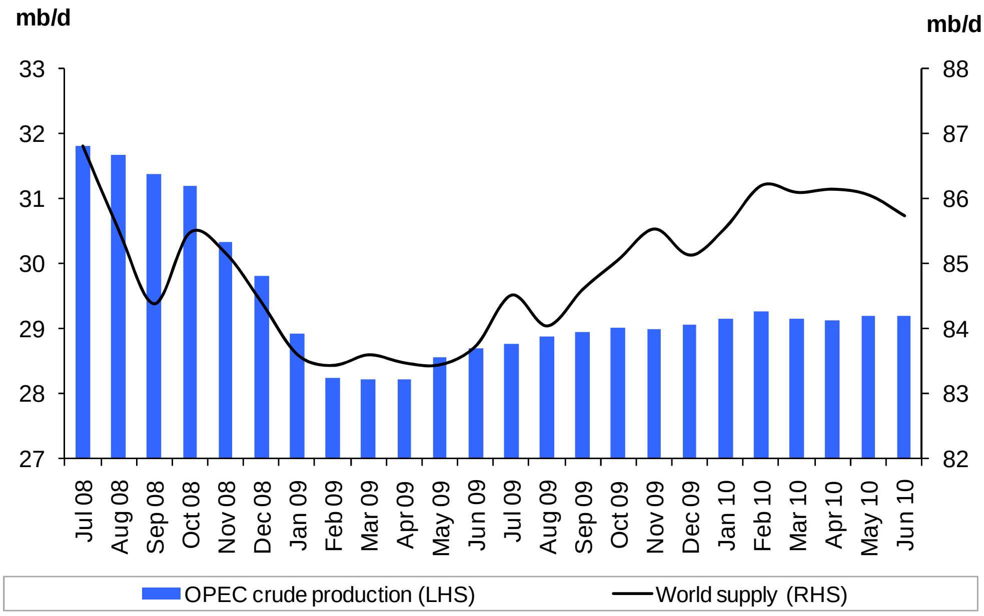
	2009	3Q09	4Q09	1Q10	2Q10	Apr 10	May 10	Jun 10	*Jun/May*
Algeria	1,270	1,275	1,270	1,271	1,274	1,275	1,274	1,272	*-2.2*
Angola	1,786	1,828	1,873	1,912	1,868	1,894	1,868	1,843	*-25.4*
Ecuador	477	472	474	474	469	476	470	463	*-6.9*
Iran, I.R.	3,725	3,749	3,728	3,742	3,750	3,763	3,748	3,738	*-10.3*
Iraq	2,422	2,499	2,459	2,463	2,355	2,310	2,404	2,348	*-56.3*
Kuwait	2,263	2,254	2,275	2,288	2,311	2,301	2,311	2,322	*10.3*
Libya, S.P.A.J.	1,557	1,557	1,540	1,543	1,564	1,558	1,563	1,572	*8.7*
Nigeria	1,812	1,739	1,942	1,987	1,970	1,985	1,951	1,975	*23.6*
Qatar	776	780	792	805	813	813	811	815	*4.2*
Saudi Arabia	8,055	8,123	8,122	8,127	8,173	8,151	8,163	8,207	*43.6*
UAE	2,256	2,253	2,258	2,280	2,313	2,291	2,323	2,324	*1.5*
Venezuela	2,311	2,323	2,290	2,291	2,313	2,302	2,311	2,326	*14.7*
Total OPEC	**28,709**	**28,852**	**29,021**	**29,182**	**29,173**	**29,117**	**29,198**	**29,203**	***5.3***
OPEC excl. Iraq	**26,287**	**26,353**	**26,562**	**26,720**	**26,818**	**26,807**	**26,793**	**26,855**	***61.7***

Totals may not add due to independent rounding

World Oil Supply

Preliminary figures indicate that global oil supply averaged 85.74 mb/d in June, around 0.32 mb/d lower than the previous month. OPEC crude is estimated to have a 34.1% share in global supply, slightly higher than the previous month due to the steady state of OPEC crude production and lower non-OPEC supply. The estimate is based on preliminary data from non-OPEC supply. Estimates for OPEC NGLs and OPEC production are derived from secondary sources.

Graph 26: OPEC and world oil supply

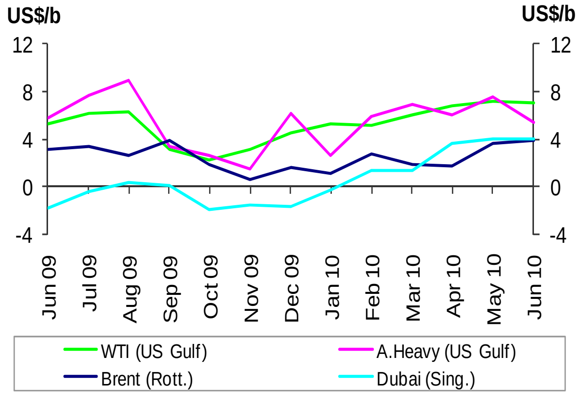


Product Markets and Refinery Operations

Refinery performance remained steady in June

Increasing demand for middle distillates, signs of improving economic growth and positive sentiment for gasoline demand during the driving season has combined to support product market sentiment and prices in early June. However with the completion of refinery maintenance, increasing product supplies and rising concerns about the pace of world economic growth over the last few weeks, both physical and futures product markets have lost part of their earlier strength. The current situation in the product markets may change due to improving economic growth indicators and operational disruptions during the hurricane season. These circumstances could provide sufficient support for crude markets in the coming months.

Graph 27: Refining margins



As **Graph 27** shows, refining margins for WTI on the US Gulf Coast fell slightly by 8¢ to reach $7.10/b in June from $7.18/b in the previous month. In Europe, refiners had relatively better performances, with margins for Brent crude in Rotterdam rising to $3.83/b from $3.58/b in the previous month.

In Asia, bearish developments, especially for naphtha, have exerted pressure on refining margins. Lack of resilient performance by the fuel oil market has also contributed to negative developments on Asian refinery economics. Refining margins for Dubai crude oil in Singapore fell by 7¢ to reach $3.97/b in June from $4.04/b in May.

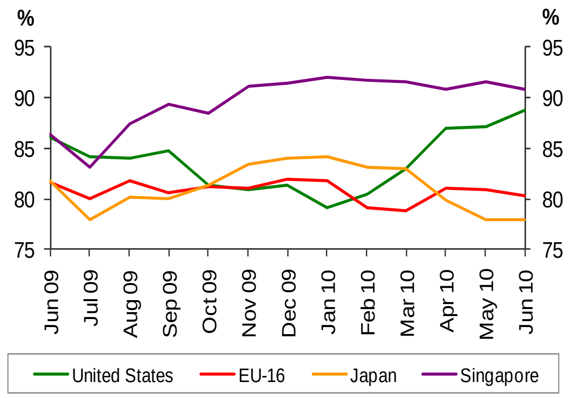
Looking ahead, given ample stocks for both distillates and gasoline, barring extensive unplanned supply disruptions, the risk of a product supply shortage during the upcoming peak season is very limited. Additionally, by having 1.1 mb/d new refinery capacity in 2011, it appears that spare capacity in the downstream sector remains relatively high in the short- to medium-term and the likelihood of product market developments lifting crude pieces in the future is very marginal.

Refinery operations

American refiners extended their recent upward operation movement in June

Slowing demand in 2009 has combined with new refinery capacities, resulting in higher spare refinery capacity across the globe in recent months. Having ample distillate stocks has also contributed to low refinery runs even in the last severe winter in the Atlantic Basin. With improving economic conditions and the easing of previous imbalances in product markets, American refiners started to increase throughputs to benefit from positive developments in the market. Despite increasing runs in the US, European refiners have not yet shown any interest to increasing throughputs. Asian refiners with the exception of China and India, followed the same policy and their utilization rates are still relatively low.

Graph 28: Refinery utilization rates, 2009-2010



As Graph 28 shows, refinery utilization rate in the US increased by 1.6% to reach 88.7% in June from 87.1% in May. Despite the completion of the maintenance schedule, European refiners have not yet increased utilization rates, amid increasing middle distillate exports from the US and Russia. According to preliminary data, European refinery utilization rates fell by 0.7 points to 80.3% in June compared to the previous month.

In Asia, the major part of seasonal refinery maintenance has already been completed, but refinery throughputs with the exception of China have not yet increased. According to PAJ, Japanese refinery utilization rates on average remained around 78% in June.

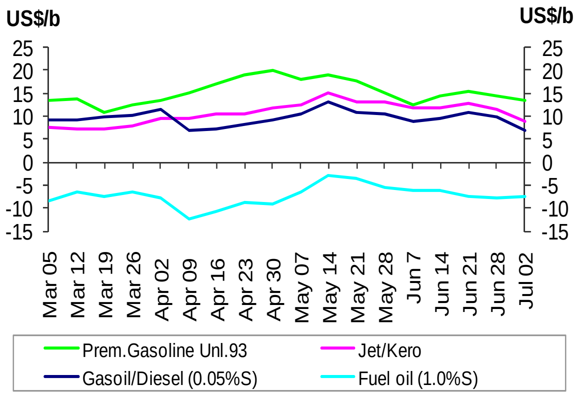
Looking ahead, with the completion of maintenance season and the approaching peak driving season, refinery utilization rates are expected to improve next month.

Increasing domestic output and imports have outpaced gasoline demand growth and led to further gasoline stock builds in the US

US market

With the approaching peak driving season and improving economic conditions, US gasoline demand has increased, encouraging refiners to surge throughputs. According to EIA, the US gasoline demand rose to over 9.3 mb/d in June. Following these developments, the gasoline crack spread on the US Gulf Coast remained around $14/b in June.

Graph 29: US Gulf crack spread vs. WTI, 2010



However, bearish economic news in the latter part of June and lack of seasonal stock draws undermined the buying sentiment on the RBOB futures contract. On Nymex, managed money net long positions surged significantly in the first half of June, reaching 30,267 lots on 22 June, but were almost unchanged in the last week of the month.

Meanwhile, although storms in the US Gulf in June have not affected refinery operations and product markets significantly, there is still the risk of operational disruptions for US refineries along the Gulf Coast, especially given the forecast for an active hurricane season.

Middle distillate demand growth in the US slowed to 221 tb/d in June from 578 tb/d in May. However, it surged significantly in the last week of the month jumping to 3.949 mb/d. Increasing distillates output and stocks also exerted pressure on market sentiment and encouraged traders to liquidate net long positions on the Nymex futures market. It has also led to a narrowing of the distillate crack spread. The US gasoil crack spread on the Gulf Coast fell to below $10/b in the latter part of June from about $12/b in May (*see **Graph 29***).

Following these developments, managed money traders on the Nymex heating oil market reduced net long positions to 23,221 lots on the week ended 26 June from 25,251 the week before.

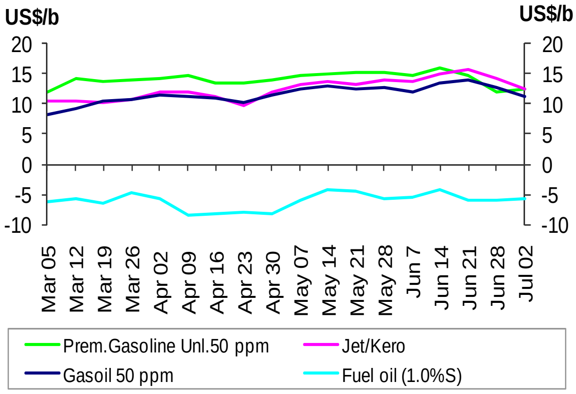
The performance of the US fuel oil market remained weak amid sluggish regional demand and a lack of sufficient export opportunities to other markets. These circumstances led to higher discounts for both low and high sulfur fuel oil. A low sulfur fuel oil discount against WTI crude along the US Gulf Coast surged to minus $7.50/b in June from about minus $5/b in May. Higher temperatures may lead to increased demand from utility plants, but due to high inventories and lower prices of natural gas, the current situation in the fuel oil market is not expected to change significantly next month.

Limited arbitrage outlets for light distillate products exerted pressure on European product market sentiment

European market

European product market sentiment eased slightly compared to the previous month amid increasing middle distillate exports from the US and limited export outlets for gasoline and fuel oil.

Graph 30: Rotterdam crack spreads vs. Brent, 2010



Gasoline market sentiment weakened in the middle of June compared to earlier in the same month amid depressed local demand and limited arbitrage opportunities. But in the latter part of June, European gasoline prices and cracks rose, supported by unplanned regional refinery outages and Hurricane Alex. The gasoline crack spread against Brent crude oil in Rotterdam remained around $14/b on average in June (*see **Graph 30***). With the approaching peak driving season, gasoline market sentiment may improve next month.

The European naphtha market also lost ground amid a lack of export opportunities to Asia and less regional demand from the petrochemical sector. Due to the persistently slow economic recovery, the European naphtha market will likely remain weak in the coming months.

Supply restraints by European refiners provided support for the distillate market and diesel's discount to gasoline narrowed. The gasoil crack spread against Brent crude at Rotterdam remained over $12/b in June (*see Graph 30*). With increasing refinery throughputs and rising exports, especially from the US and Russia, the European distillates market could lose some ground.

The jet fuel market improved amid tightening of distillate complex and increasing seasonal demand. Less arbitrage cargoes from Middle East have also contributed to better performance of the jet fuel market.

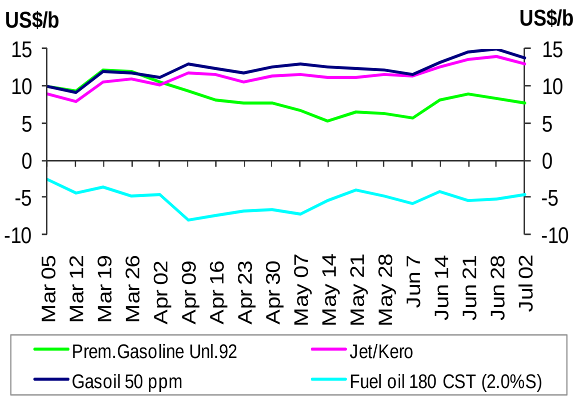
European high sulfur fuel oil market conditions deteriorated further compared to previous month due to increasing Russian exports and less outflows to Asia and increasing fuel oil stocks at Rotterdam. But the performance of the low sulfur fuel oil market was relatively better, supported by regional demand. As **Graph 30** shows, the crack spread for low sulfur fuel oil against Brent crude oil remained around minus $5/b in June. With the increasing high sulfur fuel oil discount, arbitrage flows to Asia are expected to increase in the coming months.

Asian naphtha market sentiment deteriorated further in June

Asian market

Record maintenance schedules of naphtha crackers in North Asia have combined with oversupply to exert pressure on naphtha prices. Asian naphtha prices fell to the lowest level in the last few weeks and flipped to contango after months of backwardation.

Graph 31: Singapore crack spreads vs. Dubai, 2010



Asian gasoline market sentiment gained slightly, supported by higher demand from India, Indonesia and increasing bullish perception for seasonal export opportunities to the US West Coast market. Gasoline crack spread against Dubai crude oil in Singapore rose to about $8/b in the last week of June from about $6.3/b over the same period in

May (*see Graph 31*). By completion of refinery maintenances and returning refineries to normal operation, it is expected that Asian gasoline outputs to outpace regional demand and to exert pressure on gasoline prices.

The gasoil market was relatively strong amid higher regional demand and tight supplies because of maintenance season and steady demand from India, Indonesia and Vietnam. The gasoil crack spread in Singapore against Dubai crude surged to over $14/b in the latter part of June (*see **Graph 31***). The Asian gasoil market may lose part of its current strength in the next months, as fear of heavier supplies resulting from post-spring refinery maintenance and limited export opportunity to Europe may cap persisting bullish developments in the distillates market. The Asian jet fuel market overall remained weak, as higher regional supplies and limited export outlets weighed on jet fuel oil prices.

The Asian fuel oil market is still fundamentally weak, as inflows from Europe and Latin America have combined with sluggish regional demand, leading to higher inventories in Singapore. Following these developments, high sulfur fuel oil crack spread in Singapore market against Dubai crude widened to minus $5.30/in the last week of June from minus $4.88/b in the same week of May.

Looking ahead, due to increasing substitution of natural gas for fuel oil at power plants and continuation of arbitrage flows from the west, sentiment in the Asian fuel oil market is not expected to improve significantly in the coming months.

Table 17: Refined product prices, US$/b

		Apr 10	May 10	Jun 10	Change Jun/May
US Gulf (Cargoes):					
Naphtha		89.32	81.84	82.43	0.59
Premium gasoline	*(unleaded 93)*	102.24	90.98	89.20	-1.78
Regular gasoline	*(unleaded 87)*	94.96	86.01	85.35	-0.65
Jet/Kerosene		94.95	87.00	86.70	-0.30
Gasoil	*(0.05% S)*	92.35	84.85	84.55	-0.30
Fuel oil	*(1.0% S)*	74.00	68.92	68.13	-0.80
Fuel oil	*(3.0% S)*	72.91	66.71	66.04	-0.67
Rotterdam (Barges FoB):					
Naphtha		81.30	71.49	72.81	1.32
Premium gasoline	*(unleaded 10 ppm)*	98.61	85.58	88.78	3.20
Premium gasoline	*(unleaded 95)*	91.29	89.89	93.25	3.36
Jet/Kerosene		96.07	84.25	89.11	4.86
Gasoil/Diesel	*(10 ppm)*	95.73	83.40	87.50	4.10
Fuel oil	*(1.0% S)*	76.62	66.65	69.20	2.55
Fuel oil	*(3.5% S)*	73.18	64.07	66.24	2.18
Mediterranean (Cargoes):					
Naphtha		79.16	70.14	71.16	1.02
Premium gasoline	*(50 ppm)*	69.57	67.01	67.01	0.00
Jet/Kerosene		94.22	82.52	87.30	4.78
Gasoil/Diesel	*(50 ppm)*	87.03	85.53	88.51	2.98
Fuel oil	*(1.0% S)*	76.86	66.29	68.04	1.75
Fuel oil	*(3.5% S)*	72.82	63.25	65.99	2.74
Singapore (Cargoes):					
Naphtha		83.13	77.25	72.42	-4.83
Premium gasoline	*(unleaded 95)*	94.06	84.96	83.25	-1.72
Regular gasoline	*(unleaded 92)*	91.91	82.88	81.54	-1.34
Jet/Kerosene		94.82	87.97	86.64	-1.33
Gasoil/Diesel	*(50 ppm)*	95.91	89.08	87.36	-1.72
Fuel oil	*(180 cst 2.0% S)*	76.33	71.28	68.67	-2.61
Fuel oil	*(380 cst 3.5% S)*	75.57	71.03	68.31	-2.72

Table 18: Refinery operations in selected OECD countries

	Refinery throughput mb/d				Refinery utilization %			
	Apr 10	May 10	Jun 10	Jun/May	Apr 10	May 10	Jun 10	Jun/May
USA	14.84	15.10	15.15	0.04	86.9	87.9	88.7	0.77
France	1.41	1.48	1.45	-0.03	82.2	84.2	83.2	-1.01
German	1.84	1.86	1.85	-0.01	83.8	84.8	84.3	-0.52
Italy	1.56	1.59	1.57	-0.02	77.6	79.3	78.5	-0.82
UK	1.31	1.38	1.35	-0.03	78.4	80.4	79.4	-1.01
Euro16	10.61	10.61	10.60	-0.01	80.1	80.0	80.3	0.22
Japan	4.19	4.12	4.05	-0.08	79.8	78.0	77.9	-0.07

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

Tanker Market

OPEC spot fixtures decreased, but remain in line with the second quarter average

Estimated **OPEC spot fixtures** decreased by 1.6% in June, while global spot fixtures fell 8%, both compared to the previous month. Despite the decrease in OPEC spot fixtures, the monthly change remains higher than global spot fixtures, supported by an increase in throughputs at Asia-Pacific refineries which started in May after most of the maintenance ended. Eastbound Middle East spot fixtures increased 9.8% m-o-m reflecting the increasing demand from Asia-Pacific refineries, while spot fixtures to the west decreased 8.5% on a monthly basis. On a yearly basis, OPEC spot fixtures declined 6% and global spot fixtures fell 5%.

According to preliminary data, **OPEC sailings** during June increased 0.7% m-o-m, reaching an 18-month high of 23.57 mb/d. The edging up in OPEC liftings will be reflected on July arrivals, especially to Asian destinations. Similarly, Middle East sailings rose 0.9% compared to the previous month.

On the arrivals side, almost all regions experienced a decline with only West Asia showing a small increase of 0.3% compared to the previous month. The decline in North America's arrivals comes after an impressive increase in May, despite the decrease of seaborne imports. However, North American arrivals remain healthy. Europe seaborne imports also decreased, reflecting the increasing demand for Russian crude to Northwest European refineries.

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

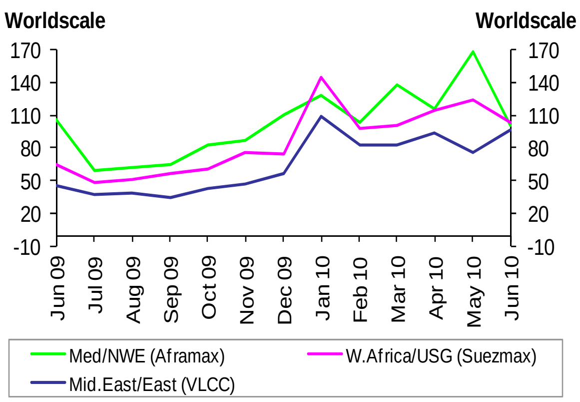
	Apr 10	May 10	Jun 10	Change Jun/May
Spot Chartering				
All areas	18.04	21.20	19.51	-1.69
OPEC	10.52	13.36	13.15	-0.21
Middle East/East	4.22	5.92	6.50	0.58
Middle East/West	1.04	1.30	1.19	-0.11
Outside Middle East	5.26	6.14	5.46	-0.68
Sailings				
OPEC	23.33	23.41	23.57	0.16
Middle East	17.30	17.33	17.48	0.15
Arrivals				
North America	8.73	9.79	9.52	-0.27
Europe	12.40	12.05	11.43	-0.62
Far East	8.21	8.11	8.06	-0.05
West Asia	4.71	4.64	4.65	0.01

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

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

The crude oil market displayed a mixed pattern in June. While VLCC spot freights increased 9.9% m-o-m, Suezmax and Aframax decreased 15.6% and 28.1% respectively over the previous month. June was the busiest month since April 2008 for the number of liftings reported, but there remains an overhang of June vessels pushing July dates.

Graph 32: Monthly averages of crude oil spot freight rates



The **VLCC market** was active during June, especially on Middle East routes which experienced a steady stream of cargoes allowing owners to demand better rates. Eastbound Middle East spot freights increased 26.3% as westbound rose 12.5% m-o-m. The tonnage supply/demand situation was fair during the first three weeks, supported by the momentum created by Chinese charterers which accounted for about a third of VLCC fixtures from this area.

For West African liftings to the east, the VLCC market received little influence from the Suezmax market resulting in a spot freight decline of 5.6%. Despite the increase during the second and third week, as result of a limited supply of VLCC tonnage in the Atlantic and the upward trend in the Middle East, the decline in the last week of the month was enough to push the monthly average for spot tanker freight below the May level. The fourth weekly decrease on VLCC tonnage supply also affected the Middle East market, but not enough to bring the monthly average down from May.

Suezmax market spot freight rates declined in June, reflecting muted activity as well as excess tonnage availability. The West Africa route to the US Gulf Coast declined 16.9% m-o-m as result of limited requirement. The increase in VLCC rates during the second week of the month provoked a small peak of W110 on the West Africa/US Gulf Coast route during the second week.

The Northwest Europe route to US Caribbean and Gulf Coast spot freights also declined by 14.3% in June. The drop was partly the result of reduced production at North Sea fields due to the maintenance season, resulting in a quiet market during most of the month, combined with owners' resistance to any downward pressure that was broken at the end of the month when some of the Suezmax vessels accepted lower earnings. The oil spill in the Gulf of Mexico has not impacted the Suezmax market, with no delays appearing so far.

All **Aframax routes'** spot freights declined in June compared to the previous month and Mediterranean to Northwest Europe spot freights also fell on a yearly basis, representing the only y-o-y decline. In June, Indonesia eastbound route spot rates dropped 9.3% reflecting a slowdown in the market.

The Caribbean route to the US East Coast spot freight rates fell 23.1% compared to the strong May levels with low volumes and ample tonnage supply being the main reasons for the decline. Nevertheless, at the end of the month, the spot freight on the Caribbean route jumped to a weekly average of W166 due to the beginning of the hurricane season and the development of Hurricane Alex. July movements are expected to result in shipping delays, thinning tonnage supply and a steady but firm market.

The inter-Mediterranean and Mediterranean/Northwest Europe spot freight rates also declined by 35.6% and 39.9%. The Mediterranean/Northwest European route's spot freights reached the lowest level so far this year. After performing poorly in the first three weeks of the month, Mediterranean spot freights recovered in the fourth bringing some hope to owners, but immediately declined again at the end of the month.

Table 20: Spot tanker crude freight rates, Worldscale

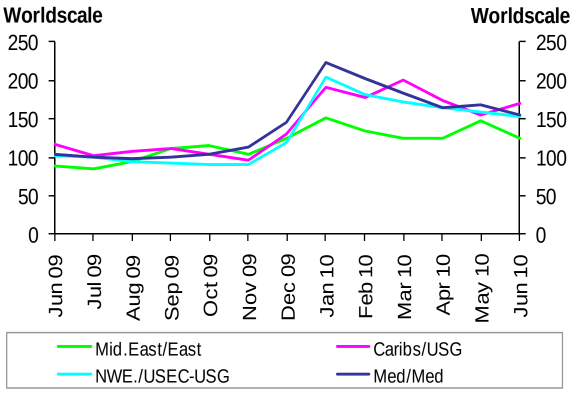
	Size *1,000 DWT*	Apr 10	May 10	Jun 10	Change Jun/May
Crude					
Middle East/East	230-280	94	76	96	20
Middle East/West	270-285	66	56	63	7
West Africa/East	260	89	90	85	-5
West Africa/US Gulf Coast	130-135	114	124	103	-21
NW Europe/USEC-USGC	130-135	102	119	102	-17
Indonesia/US West Coast	80-85	104	129	117	-12
Caribbean/US East Coast	80-85	121	173	133	-40
Mediterranean/Mediterranean	80-85	114	174	112	-62
Mediterranean/North-West Europe	80-85	115	168	101	-67

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

Product spot freight rates fell for both East and West of Suez

Spot rates in the **product tanker market** declined 5.1%, after experiencing a mixed pattern. Rates on almost all routes declined with the only exception being the Caribbean/US Gulf Coast. East of Suez route spot freights fell 11.4% in June after a very strong May, while West of Suez remained almost at the same level with only a 2.3% decrease. The decline in the Middle East/East route and Singapore/East route markets reflects the increasing level of runs in Asian refineries. The decrease was given despite the increase in naphtha arbitrage that boosted product imports in Asia, but was not enough to offset the decline in other products.

Graph 33: Monthly averages of clean spot freight rates



The Caribbean/US Gulf Coast was the only clean route with a positive change in its spot freight rates, with an increase of 10.3%. The increase in the Caribbean/US Gulf Coast rate reflects the seasonal increase in North American consumption.

The Northwest Europe/US East Coast and US Gulf Coast spot freights also declined by 3.2% in June, while the transatlantic rates continued the decreasing tendency started in February after the significant recovery in January. The Mediterranean/Mediterranean and Mediterranean/Northwest Europe route also experienced declines of 7.7% and 7.3% respectively, with reduced quantities of diesel in the trade market and large amounts of tonnage available, the freight rates in the area fell. The opening of some refineries that finished their maintenance period also contributed to the decrease in clean spot freights.

Table 21: Spot tanker product freight rates, Worldscale

	Size 1,000 DWT	Apr 10	May 10	Jun 10	Change Jun/May
Products					
Middle East/East	30-35	124	147	125	-22
Singapore/East	30-35	123	152	140	-12
Caribbean/US Gulf Coast	38-40	174	155	171	16
NW Europe/USEC-USGC	33-37	165	158	153	-5
Mediterranean/Mediterranean	30-35	164	169	156	-13
Mediterranean/North-West Europe	30-35	174	179	166	-13

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

Oil Trade

US crude oil imports remained almost unchanged in June

USA

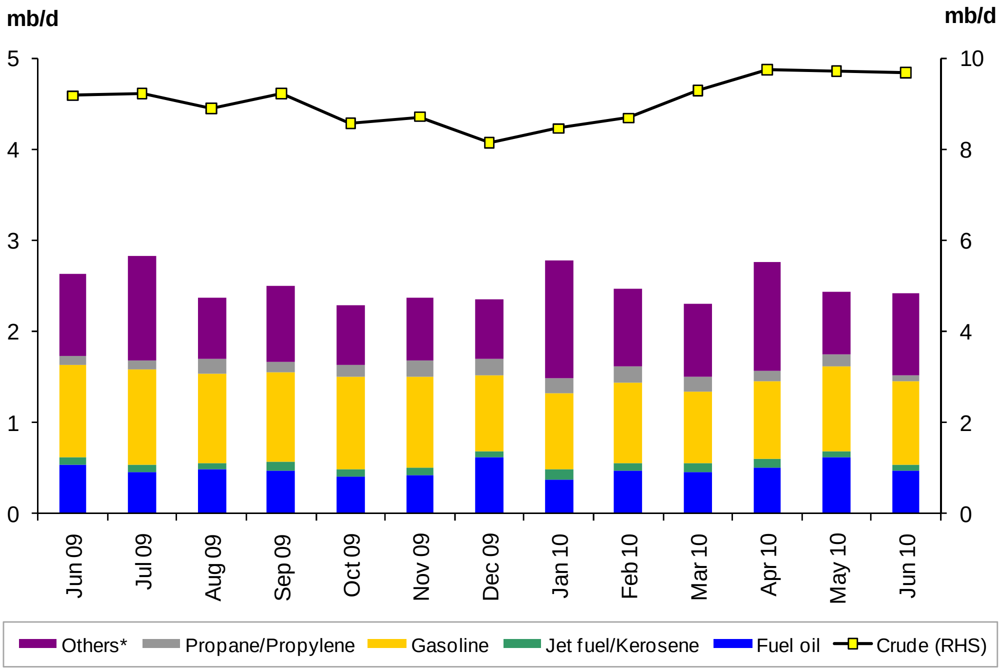
According to preliminary data, US crude oil imports averaged 9.68 mb/d in June, remaining almost at the same level with May, with only 0.4% fewer crude imports. On a yearly basis, June crude oil imports increased 5.5% compared to the same month in 2009. The high level of crude oil imports is supported by high refinery runs as well as the start of the summer driving season; nevertheless, the small decrease compared to May was due to the increased use of crude oil inventories to meet demand.

In the first half of the year, average US crude oil imports declined 0.8% or 74 tb/d compared to the same period last year. May, April and June yearly increases were not enough to offset the decline experienced from January to March.

In June, US product imports decreased 7.9% on a yearly basis to stand at 2.42 mb/d. Compared to a month earlier, US product imports declined 0.3% or 8 tb/d. From January to June, US product imports stood at 2.53 mb/d, down 12.6% compared to the same period a year earlier.

Gasoline, propane/propylene, jet fuel and fuel oil imports decreased by 1.3%, 50.4%, 0.7% and 24.9% respectively, reflecting the increase in price compared to the previous month, as other product imports increased.

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



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

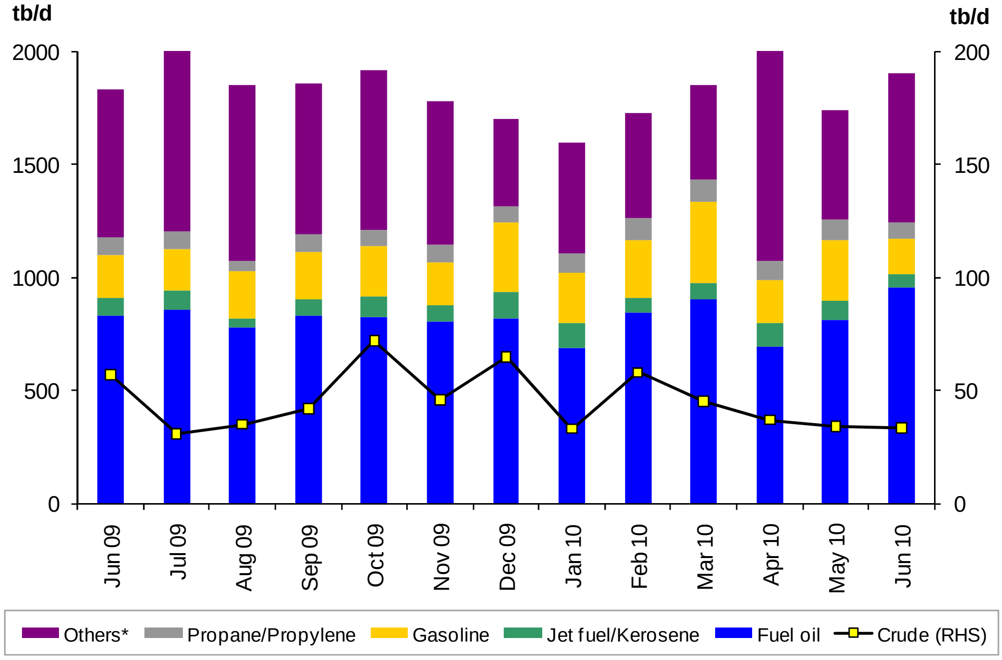
On the export side, US product exports in June increased 9.5% or 165 tb/d from the previous month to average 1.9 mb/d. The monthly increase in product exports was supported by higher refining runs. On a yearly basis, US product exports increased 4% compared to the same month last year.

Gasoline, propane/propylene and jet fuel exports declined due to firm domestic demand. Other product exports also increased, resulting in a general rise in total product exports.

With the 173 tb/d decrease in net product imports and the 37 tb/d decrease in net crude oil imports, US net oil imports in June fell 2% or around 209 tb/d over

the previous month to reach 10.16 mb/d. June net oil imports were 2.5% or 247 tb/d higher than the same month a year ago.

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



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

According to the latest data, US crude oil imports from OPEC countries averaged 5.0 mb/d in April, 5.6% higher than a month earlier and 15.2% over a year ago. Canada remained the top supplier of crude to the US in April with 1.88 mb/d, representing a decrease of 6.8% m-o-m. Saudi Arabia continued in second place with 1.25 mb/d, up 8.4% from the previous month. US crude oil imports from Mexico, the third largest supplier, also increased by 4.4% m-o-m to 1.13 mb/d. Nigeria, Venezuela, Angola and Iraq were next in line with 1.09 mb/d, 851 tb/d, 508 tb/d and 490 tb/d respectively.

Canada also remained the lead supplier of products in April with 603 tb/d, up 106 tb/d or 21.3% from a month earlier. Virgin Islands jumped to second place due to the significant increase in product supply to the US of 38.6%, reaching 316 tb/d, as Russia dropped to third place for top US product supplier. Russia, despite the 60 tb/d increase in product supply to US, averaged 299 tb/d. Algeria is the top product supplier among OPEC Members and fourth on the general list with 172 tb/d, showing a decline of 3.9% in product supply to the US. Product supplies from OPEC Member Countries to the US in April stood at 406 tb/d, around 197 tb/d less than Canada.

For US product exports, Mexico continued to be the top importer in April with 504 tb/d, representing an increase of 12.2% from the previous month, the third increase in a row. Canada was second with an average of 187 tb/d. Brazil jumped to third place with a 40.4% or 42 tb/d increase over the previous month, reaching 146 tb/d. Singapore and Japan imports from the US were the next two with 98tb/d and 88 tb/d. OPEC Members imported 109 tb/d from the US, 12.1% less than in the previous month. Most of the decrease among OPEC countries' imports of products from the US is attributed to Ecuador, whose product imports from the US declined by 10 tb/d to 61 tb/d in April.

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

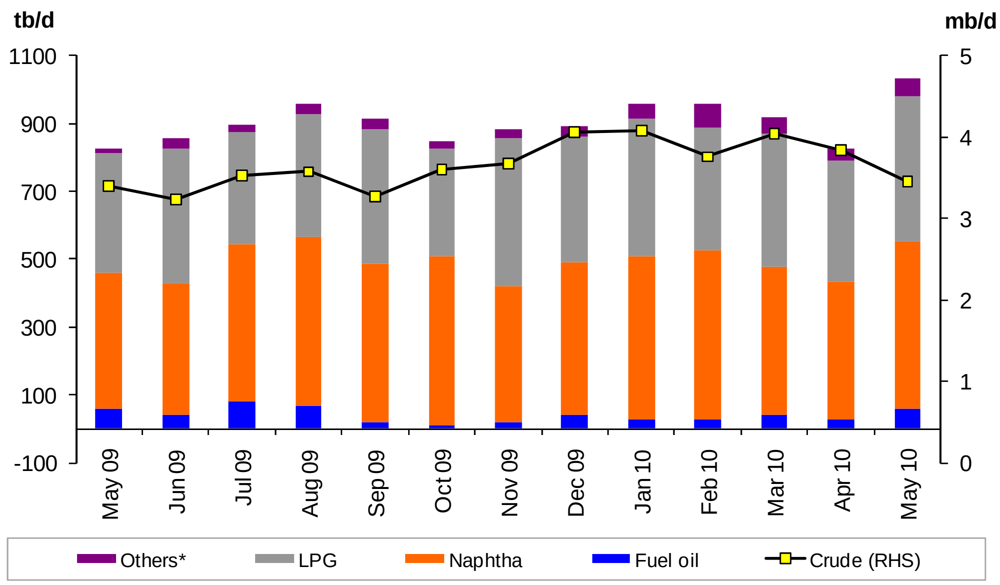
	Apr 10	May 10	Jun 10	Change Jun/May
Crude oil	9,704	9,678	9,642	-37
Total products	704	686	513	-173
Total crude and products	**10,408**	**10,364**	**10,155**	**-209**

Japan

Japan's crude oil imports fell in May

Japan's crude oil imports fell 9.8% in May from the previous month, reaching 3.46 mb/d, according to official data. Compared to May last year, crude oil imports increased by 1.8% or 60 tb/d. The month-on-month decrease was the result of a reduction in imports from OPEC Member countries.

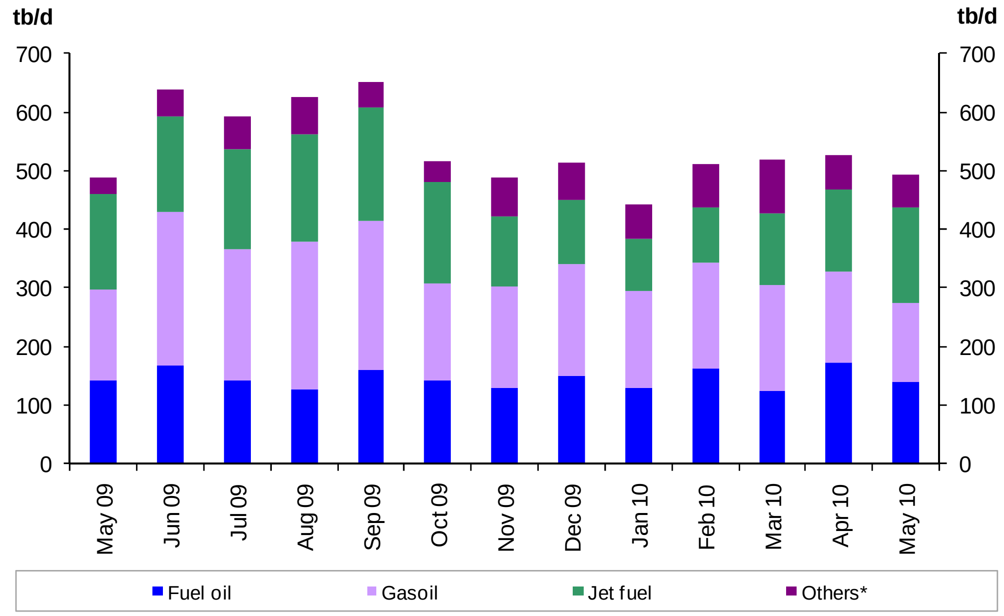
Graph 36: Japan's imports of crude and petroleum products



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

OPEC crude oil deliveries to Japan decreased by 456 tb/d or 13.9% from April, as OPEC's share of total crude oil imports also decreased from 85.4% in April to 81.6% in May. Saudi Arabia, United Arab Emirates and Qatar crude oil supplies to Japan decreased by 14.5%, 3.8% and 26.9% respectively on m-o-m; nevertheless, these OPEC countries remained the three biggest suppliers of oil for Japan despite the decrease as in May. Iran supplied 4.4% more crude oil to Japan, becoming the fourth-highest crude supplier. Crude imports from Iraq and Ecuador also experienced an increase, but not enough to offset the total decline.

Graph 37: Japan's exports of petroleum products



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

The drop in crude oil imports is partly attributed to a higher import prices in May, which rose 7.2% over the previous month. Another reason for the decline is accredited to lower refinery runs. Japanese refiners' monthly crude import volumes fluctuate due to seasonal demand factors.

Moving to the fifth place among Japan oil suppliers, crude imports from Russia also rose 241 tb/d, just slightly more than Kuwait which supplied almost 50% less crude in May than the month before. Russia's ESPO grade is becoming more attractive for Asian refiners due to its physical characteristics as well as the proximity to the Kozmino port. Crude imports from Oman also rose significantly.

From January to May this year, Japan's crude oil imports averaged 3.84 mb/d, just 1.7% over the same period last year. The increase during the first five months has been slowed by a sharp decline in February.

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

	Mar 10	Apr 10	May 10	Change May/Apr
Crude oil	4,036	3,834	3,458	-377
Total products	400	302	538	236
Total crude and products	**4,436**	**4,136**	**3,995**	**-141**

Japan's product imports increased in May by 24.6% from the previous month to 1.03 mb/d, and on a yearly basis, product imports jumped by 24.8% from a year ago. During the first five months of the year, product imports in Japan rose by 16.8% compared to the same period last year to an average of 940 tb/d. The increase was supported by the May increase which offset the weak product demand in the previous months.

Gasoline imports increased 87.9% to 37 tb/d as result of the increasing domestic demand in the summer driving season. Fuel oil imports increased significantly by 118.3% to 59 tb/d, mainly due to incremental thermal power production. LPG and naphtha imports also increased by 19.3% and 21.9% respectively, as gasoil and kerosene imports fell by 10.9% and 38.6%.

On the export side, in May, Japan's oil product exports decreased 6.1% from a month earlier to 494 tb/d. The decrease reflects firm domestic product demand, as well as lower refinery runs. Over the first five months of 2010, Japan's product exports decreased by 2.7% compared to the same period in 2009. Gasoil, fuel oil, LPG and kerosene exports declined by 13.2%, 19.1%, 27.7% and 26% respectively, while gasoline and jet fuel exports increased.

As a result, Japan's net oil imports in May stood at 3.99 mb/d, representing a decrease of 141 tb/d or 3.4 % from April, and 261 tb/d or 7% higher than in the same month last year. From January to May 2010, Japanese net oil imports averaged 4.28 mb/d or 5.3% higher than the same period last year.

China

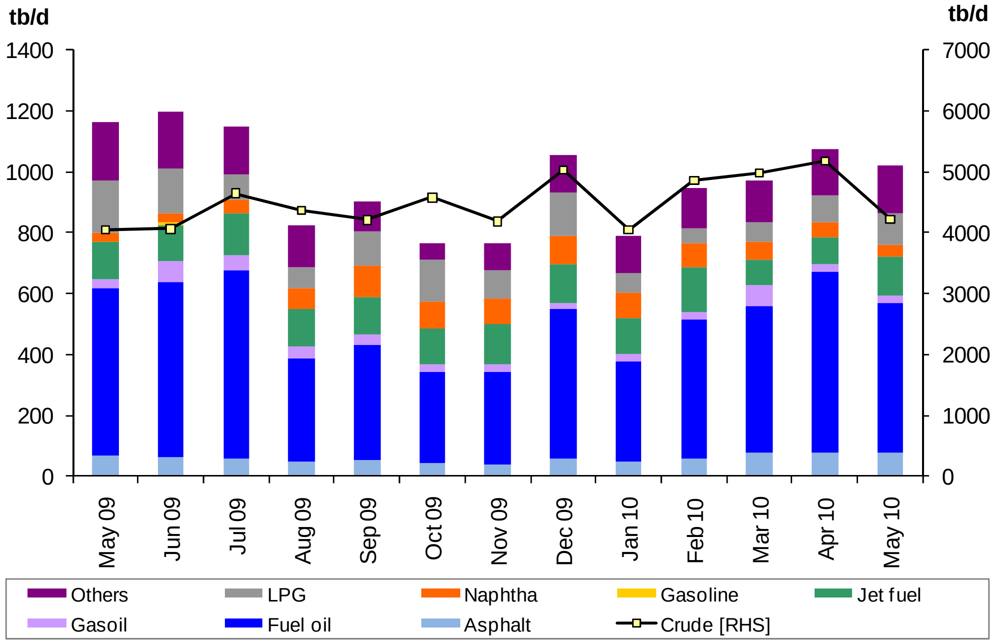
China's crude oil imports fell in May after April record high

China's crude oil imports fell sharply by 18.4% to 4.22 mb/d in May compared to April's historical record high, but they were still 4.4% higher than the same month last year. The decrease in imports came despite the higher refinery operation rates. Refiners decided to take advantage of the previously stored crude oil and feed their refineries with it.

Despite the monthly drop, China's average crude oil imports during the first five months of 2010 are still strong at 4.65 mb/d or 29% up from the same period last year, mainly due to newly installed refinery capacity and higher operation rates during the present year. China remains the second-largest importer of crude oil after the US.

Oil product imports in May decreased 5.2% from the previous month to 1.02 mb/d, and on a yearly basis declined by 12%. China's imports of crude oil products averaged 961 tb/d during the period of January to May in 2010, down 9.5% compared to the same period a year earlier.

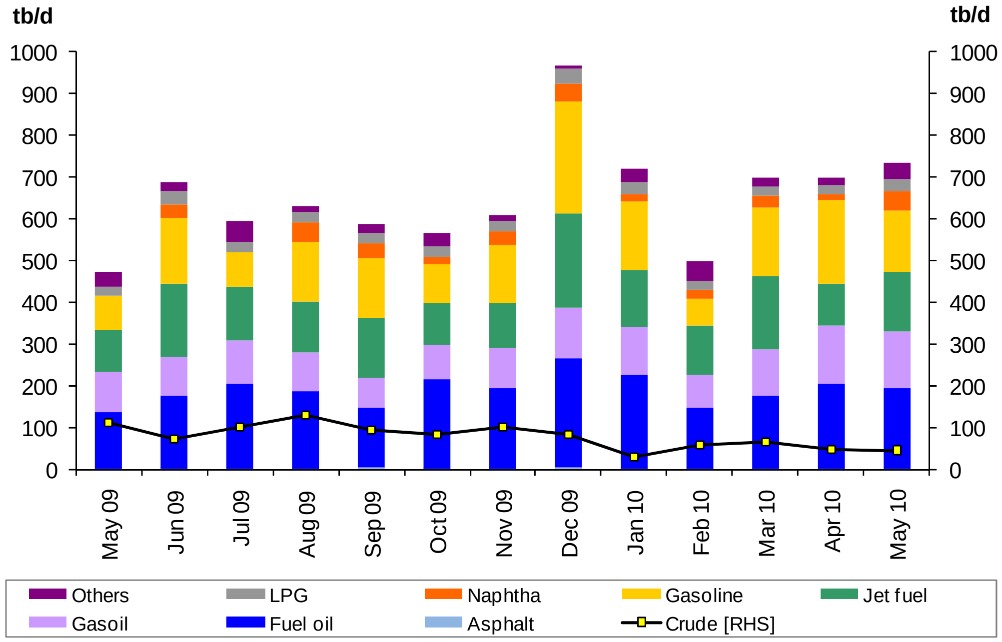
Graph 38: China's imports of crude and petroleum products



China exported 46 tb/d of crude in May, down 58.9% from a year earlier and 3.3% lower than April. Crude oil exports averaged 49 tb/d between January and May this year, down 57% from the same period a year ago.

China's oil product exports in May rose 54.6% compared to the same month in 2009 to 734 tb/d and 4.9% up from the previous month. During the first five months of the year, China reported a 37.9% surge in oil product exports compared to the same period last year reaching an average of 674 tb/d.

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



Fuel oil imports decreased 17.1% compared to April due to shrinking demand in the domestic market as well as some declining supply from very important providers. Fuel oil imports averaged 449.84 tb/d in May, 10.4% less than the same month one year ago, as fuel oil exports also declined by 5.0% to 179.97 tb/d.

Gasoil imports rose 4% to 25.77 tb/d, partly due to strong domestic demand, while exports decreased by 0.4% or 480 b/d m-o-m to 134.83 tb/d.

China's gasoline exports in May fell 25.6% compared to the previous month, mainly due to two state-owned oil companies reducing gasoline exports to guarantee domestic supply during the weeklong May Day holiday. Negative export margins also contributed to the decline.

Naphtha exports increased significantly in May to 47.5 tb/d from 14.3 tb/d a month earlier as imports decreased 18.94% m-o-m. The higher exports against the lower imports came as domestic demand of naphtha shrank. China's chemical plants reduced naphtha consumption in May after cutting operating rates on slumping crude and chemicals prices in May. Additionally, most substituted cheaper LPG for naphtha.

China's jet fuel imports rose 47.9% in May as did exports by 41.48%. Jet fuel demand picked up in May due to the Expo 2010 in Shanghai and the week-long May Day holiday. LPG imports and exports increased reflecting the development of the domestic market as well as a price difference compared with other substitute products.

China's imports from OPEC declined by 27.9% in May to 2.26 mb/d. of all OPEC Members, only Saudi Arabia experienced an increase in exports to China. Saudi Arabia regained the top position among China's crude suppliers with 886 tb/d or 17.4% higher crude exports over a month earlier. Angola's crude supply to China declined 297 tb/d or 28.4%. As a result, Angola jumped to second position among the top China crude suppliers. Oman, Russia and Brazil were the next three top crude suppliers with each experiencing a significant increase. Oman crude's supplies increased by 41.97%, Russia by 16.09% and Brazil by 32.99%. Russian ESPO crude is highly in demand in Asia.

China's net oil imports in May stood at around 4.46 mb/d, reflecting the impressive decrease of 1.04 mb/d or 18.9% over the previous month. On a yearly basis, China's net oil imports decreased 156 tb/d or 3.4%. From January to May, net oil imports in China averaged 4.88 mb/d for a gain of 20.3% over the same period last year.

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

	Mar 10	Apr 10	May 10	Change May/Apr
Crude oil	4,914	5,125	4,172	-953
Total products	271	378	288	-90
Total crude and products	**5,185**	**5,503**	**4,460**	**-1043**

India

India's crude oil imports decreased in May, despite the increasing crude oil demand

According to preliminary data, India's crude oil imports decreased by 137 tb/d or 4.8% m-o-m in May to 2.73 mb/d. On a y-o-y basis, Indian's crude oil showed a decline of 14.1% from the same month last year. Despite the significant increase in domestic consumption, the cut in crude oil imports comes due to more domestic crude oil production as well as a shutdown of a 100,000 b/d vacuum gasoil unit at the Reliance refinery in Jamnagar.

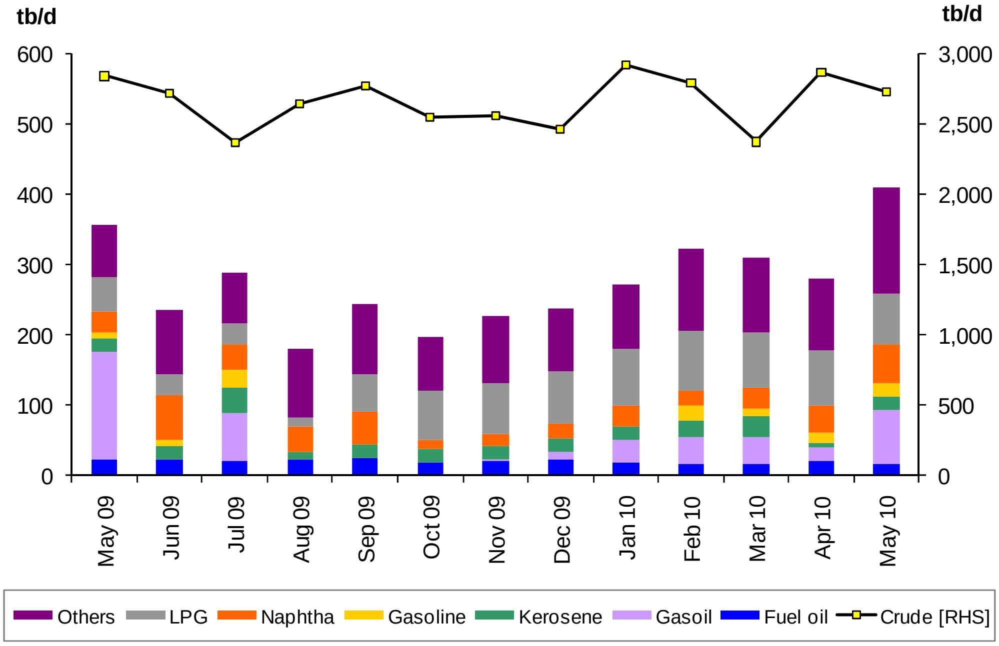
During the first five months of the year, India's crude oil imports fell 2.74 mb/d or 22 tb/d from a year ago. The decreases in March and May were enough to bring the five month average down by 0.8% from the same period last year.

In May, India's product imports increased significantly by 45.6% or 128 tb/d from April to 409 tb/d, while, on a yearly basis, product imports increased by 1.5% from the previous year. Gasoil imports experienced the most important m-o-m increase among product imports, due to the significant increase in domestic demand. Diesel imports increased 57.1 tb/d or 287.1%, but on a yearly basis, diesel imports showed a decline of 50%.

Naphtha imports also experienced an considerable increase due to a startup of a naphtha cracker unit at Indian Oil Corp's Panipat Refinery in northern India. Naphtha imports rose 18 tb/d or 48.4% over April levels. Compared to a year earlier, naphtha imports increased 96.3%, reflecting the rising refinery activity. Gasoline and kerosene imports also rose to reach 19.25 tb/d each, reflecting increasing domestic fuel demand.

In contrast, fuel oil imports fell by 15.3% m-o-m and LPG imports by 9.3%, as the result of higher domestic crude oil production.

Graph 40: India's imports of crude and petroleum products



On the exports side, in May, India's product exports remained almost at the same level from a month earlier, with just a small decline of 4.1 tb/d. On a yearly basis, India exported 40.2% less products than in May last year at 427.4 tb/d. Diesel exports saw a significant increase of 226.6% m-o-m to 64.96 tb/d, as result of increasing activity at the Reliance refineries. Gasoline exports also increased by 12.1% m-o-m to 120.16 tb/d. Naphtha, jet fuel and fuel oil exports declined by 10.4%, 45.6% and 32% respectively from the previous month.

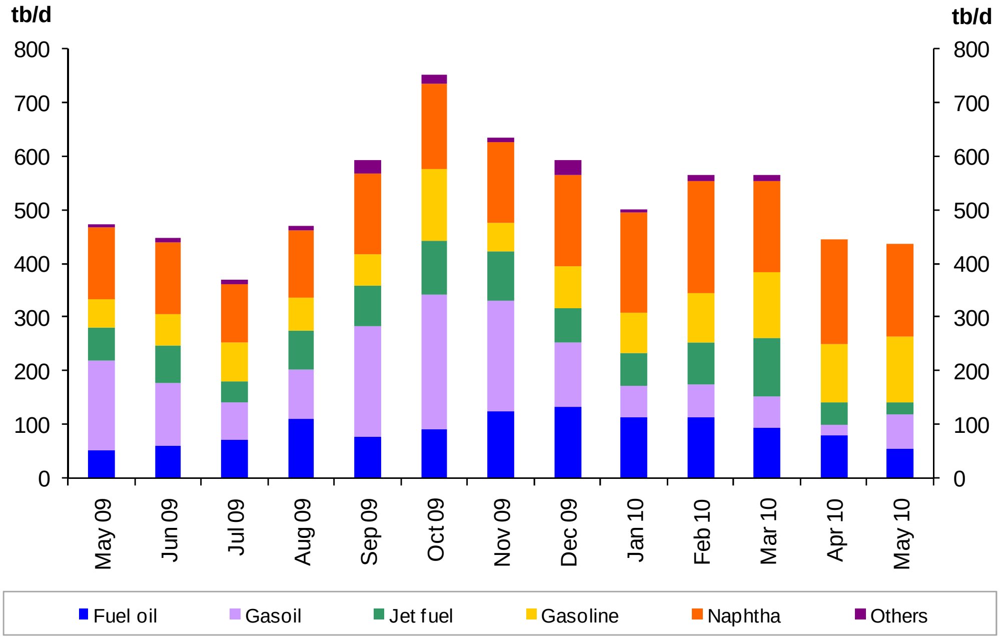
Table 25: India's crude and product net imports, tb/d

	Mar 10	Apr 10	May 10	Change May/Apr
Crude oil	2,376	2,866	2,729	-137
Total products	-255	-151	-18	132
Total crude and products	**2,122**	**2,715**	**2,710**	**-5**

During the first five months of the year, India's product exports averaged 497 tb/d, resulting in a decrease of 29.4% compared to the same period last year.

India's net product imports increased 132 tb/d from the previous month, but the balance is still negative, reflecting the strength in exports is outpacing imports. The crude oil and total products net balance was 2.71 mb/d with a decrease of 5 tb/d over the last month.

Graph 41: India's exports of petroleum products



FSU

FSU crude oil exports reached a new historical high record in May

According to preliminary data, FSU crude oil exports to non-CIS countries in May increased 2.8% or 191 tb/d over the previous month and reached a new record high of 7.01 mb/d. On a yearly basis, FSU crude oil exports increased 3.8% compared to the same month last year.

The increased volume exported through the Russian pipeline (Transneft) system was the result of an increase in transshipments from Kazakhstan and Azerbaijan through Ukraine's Black Sea ports. CPC Blend as an alternative crude to Urals in the Mediterranean refineries also contributed to the increase in crude oil exports.

CPC Blend is exported along the Caspian Pipeline Consortium (CPC) route from the CPC terminal, near the Russian Black Sea port of Novorossiysk, but in order to reach Northwest European destinations, the blend is also being transported by traditionally Urals blend lines. The reduced volume exported through the rail systems reflected maintenance at the Tengiz production field as well as the start of the river navigation season.

During the first five months of the year, FSU crude oil exports rose 2.4% to average 6.79 mb/d over a year ago, as a result of the launch of medium sour ESPO blend exports of Kozmino and the rise in Kazakh exports to China through the Keniyak-Alashankou pipeline. CPC Blend demand from Northwest European refineries also contributed significantly.

In May, Russian crude exports to CIS destinations fell by 23.14% compared to the previous month to stand at 463 tb/d. Belarus imported 35 tb/d less crude in May on m-o-m basis to stand at 241 tb/d. Ukraine imports also declined as maintenance at the Lisichansk refinery required less Russian crude oil. The Ukraine imported 73.77 tb/d in May.

FSU products exports increased by 6.2% in May compared to the previous month to stand at 3.1 mb/d. VGO exports rose by 47.6% m-o-m as domestic demand slackened. Yaroslavl exports rose sharply after the completion of a hydrotreater in April. Fuel oil exports remained almost flat; nevertheless, fuel oil exports by train fell as fuel oil exports by river increased. Gasoline exports boosted 33.1% m-o-m as a result of the end of refinery maintenance and the beginning of the summer season. Gasoil remained almost flat with only a 0.9% increase.

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

	2008	2009	3Q09	4Q09	1Q10	Apr 10	May 10*
Crude							
Russian pipeline							
Black Sea	1,248	1,201	1,120	1,152	1,027	1,023	1,111
Baltic	1,559	1,577	1,567	1,613	1,526	1,549	1,687
Druzhba	1,077	1,112	1,110	1,130	1,123	1,084	1,070
Kozmino	n.a.	n.a.	n.a.	n.a.	n.a.	315	286
Total	**3,905**	**3,922**	**3,816**	**3,904**	**3,932**	**3,971**	**4,154**
Other routes							
Russian rail	283	280	291	284	364	387	298
Russian-Far East	220	283	279	305	293	274	264
Kazak rail to China	17	18	17	17	18	18	17
Vadandey	20	155	148	148	163	157	169
Kaliningrad	0	0	0	0	0	28	23
CPC	675	736	737	741	736	757	749
BTC	648	805	870	874	679	768	844
Kankiyak-Alashankou	121	157	185	178	205	202	196
Caspian	185	281	297	303	296	261	300
Total crude exports	**6,089**	**6,653**	**6,654**	**6,752**	**6,711**	**6,823**	**7,014**
Products							
Gasoline	210	229	181	147	215	142	189
Naphtha	217	273	270	261	273	287	279
Jet	37	52	47	41	27	35	31
Gasoil	810	949	960	896	976	907	915
Fuel oil	1,069	1,114	1,200	1,135	1,060	1,321	1,348
VGO	196	233	225	228	238	231	341
Total	**2,539**	**2,850**	**2,883**	**2,708**	**2,790**	**2,923**	**3,103**
Total oil exports	**8,628**	**9,503**	**9,537**	**9,460**	**9,493**	**9,746**	**10,117**

* *Preliminary*
Totals may not add due to independent rounding
Source: Nefte Transport, Global Markets, Argus Fundamentals, Argus FSU and OPEC

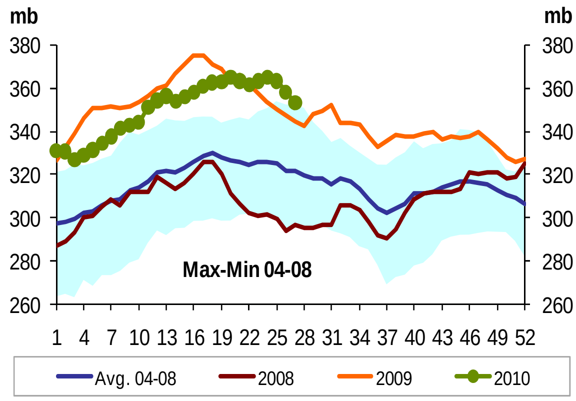
Stock Movements

US commercial stocks continue to rise in June, representing an overhang of 87 mb

USA

US commercial oil inventories at the end of June continued their upward trend for the third consecutive month, increasing by 10.2 mb and accumulating more than 35 mb over this period. At 1101.1 mb, US commercial oil stocks are at the highest level since September 2009, but remained below a year ago indicating a deficit of 13.8 mb or 1.2%. However, they stood at a very comfortable level with a surplus of 87 mb or 8.6% higher than the seasonal norm. The total build came from products, which increased by 10.4 mb, as crude declined by 0.1 mb.

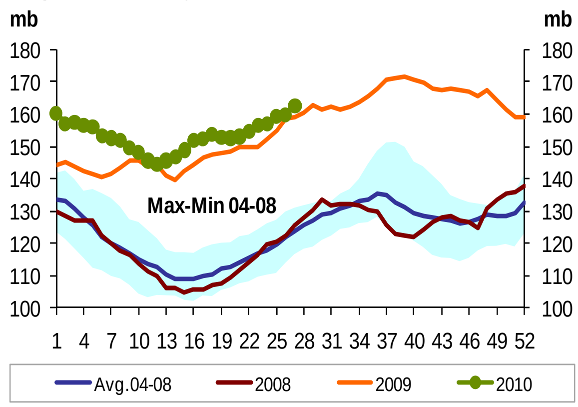
Graph 42: US weekly commercial crude oil inventories



After climbing since the beginning of the year by more than 38 mb, **US crude oil inventories** showed a slight decline to end the month to 363.1 mb as imports remained almost unchanged at 9.7 mb/d versus the previous month. Crude oil inputs to refiners remained flat from a month earlier averaging 15.1 mb/d, which corresponds to a refinery utilization rate of 88.4%, a 1.4 point increase over a year earlier. It is worth noting that Cushing inventories continued the decline since the beginning of the month, falling by nearly 2 mb to finish the month at 35.8 mb, putting some upward pressure on WTI prices. Overall, the US crude oil market remained well supplied, with an overhang of 39.2 mb or 12.1% above the seasonal norm.

On the product side, **US product stocks** rose significantly in June by 10.4 mb, ending the month at 738.0 mb, the highest level since November 2009. US product inventories have been rising since April 2010, accumulating almost 28 mb, a sign that US demand is not peaking as expected. With this build, US product stocks showed a surplus of nearly 48 mb or 7% compared to the seasonal norm, but remained 28 mb or 4% lower than last year at the same time.

Graph 43: US weekly distillate stocks



Middle distillate stocks led the build in US products inventories, increasing by 6.4 mb to 159.4 mb to stand at a very comfortable level of 37.5 mb or 30.8% above the five-year average. This build could be attributed to the fall in distillate demand of around 230 tb/d to average 3.8 mb/d. Higher distillate output by 120 tb/d to total 4.4 mb/d also contributed to the build in distillate stocks. With the diverging trend of production strength and weak demand, distillate inventories will probably be pushed to more than 160 mb in the coming weeks, indicating a bearish distillate market. US gasoline inventories fell slightly by 0.9 mb to end the month at 218.1 mb, the lowest level since October 2009. This draw could be attributed to some improvement in gasoline demand as they averaged 9.3 mb in June, around 180 tb/d more than May. Although demand is strengthening, it remains well below the seasonal average. At the end of June, US gasoline stocks stood at 4.1 mb or 1.9% above a year ago and 7.0 mb or 3.3% higher than the five-year average. Residual fuel and jet fuel oil stocks moved in opposite directions as residual fuel stocks declined by 2.6 mb to 43.3 mb, while jet fuel oil inventories rose 2.2 mb to 46.6 mb. Both products remained above a year earlier and their five-year average.

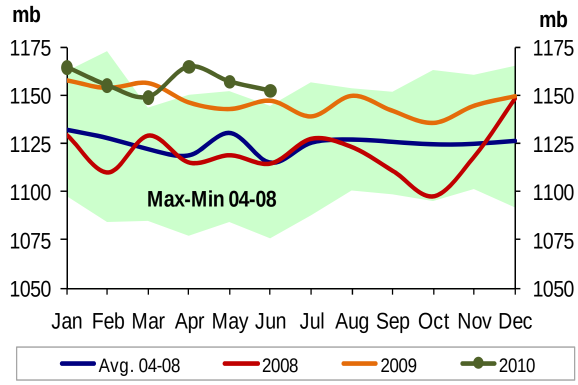
Table 27: US onland commercial petroleum stocks, mb					
				Change	
	Apr 10	May 10	Jun 10	Jun 10/May 10	Jun 09
Crude oil	360.7	363.2	363.1	-0.1	348.7
Gasoline	219.5	219.0	218.1	-0.9	214.0
Distillate fuel	144.8	153.0	159.4	6.4	160.0
Residual fuel oil	43.5	45.9	43.3	-2.6	37.0
Jet fuel	44.2	44.4	46.6	2.2	43.9
Total	**1,077.8**	**1,090.9**	**1,101.1**	**10.2**	**1,114.9**
SPR	726.6	726.6	726.6	0.0	724.1

Europe

European total oil inventories declined in June, but remained 36 mb above the seasonal norm

European total oil inventories (EU plus Norway) declined 4.8 mb to 1152.1 mb in June. This draw was driven by the fall of 3.0 mb in products followed by a drop of 1.8 mb in crude oil stocks. Despite this draw, European inventories remained 7.5 mb or 0.5% above a year ago and at comfortable levels showing a surplus of 36.0 mb or 3.2% above the seasonal norm.

Graph 44: EU-15 plus Norway's total oil stocks



Crude oil stocks stood at 487.6 mb in June, down from a month-ago level, but still 3.5 mb above the previous year at the same time and 7 mb more than the average for last five years. The draw was mainly due to the jump in refinery crude runs after refiners started returning from maintenance. In fact, refinery runs rose by 560 tb/d to nearly 11 mb/d, the highest level since July 2009.

On the product side, and despite an increase in refinery throughput, **total product inventories** declined to end the month at 664.5 mb, the lowest level since October 2009, However they remained at a healthy level showing a surplus of 3.9 mb or 0.6% with a year earlier and 29 mb or 4.6% with their seasonal norm. With the exception of fuel oil stocks, all other products saw a drop. Gasoline stocks fell 0.6 mb for the fourth consecutive month to end June at 112.0 mb, driven largely by higher exports to the US to meet increasing demand during the driving season. The decline has widened the deficit with a year earlier to 3.2 mb and to 17 mb with the seasonal norm. Middle distillate inventories declined 2.0 mb to 409.5 mb with the bulk of the decline coming from Germany as distillate demand in this country strengthened for the third consecutive month. Despite this draw, distillate inventories remained at a very comfortable level of 4.5 mb above a year ago and by 42 mb higher than the five-year average. Residual fuel oil stocks rose slightly by 0.5 mb to end the month at 108.7 mb. This build came on the back of an increase in exports from Russia combined with weak demand, especially in Germany and Italy, the two biggest European consumers for this product. Despite this build, fuel oil stocks remained below a year earlier and their seasonal average by 3.8 mb and 4.6 mb respectively.

Table 28: Western Europe's oil stocks, mb					
				Change	
	Apr 10	May 10	Jun 10	Jun 10/May 10	Jun 09
Crude oil	496.4	489.5	487.6	-1.8	484.1
Mogas	114.0	112.5	112.0	-0.6	115.7
Naphtha	37.4	35.2	34.3	-0.9	27.5
Middle distillates	408.9	411.5	409.5	-2.0	404.8
Fuel oils	108.0	108.2	108.7	0.5	112.5
Total products	668.2	667.4	664.5	-3.0	660.5
Total	**1,164.6**	**1,156.9**	**1,152.1**	**-4.8**	**1,144.6**

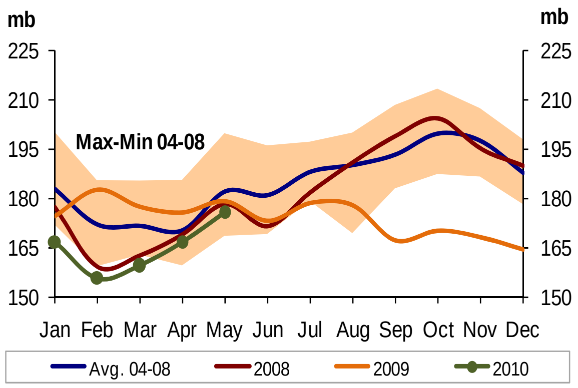
Source: Argus, Euroilstock.

Japan commercial stocks rose In May, but preliminary data shows a decline in June

Japan

In May, **commercial oil stocks** in Japan continued their upward trend for the third consecutive month adding 9.0 mb, ending the month at 175.7 mb, the highest level since September 2009. Since March 2010, total oil stocks have accumulated more than 20 mb. This build has reduced the deficit with the five-year average to 2.6%, while the gap with last year also narrowed to 1.9% from 5% a month earlier. Almost all the build in total commercial inventories came from products which increased by 7.9 mb, while crude oil stocks saw a moderate rise of 1.1 mb.

Graph 45: Japan's commercial oil stocks



At 101.1 mb, Japanese **crude oil inventories** are at their highest level since August 2009, but remained 9% below the seasonal norm and in line with a year ago. The build came on the back of lower crude runs, which declined by 8.8% to average 3.34 mb/d. This level corresponds to a refinery utilization rate of 69.6% in May, much lower than the rate of 76.2% observed in the previous month. The build in crude oil stocks came despite lower crude imports by 9.8% to 3.46 mb/d compared to a month earlier, but crude oil imports remained 1.8% above a year ago in the same month.

On the product side, **total product inventories** saw a considerable build, ending the month at 74.6 mb. This build was due to the strong fall of 14.5% in Japanese domestic oil sales to average 2.86 mb/d. Despite 2009 being a low base year, domestic oil sales in May are still 1.1% below a year ago at the same time. The recovery in the Japanese economy which starting in 2010 has helped domestic oil demand to recover, but was not strong enough to push product demand above year-ago levels. This could be explained by more efficient cars as well the increasing switch to natural gas and electricity, especially in power generation and heating sectors.

All products saw a build, with almost half of the total build coming from distillates. In fact, distillate inventories rose 3.9 mb to 28.5 mb after five consecutive months of decline to stand close to the seasonal level, but still 14% below a year earlier. All the components of distillate stocks went up with kerosene inventories building 25%, followed by gasoil stocks with a 15.5% increase, while jet fuel inventories saw a moderate build of 1.8%. The build in kerosene could be attributed to the strong decline in domestic sales by more than 40%. Gasoline stocks rose 1.0 mb to 15.7 mb, remaining with a surplus of 6.7% above a year ago and 9.5% higher than the seasonal norm. This build came on the back of falling gasoline domestic demand by 2.1%. It is worth noting that gasoline demand represents a third of total fuel use in Japan. Fuel oil stocks also increased by 1.2 mb to 17.8 mb, slightly below a year ago, but remained 10.7% less than the average norm. Both components of fuel oil increased with fuel oil A rising by 13.5%, while fuel oil B.C went up by 4.2%. Lower domestic sales by 24% of fuel oil A products combined with higher imports by almost 40% have contributed to pushing inventories higher. The strong imports, which almost doubled in the month of May, were the main reason behind the build in fuel oil B.C inventories. Naphtha stocks rose 1.7 mb to 12.6 mb, but remained at a healthy level of 13.6% above a year ago. This build could be attributed to higher imports, which increase by almost 26%.

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

	Mar 10	Apr 10	May 10	Change May 10/Apr 10	May 09
Crude oil	93.1	100.0	101.1	1.1	101.6
Gasoline	13.2	14.7	15.7	1.0	14.7
Naphtha	11.3	10.9	12.6	1.7	11.1
Middle distillates	26.0	24.6	28.5	3.9	33.1
Residual fuel oil	16.0	16.5	17.8	1.3	18.5
Total products	66.5	66.7	74.6	7.9	77.4
Total**	**159.6**	**166.7**	**175.7**	**9.0**	**179.1**

* *At end of month*

** *Includes crude oil and main products only*

Source: METI, Japan

Preliminary indications based on weekly data published by PAJ for the end of June shows Japanese total commercial oil stocks reversed the upward trend observed during the last three months and declined by around 4 mb to 171.0 mb. This draw was divided between crude and products as both components declined by about 2 mb. As a result, total commercial stocks stood at 1.9 mb or 1.1% below a year ago, representing a deficit of 2.6 mb or 5.3% with the five-year average. At 98.7 mb, Japanese crude oil stocks at the end of June stood at 4.2% below a year ago and 12.1% lower than the seasonal norm. The draw in crude oil stocks could be attributed to higher crude throughput, which rose to a five-week high after falling to its lowest level since 1991 the week before. The rise in crude throughput came on the back of the restart of refiners after a period of maintenance. Within products, with the exception of fuel oil stocks which rose by 1.4 mb, all other products declined in the range of 1 mb to 1.4 mb. At 72.4 mb, total products stood at 3.5% above a year ago and 5.8% above the five-year average.

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

Singapore product stocks declined in May, but preliminary data for June indicates a build

At the end of May, **product stocks** held in Singapore reversed the upward trend observed during the last three months and declined by 6.6 mb to 42.71 mb, the lowest level since August 2009. Despite this draw, product stocks remained at 2.5 mb or 6.1% above a year ago. All products saw a draw with fuel oil inventories falling 3.3 mb followed by middle distillates, which dropped by 2.4 mb, while light distillates saw a minor draw of 0.9 mb. At 21.1 mb, fuel oil inventories fell to a four-month low, largely driven by lower arbitrage inflows from the West combined with steady demand for bunkers. Western exports for May reportedly fell to around 3.2 million tons, more than half a million tons less than the April level. Fuel oil stocks ended the month at 2.1 mb or 10.8% above a year earlier. Middle distillate inventories dropped to a 13-month low, ending the month of May at 11.0 mb as robust demand in China trimmed exports to Singapore to support domestic demand. Some diesel exports to Australia, due to the maintenance shutdown in some country's refineries, have also contributed to the draw in Singapore middle distillate stocks. This draw pushed middle distillate stocks to a slight deficit of 0.6 mb or 5.5% with a year ago. Singapore light distillates fell slightly to 10.6 mb, almost to the year-ago level. This decline could be attributed to lower imports to Singapore as stronger demand from China cut its exports to meet domestic demand.

Preliminary data for the end of June, based on weekly information, shows product inventories in Singapore reversed the draw observed last month and built 5.7 mb to 48.2 mb. This build widened the surplus with a year ago in the same period to 9.4% from 5.6% a month earlier. All products indicated a build at the end of June, with middle distillates seeing the bulk of this build, increasing by 4.1 mb, followed by fuel oil stocks with a 1.2 mb increase, while light distillate stocks saw a moderate build of 0.4 mb. At 14.9 mb, middle distillates surged to a near six-month high due to healthy exports from China and South Korea as some refineries came back from maintenance. Fuel oil stocks also rose to end the month at 21.9 mb on higher Western inflows in June. Light distillate stocks rose slightly to 11.42 mb as increased gasoline imports to Singapore offset stronger gasoline exports to Indonesia due to higher demand in this country.

Slight stock draw in ARA in May, but preliminary data for June shows a minor build

Product stocks in ARA at the end of May fell slightly by 0.46 mb to 38.44 mb, after two consecutive months of builds. Despite this draw, product stocks in ARA remained at 5.1 mb or 15.4% above a year ago over the same period. With the exception of the build in gasoil inventories, all other products observed a draw at the end of May. In fact, gasoil inventories rose 1.4 mb to 18.77 mb on the back of higher imports from Russia and South Korea which outpaced exports to Africa. With this build, gasoline stocks remained almost in line with the year-ago level over the same period. Gasoline inventories fell 1.36 mb to 7.36 mb, the lowest level in five months, but remained 2.1 mb or 40% above the previous year. Heavy exports ahead of the driving season combined with limited imports were behind the fall in gasoline inventories. Fuel oil stocks fell slightly by 0.1 mb to 6.0 mb as large VLCCs going to Singapore were higher than imports mainly from Russia, Britain and the US. At the end of May, fuel oil stocks represented a surplus of 2.8 mb compared to the previous year. Jet fuel inventories went down 0.3 mb to 5.86 mb representing a surplus of 0.4 mb or 8.1 mb with a year earlier, while naphtha stocks declined 0.1 mb to 0.44 mb indicating a deficit of 0.4 mb or 50% from a year ago.

Preliminary data for the end of June, based on weekly information, shows products in ARA rose a slight 0.3 mb to 37.33 mb, remaining with a surplus of 4 mb or 11.8% above a year ago at the same time. Within products, the picture was mixed. Gasoline and naphtha saw a drop, while gasoil, fuel oil and jet oil saw a build. Gasoline inventories declined 0.6 mb to 7.7 mb mainly due to higher gasoline exports to the US. Despite this draw, gasoline inventories remained with a comfortable surplus of 27% over a year ago. Gasoil stocks rose 0.1 mb to 17.37 mb, but remained 5% lower than a year earlier. Fuel oil and jet oil rose 0.5 mb and 0.3 mb to 5.34 mb and 6.45 mb respectively, driven by higher imports. Both products stand well above a year ago.

Balance of Supply and Demand

Required OPEC crude for 2010 estimated at 28.7 mb/d, down 0.3 mb/d from 2009

Estimate for 2010

Demand for OPEC crude for 2010 has been revised down by 0.1 mb/d to currently stand at 28.7 mb/d. This revision reflects mainly the upward adjustment in non-OPEC supply as demand figures remained broadly unchanged. The demand for OPEC crude represents a decline of 0.3 mb/d from the previous year. The first quarter of the year is still showing a drop of 1.1 mb/d followed by a decline of 0.6 mb/d in the second quarter, while both the third and the fourth quarters are estimated to see positive growth of around 0.3 mb/d and 0.4 mb/d respectively.

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

	2009	1Q10	2Q10	3Q10	4Q10	2010
(a) World oil demand	**84.41**	**84.76**	**84.40**	**85.73**	**86.52**	**85.36**
Non-OPEC supply	51.12	52.17	52.03	51.46	51.80	51.86
OPEC NGLs and non-conventionals	4.35	4.60	4.79	4.87	5.08	4.84
(b) Total supply excluding OPEC crude	**55.47**	**56.77**	**56.81**	**56.33**	**56.88**	**56.70**
Difference (a-b)	**28.94**	**28.00**	**27.59**	**29.40**	**29.64**	**28.66**
OPEC crude oil production	28.71	29.18	29.17			
Balance	-0.23	1.19	1.59			

Totals may not add due to independent rounding

Demand for OPEC crude in 2011 forecast at 28.8 mb/d, an increase of 0.2 mb/d over the current year

Forecast for 2011

Based on the initial forecast for demand and non-OPEC supply, which includes OPEC NGLs and non-conventional oil, for the year 2011, **demand for OPEC for next year** is projected to average 28.8 mb/d, an increase of 0.2 mb/d, following three consecutive years of negative growth. The bulk of the growth is expected to come in the first half of the year, while the second half is forecast to seen a small decline compared to a year ago.

Table 31: Summarized supply/demand balance for 2011, mb/d

	2010	1Q11	2Q11	3Q11	4Q11	2011
(a) World oil demand	**85.36**	**85.91**	**85.34**	**86.74**	**87.61**	**86.41**
Non-OPEC supply	51.86	52.11	51.99	52.03	52.69	52.21
OPEC NGLs and non-conventionals	4.84	5.22	5.33	5.42	5.47	5.36
(b) Total supply excluding OPEC crude	**56.70**	**57.33**	**57.33**	**57.45**	**58.16**	**57.57**
Difference (a-b)	**28.66**	**28.58**	**28.01**	**29.29**	**29.45**	**28.84**

Totals may not add due to independent rounding

Graph 46: Balance of supply and demand

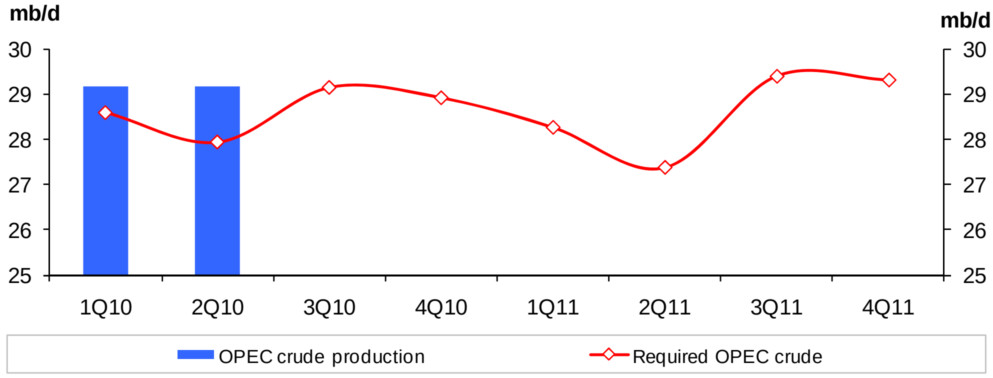


Table 32: World oil demand/supply balance, mb/d

	2005	2006	2007	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
World demand															
OECD	49.8	49.5	49.2	47.6	45.5	45.8	44.5	45.0	46.0	45.3	45.9	44.5	45.0	46.1	45.4
North America	25.6	25.4	25.5	24.2	23.3	23.6	23.4	23.6	23.8	23.6	23.9	23.5	23.8	24.0	23.8
Western Europe	15.7	15.7	15.3	15.3	14.5	13.9	13.8	14.2	14.3	14.0	13.8	13.6	14.0	14.2	13.9
Pacific	8.6	8.5	8.4	8.1	7.7	8.3	7.4	7.2	8.0	7.7	8.2	7.3	7.2	7.9	7.7
DCs	22.7	23.5	24.6	25.5	26.1	26.2	26.7	26.9	26.9	26.7	26.8	27.3	27.4	27.4	27.2
FSU	3.9	4.0	4.0	4.1	4.0	3.8	3.7	4.2	4.2	4.0	3.9	3.8	4.2	4.3	4.0
Other Europe	0.8	0.9	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.7	0.7	0.7
China	6.7	7.2	7.6	8.0	8.2	8.2	8.8	9.0	8.6	8.7	8.7	9.2	9.4	9.1	9.1
(a) Total world demand	84.0	85.1	86.2	85.9	84.4	84.8	84.4	85.7	86.5	85.4	85.9	85.3	86.7	87.6	86.4
Non-OPEC supply															
OECD	20.4	20.1	20.1	19.5	19.6	19.9	19.7	19.2	19.5	19.6	19.5	19.3	19.1	19.6	19.4
North America	14.1	14.2	14.3	13.9	14.3	14.6	14.6	14.3	14.3	14.5	14.4	14.4	14.4	14.6	14.5
Western Europe	5.7	5.3	5.2	5.0	4.7	4.7	4.4	4.2	4.4	4.4	4.4	4.2	4.0	4.3	4.2
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
DCs	11.9	12.0	12.0	12.3	12.5	12.9	12.8	12.9	12.9	12.9	13.0	13.1	13.3	13.5	13.2
FSU	11.5	12.0	12.5	12.6	13.0	13.1	13.2	13.2	13.3	13.2	13.3	13.3	13.4	13.4	13.4
Other Europe	0.2	0.2	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.6	3.7	3.8	3.8	3.9	4.0	4.1	4.0	3.9	4.0	4.0	4.0	4.0	4.0	4.0
Processing gains	1.9	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Total non-OPEC supply	49.6	50.0	50.5	50.4	51.1	52.2	52.0	51.5	51.8	51.9	52.1	52.0	52.0	52.7	52.2
OPEC NGLs + non-conventional oils	3.9	3.9	3.9	4.1	4.3	4.6	4.8	4.9	5.1	4.8	5.2	5.3	5.4	5.5	5.4
(b) Total non-OPEC supply and OPEC NGLs	53.5	53.9	54.5	54.5	55.5	56.8	56.8	56.3	56.9	56.7	57.3	57.3	57.4	58.2	57.6
OPEC crude oil production (secondary sources)	30.7	30.5	30.2	31.2	28.7	29.2	29.2								
Total supply	84.2	84.4	84.7	85.7	84.2	85.9	86.0								
Balance (stock change and miscellaneous)	0.2	-0.7	-1.6	-0.1	-0.2	1.2	1.6								
OECD closing stock levels (*mb*)															
Commercial	2587	2668	2572	2697	2665	2678	2759								
SPR	1487	1499	1524	1527	1564	1567	1563								
Total	4073	4167	4096	4223	4229	4245	4322								
Oil-on-water	954	919	948	969	906	873	n.a.								
Days of forward consumption in OECD															
Commercial onland stocks	52	54	54	59	59	60	61								
SPR	30	30	32	34	35	35	35								
Total	82	85	86	93	93	95	96								
Memo items															
FSU net exports	7.7	8.0	8.5	8.5	9.0	9.3	9.4	9.0	9.1	9.2	9.4	9.5	9.2	9.2	9.3
(a) - (b)	30.5	31.3	31.8	31.4	28.9	28.0	27.6	29.4	29.6	28.7	28.6	28.0	29.3	29.5	28.8

Note: Totals may not add up due to independent rounding

n.a. Not available

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

	2005	2006	2007	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
World demand															
OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	0.1	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	0.1	-	-	-	-	-	-	-	-	-
World demand growth	-	-	-	-	*-0.01*	*0.07*	*-0.01*	*-0.02*	*-0.04*	-	-	-	-	-	-
Non-OPEC supply															
OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	0.1	0.2	0.1	0.1	-	-	-	-	-
Total non-OPEC supply growth	-	-	*-0.01*	*0.01*	*-0.02*	*-0.01*	*0.13*	*0.17*	*0.11*	*0.10*	-	-	-	-	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	0.1	0.2	0.1	0.1	-	-	-	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-									
Total supply	-	-	-	-	-	-									
Balance (stock change and miscellaneous)	-	-	-	-	-	-									
OECD closing stock levels (*mb*)															
Commercial	-	-	5	1	-1	-31									
SPR	-	-	-	-	-	2									
Total	-	-	5	1	-1	-29									
Oil-on-water	-	-	-2	2	-5	-5									
Days of forward consumption in OECD					-	-									
Commercial onland stocks	-	-	-	-	-	-1									
SPR	-	-	-	-	-	-									
Total	-	-	-	-	-	-1									
Memo items															
FSU net exports	-	-	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	0.1	-0.1	-0.2	-0.2	-0.1	-	-	-	-	-

† This compares Table 32 in this issue of the MOMR with Table 31 in the June 2010 issue
This table shows only where changes have occurred

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

	2003	2004	2005	2006	2007	2008	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Closing stock levels *mb*																											
OECD onland commercial	2,511	2,538	2,587	2,668	2,572	2,697	2,612	2,627	2,587	2,586	2,649	2,761	2,668	2,601	2,661	2,646	2,572	2,572	2,602	2,664	2,697	2,743	2,754	2,775	2,665	2,678	2,759
North America	1,161	1,193	1,257	1,277	1,229	1,301	1,275	1,254	1,257	1,240	1,277	1,351	1,277	1,238	1,294	1,285	1,229	1,216	1,240	1,282	1,301	1,348	1,383	1,386	1,309	1,319	1,353
Western Europe	915	915	935	963	937	989	915	942	935	938	936	949	963	943	940	929	937	961	953	951	989	988	970	969	973	974	998
OECD Pacific	435	430	394	429	407	406	422	432	394	408	436	461	429	420	428	432	407	394	409	431	406	408	401	419	383	386	408
OECD SPR	1,411	1,450	1,487	1,499	1,524	1,527	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,507	1,506	1,520	1,524	1,529	1,526	1,522	1,527	1,547	1,561	1,564	1,564	1,567	1,563
North America	640	678	687	691	699	704	698	696	687	688	690	690	691	691	692	695	699	702	708	704	704	715	726	727	729	729	729
Western Europe	374	377	407	412	421	416	401	405	407	407	411	412	412	415	413	423	421	423	414	414	416	424	427	429	426	429	423
OECD Pacific	396	396	393	396	404	406	395	393	393	392	393	393	396	401	401	403	404	404	404	403	406	408	408	408	409	409	411
OECD total	3,922	3,988	4,073	4,167	4,096	4,223	4,106	4,121	4,073	4,074	4,142	4,256	4,167	4,108	4,168	4,166	4,096	4,101	4,128	4,186	4,223	4,290	4,315	4,339	4,229	4,245	4,322
Oil-on-water	882	905	954	919	948	969	932	925	954	962	975	974	919	916	891	917	948	935	925	885	969	899	899	869	906	873	n.a.
Days of forward consumption in OECD																											
OECD onland commercial	51	51	52	54	54	59	53	52	51	54	54	55	54	54	54	53	53	54	56	56	58	62	61	60	58	60	61
North America	46	47	50	50	51	56	50	49	50	49	50	53	50	49	51	51	50	50	53	54	55	59	59	59	55	56	57
Western Europe	59	58	60	63	61	68	58	60	58	61	60	60	63	63	61	59	61	64	61	62	66	69	67	67	70	71	70
OECD Pacific	51	50	47	51	50	53	52	49	43	52	55	53	48	53	54	49	46	50	54	54	50	56	55	52	46	52	57
OECD SPR	28	29	30	30	32	34	30	30	29	31	30	30	30	31	31	30	31	32	33	32	33	35	35	34	34	35	35
North America	25	26	27	27	29	30	27	27	27	27	27	27	27	27	27	27	28	29	30	29	30	31	31	31	31	31	31
Western Europe	24	24	26	27	27	29	26	26	25	27	26	26	27	28	27	27	28	28	27	27	28	30	30	30	31	31	30
OECD Pacific	46	46	46	47	50	53	49	45	42	50	50	45	44	51	51	46	45	51	54	51	50	56	56	51	50	55	57
OECD total	79	80	82	85	86	93	83	82	81	84	84	85	84	85	85	84	84	87	89	88	91	97	96	94	92	95	96

n.a. not available

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

	2005	2006	2007	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
USA	7.34	7.36	7.50	7.50	0.00	7.85	7.97	8.13	8.32	8.07	0.57	8.44	8.40	8.16	8.18	8.29	0.23	8.24	8.24	8.27	8.33	8.27	-0.03
Canada	3.03	3.20	3.31	3.27	-0.04	3.32	3.13	3.23	3.27	3.24	-0.03	3.21	3.25	3.26	3.32	3.26	0.02	3.33	3.35	3.36	3.44	3.37	0.11
Mexico	3.77	3.69	3.49	3.17	-0.31	3.04	2.97	2.94	2.96	2.98	-0.19	2.99	2.98	2.91	2.85	2.93	-0.05	2.85	2.84	2.82	2.85	2.84	-0.09
North America	14.14	14.24	14.29	13.94	-0.35	14.21	14.08	14.30	14.56	14.29	0.35	14.64	14.63	14.33	14.34	14.48	0.20	14.42	14.43	14.44	14.61	14.48	-0.01
Norway	2.97	2.78	2.56	2.45	-0.10	2.52	2.20	2.28	2.37	2.34	-0.11	2.31	2.13	2.08	2.23	2.19	-0.16	2.23	2.06	1.94	2.14	2.09	-0.10
UK	1.89	1.71	1.69	1.58	-0.11	1.63	1.57	1.27	1.46	1.48	-0.10	1.51	1.41	1.28	1.34	1.39	-0.09	1.35	1.30	1.26	1.29	1.30	-0.09
Denmark	0.38	0.34	0.31	0.28	-0.03	0.28	0.27	0.27	0.24	0.26	-0.02	0.25	0.27	0.24	0.24	0.25	-0.01	0.24	0.23	0.20	0.21	0.22	-0.03
Other Western Europe	0.49	0.51	0.62	0.64	0.03	0.62	0.62	0.64	0.63	0.63	-0.02	0.60	0.63	0.62	0.62	0.62	-0.01	0.63	0.63	0.63	0.63	0.63	0.01
Western Europe	5.72	5.34	5.17	4.96	-0.21	5.05	4.65	4.45	4.70	4.71	-0.24	4.68	4.44	4.22	4.43	4.44	-0.27	4.45	4.22	4.02	4.27	4.24	-0.20
Australia	0.53	0.51	0.53	0.53	0.01	0.55	0.53	0.55	0.53	0.54	0.01	0.51	0.55	0.57	0.59	0.56	0.02	0.57	0.59	0.60	0.59	0.59	0.03
Other Pacific	0.05	0.05	0.08	0.10	0.02	0.09	0.09	0.10	0.10	0.10	0.00	0.10	0.10	0.10	0.10	0.10	0.01	0.10	0.09	0.08	0.08	0.09	-0.02
OECD Pacific	0.58	0.56	0.60	0.63	0.03	0.64	0.62	0.65	0.63	0.64	0.01	0.61	0.65	0.67	0.70	0.66	0.02	0.67	0.68	0.68	0.67	0.67	0.01
Total OECD	20.44	20.14	20.07	19.53	-0.54	19.90	19.35	19.41	19.89	19.64	0.11	19.94	19.72	19.21	19.47	19.58	-0.05	19.53	19.33	19.15	19.55	19.39	-0.19
Brunei	0.21	0.22	0.19	0.17	-0.01	0.17	0.15	0.16	0.19	0.17	0.00	0.18	0.16	0.17	0.17	0.17	0.00	0.17	0.17	0.17	0.17	0.17	0.00
India	0.76	0.78	0.80	0.80	0.00	0.77	0.78	0.79	0.80	0.79	-0.01	0.82	0.83	0.85	0.88	0.85	0.06	0.89	0.87	0.89	0.90	0.89	0.04
Indonesia	1.12	1.07	1.02	1.04	0.02	1.03	1.02	1.02	1.03	1.03	-0.01	1.03	1.04	1.02	1.01	1.03	0.00	1.02	1.01	1.00	0.99	1.01	-0.02
Malaysia	0.77	0.76	0.76	0.76	0.00	0.74	0.72	0.73	0.71	0.73	-0.03	0.73	0.69	0.69	0.68	0.70	-0.03	0.68	0.66	0.66	0.65	0.66	-0.04
Thailand	0.29	0.32	0.33	0.36	0.02	0.37	0.37	0.36	0.37	0.37	0.01	0.35	0.34	0.35	0.35	0.35	-0.02	0.36	0.35	0.35	0.35	0.35	0.01
Vietnam	0.39	0.37	0.35	0.33	-0.01	0.34	0.36	0.38	0.41	0.37	0.04	0.40	0.39	0.37	0.36	0.38	0.01	0.39	0.40	0.43	0.45	0.42	0.04
Asia others	0.26	0.26	0.27	0.27	0.00	0.27	0.28	0.27	0.26	0.27	0.00	0.26	0.26	0.27	0.28	0.27	0.00	0.28	0.28	0.29	0.29	0.29	0.02
Other Asia	3.79	3.78	3.71	3.73	0.02	3.70	3.69	3.71	3.77	3.72	-0.01	3.77	3.72	3.73	3.73	3.74	0.02	3.77	3.75	3.79	3.81	3.78	0.05
Argentina	0.78	0.77	0.77	0.78	0.01	0.78	0.77	0.74	0.76	0.76	-0.02	0.77	0.76	0.74	0.73	0.75	-0.01	0.73	0.73	0.73	0.73	0.73	-0.02
Brazil	1.98	2.11	2.22	2.38	0.16	2.47	2.49	2.51	2.55	2.51	0.12	2.65	2.69	2.74	2.79	2.72	0.21	2.86	2.88	2.95	3.02	2.93	0.21
Colombia	0.53	0.54	0.54	0.60	0.06	0.65	0.67	0.68	0.73	0.68	0.09	0.77	0.79	0.78	0.80	0.79	0.10	0.82	0.84	0.87	0.89	0.86	0.07
Trinidad & Tobago	0.18	0.18	0.16	0.16	0.00	0.16	0.16	0.15	0.16	0.16	0.00	0.16	0.16	0.15	0.15	0.15	0.00	0.15	0.15	0.15	0.15	0.15	0.00
L. America others	0.30	0.26	0.27	0.27	0.01	0.29	0.28	0.30	0.30	0.29	0.02	0.30	0.30	0.30	0.30	0.30	0.01	0.31	0.31	0.32	0.33	0.32	0.02
Latin America	3.77	3.87	3.96	4.19	0.23	4.35	4.37	4.39	4.50	4.40	0.21	4.64	4.70	4.71	4.77	4.71	0.30	4.87	4.92	5.01	5.11	4.98	0.27
Bahrain	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00
Oman	0.78	0.75	0.71	0.76	0.05	0.79	0.80	0.83	0.83	0.81	0.06	0.86	0.86	0.86	0.86	0.86	0.05	0.88	0.89	0.91	0.92	0.90	0.04
Syria	0.45	0.44	0.42	0.41	0.00	0.41	0.41	0.41	0.41	0.41	0.00	0.42	0.41	0.40	0.39	0.41	-0.01	0.38	0.38	0.37	0.37	0.37	-0.03
Yemen	0.41	0.37	0.33	0.30	-0.03	0.30	0.30	0.30	0.29	0.30	-0.01	0.27	0.27	0.27	0.27	0.27	-0.03	0.26	0.26	0.25	0.26	0.26	-0.01
Middle East	1.85	1.76	1.66	1.68	0.02	1.71	1.72	1.75	1.74	1.73	0.05	1.75	1.75	1.74	1.72	1.74	0.01	1.72	1.73	1.73	1.75	1.73	-0.01
Chad	0.18	0.15	0.15	0.15	0.00	0.14	0.14	0.14	0.14	0.14	-0.01	0.14	0.14	0.13	0.12	0.13	-0.01	0.12	0.12	0.12	0.12	0.12	-0.01
Congo	0.24	0.25	0.24	0.26	0.02	0.27	0.27	0.27	0.29	0.27	0.02	0.30	0.30	0.29	0.29	0.29	0.02	0.29	0.30	0.30	0.31	0.30	0.01
Egypt	0.70	0.67	0.67	0.69	0.02	0.70	0.69	0.68	0.66	0.68	-0.01	0.67	0.66	0.67	0.67	0.67	-0.02	0.66	0.67	0.66	0.65	0.66	-0.01
Equatorial Guinea	0.36	0.37	0.37	0.38	0.01	0.37	0.36	0.35	0.34	0.36	-0.02	0.33	0.33	0.33	0.32	0.33	-0.03	0.32	0.32	0.31	0.31	0.31	-0.01
Gabon	0.25	0.25	0.25	0.24	-0.01	0.26	0.26	0.27	0.28	0.26	0.02	0.28	0.26	0.27	0.27	0.27	0.00	0.26	0.27	0.27	0.27	0.27	0.00
South Africa	0.19	0.19	0.18	0.18	0.00	0.18	0.18	0.17	0.16	0.17	-0.01	0.18	0.18	0.17	0.17	0.17	0.00	0.17	0.17	0.17	0.17	0.17	0.00
Sudan	0.34	0.40	0.50	0.48	-0.02	0.46	0.48	0.47	0.47	0.47	-0.01	0.47	0.47	0.48	0.47	0.47	0.00	0.47	0.48	0.48	0.48	0.48	0.00
Africa other	0.25	0.32	0.34	0.35	0.01	0.35	0.34	0.34	0.33	0.34	-0.01	0.34	0.34	0.34	0.37	0.35	0.01	0.39	0.40	0.43	0.49	0.43	0.08
Africa	2.52	2.59	2.70	2.72	0.02	2.71	2.70	2.69	2.67	2.69	-0.03	2.70	2.67	2.67	2.67	2.68	-0.02	2.69	2.72	2.74	2.79	2.73	0.06
Total DCs	11.93	12.00	12.04	12.33	0.29	12.46	12.48	12.53	12.68	12.54	0.21	12.86	12.83	12.85	12.88	12.86	0.32	13.05	13.12	13.27	13.46	13.23	0.37
FSU	11.55	12.02	12.53	12.60	0.06	12.67	12.94	13.05	13.16	12.96	0.36	13.14	13.17	13.20	13.30	13.20	0.25	13.32	13.32	13.38	13.44	13.36	0.16
Russia	9.44	9.65	9.87	9.78	-0.08	9.78	9.87	9.97	10.07	9.92	0.14	10.09	10.12	10.02	9.98	10.05	0.13	10.02	10.01	10.02	10.07	10.03	-0.02
Kazakhstan	1.23	1.30	1.35	1.41	0.06	1.48	1.51	1.54	1.61	1.54	0.12	1.61	1.55	1.59	1.65	1.60	0.06	1.64	1.65	1.68	1.69	1.66	0.06
Azerbaijan	0.44	0.65	0.87	0.94	0.07	0.97	1.11	1.09	1.06	1.06	0.12	1.01	1.07	1.14	1.20	1.11	0.05	1.21	1.20	1.21	1.21	1.21	0.10
FSU others	0.44	0.42	0.44	0.46	0.02	0.45	0.44	0.44	0.43	0.44	-0.02	0.43	0.43	0.45	0.47	0.45	0.01	0.47	0.46	0.46	0.46	0.46	0.02
Other Europe	0.16	0.15	0.15	0.15	-0.01	0.14	0.13	0.14	0.14	0.14	-0.01	0.14	0.15	0.13	0.13	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00
China	3.64	3.69	3.77	3.84	0.07	3.80	3.86	3.88	3.87	3.85	0.01	4.02	4.07	3.98	3.94	4.00	0.15	4.00	4.02	4.02	4.02	4.01	0.01
Non-OPEC production	47.71	48.01	48.55	48.44	-0.12	48.98	48.75	49.01	49.74	49.12	0.69	50.09	49.95	49.38	49.72	49.78	0.66	50.04	49.92	49.95	50.61	50.13	0.34
Processing gains	1.91	1.96	1.99	1.97	-0.02	2.00	2.00	2.00	2.00	2.00	0.03	2.08	2.08	2.08	2.08	2.08	0.08	2.08	2.08	2.08	2.08	2.08	0.00
Non-OPEC supply	49.62	49.97	50.54	50.40	-0.14	50.98	50.75	51.01	51.74	51.12	0.72	52.17	52.03	51.46	51.80	51.86	0.74	52.11	51.99	52.03	52.69	52.21	0.34
OPEC NGL	3.74	3.76	3.86	4.04	0.18	3.99	4.19	4.41	4.37	4.24	0.21	4.49	4.68	4.76	4.97	4.73	0.49	5.04	5.15	5.24	5.29	5.18	0.45
OPEC Non-conventional	0.16	0.14	0.09	0.11	0.02	0.11	0.11	0.11	0.11	0.11	0.00	0.10	0.10	0.11	0.11	0.11	0.00	0.18	0.18	0.18	0.18	0.18	0.07
OPEC (NGL+NCF)	3.89	3.89	3.95	4.14	0.19	4.10	4.30	4.52	4.48	4.35	0.21	4.60	4.79	4.87	5.08	4.84	0.49	5.22	5.33	5.42	5.47	5.36	0.53
Non-OPEC & OPEC (NGL+NCF)	53.51	53.87	54.49	54.54	0.06	55.08	55.05	55.53	56.22	55.47	0.93	56.77	56.81	56.33	56.88	56.70	1.23	57.33	57.33	57.45	58.16	57.57	0.87

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

Table 36: World Rig Count

	2005	2006	Change 06/05	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08	1Q10	2Q10	May10	Jun10	Jun/May
USA	1,381	1,647	267	1,733	1,756	1,788	1,790	1,767	119	1,770	1,864	1,978	1,898	1,877	111	1,326	936	956	1,108	1,081	-796	1,345	1,508	1513	1531	18
Canada	458	470	12	532	139	348	356	344	-126	507	169	432	408	379	35	328	91	177	277	218	-161	470	166	147	229	82
Mexico	107	83	-24	90	88	96	93	92	9	96	106	103	106	103	11	128	128	135	123	128	26	118	106	110	102	-8
North America	1,945	2,200	255	2,355	1,983	2,231	2,240	2,202	2	2,373	2,139	2,513	2,411	2,359	157	1,782	1,154	1,267	1,508	1,428	-931	1,933	1,780	1770	1862	92
Norway	17	17	0	16	19	18	17	18	1	17	21	21	21	20	2	25	18	18	20	20	0	21	18	11	17	6
UK	21	27	5	25	29	27	22	26	-1	19	21	24	24	22	-4	22	19	16	15	18	-4	15	20	20	22	2
Western Europe	70	77	7	75	80	79	77	78	0	91	97	101	103	98	20	90	82	76	85	83	-15	87	96	88	97	9
OECD Pacific	25	26	2	24	30	32	30	29	2	32	39	39	34	36	7	27	25	26	23	25	-11	22	18	18	18	0
Total OECD	2,078	2,347	269	2,494	2,141	2,387	2,385	2,352	4	2,532	2,317	2,698	2,593	2,535	183	1,945	1,299	1,368	1,616	1,557	-978	2,042	1,893	1876	1977	101
Other Asia	200	202	2	206	213	212	216	212	10	213	220	218	212	216	4	212	212	213	233	217	1	235	249	250	253	3
Latin America	129	149	19	175	177	171	179	175	27	187	184	195	197	191	16	164	147	149	169	157	-34	183	203	209	209	0
Middle East	131	132	1	144	146	154	154	149	18	158	165	175	171	167	18	162	151	139	147	150	-18	152	150	146	157	11
Africa	8	10	2	16	12	14	14	14	4	10	13	14	11	12	-2	8	11	9	12	10	-2	20	19	19	19	0
Total DCs	468	493	25	540	549	550	563	551	58	569	583	602	591	586	36	546	520	510	561	534	-52	589	621	624	638	14
Non-OPEC Rig Count	2,546	2,840	294	3,035	2,690	2,937	2,948	2,903	62	3,101	2,900	3,300	3,183	3,121	219	2,491	1,819	1,878	2,177	2,091	-1,030	2,632	2,514	2500	2615	115
Algeria	21	24	4	25	26	28	28	27	2	26	27	24	26	26	-1	24	30	27	27	27	1	23	28	29	25	-4
Angola	3	4	1	5	4	3	5	4	1	5	6	5	5	5	1	5	3	3	4	4	-1	10	8	8	8	0
Ecuador	12	11	0	12	10	11	10	11	-1	7	9	12	13	10	-1	10	10	10	10	10	0	11	11	11	12	1
Iran	40	44	4	51	51	51	50	50	6	50	50	50	51	50	0	51	52	52	52	52	2	52	52	52	52	0
Iraq	0	0	0	0	0	0	0	0	0	29	29	29	29	29	29	29	29	29	29	29	0	29	29	29	29	0
Kuwait	12	14	1	14	13	13	11	12	-1	12	11	12	12	12	0	12	11	14	13	13	0	19	18	20	14	-6
Libya	9	10	1	13	12	14	14	13	3	14	15	15	15	15	2	15	13	14	15	14	-1	17	17	17	16	-1
Nigeria	9	10	1	8	7	8	10	8	-1	9	8	6	6	7	-1	7	6	6	7	6	-1	11	13	12	16	4
Qatar	12	11	-1	11	12	13	14	13	2	11	12	11	11	11	-1	9	9	9	9	9	-2	8	8	8	9	1
Saudi Arabia	37	65	28	76	76	78	77	77	11	78	77	76	76	77	0	72	67	67	66	68	-9	68	67	67	67	0
UAE	16	16	0	14	15	15	14	15	-2	12	12	13	12	12	-2	13	12	13	12	12	0	13	13	13	12	-1
Venezuela	68	81	13	76	80	77	71	76	-5	82	81	77	81	80	4	69	64	54	54	60	-20	66	64	65	65	0
OPEC Rig Count	238	290	51	303	305	311	302	305	16	336	337	330	336	335	29	315	307	295	298	304	-31	327	328	331	325	-6
Worldwide Rig Count*	2,785	3,130	345	3,338	2,995	3,249	3,250	3,208	78	3,438	3,237	3,630	3,519	3,456	248	2,806	2,126	2,173	2,476	2,395	-1,061	2,958	2,842	2831	2940	109
of which:																										
Oil	980	1,124	144	1,264	1,167	1,254	1,285	1,242	119	1,408	1,351	1,479	1,490	1432	190	1,276	1062	1175	1349	1215	-217	1,583	1,527	1522	1622	100
Gas	1,746	1,947	201	2,013	1,764	1,931	1,904	1,903	-44	1,969	1,814	2,070	1,948	1950	47	1,450	993	965	1092	1125	-825	1,333	1,276	1268	1281	13
Others	21	17	-4	20	17	20	25	20	4	26	32	36	37	33	12	35	35	34	37	35	3	43	40	41	37	-4

*/ *Excludes China and FSU*
na: *Not available*
Note: *Totals may not add up due to independent rounding*
Source: *Baker Hughes International & Secretariat's Estimates*

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Data Summary July 2010

OPEC Basket average price

US$ per barrel

⬇ *down $1.53 in June*

June 2010	***72.95***
May 2010	*74.48*
Year-to-date	*76.01*

June OPEC production

in million barrels per day, according to secondary sources

⬌ *unchanged in June*

June 2010	***29.20***
May 2010	*29.20*

World economy

The forecast for global economic growth in 2010 remains unchanged at 3.8%. For 2011, the world economy is expected to grow by 3.7%, with the main contributions continuing to come from developing countries. China is expected to grow at 8.8%, India at 7.7% and OECD at 2.0%.

Supply and demand

in million barrels per day

2010		***2011***	
World demand	*85.4*	*World demand*	*86.4*
Non-OPEC supply	*51.9*	*Non-OPEC supply*	*52.2*
OPEC NGLs	*4.8*	*OPEC NGLs*	*5.4*
Difference	***28.7***	***Difference***	***28.8***

Totals may not add due to independent rounding

Stocks

US commercial stocks built further by 10.2 mb in June to stand at 87 mb above the five-year average. European total oil inventories (EU plus Norway) declined by 4.8 mb in June, but remained 36.0 mb above the seasonal norm. In May, commercial oil stocks in Japan rose by 9.0 mb, narrowing the deficit with five-year average to 2.6%. Preliminary indications show Japanese total commercial oil inventories declined by 4 mb at the end of June.

Issued 15 July 2010

Next report to be issued on 13 August 2010

Data covered up to the end of June 2010 unless otherwise stated