

Erratum Corrigendum

Due to a typing error, an incorrect figure was given in the first paragraph on page 12 of the June *OPEC Monthly Oil Market Report* for the implied oil stock build in 4Q 2004. The correct figure is 1.3 mb/d, rather than 2.3 mb/d. For further clarification, this stock build is based on the assumption of OPEC production at 29 mb/d in 4Q 2004.

OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

June 2004

Feature Article:

Revisions, new trend impact oil market

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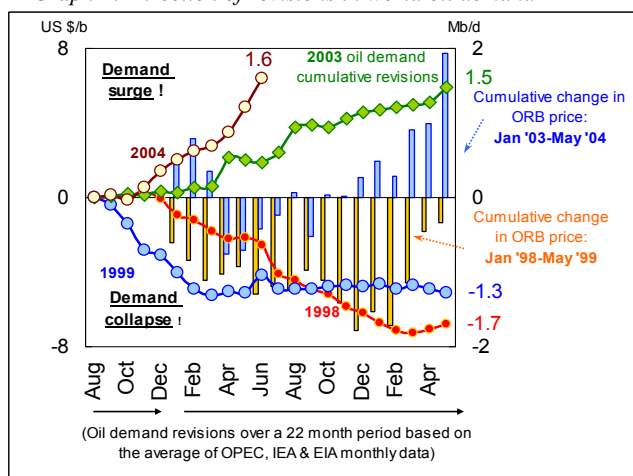
Oil Market Highlights

- The US recovery has the character of a strong, non-inflationary expansion led by a high and growing level of domestic demand. The May inflation data suggest that the probable rise in US interest rates in June will only be 0.25%, which should not derail consumer or investment spending. The major threat to economic stability remains the trade imbalance. The deficit on the US trade account widened to an all-time record of \$48.3 billion in April and the high level of the dollar indicates that this problem will not be resolved in the near term.
- The Euro-zone recovery is under way but has not spread throughout the region. Domestic demand is growing in France and Spain with some signs of improvement in Italy but German and Dutch consumers remain very cautious. In Germany the recovery is concentrated in those industrial sectors which benefit from strong overseas demand. Falling levels of employment continue to weaken consumer confidence. In contrast domestic demand in Japan continues to grow strongly. Economic growth for the first quarter was revised up to 6% at an annual rate and there are signs that bank lending is rising to finance stockbuilding and investment.
- The 2004 forecast for the OECD region has been raised by 0.1% and GDP is expected to grow 3.5%. The forecast for the USA is unchanged at 4.7%, while the Japanese forecast is now 3.8%, an increase of 0.9%. The Euro-zone forecast remains unchanged at 1.8%, along with the forecasts for China and Russia, which are holding steady at 8.8% and 7% respectively. The forecasts for Africa, Latin America, Asia (excluding Japan) and Developing Countries as a whole are also unchanged. The world economy is projected to grow by 4.8% in 2004, a 0.1% increase over last month's forecast.
- Since its adoption in 1987, the OPEC Reference Basket has never come close to the level reached this May. With a gain of almost \$4/b, or more than 12%, the Basket average for May reached an all time high of \$36.27/b. Moreover, the daily average for 17 May even approached the unimaginable \$38/b mark. In the first week of June, the Basket decreased by \$0.21/b to \$36.49/b, while in the second week of the month it lost \$1.94/b to register \$34.55/b before dropping to \$33.72/b on 15 June, mainly due to OPEC's decision on 3 June to raise output to calm supply concerns.
- The impending robust demand of the US driving season helped average gasoline prices to outperform their marker crude counterparts in May, both domestically and in the world oil markets. This led refining margins to new record highs in the three main refining centres.
- OPEC area spot-chartering regained last month's losses, increasing by about 26% or 4.23 mb/d to 16.10 mb/d in May, which was about 2 mb/d higher than the level observed a year ago. The rise in OPEC spot fixtures of which Middle East chartering contributed about half, was mainly due to the increase of OPEC oil production over the previous month as most OPEC Member Countries exceeded their quotas in an attempt to cool oil prices. Crude oil freight rates across all main routes and for all sectors benefited noticeably from high spot fixtures during May, especially VLCCs on the Middle East eastbound long-haul route and AFRAMAX within the Mediterranean and from there to NW Europe. The product tanker market enjoyed a very good month as rates regained part of the previous month's heavy losses.
- An upward revision in the North American consumption data has resulted in a similar adjustment of 0.08 mb/d to the 2003 world oil demand estimate. Much stronger than expected demand in the first quarter and part of the second has led to a further upward revision of 0.17 mb/d to the forecast world 2004 demand, which now stands at 80.58 mb/d. The 2004 growth forecast has also been raised to 1.90 mb/d equivalent to 2.41%, the highest demand increment since 1997. China remains the top contributor to forecast 2004 oil demand growth with an expected 0.72 mb/d rise in consumption, which represents close to 38% of world growth.
- OPEC crude oil production in May, based on secondary sources, is estimated at 28.28 mb/d, 0.24 mb/d above the revised April figure. Non-OPEC oil supply for 2003 is estimated at 48.66 mb/d, which is 0.90 mb/d above the 47.76 mb/d estimated 2002 figure. Non-OPEC supply in 2004 is expected to reach 50.00 mb/d, an increase of 1.34 mb/d over the 2003 estimate. Net FSU exports for 2002 and 2003 are estimated at 5.56 mb/d and 6.46 mb/d respectively, and are expected to rise to 7.37 mb/d in 2004.
- In May 2004, US commercial oil stocks continued the previous month's trend, rising a seasonal 16.5 mb, which widened the y-o-y surplus to around 5.1% in the first half of June. Total oil stocks in Europe displayed a build of 3.2 mb, where a large increase in product stocks offset the draw on crude oil. The y-o-y surplus is now around 0.7%. Japanese oil stocks in April 2004 fell 2.8 mb, mainly on a large decrease in crude oil stocks, for a y-o-y shortage of 6.6%.

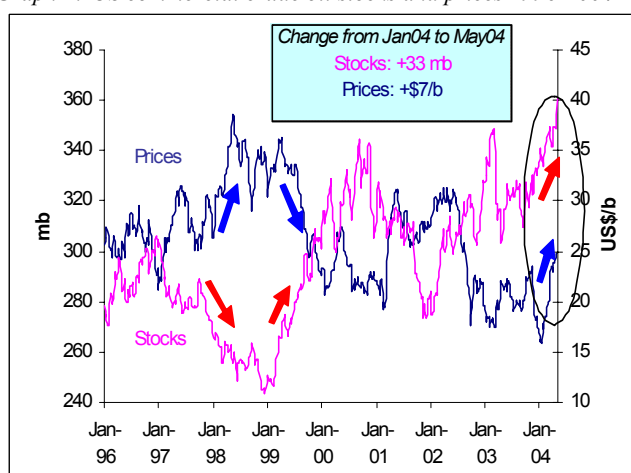
Revisions, new trend impact the oil market

- Fueled by the remarkable pace of growth in the world economy, the strength of the ongoing surge in oil demand was not fully anticipated until rather late. The surprising record rise in consumption has led to continuous upward revisions to demand projections for 2003 and 2004, and has created a time lag in the entire supply chain. A similar delay took place in 1998 and 1999, although in those years it worked in the opposite direction as the market was experiencing a collapse in demand. Following the Asian economic crisis in 1997, the cumulative downward revisions in oil demand for 1998 and 1999 were 1.7 and 1.3 mb/d respectively. The relatively higher initial demand projection resulted in the supply leading demand. As a consequence, the OECD commercial stocks reached a record high level in the 2Q, 3Q and 4Q of the year 1998, and for the 1Q of the year 1999. This had a negative impact on prices resulting in a plunge in the OPEC Reference Basket price to below \$10/b in December 1998 and February 1999 (see **Graph 1**).
- In the years 2003 and 2004, the initial demand growth projection was 0.9 mb/d and 1.1 mb/d, respectively. However, a surge in oil demand resulted in upward revisions to 1.7 mb/d for 2003 and 1.3 mb/d so far for 2004. According to the average of three sources (OPEC, IEA and EIA) these upward revisions to world oil demand correspond to 1.5 mb/d and 1.6 mb/d, respectively. In this case, given that growth in consumption has been underestimated, demand leads supply, resulting in a lag-time in the whole oil supply chain, particularly in the downstream sector which suffers from inadequate refinery capacity and a lack of flexibility.

Graph 1: Direction of revisions in world oil demand



Graph 2: US commercial crude oil stocks and prices 1996-2004



- As previously indicated, the high price levels seen in the last months are due to a number of factors, key among them being tight refining balances in the US and Asia Pacific regions amid strong demand, stringent new gasoline specifications and heightened tensions in the Middle East. This resulted in record levels of speculation in the futures market, which in turn created a highly bullish environment for oil and as a consequence, has driven up prices well above what would be expected given the traditional correlation between inventory levels and prices.
- Historically, the relation between US commercial crude oil stocks and crude prices has always affected market dynamics. **Graph 2** shows a clear inverse correlation between US commercial crude oil stocks and crude oil prices for the period 1996-2003. However, since the start of this year, this inverse relationship is no longer observable. In fact, the current trend has shown a rather unusual parallel move of crude stocks and crude prices. In the past, when US commercial crude oil stocks rose by around 37 mb, as they have since the beginning of this year, oil prices would have declined. This year, however, prices have moved up in parallel with stock builds, showing an upward trend of more than \$6/b.
- With US commercial crude oil stocks at a comfortable level of more than 300 mb, which is above this time a year ago and close to the 5-year average, the US market is now adequately or even well supplied. In recent years, this level corresponded with prices at around \$20-30/b. This implies that current price levels, well above the upper level of the expected range, are due to factors other than inventory levels.
- Since the establishment of the OPEC Reference Basket (ORB) price band in early 2000, OPEC through its market stabilization policies has been successful in its efforts to stabilize prices within its designated band of \$22-28/b. Between March 2000 and March 2004, the OPEC Conference convened on 22 occasions and adjusted the OPEC-10 production ceiling on 13 occasions, 6 of which were at the time when the Basket was outside of the price band range. The ORB for 2000-2003 was \$25.8/b.
- The recent 131st (Extraordinary) Meeting of the OPEC Conference in Beirut took place at a time when oil prices were near historic levels, despite key fundamentals pointing to much lower prices. In 1Q 2004, the balance shows an increase of 0.7 mb/d, which leaves about 0.5 mb/d unaccounted for — other sources estimate this figure is even higher. This oil unaccounted for could be attributed to underreported and/or unreported demand, stock build as well as possible overreport of supply, and indicates a significant factor of uncertainty. Nevertheless, for now the market still appears to be able to absorb rising crude oil supply.
- In an effort to ensure adequate supply and give a clear signal of OPEC's commitment to market stability and to maintaining prices within levels acceptable to both producers and consumers, particularly developing countries, OPEC Members agreed to boost oil output to 26 mb/d in two stages with effect from 1 July. This decision is a further demonstration that OPEC is closely monitoring the market and continuing to do its part to ensure a sufficient supply of oil.

131st (Extraordinary) Meeting of the OPEC Conference Beirut, Lebanon, 3 June 2004

The 131st (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Beirut, Lebanon, on 3 June 2004, under the Chairmanship of its President, HE Dr Purnomo Yusgiantoro, Minister of Energy & Mineral Resources of Indonesia and Head of its Delegation.

The Conference extended its sincere congratulations to HE Thamir Ghadhban, following his appointment as Minister of Oil of Iraq.

The Conference was honoured by the presence of its Special Guest, HE Ayoub Hmayed, Minister of Energy and Water Resources of the Republic of Lebanon, and welcomed the Minister of Petroleum of the Arab Republic of Egypt; the Minister of Petroleum & Mineral Resources of the Syrian Arab Republic; the Vice-Minister of Petroleum of the Republic of Angola; and the representative of the Sultanate of Oman to Lebanon, whose presence at the Meeting is seen as renewed evidence of these countries' willingness to enter into concrete and constructive dialogue with the Organization. In this regard, the Conference emphasized the value of closer co-operation from all oil producers in ensuring market stability.

The Conference considered the report of the Ministerial Monitoring Sub-Committee and, once again, thanked the Sub-Committee Members for their untiring efforts on behalf of OPEC and its Member Countries.

Having reviewed market developments since its 130th Meeting, held on 31 March 2004, as well as the supply/demand outlook, the Conference noted with concern that, as a result of several factors, prices have continued to escalate, despite the efforts by OPEC Member Countries to meet market requirements. These factors are mainly the robust growth in demand in the USA and China, which had not been fully anticipated; geopolitical tensions; and refining and distribution industry bottlenecks in some major consuming regions, coupled with more stringent product specifications. Combined, these factors have led to unwarranted fear of a possible future supply shortage of crude oil, which has, in turn, resulted in increased speculation in the futures markets with substantial upward pressure on crude oil prices.

Given current high and volatile prices and prevailing concerns regarding supply security, and in order to ensure continued, robust, global economic growth, especially in the economies of fellow Developing Countries, the Conference decided to increase the OPEC production ceiling (excluding Iraq) to 25.5 mb/d, with effect from 1 July 2004, and to 26 mb/d, with effect from 1 August 2004, in order to ensure adequate supply and give a clear signal of OPEC's commitment to market stability and to maintaining prices at acceptable levels to both producers and consumers. The Conference also decided to convene an Extraordinary Meeting in Vienna, Austria, on 21 July 2004 to review market developments.

The Conference again called on all other parties, including non-OPEC producers and consumers, to take appropriate measures to address the challenges facing the industry, including the structural changes.

The Conference reiterated that its next Ordinary Meeting will be convened in Vienna, Austria, on Wednesday, 15 September 2004.

The Conference expressed its sincere gratitude to His Excellency General Emil Lahoud, President of the Lebanese Republic, His Excellency Rafic Hariri, President of the Council of Ministers, as well as the Government and the People of Lebanon for having hosted the Meeting and for the warm hospitality extended to the Conference participants and the excellent arrangements made for the Meeting.

Highlights of the World Economy

Economic growth rates 2003-2004

%

	World	G-7	USA	Japan	Euro-zone
2003	3.8	2.2	3.1	2.7	0.6
2004	4.8	3.6	4.7	3.8	1.8

Industrialised countries

United States of America

Solid recovery under way in the USA. Inflation is rising but remains under control.

Following on from the good April report, the May data for employment confirmed that the US labour market recovery is well established. May was the ninth month of consecutive job creation and the improvement looks increasingly durable — moreover gains were spread across sectors with manufacturing jobs also showing an increase. Growing labour income will be an important support for the economy in the second half as the effect of the tax cuts and low interest rates fade and consumers have to meet higher gasoline bills. **All activity data for the US show a consistent improvement. Retail sales rose in May with both total and ex-auto sales ahead and overall consumer spending in the second quarter probably increased by 3-4% at an annual rate, which is roughly in line with the 4-4.5% increase in real employment incomes.** Confirmation of the healthy state of domestic demand came from the April trade data. The deficit expanded to an all-time record of \$48.3 billion from March's \$46.6 billion. The 5% growth rate of domestic final sales boosted imports whilst the relatively high level of the dollar held back exports, which fell by \$1.5 billion from the March level. Exports of capital goods and industrial goods performed particularly poorly. The outlook for the remainder of 2004 is encouraging since the evident sustainability of the recovery should boost capital spending. Restocking should also be a positive factor and the growth outlook for the second half of the year indicates only a moderate slowdown from the 4.3-4.5% pace of the first half. **The risks to the expansion focus on the impact of higher interest rates and the possible slowdown in Chinese demand for Asian and American goods.** The May data for inflation were generally in line with market expectations as the core index (excluding food and energy) rose by 0.2%, following a 0.3% increase in April. Nevertheless, this core index has risen at an annual rate of 2.9% in the first five months of 2004, compared with a 1.1% rate of increase in 2003. Taken together with the strong employment data, the Federal Reserve will be concerned about how fast the margins of slack in the US economy are being eroded. Consensus forecasts for core inflation (excluding energy and food costs) for the four quarters of 2004 have been revised upwards to over 2% and financial markets are anticipating a rise in the short term Federal Funds rate from the current 1% to 2.25% by the end of this year. Opinions are divided concerning the extent of the first increase, expected at the end-June Federal Reserve meeting, but a 0.25% increase seems the most likely. The first impact of a sharp slowdown in China on the US economy would be a reduction in exports of capital goods. Over 40% of the growth in US exports in 2003 was directed to Asia and over 20% to China alone. Chinese data for investment spending in May confirm that growth is slowing and that the number of new projects was lower than in May 2003. The cuts were particularly marked in centrally controlled heavy industrial sectors such as metals, minerals and construction. Nevertheless, the direct effect on the US economy of weakness in China is unlikely to be severe. Instead, it should be felt the through worsened business and financial conditions in Asia and thus a lower level of demand for the US dollar and dollar assets.

Japan

Early signs of reflation in Japan

Revisions to the first quarter GDP data confirm that the Japanese economy is growing at an exceptional rate. **The overall growth rate was 6% annualized and it was domestic demand, not net exports, which made the greatest contribution as both private consumption and investment spending maintained the momentum from 2003.** Employment is rising, incomes are improving and leading indicators remain strong. Growth will continue in 2004 as a result of healthy consumption supported by improved consumer confidence, further increases in capital spending and strength in exports as the global economic recovery spreads to Europe. The orders data for April were encouraging, particularly in those manufacturing sectors linked to capital spending such as machinery. It is notable that after many years **deflationary pressures are weakening as demand grows.** Consumer prices are still falling in Japan and it may take until 2005 before the CPI index confirms the reflationary trend. Nevertheless, the May corporate goods price index showed positive growth of 1.1%, year-on-year, and rates of price decline for

Euro-zone growth unbalanced by sector and country

machinery have eased. The broadening recovery in Japan has raised the demand for working capital and the accumulation of inventories suggests that companies anticipate an end to deflation. Bank lending is still declining although at a lower rate and the money supply data showed a slight increase in M2 in May, which also indicates stabilization in lending. If lending is on the increase the easing policy of the Bank of Japan should be much more effective in boosting the real economy. The Bank will have to inject additional liquidity into the banking system in order to meet its current account deposit targets – of course the Bank may adjust these targets if lending and monetary data begin a strong recovery.

Euro-zone

Growth in the Euro-zone in the first quarter of 2004 was better than had been expected, thanks entirely to higher net exports. Although private consumption rose, declines in public consumption and investment were sufficient to depress domestic demand and it was only the revival in the world economy that supported recovery in the region. The second quarter should see more growth from personal consumption and investment spending although, according to the May EU confidence survey, **Euro-zone consumers and business people hesitant**. Industrial and consumer confidence fell in the Euro-zone, as did the level of confidence in retail trade. The only improvements were recorded in the service sector. The pattern across the Euro-zone differs greatly. France and Spain have led the economic recovery whilst Italy and Germany have been lagging. Recent data from Italy suggests some slight improvement as details of first quarter GDP showed surprising strength in domestic demand. Industrial production in Italy rose by 0.5% in April and gains were achieved in all major industries. Domestic demand has remained very weak in Germany and it is only a strong net trade performance which is giving any support to industrial production which rose by 2.2%, month-on-month, in April. The reason for the weakness in demand is falling employment. In the last four months the level of unemployment in Germany has risen by 104,000. A positive implication of good production growth and lower employment is that corporate profits are rising and investment spending should improve — at least in those industries able to benefit from overseas demand. On the occasion of the last ECB press conference, President Trichet recognised that confidence in the Euro-zone remains depressed but the tenor of ECB policy is likely to remain cautious — especially considering the likely tightening stance of other central banks in the second half of the year. **Euro-zone consumers can expect no help in the way of lower interest rates and fiscal policy will remain neutral moving towards restraint as governments attempt to bring deficits back below 3% of GDP.** Many of the fundamentals are in place for the region to achieve trend growth of about 2% in 2004 but as a result of structural weaknesses — particularly in labour markets — such growth may not be achieved before the coming cyclical slowdown in the global economy.

Former Soviet Union

Oil-related boom continues, providing authorities with the opportunity to improve public finances

The benefits of the high price of oil continue to stimulate the leading sectors of the Russian economy and GDP growth of at least 7% is likely for this year. Official statistics confirmed that Russia grew by 8% in the first quarter. Most of the gains are naturally concentrated in the fuels and pipeline transport sectors but construction and other activities related to capital investment also performed well. Total spending on fixed capital investment was 13% higher in the first quarter of 2004 in comparison to 2003. Real disposable income increased by 14% in this period and retail turnover in real terms grew by over 10%. A negative consequence of the energy related boom in the Russian economy has been the high level of the rouble which has appreciated in effective terms by about 5% thus far in 2004. Nevertheless forward-looking indicators of industrial confidence show that manufacturers anticipate higher levels of activity whilst the service sector is also optimistic according to the latest survey of the Moscow Narodny Bank. The latest OECD survey of the Russian economy confirmed the positive growth outlook but noted concerns regarding the long-term budgetary position. **The OECD recommends that the Russian authorities should take advantage of the current high oil price and achieve surpluses in this year and 2005.** Moreover, current monetary policy may be too loose to keep inflation under control. According to central bank statistics Russian M2 increased by 6.8% quarter-on-quarter in the first quarter of 2004. The official inflation forecast for 2004 is 10% although the forecast of the OECD is 11%, reflecting the strong upward trend in producer prices which are rising at the highest rates since early 2003.

Eastern Europe growth rates rise in the first quarter

Eastern Europe

Industrial activity continues to drive the growth of the Polish economy and in the first quarter GDP rose by 6.9%, year-on-year. While this growth rate was affected by EU-related tax distortions and will not be maintained; nevertheless, the expectation for the second quarter is an impressive 6%. Thus far there has been little expansion in investment spending and a resolution to the political uncertainty may be needed to encourage business spending. If the Presidential nominee Marek Belka is not confirmed as Prime Minister there will probably be elections in early August. **In any case, the agenda of the eventual government will be dominated by fiscal concerns.** Despite the high growth rate, the Polish primary deficit is set to reach 5% of GDP this year and fundamental reforms to spending plans will be needed in 2005. Growth has also accelerated in the Czech Republic and is estimated to have reached 4% in the first quarter. Consumer spending has been particularly strong as a result of high real wage growth but the balance of payments deficit has been financed by foreign direct investment and the koruna has remained strong. The Hungarian economy achieved similar results in the first quarter with GDP growing by 4.2% year-on-year. Export growth was impressive and the positive contribution from net trade stabilised the forint which had been volatile in 2003. As a result of the stable currency, the National Bank has reduced the official interest rate to 11.5%. April data showed some improvement in fiscal performance and the government's target of 4.6% of GDP for the deficit should be within reach provided that the momentum of the economy is maintained.

Relatively high oil prices are driving the economies of OPEC Member Countries to various degrees

OPEC Member Countries

Doubtless the high oil prices are driving the economies of OPEC Member Countries positively to various degrees. For instance, Saudi Arabia's economic growth is expected to benefit from developments in the gas sector. A notable expansion of foreign direct investment (FDI) in upstream gas and telecommunications and other non-oil private sectors' services should occur starting in the second half of this year. An increase in domestic investment and a small rise in government consumption are expected to boost economic activity. Thus, real GDP growth rate is expected at 3.4% for this year. Venezuela's economy is expected to grow by at least 10%, this year, but this is partly due to a low base, as last year's oil workers' strike depressed growth in the first quarter. By comparison, first quarter expansion this year was 30% y-o-y. Overall GDP growth is anticipated at 7.1% for 2004. Nigeria's economic growth should see a boost from strong growth in the agricultural sector and in oil and gas production. Thus, GDP growth is expected to edge-up from 3.2% last year to 3.9% this year, still lower than the official target range of 5-6% for 2004. However, growth is expected to slow to 3.1% in 2005 on decreasing activity in both the hydrocarbon and the agricultural sectors as well as on government efforts to reduce spending. Iran's real economic growth in fiscal 2003 is estimated at 6.0%, partly owing to booming hydrocarbon production. GDP growth will maintain 6.2% this year as the main driver is still domestic demand, which has strengthened significantly with the rise in oil prices since 2000. This has allowed import restrictions to be lifted and supported robust growth in non-oil industries and manufacturing.

China's economy starts cooling down, Brazil shows a recovery and Sub-Saharan Africa benefits from improved commodity prices

Developing Countries

China has shown growing signs that the governmental efforts to cool the economy are beginning to have an effect. Investment, factory output, lending and monetary growth all apparently slowed in May. Although the inflation has risen to a seven year high, it is still too early to conclude that the largely expected rise in interest rates — the first in nine years, if it occurs — will no longer be necessary. Growth rates for a range of industrial and financial indicators, although still higher, were more restrained in May than earlier this year. Chinese industrial output in May slowed to 17.3% y-o-y, down from 19.1% in April and much lower than the growth of around 24% in February. The GDP growth of China is generally expected to slow to 8.8% this year from 9.1% in 2003. In South-East Asia, there is no China syndrome at the moment nor will a slow down in China inevitably spell disaster, despite the fact that their exports to that country have grown 50% and doubled in some regions in 2003, as this surge began from a relatively low base. Furthermore, the USA still imports far more from South-East Asia than China does. Following a marginal contraction in GDP last year, the Brazilian economy is expected to recover this year and will register a 3.5% growth. Despite a modest easing of public spending constraint, the overall fiscal stance will stay tight. However, a decline in interest rates and an improvement in confidence will simulate an expansion of credit and an upturn in investment. After several years of decline, real earnings will also begin to recover. Commodity prices will have a positive impact on African growth in 2004, but this is unlikely to last throughout 2005, when oil importers of much of Sub-Saharan Africa start paying high prices for their fuel supplies while getting less money for their commodity exports. Africa's overall GDP growth is expected this year at 4.5% compared to 3.5% growth the year before.

Reference Basket price experienced a very strong rise, while the US dollar had slight positive effect on the Reference Basket price in real terms.

Oil prices, the US dollar and inflation

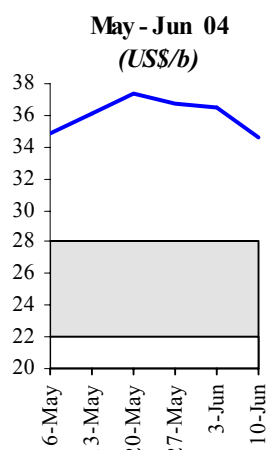
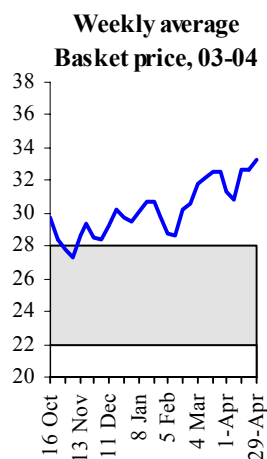
In March and April the US dollar appreciated against the euro, rising to \$1.20 from \$1.26 in February but in May there was no movement in this exchange rate. The markets had previously discounted the improvements in the US labour market and a probable rise in US interest rates and had to take into account some signs of better growth in the Euro-zone. **Although the signs of growth in Europe were patchy, they made it much less likely that the ECB would lower interest rates — especially considering the rather poor inflation performance of the Euro-zone thus far in 2004.** There was also no significant movement of the Swiss franc against the dollar in May. Although Japanese growth prospects have also improved recently, the dollar rose by 4.4% against the yen. Despite the expanding economy, the Bank of Japan is likely to maintain its very easy monetary policy at least until the core rate of inflation reaches a positive level. The dollar rose by 1% to \$1.79 against the pound continuing the trend of the past three months. The pound has responded mainly to interest rate speculation in recent months and the more restrictive tone of the UK Monetary Policy Committee in May should support the currency from these levels.

The OPEC Reference Basket rose by 12.11% to \$36.27/b in May from \$32.35/b the month before. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price improved by 12.44% to \$26.73/b from last month's \$23.77/b, as the stronger dollar had a positive effect on the adjusted price which outweighed the effect of inflation. The dollar rose by 0.56% as measured by the import-weighted modified Geneva I +US dollar basket*.

** 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.*

Crude Oil Price Movement

The OPEC Reference Basket surged \$3.92/b in May to average \$36.27/b



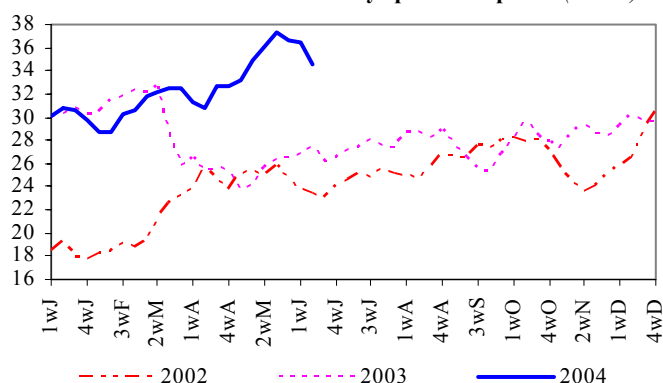
Gasoline continues to drive crude oil prices. Underestimated demand growth figures and capacity concerns for the high demand fourth quarter have underpinned crude markets.

Since its adoption in 1987, the OPEC Reference Basket has never come close to the level reached this May — not before the first Gulf War in October 1990 or further back to the thorny early 1980s. With a gain of almost \$4/b, or more than 12%, the Basket's May average reached an all time high of \$36.27/b. Moreover, the daily average for 17 May even approached the unimaginable \$38/b mark. Soaring oil prices this year, together with the sharp fall that followed the invasion of Iraq last year, resulted in a huge difference in the year-to-date average. By the end of May, the year-to-day average stood at \$32.11/b, which compared to the same period in 2003 shows a rise of \$3.76/b, or more than 13%. The Basket started the month with a 5% gain to average \$34.90/b, followed by another 3.5% rise, which took the weekly average to \$36.15/b during the week ending 13 May. The upward trend extended to the third week of May when the Basket added another 3.2% to register \$37.31/b before dropping 0.6% to average \$36.70/b during the last week of the month. In the first week of June, the Basket decreased by \$0.21/b to \$36.49/b, while in the second week of the month it lost \$1.94/b to register \$34.55/b, mainly due to OPEC's decision on 3 June to raise output, which calmed supply concerns.

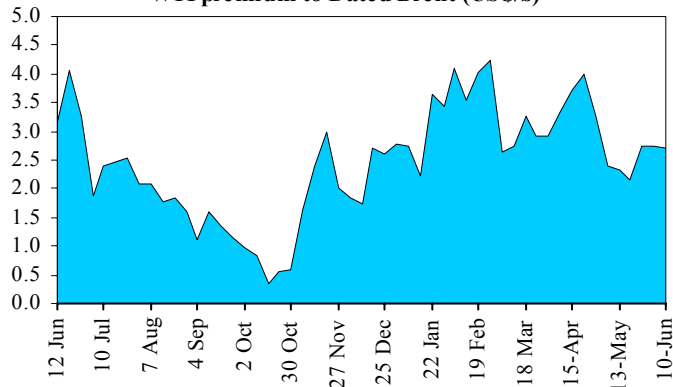
May was a month that saw many broken records as major benchmark crudes and products moved into uncharted waters. The Atlantic Basin benchmarks WTI and Brent flittered with the \$42/b and \$39/b marks, while gasoline futures in Nymex rose to a record \$1.47/gal. The story is not much different from that presented in the April *MOMR*, however, new elements have come into the picture. **Crude oil**

prices continue to be driven by tight gasoline markets, especially in the USA, where new and more stringent specifications have created operational bottlenecks. On the demand side gasoline consumption has been running approximately 4.5% higher this year at 9.17 mb/d, compared to last year's 8.77 mb/d. It is important to notice that this year's strong gasoline demand has taken place ahead of the driving season, which only comes into full swing following the US Memorial Day holiday during the last week of May. Expectations, or better yet, fears of a supply disruption following the latest terrorist acts on oil personnel in major producing nations have raised eyebrows and given new arguments to speculators to further bid up prices. **Understated world oil demand growth for the present year, which has been revised up as much as 1 mb/d according to many market analysts, has caught just about everybody by surprise including OPEC.** Having seen the retrenchment in US gasoline prices, market pundits are now beginning to question the ability of supply to meet demand during the last months of the year when seasonal demand rises ahead of winter in the Northern hemisphere. The word of the moment now seems to be **capacity**. **Beyond the US driving**

Graph 1
OPEC Reference Basket - weekly spot crude prices (US\$/b)



Graph 2
WTI premium to Dated Brent (US\$/b)



season the perception is that demand in the last quarter of 2004, which will rise by a hefty 4.2 mb/d to 82.5 mb/d over the second quarter, will be approaching levels close to world's total production capacity. It is argued that at such a high level of demand any disruption for whatever reason (political, social unrest, terrorism) could have severe consequences. We do not subscribe to such an argument since according to our supply/demand balance there will be a stock build of 1.3 mb/d during the fourth quarter and there is still around 2.0 mb/d of spare production capacity within OPEC.

Spare downstream capacity, on the other hand, is becoming increasingly tight all over the world following years of underinvestment and consolidation. Spare downstream capacity used to exist mainly in Asia Pacific, but with regional demand surging, especially in China, this region too is facing tight supplies in key products despite high refinery utilization rates. Once again OPEC has stepped in to try to cool soaring oil prices by increasing its output level to 25.5 mb/d effective 1 July followed by another 0.5 mb/d rise in August. According to the latest estimates, OPEC-10 combined June production will be approaching 27 mb/d and with Iraq the Organization will be supplying around 29.4 mb/d. **Even though the market is well supplied with crude and the current high oil prices are rooted in exuberant speculations by the futures market on perceptions of possible supply disruptions, OPEC has again shown its strong commitment to stable and fair oil prices even at the risk of a sudden oil glut in the months to come.** After all, at the present production level, the world supply/demand balance seems to indicate a rapid build in global oil stocks later this year.

US and European markets

Gasoline crack spreads in Europe surged to \$17/b as regional refiners ramped up production. Regional gasoline-rich grades in turn disappeared as soon as they were available with gasoline-rich Forties trading at premiums of more than \$1/b to BFO (Brent, Forcados and Oseberg) and over a half-dollar-per-barrel above other grades. Gasoline supply jitters in the USA boosted premiums to northwest Europe gasoline. By the end of May, New York harbour gasoline was commanding a premium of 50-60¢/gal above NWE gasoline. More than half a million barrels of European gasoline is scheduled to sail west in early June. But the US thirst for gasoline has soaked up cargoes from other regions as well. During May and June, some 3.2 mb of Asia-Pacific gasoline will arrive in the USA. As would be expected, this has pushed Asian prices to record highs as US demand competes with other countries in the region (especially China) for limited supplies. By the end of May, sentiment for both light-sweet as well as sour grades weakened. Gasoline-rich North Sea and Nigerian grades were readily available but interest in Europe and the US Gulf Coast lull. Sour grades were under pressure by the flood of barrels coming from Saudi Arabia following the Kingdom's decision to ramp up supplies in order to cool down runaway oil prices.

Far East market

Crude oil continued to flow east from West Africa but at lower quantities than in the previous month. Trade of West African crude to the Asia Pacific region fell to about one third of what it has been since earlier this year. Deliveries for May stood at around 1 mb/d compared with the 1.5 mb/d during the first quarter of 2004. The reduction mainly reflects the fall in Chinese demand and high freight rates, which

together with the large BFO premium to Dubai have shut down the arbitrage window. The closed arbitrage for West African crude has underpinned regional grades. Further support for light sweet grades came on the back of strong demand for gasoline, gasoil and jet fuel. By the end of the month trading for July loadings started on a strong note given good end-users' expectations for firm product demand. However, regional refiners were still waiting for indications of term supplies and OPEC's decision to raise output levels could play down premiums.

North Sea crude demand was extensive as refiners tried to ramp up gasoline production to benefit from the strong premium to the US market

Inflows of crudes diminished in May due to slower regional demand, high freight rates and the large BFO premium to Dubai

Graph 3
Dated Brent premium to Dubai (US\$/b)

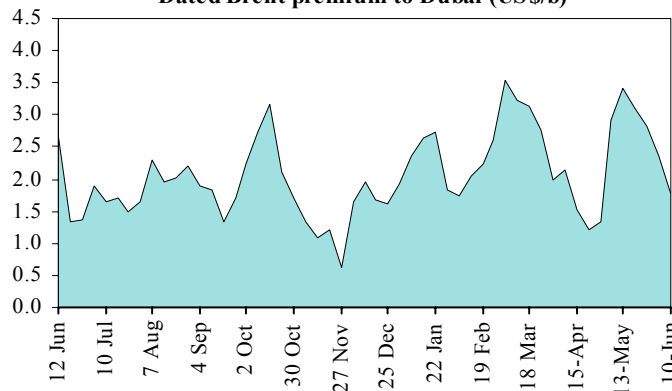


Table 1
Monthly average spot quotations for OPEC's Reference Basket
and selected crudes
US \$/b

	<u>Apr 04</u>	<u>May 04</u>	<i>Year-to-date average</i>	
			<u>2003</u>	<u>2004</u>
Reference Basket	32.35	36.27	28.37	32.11
Arabian Light	32.48	35.63	27.61	31.74
Dubai	31.69	34.65	26.57	30.90
Bonny Light	33.74	37.87	28.82	33.27
Saharan Blend	33.71	37.96	28.88	33.40
Minas	32.19	37.18	30.62	32.24
Tia Juana Light	29.88	33.63	27.60	30.16
Isthmus	32.76	36.95	28.46	33.04
Other crudes				
Brent	33.23	37.71	28.95	33.34
WTI	36.80	40.11	31.68	36.50
Differentials				
WTI/Brent	3.57	2.40	2.73	3.16
Brent/Dubai	1.54	3.06	2.38	2.44

Product Markets and Refinery Operations

Prevailing robust demand for light products, such as gasoline and distillates, translated into soaring prices in the US Gulf market in May. This pushed refining margins to historical highs and the US refinery utilization rate to 95%.

On the impending robust demand of the US driving season, average gasoline prices outperformed their marker crude counterparts, both domestically and in the world oil markets in May. This led refining margins to new record highs in the three main refining centres.

US Gulf market

Average May spot product prices enjoyed further solid gains in the US Gulf market. Gasoline fared the best, soaring 16% to mark a new high of \$56.45/b. Gasoil and HSFO (high sulphur fuel oil) followed with respective rises of 11% and 10% above their corresponding April values. These gains overwhelmed the 9% increase in the average price of the marker crude, WTI, for the same period. Nevertheless, the preliminary four-week average, representing the bulk of US May refinery and product activities, as published by the Energy Information Agency, indicated the following developments. US gasoline demand rose a further 0.1 mb/d or 1% above the preceding month to reach 9.2 mb/d, representing a 3% increase over May 2003. Meanwhile, following the completion of a prolonged maintenance period, refinery gasoline output moved up an additional 2.5% to register 8.9 mb/d. The second segment of gasoline supply, imports, also surged by 5.6% to 0.93 mb/d, thereby keeping the US gasoline market in May balanced with an almost unchanged gasoline stock level of 204 mb. During the same time, distillate demand maintained last month's rising trend, registering nearly 4 mb/d. This translated into an impressive increase of 7.6% above the corresponding month of last year. Distillate refinery output, however, dropped to 3.8 mb/d as a consequence of refiners' efforts favouring gasoline over distillate products. Heavy fuel oil consumption, on the other hand, fell a considerable 12% below last month's level to 0.72 mb/d amid lower utility demand due to mild weather, coupled with improving economics of refining crude runs, which reduced the utilization of fuel oil feedstocks.

Average WTI refining margins in the US Gulf Coast in May exceeded \$10/b, bolstered by a prevailing strong rise in most product prices, which overwhelmed the increased cost of processing crude.

US refinery throughput rose roughly 380,000 b/d to close at 15.86 mb/d in May, reflecting a spate of refinery restarts following the ending of maintenance programmes. Despite an increase of 2.3% to 95% on the month, the US refinery rate decreased by 1% from the previous year's figure.

The gasoline price skyrocketed in Rotterdam in May, amid tight supply. Refining margins improved significantly, although the refinery utilization rate dropped to 88%.

Rotterdam market

The average spot gasoline price led Rotterdam's product price rises in May, improving a hefty 17% to average \$53.11/b. This outperformed the 13% rise in the marker crude, Brent, for the same period. However, the middle and the heavy ends of the barrel lagged behind the average in the Brent price, as gasoil increased 11% and HSFO was limited to 10%. However, a number of developments generally shaped European product markets. The first was the tight gasoline market, which resulted in another decline in gasoline exports to the USA. Secondly, the gasoil market strengthened further in northwest Europe, receiving support from the tight Mediterranean market in the first two decades of the month, coupled with European refiners focusing on boosting gasoline output. Thirdly, low sulphur fuel oil shipments to the US market, together with continuous heavy sulphur fuel oil exports to the Asian market, firmed fuel oil fundamentals.

Strong gross product worth (GPW), shaped largely by exceptional gasoline price rises, outperformed the relative price strength of Brent. As result, refining margins made enormous gains of over \$7/b in Rotterdam in May.

Hindered by planned and unplanned refinery outages, Eur-16's refinery throughput fell 225,000 b/d to 12.15 mb/d in May. The equivalent refinery utilization rate was 88%, nearly on par with last year's figure for the same period.

Prompted by strong regional demand, gasoline price rises overwhelmed Dubai's crude gains in the Singapore market in May. Refining margins touched \$5/b.

Singapore market

Average product price gains differed in magnitude with respect to the increase in the price of their marker crude, Dubai, which rose 9% in May. With a 13% rise, the average gasoline price outpaced its corresponding marker crude price, though average prices for gasoil and HSFO showed lower increases of 8% and 6% respectively. Nonetheless, an overall analysis of Asian product markets sheds light on a number of factors. China's product fundamentals continued to be the main contributor in shaping Asian product markets. Increased domestic gasoline demand in China slashed gasoline exports from the largest Asian gasoline exporter at a time when global demand was booming. Indonesia bought a monthly record 2.8 mb for May delivery. Australian requirements for gasoline surged, following the closure of the 72,000 b/d ExxonMobil's Port Stanvae refinery in South Australia. Furthermore, strong US gasoline prices attracted considerable volumes from South Korea, thereby exacerbating regional supply. Likewise, strong appetite for gasoil turned China from a net exporter into a net importer. In addition, prevailing strength in the country's air travel supported other distillate products like jet fuel. However, the fishing ban in the China Sea during June and July is expected to slash gasoil demand. Asian fuel oil saw rising supply, caused by prevailing high refinery runs in China and Singapore as well as continuous arrivals of foreign fuel oil cargoes, although the anticipation of strong renewed demand from China during the summer months provided considerable support to the Asian fuel oil price.

Twin big rises in gasoline and fuel oil prices pushed Dubai's refining margins to an average of \$5/b in Singapore in May.

In Japan, the ongoing maintenance season dented refinery throughput further to 3.48 mb/d, a drop of around 560,000 b/d from the previous month. The refinery utilization rate fell to 74.1% or 8% lower than in the corresponding period a year earlier.

Table 2
Refined product prices
US\$/b

		<u>Mar 04</u>	<u>Apr 04</u>	<u>May 04</u>	<u>Change May/Apr</u>
US Gulf					
Regular gasoline	(unleaded)	46.03	48.57	56.45	+7.88
Gasoil	(0.2% S)	37.51	37.76	41.76	+4.00
Fuel oil	(3.0% S)	23.38	24.78	27.28	+2.50
Rotterdam					
Premium gasoline	(unleaded)	41.68	45.48	53.11	+7.53
Gasoil	(0.2% S)	37.77	38.74	42.83	+4.09
Fuel oil	(3.5% S)	21.49	22.77	25.10	+2.33
Singapore					
Premium gasoline	(unleaded)	44.10	44.09	49.71	+5.62
Gasoil	(0.5% S)	38.42	42.82	44.62	+1.80
Fuel oil	(380 cst)	24.57	25.54	27.83	+2.29

Table 3
Refinery operations in selected OECD countries

	Refinery throughput mb/d			Refinery utilization* %		
	<u>Mar 04</u>	<u>Apr 04</u>	<u>May 04</u>	<u>Mar 04</u>	<u>Apr 04</u>	<u>May 04</u>
USA	14.93	15.48	15.86	89.4	92.7	95.0
France	1.70	1.83 ^R	1.62	86.9	93.5 ^R	83.3
Germany	2.03	2.19 ^R	2.24	88.4	95.7 ^R	97.7
Italy	1.84 ^R	1.80 ^R	1.84	79.4 ^R	77.9 ^R	79.4
UK	1.61	1.70 ^R	1.65	88.8	93.7 ^R	90.7
Eur-16	11.84	12.37 ^R	12.15	92.5 ^R	89.6 ^R	88.0
Japan	4.35	4.04 ^R	3.48	85.8 ^R	85.9 ^R	74.1

* In barrels per calendar day

R Revised since last issue

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

The Oil Futures Market

The Nymex light sweet crude contract reached new all time highs on heavy speculative activity

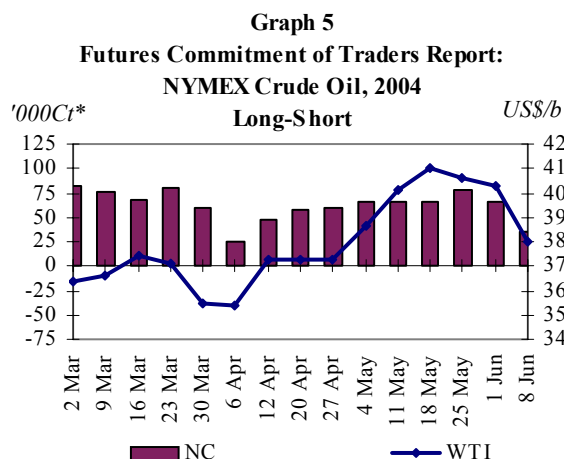
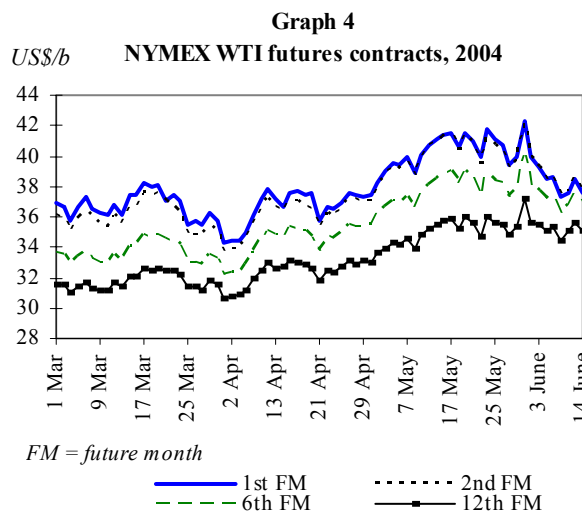
The Nymex light sweet crude contract finally managed to break through the psychological \$40/b barrier on 11 May. According to the Commodity Futures Trading Commission's Commitment of Traders report for that week, non-commercials increased their long positions by 7,350 lots while adding 6,464 lots to short holdings, resulting in a minor rise in net-long positions of 886 lots to 66,434 lots.

Interestingly enough the week ending 18 May saw a huge 9.4% drop in speculators long positions of 15,699 lots with shorts following suit, falling by 15% or 15,102 lots.

The combined effect left net-longs marginally lower at 65,837 lots. Meanwhile, the front month sweet crude contract continued to escalate reaching a new all time high of \$41.55/b on 17 May. Speculators perceptions focused more on terrorist acts against oil worker compounds in the Middle East, which raised concerns about possible supply disruptions by important regional producers, than on reassurance by OPEC that the Organization will raise production to guarantee that the market remains well supplied.

The week ending 25 May saw non-commercials adding some more length to long positions (4,000 lots) while disposing of net shorts by 7,400 lots resulting in a 17.5% rise in their net-long positions to 77,375 lots.

Open interest, an indication of the market's depth, remained near record highs above 710,000 lots touching an all time record on 1 June. By the end of the month speculators seem to have turned their attention to OPEC's Meeting in Beirut. Non-commercials considerably trimmed their long positions (10,000 lots) while at the same time increasing their shorts by 2,000 lots in a clearly bearish move. Speculators prepared for a possible decision by OPEC to raise production by decreasing their long holdings in the days before the 3 June Ministerial Meeting in Lebanon. **The OPEC decision to raise its official ceiling by 2 mb/d effective 1 July 2004 and by a further 0.5 mb/d on 1 August appears to have had the desired effect on crude oil markets. Following this announcement the Nymex front month sweet crude contract fell as much as \$4/b from an all time high of \$42.45/b.**



NC = Non-commercials: funds, investments and banks.

Ct = *Each contract is 1,000 barrels.

The Tanker Market

OPEC area spot-chartering rose in May on increasing oil production and early high June fixtures

OPEC area spot-chartering regained last month's losses, increasing by about 26% or 4.23 mb/d to 16.10 mb/d in May, which was about 2 mb/d higher than the level observed a year ago. The rise in OPEC spot fixtures of which Middle East chartering contributed about half, was mainly due to the increase of OPEC oil production over the previous month as most OPEC Member Countries exceeded their quotas in an attempt to cool record high oil prices at the end of May. Early June fixtures also added to this high level as charterers sought to secure tonnage at current freight rates, expecting that rates will continue to move upwards, especially after some OPEC Member Countries announced that they will increase oil production in June. **OPEC's share of global spot fixtures rose by about 5% to 65%, which was 6% above the same time in 2003.** As mentioned earlier, half of the increment occurred on the outbound Middle East routes, of which Middle East eastbound long-haul fixtures accounted for two thirds of this increase, rising by 1.54 mb/d to 6.05 mb/d, or 0.74 mb/d higher than the year ago level. Middle East westbound long-haul fixtures moved up 0.67 mb/d to stand at 2.90 mb/d, exceeding last year's level by 1.25 mb/d. Together, they accounted for about 56% of total OPEC fixtures, exactly the same percentage as in May 2003. **Non-OPEC spot chartering moved in the same direction but much less than that seen in the OPEC area, increasing slightly by 0.77 mb/d to 8.60 mb/d, or 1.08 mb/d below last year's figure.** Despite this rise, non-OPEC's share of global spot fixtures lost about 5% to stand at 35%, or 6% less than that registered a year earlier. **Accordingly, total global spot-chartering rose 5 mb/d to 24.70 mb/d, which was about 1 mb/d above May 2003.** Estimated sailings from the OPEC area during May 2004 declined by 1.15 mb/d to stand at 24.27 mb/d, mostly on a drop in non-Middle East sailings, while sailings from the Middle East remained almost steady, declining marginally by 0.05 mb/d to 15.88 mb/d. Despite this minor change, the share of Middle Eastern sailings in the OPEC area managed to rise by about 3% to 65%, or 7% less than last year's level. Preliminary estimates of long-haul arrivals in the US Gulf, East Coast and Caribbean displayed an increase of 0.96 mb/d to 11.80 mb/d. Also arrivals in NW Europe showed some increment, rising 0.20 mb/d to 7.27 mb/d, while arrivals in Euromed declined by the same 0.20 mb/d to 4.12 mb/d. In Japan, arrivals remained unchanged at last month's level.

Crude oil freight rates rose on high spot fixtures

Crude oil freight rates across all main routes and for all sectors benefited noticeably from high spot fixtures during May, especially from VLCCs on the Middle East eastbound long-haul route and AFRAMAX within the Mediterranean and from there to NW Europe. Soaring oil supply particularly from OPEC producers and increasing demand from Asian consumers especially China and India, with the addition of ongoing healthy demand from the USA, encouraged owners to seek higher rates, gaining support from relatively tight tonnage supply. **On the Middle East eastbound long-haul route, VLCC freight rates gained 17 points to stand on average at WS108, while rates on the Middle East westbound long-haul route moved up a marginal two points for a monthly average of WS85 due to a drop in shipments of heavy, sour Middle Eastern grades as Atlantic basin refineries were more interested in light, sweet grades to meet soaring gasoline demand.** High demand for light, sweet crudes, especially West African grades, pushed Suezmax freight rates up on the West Africa/US Gulf route by 8 points to a monthly average of WS131, while steady movement from NW Europe to the US East Coast added only two points to that route's rates, closing the month at WS145. Aframax freight rates were the biggest beneficiary in May, surging 40 points to WS166 on the Mediterranean/NW Europe route and 20 points to WS210 within the Mediterranean basin. High activity, especially in the second half of the month, helped Aframax freight rates on these two routes to head upward again after stagnation early in the month. In the Caribbean, freight rates gained 10 points on average to stand at WS164 benefiting from high rates early in the month before suffering a drop in the second half on dull trade. The smallest gain was registered for tankers on the Indonesia/US West Coast route due to steady activity. Rates on this route moved up by one point to a monthly average of WS146.

Product freight rates regained part of the previous month's losses

The product tanker market enjoyed a very good month as rates regained part of the heavy losses of the previous month. **Buoyant business, especially for cargoes for tankers of 30,000-50,000 dwt on the Middle East/Far East route, lifted rates on average by 16 points to WS179, while short-haul voyages from Singapore to the east gained only 4 points to WS278 as activity was not as good as on the long-haul route from the Middle East.** Within the Mediterranean basin and from there to NW Europe, freight rates also showed small increases, rising by 8 points to WS230 and by 5 points to WS280 respectively. Rates along the NW Europe/US East Coast route enjoyed the highest increment compared with other routes, increasing by 25 points to WS250 on very good activity, especially for gasoline cargoes as the US market remains very attractive for European

materials. Continuously strong gasoline demand in the USA also pushed freight rates up on the Caribbean/US Gulf route by 10 points to WS275.

Table 4
Spot tanker chartering: sailings and arrivals
mb/d

	<u>Mar 04</u>	<u>Apr 04</u>	<u>May 04</u>	<u>Change May/Apr</u>
Chartering				
All areas	24.22	19.70	24.70	5.00
OPEC	15.40	11.87	16.10	4.23
Middle East/east	5.43	4.51	6.05	1.54
Middle East/west	3.20	2.24	2.90	0.67
Sailings				
OPEC	23.62	25.42	24.27	-1.15
Middle East	16.86	15.93	15.88	-0.05
Arrivals				
US Gulf Coast, US East Coast, Caribbean	9.41	10.84	11.80	0.96
North West Europe	7.64	7.07	7.27	0.20
Euromed	4.30	4.32	4.12	-0.20
Japan	4.21	3.90	3.91	0.02

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

Table 5
Spot tanker freight rates
Worldscale

	Size <i>1,000 DWT</i>	<u>Mar 04</u>	<u>Apr 04</u>	<u>May 04</u>	<u>Change May/Apr</u>
Crude					
Middle East/east	200-300	101	91	108	17
Middle East/west	200-300	95	83	85	2
West Africa/US Gulf	100-160	157	123	131	8
North-West Europe/US East Coast	100-160	156	143	145	2
Indonesia/US West Coast	70-100	184	145	146	1
Caribbean/US East Coast	40-70	231	154	164	10
Mediterranean/Mediterranean	40-70	231	190	210	20
Mediterranean/North-West Europe	70-100	201	126	166	40
Products					
Middle East/east	30-50	261	163	179	16
Singapore/east	25-30	305	274	278	4
Caribbean/US Gulf Coast	25-30	342	265	275	10
North-West Europe/US East Coast	25-30	340	225	250	25
Mediterranean/Mediterranean	25-30	315	222	230	8
Mediterranean/North-West Europe	25-30	358	275	280	5

R = Revised

Source: Galbraith's Tanker Market Report as well as other relevant industry publications.

World Oil Demand

World demand for 2003 revised up by 0.08 mb/d to 78.68 mb/d, 1.67 mb/d higher than in 2002

Estimates for 2003

World

Compared with the 78.60 mb/d presented in the last *MOMR*, the average 2003 world oil demand estimate has been revised up by 0.08 mb/d to 78.68 mb/d, due to upward revisions in the actual historical consumption data of 0.10 mb/d in the second and 0.25 mb/d in the third quarter, partly offset by a minor downward adjustment of 0.03 mb/d in the first quarter data. **Nearly the whole of the upward revision originated in North America where the actual consumption data was 0.07 mb/d higher than the previous estimate.** The oil consumption estimate was also raised marginally by 0.01 mb/d in Other Asia. As a result, the yearly increment, i.e. the difference between the 2002 and the 2003 averages, has likewise been adjusted upwards by 0.08 mb/d to read 1.67 mb/d, equivalent to 2.17%. Quarterly and regional details are given in Table 6.

On a regional basis, OECD demand in 2003 is now estimated to have risen 0.82 mb/d or 1.71%, higher than the 1.56% reported in the last *MOMR*, following a minor drop of 0.07 mb/d in 2002. The growth rates in the other major consuming groups remain unchanged. The estimated 0.27 mb/d or 1.39% rise in Developing Countries consumption for 2003 is well above the 0.21 mb/d or 1.1% growth for 2002. Apparent demand in Other Regions, which comprise FSU, China and Former Eastern Europe, is estimated to have grown considerably by 0.58 mb/d or 6.06%, more than two-and-a-half times in volume and growth rate compared with the 0.21 mb/d or 2.21% growth of 2002.

Table 6
World oil demand in 2003
mb/d

	<u>2002</u>	<u>1Q03</u>	<u>2Q03</u>	<u>3Q03</u>	<u>4Q03</u>	<u>2003</u>	Change 2003/02	
							<u>Volume</u>	<u>%</u>
North America	24.16	24.53	24.25	25.13	24.91	24.71	0.55	2.29
Western Europe	15.11	15.19	14.98	15.26	15.53	15.24	0.13	0.89
OECD Pacific	8.50	9.61	8.04	7.88	8.99	8.63	0.13	1.53
Total OECD	47.76	49.33	47.28	48.27	49.43	48.58	0.82	1.71
Other Asia	7.49	7.56	7.57	7.69	8.05	7.72	0.23	3.08
Latin America	4.74	4.45	4.63	4.75	4.77	4.65	-0.09	-1.95
Middle East	4.94	4.95	4.85	5.25	5.12	5.04	0.10	2.03
Africa	2.53	2.55	2.54	2.55	2.62	2.56	0.04	1.39
Total DCs	19.70	19.52	19.58	20.24	20.56	19.98	0.27	1.39
FSU	3.78	4.02	3.35	3.68	4.16	3.80	0.02	0.62
Other Europe	0.73	0.77	0.75	0.72	0.80	0.76	0.03	3.65
China	5.03	5.41	5.46	5.76	5.61	5.56	0.53	10.50
Total "Other Regions"	9.55	10.20	9.57	10.16	10.58	10.13	0.58	6.06
Total world	77.01	79.05	76.43	78.67	80.56	78.68	1.67	2.17
Previous estimate	77.01	79.07	76.33	78.42	80.57	78.60	1.59	2.06
Revision	0.00	-0.03	0.10	0.25	0.00	0.08	0.08	0.10

Compared with the exceptionally weak first quarter 2002, world demand is estimated to have grown a significant 2.83%, or 2.18 mb/d, to average 79.05 mb/d in the first quarter 2003. This is the net effect of the much colder than normal weather in most parts of the northern hemisphere, fuel substitution in Japan as a result of nuclear power reactors maintenance, stockpiling ahead of the anticipated Iraq war, and record high natural gas prices in the USA. Second quarter 2003 consumption is estimated to have risen by 1.64% or 1.23 mb/d compared to the exceptionally weak second quarter 2002 thanks to robust economic growth in China and due to the continuation of fuel substitution in Japan. Third quarter consumption is assumed to have grown slightly more at 1.53 mb/d or 1.99%. The fourth quarter increment is estimated at 1.74 mb/d or 2.21%, representing the second largest quarterly rise in the year 2003. Detailed quarterly comparisons are presented in Tables 7 and 8.

Table 7
First and second quarter world oil demand comparison for 2003
mb/d

	Change 2003/02				Change 2003/02			
	<u>1Q02</u>	<u>1Q03</u>	<u>Volume</u>	<u>%</u>	<u>2Q02</u>	<u>2Q03</u>	<u>Volume</u>	<u>%</u>
North America	23.95	24.53	0.59	2.46	24.02	24.25	0.23	0.95
Western Europe	15.21	15.19	-0.02	-0.12	14.69	14.98	0.30	2.02
OECD Pacific	9.06	9.61	0.55	6.04	7.64	8.04	0.41	5.33
Total OECD	48.21	49.33	1.12	2.32	46.35	47.28	0.93	2.01
Other Asia	7.30	7.56	0.26	3.55	7.51	7.57	0.06	0.74
Latin America	4.70	4.45	-0.24	-5.18	4.77	4.63	-0.14	-2.97
Middle East	4.86	4.95	0.09	1.86	4.82	4.85	0.03	0.66
Africa	2.55	2.55	0.00	0.13	2.51	2.54	0.03	1.14
Total DCs	19.41	19.52	0.11	0.56	19.61	19.58	-0.03	-0.13
FSU	3.77	4.02	0.25	6.54	3.39	3.35	-0.04	-1.05
Other Europe	0.74	0.77	0.03	3.99	0.73	0.75	0.02	3.06
China	4.74	5.41	0.67	14.23	5.12	5.46	0.34	6.65
Total "Other Regions"	9.25	10.20	0.95	10.27	9.24	9.57	0.33	3.54
Total world	76.87	79.05	2.18	2.83	75.20	76.43	1.23	1.64

Totals may not add due to independent rounding.

Table 8
Third and fourth quarter world oil demand comparison for 2003
mb/d

	Change 2003/02				Change 2003/02			
	<u>3Q02</u>	<u>3Q03</u>	<u>Volume</u>	<u>%</u>	<u>4Q02</u>	<u>4Q03</u>	<u>Volume</u>	<u>%</u>
North America	24.31	25.13	0.82	3.38	24.34	24.91	0.57	2.35
Western Europe	15.20	15.26	0.06	0.36	15.33	15.53	0.20	1.32
OECD Pacific	8.03	7.88	-0.15	-1.87	9.26	8.99	-0.27	-2.95
Total OECD	47.54	48.27	0.73	1.53	48.93	49.43	0.50	1.03
Other Asia	7.48	7.69	0.21	2.84	7.66	8.05	0.39	5.12
Latin America	4.81	4.75	-0.06	-1.33	4.69	4.77	0.08	1.65
Middle East	5.13	5.25	0.12	2.32	4.96	5.12	0.16	3.21
Africa	2.50	2.55	0.05	1.99	2.56	2.62	0.06	2.28
Total DCs	19.92	20.24	0.32	1.59	19.87	20.56	0.69	3.46
FSU	3.67	3.68	0.01	0.18	4.28	4.16	-0.12	-2.81
Other Europe	0.73	0.72	-0.01	-1.31	0.74	0.80	0.07	8.84
China	5.27	5.76	0.49	9.36	5.00	5.61	0.61	12.16
Total "Other Regions"	9.67	10.16	0.49	5.07	10.02	10.58	0.55	5.52
Total world	77.13	78.67	1.53	1.99	78.82	80.56	1.74	2.21

Totals may not add due to independent rounding.

OECD

The estimated OECD consumption at 48.58 mb/d constitutes 62% of the total world demand in 2003 as indicated in the previous *MOMR*. **Out of the forecast 1.67 mb/d world oil consumption increment in 2003, about 0.82 mb/d or nearly a half is expected to initiate in the OECD.** Within the group, **North America ranks first in estimated demand growth with 0.55 mb/d, close to 68% of the group demand increment.** OECD Pacific and Western Europe rank second each with 0.13 mb/d, equivalent to 16%.

The comparison of actual 2003 and 2002 consumption data suggests that during 2003, the leading volume and percentage gainer product was gasoil/diesel with a 0.34 mb/d or 2.85% rise in consumption. This is because of fuel switching in the USA and across Europe. The second volume and percentage gainer product was naphtha which experienced 0.08 mb/d or 2.68% growth

thanks to healthy margins in the petrochemical sector. Direct use also underwent an exceptionally high growth at 42.15% due to nuclear reactor maintenance in Japan. The only product whose consumption lost ground at 0.03 mb/d or 0.52% was LPG due mostly to sustained high prices which led to a decline in consumption in the USA.

DCs

In Developing Countries, oil demand is estimated to have grown at 0.27 mb/d or 1.39% to 19.98 mb/d. The consumption in Latin America is estimated to have contracted by 0.09 mb/d or 1.95% to average 4.65 mb/d, similar to the year 2002 when demand weakened by 0.12 mb/d, indicating a continuation of persistent economic and financial problems. **Other Asia is estimated to have registered the highest volume and percentage growth at 0.23 mb/d or 3.08%**, followed by the Middle East and Africa at 0.10 mb/d or 2.03% and 0.04 mb/d or 1.39% respectively.

Other Regions

Apparent demand in the Other Regions in 2003 is estimated at 10.13 mb/d, similar to the level mentioned in the last *MOMR*. Their share of the world oil consumption also remains unchanged at 13%. China's demand growth estimate remains unchanged at 0.53 mb/d or 10.50%, equivalent to 32% of the total world demand increment, and more than double the country's consumption growth in 2002. Within the group, **China's apparent demand of 5.56 mb/d is expected to have registered the highest volume and percentage growth.** The FSU, with a demand growth average of 3.80 mb/d, is estimated to have experienced a negligible demand rise of 0.02 mb/d or 0.62%. Apparent demand in the Other Europe is estimated to have grown relatively substantially at 0.03 mb/d or 3.65%.

Forecast for 2004

The unexpected strength in the 2004 oil demand has taken many analysts by surprise. Evidence of actual consumption in the first quarter, and part of the second, point to unexpectedly strong demand in North America, Western Europe, Other Asia and the Middle East. Based on such evidence and on higher prospects for economic growth and continued strength in China's demand as well as those of the OECD and Developing Countries, **the average world oil demand forecast for 2004 has been revised up by 0.17 mb/d to 80.58 mb/d**, compared with the 80.40 mb/d presented in the last *MOMR*. This indicates substantial growth of 2.41%, representing a seven-year high and the highest rate since the 3.12% growth registered in 1997. However, the anticipated oil demand growth for 2004 has only been raised by 0.09 mb/d to 1.90 mb/d to reflect the simultaneous upward revision in average 2003 oil demand estimate. **The entire quarterly averages have been revised up, along with two of the regional averages, reflecting in part upward revisions in their corresponding 2003 averages.**

On a regional basis, oil demand is forecast to register solid growth in all three major country groups. The demand in the OECD is now expected to grow at the lowest rate of 1.03% or 0.50 mb/d, due to lower consumption prospects in the OECD Pacific. Demand growth in the Other Regions is forecast to rank first with 0.79 mb/d or 7.77% growth, equivalent to 41% of the total world demand increment. The second highest volume and percentage growth at 0.61 mb/d or 3.05% is attributable to the Developing Countries. Their share of the world demand growth also ranks second at 32%.

Every single 2004 quarter is forecast to share in the oil demand growth. The first and third quarters are expected to account for the lowest growth rates at 1.84 mb/d or 2.32% and 1.81 mb/d or 2.30% respectively. **The second quarter is forecast to enjoy the highest rise at 2.02 mb/d or 2.64%.** The second highest growth at 1.93 mb/d or 2.39% is expected in the fourth quarter.

OECD

The forecast OECD consumption at 49.08 mb/d constitutes 61% of the total world demand in 2004. Out of the forecast 1.90 mb/d world oil consumption increment in 2004, about 0.50 mb/d or nearly 26% is expected to initiate in the OECD, substantially less than is proportional to its weight in total world consumption. Within the group, **North America ranks first in forecast demand growth with 0.44 mb/d, close to 87% of the group demand increment, while** Western Europe ranks second with 0.17 mb/d. OECD Pacific, however, is expected to register a fall in oil demand of 0.11 mb/d or 1.25%.

World demand for 2004 revised up by 0.17 mb/d to 80.58 mb/d, an increase of 1.90 mb/d from 2003

The comparison of actual January-March 2004 consumption to that in the corresponding quarter in 2003 suggests that during that period OECD consumption rose by 0.49 mb/d or 1.00%. **The leading volume and percentage loser product was residual fuel oil with a 0.26 mb/d or 7.77% drop in consumption. The largest portion of this drop is attributable to the return of most of Japan's nuclear power generators onstream.** Direct use also underwent an exceptionally deep decline at 43.46% to reverse an exceptional gain in the previous year due to the nuclear reactor maintenance in Japan. **The product whose consumption gained ground considerably at 0.34 mb/d or 2.43% was gasoline** due mostly to robust transport-induced demand in North America.

DCs

In Developing Countries, oil demand is forecast to grow at 0.61 mb/d or 3.05% to 20.59 mb/d in 2004, more than twice the growth rate of the year before. Consumption in Latin America is forecast to rise by 0.10 mb/d or 2.08% to average 4.75 mb/d, reversing the downward trend in the previous years. **Other Asia is forecast to register the highest volume and percentage growth at 0.29 mb/d or 3.75%** followed by the Middle East at 0.17 mb/d or 3.42%. Latin America and Africa are next with 0.10 mb/d and 0.05 mb/d respectively.

Other regions

Apparent demand in the Other Regions in 2004 is forecast at 10.91 mb/d, the same level as mentioned in the last *MOMR*. Their share of the world oil consumption remains unchanged at 14%. **The group's demand increment is now forecast at 41% of the world increment or 0.77 mb/d, of which 0.72 mb/d is attributable to China. The consumption growth forecast in China is 12.92%, even higher than the significant 10.50% rise estimated for the previous year.** The FSU, with 3.83 mb/d average consumption, is forecast to register a negligible demand rise at 0.02 mb/d or 0.59%. Apparent demand in Other Europe is expected to grow relatively substantially at 0.05 mb/d or 6.03%.

Table 9
World oil demand forecast for 2004
mb/d

	<u>2003</u>	<u>1Q04</u>	<u>2Q04</u>	<u>3Q04</u>	<u>4Q04</u>	<u>2004</u>	Change 2004/03	
							<u>Volume</u>	<u>%</u>
North America	24.71	25.09	24.56	25.51	25.41	25.14	0.44	1.76
Western Europe	15.24	15.52	15.09	15.37	15.67	15.41	0.17	1.13
OECD Pacific	8.63	9.24	7.99	7.92	8.93	8.52	-0.11	-1.25
Total OECD	48.58	49.85	47.64	48.80	50.01	49.08	0.50	1.03
Other Asia	7.72	7.97	7.87	7.92	8.28	8.01	0.29	3.75
Latin America	4.65	4.56	4.72	4.85	4.86	4.75	0.10	2.08
Middle East	5.04	5.18	5.07	5.36	5.25	5.22	0.17	3.42
Africa	2.56	2.57	2.63	2.58	2.68	2.62	0.05	2.01
Total DCs	19.98	20.28	20.29	20.71	21.07	20.59	0.61	3.05
FSU	3.80	3.45	3.57	3.90	4.39	3.83	0.02	0.59
Other Europe	0.76	0.88	0.81	0.73	0.81	0.81	0.05	6.03
China	5.56	6.44	6.14	6.34	6.21	6.28	0.72	12.92
Total "Other Regions"	10.13	10.76	10.52	10.97	11.41	10.91	0.79	7.77
Total world	78.68	80.88	78.45	80.47	82.49	80.58	1.90	2.41
Previous estimate	78.60	80.67	78.30	80.18	82.44	80.40	1.80	2.29
Revision	0.08	0.21	0.15	0.30	0.05	0.17	0.09	0.12

Totals may not add due to independent rounding.

Table 10
First and second quarter world oil demand comparison for 2004
mb/d

	<u>1Q03</u>	<u>1Q04</u>	Change 2004/03		<u>2Q03</u>	<u>2Q04</u>	Change 2004/03	
			<u>Volume</u>	<u>%</u>			<u>Volume</u>	<u>%</u>
North America	24.53	25.09	0.56	2.26	24.25	24.56	0.31	1.27
Western Europe	15.19	15.52	0.33	2.16	14.98	15.09	0.11	0.75
OECD Pacific	9.61	9.24	-0.37	-3.82	8.04	7.99	-0.06	-0.69
Total OECD	49.33	49.85	0.52	1.05	47.28	47.64	0.37	0.78
Other Asia	7.56	7.97	0.41	5.44	7.57	7.87	0.30	3.98
Latin America	4.45	4.56	0.10	2.31	4.63	4.72	0.09	1.99
Middle East	4.95	5.18	0.23	4.61	4.85	5.07	0.22	4.61
Africa	2.55	2.57	0.02	0.67	2.54	2.63	0.09	3.50
Total DCs	19.52	20.28	0.76	3.89	19.58	20.29	0.71	3.60
FSU	4.02	3.45	-0.57	-14.26	3.35	3.57	0.21	6.32
Other Europe	0.77	0.88	0.11	14.11	0.75	0.81	0.06	7.38
China	5.41	6.44	1.02	18.94	5.46	6.14	0.68	12.46
Total "Other Regions"	10.20	10.76	0.56	5.49	9.57	10.52	0.95	9.91
Total world	79.05	80.88	1.84	2.32	76.43	78.45	2.02	2.64

Totals may not add due to independent rounding.

Table 11
Third and fourth quarter world oil demand comparison for 2004
mb/d

	<u>3Q03</u>	<u>3Q04</u>	Change 2004/03		<u>4Q03</u>	<u>4Q04</u>	Change 2004/03	
			<u>Volume</u>	<u>%</u>			<u>Volume</u>	<u>%</u>
North America	25.13	25.51	0.38	1.51	24.91	25.41	0.50	2.01
Western Europe	15.26	15.37	0.11	0.75	15.53	15.67	0.14	0.89
OECD Pacific	7.88	7.92	0.04	0.51	8.99	8.93	-0.06	-0.62
Total OECD	48.27	48.80	0.53	1.11	49.43	50.01	0.58	1.18
Other Asia	7.69	7.92	0.22	2.91	8.05	8.28	0.22	2.77
Latin America	4.75	4.85	0.10	2.09	4.77	4.86	0.09	1.96
Middle East	5.25	5.36	0.11	2.09	5.12	5.25	0.13	2.54
Africa	2.55	2.58	0.04	1.44	2.62	2.68	0.06	2.40
Total DCs	20.24	20.71	0.47	2.32	20.56	21.07	0.51	2.48
FSU	3.68	3.90	0.22	5.86	4.16	4.39	0.22	5.37
Other Europe	0.72	0.73	0.01	1.36	0.80	0.81	0.01	1.44
China	5.76	6.34	0.58	10.03	5.61	6.21	0.60	10.64
Total "Other Regions"	10.16	10.97	0.80	7.90	10.58	11.41	0.83	7.87
Total world	78.67	80.47	1.81	2.30	80.56	82.49	1.93	2.39

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC supply for 2003 remained almost unchanged at 48.66 mb/d in May, an increase of 0.90 mb/d over the figure for 2002

Non-OPEC

Estimate for 2003

The 2003 non-OPEC supply figure remains almost unchanged at 48.66 mb/d. The quarterly distribution stands at 48.64 mb/d, 47.95 mb/d, 48.55 mb/d and 49.50 mb/d respectively, while the yearly average increase shows 0.90 mb/d, compared with the 2002 figure.

Table 12
Non-OPEC oil supply in 2003
mb/d

	<u>2002</u>	<u>1Q03</u>	<u>2Q03</u>	<u>3Q03</u>	<u>4Q03</u>	<u>2003</u>	Change 03/02
North America	14.48	14.69	14.44	14.64	14.78	14.64	0.16
Western Europe	6.65	6.78	6.23	6.09	6.49	6.40	-0.26
OECD Pacific	0.76	0.67	0.65	0.68	0.58	0.64	-0.11
Total OECD	21.89	22.14	21.32	21.41	21.84	21.68	-0.21
Other Asia	2.27	2.38	2.37	2.39	2.45	2.39	0.13
Latin America	3.87	3.90	3.82	3.96	3.96	3.91	0.04
Middle East	2.06	2.04	2.00	1.97	1.96	1.99	-0.07
Africa	3.03	2.91	2.96	3.07	3.24	3.05	0.02
Total DCs	11.23	11.23	11.15	11.39	11.60	11.34	0.11
FSU	9.34	9.89	10.10	10.40	10.66	10.27	0.92
Other Europe	0.18	0.17	0.18	0.17	0.17	0.17	0.00
China	3.39	3.40	3.44	3.38	3.40	3.41	0.01
Total "Other regions"	12.91	13.46	13.72	13.95	14.24	13.85	0.93
Total non-OPEC production	46.03	46.83	46.19	46.76	47.68	46.87	0.84
Processing gains	1.73	1.81	1.77	1.79	1.82	1.80	0.06
Total non-OPEC supply	47.76	48.64	47.95	48.55	49.50	48.66	0.90
Previous estimate	47.76	48.64	47.92	48.59	49.52	48.67	0.91
Revision	0.00	0.00	0.04	-0.05	-0.03	-0.01	-0.01

Totals may not add due to independent rounding.

Non-OPEC supply forecast for 2004 was almost unchanged at 50.00 mb/d, an increase of 1.34 mb/d above 2003

Forecast for 2004

Non-OPEC supply for 2004 is forecast to rise 1.34 mb/d. North America is expected to witness an increase of 0.14 mb/d, solely from Canada and Mexico (0.21 mb/d and 0.09 mb/d), partially offset by an expected 0.16 mb/d decline in the USA. Western Europe is expected to see a sharp decline as UK output should fall 0.28 mb/d. This, combined with a drop in OECD Pacific, should leave total OECD supply down by 0.21 mb/d. Total Developing Countries are expected to rise 0.57 mb/d mainly from Other Asia, with India and Malaysia showing a rise of 0.07 mb/d and 0.05 mb/d, and Africa with Angola, Chad and Equatorial Guinea adding 0.10 mb/d, 0.16 mb/d and 0.15 mb/d. FSU is expected to be the major contributor to the rise in non-OPEC supply, mainly on Russia's 0.82 mb/d and Kazakhstan's 0.11 mb/d increases. The redistributed quarterly figures, augmented by new data, now stand at 49.65 mb/d, 49.54 mb/d, 49.88 mb/d and 50.94 mb/d respectively. The yearly average is forecast at 50.00 mb/d.

Table 13
Non-OPEC oil supply in 2004
mb/d

	<u>2003</u>	<u>1Q04</u>	<u>2Q04</u>	<u>3Q04</u>	<u>4Q04</u>	<u>2004</u>	<u>Change</u> <u>04/03</u>
North America	14.64	14.78	14.67	14.76	14.90	14.78	0.14
Western Europe	6.40	6.40	6.18	5.77	6.15	6.12	-0.27
OECD Pacific	0.64	0.58	0.58	0.58	0.50	0.56	-0.09
Total OECD	21.68	21.76	21.43	21.11	21.54	21.46	-0.21
Other Asia	2.39	2.53	2.52	2.55	2.61	2.55	0.16
Latin America	3.91	3.89	3.88	3.97	4.01	3.94	0.03
Middle East	1.99	1.93	1.91	1.90	1.89	1.91	-0.08
Africa	3.05	3.30	3.38	3.58	3.78	3.51	0.46
Total DCs	11.34	11.66	11.69	12.00	12.29	11.91	0.57
FSU	10.27	10.79	11.00	11.35	11.64	11.20	0.93
Other Europe	0.17	0.17	0.17	0.17	0.17	0.17	0.00
China	3.41	3.43	3.44	3.41	3.43	3.43	0.02
Total "Other regions"	13.85	14.38	14.60	14.93	15.24	14.79	0.94
Total non-OPEC production	46.87	47.80	47.72	48.04	49.08	48.16	1.30
Processing gains	1.80	1.85	1.81	1.83	1.87	1.84	0.05
Total non-OPEC supply	48.66	49.65	49.54	49.88	50.94	50.00	1.34
Previous estimate	48.67	49.76	49.22	50.02	51.04	50.01	1.34
Revision	-0.01	-0.10	0.32	-0.14	-0.10	-0.01	0.00

Totals may not add due to independent rounding.

Net FSU oil exports forecast at 7.37 mb/d for 2004

The FSU net oil exports for 2004 are expected at 7.37 mb/d, while the figures for 2000–2003 remain unchanged from the last *MOMR*.

Table 14
FSU net oil exports
mb/d

	<u>1Q</u>	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>	<u>Year</u>
2000	3.97	4.13	4.47	4.01	4.14
2001	4.30	4.71	4.89	4.47	4.59
2002	5.14	5.76	5.85	5.49	5.56
2003 (estimate)	5.87	6.75	6.72	6.50	6.46
2004 (forecast)	7.34	7.43	7.46	7.25	7.37

OPEC NGL forecast for 2004 at 3.85 mb/d, an increase of 0.19 mb/d over 2003

OPEC natural gas liquids and non-conventional oils

The OPEC NGL+NCO figure for 2004 is forecast at 3.84 mb/d, an increase of 0.19 mb/d over the 2003 figure. Figures for 2000–2002 remain unchanged at 3.34 mb/d, 3.58 mb/d and 3.62 mb/d respectively, compared with those from the last *MOMR*.

OPEC NGL production — 2000–2004
mb/d

								<u>Change</u>	<u>Change</u>
<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>1Q03</u>	<u>2Q03</u>	<u>3Q03</u>	<u>4Q03</u>	<u>2003</u>	<u>03/02</u>	<u>2004</u>
3.34	3.58	3.62	3.52	3.66	3.72	3.72	3.66	0.04	3.85
									0.19

Available secondary sources put OPEC's May production at 28.28 mb/d

OPEC crude oil production

Available secondary sources indicate that **OPEC output for May was 28.28 mb/d, an increase of 0.24 mb/d over the revised April figure.** Table 15 shows OPEC production, as reported by selected secondary sources.

Table 15
OPEC crude oil production based on secondary sources
1,000 b/d

	<u>2002</u>	<u>4Q03</u>	<u>2003</u>	<u>1Q04</u>	<u>Apr 04</u>	<u>May 04*</u>	Change May/Apr
Algeria	864	1,178	1,134	1,171	1,176	1,199	24
Indonesia	1,120	1,000	1,027	981	976	972	-4
IR Iran	3,416	3,856	3,757	3,889	3,883	3,914	31
Iraq	2,000	1,845	1,323	2,113	2,359	1,960	-399
Kuwait	1,885	2,201	2,173	2,234	2,232	2,300	68
SP Libyan AJ	1,314	1,446	1,422	1,461	1,468	1,476	8
Nigeria	1,969	2,272	2,131	2,342	2,351	2,346	-5
Qatar	648	751	746	758	761	771	10
Saudi Arabia	7,535	8,413	8,709	8,420	8,264	8,590	326
UAE	1,988	2,212	2,243	2,252	2,080	2,256	176
Venezuela	2,586	2,544	2,291	2,513	2,490	2,491	2
Total OPEC	25,323	27,718	26,954	28,136	28,039	28,275	236

Totals may not add due to independent rounding.

* Not all sources available.

Rig Count

**Non-OPEC rig count
up 46 in April**

Non-OPEC

Non-OPEC rig activity was higher in May. North America gained 51 rigs to reach 1,467 compared with the April figure, while Western Europe lost 9 rigs to 65. Rig activity in Developing Countries rose 3 rigs to 374, mainly contributed by Africa.

Table 16
Non-OPEC rig count in 2002–2004

	<u>2002</u>	<u>2003</u>	<u>Change</u> <u>03/02</u>	<u>Apr 04</u>	<u>May 04</u>	<u>Change</u> <u>May/Apr</u>
North America	1,162	1,496	333	1,416	1,467	51
Western Europe	85	78	–7	74	65	–9
OECD Pacific	17	18	1	21	22	1
OECD	1,264	1,592	328	1,511	1,554	43
Other Asia	111	117	7	128	128	0
Latin America	106	116	10	124	125	1
Middle East	62	70	7	69	67	–2
Africa	43	48	5	50	54	4
DCs	322	350	28	371	374	3
FSU	na	na	na	na	na	na
Other Europe	2	2	0	2	2	0
China	na	na	na	na	na	na
Other regions	na	na	na	na	na	na
Total non-OPEC	1,588	1,944	356	1,884	1,930	46

Totals may not add due to independent rounding.

na: not available

Source: Baker Hughes International.

**OPEC added 9 rigs in
May**

OPEC

OPEC's rig count stood at 245 in May, an increase of 9 rigs compared with the April figure. The rise in rig activity was mainly contributed by Algeria, Indonesia, Iran and Venezuela.

Table 17
OPEC rig count

	<u>2002</u>	<u>2003</u>	<u>Change</u> <u>03/02</u>	<u>Apr 04</u>	<u>May 04</u>	<u>Change</u> <u>Apr / Mar</u>
Algeria	20	20	0	19	22	3
Indonesia	46	45	–1	46	49	3
IR Iran	34	35	1	41	43	2
Iraq	na	na	na	na	na	na
Kuwait	6	5	–1	8	8	0
SP Libyan AJ	10	10	0	10	10	0
Nigeria	12	10	–2	7	7	0
Qatar	13	8	–5	8	6	–2
Saudi Arabia	32	32	0	31	31	0
UAE	16	16	0	17	17	0
Venezuela	42	37	–6	49	52	3
Total OPEC	231	217	–14	236	245	9

Totals may not add due to independent rounding.

na: not available

Source: Baker Hughes International.

Stock Movements

US commercial stocks showed a further build of 0.6 mb/d at the end of May

USA

US commercial onland oil stocks continued the upward trend observed in the last three months, rising a seasonable 16.5 mb or 0.6 mb/d to 943.6 mb during the period 30 April-28 May 2004. This build widened the year-on-year (y-o-y) surplus to 17.3 mb or 5.1%. Although imports exceeded 10 mb/d for the last four weeks, reaching 10.7 mb/d in the week ending 28 May and representing the second largest weekly average ever, crude oil stocks rose only slightly by 2.8 mb to 301.7 mb. This was due to US refining activity, which hit a new high of almost 16 mb/d at the end of the month, about 700,000 b/d more than last month, which showed that refineries were focused on producing more products. The level of crude oil stocks of 301.7 mb observed in the week ending 28 May was the highest level since the week ending 23 August 2002. This is due to the jump in crude oil imports as OPEC continued to send more oil to the market. With the OPEC decision to increase the ceiling, crude oil imports are expected to remain at hefty levels in the coming weeks. On the product side, gasoline stocks showed a slight build of 0.3 mb to 204.3 mb, lifting the y-o-y deficit to 3.9 mb or 1.3%. The week ending 28 May saw an increase of 1.3 mb compared to the previous week, mainly due to the increase in production combined with higher imports. Gasoline imports were around 30% above a year ago and up 47% compared to the five-year average. At the cusp of the peak demand summer driving season, which began in the last weekend in May, demand for gasoline remained strong, averaging 9.2 mb/d over the last four weeks or 1.5% above the same period last year. The question is now whether the US refining industry will be able to process enough crude into gasoline to satisfy soaring demand in the summer. Meanwhile, distillate stocks increased by 1.7 mb to 108.9 mb, which was 3.9 mb or 3.7% ahead of last year's level. This build came despite strong apparent demand of around 4.0 mb/d over the last four-week period.

The SPR continued to rise in the same period, increasing 2.7 mb to 660.3 mb, widening the y-o-y surplus to around 58 mb.

In the week ending 4 June, US commercial stocks showed an increase of 3.4 mb to 947.0 mb, leaving the y-o-y surplus at around 18 mb or 2%. Crude oil inventories rose slightly by 0.4 mb to 302.1 mb and are now 18.5 mb or 6.1% above this time last year. Even with the 0.22 mb/d decline, crude oil input remained high at around 10.4 mb/d, while crude runs reached 16.0 mb/d, up 0.2 mb/d from the previous week. Refineries operated at 96% in order to build more product stocks to cope with summer demand. Gasoline inventories, which increased by 2.1 mb to 206.4 mb, are currently 1.6 mb or 0.8% less than a year ago. This build came as demand fell by 0.21 mb/d to 9.1 mb/d amid destocking by retailers, but remained at a healthy 0.5 mb/d above this time last year as well as over the five-year average. Distillate stocks registered a contra-seasonal draw of 0.61 mb to 108.3 mb on strong demand which surpassed 4 mb/d and is now 0.5 mb/d above last year at this time and 0.6 mb/d over the five-year average.

Table 18
US onland commercial petroleum stocks[†]
mb

	<u>2 Apr 04</u>	<u>30 Apr 04</u>	<u>28 May 04</u>	<u>Change</u> <u>May/Apr</u>	<u>28 May 03</u>	<u>4 June 04**</u>
Crude oil (excl. SPR)	292.2	298.9	301.7	2.80	284.4	302.1
Gasoline	200.1	204.0	204.3	0.30	208.2	206.4
Distillate fuel	105.2	107.2	108.9	1.70	105.0	108.3
Residual fuel oil	37.6	35.3	36.5	1.20	35.6	34.9
Jet fuel	35.1	35.6	37.1	1.50	39.7	38.0
Unfinished oils	93.5	89.8	89.2	-0.60	84.6	87.5
Other oils	149.3	156.3	165.9	9.60	165.6	169.8
Total	912.9	927.1	943.6	16.50	923.1	947.0
SPR	652.1	657.6	660.3	2.70	602.7	661.3

* At end of month, unless otherwise stated

** Latest available data at time of report's release

Source: US Department of Energy's Energy Information Administration

A build of 0.1 mb/d occurred in EU-16 stocks in May, mainly due to a large increase in product stocks

Western Europe

At the end of May, total oil stocks in the EUR-16 (EU plus Norway) saw a reversal in the trend of the previous two months, increasing 3.2 mb to 1,065 mb, which was around 7.7 mb or 0.7% above last year's figure at this time. Total major products were the main contributor to the build, rising 11.6 mb to 616.4 mb, while crude oil stocks provided a cap dropping 8.4 mb to 449.2 mb. At this level, crude oil inventories represent a y-o-y deficit of 2.3 mb or 0.5%. The draw on crude oil stocks occurred despite a drop in European crude runs, which fell 0.23 mb/d to 11.94 mb, but were still up 1.8% from May 2003. Gasoline stocks rose 1.9 mb to 141.7 mb after three months of draws, mainly due to high European prices combined with rising freight rates that closed the transatlantic arbitrage for the latter part of the month. With this build, gasoline stocks now stand at around 1.0 mb or an increase of 0.7% from a year ago. Distillate stocks also continued their upward build for the third consecutive month, increasing 5.9 mb to 335.5 mb, a rise of 3.4 mb or 1% from the previous year. This build came on the back of hefty exports from Russia, although growing Russian demand at the beginning of the main agricultural season is expected to restrict gasoil exports. Fuel oil inventories reversed the trend observed in the last three months, increasing 3.0 mb to 114.1 mb, leaving the y-o-y surplus at a comfortable level of 6.4 mb or 5.9%.

Table 19
Western Europe's oil stocks*
mb

	<u>Mar 04</u>	<u>Apr 04</u>	<u>May 04</u>	<u>Change</u> <u>May/Apr</u>	<u>May 03</u>
Crude oil	463.0	457.6	449.2	-8.4	451.6
Mogas	145.4	139.8	141.7	1.9	140.7
Naphtha	24.6	24.2	25.1	0.9	25.8
Middle distillates	326.5	329.6	335.5	5.9	332.1
Fuel oils	112.7	111.2	114.1	3.0	107.8
Total products	609.2	604.8	616.4	11.6	606.3
Overall total	1,072.2	1,062.5	1,065.6	3.2	1,057.9

* At end of month, with region consisting of the Eur-16

Source: Argus, Euroilstock

Japan

Japan saw a stock draw of 0.1 mb/d at the end of April

Commercial onland stocks continued their down-trend at the end of April, decreasing 2.8 mb at a rate of 0.09 mb/d to 160.2 mb. This was solely on an 8.2 mb decline in crude oil stocks to 100.0 mb, while total product inventories partially offset this draw with an increase of 5.4 mb to 60.3 mb. The fall in commercial oil stocks widened the y-o-y shortage to 11.3 mb or 6.6%. The considerable draw on crude oil stocks left them at the lowest level since November 2002. This draw came on the back of low crude imports, which fell by almost 16% compared to the previous month and by 15% versus this time last year. With a very heavy refinery maintenance schedule for this year, Japanese crude oil throughput dropped by 10% versus last month and about 4% less than a year earlier. Gasoline stocks rose 1.0 mb to 14.5 mb, but remained at the same level as this time last year. This build came due to strong gasoline imports, which rose 9.7%, despite the fact that Japan normally does not begin to import gasoline until the May-June period. While Japanese gasoline imports have begun earlier than normal, April imports were more than twice as high compared to the previous year at this time. Middle distillate inventories also rose 3.3 mb to 26.4 mb, reducing the y-o-y deficit by 1.7 mb or 5.9%. Kerosene, which is the main component of middle distillates, registered a seasonable build of 15.3% amid low domestic sales. Residual fuel stocks saw an increase of 1.1 mb to 19.4 mb, but still remained 1.5 mb or 7.3% less than a year ago. Both fuel oil A and fuel oil B.C showed a build of 2.6% and 8.6% respectively as a consequence of decreased consumption.

Table 20
Japan's commercial oil stocks*
mb

	<u>Feb 04</u>	<u>Mar 04</u>	<u>Apr 04</u>	Change <u>Apr/Mar</u>	<u>Apr 03</u>
Crude oil	108.3	108.17	100.0	-8.2	108.1
Gasoline	14.1	13.49	14.5	1.0	14.5
Middle distillates	27.8	23.10	26.4	3.3	28.0
Residual fuel oil	19.5	18.24	19.4	1.1	20.9
Total products	61.4	54.8	60.3	5.4	63.5
Overall total**	169.7	163.0	160.2	-2.8	171.6

* At end of month

** Includes crude oil and main products only

Source: MITI, Japan

Balance of Supply and Demand

**2003 supply/demand
difference revised up to
26.36 mb/d**

The summarized supply/demand balance table for 2003 shows a minor downward revision to total non-OPEC supply of 0.01 mb/d to 52.32 mb/d and an upward revision to world oil demand of 0.08 mb/d to 78.68 mb/d, resulting in an estimated annual difference of around 26.36 mb/d. The quarterly distribution stands at 26.89 mb/d, 24.81 mb/d, 26.40 mb/d and 27.34 mb/d respectively, while the quarterly balance shows -0.12 mb/d, 1.66 mb/d, 0.44 mb/d and 0.37 mb/d. The annual average balance now stands at 0.59 mb/d.

Table 21
Summarized supply/demand balance for 2003
mb/d

	<u>2002</u>	<u>1Q03</u>	<u>2Q03</u>	<u>3Q03</u>	<u>4Q03</u>	<u>2003</u>
(a) World oil demand	77.01	79.05	76.43	78.67	80.56	78.68
(b) Non-OPEC supply ⁽¹⁾	51.38	52.15	51.62	52.27	53.22	52.32
Difference (a – b)	25.63	26.89	24.81	26.40	27.34	26.36
OPEC crude oil production ⁽²⁾	25.32	26.78	26.47	26.84	27.72	26.95
Balance	-0.31	-0.12	1.66	0.44	0.37	0.59

(1) Including OPEC NGLs + non-conventional oils.

(2) Selected secondary sources.

Totals may not add due to independent rounding.

**2004 supply/demand
difference expected at
26.73 mb/d**

The summarized supply/demand balance table for 2004 expects world oil demand to reach 80.58 mb/d and total non-OPEC supply likely to see 53.85 mb/d. This has resulted in a difference of around 26.73 mb/d, with a quarterly distribution of 27.42 mb/d, 25.05 mb/d, 26.76 mb/d and 27.68 mb/d respectively. The balance for the first quarter of 2004 was revised downward significantly by 0.30 mb/d and now stands at 0.71 mb/d.

Table 22
Summarized supply/demand balance for 2004
mb/d

	<u>2003</u>	<u>1Q04</u>	<u>2Q04</u>	<u>3Q04</u>	<u>4Q04</u>	<u>2004</u>
(a) World oil demand	78.68	80.88	78.45	80.47	82.49	80.58
(b) Non-OPEC supply ⁽¹⁾	52.32	53.46	53.40	53.72	54.81	53.85
Difference (a – b)	26.36	27.42	25.05	26.76	27.68	26.73
OPEC crude oil production ⁽²⁾	26.95	28.14				
Balance	0.59	0.71				

(1) Including OPEC NGLs + non-conventional oils.

(2) Selected secondary sources.

Totals may not add due to independent rounding.

Table 23
World oil demand/supply balance
mb/d

	1999	2000	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
World demand														
OECD	47.7	47.8	47.8	47.8	49.3	47.3	48.3	49.4	48.6	49.8	47.6	48.8	50.0	49.1
North America	23.8	24.1	24.0	24.2	24.5	24.3	25.1	24.9	24.7	25.1	24.6	25.5	25.4	25.1
Western Europe	15.2	15.1	15.3	15.1	15.2	15.0	15.3	15.5	15.2	15.5	15.1	15.4	15.7	15.4
Pacific	8.7	8.6	8.5	8.5	9.6	8.0	7.9	9.0	8.6	9.2	8.0	7.9	8.9	8.5
DCs	18.9	19.2	19.5	19.7	19.5	19.6	20.2	20.6	20.0	20.3	20.3	20.7	21.1	20.6
FSU	4.0	3.8	3.9	3.8	4.0	3.4	3.7	4.2	3.8	3.4	3.6	3.9	4.4	3.8
Other Europe	0.8	0.7	0.7	0.7	0.8	0.8	0.7	0.8	0.8	0.9	0.8	0.7	0.8	0.8
China	4.2	4.7	4.7	5.0	5.4	5.5	5.8	5.6	5.6	6.4	6.1	6.3	6.2	6.3
(a) Total world demand	75.5	76.2	76.7	77.0	79.0	76.4	78.7	80.6	78.7	80.9	78.5	80.5	82.5	80.6
Non-OPEC supply														
OECD	21.4	21.9	21.8	21.9	22.1	21.3	21.4	21.8	21.7	21.8	21.4	21.1	21.5	21.5
North America	14.0	14.2	14.3	14.5	14.7	14.4	14.6	14.8	14.6	14.8	14.7	14.8	14.9	14.8
Western Europe	6.7	6.8	6.7	6.7	6.8	6.2	6.1	6.5	6.4	6.4	6.2	5.8	6.1	6.1
Pacific	0.7	0.8	0.8	0.8	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.6
DCs	10.7	10.7	10.9	11.2	11.2	11.2	11.4	11.6	11.3	11.7	11.7	12.0	12.3	11.9
FSU	7.5	7.9	8.5	9.3	9.9	10.1	10.4	10.7	10.3	10.8	11.0	11.4	11.6	11.2
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.2	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Processing gains	1.6	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8
Total non-OPEC supply	44.6	45.6	46.4	47.8	48.6	48.0	48.5	49.5	48.7	49.7	49.5	49.9	50.9	50.0
OPEC NGLs + non-conventional oils	3.2	3.3	3.6	3.6	3.5	3.7	3.7	3.7	3.7	3.8	3.9	3.8	3.9	3.8
(b) Total non-OPEC supply and OPEC NGLs	47.7	48.9	50.0	51.4	52.2	51.6	52.3	53.2	52.3	53.5	53.4	53.7	54.8	53.8
OPEC crude oil production (secondary sources)	26.5	28.0	27.2	25.3	26.8	26.5	26.8	27.7	27.0	28.1				
Total supply	74.2	76.9	77.2	76.7	78.9	78.1	79.1	80.9	79.3	81.6				
Balance (stock change and miscellaneous)	-1.3	0.7	0.5	-0.3	-0.1	1.7	0.4	0.4	0.6	0.7				
Closing stock level (outside FCPEs) mb														
OECD onland commercial	2445	2530	2621	2466	2408	2526	2574	2500	2500	2464				
OECD SPR	1285	1269	1284	1343	1357	1361	1379	1406	1406	1419				
OECD total	3729	3799	3905	3809	3765	3887	3953	3906	3906	3883				
Other onland	997	1016	1044	1019	1007	1039	1057	1044	1044	1038				
Oil-on-water	808	876	831	816	857	886	873	885	885	934				
Total stock	5535	5691	5780	5644	5629	5812	5884	5835	5835	5855				
Days of forward consumption in OECD														
Commercial onland stocks	51	53	55	51	51	52	52	50	50	52				
SPR	27	27	27	28	29	28	28	28	28	30				
Total	78	79	82	78	80	81	80	78	79	81				
Memo items														
FSU net exports	3.4	4.1	4.6	5.6	5.9	6.7	6.7	6.5	6.5	7.3	7.4	7.5	7.3	7.4
(a) - (b)	27.8	27.3	26.7	25.6	26.9	24.8	26.4	27.3	26.4	27.4	25.0	26.8	27.7	26.7

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

Table 24
World oil demand/supply balance: changes from last month's table †
mb/d

	1999	2000	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
World demand														
OECD	-	-	-	-	-	0.1	0.2	-	0.1	0.1	0.1	0.3	-	0.1
North America	-	-	-	-	-	0.1	0.2	-	0.1	0.1	0.1	0.2	-	0.1
Western Europe	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	0.1	0.2	-	0.1	0.2	0.1	0.3	-	0.2
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-	-	-0.1	0.2	-0.1	-	-
North America	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-0.1	0.1	-0.1	-0.1	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-	-0.1	0.3	-0.1	-0.1	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	-	-0.1	0.3	-0.1	-0.1	-
OPEC crude oil production (secondary sources)														
Total supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-0.3	-	-0.1	-0.3	-	-	-	-
Closing stock level (outside FCPs) mb														
OECD onland commercial	-	-	-	-	-	-	1.6	-	-	-	-	-	-	-
OECD SPR	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OECD total	-	-	-	-	-	-	1.6	-	-	-	-	-	-	-
Other onland	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oil on water	-	-	-	-	-	-	-0.9	-	-	-	-	-	-	-
Total stock	-	-	-	-	-	-	1.2	-	-	-	-	-	-	-
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SPR	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Memo items														
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	0.1	0.3	-	0.1	0.3	-0.2	0.4	0.1	0.2

† This compares Table 23 in this issue of the MOMR with Table 23 in the May 2004 issue.

This table shows only where changes have occurred.

Table 25
World oil stocks (excluding former CPEs) at end of period

	1997	1998	1999	2000	2001	2002	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03	1Q04
Closing stock level mnb																			
OECD onland commercial	2,615	2,698	2,445	2,530	2,621	2,466	2,524	2,597	2,660	2,621	2,597	2,644	2,567	2,466	2,408	2,526	2,574	2,500	2,464
North America	1,211	1,283	1,127	1,146	1,262	1,172	1,159	1,231	1,269	1,262	1,237	1,262	1,219	1,172	1,098	1,179	1,202	1,150	1,150
Western Europe	912	963	881	930	916	883	918	909	918	916	924	935	909	883	896	895	913	914	913
OECD Pacific	492	453	437	454	443	410	447	457	473	443	435	447	440	410	413	453	460	435	401
OECD SPR	1,254	1,302	1,285	1,269	1,284	1,343	1,270	1,268	1,265	1,284	1,302	1,314	1,319	1,343	1,357	1,361	1,379	1,406	1,419
North America	563	571	567	543	552	601	544	545	547	552	563	578	589	601	601	611	626	640	654
Western Europe	329	362	347	355	352	353	352	348	343	352	352	348	345	353	363	358	360	369	367
OECD Pacific	362	369	370	370	380	389	374	374	375	380	386	388	386	389	393	393	393	396	398
OECD total	3,869	4,000	3,729	3,799	3,905	3,809	3,794	3,864	3,925	3,905	3,899	3,958	3,887	3,809	3,765	3,887	3,953	3,906	3,883
Other onland	1,035	1,070	997	1,016	1,044	1,019	1,015	1,033	1,050	1,044	1,043	1,059	1,039	1,019	1,007	1,039	1,057	1,044	1,038
Oil-on-water	812	859	808	876	831	816	903	829	870	831	798	807	804	816	857	886	873	885	934
Total stock	5,715	5,929	5,535	5,691	5,780	5,644	5,712	5,727	5,845	5,780	5,739	5,823	5,730	5,644	5,629	5,812	5,884	5,835	5,855
Days of forward consumption in OECD																			
OECD onland commercial	56	57	51	53	55	51	54	55	55	54	56	56	52	50	51	52	52	50	52
North America	52	54	47	48	52	47	49	51	53	53	51	52	50	48	45	47	48	46	47
Western Europe	60	63	58	61	61	58	62	59	59	60	63	62	59	58	60	59	59	59	60
OECD Pacific	58	52	51	53	52	48	56	57	54	49	57	56	47	43	51	57	51	47	50
OECD SPR	27	27	27	27	27	28	27	27	26	27	28	28	27	27	29	28	28	28	30
North America	24	24	24	23	23	24	23	23	23	23	23	24	24	25	25	24	25	26	27
Western Europe	21	24	23	23	23	23	24	22	22	23	24	23	22	23	24	23	23	24	24
OECD Pacific	43	42	43	43	45	45	47	47	43	42	51	48	42	41	49	50	44	43	50
OECD total	83	84	78	79	82	78	81	81	82	81	84	83	79	77	80	81	80	78	81
Days of global forward consumption	88	89	83	85	86	82	86	85	86	85	87	86	83	82	84	85	84	83	86

Country	Change					Change					Change					Country		
	1999	2000	2001	2002	02/01	2003	3Q03	4Q03	2003	03/02	1Q04	2Q04	3Q04	4Q04	2004		04/03	Change
USA	8.11	8.11	8.05	8.04	-0.01	8.07	7.81	7.80	7.83	7.88	-0.17	7.85	7.81	7.59	7.61	7.71	-0.16	
Canada	2.59	2.68	2.73	2.84	0.12	2.87	2.88	3.00	3.10	2.96	0.12	3.10	2.99	3.25	3.35	3.17	0.21	
Mexico	3.35	3.45	3.57	3.59	0.03	3.75	3.75	3.84	3.85	3.80	0.20	3.83	3.88	3.92	3.89	3.77	0.09	
North America	14.04	14.25	14.34	14.48	0.13	14.69	14.44	14.64	14.78	14.64	0.16	14.78	14.67	14.76	14.90	14.78	0.14	
Norway	3.06	3.32	3.42	3.33	-0.09	3.40	3.16	3.12	3.36	3.26	-0.07	3.34	3.20	3.07	3.31	3.23	-0.03	
UK	2.92	2.69	2.54	2.52	-0.01	2.56	2.28	2.18	2.29	2.33	-0.20	2.22	2.12	1.88	1.98	2.05	-0.28	
Denmark	0.30	0.36	0.35	0.37	0.02	0.38	0.36	0.36	0.38	0.37	0.00	0.36	0.37	0.34	0.36	0.36	-0.01	
Other Western Europe	0.43	0.41	0.39	0.43	0.04	0.44	0.44	0.44	0.45	0.44	0.01	0.48	0.49	0.48	0.50	0.49	0.05	
Western Europe	6.71	6.79	6.69	6.65	-0.04	6.78	6.23	6.09	6.49	6.40	-0.26	6.40	6.18	5.77	6.15	6.12	-0.27	
Australia	0.59	0.77	0.71	0.70	0.00	0.62	0.60	0.63	0.54	0.60	-0.10	0.53	0.54	0.54	0.46	0.52	-0.08	
Other Pacific	0.07	0.06	0.06	0.05	-0.01	0.05	0.05	0.05	0.04	0.05	-0.01	0.04	0.04	0.04	0.03	0.04	-0.01	
OECD Pacific	0.66	0.83	0.77	0.76	-0.01	0.67	0.65	0.68	0.58	0.64	-0.11	0.58	0.58	0.58	0.50	0.56	-0.09	
Total OECD	21.41	21.87	21.81	21.89	0.08	22.14	21.32	21.41	21.84	21.68	-0.21	21.76	21.43	21.11	21.54	21.46	-0.21	
Brunei	0.18	0.19	0.20	0.20	0.01	0.20	0.21	0.21	0.22	0.21	0.01	0.22	0.22	0.23	0.23	0.22	0.01	
India	0.75	0.74	0.73	0.75	0.01	0.75	0.72	0.76	0.80	0.76	0.01	0.80	0.81	0.82	0.86	0.82	0.07	
Malaysia	0.70	0.69	0.68	0.71	0.03	0.74	0.78	0.78	0.79	0.77	0.06	0.81	0.81	0.85	0.86	0.83	0.05	
Vietnam	0.26	0.31	0.34	0.34	0.00	0.36	0.36	0.33	0.34	0.35	0.00	0.39	0.39	0.36	0.37	0.38	0.03	
Asia others	0.24	0.25	0.25	0.26	0.01	0.32	0.30	0.30	0.30	0.30	0.04	0.32	0.30	0.30	0.30	0.30	0.00	
Other Asia	2.13	2.18	2.20	2.27	0.07	2.38	2.37	2.39	2.45	2.39	0.13	2.53	2.52	2.55	2.61	2.55	0.16	
Argentina	0.84	0.80	0.82	0.80	-0.02	0.78	0.79	0.79	0.77	0.78	-0.01	0.73	0.72	0.73	0.73	0.73	-0.05	
Brazil	1.35	1.35	1.56	1.72	0.16	1.79	1.74	1.80	1.76	1.77	0.05	1.74	1.74	1.75	1.72	1.74	-0.04	
Colombia	0.82	0.70	0.61	0.58	-0.03	0.56	0.55	0.55	0.54	0.55	-0.03	0.52	0.53	0.51	0.50	0.52	-0.04	
Ecuador	0.38	0.40	0.41	0.40	-0.01	0.39	0.37	0.43	0.50	0.42	0.02	0.51	0.51	0.57	0.65	0.56	0.14	

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Table 27
Non-OPEC Rig Count

	2000	2001	Change 01/00	1Q02	2Q02	3Q02	4Q02	2002	Change 02/01	1Q03	2Q03	3Q03	4Q03	2003	Change 03/02	1Q04	Apr04	May04	Change May04 - Apr04
USA	916	1,156	240	818	806	853	847	831	-325	901	1,028	1,088	1,109	1,032	201	1,119	1,151	1,164	13
Canada	344	342	-2	383	147	250	283	266	-76	494	203	383	408	372	106	528	153	187	34
Mexico	44	54	10	63	61	62	76	65	11	82	84	96	107	92	27	107	112	116	4
North America	1,305	1,552	247	1,264	1,014	1,165	1,206	1,162	-390	1,476	1,315	1,567	1,624	1,496	334	1,754	1,416	1,467	51
Norway	22	23	1	20	20	17	19	19	-4	18	19	20	18	19	0	19	20	15	-5
UK	18	24	6	28	30	24	23	26	2	19	21	22	16	20	-6	15	20	16	-4
Denmark	3	4	1	5	4	3	5	4	0	3	5	3	4	4	0	4	4	5	1
Other Western Europe	82	44	-38	39	38	33	34	36	-8	36	34	38	37	36	0	31	30	29	-1
Western Europe	125	95	-30	92	91	76	81	85	-10	77	78	83	75	78	-7	69	74	65	-9
Australia	10	10	0	9	9	9	9	9	-1	10	10	11	13	11	2	12	12	14	2
Other Pacific	7	9	2	8	7	7	10	8	-1	8	7	8	6	7	-1	7	9	8	-1
OECD Pacific	17	20	3	17	16	16	19	17	-3	18	17	18	19	18	1	19	21	22	1
Total OECD*	1,447	1,667	220	1,373	1,121	1,257	1,306	1,264	-403	1,571	1,411	1,669	1,719	1,592	328	1,842	1,511	1,554	43
Brunei	2	3	1	2	3	3	3	3	0	3	4	4	2	3	0	2	3	3	0
India	49	50	1	52	54	55	57	55	5	59	60	61	62	60	5	64	66	67	1
Malaysia	7	11	4	12	13	15	14	14	3	14	13	16	15	14	0	15	16	17	1
Papua New Guinea	0	1	1	1	1	1	1	1	0	1	2	2	1	2	1	3	3	1	-2
Vietnam	8	8	0	8	8	9	10	9	1	9	9	10	8	9	0	8	10	10	0
Asia others	16	22	6	26	29	33	32	30	8	31	28	26	30	29	-1	27	30	30	0
Other Asia	83	95	12	100	109	116	117	111	16	117	115	119	118	117	6	119	128	128	0
Argentina	57	71	14	49	45	49	54	49	-22	59	66	59	57	60	11	64	70	72	2
Brazil	23	28	5	27	27	27	26	27	-1	27	27	27	25	26	-1	24	25	26	1
Colombia	14	15	1	13	13	10	9	11	-4	10	9	11	12	11	0	8	9	9	0
Ecuador	7	10	3	10	9	8	8	9	-1	9	11	8	8	9	0	7	8	8	0
Peru	4	4	0	2	2	2	1	2	-2	2	2	3	3	3	1	2	2	1	-1
Trinidad & Tobago	4	5	1	5	4	4	4	4	-1	3	3	3	3	3	-1	3	4	3	-1
L. America others	12	7	-5	4	4	4	5	5	-2	3	4	4	5	4	-1	6	6	6	0
Latin America	120	141	21	110	103	104	107	106	-35	113	121	114	114	116	10	114	124	125	1
Bahrain	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oman	24	25	1	27	29	30	32	29	4	33	34	36	36	35	6	36	36	34	-2
Syria	14	19	5	20	21	23	24	22	3	23	23	26	23	24	2	24	24	24	0
Yemen	6	6	0	8	9	9	11	9	3	11	10	9	7	9	0	7	8	8	0
Middle East	45	50	5	57	60	64	69	62	12	70	68	72	68	70	8	69	69	67	-2
Angola	6	5	-1	5	6	6	5	5	0	3	4	3	6	4	-1	4	3	3	0
Cameroon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Congo	3	1	-2	1	1	1	1	1	0	0	1	1	2	1	0	2	1	1	0
Egypt	18	22	4	22	23	22	23	23	1	26	26	27	26	26	3	27	28	28	0
Gabon	2	2	0	1	2	2	2	2	0	3	4	1	3	3	1	2	3	2	-1
South Africa	1	1	0	1	1	1	0	1	0	0	1	0	1	0	-1	0	0	0	0
Africa other	5	4	-1	11	12	12	12	12	8	12	14	12	14	13	1	15	15	20	5
Africa	34	36	2	41	45	44	43	43	7	45	50	44	51	48	5	48	50	54	4
Total DCs	282	322	40	307	317	328	336	322	0	346	354	350	350	350	28	350	371	374	3
FSU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Europe	3	3	0	2	2	2	2	2	-1	2	2	2	2	2	0	2	2	2	0
China	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-OPEC Rig count	1,732	1,992	260	1,682	1,440	1,587	1,644	1,588	-404	1,919	1,767	2,021	2,071	1,944	356	2,194	1,884	1,930	46

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

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OPEC Basket average price

US\$ per barrel

↑ up 3.92 in May

May 2004	36.27
April 2004	32.35
Year-to-date	32.11

May OPEC production

in million barrels per day, according to secondary sources

Algeria	1.20	Kuwait	2.30	Saudi Arabia	8.59
Indonesia	0.97	SP Libyan AJ	1.48	UAE	2.26
IR Iran	3.91	Nigeria	2.35	Venezuela	2.49
Iraq	1.96	Qatar	0.77	TOTAL	28.28

Supply and demand

in million barrels per day

2003		2004	
World demand	78.68	World demand	80.58
Non-OPEC supply	52.32	Non-OPEC supply	53.85
Difference	26.36	Difference	26.73

Non-OPEC supply includes OPEC NGLs and non-conventional oils

Stocks

Commercial oil stocks registered a further build of 0.6 mb/d in USA in May

World economy

World GDP growth remains unchanged for 2003 and is revised up to 4.8% for 2004