

# OECD TRADE

## Oil Trade in 1Q99

In the first quarter of 1999, net imports of crude oil and oil products by OECD countries averaged 24.7 mb/d, an increase of more than 2 mb/d from a year earlier. Net imports to the OECD Pacific region increased year-on-year for the first time since 4Q97, reflecting the beginnings of economic recovery in Japan and Korea. Strong demand growth supported an increase of 1 mb/d in North America, while net imports to OECD Europe grew by 700 kb/d. Supplies from the Middle East increased by 700 kb/d to 13.5 mb/d, accounting for 55% of total OECD net imports. Imports from Latin America and the FSU also rose, while those from Africa fell, as West African crude shifted to non-OECD Asian customers. Net crude imports increased by 1.5 mb/d, accounting for two thirds of the total increase, while net product imports rose by 700 kb/d. Compared to the previous quarter, total OECD net imports increased by 840 kb/d, 730 kb/d of which came from the Pacific. OECD countries imported 19.2 mb/d of oil from OPEC countries in 1Q99, little changed from 19.1 mb/d in 4Q98.

### Net Oil Import Positions in 1Q99

(million barrels per day)

	<i>North America</i>		<i>Europe</i>		<i>Pacific</i>		<i>OECD Total</i>	
	<i>1Q99</i>	<i>vs 1Q98</i>	<i>1Q99</i>	<i>vs 1Q98</i>	<i>1Q99</i>	<i>vs 1Q98</i>	<i>1Q99</i>	<i>vs 1Q98</i>
<b>OECD</b>	0.49	0.61	-0.61	0.47	0.20	0.12	0.08	1.19
<b>Non-OECD</b>	7.11	0.42	9.34	0.24	8.22	0.30	24.66	0.96
Middle-East	2.61	0.64	4.04	0.13	6.89	-0.10	13.54	0.66
Africa	1.71	-0.36	2.82	-0.07	0.44	0.21	4.97	-0.22
Latin America	2.57	0.18	0.21	0.10	0.08	0.07	2.85	0.35
FSU	0.04	0.03	2.53	0.27	0.00	0.00	2.57	0.31
Others	0.19	-0.07	-0.27	-0.19	0.81	0.12	0.73	-0.14
<b>Total</b>	7.60	1.03	8.73	0.71	8.42	0.41	24.74	2.15
<i>Crude</i>	7.08	0.78	8.14	0.57	7.52	0.10	22.74	1.45
<i>Products</i>	0.52	0.25	0.59	0.14	0.90	0.32	2.00	0.70

**North American** net imports increased by a million b/d from a year earlier and by 120 kb/d from the previous quarter. This increase is mainly attributable to strong economic performance in 1Q99. Declines in crude oil production in the US and Canada also contributed to the increase in imports. Supplies from the Middle East and Latin America rose, while those from Africa decreased. In 1Q99, US net imports averaged slightly over 10 mb/d, which accounted for 52% of consumption in volume terms. The rate increased by more than two percentage points from 1Q98. Venezuela was the largest exporter to the US in 1Q99, followed by Saudi Arabia, Canada and Mexico. North American gross crude imports from Europe, mainly from the North Sea, averaged 610 kb/d in 1Q99 compared to 920 kb/d in the previous quarter. US gross imports of finished motor gasoline from Europe decreased by 70 kb/d from the previous quarter, to 80 kb/d in 1Q99, but they appear to have increased sharply in the second quarter.

**European** net imports increased by 700 kb/d from a year earlier due both to demand growth and production declines. Nevertheless, 1Q99 net imports were almost unchanged from 4Q98. Imports from the Middle East, Latin America and the FSU continued to grow. Europe imported 2.53 mb/d of the 3.15 mb/d that the FSU exported in 1Q99. Imports from the Middle East increased by 130 kb/d to 4.0 mb/d, accounting for 46% of European net imports. Europe imported 261 kb/d of gasoil/diesel, an increase of 130 kb/d from the previous quarter. European gross exports of finished motor gasoline were unchanged at just over 1 mb/d.

**Pacific** net imports increased by 400 kb/d from a year earlier, to 8.4 mb/d. It was the first time since 4Q97 that net imports have shown a year-on-year increase. Compared to the previous quarter, net imports rose by 730 kb/d. The Asian financial crisis began in the middle of 1997 and reached full intensity in 1998. In 1Q99, however, the Japanese and Korean economies started showing the signs of recovery. Compared to a year earlier, Japanese net imports increased by 210 kb/d to 5.92 mb/d while Korean net imports rose by 150 kb/d to 2.18 mb/d. Imports from the Middle East fell and, as a result, the region's import dependency on the Middle East dropped to 82% from 87%. Japanese net product imports increased by 250 kb/d from 1Q98 to 1.21 mb/d. Cheaper product imports were preferred in the face of intensifying retail competitions. Korean net product exports averaged 280 kb/d, down from 300 kb/d in 4Q98.

## Oil Trade in 2Q99

Based on preliminary demand and production numbers and assuming no stock changes, it is estimated that net imports into OECD countries averaged 23.6 mb/d in 2Q99, a decrease of more than 1 mb/d from the previous quarter. Net imports into North America rose while those into Europe fell. Pacific imports also decreased due to seasonal factors.

### Net Oil Positions in 2Q99 (Estimated)

	2Q99*		1Q99		Change
	Demand	Supply**	Net Import	Net Import	
North America	23.24	14.83	8.41	7.60	0.81
Europe	14.63	6.70	7.93	8.73	-0.80
Pacific	8.02	0.75	7.27	8.42	-1.15
OECD Total	45.89	22.29	23.60	24.74	-1.14

\* assuming no stock changes

\*\* including processing gains

## The World's Ten Largest Net Importers of Oil in 1Q99

The US was by far the largest net importer at 10.1 mb/d and the net import volumes continued to increase. Demand normally peaks in the first quarter in Japan and Japanese net imports posted the largest increase of 550 kb/d among these ten countries, averaging 5.9 mb/d for the quarter. German and Korean net imports were almost unchanged from 4Q98. French imports rose by 100 kb/d to 2.0 mb/d while Italian and Spanish net imports were unchanged at 1.9 mb/d and 1.5 mb/d. Due to continuing strong demand and refining capacity expansion, Indian net imports were above the 1.2 mb/d level for the third successive quarter. Chinese net imports increased from 560 kb/d in the previous quarter to 820 kb/d, as import bans were eased.

### World's Ten Largest Net Importers of Oil in 1Q99

(million barrels per day)

Country	Net Import Volume	versus 4Q98
1. USA	10.05	0.14
2. Japan	5.92	0.55
3. Germany	2.79	-0.07
4. Korea	2.18	0.01
5. France	1.95	0.12
6. Italy	1.86	0.03
7. Spain	1.48	0.04
8. India	1.25	-0.02
9. China	0.82	0.26
10. Chinese Taipei*	0.79	-0.05

\* assuming no stock changes

### World's Ten Largest Net Exporters of Oil in 1Q99

(million barrels per day)

Country	Net Export Volume	versus 4Q98
1. Saudi Arabia*	7.49	-0.12
2. FSU	3.15	-0.13
3. Norway	2.86	0.11
4. Venezuela*	2.78	-0.03
5. Iran*	2.73	0.24
6. UAE*	2.24	-0.01
7. Iraq	2.05	0.24
8. Nigeria*	1.94	0.12
9. Kuwait*	1.69	0.03
10. Mexico	1.59	0.06

\* assuming no stock changes

## The World's Ten Largest Net Exporters of Oil in 1Q99

Exports by Saudi Arabia, the world's largest exporter, fell by 120 kb/d from the previous quarter. Venezuelan exports also decreased but by only 30 kb/d. Nonetheless, total OPEC exports are estimated to have averaged 25.3 mb/d in 1Q99 compared to 24.7 mb/d in 4Q98, primarily due to higher exports from Iran, Iraq and Nigeria. Note that the "Hague Agreement" did not come into effect until April and that compliance of the two 1998 Agreements was limited. FSU exports declined by 130 kb/d because of higher domestic demand in winter. Higher production pushed up Iranian exports by 240 kb/d. Iraqi exports under the UN's "oil-for-food" programme averaged 2.05 mb/d. Nigerian exports were recovering from the social disturbances in 4Q98.

# OECD STOCKS

## Industry Stock Changes in May

Even with a large upward revision for April, the build-up in OECD industry stocks in the second quarter was less than normal. The stockbuild for April and May averaged 870 kb/d. Preliminary data had indicated an increase of only around 500 kb/d in April. As shown in the table below, the estimated stockbuild for April has been doubled to just over 1 mb/d. But the first estimate for the build in OECD industry stocks in May is only 730 kb/d, compared with an average of 1.6 mb/d during the 1990s, if last year's anomalous surge is excluded. Comparable averages for April and June are for builds of 550 kb/d and 460 kb/d respectively. If the US inventories were drawn down about 150 kb/d in June, as indicated by weekly data from the US DOE, the result would be an increase in OECD industry stocks of just over a half a million b/d for the quarter; below normal but much higher than that implied by world supply and demand in the aftermath of OPEC's additional output reductions on 1 April, which suggest a build of only 50 kb/d (see Lead Article on page 3). Oil-at-sea fell sharply in April and May, but according to a recent assessment by the trade publication *Oil Movements*, the situation reversed sharply in June. Imports, especially to the critical US market, dropped over the last few weeks and oil-at-sea surged by over 1 mb/d in June. Stocks on land outside of the OECD, which held relatively steady in the first quarter, are evidently now being worked off.

### Preliminary Industry Stock Change in April and May

(million barrels per day)

	April (revised)				May (preliminary)			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
<b>Crude Oil</b>	<b>-0.28</b>	<b>+0.19</b>	<b>-0.23</b>	<b>-0.32</b>	<b>-0.15</b>	<b>-0.29</b>	<b>+0.01</b>	<b>-0.43</b>
Gasoline	+0.03	-0.15	+0.08	-0.04	+0.20	+0.04	-0.03	+0.20
Distillates	+0.15	+0.67	+0.12	+0.94	+0.12	+0.41	+0.12	+0.64
Fuel Oil	+0.03	+0.01	0.00	+0.04	+0.01	-0.04	+0.02	-0.01
Other Products	+0.25	-0.04	+0.09	+0.29	+0.49	+0.01	-0.20	+0.30
<b>Total Products</b>	<b>+0.46</b>	<b>+0.47</b>	<b>+0.29</b>	<b>+1.23</b>	<b>+0.82</b>	<b>+0.41</b>	<b>-0.09</b>	<b>+1.14</b>
Other Oils <sup>1</sup>	+0.02	+0.05	+0.03	+0.10	-0.07	+0.07	+0.03	+0.03
<b>Total Oil</b>	<b>+0.20</b>	<b>+0.71</b>	<b>+0.10</b>	<b>+1.01</b>	<b>+0.59</b>	<b>+0.19</b>	<b>-0.05</b>	<b>+0.73</b>

1 includes feedstocks, NGLs and other hydrocarbons

As was the case in April, inventories of oil products, especially distillates, rose in May by more than a million b/d, but *crude* stocks continued an atypical decline. The overall stockbuild was again concentrated in North America, with total stocks in Europe up modestly and Pacific inventories down slightly. Crude stocks were down nearly twice as much in Europe as in North America, but were little changed in the Pacific. Product stocks in the US have remained high, lower refinery runs being offset by a surge in imports, especially of gasoline. Despite the active transatlantic product trade, European stocks also increased, with the revisions to April resulting in a build about the same size as in North America. European product stocks grew by only half as much as North American stocks in May. The European increases were concentrated in distillates, while in the US, seasonal builds in LPGs and some "Other Products" dominated the gains.

### Revisions vs. 11 June 1999 Report

(million barrels)

### Effect on April Stock Change

(million barrels per day)

	North America		Europe		Pacific		North America	Europe	Pacific	Total
	Mar	Apr	Mar	Apr	Mar	Apr				
Crude Oil	-4.9	-6.7	-3.1	+12.9	0.0	-2.9	-0.06	+0.54	-0.10	+0.38
Oil Products	+3.5	-5.1	+2.2	+8.1	-0.2	+4.1	-0.29	+0.20	+0.14	+0.06
Other Oils	-0.8	-1.1	+0.8	+2.4	0.0	+1.0	-0.01	+0.04	+0.03	+0.07
<b>Total</b>	<b>-2.2</b>	<b>-12.9</b>	<b>-0.1</b>	<b>+23.4</b>	<b>-0.2</b>	<b>+2.2</b>	<b>-0.36</b>	<b>+0.78</b>	<b>+0.08</b>	<b>+0.50</b>

There were very large revisions again, this time to the April data, but in the opposite direction from the last two months. A 23.4 mb upward revision in European stocks swamped a 12.9 mb downward adjustment in North America. The European increases were spread across the region, but Norway (+8.9 mb), the UK (+5.5 mb) and Germany (+4 mb) accounted for most of the change. In North America,

all three countries saw reductions: the US (-9.9 mb), Canada (-2.4 mb) and Mexico (-0.6 mb), while revisions in Japan (+1.3 mb) and Australia/New Zealand (+1.7 mb) exceeded the change for Korea (-0.8 mb).

### Preliminary Stock Levels at the End of May

OECD industry stocks at the end of May were more than 100 mb below May 1998 but were still 78 mb above more normal 1997 levels. The negative year-on-year gap applied to all three regions, with only the Pacific region below 1997. All categories of stocks were below abnormally high year-earlier levels except for North American products, which remain high. The 2.688 billion barrel total is the second highest end-May level of the 1990s and, other than in the last year, was exceeded only during a few months in late 1993 and 1994 and once in 1995.

#### Year-on-Year End of May Industry Stock Comparisons

	(million barrels)			
	North America	Europe	Pacific	Total
Crude Oil	-33	-27	-16	-75
Products	+12	-19	-13	-20
Other Oils <sup>1</sup>	-3	-2	-7	-13
<b>Total Oil</b>	<b>-24</b>	<b>-48</b>	<b>-36</b>	<b>-108</b>
<i>versus 1997</i>	<i>+82</i>	<i>+51</i>	<i>-55</i>	<i>+78</i>

<sup>1</sup> includes feedstocks, NGLs and other hydrocarbons

### Regional Stock Developments

**US** inventories rose by 594 kb/d in May as a result of a month-to-month decline in demand and lower product exports. Product stocks were built by 823 kb/d. Crude runs remained over 15 mb/d causing crude stocks to fall by a relatively moderate 155 kb/d. Domestic production continued to drop, but the surge in crude imports was unabated with 9.1 mb/d almost equalling last September's record. Gasoline imports were below April's record 717 kb/d, but at 688 kb/d were more than double the year-earlier level. West Coast refinery problems were exacerbated when a product pipeline exploded, requiring a continuation of the high levels of gasoline imports. Since mid-March, gasoline imports have averaged more than 600 kb/d. More than half of the product stockbuild was in "other products", which rose by 494 kb/d. LPG stocks generally increase during this time of year.

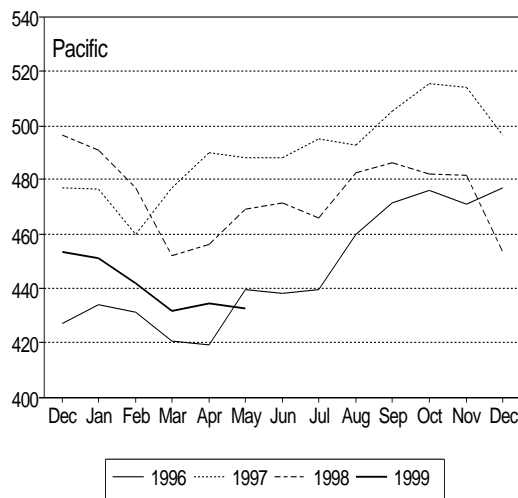
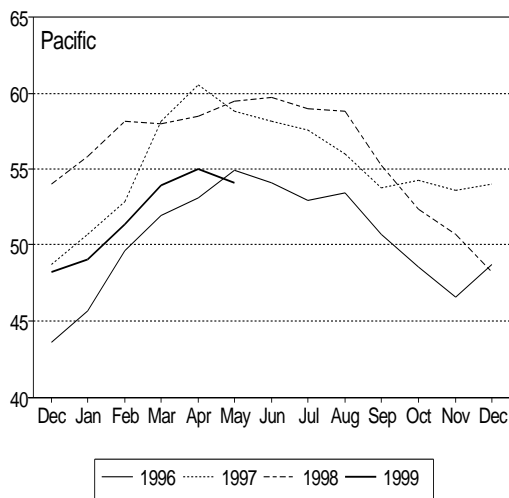
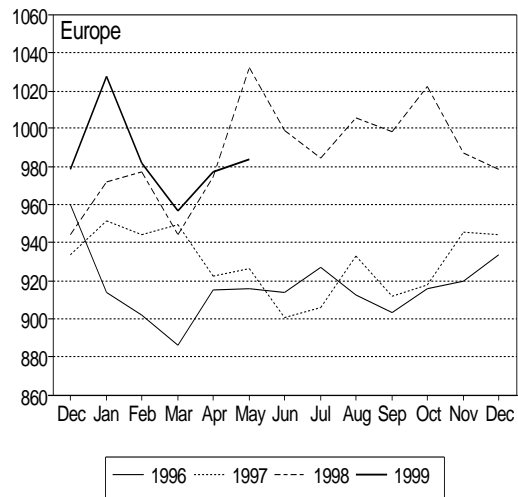
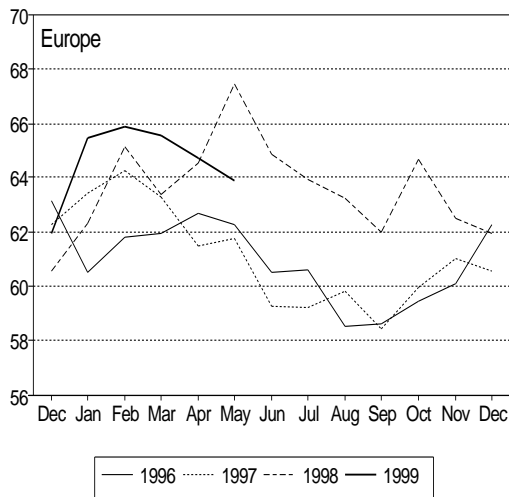
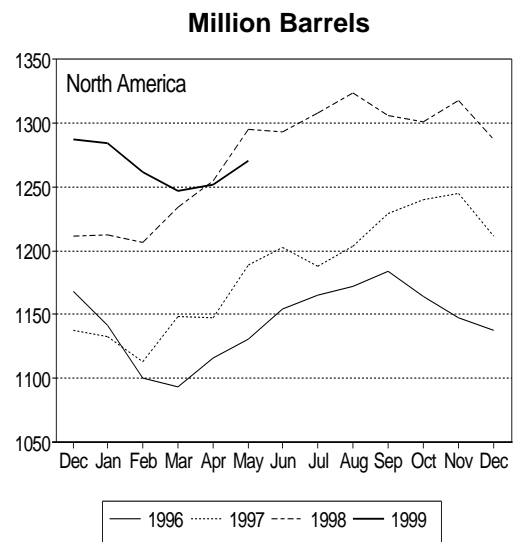
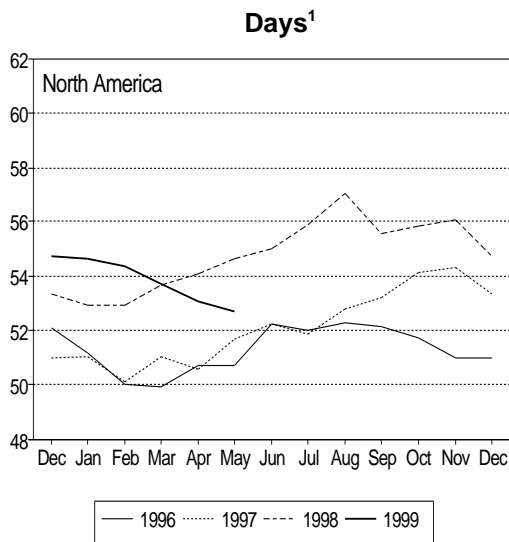
The overall stockbuild eased in June to 150 kb/d, with products up by 225 kb/d and crude down a further 75 kb/d. Demand came back strongly, rising over 750 kb/d from the May seasonal bottom. Product stocks dipped below the year earlier level, but are still more than 40 mb above end-June 1997. Crude stocks have trailed 1998 levels since March and are less than 10 mb above June 1997.

**European** industry stocks rose by 188 kb/d in May, far less than the revised 714 kb/d gain in April. The increases resulted from weak regional demand for products and lower crude runs due to low margins. The stockbuild was led by France (+266 kb/d) and the Netherlands (+212 kb/d). The French increase followed a nearly 200 kb/d drop in April, but Dutch stocks had grown in April as well, by 158 kb/d. The French and Dutch increases more than offset stock reductions in Finland (-107 kb/d), Norway (-96 kb/d) and Greece (-94 kb/d). European distillate stocks increased by 408 kb/d, nearly matching the revised 473 kb/d gain in April. Crude oil stocks fell by 289 kb/d despite a decline in refinery runs as North Sea supplies were reduced by maintenance and some crude was shipped to the US and Asia to take advantage of arbitrage possibilities.

**Japanese** and **Korean** stocks moved in opposite directions in April and May, with Japanese stocks up in April (+75 kb/d) and down in May (-137 kb/d) and Korean stocks down in April (-32) and up in May (+88 kb/d). Distillate stocks in the OECD Pacific increased by about 120 kb/d in both months, but Japanese LPG stocks fell by more than 200 kb/d in May, causing total regional product stocks to decline by 91 kb/d. The decrease in LPG is thought to reflect recovering petrochemical demand, both domestically and in the region, where maintenance at Korean petrochemical facilities had tightened markets in April and May.

### Regional OECD End-Month Industry Stocks

(In days of forward demand and million barrels)



1 Days of total stocks are based on demand for the next three months.