OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

November 2005

Feature Article:

Crude and product price movements

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Oil Market Highlights

- Impressive data from the Euro-zone confirmed that the third quarter was a period of strong growth for the world economy. For the first time in this expansion, all three developed regions achieved simultaneous solid growth despite the high levels of energy prices. Accommodative monetary policies, low inflation rates and healthy growth in world trade boosted manufacturing output. High levels of household wealth allowed consumers to absorb the higher energy prices whilst improved levels of energy efficiency have moderated the impact on industrial costs.

- Following good third quarter data, the Japanese growth forecast for 2005 has been revised up to 2.2%. Further steady growth of 1.8% is expected in 2006. There has been no change in the forecast for the Euro-zone which is expected to grow by 1.1% in 2005 and by 1.5% next year.

- The forecast growth rate for the world economy in 2005 has been increased to 4.3% and is expected to be followed by growth of 4.1% next year. Despite the good performance of the third quarter, growth is expected to fall slightly in 2006. The impact of higher energy prices and reduced subsidies on developing Asia is not yet clear. A further uncertainty is the resilience of the US economy in the face of rising interest rates. A setback to the growth of consumer spending in the US would impact exports and investment in China and other Asian economies.

- The OPEC Basket displayed volatile movement in October. Higher demand for light sweet crude in the east put pressure on the sweet/sour spread, which widened for Mideast crude, while uncertainty about demand due to refinery outages in the west pushed prices lower. A lingering possibility of a further tapping of strategic reserves only added to the downward momentum. Prices changed direction on the prospect of higher demand and lower non-OPEC supply, although ample OPEC supply as evidenced by higher US crude oil stocks kept the bearish trend alive. The Basket’s monthly average dropped a hefty 5.6% or $3.25 to settle at $54.63/b. The Basket moved further downward into the first half of November on healthy crude oil stock-builds amid slower demand for gasoline and lower heating fuel requirements due to unseasonably warm weather in the Northern hemisphere. The Basket slipped well below the $55/b level to stand at $50.01/b on 15 November.

- Positive developments in the US refining industry and natural gas output, combined with the resolution of a strike at Europe’s biggest refinery and slowing Asian demand over the last couple of weeks, triggered bearish sentiment in the product markets. More recently this situation has been further exacerbated by the mild winter, particularly in the US Northeast, which in turn resulted in a significant drop in product prices and refinery margins across the globe from the previous month. Despite the recent declines, refinery margins remain healthy and could lend support to crude demand. As the US market continues to be short of middle distillate products, a cold snap could reverse the current bearish sentiment, providing support for both product and crude prices.

- Total OPEC spot chartering continued to increase for the second consecutive month, gaining 1.35 mb/d in October, to average 15.82 mb/d. Countries outside the Middle East were the main contributors to the growth, adding 1.26 mb/d, a reflection of the growing trade for light and sweet crudes from Africa. Sailings from the OPEC area remained almost stable, while Middle East sailings surged by 0.7 mb/d to 19.3 mb/d, an increase of 2 mb/d over a year earlier. Arrivals at the USA and Caribbean jumped by 0.95 mb/d to average 10.7 mb/d. The tanker market remained bullish especially in the Suezmax and Aframax sectors, where freight rates increased by between 26% and 80%, depending on the route, while freight rates for products continued to move upward, showing gains of as much as 180 points in the east and 120 points in the Mediterranean. Depending on the route, rates for products were between 115 to 226 points higher than the year-earlier levels.

- According to the latest data available for the first three quarters of the year and projections for the remaining three months, world oil demand is forecast to grow by 1.2 mb/d or 1.4% to average 83.3 mb/d for the whole of 2005. Further undercutting the arguments for “demand destruction”, these higher figures are supported by vigorous preliminary growth data from developing countries, a brighter outlook for the world economy — particularly for the USA and OECD Pacific countries — and a rebound in Chinese apparent demand. In 2006, average world oil demand is projected to grow by 1.5 mb/d or 1.8% to average 84.8 mb/d, which represents a slight upward revision from last month’s figure.

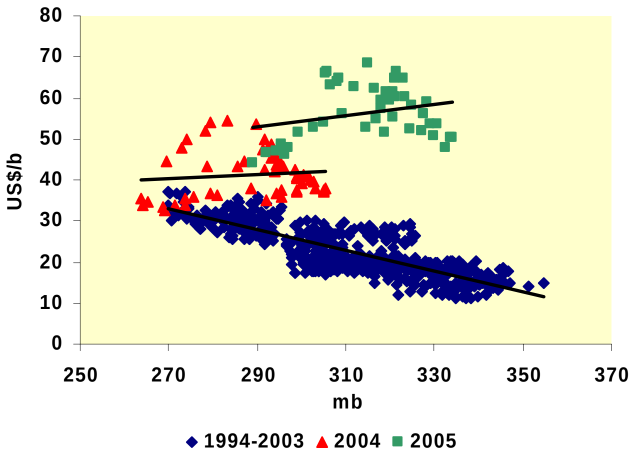
- Non-OPEC supply in 2005 is expected to average 50.2 mb/d, representing an increase of 0.35 mb/d over the previous year, following a downward revision of 94,000 b/d from last month. Including OPEC NGLs and non-conventional oils, non-OPEC supply is expected to average 54.5 mb/d, an increase of 0.5 mb/d. On a quarterly basis, non-OPEC supply has been revised down in the third and fourth quarter by 195,000 b/d and 191,000 b/d respectively; following downward revisions in Brazil, Kazakhstan, Norway, and Sudan which have been partially offset by upward revisions in Russia and Azerbaijan. In 2006, non-OPEC oil supply is expected to average 51.6 mb/d, an increase of 1.4 mb/d over 2005 and an upward revision of 34,000 b/d from last month’s report. Including OPEC NGLs and non-conventional oils, non-OPEC supply is expected to average 56.2 mb/d, an increase of 1.7 mb/d. October OPEC output is estimated to have averaged 30 mb/d.

- US commercial oil stocks, which includes total crude and petroleum products excluding strategic reserves, moved up slightly, adding 0.7 mb or about 0.03 mb/d to stand at 1,050.6 mb during the period 30 September-28 October 2005. Total oil stocks in Eur-16 (EU plus Norway) during October maintained the upward trend for the fourth consecutive month, rising by 3.6 mb or 0.12 mb/d to stand at 1147.7 mb, the highest level in six years. Total oil inventories in Japan showed little change in September, remaining close to the previous month's level of 191 mb.
- The supply/demand balance for 2005 has been revised up slightly to reflect lower supply expectations. The demand for OPEC crude in 2005 (a-b) is now forecast at 28.8 mb/d, an increase of 0.62 mb/d from 2004 but 110,000 b/d higher than previously projected. The crude required for the fourth quarter is now estimated to be 276,000 b/d higher than before, and is higher than current OPEC crude production at 30.0 mb/d. In terms of OPEC capacity, taking into account the supply/demand balance as well as the resulting required OPEC crude production levels and projected production capacity, OPEC's spare capacity is now estimated to average around 8.1% in the fourth quarter of 2005, compared to 4.9% in the same period last year. For 2006, the demand for OPEC crude is expected to average 28.6 mb/d, a downward revision of around 40,000 b/d versus last month's report. The quarterly distribution shows that demand for OPEC crude is now expected to be 29.8 mb/d in the first quarter, 27.7 mb/d in the second, 27.8 mb/d in the third and 29.0 mb/d in the fourth.

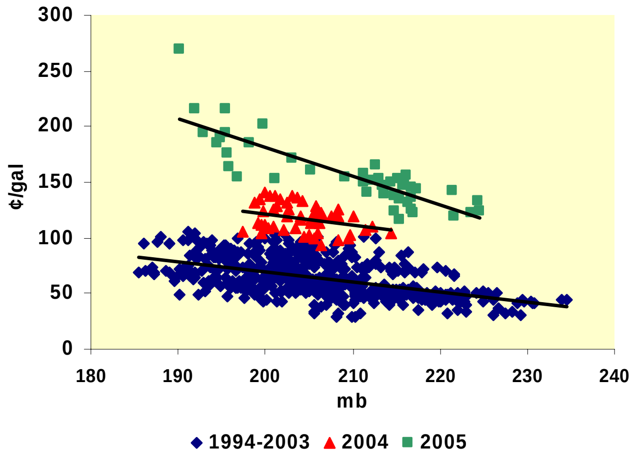
Recent movements in crude and product prices

- The market situation has changed significantly over the last two years. One of the most pronounced developments has been the break in the conventional inverse relationship between US crude oil inventories and prices. Previously, higher crude oil stock levels would result in a drop in prices, but this has not been the case over the last two years. Despite rising inventory levels over 2004, prices continued to move upward. As Graph 1 shows, this dual rising trend has been exaggerated further in 2005, with inventories corresponding to even higher price levels than in 2004 or in previous years.
- Changes have also taken place in the stock/price relationship for the two seasonally important products, gasoline and heating oil. Although the inverse relationship between gasoline prices and stock levels held in 2004 and 2005, there is a noticeable upward shift in the regression line in 2004 and an even higher shift in 2005 (*see **Graph 2***). Although US gasoline inventories currently stand at 201.1 mb in the week ended 4 November — well above the 5-year average — gasoline prices for that week were close to record highs, up more than 30% since the beginning of the year. In contrast, heating oil in the last two years has seen a breakdown in the stock/price relationship similar to crude. Despite stocks remaining in the middle of the range, heating oil prices have increased by 43%, more than either gasoline or crude prices.

Graph 1: WTI versus crude oil stocks

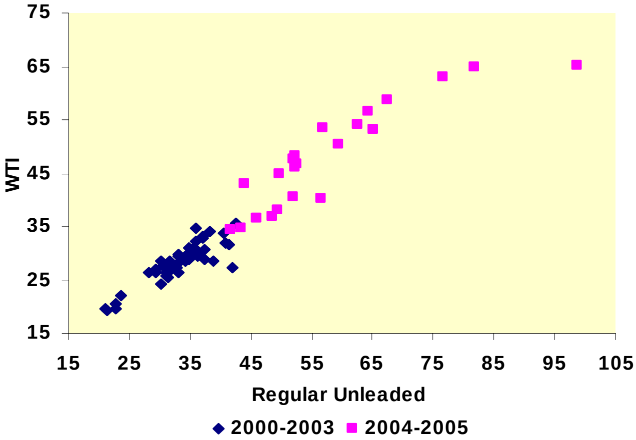


Graph 2: New York Harbor gasoline prices versus gasoline stocks

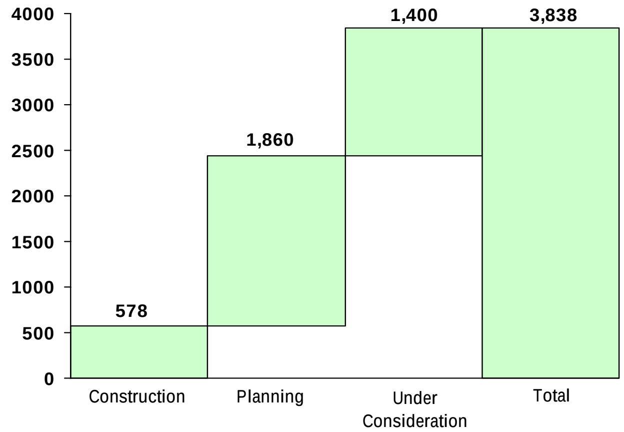


- A causality test for both the weekly and monthly data for crude and gasoline prices over the last six years shows that for the period 2000-2003 a change in crude prices induced a change in gasoline prices in the same direction (*see **Graph 3***). However, starting in 2004, this situation reversed so that a change in gasoline prices led to a change in crude prices, which supports the assertion that product prices were pulling crude oil prices. This is not a settled issue as the causality may change with a shift in the fundamentals underlying either the upstream or downstream market.
- In the week after Hurricane Katrina, the spread between crude and product prices widened substantially, as gasoline prices in the US Gulf surged 45.3%, while WTI and Mars crude prices rose by only 3.2% and 1% respectively. With the severe tightness in the US refining sector, this raised concern in the market that the substantial gap between crude and product prices could be sustained over an extended period. However, following positive developments in the US refining industry and natural gas output combined with the resolution of a strike in Europe's biggest refinery and slowing demand in Asia, the gap between crude and product prices has narrowed to a level even lower than before Katrina. In the week of 10 November, the gap between WTI and US Gulf gasoline prices narrowed to $4/b from $10.62/b in the week prior to Katrina and $38.19/b in the week just after Katrina. While a cold snap may cause a rebound in product prices, the risk of a sharp surge is limited.
- High margins, the temporary relaxation of product specifications by the USA and postponing of the maintenance schedule have enabled the oil industry to further increase inputs to meet the severe shortage of petroleum products as a result of the impact of the recent hurricanes. However, these temporary measures are not expected to persist indefinitely. For technical and economic reasons, the higher refinery utilization rates, particularly for hydro-skimming units, are not expected to continue for an extended period as margins have fallen over the last few weeks especially for the less sophisticated refineries. Similarly, the maintenance schedule cannot be postponed indefinitely and the uncertainty about when the relaxation of product specifications will be suspended may discourage refineries from maximizing throughputs at hydro-skimming units. These circumstances indicate that the lack of sustainable effective spare refinery capacity clearly remains an important issue in the market in the foreseeable future.
- Despite lower than expected demand growth and crude inventories at comfortable levels, OPEC continues to produce well above crude requirements to ensure that the healthy situation persists on the crude side. As a result of these efforts and easing fears of a shortfall in product supplies, prices have begun to moderate toward the levels justified by fundamentals, down from just under $70/b at the end of August to $57.06/b for WTI on 15 November.

Graph 3: Relation between crude and product prices ($US/b)



Graph 4: Refinery capacity expansion by OPEC Members to 2010 (tb/d)



- Additionally, in an effort to contribute to the easing of downstream pressures, OPEC Member Countries, both on their own and in partnership with others, have taken the initiative to pursue and invest in downstream projects both inside and outside their countries (*see **Graph 4***). Currently around 600,000 b/d of refinery capacity is under construction with an additional 1.9 mb/d planned and a further 1.4 mb/d under consideration, for a total of 3.8 mb/d. The level of investment in the downstream is around $60 bn. This comes is in addition to approximately $100 bn in upstream investments over the period 2004-2010. These substantial upstream investments are being carried out not only to meet the rising demand but also to ensure the availability of spare production capacity. And they are clearly far more costly than the investments required to maintain stockpiles of 90 days of consumption of OECD countries.
- Nevertheless, the primary responsibility for refining capacity expansion remains with international and national oil companies as well as governments in the major consuming countries. OPEC has reiterated the need for these countries to create the appropriate environment and provide the necessary incentives to ensure timely and sufficient investments in this key sector. Although the role of the international oil companies will be crucial to this effort, the recent increases in revenue have not so far translated into substantial additional investments in the downstream. While the need for spare capacity in the upstream is well recognized, sufficient excess capacity must also be readily available in the downstream to avoid price volatility and ensure greater market stability. At the same time, adequate stock levels need to be maintained, not just for crude oil inventories but also for product stocks.

Highlights of the World Economy

Economic growth rates 2005-2006, %	World	G-7	USA	Japan	Euro-zone
2005	4.3	2.5	3.5	2.2	1.1
2006	4.1	2.3	3.1	1.8	1.5

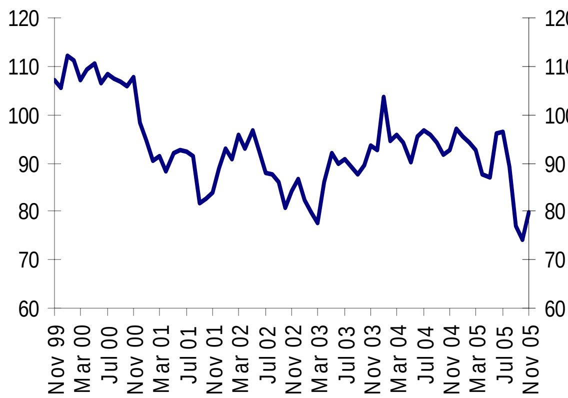
Industrialised countries

United States of America

Lower gasoline prices should support consumer confidence in the fourth quarter.

The key issue for fourth quarter growth in the USA is the extent to which the significant fall in gasoline prices since September will support the growth of consumer spending. The GDP report for the third quarter was encouraging. Although there was a slowdown in the pace of investment spending, higher government consumption and a near 4% growth in personal consumption boosted domestic demand. Net trade benefited from stagnation in import growth and the overall rate of growth of GDP was an impressive 3.8%. **Nevertheless, expectations for the fourth quarter had been affected by the sharp rise in gasoline prices which reached a peak in the first week of September. It had been expected that consumer spending would grow slowly in the remainder of 2005 and the sharp fall in US consumer confidence emphasized this threat.** As shown in Graph 1, the University of Michigan index of consumer sentiment fell to 74.2 in October – well below the year's high of 96.5 in July. The October payroll report also showed a negative aspect as businesses reduced hiring. **The November consumer sentiment survey reading showed an improvement to 79.9, however, and, if gasoline prices continue to stabilize, household spending should achieve moderate growth of about 2% in the quarter.** The US manufacturing sector increased hours worked in October with the results from the capital goods sector particularly strong. Overall GDP growth in the final quarter should be about 2.5% – boosted by investment spending and government consumption – **and the rate of growth for 2005 as a whole should be 3.5% - slightly below the exceptional 4.2% recorded in 2004.**

Graph 1: University of Michigan Consumer Sentiment Index



The major challenge for the new Chairman of the Federal Reserve will be to judge the extent of spare capacity in the US economy in the fourth year of a strong recovery. Although core rates of inflation (which exclude the direct contribution of energy and food prices) have remained below 2%, **the headline rate has risen sufficiently to threaten a deterioration in inflation expectations**. As a consequence wage inflation might well rise to over 4% in 2006 – indeed labour cost inflation was not far below 3% in the third quarter which is too high to be consistent with core inflation of less than 2% over the longer term. **To some extent the strength of the dollar will ease concern in the near term but short term interest rates seem likely to reach or exceed 5% by the middle of 2006.**

Such higher interest rates might have a disproportionate effect on personal consumption and economic activity if there is sharp adjustment in house prices next year. Estimates of housing affordability in some US regions have already reached the levels of the previous housing boom in 1989. Indicators of new home sales and lower trends in real estate lending suggest that the market may not be able to resist further rises in interest rates. One of the largest US homebuilders reported a fall in its sales forecast for 2006 and this report had a sharp effect on the share prices of the housebuilding sector. Mortgage demand is showing some signs of slowing according to the regular survey from the US Federal Reserve. The impact of lower house prices on household spending is hard to estimate. Recent estimates suggest that a large proportion of the rise in spending in 2004 and 2005 has been financed by "mortgage equity withdrawal" as households have taken advantage of the rise in house prices to justify higher levels of debt. **The impact on spending in 2006-2007 of a sharp reduction in this source of financing could be as much as $200 billion which would lower GDP growth by about 1%.**

Japan

Negative real interest rates and a cheaper currency should support Japanese growth.

Following the very good performance of the Japanese economy in the first half of this year, **GDP growth of 1.7% for the third quarter was lower**. In the first half of 2005 the economy grew at an annualized rate of 4.5% as a result of strong growth in domestic demand but consumer confidence softened in the third quarter amid rising energy prices. Nevertheless, personal consumption managed to grow by 1.4% as a result of continued growth in employee compensation. Private investment stabilized after two consecutive strong quarters as businesses have been encouraged by strong growth in business profits and the gradual erosion of excess capacity. Net trade had a slightly negative effect on GDP growth as imports rose faster than exports. Exports rose by 11.4% with most growth due to Chinese demand and exports of electronics and motor vehicles. The GDP deflator continued to fall but this was partly the result of rising import prices (as imports are deducted from total demand to calculate GDP) – indeed the fall in the domestic deflator was only 0.4%.

Looking forward, growth is expected to continue at a moderate pace in 2006. Steady growth in household real incomes of about 1.5% should keep personal consumption growing by a similar rate whilst the excellent growth performance of 2004/2005 should generate the need for faster investment spending to ease capacity constraints. Whilst ongoing growth may not match the excellent first half performance, the continued expansion together with the third quarter rise in the oil price has encouraged the Bank of Japan to increase its forecast of inflation to 0.5% for the 2006 fiscal year. **According to the Bank, the potential growth rate of the Japanese economy is only 1.2% - but by the first quarter of 2006 the economy might have achieved an annual average growth rate of over 2% for three years.** In the first quarter of 2006 the Bank may respond to this sustained expansion with a change to monetary policy – indeed a recent statement by the Governor commented that the path towards a change in policy has already been set. At present monetary policy attempts to control the size of the monetary aggregates in Japan but a movement towards interest rate targeting is likely next year. Later in 2006 this may imply some tightening in policy but at least in the first half of next year interest rates will be close to zero in nominal terms and negative in real terms – this will add some further stimulus to economic growth.

Despite the revival of domestic demand the economy would suffer from any downward adjustment in the US or Chinese economies in 2006 and this remains a major risk factor for the Japanese economy. A further risk is a turnaround in the fortunes of the US dollar which has risen by over 10% against the yen this year. Despite recent yen weakness, the consensus still expects the Japanese yen to strengthen towards ¥100 during 2006. Much of the weakness in the Japanese currency has been attributed to speculative positioning and this may reverse next year. **In the near term, however, the combination of negative real interest rates and a competitive currency should keep the economy growing at better than trend growth rates provided that the international environment remains healthy.**

Euro-zone

Euro-zone growth accelerated to 2.4% in the third quarter. Exports remain the main engine of growth for Germany; consumer spending important for France and Spain.

Euro-zone growth has been volatile over this economic recovery. An improvement at the beginning of this year did not persist into the second quarter and higher energy prices in the summer boded ill for growth in the remainder of this year**. In the event the growth performance in the third quarter was much better than expected. Growth of 2.4% at an annual rate followed improvements in industrial production trends and survey evidence.** Business sentiment in the zone has not been badly affected by the higher energy prices – in fact the EU Commission survey released at the end of September is consistent with an improving trend, after the deterioration seen in the second quarter. The source of the improvement varied across the region. **Consumer spending was strong in France and Spain but exports provided the growth in Germany.** German retail sales fell by 1.6%, month-on-month, in September but these results may have been affected by election uncertainties and retailers became more optimistic in October. In contrast, industrial production rose in Germany in September, following a weak August. Manufacturing output was strong – in particular production of capital goods for export. **Exports will probably remain the driver of German industrial output for the foreseeable future – especially considering the political uncertainties and the rise in VAT which has been proposed by the Merkel government.** For the region as a whole there are signs that the recovery is beginning to broaden beyond the export sector. The October surveys saw some improvement in employment trends and an ECB lending survey pointed to signs of a pick-up in capital spending. Nevertheless, most of the momentum for better industrial performance is coming from higher overseas demand. The euro has been weak in 2005 and the strong performance of the US, Japanese and Middle Eastern economies should ensure continued growth in exports for the remainder of this year.

Companies may be optimistic for the final quarter of this year but household budgets will struggle to cope with rising prices. The first estimate of Euro-zone inflation for September showed an increase to 2.5% year-on-year but the fall in oil prices in October should help support consumer spending. French data for October suggested that lower oil prices are beginning to impact inflation rates and a further fall in the inflation rate is expected in November.

The Euro-zone is unlikely to achieve a rapid recovery next year. Expectations of further structural reform in Europe's largest economy were dented by the result of the German general election. After weeks of discussion a coalition of the two largest parties is the final outcome. The new Chancellor of Germany will be Mrs. Angela Merkel of the conservative CDU party but the major ministries will be divided between the two parties – **complicating the process of labour market and employment cost reform**. In so far as higher export growth does boost economic activity over the next quarters, the ECB may well decide **to raise interest rates** in the first quarter of 2006. Such an increase might restrain domestic demand later in 2006 by which time European exports may be affected by a slowdown in North American and Asian economies.

Former Soviet Union

High government spending plans create risk of rising inflation in 2006.

Recent surveys suggest that the Russian economy achieved moderate growth in the third quarter. The second quarter had shown an improvement on the poor start to the year and the rebound in investment spending and construction continued in July and August. Retail trade continues to benefit from steady growth in real incomes. The main problem remains industrial production — particularly natural resource extraction. **Output in September was below the levels of 2004 with weakness in oil and natural gas production and a clear decline in the production of iron ore.** The output of manufacturing industry grew by 6.1% in the first nine months of the year but some sectors suffered from fierce competition from imports. The production of light industry, for example textiles, leather and plastics, actually fell in this period. The sentiment in the manufacturing sector was subdued as the fourth quarter began. Managers saw some growth in domestic orders but export business remained stagnant. Nevertheless profits should increase as companies have been able to increase prices. The healthy conditions in the service sector indicate the strength of consumer demand in Russia. In October business confidence and activity levels improved despite rising costs.

Inflation in October was only 9.3% thanks to favourable weather conditions and controls on the prices of oil products. The prices of services continued to rise by more than 21%. Core inflation slowed to 9.1% from 9.7% in September but inflation is set to rise again next year following continued monetary expansion and a generally loose fiscal position. The trade surplus rose to $11.7 billion in September as oil prices continued to rise but stabilization is expected in October as world oil prices fell. The surplus on merchandise trade reached $93 billion in the first three quarters – pushing the overall current account to a surplus of $69 billion. The fiscal position also continues to improve and the surplus reached an all-time high of 10.2% of GDP in the year to August. **Although higher pension and wage payments may increase spending somewhat in the fourth quarter, the continued high oil price should produce an overall surplus of nearly 8% of GDP for 2005.** This strong surplus is likely to create pressure for fiscal relaxation next year and real government spending may increase by at least 12%. Social spending is a particular priority in the draft budget for 2006, with expenditures on healthcare targeted to increase by 64.6% over the 2005 figures and spending on education rising by 29.5%.

Eastern Europe

Markets await economic policy of new Polish government

Political uncertainty has reduced international confidence in the Polish economy following the recent elections and the currency has weakened noticeably in the past month. The priorities of the new government are to improve law and order, to reduce corruption and improve social conditions. **The economic policy of the Marcinkiewicz administration is not yet clear and investors may fear an expansionary fiscal policy and rising inflation.** The Polish economy continued to underperform its regional competitors in the third quarter. Industrial production in August was weaker than expected – growing by only 4.6% year-on-year. The manufacturing sector remained the main engine of growth, rising by 5.2%, but overall it seems that Polish GDP grew by perhaps only 3-3.5% in the quarter. The Hungarian economy is achieving much higher growth but at the cost of higher inflation and a poor fiscal situation. Industrial production rose by 6.9% in the first nine months of this year and inflation was 3.2% in October. The main problem facing the government is the very high budget deficit which is expected to reach 7-8% of GDP this year. The outlook for 2006 is even worse as planned tax cuts and increased spending may push the deficit to over 8% of GDP. The performance of the Czech economy continues to impress. GDP growth remains robust – driven mainly by external demand. Industrial production rose by 5.7% in the first nine months of this year with a marked acceleration in the third quarter. The rate of inflation rose slightly to 2.6% in October. No change in Czech interest rates is expected until well into next year.

Developing Countries

China's GDP expected to grow by 9.1% this year

China's GDP is expected to grow by a healthy 9.1% this year. The World Bank in a recent report said that the country's growth rate is likely to be strong next year as well. Growth sustainability requires that the government pushes forward with the policies aimed at a fairer distribution of wealth between regions in China. Chinese policy-makers succeeded in stimulating active domestic spending by consumers and enterprises to offset a probable slow-down in exports.

The tragic earthquake of 8 October in Pakistan is not expected to impact the country's economic prospects for this year. Pakistan's government has set a GDP growth target of 7% for the current fiscal year compared of 8.4% last year as areas hit by the tragedy were outside the country's main economic zones. Following a jump in agricultural production and a fresh momentum in other industrial sectors, the Reserves Bank of India has revised its forecast of economy expansion of up to 7.7% from only 7%.

Summit of the Americas failed to agree on the proposed free trade agreement

The Fourth Summit of the Americas failed to agree on the proposed Free Trade Agreement Americas (FTAA). One obstacle was a disagreement on US agricultural subsidies with leading Latin American countries such as Brazil and Argentina insisting that a reduction of US agricultural subsidies be part of the agreement while the US administration argued that the issue should be solved within the WTO negotiation scheme.

Sub-Saharan Africa is expected to continue growing at healthy levels, albeit lower than in 2004. The main factors behind the rise are the robust growth in the oil producing countries, the guided IMF programmes of economic reform and the benign international economic environment.

OPEC Member Countries

Saudi Arabia joins as 149th member of WTO

The General Council of the WTO successfully adopted Saudi Arabia's terms of accession. Thirty days after the acceptance by the Saudi Arabian government, the country will become the WTO's 149th member. The accession marks a successful outcome for trade and industry negotiators in a process started in 1993. Recent figures indicate that the Saudi economy is growing by over 6% this year. The nominal rise in GDP, which is driven by the rise in oil prices, is expected to reach a phenomenal level above 29%. Inflation in Venezuela slowed down this year to 16% compared with 19.7% in the same period a year ago. The economy expanded around 9% in the first half of the year as car sales rose 82% in the first eight months and as Venezuela benefited from higher oil prices. Officials expect GDP to expand as much as 10% this year. The Venezuelan government also ratcheted up public spending 45% in August, the biggest increase in four months, as record oil revenues were used to fund outlays for education, health and food programmes. Inflation still poses a serious threat to the economies of most OPEC Member Countries. In Nigeria, inflation could rise over 13-14% this year as a result of rising fuel prices. Similar situations are expected in Indonesia, Algeria and UAE.

Oil prices, the US dollar and inflation

Yield and growth differentials support the dollar.

Following stabilization in September, the dollar strengthened in October. The US currency was helped by a significant upwards shift in interest rates expectations and negative political developments in Europe. The dollar rose by 2.0% against the euro, 3.3% against the yen and 1.9% against the Swiss franc. The dollar also rose by 2.5% against the British pound.

In October the OPEC Reference Basket fell to $54.63/b from $57.88/b in September. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price fell by 4.2% to $39.53/b from $41.25/b. The dollar rose by 1.7% as measured by the import-weighted modified Geneva I +US dollar basket*.

** The 'modified Geneva I+ US$ basket' includes the euro, the Japanese yen, the US dollar, the pound sterling and the Swiss franc, weighted according to the merchandise imports of OPEC Member Countries from the countries in the basket.*

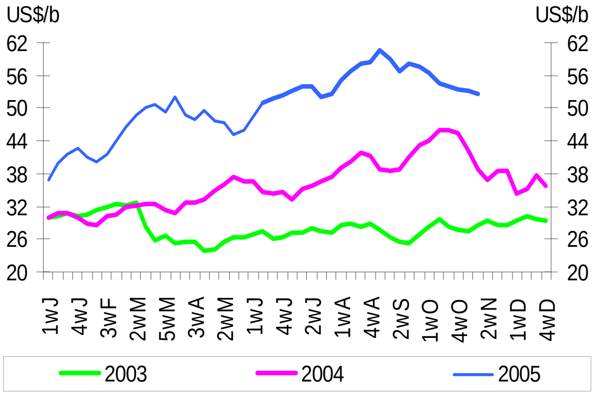
Crude Oil Price Movements

The market was dominated by sluggish refiner demand amid warmer weather implying lower demand for heating fuels

OPEC Reference Basket

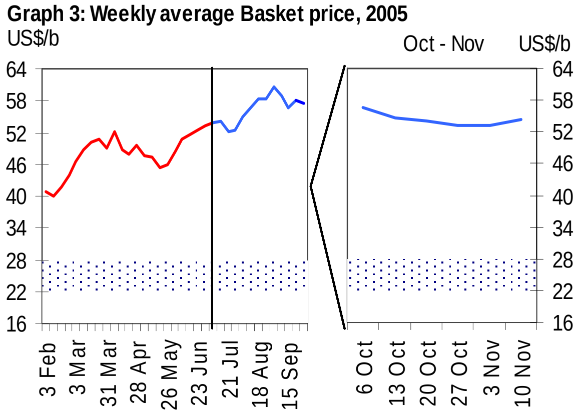
The OPEC Reference Basket in October sustained the downward trend, which has prevailed since late September. While the Asian market soaked up more sweet crude, which widened the sweet/sour spread amid ample Mideast supply, the western market focused on arbitrage opportunities due to growing uncertainty over oil demand with several refineries remaining closed. The bearish sentiment persisted into the first week with US administration stating that it would tap its SPR for crude and heating oil if necessary. The Basket closed the first week at $56.55/b, a loss of nearly 2% or $1.08. This downward movement was triggered by the continued widened sweet/sour spread in the East. However, the bulls revived early in the second week on emerging winter fuel demand in Asia, while a refinery strike in France suspended potential buying interest. Prices were supported by IEA estimates of lower non-OPEC supply this year and growing global demand well into next year. This momentum was furthered by an EIA report echoing the IEA's forecast of healthy demand and lower supply. In the second week, the Basket closed $2 or 3.5% lower at $54.55/b. The downward movement carried over from the previous week, supported by ample OPEC supply amid weakening gasoline demand in the USA. The sentiment reversed with the formation of Hurricane Wilma; however, this was short-lived as the storm changed its path away from oil operations in the Gulf of Mexico. A hefty build in US crude oil stocks supported the downtrend, while higher prices were said to be eroding demand amid a slow recovery in US Gulf Coast production. A larger-than-anticipated build in natural gas storage also supported the bears. Consequently, Basket edged lower in the third week, down a slight 45¢ or less than 1% to close at $54.10/b. Although the Basket experienced some bullish momentum in the fourth week, ample supply continued to ease the market. The OPEC Basket surged on concern over winter fuel supplies and stockpiling amid Total's resumed operations in France, which prompted buying interest. Sentiment was furthered by bullish US stock data. In the final week in October, the Basket shed a further 78¢ or 1.4% to settle at $53.32/b.

Graph 2: OPEC Reference Basket - weekly spot crude



After a volatile month, the Basket's monthly average dropped a hefty 5.6% or $3.25 to settle at $54.63/b. **The widening sweet/sour spread in Asia pressured Mideast crude amid uncertainty about demand due to refinery outages in the west.** Moreover, the lingering possibility of a further tapping of strategic reserves only added to the downward momentum. Nevertheless, prices changed direction on the prospect of higher demand and lower non-OPEC supply. However, ample OPEC supply evidenced by higher US crude oil stocks kept the bearish trend alive. **The Basket moved further downward into the first half of November** on healthy crude oil stock-builds amid slower demand for gasoline and lower heating fuel requirements due to unseasonably warm weather in the Northern hemisphere. The Basket slipped well below the $55/b level to close at $50.01/b on 15 November.

Graph 3: Weekly average Basket price, 2005

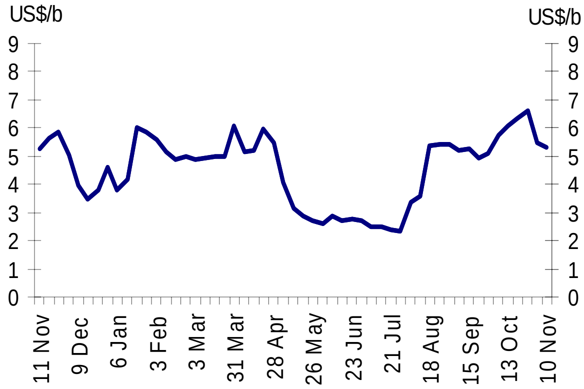


Oil operations remained below average in the Gulf of Mexico amid lower refinery runs due to hurricane damage, while the sweet/sour spread was the widest in a year.

US market

The market emerged on a weaker note in October with nearly 20% of US refining capacity out of operation and all of US Gulf crude output shut following Hurricane Rita. The WTI/WTS spread widened by 63¢ to $5.72/b in the first week, while WTI closed at an average of $63.93/b or 2.7% lower. Moreover, additional barrels of Colombian sour grade were available for November delivery amid the continued slow recovery of the US Gulf Coast refining system. The lower refinery demand resulted in rising crude oil stocks, which helped to push WTI down 1.7% in the second week, while the WTI/WTS spread widened a further 36¢ to $6.08/b. The closing of arbitrage opportunities across the Atlantic amid development of Hurricane Wilma kept pressure on sour grades. However, US Gulf Coast refineries began to recover, preventing differentials from widening further to some extent. In the third week, the WTI/WTS spread expanded to $6.32/b for a gain of 24¢ over the previous week with the WTI weekly average closing 0.5% lower at $62.51/b. The spread continued to widen into the final week of October on larger than expected crude oil supplies and as Hurricane Wilma avoided the energy facilities in the Gulf of Mexico. WTI closed the fourth weekly period at $61.38/b for a drop of 1.8% with the WTI/WTS spread widening by 29¢ to $6.61/b after peaking at $7.71/b on 25 October due to concerns over winter fuels. However, during the final two days of the month, the spread narrowed to $5.50/b as refineries and oil output recovered from hurricane damage. The October WTI averaged $62.67/b or 4% lower, with the WTI/WTS spread widening $1.11 to $6.18/b.

Graph 4: WTI spread to WTS

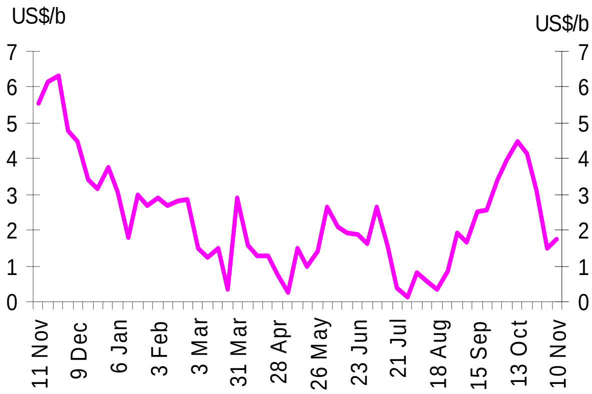


A series of refinery worker strikes in Europe kept the pressure on North Sea crudes

European market

The market in Europe was subdued by the uncertainty of the arbitrage barrels across the Atlantic amid refinery closures in the US Gulf Coast amid unsold October barrels. The bearishness was furthered by a strike at France's Total refinery. Dated Brent averaged 3.7% lower the first week at $59.97/b, as the weekly average slipped below the $60/b level for the first time since July. This sentiment firmed as all October loading cargoes cleared ahead of the release of November-loading programme on the prospect of lower volumes. Nonetheless, a fall in gasoline and distillate demand in the Northern hemisphere pressured North Sea grades. Dated Brent slipped another $1.58 or 2.6% to average $58.39/b for the second week. Spot differentials continued to slip as prompt November cargoes remained unsold at the time of a continued rise in US crude oil stocks. Dated Brent edged 4¢ lower in the third week. The bears continued amid rising concern over higher freight rates. However, the resumption of oil operations at France's largest refinery supported emerging demand, which was then undercut by yet another strike, this time at Rotterdam's refinery. Hence, Brent continued to slide lower. Brent's monthly average in October closed $4 or 6% lower at $58.75/b.

Graph 5: WTI premium to Dated Brent



Lower refinery intakes of light grades amid relatively strong refining margins for the sour grades supported firmer trade of the Russian Urals

The market in the Mediterranean emerged on a strong note amid tight supply, which boosted demand due to the relatively attractive refining margins. Brent/Urals first weekly period spread narrowed by 71¢ to $3.08/b. Furthermore, with Total's strike pressuring the light crude market, the Brent/Urals spread narrowed a further $1.29 to $1.79/b in the second week. However, as

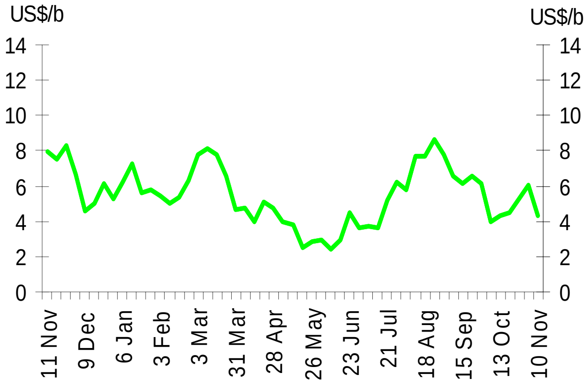
Urals became less lucrative, sellers lowered their offers in order to prevent refiners from switching to alternative grades. Refiners halted buying interest in the hope that price differentials would drop further. Thus, in the third week, the average Brent/Urals spread surged by $1.12 to $2.91/b. The bearish sentiment continued into the fourth week as sellers continued to offer lingering October barrels. Yet, plentiful supply amid high freight rates out of the Black Sea kept the pressure on. The Brent/Urals spread widened by another $1.10 to $4/b. Urals closed the month at $55.80/b for a drop of $2.43 or 4%. However, the Brent/Urals spread closed the month at an average of $2.95/b compared to $4.52/b for the previous month, the narrowest since June.

Far East market

While continued high retroactive OSPs pressured the price differentials for Mideast major benchmarks, the widened Bent/Dubai spread poised to keep differentials firm

The market for Mideast crude began bearish in October on higher OSPs. Oman raised the September OSP by 3¢ to a record-high of $57/b. The record level came as Oman raised its premium to Dubai to 46¢ for September, up from 37¢ in August. Hence, in the first week, December Oman was on bid at parity, down from 6¢ premium to the MOG at the end of September. Moreover, Abu Dhabi's Murban was also under pressure due to lack of interest for the kerosene-rich grade amid overlaying November barrels. The November Murban assessment slipped to a 50¢/b discount to the OSP. In the second week, healthy heating oil stocks in Japan amid ample supply from the Middle East pressured the market, yet the emergence of refiner buying interest supported the differential, preventing it from slipping further. While November Murban traded at a discount of 30-35¢/b on ample supplies, December Oman was steady at a 3-7¢/b premium to the MOG on the improved fuel oil crack spread. Due to continued healthy kerosene stocks amid sellers lowering their offers, December Murban emerged with offers at a 10¢ discount versus a 10¢ premium to the OSP, yet Oman remained at a 3-5¢ premium to the MOG. However, as sellers rushed to clear December barrels, buyers remained on the sideline given ample incremental supplies. December Oman flipped into negative territory to trade at -7¢/b to the MOG, yet December Murban remained at a 10¢/b premium following a buying spree for winter stockpiling amid seasonal demand for naphtha and middle distillates. The widened Brent/Dubai spread also contributed to the firming of differentials. Nevertheless, extra supply amid bearish demand sentiment pushed the market lower towards the end of the month. Oman traded at a 10¢/b discount while Murban was valued at minus 20-30¢/b.

Graph 6: Dated Brent spread to Dubai



Asian market

Tightened supply of regional crude amid seasonal demand kept premiums firm

The Asia/Pacific crudes emerged in a bullish note on strong demand for sweet grades amid placed November loading barrels and Thailand's TPI buy-tender. In the first week, Indonesia's November Minas was assessed at a premium of $0.95¢-1.00/b to the ICP while November Tapis was sold at 50¢/b to the APPI, compared to the previous level of a $1/b premium. Moreover, utilization rates at nuclear plants were low as Japan's TEPCO plans to buy more oil for thermal power generation than it originally intended. Hence, Minas was assessed at $1.10/b to the ICP in the second week amid higher domestic refinery utilization rates. The bullish momentum was halted by the 60% decrease in buying interest from Indonesia's Pertamina, which caused concern of an overhang of Asia/Pacific crude for December loading. Nevertheless, strong margins helped the bulls to revive as December Tapis was sold at $1.10/b to the APPI in the third week with Minas at $1.45/b to the ICP. Sentiments strengthened further on continued stockpiling of winter fuels amid seasonal naphtha demand for petrochemical plant feedstocks. Minas was assessed at a higher level of around $1.70/b to the ICP. The tightly supplied market continued to exert an upward pressure on the regional crude. Malaysia's December Mutineer Exeter crude was sold at a premium of around $1.70-2.00/b to APPI. The Brent/Dubai Exchange For Swap (EFS) widened towards month-end diminishing the flow of slower rival grades bound eastward.

Table 1: OPEC Reference Basket and selected crudes, US$/b

			Year-to-date average	
	Sep 05	Oct 05	2004	2005
OPEC Reference Basket	**57.88**	**54.63**	**35.74**	**50.38**
Arab Light1	57.63	54.65	34.40	49.81
Basrah Light	55.68	51.39	34.27	48.29
BCF-17	50.79	47.51	na	40.21
Bonny Light1	65.60	60.74	37.57	55.29
Es Sider	60.39	58.25	35.93	51.93
Iran Heavy	55.10	51.73	32.99	47.57
Kuwait Export	54.60	51.76	33.79	48.40
Marine	58.37	55.80	33.73	49.78
Minas1	60.27	58.64	36.99	53.98
Murban	62.68	59.30	36.03	53.54
Saharan Blend1	63.30	59.48	37.69	54.18
Other Crudes				
Dubai1	56.41	54.20	33.47	48.74
Isthmus1	59.92	55.64	36.69	49.98
T.J. Light1	53.87	51.48	33.35	45.83
Brent	62.75	58.75	37.59	54.08
W Texas Intermediate	65.28	62.67	40.49	56.02
Differentials				
WTI/Brent	2.53	3.92	2.90	1.94
Brent/Dubai	6.34	4.55	4.12	5.34

Note: As of the 3W of June 2005, the price is calculated according the current basket methodology that came into effect on June 16, 2005. BCF-17 data available only as of March 1, 2005.

[1] Previous Basket Components: Arab Light, Bonny Light, Dubai, Isthmus, Minas, Saharan Blend and T.J. Light

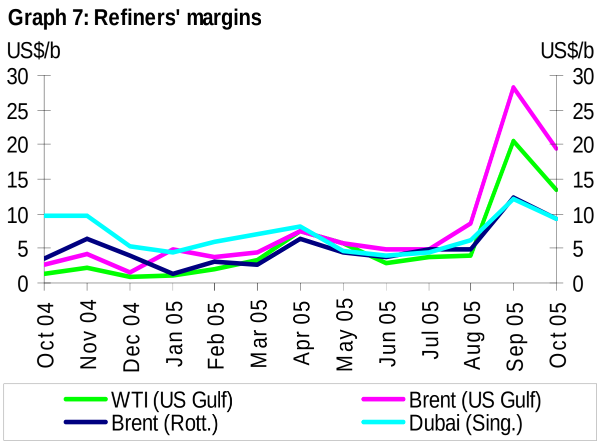
na not available

Source: Platt's, Direct Communication and Secretariat's assessments.

Product Markets and Refinery Operations

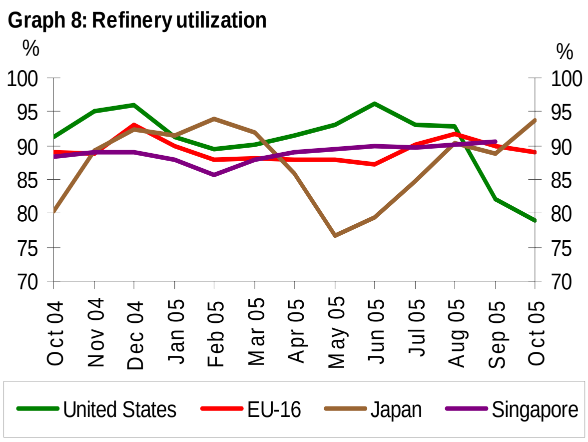
Mild weather across the board put pressure on product prices in October

Positive developments in the US refining industry and natural gas output, combined with the resolution of a strike at Europe's biggest refinery and slowing Asian demand over the last couple of weeks, triggered bearish sentiment in the product markets. Recently, this situation has been further exacerbated by the mild winter, particularly in the US Northeast, which resulted in a significant drop in product prices and refinery margins across the globe from the previous month.



As Graph 7 shows, refinery margins for Brent benchmark crude oil in Rotterdam plummeted by \$3.18/b or 25% in October compared to the previous month. Asia experienced the same trend as the Dubai benchmark margin in Singapore dropped by about \$2/b or 16%. In the US Gulf Coast, despite the earlier strength of product prices against crude, the WTI benchmark margin plummeted by \$7.07/b or 34.5% to stand at \$13.40/b in October. More recently, lower prices for various products have caused refinery margins in the USA to decline further in tandem with other markets. **Despite the recent declines, refinery margins still look healthy and could lend support to crude demand.**

Furthermore, as the US market remains short of middle distillates, a cold snap could reverse the current bearish sentiment and provide support for both product and crude prices.



Refinery utilization rates improved in October

Apart from the product market movements mentioned above, there were some positive developments in the US refining industry as a major part of the hurricane-affected capacity has recovered, although some 850,000 b/d of capacity remains offline. While utilization rates surged to 78.9% from below 70.0% in late September, this is still low in historical terms for this time of the year.

As Graph 8 reflects, the utilization rates in Japan rose by 5% in October from the previous month to reach 83.8%. In Europe, utilization rates remained at around 90%.

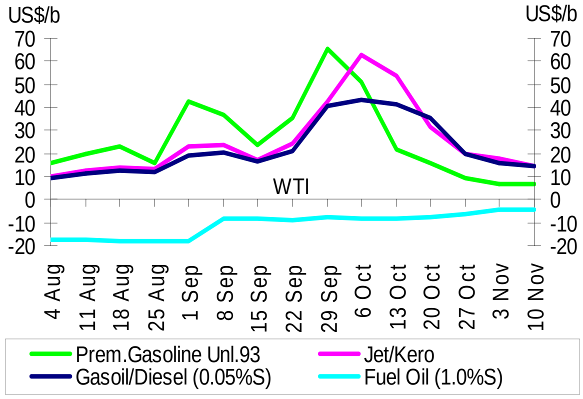
US market

Gasoline prices slid to below pre-Katrina levels

Following Hurricane Katrina, most market players and analysts focussed their attention on low gasoline stocks in the USA which raised fears of a gasoline shortfall. This concern was reflected in gasoline prices which diverged sharply from crude prices early in the month following Hurricane Katrina**. But with the recovery of the US refining industry and the maximization of gasoline output, as well as high imports and relative slow-down in US gasoline demand, the market sentiment changed, and the earlier strength of gasoline has diminished significantly. Market participants have consequently switched their attention to developments in the heating oil market.**

As Graph 9 indicates, the gasoline crack spread in the US Gulf Coast against WTI crude oil has dropped from above $60/b to around $15/b in late October. Gasoline demand in the USA recently soared to over 9 mb/d, but has failed to lift prices due to improving inventory levels.

Graph 9: US Gulf crack spread vs. WTI



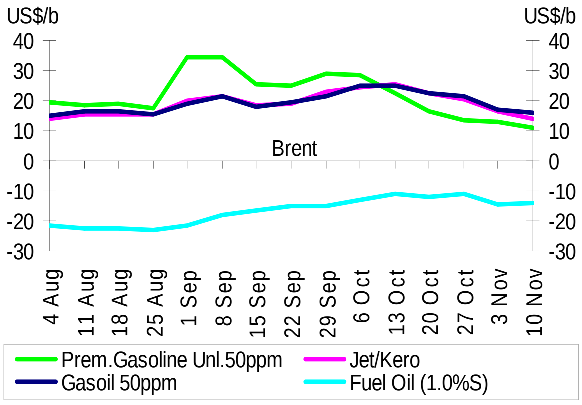
In the USA, middle distillates have taken over the driver's seat of the market since early October as a contra-seasonal stock-draw over the last few weeks has heightened supply fears for the coming winter and lent support to heating oil prices. The recent warm weather in the US Northeast has put pressure on crude and product prices, but due to rising demand and a possible shortage of natural gas, a cold snap could trigger the new upward trend for distillate prices over the next months. As of the end of October, natural gas storage in the USA has been 4% below last year, while about 50% of US Gulf Coast gas output has remained shut in. Similarly, low sulphur fuel oil prices have been supported by the impact of Hurricane Wilma, which forced the closure of a key storage and blending hub in the Bahamas, as well as higher demand from utility plants.

European market

Unfavourable arbitrage opportunities to the USA undermined the bullish sentiment of the European market

The resumption of operations following temporary strikes at Total and Shell refineries, the completion of autumn maintenance and the flow of Baltic and Asian export barrels to Europe, have combined with the lack of export arbitrage opportunities to the USA due to high freight rates to put pressure on various product prices in Europe. As Graph 9 shows, the crack spread for the barrel complex cut against Brent benchmark has slid since the middle of October. This situation was worse for gasoline, as the end of seasonal demand caused its spread to fall even further.

Graph 10: Rotterdam crack spreads vs. Brent



Similarly, unseasonably mild weather depressed heating oil demand across Europe amid ample supplies. The diesel market was also very sluggish both in North-West Europe and the Mediterranean area. With regard to jet/kerosene, the market is facing the same bearish momentum due to ample supplies from the Middle East. However, with the emergence of cold weather and the improvement of westbound arbitrage opportunities, the middle distillate market should recapture part of its recent losses.

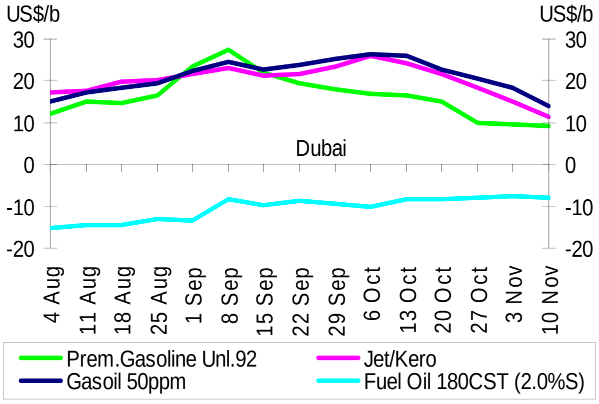
The European fuel oil market was also supported by export opportunities to the USA in early October, but warm weather in Southern Europe, along with reduced arbitrage opportunities to the USA and Asia-Pacific, have recently dampened both the low- and high-sulphur fuel oil market in Europe and widened the discounted crack spread between the bottom of the barrel complex and benchmark Brent.

Slowing demand in Indonesia and Vietnam dampened the Asian product market

Asian market

In early October, the Asian market was supported by favourable arbitrage opportunities to the west. However, since then, these opportunities disappeared due to high freight rates for clean product carriers. Additionally, high stocks of jet/kerosene in Japan and South Korea further deteriorated the bullish sentiment of the middle distillate market and reduced earlier gains for the middle of the barrel complex. **Likewise, as mentioned previously, the trimming of demand in Indonesia due to the removal of a major part of the subsidy by the government has fuelled the bearish sentiment of the middle distillate market in Asia.**

Graph 11: Singapore crack spreads vs. Dubai



Apart from middle distillates, gasoline has also lost ground in Asia due to lack of exports to the USA and falling regional demand. But the market for naphtha was relatively firm because of tighter supplies from the Middle East and stronger demand from Northern Asia.

As far as high sulphur fuel oil is concerned, the market sentiment in Singapore remained strong due to persistent market tightness and high demand for bunkers. As Graph 11 reveals, the crack spread of high-sulphur fuel oil against the Dubai benchmark narrowed to around -$7/b in late October from nearly -$10/b in late September. However, due to increasing arbitrage cargoes to Asia, the spread may lose its current strength in the coming months.

Table 2: Refined product prices, US$/b

		Aug 05	Sep 05	Oct 05	Change Oct/Sep
US Gulf (Cargoes):					
Naphtha		75.76	85.48	67.53	-17.95
Premium gasoline	*(unleaded 93)*	87.24	107.88	83.30	-24.58
Regular gasoline	*(unleaded 87)*	81.71	98.68	76.01	-22.67
Jet/Kerosene		78.89	94.17	100.45	6.28
Gasoil	*(0.05% S)*	77.41	91.41	95.20	3.79
Fuel oil	*(1.0% S)*	47.06	57.04	55.02	-2.02
Fuel oil	*(3.0% S)*	39.58	43.86	42.64	-1.22
Rotterdam (Barges FoB):					
Naphtha		69.12	74.77	71.56	-3.21
Premium gasoline	*(unleaded 50 ppm)*	84.28	92.35	77.64	-14.71
Premium gasoline	*(unleaded 95)*	75.64	82.82	69.44	-13.38
Jet/Kerosene		79.78	83.78	81.27	-2.51
Gasoil/Diesel	*(50 ppm)*	80.15	83.28	81.54	-1.74
Fuel oil	*(1.0% S)*	41.70	46.70	46.94	0.24
Fuel oil	*(3.5% S)*	39.25	41.86	39.98	-1.88
Mediterranean (Cargoes):					
Naphtha		58.32	62.01	58.43	-3.58
Premium gasoline	*(50 ppm)*	83.45	88.35	75.86	-12.49
Jet/Kerosene		78.44	81.90	78.81	-3.09
Gasoil/Diesel	*(50 ppm)*	80.97	84.73	81.66	-3.07
Fuel oil	*(1.0% S)*	43.55	48.43	45.39	-3.04
Fuel oil	*(3.5% S)*	37.73	41.43	39.15	-2.28
Singapore (Cargoes):					
Naphtha		58.17	61.73	57.80	-3.93
Premium gasoline	*(unleaded 95)*	73.19	79.40	69.10	-10.30
Regular gasoline	*(unleaded 92)*	72.52	78.39	67.91	-10.48
Jet/Kerosene		75.84	79.16	75.71	-3.45
Gasoil/Diesel	*(50 ppm)*	74.92	80.77	77.28	-3.49
Fuel oil	*(180 cst 2.0% S)*	42.39	47.35	45.42	-1.93
Fuel oil	*(380 cst 3.5% S)*	41.35	46.68	45.78	-0.90

Table 3: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Aug 05	Sep 05	Oct 05	Oct/Sep	Aug 05	Sep 05	Oct 05	Oct/Sep
USA	15.59	13.78 R	13.23	-0.55	92.9	82.1 R	78.9	-3.20
France	1.78 R	1.70	1.67	-0.03	91.1 R	87.3	85.7	-1.60
Germany	2.43 R	2.39	2.30	-0.09	104.8 R	102.7	98.8	-3.90
Italy	1.91 R	2.00	1.91	-0.09	82.5 R	86.0	82.2	-3.80
UK	1.69 R	1.68 R	1.65	-0.03	92.6 R	90.7 R	90.3	-0.40
Eur-16	12.73 R	12.50 R	12.37	-0.13	91.7 R	90.4 R	89.1	-1.30
Japan	4.25 R	4.18 R	4.42	0.24	90.3 R	90.0 R	93.8	3.80

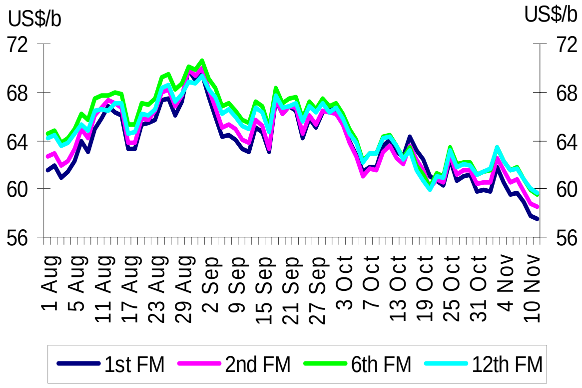
R *Revised since last issue.*
Sources *OPEC statistics; Argus; Euroilstock Inventory Report/IEA.*

The Oil Futures Market

Concern over slow recovery in the US Gulf Coast downstream amid the perception that higher oil prices might erode demand helped futures prices to drift lower in October

The oil futures market in October continued the previous month's downward trend on the continued availability of crude from emergency stockpiles and the easing of gasoline demand which was 2.6% lower in September compared to the previous year's level. The weak sentiment was also inspired by the slow recovery oil operations in the Gulf of Mexico and a refinery strike in France which helped to ease sentiment for demand. The Nymex WTI front-month closed \$3.17 or nearly 5% lower than the pervious week. As a result, non-commercials continued to increase their short positions at a much faster rate than their longs, increasing the net short position to 27,250 contracts. At the same time, open interest saw a healthy build of nearly 15,000 lots to close at 866,000 contracts. **The bearishness continued due to the strike in France amid slower demand from US refiners, which triggered profit-taking as investors saw the market trending lower due to high gasoline pump prices.** At the same time, prices received some support from the IEA report which revised down expected non-OPEC supply for the fourth quarter while revising upward its global demand growth for the coming year kept some floor for the futures market. The Nymex front-month contract prices for the second week slipped a marginal 37¢ to \$63.53/b. The CFTC report for the second week revealed that the non-commercials increased shorts by a marginal 1,700 lots while reducing longs by a substantial 12,000 contracts. As a result, **net shorts rose to 40,500 lots, the highest level since September 2003.** Open interest was down by a hefty 14,000 lots to 852,000.

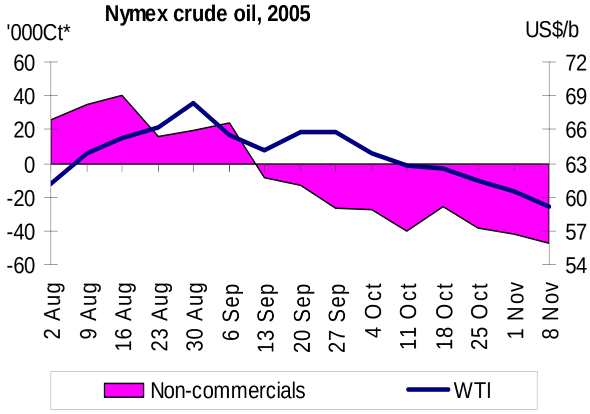
Graph 12: Nymex WTI futures contracts, 2005



FM = future month

In the third week, the EIA echoed the bullish revisions to global demand and non-OPEC supplies. However the upward momentum was short-lived due to continued crude oil supply in the US market amid a higher than anticipated build in natural gas underground storages and the improved prospects for recovery in oil operations in the US Gulf Coast as Hurricane Wilma spared the oil installations. Nymex WTI prompt month futures prices edged 33¢ lower. The CFTC's weekly data revealed that non-commercials increased longs by a considerable 17,000 lots while the shorts saw a moderate build of 2,500 lots. As a result, net short positions narrowed to 26,000 lots, while open interest saw a healthy build of some 14,500 lots to 860,000. The market was calmed by the IEA's announcement that it would complete its emergency stockpile release amid continuously rising natural gas stocks. Moreover, the **perception that high oil prices would erode global energy demand kept the bears alive** in the final week. Although concern over winter fuels ignited the bulls in the marketplace, another strong build in the US crude oil stocks helped to counter any further upward trend. The Nymex prompt month closed 76¢ lower at \$62.44/b. The CFTC's report for the final week showed that non-commercials reduced long by a marginal 3,200 **while increasing shorts by a moderate 8,700 lots to 158.700, the widest level so far**. Hence, the net short positions widened to 38,000 while open interest plunged a hefty 43,000 lots to 817,000 contracts. On a monthly basis, open interest averaged 134,000 contracts higher than the same period last year at 849,000 contracts, which was still 18,000 lots lower than in September. The Nymex front-month averaged \$62.27/b, representing a drop of \$3.25 or 5% from September.

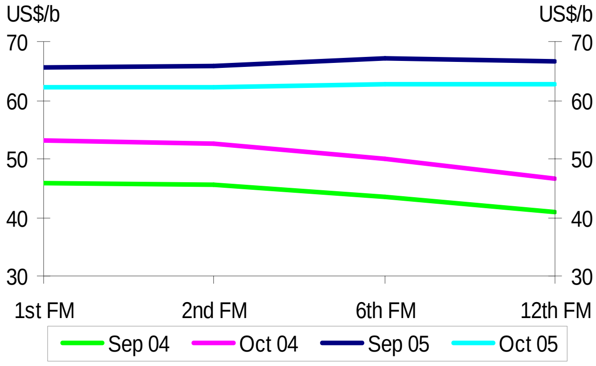
Graph 13: Futures Commitment of traders report Nymex crude oil, 2005



Although forward structure flipped into backwardation for the first time in a year, ample supplies retained the contango structure in the further forward months.

The forward structure fell into **backwardation for the 1st/2nd month with October's monthly average at plus 19¢/b compared to minus 36¢ in September.** Moreover, the 2nd/3rd and 3rd/4th spreads also moved momentarily into backwardation in mid-month, with the 1st/2nd month spread flipping back into contango in the last decade of the month with the emergence of the new prompt month. **Crude oil stocks in the USA averaged 313.5 mb in October, nearly 5 mb over September**, amid higher imports and lower refinery utilization rates due to the hurricanes. Hence, the 1st/6th and 1st/12th month spreads remained in a contango of 50¢ and 33¢/b, representing a respective drop of $1.09 and 73¢ from September. As a comparison, in the forward structure for the same period **last year, the 1st/2nd month spread was in wide backwardation of 46¢ with the 1st/6th month spread at $2.97/b** while the weekly crude oil inventory average stood at 281 mb for the month.

Graph 14: Nymex WTI forward curve



FM = future month

The Tanker Market

OPEC spot fixtures increased further in October due to higher demand

OPEC spot fixtures continued to increase in October for the second consecutive month to average 15.82 mb/d, which corresponds to growth of 1.35 mb/d or 9% from September and 0.7 mb/d from a year earlier. **In the last two months, OPEC spot fixtures have displayed a substantial cumulative growth of nearly 3.3 mb/d.** Despite the increase, OPEC's share of total spot fixtures stood at 64% compared to 66% in the previous month and 68% the year before. Contrary to September, Member Countries outside the Middle East were the main contributors to the growth in OPEC spot fixtures, adding 1.26 mb/d, while Middle Eastern countries contributed only 0.1 mb/d. In the Middle East, eastbound long-haul fixtures increased by 0.12 mb/d to 5.89 mb/d, while westbound fixtures showed a minor decline of 1% to average 2.14 mb/d. Total Middle Eastern east-/westbound fixtures averaged 8 mb/d, almost 0.5 mb/d lower than a year earlier, compared to 7.8 mb/d from the rest of OPEC, the highest level since December 2004. The significant growth in non-Middle East fixtures reflects the increasing trade of light and sweet crudes, especially from Africa. It also indicates that the share of spot fixtures is lower in Middle Eastern global fixtures. This leaves the Middle East east- and westbound share of OPEC fixtures at 51% in October compared to 55% in the previous month and a year earlier. However, non-OPEC spot fixtures increased more rapidly, showing a growth of 1.46 mb/d or 19% to average 9 mb/d, which corresponds to 1.8 mb/d more than a year earlier. Following this significant growth, non-OPEC share in total spot chartering moved up to 36% against 34% in the previous month and 32% a year earlier. Consequently, **total OPEC and non-OPEC spot fixtures displayed a combined increase of 2.81 mb/d, the highest growth in the last nine months, to average 24.87 mb/d**. Compared to the same month last year, total spot fixtures were almost 2.5 mb/d higher. Estimated sailings from OPEC countries showed a slight increase of 0.09 mb/d, reversing the drop of the two previous months, to settle at 25.32 mb/d, which was 2.4 mb/d higher than a year earlier. **Sailings from Middle Eastern countries increased sharply by 0.71 mb/d to reach a high level of 19.28 mb/d, which was almost 2 mb/d higher than the October 2004 level,** reflecting to some extent the spike in Middle Eastern fixtures during the previous month. Preliminary data of arrivals at the main consuming regions displayed a significant increase to the US Gulf and Euro Mediterranean region. **Arrivals at the US Gulf and US East Coasts as well as the Caribbean surged by 0.95 mb/d, the highest level since February, to average 10.71 mb/d.** The large growth in this region was spurred by high imports from the USA, especially of products in the aftermath of the hurricanes that hit the US Gulf Coast, in order to compensate for the loss in the refining capacity. It is estimated that product imports doubled to 1.8 mb/d in October, with gasoline imports averaging 0.4 mb/d against 0.1 mb/d in August. Similarly, **arrivals in the Euromed soared by 0.83 mb/d or 20% to average 5.27 mb/d, the highest level since March 2003**. However, arrivals in North-West Europe remained almost stable at 8.34 mb/d, while arrivals in Japan fell by 0.57 mb/d to average 3.88 mb/d. Arrivals in the main consuming regions were all higher, except for Japan where they dropped 0.22 mb/d, compared to a year earlier.

Table 4: Tanker chartering, sailings and arrival, mb/d

	Aug 05	Sep 05	Oct 05	Change Oct/Sep
Spot Chartering				
All areas	19.64	22.06	24.87	2.81
OPEC	12.53	14.47	15.82	1.35
Middle East/east	4.95	5.77	5.89	0.12
Middle East/west	1.16	2.16	2.14	-0.03
Sailings				
OPEC	25.63	25.24	25.32	0.09
Middle East	18.71	18.57	19.28	0.71
Arrivals				
US Gulf Coast, US East Coast, Caribbean	9.91	9.76	10.71	0.95
North West Europe	7.94	8.35	8.34	-0.01
Euromed	4.87	4.44	5.27	0.83
Japan	4.14	4.45	3.88	-0.57

Source: "Oil Movements" and Lloyd's Marine Intelligence Unit.

Tanker market continued its upward trend, supported by a spike in trade

The strong upward trend in the crude oil tanker market continued, driven by the lack of tonnage availability, especially in the **Suezmax and Aframax sectors, which saw spot freight rates almost double between August and October.** The limited number of available vessels was largely due to a brisk surge in US imports following the hurricanes in the US Gulf Coast. In addition, congestion in US ports and imports from far away sources put more pressure on the availability of tonnage by tying-up vessels for longer voyages. In the VLCC sector, freight rates on the Middle East eastbound and westbound long-haul routes gained 18 and 16 points or 20% to reach monthly averages of WS107 and WS99 respectively. Except for 2004, October freight rates were the highest for the month since 2000. Consequently, modern VLCC owners enjoyed spot rates of more than $60,000 per day on average in October against $41,000 per day in the previous month and $29,000 per day in August 2005. Freight rates for VLCCs moving from the Middle East continued to increase in the beginning of November and approached the extremely high level of WS180 on the eastbound route and WS160 for cargoes moving to the US West Coast, reflecting the strong activity of trade from Asian countries to the USA. The Suezmax sector displayed higher gains compared to the VLCC sector in October, with spot rates jumping by almost 60%. Both routes, **West Africa/US Gulf Coast and NW Europe/US East and Gulf Coasts, improved by more than 70 points to average WS198 and WS193, respectively, their highest levels so far this year. This significant increase is due to high US imports of light sweet crude from Africa and North-West Europe to compensate for the loss of US Gulf of Mexico output following the hurricanes.** In term of dollars per day, modern Suezmax spot rates averaged more than $61,000 per day in October, compared to $32,000 per day in September and $24,000 in August. Similarly, **in the Aframax sector, freight rates firmed further, especially for tankers moving from the Mediterranean to North-West Europe and from the Caribbean to the US West Coast, where they surged by more than 75% or 173 and 109 points respectively** to settle at monthly averages of WS391 and WS255, their highest levels so far this year. In the Caribbean, freight rates were even higher, gaining 54 points or 16% over the previous October, which reflects the substantial increase in activity ahead of the winter season in the Northern hemisphere. On the Indonesia/US West Coast route freight rates saw the fourth consecutive steady gain surging sharply by 62 points or 40% to settle at a monthly average of WS221. On the routes within the Mediterranean, freight rates recovered from their previous low levels by gaining 48 points to settle at an average of WS233, the highest level since January. The surge on the routes within the Mediterranean was spurred by the short strike in the port of Lavera in France and delays in the Dardanelles/Bosporus straits due to bad weather.

Table 5: Spot tanker freight rates, Worldscale

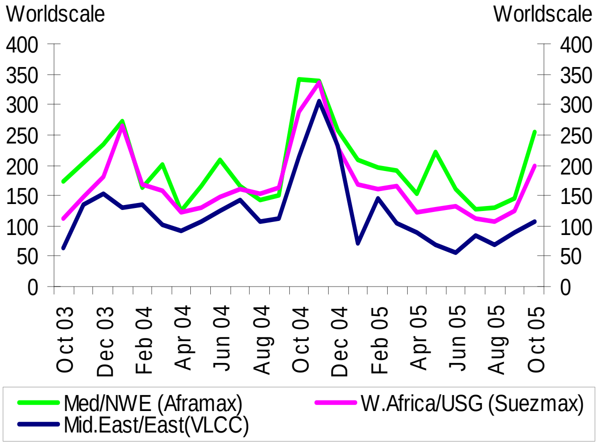
	Size *1,000 DWT*	**Aug 05**	**Sep 05**	**Oct 05**	**Change Oct/Sep**
Crude					
Middle East/east	200–300	69	89	107	18
Middle East/west	200–300	63	83	99	16
West Africa/US Gulf Coast	100–160	106	126	198	72
NW Europe/USEC - USGC	100–160	101	123	193	70
Indonesia/US West Coast	70–100	141	159	221	62
Caribbean/US East Coast	40–70	184	218	391	173
Mediterranean/Mediterranean	40–70	184	185	233	48
Mediterranean/North-West Europe	70–100	130	146	255	109
Products					
Middle East/east	30–50	280	310	490	180
Singapore/east	25–30	319	440	559	119
Caribbean/US Gulf Coast	25–30	203	366	403	37
NW Europe/USEC - USGC	25–30	216	398	428	30
Mediterranean/Mediterranean	25–30	188	259	377	118
Mediterranean/North-West Europe	25–30	195	256	385	129

Source: Galbraith's Tanker Market Report as well as other relevant industry publications.

Product freight rates firmed further due to the shortage of clean tankers

The product tanker market remained very bullish with freight rates rising significantly to reach extremely high levels on the back of healthy activity spurred by strong US imports as more than 800,000 b/d of refining capacity remaining shut in the Gulf Coast due to hurricane damage. In addition, growing demand from Asia also has helped freight rates to move up rapidly**. Freight rates for shipments of 30,000-50,000 dwt on the Middle East/East route rose by 180 points or 60% to average WS490** due to large naphtha cargoes moving from the Middle East to the East. Similarly, in the Far East, the Singapore/East route saw freight rates gaining 119 points to settle at a monthly average of WS559, while freight rates for cargoes trading in the Caribbean and in the Atlantic Basin displayed moderate increases of around 10% after having increased by more than 80% in the previous month. Rates on the Caribbean/US Gulf Coast route gained 37 points to average WS403, whilst on the NW Europe/US East and US Gulf Coasts routes, rates increased by 30 points to a monthly average of WS428. However, freight rates within the Mediterranean and from there to NW Europe moved further upward gaining 118 and 129 points to average WS377 and 385 respectively, due to a shortage of tonnage which was exacerbated by the strike in Lavera. **With these significant increases, freight rates were between 33% and 68% higher than the previous October levels, depending on the route.**

Graph 15: Monthly averages of crude oil spot freight rates



World Oil Demand

World oil demand in 2005 is projected to rise by 1.18 mb/d or 1.4% to average 83.3 mb/d

Forecast for 2005

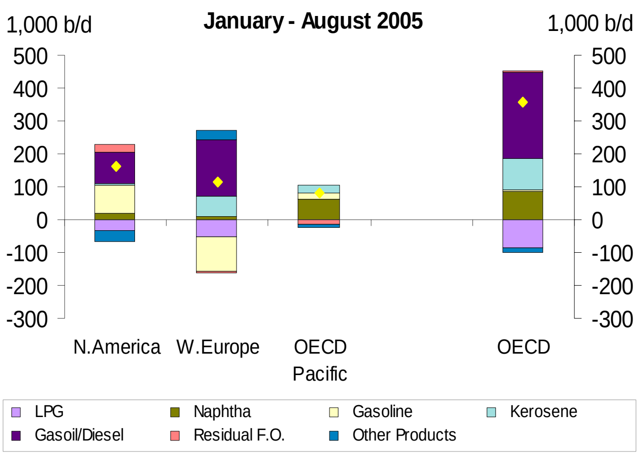
Following six consecutive monthly downward revisions, world oil demand has shown signs of recovery in the last couple of months. **According to the latest data available for the first three quarters of the year and projections for the remaining three months, world oil demand is projected to grow by 1.18 mb/d or 1.4% to average 83.3 mb/d for the whole of 2005.** The slightly higher figures which, for now, indicate that we were right to refute last month's presumption of "demand destruction" are supported by vigorous preliminary growth data from developing countries, a brighter outlook for the world economy particularly for the USA and OECD Pacific countries, and a rebound in Chinese apparent demand. According to the data at hand for the first two quarters of the year, developing countries oil demand rose by 0.88 mb/d and 0.68 mb/d respectively, and third-quarter growth, although slightly lower, points to a rise in oil demand of around 0.6 mb/d. In simple terms, if these figures — which are subject to further revisions — materialize and demand does not drop substantially in the last quarter of the year, the contribution by developing countries would make up two thirds of projected world oil demand growth for 2005. Nonetheless, past experience shows that by now with the approach of the end of the year, first-semester figures are relatively stable, while third-quarter data might still be subject to sizeable revisions in either direction.

Recent policy changes in some developing countries, especially in Asia, which are designed to alleviate the enormous burden on national budgets and trade balances from high international oil prices, might have a considerable impact on demand growth, similar to the sharp decline in Indonesia's domestic demand during October following the huge rise in domestic product prices. The present outlook for the world economy paints a more optimistic picture. World GDP is projected to rise by 4.3% in 2005, an upward revision of 0.1% from the previous estimate. GDP figures were revised up in many regions, including North America, OECD Pacific, non-OECD Asia, Middle East and China where the latest forecast calls for a 9.1% GDP rise compared to 8.8% last month. Finally, there are indications that Chinese demand has started to pick up. Following several months of inventory draws the Chinese government has ordered refiners to increase runs and replenish inventories to at least 10-15 days of forward coverage – in some provinces stocks have been run down to just above three days of forward consumption. At the same time effective 1 September the government suspended an 11% export rebate for gasoline and naphtha shipments. All these measures are designed to avoid a repetition of the fuel shortages that spread in some areas, especially in the south, during August. The combination of lower exports, the need for inventory replenishment, the end of the year when China ramps up imports ahead of the Chinese New year and a healthier economic outlook signal a recovery in China's apparent demand.

OECD

Oil demand in OECD countries is projected to rise by 0.33 mb/d or 0.7% to average 49.8 mb/d in 2005. This growth is very similar to the oil requirements observed for the period January-August for which fairly good data is available. According to the latest figures at hand, OECD total oil requirements for the first eight months of the year rose by 0.36 mb/d, which translates into a y-o-y change of 0.8% and a period average of 45.8 mb/d. Not surprisingly gasoil/diesel requirements rose by 0.27 mb/d or 2.2% during the eight-month period with most of the increase originating in Western Europe followed by North America. Kerosene and naphtha requirements grew by 0.1 mb/d or 2.3% and 0.08 mb/d or 2.8% respectively during the period. Gasoline requirements show almost no growth as the modest rise in North American consumption was offset by the continued decline in demand in Western Europe. LPG consumption shrank by 0.09 mb/d or 1.8% as high gas prices have induced substitution wherever possible. LPG

Graph 16: OECD - Growth of total requirements by component



consumption suffered the biggest relative decline in Western Europe falling 5.2%, although consumption also dropped 1.2% in North America. Residual fuel oil requirements for the period January-August increased a marginal 0.02% underpinned by a rise in consumption in North America, while consumption fell by 0.5% in Western Europe and by 2% in OECD Pacific.

Table 6: World oil demand forecast for 2005, mb/d

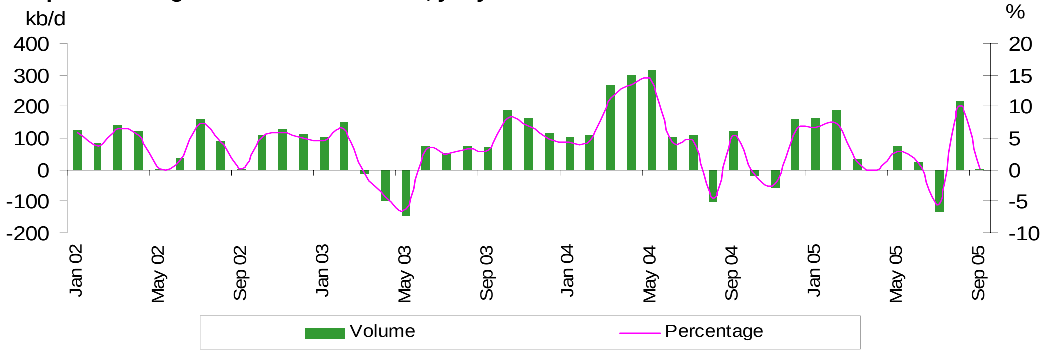
	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 2005/04 Volume	%
North America	25.34	25.53	25.33	25.47	26.00	25.58	0.24	0.96
Western Europe	15.62	15.56	15.30	15.63	15.92	15.60	-0.01	-0.09
OECD Pacific	8.53	9.49	8.10	8.11	8.83	8.63	0.10	1.18
Total OECD	**49.49**	**50.58**	**48.73**	**49.21**	**50.75**	**49.82**	**0.33**	**0.67**
Other Asia	8.36	8.56	8.70	8.40	8.90	8.64	0.28	3.35
Latin America	4.90	4.80	4.99	5.09	5.07	4.99	0.10	1.94
Middle East	5.44	5.61	5.68	5.86	5.51	5.67	0.23	4.23
Africa	2.70	2.75	2.80	2.77	2.81	2.78	0.08	3.11
Total DCs	**21.39**	**21.72**	**22.16**	**22.12**	**22.30**	**22.08**	**0.69**	**3.22**
FSU	3.85	3.90	3.74	3.80	3.98	3.85	0.01	0.23
Other Europe	0.86	0.93	0.88	0.84	0.85	0.88	0.02	2.45
China	6.52	6.51	6.58	6.45	7.05	6.65	0.13	2.02
Total "Other Regions"	**11.22**	**11.35**	**11.19**	**11.09**	**11.89**	**11.38**	**0.16**	**1.44**
Total world	**82.09**	**83.65**	**82.09**	**82.42**	**84.93**	**83.27**	**1.18**	**1.44**
Previous estimate	82.08	83.64	82.00	82.54	84.85	83.26	1.17	1.43
Revision	0.01	0.02	0.09	-0.12	0.09	0.02	0.01	0.01

Totals may not add due to independent rounding.

Developing Countries

Developing countries demand is forecast to rise by 0.7 mb/d or 3.2% to average 22.1 mb/d for the whole of 2005. Developing countries contribution to total world oil demand growth is estimated to be approximately 60%, higher in relative terms than the 34% share in 2004 but lower compared to the nearly 1 mb/d growth seen in the group last year. This is the reason why it is so important that the assessment of developing countries captures as much as possible real demand patterns, despite the difficulties posed by the reliability, timeliness and availability of the data. On a regional basis, Other Asia demand is estimated to rise by 0.28 mb/d or 3.4% to 8.64 mb/d. The growth in this region was revised down slightly from last month’s estimate in order to capture the impact of the latest policy changes implemented in several countries including Indonesia. On a positive note, GDP data for the region came out stronger according to the latest figures. Based on upward revisions to Middle Eastern GDP data, oil demand growth has been revised slightly up to 0.23 mb/d or 4.2% to total 5.67 mb/d. Combined growth in these two regions constitutes more than 70% of the expected increase in demand in the developing countries. The remaining 30% is made up by Latin America with 0.1 mb/d and Africa where demand is forecast to rise by 0.08 mb/d in 2005.

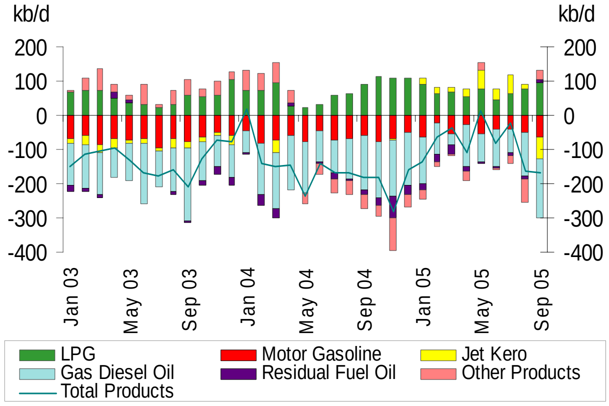
Graph 17: Changes in Indian oil demand, y-o-y



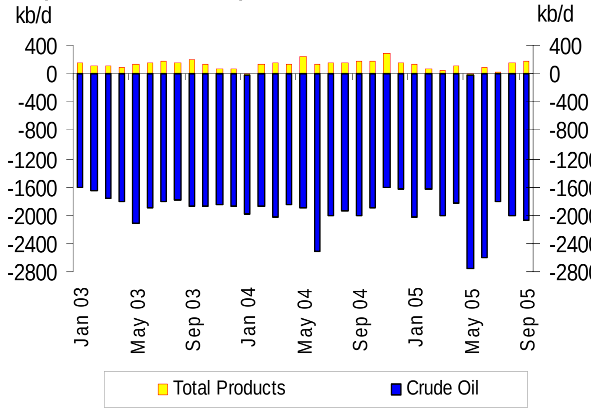
In India, a country which should be monitored closely due to its emergence as a leading oil consumer, oil demand for the period January-September 2005 grew by 0.07 mb/d or 2.5% compared to the same period last year. On a monthly basis, demand growth has been erratic.

Following a good start in January and February of this year, demand growth became negative in April and in July when it contracted by 0.13 mb/d y-o-y. The latest data shows a 5.3% rise in August followed by a flat growth in September (*see Graph 17*). On the trade side, India continues to be a net LPG importer but in November the country reverted to its status as a jet kerosene exporter, resulting in a net rise in exports of petroleum products for the month (*see Graph 18*). On the crude side, the country's imports topped the 2 mb/d mark in August and September, which was considerably lower than record-high imports of nearly 2.8 mb/d registered in May this year.

Graph 18: Indian oil net imports by major product



Graph 19: Indian oil and product net trade

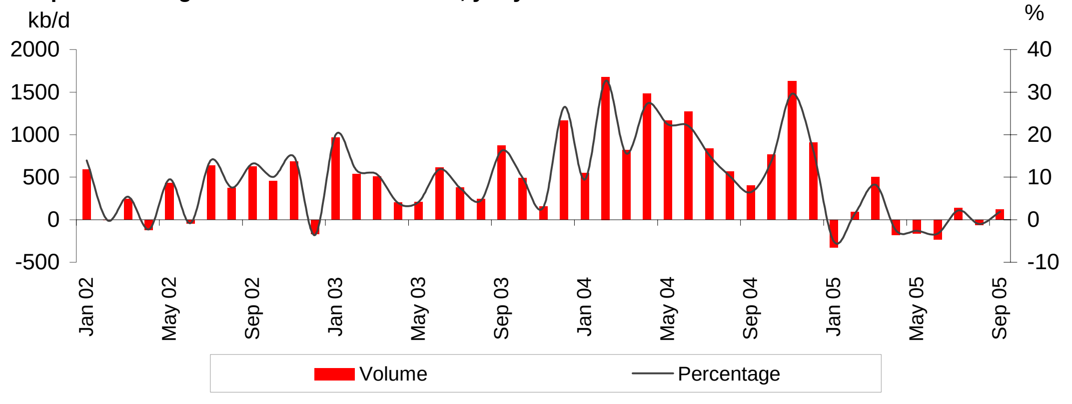


Other Regions

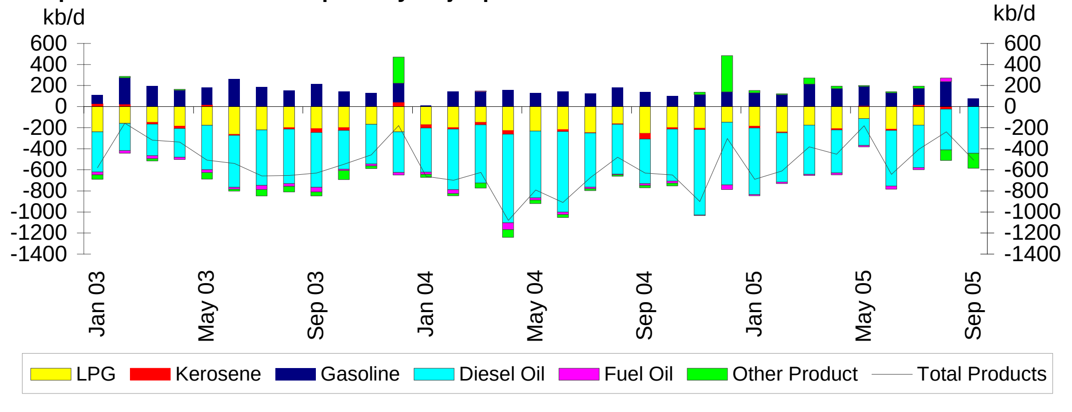
Other regions' apparent demand forecast remains almost unchanged from our last estimate. **Apparent demand is projected to rise by 0.16 mb/d or 1.5% to a yearly average of 11.4 mb/d.** The FSU, which registered an 8% y-o-y rise during the first quarter of the year, showed a reversal in the second quarter when demand fell by 0.6% y-o-y. Preliminary trade and production statistics point to a further 3.7% contraction in the third quarter of the year, and projections for the last quarter call for another y-o-y decline. Apparent consumption in the Other Europe region which comprises several central European states is projected to rise by 2.5% or 0.02 mb/d to average 0.9 mb/d. In China, which makes up nearly 70% of the group's consumption, apparent demand is estimated to rise by 0.13 mb/d or 2% to average 6.7 mb/d. This disappointing growth when compared to the nearly 1 mb/d of 2004 or the projected growth of more than 0.6 mb/d estimated for 2005 late last year is corroborated by the hard trade and production data at hand. As mentioned previously, Chinese apparent demand grew by only 4.6% in the first quarter of the year followed by an unexpected 2.8% contraction in the second quarter. Third-quarter preliminary apparent demand figures show signs of a recovery, although the hard data on production and trade does not look as optimistic as some commentators have recently stated. Apparent demand rose by 0.14 mb/d in July before falling by 0.06 mb/d in August only to recover in September when it grew by 0.12 mb/d y-o-y. For the period January-September of this year, apparent demand shows a minor 0.01 mb/d or 0.2% contraction. Therefore, the 0.13 mb/d projected for the whole of 2005 is supported by the assumption that demand will pick up in the last three months of the year and there are reasons for being optimistic.

On the one hand, the Chinese economy continues to grow at a strong pace — even by Chinese standards — with the latest data pointing to a GDP growth rate of 9.1%, much higher than previously estimated. On the other hand, in an attempt to resolve the shortages that spread through the country in August, the government has suspended an export rebate on gasoline and naphtha effective 1 September to the end of the year and will probably have it extended. As a result, gasoline exports dropped to 0.07 mb/d in September compared to an average of 0.17 mb/d from January to August. The government has instructed Chinese refiners to replenish exhausted inventories to 15 days of forward coverage and refiners have started to increase refinery runs. Crude imports picked up in September to 2.52 mb/d a level not seen since April this year. Last but not least, Chinese are bound to raise purchases late in the year ahead of the Chinese New Year.

Graph 20: Changes in Chinese oil demand, y-o-y



Graph 21: Chinese oil net imports by major product



Graph 22: Chinese oil and product net trade

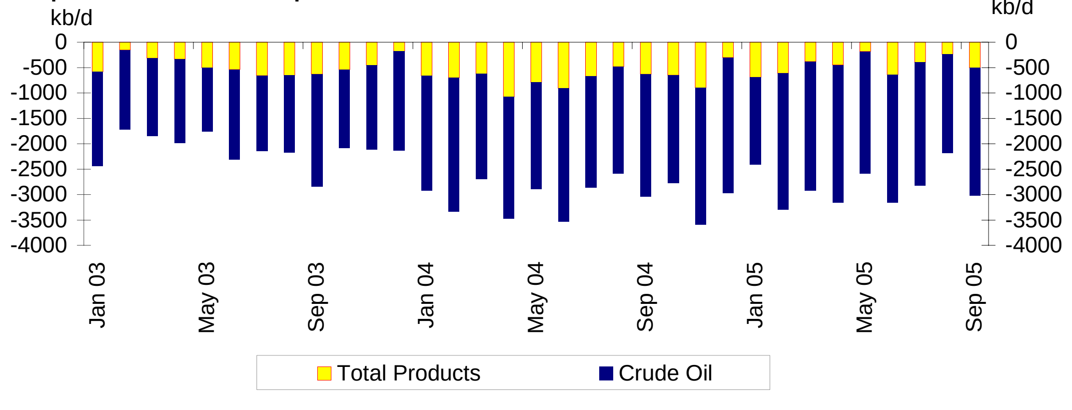


Table 7: First and second quarter world oil demand comparison for 2005, mb/d

			Change 2005/04				Change 2005/04	
	1Q04	1Q05	Volume	%	2Q04	2Q05	Volume	%
North America	25.23	25.53	0.31	1.21	25.03	25.33	0.30	1.21
Western Europe	15.66	15.56	-0.10	-0.66	15.20	15.30	0.11	0.69
OECD Pacific	9.28	9.49	0.20	2.19	7.90	8.10	0.20	2.51
Total OECD	**50.17**	**50.58**	**0.41**	**0.81**	**48.13**	**48.73**	**0.61**	**1.26**
Other Asia	8.17	8.56	0.39	4.72	8.48	8.70	0.21	2.51
Latin America	4.69	4.80	0.12	2.52	4.92	4.99	0.07	1.43
Middle East	5.32	5.61	0.29	5.35	5.39	5.68	0.29	5.33
Africa	2.66	2.75	0.09	3.52	2.69	2.80	0.11	4.21
Total DCs	**20.84**	**21.72**	**0.88**	**4.24**	**21.48**	**22.16**	**0.68**	**3.18**
FSU	3.61	3.90	0.29	8.07	3.76	3.74	-0.02	-0.57
Other Europe	0.91	0.93	0.03	3.14	0.86	0.88	0.02	2.58
China	6.23	6.51	0.28	4.58	6.77	6.58	-0.19	-2.80
Total "Other Regions"	**10.75**	**11.35**	**0.61**	**5.63**	**11.38**	**11.19**	**-0.19**	**-1.66**
Total world	**81.76**	**83.65**	**1.89**	**2.32**	**80.99**	**82.09**	**1.10**	**1.36**

Totals may not add due to independent rounding.

Table 8: Third and fourth quarter world oil demand comparison for 2005, mb/d

			Change 2005/04				Change 2005/04	
	3Q04	3Q05	Volume	%	4Q04	4Q05	Volume	%
North America	25.41	25.47	0.06	0.23	25.69	26.00	0.31	1.23
Western Europe	15.60	15.63	0.04	0.24	16.01	15.92	-0.10	-0.61
OECD Pacific	8.16	8.11	-0.05	-0.64	8.77	8.83	0.06	0.63
Total OECD	**49.17**	**49.21**	**0.04**	**0.09**	**50.47**	**50.75**	**0.27**	**0.54**
Other Asia	8.23	8.40	0.17	2.10	8.55	8.90	0.35	4.09
Latin America	5.02	5.09	0.07	1.42	4.95	5.07	0.12	2.43
Middle East	5.58	5.86	0.29	5.14	5.45	5.51	0.06	1.14
Africa	2.69	2.77	0.08	2.91	2.76	2.81	0.05	1.86
Total DCs	**21.52**	**22.12**	**0.61**	**2.83**	**21.71**	**22.30**	**0.58**	**2.69**
FSU	3.94	3.80	-0.14	-3.66	4.07	3.98	-0.08	-2.09
Other Europe	0.82	0.84	0.03	3.07	0.84	0.85	0.01	0.99
China	6.36	6.45	0.09	1.40	6.71	7.05	0.34	5.11
Total "Other Regions"	**11.12**	**11.09**	**-0.03**	**-0.27**	**11.62**	**11.89**	**0.27**	**2.29**
Total world	**81.80**	**82.42**	**0.62**	**0.76**	**83.81**	**84.93**	**1.12**	**1.34**

Totals may not add due to independent rounding.

Forecast for 2006

World oil demand estimated to average 84.8 mb/d in 2006, rising by 1.52 mb/d or 1.8% over 2005

Average world oil demand is projected to grow by 1.52 mb/d or 1.8% to average 84.8 mb/d for 2006, a slight upward revision from the last *MOMR*. The upward revision is due to a more optimistic view of the world economy for the coming year. The world's GDP growth is now projected to rise by 4.1% next year with developing economies, North America and OECD Europe showing better than previously projected rates of economic expansion.

Oil consumption is expected to rise in all major regions with the sole exception of Other Europe where demand will remain almost flat. North America, especially the USA, will contribute four fifths of demand within the OECD countries, but some growth is expected in Western Europe and OECD Pacific. Developing countries demand is projected to rise by 0.6 mb/d or 2.8% to account for approximately 40% of total estimated world oil demand growth. China will make up about one fourth of total world oil demand growth in 2006 (see Table 9). Demand is projected to rise in each single quarter on a y-o-y basis, although the typical seasonality is expected to remain to some extent. Thus, absolute demand of 83.51 mb/d in the second quarter of 2006 will drop by 1.8 mb/d with respect to the first three months of 2006, which showed 85.31 mb/b. Total world oil demand will then recover to average 83.9 mb/d in the third quarter of 2006 and by a further 2.6 mb/d to average 86.5 mb/d in the fourth quarter of next year. This preliminary assessment is subject to further adjustments as new information becomes available on key factors such as the economic growth outlook, weather conditions, unforeseen social and geopolitical events, and variations in crude and product prices.

Table 9: World oil demand forecast for 2006, mb/d

							Change 2006/05	
	2005	**1Q06**	**2Q06**	**3Q06**	**4Q06**	**2006**	**Volume**	**%**
North America	25.58	25.98	25.73	25.87	26.27	25.96	0.38	1.49
Western Europe	15.60	15.65	15.36	15.74	15.91	15.67	0.06	0.39
OECD Pacific	8.63	9.38	8.17	8.14	8.97	8.66	0.03	0.39
Total OECD	**49.82**	**51.01**	**49.25**	**49.76**	**51.15**	**50.29**	**0.48**	**0.95**
Other Asia	8.64	8.89	8.95	8.83	9.23	8.98	0.34	3.92
Latin America	4.99	4.94	5.09	5.18	5.11	5.08	0.09	1.80
Middle East	5.67	5.63	5.71	5.93	5.59	5.71	0.05	0.85
Africa	2.78	2.91	2.94	2.91	2.93	2.92	0.14	5.13
Total DCs	**22.08**	**22.37**	**22.69**	**22.85**	**22.87**	**22.70**	**0.62**	**2.80**
FSU	3.85	4.03	3.68	3.78	4.22	3.93	0.07	1.91
Other Europe	0.88	0.92	0.92	0.82	0.84	0.88	0.00	-0.05
China	6.65	6.98	6.96	6.68	7.40	7.00	0.35	5.33
Total "Other Regions"	**11.38**	**11.93**	**11.56**	**11.28**	**12.46**	**11.81**	**0.43**	**3.75**
Total world	**83.27**	**85.31**	**83.51**	**83.88**	**86.48**	**84.80**	**1.52**	**1.83**
Previous estimate	83.26	85.24	83.37	83.95	86.34	84.73	1.47	1.77
Revision	0.02	0.07	0.14	-0.06	0.14	0.07	0.05	0.06

Totals may not add due to independent rounding.

Table 10: First and second quarter world oil demand comparison for 2006, mb/d

			Change 2006/05				Change 2006/05	
	1Q05	**1Q06**	Volume	%	**2Q05**	**2Q06**	Volume	%
North America	25.53	25.98	0.45	1.77	25.33	25.73	0.40	1.58
Western Europe	15.56	15.65	0.09	0.56	15.30	15.36	0.05	0.36
OECD Pacific	9.49	9.38	-0.11	-1.15	8.10	8.17	0.07	0.82
Total OECD	**50.58**	**51.01**	**0.43**	**0.85**	**48.73**	**49.25**	**0.52**	**1.07**
Other Asia	8.56	8.89	0.33	3.87	8.70	8.95	0.26	2.94
Latin America	4.80	4.94	0.14	2.93	4.99	5.09	0.10	1.98
Middle East	5.61	5.63	0.02	0.37	5.68	5.71	0.03	0.61
Africa	2.75	2.91	0.16	5.86	2.80	2.94	0.14	5.04
Total DCs	**21.72**	**22.37**	**0.65**	**3.01**	**22.16**	**22.69**	**0.53**	**2.39**
FSU	3.90	4.03	0.13	3.21	3.74	3.68	-0.05	-1.45
Other Europe	0.93	0.92	-0.01	-1.32	0.88	0.92	0.05	5.20
China	6.51	6.98	0.46	7.10	6.58	6.96	0.38	5.78
Total "Other Regions"	**11.35**	**11.93**	**0.58**	**5.07**	**11.19**	**11.56**	**0.37**	**3.32**
Total world	**83.65**	**85.31**	**1.66**	**1.98**	**82.09**	**83.51**	**1.42**	**1.73**

Totals may not add due to independent rounding.

Table 11:Third and fourth quarter world oil demand conparison for 2006, mb/d

			Change 2006/05				Change 2006/05	
	3Q05	3Q06	Volume	%	4Q05	4Q06	Volume	%
North America	25.47	25.87	0.41	1.59	26.00	26.27	0.27	1.03
Western Europe	15.63	15.74	0.11	0.70	15.92	15.91	-0.01	-0.03
OECD Pacific	8.11	8.14	0.03	0.39	8.83	8.97	0.15	1.65
Total OECD	**49.21**	**49.76**	**0.55**	**1.11**	**50.75**	**51.15**	**0.41**	**0.80**
Other Asia	8.40	8.83	0.43	5.10	8.90	9.23	0.34	3.78
Latin America	5.09	5.18	0.09	1.70	5.07	5.11	0.03	0.68
Middle East	5.86	5.93	0.06	1.05	5.51	5.59	0.07	1.35
Africa	2.77	2.91	0.15	5.25	2.81	2.93	0.12	4.38
Total DCs	**22.12**	**22.85**	**0.72**	**3.26**	**22.30**	**22.87**	**0.57**	**2.55**
FSU	3.80	3.78	-0.01	-0.33	3.98	4.22	0.24	5.91
Other Europe	0.84	0.82	-0.02	-2.82	0.85	0.84	-0.01	-1.29
China	6.45	6.68	0.23	3.51	7.05	7.40	0.35	4.97
Total "Other Regions"	**11.09**	**11.28**	**0.19**	**1.71**	**11.89**	**12.46**	**0.57**	**4.83**
Total world	**82.42**	**83.88**	**1.46**	**1.77**	**84.93**	**86.48**	**1.55**	**1.83**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC supply growth has been revised down again following significant revisions to 3Q05 (actual data) and the forecast for 4Q05

Non-OPEC

Forecast for 2005

Non-OPEC supply in 2005 is expected to average 50.21 mb/d, representing an increase of 0.35 mb/d over the previous year, following a downward revision of 94,000 b/d to last month's figures. Non OPEC supply including OPEC NGLs and non-conventional oils is expected to average 54.50 mb/d, an increase of 0.5 mb/d. On a quarterly basis, non-OPEC supply has been revised down in the third and fourth quarters by 195,000 b/d and 191,000 b/d respectively, following downward revisions for Brazil, Kazakhstan, Norway, and Sudan which have been partially offset by upward revisions in Russia and Azerbaijan. Material baseline revisions have also been implemented in Argentina, Chad, and Gabon going back to 2004. Regarding the US Gulf of Mexico, there is no new information or compelling reasons to modify last months' assumptions for expected losses. Consequently, the 2005 production forecast for the US remains unchanged.

Table 12: Non-OPEC oil supply in 2005, mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04
North America	14.56	14.48	14.63	13.84	13.69	14.15	-0.40
Western Europe	6.14	5.98	5.71	5.57	5.73	5.75	-0.39
OECD Pacific	0.57	0.54	0.62	0.60	0.59	0.59	0.01
Total OECD	**21.27**	**21.00**	**20.95**	**20.01**	**20.00**	**20.49**	**-0.78**
Other Asia	2.59	2.71	2.69	2.65	2.78	2.71	0.11
Latin America	4.06	4.15	4.33	4.28	4.31	4.27	0.21
Middle East	1.89	1.82	1.81	1.78	1.76	1.79	-0.10
Africa	3.42	3.59	3.63	3.78	3.94	3.73	0.31
Total DCs	**11.96**	**12.27**	**12.46**	**12.49**	**12.78**	**12.50**	**0.54**
FSU	11.15	11.39	11.47	11.62	11.78	11.57	0.41
Other Europe	0.16	0.16	0.16	0.16	0.16	0.16	0.00
China	3.48	3.63	3.61	3.65	3.64	3.63	0.15
Total "Other regions"	**14.79**	**15.18**	**15.24**	**15.42**	**15.58**	**15.36**	**0.56**
Total Non-OPEC production	**48.02**	**48.44**	**48.65**	**47.93**	**48.36**	**48.34**	**0.32**
Processing gains	1.83	1.88	1.85	1.84	1.88	1.86	0.03
Total Non-OPEC supply	**49.85**	**50.32**	**50.51**	**49.77**	**50.24**	**50.21**	**0.35**
Previous estimate	49.81	50.31	50.51	49.96	50.43	50.30	0.49
Revision	**0.04**	**0.01**	**0.00**	**-0.19**	**-0.19**	**-0.09**	**-0.14**

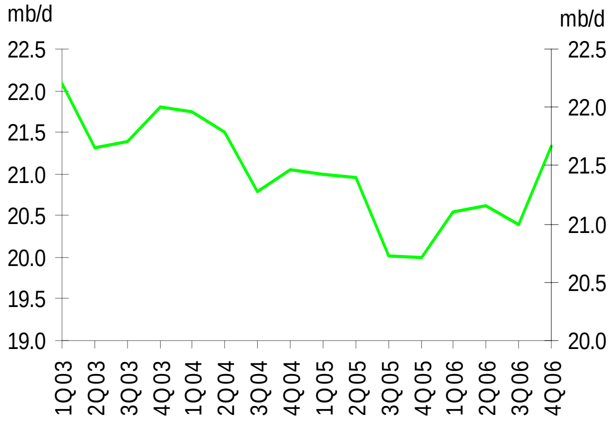
Totals may not add due to independent rounding.

Total OECD production is expected to drop 0.78 mb/d in 2005

OECD

OECD oil supply is expected to average 20.49 mb/d, which represents a decline of 0.78 mb/d versus the previous year and a downward revision of 72,000 b/d. Minor adjustments to third quarter data and significant downward revisions in Norway in the third and fourth quarters provide the basis for the adjustments in the OECD. However, it should be emphasized again that the impact of shutdowns in the Gulf of Mexico combined with underperformance in North Sea continues to be the major drag for non-OPEC supply and this uncertainty has been carried over from 2005 into 2006. A full

Graph 23: OECD's quarterly production



recovery for the OECD to pre-Katrina levels is not expected until the third quarter of 2006 as can be seen in Graph 23 and this assumes that there are no major hurricanes for that year 2006.

USA

Total US production is expected to drop 310,000 b/d in 2005 versus the previous year

Total US oil supply is expected to average 7.34 mb/d in 2005 which represents a drop of 310,000 b/d versus 2004. In fourth quarter, total US oil supply is expected to average 6.8 mb/d — the lowest level in 47 years — due to losses in the Gulf of Mexico. In the absence of new material information, last month’s assumptions for hurricane related losses have not been revised (see below). At the time of writing, approximately 0.8 mb/d remained shut in the Gulf of Mexico, most of which is in the New Orleans/Houma offshore production area, which was the hardest hit by Katrina and never fully covered before Rita arrived, and is therefore expected to see a slow return. Hurricane losses for the remainder of this year are assumed to be 1 mb/d in October, 0.75 mb/d in November and 0.4 mb/d in December. In 2006, losses should drop to 0.3 mb/d in the first quarter and 0.2 mb/d in the second, while permanent losses are expected to amount to 50,000 b/d. Average losses in October were 1.1 mb/d. Looking forward to the rest of November, we expect to see continuing improvement in production as evidenced in the most recent statistics and encouraging reports from operators. At the time of publication, average losses for the month of November stood at 0.79 mb/d. It should be noted that the sharp recovery in early November was due to the restart following 3 months of repairs of the Empire terminal which handles up to 500,000 b/d of crude produced in the Gulf of Mexico. However, the overall outlook depends on many factors, and therefore remains subject to revisions in either direction.

Mexico and Canada

Pemex has deferred some of its production

The supply forecast for Mexico and Canada remains unchanged, but Mexico’s production may under-perform in the fourth quarter. Mexican oil supply is expected to average 3.77 mb/d in 2005, which represents a drop of 70,000 b/d versus the previous year. However, it now appears (as anticipated last month) that between 50,000 to 100,000 b/d of production has been deferred in recent weeks following damages to US refinery customers, many of which will remain our of the market until the end of the year, as well as limited crude storage facilities at home and a lack of opportunities for placing heavy crude outside the USA. The forecast for the fourth quarter reflects a level that is slightly below September production of 3.79 mb/d. Taking this as a reference, and considering the complexity of the issue, it is difficult to see Mexican production improving in fourth quarter compared to our expectations or even versus September production. Looking ahead, yearly production in 2006 is expected at the same level as in 2005.

The outlook for Canada remains unchanged, with oil supply expected to average 3.05 mb/d in 2005, representing a drop of 30,000 b/d versus 2004. For a long time, we have been forecasting an increase in Canadian oil supply in the fourth quarter to 3.17 mb/d from an average of 3 mb/d in the third quarter, and this appears to be on track. Year-to-date conventional crude production has performed slightly better than expectations, up just 0.6% compared to last year. Bitumen production has been the main source of production fluctuations in 2005, although this is now on track for recovery. Conventional crude production is up despite the fact that the large Terra Nova field, which produces 125,000 b/d, has had several problems and was offline in July and from September to October.

Western Europe

The outlook for Norway has been revised down for 2005 and 2006

Following significant revision to Norwegian oil production, total oil supply in OECD Europe is expected to average 5.75 mb/d in 2005, a drop of 390,000 b/d versus last year and a negative adjustment of 72,000 b/d. Norwegian oil supply is expected to average 3 mb/d in 2005, a drop of 200,000 b/d versus 2004 and a revision of 78,000 b/d. The cumulative impact of prolonged unplanned shut-downs, deeper maintenance (which is ongoing), and production restrictions in several facilities provides the basis for this revision. Last month we indicated that the rebound in production in September may not be sufficient to arrive to the expected third quarter average much less the average for the full year. This has now turned out to be the case, resulting in a downward revision of 100,000 b/d for the third quarter. In addition, recent accidents at Asgard, Sleipner and Mikkel have led to a downward revision in fourth quarter of 209,000 b/d and for the coming year. The potential for recovery remains, but this would only take place in 2007 or 2008. On the positive side, the large Kristin gas condensate field and the Urd development are both now onstream and are expected to reach plateau by the middle of next year. In addition, the Visund field, which was shut down 4 months ago to undergo an upgrade in the gas processing facilities, is also now onstream.

The forecast for the UK remains unchanged. UK oil supply is expected to average 1.90 mb/d, which represents a drop of 190,000 b/d versus 2004. The current forecast still has some room for surprises, but the potential volume impact is expected to be immaterial. As in the case of Norway, a deeper and prolonged maintenance, combined with field deliverability issues, particularly at the largest fields, are behind the drop in production in 2005. This loss is larger than expected compared to the first forecast, but is still lower than the 240,000 b/d seen in 2004.

Asia Pacific

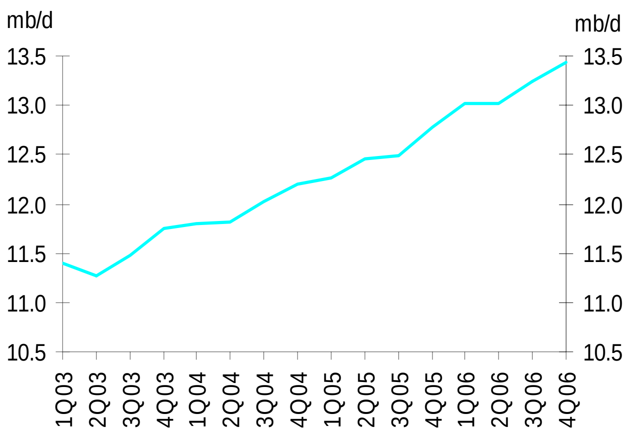
Oil supply in the Asia Pacific region is now expected to average 590,000 b/d in 2005, slightly higher than in 2004. A revision in Australian production provides the basis for the adjustment. Australian production has been revised up for the third and fourth quarters by a respective 11,000 b/d and 25,000 b/d to reflect better than expected production in the third quarter. Arguably, the recent performance of Australian fields has been much better than anticipated. We now believe that this trend, underpinned by the start up of some projects, will continue in 2006 and therefore the full year forecast for 2006 has also been revised up.

Developing Countries

Developing Countries continue to perform well, but unanticipated project delays have contributed to a downward revision this month

The outlook for the Developing Countries has been revised slightly down. Total oil supply is expected to average 12.50 mb/d in 2005, which represents an increase of 0.54 mb/d over 2004 but a downward adjustment of 33,000 b/d. The revision reflects the impact of project delays in Brazil and Sudan, base line revisions in Argentina, Chad, Gabon, and the inclusion of the latest data in several countries for the third quarter (India, Ecuador, Cuba, Yemen, Congo, Egypt, and Equatorial Guinea).

Graph 24: Developing Countries' quarterly production



The forecast for Brazil has been revised down due to delays in the start up of the giant P-50 (Albacore Leste field – 180,000 b/d) from late fourth quarter of this year to February 2006. Brazilian oil supply is likely to average 1.97 mb/b in 2005, which represents an increase of 170,000 b/d versus 2004 but a negative revision of 17,000 b/d from last month's estimate. Such delays are not uncommon in the industry and whilst the impact on production is clear, assessing the extent of the delay for many projects is not always straight forward. This is the second project in Brazil which has seen its start-up delayed from 2005 to early 2006.

The Adar Yel project in Sudan is expected to start sometime in December 2005

In Sudan, there is also a delay in the start up of the giant Adar Yel project (200,000 b/d) located in the Melut Basin. This project was originally expected to begin at the end of the third quarter, then in the middle of the fourth quarter, and now in December 2005 resulting in very little contribution to the full year average production. Sudan's oil output is expected to average between 350,000 and 360,000 b/d in 2005, an increase of 40,000 b/d versus 2004 but a negative revision of 57,000 b/d. The bulk of the revisions took place in the third and fourth quarters. The new start date of this important project is based on recent guidance from the operator and commissioning status of construction activities at the main loading and storage terminal at the Port of Sudan Area. However, once on-line, production and exports are still expected to increase fairly rapidly, building up total Sudanese oil output to around 490,000 b/d in early 2006.

Chad's production is lower than previously thought, but Gabon's production is higher

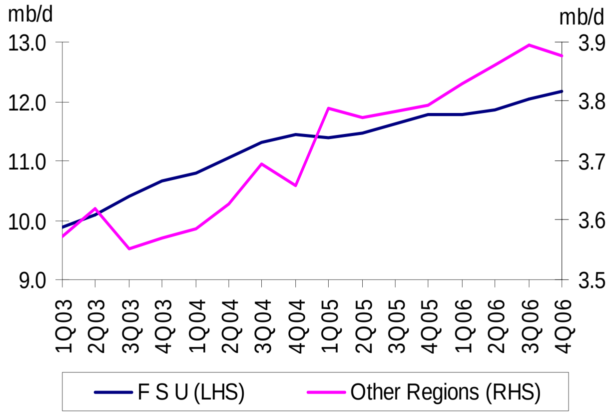
Base line revisions have been implemented in Argentina, Chad, and Gabon. The most recent data for Argentina shows a higher level of production than previously thought going back to 2004. This has resulted in an upward revision to the base which has been carried through to 2006. However, Argentinean production is still expected to drop 20,000 b/d in 2005 versus 2004 and again in 2006. In Chad, production level have been revised down for 2004, 2005, and 2006 based on confirmation that production at the Doba project (*see last month's report*) settled in the third quarter of 2004 at a level that is 45,000 b/d less than previously estimated. We expect Chadian production to remain around 180,000 b/d in 2005 and 2006 due to lack of projects and reservoir limitations. Finally, the latest assessment for Gabon's shows that oil production in 2004 was higher than estimated and continues to be higher today. A revision of 13,000 b/d in 2004 and 24,000 b/d in 2005 has been implemented. As a result, Gabon's 2005 oil production is expected to average between 250,000 b/d and 260,000 b/d. The forecast for 2006 has also been revised up, and there are indications that it could even show a modest growth by the end of next year.

Other Regions

The outlook for Russia remains unchanged with third quarter production in line with the expected trend

The outlook for the FSU remains unchanged. FSU oil supply is expected to average 11.57 mb/d, an increase of 0.41 mb/d versus 2004. The forecast for Other Regions (Other Europe and China) remains unchanged, with total oil supply expected to average 3.79 mb/d in 2005 representing an increase of 150,000 b/d from 2004.

Graph 25: FSU and other region's quarterly production

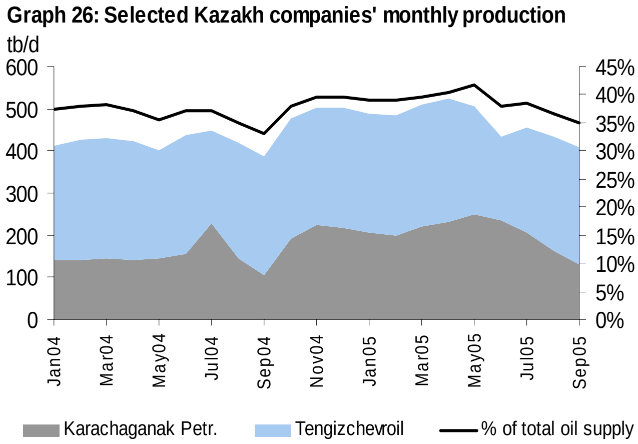


Russian oil supply is expected to average 9.42 mb/d in 2005, an increase of 230,000 b/d versus 2004 and an upward revision of 28,000 b/d. After revising down the growth outlook during much of the first half of the year, Russian supply has seen three consecutive small upward adjustments in each of the last three months to reflect slightly better performance than expected. However, we have not changed our view that Russian production growth is likely to grow marginally this year and next given that year to date growth is sharply down from 2004, the industry continues to struggle and face uncertainties, and some companies are likely to see production decline further. In the near term, we expect no material incremental growth on the assumption that production increases slightly in October (as appears to have been the case) before dropping from November through to April 2006. Crude export tariffs have increased from 1 October to $24.6/bbl and will stay at this level until 1 December. It is unlikely that tariffs will increase further for the next period.

On the fiscal side, government initiatives designed to stimulate the development of new areas (tax holidays for green field projects, etc) are positive from an oil supply perspective, but the impact of these will only be seen in the long term. Changes to the export duties (for crude and products) are also being considered/proposed by the Minister of Economic Development, Central Bank, and Minister of Industry and Trade although it is unclear how these will evolve and what the impact they will have on oil production growth. Finally, the shape and timing of the planned subsoil law remains uncertain. To sum up, on the positive side discussions are being held, the wheels are in motion, but the complexity of the issues under discussion suggests that it will take more than a few months before any reforms could be fully implemented and longer before these translate into incremental oil supply to keep Russian output growing at a reasonable pace. In the mean time, and as expressed by different high ranking officials, Russia is going through a transition period which could result in production going either way. In 2006, Russian growth is expected to average 120,000 b/d, or half the growth in 2005, while the risks remain on the downside.

Kazakh oil production is seen underperforming in 2005

In the Caspian region, the outlook for Azerbaijan has been revised up but the outlook for Kazakhstan has been revised down. Total Azeri oil production is expected to average 440,000 b/d in 2005, an increase of 130,000 b/d from 2004 and an upward revision of 9,000 b/d. Azeri oil production averaged 16,000 b/d less in the third quarter than estimated, and this has been taken into account. However, the most recent data indicates that the giant ACG project is likely to perform above earlier estimates in the fourth quarter. Production from the Central Azeri field (Phase I) came onstream this year and is currently around 240,000 b/d, more than doubling ACG's production. As a result, the forecast for fourth quarter has been revised up by 50,000 b/d. ACG will continue to increase its production in phases until it reaches 1 mb/d by the end of 2008. In January of next year, the West Azeri field comes onstream taking total ACG production to 500,000 b/d and total Azeri production to 680,000 b/d by the end of 2006. The BTC pipeline, which will carry most of ACG crude, is expected to be filled by year-end allowing exports from the port of Ceyhan to start shortly thereafter. In addition, the Shah Deniz field is also expected to start pumping gas and condensate from mid 2006.

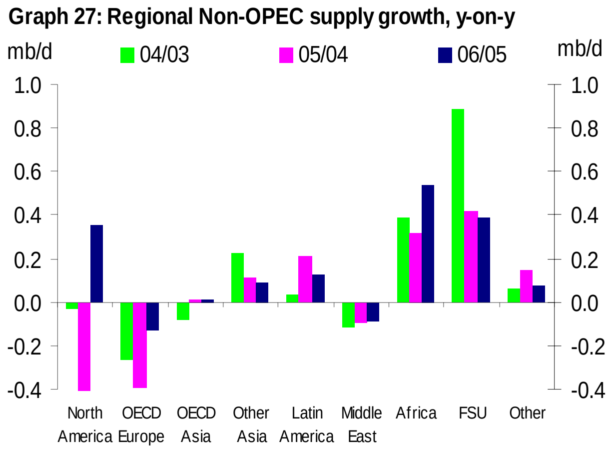


Kazakh oil production is expected to average 1.22 mb/d in 2005, 40,000 b/d barrels more than last year but a downward revision of 34,000 b/d from last month. We have made a downward revision of 80,000 b/d in the third quarter and 56,000 b/d in the fourth. The underperformance in the third quarter is mainly attributed to the Karachaganak field which has seen its production drop from 248,000 b/d in May 2005 to 131,000 b/d in September 2005 due to gas flaring restrictions, technical faults, and more recently maintenance, among other reasons. We remain in doubt as to how soon production can be restored to capacity and what needs to happen, and therefore have taken a conservative view for this field for the rest of the year.

Non-OPEC supply growth forecast for 2006 estimated at 1.4 mb/d; including OPEC NGLs, total growth is estimated at 1.7 mb/d

Forecast for 2006

Non-OPEC oil supply in 2006 is expected to average 51.61 mb/d, an increase of 1.4 mb/d over 2005, an upward revision of 34,000 b/d from last month's report. Non OPEC supply including OPEC NGLs and non-conventional oils is expected to average 56.23 mb/d, an increase of 1.7 mb/d. On a regional basis, the largest contributor is expected to be the African region at 0.54 mb/d, followed by the FSU at 0.39 mb/d, North America at 0.35 mb/d (mainly because of the unwinding of US Gulf of Mexico production), and Latin America at 0.13 mb/d, whilst OECD Europe and the Middle East are expected to show a drop of 0.13 mb/d, and 0.09 mb/d respectively. Oil production growth is underpinned by the start-up of over 35 greenfield projects located in deepwater, bitumen extraction and syncrude projects in Canada, as well as the continuing expansion of the Caspian and African region. Deepwater is expected to account for approximately 50% of net growth.



Excluding the unwinding of US Gulf of Mexico, non-OPEC supply growth is still around 1 mb/d in 2006

Revisions to the 2006 forecast

On a quarterly basis, the forecast for non-OPEC supply for the first, second, third, and fourth quarters have been revised down 31,000 b/d, up 116,000 b/d, up 127,000 b/d, and down 78,000 b/d respectively, resulting in a full year positive adjustment of 34,000 b/d. The outlook for the OECD has been revised down by 83,000 b/d. For Latin America, Middle East, Africa, and the FSU the outlook has been revised up by 11,000 b/d, 7,000 b/d, 46,000 b/d, and 58,000 b/d, respectively. Excluding the unwinding of the US Gulf of Mexico, which is an important feature of the forecast next year, non-OPEC supply growth would still be around 1.1 mb/d, or broadly unchanged from our first assessment in July 2005.

Table 13: Non-OPEC oil supply in 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05
North America	14.15	14.18	14.38	14.51	14.96	14.51	0.35
Western Europe	5.75	5.80	5.69	5.29	5.68	5.61	-0.13
OECD Pacific	0.59	0.57	0.55	0.59	0.68	0.60	0.01
Total OECD	**20.49**	**20.55**	**20.61**	**20.39**	**21.32**	**20.72**	**0.23**
Other Asia	2.71	2.81	2.77	2.82	2.80	2.80	0.09
Latin America	4.27	4.37	4.30	4.46	4.46	4.40	0.13
Middle East	1.79	1.74	1.72	1.69	1.66	1.70	-0.09
Africa	3.73	4.10	4.22	4.27	4.50	4.28	0.54
Total DCs	**12.50**	**13.02**	**13.01**	**13.24**	**13.43**	**13.18**	**0.68**
FSU	11.57	11.77	11.85	12.03	12.18	11.96	0.39
Other Europe	0.16	0.17	0.17	0.17	0.17	0.17	0.01
China	3.63	3.66	3.69	3.73	3.71	3.70	0.07
Total "Other regions"	**15.36**	**15.60**	**15.71**	**15.92**	**16.05**	**15.82**	**0.47**
Total Non-OPEC production	**48.34**	**49.17**	**49.33**	**49.55**	**50.81**	**49.72**	**1.37**
Processing gains	1.86	1.88	1.87	1.87	1.93	1.89	0.02
Total Non-OPEC supply	**50.21**	**51.05**	**51.20**	**51.42**	**52.74**	**51.61**	**1.40**
Previous estimate	50.30	51.08	51.09	51.29	52.81	51.57	1.27
Revision	**-0.09**	**-0.03**	**0.12**	**0.13**	**-0.08**	**0.03**	**0.13**

Totals may not add due to independent rounding.

The bulk of changes are derived from revisions to the base and 2005 forecast of several countries (Australia, Gabon, Egypt, Sudan, Russia) discussed in the previous section, and due to changes in the schedule of some important projects. In particular, in the USA we have revised the start date of the Constitution field (65,000 b/d) from early- to mid-2006. In the UK, we have revised down production in the fourth quarter to reflect a slower ramp up of the Buzzard field (190,000 b/d). In Brazil, we have revised the start date of the giant Albacora Leste field from late 2005 to early 2006 and ramp up period. There are now three important fields starting up next year in Brazil: Albacora Leste (previously 2005), Jubarte (previously 2005), and Golfinho. The Golfinho field is expected to start in the second quarter, but could face some delays pushing the start up to the fourth. In Azerbaijan, the start date and build up of the West Azeri field (ACG Phase II) have been revised resulting in a positive revision for total Azeri oil production growth. The field is expected to start early next year instead of in mid year.

Elsewhere, we have revised down the outlook for Kazakhstan primarily due to the impact of the underperformance in 2005. However, there is a new uncertainty regarding the timing of the expansion of the Tengiz field next year given that the CPC pipeline will not be ready until 2007 versus earlier expectations of mid 2006. The field operators could use available space in the BTC pipeline (or perhaps the new Kazakh-China pipeline expected to be ready by the end of 2005/early 2006) to go ahead with the expansion of the field, if some operational modifications are undertaken. The expansion of the Tengiz field is expected to be between 130,000 b/d and 200,000 b/d and is scheduled for mid 2006.

FSU net oil export (crude and products)

FSU net oil exports in 2005 are expected to average 7.7 mb/d

In 2005, FSU net oil exports are expected to average 7.71 mb/d. On a quarterly basis, net oil exports are expected to average 7.82 mb/d in the third and 7.80 mb/d in the fourth quarter. The latest available data (September) shows Russian net oil exports averaging 6.5 mb/d, which represents a y-o-y increase of 0.3 mb/d based on data available for rail and pipeline exports. We would highlight that rail exports have been reduced significantly since March from 700,000 b/d to 291,000 b/d in July, recovered somewhat in August to 380,000 b/d before falling again in September to 316,000 due to hikes in crude export duties.

The forecast for 2006 shows FSU net oil exports averaging 8.03 mb/d, which represents an increase of 320,000 b/d over 2005.

Table 14: FSU net oil exports, mb/d

	1Q	2Q	3Q	4Q	Year
2001	4.30	4.71	4.89	4.47	**4.59**
2002	5.14	5.84	5.85	5.49	**5.58**
2003	5.87	6.75	6.72	6.61	**6.49**
2004	7.17	7.30	7.38	7.37	**7.31**
2005 (estimate)	**7.49**	**7.73**	**7.82**	**7.80**	**7.71**
2006 (forecast)	**7.74**	**8.16**	**8.24**	**7.96**	**8.03**

OPEC natural gas liquids and non-conventional oils

The forecast for OPEC NGLs for 2005 and 2006 remains unchanged

The growth forecast for OPEC NGL production in 2005 and 2006 remains unchanged at 200,000 b/d and 330,000 b/d respectively. This increase should result in average production in 2005 and 2006 of 4.3 mb/d and 4.62 mb/d, respectively.

Table 15: OPEC NGL + non-conventional oils - 2002-2006

2002	2003	2004	Change 04/03	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04	2006	Change 06/05
3.62	**3.71**	**4.09**	**0.38**	4.22	4.27	4.32	4.37	**4.30**	0.20	**4.62**	0.33

OPEC crude oil production

OPEC output averaged 30 mb/d

Total OPEC crude production averaged 30.05 mb/d in October or 216,000 b/d less than the previous month, according to secondary sources. Production increased in Iran, Kuwait, and Nigeria. Iraqi oil production averaged 1.8 mb/d, 251,000 less than in September. The production for Iraq is taken net of re-injection by most secondary sources and closely matches export developments, which were affected by bad weather during the month of October.

Table 16: OPEC crude oil production based on secondary sources, 1,000 b/d

	2003	2004	4Q04	1Q05	2Q05	Aug 05	Sep 05	Oct 05	*Oct/ Sep*
Algeria	1,134	1,228	1,285	1,313	1,343	1,367	1,370	1,370	*0.0*
Indonesia	1,027	968	963	951	944	936	925	928	*2.7*
IR Iran	3,751	3,920	3,947	3,900	3,946	3,941	3,905	3,924	*19.2*
Iraq	1,321	2,015	1,960	1,834	1,841	1,940	2,023	1,772	*-250.5*
Kuwait	2,172	2,344	2,448	2,438	2,506	2,527	2,550	2,572	*22.0*
SP Libyan AJ	1,422	1,537	1,608	1,613	1,634	1,655	1,659	1,664	*4.8*
Nigeria	2,131	2,352	2,344	2,332	2,423	2,409	2,418	2,463	*45.0*
Qatar	748	777	791	784	793	796	797	805	*8.3*
Saudi Arabia	8,709	8,982	9,450	9,220	9,456	9,503	9,513	9,460	*-53.3*
UAE	2,243	2,360	2,486	2,396	2,399	2,473	2,502	2,492	*-9.7*
Venezuela	2,305	2,577	2,605	2,699	2,639	2,614	2,604	2,600	*-4.7*
OPEC-10	**25,642**	**27,043**	**27,927**	**27,647**	**28,084**	**28,219**	**28,243**	**28,277**	***34.2***
Total OPEC	**26,964**	**29,059**	**29,888**	**29,481**	**29,925**	**30,159**	**30,266**	**30,049**	***-216.3***

Totals may not add due to independent rounding.

Rig Count

Non OPEC rig activity stood at 2,625

Non-OPEC

Non-OPEC rig count stood at 2,625 rigs in October, which represents an increase of 67 rigs compared to the previous month. Of the total, 289 rigs were operating offshore and 2,336 onshore. In terms of the oil and gas split, there were 637 oil rigs and 1,972 gas rigs. The number of oil rigs declined by 138 over the previous month. Regionally, North America gained 57 rigs, while Western Europe gained 3 rigs and OECD Pacific lost 2 rigs. The Middle East, Africa, Latin America and rest of Asia gained 8 rigs.

Table 17: Non-OPEC rig count in 2003-2005

	2003	2004	Change 04/03	Sep 05	Oct 05	Change Oct 05-Sep 05
North America	1,496	1,669	173	2,055	2,112	57
Western Europe	78	65	-13	61	64	3
OECD Pacific	18	22	4	27	25	-2
OECD	**1,592**	**1,755**	**163**	**2,143**	**2,201**	**58**
Other Asia	117	126	9	146	147	1
Latin America	116	126	10	138	139	1
Middle East	70	70	0	74	76	2
Africa	48	54	6	54	59	5
DCs	**350**	**376**	**26**	**412**	**421**	**9**
FSU	0	0	0	0	0	0
Other Europe	2	2	0	3	3	0
China	0	0	0	0	0	0
Other regions	0	0	0	0	0	0
Total non-OPEC	**1,944**	**2,132**	**188**	**2,558**	**2,625**	**67**

Totals may not add due to independent rounding.
na: not available
Source: Baker Hughes International;

OPEC rig count stood at 279

OPEC

OPEC rig count was 279 in October, unchanged from last month. Increases took place in Kuwait (3), Saudi Arabia (4), and Venezuela (1). These gains were partly offset by declines in other OPEC Countries. Of the total, 210 rigs were operating onshore and 69 rigs offshore and in terms of oil and gas split, there were 227 oil rigs whilst the remainder was gas and other rigs.

Table 18: OPEC rig count in 2003-2005

	2003	2004	Change 04/03	Sep 05	Oct 05	Change Oct 05-Sep 05
Algeria	20	19	-1	23	21	-2
Indonesia	45	49	4	57	57	0
IR Iran	35	41	6	38	38	0
Iraq	na	na	na	na	na	na
Kuwait	5	10	5	12	15	3
SP Libyan AJ	10	10	0	8	7	-1
Nigeria	10	8	-2	10	7	-3
Qatar	8	9	1	13	11	-2
Saudi Arabia	32	32	0	38	42	4
UAE	16	16	0	17	17	0
Venezuela	37	55	18	63	64	1
Total OPEC	**218**	**249**	**31**	**279**	**279**	**0**

Totals may not add due to independent rounding.
na: not available
Source: Baker Hughes International.

Stock Movements

US commercial oil stocks rose a slight 0.03 mb/d in October

USA

US commercial oil stocks, which represent total crude and petroleum products excluding the Strategic Petroleum Reserve (SPR), moved up slightly, adding 0.70 mb or about 0.03 mb/d to stand at 1,005.60 mb during the period 30 September-28 October 2005. The significant build in crude oil inventories was mostly balanced by draws on distillate and Other Oil stocks. This small gain moved the y-o-y surplus up to 4% from the 3% registered in the previous period, while the five-year average excess widened to 3% or 1% higher than in the previous month.

Crude oil stocks regained the previous month's losses, increasing by 13.7 mb or 0.49 mb/d to 319.1 mb on the back of recovering production after shut-downs of crude oil facilities due to hurricanes. US crude oil production rose by 0.26 mb/d to 4.07 mb/d in October. Crude oil imports also contributed to the strong build in crude oil inventories, rising by 1.94 mb/d to stand at 10.06 mb/d. Some of the increases in production and imports have been absorbed by refineries which accelerated refinery runs to 82.49% or 12.70% higher than the level registered in the previous period. Crude oil forward cover improved by 2.3 days to 24.5 days or 5 days above last year and the five-year average. The y-o-y surplus hovered around 10%, while the five-year average excess widened to 9% from the 7% registered last month.

On the product side, distillates showed the most significant change among the main refined product inventories, decreasing by 7.1 mb or 0.25 mb/d to stand at 120.9 mb. Both components of distillates — heating oil and diesel — contributed to this draw, declining by 3.53 mb to 57.57 mb and by 3.57 mb to 66.89 mb respectively. Higher implied demand, which rose by 0.04 mb/d to 4.07 mb/d, was the main reason behind the strong draw on distillates. Increasing distillate output due to improved refinery runs and a stable level of distillate imports which remained above 3 mb/d prevented distillate inventories from falling further. Distillate forward cover plunged below 30 days from the 32.7 days registered last month to stand at 29.9 days. The y-o-y surplus stood at 5% while last report's five-year average surplus turned into a deficit of 2%. Gasoline inventories improved a slight 1.4 mb or 0.05 mb/d to stand at 196.9 mb mainly due to recovering production which rose by 1.22 mb/d to stand at 8.73 mb/d. Part of the rise in gasoline output served higher implied demand which showed an increase of 0.21 mb/d to 9.05 b/d. Gasoline forward cover remained mostly at the previous month's level of 22 days. The y-o-y shortage remained at 2% while a slight build left gasoline inventories in line with the five-year average.

During the same period, the SPR fell by 8.1 mb or 0.29 mb/d to stand at 685.2 mb. This draw is part of the 30 mb which the IEA decided to release from the SPR in September to counter any draw-downs on stocks due to hurricane disruption. The SPR is projected to show further draws in the coming months until all crude oil production facilities resume full operations.

In the week ending 4 November, total US commercial oil stocks continued to show builds, rising by 11.55 mb to stand at 1,017.15 mb compared to the previous week. Most of the build occurred in crude oil and gasoline inventories which rose by 4.42 mb to 323.56 mb and by 4.22 mb to 201.13 mb respectively. Distillate inventories displayed a minor draw of 0.08 mb to stand at 120.85 mb.

Table 19: US onland commercial petroleum stocks*, mb

	02 Sep 05	30 Sep 05	28 Oct 05	Change Oct/Sep	28 Oct 04	04 Nov 05**
Crude oil	315.0	305.4	319.1	13.7	284.9	323.6
Gasoline	190.1	195.5	196.9	1.4	203.6	201.1
Distillate fuel	134.4	128.0	120.9	-7.1	118.9	120.8
Residual fuel oil	32.3	33.5	34.3	0.8	35.8	35.5
Jet fuel	39.4	37.2	36.6	-0.6	40.3	38.6
Total	**1,009.6**	**1,004.9**	**1,005.6**	**0.7**	**967.4**	**1,017.2**
SPR	700.5	693.3	685.2	-8.1	670.3	684.5

* *At end of month, unless otherwise stated*

** *Latest available data at time of report's release*

Source: US Department of Energy's Energy Information Administration

Eur-16 oil inventories displayed a further build of 0.12 mb/d in October

Western Europe

Total oil stocks in Eur-16 (EU plus Norway) during October kept the upward trend for the fourth consecutive month, rising by 3.6 mb or 0.12 mb/d to stand at 1147.7 mb, the highest level in six years. This build left the y-o-y surplus at 5% from the 3% registered in the last report. Most main product inventories with the exception of fuel oil contributed to this increase.

Crude oil inventories lost part of the previous month's gain, declining by 2.9 mb or 0.09 mb/d to stand at 486.6 mb. It was mainly slower exports to the US market which kept crude oil inventories high in Eur-16, as some US refineries were still struggling to cope with the massive damages caused by the hurricanes. High refinery runs were also behind such draw as European refineries maintained high runs to benefit from the relatively high refining margins. Despite this draw, the y-o-y surplus remained at the previous month's level of 5%.

Main product inventories, especially distillates and gasoline, showed increases with the first rising by 5 mb or 0.16 mb/d to 382.9 mb while the latter moved up a slight 1 mb or 0.03 mb/d to 141.8 mb. These increases came on the back of closed transatlantic arbitrage due to very high freight rates, especially for clean tankers, because of tight tonnage supply. Mild weather pressed the consumption of middle distillates especially for heating fuel oil, while the ending of the holiday season slowed gasoline consumption in Eur-16. A moderate build in distillate stocks moved the y-o-y surplus from 3% to 6%, while for gasoline it remained at the previous month's level of 5%.

Table 20: Western Europe's oil stocks*, mb

	Aug 05	Sep 05	Oct 05	Change Oct 05/Sep 05	Oct 04
Crude oil	489.1	489.5	486.6	-2.9	463.2
Mogas	136.2	140.8	141.8	1.0	134.7
Naphtha	24.6	24.2	26.0	1.8	25.6
Middle distillates	384.6	377.9	382.9	5.0	361.3
Fuel oils	111.8	111.8	110.5	-1.3	113.2
Total products	632.6	630.4	635.2	4.8	609.2
Overall total	**1,146.4**	**1,144.2**	**1,147.7**	**3.6**	**1,098.0**

** At end of month, with region consisting of the Eur–16*

Source: Argus, Euroilstock

Oil inventories in Japan remained steady in September

Japan

Total oil inventories in Japan showed little change during September, remaining close to the previous month's level of 191 mb. A moderate draw on crude oil stocks was balanced by an almost equal build in products, especially middle distillates. However, the y-o-y surplus narrowed to 4% from 13% in the previous month.

Crude oil inventories showed a moderate draw of 5 mb or 0.17 mb/d to stand at 112.5 mb which was exactly the same level as that registered a year ago. Lower imports were the main reason behind the draw while lower refinery runs prevented further losses.

Gasoline inventories added a slight volume, increasing by 0.3 mb to 12.6 mb on the back of slower implied demand and relatively higher production. Despite this small build, the previous month's surplus of 7% turned into a deficit of about 2%. Middle distillates performed better than gasoline, adding 5.1 mb or 0.17 mb to stand at 45.4 mb which was 14% higher than the level observed in the previous month. Residual fuel oil stocks did not show major changes, declining a slight 0.4 mb to stand at 20.5 mb, about 12% higher than the level seen last year.

Table 21: Japan's commercial oil stocks*, mb

	Jul 05	Aug 05	Sep 05	Change Sep 05/Aug 05	Sep 04
Crude oil	120.2	117.5	**112.5**	-5.0	112.5
Gasoline	13.1	12.3	12.6	0.3	12.8
Middle distillates	32.8	40.3	45.4	5.1	39.8
Residual fuel oil	20.6	21.0	20.5	-0.4	18.3
Total products	66.5	73.5	78.5	4.9	70.9
Overall total**	**186.7**	**191.0**	**191.0**	**0.0**	**183.4**

** At end of month*
*** Includes crude oil and main products only*
Source: MITI, Japan

Balance of Supply and Demand

The required OPEC crude production for 2005 has been revised up; 4Q05 is estimated at 30.3 mb/d

Forecast for 2005

The supply/demand balance for 2005 has been revised up slightly to reflect lower supply expectations. The demand for OPEC crude in 2005 (a-b) is now forecast at 28.8 mb/d, an increase of 0.62 mb/d from 2004 and an upward revision of 110,000 b/d from earlier projections. On a quarterly basis the demand for OPEC crude is estimated at 29.1 mb/d, 27.3 mb/d, 28.3 mb/d and 30.3 mb/d for the first, second, third, and fourth quarters, respectively. However, the required crude for the fourth quarter is now estimated to be 276,000 b/d higher than previously, and is higher than current OPEC crude production at 30.0 mb/d.

In terms of OPEC capacity, taking into account the supply/demand balance, the resulting required OPEC crude output levels and projected production capacity, OPEC's spare capacity is now estimated to average around 8.1% in the fourth quarter, compared to 5.3% in the same period of 2004.

Table 22: Summarized supply/demand balance for 2005, mb/d

	2004	**1Q05**	**2Q05**	**3Q05**	**4Q05**	**2005**
(a) World Oil Demand	82.09	83.65	82.09	82.42	84.93	83.27
(b) Non-OPEC Supply	53.94	54.55	54.77	54.09	54.61	54.50
Difference (a-b)	28.15	29.11	27.31	28.34	30.32	28.77
OPEC crude oil production	29.06	29.48	29.92	30.21		
Balance	0.91	0.38	2.61	1.87		

(1) Including OPEC NGLs + non-conventional oils.
(2) Selected secondary sources.
Totals may not add due to independent rounding.

The estimated demand for OPEC crude in 2006 is 28.6 mb/d; 1Q06 is estimated at 29.8 mb/d

Forecast for 2006

For 2006, the demand for OPEC crude is expected to average 28.6 mb/d, a downward revision of around 40,000 b/d from last month's report. The quarterly distribution shows that demand for OPEC crude is now expected at 29.8 mb/d in the first quarter, 27.7 mb/d in the second, 27.8 mb/d in the third and 29.0 mb/d in the fourth.

In terms of OPEC capacity, in 2006 OPEC capacity is expected to average around 33.5 mb/d. Taking into account the supply/demand balance for 2006, the resulting required OPEC crude output levels and the projected production capacity, OPEC's spare capacity in 2006 is estimated to average around 15%, assuming there is no significant improvement in output from Iraq compared to 2005.

Table 23: Summarized supply/demand balance for 2006, mb/d

	2005	**1Q06**	**2Q06**	**3Q06**	**4Q06**	**2006**
(a) World Oil Demand	83.27	85.31	83.51	83.88	86.48	84.80
(b) Non-OPEC Supply	54.50	55.53	55.78	56.09	57.49	56.23
Difference (a-b)	28.77	29.78	27.72	27.80	28.99	28.57
OPEC crude oil production						
Balance						

(1) Including OPEC NGLs + non-conventional oils.
(2) Selected secondary sources.
Totals may not add due to independent rounding.

Table 24: World oil demand/supply balance, mb/d

	2001	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006
World demand														
OECD	48.0	48.0	48.6	49.5	50.6	48.7	49.2	50.7	49.8	51.0	49.3	49.8	51.2	50.3
North America	24.0	24.1	24.5	25.3	25.5	25.3	25.5	26.0	25.6	26.0	25.7	25.9	26.3	26.0
Western Europe	15.3	15.3	15.4	15.6	15.6	15.3	15.6	15.9	15.6	15.6	15.4	15.7	15.9	15.7
Pacific	8.6	8.6	8.7	8.5	9.5	8.1	8.1	8.8	8.6	9.4	8.2	8.1	9.0	8.7
DCs	19.7	20.2	20.4	21.4	21.7	22.2	22.1	22.3	22.1	22.4	22.7	22.8	22.9	22.7
FSU	3.9	3.7	3.8	3.8	3.9	3.7	3.8	4.0	3.9	4.0	3.7	3.8	4.2	3.9
Other Europe	0.8	0.8	0.8	0.9	0.9	0.9	0.8	0.9	0.9	0.9	0.9	0.8	0.8	0.9
China	4.7	5.0	5.6	6.5	6.5	6.6	6.5	7.1	6.7	7.0	7.0	6.7	7.4	7.0
(a) Total world demand	77.1	77.7	79.2	82.1	83.7	82.1	82.4	84.9	83.3	85.3	83.5	83.9	86.5	84.8
Non-OPEC supply														
OECD	21.8	21.9	21.6	21.3	21.0	21.0	20.0	20.0	20.5	20.5	20.6	20.4	21.3	20.7
North America	14.3	14.5	14.6	14.6	14.5	14.6	13.8	13.7	14.2	14.2	14.4	14.5	15.0	14.5
Western Europe	6.7	6.6	6.4	6.1	6.0	5.7	5.6	5.7	5.7	5.8	5.7	5.3	5.7	5.6
Pacific	0.8	0.8	0.7	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.7	0.6
DCs	10.9	11.3	11.5	12.0	12.3	12.5	12.5	12.8	12.5	13.0	13.0	13.2	13.4	13.2
FSU	8.5	9.3	10.3	11.2	11.4	11.5	11.6	11.8	11.6	11.8	11.8	12.0	12.2	12.0
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.3	3.4	3.4	3.5	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7
Processing gains	1.7	1.7	1.8	1.8	1.9	1.9	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Total non-OPEC supply	46.4	47.8	48.8	49.9	50.3	50.5	49.8	50.2	50.2	51.0	51.2	51.4	52.7	51.6
OPEC NGLs + non-conventional oils	3.6	3.6	3.7	4.1	4.2	4.3	4.3	4.4	4.3	4.5	4.6	4.7	4.8	4.6
(b) Total non-OPEC supply and OPEC NGLs	50.0	51.5	52.5	53.9	54.5	54.8	54.1	54.6	54.5	55.5	55.8	56.1	57.5	56.2
OPEC crude oil production (secondary sources)	27.2	25.3	27.0	29.1	29.5	29.9	30.2							
Total supply	77.2	76.8	79.4	83.0	84.0	84.7	84.3							
Balance (stock change and miscellaneous)	0.2	-0.9	0.2	0.9	0.4	2.6	1.9							
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	2630	2476	2517	2561	2549	2626	2645							
OECD SPR	1288	1347	1411	1447	1459	1494	1496							
OECD total	3918	3823	3928	4008	4009	4120	4141							
Oil-on-water	830	816	883	904	927	928	n.a.							
Days of forward consumption in OECD														
Commercial onland stocks	55	51	51	51	52	53	52							
SPR	27	28	29	29	30	30	29							
Total	82	79	79	80	82	84	82							
Memo items														
FSU net exports	4.6	5.6	6.5	7.3	7.5	7.7	7.8	7.8	7.7	7.7	8.2	8.2	8.0	8.0
(a) - (b)	27.1	26.3	26.8	28.1	29.1	27.3	28.3	30.3	28.8	29.8	27.7	27.8	29.0	28.6

n.a. Not available.

Note: Totals may not add up due to independent rounding.

Table 25: World oil demand/supply balance: changes from last month's table † , mb/d

	2001	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006
World demand														
OECD	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-
North America	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-
FSU	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	0.1	-0.1	0.1	-	0.1	0.1	-0.1	0.1	0.1
Non-OPEC supply														
OECD	-	-	-	-	-	-	-0.1	-0.2	-0.1	-0.1	-0.1	-	-0.1	-0.1
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
DCs	-	0.1	0.1	-	-	-	-	-0.1	-	-	-	-	0.1	0.1
FSU	-	-	-	-	-	-	-0.1	0.1	-	0.1	0.1	0.1	-	0.1
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	0.1	0.1	-	-	-	-0.2	-0.2	-0.1	-	0.1	0.1	-0.1	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	0.1	0.1	-	-	-	-0.2	-0.2	-0.1	-	0.1	0.1	-0.1	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-							
Total supply	-	0.1	0.1	-	-	-	-0.2							
Balance (stock change and miscellaneous)	-	0.1	0.1	-	-	-0.1	-0.1							
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	-	-	-	-2	-2	-6	-							
OECD SPR	3	3	3	3	3	3	-							
OECD total	3	3	3	1	1	-4	-							
Oil on water	-	-	-	-1	-	-7	-							
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-							
SPR	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-							
Memo items														
FSU net exports	-	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1	-	0.1
(a) - (b)	-	-0.1	-0.1	-	-	0.1	0.1	0.3	0.1	0.1	-	-0.2	0.2	-

† *This compares Table 24 in this issue of the MOMR with Table 24 in October 2005 issue.*
This table shows only where changes have occurred.

Table 26: OECD oil stocks and oil on water at the end of period

	2001	2002	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05
Closing stock level *mb*																					
OECD onland commercial	2,630	2,476	2,529	2,602	2,664	2,630	2,606	2,651	2,577	2,476	2,428	2,551	2,600	2,517	2,465	2,545	2,584	2,561	2,549	2,626	2,645
North America	1,262	1,174	1,159	1,231	1,269	1,262	1,237	1,262	1,219	1,174	1,103	1,186	1,215	1,161	1,145	1,193	1,209	1,200	1,200	1,274	1,257
Western Europe	925	895	923	914	922	925	934	943	918	895	914	913	926	922	919	933	945	931	960	929	952
OECD Pacific	443	408	447	457	473	443	435	447	440	408	411	452	459	435	400	420	430	430	389	422	436
OECD SPR	1,288	1,347	1,274	1,271	1,269	1,288	1,306	1,318	1,323	1,347	1,362	1,365	1,383	1,411	1,423	1,429	1,435	1,447	1,459	1,494	1,496
North America	552	601	544	545	547	552	563	578	589	601	601	611	626	640	654	664	672	678	690	698	695
Western Europe	356	357	356	352	347	356	356	352	349	357	368	362	364	374	371	366	367	374	373	401	406
OECD Pacific	380	389	374	374	375	380	386	388	386	389	393	393	393	396	398	398	396	396	396	395	395
OECD total	3,918	3,823	3,803	3,873	3,933	3,918	3,912	3,970	3,900	3,823	3,790	3,916	3,983	3,928	3,888	3,974	4,019	4,008	4,009	4,120	4,141
Oil-on-water	830	816	903	828	870	830	797	806	803	816	858	884	868	883	901	886	890	904	927	928	n.a.
Days of forward consumption in OECD																					
OECD onland commercial	55	51	54	54	55	54	56	55	52	50	51	53	52	50	51	52	51	51	52	53	52
North America	52	48	49	51	53	53	52	52	50	48	46	48	49	46	46	47	47	47	47	50	48
Western Europe	61	58	62	59	59	60	63	61	59	58	60	59	59	59	60	60	59	60	63	59	60
OECD Pacific	52	47	56	56	54	49	57	55	47	42	51	57	51	47	51	51	49	45	48	52	50
OECD SPR	27	28	27	27	26	27	28	28	27	27	29	28	28	28	30	29	28	29	30	30	30
North America	23	25	23	23	23	23	23	24	24	25	25	25	25	25	26	26	26	27	27	27	27
Western Europe	23	23	24	23	22	23	24	23	23	23	24	23	23	24	24	23	23	24	24	26	26
OECD Pacific	44	45	46	46	42	42	50	48	41	40	48	49	43	43	50	49	45	42	49	49	45
OECD total	82	79	81	81	81	81	84	83	79	77	80	81	80	78	81	81	80	79	82	84	82

n.a. Not available.

Table 27: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2001	2002	2003	2004	04/03	1Q05	2Q05	3Q05	4Q05	2005	05/04	1Q06	2Q06	3Q06	4Q06	2006	06/05
USA	8.05	8.04	7.82	7.65	-0.17	7.71	7.74	7.14	6.80	7.34	-0.31	7.25	7.39	7.46	7.78	7.47	0.13
Canada	2.73	2.84	2.98	3.07	0.09	3.01	3.01	2.99	3.17	3.05	-0.03	3.23	3.23	3.27	3.35	3.27	0.22
Mexico	3.57	3.59	3.80	3.83	0.04	3.75	3.88	3.71	3.72	3.77	-0.07	3.70	3.76	3.78	3.84	3.77	0.00
North America	14.34	14.48	14.60	14.56	-0.04	14.48	14.63	13.84	13.69	14.15	-0.40	14.18	14.38	14.51	14.96	14.51	0.35
Norway	3.42	3.33	3.26	3.19	-0.07	3.08	2.94	2.93	3.00	2.99	-0.20	3.07	3.04	2.84	3.00	2.99	0.00
UK	2.54	2.52	2.33	2.09	-0.24	2.03	1.91	1.79	1.86	1.90	-0.19	1.87	1.80	1.62	1.82	1.78	-0.12
Denmark	0.35	0.37	0.37	0.39	0.02	0.39	0.38	0.37	0.39	0.39	0.00	0.38	0.37	0.35	0.36	0.37	-0.02
Other Western Europe	0.38	0.42	0.43	0.47	0.04	0.48	0.48	0.48	0.48	0.48	0.01	0.48	0.47	0.48	0.50	0.48	0.00
Western Europe	6.68	6.65	6.39	6.14	-0.26	5.98	5.71	5.57	5.73	5.75	-0.39	5.80	5.69	5.29	5.68	5.61	-0.13
Australia	0.71	0.70	0.60	0.52	-0.08	0.48	0.56	0.55	0.54	0.53	0.01	0.52	0.50	0.51	0.61	0.53	0.00
Other Pacific	0.07	0.06	0.06	0.05	0.00	0.05	0.05	0.05	0.05	0.05	0.00	0.05	0.05	0.08	0.08	0.06	0.01
OECD Pacific	0.78	0.77	0.65	0.57	-0.08	0.54	0.62	0.60	0.59	0.59	0.01	0.57	0.55	0.59	0.68	0.60	0.01
Total OECD	21.81	21.89	21.65	21.27	-0.38	21.00	20.95	20.01	20.00	20.49	-0.78	20.55	20.61	20.39	21.32	20.72	0.23
Brunei	0.20	0.20	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00
India	0.73	0.78	0.79	0.80	0.01	0.80	0.80	0.73	0.79	0.78	-0.02	0.83	0.83	0.82	0.82	0.82	0.04
Malaysia	0.68	0.71	0.75	0.82	0.07	0.86	0.84	0.86	0.90	0.86	0.05	0.90	0.88	0.89	0.88	0.89	0.03
Vietnam	0.34	0.34	0.35	0.40	0.04	0.38	0.38	0.37	0.41	0.38	-0.01	0.39	0.37	0.38	0.37	0.38	-0.01
Asia others	0.25	0.26	0.30	0.37	0.07	0.46	0.47	0.48	0.48	0.47	0.10	0.48	0.48	0.52	0.52	0.50	0.03
Other Asia	2.20	2.30	2.40	2.59	0.19	2.71	2.69	2.65	2.78	2.71	0.11	2.81	2.77	2.82	2.80	2.80	0.09
Argentina	0.86	0.84	0.83	0.78	-0.05	0.76	0.76	0.75	0.76	0.76	-0.02	0.75	0.74	0.74	0.73	0.74	-0.02
Brazil	1.53	1.72	1.80	1.80	0.00	1.85	2.03	2.01	1.99	1.97	0.17	2.07	2.02	2.19	2.22	2.13	0.15
Colombia	0.62	0.59	0.55	0.53	-0.02	0.52	0.53	0.51	0.50	0.51	-0.02	0.49	0.48	0.47	0.46	0.47	-0.04
Ecuador	0.41	0.40	0.43	0.53	0.10	0.54	0.54	0.50	0.54	0.53	0.00	0.54	0.53	0.53	0.53	0.53	0.00
Trinidad & Tobago	0.13	0.15	0.16	0.16	-0.01	0.20	0.21	0.22	0.23	0.21	0.05	0.23	0.23	0.24	0.24	0.23	0.02
L. America others	0.24	0.25	0.25	0.26	0.01	0.27	0.28	0.29	0.29	0.28	0.02	0.29	0.29	0.29	0.29	0.29	0.01
Latin America	3.78	3.95	4.02	4.06	0.04	4.15	4.33	4.28	4.31	4.27	0.21	4.37	4.30	4.46	4.46	4.40	0.13
Bahrain	0.19	0.19	0.20	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00
Oman	0.96	0.90	0.82	0.76	-0.06	0.73	0.72	0.72	0.71	0.72	-0.05	0.70	0.69	0.68	0.67	0.68	-0.04
Syria	0.52	0.51	0.54	0.51	-0.03	0.49	0.48	0.47	0.46	0.48	-0.03	0.46	0.45	0.44	0.43	0.44	-0.03
Yemen	0.47	0.46	0.44	0.42	-0.03	0.40	0.40	0.40	0.39	0.40	-0.02	0.39	0.39	0.38	0.37	0.38	-0.01
Middle East	2.14	2.06	2.00	1.89	-0.11	1.82	1.81	1.78	1.76	1.79	-0.10	1.74	1.72	1.69	1.66	1.70	-0.09
Angola	0.74	0.89	0.87	0.99	0.11	1.13	1.16	1.23	1.39	1.23	0.24	1.40	1.46	1.45	1.63	1.49	0.26
Chad	0.00	0.00	0.02	0.16	0.13	0.18	0.18	0.18	0.18	0.18	0.02	0.18	0.18	0.18	0.18	0.18	0.00
Congo	0.27	0.25	0.24	0.24	0.00	0.23	0.23	0.24	0.23	0.24	0.00	0.23	0.23	0.23	0.23	0.23	-0.01
Egypt	0.76	0.75	0.75	0.71	-0.04	0.70	0.69	0.69	0.70	0.70	-0.01	0.70	0.69	0.68	0.67	0.68	-0.01
Equatorial Guinea	0.14	0.20	0.24	0.34	0.10	0.35	0.36	0.36	0.36	0.36	0.02	0.35	0.35	0.35	0.39	0.36	0.01
Gabon	0.30	0.29	0.25	0.25	0.00	0.25	0.25	0.26	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00
South Africa	0.18	0.19	0.20	0.22	0.02	0.21	0.20	0.20	0.19	0.20	-0.03	0.19	0.18	0.18	0.17	0.18	-0.02
Sudan	0.21	0.24	0.27	0.30	0.04	0.31	0.33	0.36	0.38	0.35	0.04	0.49	0.52	0.59	0.62	0.56	0.21
Africa other	0.20	0.20	0.20	0.21	0.01	0.22	0.22	0.26	0.26	0.24	0.03	0.31	0.36	0.36	0.36	0.35	0.11
Africa	2.79	3.01	3.05	3.42	0.37	3.59	3.63	3.78	3.94	3.73	0.31	4.10	4.22	4.27	4.50	4.28	0.54
Total DCs	10.91	11.32	11.47	11.96	0.49	12.27	12.46	12.49	12.78	12.50	0.54	13.02	13.01	13.24	13.43	13.18	0.68
FSU	8.53	9.32	10.27	11.15	0.89	11.39	11.47	11.62	11.78	11.57	0.41	11.77	11.85	12.03	12.18	11.96	0.39
Russia	6.99	7.62	8.46	9.19	0.73	9.30	9.34	9.49	9.54	9.42	0.23	9.48	9.52	9.59	9.55	9.54	0.12
Kazakhstan	0.80	0.94	1.03	1.18	0.15	1.26	1.22	1.18	1.23	1.22	0.04	1.23	1.23	1.30	1.45	1.31	0.08
Azerbaijan	0.30	0.31	0.31	0.31	0.00	0.35	0.42	0.46	0.52	0.44	0.13	0.56	0.60	0.64	0.68	0.62	0.18
FSU others	0.45	0.45	0.47	0.47	0.01	0.47	0.48	0.49	0.49	0.48	0.01	0.49	0.49	0.49	0.49	0.49	0.01
Other Europe	0.18	0.18	0.17	0.16	-0.01	0.16	0.16	0.16	0.16	0.16	0.00	0.17	0.17	0.17	0.17	0.17	0.01
China	3.30	3.39	3.41	3.48	0.08	3.63	3.61	3.65	3.64	3.63	0.15	3.66	3.69	3.73	3.71	3.70	0.07
Non-OPEC production	44.72	46.11	46.96	48.02	1.06	48.44	48.65	47.93	48.36	48.34	0.32	49.17	49.33	49.55	50.81	49.72	1.37
Processing gains	1.69	1.73	1.80	1.83	0.03	1.88	1.85	1.84	1.88	1.86	0.03	1.88	1.87	1.87	1.93	1.89	0.02
Non-OPEC supply	46.41	47.84	48.76	49.85	1.09	50.32	50.51	49.77	50.24	50.21	0.35	51.05	51.20	51.42	52.74	51.61	1.40
OPEC NGL	3.40	3.42	3.57	3.85	0.28	3.96	4.01	4.06	4.11	4.04	0.19	4.20	4.30	4.39	4.47	4.34	0.31
OPEC Non-conventional	0.18	0.20	0.14	0.25	0.11	0.26	0.26	0.26	0.26	0.26	0.01	0.28	0.28	0.28	0.28	0.28	0.02
OPEC (NGL+NCF)	3.58	3.62	3.71	4.09	0.38	4.22	4.27	4.32	4.37	4.30	0.20	4.48	4.58	4.67	4.75	4.62	0.33
Non-OPEC & OPEC (NGL+NCF)	50.00	51.46	52.47	53.94	1.48	54.55	54.77	54.09	54.61	54.50	0.56	55.53	55.78	56.09	57.49	56.23	1.72

Note: Totals may not add up due to independent rounding.

Table 28: Non-OPEC Rig Count

	2001	2002	Change 02/01	1Q 03	2Q 03	3Q 03	4Q 03	2003	Change 03/02	1Q 04	2Q 04	3Q 04	4Q 04	2004	Change 04/03	Aug 05	Sep 05	3Q 05	Oct 05	Change Oct 05-Sep 05
USA	1156	831	-325	901	1028	1088	1109	1032	201	1,119	1164	1229	1249	1190	158	1436	1452	1419	1479	27
Canada	342	266	-76	494	203	383	408	372	106	528	202	326	420	369	-3	545	497	527	541	44
Mexico	54	65	11	82	84	96	107	92	27	107	113	111	108	110	18	103	106	104	92	-14
North America	1552	1162	-390	1476	1315	1567	1624	1496	334	1,754	1479	1665	1777	1669	173	2084	2055	2050	2112	57
Norway	23	19	-4	18	19	20	18	19	0	19	18	14	16	17	-2	18	16	19	21	5
UK	24	26	2	19	21	22	16	20	-6	15	19	14	15	16	-4	22	20	23	19	-1
Denmark	4	4	0	3	5	3	4	4	0	4	4	3	4	4	0	3	2	2	2	0
Other Western Europe	44	36	-8	36	34	38	37	36	0	31	30	27	27	29	-7	27	23	25	22	-1
Western Europe	95	85	-10	77	78	83	75	78	-7	69	70	57	62	65	-13	70	61	68	64	3
Australia	10	9	-1	10	10	11	13	11	2	12	13	18	14	14	3	18	16	17	16	0
Other Pacific	9	8	-1	8	7	8	6	7	-1	7	8	9	6	8	1	10	11	10	9	-2
OECD Pacific	20	17	-3	18	17	18	19	18	1	19	22	26	20	22	4	28	27	27	25	-2
Total OECD	1667	1264	-403	1571	1411	1669	1719	1592	328	1,842	1570	1749	1859	1755	163	2182	2143	2146	2201	58
Brunei	3	3	0	3	4	4	2	3	0	2	3	3	2	3	0	2	3	3	2	-1
India	50	55	5	59	60	61	62	60	5	64	68	71	76	70	10	82	83	81	84	1
Malaysia	11	14	3	14	13	16	15	14	0	15	15	13	13	14	0	15	14	14	13	-1
Papua New Guinea	1	1	0	1	2	2	1	2	1	3	2	0	1	2	0	2	2	2	2	0
Vietnam	8	9	1	9	9	10	8	9	0	8	9	8	7	8	-1	9	10	10	10	0
Asia others	22	30	8	31	28	26	30	29	-1	27	31	31	31	30	1	38	34	36	36	2
Other Asia	95	111	16	117	115	119	118	117	6	119	128	127	130	126	9	148	146	146	147	1
Argentina	71	49	-22	59	66	59	57	60	11	64	73	73	74	71	11	80	75	78	74	-1
Brazil	28	27	-1	27	27	27	25	26	-1	24	26	26	26	26	0	28	27	28	24	-3
Colombia	15	11	-4	10	9	11	12	11	0	8	9	9	11	9	-2	16	17	16	18	1
Ecuador	10	9	-1	9	11	8	8	9	0	7	9	12	12	10	1	7	11	11	12	1
Peru	4	2	-2	2	2	3	3	3	1	2	2	3	3	2	-1	2	3	3	4	1
Trinidad & Tobago	5	4	-1	3	3	3	3	3	-1	3	4	4	4	4	1	3	2	2	2	0
L. America others	7	5	-2	3	4	4	5	4	-1	6	6	3	4	5	1	3	3	3	5	2
Latin America	141	106	-35	113	121	114	114	116	10	114	127	129	134	126	10	139	138	141	139	1
Bahrain	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oman	25	29	4	33	34	36	36	35	6	36	35	34	36	35	0	34	33	34	34	1
Syria	19	22	3	23	23	26	23	24	2	24	24	23	23	24	0	23	24	22	24	0
Yemen	6	9	3	11	10	9	7	9	0	7	8	9	11	9	0	12	14	13	14	0
Middle East	50	62	12	70	68	72	68	70	8	69	68	69	73	70	0	73	74	73	76	2
Angola	5	5	0	3	4	3	6	4	-1	4	3	3	3	3	-1	3	3	3	3	0
Cameroon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Congo	1	1	0	0	1	1	2	1	0	2	2	3	2	2	1	1	2	2	2	0
Egypt	22	23	1	26	26	27	26	26	3	27	28	29	28	28	2	30	26	28	29	3
Gabon	2	2	0	3	4	1	3	3	1	2	2	2	2	2	-1	2	3	2	2	-1
South Africa	1	1	0	0	1	0	1	0	-1	0	0	0	0	0	0	0	0	0	0	0
Africa other	4	12	8	12	14	12	14	13	1	15	18	20	22	19	6	19	20	19	23	3
Africa	36	43	7	45	50	44	51	48	5	48	53	56	57	54	6	55	54	54	59	5
Total DCs	322	322	0	346	354	350	350	350	28	350	376	381	394	376	26	415	412	414	421	9
FSU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Europe	3	2	-1	2	2	2	2	2	0	2	2	2	2	2	0	3	3	3	3	0
China	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-OPEC Rig count	1992	1588	-404	1919	1767	2021	2071	1944	356	2,194	1949	2132	2255	2132	188	2600	2558	2562	2625	67

Note: Totals may not add up due to independent rounding.

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Data is provided by Data Services Department.

Data Summary November 2005

OPEC Basket average price

US$ per barrel

⬇ *down 3.25 in October*

October 2005	***54.63***
September 2005	*57.88*
Year-to-date	*50.38*

October OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.37*	*Kuwait*	*2.57*	*Saudi Arabia*	*9.46*
Indonesia	*0.93*	*SP Libyan AJ*	*1.66*	*UAE*	*2.49*
IR Iran	*3.92*	*Nigeria*	*2.46*	*Venezuela*	*2.60*
Iraq	*1.77*	*Qatar*	*0.81*	***TOTAL***	***30.05***

Supply and demand

in million barrels per day

2005		***2006***	
World demand	*83.3*	*World demand*	*84.8*
Non-OPEC supply	*54.5*	*Non-OPEC supply*	*56.2*
Difference	***28.8***	***Difference***	***28.6***

Non-OPEC supply includes OPEC NGLs and non-conventional oils

Stocks

US commercial oil stocks rose a slight 0.7 mb in October

World economy

World GDP growth revised up to 4.3% for 2005 and to 4.1% for 2006

Issued 16 November 2005 *Data covers period up to end of October 2005 unless otherwise stated*

Next report to be issued on 16 December 2005