9 July 1999

HIGHLIGHTS

- Crude oil prices resumed their upward path in June, wiping out the correction that took place in May. WTI closed on 2 July at $19.74, its highest level since 19 November 1997. Brent also rallied, gaining more than $3 over the month to close on 2 July at $17.85. Crude runs in OECD countries declined by more than 1 mb/d in May, driving refinery utilisation down to 88%. Product prices reacted positively and followed crude prices higher, but failed to translate into wider refining margins.

- World oil production fell in June by 0.7 mb/d to 72.3 mb/d. Planned maintenance in the North Sea helped reduce non-OPEC output by 0.5 mb/d. OPEC crude supply dropped by 0.2 mb/d, as June compliance with the cutback agreements remained high at 91%.

- World oil demand is projected to average 75.1 mb/d in 1999, 1.1 mb/d more than last year and 50 kb/d more than projected in last month's Report. The increase in anticipated demand is essentially all in Brazil, where the economy is proving not nearly so weak as previously thought. The latest data show that the recent collapse in demand in the Former Soviet Union has halted and also tend to confirm gradual recovery in the Asia/Pacific region.

- Net imports to the OECD Pacific region increased year-on-year in 1Q99 for the first time since 4Q97, suggesting the start of an economic turnaround in Japan and Korea.

- OECD industry stocks rose in May by 0.7 mb/d, a build less than half the normal rate, primarily as a result of production cuts by OPEC and others. In combination with April's upwardly revised 1 mb/d stockbuild and an estimated June decline, however, second quarter OECD industry stocks will have risen much more than can be explained by the small difference between global supply and demand. This would imply a 0.5 mb/d drawdown in non-OECD stocks. Is this the return of "missing barrels"?