

8 July 1997

## HIGHLIGHTS

- The evolution of oil supply and demand in 2Q97 has returned inventories nearly to the more typical levels of two years ago. Despite a decline of almost 0.6 mb/d in June OPEC production due to the absence of Iraq exports, OPEC crude production averaged 26.8 mb/d or 1.6 mb/d above the “call on OPEC crude plus stock change.” Non-OPEC supplies are also thought to have decreased in June, but by only 0.1 mb/d.
- The 2Q97 global demand estimate has been revised upwards by 0.4 mb/d as a result of strong June growth and upward adjustments to April demand estimates, which more than offset downward revisions to May estimates. Despite continued year-on-year US-led demand strength, oil markets in the second half of 1997 are expected to soften appreciably from the tighter-than-anticipated 2Q97.
- The estimated “call on OPEC crude plus stock change” has been raised by 0.6 mb/d to 25.2 mb/d for 2Q97 and by 0.3 mb/d to 25.7 mb/d for 1997. However, next year’s “call” is projected to decline by 0.4 mb/d to 25.3 mb/d.
- OECD industry stocks increased by 1.2 mb/d in May, but from significantly downward-revised April levels. The April revisions, from an estimated build of 0.8 mb/d to a draw of 0.5 mb/d, was the largest monthly revision in the last several years.
- Benchmark crude oil prices declined in late May and early June due to an oversupply of crude in the Atlantic Basin. Prices increased in the second half of the month when supplies tightened as a result of large exports of West African crude to Asia, combined with delays in the resumption of Iraqi crude exports. US gasoline production rose to record highs, almost matching US gasoline demand. Rising product stocks around the world have reduced product arbitrage opportunities among regions.
- US throughputs increased to the highest level for any individual month since December 1979. Aggregate OECD throughputs reached 33.26 mb/d, almost 1 mb/d or 3% higher than last June.

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## WHERE WILL ADDITIONAL STOCKBUILDS GO?

World oil supply outstripped demand over the last three months. Paradoxically, however, the significant stockbuild that many observers expected did not take place. The major build-up appears to have been put off to the second half of the year, when aggregate inventories could rise well above 1996 levels. Low stock levels in 1996 were a major support for higher oil prices as was the absence of Iraqi exports. Some atypical restocking took place in 1Q97 thanks to a mild winter and to the resumption of Iraqi exports under the UN "oil-for-food" programme. Seasonal demand declines accelerated restocking in 2Q97, but at a much lower rate than was anticipated. Projections of world demand and non-OPEC supply for the remainder of the year suggest that there will be very substantial increases in inventories, unless OPEC crude oil output is reduced significantly.

### 1997 World Oil Balances

(million barrels per day)

	Levels			Period-to-Period Changes			Year-on-Year Changes		
	1Q97	2Q97	2H97	1Q97	2Q97	2H97	1Q97	2Q97	2H97
World Demand	73.95	72.56	74.37	0.25	-1.38	1.12	0.76	2.66	2.01
Non-OPEC Supply	44.43	44.49	45.89	0.07	0.07	1.43	1.04	1.14	1.96
OPEC NGLs	2.74	2.84	2.91	0.09	0.09	0.12	0.25	0.25	0.26
"Call on OPEC Oil + Stk Chg"	26.78	25.24	25.57	0.09	-1.54	-0.44	-0.53	1.27	-0.20
OPEC Crude	26.93	26.84		0.70	-0.09		1.19	1.26	
Stk Chg & Misc. to Balance	0.15	1.60		0.61	1.45		-1.72	0.01	

The table above shows the preliminary world oil supply/demand balance for 2Q97, indicating a build in world inventories of 1.6 mb/d. A seasonal demand decline of 1.4 mb/d was compounded by small increases in non-OPEC supply and OPEC NGL production, resulting in a decrease in the "Call on OPEC Crude plus Stock Change" of 1.6 mb/d. However, despite field maintenance work in May in some OPEC countries and a June hiatus in Iraqi exports, OPEC crude oil production declined by less than 0.1 mb/d from 1Q97 levels (see page 24 of the Supply section). As noted in the 9 May Report 1997, OPEC production was high enough in 1Q97 to allow a contra-seasonal world stockbuild, estimated at 0.15 mb/d.

Year-on-year 2Q97 demand growth appears to have been very robust, led by strong US gasoline demand (see page 12 of the Demand section) and continued high growth rates in several Asian and Latin American developing countries. Oil demand growth of 2.7 mb/d in 2Q97 exceeded the year-on-year non-OPEC supply increase by about 1.5 mb/d; but OPEC production was also 1.5 mb/d higher than in last year's quarter, with 1.3 mb/d more crude oil and 0.3 mb/d more NGLs being produced. For the second half of the year, the projected increases in non-OPEC supply and world demand are expected to be more balanced, with year-on-year growth of around 2 mb/d for each. Nonetheless, the implied "Call" of 25.6 mb/d remains well below current OPEC crude production levels of around 27 mb/d.

### Estimated 2Q97 Stocks

	Stock Changes (kb/d)				Levels (mb)			Changes (mb)	
	April	May <sup>p</sup>	June <sup>e</sup>	2Q97 <sup>e</sup>	June 95	June 96	June 97 <sup>e</sup>	96-95	97-96
OECD*									
Crude Oil	12	333	280	210	1889	1881	1886	-8	5
Product & Other Stocks**	-530	890	827	401	1785	1712	1781	-73	69
Total OECD	-518	1224	1107	611	3674	3593	3667	-81	74
Floating Storage	59	183	-	82					
Oil-in-Transit	233	97	-	110					
Other***	1519	853	104	802					
Total Implied Stock Change	1293	2357	1210	1605					

\* including industry and government stocks

\*\* other stocks include NGLs, refinery feedstocks and other hydrocarbon inputs to refineries

\*\*\* non-OECD stock changes and miscellaneous-to-balance

Where will these additional stocks go? The table above presents the latest preliminary data for OECD stocks and floating storage/oil-in-transit. Data for May are discussed in the Stocks section and are based on submissions from OECD countries, while estimates for June are estimated from partial data for a few countries. For 2Q97, about half of the implied 1.6 mb/d world stockbuild is estimated to have gone into OECD inventories and floating storage/oil-in-transit, with the remainder added to non-OECD stocks or showing up as “miscellaneous-to-balance.”

Monthly stock changes were unusually volatile. Total implied stock change (i.e. the difference between reported demand and reported supply) almost doubled from 1.3 mb/d in April to 2.4 mb/d in May, then fell to 1.2 mb/d in June. Still more surprising is the pattern of the “Other” component of stock change. Assuming no change in floating storage or oil-in-transit levels, “Other” changes amounted to a mere 0.1 mb/d in June as compared to 1.5 mb/d in April and 0.85 mb/d in May. In view of the very large imbalances in April and May and the very small number for June, it is likely that stock data or supply/demand data will have to be revised to smooth out the monthly pattern. Despite this apparent anomaly, the quarterly averages continue to be useful indicators of underlying market conditions.

Most significantly, the lack of 1Q97 stockdraw and the 2Q97 build have resulted in an estimated increase of 74 mb in total OECD stocks versus June 1996 (shown in the two columns on the right side of the table above). This offset much of the 81 mb decline between June 1995 and June 1996. While the year-on-year build in products inventories was significantly more than the build in crude oil stocks, 69 mb versus 5 mb, aggregate crude oil stocks are 3 mb below June 1995 levels and aggregate stocks of products and other oils are 4 mb lower than a year ago. In July of last year, total OECD inventories were 134 mb below year earlier levels.

With OECD stocks now back nearly to pre-1996 levels and the motivation for “just-in-time” inventory practices by many major oil companies to enhance reported short-term financial performance, it is unclear where the implied 2H97 stockbuilds would occur. The most likely increases may be in non-OECD stocks, particularly those in producer-controlled storage, and oil-in-transit due to “slow-steaming” and an increasing number of distressed cargoes.

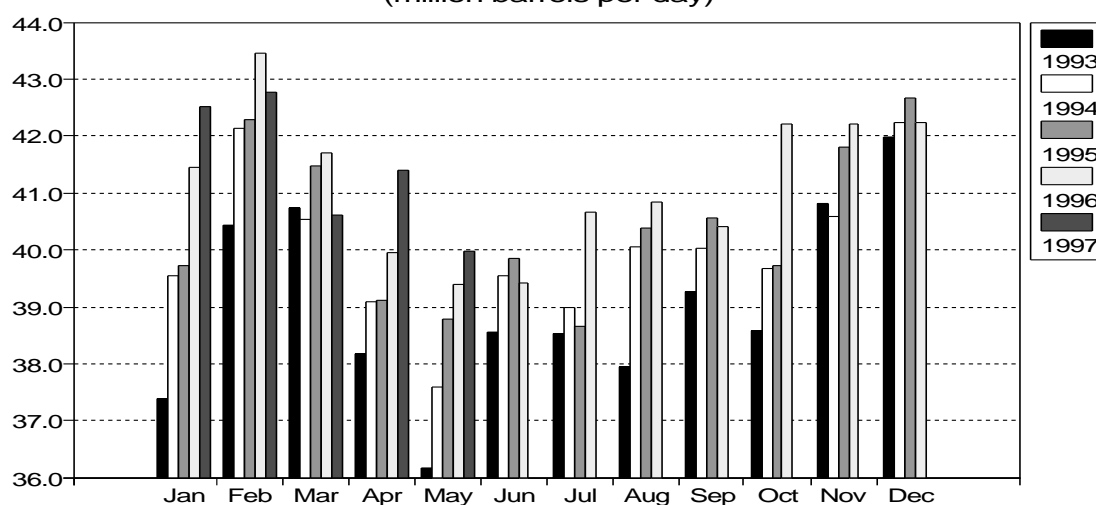
The other possibility is for market forces to come into play to reduce production, increase demand, or both.

## DEMAND

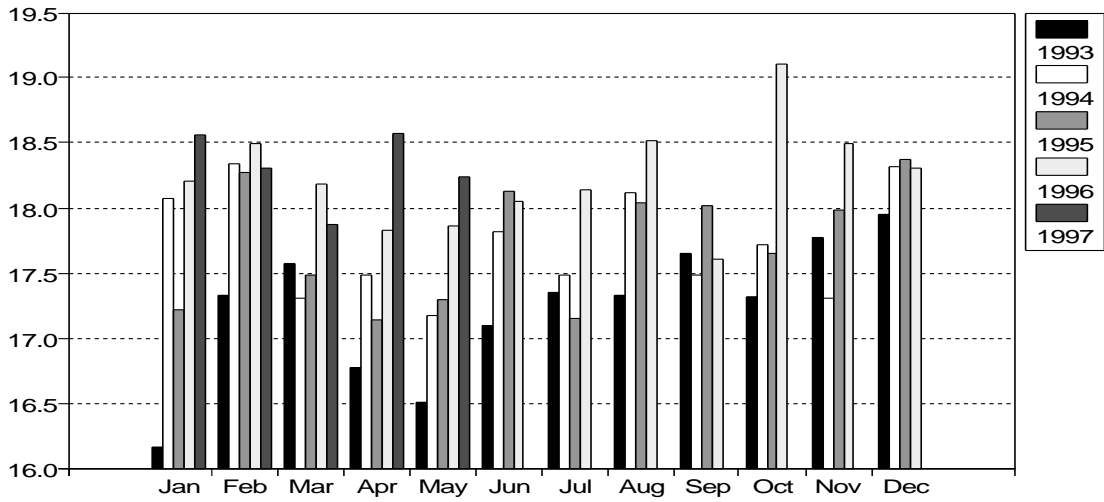
### Summary

- In May, US oil deliveries increased by 2.1%, with demand increasing for all major products except residual fuel oil. Conversely, demand in the four largest European oil-consuming countries decreased by 3.8%, with total oil demand decreasing in all countries and for all products except jet/kerosene; demand was weak there due to a combination of fewer working days, fewer heating degree days and inter-fuel price competition. UK oil demand was particularly weak, declining by the greatest proportion since April 1992, primarily due to a 57 kb/d decline in residual fuel oil deliveries. Following a significant decline in April, Japanese oil demand increased by 1.3% in May with strong demand for naphtha and gasoline more than offsetting weak deliveries for jet/kerosene and crude for direct use in the power generation sector.
- Although oil demand in May in the G7 countries was generally weaker than anticipated, significant upward revisions were made to G7 demand in April. This, along with greater-than-expected demand in May in a number of smaller European countries and indications of very robust demand growth in the US in June, led to a 215 kb/d upward adjustment to estimated 2Q97 OECD demand to 40.6 mb/d, an increase of 2.6% or 1.0 mb/d versus 2Q96.
- Due to the 2Q97 revision, OECD demand in 1997 is now projected to increase by 0.5 mb/d or 1.3% to 41.7 mb/d, a 0.1 mb/d upward adjustment. Predicted OECD demand for 1998 is unchanged from last month's Report at 42.1 mb/d, resulting in a reduction in the projected rate of growth.
- Non-OECD demand in 1997 is projected to increase by 4.3% or 1.3 mb/d to 32.1 mb/d, also a 0.1 mb/d upward revision from last month's Report, primarily reflecting a 0.2 mb/d upward revision to FSU apparent demand in 2Q97. In 1998, non-OECD demand is projected to increase by about the same amount (4.2% or 1.3 mb/d) to 33.5 mb/d. The rate of growth is unchanged from last month's Report, and demand in 1998 has been revised upwards by 0.1 mb/d.
- Global demand in 1997 has been revised upwards by 0.1 mb/d from last month's Report to 73.8 mb/d, representing an annual increase of 2.6% or 1.9 mb/d. The upward revision mainly reflects significant upward adjustments to US and FSU demand in 2Q97, which have also contributed to a 0.4 mb/d upward revision to global demand in 2Q97, to 72.6 mb/d. In 1998, global demand is projected to increase by 2.4% or 1.8 mb/d to 75.6 mb/d, a 0.1 mb/d upward revision from last month's Report, in line with upward adjustments made to the 1997 demand projection.

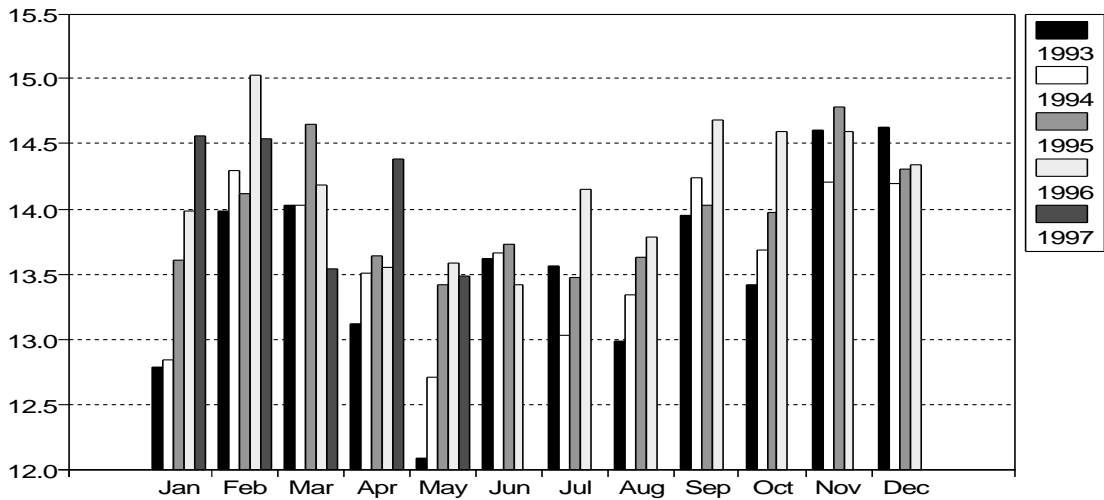
**OECD Oil Demand 1993-1997**  
(million barrels per day)



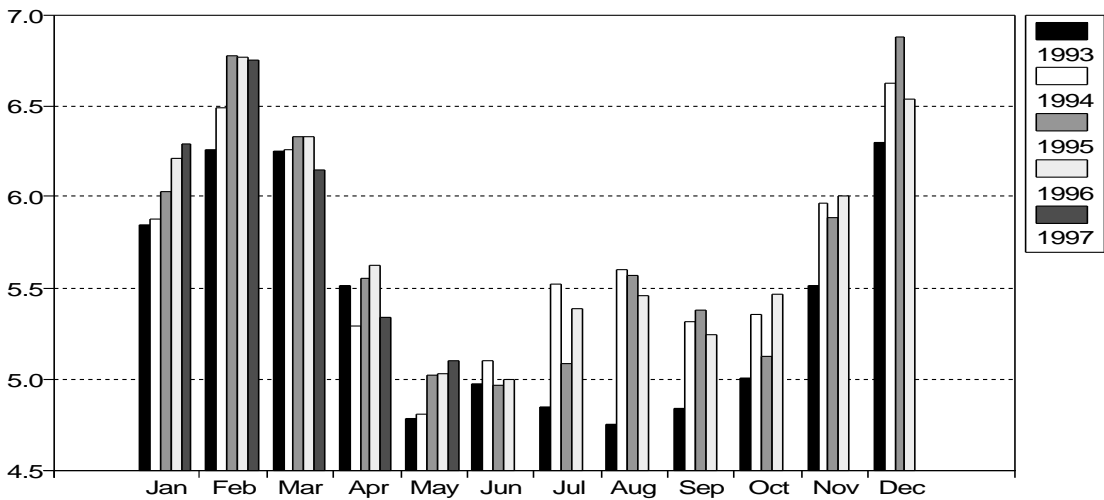
### US Oil Demand 1993-1997 (million barrels per day)



### European Oil Demand 1993-1997 (million barrels per day)



### Japanese Oil Demand 1993-1997 (million barrels per day)



## OECD

## Demand in May

Table 2 at the back of the Report shows total oil demand in March, while Table 3 gives demand in April for the seven largest OECD countries. The table below provides preliminary estimates for inland deliveries for those countries in May.

Preliminary Inland Deliveries - May 1997<sup>1</sup>

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		Residual Fuel Oil		Total Products <sup>2</sup>	
	mb/d	% change	mb/d	% change	mb/d	% change	mb/d	% change	mb/d	% change	mb/d	% change
US <sup>3</sup>	8.05	+0.6	1.55	+4.5	2.21	+3.1	0.99	+1.9	0.75	-9.0	18.23	+2.1
Canada	0.63	+0.6	0.11	+15.4	0.39	+3.5	0.07	+6.6	0.11	+22.2	1.54	+6.9
Japan	0.93	+5.0	0.33	-10.9	0.76	+0.8	0.41	+0.2	0.58	+1.6	4.72	+1.3
France	0.34	-5.1	0.10	-2.2	0.49	+1.3	0.17	-22.9	0.06	-14.5	1.60	-4.2
Germany	0.71	-1.8	0.14	+4.4	0.53	-1.3	0.61	-11.0	0.11	-14.9	2.60	-4.0
Italy	0.41	-0.9	0.07	+12.6	0.31	-3.1	0.08	-1.2	0.39	-2.5	1.64	-0.3
UK	0.53	+0.6	0.23	-1.3	0.31	+2.5	0.14	-5.9	0.06	-49.2	1.52	-6.7
European Four	1.99	-1.6	0.55	+1.6	1.63	-0.2	0.99	-11.9	0.61	-13.5	7.36	-3.8
Total	11.59	+0.6	2.52	+2.0	4.98	+1.7	2.47	-4.3	2.05	-6.4	31.86	+0.8

Sources: US EIA, Japan MITI, France CPDP, Germany MWV, UK PIA, Italy Ministry of Industry, Canada Statistics Canada

<sup>1</sup> Excludes refinery fuel and bunkers (except US)

<sup>2</sup> Includes other products not shown and direct use of crude oil

<sup>3</sup> Fifty states only. Diesel is estimated from preliminary indications of low sulphur gasoil deliveries

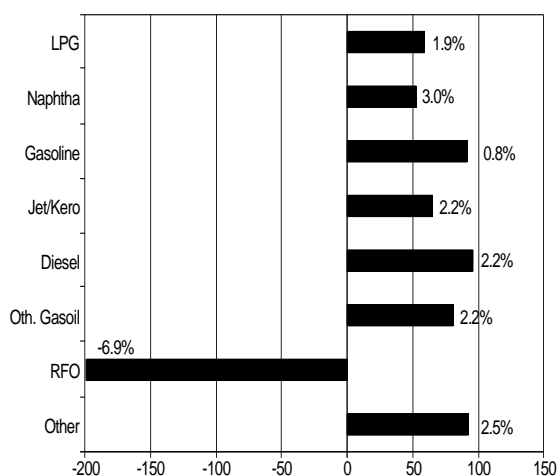
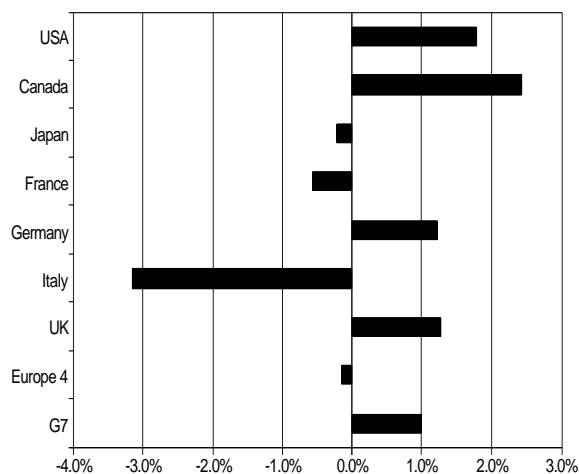
Percentage change is calculated versus May 1996

## Moving Annual Average Change in Oil Demand

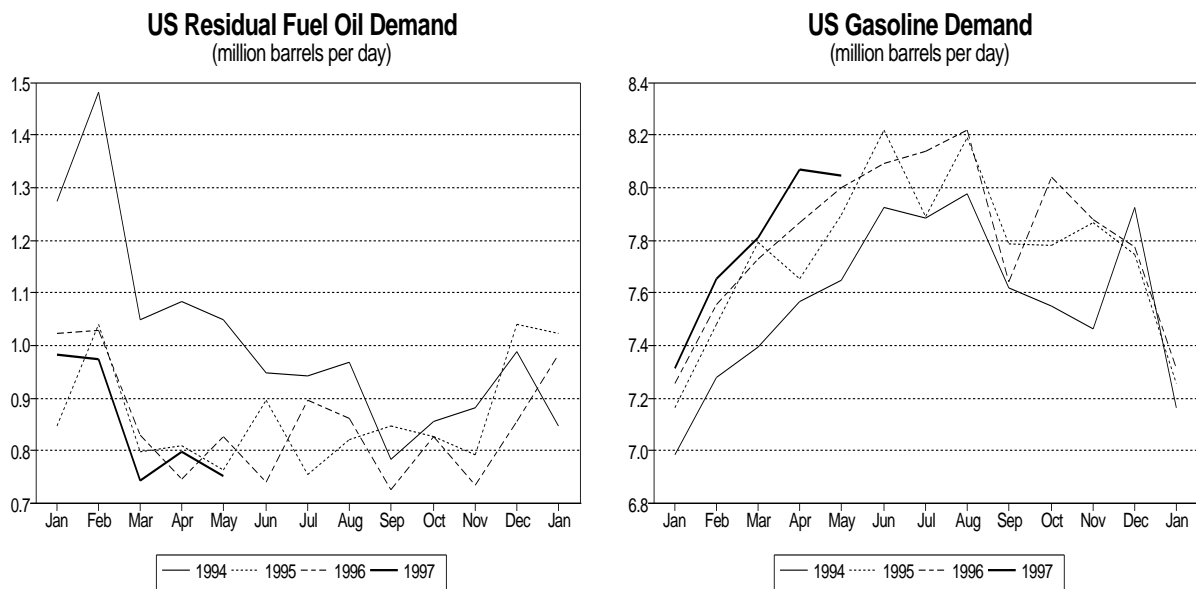
(12-Month Moving Average to May 1997)

	LPG	Naphtha	Gasoline	Jet/Kero	Diesel	Other Gasoil	RFO	Other	Total	kb/d
USA	2.8%	19.0%	0.9%	3.4%	4.1%	0.4%	-5.2%	2.8%	1.8%	323
Canada	1.6%	10.5%	0.8%	10.3%	0.7%	4.4%	5.7%	1.2%	2.4%	51
Japan	1.3%	4.2%	2.7%	-3.1%	1.2%	-2.4%	-7.6%	1.7%	-0.2%	-13
France	-0.7%	-10.8%	-4.2%	4.3%	3.3%	0.9%	-5.7%	5.3%	-0.6%	-11
Germany	-10.6%	0.6%	-0.3%	5.3%	1.7%	5.9%	-11.3%	3.4%	1.2%	35
Italy	-2.9%	0.9%	0.5%	2.3%	-11.3%	10.9%	-7.8%	2.0%	-3.2%	-61
UK	7.3%	-13.4%	2.1%	5.0%	6.6%	3.0%	-14.4%	-0.5%	1.3%	23
European Four	-0.7%	-3.7%	-0.2%	4.6%	0.2%	4.9%	-9.1%	2.5%	-0.2%	-14
Total	1.9%	3.0%	0.8%	2.2%	2.2%	2.2%	-6.9%	2.5%	1.0%	347
kb/d	64	52	92	66	97	82	-199	93	347	

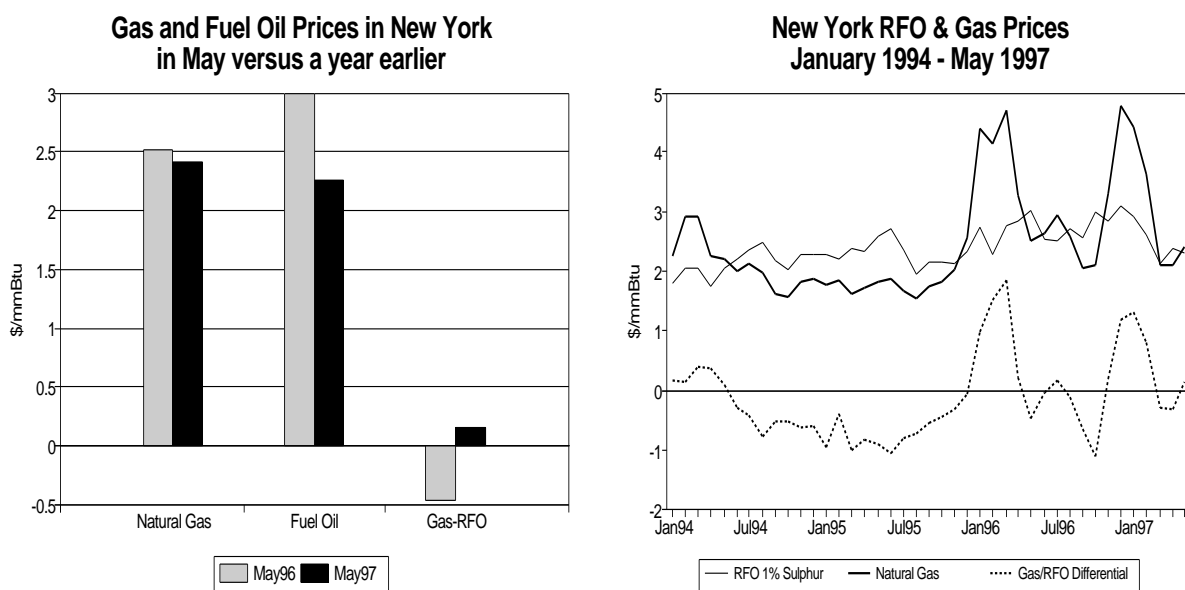
US LPG and Naphtha demand in May 1997 is estimated.

G7 - 12 Month Moving Average  
Incremental Demand (kb/d & %)G7 - 12 Month Moving Average  
Annual Demand Change (%)

In contrast to comparatively weak demand in 1Q97 when deliveries decreased by 0.3%, total **US** deliveries in April and May were comparatively strong. Deliveries in April increased by a revised 4.1% or 730 kb/d, representing the largest increase since last October. In May, deliveries increased by 375 kb/d, with demand increasing for all major products except residual fuel oil. Gasoline deliveries increased by less than the trend (0.6% vs 0.9%, see the “moving average” table above) primarily due to strong growth a year earlier. However, strong underlying demand for gasoline remains consistent with robust economic growth and most probably increased disposable income. In addition, deliveries may have been supported in recent months by decreasing retail prices, contrary to normal seasonal price movements, with gasoline prices in mid-May 2.9% lower than a year earlier (see price table below). Gasoil deliveries increased by 2.7% or 84 kb/d, with most of the growth thought to be due to strong diesel deliveries, reflecting increased commercial road haulage and a reportedly higher proportion of crops planted by the end of May than a year earlier. The Department of Energy’s estimate of gasoil deliveries contrasts with a much stronger 7.1% increase reported by the American Petroleum Institute (see table on page 9). Unusually weak demand in May 1996 was largely responsible for growth in jet/kerosene deliveries being greater than the trend. Despite a mild winter, which reduced use of jet/kerosene as both a heating fuel and a winter diesel additive, jet/kerosene deliveries increased by 3.4% on a 12-month moving average, reflecting strong commercial airline demand due to robust economic growth.



Deliveries of residual fuel oil declined year-on-year for the ninth successive month, and by more than the trend. Milder-than-normal weather, particularly on the East Coast where most of the fuel-oil-using generating capacity is concentrated, led to lower air conditioning use and lower electricity demand. In addition to weak electricity demand, there were ample supplies of suitably-priced natural gas available to the utilities. Residual fuel oil prices in New York were at a \$0.16/mmBtu premium to natural gas in mid-May, compared with a discount of \$0.47/mmBtu a year earlier. “Other Product” deliveries increased by 5.7% or 250 kb/d, representing 26% of overall demand and 67% of demand growth. The demand strength is consistent with reported strong petrochemical feedstock demand, but preliminary data for “other” products are often subject to significant revision. Since the “other” product category represents a large proportion of incremental oil demand, the preliminary estimate for total oil deliveries in May should be treated with caution.



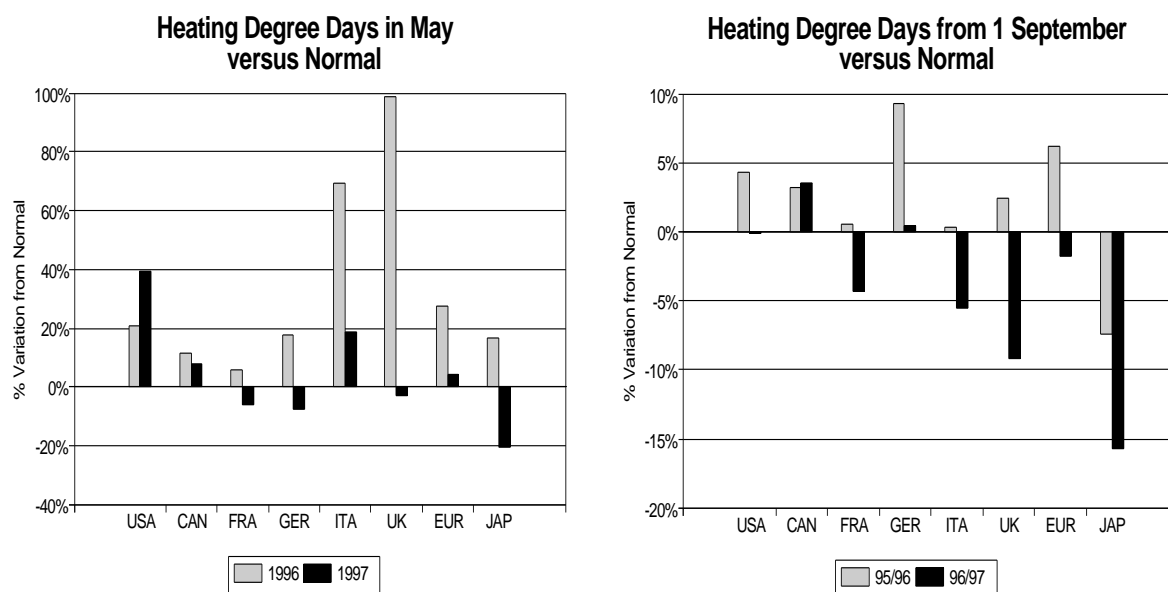
Recent Reports have highlighted significant differences between the preliminary monthly US demand data derived from the DOE/EIA's Weekly Petroleum Status Report and data provided by the American Petroleum Institute. For May, the two organisations' estimates of total US demand again diverge, by more than 90 kb/d. More significantly there is a sharp discrepancy in growth among individual oil products. API estimates higher demand for gasoil, gasoline and fuel oil, but lower growth for jet/kerosene and "other" products.

#### Comparison Between Estimates of Annual US Oil Demand Growth in May 1997

	EIA	API	EIA-API kb/d
Gasoline	0.6%	1.7%	-90
Jet/Kerosene	4.5%	3.5%	14
Total Gasoil	2.7%	6.1%	-106
Diesel	na	7.0%	na
Other Gasoil	na	4.2%	na
Residual Fuel Oil	-9.0%	-3.1%	-48
Other	5.7%	4.0%	138
Total	2.1%	2.6%	-92

EIA = US Department of Energy, Energy Information Administration  
API = American Petroleum Institute

Demand in the four largest European oil-consuming countries decreased by 290 kb/d or 3.8%, with total oil demand decreasing in all countries. For the region as a whole, demand decreased for all products except jet/kerosene. Demand was weak due to fewer working days, German consumers' heating oil stocks that were rebuilt significantly in April, fewer heating degree days and inter-fuel price competition, which particularly affected residual fuel oil deliveries in the UK. Demand fell least in Italy, where deliveries were supported by purchases of residual fuel oil by ENEL. The charts below show the variation in heating degree days from normal for the G7 countries and a European average that represents an unweighted average of 19 cities within 13 countries. The chart on the right shows that Europe experienced generally mild weather in the heating season 1996/97 compared with colder-than-normal weather a year earlier.



In **France**, demand decreased by 70 kb/d, with deliveries declining for all products except diesel and naphtha. Gasoline deliveries declined by more than the trend, despite weak growth in May 1996, reflecting continuing dieselisation of the passenger car market. In contrast, diesel deliveries increased, albeit by less than the trend. The below-trend diesel growth reflected fewer working days, which particularly affected commercial road haulage demand. The 50 kb/d decline in heating oil deliveries resulted from milder-than-normal weather, fewer delivery days and ongoing natural gas substitution. In addition, increased retail prices, partly due to exchange rate movements, may have discouraged purchases. The decline in residual fuel oil deliveries was partly due to a 13.5% increase a year earlier, much of it to the power generation sector. This May, deliveries to EDF declined by 63%, or by 46% on a 12-month moving average. By comparison, fuel oil deliveries to the industrial sector declined by only 5.0% but represented 55% of the overall decline in fuel oil deliveries.

**German** oil demand decreased by 105 kb/d or 3.7% compared with a revised 485 kb/d or 17.5% increase in April. Following a 330 kb/d or 46.6% increase in heating oil deliveries in April, heating oil deliveries declined by 11.0% in May and contributed more than 70% of the decline in total oil demand that occurred in the month. The decline in deliveries resulted in consumer heating oil stocks ending the month some 0.6 mb lower than a year earlier. Fewer working days contributed to lower deliveries for most oil products, although the 1.3% decline in diesel deliveries was larger than expected, given weak deliveries a year earlier. Jet/kerosene deliveries increased strongly, despite good growth a year earlier, consistent with robust growth in the commercial aviation sector. Weak demand for residual fuel oil continued with a 14.9% or 19 kb/d decline in deliveries in May. Demand fell faster than the trend due to continuing substitution and price-related fuel switching to natural gas.

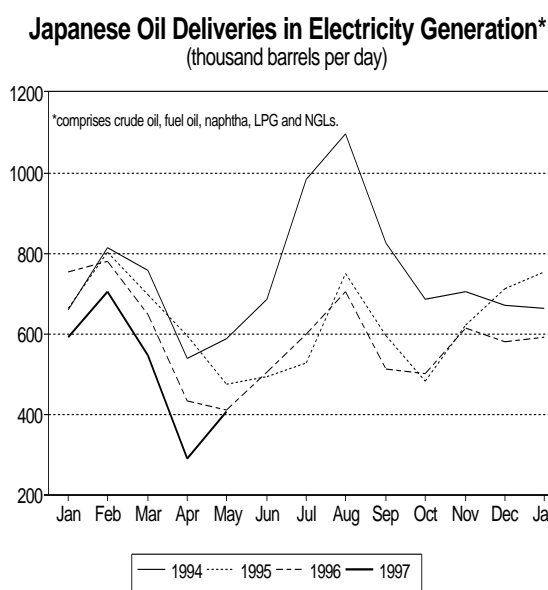
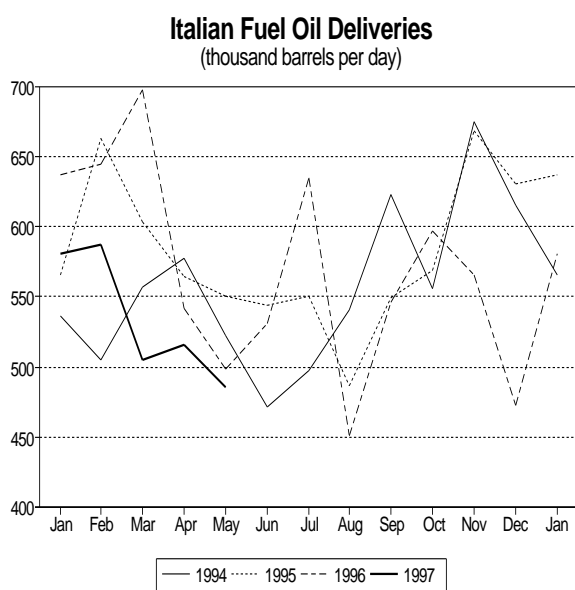
#### Percentage Annual Change in Retail Prices in May 1997<sup>1</sup> (% per annum change in local currency)

	Gasoline	Diesel	Heating Oil	RFO
USA	-2.9%	na	2.9%	na
Canada	-6.7%	5.1%	na	na
Japan	0.0%	8.2%	14.1%	3.9%
France	1.9%	4.0%	6.8%	-9.0%
Germany	2.1%	2.0%	10.7%	-8.7%
Italy	0.5%	2.0%	3.2%	-12.1%
UK	8.4%	8.0%	-4.2%	-15.7%
European Four Average	3.2%	4.0%	4.1%	-11.4%
G7 Average	0.5%	4.9%	6.1%	-8.3%

<sup>1</sup> Mid-month prices  
Countries with missing data are excluded from the average calculation  
Japan heating oil is represented by kerosene

**UK** oil demand was particularly weak, declining by the greatest proportion since April 1992, primarily due to a 57 kb/d decline in residual fuel oil deliveries. A significant decline in spot natural gas prices in May led to fuel switching in the power generation and industrial/commercial sectors and contributed to a 14.9% decline in fuel oil deliveries on a 12-month moving average. LPG and naphtha deliveries declined by 12.6% and 44.4% respectively or by a combined 48 kb/d, reflecting weak petrochemical demand. The heating season ended with mild weather, which contributed to weak LPG demand, as well as to declines in jet/kerosene and heating oil deliveries. In contrast, gasoline and diesel deliveries increased despite fewer working days, higher retail prices and strong growth a year earlier. The growth in road transport fuels is consistent, however, with strong growth in industrial output and disposable income.

**Italian** oil deliveries decreased marginally, with demand declining for all major oil products except jet/kerosene and LPG, the last two increasing by 12.6% and 15.9% respectively. The significant demand weakness for residual fuel oil, which has contributed to weak oil demand over the last year, did not recur in May as deliveries of fuel oil fell by only 2.5% as opposed to a 7.8% decline in the 12-month moving average. Deliveries are thought to have been supported by increased purchases by ENEL to take advantage of weak prices in the Mediterranean. However, a decline in residual fuel oil deliveries is expected to recur, reflecting ongoing substitution of Algerian natural gas for fuel oil. In May, electricity demand increased by 2.9% and output from thermal generation (of which an unknown proportion was fuel oil) increased by 8.4%, with hydroelectric and geothermal output declining by 11.8% and 6.8% respectively, offset slightly by an increase in electricity imports of 1.0%. The increase in LPG deliveries possibly reflects increased transport or residential use. (In 1995, the transport and residential sectors represented 40% and 46% of total LPG demand respectively).



**Japanese** oil demand increased by 1.3% or 59 kb/d in May, following a significant decline in demand in April. Strong demand for naphtha and gasoline more than offset weak deliveries for jet/kerosene and crude for direct use in the power generation sector. Naphtha deliveries increased by 9.5% or 68 kb/d, far greater than the 4.2% growth on a 12-month moving average. Over the last year, naphtha has been the fastest, growing Japanese oil product, reflecting a sustained upturn in the petrochemical sector following weak demand in 1995/96. The 44 kb/d increase in gasoline deliveries was above trend despite strong growth a year earlier, and may reflect the impact of an upturn in economic growth in the first half of 1997 (see below). Jet/kerosene deliveries were weak, consistent with milder-than-normal weather. Residual fuel oil deliveries increased on a year-on-year basis for the first month since last November, reflecting increased deliveries to the power generation sector. In contrast, deliveries of crude to the power generation sector fell by 5.6%, leading to a combined 0.9% decline in total oil deliveries to the utilities in May. Consumption of residual fuel oil by the utilities increased by 8.3% while consumption of crude declined

by 2.4% and contributed to a 1.8% increase in total oil consumption. Consequently, stocks at the utilities ended the month some 6.0% lower than a year earlier. Since electricity demand increased by 4.7% and hydro and nuclear output increased by only 4.4% and 1.2%, there was a moderate increase in oil use and a 17.1% increase in LNG consumption.

### Demand in 2Q97

Oil demand in the G7 countries was generally weaker than anticipated in May. However, significant upward revisions to G7 demand in April, greater-than-expected demand in a number of the other European countries in May and indications of very robust demand growth in the US in June have led to a 215 kb/d upward adjustment to the estimate of OECD demand in 2Q97. Demand is now estimated to have increased by 2.6% or 1.0 mb/d to 40.6 mb/d.

#### Second Quarter OECD Oil Demand by Region

(million barrels per day)

	2Q96	2Q97	Change	
			mb/d	%
North America	19.9	20.6 <sup>r</sup>	0.7	3.6
Europe	13.5	13.8 <sup>r</sup>	0.3	2.4
Pacific	6.2	6.2	0.0	0.1
Total	39.6	40.6 <sup>r</sup>	1.0	2.6

**North American** demand has been revised upwards by 270 kb/d from last month's Report to 20.6 mb/d. This is an annual increase of 3.6% or 0.7 mb/d, but the revision reflects the combination of upward and downward adjustments. US demand in April has been revised upwards by 185 kb/d due to upward revisions to all major products, but most notably to residual fuel oil, which now appears to have increased by 7.1%, rather than declining by 2.8% as originally reported. US demand in May increased by 2.1%, as opposed to the 3.4% increase indicated in last month's Report, based on preliminary weekly data for only part of the month. This downward adjustment was partly offset by significantly greater-than-expected Canadian demand in May, with demand for naphtha, jet/kerosene, residual fuel oil and "other" products increasing by more than 10% each. US demand is estimated to have increased by 4.0% or 720 kb/d in June, with strong demand growth for all products except gasoline, which increased by only 0.5%, somewhat below trend. These estimates are based on adjustments to weekly delivery data up to 27 June, and assume that the average demand levels in the period of available data continued in the remaining days of the month. Gasoil deliveries are assumed to have increased by 4.5% and contributed 20% of total incremental demand. Residual fuel oil deliveries increased by 4.9% or 35 kb/d, contrary to the trend but consistent with a 16.5% decline in the previous June. Residual fuel prices in New York were almost at parity with natural gas this June, as was the case last year.

Upward revisions made to demand in the four largest **European** oil-consuming countries in April and stronger-than-expected April demand in Spain and the Netherlands were not sufficient to offset weaker-than-expected demand in the four largest countries in May. Together with preliminary indications of weak demand in the first ten days of June in Germany, the estimate of European demand in 2Q97 has been revised downwards by 0.1 mb/d from last month's Report to 13.8 mb/d, an annual increase of 2.4% or 0.3 mb/d. Demand in the four largest oil-consuming countries in April was revised upwards by 120 kb/d and is now assumed to have increased by 5.9% compared with the 4.4% previously reported. In particular, German oil deliveries increased by 17.5% compared with 12.6% reported in last month's Report, with large upward adjustments made to all major products except gasoil. Spanish and Dutch deliveries in April increased by 9.7% and 12.7% respectively, far greater than anticipated and contributed a significant 200 kb/d to incremental European demand. In May, demand was weaker than expected in the four largest countries and the estimate of demand in the remaining countries consequently remains subject to downward revision. While preliminary indications suggest that German demand was weak in early June, this may have been somewhat offset by pre-buying in the UK ahead of the new Labour Budget at the start of July. The pre-buying is most likely to have affected road transport fuels only, as the incoming government had expressed its intent not to increase excise or other taxes on domestic space heating fuels. Any pre-buying in June is likely to lead to an equivalent decline in deliveries in July, but until the extent of deliveries in June is known, the estimate of European demand in 3Q97 has been left unchanged.

### Change in Number of Working Days in 1Q97 and 2Q97 Compared with a Year Earlier

	USA	Canada	Japan	France	Germany	Italy	UK
January	-	-	-	-	-	-1	-
February	-1	-1	-1	-1	-1	-1	-1
March	-	-2	-	-1	-2	-1	-2
1Q97	-1	-3	-1	-2	-3	-3	-3
April	-	2	-	1	2	1	2
May	-1	-1	-	-1	-1	-1	-1
June	1	1	1	1	1	1	1
2Q97	0	2	1	1	2	1	2

Includes public holidays.

Public holidays in Germany are based on Southern German dates.

### OECD Economic Growth Projections

The OECD's latest published historical estimates and projections for real GDP growth in the seven largest OECD countries in 1997 and 1998 were released in June 1996 and are reproduced below. The contribution of Mexico, the Czech Republic, Hungary, Poland and Korea to total OECD economic growth has not been included so that the total OECD category is the same as that currently used throughout the *Oil Market Report*. In the latest outlook, the projection of economic growth in 1997 was revised upwards in three of the seven countries, most notably the US and Japan, while minor downward revisions have been made to the estimates of Italian and UK growth. This resulted in a 0.7% point upward adjustment to the projection of OECD economic growth in 1997 to 2.9% accelerating from a revised estimate of 2.5% in 1996. The rate of economic growth in 1997 is expected to accelerate in six of the seven countries, and the expected deceleration in Japan, from 3.6% in 1996 to 2.3% in 1997, is less than previously projected.

### OECD Real GDP Growth 1995-1998

	% per annum (seasonally adjusted)								% point difference compared with the December 1996 forecast					
	1995	1996	1997	1998	1H97	2H97	1H98	2H98	1997	1998	1H97	2H97	1H98	2H98
US	2.0	2.4	3.6	2.0	4.4	2.2	1.7	2.2	1.4	0.0	2.6	0.3	-0.3	0.1
Canada	2.3	1.5	3.5	3.3	3.9	3.4	3.4	3.2	0.2	0.0	0.7	0.0	0.0	-0.1
Germany	1.9	1.4	2.2	2.8	2.0	1.8	3.0	3.2	0.0	0.2	-0.2	-0.7	0.5	0.7
France	2.1	1.5	2.5	2.8	2.7	2.9	2.8	2.8	0.0	0.2	0.3	0.5	0.2	0.3
Italy	2.9	0.7	1.0	1.8	1.2	1.3	1.9	2.1	-0.2	-0.3	-0.3	-0.4	-0.2	-0.2
UK	2.5	2.1	3.0	2.7	3.2	3.1	2.6	2.4	-0.3	-0.3	0.2	0.1	-0.4	-0.4
European Union	2.4	1.6	2.3	2.7	2.3	2.4	2.7	2.8	-0.1	0.0	-0.1	-0.2	0.0	0.1
Japan	1.4	3.6	2.3	2.9	4.4	2.2	1.7	2.2	0.7	-0.8	2.1	-1.1	-2.1	-1.6
Total OECD	2.5	2.5	2.9	2.6	3.3	2.5	2.5	2.7	0.7	0.2	1.2	0.1	0.1	0.2

In 1998, OECD economic growth is projected to decelerate slightly to 2.6%, a 0.2% point upward revision from the previous projection. Economic growth is forecast to accelerate in four of the countries, most notably in Italy (from a low base) and Japan. However, due to upward revisions to 1997, economic growth in Italy and Japan in 1998 is less than previously anticipated. The projection of economic growth in North America in 1998 remains unchanged from the previous projection. Potential changes in economic growth projections are discussed with OECD economists on a regular basis and the implications of the adjustments to these economic data on oil demand have already been incorporated into the demand projections in earlier Reports.

### OECD Demand in 1997 and 1998

OECD demand for oil in 1997 is projected to increase by 0.5 mb/d or 1.3% to 41.7 mb/d, a 0.1 mb/d upward adjustment, reflecting revisions to 2Q97 demand. The projected 1.7% growth in North American demand is less than the 2.6% growth in 1996, but the region still has the highest projected rate of oil demand growth of the three OECD regions. European oil demand growth is expected to slow from the 1.5% growth in 1996, reflecting ongoing substitution of natural gas for fuel oil in southern Europe, high end-user prices and the prospect of tax increases, which may continue to constrain demand, despite the anticipated acceleration in economic growth. In the Pacific region, demand is projected to increase by 0.9%, with weakened oil deliveries to the Japanese power generation sector more than offset by economic growth, following the devaluation of the yen.

## OECD Oil Demand in 1997 &amp; 1998

	North America		Europe		Pacific		Total	
	mb/d	change*	mb/d	change*	mb/d	change*	mb/d	change*
1Q97	20.4	0.0	14.2	-0.2	7.3	-0.1	41.9	-0.2
2Q97	20.6 <sup>r</sup>	0.7	13.8 <sup>r</sup>	0.3	6.2	0.0	40.7 <sup>r</sup>	1.0
3Q97	20.6	0.4	14.3	0.1	6.4	0.1	41.3	0.6
4Q97	21.0	0.2	14.8	0.3	7.1	0.2	42.9	0.6
1997	20.7 <sup>r</sup>	0.3	14.3	0.1	6.7	0.1	41.7 <sup>r</sup>	0.5
1Q98	20.7	0.3	14.4	0.2	7.4	0.1	42.5	0.6
2Q98	20.6	-0.0	13.8 <sup>r</sup>	-0.0	6.3 <sup>r</sup>	0.1	40.7 <sup>r</sup>	0.0
3Q98	20.8	0.2	14.5	0.2	6.5	0.1	41.8 <sup>r</sup>	0.5
4Q98	21.3	0.3	15.0	0.2	7.2	0.1	43.4	0.5
1998	20.8 <sup>r</sup>	0.2	14.4	0.1	6.8	0.1	42.1	0.4

<sup>r</sup> revised since last Report  
\* mb/d year-on-year change

OECD demand in 1998 is projected to increase by 0.4 mb/d or 1.0% to 42.1 mb/d, at a level essentially unchanged from last month's Report. As normal weather is assumed for 1Q98 after milder-than-normal weather in 1Q97, strong year-on-year oil demand growth is expected in that quarter. Following unusually strong deliveries in 2Q97, partly due to significant stockbuilding in Germany and pre-tax buying in the UK, a return to a more "normal" pattern of demand in 2Q98 is assumed, leading to comparatively weak demand growth in 2Q98. While economic growth in Japan and Europe is forecast to accelerate in 1998 (see above), this is expected to be slightly more than offset by an anticipated slowdown in US economic growth, leading to marginally slower OECD economic growth in 1998 than in 1997. Economic growth-related increases in oil demand in Europe and Japan may be partly offset by continuing natural gas substitution for fuel oil in the former and lower oil use in the power generation sector in the latter. However, gasoline demand growth in the US may support oil demand growth in 1998, despite the anticipated deceleration in economic growth.

## Non-OECD

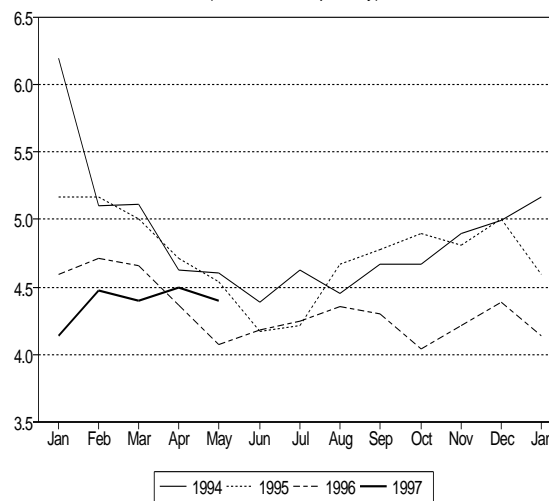
## Former Soviet Union

Apparent demand in the former Soviet Union in 2Q97 and 1997 has been revised upwards by 0.2 mb/d and 0.1 mb/d respectively. Since demand data for the FSU are derived as production less net oil exports, the revisions primarily reflect constraints on exports from the FSU in June which, in association with an assumption of essentially unchanged oil production, has led to an increase in apparent demand. It is likely that some of the marked rise in apparent demand has resulted from a stockbuild rather than a significant change in actual consumption. This stockbuild could be expected to lead to a stockdraw once the constraint on exports is lifted but projections of FSU apparent demand for 3Q97 and 4Q97 remain essentially unchanged, given the uncertainty surrounding FSU production, the extent of the stockbuild and the duration of the constraint on exports (see Supply section).

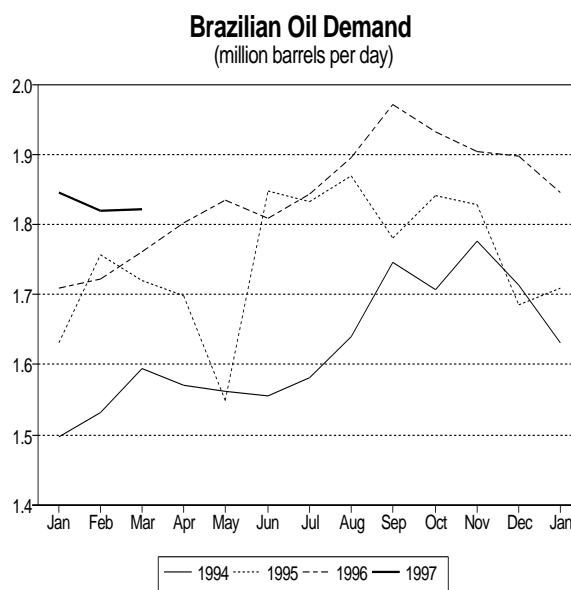
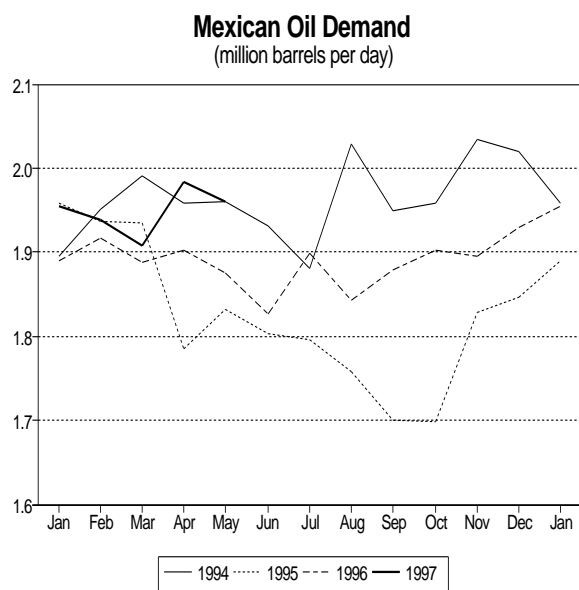
However, the change to demand in 2Q97 has led to an upward adjustment to FSU demand in 1997 and 1998 to 4.4 mb/d in both years. FSU demand in both 1997 and 1998 is projected to increase by about 1.0%.

## Mexican Demand in May

Preliminary data published by *Pemex* indicate that inland oil deliveries (excluding refinery fuels) grew by 5.9% in May, similar to the 5.5% increase in April and the 5.6% increase on a 12-month moving average basis. Including estimates of bunkers and refinery fuel use and an adjustment to calibrate the monthly data to the historical series, total Mexican demand in May is estimated to have grown slightly more slowly than inland deliveries, increasing by 85 kb/d to 1.96 mb/d. Demand rose for all products, most significantly for LPG and residual fuel oil, which increased by 8.8% and 8.7% respectively and contributed 67% of total incremental demand. The strength in residual fuel oil was partly due to a 2.8% decline a year earlier;

FSU Oil Demand  
(million barrels per day)

there also were reports of increased use due to a shortfall in hydroelectric output in Western Mexico. Motor gasoline demand increased by 2.3% or 11 kb/d, in line with the trend. On a 12-month moving average basis, gasoil is the fastest-growing oil product, increasing by 7.7%, although due to strong demand a year earlier, deliveries in May increased by below the trend (+6.3% or 16 kb/d).

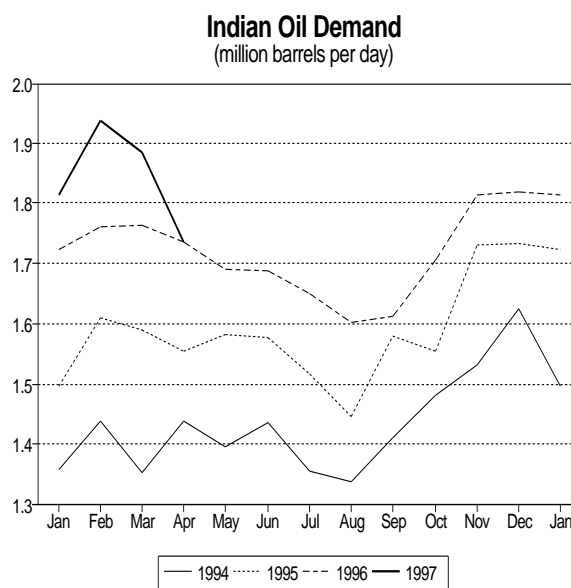


### Brazilian Demand in March

Preliminary data published by *Brazil Energy* magazine indicate that inland oil deliveries increased in March by 3.5%, well below the 12-month moving average of 6.1% and the 5.6% growth in 1Q97. Including estimates of bunkers and refinery fuel use, total Brazilian demand in March is estimated to have grown by 60 kb/d to 1.82 mb/d. Demand grew for all products except alcohol used as a gasoline additive, which declined by 30 kb/d or 12.8% on a year-on-year basis or by 1.6% on a 12-month moving average basis. Gasoline and diesel deliveries increased by 4.4% and 4.8% respectively or by a combined 37 kb/d. The increase in gasoline deliveries was above expectation, given a 13.6% increase a year earlier. Residual fuel oil deliveries increased by 15.3%, above the 11.1% trend, reflecting increased use in the power generation sector. LPG deliveries increased by 6.8%, partly due to feedstock switching in the petrochemical sector, as naphtha deliveries increased by only 2.9%, significantly below trend and despite a 11.8% decline a year earlier.

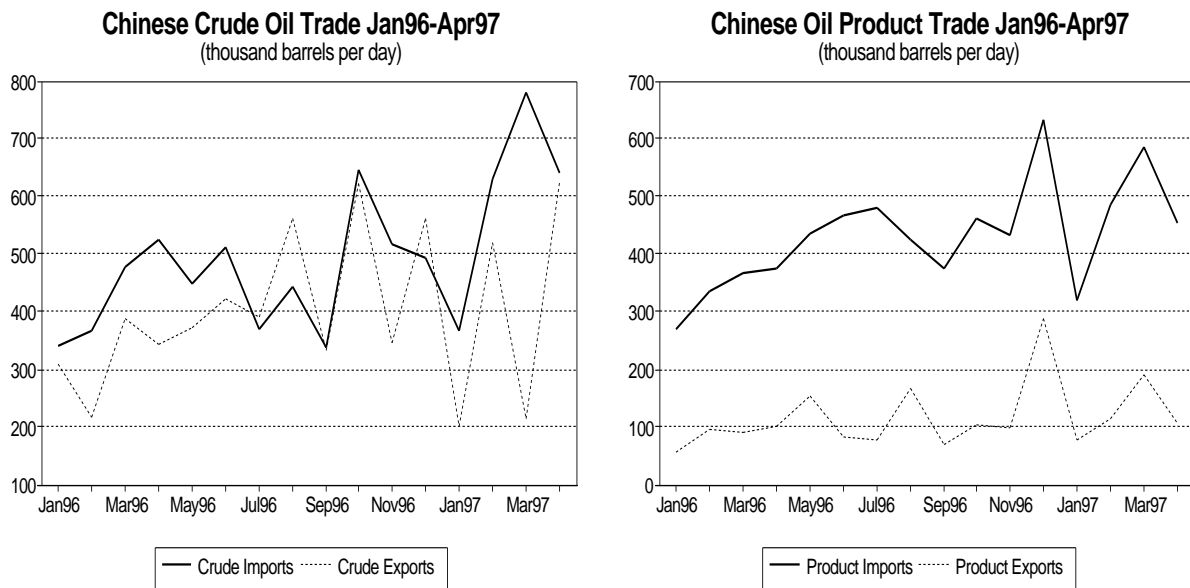
### Indian Demand in April

Data published by the Indian Ministry of Petroleum and Natural Gas indicate that Indian inland deliveries were essentially unchanged in April, compared with growth of 7.8% in 1Q97 and 5.4% on a 12-month moving average basis. Including estimates of bunkers and refinery fuel use, Indian demand in April is estimated to have been 1.74 mb/d. The growth was below trend primarily due to a 12.6% increase in deliveries a year earlier when demand for most products increased strongly, including demand increases of more than 17% for high-speed diesel and gasoline. This April, demand declined for all major products except naphtha and LPG, which increased by 58.7% and 6.7% respectively or by a combined 49 kb/d. LPG deliveries have increased by 9.9% on a 12-month moving average reflecting fiscal incentives to encourage fuel switching from kerosene in the domestic sector. Naphtha deliveries increased due to additional petrochemical capacity and a 17.4% decline a year earlier. High-speed diesel and gasoline deliveries decreased by 1.2% and 3.0% respectively.



## Chinese Trade

In April, Chinese total net imports dropped by 62% from the previous month to 364 kb/d, a figure which is also 20% lower than April 1996. Net crude oil trade moved from record net import levels in March to near balance in April. Product imports fell by about 50 kb/d more than product exports, leading to a reduction in total net oil imports of nearly 600 kb/d. Crude oil exports increased markedly, from 215 kb/d in the previous month to 625 kb/d, 68% of which was destined to Japan (279 kb/d) and Korea (144 kb/d). Conversely, imports declined by 18% from the previous month to 640 kb/d. They were, however, 22% more than April 1996 and still high relative to historical levels. These opposing movements in imports and exports left the crude oil trade balance at only +15 kb/d. Typically, Oman provided 36% of crude oil imports, but China also imported a considerable amount of North Sea crude oil (from Norway) for the first time since September 1995, when it imported 17 kb/d from the UK. In products trade, diesel oil imports decreased significantly to 92 kb/d from 192 kb/d in the previous month. This is partially due to the Chinese Government's end in March to the preferential tax rate (3%) on diesel oil and fuel oil imports, which was doubled to 6%.



## Non-OECD Demand in 1997 and 1998

Non-OECD demand in 1997 is projected to increase by 4.3% or 1.3 mb/d to 32.1 mb/d, a 0.1 mb/d upward revision from last month's Report, primarily reflecting upward revisions to FSU apparent demand in 2Q97. In 1998, non-OECD demand is projected to increase by 4.2% or 1.3 mb/d to 33.5 mb/d, at a rate unchanged from last month's Report. However, due to an anticipation of stronger demand in 1997, demand in 1998 has been revised upwards by 0.1 mb/d. The projection of demand in 1998 assumes a minor slowdown in oil demand growth in most non-OECD regions, including Other Asia and Latin America, offset by an assumed return to modest oil demand growth in the FSU.

## Non-OECD Demand in 1997 &amp; 1998

	FSU		Europe		China		Other Asia		L. America		M. East		Africa		Non-OECD	
	mb/d	change*	mb/d	change*	mb/d	change*	mb/d	change*	mb/d	change*	mb/d	change*	mb/d	change*	mb/d	change*
1Q97	4.3	-0.3	1.6	0.1	3.6	0.2	9.3	0.6	6.5	0.3	4.2	0.1	2.4	0.1	32.0	1.0
2Q97	4.5 <sup>r</sup>	0.3	1.5	0.1	3.8	0.2	9.0	0.7	6.6	0.2	4.2	0.1	2.4	0.1	31.9 <sup>r</sup>	1.6
3Q97	4.2	-0.1	1.4	0.1	3.8	0.2	8.7	0.6	6.7	0.2	4.4	0.1	2.3	0.1	31.5	1.1
4Q97	4.5	0.3	1.5	0.1	3.9	0.2	9.7	0.6	6.7	0.2	4.4	0.1	2.4	0.1	33.1 <sup>r</sup>	1.6
1997	4.4 <sup>r</sup>	0.0	1.5	0.1	3.8	0.2	9.2	0.6	6.6	0.2	4.3	0.1	2.4	0.1	32.1 <sup>r</sup>	1.3
1Q98	4.4 <sup>r</sup>	0.0	1.6	0.0	3.9	0.2	9.9	0.6	6.8	0.3	4.3	0.1	2.5	0.1	33.4 <sup>r</sup>	1.4
2Q98	4.5 <sup>r</sup>	0.0	1.5	0.0	4.0	0.2	9.7	0.7	6.8	0.2	4.3	0.1	2.5	0.1	33.3 <sup>r</sup>	1.4
3Q98	4.3 <sup>r</sup>	0.0	1.4	0.0	4.0	0.2	9.3	0.6	7.0	0.2	4.5	0.1	2.3	0.1	32.8 <sup>r</sup>	1.3
4Q98	4.6 <sup>r</sup>	0.0	1.5	0.0	4.1	0.2	10.3	0.7	6.9	0.2	4.5	0.1	2.5	0.1	34.4	1.4
1998	4.4 <sup>r</sup>	0.0	1.5	0.0	4.0	0.2	9.8	0.6	6.9	0.2	4.4	0.1	2.4	0.1	33.5 <sup>r</sup>	1.3

\* year-on-year change (mb/d)  
r revised since last Report

## Global Demand in 1997 and 1998

Global demand in 1997 has been revised upwards by 0.1 mb/d from last month's Report to 73.8 mb/d, representing an annual increase of 2.6% or 1.9 mb/d. The upward revisions mainly reflect significant upward adjustments to US and FSU demand in 2Q97, which have also contributed to a 0.4 mb/d upward revision to global demand in 2Q97, to 72.6 mb/d. In 1998, global demand is projected to increase by 2.4% or 1.8 mb/d to 75.6 mb/d, a 0.1 mb/d upward revision from last month's Report, consistent with upward adjustments made to the 1997 demand projection.

## SUPPLY

### Summary

- World oil supply fell by 0.7 mb/d in June to 73.7 mb/d, primarily as a result of the lack of oil exports from Iraq. OPEC crude supply dropped by 0.6 mb/d to 26.4 mb/d, as the Iraqi decline of 0.8 mb/d far exceeded increases in production from the UAE and Nigeria. Non-OPEC supply declined by 0.1 mb/d, as Russian production was 0.2 mb/d lower, due to export constraints. This was only partially offset by gains in Latin America and an overall gain by the OECD. Mexico and Argentina saw increased output, while in the OECD, higher volumes from Canada, the UK and Australia more than compensated for declines in the US and Norway.
- The "call on OPEC crude plus stock change" for 2Q97 was estimated at 25.2 mb/d, driven by unusually high demand. The forecast "call" for 3Q97 and 4Q97 are 24.7 mb/d and 26.3 mb/d, 0.2 mb/d and 0.4 mb/d below the respective year-earlier figures. The projected quarterly "calls" for 1998 are also 0.2 to 0.4 mb/d below year-earlier figures, with the exception of 2Q98, which is expected to be 0.7 mb/d below the quarter just concluded.
- Non-OPEC supply in 1998 continues to be projected at 47.2 mb/d, 2.0 mb/d above this year's expected average. The estimates for 1998 by quarter are shown for the first time in Table 1.
- Net FSU exports in June were estimated at 2.5 mb/d, a 0.4 mb/d decrease compared to May. Exports from the Black Sea fell from 1.3 mb/d in May to 0.9 mb/d in June, as the oil export terminal at Novorossiisk lost partial capacity due to an oil spill. There were also weather-related port closures. Fuel oil and gas oil exports in June remained at the same level as in May.

### Non-OPEC Oil Supply

(million barrels per day)

	1996	1997 <sup>f</sup>	1998 <sup>f</sup>	2Q96	3Q96	4Q96	1Q97	2Q97 <sup>p</sup>	3Q97 <sup>f</sup>
<b>CRUDE OIL</b>									
North America	8.03	8.06	8.26	7.95	7.99	8.09	8.04	8.01	8.03
United States	6.47	6.47	6.53	6.43	6.42	6.48	6.45	6.46	6.45
Canada	1.56	1.59	1.73	1.52	1.57	1.61	1.59	1.55	1.59
Europe	6.20	6.53	7.06	6.12	6.11	6.41	6.38	6.20	6.40
North Sea	5.79	6.10	6.60	5.70	5.69	6.01	5.96	5.78	5.97
UK*	2.45	2.59	2.90	2.38	2.34	2.61	2.55	2.30	2.61
Norway	3.09	3.24	3.40	3.09	3.09	3.13	3.15	3.22	3.09
Other North Sea**	0.25	0.28	0.31	0.23	0.26	0.27	0.26	0.26	0.27
Other Europe	0.41	0.42	0.46	0.43	0.42	0.41	0.42	0.42	0.42
Pacific	0.59	0.70	0.80	0.60	0.61	0.59	0.59	0.69	0.77
Australia	0.54	0.63	0.72	0.55	0.55	0.52	0.52	0.61	0.70
Other Pacific	0.05	0.07	0.08	0.05	0.06	0.07	0.07	0.08	0.07
<b>Total OECD</b>	<b>14.82</b>	<b>15.29</b>	<b>16.11</b>	<b>14.67</b>	<b>14.71</b>	<b>15.09</b>	<b>15.01</b>	<b>14.90</b>	<b>15.20</b>
Latin America	5.76	6.17	6.64	5.75	5.76	5.86	5.98	6.07	6.24
Asia (inc. China)	5.02	5.13	5.19	5.02	4.98	5.05	5.09	5.17	5.12
Africa (inc. Gabon)	2.45	2.64	2.79	2.41	2.49	2.54	2.56	2.61	2.65
Other Middle East	1.89	1.95	1.95	1.86	1.90	1.95	1.92	1.93	1.95
Central and Eastern Europe	0.25	0.25	0.24	0.24	0.24	0.25	0.25	0.25	0.25
<b>Total Non-OECD (ex. FSU)</b>	<b>15.37</b>	<b>16.13</b>	<b>16.81</b>	<b>15.27</b>	<b>15.37</b>	<b>15.64</b>	<b>15.80</b>	<b>16.03</b>	<b>16.22</b>
Russia	5.84	5.80	5.82	5.84	5.88	5.82	5.78	5.85	5.78
Other Republics	0.91	1.00	1.15	0.90	0.92	0.94	0.94	0.98	1.01
<b>Total FSU</b>	<b>6.75</b>	<b>6.80</b>	<b>6.96</b>	<b>6.74</b>	<b>6.80</b>	<b>6.76</b>	<b>6.72</b>	<b>6.83</b>	<b>6.79</b>
<b>NGLS &amp; OTHER</b>									
United States	2.13	2.21	2.22	2.12	2.13	2.22	2.19	2.20	2.20
Canada	0.90	0.91	0.97	0.86	0.90	0.92	0.93	0.81	0.93
North Sea	0.41	0.43	0.46	0.39	0.37	0.45	0.43	0.39	0.40
Russia	0.19	0.20	0.21	0.18	0.17	0.20	0.21	0.19	0.18
Other Non-OPEC	1.58	1.65	1.84	1.62	1.55	1.55	1.59	1.62	1.67
<b>Total NGLs and Other</b>	<b>5.21</b>	<b>5.41</b>	<b>5.70</b>	<b>5.18</b>	<b>5.12</b>	<b>5.33</b>	<b>5.35</b>	<b>5.21</b>	<b>5.39</b>
Processing Gains	1.52	1.57	1.64	1.50	1.50	1.55	1.57	1.56	1.56
<b>Total Non-OPEC Supply</b>	<b>43.66</b>	<b>45.20</b>	<b>47.23</b>	<b>43.36</b>	<b>43.50</b>	<b>44.37</b>	<b>44.45</b>	<b>44.51</b>	<b>45.15</b>

p preliminary

f forecast

\* excluding on-shore production

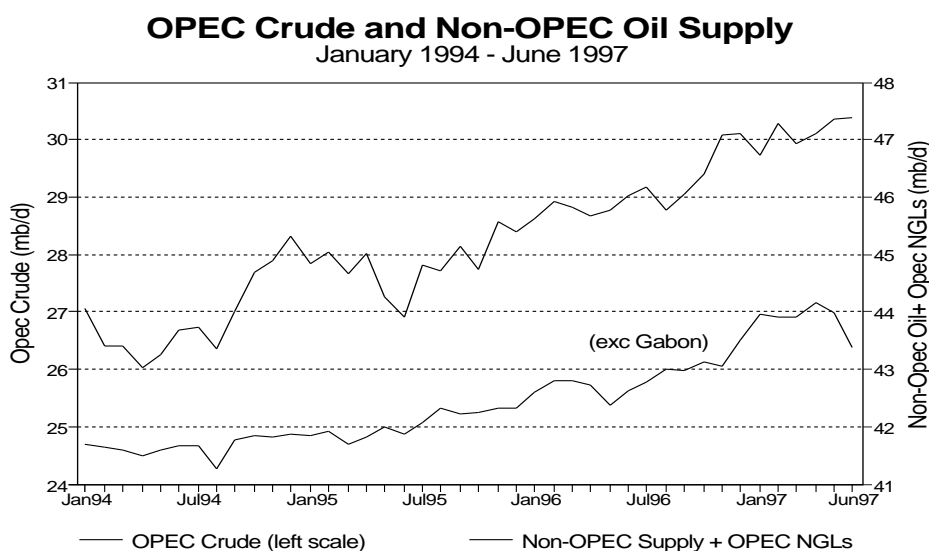
\*\* Denmark, offshore Netherlands and offshore Germany

## Overview of Supply Developments and Revisions

The absence of oil exports from Iraq resulted in a net decline in world oil supply of 0.67 mb/d in June, to 73.69 mb/d. OPEC crude production averaged 26.39 mb/d, a decline of 0.60 mb/d, because Iraqi production averaged only 0.55 mb/d, a drop of 0.77 mb/d. Gains in the UAE and Nigeria were overshadowed by the Iraqi fall. UAE output increased 145 kb/d, to 2.27 mb/d, as the Lower Zakum and Umm Shaif fields came back from maintenance. Nigerian supply rose to 2.34 mb/d, up 65 kb/d, as there were no major disturbances in the Bonny and Forcados areas, and Odudu production rebounded from maintenance.

In contrast to OPEC, non-OPEC oil supply was relatively flat at 44.45 mb/d in June, a loss of 90 kb/d compared to May. The single biggest change was in Russia, where production was estimated to have declined by 200 kb/d because of constraints in export capacity at the port of Novorossiisk and, to a lesser extent, in the Druzhba pipeline. Net FSU exports of 2.47 mb/d were down 400 kb/d, because of an oil spill and weather-related port closures at Novorossiisk and maintenance to the Polish section of the Druzhba pipeline.

Modest June gains in Latin America (+45 kb/d) to 6.89 mb/d helped mitigate the effects of the Russian shortfall. Mexican supply was thought to have increased by 20 kb/d, due to rising flows of offshore Mayan crude and to recovering NGL production. In addition, gains of 5-10 kb/d are estimated to have taken place in Argentina, Colombia, and Ecuador. The Colombian production forecast for 3Q97 and 4Q97 was reduced by 50 kb/d and 70 kb/d, respectively, as delays in the Cupiagua field were factored into the forecast.



Total OECD oil supply also helped to offset the Russian loss, increasing 50 kb/d in June to 18.4 mb/d. On the upside, Canadian production was 2.43 mb/d (+100 kb/d), as synthetic crude output returned to normal levels following heavy maintenance work in the prior two months. In the UK, offshore output was estimated to have increased by 60 kb/d, to 2.51 mb/d, on the strength of growing production from offshore-loaded fields. Conversely, US oil production fell to 8.65 mb/d (-40 kb/d), as a result of declines in the Alaskan Prudhoe Bay and Kuparuk fields. In Norway, supply was estimated to have dropped by 85 kb/d, to 3.25 mb/d, due in large part to planned maintenance at the Oseberg, Veslefrikk, and Brage fields in the Oseberg system. North Sea production estimates for the second, third, and fourth quarters of 1997 were lowered by 170 kb/d, 60 kb/d, and 60 kb/d, respectively, to reflect additional field delays and poor performance at some fields.

### Production of Non-Conventional Oils

Production of refinery feedstocks or oil-like products for direct use from other than conventional crude oil deposits is projected to account for 8.3 mb/d or nearly 18% of world oil supply in 1997. Of this amount, 7 mb/d is NGLs and 1.3 mb/d is "Other" hydrocarbons. The other hydrocarbons are not only of significance because of their volumes, but also because of differences in classification between data sources and forecasts. (The definition used in this Report is thought to be the most inclusive.)

### Average Annual Changes in World Oil Production by Type

	(thousand barrels per day)							
	1990-1995		1996		1997		1998	
	Change	%-Chg	Change	%-Chg	Change	%-Chg	Change	%-Chg
<b>Non-OPEC</b>								
Crude Oil	-215	-0.6%	1082	3.0%	1262	3.4%	1649	4.3%
NGLs	107	2.9%	103	2.6%	174	4.2%	231	5.4%
Other	72	9.1%	42	4.1%	53	5.0%	55	4.9%
Total Non-OPEC	-37	-0.1%	1226	3.0%	1489	3.5%	1822	4.4%
<b>OPEC</b>								
Crude Oil	522	2.2%	807	3.2%	NA	NA	NA	NA
NGLs	64	3.0%	139	6.0%	208	8.4%	104	3.9%
Other	10	21.8%	41	51.6%	62	50.7%	42	22.7%
Total OPEC	595	2.3%	988	3.6%	NA	NA	NA	NA

During the first half of the 1990s, world NGL production rose at an average annual rate of just under 3%, while output of "Other" increased by over 9% per year from non-OPEC sources and by over 20% per year for OPEC, albeit both from relatively low levels. The growth in non-OPEC NGL output appears to be accelerating, from 2.6% last year to an estimated 4.2% this year and 5.4% in 1998, with this trend expected to continue at least for the next several years as more liquids are extracted from increasing natural gas supplies. OPEC NGLs are projected to grow at double the non-OPEC rate in 1997 due to the start-up of large projects in the UAE and Qatar, but to slow to 3.9% next year.

### Production of Non-Conventional Oils 1994-1998

	(thousand barrels per day)									
	1994		1995		1996		1997		1998	
	Level	Change	Level	Change	Level	Change	Level	Change	Level	Change
<b>Non-OPEC</b>										
Canada	254	15	281	27	279	-2	279	0	322	44
United States	253	19	306	53	301	-5	314	13	310	-3
Brazil	210	4	196	-14	231	35	262	31	276	14
South Africa	196	35	175	-21	182	7	185	3	185	0
Other OECD *	62	18	45	-17	48	3	54	6	54	0
Other Non-OPEC **	15	12	17	2	21	4	22	1	22	0
Total Non-OPEC	990	103	1020	30	1062	42	1115	53	1170	55
<b>OPEC</b>										
Venezuela	25	2	36	11	72	35	103	31	135	33
Saudi Arabia	35	7	44	9	50	6	81	31	90	9
Total OPEC	60	9	80	20	122	41	183	62	225	42
Total World	1050	112	1101	51	1184	84	1299	115	1395	96

\* includes (with 1996 volumes) Germany (20 kb/d), Hungary (18 kb/d), New Zealand (5 kb/d), Japan (3 kb/d and Italy (2 kb/d) mostly gas-based additives

\*\* Malaysian middle distillate synthesis (17 kb/d) and Moroccan oil shale (4 kb/d)

The production from other hydrocarbon sources is more difficult to assess, however, due to uncertainties affecting three of the four largest components. Production of synthetic crude oils from Canadian tar sands deposits appears to be on a clear-cut upward trend. Conversely, as part of oil market liberalisations, the potential removal of direct and indirect subsidies for Brazil's alcohol fuels production and South Africa's coal-based Sasol plants has created uncertainty about future output. Similarly, proposals at the state level in the US to ban the use of the gasoline additive MTBE and threats to the current subsidies on ethanol production used for gasohol could significantly affect the 300 kb/d production of US other hydrocarbons.

Non-conventional oil production was discussed in two previous Reports, 8 April 1994 and 7 December 1995. The Table below compares those estimates with the current assessment. The historical figures have been periodically revised upwards to reflect increased reporting of non-conventional production streams. The trend of increased reporting of these streams is expected to continue, especially for OECD countries.

### Estimates of World Supply of Non-Conventional Oil

(thousand barrels per day)

Oil Market Report	1993	1994	1995	1996	1997	1998
8 April 1994	875	904				
7 December 1995	885	984	1096	1132		
8 July 1997	938	1050	1101	1184	1299	1395

## OECD

### North America

US oil production is estimated to have been 8.65 mb/d in June, 39 kb/d lower than the revised May average of 8.69 mb/d. June output included 6.45 mb/d of crude (-32 kb/d), 1.87 mb/d of NGLs (-23 kb/d), and 0.33 mb/d of other hydrocarbons (+16 kb/d). The drop in crude was driven by a 44 kb/d decline in Alaskan output to 1.27 mb/d, based on production data through 26 June. Prudhoe Bay supply dropped by 17 kb/d to 678 kb/d, and Kuparuk supply fell by 21 kb/d to 238 kb/d. Prudhoe's decline was due to continued warmer-than-normal temperatures, which reached 59° F on 24 June. In addition, on 26 June the Alyeska pipeline was shut down. A remote gate valve closed at Pump Station 12, and production on all North Slope fields was affected, dropping by a combined 270 kb/d between the 25th and 26th of the month. If this situation continued beyond then (the last day of preliminary data), production for the month will have been lower, perhaps by a significant amount. Kuparuk's decline was due to scheduled maintenance at the field's Central Processing Facility #1. A small leak was discovered, which led to extended downtime; output was off by roughly 80 kb/d between 13 and 19 June.

Total crude production in the lower 48 states averaged 5.19 mb/d in June (+12 kb/d). Crude production in the offshore Gulf of Mexico is estimated to have increased by 28 kb/d in June, to 1.25 mb/d (including state offshore production in Texas and Louisiana), due to continued production increases at new fields. Last month's production of 1.22 mb/d was revised upwards by 12 kb/d, as May's losses due to the Eugene Island pipeline system leak were less than originally estimated. Industry sources explained that the current availability of excess capacity in the new Poseidon and Mars pipeline systems (built for deepwater production that will be building in coming years) allowed Eugene Island crude, after the first day of the leak, to be routed around the problem section of the line. Crude production in California in June was judged to have been 0.95 mb/d, flat with April, while Texas output fell by 6 kb/d to 1.46 mb/d.

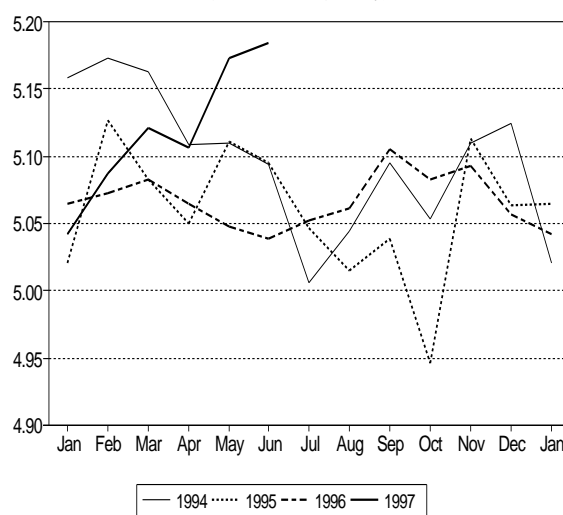
#### Alaskan Crude Oil Production

(million barrels per day)



#### Lower 48 Crude Oil Production

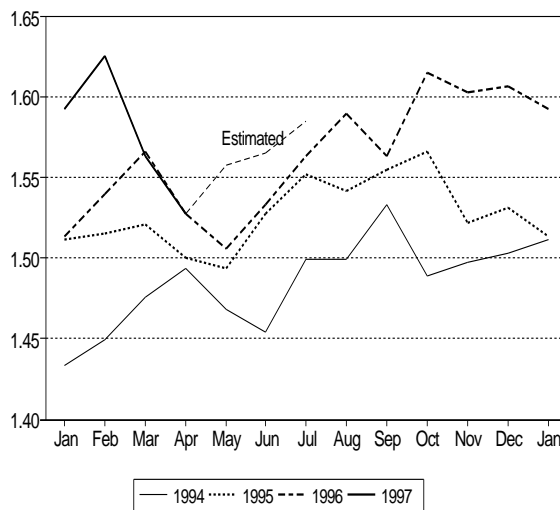
(million barrels per day)



Production data for **Canada** for April indicate total oil production of 2.31 mb/d, down 165 kb/d compared to the revised March figure of 2.48 mb/d. Half of the drop (-78 kb/d) was in synthetic crude production, which fell to 193 kb/d. The 200-220 kb/d Syncrude plant took down a coker and a diluent recovery unit for most of April and the first week of May, limiting the facility to roughly 60-65% of typical output. In addition, the 80 kb/d Suncor plant shut totally for a 30-day period beginning on 27 April, in order to tie in new equipment. With the peak gas production season over, there was a large decline (-53 kb/d) in related NGLs production, which averaged only 592 kb/d. The spring thaw is assumed to have been responsible for moderate declines in Alberta (-18 kb/d) and Saskatchewan (-16 kb/d) crude production.

### Canadian Crude Oil Production

(million barrels per day)



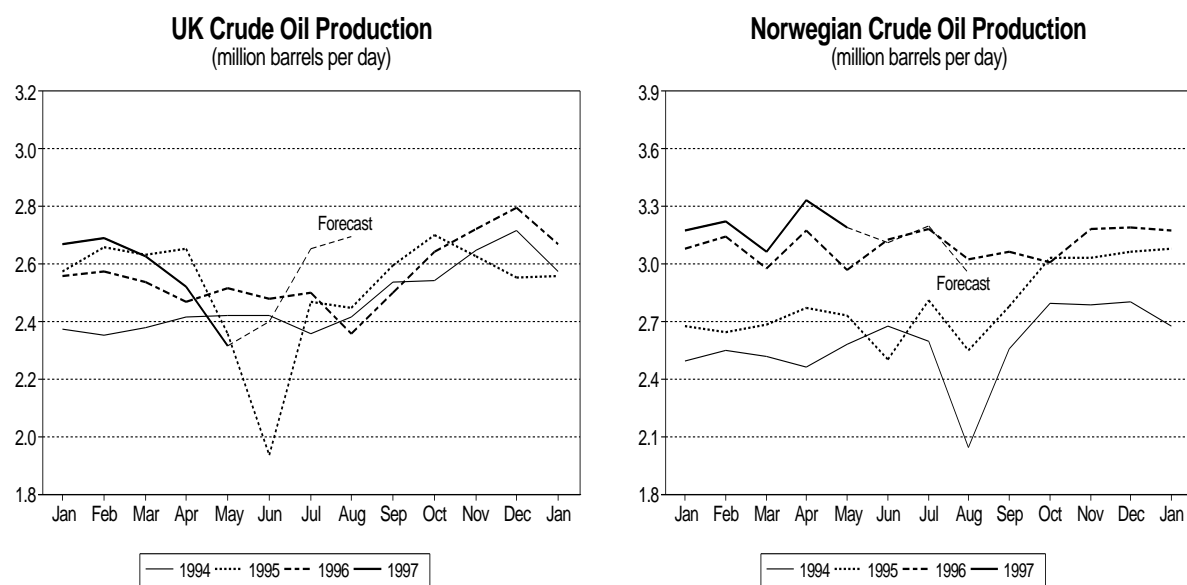
May oil production was estimated to have been 20 kb/d higher than April, at 2.33 mb/d. With the

spring mud-season drawing to a close, crude production was judged to have increased by 30 kb/d, due to longer-term upward trends in conventional production, especially of heavy crude. Synthetic crude production was thought to have decreased further, to 179 kb/d, due mostly to the continuation of Suncor maintenance. In other developments, in early June, the 660,000-ton Hibernia oil platform was successfully positioned over the field. Production of the Hibernia field is now expected to begin by 15 December.

#### North Sea

In May, **UK** offshore oil production averaged 2.44 mb/d, a drop of 220 kb/d from the April level of 2.66 mb/d (revised down by 10 kb/d). The May forecast had been for 2.58 mb/d. The main event in May was the extensive maintenance in the Forties system (which continued into June). Total Forties throughput of 780 kb/d was as forecast. Brent system throughput (375 kb/d), which had been expected to be flat to slightly up, declined by 30 kb/d; the Brent field was off 5 kb/d, and almost every other field in the system declined by a small amount. The main shortfalls from previous estimates came from offshore-loaded fields. The Harding field (47 kb/d) declined by 3 kb/d, in contrast to an expected gain of 28 kb/d. Despite reported maintenance in previous months, Harding went down for 10 days in May in order to debottleneck processing capacity, now estimated at 85 kb/d. The Captain field, in its third month of operation, averaged 22 kb/d, representing a decline of 3 kb/d from April, whereas an increase to 50 kb/d had been expected. As with Harding, there have been conflicting reports as to how smoothly operations at Captain have been proceeding.

Offshore output in June is estimated to have averaged 2.51 kb/d on the strength of expected gains from several offshore-loaded fields, including Harding, Captain, the J-block, and Alba. Although Forties system maintenance continued as planned through the first half of June, the inspections revealed problems which were not fully reflected in the estimates. Work on the Scott field (109 kb/d, down 16 kb/d) revealed defects in the subsea flowlines. There are seven wells (all subsea) and all were shut down initially; two are now back in operation, two more will have piping components replaced before coming back on, and the remaining three were still under analysis as of the last week of June. Similarly, the Nelson field underwent repairs for corrosion problems in a gas compressor which were discovered during the June maintenance. Although production losses are never looked upon as positive events, from the operators' perspective, the express purpose of preventative maintenance and planned inspections of critical components is to find such problems and fix them before they result in longer shutdowns, safety problems, or environmental accidents. Other June maintenance was planned for the Brent system (about 1 million bbls of deferred production), Flotta system (1 million bbls), and the Ninian system (0.5 million bbls). Delays in the new Durward/Dauntless fields were reported, with the startup pushed back from June until late July or early August.



**Norwegian** oil production in May averaged 3.34 mb/d, a drop of 141 kb/d from April levels; final data from the Norwegian Petroleum Directorate resulted in a downward revision of 51 kb/d for April. The May forecast had been for 3.49 mb/d. The declines were concentrated in a small number of fields. In the Haltenbanken area, Draugen produced only 133 kb/d, a drop of 49 kb/d, due to an eight-day shutdown for maintenance which had not been expected. In the same area, Heidrun output averaged only 200 kb/d, another drop of 49 kb/d, for unreported reasons; the field averaged 241 kb/d in 1Q97 and had produced 270 kb/d in February. In the Statfjord-Gullfaks area, Statfjord (370 kb/d) was off 13 kb/d and Gullfaks (460 kb/d) declined by 11 kb/d, while in the Oseberg-Troll area, the Oseberg field (487 kb/d) dropped 18 kb/d and Brage (105 kb/d) fell by 8 kb/d.

In June, Norwegian oil production is estimated to have averaged 3.25 mb/d, a drop of 84 kb/d compared with the May actual. Although rebounds were expected from some of the subpar performances in May, eight to nine days of maintenance work scheduled for the Oseberg, Veslefrikk, and Brage fields was believed to have led to a combined drop of 130 kb/d. In addition, the Vigdis field was shut down from mid-May through the end of June; Vigdis only started up in January, but is in the process of gradually increasing production to an expected plateau level of 95 kb/d. Two new field delays were reported, and have been incorporated in the forecasts; the Tordis East field (expected plateau of 15-20 kb/d) has been delayed until December 1997 and the Balder field (expected plateau of 75 kb/d) has been delayed until 4Q97 (assumed to be November). The Norne and Njord fields still appear to be on track for August and October startups, respectively.

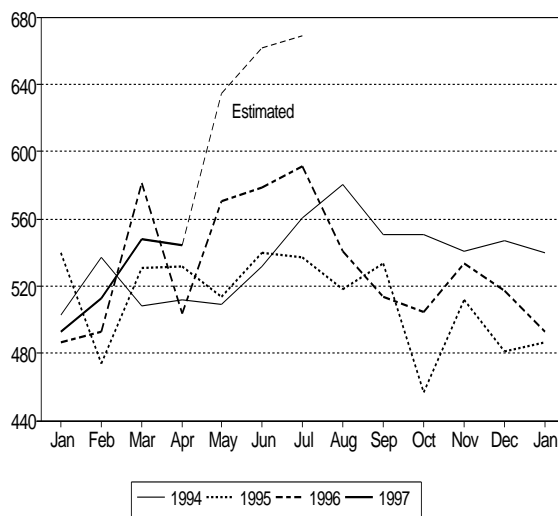
**Danish** crude oil production increased to a record 236 kb/d in May, a gain of 13 kb/d. Most of the increase was from the Harald field, which started up in April; output rose from 3 to 12 kb/d, as the field seems well on its way to plateau levels of 15-20 kb/d. Supply at the Skjold field was 37 kb/d, an increase of 3 kb/d. Variations at other fields were slight and appeared to be within normal operating parameters. In June, Danish production is estimated to have dropped to 220 kb/d, as summer maintenance work programmes were assumed. A similar production level is forecast for July. In Denmark, unlike the UK and Norwegian sectors, actual schedules for maintenance programme are not readily available. In the **Dutch** sector, offshore crude oil production fell to 30 kb/d (-5 kb/d), due mostly to a 4 kb/d drop in the P15/P18 condensate field.

## Pacific

**Australian** oil production in April totalled 616 kb/d, up 6 kb/d on March. In the Carnarvon Basin, production at Griffin fell by half to 31 kb/d, due to planned maintenance. Wanaea/Cossack dropped, but only slightly, from 60 to 56 kb/d. This was offset by condensate production from the Northwest Shelf Development Project's Goodwyn and North Rankin fields, which gained 5 kb/d. The Wandoo B field, which came onstream in March, doubled production from 10 to 21 kb/d; by July, six additional development wells were planned to have started up, doubling production again, to 40 kb/d. The more mature Gippsland Basin increased output to 221 kb/d (+21 kb/d). NGL supply also rose seasonally to 72 kb/d (+10 kb/d).

In May, Australian oil production is estimated to have increased strongly to 706 kb/d, due to gains in Wanaea/Cossack (+45 kb/d, lack of weather-related shut-ins or operational problems), Griffin (+13 kb/d, returning from maintenance mid-month), Wandoo (+13 kb/d, additional well hookups), and Gippsland Basin (+9 kb/d). In June, the Cossack field was shut-in for two days early in the month for scheduled maintenance. Production will be reduced in early July as well, to allow more scheduled maintenance to be carried out on the neighbouring North Rankin gas platform.

**Australian Crude Oil Production**  
(thousand barrels per day)



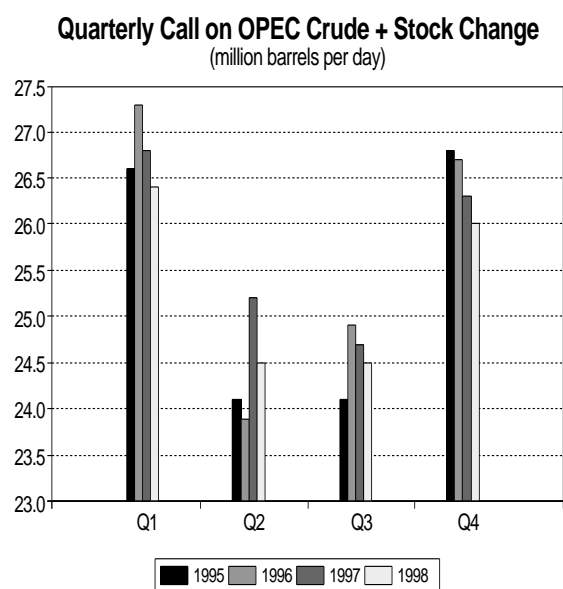
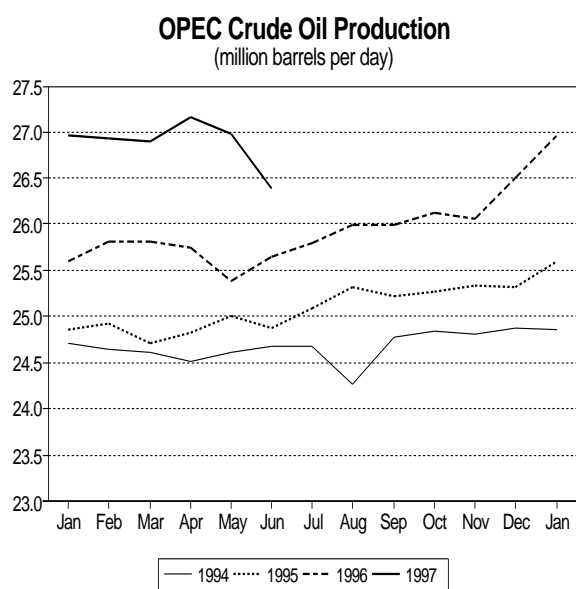
## OPEC

OPEC crude production is estimated to have declined by almost 580 kb/d in June, primarily due to the absence of exports from Iraq. Total OPEC crude supply averaged 26.39 mb/d, compared with 26.98 mb/d in May. **Iraqi** production fell to its pre-December level of 550 kb/d, a drop of 770 kb/d from the previous month. This was only partly offset by gains in production from the **UAE** (+145 kb/d, to 2.27 mb/d) and **Nigeria** (+65 kb/d, to 2.34 mb/d). In the UAE, Abu Dhabi's Lower Zakum (+125 kb/d) and Umm Shaif (+20 kb/d) fields are thought to have rebounded strongly from May maintenance. In Nigeria, there appears to have been a relatively uneventful month. Production in the Bonny and Forcados areas is estimated to have increased by 40 kb/d, in the absence of any major civil disturbances, and Odudu output is assumed to have contributed an incremental 20 kb/d, after completing maintenance activities.

**Saudi Arabian** production was assumed unchanged at 7.90 mb/d, and **Kuwaiti** supply averaged 1.80 mb/d (+5 kb/d). In the **Neutral Zone**, output was 480 kb/d (-17 kb/d), as maintenance on the offshore Hout field continued from May. **Venezuelan** supply is thought to have increased slightly (+10 kb/d) to 3.18 mb/d, with production gains coming from improvements in older fields. Given the enthusiastic response to the recent lease sale, industry considers these fields to have huge potential. The Venezuelan increase was offset by a loss in **Algeria**, which produced 840 kb/d; there seems to be a temporary pause in the sequence of new fields coming onstream in Algeria. **Libya** (1.43 mb/d) and **Iran** (3.69 mb/d) are both thought to have gained 5 kb/d, although the May figure for Iran may be subject to downward revision. Tanker tracking data indicates that **Indonesian** crude output fell by 35 kb/d to 1.36 mb/d, and supply from **Qatar** was off 5 kb/d to 560 kb/d.

The return of Iraqi crude to the export markets is the most important near-term wildcard for world oil supply. Over the last two weeks, opinions regarding the likely date have varied widely, ranging from mid-July to mid-August. In recent days, however, more observers seem to be concluding that the return will be "later" rather than "sooner", but this could change.

The accompanying bar chart, showing the quarterly "call on OPEC crude plus stock change" for 1995 through 1998, demonstrates a striking pattern. In 1997 and 1998, the first, third, and fourth quarters all have steady year-on-year decreases in the forecast "call". The only exception is the second quarter. Unusually high demand is driving the 2Q97 "call" up dramatically (see Demand section), with demand strength coming from North America and, to a lesser extent, Asia. In addition, June 1997 constraints on exports from the FSU were thought have resulted in a stockbuild there, along with a drop in production.



## Former Soviet Union (FSU)

### Production

As mentioned in last month's Report, one of the major factors contributing to the growth of non-OPEC supply in 1998 is the ending of production declines in Russia and the turnaround in some of the other producing Republics of the Former Soviet Union. As shown in the table below, FSU output, which declined by almost 800 kb/d in 1994 and 210 kb/d in 1995, has begun to stabilise in 1996 and 1997. Russian decreases are being more than offset by gains in the non-Russian Republics, particularly Kazakhstan and Azerbaijan. For 1998, total FSU oil production is projected to rise by about 200 kb/d.

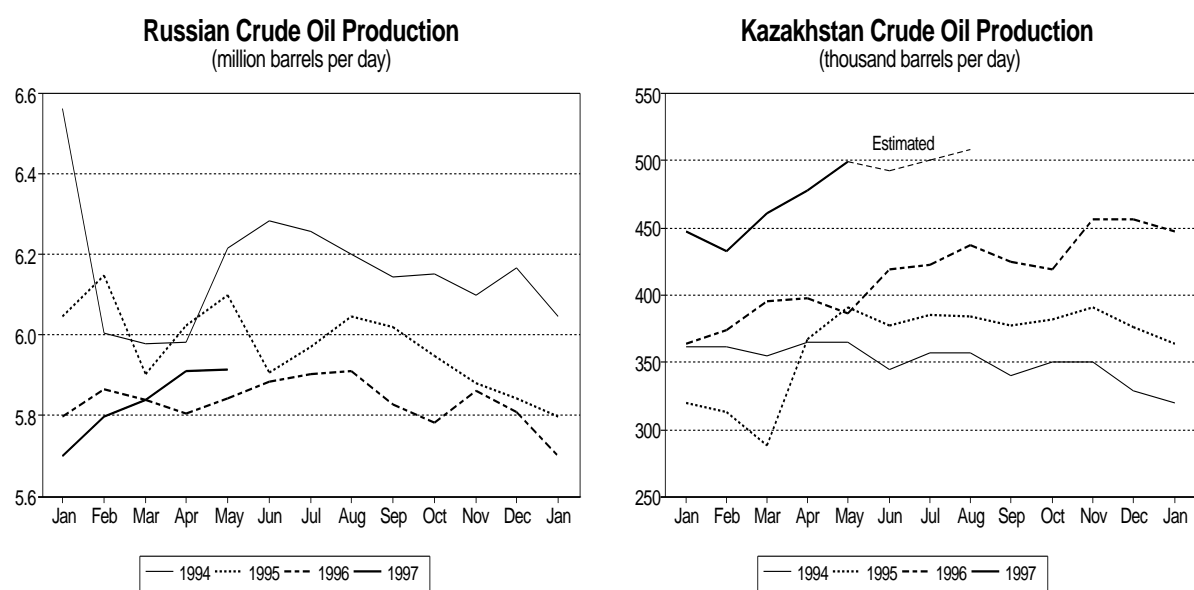
**Former Soviet Union Oil Production 1994-1998**  
(thousand barrels per day)

	1994		1995		1996		1997		1998	
	Level	Change	Level	Change	Level	Change	Level	Change	Level	Change
Russia	6347	-718	6102	-245	6035	-67	5997	-38	6021	23
Kazakhstan	407	-54	409	2	453	44	550	97	595	45
Azerbaijan	192	-15	183	-9	190	7	201	11	327	125
Turkmenistan	67	-36	70	3	111	41	120	9	135	15
Uzbekistan	111	31	154	43	171	17	179	8	181	3
Ukraine	84	-1	81	-3	69	-12	56	-13	49	-8
Belarus	40	0	38	-2	37	-1	36	-1	36	0
Tajikistan	1	0	1	0	1	0	1	0	0	-1
Kyrgyzstan	2	0	2	0	2	0	1	-1	3	2
Georgia	1	-1	1	0	3	2	2	-1	5	3
Lithuania	2	0	3	1	3	0	3	0	3	0
<b>Total</b>	<b>7254</b>	<b>-793</b>	<b>7044</b>	<b>-210</b>	<b>7075</b>	<b>31</b>	<b>7147</b>	<b>72</b>	<b>7355</b>	<b>208</b>
Memo:										
Crude Oil	6942	-749	6715	-227	6754	39	6803	49	6965	162
NGLs	312	-44	329	17	321	-8	344	23	390	46

More than half of the 1998 rise is expected to occur in Azerbaijan following the start-up of the offshore Chirag oil field in late 1997. Russian production is projected to increase for the first time in more than ten years (but only by about 23 kb/d, half of which is expected to be crude oil and half NGLs). The gain in Russian crude oil production is the result of a 50 kb/d rise in joint-venture output, primarily destined for overseas markets, overcoming declines in production from mature areas. A major turnaround in domestic production will require either the restart of shut-in wells as the result of a rebound in domestic demand (which is projected to be relatively flat next year) or an improvement in other aspects of the business environment for both domestic and foreign companies, including the legal and fiscal regimes. The projected 45 kb/d rise in Kazakhstan's production in 1998, following an estimated gain of 95 kb/d

for 1997, is due to better access to the Russian pipeline system, higher condensate output from the Karachaganak field and realising the full effect of the oil swap deal with Iran. Small increases of 5-10 kb/d are expected in 1997 and 1998 for Turkmenistan and Uzbekistan after moderate increases between 1994 and 1996.

FSU oil production in May rose by 20 kb/d over April, to 7.24 mb/d, based on preliminary data for Russian and Kazakhstan. The slight gain is due to Kazakhstan, where crude output rose to 499 kb/d from 478 kb/d in April. The Tengizchevroil joint venture set another record, as output reached 157 kb/d, versus 153 kb/d in March and 142 kb/d in 1Q97. The forecast is for output of 180 kb/d in 4Q97. Russian oil supply dropped to 6.10 mb/d, from 6.11 mb/d the previous month. This year, Russian crude output has increased from 5.70 mb/d in January to 5.92 mb/d in May. Rather than suggesting a short-term upward trend, these figures are expected to set the lower and upper bounds for a band within which crude production will fluctuate for the remainder of the year. Russian crude supply is forecast to average 5.78 and 5.79 mb/d in the third and fourth quarters, resulting in a 1997 average of 5.8 mb/d.



### Net Exports

Net FSU exports in June are estimated at 2.47 mb/d, a 0.4 mb/d or 13% decrease from the revised May figure. Exports from the Black Sea showed a significant decrease from 1.29 mb/d in May to 0.89 mb/d in June, as the oil export terminal at Novorossiisk lost capacity due to the oil spill of late May/early June; in addition, there were some weather-related port closures. Exports through the Druzhba Pipeline decreased by 16% because of maintenance in the Polish section. Fuel oil and gasoil exports remained at the same level as May, but a drop in other products caused a slight (4%) decrease in total June products exports.

### 1995-1997 Net FSU Exports

(million barrels per day)

	1995	1996	1997 <sup>f</sup>	4Q96	1Q97	2Q97 <sup>p</sup>	Feb	Mar	Apr	May <sup>f</sup>	June <sup>p</sup>
Black Sea Exports*	0.98	1.14	†	1.08	1.07	1.07	1.02	1.07	1.03	1.29	0.89
Baltic Exports	0.61	0.77	†	0.80	0.83	0.85	0.79	0.87	0.89	0.75	0.91
<b>Total Seaborne</b>	<b>1.59</b>	<b>1.91</b>	†	<b>1.88</b>	<b>1.90</b>	<b>1.92</b>	<b>1.81</b>	<b>1.93</b>	<b>1.92</b>	<b>2.04</b>	<b>1.80</b>
Druzhba Pipeline**	0.83	0.87	†	1.07	0.90	0.82	0.92	0.90	0.85	0.87	0.73
<b>Total Exports</b>	<b>2.42</b>	<b>2.78</b>	†	<b>2.95</b>	<b>2.80</b>	<b>2.73</b>	<b>2.73</b>	<b>2.82</b>	<b>2.77</b>	<b>2.90</b>	<b>2.53</b>
Imports	0.05	0.06	†	0.08	0.07	0.05	0.07	0.07	0.04	0.06	0.06
<b>Net FSU Exports</b>	<b>2.37</b>	<b>2.72</b>	<b>2.76</b>	<b>2.88</b>	<b>2.74</b>	<b>2.68</b>	<b>2.67</b>	<b>2.74</b>	<b>2.73</b>	<b>2.84</b>	<b>2.47</b>
NB: Crude Oil	1.91	2.12	†	2.25	2.14	2.04	2.01	2.10	2.10	2.18	1.84
Oil Products	0.46	0.61	†	0.62	0.60	0.64	0.66	0.64	0.63	0.66	0.63

\* Includes a small amount of non-Russian crude oil exports

† Data not available

f Forecast

\*\* Crude oil only

p Preliminary

r Revised

## Other Non-OPEC

### Central and East Europe

Oil production in Central and East Europe is estimated to have been in the 270-280 kb/d range between 1993 and 1996, and is projected to remain in that range this year and next. Crude oil production has been declining, due to the maturity of fields in Romania and Hungary, but increases in NGL and "other hydrocarbon" production offset most of the crude oil production decline in 1996 and is expected to more than compensate for this year's decline in crude, before decreasing slightly next year.

### Central and East Europe Oil Production 1995-1998

(thousand barrels per day)

	1994		1995		1996		1997		1998	
	Level	Change	Level	Change	Level	Change	Level	Change	Level	Change
Romania	142	-2	143	0	140	-3	138	-2	135	-3
Hungary *	52	-4	53	1	54	1	60	6	56	-4
Croatia	38	-8	36	-2	35	-1	35	0	36	1
Fed. Rep. of Yugoslavia	23	-1	22	-1	24	2	24	0	23	-1
Albania	11	-1	11	0	10	-1	9	-1	9	0
Poland	7	1	6	-1	5	-1	5	0	5	0
Czech Republic	5	2	6	0	7	1	7	0	7	0
Slovakia	1	0	2	0	2	0	2	0	2	0.0
Bulgaria	0.8	-0.1	0.8	0.1	0.7	-0.1	0.7	0.0	0.5	-0.2
Slovenia	0.1	0.0	0.1	0.0	0.0	0.0	---	---	---	---
<b>Total</b>	<b>280</b>	<b>-12</b>	<b>279</b>	<b>-2</b>	<b>277</b>	<b>-1</b>	<b>280</b>	<b>3</b>	<b>274</b>	<b>-7</b>
<b>Memo:</b>										
Crude Oil	250	-8	258	7	249	-8	245	-4	239	-6
NGLs & Other	30	-4	21	-9	28	7	35	7	34	-1

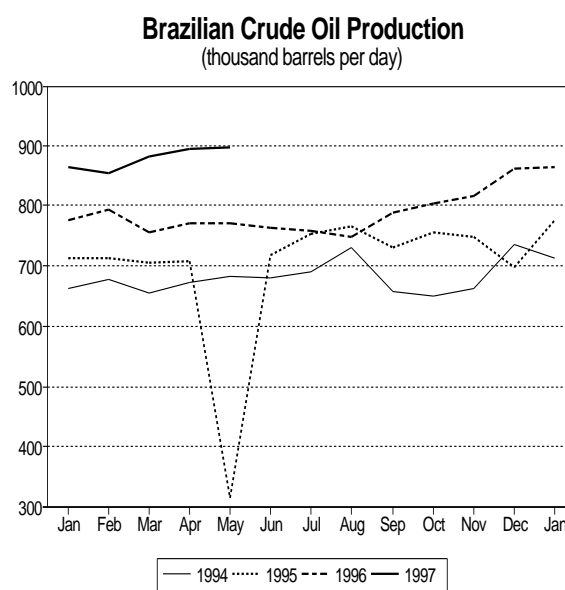
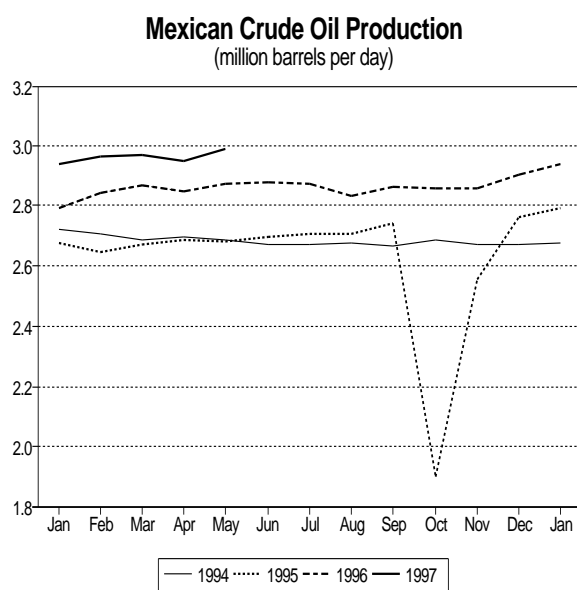
Sources: IEA 1994-1995 Energy Statistics and Balances of Non-OECD Countries, forthcoming

\* Hungary acceded to IEA membership in 1996 and will subsequently be included in OECD Europe

About half of the oil production in Central and East Europe comes from Romania, with output from only Hungary, Croatia and the Federal Republic of Yugoslavia (Serbia) exceeding 20 kb/d. The area is considered to have been relatively well explored, although areas offshore Albania in the Adriatic Sea and Romania in the Black Sea may yield additional oil supplies after 2000.

### Latin America

**Mexican** oil production in May averaged 3.38 mb/d, up from 3.31 mb/d in April. The gain, which had been expected, came from both crude (+42 kb/d) and NGLs (+29 kb/d). Output of offshore Mayan heavy crude is expected to grow for the remainder of the year, accompanied by NGL volumes still recovering from last year's Cactus gas plant explosion. Mexican oil supply in 3Q97 and 4Q97 is expected to average 3.42 and 3.47 mb/d, respectively.



**Brazilian** oil production in March was 880 kb/d, up 28 kb/d from the previous month's level of 860 kb/d. As anticipated, the gains came from the offshore Campos Basin, where ten floating production systems and three floating storage systems are planned to commence operations between now and the end of 1999. The *Presidente Prudente de Moraes* production, storage and offloading ship (FPSO), also referred to as "P-34", was reported ready to start incremental production from the Barracuda field on schedule at the end of June. Anchored in over 2,700 feet of water, the *PP Moraes* will have a production capacity of 35-45 kb/d. Based on additional output from this and three other FPSOs scheduled for 1997, Brazilian oil production is expected to increase gradually to 910 kb/d in 3Q97 and 1 mb/d in 4Q97. There is a degree of uncertainty regarding the pace of production growth at P-34, as well as the other vessels that are planned.

Between now and the end of the year, **Colombian** oil production is expected to increase by 140 kb/d, due to two new production modules pumping additional Cusiana crude through the about to be completed Orensa pipeline. Most of the gains are expected by September, when output is projected at 760 kb/d, up from 640 kb/d estimated for June. Due to the security problems at the Cupiagua field (discussed in last month's Report), the anticipated startup of new production there has been pushed back until 2Q98, leaving forecast Colombian output at 780 kb/d in 4Q97 and 1Q98. **Peruvian** crude output averaged 123 kb/d in May, according to state oil company Perupetro.

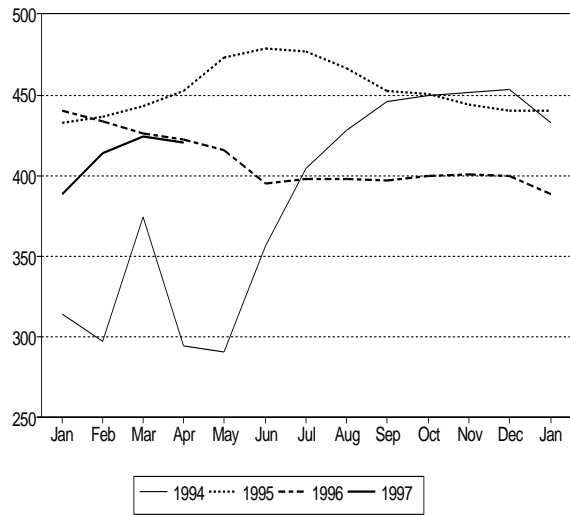
### Asia

In April, **Indian** oil production averaged 740 kb/d, up marginally over the 1Q97 figure of 730 kb/d. The Bombay High offshore region produced 420 kb/d of crude, up from the 410 kb/d recorded in the first quarter. As shown on the graph below, offshore production, which represents around two-thirds of total output, has climbed in recent months from the steady 400 kb/d level of 2H96. The annual average Bombay High supply for 1997 is forecast to be 410 kb/d, the same as last year, but down significantly from the 450 kb/d level of 1995. The performance in 1995, when output from new fields such as Neelam pushed the average 70 kb/d higher than 1994, raised hopes for the sector that have not been fulfilled. Since 1995, the main Bombay High fields have been plagued by increases in the water cut, as well as frequent equipment problems. While the government and the state oil company ONGCL have formed a committee to examine ways to not just stabilise but to increase production, solutions do not appear to be quick, easy, or inexpensive. Various means of enhancing recovery are being examined. Foreign investment and technical expertise continue to be sought, but the prospective reserves and the leasing and fiscal terms do not suffice to put India high on the country rankings of upstream opportunities for international oil companies. Both offshore and total Indian oil production are expected to show marginal gains of 10 kb/d in 1998, but declines are expected thereafter.

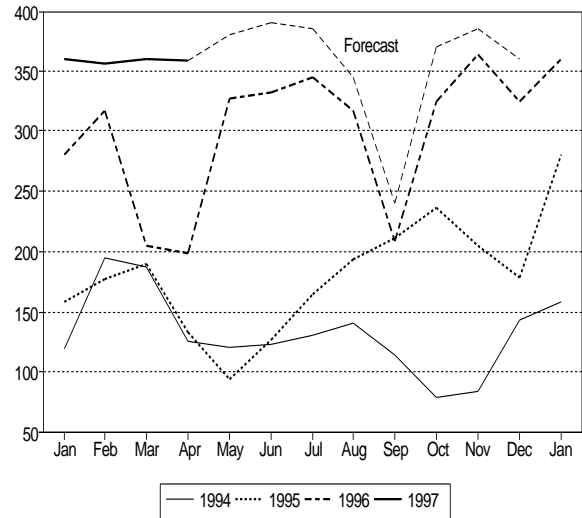
Offshore production makes up only 11% of total **Chinese** oil production, but in recent years its rapid growth has caused it to assume disproportionate importance to a country where slow onshore production growth has not kept pace with rapid demand growth. (One strategy has been to seek supplies in other countries; in recent weeks, China has entered into over \$15 billion of long-term oil and gas supply agreements with Russia, Kazakhstan, Iraq, and Venezuela.) As shown on the graph below, offshore output, which comes mainly from the East China Sea and the Bohai Bay areas, surged to over 300 kb/d last year, up from 140 kb/d and 170 kb/d in 1994 and 1995, respectively. The 130 kb/d gain last year accounted for all of the total Chinese increment, as onshore production was flat. In contrast to India, a wide range of foreign firms is actively involved in bringing new offshore fields onstream; prominent examples include the Laihua field last year and the Lufeng field later this year. The state offshore operator CNOOC is also very active, with output anticipated in the near future from Bohai Bay properties. Offshore output this year is expected to average 360 kb/d, equalling the first quarter figure. Expected maintenance during 3Q97 is expected to offset rising production from new fields. Smaller gains of only 10 kb/d are projected for 1998.

Elsewhere in Asia, **Vietnamese** production, currently estimated at 180 kb/d, will drop by 10 kb/d during July and August, as the Dai Hung field shut down for a two-month maintenance period at the end of June. A transfer of operatorship and partial ownership from an Australian company to the Malaysian state oil company Petronas has just been finalised, and it is noteworthy to see immediate investment taking place in the field, despite a major reserves downgrade during 1996. In **Malaysia**, Petronas is planning to bring the new Bunga Kekwa field onstream this month, with initial production planned to be 20 kb/d, building to 40-50 kb/d by 1999. The first exports of the light sweet crude are expected in August (see Oil Prices and Refinery Activity section page 49). Total Malaysian crude output is currently estimated at 640 kb/d.

**Indian Offshore Production 1994-1997**  
(thousand barrels per day)



**Chinese Offshore Production 1994-1997**  
(thousand barrels per day)



## OECD TRADE

OECD regional trade data for 1Q97 show a substantial increase in crude oil imports from Iraq under the implementation of the UN "oil-for-food" programme; more short-haul crude from Latin America and more gasoline deliveries from Europe into North America; and an increase in Middle Eastern crude imports into OECD Pacific countries.

Due to inherent discrepancies in points of measurement and the preliminary status of imports and exports data reported to OECD governments, the trade among OECD regions does not exactly balance and in some instances there are significant volumes arrive from unspecified sources. Nonetheless, important trends in both crude and products trade, are evident.

### Net Crude Oil Imports by OECD Regions in 1Q97

Sources/Destinations:	North America		Pacific		Europe	
	kb/d	change*	kb/d	change*	kb/d	change*
<b>OECD</b>						
North America	-	-	-19	-12	-777	204
Pacific	18	12	-	-	0	0
Europe	836	-66	0	0	-	-
<b>Non-OECD</b>						
Latin America	3338	244	29	-42	279	-0
Non OECD Europe (excl. FSU)	0	0	0	0	-64	11
FSU	0	0	0	0	1370	229
Middle East	1706	129	4280	284	3345	-111
Asia (excl. China)	-23	-88	629	-135	-62	-62
China	49	-13	221	-22	0	0
Africa	1651	114	55	-23	2468	-127
Non-Specified/Other	17	17	-40	-33	57	11
<b>Total</b>	<b>7592</b>	<b>348</b>	<b>5155</b>	<b>18</b>	<b>6616</b>	<b>155</b>

\* kb/d year-on-year change

\*\* Mexico is not included in North America and Korea is not included in Pacific for historical statistics reasons

### Crude Trade

In 1Q97, net crude oil imports by **North America** increased by 5%, compared with 1Q96, to 7.59 mb/d, while the amounts in the Pacific region and Europe changed only slightly, in a range of  $\pm 2\%$ . For North America, imports from Latin America accounted for a substantial part of this increase, because of the freight and time-cost savings on short-haul crude oil. Incremental imports from the Middle East and Africa together about matched those from Latin America. The three largest exporters to North America in 1Q97 were Venezuela, Saudi Arabia and Mexico, accounting for 1.484 mb/d, 1.411 mb/d and 1.310 mb/d respectively, or about half of total net imports.

Conversely, in the **Pacific** region net imports from all areas other than the Middle East decreased. However, the 7% increase of net imports from the Middle East resulted in a slight increase in the regional total. An additional 284 kb/d came mainly from Saudi Arabia (136 kb/d) and Iran (131 kb/d). Supported by the narrowed differential between Brent and Dubai crude oil prices, between 770 kb/d and 805 kb/d of West African crude oil reportedly flowed into the Asia-Pacific region from January to May. Of this amount, OECD Pacific countries imported 55 kb/d in 1Q97. This indicates that a large part of West African crude oil was destined for non-OECD countries, primarily India, China and Korea. The largest exporters to the OECD Pacific Region were UAE (1.352 mb/d) and Saudi Arabia (1.140 mb/d), with more than 90% of these volumes imported by Japan.

In **Europe**, the combination of decreased exports to North America (204 kb/d) and increased net imports from the FSU (229 kb/d) contributed to the total increase of net imports by 155 kb/d. As shown below, European intra-regional trade surpassed that of the other two regions.

### Intra-Regional Crude Trade in 1Q97

Sources:	North America		Pacific		Europe	
	kb/d	change*	kb/d	change*	kb/d	change*
OECD North America	<b>1194</b>	<b>(2504)**</b>	0	0	0	0
OECD Pacific	18	12	<b>79</b>	<b>16</b>	0	0
OECD Europe	836	-66	0	0	<b>3522</b>	<b>86</b>

\* kb/d year-on-year change

\*\* Mexico included

Compiled from gross import data

OECD imports of Iraqi crude in 1Q97 averaged 276 kb/d, ten times greater than in 4Q96. Although Iraqi crude exports resumed in mid-December, initial volumes built up relatively slowly with only three OECD countries (Turkey, Spain and the US) importing just 27 kb/d in 4Q97, of which Turkey accounted for 46%. In 1Q97, the number of importing OECD countries grew to seven, with Belgium, France, Italy and Japan joining the group. The leading importer was France (106 kb/d) followed by Spain (72 kb/d). These two countries' imports accounted for 64% of total imports of Iraqi crude oil by OECD countries.

### Product Trade

As shown in the table below, oil product imports by OECD countries exceeded exports by 1.851 mb/d in 1Q97. Net imports were 569 kb/d greater than in 1Q96. The significant increase of net imports into **North America** (409 kb/d) greatly contributed to the growth of total net imports. North America, which was a net exporter in 1Q96, became a net importer of 395 kb/d, due to a significant increase of imports and a slight decrease of exports. Among oil products, the growth of motor gasoline imports was remarkably high, in line with very low year-end inventories and growing demand from January to March. The additional 200 kb/d of motor gasoline net imports came mainly from Venezuela (95 kb/d) and the UK (69 kb/d). Oil product imports from Latin America as a whole showed a considerable increase.

### Product Imports and Exports by OECD Regions in 1Q97

Sources/Destinations:	NORTH AMERICA		PACIFIC		EUROPE		TOTAL	
	imports	exports	imports	exports	imports	exports	imports	exports
<b>OECD</b>								
North America*	397	391	126	16	103	330	626	737
Pacific	1	83	69	64	1	0	71	148
Europe	242	208	0	1	2583	2805	2825	3013
<b>Non-OECD</b>								
Latin America	467	290	13	0	62	59	543	349
Non-OECD Europe (excl. FSU)	26	9	0	0	61	194	86	203
FSU	26	1	8	1	379	53	413	55
Middle East	44	19	759	0	126	39	929	58
Asia (excl. China)*	60	61	466	133	12	31	537	226
China	0	17	25	69	0	8	25	94
Africa	222	11	9	0	444	139	674	150
Non-Specified/Other	3	0	17	5	470	333	490	338
<b>Total</b>	<b>1486</b>	<b>1091</b>	<b>1493</b>	<b>289</b>	<b>4242</b>	<b>3990</b>	<b>7221</b>	<b>5370</b>

\* For historical statistical reasons, Mexico is not included in North America and Korea is not included in the Pacific

### Year-on-Year Change of Product Imports and Exports by OECD Regions in 1Q97

Sources/Destinations:	NORTH AMERICA		PACIFIC		EUROPE		TOTAL	
	imports	exports	imports	exports	imports	exports	imports	exports
<b>OECD</b>								
North America*	72	49	-10	10	-19	42	43	101
Pacific	-1	-27	26	15	-1	-3	23	-15
Europe	41	33	-2	-0	-120	-100	-81	-67
<b>Non-OECD</b>								
Latin America	113	6	4	0	-1	-4	116	3
Non-OECD Europe (excl. FSU)	26	1	-3	0	-6	-3	16	-1
FSU	20	-0	1	-2	-27	10	-7	8
Middle East	17	-15	3	0	-5	-8	16	-23
Asia (excl. China)*	39	-89	-57	-72	-19	-77	-37	-237
China	0	11	18	40	-0	8	17	59
Africa	38	-2	-2	-0	48	-29	84	-31
Non-Specified/Other	2	-10	9	2	202	46	213	38
<b>Total</b>	<b>367</b>	<b>-42</b>	<b>-16</b>	<b>-6</b>	<b>52</b>	<b>-117</b>	<b>403</b>	<b>-166</b>

\* For historical statistical reasons, Mexico is not included in North America and Korea is not included in the Pacific

Although it strengthened its status slightly by adding 9 kb/d exports to its 1Q96 total, the **Pacific** region was a 1.204 mb/d net importer in 1Q97. The region was a net importer against every region other than Europe and China. Net product exports to China increased by 23 kb/d to 44 kb/d. Main sources of the increase were fuel oil (27 kb/d) and gasoil/diesel (15 kb/d), which were partially offset by growing other product imports. Every OECD region increased its net product exports to China, reflecting rapidly growing demand and limited domestic Chinese refining capacity.

**Europe** raised its net exports to North America by 61 kb/d, a significant part of which was an increase of motor gasoline exports (44 kb/d).

## OECD STOCKS

### Industry Stock Changes in May

OECD industry stocks increased by 1.22 mb/d in May, but from significantly downward-revised April stock levels, leaving the May stock levels below those that had been expected in April. A majority of the May increase occurred in product stocks, which increased by 0.74 mb/d, led by a 0.59 mb/d seasonal build in middle distillate inventories. Gasoline and other oil product stocks also increased (by 60 kb/d and 170 kb/d respectively), with most of the gains in the US. European stocks were essentially unchanged from the revised April levels, as the increase in distillate stocks compensated for reductions in stocks of gasoline and fuel oil and the decline in crude oil stocks approximated the increase in other oils. Stocks in the Pacific region were modestly higher due to builds in distillate and crude oil inventories.

### Preliminary Industry Stock Changes in May

(million barrels per day)

	North America	Europe	Pacific	Total
Crude Oil	0.27	-0.13	0.19	0.33
Gasoline	0.23	-0.15	-0.03	0.06
Distillates	0.41	0.18	0.00	0.59
Fuel Oil	-0.05	-0.03	0.01	-0.08
Other Products	0.26	0.00	-0.09	0.17
Total Products	0.85	0.01	-0.11	0.74
Other Oil*	0.03	0.12	0.00	0.15
Total Oil	1.15	0.00	0.08	1.22

\* includes other products, feedstocks, NGLs and other hydrocarbons

The very large revisions to the April OECD inventory data help explain the unanticipated price strength during that month. They also help resolve the enigma of rising stocks in the face of sharply rising European refinery runs, relatively stable production and rising product exports. Preliminary data had indicated a European crude oil stockbuild of 0.47 mb/d, whereas revised data show a 0.24 mb/d *stockdraw*. Similarly, European product inventories had initially been estimated to have declined by just under 0.5 mb/d, but the stockdraw is now seen as having been more than double that amount. The swing of 0.71 mb/d in crude and 0.55 mb/d explains most of the 1.31 mb/d downward revision in total OECD industry stocks. US inventories were revised upwards slightly, indicating a build of 0.22 mb/d versus the 0.17 mb/d shown in last month's Report, whereas the build in Pacific stocks was somewhat lower than previously thought, at 0.52 mb/d versus 0.67 mb/d. As discussed in the beginning of the Report, such extreme volatility of the estimated stock changes, along with ongoing revisions in the demand and supply data, injects considerable uncertainty into the assessment of short-term oil markets.

### Preliminary Stock Levels at the End of May

With the April revisions, the May stock change leaves total OECD stocks 25 mb below May 1995 (a period of normal stock levels) at 2440 mb. This was almost identical to the level that had been initially estimated for April 1997. Compared with May 1996, inventories are up by 72 mb, with North America 55 mb above year-earlier levels and OECD Pacific 23 mb higher. Due to the April revisions, however, European stocks are only 6 mb greater than the May 1996 stock levels. About half (36 mb) of the year-on-year increase was in middle distillate stocks, with all three regions showing positive comparisons. While European crude oil stocks were 14 mb lower than in May 1996 and Pacific crude inventories just matched year-ago levels, North American crude oil stocks exceeded last year's level by a healthy 22 mb.

### Regional Stock Developments

US inventory gains have been driven by a combination of very high refinery runs (see Refining section) and product imports, especially of gasoline. Despite the strong underlying economic growth and favourable pricing discussed in the Demand section, US product inventories rose by 845 kb/d during the month of May, with about half of the increase in middle distillates. Crude oil imports were also very high for the month. Domestic production has remained relatively stable, allowing inventories of crude oil and other refinery feedstocks to expand at a rate of 300 kb/d. Weekly US data up to 27 June suggest a decline in US stocks last month of slightly more than 100 kb/d. Crude oil inventories appear to have been reduced by the continued high refinery run rates, by 200 kb/d or about twice as much as the product stockbuilds.

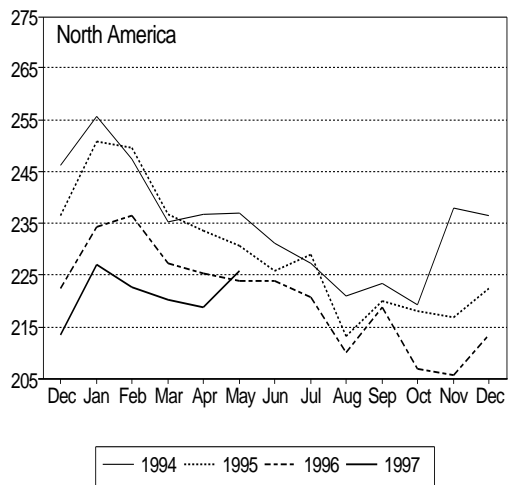
In **Europe**, increasing German stocks in May were offset by declines in the Netherlands, Italy and Scandinavia. Most of the 200 kb/d German stockbuild was in middle distillates (145 kb/d), with gasoline and crude oil each up 35-40 kb/d. Conversely, the Dutch stockdraw was spread more evenly across the major products. The Scandinavian reduction appears to have been concentrated in an unexplained reduction in Norwegian crude oil stocks. It is expected that product stocks were built in the UK in anticipation of a tax increase on motor fuels in the July budget.

In the **Pacific** region, Japanese crude oil inventories rose in May by an estimated 191 kb/d, while stocks of other products and gasoline fell by 90 kb/d and 27 kb/d respectively, leaving overall inventory levels up 78 kb/d over April and 19.7 mb above the May 1996 level.

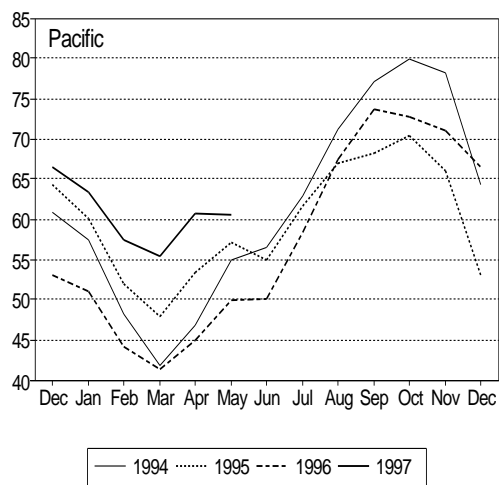
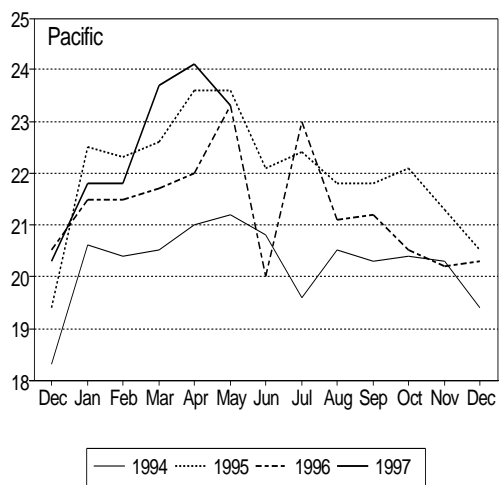
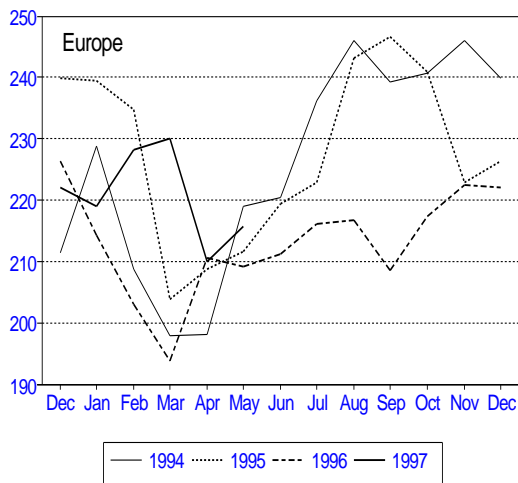
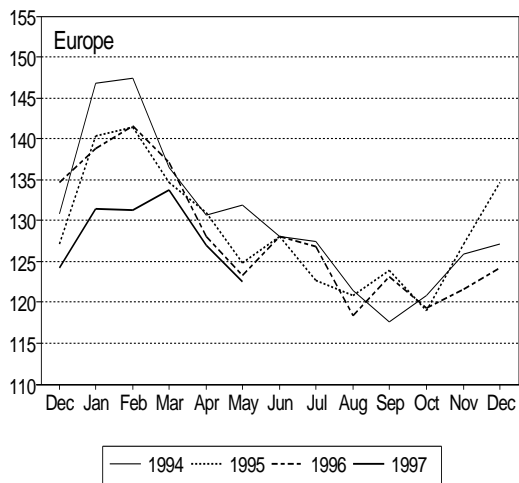
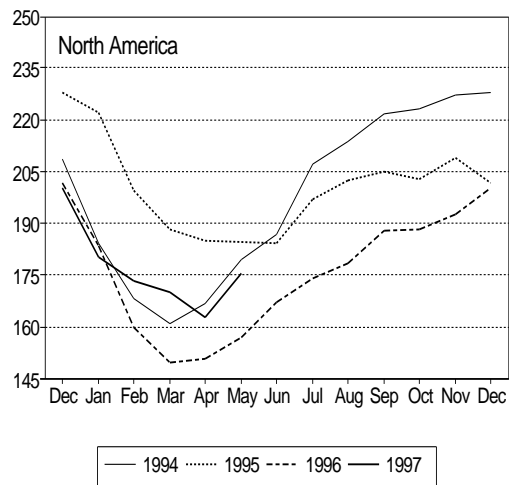
### Regional OECD Industry End-Month Stocks: Gasoline and Middle Distillates

(Million barrels)

#### Gasoline

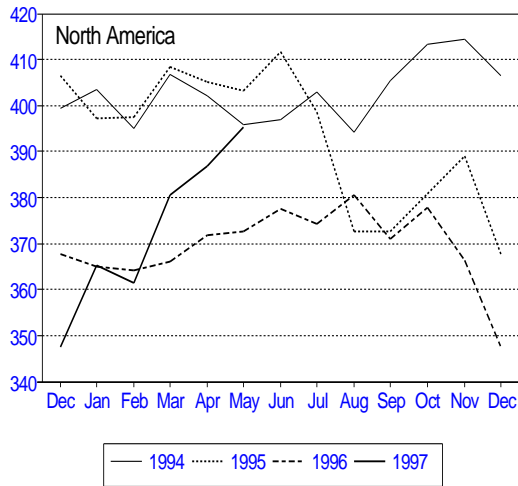


#### Middle Distillates

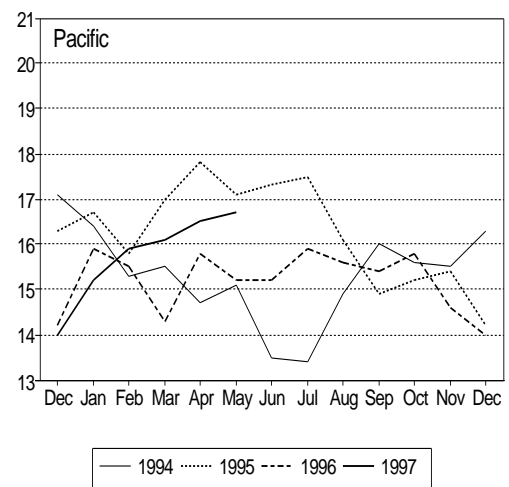
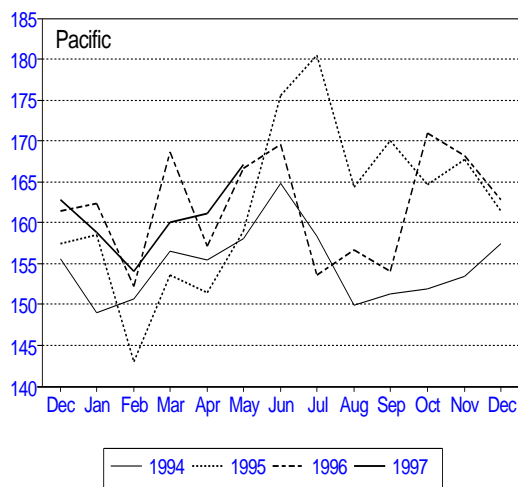
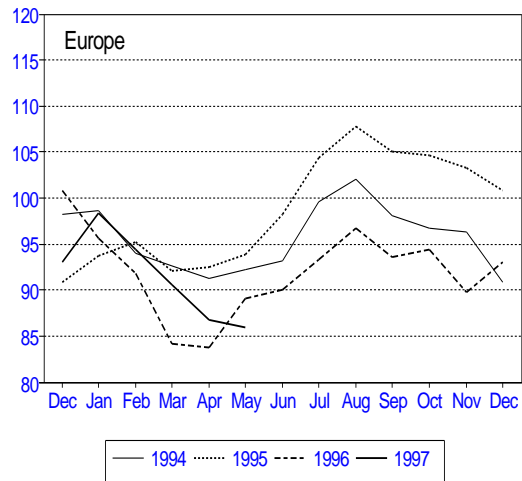
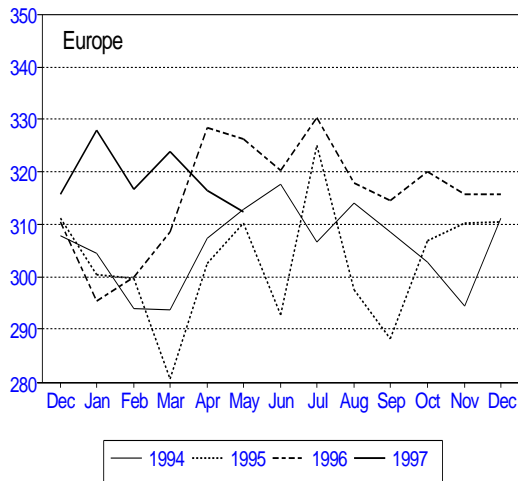
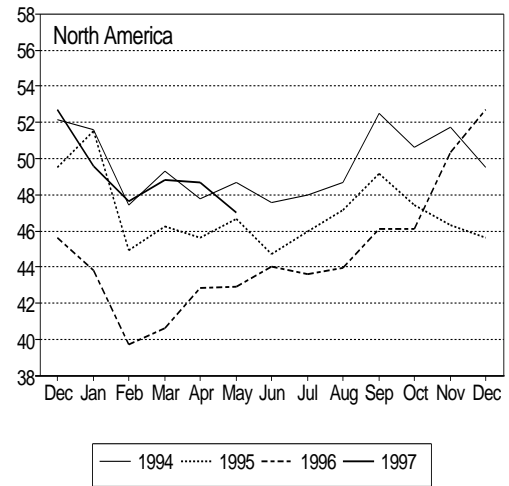


### Regional OECD Industry End-Month Stocks: Crude Oil and Fuel Oil (Million barrels)

**Crude Oil**

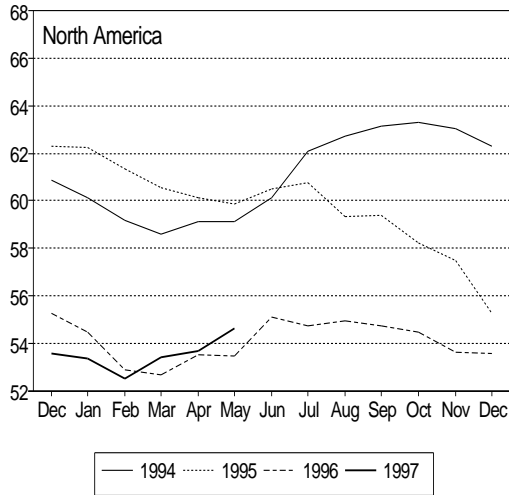


**Fuel Oil**

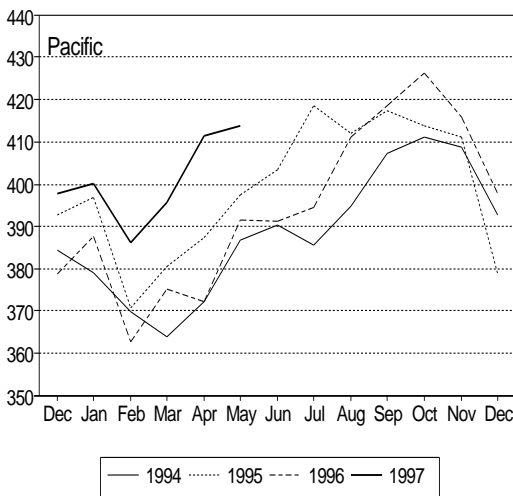
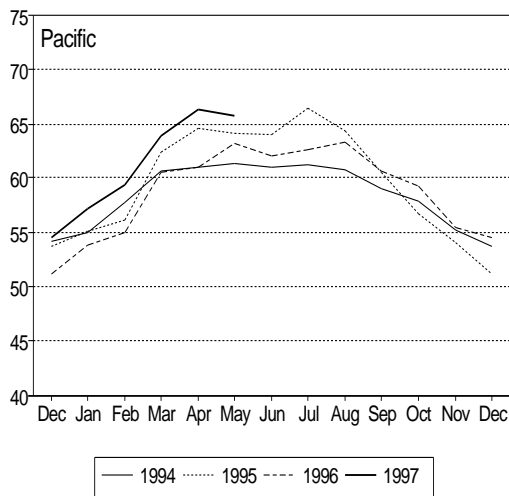
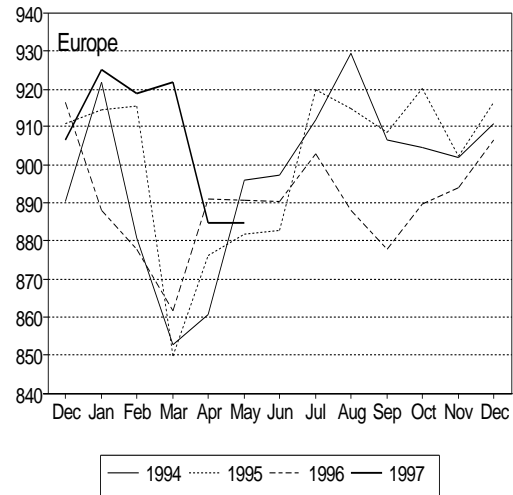
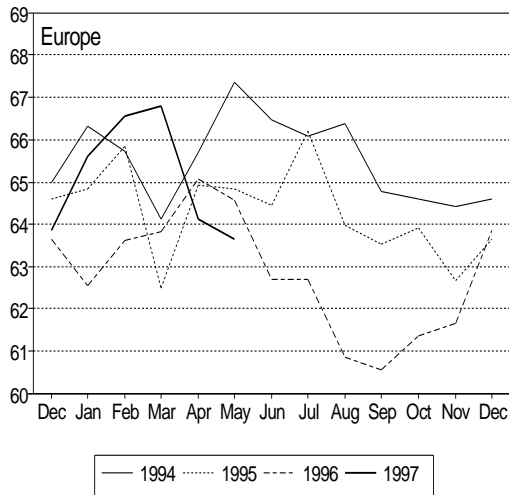
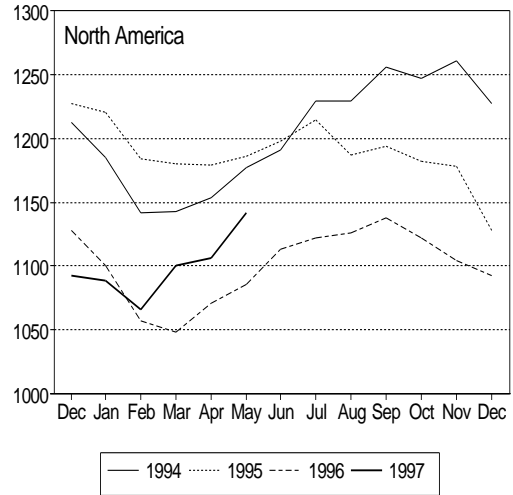


### Regional OECD End-Month Industry Stocks (In days of forward demand and million barrels)

**Days<sup>1</sup>**



**Million Barrels**

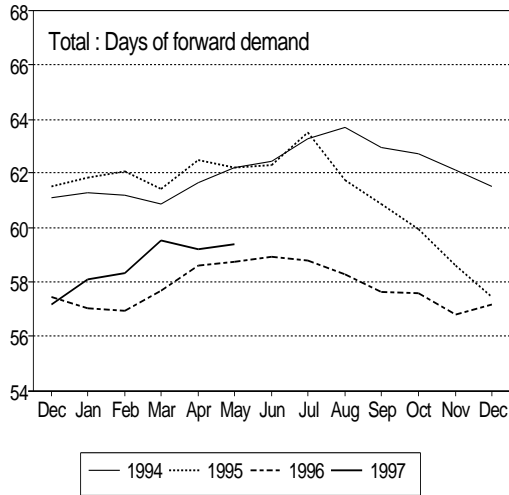


<sup>1</sup> Days of total stocks are based on demand for the next three months.

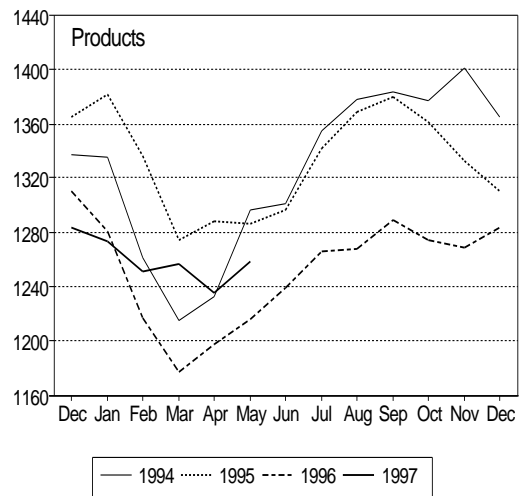
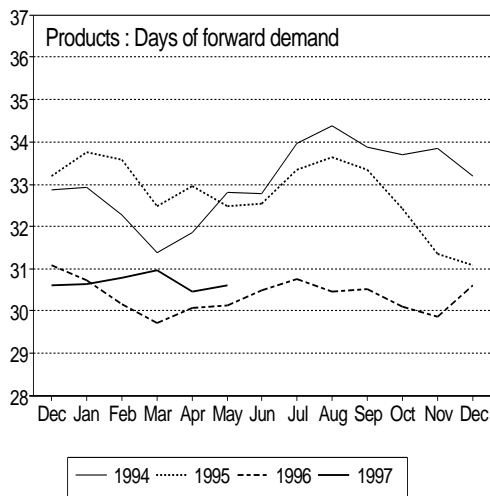
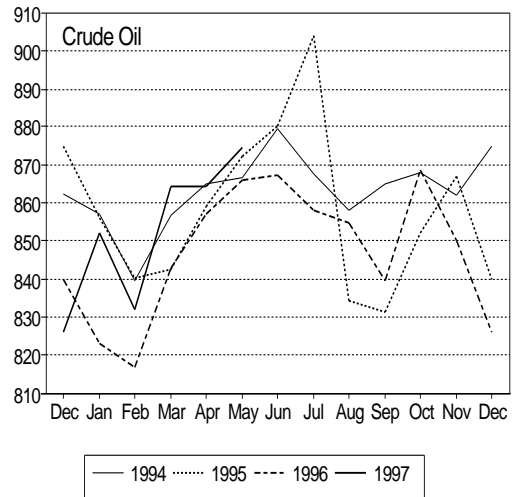
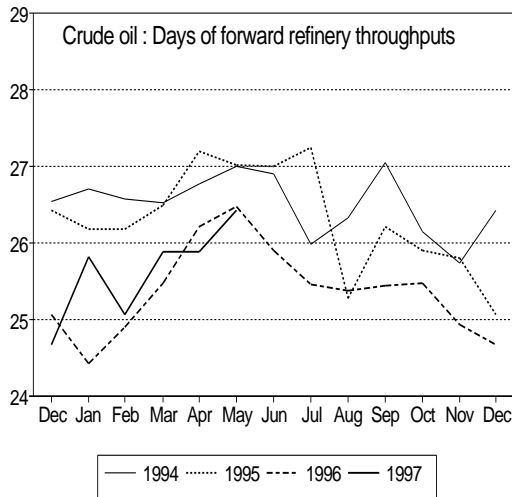
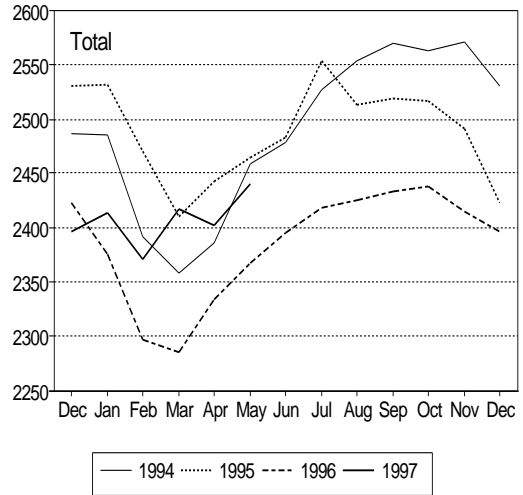
### Total OECD End-Month Industry Stocks

(In days and million barrels)

Days<sup>1</sup>



Million Barrels

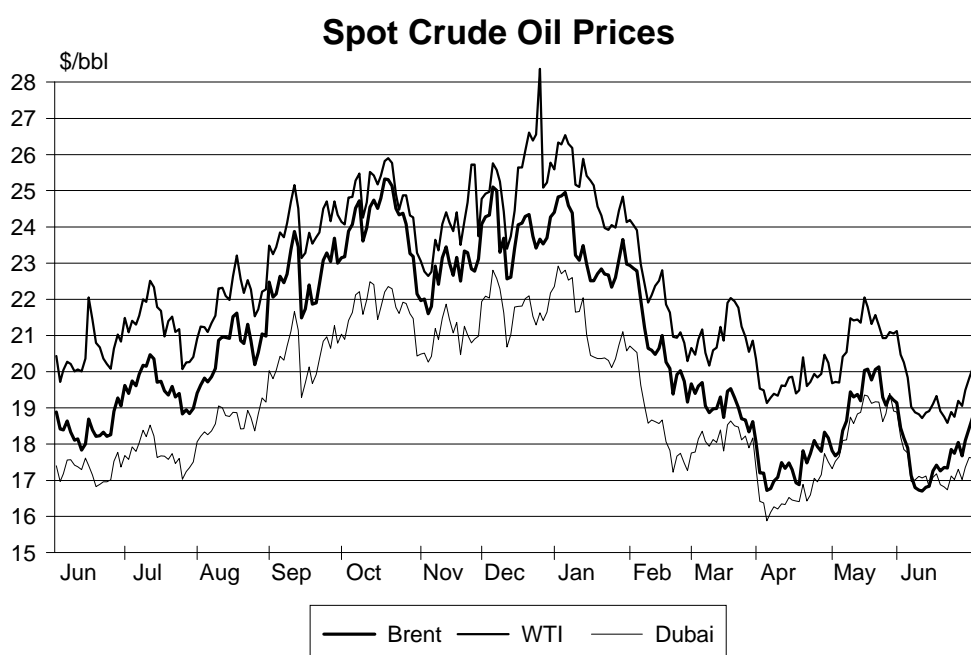


<sup>1</sup> Days of total and product stocks are based on demand for the next three months. Days of crude oil stocks are based on refinery throughputs for the next month.

## OIL PRICES AND REFINERY ACTIVITY

### Summary

- Short-term **crude** supply/demand fundamentals were again the main driving force for price developments in benchmark crude oil markets. In late May and early June, a mounting oversupply of crude in the Atlantic Basin caused a \$3.00/bbl decline in regional benchmark crude prices, with Brent prices hitting a 16-month low of \$16.71/bbl. The downward pressure on prices in early June was reinforced by developments in WTI paper markets and the announced extension of the Iraqi "oil-for-food" deal. However, by the second half of the month, prices (in particular those of Brent) had begun to recover when re-emerging Asian crude demand and a narrow Brent/Dubai differential combined to alleviate the crude oversupply in the Atlantic Basin primarily through the trade of a sizeable volume of West African crudes to Asia. The delay of the resumption of Iraqi crude exports (which terminated in late May) added to a tightening supply/demand balance in the Atlantic Basin and also provided some support for Brent and WTI prices, but was particularly evident for sour crude prices in the Mediterranean.
- While European gasoline and gasoil markets came under downward pressure from the closure of arbitrage possibilities for surplus supplies, US **product** markets generally moved in line with developments in crude markets, supported by robust demand for distillate and gasoline. Despite large scale refinery maintenance shutdowns, Asian product markets, and particularly the gasoil market, came under supply pressure, mainly as a result of seasonally weak demand and sizeable arbitrage supplies. Global fuel oil markets remained nearly unaffected by developments in crude markets, with prices strengthening relative to crude.
- Average refining **margins** increased in all major refining centres in June with hydroskimming margins rising by more than cracking margins. In Europe and Singapore, margins largely mirrored price developments in spot crude markets, while the WTI cracking margin on the US Gulf Coast remained within a comparatively narrow (and relatively high) band for all but the last week of June. With the exception of cracking margins in Singapore, average refining margins for 2Q97 increased appreciably in all major refining centres from 1Q97 levels.
- In June, the aggregate refinery **throughputs** in OECD countries are estimated to have decreased by 0.14 mb/d to 33.26 mb/d, but remained almost 1 mb/d or 3% higher than a year earlier. A staggering 0.8 mb/d increase in US throughputs, to the highest level for any individual month since December 1979, was more than offset by decreases in Japan and Europe. Throughput levels in June appear to have increased even further in the US, increased slightly in Europe and decreased in Japan.



## Spot Crude Oil Prices

In late May and early June, benchmark crude oil prices declined sharply under the weight of a mounting crude surplus in the Atlantic Basin. The downward pressure on prices was reinforced by a major technical sell-off of WTI contracts on the NYMEX and news about the renewal of the UN/Iraqi "oil-for-food" deal. By the end of the first week of June, WTI and Brent had declined by \$3.00/bbl from mid-May highs (see graph above). While WTI and Dubai traded upward in a relatively narrow band for most of the remainder of the month, Brent prices continued to decline into the second week of June under the weight of excess supplies from the North Sea and West Africa and dated Brent prices briefly fell below those of Dubai.

However, Brent prices increased in the second half of June, rising by \$1.40/bbl from the month's low on 11 June as the earlier narrowing of the Brent/Dubai differential prompted a sharp rise in sales of Brent-related West African grades to Asia. This, and firming crude demand by European refiners after news of a delay of the resumption of Iraqi crude exports, contributed to the clearing of the crude overhang in the Atlantic Basin and led to a tightening of the short-term regional supply/demand balance. In the last two trading days of June and in early July, WTI and Dubai prices strengthened appreciably in line with those of Brent.

**Spot Crude Oil Prices and Differentials**  
(monthly and weekly averages, \$/bbl)

	Apr	May	Jun	Change	Week Ending:					
					23 May	30 May	06 Jun	13 Jun	20 Jun	27 Jun
Brent Dated	17.46	19.14	17.58	-1.57	20.01	19.23	18.16	16.78	17.32	17.89
WTI	19.74	20.99	19.28	-1.71	21.49	21.00	20.15	18.84	18.94	19.08
Dubai	16.64	18.65	17.28	-1.37	19.19	18.94	17.93	17.02	16.94	17.16
Tapis	20.77	21.18	19.88	-1.30	21.66	21.49	21.25	20.03	19.36	19.03
Brent over Dubai	0.83	0.50	0.30		0.81	0.29	0.22	-0.25	0.39	0.72
WTI over Brent	2.27	1.84	1.70		1.48	1.77	1.99	2.07	1.61	1.20
Brent 1st month minus 2nd month	-0.35	-0.03	-0.23		0.03	-0.14	-0.28	-0.30	-0.20	-0.19
WTI 1st month minus 2nd month	-0.03	-0.06	-0.17		-0.30	-0.02	-0.05	-0.21	-0.17	-0.24

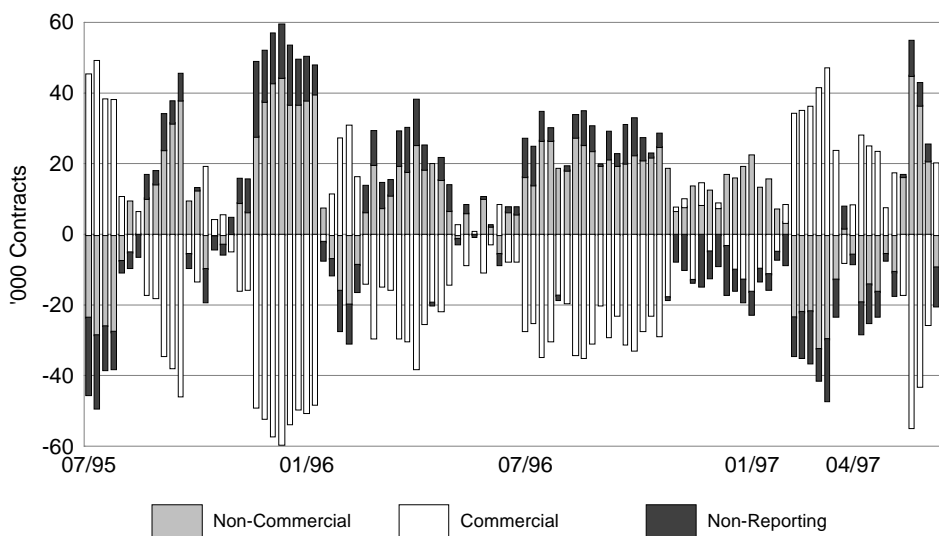
**Brent** prices were particularly hard hit by the rising supply pressure in the Atlantic Basin in late May and in the first half of June. The drying-up of Asian demand for West African crude exacerbated weak European crude demand as a result of earlier refinery throughput reductions. Mounting competition from short-haul Latin American crudes on the US Gulf Coast compounded the oversupply in the Atlantic Basin. Dated Brent prices declined to their lowest level in sixteen months (\$16.71/bbl on 11 June) and their discount to 15 Day Brent widened to almost \$1/bbl. Some sellers reportedly resorted to offering North Sea and West African crude cargoes on a delivered basis to the US and Asia.

However, in the second half of the month Brent prices recovered, and the steep contango in Brent markets narrowed to less than \$0.25/bbl as a result of the tightening Atlantic Basin supply/demand balance. A sizeable volume of West African crude (reportedly more than 850 kb/d of July liftings) was traded to Asia, alleviating most of the prompt crude overhang in the Atlantic Basin. The recovery in Brent-related crude markets was partly attributable to an prolonged delay in the resumption of Iraqi crude exports. Some North Sea crude cargoes were reportedly traded into the Mediterranean to replace Iraqi barrels.

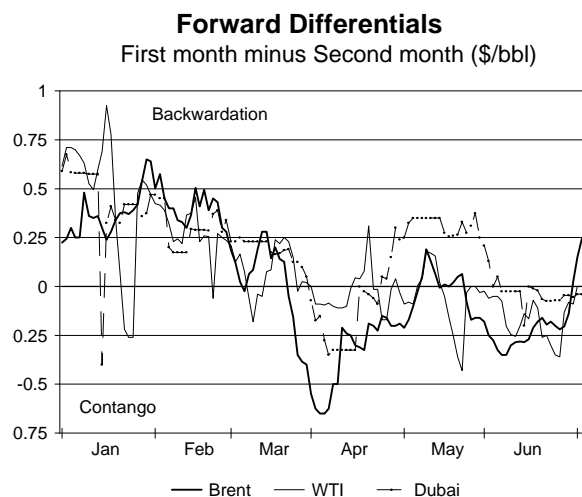
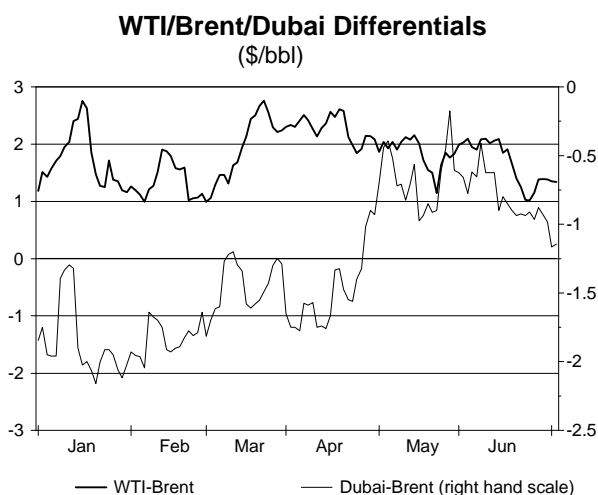
The transatlantic arbitrage possibility for North Sea crudes to the West turned marginal in the second half of the month when in Brent prices rose relative to WTI, as shown in the left-hand graph on the following page. On the IPE, the Brent contract remained in contango throughout the month, with the level of contango closely tracking developments in physical Brent markets.

In the last week of May, **WTI** prices weakened with those in the North Sea. The emerging crude overhang in the Atlantic Basin and rising US crude inventories caused market sentiment to turn bearish and led to the liquidation on the NYMEX of large net long positions in WTI contracts, which had been acquired by non-commercial market participants earlier in May (see graph below). The bearish market sentiment and the downward pressure on WTI prices was reinforced by the renewal of the UN/Iraqi "oil-for-food-deal". However, following a steep \$3.00/bbl decline from mid-May highs, WTI prices remained in a narrow band around \$18.90/bbl for most of the last three weeks of June, supported by firm US refiner demand for crude (refinery utilisation rates increased to an average of more than 97% in June, due to favourable refining margins) and occasional short-coverings on the NYMEX. As in Europe, WTI prices remained in contango throughout the month, both in physical and futures markets (see right-hand graph below).

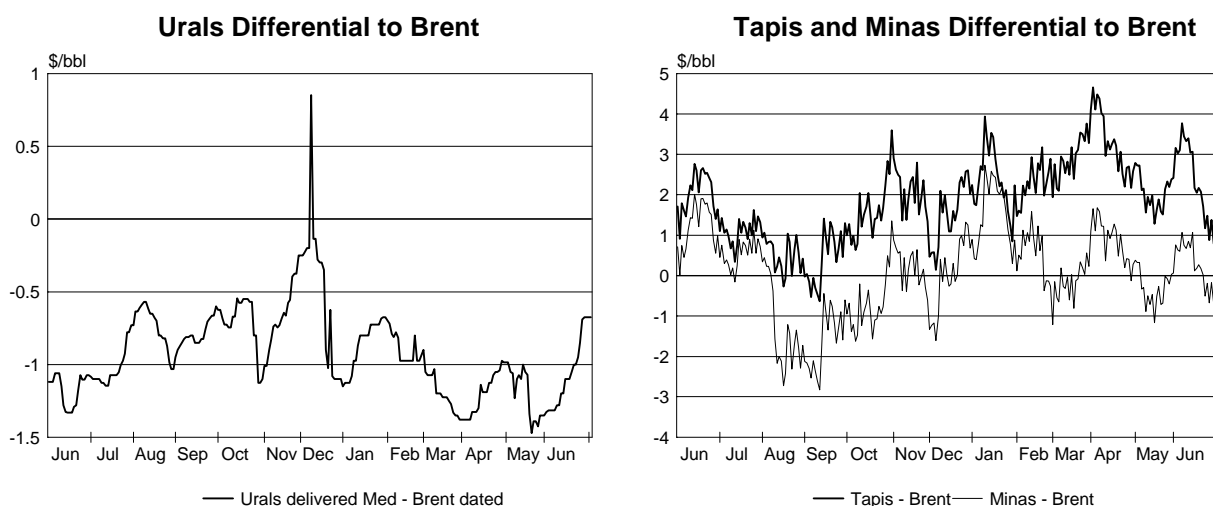
### Distribution of Net Open Positions of WTI Contracts on the NYMEX



In late May, **Dubai** prices also declined in line with those of Atlantic Basin benchmark crudes and remained within a narrow band around \$17.00/bbl for the last three weeks of June. The differential between Brent and Dubai narrowed appreciably in late May and early June (see left-hand graph below), with dated Brent briefly trading at a *discount* to Dubai. This raised the incentive for Asian refiners to meet crude demand with Brent-related **West African grades**. This in turn exerted downward pressure on Persian Gulf crudes, which were already facing an emerging supply overhang for some regional grades. The contraction in the Brent/Dubai differential to less than \$0.50/bbl in late May and early June reflected the relative weakness of North Sea crude rather than strength in Asian markets. This is shown in the widening of the Brent/Dubai differential to around \$1.00/bbl towards the end of June in line with firming Brent prices.



The delay in the resumption of Iraqi crude exports contributed to a tightening of the supply/demand balance for sour crudes in the Mediterranean (the last Iraqi crude cargo was loaded in the Turkish port of Ceyhan in the last week of May). Demand for **Urals** crude increased appreciably and the Brent/Urals differential hence contracted from \$1.35/bbl in late May to less than \$0.70/bbl in late June (see left-hand graph below). Other short-haul sour alternatives in the region, such as Iranian and Saudi crudes, are being diverted into Asia, where considerably higher prices are being achieved.



Asian sweet benchmark crudes **Tapis** and **Minas** largely tracked the developments in Atlantic Basin benchmark crudes in the first half of the month, but then continued under downward pressure in the second half of June as a result of competition from West African cargoes. Light, sweet Tapis trended lower throughout June and came under additional pressure from higher availabilities as a result of unplanned refinery outages in Australia. Heavy, sweet Minas remained within a narrow band during the last three weeks of June, subject to downward pressure from weak Japanese direct crude burning demand caused by cooler weather. As a result, the Tapis/Brent and Minas/Brent differentials contracted appreciably, as shown in the right-hand graph above.

Freight rates for North Sea crude cargoes (UK- Northwest Europe) spiked again in June, mainly as a result of tightening availability of vessels. Ship owners anticipating a weakening of demand in the North Sea (as a result of June offshore maintenance programmes) had moved capacity out of the region. Freight rates from the Persian Gulf to the Far East declined during June to familiar levels, after having increased appreciably in May to reach the highest level since the Gulf War.

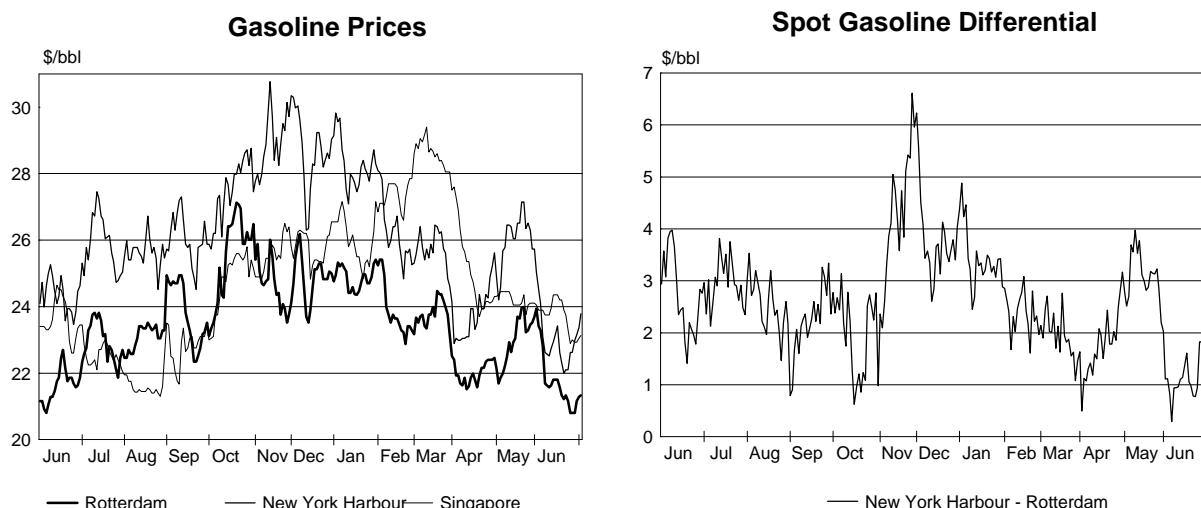
### CIF Crude Import Costs

Table 8 shows that the preliminary weighted average CIF cost for crude imported into IEA countries in April was \$18.00/bbl, \$1.54/bbl lower than in March. The corresponding estimates for May and June are \$18.65/bbl and \$18.20/bbl respectively.

### Spot Product Prices in June

US gasoline prices came under severe downward pressure despite firm gasoline demand. Record refinery gasoline output (8.069 mb/d for the four-week average ending 27 June) combined with a sustained high level of imports (577 kb/d for the same four weeks) and led to a contra-seasonal build in US gasoline stocks for most of the month. This build-up, which erased an ongoing shortfall compared with the previous year. Spot gasoline prices in New York Harbour declined by more than \$4.00/bbl in the last week of May and the first week of June and remained range-bound for the remainder of the month, tracking the development in crude prices (see left-hand graph below). On average, US gasoline prices in New York Harbour declined by more than those of crude and by more than those in other centres, as shown in the table on page 43. The average regular gasoline/WTI differential in New York Harbour decreased from \$5.06/bbl in May to \$3.82/bbl in June, near the same level as the differential of \$3.88/bbl last June.

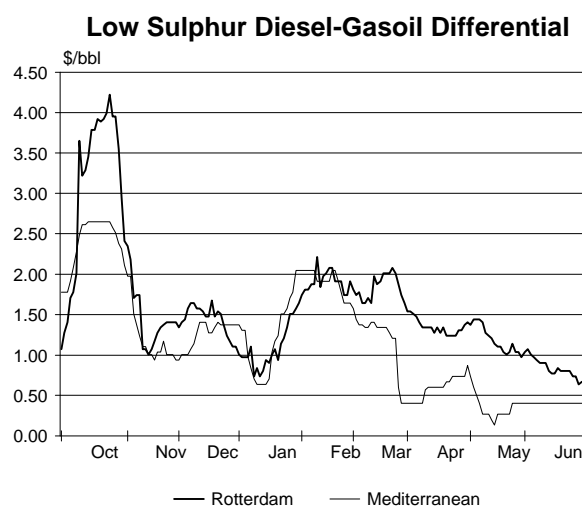
In June, sentiment in US gasoline markets turned increasingly bearish as US refinery gasoline output approached gasoline demand levels, thus dissipating the last remaining concerns about potential gasoline supply tightness during the US driving season. It should be noted, however, that the large volume of US gasoline production included some gasoline blendstock import. The restart of Tosco's Trainer refinery on the East Coast (the former BP Marcus Hook refinery) and prospects of an improved transatlantic arbitrage potential exerted downward pressure on prices. The deferral of the closure of a UK refinery and the return of a major UK export refinery from turnaround in June contributed to the continuation of an improved gasoline supply outlook in the US. The earlier gasoline supply tightness on the US West Coast also eased appreciably during the month. As a result, US West Coast refiners reportedly exported gasoline to Asia and Latin America in the last week of June.



Unlike in the US, European gasoline prices received support in late May and early June from tightening gasoline supplies in Northwest Europe as a result of gasoline stockpiling and increasing imports into the UK by refiners and traders ahead of anticipated budgetary retail tax increases in July (see Demand section). The transatlantic arbitrage possibility for exports to the US closed, as shown in the right-hand graph above, as US gasoline prices declined sharply during this period. However, toward the end of the first week of June, European gasoline prices did decline sharply (albeit by less than those in the US). This change followed an earlier decrease of the gasoline contract on the NYMEX and reflected waning regional demand and mounting supply pressure. Prices trended lower during the last three weeks of the month, remaining under downward pressure from the narrow arbitrage possibility to the US and ample regional supplies. In the Mediterranean, gasoline prices declined by more than those in Northwest Europe despite export possibilities to the eastern Mediterranean and Nigeria (where persistent domestic refinery problems created the need for a large volume of imports). The regular gasoline/Brent differential in Rotterdam decreased from an average of \$5.27 in the first week of the month to an average of \$3.10/bbl in the last week of June.

Singapore gasoline prices, unlike those in the US and Europe, remained within a comparatively narrow band during most of the month, as shown in the left-hand graph above. Prices were supported in the first half of the month by good regional demand. They came under downward pressure towards the end of June in line with rising regional supplies. The average gasoline/Dubai differential increased to \$6.47/bbl in June from \$5.88/bbl in May, reflecting the steeper decline in crude prices than those of gasoline.

European **gasoil** markets largely tracked the price developments in Atlantic Basin benchmark crudes, declining sharply in late May and early June and recovering slightly towards the end of the month. Prices came under downward pressure from slack regional demand combined with the closure of the arbitrage possibility to Asia since late May. In particular, ample supplies of Russian gasoil weighed on gasoil prices in the Mediterranean, which declined on average by more than those in Northwest Europe. As usual for this time of year, gasoil markets remained in contango, prompting some sellers to withdraw from the spot market and store product. This, and firm demand for low-sulphur diesel, helped to ease the downward pressure on prices. In the last week of June, Russian exports from the Baltic decreased as a result of problems with pipelines supplying the export port of Ventspils. Exports of the new low-sulphur diesel grade from Russia (introduced in EU countries last October) continued to increase in June, contributing to the narrowing of its differential to gasoil (see graph to the right). The gasoil/Brent differential in Rotterdam decreased from \$4.65/bbl in the first week of June to an average of \$3.75/bbl in the last week of the month, close to last June's monthly average of \$3.62/bbl.



Gasoil prices in New York Harbour largely moved in line with those of crude. High refinery runs led to unusually high levels of gasoil production (3.591 mb/d on average for the four-week period ending 27 June) and contributed to the rise in inventory levels to well above those of a year ago (but still lower than two years ago - see OECD Stocks section above). Firm distillate demand, in particular for diesel used by the agricultural sector, and improved export possibilities for gasoil to Latin America, moderated the downward pressure on US gasoil markets. The gasoil/WTI spread in New York Harbour trended higher during the month, averaging \$2.65/bbl in June compared to \$2.57/bbl in May. The heating oil contract on the NYMEX remained in contango throughout June.

In late May and early June, Singapore gasoil prices succumbed to rising supply pressure and declined from the \$25.00/bbl level (prevalent during most of April and May) to just below \$22.00/bbl for the last three weeks of June, the lowest level in more than two years. The downward pressure on prices increased when gasoil demand declined seasonally and large volumes of uncommitted arbitrage cargoes continued to arrive in the region. This caused gasoil inventories in Singapore to rise to four-year highs and forced at least one refiner to move surplus production into offshore floating storage. Toward the end of June, prices increased slightly, reflecting improved regional demand and rising crude prices. The average gasoil/Dubai differential in Singapore decreased from \$6.88/bbl in May to \$5.57/bbl in June compared to \$7.71/bbl last June.

#### Spot Product Prices (monthly and weekly averages, \$/bbl)

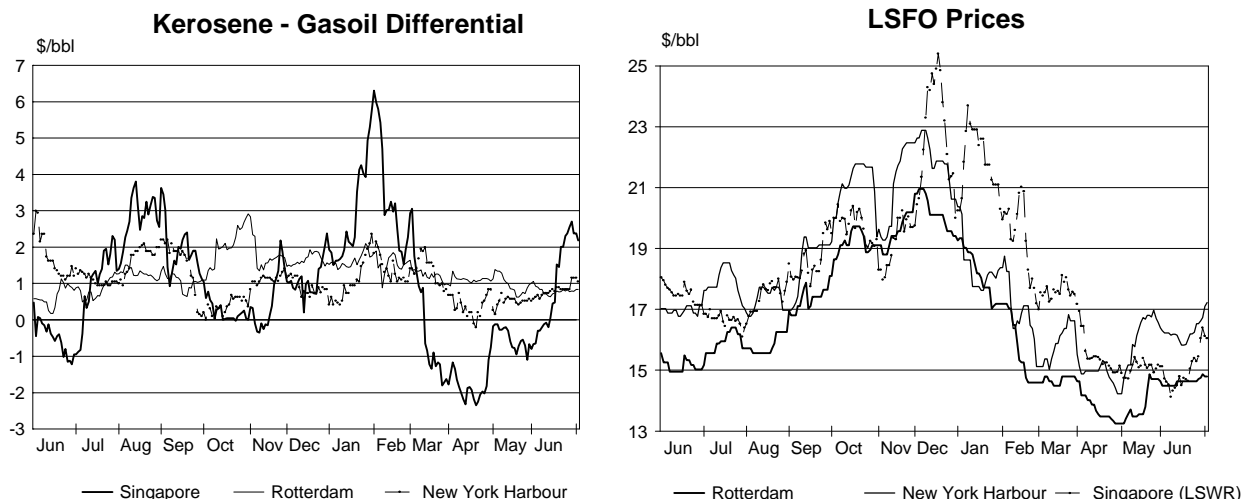
	Gasoline				Gas Oil				Low Sulphur Residual Fuel Oil			
	Rotterdam	Med	NY Harbour	Singapore	Rotterdam	Med	NY Harbour	Singapore	Rotterdam	Med	NY Harbour	Singapore
Apr	22.03	23.69	23.79	25.15	22.07	21.35	24.02	26.85	13.75	14.02	14.89	15.54
May	22.93	24.98	26.04	24.21	23.24	21.86	23.56	25.21	13.90	14.37	16.05	15.08
Jun	21.87	23.11	23.10	23.77	21.93	20.01	21.93	22.87	14.61	14.96	16.22	14.95
Jun-May	-1.06	-1.87	-2.95	-0.44	-1.31	-1.86	-1.63	-2.35	0.71	0.58	0.16	-0.13
Week ending:												
23 May	23.83	25.87	26.83	24.14	23.99	22.29	24.10	25.24	14.14	15.10	16.75	15.21
30 May	23.37	25.45	26.22	24.00	23.39	21.35	23.31	25.03	14.71	15.04	16.75	15.08
06 Jun	23.43	25.05	24.50	23.97	22.75	20.74	22.64	24.76	14.51	14.87	16.28	14.82
13 Jun	21.67	23.14	22.68	23.91	21.79	19.89	21.56	23.10	14.55	14.90	16.13	14.44
20 Jun	21.55	22.69	22.70	24.20	21.48	19.61	21.57	21.85	14.64	14.95	15.94	14.73
27 Jun	20.98	21.83	22.49	23.18	21.62	19.72	21.83	21.92	14.68	15.08	16.43	15.50

Spot **naphtha** prices in Singapore trended lower during June, reaching their lowest level this year. Good regional supplies and weak regional demand due to ongoing turnarounds at petrochemical plants in Japan and Korea, combined with the arrival of arbitrage import volumes to create a rising physical overhang. The prompt weakness in naphtha prices steepened the market's contango and gave arbitrage sellers a further incentive to move product from Europe into Asia. This exerted firm downward pressure on prices and created the potential to attract Mediterranean cargoes for August arrival. Nonetheless, the naphtha/Dubai differential in Singapore averaged \$3.43/bbl, well above \$2.14/bbl last June.

European naphtha prices drifted lower in June for the second successive month under downward pressure from thin regional naphtha demand, rising inventory levels and local competition from alternative petrochemical feedstocks, such as LPG and condensate. Only marginal support came from export possibilities to Latin America and Asia. The average June naphtha/Brent differential increased in Rotterdam from \$0.93/bbl in May to \$2.39/bbl and in the Mediterranean from \$0.87/bbl to \$2.17/bbl. The increase in the monthly average reflected more the weakness in crude prices than any particular strength in European naphtha markets. The **reforming margin** in Northwest Europe declined in June to below the threshold for reforming profitability as gasoline prices declined by more than those of naphtha. Conversely, the reforming margin in Singapore increased on average as naphtha prices in Singapore declined by more than those of gasoline.

Spot **kerosene** prices in the US and in Europe generally moved in line with those of gasoil, with the kerosene/gasoil differential remaining almost unchanged during the month. In the US, kerosene prices came under downward pressure (as did those of heating oil) despite good regional demand. High refinery production rates contributed to rising inventory levels, which increased to levels higher than during the same month last year. European kerosene prices came under downward pressure from excess supplies and slack regional demand.

In the first half of June, Singapore kerosene prices remained under downward pressure in an oversupplied market facing rising stock levels. However, in the second half of June, weakening gasoil prices and firming kerosene demand (in particular from Indonesia ahead of major local refinery maintenance in July and August) caused the price of kerosene to move back above gasoil for the first time since early March (see left-hand graph below). The average kerosene/Dubai differential increased from \$6.06/bbl in May to \$6.39/bbl in June.



The re-emergence of Italy's ENEL in European spot **LSFO** markets in June helped absorb supplies that had threatened to lead to an oversupplied market. The closing of the arbitrage possibility to the US in early June caused European LSFO prices to remain within a very narrow trading range during June, almost unaffected by developments in crude markets, as shown in the right-hand graph above. This caused the average LSFO discount to Urals in the Mediterranean to narrow from \$3.58/bbl in May to \$1.52 in June and the discount to Brent in Rotterdam to narrow from \$5.16/bbl in May to \$3.13/bbl in June respectively.

Spot **LSFO** prices in the US remained within a comparatively narrow band at the higher levels reached during May. On the US East Coast, LSFO prices continued to derive support from utility demand ahead of the summer air-conditioning season. The average discount of LSFO to WTI contracted from \$4.93/bbl in May to \$3.06/bbl in June.

Asian **LSWR** prices declined in late May and early June along with crude oil prices amid thin regional demand and further downward pressure from additional Indonesian allocations for June. However, in the last three weeks of the month, LSWR prices trended higher, closing June at the highest level in almost three months. Nonetheless, except for late June, LSWR continued to trade at an unusual discount to HSFO.

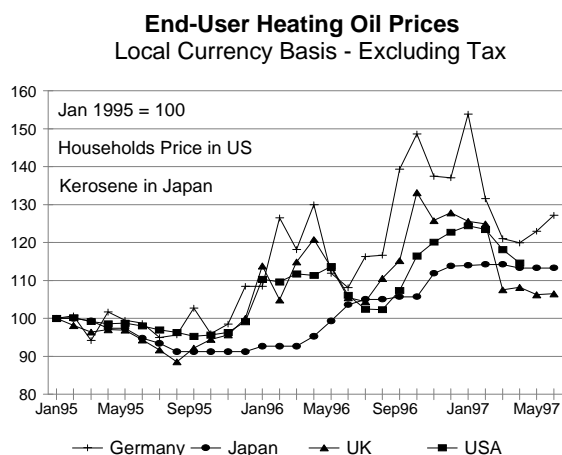
European **HSFO** prices continued to remain within a comparatively narrow band in June in a market depressed by ample regional and Russian supplies and weak demand. The only sources of support were arbitrage possibilities to the US and Mexico, and a number of cracked Russian fuel oil cargoes were reportedly traded into the US. In New York Harbour, spot HSFO prices tracked the development in crude prices, though within a comparatively narrow range. HSFO prices in the US Gulf also gained support from demand from Mexico, where a large refinery went into planned turnaround.

Spot **HSFO** prices in Singapore were little changed for the fifth successive month, remaining near the upper band of their sustained trading range of between \$15.00/bbl and \$16.00/bbl. Prices remained firm as a result of tight supplies due to ongoing regional refinery turnarounds in Korea and Japan. The comparatively high price level for HSFO in Singapore (averaging \$15.56/bbl for June compared with \$13.35/bbl in Rotterdam and \$12.13/bbl in the Mediterranean) kept the arbitrage window open for imports from Europe. The prospect of rising supplies from incoming arbitrage cargoes and refineries emerging from seasonal turnaround contributed to depressed market sentiment.

## End-User Product Prices

In June, mid-month end-user prices for **gasoline** increased in national currencies in the US, the UK, Canada, and Italy, remained unchanged in France and Japan and decreased in Germany and Spain. The steepest increase in prices for the countries shown in Table 9 occurred in the US and the steepest decline in Germany. Compared to last June, prices were higher in all countries shown in Table 9, with the largest increase occurring in the UK, where a price war occurred last summer. The exception was Canada, where prices were lower than last June. However, in US dollar terms, gasoline prices were generally lower than last June (with the exception of the UK and the US), reflecting price developments in spot markets and the depreciation of most European currencies against the US dollar.

Mid-month **automotive diesel** end-user prices remained unchanged in Japan and the UK and decreased in all other countries shown in Table 9, reflecting developments in spot gasoil markets. The steepest decline in prices occurred in Germany. As in the case of gasoline, prices remained well above those of last June in national currency terms. **Heating oil** prices for domestic consumers increased in Germany and in the UK, while declining in France, Spain and Italy (see graph to the right). Kerosene prices in Japan remained unchanged. The steepest decline in prices occurred in France.



Mid-month **heavy fuel oil** prices for industry increased in all countries shown in Table 9, reflecting the relative strength in spot fuel oil markets. The exception was the UK, where prices declined. The steepest increase in prices occurred in Germany and Japan. With the exception of Japan and the UK, pre-tax prices were appreciably lower in US dollar terms in most countries shown in Table 9 compared to the same month last year.

## Refining Margins in June

Average refining margins increased in all major refining centres in June with hydroskimming margins rising by more than cracking margins. In Europe and Singapore, margins largely mirrored price developments in spot crude markets, while the WTI cracking margin on the US Gulf Coast remained within a comparatively narrow and relatively high band for all but the last week of June (see graphs on page 50).

European refining margins increased in late May and early June by about \$2.00/bbl as crude prices decreased by more than those of products, but then declined by almost the same amount in the second and third week of the month when Brent and Brent-related crude prices increased. The downward pressure on European margins during all but the first week of the month was reinforced by rising supply pressure in gasoline and gasoil markets, as arbitrage possibilities for gasoline exports to the US and gasoil exports to Asia closed. In the last three weeks of June, Mediterranean refining margins were particularly hard hit by the combined effect of strengthening sour crude markets in the Mediterranean (reflected in a narrowing Brent/Urals differential), rising Brent prices and the closed gasoil arbitrage possibility to Asia. The relative strength in European fuel oil markets (see Prices section above) contributed to the strengthening of hydroskimming margins versus cracking margins as shown in the table above. The differential between the cracking and hydroskimming margin narrowed to \$1.16/bbl in Rotterdam and to \$1.19/bbl in the Mediterranean.

Dubai-based refining margins in Singapore recovered by almost \$2.00/bbl in late May and early June from May's low but, as in Europe, most of this gain eroded during the last three weeks of June under the weight of supply pressure in regional gasoil, gasoline and naphtha markets. Some Singapore refiners, who had restored throughput levels in early June in response to the recovery in margins, were reportedly considering reducing refinery throughputs again in early July as a result of low marginal refining profitability. The average Dubai hydroskimming margin increased by more than the cracking margin, reflecting the relative strength in regional fuel oil markets in June. The differential between the Dubai cracking and hydroskimming margins narrowed for the second successive month from \$2.26/bbl in May to \$1.97/bbl in June.

On the US Gulf Coast, the WTI cracking margin increased by about \$1.00/bbl early in the last decade of May and remained within a narrow band at a comparatively high level for the first three weeks of June, before declining by about \$0.50/bbl in the last week of the month. The Brent cracking margin on the US Gulf Coast largely mirrored price developments in the Brent market. Margins remained supported during most of the month by the increase in distillate and LSFO prices relative to those of crude, which more than offset the effect of declining gasoline prices. However, in the last week of June, margins decreased when crude prices increased appreciably relative to product prices.

### Refining Margins in Major Refining Centres

	(monthly and weekly averages, \$/bbl)									
	Apr	May	Jun	Change	23 May	30 May	Week Ending:			
							06 Jun	13 Jun	20 Jun	27 Jun
<b>NW Europe</b>										
Brent (Hydroskimming)	0.78	-0.27	0.44	0.71	-0.64	-0.08	0.68	1.20	0.34	-0.28
Brent (Cracking)	2.11	1.17	1.60	0.43	0.83	1.35	2.08	2.38	1.45	0.72
<b>Mediterranean</b>										
Urals (Hydroskimming)	1.72	0.38	1.02	0.64	0.15	0.57	1.24	1.96	1.04	0.13
Urals (Cracking)	3.11	1.93	2.21	0.28	1.74	2.08	2.70	3.15	2.18	1.13
<b>US Gulf Coast</b>										
Brent (Cracking)	2.44	1.79	1.99	0.20	1.78	2.16	2.45	2.62	1.86	1.21
WTI (Cracking)	1.87	1.57	1.86	0.29	1.95	2.00	1.95	2.09	1.84	1.62
<b>Singapore</b>										
Dubai (Hydroskimming)	2.36	-0.19	0.24	0.43	-0.59	-0.82	0.07	0.40	0.41	0.19
Dubai (Cracking)	5.08	2.07	2.21	0.13	1.64	1.45	2.28	2.47	2.32	1.90

### Refining Margins in 2Q97

With the exception of cracking margins in Singapore, average refining margins increased from 1Q97 levels in all major refining centres, as shown in the table below. While cracking margins were appreciably higher on the US Gulf Coast than in 2Q96, they increased only slightly in Europe and declined slightly in Singapore.

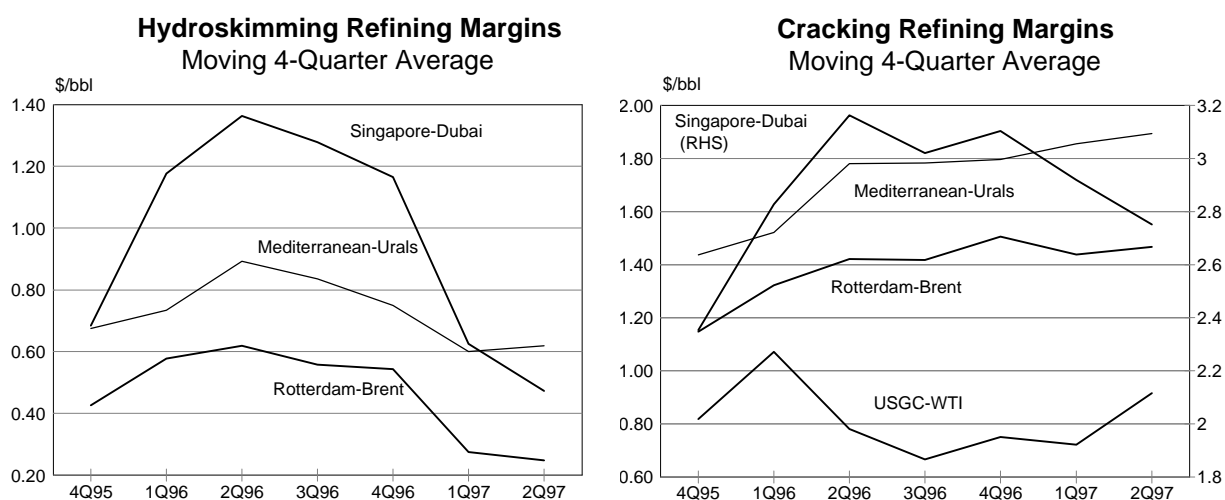
### Yearly and Quarterly Average Refining Margins

	(\$/bbl)						
	Rotterdam Brent		Mediterranean Urals		USGC WTI	Singapore Dubai	
	Hydroskimming	Cracking	Hydroskimming	Cracking	Cracking	Hydroskimming	Cracking
1993	0.91	2.03	1.67	3.14	1.07	1.56	4.13
1994	0.70	1.49	0.95	1.89	1.24	1.03	2.97
1995	0.43	1.15	0.68	1.44	0.82	0.68	2.35
1996	0.54	1.51	0.75	1.80	0.75	1.16	3.10
1Q95	0.10	0.56	0.39	0.85	-0.13	0.79	2.19
2Q95	0.27	1.11	0.33	1.22	2.15	0.67	2.45
3Q95	0.49	1.43	0.80	1.80	0.87	0.08	2.15
4Q95	0.85	1.49	1.18	1.87	0.38	1.20	2.62
1Q96	0.71	1.26	0.63	1.19	0.89	2.76	4.09
2Q96	0.43	1.51	0.97	2.26	0.99	1.41	3.79
3Q96	0.25	1.41	0.57	1.81	0.41	-0.26	1.58
4Q96	0.79	1.84	0.83	1.93	0.72	0.75	2.96
1Q97	-0.37	0.99	0.03	1.43	0.77	0.60	3.34
2Q97	0.32	1.63	1.04	2.42	1.76	0.81	3.12

As an indicator of potential future trends, four-quarter moving averages for hydroskimming and cracking margins have been plotted in the two graphs below. The left-hand graph shows that hydroskimming margins continued to decline in Singapore, mainly under the weight of weaker distillate markets, while the rate of decline decreased appreciably in Rotterdam. In the Mediterranean, margins started to increase again on a four-quarter moving average basis for the first time since 2Q96. To a large extent, the rebound in European hydroskimming margins was due to the narrowing of the light-heavy product differential, in particular in 2Q97.

Cracking margins increased on a four-quarter moving average on the US Gulf Coast and to a lesser extent in Europe, while they continued to decline steeply in Singapore (see right-hand graph below). European margins gained most of their support in the 1H97 from arbitrage possibilities for gasoline to the US and

for gasoil and naphtha to Asia. This helped ease the potential supply overhang for gasoline and gasoil in the Atlantic Basin and supported product prices and margins. In the US, margins derived their main support from the strengthening of gasoline and fuel oil prices relative to crude. In Singapore, margins remained under downward pressure during most of 1H97 due to a loosening supply/demand balance for gasoline, gasoil and fuel oil after massive refining capacity expansions during 1995 and 1996.



### Refinery Crude Throughputs in May

The aggregate of OECD refinery crude throughputs for May decreased by 0.14 mb/d from April's slightly downward-revised figures, to 33.26 mb/d. An unprecedented increase of 0.81 mb/d in the US was more than offset by decreases of 0.7 mb/d in Japan and 0.23 mb/d in Europe. Nonetheless, total May throughputs were almost 1 mb/d or 3.0% higher than a year earlier.

Preliminary data suggest that **European** refinery throughputs decreased in May by 0.23 mb/d to 12.37 mb/d. Increased throughput levels mainly in Italy (110 kb/d), Norway (47 kb/d) and France (35 kb/d) were more than offset by decreases mainly in the UK (135 kb/d), Portugal (86 kb/d) and Spain (53 kb/d). Planned refinery maintenance shutdowns and brief refinery run-cuts by some European refiners in late May, as a result of low marginal refining economics, contributed to the decline in European throughput levels. However, May throughputs in OECD Europe were still 0.1 mb/d or 0.8% higher than a year earlier. European refinery utilisation rates decreased from 91.2% in April to 89.9% in May, split into 95.5% for northwest Europe and 79.9% for southern Europe.

Crude throughputs in the **US** increased in May by a staggering 0.81 mb/d to 15.04 mb/d, the highest level for any month since December 1979. This high level of throughput raised the US refinery utilisation rate to 97.2%, based on current operable refining capacity, the highest rate in at least 25 years. Throughputs were 4.4% or 0.64 mb/d higher than a year earlier. **Japanese** crude throughputs decreased by 0.7 mb/d to 3.72 mb/d, consistent with progressing spring refinery maintenance. However, Japanese throughputs were 3.9% or 0.14 mb/d higher than a year earlier.

### Refinery Crude Throughput in OECD Countries

	million barrels per day					% change from previous year		
	Jan	Feb	Mar	Apr	May*	Jan-May 1997*	May	Jan-May
OECD Europe	13.02	12.65	12.06	12.60	12.37	12.54	0.8	0.8
France	1.88	1.75	1.57	1.74	1.78	1.74	4.2	2.7
Germany	2.06	2.09	2.09	2.08	2.03	2.07	-2.5	0.7
Italy	1.68	1.55	1.59	1.46	1.58	1.57	15.6	-1.2
Netherlands	1.21	1.18	1.02	1.20	1.20	1.16	0.5	-1.3
UK	1.73	1.78	1.74	1.82	1.68	1.75	-5.3	1.2
US	13.63	13.42	14.05	14.23	15.04	14.07	4.4	1.0
Canada	1.42	1.44	1.46	1.36	1.37	1.41	4.9	5.8
Japan	4.71	4.75	4.53	4.42	3.72	4.43	3.9	1.5
Australia/New Zealand	0.78	0.75	0.77	0.79	0.76	0.77	0.2	8.9
OECD Total	33.56	33.01	32.87	33.41	33.26	33.22	3.0	1.4

\* estimate

In June, refinery throughputs in Europe are thought to have increased slightly, consistent with lower planned refinery maintenance and improved refining margins early in the month. Conversely, Japanese throughputs are expected to have decreased, with refining capacity gradually shutting down for the spring maintenance season, which is expected to peak in June. Weekly US statistics up to 27 June suggest that throughput levels increased further to new record highs of more than 15.2 mb/d, reflecting robust product demand and relatively high refining margins.

### Refinery Maintenance Shutdowns

In the next three months, the bulk of planned refinery turnarounds will take place in Asia, while shutdowns are declining seasonally in Europe and in the US (see the table below). However, there is some flexibility on the timing of turnarounds and the extent of maintenance shutdowns, which may well be influenced by product markets, refining margins and weather conditions. This is particularly true for Asia, where downward pressure on refining margins reportedly prompted refiners to consider refinery throughput cuts for July.

#### Refinery Maintenance Shutdowns (Primary Distillation)

(million barrels per day of nameplate capacity)

	July	August	September
Europe	0.14	0.07	0.28
Middle East	0.21	0.12	0.25
Japan	0.45	0.16	0.40
Other Asia/Pacific	0.57	0.80	0.25

IEA estimates (except for the US: PIRA Energy Group, New York)  
Other Asia/Pacific consists of: Australia, Chinese Taipei, India, Indonesia, Korea, Malaysia, Pakistan, the Philippines, Singapore, Sri Lanka, Thailand.

### Industry Developments

After the failure of talks between UK Gulf Oil (a subsidiary of US Chevron) and French Elf concerning a merger of downstream operations in the UK, Chevron reportedly now plans to divest itself of all of its downstream assets. These include Gulf's 110 kb/d refinery at Milford Haven in Wales (earmarked for closure under the earlier merger proposal), 470 petrol stations, three terminals and seven distribution depots.

In late June, EU Environment Ministers hardened parts of a European Commission draft for European transportation fuel specifications for 2000 and set "indicative values" for 2005 (that are left to a later programme). The ministers' action overturned the more radical specifications voted by the European Parliament in April. The sulphur specification for gasoline in 2000 was set by the ministers at 150 ppm, considerably looser than the Parliament's 50 ppm. Similarly for diesel, the level was set at 350 ppm, compared to 100 ppm voted by the Parliament. In addition, the ministers set the maximum benzene content of gasoline in 2000 at 1% and the limit value for aromatics at 42%. A three-year grace period will be possible for refiners (presumably those in southern Europe) who are not able to adapt their installations in time for the 2000 deadline. The cut-off date for the grace period to a year-2000 ban on leaded petrol was set at 2005. The Environment Ministers' document now has to return to the European Parliament for a second reading.

A major change in German refining capacity took place at the end of June with the closure of the 110 kb/d Leuna refinery in former Eastern Germany. Elf's new 170 kb/d Mider refinery, also at Leuna, is planned to start up on 15 October and is expected to be running at capacity by the end of November. By 2000, the plant is expected to be debottlenecked and to operate at a capacity of 195 kb/d.

Technical arrangements for the merger of two German refineries are planned to be completed by 1 July, reducing refining capacity in Germany's southwest by 67 kb/d. The integration of the 180 kb/d Oberrheinische Mineralölwerke (OMW) refinery in Karlsruhe with Exxon's neighbouring 150 kb/d plant will create the largest refining complex in Germany, with a throughput capacity of 263 kb/d. The two plants were formally joined last year.

Mobil Oil Singapore's Jurong refinery attained a 300 kb/d operating level in June, reaching 100% of its new nameplate capacity as of 22 April. A debottlenecking programme in March/April boosted refining capacity by 20 kb/d. The expansion is planned to provide for the downstream feed to a new 10 kb/d lubricant plant.

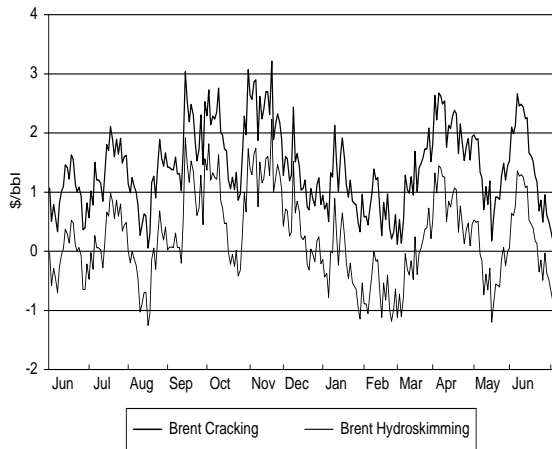
Japan's Tonen Corp reportedly is in the process of starting up its new 25 kb/d vacuum residue conversion facility, or "H-oil unit," at its Kawasaki refinery. The unit will almost eliminate the refinery's heavy oil output by cracking residue from a vacuum distillation unit. With the new unit, Tonen will be able to lift its annual production of middle distillates by 15% versus current output.

Indonesia's Pertamina started up a new 60 kb/d crude distillation unit at its Balikpapan refinery in June to replace a 50-year-old unit of the same size, which is planned to be decommissioned and shut down in July.

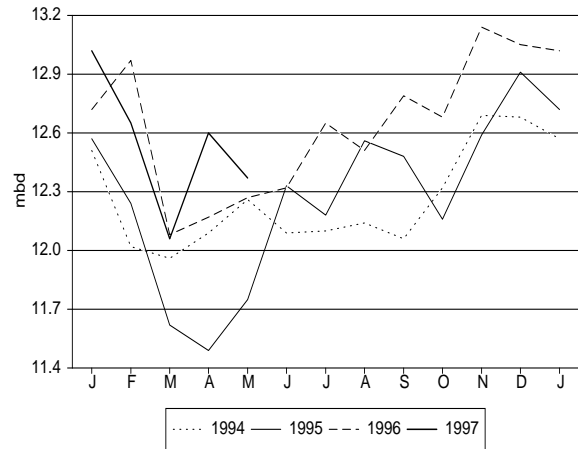
Production of the new low-sulphur Malaysian crude oil named Bunga Kekwa, or Chrysanthemum, is expected to start on schedule in July and the first parcel is likely to be lifted early in August (see Supply section). With an API gravity of 36.5 and a pour point of 36°C, Bunga Kekwa is comparable to Indonesian Minas. Initial production is targeted at a rate of 18 kb/d and Bunga Kekwa crude will be loaded at the Armada Perkasa floating production, storage and offtake terminal, with parcel loading sizes of between 150,000 barrels and 310,000 barrels.

The first 700,000 barrel cargo of light, low-sulphur Oribi crude, South Africa's first commercial-scale conventional oil field, was sold during June. Production from the field, which came onstream in May, is now 24 kb/d and will contribute about 6% of the country's crude requirements.

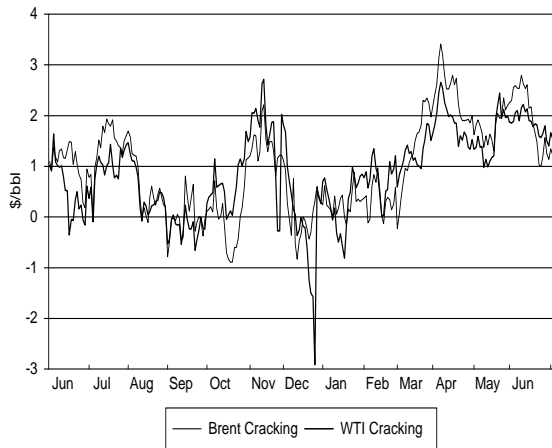
**Rotterdam Refining Margins**



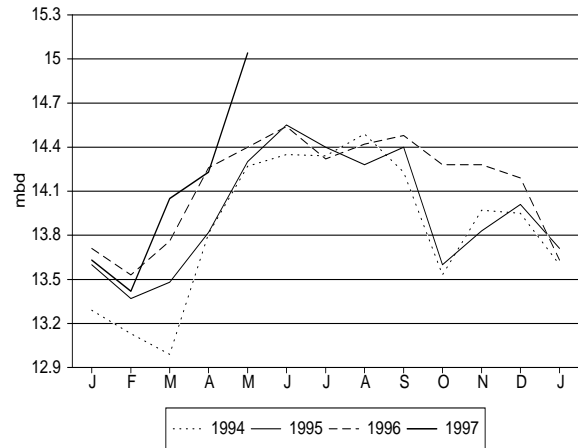
**OECD Europe Crude Throughputs**



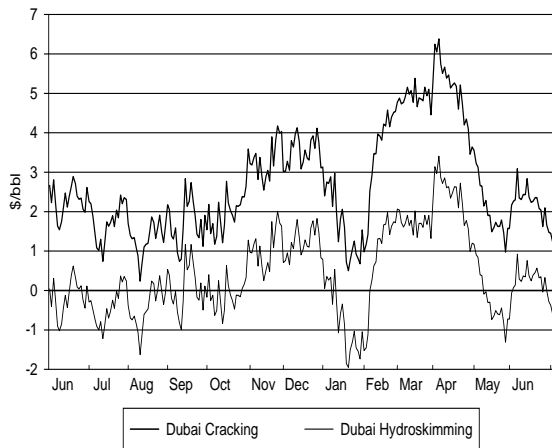
**US Gulf Refining Margins**



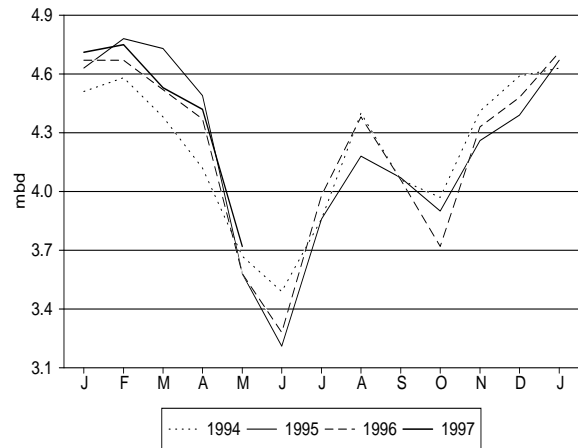
**US Crude Throughputs**



**Singapore Refining Margins**



**Japan Crude Throughputs**



**Table 1**  
**WORLD OIL SUPPLY AND DEMAND**

(million barrels per day)

	1994	1995	1Q96	2Q96	3Q96	4Q96	1996	1Q97	2Q97	3Q97	4Q97	1997	1Q98	2Q98	3Q98	4Q98	1998
<b>DEMAND</b>																	
<b>OECD</b>																	
North America	19.8	19.8	20.4	19.9	20.2	20.8	20.3	20.4	20.6	20.6	21.0	20.7	20.7	20.6	20.8	21.3	20.8
Europe	13.6	13.9	14.4	13.5	14.2	14.5	14.2	14.2	13.8	14.3	14.8	14.3	14.4	13.8	14.5	15.0	14.4
Pacific	6.6	6.7	7.4	6.2	6.3	6.9	6.7	7.3	6.2	6.4	7.1	6.7	7.4	6.3	6.5	7.2	6.8
<b>TOTAL OECD</b>	<b>40.0</b>	<b>40.4</b>	<b>42.2</b>	<b>39.6</b>	<b>40.6</b>	<b>42.2</b>	<b>41.2</b>	<b>41.9</b>	<b>40.6</b>	<b>41.3</b>	<b>42.9</b>	<b>41.7</b>	<b>42.5</b>	<b>40.7</b>	<b>41.8</b>	<b>43.4</b>	<b>42.1</b>
<b>NON-OECD</b>																	
FSU <sup>1</sup>	4.9	4.8	4.6	4.2	4.3	4.2	4.3	4.3	4.5	4.2	4.5	4.4	4.4	4.5	4.3	4.6	4.4
Europe	1.3	1.4	1.5	1.4	1.3	1.4	1.4	1.6	1.5	1.4	1.5	1.5	1.6	1.5	1.4	1.5	1.5
China <sup>2</sup>	3.1	3.3	3.4	3.6	3.6	3.7	3.6	3.6	3.8	3.8	3.9	3.8	3.9	4.0	4.0	4.1	4.0
Other Asia	7.4	8.0	8.8	8.4	8.2	9.0	8.6	9.3	9.0	8.7	9.7	9.2	9.9	9.7	9.3	10.3	9.8
Latin America	6.0	6.1	6.2	6.3	6.5	6.5	6.4	6.5	6.6	6.7	6.7	6.6	6.8	6.8	7.0	6.9	6.9
Middle East	4.0	4.1	4.1	4.1	4.3	4.3	4.2	4.2	4.2	4.4	4.4	4.3	4.3	4.3	4.5	4.5	4.4
Africa	2.1	2.2	2.3	2.3	2.2	2.3	2.3	2.4	2.4	2.3	2.4	2.4	2.5	2.5	2.3	2.5	2.4
<b>TOTAL NON-OECD</b>	<b>28.8</b>	<b>29.9</b>	<b>31.0</b>	<b>30.3</b>	<b>30.4</b>	<b>31.5</b>	<b>30.8</b>	<b>32.0</b>	<b>31.9</b>	<b>31.5</b>	<b>33.1</b>	<b>32.1</b>	<b>33.4</b>	<b>33.3</b>	<b>32.8</b>	<b>34.4</b>	<b>33.5</b>
<b>TOTAL DEMAND<sup>3</sup></b>	<b>68.8</b>	<b>70.3</b>	<b>73.2</b>	<b>69.9</b>	<b>71.0</b>	<b>73.7</b>	<b>72.0</b>	<b>73.9</b>	<b>72.6</b>	<b>72.8</b>	<b>75.9</b>	<b>73.8</b>	<b>75.9</b>	<b>74.0</b>	<b>74.6</b>	<b>77.8</b>	<b>75.6</b>
<b>SUPPLY</b>																	
<b>OECD</b>																	
North America	10.9	11.0	11.0	10.9	11.0	11.2	11.1	11.2	11.0	11.2	11.4	11.2	11.5	11.2	11.4	11.7	11.5
Europe	6.0	6.3	6.6	6.6	6.5	6.9	6.7	6.9	6.6	6.9	7.7	7.0	7.4	7.2	7.4	8.3	7.6
Pacific	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.8	0.9	0.8	0.8	0.8	0.9	0.9	0.9	0.9
<b>TOTAL OECD</b>	<b>17.6</b>	<b>18.0</b>	<b>18.3</b>	<b>18.2</b>	<b>18.2</b>	<b>18.8</b>	<b>18.4</b>	<b>18.7</b>	<b>18.4</b>	<b>18.9</b>	<b>19.9</b>	<b>19.0</b>	<b>19.6</b>	<b>19.3</b>	<b>19.7</b>	<b>20.9</b>	<b>19.9</b>
<b>NON-OECD</b>																	
FSU	7.2	7.1	7.0	7.0	7.1	7.1	7.1	7.1	7.2	7.1	7.2	7.1	7.3	7.4	7.3	7.5	7.4
Europe	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
China	2.8	3.0	3.1	3.1	3.1	3.2	3.1	3.2	3.3	3.2	3.2	3.2	3.2	3.3	3.2	3.3	3.2
Other Asia	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.3	2.3	2.2
Latin America	5.9	6.1	6.5	6.6	6.5	6.6	6.5	6.7	6.8	7.0	7.2	7.0	7.3	7.4	7.6	7.8	7.5
Middle East	1.8	1.9	1.9	1.9	1.9	2.0	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Africa	2.4	2.6	2.6	2.7	2.8	2.8	2.7	2.8	2.9	2.9	3.0	2.9	3.0	3.0	3.1	3.1	3.1
Processing Gains <sup>4</sup>	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
<b>TOTAL NON-OPEC</b>	<b>41.6</b>	<b>42.5</b>	<b>43.4</b>	<b>43.4</b>	<b>43.5</b>	<b>44.4</b>	<b>43.7</b>	<b>44.4</b>	<b>44.5</b>	<b>45.1</b>	<b>46.7</b>	<b>45.2</b>	<b>46.5</b>	<b>46.5</b>	<b>47.1</b>	<b>48.8</b>	<b>47.2</b>
<b>OPEC</b>																	
Crude	24.7	25.1	25.7	25.6	25.9	26.2	25.9	26.9	26.8								
NGLs	2.4	2.4	2.5	2.6	2.7	2.7	2.6	2.7	2.8	2.9	3.0	2.9	3.0	3.0	3.0	3.1	3.0
<b>TOTAL OPEC</b>	<b>27.0</b>	<b>27.5</b>	<b>28.2</b>	<b>28.2</b>	<b>28.6</b>	<b>28.9</b>	<b>28.5</b>	<b>29.7</b>	<b>29.7</b>								
<b>TOTAL SUPPLY<sup>5</sup></b>	<b>68.6</b>	<b>70.0</b>	<b>71.6</b>	<b>71.5</b>	<b>72.1</b>	<b>73.3</b>	<b>72.1</b>	<b>74.1</b>	<b>74.2</b>								
<b>STOCK CHANGES AND MISCELLANEOUS</b>																	
<b>REPORTED OECD</b>																	
Industry	0.1	-0.3	-1.8	1.2	0.4	-0.4	-0.1	0.2	0.6								
Government	0.1	0.0	0.4	-0.1	-0.1	-0.1	0.0	0.1	0.0								
<b>TOTAL OECD</b>	<b>0.2</b>	<b>-0.3</b>	<b>-1.3</b>	<b>1.1</b>	<b>0.3</b>	<b>-0.5</b>	<b>-0.1</b>	<b>0.3</b>	<b>0.6</b>								
Floating Storage/Oil in Transit	-0.1	0.1	-0.3	0.1	0.0	-0.1	-0.1	0.2	0.3								
Miscellaneous to balance <sup>6</sup>	-0.3	-0.1	0.1	0.4	0.7	0.1	0.3	-0.3	0.7								
<b>TOTAL STOCK CH. &amp; MISC.</b>	<b>-0.2</b>	<b>-0.3</b>	<b>-1.6</b>	<b>1.6</b>	<b>1.1</b>	<b>-0.4</b>	<b>0.2</b>	<b>0.2</b>	<b>1.6</b>								
<b>Memo items:</b>																	
FSU Net Exports	2.4	2.4	2.4	2.8	2.8	2.9	2.7	2.7	2.7	2.9	2.7	2.8	2.9	2.8	3.1	2.9	2.9
Call on OPEC crude + Stock ch. <sup>7</sup>	24.9	25.4	27.3	24.0	24.9	26.7	25.7	26.8	25.2	24.7	26.3	25.7	26.4	24.5	24.5	26.0	25.3
Total Demand ex. FSU	64.0	65.5	68.5	65.7	66.7	69.5	67.6	69.6	68.1	68.6	71.4	69.4	71.5	69.5	70.3	73.3	71.2
Total demand exc. FSU (% ch) <sup>8</sup>	3.5	2.4	3.2	2.6	3.5	3.4	3.2	1.6	3.6	2.8	2.8	2.7	2.7	2.1	2.6	2.6	2.5

1 Figures for FSU are apparent demand derived from official production figures and quarterly trade data.

2 Annual Chinese demand is estimated from production and (adjusted) trade; quarterly figures represent estimates of domestic oil deliveries and are not derived from trade data.

3 Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply.

4 Net of volumetric gains and losses in refining process (excludes net gain/loss in former USSR, China and non-OECD Europe) and marine transportation losses.

5 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.

6 Includes changes in non-reported stocks in OECD and non-OECD areas.

7 Equals total demand minus total non-OPEC supply minus OPEC NGLs. Thus includes "Miscellaneous to balance" for historical time periods.

8 Year on year % growth in global oil demand excluding FSU.

**Table 1A**  
**WORLD OIL SUPPLY AND DEMAND: CHANGES FROM LAST MONTH'S TABLE 1**  
(million barrels per day)

	1994	1995	1Q96	2Q96	3Q96	4Q96	1996	1Q97	2Q97	3Q97	4Q97	1997	1998
<b>DEMAND</b>													
OECD													
North America	-	-	-	-	-	-	-	-	0.3	-	-	0.1	-0.1
Europe	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL OECD</b>	-	-	-	-	-	-	-	-	0.2	-	-	0.1	-
NON-OECD													
FSU	-	-	-	-	-	-	-	-	0.2	-	-	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL NON-OECD</b>	-0.1	-	-	-	-	-	-	-	0.2	-	0.1	0.1	0.1
<b>TOTAL DEMAND</b>	-0.1	-	-	-	-	-	0.1	-	0.4	0.1	-	0.1	0.1
<b>SUPPLY</b>													
OECD													
North America	-	-	-	-	-	-	-	-	-	0.1	-	-	0.1
Europe	-	-	-	-	-	-	-	-	-0.2	-	-	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL OECD</b>	-	-	-	-	-	-	-	-	-0.2	-	-0.1	-	-0.1
NON-OECD													
FSU	-0.1	-	-	-	-	-	0.1	0.1	-	-	-	-	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-0.1	-	-	0.1
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL NON-OPEC</b>	-	-	-	0.1	0.1	0.1	0.1	-	-0.2	-0.1	-	-	-
OPEC													
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-
<b>TOTAL OPEC</b>	-	-	-	-	-	-	-	-0.1	-	-	-	-	-
<b>TOTAL SUPPLY</b>	-0.1	-	-	-	0.1	0.1	-	-0.1	-	-	-	-	-
<b>STOCK CHANGES AND MISCELLANEOUS</b>													
REPORTED OECD													
Industry	-	-	-	-	-	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
<b>TOTAL OECD</b>	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous to balance	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL STOCK CH. &amp; MISC.</b>	-	-	-	-	0.1	0.1	0.1	-0.1	-	-	-	-	-
Memo items:													
FSU Net Exports	-	-	-	-	-	-	-	-	-0.2	-	-	-	-0.1
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	0.2	0.6	0.1	0.1	0.2	-
Total Demand ex. FSU	-	-	-	-	-	-	-	-	0.2	-	-0.1	-	-

When submitting their monthly oil statistics, IEA Member countries periodically update data for earlier years. Similar updates to non-OECD data can occur. While the changes are generally small, due to rounding they can lead to changes to historical data of 0.1 mb/d.

**Table 2**  
**OECD REGIONAL OIL DEMAND**  
(million barrels per day)

	Fourth Quarter			January			February			March			First Quarter		
	1995	1996	%	1996	1997	%	1996	1997	%	1996	1997	%	1996	1997	%
<b>North America</b>															
LPG	2.41	2.51	3.9	2.66	2.68	0.8	2.57	2.60	1.3	2.36	2.14	-9.0	2.53	2.47	-2.2
Naphtha	0.26	0.35	35.8	0.28	0.37	31.8	0.35	0.32	-9.6	0.35	0.33	-6.5	0.33	0.34	3.6
Motor Gasoline	8.45	8.55	1.2	7.87	7.95	1.0	8.19	8.29	1.2	8.34	8.44	1.1	8.14	8.23	1.1
Jet/Kerosene	1.75	1.80	2.9	1.82	1.92	5.0	1.91	1.76	-7.8	1.75	1.71	-2.0	1.82	1.80	-1.5
Gasoil	3.76	4.00	6.4	4.22	4.35	3.1	4.30	3.99	-7.2	3.95	4.03	2.1	4.15	4.13	-0.6
Residual Fuel Oil	1.09	1.01	-7.6	1.23	1.20	-2.5	1.25	1.19	-5.1	1.00	0.92	-7.7	1.16	1.10	-5.0
Other Products	2.39	2.56	6.7	2.24	2.29	2.0	2.10	2.35	11.7	2.48	2.39	-3.6	2.28	2.34	2.8
<b>Total</b>	<b>20.11</b>	<b>20.77</b>	<b>3.3</b>	<b>20.33</b>	<b>20.75</b>	<b>2.1</b>	<b>20.67</b>	<b>20.49</b>	<b>-0.8</b>	<b>20.23</b>	<b>19.97</b>	<b>-1.3</b>	<b>20.40</b>	<b>20.40</b>	<b>0.0</b>
<b>Europe</b>															
LPG	0.88	0.91	3.5	1.02	1.13	10.5	1.06	1.01	-5.3	0.94	0.83	-11.7	1.01	0.99	-1.9
Naphtha	1.06	1.07	1.5	1.10	1.04	-5.3	1.08	1.18	8.9	1.09	1.04	-5.0	1.09	1.08	-0.8
Motor Gasoline	2.94	2.95	0.6	2.64	2.65	0.5	2.81	2.85	1.3	2.84	2.85	0.3	2.76	2.78	0.6
Jet/Kerosene	0.84	0.88	5.1	0.82	0.88	7.6	0.86	0.89	3.6	0.84	0.87	3.0	0.84	0.88	4.7
Gasoil	5.13	5.33	3.8	5.15	5.56	7.9	5.85	5.26	-10.0	5.21	4.78	-8.3	5.40	5.20	-3.6
Residual Fuel Oil	2.31	2.19	-5.0	2.27	2.27	0.1	2.40	2.30	-4.3	2.32	2.08	-10.2	2.33	2.21	-4.9
Other Products	1.19	1.17	-2.2	0.99	1.02	3.1	0.95	1.05	9.9	0.94	1.08	15.0	0.96	1.05	9.2
<b>Total</b>	<b>14.35</b>	<b>14.51</b>	<b>1.1</b>	<b>13.99</b>	<b>14.55</b>	<b>4.0</b>	<b>15.03</b>	<b>14.54</b>	<b>-3.3</b>	<b>14.18</b>	<b>13.52</b>	<b>-4.7</b>	<b>14.38</b>	<b>14.19</b>	<b>-1.3</b>
<b>Pacific</b>															
LPG	0.74	0.75	2.2	0.79	0.78	-2.0	0.83	0.83	-0.3	0.78	0.76	-2.1	0.80	0.79	-1.5
Naphtha	0.79	0.79	0.4	0.79	0.85	7.9	0.81	0.82	1.9	0.74	0.87	18.2	0.78	0.85	9.3
Motor Gasoline	1.25	1.29	2.9	1.14	1.19	4.3	1.20	1.24	2.9	1.23	1.24	1.1	1.19	1.22	2.7
Jet/Kerosene	0.95	0.95	0.2	1.20	1.25	4.3	1.30	1.29	-0.9	1.11	0.95	-14.4	1.20	1.16	-3.5
Gasoil	1.58	1.60	1.3	1.48	1.54	3.9	1.76	1.74	-0.8	1.71	1.65	-3.8	1.65	1.64	-0.5
Residual Fuel Oil	0.82	0.79	-4.0	0.89	0.78	-12.3	0.99	0.87	-12.1	0.87	0.79	-9.5	0.91	0.81	-11.4
Other Products	0.80	0.77	-4.1	0.84	0.81	-3.5	0.86	0.93	8.7	0.85	0.82	-2.9	0.85	0.85	0.5
<b>Total</b>	<b>6.93</b>	<b>6.95</b>	<b>0.2</b>	<b>7.14</b>	<b>7.21</b>	<b>0.9</b>	<b>7.74</b>	<b>7.72</b>	<b>-0.3</b>	<b>7.28</b>	<b>7.08</b>	<b>-2.7</b>	<b>7.38</b>	<b>7.32</b>	<b>-0.8</b>
<b>OECD</b>															
LPG	4.03	4.17	3.5	4.47	4.58	2.5	4.46	4.44	-0.6	4.07	3.74	-8.3	4.33	4.25	-2.0
Naphtha	2.11	2.22	5.2	2.17	2.26	4.3	2.24	2.32	3.4	2.18	2.24	2.6	2.19	2.27	3.4
Motor Gasoline	12.64	12.79	1.2	11.66	11.79	1.2	12.21	12.38	1.4	12.41	12.53	0.9	12.09	12.23	1.2
Jet/Kerosene	3.54	3.64	2.7	3.84	4.05	5.3	4.07	3.94	-3.2	3.69	3.53	-4.6	3.86	3.83	-0.8
Gasoil	10.48	10.94	4.3	10.86	11.45	5.5	11.90	10.99	-7.7	10.87	10.46	-3.8	11.20	10.97	-2.0
Residual Fuel Oil	4.22	3.98	-5.5	4.39	4.25	-3.2	4.64	4.35	-6.1	4.19	3.79	-9.5	4.40	4.12	-6.3
Other Products	4.39	4.49	2.3	4.08	4.12	1.1	3.92	4.33	10.6	4.27	4.30	0.7	4.09	4.25	3.8
<b>Total</b>	<b>41.39</b>	<b>42.22</b>	<b>2.0</b>	<b>41.46</b>	<b>42.51</b>	<b>2.5</b>	<b>43.44</b>	<b>42.75</b>	<b>-1.6</b>	<b>41.69</b>	<b>40.58</b>	<b>-2.7</b>	<b>42.17</b>	<b>41.92</b>	<b>-0.6</b>

Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply.

Jet/kerosene comprises jet kerosene and non-aviation kerosene grades. Gasoil comprises diesel, light heating oil and other gasoils.

North America comprises US 50 States, territories and Canada.

**Table 3**  
**OIL DEMAND IN SELECTED OECD COUNTRIES**  
(million barrels per day)

	January			February			March			First Quarter			April		
	1996	1997	%	1996	1997	%	1996	1997	%	1996	1997	%	1996	1997	%
<b>United States</b>															
LPG	2.32	2.34	0.8	2.25	2.25	0.0	2.03	1.83	-9.8	2.20	2.14	-2.8	1.88	1.92	2.2
Naphtha	0.20	0.29	41.1	0.27	0.25	-9.7	0.27	0.24	-11.2	0.25	0.26	4.1	0.21	0.27	26.1
Motor Gasoline	7.25	7.31	0.8	7.55	7.65	1.3	7.73	7.81	1.0	7.51	7.59	1.0	7.87	8.07	2.5
Jet/Kerosene	1.70	1.78	5.1	1.79	1.64	-8.6	1.64	1.59	-2.6	1.71	1.67	-2.0	1.54	1.65	7.1
Gasoil	3.68	3.78	2.7	3.72	3.42	-8.1	3.45	3.52	1.8	3.62	3.58	-1.1	3.38	3.52	4.1
Residual Fuel Oil	1.02	0.98	-3.7	1.03	0.97	-5.5	0.83	0.74	-10.3	0.96	0.90	-6.3	0.75	0.80	7.1
Other Products	2.03	2.07	2.0	1.88	2.13	13.1	2.24	2.14	-4.4	2.05	2.11	2.8	2.20	2.34	6.3
<b>Total</b>	<b>18.21</b>	<b>18.56</b>	<b>1.9</b>	<b>18.50</b>	<b>18.31</b>	<b>-1.0</b>	<b>18.18</b>	<b>17.87</b>	<b>-1.7</b>	<b>18.29</b>	<b>18.24</b>	<b>-0.3</b>	<b>17.84</b>	<b>18.57</b>	<b>4.1</b>
<b>Japan</b>															
LPG	0.72	0.71	-1.1	0.75	0.76	1.3	0.70	0.69	-1.2	0.72	0.72	-0.4	0.68	0.63	-6.8
Naphtha	0.78	0.85	7.9	0.80	0.81	1.9	0.73	0.87	18.4	0.77	0.84	9.4	0.77	0.81	5.5
Motor Gasoline	0.79	0.83	4.8	0.85	0.88	4.7	0.87	0.89	1.4	0.84	0.87	3.5	0.89	0.90	1.0
Jet/Kerosene	1.10	1.15	4.4	1.20	1.19	-1.0	1.01	0.84	-16.8	1.10	1.05	-4.2	0.70	0.60	-14.4
Diesel*	0.64	0.67	4.7	0.78	0.78	0.1	0.78	0.81	4.1	0.73	0.75	2.9	0.79	0.71	-3.1
Other Gasoil*	0.63	0.64	2.3	0.73	0.70	-3.3	0.69	0.59	-14.3	0.68	0.64	-5.4	0.51	0.50	-3.1
Residual Fuel Oil	0.85	0.74	-12.8	0.93	0.81	-13.1	0.82	0.76	-7.4	0.87	0.77	-11.2	0.72	0.67	-8.0
Direct use of Crude Oil	0.37	0.31	-14.5	0.36	0.39	8.1	0.33	0.29	-11.6	0.35	0.33	-6.4	0.20	0.11	-44.1
Other Products	0.33	0.38	17.4	0.37	0.42	13.5	0.40	0.41	4.5	0.36	0.40	11.3	0.36	0.36	-1.4
<b>Total</b>	<b>6.21</b>	<b>6.29</b>	<b>1.3</b>	<b>6.77</b>	<b>6.75</b>	<b>-0.2</b>	<b>6.32</b>	<b>6.15</b>	<b>-2.8</b>	<b>6.43</b>	<b>6.38</b>	<b>-0.7</b>	<b>5.63</b>	<b>5.34</b>	<b>-5.1</b>
<b>Germany</b>															
LPG	0.15	0.15	4.9	0.15	0.10	-34.0	0.11	0.08	-29.1	0.14	0.11	-18.4	0.09	0.09	1.7
Naphtha	0.35	0.33	-6.7	0.33	0.36	9.1	0.36	0.35	-4.4	0.35	0.34	-1.2	0.34	0.37	9.3
Motor Gasoline	0.62	0.62	-0.4	0.66	0.65	-0.2	0.68	0.67	-1.7	0.65	0.65	-0.8	0.71	0.74	3.4
Jet/Kerosene	0.11	0.12	5.3	0.12	0.13	15.2	0.12	0.13	7.5	0.12	0.13	9.2	0.12	0.13	10.7
Diesel	0.35	0.35	0.0	0.38	0.39	4.1	0.42	0.41	-1.8	0.38	0.38	0.6	0.45	0.50	11.5
Other Gasoil	1.02	1.06	4.5	1.11	0.75	-32.3	0.88	0.76	-14.2	1.00	0.86	-14.0	0.71	1.03	46.5
Residual Fuel Oil	0.19	0.16	-13.3	0.19	0.16	-15.5	0.18	0.15	-15.7	0.19	0.16	-14.8	0.18	0.18	0.3
Other Products	0.13	0.12	-8.1	0.11	0.13	18.1	0.12	0.15	30.5	0.12	0.13	12.7	0.16	0.19	19.7
<b>Total</b>	<b>2.91</b>	<b>2.91</b>	<b>-0.1</b>	<b>3.04</b>	<b>2.68</b>	<b>-11.7</b>	<b>2.87</b>	<b>2.70</b>	<b>-6.1</b>	<b>2.94</b>	<b>2.77</b>	<b>-5.9</b>	<b>2.76</b>	<b>3.24</b>	<b>17.5</b>
<b>Italy</b>															
LPG	0.15	0.15	-1.8	0.16	0.13	-16.4	0.13	0.11	-17.1	0.14	0.13	-11.5	0.10	0.10	3.4
Naphtha	0.13	0.12	-8.6	0.14	0.12	-9.0	0.10	0.14	35.4	0.12	0.13	3.9	0.13	0.13	2.1
Motor Gasoline	0.39	0.39	-0.8	0.42	0.43	1.3	0.42	0.42	0.4	0.41	0.41	0.3	0.46	0.46	1.1
Jet/Kerosene	0.06	0.06	-3.8	0.07	0.06	-4.0	0.06	0.06	-2.1	0.06	0.06	-3.4	0.06	0.07	13.2
Diesel	0.34	0.28	-17.4	0.37	0.33	-11.5	0.34	0.29	-13.8	0.35	0.30	-14.3	0.32	0.32	-1.3
Other Gasoil	0.18	0.25	37.4	0.22	0.22	-0.2	0.21	0.17	-20.2	0.20	0.21	4.0	0.12	0.15	24.0
Residual Fuel Oil	0.64	0.58	-8.8	0.64	0.59	-8.8	0.70	0.50	-27.7	0.66	0.56	-15.6	0.54	0.52	-4.8
Other Products	0.09	0.08	-9.9	0.09	0.09	-3.5	0.10	0.10	7.4	0.09	0.09	-1.7	0.09	0.11	23.2
<b>Total</b>	<b>1.98</b>	<b>1.90</b>	<b>-3.9</b>	<b>2.11</b>	<b>1.97</b>	<b>-6.6</b>	<b>2.05</b>	<b>1.79</b>	<b>-12.7</b>	<b>2.04</b>	<b>1.88</b>	<b>-7.8</b>	<b>1.82</b>	<b>1.86</b>	<b>2.1</b>
<b>France</b>															
LPG	0.14	0.17	22.5	0.15	0.14	-5.1	0.12	0.09	-22.5	0.14	0.13	-0.9	0.10	0.09	-8.2
Naphtha	0.21	0.18	-14.6	0.21	0.28	36.4	0.22	0.16	-28.3	0.21	0.20	-4.0	0.09	0.14	54.3
Motor Gasoline	0.32	0.30	-6.6	0.32	0.32	-0.2	0.33	0.32	-4.1	0.32	0.31	-3.8	0.37	0.37	-0.7
Jet/Kerosene	0.09	0.10	7.6	0.10	0.10	5.9	0.10	0.10	-1.0	0.10	0.10	4.0	0.11	0.11	3.0
Diesel	0.44	0.44	0.4	0.45	0.49	7.0	0.46	0.46	0.9	0.45	0.46	2.7	0.49	0.54	9.0
Other Gasoil	0.46	0.64	39.3	0.62	0.48	-22.9	0.39	0.35	-10.7	0.49	0.49	0.5	0.35	0.34	-5.0
Residual Fuel Oil	0.19	0.20	9.2	0.21	0.19	-8.6	0.19	0.17	-12.2	0.20	0.19	-4.1	0.17	0.16	-7.1
Other Products	0.14	0.13	-8.5	0.14	0.15	8.2	0.17	0.15	-9.8	0.15	0.14	-4.2	0.23	0.17	-26.5
<b>Total</b>	<b>1.99</b>	<b>2.17</b>	<b>8.7</b>	<b>2.18</b>	<b>2.14</b>	<b>-2.0</b>	<b>1.98</b>	<b>1.80</b>	<b>-9.1</b>	<b>2.05</b>	<b>2.03</b>	<b>-0.9</b>	<b>1.92</b>	<b>1.91</b>	<b>-0.4</b>
<b>United Kingdom</b>															
LPG	0.16	0.19	21.2	0.17	0.19	12.0	0.16	0.18	9.2	0.16	0.19	14.0	0.19	0.18	-7.1
Naphtha	0.07	0.05	-30.1	0.07	0.05	-32.1	0.10	0.07	-35.1	0.08	0.06	-32.7	0.07	0.06	-20.2
Motor Gasoline	0.46	0.47	2.6	0.49	0.52	4.7	0.51	0.52	2.7	0.49	0.50	3.3	0.53	0.54	2.4
Jet/Kerosene	0.25	0.26	7.7	0.26	0.27	1.3	0.24	0.24	2.6	0.25	0.26	3.8	0.23	0.25	6.5
Diesel	0.27	0.28	5.8	0.29	0.31	7.9	0.29	0.30	3.4	0.28	0.30	5.6	0.29	0.32	9.9
Other Gasoil	0.20	0.24	16.4	0.24	0.21	-14.9	0.21	0.18	-14.4	0.22	0.21	-4.8	0.19	0.20	6.1
Residual Fuel Oil	0.14	0.16	12.9	0.20	0.18	-7.1	0.17	0.12	-30.1	0.17	0.15	-9.2	0.16	0.11	-33.2
Other Products	0.18	0.19	1.1	0.18	0.19	3.6	0.18	0.19	1.7	0.18	0.19	2.1	0.20	0.19	-4.0
<b>Total</b>	<b>1.73</b>	<b>1.84</b>	<b>6.5</b>	<b>1.92</b>	<b>1.92</b>	<b>0.2</b>	<b>1.86</b>	<b>1.79</b>	<b>-3.7</b>	<b>1.83</b>	<b>1.85</b>	<b>0.8</b>	<b>1.85</b>	<b>1.83</b>	<b>-1.2</b>
<b>Canada</b>															
LPG	0.33	0.33	0.5	0.31	0.34	10.7	0.32	0.31	-4.5	0.32	0.33	1.9	0.32	0.31	-2.7
Naphtha	0.07	0.08	6.3	0.08	0.07	-9.3	0.08	0.09	9.1	0.08	0.08	2.2	0.07	0.08	20.9
Motor Gasoline	0.56	0.58	3.1	0.58	0.59	0.1	0.56	0.58	2.5	0.57	0.58	1.9	0.59	0.60	1.4
Jet/Kerosene	0.10	0.11	6.1	0.09	0.09	4.0	0.09	0.09	7.3	0.09	0.10	5.9	0.09	0.09	9.2
Diesel	0.14	0.14	0.0	0.15	0.15	3.6	0.14	0.14	0.0	0.14	0.14	1.1	0.13	0.14	11.1
Other Gasoil	0.37	0.40	8.7	0.40	0.38	-4.2	0.33	0.35	6.9	0.36	0.38	3.7	0.27	0.28	0.5
Residual Fuel Oil	0.14	0.15	4.8	0.16	0.15	-5.6	0.11	0.12	7.0	0.14	0.14	1.5	0.09	0.13	38.2
Other Products	0.18	0.19	3.0	0.20	0.20	-0.2	0.22	0.23	5.2	0.20	0.20	2.9	0.22	0.22	-1.4
<b>Total</b>	<b>1.90</b>	<b>1.97</b>	<b>3.9</b>	<b>1.97</b>	<b>1.98</b>	<b>0.5</b>	<b>1.85</b>	<b>1.91</b>	<b>3.0</b>	<b>1.90</b>	<b>1.95</b>	<b>2.5</b>	<b>1.78</b>	<b>1.85</b>	<b>4.0</b>

Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply.

Jet/kerosene comprises jet kerosene and non-aviation kerosene grades. Gasoil comprises diesel, light heating oil and other gasoils.

US figures do not include territories.

\* In Japan, the breakdown between Diesel and Other Gasoil in the latest month is estimated using the same split between the two products as last year.

**Table 4**  
**WORLD OIL PRODUCTION**  
(million barrels per day)

	1996	1997	1998	3Q96	4Q96	1Q97	2Q97	3Q97	Apr97	May97	Jun97
<b>OPEC<sup>1</sup></b>											
Crude Oil											
Saudi Arabia	7.91			7.93	7.90	7.98	7.90		7.90	7.90	7.90
Iran	3.67			3.71	3.66	3.68	3.69		3.70	3.69	3.69
Iraq	0.58			0.55	0.65	1.11	1.05		1.27	1.32	0.55
UAE	2.23			2.22	2.27	2.29	2.23		2.30	2.12	2.27
Kuwait	1.81			1.80	1.81	1.84	1.80		1.80	1.79	1.80
Neutral Zone	0.48			0.48	0.52	0.53	0.51		0.54	0.50	0.48
Qatar	0.49			0.49	0.51	0.56	0.56		0.56	0.57	0.56
Nigeria	2.15			2.15	2.23	2.24	2.30		2.29	2.28	2.34
Libya	1.39			1.40	1.40	1.41	1.43		1.42	1.43	1.43
Algeria	0.82			0.83	0.84	0.85	0.85		0.85	0.85	0.84
Venezuela	2.97			3.01	3.03	3.09	3.16		3.15	3.17	3.18
Indonesia	1.39			1.38	1.40	1.36	1.38		1.38	1.40	1.36
<b>Total Crude Oil</b>	<b>25.87</b>			<b>25.93</b>	<b>26.23</b>	<b>26.93</b>	<b>26.84</b>		<b>27.15</b>	<b>26.98</b>	<b>26.39</b>
NGLs <sup>2</sup>	2.60	2.87	3.01	2.66	2.65	2.74	2.84	2.91	2.83	2.83	2.85
<b>TOTAL OPEC</b>	<b>28.47</b>			<b>28.59</b>	<b>28.88</b>	<b>29.67</b>	<b>29.68</b>		<b>29.98</b>	<b>29.81</b>	<b>29.23</b>
<b>NON-OPEC<sup>1,3</sup></b>											
<b>OECD</b>											
North America	11.05	11.19	11.45	11.02	11.23	11.16	11.02	11.16	10.95	11.03	11.08
United States	8.59	8.69	8.75	8.55	8.70	8.64	8.66	8.65	8.63	8.69	8.65
Canada	2.46	2.50	2.70	2.47	2.53	2.52	2.36	2.52	2.31	2.33	2.43
Europe	6.66	7.00	7.57	6.52	6.91	6.86	6.63	6.85	6.90	6.51	6.48
UK	2.81	2.97	3.31	2.68	3.00	2.94	2.65	2.98	2.77	2.55	2.62
Norway	3.23	3.38	3.55	3.23	3.27	3.29	3.36	3.22	3.48	3.34	3.25
Others	0.61	0.65	0.71	0.61	0.63	0.63	0.63	0.65	0.65	0.63	0.61
Pacific	0.67	0.79	0.88	0.69	0.66	0.67	0.79	0.86	0.71	0.81	0.84
Australia	0.60	0.70	0.78	0.62	0.58	0.58	0.69	0.77	0.62	0.71	0.73
Others	0.07	0.10	0.10	0.08	0.09	0.09	0.10	0.09	0.09	0.10	0.10
<b>Total OECD</b>	<b>18.38</b>	<b>18.98</b>	<b>19.91</b>	<b>18.23</b>	<b>18.80</b>	<b>18.69</b>	<b>18.43</b>	<b>18.87</b>	<b>18.55</b>	<b>18.35</b>	<b>18.40</b>
<b>Non-OECD</b>											
Former USSR	7.07	7.14	7.35	7.10	7.09	7.06	7.16	7.11	7.22	7.24	7.03
Russia	6.04	6.00	6.02	6.06	6.02	5.99	6.04	5.96	6.11	6.10	5.91
Others	1.03	1.15	1.33	1.04	1.07	1.08	1.12	1.15	1.11	1.14	1.12
Asia	5.23	5.38	5.47	5.19	5.27	5.32	5.41	5.38	5.37	5.43	5.42
China	3.12	3.22	3.25	3.10	3.15	3.21	3.26	3.19	3.23	3.28	3.27
Malaysia	0.73	0.75	0.77	0.73	0.75	0.75	0.75	0.75	0.75	0.75	0.74
India	0.73	0.74	0.76	0.71	0.71	0.73	0.75	0.77	0.74	0.75	0.75
Others	0.65	0.66	0.70	0.66	0.66	0.64	0.65	0.67	0.65	0.65	0.66
Europe	0.28	0.28	0.27	0.28	0.29	0.28	0.28	0.28	0.28	0.28	0.28
Latin America	6.54	6.96	7.53	6.51	6.60	6.73	6.84	7.04	6.77	6.84	6.89
Mexico	3.28	3.40	3.50	3.24	3.25	3.33	3.36	3.42	3.31	3.38	3.40
Brazil	1.06	1.21	1.48	1.04	1.11	1.15	1.18	1.20	1.18	1.18	1.19
Argentina	0.83	0.89	0.89	0.85	0.85	0.87	0.89	0.91	0.88	0.89	0.90
Colombia	0.64	0.70	0.86	0.64	0.65	0.64	0.65	0.73	0.65	0.65	0.65
Ecuador	0.39	0.40	0.43	0.38	0.38	0.37	0.39	0.41	0.39	0.38	0.39
Others	0.36	0.37	0.37	0.36	0.37	0.37	0.37	0.37	0.37	0.37	0.37
Middle East <sup>4</sup>	1.92	1.98	1.99	1.93	1.99	1.96	1.97	1.99	1.96	1.96	1.97
Oman	0.89	0.91	0.91	0.90	0.91	0.90	0.90	0.91	0.90	0.90	0.91
Syria	0.61	0.62	0.62	0.61	0.62	0.62	0.62	0.62	0.62	0.62	0.62
Yemen	0.37	0.41	0.42	0.37	0.40	0.40	0.40	0.41	0.39	0.40	0.40
Africa	2.72	2.91	3.07	2.76	2.81	2.83	2.88	2.92	2.84	2.88	2.91
Egypt	0.92	0.92	0.94	0.91	0.90	0.92	0.92	0.93	0.91	0.92	0.93
Angola	0.72	0.79	0.86	0.73	0.74	0.75	0.77	0.80	0.76	0.77	0.78
Gabon	0.36	0.37	0.36	0.37	0.37	0.37	0.37	0.37	0.37	0.37	0.37
Others	0.72	0.83	0.91	0.75	0.80	0.80	0.82	0.83	0.81	0.82	0.83
<b>Total Non-OECD</b>	<b>23.76</b>	<b>24.65</b>	<b>25.68</b>	<b>23.77</b>	<b>24.03</b>	<b>24.18</b>	<b>24.53</b>	<b>24.72</b>	<b>24.44</b>	<b>24.64</b>	<b>24.50</b>
Processing Gains <sup>5</sup>	1.52	1.57	1.64	1.50	1.55	1.57	1.56	1.56	1.56	1.56	1.56
<b>TOTAL NON-OPEC</b>	<b>43.66</b>	<b>45.20</b>	<b>47.23</b>	<b>43.50</b>	<b>44.37</b>	<b>44.45</b>	<b>44.51</b>	<b>45.15</b>	<b>44.54</b>	<b>44.54</b>	<b>44.45</b>
<b>TOTAL SUPPLY</b>	<b>72.13</b>			<b>72.09</b>	<b>73.26</b>	<b>74.12</b>	<b>74.19</b>		<b>74.53</b>	<b>74.35</b>	<b>73.69</b>

1 Gabon is identified separately as a non-OPEC producer country throughout the period covered by this table for the purposes of comparison.

2 Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Orimulsion, and non oil inputs to Saudi Arabian MTBE.

3 Comprises crude oil, condensates, NGLs and oil from non-conventional sources.

4 Includes small amounts of production from Israel, Jordan and Bahrain.

5 Net of volumetric gains and losses in refining (excludes net gain/loss in FSU, China and non-OECD Europe) and marine transportation losses.

p preliminary

f forecast

**Table 4A**  
**OIL SUPPLY IN OECD COUNTRIES<sup>1</sup>**  
(thousand barrels per day)

	May		June		2nd Quarter 97p		3rd Quarter 97f		1997f		1998f	
	Level	Change <sup>2</sup>	Level	Change	Level	Change	Level	Change	Level	Change	Level	Change
<b>United States</b>												
Alaska	1311	-25	1267	-44	1305	-60	1257	-48	1318	-79	1301	-18
California (inc. offshore)	952	45	950	-1	936	20	945	9	934	-13	918	-16
Texas	1469	-17	1463	-6	1473	-13	1446	-27	1456	-18	1359	-97
Offshore Gulf of Mexico	1223	49	1251	28	1216	71	1286	70	1248	157	1506	258
Other US Lower 48	1529	-11	1521	-8	1530	-6	1511	-19	1518	-38	1448	-70
NGLs <sup>3</sup>	1892	43	1869	-23	1870	-10	1891	21	1898	73	1910	12
Other Hydrocarbons	315	-25	331	16	329	21	310	-18	314	12	310	-3
<b>Total</b>	<b>8691</b>	<b>59</b>	<b>8652</b>	<b>-39</b>	<b>8659</b>	<b>23</b>	<b>8646</b>	<b>-12</b>	<b>8686</b>	<b>93</b>	<b>8751</b>	<b>66</b>
<b>Canada</b>												
Alberta Light & Medium	640	13	635	-5	634	-29	652	18	651	-27	632	-19
Alberta Heavy	280	36	275	-5	267	8	277	10	271	9	300	30
Alberta Bitumen	188	-19	193	5	196	-11	192	-4	198	35	230	32
Saskatchewan	357	8	364	7	357	-8	373	17	372	16	384	12
Other Conventional	93	-8	98	5	98	-2	94	-3	98	-31	182	83
NGLs	597	5	595	-2	595	-63	617	22	635	15	652	17
Syncrudes	179	-14	270	91	214	-60	312	98	279	-0	322	44
<b>Total</b>	<b>2334</b>	<b>20</b>	<b>2430</b>	<b>96</b>	<b>2359</b>	<b>-164</b>	<b>2517</b>	<b>158</b>	<b>2504</b>	<b>16</b>	<b>2703</b>	<b>199</b>
<b>United Kingdom<sup>4</sup></b>												
Brent Fields	375	-30	389	14	389	-80	444	54	447	-32	485	38
Forties Fields	784	-111	714	-70	798	-155	970	173	940	31	996	57
Ninian Fields	256	1	254	-2	255	-27	252	-3	266	-41	232	-34
Flotta Fields	161	-44	176	15	181	-30	220	39	214	-8	254	40
Other Offshore Fields	629	-24	756	127	679	47	727	48	721	192	932	210
NGLs	238	-11	216	-21	234	-46	261	26	272	16	290	18
<b>Total</b>	<b>2443</b>	<b>-220</b>	<b>2506</b>	<b>62</b>	<b>2536</b>	<b>-292</b>	<b>2874</b>	<b>337</b>	<b>2859</b>	<b>158</b>	<b>3188</b>	<b>329</b>
<b>Norway<sup>4</sup></b>												
Ekofisk/Ula Area	497	6	511	14	499	41	497	-2	490	-12	441	-49
Oseberg Area	916	-28	802	-114	888	-56	889	2	916	7	862	-54
Stattfjord-Gullfaks-Snorre	1285	-40	1214	-72	1275	83	1124	-150	1212	10	1218	6
Haltenbanken	334	-98	435	101	399	-8	443	43	469	112	621	152
Sleipner/Frigg	161	15	155	-6	154	4	136	-19	152	30	256	104
Plant Condensate (as NGLs)	7	0	9	1	8	1	9	1	8	1	7	-1
Lighter NGLs	137	2	130	-8	134	3	123	-11	135	1	145	10
<b>Total</b>	<b>3338</b>	<b>-141</b>	<b>3254</b>	<b>-84</b>	<b>3357</b>	<b>68</b>	<b>3221</b>	<b>-135</b>	<b>3383</b>	<b>149</b>	<b>3550</b>	<b>167</b>
<b>Other OECD Europe</b>												
Other North Sea	281	6	267	-13	274	-1	283	8	287	27	331	44
Onshore U.K.	106	-3	110	4	109	-4	111	2	111	4	122	11
Italy	113	-11	118	5	118	9	128	10	123	23	150	27
Turkey	65	0	65	0	65	-2	64	-1	65	-3	61	-4
Other	121	-11	117	-4	123	-6	121	-3	125	-15	125	1
NGLs	23	-4	18	-5	23	-10	24	1	27	2	23	-5
Non-Conventional Oils	23	-1	23	0	23	4	25	2	23	3	26	3
<b>Total</b>	<b>732</b>	<b>-25</b>	<b>718</b>	<b>-14</b>	<b>736</b>	<b>-11</b>	<b>755</b>	<b>19</b>	<b>761</b>	<b>41</b>	<b>839</b>	<b>78</b>
<b>Australia</b>												
Gippsland Basin	230	9	235	5	229	32	231	2	220	22	215	-5
Cooper/Eromanga	33	-2	33	0	34	1	34	0	33	-2	34	1
Carnarvon Basin	347	82	374	26	329	61	411	83	355	80	422	67
Bonaparte Basin	20	2	15	-5	18	1	18	0	17	-3	43	25
Other Fields	5	0	5	0	5	0	5	-0	5	-1	5	-0
NGLs	71	-1	72	1	72	11	67	-4	63	-1	61	-2
<b>Total</b>	<b>706</b>	<b>90</b>	<b>734</b>	<b>28</b>	<b>686</b>	<b>107</b>	<b>767</b>	<b>81</b>	<b>695</b>	<b>96</b>	<b>780</b>	<b>85</b>
<b>Other OECD Pacific</b>												
New Zealand	67	6	68	1	65	4	56	-10	62	19	65	3
Japan	11	1	11	0	11	0	11	0	11	0	11	0
NGLs	13	-1	14	1	14	-0	13	-0	14	2	13	-1
Synthetic Fuels	10	1	10	0	10	3	9	-1	9	1	11	2
<b>Total</b>	<b>101</b>	<b>7</b>	<b>103</b>	<b>2</b>	<b>99</b>	<b>6</b>	<b>89</b>	<b>-10</b>	<b>96</b>	<b>22</b>	<b>100</b>	<b>4</b>
<b>OECD</b>												
Crude Oil	14832	-198	14828	-4	14896	-114	15196	300	15293	448	16125	832
NGLs	2986	28	2935	-51	2960	-116	3017	57	3065	110	3115	50
Non-Conventional Oils	527	-39	634	107	575	-32	656	81	625	16	670	45
<b>Total</b>	<b>18345</b>	<b>-209</b>	<b>18397</b>	<b>52</b>	<b>18431</b>	<b>-262</b>	<b>18869</b>	<b>437</b>	<b>18983</b>	<b>574</b>	<b>19910</b>	<b>927</b>

<sup>1</sup> Subcategories refer to crude oil only unless otherwise noted.

<sup>2</sup> All changes are period to period not year-on-year.

<sup>3</sup> To the extent possible, condensates derived from natural gas processing plants are included with NGLs, whereas field condensates are counted as crude oil.

<sup>4</sup> North Sea production is grouped by area including all fields being processed through the named facility, i.e. not just the field of that name.

**Table 5**  
**OECD INDUSTRY STOCKS<sup>1</sup> AND QUARTERLY STOCK CHANGES**

	RECENT MONTHLY STOCKS <sup>2</sup>					PRIOR YEARS' STOCKS <sup>2</sup>			STOCK CHANGES <sup>3</sup>			
	in Million Barrels					in Million Barrels			in mb/d			
	Jan97	Feb97	Mar97*	Apr97*	May97*	May94	May95	May96	Q296	Q396	Q496	Q197
<b>North America</b>												
Crude	365	361	381	387	395	396	403	373	0.13	-0.07	-0.25	0.36
Gasoline	227	223	220	219	226	237	231	224	-0.04	-0.06	-0.06	0.07
Middle Distillate	180	173	170	163	176	180	184	157	0.19	0.23	0.14	-0.34
Residual Fuel Oil	50	48	49	49	47	49	47	43	0.04	0.02	0.07	-0.04
Total Products <sup>3</sup>	584	567	572	571	598	626	623	565	0.43	0.29	-0.09	-0.34
Total <sup>4</sup>	1088	1066	1100	1106	1141	1176	1186	1086	0.72	0.27	-0.49	0.09
<b>Europe</b>												
Crude	328	317	324	316	312	313	310	326	0.13	-0.06	0.01	0.09
Gasoline	131	131	134	127	122	132	125	123	-0.10	-0.05	0.01	0.11
Middle Distillate	219	228	230	210	216	219	212	209	0.19	-0.03	0.15	0.10
Residual Fuel Oil	98	94	91	87	86	92	94	89	0.06	0.04	-0.01	-0.03
Total Products <sup>3</sup>	533	536	535	504	504	524	513	505	0.11	-0.07	0.22	0.12
Total <sup>4</sup>	925	919	922	885	885	896	882	891	0.32	-0.14	0.31	0.19
<b>Pacific</b>												
Crude	159	154	160	161	167	158	159	167	0.01	-0.17	0.10	-0.03
Gasoline	22	22	24	24	23	21	24	23	-0.02	0.01	-0.01	0.04
Middle Distillate	63	57	55	61	61	55	57	50	0.10	0.26	-0.08	-0.12
Residual Fuel Oil	15	16	16	16	17	15	17	15	0.01	0.00	-0.01	0.02
Total Products <sup>3</sup>	155	148	151	160	157	146	150	146	0.14	0.33	-0.18	-0.07
Total <sup>4</sup>	400	386	396	411	414	387	398	391	0.17	0.30	-0.23	-0.02
<b>Total</b>												
Crude	852	832	864	864	875	867	872	866	0.27	-0.30	-0.15	0.42
Gasoline	380	376	378	370	371	390	379	370	-0.15	-0.10	-0.05	0.22
Middle Distillate	463	459	455	433	452	454	453	416	0.48	0.45	0.20	-0.36
Residual Fuel Oil	163	158	156	152	150	156	157	147	0.11	0.07	0.05	-0.05
Total Products <sup>3</sup>	1273	1251	1257	1236	1259	1296	1287	1215	0.68	0.54	-0.06	-0.28
Total <sup>4</sup>	2414	2370	2418	2402	2440	2459	2465	2368	1.21	0.43	-0.40	0.25

**OECD GOVERNMENT-CONTROLLED STOCKS<sup>5</sup> AND QUARTERLY STOCK CHANGES**

	RECENT MONTHLY STOCKS <sup>2</sup>					PRIOR YEARS' STOCKS <sup>2</sup>			STOCK CHANGES <sup>3</sup>			
	in Million Barrels					in Million Barrels			in mb/d			
	Jan97	Feb97	Mar97*	Apr97*	May97*	May94	May95	May96	Q296	Q396	Q496	Q197
<b>North America</b>												
Crude	563	563	563	563	563	591	592	586	-0.05	-0.12	-0.09	-0.03
<b>Europe</b>												
Crude	132	132	132	132	132	134	134	134	-0.01	0.01	-0.02	0.00
Products	187	188	190	190	190	186	185	185	-0.02	0.01	0.02	0.03
<b>Pacific</b>												
Crude	305	306	307	307	307	265	284	299	0.00	0.00	0.03	0.05
<b>Total</b>												
Crude	1001	1002	1003	1003	1003	990	1009	1019	-0.06	-0.11	-0.07	0.02
Products	187	188	190	190	190	186	185	185	-0.02	0.01	0.02	0.03
Total <sup>4</sup>	1188	1190	1193	1193	1193	1176	1194	1204	-0.08	-0.10	-0.05	0.05

\* Estimated

1 Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known).

They include stocks held by industry to meet IEA, EU and national emergency reserve commitments and are subject to government control in emergencies.

2 Closing Stock levels.

3 Total products includes gasoline, middle distillates, fuel oil and other products.

4 Total includes NGLs, refinery feedstocks, additives/oxygenates and other hydrocarbons.

5 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.

**Table 6**  
**INDUSTRY STOCKS<sup>1</sup> ON LAND IN SELECTED COUNTRIES**

(million barrels)

	December			January			February			March			April		
	1995	1996	%	1996	1997	%	1996	1997	%	1996	1997	%	1996	1997	%
<b>United States</b>															
Crude	303.3	284.7	-6.2	303.0	302.4	-0.2	301.5	297.7	-1.2	299.6	314.1	4.8	303.0	320.4	5.7
Motor Gasoline	202.3	195.5	-3.4	212.2	208.5	-1.8	213.3	203.5	-4.6	203.2	199.7	-1.7	203.0	197.5	-2.7
Middle Distillate	176.9	173.6	-1.8	158.7	153.3	-3.4	136.7	148.4	8.6	126.9	145.8	14.9	128.4	140.1	9.1
Residual Fuel Oil	37.2	45.7	22.9	35.5	41.9	17.8	31.5	39.9	26.7	31.7	41.3	30.5	33.7	40.6	20.4
Other Products	128.4	119.6	-6.8	116.2	110.2	-5.2	108.4	104.8	-3.3	108.8	114.1	4.9	116.1	123.3	6.2
Total Products	544.8	534.4	-1.9	522.7	513.8	-1.7	489.9	496.7	1.4	470.6	501.0	6.5	481.1	501.5	4.2
Other <sup>2</sup>	123.1	124.6	1.2	123.9	123.0	-0.8	116.9	124.2	6.3	122.6	133.8	9.1	130.6	133.5	2.2
<b>Total</b>	<b>971.2</b>	<b>943.7</b>	<b>-2.8</b>	<b>949.6</b>	<b>939.2</b>	<b>-1.1</b>	<b>908.3</b>	<b>918.6</b>	<b>1.1</b>	<b>892.8</b>	<b>948.9</b>	<b>6.3</b>	<b>914.7</b>	<b>955.4</b>	<b>4.4</b>
<b>Japan</b>															
Crude	147.5	148.8	0.9	147.3	142.4	-3.3	138.2	139.5	0.9	152.3	144.6	-5.1	140.0	145.4	3.9
Motor Gasoline	12.5	11.9	-5.2	13.8	13.1	-5.0	14.2	13.5	-4.7	14.0	14.7	5.5	13.7	15.3	11.4
Middle Distillate	43.3	55.8	28.8	41.7	51.7	24.2	35.1	45.9	31.0	33.4	44.3	32.8	37.0	49.8	34.6
Residual Fuel Oil	11.5	11.9	3.5	13.4	12.6	-5.8	12.7	13.5	6.0	12.1	13.6	12.1	13.0	14.0	7.5
Other Products	49.1	47.8	-2.6	51.2	47.2	-7.9	44.4	46.3	4.4	45.7	47.2	3.3	46.3	50.8	9.7
Total Products	116.4	127.3	9.4	120.0	124.6	3.8	106.4	119.3	12.1	105.2	119.9	14.0	110.0	129.8	18.0
Other <sup>2</sup>	67.9	72.4	6.6	71.8	77.8	8.3	71.0	77.4	9.0	69.7	78.3	12.3	72.2	83.3	15.3
<b>Total</b>	<b>331.8</b>	<b>348.6</b>	<b>5.0</b>	<b>339.1</b>	<b>344.7</b>	<b>1.7</b>	<b>315.6</b>	<b>336.1</b>	<b>6.5</b>	<b>327.2</b>	<b>342.8</b>	<b>4.8</b>	<b>322.1</b>	<b>358.4</b>	<b>11.3</b>
<b>Germany</b>															
Crude	23.2	23.6	1.5	20.8	25.5	22.7	20.1	23.4	16.6	22.2	22.9	3.1	21.2	21.6	2.2
Motor Gasoline	15.8	10.8	-31.6	13.0	11.0	-14.8	12.4	13.2	6.3	11.8	14.3	21.8	9.6	13.5	40.2
Middle Distillate	24.7	16.8	-31.9	15.9	18.4	16.1	15.2	21.6	42.0	12.3	23.4	90.5	17.8	15.9	-10.6
Residual Fuel Oil	10.9	9.7	-10.5	9.8	10.7	8.7	9.4	9.5	0.9	8.2	9.0	9.8	8.4	8.5	0.9
Other Products	12.2	11.9	-2.3	12.6	11.8	-6.4	12.1	11.9	-1.1	11.9	11.5	-3.5	11.6	11.1	-4.9
Total Products	63.6	49.3	-22.5	51.3	52.0	1.3	49.1	56.3	14.5	44.2	58.2	31.8	47.5	48.9	3.1
Other <sup>2</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>86.8</b>	<b>72.8</b>	<b>-16.1</b>	<b>72.1</b>	<b>77.5</b>	<b>7.5</b>	<b>69.2</b>	<b>79.7</b>	<b>15.1</b>	<b>66.4</b>	<b>81.1</b>	<b>22.2</b>	<b>68.6</b>	<b>70.6</b>	<b>2.8</b>
<b>Italy</b>															
Crude	41.0	31.9	-22.1	33.0	35.4	7.2	34.4	33.9	-1.4	34.1	38.0	11.5	35.2	35.4	0.4
Motor Gasoline	21.3	19.5	-8.4	22.8	20.3	-11.1	22.7	19.8	-12.8	23.7	21.5	-9.1	21.1	19.0	-10.1
Middle Distillate	34.9	33.1	-5.0	36.0	36.2	0.7	33.1	35.9	8.4	34.0	37.0	8.8	35.3	33.4	-5.4
Residual Fuel Oil	22.6	24.0	6.5	23.1	25.0	8.1	24.4	23.5	-3.7	22.6	23.7	4.9	20.0	21.6	7.9
Other Products	9.3	9.0	-2.8	10.3	8.5	-16.6	9.3	8.4	-9.7	9.8	7.4	-25.1	8.9	7.9	-10.9
Total Products	88.0	85.7	-2.6	92.2	90.0	-2.3	89.5	87.6	-2.1	90.0	89.5	-0.6	85.3	81.9	-4.0
Other <sup>2</sup>	6.6	11.8	78.1	5.4	9.8	80.8	7.2	11.2	55.8	5.8	9.9	71.9	5.8	10.9	88.0
<b>Total</b>	<b>135.6</b>	<b>129.4</b>	<b>-4.6</b>	<b>130.6</b>	<b>135.2</b>	<b>3.6</b>	<b>131.1</b>	<b>132.8</b>	<b>1.2</b>	<b>129.8</b>	<b>137.3</b>	<b>5.8</b>	<b>126.3</b>	<b>128.2</b>	<b>1.4</b>
<b>France</b>															
Crude	38.2	39.7	4.1	34.9	38.0	9.1	37.0	39.5	6.7	38.6	39.9	3.6	45.5	42.8	-5.8
Motor Gasoline	19.0	19.0	0.0	20.2	21.3	5.7	23.4	20.9	-10.5	22.3	19.6	-12.0	20.5	17.5	-14.7
Middle Distillate	39.5	35.5	-10.3	37.0	32.6	-11.7	35.2	35.0	-0.6	34.7	36.0	3.6	36.5	34.6	-5.0
Residual Fuel Oil	7.9	7.1	-10.5	8.0	7.2	-10.0	7.8	7.8	-0.1	7.7	8.1	5.8	8.4	7.6	-9.6
Other Products	9.7	9.6	-1.2	9.2	8.5	-7.0	8.1	8.8	8.7	8.6	8.9	2.9	9.2	8.3	-9.1
Total Products	76.2	71.2	-6.6	74.3	69.7	-6.2	74.5	72.6	-2.6	73.4	72.6	-1.0	74.5	68.0	-8.7
Other <sup>2</sup>	12.9	13.2	2.1	13.6	14.2	4.5	13.0	12.6	-3.6	12.4	12.5	0.3	12.2	12.7	4.5
<b>Total</b>	<b>127.3</b>	<b>124.1</b>	<b>-2.5</b>	<b>122.8</b>	<b>121.9</b>	<b>-0.7</b>	<b>124.6</b>	<b>124.6</b>	<b>0.0</b>	<b>124.4</b>	<b>125.0</b>	<b>0.5</b>	<b>132.2</b>	<b>123.6</b>	<b>-6.5</b>
<b>United Kingdom</b>															
Crude	30.2	32.9	9.0	31.7	34.6	9.1	32.2	31.3	-2.9	35.8	34.2	-4.4	35.4	34.9	-1.5
Motor Gasoline	16.9	16.9	-0.5	17.7	17.7	0.0	16.2	16.5	1.9	15.4	16.1	4.5	15.1	15.0	-1.1
Middle Distillate	18.8	20.8	10.6	17.8	17.5	-1.7	15.9	18.7	17.9	16.9	20.2	18.9	18.1	20.0	10.5
Residual Fuel Oil	7.2	7.0	-3.6	7.4	6.9	-6.9	6.4	6.7	3.8	6.8	7.1	5.1	7.4	7.0	-6.4
Other Products	13.1	11.4	-12.8	12.4	11.1	-10.6	12.1	11.6	-4.0	11.9	11.1	-6.9	11.9	11.5	-3.2
Total Products	56.1	56.0	-0.1	55.3	53.2	-3.9	50.5	53.5	5.8	51.1	54.5	6.7	52.5	53.4	1.7
Other <sup>2</sup>	14.9	14.9	-0.3	15.8	15.6	-1.4	16.0	15.6	-2.6	15.1	15.4	2.3	17.0	15.0	-12.0
<b>Total</b>	<b>101.1</b>	<b>103.8</b>	<b>2.6</b>	<b>102.8</b>	<b>103.4</b>	<b>0.5</b>	<b>98.8</b>	<b>100.4</b>	<b>1.6</b>	<b>101.9</b>	<b>104.1</b>	<b>2.2</b>	<b>104.9</b>	<b>103.3</b>	<b>-1.6</b>
<b>Canada</b>															
Crude	56.0	54.5	-2.6	53.7	54.4	1.4	54.4	55.1	1.3	57.8	57.9	0.2	60.3	58.0	-3.9
Motor Gasoline	18.6	16.5	-11.5	20.6	17.1	-17.1	21.6	17.7	-18.1	22.6	19.0	-15.9	20.9	19.6	-6.1
Middle Distillate	21.4	23.1	7.9	21.2	23.6	11.4	19.6	21.4	9.1	19.3	20.7	7.2	18.6	19.2	3.2
Residual Fuel Oil	4.4	3.0	-31.1	4.3	3.8	-12.0	4.2	3.6	-13.5	4.9	3.5	-29.0	5.1	4.2	-18.5
Other Products	17.6	14.4	-18.2	15.4	15.6	1.2	15.6	16.7	7.3	16.9	17.2	1.7	15.9	16.6	4.6
Total Products	62.1	57.1	-8.1	61.5	60.1	-2.3	61.0	59.5	-2.5	63.7	60.4	-5.2	60.4	59.6	-1.4
Other <sup>2</sup>	14.3	13.3	-6.5	11.8	11.0	-6.6	9.7	8.9	-8.2	10.2	9.2	-9.8	11.0	9.2	-15.7
<b>Total</b>	<b>132.3</b>	<b>124.9</b>	<b>-5.6</b>	<b>127.0</b>	<b>125.5</b>	<b>-1.2</b>	<b>125.1</b>	<b>123.5</b>	<b>-1.3</b>	<b>131.7</b>	<b>127.5</b>	<b>-3.2</b>	<b>131.7</b>	<b>126.8</b>	<b>-3.7</b>

1 Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known). They include stocks held by industry to meet IEA, EU and national emergency reserve commitments and are subject to government control in emergencies.

2 Other includes NGLs, refinery feedstocks, additives/oxygenates and other hydrocarbons.

**Table 7**  
**TOTAL STOCKS ON LAND IN OECD COUNTRIES**

(‘millions of barrels’ and ‘days’)

	End March 1996		End June 1996		End September 1996		End December 1996		End March 1997 <sup>3</sup>	
	Stock <sup>1</sup> Level	Days Fwd <sup>2</sup> Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
Canada	131.7	73	128.4	68	133.9	69	124.9	64	127.5	-
United States	1481.9	83	1545.5	85	1553.7	83	1509.5	83	1512.3	-
<b>NORTH AMERICA</b>	<b>1637.3</b>	<b>82</b>	<b>1697.7</b>	<b>84</b>	<b>1711.3</b>	<b>82</b>	<b>1658.2</b>	<b>81</b>	<b>1663.5</b>	<b>81</b>
Australia	39.5	48	41.1	53	43.2	53	40.9	51	44.1	-
Japan	626.5	120	640.2	119	664.5	111	651.1	102	649.7	-
New Zealand	8.6	71	9.0	73	10.6	81	8.4	60	9.0	-
<b>PACIFIC</b>	<b>674.6</b>	<b>110</b>	<b>690.3</b>	<b>110</b>	<b>718.4</b>	<b>103</b>	<b>700.4</b>	<b>96</b>	<b>702.7</b>	<b>114</b>
Austria	15.7	74	17.9	73	17.2	73	17.9	67	17.4	-
Belgium	24.9	49	26.9	48	27.4	48	29.3	46	28.1	-
Denmark	19.4	84	19.2	87	19.1	77	19.2	80	20.2	-
Finland	24.0	143	22.7	125	23.8	111	26.8	136	24.4	-
France	152.9	83	156.2	82	147.6	75	154.4	76	156.5	-
Germany	299.1	106	298.6	98	297.0	103	303.0	109	312.4	-
Greece	20.3	58	20.9	58	19.7	52	21.8	57	23.4	-
Ireland	6.2	51	7.2	58	8.2	63	8.6	63	7.8	-
Italy	135.7	76	140.1	75	144.3	73	134.9	72	142.8	-
Luxembourg	0.7	19	0.8	23	0.8	20	0.8	20	1.0	-
Netherlands	97.1	124	105.2	138	97.4	126	106.3	136	108.2	-
Norway	52.6	249	54.8	248	57.7	252	59.7	271	53.5	-
Portugal	19.3	72	18.2	60	18.8	67	18.2	65	20.9	-
Spain	89.7	78	95.4	80	94.1	77	94.4	79	94.5	-
Sweden	32.2	92	31.3	85	29.7	67	32.5	83	33.0	-
Switzerland	44.4	172	45.1	156	44.5	153	45.4	169	45.4	-
Turkey	46.7	79	47.8	70	48.9	73	50.1	83	50.8	-
United Kingdom	101.9	56	100.7	55	101.7	53	103.8	56	104.1	-
<b>EUROPE<sup>5</sup></b>	<b>1182.8</b>	<b>88</b>	<b>1209.0</b>	<b>85</b>	<b>1197.8</b>	<b>83</b>	<b>1226.9</b>	<b>87</b>	<b>1244.4</b>	<b>90</b>
<b>Total</b>	<b>3494.7</b>	<b>88</b>	<b>3597.0</b>	<b>89</b>	<b>3627.5</b>	<b>86</b>	<b>3585.5</b>	<b>86</b>	<b>3610.7</b>	<b>89</b>
<b>DAYS OF IEA NET IMPORTS<sup>6</sup></b>	<b>-</b>	<b>123</b>	<b>-</b>	<b>127</b>	<b>-</b>	<b>127</b>	<b>-</b>	<b>123</b>	<b>-</b>	<b>124</b>

1 Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known).

They include stocks held by industry to meet IEA, EU and national emergency reserves commitments and are subject to government control in emergencies.

2 Note that days of forward demand represent the stock level divided by the forward quarter average daily demand and is very different from the days of net imports used in the IEA's Emergency Sharing System.

3 End March 1997 stock level based on preliminary data.

4 End March 1997 forward demand figures are IEA Secretariat forecasts.

5 Data not available for Iceland.

6 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions. Net exporting IEA countries are excluded.

### TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government <sup>1</sup> controlled Millions of Barrels		Industry	Total	Government <sup>1</sup> controlled Days of Fwd. Demand <sup>2</sup>	
Q194	3534	1175	2359	2359	91	30	61
Q294	3655	1177	2478	2478	92	30	62
Q394	3750	1180	2570	2570	92	29	63
Q494	3720	1190	2530	2530	90	29	62
Q195	3608	1198	2410	2410	92	31	61
Q295	3676	1192	2484	2484	92	30	62
Q395	3722	1202	2520	2520	90	29	61
Q495	3614	1191	2423	2423	86	28	57
Q196	3495	1210	2285	2285	88	31	58
Q296	3597	1203	2394	2394	89	30	59
Q396	3627	1194	2434	2434	86	28	58
Q496	3585	1189	2397	2397	86	28	57
Q197	3611	1193	2418	2418	89	29	60

1 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.

2 Days of forward demand calculated using actual demand except in March 1997 (when latest forecasts are used).

**Table 8**  
**AVERAGE IEA CIF CRUDE COST AND SPOT CRUDE AND PRODUCT PRICES**  
(\$/bbl)

	1994	1995	1996	2Q96	3Q96	4Q96	1Q97	2Q97	Jan97	Feb97	Mar97	Apr97	May97	Jun97
<b>Crude Oil Prices</b>														
IEA CIF Average Import	15.65	17.19	20.52	19.78	20.45	23.19	21.57	18.28*	23.47	21.62	19.54	18.00*	18.65*	18.20*
FOB Spot														
Brent (Dated)	15.80	17.02	20.65	19.51	20.96	23.58	21.10	18.06	23.40	20.81	19.10	17.46	19.14	17.58
WTI (1st month)	17.19	18.41	22.15	21.80	22.43	24.75	22.75	20.00	25.06	22.17	21.03	19.74	20.99	19.28
Urals (Del. Med.)	15.23	16.62	20.06	18.66	20.10	22.96	20.12	16.90	22.54	19.92	17.92	16.26	17.95	16.48
Dubai (1st month)	14.75	16.10	18.54	17.26	18.96	21.51	19.37	17.52	21.31	18.64	18.17	16.64	18.65	17.28
OPEC Basket	15.53	16.88	20.23	19.18	20.30	23.01	20.79	17.81*	23.19	20.49	18.69	17.46	18.75	17.21*
<b>Product Prices<sup>1</sup></b>														
Rotterdam, Barges FOB														
Premium 0.15 g/l	20.18	21.25	24.62	25.52	24.83	26.93	25.92	24.15	26.66	25.46	25.64	23.85	24.92	23.69
Regular Unleaded	18.65	19.75	22.99	23.86	23.31	25.02	24.18	22.28	24.86	23.90	23.78	22.03	22.93	21.87
Naphtha	17.30	18.15	21.70	20.85	21.90	25.01	23.57	19.99	25.00	24.07	21.63	19.92	20.08	19.97
Jet/Kerosene	20.95	21.60	27.05	23.78	27.48	31.88	26.93	23.37	31.09	25.94	23.75	23.17	24.21	22.73
Gasoil	19.80	20.47	25.91	23.16	26.41	30.08	25.45	22.41	29.46	24.39	22.51	22.07	23.24	21.93
Fuel Oil 1.0%S	14.00	15.76	17.52	16.90	16.35	19.62	16.21	14.08	18.19	15.77	14.67	13.75	13.90	14.61
Fuel Oil 3.5%S	13.01	14.82	16.30	15.41	15.57	18.56	15.03	13.20	16.61	14.74	13.75	13.17	13.07	13.35
Gross Product Worth <sup>2</sup>	18.34	19.28	23.34	22.21	23.46	26.57	23.33	20.87	25.68	22.68	21.62	20.70	21.51	20.40
Brent Cracking Margin	1.49	1.15	1.51	1.51	1.41	1.84	0.99	1.63	1.08	0.71	1.17	2.11	1.17	1.60
Mediterranean - Basis Italy, Cargoes FOB														
Premium 0.15 g/l	20.23	20.99	24.56	25.86	24.80	26.49	25.51	23.93	25.70	25.33	25.49	23.69	24.98	23.11
Naphtha	15.71	16.35	19.81	18.91	20.13	23.14	21.96	18.74	23.30	22.42	20.15	18.75	18.83	18.65
Jet/Kerosene	19.26	19.94	25.39	22.38	26.00	29.70	24.70	20.99	28.91	23.51	21.69	21.24	21.52	20.21
Gasoil	18.71	19.39	24.64	22.42	25.06	28.81	23.73	21.07	27.56	22.35	21.29	21.35	21.86	20.01
Fuel Oil 1.0%S	13.93	15.48	18.10	17.33	18.02	19.72	15.91	14.45	17.19	15.34	15.19	14.02	14.37	14.96
Fuel Oil 3.5%S	11.98	13.95	18.00	13.70	25.65	17.51	14.03	12.35	16.23	13.93	11.93	12.61	12.30	12.13
Gross Product Worth <sup>3</sup>	17.46	18.39	22.17	21.24	22.23	25.19	21.87	19.64	24.06	21.24	20.31	19.70	20.21	19.02
Urals Cracking Margin	1.89	1.44	1.80	2.26	1.81	1.93	1.43	2.42	1.22	1.00	2.07	3.11	1.93	2.21
NY Harbour, Barges														
Premium Unleaded 93	23.65	24.81	27.77	28.17	28.00	30.59	28.19	26.56	29.33	27.67	27.57	25.23	28.32	26.13
Regular Unleaded 87	20.54	22.57	25.81	26.34	25.88	28.37	26.77	24.31	28.31	26.27	25.74	23.79	26.04	23.10
Jet/Kerosene	22.20	21.76	27.57	26.01	27.13	30.86	27.21	23.73	30.31	26.95	24.36	24.42	24.06	22.72
No.2 (Heating Oil)	20.68	20.72	26.35	24.45	25.69	30.06	25.93	23.17	29.26	25.56	22.98	24.02	23.56	21.93
Fuel Oil 1.0%S (Cargo)	15.05	16.06	19.21	18.23	17.93	21.34	17.10	15.72	18.42	16.99	15.87	14.89	16.05	16.22
Fuel Oil 3.0%S (Cargo)	12.25	14.47	16.03	15.17	15.49	18.52	14.83	14.43	16.01	15.07	13.42	14.07	14.77	14.44
Gross Product Worth <sup>4</sup>	19.54	20.33	23.06	23.89	23.93	26.57	24.62	22.87	26.48	24.02	23.35	22.71	23.66	22.23
WTI Cracking Margin	1.24	0.82	0.75	0.99	0.41	0.72	0.77	1.76	0.32	0.76	1.23	1.87	1.57	1.86
Singapore, Cargoes														
Gasoline <sup>5</sup>	21.10	22.11	23.58	25.01	22.32	25.38	27.34	24.38	26.04	27.35	28.62	25.15	24.21	23.77
Naphtha	16.34	17.54	20.22	19.53	20.22	23.62	24.36	21.21	24.57	24.60	23.90	21.45	21.46	20.73
Jet/Kerosene	21.74	22.72	28.36	25.32	27.75	31.70	28.97	24.48	30.86	28.69	27.36	25.04	24.71	23.67
Gasoil	20.87	21.60	27.07	25.47	25.86	31.07	26.90	24.98	27.97	25.25	27.48	26.85	25.21	22.87
LSWR (0.3%) <sup>7</sup>	13.58	14.74	18.04	17.86	17.57	20.54	19.61	15.19	21.86	19.40	17.58	15.54	15.08	14.95
HSFO (3.5%S 180cst)	13.17	14.98	16.83	15.63	15.89	18.67	15.91	15.57	16.72	15.43	15.58	15.35	15.79	15.56
HSFO (3.5%S 380cst)	12.37	14.30	15.90	14.64	15.21	17.85	14.89	14.55	15.72	14.40	14.55	14.32	14.72	14.60
Gross Product Worth <sup>6</sup>	18.76	19.74	23.06	22.39	22.03	25.88	24.12	22.11	24.46	23.39	24.51	23.03	22.23	21.06
Dubai Cracking Margin	2.97	2.35	3.10	3.79	1.58	2.96	3.34	3.12	1.71	3.42	4.91	5.08	2.07	2.21

\* = Estimated.

1 Product prices are mean values and are converted to \$/bbl using following conversion factors.

Rotterdam: 8.35 bbl/MT for premium leaded gasoline, 8.46 bbl/MT for regular unleaded gasoline, 8.82 bbl/MT for naphtha, 7.88 bbl/MT for jet fuel, 7.46 bbl/MT for gasoil, 6.49 bbl/MT for 1.0%S LSFO and 6.31 bbl/MT for 3.5%S HSFO.

Singapore: 6.46 bbl/MT for 3.5%S HSFO.

2 Calculated using Brent cracking yield of a typical refinery in Rotterdam.

3 Calculated using Urals cracking yield of a typical refinery in the Mediterranean.

4 Calculated using WTI cracking yield of a typical refinery in US Gulf Coast.

5 Changed from regular 0.15 g/l to unleaded 95 as of 2 February 1995.

6 Calculated using Dubai cracking yield of a typical refinery in Singapore.

7 As from 1 April 1996 mixed/cracked LSWR fob Indonesia.

**Table 9**  
**END USER PRICES FOR PETROLEUM PRODUCTS<sup>1</sup>**  
**June 1997**

	National Currency						US Dollars					
	Price	Tax	% ch Prev. Month Price	Excl. Tax	% ch Year Ago Price	Excl. Tax	Price	Excl. Tax	% ch Prev. Month Price	Excl. Tax	% ch Year Ago Price	Excl. Tax
<b>GASOLINE<sup>2</sup> Price per Litre</b>												
France	6.400	5.151	0.0	0.0	2.9	6.8	1.098	0.215	-1.3	-1.3	-8.6	-5.1
Germany	1.579	1.186	-1.7	-5.8	0.7	2.6	0.915	0.228	-2.8	-6.8	-10.9	-9.2
Italy	1911	1417	0.2	0.5	1.5	5.0	1.127	0.292	-0.5	-0.1	-7.7	-4.5
Spain	119.2	81.2	-0.1	-0.2	2.0	5.6	0.817	0.260	-1.4	-1.5	-10.0	-6.8
UK	0.649	0.513	0.5	2.3	10.4	24.8	1.069	0.224	1.5	3.3	17.8	33.2
Japan	105	57	0.0	0.0	0.0	0.0	0.919	0.420	4.5	4.5	-4.8	-4.8
Canada	0.570	0.289	0.4	0.4	-3.4	-7.3	0.413	0.204	0.4	0.4	-4.4	-8.3
USA <sup>3</sup>	0.344	0.101	1.5	2.1	0.3	0.4	0.344	0.243	1.5	2.1	0.3	0.4
<b>AUTOMOTIVE DIESEL<sup>4</sup> Price per Litre</b>												
France	3.621	2.351	-0.5	-1.6	4.6	8.5	0.621	0.218	-1.9	-2.9	-7.1	-3.6
Germany	1.036	0.620	-2.1	-5.0	1.0	2.5	0.601	0.241	-3.2	-6.1	-10.6	-9.3
Italy	1200.84	747.47	-0.1	-0.2	3.1	8.7	0.708	0.267	-0.7	-0.8	-6.2	-1.1
Spain	79.01	43.20	-0.4	-0.9	5.5	13.0	0.542	0.245	-1.7	-2.2	-6.8	-0.2
UK	0.512	0.369	0.0	0.7	10.1	18.0	0.843	0.237	1.0	1.7	17.5	26.0
Japan	81	34	0.0	0.0	5.3	9.5	0.712	0.413	4.5	4.5	0.2	4.2
Canada	0.551	0.222	-0.5	-1.5	4.8	5.1	0.399	0.238	-0.5	-1.5	3.6	4.0
USA	..	..	..	..	..	..	..	..	..	..	..	..
<b>DOMESTIC HEATING OIL Price per 1000 Litres</b>												
France	2200.0	890.6	-3.2	-4.4	5.8	7.4	377.6	224.8	-4.5	-5.6	-6.0	-4.6
Germany	492.3	144.2	2.8	3.4	13.9	17.6	285.4	201.8	1.6	2.3	0.8	4.1
Italy	1385000	968600	-0.4	-1.2	3.5	10.5	817.1	245.7	-1.1	-1.8	-5.8	0.5
Spain	46730	19046	-1.9	-2.8	10.5	16.1	320.3	189.7	-3.2	-4.1	-2.4	2.5
UK	154.60	36.45	0.2	0.2	2.0	1.0	254.7	194.6	1.2	1.2	8.9	7.8
Japan <sup>5</sup>	49234	1434	0.0	0.0	9.4	9.4	430.4	417.8	4.5	4.5	4.1	4.1
Canada	..	..	..	..	..	..	..	..	..	..	..	..
USA <sup>6</sup>	272.4	..	-1.4	..	-0.7	..	272.4	..	-1.4	..	-0.7	..
<b>HFO FOR INDUSTRY<sup>4,7</sup> Price per Metric Ton</b>												
France	711.0	159.9	1.7	2.2	6.8	8.2	122.0	94.6	0.37	0.9	-5.2	-3.9
Germany	221.0	30.0	6.7	7.8	8.1	9.5	128.1	110.7	5.54	6.7	-4.3	-3.1
Italy	265000	45000	2.3	2.8	-0.4	-0.5	156.3	129.8	1.65	2.1	-9.4	-9.4
Spain	20882	2150	0.8	0.9	10.0	11.2	143.1	128.4	-0.51	-0.4	-2.9	-1.8
UK	82.19	19.52	-1.2	-1.5	-4.2	-7.3	135.4	103.2	-0.20	-0.6	2.3	-1.0
Japan	21359	622	5.3	5.3	9.4	9.4	186.7	181.3	10.04	10.0	4.2	4.2
Canada	..	..	..	..	..	..	..	..	..	..	..	..
USA	..	..	..	..	..	..	..	..	..	..	..	..

1 Mid-Month Prices

2 Premium leaded gasoline for France, Italy, Spain, UK; regular unleaded gasoline for Canada, Germany, Japan and USA

3 Estimated

4 VAT excluded where it is refundable: HFO for Industry, Automotive Diesel for Industry

5 Kerosene

6 Previous month data

7 High sulphur fuel oil price for France, Spain, UK and Japan; low sulphur fuel oil price for Germany and Italy

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## Users' Guide to the IEA Oil Market Report

Readers are referred to the Users' Guide, that was published in conjunction with the Annual Statistical Supplement on 6 September 1996, for information on the data sources, definitions, technical terms and general approach used in preparing the Report. It should be noted that the spot crude and product price assessments are based on daily Platt's prices, converted when appropriate to \$US per barrel according to the Platt's specification of products (© 1996 Platt's a division of McGraw-Hill Inc.).

Pending submission of the detailed historical data needed to incorporate them into the OECD, the following OECD countries continue to be shown in the relevant non-OECD regions: the Czech Republic, Hungary and Poland in Non-OECD Europe, Korea in Other Asia and Mexico in Latin America.

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