Oil Falls to Near $96 as U.S. Crude Supplies Grow

PABLO GORONDI, Associated Press

Oil prices fell to near $96 a barrel Thursday after U.S. crude supplies rose to a 22-year high, suggesting demand remains weak amid sluggish U.S. jobs growth and financial turmoil in Europe.

By early afternoon in Europe, benchmark oil for June delivery was down 46 cents to $96.35 a barrel in electronic trading on the New York Mercantile Exchange. The contract fell 20 cents to settle at $96.81 in New York on Wednesday.

In London, Brent crude was down 23 cents at $112.97 per barrel on the ICE Futures exchange.

On Wednesday, the Energy Information Administration said that increased oil imports and weaker domestic demand for petroleum helped boost U.S. oil inventories last week to 379.5 million barrels, the highest since 1990.

China reported Thursday that its imports and exports in April grew less than analysts expected, sparking investor concern crude demand may be waning in the world's second largest economy.

Crude has slumped $10, or about 10 percent, from $106 last week amid fears the global economy may grow less than expected this year. Political upheaval in Greece this week also renewed worries about Europe's debt crisis and weak economy.

Some analysts expect oil prices to stabilize after the recent sell-off unless the global economy deteriorates significantly.

"One could perhaps argue that with inventories building and global oil demand conditions softer in the first quarter, prices were on the high side to begin with," Barclays said in a report. However, "the path of least resistance in prices is likely to be a slow grind higher from here in the coming months."

Analysts at Frankfurt's Commerzbank agreed, predicting that the Nymex contract would climb above $100 a barrel again once inventories start to be reduced after May 17, when the Seaway Pipeline begins transporting crude to the Gulf Coast from the Cushing, Oklahoma, hub where benchmark crude is delivered.

In other energy trading, heating oil was down 1.37 cents at $2.9854 per gallon and gasoline futures slid 2.03 cents to $3.0038 per gallon. Natural gas added 2 cents at $2.485 per 1,000 cubic feet.

Alex Kennedy in Singapore contributed to this report.

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