Oil Drops to Near $104 on Global Growth Concerns

The Associated Press

LONDON (AP) — Oil prices fell toward $104 a barrel Monday on expectations that slowing economic growth in the U.S. and China, and ongoing debt problems in Europe will undermine demand for crude.

Benchmark oil for June delivery was down 72 cents to $104.21 a barrel by midday European time in electronic trading on the New York Mercantile Exchange. The contract rose 38 cents to settle at $104.93 in New York on Friday.

Brent crude for June delivery was down 71 cents at $119.10 per barrel in London.

The Commerce Department said Friday that the U.S. economy grew at an annual rate of 2.2 percent in the January-March quarter, compared with 3 percent in the final quarter of 2011. Earlier this month, China reported its gross domestic product growth slowed to 8.1 percent in the first quarter.

Crude jumped from $75 in October to $110 last month as better than expected U.S. economic activity and strong demand from developing countries such as China bolstered investor confidence.

"The disappointing GDP data continued a trend of recent weeks in which economic releases have been tilting toward the bearish side," energy trader and consultant

Ritterbusch and Associates said in a report. "This has conjured up images of further petroleum demand slippage especially when combined with slowed growth indications out of China."

In Europe, Spain confirmed it had entered its second recession in three years, while ratings agency Standard & Poor's downgraded 11 banks after downgrading the country's sovereign debt. Concerns that the debt crisis will push Spain to eventually need a bailout dragged financial markets lower on Monday.

Trading volume was low as markets in Japan and China were closed Monday for national holidays. Markets in across much of Europe and in China, Hong Kong, India, Singapore and Taiwan will be closed Tuesday for the Labor Day holiday.

In other trading, heating oil was down 1 cent at $3.18 per gallon and gasoline futures fell 1 cents at $3.13 per gallon. Natural gas slid 2 cents to $2.28 per 1,000 cubic feet.

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